



2006 Annual Report

We're changing



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letter to the minister



The Honourable Shawn Skinner
Minister of Human Resources, Labour and Employment

Dear Minister Skinner:

In compliance with Section 12(1) of the *Workplace Health, Safety and Compensation Act*, I am pleased to submit the Annual Report of the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador for the year ended December 31, 2006.

The report presents information on the Commission's activities for the 2006 calendar year, including the balanced scorecard report and audited financial statements. It has been prepared under the direction of the Board of Directors who are accountable for its contents.

I commend the report for your review.

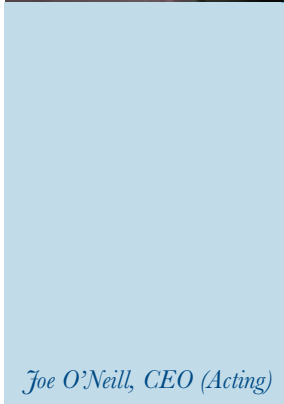
Respectfully submitted,

A handwritten signature in black ink, appearing to be "Ralph Tucker", written over a horizontal line.

Ralph Tucker
Board Chairperson
On behalf of the Board of Directors



Ralph Tucker, Board Chair



Joe O'Neill, CEO (Acting)

message from the CEO and Board Chair



We're changing to better serve employers and workers, and because of this, we are extremely pleased to present our Annual Report highlighting the major activities and accomplishments of the Workplace Health, Safety and Compensation Commission (the Commission) during 2006.

Changing public attitude and perception of the Commission is a priority for us, and something we have been focusing on since 2000, when our system was close to bankruptcy and on the verge of collapse. We have improved communications with our stakeholders over the past year and will increase our presentations and information sessions throughout Newfoundland and Labrador in 2007.

Critical to our long-term success is preventing injuries before they happen – our first line of defense. Key to successfully promoting safe and healthy workplaces is a greater co-operative effort involving all stakeholders, including workers, employers, labour, the Occupational Health and Safety Branch of the Department of Government Services and youth and industry committees. This collaborative approach is an essential element to ensuring healthier, safer workplaces, returning injured workers back to work in a safe and timely manner, and ultimately helping to reduce the debilitating impact of workplace injuries.

When incidents happen, all necessary steps must be taken to assist injured workers so that injuries don't become disabilities. We do this by proactively pursuing early and safe return to work opportunities. This is a shared responsibility between employers and workers, and demands a greater co-operative effort in developing and sustaining a culture of health and safety.

The incidence rate (number of lost-time claims per 100 workers) in 2006 was 2.1, one of the lowest in Canada. Just six years ago our rate was 3.2, one of the highest in the country. This decline is a testament to the prevention efforts being carried out by the Commission, the Occupational Health and Safety Branch of the Department of Government Services, labour and employer organizations, as well as individual employers and workers.

It is our hope that we will see a time in this province, when the attention and focus on being safe at work garners the same attention as seatbelt safety. It may take a generation to do that.

*Nancy Moore
Client Service Assistant*



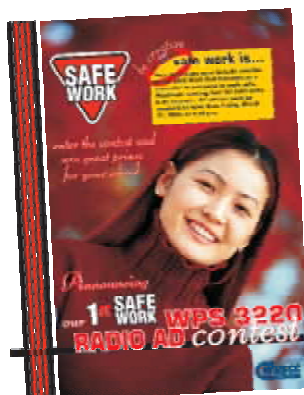
SAFE WORK

SAFE Work Newfoundland and Labrador through its easy-to-remember slogan: **S**pot the hazard, **A**ssess the risk, **F**ind a safer way, **E**veryday, is stressing the importance of safe and healthy workplaces.

In January 2006, Workplace Safety 3220 students throughout the province were encouraged to put on their creative hats and enter a contest to come up with radio advertisements promoting young worker safety. The winner, Holy Spirit High School of Manuels, definitely grasped the concept and for their efforts the school received a \$2,500 prize-package, which included a wide-screen television and an audio-visual library of workplace health and safety materials. Second place went to Exploits Valley High School in Grand Falls-Windsor. Laval High School in Placentia received honorable mention.

The winning ad has been playing on radio stations throughout the province as part of our ongoing SAFE Work Newfoundland and Labrador public education campaign.

In total, some 1,581 students at 47 schools throughout the province are enrolled in this beneficial course. This is not enough! We need to encourage more students and educators to become involved and recognize the value of such a learning experience for our youth.



Holy Spirit High School in Manuels won a \$2,500 audio visual occupational health and safety prize package for placing first in the Workplace Safety 3220 Young Worker Safety Radio Ad Contest. Second place went to Exploits Valley High in Grand Falls-Windsor. Honourable mention went to Laval High School in Placentia. Congratulations to all schools which participated in the contest.

Youth and youth-related safety issues are a high priority and we believe one of the greatest investments we can make in our future is to educate young people now, on the importance of workplace safety. It's common for everyone, not just students, to be unaware of potential hazards in their workplaces. Something tragic could happen – even on their first day of work – tragedies which can and should be prevented.

RED BRACELETS

In January 2006, the Commission launched its SAFE Work Newfoundland and Labrador Red Bracelet Campaign, with a focus on youth. Bracelets were mailed to senior high school students throughout the province enrolled in Workplace Safety 3220. Bracelets have also been made available upon request to all employers, workers and employer and worker organizations throughout the province. It is believed the Red Bracelet Campaign will further increase public awareness on the importance of occupational health and safety. We hope that wearing these bracelets will be a visible reminder that safety on the job and in every area of life, is everyone's responsibility.



*Kathleen Connors
Communications Assistant*

*Chris White
Team Lead*



CLIENT SERVICE

Our focus in 2006 has also been on providing the highest level of service to our clients. In November 2006, we established as a pilot project, a Client Service Office (CSO). The Commission believes that open communication is paramount to achieving continuous improvement in the workers' compensation system, and while the office works to investigate issues of concern about client service and practices at the Commission, it also facilitates the resolution of these concerns, identifies system-wide issues and recommends improvements for client service. We are extremely pleased that we opened this office, and believe it is raising awareness and ultimately helping to improve client service.

The CSO will report its findings and recommendations for service improvements to the Commission's Board of Directors in May 2007. Based on the findings, the Board of Directors will determine the future direction of the office.

A NEW VISION

The expiration of the Commission's five-year strategic plan at the end of 2006 required the development of a new set of goals and objectives for 2007. The development of a one-year plan will align us with the Provincial Government's three-year planning cycle starting in 2008.

Our planning for 2007 and beyond is focusing on providing the highest level of service to workers and employers, while maintaining fiscal sustainability.

The Commission has cultivated a number of key partnerships in carrying out its responsibilities, particularly with the Occupational Health and Safety Branch of the Department of Government Services. Our work with the Branch is certainly making a

difference in workplaces throughout Newfoundland and Labrador. We wish to thank them for a tremendous effort in support of safe work.

SERVICE IMPROVEMENT PROJECTS

On April 1, 2006, the Commission offered its first ever services for stakeholders on the Web. Employers and legal counsel were given the ability to request certificates of clearance on-line. The initial release also enabled employers to maintain sub-contractor lists and manage their user accounts. By the end of the year approximately 600 users had been registered for online access representing 378 employers. A second release in December gave employers access to their account information, PRIME and claims cost notices, and health care cost reports.

CLAIMS MANAGEMENT

Through the claims management project – one of the Commission's key initiatives, we are collaborating with injured workers, employers and health care providers to change the way we manage claims.

When implemented, claims management will produce improved client service, quicker and safer return-to-work for injured workers, reduced impact of injuries on workplaces, and lower health care costs. This is an extensive initiative and involves a multi-phased approach over several years.

FINANCIAL STABILITY, A WIN-WIN FOR EVERYONE

In the past two years the Commission has managed through many extra demands on our resources – from building new systems to developing new programs. The organization was successful in launching PRIME's Practice Incentive program in January 2006, and is on target to launch its PRIME Experience Incentive program for large employers in 2008, and all other employers in 2009.

The Commission continued to encourage PRIME compliance in 2006, which will allow employers to recover 5% on their annual average assessments. By meeting their Practice Incentive requirements,



*Kathy Dicks-Peyton
Communications Officer*



*Andrea Pittman
Early and Safe Return-to-Work Facilitator*

employers also increase education and awareness in our province’s workplaces on health and safety and early and safe return-to-work. Based on statistics compiled in 2006, for the 2005 assessment year, some 3,494 employers met their Practice Incentive requirements in 2005, representing 62% (122,622) of workers in Newfoundland and Labrador. Through the Practice Incentive 5% rebate program in 2005, employers in 2006 collectively were returned over \$4 million on their average annual assessments.

FINANCIAL RESULTS

The Commission’s overall financial position is much improved since the adoption of our most recent five-year strategic plan. We ended the year with a fund deficiency of \$8.3 million compared with a fund deficiency of \$53.6 million at the end of 2005. At the end of 2006 we reached a funded ratio of 98.8%. In 2001, our funded ratio was 67.5%. The improvement in the Commission’s financial position since 2000, is due primarily to an increase in our assessment revenue base, and an increase in the market value of the long-term investment fund. We should note that since 2004 the Commission has been required to account for its long-term investments at market value. The Commission’s funded ratio would have been 82.5% had the 2004 method been applied at the end of 2006.

We continue to prudently manage our administration costs at a time when stakeholders are demanding improved levels and quality of service. Nevertheless, administration costs increased in 2006 after remaining relatively stable since 2003. Additional resources were required in certain frontline departments in response to PRIME and to support employers’ prevention activities. We also added resources in support of our case management system. The increases in administration costs at the Commission in 2006 are within the range of increases for the majority of other workers’ compensation jurisdictions.

It is important that stakeholders view the Commission’s recent financial performance in light of the ongoing challenges of administering the workers’ compensation system. We have experienced rising long-term disability costs and an average claims

duration that has remained relatively constant and well above national standards over the past five years. While we have seen injury incidence rates reach historic lows and become some of the best across all jurisdictions, we continue to have the highest employer assessment rates in the country.

Finally, maintaining our financial position is dependent on continued favorable investment returns which historically have been volatile. In response to this risk the Board has undertaken the development of a long-term funding strategy and funding policy. This long-term strategy will enable the Commission to respond to external factors such as volatile investment market returns and general economic conditions in a controlled and responsible manner. The new funding policy will define minimum funding targets that will provide for the security of benefits that have been committed to injured workers.



*Kirk Rogers
Co-ordinator of Application Development*

In partnership with our stakeholders, we will continue to work towards the prevention of workplace injuries, providing quality client service to our injured workers and a balanced approach to all employers and workers in the province.



Ralph Tucker
Board Chairperson



Joe O’Neill
Chief Executive Officer (Acting)

board information

Chairperson

Ralph Tucker (P.MGR.CIM) – second year

Residence – St. Phillips

- ◆ President and CEO of Keyin College
- ◆ Past-President, Canadian Institute of Management
- ◆ Past-President, Newfoundland and Labrador Association of Career Colleges
- ◆ Past-President, Business Association of Newfoundland and Labrador
- ◆ Member of National Association of Career Colleges
- ◆ Former Board Member, CNIB
- ◆ Founding Member, Canadian Cancer Society Prostate Committee
- ◆ Board Member, Duke of Edinburgh Award

Worker representatives

Grant Barnes – third year

Residence – St. John’s

- ◆ Retired Fire Captain, St. John’s Regional Fire Department
- ◆ Past-President of the St. John’s Firefighters’ Association
- ◆ Newfoundland Representative on the Executive Board of the Atlantic Provinces’ Professional Firefighters Association
- ◆ Provincial Representative of the International Association of Firefighters
- ◆ Union Representative on the Arbitration Board and Grievances
- ◆ Instructor in Legislative Lobbying for Atlantic Provinces Firefighters
- ◆ Honourary Member of the Atlantic Provinces Firefighters Association

Lousie Ade – fourth year

Residence – Conception Bay South

- ◆ Postmaster, Canada Post Corporation
- ◆ Executive Council of the Newfoundland and Labrador Federation of Labour
- ◆ Vice-President, Canadian Postmasters and Assistants Association
- ◆ Trainer with the Federation of Labour Workers Compensation Training Unit
- ◆ Trainer for National CPAA
- ◆ Member of Workers Compensation Committee of Newfoundland and Labrador Federation of Labour

Public representative

Frances Lake – second year

Residence – Churchill Falls

- ◆ Licensed Practical Nurse, Health Labrador Corporation
- ◆ Former Board Member of Destination Labrador
- ◆ Member of Churchill Falls Recreation Committee
- ◆ Former member Placentia and Area Committee for Community Living
- ◆ Past tour guide/public relations, Churchill Falls, Labrador Corporation

Employer representatives

Bernice Buckle – eighth year

Residence – Corner Brook

- ◆ Board Chair, VON Western Branch
- ◆ Director, Senior Wellness Committee, Western Memorial Hospital
- ◆ Treasurer, Senior Wellness Committee Board
- ◆ President, Corner Brook Winter Carnival Inc.
- ◆ Member, Crime Stoppers
- ◆ Corporate Director, Board of Management C.R.A.
- ◆ Awarded Lions International Melvina Jones Fellow
- ◆ Life Member status by the Lions Foundation of Canada
- ◆ Awarded Queen’s Golden Jubilee Medal in 2002

Jack Parsons – third year

Residence – Flatrock

- ◆ President and CEO of K&P Contracting Ltd. and Heat Seal Ltd.
- ◆ Past-Chairman, Newfoundland and Labrador Construction Safety Association
- ◆ Executive Member of Project Management Institute, NL Chapter
- ◆ Three-time President Award of Honour, Canadian Home Builders’ Association

Darren Roberts C.A. – third year

Residence – Stephenville

- ◆ Partner - King & Roberts Chartered Accountants
- ◆ Councillor (Chair of Finance) – Town of Stephenville
- ◆ Past-President Bay St. George Chamber of Commerce
- ◆ Past-Director Stephenville Airport Corporation

Ex-Officio Representatives

Joe O’Neill, *Chief Executive Officer (Acting)*, Workplace Health, Safety and Compensation Commission
Kimberly Dunphy, *Assistant Deputy Minister*, Occupational Health and Safety Branch, Department of Government Services

board of directors and senior executive



Standing back row: (left to right)

Helen Kavanagh, *Executive Assistant*; Chris Rodgers, *Executive Director of Employer Services*; Ann Martin, *General Counsel and Corporate Secretary*; Tom Mahoney, *Executive Director of Worker Services*; Bernice Buckle, *Employer Representative*; Darren Roberts, *Employer Representative*; Paul Kavanagh, *Chief Financial and Information Officer*.

Standing front row: (left to right)

Jack Parsons, *Employer Representative*; Grant Barnes, *Worker Representative*; Louise Ade, *Worker Representative*; Joe O'Neill, *Chief Executive Officer (Acting)*; Ralph Tucker, *Board Chair*; Kimberly Dunphy, *Assistant Deputy Minister*; Frances Lake, *Public Representative*.

*Anda Temple
Case Manager*



Vision

In partnership with our stakeholders, we will have the safest workplaces and be the best workplace insurance provider and employer in Canada.

Mission

Utilizing skilled, professional employees, in partnership with workplace parties, we will facilitate safe and healthy workplaces by assisting employers and workers to prevent accidents, and manage workplace injuries/illnesses and return-to-work processes.

Operating as the administrator of Newfoundland and Labrador's workers' compensation insurance program, we will provide a reasonable level of benefits to injured workers and their dependents based on reasonable assessment rates for employers, while maintaining or exceeding service level performance when compared to other jurisdictions in Canada.

Values

Excellence

We excel through innovation, continuous learning, personal initiative and strong partnerships to provide the highest quality programs and services to our clients.

Integrity

We maintain the highest professional and ethical standards in our dealings with clients and each other.

Respect

As empathetic service providers, we treat each other, our clients and stakeholders with dignity and respect.

Accountability

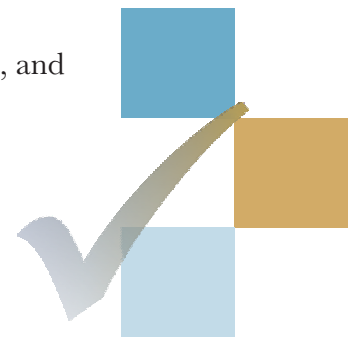
We openly accept ownership of our actions, celebrate our successes, and correct our mistakes.

Teamwork

We work together to produce outcomes that are greater than the sum of the individual efforts.

Quality Service

We provide valued services to our clients that are fair, prompt, sensitive and responsive to their needs.



Anna Tapper
Senior Policy Advisor



balanced scorecard report

2006 marks the end of our 2002-2006 Strategic Plan. The last five years have brought many positive changes to the Commission as we worked with our stakeholders to improve the workers' compensation system in our province.

To demonstrate accountability, we used a balanced scorecard to monitor our progress.

The past year was a busy one for the Commission as we continued to pursue key client service initiatives, such as the introduction of web services and the establishment of PRIME. While we reached many of our targets, we must continue to work to prevent injuries and reduce the impact of these injuries on workers and workplaces. To create a sustainable workers' compensation system for the future, we also need to focus on reducing costs, particularly in the areas of health care and long-term disability.

Guided by the Provincial Government's *Transparency and Accountability Act*, we also developed a new strategic plan to maintain and build on the many improvements achieved in the last five years. In addition, we were required by government to respond to information requests through the 2006 Statutory Review process and the Red Tape Reduction Initiative. The following sections outline our key results.

The goals of the 2002-2006 Strategic Plan are as follows:

Goal A:

Prevention Focus Achieving Results

Goal B:

Injured Workers and Employers Better Served

Goal C:

Financially Secure

Goal D:

Stakeholders Sharing Responsibility for Changes

Goal E:

Commission Operating More Efficiently

Goal F:

Knowledgeable Employees Satisfied and Retained



Goal A:

Prevention focus achieving results

Accident and illness prevention is everyone's responsibility. We will work in partnership with our stakeholders to reduce the incidence of injury and illness in the workplace.

Partnering - a key to success

We continue to commit resources to build and foster effective working relationships with workers and employers to ensure safe, healthy and productive workplaces.

In 2006, the Commission sponsored the international conference "Research on Workplace Health and Safety: From the Core to the Margins." This conference, hosted by SafetyNet and the Canadian Association for Research on Work and Health (CARWH) was successful in providing information and networking opportunities for its participants.



Gus Loder
Case Manager

Working with employers at risk

Enrollment in our Priority Employer Program increased by 14% in 2006, indicating a commitment to improving safety at workplaces with high injury rates and claims-related costs.

Employers realize that by engaging in partnerships, preventing injuries and reducing costs, they will have safer workplaces for their employees and a positive impact on the bottom line. Employers participating in this program realized a 7.3 % reduction in lost-time claims and a 10% reduction in soft-tissue injuries. Since its inception in 2001, this program has saved participating employers in excess of \$2.6 million.

Building industry partnerships

We continue to strengthen strategic industry partnerships that actively promote injury prevention.

1. The Commission worked closely with the Newfoundland and Labrador Construction Safety Association to conduct PRIME Audits in 2006.
2. Our Health and Safety Advisors met regularly with other health and safety representatives to discuss issues and concerns related to their worksites and facilities, and to share ideas and potential solutions.
3. Partnerships continued to develop within the forestry industry on training requirements.
4. An increased focus on injury prevention in 2006 has helped six of the province's 12 major industry sectors experience decreases in injury rates, with the greatest decrease evident in the fish processing sector.

Safety training hits a milestone

Occupational health and safety certification training continues to be delivered through a province-wide network of approved training providers. Certification training reached a milestone in 2006, with 21,000 participants trained. This number is equal to about one in 10 workers having received health and safety training, and is a tremendous example of how employers and workers partner to ensure that an educated workforce leads to success in injury prevention.

*Karen Everard
Employer Assessment Representative*



Goal A: (cont'd) Prevention focus achieving results

Record attendance for Workshop Series

Workers and employers recognize that safety education is worthwhile and valuable. In 2006, the Commission delivered 68 prevention workshops throughout the province to over 1,436 participants – an increase of 13% over 2005.

Fostering awareness of safety and occupational health and safety program development remains an important part of the Commission's injury prevention philosophy. We are pleased that both safety training and awareness are recognized goals and objectives of both workers and employers.

Provincial Accident Prevention Strategy

Our provincial accident prevention strategy brought a renewed focus and collaboration among our stakeholders for the promotion of workplace health and safety. While the strategy concluded in 2006, we are pleased that many of the initiatives, including a focus on young workers and the revised Workplace Safety 3220 high school course, will continue.

In September 2006, a new compulsory high school course Career Development 2201 was established, and is being delivered throughout the province. The Commission, in collaboration with the Labour Relations Agency, developed several curriculum outcomes for this course, which means that all students who complete Level II will enter the workforce having learned their occupational health and safety rights and responsibilities. They will also be able to recognize and report hazards, increasing their ability to prevent potential injury and illness.

Promoting SAFE Work

Three new television commercials were produced in 2006 as part of the Commission's province-wide SAFE Work Newfoundland and Labrador social marketing campaign. This powerful campaign was a collaborative effort by the Newfoundland and

Labrador, Nova Scotia and Prince Edward Island workers' compensation boards. Feedback has been extremely positive and all three provinces plan to work together to advance our social marketing agenda in 2007.

Expanding our occupational health and safety focus

In 2006, responsibility for mines rescue and the certification of first-aid training providers was transferred from the Provincial Government to the Commission. Mine rescue training is now moving forward with the development of a draft mine rescue training standard, and terms of reference for a mine rescue technical advisory committee.

The Commission also recognizes first-aid providers who have met federal guidelines under the Canada Labour Code Part II, occupational health and safety regulations, section 16.12.

Currently, there are five first-aid providers recognized to deliver training in Newfoundland and Labrador, based on their federal recognition. The list of providers was added to the Prevention link on the Commission's web site to ensure they are easily accessible.

Indicators trend in the right direction

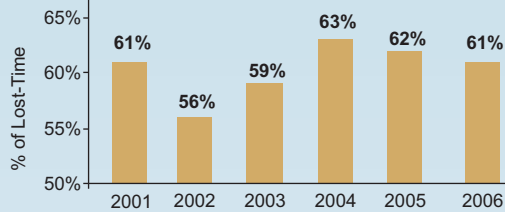
The efforts of the Commission and its stakeholders, and the continued focus on health and safety, has contributed to a further decline in this province's lost-time incidence rate to 2.1 in 2006. We are also starting to see some progress on the soft-tissue injury indicators, with a decrease in the lost-time incidence rate and percentage of lost-time injuries.



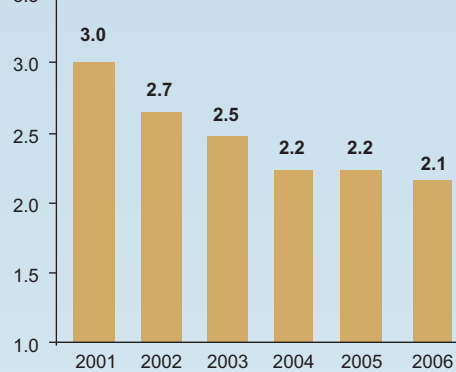
*Dr. Cliff Westby
Medical Consultant*

Goal A – Statistics

% of Lost-Time Injuries due to Soft-tissue Injuries

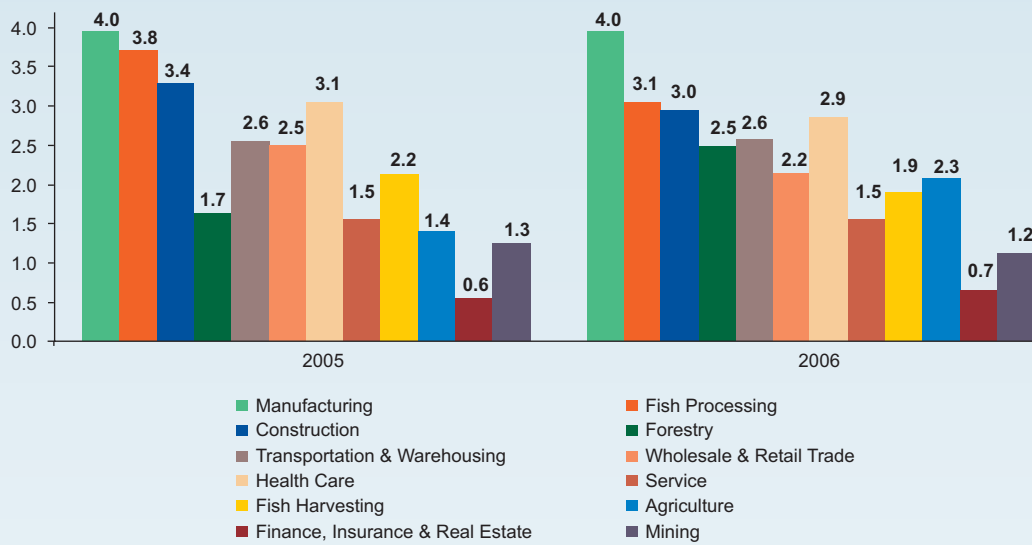


Lost-Time Incidence Rate

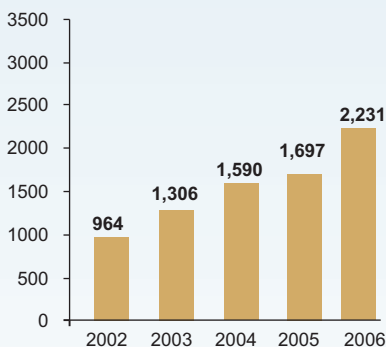


Lost-Time Incidence Rate in the 12 Major Industry Sectors*

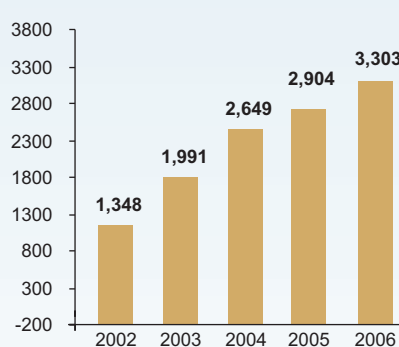
**the number of lost-time claims per 100 people employed*



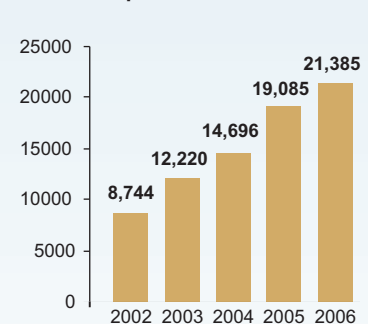
OH&S Committees Registered



Firms with WH&S Representatives Trained



OH&S Committee Members and WH&S Representatives Trained



Lisa Clarke
Client Services Assistant



Goal B:

Injured workers and employers better served

Quality service continues to be an important issue for the people we serve. We are committed to better serve them.

Improving claims management

The indicators for lost-time claims duration and time to first payment increased in 2006, highlighting the need for a new and improved way to manage claims.

In the development of a new claims management model, we are collaborating with injured workers, employers and health care providers, and adopting new technologies and processes to change the way claims are managed. This is an extensive initiative involving a multi-phased approach over several years, but once implemented, this new system will mean improved client service, quicker and safer return-to-work for injured workers, reduced impact of injuries on workplaces, and lower health care costs.

Staff are very much involved in the development of our new claims management model and stakeholders have been consulted on newly re-designed reporting forms.

When the claims registration component is launched in early 2008, it will enable the Commission to electronically capture information on new claims, as compared to the current process of sifting through paper and scanned images. This electronic capability is a first step in building a new and improved model.

Enhancing early and safe return-to-work

Promoting and enhancing early and safe return-to-work (ESRTW) programs will help reduce the amount of time an injured worker is away from the workplace. In 2006, we established 1,289 ESRTW programs on new 2006 injuries (28.3% of lost-time injuries) to help injured workers remain at work, or to return to work as soon as they are able. The average duration of programs completed in 2006 was 33 days compared to 34 days in 2005.

Throughout the year, we continued to educate stakeholders and facilitate the implementation of ESRTW programs in workplaces throughout the province.

In late 2006, ESRTW facilitators were recruited and trained to assist workplace parties in the development of ESRTW plans, and to educate them on how to identify solutions to problems impeding the ESRTW process. The facilitators' initial focus will target small- and medium-sized employers who may not have the available resources or experience in return-to-work planning.

In 2006, the Commission's return-to-work (RTW) program development co-ordinator visited 106 large employers, educating and assisting them in the development and implementation of RTW programs – a requirement under the Commission's Practice Incentive criteria for PRIME.



Heather Granter
Collections Representative

Improving measures for labour market re-entry planning

In an effort to more accurately report on labour market re-entry (LMR) planning, in 2006 we developed and tracked reason codes for terminated LMR plans to determine the number of injured workers who discontinued their plans because they were unsuitable. By the end of 2006, when non-controllable factors (such as the worker took another job or the worker had to stop training for medical reasons) were excluded, 96.3% had successfully completed their LMR plans or were continuing with their original plans.



Marion Caravan
Administrative Assistant

Goal B: (cont'd)

Injured workers and employers better served

Aligning by industry teams

In 2006, we were pleased to initiate a first-step towards aligning our case management function with the establishment of industry-based teams. Four industry teams were established with approximately 75% of all active, lost-time claims currently falling within one of these teams:

- (1) primary industry;
- (2) health care;
- (3) trade, manufacturing storage and transportation; and
- (4) service and government. A small business industry team is also planned.

EMPOWER program helping clients

We extended our contract for the EMPOWER Program in 2006. EMPOWER uses a multi-disciplinary approach to help diagnose an injured worker's condition as early as eight weeks post-injury.

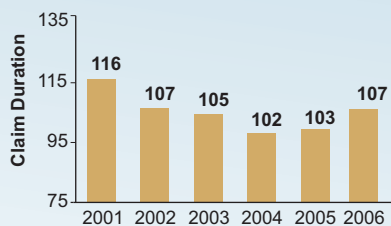
It also serves to educate workers, prevent injuries from becoming chronic, and develop action plans for recovery. In 2006, some 264 injured workers participated in the EMPOWER Program.

Extended earnings loss claim costs increasing

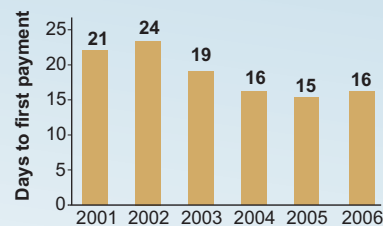
The Commission's external actuary projects that 4.8% of new lost-time claims in 2006 could eventually become full or partial long-term disability claims. This is up 0.1% from last year, but is on a decreasing volume of claims. In addition, the average cost of an extended earnings loss (EEL) award increased 6.7% from \$105,000 in 2005 to \$112,000 in 2006. This is above our target of \$90,000. Two initiatives which we believe will positively impact return-to-work rates and EEL costs are the PRIME program and the new claims management model.

Goal B – Statistics

Targeted Reduction of Average Claim Duration



Reduction of Time to First Payment *



* **Time to first payment** is the average number of calendar days from receipt of first report to issue of first payment.

Larry Thomas
Auditor



Goal C:

Financially secure

A sound and sustainable financial position is critical not only to meet current needs but also the needs of those who have suffered serious injury and who will need long term financial support.

Financial improvement

In 2006, our funded ratio reached 98.8% compared to 92.6% at the end of 2005. A significant proportion of this improvement is due to the increase in market value of the injury fund assets, as well as an increase in investment revenue (\$60.1 million in 2006 compared to \$37.1 million in 2005). The Commission achieved an annual investment return of 15.1% in 2006 compared with 11.4% for 2005, and our four-year annualized return was 12.5%, compared to a policy return of 12.6%.

While we are pleased with our improved funding position, we are keenly aware of increasing costs and the vulnerability associated with potential financial market volatility and fluctuations in claim numbers and assessment revenue. In 2006 we experienced decreases in short-term disability and rehabilitation costs. However, these reductions were more than offset by increases in extended earnings loss, health care and survivor benefits costs.

Zero tolerance for abuse and fraud

We continue to enforce a zero tolerance policy for system abuse and fraud by workers, employers and other parties who do business with the Commission. During 2006 we made six referrals to the authorities, three of which were related to fraud and three others related to violations under the *Workplace Health, Safety and Compensation Act*. Two charges were laid and there were four resulting convictions.

Employers paying fairer assessments

Changes to our rate setting system in 2001, and further changes with the introduction of our PRIME program in 2006 have meant that employers are paying fairer assessments based on employer practices and workplace injury and cost experience. In 2006, 97% of employers were paying their required assessment rate. It is anticipated that by 2009, 100% of employers will be paying their required rate.

Lower assessment rates

Since 2000, stakeholder dedication and commitment to improving the workers' compensation system has resulted in a sustained decrease in costs and fewer injuries. As a result, the Commission lowered its average base assessment rate in 2006 by 14% - from \$3.19 to \$2.75. This improvement is significant, given that in 2002, our base rate was \$3.24 and 45% higher than the average base assessment rate of the other workers' compensation boards in Atlantic Canada. We are currently only 17% higher.

Long-term income replacement rate

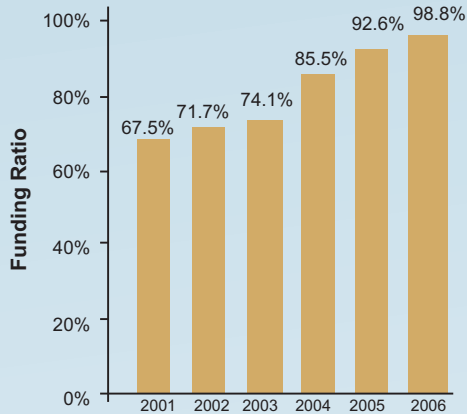
The long-term income replacement rate paid to injured workers in this province remained, on average, 6% below the rest of Atlantic Canada, although the percentage of the workforce covered (97%) was higher than the Atlantic Canada average of 87.4%.



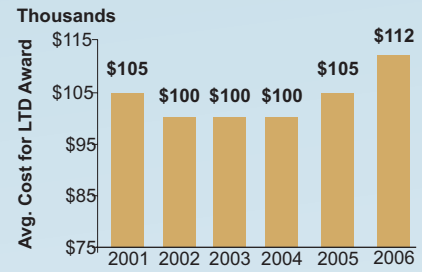
Brenda Hayter
Regional Director

Goal C – Statistics

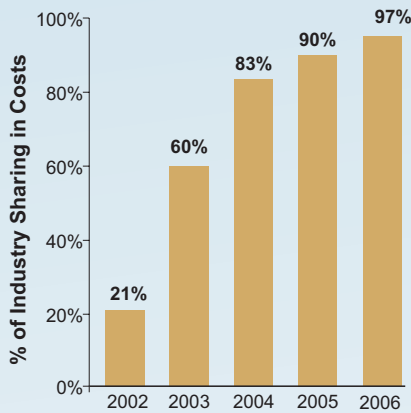
Funding Ratio



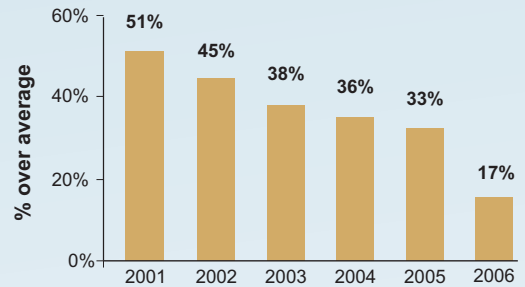
Average Cost Per Long-Term Disability Award



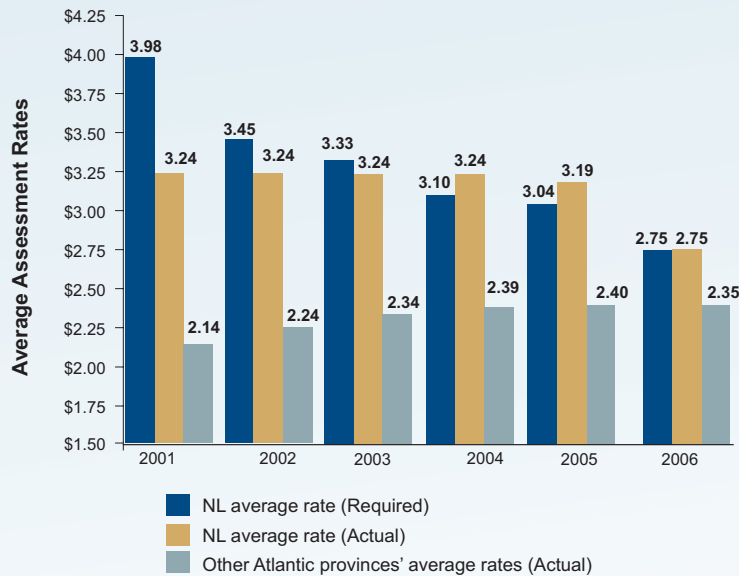
Percentage of Employers Paying Proper Assessment Rate



Percentage Difference In The Average Competitive Assessment Rates Compared With Other Atlantic Provinces



Average Assessment Rates





Goal D:

Stakeholders sharing responsibility for changes

Challenges facing the system can be best met by everyone (employers, labour, injured workers, health care providers, the Provincial Government and the Commission) working in partnership and sharing responsibility while being individually accountable.

PRIME enhancing employer accountability

The Commission's two-part employer incentive program, is an example of how stakeholders are sharing responsibility to help improve our workers' compensation system. PRIME is designed to promote and create awareness of the importance of occupational health and safety and good return-to-work practices in the province's workplaces. Over time, these efforts will help reduce injuries, and most importantly, make workplaces safer for our workforce. This will lead to fewer claims coming onto the system and lower rates to all employers.

In May 2006, the Commission and its communication consultant (Pecora Communications and Training) received an International Association of Business Communicators' Pinnacle Award of Excellence for our PRIME marketing and communications program.

Engaging the OH&S committee

Occupational health and safety (OH&S) committees and worker health and safety representatives are key to creating and sustaining an effective safety culture in the workplace. Both committees and representatives illustrate examples of productive workplace partnerships that guide and support the activities that lead to a culture where safety is embraced as a way of doing business. Our workplaces are fostering these partnerships with a total of 2,231 active OH&S committees and 2,300 new OH&S committee members and WH&S representatives, registered with the Commission in 2006.

Agreements with health care providers

This was the first year that all major groups of health care providers (physicians, chiropractors, occupational rehabilitation providers, and physiotherapists) worked with the Commission under

signed memorandums of agreement (MOAs). These MOAs outline the Commission's expectations and reporting requirements for treating injured workers. Also in 2006, individual health care providers and clinics were sent practice profiles allowing them to compare their practice with respect to injured workers, to other providers in their field. As many of these MOAs are renewed throughout 2007, we will work to incorporate an increased focus on early and safe return-to-work.

Promoting the role of the physician in the early and safe return-to-work process

Since March 2006, through on-site visits with physicians and employers, a Commission physician and case manager have been promoting the role of doctors in the ESRTW process. These visits have resulted in positive feedback. By the end of 2006, approximately 140 doctors had received this presentation. The concept was also promoted to major employers at 12 worksites, employers in the fishery and occupational health nurses.

Beneficial opioid policy

The Commission's opioid policy, introduced in 2004 to control the use of narcotic drugs for pain management, is having a positive impact. The number of injured workers with new claims in 2005 and 2006, who received opioid drugs, was less than one-third of what it had been in previous years. The Commission will continue to monitor prescription drug usage for new claims to determine the long-term impact of the opioid policy.



Tony Maher
Auditor

Lynn McHenry
Client Services Assistant



Goal E:

Commission operating more efficiently

The Commission is committed to efficiency in all operational areas through the adoption of appropriate business practices with a focus on performance measurement and management to achieve desired outcomes.

Web services launched

The launch of web services marked a major milestone for the Commission. These services enable employers and the legal community to request clearance letters through the web. Previously, employers had to wait for a clearance letter to be faxed or mailed. Using the internet, employers receive an instant response including an electronic copy of the clearance letter. In November 2006,

additional web services were offered, enabling employers to view account information and receive PRIME status and claims cost reports. Employers and law firms are very pleased with these new services, indicating they are user-friendly, efficient and effective.

Over 90 web-based services have been identified for development over the next three to

four years. In future releases, all stakeholders, including injured workers, will have the ability to participate in an on-line community. We are excited about this project as these initiatives will improve client services, gain process efficiencies, and help support our key corporate objectives.

Improving our processes

Our claims management model will use a Windows-based case management system to help improve the

efficiency of claims management and adjudication processes, early intervention and case planning activities, resulting in improved client service.

During 2006 we continued to make changes to our vendor management and health care accounts payable functions to improve internal controls and efficiency. The Commission expanded its health care tendering initiatives to improve service delivery and reduce costs. Various computer system changes were implemented to support these initiatives.

We are also participating in government's Red Tape Reduction Initiative to streamline processes and improve service to clients through our own three-year Red Tape Reduction Plan. In 2006, we reduced our red tape by 1,226 requirements and reviewed all proposed new requirements to ensure we are not increasing red tape for our stakeholders.

Responding more effectively to client appeals

In 2006, all client appeals to the Commission's Internal Review Division were completed within the mandatory 45 day timeline.

At the internal review stage, claims are reviewed upon receipt and referred back to the original decision maker to review any new information or to review any identifiable errors or omissions. In 2006, approximately 363 claims were resolved at the internal review stage, as opposed to going through the appeal process. This not only served as a quality control function, but also prevented delays and helped in more timely resolutions for our clients.



Brendon Reardon
Programmer/Analyst

Goal E: (cont'd)

Commission operating more efficiently

We also initiated a change in the external appeals process by recruiting a representative from the Commission to attend Workplace Health, Safety and Compensation Review Division hearings. This representative attended 60 hearings in 2006, providing policy clarification where required, and bringing back lessons learned to help improve decision-making at the Commission.

Enhancing policies and programs

We value input from our stakeholders when we are developing or enhancing policies and programs. Consultation took place on various issues throughout 2006, including ongoing development of the web services and the claims management projects. In addition, our Board of Directors offered, for the first time, an information session for stakeholders with the Commission's actuary.

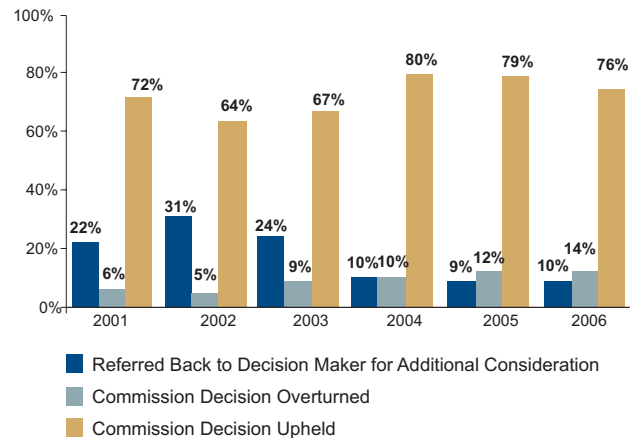
In 2006, the Board of Directors approved 15 policy revisions and one new policy. In addition, eight procedures were revised. Many of these changes were required to support the PRIME program. Other revisions were approved to clarify services and programs, as well as to advance the Red Tape Reduction Initiative.

Website redesign complete

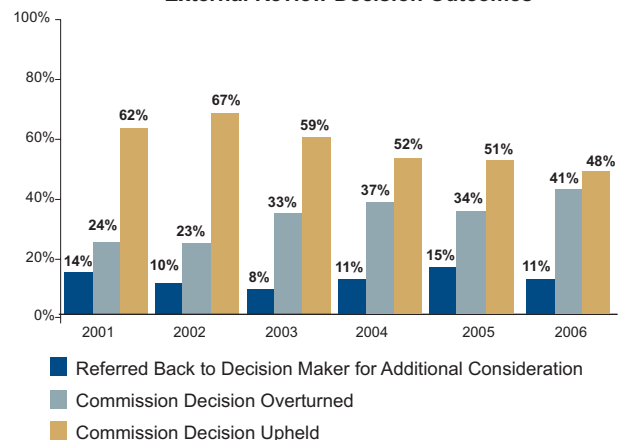
In 2006, the majority of work was completed on the development, conversion, and testing of a new corporate website, which we expect to implement in 2007.

Goal E – Statistics

Internal Review Decision Outcomes



External Review Decision Outcomes



*Karen Waugh
Team Lead
Compensation Services*



Goal F:

Knowledgeable employees satisfied and retained

The Commission highly values its employees and will provide them with the necessary training and professional development aimed at achieving a service culture and a productive, accountable and performance-driven work environment.

Revising our performance development process

We were pleased in 2006, to introduce a new performance development evaluation process, incorporating generic and position specific competencies for all positions throughout the Commission.



*Brian Cooke
Case Manager*

We also want to increase employee satisfaction at the Commission, as it is essential to the delivery of quality client service. This past year, employees were invited to attend departmental meetings with the Chief Executive Officer and the Director of Human Resources. Discussions at these meetings provided

constructive feedback on many issues at the Commission. The meetings also helped identify an action plan which will be implemented in 2007 to improve employee satisfaction, and ultimately increase the quality of customer service for our stakeholders.

Skills development

We are striving to ensure that our employees are skilled, well trained and prepared to serve our clients. Throughout the year, an average of 5.5 training days per employee was provided. Management skill development and leadership training was also offered, and the Commission also continues to promote and support employees enrolled in post-secondary education courses and professional development programs.

Disability management

Having initially developed a disability management program in 2005, the Commission and the union representing our employees, finalized and implemented the program in 2006. We delivered training to all employees and managers responsible for the program's implementation and success. Establishment of a disability management steering committee and an evaluation of the program is planned for 2007. This is considered to be an important initiative given the sick leave for 2006 was an average of 9.6 days per person.

Recruiting to serve our clients

2006 was a busy year for recruitment, as we had 74 internal movements/promotions. While opportunities for promotion and career path development help to increase employee satisfaction, it also creates challenges for departments that provide frontline support and services to both internal and external stakeholders. The Commission is striving to find a balance between the advancement of its employees and the provision of consistent, stable and quality service to its clients. In addition to internal movement, the Commission had an attrition rate of 7%, which includes retirements.

Providing a safe and healthy workplace

The Commission continues to develop its occupational health and safety and ergonomic programs in order to provide staff with a safe and healthy working environment. Supporting a holistic approach to employee wellness and satisfaction, we continue to offer multiple benefits and programs. Many of our employees participate in these programs which help ensure they are well informed and supported, as they strive to maintain a healthy work-life balance.



Terry Burke
Collections Officer



Sean Kinden
Audiology Consultant

2006 financial statements

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management responsibility for financial reporting

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

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains 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 has reviewed the financial statements and other financial information included in this Annual Report.

The Board of Directors is assisted in its responsibilities by its Finance and Audit Committee. This committee reviews and recommends approval of the financial statements and Annual Report, meets periodically with management, the Internal Auditor, external auditors and actuaries, concerning internal controls and all other matters relating to financial reporting, and recommends the appointment of external 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 a periodic basis not to exceed two years and to report thereon in accordance with generally accepted actuarial principles. Such a valuation was performed as at December 31, 2006.

Grant Thornton, LLP, the external auditors of the Commission, have performed an independent audit of the 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.



Joe O'Neill
Chief Executive Officer (Acting)



Paul Kavanagh
Chief Financial & Information Officer

actuarial statement of opinion

With respect to the *Workplace Health, Safety and Compensation Act* of Newfoundland and Labrador, I state that in my opinion:

1. The total benefit liabilities as at December 31, 2006 for benefit payments of all types expected to be made after December 31, 2006 (including capitalized awards, future administration expenses, and the effect of future indexing) in respect of accidents of 2006 and prior years amount to \$761,494,929 for assessed employers. Self-insured employers, and future claims arising from latent occupational diseases were not included in this valuation.
2. The data on which the valuation is based were provided by the Commission in accordance with detailed 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 as described above.
3. The actuarial assumptions adopted in computing the foregoing liabilities are adequate and appropriate, and the methods employed are in accordance with accepted actuarial practice. The economic assumptions adopted for purposes of computing the above-noted liabilities are consistent with the funding and long-term investment policies of the Commission. The discount rates used are disclosed in note 11 to the financial statements.
4. The valuation report has been prepared and my opinion has been given in accordance with accepted actuarial practice.

Details of the data, actuarial assumptions and valuation methods are set out in the actuarial valuation report as at December 31, 2006, of which this certificate forms part.



Conrad Ferguson, F.S.A., F.C.I.A.
Partner, Morneau Sobeco
May 7, 2007

auditors' report

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 as at December 31, 2006 and the statements of operations, changes in fund balance, comprehensive income 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 misstatements. 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, 2006, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

St. John's, Newfoundland
March 12, 2007, except as to Note 10
which is as of May 9, 2007

Grant Thornton LLP
Grant Thornton, LLP
Chartered Accountants

statement of financial position
as at December 31

(dollars in thousands)	2006	2005
Assets		
Cash and cash equivalents (Note 3)	\$ -	\$ 9,119
Receivables (Note 4)	12,435	13,649
Investments (Note 5)	752,556	653,199
Capital assets (Note 7)	11,905	10,267
	\$ 776,896	\$ 686,234
Liabilities		
Bank overdraft (Note 3)	\$ 1,260	\$ -
Bank indebtedness (Note 8)	4,947	-
Payables and accruals (Note 9)	17,526	10,674
Benefit liabilities (Note 10)	761,495	729,185
Total liabilities	785,228	739,859
Fund Deficiency	(8,332)	(53,625)
	\$ 776,896	\$ 686,234

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)	2006	2005
Revenue		
Assessments	\$ 124,763	\$ 158,217
Investment income (Note 5)	60,104	37,091
	184,867	195,308
Expenses		
Claims costs incurred (Note 10)		
Short-term disability	28,055	29,360
Long-term disability	58,286	54,990
Survivor benefits	7,327	6,013
Health care	38,625	37,917
Rehabilitation	1,330	1,489
Future administration costs	3,398	3,234
	137,021	133,003
Administration (Note 14)	22,356	21,016
Legislated obligations (Note 15)	6,347	6,505
Amortization	1,882	2,047
Other (Note 16)	633	1,225
	168,239	163,796
Surplus from operations	16,628	31,512
Actuarial adjustments (Note 10)	(8,771)	(10,609)
Surplus for the year	\$ 7,857	\$ 20,903

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

statement of changes in fund deficiency

Years ended December 31

(dollars in thousands)	2006	2005
Accumulated operating deficit		
Balance, beginning of year	\$ (139,240)	\$ (160,143)
Operating surplus	7,857	20,903
	(131,383)	(139,240)
Accumulated other comprehensive income		
Balance, beginning of year	84,702	57,721
Other comprehensive income	37,436	26,981
	122,138	84,702
Reserves		
Occupational Health and Safety Research	913	913
Fund deficiency end of year	\$ (8,332)	\$ (53,625)

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

statement of comprehensive income

Years ended December 31

(dollars in thousands)	2006	2005
Surplus for the year	\$ 7,857	\$ 20,903
Other comprehensive income:		
Unrealized gains on available-for-sale investments	57,481	42,761
Realized gains on available-for-sale investments included in surplus from operations	(21,841)	(17,576)
Amortization of reversal of investment gains	1,796	1,796
Net change in other comprehensive income for the year	37,436	26,981
Comprehensive income	\$ 45,293	\$ 47,884

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

statement of cash flows

Years ended December 31

(dollars in thousands)	2006	2005
Cash flow from operating activities		
Cash received from:		
Employers, for assessments	\$ 125,977	\$ 160,230
Investment income	13,036	11,471
	139,013	171,701
Cash paid to:		
Claimants or third parties on their behalf	(113,482)	(108,232)
Suppliers and employees, for administrative and other goods and services	(22,483)	(29,557)
Third party, from reserve fund	-	(58)
	(135,965)	(137,847)
Net cash provided from operating activities	3,048	33,854
Cash flow from financing activities		
Proceeds from short-term borrowings	4,938	-
Cash provided from financing activities	4,938	-
Cash flow from investing activities		
Purchase of investments	(14,818)	(27,795)
Purchase of capital assets	(3,547)	(2,714)
Net cash used for investing activities	(18,365)	(30,509)
Net (decrease) increase in cash and cash equivalents	(10,379)	3,345
Cash and cash equivalents		
Beginning of year	9,119	5,774
End of year	\$ (1,260)	\$ 9,119

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

notes to financial statements

Years ended December 31, 2006 and 2005

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 Insurance 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 include cash, bank overdrafts and short-term investments in money market instruments which will be liquidated in the near term.

(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.

notes to financial statements

Years ended December 31, 2006 and 2005

2. Significant accounting policies (cont'd)

(d) Investments

Investments are designated as available-for-sale and are recorded at fair value. The Commission applies settlement 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.

(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

(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;

notes to financial statements

Years ended December 31, 2006 and 2005

2. Significant accounting policies (*cont'd*)

- 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.

(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, 2006, 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.

Investments include derivatives, which are financial contracts whose price is dependent on the price of one or more underlying securities. 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.

notes to financial statements

Years ended December 31, 2006 and 2005

2. Significant accounting policies (cont'd)

(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.

3. Cash and cash equivalents (bank overdraft)

(dollars in thousands)	2006	2005
Money market instruments	\$ -	\$ 3,456
Bank balances	-	5,663
Bank overdraft	(1,260)	-
	\$ (1,260)	\$ 9,119

4. Receivables

(dollars in thousands)	2006	2005
Assessments	\$ 5,623	\$ 6,118
Accrued assessments	5,000	6,000
Other	1,812	1,531
	\$ 12,435	\$ 13,649

5. Investments

(dollars in thousands)	2006		2005	
	Fair Value	Cost	Fair Value	Cost
Fixed term	\$ 232,350	\$ 235,733	\$ 211,927	\$ 212,867
Equities	519,216	391,899	440,329	351,094
Accrued interest	990	990	943	943
	\$ 752,556	\$ 628,622	\$ 653,199	\$ 564,904

At December 31, 2005, \$5,000,000 of short-term money market instruments, the proceeds of which were transferred in January 2006, were classified as investments.

notes to financial statements

Years ended December 31, 2006 and 2005

5. Investments (cont'd)

Investment income is comprised of the following:

(dollars in thousands)	2006	2005
Interest and dividends	\$ 17,152	\$ 15,073
Realized investment gains	47,110	25,971
Reversal of recognized unrealized investment gains	(1,796)	(1,796)
	62,466	39,248
Less: Portfolio management expenses	(2,362)	(2,157)
Total investment income	\$ 60,104	\$ 37,091

The Commission's asset mix policy for 2006 and 2005 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%

6. Financial instruments

(a) Market risk management

The Commission invests in publicly and privately traded equities and bonds available on domestic and foreign exchanges. These securities are affected by market changes and fluctuations. The Commission uses derivative financial instruments for trading purposes. Changes in the fair value of derivatives are recognized in income in the period in which they arise. At December 31, 2006 the fair value of the Commission's derivative portfolio was \$81,000 (notional value of \$9,546,000). There were no derivative instruments held at December 31, 2005.

(b) 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. Of the fixed income assets in the investment portfolio, 94.1% (2005; 91.8%) 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.

notes to financial statements

Years ended December 31, 2006 and 2005

6. Financial instruments (cont'd)

(c) Foreign exchange risk management

The Commission has certain investments denominated in foreign currencies. The Commission does not undertake hedging strategies for the currency risk of foreign equity investments. These currency fluctuations are not expected to affect the long-term position of the investment portfolio. Forward foreign exchange and futures contracts are used to hedge the currency risk of certain foreign currency denominated fixed income investments. As at December 31, 2006, the Commission's holdings in foreign equities and pooled equity funds had a market value of \$233.9 million (2005; \$200.8 million) representing 31.1% (2005; 31.0%) of the market value of the total investment portfolio.

(d) Interest rate risk management

Fluctuations in interest rates are managed through interest rate swaps and by actively controlling the duration of the fixed income portfolio. The table below represents the remaining term to maturity of the Commission's fixed term investments.

Remaining Term to Maturity

Fair Value (dollars in thousands)	Within 1 Year	1 Year to 5 Years	Over 5 Years	Total 2006	Total 2005
Fixed term investments	\$ 13,075	\$ 111,017	\$ 108,258	\$ 232,350	\$ 211,927

7. Capital assets

(dollars in thousands)	2006			2005
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 11	\$ -	\$ 11	\$ 11
Building	7,674	4,733	2,941	3,205
Furniture and equipment	2,652	2,211	441	520
Computer equipment	6,811	5,626	1,185	1,480
Systems development	17,339	10,012	7,327	5,043
Equipment under capital lease	218	218	-	8
	\$ 34,705	\$ 22,800	\$ 11,905	\$ 10,267

Included in systems development costs for 2006 is \$3,063,000 (2005; \$2,049,000) related to business improvement projects.

notes to financial statements

Years ended December 31, 2006 and 2005

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 1.16%. The credit facility is unsecured and was utilized during 2006 to the amount of \$15,000,000; of which \$4,947,000 was outstanding at December 31, 2006 (2005; Nil).

9. Payables and accruals

(dollars in thousands)	2006	2005
Accounts payable	\$ 11,260	\$ 6,023
Annual leave and post-employment benefits, due to employees	3,596	3,293
Credit balances due to employers	2,670	1,358
	\$ 17,526	\$ 10,674

In 2006, accounts payable includes a provision of \$4,650,000 for amounts owing to employers under the Commission's practice incentive and experience refund program.

notes to financial statements

Years ended December 31, 2006 and 2005

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, 2006.

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

	2006						2005	
	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehabilitation	Future Admin. cost	Total	Total
Balance, Beginning of year	\$ 47,384	\$ 416,982	\$ 54,795	\$ 158,585	\$ 3,736	\$ 47,703	\$ 729,185	\$ 693,805
Add:								
Claims costs incurred:								
Current year injuries	24,732	26,591	3,032	26,243	1,094	-	81,692	80,360
Prior years' injuries	3,323	31,695	4,295	12,382	236	3,398	55,329	52,643
	28,055	58,286	7,327	38,625	1,330	3,398	137,021	133,003
Deduct:								
Claims payments:								
Current year injuries	8,351	306	167	7,448	1	-	16,273	16,460
Prior years' injuries	18,072	43,042	10,165	24,870	1,060	-	97,209	91,772
	26,423	43,348	10,332	32,318	1,061	-	113,482	108,232
Balance before actuarial adjustments	49,016	431,920	51,790	164,892	4,005	51,101	752,724	718,576
Actuarial adjustments	(3,193)	11,720	3,768	(1,497)	(743)	(1,284)	8,771	10,609
Balance, end of year	\$ 45,823	\$ 443,640	\$ 55,558	\$ 163,395	\$ 3,262	\$ 49,817	\$ 761,495	\$ 729,185

notes to financial statements

Years ended December 31, 2006 and 2005

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.

The table below lists the principal economic assumptions used.

	2006		2005	
	CPI-Indexed Awards	Other Payments	CPI-Indexed Awards	Other Payments
Gross rate of return	7.12%	7.12%	7.12%	7.12%
Inflation Year 1	2.50%	3.50%	2.10%	3.50%
Inflation rate future years	3.50%	3.50%	3.50%	3.50%
Net rate of return Year 1	4.51%	3.50%	4.92%	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 2006, there were no amounts charged to the reserve (2005; \$58,000).

13. Change in accumulated operating deficit

(dollars in thousands)	2006	2005
Accumulated operating deficit, beginning of year, (as previously stated)	\$ (139,240)	\$ (114,755)
Future administration costs	-	(45,388)
Accumulated operating deficit, beginning of year (restated)	(139,240)	(160,143)
Favourable revenue variance	5,300	40,700
Interest on accumulated operating deficit	(9,900)	(11,400)
Investment income variance	21,200	2,100
Liability adjustments for prior years' claims	(8,771)	(10,609)
Other	28	112
Accumulated operating deficit, end of year	\$ (131,383)	\$ (139,240)

notes to financial statements

Years ended December 31, 2006 and 2005

14. Administration expenses

(dollars in thousands)	2006	2005
Salaries and employee benefits	\$ 18,106	\$ 16,753
Office and communications	2,202	2,084
Building operations	553	629
Travel and vehicle operating	560	499
Professional fees	935	1,051
	\$ 22,356	\$ 21,016

15. Legislated obligations

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

(dollars in thousands)	2006	2005
Government Departments and Labour Relations Agency	\$ 4,653	\$ 5,017
Workplace Health, Safety and Compensation Review Division	924	1,026
Employer and Worker Advisors	400	400
Statutory Review on Workers' Compensation	370	62
	\$ 6,347	\$ 6,505

16. Other expenses

(dollars in thousands)	2006	2005
External training initiatives	\$ 269	\$ 606
Business improvement projects	364	619
	\$ 633	\$ 1,225

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 expires March 31, 2007.

notes to financial statements

Years ended December 31, 2006 and 2005

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 \$385,000 in 2006 (2005; \$380,000) 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)	2006	2005
Assessments revenue	\$ 8,717	\$ 8,669
Claims costs incurred:		
Short-term disability	679	665
Long-term disability	3,386	3,277
Survivor benefits	722	445
Health care	2,455	2,752
Administration charges	1,475	1,530
	\$ 8,717	\$ 8,669

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 \$1,118,000 (2005; \$1,063,000) for pensions are recognized in the accounts on a current basis.

notes to financial statements

Years ended December 31, 2006 and 2005

21. Commitments

The Commission has committed to operating lease payments for office premises and equipment for the years 2007 to 2010 in the amount of \$146,000 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 Act requires that at least once in every five years the Government of the Province of Newfoundland and Labrador appoint a Statutory Review Committee (the Committee) to review matters respecting *the Act* and regulations and their administration. On May 31, 2006 the Committee submitted its report to Government containing forty-four recommendations in the areas of accountability and responsibility, client service, occupational health and safety, benefits and review processes. As of the date of these financial statements Government is continuing its review of the Committee's recommendations. This review may result in proposed legislative changes that could have a material impact on the calculation of benefit liabilities. However, as the outcome of Government's review is unknown the Commission is unable to estimate the impact, if any, on its benefit liabilities.

24. Comparative figures

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

five-year history

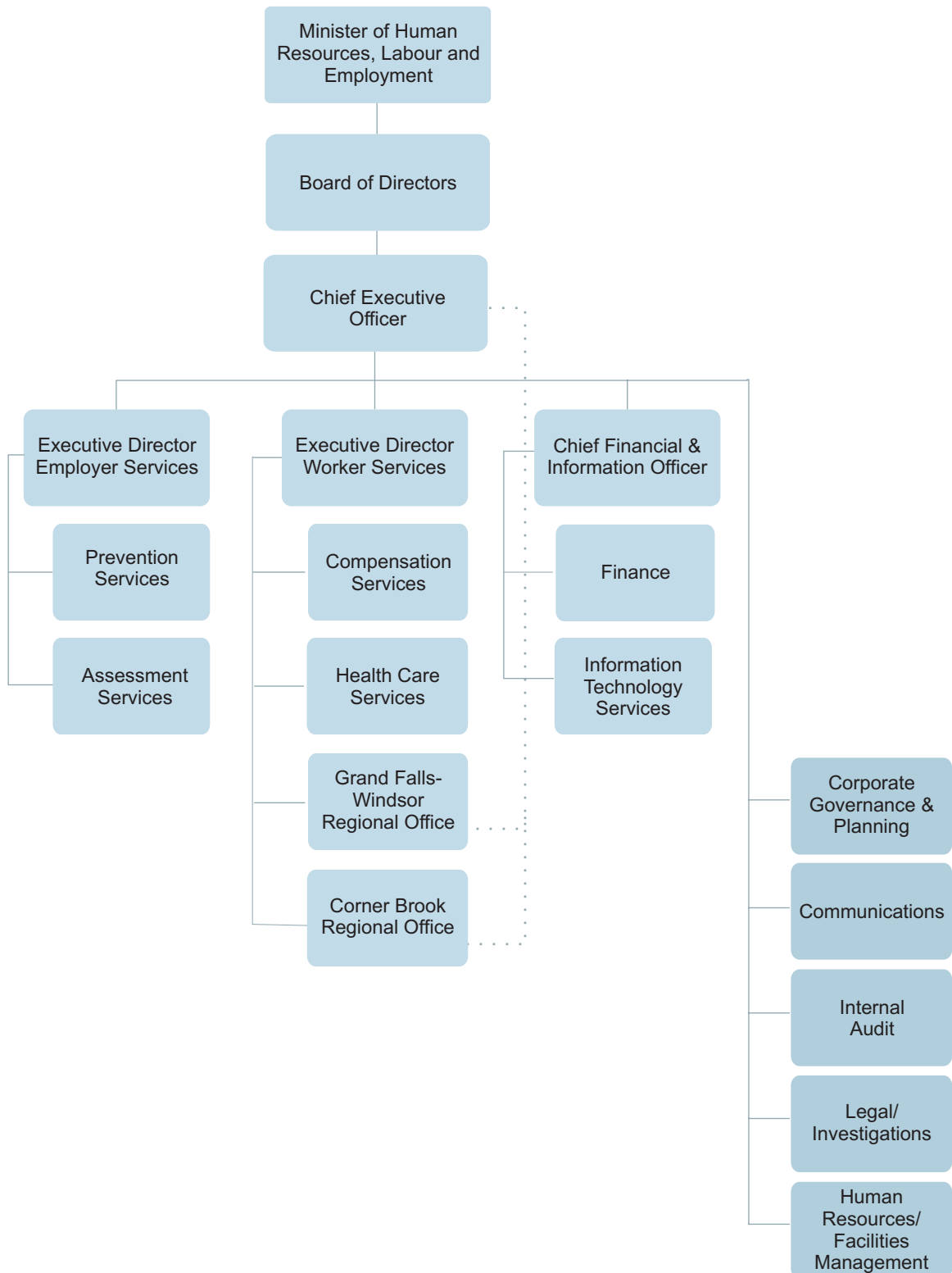
Statement of Operations and Fund Deficiency for the Years Ending December 31

(dollars in thousands)	2006	2005	2004	2003	2002
Revenue					
Assessments	\$ 124,763	\$ 158,217	\$ 166,965	\$ 155,150	\$ 155,969
Investment income	60,104	37,091	17,733	22,623	12,049
	184,867	195,308	184,698	177,773	168,018
Expenses					
Claims costs incurred	137,021	133,003	134,276	138,141	136,866
Administration	22,356	21,016	21,383	21,183	20,128
Legislated obligations	6,347	6,505	6,177	5,589	5,106
Amortization	1,882	2,047	2,577	2,421	2,680
Other	633	1,225	1,162	952	2,210
	168,239	163,796	165,575	168,286	166,990
Surplus from operations before the following	16,628	31,512	19,123	9,487	1,028
Actuarial adjustments	(8,771)	(10,609)	31,848	(1,997)	16,421
Surplus for the year	7,857	20,903	50,971	7,490	17,449
Fund deficiency, beginning of year (as previously stated)	(53,625)	(56,063)	(170,117)	(177,580)	(195,002)
Change in accounting policies	-	(45,388)	39,104	-	-
Fund deficiency, beginning of year (restated)	(53,625)	(101,451)	(131,013)	(177,580)	(195,002)
Other comprehensive income	37,436	26,981	23,981	-	-
Appropriation to reserve fund	-	(58)	(2)	(27)	(27)
Fund deficiency, end of year	\$ (8,332)	\$ (53,625)	\$ (56,063)	\$ (170,117)	\$ (177,580)

Workplace Health, Safety and Compensation Commission

organizational chart

at December 31, 2006



at a glance – 2006

	2006	2005	2004	2003	2002
Incidence Rate¹	2.1	2.2	2.2	2.5	2.7
Soft Tissue Incidence Rate	1.3	1.4	1.4	1.4	1.5
Short-Term Disability Claims²	4,568	4,787	4,794	5,213	5,499
Health Care Only Claims²	3,896	3,696	3,572	3,779	4,486
Accepted Fatality Claims³	18	25	23	23	23
Accidents Resulting in Fatality	8	13	10	9	10
Industrial Disease	10	12	13	14	13
Average Short-Term Claims Duration (days)	107	103	102	105	107
Average Assessment Rate⁴	\$ 2.75	\$ 3.19	\$ 3.24	\$ 3.24	\$ 3.24
Required Assessment Rate⁴	\$ 2.75	\$ 3.04	\$ 3.10	\$ 3.33	\$ 3.45
Registered Employer Accounts	16,291	16,067	15,697	15,209	14,815
Employer Assessments (\$ million) (including self-insurers)	\$ 124.8	\$ 158.2	\$ 167.0	\$ 155.1	\$ 156.0
Claims Costs (\$ million)⁵	\$ 137.0	\$ 133.0	\$ 134.3	\$ 138.1	\$ 136.9
Net Fund Deficiency (\$ million)	\$ (8.3)	\$ (53.6)	\$ (101.5)	\$ (170.1)	\$ (177.6)
Funded Ratio	98.8%	92.6%	85.5%	74.1%	71.7%

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 2006.
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 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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