Workplace injuries hurt the most at home.

ANNUAL PERFORMANCE REPORT 2018

WorkplaceNL

Health | Safety | Compensation

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Letter to the Minister

The Honourable Sherry Gambin-Walsh
Minister Responsible for WorkplaceNL

Dear Minister Gambin-Walsh

On behalf of the Board of Directors for WorkplaceNL, I hereby submit the 2018 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 WorkplaceNL's 2018 objectives. 2018 is year two of the 2017 to 2019 Strategic Plan. The report also highlights future opportunities to support its commitment to providing services to injured workers and dependents, employers and the public through the administration of the **Workplace Health, Safety and Compensation Act.**

My signature below is indicative of the entire Board's accountability for the preparation of WorkplaceNL's Annual Performance Report 2018 and the achievement of the objectives as reported.

John Peddle, ICD.D
Chair, Board of Directors, WorkplaceNL

May 27, 2019

Message from the Board Chair

Our Board of Directors remain committed to maintaining a sustainable workplace injury compensation system for workers and employers in Newfoundland and Labrador. I am pleased to confirm that the Injury Fund remains fully-funded at 119.5 per cent and the lost-time injury rate is at 1.6 per 100 workers.

The no-fault system is funded by employers to provide fair compensation for injured workers. Over the past five years, the average assessment rate paid by employers has been decreasing, primarily due to lower claims costs and positive market returns on investments. For 2018, the rate was lowered from $2.06 to $1.90 per $100 of assessable payroll. On December 4, 2018, we announced a temporary $0.21 discount to address the surplus in the Injury Fund and reduce the average rate to $1.69 for 2019, the lowest rate in over 35 years.

We continue to address current and evolving issues through policy and program improvements to benefit both workers and employers. In 2018, we updated our policy to provide coverage for work-related mental health issues and began wider education initiatives on creating psychologically safe workplaces.

We also consulted with stakeholders on how to make the Prevention Return to Work Insurance Management for Employers/Employees (PRIME) program more effective in improving occupational health and safety programs as well as return-to-work outcomes.

As well, with input from WorkplaceNL's Board of Directors and key stakeholders, the Government of Newfoundland and Labrador amended the **Workplace Health, Safety and Compensation Act** by: increasing the income replacement rate from 80 to 85 per cent of a worker's pre-injury net income (effective April 1, 2018); introducing new retirement benefits for more injured workers (effective January 1, 2019); and adding presumptive coverage for work-related post-traumatic stress disorder for all workers (effective July 1, 2019).

WorkplaceNL will continue to work with our stakeholders to ensure that the workers' compensation system responds to the needs of both workers and employers.

I would like to thank our partners in the workplace health, safety and compensation system including: safety sector councils, employer and labour organizations, the Board of Directors, and management and staff of WorkplaceNL for their ongoing commitment to workers and employers in our province.

John Peddle, ICD.D
Chair, Board of Directors, WorkplaceNL

Message from the CEO

I am encouraged to see employers, workers, labour, industry, safety organizations, training providers and government continue to collaboratively build a strong safety culture in Newfoundland and Labrador. As a result, the lost-time injury rate is at 1.6, contributing to a lower average assessment rate for employers in 2018.

I am also pleased to announce the start of a multi-year initiative to introduce more digital services to employers, workers and our staff. Over time, we will reduce the amount of mail, faxes and paper required to interact with WorkplaceNL.

Unfortunately, there was a sharp increase in the number of fatality claims in 2018 due to occupational disease, with approximately two-thirds of those from the mining industry. These tragedies relate to exposures to harmful substances that happened many years ago, most notably in the 1950s-1980s.

Safe work practices, regulations and certification training have since improved, and our provincial workplace injury prevention strategy, Advancing a Strong Safety Culture in Newfoundland and Labrador (2018-2022), continues to focus on preventing known occupational diseases.

We understand the physical, emotional and financial impacts that workplace injury and illness can have on a worker, their family, their co-workers, their employers and their community. That is why WorkplaceNL's new **Workplace Injuries Hurt the Most at Home** campaign connects workers and employers with emotional reasons outside of work that motivate them to make safety at work a priority. We want to inspire everyone to take responsibility for workplace safety, and to continue to work together to build a strong safety culture. If an injury occurs, we remain committed to ensuring workers receive the benefits to which they are entitled and to help their safe return to work.

I look forward to working with all stakeholders in the provincial workplace health, safety and compensation system to prevent injury and illness, and serving our injured worker and employer clients.

Dennis Hogan
CEO, WorkplaceNL

At a Glance 2018

	2018	2017	2016	2015	2014
Incidence Rate[1,9]	1.6	1.5	1.5	1.5	1.6
Soft-tissue Incidence Rate[9]	1.0	1.0	1.0	1.0	1.1
Short-term Disability Claims[2,9,10]	3,522	3,386	3,601	3,640	3,803
Health Care Only Claims[2,3,9]	1,697	1,561	1,621	1,456	1,623
Accepted Fatality Claims[4,5]	36	25	13	24	29
Accidents	4	5	5	7	12
Occupational Disease	32	20	8	17	17
Short-term Claims Duration[6]	40	40	39	37	38
Average Assessment Rate[7]	1.90	2.06	2.20	2.45	2.45
Registered Employer Accounts	18,402	18,660	19,011	19,144	19,416
Employer Assessments ($ million)[8]	144.7	155.9	173.6	196.5	170.2
Claims Costs ($ million)[8]	160.9	155.7	152.7	154.1	159.2
Fund Balance ($ million)	237.5	362.5	291.1	206.5	129.8
Funded Ratio (%)	119.5	131.6	126.1	118.8	112.0

For additional details on WorkplaceNL's key financial and operational statistics, please refer to the Management Discussion and Analysis on page 33 and the 2018 Financial Statements on page 48.

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. Correction of historical record. WorkplaceNL identified a system issue which resulted in an incorrect count of health care only claims for 2016. The count has been adjusted to 1,621 from 1,562 as previously reported.
4. Accepted fatality claims are the total number of fatalities that were accepted in that calendar year.
5. Correction of historical record. Through a review of workplace fatality statistics, WorkplaceNL identified an accepted fatality claim resulting from a workplace accident in 2014 which was not correctly coded as a workplace fatality, although all benefit entitlements were delivered. As well, one fatality claim from occupational disease was accepted in 2014 but was later denied in 2015. The number of accepted fatality claims has been adjusted for 2014.
6. Short-term claims duration is defined as the number of days for which temporary earnings loss benefits are paid for injuries occurring in the same reference year.
7. Average assessment rate is the rate charged per $100 of payroll.
8. Claims costs and employer assessments for 2014 to 2017 were restated in 2018 due to a change in the presentation in the financial statements for self-insured employers. Claims costs include current year payments plus expected future payments for all injuries occurring and accepted in the year, excluding actuarial adjustments.
9. In 2016, WorkplaceNL reverted to reporting actuals, from projections, for the incidence rates, the number of short-term disability claims and the number of health care only claims.
10. Correction of historical record. WorkplaceNL identified a system issue which resulted in an incorrect count of short-term disability claims for 2014 to 2017. The counts have been adjusted to 3,803 from 3,761 for 2014; 3,640 from 3,594 for 2015; 3,601 from 3,560 for 2016 and 3,386 from 3,356 for 2017 as previously reported.

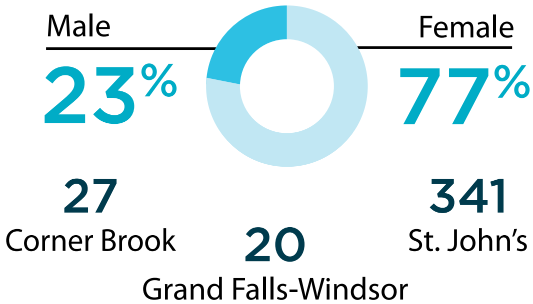
Overview

1. No fault compensation, which means workers are paid benefits regardless of how the injury occurred.
2. Collective liability, so that the total cost of the compensation system is shared by all employers.
3. Security of payment, with a fund established to guarantee that compensation will be available for injured workers when they need it.
4. Exclusive jurisdiction, which means only workers' compensation organizations provide workers' compensation insurance.
5. Independent Board, that is autonomous and financially independent of government or any special interest group.

Under the authority of the **Workplace Health, Safety and Compensation Act, (the Act)** WorkplaceNL administers a mandatory, employer-funded, no fault work-injury insurance system. More specifically, WorkplaceNL promotes safe and healthy workplaces, facilitates return-to-work programs and fair benefits to injured workers and their dependents based on reasonable assessment rates. Each year, WorkplaceNL serves approximately 19,000 employers and 13,000 injured workers throughout Newfoundland and Labrador. Offices are located in St. John's, Grand Falls-Windsor and Corner Brook.

Please refer to workplacenl.ca/Home_MissionStatement.whscc for WorkplaceNL's mandate, vision and values.

Breakdown of WorkplaceNL positions



Region	Female	Male	Vacancy	Total
Corner Brook	17	7	3	27
Grand Falls-Windsor	12	5	3	20
St. John's	236	66	39	341
Total	265	78	45	388

As of December 31, 2018

WorkplaceNL's three lines of business are: education on the prevention of workplace injuries, illnesses, and occupational disease; claims management for injured workers; and, employer assessments (insurance coverage).

The prevention of workplace injuries, illnesses and occupational diseases is a shared responsibility of WorkplaceNL, its partners and stakeholders. WorkplaceNL works with its partners and stakeholders to create and sustain a positive culture of health and safety in the workplace. An aspect of WorkplaceNL's mandate is to promote public awareness and educate employers, workers and others about workplace health and safety. This work is contributing to safer workplaces and fewer injuries.

Where an injury or illness does occur, WorkplaceNL and its stakeholders work together to minimize the impact of the injury. In doing so, recovery is assisted and loss of income is lessened through appropriate health care intervention and proactive participation in early and safe return-to-work (ESRTW). Key to this work is WorkplaceNL's partnerships and Memorandums of Agreement with various health care provider groups.

Collaboration, communication, and sound working relationships with clients, stakeholders and partners are critical to the success of WorkplaceNL's business strategies. WorkplaceNL works with the Occupational Health and Safety (OHS) Division of Service NL to make recommendations and develop programs respecting workplace health and safety. WorkplaceNL also works closely with stakeholder groups representing injured workers and employers. In addition, partnerships have been developed with industry associations, government departments and agencies, unions, safety sector councils, and health and safety coalitions at both provincial and national levels.

Board of Directors

By statute, the Board of Directors consists of ten members appointed by the Lieutenant Governor in Council, including the chairperson and representatives of employers, workers and the public. The Board is also required to have two non-voting members: the Chief Executive Officer of WorkplaceNL and an employee of the department designated by the Minister Responsible for WorkplaceNL.

The following are the members of the Board as of December 31, 2018.

Chairperson

John Peddle (three-year term, appointed Chairperson September 13, 2017)

Members representative of employers

Victoria Belbin (three-year term, appointed September 13, 2017)
David Loveys (three-year term, appointed September 13, 2017)
Gregory Viscount (three-year term, re-appointed September 13, 2017)

Members representative of workers

Greg Pretty (three-year term, re-appointed September 13, 2017)
Wayde Rowsell (three-year term, appointed July 7, 2018)
Jerry Vink (three-year term, appointed September 13, 2017)

Members representative of the public

Patsy Coish-Snow (three-year term, appointed November 2, 2015)
Paula Corcoran-Jacobs (three-year term, appointed September 13, 2017)
Vacancy

Non-voting members

Dennis Hogan, Chief Executive Officer, WorkplaceNL
Julian McCarthy, Assistant Deputy Minister, Regulatory Affairs, Service NL

External members of the Investments Subcommittee of the Financial Services Committee

Glen Roberts
Ray Smallwood
Natasha Trainor

Highlights and Partnerships

WorkplaceNL continues to focus on the needs of workers and employers in the province by helping to prevent workplace injury and illness, updating policy, and managing a financially sustainable workers' compensation system.

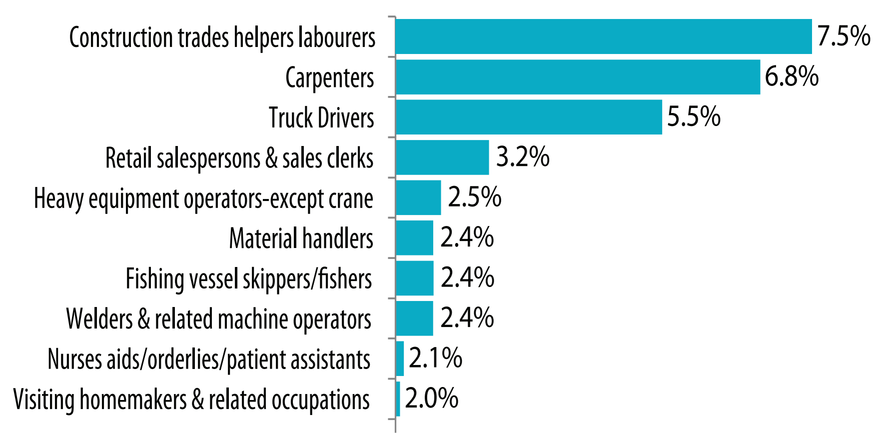
The highlights from 2018[1] include:

The approach to mental health in the workplace has been modernized, with broader coverage for mental health issues under an updated policy and a new focus on helping to maintain psychologically healthy workplaces throughout the province as part of the 2018-2022 workplace injury prevention strategy. As well, with engagement from WorkplaceNL and key stakeholders, the Provincial Government amended **the Act** to add presumptive coverage for post-traumatic stress disorder for all workers, effective July 1, 2019.

Benefits for injured workers were improved through changes to **the Act** that increase the income replacement rate from 80 to 85 per cent of a worker's pre-injury net income (effective April 1, 2018) and provides retirement benefits for more injured workers (effective January 1, 2019).

A new Business Modernization Program will introduce more digital services for employers, injured workers, health care providers and staff. This multi-year program started in late 2018.

Top 10 occupations with serious injury claims
2014-2018



[1] More information on these highlights, and other strategic achievements, are in the Report on Performance section.

Workplace injuries hurt the most at home.

The workplace injuries hurt the most at home campaign reminds all workers and employers that one of the reasons to work safely is not at work at all. WorkplaceNL thanks the families connected with Threads of Life, who have lost someone to a workplace incident, for providing insightful and meaningful feedback on the campaign.

A new, online young worker safety course is now part of the high school curriculum in Newfoundland and Labrador and is available for employers to use in their OHS programs.

PRIME program consultations were completed with about 100 labour and employer representatives across many industries to find ways to make the program more effective in improving OHS and return-to-work outcomes. The report will be available in 2019.

Your cannabis questions answered campaign, developed in partnership with the Provincial Government, reminds workers and employers that it is not safe to be impaired at work. Recreational-use cannabis became legal on October 17, 2018.

The injury rate is 1.6 per 100 workers.

The average assessment rate for employers is lower. The rate is at $1.90 per $100 of assessable payroll in 2018, and at $1.69 for 2019 when a $0.21 temporary discount is applied.

The Injury Fund remains fully-funded at 119.5 per cent in 2018 compared to 131.6 per cent in 2017 and is within the desired operating range of 100-120 per cent.

WorkplaceNL continues to work closely with stakeholder, safety and community partners to deliver prevention initiatives and improve client service.

Partners

Newfoundland and Labrador Employers' Council (NLEC)

Newfoundland and Labrador Federation of Labour (NLFL)

Newfoundland and Labrador Construction Safety Association (NLCSA)

Newfoundland and Labrador Fish Harvesting Safety Association (NL-FHSA)

Forestry Safety Association of Newfoundland and Labrador (FSANL)

Municipal Safety Council of Newfoundland and Labrador (MSCNL)

Occupational Health and Safety Division of Service NL

Department of Education and Early Childhood Development

Canadian Centre for Occupational Health and Safety (CCOHS)

Canadian National Institute for the Blind (CNIB)

Coalition of Persons with Disabilities Newfoundland and Labrador (COD-NL)

Canadian Mental Health Association (CMHA)

Canadian Mental Health Association – Newfoundland and Labrador (CMHA-NL)

Consumers' Health Awareness Network Newfoundland and Labrador (CHANNAL)

Association for New Canadians (ANC)

Threads of Life

Report on Performance:

2018 Objectives and Indicators

Strategic Issue 1:

Financial Sustainability

Goal 1: By December 31, 2019, WorkplaceNL will have ensured long-term financial sustainability by achieving a funded ratio between 100 and 120 per cent.

Objective: By December 31, 2018, WorkplaceNL will have completed a review of the effectiveness of the PRIME program to identify recommendations to strengthen prevention and return-to-work programs within workplaces.

The goal of the PRIME program is to promote healthy and safe workplaces; promote effective and sustainable return-to-work (RTW) practices; respond to an individual employer's actions while maintaining the principle of collective liability; and, provide employers more control over their annual insurance costs. Through financial incentives or charges, PRIME recognizes employer claim costs as well as compliance with certain health and safety and RTW practices.

The program has two components:

1. practice incentive - provides a refund to qualifying employers that meet requirements for health and safety, and RTW practices; and
2. experience incentive - applies refunds, charges, or neither, depending on how the employer's actual claims cost experience compares with the experience incentive range established for that employer.

Employers must qualify for the practice refund in order to receive an experience refund.

In 2018, WorkplaceNL completed a review of the effectiveness of the PRIME program and identified recommendations to strengthen prevention and RTW programs within workplaces. The review consisted of analysis of data related to injury rates, claim costs and claim timelines; a jurisdictional review of comparable programs across Canadian workers' compensation boards; and consultation with stakeholder groups.

In advance of the consultations, WorkplaceNL distributed a discussion document to stakeholders to explain the program, outline the purpose of the review and highlight the program's performance as it related to injury rates, program costs, refunds and charges.

WorkplaceNL held 12 sessions across the province with approximately 100 representatives of labour and employers representing a variety of industries including construction, fish harvesting, forestry, health care services, transportation and storage, manufacturing and wholesale and retail trade. WorkplaceNL also received 10 written submissions from stakeholders and held three meetings with internal staff involved in managing claims and delivering workplace health and safety education programs.

Indicator 1.1: Identified opportunities to strengthen prevention programming within workplaces based on the PRIME program review.

Based on the PRIME program review, WorkplaceNL identified opportunities to strengthen prevention programs. Specifically, WorkplaceNL will:

- Continue to use audit processes that are responsive and practical and continue to audit employers with a high injury rate and high claim costs.
- Continue to improve PRIME program communications including web and social media presence, and continue to leverage partnerships with industry stakeholders to help employers better understand the program.
- Use technology to effectively educate workplaces on OHS program requirements.
- Undertake a more detailed study of the challenges high-injury employers face in developing OHS programs.
- Improve educational materials to promote the PRIME program and guide employers and workers on how to implement OHS programs in the workplace.
- Conduct a review of similar incentive programs in other jurisdictions in order to understand their rationale and the impacts these programs are having on safety.

Indicator 1.2: Identified opportunities to strengthen return-to-work programs within workplaces based on the PRIME program review.

Based on the PRIME program review, WorkplaceNL identified opportunities to strengthen RTW programs. Specifically, WorkplaceNL will:

- Improve how it communicates about the PRIME program through outreach with employers on RTW and PRIME program incentives.
- Undertake a more detailed study of the challenges high-injury employers face in developing RTW programs.
- Strengthen current RTW educational materials to help employers, workers and health care providers better understand their roles and responsibilities in the RTW process, promote the ESRTW program, and the nature of the self-reliant model.
- Review policies related to claims being under-reported by employers and workers to determine if an opportunity exists to strengthen the policies.
- Continue to develop and promote the use of digital services for injury and ESRTW reporting that supports more timely and accurate reporting, faster decision making on claims, and stronger ESRTW programs.

Looking Forward – 2019 Financial Sustainability

Objective 1:	By December 31, 2019, WorkplaceNL will have completed a review of prevention and claims management approaches to identify future improvements.
Indicator 1.1:	Investigated options to improve and modernize employer and claims management practices.
Indicator 1.2:	Improved web services for employers.

Strategic Issue 2:

Prevention – Leadership in Prevention through Collaboration and Innovation

Goal 2: By December 31, 2019, WorkplaceNL will have collaborated with workplace parties to reduce the number of injuries occurring in the province.

Objective 2: By December 31, 2018, WorkplaceNL will have initiated implementation of the next prevention strategy.

Indicator 2.1: Delivered online and in-person prevention education in keeping with priorities outlined in the 2018 to 2022 prevention strategy.

WorkplaceNL and the OHS Division of Service NL initiated implementation of the province's new injury prevention strategy, Advancing a Strong Safety Culture in Newfoundland and Labrador: A Workplace Injury Prevention Strategy 2018-2022. It targets areas where the need is greatest for education and leadership in preventing workplace injury and illness, and was developed based on stakeholder input, research on best practices, jurisdictional reviews, and injury trends.

In 2018, WorkplaceNL initiated implementation of the five-year strategy with a focus on:

- Delivering prevention education to target workplace health and safety priorities.
- Identifying technology solutions to promote health and safety to make it easier and more cost-effective to reach a wide number of workers and employers.
- Providing support to industry sector councils and industry-led safety programs and initiatives.

The province's 2018 to 2022 injury prevention strategy outlines eight strategic health and safety injury priorities. In 2018, WorkplaceNL developed more detailed plans to address these priorities based on feedback from safety partners and research in best practices. The following describes the prevention education delivered throughout Newfoundland and Labrador in 2018 that targeted those priorities.

1. **Musculoskeletal Injury (MSI) Prevention:** WorkplaceNL delivered workshops, webinars and presentations on a variety of MSI hazards and ergonomic risks, including manual materials handling, proper lifting techniques, repetitive strain and ergonomic program design. Also, a new curriculum for the MSI Prevention Certification Training Standard was developed.
2. **Occupational Disease Prevention:** WorkplaceNL delivered workshops, webinars and presentations on a wide variety of health hazards, with a strategic focus on noise, risk assessments, lead awareness and heat stress. Consultations with employers included topics on lead exposure, silica exposure, respiratory protection and Workplace Hazardous Materials Information System. A radio ad campaign aired in the second half of 2018.

3. **Fall Prevention:** WorkplaceNL delivered education on the Fall Protection Certification Training Standard to workers, employers and training providers throughout the year. Sixteen new trainers were assessed and approved by WorkplaceNL to deliver fall protection certification training courses.

4. **Serious Injury Prevention:** WorkplaceNL delivered workshops on serious injury prevention with a focus on working at heights, confined space entry and mines rescue. In June 2018, WorkplaceNL presented at the Atlantic Collaborative of Injury Prevention Conference held in St. John's on fall prevention. WorkplaceNL also partnered with the OHS Division of Service NL to educate workplaces with an elevated risk of serious injuries.

5. **Young Worker Safety:** WorkplaceNL delivered safety presentations to high school students, teachers, colleges and other educational partners throughout 2018. In collaboration with the Department of Education and Early Childhood Development, WorkplaceNL developed and launched a new online young worker safety course in 2018. The course is now part of the Career Development 2201 high school curriculum. WorkplaceNL also delivered professional development sessions for teachers who instruct the OHS 3203 high school course.

6. **Workplace Violence Prevention:** WorkplaceNL delivered workshops and presentations on workplace violence prevention with a focus on risk assessments, program development and safe work practices. A new Workplace Violence Risk Assessment Tool was completed to provide education to guide employers and workers on how to assess the risks of workplace violence.

7. **Traffic Control Safety:** WorkplaceNL delivered education on traffic control safety and changes to the Traffic Control Manual. WorkplaceNL also delivered an awareness campaign to remind motorists to slow down in construction zones and help educate the public on the hazards facing workers.

8. **Psychological Health and Safety (PHS):** WorkplaceNL delivered workshops, webinars and presentations focused on the Canadian Standards Association Standard Z1003 – Psychological Health and Safety in the Workplace. Work began on a new five-year work plan including the development of an awareness campaign. The SafetyNet Centre for OHS Research at Memorial University was engaged, and completed a literature review of national and international workplace injury and illness prevention strategies related to PHS. As well, WorkplaceNL's Health and Safety Advisors completed CMHA's Certified PHS Advisor Training program.

WorkplaceNL also implemented a new supervisory health and safety course, which focuses on the fundamentals of directing work safely, and safe work principles and practices.

Online and In-person Education Sessions for Prevention Strategy Priorities

Topic	Online Sessions	In-person Sessions	Total Sessions
Musculoskeletal Injury Prevention	2	46	48
Occupational Disease	5	38	43
Fall Prevention	1	7	8
Serious Injury Prevention	-	9	9
Young Worker Safety	1	92	93
Workplace Violence Prevention	-	19	19
Traffic Control Safety	1	11	12
Psychological Health and Safety	1	19	20
Totals	**11**	**241**	**252**

Note: in total, 6,869 people were trained.

Indicator 2.2: Identified innovative, technology-based solutions to actively promote health and safety, and advance prevention programming.

WorkplaceNL continues to identify innovative, technology-based solutions to promote and educate employers and workers in OHS. WorkplaceNL is focusing on delivering more webinars, to complement traditional classroom-based learning, in order to more cost-effectively reach a wider audience. The following is a summary of the solutions identified in 2018:

- A new online recertification course for OHS Committees and Worker Health and Safety Representatives and

Designates launched in April 2018 – by year end, over 3,800 workers and employers were re-certified with no travel expenses or training fees.

- A new online young worker safety course launched in December 2018 that enables young workers to learn about safety principles and practices. In addition to being part of the high school curriculum, the free-of-charge course is available as a service to employers that hire youth to help with their onboarding process.
- WorkplaceNL and the Department of Education and Early Childhood Development developed a distance-learning version of the OHS 3203 high school course – 17 students in 12 rural schools were registered in the course for the 2018-19 school year.

- WorkplaceNL worked with Bluedrop Learning Networks to make reports more user-friendly, improve searches and expand the course offerings in the online Certification Training Registry (CTR). The new offerings were the OHS Recertification and the Young Worker Safety courses. As well, a print-certificate function was added to allow workers to bring their certificates to work sites where electronic access is not possible. The CTR helps workers receive, and stay current with, the safety certification training needed for their job and employers can easily confirm that workers and new hires have the training required to comply with OHS legislation.
- WorkplaceNL improved its webinars to increase user interaction through questions and answers, and enhance the learning experience.
- WorkplaceNL completed requirements for a new OHS Committee Reporting System. The changes will upgrade the system to current technologies, enhance the user experience and improve reporting efficiency.

Indicator 2.3: Provided supports to industry sector councils and industry-led safety programs and initiatives.

WorkplaceNL continues to advance injury prevention efforts by supporting the following industry sector councils: NL-FHSA, MSCNL, FSANL and NLCSA. See the list of partners on page 11 of the report.

In 2018, WorkplaceNL began implementing recommendations from the 2017 Sector Council Review. These recommendations focus on improving sector council funding, accountability and transparency, board governance, OHS promotion and ESRTW programming.

WorkplaceNL worked with the sector councils to create a Sector Council Governance Forum, including its terms of reference that identifies its purpose, goals and objectives. The forum includes representatives from the four sector councils, the OHS Division of Service NL, the NLFL and the NLEC. The president of the NLFL and the Executive Director of the NLEC are co-chairs.

WorkplaceNL approved business plans for NL-FHSA and FSANL. WorkplaceNL provided operational funding to these councils and developed agreements to share industry-specific data with the councils to support the promotion of OHS and ESRTW.

WorkplaceNL continues to support the growth and development of industry sector councils to lead industry-based certification training standards and training programs. WorkplaceNL is represented on the Board of Directors of each council to provide advice on OHS and ESRTW program requirements. WorkplaceNL also presented at each of the councils' annual safety conferences. WorkplaceNL worked with each council throughout 2018 to plan and deliver training events specific to their industry.

In addition, WorkplaceNL worked collaboratively with stakeholders in the manufacturing industry towards the creation of a new safety sector council.

Looking Forward – 2019 Prevention

Objective 2: By December 31, 2019, WorkplaceNL will have continued implementation of the next prevention strategy.

Indicator 2.1: Developed new approaches to prevent soft tissue injury and workplace violence.

Indicator 2.2: Developed proactive, innovative solutions to address problem areas for injury prevention.

Indicator 2.3: Started implementing PRIME program review recommendations related to workplace injury prevention.

Strategic Issue 3:

Claims Management – Facilitating Recovery at Work

Goal 3: By December 31, 2019, WorkplaceNL will have implemented targeted approaches to support recovery at work.

Objective 3: By December 31, 2018, WorkplaceNL will have reviewed the labour market re-entry program and made recommendations for improvement.

WorkplaceNL is committed to finding opportunities to make changes that improve RTW programs. WorkplaceNL introduced the labour market re-entry (LMR) program in 2001 as part of the then-new RTW model and has since made many quality improvements. LMR helps workers gain the skills, knowledge and abilities necessary to re-enter the labour market and reduce or eliminate their loss of earnings resulting from the work injury. Currently, LMR services are provided to injured workers when they are unable to go back to their pre-injury work or suitable work that restores their pre-injury earnings. In 2018, WorkplaceNL conducted a review of the LMR program and made recommendations for improvement.

Indicator 3.1: Conducted a comprehensive internal review of the labour market re-entry program.

WorkplaceNL completed a detailed review of the LMR program and a jurisdictional scan of the LMR practices of other workers' compensation boards across Canada. The purpose of this review was to identify new ways to improve the program that will help successfully re-integrate a worker with the pre-injury employer, and potentially address challenges facing injured workers when they are unable to return to regular or suitable employment with their pre-injury employer.

Findings from the review suggest a shift is required in when and how LMR services are provided so that it is more integrated with the overall recovery and RTW process. Supporting early intervention strategies is key to the success of the LMR program. WorkplaceNL completed a report outlining the program review findings and recommendations for improving LMR services and programming earlier in the life cycle of the claim.

Indicator 3.2: Identified opportunities to improve labour market re-entry services and programming earlier in the lifecycle of a claim.

Based on its review of the LMR program, WorkplaceNL identified opportunities to improve LMR services and programming earlier in the lifecycle of a claim. These opportunities are summarized below; implementation is expected to begin in 2019.

- Include LMR as part of workplace re-integration with the pre-injury employer.
- Review existing case management resources to ensure they support workplace re-integration with the pre-injury employer.
- Help employers comply with permanent accommodation, up to the point of undue hardship, and use LMR services where applicable to assist with this process.
- Expand service contract requirements with external LMR providers to network with employers for the purpose of establishing a database of existing on-the-job training opportunities.
- Introduce the employment readiness service earlier in the claim.
- Review the LMR policy and procedure to ensure benefits are appropriate, fair and consistent and update existing LMR documentation to reflect any revisions.
- Provide relocation assistance to workers who meet specific criteria to assist them in achieving vocational goals and obtaining realistic employment opportunities and develop a relocation procedure outlining this assistance.

- Review existing evaluation methods for the LMR program and determine if adjustments are required to reflect the early intervention approach.
- Develop new branding for the LMR program that is consistent with the theme of workplace re-integration.

Looking Forward – 2019 Claims Management

Objective 3: By December 31, 2019, WorkplaceNL will have collaborated with workplace parties to identify effective approaches to facilitate recovery at work and improve return-to-work outcomes.

Indicator 3.1: Started implementing PRIME program review recommendations related to return-to-work programs in workplaces.

Indicator 3.2: Implemented improvements to labour market re-entry programming.

Strategic Issue 4:

Client Service – Partners in Client Service

Goal 4: By December 31, 2019, WorkplaceNL will have identified technology, program and service delivery enhancements that are responsive to injured workers and employers.

Objective 4: By December 31, 2018, WorkplaceNL will have developed a plan to enhance and modernize service delivery.

WorkplaceNL's 2017 to 2019 Strategic Plan outlines its commitment to offer new programming and more modern service delivery methods to serve clients now and into the future. WorkplaceNL must continually evolve the way it works to ensure its programs and services reflect best practices and responds to the needs and expectations of a diverse workforce. This includes responding to client expectations that government agencies are in line with other providers in conducting routine business transactions online.

In 2018, WorkplaceNL developed a plan to enhance and modernize service delivery. This multi-year, multi-phase Business Modernization Program is focused on:

- Modernizing internal business systems and structures to make it easier for staff to serve clients.
- Automating basic transactions and offering self-service options for our clients.
- Making it easier to stay current with changing technologies while protecting the security and privacy of data.
- Using data to improve results for clients.

Work began in 2018 to understand security, infrastructure, business continuity and information management requirements for the new technologies.

WorkplaceNL also reviewed its policies to ensure they are meeting client needs and reflecting emerging trends. In March 2018, WorkplaceNL modernized its mental stress policy (EN-18) to recognize that work-related mental health issues may be caused by exposure to multiple traumatic events. With engagement from WorkplaceNL and key stakeholders, the Government of Newfoundland and Labrador amended **the Act** to introduce new retirement benefits for injured workers receiving extended earnings loss benefits (effective January 1, 2019) and to provide presumptive coverage for work-related post-traumatic stress disorder for all workers covered by **the Act** (effective July 1, 2019).

Indicator 4.1: Established a plan to introduce technology-based service delivery options for injured workers.

WorkplaceNL is committed to offering more modern service delivery to meet the needs of workers, now and in the future. This will make it easier and more economical for clients to securely access services, ask questions about their claims and get answers quickly. WorkplaceNL has already improved many business functions for employers and health care providers through online services and mobile applications. Technology options for workers are limited to searching information/forms from our website and accessing training-related services through the CTR.

A Request for Proposals was issued in the fall of 2018 to identify a vendor to work with WorkplaceNL in developing and modernizing the corporate website. The new website is expected to be delivered in 2019 and will make it easier for all clients, including workers, to find answers to their questions and to do business with us. The work will also help guide all areas of WorkplaceNL in simplifying communications for digital service delivery.

A new multi-year, multi-phase plan was developed in 2018 to outline how we modernize the business for all clients and keep pace with technology advances and changing service delivery expectations. The Business Modernization Program includes plans to introduce technology-based service delivery options for injured workers.

The focus is to move away from less efficient paper-based processes, automate routine business transactions and improve data for better decision-making. More complex situations will continue to be supported with greater staff involvement.

Work began in 2018 to develop an understanding of the use of technical and business considerations related to the use of cloud technologies. WorkplaceNL plans to adopt cloud-based technologies, where appropriate. Application and process changes are expected to occur in a later phase of the program.

Injured workers routinely request the ability to use email for their interactions with staff. WorkplaceNL identified a secure-email technology that is widely-accessible, simple to use and is used by entities with similar privacy and security obligations. Following training, staff started a trial use of the technology. Preliminary feedback was positive. Processing challenges are being addressed before fully implementing the service for clients. This includes ensuring appropriate claim file documentation, turnaround times and writing standards for digital communications. A privacy impact assessment will also be completed.

Meetings were held with several technology vendors to develop an awareness and understanding of potential technology options and considerations for digitizing services for injured workers. This will help inform requirements for future procurement processes and technology choices.

Indicator 4.2: Introduced mandatory online services for employers.

In 2018, WorkplaceNL introduced mandatory online services for employers. This change supports our commitment to adopt more modern, technology-based ways to do business, reduce red tape and provide better service to employers. Our online systems offer faster processing, secure and convenient access anytime to view and submit account, claim and training information.

The requirement to use all available online services is being phased in to give employers time to sign up and move away from more time-consuming, paper-based processes. By December 31, 2019, all employers will be required to use all existing online services and any new services as they are introduced. WorkplaceNL will no longer mail paper documents for employers with access to the electronic version, nor support paper-based processes, saving time and reducing costs.

Forty-one per cent of all employers had registered for online services at the end of 2018. This is an increase from 31 per cent in 2017. Seventy-eight per cent of the new employers registering with WorkplaceNL in 2018 also registered for online services.

WorkplaceNL introduced changes in 2018 to support the move to mandatory online services. A new self-service option was implemented to enable employers to register online for access to all online services. Existing online services were converted to HTML5 to resolve issues resulting from the use of older technology. Privacy and security assessments were completed for the changes to ensure all standards are embedded into systems design and the supporting business practices. Work also began on exploring a new service to securely send and receive messages and documents. Work on a new corporate website also started in 2018 to simplify communications and make it easier for clients to find the information they need.

Communications occurred in 2018 to ensure employers are informed of the requirements to transition online by the end of 2019.

Indicator 4.3: Developed support and service delivery standards for online services for employers and health care providers.

Client service standards and consistency are key elements of WorkplaceNL's client service framework. Service standards and principles related to the use of telephone, mail, fax, correspondence and complaints resolution have been in place since 2010. Since then, WorkplaceNL has increased its online service offerings for employers and health care providers, and made online service delivery mandatory for employers.

The shift to more modern, technology-based service delivery will continue as WorkplaceNL looks to offer its clients more cost-effective ways to do business.

In 2018, WorkplaceNL examined current online usage patterns and trends in online service standards for employers doing business with government entities. Convenience, quick turnaround times, ease of navigation and the ability to resolve issues are service drivers for online service delivery. Research also shows that setting reasonable service expectations and providing good support systems helps encourage usage of the online channel.

In consideration of the findings, WorkplaceNL developed the following service commitments and standards for online service delivery and support for employers and health care providers:

- All reported online service issues are actioned within one business day from when the issue is received.
- Technical issues affecting multiple clients, system performance or reporting timelines are highest priority.
- Where technical changes are not required, issues are resolved within one business day.
- Timely, regular communication with employers and health care providers occur throughout the issue resolution process.
- Client suggestions for service enhancements are documented and considered with new releases.
- Employers are required to use all available online services by the end of 2019; WorkplaceNL will no longer mail paper-based correspondence where the information can be found online.
- Multiple options are available for employers and health care providers to get answers to their questions, and resolve issues in a timely manner.

- A dedicated web support resource stays connected with our client-facing employees to ensure they are able to respond to employer and health care provider questions on a timely basis, at the first point of contact.

WorkplaceNL targets outreach and support to employers and health care providers as new services are introduced to help them better understand how to use and benefit from the new service. Use of physiotherapy and chiropractor online services is near 100 per cent. As well, work is underway to help physicians move to online reporting and explore opportunities to integrate the physician's reporting service with the provincial electronic medical record. This will help ease administrative burdens for physicians. Discussions with the Newfoundland and Labrador Medical Association, and the Newfoundland and Labrador Centre for Health Information are ongoing.

WorkplaceNL is committed to exploring more modern support options as it continues to digitize its service delivery, including online chat. Support and service delivery standards will be updated based on best practices and changing service expectations.

Indicator 4.4: Addressed the needs of the changing workforce in collaboration with community partners.

WorkplaceNL's Service Without Barriers program focuses on making services more accessible by providing a barrier-free environment for employees, clients and visitors. WorkplaceNL works with community partners with lived experience to better understand clients' needs and make changes that ensure appropriate service delivery based on a client's particular challenge.

Based on the changing workforce demographic in the province and client feedback, WorkplaceNL partnered with the Association of New Canadians (ANC) in 2018. The ANC has experience and expertise in integrating newcomers to Newfoundland and Labrador.

WorkplaceNL is working with the ANC with the goal of raising awareness of cultural differences and their impact on service interactions. This will help promote workplace diversity and provide better service across cultures in response to the province's changing workforce.

All WorkplaceNL employees participated in cultural intelligence information sessions and completed a cultural intelligence assessment in 2018. The ANC is using the assessment results, along with a qualitative review of service delivery interactions, to make recommendations for client service improvements. From this, the ANC will develop a training program for delivery in 2019.

WorkplaceNL partnered with the Canadian Mental Health Association – Newfoundland and Labrador to deliver training to staff to help reduce the stigma associated with mental health illnesses, and enhance service delivery to clients experiencing mental health issues. WorkplaceNL also worked with community groups to increase our awareness of locally available resources for clients impacted by mental health issues.

WorkplaceNL worked with Consumers' Health Awareness Network Newfoundland and Labrador to explore opportunities to increase supports for decision- makers managing claims for work-related mental health issues.

WorkplaceNL addressed recommendations from an accessibility audit conducted by Coalition of Persons with Disabilities – Newfoundland and Labrador. This included changes to the front entrance, parking lot, elevator, public washrooms and public hallway of the St. John's office.

Looking Forward – 2019 Client Service

Objective 4: By December 31, 2019, WorkplaceNL will have planned for organizational succession and development and continuity of corporate knowledge.

Indicator 4.1: Developed a plan to support skilled and engaged employees.

Indicator 4.2: Identified new enterprise resource planning system (Human Resources and Finance).

Opportunities and Challenges

WorkplaceNL will continue to support injured workers and employers by focusing on ways to reduce workplace injury and illness, help workers return to work, provide more online services and manage policies to reduce costs.

Reducing injuries and illnesses

WorkplaceNL works closely with workplaces and safety partners to contain growth in the injury rate. In 2018, the lost-time incidence rate was at 1.6 per 100 workers. While the injury rate has remained between 1.5 and 1.6 since 2012, WorkplaceNL recognizes that further reduction in the injury rate will require leadership and collaboration from all workplace parties and safety partners.

WorkplaceNL and Service NL's joint five-year injury prevention strategy, Advancing a Strong Safety Culture in Newfoundland and Labrador (2018-2022), developed in consultation with safety partners, provides the framework for everyone to help protect workers from hazards in the workplace. The strategy focuses on eight health and safety priorities: 1. musculoskeletal injuries, 2. occupational disease and illness, 3. falls, 4. serious injuries, 5. young workers, 6. workplace violence, 7. traffic control, and 8. psychological health and safety.

WorkplaceNL will continue to partner with safety associations, employers, workers, labour groups and employer groups to improve the safety performance at workplaces, within an industry and on a provincial scale.

More efficient and online services

In its 2017 to 2019 Strategic Plan, WorkplaceNL committed to identify ways to deliver its programs and services more efficiently. There are opportunities to make services more accessible and modern for injured workers and employers.

WorkplaceNL will continue to review its routine processes, explore cloud-based solutions that appropriately protect the privacy and security of sensitive data and develop digital services that benefit injured workers, employers and health care providers.

Health care costs and access to services

There remain ongoing challenges with timely access to health care services and rising health care costs. In order to control costs, WorkplaceNL negotiates memorandums of agreement with all major health care provider groups, focuses on proactive case management and effective medical management of claims, and procures medical and health care items through the public tendering process. WorkplaceNL also adheres to the provincial generic drug pricing policy.

Financially sustainable employer-funded system

The Injury Fund has been fully-funded for five years. In that time, there has been a 38 per cent decrease in the assessment rates paid by employers to fund the system, including a discount of $0.21 per $100 payroll in 2019. As well, significant improvements to benefits for injured workers have been introduced, including: higher income replacement rate at 85 per cent, presumptive coverage for post-traumatic stress disorder for all workers and, new retirement benefits for more injured workers.

WorkplaceNL continues to be a responsible steward of the employer-funded Injury Fund. We rely on our long-term stakeholder-agreed Funding Policy to responsibly manage a financially sustainable system that sets assessment rates based on the costs of workplace injury claims and administration.

Management Discussion and Analysis

The Management Discussion and Analysis (MD&A) is an integral part of the annual performance report and provides management's perspective on the operations and financial position of the Workplace Health, Safety and Compensation Commission (WorkplaceNL). This MD&A should be read in conjunction with the audited financial statements and accompanying notes for the year ended December 31, 2018. The MD&A was prepared based on information available as of March 11, 2019. The Board of Directors has undertaken its own review of the MD&A following the recommendation of the Financial Services Committee.

Forward Looking Statements

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

Operations of WorkplaceNL

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

WorkplaceNL's revenues are derived from: assessment- based employers, who are insured through collective liability; self-insured employers, through administration fees; and investment income. In certain circumstances, under Section 45 of **the Act**, WorkplaceNL is deemed to be an assignee of a cause of action in respect of a claimant disability. Accordingly, revenues also include recoveries from third parties in respect of such actions. WorkplaceNL provides workplace insurance coverage to approximately 97 per cent of workers employed in the province of Newfoundland and Labrador.

Enterprise Risk Management

WorkplaceNL's enterprise risk management framework integrates risk management into its governance, strategy and planning, management, policy and reporting processes. This strategic framework provides assurances that WorkplaceNL resources are effectively deployed and that significant internal and external risks within our control are managed appropriately.

WorkplaceNL management is responsible for identifying, assessing, managing and communicating risk, and the impact these risks and their interdependencies may have on WorkplaceNL's ability to achieve its strategies and objectives. Along with this management control, WorkplaceNL has established internal controls, controllership functions, compliance functions, policies and practices to mitigate risks that could lead to significant consequences. An internal audit function provides independent, objective assurances to the Governance Committee and the Board of Directors on the effectiveness of the risk management framework, risk management activities, and internal controls. Executive leadership provides oversight to risk management activities, ensures the framework is updated, and ensures appropriate reporting to the Board of Directors. The Board of Directors provides overall oversight to the framework, sets the organization's risk tolerance level, and ensures risk is managed appropriately. WorkplaceNL is subject to review by external auditors and the Provincial Auditor General, and these bodies perform independent and objective assessments.

The following section discusses the 2018 assessment of key strategic, financial and operational risks and risk factors facing WorkplaceNL.

Environment and Economy

Factors outside of WorkplaceNL's control, including potential regulatory changes, and economic conditions, which in turn affect employment and assessable payrolls and could significantly impact WorkplaceNL's ability to achieve its strategies and business objectives.

Legislation requires statutory reviews to take place approximately every five years. Recommendations stemming from a statutory review could have broad implications on the workers' compensation system in Newfoundland and Labrador.

The pace of change related to new technologies, increasing service delivery expectations, changing demographics, and organizational agility or ability to deliver services requires a new strategic focus to close gaps. WorkplaceNL has established a Business Modernization Program to support WorkplaceNL's ability to deliver on its strategies; create new partnerships to help accelerate service delivery improvements; and be more agile and responsive to WorkplaceNL's clients by delivering services more effectively using approaches that reflect the needs and preferences of the current and future workforce.

Strategy

WorkplaceNL's Board of Directors is responsible for setting the priorities for WorkplaceNL and planning for its future. Progress against the objectives of the current 2017 to 2019 Strategic Plan is outlined in WorkplaceNL's Report on Performance section. WorkplaceNL's ability to deliver on business strategies and advance service delivery require continued focus in the face of multiple, competing pressures. Responding effectively to changing social and economic realities continues to be a priority for the Board of Directors. A new, 2020 to 2022 Strategic Plan will be developed in 2019.

Communication

Internal and external understanding of corporate direction and strategies are critical to ensure WorkplaceNL's focus remains strategic and balanced, and within the organization's mandate.

Operational

Claims Management

WorkplaceNL is focusing on return-to-work services early in the claim life cycle to offer the best potential to ensure sustainable return-to-work outcomes. WorkplaceNL is also targeting employers experiencing higher injuries and claims costs to identify facilitation approaches that address employer-specific challenges in return-to-work, in consideration of current and emerging risk factors.

Prevention

In Newfoundland and Labrador, the lost-time incidence rate in 2018 was at 1.6 injuries per 100 workers. While the rate over the past five years has remained stable between 1.5 and 1.6 and at a historic low for the province, there are considerable upward pressures that are influencing the injury rate at current levels. Workplaces throughout the province experienced increases in serious injuries, fatalities, occupational disease, and workplace violence in 2018.

Complex hazards like cumulative trauma, workplace violence, and psychological health and safety pose significant challenges for employers, workers, and health and safety practitioners. The recently announced changes to the Occupational Health and Safety Regulations to address workplace violence and harassment in the workplace will address some of the risks associated with these hazards. In addition, the province's new injury prevention strategy, Advancing a Strong Safety Culture in Newfoundland and Labrador (2018-2022) will continue to focus injury prevention programs on specific high risk hazards which will help create better protection for workers.

Financial

Market volatility, changing policy, increasing program costs, economic uncertainty, and changes in claiming patterns can quickly impact the value of the Injury Fund. Adherence to the Funding Policy and Long-term Investment Policy ensures the Injury Fund is managed with a view to maintaining a funded position that provides security for injured worker benefits within a reasonable ability of employers to pay assessments. The funded status continues to be assessed annually to ensure these factors are considered in the setting of assessment rates and benefits. While WorkplaceNL sets the employer assessment rate, changes to wage loss benefits are determined by the Provincial Government, in consideration of recommendations made by WorkplaceNL's Board of Directors.

WorkplaceNL also employs strategies to contain growth in costs and provide more cost-effective service delivery. This includes increasing the use of technology; leveraging opportunities to tender high quality goods and services at reduced prices; improving internal controls; and continuing with sound financial management practices.

Information Technology

Privacy and security concerns are increasing as newer technologies change the way services are delivered, and more sophisticated cyber threats become more prevalent. Security is embedded as a key tenant of WorkplaceNL's information Technology Strategic Plan 2017-2022 and an essential consideration in all technology choices.

WorkplaceNL has established measures to avoid system failures, as well as robust technology recovery and business continuity plans to mitigate the fallout from system failures to ensure core systems are restored and service delivery continues for WorkplaceNL's clients. Disaster recovery and business continuity plans will be updated as new technologies are adopted.

Human Resources and Management

The organization is anticipating a wave of retirements, including many senior leaders, commencing in 2019. To meet its commitments and mitigate human resource risk factors, WorkplaceNL is establishing plans to support skilled and engaged employees, organizational succession, leadership development, and continuity of corporate knowledge.

Injury Fund

Financial Highlights

($000)	2018	2017
Investments	1,419.0	1,454.5
Benefit liabilities	1,190.4	1,110.3
Fund balance	237.5	362.5
Assessment income	144.7	155.9
Investment (loss) income	(3.5)	124.6
Claims costs incurred	230.8	173.5
Adminstration costs	21.3	24.6
Legislated obligations	7.2	7.2
Operating (deficiency) surplus	(124.7)	71.5
Average assessment rate	$1.90	$2.06
Rate of return on investments	(0.4%)	9.2%
Funded ratio	119.5%	131.6%

Statement of Financial Position

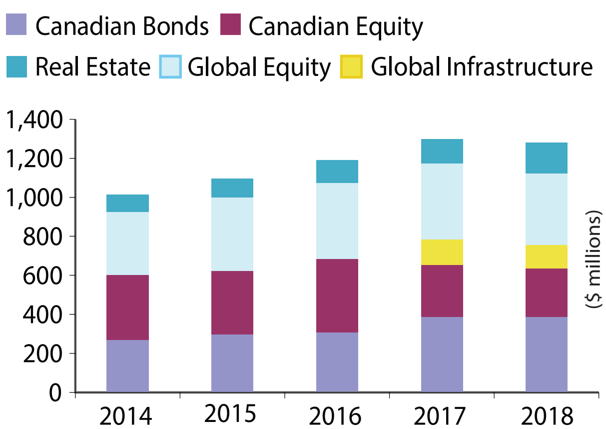
Cash Position

WorkplaceNL ended 2018 with a cash balance of $2.9 million, as compared to $20.0 million at the end of 2017. This lower balance is the result of lower assessments revenue due primarily to a lower average assessment rate ($9.8 million), an increase in payments to injured workers, driven by the increase in the Income Replacement Rate (IRR), and payout of severance to employees. WorkplaceNL withdrew $30 million from the Injury Fund in 2018 to meet cash flow requirements.

Investments

WorkplaceNL's investments are held in an Injury Fund to meet future benefit payments to injured workers. These investments are diversified primarily between domestic fixed income and domestic and foreign equities, as well as an allocation to domestic real estate and an allocation to global infrastructure.

Injury Fund 2014 - 2018



The fair value of the Injury Fund decreased $35.5 million to $1,419.0 million at December 31, 2018 from $1,454.5 million at the end of 2017 due to withdrawals from the Injury Fund ($30 million) coupled with negative investment returns.

Capital Markets Overview

The past year proved to be a difficult one for global equity markets. The synchronized economic growth and low volatility that characterized much of 2017 did not persist into 2018. In the later part of the year volatility increased as investors concerns grew over rising U.S. central bank interest rates, escalating tensions between the U.S. and its trading partners, ongoing uncertainty around Brexit negotiations and slowing economic growth, particularly in China and the European Union.

Most major asset classes ended the year in negative territory and most major indices recorded their biggest declines since 2008. Despite the Canadian, U.S. and other major indices reaching record levels in the third quarter, the gains that were made to the end of September were reversed as major equity markets and commodity prices fell sharply towards year-end. In the U.S. the S&P 500 index set a record for the longest bull market. However, that index ended the year down 13.6 per cent from its record high, its worst annual performance since the financial crisis in 2008 and its first negative return since 2015. Nevertheless, the U.S. market still managed a 4.2 per cent return, in Canadian dollar terms, for the year. In the U.S. market, six of eleven sectors posted negative returns lead by energy, materials and industrials.

Canada's S&P/TSX Composite Index declined 12.9 per cent from its July 2018 peak, ending the year down 8.9 per cent. The fall in the Canadian market was in large part due to the significant decline in Canadian crude oil prices, which reached record lows in November. The S&P GSCI crude oil commodities index declined 26 per cent over the year and 68 per cent from its peak in October. Eight of the S&P/TSX eleven sectors posted negative returns lead by energy, consumer discretionary and health care.

The MSCI World Index fell 8.4 per cent in the last three months of 2018, its worst quarterly performance in seven years. The world index was basically flat year-over-year, up only 6 basis points over 2017. The MSCI Emerging Markets Index returned a negative 6.5 per cent, down approximately 35 percentage points from its first place performance in 2017.

Credit markets came under stress as central bank decisions reduced liquidity in the market. As anticipated, central banks began tightening monetary policy through increases in interest rates and reversal of bond purchase programs. The Bank of Japan was the only major central bank that indicated it would keep interest rates low and continue it bond purchase program. The U.S. federal Reserve increased its target rate four times from between 1.25 and 1.5 per cent to 2.25 to 2.5 per cent. The Bank of Canada increased its overnight rate three times from 1.0 to 1.75 per cent. North American bond markets experienced a flattening of the yield curve along with widening of credit spreads. The widening of credit spreads was in response to tighter liquidity and investors' reduced appetite for risk.

Bond yields in Canada rose at the short-end of the curve with two-year yields increasing 18 basis points (bps) to 1.86 per cent but declined at the ten-year maturity to 1.96 per cent from 2.04 per cent, a year earlier. During the fourth quarter, the yield on two and ten-year Government of Canada bonds peaked at 2.36 and 2.60 per cent, respectively. The U.S. Treasury yield curve reached its flattest since 2007, as the yield on two-year treasuries increased 59 bps to 2.48 per cent, while ten-year yields increased only 29 bps to 2.69 per cent on a year-over-year basis. In early November, the two and ten-year treasury yields peaked at 2.98 and 3.24 per cent, respectively. It was the significant decline in yields in the fourth quarter that resulted in a modest return for the Canada Universe overall bond index for the year. Long-term bonds underperformed short and mid-term bonds during 2018 while returns on federal government bonds exceeded those on provincial and corporate bond issues.

The Canadian Dollar (CAD) ended 2018 with its worst annual performance in three years, losing 8.2 per cent versus the United States Dollar (USD), decreasing from 78.8 cents to 73.3 cents U.S. The CAD peaked at 81.4 cents U.S. early in the year. The CAD lost 3.4 per cent in value versus the Euro over the course of the year. Three quarters of the Injury Fund's foreign currency denominated assets (29 per cent of the total fund) are not hedged to the CAD. At December 31, 2018, United States assets represented 55.3 per cent of the global asset allocation (21.4 per cent of total fund assets) while European assets accounted for about 22.8 per cent (8.8 per cent of total fund assets). It is estimated that a 10 per cent change in the value of the CAD versus the USD produces about a $25.9 million change in value, while a similar result compared to the Euro produces a change of about $3.1 million.

Investment Strategy and Portfolio Construction

WorkplaceNL's Board of Directors is responsible to ensure that the assets of the Injury Fund**,** along with future investment income, are sufficient to pay benefit liabilities. The Board of Directors takes a long-term approach to the management of the Injury Fund given that payment of the majority of benefits promised to injured workers extend many years into the future. WorkplaceNL's stated goal is to earn a rate of return of 5.8 per cent or a 3.5 per cent real return after inflation.

WorkplaceNL's investment strategy is guided by the Statement of Investment Principles and Beliefs (SIPB) and the Long-term Investment Policy. The SIPB outlines the governance structure for the Injury Fund, the importance of asset allocation in achieving the long-term return objectives of the fund, the importance of diversification and the process for manager selection and performance evaluation. The Investment Committee reviews and amends the SIPB and policy periodically to ensure prudent management and oversight of the Injury Fund assets.

The Long-term Investment Policy documents the long-term asset mix target, the return objectives, acceptable investments and limits on risk concentration. The Injury Fund assets are managed by independent, professional investment managers and WorkplaceNL has hired a third party service provider to assume the role of outsourced Chief Investment Officer for the Injury Fund. WorkplaceNL 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.

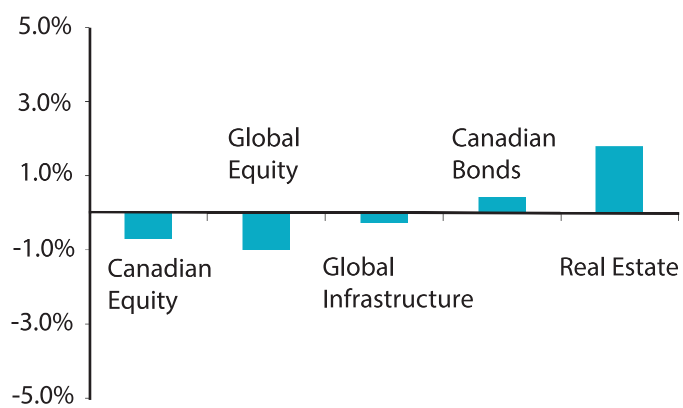
WorkplaceNL's asset mix policy as at December 31, 2018 was as follows:

Asset Class	Asset Mix	Tolerance Range
Bonds, Canadian	30 %	±5 %
Equities, Canadian	20 %	±5 %
Equities, Global	30 %	±5 %
Infrastructure, Global	10 %	±5 %
Real Estate, Canadian	10 %	±5 %

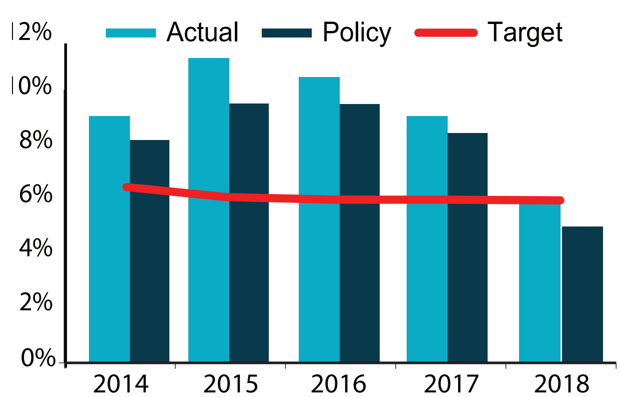
WorkplaceNL's initial allocation to global infrastructure was invested in a listed vehicle until suitable direct investment opportunities were identified. During 2018, progress was made in selecting and entering into agreements with two direct global infrastructure managers. Initial drawdowns of these capital commitments commenced late in 2018.

The asset mix will vary from the targets due to differences in the relative performance of the various financial market segments. All asset classes were within their respective tolerance ranges at December 31, 2018:

Asset mix vs. Policy, Dec 31,



Four-year annualized return



Another objective of the Injury Fund is to exceed the return of the benchmark portfolio (i.e. the policy return) on a four-year moving average basis. The policy return is the return the Injury Fund would have earned had each asset class achieved the return of its respective passive index and was at its target weight according to the Long-term Investment policy. The target rate of return for the investment portfolio had been 6.6 per cent or 3.5 per cent after inflation over the long term. WorkplaceNL revised its long-term return target to 6.1 per cent in 2015 and then to 5.8 per cent in 2016, maintaining a 3.5 per cent real rate of return, but with reductions in the inflation expectations to 2.5 per cent and then to 2.25 per cent. For the four-year period ending December 31, 2018, the Injury Fund earned an annualized return of 6.0 per cent compared to the policy return of 5.0 per cent.

Benefit Liabilities

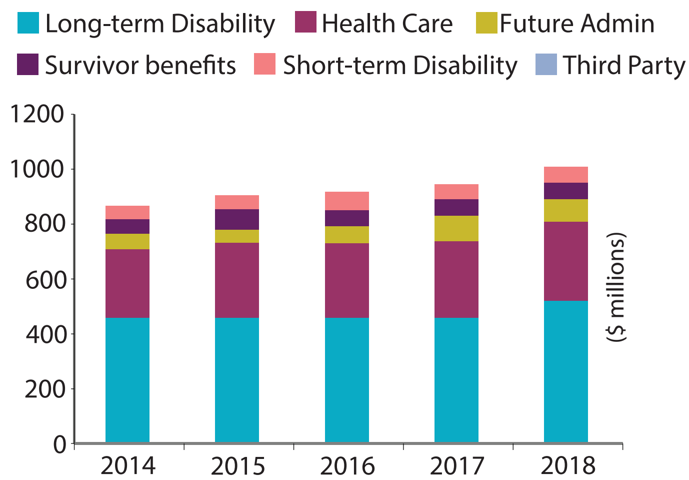
Benefit liabilities reflect the present value of all future payments expected to be made on behalf of injured workers whose claims were accepted as of December 31, 2018, and the future cost of administering those claims. WorkplaceNL has also included a provision for future claims related to latent occupational disease, and presumptive coverage for firefighters which was legislated by the Province of Newfoundland and Labrador in 2016. The benefit liabilities are increased each year for the estimated cost of current and prior year injuries and are reduced by actual payments in the year and revisions to actuarial estimates for prior years' claims. These experience adjustments are a normal and expected part of the actuarial valuation process.

WorkplaceNL has a financial strategy policy aimed at maintaining the funded position within a reasonable range over the long term. The economic and actuarial assumptions used in the valuation of liabilities are reasonable estimates of future expectations for these variables over the long term. The assumptions described in Note 14 - Benefit Liabilities and Claims Costs, to the financial statements, are consistent with those used in the prior year.

One of the significant assumptions used in the determination of the benefit liability is the discount rate. Current accounting and actuarial standards allow for the use of a rate equivalent to the long-term expected return on the benchmark asset allocation adopted through WorkplaceNL's Long-Term Investment Policy, currently 5.8 per cent. The International Accounting Standards Board (IASB) has issued a new standard International Financial Reporting Standards (IFRS) 17 Insurance Contracts which will be applicable for fiscal years beginning on or after January 1, 2021. This standard provides for the use of a discount rate that is closer to a risk-free rate; one which is comparable to the expected rate of return earned on a hypothetical fixed income portfolio consisting of high-quality bonds of durations similar to the cash flows associated with the liability.
If this accounting standard had been in effect at December 31, 2018, such a discount rate would be approximately 3.3 per cent and would result in an increase in the benefit liability of $227.6 million and a reduction in the funded ratio to 100.7 per cent.

WorkplaceNL'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. Benefit liabilities increased $80.0 million, or 7.2 per cent from $1,110.3 million at the end of 2017, to $1,190.4 million at the end of 2018. This increase is due to an increase in the IRR ($39.9 million), the change in the retirement benefit ($23.0 million) and claims experience being different than expected ($14.1 million), slightly offset by gains related to inflation, and changes in valuation methods and assumptions.

Benefit Liabilities



The liability for long-term disability benefits represents the single largest component of the overall benefit obligations. The long-term disability benefits provided under **the Act** are indexed to the full rate of inflation with no upper limit. WorkplaceNL calculates the annual inflation adjustment based on the year-over-year change in the Canadian Consumer Price Index at July each year and applies the adjustment January 1 of the following year. The inflation adjustment calculated in 2018 was 1.9 per cent and the inflation adjustment has averaged 1.5 per cent over the past five years.

At December 31, 2018, the long-term disability liability was 51.3 per cent of the total benefits liability and amounted to $611.0 million, compared to $553.2 million for the prior year. Net actuarial losses in this category totaled $49.7 million. The losses are primarily driven by recent legislative changes related to the increase in the IRR ($29.5 million) and the change to the retirement benefit ($20.8 million). These losses were partially offset by gains related to the inflation rate being lower than expected ($1.4 million), claim terminations being greater than expected ($1.9 million), and an update to the mortality basis used in the valuation ($1.9 million).

In addition to the liability for long-term disability claims accepted during the year, the liabilities include a provision for outstanding claims that might become long-term disability claims in future years. The observed (actual) average capitalization increased from about $131,000 in 2017 to $150,000 in 2018. The average new capitalization award for the past 5 years, when actuarially adjusted is $140,000. To address the recent changes in the IRR and emerging experience, the actuaries have increased the assumed liability assumption for new Extended Earnings Loss (EEL) awards for the current valuation from $130,000 to $145,000. WorkplaceNL's actuaries have maintained their 6.0 per cent expectation for the proportion of short-term claims which will eventually qualify for an EEL award. The absolute number of expected long-term claims continues to decline, and for accident years 2016 to 2018 averaged 196 per year.

The next largest benefit liability category is health care, which is 28.4 per cent of the benefit liability at $337.9 million, a 1.4 per cent increase from 2017. There were actuarial gains in this category totaling $0.8 million arising from an update in the mortality basis ($1.4 million) and the recognition and incorporation of recent, positive experience ($1.7 million). These gains were offset by an increase in the assumed medical inflation rate for claims with significant health care costs ($3.1 million).

The liability for short-term disability increased 13.7 per cent from $66.1 million to $75.1 million. Net actuarial losses in this category totaled $11.3 million and are related to the increase in the IRR ($3.9 million), actual payments being greater than expected ($5.4 million) and an update to the projection factors to incorporate emerging experience ($2.0 million).

In 2018, the liability for survivor benefits increased from $48.7 million to $49.3 million. WorkplaceNL accepted 36 fatality claims in 2018 compared with 25 in 2017. Of these, 4 were as a result of accidents and 32 arose from occupational disease (2017: 5 accidents, 20 occupational disease).

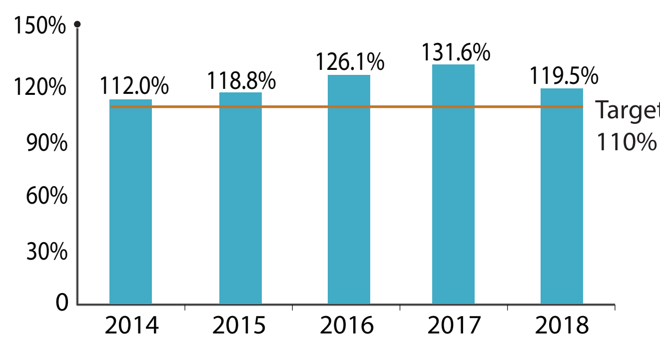
Funding Policy

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

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, WorkplaceNL will adjust assessment rates paid by employers over a fifteen-year period to achieve the funding target.

Assessment rates for 2019 reflect a $0.21 rate discount aimed at returning the funded ratio to 110 per cent.

Funded Ratio



Fund Balance

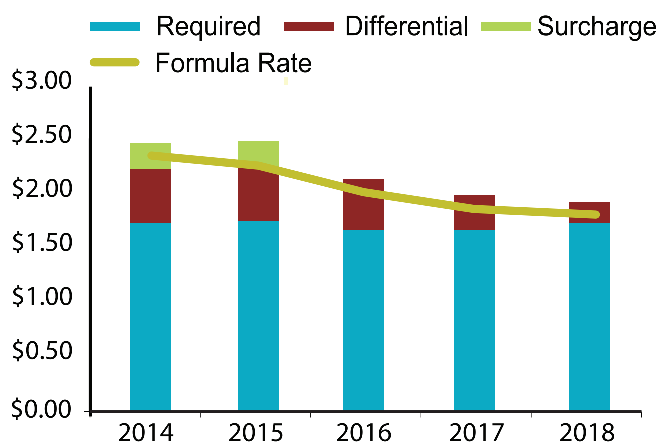
At December 31, 2018, WorkplaceNL's assets totaled $1,453.9 million compared with total liabilities of $1,216.4 million. The net fund balance of $237.5 million consists of $237.0 million in accumulated operating surpluses, other comprehensive loss of $0.7 million, and an occupational health and safety research reserve of $1.2 million.

WorkplaceNL's annual assessment revenue is set to cover projected current year claims and operating costs, while investment income is intended to cover the annual interest on the liability from prior years' claims. Gains or losses arise when claims or operating costs differ from forecast or projected, or investment returns are higher or lower than target. The following table provides a reconciliation of the change in fund balance:

($ millions)	2018	2017
Fund Balance - January 1	$362.5	$291.1
Assessments revenue in excess of current year claims and operating costs	15.1	29.7
Investment income (less than) in excess of interest on liability from prior years' claims	(70.0)	59.6
Increase in Income Replacement Rate	(39.9)	-
Change in Retirement benefit	(23.0)	-
Lower (higher) liabilities than previously anticipated for prior years' claims	(7.2)	(17.9)
Fund Balance - Dec. 31	$237.5	$362.5

Assessment rates are established each year at a level which will generate sufficient revenue to cover the anticipated cost of new injuries in the year. The cost of injuries is projected based on a formula which considers the average cost of injuries for most recent seven-year period, excluding the highest and lowest value. Often there is a differential between the projected cost of injuries and the actual experienced.

Observed Assessment Rate Differential



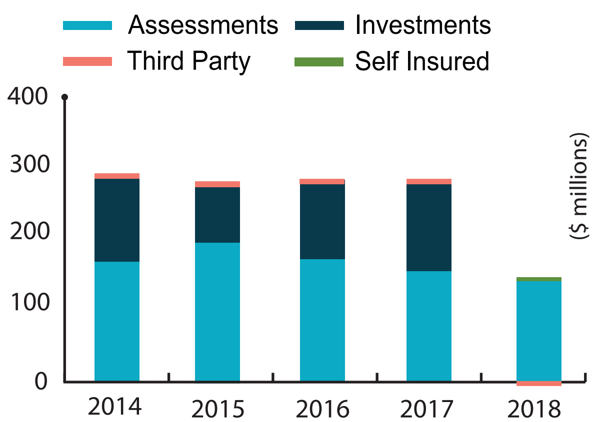
While WorkplaceNL has experienced a steady decline in the projected cost of new injuries, actual injury costs realized in recent years have been even lower. This pattern has also contributed to the increase in the fund balance.

Statement of Comprehensive Income

<u>Revenue</u>

WorkplaceNL's revenue sources are assessments paid by employers, investment income, self-insured administration fees and third party recoveries. In 2018, revenue totaled $144.0 million, a 49.6 per cent decrease from 2017 revenue of $285.9 million, driven by investment losses and lower assessments.

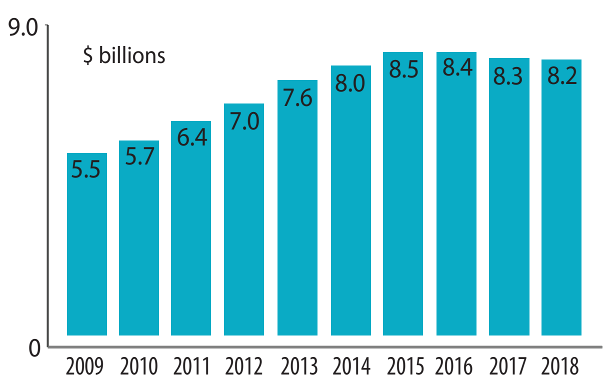
Revenue



Assessments Revenue

Revenue from assessments consists of base assessments, and practice and experience incentives, refunds and charges disbursed and collected through the PRIME program.

Assessable Payroll



The average base assessment rate was reduced from $2.06 to $1.90 for 2018. The assessment revenue from rate based employers decreased 8.8 per cent to $152.5 million from $167.2 million in 2017.

The lower assessment rate contributed approximately $13.1 million to the year-over-year revenue reduction.

In 2018, employer assessable payrolls decreased by 1.4 per cent to $8.2 billion due to a 20.5 per cent decline in the construction sector, as well as declines in educational services, finance and insurance, and retail trade, partially offset by growth across the other industry sectors, and the annual increase in the maximum assessable and compensable earnings limit.

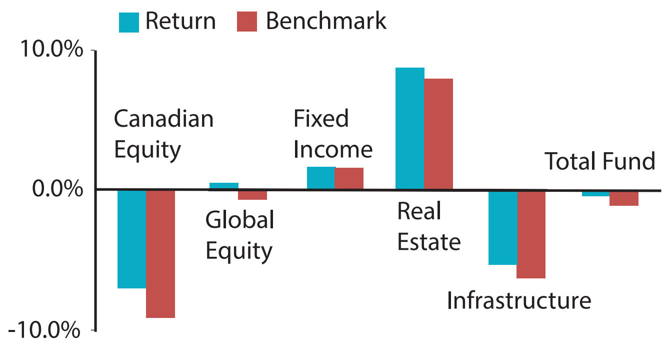
Under WorkplaceNL's PRIME program, employers can impact the assessments they pay by meeting their practice requirements under the practice incentive component and managing their claim costs under the experience incentive component. The practice component recognizes employers for meeting the requirements for occupational health and safety and return-to-work practices through a five percent refund on their average calculated base assessments. While the percentage of employers qualifying for PRIME has increased over time, the value of the refunds available has declined due to lower assessment rates and assessable payroll.

Revenue from self-insured employers consists of the administration fee for managing their claims. In 2018, revenue in this category decreased by 19.8 per cent to $1.8 million (2017 - $2.2 million).

Investment Income

Investment income includes dividends and interest from the Injury Fund portfolio and short-term investments, as well as gains and losses arising from changes in the market value of the investment fund. In accordance with IFRS, both realized and unrealized gains and losses are included in investment income.

2018 Returns by Asset Class



In 2018, the Injury Fund had a rate of return of negative 0.4 per cent compared with a policy return of negative 1.4 per cent, and a 9.2 per cent return in the previous year. In 2018, WorkplaceNL realized investment losses of $3.5 million, compared to income of $124.6 million in 2017. The losses arose from declines in market value from the previous year-end, partially offset by interest and dividends which increased 10.7 per cent from $27.1 million in 2017 to $29.9 million in 2018.

The Injury Fund's Canadian equity asset class lost 6.9 per cent return in 2018 compared with the S&P/TSX Composite Index which was down 8.9 per cent. The top performing sectors in the Canadian equity market, and the only sectors generating positive returns in 2018, were Information Technology, Real Estate and Health Care, at 12.9 per cent, 2.0 per cent and 2.0 per cent, respectively. Overall, eight of 11 sectors produced negative returns last year. Energy and Health Care lead the way with returns of negative 18.3 per cent and negative 15.9 per cent, respectively. The Injury Fund performance was enhanced from positive stock selection in both under and over-performing sectors and from being underweight energy as oil prices declined in the later part of the year.

The Global equity asset class produced a 0.3 per cent return in 2018 compared with the MCSI All Country World Index of negative 0.7 per cent. All major market indices produced negative returns in 2018. The Injury Fund outperformed the benchmark due to a significant weighting to the U.S. market, the decline in the value of the CAD during 2018 and by maintaining a 10 per cent allocation (one third of Global Equities) to a low volatility global equity fund. The low volatility allocation produced a 3 per cent return in 2018.

The Canadian fixed income asset class produced a 1.5 per cent return in 2018, just slightly ahead of the 1.4 per cent return of the FTSE TMX Canada Universe Bond Index. The top performing bond sectors were Long-term Federal Bonds at 3.4 per cent and Universe Federal Bonds at 2.4 per cent. Long-term Provincial, Corporate and Municipal Bonds produced negative returns in 2018. The Injury Fund fixed income asset class was under-weight Federal Bonds for much of the year though the over-weight to Provincial and Corporate Bonds was reduced to near market weights by year-end. The decline in bond yields in the fourth quarter enhanced the performance of this asset class. The Bond allocation, which is equally divided between two managers, continues to be diversified across credit, duration and yield curve strategies. The credit quality of the bond portfolio continued to be improved throughout 2018.

The Injury Fund's investment in global infrastructure is facilitated through a pooled fund of stock market listed companies that have specific exposures to infrastructure assets. This asset class out-performed the DJ Brookfield Global Infrastructure Index with a return of negative 4.9 per cent as compared to negative 6.2 per cent for the benchmark. The value-added performance was due to sector allocations and stock selection. The currency hedge in place for this asset class detracted from performance as the CAD weakened against all currencies in the portfolio.

The real estate investments generated an annual return of 8.7 per cent compared with the IPD All Property Index return of 7.9 per cent. The strong performance in 2018 is attributed to capital appreciation, as well as stable income returns, particularly from office and industrial assets in British Columbia and Ontario. From a sector standpoint, all property types performed well and were led by multi-unit residential assets. The portfolio was over-weight Ontario and multi-unit residential during the year. Later in the year returns on real estate were negatively impacted because declining yields resulted in negative fair value accounting adjustments on the debt component of the portfolio.

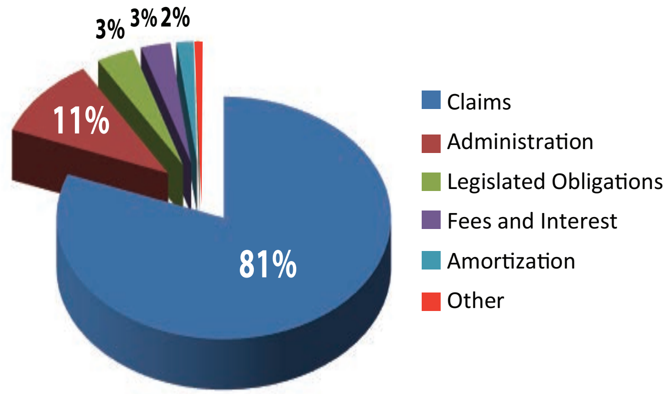
Expenses

WorkplaceNL's total expenses include benefit costs, administrative expenses, legislated obligations, fees and interest, amortization and other expenses. Benefits for injured workers are the most significant component of WorkplaceNL's expenses, which comprises 81 per cent (2017 – 80 per cent) of expenses, while administration expenses are approximately 11 per cent (2017 – 12 per cent) of the total.

Claims costs incurred

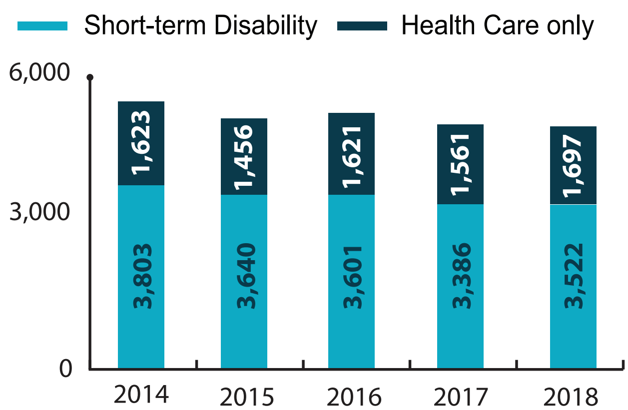
Claims costs incurred (expense), as reported in the Statement of Comprehensive Income, are actuarially determined and include the full cost of providing for all injuries that occurred in the current and prior years.

Total Expenses 2018



Benefit costs for the current year's injuries increased by $5.2 million from $155.7 million in 2017 to $160.9 million in 2018. This was primarily due to the increase in the IRR.

New Injury Claims



Total claims costs incurred increased $57.3 million (33.0 per cent) from $173.5 million in 2017 to $230.7 million in 2018. This was primarily due to a higher net impact of actuarial adjustments ($69.8 million) as compared to the prior year ($17.7 million)

Claims costs paid

Claims costs paid includes 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, as reported in the Statement of Cash Flows. In total, these payments increased to $138.2 million in 2018, from $130.5 million in 2017. This increase was driven primarily by the increase in the IRR.

Administrative and other expenses

In 2018, WorkplaceNL's administration, amortization and other operational expenses declined 8.3 per cent from $27.9 million to $25.6 million. This is primarily due to the impact of the increase in the allocation of administration expenses to claims administration.

Legislated and other obligations

WorkplaceNL is required by legislation to fund the operating costs of the OHS Division of Service NL in delivering their occupational health and safety mandate, and all of the costs of operating the Workplace Health, Safety and Compensation Review Division. WorkplaceNL also provides funding to employer and worker advisor positions. Total legislated obligations and other commitments decreased by $0.3 million in 2018 to $6.9 million.

Outlook

In 2018, with input from WorkplaceNL and key stakeholders, the Provincial Government enacted legislation to increase the IRR from 80 to 85 per cent, to introduce a new retirement benefit and to provide presumptive coverage for post-traumatic stress disorder for all workers. The increase in the IRR was effective for injuries occurring after March 31, 2018 while the retirement benefit and presumptive coveragefor post-traumatic stress disorder are effective in 2019; on January 1 and July 1, respectively.

Empirical evidence has shown that increases in benefits lead to changes in claiming patterns through increases in the number of claims and in claim duration. Consequently, these benefit improvements are expected to put further upward pressure on claims costs in the future. Responding effectively to changing social and economic realities continues to be a priority for the Board of Directors.

According to the Conference Board of Canada's Provincial Outlook, Newfoundland and Labrador will go from having the weakest provincial economy in 2018 to being the leader in 2019, due to higher offshore oil production. The Provincial Government is also anticipating increased capital investment at the West White Rose project and the underground mine at Voisey's Bay. These investments are expected to offset the declining construction activity at Muskrat Falls. Employment is expected to be stable next year while the labour force is expected to decline slightly. WorkplaceNL is forecasting assessable payrolls in 2019 marginally higher than those in 2018 due primarily to an increase in the maximum assessable and compensable earnings limit.

For 2019, the Board implemented a rate discount to enable the funded position to return to 110 per cent over a 15 year period, which resulted in a reduction in the average base assessment rate for 2019 from $1.90 to $1.69 per $100 of assessable payroll. The reduction in the average assessment rate will reduce revenues by approximately $17.5 million.

The value of the Injury Fund has increased by $67.0 million (4.7 per cent) over the first two months of 2019, including a further $5 million withdrawal to fund benefit payments and operations. WorkplaceNL will continue to rely on its diversified investment approach to mitigate capital market risks and uncertainty.

2018 Financial Statements

Management responsibility for financial reporting

The accompanying financial statements of WorkplaceNL have been prepared by management, who is responsible for the integrity and fairness of the information presented, including significant accounting judgments, estimates and actuarial assumptions. This responsibility includes selecting appropriate accounting principles and actuarial assumptions consistent with International Financial Reporting Standards. Financial information contained elsewhere in this Annual Performance Report is consistent with these financial statements.

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

The Board of Directors oversees management's responsibility for financial reporting through its Financial Services Committee, which recommends approval of the financial statements. The Financial Services Committee oversees the external audit of WorkplaceNL's annual financial statements and the accounting and financial reporting and disclosure processes and policies of WorkplaceNL. The Financial Services Committee of the Board meets with management, the independent consulting actuary and the independent auditors to discuss the results of the external audit, the adequacy of internal accounting controls and the quality and integrity of financial reporting. WorkplaceNL's Board of Directors has approved the financial statements included in this Annual Performance Report.

Morneau Shepell Inc. has been appointed as independent consulting actuary to WorkplaceNL. Its role is to complete an independent actuarial valuation of the benefit liabilities of WorkplaceNL annually and to report thereon in accordance with accepted actuarial principles. Ernst & Young LLP, the independent auditors of WorkplaceNL, have performed an audit of the 2018 financial statements of WorkplaceNL in accordance with Canadian generally accepted auditing standards and their report follows.

Dennis Hogan Chief Executive Officer	Paul Kavanagh Chief Financial & Information Officer

Actuarial Statement of Opinion

We have completed the actuarial valuation of the benefit liabilities of the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador ("WorkplaceNL") as at December 31, 2018 (the "valuation date"). The valuation is based on the provisions of the Workplace Health, Safety and Compensation Act of Newfoundland and Labrador (the "Act") and on WorkplaceNL's policies and practices in effect on the valuation date.

The estimate of the actuarial liabilities for assessed employers as at the valuation date is $1,190,354,000. The actuarial liabilities include provisions for benefits and administration expenses expected to be paid after the valuation date for accidents that occurred on or before the valuation date. They also includes a provision for potential long-latency occupational disease claims associated with exposure that occurred on or before the valuation date. Self-insured employers are not included in this valuation.

Details of the data, actuarial assumptions, valuation methods and results are included in the actuarial valuation report as at the valuation date, of which this statement of opinion forms part. In our opinion:

1. The data on which the valuation is based are sufficient and reliable for the purpose of the valuation. Data for the valuation were supplied by WorkplaceNL in accordance with specifications provided by us and we applied such checks of reasonableness of the data as we considered appropriate.

2. The assumptions are appropriate for the purpose of the valuation. The economic assumptions are consistent with the long-term financial strategy and long-term investment policies of WorkplaceNL.

3. The methods employed in the valuation are appropriate for the purpose of the valuation.

4. The amount of the actuarial liabilities makes appropriate provision for all personal injury compensation obligations and the financial statements fairly present the results of the valuation.

5. This report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada.

Mark Simpson

Mark Simpson, F.C.I.A.
Morneau Shepell Ltd.
March 15, 2019

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

Independent Auditors' Report

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

Opinion

We have audited the financial statements of **Workplace Health, Safety and Compensation Commission** [the "Company"], which comprise the statement of financial position as at December 31, 2018, and the statement of comprehensive income, statement of changes in funded position and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Independent Auditors' Report continued

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young LLP

Chartered Professional Accountants

St. John's, Canada
April 18, 2019

Statement of **FINANCIAL POSITION**
as at December 31

(thousands of dollars)	2018	2017
Assets		
Cash, cash equivalents and short-term investments	**$ 2,905**	$ 19,979
Accounts receivable [note 5]	**9,861**	10,519
Investments [note 6]	**1,419,023**	1,454,479
Property, plant and equipment [note 9]	**7,719**	8,037
Intangible assets [note 10]	**14,374**	15,300
	$ 1,453,882	$ 1,508,314
Liabilities		
Accounts payable and accrued liabilities [note 12]	**24,231**	28,059
Employee future benefits [note 15]	**1,782**	7,471
Benefit liabilities [note 14]	**1,190,354**	1,110,318
	1,216,367	1,145,848
Fund balance	**237,515**	362,466
	$ 1,453,882	$ 1,508,314

Commitments [note 22]

Authorized for issue on March 27, 2019 on behalf of the Board of Directors

John Peddle
Chairperson

Gregory Viscount
Director

See accompanying notes.

Statement of **COMPREHENSIVE INCOME**
Year ended December 31

(thousands of dollars)	**2018**	2017
Revenue		
Assessments revenue [note 13]	**$ 144,719**	$ 155,937
Investment (loss) income [note 7]	**(3,452)**	124,594
Third-party recoveries	**947**	3,053
Self-insured employer revenue	**1,782**	2,223
	143,996	285,807
Expenses		
Claims costs incurred [note 14]		
Short-term disability	**35,137**	31,611
Long-term disability	**63,173**	61,863
Survivor benefits	**3,949**	4,392
Health care	**43,852**	44,634
Rehabilitation	**1,311**	1,177
Actuarial adjustments	**69,841**	17,777
Future administration costs	**13,492**	12,039
	230,755	173,493
Administration [note 16]	**21,309**	24,634
Legislated obligations [note 17]	**6,873**	7,153
Fees and interest, net [note 11]	**5,499**	5,738
Amortization and depreciation [notes 9 and 10]	**3,320**	2,996
Other expenses [note 18]	**988**	308
	268,744	214,322
Operating (loss) surplus	**(124,748)**	71,485
Other comprehensive income (loss)		
Remeasurement of employee future benefits [note 15]	**33**	(38)
Total comprehensive (loss) income	**$ (124,715)**	$ 71,447

See accompanying notes.

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

(thousands of dollars)	**2018**	2017
Accumulated operating surplus		
Balance, beginning of year	**$ 362,700**	$ 291,215
Operating (loss) surplus	**(124,748)**	71,485
Transfer to reserve [note 19]	**(1,000)**	-
	236,952	362,700
Accumulated other comprehensive loss		
Balance, beginning of year	**(719)**	(681)
Other comprehensive income (loss) [note 15]	**33**	(38)
	(686)	(719)
Reserves		
Occupational Health and Safety Research [note 19]	**1,249**	485
Fund balance, end of year	**$ 237,515**	$ 362,466

See accompanying notes.

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

(thousands of dollars)	**2018**	2017
Cash flow from operating activities		
Cash received from:		
Employers, for assessments	**$ 145,377**	$ 154,447
Self-Insured administration	**1,782**	2,223
Third parties	**947**	3,053
	148,106	159,723
Cash paid to:		
Claimants or third parties on their behalf	**(138,195)**	(130,486)
Suppliers and employees, for administrative and other goods and services	**(47,890)**	(40,452)
Investment manager, interest & other fees	**(3,670)**	(5,738)
	(189,755)	(176,676)
Net cash used in operating activities	**(41,649)**	(16,953)
Cash flows from investing activities		
Cash received from:		
Interest	**13,129**	13,162
Dividends	**17,009**	14,246
Sale of investments	**117,087**	950,127
	147,225	977,535
Cash paid for:		
Purchase of investments	**(120,618)**	(983,418)
Purchase of property, plant and equipment	**(259)**	(444)
Purchase of intangible assets	**(1,773)**	(2,815)
	(122,650)	(986,677)
Net cash provided by (used in) investing activities	**24,575**	(9,142)
Net change in cash and cash equivalents	**(17,074)**	(26,095)
Cash and cash equivalents		
Beginning of year	**19,979**	46,074
End of year	**$ 2,905**	$ 19,979

See accompanying notes.

Notes to **FINANCIAL STATEMENTS**

1. NATURE OF OPERATIONS

The Workplace Health, Safety and Compensation Commission (WorkplaceNL) was established by the Newfoundland Legislature in 1951, under the **Workplace Health, Safety and Compensation Act (the Act)**, as amended. WorkplaceNL is a legislative incorporated entity with no share capital. The main office of WorkplaceNL is located at 146-148 Forest Road, St. John's, Newfoundland and Labrador, Canada. WorkplaceNL operates two regional offices in Newfoundland and Labrador in Grand Falls-Windsor and Corner Brook.

WorkplaceNL 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 WorkplaceNL 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 WorkplaceNL assessment or benefit decisions. WorkplaceNL does not receive government funding or other assistance.

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

2. BASIS OF PREPARATION

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

Going concern
WorkplaceNL has assessed the relevant financial and economic indicators and has determined that there is an ability to operate as a going concern, as supported by the funding strategy to maintain a funded ratio between 100% and 120% [note 23].

Basis of measurement
The financial statements have been prepared on the historical cost basis unless otherwise explained in the significant accounting policies below. Historical cost is based on the fair value of the consideration given in exchange for assets.

The financial statements are presented in Canadian currency.

3. SIGNIFICANT ACCOUNTING POLICIES AND STANDARDS ISSUED BUT NOT YET EFFECTIVE

Significant Accounting Policies

Cash and cash equivalents and short-term investments

Cash and cash equivalents and short-term investments include cash at banks and on hand, bank overdrafts and money market instruments. Those assets with original maturity dates at time of purchase of three months or less are classified as cash equivalents, whereas those with original maturities beyond 3 months, and less the 12 months are classified as short-term investments. Cash, cash equivalents and short-term investments are measured at fair value. Cash equivalents bear interest rates of 1.50% - 2.25% [2017 - 0.60% - 1.25%].

Assessments revenue

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

Self insured employer revenue

Self insured employers are liable to pay all benefits, compensation and administration costs for their workers' claims. WorkplaceNL adminsters the payment of claims and recovers the claims costs plus administration fees from the employers. The adminstration fees are recognized as revenue as services are provided.

Accounts receivable

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

Property, plant and equipment

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

Building	40 years
Furniture and equipment	10 years
Computer equipment	1 to 5 years

At the end of each reporting period, the useful lives of items of property, plant and equipment are reviewed and adjusted if required, and an assessment is made whether there is any indication of impairment. If an item of property, plant and equipment is determined to be impaired, its carrying value is reduced to the net recoverable amount.

Intangible assets

Intangible assets, which include purchased software and internally developed systems including systems not available for use, are recorded at cost. Assets in service are amortized monthly on a straight-line basis over their estimated useful lives of five to ten years.
The amortization method and period are reviewed at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES AND STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Intangible assets are assessed for impairment whenever there is an indicator that the intangible assets may be impaired. If an asset is determined to be impaired, its carrying value is reduced to the net recoverable amount.

Benefit liabilities

The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for injuries which occurred in the current fiscal year or in any prior year. The benefit liabilities include a provision for all benefits provided by current legislation, policies and/or business practices in respect of existing claims, as well as the estimated liability for latent occupational disease, an estimate for presumptive coverage for firefighters and a provision for the future costs of administering claims.

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

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

Foreign currency translation

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

Investments

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

Financial instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES AND STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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

Asset/Liability	**Classification**	**Measurement**
Cash, cash equivalents & short-term investments	FVTPL	Fair Value
Accounts receivable	Loans and receivables	Amortized cost
Investments	FVTPL	Fair value
Accounts payables and accrued liabilities	Other liabilities	Amortized cost

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

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

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

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

WorkplaceNL uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Financial instruments included in level 1 of the fair value hierarchy consist of cash and cash equivalents and equities. Fixed term and real estate financial instruments are included in level 2 with infrastructure in level 3. WorkplaceNL determines whether transfers have occurred between levels in the hierarchy for reassessing categorization at the end of each reporting period.

The fair value of publicly traded investments is based on quoted prices from security exchanges, while that of domestic real estate investment funds and pooled fund units are valued at their year-end net asset value, based on associated net asset value transactions. There are pooled unit funds in both the fixed term and equity investments [Note 6]. For infrastructure classified as level 3, values represent WorkplaceNL's proportionate share of the underlying net assets at fair values estimated using one or more methodologies including multiples of earnings or discounted cash flows. In the first year of ownership, cost is considered to approximate fair value.

3. SIGNIFICANT ACCOUNTING POLICIES AND STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Employee future benefits
Employees participate in the Province of Newfoundland and Labrador's Public Service Pension Plan (PSPP), a multi-employer defined benefit plan. The employer's contributions are expensed as incurred. WorkplaceNL is neither obligated for any unfunded liability, nor entitled to any surplus that may arise in this plan. WorkplaceNL's share of the future contributions are dependent upon the funded position of the PSPP.

WorkplaceNL provides a payout of accumulated annual leave balances and had provided a severance payment upon retirement, resignation or termination without cause. The expected costs of providing these employee future benefits are accounted for on an accrual basis and have been determined using management's best estimate of wage inflation, and retirement ages of employees. Discount rates are based on the market yields of high quality corporate bonds. Actuarial gains and losses are recognized immediately through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods. These benefits are unfunded. Severance benefits were discontinued as of March 31, 2018 and payout of accumulated entitlements commenced in 2018.

Third-party recoveries
In certain circumstances, under Section 45 of the *Act*, WorkplaceNL is deemed to be an assignee of a cause of action in respect of a claimant disability. The amount by which settlements exceed the cost of the action, including administration and future benefit entitlement, is paid to the worker or dependents. Amounts received from third-party recoveries are recorded in the year during which the settlement occurs. No provision is made in the benefit liability for possible future third-party recoveries due to their contingent nature.

Reserves
In accordance with Section 20.5 (1) of the *Act*, WorkplaceNL maintains a special reserve fund for the purpose of health and safety research. The Act permits WorkplaceNL 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 reserve fund.

In accordance with Section 116 (1) of the *Act*, WorkplaceNL 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 WorkplaceNL that it considers necessary.

New Accounting Standards
IFRS 9 Financial Instruments
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018 and brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. WorkplaceNL had early adopted IFRS 9 (2010) in 2011 and there is no impact on its financial statements from adopting this final

3. SIGNIFICANT ACCOUNTING POLICIES AND STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 Revenue and provides a comprehensive framework for the recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the accounting standards on leases, insurance contracts and financial instruments. WorkplaceNL adopted the standard on January 1, 2018. There was no impact on the financial statements from adopting this standard.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of WorkplaceNL's financial statements are disclosed below. WorkplaceNL intends to adopt these standards, if applicable, when they become effective.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and requires lessees to account for all leases under a single on-balance sheet model. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense of the lease liability and the depreciation expense of the right-of-use asset. Either a full retrospective or a modified retrospective approach is required for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. WorkplaceNL is analyzing the impact this new standard will have on its financial statements.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17, which replaces IFRS 4 Insurance Contracts, and establishes a comprehensive principles based framework for the recognition, measurement, and presentation of insurance contracts.

WorkplaceNL will adopt IFRS 17 on the effective date of January 1, 2021. WorkplaceNL is analyzing the impact of adopting the standard and expects that it will have a significant impact on its financial statements.

4. SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of WorkplaceNL's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Investments
The fair value of infrastructure investments is provided by investment managers who use acceptable industry valuation methods, which incorporate prevailing market rates and may require estimates for economic risks and projected cash flows. Due to the estimation process and the need to use judgment, the aggregate fair value amounts may not be realizable in the settlement of assets or liabilities.

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

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

WorkplaceNL believes that the amount provided for benefit liabilities as at December 31, 2018, is adequate, recognizing that actuarial methods and assumptions as disclosed in note 14 may change over time to reflect underlying economic trends. Changes in assumptions could have a material impact on the benefit liabilities.

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 judgement, with regards to actual experience in preceding years. However, until all employers actually submit their final annual payroll information to WorkplaceNL, the recorded assessments revenues for the year and the estimated amounts receivable at year-end are subject to measurement uncertainty.

Employee future benefits
A valuation of severance and accumulated annual leave liabilities is prepared using the assumptions disclosed in note 15.

Other disclosures relating to WorkplaceNL's exposure to risks and uncertainties includes:

- Financial risk management — Note 8
- Sensitivity analyses disclosures — Notes 14 and 15

5. ACCOUNTS RECEIVABLE

(thousands of dollars)	2018	2017
Assessments	**$ 8,679**	$ 9,139
Accrued assessments	**(798)**	356
Less: Allowance for doubtful accounts - assessments	**(1,641)**	(2,070)
	6,240	7,425
Prepaid Expenses	**1,541**	1,562
Other	**2,872**	2,366
Less: Allowance for doubtful accounts - other	**(792)**	(834)
	3,621	3,094
	$ 9,861	$ 10,519

Aging of Assessment Receivable

(thousands of dollars)			
Year	**Total**	**Current <1 year**	**1-2 years**
2018	**$ 6,240**	$ 4,826	$ 1,414
2017	**$ 7,425**	$ 4,551	$ 2,874

6. INVESTMENTS

Fair Value Hierarchy

(thousands of dollars)	2018	2017
Level 1		
Cash and cash equivalents	**$ 11,032**	**$ 30**
Domestic equities	**267,979**	**302,190**
Foreign equities	**534,853**	**580,556**
	813,864	**882,776**
Level 2		
Fixed term investments	**430,260**	**424,075**
Real Estate Funds	**166,614**	**147,628**
	596,874	**571,703**
Level 3		
Infrastructure	**8,285**	**-**
	$ 1,419,023	**$1,454,479**

There have been no transfers between levels during 2018 [2017-Nil].

6. INVESTMENTS (continued)

Summary of changes in level 3 fair value measurements:

(thousands of dollars)	2018	2017
Balance, beginning of year	**$ -**	$ -
Purchases of level 3 investments	**7,941**	-
Interest and dividends	**1**	-
Realized gain on sale of investments	**51**	-
Change in unrealized loss in fair market value of investments	**292**	-
Balance, end of year	**$ 8,285**	$ -

The level 3 investment represents a limited partnership interest investing in global infrastructure assets with a market value of $8.3 million (2017-$0.0 million). This is a closed fund with no active market and no published net asset value as of December 31, 2018, and is therefore classified as a level 3 investment in the fair value hierarchy. This partnership will dissolve on December 31st following the thirteen year anniversary of the Final Commitment Date. The general partner has the option to extend the fund's life for up to three additional one-year periods.

7. INVESTMENT INCOME

Investment income is comprised of the following:

(thousands of dollars)	2018	2017
Interest	**$ 12,918**	$ 12,788
Dividends	**17,027**	14,273
Realized gain on sale of investments	**58,251**	259,950
Interest on short-term investments	**192**	346
Change in unrealized loss in fair market value of investments	**(91,840)**	(162,763)
Investment (loss) income	**$ (3,452)**	$ 124,594

8. FINANCIAL RISK MANAGEMENT

WorkplaceNL 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. WorkplaceNL 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 WorkplaceNL's investments through its review and approval of the Long-term Investment Policy.

8. FINANCIAL RISK MANAGEMENT (continued)

and ensuring adherence to the policy. Management is responsible for monitoring performance, regular reporting to the Board, and recommending changes in the investment policy or fund managers. The Board and Management use the services of an external consultant to benchmark the performance of fund managers and to provide advice on investment policies and practices. The following sections describe the key financial risk exposures and management strategies to mitigate these risks.

Credit risk

Credit exposure on fixed income securities arises from the possibility that the issuer of an instrument fails to meet its obligation to make interest payments and repay principal. WorkplaceNL does not anticipate that any issuers will fail to meet their obligations. The credit ratings of WorkplaceNL's fixed term investments at December 31 are listed in the table below.

(thousands of dollars)	**2018**		2017	
Credit Rating				
Cash and Short-term notes	$ 3,631	0.8%	$ 25,162	5.9%
AAA	161,860	37.6%	132,986	31.4%
AA	164,432	38.2%	143,405	33.8%
A	47,150	11.0%	61,530	14.5%
BBB	41,576	9.7%	45,711	10.8%
BB and below	11,611	2.7%	15,281	3.6%
	$ 430,260	100.0%	$ 424,075	100.0%

WorkplaceNL may also invest in short-term commercial debt or paper rated R1 in accordance with Dominion Bond Rating Service. 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 WorkplaceNL's estimated annual cash receipts.

Currency risk

Currency risk is the risk that the value of financial assets and liabilities denominated in foreign currencies will fluctuate due to changes in their respective exchange rates compared to the Canadian dollar. Investments denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the reporting date. Funds significantly invested in foreign denominated fixed-term investments manage their foreign exchange exposure through forward foreign exchange and future contracts. Hedge accounting has not been applied to hedging arrangements.

As at December 31, 2018, WorkplaceNL's holdings in foreign equities and infrastructure investments had a market value of $543.1 million [2017 - $580.6 million] representing 38.3% [2017 – 39.9%] of the market value of the total investment portfolio.

8. FINANCIAL RISK MANAGEMENT (continued)

The table below presents the impact on comprehensive income of a 10% change in the value of the Canadian dollar relative to other currencies.

(thousands of dollars)	**2018**	**2017**
CAD/US Dollar	**$ 25,871**	**$ 28,570**
CAD/EURO	**3,105**	**3,499**
CAD/Japanese Yen	**3,484**	**3,764**
CAD/ British Pound	**2,602**	**2,986**
CAD/Swiss Franc	**639**	**698**
CAD/Hong Kong Dollar	**1,201**	**1,108**

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. WorkplaceNL is exposed to interest rate risk through investment in fixed income securities. Interest rate risk is managed through diversification of fixed income securities through sector allocation and security duration.

The table below presents the impact on comprehensive income of changes in interest rates on the fixed income portfolio:

(thousands of dollars)	**2018**		2017	
Change in nominal interest rates	+/-50bps	+/-100bps	+/-50bps	+/-100bps
Impact on comprehensive income	**$ 15,747**	**$ 30,809**	$ 15,470	$ 30,348

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

(thousands of dollars)	Remaining Term to Maturity				
Fixed term Investments	Within 1 year	1 to 5 years	5 to 10 years	10+ years	**Total**
2018 Fair Value	**$ 43,845**	**$173,941**	**$ 68,410**	**$ 143,579**	**$430,260**
2017 Fair Value	$ 103,810	$ 100,124	$ 115,777	$ 104,354	$ 424,075

8. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that WorkplaceNL will be unable to meet its contractual obligations and financial liabilities. WorkplaceNL manages liquidity risk by monitoring its cash flows and by ensuring that it has sufficient cash and credit facilities available to meet its obligations and liabilities.

Equity price risk

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

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

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

(thousands of dollars)	**2018**		2017	
Equities	**1 std dev**	**2 std dev**	1 std dev	2 std dev
% Change in market benchmark	**8.2%**	**16.4%**	7.5%	15.0%
Canadian equity	**$ 20,703**	**$ 38,487**	$ 21,108	$ 39,459
% Change in market benchmark	**9.6%**	**19.3%**	9.1%	18.3%
All world equity	**$ 35,950**	**$ 66,092**	$ 36,665	$ 67,669

9. PROPERTY, PLANT AND EQUIPMENT

(thousands of dollars)	2018			
	Opening Balance	**Additions/ Depreciation**	**Disposals**	**Closing Balance**
Cost				
Land	**$ 3,000**	**$ -**	**$ -**	**$ 3,000**
Buildings	**10,893**	**101**	**(114)**	**10,880**
Furniture & equipment	**2,839**	**11**	**(2,216)**	**634**
Computer equipment	**4,267**	**147**	**(874)**	**3,540**
Total	**20,999**	**259**	**(3,204)**	**18,054**
Accumulated Depreciation				
Buildings	**7,128**	**202**	**(59)**	**7,271**
Furniture & equipment	**2,565**	**50**	**(2,215)**	**400**
Computer equipment	**3,269**	**370**	**(975)**	**2,664**
Total	**12,962**	**622**	**(3,249)**	**10,335**
Net Book Value	**$ 8,037**	**$ (363)**	**$ 45**	**$ 7,719**

(thousands of dollars)	2017			
	Opening Balance	**Additions/ Depreciation**	**Disposals**	**Closing Balance**
Cost				
Land	$ 3,000	$ -	$ -	$ 3,000
Buildings	10,844	49	-	10,893
Furniture & equipment	2,806	39	(6)	2,839
Computer equipment	4,300	356	(389)	4,267
Total	20,950	444	(395)	20,999
Accumulated Depreciation				
Buildings	6,928	200	-	7,128
Furniture & equipment	2,516	55	(6)	2,565
Computer equipment	3,253	405	(389)	3,269
Total	12,697	660	(395)	12,962
Net Book Value	$ 8,253	$ (217)	$ -	$ 8,037

10. INTANGIBLE ASSETS

(thousands of dollars)	Cost	Accumulated Amortization	Net Book Value
Balance at January 1, 2017	$ 33,765	$ (18,941)	$ 14,824
Additions	2,815	-	2,815
Disposals	(2,294)	2,291	(3)
Amortization	-	(2,336)	(2,336)
Balance at December 31, 2017	**$ 34,286**	**$ (18,986)**	**$ 15,300**
Additions	**1,773**	**-**	**1,773**
Disposals	**(75)**	**74**	**(1)**
Amortization	**-**	**(2,698)**	**(2,698)**
Closing balance, December 31, 2018	**$ 35,984**	**$ (21,610)**	**$ 14,374**

Intangible assets include $611,790 [2017 - $2,042,298] related to internally developed software which is not yet available for use.

11. FEES AND INTEREST

Fees and interest are comprised of the following:

(thousands of dollars)	**2018**	2017
Fund managers' investment fees	**$ 5,621**	$ 5,721
Banking fees	**98**	64
Bad debt recovery	**(226)**	(61)
Interest paid to claimants	**6**	14
Fees and interest, net	**$ 5,499**	$ 5,738

WorkplaceNL 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 less 50 basis points. The credit facility is unsecured and $5.0 million was utilized during 2018 [2017 – nil]. No amount was outstanding at December 31, 2018 and 2017.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(thousands of dollars)	**2018**	2017
Accounts payable	**$ 5,199**	$ 6,619
PRIME program	**14,182**	16,321
Amounts due to employees	**1,062**	507
Credit balances due to employers	**3,788**	4,612
	$ 24,231	$ 28,059

13. ASSESSMENTS REVENUE

(thousands of dollars)	**2018**	2017
Assessments	**$ 152,486**	$ 167,230
Assessment reporting penalties & interest	**792**	832
PRIME refunds	**(8,559)**	(12,125)
Total assessment revenue	**$ 144,719**	$ 155,937

14. BENEFIT LIABILITIES AND CLAIMS COSTS

(thousands of dollars)	2018							2017
	Short-term disability	Long-term disability	Survivor benefits	Health care	Rehabilit-ation	Future Admin. Cost	Total	Total
Balance, beginning of year	$ 66,101	$ 553,231	$ 48,724	$ 333,278	$ 3,479	$ 105,505	$1,110,318	$ 1,076,822
Add:								
Claims costs incurred:								
Current–year injuries	32,055	32,496	1,287	25,309	1,132	7,702	99,981	97,098
Interest expense	3,082	30,676	2,662	18,542	179	5,790	60,931	59,277
	35,137	63,172	3,949	43,851	1,311	13,492	160,912	156,375
Deduct:								
Claims payments:								
Current–year injuries	10,603	435	189	7,694	3	-	18,924	19,272
Prior years' injuries	26,819	54,656	6,186	30,764	845	12,523	131,793	121,384
	37,422	55,091	6,375	38,458	848	12,523	150,717	140,656
Actuarial adjustments:								
Claims experience different than expected	7,314	5,211	1,464	103	12	37	14,141	477
Inflation lower than expected	-	(1,400)	(100)	-	-	-	(1,500)	(2,200)
Changes in Valuation Methods & Assumptions	-	(1,900)	(600)	600	-	-	(1,900)	24,100
Increase in Income replacement rate	3,900	29,500	2,700	-	-	3,800	39,900	-
Change in retirement benefit	-	20,800	-	-	-	2,200	23,000	-
Other gains/losses	100	(2,500)	(500)	(1,500)	-	600	(3,800)	(4,600)
Sub-total	11,314	49,711	2,964	(797)	12	6,637	69,841	17,777
Balance, end of year	$ 75,130	$ 611,023	$ 49,262	$ 337,874	$ 3,954	$ 113,111	$1,190,354	$ 1,110,318

14. BENEFIT LIABILITIES AND CLAIMS COSTS (continued)

Claims Development

The table that follows presents the development of the estimated ultimate cost of claims and claim payments for accident years 2008-2018. The top part of the table illustrates how the estimate of total claims benefits for each accident year has changed with more experience over succeeding year-ends. It shows the estimated cost of claims for an accident year in the year of accident, one year after the year of accident, two years after the year of accident, and so on and compares the total estimated cost to the actual cumulative payments over the development period. Due to the extremely long duration of many WorkplaceNL benefits, significant amounts may be paid out in the distant future beyond the valuation date. The bottom part of the table reconciles the total outstanding benefits amount to the discounted amount reported in the statement of financial position.

(thousands of dollars)

Accident Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Estimate of cumulative claims:											
At end of accident year	$ 186,758	$ 147,614	$ 154,043	$ 144,027	$ 145,724	$ 148,559	$ 140,967	$ 141,524	$ 144,986	$ 135,015	
One year later	166,308	142,515	133,842	133,668	135,005	143,552	131,833	130,883	134,681		
Two years later	167,581	141,978	142,934	124,613	127,222	133,862	137,731	138,621			
Three years later	170,566	140,662	136,202	130,088	126,038	138,180	137,168				
Four years later	170,501	144,684	133,434	120,461	128,063	135,745					
Five years later	167,649	146,846	130,590	122,009	124,115						
Six years later	174,281	146,722	130,738	121,655							
Seven years later	172,761	149,135	126,590								
Eight years later	175,293	149,521									
Nine years later	181,593										
Estimate of cumulative claims	181,593	149,521	126,590	121,655	124,115	135,745	137,168	138,621	134,681	135,015	1,384,704
Cumulative payments	(79,061)	(73,836)	(66,814)	(59,274)	(57,994)	(58,256)	(51,662)	(47,337)	(37,308)	(18,085)	(549,627)
Estimate of future Payments	102,532	75,685	59,776	62,381	66,121	77,489	85,506	91,284	97,373	116,930	835,077
2008 and prior years											918,156
Effect of discounting											(784,924)
Occupational disease											77,465
Firefighter Presumptive Coverage											31,470
Claims Administration											113,110
Benefit Liabilities at December 31, 2018											**$ 1,190,354**

14. BENEFIT LIABILITIES AND CLAIMS COSTS (continued)

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

	2018		2017	
	CPI-Indexed awards	**Other payments**	CPI-Indexed awards	Other payments
Gross rate of return / Discount Rate	**5.83%**	**5.83%**	5.83%	5.83%
Inflation year 1	**1.90%**	**2.25%**	1.50%	2.25%
Inflation later years	**2.25%**	**2.25%**	2.25%	2.25%
Net rate of return year 1	**3.86%**	**3.50%**	4.26%	3.50%
Net rate of return later years	**3.50%**	**3.50%**	3.50%	3.50%
Occupational disease	**8.00%**	**8.00%**	8.00%	8.00%
Presumptive firefighters coverage	**3.25%**	**3.25%**	3.25%	3.25%
Future administration	**10.50%**	**10.50%**	10.50%	10.50%

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

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

Gross rate of return / Discount rate
The gross rate of return represents the best estimate of the long-term average rate of return that can be expected based on the benchmark asset allocation adopted WorkplaceNL through its Long-term Investments Policy. The weighted average real rate of return is compounded by the long-term expected average inflation rate to obtain the gross rate of return.

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

14. BENEFIT LIABILITIES AND CLAIMS COSTS (continued)

Net rate of return
The net rate of return is the result of removing the inflation assumption from the gross rate of return.

Mortality
The mortality rates used in the valuation of the benefit liabilities are based on general population experience, since actual injured worker mortality data is inadequate to develop a reliableassumption. The current valuation is based on the Newfoundland Life Table 2014-16 from Statistics Canada.

Occupational disease
The liability for occupational disease is intended to provide a reasonable allowance for future claims for known occupational diseases which arise from past workplace exposures. An actuarial study of WorkplaceNL's occupational disease exposure is conducted periodically, focussing on long latency claims related to cancers, respiratory illnesses and hearing loss. These categories comprise the majority of long latency occupational disease claims accepted by WorkplaceNL. The most recent study was conducted in 2014 and concluded that reasonable range would be 7.5%-9.5% of the benefit liability. WorkplaceNL has included a provision of 8.0% of the benefit liability for latent occupational disease [2017 – 8%].

Presumptive coverage for firefighters
The Government of Newfoundland and Labrador enacted legislation to provide presumptive coverage for certain cancers for the province's career and volunteer firefighters. An actuarial study conducted in 2016 concluded a reasonable estimate would be 3.25% of the benefit liability.

Future administration
The future administration liability is intended to provide a reasonable allowance for the management of claims, including compensation for lost wages and paying for health care services over the life of the claim. A detailed analysis of administration costs is performed periodically and an estimate made of the proportion attributable to the management of claims, including a proportionate share of overhead costs. WorkplaceNL updated its analysis in 2017 and concluded that an allowance of 10.5% of the benefit liability was reasonable (2017 – 10.5%).

Sensitivity of insurance risk
In determining WorkplaceNL's benefit liabilities, a primary risk is that the actual benefit payments may exceed the amount estimated in determining the liabilities, particularly with potentially long claims run-off periods. The table below shows the sensitivity of benefit liabilities and claims costs to changes in the key economic assumptions.

(millions of dollars)

1% Change in assumption	Impact	Benefit Liabilities	Claims Costs
Decrease discount rate	Increase	**$ 92.7**	**$ 4.9**
Increase inflation rate	Increase	**$ 41.3**	**$2.9**
Increase health care inflation	Increase	**$ 46.9**	**$1.6**

14. BENEFIT LIABILITIES AND CLAIMS COSTS (continued)

Claims risk

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

Insurance risk associated with the volume and cost of claims is addressed through prevention and proactive claims management. The Prevention Strategy focuses attention on workplace risks that lead to the highest frequency of claims. WorkplaceNL provides a Priority Employer Program to assist employers with high claims and costs, and invests in educating young workers, developing safety associations at the industry level, and delivering safety education to employers and workers to control workplace risks. The Early and Safe Return-to-Work process facilitates recovery at work and helps manage claim costs. In addition, the rate setting model provides incentives to employers through the PRIME program to manage injuries and work to prevent future injuries.

15. EMPLOYEE FUTURE BENEFITS

Public Service Pension Plan

WorkplaceNL's contributions to the PSPP of $2,306,600 [2017 - $2,347,400] are included in administration expenses and have been expensed as incurred. The expected contributions to the PSPP in 2019 are $2,400,000.

Severance payments and annual leave

WorkplaceNL had provided a severance payment but this benefit was discontinued as of March 31, 2018 and payout of accumulated benefits commenced 2018 and is expected to conclude March 31, 2019. WorkplaceNL also provides payment for accumulated annual leave balances to employees upon retirement, resignation or termination without cause. The weighted average time to expected benefit payment is 11.0 years (2017 – 12.0). In 2018, cash payments were $5,457,000 [2017 - $258,000].

(thousands of dollars)	**2018**	2017
Accrued benefit obligation, beginning of year	**$ 7,471**	$ 7,002
Current service cost	**(63)**	361
Past service cost	**(168)**	60
Interest cost	**32**	268
Benefit expense	**(199)**	689
Actuarial (gain) loss	**(33)**	38
Benefits paid	**(5,457)**	(258)
Accrued benefit obligation, end of year	**$ 1,782**	$ 7,471

15. EMPLOYEE FUTURE BENEFITS (continued)

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

	2018	**2017**
Discount rate – benefit cost	**3.30%**	3.70%
Discount rate – accrued benefit obligation	**3.70%**	3.30%
Rate of compensation increase	**3.00%**	3.00%

The table below shows the sensitivities of the accrued benefit obligation to a 25 basis point change in the key assumptions:

(thousands of dollars)	**Increase**	**Decrease**
Discount Rate	**$ (20)**	**$ 20**
Rate of compensation increase	**$ 20**	**$ (20)**

16. ADMINISTRATION

(thousands of dollars)	**2018**	2017
Salaries and employee benefits	**$ 27,608**	$ 28,608
Office and communications	**2,859**	2,616
Professional fees	**1,984**	1,571
Building operations	**969**	964
Travel and vehicle operating	**412**	384
	33,832	34,143
Less: Claims administration [note 14]	**12,523**	9,509
	$ 21,309	$ 24,634

17. LEGISLATED AND OTHER OBLIGATIONS

WorkplaceNL is required by legislation to fund the operating costs of the Occupational, Health and Safety Division of ServiceNL in delivering their occupational health and safety mandate, and all of the costs of the Workplace Health, Safety and Compensation Review Division and Statutory Reviews that take place.

17. LEGISLATED AND OTHER OBLIGATIONS (continued)

approximately every five years. WorkplaceNL is required to fund the operating costs of the employer and worker advisor positions. Total expenses incurred by WorkplaceNL for legislated obligations are detailed below:

(thousands of dollars)	**2018**	2017
Service NL	**$ 4,816**	$ 4,962
Workplace Health, Safety and Compensation Review Division	**1,037**	1,195
Employer and Worker Advisors	**1,020**	996
	$ 6,873	$ 7,153

18. OTHER EXPENSES

(thousands of dollars)	**2018**	2017
Sector advisors and grants	**$ 366**	$ 290
Business improvement projects	**622**	18
	$ 988	$ 308

19. RESERVES

As provided by legislation, WorkplaceNL maintains a reserve for funding studies, projects and research relating to the enhancement of occupational health and safety in the workplace. During 2018, $235,300 was utilized from the reserve [2017 - $65,000] and $1,000,000 was transferred to the reserve in accordance with Section 116 of the *Act*.

20. RELATED PARTY TRANSACTIONS

These financial statements include amounts resulting from normal operating transactions with various provincial government departments, agencies, and Crown corporations with which WorkplaceNL may be considered related. The provincial government is also a self-insured employer, and account balances resulting from these transactions are included in the financial statements and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

20. RELATED PARTY TRANSACTIONS (continued)

Self Insured employer revenue includes $491,000 from the Province of Newfoundland and Labrador [2017 - $531,000].

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

(thousands of dollars)	**2018**		2017	
	Number	**Total**	Number	Total
Board of Directors				
Salary and Benefits	**10**	**$ 97**	10	$ 54
Senior Management				
Salary and Benefits	**9**	**$ 1,267**	9	$ 1,253
Severance and annual leave		**$ 28**		$ 175

21. INDUSTRY LEVY

WorkplaceNL has levied a surcharge of $0.10 per $100 of payroll on employers in the construction sector to fund a portion of the operating costs of safety and health training programs conducted by the Newfoundland and Labrador Construction Safety Association. The amounts collected on behalf of the association totaled $1,108,800 [2017 - $1,344,040] and are not included in the statement of operations.

22. COMMITMENTS

WorkplaceNL has entered into operating leases for office premises with lease terms between three and five years with the option to renew for additional terms of three to five years. Lease payments during 2018 totalled $206,000 [2017 - $238,000].

Future minimum rentals payable under non-cancellable operating leases as at December 31, 2018 are as follows:

(thousands of dollars)	**2018**	2017
Within one year	**$ 227**	$ 190
After one year but not more than five years	**962**	439
Non-cancellable operating leases	**$ 1,189**	$ 629

23. CAPITAL MANAGEMENT

The objective of WorkplaceNL's long-term financial strategy is to maintain a funded position that will provide for the security of benefits promised to injured workers within employers' reasonable ability to pay assessments. WorkplaceNL's funded position is defined by the relationship of total assets to total liabilities and the Injury Fund is fully funded when the total assets equal or exceed total liabilities. At December 31, 2018 the funded ratio was 119.5% [2017 – 131.6%]. The Fund balance consists of accumulated net operating surplus, accumulated other comprehensive income and the occupational health, safety and research reserve.

The Board of Directors has established a funding target of total assets equal to 110% of total liabilities. When the funded ratio is less than 100% or more than 120%, WorkplaceNL will adjust subsequent years assessment rates paid by employers to achieve the funding target over a fifteen-year period.

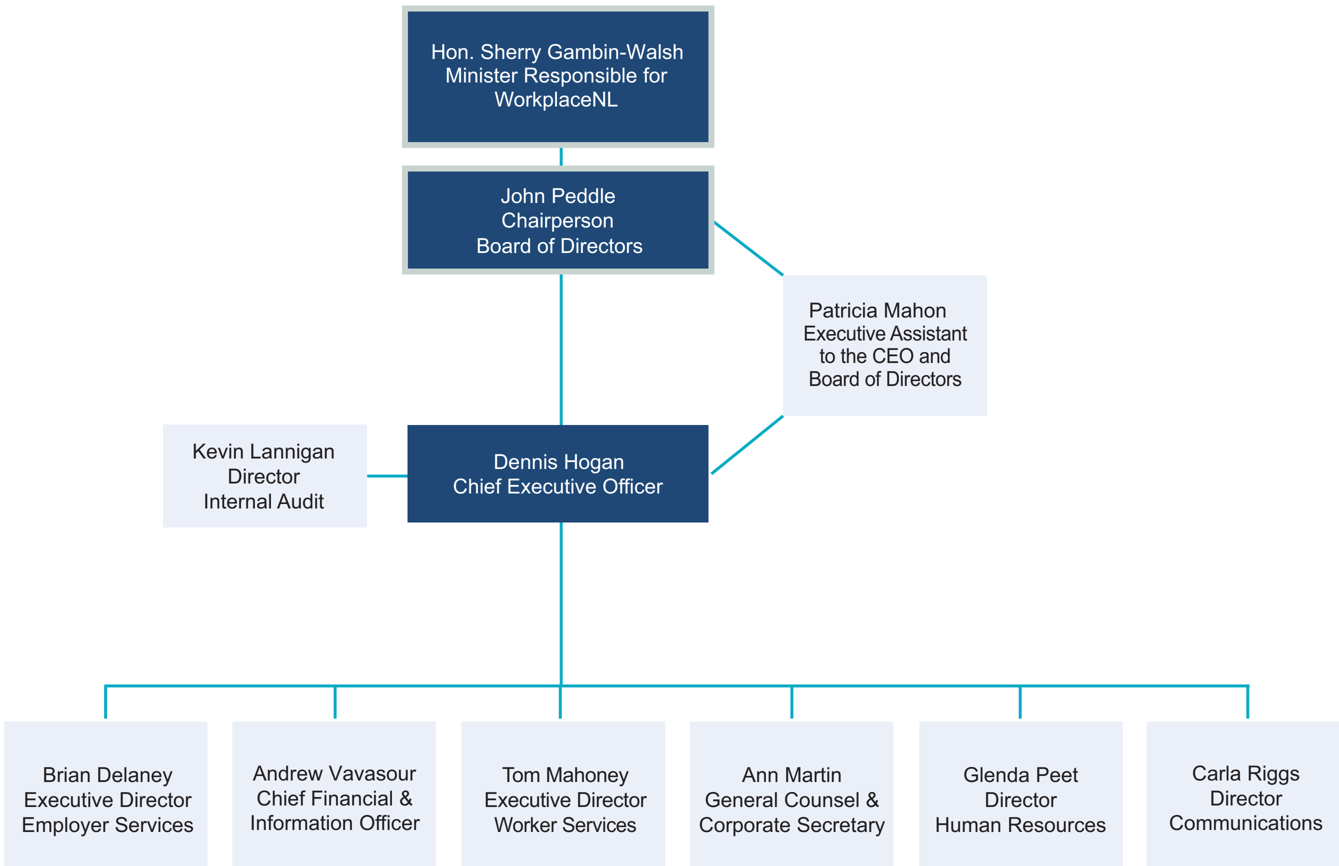
Funded Position

(thousands of dollars)	**2018**	2017
Total assets	$ 1,453,882	$ 1,508,314
Less: Total liabilities	1,216,367	1,145,848
Funded position	$237,515	$362,466
Reserves	$ 1,249	$ 485
Funded ratio	119.5%	131.6%

24. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the 2018 financial statement presentation. Revenue from self insured employers reflects administration fees only, and excludes the payment and reimbursement of claims costs. The severance and annual leave amount for Senior Management disclosed in the note 20 Related Party Transactions reflects the annual expense, rather than the outstanding liability.

Organizational Chart



WorkplaceNL
Health | Safety | Compensation

St. John's Office
146-148 Forest Road, P.O. Box 9000, St. John's, NL A1A 3B8
t 709.778.1000 f 709.738.1714 tf 1.800.563.9000

Grand Falls-Windsor Office
26 High Street, P.O. Box 850, Grand Falls-Windsor, NL A2A 2P7
t 709.489.1600 f 709.489.1616 tf 1.800.563.3448

Corner Brook Office
Suite 201B, Millbrook Mall, 2 Herald Avenue, P.O. Box 474, Corner Brook, NL A2H 6E6
t 709.637.2700 f 709.639.1018 tf 1.800.563.2772