

2002 Annual Report

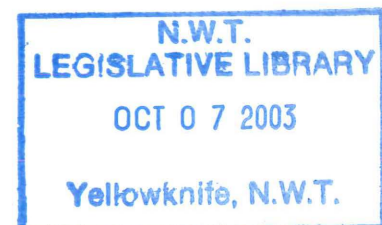
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WORKERS' COMPENSATION BOARD
Northwest Territories and Nunavut

Mission Statement

Promote safe work practices and provide fair benefits.

Values

The Workers' Compensation Board of the Northwest Territories and Nunavut is committed to the following values:

- We treat others honestly, fairly and respectfully.
- We work safely.
- We do what we say.
- We are sensitive and responsive to our clients' concerns.

WCB Board Members

JoAnne Deneron (Fort Liard)

Appointed October 2, 1997 – Member
January 1, 1998 – March 31, 2002 – Chairperson

Andy Wong (Yellowknife)

Appointed April 1, 2000 – Member
April 1, 2002 – March 31, 2007 - Chairperson

Dan Halldorson (Yellowknife)

Public Interest Representative
April 1, 2000 – March 31, 2003

Alex Stuit ((Kugluktuk)

Worker Representative
April 1, 2000
Re-appointed April 1, 2002 – March 31, 2004

Alain Carriere (Iqaluit)

Public Interest Representative
February 21, 2001 – February 20, 2003

Elaine Grundy (Yellowknife)

Employer Representative
December 6, 2001 – December 5, 2003

Craig Browne (Fort Smith)

Employer Representative
June 17, 2002 – June 16, 2004

Letter of Transmittal

April 15, 2003

The Honourable Glenna Hanson
Commissioner of the Northwest Territories

The Honourable Peter Irniq
Commissioner of Nunavut

The Honourable Joseph P. Handley
Northwest Territories Minister Responsible
for the Workers' Compensation Board

The Honourable Kelvin Ng
Nunavut Minister Responsible
for the Workers' Compensation Board

In accordance with Subsection 61(2) of the NWT and Nunavut Workers' Compensation Acts, it is my pleasure to present the Annual Report of the Workers' Compensation Board for the year ending December 31, 2002, which includes audited financial statements.

Accompanying the financial statements is an actuarial opinion as to the reasonableness of the future pension and future claims liabilities and the adequacy of the contingency reserve.

The 2002 Annual Report has been considerably "scaled back" in comparison to other years. This is in direct response to stakeholder feedback. This report fulfills our responsibility for financial reporting and provides information about our key results from 2002. A special report, celebrating the WCB's 25th anniversary, will be published later in 2003.

I commend the work of the Board of Directors, staff and management, and Northern workers and employers.

Yours truly,



Andrew Wong, Chairperson
Workers' Compensation Board of the Northwest Territories and Nunavut

Workers' Compensation Board of the NWT and Nunavut 2002 Key Results

Occupational Health and Safety

Workplace Safety: Safety and the Young Worker

In the NWT and Nunavut, young workers are 3 percent more likely to be injured on the job and 11 percent more likely to have a time-loss injury than workers over the age of 25. As young workers account for 18 percent of all fatalities in the NWT and Nunavut, the WCB continued its focus on Youth Strategy.

Aimed at promoting safe work practices and reducing injuries to young workers, the new *Workplace Safety* program was introduced in 2002. The program contains modules on WHMIS [Workplace Hazardous Materials Information System], First Aid and Workplace Safety. It is available in hard copy or as an interactive CD, and can be completed as a 25-hour elective in secondary school or as a self-study at home or on the job. It is also offered at Aurora College in the NWT and Arctic College in Nunavut.

Skills Canada Competitions

The first Worksite Safety competition was held in Yellowknife, on April 28, 2002 as part of the 4th Annual Skills Canada NWT/NU Territorial Competition. Advancing to the national competition, a Yellowknife high school student and WCB Youth Committee member, won the gold medal for Worksite Safety. This event involves three parts: a written examination, an oral presentation before safety professionals, and inspection and hazard identification at a mock workplace. The student trained for the event using the WCB's newly released *Workplace Safety: Safety and the Young Worker* program. The NWT and Nunavut is the only region that requires completion of a workplace safety program as a prerequisite to competing in this event.

Canadian LifeQuilt and North American Occupational Safety and Health (NAOSH) Week

During NAOSH Week (May) and the Day of Mourning (April), the WCB became involved in the promotion and funding of the LifeQuilt. The LifeQuilt is a memorial to young workers killed on the job and a powerful, poignant reminder of the importance of workplace safety. When completed, it will contain 100 commemorative blocks, each conveying the life story of a victim of a fatal workplace injury. Three young northern workers will be pictured on the quilt, two from the NWT and one from Nunavut. The quilt will be displayed across Canada.

The WCB, Public Works and Services (GNWT), BHP Billiton Diamond Mines and Labour organizations sponsored this initiative.

Territorial Annual Mine Rescue Competition

The 36th annual Territorial Mine Rescue Competition was held in Yellowknife on June 22 and 23. Teams from three mines (Lupin, BHP and Miramar) competed for the Commissioner's Cup. The overall champion was Miramar Con Mine, which represented the NWT and Nunavut at the Western Regional Mine Rescue Competition in Fernie, British Columbia.

HRDC Memorandum of Understanding

The WCB finalized a Memorandum of Understanding (MOU) with Human Resources Development Canada (HRDC). The MOU allows for the exchange of information between the two organizations. The WCB will receive a biannual report on the enforcement activities within the Territories and an inspection schedule for the next reporting period. WCB will provide a listing of newly registered federal employees and, on a quarterly basis provide a summary, by employer, Lost Time Injury accidents/fatalities for all federally regulated employers in the Territories.

Legislative Review

In January, the independent Legislative Review Panel submitted its final report, *Act Now*, to the Ministers responsible for workers' compensation. This Panel was struck in December 2000 to undertake a review of workers' compensation legislation, safety legislation, and general safety regulations. The Panel made about 100 recommendations relating to the *Workers' Compensation Acts* and about 30 recommendations relating to the *Safety Acts*.

In April, the Minister approved a recommendation from the WCB that the amendments to the *Acts* be introduced in two phases.

A Legislative Proposal for a first phase of amendments has been completed and approved by both the Government of the Northwest Territories and the Government of Nunavut. The Legislative Proposal includes issues identified by the Panel in 2001, outstanding issues identified during the previous legislative review in 1994, and various stakeholder issues. The first phase of legislative amendments will be introduced in both Legislative Assemblies in 2003.

Information Technology

In October 2001, the WCB entered into a three-year outsourcing agreement with CGI Information Systems and Management Inc. To date, this approach is serving the WCB well, both in terms of cost-effectiveness and service quality.

The 2002-2004 IS Strategic Plan defined key information technology projects aimed at meeting the business objectives of the WCB. Some of the significant projects included the development of an integrated Compensation, Assessment and Accident Prevention System (CAAPS) as well as the implementation of data warehousing, e-Business and document management solutions. These projects will be completed in 2003/04.

Shared WCB

On April 1, 1999, the Northwest Territories was divided into two territories, Nunavut and the Northwest Territories. An inter-governmental agreement, signed by the Government of the NWT and the Interim Commissioner of Nunavut, created a shared WCB until the end of 2001. On November 13, 2001, the two governments reached an agreement to extend the arrangement indefinitely.

From November 2001 to March 2002, the WCB undertook a major restructuring to ensure that both territories are effectively served. Vice Presidents of NWT and Nunavut Operations were appointed and staffing levels were increased in Nunavut. Nunavut Operations was a fully functioning, full service region at year-end, with a resident vice president.

The WCB now maintains offices in Yellowknife, Iqaluit, Inuvik and Rankin Inlet.

Financial Situation

Employer Assessment Rates

For the first time in over six years, the WCB increased its average provisional assessment rate for employers in the NWT and Nunavut. The rate for 2002 was \$1.18 per \$100 of assessable payroll, the lowest in Canada. It included a 35 percent discount. There were 3,378 employers registered with the WCB in the NWT and Nunavut in 2002.

Funded Position

The WCB was 114 percent fully funded in 2002.

Year's Maximum Insurable Remuneration (YMIR)

The YMIR remained at its 2001 level of \$63,350. The Board of Directors recommended an increase to \$64,500 to be effective January 1, 2003.

Accident/Claim Trends

There was an increase in the number of time loss claims in 2002. Overall there were 9% more time loss claims, with an increase of 16% in the NWT, and a slight decrease in Nunavut. This was reflective of the levels of economic development in the two territories.

Hewitt

Workers' Compensation Board – Northwest Territories and Nunavut Actuarial Opinion as at December 31, 2002

Hewitt Associates has been appointed by the Workers' Compensation Board of the Northwest Territories and Nunavut (the Board) to value the liabilities for future claim payments (Benefits Liability) in accordance with the **Workers' Compensation Act, N.W.T. 1988**.

As more fully described in our report dated May 13, 2003;

- we understand the valuation is intended for use in preparing the Board's balance sheet at December 31, 2002;
- the valuation was performed by Hewitt Associates, and the results represent our independent assessment of the Board's liabilities for future claim payments and claim management expenses;
- we are aware that the Auditor General intends to use this valuation in accordance with the Joint Policy Statement of the CIA and the CICA;
- we confirm that the valuation has been performed in accordance with accepted actuarial practice;
- the methods and assumptions are the same as used in the previous valuation;
- the valuation makes provision for all benefit obligations of the Board, including future indexing adjustments and future claims management expenses; and
- we are not aware of any subsequent events that would materially impact this valuation.

In our opinion, the Benefits Liability at December 31, 2002 of \$205,541,000 makes appropriate provision for the Board's benefits obligations.

Respectfully submitted for
HEWITT ASSOCIATES



J. Allan Brown
Fellow of the Canadian Institute of Actuaries

Vancouver, May 13, 2003

**WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT
SCHEDULE OF ADMINISTRATION AND GENERAL EXPENSES**

For the year ended December 31, 2002
(in thousands of dollars)

	2002	2001
	\$	\$
Salaries, wages and allowances	9,627	8,592
Professional services	2,874	2,423
Travel	1,362	1,345
Office lease and renovations	1,094	888
Amortization - furnishings and equipment	517	397
Amortization - capital leases & improvements	397	390
Communications	376	350
Office services and supplies	329	324
Office furnishings and equipment (non-capital)	281	190
Honoraria and retainers	177	277
Interest expense on capital lease obligation	203	221
Advertising and public information	193	240
Grants	79	142
Miscellaneous	70	62
Computer lease and services	8	19
	17,587	15,860
Less: Allocation to claims costs	(4,431)	(3,762)
	13,156	12,098

Natural Resource Exploration and Development

Although the past several years have been remarkable in terms of economic growth, the next decade promises even more change in the NWT and Nunavut. Major elements that will impact the NWT labour market and economy in the coming decade include:

Diamond Mining

Exploration and development activities are progressing rapidly. Within the next four years, this industry will employ about 1,400 people and will produce \$2.2 billion worth of diamonds annually. It is estimated that an additional 1,500 jobs may be created in the secondary diamond industry.

Oil & Gas Development

In 2001, Oil & Gas development saw the first full year of production for wells in the Fort Liard area. Exploration and related activities continued in the Mackenzie Delta, Fort Liard, Norman Wells and Cameron Hills regions. Intense lobbying continues for the construction of a Mackenzie Valley pipeline to bring reserves to southern markets. Should this venture proceed, the NWT Bureau of Statistics is anticipating the creation of over 11,000 jobs in the pipeline construction phase and an additional 14,000+ in the field development phase.

The WCB continued to sit as a participating member on the Mackenzie Oil & Gas Steering Committee. This allowed us to monitor future activity on the pipeline's construction and its consequences for the WCB.

The WCB trained a safety inspector to better deal with identifying and assessing the risks associated with this industry and established a Safety Officer position in Inuvik, the major area of Oil & Gas exploration.

Plain Language and Translation/Interpretation

The WCB adapted many of its written materials into Plain Language. Under a contractual arrangement, the NWT Literacy Council rewrote and tested the plain-language versions of materials, which address workers' and employers' rights and obligations, with appropriate focus groups.

Dictionaries of plain-language translations of common terms, such as compensation, first aid and safety, have been produced in Dogrib, South Slavey and Inuktitut. All WCB forms appear in Inuktitut, French and English.

Performance Management

The WCB uses balanced scorecards for the Board of Directors and each division to analyze and track its functioning in four key areas: stakeholders, economics, compliance and organizational performance.

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2002

(all amounts in thousands of dollars)

This was the second full year of the scorecards' use throughout the organization. Quarterly reports were produced on each division's results as they related to the Board's key areas. The scorecards allowed the Board to measure its overall performance and managers to review the performance of their divisions and units. This system facilitates individual goal setting and performance evaluation in alignment with the WCB's overall corporate key result areas.

Continuum of Care Guidelines

The WCB uses Continuum of Care Guidelines in monitoring the progress and treatment of injured workers. Physicians are provided with these guidelines. The WCB's Chief Medical Advisor organised the NWT Medical Association Education meeting, which focussed on the physician's role in return-to-work and reinforced the importance of these guidelines in managing safe return to work.

National Institute of Disability Management

The National Institute of Disability Management and Research presented an Award of Excellence for a Public Service Initiative to the WCB in June. The award recognized efforts in the management of a claim of a worker from Igloolik who became a quadriplegic following a workplace accident.

The WCB worked with service providers, rehabilitation hospitals, the NWT Housing Corporation and the worker's family to maximize his quality of life in Igloolik. Accessible housing, full-time attendant care, medical equipment, financial compensation and a link to the outside world via computer were provided.

The WCB acknowledges the efforts of its staff working in partnership with many service providers and workers to see that claimants receive the compensation and services they need.

Customer Satisfaction

Since 1999, the WCB has contracted an external agency to conduct telephone surveys each spring and fall to measure stakeholders' satisfaction with our services. Since November 2001, separate surveys have been conducted in the NWT and Nunavut to measure satisfaction in both territories. Our target is to have an overall satisfaction rate of 80 percent. The results of the June, 2002 survey showed that we achieved our target of 80 percent for each of the satisfaction indicators with both claimants and employers in the NWT and employers in Nunavut.

The following table summarizes the Board's assessments revenue from related parties entered into in the normal course of operations.

	2002 \$	2001 \$
Government of the Northwest Territories	914	640
Government of Nunavut	805	616
Public Agencies	130	127
	1,849	1,383

Balances due from related parties as at December 31, 2002 are as follows:

	2002 \$	2001 \$
Government of Nunavut	1,077	798
Government of the Northwest Territories	181	72
Public Agencies	14	-
	1,272	870

Through memoranda of understanding with the Governments of the Northwest Territories and Nunavut, the Board charges the governments for the costs of administering benefits relating to hunters and trappers claims. These costs include the increase or decrease in the future benefits liability related to hunters and trappers claims; therefore, a significant decrease in the future benefits liability can result in a refund by the Board to either government. The Government of the Northwest Territories will provide a reimbursement for hunters and trappers claims in the amount of \$148. For 2001, the Board provided a reimbursement to the Government of the Northwest Territories for hunters and trappers claims in the amount of \$262. The Government of Nunavut will provide a reimbursement to the Board for hunters and trappers claims of \$369 (2001 - \$748).

The Board's investments include bonds of related parties (at market value) as follows:

	2002 \$	2001 \$
Northwest Territories Power Corporation		
11.00% maturing March 9, 2009	636	625
11.125% maturing June 6, 2011	1,316	1,291
6.42% maturing December 18, 2032	2,059	-
Northwest Territories Legislative Assembly Building Society		
13.00% Series A, maturing August 31, 2013	492	517
	4,503	2,433

Note 12 Comparative Amounts

Certain of the prior year's figures have been reclassified to conform to the current year's financial presentation.

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2002

(all amounts in thousands of dollars)

The Board has a number of other legal claims outstanding for recovery of compensation expenses from third parties. Recovery of these amounts cannot be reasonably estimated; therefore, no amount is recorded in these financial statements. Settlement of legal claims are recognized in the year in which settlement occurs. Legal claims settled during the year resulted in recoveries of \$466 (2001 - \$101). These recovered amounts are netted against total claims expenses.

The Board has reviewed an appeal made with regard to an overpayment of assessments by an employer. The Board estimates that it will not owe any amount related to this appeal. While this liability is not recorded in the financial statements, due to its uncertain nature, the amount of potential loss has been estimated at a maximum of \$978.

Under the *Workers Compensation Acts* of the Northwest Territories and Nunavut, the Board is responsible for the costs of transporting injured workers from the worksite to the nearest healthcare facility as defined in the Northwest Territories and Nunavut *Hospital Insurance and Health and Social Services Administration Act*. Since the inception of the Nunavut Territory on April 1, 1999, the Board has not received an invoice from the Government of Nunavut to recover related medical travel costs, if any, which it may have incurred on behalf of the Board. The Government of Nunavut has expressed its intention to invoice the WCB for these costs. The total cost of this travel has been estimated between \$400 to \$650. Due to the uncertainty of the amount, a liability has been accrued in these financial statements in the amount of \$400.

Note 10 Commitments

In addition to office premises recorded as capital leases, the Board leases office premises in Yellowknife, Inuvik, Rankin Inlet and Iqaluit which have been classified as operating leases. The Board is also responsible for its proportionate share of operating and maintenance expenses based on the amount of space occupied. These expenses are based on the actual operating and maintenance costs of the lessor which vary; therefore, these costs are not included in the table shown below. The Board leases office equipment in Yellowknife, Rankin Inlet and Iqaluit under an operating lease agreement. The Board also leases accommodations in Inuvik, Rankin Inlet and Iqaluit for terms not exceeding one year.

Minimum lease payments under operating leases over the next five years, and in aggregate, are as follows:

	\$
2003	792
2004	544
2005	491
2006	405
2007	169
Thereafter	91
	<hr/>
	2,492

Note 11 Related Party Transactions

The Board is related to all departments, agencies and Crown corporations of the Government of the Northwest Territories and the Government of Nunavut. The Board enters into transactions with these entities in the normal course of business.

Education

Canadian Association of Rehabilitation Professionals

The WCB and Consulting Rehabilitation and Vocational Services made a joint presentation at the Annual Conference of the Canadian Association of Rehabilitation Professionals. The session concerned Rehabilitation North of Sixty – Culture and Communication.

Municipal and Community Affairs

The WCB worked with the Government of the NWT's Department of Municipal and Community Affairs to develop safety content modules for the department's School of Community Government.

Business Resumption Planning

The WCB continued to develop and update its Business Resumption Plan to ensure essential operations can quickly resume in the event of a disruption or disaster. Arrangements to continue basic operations off-site exist, as well as other considerations for a short-term emergency. IT information is backed up and stored off site daily. With the expansion of operations in Nunavut, detailed plans were also being developed for the office in Iqaluit.

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2002

(all amounts in thousands of dollars)

Note 7 Benefits Liability

	Medical Aid \$	Compensation \$	Pension Capitalization \$	Pension Awards \$	2002 Total \$	2001 Total \$
Balance, January 1	22,898	21,182	28,983	125,730	198,793	182,693
Claims expenses						
Current year	6,124	9,548	9,153	438	25,263	26,501
Prior years	1,818	(508)	(402)	5,578	6,486	11,656
Liability transfer, capitalizations	-	-	(6,111)	6,111	-	-
Recoveries from third parties	-	466	-	-	466	101
	30,840	30,688	31,623	137,857	231,008	220,951
Less: Claims payments						
Current year injuries						
Claims payments	1,114	1,937	-	-	3,051	2,821
Claims management	294	511	-	-	805	750
Prior years' injuries						
Claims payments	3,835	3,886	-	10,264	17,985	15,575
Claims management	1,342	1,360	-	924	3,626	3,012
	6,585	7,694	-	11,188	25,467	22,158
Balance, December 31	24,255	22,994	31,623	126,669	205,541	198,793

Note 8 Reserves

The Board is fully funded at year end to meet its obligations and maintain an appropriate catastrophe reserve.

a) Operating Reserve

The target level at year end was \$7,982 (2001 - \$5,239). The target range at year end was \$3,991 to \$11,973.

b) Rate Subsidy Reserve

The funding policy of the Board provides for discounts on assessment rates when the operating reserve exceeds its target range. During the year, a discount of 35% was applied to assessment rates (2001 - 35%).

c) Catastrophe Reserve

The target level for the catastrophe reserve provides for the average cost of a disaster. The target level of the reserve at the end of the year is \$19,350 (2001 - \$19,005).

Note 9 Contingencies

The Board has commenced an action against third parties as a result of the deaths of nine miners in an explosion at a worksite. As at the year end, the amount of any recoveries cannot be reasonably estimated.

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2002

(all amounts in thousands of dollars)

Note 5 Leases

a) Obligation under Capital Lease

The Board leases office premises on the third and fourth floors of the Centre Square Tower in Yellowknife, Northwest Territories, expiring April 30, 2010. This lease has been classified as a capital lease. The Board is committed to payments of \$436 per annum, including an implicit interest rate of 8%. The Board is also responsible for its proportional share of operating and maintenance expenses based on its share of space occupied. These expenses are based on the actual operating and maintenance costs of the lessor which are variable; therefore, these costs are not included in the table shown below.

Fair value approximates carrying value of the liability.

	Future Minimum Lease Payments \$	Imputed Interest at 8% \$	2002 Lease Obligation \$
Current	436	184	252
Non-current			
2004	436	163	273
2005	436	140	296
2006	436	116	320
2007	436	89	347
Thereafter	1,016	92	924
	2,760	600	2,160

b) Operating Leases

Costs of operating leases are charged to operations on a straight line basis over the term of the lease.

Note 6 Employee Future Benefits

During the year, the Public Service Superannuation Plan required the Board to contribute to the PSSA at a rate of 2.14 times the employee's contributions. Contributions to the PSSA during the year were \$963 (2001 - \$814).

WORKERS' COMPENSATION BOARD, NORTHWEST
TERRITORIES & NUNAVUT
YELLOWKNIFE, NT
FINANCIAL STATEMENTS
December 31, 2002

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

AUDITOR'S REPORT

FINANCIAL STATEMENTS

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g) Foreign Currency Balances

The Board has investments denominated in foreign currencies. In addition, the Board has derivative financial instruments (DFI) denominated in various currencies. The purpose of these financial instruments is to optimize the yields for the Board, while sustaining acceptable levels of risk due to foreign currency exposure. The only derivative financial instruments used are forward foreign exchange contracts, which all mature within 90 days of the year end. The total unrealized losses at December 31, 2002 are \$59 (2001 gains - \$47), which are included in gains and losses of the corresponding investments in accordance with the investment policy (*Note 2a*).

The following chart shows where the Board has exposure to foreign currency risk.

Currency	Investments C \$ (fair value)	Derivative Financial Instruments	2002 Net Exposure	2001 Net Exposure
	\$	\$	\$	\$
United States dollar	23,058	-	23,058	28,573
Euro currency	10,393	-	10,393	13,797
Pound sterling	9,289	-	9,289	10,441
Japanese yen	4,158	(1,154)	3,004	4,119
Swiss franc	3,884	-	3,884	4,233
Australian dollar	996	-	996	1,046
Hong Kong dollar	851	-	851	1,057
Danish krone	1	-	1	160
Singapore dollar	-	-	-	113
Swedish krona	-	-	-	214
	52,630	(1,154)	51,476	63,753

Note 4 Capital Assets

	Cost \$	Accumulated Amortization \$	2002 Net Book Value \$	2001 Net Book Value \$
Assets under capital lease	4,242	2,706	1,536	1,749
Leasehold improvements	2,621	1,332	1,289	1,418
Equipment	2,773	1,489	1,284	621
Computer software, customized	735	241	494	575
Furnishings	346	251	95	100
	10,717	6,019	4,698	4,463

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2002
(all amounts in thousands of dollars)

Investments are managed by the Board's external investment managers. The market yield of the portfolio, as provided by our performance measurement service, is as follows:

	2002	2001
Fixed term	9.1%	7.8%
U.S. equities	-20.9%	-3.8%
International equities	-18.7%	-15.1%
Canadian equities	-6.7%	2.0%

d) Investment Policies

The Board's investment target and actual asset mix at December 31 is as follows:

	Fair Value		Actual	
	Maximum	Minimum	2002	2001
Fixed term (including cash and cash equivalents)	55%	45%	53.6%	52.6%
Canadian equities	25%	15%	21.0%	21.1%
U.S. equities	15%	5%	9.0%	10.5%
Non-North American equities	20%	10%	12.1%	13.6%
Cash and cash equivalents	10%	0%	4.2%	2.2%

e) Credit Risk Management

Credit risk on financial instruments arises from the possibility that the issuer of a fixed-term instrument fails to meet its obligations; therefore, short term investments have a minimum credit rating of A-1 or its equivalent. Fixed income of a longer term instrument have a minimum credit rating of BBB or its equivalent. These ratings are performed by an independent rating service.

f) Interest Rate Risk Management

Fluctuations in interest rates are managed by actively managing the duration of the fixed income portfolio. The maturity periods of the indexed fixed income portfolio will closely approximate that of the Scotia McLeod Universe (SMU). The effective and coupon rates of return on the other fixed income portfolio as at December 31 are as follows:

	Interest Receivable Basis	2002		2001	
		Effective Rate (% range)	Coupon Rate (% range)	Effective Rate (% range)	Coupon Rate (% range)
Government of Canada	Semi-annual	3.29 - 5.53%	4.00 - 8.00%	3.75 - 6.01%	4.00 - 8.75%
Provincial/territorial securities and securities guaranteed by provinces/territories	Semi-annual	5.68 - 6.54%	5.90 - 13.00%	5.48 - 6.85%	5.25 - 13.00%
Corporate securities	Semi-annual	4.34 - 7.20%	5.30 - 10.62%	5.08 - 8.43%	5.75 - 10.63%

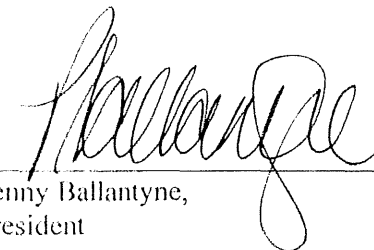
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

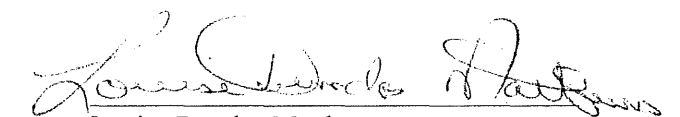
Management of the Workers' Compensation Board is responsible for the preparation, integrity and objectivity of the financial statements and related information presented in this Annual Report. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and have been approved by the Board of Directors. Where appropriate, the preparation of financial information contained in this report includes estimates and judgements based on careful consideration of information available to management.

Management has developed, and maintains, books of accounts, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information in accordance with the Northwest Territories and Nunavut *Workers' Compensation Acts* and regulations, the Northwest Territories and Nunavut *Financial Administration Acts* and regulations, and policies of the Board. The Board of Directors ensures that management fulfils its responsibilities for financial reporting, internal control and safeguarding assets.

The Board oversees management's responsibilities for financial reporting, and reviews and approves the financial statements. The Auditor General of Canada annually provides an independent, objective audit of the financial statements for the purpose of expressing her opinion on these financial statements. She also considers whether the transactions that come to her notice in the course of this audit are, in all material respects, in accordance with the specified legislation.

Hewitt Associates, an independent firm of consulting actuaries, has been engaged to provide an opinion on the adequacy and appropriateness of the actuarial valuation of the future benefits liability of the Workers' Compensation Board.


Penny Ballantyne,
President


Louise Dundas Matthews,
Chief Financial Officer

March 28, 2003



AUDITOR'S REPORT

To the Ministers of the Workers' Compensation Board
of Northwest Territories and Nunavut

I have audited the balance sheet of the Workers' Compensation Board of Northwest Territories and Nunavut as at December 31, 2002 and the statements of operations, reserves and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Northwest Territories and Nunavut *Financial Administration Acts*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Board, and the financial statements are in agreement therewith and the transactions of the Board that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part IX of the Northwest Territories and Nunavut *Financial Administration Acts* and regulations and the Northwest Territories and Nunavut *Workers' Compensation Acts* and regulations.

Ronald C. Thompson, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
March 28, 2003

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2002
(all amounts in thousands of dollars)

Included in the carrying value at December 31, 2002 are net unamortized losses of \$11,751 (2001 - \$10,745 net unamortized gains). Management has reviewed currently available information regarding those investments whose estimated fair value is less than carrying value and has determined that the carrying values are expected to be recovered. Fair values for equity investments and marketable fixed term investments are the closing value (i.e. market value) on the appropriate exchange at December 31.

The maturity periods of the fixed income portfolio (other) as at December 31, 2002 are as follows:

Term to maturity	2002		2001	
	Cost	Fair Value	Cost	Fair Value
	\$	\$	\$	\$
Government of Canada				
After one through five years	11,343	11,403	5,572	5,554
After five years	13,340	13,721	20,898	20,635
Provincial/territorial securities and securities guaranteed by provinces/territories				
After five years	7,220	8,059	6,587	7,361
Corporate securities				
Due in one year or less	1,000	1,015	-	-
After one through five years	2,958	3,031	1,706	1,778
After five years	10,059	10,553	10,436	10,734
	45,920	47,782	45,199	46,062
Less: Unamortized gains	(882)		(888)	
Carrying value	45,038		44,311	

c) Investment Revenue

	2002		2001	
	Interest & Dividends	Gains (Losses)	Interest & Dividends	Gains (Losses)
	\$	\$	\$	\$
Fixed term investments				
Fixed term investments	8,531	910	8,606	1,532
Equity investments	2,548	2,850	2,751	10,362
Investments maturing within one year	21	-	200	-
	11,100	3,760	11,557	11,894
Total investment revenue	14,860		23,451	
Less: Investment fees	(1,022)		(1,104)	
Add: Interest on Cash and cash equivalents	98		105	
	13,936		22,452	

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2002

(all amounts in thousands of dollars)

i) Measurement Uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires the Board to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in the financial statements. By their nature, these estimates are subject to measurement uncertainty. The effect on the financial statements of changes to such estimates and assumptions in future periods could be significant, although, at the time of preparation of these financial statements, the Board believes the estimates and assumptions to be reasonable. Significant management estimates relate to the valuation of assets, future benefits liability, employee future benefits liability and assessment revenue.

Note 3 Investments

a) Cash and Cash Equivalents

The Board invests in the short-term money market. The overall yield of this portfolio is 2.3% at December 31, 2002 (2001 - 4.1%). All instruments held in cash and cash equivalents are in high quality debt obligations issued or guaranteed by Canadian, Provincial, or Territorial governments, Canadian Chartered banks or Loan or Trust companies registered in Canada. The Board's investment policy limits investment in cash and cash equivalents to a maximum of 10% of the total investment portfolio.

	2002	2001
	\$	\$
Cash in bank	313	117
Cash in trust	966	1,108
Short term investments	5,075	2,596
	6,354	3,821

Included in the amounts above is C \$618 (2001 - C \$531) in foreign currencies.

Fair value approximates carrying value due to their short term nature.

b) Long-term investments

	2002		2001	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	\$	\$	\$	\$
Fixed term investments				
Indexed funds	84,746	83,423	97,312	94,602
Other	45,038	47,782	44,311	46,062
	129,784	131,205	141,623	140,664
Equity investments	115,617	103,469	111,541	121,186
Investments maturing within one year	4,262	4,262	2,052	2,052
	249,663	238,936	255,216	263,902

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT

BALANCE SHEET

as at December 31, 2002

(in thousands of dollars)

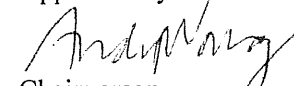
	2002	2001
	\$	\$
ASSETS		
Current		
Cash and cash equivalents (Note 3a)	6,354	3,821
Accrued interest receivable	623	568
Assessments receivable	2,077	2,443
Prepaid expenses	131	120
Other receivables	39	15
	9,224	6,967
Investments (Note 3b)	249,663	255,216
Capital assets, net (Note 4)	4,698	4,463
	263,585	266,646
LIABILITIES AND RESERVES		
Current liabilities		
Accounts payable and accrued liabilities	3,402	2,332
Assessments refundable	692	1,322
Obligation under capital lease, current portion (Note 5a)	252	232
	4,346	3,886
Benefits liability (Note 7)	205,541	198,793
Obligation under capital lease (Note 5a)	2,160	2,412
	212,047	205,091
Reserves		
Operating reserve	10,010	42,372
Rate subsidy reserve	22,000	-
Safety reserve	178	178
Catastrophe reserve	19,350	19,005
	51,538	61,555
	263,585	266,646

CONTINGENCIES (Note 9)

Approved by Management:


President

Approved by the Board of Directors:


Chairperson


Chief Financial Officer

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT
STATEMENT OF OPERATIONS
For the year ended December 31, 2002
(in thousands of dollars)

	2002 \$	2001 \$
REVENUE		
Assessments	20,079	15,601
Investment revenue (Note 3c)	13,936	22,452
Recoveries	873	798
	34,888	38,851
EXPENSES		
Cost of Claims, current year (Note 7)	25,263	26,501
Cost of Claims, prior years (Note 7)	6,486	11,656
	31,749	38,157
Administration and general expenses (Schedule)	13,156	12,098
	44,905	50,255
Loss from operations	(10,017)	(11,404)

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2002
(all amounts in thousands of dollars)

- i. disasters and catastrophes;
- ii. lower than expected investment results; or
- iii. other unanticipated events such as lower than anticipated assessment revenues or higher than anticipated claims costs.

Operating Reserve

The operating reserve was created by the *Workers' Compensation Act*.

Assessment rates are adjusted to bring the operating reserve to its target level over a period of between two years and ten years, depending on the margin by which the operating reserve is above or below the target range. The range of tolerance for the operating reserve is plus or minus 50% of the target amount.

Catastrophe Reserve

The catastrophe reserve was created by the Board of Directors. A catastrophic claim is an accident or event that meets one or more of the following criteria:

- i. A single incident resulting in more than four fatal claims or serious injuries;
- ii. The nature of an incident is not consistent with the risk inherent in industry; or
- iii. The result of a single incident causes an increase of greater than 10% to a rate group.

The Board has adopted a pre-funding approach for the Catastrophe reserve to be maintained in an amount equal to 300 times the Year's Maximum Insurable Remuneration (YMIR).

Rate Subsidy Reserve

The Rate Subsidy Reserve was established by the Board in 2002 to identify the net assets available to fund the provision of a rate subsidy to employers on their assessments. This reserve is determined after the target levels for the operating reserve and catastrophe reserve have been maintained.

g) Employee Future Benefits

Pension Benefits

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Board's contribution to the Plan reflects the full cost of the employer contributions. This amount is currently based on a multiple of the employee's required contributions, and may change from time to time depending on the experience of the Plan. These contributions represent the total pension obligations of the Board and are charged to operations on a current basis. The Board is not currently required to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account (PSSA).

Non-pension Benefits

Employees are entitled to specified benefits on termination as provided for under conditions of employment, through a severance benefit plan. The Board recognizes the cost of future severance benefits over the periods in which the employees render services to the Board and the liability for these benefits is recorded in the accounts as the benefits accrue to employees.

h) Assessment Revenue

Current year revenues are estimated at year end based on actual payrolls submitted by employers. Adjustments to assessment revenues are accounted for in the year that the amounts are determined. An allowance is included in assessments refundable for potential adjustments of current and prior years' payrolls.

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2002

(all amounts in thousands of dollars)

b) Capital Assets

Capital assets are recorded at cost and amortized over their estimated useful lives under the straight-line method as follows:

Furnishings	10 years
Equipment, including application software	5 years
Leasehold improvements and office space (leased)	Over the term of the lease
Computer systems software developed for WCB	8 years

Assets recorded as capital leases are amortized on the straight-line method over the lease term. Obligations recorded under capital leases are reduced by rental payments net of imputed interest.

c) Administration and General Expenses

A portion of administration and general expenses is allocated as claims management costs between current year's claims and prior years' claims. The amount allocated to prior years' claims is based on actuarially determined rates applied to the amount of claims payments for prior year injuries. The amount allocated to current year's claims is based on the proportion of claims expenditures processed for current year injuries. The costs allocated are the direct costs related to the managing of claims, pensions and rehabilitation services.

d) Benefits Liability

The Benefits Liability is estimated annually using an actuarial valuation and is comprised of:

- i. the future pension liability which represents the present value of future payments in respect of approved pension awards;
- ii. the future claims liability which represents the present value of future payments in respect of medical aid benefits, compensation payments and the capitalized value of future pension awards for all claims arising from accidents occurring prior to the end of the fiscal year; and
- iii. provision for claims management expenses, at 35% of the future claims liability, 9% of the future pension liability, and 21% for the Hunters and Trappers benefits liability.

Many assumptions are required in the calculation of the liability, including estimates of future inflation, interest rates and mortality rates. The amount of liability is determined on a basis which allows for future inflationary increases by using a discount rate of 3.5% per annum. Actual claims expenses are not predictable with certainty and, accordingly, may vary from the actuarial valuation of the liability.

The benefits liability is reviewed annually by an independent actuary. The opinion on the adequacy and appropriateness of the actuary's valuation of the future claims and pension liabilities as at December 31, 2002 is attached to these Financial Statements.

e) Funding Policy

The funding policy of the Board is to maintain both the future pension liability and the future claims liability at a fully funded level at each year end. The percentage funded is calculated as the ratio of total assets divided by the sum of total liabilities plus the catastrophe reserve. Fully funded status is maintained when this ratio is equal to, or greater than, one.

f) Reserves

The operating and catastrophe reserves are maintained to provide a margin of protection against adverse financial experience which could unduly burden future employers. Adverse experience could arise in respect of the following risks:

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT

STATEMENT OF RESERVES

as at December 31, 2002

(in thousands of dollars)

	2002	2001
	\$	\$
Operating reserve (Note 8a)		
Balance, beginning of year	42,372	53,234
Net loss for the year	(10,017)	(11,404)
Transfer to Rate Subsidy reserve	(22,000)	-
Transfer from Safety reserve	-	47
Transfer to Catastrophe reserve	(345)	(1,005)
Transfer from Special reserve	-	1,500
Balance, end of year	10,010	42,372
Rate subsidy reserve (Note 8b)		
Balance, beginning of year	-	-
Transfer from Operating reserve	22,000	-
Balance, end of year	22,000	-
Safety reserve		
Balance, beginning of year	178	225
Transfer to Operating reserve	-	(47)
Balance, end of year	178	178
Catastrophe reserve (Note 8c)		
Balance, beginning of year	19,005	18,000
Transfer from Operating reserve	345	1,005
Balance, end of year	19,350	19,005
Special reserve		
Balance, beginning of year	-	1,500
Transfer to Operating reserve	-	(1,500)
Balance, end of year	-	-

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT
STATEMENT OF CASH FLOWS
For the year ended December 31, 2002
(in thousands of dollars)

	2002	2001
	\$	\$
OPERATING ACTIVITIES		
Cash received from:		
Employers for assessments	20,664	16,446
Investment revenue on short term investments	98	105
Cash paid to:		
Claimants or third parties on their behalf	(24,297)	(18,295)
Suppliers for administration and other goods and services	(12,119)	(15,521)
Cash used in operating activities	(15,654)	(17,265)
INVESTING ACTIVITIES		
Transfers from investment managers	19,336	18,493
Purchases of capital assets	(1,149)	(314)
Cash provided by investing activities	18,187	18,179
Increase in cash and cash equivalents	2,533	914
Cash and cash equivalents, beginning of year	3,821	2,907
Cash and cash equivalents, end of year	6,354	3,821

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2002
(all amounts in thousands of dollars)

Note 1 Authority, Mandate and Operations

The Workers' Compensation Board (the Board) was established by, and is responsible for the administration of the *Workers' Compensation Act*. Effective April 16, 1996, the Board also assumed responsibility for safety enforcement under the *Mine Health and Safety Act*, the *Safety Act* and the *Explosives Use Act*. Effective April 1, 1999, the Board also assumed responsibility for the administration and enforcement of the *Workers' Compensation Act*, the *Mine Health and Safety Act*, the *Safety Act* and the *Explosives Use Act* for the Government of Nunavut.

The mandate of the Board is to provide compensation for injury or death by accident arising out of, and in the course of, employment. Assessments required to meet the costs of compensation, pension awards and administration are levied upon employers on the basis of a percentage of their assessable payroll. In addition, the mandate of the Board includes accident prevention. The NWT Operations and Nunavut Operations divisions are responsible for developing safety awareness and for monitoring safety in the workplace.

The *Nunavut Act* created the Nunavut Territory effective April 1, 1999, resulting in the division of the Northwest Territories. The Government of the Northwest Territories and the Government of Nunavut have signed an Inter-Governmental Agreement for a shared Workers Compensation Board to allow the Workers' Compensation Board to remain as a single entity serving both territories. Cancellation of this agreement by either party requires one full fiscal year's notice.

Note 2 Significant Accounting Policies

a) Investments

Equity investments are valued using a moving average market value method, using a five-year amortization of gains and losses that arise on the sale of investments, or that arise as a result of changes in the market value of those investments.

Fixed term investments are recorded at cost at the time of purchase. The realized gain or loss on the sale of an investment is amortized over the remaining period to maturity of the investment, based on the average period for these securities disposed of during the year. For pooled funds, the amortization period is five years.

Investments denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the end of the year. Income is translated at the rate in effect at the time of receipt. Exchange gains and losses resulting from the translation of foreign currency balances and transactions are amortized into investment income over a five-year period.

The Board's international investment manager uses derivative financial instruments to manage operating exposure to foreign exchange fluctuations. These contracts are carried on a market value basis. Premiums paid or received on these instruments are treated as revenue at the time of purchase. Net receipts or payments are recognized in income on an accrual basis in the same period and the same financial statement category to which the contract is related.

A decline in market value which is considered other than temporary is recognized immediately.