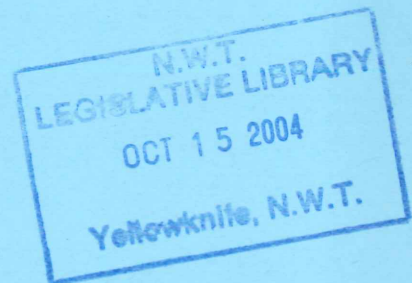


TABLED DOCUMENT NO. 65-15(3) TABLED ON OCT 15 2004

# 2003 Annual Report



**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 are sensitive and responsive to our clients' needs  
We work safely  
We do what we say

## **WCB Governance Council Members**

### **Chairperson**

Andy Wong (Yellowknife)  
April 1, 2000 – Member  
April 1, 2002 – March 31, 2007 – Chair

### **Public Interest Representatives**

Dan Halldorson (Yellowknife)  
April 1, 2000 – March 31, 2003

Denny Rodgers (Inuvik)  
May 1, 2003 – April 30, 2006

Alain Carriere (Iqaluit)  
February 21, 2001 – May 31, 2004

### **Worker Representatives**

Roland Gosselin (Yellowknife)  
April 2001 – March 31, 2003

Steve Petersen (Yellowknife)  
May 1, 2003 – April 30, 2006

Alex Stuit (Kugluktuk)  
April 1, 2000 – June 1, 2004

### **Employer Representatives**

Elaine Grundy (Yellowknife)  
December 6, 2001 – March 5, 2004

Craig Browne (Fort Smith)  
June 17, 2002 – June 16, 2004

Letter of Transmittal

July 9, 2004

The Honourable Glenna Hanson  
Commissioner of the Northwest Territories

The Honourable Peter Irniq  
Commissioner of Nunavut

The Honourable David Krutko  
Northwest Territories Minister Responsible for the Workers' Compensation Board

The Honourable Olayuk Akesuk  
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, 2003, 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 2003 Annual Report follows last year's standard and remains scaled back. This report fulfills our responsibility for financial reporting and provides information about our key results from 2003.

Northern employers and workers are well served by the WCB. I commend the work of the Governance Council, staff and management of the WCB.

Yours truly,



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



# We've Got You Covered

The Workers' Compensation Board of the Northwest Territories and Nunavut is here to provide northern employers and workers with complete and practical information about occupational health and safety. We believe information facilitates responsible decision-making, promotes improvements in the workplace, increases awareness of the need for a healthy and safe working environment and supports occupational health and safety education and training.

Safe workplaces can only be achieved through strong partnerships with employers and workers. We applaud the proven commitment to safety from many of our northern companies. The WCB is proud to have supported all northern companies through our programs and services.

In conjunction with our Annual Report, we invite you to read our feature magazine *Reflections 2003: A Salute to Northern Employers*. Coupled together, the WCB Annual Report and *Reflections* illustrate the shared responsibility for the safety and health of all the employers and workers in the Northwest Territories and Nunavut.



David Clark  
President and C.E.O.



Andy Wong  
Chairperson



## 2003 Statistical Data

### Territorial Demographics

(Source: Statistics Canada)

	NWT	Nunavut	Total
Population	42040	29357	71397
Labour Force	22417	Not Avail.	
Number Employed	22235	11055	33290
Average weekly earnings	\$895.32	\$793.46	\$844.39

### Claimants:

	2002	2003
Number of claims reported	3535	3349
Number of claims accepted	3227	2914
Number of lost time compensated claims	968	969
Number of work related fatalities	6	5
Number of pensions capitalized	119	117
Total capitalization costs (in millions)	\$5.95	\$3.36

### Employers:

Number of assessable employers	3851	3917
Number of industry classes	8	8
Number of rate groups	29	29
Number of employers requesting personal optional coverage	294	389

### Lost Time Injury Rate:

The lost time injury frequency (LTI) is defined as the number of lost time compensated injuries per 100 workers.

Lost Time Injury Frequency	3.1%	2.9%
----------------------------	------	------

### Financial Indicators:

Maximum annual insurable earnings (YMIR)	\$63,350	\$64,500
Average provisional undiscounted assessment rate per \$100 assessable payroll	\$1.99	\$2.27
Average provisional discounted assessment rate per \$100 assessable payroll	\$1.18 (35% Discount)	\$1.60 (30% Discount)
Actual average assessment rate per \$100 assessable payroll	\$1.28	\$1.45
Percentage funded (including reserves)	114%	110%

# Workers' Compensation Board of the NWT and Nunavut

## 2003 Key Results

### Occupational Health and Safety

#### **Workplace Safety: Safety and the Young Worker**

In the NWT, the frequency of claims among young workers was 18 per cent higher than those for workers over age 25. These young workers were also 12 per cent more likely to have time loss accidents. (Data from the Nunavut Bureau of Statistics is unavailable for comparison).

Due to the above average frequency of claims, and because one of the five accepted fatality claims in 2003 was for a young worker, the WCB continues to focus efforts on Youth Strategy. As a result, over 250 workers successfully completed the *Workplace Safety: Safety and the Young Worker* and the *Workplace Hazardous Materials Information System (WHMIS)* programs in 2003. Also, the WCB now has the capability to produce Safety Passport Cards which young workers can present to prospective employers as proof of safety training.

The *Workplace Safety: Safety and the Young Worker* program, introduced in 2002, was expanded in 2003. The program is now offered by Kimberlite Careers Technical Centre and the Yellowknife public and Catholic schools in addition to Aurora College in the NWT and Arctic College in Nunavut. Also, all WCB employees and GNWT summer students must complete the program which is monitored by human resources personnel in each department.

#### **Skills Canada Competition**

The Worksite Safety competition was held in Yellowknife on April 24, 2003 as part of the 5<sup>th</sup> Annual Skills Canada NWT/NU Territorial Competition. Advancing to the national competition was Isabelle McDougall, an Iqaluit student, who won the gold medal, while the silver medal went to Mara Smith, a Yellowknife student. This event involves three parts: a written examination, an oral presentation before safety professionals, and inspection and hazard identification of a mock workplace. The students trained for the event using the WCB's *Workplace Safety: Safety and the Young Worker* program. The NWT and Nunavut are the only regions that require completion of a workplace safety program as a prerequisite to competing in this event.

#### **Mine Rescue Competition**

The 37<sup>th</sup> Annual Mine Rescue Competition was held in Yellowknife on June 13 and 14. Four teams, Miramar Con/Giant, BHP Billiton Diamond Mines – Ekati Mine, Diavik Diamond Mines Inc. and Kinross Gold Corporation Lupin, demonstrated their superior mine rescue skills in seven tasks.



The winning teams were:

- BHP Billiton Diamond Mines – Ekati Mine as the Underground Overall Winner, also the Task Winner of Underground Obstacle, Underground Bench and Surface Bench
- Diavik Diamond Mines Inc. as the Surface Overall Winner, also the Task Winner of Surface Obstacle
- Miramar Con/Giant was the Task Winner of Written, Fire and First Aid
- Kinross Gold Corporation Lupin was the Task Winner of Rope and Smoke

This was the first time that the competition included both Underground and Surface categories and was Diavik Diamond Mines Inc.'s first time at the competition. The Chief Inspector of Mines commended all teams for showing superb sportsmanship by cheering for each other during the competition and demonstrating the true spirit of mine rescue.

The Miramar Con Mine team, with the WCB's Peter Bengts as team co-ordinator, won the Underground category in the Western Regional Mine Competition held in Fernie, B.C. in October 2003.

### **Environmental Tobacco Smoke Regulations**

In December 2003, both Ministers Responsible for the WCB in the Northwest Territories and Nunavut approved *General Regulations* that would prohibit environmental tobacco smoke (second hand smoke) from all worksites. These *Regulations* will be implemented in both the Northwest Territories and Nunavut on May 1, 2004.

### **Fall Arrest Certification Program**

A Fall Arrest Equipment Inspection certification program was held in Yellowknife in November of 2003. Among those attending were WCB Safety & Mining staff, GNWT staff and Federal Government inspectors. Fifty attendees completed the program with 48 attendees being certified as Fall Arrest Equipment Inspectors. This program supports the Governance Council's strategic initiative to reduce the incidence of injuries due to falls from heights.

### **Legislative Review**

In response to the recommendations in the Legislative Review Panel's report *Act Now*, the first phase of amendments to the *Workers' Compensation Acts* of the Northwest Territories and Nunavut were enacted by the Legislative Assemblies of both the Government of the Northwest Territories and Nunavut in 2003, with most amendments coming into effect in 2004.

The second phase of the legislative review will focus on any outstanding aspects of *Act Now* not addressed under the Phase I amendments. The research, developments and consultation on these issues will be undertaken throughout 2004.

## **Comprehensive Policy Review Plan**

In September 2003, the WCB adopted a policy review plan to establish a formalized process of review and development to ensure that WCB policies remain responsive, understandable and legislatively consistent. The approved Comprehensive Policy Review Plan ensures that all WCB policies are reviewed and, if necessary, revised at least once every three years. The plan also calls for an annual schedule of review to be set for each upcoming year. This ensures that the WCB undertakes quality reviews of new and ongoing policy issues.

## **Shared WCB**

In March 1999 an inter-governmental agreement was signed by the Government of the NWT and the Interim Commissioner of Nunavut, temporarily creating a shared WCB. Both governments agreed to an indefinite expansion in November 2001.

Operations continue to be shared between the Northwest Territories and Nunavut, with both regions being effectively served and Nunavut operations growing. WCB offices are maintained in Yellowknife, Inuvik, Iqaluit, and Rankin Inlet.

## **Financial Situation**

### **Employer Assessment Rates**

The actual assessment rate for 2003 was \$1.45 per \$100 of assessable payroll, one of the lowest average assessment rates in Canada. This includes a 30 per cent discount on rates to all employers.

### **Funded Position**

The WCB assessed 3,917 registered employers and was 110 per cent fully funded in 2003.

### **Year's Maximum Insurable Remuneration (YMIR)**

The YMIR increased in 2003 to \$64,500, up from \$63,350 in 2002. The Governance Council recommended an increase of \$2,000, to \$66,500, effective January 1, 2004.

## **Fraud**

In 2003, the Investigations Co-ordinator arranged for 65 investigations to be conducted from Newfoundland to British Columbia to the Arctic Circle that led to \$2.2 million in cost avoidance savings to the WCB. The \$2.2 million is an estimate of how much the WCB would have continued to pay out for a period of one year if the fraudulent activity was not detected by the Investigations Co-ordinator.

## **Accident/Claims Trend**

In 2003, the WCB had 3,349 registered claims which is fairly consistent with past years. Time loss claims, which are often the most severe, decreased slightly on average in the NWT but increased by 22 per cent in Nunavut.

The most significant changes in the number of time loss claims were:

- 23 per cent decrease in claims for the NWT's Construction Industry.
- 57 per cent increase in Nunavut's Public Administration & Defence Industry.
- 35 per cent increase in the NWT's Trade and Service Industry.

## **Natural Resource Exploration and Development**

### **Oil & Gas Development**

The Mackenzie Gas Project began the process of environmental review in 2003. This review is expected to take until 2006 to complete. If approval is received, it is expected that construction will commence in 2007.

Exploration activity in the Beaufort Delta remains high. The WCB continues to maintain an office in Inuvik so that a safety officer is readily available for inspections and education on matters of occupational health & safety.

## **Memorandum of Understanding – HRSDC**

The WCB continues to meet regularly with Human Resources and Skills Development Canada (HRSDC) under the *Memorandum of Understanding* to deal with mutual safety and enforcement issues. A reporting format has now been developed that provides valuable information to HRSDC on safety concerns for federally regulated employers conducting business in the NWT & Nunavut. Good communication exists between federal and WCB safety staff. We are continuing to work on jurisdictional issues around mine reclamation work.

## **Rate Setting and Rate Modification Project**

In October 2003, the Governance Council approved a project to review the rate setting/classification system. This is the start of a multi-year project that will include development of models, public consultation and a phased implementation. The purpose of the project is to provide the WCB with a more flexible rate structure which will respond to the changing economic and industrial base of the NWT and Nunavut and will provide appropriate incentives to employers for the promotion of safe and healthy workplaces.

## **Client Communications**

In November 2003, the WCB turned on a very new and improved Web site for the organization. This new site provides employers, workers, medical professionals and other interested individuals and organizations an easy road map to the services, training, forms and other information provided by the WCB. The WCB web site is updated daily at [www.wcb.nt.ca](http://www.wcb.nt.ca) or [www.wcbnunavut.ca](http://www.wcbnunavut.ca), and is available in English, French and Inuktitut.

## **Education**

### **Safety Courses**

Employers and workers completed 104 safety courses. The programs offered were: Claims Management, Ergonomics, Incident and Accident Investigations, Occupational Health and Safety Committee, Principles of Safety Management, Internal Responsibility System/Due Diligence (IRS), WHMIS, WHMIS Instructor, Artists and Carvers Safety Awareness and Responsibilities for Safety. A request was made by the WCB of the Yukon for our staff to present the IRS program which was facilitated four times in Whitehorse to a total of 94 people.

**WORKERS' COMPENSATION BOARD,  
NORTHWEST TERRITORIES & NUNAVUT  
FINANCIAL STATEMENTS  
December 31, 2003**

**WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT**

**TABLE OF CONTENTS**

Page

---

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

AUDITOR'S REPORT

FINANCIAL STATEMENTS

Balance Sheet 1

Statement of Operations 2

Statement of Reserves 3

Statement of Cash Flows 4

Notes to Financial Statements 5

Schedule of Administration and General Expenses 17

ACTUARY'S REPORT 18

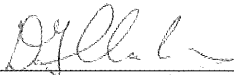
## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING


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 Governance Council. 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 Governance Council ensures that management fulfils its responsibilities for financial reporting, internal control and safeguarding assets.

The Governance Council 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.

  
\_\_\_\_\_  
David Clark,  
President

  
\_\_\_\_\_  
John Doyle,  
Chief Financial Officer

March 26, 2004



## AUDITOR'S REPORT

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

I have audited the balance sheet of the Workers' Compensation Board of the Northwest Territories and Nunavut as at December 31, 2003 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, 2003 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. In addition, 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 26, 2004



**WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT**

**BALANCE SHEET**


as at December 31, 2003

(in thousands of dollars)

	2003	2002
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents <i>(Note 3a)</i>	7,219	6,354
Accrued interest receivable	475	623
Assessments receivable	1,494	2,077
Prepaid expenses	75	131
Other receivables	50	39
	<b>9,313</b>	<b>9,224</b>
Investments <i>(Note 3b)</i>	244,112	249,663
Capital assets <i>(Note 4)</i>	4,790	4,698
	<b>258,215</b>	<b>263,585</b>
<b>LIABILITIES AND RESERVES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	2,833	3,402
Assessments refundable	475	692
Obligation under capital lease, current portion <i>(Note 5a)</i>	273	252
	<b>3,581</b>	<b>4,346</b>
Benefits liability <i>(Note 7)</i>	210,142	205,541
Obligation under capital lease <i>(Note 5a)</i>	1,887	2,160
	<b>215,610</b>	<b>212,047</b>
<b>Reserves</b>		
Operating reserve	5,477	10,010
Rate subsidy reserve	17,000	22,000
Safety reserve	178	178
Catastrophe reserve	19,950	19,350
	<b>42,605</b>	<b>51,538</b>
	<b>258,215</b>	<b>263,585</b>

CONTINGENCIES *(Note 9)*

Approved by the Governance Council

  
 \_\_\_\_\_  
 Chairperson, Finance and Audit Committee

  
 \_\_\_\_\_  
 Chairperson, Governance Council

**WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT**

**STATEMENT OF OPERATIONS**

For the year ended December 31, 2003

(in thousands of dollars)

	2003	2002
	\$	\$
<b>REVENUE</b>		
Assessments	23,126	20,079
Investment revenue ( <i>Note 3c</i> )	12,230	13,936
Recoveries	526	873
	<b>35,882</b>	<b>34,888</b>
<b>EXPENSES</b>		
Cost of claims, current year ( <i>Note 7</i> )	21,729	25,263
Cost of claims, prior years ( <i>Note 7</i> )	8,319	6,486
	<b>30,048</b>	<b>31,749</b>
Administration and general expenses ( <i>Schedule</i> )	14,767	13,156
	<b>44,815</b>	<b>44,905</b>
Loss from operations	<b>(8,933)</b>	<b>(10,017)</b>

**WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT**  
**STATEMENT OF RESERVES**  
For the year ended December 31, 2003  
(in thousands of dollars)

	2003 \$	2002 \$
<b>Operating reserve (Note 8a)</b>		
Balance, beginning of year	10,010	42,372
Loss from operations	(8,933)	(10,017)
Transfer from (to) Rate Subsidy reserve	5,000	(22,000)
Transfer to Catastrophe reserve	(600)	(345)
<b>Balance, end of year</b>	<b>5,477</b>	<b>10,010</b>
<b>Rate subsidy reserve (Note 8b)</b>		
Balance, beginning of year	22,000	-
Transfer from (to) Operating reserve	(5,000)	22,000
<b>Balance, end of year</b>	<b>17,000</b>	<b>22,000</b>
<b>Safety reserve</b>		
Balance, beginning of year	178	178
<b>Balance, end of year</b>	<b>178</b>	<b>178</b>
<b>Catastrophe reserve (Note 8c)</b>		
Balance, beginning of year	19,350	19,005
Transfer from Operating reserve	600	345
<b>Balance, end of year</b>	<b>19,950</b>	<b>19,350</b>

**WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT****STATEMENT OF CASH FLOWS**

For the year ended December 31, 2003

(in thousands of dollars)

	2003	2002
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Cash received from:		
Employers for assessments	23,917	20,664
Investment revenue on short term investments	104	98
Cash paid to:		
Claimants or third parties on their behalf	(25,750)	(24,297)
Suppliers for administration and other goods and services	(14,308)	(12,119)
Cash used in operating activities	(16,037)	(15,654)
<b>INVESTING ACTIVITIES</b>		
Transfers from investment managers	17,824	19,336
Purchases of capital assets	(922)	(1,149)
Cash provided by investing activities	16,902	18,187
Increase in cash and cash equivalents	865	2,533
Cash and cash equivalents, beginning of year	6,354	3,821
Cash and cash equivalents, end of year	7,219	6,354

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

For the year ended December 31, 2003  
(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 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. Gains and losses that arise on the sale of equity investments or that arise as a result of changes in the market value of those investments are amortized over a five-year period.

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 fair 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 of an entire portfolio which is considered other than temporary is recognized immediately.

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

For the year ended December 31, 2003  
(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 a proportion of total administration costs, less the amount allocated to prior years' claims.

**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, 2003 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.

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

For the year ended December 31, 2003  
(all amounts in thousands of dollars)

**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:

- 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 Governance Council. 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.

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

For the year ended December 31, 2003  
(all amounts in thousands of dollars)

**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 receivable for potential adjustments of current and prior years' payrolls.

**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 2.8% at December 31, 2003 (2002 - 2.3%). All instruments held in cash and cash equivalents are readily convertible to cash and are held 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.

	2003	2002
	\$	\$
Cash in bank	556	313
Cash in trust	791	966
Short term investments	5,872	5,075
	<b>7,219</b>	<b>6,354</b>

Included in the amounts above is Canadian \$307 (2002 – Canadian \$618) in foreign currencies.

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

**b) Long-term Investments**

	2003		2002	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	\$	\$	\$	\$
Fixed term investments				
Indexed funds	72,571	72,046	84,746	83,423
Other	32,013	34,823	45,038	47,782
	<b>104,584</b>	<b>106,869</b>	129,784	131,205
Equity investments	136,617	135,661	115,617	103,469
Investments maturing within one year	2,911	2,585	4,262	4,262
	<b>244,112</b>	<b>245,115</b>	249,663	238,936



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

For the year ended December 31, 2003

(all amounts in thousands of dollars)

Included in the carrying value at December 31, 2003 are net unamortized losses of \$49 (2002 - \$11,751). 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) at December 31, 2003 are as follows:

Term to maturity	2003		2002	
	Cost \$	Fair Value \$	Cost \$	Fair Value \$
Government of Canada				
After one through five years	8,026	8,026	11,343	11,403
After five years	6,582	6,685	13,340	13,721
Provincial/territorial securities and securities guaranteed by provinces/territories				
After five years	5,129	6,003	7,220	8,059
Corporate securities				
Due in one year or less	1,201	1,213	1,000	1,015
After one through five years	907	955	2,958	3,031
After five years	11,283	11,941	10,059	10,553
	33,128	34,823	45,920	47,782
Less: Unamortized gains	(1,115)		(882)	
Carrying value	32,013		45,038	

**c) Investment Revenue**

	2003		2002	
	Interest & Dividends \$	Gains (Losses) \$	Interest & Dividends \$	Gains (Losses) \$
Fixed term investments	7,208	296	8,531	910
Equity investments	2,425	3,198	2,548	2,850
Investments maturing within one year	-	-	21	-
	9,633	3,494	11,100	3,760
Total investment revenue	13,127		14,860	
Less: Investment fees	(1,001)		(1,022)	
Add: Interest on Cash and cash equivalents	104		98	
	12,230		13,936	

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

For the year ended December 31, 2003

(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:

	2003	2002
Fixed term	7.0%	9.1%
U.S. equities	1.4%	-20.9%
International equities	7.0%	-18.7%
Canadian equities	25.9%	-6.7%

**d) Investment Policies**

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

	Fair Value		Actual	
	Maximum	Minimum	2003	2002
Bonds	50%	30%	39.4%	49.5%
Canadian equities	30%	20%	26.3%	21.0%
U.S. equities	20%	10%	13.2%	9.0%
Non-North American equities	20%	10%	15.1%	12.1%
Cash and cash equivalents	10%	0%	3.0%	4.2%

**e) Credit Risk Management**

Credit risk on financial instruments arises from the possibility that the issuer of a fixed-term instrument will fail to meet its obligations. In order to manage this risk, short term investments must have a minimum credit rating of A-1 or its equivalent. Fixed term investments of a longer term must 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	2003		2002	
		Effective Rate (% range)	Coupon Rate (% range)	Effective Rate (% range)	Coupon Rate (% range)
Government of Canada	Semi-annual	3.70 - 4.70%	5.75 - 6.16%	3.29 - 5.53%	4.00 - 8.00%
Provincial/territorial securities and securities guaranteed by provinces/territories	Semi-annual	4.30 - 5.30%	6.65 - 6.86%	5.68 - 6.54%	5.90 - 13.00%
Corporate securities	Semi-annual	4.50 - 5.80%	6.49 - 6.88%	4.34 - 7.20%	5.30 - 10.62%

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

For the year ended December 31, 2003

(all amounts in thousands of dollars)

**g) Foreign Currency Balances**

The Board has investments denominated in foreign currencies. At times, the Board will enter into derivative financial instruments denominated in various currencies. The purpose of these financial instruments is to optimize yields while sustaining acceptable levels of risk due to foreign currency exposure. The only derivative financial instruments used are forward foreign exchange contracts. There are no unrealized gains or losses at December 31, 2003 (2002-\$59 loss).

The following chart shows the Board's net exposure to foreign currency risk.

Currency	2003 Net Exposure \$	2002 Net Exposure \$
United States dollar	33,221	23,058
Euro currency	13,401	10,393
Pound sterling	9,986	9,289
Japanese yen	5,559	3,004
Swiss franc	4,806	3,884
South Korean won	1,561	-
Hong Kong dollar	1,249	851
Australian dollar	956	996
Singapore dollar	201	-
Thailand baht	3	-
Danish krone	1	1
	<b>70,944</b>	<b>51,476</b>

**Note 4 Capital Assets**

	Cost \$	Accumulated Amortization \$	2003 Net Book Value \$	2002 Net Book Value \$
Assets under capital lease	4,242	2,917	1,325	1,536
Leasehold improvements	2,987	1,569	1,418	1,289
Equipment	2,987	1,671	1,316	1,284
Computer software, customized	971	322	649	494
Furnishings	352	270	82	95
	<b>11,539</b>	<b>6,749</b>	<b>4,790</b>	<b>4,698</b>

**WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended December 31, 2003  
(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% \$	<b>2003 Lease Obligation \$</b>
Current	436	163	<b>273</b>
Non-current			
2005	436	140	<b>296</b>
2006	436	116	<b>320</b>
2007	436	89	<b>347</b>
2008	436	60	<b>376</b>
Thereafter	580	32	<b>548</b>
	<b>2,324</b>	<b>437</b>	<b>1,887</b>

**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 (2002 - 2.14) times the employee's contributions. Contributions to the PSSA during the year were \$1,133 (2002 - \$963).

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

For the year ended December 31, 2003

(all amounts in thousands of dollars)

**Note 7 Benefits Liability**

	Medical Aid \$	Compensation \$	Pension Capitalization \$	Pension Awards \$	2003 Total \$	2002 Total \$
<b>Balance, January 1</b>	24,255	22,994	31,623	126,669	<b>205,541</b>	198,793
<b>Add: Claims expenses</b>						
Current year	6,200	7,373	7,881	275	<b>21,729</b>	25,263
Prior years	688	(2,404)	(239)	10,274	<b>8,319</b>	6,486
Liability transfer, capitalizations	-	-	(3,239)	3,239	-	-
Recoveries from third parties	-	372	-	-	<b>372</b>	466
	31,143	28,335	36,026	140,457	<b>235,961</b>	231,008
<b>Less: Claims payments</b>						
Current year injuries						
Claims payments	1,214	1,633	-	-	<b>2,847</b>	3,051
Claims management	420	566	-	-	<b>986</b>	805
Prior years' injuries						
Claims payments	3,559	3,788	-	10,695	<b>18,042</b>	17,985
Claims management	1,327	1,412	-	1,205	<b>3,944</b>	3,626
	6,520	7,399	-	11,900	<b>25,819</b>	25,467
<b>Balance, December 31</b>	24,623	20,936	36,026	128,557	<b>210,142</b>	205,541

**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 \$8,266 (2002 - \$7,982). The target range at year end was \$4,133 to \$12,400.

**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 30% was applied to assessment rates (2002 - 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 \$19,950 (2002 - \$19,350).

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

For the year ended December 31, 2003

(all amounts in thousands of dollars)

**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.

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 the financial statements. Settlement of legal claims is recognized in the year in which settlement occurs. Legal claims settled during the year resulted in recoveries of \$372 (2002 - \$466). 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 Acts. The total cost of this travel incurred by the Government of Nunavut on behalf of the Board has been estimated between \$400 to \$650. A liability has been accrued in these financial statements in the amount of \$400. The Board is currently working with the Government of Nunavut to resolve this matter.

**Note 10 Commitments**

In addition to office premises recorded as a capital lease, 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:

	\$
2004	699
2005	553
2006	350
2007	277
2008	229
Thereafter	895
	<hr/> <b>3,003</b>

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

For the year ended December 31, 2003  
(all amounts in thousands of dollars)

**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.

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

	<b>2003</b>	2002
	\$	\$
Government of the Northwest Territories	<b>1,307</b>	914
Government of Nunavut	<b>1,163</b>	805
Public Agencies	<b>155</b>	130
	<b>2,625</b>	1,849

Balances due from related parties as at December 31, 2003 are as follows:

	<b>2003</b>	2002
	\$	\$
Government of Nunavut	-	1,077
Government of the Northwest Territories	<b>187</b>	181
Public Agencies	-	14
	<b>187</b>	1,272

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 (GNWT) will provide a reimbursement for hunters and trappers claims in the amount of \$153 (2002 - \$148). The Board will provide a reimbursement to the Government of Nunavut for hunters and trappers claims of \$90 (2002 -The Government of Nunavut provided a reimbursement of \$369 to the Board).

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

	<b>2003</b>	2002
	\$	\$
Northwest Territories Power Corporation		
11.00% maturing March 9, 2009	626	636
11.125% maturing June 6, 2011	1,307	1,316
6.42% maturing December 18, 2032	2,018	2,059
Northwest Territories Legislative Assembly Building Society		
13.00% Series A, maturing August 31, 2013	469	492
	<b>4,420</b>	4,503

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

For the year ended December 31, 2003  
(all amounts in thousands of dollars)

**Note 12 Fair Value of Financial Instruments**

Cash and cash equivalents, accounts payable and accrued liabilities, and other amounts receivable and refundable are valued at their carrying values on the balance sheet, which are reasonable estimates of fair value due to the relatively short period to maturity of the financial instruments.

**Note 13 Comparative Amounts**

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



**SCHEDULE OF ADMINISTRATION AND GENERAL EXPENSES**

For the year ended December 31, 2003

(all amounts in thousands of dollars)

	2003	2002
	\$	\$
Salaries, wages and allowances	9,950	9,627
Professional services	4,457	2,926
Office lease and renovations (non-capital)	1,359	1,094
Travel	1,096	1,013
Communications	456	376
Amortization - capital leases and improvements	449	397
Amortization - furnishings and equipment	381	517
Office services and supplies	299	329
Office furnishings and equipment (non-capital)	276	281
Training and development	234	297
Advertising and public information	187	193
Interest expense on capital lease obligation	184	203
Honoraria and retainers	170	177
Miscellaneous	99	70
Grants	92	79
Computer lease and services	8	8
	<b>19,697</b>	<b>17,587</b>
Less: Allocation to claims costs	<b>(4,930)</b>	<b>(4,431)</b>
	<b>14,767</b>	<b>13,156</b>

# Hewitt

## Workers' Compensation Board – Northwest Territories and Nunavut Actuarial Opinion as at December 31, 2003

---

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 March 26, 2004:

- We understand the valuation is intended for use in preparing the Board's balance sheet at December 31, 2003;
- 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 detailed in the Statement of Funding Policy, Methods and Assumptions (March 2004);
- There have been some changes in the assumptions since the prior valuation, the impact of which are disclosed in the Changes in Future Claims Liability and Changes in Future Pension Liability sections of this report;
- The valuation makes provision for all benefit obligations of the Board, including future indexing adjustments and future claims management expenses;
- We are not aware of any subsequent events that would materially impact this valuation; and
- The Benefits Liability at December 31, 2003 of \$210,142,000 makes appropriate provision for the Board's benefits obligations.

In our opinion, for the purposes of the valuation:

- The data on which the valuation is based are sufficient and reliable;
- The assumptions used are appropriate; and
- The methods employed are consistent with sound actuarial principles.

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

Respectfully submitted for  
HEWITT ASSOCIATES



John Sanges  
Fellow, Canadian Institute of Actuaries

March 26, 2004



Box 8888  
**Yellowknife**, NT X1A 2R3  
Tel: (867) 920-3888  
Toll-Free: 1-800-661-0792  
Fax: (867) 873-4596  
Toll-Free Fax: 1-866-277-3677

Box 1188  
**Inuvik**, NT X0E 0T0  
Tel: (867) 678-2301  
Fax: (867) 678-2302

Box 669  
**Iqaluit**, NU X0A 0H0  
Tel: (867) 979-8500  
Toll-Free: 1-877-404-4407  
Fax: (867) 979-8501

Box 368  
**Rankin Inlet**, NU X0C 0G0  
Tel: (867) 645-5600  
Fax: (867) 645-5601

**Web Address: [www.wcb.nt.ca](http://www.wcb.nt.ca) or [www.wcbnunavut.ca](http://www.wcbnunavut.ca)**