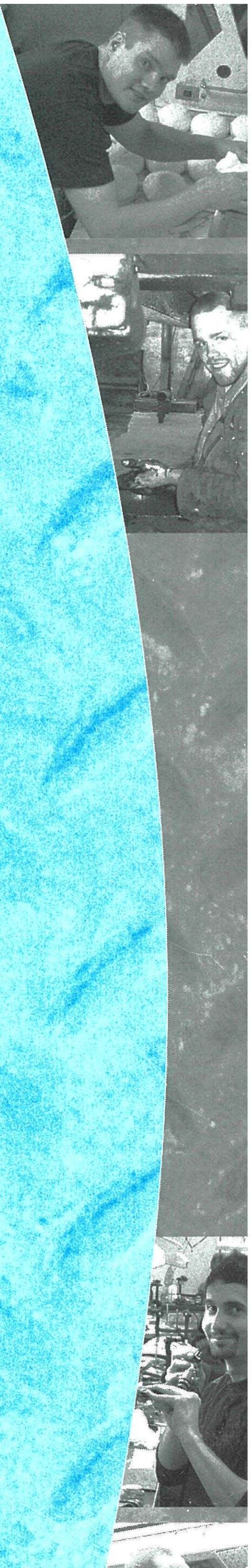
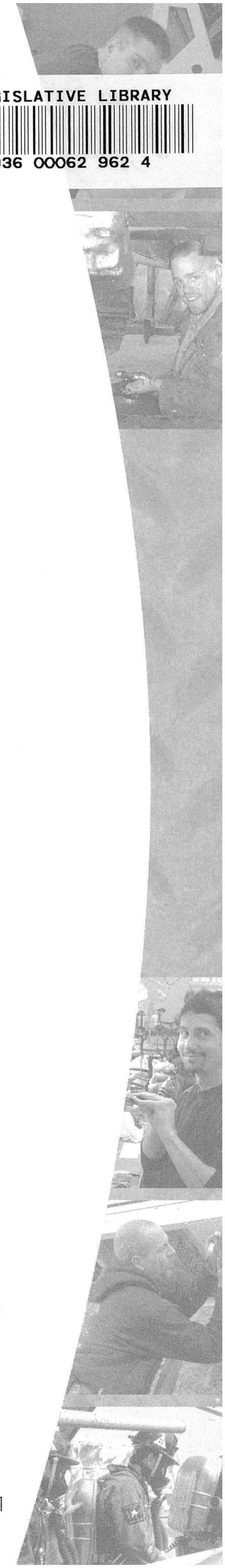
2001
ANNUAL REPORT



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 with fairness and respect.
- We do what we say we'll do.
- We are open and truthful in our dealings with others.
- We work hard to be the best we can be.
- We are responsive to our clients.

WCB Board Members

JoAnne Deneron (Fort Liard)

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

Tim Butler (Yellowknife)

Employer Representative
July 12, 1999 – July 11, 2001

Fernand Denault (Yellowknife)

Worker Representative
April 1, 2000 – March 31, 2001

Dan Halldorson (Yellowknife)

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

Alex Stuit (Kugluktuk)

Worker Representative
April 1, 2000 – March 31, 2002

Andy Wong (Yellowknife)

Employer Representative
April 1, 2000 – March 31, 2002

Alain Carriere (Iqaluit)

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

Elaine Grundy (Yellowknife)

Employer Representative
December 6, 2001 – December 5, 2003

Letter of Transmittal

April 15, 2002

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, 2001, 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.

Yours truly,

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

Report on 2001
Strategic Planning and Results

Each year, the WCB produces a five year Corporate Plan that outlines the future strategic direction for the workers' compensation system in the Northwest Territories and Nunavut. (This plan is tabled annually in the Legislative Assemblies, in accordance with the *Financial Administration Acts.*)

The WCB has focussed on six key goals for the past few years, refining them as needed. In 2001, these goals were:

A. Workplace accidents reduced by five percent each year.
B. Eighty percent of clients satisfied.
C. Fully funded status maintained, while continuing to demonstrate leadership in assessment rates and benefit levels.
D. Comprehensive changes made to the *Workers' Compensation Acts* and Policies, the *Safety Acts* and the General Safety Regulations.
E. Optimal solution achieved for service delivery in the two territories by 2001.
F. Comprehensive performance measurement system implemented by 2002.

Considerable progress was made in 2001 toward achieving the WCB's goals. A brief synopsis of some of these achievements follows:

A. Target: Workplace accidents reduced by five percent each year.

The WCB initiated a new young worker safety program in 2001. *Workplace Safety: Safety and the Young Worker* targets workers under 25 years of age in the NWT and Nunavut. These workers are more likely to be injured on the job and more likely to have a time loss injury than older workers. The program is available in hard copy or as an interactive CD and will be introduced to high schools and colleges in 2002.

Enforcement activities in 2001 focused on zero tolerance for working at heights without fall protection.

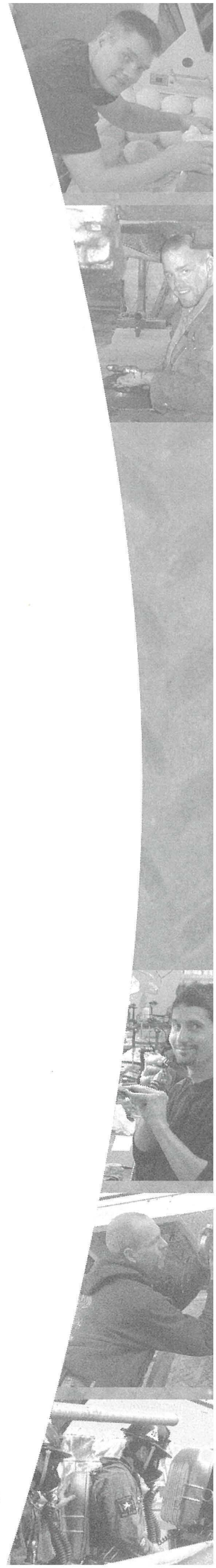
Teams involving WCB representatives from Prevention Services, Claims and Revenue continued working with five "high risk, high cost" employers to improve their accident experience. Targeted training was conducted with the GNWT and the Construction Association.

While this target was not met in 2001, the lost time injury rate was 2.75% which represents one of the lowest rates in Canada.

B. Target: Eighty percent of clients satisfied.

In 2001, ninety-one percent of all claims received by the WCB were accepted.

Funding was approved to cost share the coordination of training and workshops (Fall Protection training, Confined Spaces training and the Mine Rescue Coordinators Conference) with construction associations and chambers of mines. Funding for first aid training was also approved.



The WCB communicated with its stakeholders through a variety of venues including a quarterly newsletter, news releases, posters and brochures. The WCB also continued to work in partnership with the NWT Literacy Council to revise information to "clear language". The *Workers' Handbook*, and the *Harvesters*, *Fraud*, and *Artists and Carvers* brochures were rewritten.

Opportunities for electronic access to WCB programs and services were researched through the e–business experiences of various NWT organizations, as well as through surveys of WCB staff.

This target was met for employers, but not for claimants. Sixty-three percent of claimants were satisfied with the WCB's customer service in 2001. Eighty-eight percent of employers were satisfied in the same time period.

C. Target: Fully funded status maintained, while continuing to demonstrate leadership in assessment rates and benefit levels.

The WCB continued its leadership in employer assessment rates by offering the lowest average rate in Canada, at $1.18 per $100 of payroll.

Eighty–five percent of Northern workers were fully compensated for lost wages as a result of a workplace injury with the highest rate of yearly maximum insurable remuneration in Canada, at $63,350.

The WCB remained fully funded in 2001.

D. Target: Comprehensive changes made to the *Workers' Compensation Acts* and Policies, the *Safety Acts* and the General Safety Regulations.

A review panel, appointed by the Ministers Responsible for the WCB, completed a comprehensive review of the *Workers Compensation Acts*, the *Safety Acts* and the General Safety Regulations.

Act Now, the final report of the Legislative Review Panel, was submitted to the Ministers Responsible for the WCB in the NWT and Nunavut on January 8, 2002.

E. Target: Optimal solution achieved for service delivery in the two territories by 2001.

The Ministers Responsible for the WCB agreed to continue with the shared board arrangement indeterminately, in November 2001. The WCB initiated enhanced regional representation in Nunavut and continued to inform stakeholders of the details of the shared board.

F. Comprehensive performance measurement system implemented by 2002.

The WCB developed a balanced scorecard approach to report performance in seven key results areas. This approach will better position the WCB to measure the effectiveness of its programs and services and refine and improve them to better meet stakeholder needs.

Statistical Data[1]

(Source: Statistics Canada)

Statistics as at Dec. 31, 2001:	NWT	Nunavut	Total
Population	40,570	28,554	69,124
Number employed	19,416	10,058	29,474
Average weekly earnings	$870.23	$784.75	$841.06

Claimants:

Number of claims reported in 2001	3,447
Number of claims accepted in 2001	3,129
Number of lost time compensated claims in 2001	804
Number of fatalities reported in 2001	11
Number of fatalities occurring in 2001	13
Average number of days to issue a compensation cheque, from the date of claim registration	28.9
Percentage of compensation claims where a cheque is issued within 25 days of the date of claim registration	62.1%

Employers:

Number of active businesses in 2001	3,796
Number of employers registered with the WCB in 2001	6,109
Number of industry classes	8
Number of rate groups	29
Number of employers requesting personal optional coverage	682

Lost Time Injury Rate:

The lost time injury rate (LTI) is defined as the number of lost time compensated injuries per 100 workers. In 2000, the WCB introduced a key strategy to reduce the LTI by 5% each year from the 1999 LTI levels.

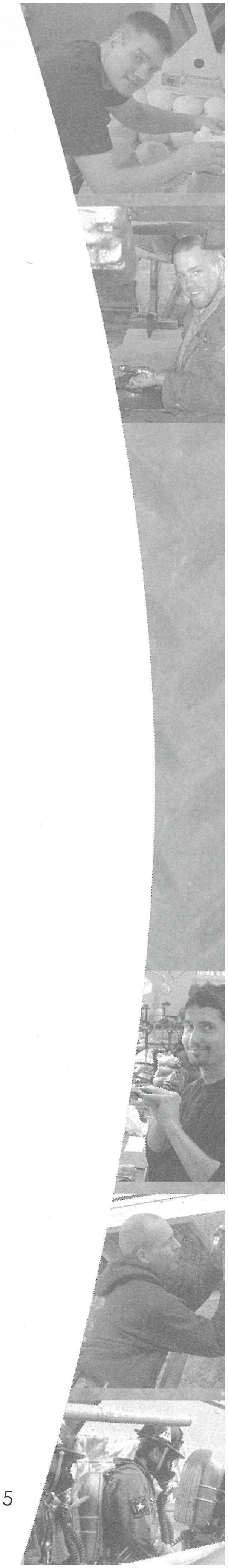
LTI in 1999	2.81
Target LTI in 2001 (10% reduction)	2.53
Actual LTI in 2001	2.75 (9% above target)

Rating the WCB:

(Source: WCB 2001 Customer Satisfaction Survey)

	% satisfactory or better
Claimants	63%
Employers	88%

[1] Statistics will be made available divided by territory for the 2002 Annual Report.



Financial Data

Indicators:

Maximum annual insurable earnings (YMIR) in 2001	$63,350
Rank of NWT/Nunavut YMIR across the country in 2001	Highest
2001 average assessment rate per $100 assessable payroll	$1.18
Rank of NWT/Nunavut assessment rate across the country	Lowest
Total assessable payroll[2] in NWT and Nunavut	$1,271,451,000
Market rate of return[3]	1.8%
Percentage funded (including reserves)	120%
Number of pensions capitalized in 2001	109
Total pension awards in 2001	$9,562,000

Revenue and Expenses:

The Association of Workers' Compensation Boards of Canada (AWCBC) has been conducting an ongoing project since 1996, to produce accurate, consistent and comparable statistical data for all WCBs in Canada. Agreed-upon definitions and criteria for these Key Statistical Measures (KSMs) have been used by WCBs to report data.

Below are some of the financial KSMs. The footnotes show how the KSM differs from those values reported in the Financial Statements. In addition, a number of ratios calculating the KSM per $100 assessable payroll are also provided.

KSM 10: Assessment revenue[4]	$14,853,000
Assessable revenue per $100 assessable payroll	$1.17
KSM 6: Total benefit costs incurred[5]	$32,346,000
Total benefit costs incurred per $100 assessable payroll	$2.54
KSM 8: Administration costs[6]	$10,864,000
Administration costs per $100 assessable payroll	$0.85
KSM 9: Total Occupational Health & Safety costs incurred	$2,241,000
Total OHS costs incurred per $100 assessable payroll	$0.18

[2] The total amount of payroll in the NWT and Nunavut that is below the Year's Maximum Insurable Remuneration (YMIR)and is therefore assessable by the WCB.
[3] The rate of return that the WCB earned on its investments in 2001.
[4] As per agreed upon definition, excludes prior years' assessments.
[5] As per agreed upon definition, excludes administration costs.
[6] As per agreed upon definition, excludes OHS, external service providers, professional fees, legal costs and recoveries, grants appeals costs, Workers' Advisor office, and self-insured administration costs.

Management's Responsibility for Financial Reporting

March 28, 2002

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.

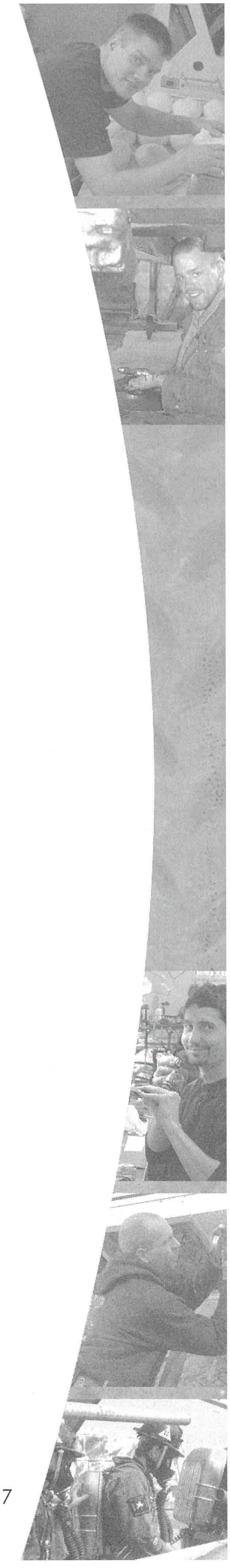
Management has developed and maintains books of accounts, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information in accordance with the Northwest Territories and Nunavut *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 of Directors appoints certain of its members to serve on the Finance Committee. This Committee oversees management's responsibilities for financial reporting, and reviews and recommends the financial statements to the Board for approval. The Auditor General of Canada annually provides an independent, objective audit of the English and French versions 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 significant 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 actuarial valuation of future claims and pension liabilities of the Workers' Compensation Board.

Penny Ballantyne
President

Lisa Cardinal
Chief Financial Officer



Auditor's Report

AUDITOR GENERAL OF CANADA — VÉRIFICATEUR GÉNÉRAL DU CANADA

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, 2001 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, 2001 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.

Ron Thompson

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

Ottawa, Canada
March 28, 2002

WORKERS' COMPENSATION BOARD (Northwest Territories and Nunavut)

Balance Sheet

as at December 31, 2001
(thousands of dollars)

	2001	2000
ASSETS		
Cash and cash equivalents (note 3a)	$ 3,821	$ 2,907
Assessments receivable	1,573	768
Accrued interest receivable	568	3,847
Other accounts receivable	1,005	1,857
Investments (note 3b)	255,216	248,082
Property and equipment (note 4)	4,463	4,888
	$ 266,646	**$ 262,349**
LIABILITIES		
Accounts payable and accrued liabilities	$ 2,332	$ 2,543
Lease obligations payable (note 5a)	2,644	2,859
Assessments refundable	1,322	1,295
Benefits liability (note 7)	198,793	182,693
	$ 205,091	**$ 189,390**
RESERVES		
Catastrophe reserve	$ 19,005	$ 18,000
Safety reserve	178	225
Operating reserve	42,372	53,234
Special reserve	–	1,500
	61,555	72,959
	$ 266,646	**$ 262,349**

CONTINGENCIES (note 10)

Approved by Management:

President

Chief Financial Officer

Approved by the Board of Directors:

Chairperson, Finance Committee

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

WORKERS' COMPENSATION BOARD (Northwest Territories and Nunavut)

Statement of Operations

for the year ended December 31, 2001

	2001	2000
REVENUES		
Investment revenue (note 3c)	$ 22,452	$ 29,732
Assessments	15,641	12,629
Recoveries	758	1,680
	38,851	**44,041**
EXPENSES		
Cost of claims (note 7)		
Current year's claims	26,501	20,890
Prior years' claims	11,656	10,095
Actuarial revaluation (note 8)	–	3,249
Re-instatement of widow's benefits	–	6,852
Total claims	38,157	41,086
Administration and general (schedule)	12,098	11,391
	50,255	**52,477**
LOSS FROM OPERATIONS	**$ 11,404**	**$ 8,436**
TRANSFERS		
Transfer to catastrophe reserve	$ –	$ –
Transfer to safety reserve	–	–
Use of operating reserve	11,404	8,436
Transfer to special reserve	–	–
	$ 11,404	**$ 8,436**

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

WORKERS' COMPENSATION BOARD (Northwest Territories and Nunavut)

Statement of Reserves

for the year ended December 31, 2001

CATASTROPHE RESERVE

	2001	2000
Balance at the beginning of the year	$ 18,000	$ 18,000
Transfer from operations	1,005	–
Balance at the end of the year (note 2 & 9)	$ 19,005	$ 18,000

OPERATING RESERVE

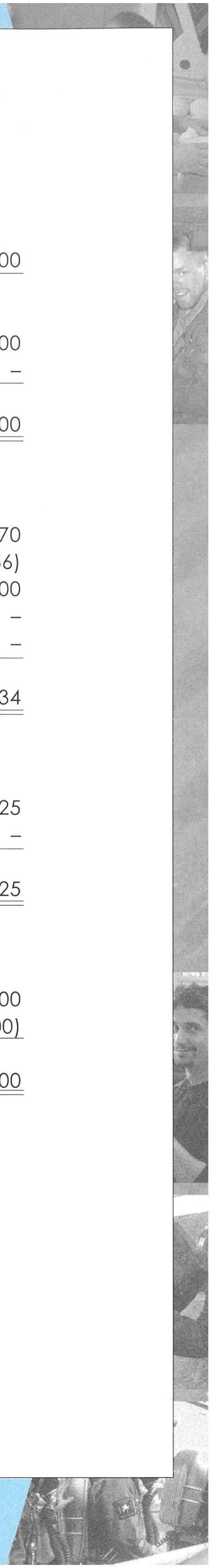
	2001	2000
Balance at the beginning of the year	$ 53,234	$ 54,670
Used in operations	(11,404)	(8,436)
Transfer from special reserve	1,500	7,000
Transfer from safety reserve	47	–
Transfer to catastrophe reserve	(1,005)	–
Balance at the end of the year (note 2 & 9)	$ 42,372	$ 53,234

SAFETY RESERVE

	2001	2000
Balance at beginning of the year	$ 225	$ 225
Transfer to operations	(47)	–
Balance at the end of the year	$ 178	$ 225

SPECIAL RESERVE

	2001	2000
Balance at beginning of year	$ 1,500	$ 8,500
Transfer to operations	(1,500)	(7,000)
Balance at the end of the year	$ –	$ 1,500



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

WORKERS' COMPENSATION BOARD (Northwest Territories and Nunavut)

Statement of Cash Flows

for the year ended December 31, 2001

CASH FLOW FROM OPERATING ACTIVITIES

	2001	2000
Cash received from:		
Employers, for assessments	$ 16,446	$ 13,742
Investment revenue – short term	105	186
	16,551	13,928
Cash paid to:		
Claimants or third parties on their behalf	18,295	20,997
Suppliers, for administration and other goods and services	15,521	13,620
	33,816	34,617
Net cash used in operating activities	(17,265)	(20,689)

CASH FLOW FROM INVESTING ACTIVITIES

	2001	2000
Transfers from investment managers	18,493	20,441
Purchases of capital assets	(314)	(614)
Net cash provided by investing activities	18,179	19,827
Net increase (decrease) in cash and cash equivalents	914	(862)
Cash and cash equivalents, beginning of year	2,907	3,769
Cash and cash equivalents, end of year	$ 3,821	$ 2,907

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

Notes to Financial Statements

for the year ended December 31, 2001

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 *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 Prevention Services Division is 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.

2. Accounting Policies

The significant accounting policies are as follows:

(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.

Notes to Financial Statements

for the year ended December 31, 2001

(b) Property and Equipment

Property and equipment are recorded at cost and amortized over their estimated useful life under the straight-line method as follows:

• Furnishings	10 years
• Equipment	5 years
• Leasehold improvements and office space (leased)	Over the term of the lease
• Computer software	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 years' claims and prior years' claims based on the proportion of claims expenditures processed. 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, 9.0% of the future pension liability, and 21% of 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.

Notes to Financial Statements

for the year ended December 31, 2001

(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.

(f) Catastrophe and Operating Reserves

The catastrophe and operating reserves are maintained to provide a margin of protection against adverse financial experience which could unduly burden future employers. The catastrophe reserve was created by the Board of Directors whereas the operating reserve was created by the *Workers Compensation Act*. Such adverse experience could arise in respect of the following risk:

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

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.

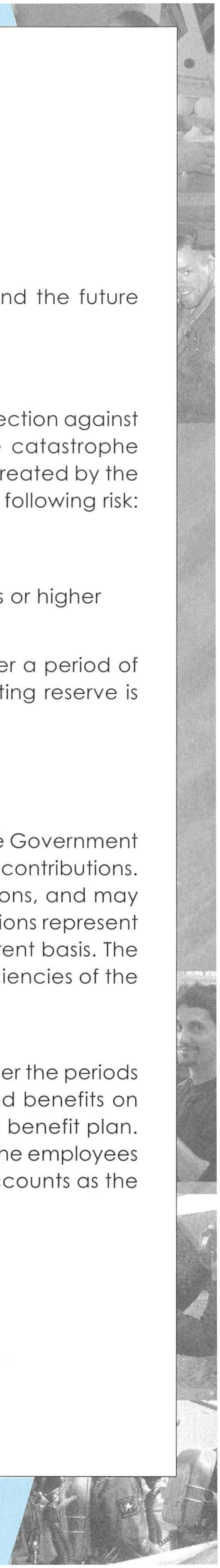
(g) Employee Future Benefits

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.

Non-pension benefits

The Board is required to recognize certain non-pension post-employment benefits over the periods which employees render services to the Board. 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.



Notes to Financial Statements

for the year ended December 31, 2001

(h) Assessments 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 received. An allowance is included in assessments refundable 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 expenditures 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 statements, the Board believes the estimates and assumptions to be reasonable. Some of the more significant management estimates relate to valuation of asset: valuation of benefits liability and employee future benefits; and assessment revenue receivable.

Notes to Financial Statements

for the year ended December 31, 2001

3. Investments

(a) Cash and Cash Equivalents

The Board invests in the short term money market. The overall yield of this portfolio is 4.1% at December 31, 2001 (2000 – 5.68%). 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 equivalents to a maximum of 10% of the total investment portfolio. Included is C $531,401 (2000 – $438,947) in foreign currencies. Fair value approximates carrying value due to their short term nature.

(b) Long-term Investments

	2001		2000	
	(thousands of dollars)			
	Carrying Value	Fair Value	Carrying Value	Fair Value
Fixed term investments				
Indexed funds	$ 97,312	$ 94,602	$ 93,807	$ 92,335
Other	44,311	46,062	53,289	56,492
	141,623	140,664	147,096	148,827
Equity investments	111,541	121,189	99,510	128,430
Investments maturing within one year	2,052	2,052	1,476	1,476
TOTAL	$ 255,216	$263,902	$ 248,082	$278,733

Included in the carrying values are unamortized gains of $10,745,000 for 2001 (2000 – $30,868,007).

Fair values for equity investments and marketable fixed term investments are the closing value (market value) on the appropriate exchange at December 31.

Notes to Financial Statements

for the year ended December 31, 2001

(c) Investment Revenue

	2001		2000	
	(thousands of dollars)			
	Interest/ Dividends	Gains/ (Losses)	Interest/ Dividends	Gains/ (Losses)
Fixed term investments	$ 8,606	$ 1,532	$ 9,350	$ 2,719
Equity investments	2,751	10,362	2,272	15,929
Investments maturing within one year	200	–	324	–
TOTAL	$ 11,557	$ 11,894	$ 11,946	$ 18,648

	2001	2000
Total Investment Revenue	$ 23,451	$ 30,594
Less: Investment Fees	(1,104)	(1,048)
Add: Interest on Cash and Cash Equivalents	105	186
Total Investment Revenue	$ 22,452	$ 29,732

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:

	2001	2000
Fixed term investments	7.8%	10.4%
U.S. equities	–3.8%	6.7%
International equities	–15.1%	–4.6%
Canadian equities	2.0%	25.7%

Notes to Financial Statements

for the year ended December 31, 2001

(d) Investment Policies

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

	(Fair Value)		Actual	
	Maximum	Minimum	2001	2000
Fixed term (including cash and cash equivalents)	55%	45%	52.6%	52.9%
Canadian equities	25%	15%	21.1%	20.3%
U.S. equities	15%	5%	10.5%	10.4%
Non Canadian and U.S. equities	20%	10%	13.6%	14.9%
Cash and cash equivalents	10%	0%	2.2%	1.6%

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 will have a minimum credit rating of A-1 or its equivalent. Fixed income of a longer term will have a minimum credit rating of A or its equivalent. These ratings will be performed by an independent rating service.

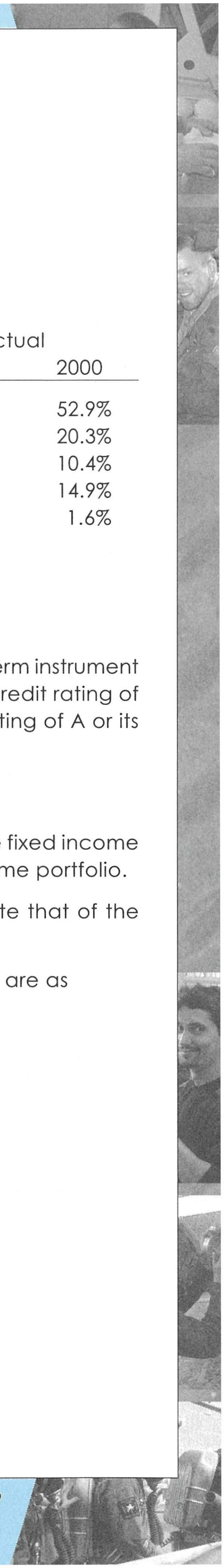
Interest Risk Management

Fluctuations in interest rates are managed by actively managing the duration of the fixed income portfolio. Interest rate risk is minimized by 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 maturity periods of the (other) fixed income portfolio as at December 31, 2001 are as follows:

	Fair Value (thousands of dollars)
One to five years	$7,331
Five to ten years	18,772
Over ten years	19,959
	$46,062



Notes to Financial Statements

for the year ended December 31, 2001

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 for 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 gains at December 31, 2001 are $47,388 (2000 – $48,035), which are included in gains and losses of the corresponding investments in accordance with the investment policy (note2(a)).

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

(thousands of dollars)

Currency	Total Investments in $Cdn (fair value)	DFI	2001 Net Exposure	2000 Net Exposure
United States dollar	$ 28,573		$ 28,573	$ 29,730
Australian dollar	1,046		1,046	1,326
Danish krone	160		160	172
French franc	–		–	–
Deutsche mark	–		–	–
Hong Kong dollar	1,057		1,057	1,258
Italian lira	–		–	–
Japanese yen	5,282	(1,163)	4,119	4,826
Malaysian ringgit	–		–	–
Mexican peso	–		–	–
Netherlands guilder	–		–	–
New Zealand dollar	–		–	–
Phillipine peso	–		–	–
Portuguese escudo	–		–	–
Pound sterling	10,441		10,441	11,993
Singapore dollar	113		113	406
Spanish peseta	–		–	–
Swiss franc	4,233		4,233	4,732
Swedish krona	214		214	422
Thailand baht	–		–	–
Euro currency	13,797		13,797	15,734
Totals	**$ 64,916**	**$ (1,163)**	**$ 63,753**	**$ 70,599**

Notes to Financial Statements

for the year ended December 31, 2001

4. Property and Equipment

	2001		2000	
	(thousands of dollars)			
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furnishings/equipment	$ 2,025	$ 1,304	$ 1,852	$ 1,035
Computer software	736	161	596	80
Leasehold improvements	2,565	1,147	2,564	969
Office space – leased	4,242	2,493	4,242	2,282
	$ 9,568	$ 5,105	$ 9,254	$ 4,366
Less accumulated amortization	(5,105)		(4,366)	
Net book value	$ 4,463		$ 4,888	

5. Leases

(a) Capital Lease Obligation

The Board is committed to payments of $435,765 per annum under an office space lease agreement which is based on an implicit interest rate of 8% and expires in 2010. The Board is also responsible for a proportional share of operating and maintenance expenses based on its share of space occupied. Fair value approximates carrying value of the liability.

	(thousands of dollars)
Nominal value of payments	$ 3,631
Less: Imputed interest at 8%	(987)
Lease obligation	$ 2,644

Notes to Financial Statements

for the year ended December 31, 2001

(b) Operating Lease

The office space lease agreement was amended in 1996 to add office space in the same building. The costs for the additional space are treated as an operating lease in the financial statements as the lease is for a five-year term with no guaranteed renewal payments. The Board is committed to payments of $152,595 per annum until August 31, 2002. The Board is also responsible for a proportional share of operating and maintenance expenses based on its share of space occupied.

The Board acquired office space in Rankin Inlet and Iqaluit in 1998.

The office space lease agreement for Rankin Inlet is treated as an operating lease as the lease is for a five-year term with an option for renewal at prevailing market rent for an additional five-year term. The Board is committed to payments of $87,996 per annum until June 30, 2003.

The office space lease agreement for Iqaluit is treated as an operating lease as the lease is for a five-year term with an option for renewal at prevailing market rent for an additional five-year term. The Board is committed to payments of $81,183 per annum until July 31, 2003.

6. Employee Future Benefits

(a) Pension Benefit

During the year the Public Service Superannuation Plan (PSSA) 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 $814,114 (2000 – $624,994).

Notes to Financial Statements

for the year ended December 31, 2001

7. Benefits Liability

	2001 (thousands of dollars)					2000
	Medical Aid	Compensation	Pension Capitalization	Pension Awards	Total	Total
Balance, beginning of year	$ 21,133	$ 18,944	$ 25,960	$ 116,656	$ 182,693	$ 166,482
Claims expenses						
Current year	5,783	8,644	8,302	3,772	26,501	20,890
Prior years	1,229	180	511	9,736	11,656	10,095
Liability transfer – capitalizations	–	–	(5,790)	5,790	–	–
Actuarial revaluation	–	–	–	–	–	3,249
Re-instatement of widow's benefits	–	–	–	–	–	6,852
Recoveries from third parties	–	101	–		101	308
	$ 28,145	$ 27,869	$ 28,983	$ 135,954	$ 220,951	$ 207,876
Less: Claims payments made						
Current year injuries						
Claims payments	1,079	1,742	–	–	2,821	2,330
Claims management	287	463	–	–	750	615
Prior years' injuries						
Claims payments	2,875	3,320	–	9,380	15,575	18,972
Claims management	1,006	1,162	–	844	3,012	3,266
	$ 5,247	$ 6,687	$ –	$ 10,224	$ 22,158	$ 25,183
Balance, end of year	**$ 22,898**	**$ 21,182**	**$ 28,983**	**$ 125,730**	**$ 198,793**	**$ 182,693**

Notes to Financial Statements

for the year ended December 31, 2001

8. Actuarial Valuation

(a) 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, 2001 is attached to these Financial Statements.

(b) Changes in the methods and assumptions employed by the actuary for the valuation of the future claims liability and the future pension liability at December 31, 2000 resulted in an aggregate increase in the liabilities of $3,249,000. This amount is included in the figures above.

9. Catastrophe and Operating Reserve

The Board is fully funded at the end of 2001 to meet its obligations for the future pension and future claims liability.

The target level for the catastrophe reserve, set by the Board, provides for the average cost of a disaster. The target level of the reserve at the end of 2001 is $19,005,000 (2000 – $18,000,000).

The target level for the operating reserve is based on a number of factors relating to the financial risks which could impact on the financial position of the Board. A range of 75% to 125% of the target level has been set as a target range. The target level at the end of 2001 is $5,239,243 and the target range is $3,929,432 to 6,549,054 (for 2000, target level was $4,947,099).

The funding policy of the Board provides for discounts on assessment rates when the operating reserve exceeds its target range. In both 2001 and 2000, a discount of 35% was applied to assessment rates.

10. Contingencies

(a)Legal Claims

The Board has commenced an action against third parties as a result of the deaths of nine miners in an explosion on a worksite. At this time potential recoveries cannot be determined.

The Board has a number of other legal claims outstanding for recovery of compensation expenses from third parties. These claims are not recorded in the accounts because of their contingent nature. Given the uncertain nature of these claims, potential recoveries cannot be determined. Settlement of legal claims are recognized in the year in which the settlement occurs. Legal claims settled during 2001 resulted in recoveries of $101,055 (2000 – $307,546).

The Board is in the process of reviewing an appeal made with regard to an overpayment of assessments. While this liability is not recorded on the Financial Statements, due to the uncertain nature, the amount has been estimated at $978,000.

Notes to Financial Statements

for the year ended December 31, 2001

11. Related Party Transactions

(a) The following table summarizes the Board's assessments revenue from related parties entered into in the normal course of operations in 2001.

	2001	2000
	(thousands of dollars)	
Government of the Northwest Territories	$ 640	$ 633
Public Agencies	$ 127	$ 156
Government of Nunavut	$ 616	$ 560

(b) The Government of the Northwest Territories will be provided a reimbursement for hunters and trappers claims of $262,014. For 2000, the Government of the Northwest Territories provided a reimbursement to the Board of $649,911. The Government of Nunavut provided a reimbursement to the Board for hunters and trappers claims of $748,109 (2000 – $765,346).

(c) The Board's investments include bonds (at market value) of:

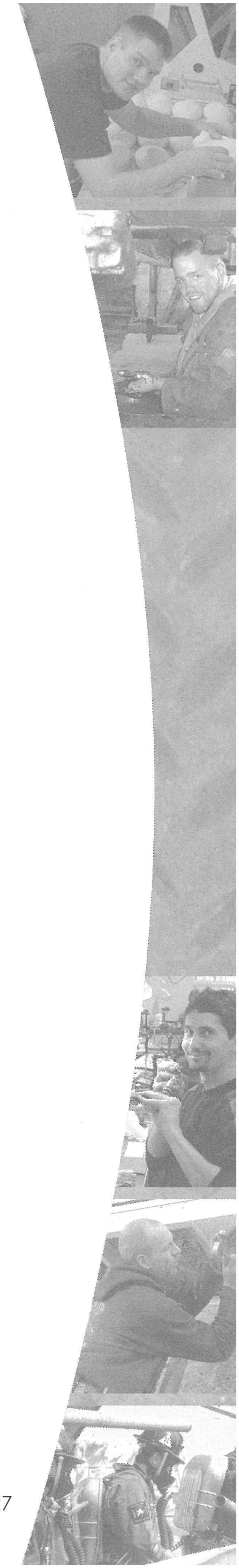
	2001	2000
	(thousands of dollars)	
Northwest Territories Power Corporation		
11.00% maturing March 9, 2009	$ 625	$ 631
11.125% maturing June 6, 2011	$ 1,291	$ 1,318
9.375% maturing May 12, 2014	$ –	$ 1,161
Northwest Territories Legislative Assembly Building Society 13.00% Series A, maturing August 31, 2013	$ 517	$ 537

(d) In addition to those related party transactions disclosed elsewhere in these financial statements, the Board is related to all Government of the Northwest Territories and Government of Nunavut created departments, agencies and Crown corporations. The Board enters into transactions with these entities in the normal course of business.

Schedule of Administration and General Expenses

for the year ended December 31, 2001

	2001	2000
	(thousands of dollars)	
Salaries, wages and allowances	$ 7,168	$ 7,046
Professional services	2,423	2,380
Office lease and renovations	1,111	1,048
Travel	1,206	1,289
Employer's share of benefits	1,374	1,148
Amortization office space/leasehold	390	390
Board Members	473	379
Communications	350	403
Amortization furnishings and equipment	397	329
Office services and supplies	321	304
Office furnishings and equipment (non-capital)	182	219
Advertising and public information	240	203
Grants	142	106
Miscellaneous	64	23
Computer lease and services	19	5
	$ 15,860	$ 15,272
Less:		
Allocations to claims management	3,762	3,881
	$ 12,098	**$ 11,391**



Hewitt

Workers' Compensation Board – Northwest Territories and Nunavut
Actuarial Opinion as at December 31, 2001

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**

This valuation is intended for use in preparing the Board's balance sheet at December 31, 2001 and has been performed in accordance with accepted actuarial practice. We are aware that the Auditor General intends to rely on the results of this valuation in conducting the audit of the Board's financial position.

As more fully described in our report dated April 29, 2002;

- the methods and assumptions are the same as used in the previous valuation;
- the valuation makes provisions 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, 2001 of $198,793,000 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, April 29, 2002

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