Governance Council

CHAIRPERSON
Andy Wong (Yellowknife)
April 1, 2002 – March 31, 2005

PUBLIC INTEREST REPRESENTATIVES
George Kuksuk (Arviat)
May 31, 2004 – May 30, 2007

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

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

WORKER REPRESENTATIVES
Shona Barkley (Iqaluit)
May 31, 2004 – May 30, 2006

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

Bill Aho (Yellowknife)
May 1, 2004 – April 30, 2006

Karin McDonald (Inuvik)
October 15, 2004 – October 14, 2007

The Governance Council operates in a manner consistent with the Workers' Compensation Acts and corporate governance directives. Although Directors are representative of the interests of workers, employers and the general public, it is expected that they will maintain the credibility and vitality of the WCB as a corporation.

The Governance Council is responsible for considering all pertinent information and making decisions in the best interests of the WCB.

The Governance Council is the legal authority for the WCB. As a Director of the Council, the Director acts in a position of trust for stakeholders and is responsible for the effective governance of the organization.

GOVERNANCE COUNCIL MANDATE COMMITTEES
Finance and Audit Committee
Policy Committee
Oversight Committee

Letter of Transmittal

April 11, 2005

The Honourable Tony Whitford
Commissioner of the Northwest Territories

The Honourable Ann Hanson
Commissioner of Nunavut

The Honourable Charles Dent
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, 2004, 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 2004 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 2004.

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,

Denny Rodgers, Vice Chairperson
Workers' Compensation Board of the
Northwest Territories and Nunavut

From the Office of the President

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 and to provide no-fault compensation to workers injured as a result of their work. 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 safe workplaces.

All stakeholders in the Northwest Territories and Nunavut can be assured of the continued commitment of our employees to the legislated mandate of the Workers' Compensation Board. We offer sound insurance coverage to injured workers and employers, should injuries occur at work. Our demonstrated commitment to good fiscal management means that employers and workers in both territories have their future benefits assured; and we can maintain those benefits at levels that are higher than those offered in many other jurisdictions.

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 support all northern companies through our programs and services in their efforts to prevent accidents at work.

In conjunction with our Annual Report, we invite you to read our feature magazine Reflections 2004: Youth: Safety for Life. 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.

2004 Statistical Data

CLAIMANTS:	2002	2003	2004
Number of claims reported	3535	3349	3069
Number of claims accepted	3227	2914	2615
Number of lost time compensated claims	968	969	817
Number of work related fatalities	6	5	5
Number of pensions capitalized	119	117	125
Total capitalization costs (in millions)	$5.95	$3.36	$5.06

EMPLOYERS:			
Average number of active employers	3851	3917	3942
Total number of Assessments	4093	4216	4238
Number of industry classes	8	8	8
Number of rate groups	29	29	29
Number of employers requesting additional optional coverage	632	745	734

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%	2.4%

FINANCIAL INDICATORS:			
Maximum annual insurable earnings (YMIR)	$63,350	$64,500	$66,500
Average provisional undiscounted assessment rate per $100 assessable payroll	$1.99	$2.27	$2.39
Average provisional discounted assessment rate per $100 assessable payroll	$1.18	$1.60	$1.91
	(35% Discount)	(30% Discount)	(20% Discount)
Actual average assessment rate per $100 assessable payroll	$1.28	$1.45	$1.82
Percentage funded (including reserves)	114%	110%	116%

TERRITORIAL DEMOGRAPHICS:	NWT	NUNAVUT	TOTAL
(Source: Statistics Canada)			
Population	42925	29624	72549
Labour Force	23200	Not Avail.	
Number Employed	22534	11356	33890
Average weekly earnings	$924.39	$770.98	$872.57

2004 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 2004 was for a young worker, the WCB continues to focus efforts on Youth Strategy. As a result, over 437 workers successfully completed the Workplace Safety: Safety and the Young Worker and the Workplace Hazardous Materials Information System (WHMIS) programs in 2004. 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 2004. The program is now offered by Aurora College in the NWT and Arctic College in Nunavut as well as the Kimberlite Career and Technical Centre and the Yellowknife Public and Catholic schools. This year as well, the Diamond Jenness High School in Hay River began offering this program to their students. 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 in April 2004 as part of the 6th Annual Skills Canada NWT/NU Territorial Competition. Advancing to the national competition were Mara Smith of Yellowknife and Patrick Lyall of Taloyoak. Mara Smith won the gold medal for the second time in three years.

As in past years, 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.

Education

INCIDENT INVESTIGATION COURSE – NOVEMBER 2004

26 Participants from the WCB, Labour Standards, Liquor Commission, and Coroner's Office took part in an Incident Investigator Level 1 Course developed by WCB Staff.

SAFETY COURSES

2207 employers and workers completed 270 Safety Courses. The WCB courses offered were:

- Claims management
- Incident and Accident Investigations
- Occupational Health and Safety Committee
- Principles of Safety Management
- Internal Responsibility/Due Diligence
- WHMIS
- WHMIS Instructor
- Artist and Carvers
- Safety Awareness
- Responsibilities
- Custom courses for Water and Sewage Plant Workers (NWT).

WORKPLACE INSPECTIONS

In the NWT and Nunavut there was a continued decrease in the number of Time Lost Claims in the construction industry. A decrease by 25% compared to the 3 year average. In the same time period there has been a 22% increase in the number of inspections.

MINE RESCUE COMPETITION

The 38th Annual Territorial Mine Rescue Competition was held in Yellowknife on June 12, 2004. BHP Billiton Diamonds and Diavik Diamond Mines competed and co-sponsored the event with the WCB.

Both teams demonstrated their superior mine rescue skills in seven tasks. The winners of the individual events are as follows:

- BHP Billiton Diamonds Inc. – The Obstacle/Extrication, Written Exam, Fire, Practical Bench and First Aid tasks.
- Diavik Diamond Mines Inc. – Surface Smoke and the Rope/Rescue task

The events were all very closely contested with BHP Billiton Diamonds taking home the prize for Surface Overall Winner. BHP Billiton Diamonds won the right to represent the Territories in the Biennial Western Regional Mine Rescue Competition to be held in Fernie, B.C. in September 2005.

EXPLORATION

Exploration activity in both Nunavut and the Northwest Territories increased during 2004, particularly in Nunavut – the Baffin and Kivilliq Regions in particular. Much of the activity is focussed on searching for diamonds and precious metals. However, there are several programs targeting base metals and one program targeting the ferrous metals group.

There were over 60 camps in operation at some time during the year with over 1 million work hours reported.

Employer Services

RATE SETTING CLASSIFICATION AND MERIT/DEMERIT PROGRAM

The "Meredith Principles" are the foundation of workers compensation systems in Canada. These principles describe the trade-off between workers and employers.

- Workers relinquish their right to sue employers, at common law, in return for a no fault system of compensation, medical treatment and rehabilitation.
- Employers accept collective liability and totally fund the compensation system in return for protection from legal action.

In keeping with these principles, the Workers' Compensation Board of the NWT and Nunavut is funded entirely by employers. Revenue is collected by annual assessments levied on employers in industries with compulsory coverage under the Workers' Compensation Acts. Collective liability ensures that injured workers receive adequate compensation without placing undue burden on any particular employer. Industries are grouped according to their risk potential. It is intended that, industries with greater risk of injury contribute a greater amount to the system than safer, lower risk industries. Employers in higher risk industries will pay a higher assessment rate per $100 of assessable payroll than employers in lower risk industries. To improve the fairness and responsiveness of the rates employers pay to fund the system, the Governance Council called for a review of our current model of assessment rate setting.

In October 2004, following a year of analysis and consultation with stakeholders, the Governance Council approved changes to the way that the WCB sets its assessment rates and classifies employers.

Starting in 2006, the rate setting system will be more responsive to recent claims experience, as well as providing increased fairness by limiting the impact of an individual claim, and utilizing a set dollar amount for fatalities. As well, employer groupings will be more flexible, allowing employer groups to move between rate classification groups based on claims experience.

In 2007, the Board will be implementing a merit/demerit program that will target the largest employers for rebates or penalties based on how their individual claims experience compares to the average. Penalties will also be affected by efforts of employers to improve safety in the workplace and implement appropriate return to work programs for injured workers.

In view of the potential impact of major upcoming construction projects (such as the Mackenzie Valley Pipeline), the Board has begun the development of special arrangements for setting assessment rates for mega-projects.

ENVIRONMENTAL TOBACCO SMOKE REGULATIONS

May 1, 2004 the Environmental Tobacco Smoke Regulations came into place in the NWT and Nunavut. The regulations prohibit environmental tobacco smoke from all worksites in the NWT and Nunavut. The implementation of these regulations went smoothly.

Legislative Review

In response to the recommendations in the Legislative Review Panel's Act Now report, the first phase of amendments to the Workers' Compensation Acts of Nunavut and the Northwest Territories came into effect January 1, 2004.

The second phase began in September 2004, with a review of all outstanding Act Now recommendations not addressed during Phase One. Extensive research, and additional consultation with workers and employers, was completed on a short list of the most complex recommendations due to high financial and/or operational impact. Based on findings, legislative proposals for Phase Two changes to the Workers' Compensation Acts were approved by the WCB Governance Council in December 2004, and forwarded to the NWT and Nunavut Ministers Responsible for the Workers' Compensation Board.

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. This remains the only Board in Canada that maintains offices and staff in two different provinces or territories.

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 average actual assessment rate for 2004 was $1.82 per $100 of assessable payroll, one of the lowest rates in Canada. This included a 20 per cent discount on rates to all employers.

FUNDED POSITION

The WCB assessed 4,238 employers and was 116 per cent fully funded in 2004.

YEAR'S MAXIMUM INSURABLE REMUNERATION (YMIR)

The YMIR increased in 2004 to $66,500, up from $64,500 in 2003.

Fraud

In 2004, the Investigations Co-ordinator arranged for 71 investigations to be conducted from Newfoundland to British Columbia to the Arctic Circle that led to $1.8 million in cost avoidance savings to the WCB. The $1.8 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.

3rd Party Litigation

In 1994, the WCB commenced a 3rd party action on behalf of the families of the men killed on September 18, 1992 at the Giant Mine in Yellowknife. In December 2004, Justice Arthur Lutz of the Supreme Court of the NWT awarded the plaintiff (WCB) $10.7 million dollars in damages plus prejudgement, interest and court costs.

Accident/Claims Trend

In 2004, the WCB received 3069 reported claims. This represents an 8% decrease compared to 2003 and an 11% decrease compared to the ten year average. The most significant decreases were in the construction industry in the NWT, and in the public administration and defence industry in Nunavut. Although these two industries represent the most significant decreases there were reductions registered in all industry classifications.

Natural Resource Exploration and Development

OIL AND 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 and safety.

WORKERS' COMPENSATION BOARD
Northwest Territories and Nunavut

FINANCIAL STATEMENTS

December 31, 2004

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Workers' Compensation Board and all information in this annual report are the responsibility of the Board's management and have been reviewed and approved by the Governance Council. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include some amounts, such as the benefits liability, that are necessarily based on management's best estimates and judgment. Financial information contained elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibilities for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized and in accordance with the specified legislation, assets are safeguarded, and proper records are maintained.

The Governance Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Governance Council exercises this responsibility through the Finance and Audit Committee which is composed of Directors who are not employees of the Workers' Compensation Board. The Finance and Audit Committee meets with management and the external auditors on a regular basis. The external auditors have full and free access to the Finance and Audit Committee.

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 perform an actuarial valuation and provide an opinion on the adequacy and appropriateness of the benefits liability of the Workers' Compensation Board.

David Clark,
President and Chief Executive Officer

John Doyle,
Chief Financial Officer

February 25, 2005

Auditor General of Canada
Vérificatrice générale du Canada

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, 2004 and the statements of operations, reserves and cash flow 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, 2004 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, except for the change in the method of accounting for financial instruments as explained in Note 3 to the financial statements, 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
February 25, 2005

BALANCE SHEET

As at December 31
(in thousands of dollars)

	2004	2003
	$	$
ASSETS		
Current		
Cash and cash equivalents (Note 4)	**5,785**	7,219
Assessments receivable	**2,500**	1,494
Accrued interest receivable	**629**	475
Prepaid expenses	**148**	75
Other receivables	**79**	50
	9,141	9,313
Investments		
Fixed income (Note 5a)	**110,822**	105,888
Equities (Note 5b)	**146,539**	138,224
	257,361	244,112
Property, plant and equipment (Note 6)	**5,955**	4,790
	272,457	258,215

LIABILITIES AND RESERVES

Current liabilities		
Bank overdraft (Note 4)	**652**	-
Accounts payable and accrued liabilities	**1,728**	1,943
Assessments refundable	**278**	475
Obligation under capital lease, current portion (Note 7)	**295**	273
	2,953	2,691
Benefits liability (Note 8)	**208,690**	210,142
Obligation under capital lease (Note 7)	**1,591**	1,887
Employee future benefits (Note 12b)	**1,153**	890
	214,387	215,610
Reserves (Note 9)		
Operating reserve	**12,342**	5,477
Investment fluctuation reserve	**11,600**	-
Rate subsidy reserve	**14,000**	17,000
Safety reserve	**178**	178
Catastrophe reserve	**19,950**	19,950
	58,070	42,605
	272,457	258,215

Contingencies (Note 13)

Approved by:

Denny Rodgers,
Acting Chairperson, Governance Council

The accompanying notes form an integral part of these financial statements

STATEMENT OF OPERATIONS

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

	2004	2003
	$	$
REVENUE		
Assessments	**28,519**	23,126
Investments		
Interest and dividends	**9,223**	9,737
Gains (Note 5c)	**14,499**	3,494
Investment fees	**(1,057)**	(1,001)
	22,665	12,230
Recoveries	**1,224**	526
	52,408	35,882
EXPENSES		
Cost of claims, current year (Note 8)	**21,575**	21,729
Cost of claims, prior years (Note 8)	**311**	8,319
	21,886	30,048
Administration and general expenses (Note 10)	**16,423**	14,767
	38,309	44,815
NET INCOME (LOSS) FROM OPERATIONS	**14,099**	(8,933)

The accompanying notes form an integral part of these financial statements

STATEMENT OF RESERVES

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

	2004	2003
	$	$
Operating reserve		
Balance , beginning of year	**5,477**	10,010
Change in accounting policy, January 1, 2004 (Note 3)	**1,366**	-
Net income (loss) from operations	**14,099**	(8,933)
Transfer from Rate subsidy reserve	**3,000**	5,000
Transfer to Investment fluctuation reserve	**(11,600)**	-
Transfer to Catastrophe reserve	**-**	(600)
Balance, end of year	**12,342**	5,477
Investment fluctuation reserve		
Balance , beginning of year	**-**	-
Transfer from Operating reserve	**11,600**	-
Balance , end of year	**11,600**	-
Rate subsidy reserve		
Balance , beginning of year	**17,000**	22,000
Transfer to Operating reserve	**(3,000)**	(5,000)
Balance , end of year	**14,000**	17,000
Safety reserve		
Balance , beginning of year	**178**	178
Balance , end of year	**178**	17
Catastrophe reserve		
Balance, beginning of year	**19,950**	19,350
Transfer from Operating reserve	**-**	600
Balance, end of year	**19,950**	19, 950

The accompanying notes form an integral part of these financial statements

STATEMENT OF CASH FLOW

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

	2004	2003
	$	$
OPERATING ACTIVITIES		
Cash received from:		
Assessments from employers	**27,316**	23,917
Interest and dividends	**9,082**	9,781
Cash paid to:		
Payments to claimants or third parties on their behalf	**(23,338)**	(25,750)
Purchases of goods and services	**(14,499)**	(14,308)
Investment managers and custodian	**(1,057)**	(1,001)
Cash used in operating activities	**(2,496)**	(7,361)
INVESTING ACTIVITIES		
Sale of investments	**213,332**	223,846
Purchase of investments	**(210,727)**	(214,698)
Purchase of capital assets	**(2,195)**	(922)
Cash provided by investing activities	**410**	8,226
Increase (decrease) in cash and cash equivalents	**(2,086)**	865
Cash and cash equivalents, beginning of year	**7,219**	6,354
Cash and cash equivalents, end of year	**5,133**	7,219

The accompanying notes form an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2004
(in thousands of dollars)

1. NATURE OF OPERATIONS

a) AUTHORITY, MANDATE AND SHARED OPERATIONS

The Workers' Compensation Board (the Board) operates under the authority of the Northwest Territories and Nunavut Workers' Compensation Acts.
In addition, the Board is also responsible for the administration of the Northwest Territories and Nunavut Safety Acts, Mine Health and Safety Acts, and the Explosives Use Acts. The Board is exempt from income tax and the goods and services tax.

The mandate of the Board is to provide benefits to injured workers and to levy assessments against employers to cover the current and future costs of existing claims. The Board is also responsible for developing safety awareness programs and for monitoring safety practices in the workplace.

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.

b) FUNDING POLICY

The funding policy of the Board is to maintain the benefits 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.

c) RESERVES

Reserves are the portion of the Board's net assets which are in excess of the amount required to fund the Board's liabilities. These reserves are established for specific purposes and have prescribed levels.

The operating reserve was established in accordance with the Workers' Compensation Act and is intended to protect the Board against adverse fluctuations in claims costs and investment results. The target level for the operating reserve is established after the target level for the catastrophe reserve has been determined. 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 level. The range of tolerance for the operating reserve is plus or minus 50% of the target level.

The purpose of the investment fluctuation reserve is to recognize the annual gains and losses on investments on an even basis in the operating reserve over a period of five years.

The catastrophe reserve is intended to protect the Board against a catastrophic event that results in a substantial increase in the Board's benefits liability. The Board has established specific criteria for determining whether an accident or event meets the definition of a catastrophic claim. The target level for the catastrophe reserve has been set at 300 times the Year's Maximum Insurable Remuneration (YMIR).

The rate subsidy reserve was established to fund the provision of a rate subsidy to employers on their assessments. The target level for the rate subsidy reserve is determined after the target levels for the catastrophe reserve and operating reserve have been established.

The safety reserve was established to fund safety programs and will be used to implement the Board's safety strategy.

2. SIGNIFICANT ACCOUNTING POLICES

The financial statements have been prepared in accordance with Canadian generally accepted accounting policies. The following is a summary of the significant accounting policies:

a) USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates. The more significant management estimates relate to the determination of the benefits liability and assessment revenue.

b) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are funds consisting of cash and money-market instruments with initial maturities up to three months, less any bank overdraft.

c) ASSESSMENTS

At the beginning of each year, an assessment is levied on employers by applying their industry assessment rate to their estimated payrolls for the year. The assessment levy is payable by installments during the year. At year end, an estimate of the amount of adjustments to assessments based on the expected difference between estimated payroll and actual payroll is recognized as assessment revenue and recorded as a receivable.

An allowance for doubtful accounts is recorded for assessments receivable based on management's best judgment. All write-offs of assessments receivable must be approved by the Governance Council.

d) RECOVERIES

Amounts recovered from third parties for compensation expenses are recorded as part of claims expense in the year received. Recoveries of other expenses are recorded as revenue when received. These recoveries include funding received from the Government of the Northwest Territories to cover a portion of the Board's contributions to the Public Service Pension Plan, recoveries of housing rents paid on behalf of employees, other legal recoveries, and penalties from third parties.

e) INVESTMENTS

The Board's investment portfolio is comprised of fixed income and equity investments. The Board's investment objective is to achieve a long-term rate of return that is sufficient to fund the Board's benefit liability, cover its operating costs, and provides for reasonable and stable assessment rates for employers.

The Governance Council is responsible for annually reviewing and approving the Board's investment policy and plan. The investment policy and plan outlines the types and classes of investments the Board may invest in and how the Board plans to achieve its investment objective and manage its investment risk. The investments are managed by external investment managers with different investment management styles to reduce the Board's investment risk. Generally speaking, investments are held until market conditions provide a better investment opportunity. The Board regularly reviews the performance of its investment portfolio against established industry benchmarks.

Canadian generally accepted accounting policies permit all financial assets to be designated as held for trading, held-to-maturity or available-for-sale. Held for trading generally refers to financial assets that are acquired with the objective of generating a profit in the near term. However, a financial asset is not precluded from being designated as held for trading because an entity does not intend to sell or repurchase it in the near term. An entity is permitted to designate any financial asset irrevocably on initial recognition as held for trading.

The Board has chosen to designate all of its investments as held for trading. Under held for trading, realized gains and losses and unrealized gains or losses arising from a change in the fair value of the investments are recorded in net income in the period in which the change occurred. The investments are recorded at fair value which for publicly traded investments is based on quoted market prices. The fair value of privately held investments is determined using a yield to maturity method. The effect of the change in accounting policy for investments is described in Note 3.

Interest and dividends are recognized in income in the period earned. Purchases and sales of investments are recognized on the trade date.

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 exchange rates in effect during the year. Exchange gains and losses resulting from the translation of foreign currency balances and transactions are recorded in investment gains for the year.

f) BENEFITS LIABILITY

The benefits liability represents the present value of future payments in respect of medical aid benefits, compensation payments, rehabilitation benefits, and pensions in respect of all claims arising from accidents occurring prior to the end of the fiscal year. The benefit liability also includes an allowance for future claims management expenses.

Many assumptions are required in the calculation of the benefits liability, including estimates of future inflation, interest rates and mortality rates. The amount of the benefits liability is determined on a basis which allows for future inflationary increases by using a discount rate of 3.5% per annum.

The benefits liability includes provision for all benefits provided by current legislation, policies and administrative practices.

The benefits liability is determined annually by an actuarial valuation. The independent actuary's opinion on the adequacy and appropriateness of the benefits liability is attached to these financial statements.

g) ADMINISTRATION AND GENERAL EXPENSES

A portion of administration and general expenses is allocated as claims management costs to the current year's claims and the prior years' claims. The amount allocated to claims is based on actuarially determined rates.

h) EMPLOYEE FUTURE BENEFITS

Pension benefits

Employees participate in the Public Service Pension Plan (the Plan) administered by the Government of Canada. The Board's contributions reflect the full cost as employer. This amount is currently based on a multiple of an employee's required contributions and may change over time depending on the experience of the Plan. The Board's contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the Corporation. The Board is not currently required to make contributions with respect to any actuarial deficiencies of the Plan.

Other benefits

Under the terms and conditions of employment, the Board provides severance and removal benefits to its employees based on years of service and final salary. The cost of these benefits is determined based on management's best estimate. The Board recognizes the cost of future severance and removal benefits over the periods in which the employees render services. The liability for these benefits is recorded in the accounts as benefits accrue to employees. These benefits plans are not pre-funded and thus have no assets resulting in a deficit equal to the accrued benefit obligation.

i) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recorded at cost and amortized over its 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.

3. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2004, the Board adopted the new CICA Handbook Section 3855 on "Financial Instruments – Recognition and Measurement". The new standards for financial instruments permit the Board to designate its investments as held for trading, held-to-maturity or available-for-sale. The Board has chosen to designate all of its investments as held for trading. Under held for trading, the realized gains and losses and unrealized gains or losses arising from a change in the fair value of the investments are recorded in net income in the period in which the change occurred.

The new standards for financial instruments have been implemented using the transitional provisions of Section 3855. Differences between the previous carrying amount of the investments and the fair value of the investments at the beginning of the year have been recognized as an adjustment of the balance of the operating reserve at the beginning of the year. In addition, all realized and unrealized gains and losses on investments previously deferred as an asset or liability have been recognized as an adjustment of the balance of the operating reserve at the beginning of the year.

The change in accounting policy resulted in a $1,366 increase to the investments and the operating reserve on January 1, 2004.
The adjustment to the opening operating reserve as a result of the change in accounting policy is as follows:

	Increase (decrease) in opening operating reserve $
Recognition of realized gains on investments previously deferred	**6,075**
Recognition of unrealized losses on investments previously deferred	**(6,125)**
Adjustment to remeasure the fixed income investments at fair value	**1,416**
Net increase in investments and operating reserve at January 1, 2004	**1,366**

In early adopting the new standards for financial instruments the Board also had to adopt the new CICA Handbook Section 3865 on "Hedges" and Section 1530 on "Comprehensive Income". These new standards did not have an impact on the financial statements. The Board did not present a separate statement of comprehensive income since there were no transactions that should be recognized in other comprehensive income during the year. Therefore, the net income for the year is the same as comprehensive income.

4. CASH AND CASH EQUIVALENTS

The Board invests in the short-term money market. The overall yield of this portfolio is 2.65% at December 31, 2004 (2003 - 2.8%). 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.

	2004 $	2003 $
Cash	**385**	1,347
Short-term investments	**5,400**	5,872
	5,785	7,219
Less bank overdraft	**(652)**	-
Cash and cash equivalents	**5,133**	7,219

Included in the amounts above is $176 Canadian held in foreign currencies (2003 - $307 Canadian).

5. INVESTMENTS

a) FIXED INCOME

The fair value and cost of the fixed income investments are as follows:

	2004		2003	
	Fair Value	**Cost**	Carrying Value	Cost
	$	**$**	$	$
Indexed bond funds	**71,980**	**69,013**	72,571	72,326
Other fixed income investments	**38,842**	**36,569**	33,317	34,432
	110,822	**105,582**	105,888	106,758

Included in the above amounts are investments in privately held related party bonds as disclosed in Note 14. The amount taken into net assets as a result of the estimation of fair value of the privately held investments is $803 and the amount taken into net income in 2004 is $17.

The cumulative unrealized gains on the fixed income investments at the end of the year are:

	2004
	$
Fixed income – cost	**105,582**
Cumulative unrealized gains	**5,240**
Fixed income – fair value	**110,822**

The remaining term to maturity of the other fixed income investments is as follows:

	Within 1 Year	1 to 2 Years	2 to 5 years	5 to 10 years	Over 10 years	**Fair Value 2004**
						$
Government bonds	2,896	5,516	3,970	1,905	13,009	**27,296**
Corporate bonds	-	-	3,364	1,582	6,108	**11,054**
Mortgage backed bonds	-	-	-	-	492	**492**
	2,896	5,516	7,334	3,487	19,609	**38,842**

b) EQUITIES

The fair value and cost of the equity investments are as follows:

	2004		2003	
	Fair Value	**Cost**	Carrying Value	Cost
	$	**$**	$	$
Canadian equities	**71,623**	**44,221**	56,496	46,142
U.S. equities	**33,700**	**36,174**	37,649	36,155
International equities	**41,216**	**41,216**	44,079	36,780
	146,539	**121,611**	138,224	119,077

Included in the above totals for equities is $894 in short term investments (2003 - $1,607) to be invested at the investment managers' discretion.

The cumulative unrealized gains and losses on the equity investments at the end of the year are as follows:

	2004
	$
Equities – cost	**121,611**
Cumulative unrealized gains	**32,703**
Cumulative unrealized losses	**(7,775)**
Equities – fair value	**146,539**

c) GAINS ON INVESTMENTS

The gains on investments recorded in net income can be broken down as follows:

	2004
	$
Realized gains on investments	**3,970**
Change in unrealized gains on investments during the period	**10,529**
Gains on investments	**14,499**

d) INVESTMENT PERFORMANCE

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:

	2004	2003
Fixed income investments	**7.38%**	7.0%
Canadian equities	**19.35%**	25.9%
U.S. equities	**0.74%**	1.4%
International equities	**8.57%**	7.0%
Cash and cash equivalents	**2.65%**	2.80%

e) CREDIT RISK

Credit risk on financial instruments arises from the possibility that the issuer of a fixed income investment will fail to meet its obligations. In order to manage this risk, the Board's policy is that short term investments must have a minimum credit rating of A-1 by Moody's rating agency or its equivalent. Fixed income investments of a longer term must have a minimum credit rating of BBB by Standard and Poor's or its equivalent. These ratings are performed by an independent rating service.

f) MARKET RISK

The Board invests in publicly traded fixed income and equity investments available on domestic and foreign exchanges and in privately held investments. These investments are affected by market changes and fluctuations. Market risk is managed through diversification between different asset classes, geographic diversification and investment management styles and by limiting the concentration in any single entity to 5% or less of the fair value of the investment fund.

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

	Fair Value		Actual	
	Maximum	Minimum	**2004**	2003
Fixed income investments	50%	30%	**41.7%**	39.4%
Canadian equities	30%	20%	**27.2%**	26.3%
U.S. equities	20%	10%	**12.8%**	13.2%
International equities	20%	10%	**15.7%**	15.1%
Cash and cash equivalents	10%	0%	**3.2%**	3.0%

g) INTEREST RATE RISK

Fluctuations in interest rates can impact the fair value of the fixed income investments, as well as shift investor preferences among asset classes. Interest rate risk is minimized by actively managing the duration of the fixed income investments.

h) FOREIGN EXCHANGE RISK

The Board has investments denominated in foreign currencies which are exposed to currency risk. To mitigate this risk, investment managers are authorized to enter into forward foreign exchange contracts, which represent commitments to exchange two currencies at a specified future date based on a rate agreed to by both parties at the inception of the contract, for the sole purpose of hedging foreign currency transactions. There were no forward exchange contracts outstanding at December 31, 2004 (2003 - nil). The total amount of investments (at fair value) exposed to foreign currency risk is as follows:

Currency	Fixed Income $	Equity $	**Total Investments Fair Value 2004** **$**
Canadian	110,822	71,623	**182,445**
US	-	33,700	**33,700**
Euro	-	15,119	**15,119**
Pound Sterling	-	10,293	**10,293**
Japan	-	7,804	**7,804**
Switzerland	-	4,570	**4,570**
Hong Kong	-	1,153	**1,153**
Korea	-	782	**782**
Brazil	-	576	**576**
Australia	-	371	**371**
Sweden	-	329	**329**
Mexico	-	206	**206**
Russia	-	12	**12**
	110,822	146,539	**257,361**

6. PROPERTY, PLANT AND EQUIPMENT

	Cost	**Accumulated Amortization**	**2004 Net Book Value**	2003 Net Book Value
	$	**$**	**$**	$
Assets under capital lease	4,242	3,130	**1,112**	1,325
Leasehold improvements	3,277	1,831	**1,446**	1,418
Equipment	3,508	2,063	**1,445**	1,316
Computer software, customized	2,080	396	**1,684**	649
Furnishings	572	304	**268**	82
	13,679	7,724	**5,955**	4,790

7. 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.

	Future Minimum Lease Payments	Imputed Interest at 8%	**2004 Lease Obligation**
	$	$	**$**
Current	436	141	295
Non-current			
2006	436	116	320
2007	436	89	347
2008	436	61	375
2009	436	30	406
Thereafter	145	2	143
	1,889	298	1,591

8. BENEFITS LIABILITY

	Medical Aid $	**Compensation $**	**Pension Capitalization $**	**Pension Awards $**	**Total 2004 $**	Total 2003 $
Balance, January 1	24,623	20,936	36,026	128,557	**210,142**	205,541
Add: Claims expense						
Current year	6,259	7,300	8,016	-	**21,575**	21,729
Prior years	1,611	(3,431)	(4,334)	6,465	**311**	8,319
Liability transfer, capitalizations	-	-	(5,020)	5,020	**-**	**-**
Recovered from third parties	-	225	-	-	**225**	372
	32,493	25,030	34,688	140,042	**232,253**	235,961
Less: Claims payments						
Current year injuries						
Claims payments	1,177	1,516	-	-	**2,693**	2,847
Claims management	415	528	-	-	**943**	986
Prior years' injuries						
Claims payments	3,694	2,763	-	10,285	**16,742**	18,042
Claims management	1,293	967	-	925	**3,185**	3,944
	6,579	5,774	-	11,210	**23,563**	25,819
Balance, December 31	25,914	19,256	34,688	128,832	**208,690**	210,142

The following is an actuarial reconciliation of the changes in the benefits liability:

	2004	2003
	$	$
Balance, beginning of year	**210,142**	205,541
Add:		
Provision for current year's claims	**17,978**	17,896
Interest allocated	**11,988**	11,940
	29,966	29,836
Deduct:		
Payments for prior years' claims	**19,928**	21,986
Experience gain	**11,490**	3,249
	31,418	25,235
Balance, end of year	**208,690**	210,142

The principal source for the experience gain is lower than expected compensation and pension payments for prior years' claims.

9. FUNDING POLICY AND RESERVES

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

a) OPERATING RESERVE

The level at year end was $12,342 (2003 - $5,477). The target range at year end was $4,480 to $13,442 (2003 - $4,133 to $12,400)

b) CATASTROPHE RESERVE

The target level for the catastrophe reserve provides for the cost of a disaster. The level of the reserve at the end of the year is $19,950 (2003 - $19,950).

c) 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 20% was applied to assessment rates (2003 - 30%).

d) INVESTMENT FLUCTUATION RESERVE

The level of the reserve is set at 80% of the gains and losses for 2004 - $11,600 (2003 - $0)

10. ADMINISTRATION AND GENERAL EXPENSES

	2004	2003
	$	$
Salaries, wages and allowances	**11,090**	9,950
Professional services	**3,867**	4,457
Office lease and renovations (non-capital)	**1,435**	1,359
Travel	**887**	1,096
Amortization - furnishings and equipment	**554**	381
Amortization - capital leases and improvements	**474**	449
Communications	**423**	456
Advertising and public information	**334**	187
Office services and supplies	**332**	299
Office furnishings and equipment (non-capital)	**293**	276
Training and development	**288**	234
Interest expense on capital lease obligation	**163**	184
Honoraria and retainers	**162**	170
Miscellaneous	**153**	99
Grants	**83**	92
Computer lease and services	**13**	8
Administrative and general costs	**20,551**	19,697
Less: Allocation to claims costs	**(4,128)**	(4,930)
Administrative and general expenses	**16,423**	14,767

11. COMMITMENTS

Future minimum lease payments on operating leases for office premises, staff accommodations and equipment over the next five years, and in aggregate, are as follows:

	2004
	$
2005	**616**
2006	**350**
2007	**277**
2008	**229**
2009	**182**
Thereafter	**710**
	2,364

12. EMPLOYEE FUTURE BENEFITS

a) CONTRIBUTIONS TO THE PUBLIC SERVICE PENSION PLAN WERE AS FOLLOWS:

	2004	2003
	$	$
Board's contributions	**1,184**	1,133
Employees' contributions	**510**	452

b) LIABILITY FOR SEVERANCE AND REMOVAL OUT BENEFITS AS AT DECEMBER 31 IS AS FOLLOWS:

	2004	2003
	$	$
Accrued benefit obligation, beginning of year	**890**	1,015
Cost for the year	**534**	(9)
Benefits paid during the year	**(271)**	(116)
Accrued benefit obligation, end of year	**1,153**	890
Short term portion (included in Account payable and other accrued liabilities)	**-**	-
Long-term portion	**1,153**	890
	1,153	890

13. CONTINGENCIES

On December 16, 2004, the Supreme Court of the Northwest Territories awarded the Board $10.7 million plus interest and costs for the Giant Mine litigation. A formal Order will not be filed until after the matter of costs is heard in February 2005. The defendants may appeal the judgment. The amount and likelihood of a final resolution can not be determined at this time.

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. Legal claims settled during the year resulted in recoveries of $225 (2003 - $372).

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.

The Board has placed an offer to purchase a piece of land in the City of Yellowknife for the purpose of constructing an office building for its headquarters. The offer is still pending.

14. 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 tables summarize the Board's:

Assessments revenue from related parties:

	2004	2003
	$	$
Government of the Northwest Territories	**1,595**	1,307
Government of Nunavut	**1,443**	1,163
Public Agencies	**411**	155
	3,449	2,625

Balances due from related parties:

	2004	2003
	$	$
Government of Nunavut	**562**	-
Government of the Northwest Territories	**157**	187
Public Agencies	**40**	-
	759	187

Investments in bonds of related parties (at fair value):

	2004	2003
	$	$
Northwest Territories Power Corporation		
11.00% maturing March 9, 2009	**614**	626
11.125% maturing June 6, 2011	**1,304**	1,307
6.42% maturing December 18, 2032	**2,077**	2,018
5.95% Maturing December 15, 2034	**1,019**	-
	5,014	3,951
Northwest Territories Legislative Assembly Building Society		
13.00% Series A, maturing August 31, 2013	**443**	469
	5,457	4,420

Through Memoranda of Understanding with the Governments of the Northwest Territories and Nunavut, the Board charges the governments for the costs of administering benefits relating to hunters and trappers claims. These costs include the increase or decrease in the future benefits liability related to hunters and trappers claims; therefore, a significant decrease in the future benefits liability can result in a refund by the Board to either government. The Government of the Northwest Territories will provide a reimbursement for hunters and trappers claims in the amount of $157 (2003 - $153). The Government of Nunavut will provide a reimbursement for hunters and trappers claims of $561 (2003 – The Board provided a reimbursement to the Government of Nunavut for hunters and trappers claims of $90).

The Board does not record the value of other services provided by the Government of the Northwest Territories and the Government of Nunavut without charge in these financial statements. The services provided included training services, records management, and human resources support.

15 FAIR VALUE OF OTHER 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.

16. COMPARATIVE AMOUNTS

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

Hewitt

Workers' Compensation Board – Northwest Territories and Nunavut
Actuarial Opinion as at December 31, 2004

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 February 25, 2005:

- We understand the valuation is intended for use in preparing the Board's balance sheet at December 31, 2004;
- 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 consistent with the previous valuation and are detailed in the Statement of Funding Policy, Methods and Assumptions (March 2004);
- 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, 2004 of $208,690,000 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

Allan Brown
Fellow, Canadian Institute of Actuaries

February 25, 2005