

REPORT TO THE COMMUNITY FIRST QUARTER 2006

CEO One of Top in Atlantic Canada



Nancy MacCready-Williams accepts her award as one of Atlantic Canada's top 50 CEOs from Atlantic Business magazine publisher, Hubert Hutton.

Workers' Compensation Board Chief Executive Officer Nancy MacCready-Williams was named one of the top 50 CEOs in the region by *Atlantic Business* magazine at its May 11 gala. More than 600 nominations were received for what has become one of the most prestigious leadership awards in Atlantic Canada.

Nominees were judged on their managerial abilities, reactions to challenging situations,

leadership philosophies, organizational growth and commitment to their industries and communities.

Nancy was singled out for her leadership in championing the WCB's workplace safety strategy.

"Nova Scotia workers and employers pay an unacceptable price for having one of the highest workplace injury rates in Canada,"

"My greatest challenge over the past year has been this: how do I provide the necessary leadership to create a workplace safety culture in Nova Scotia?"

says Nancy. "My greatest challenge over the past year has been this: how do I provide the necessary leadership to create a workplace safety culture in Nova Scotia?"

Nancy shares her award with some of Atlantic Canada's most accomplished and successful corporate leaders, all of whom are profiled in the May/June issue of *Atlantic Business* magazine.



Claims Information Online via MyAccount

Interest in the WCB's new online service for employers has been high, with some 1,500 accounts now being accessed over the Internet.

In the first release, employers gained 24/7 access to their WCB information, viewing account statements, verifying payroll information, accessing experience rating information and requesting clearance letters. What once took a phone call now takes only a few clicks.

Release two, out in July, gives employers access to their company claims information, such as who has been injured and how much has been paid out on each claim. Employers are able to search for a particular claim, and download claims information based on a number of criteria—date, claim number, part of body injured, nature of injury, and more.

As the service evolves, employers will be able to submit forms online, compare their stats to those of their industry, and learn how experience (i.e., injuries and costs) affects their premiums.

MyAccount puts employers in better touch with what workplace injury means to their

business, and it streamlines their interaction with the WCB.

By knowing more about workplace injury and its impact, employers are better able to manage and help employees get back to work in a safe and timely manner—thereby improving their experience, and ultimately, reducing claims costs.

Ask your company representative to sign up today at my-account.ns.ca. All you need is your most recent WCB Statement of Account.

Physiotherapy Agreement Speeds Safe Return to Work

All things being equal, Nova Scotia has among the highest injury rates in Canada. And when injuries occur, employees are off work longer in our province than anywhere else in the country. But work is healthy. In fact, research shows when an injury occurs staying connected to the workplace and continuing to work is the most important factor in injury recovery. The longer employees are off work, the more complicated injuries become and the less likely they are to return. Baddeck Physiotherapy Clinic agrees that work is healthy. Colette Morrison, at the Baddeck area clinic, says “Our collaborative approach with the WCB benefits both



Early assistance helps injured workers return to work in a more timely manner.

workers and employers. We look at options for transitional duties for employees based on what they can do because staying connected to the workplace is an essential part of recovery. We see first hand that this technique improves the quality of care for injured workers and minimizes the impact on their life.”

Part of the problem is getting timely access to the treatment injured employees need. Since over 60% of workplace injuries in Nova Scotia are soft-tissue sprains and strains, the WCB has partnered with physiotherapists to help injured employees achieve the best result—a safe and timely return to work. The new contract will get injured employees the help they need, when they need it, by enabling them to go directly to the physiotherapist for an immediate assessment. In the past, an injured employee had to wait for assessment with a primary care physician and then be referred to a physiotherapist for treatment. The time off work for a simple strain could easily stretch into weeks.

Now employers can refer an injured employee directly to an approved physiotherapist for assessment, and treatments can start almost immediately. As part of this landmark agreement, the WCB worked with physiotherapists in Nova Scotia to establish a gold standard of care—ensuring injured

My-**Account**.ns.ca: Register today.



employees are making real progress in their treatment and have a documented plan for full recovery and return to work. “This new WCB approach,” says Guy Reid from the Reid Physiotherapy Clinic in Sydney, “streamlines the whole process without ever compromising safety—from treating injuries, assessing abilities, addressing concerns about work, adapting job demands, and teaching exercises to help prevent chronic pain.”

While this program is still new, early indications are that time off work is being reduced. And that’s good news for everyone.

Cutting Through Clutter to Improve Safety Awareness

The WCB continues to impact the attitudes of Nova Scotians toward workplace safety.

Market research shows the latest advertising campaign, depicting workplace injury and its aftermath, has been successful. The hard-hitting campaign included realistic depictions of a warehouse fall, a meat saw amputation, and a forklift injury.

Fifty-three percent of Nova Scotians now say they consider workplace safety to be an important social issue—up from 46 percent last year.

While these results are encouraging, there is still much work to do. Workplace injury continues to lag behind other social issues. More than half of Nova Scotians still consider workplace injuries an inevitable part of life.

Despite chilling numbers like 90 workplace injuries every day and a fatality every two weeks, the average Nova Scotian is still more likely to be concerned about other issues—such as the price of car insurance—than about workplace injury.

The WCB recently launched a new campaign targeting young Nova Scotia workers—a difficult group to reach and influence.

Experience shows that one of the most effective ways of targeting this media savvy group is online. Launched in May, a new website (notworthit.ca) takes a surreal, subversive approach focusing on the fact workplace injury is not worth it, at any hourly wage. Based in real-life injuries from 2005, the message is: If you injure a body part, you can’t buy a new one.

Visit the site, and watch for ads and non-traditional campaign elements like price tags promoting the site throughout three releases—spring, summer and fall.

New Counselor Services

The Workplace Safety and Insurance System (WSIS), which includes workers, employers and the four partner agencies—the WCB, the Workers’ Compensation Appeals Tribunal, the Workers’ Advisers Program and the Occupational Health and Safety Division of Nova Scotia Environment and Labour—held its annual general meeting on May 4th. The meeting was an opportunity for the partner

agencies to provide an overview of their financial and operating results for the past year.

In conjunction with the meeting, a consultation session was held with 40 stakeholders who explored plans for a new service to help workers and employers navigate the system. Often the most difficult part of getting help is knowing where to go for it. According to ongoing satisfaction surveys, most people are satisfied with the service provided by the WCB and its partners, but for those who encounter challenges working through system processes, a Workers Counselor or Employers Counselor will be a mutually beneficial remedy.

Counselors will provide information, advice, assistance and training to individuals and organizations interacting with the system. The program will be user friendly and will operate independently of the partner agencies. The two-year pilot of the Stakeholder Counselor Program will be implemented beginning by the first of next year.

WCB social marketing recognized



The WCB was a big winner at the 2006 ICE Awards held in Halifax on June 8, 2006.

The WCB won silver in the “Public Service Communication Single” category for its severed eyeball poster developed as part of its 2005 young worker campaign, and a second silver for the campaign itself.

The WCB received awards of merit for a poster depicting a severed hand and its online safety game, found at worksafeforlife.ca.

The WCB also was a finalist for “Marketer of the Year” in recognition of having developed a strategic marketing plan that leads to measurable business success, and of being a driving force of growth and prosperity for the business community in Atlantic Canada.

The ICE Awards are held each year to showcase Atlantic Canada’s top marketing communications talent.

SUMMARY OF FINANCIAL RESULTS

Statement of Financial Position

The WCB's asset base at March 31, 2006 was \$1,045.3 million in comparison to \$1,002.5 million at December 31, 2005.

This \$42.8 million increase is mainly due to an increase in investments. The increase is primarily attributable to retained cash flows resulting from assessment revenues and investment income exceeding the cash outflows for payments of claims processed and operating costs during the past year.

Benefits liabilities have increased \$8.9 million from December 31, 2005 to March 31, 2006. These liabilities have been estimated based on an extrapolation of year-to-date claims payments for current and prior years, and the increase is as expected in the WCB's funding strategy, including the provision for chronic pain-related benefits.

Statements of Comprehensive Income and Changes in Accumulated Other Comprehensive Income

The Statement of Comprehensive Income accounts for gains and losses that result from changes in fair market value. Changes in fair market value for investments still owned are tracked as accumulated other comprehensive

income. Accumulated other comprehensive income increased \$38.9 million from December 31, 2005 to March 30, 2006. Fair market value of the investment portfolio increased \$47.5 million in the first quarter of 2006.

Statement of Operations and Unfunded Liability

For the quarter ended March 31, 2006, expenses exceeded revenues by \$11.3 million. This excess of expenses over revenues increased the unfunded liability. Revenue estimates could vary significantly based on what may happen in the investment markets over the next nine months.

Revenue

Assessment revenue for the year to date is \$58.3 million, an increase of \$4.3 million versus the same period in 2005. This is a combination of a \$2.8 million increase in regular classified firms' assessment premium revenue year-to-date 2006 versus the same period in 2005; an increase of \$1.7 million in self-insured premium revenue, and a decrease of \$0.2 million in premium adjustment charges and penalties.

Total investment income year-to-date is \$6.9 million, a decrease of \$7.9 million over the same period in 2005. Investment income is derived from interest on short-term investments managed internally and income

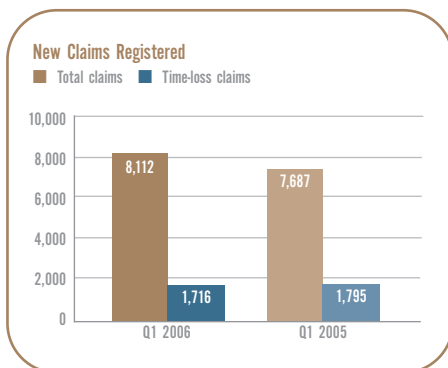
on the long-term investments managed by external investment managers. The recorded income reflects the WCB's accounting policy to record realized gains and losses in investment income when an investment is sold and to record gains and losses arising from changes in fair market value included in other comprehensive income.

Investment income on short-term investments and miscellaneous receipts year-to-date is \$0.1 million, a decrease of \$0.2 million as compared to the same three-month period in 2005. Less internal cash held in short-term investments accounted for this decrease despite higher interest rates for 2006 versus 2005.

Income earned on the long-term investment portfolio year-to-date is \$6.8 million, a decrease of \$7.8 million versus the same period in 2005. The \$6.8 million is the result of interest on dividends of \$8.6 million offset by losses of \$1.3 million and investment fees of \$0.5 million.

Claims Costs Incurred and Growth in Present Value of Benefits Liability

Claims cost incurred of \$39.8 million are estimated based on an extrapolation of year-to-date claims payments for current and prior years' injuries. The growth in the present value of the benefits liability is \$25.3 million for the year to date.



1 PERSON DIED
ON THE JOB EVERY
TWO WEEKS IN 2005

Administrative Expenditures (Operating, Projects and Capital)

Year-to-date administrative expenditures (including capital) were \$10.4 million with a \$0.7 million favorable variance from the \$11.1 million year-to-date budget estimate. Favorable variances arose in operations relating to salaries, communications and services contracted. The majority of these variances are expected to be utilized by the end of the year.

Legislative Obligations

Legislated Obligations expenditures were \$2.62 million versus a budget of \$2.96 million for a favorable variance of \$0.34 million. Occupational Health and Safety has a favorable variance of \$0.23 million. The expense for the Workers' Advisers Program was under budget creating a \$0.08 million favorable variance and the favorable variance for the Workers' Compensation Appeals Tribunal was \$0.03 million.

Cash Flow Statement

The statement demonstrates the use of cash year-to-date on a comparative basis. Total cash and cash equivalents were \$8.7 million as at March 31, 2006, a decrease of \$29.4 million from the March 31, 2005 balance of \$38.1 million. This decrease is attributable to payments for chronic pain claims throughout 2005 and early 2006.

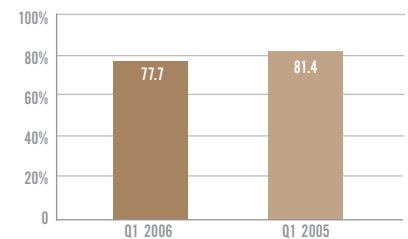
Statement of Financial Position

as at

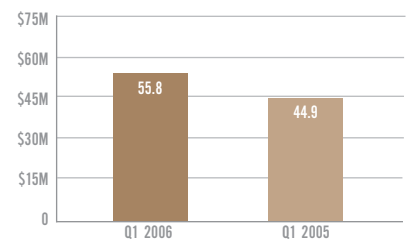
	March 31 2006 (unaudited) (\$000s)	March 31 2005 (unaudited) (\$000s)	December 31 2005 (audited) (\$000s)
Assets			
Cash & Cash Equivalents	\$ 8,741	\$ 38,127	\$ 14,482
Receivables	23,154	21,245	21,641
Investments	1,003,768	889,247	956,307
Property, Equipment and Other Assets	9,623	9,723	10,064
	\$ 1,045,286	\$ 958,341	\$ 1,002,494
Liabilities and Unfunded Liability			
Payables and Accruals	\$ 14,251	\$ 13,701	\$ 14,083
Employee Future Benefit Liability	5,984	5,169	5,784
Benefits Liability	1,327,142	1,296,272	1,318,255
	1,347,377	1,315,142	1,338,122
Deferred Revenue	4,165	3,897	0
Accumulated Other Comprehensive Income	84,915	45,978	44,232
Unfunded Liability	(391,171)	(406,676)	(379,860)
	(306,256)	(360,698)	(335,628)
	\$ 1,045,286	\$ 958,341	\$ 1,002,494

Timeliness of First Payment

Percent of temporary earnings replacement benefit payments made within 15 days of the worker's injury

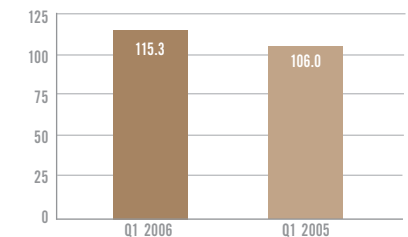


Claims Payments Made



Average Duration of Claims

Composite, excluding claims for chronic pain (in days)



Statement of Operations

For the three months ended
(unaudited)

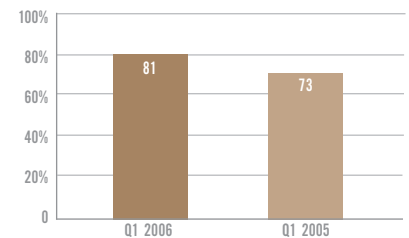
	March 31 2006 (\$000s)	March 31 2005 (\$000s)
Revenue		
Assessments	\$ 58,335	\$ 53,978
Net Investment Income	6,927	14,875
	<u>65,262</u>	<u>68,853</u>
Claims Costs Incurred		
Short-term Disability	12,905	12,881
Long-term Disability	14,295	12,721
Survivor Benefits	1,269	1,863
Health Care	10,913	8,609
Rehabilitation	423	297
	<u>39,805</u>	<u>36,371</u>
Growth in present value of benefits liabilities and actuarial adjustments	25,296	24,720
Administration Costs	8,851	6,241
Legislated Obligations	2,621	2,696
	<u>76,573</u>	<u>70,028</u>
Excess of expenses over revenues applied to increase the unfunded liability	<u>\$ (11,311)</u>	<u>\$ (1,175)</u>

Statement of Unfunded Liability

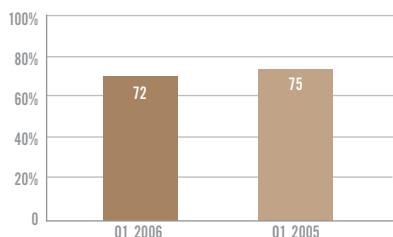
For the three months ended
(unaudited)

	March 31 2006 (\$000s)	March 31 2005 (\$000s)
Unfunded Liability, Beginning of Period	\$ (379,860)	\$ (405,501)
	<u>(379,860)</u>	<u>(405,501)</u>
Excess of expenses over revenues applied to increase the unfunded liability	<u>(11,311)</u>	<u>(1,175)</u>
Unfunded Liability, End of Period	<u>\$ (391,171)</u>	<u>\$ (406,676)</u>

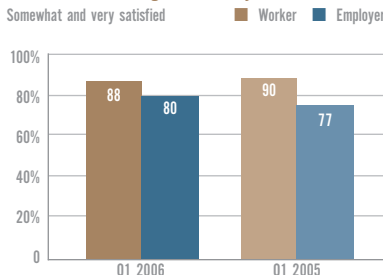
Employer satisfaction with WCB employee ability to answer questions Somewhat and very satisfied



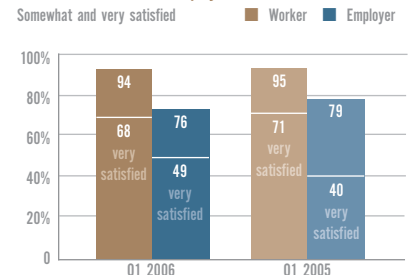
Worker satisfaction with outcome of claim Somewhat and very satisfied



Satisfaction with being treated fairly Somewhat and very satisfied



Satisfaction with WCB employee effectiveness Somewhat and very satisfied



Statement of Comprehensive Income

For the three months ended
(unaudited)

	March 31 2006 (\$000s)	March 31 2005 (\$000s)
Excess of Expenses over Revenues	<u>\$ (11,311)</u>	<u>\$ (1,175)</u>
Other Comprehensive Income		
Unrealized gains on available-for-sale financial assets arising during the period	39,355	1,670
Reclassification of realized gains to the statement of operations	<u>1,328</u>	<u>(3,267)</u>
Net change in other comprehensive income for the period	<u>40,683</u>	<u>(1,597)</u>
Total Comprehensive Income (loss)	<u>\$ 29,373</u>	<u>\$ (2,772)</u>

Statement of Changes in Accumulated Other Comprehensive Income

For the three months ended

	March 31 2006 (\$000s)	March 31 2005 (\$000s)
Accumulated Other Comprehensive Income, Beginning of Period	\$ 44,232	\$ 47,575
Net change in other comprehensive income for the period	<u>40,683</u>	<u>(1,597)</u>
Accumulated Other Comprehensive Income, End of Period	<u>\$ 84,915</u>	<u>\$ 45,978</u>

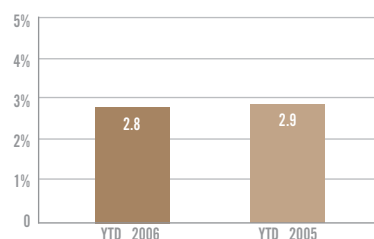
Statement of Cash Flows

For the quarter ended

	March 31 2006 (\$000's)	March 31 2005 (\$000's)
Operating Activities		
<i>Cash received from:</i>		
Employers, for assessments	\$ 60,265	\$ 55,266
Net Investment income	<u>6,966</u>	<u>14,856</u>
	67,231	70,122
<i>Cash paid to:</i>		
Claimants or third parties on their behalf	(54,397)	(43,033)
Suppliers, for administrative and other goods and services	<u>(11,629)</u>	<u>(8,140)</u>
	(66,026)	(51,173)
Net cash provided by operating activities	1,205	18,949
Investing Activities		
Increase in investments	(6,796)	(14,564)
<i>Cash paid for:</i>		
Purchase of equipment	<u>(149)</u>	<u>(261)</u>
Net (cash used) in investing activities	<u>(6,945)</u>	<u>(14,825)</u>
Net (decrease) increase in cash	(5,740)	4,124
Cash and cash equivalents, beginning of year	<u>14,481</u>	<u>34,003</u>
Cash and cash equivalents, year to date	<u>\$ 8,741</u>	<u>\$ 38,127</u>

Injury Frequency

Time-loss claims per 100 covered workers



Notes to the Quarterly Financial Statements

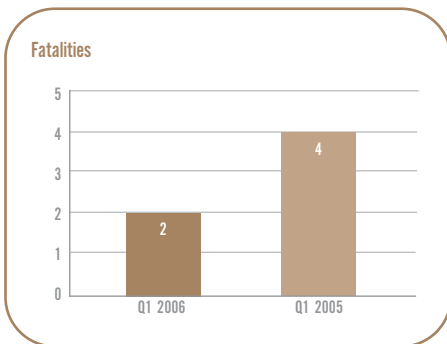
1. Interim Financial Statements

Interim financial statements should be read in conjunction with the most recent annual financial statements (December 31, 2005) to enhance understanding. The interim financial statements are prepared on a basis consistent with the annual financial statements with the exception of claims costs incurred and the growth in the present value of the benefits liabilities and actuarial experience adjustments. These figures are determined by an actuarial valuation for purposes of the annual financial statements, and through estimation and extrapolation of current results for purposes of interim financial statements.

2. Statement of Financial Position

Receivables include classified employers' premiums received up to the remittance due date of the 15th of the month following quarter end and an estimate for amounts due but not yet reported by employers, and self-insured employers receipts, and are net of the allowance for doubtful accounts and self-insured deposits.

Investments include the investment portfolio. Short-term investment principal amounts are included with Cash and Cash Equivalents.



Property, equipment and other assets are stated at cost less accumulated amortization.

Benefits Liabilities represent an estimate based on assumptions used in the funding strategy for claims costs incurred and projected inflation. These figures are determined by an actuarial valuation for purposes of the annual financial statements, and through estimation and extrapolation of current results for purposes of interim financial statements.

Deferred Revenue - see Assessment Revenue.

3. Statement of Operations

Assessments

Assessment revenue for classified firms is recognized based on the requirement for employers to report and pay premiums periodically throughout the year based on actual assessable payroll and includes classified employers' premiums received up to the remittance due date of the 15th of the month following quarter end and a provision for amounts due but not yet reported by employers.

Self-insured revenue relates to amounts billed for the first three months of the calendar year.

Investment Income

Investment income consists of interest earned on short-term investments, and income from the long-term investment portfolio. Securities held in the investment portfolio are designated as available-for-sale financial assets, and are carried at fair market value. Unrealized gains and losses arising from the change in fair value of an investment are recorded in other comprehensive income until the investment is sold. At this time, the cumulative unrealized gain or loss previously recognized in other comprehensive income is designated as

a realized gain or loss and reclassified to investment income and included in the excess of revenues over expenses (expenses over revenues) for the period. Income from interest and dividends is recognized in the period earned, and is presented net of investment expenses.

Claims Costs Incurred

The estimates for short-term disability, health care, rehabilitation, long-term disability, and survivor benefits were derived as follows:

- Estimates for regular classified firms were based on an extrapolation of year-to-date claims payments for current and prior years.
- Actual invoiced payments for self-insured firms were added to these estimates.

Growth in Present Value of Benefits Liability and Actuarial Experience Adjustments

Quarterly statements provide an estimate for the growth in present value based on the net interest rates used for valuation purposes and expected inflation for the quarter. There is an estimated provision for actuarial experience adjustments based on extrapolated year-to-date claims costs for current and prior years.

4. Cash Flow Statement

This statement summarizes cash receipts and disbursements from all sources.

5. Administration Expense

Operating expenses are shown by program area and by functional center.

93 PEOPLE WERE INJURED ON THE JOB EVERY DAY IN 2005



WORKERS' COMPENSATION BOARD OF NOVA SCOTIA

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