

REPORT TO THE COMMUNITY THIRD QUARTER 2007

Soft tissue, hard costs

Musculoskeletal injuries to be a major focus for WCB in 2008

Workplace injury is Nova Scotia's hidden epidemic.

And no injury is more hidden than musculoskeletal injuries.

Often known as sprains and strains, they're a major focus in 2008 as the WCB and its many safety partners continue the campaign to reduce workplace injury's devastating human and financial impact in Nova Scotia.

While heart-wrenching stories and gruesome images of unthinkable workplace tragedies tend to make headlines and grace television screens, another, much bigger issue is lurking below the surface – in every sense of the word.

Musculoskeletal injuries – injuries to the skeleton, muscles, and the tissues that hold them together and make them work – remove thousands of Nova Scotians from the workforce every year, with untold impact on their professional and personal lives.

There's a workplace injury in Nova Scotia every 15 minutes. And almost every second injury – or one injury every half hour – is a musculoskeletal injury.

Of 31,810 total WCB claims, 13,966 of them were classified as sprains and strains in 2006. And 5,031 of those were serious enough to result in time loss from work.

Musculoskeletal injuries cost employers more than \$20 million in direct compensation and medical costs every year.

More than 68,300 weeks of short-term disability were paid on sprain and strain claims in 2006 – over 44 per cent of all short-term disability.

Overall, musculoskeletal claims are responsible for an estimated \$100 million to \$1 billion in indirect costs.

That's why the WCB is undertaking an aggressive campaign for safe work design. New educational materials targeting musculoskeletal injury are the first step in the WCB's comprehensive strategy, which includes hiring staff ergonomists to help targeted employers design work more safely.

It's all part of a broader effort to change the way work is done across Nova Scotia, for sustained behaviour change.

Continued on Page 2



Louisiana Pacific, East Chester, Nova Scotia.

“The process of social change tells us that awareness needs to precede action, if that action is to be sustained over the long term,” says Nancy MacCready-Williams, CEO of the WCB.

“The problems in Nova Scotia are ingrained into the very fabric of the way business is done and the way work is designed. We have

a foundation of awareness, and we are ready to move into a stage of meaningful, sustained action. Action on musculoskeletal injury – at all levels, from plant floor to boardroom – is needed. And it’s just one way we’re asking employers and workers to do something about it, before it’s an injury.”

Musculoskeletal injury: At a glance

What are they?

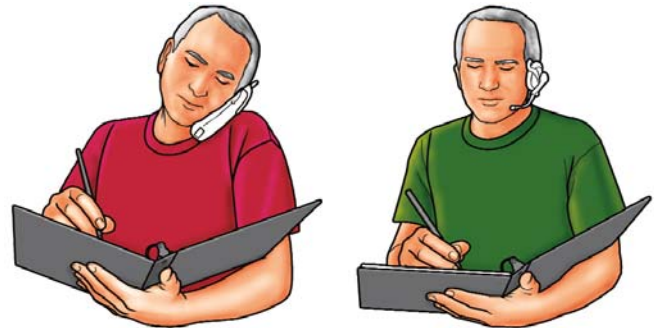
Injuries to muscles, tendons, joints, ligaments, bones, nerves and blood vessels caused by work tasks that place too much strain on the body – usually over time.

What causes them?

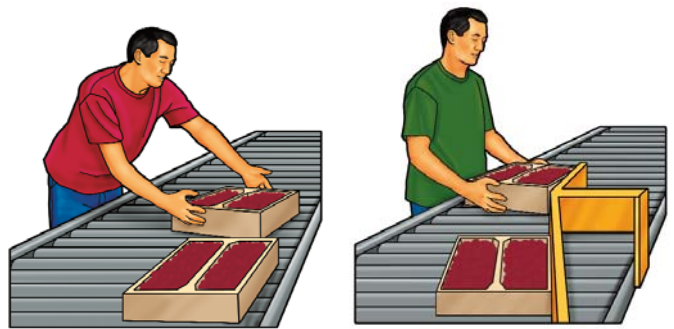
A variety of factors – awkward body posture, heavy lifting or carrying, repetitive motion and many more.

How can they be prevented?

Foster a culture of awareness in your workplace. Notice early warning signs and design the work from an ergonomics mindset – to eliminate or reduce its impact on the body.



In this example, adding a headset removed the necessity for this employee to work with their neck bent and twisted.



A simple deflector bar pushes flats closer to the employee to eliminate unnecessary bending on a production line.



LEARN MORE.

Other examples like these and much more information can be found in the comprehensive guide *Sprains and Strains: Preventing musculoskeletal injury through workplace design*, available from the WCB or online at www.wcb.ns.ca.

More than 5,000 employers accessing account info online

OH&S info, claims under appeal now available

Nearly a third of workplaces covered by the WCB are enjoying online access to their account information through MyAccount.

With the recent addition of access to occupational health and safety information, MyAccount completes its phased rollout of online service to employers. As of early December, 5,136 employers across the province had registered, giving them 24/7 access to their account information and putting them in closer touch than ever with injury's impact on their workplaces.

MyAccount's latest evolution leverages the WCB's partnership with Nova Scotia Environment and Labour.

Employers can now access OH&S information such as inspection reports, along with compliance orders and prosecutions, should they occur. Employers are also able to submit compliance notices and requests for appeals directly to OH&S.

This information is provided and recorded at the firm level. Firms with multiple divisions were extended an opportunity to opt-out of this functionality.

"For the vast majority of employers, this information sharing is valuable," says Stuart MacLean, WCB Vice President of Prevention, Corporate Development, and Information Technology. "However, we understand that it can be sensitive information and for our larger customers, we've given them the option to opt out."

A new feature that flags claims under internal appeal will also add value.

Forms, including injury reports, can now be submitted online – saving the hassle of sending paper-based forms by fax.

"As always, the real injury prevention information powerhouse of MyAccount is the ability to analyze your claims – calculating the cost of incidents, comparing your experience to that of your industry, and

forecasting how a change in your claims experience could reduce your assessment rate," says MacLean.

"MyAccount has proven an invaluable tool for business. I encourage all employers not yet registered for MyAccount to register today."

MyAccount Why call when you can click?

- Access detailed account info 24/7
- Submit forms online
- Get context to better prevent injury
- Track claims, manage return to work better
- Identify claims under appeal



Register for online access to your account today at My-Account.ns.ca

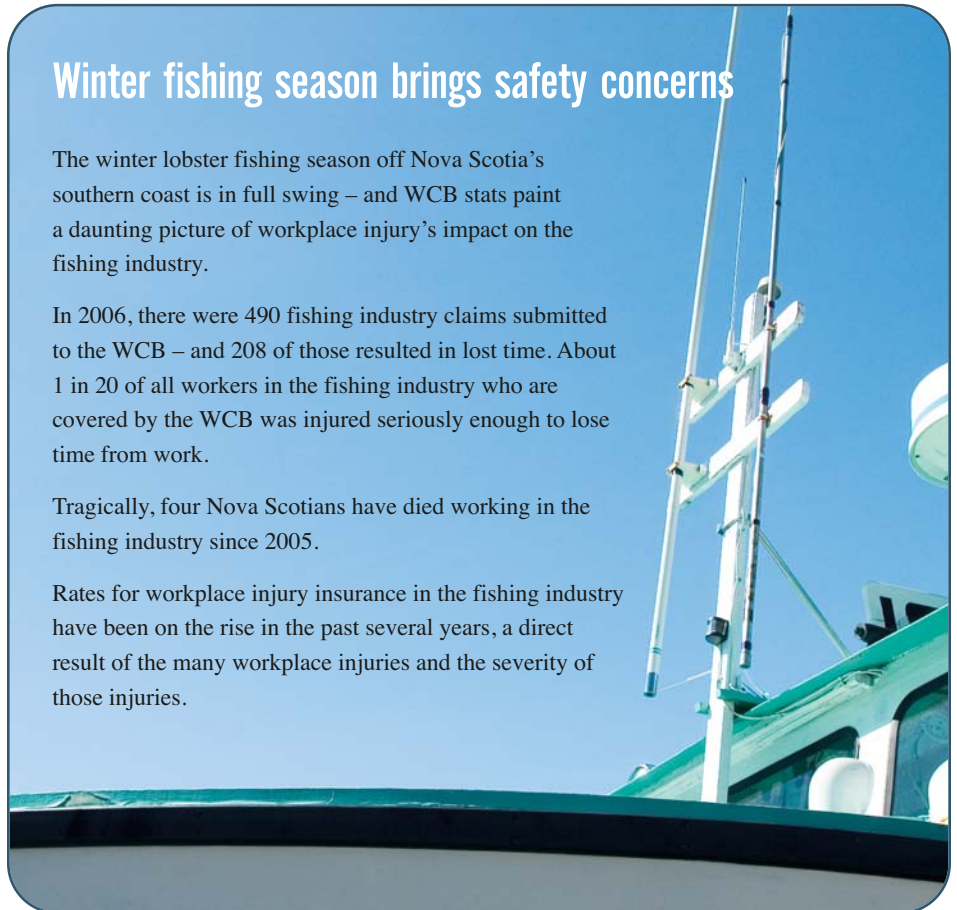
Winter fishing season brings safety concerns


The winter lobster fishing season off Nova Scotia's southern coast is in full swing – and WCB stats paint a daunting picture of workplace injury's impact on the fishing industry.

In 2006, there were 490 fishing industry claims submitted to the WCB – and 208 of those resulted in lost time. About 1 in 20 of all workers in the fishing industry who are covered by the WCB was injured seriously enough to lose time from work.

Tragically, four Nova Scotians have died working in the fishing industry since 2005.

Rates for workplace injury insurance in the fishing industry have been on the rise in the past several years, a direct result of the many workplace injuries and the severity of those injuries.



A close-up, profile view of a man with grey hair, wearing a dark suit jacket, white shirt, and dark tie. He is wearing large, black safety glasses. The lens of the glasses is the focal point, displaying a white text message. The background is a solid, muted blue-grey color.

YOUR EMPLOYEES
WILL ONLY PAY
AS MUCH ATTENTION
TO SAFETY AS YOU DO.

Profitability can sometimes push prevention a few notches down your to-do list. But, at the end of the day, your bottom line is affected by your safety and return-to-work experience. Lowering your claims costs can lower your WCB premiums. But it's more than that – because injury has an all too human impact. A safe work environment enhances the lives of those who work for you. You can help make workplace safety in Nova Scotia more than a policy, a program, or a poster on a wall. You can help make it a way of life.

worksafeforlife.ca

WORK SAFE. FOR LIFE.
WORKERS' COMPENSATION BOARD OF NOVA SCOTIA
AND NOVA SCOTIA ENVIRONMENT AND LABOUR

Winter workplace safety: Beware of slips, falls, road conditions

Frigid temperatures, whiteouts, slippery roads and walkways – the onset of winter brings with it a host of safety concerns for workers and employers across the province.

From strained backs shoveling snow to slips and falls on icy walkways to black ice on the roads, winter takes its toll on workplace safety every year, resulting in workplace injuries involving snow, ice or other winter conditions.

“We encourage Nova Scotia workers and employers to take extra precautions and work safely this winter season – and the whole year through,” says WCB Director of Prevention Services, MJ MacDonald.

Canada Post is one of several major employers for whom winter weather is a major workplace hazard. On the road or on foot, delivering mail often means working in harsh weather conditions – 121 Canada Post employees across Atlantic Canada suffered time-loss injuries due to slips and falls in 2006.

The corporation is taking the issue head-on, with an aggressive awareness campaign and by empowering its employees to deal with the situation at hand – such as suspending delivery when they deem conditions to be unsafe.

“Slips and falls are the leading cause of lost-time injuries at Canada Post during the winter months,” says Denise Corra, Internal Communications Manager. “We have a robust prevention plan in place for this winter aimed

at keeping our employees safe. It’s a top priority, especially since the types of injuries brought on by slips and falls – like severe sprains and broken bones – can take a very long time to heal.”

Meanwhile, winter road conditions also contribute to a number of work-related injuries on the province’s highways every year. WCB statistics show 34 Nova Scotians were injured in weather-related incidents involving motor vehicles in 2006.

Winter should bring increased awareness of weather-related risks for anyone involved in the transportation industry, says Linda Corkum, Executive Director of the Nova Scotia Trucking Safety Association.

“Truckers, and all drivers, should ensure good treads on tires. Footwear is also important as loading docks and truck bays can be icy. Removal of ice and snow from windshields and roofs of vehicles is paramount – in addition to obvious visibility concerns, ice and snow blowing off large vehicles can be dangerous,” says Corkum.

Being aware of weather related safety hazards is all part of an ongoing safety mindset where injury prevention is top-of-mind the whole year through, MacDonald says.

“At this time of year, and always, it’s important to remember the incredible value work has, and to do what we can as employers and workers to ensure everyone comes home safe at the end of the day.”

“We encourage Nova Scotia workers and employers to take extra precautions and work safely this winter season – and the whole year through.”

MJ MacDonald, WCB Director of Prevention Services

WCB garners healthy workplace award

In a textbook case of practice what you preach, the WCB was pleased to receive a Health Innovator Award along with other leading employers from across metro Halifax.

The WCB took the honours in the inaugural year of the Halifax Chamber of Commerce’s Healthy Business Awards designed to acknowledge businesses demonstrating leadership and commitment to workplace health. The award recognizes the WCB’s many health and wellness programs for its 450 employees across the province.

“As an organization that promotes health and safety in workplaces, we know we have to walk the talk, and that we ourselves need to be leaders before we can expect others to follow suit,” says CEO, Nancy MacCready-Williams.

Social marketing on the world stage

The WCB’s young worker social marketing website notworthit.ca has been included in The United Nations Environment Program (UNEP) Creative Gallery on Sustainability Communications.

The gallery promotes better communication on sustainability issues through displaying innovative, audacious, humorous and creative campaigns from around the world.

“It’s an incredible honour for this work to be recognized on the world stage,” said Shelley Rowan, Vice President of Marketing, Communications and Human Resources. “We are very proud to have our efforts included along with such great ads as those on the UNEP gallery.”

Care and compassion: WCB staff give to community

Not only does the WCB provide workplace injury insurance to 18,000 employers across Nova Scotia – it's also one of the province's largest employers itself.

And the 450 WCB employees across Nova Scotia are only too quick to open their hearts and their wallets when it comes to good causes.

This year alone, WCB employees raised more than \$16,000 for various charitable causes across Nova Scotia – including \$10,000 toward the United Way.

“Perhaps it is because our people deal with fellow Nova Scotians who are often going through a difficult time in their lives that they are, by nature, truly caring individuals,” says Shelley Rowan, WCB Vice President of Marketing, Communications and Human Resources.

“This amazing community contribution shows why care and compassion are key values for us, and part of who we are as an organization.”

This year alone, WCB employees raised more than \$16,000 for various charitable causes across Nova Scotia

**Injuries are painful.
Reporting them doesn't have to be.**

Employers: Report workplace injuries online and save time.

We believe workplace injuries are preventable. But, in the unfortunate event of an injury, you can save time by reporting it online. It's quick, it's easy and it's available 24/7. **All you need to do is sign up – there is no additional charge.** You receive instant electronic information on your WCB claims, with a few simple clicks.

In the end, you'll spend less time reporting injuries, and more time focusing on preventing them and helping your workers return to work.

Questions? Call us at **1-877-211-9267**.

Register for online access to your account today at **My-Account.ns.ca**



WCB filing goes paperless

In mid October, the WCB made an important change to the way it manages documents.

Electronic claim filing – known at the WCB as E-File – was introduced several years ago. New claims entering the organization were scanned and handled electronically – but all information relating to older, paper-based claims remained strictly on paper. This created increasing requirements for manual filing and storage.

Now, thanks to further technological improvements, all new documents are handled electronically, regardless of whether they relate to a paper-based or electronic claim.

In other words, going forward, all claim files at the WCB are paperless – meaning they're easier and faster to access.

“Over time, our dependence on the paper files will continue to decrease eventually leading to a complete E-File environment,” says Director of Service Excellence, Dennita Fitzpatrick. “It's just one of many ways we are changing in an effort to be more efficient and serve our customers better.”

White Cross: Recognizing safety dedication

For the past several years, the WCB has been pleased to present the White Cross Award, which recognizes efforts in the prevention of workplace incidents, injuries or illnesses. It was established to encourage the implementation of safety policies, programs and projects to improve the health and safety of employees.

The WCB's MJ MacDonald, Director of Prevention Services, presented the St. John Ambulance White Cross Award at their sixth Annual Celebration of Community dinner held in late November.

The 2007 recipient was the District 1 (South Shore) branch of Continuing Care – a branch of the Nova Scotia Department of Health serving people who need ongoing care outside of hospital, either on a long-term or short-term basis.

Wendy McVeigh, District Manager, and Tracy Purdy-Oickle, Care Coordinator, accepted the award on behalf of Continuing Care, District 1. McVeigh was literally moved to tears by MacDonald's words, saying they struck a chord and genuinely reflected the sincerity of their efforts.

Here's the text of MacDonald's congratulatory speech.

Tonight we are here to celebrate a victory over workplace injury. To tip our hats and applaud the efforts of those people who care enough to recognize the hazards in their own workplaces and to prevent people from getting hurt.

It's important to celebrate these victories, because for the size of this province's workforce, there are far too many workplace injuries. There were more than 31,000 workplace injuries last year – one every 15 minutes.

Worse, 8,274 people were hurt badly enough they required time off of work to recover. That's about 38 rooms full of people like this one. It's the populations of Lunenburg, Digby and Wolfville, combined.



Photo: Susan Dobbie

(L-R) MJ MacDonald, WCB Director of Prevention Services, presents the St. John Ambulance White Cross Award to Wendy McVeigh and Tracy Purdy-Oickle, Continuing Care, District 1.

But for all the statistics and the facts and figures, each claim represents an individual. Someone whose life has been altered by a workplace injury. Injury also affects their families, their co-workers, their employers and their communities.

The first half of our job at the WCB is to help people ensure work isn't taken away by injury. But when that does happen, the other half of our job is to help them get that work back.

Because for all we grumble about work, it is important. Whether you're fishing, or hauling pulp, or working in health care, work makes a difference in who you are. It gives us purpose, it gives us focus, it gives us identity. And it's something we miss when it's gone.

Work matters – and not just because it means a paycheck. Getting up in the morning, going to work, and coming home at the end of the day is more than mere routine. Our jobs are part of how we define ourselves.

Our work also benefits others. And that's especially true for the recipients of tonight's White Cross Award. Ask any of the people you and your staff serve every day – those relying on home care, depending on you to look after

their long term needs and those who are vulnerable, uncertain or even afraid – how much the services you provide to them and their families matters. You bet it matters. It has value. In fact, it's priceless.

Work is the economic stitching that binds the fabric of our social well-being. And that is what we're at risk of losing with the level of injury we see in this province. So it makes it all the more important that we recognize when that valuable place work holds has been protected.

For those of you at Department of Health, Continuing Care, District 1, the "I care" credo is two-fold – the support you provide to the community at large and the support you pledge to one another by working safely and minimizing risk. Your work keeps families, workplaces and communities from coming unglued. It is incredibly valuable work. And you do it safely.

To all of you at Department of Health, Continuing Care, District 1, I extend warmest congratulations for effecting real and positive initiatives that mean more people return home safely at the end of every day.

SUMMARY OF FINANCIAL RESULTS

Statement of Financial Position

The Board's asset base at September 30, 2007 was \$1,135.4 million in comparison to \$1,123.1 million at December 31, 2006.

This \$12.3 million increase was mainly due to an increase in market value of investments and an increase in cash balances held.

The cash outflows for payments of claims processed and operating costs exceeded cash inflows from assessment revenues requiring a drawback of \$30 million from the external investment portfolio to meet cash flow requirements for the remainder of 2007.

Benefits liabilities have increased \$12.2 million from December 31, 2006 to September 30, 2007. 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 Board's funding strategy including the provision for chronic pain related benefits. Benefits liabilities estimates could vary significantly when the annual actuarial valuation is prepared by an independent actuarial consultant at year end.

Statement of Operations and Comprehensive Income

For the quarter ended September 30, 2007, revenues exceeded expenses by \$39.5 million. Year-to-date revenues exceeded expenses by \$43.7 million.

The statement of comprehensive income accounts for gains and losses that result from changes in fair market value of our investments. Cumulative changes in fair market value for investments still owned are tracked as accumulated other comprehensive income.

The net change in other comprehensive income for the quarter was a decrease of \$54.2 million. Year-to-date the net change was a decrease of \$52.9 million.

Total comprehensive loss was \$14.7 million for the quarter and \$9.2 million year-to-date.

The current funding strategy anticipates total comprehensive income for 2007 of \$12.7 million. Revenue estimates could vary significantly based on what may happen in the investment markets over the remainder of the year. The impact on the funding strategy will be measured as the variance of the actual 2007 total comprehensive income to the funding strategy estimate of \$12.7 million.

Revenue

Assessment revenue year-to-date is \$188.1 million, an increase of \$12.1 million versus the same period in 2006. This is a combination of an \$11.2 million increase in insured firms' assessment premium revenue; an increase of \$0.7 million in self-insured premium revenue, and an increase of \$0.2 million in premium adjustment charges and penalties.

Total investment income year-to-date is \$85.2 million, an increase of \$57.3 million over the same period in 2006. 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 in other comprehensive income.

Income earned on the long term investment portfolio year-to-date is \$85.2 million, an increase of \$57.3 million versus the same period in 2006. The \$85.2 million is the result of interest and dividends of \$20.3 million, net realized gains of \$67.2 million, less investment fees of \$2.3 million. During July 2007, a transition of approximately 25 percent of the investment portfolio occurred to increase non-Canadian equity holdings from 30 to 40 percent and transfer assets to new and existing investment managers. This transition along with regular portfolio transactions resulted in the sale of investments leading to realized gains of which \$67.2 million recognized into investment income.

Claims Costs Incurred and Growth in Present Value of Benefits Liability

Claims cost incurred of \$128.3 million are estimated based on an extrapolation of year-to-date claims payments for current and prior years' accidents. The growth in the present value of the benefits liability and actuarial adjustments is \$65.1 million for the year-to-date. The growth component is \$76.3 million offset by estimated experience adjustments of \$11.2 million including \$7.2 million for an adjustment relating to the Consumer Price Index.

Administrative Expenditures (Operating, Projects, and Capital)

Year-to-date administrative expenditures (including capital) were \$32.5 million with a \$1.8 million favorable variance from the \$34.3 million year-to-date budget estimate.

Favorable variances arose in operations relating to project and capital expenditures, amortization, communications, services contracted, and training. The majority of these variances are expected to be utilized by the end of the year.

Legislative Obligations

Legislated Obligations expenditures were \$8.4 million versus a budget of \$8.8 million. Favorable variances arose in: Occupational Health & Safety (\$0.2 million), the Workers Advisers' Program (\$0.1 million); and the Workers' Compensation Appeals Tribunal (\$0.2 million). Expenditures for the Injured Workers' Associations were slightly higher than budget by \$0.1 million.

Statements of Unfunded Liability and Changes in Other Comprehensive Income

The unfunded liability represents the excess of liabilities over assets. The cumulative changes in fair market values of investments still owned are tracked as accumulated other comprehensive income. The combined result is a net unfunded liability of \$269.3 million.

Statement of Cash Flow

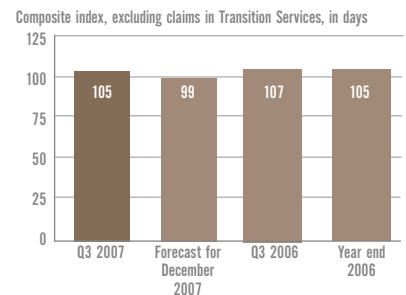
The Statement of Cash Flows demonstrates the use of cash for the year to date on a comparative basis. Total cash and cash equivalents were \$18.3 million as at September 30, 2007, an increase of \$9.1 million from the September 30, 2006 cash balance of \$9.2 million. This increase is attributable to the recall of funds from the external portfolio to meet planned cash outflows for the remainder of 2007.

Statement of Financial Position

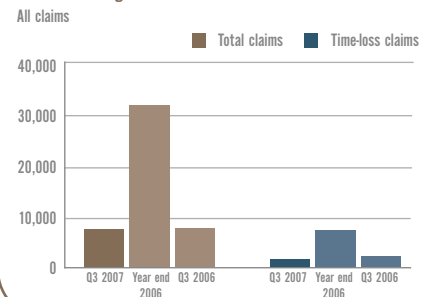
as at

	September 30 2007 (unaudited) (\$000s)	September 30 2006 (unaudited) (\$000s)	December 31 2006 (audited) (\$000s)
Assets			
Cash and cash equivalents	\$ 18,299	\$ 9,184	\$ 2,522
Receivables	17,401	19,876	21,689
Investments	1,093,290	1,015,629	1,091,177
Property, equipment and other assets	6,441	9,012	7,683
	\$ 1,135,431	\$ 1,053,701	\$ 1,123,071
Liabilities and Unfunded Liability			
Payables and accruals	\$ 17,873	\$ 17,778	\$ 19,389
Employee future benefit liability	7,793	6,321	6,929
Benefits liabilities	1,368,968	1,333,923	1,356,820
	1,394,634	1,358,022	1,383,138
Deferred revenue	10,089	12,617	-
Accumulated other comprehensive income	77,022	76,214	129,963
Unfunded liability	(346,314)	(393,152)	(390,030)
Net unfunded liability	(269,292)	(316,938)	(260,067)
	\$ 1,135,431	\$ 1,053,701	\$ 1,123,071

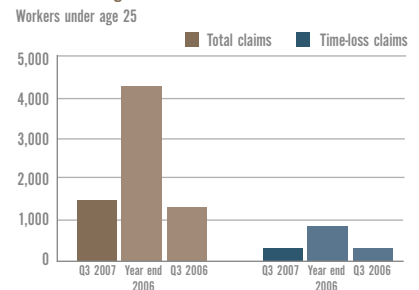
Duration Index



New Claims Registered

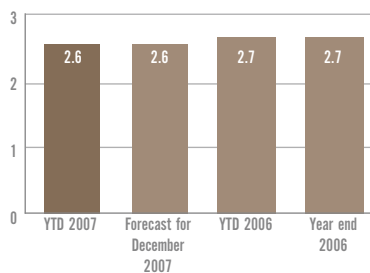


New Claims Registered

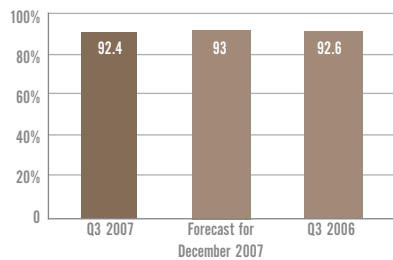


Injury Frequency

Time-loss claims per 100 covered workers

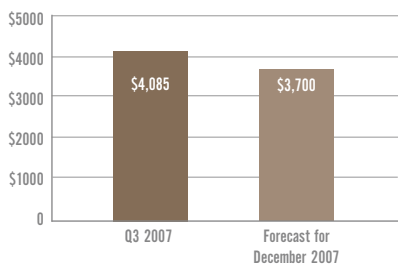


Percent Return to Work at 100% Pre-injury Earnings



Average Short-term Disability Payment Per Claim (Regular Classified Firms Only)

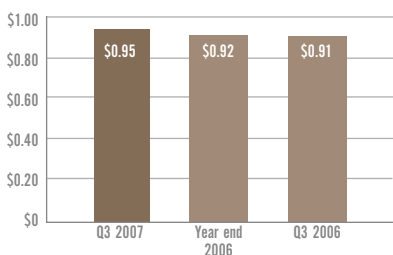
Excluding chronic pain claims in Transition Services



Note: This is a new performance measure.

Cost Per \$100 Payroll

Claims payments made for injuries in the past 3 years



Statement of Operations and Comprehensive Income

For the nine months ended September 30
(unaudited)

	Third Quarter 2007 (\$000s)	Third Quarter 2006 (\$000s)	YTD Sept. 30 2007 (\$000s)	YTD Sept. 30 2006 (\$000s)
Revenue				
Assessments	\$ 64,240	\$ 60,378	\$ 188,107	\$ 175,966
Net Investment Income	50,079	9,619	85,155	27,877
	114,319	69,997	273,262	203,843
Claims Costs Incurred				
Short-term Disability	11,890	12,391	35,700	37,228
Long-term Disability	15,757	14,683	48,586	43,122
Survivor Benefits	896	1,226	3,021	3,862
Health Care	12,847	10,225	39,903	31,357
Rehabilitation	439	315	1,080	993
	41,829	38,840	128,290	116,562
Growth in present value of benefits liabilities and actuarial adjustments	20,613	21,981	65,104	65,412
Administration Costs	9,771	10,029	27,779	27,653
System Support	-	6	12	17
Legislated Obligations	2,594	2,581	8,361	7,490
	74,807	73,437	229,546	217,134
Excess of revenues over expenses (expenses over revenues) applied to reduce (increase) the unfunded liability	39,512	(3,440)	43,716	(13,291)
Other Comprehensive Income				
Unrealized (losses) gains on available-for-sale financial assets arising during the period	(9,725)	38,071	14,166	41,736
Reclassification of realized (gains) losses to the Statement of Operations	(44,458)	(4,382)	(67,107)	(9,754)
Net change (decrease) increase in other comprehensive income for the period	(54,183)	33,689	(52,941)	31,982
Total comprehensive (loss) income	\$ (14,671)	\$ 30,249	\$ (9,225)	\$ 18,691

Statement of Unfunded Liability

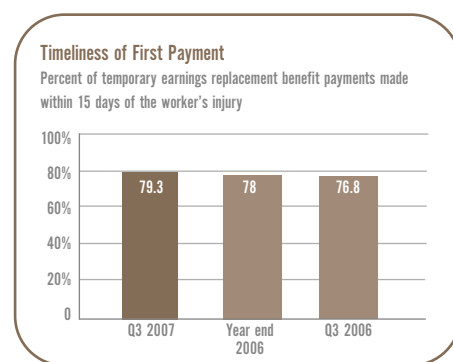
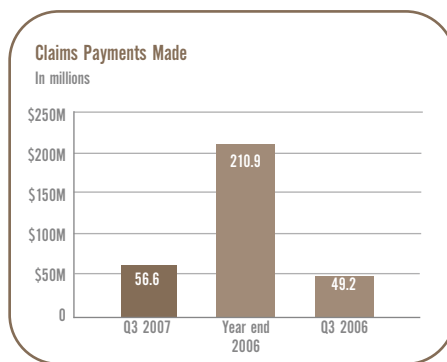
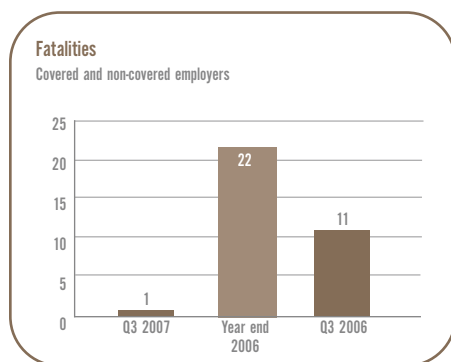
For the nine months ended September 30
(unaudited)

	Third Quarter 2007 (\$000s)	Third Quarter 2006 (\$000s)	YTD Sept. 30 2007 (\$000s)	YTD Sept. 30 2006 (\$000s)
Unfunded liability, beginning of period	\$ (385,826)	\$ (389,711)	\$ (390,030)	\$ (379,861)
Excess of revenues over expenses (expenses over revenues) applied to reduce (increase) the unfunded liability	39,512	(3,440)	(43,716)	(13,291)
Unfunded liability, end of period	\$ (346,314)	\$ (393,151)	\$ (346,314)	\$ (393,152)

Statement of Changes in Accumulated Other Comprehensive Income

For the nine months ended September 30

	Third Quarter 2007 (\$000s)	Third Quarter 2006 (\$000s)	YTD Sept. 30 2007 (\$000s)	YTD Sept. 30 2006 (\$000s)
Accumulated other comprehensive income, beginning of period	\$ 131,205	\$ 42,524	\$ 129,963	\$ 44,232
Net change in other comprehensive income for the period	(54,183)	33,689	(52,941)	31,982
Accumulated other comprehensive income, end of period	\$ 77,022	\$ 76,214	\$ 77,022	\$ 76,214



Statement of Cash Flows

For the nine months ended September 30

	September 30 2007 (\$000s)	September 30 2006 (\$000s)
Operating Activities		
<i>Cash received from:</i>		
Employers, for assessments	\$ 198,071	\$ 188,765
Net investment income	<u>115,139</u>	<u>27,900</u>
	313,210	216,665
<i>Cash paid to:</i>		
Claimants or third parties on their behalf	(175,411)	(160,775)
Suppliers, for administrative and other goods and services	<u>(36,617)</u>	<u>(33,088)</u>
	(212,028)	(193,863)
Net cash provided by operating activities	<u>101,182</u>	<u>22,802</u>
Investing Activities		
Increase in investments	(85,054)	(27,340)
<i>Cash paid for:</i>		
Purchase of equipment	<u>(351)</u>	<u>(760)</u>
Net (cash used) in investing activities	<u>(85,404)</u>	<u>(28,099)</u>
Net decrease in cash	15,777	(5,298)
Cash and cash equivalents, beginning of year	<u>2,522</u>	<u>14,482</u>
(Bank Indebtedness) Cash and Cash Equivalents, year-to-date	<u>\$ 18,299</u>	<u>\$ 9,184</u>

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 year-to-date 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 estimated 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.

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, 2006) 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.



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