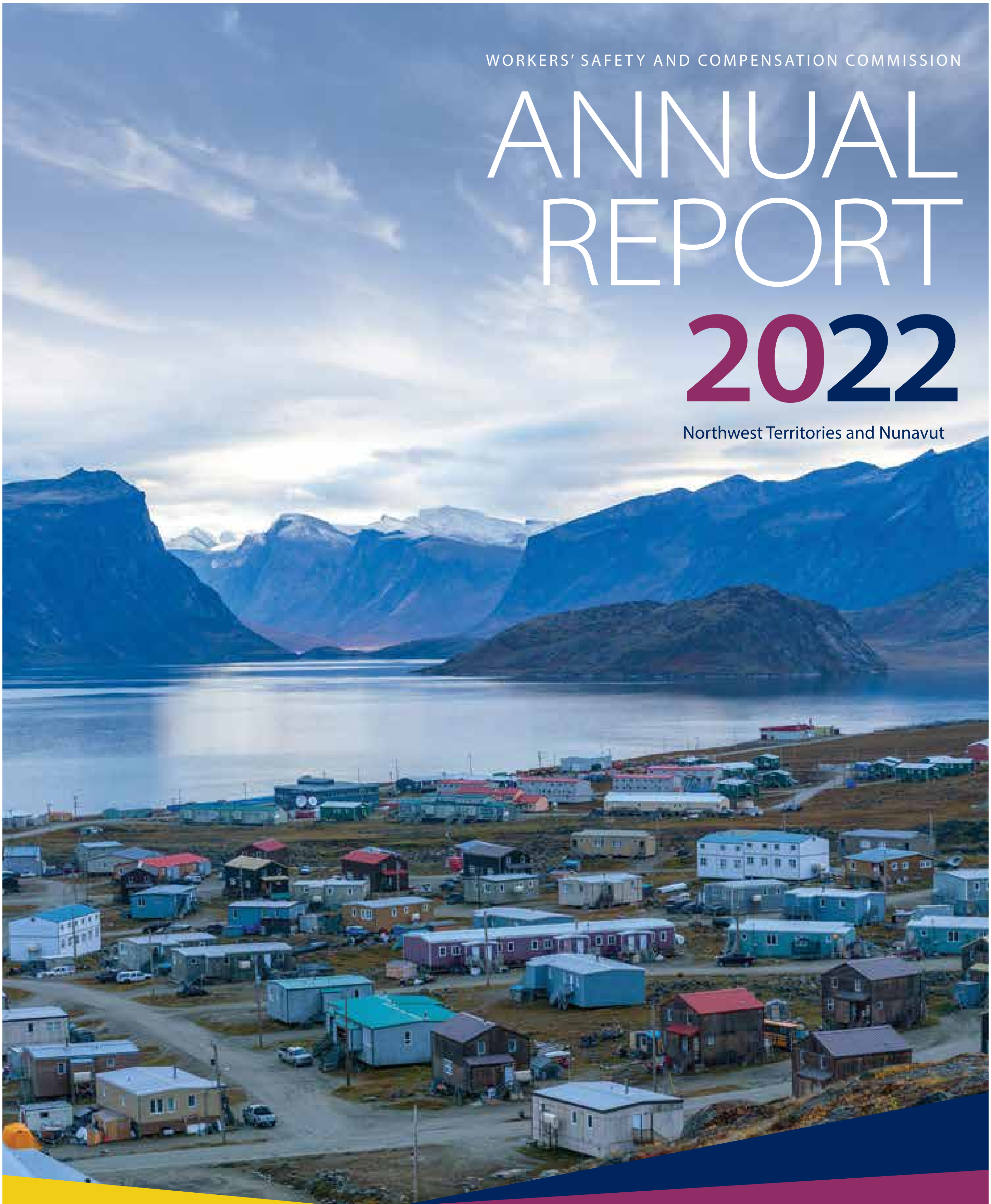
WORKERS' SAFETY AND COMPENSATION COMMISSION

ANNUAL REPORT 2022

Northwest Territories and Nunavut



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FRONT COVER: PANGNIRTUNG, NUNAVUT. PETR KAHANEK/ALAMY STOCK PHOTO

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PHOTO: INUVIK, NORTHWEST TERRITORIES. JAMES GABBERT/ISTOCK

Letter of Transmittal

April 30, 2023

The Honourable Margaret Thom
Commissioner of the Northwest Territories

The Honourable Eva Aariak
Commissioner of Nunavut

The Honourable Paulie Chinna
Northwest Territories Minister Responsible for the Workers' Safety and Compensation Commission

The Honourable Margaret Nakashuk
Nunavut Minister Responsible for the Workers' Safety and Compensation Commission

In accordance with Section 106(1) of the Northwest Territories and Nunavut *Workers' Compensation Acts*, it is my pleasure to present the Workers' Safety and Compensation Commission's (WSCC) Annual Report for the year ending December 31, 2022.

The Governance Council, in collaboration with the WSCC Senior Management Team, shares the vision and responsibility to eliminate workplace diseases and injuries across the Northwest Territories and Nunavut. Operating in a manner consistent with the *Workers' Compensation Acts*, policies, and corporate governance directives, the Governance Council oversees the business, management, and accountability of the WSCC.

The *2022 Annual Report* reports on our strategic commitments, our progress towards achieving our goals, and is generally a summary of last year's operations. Also included are audited financial statements, which reflect our commitment to sustaining the Workers' Protection Fund.

Accompanying the financial statements is an actuarial opinion on the reasonableness of future pension and claims liabilities, and the adequacy of the WSCC's contingency reserves.

I congratulate the Governance Council, employees, and WSCC partners on their continued dedication to serving our stakeholders and ensuring workplace safety and care for workers throughout the Northwest Territories and Nunavut.

Jenni Bruce
Chairperson

Message from the President

2022 was the final year of WSCC's 2018–2022 strategic cycle. We continued to focus on our mission of promoting workplace health and safety while providing no-fault insurance and care to injured workers, through our strategic priorities of *Advancing the Safety Culture* and *Delivering Quality Services and Outcomes*.

During the course of this strategic cycle, we became more streamlined in our corporate planning process to ensure our activities were based on data-driven decisions. We had a steep corporate learning curve as we began setting annual targets. Our process occasionally resulted in "at-risk" scores. With practice we improved at setting SMART* goals and identifying appropriate measures.

Most pandemic emergency measures were lifted in both territories in early 2022. Although much has returned to normal, remote and hybrid work options are now available for WSCC employees under the GNWT's *Remote Work Policy* and *Guidelines*. We are also gaining insight into how emergency measures affected employers and workers across both territories.

In 2022, we launched the Safe Workplace program and look forward to working with participating employers to increase safety at their work sites. We released the *Employers' Guide to Psychological Health and Safety*, began work on modernizing the *Safety Acts* and *Mine Health and Safety Acts*, created internal data dashboards to provide WSCC staff with timely information to support our decision-making processes, developed a cultural safety framework, and began work to address the equity of the WSCC lifetime pensions program. We are also proud to note that 82% of WSCC staff had completed GNWT's *Living Well Together: Indigenous Cultural Awareness and Sensitivity Training*. This will help employees develop cultural competencies and play a more active role in the reconciliation process.

The 2022 Annual Report outlines the progress we made towards achieving our strategic priorities and annual objectives over the past year. This year we are looking forward to implementing our 2023–2027 Strategic Plan, *Paths Towards Safety*.

Debbie Molloy
President and CEO

our VISION

Eliminate workplace diseases and injuries.

our MISSION

We promote workplace health and safety while providing no-fault insurance to employers and care for injured workers.

our VALUES

RESPECT - We demonstrate care, compassion, and honesty.

ENGAGEMENT - We ensure meaningful participation and collaboration.

INTEGRITY - We honour our commitments and act fairly.

OPENNESS - We are accessible, clear, and transparent.

CULTURAL SAFETY - We recognize, gain knowledge of, and respect cultural dignity.

EXCELLENCE - We are efficient and service-focused.

STEWARDSHIP - We sustain the Workers' Protection Fund through accountability and fiscal responsibility.

* *SMART goals stands for setting Specific, Measurable, Achievable, Realistic, and Timely goals.*

2022 Strategic Priorities and Objectives

Strategic Priority 1

Advancing the Safety Culture

Objectives

1.1 Increase the number of employers with an occupational health and safety (OHS) program

1.2 Improve awareness of OHS concepts

1.3 Increase OHS education in communities

1.4 Review OHS legislation

Strategic Priority 2

Delivering Quality Services and Outcomes

Objectives

2.1 Leverage data & technology to improve stakeholder experience

2.2 Increase safe and timely return to work (RTW)

2.3 Improve the cultural safety experience for our stakeholders

2.4 Maintain financial stewardship of the Workers' Protection Fund

2.5 Enhance communication

Governance Council

Clockwise from top left: Peter Mackey, Eleese Scott (Chief Governance Officer and Senior Advisor), Robert Wilkins, Rachel Makohoniuk, Cathy Cudmore, Debbie Molloy (President & CEO), Joseph Ohokannoak, Jenni Bruce. Absent from photo: Derek Allerton.

Representing Your Interests….

A seven-person Governance Council guides the WSCC's strategic direction. Individuals from Nunavut and the Northwest Territories who represent the interests of workers, employers, and the general public sit on the Governance Council to oversee the WSCC's management and provide responsible stewardship of the Workers' Protection Fund.

The Governance Council oversees the WSCC as outlined in the *Workers' Compensation Acts*, WSCC policies, and Governance Council directives. Meeting quarterly, the Governance Council monitors WSCC's financial and strategic performance, and provides a consistent point of contact for governance.

Jenni Bruce, Chairperson

Peter Mackey, Vice-Chairperson, Nunavut Public Interest Representative

Robert Wilkins, Northwest Territories Employer Representative

Cathy Cudmore, Northwest Territories Employer Representative

Rachel Makohoniuk, Northwest Territories Worker Representative

Joseph Ohokannoak, Nunavut Public Interest Representative

Derek Allerton, Nunavut Worker Representative

About the WSCC

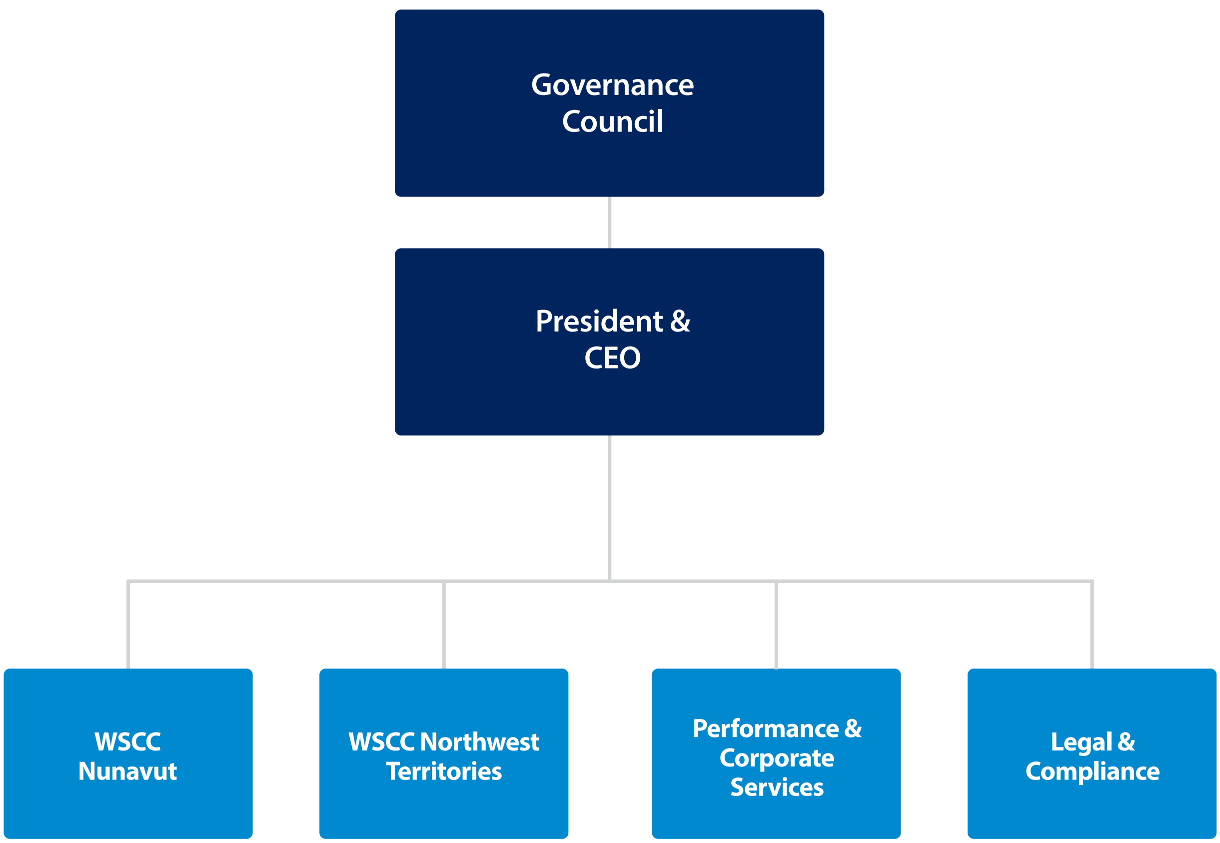
Safety and Care

The WSCC is an independent statutory agency responsible for administering the *Workers' Compensation Acts, Safety Acts, Explosives Use Acts,* and *Mine Health and Safety Acts* of the Northwest Territories and Nunavut. The WSCC provides services to approximately 40,000 workers and 4,000 employers across the two territories. These *Acts* and the associated *Regulations* help protect and care for workers and employers in the Northwest Territories and Nunavut.

With the broad mandate of safety and care, the WSCC's 2018–2022 Strategic Plan included two strategic priorities: *Advancing the Safety Culture* and *Delivering Quality Services and Outcomes*.

WSCC's Corporate Structure

A team of senior level staff lead the WSCC. Members reside in both Nunavut and the Northwest Territories. They provide leadership and direction to staff and guide WSCC's operations.



WSCC Statistics

Data pulled is from a point-in-time measure[1]. Information is adjusted to provide the most up-to-date statistics, which may reflect adjusted values when compared against previous year's data. This is the final year of the WSCC's 2018–2022 strategic cycle.

	2018	2019	2020	2021	2022
Assessable Employers	4,485	4,130	3,968	4,064	4,168
New Employers	663 265 NU 398 NT	699 318 NU 381 NT	507 231 NU 276 NT	601 288 NU 313 NT	594 263 NU 331 NT
Reactivated Employer Accounts	333 121 NU 212 NT	398 176 NU 222 NT	250 104 NU 146 NT	289 129 NU 160 NT	292 126 NU 166 NT
Reported Claims	3,567	3,614	2,832	3,073	3,401
Accepted Claims	2,354 968 NU 1,386 NT	2,359 1,030 NU 1,329 NT	1,709 723 NU 986 NT	2,065 947 NU 1,118 NT	2,414 1,204 NU 1,219 NT
Review Requests[2]	69	57	36	46	37
Work-related Fatality	6	4	1	10	2
Assessable Payroll	$3,126 M	$3,283 M	$3,138 M	$3,474 M	$3,680 M
Assessable Revenue	$67.2M	$68.9 M	$78.06 M	$84.35 M	$90.14 M
YMIR	$90,600	$92,400	$94, 500	$97,300	$102,200
Inspections Conducted	932 407 NU 525 NT	987 335 NU 652 NT	626 227 NU 399 NT	623 215 NU 408 NT	640 261 NU 373 NT
Engagements[3]	[4]	282	2,736	1,591	640
Average number of orders per inspection	2.87 3.05 NU 2.74 NT	2.92 3.16 NU 2.79 NT	2.37 3.32 NU 1.82 NT	2.42 2.72 NU 2.27 NU	1.70 2.06 NU 1.44 NT
Orders issued	2,678	2,878	1,481	1,510	1,087
Reports of Unsafe Work received through *WSCC Connect*	191	134	196	129	133
Reportable Incidents[5]	151 78 NU 73 NT	169 93 NU 76 NT	194 107 NU 87 NT	228 125 NU 103 NT	275 123 NU 152 NT
Investigations	8	18	17	7	12
Prosecutions					
Employers/Supervisors Charged	2	2	1	5	3
Employers/Supervisors Sentenced	6	1	2	3	1

(1) Data in table was pulled week of January 16, 2023.

(2) 2018 and 2019 data have been updated from the 2021 Annual Report. An audit was completed in 2022 and revealed that some reviews had been counted twice.

(3) Engagements include consultation and education and are tracked separately from Inspections.

(4) Engagements were not tracked until 2019.

(5) Under the Occupational Health and Safety Regulations *and the* Mine Health and Safety Regulations.

Report on 2022 Activities

Advancing the Safety Culture

Workers' Safety and Compensation Commission
Northwest Territories and Nunavut

2022 Key Performance Indicators

The WSCC uses Key Performance Indicators (KPI's) to track progress towards our Strategic Priorities.

Key Performance Indicator	Metric	2018	2019	2020	2021	2022	Target	Assessment
Time loss frequency	# of time loss claims per 100 workers	2.17	2.12	1.98	1.82	1.44	1.99	Performance meeting or exceeding target
Employers with OHS program	% of employers with program	46.9%	53.8%	52.5%	41.6%	41.6%	55%	Performance off target (1)
Young worker time loss injuries	% of reported incidents resulting in time loss for workers under 25	-	-	-	23.43%	24%	0-24%	Performance meeting or exceeding target (2)

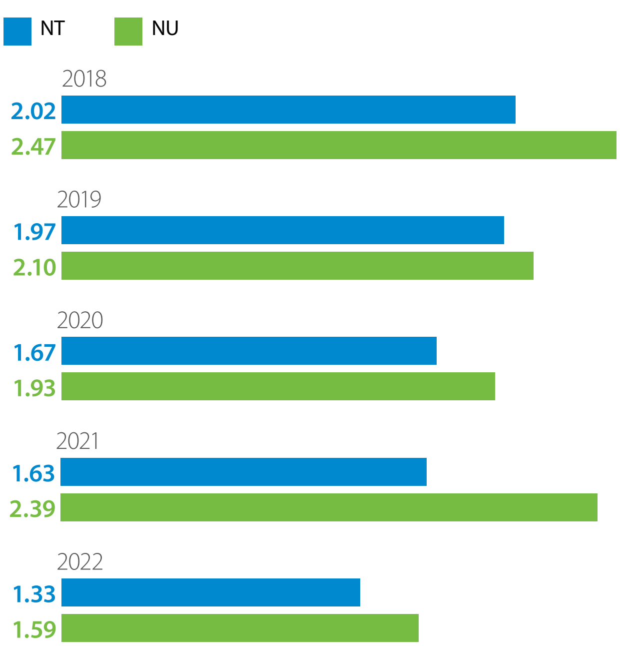
Performance meeting or exceeding target — Performance marginally off target — Performance off target — Not tracked this year

(1) The development and introduction of the Safe Workplace program changed how this KPI is calculated. It is now calculated using the number of employers classified as an eligible Safe Workplace and Advanced Safe Workplace, divided by the total number of employers who reported payroll. The target was not amended to reflect the changes.

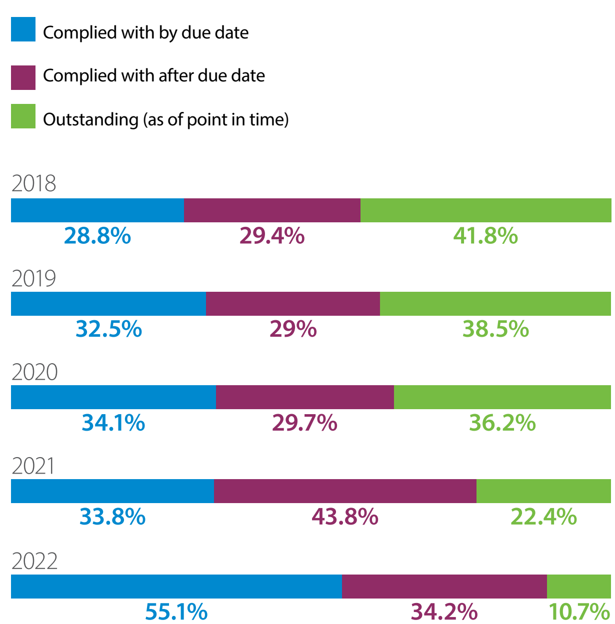
(2) This KPI was introduced in 2021 to track the number of serious injuries involving time loss in workers 24 years of age and younger.

Time Loss Frequency 2018-2022

This is the number of time loss claims per 100 workers.



Order Compliance 2018–2022



How did we do with our 2022 Advancing the Safety Culture initiatives?

1.1 Increase number of employers with an occupational health and safety (OHS) program

Continue strategy to increase OHS programs in the workplace

INITIATIVE	TARGET	PERFORMANCE
Provide materials to employers to advance OHS program development	• 75% of employers that Inspectors actively engage with receive resources	✔

Continue evolution of the safety incentive program for employers

INITIATIVE	TARGET	PERFORMANCE
Engage with employers to collect feedback to use to further improve the safety incentive program	• 40 employers are contacted to solicit feedback	✔
Launch Safe Workplace, the improved safety incentive program	• Launch program January 1, 2022 • Employers have online accessibility by year-end	✔

1.2 Improve awareness of OHS concepts

Continue implementation of tactics in support of OHS awareness

INITIATIVE	TARGET	PERFORMANCE
Create resources to raise awareness on current reportable incidents	• All reportable incidents have a supporting resource published within 7 working days	✔
Promote seasonal and relevant safety topics	• Develop 4 quarterly campaigns	✔
Provide support to employers to promote psychological health and safety in the workplace	• Engage with employers in 2 high-risk industries	✔

Analyze and address emerging trends in workplace safety

INITIATIVE	TARGET	PERFORMANCE
Complete an analysis of Prevention activities quarterly to ensure real-time planning and appropriate actions	• 1 trend actioned appropriately per quarter	✔
Continue implementing recommendations for an enhanced injury prevention program delivered by Prevention Services	• Begin implementing recommendations	✔

✔ Performance meeting or exceeding target — Performance marginally off target ✖ Performance off target ☐ Reprioritized for future or change in direction

In 2022 there were: **527** visits to the Safety Spotlight webpage which featured the quarterly safety campaigns. Of the 527 visits, 411 were to English, 85 were to French, and 31 were to Inuktut.

1.3 Increase OHS education in communities

Continue deployment of the strategy for OHS education for young workers

INITIATIVE	TARGET	PERFORMANCE
Launch the Youth Ambassador Program to promote young worker safety and education	• 1 youth ambassador participating in each region of the territories	−
Continue rolling out the Young Worker Program to employers and young workers	• 300 young workers complete the online certificate course	✓
Conduct an evaluation with employers of the young worker program	• Follow up with 40 employers	✓

Develop and deploy a strategy focused on supporting OHS education in northern communities

INITIATIVE	TARGET	PERFORMANCE
Collaborate with the Northern Safety Association and other organizations to deliver education	• Meet with one organization per quarter	✓
Build collaboration with local community organizations to support OHS education	• Engage with 1 community per quarter to support OHS education	✓

1.4 Review OHS legislation

Assess legislative proposal to harmonize the *Safety Act(s)* and the *Mine Health and Safety Act(s)*.

INITIATIVE	TARGET	PERFORMANCE
Collaborating with the Mine Health and Safety Committee and the Safety Advisory Committee, develop recommendations for stakeholder engagement	• Recommendations developed by year-end	✓

✓ Performance meeting or exceeding target   − Performance marginally off target   ✗ Performance off target   □ Reprioritized for future or change in direction

LOOKING FORWARD

In 2023, we will continue to promote OHS requirements by providing resources and information to workers and employers, clarifying WSCC policies, and reviewing WSCC's current employer assessment rate model.

Report on 2022 Activities

Delivering Quality Services and Outcomes

Workers' Safety and Compensation Commission
Northwest Territories and Nunavut

2022 Key Performance Indicators

The WSCC uses Key Performance Indicators (KPIs) to track progress towards our Strategic Priorities.

Key Performance Indicator	Metric	2018	2019	2020	2021	2022	Target	Assessment
Short term time loss	% of cases with duration less than 10 days	70.2%	73.2%	75.8%	77.7%	65.3%	75%	✖ (1)
Time to first payment	% of first compensation payments issued within 20 days	88.6%	87.3%	78.2%	71.3%	35%	90%	✖ (2)
Time to entitlement decision	% of decisions made within 15 days	73.4%	74.3%	79.3%	68.1%	60.9%	70%	✖ (2)
Return to work	% of injured workers RTW within 6 months	90.3%	89.4%	88.6%	87.8%	90%	90%	✔
e-Business user satisfaction	% of satisfied respondents	82%	77%	77%	77%	79%	80%	✔
Funded position	% of funded position	102%	105%	109%	114%	104%	105% to 135%	✖ (3)
Operating budget	Within % of annual budgeted expenses	-7.6%	-15.9%	-14%	-0.1%	13%	5%	✔
Claims costs	Within % of annual budget claims costs	25.4%	31%	-18.8%	4.8%	-14%	10%	✖ (4)
Return on investment	% returned	-0.2%	13.22%	5.73%	10.1%	-6.5%	5.58%	✖ (3)

✔ Performance meeting or exceeding target — Performance marginally off target ✖ Performance off target ■ Not tracked this year

(1) The 2022 result is an outlier from historical norms. This KPI will be monitored in 2023.

(2) The Time to first payment *and* Time to entitlement *KPIs are closely linked. During 2022, WSCC worked to improve the accuracy of wage calculations, which affected both KPI results. A mitigation plan is included in the 2023 workplan.*

(3) The Funded position *and* Return on investment *results were negatively affected by market volatility during 2022.*

(4) The WSCC undertook a project in 2022 to address the cost drivers that impact this KPI. This KPI should stabilize in 2023.

WSCC works with employers, workers, and organizations to continually improve our programs and services. In 2022 the WSCC:

Reached out to

117

employers after launching the Safe Workplace program to learn about users' experiences.

Shared in

7

communities what we learned and how we implemented a framework for cultural safety.

Worked with over

40

employers to promote the Young Worker Program resources.

How did we do with our 2022 Delivering Quality Service and Outcomes initiatives?

2.1 Leverage data & technology to improve stakeholder experience

Continue the development and enhancement of e-Business initiatives

INITIATIVE	TARGET	PERFORMANCE
Assess, analyze, and address the ongoing effectiveness and relevance of the services offered in *WSCC Connect*	• Upon project completion, maintain a quarterly satisfaction rate of 80%	Performance marginally off target
Develop electronic invoicing submission for medical service providers	• Reduce time to invoice payment to 15 days	Reprioritized for future or change in direction

Support internal data management decision-making through business intelligence tools

INITIATIVE	TARGET	PERFORMANCE
Complete the development of a data dashboard to support WSCC in operational decision making	• Project complete	Performance meeting or exceeding target

Performance meeting or exceeding target | Performance marginally off target | Performance off target | Reprioritized for future or change in direction

By the end of 2022:

82% of all staff completed *Living Well Together*, GNWT's Indigenous Cultural Awareness and Sensitivity Training.

In 2022 there were:

267 downloads of the *Employers' Guide to Psychological Health and Safety in the Workplace.*

2.2 Increase safe and timely return to work (RTW)

Improve safe and timely RTW through early intervention

INITIATIVE	TARGET	PERFORMANCE
Create tools to support claimants' psychological health to improve RTW outcomes	• Establish baseline measures for tracking primary and secondary psychological health claims	✔
Improve RTW training for WSCC staff	• All claims staff complete updated training by year-end	✔

Increase percentage of employers participating in RTW programs

INITIATIVE	TARGET	PERFORMANCE
Develop a framework to provide employers with online support for RTW	• Framework complete	☐
Continue development of the legislative proposal to support return to work	• Confirm direction by year-end	–

2.3 Improve the cultural safety experience for our stakeholders

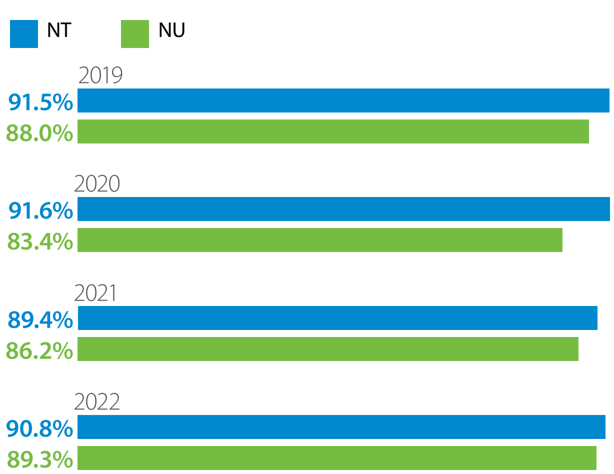
Continue building cultural competency, to move the WSCC towards practicing cultural safety

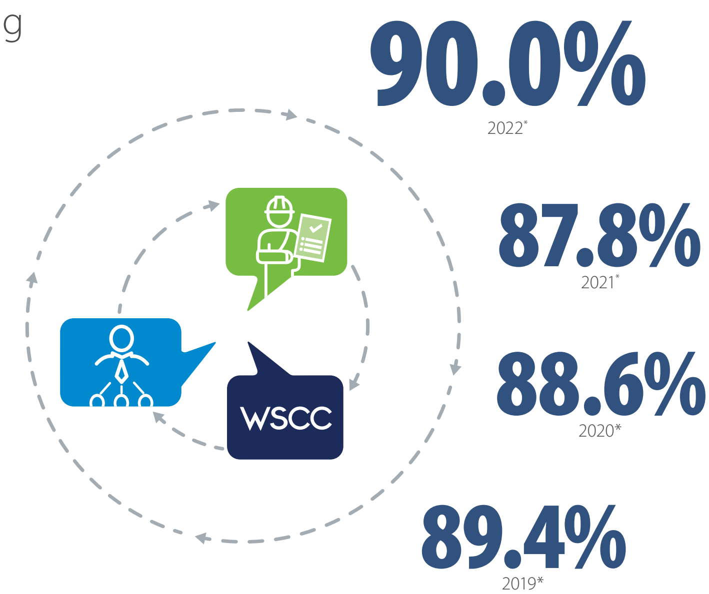
INITIATIVE	TARGET	PERFORMANCE
Conduct internal reviews of business units to advance WSCC towards cultural safety	• Review 1 business unit per quarter	✔
Create resources to support cultural safety internally	• Cultural Safety becomes engrained in our operations through standing discussion in our departmental meetings	✔

✔ Performance meeting or exceeding target – Performance marginally off target ✖ Performance off target ☐ Reprioritized for future or change in direction

Return to Work 2019-2022

WSCC met its target of returning **90%** of injured workers to the worksite within six months.





**The number represents the two territories' cumulative percentage of injured workers who returned to work within 6 months.*

	INITIATIVE	TARGET	PERFORMANCE
2.4	**Maintain financial stewardship of the Workers' Protection Fund**		
	Address our financial drivers		
	Begin implementing recommendations from action plan that analyzed factors impacting claims costs	• Increase return to work Key Performance Indicators	✔
	Continue addressing the equity of the WSCC lifetime pensions program		
	Develop legislative proposal to guide the legislative amendment process	• Develop proposal in third quarter	✔
	Ensure consistency, comparability, and transparency in our financial reporting		
	Prepare for the implementation of International Financial Reporting Standards (IFRS) 17	• Ready for implementation January 1, 2023	–
2.5	**Enhance communication**		
	Improve written stakeholder communication		
	Improve content of automated written communication with employers	• 75% of employer automated written communication is written at a Grade 10 level	✖ (1)
	Complete an evaluation on the updated standardized written communications to claimants	• Sampling of test material with end users complete by end of third quarter	☐

✔ Performance meeting or exceeding target – Performance marginally off target ✖ Performance off target ☐ Reprioritized for future or change in direction

(1) The project's complexity was larger than anticipated during the planning stages. Although the scope was revised, the original target was not. This resulted in an off-target performance rating.

LOOKING FORWARD

2023 is the beginning of the new 2023–2027 strategic cycle. WSCC's leadership and staff reviewed the vision, mission, and values, and agreed that they are still relevant to our day-to-day work. WSCC will continue to work on achieving our current strategic priorities of *Advancing Safety Outcomes* and *Delivering Quality Services*. We added a third priority of *Ensuring Financial Sustainability* to the 2023–2027 Strategic Plan to highlight our commitment to the Workers' Protection Fund stewardship.

Our Finances

Workers' Safety and Compensation Commission
Northwest Territories and Nunavut

Management Commentary

For the year ended December 31, 2022

The management commentary provides additional insights and information about the Workers' Safety and Compensation Commission's (WSCC) operations and financial affairs. The following audited financial statements are integral to this commentary and should be read in conjunction.

Forward-looking Information

This report contains forward-looking information from which actual results may differ. This information includes assumptions about the future and is subject to risk and uncertainties. Forward-looking information includes but is not limited to WSCC priorities, objectives, actions, projections and observations.

Risks and uncertainties about future assumptions may include: changing financial markets, industry and general economic conditions; legislation; accounting standards; appeals and court decisions; and other risks, known or unknown. Accordingly, the reader should be cautious about relying too much on forward-looking information in this document.

Funded Position

Under the authority of the *Workers' Compensation Acts of the Northwest Territories* and *Nunavut*, the WSCC Governance Council shall ensure the proper stewardship of the Workers' Protection Fund (the Fund). In doing so, the Governance Council must maintain assets sufficient to meet its liabilities. WSCC Policy 10.05 Funding Strategy aims to balance providing quality benefits to injured workers while maintaining stable and affordable employer assessment rates.

The overall funded position or ratio is a critical financial measure utilized by the WSCC and all workers' compensation organizations across Canada. The WSCC's current funding strategy, implemented in March 2014 and updated in December 2018, establishes a target funding ratio (assets/liabilities) of 125%.

As at December 31, 2022, the WSCC's funded position or funding ratio, as defined within the policy, is 104%, a decrease of 10% under the measure of 114% at December 31, 2021. Under Policy 10.05 Funding Strategy, a $0.20 component was included in the 2020 assessment rate to support the movement of the funded position towards the WSCC goal of 125%. As at December 31, 2022, that shortfall from the target remains; therefore, the $0.20 component initially added to the assessment rate in 2020 will be extended into 2023. The $0.20 rate component in 2024 will be re-evaluated based on the reported funding level at December 31, 2023.

Overview of 2022 Financial Results

Despite the success of operational initiatives, the overall financial results were negative due to losses coming from investments. Assessment revenue grew to $94.0M from $85.8M in 2021, primarily due to a strong recovery in in the economy which resulted in increases in payroll assessment revenue. However, the markets turned in a negative performance during the year. Global investment markets remained volatile, continuing their downward trend in 2022. Over the year, the WSCC's long-term investment strategy evolved into a more diversified structure. The investment fund, which started the year at $481.7M, ended at $451.6M (including cash), down $30.1M. The fund's long-term investment strategy and active management helped limit the downside in the historically difficult year in the equity and bond markets.

The 2022 budget, as set by the Governance Council, anticipated a comprehensive surplus income of $6.1M with $83.3M in net assessment revenues, $23.0M in investment revenues, $73.6M in claims costs and $26.6M in administration and general expenses. However, actual results delivered a comprehensive loss of $41.2M resulting from assessment revenues for the year of $94.0M; investment losses of $31.3M; claims costs of $83.9M; and administration and general expenses of $20.0M.

The most notable variation from budget pertained to claims costs resulting in an increase in claims cost of $8.8M before claims management cost. This is as a result of two primary factors. First, while new injury costs in 2022 were 7% lower relative to 2021, they were still $4.4M higher than had been budgeted when 2022 rates were set in the fall of 2021. The second contributing factor is higher than anticipated claim payments on prior year injuries, particularly for compensation payments, and the strengthening of liability that was necessary as a result.

Administration and general expenses, before the portion allocated to claims, increased by $1M or 3.3% over 2021 levels. Salaries and the related employer share of benefits comprised 63% of total administration and general expenses in 2022, down by 3% compared to 2021.

The benefits liability increased $12.5M in 2022, now totalling $442.2M. The estimate of the long-term average rate of return (over and above inflation) on invested assets as at December 31, 2022, was 3.50%, compared to the 2021 (3.25%) assumption. Combined with the long-term average inflation assumption of 2% (2% for 2021), the gross discount rate used in calculating the benefit liability was 5.50% compared to a gross discount rate of 5.25% used for 2021.

Included within the total benefit liability is an allowance for all recognized latent occupational disease claims, including those pertaining specifically to firefighters, expected to arise in the future as a result of past workers' exposures. The component of the total benefit liability attributable to latent occupational diseases is $39.9M which comprises 9% of the total benefit liability. That is an increase from the 3% level of 2021. The increase is attributable to the change in the estimate for the presumptive firefighters' coverage which comprises a portion of the total latent occupational disease element.

The Harvesters group is accounted for on a self-insured basis within the scope of IFRS 15 rather than IFRS 4. This treatment carved out a contract liability and deferred revenues of $12.7M for 2022 and $12.9M for 2021, representing the Harvester's Liability for both NWT & NU.

Reserves decreased in 2022 by $41.2M, with total net reserves at $21.3M (2021 - $62.5M). The Catastrophe reserve balance for 2022 is $23.1M (2021 - $23.1M). The Capital Replacement Reserve balance for 2022 is $2.8M (2021 - $2.4M), receiving a transfer from Operating Reserve for projects approved before and up to 2022. These transfers resulted in the Operating Reserve 2022 balance of negative $4.6M (2021: $37.1M).

In 2022 the year's maximum insurable remuneration (YMIR) increased to $102,200 from the 2021 level of $97,300. YMIR represents the maximum level of employee-covered wages used for benefits determination. YMIR is set annually under WSCC Policy 00.04 Year's Maximum Insurable Remuneration and is a critical determinant in claims compensation and employer assessable earnings.

The 2022 provisional assessment rate was maintained at $2.40/$100 of assessable payroll from the 2021 rate of $2.40/$100.

Forward Looking

The WSCC embarked upon a five-year strategic plan which commenced in 2018. The plan ended in 2022 and represented a natural evolution from the WSCC 2015-2017 strategic plan. The strategic priorities enunciated in the plan are as follows:

- *Advancing the Safety Culture*
- *Delivering Quality Services and Outcomes*

In line with our established mission, a revised strategic plan will be implemented for 2023-2027. WSCC remains committed to pursuing our existing strategic priorities of advancing safety outcomes and delivering quality services. Furthermore, we have introduced an additional priority, Ensuring Financial Sustainability, to the 2023-2027 Strategic Plan. This focus highlights our commitment to responsibly managing the Workers' Protection Fund.

Harry Cassie, MBA, FCCA, CFE, CMgr. FCMI, CPA, CGA
Chief Financial Officer

Management's Responsibility for Financial Reporting

April 20, 2023

The accompanying financial statements of the Workers' Safety and Compensation Commission of the Northwest Territories and Nunavut (the Commission), and all information in this annual report are the responsibility of the Commission's management and were reviewed and approved by the Governance Council. The financial statements were prepared in accordance with International Financial Reporting Standards and include some amounts, such as the benefits liability, that are necessarily based on management's best estimates and judgement. 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 in accordance with the specified legislation, assets are safeguarded, and proper records are maintained.

The Governance Council is responsible to ensure management fulfills its responsibilities for financial reporting and internal control. The Governance Council exercises this responsibility and is composed of Directors who are not employees of the Commission. The Governance Council meets with management and the external auditors on a regular basis. The external auditors have full and free access to the Governance Council.

The Auditor General of Canada annually conducts an independent, objective audit of the financial statements of the Commission for the purpose of expressing an opinion on the financial statements. She also considers whether the transactions that come to her notice in the course of the audit are, in all material respects, in accordance with specified legislation.

Telus Health, an independent firm of consulting actuaries, performed an actuarial valuation and provided an opinion on the adequacy and appropriateness of the benefits liability of the Commission.

Debbie Molloy
President and CEO

Harry Cassie, MBA, FCCA, CFE, CPA, CGA
Chief Financial Officer

Actuarial Statement of Opinion

TELUS Health

I have completed the actuarial valuation of the benefit liabilities of the Workers' Safety and Compensation Commission (the "Commission") as at December 31, 2022 (the "valuation date"). Details of the data, actuarial assumptions, valuation methods and results are included in the actuarial valuation report as at the valuation date, of which this statement of opinion forms part.

In my opinion:

1. The data on which the valuation is based were supplied by the Commission in accordance with specifications provided by us. We applied such checks of reasonableness of the data as we considered appropriate, and have concluded that the data are sufficient and reliable to permit a realistic valuation of the liabilities of the Commission.

2. The actuarial assumptions adopted in computing the liabilities are adequate and appropriate for the purpose of the valuation. The economic assumptions are consistent with the funding and investment policies of the Commission.

3. The methods used are appropriate for the purpose of the valuation and are in accordance with accepted actuarial practice for Workers' Compensation organizations in Canada.

4. The estimate of the actuarial liabilities as at the valuation date is $442,161,000. This includes provisions for benefits and future administration expenses expected to be paid after the valuation date for claims that were incurred on or before the valuation date. A provision for future claims arising from long latency occupational diseases is included in this valuation. This liability does not include any self-insured employers or Harvester claims.

5. The amount of the actuarial liabilities makes appropriate provision for all personal injury compensation obligations and the financial statements fairly present the results of the valuation.

6. This report has been prepared, and my opinions given, in accordance with accepted actuarial practice in Canada.

7. The valuation is based on the provisions of the Workers' Compensation Act S.N.W.T. 2007, c. 21, the Workers' Compensation Act S.Nu. 2007, c. 15 and on the Commission's policies and practices in effect on the valuation date.

Crispina Caballero, F.C.I.A

This report has been peer reviewed by Sekayi Campbell, F. C. I.A

Independent Auditor's Report

Office of the Auditor General of Canada | Bureau du vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Ministers responsible for the Workers' Safety and Compensation Commission of the Northwest Territories and Nunavut

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Workers' Safety and Compensation Commission of the Northwest Territories and Nunavut (the Commission), which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Commission in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the Workers' Safety and Compensation Commission of the Northwest Territories and Nunavut coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are Part IX of the *Financial Administration Act* of Nunavut and regulations, the *Workers' Compensation Act* of the Northwest Territories and regulations, and the *Workers' Compensation Act* of Nunavut and regulations.

In our opinion, the transactions of the Workers' Safety and Compensation Commission of the Northwest Territories and Nunavut that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act* of Nunavut, we report that, in our opinion, the accounting principles in IFRSs have been applied on a basis consistent with that of the preceding year. In addition, in our opinion, proper books of account have been kept by the Workers' Safety and Compensation Commission of the Northwest Territories and Nunavut and the financial statements are in agreement therewith.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Workers' Safety and Compensation Commission of the Northwest Territories and Nunavut's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Workers' Safety and Compensation Commission of the Northwest Territories and Nunavut to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.

David Irving

David Irving, CPA, CA
Principal
for the Auditor General of Canada

Edmonton, Canada
20 April 2023

Financial Statements

Statement of Financial Position

As at December 31 (in thousands of Canadian dollars)

	2022	2021
	$	$
TOTAL ASSETS		
Cash	**26,597**	27,957
Investments (Note 4 & 17)	**446,507**	476,775
Assessments receivable (Note 5)	**8,470**	6,892
Other receivables	**2,210**	1,028
Prepaid expenses	**444**	298
Property and equipment (Note 6)	**5,375**	4,901
Right of use assets (Note 18)	**4,197**	4,287
Intangible assets (Note 7)	**2,120**	2,414
	495,920	524,552
LIABILITIES AND EQUITY		
LIABILITIES		
Accounts payable, accrued and other liabilities (Note 8)	**3,797**	3,747
Salaries and wages payable	**3,323**	3,408
Assessments refundable	**7,318**	6,672
Lease liabilities (Note 18)	**4,434**	4,521
Benefits liability (Note 9)	**442,161**	429,650
Contract liability (Note 10)	**10,523**	10,681
Deferred revenue (Note 10)	**2,210**	2,243
Post-employment benefits	**838**	1,108
	474,604	462,030
EQUITY		
Operating reserve (Note 11.b)	**(4,561)**	37,070
Capital asset replacement reserve (Note 11.c)	**2,783**	2,358
Catastrophe reserve (Note 11.d)	**23,094**	23,094
	21,316	62,522
	495,920	524,552

Commitments (Note 12), Contingencies (Note 13)

Approved by the Governance Council:

Jenni Bruce
Chairperson, Governance Council

The accompanying notes form an integral part of these financial statements

Statement of Comprehensive Income

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

	2022 $	2021 $
REVENUE AND INCOME		
Assessments	**92,582**	85,766
Investments		
Interest	**423**	99
Dividends	**20,172**	27,307
Investment (losses) gains (Note 4.a)	**(50,566)**	18,177
Investment fees	**(1,307)**	(1,403)
Net Investment income (loss)	**(31,278)**	44,180
Fines and miscellaneous income	**1,376**	75
	62,680	130,021
EXPENSES		
Claims costs		
Claims costs, current year injuries (Note 9.b)	**56,471**	60,934
Claims costs, prior years' injuries (Note 9.b)	**27,445**	25,867
Third party legal claim recoveries	**-**	(334)
	83,916	86,467
Administration and general expenses (Note 15)	**20,041**	20,992
	103,957	107,459
Income (loss) before other comprehensive income	**(41,277)**	22,562
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will not be reclassified to profit or loss in subsequent periods:		
Re-measurement gains (losses) on defined benefit plan	**71**	(111)
Total comprehensive income (loss)	**(41,206)**	22,451

The accompanying notes form an integral part of these financial statements

Statement of Changes in Equity

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

	Operating Reserve	Capital Asset Replacement Reserve	Catastrophe Reserve	Total
	$	$	$	$
Balance at January 1, 2021	**21,416**	**648**	**18,007**	**40,071**
Total comprehensive income for the year				
Income before other comprehensive income	22,562	-	-	22,562
Re-measurement losses on defined benefit plan	(111)	-	-	(111)
Transfer to catastrophe reserve	(5,087)	-	5,087	-
Transfer to capital asset replacement reserve	(1,710)	1,710	-	-
Balance at December 31, 2021	**37,070**	**2,358**	**23,094**	**62,522**
Total comprehensive loss for the year				
Loss before other comprehensive income	(41,277)	-	-	(41,277)
Re-measurement gains on defined benefit plan	71	-	-	71
Transfer to catastrophe reserve	-	-	-	-
Transfer to capital asset replacement reserve	(425)	425	-	-
Balance at December 31, 2022	**(4,561)**	**2,783**	**23,094**	**21,316**

Capital management and reserves (Note 11)

The accompanying notes form an integral part of these financial statements

Statement of Cash Flows

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

	2022 $	2021 $
OPERATING ACTIVITIES		
Cash received from:		
Assessments from employers	**92,774**	81,494
Cash paid to:		
Payments for claims cost and claims management	**(71,894)**	(62,350)
Net payment for Harvesters	**(698)**	(140)
Purchase of goods and services	**(18,730)**	(19,762)
Interest portion of lease liabilities	**(154)**	(186)
Cash provided by (used in) operating activities	**1,298**	(944)
INVESTING ACTIVITIES		
Proceeds on sale of investments	**72,660**	63,000
Dividends	**20,172**	27,307
Interest	**430**	99
Purchase of intangible assets	**(95)**	(320)
Purchase of property and equipment	**(1,176)**	(46)
Purchases of investments	**(92,964)**	(86,392)
Cash (used in) provided by investing activities	**(973)**	3,648
FINANCING ACTIVITIES		
Principal portion of lease liabilities payments	**(1,685)**	(1,399)
Cash used in financing activities	**(1,685)**	(1,399)
Increase (decrease) in cash	**(1,360)**	1,305
Cash, beginning of year	**27,957**	26,652
Cash, end of year	**26,597**	27,957

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements

For the year ended December 31, 2022 (in thousands of Canadian dollars)

1. Nature of operations

The Workers' Safety and Compensation Commission (the Commission) is domiciled in Canada. The Commission, a territorial entity, was established by and operates under the authority of the *Workers' Compensation Acts* of the Northwest Territories and of Nunavut (the Acts). In addition, the Commission is also responsible for the administration of the *Safety Acts, Mine Health and Safety Acts*, and the *Explosives Use Acts* of the Northwest Territories and of Nunavut. The Commission is exempt from income tax and the goods and services tax.

The Commission has its corporate office in Yellowknife, Northwest Territories, Canada, and area offices in Iqaluit, Nunavut.

The Commission's mandate is to provide benefits to injured workers and to levy assessments on employers to cover the current and future costs of existing claims and claims related to latent occupational diseases. The Commission is also responsible for developing safety awareness programs and monitoring and enforcing 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' Safety and Compensation Commission to allow the Commission to remain as a single entity serving both territories. Cancellation of this agreement by either party requires minimum notice of one full fiscal year.

2. Statement of compliance, basis of preparation and summary of significant accounting policies

The financial statements of the Commission have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements were authorized for issue by the Governance Council on April 20, 2023.

The financial statements have been prepared on a historical cost basis, except for investments classified as held-for-trading which have been measured at fair value. The financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand ($000), except when otherwise indicated. The following is a summary of the significant accounting policies:

a) Liquidity classification

The Commission presents assets and liabilities in the statement of financial position in order of liquidity. When items contain amounts expected to be recovered or settled after more than one year, and amounts expected to be recovered within one year after the reporting period, the Commission discloses both components within the accompanying notes.

Notes to the Financial Statements

For the year ended December 31, 2022 (in thousands of Canadian dollars)

2. Statement of compliance, basis of preparation and summary of significant accounting policies (continued)

b) Financial Instruments

Investments

Investments are classified as held-for-trading and are measured at fair value because they are acquired for the purpose of selling in the near term. Profit or loss from changes in fair value is recognized as investment income in the statement of comprehensive income.

Interest and dividends are recognized as income in the period earned. Transaction costs are recognized as an expense in the period incurred. 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. Interest, dividends, and realized gains and losses are translated at the exchange rates in effect on the transaction date. Exchange gains and losses resulting from the translation of foreign currency balances at year-end and transactions during the year are recognized as investment income in the statement of comprehensive income.

Other financial assets and liabilities

Cash is classified as held-for-trading and is measured at fair value through profit and loss on initial recognition and transaction costs are expensed when incurred. Assessments receivable and other receivables are classified as loans and receivables and are initially measured at fair value, and subsequently measured at amortized cost using the effective interest rate method. Accounts payable, lease liabilities, accrued and other liabilities, assessments refundable and salaries and wages payable are classified as other financial liabilities and are initially measured at fair value, and subsequently measured at amortized cost using the effective interest rate method. Due to the short-term nature of assessments receivable, other receivables, assessments refundable, accounts payable, accrued and other liabilities and salaries and wages payable, their carrying values approximate their fair values. Contract liabilities are initially measured at fair value, and subsequently measured at amortized cost using the effective interest rate method.

De-recognition of financial assets and liabilities

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the rights to receive the cash flows are transferred in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Commission derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

2. Statement of compliance, basis of preparation and summary of significant accounting policies (continued)

b) Financial Instruments (continued)

Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized using the following hierarchy of valuation techniques:

- Level 1 is used when there are quoted (unadjusted) prices in active markets for identical assets.
- Level 2 is used when there are other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3 is used when there are techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Changes in valuation methods may result in transfers into or out of an asset's assigned level. The Commission's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no such transfers between levels in 2022 (2021 – no transfers).

c) Cash

For the purposes of the statement of cash flows and the statement of financial position, cash includes cash and money market instruments with a term to maturity of three months or less when acquired and which are readily convertible to cash. Cash held by investment managers for investment are included in cash.

d) Assessments receivable and assessments refundable

At the beginning of each year, the Commission levies assessments on employers by applying their industry assessment rate to their estimated payroll cost for the year. The assessment levy is payable by installments during the year. At year-end, employers file a statement of actual assessable payroll costs and the difference between the estimated assessment and the actual assessment is recognized either as an increase in assessment revenue and as assessments receivable, or as a decrease in assessment revenue and as assessment refundable. When an employer does not provide estimated payroll, the Commission estimates and levies assessments based on prior experience with the employer and and/or industry. Assessment revenue is recognized in the year that the actual assessable payroll cost was paid by employers to their employees.

2. Statement of compliance, basis of preparation and summary of significant accounting policies (continued)

d) Assessments receivable and assessments refundable (continued)

Collectability of assessments receivables is reviewed on an ongoing basis using judgement. An allowance for doubtful accounts is recorded for assessments receivable when there is objective evidence that the amounts due will not be collected in accordance with the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the estimated future cash flows. The amount of the allowance recognized or derecognized is recorded in the statement of comprehensive income. The Governance Council must approve all assessments receivable write-offs.

e) Third party legal claims recoveries

Under Section 64 of the Acts, the Commission is deemed to be an assignee of a cause of action in respect of a claimant's injury. If settled, or as a result of a Court decision, the settlement amount less recoveries of legal costs and costs associated with the claim which were incurred by the Commission is distributed to the claimant.

The recoveries from third parties are recognized when receipt is virtually certain and the amount can be reliably measured. Recoveries for claims costs are recognized in the statement of comprehensive income net of contingency-based legal expenses. Non-contingency based legal expenses are recognized in professional services and subsequent recoveries of such expenses are recognized in recoveries within administration and general expenses.

f) Property and equipment

Property and equipment are measured at cost less accumulated depreciation and impairment losses. Depreciation is recognized over the estimated useful lives using the straight-line method as follows:

- Building 15 – 25 years
- Equipment 2 – 10 years
- Furnishings 5 – 15 years
- Vehicles 5 years
- Leasehold improvements lesser of useful life or lease term

Where an item of property and equipment is comprised of significant components with different useful lives, the components are accounted for separately. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Depreciation expense is recognized in administration and general expenses in the statement of comprehensive income.

2. Statement of compliance, basis of preparation and summary of significant accounting policies (continued)

g) Intangible assets

Research costs are expensed as incurred. Development costs of internally developed software systems are capitalized when the system is technically feasible, resources are available, costs can be measured reliably, management intends to use the asset and future economic benefits are probable. The asset is derecognized when it no longer meets these criteria. When the asset is substantially complete and is available for use, development costs capitalization ceases and the costs are transferred to the related asset category and amortized.

Amortization is recognized over the asset's estimated useful life (2 – 15 years) using the straight-line method. Amortization expense is recognized in administration and general expenses in the statement of comprehensive income.

h) Benefits liability

The benefits liability represents the present value of expected future payments for medical aid benefits, compensation payments, and pensions in respect of claims arising from accidents that occurred prior to the end of the fiscal year as well as an allowance for all recognized latent occupational disease claims expected to arise in the future as a result of past exposures. Occupational diseases differ from other types of occupational injuries in that there can be a considerable time lag between the exposure, the manifestation of the disease and the identification of the ensuing disability as a claim. Further, it may be difficult to establish a link between an occupational disease and the workplace. A portion of the total liability is held based on the accumulated exposure up to the valuation date relative to total exposure before manifestation of the occupational disease. The benefits liability also includes an allowance for future claims management costs.

The benefits liability includes provision for all benefits provided by current legislation, policies, and administrative practices. Many assumptions are required to calculate the benefits liability, including estimates of future inflation, interest rates, and mortality rates. The benefits liability is determined annually by an independent actuary. The independent actuary's opinion on the adequacy and appropriateness of the benefits liability is attached to these financial statements.

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 reviewed by the independent actuary for reasonableness as part of the annual actuarial valuation of the benefits liability.

i) Contract Liability

The contract liability represents pre-funded amounts received from the Government of the Northwest Territories and Nunavut. This transaction is considered as self-insurance by these governments for administration of claims by the Commission acting as an agent under the respective Memorandums of Understanding for Hunters and Trappers that the Commission has with these parties. The liability balance is derecognized as claim payments are made by the Commission to Hunters and Trappers.

Notes to the Financial Statements

For the year ended December 31, 2022 (in thousands of Canadian dollars)

2. Statement of compliance, basis of preparation and summary of significant accounting policies (continued)

j) Deferred revenues

The deferred revenues represents administration fee amounts received in advance from the Government of the Northwest Territories and of Nunavut for administration of claims by the Commission acting as agent under the respective Memorandums of Understanding for Hunters and Trappers that the Commission has with these parties. The Deferred revenue will be recognized as miscellaneous income on the Statement of comprehensive income as the related services are performed.

k) Employee benefits

Pension Plan

Substantially all of the employees of the Commission are covered by the public service pension plan (the Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employee and the Commission to cover current service cost. Pursuant to legislation currently in place, the Commission has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Commission.

Other long-term employee benefits

Benefits that are expected to be settled beyond twelve months are determined based on an actuarial valuation as the best estimate of future cash flows discounted to present value with actuarial gains and losses recognized in profit and loss as incurred. These benefits include sick leave and special leave benefits earned but not used.

Post-employment benefits

Under the terms and conditions of employment, employees may earn non-pension benefits for severance upon resignation, or retirement based on years of service and final salary, and ultimate removal assistance based on years of service. The obligation is calculated using the projected unit credit method prorated on service on an actuarial basis. The liability for accrued employee benefits is based on the December 31, 2022 actuarial valuation as calculated by the Commission's actuary. Any actuarial gains or losses are recognized as income or loss through other comprehensive income in the year they are incurred and any re-measurements are not reclassified to profit or loss in subsequent periods. The amounts recognized in other comprehensive income for the year are immediately transferred to the operating reserve.

2. Statement of compliance, basis of preparation and summary of significant accounting policies (continued)

k) Employee benefits (continued)

Short-term employee benefits

Employee benefits that are expected to be settled within twelve months of the reporting date are measured on an undiscounted basis. These benefits include wages and salaries, and annual vacation leave earned but not yet used.

l) Right of use assets and lease liabilities

The Commission assesses whether a contract is or contains a lease, at inception of the contract. The Commission recognizes a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as personal computers and office equipment). For these leases, the Commission recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the Commission's incremental borrowing rate.

The lease liability is presented as a separate line in the statement of financial position and is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Commission remeasures the lease liability (and makes a corresponding adjustment to the related right of use asset) whenever the lease term has changed.

The right of use assets comprise the initial measurement of the corresponding lease liabilities, plus lease payments made at or before the commencement day. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right of use assets are presented as a separate line in the statement of financial position.

Notes to the Financial Statements

For the year ended December 31, 2022 (in thousands of Canadian dollars)

2. Statement of compliance, basis of preparation and summary of significant accounting policies (continued)

m) Impairment of non-financial assets

The Commission assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Commission estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. This is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Based on an analysis of cash flows, the Commission has established that the appropriate CGU for impairment review is the entity. The Commission has statutory power under the Acts to increase premiums and/or charge a premium surcharge to ensure full funding into the foreseeable future and impairment at the entity level is remote.

n) New and revised accounting standards and interpretations issued but not yet effective

IFRS 9 – Financial instruments

The IASB issued IFRS 9 *Financial Instruments* which will replace IAS 39 *Financial Instruments: Recognition and Measurement*. The standard was effective for annual periods beginning on or after January 1, 2018, however because the Commission qualified for a temporary exemption due to the Commission's predominant activity with insurance contracts, the Commission will adopt the standard for annual periods beginning on or after January 1, 2023, with IFRS 17 *Insurance Contracts*.

The standard will affect how the Commission accounts for financial assets and financial liabilities and how financial performance is reported, presented on the statement of financial position, and disclosed in the notes to the financial statements. The standard provides a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model.

Anticipated key changes to the Commission's accounting policies and presentation and disclosure as a result of the application of IFRS 9 include:

- The Commission will continue to classify and measure its investment financial assets at fair value through profit or loss. The classification of investments under IFRS 9 depends on the financial asset's contractual cash flow characteristics and the Commission's business model of managing the financial asset. Since the Commission manages these assets on a hold to collect and sell basis, and cash flows are not based on principal and interest, investments continue to be measured at fair value, and changes in fair value are recognized in the statement of comprehensive income. The classification will change from held-for-trading under IAS 39 to fair value through profit or loss under IFRS 9, but the underlying accounting treatment remains the same.

Notes to the Financial Statements

For the year ended December 31, 2022 (in thousands of Canadian dollars)

2. Statement of compliance, basis of preparation and summary of significant accounting policies (continued)

n) New and revised accounting standards and interpretations issued but not yet effective (continued)

IFRS 9 – Financial instruments (continued)

- The Commission will continue to classify and measure its other financial assets (assessments receivable and other receivables) at amortized cost. The classification of the other financial assets under IFRS 9 depends on the financial assets' contractual cash flow characteristics and the Commission's business model of managing the other financial assets. Since the Commission manages these financial assets as hold to collect and the cash flows are solely payments of principal and interest, the other financial assets remain as amortized cost. The terminology will change from IAS 39, but the underlying accounting treatment remains the same.
- The Commission will adopt the new simplified expected credit loss ("ECL") impairment model which uses a lifetime expected loss allowance for all receivables, which are assessed based on historical, current and forward-looking information. The simplified approach is applicable when receivables do not have significant financing component. The adoption of the ECL model will have an immaterial impact on the carrying amounts of the Commission's financial assets on January 1, 2022.

At the date of transition, IFRS 9 will be applied retrospectively. Differences that arise to the carrying amount of financial assets and liabilities from the adoption of the standard will be recognized in opening retained earnings as at January 1, 2022.

The Commission is currently finalizing its quantification of the impact from adoption of this standard, however it is not expected to have a material impact.

IFRS 17 - Insurance Contracts

The IASB issued IFRS 17 *Insurance Contracts* which will replace IFRS 4 *Insurance Contracts*. In June 2020, an amendment was issued to defer the effective date of IFRS 17 to annual periods beginning on or after January 1, 2023. The Commission has elected to apply the deferral, therefore this standard will be effective for the year beginning on January 1, 2023, with a transition date of January 1, 2022.

The standard will affect how the Commission accounts for insurance contracts and how financial performance is reported, presented in the statement of comprehensive income, and disclosed in the notes to the financial statements.

The standard will have material impacts for the Commission's financial reporting by introducing new recognition and measurement approaches for insurance revenue and liabilities. One of the most significant changes is the move to a market-based interest rate which is used to discount the future cash flows of the benefit liabilities which is expected to increase the benefit liabilities on the statement of financial position at transition and is expected to cause fluctuations in reported income.

Notes to the Financial Statements

For the year ended December 31, 2022 (in thousands of Canadian dollars)

2. Statement of compliance, basis of preparation and summary of significant accounting policies (continued)

n) New and revised accounting standards and interpretations issued but not yet effective (continued)

IFRS 17 - Insurance Contracts (continued)
Anticipated key changes to the Commission's accounting policies and presentation and disclosure as a result of the application of IFRS 17 include:

- The standard requires insurance contracts to be aggregated and measured together based on contracts that are managed together and share similar risks.
- The Commission can group contracts into the same profitability grouping when there is a reasonable and supportable circumstances to do so. Contracts in the same profitability grouping will be evaluated together to determine if the profitability group is either: 1) onerous, 2) unlikely become onerous, and 3) other. When the profitability group is considered onerous, the Commission is required to recognize a loss immediately in comprehensive income.
- IFRS 17 requires entities to measure contract liabilities using their current fulfillment cashflows and revenue to be recognized using one or more of three methods. Two of the methods are relevant to the Commission: the general measurement model ("GMM) and the premium allcation approach ("PAA"). Under the GMM model, the Commission would measure insurance contracts at the present value of future cashflows, adjusted for non-financial and to establish a contractual service margin ("CSM") for profitable groups of contracts. The PAA model involves measuring the contract liability based on unearned premiums. The Commission is considering its eligibility to apply the PAA model based on its practical abiltiy to reassess the risks of insurance contracts; and when pricing the premiums it does not take into consideration risks beyond the reassessment date.
- The presentation of insurance service results, being comprised of insurance revenue, net of insurance service expenses on the Statement of Comprehensive Income will be separate from investing activities and other expenses.
- Significant new disclosure for insurance contract liabilities will be presented in the Commission's note disclosure

IFRS 17 will be initially applied for our reporting period beginning January 1, 2023. As required by the standard, the Commission will adopt IFRS 17 retrospectively and apply the full retrospective approach to all insurance contracts in force at the transition date of January 1, 2022. In 2023, the Commission will recognize an opening adjustment to operating surplus as at January 1, 2022 to reflect the impact of the transition to IFRS 17 and will restate comparative figures for the 2022 reporting year.

The Commission is currently finalizing its quantification of the impact from adoption of this standard.

Notes to the Financial Statements

For the year ended December 31, 2022 (in thousands of Canadian dollars)

3. Critical accounting estimates and judgements

The Commission makes estimates and judgments in respect of certain key assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in Note 9. Benefits liability. The estimation uncertainty relates to the determination of assumptions.

In particular, information about applying critical judgments in accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in the following notes:

- Note 2.b) and Note 4. – Investments, classification and valuation of financial instruments
- Note 2.d) – Assessments receivable, determination of estimated payroll
- Note 2.f) and Note 6. - Property and equipment, degree of componentization
- Note 2.g) - Intangible assets, determination of development costs
- Note 2.i) - Contract liability, agent-principal relationship determination
- Note 2.l) - Right of use assets and lease liabilities, determination of incremental borrowing rate

4. Investments

The Commission's investment portfolio consists of fixed income, equity, and real estate portfolio investments. The Commission's investment objective is to achieve a long-term rate of return that is sufficient to allow the Commission to fund its benefits liability, cover its operating costs, and set reasonable and stable assessment rates for employers.

All investments are classified as held-for-trading. The Commission uses judgment to classify securities held in a pooled fund on the basis of the assets comprising the major portion of the pooled fund.

The Commission does not expect to experience a draw down of investments during the coming year.

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

For the year ended December 31, 2022 (in thousands of Canadian dollars)

4. Investments (continued)

	As at December 31, 2022		As at December 31, 2021	
	Fair Value $	Cost $	Fair Value $	Cost $
Pooled funds				
Fixed income				
Indexed bond funds	160,598	182,135	199,645	200,198
Mortgage funds	23,062	16,454	24,775	16,454
Canadian private debt	35,094	35,400	-	-
Global private debt	9,587	9,390	-	-
Equities				
Canadian equities	58,132	49,052	64,038	58,065
International equities	89,230	94,111	117,439	106,495
Real estate				
Real estate	70,803	53,787	70,878	56,962
Total	446,507	440,331	476,775	438,174

a) Investment gains and (losses)

The investment gains and (losses) recognized in the Statement of Comprehensive Income are as follows:

	For the year ended December 31, 2022 $	For the year ended December 31, 2021 $
Realized gains (losses)	(18,141)	14,279
Change in unrealized gains (losses)	(32,425)	3,898
Investment gains (losses) - net	(50,566)	18,177

For the year ended December 31, 2022 (in thousands of Canadian dollars)

5. Assessments receivable

	As at December 31 2022	As at December 31 2021
	$	$
Current assessments receivable	6,699	6,837
Overdue assessments receivable	1,861	215
Allowance for doubtful accounts	(90)	(160)
Net assessments receivable	8,470	6,892

The Commission collected $402 (2021 – $114) of legislated prescribed penalties during the year on the receivables. The legislated prescribed penalty is charged at the rate of 2% per month on the outstanding balance. None of the assessments receivable, except for those included in the allowance, are considered to be impaired. The total bad debt expense recognized during the year on all categories of receivables is $88 (2021 – $164) which is recognized in administration and general expense. Bad debt expense recognized during the year on assessments receivable is $75 (2021 - $161).

Notes to the Financial Statements

For the year ended December 31, 2022 (in thousands of Canadian dollars)

6. Property and equipment

	Building $	Equipment $	Furnishings $	Vehicles $	Leasehold improvements $	Total $
Cost						
At January 1, 2021	8,349	1,249	2,188	135	972	12,893
Additions	-	26	-	20	-	46
Disposals	-	(286)	-	-	-	(286)
At December 31, 2021	8,349	989	2,188	155	972	12,653
Additions	909	251	27	-	-	1,187
Disposals	-	-	-	-	(15)	(15)
At December 31, 2022	9,258	1,240	2,215	155	957	13,825
Depreciation						
At January 1, 2021	4,389	917	941	135	873	7,255
Annual depreciation	424	84	182	4	89	783
Disposals	-	(286)	-	-	-	(286)
At December 31, 2021	4,813	715	1,123	139	962	7,752
Annual depreciation	452	64	185	4	5	710
Disposals	-	-	-	-	(12)	(12)
At December 31, 2022	5,265	779	1,308	143	955	8,450
Net book value						
At December 31, 2022	3,993	461	907	12	2	5,375
At December 31, 2021	3,536	274	1,065	16	10	4,901

Notes to the Financial Statements

For the year ended December 31, 2022 (in thousands of Canadian dollars)

7. Intangible assets

	Purchased software systems $	Internally developed software systems $	Total $
Cost			
At January 1, 2021	732	7,654	8,386
Additions	113	207	320
Disposals and adjustments	(29)	(351)	(380)
At December 31, 2021	816	7,510	8,326
Additions	-	95	95
Disposals and adjustments	-	-	-
At December 31, 2022	816	7,605	8,421
Amortization			
At January 1, 2021	489	5,409	5,898
Annual amortization	127	267	394
Disposals and adjustments	(29)	(351)	(380)
At December 31, 2021	587	5,325	5,912
Annual amortization	50	339	389
Disposals	-	-	-
At December 31, 2022	637	5,664	6,301
Net book value			
At December 31, 2022	179	1,941	2,120
At December 31, 2021	229	2,185	2,414

Additions of internally developed software systems include amounts spent on projects that were not completed in the year. No amortization is recorded for these amounts.

Notes to the Financial Statements

For the year ended December 31, 2022 (in thousands of Canadian dollars)

8. Accounts payable, accrued and other liabilities

	As at December 31 2022 $	As at December 31 2021 $
Accounts payable	2,497	2,514
Accrued liabilities	1,300	1,233
Total	3,797	3,747

9. Benefits liability

a) Future claims liability and approved pension liability

The benefits liability is composed of two parts: the future claims liability and the approved pension liability.

The future claims liability represents the present value of the expected future benefit payments on claims arising from accidents that occurred on or prior to the end of the fiscal year for hospital and medical services (Medical Aid), short-term income benefits and subsistence payments (Compensation), pension benefits for future capitalization (Future Capitalization), and related administrative expenses. Future Capitalization represent an estimate of the liability for expected future pension awards that relate to injuries that have already occurred, but are not yet approved pension awards. The latent occupational disease liability, shown separately, represents the expected cost of future claims that have not yet been filed but are expected to manifest themselves in the future as a result of exposure to a causative agent in the workplace.

The liabilities for the Medical Aid and Compensation benefits were developed using the loss development method. This method is also commonly known as the "claims run-off" approach. The liability for Future Capitalization was developed using a modified version of the loss development method.

The approved pension liability represents the present value of the expected future pension awards payments and related expenses for approved pension awards as at the end of the fiscal year.

For the year ended December 31, 2022 (in thousands of Canadian dollars)

9. Benefits liability (continued)

b) Benefits liability continuity schedule and reconciliation

The benefits liability is composed of the following:

	Medical aid	Compensation	Future capitalizations	Pension awards	Occupational disease claims	**Total** 2022
	$	$	$	$	$	$
Balance, beginning of year	86,435	81,775	43,699	178,891	38,850	429,650
Add: Claims costs (recoveries)						
Current year	10,989	35,870	7,464	2,149	-	**56,472**
Prior years	3,857	14,777	(2,325)	10,109	1,027	**27,445**
Liability transfer, capitalizations	-	-	(6,206)	6,206	-	**-**
	14,846	50,647	(1,067)	18,464	1,027	**83,917**
Less: Claims payments						
Current year injuries						
Claims payments	1,642	5,497	63	18	-	**7,220**
Claims management	575	1,924	6	2	-	**2,507**
Prior years' injuries						
Claims payments	8,686	23,234	3,786	13,111	-	**48,817**
Claims management	3,040	8,132	379	1,311	-	**12,862**
	13,943	38,787	4,234	14,442	-	**71,406**
Balance, end of year	87,338	93,635	38,398	182,913	39,877	442,161

	Medical aid	Compensation	Future capitalizations	Pension awards	Occupational disease claims	**Total** 2021
	$	$	$	$	$	$
Balance, beginning of year	91,042	57,537	44,364	177,865	34,856	405,664
Add: Claims costs (recoveries)						
Current year	9,891	39,149	9,501	2,392	-	**60,933**
Prior years	(2,785)	18,326	(1,446)	7,778	3,994	**25,867**
Liability transfer, capitalizations	-	-	(4,982)	4,982	-	**-**
	7,106	57,475	3,073	15,152	3,994	**86,800**
Less: Claims payments						
Current year injuries						
Claims payments	1,383	6,096	20	-	-	**7,499**
Claims management	484	2,134	2	-	-	**2,620**
Prior years' injuries						
Claims payments	7,293	18,524	3,378	12,842	-	**42,037**
Claims management	2,553	6,483	338	1,284	-	**10,658**

Notes to the Financial Statements

For the year ended December 31, 2022 (in thousands of Canadian dollars)

9. Benefits liability (continued)

b) Benefits liability continuity schedule and reconciliation (continued)

	Medical aid	Compensation	Future capitalizations	Pension awards	Occupational disease claims	**Total** 2021
	$	$	$	$	$	$
	11,713	33,237	3,738	14,126	-	**62,814**
Balance, end of year	86,435	81,775	43,699	178,891	38,850	429,650

The expected claims payment for the benefits liability in 2023 is $49,509.

The Commission bases expectations of the costs of awarded pensions and the ongoing cost of Compensation and Medical Aid payments on the experience of prior years. The principal sources of the experience loss or gain and an actuarial reconciliation of the changes in the benefits liability during the years ended December 31 are as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
	$	$
Balance, beginning of year	429,650	405,664
Adjust for effects of:		
Provision for current year's claims	46,745	50,814
Claims experience	5,877	(2,522)
Change in claims run-off factors for Compensation and Medical aid	2,296	7,048
Inflation experience, which was 5.56% versus the expected 4.5% (1.46% versus 0.00% in 2021)	1,774	(925)
Change in the estimate for provision for presumptive firefighters coverage	-	-
Latent occupational disease claims provision	(281)	29
Change in economic assumptions	(9,264)	-
Change in expected 2024 Supplemental Pension Increase (SPI) (2023 SPI for Dec 31, 2021)	4,097	4,707
Change in life table	-	243
Interest allocated	21,110	20,005
Other assumption changes	1,837	(2,718)
	74,191	76,681

Notes to the Financial Statements

For the year ended December 31, 2022 (in thousands of Canadian dollars)

9. Benefits liability (continued)

b) Benefits liability continuity schedule and reconciliation (continued)

	For the year ended December 31, 2022	For the year ended December 31, 2021
	$	$
Deduct:		
Payments for prior years' claims	(61,679)	(52,695)
Balance, end of year	442,161	429,650

The effects in future periods of the changes in estimates noted above are not disclosed since it is impracticable to estimate.

c) Objectives in managing risks arising from the Acts and policies for mitigating those risks

The Commission has an objective to control insurance risk, thus reducing the volatility of operating results. In addition to the inherent uncertainty of insurance risk, this can lead to significant variability in the experience gain or loss. The Commission's operating results are affected by market factors, particularly movements in investment values.

Key aspects of processes established to mitigate insurance risks include:

- The maintenance and use of management information systems, which provide data on the risks to which the Commission is exposed to at any point in time.
- Actuarial models, using information from the management information system, are used to monitor claims patterns and calculate premiums. Past experience and statistical methods are used as part of the process.
- The mix of assets in which the Commission invests is determined to achieve a long-term rate of return that is sufficient to fund the benefits liability. The management of assets and liabilities is closely monitored to attempt to match assets with the expected pattern of claim payments.

d) Terms and conditions of the Acts

The terms and conditions attached to the Acts affect the level of insurance risk accepted by the Commission. All insurance transactions entered into are in the same standard form and are subject to substantially the same terms and conditions under the Acts.

Notes to the Financial Statements

For the year ended December 31, 2022 (in thousands of Canadian dollars)

9. Benefits liability (continued)

e) Concentration of insurance risk

The Commission's exposure to insurance risk is due to workplace injury caused through an event or disaster that occurred during the reporting period, and/or occupational diseases diagnosed during the reporting period. The Commission's benefits liability includes an amount estimated to cover any such occurrences. This figure is reviewed on an annual basis. The Commission's risk is concentrated by industry as some industries have higher claims experience costs than others. This is mitigated by higher premiums being charged to industries with proven higher experience costs.

f) Development of claims

There is a possibility that changes may occur in the estimate of the Commission's obligations over time. The tables in part (k) of this note show the Commission's estimates of total net and gross claims outstanding for each underwriting year at successive year ends.

g) Interest rate risk

The Commission is exposed to the risk that interest rate movements may materially impact the value of the benefits liability. The financial impact of changing interest rates on the benefits liability is expected to be offset in the longer term by similar changes in claims inflation.

The discount rates being applied to future claims payments in determining the valuation of the benefits liability are disclosed in part (i) of this note.

The exposure to interest rate risk for classes of financial assets is set out in Note 14.d)

h) Liquidity risk

The Commission's exposure to liquidity risk is set out in Note 14.a).

The following table estimates the expected amounts and timing of future benefit payments for the provision of outstanding claims. The expected timing of payments from the provision for outstanding claims involves considerable uncertainty. The projections presented below do not include a provision for future administration expenses or latent occupational diseases.

For the year ended December 31, 2022 (in thousands of Canadian dollars)

9. Benefits liability (continued)

h) Liquidity risk (continued)

Expected timing of future payment for outstanding claims:

	2022 %	2021 %
Up to 1 year	7.82	7.27
Over 1 year and up to 5 years	19.47	18.81
Over 5 years and up to 10 years	15.96	15.96
Over 10 years	56.75	57.96
Total	100.00	100.00

i) Actuarial assumptions and methods

The overall valuation approach is designed to reflect emerging trends without placing too much emphasis on temporary fluctuations. The factors used in the valuation have been developed on a best estimate basis by taking the Commission's historical experience into consideration along with recent trends in that experience. The general philosophy is to avoid reacting too strongly to temporary fluctuations until there is sufficient evidence that a change in assumption is required.

The Medical Aid and Compensation liability represents the present value at December 31, 2022 of expected future benefit payments for hospital and physician services, short-term income compensation payments, travel expenses, rehabilitation benefits and other eligible medical services under the Acts. The Medical Aid and Compensation liability is calculated using the loss development method also known as the "claims run-off" approach. In this method, historical paid claims data are summarized by accident year and payment year in order to observe the relationships between payments at different durations for each accident year. Historical factors, at each duration, are developed from prior accident years and are applied to accident years that are not yet fully mature in order to estimate the future timing and amount of remaining benefit payments.

The Future Capitalizations liability represents the present value of expected future pension awards that have not yet been approved as of December 31, 2022. These future pension capitalizations are in respect of all claims arising from accidents which occurred on or before December 31, 2022. The estimated number and timing of these future capitalizations has been developed based on the historical emergence of capitalized claims experience by accident year for the Commission. In addition, the expected cost of each capitalized claim has been developed based on actual pension awards approved prior to December 31, 2022.

Notes to the Financial Statements

For the year ended December 31, 2022 (in thousands of Canadian dollars)

9. Benefits liability (continued)

i) Actuarial assumptions and methods (continued)

The Approved Pension liability (pension awards) represents the present value at December 31, 2022 of all expected future pension awards payments, including future inflationary adjustments, to individuals who have been approved for a pension award at December 31, 2022. The Approved Pension liability is calculated on a seriatim basis using the discounted cash flow method. Pension benefits are indexed annually on January 1 of each year, this annual index rate is referred to as the Supplementary Pension Increase (SPI) rate. The SPI is determined by taking into account the average monthly change in consumer price index (CPI) Canada for the most recent July to June period. Mortality rates are used to determine the future life expectancy of individuals in receipt of a pension award. The actual gender and date of birth for all pension recipients is used in the valuation. Pensions are payable to dependent children until age 19 or age 25 if attending school. The probability of a dependent child continuing to receive a pension award from age 19 to 25 is based on actual experience of the Commission. A projection of future pension payments requires that an explicit assumption be made with respect to the rate of award inflation.

The following economic assumptions are used in the valuation of the Future Claims Liability: discount rate – 5.50% (2021 – 5.25%), inflation rate – i) future capitalizations: 5.56% in 2023 and 2.00% per annum thereafter (2021 – 1.46% in 2022, 4.50% in 2023 and 2.00% per annum thereafter), and ii) Compensation: 2.00% (2021 – 2.00%) and Medical Aid: 4.50% (2021 – 4.50%).

The following economic assumptions are used in the valuation of the Approved Pension Liability: discount rate – 5.50% (2021 – 5.25%), inflation rate – 4.56% in 2023 and 2.00% thereafter (2021 – 1.46% in 2022, 4.50% in 2023 and 2.00% per annum thereafter). The mortality assumption is determined by the 2010-2012 Statistics Canada General Life Mortality Table with a 10% load (2021 – 2010 - 2012 Statistics Canada General Life Mortality Table with a 10% load).

The Occupational Disease provision represents a portion of the present value of the expected future cost of claims that have not yet been filed but are expected to manifest themselves in the future as a result of cumulative exposure to a causative agent in the workplace (i.e. long latency cases). Only a portion of the total provision is held based on the accumulated exposure up to the valuation date relative to total exposure before an occupational disease manifests itself. Occupational diseases differ from occupational injuries in that there can be a considerable time lag between the exposure, the manifestation of the disease and the identification of the ensuing disability as a workers' compensation claim. Furthermore, while the circumstances of an injury usually make it clear whether it is work related or not, the link between an occupational disease and the workplace may be difficult to establish.

j) Liability sensitivity

The most significant assumption in the determination of the benefits liability is the net discount rate. The net discount rate is the assumed discount rate in excess of the assumed inflation rate. A reduction in the assumed net discount rate would result in an increase in the actuarial present value of the benefits liability and a decrease in comprehensive income.

For the year ended December 31, 2022 (in thousands of Canadian dollars)

9. Benefits liability (continued)

j) Liability sensitivity (continued)

Medical benefits represent approximately 20% (2021 – 20%) of the benefits liability. An increase in the assumed excess medical inflation rate (above the assumed inflation rate) would result in an increase in the benefits liability for medical benefits and a decrease in comprehensive income.

The Approved Pension liability takes into account the future life expectancy of each individual pensioner, surviving spouse or dependent child according to their age and gender. An improvement in the assumed mortality experience would increase the life expectancy of benefit recipients, thereby increasing the actuarial present value of the liability for approved pension awards benefits and decreasing comprehensive income.

2022 +/- % change on assumed rates	+ 1% $	- 1% $
Net discount rate	(35,874)	43,599
Excess medical inflation rate	10,449	(8,663)

2021 +/- % change on assumed rates	+ 1% $	- 1% $
Net discount rate	(36,465)	44,448
Excess medical inflation rate	12,901	(10,572)

Notes to the Financial Statements

For the year ended December 31, 2022 (in thousands of Canadian dollars)

9. Benefits liability (continued)

j) Liability sensitivity (continued)

2022 +/- % change in mortality rates	+ 10% $	- 10% $
Mortality rate	(5,950)	6,583

2021 +/- % change on mortality rates	+ 10% $	- 10% $
Mortality rate	(5,958)	6,596

k) Claims development

The following table shows the development of claims cost estimates for the ten most recent injury years:

	2013 $	2014 $	2015 $	2016 $	2017 $	2018 $	2019 $	2020 $	2021 $	2022 $	**Total** **$**
Estimate of cumulative claim costs:											
At the end of the accident year	41,977	35,923	39,130	43,611	51,245	53,044	61,637	52,426	68,172	67,143	
One year later	38,252	35,719	40,675	50,823	55,576	63,383	56,417	51,102	64,203		
Two years later	36,866	34,764	39,862	50,979	57,815	60,736	53,660	52,058			
Three years later	40,264	33,925	41,039	50,780	53,429	58,534	53,035				
Four years later	39,922	34,784	42,829	48,206	50,907	58,642					
Five years later	39,296	36,201	41,325	47,116	54,561						
Six years later	43,231	33,435	41,844	46,647							
Seven years later	43,494	32,476	42,794								
Eight years later	42,808	35,738									
Nine years later	42,694										
Current estimate of ultimate claims costs	42,694	35,738	42,794	46,647	54,561	58,642	53,035	52,058	64,203	67,143	**517,515**
Cumulative payments	24,247	19,263	25,324	29,404	31,307	31,800	23,687	19,853	17,649	7,121	**229,656**
Estimate of future payments	18,447	16,475	17,470	17,243	23,254	26,842	29,348	32,205	46,554	60,022	**287,861**
2012 and prior claims estimate of future payments											**345,208**
Administration expenses											**67,038**
Latent occupational disease provision											**39,878**
Sub-total											**739,984**
Effect of discounting											**(297,823)**
Amount recognized on statement of financial position											**442,161**

10. Renewable Resources Harvesters - Contract Liability and Deferred Revenue

In accordance with the Memoranda of Understanding on Renewable Resource Harvesters (April 2015 for the Northwest Territories and April 2009 for Nunavut), the Commission administers the claims and charges the Governments an administration fee, which is included in revenue on the Statement of Comprehensive Income.

For the year ended December 31, 2022 (in thousands of Canadian dollars)

10. Renewable Resources Harvesters - Contract Liability and Deferred Revenue (continued)

The benefits liabilities related to the Renewable Resource Harvesters have not been included in the Commission's benefits liabilities account. As these liabilities will be borne by the governments when paid in future years, they do not impact the Commission's funded position.

	As at December 31, 2022 $	As at December 31, 2021 $
Pre-funded contract liability for Harvesters medical, compensation and capitalized pension claims	1,322	1,374
Pre-funded contract liability for Harvester approved pensions	9,201	9,307
Contract liability	10,523	10,681
Deferred revenue	2,210	2,243
Total Harvester related liability	12,733	12,924

The Commission recognized funds received from the Governments for Harvesters claims as a Contract Liability, and funds received from the Governments for the related administration fee as a Deferred Revenue. The Contract liability is satisfied as pre-funded Harvester claims are paid. Deferred revenue is realized as revenue over time as the Commission satisfies its performance obligations under these arrangements.

The vast majority of total Harvester related liability is expected to be settled more than 12 months after the Statement of Financial Position date.

11. Capital management and reserves

a) Capital management and reserves

In accordance with Section 83 of each of the Acts, the Governance Council is responsible for approving the operating and capital budgets of the Commission, for approval of assessment rates for employers and benefits to workers, and for ensuring the proper stewardship of the Workers' Protection Fund. It is the objective of the Governance Council to ensure the financial sustainability of the Commission, while maintaining stability of assessment rates and benefits to injured workers.

The Commission maintains three reserves within the Workers' Protection Fund. All of these reserves are established by the Governance Council, and none are externally restricted.

Notes to the Financial Statements

For the year ended December 31, 2022 (in thousands of Canadian dollars)

11. Capital management and reserves (continued)

a) Capital management and reserves (continued)

As the Workers' Protection Fund includes all assessments from employers and amounts to be paid to injured workers, as well as the costs to administer the Acts, the Governance Council considers that capital includes all reserves of the Commission.

The Commission determines the funded position as total assets divided by total liabilities. This Funded Position (or net assets) represents the current funding status of the Workers' Protection Fund. The Governance Council's long term goal is to remain fully funded with a target funding ratio of 125%, which includes reserve funds.

At December 31, 2022, the Funded Position is 104% (2021 – 114%). The required increase to address the funded position action initiated in 2020 as outlined in (b) below is maintained as the funded position remains below the target rate.

The Governance Council manages capital by monitoring all revenues and expenses through its budgeting and financial reporting processes, and by establishing assessment rates and an investment policy that maintain the funded status of the Commission and ensure the ability to care for injured workers.

b) Operating reserve

The operating reserve is intended to protect the Commission against adverse fluctuations in claims costs and investment results.

The target level for the operating reserve is 20% of total liabilities, for 2022 – $94,921 (2021 – $92,406). Should the Commission's funded ratio, excluding the catastrophe reserve capped at 5%, decline to:

- Below 105% a flat rate increase over 15 years would be put into place to return the operating reserve to the target rate.
- Below 95% a flat rate increase over 10 years would be put into place to return the operating reserve to the target rate.

An exception to the flat rate recoveries is if the Commission's funded ratio deteriorates to below 95% during the 15 year recovery period originally triggered at the 105% level then a 10 year flat rate recovery would be initiated.

Should the Commission's funded ratio, excluding the catastrophe reserve capped at 5%, exceed 135% for two successive years a one-time adjustment may be actioned by the Governance Council to return the funded ratio back to 135%. This adjustment is limited to a maximum of 100% of the annual assessment revenue for the second successive year.

For the year ended December 31, 2022 (in thousands of Canadian dollars)

11. Capital management and reserves (continued)

c) Capital asset replacement reserve

This reserve allows multi-year planning and is used to set aside funds for the purchase of property and equipment and intangible assets. The reserve is funded annually through a Governance Council approved lump sum.

d) Catastrophe reserve

The catastrophe reserve is intended to mitigate the potential impact to the Commission's funding ratio in the event of a catastrophic event. The Commission established specific criteria to determine whether an accident or event meets the definition of a catastrophic claim. The target level for the catastrophe reserve is set at 5% of the total liabilities, for 2022 – $23,730 (2021 – $23,094). Funds can be transferred from the operating reserve to address shortfalls in the catastrophe reserve as long as the operating reserve is not left in a shortfall position, shortfall being defined as less than 5% of total liabilities. Should the catastrophe reserve decline below 4% of total liabilities a flat rate increase over 15 years would be put into place to return the catastrophe reserve to the target rate.

12. Commitments

Future minimum contractual payments as at December 31 on contracts for goods and services are as follows:

	$
2023	6,307
2024	3,812
2025	1,345
2026	798
2027	581
Thereafter	-
Total	12,843

All contracts are for standard service and maintenance agreements.

Notes to the Financial Statements

For the year ended December 31, 2022 (in thousands of Canadian dollars)

13. Contingencies

In certain circumstances, under both the *Workers' Compensation Act* of the Northwest Territories and of Nunavut, the Commission is deemed to be an assignee of a cause of action in respect of a claimant disability. The amount by which settlements exceed the cost of the action, including administration and future benefit entitlement, is paid to the worker or dependents. Amounts received from third-party recoveries are recorded in the year during which the settlement occurs. No provision is made in the benefit liability for possible future third-party recoveries due to their contingent nature.

Due to the nature of the Commission's operations, various other legal matters are pending. In the opinion of management, these matters will not have a material effect on the Commission's financial position or results of operations.

14. Financial risk management

The Governance Council is responsible for reviewing and approving the Commission's investment policy and plan. The investment policy and plan outline the types and classes of investments the Commission may invest in and how the Commission plans to achieve its investment objective and manage its investment risk. The Commission manages the risk associated to its investments by maintaining a well-diversified portfolio and by engaging external investment managers with different investment styles and objectives. Generally, investments are held until market conditions provide a better investment opportunity. The Commission regularly reviews the performance of its investment portfolio against established industry benchmarks.

The Commission has exposure to the following financial risks from its use of financial instruments:

- Liquidity risk
- Credit risk
- Market risk
- Interest rate risk
- Real estate risk
- Foreign currency risk

The Commission's exposure to these risks arises primarily in relation to its investment portfolio, but also in relation to its other financial assets and liabilities. The following sections present information about the Commission's exposure to each of the above risks and the Commission's objectives, policies and processes for measuring and managing its risks.

Notes to the Financial Statements

For the year ended December 31, 2022 (in thousands of Canadian dollars)

14. Financial risk management (continued)

a) Liquidity risk

Liquidity risk is the risk that the Commission will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is considered to be low. The Commission maintains deposits and short-term investments at banks to meet liquidity needs. At December 31, 2022, cash was $26,597 or a ratio of 1.76 of short term liabilities (2021 – $27,957 or 1.95).

	As at December 31 2022	As at December 31 2021
	1 year or less	1 year or less
	$	$
Accounts payable, accrued and other liabilities	3,797	3,747
Salaries and wages payable	3,323	3,408
Assessments refundable	7,318	6,508
Contract liability	690	663
Total	15,128	14,326

b) Credit risk

Credit risk on financial instruments arises from the possibility that the customer or counterparty to an instrument fails to meet its obligations. The maximum exposure to credit risk is represented by the carrying amount of the financial assets as presented in the statement of financial position.

In order to manage this risk, the Commission's investment guidelines require that 90% or more of the market value of short-term investments have a minimum credit rating of R-1(low) or its equivalent and that 90% or more of other fixed income investments have a minimum credit rating of A- or its equivalent. Notwithstanding this general rule, with respect to investments in pooled funds, the Commission's investment policy allows that provisions of the investment manager mandate which govern such pooled funds shall prevail over the investment policy. The investment manager mandate of the fixed income pooled fund specifies an average credit rating of A or equivalent. An independent rating service determines these ratings.The Commission manages credit risk associated with cash and cash equivalents by dealing with reputable and high quality financial institutions.

Notes to the Financial Statements

For the year ended December 31, 2022 (in thousands of Canadian dollars)

14. Financial risk management (continued)

b) Credit risk (continued)

The Commission's exposure to credit risk associated with its other receivables and assessments receivable is the risk that an employer or a cost recovery customer will be unable to pay amounts due to the Commission. The maximum exposure to credit risk is $10,680 (2021 – $6,865). Allowances for doubtful accounts are provided for potential losses that have been incurred at the reporting date. The amounts disclosed on the statement of financial position are net of these allowances for doubtful accounts. All other receivables and assessments receivable are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer will default. The Commission takes into consideration the customer's payment history, their credit worthiness and the current economic environment in which the customer operates to assess impairment. The Commission recognizes a specific allowance for doubtful accounts when management considers that the expected recovery is less than the actual amount receivable. All bad debts are charged to administration and general expenses.

The Commission believes that the credit risk of other receivables and assessments receivable is mitigated by the following:

- The employer base is dispersed across various industries, with government comprising a significant concentration.
- As at December 31, 2022, the majority of other receivables and assessments receivable are outstanding for less than 90 days. The Commission does not require collateral or other security from employers or customers for accounts receivable.
- The Commission has the power and remedies to enforce payment owing.

All of the Commission's other receivables and assessments receivable are reviewed for indicators of impairment on an annual basis.

Notes to the Financial Statements

For the year ended December 31, 2022 (in thousands of Canadian dollars)

14. Financial risk management (continued)

b) Credit risk (continued)

The following table classifies the Commission's pooled fund investments according to rating:

2022	AAA $	AA $	A $	BBB and less $	Not rated $
Pooled funds - Indexed bond funds and private debt	35,002	27,322	62,245	70,769	9,941
Pooled funds - Mortgage funds	333	976	-	153	452
Total	35,335	28,298	62,245	70,922	10,393
Percentage of total Fixed income pooled funds	17%	14%	30%	34%	5%

2021	AAA $	AA $	A $	BBB and less $	Not rated $
Pooled funds - Indexed bond funds	51,242	32,114	55,899	60,086	304
Pooled funds - Mortgage funds	332	972	-	152	450
Total	51,574	33,086	55,899	60,238	754
Percentage of total Fixed income pooled funds	26%	15%	28%	30%	1%

The Commission is exposed to credit risk on mortgage and sales agreements owned in its Mortgage fund. As at December 31, 2022 the Commission had $2,044 (2021 - $2,211) in insured mortgages and sales agreements and $19,104 (2021 -$20,659) in uninsured mortgages. The credit risk on these investments were not significant in 2022 (2021 - not significant).

Notes to the Financial Statements

For the year ended December 31, 2022 (in thousands of Canadian dollars)

14. Financial risk management (continued)

c) Market risk

Market risk is the risk that the fair value or future cash flows of the Commission's financial Instruments will fluctuate in the future because of price changes. The Commission invests in publicly traded fixed income and equity investments available on domestic and foreign exchanges and in privately held investments. Market risk is managed through diversification between different asset classes and geographic diversification and by limiting the concentration in any single entity to 5% or less of the fair value of the investment fund. The one exception to the 5% or less concentration rule is an investment in a real estate holding fund, Bentall Kennedy Prime Canadian Property Fund Ltd, at 15.68% (2021 – 14.71%) of the total fund. This fund is diversified by geographic location and investment type. In 2022, the fund held properties in 4 provinces; 49% in Ontario, 26% in British Columbia, 13% in Alberta and 12% in Québec. The types of properties held by the fund can be classified as retail (15%), office (21%), distribution and warehouse (39%), multifamily residential (20%) and other (5%). The Governance Council is aware of this exception to its investment policy.

The Commission's investment target and actual asset mix at fair value December 31, 2022 is as follows:

	Target		
	Maximum %	Minimum %	Actual %
Fixed income securities and indexed bond funds	62.00	27.00	39.16
Canadian equities	17.00	7.00	12.87
Real estate	20.00	10.00	15.68
United States equities	9.00	-	6.29
International equities	27.00	17.00	19.76
Mortgages	10.00	-	5.11
Cash and cash equivalents	5.00	-	1.13

Equity investments are particularly sensitive to market risk. Because equities are recorded as held-for-trading, changes in their fair value from the movements in the markets have a significant impact on comprehensive income and reserve values. The following table is a sensitivity analysis that shows the impact of a change depending on asset type, on the average market values of each portfolio, which equates to one standard deviation of the portfolio in the respective stock market index.

For the year ended December 31, 2022 (in thousands of Canadian dollars)

14. Financial risk management (continued)

c) Market risk (continued)

Portfolio	Index	Exposure December 31, 2022 $	Change one standard deviation %	Change to comprehensive income 2022 $
Canadian equities	TSX 300	58,132	12.84	7,464
Global equities	MSCI EAFE	89,230	11.50	10,261

d) Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate in the future because of interest rate changes. The Commission is exposed to interest rate risk primarily through its investments in fixed income investments. Fluctuations in interest rates can affect 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.

The following table provides a sensitivity analysis of the impact of a 1.00% change in nominal interest rates at December 31 assuming the change occurs evenly throughout the sector and all other variables remain constant.

	Movement in interest rates %	Change to comprehensive income 2022 $
Change in nominal interest rates	+1.00	7,188

	Movement in interest rates %	Change to comprehensive income 2021 $
Change in nominal interest rates	+1.00	14,870

Notes to the Financial Statements

For the year ended December 31, 2022 (in thousands of Canadian dollars)

14. Financial risk management (continued)

e) Real estate risk

Real estate risk arises from changes in real estate values related to local markets and vacancy rates. Real estate risk is managed through diversification across real estate types and locations. Adverse impacts in any segment of the market or geographic location are reduced by having holdings diversified across residential, commercial, industrial, and developmental markets.

The table below presents the estimated effect of a material adverse change in valuations of the investment in domestic real estate for the year ended December 31. This change to comprehensive income reflects a change in valuation of 9.33% (2021 – 9.40%), which, based on ten years of results, would be one standard deviation of valuation change.

Portfolio	Exposure December 31, 2022 $	Change %	Change to comprehensive income 2022 $
Real estate	70,803	+9.33%	6,606

Portfolio	Exposure December 31, 2021 $	Change %	Change to comprehensive income 2021 $
Real estate	70,878	+9.40	6,663

f) Currency risk

Currency risk is the risk that the value of financial assets and financial liabilities denominated in foreign currencies will fluctuate due to changes in their respective exchange rates relative to the Canadian dollar. The Commission has investments denominated in foreign currencies which are therefore 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 was $6,209 in forward foreign exchange contracts outstanding as at December 31, 2022 (2021 – $5,260). These contracts were equal to the foreign exchange exposure of fixed income investments.

Notes to the Financial Statements

For the year ended December 31, 2022 (in thousands of Canadian dollars)

14. Financial risk management (continued)

f) Currency risk (continued)

The total amount of investments, at fair value, exposed to currency risk is as follows:

Foreign country	Total Investments Fair Value 2022 $	Total Investments Fair Value 2021 $
United States	109,341	103,081
Europe	9,299	10,807
Japan	4,502	5,613
United Kingdom	6,711	4,910
Switzerland	2,832	4,226
Hong Kong	1,155	1,509
Denmark	700	1,640
Sweden	488	1,215
Australia	1,075	697
Korea	341	466
Singapore	597	489
Norway	426	104
Israel	157	225
New Zealand	22	55
Sweden	-	37
Brazil	35	-
India	288	343
Total	137,969	135,417

Notes to the Financial Statements

For the year ended December 31, 2022 (in thousands of Canadian dollars)

14. Financial risk management (continued)

f) Currency risk (continued)

The following tables provide a sensitivity analysis that illustrates the impact of a 10% appreciation in the Canadian dollar relative to the five largest currencies the Commission is exposed to for the year ended December 31. This analysis assumes that all other variables remain constant.

	Exposure December 31, 2022 $	Change %	Change to comprehensive income 2022 $
United States	109,341	+10.00	(10,934)
Europe	9,299	+10.00	(930)
Japan	4,502	+10.00	(450)
United Kingdom	6,711	+10.00	(671)
Switzerland	2,832	+10.00	(283)

	Exposure December 31, 2021 $	Change %	Change to comprehensive income 2021 $
United States	103,081	+10.00	(10,308)
Europe	10,807	+10.00	(1,081)
Japan	5,613	+10.00	(561)
United Kingdom	4,910	+10.00	(491)
Switzerland	4,226	+10.00	(423)

Notes to the Financial Statements

For the year ended December 31, 2022 (in thousands of Canadian dollars)

15. Administration and general expenses

	For the year ended December 31, 2022 $	For the year ended December 31, 2021 $
Salaries, wages and allowances	17,831	18,942
Professional services	5,255	4,819
Employer share of benefits	4,335	3,843
Depreciation on right of use assets	1,627	1,430
Amortization and depreciation	1,100	1,174
Office repairs and maintenance	939	889
Contributions to other organizations	1,577	775
Communications	739	756
Office services and supplies	747	641
Office furniture and equipment (non-capital)	481	506
Advertising and public information	282	314
Travel	654	236
Loss on asset disposal	3	-
Interest expense on lease liabilities	154	186
Bad debt expense	(88)	(169)
Training and development	188	165
Grants	85	81
Office lease payments	105	84
Honoraria and retainers	70	71
Recruitment	61	91
Recoveries	(735)	(564)
	35,410	34,270
Less: Allocation to claims management costs - current year injuries (Note 9.b)	(2,507)	(2,620)
Less: Allocation to claims management costs - prior year injuries (Note 9.b)	(12,862)	(10,658)
Total	20,041	20,992

Substantially all of the employees of the Commission are covered by a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Commission. The President of the Treasury Board of Canada sets the required

Notes to the Financial Statements

For the year ended December 31, 2022 (in thousands of Canadian dollars)

15. Administration and general expenses (continued)

employer contributions, based on a multiple of the employee's required contribution. Total contributions of $1,811 (2021 – $1,795) were recognized as expense in the current year.

The WSCC contributes funding through the Workers' Compensation Act and other agreements as follows:

	2022 $
Workers' Advisor	355
Workers' Tribunal	284
Partnerships	938
Total	1,577

16. Related party transactions

The Commission is related to all departments and territorial public agencies of the Governments of the Northwest Territories and Nunavut. The Commission enters into transactions with these entities in the normal course of business. The following tables summarize the Commission's transactions:

Balances due from related parties included in assessments receivable and other receivables:

	As at December 31, 2022 $	As at December 31, 2021 $
Government of Nunavut	531	230
Territorial public agencies	160	97
Government of the Northwest Territories	1,338	848
Total	2,029	1,175

For the year ended December 31, 2022 (in thousands of Canadian dollars)

16. Related party transactions (continued)

Balances payable to related parties included in accounts payable, accrued and other liabilities and assessments refundable:

	At at December 31, 2022	As at December 31, 2021
	$	$
Government of Northwest Territories	638	186
Territorial public agencies	112	748
Government of Nunavut	336	189
Total	1,086	1,123

Assessment revenue, at rates determined using the same method as with others, from related parties for the years ended December 31:

	At at December 31, 2022	As at December 31, 2021
	$	$
Government of Northwest Territories	10,295	9,924
Territorial public agencies	3,345	2,891
Government of Nunavut	8,505	8,259
Total	22,145	21,074

Expenses to related parties for the years ended December 31:

	For the year ended December 31, 2022	For the year ended December 31, 2021
	$	$
Territorial public agencies	422	954
Government of Northwest Territories	2,576	2,678
Government of Nunavut	522	480
Total	3,520	4,112

For the year ended December 31, 2022 (in thousands of Canadian dollars)

16. Related party transactions (continued)

The Commission does not record the value of services provided in the normal course of operations without charge by the Governments of the Northwest Territories and Nunavut in these financial statements. The services provided without charge are not significant but include areas where the Commission follows government administrative policies and employment contracts. These services include training services, records management, and human resources support.

Compensation of key management personnel

	For the year ended December 31, 2022	For the year ended December 31, 2021
	$	$
Compensation	1,439	1,794
Post employment benefits - decrease in liability	(117)	(213)
Employer pension plan contributions	253	214
Total compensation paid to key management personnel	1,575	1,795

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel, which consists of the members of the Governance Council, the President, Vice-presidents and Directors.

17. Fair value measurement

The Commission's financial instruments categorized according to their fair value hierarchy as described in Note 2.b) are as follows:

	Level 1	Level 2	Level 3	As at December 31, 2022
	$	$	$	$
Financial instruments measured at fair value:				
Equities	145,858	1,485	19	147,362
Indexed bond funds	1,449	159,149	-	160,598
Private debt	653	27,988	16,040	44,681
Real estate	-	70,804	-	70,804
Mortgages	-	23,062	-	23,062
Total	147,960	282,488	16,059	446,507

For the year ended December 31, 2022 (in thousands of Canadian dollars)

17. Fair value measurement (continued)

Level 1 and Level 2 Fixed Income and Equity fund assets were sold in 2022 to fund purchases of Private debt funds which are Level 3 assets, and these have a significant redemption illiquidity.

Level 3	2022 $
Fair Value, beginning of year	87
Re-classifieds	-
Purchases	15,837
Repayments	(4)
Unrealized Gains(Losses)	139
	16,059

	Level 1 $	Level 2 $	Level 3 $	As at December 31, 2021 $
Financial instruments measured at fair value:				
Equities	180,037	1,375	65	181,477
Indexed bond funds	(40)	199,663	22	199,645
Real estate	-	70,878	-	70,878
Mortgages	-	24,775	-	24,775
Total	179,997	296,691	87	476,775

Mortgages are valued based on inputs from a non-active but well defined market for similar assets. Verifiable discount rates and spreads are utilized that are reflective of the underlying mortgage asset quality.

Pooled fund units are valued at their year-end net asset value, as determined by the fund manager or administrator. For equity and fixed income pooled funds, these values represent the Commission's proportionate share of underlying net assets at fair values determined using either quoted market prices or year-end closing market prices or the average of the latest bid/ask prices based on available public quotations from recognized dealers in such securities. Bonds are valued using the PCBonds TMX Group pricing system. Real estate is valued by comparing the property values to other completed transactions or listings in the market and performing a discounted cash flow analysis based on market rents and comparable discount rates.

Notes to the Financial Statements

For the year ended December 31, 2022 (in thousands of Canadian dollars)

18. Right of use assets and lease liabilities

The Commission leases several assets including real property. Some leases contain extension options exercisable by the Commission. The Commission has included the extension option in the lease term in calculating the lease liabilities where it is reasonably certain to exercise that option. There are no purchase options, contingent rents or escalation clauses included in the leases.

Amounts expensed for common area maintenance and utilities, not included in the calculation of the lease liabilities, in 2022 is $820 (2021 - $900).

	$
Asset balance at January 1, 2022	4,287
Additions	1,587
Depreciation	(1,677)
Asset balance at December 31, 2022	4,197

	$
Asset balance at January 1, 2021	5,488
Additions	229
Depreciation	(1,430)
Asset balance at December 31, 2021	4,287

	$
Lease liabilities balance at January 1, 2022	4,521
Additions	1,598
Principal payments	(1,685)
Lease liabilities balance at December 31, 2022	4,434

	$
Lease liabilities balance at January 1, 2021	5,692
Additions	229
Principal payments	(1,400)
Lease liabilities balance at December 31, 2021	4,521

Notes to the Financial Statements

For the year ended December 31, 2022 (in thousands of Canadian dollars)

18. Right of use assets and lease liabilities (continued)

Lease liabilities maturity analysis

Contractual undiscounted cash flows:

	As at December 31, 2022 $	As at December 31, 2021 $
Year 1	1,868	1,545
Year 2	1,351	1,238
Year 3	897	955
Year 4	814	512
Year 5	314	476
Thereafter	-	116
Sub-Total	5,244	4,842
Less: Imputed Interest	(810)	(321)
Lease liability	4,434	4,521

Annual Report 2022

WORKERS' SAFETY AND COMPENSATION COMMISSION
NORTHWEST TERRITORIES AND NUNAVUT

WSCCNTNU

WSCC

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