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AWCBC All Committees Meeting

Meeting Agenda

Financial and Statistical Data Comparability Committee & WCB CFO Meeting

May 16 & 17, 2018

The Omni King Edward Hotel, 37 King Street East, Toronto, Ontario

Wednesday, May 16, 2018				
Time	Location	Item		Presenter/Speaker
7:30	Vanity Fair Foyer		Registration Opens	
7:30 - 8:30	Vanity Fair Ballroom		Hot Breakfast Buffet	
8:30 - 9:00	Vanity Fair Ballroom		Opening Remarks (All Committees)	Cheryl Tucker, AWCBC
9:00 - 9:10		1	**Welcoming Remarks and Introductions**	Led by Lorena Trann
9:10 - 9:20		2	**Review of Agenda and Previous Meeting Minutes action items**	Led by Lorena Trann
9:20 - 9:30		3	**Executive Sponsor Update:** AWCBC Initiatives and Strategic Direction	Stuart McLean
9:30 - 10:00		4	**QuikStats – Annual Review** General review of content/format. Any emerging measures to add?	Led by Lorena Trann
		5	**Terms of Reference Review** • Committee Structure • Discuss appointment of New Co-Chair	Led by Lorena Trann/Laurent Charron
		6	**Committee Work Plan Update** • Review 2017 work plan • Items for 2018 work plan • Committee Structure	Led by Lorena Trann
10:00 – 10:30		7	**Discussion of new IFRSs**: IFRS 9, IFRS 15, IFRS 16	Led by Laurent Charron and Lorena Trann
10:30 - 10:45	Vanity Fair Foyer		Morning Break	

Wednesday, May 16, 2018				
Time	Location	Item		Presenter/Speaker
10:45 - 11:45		8	**KSM Review:** Complete Action Items from May/17 meeting • Report card on WCB compliance with reporting deadlines	Led by Guillaume Baril. Invite NWISP committee members that are KSM submitters
11:45 - 12:00		9	**IFRS 17 Readiness: Actuary report, WCB Workplans**	Laurent Charron and Carolyn MacDonald
Noon - 1:00	Vanity Fair Ballroom		Buffet Lunch	
1:00 -1:45		10	**IFRS 17 Readiness: financial reporting group update, briefing, intro training discussion**	Laurent Charron
1:45 - 2:30		11	**IFRS 17: Discuss potential national Training Initiative with external participants;**	Grant Thornton and GAAP Dynamics (IFRS 17 Trainers) facilitated by Lorena Trann
2:30 - 2:45	Vanity Fair Foyer		Afternoon Break	
2:45 - 3:45		12	**IFRS 17:** Debate potential national Training Initiative to determine interest.	Led by Lorena Trann and Laurent Charron
3:45 - 4:00		13	**IFRS 17:** Discussion wrap-up and next steps.	Led by Lorena Trann and Laurent Charron
If time permits		14	**ADDRESSING HC SECTOR HIGH INJURY RATE:** Discuss whether/not the CFO Committee can assist and if so - how.	Led by Lorena Trann
5:00 – 8:00			All Committees Reception	

Thursday, May 17, 2018				
Time	Location	Item		Presenter/Speaker
7:30	Vanity Fair Foyer		Registration Opens	
7:30 - 8:30	Vanity Fair Ballroom		Hot Breakfast Buffet	
8:30 – 10:30		15	**Roundtable discussion:** a) Preliminary Financials b) Items of Interest at each WCB	Led by Lorena Trann
10:30 - 10:45	Vanity Fair Foyer		Morning Break	

Thursday, May 17, 2018				
Time	Location	Item		Presenter/Speaker
10:45 - 12:15	Vanity Fair Ballroom		Committee Chairs' Report Outs (All Committees)	
12:15 - 1:30	Vanity Fair Ballroom		Plated Lunch	

*Note: Work plans due at 10:00 a.m. on Day 2. Chairs to submit their updated work plan at the registration desk.

Minutes
Financial and Statistical Data Comparability Committee & WCB CFO Meeting
May 17 & 18, 2017
Omni King Edward Hotel, 37 King Street East, Toronto, Ontario

Attendees:

Peter Federko (Executive Sponsor, SK); Ron Helmhold (Chair, AB); Lorena Trann (Vice-chair, MB); Brian Erickson (BC); Mark Heywood (BC); Christine Stratton (NL); Len MacDonald (NT/NU); Pamela Steer (ON); Ernest Chui (ON); Tammy Turner (PE); Anne St-Martin (QC); Guillaume Baril (QC); Ann Schultz (SK); Jim Stephens (YT); Michelle Beavington (AWCBC).

Guests:

Michael Norris (Willis Towers Watson); Trisha LeBlanc and Colin MacLean (Grant Thornton); Crispina Caballero, *via conference call* (CIA WC Committee & WorkSafeNB); Cheryl Tucker (AWCBC).

Regrets:

Laurent Charron (AB); Tim Petersen (NB); Carolyn MacDonald (NB); Paul Kavanagh (NL); Leo McKenna (NS); Carl Gauthier (QC).

Item 1: Welcoming Remarks and Introductions

Ron Helmhold welcomed everyone and introductions were made.

Item 2: Review of Agenda and Previous Meeting Minutes action items

The agenda and previous meeting minutes were reviewed with no revisions.

Item 3: Executive Sponsor Update

Peter Federko updated on AWCBC Board of Directors and IAIABC activities.

Item 4: Funding Reviews

Lorena Trann led a discussion on Funding Reviews.

Item 5: Reinsurance

Michael Norris and associates, from Willis Towers Watson, presented on Reinsurance. See meeting materials for presentation.

ACTION ITEMS:

- M. Beavington to electronically distribute presentation.

Item 6: Accounting Standards Update

Trisha LeBlanc and Colin MacLean, from Grant Thonton, presented an update of accounting standards including IFRS 9 (Financial Instruments); IFRS 16 (Leases); and IFRS 17 (Insurance Contracts).

ACTION ITEMS:

- M. Beavington to electronically distribute presentation.

Item 7: Accounting Standards Update – General Discussion

There was committee discussion on actuarial standards. Please see Financial Resporting Sub-committee report in meeting materials.

ACTION ITEMS:

- A fall CFO meeting will be arranged to discuss IFRS developments further and to co-ordinate the work of the Actuaries and the IFRS sub-committee. (See also Item #13)

Item 8: IAIABC Data Project Update

M. Beavington gave an update on IAIABC's Claims Measures Survey including a request from IAIABC that Canadian jurisdictions provide two additional measures: fatality rate and denied claims. As these are not published KSMs, there was no appetite to add these additional measures.

ACTION ITEMS:

- M. Beavington to inform IAIABC that AWCBC will not be able to provide fataility rates and denied claims numbers to IAIABC for their Claims Measures Survey.

Item 9: QuikStats – Annual Review

There was a general review of the content and format of QuikStats. This is a standing item.

IT WAS DECIDED that:

- There will be no revisions or measures added to QuikStats at this time.

Item 10: KSM Review

Lorena Trann led the discussions on KSM items.

(a) Reevaluate "Year at a Glance" Report

For background information, see meeting materials "Year at a Glance Report – Review – May 2017".

IT WAS DECIDED that:

- Injury Frequency (KSM 21) should be reevaluated to determine if it should remain for assessable employers only or include both assessable and self-insured employer (to be consistent with other "Claims Measures" KSMs).
- KSM 11 (Total Premium Review) will be reevaluted and possibly discontinued as, unlike other "Financial" KSMs which relate only to assessable employers, KSM 11 includes both self-insured and assessable employers.
- For KSM 11, make the Canada total N/A as without Quebec included it appears as if the Total Preimum Revenue (KSM 11) is lower than Assessment Revenue for Assessable Employers (KSM 10).
- For KSM measures that are only for assessable employers (e.g. KSM 4, 5, 6, 8), we should add "of assessable employers" to the Intent section.
- KSM 2.1 and 2.2. (Lost Time Claims for Assessable and Self-Insured Employers) should not be discontinued.

ACTION ITEMS:

- Injury Frequency (KSM 21) to be discussed at next meeting (should it include self-insured?)
- Total Premium Revenue (KSM 11) to be discussed at next meeting and possibly discontinued.
- Add "of assessable employers" to intent sections of KSM measures only for assessable employers.
- Make Canada total 'N/A' for KSM 11 (Total Premium Revenue)

(b) Outstanding KSM Definition Review

For background information, see meeting materials "KSM Definitions – Outstanding KSM Review Items – May 2017".

IT WAS DECIDED that:

- Latent occupational disease will be excluded from KSM 4 (Current Year Benefit Costs), KSM 6 (Benefit Costs Incurred) and KSM 7 (Benefit Liabilities).
- For KSM 6 (Benefit Costs Incurred) edit definition to indicate that it is KSM 4 "plus …". Remove "as reported in the Annual Report" from Definition section of KSM 6.

- For KSM 7 (Benefit Liabilities) indicate in Definitions that only assessable employers are included.

ACTION ITEMS:

- Edit definitions for KSMs 4, 6 and 7 per decisions above.
- KSM Review Subcommittee to review additional feedback received from WCBs regarding KSM Definitions (mostly minor wording changes that do not affect the calculation of KSMs). If the subcommittee feels an item needs to be discussed by the full Committee, then it will be brought back to entire Committee, otherwise subcommittee will decide whether or not suggested changes should be incorporated.

(c) Reconnect with KSM Working Group

IT WAS DECIDED that:

- To assist in reconnecting with the KSM Working Group (i.e. submitters), KSM submitters who attend the NWISP Committee meetings, should be invited to participate in KSM discussions.

ACTION ITEMS:

- At future All Committee Meetings, invite KSM Submitters attending the NWISP Committee meeting to participate in discussions on KSMs.

<u>Item 11: Terms of Reference Review</u>

As Ron Helmhold's term is coming to an end as chair, a new vice-chair needs to be selected.

IT WAS DECIDED that:

- No content changes were required to the Committee Terms of Reference.
- Laurent Charron will be the new vice-chair starting in 2018 when Ron Helmhold's term as chair comes to an end.

<u>Item 12: Committee Work Plan Update</u>

Ron Helmhold led the update to the Committee work plan.

There were no changes made to the mandate, goals or objectives. The following revisions were made to the work plan:

- Activities:
    - Statuses were updated as appropriate.
    - A new category was created for "Ongoing review and maintenance of KSM measures."
    - New activity added: Explore opportunities to engage KSM WG in discussions on KSMs.

    - Updated monitoring of accounting and actuarial developments to include:
        - High level updates on IFRS standards in development (IFRS 9, IFRS 16, and IFRS 17)
        - Draft briefing notes including practical WCB applications and high level outcomes on business (IFRS subcommittee)
    - Edited IAIABC item to “Monitoring opportunities of mutual interest …”

ACTION ITEMS:

- M. Beavington to distribute draft orientation guides to KSM Submitters and Quality Assurance members for feedback.
- AWCBC to draft historical log of KSMs for spring 2018.

Item 13: Actuarial Update

Crispina Caballero from WorkSafeNB and Canadian Institute of Actuaries (CIA) presented via conference call on CIA’s Workers’ Compensation Committee initiatives. See presentation in meeting materials.

ACTION ITEMS:

- A fall CFO meeting will be arranged to discuss IFRS developments further and to co-ordinate the work of the Actuaries and the IFRS sub-committee. (See also Item #7)

Item 14: Roundtable Discussion

There was a discussion regarding US tax exemptions for workers’ compensation funds. See bcIMC briefing note included in meeting materials.

There was a discussion on preliminary financials and major iniativies going on at WCBs. See Preliminary Financial and Major Initiatives summary documents in meeting materials for details.

ACTION ITEMS:

- BC will continue to explore the feasibility of pursuing a US tax exemption.
- AWCBC to add a sub-field for defined benefit pension plan accounting valuation discount rates for 2016 and 2015 to the "Preliminary financials document" in order to further discuss the discrepancies among boards' OCI.

Conclusion

Ron Helmhold thanked everyone for their attendance and participation.

It was concluded that a fall meeting should be called in order to discuss IFRS standards.

ACTION ITEMS:

- A poll will be sent out to determine an appropriate date and location for a possible fall meeting.

AWCBC QuikStats

The intent of this project is to give a quick snapshot to CEOs/Presidents on some of the more easily collected statistical measures without the delay of waiting for KSMs. These are not KSMs. QuikStats uses an indexed approach. Jurisdictions use their own definitions; there is no quality or definition review done by AWCBC. The charts presented simply show trends for each jurisdiction, not actual values (except Investment Returns). QuikStats are internal measures shared only with CFOs and CEOs/Presidents and are not for external distribution.

Measures

Investment Returns:

This comparison shows actual YTD Investment Returns.

Claims Registered:

This comparison shows the trend of a jurisdiction's YTD claims registered compared to the YTD claims registered at the same time period the previous year.

Injury Rate:

For the most recent quarter, this trend compares the current quarter's injury rate to the injury rate of the same quarter of the previous year.

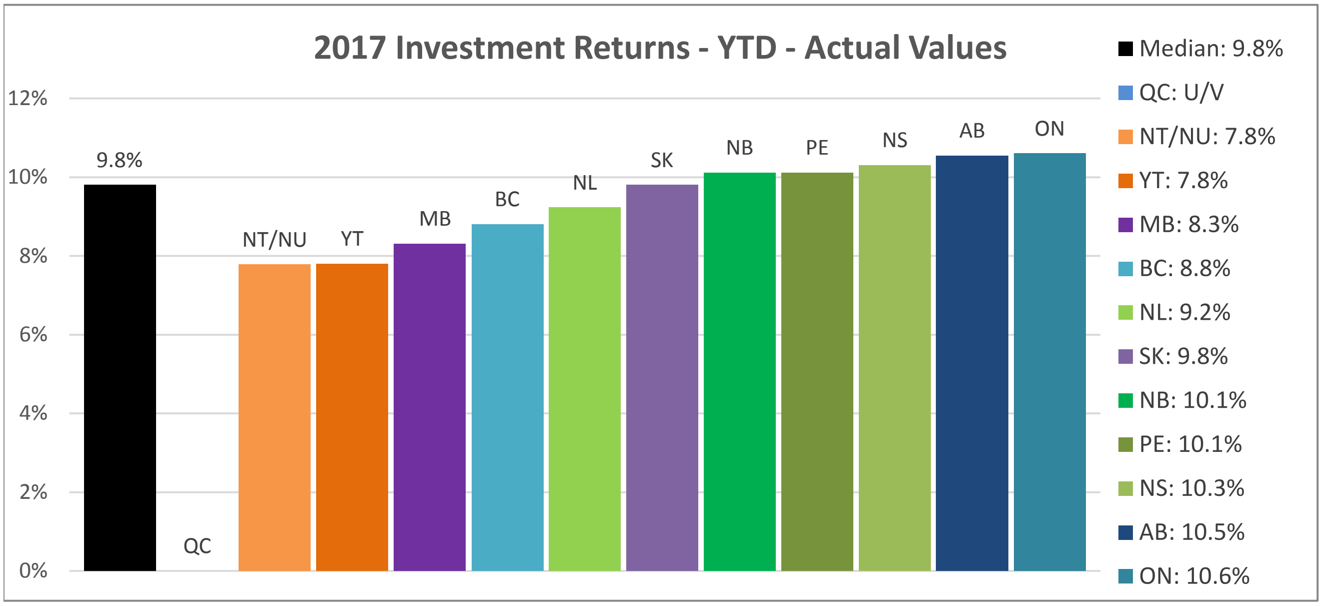
For prior years (all other charts), this comparison shows the trend of a jurisdiction's annual injury rate compared to the previous year's annual injury rate.

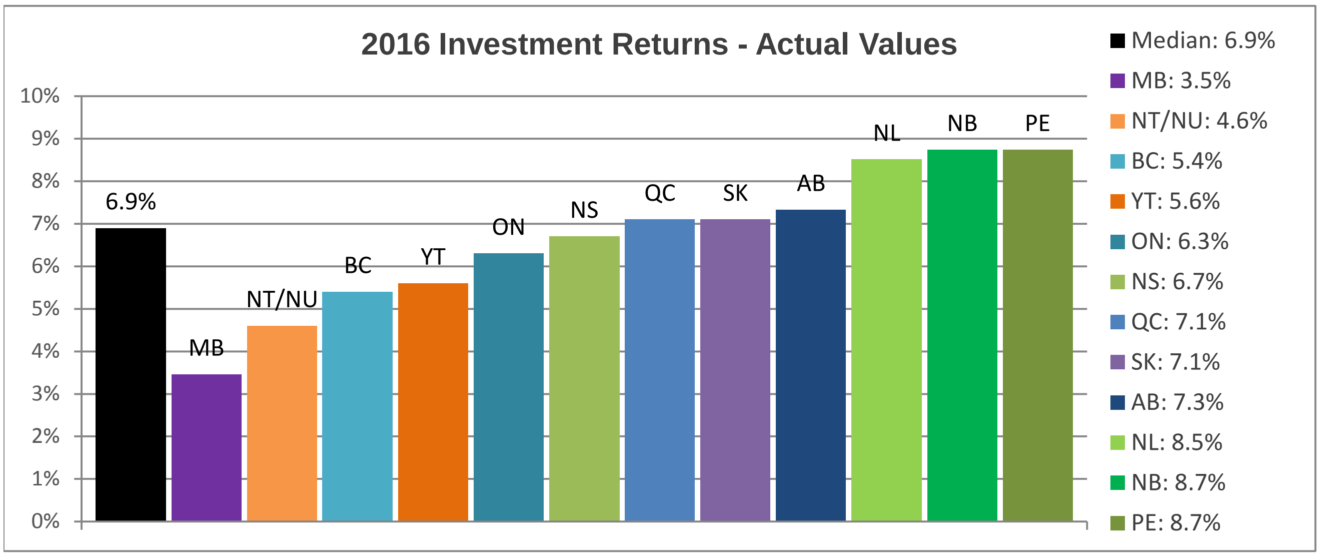
Duration:

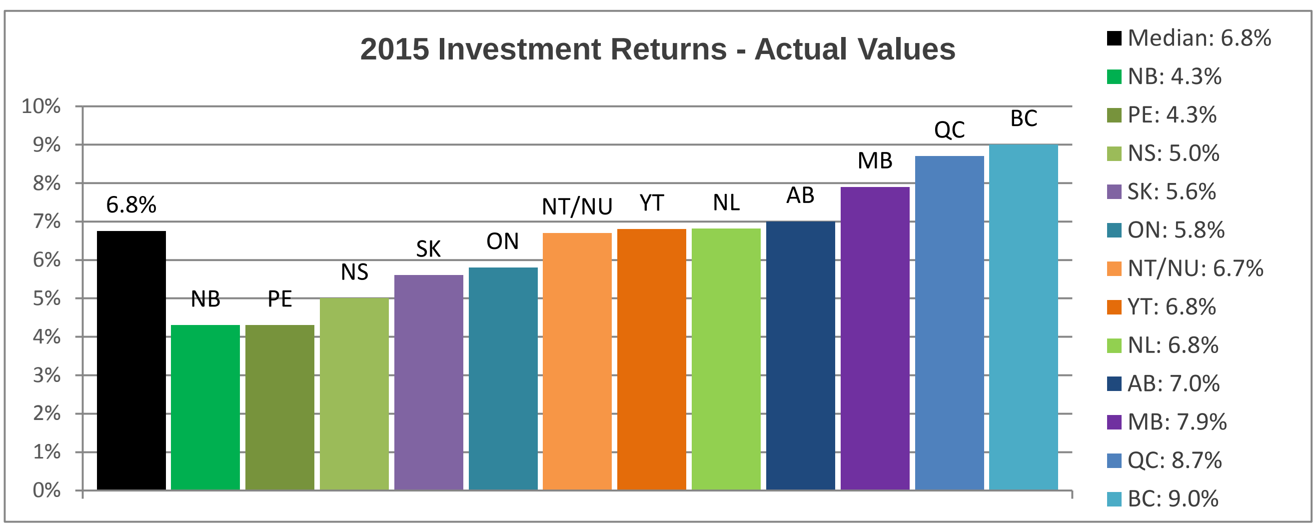
For the most recent quarter, this trend compares the current quarter's duration to the duration of the same quarter of the previous year.

For prior years (all other charts), this comparison shows the trend of a jurisdiction's annual duration compared to the previous year's annual duration.

INVESTMENT RETURNS



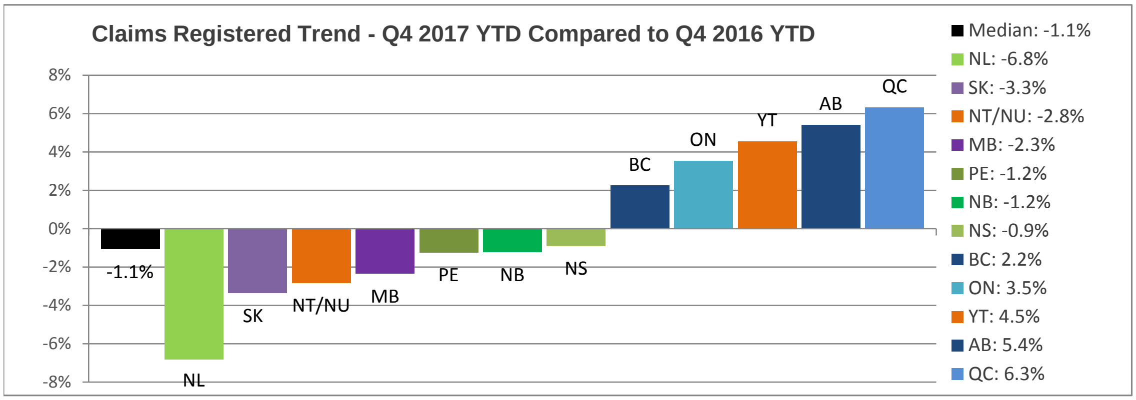




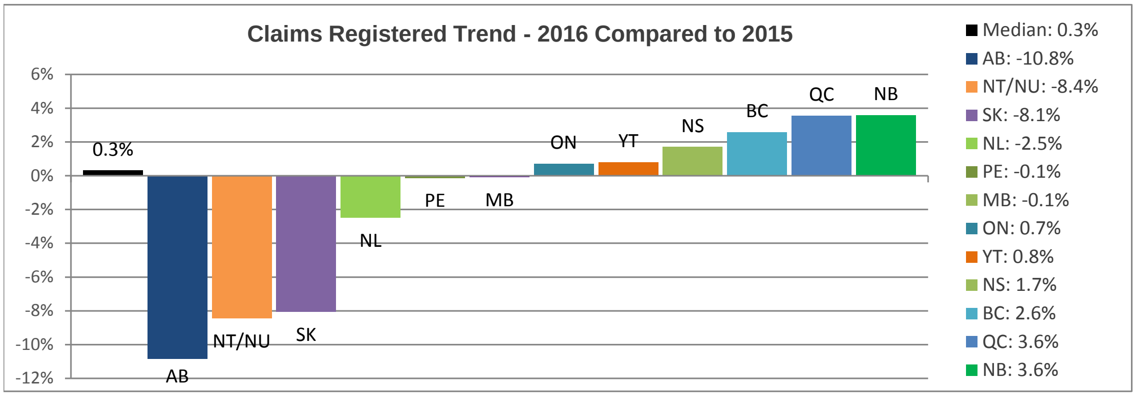
Notes:

- *Investment Returns show year-to-date (YTD) investment returns.*
- *Data are actual values.*
- *Nova Scotia's 2017 4Q figure is a preliminary number.*
- *PEI and NB have the same return. Both jurisdictions assets are in the same fund.*
- *Quebec's 2017 4Q figure is unavailable.*

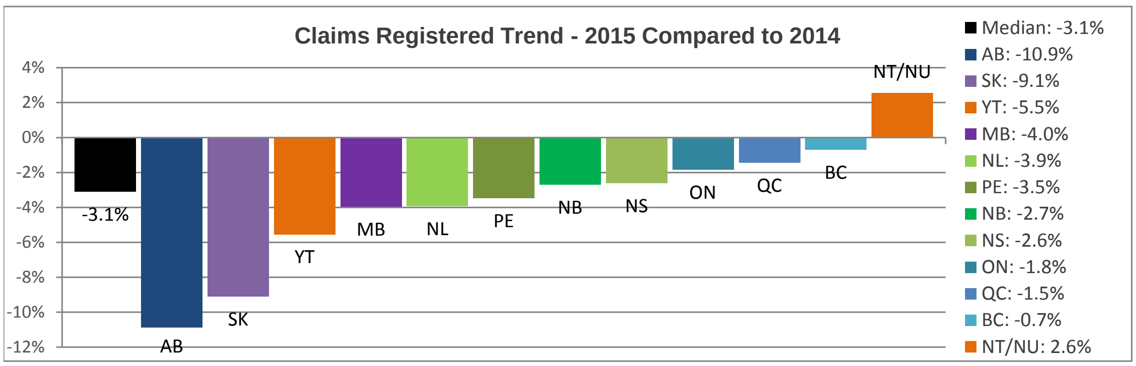
CLAIMS REGISTERED



The chart above shows percentage change - YTD Claims Q3 2017 from YTD Claims Q3 2016.



The chart above shows percentage change - 2016 from 2015 Claims.

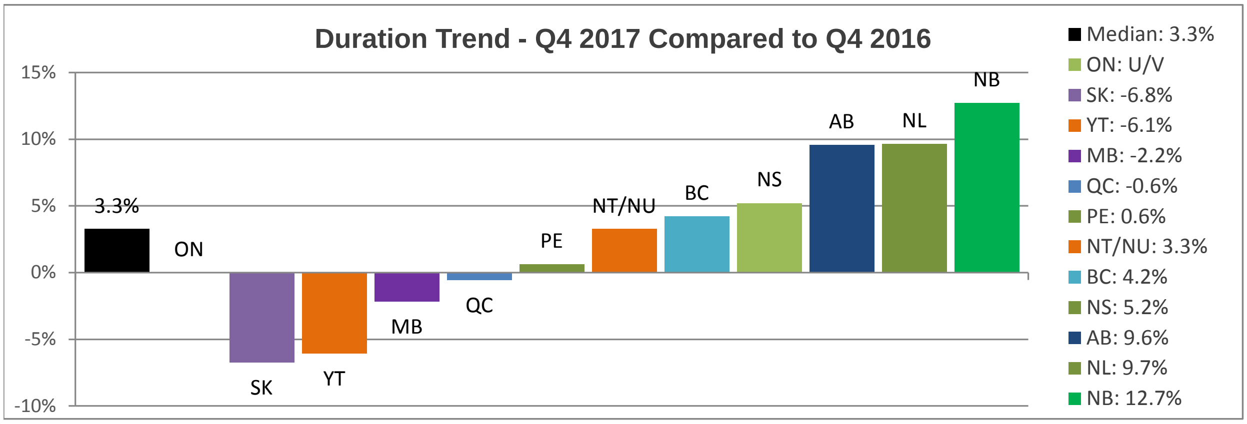


The chart above shows percentage change - 2015 Claims from 2014 Claims.

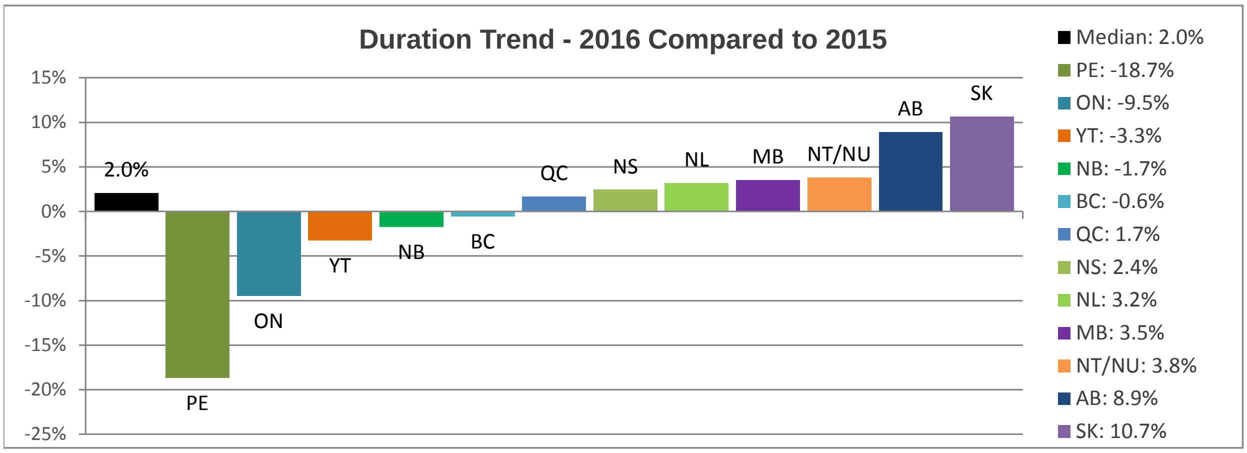
Notes:

- *Claims Registered uses year-to-date (YTD) claims registered.*
- *Current quarter shows the trend of YTD claims registered compared to the YTD claims registered at the same time period the previous year.*
- *Prior years' charts show the percentage of increase/decrease year over year (e.g., 2017 claims are compared to 2016 claims).*
- *Jurisdictions use internal definitions that are not necessarily comparable between jurisdictions.*
- *The charts above show trends, not actual values, for each jurisdiction.*

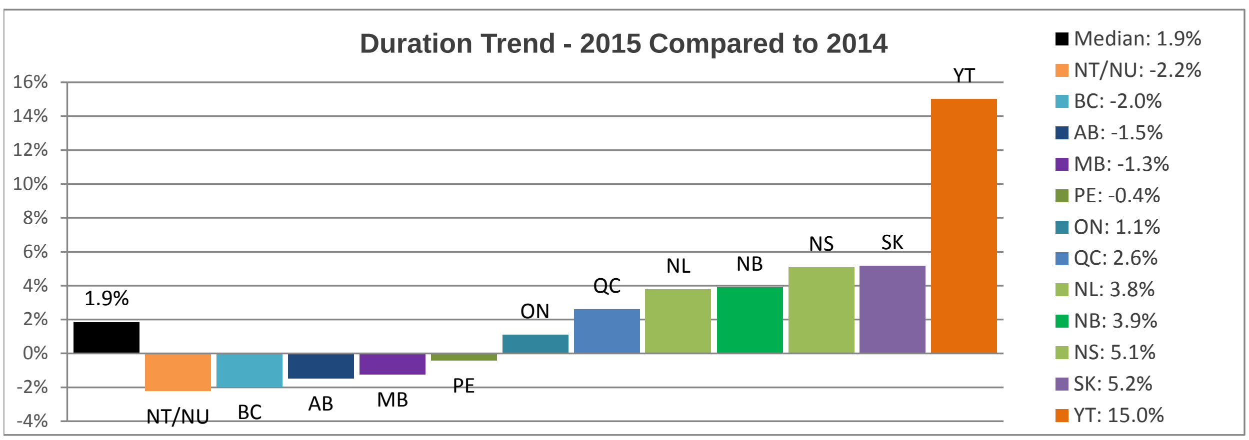
DURATION



The chart above shows percentage change - 2017 Q3 Duration from 2016 Q3 Duration.



The chart above shows percentage change - 2016 Duration from 2015 Duration.

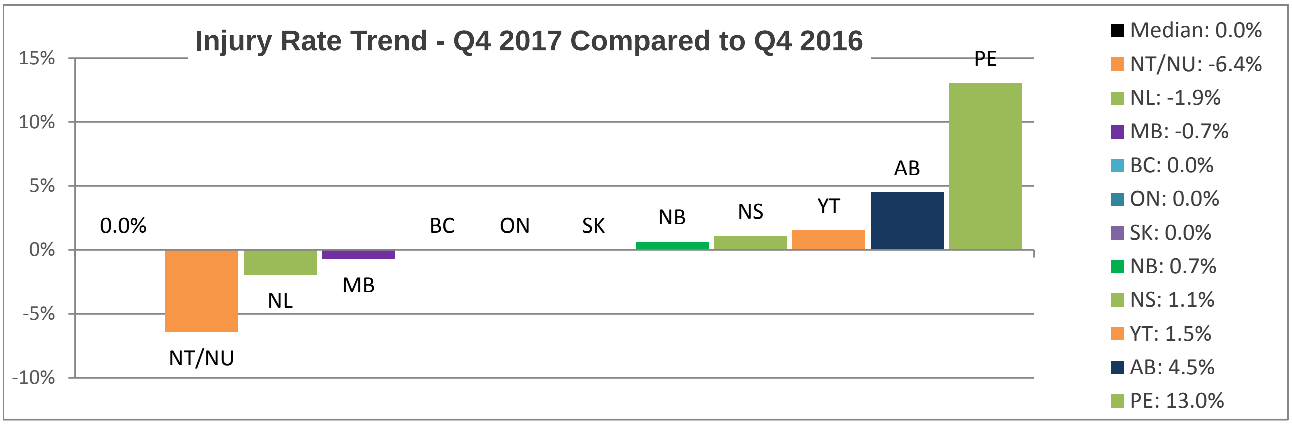


The chart above shows percentage change - 2015 Duration from 2014 Duration.

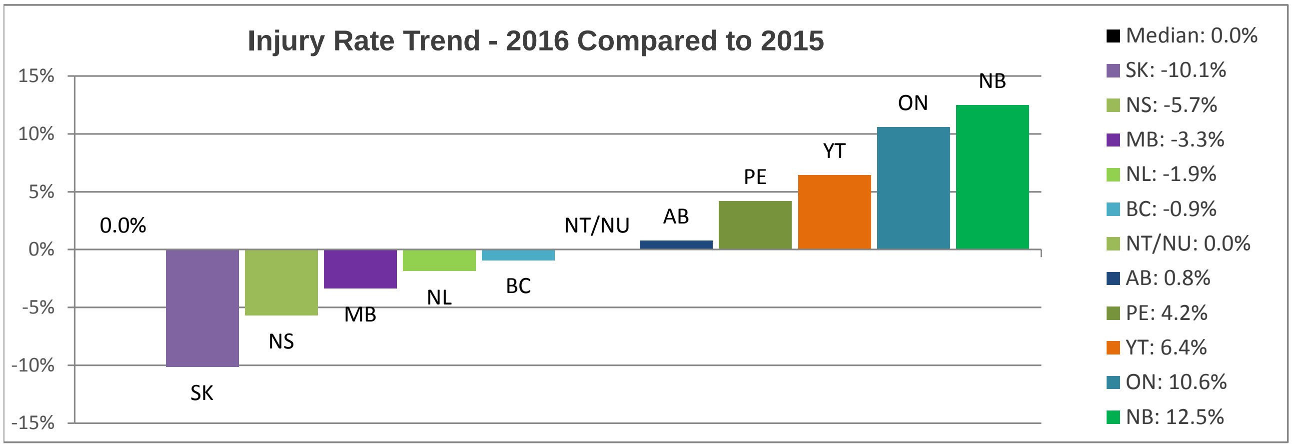
Notes:

- *The charts above show trends, not actual values, for each jurisdiction.*
- *Jurisdictions use internal definitions that are not necessarily comparable between jurisdictions.*
- *Duration data for Ontario is unavailable*
- *Nova Scotia's 2017 Q4 value is November figure.*

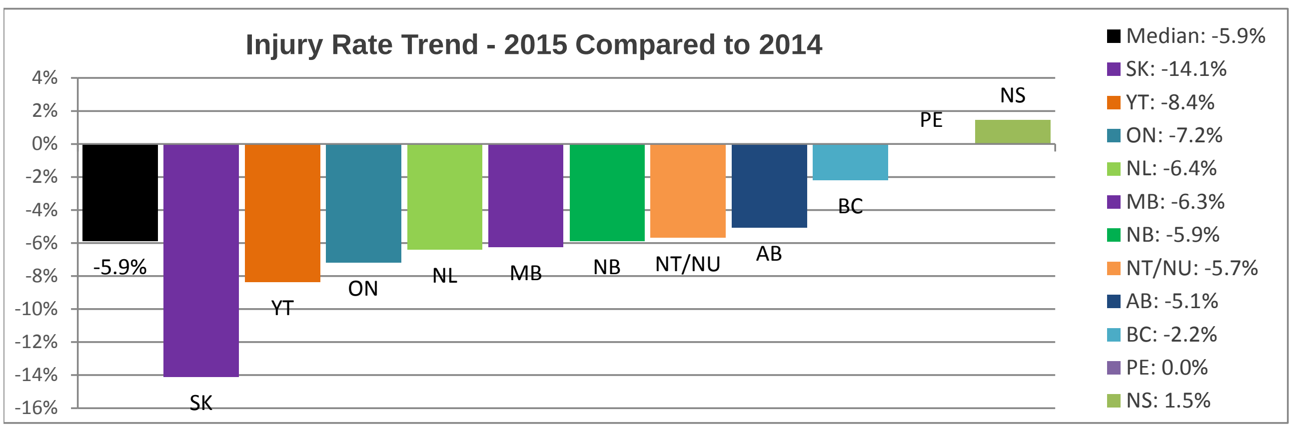
INJURY RATE



The chart above shows percentage change - 2017 Q3 Injury Rate from 2016 Q3 Injury Rate.



The chart above shows % change - 2016 Annual Injury Rate from 2015 Annual Injury Rate.



The chart above shows % change - 2015 Annual Injury Rate from 2014 Annual Injury Rate.

Notes:

- *The charts above show trends, not actual values, for each jurisdiction.*
- *Jurisdictions use internal definitions that are not necessarily comparable between jurisdictions.*
- *Current quarter shows the trend of the current quarter injury rate compared to the injury rate at the same quarter of the previous year.*
- *Prior years' charts show the percentage of increase/decrease year over year (e.g., 2017 annual injury rate is compared to 2016 annual injury rate).*

Association of Workers' Compensation Boards of Canada

ACATC Association des commissions des accidents du travail du Canada

AWCBC

Connecting members, advancing knowledge Relier les membres, développer les connaissances

AWCBC Financial and Statistical Data Comparability Committee

Terms of Reference

Document Version:

Last Revised	Last Reviewed by Committee	Sent to Executive
May, 2014	May, 2016	May, 2014

COMMITTEE NAME

FINANCIAL AND STATISTICAL DATA COMPARABILITY COMMITTEE

1. ROLE/PURPOSE

The mandate of this committee is to manage, support and promote activities related to the development and maintenance of statistical and financial indicators and data comparators.

2. RESPONSIBILITIES

a. The primary responsibility of this committee is to oversee AWCBC's Key Statistical Measures (KSMs), including:
   - Generally overseeing the Key Statistical Measures (KSM) project
   - Approving KSM definitions
   - Recommending new KSMs for external publication or KSMs to be discontinued, as appropriate, based on (but not limited to) the following criteria:
     - Relevance
     - Comparability
     - Effort to produce
     - Ability to be produced by most jurisdictions

   Note: When this committee recommends a new KSM:
   - The new KSM (including data that will be published) is forwarded via email to Presidents/CEOs for feedback;
   - If a President/CEO has a concern he/she can discuss with his/her Committee Member or contact the Committee Chair or AWCBC; and
   - If no changes are required or no feedback is received within 2 weeks, the AWCBC will publish the new measure externally.

b. The secondary responsibility of this committee is to investigate items of national financial importance, as required and/or as requested by AWCBC Executive Committee.

For more details of this committee's annual responsibilities and activities, see the Committee Work Plan.

3. MEMBERSHIP

Executive Sponsor

The Executive Sponsor is appointed by and is a member of AWCBC's Board of Directors.

The role of the Executive Sponsor is to:

- Provide leadership, support, guidance and advice
- Attend committee meetings as required
- Act as liaison between the committee and Executive Committee
- Review committee recommendations prior to presentation to Executive Committee
- Report on committee activities to the AWCBC Board of Directors
- Report on AWCBC Board of Directors' initiatives to the committee

Chair and Vice Chair

The Committee shall appoint a Chair and Vice-Chair whose terms are not to exceed 6 years.

The role of the Chair is to:

- Chair meetings, prepare the meeting agenda and minutes
- Coordinate the development and maintenance of an annual work plan with committee members
- Present the annual work plan to Executive Committee at the AWCBC All Committees Meeting
- Prepare reports and/or recommendations as required
- Provide orientation for new members
- Act as liaison with other AWCBC Committee Chairs/Committees
- Work with the AWCBC's Chief Executive Officer to align with ongoing initiatives and support the cross-pollination of work between committees as appropriate

The role of the Vice Chair is to provide support to the Chair and assume the Chair's responsibilities as required during absences etc.

Committee Member

The Chief Financial Officer (CFO) of each Board/Commission is generally a Committee Member, but each jurisdiction determines the best representative(s) for this committee.

The role of Committee Members is to:

- Review and contribute to agenda materials and when appropriate communicate a position on behalf of his/her jurisdiction
- Complete committee work assignments and participate in subcommittee work as requested
- Arrange for designate to attend meetings in his/her absence
- Bring subject matter knowledge to committee discussions
- Respond to requests for information/data (or assign a delegate from his/her jurisdiction to respond to these requests). Examples include:
    - approving KSMs for external publication (or delegating someone else from his/her jurisdiction for this purpose)
    - assigning KSM Submitters to be a part of the Working Group, see below
    - assigning someone from his/her jurisdiction to be on the Quality Assurance Group, as required, see below

Supporting Groups

KSM Working Group (WG)

- Working Group Chair(s):
    - Coordinate new KSM developments and other new initiatives
    - Report recommendations to committee on new and existing KSMs and/or KSMs to be discontinued, draft definitions and highlight issues of data comparability
    - Monitor ongoing opportunities for enhanced comparability
    - Provide guidance and assistance to jurisdictional WG members on issues related to KSMs
    - Provide guidance to Committee Members as requested on issues related to KSMs
    - Request information from jurisdictional WG members as required
    - In conjunction with AWCBC resources, coordinate review of KSMs every 5 years (or earlier if appropriate), with objective of optimizing current list of KSMs.

- Jurisdictional WG members:
  - Submit annual KSM data
  - Provide ad hoc data as required

Quality Assurance Group (QAG)

- Perform quality and consistency controls on KSMs ensuring jurisdictions submit KSMs according to agreed-upon Definitions.

Ad hoc Subcommittees

- This committee may strike a subcommittee as required/appropriate.

4. MEETINGS

AWCBC Annual All Committees Meeting

All formal AWCBC Committees meet annually each spring as part of AWCBC's All Committees Meeting, including this committee.

Other Meetings

Provided there are agenda items to warrant an in-person meeting, this committee may meet more than once a year.

5. RESOURCES

An employee of AWCBC is assigned to this committee to facilitate committee activities as required and to coordinate the submission and publication of Key Statistical Measures.

6. REPORTING

At the AWCBC Annual All Committees Meeting, the Chair and Executive Sponsor report to Executive Committee. The purpose of this report out is to:

- Present/review all committee reports/work plans
- Identify emerging issues
- Identify opportunities for cross committee collaboration
- Identify and coordinate any "cross-over" issues that may overlap amongst committees
- Identify potential topics for Learning Symposium or Congress
- Identify any potential financial/budget considerations

Committees are also requested to update the status of work plan items in the fall each year.

7. REVIEW OF TERMS OF REFERENCE

Review of the Terms of Reference is to be an annual standing item on this committee's agenda at the AWCBC Annual All Committees Meeting.

Financial and Statistical Data Comparability Committee - AWCBC Work Plan

Executive Sponsor: Peter Federko	**Committee Chair(s):** Ron Helmhold; Lorena Trann (Vice-chair)	**Date Updated:** May 2017

Mandate	*Defines expectations / responsibilities. Facilitates better focus on objectives and activities by which the committee operates.*
To manage, support and promote activities related to the development and maintenance of statistical and financial indicators and data comparators. To monitor national and international financial trends that may impact Canadian WCBs. To investigate items of national financial importance, as required or requested by AWCBC Executive Committee.	

Goals	*Based on your mandate, set realistic and specific goals. What is the long-range aim? What do you hope to achieve?*
1. Produce and maintain a comprehensive, comparable set of statistical and financial data allowing stakeholders to make valid cross jurisdictional and national comparisons of Workers' Compensation system performance.	
2. Contribute to the identification, analysis and development of data and indicators for AWCBC Members to promote more focused prioritization of issues for education/training, information sharing of best practices and opportunities for evidence based discussions.	
3. Foster an understanding of the Key Statistical Measures and their value to AWCBC Members.	
4. Foster an understanding of key financial items of national importance.	

Objectives	*Set objectives that define the results/outcomes expected. Objectives must be: focused on a result, not an activity; specific; related to time; consistent; measurable; attainable*
1. Committee Members agree annually on a set of key financial and statistical indicators which, on the basis of a high degree of comparability, will foster a greater knowledge and understanding of WCB operations, (in conjunction with the substantial uniformity in financial statements).	
2. Committee Members agree that the data and indicators are completed on a timely basis and promote more focused prioritization of issues for education/training, information sharing of best practices and opportunities for evidence based discussions.	
3. Committee Members agree that fostering an understanding of the Key Statistical Measures is important	
4. Committee Members agree that keeping the workers' compensation community informed of key financial items of national interest is important.	

Activities	Target Date	Resources	Budget	Status
1. Publish annual key statistics and performance indicators externally, ensuring definitions and methods used result in consistent and comparable data.	Fall (annual)	(KSM) Working Group (a representative from each jurisdiction who provides data) Quality Assurance Group AWCBC Staff	None	2016 KSM request to be sent out May 2017 with due date of July 15.
2. Study/analyze potential measures, suggest deletions, and make recommendations regarding steps to improve uniformity.				
2.(a) Respond to requests for new KSMs from other Committees	As required		None	No new KSMs requested.
3. Ongoing review and maintenance of KSM measures				
3.(a) Optimize current list of KSMs. Explore potential for reduction of published KSMs. Review website presentation format of KSMs. Review KSMs and usage annually.	Ongoing	Committee Members	None	Completed Spring 2017 review.
3.(b) Develop a history log and orientation about KSMs.	Spring 2018	KSM Review Subcommittee	None	In progress.
3.(c) Develop operation manual and orientation for submitters and Quality Assurance members.	May 2017	Michelle Beavington and Guillaume Baril (QC)	None	Drafts complete. Being circulated for review.
4. Conduct other studies as assigned by the Executive Committee and produce reports or presentations that contribute to a better understanding of WCB financial, statistical or program activities of interest to WCBs.	As required	As required	None	No requests received.
(a) QuikStats Collect and distribute QuikStats to Presidents/CEOs.	Ongoing	Jurisdictional QuikStats Working Group members (provide data as necessary) AWCBC Staff	None	Ongoing

Activities	Target Date	Resources	Budget	Status
(b) Review content and format of QuikStats annually.	Ongoing		None	Reviewed May 2017. No changes proposed.
5. Explore opportunities to engage KSM Working Group (Submitters) into CFO discussions on KSMs.	Ongoing	KSM Submitters	None	
6. Monitor accounting and actuarial developments to discover potential items of national interest.	Ongoing		None	Ongoing
(a) Monitor developments related to IFRSX accounting standard	2021		None	Standard expected to be effective approximately 2021.
(b) High level update on IFRS standards in development (IFRS 9, IFRS16, IFRS17)	Fall 2017	IFRS Subcommittee	None	
(c) Full draft briefing notes including practical WCB applicable and high level outcome on business prepared by IFRS Subcommittee for key IFRS standards (IFRS 9, IFRS16, IFRS17)	Spring 2018	IFRS Subcommittee	None	
7. Monitoring opportunities of mutual interest to collaborate with IAIABC to develop North American KSMs.	Ongoing	Michelle Beavington (AWCBC)	None	Continue to provide IAIABC with Canadian data.

Information Briefing

Accounting Standards Update

May 2018

Background

This information summary represents a high-level briefing on the recent changes to accounting standards that are effective for 2018 and 2019 financial reporting periods and may be applicable to workers' compensation systems.

Accounting standards effective in 2018

IFRS 9 *Financial Instruments*

Classification

We've heard that some jurisdictions have had discussions with their auditors regarding classification of their portfolio investments.
Entities must apply new classification criteria for financial instruments and if applicable, change previous designations. Classification will now be at a portfolio level, not individual instruments or asset classes, and will no longer be elective, but mandatorily based on a two-prong test:

1. An assessment of the entity's business model (i.e., its primary revenue-generating objectives and activities) to determine which classification aligns with the composition, characteristics, and portfolio management of its investments, and
2. A cash flow characteristics assessment to test whether contractual payments consist solely of principal and interest, or also includes proceeds from sale of financial assets

IFRS 9 reduces the number of permitted classifications to only the following:

a) **amortized cost** – for debt instruments arising from a basic lending arrangement that is managed to mitigate interest rate and credit risk, and held to collect contractual cash flows
b) **fair value through OCI** (FVOCI) – for strategic equity instruments not intended for active trading, and debt instruments otherwise classified at amortized costs that are managed for both contractual cash flows and realization of returns through selling
c) **fair value through profit and loss** (FVTPL) – for portfolio investments that are managed on a fair value basis, for both performance evaluation and compensation of investment management personnel

   At initial recognition, an entity may elect fair value classification for debt instruments otherwise qualifying for amortized cost treatment in order to eliminate an accounting mismatch

FVTPL is the default classification when the instrument does not mandatorily qualify for either amortized cost or FVOCI. For the majority of WCB Alberta investments, FVTPL is the appropriate classification, as it reflect WCB's business model for holding financial assets for long-term funding of liabilities and sustainability of the system.

Measurement

Adoption of the new impairment model for financial assets measured at amortized cost will require recognition of an expected credit loss (ECL) provision at their inception. At each reporting date, the provision is updated to reflect significant credit deterioration as well as current expectations about future losses, estimated using a provision matrix that incorporates forward-looking information about credit risk.

Although IFRS 9 significantly revamps the rules for hedge accounting, they are not applicable, as WCB Alberta has not elected to apply hedge accounting.

IFRS 15 *Revenue from Contracts with Customers*

Substantially all WCB Alberta revenues arise from insurance contracts, which are explicitly outside the scope of IFRS 15. However, the delivery of specified goods and/or services to customers for consideration would meet the definition of a revenue contract. Because these contracts do not involve a transfer of risk, they are not insurance contracts, but contracts for services within the scope of IFRS 15.

IFRS 15 mandates a single principles-based revenue recognition model to apply to all contracts with customers for goods and services, along with new and enhanced disclosures. The new standard requires judgment-based analysis of all service contracts (whether statutory, written, oral, or implied) to ensure that the promises to the customer are identified and accounted for appropriately. Implementation of the mandatory 5-step revenue model requires an entity to:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when or as the entity satisfies a performance obligation

Accounting standards effective in 2019

IFRS 16 *Leases*

IFRS 16 mandates a single 'on-balance sheet' leasing model, similar to finance leases, for all in-scope contractual arrangements to supply goods and services, except for short-term leases of 12 months or less and leases of low-value assets. At inception, the entity assesses commercial intent as well as rights and obligations under the contract to determine whether it falls within the scope of IFRS 16. A lease exists when the economic substance of a supply arrangement conveys the right to use [and to control the use of] identified assets for a period in exchange for consideration. Absent such control, the arrangement is not a lease, but a contract for services only, delivered using an asset controlled by the vendor.

At the lease commencement date, the entity (lessee) will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will recognize interest expense on the lease liability and depreciation expense on the right-of-use asset separately.

Accounting standards effective in 2021

IFRS 17 *Insurance Contracts*

WCB Alberta's draft high level implementation plan:

Phase 1 **Diagnostic**	Phase 2 **Design and Planning**		Phase 3 **Implementation**		Phase 4 **Integration**	
	Phase 2.1	Phase 2.2	Phase 3.1	Phase 3.2	Phase 4.1	Phase 4.2
High level Impact analysis Implementation strategy	Project setup Execution planning	Detailed evaluation & gap analysis	Process & systems development	Implement process & systems changes	Conversion	GO LIVE!
	Change management					
Major activities / deliverables						
▪ Conduct preliminary research to gain high-level understanding ▪ Prepare high-level review of key IFRS 17 areas that have significant impacts ▪ Begin high-level education of stakeholders ▪ Develop a vision of the future state	▪ Form project team ▪ Define project scope & deliverables ▪ Develop project charter – objectives, work plan, & structure ▪ Establish governance structure & admin processes ▪ Develop & implement a communication strategy	▪ Establish sub-committee to evaluate requirements ▪ Prepare assessment of critical issues & requirements ▪ Prepare gap analysis & practical approaches ▪ Assess current systems ▪ Pro-forma F/S format ▪ Assess funding policy	▪ Identify info requirements, enhanced processes & systems ▪ Finalize actuarial systems specifications ▪ Educate key F/S preparers ▪ Document key decisions ▪ Develop Accounting position paper & share with Auditors ▪ ALM studies to inform funding design decision	▪ Revise actuarial valuation systems ▪ Update financial reporting processes & systems ▪ Review/revise budget processes ▪ Develop year-end processes & templates ▪ Update funding & investment policies as needed ▪ Plan parallel reporting activities	▪ Parallel valuation - YE2019 ▪ Review outputs & fine-tune processes & systems as needed ▪ Review industry developments & adjust decisions as needed ▪ Finalize & implement reengineered year end processes	▪ Finalize conversion processes & templates ▪ Finalize F/S & MD&A content, presentation, & disclosure ▪ Confirmation from Auditors on decisions & approach
Timelines						
A/F Q3 2017	**Q2 2018**	**Q4 2018**	**Q4 2018**	**Q4 2019**	**Q2 2020**	**Q4 2020**

Accounting Position Summary
IFRS 9 *Financial Instruments*

BACKGROUND

In July 2014, the IASB issued IFRS 9 *Financial Instruments* in its entirety, replacing IAS 39. IFRS 9 also replaces IFRS 9 (2010) *Financial Instruments: Classification and Measurement* which is presently applied by the WCB. It is applicable to financial assets including portfolio investments and trade receivables.

PORTFOLIO INVESTMENTS

IFRS 9 establishes the principles for the financial reporting of financial assets and financial liabilities in order to present relevant and useful information to users of financial statement for their assessment of the amounts, timing and uncertainty of future cash flows. In order to assess the application of IFRS 9 and the appropriate classification of financial assets, an entity must evaluate:

1. Its business model, which refers to how an entity manages its financial assets in order to generate cash flows (paragraph B4.1.2A). In other words, the business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.
2. The appropriate level of aggregation of the business model. In other words, the business model is determined at a level that reflects how groups of financial assets are managed together to achieve the business objective.

The Statement of Investment Policies and Objectives (SIP&O) sets out the guiding principles for the WCB's Investment Portfolio. The Investment Objective is to generate a consistent, positive, real rate of return on invested assets which will provide for repayment of all liabilities as required. The investing activities of the WCB will provide objective evidence of the business model used to achieve the objective. Several key factors can be used to assess the business model (B4.1.2B):

Factor	WCB Business Model
How the performance of the business model and the financial assets held within the business model are evaluated and reported to the entity's key management personnel?	The SIP&O sets the performance objectives of the fund and evaluates actual performance versus minimum annual return objectives, portfolio benchmarks and peer rankings. Portfolio performance is reported to the Investment Committee on a quarterly basis and includes real return results, risk measures and asset mix compliance.
The risks that affect the performance of the business model and the way in which those risks are managed?	The SIP&O has established a Policy Asset Mix that will achieve the Investment Objective at a reasonable and acceptable level of risk. The asset mix is reviewed at a minimum quarterly, and the portfolio will be rebalanced to the benchmark weighting when practicable.
How managers of the business are compensated?	Investment management fees are based on a percentage of the invested assets. Compensation is based on the fair value of the managed assets and not on the contractual cash flows collected.

It is important to note that the purpose of the investment portfolio is to fund the future payments from the benefit liability as those payments come due. By extension, the goal would be to match the nature of liability to the asset class that best represents that cash flow stream. This is the theoretical picture. In actual practice, cash flows are incidental to achieving the business model. Benefit payments are primarily covered by the cash flows from assessment revenues. In the short term, some withdrawals from the investment portfolio may be required to cover some of the current benefit payments. When a withdrawal is required, the entire portfolio is assessed to determine the most appropriate asset class to obtain the funds, with consideration given to rebalancing requirements and excess cash holdings. The business model does not rely on the investment cash flows to fund operations. Investment income is reinvested in the portfolio.

In summary, the business model of the WCB is as follows:

- The investment portfolio is managed and evaluated on a fair value basis. Investment performance is measured first at the portfolio level, then at the asset class level and finally at the manager level.
- The investment portfolio is neither held to collect contractual cash flows nor held to both collect contractual cash flows and to sell financial assets.
- The WCB is primarily focused on fair value information and uses that information to assess investment performance and make investment decisions.

Thus the business model matches the fair value evaluation criteria of paragraph B4.2.2(b).

<u>Current Standard - IFRS 9 (2010)</u>
On initial recognition, IFRS 9 (2010) permits two classifications of financial instruments:

1. Amortized cost
2. Fair value through profit or loss (FVTPL).

A business model test is applied to determine the appropriate classification of financial assets. Under the business model test, an entity measures its financial assets at amortized cost when the following two conditions are met (4.1.2):

1. The asset is held within a business model whose objective is to hold assets and in order to collect contractual cash flows, and
2. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

When these two conditions are <u>not</u> met, a financial asset is measured at fair value (4.1.4). As discussed above, the WCB's business model does not satisfy the "cash flow test" therefore financial assets are measured at fair value. In accordance with IFRS 9 (2010) paragraph 5.4.1, gains and losses on a financial asset that is measured at fair value are recognized in income. Thus, the WCB's financial assets are recorded at FVTPL.

<u>Future Standard - IFRS 9</u>
In addition to the "cash flow" business model from IFRS 9 (2010), IFRS 9 adds a second business model to the test. Under the additional model, an entity measures it's financial assets at fair value through other comprehensive income (FVOCI) when:

1. The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
2. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In accordance with IFRS 9 paragraph 4.1.4, a financial asset is measured at FVTPL unless it meets one of the two business model tests. Paragraph B4.1.5 directly states "financial assets are measured at fair value through profit and loss if they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets". In accordance with the above analysis, the WCB's business model does not satisfy the conditions of either business model test therefore FVTPL remains the appropriate category for portfolio investments.

Also refer to paragraph B4.1.6 which states "a portfolio of financial assets that is managed and whose performance is evaluated on a fair value basis is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The entity is primarily focused on fair value information and used that information to assess the assets' performance and to make decisions. For such portfolios, the collection of contractual cash flows is only incidental to achieving the business model's objectives. Consequently, such portfolios of financial assets must be measured at fair value through profit and loss. "

Conclusion - IFRS 9

No accounting changes are required as FVTPL remains the correct designation for WCB's portfolio investments.

1. The WCB's business model for portfolio investments does not meet the business model test for either amortized cost or FVOCI classifications. In accordance with paragraph 4.1.4, a financial asset is measured at fair value through profit and loss.
2. The WCB's portfolio of financial assets is managed and evaluated on a fair value basis. Consequently, the portfolio of financial assets is measured at fair value through profit and loss.

TRADE RECEIVABLES

Trade receivables, primarily assessment accounts receivable and claim overpayments, are measured at amortized cost.

FINANCIAL LIABILITES

Financial liabilities, including mortgages payable on investment properties, are measured at amortized cost in accordance with paragraph 4.2.1. Mortgages payable on investment properties were not irrevocably designated as measured at fair value through profit and loss at early adoption of IFRS 9.

IMPAIRMENT MODEL

Investment Portfolio

IFRS 9 proposes impairment requirements that apply to all debt instruments that are not measured at FVTPL. The WCB's Investment Portfolio is accounted for at fair value through profit and loss, therefore the impairment provisions of IFRS 9 are not applicable.

Trade Receivables

The scope of IFRS 9 includes trade receivables (assessment accounts receivable and claim overpayments) and allows a simplified approach in applying the impairment requirements. The simplified approach allows an entity to recognize a loss allowance at an amount equal to lifetime expected credit losses (ECL). The ECL model is in contrast to current practice, which looked to past events to predict future default.

The simplified approach permits the use of practical expedients and one such approach is a provision matrix. For example, a matrix would use a loss experience rating applied to each category of number of days past due. The loss experience rating is developed using historical default rates adjusted for current and expected economic conditions.

> **Recommendation:** It is recommended that the ECL should be estimated individually for any period-end receivables because the collection officers have specific knowledge and information about the accounts. A threshold amount is used, and all balances over that threshold are individually assessed. A loss experience rate would apply to the total balances outstanding below the threshold. Fundamentally, this is our current practice which uses a threshold amount of $4,000. Historically, the calculated doubtful allowance has been sufficient in covering the following year's account write-offs.
>
> **Disclosures:** The required impairment disclosures are presented in IFRS 7. These disclosures include qualitative and quantitative requirements that will allow the users of financial statements to assess the amounts in the financial statements. The WCB's credit risk arising from the impairment of trade receivables is low and immaterial, and our disclosure should reflect this.

HEDGE ACCOUNTING

IFRS 9 introduces a more principles-based approach that aligns hedge accounting more closely with risk management activities. As the WCB does not participate in hedging, this section is not applicable.

EFFECTIVE DATE

IFRS 9 (2014) is effective in its entirety for periods beginning on or after January 1, 2018. ***It is recommended that the WCB adopt the standard at the effective date of January 1, 2018.*** While early adoption of the standard is permitted, there is no advantage gained by doing so therefore by default adoption at January 1, 2018 is required.

SUMMARY

The WCB elected early adoption of IFRS 9 (2010) upon transition to IFRS. As discussed under Investment Portfolio, the WCB's business model has not changed and there is no impact from the adoption of IFRS 9.

The impairment provisions of IFRS 9 are applicable to the WCB's trade receivables which consist primarily of assessment accounts receivable and claim overpayments. The proposed practical expedient for calculating the lifetime ECL will produce a doubtful allowance that is not significantly different from current practice so the transitional impact of the impairment model is minimal. Disclosures will be updated as required.

ADDITIONAL INFORMATION CONSIDERED

In September 2016, the IASB issued narrow scope amendments to IFRS 4 *Insurance Contracts.* The amendments permit insurance contract insurers a temporary exemption from applying IFRS 9 until 2021 when the new IFRS 17 *Insurance Contracts* standard is applied. However, this standard is not available to entities that have already applied any version of IFRS 9 and therefore is not available to the WCB.

ADDENDUM ARISING FROM MEETING WITH GT NOVEMBER 22, 2017

Grant Thornton raised the following questions during the audit planning meeting of November 22, 2017. In attendance:

WCB	Grant Thornton
Lorena Trann, Chief Financial Officer	Colin MacLean, Engagement Partner
Andria McCaughan, Director, Finance	Ainsley Donald, Audit Senior Manager
Leslie Hurley, Manager, Financial Reporting	Derna Hintz, Audit Senior Manager

What is the appropriate level of aggregation for the WCB's business model? Portfolio level or asset class level?

The Portfolio Investments section of this position summary documents the WCB's position on the appropriate level of aggregation of the investment portfolio. As discussed, the SIP&O provides the guiding principles that determine the business model and the WCB takes a pyramid approach to assessing investment performance:

Investment Portfolio > Asset Class > Asset Manager Performance

Holding a variety of asset classes is a risk mitigation strategy in pursuit of the investment objective (to generate a consistent, positive, real rate of return on invested assets which will provide for repayment of all liabilities as required). The WCB would be remiss in its responsibilities if it were to ignore performance of asset classes or asset managers. Review and reporting at these lower levels does not over-ride or negate the aggregation of the business model at the portfolio level.

Also note that the change to IFRS 9 introduces a new business model test that is based on cash flow. There are no changes related to the aggregation of the business model. The WCB has aggregated the business model at the portfolio level since transition to IFRS on January 1, 2010. Grant Thornton vetted the business model at the time of transition and audited and accepted the model since then.

Can mortgages on investment properties be designated at fair value on adoption of IFRS 9 (2014)?

Background
During WCB's 2015 audit of the transition of the directly held investment properties of WRL the following issue came to light:

- Mortgages payable on investment properties are financial liabilities and in accordance with IFRS 9 (2010) 4.2.1 are classified as subsequently measured at amortized cost using the effective interest method. However, paragraph 4.2.2 allows an entity to irrevocably designate a financial liability as measured at FVTPL when permitted by paragraph 4.3.5 or when doing so results in more relevant information, because either: it eliminates an accounting mismatch that would arise from measuring assets or liabilities or recognizing the gain or loss on them on different bases; or a group of financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis.

Regardless of the analysis of an accounting mismatch or performance evaluation of the portfolio, the option to designate must be exercised at initial recognition. The WCB did not exercise this option on transition to IFRS in 2010 and therefore could not re-designate the mortgages payable as at FVTPL as at December 31, 2015.

Transition to IFRS 9 (2014)

The option to, at initial recognition, irrevocably designate a financial liability at FVTPL has been carried forward unchanged from IRFS 9 (2010). The question is: does adopting the revised IFRS 9 standard allow the WCB to exercise this option to designate?

IFRS 9 provides guidance to entities that have applied previous version of IFRS 9 in paragraph 7.2.28. It requires an entity to revoke the original designation of FVTPL or allows an entity to exercise the designation of FVTPL if the conditions that existed previously under paragraph 4.2.2 have changed. Paragraph 7.2.28 is not available to the WCB, as the conditions existing at the time of adoption of IFRS 9 (2010) have not changed. It is also important to note that as at September 30, 2017 the market value of mortgages payable is $57.2 million compared to book value of $57.3 million.

<u>On adoption of IFRS 9, can mortgages on investment properties be collapsed into the investment portfolio?</u>

The presentation of mortgages payable on investment properties as a liability separate from the investment portfolio was an outcome of the 2015 audit. Although the WCB had and continues to manage the real estate assets and liabilities of WRL as one investment, the WCB is not allowed to present them net on the financial statements.

Net versus gross presentation in not a matter of IFRS 9 but a matter of IAS 32 *Financial Instruments: Presentation*. Paragraph 42 allows for a financial asset and a financial liability to be offset when an entity: has a legally enforceable right to set off the recognized amounts and intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

The WCB cannot offset the mortgages payable on the investment properties. WRL real estate holdings are not financial assets but are investment properties accounted for under the fair value model. The right of offset under IAS 32 is available for financial assets and financial liabilities only.

A further question is: would the WCB collapse the mortgages into the investment portfolio if the option were available? No, net presentation would not be supported because:

- Mortgages payable on investment properties were presented as a separate asset for the first time in the 2015 financial statements. Reversing or flip-flopping on this presentation so quickly creates the perception that the WCB does not know what it is doing. It undermines the confidence in and credibility of our financial reporting.
- The WCB has a documented strategy to unwind the WRL portfolio of investment properties. The strategy is being exercised in a prudent manner and is expected to conclude in the near future, resolving the matter.

IFRS 9 (2014) Application Guidance B4.1.4C, Example 7, specifically references an insurer as an example of a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. As an insurer, isn't this your business model?

(This section added January 4, 2018)

> *Example 7*: *An insurer holds financial assets in order to fund insurance contract liabilities. The insurer uses the proceeds from the contractual cash flows on the financial assets to settle insurance contract liabilities as they come due. To ensure that the contractual cash flows from the financial assets are sufficient to settle those liabilities, the insurer undertakes significant buying and selling activity on a regular basis to rebalance its portfolio of assets and to meet cash flow needs as they arise.*
>
> *Analysis: The objective of the business model is to fund the insurance contract liabilities. To achieve this objective, the entity collects contractual cash flows as they come due and sells financial assets to maintain the desired profile of the asset portfolio. Thus both collecting contractual cash flows and selling financial assets are integral to achieving the business model's objective.*

Example 7 specifically cites an example of an insurer whose business model is achieved by both collecting contractual cash flows and selling financial assets, and so would subsequently record financial assets at fair value through other comprehensive income (FVOCI). Taking such a literal reading of the above example is an over-simplification of the business model and ignores the context of the application and intention of the FVOCI classification. Consider paragraph B4.1.4A:

> *An entity may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In this type of business model, the entity's key management personnel have made a decision that both collecting contractual cash flows and selling financial assets are integral to achieving the objective of the business model. There are various objectives that may be consistent with this type of business model. For example, the objective of the business model may be to manage everyday liquidity needs, to maintain a particular interest yield profile or to match the duration of the financial assets to the duration of the liabilities that those assets are funding. To achieve such an objective, the entity will both collect contractual cash flows and sell financial assets.*

This paragraph supports the broad interpretation that FVOCI is more applicable to a financial institution or a typical insurer. Application and the identification of the business model should be focused on the concepts of "integral to" versus "incidental to". Frequent buying and selling activity is integral to this business model to meet operational requirements. Evidence shows that the WCB does not actively buy and sell financial assets to meet current obligations. Refer to Example 6:

> *Example 6: A financial institution holds financial assets to meet its everyday liquidity needs. The entity seeks to minimize the costs of managing those liquidity needs and therefore actively manages the return on the portfolio. That return consists of collecting contractual payments as well as gains and losses from the sale of financial assets.*
>
> *As a result, the entity holds financial assets to collect contractual cash flows and sells financial assets to reinvest in higher yielding financial assets or to better match the duration of its liabilities. In the past, this*

strategy has resulted in <u>frequent sales activity and such sales have been significant in value</u>. This activity is expected to continue in the future.

<u>Analysis:</u> The objective of the business model is to maximize the return on the portfolio to meet everyday liquidity needs and the entity achieves that objective by both collecting contractual cash flows and selling financial assets. In other words, both collecting contractual cash flows and selling financial assets are integral to achieving the business model's objective.

The common themes running through examples 6 and 7 are:

- Example 6: holds financial assets to meet everyday liquidity needs
- Example 7: uses the proceeds from the contractual cash flows on the financial assets to settle insurance contract liabilities as they come due

The WCB does not actively buy and sell financial assets or rely on cash flows from financial assets to fund the operational cash flow requirements of the business. While the WCB holds assets that generate cash flows, these cash flows are not used in operations, but are rather re-invested in the portfolio. The business model of the WCB is that of an investment fund, whose primary objective is to realize asset fair value, with contractual cash flows and buying and selling of financial assets being incidental to the objective. This conclusion is supported by the SIP&O and portfolio management activities.

In summary, operational cash flow requirements are primarily covered by the cash flows from assessment revenues. In the short term, some withdrawals from the investment portfolio may be required to cover some of the current benefit payments. When a withdrawal is required, the entire portfolio is assessed to determine the most appropriate asset class to obtain the funds, with consideration given to rebalancing requirements and excess cash holdings. The business model does not rely on the investment cash flows to fund operations.

INTERJURISDICTIONAL SCAN

(This section added January 4, 2018)

The following WCB's have elected to exercise the temporary exemption of IFRS 4 and defer the adoption of IFRS 9 (2014). These WCB's will be required to implement IFRS 9 together with IFRS 17 effective January 1, 2021:

- Saskatchewan
- Ontario
- Quebec
- New Brunswick
- Yukon
- North West Territories and Nunavut

As noted in *Additional Information Considered*, the temporary exemption is not available to entities that have applied any previous version of IFRS 9. For comparative purposes, the peer group is limited to the following WCB's, all of whom early adopted IFRS 9 on transition to IFRS on January 1, 2011:

- British Columbia
- Alberta
- Nova Scotia
- Prince Edward Island
- Newfoundland

The peer group was asked to respond to the following questions:

What is your existing accounting policy under IFRS 9 (2010)?

WCB	Classification of financial assets:	Level of aggregation, business model
BC [1]	FVTPL	Asset holding type (directly held vs. pooled fund)
AB [2]	FVTI (= FVTPL)	Portfolio
MB	FVTPL	Portfolio
NS	FVTPL	Portfolio
PE	FVTPL	Portfolio
NL		

Note 1: BC primarily invests primarily in pooled funds (through BCIMC) plus one real return bond.
Note 2: AB uses the term Fair Value through Income since PL might imply a profit motive of the business.

What is your proposed accounting policy under IFRS 9 (2014)?

WCB	Classification of financial assets:	Level of aggregation, business model
BC	FVTPL	Asset holding type (directly held vs. pooled fund)
AB	FVTI (= FVTPL)	Portfolio
MB	FVTPL	Portfolio
NS	FVTPL	Portfolio
PE	FVTPL	Portfolio
NL		

What, if any, feedback has been received from your Auditor?

WCB	Auditor	Comments
BC	PWC	No audit position. Not expected to be a discussion item.
AB	AG (AB)	Not formally reviewed or responded. No issues noted to date.
MB	GT	
NS	GT	GT reviewed and agreed with policy application paper.
PE	GT	Presumed agreement, auditor provided the response.
NL	EY	

Conclusion

Among the WCB's that have early adopted IFRS 9, there is broad consensus that FVTPL, aggregated at the portfolio level, remains the appropriate classification for financial assets.

IFRS 17 Training
Briefing Note to Facilitate Discussion
Agenda Item Nos 11 and 12

General:
The attached file illustrates IFRS 17 Insurance Contracts - the accounting model in one page. It is a challenge to explain and/or recognize any of these terms.

After much discussion; the CFO Committee Co-Chairs recommend that the Committee consider commissioning an IFRS 17 training package that is:

- customized
- compensation system-specific

We have been made aware of a company "GAPP Dynamics" that creates these types of customized training programs. Grant Thornton (auditor for several WCBs), utilized GAAP Dynamics to develop and deliver an IFRS 17 training program for all of their Canadian staff.

Agenda Item #11: Conference call with GAAP Dynamics:
We have arranged for a representative of GAAP Dynamics to join us via teleconference. This will allow the CFOs group to hear how GAAP may be able to provide a customized training program for Canadian WCBs.

Agenda Item #12: CFO discussion

- Debrief from conference call with GAAP Dynamics
- Discuss pros/cons of using a national approach to obtain/execute IFRS 17 training

IFRS 17 *Insurance Contracts*—the accounting model in one page

Balance sheet

Insurance contract liability

Liability for remaining coverage + **Liability for incurred claims**

Liability for remaining coverage =

Fulfilment cash flows[1]

Present value of future cash flows	Cash flows
	Discount rates

Risk adjustment

\+

Contractual service margin

Profit from coverage to be provided in the *future*[2]

Liability for incurred claims =

Fulfilment cash flows[1]

Present value of future cash flows	Cash flows
	Discount rates

Risk adjustment[4]

Profit or loss

Insurance service result

Insurance revenue	+	Revenue for coverage provided in the period
	+	Revenue for release of risk adjustment in the period
Insurance service expenses	–	Expected claims and other insurance service expenses
	+/–	Changes in cash flows and in risk adjustment that relate to coverage provided in the *period* and in the *past*[3,4]

Insurance finance expenses

– Unwind of discount rates

+/– Changes in discount rates[1]

Other comprehensive income *(optional)*

Insurance finance expenses

+/– Changes in discount rates[1]

Modifications for contracts with a 'variable fee'

Insurance contract liability

Liability for remaining coverage + **Liability for incurred claims**

Liability for remaining coverage =

Fulfilment cash flows[1]

Present value of future cash flows	Cash flows
	Discount rates

Risk adjustment

\+

Contractual service margin

Profit from coverage to be provided in the *future*[2] **(including changes in the variable fee)**

Liability for incurred claims =

Fulfilment cash flows[1]

Present value of future cash flows	Cash flows
	Discount rates

Risk adjustment[4]

Simplifications for short-term contracts *(optional)*

Insurance contract liability

Liability for remaining coverage + **Liability for incurred claims**

Liability for remaining coverage =

Simplified measurement based on unearned premiums

Liability for incurred claims =

Fulfilment cash flows[1]

Cash flows **(no need to discount if payments of claims due within one year)**

Risk adjustment[4]

Notes

1 The fulfilment cash flows are at current value: cash flows, discount rates and risk adjustment are updated at each reporting date

2 Changes in cash flows and in risk adjustment that relate to coverage to be provided in the *future* adjust the contractual service margin

3 Changes in cash flows and in risk adjustment that relate to coverage provided in the *period* and in the *past* are recognised in profit or loss

4 The release of risk adjustment within the liability for incurred claims reduces incurred claims in profit or loss

IFRS

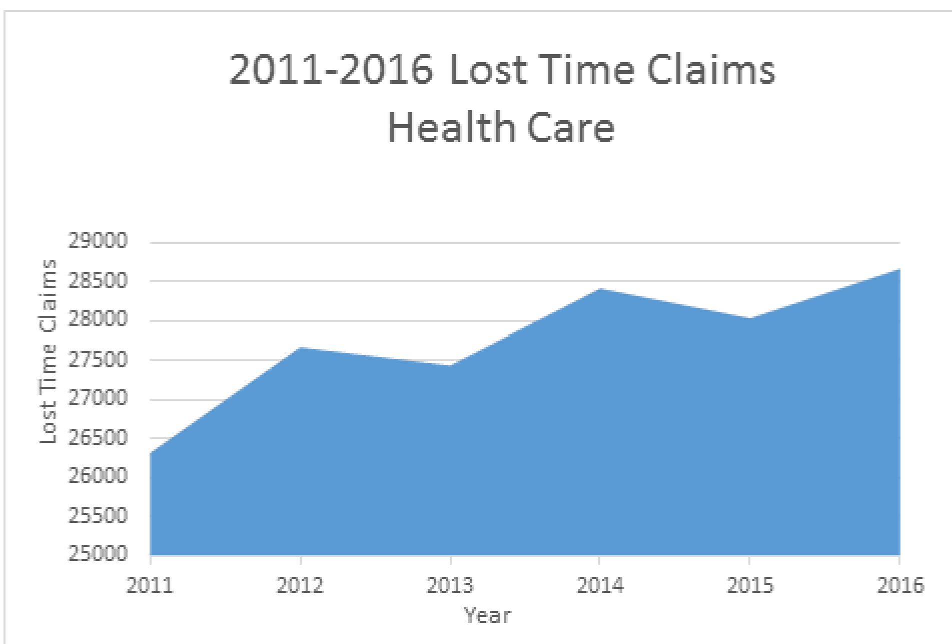
Association of Workers' Compensation Boards of Canada
ACATC Association des commissions des accidents du travail du Canada
AWCBC
Connecting members, advancing knowledge Relier les membres, développer les

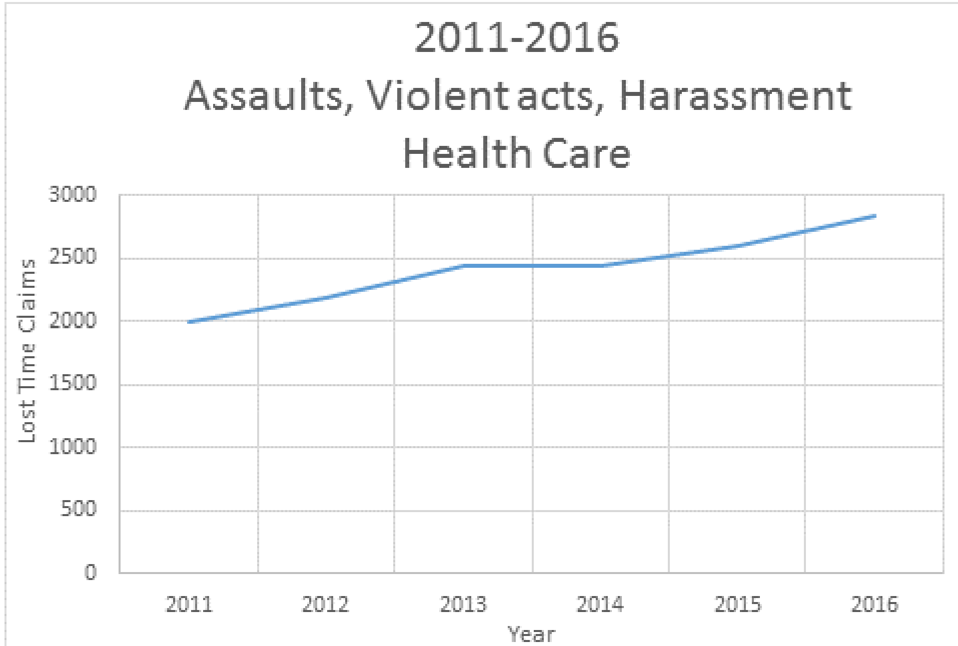
BACKGROUNDER

ADDRESSING THE HIGH RATE OF LOST TIME CLAIMS IN THE HEALTH CARE SECTOR ACROSS CANADA

ISSUE:

Across Canada, lost time claims in the health care sector have been on an alarming rise. According to AWCBC national statistics, between 2011 and 2016, claims escalated by 8.91%. The largest increase by percent has been mental disorders, the largest by count is sprains and soft tissue injuries. Notably, violence in health care has increased dramatically by 42.12% during the same period, 2011-2016. In the 10 years, 2007-2016, injuries attributed to violence in the health care sector have increased by 65.27%. Particularly in hospitals, long-term facilities and home care, staff face regular risk of assault from their patients. And, there is increasing attention to the issue by the media and unions representing health care and social services workers.





AWCBC SAFETY AND PREVENTION COMMITTEE:

During the jurisdictional updates at the May 2017 meeting of the AWCBC Safety and Prevention Committee, almost every Board/Commission identified the high rate of injuries in the health care sector as a significant issue. The group agreed to look for opportunities to engage other AWCBC Committees in a dialogue that focuses on health care and proposes initiatives that would explore key issues, such as violence in the workplace. The initiative would take a multi-discipline and multi-year approach to prevention. The executive sponsor of the Safety and Prevention Committee brought the suggestion to the AWCBC Board and there was support to continue exploring opportunities.

AWCBC STRATEGIC PLAN:

In November 2017, the AWCBC Board approved an updated Strategic Plan for the Association. One of the strategic priorities identified under the Plan 2018-2022 is the alignment of AWCBC committees. Linked to that priority is the goal to facilitate inter-disciplinary initiatives that arise to address issues of common concern across the country. The concern over the high rate of injuries in the health care sector fits within this scope.

JURISDICTIONAL INITIATIVES ALREADY IN PROGRESS:

Some Individual jurisdictions have already started to tackle the problem and often in a coalition with other system partners. One major example is the development of a Workplace Safety Action Plan for Nova Scotia's Health and Community Services Sectors. That province identified that workers in these sectors are more likely to be injured on the job than any other type of worker. The Plan notes that "Accounting for 20 per cent of total assessable payroll, the health and community service sectors account for almost 30 per cent of time-loss claims to WCB Nova Scotia."

Another example of work undertaken was the "Health and Safety In Action" project funded by WorkSafeBC. This initiative involved a three year plan to educate and train health care workers in high risk departments such as emergency rooms and mental health facilities. The training involved 12 hours of online and classroom violence prevention training.

Other initiatives are also underway across the country but not always are the lessons learned and best practices shared widely between jurisdictions.

NATIONAL ALLIANCE FOR SAFETY AND HEALTH IN HEALTCHARE:

In 2016, the Safety and Prevention Committee was approached by the National Alliance for Safety & Health in Healthcare (NASHH). Established in 2016, its goal is “to reduce and eliminate workplace injuries on the frontline of health and seniors care in Canada.” To this end, they have members from seven provincial senior care safety associations who are working together to create a national strategy for workplace safety best practices with a common focus on long-term care and home care.

The Alliance has called upon AWCBC members to help their efforts by making health care safety a higher priority. The Safety and Prevention Committee penned a support letter in 2017 indicating that they were committed to identifying opportunities to work with the Alliance in order to better reach the health care sector.

NEXT STEPS:

In advance of the May 2018 All Committees meeting, AWCBC and the Chair/Co-Chairs of the Safety and Prevention Committee will reach out to the Chairs of other key AWCBC Committees to start initial discussions around their discipline specific awareness of and concern for the issues. Members of the Safety and Prevention Committee may also attend the meetings of those committees in May to have a fulsome discussion on what might be done nationally to address the matter. The results of this consultation will be shared with all delegates at the Report Outs on Day 2 of the meetings. Feedback received will be incorporated into recommendations for consideration by the AWCBC Board in June 2018.

PREPARED BY: AWCBC, March 2018

Preliminary Financials

	Income (Loss) and OCI						Funded Position				Assessment Rate				OD Liability			Admin			Discount Rate Accident Fund						Discount Rate RPP Accounting Valuation		
	Income (Loss) before OCI (Millions) ($)			Comprehensive Income (Loss) (Millions) ($)			2017 IFRS (%)	*See Funding Tab for Additional*	Surplus Distributions / Premium Rebates (if any) (Millions) ($)		2018 ($)	2019* ($)	⇳	*See Assessment Tab for Breakdown*	% of total benefit liability (%)			YOY% change: 2017 actual / 2016 actual; 2018 budget to 2017 budget (%)			Real Rate (%)			Nominal Rate (%)			Discount Rate - (%)		
	2017	2018*	⇳	2017	2018*	⇳			2016	2017					2017	2018*	⇳	2017	2018	⇳	2017	2018*	⇳	2017	2018*	⇳	2016	2017	⇳
NL			⇨			⇨		More					⇨	More			⇨			⇨			⇨			⇨			⇨
PE			⇨			⇨		More					⇨	More			⇨			⇨			⇨			⇨			⇨
NS			⇨			⇨		More					⇨	More			⇨			⇨			⇨			⇨			⇨
NB			⇨			⇨		More					⇨	More			⇨			⇨			⇨			⇨			⇨
QC			⇨			⇨		More					⇨	More			⇨			⇨			⇨			⇨			⇨
ON			⇨			⇨		More					⇨	More			⇨			⇨			⇨			⇨			⇨
MB			⇨			⇨		More					⇨	More			⇨			⇨			⇨			⇨			⇨
SK			⇨			⇨		More					⇨	More			⇨			⇨			⇨			⇨			⇨
AB			⇨			⇨		More					⇨	More			⇨			⇨			⇨			⇨			⇨
BC			⇨			⇨		More					⇨	More			⇨			⇨			⇨			⇨			⇨
YT			⇨			⇨		More					⇨	More			⇨			⇨			⇨			⇨			⇨
NT/NU			⇨			⇨		More					⇨	More			⇨			⇨			⇨			⇨			⇨

* Estimate

****Note: Not all information is published.* ***Not for circulation outside of this Committee*** *.*

Significant Financial / Corporate Initiatives for 2018

Newfoundland and Labrador	1.
Prince Edward Island	1.
Nova Scotia	1.
New Brunswick	1.
Quebec	1.
Ontario	1.
Manitoba	1.
Saskatchewan	1.
Alberta	1.
British Columbia	1.
Yukon	1.
Northwest Territories & Nunavut	1.