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Compensation Boards
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Adoption of "IFRS 17": Impact on Financial Reporting for Canadian WCBs

Workers' Compensation Boards and Commissions adopt new International Financial Reporting Standard "IFRS" 17 Insurance Contracts.

Effective January 1, 2023 all insurance companies and workers' compensation boards in Canada must adopt a new international financial accounting standard. The new IFRS 17 Insurance Contracts standard impacts their financial statements, notably in how they present and recognize insurance revenue and liabilities. Their first IFRS 17 compliant statements will be issued for the 2023 fiscal year.

It is important to note that this does not change the economic and business fundamentals of Workers' Compensation Boards and Commissions. All boards aim to protect benefits for workers and provide stable premiums for employers. This takes a long-term financial view.

Prior to this accounting change, boards calculated the reported value of claim-related benefits owed using a discount rate applicable to the anticipated long-term return from the investment portfolio that backs those liabilities.

The most significant change resulting from IFRS 17 is their financial statements will have to use a short-term view to set the discount rate. Under the new standard, the discount rate is based on the interest rate prevailing at the reporting date. As a result, the reported value of the claim benefit liabilities – and therefore the reported financial results – are expected to fluctuate more year-over-year than in the past.

To help avoid corresponding fluctuations in employers' premiums, Canadian Workers' Compensation Boards and Commissions will maintain a long-term view when setting their premium rates paid by employers.