

Responsibility for Financial Reporting

Management of the Workers' Compensation Board is responsible for the preparation of the accompanying financial statements in accordance with generally accepted accounting principles. These financial statements include some amounts based upon management's best estimates and judgments. Any financial information contained elsewhere in the annual report conforms to these financial statements.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are properly accounted for and safeguarded from loss.

The Internal Audit Department performs audits designed to test the adequacy and consistency of the Board's internal controls, practices, and procedures.

The Auditor General of British Columbia, the external auditor of the Workers' Compensation Board, has performed an independent audit of the financial statements of the Board in accordance with generally accepted auditing standards. The Auditor's Report outlines the scope of this independent audit and his opinion on the financial statements of the Board.

The firm of Eckler Partners Ltd. has been appointed as the independent consulting actuaries to the Board. Their opinion on the adequacy and appropriateness of the valuation of the Board's benefit liabilities is presented as a part of these financial statements.



Don Cott
Chair, Panel of Administrators



S.O. Fattedad, FCGA
Vice-President, Finance/Information Services
Chief Financial Officer

March 10, 1998

Report of the Auditor General of British Columbia



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*To the Panel of Administrators of the Workers' Compensation Board, and
To the Minister of Labour, Province of British Columbia:*

I have audited the balance sheet of the Workers' Compensation Board as at December 31, 1997 and the statements of operations and unappropriated balance and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

A handwritten signature in blue ink that reads "George L. Morfitt".

George L. Morfitt, FCA
Auditor General

Victoria, British Columbia
March 6, 1998

Balance Sheet
As at December 31, 1997 (\$ thousands)

Exhibit 1

	1997	1996
Assets		
Receivables (Note 3)	448,336	462,460
Portfolio investments (Note 4)	5,907,252	5,408,592
Capital assets (Note 5)	110,142	96,024
	6,465,730	5,967,076
Liabilities, reserves, and unappropriated balance (unfunded liability)		
Payables and accruals	59,158	63,485
Benefit liabilities (Notes 6 and 13)	6,257,860	6,187,528
Total liabilities	6,317,018	6,251,013
Reserves (Note 8)	70,000	40,000
Unappropriated balance (unfunded liability) (Exhibit 2)	78,712	(323,937)
	6,465,730	5,967,076

The accompanying notes are an integral part of the financial statements.



Don Cott
Chair, Panel of Administrators



S.O. Fattedad, FCGA
Vice-President, Finance/Information Services
Chief Financial Officer

Statement of Operations and Unappropriated Balance
For the Year Ended December 31, 1997 (\$ thousands)

Exhibit 2

	1997	1996
Income		
Premiums (Note 9)	990,904	999,775
Investments (Note 4)	644,688	533,745
	1,635,592	1,533,520
Expenses		
Claim costs (Note 7)	1,002,720	1,028,840
Operating costs:		
Prevention and enforcement	35,057	32,043
Claimant services	75,528	69,328
Employer services	11,161	9,514
Information services	30,088	23,335
Facilities and communications	15,047	14,331
Appeals, Review Board and advisers	16,359	15,983
Administration	16,983	27,619
	200,223	192,153
	1,202,943	1,220,993
Surplus	432,649	312,527
Unfunded liability – January 1	(323,937)	(636,464)
	108,712	(323,937)
Appropriation to Research Reserve (Notes 2(d) and 8)	(30,000)	-
Unappropriated balance (unfunded liability) – December 31 (Exhibit 1)	78,712	(323,937)

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Financial Position
For the Year Ended December 31, 1997 (\$ thousands)

Exhibit 3

	1997	1996
Receipts		
Cash received from employers, for premiums	1,007,879	983,677
Investment income	644,688	533,745
	1,652,567	1,517,422
Disbursements		
Cash paid to:		
Claimants or third parties on their behalf	723,388	685,196
Widows for retroactive reinstated pensions	209,000	1,138
Suppliers, for administrative and other goods and services	187,704	167,021
	1,120,092	853,355
Suppliers, for capital assets	33,815	12,584
Total disbursements	1,153,907	865,939
Net increase in portfolio investments	498,660	651,483
Portfolio investments – January 1	5,408,592	4,757,109
Portfolio investments – December 31 (Exhibit 1)	5,907,252	5,408,592

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements For the Year Ended December 31, 1997

Note 1 – Nature of Operations

The Workers' Compensation Board administers the *Workers Compensation Act*, enacted by the British Columbia Legislature in 1917. The *Act* was amended by *Bill 63* which received Royal Assent and was passed by the Legislative Assembly of the Province of British Columbia on August 19, 1993.

The primary functions of the WCB under the *Act* are promotion of occupational health and safety; compensation for occupational injury, death, or disease; rehabilitation of injured workers; collection of the funds necessary for its operations from employers covered under the *Act*; and management of portfolio investments in compliance with the *Financial Administration Act*.

An Appeal Division is established under the *Act* to make final rulings on any appeals pertaining to the Board's premiums or benefit decisions.

Premium rates are established at a level to recover current operating costs, and current and future claim costs of established classes of employers, arising from current claims, subject to a capping policy to moderate excessive changes in rates from year to year. The Board may also levy a special premium when considered appropriate.

The WCB does not receive government funding or other assistance. The funding strategy of the Board is to be fully funded, with any balances in the unfunded liability or unappropriated balance to be amortized on a five-year averaging basis, except as limited by the capping policy noted above.

Note 2 – Significant Accounting Policies

(a) Portfolio Investments

Fixed-term investments, having terms greater than one year, consisting primarily of bonds of the Government of Canada, various provinces, and Crown corporations, are stated at amortized cost. Gains and losses realized on disposal of fixed-term investments during the year are deferred and amortized on a straight-line basis over a five-year period.

Equity investments are stated at market value. The amount by which market value differs from cost represents an unrealized gain or loss. Unrealized gains and losses occurring during the year, together with gains and losses realized on disposal of equities during the year, are deferred and amortized on a straight-line basis over a five-year period.

Fixed-term investments, having terms less than or equal to one year, consisting primarily of treasury bills and discounted bank notes, are stated at amortized cost. Gains and losses realized on disposal of these investments are recognized in the year of disposition.

(b) Capital Assets

Capital assets are reported at cost and are depreciated on a straight-line basis over their estimated useful lives.

The rates used are as follows:

Buildings	20 to 40 years
Equipment	3 to 10 years
Furniture	10 years
Vehicles.....	5 years

Deferred costs represent the incremental costs incurred in developing new operating systems that are deferred and amortized on a straight-line basis over five years from the date of implementation.

(c) Benefit Liabilities

The WCB determines its liabilities at the end of each year for all injuries that have taken place to that time.

The Board appoints a consulting actuary who examines the benefit liabilities and the underlying assumptions and methods, and issues a report thereon to the Board. The opinion of the consulting actuary is appended to these financial statements.

The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for claims that occurred in the current fiscal year or in any prior year. The benefit liabilities include provision for all benefits provided by current legislation, policies, and/or administrative practices in respect of existing claims. The benefit liabilities have been discounted to present value, using a real interest rate of three percent (1996: three percent).

As in prior years, the benefit liabilities make no provision for future claims related to long-latency occupational disease, because the provision cannot be reasonably estimated, or for future expenses of administration.

(d) Reserves

The \$40 million Accident Fund special reserves established pursuant to Section 39 of the *Workers Compensation Act* are:

- Contingent Reserve [Section 39(1)(b)], which provides a reserve in aid of industries or classes which may become depleted or extinguished.
- Disaster Reserve [Section 39(1)(d)], which provides a reserve to be used to meet the loss arising from a disaster or other circumstances that the Board considers would unfairly burden the employers in a particular class.
- Enhancement Reserve [Section 39(1)(e)], which provides a reserve for payment of that portion of a disability enhanced by reason of a pre-existing disease, condition, or disability.

Claims deemed by the Board to be covered by these reserves are charged to current operations but are prorated to the various employer classes rather than being charged directly to any specific class.

The Accident Fund Research Reserve, established pursuant to Section 71(4) of the *Workers Compensation Act*, is a reserve for the purpose of funding initiatives in scientific study as well as dissemination and application of ways to reduce injury, disease, impairment, or disability arising from employment, in support of the WCB Strategic Plan. The \$30 million reserve will remain intact, while investment income earned on the reserve will be directed to funding research. Any excess funding over expenditures in any year will be returned to the Accident Fund. The amount of investment income earned on the reserve will be

based on the average annual investment yield earned on the Accident Fund. The management and fiduciary responsibility over the reserve is indivisible from the Accident Fund and may not be transferred to any other body or organization.

(e) Premium Income and Accrued Premiums Receivable

As a significant portion of premium income for the year is not received until after the year-end, the amount shown is an estimate based on statistical data. The difference between the estimate and the actual income received is credited or charged to income in the following year. Historically, the difference has not been material.

(f) Self-insured Employers

Certain employers have been placed in self-insured classes. These employers are billed on a monthly basis for payments of short-term disability, health care, rehabilitation, and for the capitalized values of long-term disability and survivor benefits, together with their proportionate share of administrative costs.

The receivable represents the provision for future claim costs of self-insured classes, for which the final settlement has not been determined, plus unpaid current billings.

The WCB also acts as the agent of the Government of Canada for the payment of compensation to federal employees in British Columbia. Amounts paid are recovered from the Government of Canada on a monthly basis.

Note 3 – Receivables (\$ thousands)

	1997	1996
Premiums	49,274	46,279
Accrued premiums	218,065	225,230
Self-insured employers – receivable	170,512	182,817
Premiums receivable	437,851	454,326
Self-insured employers – deposits	(8,773)	(8,773)
Prepaid pension costs (Note 11)	16,135	11,069
Other receivables	3,123	5,838
	448,336	462,460

Note 4 – Portfolio Investments (\$ thousands)

	1997	1996
(a) Portfolio Investments		
Fixed-term investments, over one year, amortized cost		
Government of Canada and federal Crown corporations	2,700,262	2,268,605
Province of British Columbia and Crown corporations	83,713	126,487
British Columbia municipalities	782	67,163
Other Canadian provinces and agencies	744,679	612,110
	(market value: 1997 – 3,593,950; 1996 – 3,232,483)	3,074,365
Accrued interest	67,302	49,967
Equities, market value		
Canadian Index Fund	1,048,011	984,387
Managed Canadian equities	669,741	592,812
U.S. Index Fund	441,445	-
U.S. equities	593,050	932,158
Non-North American Index Fund	135,337	-
Managed Non-North American equities	195,781	315,404
	3,083,365	2,824,761
Real estate, market value	101,618	-
Fixed-term investments, under one year, amortized cost	202,202	203,230
Bank indebtedness	(24,891)	(22,889)
	6,959,032	6,129,434
Deferred investment gains	(1,051,780)	(720,842)
	5,907,252	5,408,592
(b) Deferred Investment Gains		
Balance – January 1	(720,842)	(356,220)
Realized net gains for the year	(456,569)	(258,374)
Unrealized net gains for the year	(251,760)	(338,725)
	(1,429,171)	(953,319)
Amortization	377,391	232,477
Balance – December 31	(1,051,780)	(720,842)
(c) Investment Income		
Earned for the year	267,297	301,268
Amortization of investment gains	377,391	232,477
	644,688	533,745

Note 4 – continued**(d) Amortization Schedule of Deferred Investment Gains**

	1996	1997	1998	1999	2000	2001
Balance – January 1	(356,220)	(720,842)	(1,051,780)	(725,694)	(402,752)	(141,666)
Add:						
Current year's additions	(597,099)	(708,329)	-	-	-	-
	(953,319)	(1,429,171)	(1,051,780)	(725,694)	(402,752)	(141,666)
Less:						
Amortization of beginning balance	113,057	235,725	184,420	181,276	119,420	-
Amortization of current year's realized gains	51,675	91,314	91,314	91,314	91,314	91,314
Amortization of current year's unrealized gains	67,745	50,352	50,352	50,352	50,352	50,352
Total amortization credited to income	232,477	377,391	326,086	322,942	261,086	141,666
Balance – December 31	(720,842)	(1,051,780)	(725,694)	(402,752)	(141,666)	-

Note 5 – Capital Assets (\$ thousands)

	1997			1996
	Cost	Depreciation	Accumulated Depreciation	Net Book Value
Land	7,566	-	-	7,566
Buildings	75,025	1,927	25,576	51,364
Furniture, equipment, and vehicles	99,096	12,221	60,196	27,760
Deferred costs	23,256	7,675	9,029	9,334
	204,943	21,823	94,801	96,024

Note 6 – Benefit Liabilities (\$ thousands)

	1997						1996
	Short-term Disability	Long-term Disability	Survivor Benefits	Health Care	Rehabilitation	Total	Total
Balance – January 1	357,822	3,839,776	1,033,032	702,561	254,337	6,187,528	5,845,022
Add claim costs:							
Current year's injuries	260,548	260,118	37,417	170,203	52,521	780,807	698,271
Prior years' injuries	6,980	164,971	19,385	44,104	(13,527)	221,913	330,569
	267,528	425,089	56,802	214,307	38,994	1,002,720	1,028,840
Less claim payments made:							
Current year's injuries	144,049	1,078	1,205	65,351	576	212,259	187,705
Prior years' injuries	117,638	224,331	249,202 ¹	87,200	41,758	720,129	498,629
	261,687	225,409	250,407	152,551	42,334	932,388	686,334
Balance – December 31	363,663	4,039,456	839,427 ¹	764,317	250,997	6,257,860	6,187,528
Represented by:							
Provision for unfinalled claims	363,663	1,886,765	105,359	764,317	250,997	3,371,101	3,612,942
Pension awards, capitalized values	-	2,152,691	734,068	-	-	2,886,759	2,574,586
	363,663	4,039,456	839,427	764,317	250,997	6,257,860	6,187,528

¹ In 1997, prior years' claim payments include an amount of approximately \$209 million paid to widows in respect of the retroactive portion of reinstated pensions. There is a corresponding reduction in the ending balance reflecting a reduction in the liability.

Note 7 – Claim Costs (\$ thousands)

	1997			1996		
	Benefit Payments	Changes in Actuarial Valuations of Benefit Liabilities	Total	Benefit Payments	Changes in Actuarial Valuations of Benefit Liabilities	Total
Short-term disability	261,687	5,841	267,528	245,841	11,000	256,841
Long-term disability	225,409	199,680	425,089	215,034	252,445	467,479
Survivor benefits	250,407 ¹	(193,605) ¹	56,802	41,035	17,872	58,907
Health care	152,551	61,756	214,307	141,041	45,871	186,912
Rehabilitation	42,334	(3,340)	38,994	43,383	15,318	58,701
	932,388	70,332	1,002,720	686,334	342,506	1,028,840

¹ In 1997, benefit payments include payments of approximately \$209 million to widows in respect of the retroactive portion of reinstated pensions. Changes in actuarial valuations reflect a corresponding credit to reflect the reduction of the retroactive liability.

Note 8 – Reserves (\$ thousands)

	1997				1996
	Contingent	Disaster	Enhancement	Total	Total
(a) Special reserves costs					
Short-term disability	-	15	18,433	18,448	22,822
Long-term disability	-	252	26,194	26,446	34,083
Survivor benefits	-	1,402	277	1,679	808
Health care	-	100	6,708	6,808	8,807
Rehabilitation	-	4	8,826	8,830	11,124
	-	1,773	60,438	62,211	77,644
The special reserves balance at December 31 is represented by:					
Contingent				2,500	2,500
Disaster				16,500	16,500
Enhancement				21,000	21,000
Balance – December 31				40,000	40,000
(b) Research Reserve				30,000	-
				70,000	40,000

Note 9 – Premiums (\$ thousands)

	1997	1996
Rateable classes	887,869	882,561
Capping of rate changes and amortization of balance		
Capping of rate changes	(6,745)	(56,346)
Amortization of balance	75,035	120,650
	68,290	64,304
Rateable classes – net	956,159	946,865
Self-insured employers	26,533	46,669
Premium penalties	6,716	4,786
	989,408	998,320
Prevention penalties	1,496	1,455
	990,904	999,775

The capping of rate changes represents the effect of the Board's policy to limit changes to the rates of any subclass from year to year. The amortization of the balance represents the effect of the planned amortization of the projected surplus or deficit of each subclass at the beginning of each appropriate year.

Note 10 – Gain and Loss Analysis (\$ thousands)

The following is a reconciliation of the variances from the actuarial assumptions for the rateable classes (rounded to the nearest \$1 million):

	1997	1996
Unfunded liability – January 1	(324,000)	(636,000)
Current year's excess – rateable classes		
Current year's claim and operating costs		
Estimated	917,000	907,000
Actual	(944,000)	(851,000)
	(27,000)	56,000
Premium income adjustments		
Amortization of balance	75,000	121,000
Capping of premium rate changes	(7,000)	(56,000)
Prior years' adjustments and miscellaneous	(21,000)	(19,000)
	47,000	46,000
Total current year's excess	20,000	102,000
Prior years' experience gain (loss)		
Short-term disability	7,000	(1,000)
Long-term disability	(4,000)	(60,000)
Survivor benefits	23,000	1,000
Health care	(16,000)	(12,000)
Rehabilitation	23,000	-
Miscellaneous items	1,000	4,000
	34,000	(68,000)
Investment income in excess of Consumer Price Index, plus discount rate (1997: three percent; 1996: three percent)	379,000	278,000
Appropriation to Research Reserve	(30,000)	-
Unappropriated balance (unfunded liability) – December 31	79,000	(324,000)

Note 11 – Superannuation Plan

The Board and its employees contribute to the Workers' Compensation Board Superannuation Plan, a defined benefit plan. The plan provides pensions based on length of service and the best five years' average earnings. For funding purposes, and to determine the contribution rate, the plan requires an actuarial valuation of the plan's liabilities at intervals of not more than three years. The last valuation was carried out as at March 31, 1997.

The pension plan's long-term compensation levels were assumed to increase by 5.15 percent (1996: 4.75 percent). Pension plan assets and liabilities are stated at extrapolated actuarial values. The assumed long-term rate of return on pension plan assets was 7.15 percent (1996: 6.5 percent).

The resulting values of pension assets and liabilities as at December 31 are as follows:

	1997	1996
Assets	\$383,373,000	\$ 311,657,000
Liabilities	\$ 330,307,000	\$302,034,000
Surplus	\$ 53,066,000	\$ 9,623,000

The assets and liabilities are not included in the WCB's financial statements.

The Board's 1997 superannuation pension expense, calculated on the accrued benefit method, on the basis of the March 31, 1997 valuation results, amounted to \$5,499,000 (1996: \$9,465,000). This amount includes the amortization of experience gains and losses and past service costs, which are being amortized on a straight-line basis over periods of 11 and 12 years. The Board's 1997 contributions to the plan amounted to \$10,565,000 (1996: \$9,892,000). This difference between the pension expense and pension contributions is included in receivables on the balance sheet. For the year ended 1997, the accumulated difference amounted to \$16,135,000 (1996: \$11,069,000).

In view of the significant surplus, effective January 1, 1998, the Board will change the required employee contribution to the basic account to 50 percent of the amount required by the plan and the employer's contribution to equal the employee's contribution, for a period of three years.

Note 12 – Related Party Transactions

The Board is required to reimburse the Government of British Columbia for the operating costs of the Workers' Compensation Review Board, the Workers' Advisors' Office, and the Employers' Advisors' Office.

The Board is also responsible for the administration of the *Workplace Act* and the *Criminal Injury Compensation Act*. Under the *Workplace Act*, the WCB assumed the jurisdiction of the former Occupational Environment Branch under the *Factory Act* to inspect and regulate health, safety, and comfort condition in factories, offices, and shops. The *Criminal Injury Compensation Act* compensates people who are victims of any of the crimes listed in the statute. The Government of British Columbia reimburses the WCB for all operating costs incurred in the administration of this Act.

In addition to the legislated obligations referred to earlier, included in these financial statements are amounts resulting from routine operating transactions conducted at prevailing market prices with various British Columbia government-controlled ministries, agencies, and Crown corporations to which the Board may be considered related. Account balances resulting from these transactions are included in the financial statements and are settled on normal trade terms.

Note 13 – Self-insured Employers (\$ thousands)

	1997	1996
Current premium income	26,533	46,669
Claim costs:		
Short-term disability	11,890	13,565
Long-term disability	7,392	17,210
Survivor benefits	5,456	3,242
Health care	6,726	11,600
Rehabilitation	172	1,599
	31,636	47,216
Share of special reserves costs	1,538	2,162
Operating costs	7,800	9,278
	40,974	58,656
Less: Share of investment income	(14,192)	(11,777)
Share of penalty income	(249)	(210)
	26,533	46,669

In addition, included in the benefit liabilities is \$146 million (1996: \$180 million) for self-insured employers (except for the Federal Government). An equivalent amount is included in receivables because these liabilities will be paid by those employers in future years, hence they do not affect the Board's unfunded liability.

Note 14 – Comparative Figures

Certain 1996 figures have been reclassified to conform to the current year's presentation.

Actuary's Opinion

The liabilities included herein have been computed by the Board in accordance with methods and assumptions approved by us. We have made such tests of the calculations as were deemed necessary. We have also examined the data upon which the calculations were based and found it to be sufficient and reliable for our purposes and consistent with the Board's financial statements.

The liabilities for Pensions in Payment include the effect of cost-of-living increases granted effective January 1, 1998, and have been computed using the same mortality, net interest rate and other assumptions used for the valuation as at December 31, 1996. The net interest rate of 3% makes implicit provision for the future indexing of pensions on the assumption that investment earnings on Board assets in excess of 3% will correspond, over the long term, to future inflation-related increases in benefits.

The Provision for Other Future Payments represents the liabilities for future claims costs in respect of injuries which occurred during 1997 and

prior years, including future pensions other than those already in payment. It is based on projections of future claims payments and awards using ratios developed from the Board's claims experience, average benefit rates, the net interest rate assumption of 3% and, where applicable, the mortality and other assumptions used for computing pension liabilities. The methods used in calculating these liabilities were substantially the same as those employed in the previous valuation as at December 31, 1996.

In our opinion, the assumptions made are appropriate, the methods employed are consistent with sound actuarial principles, this valuation conforms with accepted actuarial practices, and the resulting amounts set out below make reasonable provision, as at December 31, 1997, for the future benefits expenditures of the Board in respect of injuries to December 31, 1997.

(\$,000s)

	Pensions in Payment	Provision for Other Future Payments	Total
Benefits Liabilities:			
Short-term Disability	-	363,663	363,663
Long-term Disability	2,152,691	1,886,765	4,039,456
Survivor Benefits	734,068	105,359	839,427
Health Care	-	764,317	764,317
Rehabilitation	-	250,997	250,997
	2,886,759	3,371,101	6,257,860



Jacob Levi, F.S.A., F.C.I.A.
Eckler Partners Ltd.
Consulting Actuaries

Statement of Changes in Subclass Balances
For the Year Ended December 31, 1997 (\$ thousands)

Schedule 1
Unaudited

Class and Subclass	Description	Unappropriated Balance (Unfunded Liability) – January 1 Balances ¹	CURRENT YEAR					Unappropriated Balance (Unfunded Liability) – Dec. 31 Balances	
			Premium Income ²	Claim Costs	Operating Costs	Current Year's Excess (Deficiency)	Prior Years' Claim Costs		Investment Income
1	Forest Products Industries								
2	Logging	(39,473)	89,459	87,005	22,382	(19,928)	39,331	95,291	(3,441)
4	Pulp and Paper Mills	(31,182)	21,671	12,274	4,667	4,730	10,768	13,031	(24,189)
5	Sawmills	(59,737)	84,953	46,885	13,677	24,391	22,157	55,353	(2,150)
7	Plywood Mills	3,545	14,487	8,316	2,132	4,039	(1,180)	10,272	19,036
9	Shake and Shingle	(757)	3,337	4,184	733	(1,580)	(275)	3,647	1,585
		(127,604)	213,907	158,664	43,591	11,652	70,801	177,594	(9,159)
4	Mining, Quarrying, and Mfg.								
3	Quarries, Cement Mfg.	(1,182)	6,554	7,448	1,523	(2,417)	2,565	6,162	(2)
11	Mining (not coal)	(19,090)	17,544	8,166	2,863	6,515	10,689	20,868	(2,396)
18	Aluminum Smelter	2,160	2,191	2,255	627	(691)	2,930	2,037	576
30	Coal Mining	(16,901)	12,948	6,530	1,565	4,853	2,808	6,279	(8,577)
		(35,013)	39,237	24,399	6,578	8,260	18,992	35,346	(10,399)
6	Light Mfg., Service, and Trade								
2	Misc. Manufacturing	6,427	25,622	20,126	4,734	762	(4,589)	14,405	26,183
3	Light Manufacturing	5,154	3,628	2,978	1,075	(425)	968	2,827	6,588
4	Woodwork, Boat Bldg.	3,814	13,680	9,792	2,318	1,570	178	6,313	11,519
5	Amusement Facilities	1,318	980	1,047	292	(359)	98	433	1,294
8	Beverage Mfg.	(1,121)	4,114	3,310	842	(38)	1,969	1,654	(1,474)
17	Textile Mfg.	(515)	610	888	83	(361)	(131)	266	(479)
18	Clothing, Drape Mfg.	(3,983)	1,936	1,167	263	506	(132)	212	(3,133)
20	Food Product Mfg.	4,826	5,582	5,102	1,305	(825)	416	2,464	6,049
22	Apartment Bldg. Oprtn.	8,860	13,239	10,312	2,744	183	4,815	6,029	10,257
24	Fruit Packing, Dairy	(5,427)	6,575	3,776	1,068	1,731	731	3,232	(1,195)
25	Laundry Services	(3,055)	1,799	1,240	333	226	(58)	440	(2,331)
26	Hospitals and Related	44,898	54,852	47,915	9,777	(2,840)	(3,332)	25,853	71,243
27	Hotels, Restaurants	(3,826)	22,837	17,155	5,069	613	18,163	9,638	(11,738)
31	Surveying	(5,601)	1,835	1,838	456	(459)	148	(134)	(6,342)
32	Grain and Seed Dealers	81	2,937	2,156	320	461	(1,080)	2,251	3,873
36	Oil Refining, Distribution	(2,958)	1,757	1,276	278	203	683	1,720	(1,718)
37	Meat Cutting, Packing	(3,444)	5,252	3,100	646	1,506	1,187	3,166	41
39	Printing	3,483	5,567	2,625	757	2,185	1,218	1,596	6,046
43	Farming	8,534	8,173	8,548	2,119	(2,494)	2,190	7,481	11,331
46	Theatre Operation	(375)	450	292	130	28	427	51	(723)
54	Wholesalers	(13,190)	18,517	10,628	2,562	5,327	(2)	5,010	(2,851)
56	Labour or Trade Union	(3,175)	557	786	423	(652)	34	(94)	(3,955)
57	Builders' Supplies	4,349	11,009	7,978	1,601	1,430	421	5,875	11,233
58	Domestics	(2,078)	5,740	4,100	899	741	(178)	987	(172)
59	Auto Sales, Services	(14,391)	33,019	25,108	5,829	2,082	13,447	17,772	(7,984)
70	Church, Religious	(270)	251	361	137	(247)	(220)	26	(271)
71	Supermarkets	4,539	29,716	16,401	2,838	10,477	(9,722)	10,279	35,017
72	Department Stores	(9,689)	4,455	3,168	731	556	(397)	2,485	(6,251)
73	General Retail	(32,921)	23,977	16,170	4,400	3,407	131	6,031	(23,614)
		(9,736)	308,666	229,343	54,029	25,294	27,383	138,268	126,443
7	Heavy Mfg. and Construction								
5	Construction Trades	(9,281)	13,751	13,462	3,873	(3,584)	7,243	10,410	(9,698)
6	Building Construction	(36,057)	75,632	67,845	20,404	(12,617)	11,843	59,738	(779)
7	Heavy Manufacturing	(899)	72,885	60,056	15,328	(2,499)	36,369	48,648	8,881
11	Electrical Wiring	(11,762)	11,442	8,256	2,522	664	6,918	5,910	(12,106)
13	Janitorial Services	7,024	2,932	2,996	807	(871)	177	2,201	8,177
21	Shipbuilding	(31,070)	11,521	3,285	1,147	7,089	6,649	3,945	(26,685)
25	Heavy Construction	(18,265)	5,367	4,333	1,693	(659)	8,738	8,707	(18,955)

Class and Subclass	Description	Unappropriated Balance (Unfunded Liability) – January 1 Balances ¹	CURRENT YEAR					Unappropriated Balance (Unfunded Liability) – Dec. 31 Balances	
			Premium Income ²	Claim Costs	Operating Costs	Current Year's Excess (Deficiency)	Prior Years' Claim Costs		Investment Income
26	Road Bldg. and Rltd.	(1,418)	41,849	33,744	8,802	(697)	17,862	31,293	11,316
47	Consulting Engineers	(1,782)	1,679	999	455	225	(557)	740	(260)
48	Oil and Gas Well Drilling	4,146	1,961	4,575	1,139	(3,753)	1,327	3,872	2,938
		(99,364)	239,019	199,551	56,170	(16,702)	96,569	175,464	(37,171)
8	Utilities, Comm., Transportation								
1	Gas and Electrical Supply	(2,378)	5,898	3,549	1,084	1,265	1,901	5,638	2,624
8	TV and Phone Systems	756	6,300	3,138	607	2,555	(2,543)	4,249	10,103
11	Bus Line Operation	(3,053)	5,117	4,506	971	(360)	1,210	1,267	(3,356)
12	Taxi Oprtn. and Rltd.	(4,210)	2,696	2,277	595	(176)	(597)	563	(3,226)
20	Sched. Airline Service	1,795	1,417	906	258	253	(2,322)	1,960	6,330
23	Charter Air Service	(9,733)	2,331	3,950	994	(2,613)	2,900	2,536	(12,710)
51	Trucking	(35,708)	52,586	42,195	7,853	2,538	(3,311)	31,184	1,325
		(52,531)	76,345	60,521	12,362	3,462	(2,762)	47,397	1,090
9	Water Transportation, Wharf Operation, Fishing								
1	Water Transportation	(6,861)	5,932	8,210	1,542	(3,820)	3,307	4,346	(9,642)
2	Wharf Operation	(2,879)	10,494	8,284	1,939	271	4,359	6,956	(11)
6	Fish Processing	5,030	3,604	4,051	969	(1,416)	1,161	2,400	4,853
9	Marine Shipping Services	1,424	296	241	52	3	201	277	1,503
11	Fishing	(40,222)	8,127	8,010	1,654	(1,537)	(2,676)	6,068	(33,015)
		(43,508)	28,453	28,796	6,156	(6,499)	6,352	20,047	(36,312)
14	Municipalities and School Boards								
1	Municipalities	252	25,912	25,674	5,720	(5,482)	3,629	18,989	10,130
6	School Boards	23,565	22,957	18,386	5,191	(620)	417	13,163	35,691
		23,817	48,869	44,060	10,911	(6,102)	4,046	32,152	45,821
31	Medical, Dental Offices								
1	Medical, Dental Offices	(416)	1,772	1,808	770	(806)	(816)	341	(65)
33	Financial Institutions, Business Svcs.								
1	Accountants, Legal Offices	2,133	1,306	560	358	388	(1,105)	512	4,138
2	Business and Misc. Services	(216)	877	658	213	6	(455)	184	429
3	Data Processing, Consultants	703	1,137	413	297	427	(296)	231	1,657
4	Banks, Insurance, and Related	7,445	4,412	1,889	861	1,662	(205)	1,562	10,874
5	In-home Child Caregivers	(268)	142	161	105	(124)	(125)	2	(265)
		9,797	7,874	3,681	1,834	2,359	(2,186)	2,491	16,833
38	Federal Government Job Creation	10,621	(20)	512	22	(554)	(168)	1,396	11,631
Total Classes		(323,937)	964,122	751,335	192,423	20,364	218,211	630,496	108,712
10	Canadian Pacific Ltd.	0	9,748	9,512	1,993	(1,757)	3,453	5,210	0
12	CNR, Via Rail, and Air Canada	0	6,455	3,739	954	1,762	4,034	2,272	0
13	Government of the Province of B.C.	0	3,375	15,169	3,523	(15,317)	(8,719)	6,598	0
18	Burlington Northern	0	(140)	94	5	(239)	(96)	143	0
19	Federal Government	0	7,344	958	1,325	5,061	5,030	(31)	0
Total Self-insured Employers		0	26,782	29,472	7,800	(10,490)	3,702	14,192	0
Total		(323,937)	990,904	780,807	200,223	9,874	221,913	644,688	108,712
Appropriation to Research Reserve									(30,000)
Grand Total									78,712

¹ Class and subclass January 1 balances have been restated to reflect the allocation of the \$401 million charges resulting from reinstatement of remarried widows' pensions.

² As a significant portion of premiums is not received until after year-end, the amount shown is an estimate based on statistical data. Adjustments to this estimate are made in the following year.

Statement of Operating Costs¹
For the Year Ended December 31, 1997 (\$ thousands)

Schedule 2
Unaudited

	1997	1996
Salaries and employee benefits	137,093	140,601
Depreciation	21,404	11,343
Equipment and technology	7,458	5,981
Consulting fees	6,370	5,279
Communications	5,398	4,912
Miscellaneous	5,132	4,240
Buildings and services	4,572	3,574
Staff travel	3,209	3,189
Supplies and stationery	2,802	3,053
Advertising	2,468	2,257
Medical Review Panels	1,201	816
Automobile fleet	981	1,019
Publications	888	806
Research grants and awards	696	1,960
Review Board and advisers	12,841	12,426
Miscellaneous income	(11,723)	(8,884)
Allocated to investment income	(567)	(419)
Total Operating Costs	200,223	192,153

¹ Includes Prevention operating costs, which were scheduled separately in 1995 and earlier years' annual reports.

Statement of Health Care and Rehabilitation Expenses
For the Year Ended December 31, 1997 (\$ thousands)

Schedule 3
Unaudited

Health Care	1997	1996
Rehabilitation Centre	22,406	21,398
External treatment	34,325	24,944
Physicians	31,795	34,248
Hospitals	24,831	26,257
Physiotherapists and other practitioners	14,588	12,398
Transportation	7,010	5,897
Other	17,596	15,899
	152,551	141,041
Change in health care benefit actuarial liabilities	61,756	45,871
	214,307	186,912

Rehabilitation	1997	1996
Job search allowance	7,534	8,719
Formal training	13,247	12,638
Work assessment	3,784	4,517
Planning	13,290	12,842
Business start-ups and third-party contracts	2,560	1,584
Other benefits	1,919	3,083
	42,334	43,383
Change in rehabilitation benefit actuarial liabilities	(3,340)	15,318
	38,994	58,701

Ten-Year Summary of Financial Statements

Unaudited

Balance Sheet
As at December 31 (\$ thousands)

	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Assets										
Receivables	448,336	462,460	446,918	403,694	349,384	281,615	258,095	238,960	216,288	170,783
Portfolio investments	5,907,252	5,408,592	4,757,109	4,272,205	3,992,148	3,789,517	3,632,431	3,401,317	3,134,440	2,866,915
Capital assets	110,142	96,024	93,542	92,619	94,831	90,610	81,971	61,182	60,719	58,304
	6,465,730	5,967,076	5,297,569	4,768,518	4,436,363	4,161,742	3,972,497	3,701,459	3,411,447	3,096,002
Liabilities, reserves, and unappropriated balance (unfunded liability)										
Payables and accruals	59,158	63,485	49,011	43,907	33,179	29,670	40,962	20,874	16,390	17,212
Benefit liabilities	6,257,860	6,187,528	5,845,022	5,403,216	4,955,596	4,189,051	3,824,952	3,509,109	3,111,688	2,810,313
Total liabilities	6,317,018	6,251,013	5,894,033	5,447,123	4,988,775	4,218,721	3,865,914	3,529,983	3,128,078	2,827,525
Reserves	70,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,183	39,918
Unappropriated balance (unfunded liability)	78,712	(323,937)	(636,464)	(718,605)	(592,412)	(96,979)	66,583	131,476	243,186	228,559
Net fund surplus (deficiency)	148,712	(283,937)	(596,464)	(678,605)	(552,412)	(56,979)	106,583	171,476	283,369	268,477
	6,465,730	5,967,076	5,297,569	4,768,518	4,436,363	4,161,742	3,972,497	3,701,459	3,411,447	3,096,022

Statement of Operations and Unappropriated Balance
For the Year Ended December 31 (\$ thousands)

	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Income										
Premiums	990,904	999,775	984,601	878,187	759,950	644,987	575,572	551,028	520,737	441,951
Investments	644,688	533,745	437,525	345,373	356,621	316,122	329,617	324,859	310,491	269,921
	1,635,592	1,533,520	1,422,126	1,223,560	1,116,571	961,109	905,189	875,887	831,228	711,872
Expenses										
Claim costs:										
Short-term disability	267,528	256,841	303,052	309,528	279,330	252,972	217,679	218,187	196,944	175,123
Long-term disability	425,089	467,479	460,630	463,767	245,924	477,319	417,887	452,397	349,046	297,583
Survivor benefits	56,802	58,907	52,055	44,969	550,096	38,442	133,318	60,787	51,144	55,618
Health care	214,307	186,912	216,330	224,832	168,940	151,052	29,707	113,829	102,627	99,444
Rehabilitation	38,994	58,701	119,907	118,643	181,728	32,522	20,352	12,856	12,229	10,835
	1,002,720	1,028,840	1,151,974	1,161,739	1,426,018	952,307	818,943	858,056	711,990	638,603
Operating and prevention costs										
Operating	165,166	160,110	157,981	158,187	158,332	146,197	126,984	107,714	86,420	77,705
Prevention	35,057	32,043	30,030	29,827	27,654	26,167	24,155	21,827	18,191	16,470
	200,223	192,153	188,011	188,014	185,986	172,364	151,139	129,541	104,611	94,175
	1,202,943	1,220,993	1,339,985	1,349,753	1,612,004	1,124,671	970,082	987,597	816,601	732,778
Surplus (deficiency) from operations	432,649	312,527	82,141	(126,193)	(495,433)	(163,562)	(64,893)	(111,710)	14,627	(20,906)
Unappropriated balance (unfunded liability) – January 1	(323,937)	(636,464)	(718,605)	(592,412)	(96,979)	66,583	131,476	243,186	228,559	249,465
	108,712	(323,937)	(636,464)	(718,605)	(592,412)	(96,979)	66,583	131,476	243,186	228,559
Appropriation to Research Reserve	(30,000)	-	-	-	-	-	-	-	-	-
Unappropriated balance (unfunded liability) – December 31	78,712	(323,937)	(636,464)	(718,605)	(592,412)	(96,979)	66,583	131,476	243,186	228,559

Note: The above amounts have been restated reflecting the retroactive effects of changes in accounting policies.

	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Supplementary financial information										
Capital asset expenditures (\$ thousands)	33,815	12,584	11,043	10,121	17,389	32,226	16,888	10,818	10,735	10,054
Special reserves costs (included in claim costs)	62,211	77,644	79,681	74,723	74,232	56,896	35,697	24,997	19,000	16,000
Claim costs:										
Current year's injuries	780,807	698,271	710,803	716,523	643,920	620,458	557,632	534,669	454,302	400,189
Prior years' injuries	221,913	330,569	441,171	445,216	782,098	331,849	261,311	323,387	257,688	238,414
	1,002,720	1,028,840	1,151,974	1,161,739	1,426,018	952,307	818,943	858,056	711,990	638,603
Claim costs:										
Payments	932,388 ¹	686,334	710,168	714,119	659,473	588,208	503,100	460,818	410,350	369,256
Change in benefit liabilities	70,332 ¹	342,506	441,806	447,620	766,545	364,099	315,843	397,238	301,640	269,347
	1,002,720	1,028,840	1,151,974	1,161,739	1,426,018	952,307	818,943	858,056	711,990	638,603
Statistics										
Claims first reported	185,852	189,418	194,280	197,911	195,117	197,793	203,740	217,152	207,019	192,515
Injury rate (number of short-term disability claims per 100 person-years of employment)										
– excluding the effect of <i>Bill 63</i>	5.1	5.0	5.3	5.7	5.8	6.0	6.3	6.7	6.6	6.5
– including the effect of <i>Bill 63</i>	4.6	4.5	4.8	5.2	-	-	-	-	-	-
Duration of claim (days paid per claim)										
– in injury year	24.0	22.7	23.3	24.3	24.1	23.1	21.8	20.4	20.2	20.4
– total of all years	42.2	40.1	43.3	45.1	43.2	40.5	35.3	32.8	34.3	34.8
Prevention inspection reports issued ²	n/a	n/a	47,996	42,940	47,340	46,925	50,886	48,388	39,529	42,973
Prevention worksite activity hours ³	212,121	225,889	221,785	195,175	n/a	n/a	n/a	n/a	n/a	n/a
Employers registered	153,499	149,582	143,599	138,249	113,929	112,525	109,106	106,088	103,515	98,523
Average premium rate (\$)	2.26	2.29	2.29	2.16	2.11	1.95	1.83	1.75	1.78	1.79
Investment return of portfolio (%)										
– total return (market yield)	13.8	16.6	17.8	(0.5)	18.2	7.3	20.7	10.1	12.4	9.9
– accounting return (yield on average value of portfolio)	11.4	10.5	9.7	8.4	9.2	8.5	9.4	9.9	10.3	9.8
– real return (yield in excess of inflation) ⁴	9.9	8.7	7.3	8.6	7.3	6.9	5.0	5.1	5.1	5.6
Percent funded (ratio of assets to total liabilities) (%) ⁵	102	95	90	88	89	99	103	105	109	109

¹ In 1997, benefit payments include payments of approximately \$209 million to widows in respect of the retroactive portion of reinstated pensions. Changes in actuarial valuations reflect a corresponding credit to reflect the reduction of the retroactive liability.

² Includes Prevention inspection reports written under both the *Workers Compensation Act* and the *Workplace Act*, and since 1994 is the number of inspections conducted. In 1993 and earlier years, multiple inspection reports were often issued after a single inspection. After 1995, the number of inspection reports will no longer be reported.

³ Worksite activities include time spent on inspections, education, and consultation with workers and employers. Statistics on worksite activities were first accumulated in 1994.

⁴ Inflation is the change in the All Canada CPI from the preceding October to the current October value, reflecting the indexation of injured worker benefits.

⁵ The above amounts have been restated reflecting the retroactive effects of changes in accounting policies.

For those interested in reading more about the WCB and its activities, a number of publications are available.

Annual Reports

Statistics '97

A companion piece to this report, *Statistics '97* is a collection of statistical information on WCB operations and trends in workers' compensation and workplace health and safety in B.C.

Annual Report of the Appeal Division – 1997

A report of the Appeal Division's activities that covers handling of new matters initiated and appeals from Review Board findings. This information is also published in the *Workers' Compensation Reporter*.

Criminal Injury Compensation Program of British Columbia Report 1997

A review of criminal injury claims received during 1997, including a summary of expenditures and sample decisions on claims. The *Criminal Injury Compensation Act* is administered by the WCB on behalf of the B.C. Ministry of the Attorney General.

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