

“Work-related death, injury, illness, and disease are not, and should not be, inevitable and acceptable costs of doing business.”

— David Anderson, President and CEO
Workers’ Compensation Board of B.C.

Message from the Chair and the President

More than three years ago WorkSafeBC (the Workers’ Compensation Board of British Columbia) embarked on a mission to become more open, accountable, and responsive to the needs of our stakeholders. Since then we’ve made significant progress, and in 2004 we completed a number of key changes that will enable us to deliver greater service and improve our operational performance in the years ahead.

In many ways 2004 was a turning point for our organization, as we moved away from our traditional business structure toward a more service-centered approach. During the year we completely realigned our resources, programs, and business teams in order to improve cross-divisional communication, simplify stakeholder interactions, and deliver enhanced service customized by industry type. We also introduced a new long-term strategic plan that will guide WorkSafeBC through 2010 and beyond. These changes represent important milestones in our continuing evolution and we will build on these accomplishments as we move forward.

As always, our primary focus remains the prevention of workplace injury, illness, and disease. And in 2004 we are pleased to report that the provincial injury rate remained historically low, with 3.08 short-term disability claims per 100 person-years of employment. This was accomplished despite significant economic growth in several higher-risk industries. Over the past 10 years we’ve seen remarkable progress in this area, but further improvements demand wider public recognition that workplace injuries and illnesses are not just preventable, they’re completely unacceptable.

Financially speaking, 2004 was another strong year for WorkSafeBC. We achieved an operating surplus of \$280 million, an increase of \$125 million over 2003, thanks in part to the low injury rate, strong economic growth, and lower overall claim costs.

Changes to accounting rules introduced by the Canadian Accounting Standards Board reduced the reported operating surplus from \$340 million to the \$280 million indicated above but then added \$390 million of “other comprehensive income” arising from the fair market valuation of portfolio investments, representing net unrealized gains on investments. In the past, these unrealized gains were deferred and amortized (smoothed) into income over five years. The combined total of \$670 million (reported as total comprehensive income) is an improvement of \$515 million over 2003.




David Anderson, President and CEO and Doug Enns, Chair (right)

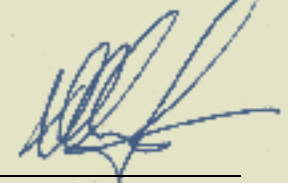
Although WorkSafeBC has adopted the new accounting standards for financial reporting purposes, we will continue to set employer rates using the smoothed approach in order to maintain premium rate stability and help ensure that we meet our long-term commitments for injury compensation and pension payments (see the reverse side of this pamphlet for additional information regarding the accounting change).

Despite the challenges associated with our internal reorganization, we met or surpassed most of our performance targets in 2004. B.C.’s employer premium rates remained among the lowest in Canada, with a 1 percent increase in the aggregate rate to \$1.96 per \$100 of assessable payroll. We surpassed our target for employers’ ratings of service and improved our service ratings from injured workers as well (though we were slightly below target). Administration costs remained flat. And public confidence in WorkSafeBC hit an all-time high of 74 percent positive – a remarkable improvement over the 51 percent positive rating we saw just nine years ago.

Unfortunately we were unable to reduce short-term disability claim duration, a key cost driver to the system. And though we improved the timeliness of our short-term disability payments, we were well under target for the year. In 2005 we will refocus our efforts to improve performance in these areas.

WorkSafeBC has experienced three consecutive years of substantial change. But the pace is expected to slow somewhat in 2005 and 2006, as we look to consolidate our new structure and service delivery model and to fully realize the benefits of these changes. We’ve accomplished a great deal over the last year, but none of our milestones could have been achieved without the contributions of workers, employers, and our dedicated staff. Looking ahead, we will continue to work with our partners to find new and better ways of doing business. Together we will achieve our shared vision of workers and workplaces safe and secure from injury, illness, and disease.


Doug Enns
Chair


David Anderson
President and CEO

Strategic Foundations of the WCB

Our mandate

The origin and fundamental value of workers’ compensation rests on the principle of mutual protection arising from the historic compromise in which workers relinquished their right to sue their employer and employers agreed to fund a no-fault insurance system.

The British Columbia *Workers’ Compensation Act* enshrines the historic compromise and creates the Workers’ Compensation Board (WCB). The WCB is an independent agency governed by a Board of Directors appointed by government. The mandate of the WCB, in concert with workers and employers, is to:

- Promote the prevention of workplace injury, illness, and disease
- Rehabilitate those who are injured and provide timely return to work
- Provide fair compensation to replace workers’ loss of wages while recovering from injuries
- Ensure sound financial management for a viable workers’ compensation system

Our vision

Workers and workplaces safe and secure from injury, illness, and disease.

Our mission

To add value for workers and employers by:

- Assisting them to create a culture of health and safety in the workplace
- Delivering quality decisions and advice
- Providing compassionate and supportive service
- Ensuring solid financial stewardship now and in the future

Our guiding principles and premises

We, the officers and agents of the B.C. Workers’ Compensation Board, believe that:

- We must focus on our core mandates – prevention, rehabilitation, and compensation.
- Our principal focus is WorkSafe™ – the promotion of healthy and safe workplaces through enforcement, consultation, and education.
- The WCB is most effective when it is dedicated to the WorkSafe initiative, facilitating the co-operation of workers and employers in preventing workplace injuries, diseases, and fatalities.

- Societal and cultural change is essential for creating a culture of health and safety in the workplace and we play a principal role in effecting this change.
- When a worker is injured, our priority must be the rehabilitation and return to work of that worker.
- We must be driven by a service orientation that is attained through effective delivery of WCB programs and services. In doing so, we are dedicated to empowering our front-line staff through support and ongoing development and training opportunities.
- We must preserve the financial integrity and stability of the system.
- We must add value to the workers’ compensation system and be an asset to our stakeholders and to the Province of British Columbia.
- We must remain sensitive to the strategic priorities and comply with the legislated directions of the British Columbia Government.

To fulfill its mandate, the WCB is enabled by:

- Transparent and accountable policies and regulations that define the type and amounts of compensation paid to injured workers, prescribe occupational health and safety standards, and determine how the system is funded and administered
- A full range of responsive programs that meet the individual prevention, compensation, assessment, and rehabilitation needs of stakeholders
- Professional, compassionate, and highly trained people working together to deliver quality service
- Effective and efficient processes that ensure quality and service excellence and eliminate bureaucracy
- Innovative and responsive services designed to meet the individual needs of stakeholders throughout the system

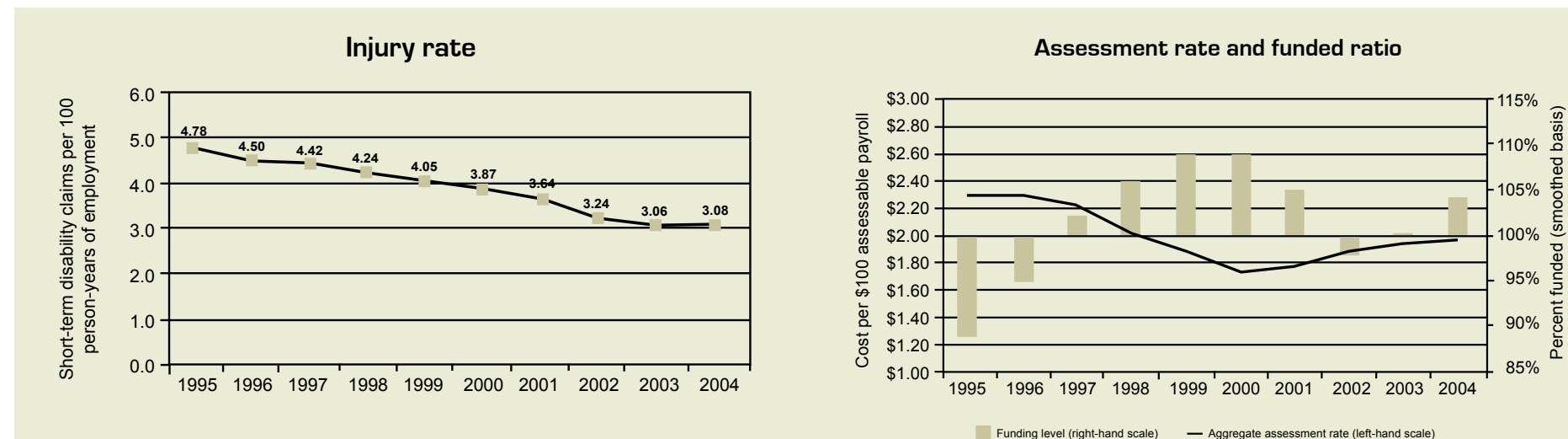
Performance Targets and Results

The following table lists the main objectives and corresponding performance indicators used to track and measure our success.

Key objective/performance indicator	2004 target	2004 result	2005 target	2006 target	2007 target
1. Reduce the provincial injury rate (the number of short-term disability claims accepted by the WCB per 100 person-years of employment)	3.00 or less	3.08	3.04 or less	3.00 or less	2.90 or less
2. Reduce the average short-term claim duration	46.5 days	48.1 days	47.7 days	47.2 days	46.7 days
3. Improve return-to-work outcomes for workers in vocational rehabilitation	66.0%	67.8%	69.0%	70.0%	70.0%
4. Improve timeliness of initial short-term disability payments	17.0 days	18.3 days	17.5 days	17.0 days	16.0 days
5. Improve injured workers' rating of overall service (10-point scale)	7.9	7.8	8.0	8.1	8.2
6. Improve employers' rating of overall service (10-point scale)	7.9	8.2	8.2	8.3	8.3
7. Raise public confidence	73% positive	74% positive	77% positive	78% positive	78% positive
8. Achieve an accident fund ratio, including reserves, in the range of 90 to 110 percent	101%	104%	105%	106%	107%
9. Attain an aggregate premium rate between \$1.75 and \$2.25 (per \$100 of assessable payroll) ¹	\$2.06 (\$1.91 after surplus and transition)	\$2.13 (\$1.87 after transition and surplus)	\$1.97 (\$1.87 after transition and surplus)	\$1.90	\$1.89
10. Improve administration costs (per \$100 of assessable payroll)	\$0.36	\$0.36	\$0.36	\$0.35	\$0.33
11. Improve decision making throughout the WCB, ensuring consistency with the legislation and policy (proportion of issues leading to overturned decisions at the review and/or appeal level due to WCB error in law or policy)	Review level: 7.0% Appeal level: Less than 3.5%	Review level: 3.8% Appeal level: 2.7%	Review level: 4.5% Appeal level: Less than 2.5%	Review level: 4.5% Appeal level: Less than 2.0%	Review level: 4.5% Appeal level: Less than 2.0%

¹ For important information concerning the average premium rate, including a historical summary of the published base premium rate and actual final collected rate, refer to page 77 in the 2004 Annual Report and 2005-2007 Service Plan.

Operational Highlights



2004 Year at a Glance

Operating context	2004 (Fair value)	2004 (Smoothed)	2003
Insured employers	179,257	179,257	173,008
Workers covered	1.9 million	1.9 million	1.9 million
Assessable payroll (thousands)	\$55,377,000	\$55,377,000	\$53,002,000
Assets (thousands)	\$9,851,307	\$8,961,368	\$8,480,408
Funded status	114%	104%	100%
Premium income (thousands)	\$1,175,189	\$1,175,189	\$1,077,383
Investment income (thousands)	\$455,516	\$515,535	\$495,937
Claim costs (thousands)	\$1,215,865	\$1,215,865	\$1,288,386
Surplus from operations (thousands)	\$279,859	\$339,878	\$154,575
Published premium collection rate	\$1.91	\$1.91	\$1.92
Actual final collected premium rate (estimated)	\$1.96	\$1.96	\$1.94

Claim statistics	2004	2003
Claims first reported	156,864	152,106
Claims first paid	121,440	120,470
Claims disallowed (%)	6.0%	5.9%
Fatal claims accepted	134	170
Total days lost from work	2,762,021	2,765,230

Demographics (by claims first paid)*	2004	2003
Injured workers	60,160	58,834
Male workers injured	42,440 (71%)	41,274 (70%)
Female workers injured	17,720 (29%)	17,560 (30%)
Average age of injured workers	39	39
Number of young workers injured (under age 25)	9,360 (16%)	8,990 (15%)
Number of older workers injured (age 55+)	6,185 (10%)	5,960 (10%)

Top five injuries (by claims first paid)*	2004	2003
Strains (other than back strains)	18,460 (31%)	18,080 (31%)
Back strains	14,370 (24%)	14,060 (24%)
Cuts	6,790 (11%)	6,640 (11%)
Contusions	6,510 (11%)	6,060 (10%)
Fractures	4,010 (7%)	3,960 (7%)

*Data excludes health-care-only claims

Important Accounting Change

In January 2005, the Canadian Accounting Standards Board introduced new standards that will require workers' compensation systems across Canada to change their investment accounting for annual financial statements. This new standard, formally referred to as "fair value accounting" but also commonly called "market value accounting," requires that dividends, interest, and realized and unrealized capital gains and losses be shown as income in the year. This will increase the fluctuation in WorkSafeBC's reported financial results, whereas the previous approach averaged realized and unrealized capital gains and losses over a five-year period, dampening the impact of market volatility.

Recognizing unrealized gains and losses in the year in which they occur will affect the reported value of WorkSafeBC's assets. In 2004, for example, the reported operating surplus for the year was \$280 million under the market value approach versus \$340 million under the smoothed approach. The reported fund balance at the end of 2004 was \$372 million under the market value approach, compared with \$88 million under the smoothed approach.

While WorkSafeBC has adopted the new fair value accounting guidelines for financial reporting purposes, it is important for stakeholders to bear in mind that fair value accounting provides a snapshot-in-time reading of financial assets and thus financial market fluctuations can result in volatile financial results in the future. If employer premium rates were based solely on fair value results, they would be significantly more volatile from year to year.

For this reason, WorkSafeBC will continue to set rates using the smoothed approach. Smoothed-basis investment accounting policies are based on a standard of practice established for all workers' compensation organizations in Canada by an independent study conducted in the early 1990s. This standard takes into account the unique business requirements of Canadian workers' compensation systems, including the need for pricing stability (for employer premium rates). WorkSafeBC will continue manage its investments for the purpose of meeting long-term commitments for injury compensation and pension payments to injured workers.

A more comprehensive explanation of fair value accounting is available in the 2004 Annual Report and 2005-2007 Service Plan.

Summary of Financials

Balance Sheet As at December 31, 2004 (\$ thousands)

	2004 (Fair value)	2004 (Smoothed)	2003
Assets			
Receivables	508,135	508,135	458,703
Portfolio investments	9,203,486	8,313,547	7,879,525
Property, plant, and equipment	139,686	139,686	142,180
Liabilities, reserves, unappropriated balance, and accumulated other comprehensive income	9,851,307	8,961,368	8,480,408
Payables and accruals	201,604	201,604	202,895
Benefit liabilities	8,412,023	8,412,023	8,269,650
Total liabilities	8,613,627	8,613,627	8,472,545
Reserves	260,000	260,000	260,000
Unappropriated balance/(unfunded liability)	372,314	87,741	(252,137)
Accumulated other comprehensive income	605,366	-	-

Statement of Operations For the Year Ended December 31, 2004 (\$ thousands)

	2004 (Fair value)	2004 (Smoothed)	2003
Income			
Premiums	1,175,189	1,175,189	1,077,383
Investments	455,516	515,535	495,937
Total income	1,630,705	1,690,724	1,573,320
Expenses			
Claim costs			
Benefits payments	1,073,492	1,073,492	1,048,194
Changes in actuarial valuation of benefit liabilities	142,373	142,373	240,192
Operating and prevention costs			
Operating costs	256,780	256,780	257,411
Prevention costs	44,006	44,006	38,452
Less: Claim administration costs	(165,805)	(165,805)	(165,504)
Total expenses	1,350,846	1,350,846	1,418,745
Surplus from operations	279,859	339,878	154,575
Other comprehensive income			
Unrealized gains on available-for-sale ² investments	390,199	-	-
Total comprehensive income	670,058	339,878	154,575

¹ Held-for-trading investments are acquired mainly for the purpose of selling the investments in the near term.
² Available-for-sale investments are neither held-for-trading investments nor investments with fixed maturity that an entity has a positive intention to hold to maturity.

Statement of Changes in Unappropriated Balance/ (Unfunded Liability) and Accumulated Other Comprehensive Income For the Year Ended December 31, 2004 (\$ thousands)

	2004 (Fair value)	2004 (Smoothed)	2003
Unappropriated balance/ (unfunded liability) — January 1	(252,137)	(252,137)	(406,712)
Transitional adjustments	344,592	-	-
Unappropriated balance/ (unfunded liability) — January 1 restated	92,455	(252,137)	-
Surplus from operations	279,859	339,878	154,575
Unappropriated balance/ (unfunded liability) — December 31	372,314	87,741	(252,137)
Accumulated other comprehensive income — January 1	-	-	-
Transitional adjustment ¹	215,167	-	-
Accumulated other comprehensive income — January 1 restated	215,167	-	-
Unrealized gains on available-for-sale investments	390,199	-	-
Accumulated other comprehensive income — December 31	605,366	-	-

¹ In accordance with the transitional rules resulting from a change in accounting policy to comply with the recommendations of section 3855 (Financial Instruments - Recognition and Measurement) of the *Canadian Institute of Chartered Accountants Handbook*, one-time transitional adjustments have been applied to the opening balances of the 2004 Unfunded Liability and the 2004 accumulated other comprehensive income. Please refer to the 2004 Annual Report and 2005-2007 Service Plan for more detailed information.

For more complete financial information, refer to the 2004 Annual Report and 2005-2007 Service Plan.

David Anderson
President and CEO

Sidney O. Fattedad, FCGA
Chief Financial Officer

2004 Annual Report and 2005 — 2007 Service Plan

For an electronic copy of the WCB's 2004 Annual Report and 2005 — 2007 Service Plan, visit our web site at worksafebc.com. If you require a printed copy, call 1 866 271-4879, fax 1 866 362-3130, or e-mail moore-wcb.customer.service@ca.moore.com.