
RETURN To WORK Together
WCB-Alberta 2004 Annual Report

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Contents

Letter from the Minister

ALBERTA

HUMAN RESOURCES AND EMPLOYMENT

Office of the Minister

I am proud to say that Alberta has the lowest workplace injury rate in over 10 years. In 2004, approximately 10,000 more Albertans remained safe at work thanks to the province wide focus on safety in the workplace.

Safer workplaces also mean lower compensation costs. WCB – Alberta and our other partners in industry, labour and safety associations have been very supportive of Alberta Human Resources and Employment's Work Safe Alberta initiative. Work Safe Alberta is a great example of cooperation on reaching an important goal – keeping Albertans safe.

When work place injuries do occur, the Alberta Workers' Compensation System provides everything Albertans need to return to work. Replacement of income, medical care, rehabilitation, travel costs and assistance with personal needs are all provided.

The WCB helps make Alberta's workplaces safer, cares for injured workers and their families and remains affordable to employers. This is a tall order and the WCB can be proud of its record of success. I congratulate you.

M. Cardinal

Mike Cardinal
Minister
MLA for Athabasca-Redwater Constituency

324 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 Telephone 780/415-4800 Fax 780/422-9556

Our Commitment

We are committed to helping Albertans get the support and services they need to recover from a workplace injury or illness, and **return to work safely**.

Michel Theriault was in so much pain from a herniated disk he couldn't work,or even sit down for dinner with his family.

To get Michel back to his life, his case manager, Aureene Costuros, developed a case plan that focused on getting him back to work safely. She helped him get much-needed medical services and provided financial support. As a result, Michel returned to work full-time.

"Intolerable pain is just a memory these days," he says. "I can't give enough kudos to Aureene and everyone else who helped me. Super, super job!"

We are committed to helping Alberta employers create **safer workplaces**.

"I recommend involvement in Partners in Injury Reduction (PIR) to any company willing to participate in a program that can substantially reduce their WCB premiums and protect their employees from injury," says Vince Cerisano, safety coordinator for Crystal Glass.

With help from its certifying partner (Alberta Construction Safety Association), Crystal Glass turned around its safety record in just three years. "I am proud to say, our time-loss claims have dropped steadily," says Cerisano. Crystal Glass is now using training programs, new technology and safe work practices to continue to reduce injury frequency.

We are committed to **fairness**, meaning we strive to make the right decision based on legislation and policy. We balance the interests of workers and employers so the workers' compensation system benefits both.

If a worker or employer questions a decision on a claim, we use a collaborative, internal process to help resolve any issues. The case manager and their supervisor work together with the customer to resolve the issues presented. Any issues not resolved through this process are examined for solutions by WCB's Decision Review Body (DRB). If no further resolution can be reached, the DRB makes a formal decision on any outstanding concerns. This mutual and thorough examination of the issues helps develop swift resolutions and good decisions.

As a result, where DRB-reviewed issues could not be resolved and went on to be heard at the Appeals Commission, the percentage of cases overturned declined from 32 per cent in 2003 to 22 per cent in 2004.

"This suggests the quality of decisions continues to be very high," says Donna Bennell, Decision Review Body (DRB) specialist. "To help with this quality the DRB is a final internal checkpoint to ensure policy has been applied correctly and consistently. Our group also strives to resolve customer concerns through education and open communication with everyone involved in the issue."

Our Customers

Employers and workers experience success

A provincewide focus on safety is part of the reason employers and workers have experienced a drop in time-lost workplace injuries to 37,500 in 2004. Thousands of Alberta employers of all sizes are also realizing the value of modified return-to-work programs. More than **9,000** employers are now registered in WCB's Partners in Injury Reduction (PIR) program and have embraced the concept of modifying jobs to accommodate a person's medical restrictions. As a result, they are experiencing great success—staff feel valued and the costs of injury claims are greatly reduced.

More than **1.4 million** working Albertans are eligible to receive compensation if they are injured at work or suffer an occupational disease. Through the payment of premiums, **109,000** Alberta employers fund WCB's no-fault compensation system.*

*A no-fault workers' compensation system means injured workers receive help regardless of fault and in return they cannot sue employers or other workers for benefits, but are paid promptly and with certainty. Both employers and workers benefit from not having to deal with the lengthy and costly proceedings that result from seeking restitution through the law courts.

Reta and Real Chalifoux, owners, C.J. Metal Erectors Ltd.

Metal company rigid about safety

Reta Chalifoux and her husband Real genuinely care about their team of 20 employees at C.J. Metal Erectors Ltd. They are committed—on paper and in their hearts—to operating a safe work environment. Weekly safety meetings, regular equipment inspections, and an innovative program that offers cash incentives for staff who wear the right gear for the job, have all played a role in keeping C.J. Metal Erectors injury-free.

Board of Directors

Guy Kerr
President & CEO

David Carpenter
Chair, Board of Directors

Representative of the interests of employers

John Hokanson
Don Oborowsky
Fauzia Lalani

Representative of the interests of workers

Gerrie Rajotte
Mark McCullough
John Malthouse

Representative of the interests of the general public

Jim Kallal
Norbert Van Wyk
Tom Shields

Message from the Chair

Albertans deserve a compensation system that is fair—consistently balancing the interests of its key stakeholders: workers and employers. The WCB Board of Directors protects this balance through its diverse membership and a clear governance model.

Our Board members contribute to corporate performance by ensuring strategic plans, financial plans, and corporate objectives and policies maintain the integrity of the system and set a clear path for the future. In 2004, WCB revisited its corporate strategy and determined that its commitment to fairness, focus on return to work, mandate to leverage prevention, and goal of financial stability provided the direction and the results for long-term success.

"Returning to Work Together" is the theme for this year's annual report because more injured workers are benefiting from collaborative modified-work planning, quick access to medical assistance, and smart vocational planning. This has led to 88.5 per cent of injured workers returning to work with their employer or a new employer and to the third consecutive annual drop in the average length of a claim to 40.1 days.

Working together also meant that WCB's commitment to fairness was recognized through overall satisfaction results of 74.8 per cent for workers and 86.0 per cent for employers.

As Alberta's injury rate dropped to 2.6 injuries per 100 workers, 83 per cent of employers also saw a lower 2005 base premium rate than last year's. In addition, positive investment results, better than expected premium revenue, and claim costs $94.1 million lower than budgeted, added to overall financial stability.

Moving into 2005, we look forward to working with our new Minister, the Honourable Mike Cardinal, to build safer Alberta workplaces and to minimize the impact of workplace injury and illness. The Board of Directors is satisfied that Albertans have a workers' compensation system that is working and that will be there when they need it.

WCB-Alberta has the right people, the right plan, and the right tools to keep delivering benefits and services that help injured workers overcome workplace disability. On behalf of the Board of Directors, I thank the staff and executive of WCB for delivering results that make a difference to Albertans.

David B. Carpenter
Chair, Board of Directors
Workers' Compensation Board - Alberta

Message from the President and CEO

Guy Kerr, President and CEO

People inspire me. Our clients show tremendous heart and our staff make a difference. WCB employees bring their passion and commitment to work every day. They deliver on our objectives and they help Albertans achieve a safe and timely return to work.

Ordinary people can do extraordinary things when they work together. In 2004, our results proved this to be true. But we do not stand alone. Behind every result is the work of a lot of people, from workers to employers, labour groups to safety associations, and government to WCB employees. It's the work we do collectively that helps ensure the best protection and care for Alberta workers.

The results have been steadily building, getting better and better each year. When we mapped out our Strategic Plan in 2001, we were confident it would point our business in the right direction. Since then, the plan's goals of financial stability, leveraging prevention by rewarding safety efforts, commitment to fairness, and focus on return to work have guided our every action, and the outcomes show that we are on track.

All of our planning and work would not have had the same impact without our partners. Together, we yielded some amazing results. Despite a growing economy, when the number of workers covered rose by 1.9 per cent, time-lost claims fell 4.1 per cent. Employers' strong disability management programs and WCB's innovative approach to claims management reduced average claim duration by 18.5 per cent. Positive financial results helped us maintain our fund balance, ensuring we will remain financially stable and secure into the future. And all of these positive results led to a premium rate decrease for the first time since 1999; four out of five employers have seen their industry rates go down in 2005.

It has taken a lot of planning, coordination and co-operation to get here. Now that we're seeing the rewards—higher return-to-work rates, lower premium rates, and increased premium rate stability—we must renew our commitment to safety. There is more to be done, and we will succeed only by working together.

WCB is committed to keeping our focus on return to work, to maintaining a solid financial base, and to investing in the people and processes required to effectively manage claims. If our partners continue to focus on safety, injury prevention, and disability management, our partnerships will thrive. The results have proven this is the surest road to success.

Our Strategic Plan has laid out the map before us, and our direction is true. I am confident that, together, we will achieve great things in 2005.

Guy R. Kerr
President and CEO
Workers' Compensation Board - Alberta

Strategic
Management Council

Randy Garvey
Chief Financial Officer

Our team has focused on achieving financial stability by rebuilding the fund balance to its policy-required level. We are currently reviewing our funding and investment policies to identify strategies to promote reduced premium rate volatility in the future.

Douglas Mah
Secretary and General Counsel

Through stakeholder consultation, the appeals process, and the courts, we strive to uphold the integrity of the Workers' Compensation Act and our policies. This reinforces our commitment to fairness and reassures our clients that we actively work to protect the system.

Dieter Brunsch
V.P. Customer Service and Risk Management

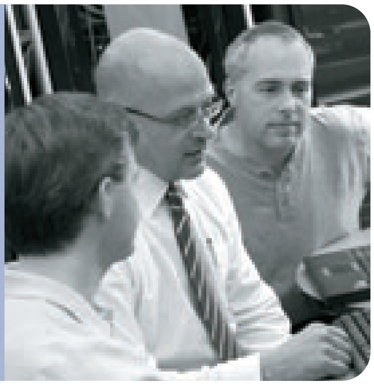
Our teams have worked closely with employers and their employees to ensure we understand their business and their needs. With this knowledge, we assist our customers in achieving successful disability management outcomes. Their positive performance in this area, and injury reduction efforts, are reflected in the insurance pricing we provide.

Wendy King
V.P. Customer Service and Disability Management

Our return-to-work focus has resulted in provider contracts that aim for the best outcomes for our clients, rehabilitation services that are innovative and deliver results, and return-to-work plans that promote a safe return to work.

Jim Wheadon
V.P. Business Development and Information Management

We invest in tools that make it easier for our clients to do business with us. Externally, online injury reporting, account clearances, and other tools ensure fast access to information, payment, and services. Internally, we are providing the business tools and the infrastructure to make it easier for our staff to focus on return to work.



Roxy Shulha-McKay
V.P. Employee and Corporate Services

Our commitment to fairness is grounded in our commitment to people. We offer best practice human resource programs and corporate services contributing to the overall wellness of staff, and the achievement of both corporate and individual objectives.

What we will achieve Together

WCB's Vision:

Albertans working – a safe, healthy, and strong Alberta.

WCB's Mission:

WCB-Alberta, working together with our partners, will significantly and measurably reduce the impact of workplace illness and injury on Albertans.

WCB-ALBERTA'S STRATEGIC PLAN

Our strategic plan builds on our vision of "Albertans working." By focusing on these four key themes, we know we can have a positive impact on Albertans.

1 Commitment to Fairness

As a fair organization we:

- protect employers and workers by providing no-fault coverage.
- compensate workers for lost employment income.
- cover the full cost of treatment and rehabilitation associated with work-related injury or illness.
- add stability to the workers' compensation system through the balanced application of the Workers' Compensation Act.

2 Focus on Return to Work

Our dedication to helping Albertans return to work means we:

- develop case plans that set clear goals.
- assist employers to develop disability management and modified work programs.
- provide benefits and services that support positive return-to-work outcomes.

3 Leveraging Prevention

Prevention is a key part of our vision of a safe, healthy, and strong Alberta.
This means we:

- offer employer programs that encourage and reward workplace safety.
- leverage safety success through premium rates that reflect the real cost of injuries.

4 Financial Stability

It is our responsibility to deliver benefits and services to our stakeholders.
To do this we:

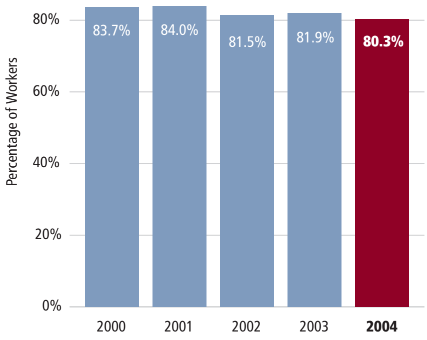
- maintain a fully-funded system.
- ensure benefit security for workers and employers.
- maintain an accident fund to protect Albertans from future economic uncertainties.

STRATEGY 1

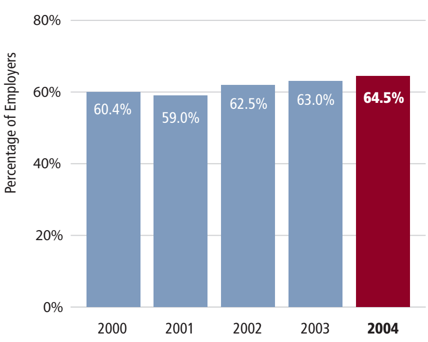
Commitment to Fairness

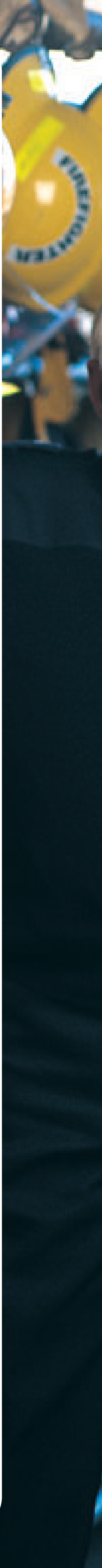
Our Measure	Our Target/Forecast	The Result
Dispute resolution	Improve the cycle time in the Decision Review Body so 85% of issues are finalized within 40 days of the Request for Review	94%
Worker satisfaction with fairness	Maintain above 80%	80.3% satisfaction
Employer satisfaction with fairness	Increase above 63%	64.5% satisfaction

OVERALL WORKER SATISFACTION WITH FAIRNESS OF DECISIONS



OVERALL EMPLOYER SATISFACTION WITH FAIRNESS OF DECISIONS





Ensuring solid information-sharing

As the neutral administrator of the workers' compensation system, WCB strives to balance the interests of workers and employers.

Our decisions must fairly analyze claim information for its fit within legislation and policy. Clear communication is required to explain decisions, processes, and outcomes so that those who are impacted understand.

We follow up our work through quarterly surveys that provide feedback on our progress and overall performance. This year we focused on our clients' views about the fairness of our decisions. Their feedback confirms we exceeded our targets for both workers and employers.

Similarly, the Decision Review Body double-checks that claim decisions have been based on all available evidence and ensures that when oversights occur they are corrected—quickly. This year's focus was on cycle times to ensure stakeholders received prompt service to their requests for review.

Change of uniform

Permanently-injured firefighter finds new career

Geoff Morgan has what most people never get—a second chance at life. For a year and a half, he lived in a purgatory of painkiller dependence, until he was forced to wake up and live.

"I don't know how Shirley-Ann put up with me sometimes," says Geoff, 58, who can now laugh with case manager, Shirley-Ann Garlinski. "I was a real S.O.B."

Injured in January 2003 when he slipped on ice and fell on his low back, Geoff eventually had surgery to repair a displaced lumbar disc. While the numbness in his right leg disappeared, the pain remained. He ended up taking a daily cocktail of prescription painkillers.

Knowing that going back to work can be the best form of rehabilitation, Shirley-Ann arranged modified work duties for Geoff. It turned out, though, he had permanent work restrictions that his employer, the Department of National Defense (DND), could not accommodate. Geoff's 40-year career as a military firefighter and inspector was over. With no choice but to hang up his uniform, he worried about his future.

Shirley-Ann explored all of Geoff's available benefits and developed a plan. To help manage his pain, Shirley-Ann referred him to the Canmore Pain Clinic. Next, Geoff worked with an employment specialist at Millard Health to find a suitable job.

"I didn't want to go to either Canmore or Millard. I thought, 'Who is going to hire me? What skills do I have?'" says Geoff. "Shirley-Ann was fair, though. She explained my options and what they meant. In the end, everything she planned worked out for the best."

Even with a new resume and job search skills under his belt, Geoff couldn't find suitable employment in the small town where he and his wife, Debbie, had lived for 17 years. What to do? Despite Geoff's reservations, they packed up and never looked back.

Now living in Edmonton, wearing a new uniform for the Commissionaires, Geoff smiles, "I am happy… and living again."

"The WCB went above and beyond. Every angle was investigated until something manageable for everyone was worked out. It was a fair way to address Geoff's interests and ours too."—Karen Dance, DND's Human Resources Officer, explaining the process of trying to get Geoff back to work

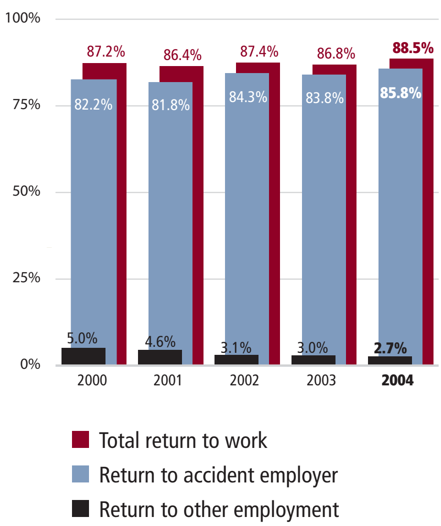
"I couldn't have done it without my wife Debbie, my case manager Shirley-Ann, and DND's compensation clerk Debbie McLean. Thanks to them, I now look forward to my future."—**Geoff Morgan**

STRATEGY 2

Focus on Return to Work

Our Measure	Our Target/Forecast	The Result
Customer Self-Service Expansion	Examine opportunities to leverage Integrated Voice Recognition (IVR) and Internet technology to expand customer self-service options such as automated cheque inquiry and online employer reporting	Began the on-line Annual Return (A300) project. System development will continue in 2005.
Return to work performance	Achieve 15% improvement in our return-to-work (RTW) performance for claims where disability lasts six months or longer, compared to our 2003 baseline	32.6% improvement
Percentage level of injured workers returning to work with their accident employer or a new employer at claim closure	Maintain the current percentage level of 86.8%	1.7% improvement
Access to health care	Improve access to health care by increasing the number of expedited surgical procedures by 15% over the 2003 baseline	39.5% increase
On-time claims reporting	Achieve 69% on-time claims reporting for targeted employers by December 31, 2004	67.5% on-time
Number of back claims resolved within 84 days	5% improvement	5.8% improvement
Economic Loss Payment (ELP) transaction costs	Not to exceed our target of $92.9 million	ELP transaction costs were $96.3 million

RETURN-TO-WORK PERCENTAGES



Effective planning and smart delivery of services show success

To help injured workers return to work safely, we pursue the most efficient and effective means of delivering medical and vocational support. This year, we partnered with medical service providers to increase access to health care and expedited 1,621 surgeries, helping Albertans recover faster. In addition, customer service teams worked together to develop proactive return-to-work plans that helped more people achieve employability. Cases where disability had exceeded six months decreased from a 2003 baseline of 1,714 to 1,156—a 32.6-per cent drop.

Special back-injury model key in early return to work

Knowing that each day away from the job reduces the likelihood of a successful return to work, WCB's customer service teams and Medical Services department completed a rollout of the new Back Injury Model. This model builds on the success of last year's pilot where the direction of medical treatment was optimized through a one-on-one medical consultation. This early, targeted consultation contributed to 5.8 per cent more injured people returning to work within 84 days, compared to those with similar back claims without this early support.

Improving reporting cycle times

Timely claim reporting is one way an employer can contribute to faster decision-making and faster medical access for injured employees. One hundred Alberta employers were selected for targeted education involving WCB executive visits, WCB account manager assistance, and other interventions aimed at improving their reporting cycle times. As a result, by the end of 2004, these employers reported 67.5 per cent of injuries on time, up from 60.3 per cent in 2003.

Better outcomes reduce long-term costs

Our return-to-work focus also demands that we deliver strong return-to-work support for those re-entering the workplace. The right decisions and services reduce the need for Economic Loss Payments—a bridge between pre-injury wages and post-injury wages for a worker whose earning capacity was permanently impaired by the effects of their accident. The better our outcomes, the lower these long-term costs are. The 2004 results showed improvement but fell short of our goal. Our strategies to improve case planning, vocational services and service provider outcomes will continue in 2005.

Heads Up won't take back pain lying down

2005 safety campaign will take a new direction

In 2004, claims for back pain made up more than 26 per cent of all time-lost claims reported to WCB-Alberta. That equates to almost 9,000 time-lost claims.

Looking for solutions

Public campaigns around the globe have shared research that says activity and positive thinking are keys to a successful recovery. Significant reductions in back-pain claims and back-pain duration are being credited to those campaigns.

It was these findings that encouraged WCB to support its ongoing Back Injury Program, aimed at achieving the best outcomes for workers and improving the cost-effectiveness of the system, with an Alberta campaign.

Changing perceptions

With approval from the founding partners of the *Heads Up* campaign, sponsorship dollars have been temporarily diverted to kickstart the 2005 'Back Pain: Don't take it lying down' campaign. The goal is to increase awareness and change perceptions about back pain.

BACKPAIN DON'T TAKE IT LYING DOWN

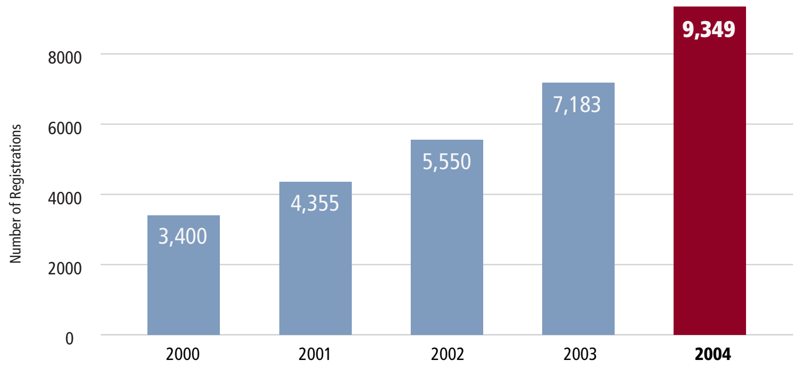
The 2005 campaign will use radio advertising, posters, displays, advertisements and articles in health-related publications, to relay important messages to Albertans.

STRATEGY 3

Leveraging Prevention

Our Measure	Our Target/Forecast	The Result
Number of Partners in Injury Reduction (PIR) companies covered by a Certificate of Recognition (COR)	Increase by 10%	Exceeded target by 1.9%
Number of Alberta workers employed by companies with a Certificate of Recognition (COR) as measured by insurable earnings	Exceed $13.4 billion in insurable earnings	Achieved $15 billion
Partners in Injury Reduction partners' loss-ratio vs. non-participants	Maintain 20% lower loss ratio for PIR partners versus non-participants	Exceeded target by 4.3%

PIR REGISTRATIONS



Safety is in the numbers

Partnerships have been key in furthering the success of employer safety efforts. The Partners in Injury Reduction (PIR) program saw success through an increase in the number of companies whose safety programs achieved a Certificate of Recognition (COR).

5,341 employers earned a COR this year, representing $15 billion in insurable earnings.

Similarly, insurable earnings attributable to companies holding a COR indicate that now, more than ever, Alberta workers work for employers committed to protecting their safety.

Approximately 5,000 Alberta companies earned $66.7 million in premium rebates in 2005 by investing in safety during the 2004 PIR program.

Building safety

from the plant floor up

"Our company, Quinn Contracting, provides industrial plant maintenance and turnaround services to some of the largest oil, gas and petrochemical producers in Western Canada. Turnarounds occur when industrial plants shut down for a period of time so contractors like us can come in and complete all needed repairs. This creates a dangerous situation for our employees because they work in new, unfamiliar environments about 15 times a year.

Because our clients demand that we work in the safest manner possible, our company had a good, solid safety program in place when we joined the Partners in Injury Reduction (PIR) program in 2000. The well-being of our employees is a number one priority so it only made sense to join PIR and reduce our WCB premiums. The premium rebates we receive are rolled back into additional safety incentives for our staff.

Our 'Zero Injury' strategy ensures that our clients retain their contracts with us—many for 20 years or more. One of our largest turnarounds required over 600 personnel working in excess of 250,000 hours. It was completed without a single time-lost incident.

Behaviour-based strategies provide the foundation for our safety program. Many long-time employees mentor new employees and help them to fill out their 'Field Level Risk Assessment' cards and 'Hazard Assessment' sheets. In addition, 20 per cent of our contractors—at each site—are trained to conduct peer-to-peer observations.

One of our biggest successes is the stretching program we implemented a year after joining PIR. It has become so popular that people in business suits show up to join in. With only 10 minutes of stretching each morning, we have been able to reduce the number of strains and sprains that occur at the work site, especially during cold weather periods."

"Employers should take advantage of the benefits of PIR membership. We have a safer workplace, increased involvement, and higher morale because of it."
—W.J. (Bill) Atchison, President and CEO, Quinn Contracting Ltd.

"One of our biggest successes is the stretching program we implemented a year after joining PIR. It has become so popular that people in business suits show up to join in." **—W.J. (Bill) Atchison, President and CEO, Quinn Contracting Ltd.** (RIGHT, FRONT)

STRATEGY 4

Financial Stability

Our Measure	Our Target/Forecast	The Result
Claim cost	Fully-funded cost incurred in the year for current and prior year injuries in line with target of $884.2 million	$825.8 million
Claim duration	Average days per time-lost claim in line with a target of 45.3 days	40.1 day average
Average cost per claim	The full-funded cost per time-lost claim in line with target of $15,200	$15,300 per claim average
Transaction year claims costs	Not to exceed the 2004 budget by more than 10%	UNDER budget by 5%
Fund balance	Fund balance of 110.8%[1] by December 31, 2004	Fund Balance increased to 108.9%
Billing/payment enhancement project	Reengineered contracting and payment processes for external providers	Improved invoice tracking and payment processing; prevention of $691,000 in medical overpayments

[1] Target was based on the moving-average-market basis of accounting that was in effect at the start of the fiscal year.

Strong financial performance in 2004

Efforts to manage claim duration and improve return-to-work outcomes, combined with lower claim volumes, yielded better-than-expected cost results.

Claims costs of $825.8 million for 2004 include an additional $88.6 million that resulted from changing the discount rate from 3.5 per cent to 3.25 per cent. The change in the discount rate is consistent with the findings of an asset/liability study. Claim costs for 2004 would have been $122.9 million lower than 2003 costs if the discount rate had remained unchanged.

Funded status

The Fund Balance is a critical component of the overall health of the workers' compensation system. Our business plans include a gradual rebuilding of the Fund to the required 116 per cent of liabilities. WCB's target for 2004 was to reach 110.8 per cent by year-end.

However, the recent Canadian Institute of Charted Accountants (CICA) change in accounting standards requires organizations to recognize investment income in the current operating year, as compared to the old practice of smoothing most investment income over five years.

The accounting standard change also requires adjustments to the opening Fund Balance. The net adjustment is a reduction of $194.7 million, a significant factor in reducing the year-end Fund Balance to 108.9 per cent. (For more information on the impact of CICA changes, see the Management Discussion and Analysis on pages 28-39.)

Summary of claims administered

		2004		2003
Active claims as of January [1]		26,212		26,339
New time-lost claims	36,412		38,351	
New medical aid only claims	117,965		114,747	
Total new claims reported	154,377		153,098	
Recurrent claims[2]	16,040		18,500	
	170,417	170,417	171,598	171,598
Total claims administered		**196,629**		**197,937**

Non-eligible claims

	2004	2003
Time-lost claims		
Insufficient information available to process claim	110	86
Not covered under Workers' Compensation Act	159	170
Injury or illness not arising out of/in course of employment	1,118	1,104
Medical aid only claims		
Insufficient information available to process claim	3,832	2,999
Not covered under Workers' Compensation Act	1,299	1,377
Injury or illness not arising out of/in course of employment	3,180	2,595

1 Previously inactive claims that required further adjudication or case management. Claims may reopen for a number of reasons such as payments for medical aid or requests for further compensation benefits.

2 Recurrent claim figures have been restated from those used in previous reports. The current method is considered to more accurately depict the claims administered.

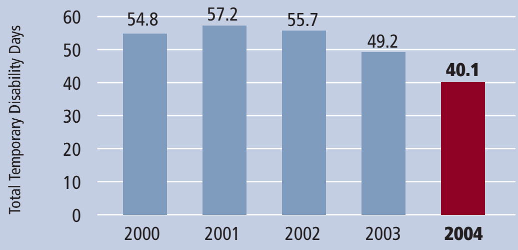
New claims by nature of injury

Nature of Injury	2004	2003
Sprain or Strain	50,650	49,946
Open Wound	27,997	28,646
Superficial Wound	27,343	26,775
Occupational Illness	11,045	10,982
Fracture, Dislocation or Nerve Damage	7,156	7,221
Burn or Scald	4,895	5,010
Multiple Traumatic Injuries	2,441	1,706
Intracranial Injury	845	864
Environmental Conditions	284	239
Other Traumatic Injury	13,248	12,640
Non-Personal Damage	613	595
Unclassified	7,860	8,474
TOTAL	**154,377**	**153,098**

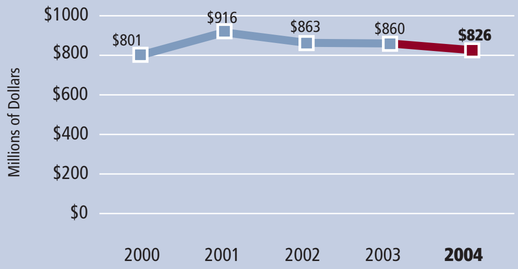
New claims by part of body

Part of Body	2004	2003
Back	24,321	24,113
Finger(s)	23,291	23,353
Hand(s) or Wrist(s)	17,713	17,567
Chest or Shoulder(s)	13,080	12,745
Eye(s)	12,787	12,589
Arm(s)	11,604	11,382
Foot(Feet), Toe(s) or Ankle(s)	11,152	11,236
Head	8,533	8,245
Knee(s)	8,211	7,782
Multiple Parts	7,528	8,147
Leg(s)	4,747	4,746
Neck	3,034	2,901
Hip or Pelvis	2,252	2,236
Ear(s)	1,976	1,887
Body System(s)	1,615	1,536
Abdomen	1,051	993
Non-Personal Damage	627	608
Unclassified	855	1,032
TOTAL	**154,377**	**153,098**

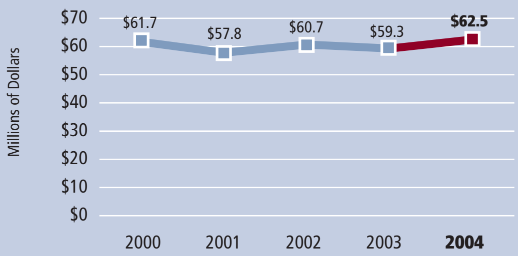
AVERAGE CLAIM DURATION



CLAIMS COSTS



ADMINISTRATION COSTS



Three years after his brush with death, scars still cover much of Michael Summers' body. On March 25, Michael shared his story at the launch of the 2004 Heads Up campaign.

Heads Up

'Being a new worker can be a painful experience'

Story of survival brings real life experience to safety campaign

A work-related brush with death led to an emotional presentation at the Heads Up campaign launch March 25, 2004, at Alberta Oil Tool's Edmonton shop.

Michael Summers told the story of how his life was sent spinning out of control when he was suddenly trapped beneath a 2000-pound plate of white-hot steel.

"I wanted people to listen and understand the pain and agony I have suffered," says Summers. "Workplaces can be dangerous and life can change in a second—that's why safety is so important."

"Young workers, especially males, tend to think they are invincible so we need them to hear our safety message," says Clint Dunford, former Minister of Human Resources and Employment. "No one should have the terrible experience this young man had."

In 2004, nearly 70,000 inexperienced workers were injured on the job in Alberta; 13, under the age of 25, died of work-related injuries. "These are not just statistics—they are our children, spouses, friends and neighbours," says Guy Kerr, WCB's president and CEO.

The Heads Up campaign primarily targets males, 18 to 34 years old who are new to the industry and/or the worksite, as well as their employers. The 2004 campaign's depictions of extreme work situations with powerful, targeted safety messages were promoted throughout Alberta.

The campaign is the result of a partnership between the Alberta Construction Safety Association, Alberta Human Resources and Employment, Manufacturers' Health and Safety Association, Alberta Hotel Safety Association and the Workers' Compensation Board - Alberta.

67 per cent of workers surveyed said the Heads Up campaign made them more willing to ask questions about safety on the job.

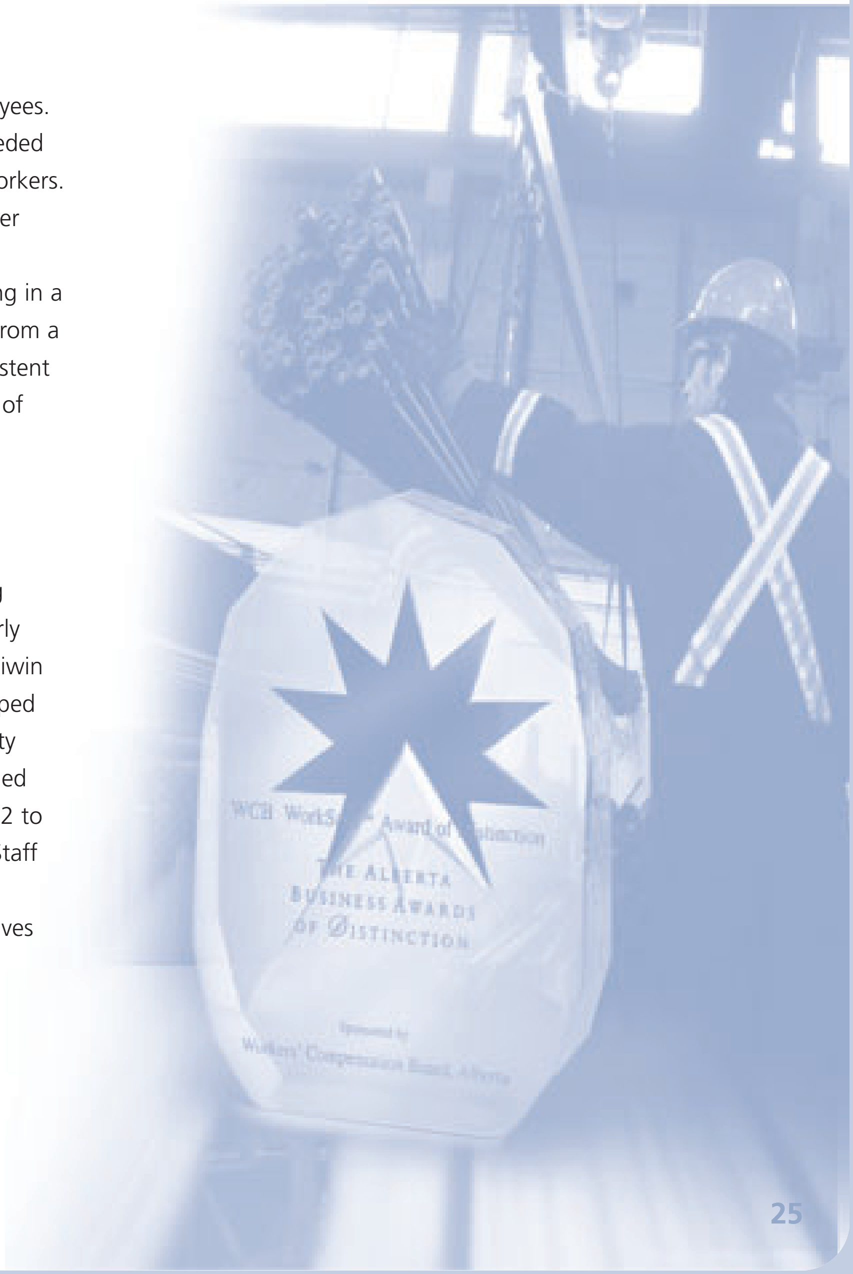
WorkSafe™ 2004

Employers acknowledged for making safety their priority

Two Alberta employers share the belief that accidents are preventable, and protecting their employees takes precedence over everything. For their commitment to injury prevention and return-to-work programs, both were recognized with the 2004 WorkSafe™ Award of Distinction. WCB-Alberta presents the award annually to one small and one large business that recognize the importance of safety and do something about it.

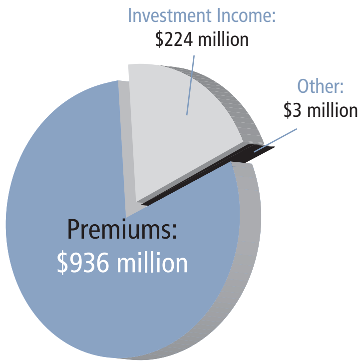
Edmonton's **Waiward Steel Fabricators Ltd.** is one of the largest steel fabrication facilities in Canada, with over 330 employees. Two serious accidents in 1995 made it clear they needed to put a better safety program in place to protect workers. Their philosophy is that everyone benefits from a safer workplace—the company (from lowered costs and increased marketability) and employees (from working in a safe environment). Improvements have taken them from a 40 per cent WCB premium-rate surcharge to a consistent 33 to 40 per cent discount, putting them at the top of their industry.

Supreme International Ltd. proves you don't have to be big to do something about employee safety. After rapid growth in the early 1990s, this farm equipment manufacturer in Wetaskiwin turned its safety program upside down. They developed a complete program that included a health and safety committee, injury response procedures, and a modified work program for just over 90 employees. From 2002 to 2003, time-lost claims plummeted from 11 to one. Staff are involved, and have become more aware of the potential for incidents, taking ownership for themselves and for those around them.

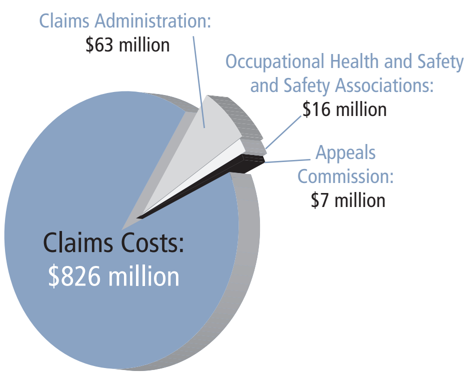


2004 Financial Highlights

REVENUE BREAKDOWN



EXPENSES BREAKDOWN



Premium revenues of **$936 million**, an improvement of $16 million compared to budget, and up $58 million from 2003, reflecting continuing strength in the Alberta economy.

Average premium rate of **$1.96** per $100 of insurable earnings, compared to target of $1.98, represents an increase of 1 per cent over the average rate collected last year. The average rate for 2005 is $1.83.

Investment income of **$224 million** reflects improving markets and a $82.3 million increase resulting from the CICA accounting change. The result was $104 million better than budget and $9 million over 2003.

Claim costs of **$825.8 million** were $94.1 million lower than budget and $34.3 million lower than 2003. The improvement was primarily due to the success of our disability management initiatives.

Administration expenses of **$128.9 million** are three per cent better than budget and $1.6 million higher than 2003.

Operating surplus of **$252.4 million** was almost $218 million better than budget and $98.7 million (or 64 per cent) more than 2003.

Fund Balance of **$359 million** increased by $48 million or 15 per cent.

Investment portfolio **increased by $796 million** or 19 per cent over 2003 on a fair-value basis, largely driven by market gains and operating surplus.

Claim-benefit liabilities **rose by $195.8 million** or 5.25 per cent over 2003, of which $89 million reflects the reduction in discount rate from 3.5 to 3.25 per cent.

Management Discussion and Analysis of 2004 Financial Statements and Operating Results

WCB-Alberta 2004 Financial Statements

Management Discussion and Analysis of 2004 Financial Statements and Operating Results

For the Year Ended December 31, 2004

The Management Discussion and Analysis (MD&A) provides management's perspectives on key issues that impact current and future performance of The Workers' Compensation Board of Alberta (WCB-Alberta, WCB). The MD&A, prepared as at March 15, 2005, should be read in conjunction with the audited financial statements and accompanying notes for the year ending December 31, 2004.

Unless otherwise indicated, all amounts shown are in millions of Canadian dollars.

Overview of 2004 Operations

Driven by a strong provincial and global economy, and a major reduction in claim costs, WCB-Alberta's financial results showed significant improvement over the 2004 budget and 2003 results. These factors led to total revenues of $1.2 billion, an operating surplus of $252.4 million, and a Fund Balance of $359.0 million or 8.9% of total liabilities.

The operating surplus of $252.4 million represents an increase of 64.2% over the $153.7 million surplus in 2003. This improvement can be attributed to the following key factors:

2004 OPERATING HIGHLIGHTS

Significant Contributing Factors to Operating Results	2004	2003	Change
Net deficiency of investment income (adjusted for effect of fair value accounting) over the expected interest requirement on the claims liability	$ (18.8)	$ (14.2)	$ (4.6)
Gain in premium revenue as a result of actual premium rate collected ($1.96) being higher than the required premium rate on insurable earnings ($1.51)	214.9	134.0	80.9
Change in actuarial discount rate from 3.5% to 3.25%	(88.6)	-	(88.6)
Actuarial experience adjustments primarily due to reduction of claims costs	147.9	15.3	132.6
Other items	(3.0)	18.6	(21.6)
	$252.4	**$153.7**	**$98.7**

In 2004, the WCB adopted new standards issued by the Canadian Institute of Chartered Accountants (CICA) relating to fair value[1] accounting for financial instruments. These accounting changes resulted in a significantly different basis of accounting for investments and investment income, and a new basis for measurement of funding sufficiency. (Discussion of the new funding measures is on page 30, with a detailed discussion of the impact of the new accounting policies on page 36.)

[1] Fair value is defined as the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. In the context of investments, fair value is generally synonymous with market value.

Premium revenue

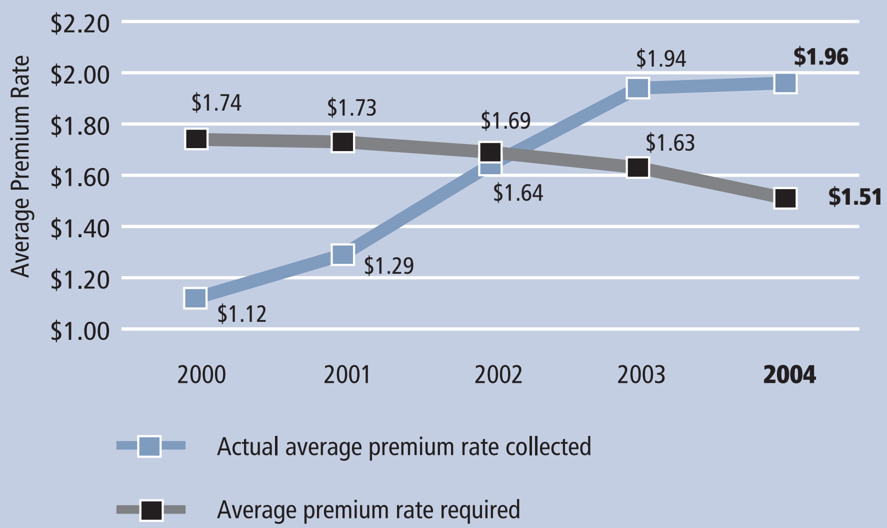
Alberta's strong resource sector and continuing employment growth pushed 2004 actual insurable earnings to $47.6 billion, 8.2% higher than the $44.0 billion actual for 2003. Construction and mining/oil and gas industries led the increases in insurable earnings and premium revenue. Total premium revenues, including both employer and statutory levies, were $936.2 million in 2004 and $877.6 million in 2003. The 6.7% increase in premium revenues in 2004 stemmed primarily from a $3.6 billion increase in insurable earnings and an increase in the average collected premium rate from $1.94 to $1.96.

Average premium rates

The average collected premium rate of $1.96 was below the budget premium rate of $1.98, attributable to the higher actual insurable earnings of $47.6 billion compared to the forecast of $46.0 billion used for rate setting, and by higher Partners in Injury Reduction program costs. Generally, the difference between the collected and required premium rate in 2004 represents a contribution to Fund Balance.

For 2005, the average budget premium rate, based on fully funded claim costs, will decrease by 7.6% to $1.83.

AVERAGE PREMIUM RATE TREND



Claim costs

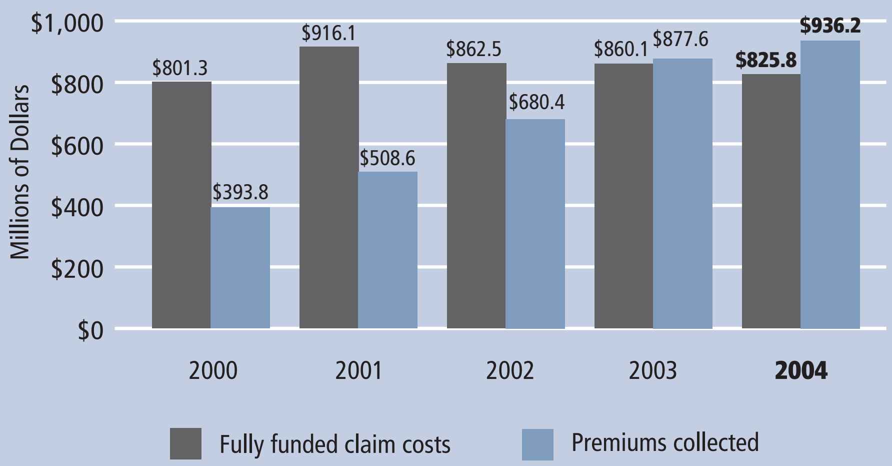
Claim costs are an estimate of the costs incurred for compensable injuries occurring in 2004, plus claim benefit liability adjustments related to prior year injuries. For 2004, claim costs incurred were $825.8 million, $94.1 million lower than the 2004 budget and $34.3 million lower than 2003 costs.

Approximately $88.6 million was added to 2004 claim costs due to the change in the actuarial discount rate from 3.5% to 3.25% as supported by an asset/liability study. This change reflected current market returns on investments and is aligned with WCB's liabilities. Had the discount rate remained unchanged, 2004 claim costs would have been approximately $122.9 million ($88.6 million plus $34.3 million) lower than 2003 costs.

Lower 2004 claim costs can be attributed to a reduction of $30.1 million in Temporary Total Disability (TTD) costs from prior year. This reduction was a result of effective case management, expedited medical treatment, utilization of modified work, and coordinated return-to-work planning leading to successful claims resolution.

The number of time-lost claims also dropped to 37,500 at the end of 2004 from 39,100 in 2003, a drop of 4.1%. Against the 2004 budget level of 40,800, actual performance of 37,500 represents an improvement of 8.1%. Despite a 8.2% increase in insurable earnings in 2004, the drop in time-lost claims volume results from the growing effectiveness of employer safety programs and a 35% increase in no-time-lost modified work.

PREMIUMS COLLECTED VS. FULLY FUNDED CLAIM COSTS



Funded position

The Fund Balance at the end of 2004 was $359.0 million, representing a funded ratio[2] of 8.9% of total liabilities, compared to $311.0 million and 8.1% at the end of 2003. The increase of $48.0 million was generated primarily by an operating surplus of $252.4 million, offset by a net, non-recurring, transitional adjustment of $194.7 million from changing to fair value accounting for investments (see financial statements Note 3, Accounting Policy Changes, for details of the transitional impact of the new accounting standard CICA Handbook Section 3855 Financial Instruments - Recognition and Measurement and Section 1530 Comprehensive Income).

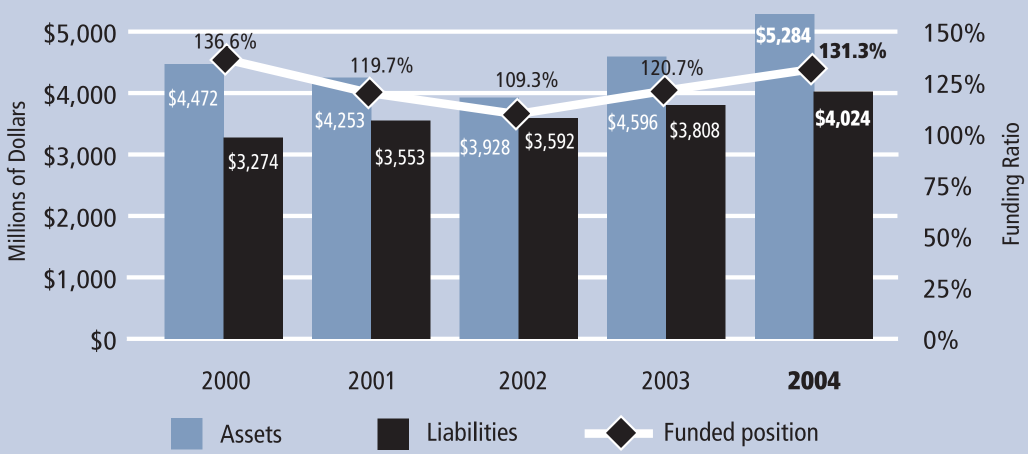
2 Funded ratio is the Fund Balance expressed as a percentage of total liabilities, indicating the amount of accumulated surplus available to fund unexpected increases in liabilities.

The ratio of total assets to total liabilities represents a funded position[3] of 131.3% (a new funding adequacy measure arising from the introduction of comprehensive income). Viewed from another perspective, WCB has total assets of $5.3 billion to cover its total estimated liabilities of $4.0 billion, resulting in net assets of $1.3 billion.

These net assets[4] of $1.3 billion are comprised of $359.0 million in the Fund Balance, $241.5 million in the Occupational Disease Reserve (ODR), and $659.9 million in Accumulated Other Comprehensive Income (AOCI). This last funding component was created by Section 1530 Comprehensive Income[5] to capture unrealized holding gains and losses arising from measurement of investments at fair value as at the reporting date. Consequently, during periods of significant market volatility, AOCI could experience large fluctuations due to the type of investments held and/or the nature of the changes in market conditions. WCB is currently reviewing appropriate funding policies to ensure that volatility in the funded position is effectively managed to minimize any impact on funding stability and ultimately WCB premium rates.

WCB-Alberta is one of only a few fully funded Boards in Canada, and has the highest funded position. This position is the result of sustained economic growth, effective cost management, and improved financial markets.

FUNDED POSITION*



*2000-2003 assets and liabilities have been restated to reflect fair value accounting

3 Funded position is the ratio of assets to liabilities, a measure of financial solvency or the sufficiency of assets to meet all obligations. This ratio indicates the amount of accumulated equity generated by operating surplus, reserves, and other comprehensive income (from 2004 onwards).

4 Net assets is total assets less total liabilities, reflecting WCB's accumulated surplus (comparable to retained earnings).

5 Comprehensive income is the change in equity (funded position) of an enterprise and is comprised of operating income and other comprehensive income.

Investments

Capital markets overview

In the first half of 2004, market gains levelled off after the recovery of 2003. For most of the year, the capital markets saw mixed performance, then a late year rally boosted returns above expectations for 2004.

Asset mix

WCB policy asset mix is 55% equity, 42% bonds, and 3% real estate. The policy asset mix is the primary driver of portfolio risk and return. Through 2004, the asset mix was maintained fairly close to the policy targets with a small underweight to Canadian bonds and cash, and a small overweight to equities [Canadian and Europe, Australasia and Far East (EAFE)]. The portfolio will be rebalanced to the policy targets in the first quarter of 2005.

ASSET MIX VS. POLICY MIX

Asset Class	Actual Mix	Target Mix	Difference
Cash and short-term investments	1.3%	2.0%	(0.7%)
Conventional bonds	30.7%	33.0%	(2.3%)
Real return bonds	6.8%	7.0%	(0.2%)
Real estate fund	2.8%	3.0%	(0.2%)
Canadian equities	22.0%	20.0%	2.0%
US equities	15.1%	15.0%	0.1%
EAFE equities	15.6%	15.0%	0.6%
Emerging markets equities	5.7%	5.0%	0.7%
	100.0%	100.0%	

The findings of the Asset/Liability Study, with respect to an optimum portfolio structure and target asset mix, are currently under review. Once the review is completed, WCB will consider the appropriateness of its current asset mix and possible changes.

Portfolio performance versus expectations

The portfolio earned a nominal market rate of return of 10.0% for 2004. This is well above long-term expectations of 7.1% per annum. The primary goal of the investment portfolio is to earn a real rate of return that meets or exceeds the claim liability discount rate. This is the actuarial rate of return required to fund the liability. On this basis, the real rate of return of 8.6% (nominal rate of 10.0% less inflation of 1.4%) was above the discount rate of 3.25%.

In the near future, much more modest rates of return are expected from both equities and bonds, since the year is starting out with very low bond yields, relatively high equity valuations, and a high probability that corporate profit growth will slow down from the current pace.

Portfolio performance versus benchmark

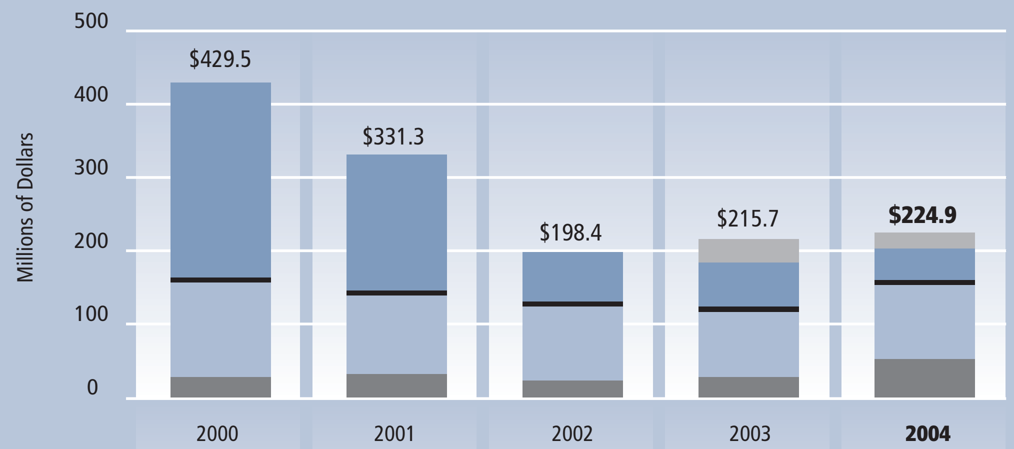
The benchmark return is comprised of benchmark index returns for each asset class, weighted by the policy asset mix. Performance compared against the benchmark is a relative measure of success in implementing the investment program through active management.

The portfolio rate of return was 0.2% below the benchmark rate of return of 10.2% for 2004. Asset mix deviations were positive for performance, while external management performance, in total, was slightly negative. Consequently, the findings of the Asset/Liability Study may provide valuable insights for portfolio strategy in light of reduced expectations for portfolio returns, including appropriate asset mix structure. Over longer time horizons, the investment portfolio has outperformed the passive benchmark by significant margins.

Investment income

Investment income, excluding investment expenses, of $224.9 million reflects the recognition of all income and realized gains and losses during the year. In comparison, investment income of $215.7 million in 2003 was based on the moving average market method, which included current year income plus deferral and amortization of realized gains and losses and partial recognition of unrealized gains and losses. See "Impact of Accounting Change" on page 36 for the effect of fair value accounting on current year investment income.

INVESTMENT INCOME



	2000	2001	2002	2003	**2004**
Derivatives	N/A	N/A	N/A	31.9	**22.0**
Gains	266.2	185.8	67.6	60.0	**42.7**
Real Estate	6.9	6.7	6.8	7.3	**7.4**
Interest	128.7	107.4	100.8	89.2	**100.4**
Dividends	27.7	31.4	23.2	27.3	**52.4**

- 2004 investment income based on fair value accounting. Prior years have not been restated.
- Investment income numbers are gross, i.e., excludes internal investment expenses.
- Derivative income for 2000, 2001, and 2002 is included in investment gains, as previous accounting practice did not track them.
- 2004 gains are net of a provision for impairment of writedown of $39.6 million.

Claim Benefit Liabilities

At the end of each fiscal year, WCB determines its claim benefit liabilities for all injuries that have taken place up to that date. These liabilities represent the actuarial present value of all future benefit costs. Liabilities of self-insured employers are not included.

As at December 31, 2004, actuarial liabilities aggregated to $3.9 billion, an increase of $195.8 million or 5.2% over the previous year.

Changes in actuarial assumptions

The real discount rate of 3.5% was reduced to 3.25% in 2004. This change results from a decrease in the nominal long-term expected return and a decrease in the long-term expected inflation rate. The decrease in the expected return results in an increase in the liability of approximately $248.0 million. The decrease in expected inflation results in a reduction of approximately $128.0 million in the non-health-care-related liabilities. The health care inflation rate was also reduced, resulting in a decrease in the liability of approximately $31.0 million. The net impact of these assumption changes is an increase of $88.6 million in the claim benefit liability for prior years' accidents (accidents occurring before 2004). Other assumptions have not materially changed from 2004.

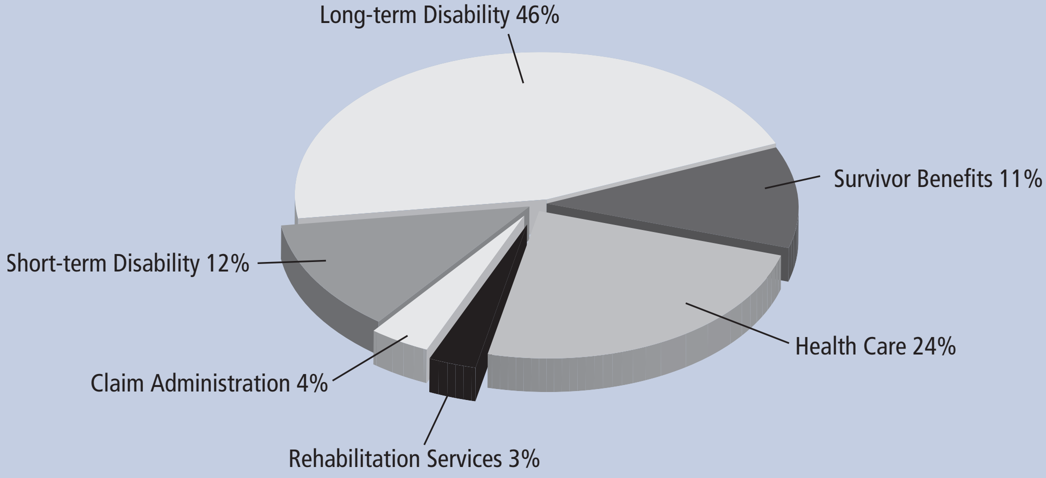
Impact of claims experience on liabilities

Successful claim resolution continues to positively impact the liability for TTD benefits. The total number of TTD days paid was down by more than 20% in 2004 as compared to 2003, leading to a decrease in the TTD liability of $31.2 million. This gain was offset by a $14.5 million increase in the liability for Return-to-Work Services (treatment centres) that help injured workers return to work quickly and safely.

Actual wage growth experience for individuals receiving ELPs was better than expected—meaning more workers returned to higher than pre-accident wages. Therefore, there was a reduction in ELPs. Payments for those continuing to receive ELPs were also lower than expected. This resulted in a decrease of about $15.2 million in the liability.

Actual inflation for 2004 was lower than assumed in the 2003 year-end valuation, resulting in $35.0 million being released from the liability.

CLAIM BENEFIT LIABILITIES
DECEMBER 31, 2004



Sensitivity of actuarial assumptions

Claim benefit liabilities are estimated primarily using actuarial assumptions for the discount rate based on expected investment returns, the claim incidence rate, cost escalation rate and benefits duration. Due to the large values involved, the liability estimates are highly sensitive to even small changes in these actuarial assumptions.
For example:

- For every 0.25% nominal decrease in the return expectation, the liability increases by approximately $100 million ($70 million for prior years' accidents)
- For every 0.25% nominal decrease in the inflation expectation, the liability decreases by approximately $75 million ($50 million for prior years' accidents)
- For every 0.25% nominal decrease in the health care inflation rate, the liability decreases by approximately $25 million ($20 million for prior years' accidents)

Risk Management

Oversight

Under WCB corporate governance structure, the Board of Directors is responsible for overall risk management. The executive team is responsible for identifying and managing risks within the organization. They are assisted in this responsibility by the Risk Management Committee, which is comprised of a group of senior managers.

Risk assessment

WCB has three primary processes for managing risk in the corporation. First, risk management is an inherent aspect of day-to-day business. Projects or changes to business processes are required to go through a documented risk analysis to assess the risk to the corporation and to identify mitigation plans and controls to lessen/eliminate the likelihood or impact of these risks. The second process is to systematically complete a comprehensive risk assessment of emerging corporate risks as they develop through the year on an ad hoc basis. Finally, WCB also completes an annual corporate risk assessment that engages a selection of front-line staff, departmental management teams, and senior managers to develop a comprehensive organizational risk register. Risks with the highest potential residual impact to the corporation are prioritized each year by the executive team, and a number are selected for comprehensive risk assessment.

For 2004, these key risk assessments included:

Fraud-related risk

WCB annually collects nearly a billion dollars in premium revenue and distributes or reserves the same amount for claim benefits and administrative costs. The magnitude and volume of the number of individuals involved in these processes—over 100,000 employers, 150,000 claimants, and thousands of service providers—creates an inherent risk for fraud. The executive team assessed the organization's ability to protect against fraud issues and identified controls that could improve our control environment as it relates to these risks. New controls have been put in place to strengthen WCB's management of fraud risk.

Funded position risk

Managing the components of WCB's overall funded position (Fund Balance, ODR, and AOCI) is a complex process that requires accurate forecasting and achievement in operational performance, liability assessment, and investment management. The executive team recognized that as WCB approaches a fully funded level, additional challenges would be faced by the organization to maintain this balance. An assessment was completed to identify the risks associated with this position and a long-term strategic approach is being developed to improve processes for maintaining a fully funded position.

Regulatory risk

Evolving accounting standards and actuarial practices are being developed to protect shareholders and stakeholders in light of several major financial issues in the world markets. These new developments will have a significant impact on WCB given the size and management of its assets and liabilities. The executive team undertook an assessment of these changes with consideration of the business impact. New processes and approaches have been adopted to ensure that the organization will be compliant with emerging accounting standards and accepted business best practices.

Impact of Accounting Change

On January 27, 2005, CICA issued two new Handbook sections: Section 3855 Financial Instruments – Recognition and Measurement, and Section 1530 Comprehensive Income, both effective for fiscal years beginning after October 1, 2006. With early adoption for fiscal 2004 permitted under the new standards, WCB-Alberta decided to apply the accounting policy change for fiscal 2004. The primary impact entails changing to fair value accounting for investment assets from the moving average market basis, along with the introduction of other comprehensive income.

The primary objective of moving average market accounting was to smooth investment income over a reasonable period to minimize volatility in premium rates. Realized and unrealized gains and losses relating to equity investments were amortized to income over a five-year period. Under fair value accounting, the carrying value of investments is adjusted to current market value as at each reporting date. Under fair value accounting, WCB can elect to designate its portfolio investments as available-for-sale in order to defer unrealized[6] gains and losses through other comprehensive income. Realized gains and losses on sale, writedowns, and derecognition of financial instruments (including derivatives), are recognized in the statement of operations in the period that they arose. Previously deferred unrealized gains and losses included in AOCI are reclassified to the statement of operations in the period of recognition.

[6] Unrealized gains and losses arise from holding investments during a period of changing market values. Under the new accounting policy, such changes in fair value are reflected in the balance sheet carrying value of investments, with the associated gains and losses included in other comprehensive income.

Transitional adjustments

Under the transitional provisions of fair value accounting, financial assets and liabilities recognized under the previous accounting policy for investments must be adjusted to opening retained earnings. As a result, reclassification of the deferred revenue balance as at January 1, 2004, increased the opening Fund Balance by $51.9 million. This was offset by a $246.6 million reduction ($253.6 million less $7.0 million) to reflect the opening balance of AOCI as reported by the custodian. The net effect on opening Fund Balance was a reduction of $194.7 million from $311.0 million to $116.3 million, with AOCI showing a balance of $440.0 million. This figure represents net unrealized gains in the investment portfolio, reflecting revaluation of available-for-sale securities to fair value as at January 1, 2004.

Impact on current year results

For 2004, investment income of $224.3 million includes a net realized gain of $82.3 million that would have been deferred and amortized under the previous accounting method, offset by an impairment writedown loss of $39.6 million. As at December 31, 2004, the carrying value of investments of $5.1 billion included an unrealized fair value gain of approximately $262.6 million arising during 2004. The corresponding carrying value of the portfolio under the previous accounting method would have been approximately $4.7 billion.

Fair value accounting requires an annual review for impairment of investments at the security level, rather than at the portfolio level under the previous accounting policy. Generally, impairment is considered to have taken place when the carrying value of a security is below its fair value for a prolonged period. Following such review, WCB recorded a writedown of impaired investments by $39.6 million to reflect their current realizable value, based on the recommendations of the respective fund managers. The impairment writedown was reflected as a reduction in investment revenue in the statement of operations.

Impact on funded position

With the net transitional adjustment to opening fund balance of $194.7 million and the transfer to the Occupational Disease Reserve, Fund Balance as at December 31, 2004, was $359.0 million or 8.9% of total liabilities. Inclusion of the 6% Occupational Disease Reserve increased the funded ratio to 14.9%. Bringing other comprehensive income into the funding equation would result in a funded position (ratio of assets to liabilities) of 131.3%. WCB is developing a new funding policy to address the implications of the accounting change. Further discussion can be found in the Funded Position section on pages 30-31.

Impact on future results

The adoption of fair value accounting will introduce greater volatility into the statement of operations due to recognition of all realized gains and losses in income. Similarly, investments will fluctuate with fair value adjustments, creating variability in funding ratios that use investment and/or total asset balances.

For further discussion on fair value accounting, please refer to Investment Income and Critical Accounting Policies and Estimates on pages 33 and 38 respectively in the MD&A, and to Note 3, Accounting Policy Changes, in the accompanying financial statements and notes.

Critical Accounting Policies and Estimates

Adoption of accounting policies in accordance with Canadian GAAP requires management to make assumptions and estimates that could significantly affect the results of operations and financial condition. The following discussion provides an overview of the significant accounting policies that may have a material effect on the financial statements.

Funding

On an annual basis, WCB's funding requirements are estimated for the next five years. In advance of the fiscal year, and based on funding policy and the projections in the Five Year Plan, WCB determines the total amount of premiums and the average premium rate necessary to cover estimated claims costs, statutory levies, administration expenses, and reserve funding requirements. As premium rates are set well in advance of revenue being realized, they reflect macroeconomic and business assumptions that will likely change prior to and during the fiscal period. Consequently, the amount of premiums collected and investment income may not be sufficient to cover fully funded costs.

Investments

Investment assets are considered to be financial instruments and are accounted for at fair value as at the reporting date. For fixed income and equities, fair value is based on publicly quoted market prices. When the fair value of certain investments falls significantly below their carrying value, management applies an impairment review to write down those securities to fair value. Unrecognized fair value changes are excluded from income and recorded in AOCI. The intent of fair value accounting for investments is to reflect market-based realization value, which could introduce significant volatility in the balance sheet. Any funding ratios based on asset values would therefore be subject to volatility as well.

Premium revenue

Premiums are billed when employers file their annual insurable payroll, based on the premium rate for their industry, experience rating, and custom pricing structure, if applicable. Employers who elect to participate in the Partners in Injury Reduction program may receive a premium rebate based on achieving the program's standards. Rebates are paid in the spring of the year following their participation. In addition, in those fiscal periods when WCB is fully funded at 116% of liabilities, excess funding may be returned to employers. As a result, these programs may directly affect premium revenue for the period.

Investment income

Fair value accounting permits WCB an election to designate its portfolio as available-for-sale, under which investments are held primarily to maintain capital and to generate investment income over the long term. This characterization excludes unrealized gains and losses from income, and is included in AOCI. Such unrealized gains and losses are recognized in income when securities are sold, written down, or no longer qualify as financial instruments, through reclassification from AOCI to the statement of operations. Non-hedging derivatives are designated as held-for-trading, with realized and unrealized fair value gains and losses included in income for the period. Fixed income revenue (i.e., interest and dividends) is recognized in income on an accrual basis. Fund management, custodial, and administrative expenses are netted against investment revenue from the respective funds under administration.

The policy choice to classify investments as available-for-sale allows WCB to minimize investment income volatility by deferring recognition of unrealized holding gains and losses through the use of other comprehensive income.

Actuarial valuation

WCB has significant long-term obligations for compensation benefits to injured workers. These liabilities have maturities extending decades into the future, representing a continuing stream of cash outflows in each accounting period. WCB applies the Actuarial Present Value (APV) methodology for its claim liabilities. Under the APV method, each benefit cost stream is projected for a number of years into the future, and discounted back to present value using a discount rate linked to the return on investment assets funding those liabilities. Measurement uncertainty is high because estimates of the amount, timing, and duration of the benefit commitments, and selection of an appropriate discount rate, all involve highly subjective professional judgment, and are affected by external factors outside management's control. Consequently, the selection of one assumption over another in estimating claim benefit liabilities could have a material impact on future expenses and liabilities.

Asset capitalization and amortization

The acquisition cost of tangible long-lived assets is amortized over their useful lives. Selection of applicable costs to capitalize, and the estimate of asset useful life, both require application of professional judgment in conjunction with corporate policy and business and industry practice. Furthermore, future periods will be impacted through the choice of useful life and amortization pattern, which directly affects the timing and amount of expense recognized in those future periods.

Emerging issues

The Canadian Accounting Standards Board is following developments in the U.S. concerning impairment of investments. Current CICA guidance requires an annual review of securities for impairment, relying on professional judgment to determine the timing and amount of any writedown arising from the review. Depending on the outcome of the U.S. deliberations, future guidance on impairment may become more prescriptive, curtailing the degree of management discretion as to the timing and amount of the writedown.

Looking Ahead

Fiscal 2004 finished on a strong note, with sustained premium growth, an upturn in investment performance, significant achievements in service delivery, and successful claims resolution initiatives. As a result, not only are WCB's finances solid, but most encouraging, a key contributing factor was the improvement in operating performance. Validation of WCB's service model provides a solid base for ongoing enhancements in delivering services to injured workers.

Facing the uncertainty of market returns, and the financial implications of fair value accounting, WCB, together with its stakeholders, must deliver another solid performance in 2005 to achieve funding objectives. Through strong financial performance, attainment of full funding at target level will help ensure rate stability for the foreseeable future.

Responsibility for Financial Reporting

The financial statements of the Workers' Compensation Board were prepared by management, which is responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting principles consistent with generally accepted accounting principles in Canada.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the necessary internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded.

WCB's actuarial staff perform an annual actuarial valuation of the claim benefit liabilities included in the financial statements of WCB.

The Board of Directors is responsible for overseeing management in the performance of financial reporting responsibilities and has approved the financial statements included in the Annual Report.

The Board of Directors is assisted in its responsibilities by its Audit Committee. This committee reviews and recommends approval of the financial statements; and meets periodically with management, external auditors, and actuaries concerning internal controls and all other matters relating to financial reporting.

Eckler Partners Ltd. has been appointed as the independent peer review actuary to WCB. Their role is to complete an independent review of the annual actuarial valuation of the claim benefit liabilities included in the financial statements of WCB and to report thereon in accordance with generally accepted actuarial principles.

The Office of the Auditor General, the independent auditor of WCB, has performed an audit of the financial statements of WCB in accordance with Canadian generally accepted auditing standards. The Auditor's Report outlines the scope of this independent audit and the opinion expressed.

David B. Carpenter, FCA
Chair, Board of Directors

Guy R. Kerr
President and
Chief Executive Officer

Randell W. Garvey
Chief Financial Officer

Auditor's Report to the Board of Directors of the Workers' Compensation Board - Alberta

I have audited the balance sheet of the Workers' Compensation Board of Alberta as at December 31, 2004, and the statement of operations, statement of comprehensive income, statement of changes in funded position, and statement of cash flows 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 Canadian 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, 2004, and the results of its operations, results of its comprehensive income, movements in funded position, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

FCA
Auditor General
Edmonton, Alberta
March 15, 2005

To the Board of Directors of the Workers' Compensation Board - Alberta

We have completed an actuarial valuation of the benefit liabilities under the Workers' Compensation Act of Alberta as at December 31, 2004, for the financial statements of the Workers' Compensation Board.

Our estimate of the benefit liabilities of $3,921.3 million represents the actuarial present value at December 31, 2004, of all expected short-term disability benefits, long-term disability benefits, survivor benefits, health care payments, rehabilitation payments, and claims administration expenses related to claims which occurred on or before December 31, 2004. This estimate is based on the legislation, policies and administrative practices in effect at December 31, 2004. The benefit liabilities do not include a provision for future claims arising from latent occupational disease or for benefits and payments that are on a self-insured basis.

The following assumption changes were made in this valuation. The numbers in brackets are the corresponding assumptions applied in the 2003 year-end valuation.

The economic assumptions underlying the calculations made in this report are a 3.25% (3.50%) per annum real rate of return on invested assets and an annual change in Consumer Price Index of 2.75% (3.38%). Benefits that are increased in accordance with the Cost of Living Adjustment policy are assumed to increase at a rate of 2.25% (2.88%) and are therefore valued using a net discount rate of 3.75% (4.00%) per annum. Health Care and Rehabilitation benefits are assumed to grow at annual rates of 6.00% (6.47%) and 3.75% (4.39%) respectively and are valued using net discount rates of 0.08% (0.50%) and 2.25% (2.50%) respectively.

Pharmaceutical costs are assumed to grow at a rate of 9.00% (9.14%) per annum over a select period of five years following the valuation date. Self Managed Personal Care Allowances are assumed to grow at a rate of 2.25% (2.88%) per annum over a select period of five years following the valuation date. Each of these latter categories revert to the long-term Health Care growth rate of 6.00% (6.47%) following the select period.

Liabilities in respect of permanent disability and survivor benefits are based on factors developed from historical patterns of awards and mortality rates. Liabilities in respect of Economic Loss Payments are based on a combination of the Workers' Compensation Board - Alberta's own experience and the experience of another Canadian Workers' Compensation Board that has been providing similar benefits for a longer period of time.

Liabilities in respect of all other benefits are based on a continuation of recent payment patterns by year since accident.

I have reviewed the valuation data for reasonableness and consistency with data used in prior years and with data used in the financial statements.

In my opinion the data is sufficient and reliable, the actuarial assumptions are appropriate for the purpose of the valuation, and the methods employed are consistent with accepted actuarial practice. This valuation report has been prepared and my opinion has been given in accordance with accepted actuarial practice.

Michael Williams

Michael Williams, F.S.A., F.C.I.A.
Chief Actuary
Workers' Compensation Board - Alberta
March 15, 2005

Consulting Actuaries' Report on the Valuation of the Benefit Liabilities of the Workers' Compensation Board - Alberta as at December 31, 2004

I have reviewed the actuarial valuation of the benefit liabilities of the Workers' Compensation Board - Alberta (WCB) as at December 31, 2004, with respect to future payments for short-term disability, long-term disability, survivor benefits, health care, rehabilitation and claim administration costs on account of claims that occurred on or before that date.

The actuarial services staff of WCB's Financial Planning department is responsible for this valuation and the Chief Actuary has provided his opinion that the data is sufficient and reliable for the purpose of the valuation, the actuarial assumptions are appropriate for the purpose of the valuation and the methods employed are consistent with accepted actuarial practice, and that his valuation report has been prepared and his opinion has been given in accordance with accepted actuarial practice.

The valuation was based on the provisions of the Workers' Compensation Act of Alberta and on WCB's policies and administrative practices in effect as of December 31, 2004. I have examined the appropriateness of the data and the procedures used to verify its integrity, the assumptions and methods selected for the valuation, as well as their application for the calculation of the benefit liabilities.

For this valuation, several changes were made to the economic assumptions; the other assumptions and methods employed in the valuation were consistent with those used in the previous valuation, after taking account of changes in claim patterns.

The estimate of the benefit liabilities of $3,921.3 million represents the actuarial present value of future payments with respect to claims occurred on or before December 31, 2004. In my opinion, that amount makes reasonable provision for future payments for short-term disability, long-term disability, survivor benefits, health care, rehabilitation, and claim administration costs on account of claims that occurred on or before that date; it does not include a provision for future claims arising from latent occupational disease or for benefits and payments that are on a self-insured basis.

In my opinion, the data on which the valuation is based is sufficient and reliable, the assumptions, in aggregate, are appropriate for the purposes of the valuation, and the methods employed are also appropriate. This report has been prepared and my opinion given in accordance with accepted actuarial practice.

Richard Larouche, F.S.A., F.C.I.A.
Eckler Partners Ltd.
March 15, 2005

The Workers' Compensation Board - Alberta
Balance Sheet as at December 31, 2004

(thousands of dollars)

	2004	2003
ASSETS		
Cash and cash equivalents	**$ 55,877**	$ 164,672
Receivables (Note 4)	**97,548**	91,443
Investments (Note 5)	**5,077,585**	4,088,360
Property, plant and equipment (Note 7)	**52,967**	58,440
	$ 5,283,977	$ 4,402,915
LIABILITIES		
Payables and accruals (Note 8)	**$ 102,308**	$ 82,810
Deferred revenue	**-**	51,903
Claim benefit liabilities (Note 9)	**3,921,300**	3,725,500
	4,023,608	3,860,213
FUNDED POSITION		
Occupational disease reserve	**241,500**	231,700
Fund balance	**358,978**	311,002
Accumulated other comprehensive income (Note 5)	**659,891**	-
	1,260,369	542,702
	$ 5,283,977	$ 4,402,915

COMMITMENTS (Note 19)
CONTINGENCIES AND INDEMNIFICATION (Note 20)

The accompanying notes and schedule are an integral part of these financial statements.

Approved by the Board of Directors:

David B. Carpenter, FCA
Chair, Board of Directors

Guy R. Kerr
President and Chief Executive Officer

The Workers' Compensation Board - Alberta
Statement of Operations
Year ended December 31, 2004

(thousands of dollars)

	2004 Budget	2004 Actual	2003 Actual
REVENUE			
Premium (Note 11)	$ **919,900**	$ **936,178**	$ 877,642
Investment (Note 12)	**120,000**	**224,336**	214,972
Other (Note 13)	**800**	**2,967**	1,696
	1,040,700	**1,163,481**	1,094,310
EXPENSES			
Claim costs (Note 9)	**919,900**	**825,840**	860,091
Administration (Note 14)	**62,900**	**62,515**	59,333
Injury reduction (Note 16)	**15,900**	**15,853**	15,331
Appeals Commission (Note 17)	**7,300**	**6,833**	5,846
	1,006,000	**911,041**	940,601
OPERATING SURPLUS	$ **34,700**	$ **252,440**	$ 153,709

The accompanying notes and schedule are an integral part of these financial statements.

The Workers' Compensation Board - Alberta
Statement of Comprehensive Income
Year Ended December 31, 2004

(thousands of dollars)

	2004	2003
OPERATING SURPLUS	**$ 252,440**	$ 153,709
OTHER COMPREHENSIVE INCOME		
Net unrealized gains on available-for-sale investments arising during the year	**262,577**	-
Net investment (gains) realized during the year and reported in the statement of operations	**(82,284)**	-
Loss recognized during the year from writedown of impaired investments and reported in the statement of operations (Note 5)	**39,553**	-
	219,846	-
TOTAL COMPREHENSIVE INCOME	**$ 472,286**	$ 153,709

The accompanying notes and schedule are an integral part of these financial statements.

The Workers' Compensation Board - Alberta
Statement of Changes in Funded Position
Year Ended December 31, 2004

(thousands of dollars)

	2004	2003
OCCUPATIONAL DISEASE RESERVE		
Balance, beginning of year	$ **231,700**	$ 221,800
Transfer from fund balance	**9,800**	9,900
BALANCE, END OF YEAR	$ **241,500**	$ 231,700
FUND BALANCE		
Balance, beginning of year - as reported	$ **311,002**	$ 167,193
Effects of accounting policy change at January 1, 2004:		
Elimination of deferred revenue liability (Note 3)	**51,903**	-
Adjustment of accumulated other comprehensive income for previously recognized unrealized gains (Note 3)	**(253,621)**	-
Adjustment of held-for-trading derivatives to fair value not previously recognized in income (Note 3)	**7,054**	-
Balance, beginning of year - adjusted	**116,338**	167,193
Operating surplus	**252,440**	153,709
Transfer to reserve	**(9,800)**	(9,900)
BALANCE, END OF YEAR	$ **358,978**	$ 311,002
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Effect of accounting policy change at January 1, 2004:		
Recognition of unrealized gains on available-for-sale investments (Note 3)	$ **440,045**	$ -
Other comprehensive income	**219,846**	-
BALANCE, END OF YEAR	$ **659,891**	$ -
	$ **1,260,369**	$ 542,702

The accompanying notes and schedule are an integral part of these financial statements.

The Workers' Compensation Board - Alberta
Statement of Cash Flows
Year Ended December 31, 2004

(thousands of dollars)

	2004 Budget	2004 Actual	2003 Actual
CASH FLOW FROM (USED FOR) OPERATING ACTIVITIES			
Cash inflows:			
Employer premiums	$ 920,500	$ 949,989	$ 853,223
Reinvested dividend, interest, and derivative income	138,500	181,604	92,360
Other	2,500	1,988	2,092
Cash outflows:			
Benefits to claimants and/or third parties on their behalf	(590,700)	(543,031)	(567,696)
Employee and supplier payments for administrative and other goods and services	(145,900)	(140,713)	(137,742)
Injury reduction program funding	(15,700)	(18,091)	(14,505)
Net cash from operating activities	309,200	431,746	227,732
CASH FLOW FROM (USED FOR) INVESTING ACTIVITIES			
Cash inflows:			
Proceeds on sale of investments	-	-	108,181
Reinvested net realized gains	-	82,284	30,719
Cash outflows:			
Purchase of investments	(302,200)	(615,455)	(349,278)
Purchase of capital assets - net of disposals	(7,000)	(7,370)	(6,223)
Net cash used for investing activities	(309,200)	(540,541)	(216,601)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	(108,795)	11,131
Cash and cash equivalents, beginning of year	80,000	164,672	153,541
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 80,000	$ 55,877	$ 164,672

The accompanying notes and schedule are an integral part of these financial statements.

The Workers' Compensation Board - Alberta
Notes to the Financial Statements
December 31, 2004

(thousands of dollars unless stated otherwise)

1. GENERAL

Legislative authority

The Workers' Compensation Board of Alberta (WCB) operates under the authority of the Workers' Compensation Act (the Act), Revised Statutes of Alberta 2000, Chapter W-15, as amended.

Funding

In accordance with Section 91 of the Act, the Board of Directors established a funding policy to ensure that WCB remains financially stable and secure into the future for the benefit of its stakeholders. The Act stipulates the creation of an Accident Fund that contains sufficient funds for the payment of present and future compensation, and also includes a reserve fund to recognize the degree of uncertainty in the business of workers' compensation.

The Occupational Disease Reserve was established to provide for the costs that may arise from long-latency occupational injury or disease where a causal link to the workplace has not yet been established, but may be established in the future. No provision against operating surplus/deficit has been made for future claims arising from such injury or disease, because the determination of such claims cannot be reasonably estimated. The reserve is maintained at 6% of total liabilities in each year through an annual appropriation from the Fund Balance.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of WCB have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

Accounting estimates and measurement uncertainty

The preparation of financial statements in conformity with GAAP requires the use of estimates as at the date of the financial statements that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting periods presented. Measurement uncertainty exists when there is a variance between the recognized amount and another reasonable amount. Some accounting measurements require management's best estimates, based on assumptions as at the financial statement date, that reflect the most probable set of economic conditions and planned courses of action. Claim benefit liabilities, the reserve for occupational disease, Partners in Injury Reduction accrual, and accrued premiums are the most significant items based on estimates. Actual results could differ from the estimates in these financial statements made by management, and these differences could be significant.

Cash and cash equivalents

Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash and short-term investments held by custodians for investment purposes are excluded from cash and cash equivalents reported on the balance sheet.

Fixed income and marketable equity securities

Fixed income and marketable equity securities are classified as available-for-sale (investments held for long-term capital appreciation and generation of income), and are measured at fair value at each reporting date. WCB utilizes trade-date accounting for all purchases and sales of financial assets in its investment portfolio. Fixed income securities are initially recognized at acquisition cost (purchase price plus transaction costs), which reflects any premium or discount at date of purchase, and carried at fair value. Marketable equity securities are also initially recognized at acquisition cost, and subsequently measured at fair value.

Derivative financial instruments

Derivative financial instruments are financial contracts whose price is dependent on the price of one or more underlying securities, reference rates, or indices. Derivative financial instruments comprise non-risk management derivatives (held-for-trading instruments primarily intended to achieve portfolio management efficiencies), and risk management derivatives (hedging arrangements undertaken to manage financial risk). Investments, primarily pooled funds, may include derivative financial instruments such as interest rate swaps, equity and bond index swaps, forward foreign exchange contracts, cross-currency interest rate swaps, equity index futures contracts, and credit default swaps, that are utilized to manage specific exposures. From time to time, WCB's portfolio may include derivative arrangements for the purpose of executing specific portfolio management strategies, but WCB does not directly hold any derivative financial instruments for trading or speculative purposes. The notional amounts of derivative contracts are not recognized in the financial statements.

The carrying value of non-risk management derivative assets or liabilities, which represents the unrealized gain or loss on the respective contracts as at the reporting date, is adjusted to fair value through operating surplus/deficit if they do not meet hedge accounting criteria. Non-risk management derivatives include forward foreign exchange contracts and asset swaps (e.g., equity index swaps, bond index swaps, equity index futures contracts, and credit default swaps). Risk management derivatives meeting hedging requirements, such as interest rate and cross-currency interest swaps, are also measured at fair value, except that the unrealized gain or loss is deferred through accumulated other comprehensive income (AOCI) until final settlement.

Comprehensive income reporting

Comprehensive income is the change in equity (funded position) during the fiscal period, and is comprised of current operating surplus/deficit and other comprehensive income (OCI).

OCI encompasses changes in equity other than operating surplus or deficit, and is comprised of unrealized fair value gains and losses on financial instruments arising during the period, less previously deferred unrealized gains and losses that have been realized during the period through sale or provided for as a writedown and recognized in current operating surplus/deficit.

AOCI includes only those unrealized fair value gains and losses arising from holding financial instruments. When the underlying securities are subsequently sold or written down, the resulting realized gain or loss is removed from AOCI and recorded as investment income in the statement of operations.

Investment revenue

WCB recognizes dividend and interest revenue as earned, and investment gains and losses when realized. Realized gains and losses represent the difference between the amounts recognized through sales of investments and their respective cost base, as well as the amounts provided for as a writedown due to impairment. Unrealized gains and losses on available-for-sale securities are recorded in OCI until recognized in operating surplus/deficit when realized.

The fair value of derivative financial instruments represents unrealized gains and losses on open contract positions. In accordance with the held-for-trading classification, both realized and unrealized gains on derivatives are recognized in operating surplus/deficit as at the balance sheet date. Unrealized gains and losses on risk management derivatives are recorded in AOCI until realized.

Investment expenses

Transaction costs are included in the carrying value of individual securities and recognized as part of the realized gains or losses when they are sold or written down. Investment expenses including custodial and management fees as well as internal salaries and expenses related to investment administration, are also netted against investment income.

See Note 12, Investment Income, for details.

Impairment

When an investment's fair value falls below its cost, and the decline is determined to be other-than-temporary, a provision for the difference between cost and realizable value is recorded against investment income in the statement of operations. In determining whether a decline in an investment's fair value is other-than-temporary, WCB considers the extent and duration to which a security's market value has been less than its cost, prospects for recovery based on the financial condition and future earnings potential of the issuer, recommendations and opinions from outside investment managers, and the current economic environment.

Property, plant and equipment

Capital assets are recorded at cost and amortized over their estimated useful lives. Amortization is calculated using the following methods and annual rates:

Buildings		2.5% straight-line
Equipment	- computer	35% declining balance
	- furniture and other	15% declining balance
	- vehicles	20% straight-line
Computer software		20% straight-line

On an annual basis, WCB evaluates its capital assets to determine whether asset values have been impaired due to obsolescence and/or redundancy. For those assets that have been determined to be impaired, WCB writes off their carrying value to amortization expense.

Foreign currency translation

Assets and liabilities denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Foreign currency transactions are translated into Canadian dollars using the average rate of exchange. All foreign currency gains and losses are recognized in operating surplus/deficit in the period in which they arose.

Premium revenue

Premiums are billed when employers file their insurable payroll for the current premium year. Premium revenue for the year is recognized on an estimated basis as insurable payroll is incurred. For employers who have not filed, premiums are estimated and any difference between actual and estimated premiums is adjusted in the following year. Premium revenue is net of rebates in effect during the year such as Partners in Injury Reduction.

3. ACCOUNTING POLICY CHANGES

Fair value accounting for investments

Effective January 1, 2004, WCB adopted the provisions of CICA Handbook Section 3855 Financial Instruments – Recognition and Measurement, and its companion Section 1530 Comprehensive Income, which were released in January 2005 with an effective date for fiscal periods beginning on or after October 1, 2006. Under the transitional provisions, early adoption is permitted as of the beginning of fiscal 2004. Comparative prior period results are not restated, but are reclassified to conform to the current year's presentation.

See Note 2, Significant Accounting Policies, for the accounting policies and treatments prescribed by Sections 3855 and 1530 for investments, derivative financial instruments, investment income, impairment, and related reporting for comprehensive income, respectively.

Transitional impact

The following table summarizes the significant adjustments to opening balances in adopting the new accounting policy:

($ thousands)	Fund Balance	AOCI
Gain (loss) arising from transitional adjustments:		
Remeasurement of investment values under moving average market basis to fair value basis	$ -	$ 193,478
Elimination of deferred revenue liability	51,903	-
Adjustment of accumulated other comprehensive income for previously recognized unrealized gains	(253,621)	253,621
Adjustment of held-for-trading derivatives to fair value not previously recognized in income	7,054	(7,054)
	$ (194,664)	$ 440,045

The adjustment of $253.6 million, representing unrealized gains and losses already recognized in income under the previous accounting policy, was recorded as a reduction of opening Fund Balance. This treatment was adopted to comply with WCB's accounting policy for AOCI, which stipulates that it contains all unrealized holding gains and losses; however, other reporting entities may adopt different transitional accounting treatments for AOCI.

Impact on current year results

The fair value of investments as at December 31, 2004, was $5.1 billion. Under the moving average market method, that was used in the prior year, investments would have been valued at $4.7 billion. Investment income for 2004 was $224.3 million compared to $177.7 million that would have been reported under the previous accounting policy.

4. RECEIVABLES

($ thousands)	2004	2003
Premium	$ 91,757	$ 86,203
Other	5,791	5,240
	$ 97,548	$ 91,443

5. INVESTMENTS

The tables below present the fair value of WCB's investments as at December 31, 2004 and 2003, together with the change in fair value from their cost base.

2004

($ thousands)	Fair Value	Cost	Fair Value Gain (Loss) Mark-to-Market	Fair Value Gain (Loss) Derivative Contracts	Accumulated Other Comprehensive Income
Fixed income:					
Conventional bonds	$ 1,579,418	$ 1,517,551	$ 61,867	$ -	$ 61,867
Real return bonds	347,788	269,870	77,918	-	77,918
	1,927,206	1,787,421	139,785	-	139,785
Real estate fund	141,480	104,982	36,498	-	36,498
Equities:					
North America:					
Canada	1,131,959	892,145	239,814	6,215	233,599
U.S.	779,258	697,439	81,819	-	81,819
Foreign:					
International	831,003	730,394	100,609	(815)	101,424
Emerging markets	266,679	199,887	66,792	26	66,766
	3,008,899	2,519,865	489,034	5,426	483,608
	$ 5,077,585	$ 4,412,268	$ 665,317	$ 5,426	$ 659,891

See Note 12, Investment Income, for an analysis of the sources of investment income.

For the year ended December 31, 2004, WCB recognized impairment losses that WCB believed to be other-than-temporary of approximately $39.6 million (2003 – nil). The provision for writedown has been included in investment income on the statement of operations and statement of comprehensive income. Accordingly, Fund Balance has been reduced and AOCI increased by an equal amount.

($ thousands)	2003 Fair Value	Carrying Value*	Fair Value Gain (Loss) Unrecognized Unrealized Gain (Loss)	Derivative Contracts	Net Unrecognized Unrealized Gain (Loss)
Fixed income:					
Conventional bonds	$ 1,335,033	$ 1,272,039	$ 62,994	$ -	$ 62,994
Real return bonds	304,921	259,995	44,926	-	44,926
	1,639,954	1,532,034	107,920	-	107,920
Real estate fund	135,704	129,017	6,687	-	6,687
Equities:					
North America:					
Canada	939,633	833,489	106,144	6,835	99,309
U.S.	653,552	718,956	(65,404)	-	(65,404)
Foreign:					
International	679,936	675,631	4,305	(211)	4,516
Emerging markets	233,059	199,233	33,826	430	33,396
	2,506,180	2,427,309	78,871	7,054	71,817
	$ 4,281,838	$ 4,088,360	$ 193,478	$ 7,054	$ 186,424

*2003 carrying value based on the moving average market accounting method has not been restated to conform to the current basis of accounting.

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value of financial instruments

The carrying value of cash and cash equivalents, receivables, payables, and certain accrued liabilities approximate their fair value due to the relatively short maturities of the instruments. The fair value of publicly traded investments is based on quoted market prices. The fair value of pooled real estate investments is based on independent appraisals net of any liabilities against the real properties.

The fair value of derivative financial instruments is based on the estimated amounts receivable or payable from the derivative contracts at the reporting date. As a participant in pooled funds that may utilize derivatives, WCB has no direct exposure for such positions; rather, its exposure is its pro rata share of the fund's net asset value.

Notional principal amounts in swaps and foreign exchange contracts are the contractual amounts on which payments are made. They are not indicative of the credit exposure with derivative products. If the counterparty to the derivative fails to discharge its obligation, then the fair value is the credit exposure of WCB.

The fair value of WCB's derivative positions in its segregated funds is determined by the following methods:

- Interest rate swaps and cross-currency swaps are valued based on discounted cash flows using current market yields and exchange rates
- Forward foreign exchange contracts and equity index futures contracts are valued based on quoted market prices
- Equity and bond index swaps are valued based on changes in the relevant market indices net of accrued floating rate interest
- Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities

The table below summarizes the open derivative positions and the associated unrecognized gains or losses as at December 31, 2004.

Table 1	2004		2003	
($ thousands)	Notional Principal	Fair Value	Notional Principal	Fair Value
Derivatives:				
Interest rate swaps	$ 106,070	$ (3,331)	$ 106,287	$ (4,287)
Forward foreign exchange contracts	82,023	(43)	37,750	(211)
Equity index swaps	228,068	5,740	192,056	6,531
Bond index swaps	31,535	597	21,501	30
Equity index futures contracts	7,591	475	6,433	436
Credit default swaps	29,306	254	4,501	(55)
Cross-currency interest rate swaps	182,942	(8,354)	93,584	(7,932)
	$ 667,535	$ (4,662)	$ 462,112	$ (5,488)

The table below presents the maturity periods of the open derivative contract positions and their respective notional amounts as at December 31, 2004.

Table 2 Notional Principal ($ thousands)	Remaining term to maturity: Within 1 Year	Over 1 To 3 Years	Over 3 To 5 Years	Over 5 Years	2004	2003
Derivatives:						
Interest rate swaps	$ 51,417	$ 48,131	$ 6,522	$ -	$ 106,070	$ 106,287
Forward foreign exchange contracts	82,023	-	-	-	82,023	37,750
Equity index swaps	195,311	32,757	-	-	228,068	192,056
Bond index swaps	31,535	-	-	-	31,535	21,501
Equity index futures contracts	7,591	-	-	-	7,591	6,433
Credit default swaps	6,308	17,004	5,994	-	29,306	4,501
Cross-currency interest rate swaps	16,332	35,134	23,333	108,143	182,942	93,584
	$ 390,517	$ 133,026	$ 35,849	$ 108,143	$ 667,535	$ 462,112

Risk management

WCB regularly evaluates the appropriateness of investments relative to its internal investment guidelines, which are primarily aimed at long-term capital preservation and security of income. WCB operates within these guidelines by maintaining a well-diversified portfolio, both across and within asset classes.

The Finance Committee of the Board of Directors is responsible for oversight of risk management of WCB's investment portfolio. From time to time, WCB has retained independent consultants to advise on the performance of its fund managers and the appropriateness of its investment policy. Management and the Board of WCB will make necessary changes to investment policy, asset mix, or fund managers, as required.

The following sections describe WCB's risk exposures and mitigation strategies.

Credit risk

Credit exposure on financial instruments arises from the possibility that a counterparty to an instrument fails to perform. Counterparties for derivative contracts will have at least a Dominion Bond Rating Service (DBRS) A+ credit rating or equivalent rating from other recognized rating agencies. Issuers of debt instruments will have at least a credit rating of BBB or equivalent, or must meet other stringent investment criteria. Specific rules have been established to ensure that the credit rating of a counterparty does not fall below a threshold deemed acceptable by WCB. WCB does not anticipate that any counterparties will fail to meet their obligations.

Market risk

WCB invests in publicly traded shares listed on domestic and foreign exchanges, and bonds traded over-the-counter through broker-dealers. These shares and bonds are affected by market changes and fluctuations. WCB does not use derivative financial instruments to alter the effects of these market changes and fluctuations.

Securities lending risk

WCB may lend any of its investments to eligible third parties provided that the loans are secured by cash or readily marketable securities having a minimum fair value of 102% of the loan. As of December 31, 2004, outstanding securities on loan amounted to $364,011 (2003 - $483,880).

Foreign exchange risk

WCB has certain obligations and investments denominated in foreign currencies. WCB does not undertake long-term hedging strategies for the currency risk of foreign investments. Even though currency fluctuations may affect short-term returns, these fluctuations are not expected to affect WCB's long-term invested positions. [See Tables 1 and 2, page 55, for the notional principal amounts on forward foreign exchange contracts and the related fair values].

Interest risk

WCB's investment portfolio includes various types of interest rate contracts to manage interest rate risk.

As at December 31, 2004, conventional bonds aggregated $1,579.4 million, with 2.3% of the fund maturing within one year, 38.7% within five years, 31.0% within ten years, 12.6% within twenty years, and 15.4% beyond twenty years, with an effective yield of 4.3% for the conventional bond portfolio.

For Canadian real return bonds, aggregate fair value was $347.8 million with 29.7% of the portfolio maturing in 2021, 31.3% in 2026, 29.3% in 2031, and 9.7% in 2036, with an effective yield of 2.0% on the real return bond portfolio.

7. PROPERTY, PLANT AND EQUIPMENT

($ thousands)	2004 Cost	2004 Accumulated Amortization	2004 Net Book Value	2003 Net Book Value
Land	$ 1,092	$ -	$ 1,092	$ 1,092
Buildings	37,829	(13,067)	24,762	25,414
Equipment	7,642	(6,611)	1,031	1,246
Computer software	81,190	(61,908)	19,282	19,754
Property, plant and equipment under development	6,800	-	6,800	10,934
	$ 134,553	$ (81,586)	$ 52,967	$ 58,440

8. PAYABLES AND ACCRUALS

($ thousands)

	2004	2003
Partners In Injury Reduction	$ 66,675	$ 47,311
Accrued staff benefits	21,523	20,222
Other	14,110	15,277
	$ 102,308	$ 82,810

9. CLAIM BENEFIT LIABILITIES

As at December 31, 2004, claim benefit liabilities are estimated by WCB's internal actuary and independently reviewed by an external actuary. These liabilities represent the actuarial present value of all future benefit payments expected to be made for claims that have occurred in respect of current and prior years' injuries.

The claim benefit liabilities include a provision for all benefits provided by current legislation, WCB policies, and administrative practices. No provision has been made for claims related to known latent occupational diseases where the claim has not yet been reported and the year of disablement would be in a subsequent period.

The actuarial liabilities of WCB are of a long-term nature and therefore the actuarial assumptions and methods used to calculate the reported actuarial liabilities at December 31, 2004, are based on considerations of future expenditures over the long term. It is reasonably possible that changes in future conditions within one year of the financial statement date could require a material change in the recognized amounts.

The table below presents a breakdown of WCB's total claim liabilities as at December 31, 2004, with details of the transactions during the year.

($ thousands)	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehab-ilitation	Claim Admin-istration	2004	2003
Claim benefit liabilities, beginning of year	$ 496,400	$ 1,676,800	$ 446,300	$ 811,500	$ 132,700	$ 161,800	$ 3,725,500	$ 3,519,300
Add:								
Claim costs incurred:								
Current year injuries	173,548	135,291	18,084	214,318	33,236	60,670	635,147	639,613
Prior years' injuries	(32,582)	108,138	19,630	99,699	(4,195)	3	190,693	220,478
	140,966	243,429	37,714	314,017	29,041	60,673	825,840	860,091
	637,366	1,920,229	484,014	1,125,517	161,741	222,473	4,551,340	4,379,391
Deduct:								
Claim payments made:								
Current year injuries	67,248	1,391	784	82,118	1,836	16,070	169,447	166,813
Prior years' injuries	106,818	119,738	39,930	117,199	30,205	46,703	460,593	487,078
	174,066	121,129	40,714	199,317	32,041	62,773	630,040	653,891
Claim benefit liabilities, end of year	$ 463,300	$ 1,799,100	$ 443,300	$ 926,200	$ 129,700	$ 159,700	$ 3,921,300	$ 3,725,500

These benefits are expressed in constant dollars discounted at 3.25% per annum (2003 - 3.50%), being the difference between expected investment earnings and expected increases in benefit payments, except for wage based disability payments that are discounted at 3.75% (2003 - 4.00%), and rehabilitation and claim administration costs that are discounted at 2.25% (2003 - 2.50%). Health care costs are ultimately discounted at 0.08% (2003 - 0.50%) to reflect expected higher increases in health care costs and utilization. These net discount rates are based on underlying assumptions of 6.09% (2003 - 7.00%) per annum investment earnings, 2.75% (2003 - 3.38%) growth in the Consumer Price Index, 3.75% (2003 - 4.39%) growth in rehabilitation and administration costs, and 6.00% (2003 - 6.47%) growth in health care costs.

The following table is a reconciliation of the changes in the claim benefit liability during the year:

($ thousands)		2004		2003
Claim benefit liabilities, beginning of year	$	**3,725,500**	$	3,519,300
Add:				
Provision for current year injuries		**465,700**		472,800
Interest allocated		**243,100**		229,200
Difference between actual and expected long-term cost of living adjustments and inflation		**(35,000)**		35,800
Revision to actuarial methods and assumptions		**-**		10,900
Change to actuarial discount rate		**88,600**		-
		4,487,900		4,268,000
Deduct:				
Payments, for prior years' injuries, excluding self-insured employers		**453,729**		480,523
Claim cost experience lower than expected		**112,871**		36,177
Policy change re: annual Economic Loss Payment reviews		**-**		25,800
		566,600		542,500
Claim benefit liabilities, end of year	$	**3,921,300**	$	3,725,500

10. PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

($ thousands)

Pension plans

WCB provides post-retirement benefits through employer and employee participation in multi-employer defined benefit pension plans sponsored by the Province of Alberta, namely, the Management Employees Pension Plan and Public Service Pension Plan. For the year ended December 31, 2004, the expense for these pension plans is equivalent to their aggregate annual contributions of $5,346 (2003 - $3,775).

Long-term disability plan

WCB administers a non-contributory long-term disability income continuance plan for its employees, with the WCB Accident Fund covering the obligations of the plan.

At December 31, 2004, the actuarial valuation reported an accrued benefit obligation (actuarial present value of cumulative benefits attributed to employee services to the reporting date) of $12,558 (2003 - $14,157). The accrued benefit liability of the plan (current and past years' benefit costs less cash contributions to the reporting date) is $13,629 (2003 - $12,628), and is included in payables and accruals. The expense for the period was $2,304 (2003 - $2,332). The amount of benefits paid and the contributions by WCB to the plan for the period was $1,303 (2003 - $1,455). The discount rate used in determining the benefit obligation was 4.63% (2003 - 4.25%). The assumed rate of salary escalation for participants in the plan was 3.75% (2003 - 3.00%).

Supplemental executive retirement plan

WCB also maintains a voluntary, unfunded, non-contributory supplemental retirement benefit plan to ensure that executives whose earnings exceed the threshold earnings for the maximum pension benefit permitted under the federal *Income Tax Act* will receive pension benefits based on their total earnings.

11. PREMIUM REVENUE

($ thousands)	2004	2003
Premiums	$ **1,002,853**	$ 924,953
Less:		
Partners in Injury Reduction rebates	**66,675**	47,311
	$ **936,178**	$ 877,642

12. INVESTMENT INCOME

($ thousands)	2004	2003
Fixed income securities:		
Conventional bonds	$ **95,875**	$ 91,027
Real return bonds	**20,310**	16,492
Other interest	**2,404**	2,659
	118,589	110,178
Real estate fund	**7,981**	9,992
Equities:		
North America:		
Canada	**64,785**	93,269
United States	**28,548**	(15,730)
	93,333	77,539
Foreign:		
International	**29,879**	3,348
Emerging markets	**14,708**	14,624
	44,587	17,972
	137,920	95,511
	264,490	215,681
Less:		
Other investment expense		
Provision for impairment writedown	**39,553**	-
Investment-related administration expense*	**601**	709
	$ **224,336**	$ 214,972

*WCB internal expenses only. External costs (e.g., transaction costs, management, custodial, and audit fees, etc.) are netted against the respective revenue sources.

13. OTHER REVENUE

($ thousands)	2004	2003
Other	$ **400**	$ 452
Millard Health	**2,567**	1,244
	$ **2,967**	$ 1,696

14. ADMINISTRATION EXPENSES

($ thousands)	Customer Services	Corporate Services	2004	2003
Salaries and employee benefits (Schedule A)	$ 69,050	$ 18,671	$ 87,721	$ 86,875
Office and communications	21,357	1,067	22,424	21,513
Amortization of property, plant and equipment	9,342	1,682	11,024	10,905
Building operations	2,647	1,614	4,261	4,642
Consulting fees	629	1,765	2,394	2,273
Travel and vehicle operation	639	276	915	909
Other	23	202	225	255
	$ 103,687	$ 25,277	128,964	127,372
Less:				
Claim administration costs			62,773	64,360
Charged to investment revenue			601	709
Recovery of costs			3,075	2,970
			$ 62,515	$ 59,333

Customer Services relates to all activities associated with Risk and Disability Management. Corporate Services relates to all activities associated with Human Resources, Legal Services, Finance, Corporate Communications, and Administrative Services.

15. SELF-INSURED EMPLOYERS

The financial statements include the effects of transactions on behalf of self-insured employers who directly bear the cost of their workers' claims and an appropriate share of administration expenses. Currently, the Federal Government is the only self-insured employer. This is a contractual relationship in accordance with the Government Employees Compensation Act. Certain government-related entities and railways are responsible for the cost of injuries to their workers that occurred when they were self-insured in prior years. Premiums also include amounts billed to self-insured employers.

Aggregate amounts of such premiums and offsetting expenses included in the statement of operations are as follows:

($ thousands)	2004	2003
Premium revenue	$ 8,802	$ 7,889
Claim costs incurred:		
Short-term disability	1,828	1,319
Long-term disability	1,467	1,529
Survivor benefits	714	753
Health care	3,193	2,778
Rehabilitation	103	119
	7,305	6,498
Administration expenses	1,497	1,391
	$ 8,802	$ 7,889

16. INJURY REDUCTION

WCB has a statutory obligation to reimburse the Alberta Minister of Finance a portion of the costs associated with administration of the Occupational Health and Safety Act.

Funding is provided to industry-sponsored safety associations for the purpose of improving workplace safety practices.

($ thousands)		2004		2003
Occupational Health and Safety	$	**9,600**	$	9,600
Safety Associations		**6,253**		5,731
	$	**15,853**	$	15,331

17. APPEALS COMMISSION

The Appeals Commission operates independently, and is administered by the Alberta Ministry of Human Resources and Employment. In accordance with Section 12 of the Act, the operating costs of the Appeals Commission are funded by WCB from the Accident Fund.

18. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with various Alberta Crown corporations, departments, agencies, boards, and commissions related to the Board by virtue of common influence by the Government of Alberta. Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. Statutory funding obligations relating to Occupational Health and Safety and Appeals Commission are in accordance with the applicable legislation and regulations.

The amounts outstanding at year-end and transactions throughout the year are as follows:

($ thousands)		2004		2003
Receivables	$	**1,731**	$	1,693
Payables and accruals		**1,675**		3,977
Premium revenue		**8,739**		8,490
Expenses		**16,545**		15,646

19. COMMITMENTS

WCB has obligations under long-term non-cancellable contracts for office space, leased equipment, and commitments for purchases of goods and services. The following is a schedule of future expenditures to be charged to Administration:

($ thousands)		2004		2003
2004	$	**-**	$	7,744
2005		**8,707**		5,691
2006		**6,388**		4,907
2007		**1,187**		664
2008		**823**		695
Beyond		**3,604**		3,545
	$	**20,709**	$	23,246

20. CONTINGENCIES AND INDEMNIFICATION

Legal proceedings
WCB is party to various claims and lawsuits that are currently being contested. In the opinion of management, the outcome of such claims and lawsuits are not determinable. However, based on the total amount of all such actions, WCB has concluded that the outcomes will not have a material effect on the results of operations or financial position.

Indemnification
In the normal course of operations, WCB indemnifies certain contractual parties as required under standard contract terms. The terms of these indemnification agreements will vary based upon the contract, and/or the occurrence of contingent or future events, the nature of which prevent WCB from making a reasonable estimate of the maximum potential amount that could be required to pay to those counterparties.

WCB has not made any payments under such indemnification arrangements, and no amounts have been accrued in the financial statements with respect to these indemnifications.

Long-standing contentious claims
The Workers' Compensation Act was revised May 21, 2002, to include Section 157.1 *Long-Standing Contentious Matters*, allowing the Lieutenant Governor in Council to make regulations. No regulation has been made in relation to long-standing contentious claims, and these financial statements do not contain any provision for liabilities in respect of any resulting costs arising from this, as the amounts are not presently determinable.

21. BUDGET

The Board of Directors approved the 2004 budget in October 2003. The impact of the accounting policy change to fair value was not included in preparing the 2004 budget.

22. COMPARATIVE FIGURES

Where required, certain comparative figures for 2003 have been reclassified to conform to the current year's presentation.

Schedule A

The Workers' Compensation Board of Alberta
Salaries and Benefits
Year Ended December 31, 2004

	2004					2003	
	Number of Individuals	**Salary [1]**	**Benefits [2,3]**	**Other**	**Total**	Number of Individuals	Total
Chairman, Board of Directors [4]	**1**	**$ 68,310**	**$ 2,715**	**$ -**	**$ 71,025**	1	$ 56,520
Board Members [4]	**9**	**129,236**	**6,316**	**-**	**135,552**	9	132,601
	10	**197,546**	**9,031**	**-**	**206,577**	10	189,121
President and Chief Executive Officer	**1**	**290,250**	**40,576**	**-**	**330,826**	1	307,284
Vice President, Customer Service & Disability Management	**1**	**198,000**	**24,246**	**-**	**222,246**	1	215,007
Vice President, Customer Service & Risk Management	**1**	**195,000**	**31,337**	**-**	**226,337**	1	216,156
Vice President, Business Development & I.M.	**1**	**193,750**	**29,319**	**-**	**223,069**	1	218,346
Vice President, Employee & Corporate Services	**1**	**184,375**	**25,659**	**-**	**210,034**	1	201,220
Chief Financial Officer	**1**	**195,101**	**30,572**	**-**	**225,673**	1	259,851
Secretary & General Counsel	**1**	**183,350**	**30,399**	**-**	**213,749**	1	208,896
	7	**1,439,826**	**212,108**	**-**	**1,651,934**	7	1,626,760
Staff	**1,624**	**83,985,762**	**14,006,465**	**-**	**97,992,227**	1,589	93,991,856
Termination Benefits		**-**	**-**	**806,053 [5]**	**806,053**		2,419,554
Long-Term Disability		**-**	**-**	**2,304,026 [6]**	**2,304,026**		2,332,369
Other Staff-Related Expenses		**-**	**-**	**1,684,968 [7]**	**1,684,968**		1,837,237
Less:							
Salaries & Benefits for Millard Health		**(14,390,075)**	**(2,534,887)**	**-**	**(16,924,962)**		(15,521,220)
Administration - Salaries & Benefits		**$ 71,233,059**	**$ 11,692,717**	**$ 4,795,047**	**$ 87,720,823**		$ 86,875,677

1 Salary includes regular base pay, special incentive pay, overtime, performance awards, vacation pay, honoraria, and contractor's fees.

2 Employer's share of employee benefits and contributions or payments made to or on behalf of employees. It is comprised of Canada Pension Plan, Employment Insurance, Public Service and Management pension plans contributions, medical benefits, group life insurance, disability plans, employee and family assistance plan, professional memberships and tuition, long service, and vacation payout.

3 No amount is included in benefits and allowances for: car allowances, car insurance, or the value of parking and interest-free computer purchase loans.

4 The Chairman of the Board of Directors and Board Members are part-time positions. The past Chairman of the Board term ended January 2004. The current Chairman of the Board was appointed February 2004.

5 Termination benefits include retiring allowances, accrued sick leave, and other settlement costs due to loss of employment.

6 The adjustment to the liability for long-term disability claims reflects changes to the actuarial present value of all future payments expected to be made for claims, which have occurred in current and prior years.

7 Other staff-related expenses include recruitment costs, seminars, conventions and conferences, staff and association meetings, in-house training programs, retirees' benefits, and relocation costs.

2004

Year at a Glance

	2004	2003
Number of workers covered	**1,428,595**	1,401,768
Time-lost claim rate (per 100 workers)[1]	**2.6**	2.8
Number of new claims reported	**154,377**	153,098
Number of time-lost claims[1]	**37,500**	39,100
Number of recurrent claims[2]	**16,040**	18,500[3]
New non-economic loss and permanent disability awards	**3,181**	3,346
Fatality claims accepted	**124**	127
Ineligible time-lost claims	**3.8%**	3.5%
Number of new requests for review to the Decision Review Body	**3,963**	3,864
Return-to-work percentage	**88.5%**	86.8%
Claims costs (thousands)	**$825,840**	$860,091
Registered employers	**109,195**	106,255
Premium revenue (thousands)	**$936,178**	$877,642
Average collected premium rate (per $100 of insurable earnings)	**$1.96**	$1.94
Investment revenue (thousands)	**$224,336**[4]	$214,972
Fund balance (thousands)	**$358,978**[4]	$311,002
Funded position (per cent funded)[5]	**131.3%**[4]	120.7%[6]
Occupational disease reserve (thousands)	**$241,500**	$231,700

1 Time-lost claims and the time-lost claim rate are projected. This approach is taken to ensure claims for accidents occurring in 2004, but not reported by year-end, are considered.

2 Previously inactive claims reopened for a number of reasons including payments for medical aid or requests for further compensation benefits.

3 Recurrent Claim figures have been restated from those used in previous reports. The current method is considered to more accurately depict the claims administered.

4 These figures reflect the new CICA accounting standards.

5 Funded position includes Fund Balance, Accumulated Other Comprehensive Income and Occupational Disease Reserve.

6 2003 has been restated to reflect fair value accounting.

Workers' Compensation Board - Alberta
P.O. Box 2415, Edmonton, AB T5J 2S5
www.wcb.ab.ca