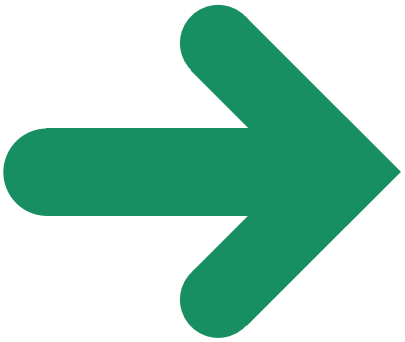
WorkingResults

Workers' Compensation Board-Alberta 2005 Annual Report



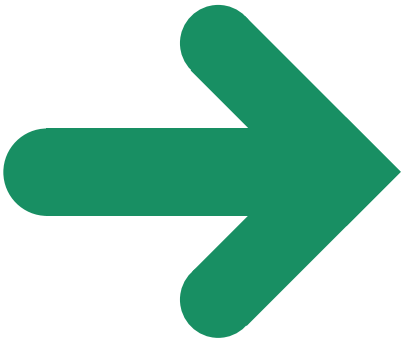
Contents

It's all about the results—the impact we have on the lives and livelihoods of Alberta workers.

WorkingResults

Our 2005 performance shows that our **focus on customer outcomes and return to work** continues to deliver strong results for workers, employers and the workers' compensation system.

Our Corporate Scorecard lays out annual objectives and **holds us accountable.** It helps us direct our efforts within a complex system to create the right results for our clients.



Guided by policy and legislation, and focused on customer service, we work with partners to minimize the impact of workplace injuries and help injured workers return to work and independence.

Success for our clients means success for us. We believe we can always do better for our customers; this drives us to commit to ongoing learning and innovation, and to continuous improvement in how we make and communicate our decisions.

Starting with our vision

Albertans working—a safe, healthy and strong Alberta.

and mission

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

Translating them into our Strategic Plan

We remain committed to our core priorities

Commitment to Fairness

As a fair organization we:

- provide no-fault coverage to employers and workers.
- compensate injured workers for lost employment income and cover treatment and rehabilitation costs.
- apply consistent interpretation of policy.
- keep customers informed of our clear and timely decisions.

Focus on Return to Work

To help Albertans get back to work we:

- develop case plans that set clear goals.
- support employer and worker efforts at disability management and modified work.
- provide benefits and services that promote safe return to work.
- expedite services that assist workers in recovery.

Leveraging Prevention

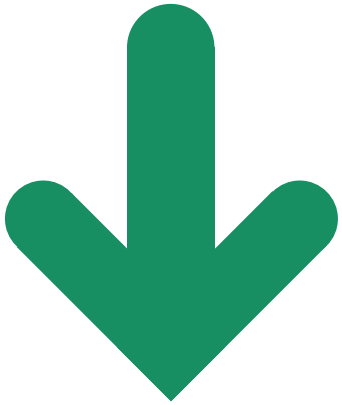
To influence safe work practices we:

- offer employer programs that use pricing incentives to reward workplace safety.
- encourage safety through premium rates that reflect the true cost of injuries.

Financial Stability

To meet our responsibility for delivering support to injured Albertans today and into the future we:

- maintain a fully funded system to ensure benefit security.
- assure the real cost of claims drives premium rates for employers.
- effectively manage claims and costs.



Getting working results

Our Corporate Scorecard gives us a collective focus to do what's right for our clients

EACH YEAR, we use our Corporate Scorecard to translate the big objectives of the Strategic Plan into individual, measurable goals. It ensures our strategic themes have a real and measurable impact on our business and our stakeholders.

Scorecard initiatives represent the key priorities for each year. They focus our activities on generating innovation, delivering sound services and processes, achieving great customer outcomes and supporting long-term financial performance that allows us to re-invest in innovation.

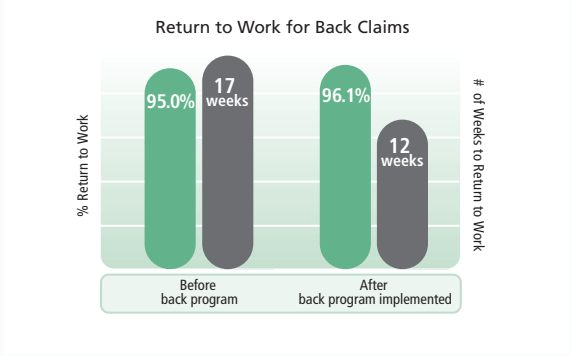
We are accountable to achieve the measures we set, and our success reflects the day-to-day collaboration of all WCB employees. It provides the inspiration to reach higher, to bring the vision and mission to life.

Returning more workers to the job

Working to achieve a safe and timely return to work

BACK INJURIES are painful and plentiful, accounting for 25 per cent of time-lost claims in 2005. But we know people with soft-tissue back pain recover more quickly with physical activity. In 2004, we implemented a successful early intervention plan aimed at adjudicating back claims quickly and securing early access to services when medical attention is required. Before the program began, 95 per cent of workers with back claims returned to work within 17 weeks. In 2005, **96.1 per cent returned to work within only 12 weeks.**

NOT ALL INJURED workers can return to their original jobs. When injuries result in reduced earnings, we make economic loss payments (ELPs) to top up workers' incomes. Through improved return-to-work planning, we help workers reach their full earnings potential. When we succeed, workers maximize their income, and the long-term liability of ELP payments is reduced. In 2005, more workers reached or exceeded their full earnings potential, bringing **ELP costs in significantly under forecast, at $102.7 million.**



Worker gains motivation from rehabilitation

SHARON WALDNER'S STORY starts with a painful back injury, but ends with a full recovery and lifted spirit.

Just days after she injured herself lifting a heavy laundry cart, Sharon was in physiotherapy. The treatment brought only small improvement, so Sharon's case manager referred her to a physician with expertise in treating back injuries. He did a comprehensive medical investigation and recommended she complete Millard Health's supported return-to-work program.

"When I started the program I was in a lot of pain," says Sharon, age 50. "But with the help of the physiotherapists I worked through four and a half hours of stretching and exercises every day. I didn't want to just sit down and make my back worse—I started to feel better and wanted to keep going."

As Sharon worked on getting better, an occupational therapist visited her work site to confirm her job demands and ensure she could return to work safely. Nine weeks after injuring her back, Sharon returned to full duties.

"I still have a little bit of pain, but I continue to do all the exercises they gave me and I feel stronger than ever," Sharon smiles. "I'm even thinking about joining a gym."

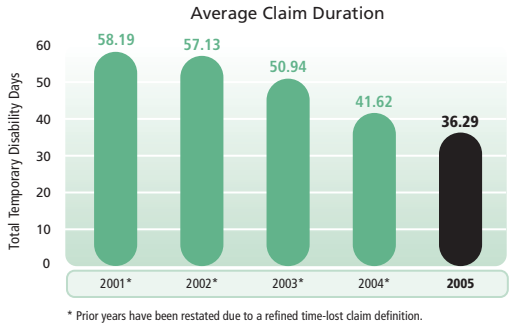
Sharon Waldner is back to work at the Varscona Hotel, Edmonton.

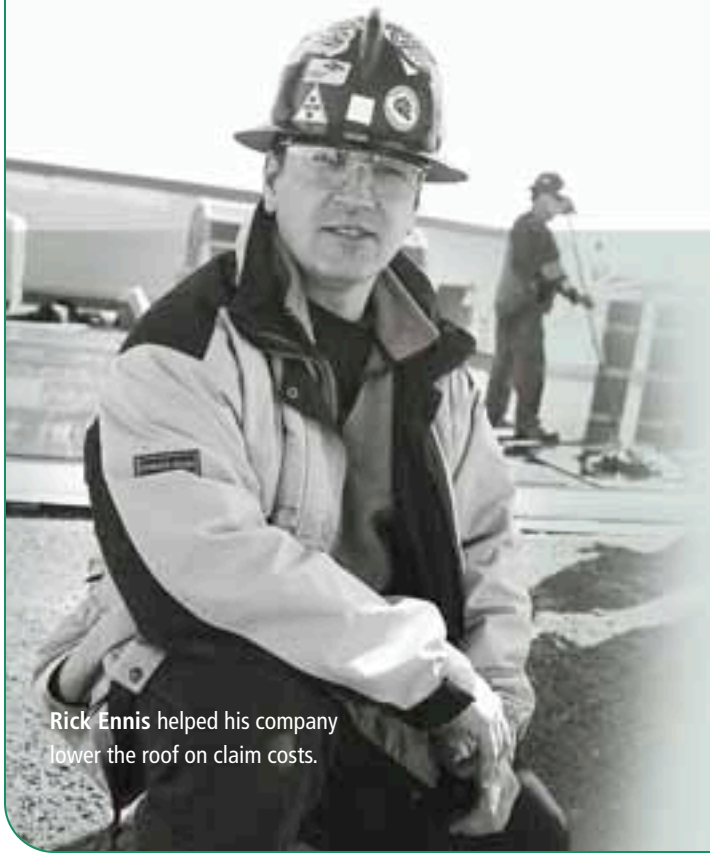
Lowering claim duration and costs

Working to reduce the impact of illness and injury

THE LONGER workers are off the job, the harder it is for them to regain independence and get back to work. Early intervention, with case plans that set clear goals, helps injured workers concentrate on recovery. With strong disability management programs and a strengthened commitment by employers and workers to modified work, **we surpassed our target to decrease by 15 per cent the number of claims lasting longer than three months—reducing them by 25.8 per cent.**

HIGHER RETURN-to-work rates mean better results for workers and lower claims costs, which yield a more stable compensation system. When we reduce the number of injuries and improve return-to-work outcomes, everybody wins. In 2005, lower claims costs reflected the commitment of our partners to disability management. Despite a higher disabling injury rate, solid disability management programs **helped deliver transaction year claims costs $24 million under budget.**





Rick Ennis helped his company lower the roof on claim costs.

True costs of workplace injuries inspire roofing company to act

"YOU DON'T GET PAID ENOUGH TO DIE."

This startling message is the first thing every new employee hears at Christensen and McLean Roofing. From day one, workers learn about the costs of a work-related injury, and not just in financial terms.

"People are not expendable," explains Rick Ennis, Christensen and McLean's health and safety coordinator. "With over 135 years of collective experience in the roofing industry, our management staff were able to identify a need for change. We learned that we must invest in and promote safe work behaviours."

In an industry that has plenty of room to improve on its claims duration and costs, Christensen and McLean is now a leader. In just two years, its premium rate went from a 27 per cent surcharge to a 40 per cent discount. The company's time-lost claim rate is zero, compared to the roofing industry's average rate of 4.36 per 100 workers.

"We all feel it if one of our workers is injured," Rick says. "Nobody wants to phone someone's family and explain their loved one has been injured, or worse."

Improving service

Working to enhance communication and reporting

EVERY DAY we make decisions that impact our stakeholders. Fit-for-work letters explain an important decision—a claimant's readiness to return to work. These letters need to be clear and easy to understand, so we measure their quality. In the last quarter of 2005, **we exceeded our audit quality goal by five per cent, with an overall score of 85 per cent.**

WHEN A CLIENT disagrees with a decision, a Customer Service supervisor works with the client to seek a solution. If still unresolved, the claim is referred for review to the Dispute Resolution and Decision Review Body. Our enhanced, collaborative process ensures effective communication and issue resolution. **Supervisors met our target of referring 90 per cent of claims within 14 days.**

ONLINE REPORTING tools allow our stakeholders to do business with us quickly and efficiently. Electronic applications give users instant access to the information they need, making it easier to work with us. More of our partners discovered this option last year, as we hit 1.4 million online transactions. **This was a substantial increase over our target of 1.2 million.**

Catherine Fletcher has embraced the benefits of reporting online.

E-reporting saves time

Employer applauds "efficient and innovative" approach

AS A HUMAN RESOURCES COORDINATOR for a large distribution centre in Calgary, Catherine Fletcher files an average of 50 time-lost claims and more than 100 reportable injuries every year.

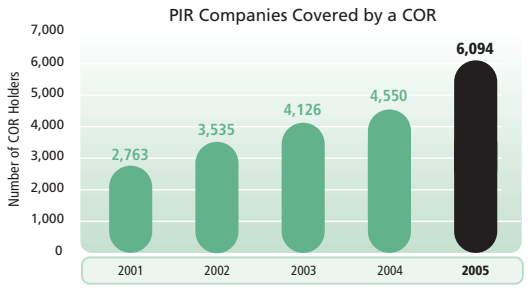
Before she tapped into the WCB's electronic injury reporting system, the paperwork was time consuming and she had a difficult time tracking where claims were in the system.

These days, Catherine can't imagine going back to paper and faxing.

"It's cleaner, it's neater and there are no misunderstandings," she says. "Nothing gets lost. I instantly get a claim number and the adjudicator has it in the system almost immediately. I think it's a great program."

She admits filling in the reports online was "a bit slow" in the beginning, but now she "zings" right through them. "We shuffle enough paper," Catherine says. "It's so nice to hit 'print' and know the report is done. The best part is everybody can read it!"

Partnering to reduce injuries



Working to help employers create safer worksites

THE PARTNERS IN INJURY REDUCTION (PIR) program proves that prevention is the best way to reduce the cost of injuries. Everyone wins—workplaces are safer, employers get up to a 20 per cent discount and claims costs go down. The numbers shout success: PIR participants **earned $68 million in premium rebates for their performance during the 2005 PIR program.**

BY INCREASING the number of PIR companies covered by a Certificate of Recognition (COR), we can maximize safety success on Alberta worksites. COR employers consistently have fewer claims and lower claims costs. Employees know they work for a company committed to their safety, and fewer of them suffer injuries. **More than 6,000 employers earned a COR this year,** representing $21.6 billion in insurable earnings. These employers show commitment, concern and conviction.

Association drives home safety on residential construction job sites

THE CANADIAN HOME BUILDERS' ASSOCIATION - ALBERTA (CHBA - Alberta) has a safety message for its 450-plus builder members: The best is yet to come.

To build on recent safety successes, the association wants each of its members to obtain a COR/SECOR (Small Employer COR) by the end of 2006. It launched a marketing campaign to highlight COR benefits to builders, distributing messages via direct mail, industry event displays and newsletters.

"We also presented our first-ever safety awards," says John Hrynkow, CHBA - Alberta past-president. "Some entries came from builders who indicated a few years ago that safety was too difficult and far too expensive. Now they are so proud of their safety activities that they are competing for an award."

The cornerstone of the marketing campaign is a simple explanation of the program's benefits and cost information in terms of time and money. While the association won't demand all builder members receive their safety certification, it sees the day is coming when certification will be a condition of membership.

"By the end of 2006, I can assure you that builders across our province will know the benefits of earning their COR," John says. "I'm a believer."

John Hrynkow stands behind CHBA's safety campaign.

Building financial stability

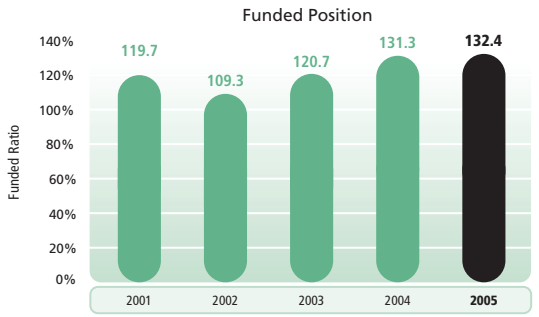
Working to ensure a secure financial future

TASKED WITH MANAGING the workers' compensation system, we take seriously the need to approach funding conservatively and with a long-term view. We covered 1.54 million workers and 117,000 employers in 2005; we owe it to them and the employers and workers of the future to build a financial plan that covers today's costs and the unknown costs of tomorrow. We're proud to have a fully funded system with premium rates that reflect the full cost of claims. We will continue to explore innovations and consult with stakeholders to deliver financial results that ensure a healthy system.

IN 2005, WE IMPLEMENTED recommendations based on the findings of the Asset-Liability Study, which involved updating and amending the funding and investment policies. The Funding Policy sets rules to guide our management of the Accident Fund. The goal: To minimize the risk of becoming unfunded, the cost volatility to employers and the total cost charged to employers, while ensuring today's employers pay for current and future costs of today's accidents. **The study's initiatives are now operational; policy updates have been approved and added to the online Policy Manual.**

We work to achieve a Funded Position—all assets divided by all liabilities—in the range of 116 to 122 per cent. This includes the minimum assets required to pay for current and future compensation and related costs (target 100 per cent), plus 16 per cent for the Fund Balance and six per cent for the Occupational Disease Reserve.

Any shortfall below 116 per cent can be recovered through premium rates as a funding policy requirement. If we exceed 122 per cent funding, we can distribute the surplus to employers in the form of special dividends.



Campaign asks Albertans to take an active role in recovery

ALBERTANS ARE hearing a lot about back pain these days. A new education campaign is working to dispel the myth that bedrest is the way to get better. Today, health care professionals agree that activity is the key to recovering more quickly.

WCB partnered with Alberta Human Resources and Employment, the Alberta Construction Safety Association, Alberta Hotel Safety Association and Manufacturers' Health and Safety Association to educate Albertans about the benefits of staying active for faster recovery.

Campaign messages delivered through a variety of media emphasize that back pain is common—in fact, 80 per cent of adults experience it. But most back pain is not serious; if individuals stay active, it usually improves within a couple of weeks.

In 2005, back claims made up more than 25 per cent of all time-lost claims reported to WCB-Alberta. That equates to almost 9,500 claims, at a cost of almost $38 million.

By staying active, at work and at home, Albertans can take control of their back pain.

Dropping claim rates through safety initiatives

Working as partners to keep Alberta safe, healthy and strong

WorkSafe™ 2005 winners put employee safety first

WHAT MAKES employers stand out from the crowd? It's when they understand that clear communication and employee involvement are keys to safety success. Two such employers are Edmonton's Alberta Oil Tool (AOT) and Calgary's ENMAX Corporation, which earned the 2005 WorkSafe™ Awards of Distinction.

"It's gratifying for us to reward employers who keep their employees safe and who follow through with programs that produce results," says Guy Kerr, WCB president and CEO.

Alberta Oil Tool – Small employer winner

In 1997, AOT developed a program that focused on employee health and safety, injury prevention and efficient claims management to address increasing claim costs and concern about employee well-being. While the company has grown steadily since then, its WCB premium rates have decreased 60 per cent. "Even before analysing statistics, we knew we had a successful program based on the extraordinary transformation in communication and respect between management and staff," says Melony Erickson, director of safety for AOT.

ENMAX Corporation – Large employer winner

With a variety of remote worksites and over 1,000 employees, ENMAX Corporation focuses on identifying, assessing and controlling safety hazards. The most stunning result: Its time-lost claim rate has decreased 76 per cent since implementation in 2000. "We learned that the greatest predictors of safe work actions were workers knowing what to do, being able and equipped to do the work, and being motivated to work safely," says Dianne Dyck, ENMAX director of occupational health and safety.

Summary of claims administered

		2005		2004
Active claims as of January		25,277		26,212
New time-lost claims	36,305		36,412	
New medical aid only claims	132,380		117,965	
Total new claims reported	168,685		154,377	
Recurrent claims[1]	15,471		16,040	
	184,156	184,156	170,417	170,417
Total claims administered		**209,433**		**196,629**

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

Non-eligible claims

	2005	2004
TIME-LOST CLAIMS		
Insufficient information available to process claim	160	125
Not covered under Workers' Compensation Act	189	175
Injury or illness not arising out of/in course of employment	2,398	2,278
MEDICAL AID ONLY CLAIMS		
Insufficient information available to process claim	4,080	3,464
Not covered under Workers' Compensation Act	1,239	1,282
Injury or illness not arising out of/in course of employment	2,813	2,499

Return to work to new or accident employer

	2001	2002	2003	2004	2005
Total return to work	86.4%	87.4%	86.8%	88.5%	91.0%
Return to accident employer	81.8%	84.3%	83.8%	85.8%	88.4%
Return to other employment	4.6%	3.1%	3.0%	2.7%	2.6%

Number of modified work claims as a percentage of claims registered

2001	2002	2003	2004	2005
7.7%	8.6%	10.6%	13.4%	14.9%

New claims by nature of injury

	2005	2004
Sprain or strain	55,559	50,650
Superficial wound	31,002	27,343
Open wound	30,271	27,997
Occupational illness	10,994	11,045
Fracture, dislocation or nerve damage	7,563	7,156
Burn or scald	5,616	4,895
Multiple traumatic injuries	2,802	2,441
Intracranial injury	853	845
Environmental conditions	200	284
Other traumatic injury	15,125	13,248
Non-personal damage	590	613
Unclassified	8,110	7,860
TOTAL	**168,685**	**154,377**

New claims by part of body

	2005	2004
Back	25,952	24,321
Finger(s)	25,393	23,291
Hand(s) or wrist(s)	19,097	17,713
Chest or shoulder(s)	14,741	13,080
Eye(s)	14,185	12,787
Foot (feet), toe(s) or ankle(s)	12,561	11,152
Arm(s)	12,506	11,604
Head	9,847	8,533
Knee(s)	8,919	8,211
Multiple parts	7,742	7,528
Leg(s)	5,479	4,747
Neck	3,248	3,034
Hip or pelvis	2,323	2,252
Ear(s)	2,169	1,976
Body system(s)	1,794	1,615
Abdomen	1,092	1,051
Non-personal damage	617	627
Unclassified	1,020	855
TOTAL	**168,685**	**154,377**

Letter from the Minister

ALBERTA

HUMAN RESOURCES AND EMPLOYMENT

Office of the Minister

ALBERTA'S WORKERS' COMPENSATION SYSTEM continues to demonstrate its effectiveness and stability.

In 2005, the Workers' Compensation Board (WCB) - Alberta and its industry, labour and safety association partners continued to focus on safety. However, the high incidence of work-related fatalities is a sad reminder to all of us that when we talk about safety, lives are at stake.

When workplace injuries occur, WCB is there to help and to provide a positive focus on return to work. Rehabilitation support, planning and counselling, medical services and financial help are delivered when injured workers need it most. Alberta's workers can count on a system that is fair, fully funded and financially stable.

Alberta's employers also rely on WCB's support to develop modified work programs and promote safer workplaces. They can depend on premium rates that are stable and affordable.

It has been a successful year for WCB. I congratulate the Board of Directors and WCB management and staff on their performance.

Sincerely,

Mike Cardinal
Minister
MLA for Athabasca-Redwater Constituency

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

Message from the Chair

In 2005, WCB-Alberta's focus on customer service once again delivered a compensation system Albertans can count on. It is the role of the WCB Board of Directors to ensure this focus, along with the long-term security of the workers' compensation system, is maintained well into the future.

Members of the board draw on their diverse knowledge and backgrounds to represent the interests of workers, employers and the public. We understand the future of the system transcends our tenure and that of the organization's management team. In our governance role we do not manage the company; rather, we ensure the management team does so wisely and with balance.

The organization achieved that balance in 2005 by working closely with its key partners—workers and employers. Collaborative case planning, along with access to proper medical care, resulted in more than 90 per cent of injured workers returning to work. Claim duration dropped from 42 days in 2004 to 36 days in 2005. This was the fourth consecutive year that there was a reduction in the average time an injured worker remained off the job. These achievements mean more and more Albertans are returning to work sooner. This is good news for workers who regain their independence and for employers who retain trained and qualified people.

WCB-Alberta remains committed to its customers; the overall outcome is a stronger compensation system. Albertans can take pride in the fact that WCB currently has the lowest premiums in Canada and remains one of only a few fully funded boards in the country.

The 2005 results tell an important story about Alberta's workers' compensation system —it works! It works because WCB-Alberta is managing and balancing the needs of today, while planning and preparing for the needs of tomorrow. And it works because Albertans care about workplace safety.

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

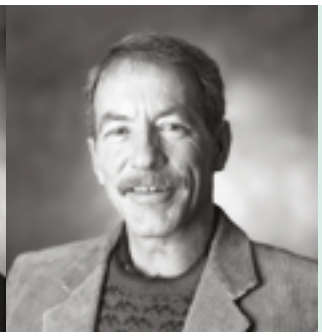
2005 Board of Directors

Guy Kerr
President and 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 President and CEO

2005 was a year of great accomplishments for the workers' compensation system, driven by the hard work and commitment of our partners.

I am thankful for the success we have achieved together, and for those of you who have helped us make a difference.

Our vision of 'Albertans working' has never been closer to reality than it is now. The amount of time lost to injury is the lowest it has been in more than 25 years. Injured workers are getting back into the workforce in record time—a significant accomplishment for everyone involved.

Our strong working results started with valuable direction and guidance from the Board of Directors on our funding policy. It took great vision to set a policy that led us to achieve and then surpass our funding objectives. Funding stability means stable employer premiums, and ensures that workers' benefits are protected now and into the future.

WCB employees deserve credit for their selfless dedication and commitment to the cause. Our people in Customer Service and at Millard Health delivered superior service directly to our clients. This was backed by remarkable support departments, whose efforts helped us become one of Alberta's Top 20 Employers, as selected by Mediacorp Canada. What a great success!

Workers and employers share responsibility for tremendous progress on safety and disability management. It takes worker commitment and perseverance, and a determined and focused employer, to make a difference.

Our government partners offered real and productive input into improving legislation. I would like to also recognize our colleagues at Alberta Human Resources and Employment, with whom we share a specific and directed focus on safety. Their contribution to our success is substantial.

There are challenges ahead. The time-lost claim rate has been managed down and remains stable, but the disabling-injury rate is going up—that means too many people are still getting hurt at work. Employers and workers have endorsed modified work because they recognize the value of staying connected to the job. But the injury rate could signal that too many people are taking safety for granted, resulting in needless injuries. We must do more.

I am proud of the work we have done together. With your help, we can make 2006 a year in which we increase our focus on safety, and ensure that all workers get home safely to their families every night.

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

Strategic Management Council

Photo left to right:

Jim Wheadon
V.P. Business Development and Information Management

Our technology investments provide the infrastructure required to support proactive disability management and other internal business processes.

The introduction of online self-serve tools builds on our technology investments and ensures we deliver on our commitment to fairness by making it easy for stakeholders to work with WCB.

Wendy King
V.P. Customer Service and Disability Management

We use our knowledge, resources and relationships to help injured workers return to work safely. Our focus is a fair decision, supported by effective delivery of medical, rehabilitation and vocational interventions by our Customer Service teams, Millard Health and all our partners.

Our enhanced dispute resolution and decision review process provides another opportunity to discuss issues and reach resolution; 38 per cent of cases did not progress to formal appeal.

Douglas Mah
Secretary and General Counsel

Our commitment to fairness is evident in our stakeholder consultations, protection of stakeholder privacy, and legal and investigative work aimed at upholding the integrity of the Workers' Compensation Act.

Our work on policy review and development ensures WCB maintains its neutral position and effectively balances the needs of workers and employers.

Guy Kerr
President and CEO

Our vision of 'Albertans working' has never been more real than it is today. Workers and employers have demonstrated their commitment to effective injury prevention and modified work programs. Our staff have responded by delivering on our strategic plan and forming positive working relationships with Albertans in safety associations, government, unions and industry.

I am proud of what we achieved together in 2005.

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

As one of Alberta's Top 20 Employers, we care about our staff. Our best practice human resource programs and corporate services help attract and retain the right people to deliver on corporate objectives. The investments we make in our staff translate into investments in the right services and support for our stakeholders.

Dieter Brunsch
V.P. Customer Service and Risk Management

Customer Service teams have focused on building relationships with stakeholders to ensure we understand their needs. We provide support for workplace safety and disability management programs and help employers achieve lower premiums for fewer injuries and lower claim costs—a win for workers and employers.

Ron Helmhold *(no photo)*
Chief Financial Officer

We are an organization committed to financial stability. By reviewing and updating our investment and funding policies, we have been able to implement a framework to reduce premium rate volatility and ensure that we remain financially secure for years to come.

2005 Financial Highlights

Premium revenue of **$978.9 million**, an improvement of $58.4 million compared to budget, and up $42.7 million from 2004, reflects a growing Alberta economy driven by rising global commodity markets.

Average premium rate of **$1.83** per $100.00 of insurable earnings was the same as budget. This is 6.6 per cent lower than the average rate collected last year. The average rate for 2006 is $1.57.

Investment revenue of **$556.2 million** was a key driver of WCB's strong financial performance. The result was $414.2 million better than budget and $331.9 million higher than 2004.

Claim costs of **$861.0 million** were $52.5 million higher than budget and $35.2 million higher than 2004. The increase was primarily due to claim benefit liability adjustments.

Administration expenses of **$63.2 million** are 4.5 per cent better than budget and $0.7 million higher than 2004.

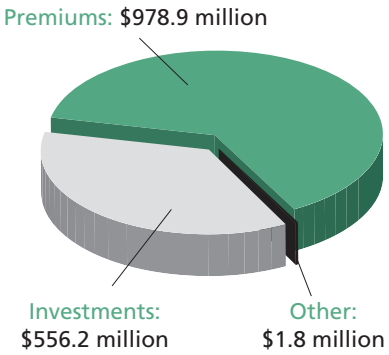
Operating surplus of **$585.6 million** was $423.6 million better than budget and $333.2 million more than 2004.

Funded Position of **$1,526.2 million** increased by $265.9 million over 2004.

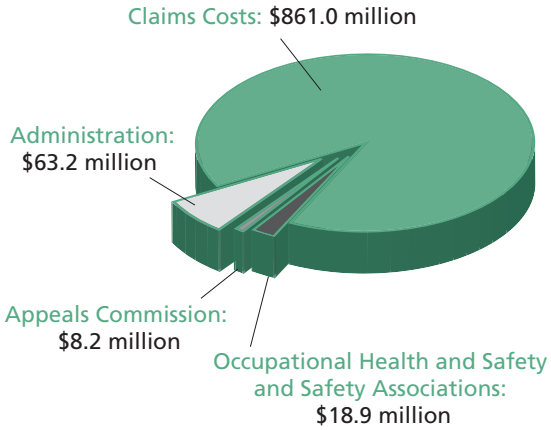
Investment portfolio **increased by $950.5 million** or 18.7 per cent over 2004 on a fair-value basis.

Claim benefit liabilities **rose by $244.6 million** or 6.2 per cent over 2004.

Revenue Breakdown: $1,536.9 million



Expenses Breakdown: $951.3 million



Management Discussion and Analysis of 2005 Financial Statements and Operating Results

Table of Contents

Management Discussion and Analysis of 2005 Financial Statements and Operating Results

The Management Discussion and Analysis (MD&A) provides management's perspective on key issues that affect current and future performance of the Workers' Compensation Board (WCB) - Alberta. The MD&A, prepared as at March 15, 2006, should be read in conjunction with the audited financial statements and accompanying notes and schedule for the year ending December 31, 2005.

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

Overview of 2005 Operations

Continued growth in the provincial and global economies, coupled with sound disability management practices, led to another year of significant financial achievement for WCB-Alberta. Total revenue of $1,536.9 million, offset by total expenses of $951.3 million, yielded an operating surplus of $585.6 million. These operating results pushed the Funded Position to $1,526.2 million or 132.4%, after declaration of a special dividend of $433.0 million.

Driven by rising global commodity markets, the Alberta economy expanded considerably in 2005, creating employment earnings growth of 4.7%. The corresponding increase in insurable earnings of 11.6% pushed premium revenue up 4.6% to $978.9 million. Strong investment markets coupled with gains realized from portfolio asset mix rebalancing drove investment income up from $224.3 million for 2004 to $556.2 million for 2005. Together, these factors contributed to total revenues of $1,536.9 million, an increase of $373.4 million or 32.1% over 2004.

Although total claim costs of $861.0 million increased $35.2 million or 4.3% over the previous year, processed claims costs and related administration for the current year actually fell by $7.7 million or 1.2%, against a 3.1% increase in time-lost claim volume related to employment growth. This achievement can be attributed to sound claims management and return-to-work initiatives. However, changes in actuarial assumptions, primarily due to escalation in the future cost of health care, resulted in claim benefit liability adjustments being $42.8 million higher than 2004, offsetting the cost savings. Administration and other expenses of $90.3 million brought total expenses to $951.3 million or 4.4% higher than 2004.

The 2005 operating surplus of $585.6 million represents an increase of 132.0% over the $252.4 million surplus in 2004. The key factors contributing to this surplus are as follows:

2005 OPERATING HIGHLIGHTS

Significant Contributing Factors	2005	2004	Change
Premiums			
Gain in premium revenue resulting from the actual premium rate collected of $1.83 (2004–$1.96) being higher than the required premium rate of $1.41 (2004–$1.51) based on insurable earnings	$ 225.0	$ 214.9	$ 10.1
Investments			
Net surplus (deficiency) of investment income over the interest requirement of the claim benefit liability	332.8	(18.8)	351.6
Claim benefit liabilities			
Changes in actuarial methods and assumptions	(91.2)	(88.6)	(2.6)
Actuarial adjustments due to claims experience	121.0	147.9	(26.9)
Other revenue (expense) items	(2.0)	(3.0)	1.0
Operating surplus	**$ 585.6**	**$ 252.4**	**$ 333.2**

At the highest and simplest level, the WCB is involved in two primary and complementary business activities: customer operations and asset-liability management.

Customer operations—the primary WCB business—is to provide no-fault disability insurance for workplace injuries. Operationally, the key business processes include assessment and collection of premiums from employers, payment of compensation benefits to injured workers and return-to-work services, in accordance with WCB's legislated mandate.

Asset-liability management is a financial risk management approach that integrates the management of assets and liabilities to generate an adequate return on invested assets to pay for the liability obligations.

Customer Operations

PREMIUMS

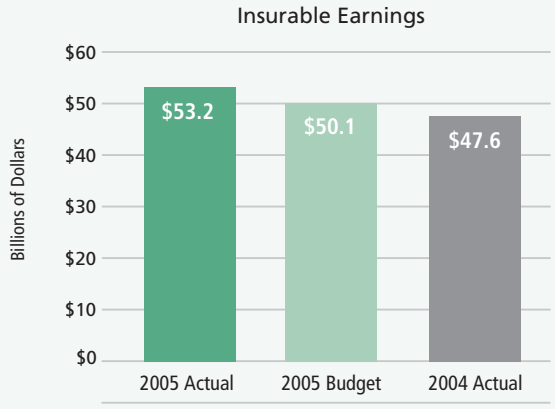
Insurable earnings

↗ $3.1 billion (6.1%) over budget

Alberta's strong resource sector and continuing employment and wage growth pushed 2005 actual insurable earnings to $53.2 billion, compared to budget of $50.1 billion. Mining/Oil and Gas and Business/Professional Services sectors experienced the largest variance from forecast.

↗ $5.6 billion (11.6%) over prior year

Alberta's economic growth rate in 2005 was the key driver for the 11.6% increase, with Construction and Mining/Oil and Gas sectors leading the way at 18.4% and 13.0% respectively.



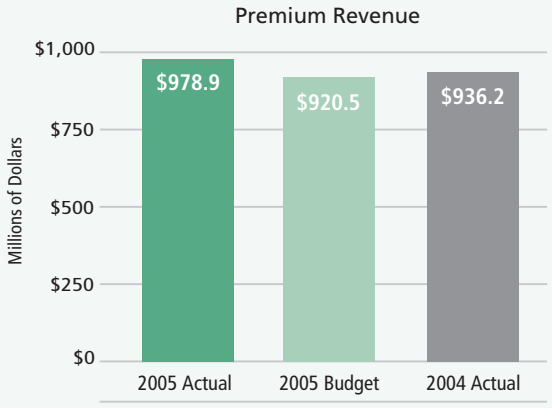
Premium revenue

↗ $58.4 million (6.3%) over budget

Total premium revenues were $978.9 million in 2005, compared to budget of $920.5 million. The increase stemmed primarily from a higher than expected increase in insurable earnings.

↗ $42.7 million (4.6%) over prior year

Compared to 2004, the increase in premium revenues from $936.2 million to $978.9 million was due to wage and employment growth, primarily in the Construction and Retail Trade sectors.



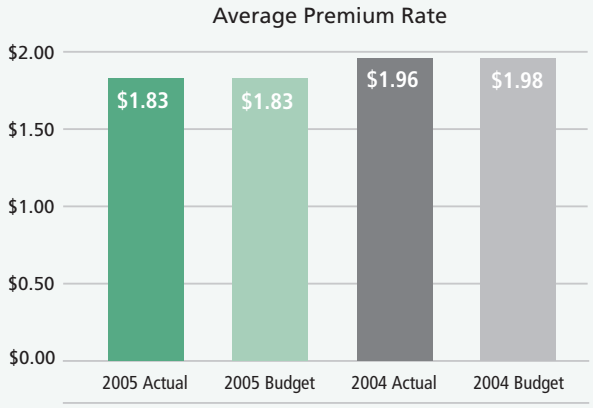
PREMIUM RATES

Total revenue requirements for premium rate-setting purposes are based on projected operating expenses for the fiscal year. They are comprised of fully funded costs of claims arising in the current year, administration costs related to those claims, general administration expenses for WCB operations and transfer levies. The aggregate of these costs plus funding requirements, if any, represent the total revenue requirements used for annual rate-setting purposes.

Average premium rate

– No variance to budget

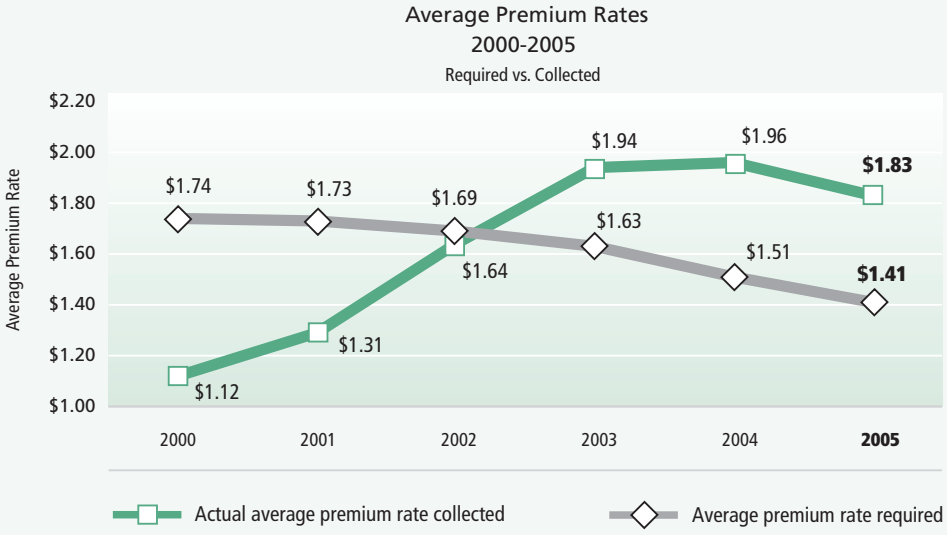
The actual average premium rate was the same as budget ($1.83) due to relatively consistent wage growth in 2005 across all industries, in contrast to 2004 when higher growth in lower-rated industries resulted in an actual average rate that was $0.02 lower than budget.



↘ $0.15 (7.6%) budget reduction from prior year

The reduction from $1.98 to $1.83 in the average budget rates arose from reductions in the required rate for claims ($0.09), administration ($0.01) and the contribution to the Fund Balance ($0.05).

The table below presents a six-year trend comparison of required to collected premium rates. From 2000 to 2001, the shortfall in the required rate represents discounting using investment gains. Premium rates are no longer discounted by investment gains as the Funding Policy requires that the rate and resulting revenue cover the total current year fully funded claim costs.



When the 2005 premium rates were being set, the Fund Balance was below the Funding Policy requirements. To achieve fully funded status, the Funding Policy called for a $0.23 levy to be included in the average rate to replenish the Fund Balance.

For 2006, the budgeted average premium rate, based on fully funded claim costs, decreased by 14.2% to $1.57.

CLAIM COSTS

Claim costs are an estimate of the combination of costs arising from compensable injuries occurring in 2005, claim benefit liability adjustments related to prior year injuries, and related administration costs.

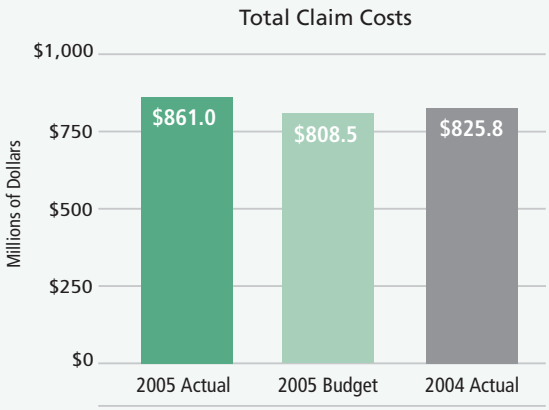
Total claim costs

↗ $52.5 million (6.5%) over budget

Cost savings from sound management of current and prior year claims expenditures were more than offset by a significant increase in claim benefit liability adjustments resulting from changes in assumptions relating to future health care costs.

↗ $35.2 million (4.3%) over prior year

As with budget, claim costs were higher than prior year due to claim benefit liability adjustments.



Compensation benefit costs

Day-to-day management of current and prior year claims yielded $12.5 million in Temporary Total Disability (TTD) budget savings. This reduction resulted from effective case management, expedited medical treatment, utilization of modified work and coordinated return-to-work planning leading to successful claims resolution. The focus on claim resolution and return to work resulted in the elapsed average time from accident to return to work reducing to 36.3 days, one of our lowest averages on record. Successful outcomes from efforts to reduce duration offset the effects of higher claim volume and wage inflation costs for 2005. In fact, time-lost claim volume grew 3.1% for the year.

Although TTD costs were below expectations, $91.2 million was added to 2005 claim costs due to changes in actuarial assumptions primarily relating to future health care inflation and utilization costs. Had these assumptions remained unchanged, 2005 claim costs would have been approximately $56.0 million ($91.2 million less $35.2 million) lower than 2004 costs.

Claim volume

Time-lost claim volume of 37,100 for 2005 is 3.1% higher than 2004 (36,000) based on a refined time-lost claim definition. This volume increase reflects a higher number of covered workers due to the expanding Alberta economy.

Injury prevention initiatives and growth in modified work cases (up 22.0% in 2005) continue to help limit increases in time-lost claim volume. In comparison to the 2005 time-lost claim projected rate of 2.41 claims per 100 workers, the disabling injury rate (time-lost claims + modified work cases = disabling injuries) remains considerably higher at 4.04 disabling injuries per 100 workers, up slightly from 3.96 in 2004.

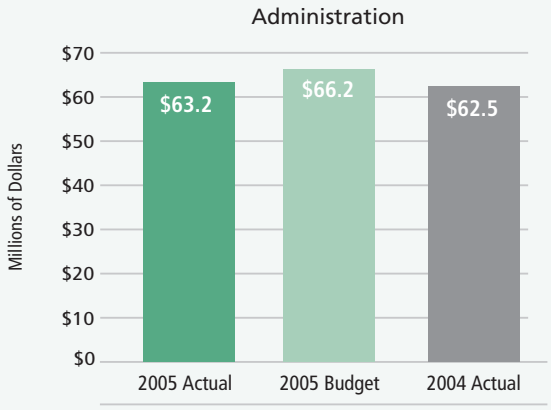
ADMINISTRATION

↘ $3.0 million (4.5%) under budget

Administration costs of $63.2 million were 4.5% under budget, primarily due to effective expenditure management and lower capital asset amortization costs.

↗ $0.7 million (1.1%) higher than prior year

The 1.1% increase over 2004 is primarily due to inflationary impacts on operating expenses.



Administration expenses exclude claim-related administration costs (2005–$62.8, 2004–$62.8), which are included in claim costs.

Asset-Liability Management

Building on strong operating results and a healthy balance sheet at the end of 2004, WCB implemented an innovative financial strategy in 2005 to ensure long-term fiscal stability of the compensation system. This new direction adopts an integrated approach to financial risk management by aligning the management of investments with management of claim benefit liabilities. Asset-liability management establishes the appropriate amount, mix and duration of investment assets, given a specified level of risk, to generate a return that is sufficient to fund the interest requirement of the claim benefit liability over the long term.

FUNDING POLICY

The foundation of the new financial management strategy is the asset-liability study completed early in 2005. WCB undertook a comprehensive review of its funding approach with a mandate to preserve the long-term financial health of the workers' compensation system and to recommend funding rule changes consistent with WCB's risk tolerance. The existing Funding Policy was substantially revised to deal with increased volatility resulting from recent changes in accounting standards. In developing the new Funding Policy, management applied criteria such as governance, education, transparency and stakeholder support to evaluate the effectiveness of the policy. The resulting funding approach necessitated complementary revisions to the existing Investment Policy. After extensive stakeholder consultation and analysis of the potential financial impacts, the Board of Directors approved the revised Funding Policy late in 2005. The Board also ratified the implementation of the Funding Policy, which became the strategic foundation for the 2006–2010 financial plan.

Funding Policy principles and objectives

The strategic aim of funding and investment policies is to strive for balance between financial risk and volatility and the investment returns. Specifically, the updated Funding Policy embodies these financial objectives:

- Minimizing the risk of becoming unfunded.
- Minimizing cost volatility to employers.
- Minimizing the total cost charged to employers.

The funding strategies that evolved from these objectives address those risks that may affect the financial stability of WCB, primarily investment volatility. Innovative asset-liability management strategies, such as the Funding Policy rules, are in place to minimize these risks, with ongoing monitoring and evaluation to ensure that they continue to respond effectively to changing economic conditions.

Funding Policy rules

The most significant changes to funding rules and practices under the new Funding Policy are:

- Established a minimum premium cost to employers at 60% of industry-rated premiums.
- Defined target ranges rather than a specific target to guide funding decisions. Multiple target ranges accommodate volatility at various funded levels.
- Developed a surplus distribution strategy and methodology aligned with the new target ranges.

Funding sources

In addition to short-term premium levies to restore the Funded Position to target levels, there are two sources of long-term funding for the Accident Fund:

- Operating surpluses that are reinvested in the business to provide fund stability.
- Unrealized net gains from holding investment assets to discharge future liabilities.

On the balance sheet, the Accident Fund represents all the assets of WCB available to discharge its legislative mandate. The allocation of assets to each of the WCB's fiduciary obligations is expressed as a percentage of total liabilities:

- Minimum assets required for payment of current and future compensation and related administration costs (target level 100%).
- Assets retained in Fund Balance to lessen the risk of becoming unfunded (target level 16%).
- Assets reserved in the Occupational Disease Reserve (ODR) to provide for significant unforeseen future costs related to latent occupational injury or disease (target level 6%).

The target funding range is between 116% and 122%. Surplus assets exceeding the 122% funding level are available for distribution to employers, whereas a deficiency of assets below 116% would require replenishment levies.

INVESTMENT POLICY

The change to fair-value accounting for investments, completion of the asset-liability study in early 2005 and a comprehensive review of financial strategy culminated in the new Funding Policy and a new Investment Policy. The new Investment Policy contains the goals and objectives and the target asset mix for the portfolio, both key outcomes from the asset-liability study. The Investment Policy also describes the permitted investments, constraints and controls for management of the portfolio consistent with the expectations of the Board of Directors.

With the new Investment Policy in place, the 2005–2007 Investment Management Strategic Plan was developed and approved in 2005.

The new investment philosophy, which is focused on minimizing volatility while maximizing returns, entails a shift towards a more conservative asset mix and the adoption of an active risk management strategy. Operationally, the portfolio will be restructured to generate returns that are more predictable and consistent, such that investment earnings will exceed the actuarial required rate of return with greater certainty over the long term.

INVESTMENTS

In 2005, investment returns were a key driver of WCB's strong financial performance. The following discussion provides an overview of the economic and market forces that had a direct impact on WCB's investment portfolio and returns.

Capital markets overview

For most of the year, capital markets saw mixed performance, with a late-year rally pushing returns above expectations for 2005. In the first half of 2005, market gains stabilized following the recovery of 2004. Sustained growth in the economies of China and India exerted strong pressure on global prices for materials and energy. In the aftermath of the disastrous hurricane season in the Gulf region, disruption of oil production caused energy prices to spike, boosting the earnings outlook for energy stocks. The announcement of a cut in the dividend tax rate, signalling a reversal on the income trust tax position, preceded the end-of-year upturn in Canadian equities. Inflationary pressure exerted by sustained economic growth, together with continuing employment strength and commodity prices, resulted in most central banks raising interest rates, driving up short-term bond yields.

Asset mix

Asset mix is the primary driver of portfolio risk and return. Through the second half of 2005, the asset mix was gradually moved towards the new policy targets. The recommendations of the asset-liability study with respect to an optimum portfolio structure and target asset allocations are integral to the new Investment Policy for implementation through the 2005–2007 Investment Management Strategic Plan. The current investment philosophy requires the portfolio to earn the actuarial required rate of return (3.25%) with a higher degree of certainty, i.e., to minimize the risk of underperformance. Accordingly, the Investment Management Strategic Plan will implement the recommended asset mix, reducing equities from 55% to 44%, and increasing bonds from 40% to 47% and real estate from 3% to 8%. The new asset mix will generate a higher ratio of stable fixed and real estate income, with a corresponding decrease in less certain dividend income and capital gains.

The portfolio will continue to be rebalanced towards the Investment Policy targets in 2006, with the majority of the move from equities to bonds completed by year end. The increased allocation to real estate will take several years to implement.

2005 ASSET MIX VS. POLICY MIX

Asset Class	Actual Mix	Current Target Mix	Difference	Future Target Mix	Difference
Cash and cash equivalents	0.9%	1.0%	(0.1%)	1.0%	(0.1%)
Conventional bonds	35.8%	35.0%	0.8%	39.0%	(3.2%)
Real return bonds	6.4%	8.0%	(1.6%)	8.0%	(1.6%)
Real estate	3.5%	3.0%	0.5%	8.0%	(4.5%)
Canadian equity	18.2%	18.5%	(0.3%)	10.0%	8.2%
Global equity	30.5%	30.0%	0.5%	30.0%	0.5%
Emerging markets equity	4.7%	4.5%	0.2%	4.0%	0.7%
	100.0%	100.0%		100.0%	

Currency hedging

The restructured portfolio includes a passive currency overlay to hedge the currency exposure in the global equity asset class. Fifty per cent (+/- 10%) of the foreign currency exposure assumed through the global equity asset class will be hedged back to Canadian dollars. Research supports a 50% threshold as an optimal hedge to reduce short-term volatility.

The hedging strategy is designed to reduce volatility. It is not designed to increase portfolio returns nor undertaken for speculative reasons. Hedging transactions are executed through an external overlay manager. The currency overlay is independent of the underlying foreign equity managers, and the performance impact is clearly separated. The hedge is executed through the purchase of currency forward contracts on the US dollar, the Euro and the other major currencies reflected in the underlying foreign equity mandates.

Portfolio performance

MARKET RETURNS

The portfolio earned a nominal market rate of return of 13.0% for 2005. 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 actuarial discount rate. On this basis, the real rate of return of 10.6% (nominal rate of 13.0% less inflation of 2.4%) was well above the actuarial discount rate of 3.25%.

BENCHMARK RETURNS

The benchmark return is comprised of benchmark index returns for each asset class, weighted by the policy asset mix. Performance vs. the benchmark is a relative measure of success in implementing the investment program through active management. The portfolio rate of return was 0.7% above the benchmark rate of return of 12.3% for 2005. The portfolio slightly underperformed the Canadian equity benchmark due to a more defensive strategy in a concentrated, volatile market. The Canadian equity relative underperformance was more than offset by outperformance in international equities and emerging market equities.

Investment revenue

FIXED INCOME

Higher income from bonds is primarily attributable to realized gains within the fixed income portfolios. Bond prices have moved consistently higher over the last several years, which provides for realized gains from normal portfolio trading.

EQUITIES

All equity classes, Canadian and emerging market equities in particular, performed well during the year. This is attributable to sustained growth in the Asian economies that drove up demand for commodities. The strong equity markets provided for significant realized gains from normal portfolio trading and rebalancing towards the new asset mix targets.

REAL ESTATE

The real estate portfolio, exclusively invested in Canadian real estate, continues to perform above expectations due to strong demand for quality assets outstripping available supply in a tight market.

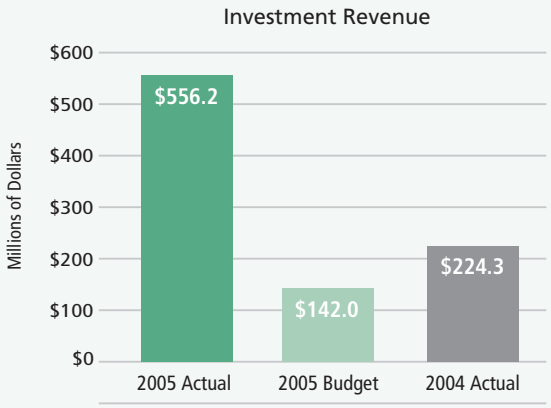
Investment revenue

↗ $414.2 million (291.7%) over budget

2005 performance reflects accrued gains released from Accumulated Other Comprehensive Income (AOCI) through portfolio management activities, as well as market strength in both fixed income and equity classes. $225.1 million of the budget variance relates to realized gains, while higher bond and dividend income were responsible for $189.1 million of the increase.

↗ $331.9 million (147.9%) over prior year

As with budget, the increase over 2004 is due to accrued gains being realized through portfolio management activities.



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, 2005, claim benefit liabilities aggregated to $4,165.9 million, an increase of $244.6 million or 6.2% over the previous year.

Changes in actuarial assumptions

The real discount rate of 3.25% remains unchanged for 2005. The health care inflation rate increased from 6.00% to 6.75% due to increasing use of more advanced medical treatment, coupled with inflationary pressure on the health care system.

Impact of actuarial changes

Changes in methods and assumptions increased the claim benefit liabilities by $111.0 million, of which $91.2 million related to prior year's injuries. The most significant change was to the health care inflation rate assumption, which increased from 6.00% to 6.75%.

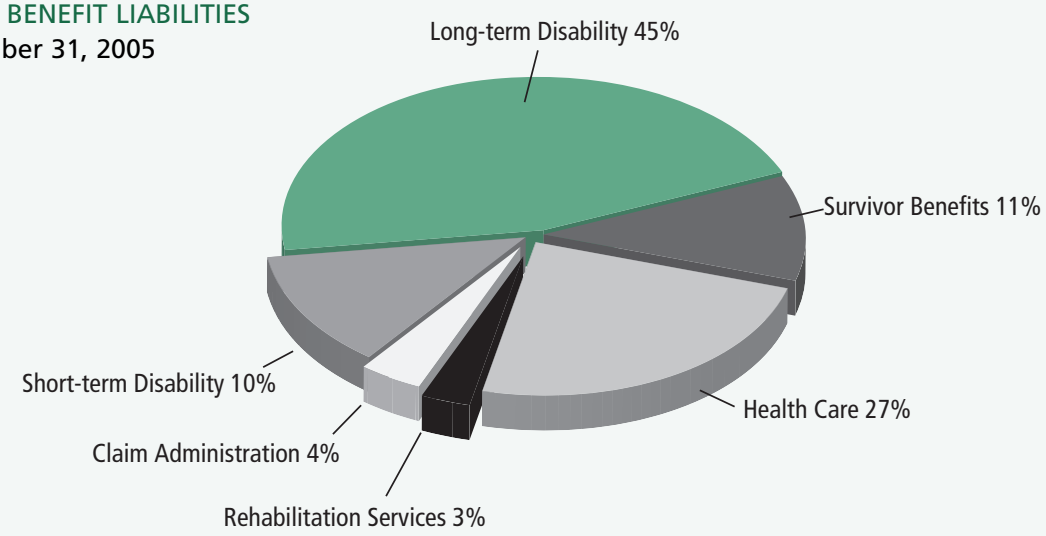
Claims experience

Actuarial or claims experience gains were $29.8 million, a decrease in experience gains of $29.5 million from 2004, arising largely from higher than expected claim volumes and payments related to cost inflation. Successful claim resolution continues to have a positive effect on the liability for Temporary Total Disability (TTD) benefits. The total number of TTD days paid was down by more than 12.0% in 2005 as compared to 2004, leading to a decrease in the liability of $43.0 million.

Actual wage growth experience for individuals receiving Economic Loss Payments (ELPs) was better than expected, meaning more workers returned to at least their pre-accident wage level, and payments for those continuing to receive ELPs were also lower than expected. This resulted in a decrease of approximately $15.0 million in the liability.

Actual inflation for 2005 was lower than assumed in the 2004 year-end valuation, resulting in $34.1 million being released from the liability.

CLAIM BENEFIT LIABILITIES
December 31, 2005



Sensitivity of actuarial assumptions

Claim benefit liabilities are estimated primarily using actuarial assumptions for the discount rate based on expected investment earnings, 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. Further discussion can be found in the accompanying financial statements and notes under Claim Benefit Liabilities.

Funded Position

As at December 31, 2005, Funded Position (net assets or the ratio of total assets to total liabilities) was 132.4% compared to 131.3% at the end of 2004. Viewed from another perspective, WCB has total assets of $6.2 billion to cover its total estimated liabilities of $4.7 billion. WCB-Alberta is one of only a few fully funded workers' compensation boards in Canada. This position is the result of sustained economic growth, successful disability management initiatives and strong financial markets. WCB-Alberta is also the only board that is planning to pay a special dividend to return excess funding to employers in 2006, with a total payout estimated at $433.0 million.

WCB's Funded Position of $1,526.2 million includes $1,243.2 million in the Fund Balance plus $283.0 million in the Occupational Disease Reserve (ODR).

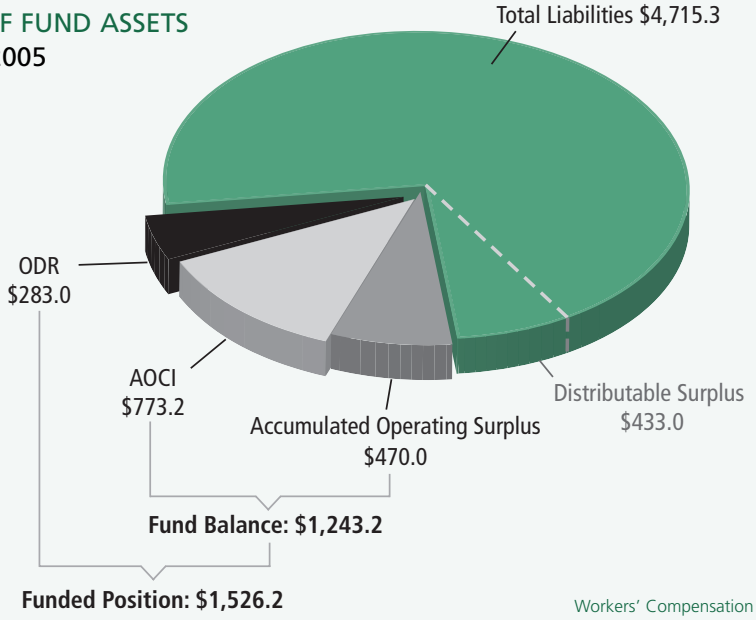
Fund Balance

Fund Balance is comprised of $470.0 million in Accumulated Operating Surplus and $773.2 million in AOCI. Fund Balance increased $224.4 million over 2004, primarily due to an operating surplus of $585.6 million plus an increase in unrealized investment gains (AOCI) of $113.3 million, offset by a special dividend of $433.0 million declared for 2005 and a transfer to the ODR of $41.5 million.

Reserve

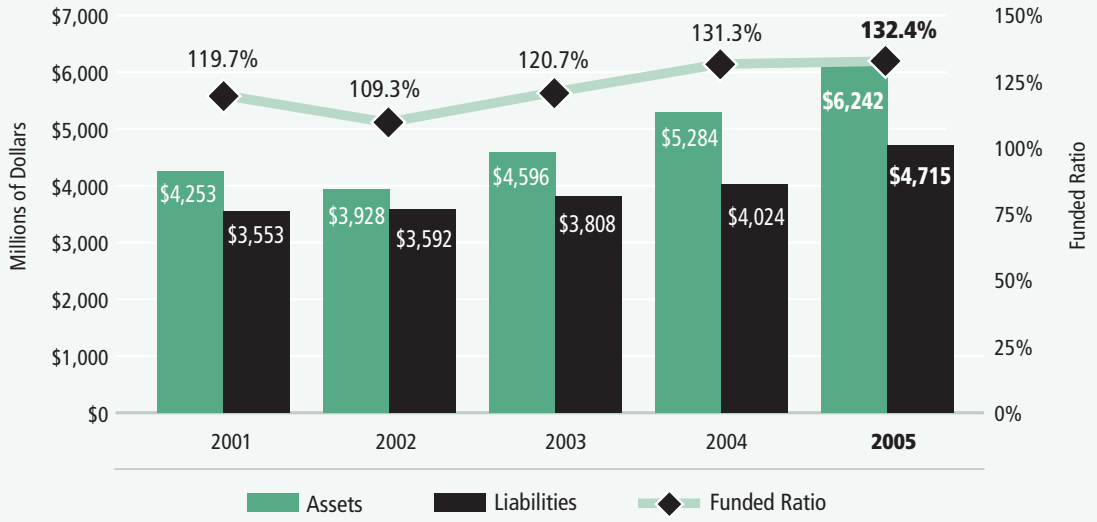
In addition to Fund Balance, reserves represent the other significant component of Funded Position. At year end, the ODR has a balance of $283.0 million to cover potential liabilities related to latent occupational disease.

ALLOCATION OF FUND ASSETS
December 31, 2005
($ millions)



The chart below tracks Funded Position from 2001 through 2005. For comparability with current results, assets and liabilities for fiscal years 2001–2003 have been restated to reflect fair-value accounting.

FUNDED POSITION
2001-2005



Risk Management

OVERSIGHT

Under the WCB corporate governance structure, the Board of Directors is responsible for overall risk management. The executive team is responsible for identifying and managing enterprise level risk. They are assisted in this mandate by the Risk Management Committee, comprised of a group of senior managers with responsibility for risk identification, assessment and mitigation at the operating level.

RISK ASSESSMENT

WCB has three primary processes for managing risk in the corporation. First, risk management is an inherent function 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. Finally, WCB also completes an annual corporate risk assessment that engages 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 by the executive team, and a number are selected for comprehensive risk assessment.

Key risk assessments have included the following:

Fraud-related risk

WCB annually collects nearly a billion dollars in premium revenue and distributes or reserves a similar amount for claim benefits and administrative costs. The magnitude and volume of individuals involved in these processes—approximately 120,000 employers, 170,000 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 additional controls were put in place to strengthen WCB's management of fraud risk.

Funding risk

Managing the components of WCB's overall Funded Position (Fund Balance and ODR) is a complex process that involves excellent forecasting and operational performance, liability projection and investment management. The executive team recognized that as WCB approached 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 to develop a long-term strategic approach to improve processes for maintaining a fully funded position.

Technology risk

To support its core business processes, WCB utilizes a number of information systems for processing transactions and maintaining claimant and employer information. If these systems failed or were compromised, this could result in significant disruption to business processes and customer service. To mitigate this risk, WCB has implemented systems controls to prevent processing failures and increased the level of internal system expertise. In addition, the Business Continuity Plan was enhanced to minimize downtime in the event of a major system issue.

Significant Accounting Policies and Estimates

Adoption of accounting policies in accordance with Canadian Generally Accepted Accounting Principles (GAAP) requires management to make assumptions and estimates that could significantly affect the results of operations and financial condition. The following discusses significant accounting policies and estimates that may have a material effect on current and future financial statements.

Premiums

On an annual basis, WCB's funding requirements are estimated for the next five years. In advance of the fiscal year, and based on the Funding Policy and projections in the five-year plan, WCB determines the total amount of premiums necessary to cover estimated claims costs, transfer levies, administration expenses and 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 may be more or less than sufficient to cover estimated funding requirements.

Investments

Investment assets are considered to be financial instruments and are accounted for at fair value as at the reporting date. The fair value of investments reflects realizable market 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.

Derivatives

Derivatives are treated as held-for-trading, which recognizes both realized and unrealized gains and losses in income as at the reporting date. Certain derivatives within the investment portfolio meet hedging requirements. As hedge accounting is optional, WCB does not apply hedge accounting to its segregated investments but is indirectly exposed to hedge accounting in its pooled investments.

Asset capitalization and amortization

The acquisition or development costs of long-lived assets are amortized over their useful lives. Selection of applicable costs to capitalize, and the estimate of asset useful life, both require application of professional judgment within the context of corporate policy and industry practice. Furthermore, future periods will be affected by the choice of useful life and amortization pattern, which determine the timing and amount of expense recognized in each of those future periods.

Valuation of claim benefit liabilities

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 methodology for its claim benefit liabilities. The actuarial process projects each benefit cost stream for a number of years into the future and discounts them 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 expected future return on assets, are all difficult to predict accurately, and are influenced 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 the liability valuation.

Premium revenue

Premiums are billed when employers report their annual insurable payroll, based on the premium rate for their industry, experience rating and custom pricing structure, if applicable. Premiums are estimated for those employers who report late or do not report. Reported payrolls are periodically audited, and prior years' premiums may be adjusted based on audit findings. Consequently, premiums for the period may be affected by the current year estimate as well as adjustments related to prior periods. Finally, rebate programs also directly affect premium revenue for the current and the following period when the estimate is adjusted to the actual amount paid.

Investment revenue

WCB has designated its portfolio investments as available-for-sale, whose primary purpose is to maintain capital and to generate investment income over the long term. This policy choice allows WCB to minimize investment income volatility by deferring recognition of unrealized holding gains and losses through AOCI. Such deferred gains and losses are recognized in income when realized (e.g., when securities are sold, written down or no longer qualify as financial instruments) through reclassification from AOCI to the statement of operations. Volatility of capital markets and timing of asset sales could have a material impact on both the balance sheet and statement of operations.

Emerging Issues

Standard setting

In March 2005, the Canadian Accounting Standards Board (AcSB) issued an Exposure Draft on a draft five-year strategic plan for the period 2006–2011 entitled 'Accounting Standards in Canada: Future Directions'. This plan departs from the current standard setting model of incremental harmonization, proposing instead to eliminate Canadian GAAP and replace it with International GAAP—International Financial Reporting Standards (IFRS)—for Canada's publicly traded companies over a five-year transitional period. Furthermore, the plan acknowledges the burden of "standards overload" for private and/or small companies and calls for a fundamental reassessment of the current differential reporting model.

In January 2006, the AcSB ratified the new strategic plan, effectively committing to adoption of international accounting rules. WCB will monitor these developments to ensure that policy changes affecting WCB's financial results are addressed proactively.

Corporate governance

Concurrent with the potential transition to IFRS by mid-2011, WCB will be monitoring corporate governance practices for publicly traded companies under new regulations from the Canadian Securities Administrators (CSA). In March 2006, after extensive review and consultation, the CSA has decided not to proceed with Multilateral Instrument (MI) 52-111: Reporting on Internal Control over Financial Reporting, the Canadian equivalent of the disclosure regime of the Sarbanes-Oxley Act of 2002. Instead, the CSA is proposing to expand MI 52-109: Certification of Disclosure in Issuers' Annual and Interim Filings to require the CEO/CFO to also certify that they have evaluated the effectiveness of the issuer's internal controls over financial reporting as at the end of the fiscal year. An audit opinion on internal control effectiveness will no longer be mandatory; however, auditor involvement in the evaluation process is optional. Although the major requirements of CEO/CFO certification of financial statements and internal controls over financial reporting do not directly affect WCB, these processes may well become de facto governance and disclosure best practice for publicly accountable organizations.

Financial instruments update

In 2005, the Financial Accounting Standards Board (FASB) in the US withdrew the prescriptive guidelines on impairment review and write-down for investments and issued a Staff Position that directs statement preparers to apply existing guidance. Essentially, the impairment model will revert to a principles-based one.

In Canada, the AcSB has established a Financial Instruments Working Group to assist in the development of implementation guidance for the new financial instruments standards. WCB will monitor upcoming pronouncements to ensure that its accounting practices are in compliance.

Looking Ahead

Fiscal 2005 finished on a strong note, with sustained premium growth, an upturn in investment performance, important achievements in service delivery and successful return-to-work initiatives. As a result, not only are WCB's finances solid with a Funded Position of 132.4%, but most encouraging, a contributing factor to this success was the continuing improvement in operating performance. The effectiveness of WCB's service model provides a solid foundation for ongoing delivery of services to injured workers. Continued strong financial performance will help ensure rate stability for the near future.

In accordance with the Funding Policy, a special dividend of $433.0 million, payable to those employers who are eligible under the terms and conditions of the dividend program, was approved on April 25, 2006 by the Board of Directors.

The momentum gained in 2005 is expected to continue through 2006, which will be another pivotal year for WCB as the first year of implementation of the new funding and investment strategies. The uncertainty of market returns, as always, will challenge the effectiveness of these initiatives in maintaining financial stability.

The average premium rate for 2006 has been set at $1.57 per $100.00 of insurable earnings. With all WCBs announcing their rates for 2006, WCB-Alberta has the lowest average premium rate in Canada and remains one of only a few fully funded workers' compensation boards. Alberta's premium rates have been consistently among the lowest in Canada over the past five years.

Workers' Compensation Board - Alberta

2005 Financial Statements

Financial Statements

Notes

Schedule

Appendix

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 judgments 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.

The WCB's actuarial staff performs an annual actuarial valuation of the claim benefit liabilities included in the financial statements of the 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 the 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 the WCB and to report thereon in accordance with accepted actuarial practice.

The Office of the Auditor General, the independent auditor of the WCB, has performed an audit of the financial statements of the 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

Ron J. Helmhold, CA
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 - Alberta as at December 31, 2005 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, 2005 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 17, 2006

WCB-Alberta Actuary's Report

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, 2005, for the financial statements of the Workers' Compensation Board.

Our estimate of the benefit liabilities of $4,165.9 million represents the actuarial present value at December 31, 2005, 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, 2005. This estimate is based on the legislation, policies and administrative practices in effect at December 31, 2005. 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 are the main assumptions used in this valuation. The numbers in brackets are the corresponding assumptions applied in the 2004 year-end valuation.

The economic assumptions underlying the calculations made in this report are a 3.25% per annum real rate of return on invested assets and an annual change in Consumer Price Index of 2.50% (2.75%). Benefits that are increased in accordance with the Cost of Living Adjustment policy are assumed to increase at a rate of 2.00% (2.25%) and are therefore valued using a net discount rate of 3.75% per annum. Health Care and Rehabilitation benefits are assumed to grow at annual rates of 6.75% (6.00%) and 3.50% (3.75%) respectively and are valued using net discount rates of -0.86% (0.08%) and 2.25% respectively.

Pharmaceutical costs are assumed to grow at a rate of 9.75% (9.00%) per annum over a select period of five years following the valuation date. This category reverts to the long-term Health Care growth rate of 6.75% (6.00%) following the select period.

Self Managed Personal Care Allowances are assumed to grow at a rate of 2.00% (2.25%) per annum over a select period of four years following the valuation date. Payments are adjusted to be consistent with current market values every 7 years starting in 2010. The adjustment is determined as $(1.0675/1.02)^7$ $((1+\text{Health Care Inflation})/(1+\text{COLA}))^7$.

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 Alberta Workers' Compensation Board'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, F.S.A., F.C.I.A.
Chief Actuary
Workers' Compensation Board - Alberta

March 15, 2006

Consulting Actuary's Report on the Valuation of the Benefit Liabilities of the Workers' Compensation Board - Alberta as at December 31, 2005

Eckler Partners Ltd.

I have reviewed the actuarial valuation of the benefit liabilities of the Workers' Compensation Board - Alberta (WCB) as at December 31, 2005 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 WCB's Actuarial Services 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 the WCB's policies and administrative practices in effect as of December 31, 2005. 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, some changes were made to the assumptions employed to value the claim benefit liabilities when compared with those used in the previous valuation.

The estimate of the benefit liabilities of $4,165.9 million represents the actuarial present value of future payments with respect to claims occurred on or before December 31, 2005. 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.
Actuary
Eckler Partners Ltd.

March 15, 2006

The Workers' Compensation Board - Alberta

Balance Sheet

As at December 31

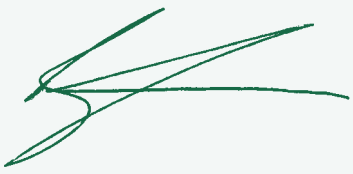
(thousands of dollars)

	2005	2004
ASSETS		
Cash and cash equivalents	$ **51,788**	$ 55,877
Receivables (Note 4)	**109,832**	97,548
Investments (Notes 5, 6)	**6,028,112**	5,077,585
Property, plant and equipment (Note 7)	**51,770**	52,967
	$ **6,241,502**	$ 5,283,977
LIABILITIES		
Payables and accruals (Note 8)	$ **116,327**	$ 102,308
Dividends payable (Note 9)	**433,033**	-
Claim benefit liabilities (Note 10)	**4,165,900**	3,921,300
	4,715,260	4,023,608
FUNDED POSITION		
Fund Balance	**1,243,242**	1,018,869
Occupational Disease Reserve	**283,000**	241,500
	1,526,242	1,260,369
	$ **6,241,502**	$ 5,283,977

COMMITMENTS (Note 20)
CONTINGENCIES AND INDEMNIFICATION (Note 21)

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

(thousands of dollars)

	2005		2004
	Budget	**Actual**	Actual
REVENUE			
Premium (Note 12)	**$ 920,500**	**$ 978,910**	$ 936,178
Investment (Note 13)	**142,000**	**556,214**	224,336
Other (Note 14)	**800**	**1,763**	2,967
	1,063,300	**1,536,887**	1,163,481
EXPENSES			
Claim costs (Note 10)	**808,500**	**860,972**	825,840
Administration (Note 15)	**66,200**	**63,200**	62,515
Injury reduction (Note 17)	**19,200**	**18,916**	15,853
Appeals Commission (Note 18)	**7,400**	**8,174**	6,833
	901,300	**951,262**	911,041
OPERATING SURPLUS	**$ 162,000**	**$ 585,625**	$ 252,440

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

(thousands of dollars)

	2005	2004
OPERATING SURPLUS	**$ 585,625**	$ 252,440
OTHER COMPREHENSIVE INCOME		
Net unrealized gains on available-for-sale investments arising during the year	**412,024**	262,577
Net investment (gains) realized during the year and reported in the statement of operations	**(301,571)**	(82,284)
Loss realized during the year from write-down of impaired investments and reported in the statement of operations	**2,828**	39,553
	113,281	219,846
TOTAL COMPREHENSIVE INCOME	**$ 698,906**	$ 472,286

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

(thousands of dollars)

	2005	2004
FUND BALANCE		
Accumulated operating surplus		
Balance, beginning of year	**$ 358,978**	$ 116,338
Operating surplus	**585,625**	252,440
Dividends payable (Note 9)	**(433,033)**	-
Transfer to reserve	**(41,500)**	(9,800)
	470,070	358,978
Accumulated other comprehensive income (Note 5)		
Balance, beginning of year	**659,891**	440,045
Other comprehensive income	**113,281**	219,846
	773,172	659,891
FUND BALANCE, END OF YEAR	**1,243,242**	1,018,869
OCCUPATIONAL DISEASE RESERVE		
Balance, beginning of year	**241,500**	231,700
Transfer from accumulated operating surplus	**41,500**	9,800
OCCUPATIONAL DISEASE RESERVE, END OF YEAR	**283,000**	241,500
FUNDED POSITION, END OF YEAR	**$ 1,526,242**	$ 1,260,369

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

(thousands of dollars)

	2005		2004
	Budget	Actual	Actual
OPERATING ACTIVITIES			
Cash inflows			
Employer premiums	$ 932,100	$ 979,138	$ 949,989
Dividend, interest and derivative income	125,000	258,890	181,604
Realized net investment gains	-	301,571	82,284
Other	2,600	1,530	1,988
Cash outflows			
Benefits to claimants and/or third parties on their behalf	(578,900)	(529,671)	(543,031)
Employee and supplier payments for administrative and other goods and services	(138,400)	(147,966)	(140,713)
Injury reduction program funding	(19,200)	(19,137)	(18,091)
Net cash from operating activities	323,200	844,355	514,030
INVESTING ACTIVITIES			
Cash outflows			
Purchase of investments - net of sales	(315,200)	(841,493)	(615,455)
Purchase of capital assets - net of disposals	(8,000)	(6,951)	(7,370)
Net cash used for investing activities	(323,200)	(848,444)	(622,825)
NET DECREASE IN CASH AND CASH EQUIVALENTS	-	(4,089)	(108,795)
Cash and cash equivalents, beginning of year	25,000	55,877	164,672
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 25,000	$ 51,788	$ 55,877

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

Notes to the Financial Statements

(thousands of dollars unless stated otherwise)

1. 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.

2. FUNDING POLICY

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 (the Fund) for the payment of present and future compensation. The Fund is considered to be funded when the total fund assets equal or exceed total liabilities. This Funded Position (or net assets) represents the current funding status of the Fund. The Funding Policy establishes a target zone for funding sufficiency, below which fund replenishment may be initiated and above which special dividends may be paid, both subject to approval by the Board of Directors through the annual financial plan.

To ensure sufficiency of funds, WCB maintains two reserves within the Accident Fund: the Fund Balance and the Occupational Disease Reserve (ODR).

The Fund Balance covers those costs, not provided for elsewhere, arising from events that might otherwise unfairly burden employers in the short term, or which might otherwise prevent full funding of the Accident Fund. It consists of accumulated net operating surpluses and Accumulated Other Comprehensive Income (AOCI), which holds unrealized gains and losses arising from fair-value accounting for investments. It is replenished through accumulated net operating surpluses, accumulated unrealized gains/losses generated by the investment portfolio, and where required, through special funding requirements included in premiums. Conversely, funding beyond the target range, as specified in the Funding Policy, is paid out of the Fund Balance as special dividends.

The ODR was established through an appropriation from the Fund Balance to provide for costs arising from latent 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 income has been made for future claims arising from such injury or disease, because the determination of such claims cannot be reasonably estimated. The ODR is maintained at 6% of total liabilities in each year through a transfer from or to the Fund Balance.

3. 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, accrued premiums and accrued dividends are the most significant items based on estimates. Actual results could differ from the estimates made by management in these financial statements, and these differences could be significant.

Comprehensive income

Comprehensive income includes current operating surplus and other comprehensive income (OCI).

OCI is comprised of unrealized fair-value gains and losses from investments less previously deferred unrealized gains and losses that have been realized during the period through sale, or provided for as a write-down and recognized in current income.

AOCI includes unrealized fair-value gains and losses arising from holding investments. When the underlying securities are subsequently sold or written down, the resulting realized gain or loss is released from AOCI into investment income in the statement of operations.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities are translated at the historical exchange rate. Foreign currency transactions are translated into Canadian dollars using the exchange rate in effect when those transactions occur. Foreign currency gains and losses are recognized in income in the period in which they arise.

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.

Investments

Fixed income and marketable equity securities are classified as available-for-sale (investments held for long-term capital appreciation and generation of income). They are initially recognized at acquisition cost (net of any premium or discount at date of purchase, if applicable) and subsequently remeasured at fair value at each reporting date. WCB utilizes trade-date accounting (date when transactions are entered into rather than when they are settled) for all purchases and sales of financial assets in its investment portfolio.

The fair value of publicly traded securities is based on their quoted market prices. The fair value of the real estate fund is based on independent appraisals, net of any liabilities against the real properties.

Investments include derivatives, which are financial contracts whose price is dependent on the price of one or more underlying securities, reference rates or indices. Notional principal amounts, upon which payments are based, are not recognized in these financial statements.

The fair value of the WCB's derivative positions, primarily in pooled funds, is determined by the following methods:

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

Investment income

WCB recognizes dividend and interest revenue as earned, and investment gains and losses when realized. Interest revenue includes amortization of any premium or discount recognized at date of purchase. Realized gains and losses represent the difference between the amounts received through sale of investments and their respective cost base. Unrealized gains and losses on available-for-sale securities are recorded in OCI and recognized in income when realized.

Transaction costs are included in the acquisition cost of individual securities and recognized as part of the realized gains or losses when they are sold or written down. Direct investment expenses such as external custodial and management fees, as well as internal investment management expenses, are netted against investment income.

When the fair value of an investment falls below its cost and the decline is determined to be other-than-temporary, a loss equivalent to the difference between cost and estimated realizable value is recorded against investment income in the statement of operations.

Included in investment income is income from derivatives. Derivatives are treated as held-for-trading, which recognizes both realized and unrealized gains and losses in income as at the reporting date.

WCB's investment portfolio contains certain derivatives which meet hedging requirements. Hedge accounting for these investments is optional, but the ability to apply it is contingent on satisfying rigorous technical requirements with respect to designation, documentation and effectiveness. WCB does not apply hedge accounting to the hedging relationships in its segregated investments but indirectly uses hedge accounting in its pooled investments.

When hedge accounting is not applied, all realized and unrealized gains and losses are recognized in investment income in the respective periods in which they arose. When hedge accounting is applied, gains and losses on the hedging items are recognized in investment income in the same period as gains and losses for the hedged items.

Property, plant and equipment

Property, plant and equipment are recorded at cost and amortized over their estimated useful lives. Amortization is calculated using the following annual rates and methods:

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

WCB evaluates its property, plant and equipment for impairment due to obsolescence, redundancy, deterioration and/or loss. WCB writes down the carrying value to fair value and records the write-down amount as amortization expense.

Claim benefit liabilities

Claim benefit liabilities represent the actuarial present value, as estimated by WCB's actuary, of all future benefit payments and claim administration costs that have occurred in respect of current and prior years' injuries. Claim benefit liabilities have been estimated in accordance with generally accepted actuarial practice established by the Canadian Institute of Actuaries.

Premium revenue

Premiums are billed when employers report their insurable earnings for the current premium year. For employers who have not reported, 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.

4. RECEIVABLES

($ thousands)	2005	2004
Premium	$ 103,111	$ 91,757
Other	6,721	5,791
	$ 109,832	$ 97,548

Premium receivables include an estimate of $59,262 (2004 - $43,509) for premium revenue related to employers that had not reported their insurable earnings by year end. Historically, year-end premium revenue accruals have ranged from 3% to 5% of total processed premiums.

5. INVESTMENTS

The table below presents the fair value of WCB's investments as at December 31, 2005 together with the change in fair value from their cost base.

($ thousands)	2005			2004		
	Fair Value	Cost[1]	Accumulated Other Comprehensive Income	Fair Value	Cost[1]	Accumulated Other Comprehensive Income
Fixed income						
Conventional bonds	$ 2,176,219	$ 2,122,391	$ 53,828	$ 1,579,418	$ 1,517,551	$ 61,867
Real return bonds	389,772	283,220	106,552	347,788	269,870	77,918
	2,565,991	2,405,611	160,380	1,927,206	1,787,421	139,785
Real estate fund	209,793	141,968	67,825	141,480	104,982	36,498
Equities						
Domestic:						
Canada	1,108,582	887,044	221,538	1,131,959	898,360	233,599
Foreign:						
Global	1,855,581	1,611,213	244,368	1,610,261	1,427,018	183,243
Emerging markets	288,165	209,104	79,061	266,679	199,913	66,766
	3,252,328	2,707,361	544,967	3,008,899	2,525,291	483,608
	$ 6,028,112	$ 5,254,940	$ 773,172	$ 5,077,585	$ 4,417,694	$ 659,891

[1] Cost includes: a) the fair value of derivative contracts not designated as hedges for the purpose of hedge accounting
b) the accumulated amortization of discount or premium on fixed income securities
c) the written-down value for securities assessed to have an other-than-temporary decline in value

See Note 13 Investment Revenue for a breakdown of the sources of investment income.

6. FINANCIAL RISK MANAGEMENT

In accordance with the Investment Policy, WCB manages investment risk by maintaining a well-diversified portfolio, both across and within asset classes, and engages fund managers encompassing a broad range of investment philosophies and styles.

WCB management has responsibility for monitoring performance, recommending changes to the Investment Policy and selection of fund managers. The Board of Directors is ultimately responsible for governance and strategic direction of the investment portfolio. From time to time, WCB retains independent consultants to benchmark the performance of its fund managers and to advise on the appropriateness and effectiveness of its Investment Policy and practices. The Board of Directors approves changes to the Investment Policy.

From time to time, WCB's investment portfolio may include derivative arrangements as part of an asset-liability management strategy for risk mitigation, but it does not directly hold any derivatives for speculative or trading purposes.

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

Market risk

WCB invests in publicly traded shares listed on domestic and foreign exchanges, and bonds traded over-the-counter through broker-dealers. These investments are affected by general changes and fluctuations in the overall market.

Credit risk

Credit risk related to financial instruments arises from the possibility that the counterparty to an instrument fails to discharge its obligation to WCB. Counterparties for derivative contracts will have at least an A- credit rating or equivalent from a recognized credit rating agency. Issuers of debt instruments will have at least a BBB- or equivalent score from a recognized credit rating agency, or must meet other stringent investment criteria. Specific rules have been established to ensure that the credit ratings of counterparties do not fall below a threshold acceptable to WCB. WCB does not anticipate that any counterparties will fail to meet their obligations.

Securities lending risk

To generate additional income, WCB may lend any of its investments to eligible third parties for short periods. These loans are secured against loss with cash or readily marketable securities having a minimum fair value of 102% of the loan. As of December 31, 2005, outstanding securities on loan amounted to $334,100 (2004 - $364,011).

Inflation risk

Inflation risk is the risk that a general increase in price level may result in loss of future purchasing power for current monetary assets. To mitigate the effect of inflation on WCB's future liabilities, the portfolio holds Canadian real return bonds, which are indexed to the annual change in the Canadian Consumer Price Index. These bonds have an effective yield of 1.44% at December 31, 2005 (2004 - 2.02%). (See the table following the interest rate risk section for the remaining terms to maturity of the real return bond portfolio.)

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. WCB's investment portfolio is exposed to interest rate risk through participation in a conventional Canadian bond pool, which utilizes various types of interest rate derivative contracts to manage interest rate risk. The Canadian bond pool has an effective yield of 4.47% at December 31, 2005 (2004 - 4.30%).

The table below presents the remaining terms to maturity at fair value for fixed income investments exposed to inflation and interest rate risk as at December 31, 2005:

($ thousands)	Remaining Term to Maturity					
	Within 1 Year	**1 to 5 Years**	**5 to 10 Years**	**Over 10 Years**	**2005**	2004
Canadian						
Real return bonds[1]	**$ -**	**$ -**	**$ -**	**$ 389,772**	**$ 389,772**	$ 347,788
Canadian						
Conventional bonds[2]	**86,831**	**832,621**	**521,640**	**735,127**	**2,176,219**	1,579,418
	$ 86,831	**$ 832,621**	**$ 521,640**	**$ 1,124,899**	**$ 2,565,991**	$ 1,927,206

[1] direct holdings

[2] indirect holdings through pooled funds

Foreign exchange risk

Foreign exchange risk is the risk that the value of financial assets and liabilities denominated in foreign currencies will fluctuate due to changes in their respective exchange rates. WCB has foreign investments that are exposed to exchange rate volatility. This volatility is managed through forward foreign exchange contracts, cross-currency interest rate swaps and foreign currency overlays.

WCB utilizes currency hedging through a currency overlay to hedge 50% of the foreign exchange exposure of foreign investments. The currency overlay is a passive or indexing strategy executed through foreign exchange forward contracts on the US dollar, Euro and other major currencies.

Derivatives

The table below summarizes the fair value of the WCB's derivative portfolio on open contract positions as at December 31, 2005:

($ thousands)	2005		2004	
	Notional Principal	**Fair Value**	Notional Principal	Fair Value
Equity index swaps[1]	**$ 290,302**	**$ 11,648**	$ 228,068	$ 5,740
Equity index futures contracts[1]	**41,006**	**241**	7,591	475
Bond index swaps[1]	**86,191**	**887**	31,535	597
Interest rate swaps[1]	**100,177**	**2,514**	106,070	(3,331)
Cross-currency interest rate swaps[1]	**162,620**	**9,822**	182,942	(8,354)
Currency overlay forward contracts[2]	**1,392,062**	**(586)**	-	-
Forward foreign exchange contracts[1]	**74,983**	**(723)**	82,023	(43)
Credit default swaps[1]	**65,473**	**515**	29,306	254
	$ 2,212,814	**$ 24,318**	$ 667,535	$ (4,662)

[1] indirect exposure through pooled funds for notional amount and fair value
[2] direct exposure through segregated funds for notional amount and fair value

The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. WCB's credit exposure is represented by the receivable (positive fair value) position on all outstanding contracts.

7. PROPERTY, PLANT AND EQUIPMENT

($ thousands)	2005			2004
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Land	**$ 1,092**	**$ -**	**$ 1,092**	$ 1,092
Buildings	**37,829**	**(13,971)**	**23,858**	24,762
Equipment	**8,168**	**(6,774)**	**1,394**	1,031
Computer software	**81,027**	**(68,113)**	**12,914**	19,282
Software under development	**12,512**	**-**	**12,512**	6,800
	$ 140,628	**$ (88,858)**	**$ 51,770**	$ 52,967

8. PAYABLES AND ACCRUALS

($ thousands)	2005	2004
Partners in Injury Reduction rebates	**$ 78,259**	$ 66,675
Accrued staff benefits	**20,534**	21,523
Other	**17,534**	14,110
	$ 116,327	$ 102,308

Partners in Injury Reduction (PIR) rebates are paid to those employers that have met the eligibility requirements. The estimated rebate amount is based on several factors including premiums paid, year-over-year improvement on claims experience, and safety performance relative to industry benchmarks, among others. Historically, the PIR rebate accrual has ranged from 6% to 7% of total processed premiums.

9. DIVIDENDS PAYABLE

In accordance with Funding Policy, the Board of Directors approved a special dividend for 2005 of $433,033 (2004 - nil). As at December 31, 2005, dividends payable represents amounts owing to employers who have met the eligibility criteria for the special dividend during the year.

10. CLAIM BENEFIT LIABILITIES

As at December 31, 2005, claim benefit liabilities are estimated by WCB's internal actuary and independently reviewed by an external actuary. 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 claim benefit liabilities of WCB are of a long-term nature, and therefore the actuarial assumptions and methods used to calculate the reported claim benefit liabilities are based on considerations of future expenditures over the long term. 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 benefit liabilities as at December 31, 2005, with details of the transactions during the year:

($ thousands)	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehab-ilitation	Claim Admin-istration	2005	2004
Claim benefit liabilities, beginning of year	$ 463,300	$1,799,100	$ 443,300	$ 926,200	$ 129,700	$ 159,700	$3,921,300	$ 3,725,500
Add:								
Claim costs incurred:								
Current year injuries	151,269	158,645	21,675	239,831	26,975	61,979	660,374	635,147
Prior years' injuries	(45,465)	60,829	11,182	178,649	(15,143)	10,546	200,598	190,693
	105,804	219,474	32,857	418,480	11,832	72,525	860,972	825,840
	569,104	2,018,574	476,157	1,344,680	141,532	232,225	4,782,272	4,551,340
Deduct:								
Claim payments made:								
Current year injuries	67,169	1,945	675	93,431	1,575	17,779	182,574	169,447
Prior years' injuries	88,735	122,829	37,082	115,549	24,557	45,046	433,798	460,593
	155,904	124,774	37,757	208,980	26,132	62,825	616,372	630,040
Claim benefit liabilities, end of year	$ 413,200	$1,893,800	$ 438,400	$1,135,700	$ 115,400	$ 169,400	$4,165,900	$ 3,921,300

These benefits are expressed in constant dollars discounted at 3.25% per annum (2004 - 3.25%), being the difference between expected investment earnings and the expected increase in benefits payable, except for wage-based disability payments that are discounted at 3.75% (2004 - 3.75%), and rehabilitation and claim administration costs that are discounted at 2.25% (2004 - 2.25%). Health care costs are ultimately discounted at negative 0.86% (2004 - 0.08%) to reflect expected higher increases in health care costs and utilization. These net discount rates are based on underlying assumptions of 5.83% (2004 - 6.09%) per annum investment earnings, 2.50% (2004 - 2.75%) growth in the Consumer Price Index, 3.50% (2004 - 3.75%) growth in rehabilitation and claim administration costs, and 6.75% (2004 - 6.00%) growth in health care costs.

The table below is a reconciliation of the changes in the claim benefit liabilities during the year:

($ thousands)	2005	2004
Claim benefit liabilities, beginning of year	**$ 3,921,300**	$ 3,725,500
Add:		
Provision for current year injuries	**477,800**	465,700
Interest allocated	**223,400**	243,100
Difference between actual and expected long-term cost of living adjustments and inflation	**(34,100)**	(35,000)
Change to actuarial discount rate	**-**	88,600
Change in actuarial methods and assumptions	**91,200**	-
	4,679,600	4,487,900
Deduct:		
Payments for prior years' injuries, excluding self-insured employers	**426,807**	453,729
Claim cost experience lower than expected	**86,893**	112,871
	513,700	566,600
Claim benefit liabilities, end of year	**$ 4,165,900**	$ 3,921,300

Sensitivity of actuarial assumptions

The most significant assumption in the determination of the claim benefit liabilities is the net discount rate. The net discount rate is the assumed rate of return in excess of the assumed inflation rate. A reduction in the assumed net discount rate would increase the actuarial present value of the claim benefit liabilities.

Health care benefits represent approximately 27% of the claim benefit liabilities. An increase in the assumed excess health care inflation rate (above the assumed inflation rate) would result in an increase in the claim benefit liability for health care.

The table below presents key assumptions used to determine the claim benefit liabilities and the sensitivity of the liabilities to an immediate 0.25% increase or decrease in the assumed rates:

Effect of Assumption Changes on Claim Benefit Liabilities

($ millions)	2005		2004	
	0.25%	**(0.25)%**	0.25%	(0.25)%
Net discount rate	$ (104)	$ 115	$ (98)	$ 108
Excess health care inflation rate	$ 36	$ (34)	$ 29	$ (27)

11. PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

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 (MEPP) and Public Service Pension Plan (PSPP). An actuarial review of the MEPP resulted in an increase in the required employer contribution from 13.1% to 18.0% of pensionable earnings effective July 1, 2005. The actuarial review of the PSPP will be undertaken as at December 31, 2005, with any impact possibly occurring in 2007. For the year ended December 31, 2005, the expense for these pension plans is equivalent to their aggregate annual contributions of $5,873 (2004 - $5,346).

Supplemental executive retirement plan

WCB maintains a voluntary, non-contributory supplemental retirement benefit plan with the WCB Accident Fund covering the obligations of the plan. The plan ensures that executives whose earnings exceed the threshhold earnings for the maximum pension benefit permitted under the federal Income Tax Act will receive pension benefits based on their total earnings.

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, 2005, the actuarial valuation reported an accrued benefit obligation (actuarial present value of cumulative benefits attributed to employee services to the reporting date) of $11,340 (2004 - $12,558). The accrued benefit liability of the plan (current and past years' benefit costs less cash contributions to the reporting date) is $13,779 (2004 - $13,629) and is included in payables and accruals. The expense for the period was $1,232 (2004 - $2,304). The amount of benefits paid and the contributions by WCB to the plan for the period were $1,082 (2004 - $1,303). The discount rate used in determining the benefit obligation was 4.44% (2004 - 4.63%). The assumed rate of salary escalation for participants in the plan was 3.50% (2004 - 3.75%).

12. PREMIUM REVENUE

($ thousands)	2005	2004
Premiums	**$ 1,057,169**	$ 1,002,853
Deduct: Partners in Injury Reduction rebates	**78,259**	66,675
	$ 978,910	$ 936,178

13. INVESTMENT REVENUE

($ thousands)	2005	2004
Fixed income		
Conventional bonds	**$ 130,112**	$ 95,875
Real return bonds	**23,826**	20,310
Cash and cash equivalents	**1,506**	2,404
	155,444	118,589
Real estate fund	**13,126**	7,981
Equities		
Domestic:		
Canada	**243,525**	64,785
Foreign:		
Global	**73,632**	58,427
Emerging markets	**74,071**	14,708
	147,703	73,135
	391,228	137,920
	559,798	264,490
Deduct:		
Other investment expense:		
Provision for impairment write-down	**2,828**	39,553
Investment-related administration expense*	**756**	601
	$ 556,214	$ 224,336

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

14. OTHER REVENUE

($ thousands)	2005	2004
Other	**$ 299**	$ 400
Millard Health	**1,464**	2,567
	$ 1,763	$ 2,967

15. ADMINISTRATION EXPENSES

($ thousands)	2005	2004
Salaries and employee benefits	$ 90,796	$ 87,721
Office and communications	22,570	22,424
Amortization of property, plant and equipment	8,584	11,024
Building operations	4,332	4,261
Consulting fees	2,968	2,394
Travel and vehicle operation	1,014	915
Other	221	225
	130,485	128,964
Deduct:		
Claim administration costs	62,825	62,773
Investment management expenses charged to investment revenue	756	601
Recovery of costs	3,704	3,075
	$ 63,200	$ 62,515

16. 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.

Included in the balance sheet is $760 (2004 - $1,630) for receivables.

Aggregate amounts of premiums and offsetting expenses included in the statement of operations are presented below:

($ thousands)	2005	2004
Premium revenue	$ 8,936	$ 8,802
Claim costs incurred	$ 7,462	$ 7,305
Administration expenses	1,474	1,497
	$ 8,936	$ 8,802

17. 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)	2005	2004
Occupational Health & Safety	$ 12,100	$ 9,600
Safety Associations	6,816	6,253
	$ 18,916	$ 15,853

18. 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 Workers' Compensation Act, the operating costs of the Appeals Commission are funded by WCB from the Accident Fund.

19. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with various Alberta Crown corporations, departments, agencies, boards and commissions related to WCB 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 the Appeals Commission are in accordance with the applicable legislation and regulations.

The amounts outstanding at December 31, 2005 and transactions throughout the year are as follows:

($ thousands)	2005	2004
Receivables	$ 1,759	$ 1,731
Payables and accruals	$ 2,015	$ 1,675
Premiums	$ 8,872	$ 8,739
Expenses	$ 20,461	$ 16,545

20. 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:

($ thousands)	2005	2004
2005	$ -	$ 10,208
2006	**14,117**	6,388
2007	**10,113**	1,187
2008	**6,112**	823
2009	**522**	430
Beyond	**3,197**	3,174
	$ 34,061	$ 22,210

21. 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 be paid 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 relevant contingent costs.

22. BUDGET

The Board of Directors approved the 2005 budget in October 2004.

23. COMPARATIVE FIGURES

Where required, certain comparative figures for 2004 have been reclassified to conform to the current year's presentation.

Schedule A

The Workers' Compensation Board - Alberta

Salaries and Benefits

Year Ended December 31, 2005

	2005			2004
	Salary [1]	**Benefits** [2,3]	**Total**	Total [6]
Chairman, Board of Directors [4]	**$ 70,736**	**$ 2,923**	**$ 73,659**	$ 71,025
Board Members [4]	**158,768**	**7,514**	**166,282**	135,552
President and Chief Executive Officer	**312,019**	**67,694**	**379,713**	349,326
Vice President, Customer Service and Disability Management	**217,000**	**41,466**	**258,466**	233,447
Vice President, Customer Service and Risk Management	**212,000**	**46,556**	**258,556**	235,237
Vice President, Business Development and I.M.	**206,454**	**44,457**	**250,911**	232,569
Vice President, Employee and Corporate Services	**191,750**	**38,193**	**229,943**	218,934
Chief Financial Officer [5]	**147,537**	**28,559**	**176,096**	231,673
Secretary and General Counsel	**189,587**	**42,496**	**232,083**	222,049

[1] Salary includes regular base pay, special incentive pay, performance awards, vacation pay and honoraria.

[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, pension plans, medical benefits, group life insurance, disability plans, car allowances, professional memberships, long service and vacation payout.

[3] No amount is included in benefits for the value of parking and interest-free computer purchase loans.

[4] The Chair of the Board of Directors and the nine Board Members are part-time positions.

[5] The former Chief Financial Officer's last day of employment was October 15, 2005. Chief Financial Officer acting pay is included for the period September 19 - December 31, 2005. The current Chief Financial Officer commenced employment on January 23, 2006.

[6] 2004 has been restated to reflect minor adjustments to conform to prescribed disclosure guidelines.

Appendix
Glossary of Financial Terms

Actuarial required rate of return

The rate of return on actuarially matched investment assets that will generate sufficient income to cover the interest requirement on the liability. Actuarially matched assets represent the sum that must be invested to earn a rate of return (identical to the liability discount rate) to fully discharge the actuarial liability at maturity. See also **liability discount rate**.

Asset—liability management

A risk management approach to ensure sufficiency of resources to fully discharge specified obligations by matching the risk characteristics of invested assets to those liabilities for such factors as yields, duration, credit rating, etc.

Asset—liability study

A financial model for determining the appropriate amount and mix of investment assets, given a specified level of risk, to generate a return that is sufficient to fund the interest requirement of matched claim benefit liabilities.

Average premium rate

Calculated as total revenue requirements (see **fully funded claim costs**) divided by the projected insurable earnings for the premium year.

Comprehensive income

Change in equity (see **net assets**) of an enterprise during a period from all transactions and events other than investments by, and distributions to, owners. Comprehensive income is comprised of operating income and other comprehensive income, which includes those revenues, expenses, gains and losses that, in accordance with primary sources of GAAP, are recognized in comprehensive income but excluded from operating income.

Currency overlay

A strategy for managing foreign currency risk. This strategy is used in international investment portfolios to separate the management of currency risk from the asset allocation and security selection decisions. The overlay is conducted independently and on top of portfolio management, which continues unaffected by the overlay.

Derivative

A financial instrument whose characteristics and value depend upon the characteristics and value of an underlying security, typically a commodity, bond, equity or currency. Examples of derivatives include futures and options. Derivatives are used to manage the risk associated with the underlying security, to protect against fluctuations in value or to profit from periods of inactivity or decline.

Fair value

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.

Financial instrument

Any contract that gives rise to a financial asset (e.g., cash equivalent, account or note receivable, share security) of one party and a financial liability (e.g., account or note payable, bond) or equity instrument (e.g., stock option, warrant) of another party.

Fully funded claim costs

The aggregate of costs of claims arising in the current year, administration costs related to those claims, a provision for future costs of current year claims, general administration expenses for WCB operations, transfer funding levies for workplace safety programs and Appeals Commission, and ongoing funding of the Occupational Disease Reserve. Fully funded claim costs form the basis for the revenue requirements for annual rate-setting purposes.

Funded Position

The excess of total assets less total liabilities, expressed either in dollar terms (see **net assets**) or as a ratio of total assets to total liabilities. The Funded Position is the measure of financial solvency or the sufficiency of assets to meet all obligations. It is the aggregate amount of accumulated equity generated by operating surpluses, reserves and other comprehensive income.

Funded ratio

Funded Position expressed as a percentage of total liabilities, indicating the amount of accumulated surplus, investment holding gains and losses, and reserves available to fund unexpected increases in liabilities.

Hedging

An activity designed to modify an entity's exposure to one or more risks by creating an offset between changes in the fair value of, or the cash flows attributable to, the hedged item and the hedging item (or the changes resulting from a particular risk exposure relating to those items).

Hedge accounting

A method for recognizing the gains, losses, revenues and expenses associated with the items in a hedging relationship such that those gains, losses, revenues and expenses are recognized in net income in the same period, when they would otherwise be recognized in different periods. The relationship between a hedged item and a hedging item must be based on a specific risk exposure, with a specific risk management objective and strategy and quantitative methodology for assessing the effectiveness of the hedge.

Liability discount rate

The rate (also called the **actuarial required rate of return** when applied in a portfolio context) used to discount the actuarial projections of all future liabilities back to present value.

Net assets

The excess of total assets less total liabilities; another expression of **Funded Position** in dollar terms. When total liabilities exceed total assets, the deficit is known as unfunded liability.

2005 Year at a Glance

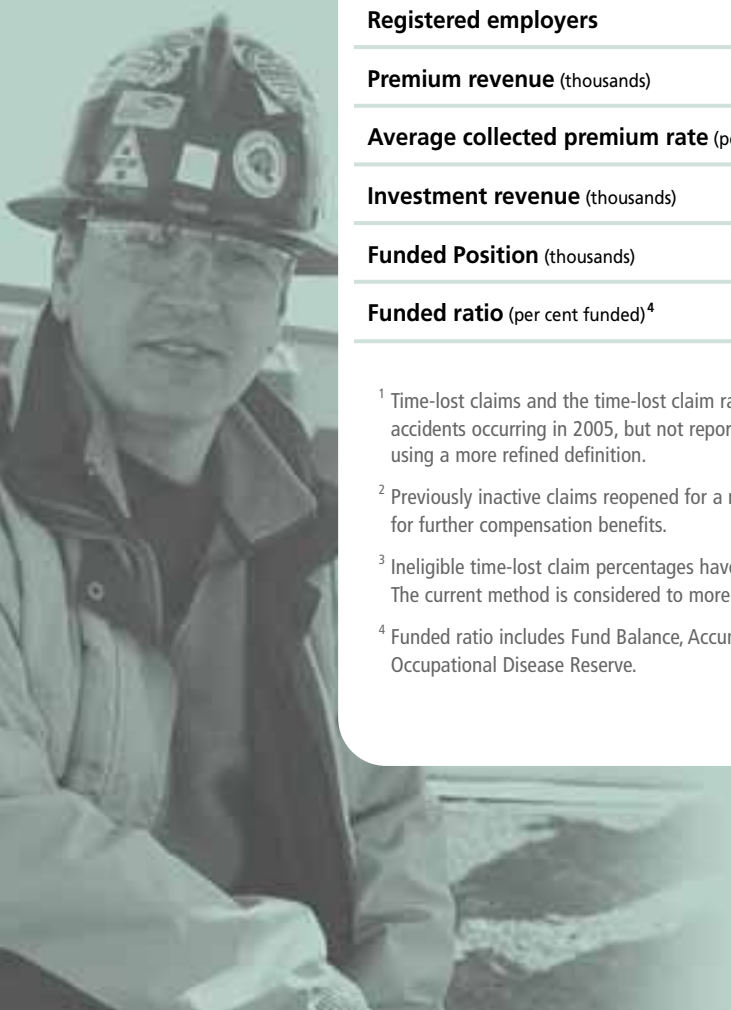
	2005	2004
Number of workers covered	**1,539,732**	1,428,595
Time-lost claim rate (per 100 workers)[1]	**2.4**	2.5
Number of new claims reported	**168,685**	154,377
Number of time-lost claims[1]	**37,100**	36,000
Number of recurrent claims[2]	**15,471**	16,040
New non-economic loss and permanent disability awards	**3,053**	3,181
Fatality claims accepted	**143**	124
Ineligible time-lost claims	**7.6%**	7.1%[3]
Number of new requests for review to the Dispute Resolution and Decision Review Body	**3,311**	3,963
Return-to-work percentage	**91.0%**	88.5%
Claims costs (thousands)	**$860,972**	$825,840
Registered employers	**117,337**	109,195
Premium revenue (thousands)	**$978,910**	$936,178
Average collected premium rate (per $100 of insurable earnings)	**$1.83**	$1.96
Investment revenue (thousands)	**$556,214**	$224,336
Funded Position (thousands)	**$1,526,242**	$1,260,369
Funded ratio (per cent funded)[4]	**132.4%**	131.3%

[1] Time-lost claims and the time-lost claim rate are projected. This approach is taken to ensure claims for accidents occurring in 2005, but not reported by year-end, are considered. Time-lost claims have been restated using a more refined definition.

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

[3] Ineligible time-lost claim percentages have been restated from those used in previous reports. The current method is considered to more accurately depict the ineligible claims.

[4] Funded ratio includes Fund Balance, Accumulated Other Comprehensive Income and Occupational Disease Reserve.



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