

COMPENSATION FUND (YUKON)

FINANCIAL STATEMENTS

December 31, 2023

(audited)

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# MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis provides further insight into the financial performance of the Compensation Fund (“the Fund”), as managed by the Workers’ Safety and Compensation Board (“the board”), for the year ended December 31, 2023. This section provides management’s perspective on our financial results and position for the year.

## Forward-looking information

Any forward-looking information in this document represent the views of management. Forward-looking information is subject to many risks and uncertainties, and may contain significant assumptions about the future. This information is presented to help stakeholders understand the Fund’s financial position, priorities and anticipated financial performance.

Risk and uncertainties about future assumptions include, but are not limited to: the changing financial markets, the industry mix of the Yukon workforce, the general economy, legislation, accounting standards, appeals and court decisions, and other known or unknown risks. Readers are cautioned not to place undue reliance on forward-looking information as actual results may differ materially from those expressed or implied.

## Basis of reporting

The audited financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

## Significant accounting changes in 2023

Effective January 1, 2023, the board adopted a new financial reporting standard (“IFRS 17”) which became mandatory for organizations in the insurance industry, including all workers’ compensation boards across Canada. The new standard, which requires the Fund to measure its insurance contract liability using a discount rate based on market rates at year-end and requires other significant changes to presentation and disclosure in the financial statements, provides insights into an insurer’s financial health at a current point in time. This is a significant accounting change for the board, with notably different financial results, and in a different financial statement format, compared to the 2022 Annual Report. It does not change the underlying business strategy of the board.

The most significant differences from previous years is how we determine the value of the insurance contract liability (formerly known as benefits liability). Under IFRS 17, the liability for incurred claims within the insurance contract liability is valued using a point-in-time market-based interest rate. This change in valuation of the liability for incurred claims can cause significant year-to-year fluctuations of the insurance contract liability. This differs from the previous accounting standard, under which the benefits liability was valued using an interest rate based on the board’s long-term expected rate of investment return. The

previous rate of return was revised only periodically in response to changes in long-term trends and normally resulted in smaller fluctuations to the benefits liability.

The board has also adopted IFRS 9, *Financial Instruments* replacing IAS 39, *Financial Instruments Recognition and Measurement*, effective January 1, 2023. The adoption of IFRS 9 has resulted in no change in assets, liabilities and income.

## The implementation of IFRS 17

IFRS 17 is the new financial reporting standard of accounting for insurance contracts. The new standard replaces IFRS 4, which had been in place since 2004. See Note 3 of the financial statements for further detail on the accounting policies we adopted under IFRS 17.

The accounting policies based on IFRS 17 had to be applied on a retrospective basis, as if these accounting policies had always been in place. Our consolidated financial statements have been restated at January 1, 2022, (the date of transition to IFRS 17), and at December 31, 2022.



## The IFRS versus funding basis of accounting

While the change to IFRS 17 significantly affects our reported IFRS-based financial results, it does not affect how the board operates, the funding position, the investment portfolio, the assessment rates employers pay or workers’ benefits in any way.

This is because we manage our funding position using a “funding basis of accounting,” a method approved by our Board of Directors and the method we used prior to the adoption of IFRS 17. This method, using the discount rate based on the long-term expected rate of return, reflects a more long-term financial strategy providing the Fund with more stability in its funding management. The funding basis ensures a long-term perspective on the sufficiency of funding to sustain benefits for injured workers and their dependants, while reducing the volatility of financial results used in setting assessment rates for employers.

Note that the financial results from the unaudited funding basis financial statements can be materially different from the results based on IFRS in any given year due to the reasons discussed above.

## Financial position (funded vs IFRS)

(\$ thousands)	Funding basis		IFRS basis	
	2023	2022	2023	2022 (restated to IFRS 17 basis)*
Total assets	280,504	246,720	277,633	243,621
Total liabilities	197,651	187,688	208,187	190,048
Equity	82,853	59,032	69,446	53,573
Assets/liabilities	142%	131%	133%	128%

## Comparison of benefits liability (funding basis) to insurance contract liability (IFRS)

(\$ thousands)	Funding basis		IFRS basis	
	2023	2022	2023	2022
Benefits liability/insurance contract liability	185,918	178,010	199,864	182,534

Under IFRS 17, all insurance-contract-related balances, including assessments receivable and assessments refundable, are aggregated and presented as part of the insurance contract liability, disclosed in Note 11. Under the funding basis, assessments receivable remain presented as assets and assessments refundable are included in accounts payable. The main factor that causes the difference between the financial position of the Fund when reporting it under the funding basis versus IFRS, is the use of different discount rates to calculate the benefits liability/insurance contract liability (IFRS). To clarify, IFRS now refers to the benefits liability as insurance contract liability.

Under the funding basis, the discount rate is based on the anticipated returns of the underlying assets of the Fund, which takes a longer term view and tends to provide more stability when measuring the benefits liability over time. IFRS uses a market rate based on a select cohort of long-term bonds that is calculated at a point in time and is not based on the expected long-term rates of return on the Fund's investments. The IFRS calculation for the liabilities for incurred claims can be much more volatile especially when interest rates change quickly.

## Equity reconciliation — funded vs IFRS

(\$ thousands)	2023	2022
Equity funding basis	82,853	59,032
Less benefit liability/insurance contract liability – difference in funded vs IFRS	13,946	4,524
Less receivables – IFRS reclassification to insurance contract liability	2,871	3,098
Add payables – IFRS reclassification to insurance contract liability	3,410	2,161
Equity IFRS 17	69,446	53,573

The above reconciliation illustrates the differences between the equity on the financial position for the funding basis versus IFRS.

Again the main reconciling item is the difference in the benefits liability (funding basis) versus the insurance contract liability (under IFRS) due to the different discount rates. As noted above, the other reconciling items involve reclassifications of accounts receivable and accounts payable related to insurance contracts. These items are shown separately on the Funding Basis Financial Position, but are reclassified under the IFRS financial position and included in the insurance contract liability.

## Change in the presentation of IFRS financial statements

IFRS 17 fundamentally changes how assets, liabilities and earnings related to insurance are presented in our published financial statements. On the statement of financial position, all assets and liabilities related to the insurance contract are grouped together and presented as “insurance contract liability.” On the Statement of Operations and Comprehensive Income, insurance finance income or loss and net investment income or loss are presented separately from insurance service result. Further information on the IFRS insurance contract liability and expenses are provided in the notes to the financial statements.

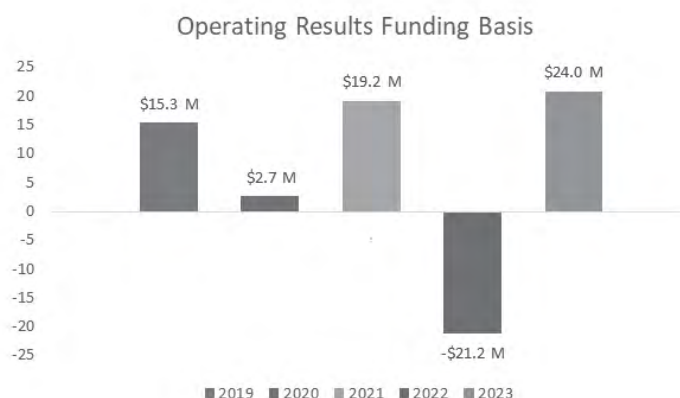
## How to read the Management Discussion and Analysis

As funding-basis financial results are used to manage the board's financial position, unless otherwise noted, the board's financial position and results are discussed on the funding basis here in the Management Discussion and Analysis.

Note that some asset and liability balances for prior years, as well as some income and expenses, will not match with the 2023 audited statements due to the transition to IFRS 17 (see Note 3).

## Operating results

In 2023, the Fund, on the funding basis (unaudited), incurred an operating surplus of \$24.0 million versus a \$21.2 million loss in 2022. This large change is mainly a result of incurring a net gain of \$29.6 million in 2023 versus net investment loss of \$24.0 million in 2022 on the funding basis.





Total comprehensive income (loss), which includes the actuarial gain or loss on post-employment benefits, was \$23.8 million in 2023 versus a loss of \$21.1 million in 2022. There were no funding policy surplus distributions in 2023 or 2022.

In 2023, under IFRS, the Fund had a net surplus of \$16.1 million (2022- \$7.8 million) and total comprehensive income of \$15.9 million (2022- \$7.8 million). Under IFRS, the discount resulted in higher total expenses in 2023 compared to the funding basis total expenses.

Again, the main difference in total comprehensive income (loss) is due to the large swing in investment income.

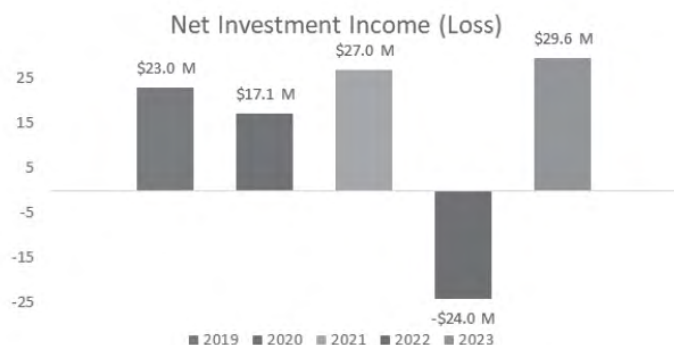
## Revenues

The Fund's revenue and income, which includes net investment income or loss, totalled \$67.8 million in 2023 versus \$13.4 million in 2022. The change in overall revenue was mainly due to the increase in net investment income in 2023.

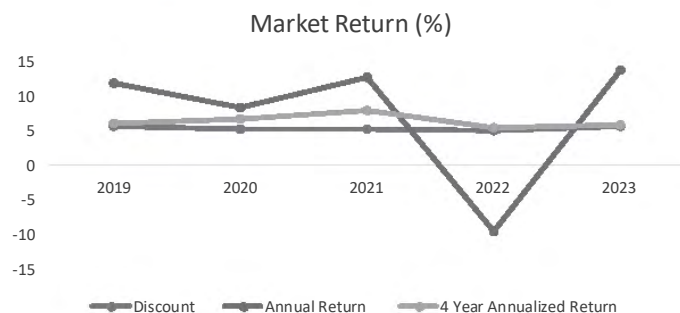
The revenue figures are no longer grouped together under IFRS and two of them have different titles:

- Insurance revenue under IFRS was previously called "assessment revenue".
- Fines and miscellaneous income under IFRS was previously called "Recoveries and other receipts".

The net investment income in 2023 was \$29.6 million versus net investment loss of \$24.0 million in 2022, an increase of \$53.6 million.



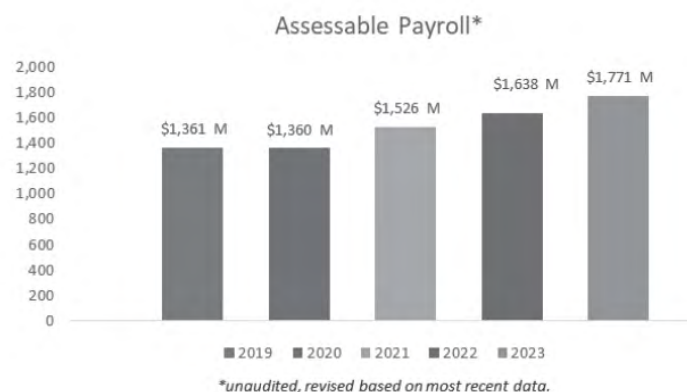
In 2023, the Fund's investments increased due to strong equity markets and solid fixed income returns, ending the year with an overall return of 13.7%. The four-year annualized return increased from 5.5% to 5.9%. As of December 31, 2023, the investment portfolio's asset mix was 45% fixed income and 55% equities. Bond values rebounded in 2023 after having one of the worst years on record last year (-10.7%), posting a return of 7%. Equities had a very strong year and returned 19% for the year.



Assessment revenue (or insurance revenue) in 2023 was \$36.8 million versus \$35.4 million in 2022, marking a 4.2% increase. This increase was mainly due to an overall increase in assessable payroll and an increase in the maximum annual earnings (MAE). The average collected assessment premium rate (per \$100 of insurable earnings) has remained relatively stable year over year, as in 2023 it was \$2.08 versus \$2.15 in 2022.



The increase in assessable payroll (8%) was due to an overall increase in economic activity and an increase in the MAE in 2023. The MAE went from \$94,320 to \$98,093 due to indexing that is based on Consumer Price Index (CPI). The number of employers remained unchanged at 4,036.



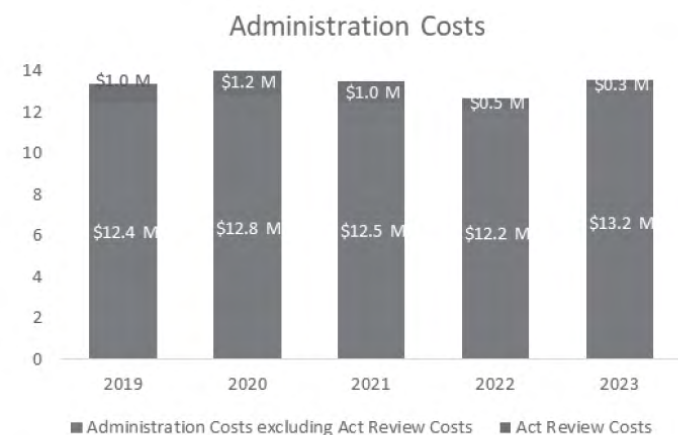
## Expenses

IFRS expenses are shown under three main categories as opposed to multiple expenses under the funding basis. As noted above, the IFRS discount rate resulted in higher total expenses as compared to the funding basis total expenses. The three new expenses categories under IFRS are:

- Insurance service expense (see Note 17 for details) of \$33.0 million in 2023 (2022- \$23.6 million)
- Insurance finance income (loss) (Note 17) of (\$16.0 million) loss in 2023 (2022 – \$21.2 million income)
- Other general and administration expenses (Note 16) of \$2.7 million (2022- \$3.1 million).



Total claims expenses for funding basis were \$29.4 million in 2023 versus \$20.9 million in 2022. The increase was due to a number of factors including an increase in 2023 related to prior years' injuries and the fact that the 2022 numbers were lower due to a discount rate adjustment during that year. Administration costs for funding basis increased to \$13.2 million in 2023 from \$12.7 million in 2022. This increase was mainly related to the settlement of the collective agreement and accompanying retroactive increases to board employees.



## Balance sheet

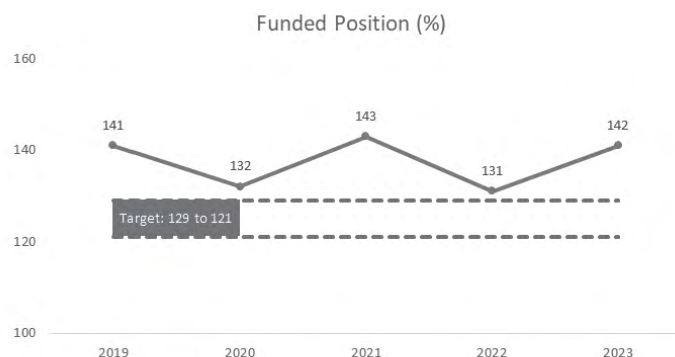
At the end of each fiscal year, the board's actuary calculates the benefits liability for all injuries that have occurred to date. This liability represents the actuarial present value of all future benefits and related administration costs. As at December 31, 2023, this liability under the funding basis was \$186 million, an increase of 5% over the previous year. Under IFRS this liability was \$199.9 million in 2023 (2022 – \$182.5 million).

The total assets of the Fund on the funding basis and under IFRS increased by \$34 million, or 14%, in 2023. This increase was mainly attributable to the increase in the investments driven by strong returns in equities and solid returns in the bond portfolio.

## Funded position

The funding ratio is calculated by dividing the total assets by the total liabilities. Like a pension plan, the Fund must have adequate assets to ensure that benefits can be provided to injured workers both now and well into the future. Reserves are necessary to ensure that the board can minimize rate volatility, protect the Fund from unforeseen catastrophic events and preserve capital during large downturns in financial markets.

As of December 31, 2023, the funding ratio was 142%, up from 131% in 2022, due to strong investment returns in 2023.



## Risk management

In order to identify and manage the many risks that the organization faces, an enterprise risk management system has been implemented. Its purpose is to identify risks that could impede the organization's ability to carry out its mandate of preventing injuries and helping injured workers and their families. Risks are identified and ranked by probability and impact. Risk owners are assigned, and mitigation measures are identified, implemented and monitored throughout the year. These measures are reviewed through the internal audit process to assure the organization that measures are functioning as anticipated. Annually, management formally reviews the risks and corresponding mitigation strategies with the Board of Directors.

The top risks for 2023 were identified as outdated legislation (regulations), the disruption of operations by cyber-attacks and the inability to respond to changing stakeholder needs in a rapidly changing environment. Ongoing mitigation of these risks include the continued work related to implementing of the *Workers' Safety and Compensation Act* which was effective in July 2022, information technology security enhancements and continued commitment to business process improvements.

### **Economic review**

At the beginning of 2023, the prevailing view was that economies would experience a recession due to the aggressive interest rate increases that had occurred over the past two years. As the year developed, consensus shifted to a soft-landing scenario and it appeared that the inflation emergency was over and increasing interest rates should end. In the Yukon, the economy has been relatively good, the population is growing and employment is strong. These factors have resulted in rising demand for our services, particularly on the prevention front.

Overall the number of claims has remained relatively unchanged. A small cohort of claims, however, is complex and challenging to manage. This group includes claims related to psychological injuries, which tend to be very long in duration. The board continues to work with workers, service providers and employers in managing these claims to enable workers to re-enter the workforce in a safe and timely manner.

The board continues to look at how it can leverage technology to improve service quality, security and efficiency. Over the past year, the organization focused on creating online forms and this effort to improve service delivery through technology will continue for the foreseeable future.

### **Future outlook**

Resilience will remain important for the board moving forward. Challenges will emerge rapidly and will be complex and uncertain: a strong financial basis is paramount for addressing them. This strong financial base continues to provide employers with relatively stable rates and ensures that future obligations to injured workers will be met. It also allows the board to invest in enhancing client experience and improving return-to-work outcomes through investments in service, collaboration and engagement. Finally, from a prevention standpoint, it also allows the organization to allocate resources to improve and monitor the safety of Yukon workplaces.

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of the Workers' Safety and Compensation Board - Yukon (the "Board") is responsible for establishing and maintaining a system of books, records, internal controls and management practices designed to provide reasonable assurance that reliable financial information is produced on a timely basis; Compensation Fund assets are safeguarded and controlled; transactions of the Compensation Fund are in accordance with relevant legislation, regulations and Board policies; the Board's resources are managed efficiently and economically and the operations of the Board are carried out effectively.

Management is also responsible for the integrity and objectivity of the financial statements of the Compensation Fund, including any amounts that must of necessity be based on management's best estimates, experience and judgement. Management is responsible for preparing the accompanying financial statements in accordance with International Financial Reporting Standards. Other financial information included in the Annual Report is consistent with these financial statements.

Members of the Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors exercises its responsibilities through the Finance, Investment, and Audit Committee (the "Committee"). The Committee meets with management and the external auditors on a regular basis. The Committee has reviewed the financial statements and has submitted its report to the Board of Directors, which has approved these financial statements.

The Auditor General of Canada conducts an independent audit for the purpose of expressing her opinion on the financial statements. She also considers whether the transactions that come to her notice in the course of the audit are, in all significant respects, in accordance with specified legislation.

Telus Health, an independent consulting actuarial firm, has completed an actuarial valuation of the benefits liability of the Compensation Fund included in the financial statements and reported thereon in accordance with accepted actuarial practice.



Kurt Dieckmann, MBA, CRSP  
President and Chief Executive Officer



Jim Stephens, CPA, CMA, CGA  
Vice President, Operations and Chief Financial Officer

April 26, 2024



## Actuarial Statement of Opinion

I have completed the IFRS17 actuarial valuation of the insurance contract liability of the Yukon Workers' Compensation Health and Safety Board (the "Board") as at December 31, 2023 (the "valuation date"). Details of the data, actuarial assumptions, valuation methods and results are included in the actuarial valuation report as at the valuation date, of which this statement of opinion forms part. In my opinion:

1. The data on which the valuation is based were supplied by the board in accordance with specifications provided by us. We applied such checks of reasonableness of the data as we considered appropriate and have concluded that the data are sufficient and reliable for the purpose of the valuation.
2. The actuarial assumptions adopted in computing the liability are adequate and appropriate for the purpose of the valuation.
3. The methods used are appropriate for the purpose of the valuation and are in accordance with accepted actuarial practice for workers' compensation organizations in Canada.
4. The estimate of the actuarial liabilities as at the valuation date is \$199,324,000. This amount consists of \$199,070,000 for the liability and \$254,000 for the Other Provisional Pensioners Occupation Disease & Presumptive Firefighter liability. This includes provisions for benefits expected to be paid after the valuation date for claims that occurred on or before the valuation date. A provision for future claims arising from long latency occupational diseases is included in this valuation. This liability includes future administrative expenses for all benefits, with the exception of the Retirement benefit. It does not include any accrued liability for claims arising from self-insured accounts.
5. The liability as at the valuation date for Retirement contributions and interest already set aside by the board up to the valuation date for purposes of providing pension benefits to injured workers was obtained from the board's finance division and is included in item 4 above.
6. The amount of the actuarial liabilities makes appropriate provision for all personal injury compensation obligations given the plan's accounting.
7. This report has been prepared, and my opinions given, in accordance with accepted actuarial practice in Canada.
8. The valuation is based on the provisions of the Workers' Safety and Compensation Act and on the board's policies and practices in effect on the valuation date.



Sekayi Campbell, F.C.I.A.

*This report has been peer reviewed by Crispina Caballero, F.C.I.A.*



## INDEPENDENT AUDITOR'S REPORT

To the Workers' Safety and Compensation Board, board of directors and Minister responsible for the Compensation Fund

### *Opinion*

We have audited the financial statements of the Compensation Fund, which comprise the statement of financial position as at 31 December 2023, and the statement of operations and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Compensation Fund as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Compensation Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the Workers' Safety and Compensation Board's annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Compensation Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Compensation Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Compensation Fund's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

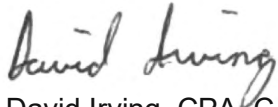
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Compensation Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Compensation Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Compensation Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



David Irving, CPA, CA  
Principal  
for the Auditor General of Canada

Edmonton, Canada  
26 April 2024



## Compensation Fund

### Statement of Financial Position

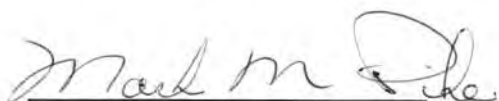
As at (in thousands of Canadian dollars)

	December 31, 2023	December 31, 2022 (Restated - Note 3)	January 1, 2022 (Restated - Note 3)
<b>Assets</b>			
Cash	\$ 8,943	\$ 8,898	\$ 7,008
Accounts receivable (Note 6)	240	328	216
Prepaid expenses	509	415	310
Investments (Note 7)	252,813	221,363	244,798
Property and equipment (Note 8)	12,141	10,123	9,992
Intangible assets (Note 9)	2,987	2,494	3,067
<b>Total assets</b>	<b>\$ 277,633</b>	<b>\$ 243,621</b>	<b>\$ 265,391</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 2,583	\$ 1,970	\$ 2,832
Surplus distributions payable (Note 13)	-	-	22
Other provisions (Note 10)	1,881	1,859	1,877
Insurance contract liability (Note 11)	199,864	182,534	210,999
Employee benefits (Note 12)	3,859	3,685	3,927
<b>Total liabilities</b>	<b>208,187</b>	<b>190,048</b>	<b>219,657</b>
<b>Equity</b>	<b>69,446</b>	<b>53,573</b>	<b>45,734</b>
<b>Total liabilities and equity</b>	<b>\$ 277,633</b>	<b>\$ 243,621</b>	<b>\$ 265,391</b>

Commitments and Contingencies (Notes 15 and 18)

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

Approved by the Workers' Safety and Compensation Board



Mark Pike, Chair

## Compensation Fund

### Statement of Operations and Comprehensive Income

For the year ended December 31 (in thousands of Canadian dollars)

	2023	2022
		(Restated - Note 3)
<b>Insurance Revenue and Expenses</b>		
Insurance revenue	\$ 36,846	\$ 36,299
Insurance service expense (Note 17)	33,007	23,638
Insurance service result	3,839	12,661
Net investment income (loss) (Note 7)	29,614	(24,003)
Insurance finance income (loss) (Note 17)	(16,002)	21,182
<b>Net insurance financial result</b>	<b>17,451</b>	<b>9,840</b>
<b>Other income and expenses</b>		
Fines and miscellaneous income	1,304	1,051
Other general and administration expenses (Note 16)	(2,679)	(3,134)
<b>Total other income and expenses</b>	<b>(1,375)</b>	<b>(2,083)</b>
<b>Net surplus</b>	<b>\$ 16,076</b>	<b>\$ 7,757</b>
<b>Other comprehensive income</b>		
All items presented in other comprehensive income will not be reclassified to net (deficit) surplus in subsequent periods:		
Actuarial (loss) gain on post-employment benefits (Note 12)	(203)	82
<b>Total comprehensive income</b>	<b>\$ 15,873</b>	<b>\$ 7,839</b>

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

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## Compensation Fund

### Statement of Changes in Equity

(in thousands of Canadian dollars)

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	Total (Restated-Note 3)
<b>Balance at January 1, 2022</b>	<b>45,734</b>
Net surplus for 2022	7,757
Other comprehensive gain	82
Total comprehensive income	7,839
<b>Balance at December 31, 2022</b>	<b>53,573</b>
Net surplus for 2023	16,076
Other comprehensive loss	(203)
Total comprehensive income for 2023	15,873
<b>Balance at December 31, 2023</b>	<b>69,446</b>

*The accompanying notes are an integral part of these financial statements*

## Compensation Fund

### Statement of Cash Flows

For the year ended December 31 (in thousands of Canadian dollars)

	2023	2022
		(Restated - Note 3)
<b>Operating activities</b>		
Cash received from:		
Employers, for insurance revenue	\$ 38,323	\$ 36,186
Investment revenue - interest	3,301	2,736
Investment revenue - dividends	2,916	2,658
Fines and miscellaneous income	1,304	1,051
	45,844	42,631
Cash paid:		
To employers, for surplus distributions	-	(22)
For insurance service expense	(32,066)	(29,514)
For other general and administration expenses	(2,383)	(4,123)
For investment fees	(930)	(741)
	(35,379)	(34,400)
<b>Total cash provided by (used for) operating activities</b>	<b>10,465</b>	<b>8,231</b>
<b>Investing activities</b>		
Net (purchases) sale of investments	(7,124)	(5,221)
Purchases of property and equipment	(2,258)	(665)
Purchases of intangible assets	(1,038)	(455)
<b>Total cash (used for) provided by investing activities</b>	<b>(10,420)</b>	<b>(6,341)</b>
<b>Net increase in cash</b>	<b>45</b>	<b>1,890</b>
<b>Cash, beginning of year</b>	<b>8,898</b>	<b>7,008</b>
<b>Cash, end of year</b>	<b>\$ 8,943</b>	<b>\$ 8,898</b>

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



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## Compensation Fund

### Notes to Financial Statements

December 31, 2023 (tabular amounts in thousands of Canadian dollars)

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#### 1. Reporting Entity

The Compensation Fund (the "Fund") is continued by the *Workers' Safety and Compensation Act* (the "Act"). This new Act was passed on December 2, 2021 and came into effect July 1, 2022. The Act supersedes the *Workers' Compensation Act* of Yukon and *Occupational Health and Safety Act* and regulations.

The Workers' Safety and Compensation Board - Yukon (the "Board") was continued under the Act. The Board's mandate is to administer the Act and regulations and provide compensation benefits to workers who sustain work-related injuries. Annual assessments are levied on employers by applying their industry assessment rate to their actual or estimated payrolls for the year. Insurance and investment revenues pay for all insurance service and other general and administration expenses.

The Board's office is located at 401 Strickland Street, Whitehorse, Yukon, Canada, with operations exclusively within the Yukon. The Board is exempt from income tax and the goods and services tax.

#### 2. Statement of Compliance and Basis of Preparation

These financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). The Board of Directors approved and authorized for issue the 2023 financial statements on April 26, 2024.

##### Basis of measurement

These financial statements have been prepared on a historical cost basis, except for the following: investments classified as fair value through profit or loss that are measured at fair value, and the insurance contract liability, other provisions and employee benefits which are actuarially determined. The Fund's functional currency is the Canadian dollar, which is the currency of the primary economic environment in which the Fund operates and is also the presentation currency of the financial statements.

##### Critical Accounting Estimates and Judgements

The Board makes estimates and judgements in respect of certain key assets and liabilities of the Fund. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The significant areas of estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are the following:

- Note 7 Investments – Valuation of financial instruments
- Note 11 Insurance Contract liability – Determination of discount rates and other assumptions
- Note 11 Insurance Contract liability – Determination of latent occupational disease provision

The major areas of judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are the following:

- Note 4(j) Material Accounting Policies - Insurance contract liability - Separation of components, aggregation of contracts, contract initial recognition date, and determination of contract boundaries
- Note 4(j) Material Accounting Policies - Insurance contract liability, Note 16 Other General and Administration Expense - Allocation of general and administration expenses to insurance activities
- Note 7 Investments – Classification of financial instruments
- Note 8 Property and Equipment – The degree of componentization
- Note 9 Intangible Assets – The determination of development costs eligible for capitalization

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#### 3. Changes in Accounting Policies and Disclosures

##### New and revised IFRS issued but not yet effective

The Board reviewed new or revised standards that were issued but yet not effective for 2023 and concluded that there would be no significant impact on the Fund's financial statements in the future as a result of these new or revised standards.

##### Application of new and revised IFRS

The Fund applied IFRS 9 *Financial Instruments* and IFRS 17 *Insurance Contracts* for the first time in 2023. IFRS 17 has been applied retrospectively with the cumulative effect on initial application recognized in equity as at January 1, 2022. Prior year figures were restated as a result of the adoption of this standard. IFRS 9 was also applied retrospectively; however, there were no changes to prior year figures as a result of the adoption of this standard.

The Fund also applied amendments to IAS 1 *Presentation of Financial Statements* in 2023. The adoption of these amendments had no significant impact on the financial statements.

The nature of the changes in accounting policies can be summarised as follows:

##### IFRS 9 – Financial instruments

IFRS 9 replaces IAS 39 – *Financial Instruments: Recognition and Measurement* and includes changes to the previous guidance for financial assets and introduces an “expected credit loss” model for the impairment of financial assets. The Fund had elected to use the temporary exemption allowed for based on amendments to IFRS 4 *Insurance Contracts* issued in March 2020 which delayed implementation of IFRS 9 to 2023 to align with the adoption of IFRS 17.

The adoption of IFRS 9 has impacted the following areas:

- IFRS 9 introduces the expected credit loss model for impairment of the Fund's receivables which replaces the incurred loss model. For receivables, the Fund applies a simplified model of recognizing lifetime expected credit losses as these items do not have a significant financing component.

Other financial assets were evaluated under the new standard and while the terminology has changed, the accounting treatment remains the same. These include:

- Receivables previously classified as loans and receivable under IAS 39 continue to be measured at amortized cost as the cash flows are solely payments of principal and interest and they are held to collect.
- Investments previously held for trading under IAS 39 continue to be measured at fair value through profit or loss (FVTPL), as equity investments are measured at FVTPL, and the Fund has elected under IFRS 9, 4.1.5 to irrevocably designate its fixed income investments at FVTPL to reduce the measurement inconsistency that would otherwise arise from measuring related liabilities for insurance contracts within the scope of IFRS 17.

On the date of initial application, January 1, 2022, the financial instruments of the Company were reclassified as follows:

	Measurement category	
	IAS 39	IFRS 9
Cash	Amortized cost	Amortized cost
Receivables	Amortized cost	Amortized cost
Fixed income	Held for trading	FVTPL
Equity investments	Held for trading	FVTPL

There have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9.



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## Compensation Fund

### Notes to Financial Statements

December 31, 2023 (tabular amounts in thousands of Canadian dollars)

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#### 3. Changes in Accounting Policies and Disclosures (continued)

##### IFRS 17 – Insurance contracts

IFRS 17 replaces IFRS 4 for annual periods on or after January 1, 2023 and has significantly changed the accounting for and presentation of insurance contracts. The Fund applies the premium allocation approach (PAA), which simplifies the measurement of insurance contracts compared with the general measurement model within IFRS 17. IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts. The Fund has applied IFRS 17 retrospectively.

##### Changes to classification and measurement

The recognition, measurement, presentation and disclosure principles under IFRS 17 differ from IFRS 4 in the following key areas:

- Under IFRS 17, the Fund's insurance contracts are eligible to be measured by applying the Premium Allocation Approach (PAA); an optional simplified measurement model;
- The liability for remaining coverage reflects premiums received less amounts recognized in revenue for insurance services provided;
- Measurement of the liability for remaining coverages involves an explicit evaluation of fulfillment cash flows allocated to insurance contracts over its coverage period;
- Measurement of the liability for incurred claims (previously "benefits liability") is determined on a discounted probability-weighted expected value basis, and includes an explicit risk adjustment for non-financial risk. The liability includes the Fund's obligation to pay other incurred insurance expenses;
- The liability for incurred claims is discounted at a rate that reflects the characteristics of the liabilities and duration of each portfolio. The Fund has established a discount rate using risk free yield curves adjusted to reflect the appropriate illiquidity characteristics of the applicable insurance contracts; and
- Insurance revenue, insurance service expenses and insurance financial income or loss are presented separately.

The Fund has elected to expense acquisition cash flows immediately upon payment.

##### Changes to presentation and disclosure

IFRS 17 introduces extensive disclosure requirements on the amounts recognized from insurance contracts and the nature and extent of risks arising from these contracts. The Fund's note disclosures provide qualitative and quantitative information about amounts recognized in the Fund's financial statements related to insurance contracts, along with information about significant judgements in applying the standard.

Prior to the adoption of IFRS 17, reserves were included as separate components in equity. These reserves are no longer calculated using IFRS financial statements and have been reclassified into equity. See note 13(a) for further details.

##### Transition

On the transition date to IFRS 17, January 1, 2022, the Fund identified, recognized, and measured each group of insurance contracts as if IFRS 17 had always applied and derecognized any existing balances that would not exist had IFRS 17 always applied with any resulting net difference recognized in equity.

The Fund has applied the full retrospective approach to its insurance contracts. In accordance with IFRS 17.C3(a), the Fund has not disclosed the amount of the adjustment for each financial statement line item affected in the current and prior periods as a result of the adoption of IFRS 17.

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## Compensation Fund

### Notes to Financial Statements

December 31, 2023 (tabular amounts in thousands of Canadian dollars)

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#### 3. Changes in Accounting Policies and Disclosures (continued)

##### IFRS 17 – Insurance contracts (continued)

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As at January 1, 2022	IFRS 4	Impact of IFRS 17		IFRS 17
		Presentation	Measurement	
Total assets	268,362	(2,971)	-	265,391
Total liabilities	188,205	(2,971)	34,423	219,657
Equity	80,157	-	(34,423)	45,734

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#### 4. Material Accounting Policies

The following is a summary of the Fund's material accounting policies:

##### (a) Cash

For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash includes cash on hand, bank balances, net of any bank overdrafts and cash held by investment custodians for investment purposes.

Foreign currency transactions incurred within operating activities are translated based on the exchange rate at the time of the transaction. Any cash balances remaining in foreign currency bank accounts at year end are translated at the exchange rate in effect as of December 31 of that year. Any gains or losses incurred as a result of translations are recorded in the Statement of Operations and Comprehensive Income.

##### (b) Insurance revenue

At the beginning of each year, the Fund levies assessments on employers by applying their industry assessment rate to their estimated payrolls for the year. The assessment levy is payable by instalments during the year. At year end, employers file a statement of actual assessable payroll and the difference between the estimated assessment and the actual assessment is recognized either as an increase in insurance revenue and recognized as a receivable, or as a decrease in insurance revenue and recognized as assessment refundable. When an employer does not provide estimated payroll, the Fund estimates, and levies assessments based on prior experience with the employer and industry.

Insurance revenue recognized for the period is the amount of expected assessment receipts allocated to the calendar year.

##### (c) Recoveries from third parties

Since July 1, 2008, under section 51 of the Act, the Board is deemed to be an assignee of a cause of action in respect of a worker's injury that arose out of a work-related injury. If settled, or as a result of a Court decision, the legal costs and costs associated with the claim create the settlement. Out of the settlement are paid the legal costs, and legal disbursements, and all past, present and future costs. Any funds remaining are paid to the worker. The amount recovered for past, present and future costs is used to pay for future claims benefits, which were previously expensed in accordance with actuarial calculations, and which were previously incorporated in the insurance contract liability.



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## Compensation Fund

### Notes to Financial Statements

December 31, 2023 (tabular amounts in thousands of Canadian dollars)

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#### 4. Material Accounting Policies (continued)

##### (c) Recoveries from third parties (continued)

Recoveries from third parties are recognized when their receipt is virtually certain and the amount can be reliably measured. They are recorded as insurance revenue in the year they are recognized. No provision is made in the insurance contract liability for possible future third party recoveries because of their contingent nature.

##### (d) Financial Instruments

###### Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model than “hold to collect” or “hold to collect and sell” are categorized at FVTPL. Also, irrespective of the business model, financial assets whose contractual cash flows are not solely payment of principal and interest are accounted for at FVTPL. The Fund can also elect to classify assets at FVTPL if classifying them in another category would result in an accounting mismatch.

Assets in this category include the Fund’s investment portfolio, including fixed income and equity investments.

These assets are measured at fair value with realized gains or losses as well as changes in unrealized gains and losses recognized in net income as investment income. The fair values of quoted investments are based on closing market prices. Transaction costs directly related to the fair value through profit or loss financial assets are expensed as incurred.

###### Financial assets at fair value through other comprehensive income (FVOCI)

The Fund can elect to account for financial assets at FVOCI if the assets meet the following conditions:

- They are held under a business model whose objective is to “hold to collect” the associated cash flows and sell, and
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Fund does not hold any investments categorized as FVOCI.

###### Financial assets at amortized cost

Financial assets are measured at amortized cost if the asset meets the following conditions:

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- The contractual terms of the financial assets give rise to cash flows that are solely payment of principal and interest on the principal amount outstanding.

These assets are recorded initially at fair value and subsequently measured at amortized cost using the effective interest rate method. Interest and realized gains or losses are included in net income. Cash and equivalents and accounts receivable fall into this category.

Receivables are recognized when owed pursuant to the terms of the related contract and are short-term; therefore, the net carrying value is considered to be a reasonable approximation of fair value.

Transaction costs are capitalized on initial recognition and are recognized in income using the effective interest rate method.

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## Compensation Fund

### Notes to Financial Statements

December 31, 2023 (tabular amounts in thousands of Canadian dollars)

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#### 4. Material Accounting Policies (continued)

##### (d) Financial instruments (continued)

###### Investments

Investments are classified and measured at fair value through profit or loss. The fair value of publicly traded investments is the quoted market price which approximates the bid price at the end of the reporting period. Pooled fund units are valued at their year end net asset value, as determined by the fund manager. Purchases and sales of investments are recognized on the trade date.

Net investment income is comprised of realized gains and losses earned in the period arising on the sale of investments; unrealized gains and losses arising from fluctuations in fair value in the period; and dividends and interest earned in the period; net of investment management fees and transaction costs.

Investments denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the end of the year. Income from investments is translated at the rate in effect at the time it is earned. Exchange gains and losses resulting from the translation of foreign currency balances and transactions are recognized in net investment income in the period in which they arise.

The Board does not enter into any financial derivative instruments as part of managing the Fund's investment portfolio.

###### Financial liabilities

Accounts payable and accrued liabilities, and surplus distributions payable are classified at amortized cost. All are initially measured at fair value, and subsequently measured at amortized cost using the effective interest rate method. Due to the short-term nature of accounts payable and accrued liabilities, and surplus distributions payable, their carrying values approximate their fair values, which are classified as Level 2 in the fair value hierarchy.

###### Fair value hierarchy

The Fund uses the following hierarchy for determining and disclosing the fair value of its financial instruments by valuation technique:

- Level 1 - Quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2 - Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3 - Techniques that use inputs which have a significant effect on the recorded fair value which are not based on observable market data.

Changes in valuation methods may result in transfers into or out of an instrument's assigned level. The Board's policy is to recognize transfers as of the date of the event or change in circumstances that cause the transfer. There were no such transfers between levels in 2023 (2022 – No transfers).



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## Compensation Fund

### Notes to Financial Statements

December 31, 2023 (tabular amounts in thousands of Canadian dollars)

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#### 4. Material Accounting Policies (continued)

##### (d) Financial instruments (continued)

###### Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses – the expected credit loss ("ECL") model. Instruments within the scope of the requirements include financial asset measured at amortized cost or FVOCI and receivables.

The recognition of an impairment requires the Fund to consider a broad range of information when assessing credit risk and measuring expected credit losses including past events, current conditions and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. Accounts receivable include an estimate for the lifetime expected credit losses using the simplified method with a provision matrix in the expected credit loss accounts and are regularly reviewed to determine whether the account should be written-off. Accounts are written-off when there is no reasonable expectation of recovery.

###### Derecognition of financial assets and liabilities

A financial asset is derecognized when the contractual right to the cash flows from the asset expires or if the Board transfers the financial asset and substantially all risk and rewards of ownership to another entity. Financial liabilities are derecognized when the contractual obligations are discharged, cancelled, or expire.

##### (e) Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment. Depreciation is calculated based on the straight-line method using rates based on the estimated useful lives of the assets as follows:

Buildings and fixtures	10 – 75 years
Furniture and equipment	5 – 15 years
Computer equipment	5 – 7 years

Where an item of property and equipment is comprised of significant components with different useful lives, the components are accounted for separately.

The estimated useful life, residual value and depreciation method are reviewed at each year end and any change in estimate is made on a prospective basis.

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## Compensation Fund

### Notes to Financial Statements

December 31, 2023 (tabular amounts in thousands of Canadian dollars)

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#### 4. Material Accounting Policies (continued)

##### (f) Intangible assets

Intangible assets are comprised of purchased software and internally developed software systems.

Research costs are expensed as incurred. Development costs of internally developed software systems are capitalized when the system is technically feasible, resources are available, costs can be measured reliably, management intends to use the asset, and future economic benefits are probable. The asset is derecognized when it no longer meets these criteria. Salaries, wages and benefits directly related to internally developed software systems are included in the asset's cost. When the asset is substantially complete and is available for use, development costs are transferred to the related asset category and amortized.

Intangible assets are recorded at cost less accumulated amortization and accumulated impairment. Amortization is calculated based on the straight-line method using rates based on the estimated useful lives of the assets as follows:

Systems and software	5 – 25 years
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The estimated useful life and amortization period is reviewed at each year end and any change in estimate is made on a prospective basis.

##### (g) Impairment of non-financial assets

IAS 36 *Impairment of Assets* requires an entity to test assets for impairment if indicators of impairment exist. The impairment review must be conducted for an individual asset, an asset group, or the cash-generating unit level, which is the smallest identifiable group of assets that generates cash inflows independent of cash inflows from other assets or groups of assets.

Based on an analysis of cash flows, the Board has established that the appropriate cash generating unit for impairment review is the entity. The Board has statutory power under the Act to increase premiums and/or charge a premium surcharge to ensure full funding into the foreseeable future and, therefore, the likelihood of impairment at the entity level is remote.

Individual assets that may have experienced impairment due to loss, damage, obsolescence or curtailed service potential are reviewed and the estimated useful life, depreciation method and residual value adjusted.

The Board assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Board estimates the asset's recoverable amount. As at December 31, 2023, management conducted an impairment review at the entity level, which confirmed that there were no indicators of impairment—changes in the legislative, economic or business environment—that would have a material impact on the Board's ability to generate future economic benefits from its operating (non-financial) assets.



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## Compensation Fund

### Notes to Financial Statements

December 31, 2023 (tabular amounts in thousands of Canadian dollars)

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#### 4. Material Accounting Policies (continued)

##### (h) Government grants

There are two types of government grants which include government grants related to expenses and government grants related to assets. Government grants related to expenses are recognized as income when there is reasonable assurance that the conditions attached to the grant will be complied with and the grant will be received. When the grant relates to an asset, it is recognized as deferred income and is released into income in equal amounts over the expected useful life of the related asset.

In 2005, the Government of Yukon approved the reinstatement of ongoing funding for the Mine Safety Program (the "Program") through an annual grant to the Fund. The Program, which was transferred to the Board in 1993, provides mine rescue training and support services as well as mine safety inspection services. The funding is to be reviewed by the Government, at a minimum, every five years.

##### (i) Other provisions

Other provisions relate to certain claims that occurred prior to 1993, were transferred to the Fund, and were prepaid by the Government of Yukon. Provisions for these claims are determined annually and represent the actuarial present value of all future benefits expected to be paid. Claimants receive fixed monthly payments that are indexed on an annual basis. The estimated duration over which payments will be made is set based on the life expectancy of the claimants. Assumptions required to calculate other provisions include estimates of future inflation, interest rates and mortality rates. Experience adjustments are recognized in net surplus or deficit as incurred.

##### (j) Insurance contract liability

###### Classification

Insurance contracts are contracts under which the Fund accepts significant insurance risk from an employer, by agreeing to compensate the injured worker if a workplace injury occurs. The Fund determines whether it has significant insurance risk by comparing benefits payable after an insured event with benefits payable if the insured event did not occur.

###### Separating components

The Fund has assessed its insurance contracts to determine whether they contain distinct components which must be accounted for under another IFRS. The Fund has recognized all insurance contracts as one component to be accounted for under IFRS 17.

###### Level of aggregation

IFRS 17 requires the Fund to determine the level of aggregation for applying its requirements. Groups of contracts with similar risks that are managed together are aggregated into portfolios. The Fund has determined all insurance contracts issued in a fiscal year are a single portfolio. All of the Fund's insurance contracts are issued at the same time annually or within the same annual coverage period; they share similar risks and are managed together. As a result, the insurance contract liabilities and assets are grouped together and presented as one amount on the Statement of Financial Position. The single portfolio consists of individual insurance contracts to provide insurance benefits to injured workers. The portfolio of contracts must then be divided by profitability. Within each year, the portfolio of contracts must be divided into the following:

- Group of insurance contracts that are onerous at initial recognition (if any);
- Group of insurance contracts that at initial recognition have no significant possibility of becoming onerous subsequently (if any); and
- Group of remaining insurance contracts within the group (if any).

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## Compensation Fund

### Notes to Financial Statements

December 31, 2023 (tabular amounts in thousands of Canadian dollars)

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#### 4. Material Accounting Policies (continued)

##### (j) Insurance contract liability (continued)

###### Level of aggregation (continued)

The Fund performs an annual assessment of the profitability of its portfolio to determine the expected profitability. The Fund has determined that all contracts within each annual portfolio fall within the same profitability grouping as a result of the Fund's pricing and risk management strategies which are based on the collective risk of all insured employers.

###### Recognition

The Fund recognizes groups of insurance contracts it issues from at the earliest of the following:

- The beginning of the coverage period of the group of insurance contracts;
- The date when the first payment is due from an employer or when the first payment is received; or
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous.

The Fund's insurance contracts are recognized on a calendar basis with initial recognition generally being January 1, aside from new employers to the Fund. The Fund's contracts become effective on January 1 annually for existing employers which coincides with the beginning of the coverage period and when the premium rates are considered binding. New employers are added to the insurance contract portfolio when one of the above conditions are met.

###### Contract boundary

The contract boundary is used to determine the cash flows to be included in the groups of insurance contracts. A substantive obligation to provide insurance contract service ends when the Fund has the ability to reassess risks of the employer and as a result can set a price that reflects those risks, or both of the following criteria are satisfied:

- The Fund has the ability to price the group of contracts so that the price reflects the reassessed risk of the group of insurance contracts, and
- The pricing of premiums related to coverage to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

The Fund has determined that the insurance contracts have annual terms that are guaranteed to be renewable each year; however, the Fund has the ability to re-price the premiums based on risk, experience and historical information annually. As the substantive obligation to provide the employer with insurance coverage ends when the Fund has the ability to reprice the risks of the employer, the contract boundary and related cash flows are those associated with that one year coverage period.



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## Compensation Fund

### Notes to Financial Statements

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#### 4. Material Accounting Policies (continued)

##### (j) Insurance contract liability (continued)

###### Measurement

The Fund uses the Premium Allocation Approach (PAA) for all groups of insurance contracts that it issues to employers due to the fact that the coverage period of each insurance contract is one year or less, including insurance contract services arising from all premiums within the contract boundary.

###### *Initial measurement*

For groups of insurance contracts that are not onerous at initial recognition, the Fund measures the liability for remaining coverage at inception as the premiums, if any, received at initial recognition. The Fund has elected to immediately expense any acquisition costs and does not incur any other cash flows prior to the contract commencement date; therefore, no other adjustments are made to the liability for remaining coverage at initial recognition. Where the contract boundary is one year, there is no adjustment required for accretion of interest on the liability for remaining coverage.

For insurance contracts that facts and circumstances indicate that the group of insurance contracts is onerous at initial recognition, the Fund separately groups the onerous contracts from other contracts and recognizes a loss in the statement of operations. The Fund would also establish a loss component for the liability for remaining coverage for such onerous contracts on initial measurement.

###### *Risk adjustment for non-financial risk*

The risk adjustment for non-financial risk is the compensation that the Fund requires for bearing the uncertainty about the amount and timing of the cash flow of insurance contracts. Although non-financial risks are inherent in the operations of the Fund, due to the nature of operations, the Fund does not seek compensation for the uncertainty around the amount and timing of cash flows that arise from the non-financial risks. As the Fund generates sufficient premiums and income from investments to fully fund the operations of the insurance business and other administrative activities, there is no compensation required or earned by the Fund for such risk and as such, the risk adjustment was determined to be approximately nil or negligible.

The Fund estimated the risk adjustment using a 50% confidence level, which is the probability that the actual outcome of future cash flows associated with the Funds claims and expenses will be less than the liability.

###### *Discount rates*

Insurance contract liabilities are calculated by discounting expected future cash flows at the sum of a risk-free yield curve derived from Government of Canada bonds and an illiquidity premium derived from a reference portfolio. The bottom-up approach was applied in the determination of the discount rate using the Fiera Capital Corporation IFRS 17 reference curve.

###### *Fulfillment cash flows*

Fulfillment cash flows comprise the probability-weighted estimates of future cash flows, discounted to reflect the time value of money and the associated financial risks, plus a risk adjustment for non-financial risk which is determined to be negligible. Fulfillment cash flows are comprised of direct expenditures related to insurance activities plus an allocation of indirect expenditures. Management has applied judgement as to the allocation of general and administrative expenses in the determination of the amounts attributable to insurance activities.

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## Compensation Fund

### Notes to Financial Statements

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#### 4. Material Accounting Policies (continued)

##### (j) Insurance contract liability (continued)

##### Measurement (continued)

###### *Subsequent measurement*

###### Liability for remaining coverage

The Fund measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period, plus premiums received in the period, and minus the amount recognized as insurance revenue for the services provided in the period.

Where the Fund's insurance contracts all align to the Fund's annual reporting period, the liability for remaining coverage at the end of each annual reporting period is \$nil.

###### Liability for incurred claims

The Fund estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, reflect current estimates from the Fund, and include an explicit adjustment for non-financial risk. The Fund adjusts all future cash flows for the time value of money and the effect of financial risk.

The liability for incurred claims represents the present value of expected future payments in respect of claims arising from accidents that occurred prior to the end of the fiscal year as well as an allowance for all recognized latent occupational disease claims expected to arise in the future as a result of past exposures. Occupational diseases differ from other types of occupational injuries in that there can be a considerable time lag between the exposure, the manifestation of the disease and the identification of the ensuing disability as a claim. Further, it may be difficult to establish a link between an occupational disease and the workplace. A portion of the total liability is held based on the accumulated exposure up to the valuation date relative to total exposure before manifestation of the occupational disease. The liability for incurred claims also includes an allowance for future claims management costs.

The liability for incurred claims includes provision for all benefits provided by current legislation, policies, and administrative practices.

###### Onerous contracts

If, during the contract period, facts and circumstances indicate that a group of insurance contracts is onerous, the Fund recognizes a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Fund for the liability for remaining coverage for the onerous group showing the losses recognized.

Under the PAA, contracts are not considered onerous unless indicated by certain facts and circumstances. A contract becomes onerous if it's expected to generate losses over its coverage period. The determination of whether a contract is onerous at initial recognition involves comparing the expected return from assessment premiums, less premium rate adjustments related to funding surpluses and deficits, and the present value of the expected benefit payments and administration costs.



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## Compensation Fund

### Notes to Financial Statements

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#### 4. Material Accounting Policies (continued)

##### (j) Insurance contract liability (continued)

###### Measurement (continued)

###### *Modification and derecognition*

The Fund derecognizes insurance contracts when the rights and obligations relating to the contract are extinguished or the contract is modified such that the modification results in a change in the measurement model, substantially changes the contract boundary or requires the modified contract to be included in a different group. As a result, the Fund derecognizes the initial contract and recognizes the modified contract as a new contract. When a modification does not result in derecognition, the Fund recognizes amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

###### *Insurance finance income and loss*

Insurance finance income or loss comprise the change in the carrying amount of the insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

The Fund recognizes all insurance finance income and loss through profit and loss.

##### (k) Employee benefits

###### Short-term employee benefits

Employee benefits that are expected to be settled within twelve months of the reporting date are measured on an undiscounted basis. These benefits include annual vacation leave earned but not yet used.

###### Other long-term employee benefits

Benefits that are expected to be settled beyond twelve months are determined based on an actuarial valuation as the best estimate of future cash flows discounted to present value with actuarial gains and losses recognized in net surplus or deficit as incurred. These benefits include long service vacation leave, sick leave and special leave benefits earned but not used.

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## Compensation Fund

### Notes to Financial Statements

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#### 4. Material Accounting Policies (continued)

##### (k) Employee benefits (continued)

###### Post-employment benefits

###### (i) Retirement and severance benefits

Retirement or severance benefits are available to employees who have completed five years of service with the Board. Payments are made upon retirement or termination, with benefits increasing with additional length of service. The benefit obligation is determined based on an actuarial valuation using estimates of future inflation and interest rates. Actuarial gains and losses are recognized in other comprehensive income as incurred. The obligation is calculated using the projected unit credit method prorated on service.

###### (ii) Public Service Pension Plan

Substantially all of the employees of the Board are covered by the Public Service Pension Plan (the "Plan"), a multi-employer contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both employees and the Fund to cover current service cost. Pursuant to legislation currently in place, the Fund has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Fund.

###### (l) Funding policy surplus distributions

The Board may issue surplus distributions in accordance with its Funding Policy. These are recorded as an expense in the period in which they are approved by the Board of Directors. Surplus distributions that are approved but not issued are recorded as payable when an obligation exists, when the amount of such distributions can be reliably estimated, and when it is probable a payment will be issued in the future to settle the obligation.

#### 5. Risk Management

The Fund has exposure to the following financial risks: credit risk, liquidity risk and market risk (which also includes inflation risk, interest rate risk and currency risk). The Fund's exposure to these risks arises primarily in relation to its investment portfolio, but also in relation to its other financial assets and financial liabilities.

The Board's management is responsible for monitoring performance and recommending changes to the Investment Policy. The Board of Directors is ultimately responsible for governance and strategic direction of the investment portfolio through its review and approval of the Investment Policy and selection of investment managers. The investment managers' compliance with this Investment Policy is monitored on a regular basis. Quarterly, independent consultants benchmark the performance of the Fund's investment managers and advise on the appropriateness and effectiveness of the Fund's Investment Policy and practices.

The following sections present information about the Fund's exposure to each of the above risks and the Board's objectives, policies and processes for measuring and managing each risk. There were no changes to these risks or the Board's objectives, policies and process for managing them during the year ended December 31, 2023.



## Compensation Fund

### Notes to Financial Statements

December 31, 2023 (tabular amounts in thousands of Canadian dollars)

#### 5. Risk Management (continued)

##### Credit risk

Credit risk on financial instruments arises from the possibility that the issuer of a fixed-term instrument fails to meet its obligations. Excess cash not held for investing purposes is held on deposit with the Government of Yukon's banker. Short-term deposits with this bank are rated as R-1 (high). To manage this risk, the Board, as prescribed in the Investment Policy, has determined that short-term investments must have a credit rating of at least R1L, and long-term investments require a rating of BBB or higher by the Dominion Bond Rating Service or the equivalent rating by Moody's, in order to be eligible for consideration as an investment. Diversification of credit risk is managed by limiting the exposure in a single private institution to 15% of the portfolio. The Board has stayed within these guidelines during the year.

##### Fixed Income Portfolio Credit Ratings

Ratings	AAA	AA	A	BBB	31-Dec-23	31-Dec-22
Fixed Income Securities	\$ 35,113	\$ 32,641	\$ 28,581	\$ 10,230	\$ 106,565	\$ 83,462

The Fund's exposure to credit risk associated with its receivables is the risk that an employer or a cost recovery customer (the "customer") will be unable to pay amounts due to the Fund. The Fund's maximum exposure to credit risk associated with its accounts receivable and insurance contract assets is \$3,111,000 (2022 – \$3,427,000).

An estimated expected credit loss has been recorded for accounts receivable and insurance contract assets that may not be collectible as at the reporting date. The amounts disclosed on the Statement of Financial Position are net of these expected credit losses. At December 31, 2023, there were no accounts receivable or insurance contract assets that were past due but not impaired. The Board takes into consideration payment and collections history, and the current economic environment in which the Board operates to assess expected credit losses. The Board recognizes a expected credit losses when management considers that the expected recovery is less than the carrying amount.

The Board believes that the credit risk associated with receivables is mitigated by the following:

- The employer base is dispersed across various industries, with government comprising a significant concentration. The non-government-based employers may be affected by any downturns due to prevailing economic conditions.
- As at December 31, 2023, approximately 81% (2022 – 86%) of accounts receivable and insurance contract assets were outstanding for less than 90 days. The Board does not require collateral or other security from employers or customers for accounts receivable.
- The Board has the power and remedies to enforce payment owing to the Fund.

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## Compensation Fund

### Notes to Financial Statements

December 31, 2023 (tabular amounts in thousands of Canadian dollars)

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#### 5. Risk Management (continued)

##### Liquidity risk

Liquidity risk is the risk that the Fund is not able to meet its financial obligations as they become due or can do so only at excessive cost. The Fund's operations are financed through a combination of the cash flows from operations and investments. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as the cash flows.

The Fund has access to the Government of Yukon's overall line of credit facility with the Government's banker. This access provides the Fund with overdraft coverage of \$10,000,000 if needed. As of December 31, 2023, the Fund had used \$nil (2022 – \$nil) of the overdraft coverage.

The Fund's accounts payable and accrued liabilities had a carrying value of \$2,583,000 as at December 31, 2023 (2022 – \$1,970,000 - Restated - Note 3) and were all payable within a year.

Liquidity risk related to the insurance contract liability is included in note 11(e).

##### Market risk

The Fund is exposed to market risk which is the risk that the fair value or future cash flows of its investments will fluctuate in the future because of economic conditions. Market risk is managed through diversification between different asset classes and geographic locations, and by limiting the concentration in any single entity to 15 per cent or less of the fair value of the investment fund (note 7).

The table below presents the Fund's investment targets and actual asset mix at fair value:

	Target		31-Dec-23	Actual 31-Dec-22
	Minimum	Maximum		
<b>Equities</b>				
Canadian	0%	25%	17.9%	18.1%
United States	0%	25%	20.4%	21.7%
International	0%	25%	17.0%	17.6%
<b>Fixed income</b>				
Short-term investments	0%	10%	2.3%	4.8%
Bonds	35%	85%	42.4%	37.8%
			100.0%	100.0%

## Compensation Fund

### Notes to Financial Statements

December 31, 2023 (tabular amounts in thousands of Canadian dollars)

#### 5. Risk Management (continued)

##### Market risk (continued)

The table below presents the effect on operating results and equity of a material adverse change in the fair value of each of the categories of equities in the Fund's investments portfolio:

	31-Dec-23		31-Dec-22	
	-10%	-20%	-10%	-20%
<b>Equities</b>				
Canadian	\$ (4,514)	\$ (9,029)	\$ (4,005)	\$ (8,010)
United States	(5,154)	(10,308)	(4,796)	(9,592)
International	(4,293)	(8,586)	(3,878)	(7,755)
<b>Total impact on operating results and equity</b>	<b>\$ (13,961)</b>	<b>\$ (27,923)</b>	<b>\$ (12,679)</b>	<b>\$ (25,357)</b>

##### Inflation risk

Inflation risk is the risk that a general increase in price level may result in loss of future purchasing power of current monetary assets. The Board manages inflation risk through its investment allocation between equities and fixed income investments.

##### Interest rate risk

Interest rate risk is the risk that the value of a financial security will fluctuate due to changes in market interest rates. The Fund's investment portfolio is exposed to interest rate risk through its holdings of short- and long-term fixed income investments. Interest rate risk is minimized by actively managing the duration of the fixed income investments.

The table below presents the effects on operating results and equity of a 50 and 100 basis point ("bp")<sup>1</sup> adverse change in the nominal interest rate on the fair value of the bond portfolio.

	31-Dec-23		31-Dec-22	
	+50bp	+100bp	+50bp	+100bp
<b>Positive bp change in nominal interest rate</b>				
<b>Bonds</b>	<b>\$ (3,788)</b>	<b>\$ (7,576)</b>	<b>\$ (2,928)</b>	<b>\$ (5,856)</b>
<b>Total impact on operating results and equity</b>	<b>\$ (3,788)</b>	<b>\$ (7,576)</b>	<b>\$ (2,928)</b>	<b>\$ (5,856)</b>

(1) One basis point (bp) equals 1/100 of 1%; 50 bps = 50/100 of 1%, or 0.5%.

In the event the nominal interest rates decrease by 50 and 100 basis points, the impact will be equal and opposite to the above stated values.



## Compensation Fund

### Notes to Financial Statements

December 31, 2023 (tabular amounts in thousands of Canadian dollars)

#### 5. Risk Management (continued)

##### *Interest rate risk (continued)*

The table below presents the remaining terms to maturity at fair value, along with the average effective yields for each maturity, for fixed income investments exposed to inflation and interest rate risk.

	Remaining term to maturity:				31-Dec-23	31-Dec-22
	< 1 year	1 - 5 years	5 - 10 years	> 10 years		
Bonds	\$ 15,535	\$ 35,656	\$ 23,536	\$ 31,838	\$ 106,565	\$ 83,462
Average effective yield	3.88%	8.53%	4.53%	4.30%	5.71%	3.72%

(1) Maturity is defined as the earliest a bond can be redeemed without penalty by the bond issuer.

The Fund is also exposed to the risk that interest rate movements may materially impact the value of its insurance contract liability (note 11(d)).

##### *Currency risk*

Currency risk is the risk that the value of financial assets and financial liabilities denominated in foreign currencies will fluctuate due to changes in their respective exchange rates relative to the Canadian dollar.

The Fund is exposed to exchange rate volatility that is managed by the contracted fund managers. The Board does not undertake long-term hedging strategies for the currency risk of foreign investments. The Fund's most significant exposure is to the US dollar, Euro, British pound, Japanese yen, Hong Kong dollar and Swiss franc.

The Fund held foreign currency denominated holdings, at fair value, as follows:

Currency	31-Dec-23	31-Dec-22
US Dollar	\$ 59,492	\$ 52,918
Euro	\$ 16,312	\$ 16,778
British Pound	\$ 8,283	\$ 5,546
Japanese Yen	\$ 5,229	\$ 4,304
Swiss Franc	\$ 5,160	\$ 4,702
Hong Kong Dollar	\$ 1,071	\$ 2,215

The sensitivity analysis below presents the effect on operating results and equity of a 10 per cent appreciation in the Canadian dollar as compared to the US dollar, Euro, British pound, Japanese yen, Hong Kong dollar and Swiss franc.

Currency	31-Dec-23	31-Dec-22
US Dollar	\$ (5,408)	\$ (4,811)
Euro	\$ (1,483)	\$ (1,526)
British Pound	\$ (753)	\$ (504)
Japanese Yen	\$ (475)	\$ (391)
Swiss Franc	\$ (469)	\$ (427)
Hong Kong Dollar	\$ (97)	\$ (201)

In the event there is a 10 per cent depreciation in the Canadian dollar, the impact will be equal and opposite to the above stated values.

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## Compensation Fund

### Notes to Financial Statements

December 31, 2023 (tabular amounts in thousands of Canadian dollars)

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#### 6. Accounts Receivable

	31-Dec-23	31-Dec-22
		(Restated - Note 3)
<b>Accounts receivable</b>		
Other receivables and recoveries	\$ 274	\$ 356
Expected credit loss	(34)	(28)
<b>Total accounts receivable</b>	<b>\$ 240</b>	<b>\$ 328</b>

Included in other receivables and recoveries are amounts due from related parties, which are disclosed in note 14.

#### Reconciliation of expected credit loss

The provision for potential credit losses and amounts are subsequently written off once reasonable collection efforts have been made. The reconciliation details are as follows:

	31-Dec-23	31-Dec-22
		(Restated - Note 3)
Balance, beginning of year	\$ 28	\$ 27
Allowance written off	(13)	(9)
Recoveries and other adjustments	(8)	(12)
Current year provision	27	22
<b>Balance, end of year</b>	<b>\$ 34</b>	<b>\$ 28</b>

## Compensation Fund

### Notes to Financial Statements

December 31, 2023 (tabular amounts in thousands of Canadian dollars)

#### 7. Investments

The Board of Directors has established an Investment Policy for the management of the investment process, utilizing external investment managers. The investment managers' compliance with this Investment Policy is monitored on a regular basis.

	31-Dec-23 Fair Value	31-Dec-22 Fair Value
<b>Fixed-term securities</b>		
Federal bonds	\$ 32,618	\$ 28,359
Provincial bonds	28,994	21,779
Corporate bonds	44,779	33,156
Municipal bonds	173	168
	106,564	83,462
<b>Equities</b>		
Canadian	45,172	40,052
United States	51,539	47,961
International	42,932	38,777
	139,643	126,790
<b>Other investments</b>		
Short-term investments	5,860	10,697
Accrued interest receivable	754	589
	6,614	11,286
<b>Investments, subtotal</b>	<b>252,821</b>	<b>221,538</b>
<b>Investment fees accrual</b>	<b>(8)</b>	<b>(175)</b>
<b>Total investments</b>	<b>\$ 252,813</b>	<b>\$ 221,363</b>

The total funds held by investment custodians is \$253,278 (2022 - \$221,456) which includes the investments above and cash on account of \$465 (2022 - \$93).

Net investment income (loss):

	31-Dec-23	31-Dec-22
Interest revenue calculated using the effective interest method	\$ 3,485	\$ 2,826
Other interest and similar income	2,916	2,610
Net fair value gains (losses) on financial assets at fair value through profit and loss	5,452	4,307
Net fair value gains (losses) on derecognition of financial assets at fair value through profit and loss	18,524	(32,997)
Investment fees	(763)	(749)
<b>Net investment (loss) income for the year</b>	<b>\$ 29,614</b>	<b>\$ (24,003)</b>



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## Compensation Fund

### Notes to Financial Statements

December 31, 2023 (tabular amounts in thousands of Canadian dollars)

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#### 7. Investments (continued)

##### Fair value hierarchy

The Fund's investments are categorized into the fair value hierarchy based on type, frequency and visibility of pricing, source of pricing and liquidity. There are three levels of classification:

Level 1 classification reflects public daily market or quote pricing in active markets.

Level 2 classification is used when pricing is:

- a) model or matrix based (using observable inputs and/or market information);
- b) based on closely-related securities;
- c) derived pricing (when no public quote exists); or
- d) from a broker quote on less active markets.

Level 3 classification is used when a security has no public pricing and poor to non-existent liquidity.

As at December 31, 2023, the Fund held the following financial instruments measured at fair value:

	Level 1	Level 2	Level 3	Total
Accrued interest, net of investment fee accrual	\$ 745	\$ -	\$ -	\$ 745
Short-term investments	13,134	-	-	13,134
Bonds	3,714	81,747	-	85,461
Equities	63,594	-	-	63,594
Pooled funds	-	89,879	-	89,879
<b>Total investments</b>	<b>\$ 81,187</b>	<b>\$ 171,626</b>	<b>\$ -</b>	<b>\$ 252,813</b>

As at December 31, 2022, the Fund held the following financial instruments measured at fair value:

	Level 1	Level 2	Level 3	Total
Accrued interest, net of investment fee accrual	\$ 412	\$ -	\$ -	\$ 412
Short-term investments	10,697	-	-	10,697
Bonds	10,465	72,998	-	83,463
Equities	55,240	-	-	55,240
Pooled funds	-	71,551	-	71,551
<b>Total investments</b>	<b>\$ 76,814</b>	<b>\$ 144,549</b>	<b>\$ -</b>	<b>\$ 221,363</b>

## Compensation Fund

### Notes to Financial Statements

December 31, 2023 (tabular amounts in thousands of Canadian dollars)

#### 8. Property and Equipment

A reconciliation of the changes in the carrying amount of property, plant and equipment is as follows:

	Land	Buildings & Fixtures	Furniture & Equipment	Computer & Equipment	Assets under Construction	Total
<b>Cost</b>						
At January 1, 2023	\$ 1,804	\$ 10,903	\$ 1,542	\$ 1,613	\$ 154	\$ 16,016
Additions	-	12	101	152	2,336	2,601
Disposals	-	-	(5)	-	-	(5)
Transfers	-	141	-	-	(141)	-
At December 31, 2023	\$ 1,804	\$ 11,056	\$ 1,638	\$ 1,765	\$ 2,349	\$ 18,612
<b>Depreciation</b>						
At January 1, 2023	\$ -	\$ 3,694	\$ 1,185	\$ 1,014	\$ -	\$ 5,893
Depreciation	-	280	65	238	-	583
Disposals	-	-	(5)	-	-	(5)
At December 31, 2023	\$ -	\$ 3,974	\$ 1,245	\$ 1,252	\$ -	\$ 6,471
<b>Net Book Value</b>						
At December 31, 2023	\$ 1,804	\$ 7,082	\$ 393	\$ 513	\$ 2,349	\$ 12,141

	Land	Buildings & Fixtures	Furniture & Equipment	Computer & Equipment	Assets under Construction	Total
<b>Cost</b>						
At January 1, 2022	\$ 1,804	\$ 10,831	\$ 1,506	\$ 1,237	\$ 42	\$ 15,420
Additions	-	72	117	385	112	686
Disposals	-	-	(81)	(9)	-	(90)
At December 31, 2022	\$ 1,804	\$ 10,903	\$ 1,542	\$ 1,613	\$ 154	\$ 16,016
<b>Depreciation</b>						
At January 1, 2022	\$ -	\$ 3,402	\$ 1,204	\$ 822	\$ -	\$ 5,428
Depreciation	-	292	41	201	-	534
Disposals	-	-	(60)	(9)	-	(69)
At December 31, 2022	\$ -	\$ 3,694	\$ 1,185	\$ 1,014	\$ -	\$ 5,893
<b>Net Book Value</b>						
At December 31, 2022	\$ 1,804	\$ 7,209	\$ 357	\$ 599	\$ 154	\$ 10,123

## Compensation Fund

### Notes to Financial Statements

December 31, 2023 (tabular amounts in thousands of Canadian dollars)

#### 9. Intangible Assets

A reconciliation of the changes in the carrying amount of intangible assets is as follows:

	Internal Software Development Costs <sup>(1)</sup>	Software Systems Under Development	Software Costs	Total
<b>Cost</b>				
At January 1, 2023	\$ 10,742	\$ -	\$ 1,403	\$ 12,145
Additions	-	1,223	42	1,265
Disposals	(432)	-	-	(432)
Transfers	951	(951)	-	-
At December 31, 2023	\$ 11,261	\$ 272	\$ 1,445	\$ 12,978
<b>Amortization</b>				
At January 1, 2023	\$ 8,479	\$ -	\$ 1,172	\$ 9,651
Depreciation	636	-	136	772
Disposals	(432)	-	-	(432)
At December 31, 2023	\$ 8,683	\$ -	\$ 1,308	\$ 9,991
<b>Net Book Value</b>				
At December 31, 2023	\$ 2,578	\$ 272	\$ 137	\$ 2,987

	Internal Software Development Costs <sup>(1)</sup>	Software Systems Under Development	Software Costs	Total
<b>Cost</b>				
At January 1, 2022	\$ 10,116	\$ 254	\$ 1,327	\$ 11,697
Additions	372	-	76	448
Transfers	254	(254)	-	-
At December 31, 2022	\$ 10,742	\$ -	\$ 1,403	\$ 12,145
<b>Amortization</b>				
At January 1, 2022	\$ 7,585	\$ -	\$ 1,045	\$ 8,630
Depreciation	894	-	127	1,021
At December 31, 2022	\$ 8,479	\$ -	\$ 1,172	\$ 9,651
<b>Net Book Value</b>				
At December 31, 2022	\$ 2,263	\$ -	\$ 231	\$ 2,494

<sup>(1)</sup> Included in internal software development costs is the claims management system which has a net book value of \$1,226,000 (2022 – \$1,039,000) and a remaining amortization period of 4 years.

System research and analysis costs expensed in 2023 were \$24,775 (2022 – \$15,542).



## Compensation Fund

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December 31, 2023 (tabular amounts in thousands of Canadian dollars)

#### 10. Other provisions

Prior to 1993, the Government of Yukon did not pay assessment fees and prepaid certain claims. The amount prepaid was equal to the estimated lifetime cost of the claims. The claimants receive fixed monthly payments that are indexed on an annual basis. The estimated duration over which payments will be made is set based on the life expectancy of the claimants.

	31-Dec-23
Balance, beginning of year	\$ 1,859
Amount charged against the provision during the year	124
Effect of discounting	(102)
Balance, end of year	\$ 1,881

#### 11. Insurance contract liability

The following is an actuarial reconciliation of the changes in the insurance contracts issued during the years ended December 31:

Insurance contracts year issued	Assets	2023 Liabilities	Net	Assets	2022 Liabilities	Net
2023	\$ 2,871	\$ 20,058	\$ 17,187	\$ -	\$ -	\$ -
2022	-	13,819	13,819	3,098	18,052	14,954
2021	-	13,526	13,526	-	13,578	13,578
2020	-	11,764	11,764	-	10,060	10,060
2019	-	9,686	9,686	-	10,834	10,834
2018	-	11,086	11,086	-	10,714	10,714
2017	-	10,252	10,252	-	11,075	11,075
2016	-	12,357	12,357	-	11,756	11,756
2015	-	6,744	6,744	-	6,681	6,681
2014	-	12,548	12,548	-	11,728	11,728
2013 and prior years	-	80,895	80,895	-	81,154	81,154
Total insurance contracts issued	\$ 2,871	\$ 202,735	\$ 199,864	\$ 3,098	\$ 185,632	\$ 182,534

## Compensation Fund

### Notes to Financial Statements

December 31, 2023 (tabular amounts in thousands of Canadian dollars)

#### 11. Insurance contract liability (continued)

The reconciliation of the net asset or liability for insurance contracts issued, which shows the liabilities for remaining coverage and the liabilities for incurred claims is disclosed as follows:

	<u>Liabilities for remaining coverage</u>		<u>Liabilities for incurred claims</u>		
	Excluding loss component	Loss component	Present value of future cash flows		2023 Total
Insurance contract liabilities, balance December 31, 2022	\$ 2,161	\$ -	\$ 183,471	\$	185,632
Insurance contract assets, balance December 31, 2022	(3,098)	-	-		(3,098)
Net insurance contract liability, balance December 31, 2022	\$ (937)	\$ -	\$ 183,471	\$	182,534
Insurance revenue	\$ (36,846)	\$ -	\$ -	\$	(36,846)
Insurance service expenses:					
Insurance administrative expenses	-	-	14,642		14,642
Incurred claims expenses	-	-	18,514		18,514
Losses on onerous contracts	-	989	-		989
Reversal of losses on onerous contracts	-	(989)	-		(989)
Changes to liabilities for incurred claims	-	-	(149)		(149)
Total insurance service expenses	-	-	33,007		33,007
Insurance service result	(36,846)	-	33,007		(3,839)
Insurance finance (income) loss	-	-	16,002		16,002
Total changes in the statement of operations and comprehensive income	\$ (36,846)	\$ -	\$ 49,009	\$	12,163
	<u>Liabilities for remaining coverage</u>		<u>Liabilities for incurred claims</u>		
	Excluding loss component	Loss component	Present value of future cash flows		2023 Total
Cash flows					
Insurance revenue received	\$ 38,323	\$ -	\$ -	\$	38,323
Insurance service payments	-	-	(32,066)		(32,066)
Total cash flows	\$ 38,323	\$ -	\$ (32,066)	\$	6,257
Non-cash insurance administration adjustments	-	-	(1,090)		(1,090)
Closing insurance contract liabilities, balance December 31	\$ 3,411	\$ -	\$ 199,324	\$	202,735
Closing insurance contract assets, balance December 31	(2,871)	-	-		(2,871)
Net insurance contract liability, as at December 31	\$ 540	\$ -	\$ 199,324	\$	199,864

## Compensation Fund

### Notes to Financial Statements

December 31, 2023 (tabular amounts in thousands of Canadian dollars)

#### 11. Insurance contract liability (continued)

	<u>Liabilities for remaining coverage</u>		<u>Liabilities for incurred claims</u>		
	Excluding loss component	Loss component	Present value of future cash flows		2022 Total
Insurance contract liabilities, balance January 1, 2022	\$ 2,147	\$ -	\$ 211,823	\$	213,970
Insurance contract assets, balance January 1, 2022	(2,971)	-	-		(2,971)
Net insurance contract liability, balance January 1, 2022	\$ (824)	\$ -	\$ 211,823	\$	210,999
Insurance revenue	\$ (36,299)	\$ -	\$ -	\$	(36,299)
Insurance service expenses:					
Insurance administrative expenses	-	-	13,083		13,083
Incurred claims expenses	-	-	17,725		17,725
Losses on onerous contracts	-	2,059	-		2,059
Reversal of losses on onerous contract	-	(2,059)	-		(2,059)
Changes to liabilities for incurred claims	-	-	(7,170)		(7,170)
Total insurance service expenses	-	-	23,638		23,638
Insurance service result	(36,299)	-	23,638		(12,661)
Insurance finance (income) loss	-	-	(21,182)		(21,182)
Total changes in the statement of operations and comprehensive income	\$ (36,299)	\$ -	\$ 2,456	\$	(33,843)
	<u>Liabilities for remaining coverage</u>		<u>Liabilities for incurred claims</u>		
	Excluding loss component	Loss component	Present value of future cash flows		2022 Total
Cash flows					
Insurance revenue received	\$ 36,186	\$ -	\$ -	\$	36,186
Insurance service payments	-	-	(29,514)		(29,514)
Total cash flows	\$ 36,186	\$ -	\$ (29,514)	\$	6,672
Non-cash insurance administration adjustments	-	-	(1,294)		(1,294)
Closing insurance contract liabilities, balance December 31	\$ 2,161	\$ -	\$ 183,471	\$	185,632
Closing insurance contract assets, balance December 31	(3,098)	-	-		(3,098)
Net insurance contract liability, as at December 31	\$ (937)	\$ -	\$ 183,471	\$	182,534



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## Compensation Fund

### Notes to Financial Statements

December 31, 2023 (tabular amounts in thousands of Canadian dollars)

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#### 11. Insurance contract liability (continued)

##### (a) Objectives in managing risks arising from insurance contracts and policies for mitigating those risks

The Board has an objective to control insurance risk, thus reducing the volatility of operating results. In addition, due to the inherent uncertainty of insurance risk, which can lead to significant variability in the loss experience, operating results from the Fund's workers' compensation business are affected by market factors, particularly movements in asset values. Short-term variability is, to some extent, a feature of the workers' compensation business.

Key aspects of processes established to mitigate insurance risks include:

- The maintenance and use of management information systems, which provides data on the risks that the Fund is exposed to at any point in time;
- Actuarial models, using information from the management information system, are used to monitor claims patterns and calculate assessment premiums. Past experience and statistical methods are used as part of the process; and
- The asset mix of the Fund investments is driven by the nature and term of insurance liabilities. The management of assets and liabilities is closely monitored to attempt to match maturity dates of assets with the expected pattern of claim payments.

##### (b) Terms and conditions of the Act

The terms and conditions attaching to the Act affect the level of insurance risk accepted by the Fund. All workers' compensation coverage entered into is subject to substantially the same terms and conditions under the Act.

##### (c) Development of claims

There is a possibility that changes may occur in the estimate of the Fund's obligations over time. The tables in part (i) of this note show the estimates of total net and gross claims outstanding for each underwriting year at successive year ends.

##### (d) Interest rate risk

The Fund is exposed to the risk that interest rate movements may materially impact the value of the insurance contract liability. The discount rate being applied to future claims payments in determining the valuation of the insurance contract liability is disclosed in part (g) of this note.

The exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets is set out in note 5.

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## Compensation Fund

### Notes to Financial Statements

December 31, 2023 (tabular amounts in thousands of Canadian dollars)

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#### 11. Insurance contract liability (continued)

##### (e) Liquidity risk

The Fund's exposure to liquidity risk is set out in note 5.

The following table estimates the expected amounts and timing of future benefit payments for the provision of outstanding claims. The expected timing of payments from the provision for outstanding claims involves considerable uncertainty. The projections presented below do not include a provision for future administration expenses or latent occupational diseases.

Expected timing of future payments for outstanding claims:

	31-Dec-23	31-Dec-22
Up to 1 year	5%	5%
Over 1 year and up to 5 years	16%	17%
Over 5 years and up to 10 years	19%	19%
Over 10 years	60%	59%
	100%	100%

##### (f) Actuarial assumptions and methods

The insurance contract liability was determined using accepted actuarial practice in accordance with standards established by the Canadian Institute of Actuaries. The actuarial present value of future benefits reflects management's and the actuary's best estimates of long-term economic and actuarial assumptions.

The overall valuation approach is designed to reflect emerging trends without placing too much emphasis on temporary fluctuations. The factors used in the valuation have been developed on a best-estimate basis by taking the Board's historical experience into consideration along with recent trends in that experience. The general philosophy is to avoid reacting too strongly to temporary fluctuations until there is sufficient evidence that a change in assumption is required.

The degree to which the valuation reflects trends is partly impacted by formulas intended to place the appropriate amount of weight on observed experience for each recent year and partly affected by professional judgement based on observation of payment and claiming trends, including discussions with the Board's staff about the underlying factors that might be causing an observed trend.

The following economic assumptions are used in the valuation of the insurance contract liability: discount rate 4.85% (2022 - 5.29%), long-term inflation rate for compensation 2.25% (2022 - 2.25%), and inflation rate for medical benefits 4.75% (2022 - 4.75%). The discount rate net of inflation is used to calculate the present value of expected future payments.

The administration rate represents the present value of the expected future costs required to provide administrative services for the continuation of claims management and maintenance of existing claims. The administration rate applied at December 31, 2023 is 17% (2022 - 17%).

As these assumptions may change over time to reflect underlying economic or legislated conditions, it is possible that such changes could cause a material change to the actuarial present value of future benefit payments.

## Compensation Fund

### Notes to Financial Statements

December 31, 2023 (tabular amounts in thousands of Canadian dollars)

#### 11. Insurance contract liability (continued)

##### (g) Liability sensitivity

The most significant assumption in the determination of the insurance contract liability 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 net discount rate would increase the actuarial present value of the insurance contract liability resulting in an increase in the insurance service expense and insurance contract liability. An increase in the discount rate would decrease the actuarial present value, resulting in a decrease in the insurance service expense and insurance contract liability.

Medical benefits represent approximately 14% (2022 – 14%) of the insurance contract liability. A change in the assumed excess medical inflation rate (above the assumed inflation rate) and the net discount rate would result in a change in insurance service expense and the insurance contract liability as follows:

Percentage change in assumed rates	31-Dec-23		31-Dec-22	
	+1%	-1%	+1%	-1%
Increase (decrease) from change in net discount rate	\$ (16,802)	\$ 19,349	\$ (14,288)	\$ 17,244
Increase (decrease) from change in general inflation	\$ 17,590	\$ (14,647)	\$ 12,472	\$ (15,060)
Increase (decrease) from change in excess medical inflation rate	\$ 3,701	\$ (2,700)	\$ 3,315	\$ (4,599)

##### (h) Claims development

The following table shows the development of claims cost estimates for the nine most recent injury years:

Estimate of Ultimate Claim Payments	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
At end of accident year	24,789	19,067	18,600	21,347	25,921	21,817	21,869	28,488	26,858	78,616	
One year later	25,327	19,126	25,298	21,507	26,159	23,627	20,864	29,145	27,867		
Two years later	25,644	20,206	25,960	21,396	26,454	24,671	21,429	30,071			
Three years later	25,866	17,997	25,536	21,396	27,147	24,900	24,793				
Four years later	29,776	17,221	25,446	21,578	27,060	22,255					
Five years later	30,928	16,997	26,207	24,740	27,106						
Six years later	32,213	18,297	29,758	23,868							
Seven years later	30,324	17,918	29,921								
Eight years later	29,504	17,720									
Nine years later	30,028										
<b>Cumulative Payments</b>											
At end of accident year	3,757	3,801	3,879	4,129	4,094	3,821	3,319	4,226	4,827	4,178	
One year later	6,590	6,081	6,673	6,654	6,662	6,323	5,256	7,127	8,453		
Two years later	7,890	6,773	7,856	7,717	7,959	7,614	6,107	8,757			
Three years later	9,018	7,775	8,478	8,332	8,644	8,164	6,770				
Four years later	9,870	7,590	9,340	8,843	9,364	8,822					
Five years later	10,623	7,899	9,971	9,451	9,874						
Six years later	11,173	8,205	10,468	9,945							
Seven years later	11,708	8,481	10,963								
Eight years later	12,711	8,750									
Nine years later	12,737										
Estimate of Future Payments	17,296	8,970	18,958	13,924	17,232	13,434	17,523	21,314	19,413	24,438	172,502
2013 and prior claims											99,885
Effect of Discounting											(120,007)
Effect of Admin Expenses											23,012
Effect of Occupational Disease Liability											23,932
Liability for Incurred Claims											\$ 199,324



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## Compensation Fund

### Notes to Financial Statements

December 31, 2023 (tabular amounts in thousands of Canadian dollars)

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#### 11. Insurance contract liability (continued)

##### (h) Claims development (continued)

During the year ended December 31, 2023, the Investigations Unit continued to monitor ongoing investigations. The outcome of the investigations is not determinable at this time and therefore, the potential future effect of these claims is not reflected in the insurance contract liability.

#### 12. Employee Benefits

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	31-Dec-23	31-Dec-22
Short-term employee benefits	\$ 792	\$ 744
Other long-term employee benefits (a)	1,163	1,159
Post-employment benefits (b)	1,904	1,782
	<hr/>	<hr/>
	\$ 3,859	\$ 3,685

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Short-term benefits included in the above amounts are expected to be paid within the next 12 months.

##### (a) Other long-term employee benefits

Long service vacation leave is an additional five days of vacation leave available to employees who have completed five years of continuous service with the Board and on each five year anniversary date thereafter.

Employees receive six days of special leave credits for each year of service up to a maximum of 30 days. Unused special leave is not payable upon termination or retirement.

Unused sick leave credits accumulate and are carried forward to a maximum of 180 days. A retiring employee may convert up to one third as pre-retirement leave.

The balance in the liability accrual for accumulating sick and special leave benefits and long service vacation for the year was:

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	31-Dec-23	31-Dec-22
Long service vacation benefits	\$ 52	\$ 44
Accumulating sick and special leave benefits	1,111	1,115
	<hr/>	<hr/>
	\$ 1,163	\$ 1,159

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## Compensation Fund

### Notes to Financial Statements

December 31, 2023 (tabular amounts in thousands of Canadian dollars)

#### 12. Employee Benefits (continued)

##### (a) Other long-term employee benefits (continued)

The movement in the accrual for other long-term benefits for the year was:

	31-Dec-23	31-Dec-22
Benefits, beginning of year	\$ 1,159	\$ 1,200
Current service cost	89	95
Payments made during the year	(207)	(50)
Interest cost	55	32
Other changes	(16)	(79)
Actuarial loss (gain)	83	(39)
<b>Benefits, end of year</b>	<b>\$ 1,163</b>	<b>\$ 1,159</b>

Actuarial loss (gain) remeasurements:

	31-Dec-23	31-Dec-22
Effect of changes in financial assumptions	\$ 73	\$ (39)
Effect of changes in demographic assumptions	10	-
<b>Remeasurement in loss (gain) in surplus or deficit</b>	<b>\$ 83</b>	<b>\$ (39)</b>

##### (b) Post-employment Benefits

###### (i) Retirement and Severance Benefit

Retirement or severance benefits are available to employees who have completed five years of service with the Board. Retirement benefits are one week of pay for each year of service. Severance benefits are half a week of pay for each year of service to a maximum of twenty-eight weeks.

Beginning January 1, 2020, management employees are no longer eligible to receive any further accruals related to severance payable on resignation or retirement. Severance entitlements accrued up to December 31, 2019, are payable upon resignation or retirement.

## Compensation Fund

### Notes to Financial Statements

December 31, 2023 (tabular amounts in thousands of Canadian dollars)

#### 12. Employee Benefits (continued)

##### (b) Post-employment Benefits (continued)

##### (i) Retirement and Severance Benefit (continued)

The movement in the accrual for retirement and severance benefits for the year was:

	31-Dec-23	31-Dec-22
Benefits, beginning of year	\$ 1,782	\$ 1,929
Current service cost	89	97
Payments made during the year	(355)	(382)
Interest cost	85	48
Other changes	100	172
Actuarial loss (gain)	203	(82)
<b>Benefits, end of year</b>	<b>\$ 1,904</b>	<b>\$ 1,782</b>

Actuarial loss (gain) remeasurements:

	31-Dec-23	31-Dec-22
Effect of changes in financial assumptions	\$ 203	\$ (82)
<b>Remeasurement loss (gain) in OCI</b>	<b>\$ 203</b>	<b>\$ (82)</b>

The plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. The risk of default is low as the Fund is in a strong financial position.

The key assumptions used to calculate the retirement and severance benefit are the discount rate and the wage inflation rate. The discount rate of 4.60% (2022 – 5.00%) is selected by reference to a spot curve at the valuation date of high-quality corporate and provincial debt instruments with cash flows that match the timing and amount of the expected benefit payments. The annual rate of general escalation in wages for the bargaining unit is 3.0% for 2023 and 2024 (2022 – 3.0%) and 2.25% for 2025 and beyond (2022 – 2.25% for 2023 and beyond) based on management's best estimate. The annual rate of general escalation in wages for the management group is 2.0% for 2023 and 4.75% for 2024 (2022 – 3.0%) and 2.25% for 2025 and beyond (2022 – 2.25% for 2023 and beyond) based on management's best estimate.

The expected Fund contributions for retirement and severance for the next year are \$336,000 (2022 – \$355,000). The weighted average duration of the retirement and severance benefit is 6.1 years (2022 – 7.1 years).



## Compensation Fund

### Notes to Financial Statements

December 31, 2023 (tabular amounts in thousands of Canadian dollars)

#### 12. Employee Benefits (continued)

##### (b) Post-employment Benefits (continued)

###### (ii) Retirement and Severance Benefit Risks and Sensitivity

The retirement and severance benefit is indirectly exposed to measurement risk from assumptions based on economic factors and uncertainty of future economic conditions, such as discount rates affected by volatile bond markets and inflation risk due to payment timing uncertainty. Demographic factors such as workforce average age and earnings levels, attrition and retirement rates affect current and future benefit costs due to the amount and timing of expected payments.

A change in the key assumptions used to calculate these benefits would result in a change in the obligation and benefit expense as follows:

Percentage change in assumed rates	31-Dec-23		31-Dec-22	
	+1%	-1%	+1%	-1%
Increase (decrease) from change in discount rate	\$ (111)	\$ 126	\$ (103)	\$ 116
Increase (decrease) from change in wage inflation rate	\$ 125	\$ (113)	\$ 117	\$ (105)

The above sensitivity analysis is based on a change in an assumption while keeping all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. The same method of calculation has been applied to the sensitivity analysis as to the calculation of the retirement and severance benefit obligation, the projected unit credit method, and did not change compared to the prior year.

###### (iii) Public Service Pension Plan

Substantially all of the employees of the Board are covered by the Public Service Pension Plan (the "Plan"), a multi-employer contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both employees and the Fund. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution.

The employer contribution rates effective for the year were as follows:

Contribution rate for the year	31-Dec-23		31-Dec-22	
	Up to Maximum	Above Maximum	Up to Maximum	Above Maximum
For employees eligible before January 1, 2013	1.02	5.29	1.02	5.91
For employees eligible after January 1, 2013	1.00	5.29	1.00	5.91
Maximum salary limit	\$ 196,200	No limit	\$ 191,300	No limit

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## Compensation Fund

### Notes to Financial Statements

December 31, 2023 (tabular amounts in thousands of Canadian dollars)

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#### 12. Employee Benefits (continued)

##### (b) Post-employment Benefits (continued)

##### (iii) Public Service Pension Plan (continued)

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of two per cent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation. For employees joining the plan after January 1, 2013, the normal retirement age has been raised from age 60 to age 65.

Contributions made to the Public Service Pension Plan by the Fund and the employees for the year were as follows:

	31-Dec-23	31-Dec-22
Employees' contributions	\$ 782	\$ 801
Fund contributions	\$ 792	\$ 812

The expected contributions to the Plan for the next year are \$834,000 (2022 – \$836,000) employee contributions and \$870,000 (2022 – \$879,000) Fund contributions.

##### (c) Benefit expense

Benefit expense recognized in salaries and benefits within administration expenses in the Statement of Operations and Comprehensive Income for other long-term employee benefits and post-employment benefits was \$1,194,000 in 2023 (2022 – \$1,143,000).

#### 13. Capital Management and Surplus Distributions

##### (a) Capital management

The Workers' Safety and Compensation Act establishes that one of the purposes of the Act is to maintain a solvent Compensation Fund managed in the interest of workers and employers. To ensure that the Fund is able to meet its financial obligations, premiums charged to employers over time must be sufficient to cover current and future costs of all claims incurred by injured workers. These insurance revenues, combined with investment returns, are designed to provide the foundation for the Fund to meet all current and future obligations for injured workers.

The Board of Directors uses the Funding Policy to manage capital, which is the net difference between assets and liabilities or equity. The Funding Policy provides guidance to maintain a financially sustainable system. The Policy directs the Board to ensure sufficient equity is maintained in the Fund to stabilize the effect of fluctuations in the employer assessment rates and investment returns. The Fund is considered fully funded when there are sufficient funds for the payment of all present and future compensation, and other liabilities, including the cost of administration.

## Compensation Fund

### Notes to Financial Statements

December 31, 2023 (tabular amounts in thousands of Canadian dollars)

#### 13. Capital Management and Surplus Distributions (continued)

##### (a) Capital management (continued)

Prior to 2023, an adverse events reserve and stabilization reserve were presented as separate components within equity. However, due to the adoption of IFRS 17, the Fund issued a new Funding Policy which calculates the stabilization reserve and adverse events reserve based on a separate actuarial valuation which uses a different discount rate that is equal to the expected long term rate of return on the Fund's investments. The new Funding Policy is strictly for rate setting purposes, and the reserves are not related to holders of equity claims. As a result, the reserves are no longer presented as separate components within equity. The adverse events reserve of \$27,233,000 and stabilization reserve of \$31,799,000 at December 31, 2022 (\$26,933,000 and \$53,224,000 at January 1, 2022, respectively) have been reclassified into equity to conform to the current year presentation.

##### (b) Surplus Distributions

In 2023, no surplus distribution was approved (2022 - no surplus distribution). In 2023 and 2022, no recoveries occurred related to previously approved surplus distributions.

Reconciliation of surplus distributions payable:

	31-Dec-23	31-Dec-22
Surplus distributions payable, beginning of year	\$ -	\$ 22
Prior year surplus distributions adjustments	-	(22)
<b>Surplus distributions payable, end of year</b>	<b>\$ -</b>	<b>\$ -</b>

#### 14. Related Party Transactions

##### (a) Government of Yukon

The Board is a territorial entity with delegated powers on behalf of the Government of Yukon (the "Government") and is related to its departments, agencies and corporations. The Board enters into transactions with the Government and its related entities in the normal course of business, and the transactions are recorded at fair value.

Included in the Fund's accounts receivable, insurance contract assets, insurance contract liabilities and accounts payable as of December 31, 2023, are amounts owing to and from the Government and its related entities as follows:

	31-Dec-23	31-Dec-22
Due to the Government and its related entities	\$ (1,036)	\$ (1,049)
Due from the Government and its related entities	532	716
<b>Net amount due</b>	<b>\$ (504)</b>	<b>\$ (333)</b>



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## Compensation Fund

### Notes to Financial Statements

December 31, 2023 (tabular amounts in thousands of Canadian dollars)

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#### 14. Related Party Transactions (continued)

##### (a) Government of Yukon (continued)

During 2023, the Compensation Fund paid the Government and its related entities \$382,000 (2022 – \$398,000) for computer, office supplies, payroll processing, recruitment and training. The Fund also reimbursed the Government for payroll costs of \$10,374,000 (2022 – \$10,194,000).

Revenues and miscellaneous income from the Government and its related entities for the year ended December 31, 2023, totalled \$11,144,000 (2022 – \$10,669,000), including assessment premiums of \$10,475,000 (2022 – \$9,859,000), the Mine Safety Program Grant \$330,000 (2022 – \$330,000), and reimbursements for claims costs received from the Government of \$311,000 (2022 – \$343,000).

The Workers' Advocate Office operates independently from the Board and assists workers or dependants of workers in respect of claims for compensation. The approved budget of the Workers' Advocate shall be paid out of the Compensation Fund. In 2023, the Fund reimbursed the Government \$360,000 (2022 – \$361,000) for the Workers' Advocate Office expenses.

##### (b) Key management personnel

The remuneration of key management personnel, which includes the members of the Board of Directors and the senior management team, recognized as an expense during the period was:

	31-Dec-23	31-Dec-22
Short-term employee compensation and benefits	\$ 1,513	\$ 1,473
Other long-term employee benefits	20	-
Post employment benefits	203	174
<b>Total remuneration</b>	<b>\$ 1,736</b>	<b>\$ 1,647</b>

Contributions made to the Public Service Pension Plan by the Fund for key management personnel were \$143,000 (2022 – \$139,000) and are included in post-employment benefits.

As at the reporting date, there were no business relationships, outstanding amounts or transactions other than compensation between the Fund and its key management personnel.

## Compensation Fund

### Notes to Financial Statements

December 31, 2023 (tabular amounts in thousands of Canadian dollars)

#### 15. Commitments

As of December 31, 2023, the Fund had entered into the following contractual commitments for the next five years:

	Contribution agreements	Computer systems support	Professional services	Building construction & maintenance	Other	Total
2024	\$ 737	\$ 424	\$ 848	\$ 2,729	\$ 75	\$ 4,813
2025	667	-	167	-	17	851
2026	642	-	-	-	-	642
2027	655	-	-	-	-	555
2028	-	-	-	-	-	-
<b>Total</b>	<b>\$ 2,701</b>	<b>\$ 424</b>	<b>\$ 1,015</b>	<b>\$ 2,729</b>	<b>\$ 92</b>	<b>\$ 6,961</b>

#### 16. Other General and Administration Expenses

The table below presents expenditures by type:

	31-Dec-23	31-Dec-22 (Restated - Note 3)
Salaries and benefits	\$ 10,058	\$ 9,752
Consulting and professional	1,262	1,255
Amortization - intangible assets	772	1,021
Computer systems support and licences	1,015	811
Prevention	1,020	799
Depreciation - property and equipment	582	534
Building maintenance	472	507
Statutory funding obligations	568	552
General administration	824	331
Communications	181	206
Other provisions	124	100
Automobile and travel	122	97
Board expenses	63	83
Staff and recruitment	92	69
Printing and publications	54	46
Supplies and stationery	35	45
Furniture and equipment	77	9
	<b>\$ 17,321</b>	<b>\$ 16,217</b>
less allocation to insurance administrative expenses (Note 17)	(14,642)	(13,083)
<b>Other general and administration expenses</b>	<b>\$ 2,679</b>	<b>\$ 3,134</b>

## Compensation Fund

### Notes to Financial Statements

December 31, 2023 (tabular amounts in thousands of Canadian dollars)

#### 16. Other General and Administration Expense (continued)

The table below presents expenditures by program cost center:

	31-Dec-23	31-Dec-22 (Restated - Note 3)
Administration	\$ 13,027	\$ 11,992
Occupational health and safety	2,056	2,152
Act and regulation amendments	355	512
Workers' advocate	360	361
Employer advisor	172	91
Appeal tribunal	207	210
Prevention	1,020	799
Other provisions	124	100
	\$ 17,321	\$ 16,217
less allocation to insurance administrative expenses (Note 17)	(14,642)	(13,083)
Other general and administration expenses	\$ 2,679	\$ 3,134

#### 17. Insurance Service Expense and Insurance Finance Income (Loss)

The breakdown of insurance service expense is presented below:

	31-Dec-23	31-Dec-22
Incurred claim expenses	\$ 18,514	\$ 17,725
Insurance administrative expenses (Note 16)	14,642	13,083
Incurred claims and other expenses	\$ 33,156	\$ 30,808
Loss on onerous contracts	989	2,059
Reversal of losses on onerous contracts	(989)	(2,059)
Change to liability for incurred claims	(149)	(7,170)
Insurance service expense	\$ 33,007	\$ 23,638
	31-Dec-23	31-Dec-22
Insurance finance income (loss) from insurance contracts issued:		
Interest accreted to insurance contracts using current financial assumptions	\$ (9,097)	\$ (6,651)
Due to changes in discount rate	(6,138)	29,066
Due to changes in other financial assumptions	(767)	(1,233)
Total insurance finance income (loss) from insurance contracts issued	\$ (16,002)	\$ 21,182



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## Compensation Fund

### Notes to Financial Statements

December 31, 2023 (tabular amounts in thousands of Canadian dollars)

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#### 18. Contingencies

Due to the nature of the Board's operations, various legal matters are pending. In the opinion of management, these matters are not expected to have a material effect on the Fund's financial position or results of operations. These various legal matters include certain confidentiality clauses; to avoid prejudicing these claims, no further information is disclosed.