



Workers'  
Compensation  
Board - Alberta

# 2025 Annual Report



Workers'  
Compensation  
Board - Alberta


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## Message from the Chair and President & CEO

In a year of economic uncertainty and increasingly complex workplace injuries and claims, WCB-Alberta is proud to have been a reliable and trustworthy partner for the people who needed us.

We maintained our focus on providing fair and timely service while protecting the sustainability of the workers' compensation system. The year was defined by strong performance and by important initiatives that have strengthened the foundation for future success.

### *Building upon a strong foundation for care*

It is a privilege to support the workers and families who rely on us. While we have a longstanding and well-established base of supports for those in our care, we are also committed to continually improving and adapting to meet Albertans' evolving needs.

One of the clearest examples of this commitment is expanding the eligibility for permanent total disability benefits. This change was aimed at workers with very high levels of permanent clinical impairment who need support to manage essential daily activities. Our intention was to ensure workers with the most severe, life-altering injuries receive long-term financial stability through ongoing benefits that replace lost income.

In 2025, we strengthened connections with our health care partners to ensure injured workers receive timely, high-quality care—an essential factor in recovery and safe, sustainable return to work. We signed a new long-term agreement with the Alberta Medical Association and expanded care options with nurse practitioner services across the province. Both agreements will ensure injured workers can access the care they need, when and where they need it.

These changes are just two of many examples that reflect the compassion and care we strive to bring to every person we serve.

### *Modernizing our services for better connections, insights and outcomes*

Throughout 2025, we met our core service commitments while making significant progress on the modernization initiatives that will shape our next decade of service delivery.

We developed and deployed an interactive virtual coach in our Claims Contact Centre to help our agents provide fulsome, accurate information to clients more quickly than ever. We implemented predictive analytics to support return-to-work outcomes and we launched new applications to support the replacement of older, legacy systems.

We also collaborated with our rehabilitation partners on the development of CareHub, a new online reporting platform. CareHub makes it easier for our claims management teams and return-to-work service providers to share information and help workers get back to work and life.

From optimizing internal processes to adopting automations and empowering people with innovative tools, we demonstrated that modernization paired with high-quality service can create a better experience for staff and clients alike.

### *Supporting our people to deliver their best*

The strength of our work is defined by the people who deliver it. Reflecting the Board of Directors' commitment to prioritizing and supporting our staff, we are taking a hard, honest look at how we work today, imagining what our future could be and building the foundation to get there.

In 2025, we took an important step forward with “reimagining work” for our claims teams. This end-to-end transformative initiative is grounded in listening to our employees to better understand the pressures they face and the barriers that can prevent them from effectively serving our clients. Their insights will shape how we redesign work—creating more sustainable workloads, removing friction points and improving the client experience for injured workers and employers.

What has stood out throughout this process is the extraordinary commitment of our staff and leaders. Their openness, honesty and willingness to help us improve reflect the care they bring to their roles every day. Listening to our people has always been core to who we are. Building on this, we are further empowering our teams to deliver reliable, excellent service for clients.

### *Looking ahead with confidence*

We are proud of the ongoing collaboration between the executive leadership team and the Board of Directors. Together, we addressed the immediate priorities of 2025 while carrying forward the commitments we made in our five-year strategic plan. Through it all, we remain focused on the long-term health and success of the workers’ compensation system.

On behalf of the Board of Directors and our leadership team, thank you to our clients, partners and every member of the WCB-Alberta team. Your trust and support fuel our progress in helping Alberta’s injured workers recover and return to work.



**Dr. Ray Block**

Chair, Board of Directors  
Workers’ Compensation Board – Alberta



**Trevor Alexander**

President & Chief Executive Officer  
Workers’ Compensation Board – Alberta

## Our Board of Directors

Consisting of representatives of the interests of workers, employers and the general public of Alberta, the Board of Directors draws on its members' knowledge, experiences and insights to champion WCB's mandate and ensure we uphold our commitments to the people we serve.

Accountable to the Minister of Jobs, Economy, Trade and Immigration, the Board provides strategic guidance to our executive leadership team and rigorous oversight through standing committees focused on audit, finance, policy, human resources and governance. The Board's commitment to a strong and stable workers' compensation system and dedication to effective governance help ensure our organization serves Albertans efficiently and responsibly, today and into the future.

### Board Chair

#### **Dr. Ray Block**

*Member since 2022*

*Audit committee*

*Finance committee*

*Human resource and governance committee*

*Policy committee*

### Representative of the interests of workers

#### **Claire Seo**

*Member since 2024*

*Human resource and governance committee*

#### **Dr. Joshua Bezanson**

*Member since 2025*

*Human resource and governance committee*

*Policy committee*

### Representative of the interests of employers

#### **Brian McConkey**

*Member since 2020*

*Human resource and governance committee (chair)*

*Policy committee*

#### **Nancy Walker**

*Member since 2024*

*Audit committee*

*Finance committee*

#### **Shawna Miller**

*Member since 2020*

*Audit committee*

*Finance committee*

### Representative of the interests of the general public

#### **Jordon Copping**

*Member since 2024*

*Human resource and governance committee*

*Policy committee*

Thank you to **Mike Boyle** (formerly representative of the interests of workers and chair of the policy committee) and **Mary Phillips-Rickey** (formerly representative of the interests of the general public and chair of the audit and finance committees) for their service on our Board of Directors in 2025.

## Our leaders

Our executive management team leads with integrity, clarity and purpose to ensure our workers' compensation system remains fair, sustainable and responsive to the evolving needs of Alberta's workers and employers. Guided by the Board of Directors, these leaders shape strategies that empower our people, strengthen partnerships and deliver an exceptional client experience that supports recovery and return to work.

### **Trevor Alexander**

*President & CEO*

### **Adrienne Lozinski**

*Vice President, Employer Account Services and Claims Management*

### **Curtis Craig**

*Secretary and General Counsel*

### **Dayna Therien**

*Vice President, Employee and Corporate Services*

### **Laurent Charron**

*Chief Financial Officer*

### **Marcela Matthew**

*Vice President, Millard Health and Special Care Services*

### **Sara Schmidt**

*Vice President, Client Services and Disability Management*

### **Tarick Ahmad**

*Chief Technology Officer*

## Our priorities and values

**We are committed to delivering a strong, stable workers' compensation system that supports injured workers and employers.** Our work is grounded in our core values of service, care, excellence, trust and fairness. These values guide our decisions, shape our culture and underpin our commitment to delivering outcomes that are focused on people.

Outlined in our five-year strategic plan, our priorities offer direction to improve return-to-work outcomes, enhance the client experience and maintain the financial sustainability of the system.

### Guiding principles

**Our decisions are guided by three principles designed to ensure injured workers, employers and health care providers feel truly engaged in the workers' compensation system.**



**Exceptional service**  
COLLABORATIVE | INCLUSIVE |  
EMPOWERING

We provide **exceptional service** by committing to collaborative and inclusive processes with our clients and partners to ensure the best possible outcomes.



**Fair and balanced**  
TRANSPARENT | RESPONSIVE |  
TRUSTED

We make decisions that are **fair and balanced**, grounded in evidence, law and policy. We understand that transparency and impartiality are key to building trust with our clients and partners.



**Financial sustainability**  
BALANCED | ENDURING |  
COST-EFFECTIVE

We maintain **financial sustainability** to make sure the workers' compensation system is an enduring and reliable source of support for workers and employers.

## Key performance indicators

Supporting workers and employers is at the heart of our mission. Our key performance indicators are the measurable signals that show how well we are truly helping injured workers and employers. Successful return-to-work outcomes benefit workers in their recovery, minimize workplace disruptions for employers and reinforce the stability and sustainability of the workers' compensation system. We regularly measure and monitor these indicators to ensure we are on the right track.



### Make quick decisions and timely payments

**Our service commitment:** We will issue wage loss benefits to  $\geq 83\%$  of workers within 14 days of claim registration.

**Result:** *83% of workers with accepted claims received benefits within 14 days.*



### Reduce prolonged disability

**Our service commitment:** We will ensure  $\geq 85\%$  of workers achieve their fitness to work within four months.

**Result:** *89% of workers achieved their fitness to work within four months.*



### Find realistic and accessible jobs

**Our service commitment:** We will provide job placement or a viable job lead to  $\geq 85\%$  of workers needing re-employment assistance.

**Result:** *91% of workers secured a job placement or a viable job lead.*



### Achieve successful return to work

**Our service commitment:** We will ensure  $\geq 93\%$  of workers achieve a successful return to work.

**Result:** *94% of workers achieved a successful return to work.*



### Work together towards success

**Our service commitment:** We will ensure  $\geq 83\%$  of workers and employers are satisfied with the timeliness, transparency and respect of WCB.

**Result:** *84% of workers and employers were satisfied.*

## Our 2025 goals and results

### Health care



*Every successful recovery starts with access to the right care at the right time. Our priority is to make that happen by supporting injured workers with quality care and collaborating with our partners to achieve safe, sustainable return-to-work outcomes.*

### Our 2025 results

***We expanded our contracted clinical provider networks to ensure injured workers continue to have access to high-quality care for their occupational injuries.***

We strengthened our provider networks this year. A new agreement with the Alberta Medical Association protects access to essential primary and specialist health services, offering stability and consistency for clients across the province. We also expanded care options with nurse practitioners, who will serve as an additional avenue for assessment and treatment, reflecting their growing role and evolving scope of practice in Alberta's health system. These enhancements help ensure injured workers can access the right care when they need it and provide our staff with accurate and timely clinical reporting to support their decision-making.

***We developed an online reporting tool for service providers to enhance collaboration and information sharing for return-to-work planning.***

Sharing reliable, up-to-date information between WCB and our trusted rehabilitation partners is essential for supporting safe and successful return-to-work outcomes. To support injured workers as they enter a return-to-work program, we partnered with Millard Health, Lifemark and CBI Health to deliver CareHub. This new online reporting platform offers a smarter, faster way for claim owners to collaborate with our service providers. CareHub reduces administrative tasks and eliminates cumbersome processes for information-sharing between our teams and these service providers. With less time spent on paperwork and processes, our collaborative care teams can focus on helping workers get back to work and life.

## Changing nature of claims



*As mental health challenges become more widely recognized, psychological injury claims are increasing. Unlike physical injuries, psychological injuries can involve different complexities, calling for unique and evolving approaches to support return to work. For that reason, we work closely with employers, service providers and our community partners to expand education and improve our tools and resources.*

### Our 2025 results

#### ***We partnered with employers to develop effective return-to-work support for injured workers with compensable psychological injuries.***

When employers and workers share a clear understanding of the psychological demands of a specific job, they can better align employee capabilities with job demands and improve the likelihood of successful return to work. Building on successes from the previous year, we expanded the use of our cognitive psychosocial job demands analysis tool to include secondary psychological injury claims. These are injuries that develop from a physical injury and can become a significant barrier to overall recovery.

Our teams adopted an engagement strategy focused on educating employers about the value of the cognitive psychosocial job demands analysis and how to complete it. By strengthening collaboration with employers and helping them gain an understanding of the psychological demands of a worker's position, we achieved 15.4% utilization of the cognitive psychosocial job demands analysis tool on claims with a secondary psychological injury. Steady adoption of this tool and strong employer engagement enabled us to exceed our 2025 target of a 3% improvement. By year end, 27% more workers with an accepted secondary psychological injury returned to work.

#### ***We are improving education about occupational psychological injuries through new community partnerships.***

Psychological injuries can present significant challenges for achieving an effective, sustainable return to work. By expanding education and resources, we are helping workers, employers and care providers to better understand these injuries and the importance of work in the recovery process. To support our education efforts and deliver improved support, we launched an innovative partnership with Wounded Warriors Canada (WWC). WWC is a national mental health service provider with expertise in trauma recovery and resilience training for veterans, first responders and health care workers.

Leveraging WWC's expertise, we hosted education events for 573 psychologists, occupational therapists, WCB staff and employers. The events, led by WWC's national clinical director, Dr. Tim Black, focused on best practices in trauma-informed therapy. Feedback was overwhelmingly positive, with over 99% of surveyed participants reporting a clear understanding of the critical role of work in the recovery process.

## Service journey



*We put clients at the centre of their recovery and return to work. By offering innovative tools and responsive support, we make it easier for workers and employers to connect with the information and assistance they need, when they need it. Our commitment is clear: to ensure clients are informed, empowered and supported so they can achieve positive and meaningful outcomes.*

### Our 2025 results

#### ***We developed and enhanced service offerings to give injured workers and employers convenient access to support.***

To improve access to support for injured workers and employers, we enhanced our digital services and strengthened support in the Claims Contact Centre. Client focus groups provided insight into how workers and employers use our online services, helping us identify specific opportunities to improve navigation, clarify information and strengthen self-service tools.

Based on this feedback, we added four new features and improved 10 existing features across our mobile apps and online services, making it easier for people to find what they need and move through our processes with confidence. We also introduced virtual coach technology in the Claims Contact Centre to support our staff in accessing information more quickly so they can provide clear and timely responses to inquiries from workers and employers.

## Changing nature of work



*We want to help workers succeed in a changing employment landscape. Today's labour market demands flexibility, new skills and creative solutions for those who cannot return to their pre-accident jobs. Through personalized care planning, targeted supports for older workers and partnerships with employers, we are making every effort to ensure workers have the tools and opportunities to achieve meaningful, sustainable employment.*

### Our 2025 results

#### ***We are helping workers 50 and older reintegrate into the workplace.***

Workers aged 50 and older often face longer recoveries and additional barriers when reintegrating into the workforce after a workplace injury. Without the right support, they can experience prolonged absence from work, financial strain, health setbacks and reduced retirement security. Recognizing these risks, we focused on tailored strategies that reflect the experience, skills and needs of mature workers. As a result, 88% of workers aged 50 and older secured either a job or a viable job lead, exceeding our target of 85%.

Over the past two years, we have consistently exceeded this goal, demonstrating the effectiveness of our approach. The strategies that have been successful with this demographic are proving equally effective with other age groups, resulting in meaningful progress for injured workers, employers and the workers' compensation system.

#### ***We are examining new approaches to re-employment services to meet the evolving needs of workers in a changing world of work.***

Economic shifts and an evolving labour market add complexity to return-to-work planning. Factors such as automation, gig work and an aging workforce require more flexible and adaptable approaches. To identify new approaches for successful return-to-work outcomes, we conducted an interjurisdictional scan and global research of best practices in re-employment services, policy and practice. We also hosted an interjurisdictional engagement session that included workers' compensation boards from across Canada and service providers to exchange knowledge, identify barriers and collaborate on strategies to improve vocational outcomes for injured workers.

This work confirmed that challenges are shared across jurisdictions and industries, reinforcing the importance of early intervention and adaptability. The insights we gained identified a foundational need to review our economic loss payment policy to ensure it both maximizes injured workers' earning potential and reflects the realities of modern employment and the diverse ways people earn a living today.

## Technology and innovation



*We are shaping the future of our service delivery and enhancing organizational productivity through technology and innovation. By modernizing critical systems, leveraging artificial intelligence and analytics capabilities and embracing emerging tools, we are building a foundation for smarter, faster and more connected experiences. Our vision is to lead the way in creating a digital environment that empowers staff and clients alike.*

### **Our 2025 results**

#### ***We enhanced our long-term technology roadmap by prioritizing the modernization of critical legacy systems.***

We continued to modernize the technology foundations that support our clients and staff. This year, we began charting the path forward to update the systems that manage employer accounts and claims—work that will ultimately reshape our processes and deliver a better experience for our clients. Internally, we are building a modern digital environment that is easier to use, more secure and better positioned for the future. Our transition to a modern collaboration platform is enabling teams to work together more effectively and access information more readily. We also introduced a rapid development platform for digital tools and applications, allowing us to move faster, simplify our systems and replace older technology with more reliable solutions.

#### ***We deepened our maturity and governance of artificial intelligence, machine learning and advanced analytics.***

Advances in artificial intelligence, machine learning and advanced analytics continue to create new opportunities to improve the service journey for our clients. In recent years, we have accelerated our capabilities in these areas, focusing on ways to help staff easily access and interpret the data and insights they need to support their decision-making. Establishing clear governance for the responsible and ethical use of these advanced technologies has been a key priority. We continue to refine our data governance, information management practices and technology platforms to ensure these technologies are applied appropriately and effectively across the organization. By deepening our expertise and strengthening the foundations for how we use these technologies, we can better support our staff in making informed decisions, which in turn makes for a better client experience.

## People and culture



*Empowered people and an engaged workforce create exceptional client experiences. This year, we strengthened leadership and succession programs, refreshed professional development offerings and advanced initiatives that promote wellness and inclusion. By investing in the growth and resilience of our staff, we ensure they deliver the expertise and care our clients rely on.*

### Our 2025 results

#### ***We enhanced our succession and talent development programs to support the growth and performance of our staff.***

Effective leadership and strong succession planning help us to support staff and program development, in turn enabling our people to deliver high-quality support for our clients. We refreshed core professional enrichment programs at various stages of the employee lifecycle, including a new leadership foundations program designed to drive people-first leadership behaviours across the organization. We also introduced a more development-focused and transparent approach to succession planning for director and manager roles, painting a clearer picture of leadership talent pools to proactively identify and develop the leaders we need now and in the future.

#### ***We implemented meaningful practices and programs to create an inclusive work environment while responding to the wellness needs of our staff.***

Our front-line staff are dedicated to helping injured workers and employers as they navigate life after a workplace injury. We recognize the emotional demands of supporting clients through difficult times and aim to bolster staff resilience in support of this important work. In addition to ongoing efforts that prioritize wellness and provide practical self-care tools, we delivered a training program designed to help front-line staff better identify and respond to inappropriate behaviour from clients, contractors or other external parties. As a result, 93% of staff who completed the training reported they now have the knowledge needed to deal with challenging situations.

In our efforts to help staff feel like they belong, we partnered with an external consultant to develop an Indigenous workforce strategy that emphasizes education, inclusion and the advancement of Truth and Reconciliation. The strategy includes an action plan focused on long-term goals for increasing Indigenous cultural awareness for staff. These goals will be supported through learning and development, community connections and inclusive, culturally appropriate policies.

## Financial sustainability



*The financial sustainability of the workers' compensation system is central to our mandate and ensures we have the resources needed to fund current and future costs of workplace injuries and illnesses. This year, we advanced predictive modelling to better manage claim cost risks and funding volatility. By strengthening these foundations, we safeguard long-term stability and reliability for those we serve.*

### **Our 2025 results**

#### ***We used advanced data tools to better predict and manage claim costs.***

Accurate forecasting is essential to keeping the workers' compensation system financially sustainable. This year, we improved how we analyze claims by combining actuarial expertise with front-line service teams and enhanced technology, giving us a clearer view of emerging trends. Our analysis confirmed that wage loss claims remain elevated and that claims related to psychological injuries are increasing, with these claims more likely to lead to long-term income replacement payments than physical injury claims. While monitoring continues into 2026, these insights are guiding timely and effective interventions to mitigate claim cost risks.

#### ***We explored opportunities for enhancements to our funding policy to mitigate funding-level volatility.***

Alberta's workers' compensation system is strong and sustainable. At the same time, dynamic market conditions and the changing nature of claims and work continue to pose challenges to funding-level stability. We undertook a national review of best practices established by other workers' compensation boards to identify funding policy enhancements that could be adapted for Alberta and conducted an extensive asset-liability analysis. Recommendations resulting from this work are being published for external consultation in 2026.

## Timely and effective resolution

Our Dispute Resolution and Decision Review Body (DRDRB) works collaboratively with workers and employers to address their concerns about decisions and to reach resolution. Whether it’s a worker seeking answers or an employer looking for guidance, our aim is to ensure decisions are fair, transparent and clearly understood.

The DRDRB’s role includes guiding clients through the appeal process, resolving issues and evaluating decision accuracy.

### Every decision matters to us

When a client does not agree with a claim or account decision, we strive to resolve issues at the earliest possible opportunity.

We understand our decisions have significant impacts on people’s lives, which is why we take care to make sure we consider all the facts and understand all perspectives.

Our clients have options when it comes to reviewing and challenging the decision(s) made on their claim—and we strive to ensure those options are clearly communicated and understood. The first step is to share their questions with the decision-maker to see if they can reach an understanding and a resolution together. If they wish to proceed with a decision review, the next step is to speak with a supervisor.

If questions remain unresolved, clients can request a formal review by the DRDRB within one year of the decision date.

If the DRDRB confirms a decision is correct but the client still disagrees, then the client may raise their concern to the external and independent Appeals Commission for Alberta Workers’ Compensation within one year of the DRDRB’s decision.<sup>1</sup> The Appeals Commission is the final level of appeal for workers and employers who disagree with a WCB decision.

If a decision is changed by the Appeals Commission, the DRDRB will connect with the impacted party within five days of the decision from the Appeals Commission and will promptly begin implementation.

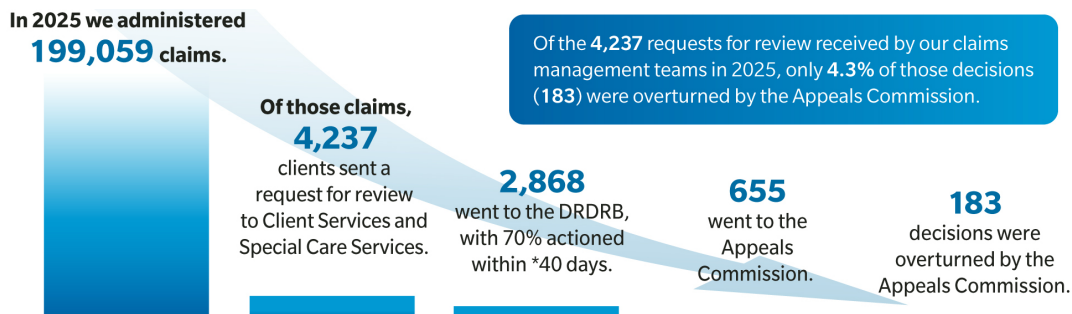
<sup>1</sup> This applies when the DRDRB decision is dated on or after April 2, 2021.

### We track key concerns and decision outcomes

The main areas of concern raised to the DRDRB in 2025 included:

- Initial entitlement to compensation
- Accuracy of benefit payment calculations
- A worker’s ability (or inability) to perform their regular or modified duties at any point in their claim

We monitor, review and report on decision accuracy outcomes to drive improvements in decision-making. We regularly share our observations with business areas for learning and coaching purposes.



\* We are committed to an inclusive review process that is adaptable to our clients’ needs. At any point, a client can temporarily withdraw their request for review to gather additional information or secure representation. The length of time a client chooses to withdraw their review varies based on their individual needs and is not reflected in the DRDRB’s time to action. Once a client indicates they are ready to proceed, the DRDRB continues to action the review.

## Fair Process Review Centre

### *A message from Rebecca Hayes, fairness review officer*

The Fair Process Review Centre (FPRC) is an independent office within WCB that reviews concerns related to administrative fairness from workers, their dependants and employers. In these cases, we examine the client’s experience through the lens of supporting fairness, accountability and continuous improvement.

In 2025, the FPRC received 268 inquiries, primarily from workers, and closed 235, including inquiries carried forward from the previous year.

### *Key themes in 2025*

Two main themes emerged from fairness concerns raised to our office:

- **Timeliness and quality of communication:** Clients believed communication was delayed or didn’t believe their concern was appropriately addressed.
- **Delays in the system:** Clients perceived the pace of decision-making or procedural steps as slow.

### *Supporting our clients*

The FPRC supports clients through the following four stages:

- **Education, support and navigation**

Most of these resolutions were determined to be decision-related and best handled through the decision review process. When appropriate, the FPRC refers these clients to the advocacy services provided by the external Advisor Office for Alberta Workers’ Compensation.

*✓ We navigated 133 clients to the appropriate process or resource to address their concerns within an average of 34 days.*

- **Early resolution**

In cases where concerns had not yet been raised with the appropriate operational levels, the FPRC worked with clients and WCB teams to clarify issues and achieve resolution.

*✓ We negotiated successful early resolution for 34 clients within an average of 43 days.*

- **Complex issue investigation**

When a client’s concerns remained unresolved after the first two stages, the FPRC conducted in-depth investigations to determine if fairness standards were met.

*✓ We completed thorough complex issue investigations for 37 clients within an average 95 days.*

When service gaps were identified, we shared findings and recommendations with supervisors and managers to support learning and improvement. Recommendations were provided in seven cases and included explanatory letters and apologies to address these concerns.

- ***Ombudsman referral***

At the conclusion of each investigation, we ensure clients are aware of their right to raise unresolved concerns to the Alberta Ombudsman, which is the final level of review for administrative fairness.

The FPRC remains committed to supporting clients and working with WCB to strengthen fairness, transparency and service. We look forward to continuing this important work.



**Rebecca Hayes**  
Fairness review officer

*Workers' Compensation Board – Alberta*

## 2025 Financial Reports

For the Year Ended December 31, 2025



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## Management's Discussion and Analysis of 2025 Financial Statements and Results

*The Management's Discussion and Analysis of Financial Statements and Results (MD&A) provides management's perspective on key events, transactions and issues that affect current and future performance of the Workers' Compensation Board - Alberta (WCB). The MD&A, prepared as of April 28, 2026, should be read in conjunction with the audited financial statements and accompanying notes for the year ended December 31, 2025.*

### **Forward-looking statements**

*This report contains forward-looking statements about certain matters that are by their nature subject to many risks and uncertainties, which may cause actual results to differ materially from the statements made herein. Forward-looking statements include, but are not limited to, WCB objectives, strategies, targeted and expected financial results. They also include the outlook for WCB's business and for the Alberta and global economies. Risks and uncertainties arise from, but are not limited to, changing capital market, industry, and general economic factors or conditions; geopolitical instability; global or domestic pandemics; climate change; demographic and medical technology changes affecting claims and related costs; changes in legislation affecting WCB policies and practices; changes in accounting and actuarial standards; inability to retain and recruit qualified personnel; and other risks, known or unknown. Some are predictable or within WCB control; many are not. The reader is hereby cautioned not to place undue reliance on these forward-looking statements.*

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

## Business Overview

### **Corporate profile**

Founded in 1918, WCB is a statutory corporation with a legislative mandate under the *Workers' Compensation Act* (the Act) to administer the workers' compensation system for the province of Alberta. While accountable to the Minister of Jobs, Economy, Trade and Immigration, WCB is independently funded and operated. Through the payment of premiums, over 161,700 employers fund the system, which covers approximately 2.1 million workers.

### **WCB's mandate**

In Canada, workers' compensation is a no-fault disability system that protects both employers and workers against the economic impact of work-related injuries and occupational diseases. Based on the Meredith Principles, the system covers injured workers for lost employment income and provides health care, rehabilitation and other services required due to a work-related injury, while employers are shielded from litigation. This system brings economic stability to the workplace through collective liability that minimizes the risks and expenses of injury. To achieve these objectives, the Act established the Accident Fund and imposed a statutory obligation on WCB to ensure that it be fully funded.

### **WCB's vision and mission**

The core principles set out in WCB's vision and mission shape the corporate beliefs and values that guide the organization's operating philosophy.

#### *Vision*

*Albertans working—a safe, healthy and strong Alberta.*

#### *Mission*

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

WCB's strategic vision is to make a positive and lasting impact on the people, society and economy of Alberta through what it does, while the mission statement describes the guidelines for how it intends to conduct business.

## 2025 Financial Performance

The 2025 financial statements accompanying the MD&A represent the audited financial statements prepared in accordance with IFRS Accounting Standards (IFRS).

### IFRS 17 IN THE WCB CONTEXT

WCB's business model differs substantively from the commercial insurance model on which the International Financial Reporting Standard IFRS 17, *Insurance Contracts*, standard is based. IFRS 17 mandates the classification of costs into Insurance management, Financial management and Administration. However, this classification does not align with WCB's classification for funding purposes, which separately displays results from premium rate setting activities and asset liability management. More importantly, IFRS 17 prescribes valuation changes that would introduce significant volatility to WCB's annual premium rate setting. Fully incorporating IFRS 17 into WCB's business and funding processes would have material consequences for the Accident Fund and its stakeholders in terms of significantly increased premium rate and funding level volatility.

In accordance with its Funding Policy, WCB funding practice reflects a funding model based on long-term financial sustainability. In contrast, the IFRS 17 financial reporting model reflects a current market perspective focused on using bond yields to determine discount rates for calculating the present value of future cash flows related to insurance contracts, which inherently makes the financial results of the business more volatile. To shield premium rate setting and funding processes from the volatility of IFRS 17 reporting, WCB maintains Funding basis reporting for evaluation of financial performance, rate setting and funding level sufficiency, financial planning and decision making.

The following section provides an overview of WCB's 2025 operating highlights based on IFRS, along with a reconciliation to a Funding basis. This enables MD&A commentary on the 2025 rate setting and business performance. Note that the unaudited Funding basis results, while more stable over the longer term, can be materially different from the IFRS results in any given year. Financial results on the Funding basis are non-IFRS measures and do not have a standardized meaning under IFRS Accounting Standards and, therefore, may not be comparable to similar measures presented by other insurers. The Funding basis results supplement the related financial information prepared in accordance with IFRS Accounting Standards.

## OPERATING HIGHLIGHTS AND FINANCIAL POSITION – IFRS 17 BASIS

The 2025 *Statement of Financial Performance and Comprehensive Income* prepared on an IFRS basis segregates WCB's financial results into three distinct categories: Insurance management, Financial management and Administration and other expense as follows:

(\$ thousands)	2025	2024
<b>Insurance management</b>		
Insurance revenue	\$ 1,696,318	\$ 1,539,382
Insurance expense	(2,107,186)	(1,907,179)
<b>Insurance management result</b>	<b>(410,868)</b>	<b>(367,797)</b>
<b>Financial management</b>		
Investment income and expense	1,271,842	1,526,075
Insurance finance income and expense	(257,800)	(843,500)
<b>Financial management result</b>	<b>1,014,042</b>	<b>682,575</b>
<b>Administration and other expense - net</b>	<b>(111,560)</b>	<b>(101,558)</b>
<b>Net income</b>	<b>491,614</b>	<b>213,220</b>
<b>Other comprehensive income</b>	<b>1,897</b>	<b>(39,819)</b>
<b>Total comprehensive income</b>	<b>\$ 493,511</b>	<b>\$ 173,401</b>

WCB reported a deficit from Insurance management activities of \$410.9 million in 2025, largely due to costs related to current year injuries exceeding premiums for insurance coverage. The Insurance management deficit increased by \$43.1 million primarily due to increased claims costs and remeasurement losses partially offset by increases in insurance revenue in 2025 compared to 2024.

Financial management activities produced a surplus of \$1,014.0 million in 2025 largely driven by an investment portfolio return of 9.2% (2024 – 12.2%). Year over year, the Financial management result increased by \$331.5 million as the Insurance finance income and expense of \$257.8 million (2024 - \$843.5 million) decreased by \$585.7 million. This decrease was primarily due to changes in the discount rates used to value insurance liabilities in 2024 and 2025.

Administration and other expense of \$111.6 million in 2025, primarily reflects the portion of expenditures that do not arise directly from fulfillment of insurance contracts. Administration and other expense was \$10.0 million higher in 2025 compared to 2024 due to inflationary impacts.

Combining these three components above produced an overall Net income on an IFRS basis of \$491.6 million in 2025, up from \$213.2 million in 2024.

The 2025 *Statement of Financial Position* prepared on an IFRS basis was as follows:

(\$ thousands)	2025	2024
<b>Assets</b>		
Cash and cash equivalents	\$ 300,235	\$ 265,807
Receivables and other assets	50,761	48,795
Investments	14,915,497	13,886,795
Property, plant and equipment	74,618	72,190
Intangible assets	19,467	25,801
	<b>\$ 15,360,578</b>	<b>\$ 14,299,388</b>
<b>Liabilities</b>		
Trade and other liabilities	\$ 54,738	\$ 91,788
Safety rebates	107,100	104,236
Employee benefits	56,268	51,588
Insurance liabilities	15,205,418	14,608,233
	<b>15,423,524</b>	<b>14,855,845</b>
<b>Fund Balance</b>	<b>(62,946)</b>	<b>(556,457)</b>
	<b>\$ 15,360,578</b>	<b>\$ 14,299,388</b>

Investments grew by \$1.0 billion over 2025 as a result of strong investment returns less the cash draws to fund operations. The insurance liabilities grew by approximately \$0.6 billion year-over-year, due to the liability remeasurement losses, and interest accretion on the liability, net of favourable offsets from discount rate changes.

### Reconciliation of Funding basis

A reconciliation of the IFRS results to the Funding basis reflecting measurement and presentation adjustments is presented in the table below:

Adjustments to reflect measurement and presentation on a Funding basis:				
IFRS basis	Insurance management	Financial management	Administration and other expense	Net income
(\$ thousands)				
<b>Statement of Financial Performance and Comprehensive Income</b>	(410,868)	1,014,042	(111,560)	491,614
Reverse IFRS 17 onerous contract loss <sup>1</sup>	(61,000)			(61,000)
Remeasure the cost of current year claims applying funding discount rates <sup>2</sup>	108,000			108,000
Remeasure the cost of prior year claims applying funding discount rates <sup>2</sup>		(444,600)		(444,600)
Reclassify remeasurement gains & losses to ALM result	298,049	(298,049)		-
Reclassify administration components that are part of rate setting	(109,291)	(2,269)	111,560	-
	(175,110)	269,124	-	94,014
Funding basis	Customer operations	Asset liability management		Net Funding Surplus (Deficit)

A reconciliation of the IFRS fund balance to the Funding basis is presented in the table below:

Reconciliation of IFRS Fund Balance to Funding basis	Fund Balance
(\$ thousands)	IFRS Basis (62,946)
Derecognition of liability for remaining coverage and restatement of liability for incurred claims on a funding basis.	1,392,600
	<b>Funding Basis 1,329,654</b>
<b>Funded Ratio</b>	<b>109.4%</b>

As noted in the reconciliations above, the IFRS financial results are reconciled to the Funding basis by restating the claim benefit obligations using a long-term stable funding discount rate and realigning the results into the two Funding basis categories. The remeasurement of the claim benefit obligation on a Funding basis was endorsed by WCB's independent signing Actuary. The Funding basis results are unaudited.

These reconciling items are intended to provide results on a Funding basis that are representative of the "fully funded cost of current year injuries" to provide transparency to stakeholders on the sufficiency of 2025 premiums to cover 2025 fully funded injury costs. Furthermore, restatement of the IFRS 17 basis financial results to the Funding basis provides a more stable baseline for ongoing evaluation of funding sufficiency of the Accident Fund and to support funding decisions that are made from time to time.

The approach of using Funding basis financial reporting to inform fund management decisions is affirmed by the Board of Directors through the Funding Policy. The following sections provide commentary on WCB's financial condition and 2025 performance on a Funding basis.

<sup>1</sup> IFRS 17 requires immediate recognition (in the current period when the renewal premium rates are published) of an onerous contract loss when premiums are determined insufficient to cover the expected insurance expense. Onerous contract losses are not immediately recognized under the funding basis, only as the losses are realized.

<sup>2</sup> To remeasure the cost of current year and prior year claims using the funding basis net discount rate of 3.6%.

## OPERATING HIGHLIGHTS – FUNDING BASIS

At the highest and simplest level, WCB is involved in two core and complementary business activities: customer operations and asset liability management (ALM).

Customer operations provide disability management for workplace injuries. Key business processes include rate setting, assessment and collection of premiums from employers, payment of compensation benefits to injured workers, return-to-work services and administration.

Asset liability management involves a risk-based approach to manage assets and liabilities so that sufficient assets are available to pay for claim-related obligations. Key business processes include strategic financial planning, investment management, claim benefit liability analysis and valuation, financial risk management and financial performance reporting. Prudent asset liability management not only ensures security of benefits for workers and fair premiums for employers but also provides appropriate tools for evaluating how effectively WCB is meeting its financial obligations.

The WCB's funding policy operates on the premise that in a given year, a link exists between current year premiums and the cost of current year injuries, and asset liability management activities will generate investment returns sufficient to cover the annual interest requirement on the claim benefit liability. Given the volatile performance of local and global economies, forecasting these outcomes is subject to a great deal of uncertainty and risk. Consequently, actual results will likely differ significantly from even the most rigorously developed plans. Surpluses or deficits can arise when actual costs and returns are different from forecast expectations, which rely on economic and business assumptions based on available information at a point in time.

In 2025, WCB experienced an overall operating surplus on a Funding basis of \$94.0 million. The factors contributing to the surplus are as follows:

### **Customer operations**

*A deficit of \$175.1 million as a result of insufficient premium revenue*

- The Alberta economy continued to show resilience in 2025 despite an initially bleak outlook due to tariff concerns. As the year progressed, this outlook stabilized as the province experienced stronger-than-anticipated employment growth. Claim volume remained stable compared to 2024, while duration had a marginal decrease as improved economic conditions boosted modified work opportunities. WCB remained focused on delivering support through avenues that educate, engage and demonstrate care to every worker, employer and health care provider.
- Employer assessable earnings of \$127.4 billion were \$0.1 billion (0.1%) below budget, and \$5.8 billion (4.8%) higher than 2024. Premium revenue ended the year at \$1,779.9 million, which was \$17.4 million (1.0%) under budget and \$161.8 million (10.0%) higher than 2024. Claim benefit expense ended the year at \$1,762.1 million, \$62.0 million (3.6%) over budget, and \$144.3 million (8.9%) higher than 2024. The slight increase over budget was primarily driven by higher-than-expected economic loss payment (ELP) awards in 2025. A continued subsidization of the 2025 premium rate meant that the resulting premium revenues collected were not sufficient to cover the cost of injuries. Overall, the average collected premium rate was \$1.40, compared to an average required rate of \$1.53.
- Disabling claim volume increased to 51,900 (0.4%) from 51,700 in 2024, and the resulting disabling injury rate per 100 covered workers remained unchanged at 2.5. Lost-time claim (LTC) volume increased to 29,600 (1.4%) from 29,200 in 2024, and the resulting LTC rate per 100 covered workers held steady at 1.4. Average claim duration decreased from 63.1 days in 2024 to 62.1 days (-1.6%) in 2025.

### Asset liability management

A surplus of \$269.1 million as a result of strong investment returns

- Investment returns generated net investment income of \$1,271.8 million, which was \$439.5 million (52.8%) above budget. The portfolio earned a rate of return of 9.2% for the year, exceeding the budget expectation of 6.2% but below the benchmark return of 10.3%.
- The net actuarial remeasurement losses amounted to \$323.6 million in 2025. These losses were primarily driven by higher-than-expected economic loss payment awards during the year and updates to actuarial assumptions related to economic loss payments and latent occupational disease claims, partially offset by gains from changes to retirement assumptions. These assumption updates resulted from experience studies conducted during the year.

The following table represents the operating highlights for each of WCB's key business activities on a Funding basis:

### Results by business activity

(\$ millions)	2025 Budget	2025 Actual	2024 Actual
<b>Customer operations</b>			
Premium revenue	\$ 1,797.3	\$ 1,779.9	\$ 1,618.1
Claim benefit expense	(1,700.1)	(1,762.1)	(1,617.8)
Corporate administration and injury reduction	(192.4)	(192.9)	(179.9)
<b>Deficit from customer operations</b>	<b>(95.2)</b>	<b>(175.1)</b>	<b>(179.6)</b>
<b>Asset liability management</b>			
Investment income	913.7	1,361.1	1,599.9
Investment management expense	(81.4)	(89.3)	(73.9)
Net investment income	832.3	1,271.8	1,526.0
Interest expense on claim benefit liabilities	(720.9)	(676.8)	(637.5)
Remeasurement of claim benefit liabilities	-	(323.6)	(324.6)
Other expense items	(0.1)	(2.3)	(0.3)
Asset liability management expenses	(721.0)	(1,002.7)	(962.4)
<b>Surplus from asset liability management</b>	<b>111.3</b>	<b>269.1</b>	<b>563.6</b>
<b>Operating surplus</b>	<b>\$ 16.1</b>	<b>\$ 94.0</b>	<b>\$ 384.0</b>

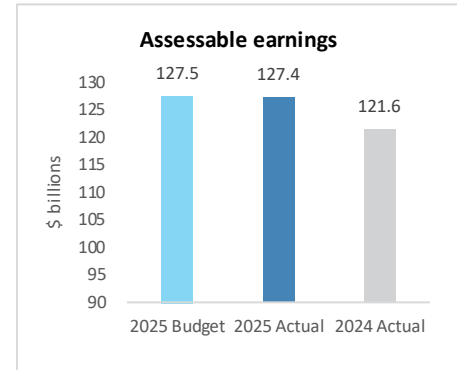
## Customer Operations

### PREMIUMS

#### Assessable earnings

- **\$0.1 billion (0.1%) under budget**
- **\$5.8 billion (4.8%) higher than prior year**

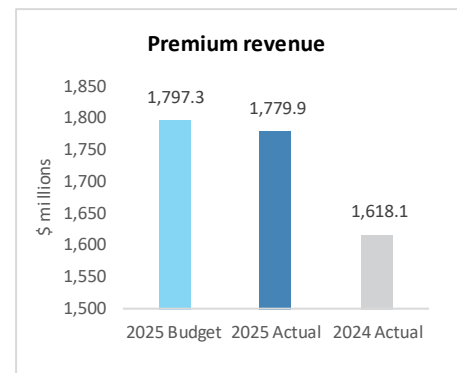
Year-over-year employment growth was consistent with expectations, with assessable earnings growing 4.8% over the prior year. All sectors were higher than the prior year, with the largest favourable variances in municipal government, education and health as well as construction and business services.



#### Premium revenue

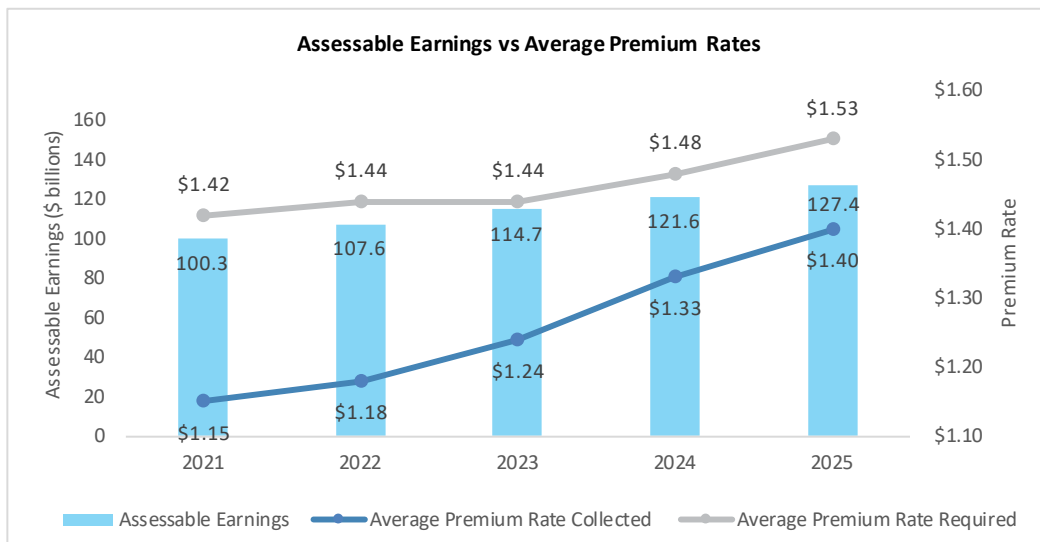
- **\$17.4 million (1.0%) under budget**
- **\$161.8 million (10.0%) higher than prior year**

Following the trend in assessable earnings, premium revenue was \$161.8 million higher than in 2024, however was slightly below expectations. Sectors representing the largest year-over-year increases were municipal government, education and health as well as construction.



#### Premium rates and assessable earnings

The chart below presents assessable earnings together with average premium rate required and collected from 2021 through 2025. Between 2021 and 2025 the premium rate required has been gradually increasing as claim benefit expenses have been increasing at a higher rate than assessable earnings. The overall rate setting gap shrank by \$0.02 in 2025 to \$0.13 (versus \$0.15 in 2024).

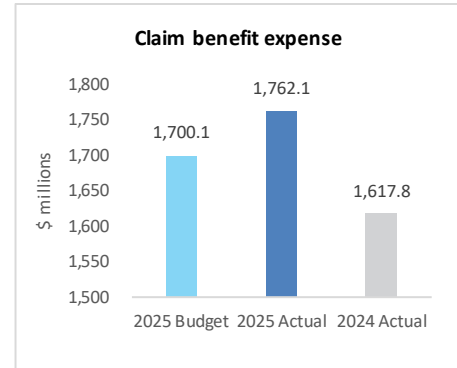


## CLAIM BENEFIT EXPENSE

Claim benefit expense is an estimate of current and future costs arising from compensable injuries and exposures to occupational diseases occurring in 2025, as well as the current and future costs to administer these claims.

- **\$62.0 million (3.6%) over budget**
- **\$144.3 million (8.9%) higher than prior year**

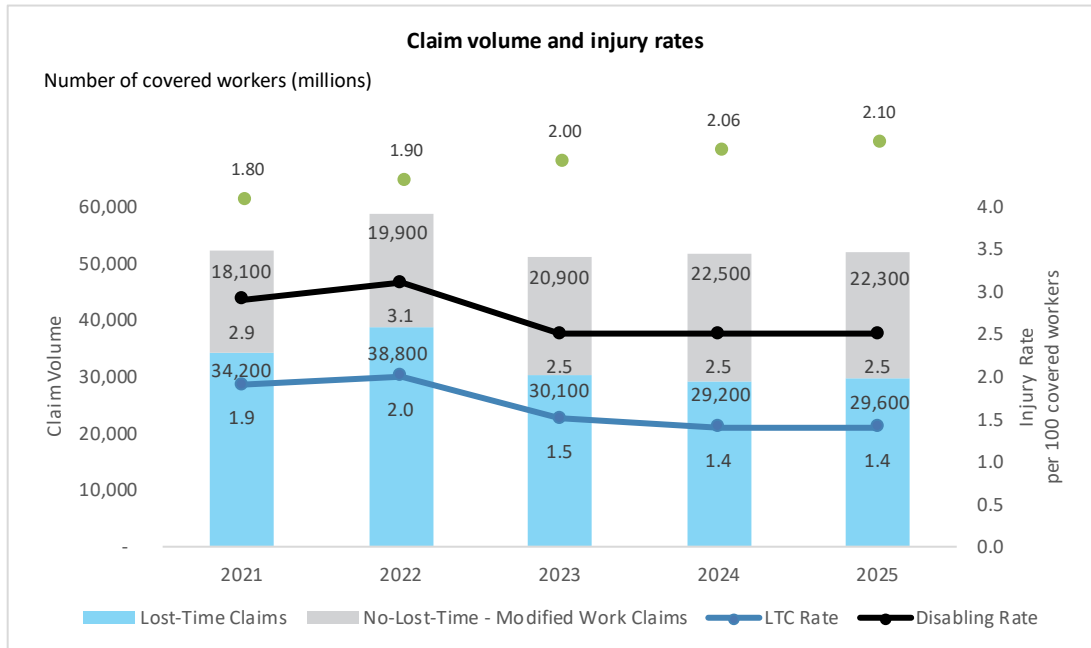
The variance to budget and prior year is driven by the provision for the future cost of current year injuries. Year-end results were \$144.3 million (8.9%) higher than prior year, driven mainly by higher-than-expected economic loss payment awards in 2025 and updates to various actuarial assumptions.



### Claim volume and injury rates

Disabling claim volume comprises two components: claims resulting in lost-time from work and those resulting in no-lost-time due to a return to modified duties. Disabling claim volume increased in 2025 (0.4%) due to increases in Lost Time Claim (LTC) volume (1.4%), while no time-loss modified work (NTL-MW) claims decreased slightly (0.9%).

Claim injury rates are calculated based on claim volume and covered workers. In 2025, the number of covered workers increased by 1.9%. Growth in LTC and Disabling volumes generally kept pace with growth in covered workers, resulting in no change in the LTC and Disabling rates.

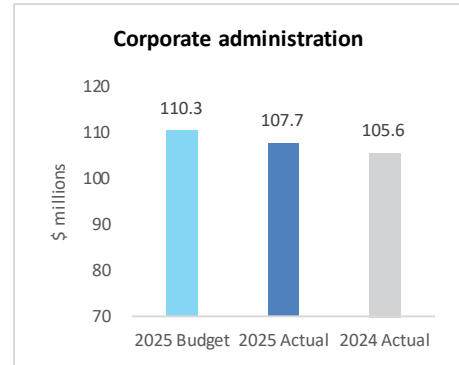


## CORPORATE ADMINISTRATION

↘ **\$2.6 million (2.4%) under budget**

↗ **\$2.1 million (2.0%) higher than prior year**

Corporate administration expenses exclude costs for administering claims (2025 — \$174.7 million, 2024 — \$165.6 million) that are included in claim benefit expense. Corporate administration was below budget from deferral of some project work due to supply chain delays. The increase over 2024 is due to inflationary impacts.



## Asset Liability Management

The Act requires that the Accident Fund remain fully funded such that sufficient assets are maintained to pay for the liability obligations of the fund. It follows that the financial risks inherent in those assets and liabilities need to be fully understood and carefully managed to limit the risk that fluctuations on either side cause the Accident Fund to become unfunded. ALM helps determine an appropriate investment strategy to reduce funding risk.

The portfolio is prudently managed within a robust ALM framework, which involves an integrated risk-based approach to managing the fund’s assets within the context of the claim benefit obligations they are expected to safeguard. Financial risks are modeled and studied on a regular basis, to confirm that the portfolio can deliver on its requirement to pay for the obligations of the fund well into the future. Volatility in investment markets and the economic environment makes this a complex and challenging exercise. However, strong risk management practices supported by modeling software provide a systematic and consistent platform for monitoring the emerging risk profile of the assets and liabilities. Throughout the year, risk metrics confirmed that the Accident Fund was operating within an acceptable level of risk.

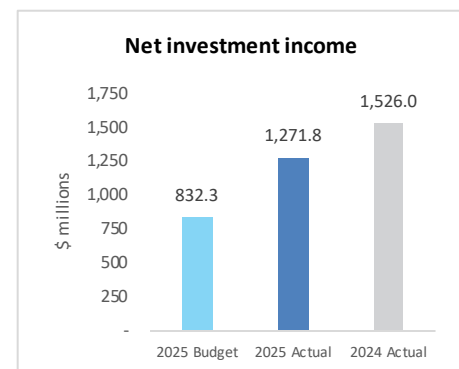
## INVESTMENTS

### **Net investment income**

↗ **\$439.5 million (52.8%) over budget**

↘ **\$254.2 million (16.7%) lower than prior year**

Net investment income exceeded budget due to robust portfolio returns that were broadly in-line with financial markets. A resilient global economy led to performance that exceeded long-term return expectations, though lower than the prior year amid trade concerns and elevated geopolitical risks.



The portfolio earned a rate of return of 9.2% net of fees in 2025 (1.1% below the policy benchmark) and 7.3% for the ten-year period ending December 31, 2025 (0.9% above the policy benchmark). The global economy remained resilient in 2025, building on positive momentum from the prior year. Despite heightened geopolitical risks and the implementation of elevated tariffs, economic activity stayed buoyant supported by moderating inflation and a gradual easing of monetary policy. Performance was positive across most asset classes, driven primarily by strong contributions from public equities, while real estate continued to face valuation headwinds.

The primary goal of the investment portfolio is to earn a long-term rate of return that meets or exceeds the actuarial nominal rate of return on a Funding basis (referred to as the actuarial discount rate). On this basis, the portfolio’s rate of return of 9.2% exceeded the actuarial expectation (Funding basis) of 5.6% for 2025, as well as over the ten-year

period (7.3% vs 4.9%). The long-term return remains consistent with the expected level of risk as set in the Investment Policy Statement and the ALM framework.

Investment returns play a pivotal role in WCB’s financial results. The following provides an overview of the economic and market forces that had a direct impact on WCB’s investment portfolio and returns.

**Capital markets overview**

Capital markets faced significant crosscurrents throughout the year. The first half of 2025 was marked by heightened trade tensions as the U.S. imposed broad global tariffs, thus triggering periods of market volatility. Sentiment improved in the second half as the economy remained resilient, global inflation eased and central banks continued cutting short-term policy rates to support domestic growth. Despite ongoing geopolitical and trade policy uncertainty that is expected to persist and contribute to market volatility in 2026, overall risk-on sentiment prevailed.

Equity markets concluded a third consecutive year of robust returns, supported by solid corporate earnings, expectations of monetary policy easing, and improving financial conditions. However, market leadership shifted in 2025 with the U.S. trailing in performance compared to other regions. Canadian equities returned +31.7%, supported by a rally in gold and materials, as well strong gains in the financial and discretionary consumer sectors. This strength was mirrored in emerging markets and Europe, where a weaker U.S. dollar and increased demand for non-U.S. assets provided a significant tailwind. In comparison, the S&P 500 gained a more modest +17.9% in USD (+12.4% in CAD) as AI adoption continued to be supportive but was tempered by rising concerns over elevated valuations and signs of a softening labor market. Fixed income investors, however, remained cautious amid fiscal and macroeconomic uncertainties, resulting in more modest bond returns. Canadian bonds returned 2.6%, navigating a year of volatile yield movements as markets reacted to shifting economic data.

Within real assets, infrastructure assets continued to be a reliable performance anchor, once again helping to offset a real estate sector that remains in a period of muted recovery. Infrastructure delivered solid returns, supported by stabilizing interest rates and strong demand for energy and power generation, digital networks and transportation. Real estate operations have largely stabilized with transaction activity increasing. However, returns remain subdued as valuations continue to be impacted by regional disparities, a competitive leasing environment and overall decrease to quality.

**CLAIM BENEFIT LIABILITIES**

At the end of each fiscal year, WCB determines its claim benefit liabilities for all injuries that have occurred on or prior to that date, as well as for past exposures that may result in future occupational disease claims. These liabilities represent the actuarial present value of all future benefits and related administration costs, excluding costs attributable to self-insured employers. As at December 31, 2025, the estimated future payments amounted to \$31.5 billion. After discounting them at a nominal rate of return of 5.6% in 2026 and 5.7% per annum thereafter, the total claim benefit liabilities were \$13.9 billion on a Funding basis, which represents an increase of \$1.0 billion over 2024. The claim benefit liabilities determined on a Funding basis were reviewed and endorsed by WCB’s independent signing actuaries. The Funding basis results are unaudited.

**Effect of discounting**

The difference between the future payments and the present value highlights the significant effect of discounting, as shown in the table below.

(\$ billions)	Years 1 to 5	Years 6 to 15	Years 16 & Beyond	Total
Timing of future payments	\$ 5.9	\$ 8.1	\$ 17.5	\$ 31.5
Effect of discounting	(0.7)	(3.3)	(13.6)	(17.6)
Claim benefit liabilities (funding basis)				\$ 13.9

## Funding

The Funding Policy is the primary instrument through which WCB manages its capital or fund structure and provides direction for setting premium rates and the optimum funding level. Details of the Funding Policy may be found in the **Policy and Legislation** section of WCB’s website.

### FUNDING PRINCIPLES AND POLICY

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

- Minimize the risk of becoming unfunded.
- Minimize cost volatility to employers.
- Ensure a link exists between current premiums and the cost of current year injuries.

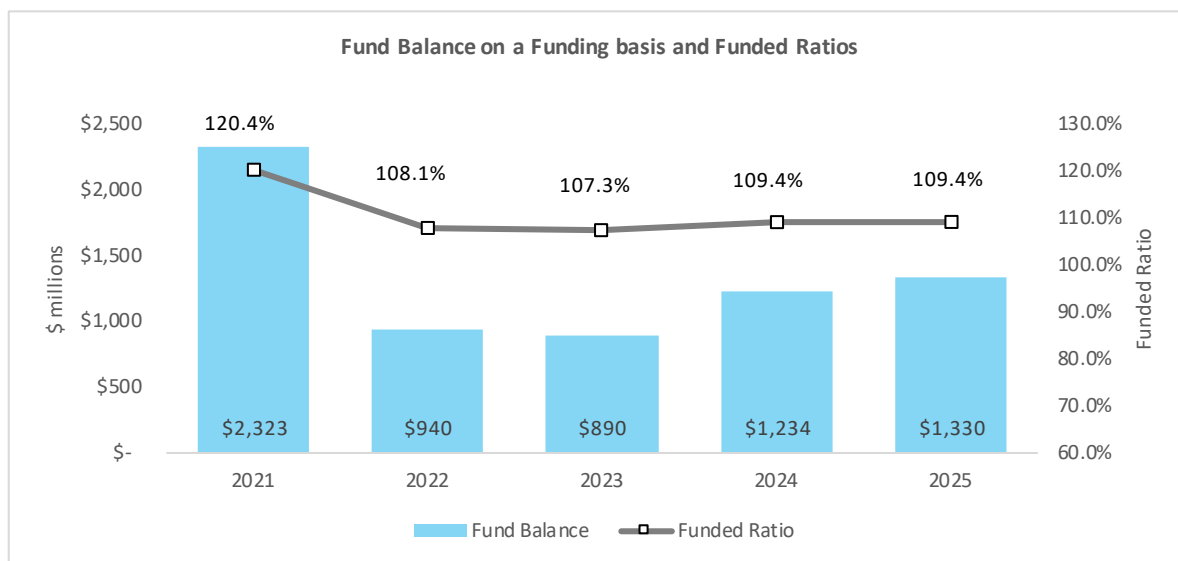
The funding mechanisms that evolve from these objectives address those risks that may affect the financial sustainability of WCB over the long term —primarily investment volatility. Funding Policy rules are in place to minimize these risks, with ongoing monitoring and evaluation to ensure they continue to respond effectively to changing economic conditions.

The Funding Policy prescribes use of Funding basis financial reporting to inform funding level decisions.

### FUNDING LEVEL

As at December 31, 2025, the Funded Ratio (total assets to total liabilities on a Funding basis) is 109.4% (2024–109.4%). Viewed from another perspective, WCB has total assets of \$15.4 billion to cover the discounted present value of its total liabilities on a Funding basis of \$14.1 billion. The Funded Ratio is above the legislative requirement of 100%.

The chart below displays the Fund Balance on a Funding basis and Funded Ratios for the five consecutive years ended December 31:



## Enterprise Risk Management

### OVERSIGHT

Under WCB's corporate governance structure, the Board of Directors is responsible for overall risk management. The executive team, which has a mandate to identify and manage enterprise-level risk, is assisted by the Planning & Priorities Committee, composed of a group of senior managers with responsibility for risk identification, assessment and mitigation at the operating level.

### RISK ASSESSMENT

WCB has three primary processes for managing risk. First, risk management is integral to the day-to-day business. Major projects and changes to business processes must go through a documented risk analysis to assess risk and identify mitigation plans and controls to lessen the likelihood or impact of these risks. The second process is to complete a systematic and comprehensive risk assessment of emerging corporate risks as they develop throughout the year. Finally, WCB also completes corporate risk assessments during the year that engage departmental management teams and senior managers to develop a comprehensive organizational risk register. The executive team prioritizes those risks with the highest potential residual impact to WCB and selects some for comprehensive risk assessment and mitigation.

### SIGNIFICANT RISKS

WCB has identified the following risk exposures that could have significant impact on the organization and its operations.

#### ***Benefit cost risk***

Many of WCB's claim-related benefits are subject to external factors that have potentially significant impacts on the amount and duration of related benefit costs. These risks and uncertainties are driven largely by economic conditions such as health care inflation and utilization, as well as employment and wage growth. Other factors may also arise through administrative precedents established through the appeals process, legislative changes or from new medical findings for occupational disease. All these factors add significant uncertainty to WCB's cost structure and may impose, over time, pressures on the funding level.

#### ***Fraud-related risk***

Every year, WCB collects over 1.7 billion dollars in premium revenue to cover current and future costs arising from compensable injuries and exposures to occupational diseases occurring in the year, as well as the future costs to administer these claims. The magnitude of these costs and the number of individuals and companies involved in these processes—over 161,700 employers, 199,000 injured workers and thousands of service providers—creates an inherent risk for fraud. WCB employs an extensive audit program to monitor the organization's ability to protect against fraud and implements additional controls, as required, to strengthen WCB's management of fraud risk.

#### ***Funding risk***

Managing the components of WCB's overall funding level is a complex process that involves forecasting, liability projection, investment management and operational performance. Although processes are within management's influence or control, many of the assumptions used in forecasting involve significant uncertainty regarding the future. Asset liability management is at the forefront to ensure that tools, forecasting and financial planning remain relevant to support sound decision-making processes within WCB.

#### ***Investment risk***

In its investment portfolio, WCB is exposed to financial risk, which includes market and portfolio risk, among others. Market risk is the risk that the fair value of investments and/or associated cash flows may change because of changing general economic conditions or events that broadly affect capital markets. Portfolio risk relates to specific

composition and management of WCB's portfolio. Details of financial risks related to investments are discussed in Note 7 *Investment Risk Management*, in the accompanying financial statements and notes.

#### **Premium risk**

WCB has exposure to premium risk, which is the risk that premiums set for the coming fiscal period will not be sufficient to cover the operating costs in that year. The risk is largely driven by provincial economic conditions such as employment growth and wage escalation. To manage premium risk, WCB has instituted a comprehensive forecasting program that leverages widely accepted economic-forecasting sources such as the Conference Board of Canada.

#### **Technology risk**

To support its core business processes, WCB uses a number of information systems for processing transactions and maintaining injured worker and employer information. If these systems were to fail or were compromised, significant disruption to business processes and customer service could result. To mitigate technology risk, WCB maintains a business continuity plan, system controls and backup systems to address processing failures and provides extensive training to develop internal system expertise.

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## Material Accounting Policies and Significant Accounting Estimates

The preparation of financial statements in accordance with IFRS requires that management select accounting policies and make judgments, assumptions and estimates that could significantly affect current and future results of operations and financial condition. Certain of those accounting policies involve significant accounting estimates because they require WCB to make particularly subjective or complex judgments about matters that are inherently uncertain, with the likelihood that materially different amounts could be reported using different assumptions or under different business strategies and conditions. WCB has discussed the development, selection, and application of key accounting policies, and the significant accounting estimates and the underlying judgments and assumptions they involve with the Audit Committee of the Board of Directors.

The following sections discuss how those material accounting policies, together with the underlying judgments, assumptions, and estimates that management has applied, could materially affect the amounts reported in the financial statements.

### ACCOUNTING POLICIES

WCB's material accounting policies and their effects on reported results are described in accompanying financial statements and notes.

### ACCOUNTING ESTIMATES

#### **Valuation of insurance liabilities**

WCB has significant obligations extending well into the future for compensation benefits to injured workers. In determining the valuation of these obligations WCB applies the actuarial present-value methodology. Actuarial methodology projects benefit payment streams into the future and discounts them to present value using a discount rate assumption.

For the measurement of insurance liabilities under IFRS 17, benefit payments (i.e., fulfilment cash flows arising from claims) are projected into the future and discounted to present value using a rate curve derived from market consistent yields of debt securities that have similar duration and other risk characteristics, adjusted for credit and liquidity risk. Similarly, the inflation assumption will reflect market observations along a curve rather than a constant assumption. An onerous contract loss, if any, is also recognized in insurance liabilities.

Details of the valuation are in Note 12 *Insurance Contracts*, with sensitivity of the associated risks in Note 14 *Insurance Risk and Risk Management*, and the effect of changes in the discount rate assumption in Note 15 *Insurance Finance Income and Expense*, in the accompanying financial statements and notes.

### **Valuation of investments**

The WCB investment portfolio is managed by the Alberta Investment Management Corporation (AIMCo). Instead of directly holding individual securities, the portfolio is invested in AIMCo pools encompassing the same asset classes. AIMCo pools issue redeemable units that confer a right to a proportionate share of the income and net assets of the respective fund, but unit holders have neither the power to direct management of the funds, nor any enforceable interests in the underlying securities. Accordingly, the fund unit is the unit of account for recognition and measurement of portfolio investments. As a financial instrument, the fund unit is measured at fair value, which reflects the valuation of the underlying holdings of the fund on a fair value basis. Because the fair value of these units reported in the Statement of Financial Position approximates their market value, they are exposed to measurement volatility during periods of economic and market instability.

As the investment manager, AIMCo uses judgment in fair value measurement of the underlying assets and liabilities in each pool in selecting and/or developing appropriate valuation techniques, assumptions, risk factors and input data consistent with observable market information. For those pools holding private (i.e., non-tradable) investments, the degree of measurement uncertainty inherent in their valuations, as well as the nature of the market for such assets, may cause their estimated fair value to differ materially from their realized value, depending on prevailing market conditions at the time of sale or liquidation.

Details of investment assets and their inherent risks are in Note 5 *Investments* and Note 7 *Investment Risk Management* in the accompanying financial statements and notes.

### **Valuation of employee benefit liabilities**

Application of defined benefit accounting for WCB's employee post-employment plans requires an actuarial determination of employee benefit obligations extending well into the future. Furthermore, WCB's participation in multi-employer defined pension plans entails significant use of judgment in determining its economic exposure to the respective plan assets and liabilities, and selecting or developing measurement methodologies, data and assumptions consistent with WCB's proportionate participation.

The actuarial valuation process projects benefit cost streams into the future and discounts them to present value using a discount rate linked to market yields on high quality corporate bonds with similar risk and cash flow characteristics as the benefit liabilities. Measurement uncertainty is high because judgments and assumptions regarding the estimated amount, timing and duration of benefit commitments many years in the future are inherently difficult to predict reliably and are subject to external factors outside management's control. Since these judgments and assumptions may change in response to current and future economic conditions, benefit plan remeasurement arising from changes in judgments and assumptions in any given period, may also result in material changes to the related liabilities or assets, if any. Details of WCB's sponsored and multi-employer defined benefit plans are in Note 11 *Employee Benefits* in the accompanying financial statements and notes.

### **Estimated premiums**

The reported premium revenue at year-end includes an estimate of premium adjustments, primarily related to unreported payrolls as at the reporting date, as well as an estimate for safety rebates earned by participating employers that have met performance criteria for workplace safety. Premium receivables at year-end also include an estimate for expected credit losses. Generation of these estimates requires use of judgment in developing the methodology as well as the relevant economic assumptions. As such, actual premiums, safety rebates and collections may differ from reported amounts in periods of economic uncertainty.

Details of these estimates are in Note 13 *Insurance Revenue and Expense* in the accompanying financial statements and notes.

## Governance and Compliance

### **Legislative authority**

Under the authority of the Act, WCB is a provincial board-governed organization that operates independently while reporting to the Minister of Jobs, Economy, Trade and Immigration.

### **Internal control over financial reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting (ICOFR) to provide reasonable assurance regarding the reliability of the entity's financial reporting and the preparation of its financial statements in accordance with IFRS. WCB has developed a framework and plan for the overall ICOFR program, which is based on best practices under the COSO<sup>1</sup> and COBIT<sup>2</sup> frameworks. The ICOFR program is facilitated by WCB's Management Audit Services group and program results are shared with the Office of the Auditor General.

### **Business planning**

An important aspect of financial planning and budgeting is linkage to WCB's strategic plan and the resulting corporate objectives developed each year in support of the strategic plan. These objectives and the related performance indicators set the direction for the organization and identify the significant areas of focus for the coming year. The annual budget establishes the foundation for appropriate resource allocation for achieving the corporate objectives.

## Emerging Reporting Issues

WCB conducts continuous environmental scans of the financial reporting and actuarial standard-setting landscape. Important developments in recognition and measurement of critical financial statement items may have significant implications for fund balance in the current and future reporting periods. Once standards are officially issued, WCB analyzes their key requirements to ensure that any major impacts on the organization are well understood, thus facilitating timely planning and effective implementation of accounting processes and systems that will result in high-quality financial reporting.

### **Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures**

On May 30, 2024, the International Accounting Standards Board (IASB) issued *Amendments to the Classification and Measurement of Financial Instruments* (Amendments to IFRS 9 and IFRS 7).

The key concepts introduced in these amendments include clarifying the timing of recognition and derecognition of certain financial assets and liabilities, including introducing an election for early derecognition for financial liabilities settled through an electronic payment system, and expanding guidance on assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion.

These amendments are effective for reporting periods beginning on or after January 1, 2026 with early adoption permitted. Restatement of comparative information is not required and is only permitted, if possible, without the use of hindsight. WCB is finalizing the impact assessment of the new standard on the financial statements. WCB's first financial statements prepared in accordance with these requirements will be as at December 31, 2026.

### **IFRS 18 Presentation and Disclosure in Financial Statements**

On April 9, 2024, the IASB released IFRS 18 *Presentation and Disclosure in Financial Statements* (IFRS 18) to replace IAS 1 *Presentation of Financial Statements*. Many of the principles and requirements in IAS 1 will be retained with limited changes.

The key concepts introduced in IFRS 18 primarily affect the structure (i.e., presentation format) of the Statement of Financial Performance and Comprehensive Income; new note disclosures for certain profit or loss performance measures that are reported outside an entity's financial statements (i.e., management-defined performance measures);

<sup>1</sup> Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013 Framework), which developed a governance framework for internal control.

<sup>2</sup> Control Objectives for Information and Related Technology, a collection of best practices for IT governance, control and assurance.

and enhanced principles governing aggregation and disaggregation of results in the primary financial statements and notes.

IFRS 18 will be effective for reporting periods beginning on or after January 1, 2027, with early adoption permitted. Retrospective restatement of comparative periods is required. WCB is in the process of assessing the impact of the new standard on the financial statements. WCB's first financial statements prepared in accordance with these requirements will be as at December 31, 2027.

## Looking Ahead

### BUSINESS OUTLOOK

Alberta's economy remained resilient in 2025 despite global trade policy uncertainty, with external forecasts for real GDP growth at 2.5 per cent for the year, outperforming most other provinces. This was supported by momentum in the energy sector, growth in the construction sector, and strong demographics. WCB results for the year were consistent with steady economic conditions.

Labour market performance exceeded expectations in 2025 as economic expectations shifted through the course of 2025 from initially more pessimistic due to tariff concerns, to a more stable outlook as Canada and Alberta adjusted to the new landscape. The labour force expanded at a slightly faster rate than jobs grew, which resulted in a small increase in the unemployment rate. However, employment gains were broad-based across services sectors and construction, in line with strengthened demand from several years of strong population growth.

Inflation pressures eased considerably through 2025 and interest rates gradually declined as the Bank of Canada continued monetary easing. Slower inflation and lower borrowing costs helped to mitigate uncertainty and create a more favourable economic environment, although many households and businesses continue to feel the effects of recent years' elevated price growth and interest rates on affordability and spending power.

Alberta continues on a generally positive economic path, supported by expanded export capacity for energy products and moderate investment gains in capital and technology. However, the province also faces global headwinds, including geopolitical uncertainty namely through trade and tariff risks heading into 2026. More recently, escalating conflict in the Middle East has increased uncertainty and volatility in global energy markets. These conditions could influence capital investment decisions in the near term.

In 2025, economic conditions supported stable operations at WCB, though rising global uncertainty related to trade and energy markets may influence the operating environment heading into 2026.

#### ***Claims and disability management***

Trends in 2025 reflected ongoing changes in the nature of injuries and recovery needs across Alberta's workplaces. Lost-time claim volumes held relatively stable compared to the past several years, though psychological injury claims volumes remain elevated. Despite these pressures, return-to-work outcomes remain strong.

WCB supported 89% of workers to achieve fitness for work within four months and 94% to achieve a successful return to work, surpassing targets. Continued investments in evidence-based return-to-work planning, strengthened coordination with providers, and enhanced assessment tools contributed to more timely, durable outcomes that will serve us well into the future. In particular, utilization of the cognitive psychosocial job demands analysis tool exceeded expectations in assisting workers in returning to work.

#### ***Delivering exceptional customer service***

Throughout 2025, WCB met or exceeded all major service commitments. 83% of workers received benefits within 14 days of an accepted claim, and 84% of workers and employers reported satisfaction with the respect, timeliness, and clarity of services.

### ***Second year of our five-year strategic plan***

In 2025, WCB advanced the second year of its five-year strategic plan by strengthening health-care access, modernizing services and improving outcomes for injured workers. Expanded clinical provider networks, including a new Alberta Medical Association agreement and nurse practitioner contracts across rural and urban communities, improved stability and access to care. Progress also continued on CareHub, a new reporting and collaboration platform designed to reduce administrative burden and enhance communication with return-to-work providers.

Clients remained at the centre of service delivery as WCB completed a comprehensive service optimization roadmap balancing near-term improvements with longer-term transformation. A new in-house virtual coach was successfully piloted in the contact centre, while mobile and online services were enhanced through a mixture of new features and significant improvements. Innovations addressing the changing nature of claims and work included improved outcomes for workers with psychological injuries, a national partnership with Wounded Warriors Canada, and stronger re-employment results for workers aged 50 and older.

Investment in technology, people, and financial stewardship positioned WCB for long-term sustainability. Key achievements included progress toward modernized claims and employer account systems, accelerated cloud migration, and expanded use of responsible AI and analytics to reduce time to insight. Leadership development, succession planning, and inclusion initiatives strengthened organizational capacity, while actuarial enhancements and funding-policy reviews supported more robust risk management.

Entering 2026, WCB is well positioned to navigate economic uncertainty while continuing to deliver care, trust, and fairness for workers and employers.

Full initiative progress details and the results they achieved are available in the Annual Report, where organizational performance is thoroughly discussed for each priority in the 2024-2028 strategic plan.

## **OUTLOOK FOR FINANCIAL CONDITION**

The 2026 financial outlook continues to be meaningfully impacted by heightened uncertainty in global trade relations, stemming from the implementation of widespread tariffs by the U.S. government, and geopolitics more broadly. Given the current economic climate's unpredictability, premium rate subsidization was extended into 2026. The evolving relationships between Canada and its trading partners, including the U.S. and China, have significant implications for the provincial workforce, economy, and our operations at WCB. Against this backdrop, WCB will continue to manage its business with a solid focus on financial sustainability.

### ***2026 premium rate***

For 2026, the average collected premium rate is set at \$1.46 per \$100.00 of assessable earnings based on the 2026 Financial Plan and Operating Budget. Assessable earnings are expected to grow to \$132.3 billion. At this level of earnings, a rate of \$1.51 would be required to collect premiums sufficient to cover the fully-funded cost of claims (i.e., the full cost of injuries expected to occur in the rate-setting year, which includes a provision for the future costs of those injuries). The subsidized collected rate set for 2026 recognizes the expectation of continued growth in Alberta's economy, but also that employers are faced with the challenge of managing uncertainty in the current geopolitical landscape. The gap between the required and collected rates of \$0.05 (2025 \$0.13), will be absorbed by the Accident Fund, which represents a short-term strategy to support employers during ongoing economic uncertainty. Lost-time-claim volume in 2026 is expected to be 29,500, while fully-funded costs are expected to grow by 6.1% over the 2025 budget. Barring some combination of a significant increase in the growth rate of assessable earnings or an improved outlook regarding claims cost growth, there will be upward pressure on premium rates until the gap is closed.

### ***Asset liability management***

WCB's asset liability management activities are a critical component of the organization's long-term financial health and the sustainability of future payments to injured workers. WCB's independent actuaries have estimated that WCB's total obligation for injured worker benefits that will be paid in the future, related to past accidents, will total approximately

\$31.5 billion. WCB's asset liability management activities are focused on ensuring that WCB's \$14.9 billion investment portfolio earns sufficient investment income to fully cover these obligations for decades into the future.

The total investment portfolio return for 2026 is budgeted at 6% net of fees, which is higher than the 5.6% nominal rate of return used by the actuaries in calculating the claim benefit liability. The budgeted investment return is based on rigorously developed long-term capital market and economic forecasts, but uncertainty in capital markets make this a difficult number to predict. The rate of return on the investment portfolio is variable from year to year and inherently susceptible to a significant level of volatility, which may create investment surpluses or deficits.

The valuation of WCB's \$13.9 billion claim benefit liabilities (Funding basis) involves significant assumptions, methods, and claim data. Annually, a rigorous process is followed in order to determine the present value of all future claim payments related to past injuries that have occurred. Given the inherent uncertainty in claim experience from year to year, it is not possible to budget for claim experience gains or losses in advance of the valuation. Any actuarial experience gains or losses arising from future claim activity, policy changes or adjustments to assumptions/methods will be recorded as they arise.

### **Funding level**

WCB's Funded Ratio at the end of 2025 was 109.4% which held steady with 109.4% in 2024. The budgeted Funded Ratio for 2026 is 107.1%. The reduction is due to continued rate subsidization and a forecast for modest investment returns due to geopolitical instability amid elevated equity valuations. Given continued uncertainty surrounding the global economy, coupled with the volatility of investment returns, it is difficult to determine, with any certainty, WCB's future funding level. WCB has a broad-based risk management framework, of which a long-term view is essential. It is designed to mitigate, where possible, this economic and capital market volatility. WCB has mechanisms in place to respond if the Funded Ratio falls below the legislated level of 100%.

## **FACING THE FUTURE**

Looking to 2026, Alberta's economic landscape will be shaped by continued trade tensions and increasing geopolitical uncertainty. At the time of writing, U.S. tariffs on Canadian imports appear to have stabilized, but the national and provincial economies are dealing with a new trade policy paradigm, characterized by unpredictability and increasing trade tensions among nations, that is likely to persist for several more years. Although this introduces some downside risk, growth in Alberta's economy is expected to outpace the national average, supported by strengths in industry composition and demographics, along with stable inflation.

The trend of modest, yet steady population growth should continue for Alberta into 2026. This demographic outlook considers that market fundamentals, such as optimistic economic prospects and housing affordability, will continue to draw people to the province; however, there could be some offsets as a result of lower provincial and federal immigration targets. Service sector and residential construction demand stand to benefit the most from positive demographic trends, which includes the ongoing effects of record-high migration from 2022 through 2024.

Alberta's energy sector is expected to provide upside but is subject to significant uncertainty due to increased tensions in the Middle East. Structural factors supporting the sector include improved market access and cooperation between provincial and federal governments. Greater utilization of the Trans Mountain pipeline and new natural gas export routes through B.C. will allow for continued increases in energy production. The federal government looks to be more supportive of broad-based developments in energy projects, demonstrated by the signing of the Canada-Alberta Memorandum of Understanding. Although U.S. tariffs on Canadian energy will likely persist, Alberta's energy exports are subject to comparatively lower tariffs and should remain cost competitive in the global market. On the risk side, the conflict in Iran has already influenced a steep increase in oil prices, which could surge higher if energy products are not able to travel through the Strait of Hormuz – a key supply corridor in the Persian Gulf – for an extended period. Sustained high oil prices would be advantageous for Alberta given the predominance of the energy sector, but this trajectory is highly uncertain as it is contingent on the extent and duration of the conflict. Based on analysis from the Bank of Canada, inflation expectations are stable amid the current tariff landscape in the near term. However, higher tariffs worldwide and heightened tensions among the global trading system will challenge our open economy that is

heavily reliant on international trade. While central bank analysis on the inflationary impact of the conflict in Iran is not yet available, higher energy prices are an inflationary risk. Overall, the Bank of Canada views the current policy rate as neutral in the short term, balancing downside economic pressures with upside pressures to inflation, which should support business and household spending. The Bank of Canada indicated that they are closely monitoring the military actions in the Middle East as a key risk and are ready to respond as needed.

WCB has been sensitive to the challenges employers have endured for several years in the face of economic instability, including pandemic recovery, and managing the cost pressures associated with higher prices and borrowing costs. Employers are now contending with uncertainty associated with geopolitical risks, as such, premium rate subsidization continues into 2026. WCB remains committed to closing the rate setting gap while also minimizing cost volatility for employers.

WCB's strategic plan provides a clear roadmap to guide the organization as we navigate the uncertainties that lie ahead. We have the right strategies to focus our efforts and still allow us to adjust as new risks and opportunities arise.

Through thoughtful and strategic planning, we will continue to deliver on our commitments to our clients, employees, and partners.

*Workers' Compensation Board – Alberta*

## **Financial Statements and Notes**

For the Year Ended December 31, 2025



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## Responsibility for Financial Reporting

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

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the necessary internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. The effectiveness of controls over financial reporting was assessed and found to provide reasonable assurance that internal controls at December 31, 2025 operated effectively with no material weaknesses in the design or operation of the controls.

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

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

Eckler Ltd. has been appointed as the independent consulting actuary to the WCB. Their role is to complete an independent actuarial valuation of the insurance liabilities included in the financial statements of the WCB and to report thereon in accordance with accepted actuarial practice.

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



**Dr. Ray Block**

Chair, Board of Directors  
Workers' Compensation Board – Alberta



**Trevor Alexander**

President and Chief Executive Officer  
Workers' Compensation Board – Alberta



**Laurent Charron**, CPA, CMA

Chief Financial Officer  
Workers' Compensation Board – Alberta



## Independent Auditor's Report

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

### Report on the Financial Statements

#### Opinion

I have audited the financial statements of the Workers' Compensation Board — Alberta (the Board), which comprise the statement of financial position as at December 31, 2025, and the statements of financial performance and comprehensive income, changes in fund balance, and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2025, and its financial performance, and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

#### Basis for opinion

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

#### Other information

Management is responsible for the other information. The other information comprises the information included in the *Workers' Compensation Board — Alberta 2025 Annual Report*, but does not include the financial statements and my auditor's report thereon.

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

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed on this other information, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Classification: Public

### **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 IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the 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 Board'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 an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

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

### **Auditor's responsibilities for the audit of the financial statements**

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 Board'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 Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.

Classification: Public

- 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.

I 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 I identify during my audit.

[Original signed by Phillip D. Peters FCPA, FCA, KC]  
Auditor General of Alberta

May 1, 2026  
Edmonton, Alberta

Classification: Public

# ECKLER

## Actuarial statement of opinion

### on the valuation of the insurance liabilities as at December 31, 2025 of the Workers' Compensation Board – Alberta for its financial statements prepared in accordance with International Financial Reporting Standards

We have valued the insurance liabilities of the Workers' Compensation Board- Alberta for its financial statements prepared in accordance with International Financial Reporting Standards for the year ending December 31, 2025.

In our opinion, the insurance liabilities of \$15,205.4 million make appropriate provision for the liabilities for incurred claims and the liabilities for remaining coverage. The liabilities for incurred claims provide for future payments for short-term disability, re-employment services, long-term disability, survivor and health care benefits with respect to claims which occurred on or before the valuation date, and for all occupational disease claims expected to arise after the valuation date as a result of exposures incurred in the workplace on or before the valuation date in respect of occupational diseases with a long latency period that are recognized by the WCB, as well as for future claims management costs, but do not include a provision for benefits and payments that are on a self-insured basis.

The data on which the valuation is based were provided by the WCB; we applied such checks of reasonableness of the data that we considered appropriate, and have concluded that the data are sufficiently reliable to permit a realistic valuation of the liabilities and that the data are consistent with WCB's financial statements. In our opinion, the data on which the valuation is based are sufficient and reliable for the purpose of the valuation.

The nominal discount rate assumption for computing the liabilities is consistent with the market data available as at December 31, 2025, reflecting the liquid risk-free rate of return and the liquidity characteristics associated with WCB benefits. The inflation assumption is aligned with the inflation rates implied by the market interest rates used for discounting the cash flows.

Projections of future claim payments and awards have been made using factors developed from the WCB's claims experience, mortality, and other assumptions. Assumptions and methods employed in the valuation were consistent with those used in the previous valuation, after taking account of changes in claim patterns. The increase of \$597.2 million in the insurance liabilities, from \$14,608.2 million at the end of 2024 to \$15,205.4 million as at December 31, 2025, considers a decrease of \$260.2 million resulting from updates of the nominal discount rate and inflation assumptions used to value the liabilities for incurred claims. Other changes made to the valuation assumptions increased the liabilities for incurred claims by \$225.7 million: an increase of \$280.5 million for economic loss payments, of \$106.8 million for latent occupational diseases, and of \$3.5 million for home maintenance and housekeeping allowances, partly compensated by a reduction of \$165.1 million for retirement assumptions. In our opinion, the methods and the assumptions employed in the valuation are appropriate for the purpose of the valuation.

Details of the data, actuarial assumptions, valuation methods and results are set out in our actuarial report as at the valuation date, of which this statement of opinion forms part.

The valuation is based on the provisions of the *Workers' Compensation Act* of Alberta and on the WCB's policies and administrative practices in effect at the time of the valuation.

In our opinion, the amount of the insurance liabilities for financial statements prepared in accordance with IFRS Accounting Standards makes appropriate provision for all personal injury compensation obligations given WCB's accounting, and the financial statements fairly represent the results of the valuation. This report has been prepared, and our opinion given, in accordance with accepted actuarial practice in Canada.



**Richard Larouche**, FSA, FCIA  
Actuary, Eckler Ltd.



**Thane MacKay**, FSA, FCIA  
Actuary, Eckler Ltd.

April 27, 2026

Workers' Compensation Board – Alberta  
**Statement of Financial Position**

As at December 31

(\$ thousands)	Notes	2025	2024
<b>ASSETS</b>			
Cash and cash equivalents	19(a)	\$ 300,235	\$ 265,807
Receivables and other assets		50,761	48,795
Investments	5	14,915,497	13,886,795
Property, plant and equipment	8	74,618	72,190
Intangible assets	9	19,467	25,801
		<b>\$ 15,360,578</b>	<b>\$ 14,299,388</b>
<b>LIABILITIES</b>			
Trade and other liabilities	10,19(b)	\$ 54,738	\$ 91,788
Safety rebates	19(c)	107,100	104,236
Employee benefits	11	56,268	51,588
Insurance liabilities	12	15,205,418	14,608,233
		<b>\$ 15,423,524</b>	<b>\$ 14,855,845</b>
<b>FUND BALANCE</b>		(62,946)	(556,457)
		<b>\$ 15,360,578</b>	<b>\$ 14,299,388</b>
Contingencies and Indemnification	18		

Approved by the Board of Directors on April 28, 2026.



**Dr. Ray Block**  
 Chair, Board of Directors  
 Workers' Compensation Board- Alberta



**Trevor Alexander**  
 President and Chief Executive Officer  
 Workers' Compensation Board- Alberta

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

Workers' Compensation Board – Alberta

## Statement of Financial Performance and Comprehensive Income

Year ended December 31

(\$ thousands)	Notes	2025	2024
<b>INSURANCE MANAGEMENT</b>			
<i>Insurance revenue</i>			
Premiums for insurance coverage	13	\$ 1,696,318	\$ 1,539,382
<i>Insurance expense</i>			
Cost of current year claims	13	(1,870,137)	(1,744,491)
Remeasurement of insurance liabilities (excluding discount rate changes)	13	(298,049)	(179,588)
Reversal of onerous contracts	12	61,000	16,900
		<u>(2,107,186)</u>	<u>(1,907,179)</u>
<b>INSURANCE MANAGEMENT RESULT</b>		<u>(410,868)</u>	<u>(367,797)</u>
<b>FINANCIAL MANAGEMENT</b>			
<i>Investment income and expense</i>			
Investment income	6	1,361,144	1,599,972
Investment management expense	6	(89,302)	(73,897)
		<u>1,271,842</u>	<u>1,526,075</u>
<i>Insurance finance income and expense</i>			
Interest on insurance liabilities	15	(518,000)	(671,300)
Effect of inflation and discount rate changes on liabilities	13	260,200	(172,200)
		<u>(257,800)</u>	<u>(843,500)</u>
<b>FINANCIAL MANAGEMENT RESULT</b>		<u>1,014,042</u>	<u>682,575</u>
<b>ADMINISTRATION AND OTHER EXPENSE</b>			
Corporate administration	16	(107,699)	(105,600)
Injury reduction	19(d)	(1,596)	4,370
Other expenses		(2,265)	(328)
<b>ADMINISTRATION AND OTHER EXPENSE - NET</b>		<u>(111,560)</u>	<u>(101,558)</u>
<b>NET INCOME</b>		491,614	213,220
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that will not be reclassified to net income</i>			
Remeasurement of employee benefits	11	1,897	(39,819)
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>\$ 493,511</u>	<u>\$ 173,401</u>

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

Workers' Compensation Board – Alberta

## Statement of Changes in Fund Balance

*Year ended December 31*

(\$ thousands)

	<b>2025</b>	2024
<b>Fund Balance, beginning of year</b>	\$ (556,457)	\$ (729,858)
Net Income	491,614	213,220
Other comprehensive income	1,897	(39,819)
<b>Fund Balance, end of year</b>	<b>\$ (62,946)</b>	<b>\$ (556,457)</b>

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

## Workers' Compensation Board – Alberta

# Statement of Cash Flows

Year ended December 31

(\$ thousands)	2025	2024
<b>OPERATING ACTIVITIES</b>		
<b><i>Cash inflows (outflows) related to insurance management</i></b>		
Premiums for insurance coverage	\$ 1,712,403	\$ 1,536,957
Injury reduction recovery from premiums	84,377	78,560
Benefits to claimants and/or third parties on their behalf	(1,541,618)	(1,487,040)
Administrative and other goods and services	(323,524)	(312,006)
Statutory funding commitments for injury reduction programs	(121,540)	(37,954)
	<u>(189,902)</u>	<u>(221,483)</u>
<b>INVESTING ACTIVITIES</b>		
<b><i>Cash inflows (outflows) related to investment assets</i></b>		
Interest income received	10,252	12,452
Investment management expenses	(1,312)	(1,148)
Cash transfers from (to) investments	234,200	120,000
	<u>243,140</u>	<u>131,304</u>
<b><i>Cash inflows (outflows) related to operating assets</i></b>		
Purchase of property, plant and equipment	(10,305)	(9,710)
Purchase of computer software	(5,066)	(4,592)
	<u>227,769</u>	<u>117,002</u>
<b>FINANCING ACTIVITIES</b>		
<b><i>Cash inflows (outflows) related to financing</i></b>		
Payments on lease and other financing	(3,439)	(3,090)
<b>Net increase (decrease) in cash and cash equivalents</b>	34,428	(107,571)
Cash and cash equivalents, beginning of year	265,807	373,378
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 300,235</u>	<u>\$ 265,807</u>

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

## Notes to the Financial Statements

*For the year ended December 31, 2025 with comparatives for the year ended December 31, 2024  
(thousands of dollars unless stated otherwise).*

### 1. REPORTING ENTITY

The Workers' Compensation Board – Alberta (WCB) is a provincial board created by legislation in 1918. As a statutory corporation, WCB administers the workers' compensation system for the province of Alberta under the authority of the *Workers' Compensation Act* (the Act). WCB's corporate head office is located at 9925 107 Street NW, Edmonton, Alberta T5K 1G4, with operations exclusively within the province of Alberta. As a statutory corporation, WCB is exempt from income tax. WCB's legislated mandate is to provide disability benefits to workers who sustain workplace injuries or disease in the course of employment.

### 2. MATERIAL ACCOUNTING POLICIES

The following accounting policies have been applied in the preparation of the financial statements for all years presented, unless otherwise indicated.

#### GENERAL ACCOUNTING POLICY

##### ***Basis of preparation***

These financial statements have been prepared in accordance with IFRS Accounting Standards as at and applicable on December 31, 2025, and on a cost or amortized cost basis except for investments reported at fair value and employee benefit and insurance liabilities, which are actuarially determined. The principal accounting policies applied in the preparation of the financial statements are set out below.

##### ***Financial statement presentation***

All financial information presented is rounded to the nearest thousand, unless otherwise stated.

WCB presents its Statement of Financial Position in order of liquidity.

The Statement of Financial Performance and Comprehensive Income reports results arising from WCB's primary activities: core business operations including risk underwriting, premium assessment and collection, benefit processing, injury treatment and vocational rehabilitation, and financial management including investment management and insurance liability valuation. Administration and other expense is presented in the Statement of Financial Performance and Comprehensive Income by function. Injury reduction is presented net of premium recovery. Other comprehensive income consists of net changes in remeasurement of post-employment defined benefit plan results, which is an item that will not be subsequently reclassified to income or expense.

##### ***Critical judgements and accounting estimates***

Management incorporates critical judgements and accounting estimates in developing and applying accounting policies for recognition and measurement. Such judgements and estimates, which reflect best information at a point in time, affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting periods presented. Critical judgements include the use of fair value measurement of investment assets, establishing the contract boundary for insurance contracts, concluding that the risk adjustment for insurance liabilities is zero, the selection of appropriate methodologies, assumptions and data inputs for measurement of insurance contract assets and liabilities and for employee benefit assets and liabilities.

Some accounting measurements require management's best estimates for those transactions for which sufficient information may not be available to record a precise amount. Actual results in subsequent periods could differ from

the judgements and estimates used by management in these financial statements. These differences, which may be material, could require adjustment in those subsequent periods.

For further discussion of critical accounting judgements and estimates applicable to critical reporting items, see Note 5 *Investments*, Note 11 *Employee benefits*, Note 12 *Insurance contracts* and Note 15 *Insurance finance income and expense*.

**Foreign currency translation**

WCB’s financial statements are presented in Canadian dollars, which is also the functional currency. Monetary assets and liabilities denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the date of the Statement of Financial Position. Exchange differences arising from settlement of monetary items are included in income in the period in which they arise. Non-monetary assets and liabilities denominated in foreign currency are translated at the exchange rate in effect when those transactions occurred.

**Cash equivalents**

Cash equivalents include short-term, liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Cash and short-term investments held as Guaranteed Investment Certificates (GICs) or within pooled funds are not typically available for general use and are accordingly included in investments.

**Finance expense**

Finance expense comprises primarily recognition of interest (i.e., time value of money) inherent in discounted liabilities. Significant discounted liabilities include insurance liabilities, employee benefit plans and lease obligations.

**SPECIFIC ACCOUNTING POLICIES**

To facilitate a better understanding of WCB’s financial statements, specific accounting policies are disclosed in the related notes:

Note	Topic	Page
5	Investments	54
6	Investment Income and Expense	57
8	Property, Plant and Equipment	61
9	Intangible Assets	63
10	Leases	64
11	Employee Benefits	66
12	Insurance Contracts	71
13	Insurance Revenue and Expenses	79
15	Insurance Finance Income and Expense	87

### 3. ACCOUNTING POLICY CHANGES

#### STANDARD, AMENDMENTS, AND INTERPRETATIONS EFFECTIVE IN CURRENT YEAR

There were no new standards, amendments, or interpretations adopted in the current year.

#### STANDARD, AMENDMENTS, AND INTERPRETATIONS ISSUED AS OF YEAR END BUT NOT YET EFFECTIVE

##### ***Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures***

On May 30, 2024, the International Accounting Standards Board (IASB) issued *Amendments to the Classification and Measurement of Financial Instruments* (Amendments to IFRS 9 and IFRS 7).

The key concepts introduced in these amendments include clarifying the timing of recognition and derecognition of certain financial assets and liabilities, including introducing an election for early derecognition for financial liabilities settled through an electronic payment system, and expanding guidance on assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion.

These amendments are effective for reporting periods beginning on or after January 1, 2026 with early adoption permitted. Restatement of comparative information is not required and is only permitted if possible, without the use of hindsight. WCB is finalizing the impact assessment of the new standard on the financial statements. WCB's first financial statements prepared in accordance with these requirements will be as at December 31, 2026.

##### ***IFRS 18 Presentation and Disclosure in Financial Statements***

On April 9, 2024, the IASB released *IFRS 18 Presentation and Disclosure in Financial Statements* (IFRS 18) to replace *IAS 1 Presentation of Financial Statements*. Many of the principles and requirements in IAS 1 will be retained with limited changes.

The key concepts introduced in IFRS 18 primarily affect the structure (i.e., presentation format) of the Statement of Financial Performance and Comprehensive Income; new note disclosures for certain profit or loss performance measures that are reported outside an entity's financial statements (i.e., management-defined performance measures); and enhanced principles governing aggregation and disaggregation of results in the primary financial statements and notes.

IFRS 18 will be effective for reporting periods beginning on or after January 1, 2027, with early adoption permitted. Retrospective restatement of comparative periods is required. WCB is in the process of assessing the impact of the new standard on the financial statements. WCB's first financial statements prepared in accordance with these requirements will be as at December 31, 2027.

There are no other standards, amendments or interpretations to existing standards issued but not yet effective which are expected to have a material impact on the financial statements.

## 4. FUND MANAGEMENT

### ACCIDENT FUND

The Act establishes an Accident Fund (the Fund) to support a sustainable workers' compensation system for the benefit of workers and employers. Sufficient funds must be available in the Accident Fund for the payment of present and future compensation, including the cost of administration.

### FUNDING POLICY AND CAPITAL MANAGEMENT

Since the Act does not provide for an ownership-based capital structure, WCB views its available capital resources as synonymous with its Accident Fund balance. The primary objective in managing the financial status of the Accident Fund is to mitigate the risk of being unfunded, while a secondary objective is to minimize premium rate volatility caused by investment and claim liability risk. WCB manages the financial status of the Accident Fund by monitoring the funding level and making funding decisions in accordance with the Funding Policy.

The Funding Policy prescribes that evaluation of the funding status of the Accident Fund be determined on a Funding basis wherein the claim benefit obligations are valued reflecting a discount rate assumption that is linked to the long-term return of the investment portfolio. To guide funding decisions, the Funding Policy sets a funding level target range of 114–128% as measured on a Funding basis. When the funding level (total assets divided by total liabilities measured on a Funding basis) falls below the target range, special funding requirements may be included in premium rates. When the funding level is above the target range, surplus distributions may be paid.

Special levies and surplus distributions are instruments of the Funding Policy, whose purpose is to replenish funding shortfalls or return excess funding to employers in order to maintain the funding level at the prescribed target level established by Funding Policy. Surplus funds may be distributed at the discretion of WCB Alberta. In the event of a surplus distribution the surplus is considered part of insurance liabilities under IFRS 17.

### FUNDING LEVEL

As at December 31, 2025 the Funded Ratio of the Accident Fund (total assets divided by total liabilities measured on a Funding basis) was 109.4%, with a funded position of \$1.3 billion (2024 - 109.4% and \$1.2 billion). The funded ratio was below the funding level target range but exceeded the legislative requirement of 100%.

As at December 31, 2025 the fund balance on the Statement of Financial Position was in a deficiency position of \$62.9 million (2024 - \$556.5 million). Despite the fund balance deficiency, the mandate of the WCB and the Accident Fund allows for sufficient cash flows to continue operations and meet its obligations. Insurance liabilities have a long period to maturity, see the section *Solvency risk* in Note 14 *Insurance risk and management* about the relationship of investments and insurance liabilities.

## 5. INVESTMENTS

### ACCOUNTING POLICY

WCB's portfolio investments are classified at fair value through profit or loss as the investments are not held for the purpose of collecting contractual cash flows and do not give rise to cash flows on specified dates. The objective is to hold investments for trading purposes, as such, all changes in fair value, including realized and unrealized gains or losses, are recorded in investment income.

The Alberta Investment Management Corporation (AIMCo) is a Crown corporation of Alberta and the exclusive investment manager of WCB's investment portfolio as established in Bill 22 on November 22, 2019. AIMCo manages investments through pooled funds for multiple pension, endowment, insurance and government fund clients. WCB's investment portfolio is invested exclusively in pooled investment portfolios (pools) covering various asset classes and mandates. Participants hold redeemable units in these pools with rights to a proportionate share of the pool's income and net assets, with no power to direct management of the fund. Consequently, WCB is indirectly and proportionately exposed only to the associated economic risks and rewards of the pool, based on its share of the total units in the respective pool. In WCB's judgment, because the criteria for control of the pools are not met for consolidation or joint control accounting, it has determined that pools it holds units in are measured at fair value through income and does not report a proportional interest in the individual underlying assets and liabilities of the pools on its Statement of Financial Position. WCB accounts for its investment in pools as financial instruments.

As a financial instrument, the unit of the respective pools is the unit of account and basis of accounting. Pools are recognized in the Statement of Financial Position when WCB becomes party to the contractual provisions of the pool through purchase or transfer of the units. Similarly, pools are derecognized when WCB is no longer bound by the rights and obligations attached to the units.

WCB utilizes trade-date accounting (i.e., the date when pools are purchased or redeemed) rather than at the date of their settlement. For recognition or derecognition of investment assets, WCB measures pools at their fair value as at the respective trade date. Transaction costs, if any, are immediately expensed.

#### ***Fair value hierarchy***

The fair value of WCB's investments recorded on the Statement of Financial Position was determined using one of the following valuation techniques:

- Level 1** Fair value is based on quoted prices in active markets for identical assets. The pools are not listed on active markets, therefore, cannot be classified as level 1 for fair value hierarchy purposes. Pools classified by WCB as Level 2 may contain investments that might otherwise be classified as Level 1.
- Level 2** Fair value is based on inputs, other than Level 1 prices, such as quoted prices for similar assets, quoted prices in markets that are not active or other inputs based on observable market data. Level 2 includes pools invested in debt and public equity securities.
- Level 3** Fair value is based on unobservable inputs that are significant to the fair value of the assets and have little or no market activity. Level 3 includes pools whose fair value is determined from valuations of underlying holdings using pricing models, discounted cash flow methodologies or similar techniques that entail use of significant judgement and/or unobservable inputs. This level includes pools invested in private investments in mortgages, real estate, infrastructure and timberlands.

The fair value of pools is derived from the fair value of the underlying financial instruments held within the pool as determined by AIMCo using methods that maximise the use of market observable inputs to the greatest extent possible and use in some instances, as noted below, unobservable inputs where market observable inputs are not available.

***Fixed income and real-return bonds***

Public interest-bearing securities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company. Private mortgages and debt are valued based on the net present value of future cash flows. Cash flows are discounted using risk adjusted interest rate premiums over similar Government of Canada benchmark bonds and current market yields for comparable securities.

***Equities***

Public equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

***Real estate and timberlands***

The fair value of real estate and renewable resources (timberlands) investments is estimated using appraised values, net of any liabilities. Real estate and renewable resources investments are appraised at least annually by qualified independent appraisers. Appraisers use a combination of methods to determine fair value, including replacement cost, direct comparison, capitalization of earnings, and discounted cash flows.

***Infrastructure***

The fair value of infrastructure investments is estimated using a combination of market approaches considering comparable companies, precedent transactions in comparable companies and investments, and discounted future cash flows. The fair value of investments held in pools and limited partnerships is estimated by the manager or general partner.

The table below summarizes the basis of fair value measurements for financial assets held in WCB's investment portfolio:

(\$ thousands)	Fair value through income			2025	2024
	Level 1	Level 2	Level 3		
<b>Fixed income</b>					
Deposits and short-term investments <sup>1</sup>	\$ -	\$ 280,112	\$ -	\$ 280,112	\$ 328,952
Nominal bonds	-	3,445,824	-	3,445,824	3,249,290
Mortgages	-	-	741,876	741,876	583,616
Private debt	-	-	296,764	296,764	211,754
	-	3,725,936	1,038,640	4,764,576	4,373,612
<b>Equities</b>					
Domestic	-	1,593,905	-	1,593,905	1,395,052
Foreign	-	3,884,803	-	3,884,803	3,447,784
	-	5,478,708	-	5,478,708	4,842,836
<b>Inflation-sensitive</b>					
Real estate	-	-	1,861,956	1,861,956	1,765,194
Infrastructure	-	-	2,111,800	2,111,800	2,214,044
Timberlands	-	-	622	622	684
Real-return bonds	-	697,835	-	697,835	690,425
	-	697,835	3,974,378	4,672,213	4,670,347
<b>Total Investments</b>	\$ -	\$ 9,902,479	\$ 5,013,018	\$ 14,915,497	\$ 13,886,795

<sup>1</sup>Deposits and short-term investments may include Guaranteed Investment Certificates not held in AIMCo pools. Balance as of December 31, 2025 is nil (2024 - \$102.1)

### Transfers between levels

There were no material transfers between levels during 2025 or 2024.

### Reconciliation of Level 3 activity

(\$ thousands)	Mortgages	Private Debt	Real Estate	Infrastructure & Timberlands	2025	2024
<b>Balance, beginning of year</b>	\$ 583,616	\$ 211,754	\$ 1,765,194	\$ 2,214,728	\$ 4,775,292	\$ 4,302,427
Fair value changes	37,240	18,642	(29,440)	167,855	194,297	349,834
Purchases of Level 3 pools	197,139	80,083	133,920	34,816	445,958	436,165
Sale/settlement of Level 3 pools	(76,119)	(13,715)	(7,718)	(304,977)	(402,529)	(313,134)
<b>Balance, end of year</b>	\$ 741,876	\$ 296,764	\$ 1,861,956	\$ 2,112,422	\$ 5,013,018	\$ 4,775,292

### Investment funding commitments

Private investments in pools managed by AIMCo have significant future capital commitments. Although the total commitment is known, the timing and amount of future funding calls are uncertain, as they are contingent on availability of appropriate investment opportunities. Under these circumstances, pool participants have an indirect constructive obligation to fund their proportionate share of the respective pools if and when these opportunities are realized.

WCB's pro rata share of AIMCo's total unfunded commitments as at December 31, 2025, was estimated at approximately \$286,433 (2024 - \$172,493).

## 6. INVESTMENT INCOME AND EXPENSE

### ACCOUNTING POLICY

WCB recognizes its proportionate share of investment income, earned and distributed to participants of the pool, concurrently with investment gain or loss at remeasurement of the pool. Investment income and fair value remeasurement gains and losses are recognized in income in the period in which they arise. Investment expense comprises primarily external fund management fees and pool costs and internal investment administration expenses.

### Investment income

(\$ thousands)	Income <sup>1</sup>	Investment Gains (Losses) <sup>2</sup>	2025	2024
<b>Fixed income</b>				
Deposits and short-term investments	\$ 15,745	\$ 502	\$ 16,247	\$ 24,393
Nominal bonds	124,524	(16,053)	108,471	151,075
Mortgages	19,000	21,136	40,136	37,590
Private debt	12,870	6,374	19,244	13,528
	172,139	11,959	184,098	226,586
<b>Equities</b>				
Domestic equities	215,633	140,446	356,079	252,458
Foreign equities	353,751	279,182	632,933	756,047
	569,384	419,628	989,012	1,008,505
<b>Inflation-sensitive</b>				
Real estate	17,442	(33,694)	(16,252)	1,846
Infrastructure	173,063	21,905	194,968	335,394
Timberlands	(2)	(52)	(54)	85
Real return bonds	32,067	(22,695)	9,372	27,556
	222,570	(34,536)	188,034	364,881
	\$ 964,093	\$ 397,051	\$ 1,361,144	\$ 1,599,972

### Investment Expense

(\$ thousands)	2025	2024
External management fees	\$ 87,990	\$ 72,749
Investment administration <sup>3</sup>	1,312	1,148
	\$ 89,302	\$ 73,897

<sup>1</sup> Income represents income from interest, dividends and fund distributions earned by the respective pools and proportionately allocated to participants based on units held.

<sup>2</sup> Investment gains (losses) include realized gains and losses from disposition of pools based on average cost and unrealized gains or losses from remeasurement of the pools at the reporting date.

<sup>3</sup> Investment administration represents internal investment management expenses, see Note 16 Administration and Other Expense.

## 7. INVESTMENT RISK MANAGEMENT

### INVESTMENT GOVERNANCE

The Board of Directors is ultimately responsible for overall strategic direction and governance of the investment portfolio through its review and approval of the Investment Policy Statement and ongoing oversight of investment risks, performance and compliance.

WCB management is responsible for monitoring the investment portfolio, assessment of AIMCo performance and recommending changes to the Investment Policy Statement. WCB retains independent consultants to benchmark the performance of its investment portfolio and to advise on the appropriateness and effectiveness of its investment policy and practices.

### KEY FINANCIAL RISKS

The primary financial risk for WCB is the risk that, in the long term, returns from its investments will not be sufficient to discharge all obligations arising from its insurance liabilities. In order to manage this funding risk, risk management for investments has been integrated with risk management of liabilities. The Investment Policy Statement target asset mix and associated risk and return characteristics, have been established to provide guidelines for maintaining a well-diversified portfolio operating within a rigorous compliance framework.

WCB has identified key areas of investment risk that directly affect the sufficiency of its investments to fund current and future claim obligations:

#### **Equity market risk**

Equity market risk is the risk that the fair value of pools will decline due to future fluctuations in market prices of underlying publicly traded equities held in the respective pools. A change in market value of an equity pool is considered significant when it exceeds one standard deviation of the normal range of its historical market returns.

The table below provides an estimate of the impact on the carrying value of equity pools of a significant adverse change<sup>1</sup> in the key risk variable—the amount of equity market volatility:

(\$ thousands)	<b>2025</b>	2024
<b>Equities</b>	<b>1 std dev</b>	1 std dev
% change in portfolio	(11.9%)	(14.1%)
Canadian	\$ (189,957)	\$ (196,038)
% change in portfolio	(11.7%)	(13.3%)
Global	\$ (362,460)	\$ (365,897)
% change in portfolio	(13.3%)	(14.5%)
Emerging markets	\$ (98,800)	\$ (98,915)

<sup>1</sup>A change is considered to be material when it exceeds the standard deviation (std dev), which measures the variance in a normal probability distribution. One standard deviation covers 68% of all probable outcomes. The benchmark deviations are based on 2025 data.

### Interest rate risk

Interest rate risk is the risk that the fair value of pools will decline due to future increases in market interest rates. The table below provides an estimate of the impact on the carrying value of fixed income pools if market interest rates increased by 50 and 100 bps<sup>1</sup>:

(\$ thousands)	2025		2024	
	+50 bps	+100 bps	+50 bps	+100 bps
Change in nominal interest rate				
Nominal bonds	\$ (119,742)	\$ (239,485)	\$ (119,086)	\$ (238,173)
Real return bonds	\$ (40,440)	\$ (80,879)	\$ (43,428)	\$ (86,856)
Mortgages	\$ (15,097)	\$ (30,194)	\$ (12,022)	\$ (24,045)
Private debt	\$ (890)	\$ (1,781)	\$ (741)	\$ (1,482)

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

### Foreign currency risk

Foreign currency risk is the risk that the fair value of pools containing underlying financial assets and financial liabilities denominated in foreign currencies will fluctuate due to changes in their respective exchange rates. WCB has indirect proportionate foreign currency exposures through pools that are economically hedged to the Canadian dollar based on target hedge ratios (i.e., percentage of the exposure hedged to Canadian dollars) by asset class and currency. The target for fixed income and infrastructure pools is 100%. For foreign equity pools, the target is 25% for the U.S. dollar and 50% for other major currencies.

WCB's largest indirect foreign currency exposures are to the U.S. dollar and the euro which are shown in the table below. All other currencies have unhedged exposures of \$374,445 (2024- \$496,000).

The table below presents the currency exposure and provides an estimate of the impact on the carrying value of the portfolio should the Canadian dollar appreciate 10% against the reference currency:

(\$ thousands)	2025		2024	
	Unhedged Foreign exposure	10% CAD appreciation	Unhedged Foreign exposure	10% CAD appreciation
USD	\$ 2,902,043	\$ (263,822)	\$ 2,390,171	\$ (217,288)
EUR	\$ 142,128	\$ (12,921)	\$ 186,903	\$ (16,991)

### Credit risk

Credit risk refers to possible risk of loss resulting from the borrower failing to repay a loan or fulfil its contractual obligations. WCB has indirect exposure to credit risk mainly through pools containing debt securities and derivative contracts. The fair value of all investments is directly or indirectly impacted by credit risk to some degree. The majority of investments in debt securities have credit ratings considered to be investment grade. Unrated debt securities consist primarily of mortgages and private debt.

### Credit spread risk

Credit spread risk arises from changes in general financial market or economic conditions that may change the pricing of the entire non-government bond market, specific sectors or individual issuers. This risk is generally manifested through changes in the security's credit spread, which reflects the risk premium or risk-adjusted yield for specific issuers and/or instruments. WCB's investment portfolio is indirectly exposed to credit spread risk through participation in pools with holdings in non-government fixed income securities.

**Counterparty default risk**

Counterparty default risk arises from the possibility that the issuer of a debt security, or the counterparty to a derivatives contract, fails to discharge its contractual obligations. Pools that hold fixed income products manage credit risk by investing in securities of high credit quality. As a portfolio strategy, derivatives may be used within pools to manage specific characteristics and exposures, with derivative counterparties subject to minimum credit rating requirements. For all pools that hold derivatives, the maximum counterparty default risk exposure is the fair value of all derivative contracts in a favourable (i.e., receivable) position.

**Liquidity risk**

Liquidity risk is the risk that WCB will encounter difficulty in meeting obligations associated with its insurance liabilities, which are funded from cash and cash equivalents and from investments where necessary. This risk stems from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss. Pools that hold private investments with no active market, or subject to contractual restrictions on redemption or transfer, would be exposed to liquidity risk. In addition, these pools may have significant capital commitments that must also be funded from other investments or cash and cash equivalents as required.

Through a proactive cash management process that entails continuous forecasting of expected cash flows, WCB mitigates liquidity risk by minimizing the need for forced liquidations of pools in volatile markets and by allocating a significant portion of the investment portfolio to pools holding securities with high trading volume in active markets.

To cover unanticipated cash requirements when market conditions are unfavourable, WCB also has an available standby line of credit of up to \$20 million, with provision for it to increase to \$100 million for six months during the year, which has not been drawn down as at December 31, 2025 or 2024.

## 8. PROPERTY, PLANT AND EQUIPMENT

### ACCOUNTING POLICY

Property, plant and equipment expenditures are recognized as an asset if it is probable that WCB will realize future economic benefits. Items are initially measured at acquisition cost and subsequently at amortized cost.

WCB enters into leases of property, plant and equipment and contracts for supply of goods and services conveying a right to use identified assets that requires lease recognition. The resulting right-of-use asset is classified under the applicable class of property, plant, and equipment and accounted for in accordance with the relevant accounting policy for that class.

After initial recognition, property, plant and equipment is carried at acquisition cost less accumulated depreciation and impairment (if applicable) with the exception of land, which is not depreciated. Leased assets and leasehold improvements are amortized over their expected lease term, including probable extensions or early termination and adjusted for impairment. All other items are depreciated over their expected economic or useful life. Depreciation expense is recognized when an asset is ready for use and when WCB has control over the use of a lease asset.

Residual values, useful lives, expected lease terms, and depreciation/amortization rates are reviewed at each financial year-end and adjusted if appropriate. Depreciation and amortization expense are included in insurance expense and corporate administration in the Statement of Financial Performance and Comprehensive Income (see Note 16 *Administration and Other Expense*).

WCB applies the following annual rates and methods for depreciation of owned assets:

<i>Buildings</i> .....	<i>2.5% straight-line</i>
<i>Leasehold improvements</i> .....	<i>Straight-line over the expected lease term</i>
<i>Computer equipment</i> .....	<i>35% declining balance</i>
<i>Furniture and equipment</i> .....	<i>15% declining balance</i>
<i>Vehicles</i> .....	<i>20% straight-line</i>

For leased assets, WCB applies straight-line amortization over the expected lease term.

WCB evaluates its property, plant and equipment for indicators of impairment such as obsolescence, redundancy, deterioration, loss or reduction in future service potential, or when there is a change in intended use or underutilization of an owned and/or a right-of-use asset. When the carrying value exceeds the amount of future economic benefit based on expected utilization, the item of property, plant and equipment is written down to the recoverable amount and the amount recognized as an impairment loss.

The following table provides details of property, plant and equipment (PPE) broken down between assets acquired through purchase and right-of-use assets arising from leasing.

(\$ thousands)	Land / Buildings	Leasehold Improvements	Computer Equipment	Furniture & Equipment	Vehicles	2025	2024
<b>Owned assets, at cost</b>							
Balance, beginning of year	\$ 75,510	\$ 1,870	\$ 24,964	\$ 35,829	\$ 374	\$ 138,547	\$ 130,213
Current period activity:							
Capitalized expenditure	91	-	6,484	5,183	258	12,016	15,592
Transfer from PPE under construction	-	-	(1,780)	(1,992)	-	(3,772)	(9,426)
Disposals	(7)	(9)	(2,029)	(96)	(57)	(2,198)	(1,605)
PPE under construction	25	-	-	1,755	-	1,780	3,773
<b>Balance, end of year</b>	<b>75,619</b>	<b>1,861</b>	<b>27,639</b>	<b>40,679</b>	<b>575</b>	<b>146,373</b>	<b>138,547</b>
<b>Accumulated depreciation and impairment</b>							
Balance, beginning of year	35,540	1,746	12,882	22,275	374	72,817	67,497
Current period activity:							
Depreciation	1,617	41	4,195	1,922	4	7,779	6,925
Disposals	(7)	(9)	(2,029)	(45)	(57)	(2,147)	(1,605)
<b>Balance, end of year</b>	<b>37,150</b>	<b>1,778</b>	<b>15,048</b>	<b>24,152</b>	<b>321</b>	<b>78,449</b>	<b>72,817</b>
Carrying value, beginning of year	39,970	124	12,082	13,554	-	65,730	62,716
<b>Carrying value, end of year</b>	<b>38,469</b>	<b>83</b>	<b>12,591</b>	<b>16,527</b>	<b>254</b>	<b>67,924</b>	<b>65,730</b>
<b>Right-of-use assets, at cost</b>							
Balance, beginning of year	7,847	-	5,957	563	-	14,367	16,648
Current period activity:							
Capitalized lease expenditure	1,865	-	1,572	-	-	3,437	2,329
Disposals	(395)	-	(1,314)	-	-	(1,709)	(4,610)
<b>Balance, end of year</b>	<b>9,317</b>	<b>-</b>	<b>6,215</b>	<b>563</b>	<b>-</b>	<b>16,095</b>	<b>14,367</b>
<b>Accumulated depreciation and impairment</b>							
Balance, beginning of year	5,078	-	2,560	269	-	7,907	9,737
Current period activity:							
Depreciation	975	-	1,937	106	-	3,018	2,780
Disposals	(210)	-	(1,314)	-	-	(1,524)	(4,610)
<b>Balance, end of year</b>	<b>5,843</b>	<b>-</b>	<b>3,183</b>	<b>375</b>	<b>-</b>	<b>9,401</b>	<b>7,907</b>
Carrying value, beginning of year	2,769	-	3,397	294	-	6,460	6,911
<b>Carrying value, end of year</b>	<b>3,474</b>	<b>-</b>	<b>3,032</b>	<b>188</b>	<b>-</b>	<b>6,694</b>	<b>6,460</b>
<b>Total owned and right-of-use assets</b>							
Carrying value, beginning of year	42,739	124	15,479	13,848	-	72,190	69,627
<b>Carrying value, end of year</b>	<b>\$ 41,943</b>	<b>\$ 83</b>	<b>\$ 15,623</b>	<b>\$ 16,715</b>	<b>\$ 254</b>	<b>\$ 74,618</b>	<b>\$ 72,190</b>

See Note 10 *Leases* for accounting policy and further details on leased property, plant and equipment and Note 16 *Administration and Other Expense* for depreciation expense.

WCB has contractual commitments to complete various projects under construction. As at December 31, 2025, these commitments total \$3,740 (2024- \$3,739).

## 9. INTANGIBLE ASSETS

### ACCOUNTING POLICY

WCB's intangible assets are composed of computer software developed internally or acquired through third party vendors and customized as necessary. Development expenditure is capitalized only if the directly related costs (both internal and external) can be measured reliably, the product or process is technically feasible, future economic benefits are probable and WCB has the intention and sufficient resources to complete development and to use the asset in the manner intended.

Computer software is measured at cost upon initial recognition. After initial recognition, computer software is measured at cost less accumulated amortization and impairment (if applicable). Computer software is amortized on a straight-line basis at 20% per year commencing from the date that the software is available for use.

Residual value, useful lives and amortization methods are reviewed at each financial year-end and adjusted if appropriate. Amortization expense is included in insurance expense and corporate administration in the Statement of Financial Performance and Comprehensive Income (see Note 16 *Administration and Other Expense*).

WCB evaluates its intangible assets for indicators of impairment and performs annual impairment tests for assets under development. When the carrying value exceeds the amount of future economic benefit through utilization, the item is written down to the recoverable amount and the amount recognized as an impairment loss.

(\$ thousands)	In Use	Under Development	2025	2024
<b>Cost</b>				
Balance, beginning of year	\$ 143,813	\$ 2,898	\$ 146,711	\$ 142,262
Capitalized expenditure	-	5,086	5,086	4,449
Transfers from development	2,642	(2,642)	-	-
Disposals	-	-	-	-
<b>Balance, end of year</b>	<b>146,455</b>	<b>5,342</b>	<b>151,797</b>	<b>146,711</b>
<b>Accumulated amortization and impairment</b>				
Balance, beginning of year	120,910	-	120,910	106,137
Depreciation	11,420	-	11,420	14,773
Disposals	-	-	-	-
<b>Balance, end of year</b>	<b>132,330</b>	<b>-</b>	<b>132,330</b>	<b>120,910</b>
Carrying value, beginning of year	22,903	2,898	25,801	36,125
<b>Carrying value, end of year</b>	<b>\$ 14,125</b>	<b>\$ 5,342</b>	<b>\$ 19,467</b>	<b>\$ 25,801</b>

WCB has contractual commitments related to the completion of software projects. As at December 31, 2025, these commitments total \$780 (2024- \$4,467).

## 10. LEASES

### ACCOUNTING POLICY

At inception of a lease or supply contract, WCB recognizes a right-of-use asset and a corresponding lease liability if both of the following conditions have been met throughout the contract period:

- WCB has the right to obtain substantially all the economic benefits from use of an identified asset; and
- WCB has the right to direct the use of the identified asset throughout the period of use.

The lease term begins at the commencement date, extends through the non-cancellable period of the lease and includes any renewal periods or early termination options that WCB is likely to exercise.

At the commencement date, WCB measures the lease liability at cost, representing the present value of the lease payments that are not paid at that date, discounted using the interest rate implicit in the lease if it is known or readily determinable. If not, WCB uses its incremental borrowing rate as at that date for a loan of similar amount, payment terms, and maturity. The right-of-use asset is measured at the amount of the lease liability, less any lease incentives received and/or lease payments made at or before the lease commencement date. As well, at the commencement date, incentives received or due from the lessor to enter into or to extend the lease are recognized, measured at their present value and offset against the right-of-use asset.

Leases with low value assets (unit value of \$5,000 or less), and leases with an expected term of 12 months or less at date of commencement are exempt from the requirements to recognize a right-of-use asset and lease liability. Although exempt, WCB applies IFRS 16 to groups of low value desktop computer equipment acquired under a master lease agreement. These lease asset pools (portfolios) are measured at their aggregate present value as at their commencement date, recognized as right-of-use assets and related lease obligations.

Subsequent measurement of right-of-use assets and liabilities for leases of individual assets and asset pools is at amortized cost. Right-of-use assets are depreciated on a straight-line basis over their expected lease term.

Lease payments are allocated between the liability and finance charges using the effective interest method to achieve a constant rate of interest on the remaining balance of the lease. The interest portion of the payment is charged to income over the lease period, while the principal portion is applied against the lease obligation.

### LEASES

#### ***Leasing objectives***

WCB's rationale for acquiring critical business assets through leasing is to realize operational flexibility, rather than to finance asset ownership. For critical information technology and office equipment, WCB uses leasing to manage obsolescence risk, to provide operational flexibility in meeting both short and long-term business demands and to access value-added services bundled with certain lease arrangements. For some critical technology, vendor pricing is more cost-effective through leasing rather than purchasing. For facilities, the economic benefits from leasing accrue mainly from flexibility in meeting short-term space demands, acquiring office space that does not warrant a long-term capital investment in real assets, but in some circumstances, the required space is only available through a long-term lease.

#### ***Lease obligations***

WCB has obligations under non-cancellable lease agreements for computer and office equipment, typically for terms between three and five years. Some WCB facilities are under leases with remaining terms of between one and two years. On rare occasions, WCB may enter into short-term arrangements for office space and/or for low value assets; however, such commitments and the amounts charged to administration expense are generally not material.

The following table provides a reconciliation of lease transactions and obligations for the period ended December 31, 2025.

(\$ thousands)	Land / Buildings	Computer Equipment	Furniture & Equipment	2025	2024
<b>Lease obligations</b>					
Balance, beginning of year	\$ 3,417	\$ 3,484	\$ 311	\$ 7,212	\$ 7,703
Current year activity:					
Additions	-	1,572	1,865	3,437	2,329
Disposals	-	-	-	-	-
Lease payments	(1,081)	(2,062)	(339)	(3,482)	(3,090)
Lease interest	98	145	60	303	270
<b>Balance, end of year</b>	<b>\$ 2,434</b>	<b>\$ 3,139</b>	<b>\$ 1,897</b>	<b>\$ 7,470</b>	<b>\$ 7,212</b>

See Note 8 *Property, Plant and Equipment* for carrying values of lease right-of-use assets and their related depreciation and Note 19(b) *Trade and Other Liabilities* for presentation of lease obligations.

The undiscounted future cash outflows and the maturities related to these lease obligations are broken out in the table below.

(\$ thousands)	2025	2024
2025	\$ -	\$ 2,857
2026	3,277	2,291
2027	2,502	1,560
2028	838	331
2029	671	191
2030 and Beyond	715	515
	<b>\$ 8,003</b>	<b>\$ 7,745</b>

### **Exempt leases**

Leases for low value assets or for terms of twelve months or less are exempt from the requirements to recognize a right-of-use asset and lease liability and are charged to expense as incurred. Exempt lease expense for the year was insignificant.

## 11. EMPLOYEE BENEFITS

### ACCOUNTING POLICY

WCB provides active service and defined post-employment benefits to its employees. WCB also participates in certain multi-employer pension plans sponsored by the province of Alberta. An expense and a liability for benefits earned are recognized in the period that the employee service has been rendered.

For defined post-employment benefit plans, current service cost represents the actuarial present value of the benefits earned in the current period. Such cost is actuarially determined using the projected unit credit actuarial method, a market interest rate and management's best estimate of projected benefit costs. The net plan asset or liability as at the reporting date is the present value of the defined benefit obligation, which is determined by discounting the estimated future cash outflows using a discount rate based on market yields of high-quality corporate bonds having terms to maturity that approximate the duration of the related benefit liability less the fair value of plan assets. Current service cost and interest expense of pension and other post-employment benefits are estimated using different discount rates derived from the same yields, reflecting the different timing of benefit payments for past service (the defined benefit obligation) and future service (the current service cost). Current service cost, interest expense and interest income comprise the amount required in each year to build up the liability over the projected benefit period to its future value.

Remeasurement changes in plan assets and benefit liabilities, arising from actuarial changes in assumptions and experience gains and losses, are recognized in other comprehensive income.

### ACTIVE SERVICE BENEFITS

WCB's short-term benefits for active employees include salary, compensated absence (sick leave, statutory holidays, and annual vacation), group life insurance, dental and medical coverage, employee family assistance program, education support and health and wellness benefits.

Termination benefits are provided for through employment contracts, statutory requirements or constructive obligations. As at December 31, 2025 and 2024, there were no material expenditures or provisions relating to termination benefits.

### POST-EMPLOYMENT BENEFITS

#### ***Pension plans***

Employee post-retirement benefits are provided through contributory multi-employer defined benefit pension plans sponsored by the province of Alberta, namely the Public Service Pension Plan (PSPP) and the Management Employees Pension Plan (MEPP). Under defined benefit plan accounting, WCB must recognize its proportionate share, determined on an actuarial basis, of plan assets, obligations, remeasurement amounts, service cost, interest expense and interest income prorated on WCB's share of total contributions.

The information in this note reflects the annual actuarial valuation of WCB's share of the plans' assets, benefit obligations, remeasurement amounts, service cost, interest expense and interest income.

#### ***Supplemental executive retirement plan***

WCB sponsors a non-contributory supplemental executive retirement plan (SERP). Earnings of senior management generally exceed the threshold earnings for the maximum pension benefit permitted under the federal *Income Tax Act*. Under the terms of the SERP, senior management is entitled to receive supplemental retirement payments that bring their total pension benefits to a level consistent with their total earnings for service since the inception of the SERP or appointment to a senior management position, whichever is later. Future pension benefits are based on the participants' years of service and earnings.

See Note 17 *Related Party Transactions* for a breakdown of SERP costs by executive position.

### **Post-retirement benefit plan**

WCB provides a contributory benefit plan that provides dental and health care benefits to retirees on pensions between the ages of 55 to 80. As plan participants pay part of the benefit cost, the benefit obligation represents the difference between actual costs and contributions subsidized by WCB.

## **OTHER BENEFIT PLANS**

### **Long-term disability plan**

WCB administers a self-insured non-contributory long-term disability (LTD) income continuance plan for its employees. The LTD liability represents the present value of all future obligations arising from disability claims incurred up to and including the reporting date.

## **EMPLOYEE BENEFIT PLAN ASSUMPTIONS**

The table below presents key assumptions applicable to WCB's employee future benefit plans.

	2025					2024				
	PSPP	MEPP	SERP	Post Retirement	LTD	PSPP	MEPP	SERP	Post Retirement	LTD
<b>Date of most recent actuarial valuation</b>	12/31/2025	12/31/2025	12/31/2025	12/31/2025	12/31/2025	12/31/2024	12/31/2024	12/31/2024	12/31/2024	12/31/2024
<b>Economic assumptions</b>										
Discount rate (nominal) for benefit obligation	5.1%	5.0%	5.0%	5.1%	4.6%	4.7%	4.7%	4.7%	4.8%	4.8%
Alberta inflation rate (long-term)	2.0%	2.0%	2.0%	n/a	n/a	2.0%	2.0%	2.0%	n/a	n/a
Salary escalation rate <sup>1</sup>	3.0%	3.0%	3.0%	n/a	2.0%	3.0%	3.0%	3.0%	n/a	2024: 3%; >2024: 2.0%
Duration of defined benefit obligation	14.46	13.40	13.08	n/a	n/a	13.25	13.30	13.83	n/a	n/a
<b>Multi-employer plan funding assumptions</b>										
WCB share of plan contributory payroll	5.6%	1.5%				5.8%	1.6%			
Current service cost rate on contributory payroll	13.3%	21.3%				14.6%	21.8%			
WCB's contributions for the current period (\$ thousands)	\$ 16,119	\$ 1,325				\$ 15,382	\$ 1,266			
WCB's expected contributions for the following period (\$ thousands)	\$ 16,764	\$ 1,365				\$ 15,843	\$ 1,304			

<sup>1</sup> The salary escalation rate assumptions for the PSPP and the MEPP (both multi-employer plans) are not specific to WCB but rather to all participating employers in aggregate.

## DEFINED BENEFIT PLANS

(\$ thousands)	Other Retirement Liabilities <sup>2</sup>	LTD	Total Other Employee Benefit Plans	Pension Plans <sup>1</sup>	2025	2024
<b>Change in defined benefit obligation</b>						
Defined benefit obligation, beginning of year	\$ 25,511	\$ 26,077	\$ 51,588	\$ 569,398	\$ 620,986	\$ 590,929
Current service cost <sup>3</sup>	1,395	5,980	7,375	18,981	26,356	22,277
Interest expense <sup>4</sup>	1,206	1,168	2,374	26,214	28,588	26,577
Remeasurement losses (gains) <sup>5</sup>	(1,161)	399	(762)	(49,860)	(50,622)	8,592
Benefit payments	(643)	(3,664)	(4,307)	(24,951)	(29,258)	(27,389)
Defined benefit obligation, end of year	<u>26,308</u>	<u>29,960</u>	<u>56,268</u>	<u>539,782</u>	<u>596,050</u>	<u>620,986</u>
<b>Change in fair value of plan assets</b>						
Fair value of plan assets, beginning of year	-	-	-	569,398	569,398	580,016
Employer contributions	643	3,664	4,307	17,444	21,751	21,479
Interest income	-	-	-	26,616	26,616	26,519
Remeasurement (losses) gains <sup>5</sup>	-	-	-	(4,824)	(4,824)	61,186
Effect of asset ceiling/onerous liability <sup>6</sup>	-	-	-	(43,901)	(43,901)	(92,413)
Benefit payments	(643)	(3,664)	(4,307)	(24,951)	(29,258)	(27,389)
Fair value of plan assets, end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>539,782</u>	<u>539,782</u>	<u>569,398</u>
<b>Net plan liability (asset)</b>						
Defined benefit obligation	26,308	29,960	56,268	539,782	596,050	620,986
Fair value of plan assets	-	-	-	539,782	539,782	569,398
	<u>\$ 26,308</u>	<u>\$ 29,960</u>	<u>\$ 56,268</u>	<u>\$ -</u>	<u>\$ 56,268</u>	<u>\$ 51,588</u>

<sup>1</sup> Pension plans include WCB's proportionate share of the PSPP and MEPP defined benefit plans. The PSPP makes up the majority of the balance.

<sup>2</sup> Other retirement liabilities include SERP and the post-retirement benefit plan.

<sup>3</sup> Current service costs are presented within corporate administration and insurance expense in the Statement of Financial Performance and Comprehensive Income.

<sup>4</sup> Interest expense is presented net of interest income in the Statement of Financial Performance and Comprehensive Income.

<sup>5</sup> Remeasurement gains and losses on plan obligations due to discount rate changes and experience are presented net of gains and losses on plan assets in the Statement of Financial Performance and Comprehensive Income.

<sup>6</sup> The asset ceiling limits the recognized asset to the amount of the defined benefit obligation.

Actuarial (gains) or losses recognized in other comprehensive income are as follows:

(\$ thousands)	Total Other Employee Benefit Plans	Pension Plans	2025	2024
Changes in asset ceiling/onerous liability (excluding interest income)	\$ -	\$ 43,901	\$ 43,901	\$ 92,413
Remeasurement (gains) losses	(762)	(45,036)	(45,798)	(52,594)
Total recognized in other comprehensive income	<u>\$ (762)</u>	<u>\$ (1,135)</u>	<u>\$ (1,897)</u>	<u>\$ 39,819</u>

## PENSION ASSETS

A defined benefit pension plan asset recognized in the financial statements is measured at the lower of the plan surplus and the asset ceiling determined using the discount rate for measuring plan obligations at the valuation date. The asset ceiling is based on an assessment of whether the plan surplus will result in future economic benefit available to WCB through contribution reductions, payment of expenses from the plan, or refund of surplus. As of December 31, 2025, WCB determined the future benefit of the plan surplus is not fully available to WCB, therefore the asset ceiling limits the recognized asset to the amount of the defined benefit obligation.

Major categories of plan assets, and applicable asset allocation, are as follows:

Asset Class	2025		2024	
	PSPP	MEPP	PSPP	MEPP
<b>Cash</b>				
Money market	0.2%	-	0.1%	-
<b>Total Fixed Income</b>				
Short Term	-	0.2%	-	0.5%
Universe Bonds	10.6%	12.9%	16.5%	11.0%
Long Term Bonds	8.8%	-	-	-
Private Debt & Loan	6.0%	4.8%	7.8%	7.1%
Mortgages	3.8%	3.8%	6.1%	3.7%
<b>Total Equities</b>				
Canadian	-	7.6%	4.0%	7.7%
Global	31.6%	23.5%	25.7%	24.5%
Emerging markets	4.3%	5.0%	6.4%	5.4%
Private equity	7.5%	11.9%	6.1%	9.9%
<b>Total Inflation Sensitive</b>				
Real Estate	12.4%	14.7%	13.4%	14.8%
Private income (Infrastructure)	12.8%	12.6%	11.7%	12.2%
Renewable Resources	1.9%	2.8%	2.1%	3.0%
Strategic Opportunities	0.1%	0.2%	0.1%	0.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## RISKS ARISING FROM DEFINED BENEFIT PLANS

### **Economic risks**

Defined benefit plans are directly exposed to economic risks from plan assets invested in capital markets and indirectly with respect to measurement risk from assumptions based on economic factors, such as discount rates affected by volatile bond markets. Benefit obligations are exposed to uncertainty of future economic conditions, primarily inflation risk due to the extremely long tails of post-employment benefits and health care escalation due to increasingly higher costs of treatment and prescription drugs.

### **Demographic risks**

Demographic factors affect current and future benefit costs with respect to the amount and time horizon of expected payments due to such factors as workforce average age and earnings levels, attrition and retirement rates, mortality and morbidity rates, etc.

### **Multi-employer plan funding risk**

In addition to economic and demographic risk factors, WCB is exposed to funding risk in the multi-employer plans arising from:

- Legislative changes affecting eligibility for and amount of pension and related benefits
- Changes in contributions to respond to the plans' funding level as required by policy
- Performance of plan assets affected by investment policies set by the pension boards
- Changes in the methods and assumptions used in valuation of plan liabilities.

Because these plans are governed by legislation rather than contract, there is little flexibility for participant action with respect to withdrawal from the plan, plan wind-up or amendments and mandatory funding requirements.

### **Sensitivity analysis**

The following table shows the effect of a 25-basis-point change in the assumed discount rate, inflation rate and wage inflation rate on WCB's proportionate share of the accrued benefit obligations of PSPP and MEPP. The impacts of the assumption changes on WCB's other employee benefit plans, individually and in aggregate, are immaterial.

(\$ thousands)	2025		2024	
	+0.25%	-0.25%	+0.25%	-0.25%
+/- % change on assumed rates				
Discount rate based on market yields on high-quality corporate bonds	\$ (19,765)	\$ 19,765	\$ (20,194)	\$ 20,194
General inflation rate	\$ 8,842	\$ (8,842)	\$ 9,350	\$ (9,350)
Wage inflation rate	\$ 4,024	\$ (4,024)	\$ 3,781	\$ (3,781)

To measure the impact of a change in a single assumption, the method to value the defined benefit obligation and all other assumptions were the same as those used to measure the reported defined benefit obligation. In reality, it is expected there would be interaction between at least some of the assumptions. This interaction has not been reflected in the sensitivity analysis.

The methods used and the assumptions selected in preparing the sensitivity analysis did not change from the prior fiscal year.

## 12. INSURANCE CONTRACTS

### ACCOUNTING POLICY

An insurance contract is an arrangement whereby an entity accepts significant insurance risk from another party by agreeing to compensate the insured party if a specified uncertain future event (the insured event) adversely affects that party. Since an insurance contract may also arise from law or regulation, WCB legislation and regulations (together the Act) constitute a master insurance contract. Self-insurance arrangements are not in scope as there is no transfer of insurance risk.

The level of aggregation and unit of account is the entire portfolio of contracts viewed as one group of contracts sharing similar risk characteristics covered under a master contract renewed annually.

The contract boundary is one year, corresponding to the calendar year coverage period established by legislation. Because WCB has the practical ability to reassess and fully reprice the group of contracts to cover its risk exposure specific to the renewal period, each annual cohort constitutes the issuance of a new group of contracts with a one-year term.

Recognition of a group of insurance contracts at its inception occurs at the earliest of the following dates:

- At the beginning of the coverage period
- Due date of first payment of the premium
- When a group of contracts is determined to be onerous.

Onerous insurance contracts arise when it is that the future cash outflows will exceed inflows.

Contract modification arises from substantive changes in legislation, policy, or tribunal decisions that modify the scope and significance of contractual terms and conditions, requiring derecognition of the existing contract and recognition of the modified contract at the end of the coverage period.

The following prescribed components are applied for measurement of insurance contracts:

- Unbiased expected present value of future cash flows
- Current and market consistent discount rates, derived from a yield curve based on comparable cash flows, timing, and risk characteristics of the insurance liabilities
- A risk adjustment that quantifies the uncertainty related to non-financial risks in the estimates of the future cash flows, representing the compensation required for bearing such risk.

Given the one-year contract boundary, the premium allocation approach applies in valuation of the liability for remaining coverage.

The carrying amount of a group of insurance contracts at the end of each reporting period comprises the:

- Liability for remaining coverage representing the amount of premiums received less insurance revenue recognized and the expected loss component of onerous contracts, if any; and
- Liability for incurred claims representing cash outflows (i.e., claim benefit and administration payments) in future periods for claims incurred in the current and prior periods.

At the end of each reporting period, the carrying value of insurance contracts is remeasured to reflect current estimates of the liability for incurred claims. The liability for remaining coverage is increased for premiums received in the period and decreased for the amounts of expected premium receipts recognized as insurance revenue for the services provided in the period.

## VALUATION OF INSURANCE CONTRACTS

The valuation is based on WCB legislation, policies and administrative practices in effect as at the valuation date. Estimation of the liability requires the use of actuarial methods and assumptions that are periodically assessed and adjusted based on frequent monitoring of actual claim experience, the economy and other relevant factors throughout the year.

Since the insurance liabilities are of a long-term nature, the actuarial methods and assumptions used to calculate the reported liabilities are based on considerations of future expenditures over the long term. As the determination of these liabilities requires assumptions about economic and other events that may occur many years in the future, which are based on best information as at the valuation date, a significant degree of professional judgement must be exercised in developing these assumptions. Accordingly, changes in conditions within one year of the financial statement date could require material change in recognized amounts in a subsequent period or periods.

## MATERIAL JUDGEMENTS AND ASSUMPTIONS

Judgements involve selecting and calibrating appropriate actuarial methods, macroeconomic trends, industry products, data, and practices, loss emergence patterns and other inputs. Development of material assumptions are subject to measurement uncertainty with a high risk of adjustment of results in future reporting periods. Consequently, forward looking assumptions require significant judgement with respect to future economic or market conditions and/or events. Required changes are modeled into input assumptions only when they are indicative of established trends.

The critical judgements, methodologies and assumptions used in valuation of insurance liabilities under IFRS 17, which are reviewed annually, are discussed below.

### ***Premium allocation approach***

WCB is eligible to apply the premium allocation approach (PAA) for the liability for remaining coverage (LRC) because the coverage period (i.e., contract boundary) for the group of contracts is one year.

### ***Core measurement requirements***

Application of the core IFRS 17 requirements for measuring the liability for incurred claims (LIC) and the LRC involves these methodologies and inputs:

- Future cash flows are estimated using a current, unbiased, entity-specific and explicit actuarial best estimate approach that is substantially consistent with the expected value of all probable outcomes.
- To reflect the time value of future cash flows, a discount rate curve derived from a market-consistent, risk-free, and liquidity-adjusted yield curve for investment grade debt instruments with similar timing and risk characteristics as WCB's insurance liabilities is applied. WCB calibrates market variables to be consistent with its current circumstances and/or expectations, and the timing and risk characteristics of its cash flows, as appropriate.
- For discussion of the methodology for deriving discount rate curves, see the section *Time value of future cash flows*.
- An explicit risk adjustment set at zero that reflects the compensation that WCB would require to accept or bear non-financial (i.e., insurance) risk.

For discussion of WCB's view on insurance risk, see the section *Risk adjustment*.

### ***Measurement of the liability for remaining coverage***

The LRC, reflecting deferred or unearned revenue, represents the obligation to provide insurance service over the unexpired portion of the coverage period. The LRC increases as premiums are received over time and decreases as service obligations are fulfilled and recognized in insurance revenue during the period. The carrying amount of the

LRC is comprised of premiums received less amounts amortized to insurance revenue. The amortized amounts are based on expected premium receipts (including premiums that are expected to be received after year end when payroll is confirmed) rather than received premiums.

**Loss component of onerous contracts**

When the group of contracts is onerous, IFRS 17 requires immediate recognition of the issued contracts and the related loss in current insurance expense and in the loss component of LRC. Recognition of the loss does not change the amount of the future cash flows – it merely accelerates the timing of loss recognition from the subsequent period to the current period. Judgement is required in developing the methodology to select and calibrate the relevant inputs and to estimate both the expected contract fulfilment costs and in quantifying the loss component of the LRC. The loss is measured as the difference between the fulfilment cash flows related to the remaining coverage of the group using the general model and the carrying amount of the liability for the remaining coverage using the premium allocation approach.

**MEASUREMENT METHODS AND ASSUMPTIONS**

**Scope**

Estimates of future cash flows are required for measurement of the:

- Liability for incurred claims costs of current and past claims to be paid in future periods,
- Liability for remaining coverage of future service obligations arising from cash inflows of the current or past periods, and
- Expected onerous contracts loss component of the LRC recognized in the current period.

**Basis of measurement**

Determination of future cash flows applies the actuarial best estimate technique where the actual or ultimate value has an equal likelihood of being greater or less than the estimated value. The best estimate, based on all information available at the valuation date and considering all likely scenarios including extreme events both favorable and unfavorable, therefore represents the median of the range of outcomes.

Valuation assumptions consider both internal and external experience, validated against historical patterns and expected trends through periodic experience studies. Such studies may also lead to, or confirm, the judgement that a change in assumptions or methodology may be required for more reliable estimates.

Techniques for estimating claims in pay and claims incurred but not reported at the reporting date are based on WCB’s judgement that historical claims experience is indicative of future claims development and their ultimate cost. Unusual or non-recurring experience, if not representative of current trends, is excluded or adjusted as required.

**Valuation methods**

For valuation purposes, future benefits are grouped into broad categories: benefits in-pay, outstanding claims, and long latency occupational diseases.

Benefits in-pay are pensions that have already been awarded, with future payments projected on the basis of the mortality tables as well as other specific assumptions. The related liability is based on a cash flow projection of expected future payments for each benefit recipient at the valuation date, estimated by considering the amount currently received, the probability of the benefit remaining in force, demographic assumptions and characteristics of the benefits being valued.

Outstanding claims refer to all other types of benefit payments for incurred claims, as well as costs related to future claims management. The general method used to determine the related liabilities typically involves analyzing the benefit costs over an experience period to establish average cost for each period after injury. These average costs,

along with exposure indexes for each injury year, assumed rates of future escalation, and the survivorship probabilities where applicable, are used to calculate projected costs for each of the future years.

The liability for long latency occupational diseases differs from liabilities for incurred claims, being driven by the number of expected claims arising from exposure to disease agents in each period multiplied by the average cost per occupational disease claim. Expected claim costs are allocated to underlying calendar years of exposure in considering the latency assumptions relevant to those periods.

#### **Overhead allocation**

Claims management expenses included in future cash flows reflect a systematic allocation of overhead expenses directly attributable to contract fulfilment. Administration salaries and expenses are allocated to claims management based on the level of functional activities of the business units involved in claims processing. The current level of expenses is taken as an appropriate baseline, adjusted for expected expense inflation, if required.

See Note 16 *Administration and Other Expense* for details of total overhead allocated to claims management and to corporate administration.

#### **Time value of future cash flows**

The time value of future cash flows is reflected by discounting the related insurance liabilities to their present value. Discount rates under IFRS 17 must be derived using a yield curve with similar attributes and liquidity characteristics, risks and maturities as its future cash flows. The methodology for deriving the curve may apply either the bottom-up approach that uses a risk-free yield curve plus a liquidity adjustment, or the top-down approach that uses a market-based yield curve adjusted for credit risk across the entire curve. Development of the discount rate assumption involves significant judgement and effort and has the greatest impact in the measurement of WCB's insurance liabilities.

#### **Nominal discount rates**

WCB applies a hybrid approach for developing nominal discount rates, using the bottom-up approach for the risk-free yield curve that is adjusted by market-based liquidity premiums derived using the top-down approach, as discussed in the following section. Risk-free nominal discount rates are derived from a yield curve of observable risk-free debt instruments, primarily Bank of Canada bonds. The nominal rate curve is extrapolated from the last available market data point to an ultimate forward rate consistent with long-term real interest and inflation rate expectations.

#### **Liquidity adjustment**

Given limited ability to transfer or commute WCB's insurance liabilities, an adjustment must be included in their valuation to quantify such illiquidity, achieved by adjusting risk-free nominal yields using a curve of market consistent liquidity premiums specific to each relevant maturity. WCB develops liquidity premiums using a top-down approach by comparing the spreads on investment grade corporate bonds with yields, where available, on Canada bonds with matching maturities. Using Canadian corporate BBB bonds as the asset reference portfolio, the liquidity adjustment is expressed as a fixed percentage of the reference portfolio spread over risk-free rates, plus an additional constant adjustment to account for WCB insurance contracts being more illiquid than the reference portfolio. The combined percentage across all maturities on the discount rate curve adjusts the discount rates to reflect the illiquidity of WCB's insurance liabilities.

#### **Real discount rates**

The real discount rate curve is derived by applying an inflation adjustment across all maturities along the nominal rate curve. This adjustment reflects future inflation at maturity.

The table below provides relevant forward discount and inflation rates as at the end of the current and prior periods:

		Forward Rates by Tenor											
		Years	1	5	10	15	20	25	30	40	50	60	Ultimate
<b>2025</b>													
Nominal discount rates			3.16%	4.94%	6.07%	6.52%	6.24%	6.19%	5.99%	4.18%	3.51%	2.84%	4.48%
Inflation rates			2.00%	2.34%	2.51%	2.50%	2.53%	2.80%	3.01%	2.76%	2.51%	2.25%	2.00%
<b>2024</b>													
Nominal discount rates			3.77%	4.66%	5.51%	5.66%	5.30%	5.32%	5.27%	4.26%	3.88%	3.50%	4.43%
Inflation rates			2.30%	2.34%	2.38%	2.04%	2.26%	2.51%	2.83%	2.63%	2.42%	2.21%	2.00%
<b>Equivalent single rate</b>													
			<b>2025</b>	2024									
Equivalent single nominal discount rate			5.32%	4.92%									
Equivalent single inflation rate			2.44%	2.31%									
Equivalent single real discount rate			2.81%	2.55%									

### **Risk adjustment**

WCB operates as a not-for-profit public sector monopoly founded on the principles of cost neutrality and collective liability. This model precludes inclusion of economic compensation for bearing risk with respect to both liability valuation and pricing.

Application of the best estimate method for liability valuation is predicated on a related confidence level of 50%, representing the median of the range of outcomes. In this context, WCB is indifferent between the actual liability being higher or lower than the best estimate, which is consistent with an effective risk adjustment of zero and a confidence level of 50%.

### **Inflation assumptions**

Claim costs for workers' compensation are sensitive to long-term inflation. For estimating future cash flows, WCB establishes long-term economic assumptions for general inflation, wage escalation and health care escalation by considering both external and internal historical trends and forward-looking economic and market indicators.

### **Canada inflation**

Historical Canada inflation published by Statistics Canada is considered a market variable. WCB's approach to determine market-consistent future inflation rates is based on the spread by maturity, as at a valuation date, between a Government of Canada nominal yield curve and a corresponding real yield curve, where the spreads are further adjusted for non-inflation components and lower liquidity for real return bonds compared to nominal bonds. An ultimate inflation rate can be derived as the mid-point or average of the medium-term target inflation range, currently between 1%- 3% per annum (around 2% per annum).

### **Alberta inflation**

Over the past 10 years, Alberta inflation has generally aligned with Canada inflation. Accordingly, Alberta inflation is considered to be the same as the Canadian inflation derived in the previous section.

### **Cost of living allowance**

The WCB assumption for the cost-of-living allowance (COLA) for indexed benefits is Alberta inflation plus a current adjustment of -0.45% per annum.

### **Health care escalation**

Health care escalation is developed from analysis of WCB cost experience, also taking into consideration the results of external studies. This escalation rate represents general inflation plus excess escalation of 1.5%, covering both increases in utilization and in the costs for medical procedures and other therapeutic care.

### **Wage growth**

Total wage growth is the increase in average wages comprising expected inflation and the net wage growth rate. WCB considers a long-term rate for net wage growth of 0.9% per annum.

### **Demographic assumptions**

Demographic assumptions relating to the claimant population include, among others, volumes and rates of claims occurrence, their duration and cost, type and/or severity of injury or illness, mortality (incidence of death), longevity (life expectancy) and morbidity (incidence and development of disability or disease). These assumptions are differentiated by claimant and/or survivor gender and age, injury or disease classification and occupation among other factors. Demographic assumptions primarily affect healthcare costs and annuitized payments such as economic loss payments, disability pensions, survivor benefits and long-term personal care.

### **Mortality and longevity**

Mortality is defined as the rate at which death is expected to occur for a specified group, with the risk that death may occur sooner than expected. Conversely, longevity risk for a group arises when life expectancy is longer than expected. WCB uses mortality and longevity assumptions in estimating the duration of economic loss and survivor benefit payments, for both benefits in pay and outstanding claim liabilities. Assumptions are generally developed using a blend of national mortality data, industry trends, and WCB specific demographic data. Assumptions affecting claim termination are developed for each benefit type, incorporating recent experience and claimant characteristics. A reasonable allowance may also be included for improvements in workplace safety practices and healthcare and rehabilitation outcomes that affect mortality and longevity.

### **Morbidity**

Morbidity assumptions are specific to types of injury or disease categories, affecting cost, duration and probability of recurrence. Arising from incidence of injuries and disease for workplace risk exposures, morbidity is an assumption for long-term care, short-term disability, latent occupational disease and healthcare and personal care costs related to such claims. Morbidity assumptions based on WCB experience as well as past and emerging industry experience are established for each type of morbidity and occupational/industry risk. Appropriate assumptions are made about future improvements in morbidity experience due to advances in medical practice and technology.

See Note 14 *Insurance Risk and Risk Management* for details of the sensitivity of material assumptions on key results.

## **EXPLANATION OF RECOGNIZED AMOUNTS**

### **Impact of contracts issued in the period**

Contracts issued during the reporting period represent the group of contracts for the subsequent coverage period because they were determined to be onerous and deemed to be issued when the renewal rates are publicly communicated at the end of the current period. Recognition of the renewal group of contracts impacts insurance expense, insurance service result, and the LRC of the current period.

See the section *Other insurance expense* in Note 13 *Insurance Revenue and Expenses* for details of the amounts related to onerous contracts.

### Changes in insurance liabilities

After initial recognition and measurement of insurance contracts, the carrying value of the related insurance liabilities at the reporting date comprises the LIC and the LRC, which is determined by underlying movements in premiums receipts, release of service obligations and the change in the loss component.

IFRS 17 prescribes a current estimate of the LIC for each reporting period, which entails updates to future cash flows to reflect changes in market and demographic judgements, assumptions or actuarial methods since the previous valuation. Specifically, such remeasurement considers new information about claims experience and their future development; changes in actuarial valuation methods and assumptions arising from claim experience; and/or legislation, tribunal decisions, or policy amendments that may affect entitlement to benefits, their type and duration, and in some cases, with retrospective effect.

### Reconciliation of insurance liabilities

The tables below provide a reconciliation of the changes in insurance liabilities for the current and comparative periods.

(\$ thousands)	Notes	LRC excl loss component	LRC loss component	Liability for remaining coverage	Liability for incurred claims	2025
<b>Insurance liabilities, beginning of year</b>		\$ (58,167)	\$ 199,800	\$ 141,633	\$ 14,466,600	\$ 14,608,233
<b>Statement of financial performance and comprehensive income</b>						
<b>Insurance management</b>						
Insurance revenue	13	(1,696,318)	-	(1,696,318)	-	(1,696,318)
Insurance expense	13					
Provision for future costs of current year claims		-	-	-	1,502,900	1,502,900
Current year claims and other expenses		-	-	-	367,237	367,237
Remeasurement of insurance liabilities		-	-	-	298,049	298,049
Reversal of onerous contracts		-	(61,000)	(61,000)	-	(61,000)
Insurance expense		-	(61,000)	(61,000)	2,168,186	2,107,186
<b>Insurance management result</b>		(1,696,318)	(61,000)	(1,757,318)	2,168,186	410,868
<b>Insurance finance income and expense</b>						
Interest on insurance liabilities	15	-	-	-	518,000	518,000
Effect of changes in financial assumptions on insurance liabilities	15	-	-	-	(260,200)	(260,200)
<b>Financial management result</b>		-	-	-	257,800	257,800
		(1,696,318)	(61,000)	(1,757,318)	2,425,986	668,668
<b>Receipts and disbursements</b>						
Premiums received		1,712,403	-	1,712,403	-	1,712,403
Claims and other insurance expenses paid						
Payments for current year injuries		-	-	-	(367,237)	(367,237)
Payments for prior years' injuries		-	-	-	(1,416,649)	(1,416,649)
		1,712,403	-	1,712,403	(1,783,886)	(71,483)
<b>Insurance liabilities, end of year</b>		\$ (42,082)	\$ 138,800	\$ 96,718	\$ 15,108,700	\$ 15,205,418

(\$ thousands)	Notes	LRC excl loss component	LRC loss component	Liability for remaining coverage	Liability for incurred claims	2024
<b>Insurance liabilities, beginning of year</b>		\$ (55,742)	\$ 216,700	\$ 160,958	\$ 13,413,100	\$ 13,574,058
<b>Statement of financial performance and comprehensive income</b>						
<b>Insurance management</b>						
Insurance revenue	13	(1,539,382)	-	(1,539,382)	-	(1,539,382)
Insurance expense	13					
Provision for future costs of current year claims		-	-	-	1,413,400	1,413,400
Current year claims and other expenses		-	-	-	331,091	331,091
Remeasurement of insurance liabilities		-	-	-	179,588	179,588
Reversal of onerous contracts		-	(16,900)	(16,900)	-	(16,900)
Insurance expense		-	(16,900)	(16,900)	1,924,079	1,907,179
<b>Insurance management result</b>		(1,539,382)	(16,900)	(1,556,282)	1,924,079	367,797
<b>Insurance finance income and expense</b>						
Interest on insurance liabilities	15	-	-	-	671,300	671,300
Effect of changes in financial assumptions on insurance liabilities	15	-	-	-	172,200	172,200
<b>Financial management result</b>		-	-	-	843,500	843,500
		(1,539,382)	(16,900)	(1,556,282)	2,767,579	1,211,297
<b>Receipts and disbursements</b>						
Premiums received		1,536,957	-	1,536,957	-	1,536,957
Claims and other insurance expenses paid						
Payments for current year injuries		-	-	-	(331,091)	(331,091)
Payments for prior years' injuries		-	-	-	(1,382,988)	(1,382,988)
		1,536,957	-	1,536,957	(1,714,079)	(177,122)
<b>Insurance liabilities, end of year</b>		\$ (58,167)	\$ 199,800	\$ 141,633	\$ 14,466,600	\$ 14,608,233

## 13. INSURANCE REVENUE AND EXPENSES

### ACCOUNTING POLICY

Insurance premiums comprise only those rate components directly attributable to risk underwriting and claims fulfilment. Premiums are assessed and due when employers report their assessable earnings for the current year. For employers who have not reported, premiums are estimated and included in insurance revenue.

Premium receipts are recorded in the LRC based on assessed premiums as a measurement proxy for future service obligations. Non-insurance related premiums assessments are also levied to fund statutory funding commitments.

Insurance revenue is recognized in the Statement of Financial Performance and Comprehensive Income based on the passage of time over the coverage period of the group of contracts. As WCB provides insurance contract services it reduces the LRC and recognizes insurance revenue. The amount of insurance revenue recognized depicts the transfer of promised services at an amount that reflects the portion of consideration that WCB expects to be entitled to in exchange for those services. Insurance revenue includes an accrual for estimated premiums for yet to be reported assessable earnings of the period.

Insurance expense is recognized in the Statement of Financial Performance and Comprehensive Income as costs for current year claims are incurred and as exposures to long-latency workplace disease or injury agents occur over time.

Insurance expense comprises the following:

- Cost of current year claims comprising payments made on current year claims
- Provisions for future costs of current year claims, occupational disease exposures, and claims management expenses
- Onerous contract losses recognized in insurance expense when fact and circumstances indicate that the contract is onerous and future cash flows are expected to be a net outflow. The portion of the expected loss related to future coverage, if any, is deferred as the loss component of the LRC. In the subsequent period when the expected loss is realized as claim obligations are fulfilled, the loss component is reversed as an offsetting credit to insurance expense
- Remeasurement of the liability for incurred claims resulting in gains and losses arising from differences between actual and expected claims experience from the previous valuation, changes in actuarial methods and assumptions, or changes in policy or legislation.

### PREMIUMS

Under the Act, premiums are assessable at the effective date of coverage, i.e., the beginning of the calendar year. The assessed amount due is based on employers' reported estimate of their annual or quarterly assessable earnings. At the end of the period, premiums also include estimated assessments of \$8,077.1 (2024- \$7,667.0) for yet to be reported assessable earnings for the coverage period. The premium accrual is determined using a statistical model to estimate the amount of unreported assessable earnings, based on actual returns processed to date and historical patterns of processed to unprocessed returns and the ratio of estimated to actual payrolls at a specified point in time. Any difference between estimated and assessed premiums is adjusted when final assessable earnings are reported in the following period.

### **Premium components**

Assessments required to fund claim and administrative costs as well as statutory funding commitments for the coverage period include the following premium components:

#### **Safety rebates**

Partnerships in injury reduction program (PIR), is a voluntary program that pays safety rebates to registered employers that have met the eligibility requirements in achieving certain workplace safety targets as specified under the program. Earned rebates are payable in the following year. The estimated rebate amount is based on several factors, including premiums paid, year-over-year improvement in claim experience and safety performance relative to industry benchmarks, among others. See Note 19(c) *Safety Rebates* for supplemental information on the Partnerships in Injury Reduction rebates.

#### **Injury reduction recovery from premiums**

In addition to insurance coverage, gross assessments include statutory funding for external organizations responsible for workplace injury reduction (i.e., Occupational Health and Safety, industry safety associations). These non-insurance assessments are segregated from insurance revenue because they are statutory levies to fund the operating costs of those organizations. The assessed amounts and related expenses are presented on a net basis under administration and other expense on the Statement of Financial Performance and Comprehensive Income as WCB is an agent of the program.

#### **Premiums for insurance coverage**

Insurance premiums cover payments for current year claims for future costs of current year claims, and provisions for future claims management expenses and long latency occupational injury and disease exposures. Funding of operating costs under the Act (i.e., corporate administration) is also included. Premiums for insurance coverage represents assessments net of non-insurance components.

See the table below for a breakdown of the premium components that insurance revenue is derived from.

#### **Premium components**

(\$ thousands)

	2025	2024
Gross assessments	\$ 1,877,928	\$ 1,711,606
Safety rebates	(106,453)	(103,413)
Net assessments	1,771,475	1,608,193
Other assessments	8,427	9,873
Deduct: Injury reduction recovery from premiums	(83,584)	(78,684)
<b>Premiums for insurance coverage</b>	<b>\$ 1,696,318</b>	<b>\$ 1,539,382</b>

For a distribution of premiums by industry classification, see *Concentration of Risk* in Note 14 *Insurance Risk and Risk Management*.

## **INSURANCE REVENUE**

Assessed insurance premiums recorded in the liability for remaining coverage substantively represents deferred insurance revenue. WCB concluded that passage of time best represents the pattern of earned revenue recognition because its exposure to risk does not change proportionately as liability is released through incurrence and settlement of claims. Instead, insurance revenue is recognized through straight-line release of the liability for remaining coverage as insurance service obligations are fulfilled evenly over the coverage period. At the end of the coverage period, the liability for remaining coverage is adjusted to include all finalized premiums and provisional assessments, with the final balance being fully amortized to insurance revenue.

For discussion of how insurance premiums are recognized in revenue, see the sections *Changes in the liability for remaining coverage* under *Explanation of recognized amounts* in Note 12 *Insurance Contracts*, as well as the section *Reconciliation of insurance liabilities* for details of how insurance premiums flow through the liability for remaining coverage and subsequently released to insurance revenue.

## INSURANCE EXPENSE

### Cost of current year claims

The table below provides details of the cost of current year claims reported in insurance expense:

(\$ thousands)	Current Year Injuries	Prior Years' Injuries	2025	2024
<b>Claims expense</b>				
Provision for future costs of current year injuries and exposures <sup>1</sup>	\$ 1,502,900	\$ -	\$ 1,502,900	\$ 1,413,400
Claim payments processed in the year				
Short-term disability	122,876	287,109	409,985	423,329
Long-term disability	5,053	442,850	447,903	411,006
Survivor benefits	4,812	58,144	62,956	61,233
Health care	173,289	347,242	520,531	473,502
Re-employment services	1,968	146,148	148,116	161,445
	307,998	1,281,493	1,589,491	1,530,515
Claim payments related to prior years <sup>2</sup>	-	(1,416,649)	(1,416,649)	(1,382,988)
	307,998	(135,156)	172,842	147,527
	1,810,898	(135,156)	1,675,742	1,560,927
<b>Claims management expense<sup>3</sup></b>				
Claims-related administration	59,239	115,506	174,745	165,620
Appeals Commission	-	19,650	19,650	17,944
	59,239	135,156	194,395	183,564
	\$ 1,870,137	\$ -	\$ 1,870,137	\$ 1,744,491

<sup>1</sup> Provision for future costs of current year injuries and exposures represents the present value of all future obligations for benefit payments arising from current year injuries and occupational disease exposures.

<sup>2</sup> Although claim payments relating to prior years injuries are processed in the reporting period, they are not expensed in the current year but are charged to the liabilities established for prior accident years.

<sup>3</sup> Claims management represents WCB's internal functional costs related to claims processing as well as funding of the external decision review body. See Note 16 Administration and Other Expense, for a breakdown by nature of expenses related to Claims-related administration.

### Other insurance expense

Insurance expense also includes remeasurement of insurance liabilities (excluding discount rate changes) of \$298.0 million (2024- \$179.6 million) and the net change in onerous contracts losses of \$61.0 million (2024- \$16.9 million), comprising the loss recognized in the period of \$138.8 million (2024- \$199.8 million) and reversal of the loss of the prior period of \$199.8 million (2024- \$216.7 million).

The rate setting deficiency for the 2026 premium year resulted in recognition of an onerous contract loss for the period of \$138.8 million (2024- \$199.8 million). With reversal of the prior year loss, the net change in the onerous contract loss recognized in insurance expense for the period was a decrease of \$61.0 million (2024 decrease of \$16.9 million). See the section *Loss component of onerous contracts* in Note 12 *Insurance Contracts* for additional information.

### Changes in the liability for incurred claims

The change of the real discount rate curve used for this valuation, with an equivalent single real discount rate of 2.81% (2024- 2.55%) per annum, resulted in a decrease in the liability of \$260.2 million.

See the section *Measurement methods and assumptions* in Note 12 *Insurance Contracts* for discussion of the rate methodology and the respective rate curves.

The effect of the change in financial assumptions, primarily inflation and discount rates, is presented separately from other remeasurement changes.

In 2025, there were several changes made to the actuarial assumptions and methods for December 31, 2025 valuation versus those used for the previous valuation. For December 31, 2025 valuation, updates were made to the assumptions used to value liabilities for economic loss payments, retirement, latent occupational diseases and home maintenance and housekeeping allowances. These changes to actuarial basis caused liabilities for incurred claims to increase by \$225.7 million (2024- \$128.8 million decrease).

For 2025, experience losses on prior years' claims and exposures amounted to \$72.3 million (2024- \$308.4 million). This loss was primarily driven by higher-than-expected new economic loss payment awards in 2025, partially offset by lower-than-expected inflation and wage growth.

There were no changes in legislation or policy effective in 2025 that impacted the valuation of insurance liabilities.

The table below provides details of the remeasurement changes in the LIC along with their corresponding presentation in the Statement of Financial Performance and Comprehensive Income for the reporting period.

(\$ thousands)	2025	2024
<b>Change in inflation and real discount rate from prior period</b>	\$ (260,200)	\$ 172,200
<b>Remeasurement of insurance liabilities (excluding discount rate changes)</b>		
<b>Changes in valuation methods and assumptions</b>		
Economic loss payments	280,500	-
Retirement	(165,100)	-
Latent occupational diseases	106,800	-
Home maintenance and housekeeping allowances	3,500	(65,600)
Mortality	-	(389,000)
Short-term wage loss and re-employment services	-	379,900
Net wage growth	-	(54,100)
	<u>225,700</u>	<u>(128,800)</u>
<b>Changes in claims experience</b>		
Economic loss payments	133,000	366,400
Other experience losses (gains)	(60,651)	(58,012)
	<u>72,349</u>	<u>308,388</u>
<b>Remeasurement of insurance liabilities (excluding discount rate changes)</b>	<u>298,049</u>	<u>179,588</u>
<b>Presented in the statement of financial performance and comprehensive income as:</b>		
Effect of inflation and discount rate changes on liabilities	(260,200)	172,200
Remeasurement of insurance liabilities (excluding discount rate changes)	298,049	179,588
	<u>\$ 37,849</u>	<u>\$ 351,788</u>

## 14. INSURANCE RISK AND RISK MANAGEMENT

### ***Nature and extent of insurance risks***

Insurance risk encompasses the possible occurrence of insured events, the unpredictability of related claims development and the amount of the ultimate loss. Insured events are inherently random, with the actual number of claims and benefits varying from the estimated timing, volume, severity, and duration of those claims, among other factors. Consequently, these factors result in high measurement uncertainty in establishing liabilities for incurred claims and for sufficient pricing of coverage. For a portfolio of insurance contracts, the principal actuarial risk is that actual experience will emerge differently than expected, leading to losses exceeding the carrying amount in the liabilities.

Insurance risk for public workers' compensation systems differs materially from underwriting risk in competitive commercial markets. Unlike commercial policies with clearly specified insured risks and liability limits, risks for these insurance programs arise from broad principles-based rights and obligations established by legislation, regulations, and tribunal decisions, as well as from WCB's interpretation and application of legislated objectives. From time to time, amendments to WCB legislation may also substantively redefine the scope, nature, and magnitude of statutory rights and obligations, significantly increasing the complexity and uncertainty in revenue and liability measurement.

### ***Concentration of risk***

WCB is exposed to concentration risk because it operates exclusively in Alberta, which precludes broad diversification of insurance risk across geographic regions, industries and populations. WCB's insurance risk exposures are highly concentrated in the construction and public sectors, with associated exposures to seasonality and economic cyclicalities and large covered worker populations.

The table below shows WCB's economic exposure to insurance contract risk by industry sector, using current year assessed premiums as an indicator of sectoral risk concentration:

Year ended December 31

(\$ thousands)	Current year assessed premiums			
	2025	% of total	2024	% of total
<b>Sector classification</b>				
Agriculture	\$ 30,891	1.6%	\$ 30,939	1.8%
Business Services	145,694	7.8%	134,447	7.9%
Construction	437,966	23.3%	414,824	24.2%
Manufacturing	171,920	9.2%	163,164	9.5%
Mining, Oil and Gas	121,535	6.5%	116,625	6.8%
Municipalities, Education, Health	459,433	24.5%	379,464	22.2%
Provincial Government	47,024	2.5%	34,474	2.0%
Trade	246,502	13.1%	232,223	13.6%
Transportation	216,963	11.5%	205,446	12.0%
	<b>\$ 1,877,928</b>	<b>100.0%</b>	<b>\$ 1,711,606</b>	<b>100.0%</b>

### ***Sensitivity of material assumptions***

In determining insurance liabilities, the primary material assumptions are assumptions on escalation rates and nominal discount rates. The general inflation assumption impacts all future cash flow estimates, given its correlation to wage growth, and health care escalation rates. Wage growth assumption is used to value insurance liabilities for benefits such as re-employment services and personal care and housekeeping allowances. Health care escalation assumption affects the insurance liabilities for health care benefits. Mortality and longevity are also significant assumptions, but it is difficult to isolate the impact and therefore, sensitivity disclosure has not been provided.

### Methodologies for quantifying sensitivities

WCB establishes assumptions on the discount rates and general inflation rates for all future years based on market data as at the valuation date. Assumptions on wage growth and health care escalation are set by adding 0.9% and 1.5% respectively to the general inflation assumption.

Sensitivity analyses are prepared by replacing the assumption in a valuation model with a test assumption while holding all others constant. The difference between the two outputs represents the hypothetical effect of the change in assumptions on specific results.

The following sensitivity analyses show the impacts on key results for reasonably possible movements in the specified material assumptions:

(\$ millions)	Effects of assumption changes on key results					
	2025			2024		
	Single equivalent rate	Fund Balance		Single equivalent rate	Fund Balance	
		+1.00%	-1.00%		+1.00%	-1.00%
<b>Economic assumptions</b>						
General inflation <sup>1</sup>	2.44%	\$ (2,063.3)	\$ 1,675.8	2.31%	\$ (2,047.3)	\$ 1,654.7
Real wage growth <sup>2</sup>	0.90%	(783.8)	611.0	0.90%	(782.0)	607.7
Real health care escalation <sup>3</sup>	1.50%	(292.8)	236.1	1.50%	(294.1)	236.0
<b>Financial assumptions</b>						
Nominal discount rate <sup>4,5</sup>	5.32%	\$ 1,617.9	\$ (2,019.3)	4.92%	\$ 1,600.9	\$ (2,010.2)

<sup>1</sup> General inflation is the core indicator underlying all economic assumptions.

<sup>2</sup> Real wage growth represents growth in excess of general inflation.

<sup>3</sup> Real health care escalation represents escalation in excess of general inflation.

<sup>4</sup> Nominal discount rate comprises risk-free bond yield curve adjusted by an illiquidity factor for all tenors.

<sup>5</sup> Note 7 Investment Risk Management discusses interest rate risk on fixed income pool investments. After considering the investments, the net impact to fund balance of a +1.00% change in interest rates is an increase of \$1,265.6 million and a -1.00% change in interest rates is a decrease of \$1,667.0 million.

## CLAIMS DEVELOPMENT

The table that follows presents the development of the estimated ultimate cost of claims and related claim payments for accident years 2016-2025. The top part of the table illustrates how the estimate of total cash flows for each accident year has changed with increased experience over successive valuations. The shaded claims triangle shows the estimated cost of claims for an accident year in the year of the accident, one year after the year of the accident, two years after the year of the accident, etc., and compares the total estimated cost to the actual cumulative payments over the development period. Due to the decades-long duration of certain WCB benefit types, significant amounts may be paid out in the distant future beyond the valuation date. The bottom part of the table reconciles the total outstanding benefits amount, including provisions that do not require payments, to the discounted amount of the LIC. Further detail of the LIC can be seen in the section *Reconciliation of insurance liabilities* in Note 12 *Insurance Contracts*.

### Claims Development<sup>1</sup>

Year ended December 31, 2025

(\$ millions)	Prior Years	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total	
<b>Estimate of cumulative claims benefits</b>													
At end of accident year		1,323.9	1,471.6	1,714.5	1,952.8	1,842.3	1,928.5	2,174.4	2,455.4	2,718.9	3,047.6		
One year later		1,427.1	1,644.2	1,819.2	1,924.4	1,878.7	2,037.4	2,397.9	2,545.2	2,857.3			
Two years later		1,550.3	1,781.5	1,822.9	2,001.9	2,009.4	2,248.2	2,535.2	2,699.6				
Three years later		1,632.2	1,762.9	1,919.1	2,151.4	2,297.4	2,404.3	2,768.3					
Four years later		1,590.4	1,831.6	2,088.1	2,432.1	2,521.0	2,548.8						
Five years later		1,606.0	1,944.5	2,340.6	2,640.5	2,689.2							
Six years later		1,685.1	2,092.3	2,551.1	2,810.1								
Seven years later		1,791.6	2,217.2	2,645.0									
Eight years later		1,847.0	2,302.4										
Nine years later		1,862.7											
<b>Current estimate of cumulative claims benefits</b>		1,862.7	2,302.4	2,645.0	2,810.1	2,689.2	2,548.8	2,768.3	2,699.6	2,857.3	3,047.6		
<b>Cumulative payments</b>		(742.2)	(891.5)	(1,010.7)	(1,033.5)	(904.8)	(826.6)	(779.8)	(645.7)	(540.2)	(308.0)		
<b>Outstanding benefits</b>													
Undiscounted	\$	10,795.2	\$ 1,120.5	\$ 1,410.9	\$ 1,634.3	\$ 1,776.6	\$ 1,784.4	\$ 1,722.2	\$ 1,988.5	\$ 2,053.9	\$ 2,317.1	\$ 2,739.6	\$ 29,343.2
Effect of discounting		(5,941.8)	(665.7)	(828.7)	(962.4)	(1,045.4)	(1,031.3)	(960.5)	(1,107.9)	(1,116.4)	(1,229.1)	(1,356.3)	(16,245.5)
		4,853.4	454.8	582.2	671.9	731.2	753.1	761.7	880.6	937.5	1,088.0	1,383.3	13,097.7
<b>Claims management</b>													
Undiscounted													1,684.2
Effect of discounting													(839.2)
													845.0
<b>Latent occupational diseases</b>													
Undiscounted													3,823.8
Effect of discounting													(2,657.8)
													1,166.0
<b>Total claim benefits</b>													
Undiscounted													34,851.2
Effect of discounting													(19,742.5)
<b>Liability for incurred claims</b>													<b>\$ 15,108.7</b>

<sup>1</sup> Claims management and latent occupational diseases are excluded from the claims development triangle because they are provisions only without direct cash flows.

### Risk management

Effective management of insurance risk is critical to sustaining WCB's fiscal capacity over the long term, through activities such as identifying, evaluating, and implementing proactive loss control, trend monitoring, and mitigation strategies. The following discussions cover the major functional areas of focus in insurance related risk management.

### Insurance risk

To minimize the risks of complex claim resolution and resulting cost escalation, WCB implemented a claimant-centric and multi-disciplinary, technology supported case management process aligned with WCB's statutory mandate and service commitments. This integrated process relies on proven business practices to ensure that claims are accepted and processed in a timely manner to accomplish effective return-to-work outcomes. Effective claims management is a function of ongoing review of current and historical claims performance, predictive data analytics to help monitor claims experience, proactive interventions in high-risk claims and planning for future enhancements in claims processing.

### Solvency risk

WCB's asset liability management (ALM) framework that drives execution of funding policy is designed to safeguard financial sustainability of the Accident Fund over the long run. The primary objective of ALM is to ensure that the compensation system is fully funded while meeting investment return targets at a prudent level of risk. This is achieved by positioning the investment portfolio to deliver sustainable returns, liquidity, and diversification over a wide range of asset classes, capital markets and risk profiles. Targets are established through frequent ALM studies that model a broad and diverse set of scenarios for both macroeconomic conditions and WCB-specific business and funding strategies. ALM outputs enable investment management to align the maturity and risk characteristics of future cash flows for both assets and liabilities, as well as critical insights and recommendations for funding strategy and its execution. The intent is not to perfectly match asset and liability cash flows but to facilitate an integrated approach in making investment and funding decisions.

### Maturity analysis of liability cash flows

The following table summarizes the maturity profile of WCB's insurance liabilities as at December 31, 2025 based on the future cash flows expected to be paid out in the periods presented. Because a significant amount of WCB's investments is held in pools that are reasonably liquid, a maturity analysis for financial assets corresponding to the maturity profile of insurance liabilities is not required because those assets do not directly service the liabilities. Moreover, investment cash flows are not meaningfully comparable to liability cash flows because of the mismatch between their respective holding objectives and risk characteristics.

(\$ millions)	Up to 1 year	2 years	3 years	4 years	5 years	6 years and beyond	Total future claim payments
<b>2025</b>							
Estimated future cash flows (undiscounted)	\$ 1,497.9 4.3%	\$ 1,236.1 3.5%	\$ 1,134.8 3.3%	\$ 1,058.0 3.0%	\$ 1,009.9 2.9%	\$ 28,914.5 83.0%	\$ 34,851.2 100.0%
<b>2024</b>							
Estimated future cash flows (undiscounted)	\$ 1,436.9 4.6%	\$ 1,162.0 3.7%	\$ 1,056.6 3.4%	\$ 979.4 3.1%	\$ 926.8 3.0%	\$ 25,822.5 82.2%	\$ 31,384.2 100.0%

### Investment and financial risk

Other than the time value of money reflected in estimates of future cash flows, WCB has no direct exposure to financial risk from insurance contracts because those cash flows are not contractually linked to an underlying pool of financial assets exposed to market risks. WCB's exposure to financial risk arising from its investment portfolio is indirect because it holds pools exclusively. WCB's overall investment risk is professionally managed by AIMCo within a robust investment management framework closely aligned with WCB's investment policy and guidelines.

See Note 7 *Investment Risk Management* for details of financial risk exposures and investment portfolio related risk management.

### Credit risk

Premiums receivable from employers have credit risk, which vary based on employer-specific factors, industry conditions and macroeconomic or other factors. Their credit risk is largely subject to the economic circumstances they face and general economic conditions of the province.

Credit risk associated with premium receivables related to employers is mitigated through risk management policies and procedures, which include close monitoring of premium payment status and follow-up measures with the employer. Premiums receivable are written off when there is no reasonable expectation of recovery. However, WCB continues to pursue enforcement activity to collect the amounts due.

## 15. INSURANCE FINANCE INCOME AND EXPENSE

### ACCOUNTING POLICY

Time value of money is incorporated into measurement of future cash flows by discounting them to their present value.

Insurance finance income and expense represents the incremental return or cost for holding an insurance asset or liability for a specified period.

Interest (or accretion) expense arises from unwinding or reversing the effects of discounting a future liability. The expense, which represents the amount applicable to the current period to increase the discounted liability to its future value at the end of the period, is recorded in insurance finance income and expense.

The effect of changes in financial assumptions arising from remeasurement of an insurance asset or liability is also recorded in insurance finance income and expense in the period that such remeasurement occurs.

WCB includes insurance finance income and expenses for the period in profit or loss on the Statement of Financial Performance and Comprehensive Income.

### ***Investment returns and insurance finance income and expense***

The Act mandates that the Accident Fund hold sufficient assets to fund future payments of all claim obligations but does not explicitly specify a contractual linkage to the cash flows of the investment portfolio. Consequently, there is no direct relationship between investment returns and insurance finance income and expense because investment cash flows are not used for contract measurement. Although investment returns directly fund the payment of claims, the underlying measurement impacts arising from financial risks are within the scope of IFRS 9 rather than IFRS 17.

### ***Insurance finance income and expense***

Insurance interest for the period of \$518.0 million (2024- \$671.3 million) is determined by applying the nominal discount rate of 3.77% (2024- 5.26%), representing the year 1 rate from the prior year discount rate curve applied to the average liability for incurred claims over the coverage period.

### ***Changes in financial assumptions***

The primary drivers of changes in financial assumptions are macroeconomic conditions directly affecting yields on debt securities on which the discount rate curve for liability measurement is based. The effect of remeasuring future cash flows in the current period using the 2025 rate curve was a \$260.2 million gain (2024- \$172.2 million loss), reflecting a change in the single equivalent real discount rate from 2.55% in 2024 to 2.81% in 2025.

For further details on the discount rate curve used to discount insurance liabilities can be found in the section *Real discount rates* in Note 12 *Insurance Contracts*.

## 16. ADMINISTRATION AND OTHER EXPENSE

WCB's total administration expenses are classified into two major groups based on their primary business functions:

### **Claims-related administration**

This group is responsible for insurance operations including adjudicating claims, processing benefit payments, providing rehabilitation and re-employment services and other administrative functions related to claims management. Since these costs are directly attributable to claims fulfilment, the current year amounts are included in insurance expense. Future cash flows for claims administration arising from current year claims are included in the provision for future costs of current year injuries and exposures.

### **Corporate administration**

This group is responsible for general and support services for the organization, including finance, human resources, legal, technology and executive management.

### **Funding of operating costs**

In addition to the fully funded cost of expected claims and claims management for the period, legislation permits WCB to assess premiums to cover the all-inclusive operating costs of the Accident Fund, primarily claim and corporate administration. These operating requirements are incorporated into premium rates.

The table below presents administration expenses broken down by nature of expense and functional purpose:

(\$ thousands)	Claims-related administration	Corporate administration	2025	2024
<b>Administration expenses</b>				
Salaries and employee benefits	\$ 195,167	\$ 76,075	\$ 271,242	\$ 251,046
Technology	18,143	16,258	34,401	34,431
Office	2,456	1,828	4,284	3,978
Occupancy	6,107	2,495	8,602	9,831
Professional fees	3,157	1,803	4,960	5,182
Other	982	1,392	2,374	2,164
	226,012	99,851	325,863	306,632
Depreciation and amortization <sup>1</sup>	13,107	9,210	22,317	24,478
	239,119	109,061	348,180	331,110
<b>Less</b>				
Recovery of costs from third parties	16,442	50	16,492	15,206
<b>Reclassifications</b>				
Claims expense – re-employment services	47,932	-	47,932	43,536
Investment management expense <sup>2</sup>	-	1,312	1,312	1,148
	64,374	1,362	65,736	59,890
	\$ 174,745	\$ 107,699	\$ 282,444	\$ 271,220

<sup>1</sup> Depreciation and amortization may include gain or loss on the sale of assets. Loss for the year ended December 31, 2025 is \$100 (2024 - nil).

<sup>2</sup> Internal administration costs charged to investment management expense.

## 17. RELATED PARTY TRANSACTIONS

### GOVERNMENT OF ALBERTA AND RELATED ENTITIES

WCB has transactions with various Alberta Crown corporations, departments, agencies, boards, educational institutions and commissions in the ordinary course of operations. Such transactions include premiums from the organizations and certain funding obligations relating to Occupational Health and Safety and the Appeals Commission that are in accordance with the applicable legislation and/or regulations. WCB is related to these entities by virtue of common influence by the Government of Alberta and as a government-related entity, WCB is not required to disclose these transactions under the exemption in IAS 24 *Related Party Disclosures*. Transactions with AIMCo as the exclusive manager for WCB's investment portfolio, which include management fees and other expenses as well as investment commitments for certain pools, may not be consistent with usual commercial practice for similar services and vehicles. Because they are significant, investment management fees and expenses are shown separately on the Statement of Financial Performance and Comprehensive Income and disclosed in Note 6 *Investment Income and Expense*, with funding commitments disclosed in Note 5 *Investments*.

### KEY MANAGEMENT COMPENSATION

Key management personnel of WCB, comprising the Board of Directors and the executive and their close family members, are also related parties in accordance with IAS 24. As at the reporting date, there were no business relationships, outstanding amounts or transactions other than compensation, between WCB and its key management personnel.

The tables below present total compensation of the board members and executive of WCB.

(\$ thousands)

	2025				Total
	Base Salary <sup>1</sup>	Other Cash Benefits <sup>2</sup>	Non-Cash Benefits <sup>3</sup>	SERP <sup>4</sup>	
Chair, Board of Directors <sup>5</sup>	\$ -	\$ 48	\$ -	\$ -	\$ 48
Board Members <sup>5</sup>	-	117	14	-	131
President and Chief Executive Officer	433	39	44	77	593
Chief Financial Officer	409	6	45	76	536
Chief Technology Officer	322	8	41	41	412
Secretary and General Counsel <sup>6</sup>	68	2	13	-	83
Secretary and General Counsel <sup>7</sup>	181	5	33	4	223
Vice President, Employee & Corporate Services	253	8	43	16	320
Vice President, Millard Health & Special Care Services	272	6	42	23	343
Vice President, Employer Account Services & Claims Management Support	242	15	39	9	305
Vice President, Client Services & Disability Management	241	6	39	16	302
	2024				
Chair, Board of Directors	\$ -	\$ 54	\$ 4	\$ -	\$ 58
Board Members	-	113	13	-	126
President and Chief Executive Officer	420	38	42	74	574
Chief Financial Officer	397	6	43	73	519
Chief Technology Officer	312	18	40	38	408
Secretary and General Counsel	259	8	32	5	304
Senior Vice President, Operations & Innovation <sup>8</sup>	193	3	28	40	264
Vice President, Employee & Corporate Services	241	16	41	14	312
Vice President, Millard Health & Special Care Services	259	44	39	21	363
Vice President, Employer Account Services & Claims Management Support <sup>9</sup>	118	12	16	3	149
Vice President, Client Services & Disability Management <sup>10</sup>	19	1	4	-	24

<sup>1</sup> Base salary is pensionable base pay.

<sup>2</sup> Other cash benefits for Board Members comprise honoraria pay for meetings attended, while other cash benefits for other key management includes car allowances and vacation payouts.

<sup>3</sup> Non-cash benefits include employer's share of all employee benefits and payments made to, or on behalf of, employees including statutory contributions, pension plans, extended health care benefits, group life insurance, and professional memberships.

<sup>4</sup> SERP represents employer's current service cost for benefits accrued under a supplemental executive retirement plan. See Note 11 Employee Benefits for details of the plan, and the following table for the costs and obligations related to each named key management position.

<sup>5</sup> The Chair of the Board of Directors and the Board Members are part-time positions.

<sup>6</sup> Incumbent retired as an officer effective March 31, 2025.

<sup>7</sup> Replacement incumbent took office on April 1, 2025.

<sup>8</sup> Incumbent retired as an officer effective June 30, 2024.

<sup>9</sup> Position effective July 1, 2024.

<sup>10</sup> Position effective December 2, 2024.

## SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

	2025				2024	
	Current Service Cost <sup>1</sup>	Other Costs <sup>2</sup>	Net Cost	Accrued Obligation	Net Cost	Accrued Obligation
President and Chief Executive Officer	\$ 77	\$ 9	\$ 86	\$ 539	\$ 95	\$ 453
Chief Financial Officer	76	(28)	48	1,497	126	1,449
Chief Technology Officer	41	(12)	29	254	55	225
Secretary and General Counsel <sup>3</sup>	-	2	2	165	17	163
Secretary and General Counsel <sup>4</sup>	4	4	8	8	-	-
Senior Vice President, Operations & Innovation <sup>5</sup>	-	-	-	-	29	1,679
Vice President, Employee & Corporate Services	16	2	18	34	16	16
Vice President, Millard Health & Special Care Services	23	12	35	192	34	157
Vice President, Employer Account Services & Claims Management Support <sup>6</sup>	9	5	14	19	5	5
Vice President, Client Services & Disability Management <sup>7</sup>	16	1	17	18	1	1

<sup>1</sup> Current service cost represents the actuarial present value of future benefit obligations arising from employee service in the current period.

<sup>2</sup> Other costs include interest on the liability and actuarial gains and losses arising from assumption changes and/or experience, less any benefit payments.

<sup>3</sup> Incumbent retired as an officer effective March 31, 2025.

<sup>4</sup> Replacement incumbent took office on April 1, 2025.

<sup>5</sup> Incumbent retired as an officer effective June 30, 2024.

<sup>6</sup> Position effective July 1, 2024.

<sup>7</sup> Position effective December 2, 2024.

## 18. CONTINGENCIES AND INDEMNIFICATION

### LEGAL PROCEEDINGS

WCB is party to various claims and lawsuits, related to the normal course of business, that are currently being contested. Based on the total amount of all such actions, WCB has concluded that the outcomes will not have a material effect on the results of operations or financial position.

### INDEMNIFICATION AGREEMENTS

In the normal course of operations, WCB enters into contractual agreements that contain standard contract terms that indemnify certain parties against loss. The terms of these indemnification clauses will vary based upon the contract, and/or the occurrence of contingent or future events, the nature of which prevents WCB from making a reasonable estimate of the potential amount that may be payable to those contractual parties. Such indemnifications are not significant, nor has WCB made any payments or accrued any amounts in the financial statements in respect of these indemnifications.

## 19. SUPPLEMENTAL INFORMATION

### a) Cash and cash equivalents

Cash held in bank accounts for operational cash needs generated an average annual return of 3.3% (2024 - 5.1%).

### b) Trade and other liabilities

(\$ thousands)	Trade	Other	2025	2024
Trade payables	\$ 39,686	\$ -	\$ 39,686	\$ 77,261
Lease obligations - Note 10	-	7,470	7,470	7,212
Other liabilities	-	7,582	7,582	7,315
	39,686	15,052	54,738	91,788
Current portion	39,497	3,036	42,533	79,542
Non-current portion	189	12,016	12,205	12,246
	\$ 39,686	\$ 15,052	\$ 54,738	\$ 91,788

### c) Safety Rebates

(\$ thousands)	2025	2024
<b>Safety rebates payable, beginning of year</b>	\$ 104,236	\$ 85,996
Payment of prior years' rebates	(103,031)	(86,884)
	1,205	(888)
Adjustment of prior years' accruals	(558)	1,711
Outstanding balance from prior years	647	823
Rebates for the year (Note 13)	106,453	103,413
<b>Safety rebates payable, end of year</b>	\$ 107,100	\$ 104,236

### d) Injury Reduction

(\$ thousands)	2025	2024
Injury reduction recovery from premiums	\$ 83,584	\$ 78,684
Occupational Health and Safety	(55,169)	(47,503)
Industry sponsored safety associations	(30,011)	(26,811)
	(85,180)	(74,314)
<b>Injury reduction</b>	\$ (1,596)	\$ 4,370

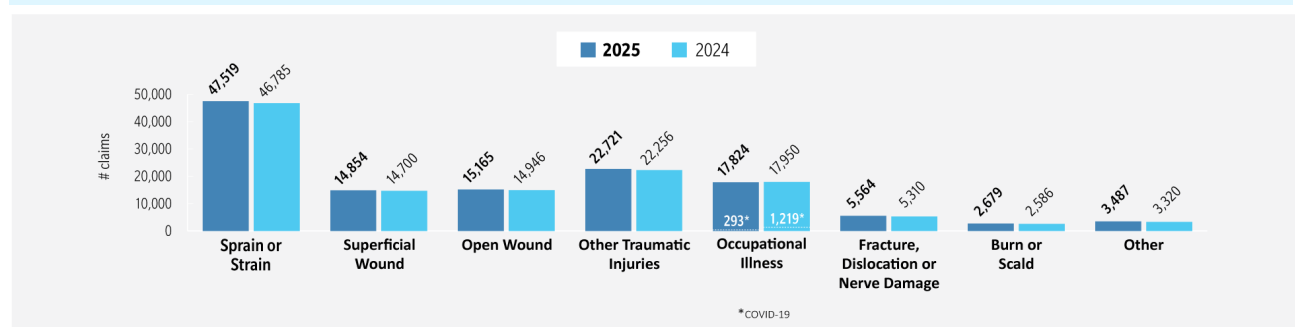
## 2025 summary of claims administered

	2025	2024
Active claims as of January 1	58,482	44,781
New lost-time claims	28,708	28,287
All other new claims	101,105	99,566
<b>Total new claims reported</b>	<b>129,813</b>	<b>127,853</b>
Recurrent claims <sup>1</sup>	10,764	10,890
	140,577	138,743
<b>Total claims administered</b>	<b>199,059</b>	<b>183,524</b>

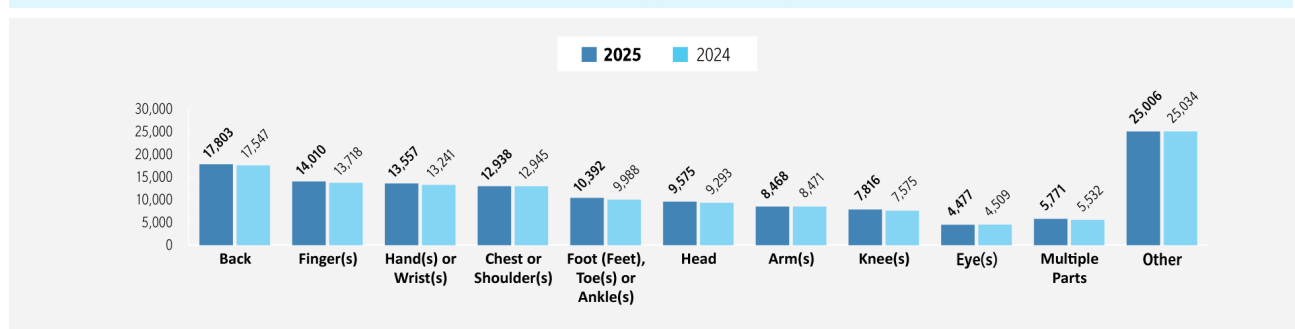
<sup>1</sup> Previously inactive claims that required further adjudication or case management. Claims may reopen for a number of reasons, such as payments for medical aid or requests for further compensation benefits.

NON-ELIGIBLE CLAIMS	2025	2024
Ineligible claims as a percent of total new claims reported	11.8%	11.2%
<b>Reasons for ineligibility</b>		
Injury or illness not arising out of/in course of employment	58.5%	54.5%
Not covered under <i>Workers' Compensation Act</i>	14.6%	14.7%
Insufficient information available to process claim	26.9%	30.8%

### New claims by nature of injury



### New claims by part of body



## 2025 year at a glance

	2025	2024
Number of workers covered	<b>2,094,313</b>	2,060,211
Registered employers	<b>161,747</b>	159,589
Lost-time claim rate (per 100 workers) <sup>1</sup>	<b>1.4</b>	1.4
Disabling-injury rate (per 100 workers) <sup>1</sup>	<b>2.5</b>	2.5
New claims reported	<b>129,813</b>	127,853
Lost-time claims <sup>1</sup>	<b>29,600</b>	29,200
Fatality claims accepted	<b>144</b>	203
Ineligible claims (% of all new claims)	<b>11.8%</b>	11.2%
New requests for review to the DRDRB	<b>4,434</b>	4,061
Return to work with accident employer	<b>92.1%</b>	92.6%
Return to work with new employer	<b>1.4%</b>	1.4%
Return to work overall	<b>93.5%</b>	94.0%
Estimated average claim duration (TTD days)	<b>62.1</b>	63.1
Cost-of-living adjustment on long-term benefits	<b>2.35%</b>	3.75%
New non-economic loss and permanent disability awards	<b>3,152</b>	2,592
New economic loss awards	<b>1,737</b>	1,963
Average collected premium rate (per \$100 of assessable earnings)	<b>\$1.40</b>	\$1.33
Funded ratio (per cent funded)	<b>109.4%</b>	109.4%
<i>Public Interest Disclosure (Whistleblower Protection) Act disclosure</i>	<b>0</b>	0

<sup>1</sup> Lost-time claims and the lost-time claim and disabling-injury rates are projected. This approach is taken to ensure claims for accidents occurring in 2025 but not reported by year-end are considered.

