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

Auditor General
OF 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.

- 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

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
ASSETS			
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
		$ 15,360,578	$ 14,299,388
LIABILITIES			
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
		$ 15,423,524	$ 14,855,845
FUND BALANCE		(62,946)	(556,457)
		$ 15,360,578	$ 14,299,388

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

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

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
OPERATING ACTIVITIES		
Cash inflows (outflows) related to insurance management		
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)
	(189,902)	(221,483)
INVESTING ACTIVITIES		
Cash inflows (outflows) related to investment assets		
Interest income received	10,252	12,452
Investment management expenses	(1,312)	(1,148)
Cash transfers from (to) investments	234,200	120,000
	243,140	131,304
Cash inflows (outflows) related to operating assets		
Purchase of property, plant and equipment	(10,305)	(9,710)
Purchase of computer software	(5,066)	(4,592)
	227,769	117,002
FINANCING ACTIVITIES		
Cash inflows (outflows) related to financing		
Payments on lease and other financing	(3,439)	(3,090)
Net increase (decrease) in cash and cash equivalents	34,428	(107,571)
Cash and cash equivalents, beginning of year	265,807	373,378
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 300,235	$ 265,807

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:

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 Level 1	Level 2	Level 3	2025	2024
Fixed income					
Deposits and short-term investments[1]	$ -	$ 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
Equities					
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
Inflation-sensitive					
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
Total Investments	$ -	$ 9,902,479	$ 5,013,018	$ 14,915,497	$ 13,886,795

[1]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
Balance, beginning of year	$ 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)
Balance, end of year	$ 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[1]	Investment Gains (Losses)[2]	**2025**	2024
Fixed income				
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
Equities				
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
Inflation-sensitive				
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[3]	1,312	1,148
	$ 89,302	$ 73,897

[1] *Income represents income from interest, dividends and fund distributions earned by the respective pools and proportionately allocated to participants based on units held.*

[2] *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.*

[3] *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[1] in the key risk variable—the amount of equity market volatility:

($ thousands)	2025	2024
Equities	1 std dev	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)

[1]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[1]:

($ thousands)	2025		2024	
Change in nominal interest rate	**+50 bps**	**+100 bps**	+50 bps	+100 bps
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)

[1] *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:

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

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
Owned assets, at cost							
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
Balance, end of year	75,619	1,861	27,639	40,679	575	146,373	138,547
Accumulated depreciation and impairment							
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)
Balance, end of year	37,150	1,778	15,048	24,152	321	78,449	72,817
Carrying value, beginning of year	39,970	124	12,082	13,554	-	65,730	62,716
Carrying value, end of year	38,469	83	12,591	16,527	254	67,924	65,730
Right-of-use assets, at cost							
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)
Balance, end of year	9,317	-	6,215	563	-	16,095	14,367
Accumulated depreciation and impairment							
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)
Balance, end of year	5,843	-	3,183	375	-	9,401	7,907
Carrying value, beginning of year	2,769	-	3,397	294	-	6,460	6,911
Carrying value, end of year	3,474	-	3,032	188	-	6,694	6,460
Total owned and right-of-use assets							
Carrying value, beginning of year	42,739	124	15,479	13,848	-	72,190	69,627
Carrying value, end of year	$ 41,943	$ 83	$ 15,623	$ 16,715	$ 254	$ 74,618	$ 72,190

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
Cost				
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	-	-	-	-
Balance, end of year	146,455	5,342	151,797	146,711
Accumulated amortization and impairment				
Balance, beginning of year	120,910	-	120,910	106,137
Depreciation	11,420	-	11,420	14,773
Disposals	-	-	-	-
Balance, end of year	132,330	-	132,330	120,910
Carrying value, beginning of year	22,903	2,898	25,801	36,125
Carrying value, end of year	$ 14,125	$ 5,342	$ 19,467	$ 25,801

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
Lease obligations					
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
Balance, end of year	$ 2,434	$ 3,139	$ 1,897	$ 7,470	$ 7,212

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
	$ 8,003	$ 7,745

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
Date of most recent actuarial valuation	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
Economic assumptions										
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 [1]	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
Multi-employer plan funding assumptions										
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			

[1] 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[2]	LTD	Total Other Employee Benefit Plans	Pension Plans[1]	2025	2024
Change in defined benefit obligation						
Defined benefit obligation, beginning of year	$ 25,511	$ 26,077	$ 51,588	$ 569,398	$ 620,986	$ 590,929
Current service cost[3]	1,395	5,980	7,375	18,981	26,356	22,277
Interest expense[4]	1,206	1,168	2,374	26,214	28,588	26,577
Remeasurement losses (gains)[5]	(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	26,308	29,960	56,268	539,782	596,050	620,986
Change in fair value of plan assets						
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[5]	-	-	-	(4,824)	(4,824)	61,186
Effect of asset ceiling/onerous liability[6]	-	-	-	(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	-	-	-	539,782	539,782	569,398
Net plan liability (asset)						
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
	$ 26,308	$ 29,960	$ 56,268	$ -	$ 56,268	$ 51,588

[1] Pension plans include WCB's proportionate share of the PSPP and MEPP defined benefit plans. The PSPP makes up the majority of the balance.

[2] Other retirement liabilities include SERP and the post-retirement benefit plan.

[3] Current service costs are presented within corporate administration and insurance expense in the Statement of Financial Performance and Comprehensive Income.

[4] Interest expense is presented net of interest income in the Statement of Financial Performance and Comprehensive Income.

[5] 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.

[6] 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	$ (762)	$ (1,135)	$ (1,897)	$ 39,819

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:

	2025		2024	
Asset Class	**PSPP**	**MEPP**	PSPP	MEPP
Cash				
Money market	0.2%	-	0.1%	-
Total Fixed Income				
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%
Total Equities				
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%
Total Inflation Sensitive				
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%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

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	
+/- % change on assumed rates	**+0.25%**	**-0.25%**	+0.25%	-0.25%
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
2025											
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%
2024											
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%

Equivalent single rate	**2025**	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
Insurance liabilities, beginning of year		$ (58,167)	$ 199,800	$ 141,633	$ 14,466,600	$ 14,608,233
Statement of financial performance and comprehensive income						
Insurance management						
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
Insurance management result		(1,696,318)	(61,000)	(1,757,318)	2,168,186	410,868
Insurance finance income and expense						
Interest on insurance liabilities	15	-	-	-	518,000	518,000
Effect of changes in financial assumptions on insurance liabilities	15	-	-	-	(260,200)	(260,200)
Financial management result		-	-	-	257,800	257,800
		(1,696,318)	(61,000)	(1,757,318)	2,425,986	668,668
Receipts and disbursements						
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)
Insurance liabilities, end of year		$ (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
Insurance liabilities, beginning of year		$ (55,742)	$ 216,700	$ 160,958	$ 13,413,100	$ 13,574,058
Statement of financial performance and comprehensive income						
Insurance management						
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
Insurance management result		(1,539,382)	(16,900)	(1,556,282)	1,924,079	367,797
Insurance finance income and expense						
Interest on insurance liabilities	15	-	-	-	671,300	671,300
Effect of changes in financial assumptions on insurance liabilities	15	-	-	-	172,200	172,200
Financial management result		-	-	-	843,500	843,500
		(1,539,382)	(16,900)	(1,556,282)	2,767,579	1,211,297
Receipts and disbursements						
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)
Insurance liabilities, end of year		$ (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)
Premiums for insurance coverage	$ 1,696,318	$ 1,539,382

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
Claims expense				
Provision for future costs of current year injuries and exposures[1]	$ 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[2]	-	(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
Claims management expense[3]				
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

[1] *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.*

[2] *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.*

[3] *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
Change in inflation and real discount rate from prior period	$ (260,200)	$ 172,200
Remeasurement of insurance liabilities (excluding discount rate changes)		
Changes in valuation methods and assumptions		
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)
	225,700	(128,800)
Changes in claims experience		
Economic loss payments	133,000	366,400
Other experience losses (gains)	(60,651)	(58,012)
	72,349	308,388
Remeasurement of insurance liabilities (excluding discount rate changes)	298,049	179,588
Presented in the statement of financial performance and comprehensive income as:		
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
	$ 37,849	$ 351,788

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 cyclicality 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	**Current year assessed premiums**			
($ thousands)	**2025**	*% of total*	2024	*% of total*
Sector classification				
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%
	$ 1,877,928	100.0%	$ 1,711,606	100.0%

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:

Effects of assumption changes on key results

	2025			2024		
($ millions)	**Single equivalent rate**	**Fund Balance**		Single equivalent rate	Fund Balance	
		+1.00%	-1.00%		+1.00%	-1.00%
Economic assumptions						
General inflation[1]	2.44%	$ (2,063.3)	$ 1,675.8	2.31%	$ (2,047.3)	$ 1,654.7
Real wage growth[2]	0.90%	(783.8)	611.0	0.90%	(782.0)	607.7
Real health care escalation[3]	1.50%	(292.8)	236.1	1.50%	(294.1)	236.0
Financial assumptions						
Nominal discount rate[4,5]	5.32%	$ 1,617.9	$ (2,019.3)	4.92%	$ 1,600.9	$ (2,010.2)

[1] *General inflation is the core indicator underlying all economic assumptions.*

[2] *Real wage growth represents growth in excess of general inflation.*

[3] *Real health care escalation represents escalation in excess of general inflation.*

[4] *Nominal discount rate comprises risk-free bond yield curve adjusted by an illiquidity factor for all tenors.*

[5] *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[1]

Year ended December 31, 2025

($ millions)	Prior Years	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
Estimate of cumulative claims benefits												
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										
Current estimate of cumulative claims benefits		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	
Cumulative payments		(742.2)	(891.5)	(1,010.7)	(1,033.5)	(904.8)	(826.6)	(779.8)	(645.7)	(540.2)	(308.0)	
Outstanding benefits												
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
Claims management												
Undiscounted												1,684.2
Effect of discounting												(839.2)
												845.0
Latent occupational diseases												
Undiscounted												3,823.8
Effect of discounting												(2,657.8)
												1,166.0
Total claim benefits												
Undiscounted												34,851.2
Effect of discounting												(19,742.5)
Liability for incurred claims												$ 15,108.7

[1] *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	4years	5 years	6 years and beyond	Total future claim payments
2025							
Estimated future cash flows (undiscounted)	$ 1,497.9	$ 1,236.1	$ 1,134.8	$ 1,058.0	$ 1,009.9	$ 28,914.5	$ 34,851.2
	4.3%	3.5%	3.3%	3.0%	2.9%	83.0%	100.0%
2024							
Estimated future cash flows (undiscounted)	$ 1,436.9	$ 1,162.0	$ 1,056.6	$ 979.4	$ 926.8	$ 25,822.5	$ 31,384.2
	4.6%	3.7%	3.4%	3.1%	3.0%	82.2%	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
Administration expenses				
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[1]	13,107	9,210	22,317	24,478
	239,119	109,061	348,180	331,110
Less				
Recovery of costs from third parties	16,442	50	16,492	15,206
Reclassifications				
Claims expense – re-employment services	47,932	-	47,932	43,536
Investment management expense[2]	-	1,312	1,312	1,148
	64,374	1,362	65,736	59,890
	$ 174,745	$ 107,699	$ 282,444	$ 271,220

[1] *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).*

[2] *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)	Base Salary[1]	Other Cash Benefits[2]	Non-Cash Benefits[3]	SERP[4]	Total
	2025				
Chair, Board of Directors [5]	$ -	$ 48	$ -	$ -	$ 48
Board Members [5]	-	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 [6]	68	2	13	-	83
Secretary and General Counsel [7]	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 [8]	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 [9]	118	12	16	3	149
Vice President, Client Services & Disability Management [10]	19	1	4	-	24

[1] *Base salary is pensionable base pay.*

[2] *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.*

[3] *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.*

[4] *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.*

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

[6] *Incumbent retired as an officer effective March 31, 2025.*

[7] *Replacement incumbent took office on April 1, 2025.*

[8] *Incumbent retired as an officer effective June 30, 2024.*

[9] *Position effective July 1, 2024.*

[10] *Position effective December 2, 2024.*

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

	2025				2024	
	Current Service Cost[1]	Other Costs[2]	**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 [3]	-	2	2	165	17	163
Secretary and General Counsel [4]	4	4	8	8	-	-
Senior Vice President, Operations & Innovation [5]	-	-	-	-	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 [6]	9	5	14	19	5	5
Vice President, Client Services & Disability Management [7]	16	1	17	18	1	1

[1] *Current service cost represents the actuarial present value of future benefit obligations arising from employee service in the current period.*

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

[3] *Incumbent retired as an officer effective March 31, 2025.*

[4] *Replacement incumbent took office on April 1, 2025.*

[5] *Incumbent retired as an officer effective June 30, 2024.*

[6] *Position effective July 1, 2024.*

[7] *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
Safety rebates payable, beginning of year	$ 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
Safety rebates payable, end of year	$ 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)
Injury reduction	$ (1,596)	$ 4,370