2020 Economic Statement

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Message from Elizabeth Witmer, Chair, and Thomas Teahen, President and CEO

On behalf of the Board of Directors of Ontario's Workplace Safety and Insurance Board, we are pleased to present the 2020 Economic Statement.

The 2020 Economic Statement provides an overview of our service improvements, operational results and financial performance over the past year. The WSIB's funding remains over 100 per cent on a sufficiency ratio basis for the second year in a row, having closed out the second quarter of 2020 with a funding level of 115.4 per cent.

Unsurprisingly, the COVID-19 pandemic has presented challenges. However, fiscal discipline and continuous efforts to improve all aspects of our business over the past year have put us on a sound footing to keep providing and improving our services. We expect a Sufficiency Ratio of over 100 per cent will be maintained over the coming decade.

In 2020, our strong financial position and business continuity processes have enabled us to continue to provide a high level of service to the people we are here to help, and to support business throughout this difficult and uncertain time. People injured or made ill at work have received benefits, vendors have received payments without interruption, and businesses had access to a financial relief package early in the pandemic. By introducing more online services, we have made doing business with us easier, both for people with injuries and illnesses and for businesses registered with us. These services have been essential during the pandemic.

We started 2020 with our fourth premium rate reduction in a row, and there will be no rate increase for 2021. This year we also introduced the new premium rate-setting model to make the rate-setting process more fair and transparent and ensure the sustainability of our services. The model works hand-in-hand with our Health and Safety Excellence program, which provides businesses with a practical way to invest in workplace health and safety, including pandemic readiness and recovery.

Maintaining our ability to continue supporting the people we are here to help has been a team effort and we acknowledge all those who have contributed including our Board, employees, system partners and Ontario's employers who fund the system.

Elizabeth Witmer
Chair

Thomas Teahen
President & CEO

Highlights

Weathering a pandemic. After working with businesses to eliminate the unfunded liability in 2018, we entered 2020 with a surplus and were well prepared for the severe economic downturn that began at the end of Q1. Despite disruption to the global, national and provincial economies related to COVID-19 and restrictions placed on businesses, our financial position continues to be strong. At the end of Q2 we were 115.4 per cent funded on a sufficiency ratio basis. Benefits for people injured or made ill at work have continued to be available and secure, including those for the thousands with work-related COVID-19 claims.

Here to help. Even with WSIB offices closed to the public, we continued to support people and businesses in Ontario and made sure there were no disruptions to our benefits and services. Since the start of the year, we have registered over 7,000 COVID-19 related claims and have provided benefits to those who needed them. We were part of the Province's financial relief package for businesses. And we have been working with our health and safety partners to help businesses reopen with confidence, stay open and keep their employees safe.

In fact, as a result of the pandemic we have accelerated our digital transformation. In June, we launched an online service for people with claims, adding to the suite of online services already available to businesses.

No increase in the average premium rate for 2021*.* From $2.59 in 2016, the average premium rate was lowered to $1.37 for 2020, a total reduction of 47 per cent. For 2021, premium rates for existing businesses will not increase and will be held at the 2020 levels. We recognize the challenges many Ontario businesses are facing as a result of the economic conditions associated with the pandemic. The ongoing strength of our financial position allows us to support businesses during this time and will ensure that benefits and services will continue to be there for those who need them.

Full funding expected to be maintained. Under a base scenario that assumes a significant decrease in insurable earnings and investment losses in 2020, followed by gradual recovery, and no increases to the average premium rate, our Sufficiency Ratio is anticipated to remain above 100 per cent for the foreseeable future.

Developments in 2020

COVID-19 pandemic

The unprecedented events of 2020 since the declaration of a global pandemic in mid-March have had major repercussions for Ontarians and Ontario businesses. Like many businesses and organizations across the province, our organization has been impacted on various levels, such as the number of claims registered and the types of claims coming in, the revenues we receive and the costs that we pay. The impacts of COVID-19 experienced to date or that are expected, and their financial implications, are described below.

Claim volume

The number of claims coming in to the WSIB fell in the last half of March and through April. The decrease was a result of reduced economic activity because of measures put in place in Ontario to prevent and limit the spread of COVID-19. On average, daily claim volume was approximately 45 per cent below pre-pandemic levels (Schedule 1 and 2) before beginning to rise again in May as economic activity increased. By July, daily volume was 22 per cent below typical levels on average. Schedule 1 claim volume was 13 per cent below normal while Schedule 2 was still 56 per cent lower. We expect volumes to continue to rise as long as economic activity continues to increase.

No-lost-time claim volume has decreased significantly since the start of the pandemic, while lost-time claim volume has not decreased as much. Lost-time claims are typically more time and resource-intensive than no-lost-time claims.

Types of claims

As the COVID-19 cases in Ontario increased in April and May, so did the number of COVID-related claims registered with the WSIB. In April and May, COVID-19 claims made up nearly half (47 per cent) of Schedule 1 lost-time claims. We registered more than 150 COVID-19 claims per day during peak days from mid-April to mid-May. By July, the number of COVID-19 claims coming in was down to about 40 per day on average. In total, there were 21 work-related COVID-19 fatalities registered as of the end of July.

Many of the COVID-19 related claims we have received have come from the health care sector. As the pandemic evolved, we also started to see an increase in claims from the agriculture sector. There have been approximately twice as many COVID-19 claims from women as from men. With the pandemic, we saw disproportionate decreases in claims from younger people and small business who were more affected by restrictions on economic activity. Claim volumes among younger people have since returned closer to pre-pandemic levels. Any future waves of COVID-19 and related shut downs are expected to once again impact on the volume and types of claims we receive.

Inventory of claims

The pandemic and reduced economic activity have meant a temporary reduction in the number of claims being registered with us. Access to health care (e.g. postponement of elective surgeries) and opportunities for return to work were also temporarily affected in some cases, but the overall impact on claim durations so far appears to be marginal. At the peak of the pandemic in late April, our inventory of short-term claims (less than one year) was lower due to the decrease in claim volumes, while the inventory of longer-term claims (greater than two years) had grown, in line with pre-pandemic projections.

Working from home

Since quickly moving to a work-from-home model starting in mid-March, we have been able to maintain service levels and continue to be there to help those who need us. In fact, due to the decrease in claim volumes, the WSIB was able to eliminate some of its pre-pandemic service backlogs and improve customer experience. To ensure the safety of our employees and our stakeholders, our WSIB offices remain closed.

The global pandemic has demonstrated that the WSIB can deliver services remotely, but we recognize that while staff may be working at home there are still many things that need to be carefully considered to ensure we are working as efficiently and effectively as possible. Planning to return staff to our offices is currently underway.

Financial relief package for businesses

At the end of March, businesses were given the option to defer premium reporting and payment for up to six months to help reduce their financial burden given the impacts of COVID-19. All Schedule 1 businesses were entitled to defer premiums, and Schedule 2 businesses were also allowed to defer their payment obligations. During the six months, no interest accrued and no penalties were charged for deferring payment. The estimated cost to the system of the foregone interest and penalties is approximately $39 million. The decrease in premium revenues also meant the WSIB had to very closely watch our cash flows to ensure adequate available funds to pay benefits. While businesses will be required to report deferred premium amounts by the end of October, they will not be asked to start making repayment installments on deferred amounts until January 2021.

Premium revenue

Since Schedule 1 businesses pay premiums based on the number of hours worked at their organization, shutdowns have meant a reduction in premium revenue. Because of the premium deferrals described above, the full extent of the decrease in premium revenue since March will only be known starting in the fall once reporting and payments resume. Our current assumption is that insurable earnings will be 5.6 per cent lower in 2020 than they were in 2019 because of the economic shutdown.

Investment returns

Significant market volatility in Q1 2020 was driven by the global pandemic, the resulting rapid deterioration in the economic outlook and announcements of government responses. Net insurance fund returns in Q1 were -9.4 per cent. Markets rallied somewhat in Q2. Year-to-date net returns had climbed to -3.4 per cent as of the end of the quarter.

Long-term returns have remained well within target. As of the end of Q2, 10-year net returns were 7.3 per cent, while 15-year returns were 5.7 per cent. Our long-term investment strategy is targeted to achieve a 5 per cent return over the next 15 years. While the historical long-term performance in some time periods has exceeded that, capital market returns going forward are expected to be lower, with shorter-term (three and five year) returns around the 5 per cent target. This investment revenue, strategically combined with a reasonable level of premiums to fund the workplace safety and insurance system in the province, ensures that the benefits and administration of the system stays sound and we remain at a Sufficiency Ratio over 100 per cent for financial stability.

Administrative expenses

We are taking further measures to limit expenses in 2020 and 2021. We have reduced our budget for administrative expenses for 2020. Our efforts over the past year to expand the digital services we offer make it easier to work with us, but they also help us to streamline our internal processes and reduce costs.

Moving the organization to a work-from-home model resulted in both modest administrative cost savings (e.g. reduced cleaning and security at our offices) as well as limited new expenses to enable a remote workforce.

Other developments

New premium rate-setting model

As of the start of 2020, we transitioned to our new premium rate-setting model, changing the way businesses are classified, boosting fairness and increasing transparency in how premium rates are set and adjusted. Rates are now set based on: an average rate for each industry class given its risk profile, and each business's individual claims experience and risk compared to the rest of the businesses in its class. This model rewards industries at the class level, and businesses at the individual rate level, that show good health and safety records with lower premium rates, which encourages businesses to invest in safer workplaces.

We will treat COVID-19 claims exceptionally given the unprecedented global situation and that collective liability is a core principle of our workers' compensation system. Costs associated with COVID-19 related claims will not be allocated at the business or class level. Instead, they will be allocated on a Schedule-wide basis.

Release of the Demers report on occupational disease
We are implementing the recommendations and moving forward with the framework outlined in the Demers report, a report released in July 2020 about occupational disease that had been requested by the Ministry of Labour, Training and Skills Development. We look forward to working with the Ministry and our system partners in addressing the report's recommendations. The recommendations include expanding the list of presumptions about occupational cancer. Such a change would mean that we would need to revisit the funding set aside for occupational disease claims and increase it as needed, potentially impacting premium rates or funding levels.

The independent review that led to the report looked at how scientific evidence can be used to help determine whether a cancer claim is work related, and which scientific principles can best contribute to the development of occupational disease policy. The review also sought out best practices in other jurisdictions that could work well for Ontario. The release of the report is timely given that we have conducted several reviews of past occupational disease claims in recent years: a review of past Peterborough claims was completed in August 2018 and a review of past claims from rubber workers in the Kitchener Waterloo area was completed in October 2019. Presently, we are reviewing claims from miners exposed to McIntyre Powder following the release of a report that links McIntyre Powder to Parkinson's disease.

Expansion of online services
With many more people working from home and noting that our WSIB offices are currently closed to the public, the need for more digital services is more pressing now than ever before. In the past year we have made considerable progress in increasing our digital services to make it easier to work with us. With the pandemic, we accelerated our plans for further online services by six weeks so that they would be available to stakeholders sooner and to assist in continuity planning.

Most recently, we made it possible for people with claims to view claim information online or email us about a claim in addition to uploading claims-related documents. This service has been rolling out over the summer. And it is now possible for businesses to report and pay premiums, find or obtain a clearance, upload claims-related documents or analyze their rates and past claims costs through Compass, all online. We are committed to making further investments in digital services in the future in response to stakeholder needs.

Health and Safety Excellence program
Last November, we launched our Health and Safety Excellence program – a new initiative that is helping to make Ontario workplaces safer. Our new program provides a roadmap for businesses in Ontario to develop health and safety systems based on best practices, and it makes health and safety accessible to businesses of all sizes.

Some businesses may be looking to build a new system, while others want to improve what they already have in place – our Health and Safety Excellence program can be tailored to individual business needs to help boost health and safety outcomes and culture. Consisting of

36 topics, the program lets businesses learn and grow their health and safety systems at their own pace, earning rebates and recognition as they go.

Since COVID-19, the program has been adapted to help businesses stay pandemic ready and safe. Five of the program's 36 topics address immediate pandemic-related priorities to help businesses safely resume operations and remain open. Participating businesses who already had an approved action plan have been allowed to switch to topics that address the impacts of COVID-19.

As of the end of Q2, nearly 1,700 employers had registered in the Health and Safety Excellence program. These employers represented the full range of industry sectors covered by the WSIB. Participating employers report positive experiences with WSIB health and safety programs – 89 per cent said they were satisfied as of the end of 2019.

Our performance

Financial performance

Our funding position strengthened in 2019 and remains strong in 2020 despite the challenges of COVID-19.

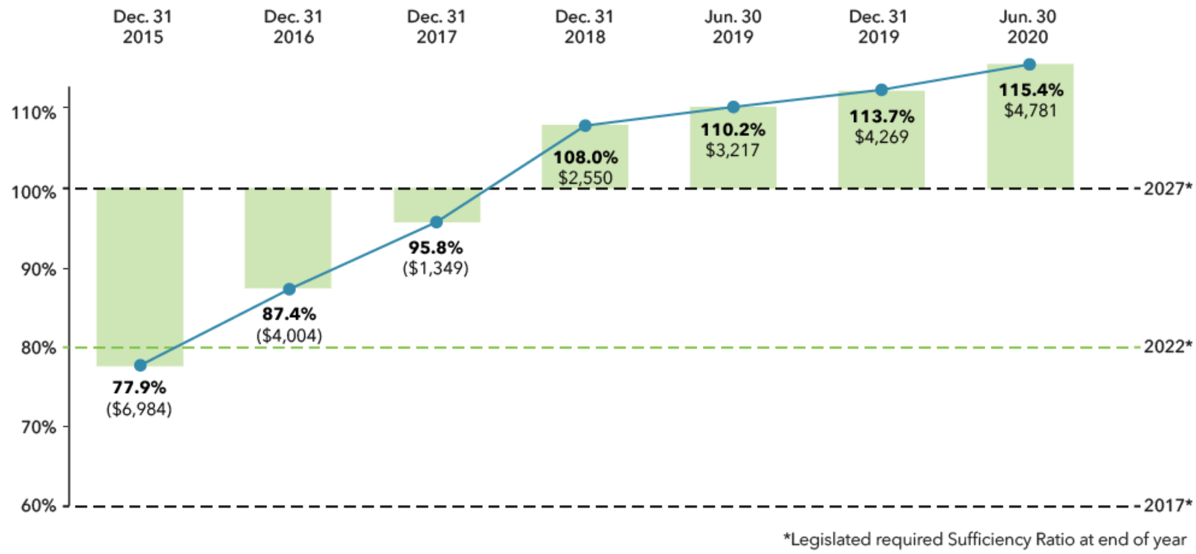
- So far in 2020[1], premium revenue of $1,408 million is 12 per cent below budget. This result is not unexpected considering that all businesses were permitted to defer premium reporting and payment as of late March. We will have a more accurate sense of the impact of COVID-19 on our insurable earnings and premium revenue as businesses resume premium reporting and payment this fall. Our current assumption is that premium revenue for the year will be 8.2 per cent below budget.
- Our claim payments ($1,253 million) and total administrative expenses ($481 million) are both well within budget year to date. Claim payments are $5 million lower than last year due to a decrease in health care costs in 2020, which in turn is the result of lower claim volume and fewer services being accessed, due to the limited economic activity related to COVID-19 restrictions.
- 2019 was a positive year for our investment portfolio, which had net returns of 12.1 per cent. Given the global economic shock from COVID-19 and the challenges of the financial markets in 2020, Q2 year-to-date net investment returns continued to be negative at -3.4 per cent. Our long-term (15-year) investment performance of 5.7 per cent as of the end of Q2 remains well within the target range of 3.9 to 6.6 per cent.

We include discussion of the significant risk factors that affect the operations of the WSIB in the Management's Discussion and Analysis section of the 2019 Annual Report. The WSIB believes the significant risks outlined in this report have not changed materially.

[1] 2020 performance is Q2 year to date, unless otherwise specified

Figure 1: Net Assets on a Sufficiency Ratio Basis ($M) and Sufficiency Ratios

Both net assets and the Sufficiency Ratio have continued to improve in 2020.



Operational performance

2018 and 2019 were challenging years for the WSIB from an operational performance perspective. Increasing claim volumes, combined with rising durations, resulted in an increase in both claims inventories and benefit costs.

In 2020, the WSIB is making a number of changes to stabilize our operational results and improve outcomes for people with claims. Our teams took advantage of lower incoming claim volumes in the early days of the pandemic to focus on reducing or eliminating specific inventories to improve service levels moving forward.

We are working closely with injured people, their employers and providers to best support recovery and return-to-work activities during the pandemic. The true impact of COVID-19 on operating results will be better understood in the months ahead with the reopening of the economy and any limitations on reopening put in place to reduce the risk of future waves of the virus.

- Claim durations have increased, which means that people with claims require benefits for longer on average. For instance three-month duration was 15.5 per cent at the end of Q2 compared to 14.2 per cent at the same time last year. The current increase is part of a trend that began in 2016. Claims with 12-month durations remained relatively stable at 5.9 per cent from 5.8 per cent last year. The impact of COVID-19 on short-term claim durations seems marginal at this point.
- Also, the percentage of people returning to work with no wage loss has stayed relatively stable at 88.3 per cent from 89.0 per cent at the end of Q2 last year (Schedule 1). While COVID-19 did result in the closure or reduced hours of businesses, the impact on longer-term durations also seems marginal at this point.

- The number of claims locked in remains within target in 2020. So far this year, 549 claims have been locked in compared to a target of 653. This result is higher than last year's (537 lock-ins) however.
- Eligibility decision making continues to be timely. Against a target of 91 per cent, 96 per cent of claims were decided within ten days year to date, in a period that included decision making for COVID-19 claims.

Funding status and path

Each year since our first Economic Statement in 2015, we have shared a financial trajectory to show our estimated timing for eliminating the unfunded liability, and beyond, as required by legislation. In 2020, Ontario has experienced the type of economic shock that we hoped to be prepared for by eliminating the unfunded liability and maintaining a surplus. Although the timing and type of economic recovery remain uncertain, coming into the pandemic in a strong financial position has enabled us to maintain full funding and we are still well placed to meet the legislative requirement to be fully funded in 2027. This means that people in Ontario can be assured that benefits will be there for those who need them now and in the future, that the system is equipped for economic downturns and that businesses can rely on stable premium rates.

The WSIB calculates estimated funding levels under two different scenarios, a *base* scenario and an *adverse* scenario. The scenarios differ in their assumptions about insurable earnings, which form the basis for our premium revenue, and about the returns on our investment portfolio. These differences are described below.

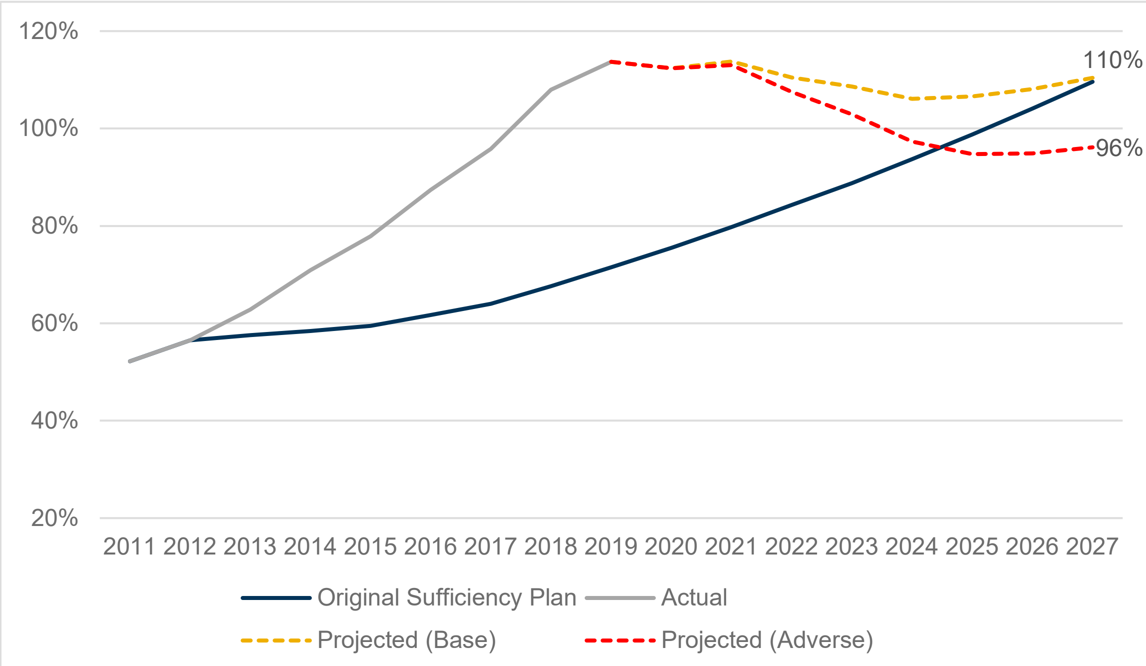
Under both scenarios the average premium rate for 2021 onwards is assumed to be $1.37, unchanged from 2020. Both scenarios assume that no new increases to benefits are legislated. Should the government commit to any increases to benefits, it would add to our costs and potentially impact premium rates and funding levels.

Base scenario: Ontario, along with much of the rest of the world, is experiencing a significant economic shock in 2020 because of the pandemic and restrictions on economic activity. Our base scenario assumes that insurable earnings will decrease by an unprecedented 10 per cent this year. It also assumes that our investment portfolio will suffer a significant loss, of 9 per cent. After 2020 however, a gradual recovery will take place and no further shocks or decreases will take place over the time horizon shown.

Adverse scenario: In addition to the expected decreases in insurable earnings and the investment losses described for 2020 under the base scenario, the adverse scenario assumes a second shock to the economy in 2021. This second shock could be driven by a failure, globally, to adequately contain the first wave of COVID-19 or subsequent waves of the virus. The second shock would result in a *further* decrease in insurable earnings of 10 per cent in 2021, and further investment losses of 9 per cent in 2021.

Original Sufficiency Plan: Forecast from our first Sufficiency Plan in 2013, for historical context.

Figure 2: Sufficiency Ratio projections



The base scenario in the chart above shows that even if we assume the impact from the economic shock we are experiencing will be large, we continue to be fully funded in 2020 and every year until 2027, when we are legislatively required to be at least 100 per cent funded. At its lowest point in 2024, the Sufficiency Ratio is still over 106 per cent.

We can see that under the adverse scenario though, with substantial revenue losses in *both* 2020 and 2021 and no recovery until after 2022, we would not be fully funded in 2027 should all other assumptions hold true and without any other intervention. Our Sufficiency Ratio would fall below 100 per cent in 2024, reach its lowest level in 2025 and be an estimated 96.1 per cent in 2027. This adverse scenario is considered to be unlikely, but it is shared to give a sense of the risks under these conditions.

We also tested three other adverse scenarios. Each resulted in higher (better) Sufficiency Ratios than the adverse scenario presented above. Instead of the second economic shock occurring in 2021 as it does above, in the alternative scenarios it occurs in either 2024, 2025 or 2027. When the shock occurs in either 2025 or 2027, the Sufficiency Ratio remains above 100 per cent for the entire time horizon tested (to 2032).

We base the estimated funding paths shown above on the assumptions in the table below.

Figure 3: Assumptions for estimated trajectories

Revenues	Notes* 1	2013 Original Sufficiency Plan	2020 Base scenario	2020 Adverse scenario
Average Premium Rate		$2.46	$1.37 in 2020 and thereafter (includes revenue adjustment margin[2])	Same as base scenario
Insurable Earnings		3.0% growth	-10% growth in 2020, 0 in 2021, 1.5% in 2022 and 3.0% thereafter	-10% growth in 2020, -10% again in 2021, 0 in 2022, 1.5% in 2023 and 3.0% thereafter
Investment Return, net		3.5% to 2017 5.5% thereafter	-8.66% in 2020, 0 in 2021, 2.5% in 2022 and 5% thereafter	-8.66% in 2020, -8.66% again in 2021, 0 in 2022, 2.5% in 2023 and 5% thereafter
Claim Costs	2			
New Claims Cost		$1.10	$0.77 for 2020 and thereafter	Same as base scenario
Benefit Coverage		No change	Includes coverage for work-related chronic mental stress, PTSD, presumptive cancer legislation and partial indexation rate	Same as base scenario
Health Care Escalation		4.5%	4.0%	Same as base scenario
Claims Duration		No improvement	Return-to-work assumption updated at 2019 year-end	Same as base scenario
Administration	3	Stable at $800 million then growth at 2% thereafter	Stable at $1.0 billion per year for next 5 years, then growth at 2% thereafter, excluding depreciation	Same as base scenario

* We provide more detail on these assumptions, and how they have changed compared to the original Sufficiency Plan in the Appendix.

[2]Revenue adjustment: Although employers were classified into NAICS in 2019 using the best available data, some businesses may contest their NAICS classification seeking to reduce their projected rates. Their projected rates may be reduced if the request is justified. As a result, employer-initiated reviews will reduce the amount of premiums actually received. The 2021 rates include a contingency to cover the potential cost of these revenue adjustments.

Premium rate outlook

For 2021, the average business premium rate will continue to be $1.37, which is unchanged from 2020. Our surplus position entering 2020 has provided protection against any need to raise rates to cover costs associated with COVID-19 claims, the loss of revenue expected in 2020 and premium payment deferrals.

The WSIB has committed to holding premium rates at their 2020 levels for 2021 for each individual business that paid premiums in 2020. No increases or decreases will be applied to existing individual business rates. In some cases the base rates in the table below have increased compared to 2020 (20 rate classes) while others have decreased.

The number of rate classes is increasing from 34 in 2020 to 35 in 2021 since the building construction rate class is being split into residential and non-residential building construction.

Figure 4: 2021 premium rates by class

Class	Class description	Base premium rate for 2021	Base premium rate for 2020
A	Agriculture	$2.77	$2.88
B	Mining, quarrying and oil and gas extraction	$2.57	$2.62
C	Utilities	$0.76	$0.82
D1	Educational services	$0.34	$0.34
D2	Public administration	$3.85	$3.50
D3	Hospitals	$0.90	$0.87
E1	Food, textiles and related manufacturing	$1.27	$1.41
E2	Non-metallic and mineral manufacturing	$2.15	$2.15
E3	Printing, petroleum and chemical manufacturing	$1.00	$1.21
E4	Metal, transportation equipment and furniture manufacturing	$1.83	$1.92
E5	Machinery, electrical equipment and miscellaneous manufacturing	$1.08	$1.27
E6	Computer and electronic manufacturing	$0.25	$0.28
F1	Rail, water, truck transportation and postal service	$4.32	$4.27

F2	Air, transit, ground passenger, recreational and pipeline transportation, courier services and warehousing	$1.75	$1.68
G1	Residential building construction	$2.75	$2.30
G2	Infrastructure construction	$2.42	$2.31
G3	Foundation, structure and building exterior construction	$4.65	$4.45
G4	Building equipment construction	$1.87	$1.84
G5	Specialty trades construction	$2.52	$2.47
G6	Non-residential building construction	$1.93	$2.30
H1	Petroleum, food, motor vehicle and miscellaneous wholesale	$1.90	$1.76
H2	Personal and household goods, building materials and machinery wholesale	$0.78	$0.82
I1	Motor vehicles, building materials and food and beverage retail	$1.38	$1.35
I2	Furniture, home furnishings, clothing and clothing accessories retail	$0.82	$0.81
I3	Electronics, appliances and health and personal care retail	$0.35	$0.34
I4	Specialized retail and department stores	$0.95	$0.93
J	Information and culture	$0.38	$0.36
K	Finance, management and leasing	$0.96	$0.90
L	Professional, scientific and technical	$0.29	$0.31
M	Administration, services to buildings, dwellings and open spaces	$1.90	$1.67
N1	Ambulatory health care	$1.43	$1.36
N2	Nursing and residential care facilities	$2.17	$2.02
N3	Social assistance	$1.29	$1.22
O	Leisure and hospitality	$0.96	$1.05
P	Other services	$1.43	$1.51

The WSIB's Impact

By working with our partners to prevent workplace injuries and illnesses from occurring in the first place, and by supporting safe and timely return to work when they do, we are improving the lives of people across the province.

Providing services, paid for by premiums, in a financially responsible and accountable way is another important source of the public value we provide to Ontarians. The more efficient we are, the better we can use our resources directly to help those with workplace injuries and illnesses recover and return to work.

The reductions made to WSIB premium rates between 2016 and 2020 amounted to an average premium rate that is 47 per cent lower. Bringing the average rate down since 2016, and keeping it down for 2021, has meant that money that would have gone towards funding the workers' compensation system now remains in the economy. The decrease since 2019 alone means that $600 million remains in the economy in 2021. Business needs these funds now more than ever to support their recovery, safe re-opening, and eventual new investments in jobs and growth.

By eliminating the unfunded liability and continuing in a surplus position, Ontario's workers' compensation system is well equipped to weather the current economic crisis. Benefits have been, and will continue to be, there for those who need them. Our strong financial position enabled us to contribute to the Province's financial relief effort for businesses in response to COVID-19 including allowing an estimated $1.4 billion of eligible premium revenue to be deferred for six months.

About the WSIB

When an injury or illness happens on the job, we move quickly to provide wage-loss benefits, medical coverage and help getting back to work. We cover five million people in approximately 324,000 workplaces across Ontario. We also help promote health and safety in the workplace with a goal of one day having zero work-related injuries or illnesses. The WSIB is funded by employer premiums.

The WSIB:

- invests more than $30 billion in reserve to support our $30 billion in liabilities, to pay benefits for injuries that have occurred and require benefits and support in the future
- registered over 250,000 claims in 2019
- paid $3.0 billion in benefits to people injured at work or who experienced an occupational illness in 2019
- plays an active role in promoting workplace health and safety and in supporting and working with the Ministry of Labour, Training and Skills Development and the Chief Prevention Officer. The WSIB's new Health and Safety Excellence Program consolidates our efforts to support prevention.

Appendix: Sufficiency plan update requirements

The *Workplace Safety and Insurance Act*, *1997 (Ontario)* (the “WSIA” or the “Act”) requires the WSIB maintain the Insurance Fund with an amount in the fund that is sufficient to meet its obligations under the WSIA and to make payments to people injured at work and their families when necessary. The WSIB charges premiums to Ontario businesses from which we pay benefits to injured people.

Regulations that apply to the Sufficiency Ratio and the Sufficiency Plan
Ontario Regulation 141/12, which came into force on January 1, 2013, requires the WSIB to meet prescribed Sufficiency Ratios by the following dates:

- 60 per cent on or before December 31, 2017
- 80 per cent on or before December 31, 2022
- 100 per cent on or before December 31, 2027

As required by *Ontario Regulation 141/12*, we calculate our Sufficiency Ratio by dividing the value of assets, measured according to accepted accounting principles, by total liabilities, as determined by accepted practices for actuarial valuations. However, the regulations did not permit the actuarial valuation of investment assets for the purposes of the Sufficiency Ratio.

Ontario Regulation 338/13 came into force on January 1, 2014, which requires the WSIB to value both our assets and liabilities using actuarial valuations that are consistent with accepted practices for going concern valuations. We amortize investment results that differ from our long-term expected net rate of return over a five-year period using straight-line amortization, thus moderating the effect of investment market volatility on our financial results. We retrospectively recalculated our Sufficiency Ratio as of January 1, 2013, the date when we first began reporting the Sufficiency Ratio, to reflect the *Ontario Regulation 338/13* methodology.

The WSIB reports the Sufficiency Ratio pursuant to these two regulations (“Sufficiency Regulation”).

Sufficiency Ratio calculation methodology

The sufficiency regulations permit the actuarial valuation of investment assets for the purposes of the Sufficiency Ratio and allow the WSIB to amortize investment gains and losses that differ from the long-term expected net rate of return over a five-year period. The WSIB currently expects a long-term net rate of return of 5 percent on investments. Amortizing the investment gains and losses that differ from the long-term expected net rate of return over five years on a straight-line basis is consistent with guidance in the *Pension Benefits Act (Ontario)* and mirrors the practices of many large pension plans in Ontario.

The WSIB’s Sufficiency Statement presents the Sufficiency Ratio to stakeholders on a quarterly basis. The Sufficiency Statement provides reconciliation between the consolidated statement of financial positions prepared in accordance with the International Financial Reporting Standards (IFRS) and the assets and liabilities for Sufficiency Ratio purposes. The detailed basis of measurement for the purposes of the Sufficiency Ratio under the sufficiency regulations is described below.

Assets

For the purposes of the Sufficiency Ratio calculation, the WSIB's assets consist of the total consolidated assets of the WSIB less the interests in those assets of third parties, as represented by the balance of non-controlling interest (including the assets of the WSIB Employee's Pension Plan) on an amortized basis. The investment assets used in the Sufficiency Ratio calculation are adjusted by investment gains and losses deviating from the WSIB's expected net return on investments. These gains or losses are amortized over a five-year period on a straight-line basis, thereby moderating the effect of market volatility. After five years, the current period's investment gain or loss is fully recognized in the asset value.

The current unamortized balance representing the cumulative investment losses below the long-term expected return since 2013 was $686 million at June 30, 2020 (2019 – investment gains of $1,686 million). This balance will fluctuate depending on the WSIB's actual investment income as compared to expectations of 5.0 per cent per annum and will be amortized into future income and Net Assets on a Sufficiency Ratio basis over the remaining amortization period.

Liabilities

The liabilities included in the Sufficiency Ratio are calculated as our total liabilities shown on our consolidated statements of financial position and are adjusted to reflect valuations of the Employee Benefit Plans liabilities on a going concern basis rather than a market basis.

Based on the WSIB's Sufficiency Ratio methodology under the sufficiency regulations, the Sufficiency Ratio as at June 30, 2020 was 115.4 per cent (113.7 per cent in 2019) corresponding to a funding reserve of $4,781 million (2019 – $4,269 million) on a Sufficiency Ratio basis. The component of premiums collected to help eliminate the UFL and our ongoing positive investment and excellent operational results have resulted in better than anticipated progress in achieving 100 per cent funding.

A reconciliation of the Net Assets attributable to WSIB stakeholders between the International Financial Reporting Standards (the "IFRS") basis and the sufficiency basis is presented as following:

Figure 5: Reconciliation of the Net Assets on a Sufficiency Ratio Basis

(millions of Canadian dollars)	**30-Jun 2020**	**31-Mar 2020**	**31-Dec 2019**	**31-Dec 2018**
Net Assets attributable to WSIB stakeholders on an IFRS basis	2,301	1,349	4,588	1,484
Add/(Less): Adjustments per Sufficiency Regulations:				
Change in valuation of investment portfolio	686	2,313	(1,686)	423
Change in valuation of employee benefit plans liability	1,996	1,106	1,283	694
Change in valuation of investment portfolio attributable to non-controlling interests	(202)	(278)	84	(51)
Net Assets attributable to WSIB stakeholders on a Sufficiency Ratio basis	4,781	4,490	4,269	2,550
Sufficiency Ratio	**115.4%**	**114.3%**	**113.7%**	**108.0%**

Significant Financial Risks and Mitigation Strategies

We include discussion of the significant risk factors that affect the operations of the WSIB in the Management's Discussion and Analysis section of the 2019 Annual Report. The WSIB believes the significant risks outlined in this report have not changed materially.

Notes about Assumptions for Estimated Trajectories (Figure 6)

The WSIB has made the following changes to the significant assumptions for 2020 to reflect experience and our long-term outlook as summarized below.

1. Revenues

   Premium Revenue

   - We've assumed the average premium rate of $1.37 per $100 of insurable earnings for 2021 and thereafter, unchanged from 2020. This is a significant decrease from the original Sufficiency Plan, which included an average premium rate of $2.46 per $100 of payroll.
   - We've assumed insurable earnings will decrease at 10.0 per cent in 2020, followed by 0 per cent in 2021 and 1.5 per cent growth in 2022 (a combination of wage and employment growth). In the Adverse scenario we project a second shock to the economy in 2021 in which insurable earnings will further decrease at 10.0 per cent in

2021 followed by 0 per cent in 2022 and 1.5 per cent in 2023, then return to normal growth of 3.0 per cent in 2024 and thereafter annually.

Investment Returns, net

- We've assumed investment loss will be 8.66 per cent in 2020, 0 per cent in 2021, 2.5 per cent return in 2022, and 5.0 per cent return in 2023 and thereafter.
- We've assumed that in the Adverse scenario there will be a 8.66 per cent loss on investments in 2020 and another 8.66 per cent loss in 2021 followed by a 0 per cent in the third year, a 2.5 per cent return in the fourth year, then a 5.0 per cent positive return thereafter.

2. Claim costs
   - We've assumed that New Claims Costs (NCC) is $0.77 per $100 of insurable earnings in 2020 and thereafter. This is $0.33 lower than the original Sufficiency Plan due to claims experience in recent years, notwithstanding increase related to the legislative changes for work-related chronic mental stress benefits, posttraumatic stress disorder benefits, indexing of benefits and presumptive cancers for firefighters' benefits.
   - We've assumed there will be no change in benefit coverage or levels, with the exception of work-related chronic mental stress and posttraumatic stress disorder, noted above reflecting recent legislative amendments.
   - We've assumed that health care costs will grow at 4.0 per cent per year. This is a decrease from the original Sufficiency Plan of 4.5 per cent as our health care cost experience has been favourable and we expect the experience will continue.
   - We've updated duration of claims at 2019 year-end as the actuarial assumption for return-to-work was updated for recent experience.

3. Administration
   - We've assumed administration and other expenses will increase to approximately $1 billion and remain relatively stable over the next five years due to resource related costs and information technology transformation.
   - We've assumed CPI will grow by 2.0 per cent annually, excluding depreciation expenses, a change from the original Sufficiency Plan of 2.5 per cent. Inflation remains steady at historical lows. We have reduced the long-term inflation target to match the Bank of Canada's long-term target.