

Workplace Safety and Insurance Board

2021 Annual Report

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Message from Chair and President & CEO

There is much to be proud of as an organization as we look back on 2021. Our team's continued resilience and flexibility amidst ongoing uncertainty due to the COVID-19 pandemic ensured we remained there for the people of Ontario and allowed us to start looking ahead to how we can continue to improve the service we provide.

First and foremost, we continued to support people with work-related injuries and illnesses to have a safe, timely, and lasting return to work. For the first time in six years, our short-term durations (the amount of time claims require benefits) declined, meaning more people got the support they need sooner.

Our Sufficiency Ratio at the end of Q4 was 121.2% – laying the foundation for our ability to further support businesses recovering from the pandemic by issuing a rebate of surplus funds for the first time in our history.

This strong fiscal foundation is what also allowed us to reduce our average premium rate to \$1.30 in 2022, the lowest average premium rate for Ontario businesses in more than 20 years. Through reductions to our average premium rate from 2017 to 2022, we have been able to keep approximately \$10.9 billion in the economy.

Since the start of the Health and Safety Excellence program in late 2021, over 2,400 businesses enrolled in the program and have benefitted from \$16.1 million in rebates to support health and safety investments. Those rebates can be invested in making Ontario workplaces even safer.

These efforts are part of our overall goal for the WSIB to be better known for having excellent service.

We continued to take steps towards an improved service experience in 2021, through the launch of new online services, including direct deposit for people with claims and the addition of appeals information allowing people to track the progress of their appeal online. We also met several key service timeliness targets last year, including 95% of claim eligibility decisions being made within 10 business days of registration, more than our 93% target.

It is critical that we build on this momentum in 2022 and that we always keep in mind our incredible ability to help people at a really difficult time in their lives. We know we can continue to improve to make sure that people get the support they need, and feel satisfied with the service they receive.

We look forward to an exciting new era for the WSIB and are committed to improving the service we provide, making sure our finances are sustainable and doing everything we can to make Ontario the safest place to work.



Grant Walsh
Chair, WSIB
April 21, 2022



Jeffery Lang
President and CEO, WSIB
April 21, 2022

2021 highlights

Our financial position continued to strengthen in 2021, and we saw improvement in our operational results despite the challenges of the pandemic and periods of high volumes of COVID-19 claims.

Operational highlights

Lost-time claim volume higher than pre-pandemic

With economic recovery and employment growth in Ontario in 2021, lost-time claim volume increased. Lost-time claim volume was 19% higher in 2021 than pre-pandemic (2019), driven by COVID-19 claims. Excluding COVID-19 claims, there were more lost-time claims in 2021 than pre-pandemic for six of the 12 months in 2021. Due to the nature of the claims, lost-time claims are typically more resource intensive than no-lost-time or COVID-19 lost-time claims.

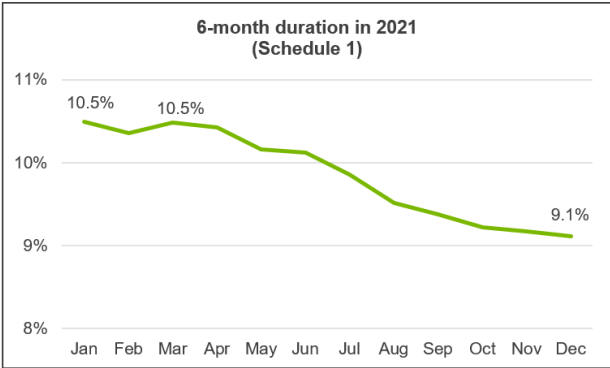
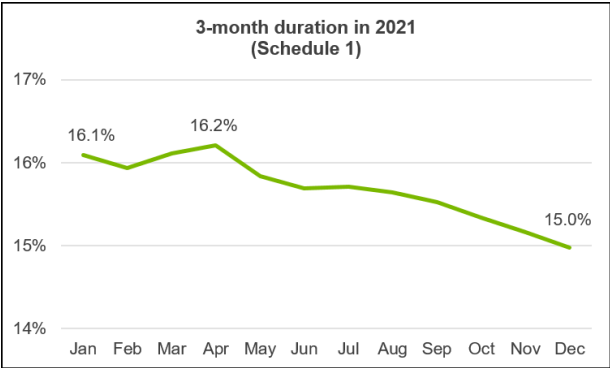
No-lost-time claim volume remained below the pre-pandemic (2019) level in 2021. Overall, 2021 registered claim volume was 13% higher than in 2020 and 10% lower than in 2019.

Increase in COVID-19 claim volume

The WSIB registered 19,613 COVID-19 claims in 2021, which is 42% higher than in 2020 and consistent with the increased provincial COVID-19 case counts. Peak months for COVID-19 claims were January, April and May.

Improvement in claim durations

Short-term durations, excluding COVID-19 claims, decreased year over year for the first time since 2015. The three-month duration decreased to 15.0% at year-end, from a high of 16.2% in April 2021. The six-month duration decreased to 9.1% at year end from a high of 10.5% in March. The improvement occurred even though the WSIB registered more claims in 2021 than in 2020. Longer-term durations (24 months+) are slower to register change, but all held steady in 2021.



Actions taken starting in late 2020 to address rising durations are having a positive effect. The focus of those efforts has been on stabilizing our operations, while better positioning our staff to deliver our services through the COVID-19 pandemic.

The durations referred to previously exclude COVID-19 claims, which tend to have relatively short durations. Including COVID-19 claims would further improve the duration results as most people with work-related COVID-19 claims no longer require benefits by 15 days, and 86% no longer require benefits by 30 days.

Timely service

The WSIB maintained timely service in 2021 despite an increase in claim volume compared to 2020 and periods of high volumes of COVID-19 claims.

- 95% of eligibility decisions were made within 10 business days, more than the target of 93%.
- 73% of claims were paid within 15 days of the WSIB first being notified of the claim compared to the 65% target, and higher than the 71% result in 2020.
- Appeal decisions also continued to be timely, with 86% of appeals decided within six months in 2021 compared to the target of 80%.
- The WSIB resolved 33% more appeals in 2021 than in 2020, enabling us to respond to a 33% increase in incoming appeal volume in 2021.

Improvements to benefits and services

Enhanced online services for people with claims

We added two important new features to our online services for people with claims in 2021. A direct deposit sign-up feature was added in January, and more than 4,000 people signed up for this option in the first two months of launch, helping to ensure that their benefit payments are as timely as possible.

In September, we made it possible for people to view the status of their appeal online. The new appeals feature allows people to track the progress of their appeal, expected timing and their next steps. This enhancement to people's experience also improves transparency. As of December 2021, there were approximately 16,000 views of the new appeals feature.

Growth of the Health and Safety Excellence program

As of the end of 2021, there were 2,476 businesses (representing 817,196 employees) enrolled in our Health and Safety Excellence program, 13% more than the 2021 enrollment target. Since the launch of the program in November 2019, \$16.1 million in rebates have been distributed, supporting health and safety investments in Ontario workplaces.

In July 2021, we launched a major study of small business health and safety practices. The study is a collaborative initiative across the WSIB, the Ministry of Labour, Training and Skills Development, Safe Work Associations and the Institute for Work and Health with the goal of better supporting small businesses in improving their workplace health and safety.

Advancing our Occupational Disease strategy

We approved an Occupational Disease strategy in 2020 to ensure a more responsive and sustainable approach to occupational disease policy and decision-making at the WSIB. The strategy is based on the recommendations outlined in the Workplace Safety and Insurance Board Value for Money Audit Report: *Occupational Disease and Survivor Benefit Program* and the *Using Scientific Evidence and Principles to Help Determine the Work-Relatedness of Cancer* review.

Three key short-term activities were identified to establish the foundation of the strategy:

- Creating an overarching occupational disease policy framework to guide future occupational diseases listed in the Schedules under the *Workplace Safety and Insurance Act, 1997* (Ontario) (the "WSIA") and policy development. A stakeholder consultation on the draft framework launched in the fall of 2021 and was set to close in early 2022, to be followed by a review of submissions, and revisions to the framework going before the Board of Directors.
- Developing a research strategy to facilitate the timely collection of up-to-date scientific evidence to support evidence-based decision-making. The research strategy is off to a strong start, with three separate pieces of occupational disease research underway at the end of 2021.
- Forming an independent scientific advisory table who will make recommendations on scientific reviews and general occupational disease issues. An expression of interest to seek qualified individuals to sit on this table was completed in late 2021, with substantive work set to begin in 2022.

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COVID-19 Worker Income Protection Benefit program

In late April, the Ontario government introduced the COVID-19 Worker Income Protection Benefit program requiring businesses to provide their employees with up to three days of paid leave for reasons related to COVID-19. We supported the launch of the program and administration of the application process allowing businesses to apply for reimbursement of up to \$200 per employee per day of leave. Businesses do not need to be registered with the WSIB to be eligible for the program, and funding is provided by the provincial government. It is not funded through WSIB’s employer premiums. The program has been extended until July 31, 2022.

Measuring our operational results

Strategic goal	Measure	Baseline (2019) ¹	2021 result	
Make Ontario a safer place to work	Health and Safety Index	+1.9%	n/a	A meaningful Health and Safety Index score for 2021 could not be calculated due to the strong influence of the COVID-19 pandemic on index metrics. Results would be too heavily impacted to be comparable to other years.
Improve return-to-work and recovery outcomes	Duration of full and partial loss-of-earnings benefits (three months)	14.6%	15.0%	While the three-month claim duration did not yet reach the 2019 baseline, it improved by 1.0% in 2021, the first year-over-year improvement since 2015. Improvement was made despite a 13% higher claim volume in 2021 compared to 2020.
	Duration of full and partial loss-of-earnings benefits (12 months)	5.9%	6.3%	Similar to the three-month duration, the 12-month duration also improved in 2021, from 6.5% to 6.3%, though it too remains above the 2019 baseline. The 12-month duration is expected to improve further as decreases in shorter-term durations continue.
Meet our customers’ needs and expectations	Overall satisfaction for people with work-related injuries and illnesses	71%	72%	More than seven in 10 people with work-related injuries and illnesses expressed satisfaction with their overall experience with the WSIB in 2021. This was more than the 71% baseline, but we are continuing to work to improve to make sure that people not only get the support they need, but feel supported by the WSIB. In 2021, we expanded our digital services for people with claims and achieved targets for service timeliness.
	Overall satisfaction for businesses	77%	80%	80% of businesses were satisfied with their overall experience with the WSIB in 2021, exceeding the 2019 baseline and also the 2020 result of 77%.
	Time to first decision	86%	95%	95% of eligibility decisions were made within 10 business days,

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				unchanged compared to 2020, even though more claims were registered in 2021. This also exceeded the baseline result of 86%.
	Time to first payment	60%	73%	Payment timeliness of 73% within 15 calendar days of the WSIB first being notified of the claim exceeded the 2019 baseline. It was also an improvement from the 2020 result of 71%.
Provide services in a financially responsible and accountable way	Sufficiency Ratio	113.7%	121.2%	The WSIB’s financial results continued to be positive in 2021. The Sufficiency Ratio increased by 3.9% despite holding premium rates steady compared to 2020. Correspondingly, our net assets (on a sufficiency basis) increased by \$1.0 billion to \$6.5 billion in 2021. The year-end Sufficiency Ratio was 7.5% higher than the 2019 baseline.

1. 2019 is used as our baseline year to align with our 2019-2021 Strategic Plan, which has been extended until 2023.

Financial highlights

Growth in the Sufficiency Ratio

The WSIB’s Sufficiency Ratio increased by 3.9% to 121.2% in 2021 despite holding premium rates steady compared to 2020. Our net assets (on a Sufficiency Ratio basis) grew by \$1.0 billion to \$6.5 billion. Both net premiums and investment returns were higher than in 2020. The claim costs also increased compared to 2020 mainly due to the change in benefit liabilities resulting from the increase in the health care escalation factor and the increase in the future claim administration cost liability.

Lower premium rate for 2022

After holding premium rates steady for 2021, the strength of our financial position allowed us to reduce the average premium rate to \$1.30 per \$100 of insurable earnings for 2022, 5.1% lower than in 2021. Ontario businesses are now paying the lowest average premium rate in more than 20 years. We remain confident that our strong financial position will ensure people with workplace injuries or illnesses receive the support they need, while the lower rate will help businesses recovering from the effects of the pandemic.

Insurable earnings fully recovered

Within the first half of 2021, insurable earnings rose above their pre-pandemic level. With further growth in employment and wages in Ontario through the fall, insurable earnings were 4.6% higher than their pre-pandemic levels by the end of the year. Compared to 2020, insurable earnings grew by 8.5%. Net premium revenues were 6.5% higher than in 2020 due to the increase in insurable earnings.

The industry sectors that experienced the largest growth in insurable earnings compared to 2020 were the subclass of transportation that includes air transportation (+25.2%), building equipment construction (+18.5%), and information and culture (+18.0%).

Positive investment performance

The WSIB's investment portfolio experienced a gross return on investments¹ of 10.8% in 2021, an increase compared to the 4.8% gross return in 2020. Longer-term investment returns continued to meet our targets with 10-year gross returns of 8.3% while 15-year gross returns were 5.9%.

Increase in costs

Claim payments were 0.2% higher in 2021 than in 2020 due to higher claim volumes. Lost-time claim volume in particular was not only higher than in 2020, but also above the pre-pandemic level, driven by a higher number of COVID-19 claims.

Administrative expenses of \$568 million in 2021 were 1.8% higher than in 2020, primarily due to higher salaries and short-term benefits and depreciation and amortization expenses, partially offset by lower employee benefit plans expense.

¹ Return on investments percentages are based on investment income prior to adjustments such as translation gains and losses on net foreign investments.

Board of Directors' biographies

Planned Term

Grant B. Walsh

MEMBER: January 7, 2021 – February 2, 2022

CHAIR: February 3, 2022 – February 2, 2025

Grant B. Walsh has served on 30 plus Boards of Directors as a Chairman, CEO and corporate director. He currently serves View Canada Inc. (Advisory Board), Square Canada, and Square Technologies, among others.

Grant was formerly the Chair of Canada Lands Company Limited with real estate properties across Canada and tourism properties including the CN Tower, Downsview Park, the Old Port of Montreal and the Montreal Science Centre. He was also President and CEO of St. Peter's Health System and Vice President of Hamilton Health Sciences.

As Executive Vice President of The ServiceMaster Company in Chicago, Grant was accountable for \$550 million USD, 30,000 employees, and 10,000 properties across 44 states and Canada.

Grant has a Master of Business Administration degree in Finance and an undergraduate degree in English and Philosophy. He holds a designation as a Chartered Director from McMaster University and the Conference Board of Canada.

Jeffery A. Lang

MEMBER: October 31, 2019 – February 2, 2022

PRESIDENT AND CEO: February 3, 2022 – February 2, 2025

Jeffery Lang was previously President and CEO of Jetfloat Ltd., a manufacturer of modular floating docking systems and platforms and Exi-Plast Custom Moulding Ltd., a contract plastics manufacturer with customers worldwide. Jeffery also served as a member of the Board of Directors from October 31, 2019 to October 30, 2022.

Jeffery completed his undergraduate degree in Social Sciences and honours degree in Political Science at the University of Western Ontario, King's University College.

Jeffery is co-founder and Board Chair of the Canadian Economic Development Assistance for South Sudan and has held many past community roles, including Vice President of Ronald McDonald House Charities, President of Boys & Girls Club of London, Board Chair, Alzheimer Foundation of London, and Board Member of Pathways Skills Development and the London Food Bank.

Jeffery is a proud fourth generation Londoner.

Leslie Lewis

MEMBER: May 9, 2019 – May 8, 2022

Leslie Lewis is the Chief Financial Officer of Avanti Software. Leslie was previously a finance leader at PowerSchool Group where she was part of the core team working on the company's initial public offering on the New York Stock Exchange. Leslie's career in private equity, investment banking, and public service includes roles at Onex Corporation, Ontario Teachers' Pension Plan, CIBC and the Department of Finance Canada. Leslie is also a former member of Canada's national canoe/kayak team.

Leslie holds a business degree (honours) from Acadia University and has received the ICD.D designation from the Institute of Corporate Directors. Leslie's community involvement includes serving on the Board of Directors of the Ontario Capital Growth Corporation and the Toronto Pan Am Sports Centre.

Lori Turik

MEMBER: June 20, 2019 – June 19, 2022

Lori Turik was responsible for establishing the strategic, operational and financial management of the Supply Chain Advancement Network in Health, a network of Centres of Excellence in Canada. She has extensive background providing strategic, business development, government, stakeholder relations and communications advice to public and private sector clients in her capacity as a consultant. Her clients included the pharmaceutical industry, health care providers, not-for-profit associations and private businesses.

Lori is the former Executive Director of the World Health Innovation Network and the Ivey International Centre of Health Innovation, where she led the successful development of these centres, their products and services and grew the centres' reputations nationally and globally. Lori has served as Senior Vice President, Government and Industry Relations at GS1 Canada, Vice President, Public Policy for the Canadian Association of Chain Drug Stores, Senior Policy Advisor to the Minister of Health, Province of Ontario and Director of Public Health Nursing Services, North York.

Lori has held appointments and has guest lectured at the University of Toronto and York University. She holds a Master's Degree in Public Administration from Queen's University and a Bachelor of Science in Nursing from Lakehead University. Lori served as a member of the Canadian Institutes for Health Research Board of Governors and has worked on numerous boards and government committees. She continues to be involved in various professional, community and health-related organizations.

Sean McFarling

MEMBER: February 27, 2020 – February 26, 2023

Sean McFarling serves as General Counsel to the Labourers' International Union of North America ("LiUNA"), Ontario Provincial District Council ("OPDC") and LiUNA's Central and Eastern Canada Organizing Fund ("CECOF"). His practice focuses on providing strategic advice and overseeing the OPDC's legal affairs across Ontario and CECO's legal matters across Central and Eastern Canada.

Sean has dedicated his career to representing the hard working people of Ontario and he currently serves as LiUNA's Vice President at the Ontario Federation of Labour.

Bruce Smith

MEMBER: October 31, 2019 – October 30, 2022

Bruce Smith is the Executive Director, Business Development and Strategic Support at Fanshawe College. Bruce is also the Chief Executive Officer of the Canadian Centre for Product Validation and oversees the business operations of Fanshawe's subsidiary companies.

Prior to joining Fanshawe College, Bruce gained several years of senior management experience in the North American electricity distribution sector providing financial management advice and data collection services to water, electric and gas utilities.

Bruce had the honour of serving in the Ontario Legislature from 1995-1999 as the Member of Provincial Parliament for Middlesex and Parliamentary Assistant to the Minister of Education and Training. During that time, Bruce served on the Policy Coordination sub-committee of the Cabinet.

Bruce is a past member of the Board of Directors for St. Joseph's Health Care London, Ontario, where he served on the Executive Committee and chaired the Human Resources Committee of the Board.

Bruce is also a past member of the Board of Governors for Fanshawe College, serving as Chair of the Board for two years as well as Chair of Colleges Ontario – the advocacy organization representing Ontario's 24 colleges of applied arts and technology.

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Bruce has earned a Master's Degree in Public Administration from Western University, an Honour's Degree in Environmental Studies (minor degree in Political Science) from the University of Waterloo, and earned his Diploma in Urban Design from Fanshawe College.

Karen Tam

MEMBER: October 31, 2019 – October 30, 2022

Karen is the Chief Financial Officer and Corporate Secretary at Choice Hotels Canada, Canada's largest hotel franchisor. She was previously the Chief Financial Officer and Corporate Secretary of Global Risk Institute in Financial Services and the Chief Financial Officer of Toronto Financial Services Alliance, following roles in finance and operations with a range of private sector firms and professional consulting companies, including Morneau Shepell, Four Seasons Hotels, and KPMG LLP. Karen is a member of the Board of Directors for the Royal Ontario Museum.

Karen has more than 20 years of experience in finance, HR, governance, contract administration, and operations management.

Karen is a CPA, CA and holds the CFA and US CPA designations. She has a Bachelor of Commerce degree from Queen's University.

Helen Polatajko

MEMBER: December 12, 2019 – December 11, 2022

Helen Polatajko has over 35 years of executive experience in both the private and the public sectors, in Canada and the United States. As a Chief Investment Officer, she was responsible for the overall strategic direction, organizational and digital transformation, and management of information technology functions while being a contributing member of company executive committees at CMHC, CIBC Mellon and BNY Mellon.

Helen has over 10 years' experience serving as Chair and member on Risk, Audit and Governance Committees on the boards of CDSPI, York University, The Salvation Army, Tafelmusik Baroque Orchestra and the IESO.

She was featured on the cover of CIO Canada magazine for an article titled "Fusing Business and Technology", and has served on the judging panel of the Canadian Information Productivity Awards. Helen also served on the Canadian Advisory Board of the CIO Executive Council, and the Advisory Committee of the Conference Board of Canada, Council of CIOs. Helen has been recognized as one of the Top 100 Women in Computing, acknowledging her achievements and contributions to information services and technology.

Helen received her education from the University of Pittsburgh, in Pennsylvania, attaining a Bachelor of Science in Mathematics and Psychology degree, and graduated from The Stonier Graduate School of Banking at the University of Delaware. Helen has also received the ICD.D designation from the Institute of Corporate Directors.

Completed Term

Elizabeth Witmer

CHAIR: May 17, 2012 – February 3, 2022

Elizabeth has served the Ontario public for many years, including 22 years as the Kitchener-Waterloo Member of Provincial Parliament (MPP) and as the Chair of the WSIB. As an MPP, she also served as the Deputy Premier of Ontario, Minister of Labour, Minister of Health and Long-Term Care, Minister of Environment and Minister of Education.

Her leadership has been acknowledged with many awards such as the Queen's Golden Jubilee Medal and the Diamond Jubilee Medal, the Kitchener-Waterloo Citizen of the Year Award, the Asthma Society of Canada's Innovation in Public Policy Award and the Doug Chalmers award for her commitment to workplace health and safety.

Elizabeth is a graduate of the University of Western Ontario and Althouse College of Education.

Tom Bell

MEMBER: February 4, 2021 – February 3, 2022

Tom Bell joined the WSIB in 2013 as Vice-President Internal Audit and was appointed Chief Risk Officer in 2014. As CRO, Tom has built a new Business and Risk Solutions Cluster, which integrates an Internal Audit, Enterprise Risk Management and Compliance function. The Procurement, Real Estate and Facilities Management, and Corporate Security divisions have also joined the cluster. Tom oversees the planning, development and execution of WSIB's risk and compliance strategies and initiatives to support the achievement of the WSIB's strategic and corporate business goals.

Prior to joining the WSIB in 2013, Tom worked for top tier firms including PricewaterhouseCoopers, BMO Financial Group and Research in Motion (BlackBerry). Tom served as the WSIB's acting President and CEO from February 4, 2021 to February 3, 2022.

Bryce Walker

MEMBER: January 23, 2013 – December 31, 2021

Bryce Walker brought with him a wealth of experience in health care and education governance. He is currently Chair of Faithlife Financial. He is past Vice-Chair of the Board of Trustees of the Healthcare of Ontario Pension Plan and past Chair of both Wilfrid Laurier University's Board of Governors and Grand River Hospital's Board of Directors. Bryce's professional experience includes his role as Senior Vice President of Group Benefits for Manulife Financial, from which he has retired. He has a Bachelor of Math degree from the University of Waterloo, is a Fellow of the Canadian Institute of Actuaries, a Chartered Financial Analyst and holds an ICD.D designation from Rotman School of Management.

Board of Directors' remuneration

The Agencies and Appointments Directive issued under the *Management Board of Cabinet Act* requires that the annual report contain the total annual remuneration of each individual appointee (not including expense).

The total annual remuneration of each individual appointee for 2021 is as shown below:

Name	Total remuneration paid in 2021
Grant Walsh	\$19,552.50
Jeffery A. Lang	\$17,187.50
Leslie Lewis	\$20,625.00
Lori Turik	\$19,937.50
Sean McFarling	\$15,537.50
Bruce Smith	\$18,012.50
Karen Tam	\$19,387.50
Helen Polatajko	\$22,825.00
Elizabeth Witmer	\$207,983.15
Tom Bell	\$535,897.58
Bryce Walker	\$23,237.50
Tom Teahen ¹	\$648,079.29
Total:	\$1,568,262.52

1. Tom Teahen was the President and CEO of the WSIB from February 1, 2016 to January 31, 2021.

Management's discussion and analysis
December 31, 2021

Management's discussion and analysis

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") and accompanying audited annual consolidated financial statements ("consolidated financial statements"), as approved by the Board of Directors of the Workplace Safety and Insurance Board (the "WSIB"), are prepared by management as at and for the year ended December 31, 2021.

The MD&A should be read in conjunction with the consolidated financial statements of the WSIB as at and for the year ended December 31, 2021, and the annual information available in the consolidated financial statements and the accompanying notes for the year ended December 31, 2020.

The accompanying consolidated financial statements as at and for the year ended December 31, 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

In this MD&A, "WSIB," or the words "our," "us" or "we" refer to the WSIB. All amounts herein are denominated in millions of Canadian dollars, unless otherwise stated.

The information in this MD&A includes amounts based on informed judgments and estimates. Forward-looking statements contained in this discussion represent management's expectations, estimates and projections regarding future events based on information currently available, and involve assumptions, inherent risks and uncertainties. Readers are cautioned that actual results may differ materially from forward-looking statements in cases in which future events and circumstances do not occur as expected.

1. Our business

Our mandate

The WSIB, a board-governed trust agency under the Agencies and Appointments Directive of the Government of Ontario, is legislated to administer the Province's no-fault workplace injury and illness insurance system under the WSIA.

When an injury or illness happens on the job, we move quickly to provide wage-loss benefits, medical coverage and help workers get back to work. We support the promotion of workplace health and safety and strive to make Ontario a safer place to work.

We insure over five million people in more than 300,000 workplaces across Ontario. Our goal is to maximize the public value we deliver each day through the services we offer.

How we are funded

We fund our operation and deliver benefits and services through premiums paid by Ontario businesses and investment returns.

Premiums

As per the WSIA, the WSIB collects premiums from businesses classified under Schedule 1 and administration fees from businesses listed in Schedule 2. Over 75% of Ontario's labour force is covered by the WSIB under either Schedule 1 or Schedule 2. Each year, we typically adjust both premium rates for Schedule 1 employers and administration fee rates for Schedule 2 employers.

Schedule 1 employers contribute to our collective liability insurance fund. Each business is assigned to one or more classes/subclasses under the North American Industry Classification System, based on its business activities. The premium rate for each business reflects the rate of the class/subclass and its risk in relation to other businesses in its class. Each class/subclass has a series of risk bands and each risk band has an associated rate either above or below the class rate. The premium rate for each class reflects costs associated with claims, administration and legislative obligations. Mandatory employer incentive programs were replaced in 2020 with this premium rate setting model, and only wind-down retroactive adjustments remain in place.

Management's discussion and analysis
December 31, 2021

Schedule 2 employers are individually responsible for the full cost of their respective claims. Schedule 2 employers include federal and provincial governments and their agencies, municipalities and school boards, and other enterprises such as major railways with operations in Ontario. These businesses reimburse the WSIB for the costs of their claims plus a fee to cover overhead and administrative costs and, in the case of provincially regulated employers, legislative obligations.

Investment returns

The WSIB also generates income through investment returns on our approximately \$39.4 billion in invested assets as at December 31, 2021.

The Investment Management Corporation of Ontario ("IMCO") has managed WSIB's invested assets since July 24, 2017. Having our funds managed by IMCO allows us to achieve economies of scale, have wider access to investment opportunities, increase diversification, and enhance our risk management and risk-adjusted returns.

Investments

Our governance framework

We invest the portion of premiums collected but not required to be paid in the current year to or on behalf of people with work-related injuries or illnesses or to fund current operating expenses. As at December 31, 2021, we held \$39.4 billion in investments to fund all future claim payments for incurred claims including long latency occupational disease claims that may have already been incurred but not reported. These investments include minority interest in WSIB's legacy pooled funds for the WSIB employee pension plan. Our investment strategy, as applicable to WSIB controlled investment vehicles, involves a prudent balance of income generation and capital appreciation.

Our governance framework operates in accordance with best practices for good governance as summarized below:

- Investment decisions that have the most impact on investment outcomes remain at the Board of Directors level. These decisions include establishing our overall governance framework and approving the Statements of Investment Policies and Procedures ("SIPP").
- The WSIB's SIPPs require that a detailed review of the policy asset mix (which sets out the target allocations to various asset classes) be conducted no less frequently than every four years in the context of WSIB's risk appetite, benefit liabilities, premium rate levels, and capital market assumptions. This is to ensure that the long-term investment return objective, policy asset mix, and other provisions of the SIPPs remain relevant.
- With appropriate reporting and oversight, the Board of Directors delegates authority for certain matters to our Investment Committee, our senior management, and IMCO. The Investment Committee is appointed by the Board of Directors and consists of Board members and external advisers. The Investment Committee provides advice and assistance to the Board of Directors on issues relating to investments and approves investment policies to supplement the SIPPs. Effective July 24, 2017, through an Investment Management Agreement for each of the Insurance Fund and Loss of Retirement Income Fund, IMCO was delegated authority to manage the WSIB's investments. IMCO and our investments are monitored by senior staff members under the direction of our Senior Vice President and Chief Investment Officer, Chief Financial Officer, President and Chief Executive Officer, the Investment Committee and, ultimately, our Board of Directors.
- Risk is inherent in each element of the investment decision-making process. Hence, risk management is an integral component of our governance framework. We believe the most significant investment risks to which we are exposed include liquidity risk, credit risk, and market risk. A discussion of our investment risks and mitigating strategies is contained in Section 14 – Risk factors in this MD&A and in note 12 in our consolidated financial statements. We use various financial and non-financial methods to assess, measure and monitor risk.

Management's discussion and analysis
December 31, 2021

What we invest in

We invest in a wide range of asset classes to provide a target level of investment return over the long term given the level of risk we are prepared to assume. The asset classes we invest in are:

- **Investment Cash and Money Market:** This asset class is comprised of cash and cash equivalents and seeks to provide liquidity and safety for the insurance fund. Returns are expected to be lower than other asset classes.
- **Fixed Income:** Our Fixed Income portfolio is comprised of high-quality government fixed income securities and seeks to provide interest rate sensitivity, liquidity, safety and diversification, particularly when economic conditions are weak, or when market or economic shocks precipitate a flight to lower-risk investments.
- **Credit:** Our Credit portfolio includes both investment-grade and non-investment-grade public and private investments with the intention of providing broad exposure to global fixed income credit markets. Credit tends not to be highly correlated with high-quality fixed income or with equities and, as a result, Credit is expected to enhance returns and diversification.
- **Public Equity:** We invest primarily through holdings in pooled funds in a diversified portfolio of domestic and international equity securities to provide broad exposure to equity markets. Equities are expected to provide higher investment returns than other asset classes over the long run, but are expected to exhibit higher variability in returns from year to year.
- **Private Equity:** The Private Equity asset class seeks to generate long-term capital appreciation and aims to outperform Public Equity by investing in a diversified set of private operating companies and providing value-add through strategic, operational and financial improvements. Private Equity is a higher-risk asset class involving long-term investments in generally illiquid assets.
- **Public Market Alternatives:** The Public Market Alternatives asset class provides exposure to alternative investment risk premiums and active investment mandates through strategies that offer low beta with public market equities (i.e., low sensitivity to equity market volatility). Investments, held directly or through holdings in pooled funds, encompass a broad range of public and private assets, including equities, fixed income, credit and currencies, as well as derivatives. Public Market Alternatives investments are expected to enhance returns and to reduce overall volatility.
- **Real Estate:** This asset class includes holdings in real estate properties and investment funds diversified across global markets and office, retail, industrial, multi-residential and mixed-use property types. Real estate is expected to provide a stable source of income and to keep pace over time with inflation, mitigating the risk of unexpected inflation.
- **Infrastructure:** Our global Infrastructure portfolio consists of assets that provide essential services and facilities, many of which operate with regulated or strategic competitive advantages. Revenues are typically generated under long-term contracts that offer stable cash flows with inflation sensitivity.

There are also portfolio management activities at the total fund level to enhance investment returns and manage risk by efficiently rebalancing the fund and managing asset allocation, liquidity, and foreign exchange exposures.

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Claim costs

Types of claim payments

A number of different benefits are administered by the WSIB in accordance with the WSIA and predecessor legislation, the *Workers' Compensation Act*. These benefits relate to compensating wage loss and providing for health care treatments and other benefits to people with work-related injuries or illness and survivors. Each type of benefit is described in more detail below:

- **Loss of earnings benefits** compensate people for earnings lost due to a work-related injury or illness occurring subsequent to 1997, starting the day after the injury or illness occurred. The benefit rate is based on 85% of the worker's pre-injury net average earnings, subject to legislated minimum and maximum amounts of compensation.
- **Workers' pensions** represent pensions for people suffering a workplace injury prior to January 2, 1990 based on the degree of the person's disability.
- **Health care costs** are payments for professional services provided by health care practitioners, hospitals and health facilities as well as the cost of drugs that are required to facilitate recovery. They may also include attendant services, home or vehicle modifications, assistive devices and prostheses, extraordinary transportation costs to obtain health care and other measures to improve the quality of a person's life.
- **Future economic loss or FEL benefits** compensate people injured after January 1, 1990, and prior to January 1, 1998, who cannot restore their pre-injury earnings as a result of a permanent impairment or temporary disability for 12 continuous months.
- **Survivor benefits** represent monthly benefits provided to the spouse, dependent children and other dependents of someone whose death was the result of a workplace injury or occupational disease.
- **External provider costs** associated with our work reintegration program include payments to external agencies providing rehabilitation services, such as training programs to assist a person's return to work and the costs of work transition assessments and plans. They are incurred when accommodations with the pre-injury employer are not available.
- **Non-economic loss or NEL benefits** represent compensation to someone who suffers a permanent impairment as a result of an injury that occurred after January 1, 1990. Benefits are based on the severity of the permanent impairment. Non-economic loss benefits recognize the physical, functional or psychological loss resulting from a permanent impairment, beyond wage loss.
- **Loss of Retirement Income benefits contributions** representing 5% of loss earnings benefits and 10% of future economic loss benefits, are payable on behalf of a person who has received loss of earnings benefits for 12 continuous months or future economic loss benefits and was under the age of 64 at the date of injury. At age 65 or upon death, the person receives a benefit from contributions made to their Loss of Retirement Income account plus any investment income earned.

Provision for claims

Benefit liabilities are established on a quarterly basis and represent the present value of the expected future cost to satisfy all claims occurring prior to but still outstanding as at the consolidated statements of financial position date. The liability consists of expected costs for reported claims, expected costs on outstanding claims that have been incurred but not yet awarded, as well as increases in benefits resulting from deterioration of an existing injury, and a provision for future occupational disease claims.

Data and other factors that can influence the amount and timing of future payments are considered when calculating benefit liabilities. Some factors include historical trends, our governing legislation, as well as our policies, claims adjudication practices and appeal decisions. We also consider the development of future claim payment trends, which may be impacted by management actions, legislative changes, judicial decisions and economic conditions. Where possible, we apply multiple techniques to estimate the required benefits liability provision. This approach provides additional insight into the trends inherent in

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the claims data being used to project the future payments valued in the benefits liability. Between the reporting and final disposition of a claim, circumstances may change, which may result in changes to the established liability. For example, changes in the provisions of the WSIA or medical costs could substantially affect the ultimate cost of a claim. Accordingly, we review and re-evaluate claims and their impact on the estimate of the benefit liabilities on a regular basis.

Provisions made for future occupational diseases recognize that workers exposed to hazardous substances or conditions in their workplaces may develop occupational diseases after long latency periods. These provisions are significant and are expected to increase in future years due to increasing workplace risk exposures. Claim costs will vary depending on the type and characteristics of the disease, and the timing and management of the claim. Given the inherent uncertainties, the eventual cost to satisfy outstanding claims can vary substantially from the initial estimates.

Legislated obligations and funding commitments

Legislative obligations: The WSIB is required to make payments to defray the cost of administering the *Occupational Health and Safety Act* ("OHS") and the regulations made under the OHS. We are also required to pay for the operating costs of the Workplace Safety and Insurance Appeals Tribunal ("WSIAT"). Furthermore, we are required to pay for the costs incurred by the Office of the Worker Adviser and the Office of the Employer Adviser.

Grants program: Our grants program supports practical, expert research studies and training initiatives delivered by professional individuals and organizations that address current and emerging challenges aimed at strengthening Ontario's workplace injury and illness insurance system now and in the future. In 2021, the WSIB awarded five grants to research teams to conduct studies that may improve return-to-work and recovery outcomes for people who were injured or made ill at work.

Additionally, the grants program launched three strategic research initiatives to fund systematic reviews examining the association of occupational disease and workplace hazards. These awards will directly address gaps in knowledge to support evidence-based decision-making.

More information about the program is available on the WSIB website.

Voluntary employer health and safety recognition programs: The Health and Safety Excellence program takes a risk-based approach to improving workplace health and safety. There are 36 topics for businesses to choose from across the three levels of the program: foundations, intermediate and advanced. Once businesses complete topics in the Health and Safety Excellence program, they receive a rebate on their premiums based on a formula that takes into account their predictability, total prior year premiums, and number of topics implemented.

We also administer rebates for the Supporting Ontario's Safe Employers program, a voluntary Ministry of Labour, Training and Skills Development (the "MLTSD") initiative by the Chief Prevention Officer. The program recognizes businesses across the province who have successfully implemented an accredited occupational health and safety management system.

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2. Our strategy

2021 was another challenging year as Ontarians dealt with ongoing uncertainty caused by the COVID-19 pandemic. We responded to the evolving needs of those we serve through enhanced digital solutions and continued financial relief for businesses, while maintaining normal business operations and ensuring minimal disruption for people who need our help.

Our 2019-2021 Strategic Plan was extended through to 2023, reaffirming our dedication to delivering the services people with workplace injuries or illnesses and Ontario businesses rely on. Our updated plan is divided into four pillars and demonstrates our commitment to a future where going to work is as healthy and safe as possible for all Ontarians.

The following themes are included under the broader umbrella of delivering public value, each supported by objectives and performance measures to track our progress toward achieving each goal:

1. Make Ontario a safer place to work
2. Improve return-to-work and recovery outcomes
3. Meet our customers' needs and expectations
4. Sustain our organization through efficient and effective management

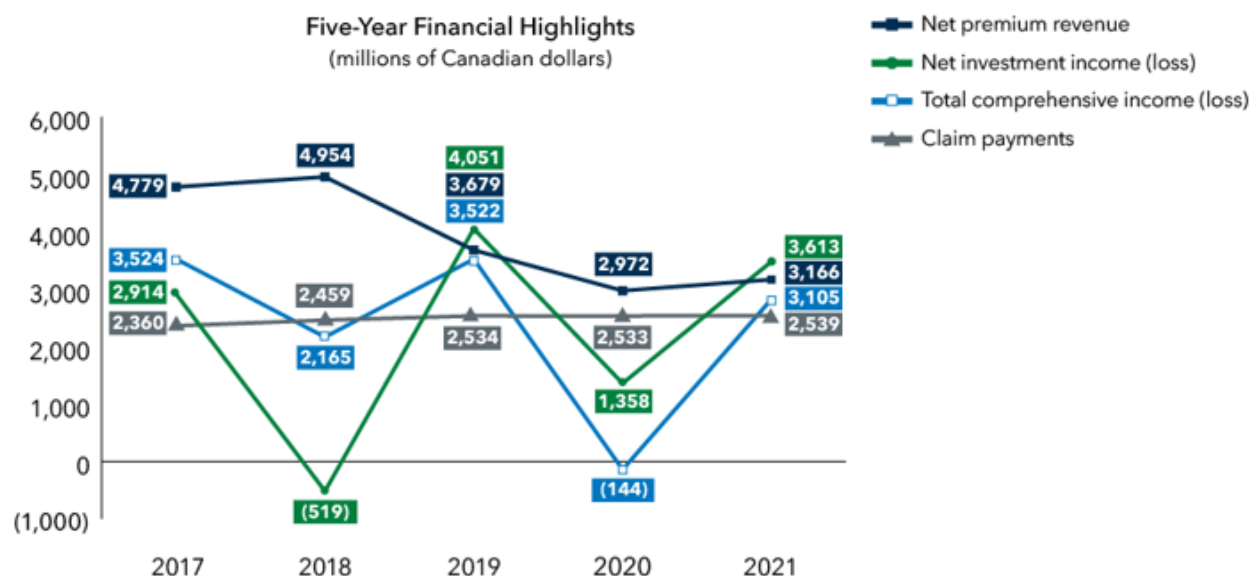
These strategic themes ensure that the right technology, people and processes are in place to reduce the disruption and devastation caused by workplace injuries and illnesses, while continuing to make Ontario a safer place to work. We are committed to monitoring our progress using metrics and analysis that informs and drives decision-making at the WSIB to reinforce how we are delivering public value.

In 2022, we will track progress against the Strategic Plan and assess important work that should be completed in the final years of our current strategy. We will also build on lessons learned during the pandemic to continue to make workplaces safer across Ontario.

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3. Financial highlights

The following section should be read in conjunction with the consolidated financial statements and accompanying notes of the WSIB as at and for the year ended December 31, 2021.



Financial highlights for the year ended December 31, 2021 compared to the year ended December 31, 2020:

- In 2021, we generated \$3,105 million of total comprehensive income, an increase of \$3,249 million. This primarily reflects higher net investment income driven by a 6.0% increase in investment returns, higher net premiums as businesses recovered from the impact of the pandemic and higher other comprehensive income primarily from an increase in the discount rate and changes in financial assumptions of the employee benefit plan liability. The increase in total comprehensive income was partially offset by higher claim costs and expenses. During the year, we transferred \$905 million of cash from our investment fund to support operating activities and repaid a \$400 million loan from the Ontario Financing Authority (“OFA”).
- Net premium revenue increased by \$194 million, or 6.5%, primarily reflecting higher gross Schedule 1 premiums attributable to an 8.5% increase in insurable earnings mainly from classes/subclasses relating to transportation, construction, culture, professional, scientific & technical. The increase was also due to a recovery of bad debts and higher interest and penalties, which resumed after the deferral period ended in June 2021. This was partially offset by higher net rebate adjustments for mandatory employer incentive programs relating to prior years.
- Net investment income increased by \$2,255 million from a net income of \$1,358 million in 2020 to \$3,613 million. The gross return on investments was a gain of 10.8% in 2021 compared to 4.8% in 2020. We caution readers that current investment returns are not a reflection of expected future performance, and caution should be exercised in projecting investment income results into the future based on our current results.
- Claim payments were relatively unchanged, increasing by 0.2%, primarily reflecting increases in health care costs offset by declining workers’ pension and future economic loss payments, as well as

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lower loss of earnings payments.

- Our net assets on a Sufficiency Ratio basis were \$6,537 million as at December 31, 2021, an increase of \$1,011 million, or 18.3%, since December 31, 2020.

4. Financial analysis

Financial results

The following table sets forth our annual financial results for the years ended December 31:

(millions of Canadian dollars)	2021	2020	\$	Change %
Revenues				
Net premium revenue	3,166	2,972	194	6.5
Net investment income	3,613	1,358	2,255	100+
	6,779	4,330	2,449	56.6
Expenses				
Total claim costs	3,496	2,879	617	21.4
Loss of Retirement Income Fund contributions	54	55	(1)	(1.8)
Administration and other expenses	568	558	10	1.8
Legislated obligations and funding commitments	260	229	31	13.5
	4,378	3,721	657	17.7
Excess of revenues over expenses	2,401	609	1,792	100+
Total other comprehensive income (loss)	704	(753)	1,457	100+
Total comprehensive income (loss)	3,105	(144)	3,249	100+
Other measures				
Return on investments	10.8%	4.8%	n/a	6.0
Net assets ^{1, 2}	7,261	4,324	2,937	67.9
Net assets – Sufficiency Ratio basis ²	6,537	5,526	1,011	18.3
Sufficiency Ratio ²	121.2%	117.3%	n/a	3.9

1. Net assets represent net assets attributable to WSIB stakeholders as at the end of the reporting period. The total net assets of \$8,015 million as at December 31, 2021 (2020 – \$6,826 million) are allocated between the WSIB stakeholders and the non-controlling interests (“NCI”) on the basis of their proportionate interests in net assets of the WSIB. NCI represent the proportionate interest of net assets and total comprehensive income of subsidiaries in which the WSIB directly or indirectly owns less than 100% interest. NCI of \$754 million as at December 31, 2021 (2020 – \$2,502 million) exclude benefit liabilities since the holders of NCI, the WSIB Employees' Pension Plan and other investors, are not liable for those obligations. The proportionate share of the total net assets attributable to WSIB stakeholders as at December 31, 2021 was \$7,261 million (2020 – \$4,324 million), which includes benefit liabilities. Refer to the consolidated statements of financial position for further details.
2. Refer to Section 6 – Reconciliation of the change in net assets for further details.

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December 31, 2021
Net premium revenue

A summary of net premium revenue for the years ended December 31 is as follows:

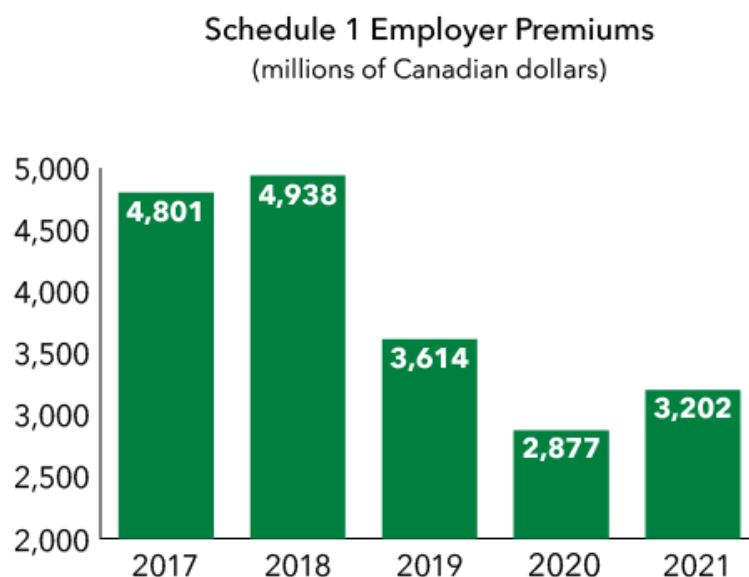
(millions of Canadian dollars)	2021	2020	Change	
			\$	%
Schedule 1 employer premiums	3,202	2,877	325	11.3
Schedule 2 employer administration fees	92	93	(1)	(1.1)
Net mandatory employer incentive programs	(128)	2	(130)	(100+)
Net premium revenue	3,166	2,972	194	6.5

Schedule 1 employer premiums increased by \$325 million, or 11.3% for the year ended December 31, 2021. This is primarily due to:

- an increase in the Gross Schedule 1 premiums of \$235 million, or 8.1%, reflecting an 8.5% increase in insurable earnings mainly from classes/subclasses relating to transportation, construction, culture, professional, scientific & technical as businesses recover from the impact of the pandemic;
- a decrease in bad debts of \$71 million, or 165.1%, as there was a recovery of \$28 million in 2021, compared to bad debts expense of \$43 million recorded in 2020. The current year recovery relates to amounts previously written off as employers continued to repay their account balances; and
- an increase in interest and penalties, included in Schedule 1 employer premiums, by \$18 million, or 150.0%, as interest and penalty charges resumed after the deferral period ended in June 2021.

Net adjustments for mandatory employer incentive programs relating to prior years decreased by \$130 million primarily due to the wind-up policy updates of the New Experimental Experience Rating program, resulting in a higher provision for rebate adjustments.

The following chart displays the Schedule 1 premiums for the five consecutive years ended December 31:



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A summary of employment, insurable earnings and gross Schedule 1 premiums by class/subclass for the year ended December 31, 2021 is as follows:

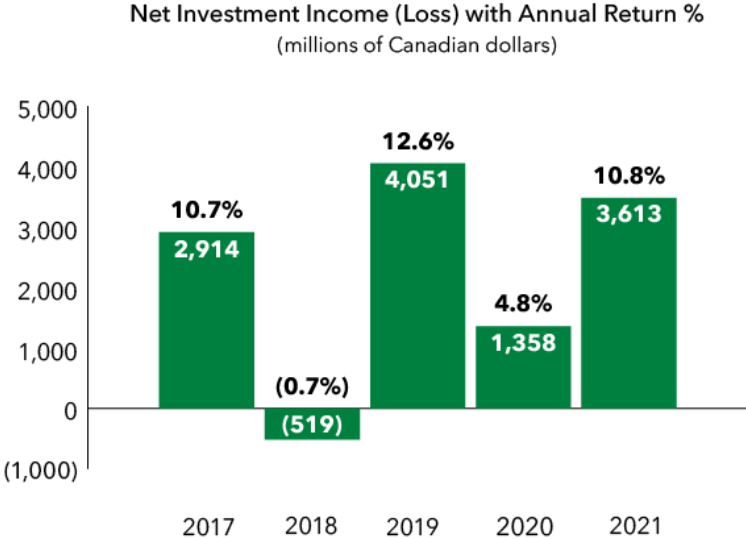
(millions of Canadian dollars)	Employment ¹	Insurable earnings	Gross premiums	% of total
Class/Subclass	#	\$	\$	
Agriculture	53,891	2,040	52	1.9%
Mining, quarrying, oil and gas extraction	31,096	2,359	71	2.6%
Utilities	41,311	3,410	23	0.8%
Educational services	167,428	8,129	24	0.9%
Public administration	45,697	2,799	76	2.8%
Hospitals	230,133	14,897	131	4.8%
Food, textiles and related manufacturing	162,010	6,661	99	3.6%
Non-metallic and mineral manufacturing	142,757	6,222	134	4.9%
Printing, petroleum and chemical manufacturing	110,743	4,766	41	1.5%
Metal, transportation equipment and furniture manufacturing	297,069	13,987	257	9.5%
Machinery, electrical equipment and miscellaneous manufacturing	121,648	5,579	70	2.6%
Computer and electronic manufacturing	83,625	3,627	8	0.3%
Rail, water, truck transportation and postal service	71,903	3,396	142	5.2%
Air, transit, ground passenger, recreational and pipeline transportation, courier services and warehousing	166,687	6,320	97	3.6%
Residential construction	56,362	2,423	61	2.2%
Infrastructure construction	56,846	3,513	89	3.3%
Foundation, structure and building exterior construction	81,110	3,768	160	5.9%
Residential building equipment construction	150,624	8,445	157	5.8%
Specialty trades construction	96,595	4,359	114	4.2%
Non-residential building construction	47,204	2,242	45	1.7%
Petroleum, food, motor vehicle and miscellaneous wholesale	92,417	3,926	51	1.9%
Personal and household goods, building materials and machinery wholesale	227,843	9,961	69	2.5%
Motor vehicles, building materials, food and beverage retail	282,494	9,209	126	4.6%
Furniture, home furnishings, clothing and accessories retail	86,542	2,618	20	0.7%
Electronics, appliances, health and personal care retail	124,135	4,013	13	0.5%
Specialized retail and department stores	181,279	5,320	51	1.9%
Information and culture	85,336	4,925	15	0.6%
Finance, management and leasing	117,264	4,994	33	1.2%
Professional, scientific and technical	324,994	15,366	30	1.1%
Administration, services to buildings, dwellings and open spaces	192,271	7,249	100	3.7%
Ambulatory health care	109,883	4,537	64	2.3%
Nursing and residential care facilities	119,276	4,973	108	4.0%
Social assistance	72,082	2,942	29	1.1%
Leisure and hospitality	315,182	7,635	79	2.9%
Other services	149,477	6,229	80	2.9%
Total	4,695,214	202,839	2,719	100%
Premium accrued but not reported		27,164	423	
Total		230,003	3,142	

¹We derive employment levels based on reported insurable earnings divided by an estimated average wage for each class/subclass.

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Net investment income

The following chart displays the net investment income (loss) and the gross return on investment for the five consecutive years ended December 31:

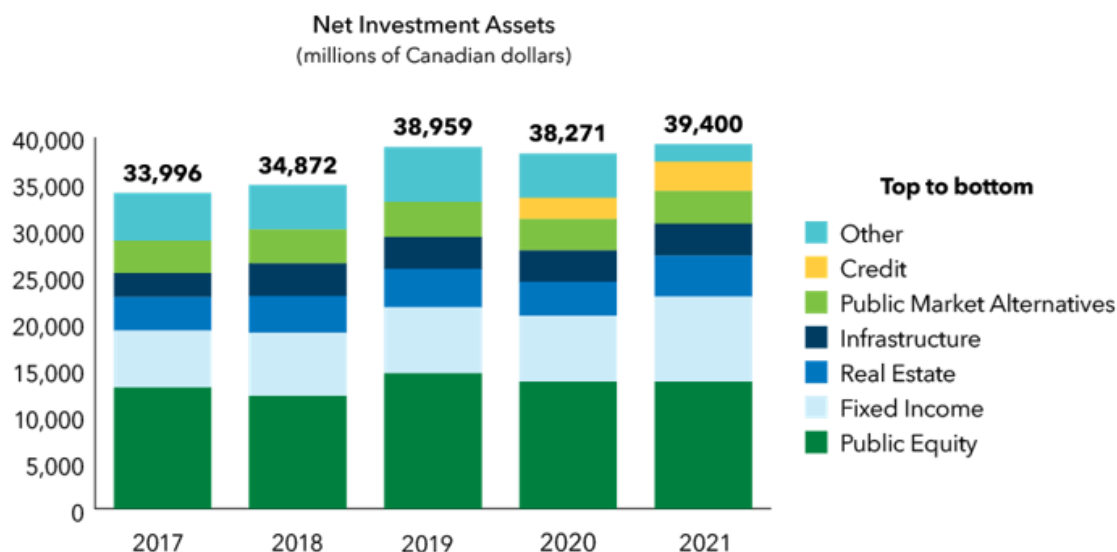


In 2021, our net investment income was \$3,613 million compared to net investment income of \$1,358 million in 2020. Over 10 and 15 years, our gross investment returns were 8.3% and 5.9% per annum, respectively. Net investment income increased by \$2,255 million compared to last year, reflecting an overall gross return of 10.8% compared to 4.8% in 2020. The increase in net investment income was mainly attributable to strong returns over the course of 2021 as investors focused on expectations for continued economic growth, as compared to the market downturn and instability in 2020 resulting from the COVID-19 pandemic. The returns were led by the Public Equities, Real Estate and Infrastructure portfolios. The Fixed Income portfolio detracted from returns, due to rising government bond yields on expectations for rising inflation.

Past performance may not be indicative of future results. Our financial performance is heavily reliant on the amount of investment income we are able to generate as each 1% rate of return on investments represents approximately \$390 million of net investment income equating to \$0.17 of premium per \$100 of insurable earnings, or about 12% of annual premiums.

Management's discussion and analysis December 31, 2021

The following chart displays net asset values¹ for the five consecutive years ended December 31 and the different components of net asset value for 2021:



1. Total net asset value includes investment cash, investment receivables and payables, and derivatives within investment strategies.

Total claim costs

Total claim costs consist of:

- Claim payments to or on behalf of people with work-related injuries or illnesses;
- Claim administration costs, which represent an estimate of our administration costs necessary to support benefit programs; and
- The change in the actuarial valuation of our benefit liabilities, which represents an adjustment to the actuarially determined estimates for future claim costs existing as at the dates of the consolidated statements of financial position.

A summary of total claim costs for the years ended December 31 is as follows:

(millions of Canadian dollars)	2021	2020	Change	
			\$	%
Claim payments	2,539	2,533	6	0.2
Claim administration costs	557	546	11	2.0
Change in actuarial valuation of benefit liabilities	400	(200)	600	100+
Total claim costs	3,496	2,879	617	21.4

Claim payments

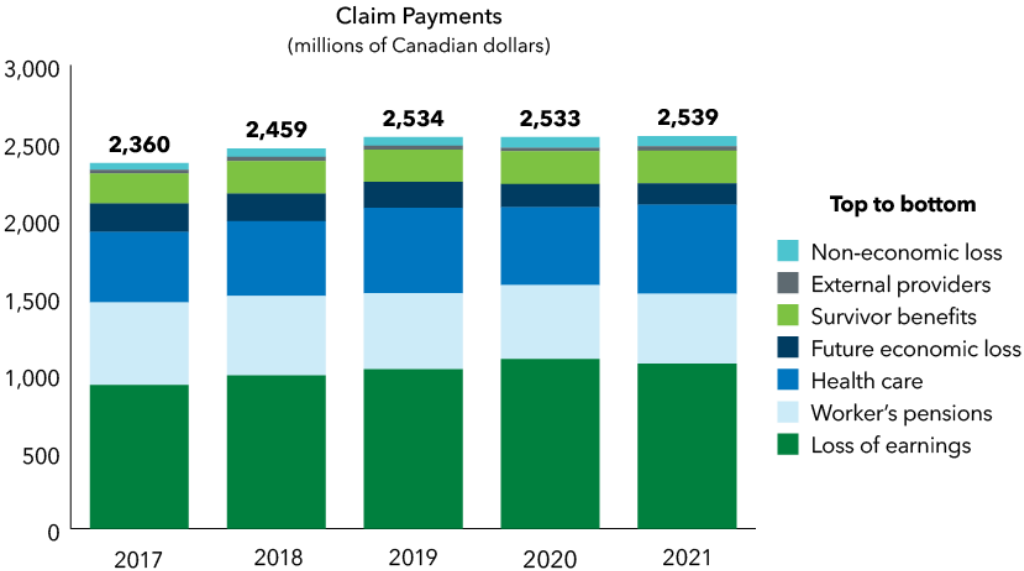
Claim payments represent cash paid during the year to or on behalf of people with work-related injuries or illnesses. A summary of the significant changes in claim payments for 2021 is as follows:

- Loss of earnings ("LOE") benefits decreased by \$31 million primarily due to \$50 million in LOE payment obligations incurred in prior years. This was partially offset by the \$20 million increase in LOE benefits primarily due to the higher volume of new claims (including COVID-19-related claims, which grew by 64% in 2021).

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- Workers’ pensions decreased by \$26 million, reflecting the natural reduction of claims due to mortality.
- Health care expenses increased by \$73 million, reflecting the higher volume of claims as well as higher service utilization compared to 2020 as both claim and service levels approached pre-pandemic levels.
- Future economic loss benefits decreased by \$12 million, reflecting the natural reduction in claim inventory.
- External provider expenses increased by \$5 million due to an increase in education expense.
- Non-economic loss (“NEL”) benefits decreased by \$3 million. The decrease is the result of a higher-than-usual volume of new awards in 2020 caused by greater claim processing and adjudication of accumulated NEL decisions (backlog).

The following chart displays claim payments for the years ended December 31:



Claim administration costs

Claim administration costs is the portion of administration and other expenses and legislated obligations and funding commitments expenses related to claims adjudications, benefit payments processing and the provision of return-to-work services to claimants. This is determined by assessing the portion of administrative expenses that are related to claims administration for each cost center at the WSIB. For the year ended December 31, 2021, there was no significant change in the total claim administration costs.

Change in actuarial valuation of benefit liabilities

Change in actuarial valuation of benefit liabilities represents the change in the present value of future payments for loss of earnings and other disability benefits, health care, survivor benefits, labour market re-entry and claim administration related to claims that occurred on or before December 31, 2021. It also includes occupational disease claims expected to arise in the future as a result of exposures in the workplace on or before December 31, 2021.

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For the year ended December 31, 2021, the change in actuarial valuation of benefit liabilities is detailed as follows:

(millions of Canadian dollars)	
Benefit liabilities as at December 31, 2020	26,910
Payments made in 2021 for prior injury years (include Loss of Retirement income and claim administration costs)	(2,585)
Interest accretion ¹	1,197
Liabilities incurred for the 2021 injury year	1,857
Experience gains	(480)
Valuation assumptions and methodologies change ²	411
Benefit liabilities as at December 31, 2021	27,310
Change in actuarial valuation of benefit liabilities	400

1. Accretion represents the estimated interest cost of the benefit liabilities, considering the discount rate, benefit liabilities at the beginning of the year and payments made during the year.
2. Change in valuation basis includes:
 - a. Updated loss of earnings data assumptions and methodologies, a decrease of \$13 million
 - b. Updated assumption for health care escalation, an increase of \$252 million
 - c. Updated methods and assumptions for future claim administration costs, an increase of \$172 million

Administration and other expenses

A summary of changes in administration and other expenses for the years ended December 31 is as follows:

(millions of Canadian dollars)	2021	2020	Change	
			\$	%
Salaries and short-term benefits	479	443	36	8.1
Employee benefit plans	298	312	(14)	(4.5)
Depreciation and amortization	64	50	14	28.0
Other	249	247	2	0.8
	1,090	1,052	38	3.6
Claim administration costs allocated to claim costs	(522)	(494)	(28)	(5.7)
Total administration and other expenses	568	558	10	1.8

A summary of the significant changes in administration and other expenses, before allocation to claim costs, for the year ended December 31, 2021 is as follows:

- Salaries and short-term benefits increased by \$36 million, reflecting higher staffing levels, inflationary pressures and retroactive salary payments from ratification of collective bargaining.
- Employee benefit plans decreased by \$14 million, reflecting a valuation adjustment to post-retirement health, dental and life insurance benefits in 2020, partially offset by a 55 basis point decrease in our discount rate (from 3.15% to 2.60%) and other assumption changes.
- Depreciation and amortization increased by \$14 million, reflecting the implementation of the new Rate Framework Modernization program.

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Legislated obligations and funding commitments expenses

A summary of legislated obligations and funding commitments expenses for the years ended December 31 is as follows:

(millions of Canadian dollars)	2021	2020	Change	
			\$	%
Legislated obligations				
Occupational Health and Safety Act	108	105	3	2.9
MLTSD Prevention Costs	115	103	12	11.7
	223	208	15	7.2
Workplace Safety and Insurance Appeals Tribunal	27	25	2	8.0
Workplace Safety and Insurance Advisory Program	15	16	(1)	(6.3)
Total legislated obligations	265	249	16	6.4
Funding commitments				
Grants and other funding commitments	4	3	1	33.3
Safety program rebates ¹	-	(2)	2	100+
Total SOSE and Health and Safety Excellence program ²	15	1	14	100+
Total funding commitments	19	2	17	100+
	284	251	33	13.1
Claims administration costs allocated to claim costs	(24)	(22)	(2)	(9.1)
Total legislated obligations and funding commitments	260	229	31	13.5

1. Safety program rebates ended as at December 31, 2020.

2. Supporting Ontario's Safe Employers ("SOSE") and Health and Safety Excellence Program are MLTSD accreditation programs. See Section 1 – Our business for more information.

Legislated obligations and funding commitments expenses, before allocation to claim costs, increased by \$33 million, reflecting higher MLTSD prevention costs, OHSA expenses and Health and Safety Excellence program rebates.

Total other comprehensive income (loss)

For the year ended December 31, 2021, total other comprehensive income increased by \$1,457 million to \$704 million. This is primarily attributed to an increase in the employee benefit plan's discount rate and higher-than-expected return on the pension plans' assets.

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5. Changes in financial position

Summary of changes in financial position from the December 31, 2021 consolidated statements of financial position compared to December 31, 2020:

(millions of Canadian dollars)	2021	2020	Change	
			\$	%
Assets				
Cash and cash equivalents	681	4,969	(4,288)	(86.3)
Receivables and other assets	698	2,171	(1,473)	(67.8)
Public equity securities	14,041	12,959	1,082	8.3
Fixed income securities	11,755	9,302	2,453	26.4
Derivative assets	128	250	(122)	(48.8)
Investment properties	651	892	(241)	(27.0)
Investments in associates and joint ventures	3,378	2,369	1,009	42.6
Other invested assets	8,914	7,590	1,324	17.4
Property, equipment and intangible assets	286	335	(49)	(14.6)
Liabilities				
Payables and other liabilities	669	1,696	(1,027)	(60.6)
Borrowings	-	400	(400)	(100.0)
Derivative liabilities	51	92	(41)	(44.6)
Long-term debt and lease liabilities	169	175	(6)	(3.4)
Loss of Retirement Income Fund liability	2,103	2,003	100	5.0
Employee benefit plans liability	2,215	2,735	(520)	(19.0)
Benefit liabilities	27,310	26,910	400	1.5
Net assets	7,261	4,324	2,937	67.9
Net assets - Sufficiency Ratio basis	6,537	5,526	1,011	18.3
Sufficiency Ratio	121.2%	117.3%	n/a	3.9

Cash and cash equivalents

Cash and cash equivalents decreased by \$4,288 million, or 86.3%, from the prior year. The decrease primarily reflects lower cash held for investing purposes, which decreased from \$4,624 million at December 31, 2020 to \$438 million at December 31, 2021 as the equity portfolio completed its transition to the public equity pools combined with the liquidation of the diversified market portfolio, both of which occurred in 2021. The decrease in cash and cash equivalents was also due to the \$400 million repayment of the OFA loan throughout the year ended December 31, 2021.

Receivables and other assets

Receivables and other assets decreased by \$1,473 million, or 67.8%, from the prior year. The decrease primarily reflects lower investment receivables, which decreased from \$1,364 million at December 31, 2020 to \$155 million at December 31, 2021 mainly due to a decrease in pending trades receivable. Lower net premium receivables and lower surcharges on employer incentive programs also attributed to the decrease in receivables and other assets.

Investments

Net changes during the year reflect the performance of the asset classes during the year and investments made during the year. Public equity securities, fixed income securities, investments in associates and joint ventures, and other invested assets all increased compared to the prior year due to more investments made in 2021 and overall positive returns. Investment properties decreased compared to the prior year due to the sales of properties but were partially offset by positive returns.

**Management's discussion and analysis
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Payables and other liabilities

Payables and other liabilities decreased by \$1,027 million, or 60.6%, from the prior year. The decrease primarily reflects lower investment payables, which decreased by \$979 million to \$8 million as at December 31, 2021. This decrease in investment payables was mainly due to a decrease in pending trades payable. Additionally, payables and other liabilities decreased as a result of lower experience rating refunds payable, partially offset by higher administration expenses payable.

Borrowings

The decrease in borrowings reflects full repayment of the OFA loan on October 1, 2021.

Employee benefit plans liability

Employee benefit plans liability decreased by \$520 million, or 19%, from the prior year. The decrease primarily reflects an increase in the discount rate used for valuation and changes in financial assumptions. Please refer to note 18 of the consolidated financial statements for details on the change in the employee benefit plans liability.

Benefit liabilities

Benefit liabilities increased by \$400 million, or 1.5%, from the prior year. The increase primarily reflects higher health care liabilities and higher claim administration costs, offset partially by lower workers' pension liabilities. Please refer to note 20 of the consolidated financial statements for details on the change in the benefit liabilities.

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6. Reconciliation of the change in net assets

Reconciliation of financial results by injury year

Premiums charged to employers are designed to offset the expected claims and associated administrative costs of injuries occurring in the current fiscal year. Financial results are assessed for both the current injury year to ensure we are funding all current year costs as well as prior injury years to ensure that the funding requirements in *Ontario Regulation 141/12* as amended by *Ontario Regulation 338/13* and *864/21* (collectively, the "Ontario Regulations") are met.

Set forth below is a segmentation of our financial results between the "Current injury year" for 2021 and "Prior injury years".

(millions of Canadian dollars)	Total	Current injury year	Prior injury years
Revenues			
Premiums ¹	3,294	3,294	-
Net mandatory employer incentive programs ²	(128)	-	(128)
	3,166	3,294	(128)
Net investment income ³	3,613	103	3,510
	6,779	3,397	3,382
Expenses			
Claim payments ⁴	2,539	256	2,283
Claim administration costs ⁵	557	309	248
Change in actuarial valuation of benefit liabilities ⁶	400	1,857	(1,457)
	3,496	2,422	1,074
Loss of Retirement Income Fund contributions ⁷	54	-	54
Administration and other expenses ⁸	568	568	-
Legislated obligations and funding commitments ⁸	260	260	-
	4,378	3,250	1,128
Remeasurements of employee benefit plans ⁹	715	17	698
Translation losses from net foreign investments ¹⁰	(11)	-	(11)
Total comprehensive income	3,105	164	2,941
Non-controlling interests ⁹	168	5	163
Total comprehensive income attributable to WSIB stakeholders	2,937	159	2,778

1. Calculated based on new claim and administration costs for the 2021 injury year.
2. Represents retrospective refunds arising from experience for prior years.
3. The estimated current injury year's net investment income is calculated based on net cash flow reflecting premium revenues not required for claim payments and related expense in the current injury year.
4. Determined based on injury year for each payment.
5. Current year claim administration costs are calculated by applying appropriate expense factors to actual claims cash flows for the 2021 injury year.
6. Determined based on opening and closing liabilities by injury year.
7. Payments relate to prior years as Loss of Retirement Income Fund contributions are only made once a worker has been injured and on benefits for more than one year.
8. Relates entirely to the current year.
9. Split in proportion of current and prior service cost.
10. Same proportionate split as net investment income.

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As noted above, premium revenues plus investment income for the current injury year were sufficient to offset current year injury costs and administration expenses. We believe this result reflects our disciplined approach to premium rate setting and strong oversight of benefits and administration cost management.

Reconciliation of net assets on an IFRS basis

Set forth below is a reconciliation of the movement in net assets in 2021 reflecting actuarial gains and losses as well as assumption and actuarial standard changes. A more detailed discussion of the actuarial gains and losses is contained in note 20 of the consolidated financial statements.

(millions of Canadian dollars)

Net assets as at December 31, 2020	4,324
Interest on net assets	205
Expected net assets as at December 31, 2021	4,529
Experience gains (losses)	
Gains from investment returns higher than expected	1,945
Gains from remeasurements of employee benefit plans	698
Translation losses from net foreign investments	(11)
Gains and losses on claims/operations	
Gains from current year claims cost lower than expected	159
Losses from net mandatory employer incentive programs	(128)
Gains from prior year claims cost lower than expected	480
Net actual gains	3,143
Changes in assumptions for future cost on existing claims	
Changes in loss of earnings benefits	13
Changes in health care escalation assumption	(252)
Changes in methods and assumptions for future claim administration costs	(172)
Net result from assumption changes	(411)
Net assets as at December 31, 2021	7,261

Reconciliation of the net assets on a Sufficiency Ratio basis

The Sufficiency Ratio is calculated by dividing total assets to total liabilities, with certain assets and liabilities measured on a different basis than that required under IFRS. Adjustments are made to the total assets and total liabilities, as presented on the consolidated statements of financial position, to reflect measurement on a going concern basis.

The investment portfolio is valued at fair value adjusted by investment gains and losses deviating from the net investment return objective, less the interests in those assets held by third parties (non-controlling interests). These gains or losses are amortized over a five-year period, thereby moderating the effect of market volatility. The values of the employee benefit plans obligations are determined through an actuarial valuation using the going concern basis, rather than the market basis, which differs from IFRS.

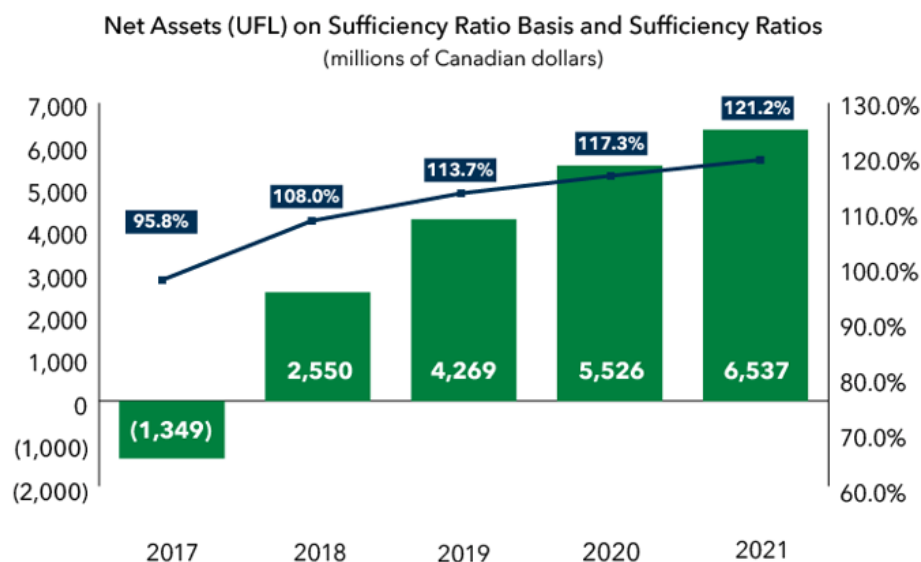
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As at December 31, 2021, the Sufficiency Ratio, as defined in the Ontario Regulations, was 121.2% (2020 – 117.3%). Set forth below is the reconciliation of the net assets between the IFRS and Sufficiency Ratio basis:

(millions of Canadian dollars)	December 31 2021	December 31 2020
Net assets attributable to WSIB stakeholders on an IFRS basis	7,261	4,324
Add (Less): Adjustments to reflect measurement on a going concern basis:		
Reduction of cash related to the Worker Income Protection Benefit Program ¹	(119)	-
Change in valuation of invested assets	(2,284)	(849)
Reduction of payables related to the Worker Income Protection Benefit Program ¹	119	-
Addback of employee contribution receivables	(10)	-
Change in valuation of employee benefit plans liability	1,572	2,118
Change in valuation of invested assets attributable to non-controlling interests	(2)	(67)
Net assets attributable to WSIB stakeholders on a Sufficiency Ratio basis	6,537	5,526
Sufficiency Ratio	121.2%	117.3%

1. Reflects the restricted cash balance consisting of funds received from the Government of Ontario for the purposes of administering the COVID-19 Worker Income Protection Benefit Program on behalf of the Government of Ontario.

The following table displays the net assets (unfunded liability) on a Sufficiency Ratio basis and Sufficiency Ratios for the five consecutive years ended December 31:



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7. Summary of quarterly results

Selected financial information for the eight consecutive quarters ended December 31, 2021 is as follows:

(millions of Canadian dollars)	2021				2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net premium revenue	697	865	836	768	768	796	681	727
Net investment income (loss)	1,738	440	1,444	(9)	1,692	956	2,191	(3,481)
Claim payments	622	625	643	649	680	600	602	651
Claim administration costs	152	142	138	125	201	114	114	117
Change in actuarial valuation of benefit liabilities	351	10	(23)	62	(237)	15	(26)	48
Total claim costs	1,125	777	758	836	644	729	690	816
Loss of Retirement Income Fund contributions	14	13	13	14	13	14	14	14
Administration and other expenses	147	148	136	137	173	126	133	126
Legislated obligations and funding commitments	70	68	57	65	61	51	47	70
Excess (deficiency) of revenues over expenses	1,079	299	1,316	(293)	1,569	832	1,988	(3,780)
Total other comprehensive income (loss)	(265)	216	(44)	797	(212)	70	(826)	215
Total comprehensive income (loss)	814	515	1,272	504	1,357	902	1,162	(3,565)
Total comprehensive income (loss) attributable to WSIB stakeholders	782	478	1,222	455	1,217	806	952	(3,239)
Other measures								
Return on investments (%)	5.0	1.2	4.2	(0.1)	5.2	2.9	6.7	(9.2)
Net assets ^{1, 2}	7,261	6,479	6,001	4,779	4,324	3,107	2,301	1,349
Net assets – Sufficiency Ratio basis ²	6,537	6,428	6,118	5,617	5,526	5,217	4,781	4,490

1. Net assets represent the net assets attributable to WSIB stakeholders as at the end of the reporting period. The total net assets of \$8,015 million as at December 31, 2021 (2020 – \$6,826 million) are allocated between the WSIB stakeholders and the NCI on the basis of their proportionate interests in the net assets of the WSIB. NCI represent the proportionate interest of the net assets and total comprehensive income of subsidiaries in which the WSIB directly or indirectly owns less than 100% interest. NCI of \$754 million as at December 31, 2021 (2020 – \$2,502 million) exclude benefit liabilities since the holders of NCI, the WSIB Employees' Pension Plan and other investors, are not liable for those obligations. The proportionate share of the total net assets attributable to WSIB stakeholders as at December 31, 2021 was \$7,261 million (2020 – \$4,324 million), which includes benefit liabilities. Refer to the consolidated statements of financial position for further details.

2. Refer to Section 6 – Reconciliation of the change in net assets for further details.

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Notable items affecting our fourth quarter 2021 results compared to the fourth quarter 2020 results are as follows:

- Net premium revenue was \$697 million compared to \$768 million, a decrease of \$71 million, or 9.2%, reflecting a \$90 million decrease in net rebate adjustments for mandatory employer incentive programs relating to prior years, partially offset by a \$10 million increase in gross Schedule 1 premiums and a \$19 million increase in interest and penalties. With the exception of the most recent quarter, net premium revenues have steadily increased over the last eight quarters due to the continued increase in insurable earnings as the economy continues to recover from the initial impacts of the COVID-19 pandemic.
- The fourth quarter of 2021 resulted in a net investment gain of \$1,738 million compared to \$1,692 million, an increase of \$46 million compared to the fourth quarter of 2020. This represents a positive gross return of 5.0% compared to 5.2%. Although Public Equities had a strong fourth quarter return, gains were smaller as compared to 2020. Last year's strong quarter was attributed to the continued equity market recovery following the initial negative impacts to the market due to the COVID-19 pandemic. All asset classes, with the exception of Credit, contributed positively to performance, with Public Equities as the best performing asset class this quarter.
- Claim payments were \$622 million compared to \$680 million, a decrease of \$58 million, or 8.5%, primarily due to LOE payment obligations incurred in prior years, which resulted in a decrease in the value of claim payments in 2021 compared to 2020.
- Claim administration costs were \$152 million compared to \$201 million, a decrease of \$49 million, or 24.4%, attributed to lower administration and other expenses.
- Administration and other expenses, before allocation to claim costs, were \$291 million compared to \$337 million, a decrease of \$46 million, or 13.6%, primarily reflecting a \$53 million decrease in employee benefit plans expenses, offset by an \$8 million increase in salaries and other short-term benefits. Aside from Q4, administration and other expenses over the last two years have not changed significantly.
- Legislated obligations and funding commitments, before allocation to claim costs, were \$77 million compared to \$68 million, an increase of \$9 million, or 13.2%, reflecting higher Health and Safety Excellence program rebates and higher MLTSD prevention costs and OHSAs expenses.

Our quarterly revenues and expenses are impacted by a number of trends and recurring factors such as general economic and market conditions. Our premium revenues are also impacted by insurable earnings, which rise and fall with the employment levels and average wages of the businesses we insure. Additionally, net investment income is influenced by volatile global capital markets. We anticipate the volatility in net investment income will continue in 2022.

Refer to Section 4 – Financial analysis for a discussion of the current annual results.

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8. Liquidity and capital resources

The purpose of liquidity management is to ensure there is sufficient cash to meet our financial commitments and obligations as they fall due. In the normal course of business, we believe we have the flexibility to obtain, from current cash holdings and ongoing operations, the funds needed to fulfill our cash requirements during the current financial period. We have three sources of funds: (i) premiums charged to employers; (ii) investment income; and (iii) cash and short-term investments.

Our funds are primarily used to satisfy claim payments and operating expenses. As at December 31, 2021, we held \$681 million of cash and cash equivalents, of which \$438 million was maintained for investing purposes and \$243 million was maintained for operating purposes.

(millions of Canadian dollars)	2021	2020
Cash and cash equivalents, beginning of year	4,969	3,408
Cash required by operating activities	(771)	(1,431)
Cash provided (required) by investing activities	(1,186)	3,681
Cash required by financing activities	(2,331)	(689)
Cash and cash equivalents¹, end of year	681	4,969

1. This includes \$119 million (2020 – nil) of restricted cash funds received from the Government of Ontario for the purposes of administering the COVID-19 Worker Income Protection Benefit Program on behalf of the Government of Ontario.

A summary of the significant changes in cash and cash equivalents for the year ended December 31, 2021 is as follows:

- Cash required by operating activities was \$771 million compared to \$1,431 million in 2020, reflecting higher amounts collected on receivables (excluding investments), as the repayment period for deferred premiums lasted from January 2021 to June 2021, resulting in employers beginning to repay deferred premiums, and a decrease in amounts paid on payables (excluding investments), resulting in less cash required in 2021.
- Cash required by investing activities was \$1,186 million compared to cash provided of \$3,681 million in 2020, and is attributed to investment purchases being greater than investment sales and maturities in 2021.
- Cash required by financing activities was \$2,331 million compared to \$689 million in 2020, which reflected an increase in redemptions related to non-controlling interests along with the repayment of the OFA line of credit.

Credit facilities

We maintain and use a \$150 million unsecured line of credit with a commercial bank for general operating purposes. There were no outstanding borrowings under this credit facility as at December 31, 2021. Additionally, we entered into a 14-month revolving line of credit facility in the amount of \$900 million with the OFA in October 2020. \$400 million was drawn against the revolving credit facility, and we fully repaid the outstanding balance on October 1, 2021. The OFA credit facility matured on December 31, 2021.

Commitments

We have commitments that we need to fund related to investments, legislated obligations, and other commitments for purchases of goods and services. Refer to note 21 of the consolidated financial statements for more details.

9. Critical accounting estimates and judgments

The WSIB is required to apply judgment when making estimates and assumptions that affect the reported amounts recognized in the consolidated financial statements. These estimates and assumptions have a direct effect on the measurement of transactions and balances recognized in the consolidated financial statements. The WSIB has based its estimates and assumptions on information available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the WSIB. Estimates are reviewed on an ongoing basis, with any related revisions recorded in the period in which they are adjusted.

The most significant estimation processes relate to the assumptions used in measuring benefit liabilities, assessing fair value of certain financial instruments and investment properties, and the determination of employee benefit obligations. Although some variability is inherent in these estimates, management believes that the amounts recorded are appropriate.

In addition, the WSIB has made judgments, aside from those that involve estimates, in the process of applying its accounting policies. These judgments can affect the amounts recognized in the consolidated financial statements.

For more details on the judgment and sources of estimation uncertainty that impact the WSIB, refer to note 2 of the consolidated financial statements.

10. Changes in accounting standards

There were no new accounting standards or amendments adopted during the current year. For future changes in accounting standards, please refer to note 3 of the consolidated financial statements.

11. Legal contingencies

The WSIB is engaged in various legal proceedings and claims that have arisen in the ordinary course of business, the outcome of which is subject to future resolution. Based on information currently known to the WSIB, management believes that adequate provisions have been made for cases where it is reasonably possible that a payment will be made and that the probable ultimate resolution of all existing legal proceedings and claims will not have a material effect on the WSIB's financial position.

The WSIB has provided formal written indemnities to its current and former directors to indemnify them, to the extent permitted by law, against any and all charges, costs, expenses, and amounts paid in settlement and damages incurred as a result of any lawsuit or any other judicial, administrative or investigative proceeding in which they are involved as a result of their services.

Additionally, the WSIB has purchased directors' and officers' liability insurance. The WSIB also indemnifies and provides legal representation to all its employees, former employees and persons engaged by the WSIB to conduct an examination, test, enquiry or other authorized function in legal proceedings arising out of alleged acts or omissions in the performance of their duties, provided the person has acted honestly and in good faith.

In the normal course of operations, the WSIB may enter into contractual arrangements with external parties that involve promises to indemnify the other party under certain circumstances. As part of its investment function, the WSIB may also provide indemnification agreements to counterparties that would require the WSIB to compensate them for costs incurred as a result of changes in laws and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnification arrangements will vary.

12. Outlook for the year ending December 31, 2022

The following contains forward-looking statements about the outlook for our business. Reference should be made to Section 15 – Forward-looking statements at the end of this MD&A. For a description of risk factors that could cause our actual results to differ materially from the forward-looking statements, please also see Section 14 – Risk factors in this MD&A and note 12 in our consolidated financial statements.

Premiums

Premium revenues are expected to increase throughout 2022. This expectation is based on assumptions of a 6.6% growth in insurable earnings due to a projected economic rebound in 2022, partially offset by a decrease to the notional average premium rate from the published 2021 average premium rate of \$1.37 per \$100 of insurable earnings in 2021 to \$1.30 per \$100 of insurable earnings in 2022. This expectation is also based on critical assumptions on the employment rate, average wage and nominal GDP growth rate as it applies to Ontario's economic outlook.

Net investment income

Each year, the expected range for the long-term investment return objective is updated and for 2021 was 3.3% to 6.7%. While our long-term investment return objective for 2022 is planned within an expected range of 3.4% to 6.8%, we continue to expect near-term volatility due to market and economic conditions as a result of COVID-19. We will continue to implement our Strategic Investment Plan in a way that permits us to take advantage of investment opportunities without exposing us to a higher level of volatility and corresponding investment risk, unless accompanied by a corresponding increase in returns.

Claim payments

By the end of 2021, claim payments were at their pre-pandemic level. Claim payments are expected to continue growing in 2022 at a steady rate. In particular, loss of earnings and health care are anticipated to contribute to the majority of additional cost in 2022.

Administration and other expenses

Administration and other expenses are anticipated to increase in 2022, reflecting increases to salaries and short-term benefits and other operating expenses, partially offset by a decrease to employee benefit plan expenses.

Legislated obligations and funding commitments

Legislated obligations and funding commitments are anticipated to increase, reflecting higher costs for the SOSE and Health and Safety Excellence programs, higher OHSA expenses and higher Workplace Safety and Insurance Advisory Program costs.

Surplus distribution

On February 10, 2022, the Board of Directors approved its first-ever rebate of surplus funds totaling up to \$1.5 billion to be distributed to eligible Schedule 1 employers within 90 days. The rebate credit will be applied to eligible businesses' accounts in April 2022.

Net assets

Higher expected premium revenues and investment returns in 2022 due to an expected continued recovery in the economy are expected to increase our net asset position.

Liquidity

A range of stress tests are used in our liquidity assessments and a portion of assets will continue to be maintained in highly liquid government securities to ensure funds are available as required. We do not

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anticipate encountering difficulty in meeting payment obligations when due. In order to further mitigate liquidity risks, the WSIB established a revolving line of credit in the amount of \$900 million with the OFA for a 14-month period beginning in October 2020. \$400 million was drawn against the revolving credit facility and we fully repaid the outstanding balance on October 1, 2021. The OFA credit facility matured on December 31, 2021.

13. Related party transactions

The WSIB's related parties include the Government of Ontario and related entities, key management personnel, subsidiaries, associates, joint ventures, and post-retirement benefit plans for the WSIB's employees. The transactions are in the ordinary course of business. For more details on the related party transactions, refer to note 23 of the consolidated financial statements.

14. Risk factors

The WSIB closely monitors enterprise risks that may impact the achievement of its strategic objectives and undertakes continuous assessment of required mitigations and controls. The Board of Directors, the Governance Committee and senior executives receive quarterly reports of significant enterprise risks. Highlights of some of these risks are discussed below.

Insurance funding

The WSIB faces two insurance funding risks in the achievement of our strategic objectives:

- Underfunding risk – which could materialize as a result of the WSIB not being able to maintain 100% funding, which affects the sustainability of benefits for people with work-related injuries or illnesses; and
- Overfunding risk – which could arise as a result of the WSIB maintaining funds in excess of a sustainability reserve and reaching a Sufficiency Ratio of 125%, which in turn leads to a heightened risk of the WSIB being required to disburse funds within 30 days to reach a Sufficiency Ratio of 115.1%, as per *Ontario Regulation 141/12*.

The WSIB's Sufficiency Ratio was 121.2% as of December 31, 2021, and the risk of underfunding remains low. The risk of overfunding has been reduced as a result of amendments to the WSIA in 2021, which enables the WSIB to distribute surplus funds on either a mandatory or discretionary basis depending on sufficiency thresholds. Pursuant to these developments, the WSIB has announced that it will issue a distribution of surplus funds to employers in April 2022. This approach will enable the WSIB to minimize risk of overfunding while still ensuring adequate capitalization to meet required funding levels.

Safeguarding benefits for injured workers and ensuring premium rate stability for employers in the event of future economic shocks remain top priorities for the WSIB. As a result, funding parameters, pricing and investment decisions remain central to the organization's strategy to prepare for adverse economic conditions.

The WSIB has undertaken stress testing of its investment returns and its sufficiency position as part of its periodic asset-liabilities studies. The results of the analysis have indicated that the WSIB maintains adequate levels of sufficiency to meet cash and funding requirements including liquidity to withstand crisis events.

Although the COVID-19 pandemic continues to impact various sectors across the country, fiscal and monetary policy measures coupled with increased vaccination rates have paved the way for economic recovery through 2022. Labour markets continue to be resilient as observed through employment gains as well as the increased demand for goods and services. Canada's inflation rate accelerated to over 5%, well above the Bank of Canada's 1%-3% target range. Measures put in place by the provincial government are expected to keep the pandemic under control and maintain economic recovery.

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Routine insurance funding risk mitigation activities executed throughout the year include:

(a) Premium revenue:

- Conducting regular modelling and monitoring of economic scenarios, including stress testing, to better understand the impact of economic risks and to determine the adequacy of our financial assumptions, budget updates, sufficiency planning, and rate setting.

(b) Benefit liabilities:

- Determining benefit liabilities based on assumptions that gradually incorporate emerging experience, thus providing a relatively stable basis for pricing and sufficiency measurement; and
- Monitoring for potential legislative changes that could impact benefit liabilities or costs.

(c) Investment related risks:

The WSIB is exposed to various investment related risks including liquidity risk, credit risk, and market risks. These risks along with the WSIB's mitigation strategies are discussed in note 12 of the consolidated financial statements.

Management of claims

At the WSIB, we aim to manage claims to allow for optimal recovery and return-to-work ("RTW") outcomes for people with work-related injuries or illnesses. Any increase in claims volumes or the complexity of claims presents increased challenges to our claims management model. Further, delays in accessing timely health care treatment and RTW services could lead to longer claims durations, the development of permanent impairments and ultimately increased claims costs.

The WSIB continues to manage fluctuating claims volumes introduced by the COVID-19 pandemic. We remain confident that claims are being administered in accordance with legislation and policy. The WSIB also continues to monitor and adhere to guidance of provincial and national health authorities, including the Ontario Ministry of Health and the Public Health Agency of Canada, regarding the COVID-19 pandemic. Adjustments continue to be made to our claims management operations to ensure the health and safety of our employees with limited impact to the continuity of services to employees and employers. Refer to the COVID-19 pandemic subheading for the activities undertaken by the WSIB to mitigate risk exposures and reduce the impacts of the COVID-19 pandemic.

Program and project delivery

The WSIB continues to pursue transformation initiatives, which are aimed at delivering value through improved technical upgrades and resilience, better customer service and lower operational costs.

Ensuring timely and effective delivery of core enterprise initiatives remains a key priority and will be supported by a robust governance framework.

Workforce

As the WSIB evolves, we may experience workforce, leadership, capacity and engagement challenges to deliver our vision and strategic objectives. The following are risk mitigation activities undertaken in 2021 to address these challenges:

- A Work from Home Policy was implemented to guide working in a distributed work environment; and
- An Equity, Diversity and Inclusion Strategy was launched to promote an inclusive workplace.

As a result of the COVID-19 pandemic, the WSIB continues to encourage its employees to work from home in alignment with public health guidelines and continues to maintain robust Business Continuity Plans to ensure regular business services are not interrupted. The WSIB is also in the process of implementing a phased approach for employees to return to WSIB offices in a hybrid model along with health and safety protocols to support field workers.

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Business continuity management

Our stakeholders rely on our ability to provide services and operate our system without interruptions. Our ability to ensure the continuity of our business operations remains dependent on our ability to maintain and execute effective business continuity plans.

Our mitigation of these risks over the past year includes:

- Investments to deliver an array of solutions aimed at strengthening technology resiliency;
- A Pandemic Plan and Business Continuity Plans remain in place to respond to the COVID-19 pandemic and ensure minimal disruptions to critical operations; and
- Continuous monitoring to identify and address any vulnerabilities to our operations and support the development of appropriate response strategies.

The COVID-19 pandemic continues to expose organizations globally to several economic, operational and logistical challenges; however, the WSIB's level of preparedness has proved to be high and continues to improve through enterprise-wide efforts to enhance business continuity plans and response strategies.

Information technology and cybersecurity

The WSIB relies on multiple technologies and third parties to support key components of its infrastructure in the delivery of services to Ontarians and remains vigilant in ensuring the integrity of this infrastructure through continuous evaluation and enhancement. Concerns related to Information Technology ("IT") risk exposures include the decommissioning of high-risk legacy systems, enhanced business continuity through technology resiliency, addressing deficiencies in IT security, as well as ensuring the WSIB prioritizes the delivery of sustainable IT initiatives which will support future foundational changes.

The WSIB continues to be exposed to increased cybersecurity risks due to the accelerated digital transformation necessitated by the onset of the COVID-19 pandemic, which has ushered in an increase in cyber-criminal activities. Although these events are not specifically targeted to the WSIB, the vulnerability of employees, especially in a work-from-home environment, puts the organization's systems, data and information at risk of being exposed to privacy, security and compliance concerns.

The following are key risk mitigation activities undertaken in the course of the year:

- Investments to enhance technology resiliency and to ensure that technologies are up to date, as well as disaster recovery capabilities; and
- Training to all WSIB staff to promote cybersecurity awareness.

Third-party vendors

Third-party vendors are used to extend our organizational capability and capacity. However, they also extend our exposure to risk. There is a risk that the WSIB fails to realize the required performance objectives and outcomes from third parties due to ineffective selection and governance.

The WSIB's exposure to third-party risks is expected to decrease throughout 2022 as enhanced vendor risk management initiatives, such as the development of a vendor risk management policy and the establishment of a dedicated centralized team, are implemented.

Data and information governance

The use of data remains integral to the WSIB in making informed decisions in the administration of services to injured workers and employers. We recognize that collection, storage and use of data requires proactive measures to address data quality, security, and integrity. The WSIB maintains a commitment to take appropriate steps to secure and protect sensitive data and information, and prioritize data and information management to ensure its reliability and that it supports decision-making. This continues to be achieved through the establishment of a robust data governance program, as well as centralization and standardization of data and information to support consistent data usage and analytics.

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The following are activities undertaken by the WSIB to mitigate this risk:

- A Data Governance Policy and Standards were introduced in 2021;
- Enhancements to tools and processes to assist with the governance of data across the enterprise; and
- Training to all WSIB staff to promote the awareness of enterprise data governance standards.

Health and safety

At the WSIB, we strive to promote a culture of safety. We recognize the value of this endeavour to reduce workplace injuries and illnesses, as well as reduce costs to employers and alleviate pressures on the health care system. The Health and Safety Excellence program remains in place, and the WSIB will continue to explore opportunities to further improve guidance and direct access to employers to promote safer workplaces for their employees. There is a risk of not achieving the health and safety performance measures outlined in our strategic plan, and there is material reliance on third parties to achieve our desired results.

The following are activities undertaken in 2021 by the WSIB to mitigate this risk:

- Established a partnership with the University of British Columbia to conduct a two-year research study on the Health and Safety Excellence program's effectiveness and provide a report to make program improvements;
- Continued alignment and enhanced integration with the Office of the Chief Prevention Officer and Occupational Health and Safety system partners; and
- Further enhancements to ensure that the most vulnerable workers benefit from program investments.

Although the COVID-19 pandemic has negatively impacted businesses across the province, the Health and Safety Excellence program continued to experience increased enrollment as businesses shifted focus from sustainability to workplace health and safety in 2021. The WSIB remains confident in its ability to provide benefits and support to employees during this crucial time.

Modernization of core services

At the WSIB, we aim to provide services in a financially responsible and accountable way as we strive to improve our metrics related to first payment, self-service options and satisfaction. We also recognize that not investing in the right technology to adapt to a digital future and not effectively planning or executing on the modernization of core services would pose significant challenges to achieving the WSIB's strategic objectives and may hinder our ability to mitigate significant enterprise risks.

In 2021, the WSIB pivoted from a large-scale program-based approach to modernization to a more agile approach aimed at driving modernization while ensuring the stability of our technology footprint. As a result, modernization investments in 2022 will focus on strengthening our technology infrastructure to support both short-, and long-term needs.

The following are key activities undertaken over the course of the past year, which support the WSIB's modernization efforts:

- The WSIB's 2022 budget was developed to focus on stabilization to provide a foundation to support future modernization and transformation; and
- Enhancements to governance to support the successful delivery of modernization projects.

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December 31, 2021**

COVID-19 pandemic

Throughout 2021, the COVID-19 pandemic continued to impact businesses across Ontario with material implications for the workforce, critical operations and broader economic sustenance. As a result, continuous monitoring of external environment factors, ensuring the sustainability of organizational performance and the ability to continue to meet customer expectations remain key areas of focus. The WSIB remains effective in the achievement of its objectives and continues to assess the impacts of the COVID-19 pandemic to ensure the continuity of services to injured workers and employers.

In 2021, the following activities were undertaken to mitigate risk exposures and reduce the impacts of the COVID-19 pandemic:

- The WSIB continued to update its COVID-19 stakeholder communication to provide clarity on eligibility of claims, answer frequently asked questions, and encourage employers to report potential exposures using the WSIB's existing Program for Exposure Incident Reporting;
- A dedicated, centralized team of case managers and adjudicators remained in place to respond to the fluctuating COVID-19 cases along with enhanced guidance to assist in the adjudication of COVID-19 claims;
- The WSIB implemented a Work from Home Policy and continued to encourage its employees to work from home to reduce the spread of COVID-19 in alignment with public health guidelines;
- Cybersecurity services were introduced to minimize the WSIB's heightened cybersecurity risk exposure;
- The WSIB continued to work with employers who were provided premium deferral under the financial relief package introduced in 2020 and who have requested additional time for full repayment; and
- The WSIB continued to closely monitor insurable earnings, premium revenues, claims developments, investment performance, liquidity, and operational cash flows. In addition, business continuity plans and internal processes were updated across the organization to ensure services would not be interrupted.

The WSIB will continue to monitor external environmental factors and make adjustments where necessary to meet customer expectations and fulfil its mandate.

15. Forward-looking statements

This MD&A contains "forward-looking statements," within the meaning of applicable Canadian securities laws. Forward-looking statements can be identified by the use of words, such as "anticipates," or "believes," "budget," "estimates," "expects," or "is expected," "forecasts," "intends," "plans," "scheduled," or variations of such words and phrases or statements that certain actions, events or results "could," "may," "might," "will," or "would," be taken, occur or be achieved. These forward-looking statements are based on current expectations and various assumptions and analyses made by us in light of our experience and our perceptions of historical trends, current conditions and expected future developments and other factors we believe are appropriate in the circumstances. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in our forward-looking statements.

These factors may cause our actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. Forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made have on our business. For example, they do not include the effect of asset impairments or other changes announced or occurring after the forward-looking statements are made. The financial impact of such transactions and non-recurring and other special items can be complex and necessarily depends on the facts particular to each of them.

We believe that the expectations represented by our forward-looking statements are reasonable, yet there can be no assurance that such expectations will prove to be correct. The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding

**Management's discussion and analysis
December 31, 2021**

our anticipated financial performance and may not be appropriate for other purposes. Furthermore, unless otherwise stated, the forward-looking statements contained in this report are made as of the date of this report, and we do not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise unless required by applicable legislation or regulation. The forward-looking statements contained in this report are expressly qualified by this cautionary statement.

Management's report

Role of Management

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") and the consolidated financial statements have been prepared by management and approved by the Board of Directors of the Workplace Safety and Insurance Board (the "WSIB"). The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") and, where appropriate, reflect management's best estimates and judgment. Where alternative accounting methods exist, management has chosen those methods considered most appropriate in the circumstances. Management is responsible for the accuracy, integrity and objectivity of the consolidated financial statements within reasonable limits of materiality of internal controls. Additionally, management is responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The WSIB's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. Management is also responsible for the preparation and presentation of additional financial information included in the Annual Report and ensuring its consistency with the consolidated financial statements.

The Board of Directors has established an Audit and Finance Committee to oversee that management fulfills these responsibilities. The Audit and Finance Committee meets with management as well as with the independent auditors to satisfy itself that management is properly discharging its financial reporting responsibilities and reviews the consolidated financial statements and the independent auditor's report. The Audit and Finance Committee also reports its findings to the Board of Directors for consideration in approving the WSIB's Annual Report and its submission to the Minister of Labour, Training and Skills Development (the "Minister") pursuant to a Memorandum of Understanding between the Ministry of Labour, Training and Skills Development (the "MLTSD") of the Province of Ontario (the "Province") and the WSIB.

In this MD&A, the "WSIB" or the words "our", "us" or "we" refer to the WSIB. This MD&A is dated as of the date below, and all amounts herein are denominated in millions of Canadian dollars, unless otherwise stated.

The information in this MD&A includes amounts based on informed judgments and estimates. Forward-looking statements contained in this discussion represent management's expectations, estimates and projections regarding future events based on information currently available, and involve assumptions, inherent risks and uncertainties. Readers are cautioned that actual results may differ materially from forward-looking statements in cases in which future events and circumstances do not occur as expected.

The consolidated financial statements have been examined by the WSIB's independent auditors, Ernst & Young LLP, and their report is provided herein.

Role of the Chief Actuary

With respect to the preparation of the consolidated financial statements, the Chief Actuary works with the WSIB actuarial staff to prepare a valuation, including the selection of appropriate assumptions applicable to the WSIB's benefit liabilities at the consolidated statements of financial position date to determine the valuation of benefit liabilities. Additionally, the Chief Actuary provides an opinion to the Board of Directors regarding the appropriateness of the benefit liabilities recorded by management of the WSIB at the date of the consolidated statements of financial position. The work to form that opinion includes an examination of the sufficiency and reliability of data and a review of the valuation processes. The Chief Actuary is responsible for assessing whether the assumptions and methods used for the valuation of the benefit liabilities are in accordance with accepted actuarial practice, applicable legislation, and associated regulations and directives. In performing the valuation of these liabilities, which are by their very nature inherently variable, the Chief Actuary makes assumptions as to future interest and mortality rates, expenses, related trends, and other contingencies, taking into consideration the circumstances of the WSIB. It is certain that the benefit liabilities will not develop exactly as projected and may, in fact, vary

significantly from the projections. Further, the projections make no provision for future claim categories not sufficiently recognized in the claims experience and inventories. The Chief Actuary's report outlines the scope of the valuation and her opinion.

Role of the External Auditors

The external auditors, Ernst & Young LLP, working under the direction of the Auditor General of Ontario, have performed an independent and objective audit of the consolidated financial statements of the WSIB in accordance with Canadian generally accepted auditing standards. In carrying out their audit, the external auditors make use of the work of the Chief Actuary and her report on the benefit liabilities of the WSIB. The external auditor has full and unrestricted access to the Board of Directors and the Audit and Finance Committee to discuss audit, financial reporting, and related findings. The external auditor's report outlines the scope of their audit and their opinion on the consolidated financial statements of the WSIB.



Jeffery Lang
President and Chief Executive Officer
April 21, 2022
Toronto, Ontario



Ernest Chui
Chief Financial Officer

Independent auditor's report

**To the Board of Directors of the Workplace Safety and Insurance Board,
The Minister of Labour, Training and Skills Development and the Auditor General of Ontario**

Opinion

Pursuant to the *Workplace Safety and Insurance Act, 1997* (Ontario), which provides that the accounts of the **Workplace Safety and Insurance Board** [the "WSIB"] shall be audited by the Auditor General of Ontario or under his or her direction by an auditor appointed by the Lieutenant Governor in Council for that purpose, we have audited the consolidated financial statements of the WSIB, which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in net assets, and consolidated statements of cash flows for the years then ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the WSIB as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for opinion

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

Other information

Management is responsible for the other information. The other information comprises Management's Discussion & Analysis.

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

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

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the WSIB's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and

using the going concern basis of accounting unless management either intends to liquidate the WSIB or to cease operations, or has no realistic alternative but to do so.

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

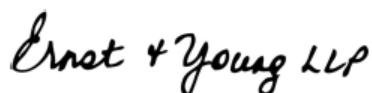
Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the WSIB'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 WSIB's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the WSIB to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

The logo for Ernst + Young LLP, featuring the company name in a stylized, handwritten-style font.

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada

April 21, 2022

Actuarial statement of opinion

On the Valuation of the Benefit Liabilities of the Workplace Safety and Insurance Board as at December 31, 2021

I have completed the actuarial valuation of the benefit liabilities of the Workplace Safety and Insurance Board (the “WSIB”) for its consolidated statements of financial position as at December 31, 2021 (the “valuation date”).

In my opinion, the benefit liabilities of \$27,310 million make reasonable provision for future payments for loss of earnings, other short and long-term disability, health care, survivor and retirement income benefits with respect to claims which occurred on or before the valuation date, and for 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 WSIB. This amount provides for future claim administration costs, but does not include a provision for claims related to workers of Schedule 2 employers.

The valuation was based on the provisions of the Workplace Safety and Insurance Act, 1997 (Ontario) (the “WSIA”) and on the WSIB’s policies and administrative practices in effect at the time of the valuation. The data on which the valuation is based were provided by the WSIB; I applied such checks of reasonableness of the data as I considered appropriate, and have concluded that the data are sufficiently reliable to permit a realistic valuation of the liabilities and are consistent with the WSIB’s consolidated financial statements. In my opinion, the data on which the valuation is based are sufficient and reliable for the purpose of the valuation.

The economic assumptions adopted for purposes of computing the liabilities have been selected taking account of the WSIB’s strategic plan and investment policies. For this valuation, an annual discount rate of 4.75% was used to discount expected payments which is the same rate used in the previous valuation. Other economic assumptions underlying the calculations include annual changes in the Consumer Price Index (“CPI”) of 2.0%, annual health care costs and annual wage escalation rates. The annual health care costs are assumed to change at a rate of 6% for 3 years, 5% for 2 years and 4% thereafter while annual wage escalation rates are assumed at 3.0%. In my opinion, the assumptions are appropriate for the purpose of the valuation.

The methods and assumptions employed in the valuation were consistent with those used in the previous valuation, after taking account of changes in claim patterns. Projections of future claim payments and awards have been made using factors developed from the WSIB’s claims experience, mortality and other assumptions. In my opinion, the methods employed in the valuation are appropriate for the purpose of the valuation.

Changes to the actuarial basis caused liabilities to increase by \$411 million. The update to the health care escalation rates resulted in an increase of \$252 million. Changes to loss of earnings non locked-in benefits resulted in an increase of \$2 million. Changes to loss of earnings locked-in benefits resulted in a decrease of \$15 million. Changes to the future claim administration cost factors resulted in an increase of \$172 million.

The impact of the changes in actuarial assumptions and methods on the benefit liabilities is disclosed in note 20 to the consolidated financial statements.

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

2021 Annual Report

In my opinion, the amount of the benefit liabilities makes appropriate provision for all personal injury compensation obligations and the consolidated financial statements fairly represent the results of the valuation. This report has been prepared, and my opinions given, in accordance with accepted actuarial practice in Canada.



Yun-Suk Kang, FCIA, FSA
Senior Vice President and Chief Actuary
Workplace Safety and Insurance Board

April 21, 2022
Toronto, Ontario

Consolidated Statements of Financial Position
 (millions of Canadian dollars)

	Note	December 31 2021	December 31 2020
Assets			
Cash and cash equivalents	4	681	4,969
Receivables and other assets	5	698	2,171
Public equity investments	7	14,041	12,959
Fixed income investments	7	11,755	9,302
Derivative assets	7, 9	128	250
Investment properties	7	651	892
Investments in associates and joint ventures	10,11	3,378	2,369
Other invested assets	7	8,914	7,590
Property, equipment and intangible assets	13	286	335
Total assets		40,532	40,837
Liabilities			
Payables and other liabilities	14	669	1,696
Borrowings	15	-	400
Derivative liabilities	7, 9	51	92
Long-term debt and lease liabilities	16	169	175
Loss of Retirement Income Fund liability	17	2,103	2,003
Employee benefit plans liability	18	2,215	2,735
Benefit liabilities	20	27,310	26,910
Total liabilities		32,517	34,011
Net assets			
Reserves		7,399	5,167
Accumulated other comprehensive loss		(138)	(843)
Net assets attributable to WSIB stakeholders		7,261	4,324
Non-controlling interests	24	754	2,502
Total net assets		8,015	6,826
Total liabilities and net assets		40,532	40,837

Approved by the Board of Directors



Grant Walsh

Chair
April 21, 2022



Leslie Lewis

Audit and Finance Committee (Chair)
April 21, 2022

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss)
For the years ended December 31
(millions of Canadian dollars)

	Note	2021	2020
Revenues			
Net premium revenue	19	3,166	2,972
Investment income	6	4,005	1,661
Investment expenses	6	(392)	(303)
Net investment income		3,613	1,358
Total revenues		6,779	4,330
Expenses			
Claim payments	20	2,539	2,533
Claim administration costs	20	557	546
Change in actuarial valuation of benefit liabilities	20	400	(200)
Total claim costs		3,496	2,879
Loss of Retirement Income Fund contributions	17	54	55
Administration and other expenses		568	558
Legislated obligations and funding commitments		260	229
Total expenses		4,378	3,721
Excess of revenues over expenses		2,401	609
Other comprehensive income (loss)			
Item that will not be reclassified subsequently to income			
Remeasurements of employee benefit plans	18	715	(773)
Item that will be reclassified subsequently to income			
Translation gains (losses) from net foreign investments		(11)	20
Total other comprehensive income (loss)		704	(753)
Total comprehensive income (loss)		3,105	(144)
Excess of revenues over expenses attributable to:			
WSIB stakeholders		2,232	491
Non-controlling interests	24	169	118
		2,401	609
Total comprehensive income (loss) attributable to:			
WSIB stakeholders		2,937	(264)
Non-controlling interests	24	168	120
		3,105	(144)

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Net Assets
For the years ended December 31
(millions of Canadian dollars)

	Note	2021	2020
Reserves			
Balance at beginning of year		5,167	4,676
Excess of revenues over expenses		2,232	491
Balance at end of year		7,399	5,167
Accumulated other comprehensive loss			
Balance at beginning of year		(843)	(88)
Remeasurements of employee benefit plans	18	715	(773)
Translation gains (losses) from net foreign investments		(10)	18
Balance at end of year		(138)	(843)
Net assets attributable to WSIB stakeholders		7,261	4,324
Non-controlling interests			
Balance at beginning of year	24	2,502	3,431
Excess of revenues over expenses	24	169	118
Translation gains (losses) from net foreign investments	24	(1)	2
Change in ownership share in investments	24	(1,916)	(1,049)
Balance at end of year		754	2,502
Total net assets		8,015	6,826

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows
For the years ended December 31
(millions of Canadian dollars)

	Note	2021	2020
Operating activities:			
Total comprehensive income (loss)		3,105	(144)
Adjustments for non-cash items:			
Amortization of net discount on investments		(1)	(14)
Depreciation and amortization of property, equipment and intangible assets	13	66	55
Changes in fair value of investments		(3,016)	(1,338)
Changes in fair value of investment properties		(45)	50
Translation losses (gains) from net foreign investments		11	(20)
Dividend income from public equity investments		(265)	(465)
Loss (income) from investments in associates and joint ventures	11	(432)	256
Interest income		(399)	(183)
Interest expense		9	10
Total comprehensive loss after adjustments		(967)	(1,793)
Changes in non-cash balances related to operations:			
Receivables and other assets, excluding those related to investing activities		268	194
Payables and other liabilities, excluding those related to investing and financing activities		(52)	(399)
Loss of Retirement Income Fund liability	17	100	3
Employee benefit plans liability	18	(520)	764
Benefit liabilities	20	400	(200)
Total changes in non-cash balances related to operations		196	362
Net cash required by operating activities		(771)	(1,431)
Investing activities:			
Dividends received from public equity investments, associates and joint ventures		348	529
Interest received		392	193
Purchases of property, equipment and intangible assets	13	(17)	(30)
Purchases of investments	7	(19,452)	(33,990)
Proceeds on sales and maturities of investments	7	17,923	36,782
Net dispositions of investment properties		284	424
Net additions to investments in associates and joint ventures		(664)	(227)
Net cash provided (required) by investing activities		(1,186)	3,681
Financing activities:			
Net redemptions related to non-controlling interests		(1,470)	(828)
Distributions paid by subsidiaries to non-controlling interests		(446)	(221)
Proceeds from (repayment of) borrowings	15	(400)	400
Repayment of debt and lease liabilities		(6)	(30)
Interest paid		(9)	(10)
Net cash required by financing activities		(2,331)	(689)
Net increase (decrease) in cash and cash equivalents		(4,288)	1,561
Cash and cash equivalents, beginning of year		4,969	3,408
Cash and cash equivalents, end of year		681	4,969

The accompanying notes form an integral part of these consolidated financial statements.

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Notes to Consolidated Financial Statements

December 31, 2021

(millions of Canadian dollars)

1. Nature of operations

The Workplace Safety and Insurance Board (the “WSIB”) is a statutory corporation created by an Act of the Ontario Legislature in 1914 and domiciled in the Province of Ontario (the “Province”), Canada. As a board-governed trust agency, in accordance with the Agencies and Appointments Directive, the WSIB is responsible for administering the *Workplace Safety and Insurance Act, 1997* (Ontario) (the “WSIA”), which establishes a no-fault insurance scheme that provides benefits to people who experience workplace injuries or illnesses.

The WSIB promotes workplace health and safety in the Province and provides a workplace compensation system for Ontario based employers and people with work-related injuries or illnesses. The WSIB is funded by employer premiums and does not receive any government funding or assistance. Revenues are also earned from a diversified investment portfolio held to meet future obligations on existing claims.

The WSIB’s registered office is located at 200 Front Street West, Toronto, Ontario, M5V 3J1.

2. Significant accounting policies, estimates and assumptions

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities, which are measured at fair value, as explained in the accounting policies below.

The consolidated financial statements for the year ended December 31, 2021 were authorized for issuance by the WSIB’s Board of Directors on April 21, 2022.

Use of estimates and assumptions

The WSIB is required to apply judgment when making estimates and assumptions that affect the reported amounts recognized in the consolidated financial statements. These estimates and assumptions have a direct effect on the measurement of transactions and balances recognized in the consolidated financial statements. The WSIB has based its estimates and assumptions on information available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the WSIB. Estimates are reviewed on an ongoing basis, with any related revisions recorded in the period in which they are adjusted.

The most significant estimation processes relate to the assumptions used in measuring benefit liabilities, assessing fair value of certain financial instruments and investment properties, and the determination of employee benefit obligations. Although some variability is inherent in these estimates, management believes that the amounts recorded are appropriate.

In addition, the WSIB has made judgments, aside from those that involve estimates, in the process of applying its accounting policies. These judgments can affect the amounts recognized in the consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 2021

(millions of Canadian dollars)

Impact of COVID-19

The WSIB, in partnership with the Government of Ontario, offered a financial relief package allowing employers to defer premium reporting and payments for the period from March 2020 until August 2020, with no interest or penalties accruing during the deferral period. The standard repayment period was from January 1, 2021 to June 30, 2021. With the ongoing impact of the pandemic still being felt by Ontario businesses, the WSIB is continuing to work with certain employers who have requested additional time for full repayment.

In late April 2021, the Government of Ontario introduced the COVID-19 Worker Income Protection Benefit program requiring businesses to provide their employees with up to three days of paid leave for reasons related to COVID-19. We supported the launch of the program and administration of the application process allowing businesses to apply for reimbursement of up to \$200 per employee per day of leave. Businesses do not need to be registered with the WSIB to be eligible for the program, and funding is provided by the provincial government. It is not funded through WSIB's employer premiums. The program has been extended until July 31, 2022.

The WSIB continues to closely monitor developments related to the COVID-19 pandemic and its existing and potential impact on the WSIB's results and operations. Increased uncertainty has and could continue to impact financial results, as the duration of the COVID-19 pandemic remains uncertain.

Uncertainty exists in the estimates and assumptions used by the WSIB, which include, but are not limited to, the key unobservable inputs used in assessing the fair value of certain financial instruments and investment properties, the impairment of investments, the fair value of plan assets for the pension obligation and employee benefit plans, and the actuarial valuation of the benefit liabilities.

The WSIB has applied valuation techniques using estimates and assumptions that reflect information available when these consolidated financial statements were prepared, and management believes that the amounts recorded are appropriate. Changes in these key estimates and assumptions could materially impact the carrying values of the respective assets and liabilities.

Basis of consolidation

(a) Subsidiaries and non-controlling interests

The majority of the WSIB's subsidiaries hold investments.

Subsidiaries, including structured entities, are entities that are controlled by the WSIB. The WSIB has control when it has the power to direct the relevant activities, has significant exposure to variable returns from these activities, and has the ability to use its power to affect these returns. Power may be determined on the basis of voting rights or based on contractual arrangements in the case of structured entities.

The financial statements of subsidiaries are included in the WSIB's consolidated financial statements from the date control commences until the date control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to reflect accounting policies consistent with those of the WSIB. All intercompany transactions and balances are eliminated.

Non-controlling interest exists when the WSIB directly or indirectly owns less than 100% of the subsidiary and is presented in the consolidated statements of financial position as a separate component, distinct from the net assets attributable to WSIB stakeholders. The excess of revenues over expenses and total comprehensive income (loss) attributable to the non-controlling interests are also separately disclosed in the consolidated statements of comprehensive income (loss).

The WSIB Employees' Pension Plan (the "EPP") and other investors are the non-controlling interests in the majority of the WSIB's subsidiaries. See note 24 for further details.

Notes to Consolidated Financial Statements

December 31, 2021

(millions of Canadian dollars)

(b) Investments in joint arrangements and associates

The majority of the WSIB's joint arrangements and associates hold private market investments in real estate, infrastructure, private equity or credit.

The WSIB's joint arrangements are investments over which it has joint control and can either be a joint venture or a joint operation. Joint control exists when the strategic, financial, and operating decisions related to the entity's relevant activities require unanimous consent of parties sharing control.

Joint ventures are investments over which the WSIB has joint control and has rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, investments are initially recognized at cost and adjusted for the WSIB's proportionate share of the joint venture's total comprehensive income and dividends received.

Joint operations are economic activities or entities over which the WSIB has joint control and has rights to specific assets and obligations for specific liabilities relating to the arrangement. Investments in joint operations are accounted for through proportionate consolidation. The WSIB's consolidated financial statements include its share of assets, liabilities, revenues and expenses related to the joint operations.

Associates are those investments over which the WSIB has significant influence over the financial and operating policies but not control or joint control of the entity. Investments in associates are accounted for using the equity method.

The WSIB assesses its investments accounted for using the equity method for events or changes in circumstances that may indicate that they are impaired at each reporting period. If there are indicators that an asset may be impaired, an impairment test is performed and any difference between the carrying amount and the recoverable amount is recognized as an impairment loss. An impairment loss is assessed and reversed if there are indicators that an asset is no longer impaired. Reversal of any impairment loss will not exceed the carrying amount that would have been determined had no impairment loss been recognized.

Foreign currency

The WSIB's functional and presentation currency is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate at the consolidated statement of financial position date. Non-monetary assets and liabilities that are measured at fair value are also translated at the exchange rate at the consolidated statement of financial position date. Foreign exchange gains and losses are recognized in investment income or administration and other expenses.

Net foreign investments are foreign subsidiaries which hold other invested assets and whose functional currency is not the Canadian dollar. All assets and liabilities of these net foreign investments are translated at exchange rates at the consolidated statement of financial position date, and all income and expenses are translated using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses on translation are recognized as translation gains (losses) from net foreign investments in other comprehensive income. Upon disposal of a net foreign investment that includes a loss of control, significant influence or joint control, the cumulative translation gain or loss related to that net foreign investment is recognized in income.

Notes to Consolidated Financial Statements**December 31, 2021****(millions of Canadian dollars)****Invested assets****(a) Financial instruments**

The WSIB's invested assets and related liabilities that are financial instruments are comprised of cash and cash equivalents, receivables, public equity investments, fixed income investments, derivative assets and liabilities, other invested assets, payables, borrowings and long-term debt. Public equity investments are comprised of units held in public equity pooled funds and public equity securities, including stock and exchange-traded funds. Other invested assets are comprised of units in private market pooled funds and other private market investments. The WSIB records transactions relating to financial instruments on a trade date basis.

(b) Investment properties

Investment properties are properties held to earn rental income or for capital appreciation, or both. These are initially recognized at cost, including transaction costs, and subsequently remeasured at fair value at each reporting period with changes in fair value recognized as investment income during the period in which they arise. See note 7 for movements during the reporting period.

(c) Investments in joint ventures, associates and structured entities

Included in the investment portfolios are the WSIB's investments in joint ventures, associates and structured entities, which hold private market investments in real estate, infrastructure, private equity or credit. See note 10 and note 11 for further details.

Financial instruments

Financial instruments are contracts that give rise to a financial asset or financial liability when the WSIB becomes a party to the contractual provisions of the instrument. The WSIB's financial instruments are classified as follows:

Financial instrument	Classification
Cash and cash equivalents	FVTPL (a)
Investment receivables	Loans and receivables (b)
Public equity investments	
Public equity pooled funds	FVTPL (a)
Public equity securities	FVTPL (a)
Fixed income investments	FVTPL (a)
Derivative assets and liabilities	FVTPL (a)
Other invested assets	
Private market pooled funds	FVTPL (a)
Other private market investments	FVTPL (a)
Investment payables	Other financial liabilities (c)
Administration payables	Other financial liabilities (c)
Borrowings	Other financial liabilities (c)
Long-term debt	Other financial liabilities (c)
Loss of Retirement Income Fund liability	FVTPL (a)

Measurement in subsequent periods depends on the classification of the financial instrument.

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(a) Fair value through profit or loss (“FVTPL”)

Financial assets and financial liabilities are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management, or if they are derivatives. Financial assets and financial liabilities classified as FVTPL are measured at fair value at initial recognition, with changes recognized in investment income.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets that have fixed or determinable payments and are not quoted in an active market. Loans and receivables are initially measured at fair value plus any transaction costs that are directly attributable to the origination or acquisition of the receivables. Subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method. Loans and receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

The effective interest method is a method of calculating the amortized cost of a financial instrument and allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all transaction costs and other premiums or discounts) through the expected life of the financial instrument to the net carrying amount on initial recognition.

(c) Other financial liabilities

Other financial liabilities consist of investment payables, administration payables, borrowings and long-term debt, which are not derivative liabilities or classified as FVTPL. These are initially measured at fair value plus any transaction costs that are directly attributable to the origination or issuance of the financial liability. Subsequent to initial recognition, other financial liabilities are carried at amortized cost using the effective interest method.

Financial assets are derecognized when the rights to the contractual cash flows expire, when substantially all the risks and rewards of ownership are transferred, or when the WSIB no longer retains control. Financial liabilities are derecognized when the obligation is discharged, cancelled, or expires.

Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, that is, an exit value. Refer to note 7 for further details.

The carrying amounts of cash and cash equivalents, fixed income investments, derivative assets and derivative liabilities are their fair values. Due to their short-term nature, the carrying amounts (less allowance for impairment) of investment receivables and administration and investment payables approximate their fair values.

The fair values of public equity investments are based on quoted prices in active markets such as for public equity securities or on valuations based on the net asset values of the underlying investments held, where active markets are not available, such as for public equity pooled funds.

Where quoted prices in active markets are not available for financial instruments such as certain fixed income securities, the fair value is based on valuation models that use observable market inputs, broker quotes, consensus pricing and the fair value of other similar financial instruments.

The investment properties are valued based on periodic valuations performed by independent qualified appraisers using valuation models incorporating available market evidence, including discount and terminal capitalization rates, inflation rates, vacancy rates, and future net cash flows of the properties.

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The fair values of other invested assets are based on net asset values provided by investment managers for private market pooled funds. Other private market investments valuations are provided by investment managers who use acceptable industry valuation methods, including net asset values, comparable transactions in the market or discounted cash flow models which incorporate available market evidence and may require estimates for economic risks and projected cash flows.

Investment income

Investment income is comprised of the following:

(a) Financial instruments

Realized gains and losses and changes in unrealized gains and losses on financial instruments are recognized in investment income in the period they arise.

Interest income is recognized in investment income as it accrues. Dividend income is recognized in investment income when the WSIB's right to receive payment has been established.

(b) Income from investments in associates and joint ventures

The WSIB's proportionate share of its associates and joint ventures' total comprehensive income is recognized in investment income in the period it is recognized by the associates and joint ventures. Impairment losses or the subsequent reversal of such losses in relation to the WSIB's investments in associates and joint ventures is also recognized in investment income.

(c) Income from investment properties

Changes in fair value, net rental income, and service charges from investment properties are recognized in investment income in the period to which they arise.

Loss of Retirement Income Fund liability

The Loss of Retirement Income Fund liability represents the WSIB's obligation to provide retirement benefits to eligible injured workers equal to the total contributions plus income earned on those contributions. As such, the Loss of Retirement Income Fund liability is measured at an amount equivalent to the fair value of the assets in the Loss of Retirement Income Fund. At age 65 or upon death, the injured worker or their beneficiary receives a benefit from contributions made to their Loss of Retirement Income account plus any investment income earned.

Assets attributable to the Loss of Retirement Income Fund are included and managed as part of the WSIB's investment portfolio. See note 17 for more information.

The WSIB contributes 5% of the loss of earnings benefits to the Loss of Retirement Income Fund for injured workers of Schedule 1 employers who have received loss of earnings benefits for 12 consecutive months. Schedule 2 employers are required to contribute 5% of the loss of earnings benefits for their workers once loss of earnings benefits are received for 12 continuous months. Workers eligible for loss of retirement income benefits can choose to contribute a further 5% from their loss of earnings benefits. For claims incurred prior to January 1, 1998, the contribution from the WSIB and Schedule 2 employers is 10% of every future economic loss payment made to injured workers.

The WSIB's contributions are recognized as the Loss of Retirement Income Fund contributions expense.

The changes related to the actuarial valuation of the WSIB's future contributions into the Loss of Retirement Income Fund are recognized in benefit liabilities in the consolidated statements of financial position. Refer to the changes in benefit liabilities table in note 20 for further information.

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Benefit liabilities and claim costs

Benefit liabilities represent the actuarially determined present value of the estimated future payments for reported and unreported claims incurred on or prior to the reporting date using best estimate assumptions related to workers of Schedule 1 employers. These estimates and assumptions include claim duration, mortality rates, wage and health care escalations, general inflation, and discount rates. In addition, an obligation is estimated for claims in respect of occupational diseases currently recognized by the WSIB for which a claim has not yet been reported. The future payments are for estimated obligations for loss of earnings, labour market re-entry costs, short and long-term disability, health care, survivor benefits, retirement income benefits and claim administration costs. Changes in the estimates and assumptions could have a significant impact on the measurement of benefit liabilities and claim costs.

The benefit liabilities are determined in accordance with the Standards of Practice of the Canadian Institute of Actuaries, including the standards for Public Personal Injury Compensation Plans, and legislation in effect at the end of the reporting period. Changes in the estimate of future claim payments are recognized in claim costs expense.

Benefit liabilities do not include any amounts for claims related to workers of Schedule 2 employers. These claims are ultimately paid by the self-insured Schedule 2 employers.

Claim costs consist of: (i) claim payments to or on behalf of injured workers, (ii) claim administration costs, which represent an estimate of the WSIB's administration costs necessary to support benefit programs, and (iii) the change in the actuarial valuation of the WSIB's benefit liabilities, which represents an adjustment to the actuarially determined estimates for future claim costs existing as at the dates of the consolidated statements of financial position.

Employee benefit plans

The EPP is a defined benefit pension plan that is jointly sponsored by the WSIB and the Ontario Compensation Employees Union. A Board of Trustees, known as WISE Trust, administers the EPP.

The WSIB also sponsors a supplemental defined benefit pension plan and other benefits. Other benefits include post-retirement benefits for health, dental, vision and life insurance benefits and other employment benefits for disability income, vacation and attendance programs. Refer to note 18 for more information on these plans.

The cost of employee benefit plans is recognized as the employees provide services to the WSIB. The obligations for these plans are measured as the present value of the employee benefit obligations less the fair value of plan assets and are included in the employee benefit plans liability. The employee benefit plans liability represents the combined deficit of the plans at the reporting date.

The cost of the employee benefit plans is actuarially determined using the projected unit credit method and includes management's estimates and assumptions of compensation increases, health care cost trend rates, mortality, retirement ages of employees, and discount rates. The discount rate used to value the obligations is based on high-quality corporate bonds that have approximately the same term as the obligation. These estimates are reviewed annually with the WSIB's external actuaries. Changes in these estimates may have an impact on the employee benefit plans liability and total comprehensive income.

The changes in the employee benefit obligations and plan assets are recognized when they occur as follows:

- (a) Service costs and the net interest cost are recognized in administration and other expenses; and
- (a) Remeasurements and actual experience which differs from assumptions which result in actuarial gains or losses are recognized in other comprehensive income.

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Property, equipment and intangible assets

Property, equipment and intangible assets are measured at cost less accumulated depreciation and amortization and any accumulated impairment losses. When significant components of an item of property and equipment have different useful lives, they are accounted for as separate items.

Intangible assets include both internally developed and acquired software. Development costs associated with internally developed software are recognized as an intangible asset when certain criteria are met. The criteria to capitalize development costs include the WSIB's intention and ability to complete the development of the software from which it is probable the WSIB will generate future economic benefits.

Depreciation of property and equipment and amortization of intangible assets are included in administration and other expenses on the consolidated statements of comprehensive income (loss). Property, equipment and intangible assets are depreciated and amortized on a straight-line basis over their estimated useful lives as follows:

Land	Not depreciated
Buildings	
Primary structure	50 - 60 years
Components with different useful lives	10 - 30 years
Leasehold improvements	Lesser of the lease term or 10 years
Office and computer equipment	3 - 5 years
Intangible assets	3 - 8 years

Impairment on property, equipment and intangible assets

The WSIB evaluates its property, equipment and intangible assets 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 at each reporting period. If there are indicators that an asset may be impaired, an impairment test is performed by comparing the asset's carrying value to its recoverable amount. An impairment charge is recorded to the extent that the recoverable amount is less than its carrying value. If an impairment is later reversed, the carrying amount of the asset is adjusted to the lower of the asset's recoverable amount and the carrying amount that would have been determined (net of depreciation) had there been no prior impairment loss.

Net premium revenue

Net premium revenue consists of premium revenues net of mandatory employer incentive programs. Premium revenues are comprised of premiums from Schedule 1 employers and administration fees from Schedule 2 employers.

(a) Schedule 1 employer premiums

Schedule 1 employers are employers for which the WSIB is liable to pay benefit compensation for workers' claims. Schedule 1 employer premiums are assessed and are receivable when employers report their insurable earnings for the current year. For employers who have not reported, premiums are estimated and included in accrued premiums receivable. Premium revenues are recognized over the coverage period of one year.

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(b) Schedule 2 employer administration fees

Schedule 2 employers are employers that self-insure the provision of benefits under the WSIA. Schedule 2 employers are liable to pay all benefit compensation and administration costs for their workers' claims.

The WSIB administers the payment of the claims for workers of Schedule 2 employers and recovers the cost of these claims plus administration fees from the employers. The administration fees are recognized as the services are provided. The claims paid on behalf of Schedule 2 employers and the amounts collected to recover the claims paid are not included in the WSIB's revenues or expenses.

Prior to WSIB's transition to the new premium rate-setting model effective January 1, 2020, Schedule 1 employers participated in mandatory incentive programs that may have resulted in adjustments to premium rates. The amounts shown in note 19 represent the net payouts that are related to previous years.

Legislated obligations and funding commitments

(a) Legislated obligations

The WSIB is required to make payments to defray the cost of administering the *Occupational Health and Safety Act* (the "OHSA") and the regulations made under the OHSA. The WSIB is also required to pay for the operating costs of the Workplace Safety and Insurance Appeals Tribunal ("WSIAT") and the costs that may be incurred by the Office of the Worker Adviser and the Office of the Employer Adviser. The expenses related to these legislated obligations are recognized as an expense in the period to which the funding relates.

(b) Funding commitments

The WSIB provides grant funding to carry on investigations, research and training. The expenses related to these funding commitments are included in the legislated obligations and funding commitments expense and are recognized as an expense in the period to which the funding relates.

(c) Voluntary employer health and safety recognition programs

The WSIB provides financial incentives to Schedule 1 employers who undertake specific measures to improve workplace health and safety. The cost of these incentive programs is recognized as an expense in legislated obligations and funding commitments in the period the measures are undertaken by the employer.

Leases

A lease is a contract, or part of a contract, that conveys the right to an asset for a period of time in exchange for consideration. Upon lease commencement, the WSIB recognizes a right-of-use ("ROU") asset and a lease liability. The WSIB has commercial lease agreements relating to Simcoe Place land, office premises, leases relating to investment properties, and computer equipment.

The ROU assets are initially measured based on the present value of lease payments, plus other adjustments including initial direct costs, lease incentives, and an estimate of asset retirement costs to be incurred by the WSIB at the end of the lease. The ROU assets are included in property, equipment and intangible assets or investment properties for leases relating to investment properties. The ROU assets are depreciated over either the asset's useful life or the lease term, whichever comes earlier, and are subject to testing for impairment if there is an indicator for impairment. In addition, ROU assets related to investment properties are included in investment properties and are measured at fair value at each reporting period, with changes in fair value recognized as investment income or loss, as applicable, during the period in which they arise.

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The lease liability is measured at the present value of lease payments that are outstanding as at the reporting period and subsequently measured using the effective interest method. With the effective interest method, the carrying amount of the lease liability is measured on an amortized cost basis and the interest expense is allocated over the lease term. Lease liabilities are included in long-term debt and lease liabilities.

For leases where the total lease term is less than 12 months or for leases of low value, the WSIB has elected not to recognize an ROU asset and lease liability. The expenses for such leases are recognized in administration and other expenses on a straight-line basis over the term of the lease.

3. Changes in accounting standards

(a) Future changes in accounting standards

IFRS 17 Insurance Contracts (“IFRS 17”)

In May 2017, and amended in June 2020, the IASB issued IFRS 17, which replaces the guidance in IFRS 4 *Insurance Contracts* and establishes a comprehensive principles-based framework for the recognition, measurement and presentation of insurance contracts. Also, in December 2021, the IASB amended IFRS17 to add a transition option for a classification overlay to address possible accounting mismatches between financial assets measured under IFRS 9 – Financial Instruments (“IFRS9”) and insurance contract liabilities in the comparative information presented on initial application of IFRS17. The WSIB plans to adopt the new standard on the effective date of January 1, 2023 together with IFRS 9.

IFRS17 introduces two primary measurement models of insurance contract liabilities that could be applicable to the WSIB, depending on the nature of the insurance contracts: The General Measurement Model, and the Premium Allocation Approach.

The general measurement model requires insurance contracts to be measured using current estimates of discounted future cash flows, an adjustment for risk and a contractual service margin representing the profit expected from fulfilling the contracts. The premium allocation approach is a simplified model that can be applied to insurance contracts with coverage periods of one year or less, or where premium allocation approach approximates the general measurement model. The premium allocation approach includes discounted future cash flows and an adjustment for risk, but does not include a contractual service margin. The WSIB will apply the premium allocation approach at transition.

Retrospective application is required unless impracticable, in which case a modified retrospective approach or a fair value approach can be used for transition. The WSIB will apply a full retrospective approach at transition.

The WSIB is currently assessing the impact of adopting this standard and expects that it will have a significant impact on how insurance contracts results are measured, presented and disclosed in the WSIB’s consolidated financial statements.

IFRS 9 Financial Instruments (“IFRS 9”)

In July 2014, and amended in June 2020, the IASB issued the final version of IFRS 9, which will replace IAS 39 *Financial Instruments: Recognition and Measurement* (“IAS 39”). IFRS 9 includes guidance on the classification and measurement of financial instruments, impairment of financial assets, and hedge accounting.

The WSIB will defer IFRS 9 until January 1, 2023, which is the same effective date as IFRS 17, as allowed under the amendments to IFRS 4 for companies whose activities are predominantly related to insurance (that is, insurance liabilities represent more than 80% of total liabilities). By electing the exemption under IFRS 4, the WSIB is permitted to defer the adoption of IFRS 9 while its associates

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and joint ventures have adopted IFRS 9. Based on the nature of the WSIB's financial instruments, adoption of IFRS 9 is not expected to have a significant impact on the WSIB's consolidated financial statements as most of the WSIB's financial instruments are measured at fair value.

Amendment to IFRS 17: Initial Application of IFRS 17 and IFRS 9 – Comparative Information

In December 2021, the IASB issued a narrow-scope amendment to the transition requirements in IFRS 17. Upon initial application of IFRS 17 and IFRS 9 on January 1, 2023, the amendment provides an option to present comparative information about financial assets as if the classification and measurement requirements of IFRS 9 had been applied to those financial assets before. This amendment intends to reduce the accounting mismatch that could arise from measuring financial assets and financial liabilities related to insurance contracts on different bases. As most of the WSIB's financial instruments are measured at fair value, significant accounting mismatches are not expected to arise between financial assets and financial liabilities related to insurance contracts. As such, the WSIB elects not to apply the option provided by this amendment. The adoption of this amendment is not expected to have a significant impact on the WSIB's consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statements (“IAS 1”)

In February 2021, the IASB issued amendments to IAS 1, which require the disclosure of material accounting policies instead of significant accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023. The adoption of these amendments is not expected to have a significant impact on the WSIB's consolidated financial statements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”)

In February 2021, the IASB issued amendments to IAS 8, which clarify the definition of accounting estimates and that a change in accounting estimates resulting from new information or new developments is not the correction of an error. The amendments are effective for annual periods beginning on or after January 1, 2023. The adoption of these amendments is not expected to have a significant impact on the WSIB's consolidated financial statements.

4. Cash and cash equivalents

Highly liquid investments are considered to be cash equivalents. Cash and cash equivalents are comprised of the following:

	2021	2020
Cash	248	3,182
Short-term money market securities	314	1,787
Restricted cash ¹	119	-
Total cash and cash equivalents	681	4,969

1. The restricted cash balance consists of funds received from the Government of Ontario for the purposes of administering the COVID-19 Worker Income Protection Benefit Program on behalf of the Government of Ontario.

As at December 31, 2021, the WSIB held \$681 of cash and cash equivalents, of which \$243 (2020 – \$345) was maintained for operating purposes and \$438 (2020 – \$4,624) was maintained for investing purposes.

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5. Receivables and other assets

Receivables and other assets are comprised of the following:

	2021	2020
Premium receivables	187	463
Accrued premium receivables	392	374
Less: Allowance for doubtful accounts	(42)	(71)
Net premium receivables	537	766
Investment receivables ¹	155	1,364
Total receivables	692	2,130
Other assets ²	6	41
Total receivables and other assets	698	2,171

1. Investment receivables include amounts of \$43 (2020 – \$16) which are expected to be received over a period of more than one year.

2. Other assets include employer incentive program refunds of \$58 (2020 – \$30) which are expected to be paid within 12 months.

6. Net investment income

Net investment income by nature of invested assets for the years ended December 31 is as follows:

	2021	2020 ¹
Cash and cash equivalents	1	8
Public equity investments	2,155	1,080
Fixed income investments	(12)	440
Derivative financial instruments	412	54
Investment properties	71	(1)
Investments in associates and joint ventures ²	432	(256)
Other invested assets	1,124	414
Less: Income attributable to Loss of Retirement Income Fund	(178)	(78)
Investment income	4,005	1,661
Less: Investment expenses ³	(392)	(303)
Net investment income	3,613	1,358

1. Certain comparative amounts have been reclassified to be consistent with the current year's presentation.

2. Included in investments in associates and joint ventures for the year ended December 31, 2021 is a reversal of an impairment loss of \$30 (2020 – impairment loss of \$116). Refer to note 11 for details.

3. Includes \$170 of management fees paid to investment managers (2020 – \$145).

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7. Fair value measurement and disclosures**Fair value hierarchy**

The WSIB uses a fair value hierarchy to categorize the inputs used in valuation techniques to estimate the fair values of assets and liabilities.

The table below provides a general description of the valuation methods used for fair value measurements.

Hierarchy level	Valuation methods
Level 1	Fair value is based on unadjusted quoted market prices in active markets for identical assets or liabilities that the WSIB has the ability to access at the measurement date.
Level 2	Fair value is based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or model inputs that are either observable or can be corroborated by observable market data for the assets or liabilities.
Level 3	Fair value is measured using significant non-market observable inputs. These include valuations for assets and liabilities that are derived using information, some or all of which are not market observable, as well as assumptions about risk.

Measurements of the fair value of an asset or liability may use multiple inputs that are categorized in different levels of the fair value hierarchy. In these cases, the asset or liability is classified in the hierarchy level of the lowest level input that is significant to the measurement.

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The following table provides the fair value hierarchy classifications for assets and liabilities:

	December 31, 2021				December 31, 2020 ¹			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets and liabilities measured at fair value								
Cash and cash equivalents ²	367	314	-	681	3,182	1,787	-	4,969
Public equity investments								
Public equity pooled funds ³	-	13,641	-	13,641	-	645	-	645
Public equity securities	400	-	-	400	12,314	-	-	12,314
Fixed income investments	-	11,755	-	11,755	-	9,302	-	9,302
Derivative assets	3	125	-	128	93	157	-	250
Investment properties ⁴	-	-	651	651	-	-	892	892
Other invested assets								
Private market pooled funds ⁵	-	-	2,544	2,544	-	-	-	-
Other private market investments	-	-	6,370	6,370	-	-	7,590	7,590
Derivative liabilities	-	(51)	-	(51)	(29)	(63)	-	(92)
Assets and liabilities for which fair value is disclosed								
Investment receivables ²	-	155	-	155	-	1,364	-	1,364
Administration payables ²	(380)	-	-	(380)	(354)	-	-	(354)
Investment payables ²	-	(8)	-	(8)	-	(987)	-	(987)
Borrowings	-	-	-	-	-	(400)	-	(400)
Long-term debt ⁶	-	(70)	-	(70)	-	(72)	-	(72)
Loss of Retirement Income Fund liability (note 17)	-	-	(2,103)	(2,103)	-	-	(2,003)	(2,003)

1. Certain comparative amounts have been reclassified to be consistent with the current year's presentation.

2. The carrying amounts (less allowance for impairment) of cash and cash equivalents, investment receivables and administration and investment payables approximate their fair values.

3. The WSIB owns units of pooled funds which hold investments in public equity securities.

4. Investment properties include an ROU asset of \$9 (2020 – \$10).

5. The WSIB owns units of pooled funds which hold investments in private market investments.

6. Carrying amount as at December 31, 2021 was \$70 (2020 – \$70).

Transfers between levels within the hierarchy are recognized at the end of the reporting period.

During the years ended December 31, 2021 and December 31, 2020, there were no transfers between levels within the hierarchy.

Investment Management Corporation of Ontario ("IMCO") launched the IMCO Global Public Equity Pool ("GPE Pool") on February 22, 2021, the IMCO Emerging Markets Public Equity Pool ("EMPE Pool") on March 22, 2021, and the IMCO Public Market Alternatives Pool ("PMA Pool") on October 1, 2021. These pooled investments are part of IMCO's Pooled Asset Management strategy, which enables entities to "pool" the management of their investments. This pooling strategy creates a sufficiently large asset pool to broaden access to and efficiently manage investments.

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The WSIB participated in the GPE Pool, transferring assets comprised mainly of global public equities into the pool, and in the EMPE Pool, transferring assets comprised mainly of emerging markets public equities into the pool. The WSIB's investments in the GPE Pool and EMPE Pool are recorded as public equity pooled funds within public equity investments in the consolidated statements of financial position. The WSIB also participated in the PMA Pool, transferring assets comprised mainly of private market investment funds into the pool. The WSIB's investment in the PMA Pool is recorded as private market pooled funds within other invested assets in the consolidated statements of financial position. The WSIB's transfers of investments into these pools were at fair value and are recorded as non-cash transactions.

Level 3 fair value measurements

The following tables provide reconciliations of assets included in Level 3 of the fair value hierarchy:

	Other invested assets		Subtotal	Investment properties	Total
	Private market pooled funds	Other private market investments			
For the year ended December 31, 2021					
Balance as at January 1, 2021	-	7,590	7,590	892	8,482
Net gains recognized in net investment income	4	419	423	124	547
Translation losses recognized in other comprehensive income	-	(4)	(4)	-	(4)
Purchases	2,540	2,434	4,974	2	4,976
Sales	-	(4,069)	(4,069)	(383)	(4,452)
Capital expenditures	-	-	-	16	16
Balance as at December 31, 2021	2,544	6,370	8,914	651	9,565
Changes in unrealized gains (losses) included in earnings for assets and liabilities for positions still held	4	(372)	(368)	46	(322)

	Other invested assets		Subtotal	Investment properties	Total
	Private market pooled funds	Other private market investments			
For the year ended December 31, 2020¹					
Balance as at January 1, 2020	-	8,783	8,783	1,368	10,151
Net gains (losses) recognized in net investment income	-	130	130	(37)	93
Translation gains recognized in other comprehensive income	-	12	12	-	12
Purchases	-	1,151	1,151	-	1,151
Sales	-	(2,486)	(2,486)	(459)	(2,945)
Capital expenditures	-	-	-	20	20
Balance as at December 31, 2020	-	7,590	7,590	892	8,482
Changes in unrealized losses included in earnings for assets and liabilities for positions still held	-	(411)	(411)	(37)	(448)

1. Certain comparative amounts have been reclassified to be consistent with the current year's presentation.

Notes to Consolidated Financial Statements**December 31, 2021****(millions of Canadian dollars)**

The following table summarizes the valuation methods and quantitative information about the significant unobservable inputs used in Level 3 financial instruments:

	Valuation methods	Key unobservable inputs	2021 Range of inputs		2020 ¹ Range of inputs	
			Low	High	Low	High
Private market pooled funds	Net asset value	Net asset value provided by manager	n/a	n/a	-	-
Other private market investments	Net asset value	Net asset value provided by manager	n/a	n/a	n/a	n/a
	Discounted cash flow and market comparable	Discount rate	5.0%	7.8%	5.0%	8.0%
		Terminal capitalization rate	4.5%	7.0%	4.5%	7.0%
Investment properties	Discounted cash flow and market comparable	Discount rate	5.3%	8.5%	5.5%	8.0%
		Terminal capitalization rate	4.5%	7.5%	4.5%	7.3%
Loss of Retirement Income Fund liability	Net asset value	Net asset value provided by administrator	n/a	n/a	n/a	n/a

1. Certain comparative amounts have been updated to be consistent with the current year's presentation.

Sensitivity of Level 3 financial instruments

Fair values of private market pooled funds are based on net asset values provided by investment managers.

Fair values of other private market investments are based on valuations obtained from investment managers. The valuations obtained from investment managers are based on net asset values, comparable transactions in the market or discounted cash flow models using unobservable inputs such as discount rates, terminal values and expected future cash flows. Holding other factors constant, an increase to terminal values or expected future cash flows would tend to increase the fair value, while an increase in the discount rate would have the opposite effect.

Fair values of investment properties are obtained from qualified appraisers who apply a discounted cash flow model to determine property values. Key unobservable inputs include discount and terminal capitalization rates, projected rental income and expenses, inflation rates and vacancy rates. Holding other factors constant, an increase to projected rental income would increase the fair values, while an increase in the inputs for the discount rates and terminal capitalization rates would have the opposite effect.

Fair values of the Loss of Retirement Income Fund liability are based on the fair values of the assets in the Loss of Retirement Income Fund.

The WSIB has not applied another reasonably possible alternative assumption to the significant Level 3 categories as the net asset values and appraised fair values are provided by the investment managers and other third-party appraisers.

Notes to Consolidated Financial Statements**December 31, 2021****(millions of Canadian dollars)**

8. Transferred financial assets not derecognized

The WSIB participates in a securities lending program through an intermediary for the purpose of generating fee income. Non-cash collateral, the fair value of which represents at least 102% of the fair value of the loaned securities, is maintained until the underlying securities have been returned to the WSIB. The fair value of the loaned securities is monitored on a daily basis by an intermediary financial institution with additional collateral obtained or refunded as the fair value of the underlying securities fluctuates. The intermediary indemnifies the WSIB against any shortfalls in collateral in the event of default by the counterparty. These transactions are conducted under terms that are usual and customary to security lending activities, as well as requirements determined by exchanges where a financial institution acts as an intermediary.

Under the terms of the securities lending program, the WSIB retains substantially all the risks and rewards of ownership of the loaned securities and also retains contractual rights to the cash flows. These securities are not derecognized from the consolidated statements of financial position.

As at December 31, 2021, the fair value of investments loaned under the securities lending program was \$1,041 (2020 – \$1,575) and the fair value of securities maintained as collateral was approximately \$1,120 (2020 – \$1,674).

9. Derivative financial instruments

Derivatives are financial or commodity contracts whose value is derived from, referenced to or based on an underlying interest, which may include stocks, bonds, interest rates, currencies, commodities and market indices. Across the WSIB's portfolios, derivatives are primarily used in: hedging investment risks, including liquidity, credit, market, interest rate or currency risk; altering the risk and return profile of investments; improving efficiency of achieving investment objectives; and creating unique risk and return payoffs.

Forward contracts and futures agreements are contractual obligations to buy or sell a financial instrument, foreign currency or other underlying commodity on a predetermined future date at a specific price.

Forward contracts are over-the-counter contracts that are negotiated between IMCO, on behalf of the WSIB, and the counterparty, whereas futures are contracts that are traded on a regulated exchange with standard amounts and settlement dates. A contract for difference is a contract between two parties, where one party has the obligation to pay the other party the difference in value of an underlying asset between two specific points in time. An option is a contract that grants the holder a right, but not the obligation, to buy or sell an underlying asset, exchange rate or interest rate at a specific price.

Some derivatives are collateralized with cash and treasury bills. As at December 31, 2021, the fair value of the securities maintained as collateral was approximately \$5 (2020 – \$204).

Certain derivative assets and derivative liabilities are subject to netting arrangements and, in practice, are settled on a net basis. However, these do not meet the criteria to be presented on a net basis. As such, the derivative assets and derivative liabilities are presented separately in the consolidated statements of financial position.

The WSIB does not designate any of the derivatives in a qualifying hedge accounting relationship but uses derivatives for economic hedging purposes. The notional amounts in the table below are not recorded as assets or liabilities in the WSIB's consolidated financial statements as they represent the reference amounts to which a rate or a price is applied to determine the amount of cash flows to be exchanged. Notional amounts do not represent the potential gains or losses associated with market risks and are not indicative of the credit risks associated with derivative financial instruments.

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The notional amounts and the fair values of the derivative assets and derivative liabilities as at December 31 are as follows:

	2021			2020		
	Notional amount	Fair value		Notional amount ¹	Fair value	
		Assets	Liabilities		Assets	Liabilities
Forward exchange contracts	19,295	125	51	19,792	151	61
Forward commodity contracts	-	-	-	3	-	-
Fixed income futures	196	2	-	3,988	9	4
Commodity futures	-	-	-	449	26	2
Equity index futures	88	1	-	2,802	54	7
Foreign currency futures	39	-	-	8	-	1
Interest rate futures	-	-	-	2	-	-
Contract for difference	-	-	-	263	6	3
Options	-	-	-	157	4	14
Total	19,618	128	51	27,464	250	92

1. Certain comparative amounts have been updated to be consistent with the current year's presentation.

10. Interests in structured entities

A structured entity is an entity that is designed whereby voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created with a narrow and well-defined objective with relevant activities being directed by means of contractual arrangements. The WSIB has an interest in a structured entity when there is a contractual or non-contractual involvement that exposes the WSIB to variable returns from the structured entity. The WSIB consolidates a structured entity when the WSIB controls the entity in accordance with the accounting policy described in note 2. The WSIB's consolidated structured entities are private market investments in the investment portfolios where the WSIB has substantive rights to direct relevant activities of the entity to affect the variable returns the WSIB is exposed to. Consolidated subsidiaries are detailed further in note 24.

Unconsolidated structured entities

The WSIB holds interests in third-party structured entities, predominantly in the form of direct investments in securities or partnership interests. The WSIB does not consolidate these structured entities as its involvement is limited to investment holdings and does not have power over the key economic decisions of these entities. These investments in structured entities are recognized in other invested assets, and interest and dividend income received are recognized in net investment income. The following table summarizes the WSIB's investments and maximum exposure to loss related to its interests in unconsolidated structured entities:

	WSIB investment		WSIB maximum exposure to loss ¹	
	2021	2020	2021	2020
Real estate	2,146	1,543	2,146	1,543
Infrastructure	957	761	957	761
Private equity	252	52	252	52
Credit	23	13	23	13
Total	3,378	2,369	3,378	2,369

1. The WSIB's maximum exposure to loss is limited to amounts invested.

Notes to Consolidated Financial Statements**December 31, 2021****(millions of Canadian dollars)****11. Joint arrangements and associates**

Investments in joint arrangements and associates, accounted for under the equity method, that are considered material to the consolidated financial statements as at December 31, 2021 have been disclosed separately below.

Vancouver properties

On February 1, 2017, the WSIB and a third party jointly purchased a 50% interest in a portfolio of retail and office properties in downtown Vancouver (the "Vancouver properties"). The WSIB accounts for this investment using the equity method of accounting and holds it for investment purposes to earn rental income and capital appreciation.

Summarized financial information of the Vancouver properties, based on their IFRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements as at December 31 are set out below:

	2021	2020
Current assets	9	10
Non-current assets	2,187	2,140
Current liabilities	(31)	(32)
Non-current liabilities	(5)	(5)
Net assets	2,160	2,113
WSIB's share of net assets	1,080	1,056

The above amounts of assets and liabilities include the following:

	2021	2020
Cash and cash equivalents	6	6
Current financial liabilities (excluding trade and other payables)	(2)	(2)
Non-current financial liabilities (excluding trade and other payables)	(5)	(5)

Summarized below is the statement of comprehensive income (loss) of the Vancouver properties:

	2021	2020
Income	129	129
Gains (losses) from increases (decreases) in fair values	14	(148)
Expenses	(47)	(49)
Total comprehensive income (loss)	96	(68)
WSIB's share of total comprehensive income (loss)	48	(34)

The Vancouver properties have no contingent liabilities or capital commitments as at December 31, 2021 (2020 – nil). During 2021, the WSIB received dividends from the Vancouver properties of \$43 (2020 – \$34).

Notes to Consolidated Financial Statements**December 31, 2021****(millions of Canadian dollars)****Investments in other joint arrangements and associates**

The following table summarizes the carrying value of the WSIB's interests in other joint arrangements and associates that are not individually material as well as the WSIB's share of income (loss) of those entities.

	Associates		Joint ventures		Joint operations	
	2021	2020	2021	2020	2021	2020
WSIB's share of net assets	330	67	1,968	1,246	218	214
WSIB's share of:						
Net income (loss)	82	(1)	272	(104)	(11)	(18)
Other comprehensive income (loss)	-	-	(30)	28	-	-
Impairment reversal (loss) ¹	-	-	30	(116)	-	-

1. During the year ended December 31, 2021, the WSIB reversed impairment losses related to certain of its investments in associates and joint ventures resulting from a favourable change in the estimates used to determine the recoverable amount of its investments. An impairment reversal of \$30 has been included in the consolidated statements of comprehensive income (loss) and no impairment losses have been recorded on investments for the year ended December 31, 2021. During the year ended December 31, 2020, the WSIB recorded an impairment related to certain of its investments in associates and joint ventures as a result of the impact of the COVID-19 pandemic. The WSIB determined the recoverable amount of the impaired investments to be lower than the carrying amount. An impairment loss of \$116 was included in the consolidated statements of comprehensive income (loss) for the year ended December 31, 2020.

12. Risk management

The WSIB is exposed to a number of risks and uncertainties related to its financial instruments and benefit liabilities.

Investment risk

The Board of Directors of the WSIB has established Statements of Investment Policies and Procedures ("SIPP"), which establish the policies governing the WSIB's investment portfolio. The SIPPs require that the WSIB's investment portfolio be diversified across certain asset classes, and it is currently diversified among various primary investment asset classes. The WSIB manages investment risk as follows:

- Conducting periodic asset-liability studies to ensure that the long-term investment objective, policy asset mix, and other provisions of the SIPPs remain relevant in the context of the WSIB's risk appetite, benefit liabilities, premium rate levels, and capital market assumptions;
- Monitoring IMCO's performance;
- Monitoring the capital markets and assessing actual investment performance relative to the WSIB's long-term investment return objective and policy asset mix; and
- Managing other financial risks that could impact revenues, specifically liquidity risk, credit risk and market risk. These risks are discussed below.

Liquidity risk

Liquidity risk is the risk that the WSIB will encounter difficulty in meeting payment obligations when due through operational cash flows or sales of financial assets without incurring a financial loss. This risk is mitigated by:

- Monitoring and assessing operational cash flows and payment obligations and ensuring funds are available at appropriate times;
- Maintaining a portion of the WSIB's investments in high-quality, government fixed income securities as well as cash and money market securities; and
- Maintaining a \$150 unsecured credit facility.

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As at December 31, 2021, 67.1% (2020 – 71.0%) of the WSIB's investment portfolio was invested in cash and readily marketable money market securities, fixed income investments and publicly traded equities.

The following tables provide the carrying values of all financial instruments by contractual maturity or expected cash flow:

	Within 1 year	1 – 5 years	5 – 10 years	Over 10 years	No fixed maturity	2021
Cash and cash equivalents	681	-	-	-	-	681
Investment receivables	112	43	-	-	-	155
Public equity investments	-	-	-	-	14,041	14,041
Fixed income investments	406	2,073	1,997	7,222	57	11,755
Derivative assets	128	-	-	-	-	128
Other invested assets	-	-	-	-	8,914	8,914
Investment payables	(8)	-	-	-	-	(8)
Administration payables	(380)	-	-	-	-	(380)
Derivative liabilities	(51)	-	-	-	-	(51)
Borrowings	-	-	-	-	-	-
Long-term debt	-	(70)	-	-	-	(70)
Loss of Retirement Income Fund liability	-	-	-	-	(2,103)	(2,103)

	Within 1 year	1 – 5 years	5 – 10 years	Over 10 years	No fixed maturity	2020 ¹
Cash and cash equivalents	4,969	-	-	-	-	4,969
Investment receivables	1,347	11	6	-	-	1,364
Public equity investments	-	-	-	-	12,959	12,959
Fixed income investments	106	3,969	1,292	3,877	58	9,302
Derivative assets	250	-	-	-	-	250
Other invested assets	-	-	-	-	7,590	7,590
Investment payables	(987)	-	-	-	-	(987)
Administration payables	(354)	-	-	-	-	(354)
Derivative liabilities	(92)	-	-	-	-	(92)
Borrowings	(400)	-	-	-	-	(400)
Long-term debt	-	(70)	-	-	-	(70)
Loss of Retirement Income Fund liability	-	-	-	-	(2,003)	(2,003)

1. Certain comparative amounts have been reclassified to be consistent with the current year's presentation.

The WSIB maintains and uses a \$150 unsecured line of credit with a commercial bank for general operating purposes. As at December 31, 2021, there were no outstanding borrowings (2020 – nil). Additionally, the WSIB entered into a 14-month revolving line of credit facility in the amount of \$900 with the Ontario Financing Authority ("OFA") as of October 30, 2020, which was fully repaid on October 1, 2021 (refer to note 15).

Notes to Consolidated Financial Statements**December 31, 2021****(millions of Canadian dollars)****Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The WSIB is exposed to credit risk in several ways including:

- Risk that the WSIB's fixed income investments may become impaired;
- Counterparty risk relating to the WSIB's securities lending, foreign currency hedging and derivatives in various asset classes, and annuity agreements with Canadian Life Insurance; and
- Credit loss due to Schedule 1 employers not settling their premiums receivable and Schedule 2 employers not reimbursing the WSIB for their respective claim costs.

The WSIB manages its credit risk by:

- Allocating a predominant component of fixed income assets to investments in high-quality government bonds;
- Appointing an experienced agent to manage the securities lending program including the management of borrower credit risk through daily marking-to-market and full collateralization with an additional margin for safety, and receiving an indemnity from the financial institution that manages the securities lending program;
- Minimum requirements for counterparties' credit ratings, diversification of counterparties, and monitoring of counterparties and exposures; and
- Monitoring premiums receivable from Schedule 1 employers and holding collateral from some Schedule 2 employers in the form of either letters of credit issued by highly rated financial institutions or surety bonds issued by highly rated insurance companies.

(a) Fixed income investments

The WSIB's fixed income investments consist primarily of high-quality, investment-grade debt instruments. An investment-grade debt instrument is one that is rated BBB and above.

The following table provides information regarding the credit rating of the WSIB's fixed income securities:

	2021		2020	
AAA	4,590	39.0%	4,382	47.2%
AA	2,483	21.1%	1,424	15.3%
A	2,907	24.7%	2,068	22.2%
BBB	551	4.7%	449	4.8%
BB	716	6.1%	552	5.9%
B or lower	499	4.2%	350	3.8%
Not rated	9	0.2%	77	0.8%
Total fixed income investments	11,755	100.0%	9,302	100.0%

Credit risk associated with fixed income investments also includes concentration risk. Concentration risk arises from the exposure of investments from one particular issuer, a group of issuers, a geographic region, or an industry sector. These groups share similar characteristics such as type of industry, regulatory compliance, and economic and political conditions, which may impact the issuers' ability to meet their contractual commitments.

The WSIB manages concentration risk through its diversified mix of assets and a limit of 5% of the fair value of the investment portfolio that may be invested in the securities of a single non-government issuer at the time of acquisition of an investment.

Notes to Consolidated Financial Statements**December 31, 2021****(millions of Canadian dollars)**

The following table provides information regarding the concentration of fixed income investments:

	2021		2020	
Provincial and municipal governments and agencies	4,978	42.3%	3,136	33.7%
Federal government and agencies	4,298	36.6%	4,168	44.8%
Consumer products and merchandising	538	4.6%	422	4.5%
Financial services	487	4.1%	348	3.8%
Utilities and telecommunications	457	3.9%	414	4.5%
Natural resources	372	3.2%	299	3.2%
Other ¹	625	5.3%	515	5.5%
Total fixed income investments	11,755	100.0%	9,302	100.0%

1. Includes sectors having a total exposure of less than 2%.

(b) Securities lending program

Counterparty risk relating to the securities lending program, as further described in note 8, is managed by an intermediary financial institution in accordance with a written agreement, investment policy and procedures on securities lending. Non-cash collateral is comprised primarily of equities, government bonds, and major bank short-term notes. As at December 31, 2021, the fair value of investments loaned under the securities lending program was \$1,041 (2020 – \$1,575).

(c) Receivables from Schedule 1 and Schedule 2 employers

Credit risk associated with premium receivables related to Schedule 1 employers is mitigated through risk management policies and procedures, which include close monitoring of premium payment status and follow-up measures with the employer. An allowance for doubtful accounts is established when a premium receivable becomes impaired.

Credit risk related to receivables from Schedule 2 employers is mitigated by holding collateral in the form of letters of credit and surety bonds. At December 31, 2021, the WSIB held collateral in the total amount of \$264 (2020 – \$259) with Schedule 2 employers.

Market risk

There are three types of market risk to which the WSIB is exposed:

- Currency risk is the risk of loss due to adverse movements in foreign currency rates relative to the Canadian dollar;
- Interest rate risk is the potential for financial loss arising from changes in interest rates; and
- Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

These risks are mitigated through various measures, which include:

- IMCO's policy to hedge currency exchange rate risk associated with certain foreign investment holdings;
- Reviewing interest rate risk through periodic asset-liability studies to determine the appropriate duration for fixed income investments in view of the impact of different interest rate scenarios on the WSIB's assets and liabilities over a period of time; and
- Reviewing price risk through the periodic asset-liability studies to determine the appropriate policy asset mix, in view of the level of risk the WSIB is willing to assume. The policy asset mix is the primary determinant of the portfolio's level of market risk. The WSIB's investment portfolio is further diversified in accordance with the WSIB's investment policies to reduce the portfolio's

Notes to Consolidated Financial Statements**December 31, 2021****(millions of Canadian dollars)**

exposure to a change in price in any particular issuer, group of issuers, geographic region, or sector of the market.

(a) Currency risk

The following provides a sensitivity analysis of the effect of a 1% increase or decrease in the Canadian dollar compared to the foreign currencies that represent 99.4% (2020 – 95.4%) of the WSIB's foreign currency exposure in its investment portfolio:

	2021		2020	
	Net exposure	Effect of 1% change	Net exposure	Effect of 1% change
United States dollar	2,175	22	10,375	104
Euro	203	2	910	9
British pound sterling	15	-	246	3
Japanese yen	-	-	837	8
Hong Kong dollar	-	-	117	1
Foreign currency exposure	2,393	24	12,485	125

(b) Interest rate risk

The WSIB uses effective duration to measure the sensitivity of the fair value of fixed income investments to a change in interest rates. Parallel shifts in the yield curve of 1%, with all other variables held constant, would result in an increase or decrease in the fair value of fixed income investments of approximately \$1,442 (2020 – \$930). This information is based on the assumption that the fixed income investments are not impaired and interest rates and equity prices move independently.

(c) Price risk

The WSIB is exposed to price risk through its investments in public equity investments. The estimated effect on the fair value of public equity investments resulting from a 10% change in market prices, holding all other factors constant, is \$1,404 (2020 – \$1,296).

Insurance funding risk – benefit liabilities

The WSIB is exposed to the risk that the actual obligations for claim payments exceed its estimate of benefit liabilities. Benefit liabilities are influenced by factors such as:

- The discount rate used to value future claims;
- Expected inflation;
- Availability, utilization and cost of health care services;
- Injury severity and duration availability of return-to-work programs and re-employment opportunities at pre-injury employers;
- Wage growth;
- New medical findings that affect the recognition of occupational diseases;
- Legislated changes to benefit rates or modification of the recognition of workplace injuries, which are sometimes applied retroactively; and
- Precedents established through various claims appeals processes.

The WSIB mitigates these risks by utilizing both proprietary and commercially available actuarial models and assessing historical loss development patterns and other predictive analytics. These risks are also

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mitigated by engaging independent actuaries annually to review actuarial assumptions and methodologies in establishing benefit liabilities, as well as reviewing actuarial related matters at regular meetings with the WSIB's Actuarial Advisory Committee.

Note 20 provides further information regarding the nature of benefit liabilities.

13. Property, equipment and intangible assets

	Property and equipment				Intangible assets		Total
	Land	Buildings ¹	Leasehold improvements	Office and computer equipment	Internally developed software	Acquired software	
Cost							
Balance as at December 31, 2019	40	256	23	27	300	10	656
Additions	-	3	1	1	23	5	33
Balance as at December 31, 2020	40	259	24	28	323	15	689
Additions	-	2	2	2	11	1	18
Disposal	-	(1)	-	-	-	-	(1)
Balance as at December 31, 2021	40	260	26	30	334	16	706
Accumulated depreciation and amortization							
Balance as at December 31, 2019	-	124	19	23	127	7	300
Depreciation and amortization	-	9	2	2	38	3	54
Balance as at December 31, 2020	-	133	21	25	165	10	354
Depreciation and amortization	-	9	1	1	53	3	67
Disposal	-	(1)	-	-	-	-	(1)
Balance as at December 31, 2021	-	141	22	26	218	13	420
Carrying amounts							
At December 31, 2020	40	126	3	3	158	5	335
At December 31, 2021	40	119	4	4	116	3	286

1. Buildings include ROU assets of \$61, net of accumulated depreciation of \$97.

The carrying amount for internally developed software as at December 31, 2021 includes \$6 (2020 – \$73) of costs for software that was not yet available for use and therefore is not yet subject to amortization.

The WSIB has determined that there was no impairment of property, equipment and intangible assets in 2021.

14. Payables and other liabilities

	2021	2020
Administration payables	380	354
Investment payables	8	987
Short-term payable – Worker Income Protection Benefit Program ¹	119	-
Experience rating refunds	46	239
Other liabilities	116	116
Total payables and other liabilities	669	1,696

1. The short-term payable – Worker Income Protection Benefit Program balance consists of payables related to administering the COVID-19 Worker Income Protection Benefit Program on behalf of the Government of Ontario.

Total payables and other liabilities are expected to be paid within 12 months from the reporting date.

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The WSIB entered into a 14-month revolving line of credit facility ("credit facility") in the amount of \$900 with the OFA as of October 30, 2020. The purpose of the revolving line of credit facility was to provide the WSIB with flexibility in support of the employer financial relief package.

The credit facility had a variable interest rate of the Three-Month Ontario Treasury Bill Rate plus 3.2 basis points, which was reset automatically on January 1, April 1, July 1 and October 1. Interest was accrued daily on the same terms as the principal and was compounded quarterly. The credit facility matured on December 31, 2021, and was fully repaid as of October 1, 2021. The balance outstanding as at December 31, 2021 was nil (2020 - \$400).

16. Long-term debt and lease liabilities

Long-term debt and lease liabilities are comprised of the following:

	2021	2020
Mortgages payable	70	70
Lease liabilities	107	112
Less: Current portion of lease liabilities	(8)	(7)
Total long-term debt and lease liabilities	169	175

17. Loss of Retirement Income Fund liability

The reconciliation of carrying amounts for the Loss of Retirement Income Fund liability is set forth below:

	2021	2020
Balance at beginning of year	2,003	2,000
Contributions from the WSIB	54	55
Optional contributions from injured workers	7	8
Contributions from Schedule 2 employers	9	8
Income earned on contributions	178	79
Benefits paid in cash	(148)	(147)
Balance at end of year	2,103	2,003

The following provides a summary of the assets by asset category included in the Loss of Retirement Income Fund:

	2021		2020 ¹	
Cash and cash equivalents	170	8.1%	521	26.2%
Public equity investments	607	28.9%	540	27.0%
Fixed income investments	769	36.5%	475	23.7%
Derivative financial instruments	3	0.1%	7	0.3%
Investment properties	27	1.3%	38	1.9%
Investments in associates and joint ventures	139	6.6%	93	4.6%
Other invested assets	387	18.4%	318	15.8%
Other	1	0.1%	11	0.5%
Total Loss of Retirement Income Fund assets	2,103	100.0%	2,003	100.0%

1. Certain comparative amounts have been reclassified to be consistent with the current year's presentation.

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18. Employee benefit plans

The WSIB sponsors defined benefit pension plans and other benefits for WSIB employees.

Pension plans

(a) WSIB Employees' Pension Plan

The EPP provides for partially indexed pensions based on years of service and the best consecutive five of the last 10 years of earnings. The EPP is a registered pension plan under Ontario's *Pension Benefits Act* ("PBA") and the Canada Revenue Agency ("CRA").

On July 1, 2020, the EPP was converted from a single-employer pension plan to a jointly sponsored pension plan. However, there was no impact to the EPP obligation as a result of the conversion. The WSIB and the Ontario Compensation Employees Union are the plan sponsors, and the Board of Trustees administers the EPP, while various administration support functions continue to be performed by the WSIB in accordance with an Agency Agreement between the WSIB and the Board of Trustees. The EPP is open to new entrants, and the WSIB is currently responsible for its funding, less any required employee contributions. Employee contribution requirements will gradually increase until both the WSIB and employees are each contributing 50% of the normal cost. Thereafter, the WSIB will only be responsible for 50% of the total costs of the EPP and its associated liability. It is estimated that the employee contributions will equal the WSIB contributions in 2029.

In December 2020, the WSIB made a one-time lump-sum contribution to the EPP of \$199, accounted for as an employer contribution to the EPP. An additional contribution to the EPP may be required based on a pre-determined calculation dependent on the investment performance of plan assets and subject to a fixed upper bound. As such, it is not practical to determine both the probability of whether a payment will be required and the amount of the payment. Should a payment be required, it may be made as a lump-sum payment prior to December 31, 2025 or on an installment basis, up until the point at which employee contributions equal the WSIB contributions to the EPP.

(b) The Employees' Supplementary Pension Plan

The Employees' Supplementary Pension Plan ("ESPP") is a single-employer pension plan. The ESPP generally has the same benefit plan provisions as the EPP, except that it provides for benefits that are earned above the maximum pension benefits permitted under the *Income Tax Act* (Canada) and employee contributions are fixed at 7% of earnings. The ESPP is registered with the CRA as a Retirement Compensation Arrangement. The WSIB matches employee contributions to the ESPP and contributes additional amounts when required.

Other benefits

(a) The Post-Retirement Benefit Plan

The Post-Retirement Benefit Plan provides extended health, dental, vision, and life insurance benefits for employees who meet the eligibility requirements. Employees must be entitled to a WSIB pension and meet a service requirement to qualify for benefits. The plan is funded on a pay-as-you-go basis.

(b) Other employment benefits

Other employment benefits include vacation and attendance credits, which are payable upon termination of employment, and disability benefits payable up to age 65.

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Governance of the plans

The EPP Board of Trustees, known as WISE Trust, performs the governance and the administration of the EPP. This includes such tasks as approval of the actuarial valuation reports and audited plan financial statements, appointment and termination of key service providers, approval of asset-liability studies, determining the EPP's SIPP and asset mix, as well as performing any regulatory and legislative pension plan compliance. The WSIB Board of Directors and the Ontario Compensation Employees Union bear joint responsibility in the determination of the plan design and the selection of the EPP Board of Trustees.

The WSIB Board of Directors oversees the administration of all the other employee benefit plans in accordance with applicable legislation and approves the governance structure, including the mandates of those to whom administrative duties and responsibilities are delegated.

The WSIB Board of Directors receives assistance in the fulfilment of its responsibilities related to the employee benefit plans through various committees, including the Audit and Finance Committee, the Human Resources and Compensation Committee and the Governance Committee.

Risks

Given that employee contributions to the employee benefit plans (if any) are fixed in the short term, the WSIB generally bears the risks associated with the employee benefit plans. For the EPP, employee contributions will increase up until they are equal to the WSIB contributions. Once employee and the WSIB contributions are equal, all EPP funding risks will be shared equally between the WSIB and employees.

The most significant sources of risk for the WSIB include:

- a) A decline in discount rates that increases the obligation and expense;
- b) Investment returns which are lower than expected;
- c) Lower-than-expected rates of mortality; and
- d) Health care cost inflation being higher than assumed.

In general, risks are managed through plan design reviews, the EPP's funding policy and, in relation to investment risks, through risk control mechanisms in the EPP's SIPP. The SIPP is determined and monitored by the EPP Board of Trustees in accordance with the PBA, and the review of plan design is conducted jointly by the plan sponsors.

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Employee benefit plans expense

The cost of the employee benefit plans recognized in administration and other expenses is as follows:

	Pension plans		Other benefits		Total	
	2021	2020	2021	2020	2021	2020
Current service cost	175	134	27	24	202	158
Net interest on the employee benefit plans liability	45	37	31	28	76	65
Past service cost (recovery)	(9)	-	5	86	(4)	86
Long-term employee benefit losses (gains)	-	-	13	(2)	13	(2)
Administrative expenses	11	5	-	-	11	5
Employee benefit plans expense	222	176	76	136	298	312

Amounts recognized in other comprehensive income (loss) are as follows:

	Pension plans		Other benefits		Total	
	2021	2020	2021	2020	2021	2020
Actuarial gains (losses) arising from:						
Financial assumptions	219	(487)	186	(73)	405	(560)
Demographic assumptions	-	(170)	-	(39)	-	(209)
Plan experience	(12)	(39)	-	(10)	(12)	(49)
Return in excess of interest income on plan assets	322	45	-	-	322	45
Remeasurements of employee benefit plans	529	(651)	186	(122)	715	(773)

Employee benefit plans liability

The employee benefit plans liability as at December 31 is comprised of the following:

	Pension plans		Other benefits		Total	
	2021	2020	2021	2020	2021	2020
Present value of obligations ¹	5,434	5,470	1,002	1,137	6,436	6,607
Fair value of plan assets	(4,221)	(3,872)	-	-	(4,221)	(3,872)
Employee benefit plans liability	1,213	1,598	1,002	1,137	2,215	2,735

1. The WSIB's pension plans are wholly or partly funded whereas the WSIB's other benefits are wholly unfunded.

Notes to Consolidated Financial Statements**December 31, 2021****(millions of Canadian dollars)**

The movement in the total present value of employee benefit obligations is as follows:

	Pension plans		Other benefits		Total	
	2021	2020	2021	2020	2021	2020
Balance, beginning of year	5,470	4,620	1,137	911	6,607	5,531
Current service cost	175	134	27	24	202	158
Employee contributions	32	30	-	-	32	30
Interest expense on the employee benefit obligations	145	148	31	28	176	176
Past service cost (recovery)	(9)	-	5	86	(4)	86
Actuarial losses (gains) arising from:						
Financial assumptions	(219)	487	(171)	75	(390)	562
Demographic assumptions	-	170	-	39	-	209
Plan experience	12	39	(2)	6	10	45
Benefits paid	(172)	(158)	(25)	(32)	(197)	(190)
Balance, end of year	5,434	5,470	1,002	1,137	6,436	6,607

As at December 31, 2021, the EPP was 99.2% of the pension plans obligation (2020 – 99.0%), and the Post-Retirement Benefit plan was 86.8% of the other benefits obligation (2020 – 89.0%).

The weighted average duration of the defined benefit pension plans and the other benefit plans' obligations as at December 31, 2021 is 18.2 and 20.6 years, respectively (2020 – 18.8 and 21.0 years, respectively).

Fair value of plan assets

The movement in the total fair value of plan assets is as follows:

	Pension plans		Other benefits		Total	
	2021	2020	2021	2020	2021	2020
Balance, beginning of year	3,872	3,560	-	-	3,872	3,560
Interest income on plan assets	100	112	-	-	100	112
Return in excess of interest income on plan assets	322	45	-	-	322	45
Employer contributions ¹	78	288	25	32	103	320
Employee contributions	32	30	-	-	32	30
Benefits paid	(172)	(158)	(25)	(32)	(197)	(190)
Administrative costs paid	(11)	(5)	-	-	(11)	(5)
Balance, end of year	4,221	3,872	-	-	4,221	3,872

1. Includes \$199 related to the one-time lump-sum contribution made to the EPP in December 2020.

Employer's contributions to the pension plans are projected to be \$100 for 2022.

Benefits to be paid from pension plan assets, during 2022, are projected to be \$172, and other benefits to be paid directly by the employer are projected to be \$39.

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Pension plan assets as at December 31 are comprised of the following:

	2021		2020	
Pension plan assets				
Public equities	1,833	43.4%	1,361	35.1%
Fixed income	1,080	25.6%	800	20.7%
Credit	125	3.0%	36	0.9%
Public market alternatives	383	9.1%	309	8.0%
Diversified markets	1	0.0%	408	10.5%
Real estate	419	9.9%	336	8.7%
Infrastructure	324	7.7%	316	8.2%
Cash and cash equivalents	55	1.3%	411	10.6%
Other	1	0.0%	(105)	(2.7%)
Total¹	4,221	100.0%	3,872	100.0%

1. Includes \$4.3 net assets of the ESPP (2020 – \$4.9).

Actuarial assumptions

The significant actuarial assumptions used in the determination of the present value of the employee benefit obligations are as follows:

	2021	2020
Discount rate ¹		
Benefit plan expense	2.60%	3.15%
Accrued benefit obligation at end of year	3.00%	2.60%
Rate of pension increase at end of year ²	1.50%	1.31%
Rate of compensation increase at end of year ³	3.75%	3.50%
Health care trends at end of year		
Initial trend rate	4.75%	5.00%
Ultimate trend rate	4.50%	4.50%
Year ultimate trend rate is reached	2023	2023
Dental care trend rate at end of year	4.00%	4.00%
Mortality		
Base table ⁴	100% of CPM (Public)	100% of CPM (Public)
Projection scale ⁵	MI-2017	MI-2017

1. Weighted average based on obligation (rounded to the nearest 5 basis points).

2. Pension benefits are increased annually, every January 1, equal to 75% of the Consumer Price Index (i.e., inflation).

3. This is an approximation. Actual assumption is based on inflation of 2.0% per annum plus unisex pay merit scale.

4. 2014 Canadian Pensioners' Sector Mortality Table ("CPM").

5. Scale MI-2017 modified to have an ultimate rate of 0.8%.

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The current longevity underlying the measurement of the employee benefit obligations as at December 31 are as follows:

	2021	2020
Longevity for those currently at age 65		
Males	23.2 years	23.1 years
Females	25.1 years	25.0 years
Longevity at age 65 for those currently at age 45		
Males	24.3 years	24.2 years
Females	26.1 years	26.1 years

Sensitivity of the actuarial assumptions

Changes in the actuarial assumptions used have a significant effect on the employee benefit plans obligation. The sensitivity analysis below provides an estimate of the potential impact of changes in key assumptions as at December 31, 2021, with all other assumptions held constant:

Sensitivity in assumptions	Increase (decrease) in the obligations		
	Pension plans	Other benefits	Total
Discount rate			
1% increase in discount rate	(861)	(166)	(1,027)
1% decrease in discount rate	1,138	224	1,362
Rate of compensation increase			
1% increase in compensation rate	193	6	199
1% decrease in compensation rate	(170)	(5)	(175)
Rate of pension increase			
1% increase in pension benefits	605	N/A	605
1% decrease in pension benefits	(517)	N/A	(517)
Health and dental care trend rates			
1% increase in trend rates	N/A	200	200
1% decrease in trend rates	N/A	(151)	(151)
Mortality rates			
10% increase in mortality rates ¹	(113)	(23)	(136)
10% decrease in mortality rates ²	124	26	150

1. The increase in the mortality rates results in a decrease of the average life expectancy of a female aged 65 years by 0.7 years.

2. The decrease in the mortality rates results in an increase of the average life expectancy of a female aged 65 years by 0.8 years.

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19. Net premium revenue

A summary of premiums for the years ended December 31 is as follows:

	2021	2020
Gross Schedule 1 premiums	3,142	2,907
Bad debts recovery (expense)	28	(43)
Interest and penalties	30	12
Other income	2	1
Schedule 1 employer premiums	3,202	2,877
Schedule 2 employer administration fees	92	93
Premiums	3,294	2,970
Net mandatory employer incentive programs ¹	(128)	2
Net premium revenue	3,166	2,972

1. Prior to January 1, 2020, Schedule 1 employers participated in mandatory employer incentive programs that may have resulted in adjustments to premium rates. Effective January 1, 2020, the WSIB transitioned to the new premium rate-setting model, which eliminates the need for such adjustments to premium rates. The amount for the year ended December 31, 2021 represents the net payouts for mandatory employer incentive programs related to claims from prior injury years that were reassessed in the current year due to the wind-up policy updates made to the New Experimental Experience Rating ("NEER") program.

20. Benefit liabilities and claim costs

Benefit liabilities

Benefit liabilities are based on the level and nature of entitlement under the WSIA and adjudication practices in effect at that date.

Benefit liabilities are comprised of the following:

	2021	2020
Loss of earnings	8,759	8,733
Workers' pensions	4,921	5,167
Health care	4,922	4,550
Survivor benefits	3,193	3,079
Future economic loss	646	745
External providers	92	93
Non-economic loss	352	322
Long latency occupational diseases	2,454	2,385
Claim administration costs	1,469	1,322
Loss of Retirement Income	502	514
Benefit liabilities	27,310	26,910

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Further details of the changes in benefit liabilities are as follows:

	Benefit liabilities, beginning of year	Claim costs recognized during the year	Payments processed during the year ²	Interest expense on the liability	Impact of actuarial remeasurement	Changes in claims experience	Benefit liabilities, end of year
Loss of earnings	8,733	1,015	(1,067)	373	(13)	(282)	8,759
Workers' pensions	5,167	-	(452)	237	-	(31)	4,921
Health care	4,550	574	(576)	205	158	11	4,922
Survivor benefits	3,079	166	(212)	141	-	19	3,193
Future economic loss	745	-	(138)	30	-	9	646
External providers	93	28	(28)	5	-	(6)	92
Non-economic loss	322	55	(66)	14	-	27	352
Long latency occupational diseases ¹	2,385	(46)	-	113	57	(55)	2,454
Claim administration costs	1,322	586	(557)	56	209	(147)	1,469
Loss of Retirement Income	514	44	(54)	23	-	(25)	502
Total for 2021	26,910	2,422	(3,150)	1,197	411	(480)	27,310

1. Claim costs recognized during the year for long latency occupational diseases represent the additional claims due to the current year's exposure offset by the expected benefit liabilities as at previous year-end for the current year's occupational diseases claims.

2. Payments processed during the year relate to prior and current injury years.

	Benefit liabilities, beginning of year	Claim costs recognized during the year	Payments processed during the year ²	Interest expense on the liability	Impact of actuarial remeasurement	Changes in claims experience	Benefit liabilities, end of year
Loss of earnings	8,493	882	(1,098)	379	(31)	108	8,733
Workers' pensions	5,491	-	(478)	251	-	(97)	5,167
Health care	4,588	492	(504)	212	(154)	(84)	4,550
Survivor benefits	2,995	129	(210)	135	-	30	3,079
Future economic loss	873	-	(151)	39	-	(16)	745
External providers	97	28	(23)	3	-	(12)	93
Non-economic loss	310	49	(69)	11	-	21	322
Long latency occupational diseases ¹	2,395	(78)	-	114	-	(46)	2,385
Claim administration costs	1,355	534	(546)	57	-	(78)	1,322
Loss of Retirement Income	513	39	(55)	25	(3)	(5)	514
Total for 2020	27,110	2,075	(3,134)	1,226	(188)	(179)	26,910

1. Claim costs recognized during the year for long latency occupational diseases represent the additional claims due to the current year's exposure offset by the expected benefit liabilities as at previous year-end for the current year's occupational diseases claims.

2. Payments processed during the year relate to prior and current injury years.

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Claim payments

Claim payments represent cash paid or payable during the year to or on behalf of injured workers excluding claim administration costs and the Loss of Retirement Income. Claim payments are comprised of the following:

	2021	2020
Loss of earnings	1,067	1,098
Workers' pensions	452	478
Health care	576	503
Survivor benefits	212	212
Future economic loss	138	150
External providers	28	23
Non-economic loss	66	69
Total claim payments	2,539	2,533

Claim administration costs

Claim administration costs are comprised of the following:

	2021	2020
Allocation from administration and other expenses	533	524
Allocation from legislated obligations and funding commitments expenses	24	22
Total claim administration costs	557	546

Change in actuarial valuation of benefit liabilities

The change in actuarial valuation of benefit liabilities is comprised of the following:

	2021	2020
Changes in estimate of cost of claims	(1,208)	(1,238)
Changes in actuarial assumptions and methods	411	(188)
Accretion ¹	1,197	1,226
Total changes in actuarial valuation of benefit liabilities	400	(200)

1. Accretion represents the estimated interest cost of the benefit liabilities, considering the discount rate, benefit liabilities at the beginning of the year and payments made during the year.

The changes in actuarial assumptions and methods are comprised of the following:

	2021	2020
Changes in methods and assumptions for future claim administration costs	172	-
Changes in methods and assumptions for loss of earnings benefits	(13)	(34)
Changes in methods and assumptions for health care escalation	252	(154)
Total changes in actuarial assumptions and methods	411	(188)

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Actuarial assumptions and methods

The actuarial present value of future claim payments depends on actuarial assumptions, including economic assumptions, which are based on past experience modified for current trends and expected development. Actuarial assumptions are reviewed annually when the actuarial valuation is performed. Management believes the valuation methods and assumptions are, in aggregate, appropriate for the valuation of benefit liabilities. The following table summarizes the main underlying actuarial assumptions used in estimating the categories of benefit liabilities:

Actuarial Assumption	Note	Loss of earnings	Workers' pensions	Health care	Survivor benefits	Future economic loss	External providers	Non-economic loss	Long latency occupational diseases (f)
Discount rate	(a)	✓	✓	✓	✓	✓	✓	✓	✓
Indexation	(a)	✓	✓	✓	✓	✓	-	✓	✓
Wage escalation	(a)	✓	✓	✓	✓	✓	✓	✓	✓
Health care escalation	(a)	-	-	✓	-	-	-	-	✓
Wage loss	(b)	✓	-	-	-	✓	-	-	✓
Mortality	(c)	✓	✓	✓	✓	✓	-	✓	✓
Claims incidence	(d)	✓	-	-	-	-	-	-	✓
Termination	(d)	✓	-	-	-	-	-	-	✓
Exposure index	(d)	✓	✓	✓	✓	✓	✓	✓	✓
Expenses	(e)	✓	✓	✓	✓	✓	✓	✓	✓

(a) Economic assumptions

The following provides a summary of the primary economic assumptions used in the actuarial valuation of benefit liabilities:

	2021 ¹	2020 ^{1,2}
Discount rate	2022 and thereafter – 4.75%	2021 and thereafter – 4.75%
Inflation (CPI)	2.0%	2.0%
Indexation of benefits	2.0% (CPI)	2.0% (CPI)
Wage escalation rate	3.0% (CPI + 1.0%)	3.0% (CPI + 1.0%)
Health care costs escalation rate	6.0% (CPI + 4.0%) from 2022 to 2024 5.0% (CPI + 3.0%) from 2025 to 2026 4.0% (CPI + 2.0%) thereafter	4.0% (CPI + 2.0%)

1. All percentages are on a per annum basis.

2. Certain comparative amounts have been updated to be consistent with the current year's presentation.

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(b) Wage loss

Wage loss refers to the proportion of a worker's wages that is lost due to an injury. Most benefits influenced by wage loss are based on historical experience and limits in the WSIA.

(c) Mortality

Mortality rates are used to estimate the duration for which the WSIB will continue to be required to make payments to injured workers or survivors receiving monthly pension amounts. The mortality assumptions are determined separately for injured workers and survivors as follows:

- (i) The mortality assumption for injured workers is based on an actuarial study of the mortality levels by age and gender experienced by WSIB disability income recipients from 2013 to 2017, adjusted to reflect any prevailing improvements (or otherwise) in the experience of WSIB injured workers up to and including 2021;
- (ii) The mortality assumption for those receiving survivor benefits is based on an actuarial study of mortality levels experienced by WSIB survivors, and the 2014–2016 Province of Ontario population mortality table developed by Statistics Canada, adjusted to reflect any prevailing improvements (or otherwise) in the experience of WSIB survivors up to and including 2021; and
- (iii) The mortality rates for both injured workers and survivors are projected for future years using the Canada Pension Plan's mortality improvement factors. As such, future mortality rates are reduced to allow for greater future longevity expected for injured workers and survivors.

(d) Claims incidence, termination and exposure index

Claims incidence refers to the number of claims incurred during the year and requires actuarial assumptions for the number of claims expected to have been incurred but not reported at December 31, 2021. Termination refers to the actuarial assumptions regarding the future duration of claims. Exposure index refers to the indicator used to assist in predicting certain future costs for different injury years and represents, on a relative basis, the level of risk insured by the WSIB.

The assumptions regarding claims incidence are determined based on the number of claims incurred in past years. The termination assumption is determined using average termination experience of the WSIB from five recent injury years and modified for the existing claims expected to be of longer duration. The exposure index has been developed using the number of lost-time injuries incurred up to injury year 1998, and for subsequent years, the number of workers covered by the WSIB, adjusted by the variation in the average risk associated with these workers. The termination rates and the projected number of loss of earnings future lock-in claims and their profiles were updated in 2021 to reflect recent experience.

(e) Expenses

Ratios of claim administration costs to the amounts of claims paid are used to estimate the future costs of claim administration for current claims. These ratios have been developed in analyzing claims administration and other claims related management costs for all cost centres at the WSIB by claim type, duration and amount.

(f) Long latency occupational diseases

Long latency occupational diseases refer to future occupational disease claims arising from exposures up to the valuation date to hazardous substances or conditions, such as asbestos and excessive noise.

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Changes in the actuarial assumptions used have a significant effect on the claim costs recognized. The following provides an estimate of the potential impact of a change in the more significant assumptions:

Changes in assumptions	Increase in claim costs 2021	Increase in claim costs 2020
100 basis point decrease in the discount rate	2,934	2,854
100 basis point increase in the inflation rate:		
Impact of benefits indexation rate	1,586	1,582
Impact of wage growth	623	618
Impact of health care cost escalation	622	578

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Claims development

Benefit liabilities include the current estimate of future payments related to claims incurred during 2021 and prior years. Each reporting period, benefit liabilities are adjusted for changes in the estimate of the future payments, and the change in estimate is recognized in claim costs. The table below provides the development of the estimates related to claims incurred from 2012 to 2021.

	Year of injury										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Year of estimate											
2012	2,815										
2013	2,274	2,627									
2014	2,000	2,296	2,453								
2015	1,843	1,981	2,145	2,317							
2016	1,751	1,877	1,933	2,071	2,210						
2017	1,716	1,827	1,864	1,970	2,274	2,371					
2018	1,714	1,799	1,838	1,925	2,208	2,405	2,604				
2019	1,713	1,761	1,761	1,897	2,126	2,351	2,494	2,614			
2020	1,657	1,702	1,730	1,858	2,085	2,325	2,449	2,663	2,618		
2021	1,656	1,701	1,701	1,863	2,102	2,333	2,472	2,627	2,545	3,054	
Current estimate of cumulative claims costs	1,656	1,701	1,701	1,863	2,102	2,333	2,472	2,627	2,545	3,054	22,054
Cumulative payments made	(718)	(666)	(630)	(636)	(703)	(690)	(701)	(641)	(468)	(256)	(6,109)
Outstanding claims (undiscounted)	938	1,035	1,071	1,227	1,399	1,643	1,771	1,986	2,077	2,798	15,945
Effect of discounting	(444)	(489)	(503)	(592)	(656)	(789)	(826)	(920)	(953)	(1,172)	(7,344)
Benefit liabilities (discounted outstanding claims)	494	546	568	635	743	854	945	1,066	1,124	1,626	8,601
Benefit liabilities (discounted outstanding claims) prior to 2012 injury year											14,786
Claim administration costs											1,469
Long latency occupational diseases											2,454
Total benefit liabilities											27,310

Claim costs for years of injury before 2016 generally exhibit a downward trend. However, claim costs for years of injury after 2016 exhibit an upward trend, primarily due to the increase in lost-time injuries and the worsening return to work experience, compared to the previous injury years.

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Rate setting

In accordance with the WSIA, the WSIB's obligations are satisfied by charging annual premiums to all Schedule 1 employers. The WSIB introduced a new rate setting model and North American Industry Classification System based classification structure effective January 1, 2020. The rate setting model is a prospective premium rate setting framework that is applied to all businesses. The model includes built-in dynamic risk banding which allows a range of business premium rates within a class/subclass and for individual business premium rates to change year over year to better reflect changes in a business' claims cost experience. The premium rate for each business will reflect the rate of the class/subclass and its risk in relation to other businesses in that class considering their size. Each class/subclass has a series of risk bands and each risk band has an associated rate either above or below the class rate. The premium rate for each class reflects costs associated with claims, administration and legislative obligations.

There is a two-step approach to set and adjust premium rates for businesses:

- (a) Set class rate for each industry class based on its risk profile and share of responsibility to maintain the insurance fund. The class rate is a collective rate that represents the class' share of responsibility for its WSIB costs; and
- (b) Compare individual insurable earnings and claim history to the businesses in the class. This means that a business' overall rate under the new model will reflect its individual experience and risk.

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Concentration of risks

The WSIB provides workplace injury insurance for all Schedule 1 employers with workers in the Province. In this respect, the WSIB's risks are concentrated among the workplace risks associated with the various industries in the Province. The gross premiums by industry for the year ended December 31, 2021 are provided below.

Class/Subclass	Gross premiums	% of total
Agriculture	52	1.9%
Mining, quarrying, oil and gas extraction	71	2.6%
Utilities	23	0.8%
Educational services	24	0.9%
Public administration	76	2.8%
Hospitals	131	4.8%
Food, textiles and related manufacturing	99	3.6%
Non-metallic and mineral manufacturing	134	4.9%
Printing, petroleum and chemical manufacturing	41	1.5%
Metal, transportation equipment and furniture manufacturing	257	9.5%
Machinery, electrical equipment and miscellaneous manufacturing	70	2.6%
Computer and electronic manufacturing	8	0.3%
Rail, water, truck transportation and postal service	142	5.2%
Air, transit, ground passenger, recreational and pipeline transportation, courier services and warehousing	97	3.6%
Residential construction	61	2.2%
Infrastructure construction	89	3.3%
Foundation, structure and building exterior construction	160	5.9%
Residential building equipment construction	157	5.8%
Specialty trades construction	114	4.2%
Non-residential building construction	45	1.7%
Petroleum, food, motor vehicle and miscellaneous wholesale	51	1.9%
Personal and household goods, building materials and machinery wholesale	69	2.5%
Motor vehicles, building materials, food and beverage retail	126	4.6%
Furniture, home furnishings, clothing and accessories retail	20	0.7%
Electronics, appliances, health and personal care retail	13	0.5%
Specialized retail and department stores	51	1.9%
Information and culture	15	0.6%
Finance, management and leasing	33	1.2%
Professional, scientific and technical	30	1.1%
Administration, services to buildings, dwellings and open spaces	100	3.7%
Ambulatory health care	64	2.3%
Nursing and residential care facilities	108	4.0%
Social assistance	29	1.1%
Leisure and hospitality	79	2.9%
Other services	80	2.9%
Total	2,719	100.0%
Premium accrued but not reported	423	
Total	3,142	

Notes to Consolidated Financial Statements**December 31, 2021****(millions of Canadian dollars)**

In addition, the WSIB's risks are concentrated among the workplace injuries and diseases that result in disabilities or deaths to injured workers. The WSIA does not provide the WSIB with the ability to diversify away from these risks. Additional risks can arise from appeals or legislative changes, which can produce an immediate increase in benefit liabilities.

Premium rates are the primary means to mitigate these risks. Premium rates are adjusted annually as benefit liabilities and risks are reviewed and then differentiated by class/subclass and business in order to reflect the higher or lower expected costs and loss frequency associated with particular classes/subclasses and businesses.

Liquidity of benefit liabilities risks

The following table provides an estimate of the expected timing of undiscounted cash flows for claim payments:

	2021	2020
Up to one year	6%	6%
Over one year and up to five years	18%	18%
Over five years and up to ten years	18%	18%
Over ten years and up to fifteen years	14%	14%
Over fifteen years	44%	44%
	100%	100%

21. Commitments and contingent liabilities**(a) Investment commitments**

The WSIB's commitments for capital calls as at December 31, 2021 related to its investment portfolio are \$5,286 (2020 – \$4,068). There is no specific timing requirement to fulfill these commitments during the investment period.

(b) Legislated obligations and funding commitments

Known commitments related to legislated obligations and funding commitments as at December 31, 2021 were approximately \$290 for 2022 (2020 – \$274).

(c) Other commitments

As at December 31, 2021, the WSIB had additional commitments going forward under non-cancellable contracts for purchases of goods and services with future minimum payments of approximately \$95 (2020 – \$179).

(d) Legal actions

The WSIB is engaged in various legal proceedings and claims that have arisen in the ordinary course of business, the outcome of which is subject to future resolution. Based on information currently known to the WSIB, management believes that adequate provisions have been made for cases where it is reasonably possible that a payment will be made and that the probable ultimate resolution of all existing legal proceedings and claims will not have a material effect on the WSIB's financial position.

Notes to Consolidated Financial Statements**December 31, 2021****(millions of Canadian dollars)****22. Funding and capital management**

As the board-governed trust agency under the Agencies and Appointments Directive for administering the Province's compensation system, the WSIB's capital management objective is to ensure sufficient funding to provide compensation and other benefits to workers and to the survivors of deceased workers. The WSIA requires the WSIB to make payments for current benefits as they come due and to provide for future benefits. Further, the WSIA requires the WSIB to maintain sufficient funding so as not to burden unduly or unfairly any class of Schedule 1 employers with payments, in any year in respect of current benefits, or in future years in respect of future benefits.

The capital resources available to the WSIB are comprised of its total assets less total liabilities, excluding those attributable to non-controlling interests. As at December 31, 2021, the WSIB's capital is represented by net assets attributable to WSIB stakeholders of \$7,261 (2020 – \$4,324).

Ontario Regulation 141/12 under the WSIA came into force on January 1, 2013 and requires the WSIB to calculate a Sufficiency Ratio. Prior to January 1, 2022, *Ontario Regulation 141/12* required the WSIB to ensure the Sufficiency Ratio met prescribed levels by the following dates:

December 31, 2017	60%
December 31, 2022	80%
December 31, 2027	100%

Ontario Regulation 141/12 was amended by *Ontario Regulation 864/21* (collectively, the "Ontario Regulations") effective January 1, 2022. The Ontario Regulations now specify the following:

- The criteria to be regarded in determining eligibility for a distribution of amounts to Schedule 1 employers;
- Discretion of amount of disbursements; and
- Timing of disbursements.

More specifically, should a decision be made to distribute surplus when the Sufficiency Ratio is above 115% and below 125%, any surplus distributions shall be distributed within 90 days of the WSIB determining that it will distribute a surplus to eligible Schedule 1 employers, with the amount of the distribution within the discretion of the WSIB.

Should the Sufficiency Ratio be equal to or above 125%, any surplus distributions shall be distributed to eligible Schedule 1 employers within 30 days of the WSIB determining the Sufficiency Ratio is equal to or above 125%, to return to a Sufficiency Ratio of 115.1%.

The Ontario Regulations clarify the measurement of assets and liabilities included in the Sufficiency Ratio, whereby the Sufficiency Ratio is calculated by comparing total assets to total liabilities, with certain assets and liabilities measured on a going concern basis rather than that required under IFRS.

The WSIB prepares a quarterly Sufficiency Report to report on its Sufficiency Ratio as it relates to the regulated funding requirements. As at December 31, 2021, the Sufficiency Ratio was 121.2% (2020 – 117.3%).

Notes to Consolidated Financial Statements

December 31, 2021

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23. Related party transactions

The WSIB's related parties include the Government of Ontario and related entities, key management personnel, subsidiaries, associates, joint ventures, and post-retirement benefit plans for the WSIB's employees. The transactions are in the ordinary course of business.

Government of Ontario and related entities

The WSIB is a board-governed trust agency under the Agencies and Appointments Directive, responsible for administering the WSIA. As such, the WSIB is considered a government-related entity and is provided partial exemptions under IFRS from its disclosure of transactions with the Government of Ontario and various ministries, agencies, and Crown corporations over which the Government of Ontario has control.

The WSIB is required to make payments to defray the cost of administering the OHSA and the regulations made under the OHSA. The WSIB is also required to pay for the operating costs of the WSIAT and the costs that may be incurred by the Office of the Worker Adviser and the Office of the Employer Adviser. The WSIB also provides various grants and funding to carry on investigations, research and training. The total of this funding for the year ended December 31, 2021 was \$269 (2020 – \$252) and is included in legislated obligations and funding commitments expenses.

In addition to the above, the consolidated financial statements include amounts resulting from transactions conducted in the normal course of operations with various ministries, agencies, and Crown corporations over which the Government of Ontario has control.

Included in investments at December 31, 2021 are \$1,786 of marketable fixed income investments issued by the Government of Ontario and related entities (2020 – \$1,308).

Reimbursements paid to the Ministry of Health ("MOH") for physicians' fees for services to people with work-related injuries or illnesses are included in claim payments. Administrative fees paid to the MOH are included in administration and other expenses.

On October 30, 2020, the WSIB entered into a 14-month credit facility in the amount of \$900 with the OFA (refer to note 15). As at December 31, 2021, the credit facility has matured, and the balance outstanding is nil (2020 – \$400).

Investment Management Corporation of Ontario

In 2016, the WSIB was named in *Ontario Regulation 251/16* as one of the initial members of IMCO. Created by the Ontario government and enacted by legislation, IMCO provides investment management and advisory services to participating organizations in Ontario's public sector.

On July 24, 2017, IMCO officially began managing the WSIB's invested assets, and subsequent to IMCO becoming operational, the WSIB's share of IMCO's operating expenses is paid by the WSIB on a cost recovery basis.

External investment manager and custodial fees, previously paid directly by the WSIB, are now paid by IMCO on the WSIB's behalf.

Notes to Consolidated Financial Statements**December 31, 2021****(millions of Canadian dollars)****Key management remuneration**

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the WSIB, directly or indirectly. The remuneration of key management, which includes the Board of Directors, is included in administration and other expenses.

	Appointees to the Board of Directors ¹		Executive personnel ²		Total	
	2021	2020	2021	2020	2021	2020
Salaries and short-term benefits	1.6	0.9	4.0	3.8	5.6	4.7
Long-term employee benefit plans	-	-	0.6	0.5	0.6	0.5
	1.6	0.9	4.6	4.3	6.2	5.2

1. Includes the Chair and the President and CEO.

2. Includes the Chiefs, General Counsel and Special Advisor to the President and CEO.

Employee benefit plans

The WSIB's defined benefit pension plans and the other benefit plans are considered related parties. Note 18 provides details of transactions with these employee benefit plans.

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24. Information on subsidiaries and non-controlling interests

The WSIB's consolidated financial statements include the financial statements of all its subsidiaries.

(a) Directly or indirectly owned subsidiaries

The majority of the WSIB's assets are held directly or indirectly by the following subsidiaries:

	WSIB's ownership		Country of incorporation and operation
	2021	2020	
Wholly owned subsidiaries			
2742267 Ontario Ltd.	100.0%	100.0%	Canada
2742268 Ontario Ltd.	100.0%	100.0%	Canada
2778374 Ontario Ltd.	100.0%	100.0%	Canada
2778376 Ontario Ltd.	100.0%	100.0%	Canada
2859927 Ontario Inc. ¹	100.0%	-	Canada
2859928 Ontario Inc. ¹	100.0%	-	Canada
799549 Ontario Inc.	100.0%	100.0%	Canada
Simcoe Infra A Insurance Fund Ltd. ¹	100.0%	-	Canada
Simcoe Infra A LRI Ltd. ¹	100.0%	-	Canada
Simcoe Wight IF Holdings Ltd.	100.0%	100.0%	Canada
Simcoe Wight LRI Holdings Ltd.	100.0%	100.0%	Canada
WSIB Investments (International Infrastructure Non-Pension) Limited	100.0%	100.0%	Canada
WSIB Investments (International Realty Non-Pension) Limited	100.0%	100.0%	Canada
WSIB Investments (Private Equity Non-Pension) Limited	100.0%	100.0%	Canada
WSIB Van IF GP Holdings Ltd.	100.0%	100.0%	Canada
WSIB Van LRI GP Holdings Ltd.	100.0%	100.0%	Canada
Partly owned subsidiaries			
2742266 Ontario Ltd.	95.6%	98.4%	Canada
Absolute Return (2012) Pooled Fund Trust	90.5%	90.8%	Canada
Diversified Markets (2010) Pooled Fund Trust	51.9%	87.0%	Canada
Simcoe Accord Credit Limited	98.5%	98.5%	Canada
Simcoe Pacific Pooled Fund Trust	90.8%	90.8%	Canada
WSIB Investments (Fixed Income) Pooled Fund Trust	90.8%	90.8%	Canada
WSIB Investments (Infrastructure) Pooled Fund Trust	90.8%	90.8%	Canada
WSIB Investments (International Realty) Limited	91.2%	91.2%	Canada
WSIB Investments (Public Equities) Pooled Fund Trust	91.3%	91.1%	Canada
WSIB Investments (Realty) Limited	91.2%	91.2%	Canada
WSIB Investments (Total Return) Pooled Fund Trust	89.7%	90.8%	Canada

1. These entities were incorporated during the year ended December 31, 2021.

During the year ended December 31, 2021, the Diversified Markets (2009) Pooled Fund Trust was dissolved (WSIB ownership in 2020 – 87.9%).

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(millions of Canadian dollars)

The WSIB's EPP and other investors are the non-controlling interests in each of the partly owned subsidiaries listed above. The following provides aggregated summary financial information for the partly owned subsidiaries, before intercompany eliminations:

Summary information from statements of financial position	2021	2020
Total assets	9,051	28,129
Total liabilities	(50)	(733)
Surplus of assets	9,001	27,396
Attributable to the WSIB Employees' Pension Plan	698	2,413
Summary information from statements of comprehensive income	2021	2020
Investment income	1,751	1,373
Investment expenses	(91)	(63)
Net investment income	1,660	1,310
Translation gains (losses) from net foreign investments	(17)	22
Attributable to the WSIB Employees' Pension Plan	170	127

(b) Reconciliation of non-controlling interests

The following provides a reconciliation of the non-controlling interests, including the effect of changes in ownership:

	Non-controlling interests		Total
	Partly owned subsidiaries	Other subsidiaries	
Balance as at December 31, 2019	3,337	94	3,431
Excess (deficiency) of revenues over expenses	121	(3)	118
Translation gains from net foreign investments	2	-	2
Distributions paid by subsidiaries to non-controlling interests	(217)	(4)	(221)
Net contributions (redemptions) related to non-controlling interests ¹	(832)	4	(828)
Balance as at December 31, 2020	2,411	91	2,502
Excess (deficiency) of revenues over expenses	171	(2)	169
Translation losses from net foreign investments	(1)	-	(1)
Distributions paid by subsidiaries to non-controlling interests	(438)	(8)	(446)
Net redemptions related to non-controlling interests ¹	(1,447)	(23)	(1,470)
Balance as at December 31, 2021	696	58	754

1. Includes the derecognition of \$1,471 (2020 – \$830), representing the EPP's proportionate share of net assets, as a result of strategic changes in the WSIB's investment portfolio during the year, including the launch of the pooling strategy.

Notes to Consolidated Financial Statements

December 31, 2021

(millions of Canadian dollars)

25. Subsequent event

Surplus distribution

On February 10, 2022, the Board of Directors approved a rebate of surplus funds totaling up to \$1.5 billion to be distributed to eligible Schedule 1 employers within 90 days. The WSIB's strong financial and operational management along with its positive investment returns have led to a sufficiency ratio of 121.2% as at December 31, 2021. Recent legislative amendments by the Government of Ontario have made it possible to rebate surplus funds. The rebate credit will be applied to eligible businesses' accounts in April 2022.