Workplace Safety and Insurance Board

2019 Annual Report

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Message from Chair and President & CEO

In 2019, the WSIB continued to execute on our mission to help people reduce the disruption and devastation of a work-related injury or illness. Our ability to make service improvements continued to be supported by our strong financial position – we remain over 100% funded on a Sufficiency Ratio basis. In addition to allowing us to focus on programs and services that will help make Ontario a safer province to work in, this strong fiscal position means Ontarians can have confidence that if they are injured or suffer from a work-related illness, they will receive the benefits and support they need to recover and get back to work.

Maintaining a healthy funding status above 100% mitigates against any potential economic shock and adverse investment results and enables rate stability for Ontario businesses. In turn, people with claims and all of our partners can have a high degree of confidence that we will be able to meet our obligations to help, even under adverse market conditions.

Our 2019 results show our commitment to making Ontario a safer province, and making it easier for Ontarians to work with us, whether they're recovering from a workplace injury or illness, or they are a business owner supporting their staff after a workplace injury or illness.

Some highlights for the year include:

- 96 per cent of people were able to find work after completing a return-to-work plan, which is higher than our 2018 result of 95%;
- Nine out of 10 people who lost time at work due to an injury or illness returned to work within one year without any loss of income;
- Our Health and Safety Index shows that workplace health and safety improved by 1.9% in 2019.

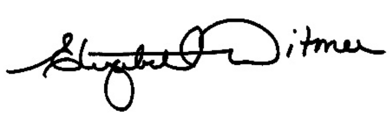
In 2019, we introduced a new premium rate-setting model for businesses and set 2020 premium rates for the first time using our new system. Our new model streamlines the rate-setting process, provides businesses the future direction of their rates and incorporates a business' individual claims experience. It rewards businesses with a good health and safety record and is another important step in making Ontario a safer place to work.

Our strong fiscal position also allowed us to reduce premium rates for Ontario businesses. For the fourth year in a row we announced a reduction to the average premium rate, this time by 17%. This reduction in the average 2020 premium rate will leave over $607 million in Ontario's economy for businesses to invest in new jobs, technology and health and safety efforts, making Ontario a more competitive province in which to open and run a business.

After an extensive consultation process, we also launched our new Health and Safety Excellence program in November. Our new program provides a roadmap for businesses in Ontario to develop health and safety systems based on best practices, and it makes health and safety accessible to businesses of all sizes.

It is also important to acknowledge that this year, we experienced certain service delivery challenges and as a result, at times, we did not meet the expectations of our customers. We continue to take action to correct these challenges and to find ways to improve the services we provide.

Finally, at the time of issuing this Annual Report, the world is facing the COVID-19 pandemic. Our Board of Directors and staff are actively leading through this rapidly evolving situation to ensure people continue to access the services and support they need, and the destabilizing situation for employers is recognized appropriately.



Elizabeth Witmer,
Chair

Thomas Teahen,
President & CEO

2019 highlights

Financial highlights

Financial performance compared to budget
In 2019, we generated $3,522 million of total comprehensive income versus a budget of $614 million, reflecting strong net investment income of $4,051 million partially offset by other comprehensive loss of $523 million, driven primarily from a decrease in the discount rate used to value the employee pension liability. Gross premiums exceeded the budget by $100 million, or 2.9%, reflecting higher than anticipated gross premiums in the health care, manufacturing, services and transportation industries despite a 29.8% reduction in the published 2019 average premium rate.

Total administration and other expenses and legislative obligations and funding commitment expenses were lower than budget by $27 million, primarily reflecting lower costs for professional services, equipment and maintenance.

Premium rate reductions for Ontario businesses for the fourth year in a row
With the elimination of the unfunded liability in 2018 and the ongoing strength of our financial position, we were able to announce a 17% reduction to the average premium rate for 2020. This marks the fourth consecutive reduction to the average premium rate for businesses. The 2020 average rate of $1.37 represents a total decrease of $1.22, or 47%, for every $100 of insurable earnings, since 2016. Ontario's average premium rate is now the fourth lowest among all Canadian jurisdictions.

A fully funded system
In June 2018, we announced that our unfunded liability had officially been eliminated. In 2019, we saw our funding position continue to improve, even after consistent reductions to premium rates, including a 29.8% reduction to the average premium rate for 2019. Being fully funded means people can have the confidence that they will receive the services and support they are entitled to if they are hurt on the job or develop an illness related to their work.

Investment performance on target
The WSIB's 10-year investment returns were 7.9% at the end of 2019, above the long-term target range of 3.5% to 6.7%, while 15-year performance (6.6%) was at the upper end of the target range. In 2019 alone, the portfolio returned 12.6%, an increase compared to the negative return of 0.7% in 2018.

Operational highlights

Higher claim volume
Registered claim volume increased once again in 2019, for the fourth year in a row. We registered 214,256 Schedule 1 claims, an increase of 2% compared to 2018 (210,863). However, unlike 2018, the increase in claim volume is attributed to no-lost-time claims that increased, by over 2%.

Fewer lost-time injuries
While there was an overall increase in registered claims in 2019, there was a 0.2% decrease in lost-time claims for Schedule 1 businesses. Lost-time claims tend to be more impactful for the injured person and they are usually more resource intensive than no-lost-time claims. The lost-time injury ("LTI") rate, the number of lost-time injuries or illnesses per 100 workers, decreased from 0.99 in 2018 to 0.98. These rates are low by historical standards and compared to other Canadian jurisdictions. Among Schedule 2 businesses, the LTI rate increased slightly to 2.24 from 2.22 in 2018.

Growing number of mental stress and mild traumatic brain injury claims
In 2019, we registered 4,149 Mental Stress Injury Program ("MSIP") and Mild Traumatic Brain Injury ("MTBI") claims for Schedule 1 businesses, which is 21% more than in 2018 (3,429). The number of these types of claims has been increasing at a far greater pace than registered claims as a whole. The majority of these claims (85%) are MTBI claims.

Longer claim durations
Claim durations increased in 2019. Durations of up to 72 months increased in 2019 for Schedule 1 businesses and all durations increased for Schedule 2 claims.

Low level of permanent impairment
In 2019, 6.0% of Schedule 1 claims involved a person who experienced a permanent impairment. This was higher than the 2018 result of 5.5%, which was the lowest level in a decade. While there was an increase in 2019 compared to 2018, this result is still below target (6.5%) and remains low by historical standards.

Stable number of claims being locked-in
In 2019, 1,102 claims were locked in after 72 months. This result was consistent with 2018, when we locked in 1,108 claims.

Stable appeal outcomes
Of the issues resolved by our Appeals Services Division in 2019, 29% were allowed or allowed in part. This decision reversal rate is within our expected range of 26% to 33% and consistent with our 2018 result of 27%.

Our appeal decisions continued to be timely, with 87% of appeals being resolved within six months, well above our target of 80%.

Improvements to benefits and services

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

Some businesses may be looking to build a new system, while others want to improve what's already in place – the Health and Safety Excellence program can be tailored to individual business needs to help boost health and safety outcomes and culture. Consisting of 36 topics, the program lets businesses learn and grow their health and safety systems at their own pace, earning rebates and recognition as they go. The Health and Safety Excellence program can help businesses achieve a best practice standard, such as COR2020 or ISO 45001, and can also help businesses meet the Ministry of Labour, Training and Skills Development's Supporting Ontario's Safe Employers accreditation standard.

The Health and Safety Excellence program offers Ontario businesses:

- Support and guidance from WSIB-approved providers;
- Opportunities to network and share best practices with other like-minded businesses;
- Reduced risk associated with hazards and a better health and safety culture in their workplace;
- Rebates on premiums – a minimum of $1,000 per topic for small businesses, up to 75% of their WSIB premium – and money saved by improving their safety experience; and
- Recognition to show customers, investors and job seekers their commitment to health and safety.

New premium rate-setting model
On January 1, 2020, we transitioned to our new premium rate-setting model. Our new model makes it easier to understand how businesses are classified, better reflects individual claims experience and helps businesses plan for the future by providing projected rate information. Our new model also rewards businesses who show good health and safety records with lower premium rates, which will encourage businesses to invest in safer workplaces.

Online reconciliation
Our reconciliation process is used by businesses to confirm they have reported the correct amount of premiums. In response to feedback from businesses and to simplify the reconciliation process, we launched online reconciliation on our website in 2019. Features include automated calculations and links to the online reconciliation guide for assistance. The response from businesses has been very positive, with 27% of reconciliations processed online in 2019.

Reducing reporting requirements
Starting in 2019, we increased the insurable earnings threshold for businesses that are required to report and pay premiums monthly. As a result, approximately 45,000 businesses reported and paid premiums to the WSIB four times instead of 12 times in 2019. Since these businesses now report and pay on a quarterly rather than monthly basis, they spend less time on WSIB-related tasks.

Making the clearances process easier for businesses
Contractors require clearances to prove they are registered with the WSIB and up-to-date on reporting and paying their premiums. Previously, we required separate clearances for every business a contractor worked with. In September, we launched a new clearance process and contractors now receive a single clearance number that is valid for all of their contracts. This is another change that was introduced to help reduce the amount of time businesses spend on administrative tasks related to their WSIB coverage.

Accessing health and safety and premium rate information online
Through a secure login in our online services, businesses can access our Compass application to see exclusive information regarding their premium rates, detailed claims costs and key health and safety statistics.

Also, we continue to have health and safety data available on our website for all Ontarians. This open data allows people to compare the health and safety statistics of every Ontario business, giving Ontarians the opportunity to assess the safety of their existing or potential new workplace, service provider or supplier.

New medical cannabis policy
On March 1, 2019, a new WSIB policy came into effect that outlines the circumstances under which medical cannabis may be covered following a work-related injury or illness. The new policy outlines specific criteria for the appropriate and safe use of medical cannabis where it has been proven to have a therapeutic benefit.

Measuring our operational results

Strategic goal	Measure	2019 target	2019 result	
Make Ontario a safer place to work	Health and Safety Index	> 0	1.9%	Our Health and Safety Index measures the overall performance of the health and safety system in Ontario in a single metric. It provides insight into how elements of the health and safety system are performing, enabling better focus on strategies for improvement. In 2019, based on the 15 metrics that make up the index, workplace health and safety improved by 1.9% in Ontario. Increased empowerment amongst people working in Ontario had the largest positive impact on the index. While we saw a higher number of injuries during the year, the severity of injuries, on average, decreased. This was the second year in a row that the index registered an improvement in health and safety. To continue to drive positive health and safety results, and help make Ontario a safer province, we launched the Health and Safety Excellence program in November. The program supports businesses of all types and sizes in building an occupational health and safety system. Our new premium rate-setting model is also designed to reward businesses that have good health and safety records with lower premium rates. The model also provides projected premium rate information, so they know the future direction of their premium rate, which further incentivizes businesses to improve their health and safety.

Strategic goal	Measure	2019 target	2019 result	
	Lost-time injury (“LTI”) rate	0.99	0.98	The number of injuries or illnesses per 100 individuals working in Ontario was 1% lower in 2019 than in 2018. Among our six largest industry sectors, the automotive industry had a lower LTI rate, while in the health care sector it was higher. Rates were stable for each of the other four sectors – construction, manufacturing, services and transportation. In addition to the Health and Safety Index, our new Health and Safety Excellence program and a risk-based premium rate-setting model that will be reflective of businesses’ health and safety records, we continue to work with our health and safety partners to seek out new ways to improve workplace health and safety across the province.

Strategic goal	Measure	2019 target	2019 result	
Improve return-to-work and recovery outcomes	Return-to-work at 100% of pre-injury earnings within 12 months	92.0%	88.4%	Nine in ten people injured at work returned to work within 12 months with no wage loss in 2019. While this result continued to be strong, it was below our ambitious target of 92%. The 2019 result of 88.4% is comparable to 2018 results of 90.2%. One of the ways we worked to improve recovery and return to work in 2019 was by creating the Occupational Health Assessment Program. This new program provides assessment and case consult services for people with workplace injuries and illnesses and consolidated four existing services. It supports better communication and coordination between health care providers, to get people the right treatment at the right time. In 2019, our efforts to support return to work in collaborative and innovative ways were recognized internationally through an award from the International Social Security Association Recognition Program.
	% employed on completion of return-to-work plans	90%	96%	The return-to-work plans we develop in partnership with the injured or ill person continue to lead to positive outcomes. The percentage of people with a work-related injury or illness who go on to find employment after completing a return-to-work plan was well above target in 2019, at 96%. This result is comparable to the 2018 result of 95%.

Strategic goal	Measure	2019 target	2019 result	
Meet our customers' needs and expectations	Overall satisfaction with the WSIB	People with workplace injuries or illnesses: 71%-73% Businesses: 78%-80%	People with workplace injuries or illnesses: 71% Businesses: 77%	In 2019, 71% of people with workplace injuries and 77% of businesses were satisfied or very satisfied with their overall experience when working with us. The result for businesses falls just below the target range for 2019, but compared to 2018, overall satisfaction is higher for both injured people and businesses. In 2019, we introduced a number of new initiatives designed to make it easier for people to work with us. We reduced reporting requirements for smaller businesses and simplified our clearance processes for businesses, which resulted in approximately 45,000 fewer businesses being required to report monthly in 2019. We also made it easier for claim documents to be submitted online through our document upload tool. For 2020, we have planned initiatives to make it easier for people with workplace injuries and illnesses to work with us and more easily obtain the information they need.
Provide services in a financially responsible and accountable way	Sufficiency ratio	> 100%	113.7%	We have maintained a strong financial position and have remained above 100% funding since we eliminated our unfunded liability in June 2018. By the end of 2019, even with premium rates that were 29.8% lower than in 2018, our Sufficiency Ratio reached 113.7%. Premiums continued to more than cover our claims and administrative costs arising from the 2019 injury year. In place of the unfunded liability, we now have net assets on a Sufficiency Ratio basis of $4.3 billion.

Strategic goal	Measure	2019 target	2019 result	
	Total administrative expenses	$934 million	$912 million	Our total administrative expenses of $912 million in 2019 were comfortably within budget ($934 million). Compared to 2018, total administrative expenses were 2.4% higher due to higher depreciation and amortization, reflecting the impact of the application of IFRS 16 *Leases*, and due to higher equipment and maintenance expenses as well as higher professional service fees.

Board of Directors' biographies

Elizabeth Witmer

CHAIR: May 17, 2012 – May 16, 2020

Elizabeth has served the Ontario public for many years, including 22 years as the Kitchener-Waterloo Member of Provincial Parliament ("MPP") and now 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 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.

Thomas Teahen

PRESIDENT AND CEO: February 1, 2016 – January 31, 2021

Tom has devoted most of his professional life to bringing together the interests of workers, employers and all Ontarians. He began his career as a labour and employment lawyer and then served as Chief of Staff to the Minister of Labour and later the Minister of Education.

Tom joined the WSIB in 2010 as Chief of Corporate Services, leading seven business divisions. In 2013, he returned to government, this time as Chief of Staff to the Premier of Ontario. And then, in 2016, Tom returned to the WSIB as President and CEO.

A native of St. Marys, Ontario, Tom has a Bachelor of Arts degree from the University of Western Ontario, and received his law degree from Queen's University.

Leslie Lewis

MEMBER: May 9, 2019 – May 8, 2022

Leslie Lewis is the Vice President of Financial Planning & Analysis at PowerSchool Group, a portfolio company of Onex Corporation. Prior to PowerSchool, Leslie was a Principal at Onex Corporation, one of the oldest and most successful private equity firms with total assets under management of $32 billion. Preceding Onex, Leslie was the Tax, Trade, and International Finance Policy Advisor to the Canadian Minister of Finance at the Government of Canada. Prior to her government service, Leslie was an investor at the Ontario Teachers' Pension Plan and worked in investment banking as part of CIBC's Mergers & Acquisitions group.

Leslie's career began as a Canadian national team athlete in kayaking and she holds a business degree from Acadia University. Leslie's community involvement includes serving as Co-Chair of the Investment Committee at Rise Asset Development and on the Board of Directors of the Toronto Pan Am Sports Centre.

Lori Turik

MEMBER: June 20, 2019 – June 19, 2022

Lori Turik is 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 have 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 Centre’s reputation 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 as 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 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.

Bryce Walker

MEMBER: January 23, 2013 – January 22, 2020

Bryce Walker brings with him a wealth of experience in health care and education governance. He is currently Chair of Faithlife Financial. He is past 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 Walker'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.

Bruce Smith

MEMBER: October 31, 2019 – October 30, 2022

Bruce is the Executive Director, Business Development & 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 & Parliamentary Assistant to the Minister of Education & Training. During that time, Bruce served on the Policy Coordination sub-committee of 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.

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.

Jeffery A. Lang

MEMBER: October 31, 2019 – October 30, 2022

Jeffery is 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.

He 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 (www.cedass.org) 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.

Karen Tam

MEMBER: October 31, 2019 – October 30, 2022

Karen is the CFO and Corporate Secretary at Choice Hotels Canada, Canada's largest hotel franchisor. She was previously the CFO and Corporate Secretary of Global Risk Institute in Financial Services and the CFO 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' 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 CIO, 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, 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.

Mike Gallagher

MEMBER: March 26, 2014 – March 25, 2019

Mike Gallagher is the General Vice President, Executive Board International Union of Operating Engineers and Business Manager for the International Union of Operating Engineers, Local 793.

Currently, he is the Chair of the Operating Engineers, Training Trust Fund, and a trustee on Local 793's Pension Trust Fund and Life & Health Benefits Trust fund. Previously, he has served as President of the Construction Safety Association and Director of the Multi-Employer Benefit Council of Ontario.

Mike has been awarded the Queen's Golden Jubilee Medal, the Queen's Diamond Jubilee Medal and the Roy Phinnemore Award for the Infrastructure Health & Safety Association.

Ray Hession

MEMBER: October 19, 2016 –October 18, 2019

Appointed Chair of eHealth Ontario's Board of Directors in 2010, Ray Hession has had wide experience in governance and management in the private, public, community service and broader health sectors. He is currently a director of HDR Inc., an Omaha, Nebraska-based engineering and architectural firm.

A graduate in economics from the Royal Military College, following military service, he entered the private sector, performing various marketing roles at IBM Canada. Joining Canada Mortgage and Housing Corporation in 1974, following his initial appointment as Executive Director, Management Information Systems, he served as its President and CEO, between 1976 and 1982.

Since 1982, he has served as Deputy Minister, Supply and Services Canada, Deputy Receiver-General and Deputy Minister, Regional Industrial Expansion, Chairman and CEO of XIOS Corporation, Paxport International Corporation; President of Hession, Neville and Associates; founding Chair of the Agency for Cooperative Housing and of the Ontario Health Quality Council; Chair of the Board of The Ottawa Hospital, The Rehabilitation Centre of Eastern Ontario, and the Royal Canadian Mint. He has also served as a trustee of the Royal Ottawa Health Care Group; Fairness Commissioner for the development of the new Royal Ottawa Health Care Group facilities and the new Ottawa Convention Centre Corporation.

Ian Neita

MEMBER: December 20, 2018 – July 12, 2019

Ian Neita is currently Manager of Group Underwriting at one of Canada's leading insurers.

With almost 30 years of group underwriting experience (for insurers and reinsurers), Ian has priced disability benefits for groups of all sizes (3 – 5,000+).

Ian is a graduate of the University of Western Ontario.

Lea M. Ray

MEMBER: December 3, 2008 – December 2, 2019

Lea Ray is a certified director (ICD.D) of the Institute of Corporate Directors, at the Rotman School of Management, University of Toronto and is a Chartered Professional Accountant. She holds a Bachelor of Commerce Degree from the Odette School of Business, University of Windsor.

Lea currently serves as a Director of RFA Bank of Canada, Aleafia Health Inc. and Pro-Demnity Insurance Company. Her financial career began with PricewaterhouseCoopers and she is a former executive, Vice-President, Corporate Finance, of Warner Bros. Entertainment Canada Inc., where she was employed for 19 years.

She has served on the Professional Conduct Committee of the Chartered Professional Accountants (Ontario) and has served as a Board member and volunteer of several non-profit health, conservation, and other charitable institutions.

Sari Sairanen

MEMBER: September 17, 2017 – September 16, 2019

Sari Sairanen is National Health and Safety Director at Unifor, responsible for the content of health and safety training programs, submissions for better laws, information on workplace substances, the establishment of programs to eliminate hazardous workplace conditions and the publication of the Health and Safety & Environment newsletter.

Prior to joining the national union, Sari was with the Airline division of Unifor, which represents members from coast to coast to coast in Canada.

Sari began her union activism as a health and safety representative in a call centre where she confronted ergonomic and working condition issues such as computer workstations, task design, stress and electronic monitoring. In addition, she served on the Air Canada bargaining committee as a regional representative and as President of Local 2002 during the CCAA or Companies' Creditors' Arrangement Act (bankruptcy) proceedings.

Sari also sits on Employment and Social Development Canada's Occupational Health and Safety Advisory Committee, the Occupational Health Clinics for Ontario Workers' Board of Directors and the National Institute of Disability Management and Research and Pacific Coast University's Board of Directors.

Scott Wilson

MEMBER: December 5, 2012 – July 12, 2019

Scott Wilson is Executive Director of the Kitchener, Waterloo, Cambridge Injured Workers Group.

For over 15 years, Scott has provided peer support and guidance to injured workers and has been an active contributor to WSIB issues. A former glazier metal mechanic for over 20 years, he suffered a severe injury in 1999. Scott is a licensed paralegal.

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 2019 is as shown below:

Name	Total remuneration paid in 2019
Elizabeth Witmer	$200,874.22
Thomas Teahen	$452,359.22
Leslie Lewis	$7,700.00
Lori Turik	$6,462.50
Bryce Walker	$22,742.50
Bruce Smith	$1,815.00
Jeffery A. Lang	$1,815.00
Karen Tam	$825.00
Helen Polatajko	$1,000.00
Mike Gallagher	$3,025.00
Ray Hession	$14,795.00
Ian Neita	$5,775.00
Lea M. Ray	$22,000.00
Sari Sairanen	$10,450.00
Scott Wilson	$5,225.00
Total:	**$756,863.44**

Management's responsibility for financial reporting

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. 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 Audit and Finance Committee of the Board of Directors 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 "MOLTSD") 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.

Thomas Teahen
President and Chief Executive Officer
April 23, 2020
Toronto, Ontario

Ernest Chui
Chief Financial Officer

Management's discussion and analysis

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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 *Workplace Safety and Insurance Act, 1997* (Ontario) (the "WSIA").

When an injury or illness happens on the job, we move quickly to provide wage-loss benefits, medical coverage and help getting back to work. We support the promotion of workplace health and safety and strive to make Ontario a province where there are zero work-related injuries or illnesses.

We cover 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

Revenues to fund the operation of the WSIB and delivery of benefits and services come through employers' premium payments and investment returns.

Premiums

As per *Ontario Regulation 175/98,* the WSIB collects premiums from employers classified under Schedule 1 of the WSIA and administration fees from the employers listed in Schedule 2. Over 75% of the Province's labour force is covered by the WSIB under either Schedule 1 or Schedule 2. Each year, the WSIB adjusts both premium rates for Schedule 1 employers and administration fee rates for Schedule 2 employers.

Schedule 1 employers contribute to the collective liability insurance fund. Each Schedule 1 firm is assigned to one or more of 155 rate groups according to the nature of their business. The premium rate for each rate group reflects costs associated with claims, administration and legislative obligations and past claims costs, including funds explicitly allocated to reduce the unfunded liability. Employer premiums may also be adjusted as a result of mandatory and voluntary incentive programs.

- ***Mandatory employer incentive programs*** adjust premiums paid by a firm based on their claims experience. Firms with over $1,000 but less than $25,000 in average annual premiums are assigned to the Merit Adjusted Premium ("MAP") plan. Firms that pay $25,000 or more are assigned to the New Experimental Experience Rating ("NEER") program or, if in the construction industry, the Council Amended Draft #7 ("CAD7") program.

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 the Province. Schedule 2 employers 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 billion in invested assets as at December 31, 2019.

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, enhance our risk management, and optimize our use of internal and external investment management.

Investments

Our governance framework

We invest the portion of premiums collected but not required to be paid to or on behalf of people with work-related injuries or illnesses in the current year or to fund current operating expenses. As at December 31, 2019, we held $39 billion in investments to fund all future claims including the WSIB employee pension benefit obligations. Our investment strategy for these funds 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 ("SIPPs").
- 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, Loss of Retirement Income Fund, and the WSIB Employees' Pension Plan, 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 Chief Investment 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 market risk, credit risk, and liquidity 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.

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:

- ***Fixed income.*** Our fixed income portfolio is comprised of high quality government fixed income securities as well as cash and money market investments. This portfolio 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.
- ***Public equities.*** We invest 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.
- ***Absolute return.*** Our absolute return portfolio includes investments in hedge funds and funds of hedge funds. The objective of the absolute return portfolio is to reduce overall investment volatility while maintaining return targets.
- ***Diversified markets.*** Our diversified markets portfolio is expected to provide a risk-controlled source of broad market returns through physical and derivative holdings of global equities, nominal bonds

(developed and emerging markets), real return and inflation-linked bonds, credit instruments and commodities.

- ***Real estate.*** We invest in real estate properties and investment funds diversified across office, retail, industrial, multi-residential and mixed-use property types located in Canada, the United States and internationally. 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.

In 2020, WSIB plans to reduce investments in the public equities and diversified markets portfolios, adding investments in private equities, and credit.

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 injured and ill workers and survivors. Each type of benefit is described in more detail below:

- ***Loss of earnings benefits*** compensate injured workers 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 injured workers suffering a workplace injury prior to January 1, 1990 based on the degree of the injured worker'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 worker's life.
- ***Future economic loss or FEL benefits*** compensate workers 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 pensions*** represent monthly benefits provided to the spouse, dependent children and other dependents of a worker 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 an injured worker'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 a worker who suffers a permanent impairment as a result of an injury. 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 are payable on behalf of an injured worker 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, the injured worker 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 been 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 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.

Administration and other expenses

Administration and other expenses include the expenses necessary to support our various business activities.

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* (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"). Furthermore, it is required to pay for the costs that may be incurred by the Office of the Worker Adviser and the Office of the Employer Adviser.

Grants program. The WSIB has a grants program, which 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 2019, the WSIB awarded five research teams funding to conduct studies that may improve return-to-work and recovery outcomes for people who were injured or made ill at work.

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

Voluntary employer health and safety incentive programs. The WSIB offers Small Business Health and Safety Programs, which raise general awareness of workplace health and safety obligations and help employers build health and safety programs. Participants can receive a one-time 5% premium rebate for participating in a training program. The Safety Groups Program also awards a rebate of up to 6% of premiums to employers that successfully implement new return-to-work and health and safety elements and reduce injuries and illnesses.

2. Our strategy

In 2019, the WSIB focused on executing our strategic objectives as laid out in our new 2019–2021 Strategic Plan.

All the efforts undertaken to deliver against our Strategic Plan are grounded in how well we contribute to the overall economic and social health of Ontario – what we call our public value. In other words, to what extent are we able to reduce the disruption and devastation caused by workplace injuries and illnesses, while making Ontario a safer place to work.

The WSIB will deliver public value to Ontarians through the goals set out in the Strategic Plan:

1. Make Ontario a safer place to work
2. Improve return-to-work and recovery outcomes
3. Meet our customers' needs and expectations
4. Provide services in a financially responsible and accountable way

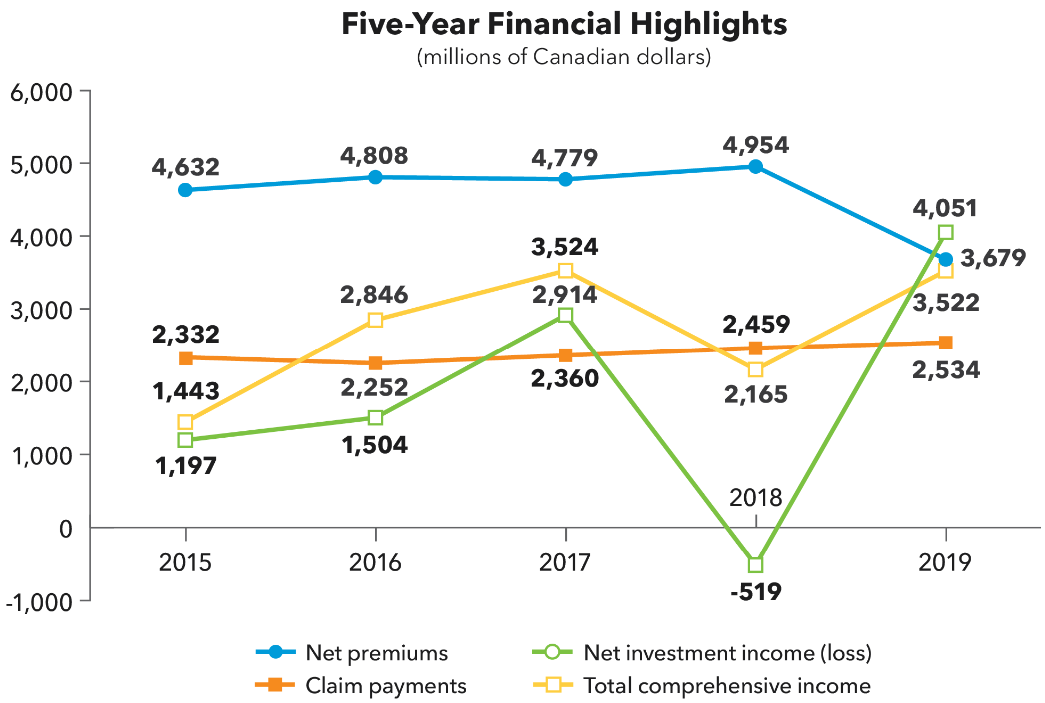
In 2019, we accelerated our journey towards optimizing service delivery channels to meet different customer needs across case management, health and safety, return-to-work and health care services to achieve barrier-free service for people. While making these improvements, we have applied strong financial discipline with the goal of maintaining rate stability and protecting benefits.

As we continue along this path, in 2020 we are staying the course and focusing on delivering the promises made in our 2019–2021 Strategic Plan. To do so, we will continue to make strategic investments and improvements at the WSIB that we believe will have positive returns for people with workplace injuries and illnesses and businesses, and continue to make Ontario one of the safest places to work and run a business.

In light of the current Coronavirus ("COVID-19") situation (ongoing at the time of the release of this report), our focus in 2020 will be on maintaining critical business functions and our services with the least disruption to our stakeholders. We will adapt accordingly as the situation evolves.

3. Financial highlights

The following section should be read in conjunction with the audited consolidated financial statements and accompanying notes of the WSIB as at and for the year ended December 31, 2019 (the "consolidated financial statements").



Financial highlights for the year ended December 31, 2019 compared to the year ended December 31, 2018:

- In 2019, we generated $3,522 million of total comprehensive income primarily reflecting net investment income of $4,051 million, partially offset by other comprehensive loss of $523 million. For the first time since 2012, we transferred $105 million of cash from our investment fund to support operating activities.
- Net premiums decreased $1,275 million, or 25.7%, primarily reflecting lower gross Schedule 1 premiums attributable to the 29.8% reduction in the published 2019 premium rates, partially offset by a 4.9% increase in insurable earnings due to strong growth in the education, health care, manufacturing, process and chemical, services and transportation industries, along with lower net payouts for mandatory employer incentive programs.
- Net investment income increased by $4,570 million from a net loss of $519 million in 2018 to result in a net income of $4,051 million. The return on investments was a gain of 12.6% in 2019 compared to a negative return of 0.7% in 2018. 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 increased $75 million, or 3.1%, primarily reflecting higher loss of earnings payments and health care costs, partially offset by lower workers' pensions and future economic loss claim payments.

- The actuarial valuation of benefit liabilities decreased $100 million to $27,110 million, reflecting the refinement of valuation assumptions, including mortality rate assumptions and assumptions for loss of earnings and health care benefits.
- As expected, administration and other expenses, before allocation to claim costs, increased by $21 million, or 2.4%, reflecting $5 million of higher employee benefit plans expenses, $8 million of higher other operating expenses, and $8 million of higher depreciation and amortization expenses.
- Other comprehensive loss was $523 million, primarily attributed to the decrease in the employee benefit plan's discount rate and translation losses from net foreign investments, partially offset by higher-than-expected returns on pension plan assets.
- Our net assets on a Sufficiency Ratio basis were $4,269 million as at December 31, 2019, an increase of $1,719 million, or 67.4%, since December 31, 2018.

4. Financial analysis

Financial results

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

(millions of Canadian dollars)	2019	2018[4]	Change $	Change %
Revenues				
Net premiums	3,679	4,954	(1,275)	(25.7)
Net investment income (loss)	4,051	(519)	4,570	100+
	7,730	**4,435**	**3,295**	**74.3**
Expenses				
Total claim costs	2,887	1,827	1,060	58.0
Loss of Retirement Income Fund contributions	57	56	1	1.8
Administration and other expenses	484	472	12	2.5
Legislated obligations and funding commitments	257	269	(12)	(4.5)
	3,685	**2,624**	**1,061**	**40.4**
Excess of revenues over expenses	**4,045**	**1,811**	**2,234**	**100+**
Total other comprehensive income (loss)	(523)	354	(877)	(100+)
Total comprehensive income	**3,522**	**2,165**	**1,357**	**62.7**
Other measures				
Return on investments[1]	12.6%	(0.7%)	n/a	13.3%
Net assets[2, 3]	4,588	1,484	3,104	100+
Net assets – Sufficiency Ratio basis[3]	4,269	2,550	1,719	67.4
Sufficiency Ratio[3]	113.7%	108.0%	n/a	5.7%

1. Return on investments is the investment income (loss), net of transaction costs and withholding taxes, generated over a given period of time as a percentage of the capital invested taking into account capital contributions and withdrawals.
2. Net assets represent net assets attributable to WSIB stakeholders as at the end of the reporting period. The total net assets of $8,019 million as at December 31, 2019 (2018 – $4,642 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 $3,431 million as at December 31, 2019 (2018 – $3,158 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, 2019 was $4,588 million (2018 – $1,484 million), which includes benefit liabilities. Refer to the consolidated statements of financial position for further details.
3. Refer to Section 6 – Reconciliation of the change in net assets for further details.
4. Certain comparative amounts have been reclassified to be consistent with the current year’s presentation.

Net premiums

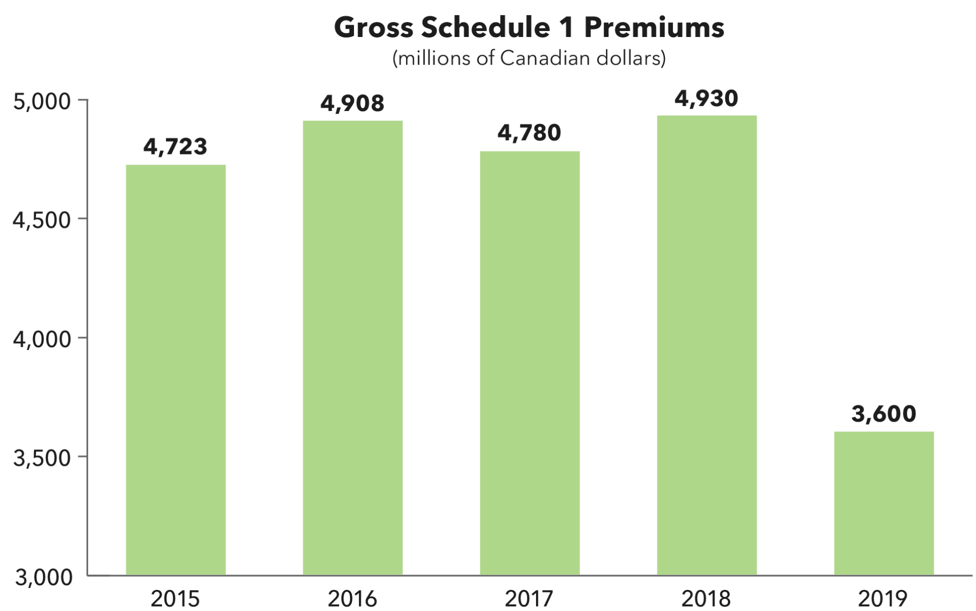
A summary of premiums for the years ended December 31 is as follows:

(millions of Canadian dollars)	2019	2018[1]	Change $	Change %
Gross Schedule 1 premiums	3,600	4,930	(1,330)	(27.0)
Bad debts	(56)	(62)	6	9.7
Interest and penalties	67	69	(2)	(2.9)
Other income	3	1	2	100.0
Schedule 1 employer premiums	**3,614**	**4,938**	**(1,324)**	**(26.8)**
Schedule 2 employer administration fees	89	88	1	1.1
Premiums	**3,703**	**5,026**	**(1,323)**	**(26.3)**
Net mandatory employer incentive programs	(24)	(72)	48	66.7
Net premiums	**3,679**	**4,954**	**(1,275)**	**(25.7)**

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

Gross Schedule 1 premiums decreased $1,330 million, or 27.0%, reflecting a $169 million, or 4.9%, increase in insurable earnings driven by strong growth in the education, health care, manufacturing, process and chemical, services and transportation industries, more than offset by a $1,499 million, or 30.4%, reduction in the realized average premium rate collected from employers as a result of the 29.8% reduction in the published 2019 premium rates.

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



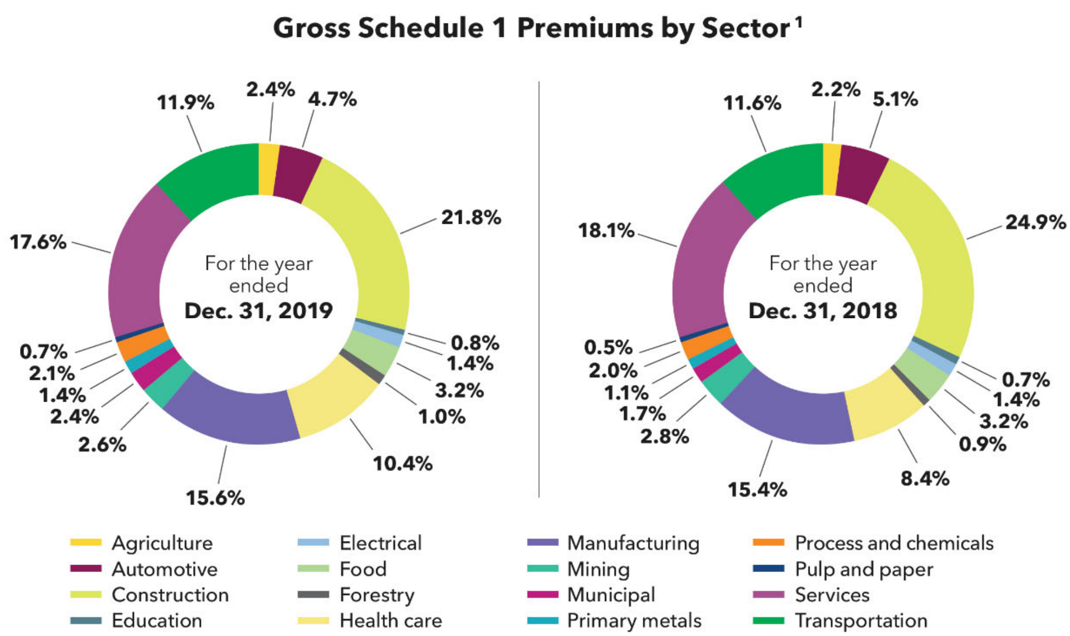
Net payouts for mandatory employer incentive programs decreased due to higher surcharges, offset slightly by higher rebates required under the retrospective experience-rating programs, principally the NEER program, reflecting employer claims experience.

A comparison of employment, insurable earnings and gross premiums for the year ended December 31, 2019, along with the percentage change from the prior year is as follows:

(millions of Canadian dollars)	Employment[1] #	Change	Insurable earnings $	Change	Gross premiums $	Change	% of total
Industry Sector							
Agriculture	77,647	17.1%	2,486	3.2%	75	(21.5%)	2.4%
Automotive	162,256	(2.0%)	7,356	(0.8%)	149	(33.9%)	4.7%
Construction	429,423	0.6%	21,028	1.0%	693	(37.4%)	21.8%
Education	194,387	6.9%	7,845	4.7%	26	(17.5%)	0.8%
Electrical	90,434	(0.8%)	5,794	2.8%	46	(25.6%)	1.4%
Food	136,792	0.4%	5,401	3.4%	101	(28.6%)	3.2%
Forestry	10,214	2.0%	458	(3.0%)	31	(24.3%)	1.0%
Health care	624,035	2.4%	25,084	3.3%	331	(11.0%)	10.4%
Manufacturing	1,041,359	3.5%	42,982	3.9%	495	(27.8%)	15.6%
Mining	31,692	2.9%	2,177	6.0%	83	(32.6%)	2.6%
Municipal	46,254	0.1%	2,395	3.5%	75	2.0%	2.4%
Primary metals	35,174	0.1%	1,750	(0.2%)	44	(11.9%)	1.4%
Process and chemicals	119,095	5.6%	5,079	6.1%	68	(24.7%)	2.1%
Pulp and paper	16,623	(1.3%)	779	1.3%	21	(11.4%)	0.7%
Services	1,654,131	1.8%	55,467	2.2%	559	(30.6%)	17.6%
Transportation	270,129	2.1%	11,299	2.8%	379	(26.4%)	11.9%
Total	**4,939,645**	**2.4%**	**197,380**	**2.8%**	**3,176**	**(28.5%)**	**100.0%**
Premiums accrued but not reported			22,507	28.5%	424	(13.1%)	
Total			**219,887**	**4.9%**	**3,600**	**(27.0%)**	

1. We derive employment levels based on reported insurable earnings divided by an estimated average wage for each industry sector.

The following charts display gross premiums by sector for the years ended December 31, 2019 and 2018:



1. For employers who have not reported, premiums are estimated and included in the "Premiums accrued but not reported" category. This category has been excluded for the purpose of determining the industry sector mix.

Net investment income

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

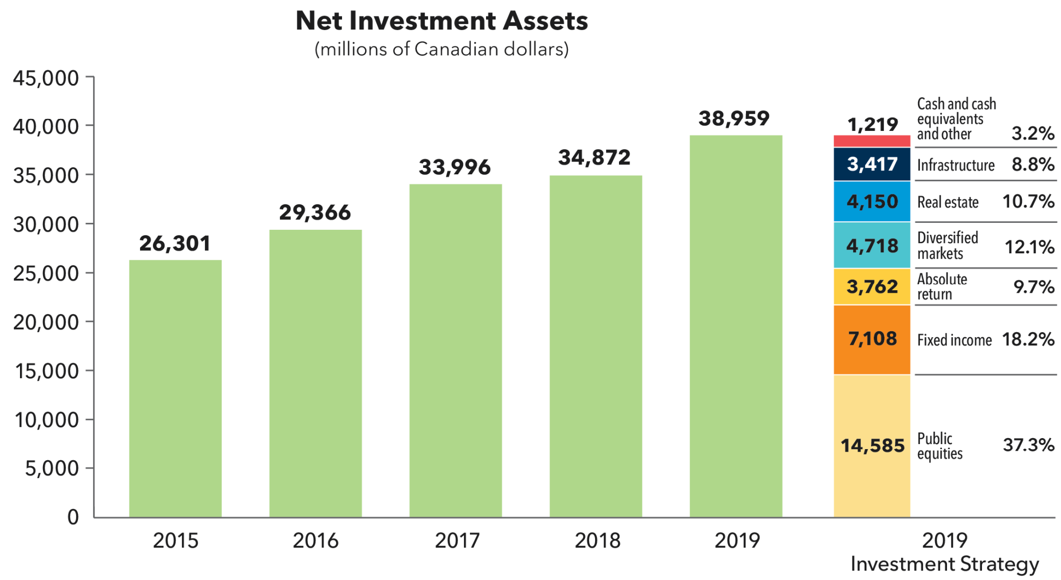
Investment strategy (millions of Canadian dollars)	2019 Investment income (loss)	2019 Return[1] %	2019 Net asset value[2]	2019 %	2018 Investment income (loss)	2018 Return[1] %	2018 Net asset value[2]	2018 %
Public equities	2,426	20.5	14,585	37.3	(561)	(4.9)	12,129	34.8
Fixed income	249	3.9	7,108	18.2	121	1.8	6,792	19.5
Absolute return	261	6.7	3,762	9.7	(98)	(1.0)	3,667	10.5
Diversified markets	730	18.9	4,718	12.1	(323)	(7.7)	4,201	12.0
Real estate	250	6.7	4,150	10.7	254	7.4	4,000	11.5
Infrastructure	405	8.9	3,417	8.8	312	10.8	3,497	10.0
Cash and cash equivalents	12	1.9	1,159	3.0	12	1.9	521	1.5
Other	-	-	60	0.2	-	-	65	0.2
Investment income (loss)	**4,333**	**12.6**	**38,959**	**100.0**	**(283)**	**(0.7)**	**34,872**	**100.0**
Investment expenses	(282)				(236)			
Net investment income (loss)	**4,051**				**(519)**			

1. Return percentages are based on investment income prior to adjustments such as translation gains and losses on net foreign investments.
2. Total net asset value includes investment cash, investment receivables and payables, and investment derivatives within investment strategies.

2019 resulted in a net investment gain of $4,051 million compared to a net investment loss of $519 million in 2018. Over 10 and 15 years, our investment returns were 7.9% and 6.6% per annum, respectively. Net investment income increased by $4,570 million over last year, reflecting an overall positive return of 12.6% compared to a negative return of 0.7% in 2018. All major strategies performed well led by public equities, which had robust gains during Q4 2019 resulting in a full year return of 20.5%, a rebound from a loss of 4.9% in 2018. This was followed by diversified markets, which posted returns of 18.9% for the year, as equity investments led all components of this strategy in contrast to prior year losses of 7.7%. Infrastructure continues to perform well returning 8.9% for the year.

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 $385 million of net investment income equating to $0.18 of premium per $100 of insurable earnings, or about 11% of annual premiums.

The following chart displays net asset values for the five consecutive years ended December 31 and the different components of net asset value for 2019:



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 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:

			Change	
(millions of Canadian dollars)	**2019**	**2018**	**$**	**%**
Claim payments	2,534	2,459	75	3.1
Claim administration costs	453	448	5	1.1
Change in actuarial valuation of benefit liabilities	(100)	(1,080)	980	90.7
Total claim costs	**2,887**	**1,827**	**1,060**	**58.0**

Claim payments

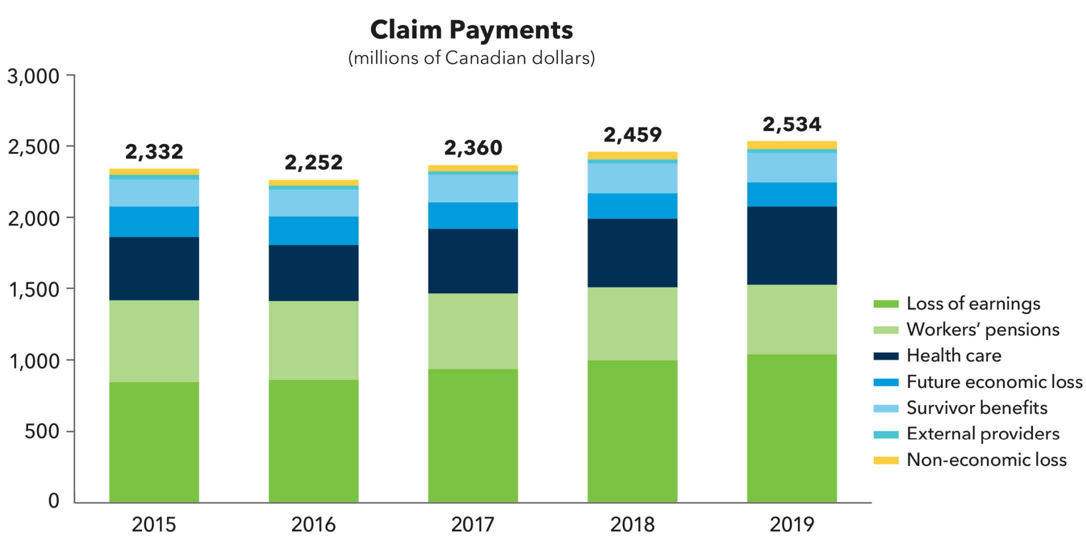
Claim payments represent cash paid during the year to or on behalf of people with work-related injuries or illnesses. Claim payments for the years ended December 31 are comprised of the following:

(millions of Canadian dollars)	2019	2018	Change $	Change %
Loss of earnings	1,032	991	41	4.1
Workers' pensions	492	515	(23)	(4.5)
Health care	551	484	67	13.8
Survivor benefits	207	209	(2)	(1.0)
Future economic loss	169	178	(9)	(5.1)
External providers	27	29	(2)	(6.9)
Non-economic loss	56	53	3	5.7
Total claim payments	**2,534**	**2,459**	**75**	**3.1**

A summary of the significant changes in claim payments for 2019 is as follows:

- Loss of earnings benefits increased $41 million primarily due to higher durations for current and prior injury year claims.
- Workers' pensions decreased $23 million, reflecting the natural reduction of claims due to mortality.
- Health care expenses increased $67 million, reflecting higher cost of health services.
- Future economic loss benefits decreased $9 million, reflecting the natural reduction in the number of claimants reaching age 65, the age at which these benefits cease.
- External provider expenses decreased $2 million due to lower claims volume.
- Non-economic loss benefits increased $3 million, reflecting higher volume of new awards and an increase in the average award amount.

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



Claim administration costs

Claim administration costs reflect the portions of administration and other expenses and legislated obligations and funding commitments expenses allocated to claim costs. A summary of claim administration costs is as follows:

			Change	
(millions of Canadian dollars)	**2019**	**2018**	**$**	**%**
Allocation from administration and other expenses	428	419	9	2.1
Allocation from legislated obligations and funding commitments expenses	25	29	(4)	(13.8)
Total claim administration costs	**453**	**448**	**5**	**1.1**

For the year ended December 31, 2019, the change was attributed to higher administration and other expenses, partially offset by lower costs from the WSIAT due to its claims reduction initiative.

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, labour market re-entry and claim administration related to claims that occurred on or before December 31, 2019, and for occupational disease claims expected to arise in the future as a result of exposures which were incurred in the workplace on or before December 31, 2019 in respect of occupational diseases currently recognized by the WSIB.

			Change	
(millions of Canadian dollars)	**2019**	**2018**	**$**	**%**
Change in actuarial valuation of benefit liabilities	(100)	(1,080)	980	90.7

For the year ended December 31, 2019, the change in actuarial valuation of benefit liabilities is detailed as follows:

(millions of Canadian dollars)	
Benefit liabilities as at December 31, 2018	**27,210**
Payments made in 2019 for prior injury years (include Loss of Retirement income and claims administration costs)	(2,612)
Interest accretion[1]	1,199
Liabilities incurred for the 2019 injury year	1,649
Experience gains	(230)
Valuation assumptions and methodologies change[2]	(106)
Benefit liabilities as at December 31, 2019	**27,110**
Change in actuarial valuation of benefit liabilities	(100)

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 $175 million;
   b. Updated methods and assumptions for future awards, an increase of $5 million;
   c. Updated methods and assumptions for health care, an increase of $193 million;
   d. Updated assumptions for mortality, a decrease of $208 million; and
   e. Updated methods and assumptions for future claim admin costs, an increase of $79 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)	2019	2018[1]	Change $	Change %
Salaries and short-term benefits	443	443	-	-
Employee benefit plans	199	194	5	2.6
Depreciation and amortization	48	40	8	20.0
Other	222	214	8	3.7
	912	**891**	**21**	**2.4**
Claim administration costs allocated to claim costs	(428)	(419)	(9)	(2.1)
Total administration and other expenses	**484**	**472**	**12**	**2.5**

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

A summary of the significant changes in administration and other expenses, before allocation to claim costs, for the year ended December 31, 2019 is as follows:

- Employee benefit plans increased $5 million, reflecting a valuation adjustment for life insurance obligations and vacation and attendance credits, partially offset by higher 2019 discount rate and new valuation results.
- Depreciation and amortization increased $8 million, reflecting the impact of the application of IFRS 16 *Leases* ("IFRS 16"). The impact of leases was previously reported in other operating expenses.
- Other operating expenses increased $8 million, reflecting higher equipment and maintenance expenses, consulting and professional services fees, and interest expense related to the accretion of the lease liability but partially offset by the reclassification of lease related items to depreciation and amortization expenses.

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)	2019	2018	Change $	Change %
Legislated obligations				
Occupational Health and Safety Act	108	107	1	0.9
MOLTSD Prevention Costs	96	110	(14)	(12.7)
	204	217	(13)	(6.0)
Workplace Safety and Insurance Appeals Tribunal	28	32	(4)	(12.5)
Workplace Safety and Insurance Advisory Program	16	15	1	6.7
Total legislated obligations	**248**	**264**	**(16)**	**(6.1)**
Funding commitments				
Grants and other funding commitments	3	1	2	100+
Safety program rebates	31	33	(2)	(6.1)
Total funding commitments	**34**	**34**	**-**	**-**
	282	**298**	**(16)**	**(5.4)**
Claims administration costs allocated to claim costs	(25)	(29)	4	13.8
Total legislated obligations and funding commitments	**257**	**269**	**(12)**	**(4.5)**

Legislated obligations and funding commitments expenses, before allocation to claim costs, decreased by $16 million, reflecting lower MOLTSD Prevention costs and lower costs from the WSIAT due to its caseload reduction initiative.

5. Changes in financial position

This section discusses the significant changes in our December 31, 2019 consolidated statements of financial position compared to year-end 2018.

(millions of Canadian dollars)	2019	2018	Change $	Change %	Commentary
Assets					
Cash and cash equivalents	3,408	2,538	870	34.3	Increase primarily reflects higher money market and cash positions held by investment managers offset by lower cash balance held by operations.
Receivables and other assets	1,297	1,480	(183)	(12.4)	Decrease primarily reflects lower investment receivables, lower net premium receivables and lower surcharges on employer incentive programs.
Public equity securities	14,915	12,548	2,367	18.9	
Fixed income securities	7,728	7,634	94	1.2	
Derivative assets	223	159	64	40.3	Net change reflects performance of these asset classes net of cash transfers to operating activities in 2019.
Investment properties	1,368	1,412	(44)	(3.1)	
Investments in associates and joint ventures	2,458	2,322	136	5.9	
Other invested assets	8,783	8,929	(146)	(1.6)	
Property, equipment and intangible assets	356	287	69	24.0	Increase primarily reflects adjustments related to the initial application of IFRS 16, partially offset by depreciation related to the Simcoe Place building.
Liabilities					
Payables and other liabilities	1,163	1,604	(441)	(27.5)	Decrease primarily reflects lower investment payables, lower occupational health and safety payables and lower experience rating refunds payable.
Derivative liabilities	72	448	(376)	(83.9)	Decrease largely reflects changes in our currency and futures positions within the investment portfolio.
Long-term debt and lease liabilities	201	114	87	76.3	Increase primarily due to application of IFRS 16, which required that operating leases be brought on-balance sheet.
Loss of Retirement Income Fund liability	2,000	1,867	133	7.1	Increase reflects net investment gains offset partially by disbursements in excess of contributions.
Employee benefit plans liability	1,971	1,424	547	38.4	Increase primarily reflects a decrease in the discount rate used for valuation.
Benefit liabilities	27,110	27,210	(100)	(0.4)	Decrease primarily due to experience gains and updated assumptions partially offset by higher liabilities for the new injury year.
Net assets	4,588	1,484	3,104	100+	Changes primarily reflect total comprehensive income attributable to WSIB stakeholders.
Net assets - Sufficiency Ratio basis	4,269	2,550	1,719	67.4	Strengthening due to continued strong operating results.
Sufficiency Ratio	113.7%	108.0%		5.7	

6. Reconciliation of the change in net assets

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* (collectively, the "Ontario Regulations") are met.

Set forth below is a segmentation of our financial results between the "Current injury year" for 2019 and "Prior injury years".

(millions of Canadian dollars)	Total	Current injury year	Prior injury years
Revenues			
Premiums[1]	3,703	3,212	491
Net mandatory employer incentive programs[2]	(24)	-	(24)
	3,679	3,212	467
Net investment income[3]	4,051	128	3,923
	7,730	**3,340**	**4,390**
Expenses			
Claim payments[4]	2,534	213	2,321
Claim administration costs[5]	453	219	234
Change in actuarial valuation of benefit liabilities[6]	(100)	1,577	(1,677)
	2,887	**2,009**	**878**
Loss of Retirement Income Fund contributions[7]	57	-	57
Administration and other expenses[8]	484	484	-
Legislated obligations and funding commitments[8]	257	257	-
	3,685	**2,750**	**935**
Remeasurements of employee benefit plans[9]	(454)	(15)	(439)
Translation losses from net foreign investments	(69)	-	(69)
Total comprehensive income	**3,522**	**575**	**2,947**
Non-controlling interests[10]	393	13	380
Total comprehensive income attributable to WSIB stakeholders	**3,129**	**562**	**2,567**

1. Calculated based on new claim and administration and other costs for the 2019 injury year.
2. Represents retrospective refunds arising from favourable 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 2019 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 current year.
9. Relates primarily to prior injury years.
10. Same proportionate split as net investment income.

As noted above, premium revenues for the current injury year were sufficient to offset current year injury and administration costs. 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 2019 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 19 of the consolidated financial statements.

(millions of Canadian dollars)	
Net assets as at December 31, 2018	1,484
Interest on net assets	70
Employer premiums that increase net assets	491
Expected net assets as at December 31, 2019	2,045
Experience gains (losses)	
Gains from investment returns higher than expected[1]	2,274
Losses from remeasurements of employee benefit plans	(439)
Translation losses from net foreign investments	(69)
Gains and losses on claims/operations	
Gains from current year claims cost lower than expected	562
Losses from net mandatory employer incentive programs	(24)
Gains from prior year claims cost lower than expected	158
Net actual gains	2,462
Changes in assumptions for future cost on existing claims	
Changes in mortality assumptions	208
Changes in future claim administration cost	(79)
Changes in loss of earnings benefits	175
Changes in health care and occupational diseases	(193)
Changes in future awards	(5)
Net asset increase from assumption changes	106
Effect of initial application of IFRS 16	(25)
Net assets as at December 31, 2019	**4,588**

1. The discount rate at 2018 year-end was 4.75%. Investment experience, on an actuarial basis, was better than the discount rate during 2019, leading to investment gains, which resulted to an increase in the net assets.

As noted above, net assets increased $3,104 million in 2019, reflecting the premium payment to increase the net assets and strong investment performance.

Reconciliation of the net assets on a Sufficiency Ratio basis

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

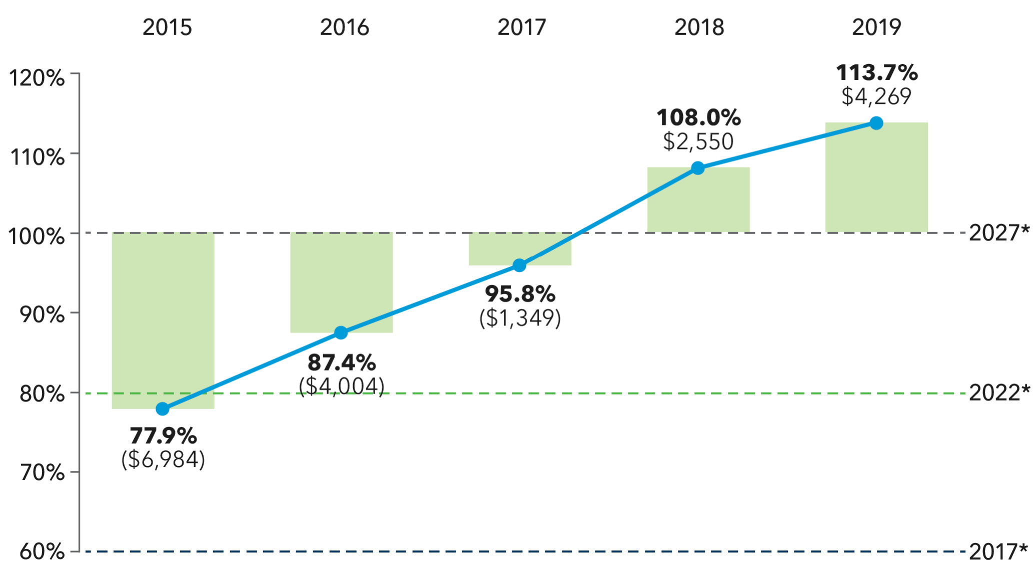
The investment portfolio is valued at fair value adjusted by investment gains and losses deviating from the net investment return objective, less the interests in those assets held by third parties (non-controlling interests). These gains or losses are amortized over a five-year period, thereby moderating 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.

As at December 31, 2019, the Sufficiency Ratio, as defined in the *Ontario Regulations*, was 113.7% (2018 – 108.0%). Set forth below is the reconciliation of the net assets between the IFRS and Sufficiency Ratio basis:

(millions of Canadian dollars)	**December 31 2019**	**December 31 2018**
Net assets attributable to WSIB stakeholders on an IFRS basis	4,588	1,484
Add (Less): Adjustments per Ontario Regulations:		
Change in valuation of invested assets	(1,686)	423
Change in valuation of employee benefit plans liability	1,283	694
Change in valuation of invested assets attributable to non-controlling interests	84	(51)
Net assets attributable to WSIB stakeholders on a Sufficiency Ratio basis	**4,269**	**2,550**
Sufficiency Ratio	**113.7%**	**108.0%**

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:

Net Assets (UFL) on a Sufficiency Ratio basis and Sufficiency Ratios
(millions of Canadian dollars)



*Legislated required Sufficiency Ratio at end of year

7. Summary of quarterly results

Selected financial information for the eight consecutive quarters ended December 31, 2019 is as follows:

	2019				2018[4]			
(millions of Canadian dollars)	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Net premiums	885	917	1,001	876	1,146	1,291	1,304	1,213
Net investment income (loss)	1,072	449	649	1,881	(1,306)	293	480	14
Claim payments	658	618	629	629	618	600	622	619
Claim administration costs	123	108	111	111	120	103	113	112
Change in actuarial valuation of benefit liabilities	(191)	20	(11)	82	(601)	(97)	(414)	32
Total claim costs	**590**	**746**	**729**	**822**	**137**	**606**	**321**	**763**
Loss of Retirement Income Fund contributions	15	14	14	14	14	13	15	14
Administration and other expenses	136	114	119	115	129	121	112	110
Legislated obligations and funding commitments	63	65	66	63	68	67	64	70
Excess (deficiency) of revenues over expenses	**1,153**	**427**	**722**	**1,743**	**(508)**	**777**	**1,272**	**270**
Total other comprehensive income (loss)	177	6	(322)	(384)	(44)	175	100	123
Total comprehensive income (loss)	**1,330**	**433**	**400**	**1,359**	**(552)**	**952**	**1,372**	**393**
Total comprehensive income (loss) attributable to WSIB stakeholders	**1,223**	**385**	**342**	**1,179**	**(435)**	**919**	**1,324**	**386**
Other measures								
Return on investments (%)[1]	3.1	1.4	1.9	5.8	(3.5)	0.9	1.6	0.4
Net assets (unfunded liability)[2, 3]	4,588	3,365	2,980	2,655	1,484	1,919	1,000	(324)
Net assets (unfunded liability) – Sufficiency Ratio basis[3]	4,269	3,661	3,217	2,736	2,550	1,596	653	(634)

1. Return on investments is the investment income (loss), net of transaction costs and withholding taxes, generated over a given period of time as a percentage of the capital invested, taking into account capital contributions and withdrawals.
2. Net assets (unfunded liability) represent the net assets (deficiency of net assets) attributable to WSIB stakeholders as at the end of the reporting period. The total net assets of $8,019 million as at December 31, 2019 (2018 – $4,642 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 $3,431 million as at December 31, 2019 (2018 – $3,158 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, 2019 was $4,588 million (2018 – $1,484 million), which includes benefit liabilities. Refer to the consolidated statements of financial position for further details.
3. Refer to Section 6 – Reconciliation of the change in net assets for further details.
4. Certain comparative amounts have been reclassified to be consistent with the current year's presentation.

Notable items affecting our fourth quarter 2019 results compared to the fourth quarter 2018 results are as follows:

- Net premiums were $885 million compared to $1,146 million, a decrease of $261 million, or 22.8%, reflecting a $297 million decrease in gross Schedule 1 premiums, partially offset by a $29 million increase in net surcharges for mandatory employer incentive programs and a $7 million net change in other items.
- The fourth quarter of 2019 resulted in a net investment gain of $1,072 million representing a positive return of 3.1% compared to a net loss of $1,306 million and a negative return of 3.5%, an increase of $2,378 million. This was primarily attributed to large gains in public equities in the fourth quarter in contrast to the downturn in the public equity market during the same period last year.
- Claim payments were $658 million compared to $618 million, an increase of $40 million, or 6.5%, primarily due to higher loss of earnings and health care costs.
- Claim administration costs were $123 million compared to $120 million, an increase of $3 million, reflecting higher administration and other expenses.
- Administration and other expenses, before allocation to claim costs, were $252 million compared to $241 million, an increase of $11 million, or 4.6%, reflecting an $11 million increase in employee benefit plans expenses, $2 million increase in depreciation and amortization expenses, $1 million decrease in other operating expenses, and $1 million decrease in salaries and short-term benefits expenses.
- Legislated obligations and funding commitments, before allocation to claim costs, were $70 million compared to $76 million, a decrease of $6 million, or 7.9%, reflecting lower MOLTSD Prevention costs and lower safety program rebates.

Our quarterly revenues and expenses are impacted by a number of trends and recurring factors such as seasonality as well 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 industries we insure. Additionally, net investment income is influenced by volatile global capital markets. We anticipate the volatility in net investment income will continue in 2020.

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

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, 2019, we held $3,408 million of cash and cash equivalents, of which $3,312 million was held for investing purposes and $96 million was held for operating purposes.

(millions of Canadian dollars)	2019	2018
Cash and cash equivalents, beginning of year	2,538	2,586
Cash provided (required) by operating activities	(298)	1,350
Cash provided (required) by investing activities	1,306	(1,314)
Cash required by financing activities	(138)	(84)
Cash and cash equivalents, end of year	**3,408**	**2,538**

A summary of the significant changes in cash and cash equivalents for the year ended December 31, 2019 is as follows:

- Cash required by operating activities was $298 million compared to $1,350 million provided in 2018, reflecting lower premiums collected due to the reduction in average premium rates and an increase in amounts paid on payables, partly offset by higher amounts collected on receivables (excluding investments).

- Cash provided by investing activities was $1,306 million compared to cash required of $1,314 million in 2018. In 2019, significant cash was provided from the diversified markets, infrastructure and absolute return portfolios partially offset by investment in the fixed income and public equities portfolios, resulting in higher cash balances at December 31, 2019. In 2019, there was a small transfer to operations of $105 million from the investment portfolio compared to a very significant transfer of $1,275 million from operations to the investment portfolio in 2018.

- Cash required by financing activities was $138 million compared to $84 million in 2018, primarily due to an increase in distributions to non-controlling interests offset slightly by a reduction in repayments of debt and lease liabilities.

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, 2019.

Commitments

(a) Mortgages

As at December 31, 2019, future principal payments on mortgages were as follows:

(millions of Canadian dollars)	Within 1 year	1 – 5 years	Over 5 years	Total
Mortgages	-	-	70	**70**

(b) Investment commitments

The WSIB had the following commitments for capital calls as at December 31 related to its investment portfolio:

(millions of Canadian dollars)	2019	2018
Investment funds, infrastructure and real estate related investments	2,204	2,188
Investments in associates and joint ventures	517	80
Purchases or development of investment properties	14	32
Total investment commitments	**2,735**	**2,300**

There was no specific timing requirement to fulfill these commitments during the investment period.

(c) Legislated obligations and funding commitments

Known commitments related to legislated obligations and funding commitments as at December 31, 2019 were approximately $266 million for 2020.

(d) Other commitments

As at December 31, 2019, the WSIB had additional commitments going forward under non-cancellable contracts for purchases of goods and services with future minimum payments of approximately $237 million (2018 – $153 million).

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, however, 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.

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 at the dates of the consolidated statements of financial position.

Employee benefit plans

The WSIB sponsors a registered defined benefit pension plan, 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 17 of the consolidated financial statements 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 could 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

(b) Remeasurements, actual experience which differs from assumptions which result in actuarial gains or losses, are recognized in other comprehensive income.

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 a transaction (not a forced liquidation or distress sale) between market participants at the measurement date, that is, an exit value. Refer to note 7 of the consolidated financial statements for further details.

The carrying amounts of cash and cash equivalents, public equity securities, fixed income securities, 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 investment payables approximate their fair values.

Where possible, the fair value of publicly traded financial instruments is based on quoted prices in active markets.

Where quoted prices in active markets are not available for financial instruments such as 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 other invested assets include investment funds, infrastructure related investments and real estate related investments. Investment funds are valued on the basis of net asset values provided by investment managers. Infrastructure and real estate related investment funds are valued using acceptable industry valuation methods, including discounted cash flow methods using unobservable inputs such as expected future cash flows, terminal values, discount rates and market comparable approaches.

The fair value of infrastructure related investments is provided by investment managers who use acceptable industry valuation methods, which incorporate prevailing market rates and may require estimates for economic risks and projected cash flows. Due to the estimation process and the need to use judgment, the aggregate fair value amounts may not be realizable in the settlement of assets or liabilities.

The fair values of real estate related investments and investment properties are based on the 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. When determining the fair value of these investments, estimates and assumptions are made that may have a significant effect on the reported values of these investments.

10. Changes in accounting standards

(a) Standards adopted during the current year

IFRS 16 *Leases*

IFRS 16 sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract. For lessees, IFRS 16 requires that all leases be recognized on the statement of financial position, with certain exemptions. The accounting for a lessor is substantially unchanged.

Under IFRS 16, the WSIB assesses whether a contract is or contains a lease. This assessment involves the exercise of judgment about whether there is an identifiable asset, whether the WSIB obtains substantially all of the economic benefits from the use of that asset, and whether the WSIB has the right to direct the use of the asset.

The WSIB has elected to apply the practical expedient not to recognize right-of-use assets and liabilities for leases where the total lease term is less than 12 months or for leases of low value. The payments for such leases are recognized in administration and other expenses on a straight-line basis over the term of the lease.

Impact of transition to IFRS 16

Effective January 1, 2019, the WSIB adopted IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in net assets as at January 1, 2019. The comparative information has not been restated.

On transition to IFRS 16, the WSIB elected to apply the practical expedient to grandfather the assessment of contracts that were classified as leases under IAS 17 *Leases*, the previous lease standard. Therefore, the WSIB only applied IFRS 16 to contracts that were previously identified as operating leases.

On adoption of IFRS 16 and subsequent changes in accounting estimates, the WSIB recognized right-of-use assets of $72 and lease liabilities of $97. The difference of $25 was recognized in net assets. The right-of-use assets are measured as if IFRS 16 had been applied since the commencement date, but discounted using the WSIB’s incremental borrowing rate as at January 1, 2019. The lease liabilities are measured at the present value of remaining lease payments, discounted using the WSIB’s incremental borrowing rate as at January 1, 2019. The WSIB’s weighted average incremental borrowing rate as at January 1, 2019 was 3.46%.

The following table reconciles the WSIB's operating lease obligations as at December 31, 2018, as previously disclosed in the WSIB's consolidated financial statements, to the lease obligations recognized on initial application of IFRS 16 on January 1, 2019.

	January 1 2019
Operating lease commitments disclosed as at December 31, 2018	27
Extension options reasonably certain to be exercised	91
Effect of discounting lease commitments	(42)
Other	21
Lease liabilities as at January 1, 2019	**97**
Finance lease liabilities as at December 31, 2018	46
Total lease liabilities recognized as at January 1, 2019	**143**

Amendments to IAS 28 *Investments in Associates and Joint Ventures* ("IAS 28")

In October 2017, the International Accounting Standards Board ("IASB") issued amendments to IAS 28, which clarify that long-term interests in an associate or joint venture to which the equity method is not applied should be accounted for following the requirements of IFRS 9 *Financial Instruments* ("IFRS 9"). The amendments were effective for annual periods beginning on or after January 1, 2019. The adoption of these amendments did not have a significant impact on the WSIB's consolidated financial statements.

Annual Improvements to IFRSs 2015 – 2017 Cycle

In December 2017, the IASB issued *Annual Improvements to IFRSs 2015 – 2017 Cycle*, which includes minor amendments to IFRS 3 *Business Combinations* ("IFRS 3") and IFRS 11 *Joint Arrangements*. The amendments were effective for annual periods beginning on or after January 1, 2019. The adoption of these amendments did not have a significant impact on the WSIB's consolidated financial statements.

Amendments to IAS 19 *Employee Benefits* ("IAS 19")

In February 2018, the IASB issued amendments to IAS 19, which require entities to use updated assumptions to determine current service cost and net interest for the period after a plan amendment, curtailment or settlement. The amendments are effective for annual periods beginning on or after January 1, 2019. The adoption of these amendments did not have a significant impact on the WSIB's consolidated financial statements.

(b) Future changes in accounting standards

The following new or amended accounting standards have been issued by the IASB but are not yet effective.

IFRS 17 *Insurance Contracts* ("IFRS 17")

In May 2017, 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. Based on the recent decision by the IASB in March 2020, the WSIB will adopt the standard on the effective date of January 1, 2023. The WSIB is currently assessing the impact of adopting this standard and expects that it will have a significant impact on the WSIB's consolidated financial statements.

IFRS 9 *Financial Instruments*

In July 2014, 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.

A new principles-based model is introduced for classifying and measuring financial assets, based on the business model and the contractual cash flow characteristics of the financial assets held. The classification and measurement for financial liabilities remain generally unchanged; however, for a financial liability designated at fair value through profit or loss, fair value changes attributable to the changes in an entity's own credit risk are reflected in other comprehensive income.

The standard also introduces a new forward-looking expected loss model which replaces the incurred loss model under IAS 39 for the recognition and measurement of impairment on all financial instruments not measured at fair value. In addition, a new model for hedge accounting is introduced to achieve better alignment with risk management activities.

Based on the recent decision by the IASB in March 2020, 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).. 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.

Amendments to IFRS 3 *Business Combinations*

In October 2018, the IASB issued amendments to IFRS 3, which clarify that to be considered a business, an acquired set of activities must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. The adoption of these amendments 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") **and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*** ("IAS 8")

In October 2018, the IASB issued amendments to IAS 1 and IAS 8. The amendments clarify the definition of "material". The amendments are effective for annual reporting periods beginning on or after January 1, 2020. The adoption of these amendments is not expected to have a significant impact on the WSIB's 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 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.

Also, 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, 2020

The following contains forward-looking statements about the outlook for our business. Reference should be made to Section 16 – 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 decrease in 2020. This expectation reflects the 17.0% reduction to the published average premium rate determined under the new premium rate-setting model and the potentially adverse implications of COVID-19 on insurable earnings growth and premiums paid by employers on every $100 of insurable payroll.

Net investment income

While our long-term investment return objective is planned within an expected range of 3.9% to 6.6%, we expect near-term volatility of investment returns in 2020 due to market and economic conditions as a result of COVID-19. We will continue to implement our Strategic Investment Plan ("SIP") 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.

Claim payments

Claim payments are anticipated to be higher than the level of claim payments in 2019. We caution readers that the level of claim payments may rise in part due to new types of compensable claims.

Administration and other expenses

Administration and other expenses are anticipated to increase in 2020, reflecting increases to information technology costs, salaries and short-term benefits and employee benefit plan expenses.

Legislated obligations and funding commitments

Legislated obligations and funding commitments are anticipated to increase, reflecting higher costs for MOLTSD's new voluntary accreditation program and higher costs for WSIB's new Health and Safety Excellence program.

Net assets

The COVID-19 outbreak is expected to result in volatility of both employer contributions and investment assets and a potential decrease from our previously budgeted net asset position.

Liquidity

The expected adverse impacts of the COVID-19 outbreak on premiums, net investment income, and net assets are expected to adversely impact our net cash flows and liquidity requirements. We have expanded the range and severity of stress tests used in our liquidity assessments and will continue to mitigate liquidity risk to ensure funds are available as required. We do not anticipate encountering difficulty in meeting payment obligations when due.

13. Internal control over financial reporting

Management is responsible for the accuracy, integrity and objectivity of the consolidated financial statements within reasonable limits of materiality. 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.

14. Risk factors

The WSIB closely monitors enterprise risks that may impact the achievement of its strategic objectives and undertakes continuous engagement with leaders to assess and adjust risk mitigation activities 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.

Reporting in accordance with IFRS 7

The shaded text in the following sections represents our disclosures on investment, liquidity, credit and market risks in accordance with IFRS 7 *Financial Instruments: Disclosures*, and includes a discussion on how we measure risk and our objectives, policies and methodologies for managing these risks. The shaded text represents an integral part of our consolidated financial statements for the year ended December 31, 2019 and does not imply that these disclosures are of any greater importance than the non-shaded text.

Insurance funding

We face two main 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 – that could arise as a result of the WSIB maintaining funds in excess of a sustainability reserve, which in turn leads to a heightened risk of inconsistent decision-making on the treatment of surplus funds.

The WSIB's Sufficiency Ratio was 113.7% as of December 31, 2019, and the risk of underfunding remains low. There continues to be a moderate risk of overfunding as the WSIB continues to explore policy solutions to clearly define minimum and maximum levels of a sustainability reserve and mechanisms to address the management of surplus funding.

Safeguarding injured worker benefits and ensuring premium rate stability for employers in the event of future economic shocks remain top priorities for the WSIB. For this reason, the WSIB continues to pursue the establishment of a responsible sufficiency reserve threshold, above the 100% funding requirement, within its funding policy to offset economic volatility. As such, funding parameters, pricing and investment decisions remain central to the organization's strategy to prepare for adverse economic conditions. This has resulted in revisions to our Strategic Investment Plan, which are expected to provide enhanced diversification of returns.

The COVID-19 pandemic has resulted in unprecedented impacts to economies globally with limited insight on the future outlook for economic recovery. Although, the WSIB remains confident in its ability to maintain sufficient funding to sustain benefits for injured workers, it is expected that premium revenue and investment returns will be significantly impacted.

The WSIB has undertaken stress-testing of investment returns and its sufficiency position based on three hypothetical scenarios that would see investment returns decreasing to -5%, -10% and -15% for the full year in 2020 (returning to 5% thereafter).

In light of the anticipated economic impact to the employers in Ontario, the WSIB has developed a financial relief package in collaboration with the Government of Ontario to help employers reduce the financial burden of the rapidly evolving COVID-19 situation. All employers covered by the WSIB's workplace insurance are automatically eligible for a deferral of premium reporting and payments until August 31, 2020. This premium deferral is available to businesses who report and pay monthly, quarterly or annually based on their insurable earnings. Additionally, no interest will accrue on outstanding premium payments and no penalties will be charged during this six-month deferral period. This relief package also applies to Schedule 2 employers – publicly funded organizations and other businesses who are involved in federally regulated industries.

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 revenue:

- 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 WSIB's risk appetite, benefit liabilities, premium rate levels, and capital market assumptions;
- Monitoring of 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.

(i) Liquidity risk

Liquidity risk is the risk that we will encounter difficulty in meeting payment obligations when due through operational cash flows or sales of financial assets without incurring financial loss.

We mitigate this risk by:

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

(ii) 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.

We are exposed to credit risk in several ways including:

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

Our credit risk is mitigated by:

- Allocating a predominant component of fixed income 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.

(iii) Market risk

There are three types of market risk to which we are 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 our 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 (the target allocations to the various asset classes), in view of the level of risk we are willing to assume. The policy asset mix is the primary determinant of the portfolio's level of market risk. Our investment portfolio is further diversified in accordance with our investment policies to reduce the portfolio's exposure to a change in price in any particular issuer, group of issuers, geographic region, or sector of the market.

Management of claims

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

Although the WSIB continues to experience challenges with increased claims volumes, we remain confident that claims are being administered in accordance with legislation and policy. The WSIB has embarked on the following improvements to the delivery of our services:

- Introducing long term technology-enabled solutions to improve customer experience and efficiency;
- Increased resources to address ongoing claims volumes for 2020; and
- Routinely conducting internal program quality assessments to enhance service delivery model changes previously introduced.

The WSIB 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 were 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.

Although it is anticipated that there will be increasing COVID-19 related claims, the WSIB remains confident in its ability to address these claims while pursuing optimal recovery and return to work outcomes.

As of March 31, 2020, 504 COVID-19 related claims have been registered with the WSIB. The claims will be adjudicated in alignment with a new Adjudicative Practice document, published on March 23, 2020. On March 12, 2020, a COVID-19 update was posted on the WSIB's website to provide clarity to our clients on the eligibility of related claims, and to promote measures to keep workplaces safe. The number of COVID-19 related claims which will be approved remain unknown at this time.

Benefit payments also continue to remain unaffected. Monitoring will be required to assess if there are any material trends with potentially higher durations and the propensity to stay on benefits longer in an unsure economy.

The WSIB has undertaken the following risk mitigation activities to address the COVID-19 pandemic:

- Increased our technology capabilities to enable our staff to continue to provide uninterrupted services and encourage social distancing in our offices;
- Developed specific coding to identify and adjudicate COVID-19 related claims; and
- Developed communication to provide clarity on eligibility of such claims, and encourage employers to report potential exposure using the WSIB's existing Program for Exposure Incident Reporting.

Program and project delivery

Our aim is to deliver projects on time, on budget, and within an identified scope that meets our strategic priorities and enhances our value. The WSIB continues to focus on mitigating challenges related to these goals by strengthening our project management capabilities.

The Enterprise Portfolio Management Office ("EPMO") continues to make material progress in centralizing and streamlining project governance, oversight and execution to ensure projects align with our strategic priorities.

Over the past year, we introduced the following:

- Improvements were made to the EPMO's Portfolio Governance;
- Refinements were made to the IT operating model to ensure end-to-end quality management and supporting agile delivery methods are underway to improve planning and utilization of technology environments;
- An Earned Value Management approach to all projects was launched for the purposes of tracking spending against expected funding;
- Enhancements were made to the Enterprise Gating Model to support project planning, management and implementation requirements; and
- A new Portfolio Advisory Committee was introduced to support enterprise-level engagement.

The delivery of programs and projects has been impacted by the sudden onset of the COVID-19 pandemic which necessitated an immediate response by the WSIB to focus on ensuring the continuity of its critical business processes. Upon the initiation of business continuity protocols, the EPMO commenced an assessment of the impact to individual projects and programs. This ongoing assessment will enable the WSIB to determine the future outlook of successful delivery of projects and programs as well as evaluate their alignment to enhance the delivery of critical services during a time of unprecedented change in the organization.

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 2019 to address these challenges:

- The Mental Health Leadership Program, Respectful Workplace and Change Leadership training were delivered;
- Ongoing delivery of New Manager and Experienced Manager Programs with new Director Program pilot;
- Redesign of the Onboarding Program – Employee Experience Lifecycle;
- Approval and implementation of the People Plan through a phased approach was adopted with a focus on three pillars: Future Ready Workforce, Engaged Employees and Effective Leadership;
- Assessment of risk exposures due to increase in retirements across the enterprise and potential impacts in the achievement of business objectives; and
- Ongoing active recruitment.

As a result of the COVID-19 pandemic, the WSIB initiated its Business Continuity Plan with a focus on maintaining critical services. All employees who were not identified to perform critical services were mandated to work from home to minimize travel and encourage social distancing while inter-office travel was substantially reduced. Updates were provided daily to all employees through internal communication dedicated to ensuring staff remained informed of organizational strategies. At this time, there has been no indication that there have been any significant impacts to organizational productivity or service levels, however, the WSIB will continue to monitor and make adjustments as necessary.

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 business operations may be subject to risks that lead to a failure to recover and maintain business continuity, due to inadequate business continuity plans or failure to execute these plans effectively. As a result, the WSIB's business continuity program continues to evolve to address the needs for service continuity for our critical operations.

Our mitigation of these risks includes:

- A re-assessment of critical business processes, the identification of related business continuity plans and table-top exercises;
- Enterprise efforts to support planning and preparedness in the face of potential disruptions; and
- The introduction of an annual health check of the WSIB's business areas to help evaluate their resiliency and address any gaps.

The COVID-19 pandemic has introduced several economic, operational and logistical challenges for organizations globally. The WSIB has established a COVID-19 Planning Committee and deployed a Pandemic Plan to support the ongoing assessment of the pandemic's implications to our organization. Continuity measures have been deployed to ensure that the WSIB maintains a healthy and safe workplace for its staff, as well as ensure that critical processes remain operational to support injured workers and employers.

Our mitigation activities in response to COVID-19 include:

- Moving our workforce entirely to a work-from-home model in order to support appropriate social distancing at our offices;
- Cessation of in person client visits, replaced by remote engagement models; and
- Deploying and enhancing our technology capabilities to ensure that critical processes remain uninterrupted.

Information technology

The WSIB relies on multiple technologies and third parties to provide key components of its infrastructure and remains vigilant in ensuring the integrity of this infrastructure through continuous evaluation and enhancement. Concerns associated with this risk included the pace of legacy information technology ("IT") system decommissioning and deficiencies in our IT security. The WSIB remains on track to strategically address IT and cyber security risks through execution of the IT Security Roadmap (2019–2025).

Although concerns related to cyber security vulnerabilities were identified at the end of 2019, the risks to the organization are well understood and are aligned to an established roadmap of future control environment enhancements.

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

- New vendors were acquired to support managed security services and the migration of data centres;
- A public cloud infrastructure was designed and built;
- System upgrades were expedited where possible to immediately address legacy system vulnerabilities; and
- Keeping the Lights On initiatives have been prioritized for 2020 as part of the WSIB's IT operational plan.

The COVID-19 pandemic placed considerable pressure on the WSIB's IT resources as we increased our technology capabilities to ensure the continuity of our operations and encourage agility to respond to the evolving situation. At the onset of provincial and national government mandates for self-quarantine, our IT infrastructure was able to rapidly respond by enabling our staff with the necessary equipment and technology to ensure the continuity of our operations. To date, there has been limited disruption to service or reduction to organizational productivity.

Third-party vendors

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

The following are a list of our third-party risk mitigation activities:

- A current state assessment of contract management practices across the WSIB was completed;
- The development of a vendor management framework commenced;
- An insurance tool was developed to assess the insurance requirements for third parties;
- Improvements to the procurement lifecycle were introduced through revisions to the procurement policy; and
- ERM and Strategic Procurement developed enhanced analytics to assess vendor capabilities to support business continuity in the delivery of critical business processes.

The scale and rapid acceleration of the COVID-19 pandemic resulted in substantial operational and logistical challenges for organizations globally. Currently, there have been limited impacts to the WSIB's operations as a result of disruptions to vendor services. Prior to the expansion of the pandemic, the WSIB ensured that business continuity plans were current and designed to identify critical processes and vendors essential to ensuring the continuity of services to staff, employees and employers. To date, all critical processes remain supported both internally as well as externally by vendors.

Change in government policy

The WSIB's Strategic Priorities are subject to changes and amendments based on directives provided by the Ontario provincial government. In 2019, we identified the risk that priorities of the newly appointed provincial government may have an impact on the WSIB's 2019–2021 strategic plan. While there were minor developments emerging from various government reviews, changes to the WSIB's Strategic Priorities have not materialized as anticipated and resultant policy amendments were addressed. Going forward, the WSIB will continue to monitor for any developments in government policy that could materially alter or influence its strategy.

The COVID-19 pandemic is expected to introduce specific policy changes aimed at ensuring the health and safety of Ontario's workforce, however, such changes are anticipated to be aligned with the WSIB's mandate and will be easily accommodated to ensure the continued health and safety of Ontario's workforce.

Data governance

The use of data remains integral to the WSIB making informed decisions in the administration of services to injured workers and employers. We recognize that there is a risk that we may not adequately leverage such data and further recognize that there is a risk that compromises of data quality, security, and integrity could lead to a loss. As a result, the centralization of the WSIB's data and information will remain an area of focus for 2020 in order to support standardized and consistent data usage. In addition, we will continue to strive for data classification to enable consistent security controls and effective data analytics.

The unexpected deployment of a work from home model and protocols as a result of COVID-19 has heightened the WSIB's exposure to cyber security and data risks, however, specific measures are being undertaken to ensure the integrity and security of data in our endeavour to provide quality administrative services for injured workers and employers. Specifically, the WSIB will continuously evaluate the use of data, initiate a stronger data governance framework and reinforce security protocols to limit the exposure to any compromises of data quality, security or integrity.

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

- Enterprise Data Governance Strategy was developed and will be approved by the Executive Committee in the first quarter of 2020;
- Developing an Enterprise Data Governance Policy, and proposing amendments to supporting policies; and
- Planning for the Data Curation project with engagement across the WSIB.

Change management

The WSIB continues to experience an increase in the pace of change as the organization strives to modernize and improve customer services through a number of initiatives. As a result, there is a risk that we exceed our capacity for change or fail to manage this change effectively. To support this change, the Enterprise Change Management Office ("ECMO") continues to be engaged in supporting major projects in planning for change within their specific scope and providing a view as to the impact on specific roles and job functions that arise from these projects.

The WSIB has undergone a significant amount of change in a relatively short period of time to mobilize its entire workforce in response to the COVID-19 pandemic. The deployment of a work from home model may pose short-term challenges for some employees as they adjust. Further, the WSIB will need to be mindful of technological limitations and its capacity for introducing substantial changes during this time of uncertainty. Constant communication has thus become an invaluable asset in the organization to ensure effective and efficient change management. Here, the WSIB has deployed dedicated internal resources via its intranet and routine organization wide communications to ensure all staff are apprised of all changes during this evolving situation.

Health and safety

At the WSIB, we strive to promote a culture of safe workplaces. We recognize the value of this endeavour to reduce workplace injuries and illness, as well as reduce costs to employers and alleviate pressures on the health care system. As a result, we launched the Health and Safety Excellence Program ("HSEP") to provide guidance and direct access to employers to promote safer workplaces for their employees. There is a risk of not achieving health and safety performance measures outlined in our 2019-2021 strategic plan, given the limited reach of our health and safety efforts and the reliance on third parties to materially achieve our desired results. In addition, there were concerns that the growth of the HSEP program would bring additional implementation risks.

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

- The HSEP was successfully launched with material interest from the service provider community;
- Established a preferred provider network, with the mechanism for intake of new providers; and
- Increased system integration with enhanced alignment to standards from the Chief Prevention Officer.

As the COVID-19 pandemic continues to evolve, the WSIB anticipates that certain occupations will be at a greater risk of exposure. The severity of the pandemic in addition to the uncertainty of its trajectory may cause increased mental health issues amongst employees in essential business services which remain active. These concerns are compounded by the absence of a timeline for a vaccine and heightened health and safety risks within workplaces across Ontario. The WSIB remains confident in its ability to provide benefits and support to employees during this crucial time and will be guided by Canada's provincial and national government responses to the COVID-19 pandemic.

15. 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, 2019 was $251 million (2018 – $265 million) 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, 2019 are $1,316 million of marketable fixed income securities issued by the Government of Ontario and related entities (2018 – $1,376 million).

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.

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.

16. 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 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.

Responsibility for financial reporting

Role of Management

The accompanying consolidated financial statements are the responsibility of the management of the Workplace Safety and Insurance Board (the “WSIB”) and have been prepared in accordance with International Financial Reporting Standards. The consolidated financial statements include amounts based on management's best estimates and judgments.

Management is responsible for the preparation and fair presentation of these consolidated financial statements 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. The Board of Directors has established an Audit and Finance Committee to oversee that management fulfills these responsibilities. The Audit and Finance Committee meets periodically with management, internal auditors, and external auditors to oversee that their responsibilities are properly discharged with respect to the application of critical accounting policies, consolidated financial statement presentation, disclosures, and recommendations on internal control.

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 his 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 his report on the benefit liabilities of the WSIB. The external auditors have 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 auditors’ report outlines the scope of their audit and their opinion on the consolidated financial statements of the WSIB.

Thomas Teahen
President and Chief Executive Officer
April 23, 2020
Toronto, Ontario

Ernest Chui
Chief Financial Office

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 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, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statement of changes in net assets, and consolidated statement 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, 2019 and 2018, 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 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.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada

April 23, 2020

Actuarial statement of opinion

On the Valuation of the Benefit Liabilities of the Workplace Safety and Insurance Board as at December 31, 2019

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, 2019 (the "valuation date").

In my opinion, the benefit liabilities of $27,110 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 of 4.0% and 3.0% respectively. 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 decrease by $106 million. The change to the modeling of personal care allowance benefits resulted in an increase of $193 million. Changes to loss of earnings locked-in benefits resulted in a decrease of $149 million. The update to mortality rates resulted in a decrease of $208 million. All other changes to methods and assumptions resulted in an increase of $58 million mostly from the change to future claims administration costs.

The impact of the changes in actuarial assumptions and methods on the benefit liabilities is disclosed in note 19 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.

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.

Donald Blue, FCIA, FSA
Vice President and Chief Actuary
Workplace Safety and Insurance Board

April 23, 2020
Toronto, Ontario

Consolidated Statements of Financial Position
(millions of Canadian dollars)

	Note	December 31 2019	December 31 2018
Assets			
Cash and cash equivalents	4	3,408	2,538
Receivables and other assets	5	1,297	1,480
Public equity securities	7	14,915	12,548
Fixed income securities	7	7,728	7,634
Derivative assets	9	223	159
Investment properties	7	1,368	1,412
Investments in associates and joint ventures	10,11	2,458	2,322
Other invested assets	7	8,783	8,929
Property, equipment and intangible assets	13	356	287
Total assets		**40,536**	**37,309**
Liabilities			
Payables and other liabilities	14	1,163	1,604
Derivative liabilities	9	72	448
Long-term debt and lease liabilities	15	201	114
Loss of Retirement Income Fund liability	16	2,000	1,867
Employee benefit plans liability	17	1,971	1,424
Benefit liabilities	19	27,110	27,210
Total liabilities		**32,517**	**32,667**
Net assets			
Reserves		4,676	1,056
Accumulated other comprehensive income (loss)		(88)	428
Net assets attributable to WSIB stakeholders		**4,588**	1,484
Non-controlling interests	23	3,431	3,158
Total net assets		**8,019**	**4,642**
Total liabilities and net assets		**40,536**	**37,309**

Approved by the Board of Directors

Elizabeth Witmer

Chair
April 23, 2020

Leslie Lewis

Audit and Finance Committee (Chair)
April 23, 2020

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

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

	Note	2019	2018[1]
Revenues			
Premiums	18	3,703	5,026
Net mandatory employer incentive programs	18	(24)	(72)
Net premiums		**3,679**	**4,954**
Investment income (loss)	6	4,333	(283)
Investment expenses	6	(282)	(236)
Net investment income (loss)		**4,051**	**(519)**
Total revenues		**7,730**	**4,435**
Expenses			
Claim payments	19	2,534	2,459
Claim administration costs	19	453	448
Change in actuarial valuation of benefit liabilities	19	(100)	(1,080)
Total claim costs		**2,887**	**1,827**
Loss of Retirement Income Fund contributions	16	57	56
Administration and other expenses		484	472
Legislated obligations and funding commitments		257	269
Total expenses		**3,685**	**2,624**
Excess of revenues over expenses		**4,045**	**1,811**
Other comprehensive income (loss)			
Item that will not be reclassified subsequently to income			
Remeasurements of employee benefit plans	17	(454)	268
Item that will be reclassified subsequently to income			
Translation gains (losses) from net foreign investments		(69)	86
Total other comprehensive income (loss)		**(523)**	**354**
Total comprehensive income		**3,522**	**2,165**

		2019	2018
Excess of revenues over expenses attributable to:			
WSIB stakeholders		3,645	1,848
Non-controlling interests	23	400	(37)
		4,045	**1,811**
Total comprehensive income attributable to:			
WSIB stakeholders		3,129	2,194
Non-controlling interests	23	393	(29)
		3,522	**2,165**

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

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	2019	2018
Reserves (deficit)			
Balance at beginning of year		1,056	(792)
Effect of initial application of IFRS 16	3	(25)	-
Adjusted balance at beginning of year		1,031	(792)
Excess of revenues over expenses		3,645	1,848
Balance at end of year		**4,676**	**1,056**
Accumulated other comprehensive income (loss)			
Balance at beginning of year		428	82
Remeasurements of employee benefit plans	17	(454)	268
Translation gains (losses) from net foreign investments		(62)	78
Balance at end of year		**(88)**	**428**
Net assets attributable to WSIB stakeholders		**4,588**	**1,484**
Non-controlling interests			
Balance at beginning of year	23	3,158	3,228
Excess (deficiency) of revenues over expenses	23	400	(37)
Translation gains (losses) from net foreign investments	23	(7)	8
Change in ownership share in investments	23	(120)	(41)
Balance at end of year		**3,431**	**3,158**
Total net assets		**8,019**	**4,642**

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	2019	2018
Operating activities:			
Total comprehensive income		3,522	2,165
Adjustments:			
Amortization of net discount on investments		(33)	(27)
Depreciation and amortization of property, equipment and intangible assets	13	51	43
Changes in fair value of investments		(3,457)	1,250
Changes in fair value of investment properties		(12)	(62)
Translation losses (gains) from net foreign investments		69	(86)
Dividend income from public equity securities		(587)	(531)
Income from investments in associates and joint ventures	10	(171)	(90)
Interest income		(219)	(199)
Interest expense		11	8
Total comprehensive income (loss) after adjustments		**(826)**	**2,471**
Changes in non-cash balances related to operations:			
Receivables and other assets, excluding those related to investing activities		106	39
Payables and other liabilities, excluding those related to investing and financing activities		(158)	155
Loss of Retirement Income Fund liability	16	133	(48)
Employee benefit plans liability	17	547	(187)
Benefit liabilities	19	(100)	(1,080)
Total changes in non-cash balances related to operations		528	(1,121)
Net cash provided (required) by operating activities		**(298)**	**1,350**
Investing activities:			
Dividends received from public equity securities, associates and joint ventures		660	595
Interest received		214	198
Purchases of property, equipment and intangible assets	13	(48)	(28)
Purchases of investments		(19,991)	(17,796)
Proceeds on sales and maturities of investments		20,485	16,390
Net dispositions (additions) to investment properties		59	(12)
Net additions to investments in associates and joint ventures		(73)	(661)
Net cash provided (required) by investing activities		**1,306**	**(1,314)**
Financing activities:			
Net contributions related to non-controlling interests		77	109
Distributions paid by subsidiaries to non-controlling interests		(197)	(150)
Repayment of debt and lease liabilities		(7)	(35)
Interest paid on debt and lease liabilities		(11)	(8)
Net cash required by financing activities		**(138)**	**(84)**
Net increase (decrease) in cash and cash equivalents		**870**	**(48)**
Cash and cash equivalents, beginning of year		2,538	2,586
Cash and cash equivalents, end of year		**3,408**	**2,538**

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

Notes to Consolidated Financial Statements
December 31, 2019

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Notes to Consolidated Financial Statements
December 31, 2019
(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, 2019 were authorized for issuance by the WSIB’s Board of Directors on April 23, 2020.

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. Existing circumstances and assumptions about future developments, however, 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.

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 (unfunded liability) attributable to WSIB stakeholders. The excess of revenues over expenses and total comprehensive income attributable to the non-controlling interests are also separately disclosed in the consolidated statements of comprehensive income.

The WSIB Employees' Pension Plan is the non-controlling interest in the majority of the WSIB's subsidiaries. See note 23 for further details.

(b) Investments in joint arrangements and associates

The majority of the WSIB's joint arrangements and associates hold investment properties.

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. 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.

Notes to Consolidated Financial Statements
December 31, 2019
(millions of Canadian dollars)

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.

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 securities, fixed income securities, derivative assets and liabilities, other invested assets, payables and long-term debt. Other invested assets are comprised of investment funds, infrastructure related investments, and real estate related investments. Infrastructure related investments include investments in transportation, utilities and energy, and healthcare facilities. Real estate related investments include real estate debentures, funds and properties located primarily in Canada and the United States diversified across office, retail, industrial, multi-residential and mixed-use assets. The WSIB records purchases and sales of invested assets that are 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 6 for discussion of net investment income related to investment properties and 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 infrastructure and real estate related investments. See note 10 and note 11 for further details.

Notes to Consolidated Financial Statements
December 31, 2019
(millions of Canadian dollars)

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 securities	FVTPL (a)
Fixed income securities	FVTPL (a)
Derivative assets and liabilities	FVTPL (a)
Other invested assets	
Investment funds	FVTPL (a)
Infrastructure related investments	FVTPL (a)
Real estate related investments	FVTPL (a)
Investment payables	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.

(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 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 a transaction (not a forced liquidation or distress sale) 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, public equity securities, fixed income securities, 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 investment payables approximate their fair values.

Where possible, the fair value of publicly traded financial instruments is based on quoted prices in active markets.

Where quoted prices in active markets are not available for financial instruments such as 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 other invested assets include investment funds, infrastructure related investments and real estate related investments. Investment funds are valued on the basis of net asset values provided by investment managers. Infrastructure and real estate related investment funds are valued using acceptable industry valuation methods, including discounted cash flow methods using unobservable inputs such as expected future cash flows, terminal values, discount rates and market comparable approaches.

The fair value of infrastructure related investments is provided by investment managers who use acceptable industry valuation methods, which incorporate prevailing market rates and may require estimates for economic risks and projected cash flows. Due to the estimation process and the need to use judgment, the aggregate fair value amounts may not be realizable in the settlement of assets or liabilities.

The fair values of real estate related investments and investment properties are based on the 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. When determining the fair value of these investments, estimates and assumptions are made that may have a significant effect on the reported values of these investments.

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.

(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 relate.

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, the injured worker 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 16 for more information.

The WSIB contributes five percent 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 five percent 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 five percent 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 19 for further information.

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.

Notes to Consolidated Financial Statements
December 31, 2019
(millions of Canadian dollars)

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 at the dates of the consolidated statements of financial position.

Employee benefit plans

The WSIB sponsors a registered defined benefit pension plan, 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 17 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 could 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

(b) Remeasurements, actual experience which differs from assumptions which result in actuarial gains or losses, are recognized in other comprehensive income.

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. 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

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.

Premium revenues

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 those 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.

(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.

Mandatory employer incentive programs

Schedule 1 employers participate in mandatory employer incentive programs that may result in adjustments to premium rates. These programs involve a surcharge to, or refund of, premiums based on the employer's claims experience. The estimated rebates and surcharges are determined based on an actuarial model and are recognized in the period in which they relate.

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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 recognized as an expense in the period to which the funding relates.

(c) Voluntary employer incentive programs

The WSIB provides financial incentives to Schedule 1 employers who undertake specific measures to improve health and safety. An estimate of 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 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.

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 payments for such leases are recognized in administration and other expenses on a straight-line basis over the term of the lease.

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3. Changes in accounting standards

(a) Standards adopted during the current year

IFRS 16 *Leases* ("IFRS 16")

IFRS 16 sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract. For lessees, IFRS 16 requires that all leases be recognized on the statement of financial position, with certain exemptions. The accounting for a lessor is substantially unchanged.

Under IFRS 16, the WSIB assesses whether a contract is or contains a lease. This assessment involves the exercise of judgment about whether there is an identifiable asset, whether the WSIB obtains substantially all of the economic benefits from the use of that asset, and whether the WSIB has the right to direct the use of the asset.

The WSIB has elected to apply the practical expedient not to recognize ROU assets and liabilities for leases where the total lease term is less than 12 months or for leases of low value.
The payments for such leases are recognized in administration and other expenses on a straight-line basis over the term of the lease.

Impact of transition to IFRS 16

Effective January 1, 2019, the WSIB adopted IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in net assets as at January 1, 2019. The comparative information has not been restated.

On transition to IFRS 16, the WSIB elected to apply the practical expedient to grandfather the assessment of contracts that were classified as leases under IAS 17 *Leases,* the previous lease standard. Therefore, the WSIB only applied IFRS 16 to contracts that were previously identified as operating leases.

On adoption of IFRS 16 and subsequent changes in accounting estimates this quarter, the WSIB recognized ROU assets of $72 and lease liabilities of $97. The difference of $25 was recognized in net assets. The ROU assets are measured as if IFRS 16 had been applied since the commencement date, but discounted using the WSIB's incremental borrowing rate as at January 1, 2019. The lease liabilities are measured at the present value of remaining lease payments, discounted using the WSIB's incremental borrowing rate as at January 1, 2019. The WSIB's weighted average incremental borrowing rate as at January 1, 2019 was 3.46%.

The following table reconciles the WSIB's operating lease obligations as at December 31, 2018, as previously disclosed in the WSIB's consolidated financial statements, to the lease obligations recognized on initial application of IFRS 16 on January 1, 2019.

	January 1 2019
Operating lease commitments disclosed as at December 31, 2018	27
Extension options reasonably certain to be exercised	91
Effect of discounting lease commitments	(42)
Other	21
Lease liabilities as at January 1, 2019	**97**
Finance lease liabilities at December 31, 2018	46
Total lease liabilities recognized as at January 1, 2019	**143**

Amendments to IAS 28 *Investments in Associates and Joint Ventures* (“IAS 28”)

In October 2017, the IASB issued amendments to IAS 28, which clarify that long-term interests in an associate or joint venture to which the equity method is not applied should be accounted for following the requirements of IFRS 9 *Financial Instruments*. The amendments were effective for annual periods beginning on or after January 1, 2019. The adoption of these amendments did not have a significant impact on the WSIB’s consolidated financial statements.

Annual Improvements to IFRSs 2015 – 2017 Cycle

In December 2017, the IASB issued *Annual Improvements to IFRSs 2015 – 2017 Cycle*, which includes minor amendments to IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements*. The amendments were effective for annual periods beginning on or after January 1, 2019. The adoption of these amendments did not have a significant impact on the WSIB’s consolidated financial statements.

Amendments to IAS 19 *Employee Benefits* (“IAS 19”)

In February 2018, the IASB issued amendments to IAS 19 which require entities to use updated assumptions to determine current service cost and net interest for the period after a plan amendment, curtailment or settlement. The amendments are effective for annual periods beginning on or after January 1, 2019. The adoption of these amendments did not have a significant impact on the WSIB’s consolidated financial statements.

(b) Future changes in accounting standards

The following new or amended accounting standards have been issued by the IASB but are not yet effective.

IFRS 17 *Insurance Contracts* (“IFRS 17”)

In May 2017, 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. Based on the recent decision by the IASB in March 2020, the WSIB will adopt the standard on the effective date of January 1, 2023. The WSIB is currently assessing the impact of adopting this standard and expects that it will have a significant impact on the WSIB’s consolidated financial statements.

IFRS 9 *Financial Instruments* (“IFRS 9”)

In July 2014, 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.

A new principles-based model is introduced for classifying and measuring financial assets, based on the business model and the contractual cash flow characteristics of the financial assets held. The classification and measurement for financial liabilities remain generally unchanged; however, for a financial liability designated at FVTPL, fair value changes attributable to the changes in an entity’s own credit risk are reflected in other comprehensive income.

The standard also introduces a new forward-looking expected loss model which replaces the incurred loss model under IAS 39 for the recognition and measurement of impairment on all financial instruments not measured at fair value. In addition, a new model for hedge accounting is introduced to achieve better alignment with risk management activities.

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Based on the recent decision by the IASB in March 2020, 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). 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.

Amendments to IFRS 3 *Business Combinations* ("IFRS 3")

In October 2018, the IASB issued amendments to IFRS 3, which clarify that to be considered a business, an acquired set of activities must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. The adoption of these amendments 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") **and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*** ("IAS 8")

In October 2018, the IASB issued amendments to IAS 1 and IAS 8. The amendments clarify the definition of "material". The amendments are effective for annual reporting periods beginning on or after January 1, 2020. 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:

	2019	**2018**
Cash	1,270	1,028
Short-term money market securities	2,138	1,510
Total cash and cash equivalents	**3,408**	**2,538**

5. Receivables and other assets

Receivables and other assets are comprised of the following:

	2019	**2018**
Premium receivables	357	340
Accrued premium receivables	396	473
Less: Allowance for doubtful accounts	(139)	(140)
Net premium receivables	**614**	**673**
Investment receivables[1]	298	376
Total receivables	**912**	**1,049**
Other assets[2]	385	431
Total receivables and other assets	**1,297**	**1,480**

1. Investment receivables include amounts of $5 (2018 – $22) which are expected to be received over a period of more than one year.
2. Other assets include employer incentive program surcharges of $309 (2018 – $356) which are expected to be received over a period of more than one year.

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6. Net investment income (loss)

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

	2019	**2018**
Cash and cash equivalents	18	15
Public equity securities	2,458	(399)
Fixed income securities	281	208
Derivative financial instruments	1,052	(1,222)
Investment properties[1]	72	114
Investments in associates and joint ventures	175	90
Other invested assets		
Investment funds	452	792
Infrastructure related investments	24	77
Real estate related investments	1	34
Add (Less): Income attributable to Loss of Retirement Income Fund	(200)	8
Investment income (loss)	**4,333**	**(283)**
Less: Investment expenses[2]	(282)	(236)
Net investment income (loss)	**4,051**	**(519)**

1. Investment properties include rental income and service charges of $57 (2018 – $117), partially offset by net gains (losses) from increases (decreases) in fair values of $12 (2018 – $61), as well as operating expenses of $66 (2018 – $66).
2. Includes $135 of management fees paid to investment managers (2018 – $136).

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, 2019				December 31, 2018[4]			
	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[1]	1,270	2,138	-	**3,408**	1,028	1,510	-	**2,538**
Public equity securities	14,833	82	-	**14,915**	12,493	55	-	**12,548**
Fixed income securities	-	7,728	-	**7,728**	-	7,634	-	**7,634**
Derivative assets	54	169	-	**223**	65	94	-	**159**
Investment properties[2]	-	-	1,368	**1,368**	-	-	1,412	**1,412**
Other invested assets								
Investment funds	-	-	8,161	**8,161**	-	-	8,032	**8,032**
Infrastructure related investments	-	-	144	**144**	-	-	412	**412**
Real estate related investments	-	-	478	**478**	-	-	485	**485**
Derivative liabilities	(55)	(17)	-	**(72)**	(72)	(376)	-	**(448)**
Assets and liabilities for which fair value is disclosed								
Investment receivables[1]	-	298	-	**298**	-	376	-	**376**
Administration payables[1]	(342)	-	-	**(342)**	(336)	-	-	**(336)**
Investment payables[1]	-	(54)	-	**(54)**	-	(341)	-	**(341)**
Long-term debt[3]	-	(68)	-	**(68)**	-	(66)	-	**(66)**
Loss of Retirement Income Fund liability (note 16)	-	-	(2,000)	**(2,000)**	-	-	(1,867)	**(1,867)**

1. The carrying amounts (less allowance for impairment) of cash and cash equivalents, investment receivables and administration and investment payables approximate their fair values.
2. Investment properties include an ROU asset of $30.
3. Carrying amount as at December 31, 2019 was $70 (2018 – $70).
4. Certain comparative amounts have been reclassified to be consistent with current year's presentation.

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

During the years ended December 31, 2019 and December 31, 2018, there were no transfers between Level 1 and Level 2.

During the year ended December 31, 2019, there were no transfers between Level 2 and Level 3.

During the year ended December 31, 2018, infrastructure related investments with a carrying amount of $361 were transferred from Level 2 to Level 3 because the inputs used in their valuations were based on unobservable inputs, versus the previous period.

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Level 3 fair value measurements

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

For the year ended December 31, 2019	Other invested assets: Investment funds	Other invested assets: Infrastructure related investments	Other invested assets: Real estate related investments	Subtotal	Investment properties	Total
Balance as at January 1, 2019	8,032	412	485	8,929	1,412	10,341
Net gains (losses) recognized in net investment income	81	(24)	(8)	49	14	63
Translation losses recognized in other comprehensive income	(40)	(1)	-	(41)	-	(41)
Purchases	1,660	-	1	1,661	-	1,661
Sales	(1,572)	(243)	-	(1,815)	(118)	(1,933)
Capital expenditures	-	-	-	-	60	60
Balance as at December 31, 2019	**8,161**	**144**	**478**	**8,783**	**1,368**	**10,151**
Changes in unrealized gains included in earnings for assets and liabilities for positions still held	**(100)**	**(76)**	**(7)**	**(183)**	**12**	**(171)**

For the year ended December 31, 2018	Other invested assets: Investment funds	Other invested assets: Infrastructure related investments	Other invested assets: Real estate related investments	Subtotal	Investment properties	Total
Balance as at January 1, 2018	6,714	399	456	7,569	1,340	8,909
Net gains recognized in net investment income	684	35	24	743	62	805
Translation gains recognized in other comprehensive income	90	20	-	110	-	110
Purchases	909	-	5	914	4	918
Sales	(365)	(403)	-	(768)	(49)	(817)
Capital expenditures	-	-	-	-	55	55
Transfer into Level 3	-	361	-	361	-	361
Balance as at December 31, 2018	**8,032**	**412**	**485**	**8,929**	**1,412**	**10,341**
Changes in unrealized gains included in earnings for assets and liabilities for positions still held	**744**	**11**	**24**	**779**	**62**	**841**

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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	2019 Range of inputs Low	2019 Range of inputs High	2018 Range of inputs Low	2018 Range of inputs High
Investment funds	Net asset value	Net asset value	n/a	n/a	n/a	n/a
Infrastructure related investments	Discounted cash flow and market comparable	Discount rate and expected future cash flows	n/a	n/a	n/a	n/a
Real estate related investments and investment properties	Discounted cash flow and market comparable	Discount rate	4.8%	7.8%	4.8%	7.8%
		Terminal capitalization rate	4.3%	7.0%	4.3%	7.0%
Loss of Retirement Income Fund liability	Net asset value	Net asset value	n/a	n/a	n/a	n/a

Sensitivity of Level 3 financial instruments

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

Fair values of infrastructure related investments are based on valuations obtained from investment managers. The WSIB assesses the reasonableness of these fair values based on periodic appraisals performed by independent qualified appraisers. The valuations of infrastructure related investments obtained from investment managers are based on comparable transactions in the market and 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 real estate related investments and 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.

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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, 2019, the fair value of investments loaned under the securities lending program was $4,107 (2018 – $4,256) and the fair value of securities maintained as collateral was approximately $4,419 (2018 – $4,610).

9. Derivative financial instruments

Derivatives are financial contracts whose value is derived from an underlying interest rate, foreign exchange rate, other financial instruments, commodity prices or indices. The WSIB uses foreign exchange forward contracts to hedge investments denominated in a foreign currency, and for active trading. Equity index, fixed income and commodity futures are held to provide international and asset class diversification.

Foreign exchange 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. Foreign exchange forward contracts are over-the-counter contracts that are negotiated between the WSIB and the counterparty, whereas futures are contracts that are traded on a regulated exchange with standard amounts and settlement dates.

Some derivatives are collateralized with cash and treasury bills. As at December 31, 2019, the fair value of the securities maintained as collateral was approximately $106 (2018 – $147).

The foreign exchange 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:

	2019			2018		
		Fair value			Fair value	
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Forward exchange contracts	15,352	162	17	15,961	64	348
Fixed income futures	4,180	-	26	3,701	49	-
Commodity futures	838	30	9	705	13	34
Equity index futures	1,489	16	4	948	2	36
Foreign currency futures	(247)	-	2	(173)	1	1
Options	36	8	14	41	30	19
Swaps	695	7	-	564	-	10
Total	**22,343**	**223**	**72**	**21,747**	**159**	**448**

10. Joint arrangements and associates

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:

	2019	2018
Current assets	32	26
Non-current assets	2,225	2,081
Current liabilities	(32)	(30)
Non-current liabilities	(5)	-
Net assets	2,220	2,077
WSIB's share of net assets	**1,110**	**1,038**

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The above amounts of assets and liabilities include the following:

	2019	2018
Cash and cash equivalents	2	3
Current financial liabilities (excluding trade and other payables)	(2)	(2)
Non-current financial liabilities (excluding trade and other payables)	(5)	-

Summarized below is the statement of comprehensive income of the Vancouver properties:

	2019	2018
Income	143	135
Gains from increases in fair values	122	66
Expenses	(54)	(52)
Total comprehensive income	**211**	**149**
WSIB's share of total comprehensive income	**106**	**75**

The Vancouver properties have no contingent liabilities or capital commitments as at December 31, 2019 (2018 – nil). During 2019, the WSIB received dividends from the Vancouver properties of $46 (2018 – $38).

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 of those entities.

	Associates		Joint ventures		Joint operations	
	2019	2018	2019	2018	2019	2018
WSIB's share of net assets	**12**	**14**	**1,336**	**1,270**	**220**	**308**
WSIB's share of:						
Net income (loss)	2	2	63	13	(3)	(13)
Other comprehensive income	-	-	(30)	9	-	-

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11. 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 predominantly real estate and infrastructure related investments in the investment portfolios where the WSIB has substantive rights related to the termination of investment managers.

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]	
	2019	**2018**	**2019**	**2018**
Real estate	1,611	1,508	1,611	1,508
Infrastructure	847	814	847	814
Total	**2,458**	**2,322**	**2,458**	**2,322**

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

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12. Risk management

The WSIB is exposed to a number of risks and uncertainties related to its financial instruments and benefit liabilities. These risks and the WSIB's risk mitigation policies and techniques are disclosed in Section 14 – Risk factors of the Management's Discussion and Analysis. Only the shaded text and tables form an integral part of these consolidated financial statements.

Investment risk

The Board of Directors of the WSIB has established Statements of Investment Policies and Procedures ("SIPPs"), 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 six primary investment strategies.

Liquidity risk

As at December 31, 2019, 58.0% (2018 – 57.7%) of the WSIB's investment portfolio was invested in readily marketable fixed income securities 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	6 – 10 years	Over 10 years	No fixed maturity	2019
Cash and cash equivalents	3,408	-	-	-	-	**3,408**
Investment receivables	293	-	5	-	-	**298**
Public equity securities	-	-	-	-	14,915	**14,915**
Fixed income securities	34	5,951	783	900	60	**7,728**
Derivative assets	223	-	-	-	-	**223**
Other invested assets						
Investment funds	-	-	-	-	8,161	**8,161**
Infrastructure related investments	-	-	-	-	144	**144**
Real estate related investments	-	-	-	-	478	**478**
Investment payables	(54)	-	-	-	-	**(54)**
Administration payables	(342)	-	-	-	-	**(342)**
Derivative liabilities	(72)	-	-	-	-	**(72)**
Long-term debt	-	-	(70)	-	-	**(70)**
Loss of Retirement Income Fund liability	-	-	-	-	(2,000)	**(2,000)**

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	Within 1 year	1 – 5 years	6 – 10 years	Over 10 years	No fixed maturity	2018
Cash and cash equivalents	2,538	-	-	-	-	**2,538**
Investment receivables	354	-	22	-	-	**376**
Public equity securities	-	-	-	-	12,548	**12,548**
Fixed income securities	48	5,783	798	940	65	**7,634**
Derivative assets	159	-	-	-	-	**159**
Other invested assets						
Investment funds	-	-	-	-	8,032	**8,032**
Infrastructure related investments	-	-	-	-	412	**412**
Real estate related investments	-	-	-	-	485	**485**
Investment payables	(341)	-	-	-	-	**(341)**
Administration payables	(336)	-	-	-	-	**(336)**
Derivative liabilities	(448)	-	-	-	-	**(448)**
Long-term debt and lease liabilities	-	-	(70)	-	-	**(70)**
Loss of Retirement Income Fund liability	-	-	-	-	(1,867)	**(1,867)**

The WSIB maintains and uses a $150 unsecured line of credit with a commercial bank for general operating purposes. Although the line of credit was occasionally used for minimal amounts in 2019, as at December 31, 2019, there were no outstanding borrowings (2018 – nil).

Credit risk

(a) Fixed income securities

The WSIB's fixed income securities consist primarily of high-quality, investment-grade debt instruments. An investment-grade debt instrument is one that is rated BBB and above. The WSIB manages its credit risk through diversification as set out in the fixed income indices that these passive investments replicate.

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

	2019		2018	
AAA	3,925	50.8%	3,805	49.8%
AA	1,459	18.9%	1,543	20.2%
A	2,141	27.7%	2,106	27.6%
BBB	143	1.8%	115	1.5%
Not rated	60	0.8%	65	0.9%
Total fixed income securities	**7,728**	**100.0%**	**7,634**	**100.0%**

Credit risk associated with fixed income securities 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 limits on exposure to issuers, regions and industry sectors. Through these limits, not more than five percent of the fair value of the investment portfolio is invested in the securities of a single non-government issuer.

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

	2019		2018	
Federal government and agencies	3,844	49.7%	3,728	48.9%
Provincial and municipal	2,872	37.2%	2,973	38.9%
Financial services	858	11.1%	750	9.8%
Utilities and telecommunications	56	0.7%	87	1.1%
Asset-backed securities	47	0.6%	49	0.6%
Other corporate	27	0.3%	26	0.3%
Consumer products and merchandising	14	0.2%	13	0.2%
Natural resources	6	0.1%	5	0.1%
Real estate	4	0.1%	3	0.1%
Total fixed income securities	**7,728**	**100.0%**	**7,634**	**100.0%**

(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. Note 8 of the consolidated financial statements provides the fair value of investments loaned under the securities lending program.

(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 is past due.

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, 2019, the WSIB held collateral in the total amount of $259 (2018 – $242) with Schedule 2 employers.

Market risk

(a) Currency risk

The WSIB is exposed to a number of foreign currencies in its investment portfolio. The WSIB uses foreign exchange contracts as an additional source of return, for economic hedging strategies to manage investment risk, or to manage exposure to asset classes or strategies.

The WSIB has an investment currency hedging policy, which is reviewed and approved at least annually by the Investment Committee. The investment currency hedging policy provides guidelines on currency exposures to be hedged, permitted hedging instruments, hedge adjustments and other currency hedging controls and processes. To manage the currency risk, the WSIB regularly monitors the currency exposure in compliance with the currency hedging policy. The following provides a sensitivity analysis of the effect of a one percent increase or decrease in the Canadian dollar compared to the foreign currencies that represent 84.4% (2018 – 77.9%) of the WSIB's foreign currency exposure in its investment portfolio:

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	2019		2018	
	Net exposure	Effect of 1% change	Net exposure	Effect of 1% change
United States dollar	5,779	58	4,106	41
Hong Kong dollar	547	6	598	6
Japanese yen	347	4	385	4
Euro	332	3	419	4
South Korean won	251	3	293	3
Foreign currency exposure	**7,256**	**74**	**5,801**	**58**

(b) Interest rate risk

The WSIB uses effective duration to measure the sensitivity of the fair value of fixed income securities to a change in interest rates. Parallel shifts in the yield curve of one percent, with all other variables held constant, would result in an increase or decrease in the fair value of fixed income securities of approximately $453 (2018 – $496). This information is based on the assumption that the fixed income securities are not impaired and interest rates and equity prices move independently.

(c) Price risk

The WSIB is primarily exposed to price risk through its investments in public equity securities. The WSIB's price risk mitigation strategies are discussed in Section 14 – Risk factors of the Management's Discussion and Analysis.

The estimated effect on the fair value of public equity securities resulting from a 10% change in market prices, holding all other factors constant, is $1,491 (2018 – $1,255).

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 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 19 provides further information regarding the nature of benefit liabilities.

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13. Property, equipment and intangible assets

	Property and equipment				Intangible assets		
	Land	Buildings[1]	Leasehold improvements	Office and computer equipment	Internally developed software	Acquired software	Total
Cost							
Balance as at December 31, 2017	**40**	**102**	**19**	**23**	**236**	**8**	**428**
Additions	-	-	1	3	24	-	28
Balance as at December 31, 2018	**40**	**102**	**20**	**26**	**260**	**8**	**456**
Adjustments[2]	-	152	-	-	-	-	152
Additions	-	2	3	1	40	2	48
Balance as at December 31, 2019	**40**	**256**	**23**	**27**	**300**	**10**	**656**
Accumulated depreciation and amortization							
Balance as at December 31, 2017	-	**32**	**15**	**22**	**55**	**2**	**126**
Depreciation and amortization	-	3	2	1	35	2	43
Balance as at December 31, 2018	-	**35**	**17**	**23**	**90**	**4**	**169**
Adjustments[2]	-	80	-	-	-	-	80
Depreciation and amortization	-	9	2	-	37	3	51
Balance as at December 31, 2019	-	**124**	**19**	**23**	**127**	**7**	**300**
Carrying amounts							
At December 31, 2018	**40**	**67**	**3**	**3**	**170**	**4**	**287**
At December 31, 2019	**40**	**132**	**4**	**4**	**173**	**3**	**356**

1. Buildings include ROU assets of $68, net of accumulated depreciation of $86.
2. Adjustments related to the initial application of IFRS 16.

The carrying amount for internally developed software as at December 31, 2019 includes $58 (2018 – $25) of costs for software that was not yet available for use and therefore was not yet subject to amortization.

The WSIB has determined that there was no impairment of property, equipment and intangible assets in 2019.

14. Payables and other liabilities

	2019	**2018**
Administration payables	342	336
Investment payables	54	341
Experience rating refunds	733	779
Other liabilities	34	148
Total payables and other liabilities	**1,163**	**1,604**

Payables are expected to be paid within 12 months from the reporting date. Experience rating refunds are expected to be paid over a period of more than one year.

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15. Long-term debt and lease liabilities

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

	2019	2018
Mortgages payable	70	70
Lease liabilities	138	46
Less: Current portion of lease liabilities	(7)	(2)
Total long-term debt and lease liabilities	**201**	**114**

16. Loss of Retirement Income Fund liability

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

	2019	2018
Balance at beginning of year	1,867	1,915
Contributions from the WSIB	57	56
Optional contributions from injured workers	7	7
Contributions from Schedule 2 employers	7	6
Income earned on contributions	197	(4)
Benefits paid in cash	(135)	(113)
Balance at end of year	**2,000**	**1,867**

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

	2019		2018	
Cash and cash equivalents	461	23.0%	385	20.6%
Public equity securities	624	31.2%	551	29.5%
Fixed income securities	381	19.1%	398	21.3%
Derivative financial instruments	6	0.3%	(13)	(0.7%)
Investment properties	59	2.9%	65	3.5%
Investments in associates and joint ventures	94	4.7%	94	5.0%
Other invested assets				
Investment funds	345	17.3%	356	19.1%
Infrastructure related investments	6	0.3%	18	1.0%
Real estate related investments	20	1.0%	22	1.2%
Other	4	0.2%	(9)	(0.5%)
Total Loss of Retirement Income Fund assets	**2,000**	**100.0%**	**1,867**	**100.0%**

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17. Employee benefit plans

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

Pension plans

(a) Employees' Pension Plan

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

The Employees' Pension Plan is open to new entrants, and employees pay contributions based on a fixed formula (as a percentage of salary), with the WSIB responsible for the balance of the cost. The WSIB's general practice is to contribute the minimum required under the PBA, but additional contributions may be made for tactical purposes, such as to meet a particular funding threshold.

On December 12, 2019, the Financial Services Regulatory Authority of Ontario approved the conversion of the WSIB's single employer pension plan to a jointly sponsored pension plan ("JSPP") as of July 1, 2020 (the "conversion date"). A JSPP is a defined benefit pension plan that is jointly sponsored, governed, and funded by the employer and members. The WSIB and the Ontario Compensation Employees Union will be the plan sponsors and a Board of Trustees has been established to administer the JSPP as of conversion date. As of the conversion date, employee contribution requirements will gradually increase until the normal cost of contributions are shared equally by the WSIB and the employees ("phase-in period"). After the end of the phase-in period, the WSIB will only be responsible for 50% of the total costs of the pension plan and employee pension plan liability. The WSIB is currently assessing the impact of the conversion on the WSIB's consolidated financial statements.

(b) The Employees' Supplementary Pension Plan

The Employees' Supplementary Pension Plan ("ESPP") has generally the same plan provisions as the Employees' Pension Plan (as a SEPP), except that it provides for benefits that are earned above the maximum pension benefits permitted under the *Income Tax Act* (Canada). 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 Board of Directors of the WSIB oversees the administration of the employee benefit plans in accordance with applicable legislation and approves the governance structure, including the mandates of those to whom administrative duties and responsibilities were delegated. The Board of Directors approves actuarial valuation reports and establishes employer contributions, approves audited plan financial statements, appoints and terminates key service providers and monitors plan funded status and regulatory, legislative and governance compliance.

The 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, the Investment Committee, and the Pension Management Committee.

Risks

Given that employee contributions to the employee benefit plans (if any) are currently fixed, the WSIB generally bears the risks associated with the employee benefit plans. 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, the WSIB manages the risks through plan design reviews and, in relation to investment risks, through risk control mechanisms in the pension plan's SIPP. The SIPP requires that the plan assets be diversified across certain asset classes and investment strategies. Measurement, assessment and management of risk are conducted using tools and analysis, including asset-liability studies, measures of standard deviation and tracking error, and sensitivity analysis. Other risks, such as operational risks, are managed through internal controls or other risk control mechanisms.

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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	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Current service cost	103	113	27	20	130	133
Net interest on the employee benefit plans liability	30	30	29	28	59	58
Plan amendments	-	-	12	-	12	-
Long-term employee benefit (gains) losses	-	-	(2)	3	(2)	3
Employee benefit plans expense	**133**	**143**	**66**	**51**	**199**	**194**

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

	Pension plans		Other benefits		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Actuarial gains (losses) arising from:						
Financial assumptions	(575)	339	(119)	106	(694)	445
Plan experience	(22)	(36)	(10)	(7)	(32)	(43)
Return on plan assets excluding interest income	272	(134)	-	-	272	(134)
Remeasurements of employee benefit plans	**(325)**	**169**	**(129)**	**99**	**(454)**	**268**

Employee benefit plans liability

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

	Pension plans		Other benefits		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Present value of obligations[1]	4,620	3,880	911	744	5,531	4,624
Fair value of plan assets	(3,560)	(3,200)	-	-	(3,560)	(3,200)
Employee benefit plans liability	**1,060**	**680**	**911**	**744**	**1,971**	**1,424**

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

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

	Pension plans		Other benefits		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Balance, beginning of year	3,880	4,029	744	819	4,624	4,848
Current service cost	103	113	27	20	130	133
Employee contributions	29	31	-	-	29	31
Interest expense on the employee benefit obligations	156	142	29	28	185	170
Plan amendments	-	-	12	-	12	-
Actuarial losses (gains) arising from:						
Financial assumptions	575	(339)	121	(108)	696	(447)
Plan experience	22	36	6	12	28	48
Benefits paid	(145)	(132)	(28)	(27)	(173)	(159)
Balance, end of year	**4,620**	**3,880**	**911**	**744**	**5,531**	**4,624**

As at December 31, 2019, the Employees' Pension Plan was 98.9% of the pension plans obligation (2018 – 98.9%), and the Post-Retirement Benefit plan was 86.3% of the other benefits obligation (2018 – 84.7%).

The weighted average duration of the defined benefit pension plans and the other benefit plans as at December 31, 2019 is 17.5 and 18.6 years, respectively (2018 – 16.4 and 17.3 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	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Balance, beginning of year	3,200	3,237	-	-	3,200	3,237
Interest income on plan assets	126	112	-	-	126	112
Return in excess of interest income on plan assets	272	(134)	-	-	272	(134)
Employer contributions	78	86	28	27	106	113
Employee contributions	29	31	-	-	29	31
Benefits paid	(145)	(132)	(28)	(27)	(173)	(159)
Balance, end of year	**3,560**	**3,200**	**-**	**-**	**3,560**	**3,200**

Employer's contributions to the pension plans are estimated to be $92 for 2020.

Benefits to be paid from pension plan assets, during 2020, are projected to be $154, and other benefits to be paid directly by the employer are estimated to be $43.

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Plans assets as at December 31 are comprised of the following:

	2019		2018	
Plan assets				
Public equities	1,333	37.4%	1,112	34.7%
Fixed income	650	18.3%	623	19.5%
Absolute return	345	9.7%	337	10.5%
Diversified markets	431	12.1%	385	12.0%
Real estate	372	10.4%	360	11.3%
Infrastructure	312	8.8%	322	10.1%
Cash and cash equivalents	106	3.0%	52	1.6%
Other	11	0.3%	9	0.3%
Total[1]	**3,560**	**100.0%**	**3,200**	**100.0%**

1. Includes $3.2 net assets of the Employees' Supplementary Pension Plan (2018 – $2.8).

Actuarial assumptions

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

	2019	2018
Discount rate[1]		
Benefit plan expense	3.95%	3.45%
Accrued benefit obligation at end of year	3.15%	3.95%
Rate of pension increase at end of year[2]	1.31%	1.31%
Rate of compensation increase at end of year[3]	3.50%	3.50%
Health care trends at end of year		
Initial trend rate	5.25%	5.50%
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	104% of CPM[4]	104% of CPM[4]
Projection scale	MI-2017[5]	MI-2017[5]

1. Weighted average based on obligation (rounded to 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 1.75% per annum plus a unisex real pay merit scale.
4. 2014 Canadian Pensioners' Private Sector Mortality Table ("CPM").
5. Scale MI-2017 modified to have an ultimate rate of 0.8%.

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

	2019	2018
Longevity for those currently age 65		
Males	21.5 years	21.5 years
Females	24.0 years	24.0 years
Longevity at age 65 for those currently age 45		
Males	22.7 years	22.7 years
Females	25.1 years	25.1 years

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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, 2019, with all other assumptions held constant:

	Increase (decrease) in the obligations		
Sensitivity in assumptions	**Pension plans**	**Other benefits**	**Total**
Discount rate			
1% increase in discount rate	(700)	(145)	**(845)**
1% decrease in discount rate	915	194	**1,109**
Rate of compensation increase			
1% increase in compensation rate	149	6	**155**
1% decrease in compensation rate	(131)	(5)	**(136)**
Rate of pension increase			
1% increase in pension benefits	493	N/A	**493**
1% decrease in pension benefits	(423)	N/A	**(423)**
Health and dental care trend rates			
1% increase in trend rates	N/A	172	**172**
1% decrease in trend rates	N/A	(130)	**(130)**
Mortality rates			
10% increase in mortality rates[1]	(97)	(23)	**(120)**
10% decrease in mortality rates[2]	107	26	**133**

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.

18. Premium revenues

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

	2019	**2018[1]**
Gross Schedule 1 premiums	3,600	4,930
Bad debts	(56)	(62)
Interest and penalties	67	69
Other income	3	1
Schedule 1 employer premiums	**3,614**	**4,938**
Schedule 2 employer administration fees	89	88
Premiums	3,703	**5,026**
Net mandatory employer incentive programs	(24)	(72)
Net premiums	**3,679**	**4,954**

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

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19. 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:

	2019	**2018**
Loss of earnings	8,493	8,523
Workers' pensions	5,491	5,731
Health care	4,588	4,254
Survivor benefits	2,995	3,091
Future economic loss	873	982
External providers	97	94
Non-economic loss	310	285
Long latency occupational diseases	2,395	2,384
Claim administration costs	1,355	1,338
Loss of Retirement Income	513	528
Benefit liabilities	**27,110**	**27,210**

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 remeasure-ment	Changes in claims experience	**Benefit liabilities, end of year**
Loss of earnings	8,523	857	(1,032)	378	(223)	(10)	**8,493**
Workers' pensions	5,731	-	(492)	261	32	(41)	**5,491**
Health care	4,254	522	(551)	192	169	2	**4,588**
Survivor benefits	3,091	115	(207)	140	(103)	(41)	**2,995**
Future economic loss	982	-	(169)	43	(4)	21	**873**
External providers	94	31	(27)	4	3	(8)	**97**
Non-economic loss	285	41	(56)	11	(2)	31	**310**
Long latency occupational diseases[1]	2,384	(72)	-	114	(23)	(8)	**2,395**
Claim administration costs	1,338	478	(453)	33	60	(101)	**1,355**
Loss of Retirement Income	528	37	(57)	23	(15)	(3)	**513**
Total for 2019	**27,210**	**2,009**	**(3,044)**	**1,199**	**(106)**	**(158)**	**27,110**

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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	Benefit liabilities, beginning of year	Claim costs recognized during the year	Payments processed during the year[1]	Interest expense on the liability	Impact of actuarial remeasure-ment	Changes in claims experience	**Benefit liabilities, end of year**
Loss of earnings	9,037	836	(990)	382	(258)	(484)	**8,523**
Workers' pensions	6,124	-	(513)	264	(131)	(13)	**5,731**
Health care	4,285	512	(485)	179	(19)	(218)	**4,254**
Survivor benefits	3,015	121	(209)	131	(85)	118	**3,091**
Future economic loss	1,120	-	(181)	48	(12)	7	**982**
External providers	106	31	(29)	5	(1)	(18)	**94**
Non-economic loss	289	39	(53)	14	(4)	-	**285**
Long latency occupational diseases	2,492	-	-	112	(180)	(40)	**2,384**
Claim administration costs	1,257	474	(447)	51	(20)	23	**1,338**
Loss of Retirement Income	565	37	(56)	28	(12)	(34)	**528**
Total for 2018	**28,290**	**2,050**	**(2,963)**	**1,214**	**(722)**	**(659)**	**27,210**

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

Claim payments

Claim payments represent cash paid 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:

	2019	**2018**
Loss of earnings	1,032	991
Workers' pensions	492	515
Health care	551	484
Survivor benefits	207	209
Future economic loss	169	178
External providers	27	29
Non-economic loss	56	53
Total claim payments	**2,534**	**2,459**

Claim administration costs

Claim administration costs are comprised of the following:

	2019	**2018**
Allocation from administration and other expenses	428	419
Allocation from legislated obligations and funding commitments expenses	25	29
Total claim administration costs	**453**	**448**

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Change in actuarial valuation of benefit liabilities

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

	2019	2018
Changes in estimate of cost of claims	(1,193)	(1,572)
Changes in actuarial assumptions and methods	(106)	(722)
Accretion[1]	1,199	1,214
Total changes in actuarial valuation of benefit liabilities	**(100)**	**(1,080)**

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:

	2019	2018
Changes in discount rate	-	(648)
Changes in mortality assumptions	(208)	-
Changes in methods and assumptions for future claim admin costs	79	-
Changes in methods and assumptions for loss of earnings benefits	(175)	(123)
Changes in methods and assumptions for health care and occupational diseases	193	29
Changes in methods and assumptions for future awards	5	20
Total changes in actuarial assumptions and methods	**(106)**	**(722)**

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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:

	2019	2018
Discount rate	2020 and thereafter – 4.75%	2019 and thereafter – 4.75%
Indexation of benefits	2.0%	2.0%
Wage escalation rate	3.0%	3.0%
Health care costs escalation rate	4.0%	4.0%

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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

The assumptions for the mortality rates were updated in 2019 to reflect recent experience. 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 2019;

(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 2019; 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, 2019. 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 claims 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 loss of earnings future lock-in claim profile was updated in 2016 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.

Sensitivity of actuarial assumptions

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:

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Changes in assumptions	Increase in claim costs 2019	Increase in claim costs 2018
100 basis point decrease in the discount rate	2,910	2,876
100 basis point increase in the inflation rate:		
Impact of benefits indexation rate	1,647	1,716
Impact of wage growth	569	427
Impact of health care cost escalation	589	669

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Claims development

Benefit liabilities include the current estimate of future payments related to claims incurred during 2019 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 2010 to 2019.

	Year of injury										
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Total**
Year of estimate											
2010	2,361										
2011	2,744	2,760									
2012	2,270	2,363	2,815								
2013	2,065	2,019	2,274	2,627							
2014	1,955	1,897	2,000	2,296	2,453						
2015	1,840	1,764	1,843	1,981	2,145	2,317					
2016	1,698	1,699	1,751	1,877	1,933	2,071	2,210				
2017	1,704	1,624	1,716	1,827	1,864	1,970	2,274	2,371			
2018	1,742	1,668	1,714	1,799	1,838	1,925	2,208	2,405	2,604		
2019	1,690	1,641	1,713	1,761	1,761	1,897	2,126	2,351	2,494	2,614	
Current estimate of cumulative claims costs	1,690	1,641	1,713	1,761	1,761	1,897	2,126	2,351	2,494	2,614	20,048
Cumulative payments made	(793)	(662)	(635)	(586)	(545)	(538)	(575)	(527)	(462)	(212)	(5,535)
Outstanding claims (undiscounted)	897	979	1,078	1,175	1,216	1,359	1,551	1,824	2,032	2,402	14,513
Effect of discounting	(402)	(456)	(515)	(566)	(578)	(663)	(741)	(873)	(913)	(1,012)	(6,719)
Discounted outstanding claims	495	523	563	609	638	696	810	951	1,119	1,390	7,794
Discounted outstanding claims prior to 2010 injury year											15,566
Claim administration costs											1,355
Long latency occupational diseases											2,395
Total outstanding claims											**27,110**

Estimates of cumulative claim costs generally begin to stabilize near the sixth year of estimate, which coincides with the typical time of a final review and the locking-in of a loss of earnings claims.

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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 premiums are determined based on a percentage of insurable earnings of each Schedule 1 employer. Schedule 1 employers are classified within specific rate groups, which are based on the nature of the employer's business. The premium rate applicable to particular rate groups and Schedule 1 employers within that group is determined as the sum of three main components:

(a) the cost of new claims, which is based on the expected number of claims and claim payment costs of that rate group;

(b) administration costs, which are based on the rate group's share of expected administration costs and legislative obligations of the WSIB;

(c) experience rating, which, depending on the size and class of the employer, is based on relative historical cost performance of the employer relative to other employers in the same rate group.

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, 2019 are provided below.

Industry	Gross premiums	% of total
Agriculture	75	2.4%
Automotive	149	4.7%
Construction	693	21.8%
Education	26	0.8%
Electrical	46	1.4%
Food	101	3.2%
Forestry	31	1.0%
Health care	331	10.4%
Manufacturing	495	15.6%
Mining	83	2.6%
Municipal	75	2.4%
Primary metals	44	1.4%
Process and chemicals	68	2.1%
Pulp and paper	21	0.7%
Services	559	17.6%
Transportation	379	11.9%
Total	**3,176**	**100.0%**

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.

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Premium rates are the only means to mitigate these risks, other than investment income. Premium rates are adjusted annually as benefit liabilities and risks are reviewed and then differentiated by rate group in order to reflect the higher or lower expected costs and loss frequency associated with particular rate groups. In addition, the rates charged to larger employers in the same rate group are further adjusted based on the historical claims experience of that employer relative to the rate group as a whole.

Liquidity of benefit liabilities risks

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

	2019	2018
Up to one year	5%	5%
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	15%	15%
Over fifteen years	44%	44%
	100%	**100%**

20. Commitments and contingent liabilities

(a) Mortgages

Mortgages related to investment properties had annual fixed interest rates of 3.6% (2018 – 3.6%), and mature in 2025 (2018 – 2025). For the year ended December 31, 2019, interest of $3 was included in investment expenses (2018 – $3).

As at December 31, 2019, future principal payments on mortgages were as follows:

	Within 1 year	1 – 5 years	Over 5 years	Total
Mortgages	-	-	70	**70**

(b) Investment commitments

The WSIB had the following commitments for capital calls as at December 31 related to its investment portfolio:

	2019	2018
Investment funds, infrastructure and real estate related investments	2,204	2,188
Investments in associates and joint ventures	517	80
Purchases or development of investment properties	14	32
Total investment commitments	**2,735**	**2,300**

There was no specific timing requirement to fulfill these commitments during the investment period.

(c) Legislated obligations and funding commitments

Known commitments related to legislated obligations and funding commitments as at December 31, 2019 were approximately $266 for 2020 (2018 - $274).

(d) Other commitments

As at December 31, 2019, the WSIB had additional commitments going forward under non-cancellable contracts for purchases of goods and services with future minimum payments of approximately $237 (2018 – $153).

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(e) 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 the probable ultimate resolution of all existing legal proceedings and claims will not have a material effect on the WSIB's financial position.

21. 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, 2019, the WSIB's capital is represented by net assets attributable to WSIB stakeholders of $4,588 (2018 – $1,484).

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

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

Ontario Regulation 141/12, as amended by *Ontario Regulation 338/13,* which became effective January 1, 2014 (collectively, the "Ontario Regulations"), further clarifies the measurement of assets and liabilities included in the Sufficiency Ratio. The Sufficiency Ratio is calculated by comparing total assets to total liabilities, with certain assets and liabilities measured on a going concern basis than that required under IFRS.

The WSIB prepares a quarterly Sufficiency Report to report on its progress towards meeting the legislated funding requirements. During the fiscal year 2018, WSIB achieved a Sufficiency Ratio of 100%, ahead of requirements. As at December 31, 2019, the Sufficiency Ratio was 113.7% (2018 – 108.0%), which exceeds the legislated 100% funding level required on December 31, 2027.

22. 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.

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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, 2019 was $251 (2018 – $265) 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, 2019 are $1,316 of marketable fixed income securities issued by the Government of Ontario and related entities (2018 – $1,376).

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.

Investment Management Corporation of Ontario ("IMCO")

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.

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**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Salaries and short-term benefits	0.8	0.9	3.7	3.7	4.5	4.6
Long-term employee benefit plans	-	-	0.5	0.5	0.5	0.5
	0.8	**0.9**	**4.2**	**4.2**	**5.0**	**5.1**

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 17 provides details of transactions with these employee benefit plans.

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23. 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
	2019	**2018**	
Wholly owned subsidiaries			
799549 Ontario Inc.	100.0%	100.0%	Canada
WSIB VanIF GP Holdings Ltd.	100.0%	100.0%	Canada
WSIB VanLRI GP Holdings Ltd.	100.0%	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 Realty (Non-Pension)) Limited	100.0%	100.0%	Canada
WSIB Investments (International Infrastructure (Non-Pension)) Limited	100.0%	-	Canada
Partly owned subsidiaries			
Absolute Return (2012) Pooled Fund Trust	90.9%	90.8%	Canada
Diversified Markets (2010) Pooled Fund Trust	90.9%	90.8%	Canada
Diversified Markets (2009) Pooled Fund Trust	90.9%	90.8%	Canada
WSIB Investments (Fixed Income) Pooled Fund Trust	90.9%	90.8%	Canada
WSIB Investments (Infrastructure) Pooled Fund Trust	90.9%	90.8%	Canada
WSIB Investments (International Realty) Limited	91.2%	91.1%	Canada
WSIB Investments (Public Equities) Pooled Fund Trust	90.9%	90.8%	Canada
WSIB Investments (Realty) Limited	91.2%	91.1%	Canada
WSIB Investments (Total Return) Pooled Fund Trust	90.9%	90.8%	Canada
Simcoe Pacific Pooled Fund Trust	90.9%	90.8%	Canada

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The WSIB's Employees' Pension Plan is the non-controlling interest 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	2019	2018
Total assets	36,721	34,175
Total liabilities	(125)	(645)
Surplus of assets	**36,596**	**33,530**
Attributable to the WSIB Employees' Pension Plan	**3,334**	**3,066**

Summary information from statements of comprehensive income	2019	2018
Investment income	4,403	(337)
Investment expenses	(88)	(67)
Net investment income	**4,315**	**(404)**
Translation gains (losses) from net foreign investments	**(71)**	**90**
Attributable to the WSIB Employees' Pension Plan	**389**	**(29)**

(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		
	Partly owned subsidiaries	Other subsidiaries	Total
Balance as at December 31, 2017	**3,124**	**104**	**3,228**
Deficiency of revenues over expenses	(37)	-	(37)
Translation gains from net foreign investments	8	-	8
Distributions paid by subsidiaries to non-controlling interests	(145)	(5)	(150)
Net contributions (redemptions) related to non-controlling interests	115	(6)	109
Balance as at December 31, 2018	**3,065**	**93**	**3,158**
Excess of revenues over expenses	399	1	400
Translation losses from net foreign investments	(7)	-	(7)
Distributions paid by subsidiaries to non-controlling interests	(193)	(4)	(197)
Net contributions related to non-controlling interests	73	4	77
Balance as at December 31, 2019	**3,337**	**94**	**3,431**

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24. Subsequent event

In March 2020, the World Health Organization declared the Novel Coronavirus ("COVID-19") outbreak to be a pandemic and requested governments worldwide to enact emergency measures to combat the spread of the virus. These measures include strict travel restrictions, self-imposed quarantine periods, social distancing, and closures of many public venues which inevitably resulted in material disruption to businesses and employees, not just in Ontario, but also throughout the whole country and the rest of the world. While governments and central banks have provided drastic and extensive economic measures to stabilize the economy and calm global equity markets, businesses continue to face uncertainties and significant risks and volatility in their operations. As part of the effort to help reduce the financial burden of the COVID-19 situation, the WSIB, in partnership with the Government of Ontario, has offered a financial relief package estimated at $1.9 billion to all Ontario businesses covered by our workplace insurance. The financial relief package includes the deferral of premium reporting and payments until August 31, 2020 and no interest or penalties will accrue during this six-month deferral period. Benefit payments will continue for people with work related injuries or illness. The evolving COVID-19 situation will likely impact our employers' premium payments and claims experience, our investment returns, as well as our day-to-day operations as we continue to make health and safety of injured workers as a priority. However, the overall impact on future periods cannot be reliably estimated as the extent and duration of the effect of COVID-19 remain unpredictable.