Workplace Safety and Insurance Board

Third Quarter 2021 Results

Message from the Chair and President and CEO

The past three months have been marked by continuous progress as our efforts to improve our operational and financial performance have taken hold.

A significant milestone was our Annual General Meeting on October 6, where we announced our average 2022 premium rate would be reduced by a further 5.1%. This announcement follows the premium rate stability we provided in 2021 and builds on the previous four consecutive annual reductions to the average premium rate.

In Q3, we also continued to place strong controls on our administrative costs, provide quality decisions and claims management, and continued to see healthy investment returns. This led to $6.4 billion of net assets at the end of Q3 2021 and a funding level of 120.4% on a Sufficiency Ratio basis.

Other key highlights include:

- Continued improvements in claim durations, with decreases in both three-month and six-month durations and no increase in other claim durations.
- The addition of appeals information to our online services allowing people to track the progress of their appeal, expected timeframes and next steps.

Another 148 businesses joined our Health and Safety Excellence program ("HSEp") in Q3, and a total of $4.2 million in rebates were issued to over 300 businesses this quarter recognizing their improvements in health and safety.

As we continue to monitor the evolving COVID-19 pandemic situation in Ontario, our focus remains on helping people with a safe, timely and lasting return to work, helping businesses to improve their health and safety programs, improving people's experience working with us, and demonstrating the value of our injury and illness insurance to Ontarians.

Elizabeth Witmer

Chair, WSIB
December 16, 2021

Tom Bell

President and CEO, WSIB
December 16, 2021

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Highlights this quarter

Update on impact of COVID-19

Registered claim volume │ Employment and hours worked in Ontario are returning to pre-pandemic levels, but the number of claims we receive continues to be lower than pre-pandemic. Year to date, as at the end of Q3, we received 10% fewer claims (Schedule 1) than pre-pandemic in 2019, though claim volume was 17% higher than in 2020. The difference compared to pre-pandemic is entirely due to no-lost-time claims. Lost-time claim volume was 20% higher than in 2019 and 30% higher than in 2020, driven by COVID-19 claims, which are typically categorized as lost-time claims. The same is true for Q3 2021 compared to the third quarter of previous years.

Work-related COVID-19 claims │ We registered fewer COVID-19 claims in Q3 than in any quarter since Q1 2020 – 995 claims for Schedule 1 businesses and 144 claims for Schedule 2 businesses. Relatively low COVID-19 claim volume coincided with low COVID-19 case counts in Ontario throughout the summer. Ontario's fourth wave, which so far appears to have peaked in early September, was considerably smaller than the previous two waves, and we saw only a minor increase in COVID-19 claims in September compared to August.

Growth in insurable earnings │ Workplace shutdowns resulting from the pandemic led to a reduction in insurable earnings and premium revenue in 2020. Insurable earnings were 3.6% lower in 2020 than in 2019, the first decrease since 2009. However, by the end of Q2 2021, insurable earnings had fully recovered from the pandemic, increasing to 3.1% more than the pre-pandemic 2019 level (year to date). During Q3, insurable earnings experienced additional growth. Year-to-date they were 5.1% more than in 2019 and 11.0% more than in 2020. In Q3 alone, insurable earnings were 9.4% higher than in Q3 2019 and 11.0% higher than in Q3 2020. We will continue to track any new developments that have the potential to affect our insurable earnings, including developments related to the pandemic, the economy and employment in Ontario.

Supporting business recovery with lower premium rates │ We recently announced a reduction to the average premium rate for 2022, lowering it from $1.37 to $1.30 per $100 of insurable earnings, beginning January 1, 2022. This 5.1% reduction was made possible by the ongoing strength of our financial position and means that businesses continuing to recover from the impacts of the pandemic can invest savings in new technology, jobs and improvements to their health and safety programs.

Operational highlights

Further improvement in claim durations │ Claim durations, the amount of time that injured or ill people require benefits, continued to improve in Q3. Durations had shown initial signs of stabilization in Q1 and then improvement in Q2. In Q3, three-month Schedule 1 duration decreased from 15.7% to 15.5%, and six-month duration decreased from 10.1% to 9.4%. None of the other durations increased. These improvements mean that those with workplace injuries have been able to recover from their injury or illness and return to work earlier. We will continue our efforts to improve outcomes for those with workplace injuries and illnesses to ensure that this recent trend in durations continues.

Tracking appeals online │ In Q3, we made it possible for people to view the status of their appeal online, as a new addition to our online services for people with claims. The new appeals feature allows people to track the progress of their appeal, expected time frames and next steps. This gives people a more convenient, one-stop place to use our services at a time that works for them. As of the end of Q3, just over one year since the launch of our online services for people with claims, 21% of those with claims had signed up, approaching our target of 25% for 2021.

COVID-19 Worker Income Protection Benefit Program │ In late April, the Ontario government introduced the COVID-19 Worker Income Protection Benefit Program requiring businesses to provide their employees with up to three days of paid leave for reasons related to COVID-19. We supported the launch of the program and administration of the application process allowing businesses to apply for reimbursement of up to $200 per employee per day of leave. Businesses do not need to be registered with the WSIB to be eligible for the program, and funding is provided by the provincial government. It is not funded through the WSIB's employer premiums. In June this year, we received funds from the Ontario government for the purpose of administering the COVID-19 Worker Income Protection Benefit Program. These funds have been providing for payments to cover claims from employers as well as fund administrative costs incurred by the WSIB to administer the program.

Participation in the Health and Safety Excellence program │ As of the end of September, there were 2,437 businesses enrolled in our Health and Safety Excellence program ("HSEp"), which has exceeded our target of 2,200 for 2021. We saw 148 new businesses join in Q3, and a total of $4.2 million in rebates were issued to over 300 businesses this quarter. Since the HSEp program first launched in November 2019, members have earned a total of $10.4 million in rebates.

Financial highlights

Funded position | As at September 30, 2021, our net assets on a Sufficiency Ratio basis were $6.4 billion, an increase of $0.9 billion from $5.5 billion as at December 31, 2020. This corresponds to a Sufficiency Ratio of 120.4%, compared to 117.3% at year-end 2020. The increase mainly reflects recognition of current period investment gains, recognition of deferred investment income from prior periods and the going concern adjustments of the employee benefit plans liability.

Premium | Net premiums increased $69 million, or 8.7%, compared to Q3 2020, primarily reflecting higher gross premiums in the quarter and a recovery of bad debts as we continue to collect on outstanding premium receivables. Premiums this quarter have increased primarily due to higher insurable earnings as businesses recover to above pre-pandemic levels.

Investment returns | The investment portfolio had a gross return of 1.2% during the quarter, compared with a higher return of 2.9% during the same period last year. The Public Equity portfolio was the main contributor to the overall decrease as the portfolio's return of 1.1% was lower than the comparative period of 6.2%. Last year's strong quarter was attributed to the equity market recovery subsequent to Q1 2020 when losses peaked during the market downturn precipitated by the COVID-19 pandemic. The decline versus last years was offset partially by a rebound in Private Market as Real Estate and Infrastructure returned 3.9% and 3.4%, respectively, compared with marginal returns in the prior period.

Long-term investment returns (10-year at 8.2% and 15-year at 6.2%) remain within, or above, the long-term expected return range of 3.3% to 6.7%.

Financial results and outlook

Results of operations

The WSIB reported total comprehensive income of $515 million for the three months ended September 30, 2021, compared to total comprehensive income of $902 million for the same period last year mainly due to the following:

- The increase in net premiums of $69 million was mainly due to higher gross Schedule 1 premiums attributable to higher insurable earnings as businesses recover to above pre-pandemic levels, as well as a recovery of bad debts as we continue to collect on outstanding premium receivables. The increase was partially offset by a lower realized average premium rate in the quarter.
- The decrease in net investment income of $516 million was mainly attributable to the Public Equity portfolio. The current quarter posted modest gains of 1.1%, as compared to 6.2% in 2020, as the equity markets continued to recover from the Q1 downturn due to the COVID-19 pandemic. This decline was partially offset by gains in private market investments, as Real Estate and Infrastructure surpassed 2020 results for the same period, with gains of 3.9% and 3.4% in 2021, respectively, as compared to losses of 0.8% and gains of 0.6% in the comparative 2020 period.
- The increase in claim payments of $25 million was mainly due to higher health care and loss of earnings expense in the third quarter compared to the same period in 2020.
- As expected, there was an increase in total administration and other expenses, before allocation to claim costs, of $44 million, primarily reflecting higher salaries and short-term benefits costs, employee benefit plans expenses and systems development and integration expenses.
- The increase in total other comprehensive income of $146 million was primarily due to a gain from the remeasurement of employee benefit plans arising from an increase in discount rate.

For the nine months ended September 30, 2021, total comprehensive income was $2,291 million, compared to total comprehensive loss of $1,501 million for the same period last year mainly due to the following:

- The increase in net premiums of $265 million was mainly due to higher gross Schedule 1 premiums attributable to an 11.0% increase in insurable earnings as businesses recover to above pre-pandemic levels compared to 2020 which saw lower-than-normal insurable earnings impacted by workplace shutdowns. In addition, higher bad debt expenses were recognized in 2020, some of which have been recovered in 2021 as we continue to collect on outstanding premium receivables. This was partially offset by net adjustments for mandatory employer incentive programs relating to prior years.
- The increase in net investment income of $2,209 million was mainly attributable to higher returns across all asset classes aside from the Fixed Income portfolio. Public Equity led all portfolios in the increase, as the 10.5% return outpaced the 0.2% return in 2020. Other major contributors to the gains year over year were the private market strategies, the most significant being Infrastructure, given the 11.7% return in the current year compared to a 2.3% loss in the prior year. The aggregate of these gains was reduced slightly by the current year Fixed Income portfolio's losses of 4.7%, which was in contrast to gains of 5.6% in 2020.
- The increase in claim payments of $64 million was mainly due to higher health care payments.
- As expected, there was an increase in total administration and other expenses, before allocation to claim costs, of $84 million, primarily reflecting higher salaries and short-term benefits costs, employee benefit plans expenses, depreciation and amortization expenses and systems development and integration expenses.
- The increase in total other comprehensive income of $1,510 million was primarily due to a gain from the remeasurement of employee benefit plans arising from an increase in the discount rate of roughly 70 bps from Q4 2020 to Q3 2021 and a gain from investment return on plan assets.

Outlook

Premiums

Premium revenues are expected to increase in 2021. This expectation reflects a 9.5% growth in insurable earnings as a result of the vaccine rollout and expected recovery in the economy in 2021.

Net investment income

Measures taken to respond and manage the COVID-19 pandemic have resulted in expectations for a continued market and economic recovery, although the recovery and inflation dynamics are uneven globally. Our long-term net investment return objective remains the same at 5% per annum with an expected return range of 3.3% to 6.7%. We will continue to implement our Strategic Investment Plan in a way that permits us to take advantage of investment opportunities without exposing us to a higher level of volatility and corresponding investment risk.

Claim payments

Following a decline in 2020, claim payments are anticipated to grow in 2021. While the uncertainty in near-term economic conditions remains high, growth is expected to resume in 2021. Despite consecutive waves of the COVID-19 pandemic extending well into 2021, claim payments for the year are expected to finish at or above 2019 levels.

Administration and other expenses

Administration and other expenses are anticipated to increase in 2021, reflecting increases to information technology costs and salaries and short-term benefits. This increase is expected to be partially offset by a decrease to employee benefit plan expenses, as additional costs were incurred in 2020 related to post-retirement benefits which are not anticipated in 2021.

Legislated obligations and funding commitments

Legislated obligations and funding commitments are anticipated to increase, reflecting higher costs for the Health and Safety Excellence Program, Ministry of Labour, Training and Skills Development prevention costs, *Occupational Health and Safety Act*, and Workplace Safety and Insurance Appeals Tribunal.

Net assets

We anticipate an increase in our net asset position as a result of higher premium revenues and investment returns expected in 2021 due to a projected rebound in the economy.

Liquidity

A range of stress tests are used in our liquidity assessments and a portion of assets will continue to be maintained in highly liquid government securities to ensure funds are available as required. We do not anticipate encountering difficulty in meeting payment obligations when due. In order to further mitigate liquidity risks during the pandemic, the WSIB established a revolving line of credit in the amount of $900 million with the Ontario Financing Authority for a 14-month period beginning in October 2020. As at September 30, 2021, $400 million was drawn against the revolving line of credit, of which $370 million has been repaid. The amount of the loan as at September 30, 2021 was $30 million, and was repaid on October 1, 2021.

Reconciliation of the net assets on a Sufficiency Ratio basis

As at September 30, 2021, the Sufficiency Ratio, as defined in the *Ontario Regulation 141/12* and amended by *Ontario Regulation 338/13* (collectively, the "Ontario Regulations"), was 120.4% (December 31, 2020 – 117.3%). Set forth below is the reconciliation of the net assets between the IFRS basis and Sufficiency Ratio basis:

(millions of Canadian dollars)	September 30 2021	December 31 2020
Net assets attributable to WSIB stakeholders on an IFRS basis	6,479	4,324
Add (Less): Adjustments per Ontario Regulations:		
Reduction of cash related to the Worker Income Protection Benefit Program	(157)	-
Change in valuation of invested assets	(1,298)	(849)
Reduction of payables related to the Worker Income Protection Benefit Program	157	-
Change in valuation of employee benefit plans liability	1,102	2,118
Change in valuation of invested assets attributable to non-controlling interests	145	(67)
Net assets attributable to WSIB stakeholders on a Sufficiency Ratio basis	**6,428**	**5,526**
Sufficiency Ratio	**120.4%**	**117.3%**

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.

Condensed Interim Consolidated Statements of Financial Position
Unaudited (millions of Canadian dollars)

	Note	September 30 2021	December 31 2020
Assets			
Cash and cash equivalents	4	1,135	4,969
Receivables and other assets	5	1,579	2,171
Public equity investments	7	13,970	12,959
Fixed income investments	7	12,118	9,302
Derivative assets	7	110	250
Investment properties	7	732	892
Investments in associates and joint ventures		3,029	2,369
Other invested assets	7	7,439	7,590
Property, equipment and intangible assets		297	335
Total assets		**40,409**	**40,837**
Liabilities			
Payables and other liabilities	10	1,650	1,696
Borrowings		30	400
Derivative liabilities	7	112	92
Long-term debt and lease liabilities		171	175
Loss of Retirement Income Fund liability		2,031	2,003
Employee benefit plans liability	8	1,892	2,735
Benefit liabilities	11	26,959	26,910
Total liabilities		**32,845**	**34,011**
Net assets			
Reserves		6,351	5,167
Accumulated other comprehensive income (loss)		128	(843)
Net assets attributable to WSIB stakeholders		**6,479**	**4,324**
Non-controlling interests		1,085	2,502
Total net assets		**7,564**	**6,826**
Total liabilities and net assets		**40,409**	**40,837**

Approved by the Board of Directors

Elizabeth Witmer

Chair
December 16, 2021

Leslie Lewis

Audit and Finance Committee (Chair)
December 16, 2021

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

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)
Unaudited (millions of Canadian dollars)

	Note	Three months ended September 30 2021	Three months ended September 30 2020	Nine months ended September 30 2021	Nine months ended September 30 2020
Revenues					
Premiums	9	871	786	2,488	2,183
Net mandatory employer incentive programs	9	(6)	10	(19)	21
Net premiums		**865**	**796**	**2,469**	**2,204**
Investment income (loss)	6	529	1,029	2,158	(103)
Investment expenses	6	(89)	(73)	(283)	(231)
Net investment income (loss)		**440**	**956**	**1,875**	**(334)**
Total revenues		**1,305**	**1,752**	**4,344**	**1,870**
Expenses					
Claim payments	12	625	600	1,917	1,853
Claim administration costs	12	142	114	405	345
Change in actuarial valuation of benefit liabilities	12	10	15	49	37
Total claim costs		**777**	**729**	**2,371**	**2,235**
Loss of Retirement Income Fund contributions		13	14	40	42
Administration and other expenses	13	148	126	421	385
Legislated obligations and funding commitments		68	51	190	168
Total expenses		**1,006**	**920**	**3,022**	**2,830**
Excess (deficiency) of revenues over expenses		**299**	**832**	**1,322**	**(960)**
Other comprehensive income (loss)					
Item that will not be reclassified subsequently to income					
Remeasurements of employee benefit plans	8	171	69	983	(513)
Item that will be reclassified subsequently to income					
Translation gains (losses) from net foreign investments		45	1	(14)	(28)
Total other comprehensive income (loss)		**216**	**70**	**969**	**(541)**
Total comprehensive income (loss)		**515**	**902**	**2,291**	**(1,501)**

	Three months ended September 30 2021	Three months ended September 30 2020	Nine months ended September 30 2021	Nine months ended September 30 2020
Excess (deficiency) of revenues over expenses attributable to:				
WSIB stakeholders	266	736	1,184	(943)
Non-controlling interests	33	96	138	(17)
	299	**832**	**1,322**	**(960)**
Total comprehensive income (loss) attributable to:				
WSIB stakeholders	478	806	2,155	(1,481)
Non-controlling interests	37	96	136	(20)
	515	**902**	**2,291**	**(1,501)**

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

Condensed Interim Consolidated Statements of Changes in Net Assets
Unaudited (millions of Canadian dollars)

		Three months ended September 30		Nine months ended September 30	
	Note	**2021**	**2020**	**2021**	**2020**
Reserves					
Balance at beginning of period		6,085	2,997	5,167	4,676
Excess (deficiency) of revenues over expenses		266	736	1,184	(943)
Balance at end of period		**6,351**	**3,733**	**6,351**	**3,733**
Accumulated other comprehensive income (loss)					
Balance at beginning of period		(84)	(696)	(843)	(88)
Remeasurements of employee benefit plans	8	171	69	983	(513)
Translation gains (losses) from net foreign investments		41	1	(12)	(25)
Balance at end of period		**128**	**(626)**	**128**	**(626)**
Net assets attributable to WSIB stakeholders		**6,479**	**3,107**	**6,479**	**3,107**
Non-controlling interests					
Balance at beginning of period		1,385	3,190	2,502	3,431
Excess (deficiency) of revenues over expenses		33	96	138	(17)
Translation gains (losses) from net foreign investments		4	-	(2)	(3)
Change in ownership share in investments		(337)	(71)	(1,553)	(196)
Balance at end of period		**1,085**	**3,215**	**1,085**	**3,215**
Total net assets		**7,564**	**6,322**	**7,564**	**6,322**

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

Condensed Interim Consolidated Statements of Cash Flows
Unaudited (millions of Canadian dollars)

		Three months ended September 30		Nine months ended September 30	
	Note	**2021**	**2020**	**2021**	**2020**
Operating activities:					
Total comprehensive income (loss)		515	902	2,291	(1,501)
Adjustments:					
Amortization of net discount on investments		-	(1)	(1)	(12)
Depreciation and amortization of property, equipment and intangible assets		16	14	51	41
Changes in fair value of investments		(259)	(937)	(1,442)	490
Changes in fair value of investment properties		(20)	4	(36)	23
Translation losses (gains) from net foreign investments		(45)	(1)	14	28
Dividend income from public equity investments		(47)	(119)	(187)	(362)
Loss (income) from investments in associates and joint ventures		(100)	39	(263)	142
Interest income		(117)	(49)	(297)	(138)
Interest expense		2	2	7	7
Total comprehensive income (loss) after adjustments		**(55)**	**(146)**	**137**	**(1,282)**
Changes in non-cash balances related to operations:					
Receivables and other assets, excluding those related to investing activities		5	(28)	181	(58)
Payables and other liabilities, excluding those related to investing and financing activities		(60)	14	(45)	(244)
Loss of Retirement Income Fund liability		(1)	24	28	(63)
Employee benefit plans liability	8	(117)	(38)	(843)	593
Benefit liabilities	11	10	15	49	37
Total changes in non-cash balances related to operations		(163)	(13)	(630)	265
Net cash required by operating activities		**(218)**	**(159)**	**(493)**	**(1,017)**
Investing activities:					
Dividends received from public equity investments, associates and joint ventures		59	155	315	426
Interest received		75	36	247	135
Purchases of property, equipment and intangible assets		(4)	(7)	(10)	(24)
Purchases of investments		(3,650)	(10,333)	(15,133)	(26,672)
Proceeds on sales and maturities of investments		3,407	11,110	13,432	29,167
Net dispositions of (additions to) investment properties		(9)	(4)	195	132
Net additions to investments in associates and joint ventures		(283)	(47)	(451)	(164)
Net cash provided (required) by investing activities		**(405)**	**910**	**(1,405)**	**3,000**
Financing activities:					
Net redemptions related to non-controlling interests		(325)	(50)	(1,503)	(143)
Distributions paid by subsidiaries to non-controlling interests		(12)	(21)	(50)	(53)
Repayment of debt and lease liabilities		(92)	(2)	(376)	(28)
Interest paid		(3)	(2)	(7)	(7)
Net cash required by financing activities		**(432)**	**(75)**	**(1,936)**	**(231)**
Net increase (decrease) in cash and cash equivalents		**(1,055)**	**676**	**(3,834)**	**1,752**
Cash and cash equivalents, beginning of period		2,190	4,484	4,969	3,408
Cash and cash equivalents, end of period		**1,135**	**5,160**	**1,135**	**5,160**

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

Notes to Condensed Interim Consolidated Financial Statements
September 30, 2021
Unaudited (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. Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These unaudited condensed interim consolidated financial statements should be read in conjunction with the annual information available in the consolidated financial statements and the accompanying notes for the year ended December 31, 2020. Except as noted in note 3, these unaudited condensed interim consolidated financial statements have been prepared on a basis consistent with the policies and methods outlined in the notes to the consolidated financial statements for the year ended December 31, 2020.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the WSIB's Board of Directors on December 16, 2021.

3. Significant accounting policies, estimates and assumptions

The WSIB is required to apply judgment in its accounting policies, estimates and assumptions that affect the reported amounts recognized in these unaudited condensed interim consolidated financial statements. The accounting policies, significant estimates and assumptions that are significant in these unaudited condensed interim consolidated financial statements are consistent with those applied in the annual information provided in the consolidated financial statements for the year ended December 31, 2020.

(a) Impact of COVID-19

During 2020, as a part of the effort to help reduce the financial burden of the COVID-19 pandemic, the WSIB, in partnership with the Government of Ontario, offered a financial relief package allowing employers to defer premium reporting and payments for the period from March 2020 until August 2020, with no interest or penalties accruing during the deferral period. The standard repayment period began on January 1, 2021 and ended on June 30, 2021. With the ongoing impact of the pandemic still being felt by Ontario businesses, the WSIB is continuing to work with certain employers who have requested additional time for full repayment.

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

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

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

(b) Future changes in accounting standards

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

In May 2017, and amended in June 2020, the IASB issued IFRS 17, which replaces the guidance in IFRS 4 *Insurance Contracts* and establishes a comprehensive principles-based framework for the recognition, measurement and presentation of insurance contracts. 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, and amended in June 2020, the IASB issued the final version of IFRS 9, which will replace IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 includes guidance on the classification and measurement of financial instruments, impairment of financial assets, and hedge accounting.

The WSIB will defer IFRS 9 until January 1, 2023, which is the same effective date as IFRS 17, as allowed under the amendments to IFRS 4 for companies whose activities are predominantly related to insurance (that is, insurance liabilities represent more than 80% of total liabilities). 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 IAS 1 *Presentation of Financial Statements* ("IAS 1")

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

Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* ("IAS 8")

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

Notes to Condensed Interim Consolidated Financial Statements
September 30, 2021
Unaudited (millions of Canadian dollars)

4. Cash and cash equivalents

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

	September 30 2021	December 31 2020
Cash	793	3,182
Short-term money market securities	185	1,787
Restricted cash[1]	157	-
Total cash and cash equivalents	**1,135**	**4,969**

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

As at September 30, 2021, the WSIB held $1,135 of cash and cash equivalents, of which $235 was maintained for operating purposes and $900 was maintained for investing purposes.

5. Receivables and other assets

Receivables and other assets are comprised of the following:

	September 30 2021	December 31 2020
Premium receivables	214	463
Accrued premium receivables	389	374
Less: Allowance for doubtful accounts	(40)	(71)
Net premium receivables	**563**	**766**
Investment receivables[1]	956	1,364
Total receivables	**1,519**	**2,130**
Other assets	60	41
Total receivables and other assets	**1,579**	**2,171**

1. Investment receivables include $43 of loans receivable (2020 – $16) 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 three months and nine months ended September 30 is as follows:

	Three months ended September 30		**Nine months ended September 30**	
	2021	**2020**	**2021**	**2020**
Cash and cash equivalents	-	-	1	7
Public equity investments	170	772	1,302	49
Fixed income investments	(105)	26	(399)	387
Derivative financial instruments	(159)	209	291	(711)
Investment properties	24	8	56	15
Investments in associates and joint ventures[1]	101	(39)	264	(142)
Other invested assets				
Investment funds	514	111	758	353
Infrastructure related investments	(12)	4	(28)	(16)
Real estate related investments	15	(17)	1	(49)
Add (Less): Income (loss) attributable to Loss of Retirement Income Fund	(19)	(45)	(88)	4
Investment income (loss)	**529**	**1,029**	**2,158**	**(103)**
Less: Investment expenses[2]	(89)	(73)	(283)	(231)
Net investment income (loss)	**440**	**956**	**1,875**	**(334)**

1. During the nine months ended September 30, 2021, the WSIB reversed an impairment loss related to certain of its investments in associates and joint ventures resulting from a favourable change in the estimates used to determine the recoverable amount of its investments. An impairment reversal of $13 has been included in the unaudited condensed interim consolidated statements of comprehensive income (loss) and no impairment losses were recorded on investments for the nine months ended September 30, 2021. During the nine months ended September 30, 2020, the WSIB recorded an impairment related to certain of its investments in associates and joint ventures as a result of the impact of the COVID-19 pandemic. The WSIB determined the recoverable amount of the impaired investments to be lower than the carrying amount. An impairment loss of $39 had been included in the condensed interim consolidated statements of comprehensive income (loss) for the nine months ended September 30, 2020.
2. Includes $51 and $125 of management fees paid to investment managers for the three months and nine months ended September 30, 2021, respectively (2020 – $27 and $97).

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7. Fair value measurement and disclosures

Fair value hierarchy

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

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

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

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

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

	September 30, 2021				December 31, 2020			
	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]	950	185	-	**1,135**	3,182	1,787	-	**4,969**
Public equity investments								
Public equity securities	840	-	-	**840**	12,314	-	-	**12,314**
Public equity pooled funds[2]	-	13,130	-	**13,130**	-	645	-	**645**
Fixed income investments	-	12,118	-	**12,118**	-	9,302	-	**9,302**
Derivative assets	15	95	-	**110**	93	157	-	**250**
Investment properties[3]	-	-	732	**732**	-	-	892	**892**
Other invested assets								
Investment funds	-	-	6,952	**6,952**	-	-	7,081	**7,081**
Infrastructure related investments	-	-	75	**75**	-	-	103	**103**
Real estate related investments	-	-	412	**412**	-	-	406	**406**
Derivative liabilities	(5)	(107)	-	**(112)**	(29)	(63)	-	**(92)**
Assets and liabilities for which fair value is disclosed								
Investment receivables[1]	-	956	-	**956**	-	1,364	-	**1,364**
Administration payables[1]	(367)	-	-	**(367)**	(354)	-	-	**(354)**
Investment payables[1]	-	(985)	-	**(985)**	-	(987)	-	**(987)**
Borrowings	-	(30)	-	**(30)**	-	(400)	-	**(400)**
Long-term debt[4]	-	(70)	-	**(70)**	-	(72)	-	**(72)**
Loss of Retirement Income Fund liability	-	-	(2,031)	**(2,031)**	-	-	(2,003)	**(2,003)**

1. The carrying amounts (less allowance for impairment, where applicable) of cash and cash equivalents, investment receivables and administration and investment payables approximate their fair values.
2. The WSIB owns units of pooled funds which hold investments in public equity securities.
3. Investment properties include a right-of-use asset of $9 (December 31, 2020 – $10).
4. Carrying amount as at September 30, 2021 was $70 (December 31, 2020 – $70).

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

During the three months and nine months ended September 30, 2021 and September 30, 2020, there were no transfers between levels within the hierarchy.

On February 22, 2021, Investment Management Corporation of Ontario (“IMCO”) launched the IMCO Global Public Equity Pool (“GPE Pool”) and on March 22, 2021, IMCO launched the IMCO Emerging Markets Public Equity Pool (“EMPE Pool”). The launches are part of IMCO’s Pooled Asset Management strategy which enables entities to “pool” the management of their investments. This pooling strategy creates a sufficiently large asset pool to broaden access to and efficiently manage investments. The WSIB participated in the GPE Pool, transferring assets comprised mainly of global public equities into the pool, and in the EMPE Pool, transferring assets comprised mainly of emerging markets public equities into the pool. The WSIB’s investments in the GPE Pool and EMPE Pool are recorded as public equity pooled funds within public equity investments in the unaudited condensed interim consolidated statements of financial position.

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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:

	Other invested assets					
For the three months ended September 30, 2021	Investment funds	Infrastructure related investments	Real estate related investments	**Subtotal**	**Investment properties**	**Total**
Balance as at July 1, 2021	6,930	87	405	7,422	702	8,124
Net gains (losses) recognized in net investment income	380	(12)	7	375	24	399
Foreign translation losses recognized in other comprehensive income	8	-	-	8	-	8
Purchases	601	-	-	601	2	603
Sales	(967)	-	-	(967)	-	(967)
Capital expenditures	-	-	-	-	4	4
Balance as at September 30, 2021	**6,952**	**75**	**412**	**7,439**	**732**	**8,171**
Changes in unrealized gains (losses) included in earnings for assets and liabilities for positions still held	**49**	**(12)**	**7**	**44**	**21**	**65**

	Other invested assets					
For the nine months ended September 30, 2021	Investment funds	Infrastructure related investments	Real estate related investments	**Subtotal**	**Investment properties**	**Total**
Balance as at January 1, 2021	7,081	103	406	7,590	892	8,482
Net gains (losses) recognized in net investment income	368	(28)	(1)	339	32	371
Foreign translation losses recognized in other comprehensive income	(3)	-	-	(3)	-	(3)
Purchases	1,865	-	7	1,872	2	1,874
Sales	(2,359)	-	-	(2,359)	(200)	(2,559)
Capital expenditures	-	-	-	-	6	6
Balance as at September 30, 2021	**6,952**	**75**	**412**	**7,439**	**732**	**8,171**
Changes in unrealized gains (losses) included in earnings for assets and liabilities for positions still held	**(345)**	**(28)**	**(1)**	**(374)**	**37**	**(337)**

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For the three months ended September 30, 2020[1]	Other invested assets					
	Investment funds	Infrastructure related investments	Real estate related investments	**Subtotal**	**Investment properties**	**Total**
Balance as at July 1, 2020	8,124	121	440	8,685	1,213	9,898
Net gains (losses) recognized in net investment income (loss)	57	3	(18)	42	(4)	38
Foreign translation losses recognized in other comprehensive income	(11)	-	-	(11)	-	(11)
Purchases	112	-	-	112	-	112
Sales	(341)	-	-	(341)	-	(341)
Capital expenditures	-	-	-	-	4	4
Balance as at September 30, 2020	**7,941**	**124**	**422**	**8,487**	**1,213**	**9,700**
Changes in unrealized gains (losses) included in earnings for assets and liabilities for positions still held	(24)	3	(18)	(39)	(4)	(43)

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

For the nine months ended September 30, 2020[1]	Other invested assets					
	Investment funds	Infrastructure related investments	Real estate related investments	**Subtotal**	**Investment properties**	**Total**
Balance as at January 1, 2020	8,161	144	478	8,783	1,368	10,151
Net gains (losses) recognized in net investment income (loss)	180	(20)	(56)	104	(23)	81
Foreign translation losses recognized in other comprehensive income	(62)	-	-	(62)	-	(62)
Purchases	854	-	-	854	-	854
Sales	(1,192)	-	-	(1,192)	(150)	(1,342)
Capital expenditures	-	-	-	-	18	18
Balance as at September 30, 2020	**7,941**	**124**	**422**	**8,487**	**1,213**	**9,700**
Changes in unrealized losses included in earnings for assets and liabilities for positions still held	(110)	(21)	(55)	(186)	(23)	(209)

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

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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	September 30, 2021 Range of inputs		December 31, 2020 Range of inputs	
			Low	High	Low	High
Investment funds	Net asset value	Net asset value provided by administrator/manager	n/a	n/a	n/a	n/a
Infrastructure related investments	Recent transaction	None	n/a	n/a	n/a	n/a
Real estate related investments and investment properties	Discounted cash flow and market comparable	Discount rate	5.0%	8.0%	5.0%	8.0%
		Terminal capitalization rate	4.5%	7.3%	4.5%	7.3%
Loss of Retirement Income Fund liability	Net asset value	Net asset value provided by administrator/manager	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 recent transactions, and where applicable, 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 any other 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. Employee benefit plans

Employee benefit plans expense

The cost of the employee benefit plans recognized in administration and other expenses for the three months and nine months ended September 30 is as follows:

	Pension plans		Other benefits		Total	
For the three months ended September 30	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Current service cost	44	33	6	6	50	39
Net interest on the employee benefit plans liability	11	9	8	7	19	16
Long-term employee benefit losses	-	-	-	1	-	1
Administrative expenses	2	2	-	-	2	2
Employee benefit plans expense	**57**	**44**	**14**	**14**	**71**	**58**

	Pension plans		Other benefits		Total	
For the nine months ended September 30	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Current service cost	132	101	20	18	152	119
Net interest on the employee benefit plans liability	33	27	24	21	57	48
Long-term employee benefit losses (gains)	-	-	(2)	3	(2)	3
Past service cost	(9)	-	5	-	(4)	-
Administrative expenses	8	2	-	-	8	2
Employee benefit plans expense	**164**	**130**	**47**	**42**	**211**	**172**

Amounts recognized in other comprehensive income (loss) for the three months and nine months ended September 30 are as follows:

	Pension plans		Other benefits		Total	
For the three months ended September 30	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Actuarial gains (losses) arising from:						
Financial assumptions	137	(3)	18	(1)	155	(4)
Plan experience	-	-	6	8	6	8
Return on plan assets excluding interest income	10	65	-	-	10	65
Remeasurements of employee benefit plans	**147**	**62**	**24**	**7**	**171**	**69**

	Pension plans		Other benefits		Total	
For the nine months ended September 30	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Actuarial gains (losses) arising from:						
Financial assumptions	651	(354)	156	(66)	807	(420)
Plan experience	2	1	11	7	13	8
Return on plan assets excluding interest income	163	(101)	-	-	163	(101)
Remeasurements of employee benefit plans	**816**	**(454)**	**167**	**(59)**	**983**	**(513)**

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Employee benefit plans liability

The employee benefit plans liability is comprised of the following:

	Pension plans		Other benefits		Total	
	Sep. 30 2021	**Dec. 31 2020**	**Sep. 30 2021**	**Dec. 31 2020**	**Sep. 30 2021**	**Dec. 31 2020**
Present value of obligations[1]	4,944	5,470	1,000	1,137	5,944	6,607
Fair value of plan assets	(4,052)	(3,872)	-	-	(4,052)	(3,872)
Employee benefit plans liability	**892**	**1,598**	**1,000**	**1,137**	**1,892**	**2,735**

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

9. Premium revenues

A summary of premiums for the three months and nine months ended September 30 is as follows:

	Three months ended September 30		Nine months ended September 30	
	2021	**2020**	**2021**	**2020**
Gross Schedule 1 premiums	825	746	2,367	2,142
Bad debts recovery (expense)	6	18	33	(43)
Interest and penalties	15	-	13	14
Other income	1	-	1	-
Schedule 1 employer premiums	**847**	**764**	**2,414**	**2,113**
Schedule 2 employer administration fees	24	22	74	70
Premiums	**871**	**786**	**2,488**	**2,183**
Net mandatory employer incentive programs[1]	(6)	10	(19)	21
Net premiums	**865**	**796**	**2,469**	**2,204**

1. Prior to January 1, 2020, Schedule 1 employers participated in mandatory employer incentive programs that may have resulted in adjustments to premium rates. Effective January 1, 2020, the WSIB transitioned to the new premium rate-setting model, which eliminates the need of such adjustments to premium rates. The amounts for the three months and nine months ended September 30, 2021 represent the net payouts for mandatory employer incentive programs that are related to previous years.

10. Payables and other liabilities

	September 30 2021	**December 31 2020**
Administration payables	367	354
Investment payables	985	987
Short-term payable – Worker Income Protection Benefit Program[1]	157	-
Experience rating refunds	22	239
Other liabilities	119	116
Total payables and other liabilities	**1,650**	**1,696**

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

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11. Benefit liabilities

Benefit liabilities are comprised of the following:

	September 30 2021	December 31 2020
Loss of earnings	8,761	8,733
Workers' pensions	4,957	5,167
Health care	4,694	4,550
Survivor benefits	3,140	3,079
Future economic loss	660	745
External providers	98	93
Non-economic loss	330	322
Claim administration costs	1,352	1,322
Long latency occupational diseases	2,462	2,385
Loss of Retirement Income	505	514
Benefit liabilities	**26,959**	**26,910**

12. Total claim payments

Claim payments

	Three months ended September 30		Nine months ended September 30	
	2021	**2020**	**2021**	**2020**
Loss of earnings	266	253	804	787
Workers' pensions	110	117	342	363
Health care	138	116	434	366
Survivor benefits	55	52	162	154
Future economic loss	34	37	104	115
External providers	7	5	21	16
Non-economic loss	15	20	50	52
Total claim payments	**625**	**600**	**1,917**	**1,853**

Claim administration costs

	Three months ended September 30		Nine months ended September 30	
	2021	**2020**	**2021**	**2020**
Allocation from administration and other expenses	135	108	388	330
Allocation from legislated obligations and funding commitments expenses	7	6	17	15
Total claim administration costs	**142**	**114**	**405**	**345**

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Change in actuarial valuation of benefit liabilities

	Three months ended September 30		Nine months ended September 30	
	2021	**2020**	**2021**	**2020**
Change in actuarial valuation of benefit liabilities	10	15	49	37

For the nine months ended September 30, 2021, the change in actuarial valuation of benefit liabilities is detailed as follows:

Benefit liabilities as at December 31, 2020	**26,910**
Payments made in 2021 for prior injury years (including Loss of Retirement Income and claims administration costs)	(1,991)
Interest accretion[1]	894
Liabilities incurred for the 2021 injury year	1,444
Experience gains	(298)
Benefit liabilities as at September 30, 2021	**26,959**
Change in actuarial valuation of benefit liabilities	49

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

13. Administration and other expenses

	Three months ended September 30		Nine months ended September 30	
	2021	**2020**	**2021**	**2020**
Salaries and short-term benefits	127	104	360	332
Employee benefit plans	71	58	211	172
Depreciation and amortization	16	12	48	37
Other	64	60	180	174
	278	**234**	**799**	**715**
Claim administration costs allocated to claim costs	(130)	(108)	(378)	(330)
Total administration and other expenses	**148**	**126**	**421**	**385**

14. Commitments and contingent liabilities

(a) Investment commitments

The WSIB had the following commitments for capital calls related to its investment portfolio:

	September 30 2021	**December 31 2020**
Investment funds, infrastructure and real estate related investments	4,212	3,589
Investments in associates and joint ventures	797	479
Total investment commitments	**5,009**	**4,068**

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

(b) Legislated obligations and funding commitments

Known commitments related to legislated obligations and funding commitments as at September 30, 2021 were approximately $291 for the period from October 1, 2021 to September 30, 2022.

(c) Legal actions

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

15. Subsequent events

Credit facility

On October 30, 2020, the WSIB entered into a revolving line of credit facility in the amount of $900 million with the Ontario Financing Authority ("OFA") for the purpose of supporting the financial relief package offered to employers; the OFA and the WSIB are related parties. On October 1, 2021, amounts drawn under this credit facility were fully repaid.

IMCO Public Market Alternatives Pooled Fund

On October 1, 2021, IMCO launched the IMCO Public Market Alternatives Pool ("PMA Pool") as part of its Pooled Asset Management strategy. The WSIB participated in the PMA Pool, transferring over $2.6 billion of Public Market Alternative investments. The WSIB is still assessing the impact of this transfer but it is expected that $0.3 billion of assets will be derecognized, with a corresponding decrease in non-controlling interests.