Workplace Safety and Insurance Board

2022 Annual Report

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Message from Chair and President and CEO

We are an organization made up of people helping people, and 2022 was another strong year for the WSIB as we took significant steps towards our goal of improving the services we provide.

Our most significant accomplishment was helping people with a safe, timely, and lasting return to work.

We also met important customer service standards to make timely decisions and process initial payments quickly. This contributed to customer satisfaction scores for people with claims and businesses that exceeded our targets.

At the same time, we were able to support Ontario businesses as they recover from the COVID-19 pandemic. In a historic first for Ontario, we distributed $1.2 billion in surplus funds to eligible safe businesses. We also held the average premium rate steady for 2023 at $1.30, the lowest it has been in more than 20 years.

Throughout the year, we also continued to make improvements to how we serve people. These updates included:

- New online services for businesses to access real-time claim information 24/7
- New ability for businesses to report and pay premiums through their online banking
- Expanded telephone service hours to be available from 7:30 a.m. to 7:45 p.m. for claim support
- Additional financial incentives for small businesses to invest in health and safety.

Our team is rightly proud of what we achieved together in 2022. We have embarked on a new era with a sharper focus on delivering value and improving outcomes for people.

As we look forward to the year ahead, we must sustain this performance and keep pushing to deliver better supports and services for people so that it is easier and faster to work with us and get back to what matters. We must continue to be curious and ask questions about what we can do better, listen to each other's ideas and confidently embrace change to make sure we are doing everything we can to reduce the impact of work-related injuries and illnesses in Ontario.

Grant Walsh
Chair
April 25, 2023

Jeffery Lang
President and CEO
April 25, 2023

2022 highlights

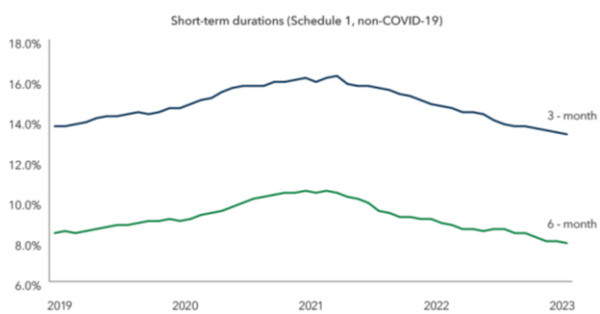
In 2022, the WSIB continued to effectively respond to the challenges of the COVID-19 pandemic while delivering a historic first-ever surplus distribution and achieving the best return-to-work results in the past five years.

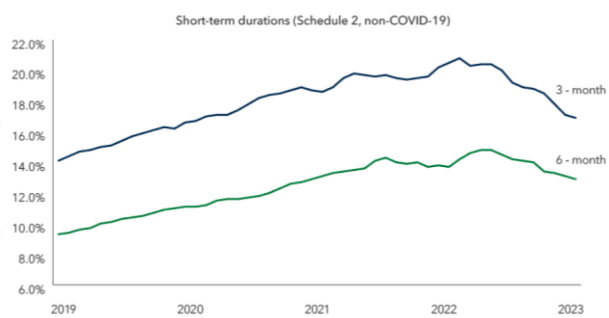
Operational highlights

Lost-time claim volume higher than pre-pandemic
In 2022, there were more lost-time claims registered (95,218) than in pre-pandemic 2019 (63,093). While overall claim volume was slightly lower than pre-pandemic levels (0.5%), the percentage of lost-time claims rose sharply from 31% to 46%.

Increase in COVID-19 claim volume
Of the Schedule 1 claims registered in 2022, 16% (34,539) were for COVID-19, with 67% (23,182) of those claims registered in the first half of the year. COVID-19 claims declined over the course of the year as it became more difficult to establish work-relatedness when adjudicating claims due to numerous potential sources of infection in the community, at home and outside of work. There were 78% more COVID-19 claims in 2022 (34,715) than in 2021 (19,380) and 147% more than in 2020 (14,004).

Improvements in claim durations
Over the course of the year, 3-month durations decreased by 1.5%, while 6 and 12-month durations decreased by approximately 1% each. The improvement in durations is also reflected in the first significant year-over-year decrease in benefit payments since 2016, even with an increase in lost-time claim volumes.





The stabilization and improvement in the duration results can be attributed to a number of factors. The hiring and training of 349 case managers in 2021/2022 allowed the business to concentrate on the fundamentals of case management as caseloads stabilized. A proactive approach using data analysis allowed the team to identify opportunities and to mitigate emerging issues. A key mitigation was the delivery of over 20,000 hours of training for both new and experienced staff alike.

Timely service
Decision timeliness was unchanged compared to 2021 and 2020 despite the higher claim volume in 2022. Our goal is to make an eligibility decision within 10 days so that we can ensure a timely return to work while giving people enough time to get us the information we need:

- 95% and 96% of eligibility decisions were made within 10 business days for no-lost-time and lost-time claims, respectively.
- 77% of claims were paid within 15 days of the WSIB first being notified of the claim, beating the 75% target.
- Appeals decisions continued to be timely, with 91% of appeals decided within six months in 2022, the strongest result since 2014.

- The WSIB resolved 4% more appeals than in 2021. As a result, the appeals inventory went down by 35%, from 2,415 in 2021 to 1,580 in 2022.

Improvements to benefits and services

Growth of the Health and Safety Excellence program
As of the end of 2022, there were 3,132 businesses (representing approximately 920,000 employees) enrolled in the Health and Safety Excellence program. This represents 908 new enrollments since January 1, 2022, of which 696 are classified as either micro, small or medium-sized businesses. The member retention rate in the program increased to approximately 90%.

In 2022, approximately $2.5 million in rebates were issued to 185 businesses for completing topics in the program. Program members have earned over $33 million in premium rebates through the program since 2019.

Measuring our operational results

Strategic goal	Measure	2022 target	2022 result
Make Ontario a safer place to work	Health and Safety Index	>0%	+3%
	Lost-time injury rate (non-COVID-19)	92%	95%
Improve return-to-work and recovery outcomes	Duration of full and partial loss-of-earnings benefits (three months)	14.2%	13.5%
	Duration of full and partial loss-of-earnings benefits (12 months)	6%	5.3%
	Return to work at 100% pre-injury or illness earnings within 12 months	87%	86.5%
Meet our customers' needs and expectations	Overall satisfaction for people returning to work	75%	74%
	Businesses supporting their employee returning to work	81-83%	86%
	Businesses with account-related inquiries	85-87%	83%
	Health and safety programs	79-81%	81%
Sustain our organization through efficient and effective management	Sufficiency Ratio	110-120%	118.1%
	Employee engagement	80%	72%
	Inclusive culture	75%	57%

Financial highlights

Employment growth in 2022
Ontario employment as of December 2022 was 1.4% higher than in December 2021, an increase of 105,000 jobs. Meanwhile, the unemployment rate was 5.3%, which is 0.8% lower than in December 2021. Despite higher interest rates and the threat of a possible recession in 2023, employment continued to grow in December in Ontario and Canada. Employment growth in construction, a sector that is traditionally vulnerable in a recession, was among the highest of any industry, growing by 2.7% (16,000 jobs) in December compared to November in Ontario.

Wage growth also helps to explain the increase in insurable earnings in 2022. The average wage in Canada was up 5.1% in December 2022 compared to December 2021. This growth was consistent with most other months in 2022.

Premium revenue above budget in 2022

Premium revenue ended the year at $3,400 million, 4.8% above budget and 7.4% higher than in 2021. Growth in premium revenue was due entirely to higher insurable earnings since the average premium rate was reduced by 5.1% for 2022. Insurable earnings increased as Schedule 1 employment and wage growth were strong in the post-pandemic recovery.

Costs remained within budget and lower than in 2021

In 2022, claim payments of $2,506 million were below budget (by 4.4%) and lower than in 2021 (by 1.3%). This is the first time there has been a year-over-year decrease in claim payments since 2016 (excluding 2020, when claim payments were $1 million less than in 2019 due to decreased economic activity caused by the COVID-19 pandemic).

Board of Directors

Biographies

Grant B. Walsh
Chair
Member: February 3, 2022 – February 2, 2025

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

Grant was formerly the Chair of Canada Lands Company Limited with real estate properties across Canada and tourism properties including the CN Tower, Downsview Park, the Old Port of Montreal and the Montreal Science Centre.

Grant was President and CEO of St. Peter's Health System and Vice President of Hamilton Health Sciences. His healthcare experience includes academic medical centres, research and innovation centres, management outsourcing, long-term care, continuing care retirement communities, home health and rehabilitation agencies, and foundations.

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

Grant has a Master of Business Administration degree in Finance and an undergraduate degree in English and Philosophy. He holds a designation as a Chartered Director from McMaster University and the Conference Board of Canada, and has served as Executive-in-Residence/Adjunct Professor at McMaster University.

Jeffery A. Lang
President and CEO
Member: February 3, 2022 – February 2, 2025

Jeffery Lang was recently President and CEO of two Ontario-based manufacturing businesses with customers around the world.

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

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

Jeffery is a proud fourth generation Londoner.

Peter George
Member: February 3, 2022 – February 2, 2025

Peter George is the CEO of Neurolytixs Inc., an exclusive global licensee of Lawson Health Research Institute's blood-based invitro diagnostics, specializing in the detection of concussions. Peter has diverse corporate and Board experience spanning decades in sales, marketing and venture capital in the areas of health care, real estate development and asset management.

Peter is the co-founder and past director of LB Energy Inc., one of the largest developers of renewable energy in Ontario. Peter is deeply rooted in his community, having volunteered and fundraised for SickKids, Windsor Regional Hospital, Art Gallery of Windsor and St. Clair College.

Peter holds a Bachelor of Arts from the University of Windsor.

James Hogarth
Member: November 24, 2022 – November 23, 2025

James Hogarth serves as President of the Provincial Building and Construction Trades Council of Ontario, a position he has held for the past 10 years. In that role, he leads an organization representing over 150,000 people across every construction trade. As a committed labour leader, James is passionate about improving workplace health and safety for all Ontarians.

After successfully completing his apprenticeship with UA local 46 in Toronto, James became a Certified Steamfitter in 1984. Over the last 25 years, he has served as Business Manager of UA local 46 as well as Business Manager of the Ontario Pipe Trades Council. He also served as an employee bargaining agent representing the Piping Trades. James currently serves on the Board of Directors of the Ontario Construction Secretariat and the De Novo Treatment Centre. James is honoured to apply his skills and knowledge towards the advancement of people working in Ontario, particularly those who have experienced workplace injuries and illnesses.

Leslie Lewis
Member: May 9, 2022 – May 8, 2025

Leslie Lewis is a financial strategy executive and former private equity investor. Leslie is currently the Chief Financial Officer at Avanti Software and her prior corporate experience includes supporting the IPO of PowerSchool, roles at Onex Corporation, the Ontario Teachers' Pension Plan and CIBC. Leslie has also served as the Tax, Trade, and International Finance Policy Advisor to the Canadian Minister of Finance at the Government of Canada. Leslie is a former Canadian national kayaking team athlete and holds a business honours degree from Acadia University.

Leslie’s community involvement includes her appointments to the Board of Directors of Venture Ontario and the Toronto Pan Am Sports Centre. Leslie has also received the ICD.D designation from the Institute of Corporate Directors.

Sean McFarling
Member: February 27, 2020 – February 26, 2023; renewed term: March 9, 2023 – March 8, 2025

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

Sean is also on the roster of independent legal counsel to the Professional Engineers of Ontario where he provides educational and legal services to their Registration and Discipline Committees.

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

Alana McPhee
Member: June 20, 2022 – June 19, 2025

Alana McPhee is Senior Counsel, Treasury & Corporate, at The Toronto-Dominion Bank, where she serves as lead internal counsel for securities issuances under the bank's global funding programs. Prior to TD, Alana led Strategic Initiatives for Macquarie's North American Banking & Financial Services Division and was a principal at Coventree Inc., then an independent securitization boutique firm with total assets under management of $33 billion. Preceding Coventree, Alana was a partner at a leading Bay Street firm, Davies Ward Phillips Vineberg LL.P., practicing corporate securities law.

Alana holds a Bachelor of Commerce (in Finance & Marketing) from St. Mary's University and obtained her law degree at Dalhousie University. Alana's community involvement has included serving on the boards of Canada Lands Company Limited, Downsview Park, the Old Port of Montreal, Women in Capital Markets Association and on the Board of Trustees of the Toronto International Dance Festival.

Helen Polatajko
Member: December 12, 2022 – December 11, 2025

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

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

Helen 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 in 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.

Reagan Ruslim
Member: December 15, 2022 – December 14, 2025

Since January 2020, Reagan has been a member of the Law department of Hydro One as Senior Legal Counsel. Reagan provides practical legal advice in the areas of labour, employment, human rights, occupational health and safety, workplace investigations, pensions, benefits and corporate ethics.

Previously, Reagan worked in private practice for more than 12 years, primarily practicing labour, employment and human rights law.

Reagan has also practiced public accounting with Deloitte. During his time at Deloitte, Reagan earned two accounting designations: Chartered Accountant (Ontario, Canada) and Certified Public Accountant (New Hampshire, United States).

Reagan holds a BBA from Wilfrid Laurier University, an LL.B from Western University, and two LL.M degrees from Osgoode Hall Law School, York University. Additionally, in 2014, Reagan earned both his

Certified Human Resources Professional and Certified Human Resources Leader designations from the Human Resources Professional Association of Ontario.

Sandra Wrycraft
Member: February 3, 2022 – February 2, 2025

Sandra Wrycraft is the President of Find Inc., an executive search, coaching, and strategic consulting practice built on a belief that people, teams, and organizations have limitless potential. Sandra has over 20 years of consulting and corporate leadership experience across a broad base of industries, from Fortune 500 to small start-ups, in developing business and leadership strategies that have consistently and positively impacted results at the organization, team, and individual level. Sandra has a unique balance of passion for both people and performance and her contagious energy shines through in her ability to inspire potential in others.

Sandra has a BBA from Wilfrid Laurier University, an MBA from the Schulich School of Business at York University, and is an ACC with a Masters Certificate in Executive Coaching from Royal Roads University.

Completed term

Lori Turik
Member: June 20, 2019 – June 19, 2022

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

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

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

Bruce Smith
Member: October 31, 2019 – October 30, 2022

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

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

Bruce had the honour of serving in the Ontario Legislature from 1995-1999 as the Member of Provincial Parliament for Middlesex and Parliamentary Assistant to the Minister of Education and Training. During that time, Bruce served on the Policy Coordination sub-committee of the Cabinet. Bruce is a past member of the Board of Directors for St. Joseph's Health Care London, Ontario, where he served on the Executive Committee and chaired the Human Resources Committee of the Board.

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

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

Karen Tam
Member: October 31, 2019 – October 30, 2022

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

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

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

Dr. Paul K. Bates
Member: February 17, 2022 – September 4, 2022

Dr. Paul K. Bates has focused on governance and consulting in various corporate, Crown and regulatory roles. His career has included senior academic administration, extensive lecturing (undergraduate, graduate and executive education) and numerous financial sector positions. He has also served his local community as a Deacon in his church.

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 expenses).

The total annual remuneration of each individual appointee for 2022 is as shown below:

Name	Total remuneration paid in 2022
Grant Walsh	$110,178.00
Jeffery A. Lang	$412,996.34
Peter George	$15,537.50
Leslie Lewis	$9,900.00
Sean McFarling	$10,587.50
Alana McPhee	$7,700.00
Helen Polatajko	$14,162.50
Sandra Wrycraft	$17,325.00
Lori Turik	$7,150.00
Bruce Smith	$9,762.50
Karen Tam	$11,550.00
Tom Teahen[1]	$44,166.16
Bryce Walker[2]	$1,787.50
Elizabeth Witmer[3]	$105,927.30
Tom Bell[4]	$46,288.43
Paul Bates	$6,875.00
Total:	**$831,893.73**

1. Tom Teahen was the President and CEO of the WSIB from February 1, 2016 to January 31, 2021. The amount shown represents severance received in 2022.
2. Bryce Walker was a member of the Board of Directors from January 23, 2013 to December 31, 2021.
3. Elizabeth Witmer was the chair of the Board of Directors from May 17, 2012 to February 3, 2022.
4. Tom Bell was the acting President and CEO of the WSIB from February 4, 2021 to February 3, 2022. The amount shown represents the remuneration he received from January 1, 2022 to February 3, 2022.

Management's discussion and analysis

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") and accompanying audited annual consolidated financial statements ("consolidated financial statements"), as approved by the Board of Directors of the Workplace Safety and Insurance Board (the "WSIB"), are prepared by management as at and for the year ended December 31, 2022.

The MD&A should be read in conjunction with the consolidated financial statements of the WSIB as at and for the year ended December 31, 2022 and the information in the accompanying notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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

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

1. Our business

Our mandate

The WSIB, a board-governed trust agency under the Agencies and Appointments Directive of the Government of Ontario, is legislated to administer the province's no-fault workplace injury and illness insurance system under the *Workplace Safety and Insurance Act, 1997* (Ontario) (the "WSIA").

We move quickly to provide wage-loss benefits, medical coverage and help people get back to work after a work-related injury or illness. We support the promotion of workplace health and safety and strive to make Ontario a safer place to work.

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

How we are funded

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

Premiums

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

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

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

Investment returns

The WSIB also generates income through investment returns on our approximately $34.2 billion in invested assets as at December 31, 2022.

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

Investments

Our governance framework

We invest the portion of premiums collected but not required to be paid as benefits in the current year or to fund current operating expenses. As at December 31, 2022, we held $34.2 billion in investments to fund all future claim payments for incurred claims including long latency occupational disease claims that may have already been incurred but not yet reported. These investments include minority interest in WSIB's legacy pooled funds for the WSIB employee pension plan. Our investment strategy is prudently diversified and managed on a total return basis to generate income and capital appreciation over time.

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

- Investment decisions that have the most impact on investment outcomes remain at the Board of Directors level. These decisions include establishing our overall governance framework and approving the Statements of Investment Policies and Procedures ("SIPP").
- Our 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 our risk appetite, benefit liabilities, premium rate levels, and capital market assumptions. This is to ensure that the long-term investment return objective, policy asset mix, and other provisions of the SIPPs remain relevant.
- With appropriate reporting and oversight, the Board of Directors delegates authority for certain matters to our Investment Committee, our senior management, and IMCO. The Investment Committee is appointed by the Board of Directors and consists of Board members and external advisers. The Investment Committee provides advice and assistance to the Board of Directors on issues relating to investments and approves investment policies to supplement the SIPPs. Effective July 24, 2017, through an Investment Management Agreement for each of the Insurance Fund and Loss of Retirement Income Fund, IMCO was delegated authority to manage the WSIB's investments. IMCO and our investments are monitored by senior staff members under the direction of our Senior Vice President and Chief Investment Officer, Chief Financial Officer, President and Chief Executive Officer, the Investment Committee and, ultimately, our Board of Directors.
- Risk is inherent in each element of the investment decision-making process. Hence, risk management is an integral component of our governance framework. We believe the most significant investment risks to which we are exposed include liquidity risk, credit risk, and market risk. A discussion of our investment risks and mitigating strategies is contained in Section 14 – Risk factors in this MD&A and in note 11 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:

- ***Investment Cash and Money Market:*** This asset class is comprised of cash and cash equivalents and seeks to provide liquidity and safety. Returns are expected to be lower than other asset classes.
- ***Fixed Income:*** Our Fixed Income portfolio is comprised of high-quality government fixed income securities and seeks to provide interest rate sensitivity, liquidity, safety and diversification, particularly when economic conditions are weak, or when market or economic shocks precipitate a flight to lower-risk investments. Returns are expected to be lower than other asset classes.
- ***Credit:*** Our Credit portfolio includes both investment-grade and non-investment-grade public and private investments with the intention of providing broad exposure to global fixed income credit markets. Credit tends not to be highly correlated with high-quality fixed income or with equities and, as a result, Credit is expected to enhance returns and diversification.
- ***Public Equity:*** We invest primarily through holdings in pooled funds established by IMCO that in turn invest in diversified domestic and international equity securities to provide broad exposure to equity markets. Equities are expected to provide higher investment returns than other asset classes over the long run, but are expected to exhibit higher variability in returns from year to year.
- ***Private Equity:*** This asset class seeks to generate long-term capital appreciation and aims to outperform Public Equity by investing in a diversified set of private operating companies and providing value-add through strategic, operational and financial improvements. Private Equity is a higher-risk asset class involving long-term investments in generally illiquid assets.
- ***Public Market Alternatives:*** The Public Market Alternatives asset class provides exposure to alternative investment risk premiums and active investment mandates through strategies that offer low beta with public market equities (i.e., low sensitivity to equity market volatility). We invest primarily through holdings in a pooled fund established by IMCO. Public Market Alternatives investments are expected to enhance returns and reduce overall volatility.
- ***Real Estate:*** This asset class includes holdings in real estate properties and investment funds diversified across global markets and office, retail, industrial, multi-residential and mixed-use property types. Real estate is expected to provide a stable source of income and to keep pace over time with inflation, mitigating the risk of unexpected inflation.
- ***Infrastructure:*** This asset class 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, which offer stable cash flows with inflation sensitivity. As of December 31, 2022, we invest primarily through holdings in a pooled fund established by IMCO.

There are also portfolio management activities at the total fund level to enhance investment returns and manage risk by efficiently rebalancing the fund and managing asset allocation, liquidity, and foreign exchange exposures. These activities include the use of leverage to enhance returns, manage liquidity and optimize portfolio diversification while maintaining targeted risk levels. Leverage can be obtained through derivatives and repurchase agreements.

Claim costs

Types of claim payments

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

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

Provision for claims

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

Data and other factors that can influence the amount and timing of future payments are considered when calculating benefit liabilities. Some factors include historical trends, our governing legislation, as well as our policies, claims adjudication practices and appeal decisions. We also consider the development of future claim payment trends, which may be impacted by management actions, legislative changes, judicial decisions and economic conditions. Where possible, we apply multiple techniques to estimate the required benefit liabilities provision. This approach provides additional insight into the trends inherent in the claims data being used to project the future payments valued in the benefit liabilities. Between the reporting and final disposition of a claim, circumstances may change, which may result in changes to the established benefit liabilities. 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 people exposed to hazardous substances or conditions in their workplaces may develop occupational diseases after long latency periods. These provisions are significant and are expected to increase in future years due to increasing workplace risk exposures. Claim costs will vary depending on the type and characteristics of the disease, and the timing and management of the claim. Given the inherent uncertainties, the eventual cost to satisfy outstanding claims can vary substantially from the initial estimates.

Legislated obligations and funding commitments

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

Grants program: Our grants program supports practical, expert research studies and training initiatives delivered by professional individuals and organizations that address current and emerging challenges aimed at strengthening Ontario's workplace injury and illness insurance system now and in the future. In 2022, the WSIB awarded eight grants to research teams to conduct studies that may improve return-to-work and recovery outcomes for people who were injured or made ill at work.

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

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

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

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

2. Our strategy

Our accomplishments in 2022 reflect the four themes in our 2019-2023 Strategic Plan, each supported by objectives and performance measures to track our progress toward achieving each goal:

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

In pursuit of these goals, we have achieved important milestones this past year. This includes our continued response to the ongoing impact of COVID-19 on the workers compensation system.

To make Ontario a safer place to work, we:
- Provided coverage for over 5 million Ontarians in over 300,000 workplaces.
- Surpassed our target to retain 85% of businesses in our Health and Safety Excellence program.
- Introduced a temporary pandemic bonus that doubles rebates for smaller businesses investing in our Health and Safety Excellence program.
- Introduced a new health and safety statistics page on the WSIB website to make it easier for businesses to find important data.

To support Ontarians returning to work, we:
- Improved durations through new metrics and training modules for case managers, so that more Ontarians are getting back to full or part-time work faster.
- Launched a review of the occupational disease system and established a Scientific Advisory Table together with the MLITSD.

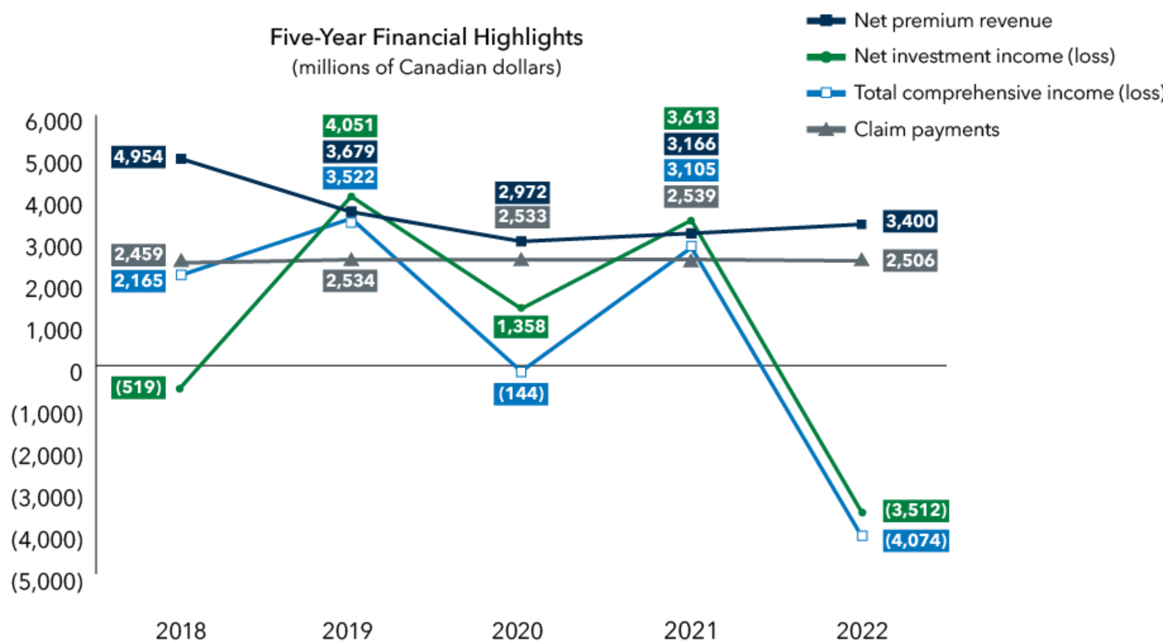
To meet customers' expectations, we:
- Resolved successfully 91% of appeals cases in a timely manner, resulting in the lowest inventory of appeals since 2019.
- Expanded our online offerings to give businesses convenient 24/7 access to claim information.
- Launched an extended hours pilot to better match the needs of our customers by making front-line roles available outside of traditional working hours.
- Issued a surplus rebate to almost 300,000 Ontario businesses for the first time in history, distributing $1,193 million back to employers in less than 100 days.

To sustain our organization, we:
- Held our average premium rate steady for 2023 at the lowest it has been in more than 20 years to help businesses manage costs.
- Began incorporating new flexibility into our future facilities strategy based on an amendment to the WSIA, which removed the requirement for the WSIB to be headquartered in Toronto.
- Made progress on our equity, diversity and inclusion strategy through inclusive leadership training, learning through various speakers' events and participation in the WSIB's first Pride Parade march.
- Undertook efforts to prepare for the *French Language Services Act* change effective April 1, 2023, requiring an active offer of services and materials in French, ensuring all customers can effectively access WSIB services.

We are committed to monitoring our progress using metrics and analysis that inform and drive decision-making at the WSIB. As we enter into the final year of our current strategy, we will continue to focus on delivering trusted and efficient customer service to Ontarians who become injured or ill at work, and the businesses who pay our premiums. We will also build on lessons learned during the pandemic to continue to make workplaces safer across Ontario.

3. Financial highlights

The following section should be read in conjunction with the consolidated financial statements and accompanying notes of the WSIB as at and for the year ended December 31, 2022.



Financial highlights for the year ended December 31, 2022 compared to the year ended December 31, 2021:

- In 2022, we generated $4,074 million of total comprehensive loss, a decrease of $7,179 million. This primarily reflects a net loss on investments of 9.1% and a surplus distribution of $1,193 million. The total comprehensive loss was partially offset by higher net premiums as businesses continue to recover from the impact of the pandemic, lower claim costs and expenses, and higher other comprehensive income due to an increase in the discount rate and changes in financial assumptions of the employee benefit plan liability. During the year, we transferred $1,425 million of cash from our investment fund to support operating activities and the surplus distribution.
- Premium revenue increased by $234 million, or 7.4%, primarily reflecting higher gross Schedule 1 premiums attributable to a 9.6% increase in insurable earnings mainly from classes/subclasses relating to manufacturing, construction, leisure and hospitality, professional, scientific and technical and transportation. The increase was also due to higher interest and penalties and lower net rebate adjustments for mandatory employer incentive programs relating to prior years. This was partially offset by higher bad debts and a 4.7% reduction in the realized average premium rate to $1.30 per $100 of insurable earnings.
- Net investment income decreased by $7,125 million from a net income of $3,613 million in 2021 to a net loss of $3,512 million in 2022. The net return on investments was a net loss of 9.1% in 2022 compared to a net gain of 10.0% in 2021. 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 decreased by $33 million, or 1.3%, primarily reflecting lower health care expense as well as less costs for older claims (accidents prior to 1998) due to declining claim inventory.
- Our net assets on a Sufficiency Ratio basis were $5,893 million as at December 31, 2022, a decrease of $644 million, or 9.9%, since December 31, 2021.
- On February 10, 2022, the Board of Directors approved a rebate of surplus funds, up to $1,500 million, to be distributed to eligible Schedule 1 employers within 90 days. As at December 31, 2022, a total of $1,193 million has been distributed to eligible businesses, and a minimal amount has been held in reserve for possible adjustments to rebates of surplus funds.

4. Financial analysis

Financial results

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

(millions of Canadian dollars)	2022	2021	Change $	Change %
Revenues				
Premium revenue	3,400	3,166	234	7.4
Net investment income (loss)	(3,512)	3,613	(7,125)	(100+)
	(112)	**6,779**	**(6,891)**	**(100+)**
Expenses				
Total claim costs	3,351	3,496	(145)	(4.1)
Loss of Retirement Income Fund contributions	52	54	(2)	(3.7)
Administration and other expenses	504	568	(64)	(11.3)
Legislated obligations and funding commitments	280	260	20	7.7
	4,187	**4,378**	**(191)**	**(4.4)**
Excess (deficiency) from operations	**(4,299)**	**2,401**	**(6,700)**	**(100+)**
Surplus distribution expense	1,193	-	1,193	100+
Excess (deficiency) of revenues over expenses	**(5,492)**	**2,401**	**(7,893)**	**(100+)**
Total other comprehensive income	1,418	704	714	100+
Total comprehensive income (loss)	**(4,074)**	**3,105**	**(7,179)**	**(100+)**
Other measures				
Net return on investments[1]	(9.1%)	10.0%	n/a	(19.1)
Net assets[2,3]	3,221	7,261	(4,040)	(55.6)
Net assets – Sufficiency Ratio basis[3]	5,893	6,537	(644)	(9.9)
Sufficiency Ratio[3]	118.2%	121.2%	n/a	(3.0)

1. Comparative amounts for net return on investments have been reclassified from gross to net to be consistent with current year's presentation.
2. Net assets represent net assets attributable to WSIB stakeholders as at the end of the reporting period. The total net assets of $3,623 million as at December 31, 2022 (2021 – $8,015 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 $402 million as at December 31, 2022 (2021 – $754 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, 2022 was $3,221 million (2021 – $7,261 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.

Premium revenue

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

			Change	
(millions of Canadian dollars)	**2022**	**2021**	**$**	**%**
Schedule 1 employer premiums	3,311	3,202	109	3.4
Schedule 2 employer administration fees	112	92	20	21.7
Net mandatory employer incentive programs	(23)	(128)	105	82.0
Premium revenue	**3,400**	**3,166**	**234**	**7.4**

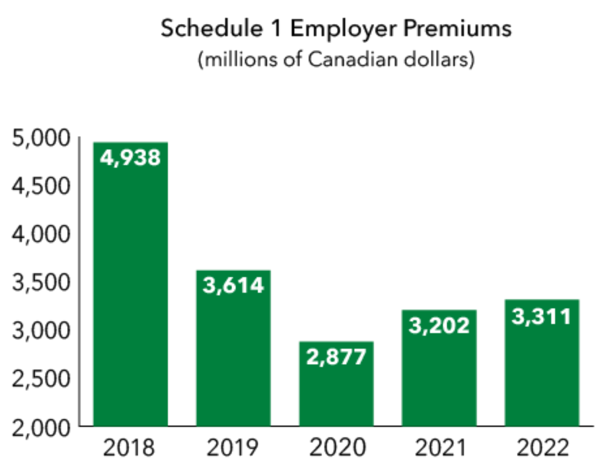
Schedule 1 employer premiums increased by $109 million, or 3.4%, for the year ended December 31, 2022. This is primarily due to:

- An increase in the Gross Schedule 1 premiums of $142 million, or 4.5%, reflecting a 9.6% increase in insurable earnings mainly from classes/subclasses relating to manufacturing, construction, leisure and hospitality, professional, scientific and technical and transportation, as businesses continued to recover from the impact of the pandemic. This is partially offset by a 4.7% decrease in the realized average premium rate collected from employers compared to the realized average 2021 premium rate due to the reduction of published premium rates in 2022.
- An increase in interest and penalties of $43 million, or 134.4%, included in Schedule 1 employer premiums, as interest and penalty charges resumed in 2022 after the deferral of charges ended in June 2021 and reflecting higher interest on bank accounts in 2022, partially offset by an increase in bad debts of $76 million, or 271.4%, compared to a recovery of $28 million in 2021, as regular collection activities on deferred balances resumed in 2022, resulting in higher write-offs and provision for uncollectible balances.

Schedule 2 employer administration fees increased by $20 million, or 21.7%, primarily due to higher claim administration and legislative obligation expenses resulting in higher administration charges in 2022.

Net adjustments for mandatory employer incentive programs relating to prior years decreased by $105 million primarily due to the completion of the majority of wind-up policy updates for the New Experimental Experience Rating program, which resulted in lower rebate adjustments in 2022.

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



Management's discussion and analysis
December 31, 2022

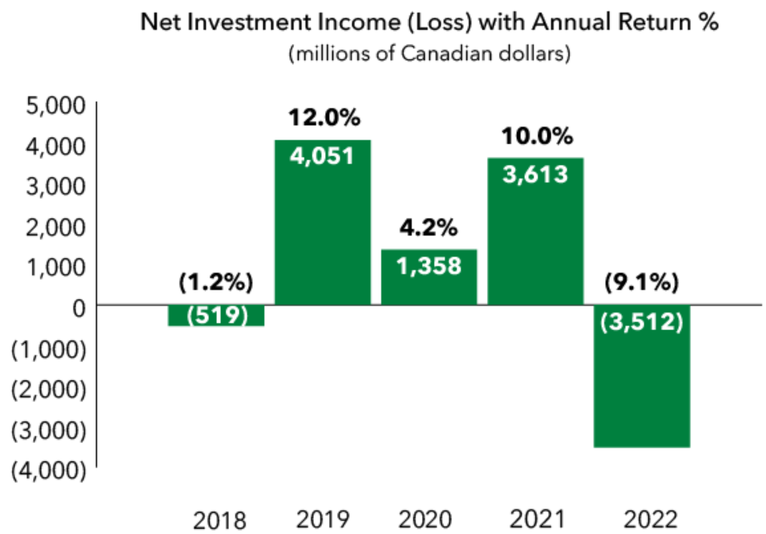
A summary of employment, insurable earnings and gross Schedule 1 premiums by class/subclass for the year ended December 31, 2022 is as follows:

(millions of Canadian dollars)	Employment[1] #	Insurable earnings $	Gross premiums $	% of total
Class/Subclass				
Agriculture	56,055	2,123	52	1.8%
Mining, quarrying, oil and gas extraction	34,156	2,578	73	2.6%
Utilities	41,804	3,738	24	0.8%
Educational services	180,470	8,472	24	0.8%
Public administration	51,717	3,050	84	3.0%
Hospitals	255,653	15,609	127	4.5%
Food, textiles and related manufacturing	168,312	7,217	97	3.4%
Non-metallic and mineral manufacturing	141,164	6,408	131	4.6%
Printing, petroleum and chemical manufacturing	103,901	4,998	40	1.4%
Metal, transportation equipment and furniture manufacturing	326,102	15,551	265	9.3%
Machinery, electrical equipment and miscellaneous manufacturing	130,655	6,247	71	2.5%
Computer and electronic manufacturing	86,624	3,972	8	0.3%
Rail, water, truck transportation and postal service	70,283	3,613	149	5.2%
Air, transit, ground passenger, recreational and pipeline transportation, courier services and warehousing	175,875	7,205	108	3.8%
Residential construction	63,249	2,868	71	2.5%
Infrastructure construction	68,069	4,635	98	3.4%
Foundation, structure and building exterior construction	76,458	3,976	159	5.6%
Building equipment construction	152,129	8,923	161	5.7%
Specialty trades construction	104,656	4,887	121	4.3%
Non-residential building construction	42,700	2,420	45	1.6%
Petroleum, food, motor vehicle and miscellaneous wholesale	96,359	4,352	58	2.0%
Personal and household goods, building materials and machinery wholesale	236,806	10,738	71	2.5%
Motor vehicles, building materials, food and beverage retail	274,886	9,414	125	4.4%
Furniture, home furnishings, clothing and accessories retail	102,979	3,277	24	0.8%
Electronics, appliances, health and personal care retail	126,293	4,446	14	0.5%
Specialized retail and department stores	180,630	6,154	58	2.0%
Information and culture	84,349	5,208	16	0.6%
Finance, management and leasing	135,352	5,701	38	1.3%
Professional, scientific and technical	383,474	17,911	32	1.1%
Administration, services to buildings, dwellings and open spaces	195,487	7,638	107	3.8%
Ambulatory health care	108,168	4,959	69	2.4%
Nursing and residential care facilities	116,548	4,996	104	3.7%
Social assistance	84,278	3,415	33	1.2%
Leisure and hospitality	388,349	10,583	106	3.7%
Other services	148,126	6,541	80	2.9%
Total	**4,992,116**	223,823	2,843	**100.0%**
Premium accrued but not reported		28,307	441	
Total		**252,130**	**3,284**	

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

Net investment income

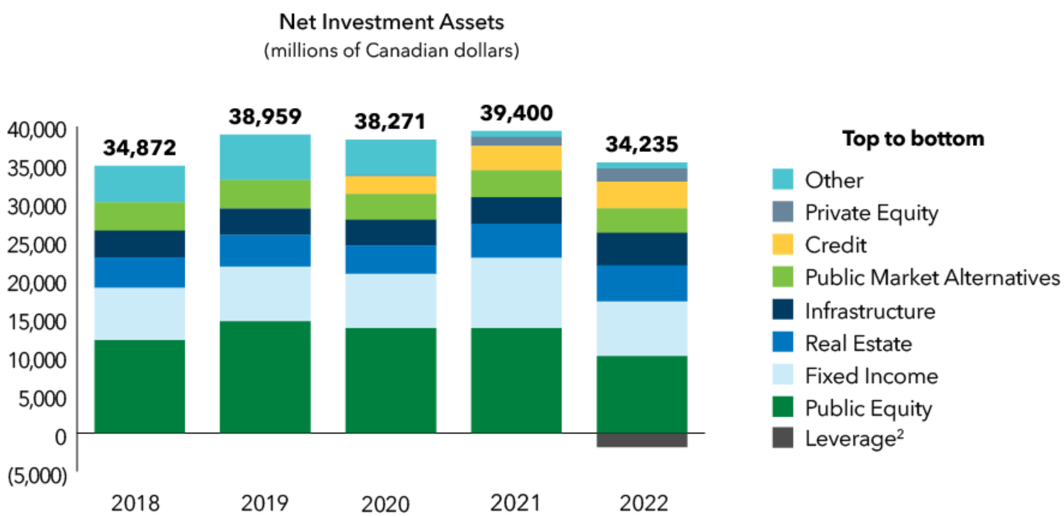
The following chart displays the net investment income (loss) and the net return on investment for the five consecutive years ended December 31:



In 2022, our net investment loss was $3,512 million compared to net investment income of $3,613 million in 2021. Over 10 and 15 years, our net investment returns were 5.7% and 4.8% per annum, respectively. Net investment income decreased by $7,125 million compared to last year, reflecting net losses of 9.1% in 2022 compared to net returns of 10.0% in 2021. The decrease in net investment income was mainly attributable to large losses in both the Public Equity and Fixed Income portfolios. Public Equity showed some recovery toward the end of the year; however, the initial impact of the Russia-Ukraine conflict and ongoing inflationary pressures, coupled with tightening monetary measures, led to the overall large losses for the year. In addition, interest rate hikes have contributed to rising bond yields, which have negatively impacted the Fixed Income portfolio.

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 $340 million of net investment income equating to $0.14 of premiums per $100 of insurable earnings, or about 11% of annual premiums.

The following chart displays net asset values[1] and their different components for the five consecutive years ended December 31:



1. Total net asset value includes investment cash, investment receivables and payables, and derivatives within investment strategies.
2. Leverage is a new program that was launched in the third quarter of 2022 to enhance returns, manage liquidity and optimize portfolio diversification while maintaining targeted risk levels.

Total claim costs

Total claim costs consist of:

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

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

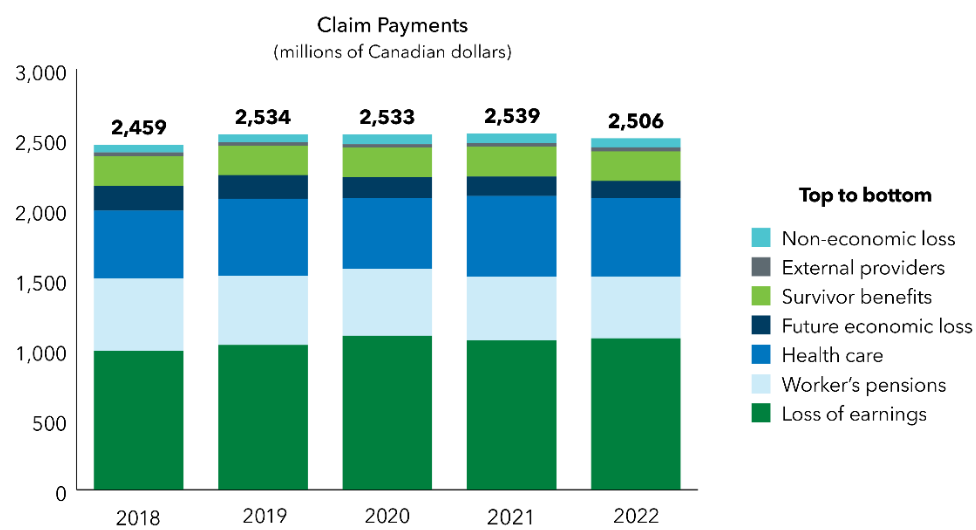
			Change	
(millions of Canadian dollars)	**2022**	**2021**	**$**	**%**
Claim payments	2,506	2,539	(33)	(1.3)
Claim administration costs	585	557	28	5.0
Change in actuarial valuation of benefit liabilities	260	400	(140)	(35.0)
Total claim costs	**3,351**	**3,496**	**(145)**	**(4.1)**

Claim payments

Claim payments represent cash paid during the year to or on behalf of people with work-related injuries or illnesses. A summary of the significant changes in claim payments for 2022 is as follows:

- Loss of earnings benefits increased by $12 million primarily due to higher volume of new injuries.
- Workers' pensions decreased by $12 million, reflecting decreasing inventory of claims with accidents prior to 1990.
- Health care expenses decreased by $17 million, reflecting lower utilization of hospital based programs such as specialty clinics.
- Future economic loss benefits decreased by $15 million, reflecting decreasing inventory of claims with accidents prior to 1998.
- Survivor benefits, external provider expenses, and non-economic loss benefits were relatively unchanged compared to the prior year.

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



Claim administration costs

Claim administration costs are the portion of administration and other expenses and legislated obligations and funding commitments expenses related to claims adjudication, benefit payments processing and the provision of return-to-work services to claimants. This is determined by assessing the portion of administrative expenses that are related to claims administration for each cost centre at the WSIB. For the year ended December 31, 2022, claim administration costs increased by $28 million primarily due to an increase in the number of employees working on or supporting claims activities.

Change in actuarial valuation of benefit liabilities

Change in actuarial valuation of benefit liabilities represents the change in the present value of future payments for loss of earnings and other disability benefits, health care, survivor benefits, labour market re-entry and claim administration related to claims that occurred on or before December 31, 2022. It also includes occupational disease claims expected to arise in the future as a result of exposures in the workplace on or before December 31, 2022.

For the year ended December 31, 2022, the change in actuarial valuation of benefit liabilities is detailed as follows:

(millions of Canadian dollars)	
Benefit liabilities as at December 31, 2021	**27,310**
Payments made in 2022 for prior injury years (include Loss of Retirement income and claim administration costs)	(2,586)
Interest accretion[1]	1,232
Liabilities incurred for the 2022 injury year	1,770
Experience gains	(410)
Valuation assumptions and methodologies change[2]	254
Benefit liabilities as at December 31, 2022	**27,570**
Change in actuarial valuation of benefit liabilities	**260**

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 methods and assumptions for rate of inflation, an increase of $215 million;
   b. Updated methods and assumptions for health care costs, a decrease of $137 million; and
   c. Updated methods and assumptions for future claim administration costs, an increase of $176 million.

Administration and other expenses

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

			Change	
(millions of Canadian dollars)	**2022**	**2021**	**$**	**%**
Salaries and short-term benefits	501	479	22	4.6
Employee benefit plans	262	298	(36)	(12.1)
Depreciation and amortization	67	64	3	4.7
Other	239	249	(10)	(4.0)
	1,069	**1,090**	**(21)**	**(1.9)**
Claim administration costs allocated to claim costs	(565)	(522)	(43)	(8.2)
Total administration and other expenses	**504**	**568**	**(64)**	**(11.3)**

A summary of the significant changes in administration and other expenses, before allocation to claim costs, for the year ended December 31, 2022 is as follows:

- Salaries and short-term benefits increased by $22 million, reflecting inflationary pressures, one-time refunds resulting from changing our employee benefits carrier in 2021 and an accrual resulting from updates made to the WSIB's vacation policy for non-bargaining unit employees, partially offset by lower staffing levels.
- Employee benefit plans decreased by $36 million, reflecting a valuation adjustment to post-retirement health, dental and life insurance benefits in 2021, a 40 basis point increase in our discount rate (from 2.6% to 3.0%) and other assumption changes.
- Other costs decreased by $10 million, reflecting lower costs for systems development and integration, partially offset by higher costs for equipment and maintenance.

Legislated obligations and funding commitments expenses

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

			Change	
(millions of Canadian dollars)	**2022**	**2021**	**$**	**%**
Legislated obligations				
Occupational Health and Safety Act	122	108	14	13.0
MLITSD Prevention Costs	118	115	3	2.6
	240	**223**	**17**	**7.6**
Workplace Safety and Insurance Appeals Tribunal	30	27	3	11.1
Workplace Safety and Insurance Advisory Program	15	15	-	-
Total legislated obligations	**285**	**265**	**20**	**7.5**
Funding commitments				
Grants and other funding commitments	4	4	-	-
Total SOSE and Health and Safety Excellence program[1]	18	15	3	20.0
Total funding commitments	**22**	**19**	**3**	**15.8**
	307	**284**	**23**	**8.1**
Claims administration costs allocated to claim costs	(27)	(24)	(3)	(12.5)
Total legislated obligations and funding commitments	**280**	**260**	**20**	**7.7**

1. SOSE and Health and Safety Excellence program are MLITSD accreditation programs. See Section 1 – Our business for more information.

Legislated obligations and funding commitments expenses, before allocation to claim costs, increased by $23 million, reflecting higher OHSA expenses, MLITSD prevention costs, WSIAT costs and SOSE and Health and Safety Excellence program rebates.

Total other comprehensive income

For the year ended December 31, 2022, total other comprehensive income increased by $714 million to $1,418 million. This is primarily attributed to an increase in the employee benefit plan's discount rate (by approximately 205 bps) resulting in higher actuarial gains, slightly offset by loss from remeasurement of plan assets.

5. Changes in financial position

Summary of changes in financial position from the December 31, 2022 consolidated statements of financial position compared to December 31, 2021:

(millions of Canadian dollars)	2022	2021	Change $	Change %
Assets				
Cash and cash equivalents	664	681	(17)	(2.5)
Receivables and other assets	758	698	60	8.6
Public equity investments	10,000	14,041	(4,041)	(28.8)
Fixed income investments	8,773	11,755	(2,982)	(25.4)
Derivative assets	47	128	(81)	(63.3)
Investment properties	653	651	2	0.3
Investments in associates and joint ventures	2,376	3,378	(1,002)	(29.7)
Other invested assets	12,852	8,914	3,938	44.2
Property, equipment and intangible assets	228	286	(58)	(20.3)
Liabilities				
Payables and other liabilities	964	669	295	44.1
Derivative liabilities	59	51	8	15.7
Securities sold under repurchase agreements	1,082	-	1,082	100.0
Long-term debt and lease liabilities	162	169	(7)	(4.1)
Loss of Retirement Income Fund liability	1,874	2,103	(229)	(10.9)
Employee benefit plans liability	1,017	2,215	(1,198)	(54.1)
Benefit liabilities	27,570	27,310	260	1.0
Net assets	3,221	7,261	(4,040)	(55.6)
Net assets - Sufficiency Ratio basis	5,893	6,537	(644)	(9.9)
Sufficiency Ratio	118.2%	121.2%	n/a	(3.0)

Investments

Net changes during the year reflect the performance of the asset classes during the year and investments made during the year. Public equity securities and fixed income securities decreased due to negative performance during the year. Investments in associates and joint ventures decreased due to the transfer of assets to the IMCO Infrastructure Pool, which was launched in Q4 2022. Other invested assets increased due to the launch of the IMCO Infrastructure Pool combined with more investments made in 2022.

Payables and other liabilities

Payables and other liabilities increased by $295 million, or 44.1%, from the prior year primarily due to the increase in employer liabilities by $303 million to $534 million. This is mainly due to the reclassification of premium receivables of all outstanding employer accounts with credit balances following the application of the surplus distribution.

Securities sold under repurchase agreements

The WSIB began to enter into repurchase agreements during 2022 to facilitate the use of leverage to enhance returns, manage liquidity and optimize portfolio diversification while maintaining targeted risk levels. Repurchase agreements represent short-term funding transactions where the WSIB sells securities and subsequently repurchases them at a specified price on a specified date in the future. The liability records the WSIB's obligation to repurchase these securities.

Employee benefit plans liability

Employee benefit plans liability decreased by $1,198 million, or 54.1%, from the prior year. The decrease primarily reflects an increase in the discount rate used for valuation from 3.00% as at December 31, 2021 to 5.05% as at December 31, 2022, partially offset by losses due to lower-than-expected returns on plan assets.

Benefit liabilities

Benefit liabilities increased by $260 million, or 1.0%, from the prior year. The increase primarily reflects higher survivor benefits, long latency occupational diseases and health care liabilities and higher claim administration costs, offset partially by lower loss of earnings liability. Please refer to note 17 of the consolidated financial statements for details on the change in the benefit liabilities.

6. Reconciliation of the change in net assets

Reconciliation of financial results by injury year

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

Set forth below is a segmentation of our financial results between the "Current injury year" for 2022, and "Prior injury years".

(millions of Canadian dollars)	Total	Current injury year	Prior injury years
Revenues			
Premiums[1]	3,423	3,423	-
Net mandatory employer incentive programs[2]	(23)	-	(23)
	3,400	3,423	(23)
Net investment loss[3]	(3,512)	(41)	(3,471)
	(112)	3,382	(3,494)
Expenses			
Claim payments[4]	2,506	254	2,252
Claim administration costs[5]	585	303	282
Change in actuarial valuation of benefit liabilities[6]	260	1,770	(1,510)
	3,351	2,327	1,024
Loss of Retirement Income Fund contributions[7]	52	-	52
Administration and other expenses	504	504	-
Legislated obligations and funding commitments	280	280	-
	4,187	3,111	1,076
Surplus distribution expense[8]	1,193	1,193	-
Remeasurements of employee benefit plans[9]	1,339	29	1,310
Translation gains from net foreign investments[10]	79	1	78
Total comprehensive loss	(4,074)	(892)	(3,182)
Non-controlling interests[9]	(34)	-	(34)
Total comprehensive loss attributable to WSIB stakeholders	(4,040)	(892)	(3,148)

1. Calculated based on new claim and administration costs for the 2022 injury year.
2. Represents retrospective refunds arising from experience for prior years.
3. The estimated current injury year's net investment loss 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 2022 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. Reflects surplus distribution of $1,193 million made in 2022. This surplus was accumulated due to positive past financial performance including investment performance in recent years. If this distribution amount is excluded, then the total comprehensive income attributable to WSIB stakeholders in the current year would be $301 million.
9. Split in proportion of current and prior service cost.
10. Same proportionate split as net investment loss.

As noted above, premium revenues for the current injury year were sufficient to offset current year injury costs and administration expenses, when the surplus distribution amount is excluded. 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 2022 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 17 of the consolidated financial statements.

(millions of Canadian dollars)	
Net assets as at December 31, 2021	7,261
Interest on net assets	345
Expected net assets as at December 31, 2022	7,606
Experience gains (losses)	
Losses from investment return lower than expected	(5,014)
Surplus distribution expense	(1,193)
Gains from remeasurements of employee benefit plans	1,310
Translation gains from net foreign investments	78
Gains and losses on claims/operations	
Gains from current year claims cost lower than expected	301
Losses from net mandatory employer incentive programs	(23)
Gains from prior year claims cost lower than expected	410
Net actual losses	(4,131)
Changes in assumptions for future cost on existing claims	
Changes in inflation	(215)
Changes in health care escalation assumption	137
Changes in methods and assumptions for future claim administration costs	(176)
Net result from assumption changes	(254)
Net assets as at December 31, 2022	3,221

Reconciliation of the net assets on a Sufficiency Ratio basis

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

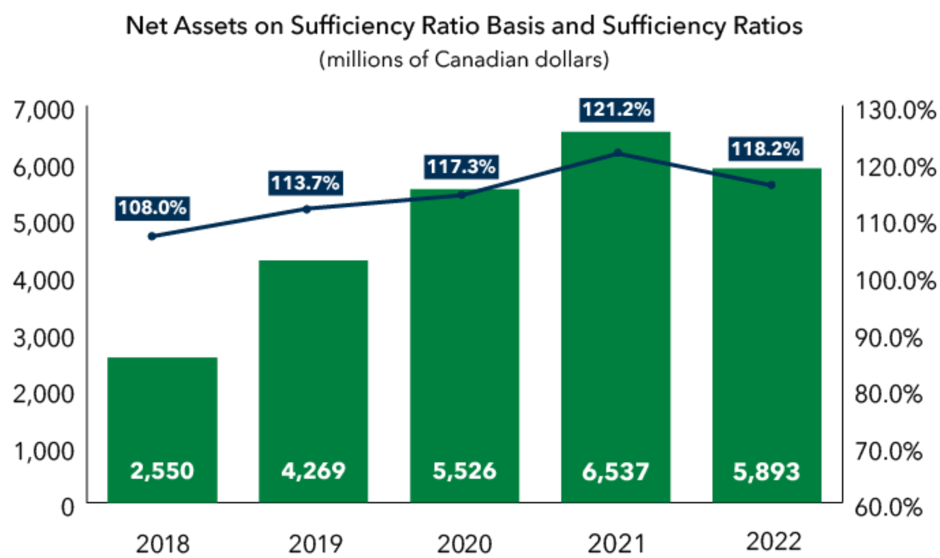
The investment portfolio is valued at fair value adjusted by investment gains and losses deviating from the net investment return objective, less the interests in those assets held by third parties (non-controlling interests). These gains or losses are amortized over a five-year period, thereby moderating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

As at December 31, 2022, the Sufficiency Ratio, as defined in the Ontario Regulations, was 118.2% (2021 – 121.2%). Set forth below is the reconciliation of the net assets between the IFRS and Sufficiency ratio basis:

(millions of Canadian dollars)	December 31 2022	December 31 2021
Net assets attributable to WSIB stakeholders on an IFRS basis	3,221	7,261
Add (Less): Adjustments to reflect measurement on a going concern basis:		
Reduction of cash related to the Worker Income Protection Benefit Program[1]	(24)	(119)
Change in valuation of invested assets	2,422	(2,284)
Reduction of payables related to the Worker Income Protection Benefit Program[1]	24	119
Addback of employee contribution receivables	(9)	(10)
Change in valuation of employee benefit plans liability	320	1,572
Change in valuation of invested assets attributable to non-controlling interests	(61)	(2)
Net assets attributable to WSIB stakeholders on a Sufficiency Ratio basis	**5,893**	**6,537**
Sufficiency Ratio	**118.2%**	**121.2%**

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

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



7. Summary of quarterly results

Selected financial information for the eight consecutive quarters ended December 31, 2022 is as follows:

	2022				2021			
(millions of Canadian dollars)	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Premium revenue	794	908	881	817	697	865	836	768
Net investment income (loss)	517	(141)	(2,238)	(1,650)	1,738	440	1,444	(9)
Claim payments	638	611	621	636	622	625	643	649
Claim administration costs	157	151	137	140	152	142	138	125
Change in actuarial valuation of benefit liabilities	(492)	(62)	698	116	351	10	(23)	62
Total claim costs	**303**	**700**	**1,456**	**892**	**1,125**	**777**	**758**	**836**
Loss of Retirement Income Fund contributions	13	13	13	13	14	13	13	14
Administration and other expenses	123	129	131	121	147	148	136	137
Legislated obligations and funding commitments	76	74	65	65	70	68	57	65
Excess (deficiency) from operations	**796**	**(149)**	**(3,022)**	**(1,924)**	**1,079**	**299**	**1,316**	**(293)**
Surplus distribution expense (recovery)	(53)	(21)	(68)	1,335	-	-	-	-
Excess (deficiency) of revenues over expenses	**849**	**(128)**	**(2,954)**	**(3,259)**	**1,079**	**299**	**1,316**	**(293)**
Total other comprehensive income (loss)	224	(186)	564	816	(265)	216	(44)	797
Total comprehensive income (loss)	**1,073**	**(314)**	**(2,390)**	**(2,443)**	**814**	**515**	**1,272**	**504**
Total comprehensive income (loss) attributable to WSIB stakeholders	**1,093**	**(302)**	**(2,390)**	**(2,441)**	**782**	**478**	**1,222**	**455**
Other measures								
Net return on investments (%)[1]	1.8	(0.2)	(6.4)	(4.4)	4.8	1.0	4.1	(0.2)
Net assets[2,3]	3,221	2,128	2,430	4,820	7,261	6,479	6,001	4,779
Net assets – Sufficiency Ratio basis[3]	5,893	5,104	5,022	5,489	6,537	6,428	6,118	5,617

1. Comparative amounts for net return on investments have been reclassified from gross to net to be consistent with current year's presentation.
2. Net assets represent the net assets attributable to WSIB stakeholders as at the end of the reporting period. The total net assets of $3,623 million as at December 31, 2022 (2021 – $8,015 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 $402 million as at December 31, 2022 (2021 – $754 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, 2022 was $3,221 million (2021 – $7,261 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.

Notable items affecting our fourth quarter 2022 results compared to the fourth quarter 2021 results are as follows:

- Net premium revenue was $794 million compared to $697 million, an increase of $97 million, or 13.9%, reflecting a $79 million increase in net rebate adjustments for mandatory employer incentive programs relating to prior years, a $14 million increase in gross Schedule 1 premiums, a $12 million increase in Schedule 2 employer administration fees, and a $3 million increase in other income. These increases were partially offset by a $6 million increase in bad debt and a $5 million decrease in interest and penalties. Net premium revenues have steadily increased each quarter compared to the same quarter in the prior year due to the continued increase in insurable earnings as the economy continues to recover from the initial impacts of the COVID-19 pandemic.
- The fourth quarter of 2022 resulted in a net investment gain of $517 million compared to $1,738 million, a decrease of $1,221 million compared to the fourth quarter of 2021. This represents a positive net return of 1.8% in 2022 compared to 4.8% in 2021. The lower return this year is attributable to the recovery from poor market performance throughout the first three quarters of 2022. Performance was mixed across asset classes, with Public Equities being the best-performing asset class during the quarter, followed by Credit. Fixed Income, Public Market Alternatives, and other private market portfolios detracted from returns.
- Claim payments were $638 million compared to $622 million, an increase of $16 million, or 2.6%, primarily due to higher loss of earnings expense.
- Claim administration costs were $157 million compared to $152 million, an increase of $5 million, or 3.3%, attributed to higher costs for those expense items that are allocated to claim administration costs.
- Administration and other expenses, before allocation to claim costs, were $279 million compared to $291 million, a decrease of $12 million, or 4.1%, primarily reflecting lower costs for employee benefit plans and systems development and integration, partially offset by higher costs for facilities, equipment and maintenance and communications costs.
- Legislated obligations and funding commitments, before allocation to claim costs, were $84 million compared to $77 million, an increase of $7 million, or 9.1%, reflecting higher SOSE and Health and Safety Excellence program rebates, OHSA expenses and MLITSD prevention costs.

Our quarterly revenues and expenses are impacted by a number of trends and recurring factors such as general economic and market conditions. Our premium revenues are also impacted by insurable earnings, which rise and fall with employment levels, and average wages of the businesses we insure. Additionally, net investment income is influenced by volatile global capital markets. We anticipate the volatility in net investment income will continue in 2023.

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, 2022, we held $664 million of cash and cash equivalents, of which $537 million was maintained for investing purposes and $127 million was maintained for operating purposes.

(millions of Canadian dollars)	2022	2021
Cash and cash equivalents, beginning of year	681	4,969
Cash required by operating activities	(1,239)	(771)
Cash provided (required) by investing activities	916	(1,186)
Cash provided (required) by financing activities	306	(2,331)
Cash and cash equivalents[1], end of year	**664**	**681**

1. This includes $24 million (2021 – $119) of restricted cash funds received from the Government of Ontario for the purposes of administering the COVID-19 Worker Income Protection Benefit Program on behalf of the Government of Ontario.

A summary of the significant changes in cash and cash equivalents for the year ended December 31, 2022 is as follows:

- Cash required by operating activities was $1,239 million compared to $771 million in 2021, primarily reflecting an increase in amounts paid on payables following the application of surplus credits to employer accounts resulting in more operating cash required in 2022.
- Cash provided by investing activities was $916 million compared to cash required of $1,186 million in 2021, and is attributed to investment purchases being less than inflows from investment dispositions, maturities, dividends and interest in 2022.
- Cash provided by financing activities was $306 million compared to cash required of $2,331 million in 2021, and is attributed to the launch of the leverage program in 2022, while 2021 had higher net redemptions related to non-controlling interests along with the repayment of the loan from the Ontario Financing Authority ("OFA").

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, 2022.

Commitments

We have commitments that we need to fund related to investments, legislated obligations, and other commitments for purchases of goods and services. Refer to note 22 of the consolidated financial statements for more details.

9. Critical accounting estimates and judgements

For details on the judgements applied when making estimates and assumptions that impact the WSIB's consolidated financial statements, refer to note 2 of the consolidated financial statements.

10. Changes in accounting standards

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

11. Legal contingencies

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

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

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

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

12. Outlook for the year ending December 31, 2023

The following contains forward-looking statements about the outlook for our business. Reference should be made to Section 15 – Forward-looking statements at the end of this MD&A. For a description of risk factors that could cause our actual results to differ materially from the forward-looking statements, please also see Section 14 – Risk factors in this MD&A and note 11 in our consolidated financial statements.

Premiums

Premium revenues are expected to increase throughout 2023. This expectation is based on assumptions of a 4.5% growth in insurable earnings due to a projected moderate economic outlook in 2023 and the published 2023 notional average premium rate of $1.30 per $100 of insurable earnings. This expectation is also based on critical assumptions on the employment rate, average wage and nominal GDP growth rates as they apply to Ontario's economic outlook.

Net investment income

The return objective is to achieve a net return of at least 5.0% annualized over the long term. While our long-term investment return objective for 2023 is planned within an expected range of 3.4% to 6.8%, we continue to expect near-term volatility due to an uncertain economic growth outlook amid high inflation and rising interest rates.

Claim payments

Claim payments are expected to grow in 2023 and exceed their pre-pandemic level. In particular, the higher indexing factor in 2023 is expected to be a major contributor to this growth.

Administration and other expenses

Administration and other expenses are anticipated to decrease in 2023, reflecting lower employee benefit plan expenses and depreciation expenses, partially offset by higher salaries and short-term benefits, systems development and integration costs, equipment and maintenance costs, facility costs, and other operating expenses.

Legislated obligations and funding commitments

Legislated obligations and funding commitments are anticipated to increase, reflecting higher SOSE and Health and Safety Excellence program rebates, MLITSD prevention costs and WSIAT costs.

Net assets

Higher expected premium revenues and investment returns in 2023 due to an expected continued recovery in the economy are expected to increase our net asset position.

Liquidity

A range of stress tests are used in our liquidity assessments and a portion of assets will continue to be maintained in highly liquid government securities, cash and cash equivalents to ensure funds are available as required. We do not anticipate encountering difficulty in meeting payment obligations when due.

13. Related party transactions

The WSIB's related parties include the Government of Ontario and related entities, key management personnel, subsidiaries, associates, joint ventures, and post-retirement benefit plans for the WSIB's employees. The transactions are in the ordinary course of business. For more details on the related party transactions, refer to note 24 of the consolidated financial statements.

14. Risk factors

The WSIB closely monitors enterprise risks that may impact the achievement of its strategic objectives and undertakes continuous assessment of required mitigations and controls. The Board of Directors, the Governance Committee and senior executives receive quarterly reports of enterprise risks. The most critical enterprise risks faced by the WSIB are highlighted in this report.

Insurance funding

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

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

Should the WSIB's Sufficiency Ratio reach 125%, the WSIB is obligated to disburse funds to employers within a 30-day period as required by *Ontario Regulation 141/12*. Risks raised by this would be mainly operational in nature, as such disbursements require a significant amount of internal effort. To mitigate the operational risk associated with not meeting the 30-day deadline, the WSIB continually monitors the Sufficiency Ratio as part of its regular course of business, and will take actions as necessary.

The WSIB aims to establish and maintain a target funding range between 110% and 120% and actively manages its investments and insurance pricing plans accordingly. The WSIB's Sufficiency Ratio was 118.2% as of December 31, 2022, and the risk of underfunding remains low. The risk of overfunding has been reduced as a result of amendments to the WSIA in 2021, which enabled the WSIB to distribute surplus funds to employers in April 2022 in the amount of $1,193 million while remaining within our target funding range.

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

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

Financial and operational impacts of the COVID-19 pandemic stabilized over the course of 2022. To further manage operational and financial risks associated with COVID-19 claims, the WSIB is in the process of refining its new Communicable Illnesses policy to ensure that pandemic and other communicable illness claims are adjudicated and paid in a consistent and efficient manner.

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

(a) Premium revenue:

- Conducting regular financial modelling and stress testing across a variety of adverse economic scenarios, 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 incorporate emerging experience, thus providing a relatively stable basis for pricing and sufficiency measurement; and
- Monitoring for potential legislative changes that could impact benefit liabilities or costs.

(c) Investment-related risks:

- The WSIB is exposed to various investment-related risks including liquidity risk, credit risk, and market risks. These risks along with the WSIB's mitigation strategies are discussed in note 11 of the consolidated financial statements.

Claims Management

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

To continue to proactively manage this risk, the WSIB created the Service Excellence Advisory group in 2022 to advise on customer experience matters. As a result, metrics related to Customer Needs and Expectations (such as Time to First Decision, Time to First Payment, Active Appeals Inventory, etc.) improved this year. Operational capacity to adjudicate COVID-19 claims was stabilized through staff planning and COVID-19 specific adjudication upscaling.

Program and project delivery

The WSIB continues to pursue both business and technology transformation initiatives, which are aimed at delivering value through: a) technology currency and resilience, b) making it easier for stakeholders to do business with us, while c) managing project and operational costs. Through our project and program portfolio governance processes, the WSIB closely monitors project prioritization, planning and execution to ensure alignment to corporate objectives. In 2022, the WSIB enhanced its portfolio governance framework and increased periodic review of key projects' performance by senior executives. This supports timely and cost-effective delivery and value-for-money of programs and projects across the organization.

Workforce

As the WSIB evolves, we may experience workforce, leadership, capacity and engagement challenges to deliver our vision and strategic objectives. In 2022, the WSIB continued to implement initiatives to address challenges related to a tightening labour market allowing us to deliver key services to our injured-workers and employers. Some of these initiatives included the creation of a strategic workforce planning team to better understand current internal and environmental workforce issues and identification of future resource needs including those driven by voluntary attrition (i.e. such as retirement). A streamlined competency model was adopted to better align the organization's performance management system with organizational priorities. Work also continued on the implementation of the Equity, Diversity, and Inclusion (EDI) strategy as part of a broader employee engagement program.

Business continuity management

Our stakeholders rely on our ability to provide services and operate our system without interruptions. Our ability to ensure the continuity of our business operations remains dependent on our ability to maintain and execute effective business continuity plans. Our mitigation of these risks over the past year includes:

- Enhancements to the Enterprise Response Plan to establish a framework for the organization to deal with as many disruptive event scenarios as possible;
- Adoption of a multi-cluster approach for exercising business continuity plans and critical processes across the organization; and
- Continuous monitoring to identify and address any vulnerabilities to our operations and support the development of appropriate response strategies.

Information technology and cybersecurity

The WSIB relies on multiple technologies in the delivery of services to Ontarians. The WSIB is cognizant of the associated risks and the need to remain vigilant in ensuring the integrity of its infrastructure especially in an environment of increased malicious cybersecurity activities. In 2022, our focus was on the execution of initiatives to modernize our technology infrastructure and enhance business continuity capabilities for core systems. Our action plans include a risk-driven prioritization of key IT systems to continue to mitigate technological currency risk, and planning for longer term investments in infrastructure renewal and migration to the cloud.

Third-party vendors

Third-party vendors are used to extend our organizational capability and capacity. However, they also extend our exposure to risk. There is a risk that the WSIB fails to realize the required performance objectives and outcomes from third parties due to ineffective selection and governance. In 2022, the WSIB established a new Third-Party Risk and Vendor Management team to operationalize vendor risk management efforts across the organization. The team will develop programs to improve how we do business with third parties and ensure value-for-money in our engagements.

Data and information governance

The use of data is integral to the WSIB in making informed decisions in the administration of services to injured workers and employers of Ontario. The collection, storage and use of data requires proactive measures to address data integrity and security and the WSIB is committed to taking appropriate steps to secure and govern sensitive data and information. The WSIB continues to place a high priority on the management of our data to ensure it is protected, reliable and trusted. This continues to be achieved through our data governance program, as well as our dedicated efforts to consolidate, centralize and standardize all WSIB data to enable effective data usage and analytics.

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

- Establishment of a Data Stewardship Framework Model across the enterprise;
- Implementation of enhanced data quality processes to ensure WSIB data is of the highest quality;
- Implementation of an enterprise platform that enables the consolidation of WSIB data in a centralized location; and
- Ongoing training of all WSIB staff to promote the awareness of their role in enterprise data governance standards.

Health and safety

At the WSIB, we strive to promote a culture of workplace health and safety. We recognize the value of this endeavor to reduce workplace injuries and illnesses, as well as reduce costs to employers and alleviate pressures on the health care system. The Health and Safety Excellence program continues to expand with the WSIB continuing to identify opportunities to further improve guidance and direct access to employers to promote safer workplaces for their employees. The Health and Safety Excellence program continued to experience increased enrollment (particularly of smaller businesses) throughout 2022.

The following are activities undertaken in 2022:

- Extended the partnership agreement with the University of British Columbia for an additional two years, to conduct research on the Health and Safety Excellence program's effectiveness. The four year research study will now end in 2024 and will provide recommendations for program improvements;
- Continued alignment and enhanced integration with the Office of the Chief Prevention Officer and Occupational Health and Safety system partners;
- Launched the Smaller Business Initiative to encourage smaller businesses to enroll in the program by offering services tailored to their needs;
- Increased integrated support for WSIB customers by identifying employer groups to participate in disability management education through a joint pilot launched with the National Institute of Disability Management and Research; and
- Continued to administer the Elizabeth Witmer Small Business Health and Safety Leadership Awards to promote and recognize increased health and safety within Ontario businesses.

Modernization of core services

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

In 2022, the WSIB focused on modernizing our core systems, and enhancing our data security capabilities to continue to protect sensitive customer information in light of ever-evolving external cyber threats. Key activities undertaken over the course of 2022 included:

- Enhancing self-service options for our clients to securely access online services from any location, at any time, and with any device;
- Modernizing our applications integration platform to provide more agile and secure services;
- Developing a mobile application for our customers; and
- Adopting Software as a Service solutions to modernize our legacy systems.

15. Forward-looking statements

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

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

We believe that the expectations represented by our forward-looking statements are reasonable, yet there can be no assurance that such expectations will prove to be correct. The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding our anticipated financial performance and may not be appropriate for other purposes. Furthermore, unless otherwise stated, the forward-looking statements contained in this report are made as of the date of this report, and we do not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise unless required by applicable legislation or regulation. The forward-looking statements contained in this report are expressly qualified by this cautionary statement.

Management’s report

Role of management

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

The Board of Directors has established an Audit and Finance Committee to oversee that management fulfills these responsibilities. The Audit and Finance Committee meets with management as well as with the independent auditors to satisfy itself that management is properly discharging its financial reporting responsibilities and reviews the consolidated financial statements and the independent auditor’s report. The Audit and Finance Committee also reports its findings to the Board of Directors for consideration in approving the WSIB’s Annual Report and its submission to the Minister of Labour, Immigration, Training and Skills Development pursuant to section 170 of the *Workplace Safety and Insurance Act, 1997* and a Memorandum of Understanding between the Ministry of Labour, Immigration, Training and Skills Development of the Province of Ontario and the WSIB.

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

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

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

Role of the Chief Actuary

With respect to the preparation of the consolidated financial statements, the Chief Actuary works with the WSIB actuarial staff to prepare a valuation, including the selection of appropriate assumptions applicable to the WSIB’s benefit liabilities at the consolidated statements of financial position date to determine the valuation of benefit liabilities. Additionally, the Chief Actuary provides an opinion to the Board of Directors regarding the appropriateness of the benefit liabilities recorded by management of the WSIB at the date of the consolidated statements of financial position. The work to form that opinion includes an examination of the sufficiency and reliability of data and a review of the valuation processes. The Chief Actuary is responsible for assessing whether the assumptions and methods used for the valuation of the benefit liabilities are in accordance with accepted actuarial practice, applicable legislation, and associated regulations and directives. In performing the valuation of these liabilities, which are by their very nature inherently variable, the Chief Actuary makes assumptions as to future interest and mortality rates, expenses, related trends, and other contingencies, taking into consideration the circumstances of the WSIB. It is certain that the benefit liabilities will not develop exactly as projected and may, in fact, vary significantly from the projections. Further, the projections make no provision for future claim categories not sufficiently recognized in the claims experience and inventories. The Chief Actuary's report outlines the scope of the valuation and her opinion.

Role of the external auditors

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

Jeffery Lang
President and Chief Executive Officer

David Minas
Chief Financial Officer

Toronto, Ontario
April 25, 2023

Independent auditor’s report

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

Opinion

Pursuant to the *Workplace Safety and Insurance Act, 1997* (Ontario), which provides that the accounts of the **Workplace Safety and Insurance Board** [the “WSIB”] shall be audited by the Auditor General of Ontario or under his or her direction by an auditor appointed by the Lieutenant Governor in Council for that purpose, we have audited the consolidated financial statements of the WSIB, which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in net assets, and consolidated statements of cash flows for the years then ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the WSIB as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards [“IFRSs”].

Basis for opinion

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

Other information

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

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

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the WSIB's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the WSIB or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

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

Ernst & Young LLP

Toronto, Canada
April 25, 2023

Actuarial statement of opinion

On the Valuation of the Benefit Liabilities of the Workplace Safety and Insurance Board as of December 31, 2022

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, 2022 (the “valuation date”).

In my opinion, the benefit liabilities of $27,570 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 determine the present value of 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 3.0% in 2023 and 2.0% thereafter. The annual change in the CPI results in indexing factors of 3.5% for January 1st 2024, 2.6% for January 1st 2025, and 2.0% thereafter. Similarly based on the annual change in CPI, the annual health care costs are assumed to change at a rate of 6.5% for 2023, 5.6% for 2024 and 4.0% thereafter while annual wage escalation rates are assumed at 4.0% for 2023 and 3.0% thereafter. 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 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 assumptions caused liabilities to increase by $254 million. The update to the inflation assumption resulted in an increase of $215 million. The update to the health care escalation rates resulted in a decrease of $137 million. Changes to the future claim administration cost factors resulted in an increase of $176 million.

The impact of the changes in actuarial assumptions and methods on the benefit liabilities is disclosed in note 17 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.

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

April 25, 2023
Toronto, Ontario

Consolidated Statements of Financial Position
(millions of Canadian dollars)

	Note	December 31 2022	December 31 2021
Assets			
Cash and cash equivalents	4	664	681
Receivables and other assets	5	758	698
Public equity investments	6	10,000	14,041
Fixed income investments	6	8,773	11,755
Derivative assets	6, 8	47	128
Investment properties	6	653	651
Investments in associates and joint ventures	10	2,376	3,378
Other invested assets	6	12,852	8,914
Property, equipment and intangible assets	12	228	286
Total assets		**36,351**	**40,532**
Liabilities			
Payables and other liabilities	13	964	669
Derivative liabilities	6, 8	59	51
Securities sold under repurchase agreements	7	1,082	-
Long-term debt and lease liabilities	14	162	169
Loss of Retirement Income Fund liability	15	1,874	2,103
Employee benefit plans liability	16	1,017	2,215
Benefit liabilities	17	27,570	27,310
Total liabilities		**32,728**	**32,517**
Net assets			
Reserves		1,944	7,399
Accumulated other comprehensive income (loss)		1,277	(138)
Net assets attributable to WSIB stakeholders		**3,221**	**7,261**
Non-controlling interests	18	402	754
Total net assets		**3,623**	**8,015**
Total liabilities and net assets		**36,351**	**40,532**

Approved by the Board of Directors

Grant Walsh
Chair
April 25, 2023

Reagan Ruslim
Audit and Finance Committee (Chair)
April 25, 2023

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

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

	Note	2022	2021
Revenues			
Premium revenue	19	**3,400**	**3,166**
Investment income (loss)	20	(3,177)	4,005
Investment expenses	20	(335)	(392)
Net investment income (loss)		**(3,512)**	**3,613**
Total revenues		**(112)**	**6,779**
Expenses			
Claim payments	17	2,506	2,539
Claim administration costs	17	585	557
Change in actuarial valuation of benefit liabilities	17	260	400
Total claim costs		**3,351**	**3,496**
Loss of Retirement Income Fund contributions		52	54
Administration and other expenses		504	568
Legislated obligations and funding commitments		280	260
Total expenses		**4,187**	**4,378**
Excess (deficiency) from operations		**(4,299)**	**2,401**
Surplus distribution expense	21	1,193	-
Excess (deficiency) of revenues over expenses		**(5,492)**	**2,401**
Other comprehensive income (loss)			
Item that will not be reclassified subsequently to income			
Remeasurements of employee benefit plans	16	1,339	715
Item that will be reclassified subsequently to income			
Translation gains (losses) from net foreign investments		79	(11)
Total other comprehensive income		**1,418**	**704**
Total comprehensive income (loss)		**(4,074)**	**3,105**

	Note	2022	2021
Excess (deficiency) of revenues over expenses attributable to:			
WSIB stakeholders		(5,455)	2,232
Non-controlling interests	18	(37)	169
		(5,492)	**2,401**
Total comprehensive income (loss) attributable to:			
WSIB stakeholders		(4,040)	2,937
Non-controlling interests	18	(34)	168
		(4,074)	**3,105**

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	2022	2021
Reserves			
Balance at beginning of year		7,399	5,167
Excess (deficiency) from operations		(4,262)	2,232
Surplus distribution	21	(1,193)	-
Balance at end of year		**1,944**	**7,399**
Accumulated other comprehensive income (loss)			
Balance at beginning of year		(138)	(843)
Remeasurements of employee benefit plans	16	1,339	715
Translation gains (losses) from net foreign investments		76	(10)
Balance at end of year		**1,277**	**(138)**
Net assets attributable to WSIB stakeholders		**3,221**	**7,261**
Non-controlling interests			
Balance at beginning of year	18	754	2,502
Excess (deficiency) of revenues over expenses	18	(37)	169
Translation gains (losses) from net foreign investments	18	3	(1)
Change in ownership share in investments	18	(318)	(1,916)
Balance at end of year		**402**	**754**
Total net assets		**3,623**	**8,015**

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	2022	2021[1]
Operating activities:			
Total comprehensive income (loss)		(4,074)	3,105
Adjustments for non-cash items:			
Amortization of net discount on investments		(13)	(1)
Depreciation and amortization of property, equipment and intangible assets	12	68	66
Changes in fair value of investments		3,820	(3,016)
Changes in fair value of investment properties		50	(45)
Translation losses (gains) from net foreign investments		(79)	11
Dividend income from public equity investments		(203)	(265)
Loss (income) from investments in associates and joint ventures		104	(432)
Surplus distribution expense	21	1,193	-
Interest income		(431)	(399)
Interest expense		32	9
Total comprehensive income (loss) after adjustments		467	(967)
Changes in non-cash balances related to operations:			
Receivables and other assets, excluding those related to investing and financing activities		(7)	268
Payables and other liabilities, excluding those related to investing and financing activities		(532)	(52)
Loss of Retirement Income Fund liability	15	(229)	100
Employee benefit plans liability	16	(1,198)	(520)
Benefit liabilities	17	260	400
Total changes in non-cash balances related to operations		(1,706)	196
Net cash required by operating activities		**(1,239)**	**(771)**
Investing activities:			
Dividends received from investments		355	348
Interest received		427	392
Purchases of property, equipment and intangible assets	12	(10)	(17)
Purchases of investments		(12,982)	(19,452)
Proceeds on sales and maturities of investments		12,360	17,923
Net dispositions of (additions to) investment properties		(52)	284
Net dispositions of (additions to) investments in associates and joint ventures		818	(664)
Net cash provided (required) by investing activities		**916**	**(1,186)**
Financing activities:			
Net redemptions related to non-controlling interests		(237)	(1,470)
Distributions paid by subsidiaries to non-controlling interests		(81)	(446)
Repayment of debt and lease liabilities		(6)	(406)
Interest paid		(11)	(9)
Surplus distribution	21	(428)	-
Net increase in securities sold under repurchase agreements		1,069	-
Net cash provided (required) by financing activities		**306**	**(2,331)**
Net decrease in cash and cash equivalents		**(17)**	**(4,288)**
Cash and cash equivalents, beginning of year		681	4,969
Cash and cash equivalents, end of year		**664**	**681**

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

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

Table of contents

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, 2022 were authorized for issuance by the WSIB's Board of Directors on April 25, 2023.

Use of estimates and assumptions

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

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

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

COVID-19 Worker Income Protection Benefit Program

In late April 2021, the Government of Ontario introduced the COVID-19 Worker Income Protection Benefit Program requiring businesses to provide their employees with up to three days of paid leave for reasons related to COVID-19. The WSIB supported the launch of the program and administration of the application process allowing businesses to apply for reimbursement of up to $200 per employee per day of leave. Businesses do not need to be registered with the WSIB to be eligible for the program, and funding is provided by the provincial government. It is not funded through WSIB's employer premiums. The program has been extended until March 31, 2023. Applications for reimbursement must be made within 120 days of the date the employer paid the employee, or by July 29, 2023 (whichever is earlier).

Basis of consolidation

(a) Subsidiaries and non-controlling interests

The majority of the WSIB's subsidiaries hold investments.

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

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

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

The WSIB Employees' Pension Plan (the "EPP") and other investors are the non-controlling interests in the majority of the WSIB's subsidiaries. See note 18 for further details.

(b) Investments in joint arrangements and associates

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

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

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

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

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

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

Foreign currency

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

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

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

Notes to the Consolidated Financial Statements
December 31, 2022
(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 records transactions relating to financial instruments on a trade date basis.

The WSIB's financial instruments are classified as follows:

Financial instrument	Classification
Cash and cash equivalents	FVTPL (a)
Investment receivables	Loans and receivables (b)
Public equity investments	
Public equity pooled funds	FVTPL (a)
Public equity securities	FVTPL (a)
Fixed income investments	FVTPL (a)
Derivative assets and liabilities	FVTPL (a)
Other invested assets	
Private market pooled funds	FVTPL (a)
Other private market investments	FVTPL (a)
Investment payables	Other financial liabilities (c)
Administration payables	Other financial liabilities (c)
Securities sold under repurchase agreements	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, administration payables, securities sold under repurchase agreements, and long-term debt, which are not 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.

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 movements during the reporting period.

Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, that is, an exit value. Refer to note 6 for further details.

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

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

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

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

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

Securities sold under repurchase agreements are accounted for as collateralized borrowing transactions initially measured at fair value and subsequently measured at amortized cost using the effective interest rate method. Due to the short-term nature of these agreements, the carrying amounts of the securities sold under repurchase agreements approximate fair value.

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Investment income

Investment income is comprised of the following:

(a) Financial instruments

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

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

(b) Income from investments in associates and joint ventures

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

(c) Income from investment properties

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

Loss of Retirement Income Fund liability

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

Assets attributable to the Loss of Retirement Income Fund are included and managed as part of the WSIB's investment portfolio. See note 15 for more information.

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

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

The changes related to the actuarial valuation of the WSIB's future contributions into the Loss of Retirement Income Fund are recognized in benefit liabilities in the consolidated statements of financial position. Refer to the changes in benefit liabilities table in note 17 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 claims duration, mortality rates, wage and health care escalations, general inflation, and discount rates. In addition, an obligation is estimated for claims in respect of occupational diseases currently recognized by the WSIB for which a claim has not yet been reported. The future payments are for estimated obligations for loss of earnings, labour market re-entry costs, short and long-term disability, health care, survivor benefits, retirement income benefits and claim administration costs. Changes in the estimates and assumptions could have a significant impact on the measurement of benefit liabilities and claim costs.

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

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

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

Employee benefit plans

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

The WSIB also sponsors a supplemental defined benefit pension plan and other benefits. Other benefits include post-retirement benefits for health, dental, vision and life insurance benefits and other employment benefits for disability income, vacation and attendance programs. Refer to note 16 for more information on these plans.

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

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

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

(a) Service costs and the net interest cost are recognized in administration and other expenses; and

(b) Remeasurements and 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 (loss). Property, equipment and intangible assets are depreciated and amortized on a straight-line basis over their estimated useful lives as follows:

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

Impairment on property, equipment and intangible assets

The WSIB evaluates its property, equipment and intangible assets for indicators of impairment such as obsolescence, redundancy, deterioration, loss or reduction in future service potential, or when there is a change in intended use at each reporting period. If there are indicators that an asset may be impaired, an impairment test is performed by comparing the asset's carrying value to its recoverable amount. An impairment charge is recorded to the extent that the recoverable amount is less than its carrying value. If an impairment is later reversed, the carrying amount of the asset is adjusted to the lower of the asset's recoverable amount and the carrying amount that would have been determined (net of depreciation) had there been no prior impairment loss.

Premium revenue

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

(a) Schedule 1 employer premiums

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

(b) Schedule 2 employer administration fees

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

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

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

Legislated obligations and funding commitments

(a) Legislated obligations

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

(b) Funding commitments

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

(c) Voluntary employer health and safety recognition programs

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

Leases

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

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

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

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

3. Changes in accounting standards

Future changes in accounting standards

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

IFRS 17 introduces two primary measurement models of insurance contract liabilities depending on the nature of the insurance contracts: the General Measurement Model and the Premium Allocation Approach.

The General Measurement Model requires insurance contracts to be measured using current estimates of discounted future cash flows, an adjustment for risk and a contractual service margin representing the profit expected from fulfilling the contracts. The Premium Allocation Approach is a simplified model that can be applied to insurance contracts with coverage periods of one year or less, or where the Premium Allocation Approach approximates the General Measurement Model. The Premium Allocation Approach includes discounted future cash flows and an adjustment for risk, but does not include a contractual service margin. The WSIB has assessed the coverage period of its insurance contracts as one year in length, and as such, will apply the Premium Allocation Approach on transition.

The most significant impact that IFRS 17 is expected to have on the WSIB’s consolidated financial statements is on the benefit liabilities:

a) <u>Discount rate</u>
Under IFRS 17, the discount rate used to reflect the time value of money in the fulfillment cash flows is based on the characteristics of the liability, which is different from IFRS 4, where the discount rate is based on the yield curve of the assets supporting those liabilities.

All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. The WSIB will use a hybrid bottom-up approach to determine a liquidity premium over risk-free rates based on the market spread of an asset reference portfolio adjusted to remove the credit losses and to account for the difference in liquidity between the asset reference portfolio and the insurance contract.

b) Onerous contracts
An insurance contract is onerous at the date of initial recognition if the fulfilment cash flows allocated to the contract result in a total net outflow. IFRS 17 requires entities to distinguish groups of insurance contracts expected to be onerous from those insurance contracts that are not expected to be onerous. Where facts and circumstances indicate that insurance contracts are onerous at initial recognition, the WSIB will recognize a liability to reflect the expected net outflow as applicable. The recognition of this liability will result in a loss recognized in the period it arises.

The WSIB has developed a methodology to identify the indicators of possible onerous contracts and to determine the onerous loss component at the employer level. Subsequent to initial recognition, the loss component will be amortized through net income over the coverage period such that the onerous loss liability will be nil at the end of the period and a new onerous loss liability pertaining to the following premium year will be recognized in the year-end consolidated financial statements.

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

Upon transition to IFRS 17, WSIB's net assets are expected to decrease by approximately $4.6 billion as a result of the change in discount rate and recognition of the onerous loss liability. The presentation and disclosure of insurance results in WSIB's consolidated financial statements are also expected to change significantly.

No impact is expected on the WSIB's Sufficiency Ratio as a result of the transition to IFRS 17.

(b) IFRS 9 *Financial Instruments*

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 new expected loss model introduced by IFRS 9 for financial assets replaces the incurred loss model under IAS 39 for the recognition and measurement of impairment on all financial instruments not measured at fair value. The adoption of the new expected loss model will be applied prospectively on January 1, 2023 and is not expected to have a significant impact on the WSIB's consolidated financial statements.

The WSIB will defer IFRS 9 until January 1, 2023, which is the same effective date as IFRS 17, as allowed under the amendments to IFRS 4 for companies whose activities are predominantly related to insurance (that is, insurance liabilities represent more than 80% of total liabilities). By electing the exemption under IFRS 4, the WSIB is permitted to defer the adoption of IFRS 9 while its associates and joint ventures have adopted IFRS 9. Based on the nature of the WSIB's financial instruments, adoption of IFRS 9 is not expected to have a significant impact on the WSIB's consolidated financial statements as most of the WSIB's financial instruments are measured at fair value.

The transition to IFRS 9 will be applied retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. As IFRS 9 does not have a significant impact on the consolidated financial statements of the WSIB, the WSIB has chosen not to restate the prior periods.

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(c) 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.

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

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

4. Cash and cash equivalents

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

	2022	**2021**
Cash	256	248
Short-term money market securities	384	314
Restricted cash[1]	24	119
Total cash and cash equivalents	**664**	**681**

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

As at December 31, 2022, the WSIB held $664 (2021 – $681) of cash and cash equivalents, of which $127 (2021 – $243) was maintained for operating purposes and $537 (2021 – $438) was maintained for investing purposes.

5. Receivables and other assets

Receivables and other assets are comprised of the following:

	2022	**2021**
Premium receivables[1]	136	187
Accrued premium receivables	412	392
Less: Allowance for doubtful accounts	(46)	(42)
Net premium receivables	**502**	**537**
Investment receivables[2]	208	155
Total receivables	**710**	**692**
Other assets[3]	48	6
Total receivables and other assets	**758**	**698**

1. Premium receivables are presented net of surplus distributions that have been applied. Employer accounts with credit balances have been reclassified to employer liabilities within payables and other liabilities. Refer to note 13.
2. Investment receivables include $33 of loans receivable (2021 – $43) which are expected to be received over a period of more than one year.
3. Other assets include employer incentive program refunds of $15 (2021 – $58) which are expected to be paid within 12 months.

6. 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, 2022				December 31, 2021			
	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]	280	384	-	**664**	367	314	-	**681**
Public equity investments								
Public equity pooled funds[2]	-	9,999	-	**9,999**	-	13,641	-	**13,641**
Public equity securities	1	-	-	**1**	400	-	-	**400**
Fixed income investments	-	8,773	-	**8,773**	-	11,755	-	**11,755**
Derivative assets	-	47	-	**47**	3	125	-	**128**
Investment properties[3]	-	-	653	**653**	-	-	651	**651**
Other invested assets								
Private market pooled funds[4]	-	-	7,070	**7,070**	-	-	2,544	**2,544**
Other private market investments	-	-	5,782	**5,782**	-	-	6,370	**6,370**
Derivative liabilities	(8)	(51)	-	**(59)**	-	(51)	-	**(51)**
Assets and liabilities for which fair value is disclosed								
Long-term debt[5]	-	(64)	-	**(64)**	-	(70)	-	**(70)**
Loss of Retirement Income Fund liability (note 15)	-	-	(1,874)	**(1,874)**	-	-	(2,103)	**(2,103)**

1. The carrying amount of cash and cash equivalents approximates its fair value.
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 (2021 – $9).
4. The WSIB owns units of pooled funds which hold investments in private market investments.
5. Carrying amount as at December 31, 2022 was $70 (2021 – $70).

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

During the years ended December 31, 2022 and December 31, 2021, there were no transfers between levels within the hierarchy.

Investment Management Corporation of Ontario ("IMCO") launched the IMCO Infrastructure Pool ("Infrastructure Pool") in Q4 2022. Pooled investments are part of IMCO's Pooled Asset Management strategy, which enables entities to "pool" the management of their investments. This pooling strategy creates a sufficiently large asset pool to broaden access to and efficiently manage investments.

The WSIB participated in the Infrastructure Pool, transferring assets comprised of private market investments in the infrastructure asset class into the pool. The WSIB's investment in the Infrastructure Pool is recorded as private market pooled funds within other invested assets in the consolidated statements of financial position. The WSIB's transfers of investments into these pools were at fair value and are recorded as non-cash transactions.

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In 2021, IMCO launched the IMCO Global Public Equity Pool, the IMCO Emerging Markets Public Equity Pool, and the IMCO Public Market Alternatives Pool. The WSIB participated in these three pools, recording its interest in the pools in the public equity investments and other invested asset lines. The WSIB's transfers of investments into these pools were also at fair value and recorded as non-cash transactions.

Level 3 fair value measurements

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

	Other invested assets				
For the year ended December 31, 2022	Private market pooled funds	Other private market investments	**Subtotal**	**Investment properties**	**Total**
Balance as at January 1, 2022	2,544	6,370	8,914	651	9,565
Net gains (losses) recognized in net investment income (loss)	74	473	547	(50)	497
Translation gains recognized in other comprehensive income (loss)	-	13	13	-	13
Purchases	4,553	3,010	7,563	10	7,573
Sales	(101)	(4,084)	(4,185)	-	(4,185)
Capital expenditures	-	-	-	42	42
Balance as at December 31, 2022	**7,070**	**5,782**	**12,852**	**653**	**13,505**
Changes in unrealized gains (losses) included in income (loss) for positions still held	**72**	**(151)**	**(79)**	**(50)**	**(129)**

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

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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	2022 Range of inputs Low	2022 Range of inputs High	2021 Range of inputs Low	2021 Range of inputs High
Private market pooled funds	Net asset value	Net asset value provided by manager	n/a	n/a	n/a	n/a
Other private market investments	Net asset value	Net asset value provided by manager	n/a	n/a	n/a	n/a
	Discounted cash flow and market comparable	Discount rate	5.4%	8.3%	5.0%	7.8%
		Terminal capitalization rate	4.8%	8.0%	4.5%	7.0%
Investment properties	Discounted cash flow and market comparable	Discount rate	5.3%	8.8%	5.3%	8.5%
		Terminal capitalization rate	5.0%	7.8%	4.5%	7.5%
Loss of Retirement Income Fund liability	Net asset value	Net asset value provided by administrator	n/a	n/a	n/a	n/a

Sensitivity of Level 3 financial instruments

Fair values of private market pooled funds are based on unit prices provided by investment managers, which are based on net asset values of underlying investments.

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

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

The fair value of the Loss of Retirement Income Fund liability is 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.

7. Transferred financial assets not derecognized

Securities lending

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, 2022, the fair value of investments loaned under the securities lending program was $3,045 (2021 – $1,041) and the fair value of securities maintained as collateral was approximately $3,278 (2021 – $1,120).

Repurchase agreements

The WSIB enters into repurchase agreements, which represent short-term funding transactions where the WSIB sells securities and subsequently repurchases them at a specified price on a specified date in the future. The fair value of the collateralized securities and margin requirements are monitored on a daily basis by WSIB's investment manager, IMCO, with additional collateral obtained or refunded as the fair value of the underlying securities fluctuates, minimizing shortfalls. These securities, for which the WSIB retains substantially all the risks and rewards associated with the securities and continues to recognize on the consolidated statements of financial position, form the collateral for the WSIB's obligation to repurchase them. The repurchase agreement transactions are conducted under terms that are usual and customary.

As at December 31, 2022, the net carrying amount of financial assets pledged as collateral was $1,082 (2021 – nil), which represents their fair value. For any collateral pledged, the counterparty has the right to re-pledge, loan, or use it under repurchase agreements in the absence of default by the owner of the collateral.

8. Derivative financial instruments

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

Forward contracts and futures agreements are contractual obligations to buy or sell a financial instrument or foreign currency on a predetermined future date at a specific price. Forward contracts are over-the-counter contracts that are negotiated between IMCO, on behalf of the WSIB, and the counterparty, whereas futures are contracts that are traded on a regulated exchange with standard amounts and settlement dates.

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Some derivatives are collateralized with cash and treasury bills. As at December 31, 2022, the fair value of the securities maintained as collateral was approximately $29 (2021 – $5).

Certain derivative assets and derivative liabilities are subject to netting arrangements but 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.

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

	2022			2021		
		Fair value			Fair value	
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Forward exchange contracts	20,912	47	51	19,295	125	51
Fixed income futures	268	-	6	196	2	-
Equity index futures	163	-	-	88	1	-
Foreign currency futures	346	-	2	39	-	-
Total	**21,689**	**47**	**59**	**19,618**	**128**	**51**

9. Interests in structured entities

A structured entity is an entity that is designed whereby voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created with a narrow and well-defined objective with relevant activities being directed by means of contractual arrangements. The WSIB has an interest in a structured entity when there is a contractual or non-contractual involvement that exposes the WSIB to variable returns from the structured entity. The WSIB consolidates a structured entity when the WSIB controls the entity in accordance with the accounting policy described in note 2. The WSIB's consolidated structured entities are private market investments in the investment portfolios where the WSIB has substantive rights to direct relevant activities of the entity to affect the variable returns the WSIB is exposed to. Consolidated subsidiaries are detailed further in note 18. The WSIB also has interests in structured entities that are joint ventures and associates, which are detailed further in note 10. The WSIB's maximum exposure to loss related to its interests in structured entities is limited to the amounts presented on the WSIB's consolidated statements of financial position.

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10. Joint arrangements and associates

Investments in joint arrangements and associates, accounted for under the equity method, that are considered material to the consolidated financial statements as at December 31, 2022 have been disclosed separately below.

The following table summarizes the carrying value of the WSIB's interests in joint ventures and associates.

	2022	2021
Vancouver properties	926	1,080
Associates	294	330
Other joint ventures	1,156	1,968
Total	**2,376**	**3,378**

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:

	2022	2021
Current assets	11	9
Non-current assets	1,875	2,187
Current liabilities	(28)	(31)
Non-current liabilities	(5)	(5)
Net assets	**1,853**	**2,160**
WSIB's share of net assets	**926**	**1,080**

The above amounts of assets and liabilities include the following:

	2022	2021
Cash and cash equivalents	5	6
Current financial liabilities (excluding trade and other payables)	(2)	(2)
Non-current financial liabilities (excluding trade and other payables)	(5)	(5)

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

	2022	2021
Income	142	129
Gains (losses) from increases (decreases) in fair values	(328)	14
Expenses	(58)	(47)
Total comprehensive income (loss)	**(244)**	**96**
WSIB's share of total comprehensive income (loss)	**(122)**	**48**

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The Vancouver properties have no contingent liabilities or capital commitments as at December 31, 2022 (2021 – nil). During 2022, the WSIB received dividends from the Vancouver properties of $44 (2021 – $43).

Investments in other joint arrangements and associates

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

	Associates		Joint ventures		Joint operations	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
WSIB's share of net assets[1]	**294**	**330**	**1,156**	**1,968**	**203**	**218**
WSIB's share of:						
Net income (loss)	66	82	(55)	272	(30)	(11)
Other comprehensive income (loss)	6	-	55	(30)	-	-
Net impairment reversal[2]	-	-	7	30	-	-

1. In 2022, investments in other joint arrangements and associates of $1,194 were transferred into the Infrastructure Pool. Refer to note 6 for details.
2. During the year ended December 31, 2022, 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 $16 (2021 - $30) has been included in the consolidated statements of comprehensive income (loss). The WSIB recorded an impairment related to certain of its investments in associates and joint ventures as a result of poor macroeconomic conditions. An impairment loss of $9 (2021 - nil) has been included in the consolidated statements of comprehensive income (loss).

11. Risk management

The WSIB is exposed to a number of risks and uncertainties related to its financial instruments and benefit liabilities. Refer to note 16 for the risks related to employee benefit plans.

Investment risk

The Board of Directors of the WSIB has established Statements of Investment Policies and Procedures ("SIPP"), which establish the policies governing the WSIB's investment portfolio. The WSIB's investment portfolio is diversified amongst various investment asset classes in accordance with the SIPPs. The WSIB manages investment risk as follows:

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

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Liquidity risk

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

- Monitoring and assessing operational cash flows and payment obligations and ensuring funds are available at appropriate times;
- Maintaining a portion of the WSIB's investments in high-quality, government fixed income securities as well as cash and money market securities;
- Appointing IMCO to manage the WSIB's repurchase agreements, including monitoring of liquidity requirements and availability of liquid assets; and
- Maintaining a $150 unsecured credit facility.

As at December 31, 2022, 56.6% (2021 – 67.1%) of the WSIB's investment portfolio was invested in cash and readily marketable money market securities, fixed income investments and publicly traded equities.

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

	Within 1 year	1 – 5 years	5 – 10 years	Over 10 years	No fixed maturity	2022
Cash and cash equivalents	664	-	-	-	-	**664**
Investment receivables	175	33	-	-	-	**208**
Public equity investments	-	-	-	-	10,000	**10,000**
Fixed income investments	275	1,166	1,431	5,849	52	**8,773**
Derivative assets	47	-	-	-	-	**47**
Other invested assets	-	-	-	-	12,852	**12,852**
Investment payables	(70)	-	-	-	-	**(70)**
Administration payables	(176)	-	-	-	-	**(176)**
Derivative liabilities	(59)	-	-	-	-	**(59)**
Securities sold under repurchase agreements	(1,082)	-	-	-	-	**(1,082)**
Long-term debt	-	(70)	-	-	-	**(70)**
Loss of Retirement Income Fund liability	-	-	-	-	(1,874)	**(1,874)**

	Within 1 year	1 – 5 years	5 – 10 years	Over 10 years	No fixed maturity	2021[1]
Cash and cash equivalents	681	-	-	-	-	**681**
Investment receivables	112	43	-	-	-	**155**
Public equity investments	-	-	-	-	14,041	**14,041**
Fixed income investments	406	2,073	1,997	7,222	57	**11,755**
Derivative assets	128	-	-	-	-	**128**
Other invested assets	-	-	-	-	8,914	**8,914**
Investment payables	(8)	-	-	-	-	**(8)**
Administration payables	(149)	-	-	-	-	**(149)**
Derivative liabilities	(51)	-	-	-	-	**(51)**
Securities sold under repurchase agreements	-	-	-	-	-	**-**
Long-term debt	-	(70)	-	-	-	**(70)**
Loss of Retirement Income Fund liability	-	-	-	-	(2,103)	**(2,103)**

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

(millions of Canadian dollars)

The WSIB maintains and uses a $150 unsecured line of credit with a commercial bank for general operating purposes. As at December 31, 2022, there were no outstanding borrowings (2021 – nil).

Credit risk

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

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

The WSIB manages its credit risk by:

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

(a) Fixed income investments

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

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

	2022		**2021**	
AAA	3,396	38.7%	4,590	39.0%
AA	1,866	21.3%	2,483	21.1%
A	2,398	27.3%	2,907	24.7%
BBB	313	3.6%	551	4.7%
BB	449	5.1%	716	6.1%
B or lower	315	3.6%	499	4.2%
Not rated	36	0.4%	9	0.2%
Total fixed income investments	**8,773**	**100.0%**	**11,755**	**100.0%**

(millions of Canadian dollars)

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

The WSIB manages concentration risk through its diversified mix of assets and a limit of 5% of the fair value of the investment portfolio that may be invested in the securities of a single non-government issuer at the time of acquisition of an investment. There are further limits in place across geographic regions, sectors, credit ratings, and investment vehicles to prevent concentration risks.

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

	2022		2021	
Provincial and municipal governments and agencies	3,892	44.4%	4,978	42.3%
Federal government and agencies	3,309	37.7%	4,298	36.6%
Financial services	367	4.2%	487	4.1%
Industrial products	296	3.4%	-	0.0%
Consumer products and merchandising	229	2.6%	538	4.6%
Utilities and telecommunications	220	2.5%	457	3.9%
Natural resources	-	0.0%	372	3.2%
Other[1]	460	5.2%	625	5.3%
Total fixed income investments	**8,773**	**100.0%**	**11,755**	**100.0%**

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

(b) Securities lending program and repurchase agreements

Counterparty risk relating to the securities lending program 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 government bonds and major bank short-term notes. Counterparty risk relating to repurchase agreements is managed by IMCO, who works with an intermediary financial institution to manage all aspects of the program, including exchanging collateral to minimize counterparty exposure where necessary. Refer to note 7 for further details.

(c) Receivables from Schedule 1 and Schedule 2 employers

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

Credit risk related to receivables from Schedule 2 employers is mitigated by holding collateral in the form of letters of credit and surety bonds. At December 31, 2022, the WSIB held collateral in the total amount of $268 (2021 – $264) with Schedule 2 employers.

Market risk

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

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

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These risks are mitigated through various measures, which include:

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

(a) Currency risk

The following provides a sensitivity analysis of the effect on investment income of a one percent change in the Canadian dollar compared to significant foreign currency exposures in the WSIB's investment portfolio:

	2022		2021[1]	
	Net exposure	**Effect of +/- 1% change**	**Net exposure**	**Effect of +/- 1% change**
United States dollar	(2,739)	27/(27)	2,175	(22)/22
Australian dollar	(460)	5/(5)	(8)	-
Euro	(252)	3/(3)	203	(2)/2
British pound sterling	(241)	2/(2)	15	-
Total	**(3,692)**	**37/(37)**	**2,385**	**(24)/24**

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

(b) Interest rate risk

The WSIB uses effective duration to measure the sensitivity of the fair value of fixed income investments to a change in interest rates. Parallel shifts in the yield curve of 1%, with all other variables held constant, would result in an increase or decrease in the fair value of fixed income investments of approximately $1,113 (2021 – $1,442). This information is based on the assumption that the fixed income investments are not impaired and interest rates and equity prices move independently.

(c) Price risk

The WSIB is exposed to price risk through its investments in public equity investments. The estimated effect on the fair value of public equity investments resulting from a 10% change in market prices, holding all other factors constant, is $1,000 (2021 – $1,404).

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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 17 provides further information regarding the nature of benefit liabilities.

(millions of Canadian dollars)

12. 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, 2020	**40**	**259**	**24**	**28**	**323**	**15**	**689**
Additions	-	2	2	2	11	1	18
Disposal	-	(1)	-	-	-	-	(1)
Balance as at December 31, 2021	**40**	**260**	**26**	**30**	**334**	**16**	**706**
Additions	-	1	2	-	8	-	11
Disposal	-	(12)	-	-	-	-	(12)
Balance as at December 31, 2022	**40**	**249**	**28**	**30**	**342**	**16**	**705**
Accumulated depreciation and amortization							
Balance as at December 31, 2020	**-**	**133**	**21**	**25**	**165**	**10**	**354**
Depreciation and amortization	-	9	1	1	53	3	67
Disposal	-	(1)	-	-	-	-	(1)
Balance as at December 31, 2021	**-**	**141**	**22**	**26**	**218**	**13**	**420**
Depreciation and amortization	-	8	2	1	55	2	68
Disposal	-	(11)	-	-	-	-	(11)
Balance as at December 31, 2022	**-**	**138**	**24**	**27**	**273**	**15**	**477**
Carrying amounts							
At December 31, 2021	**40**	**119**	**4**	**4**	**116**	**3**	**286**
At December 31, 2022	**40**	**111**	**4**	**3**	**69**	**1**	**228**

1. Buildings include ROU assets of $55, net of accumulated depreciation of $92.

The WSIB has determined that there was no impairment of property, equipment and intangible assets in 2022.

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13. Payables and other liabilities

	2022	2021[1]
Administration payables	176	149
Investment payables	70	8
Short-term payable – COVID-19 Worker Income Protection Benefit Program[2]	24	119
Employer liabilities[3]	534	231
Experience rating refunds	38	46
Other liabilities	122	116
Total payables and other liabilities	**964**	**669**

1. Certain comparative amounts have been reclassified to be consistent with the current period's presentation.
2. The short-term payable – COVID-19 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.
3. Employer liabilities consist of the reclassification of premium receivables of all outstanding employer accounts with credit balances, including employers with credit balances following the application of the surplus distribution. Refer to note 21.

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

14. Long-term debt and lease liabilities

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

	2022	2021
Mortgages payable	70	70
Lease liabilities	99	107
Less: Current portion of lease liabilities	(7)	(8)
Total long-term debt and lease liabilities	**162**	**169**

15. Loss of Retirement Income Fund liability

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

	2022	2021
Balance at beginning of year	2,103	2,003
Contributions from the WSIB	52	54
Optional contributions from injured workers	7	7
Contributions from Schedule 2 employers	10	9
Income (loss) earned on contributions	(131)	178
Benefits paid in cash	(167)	(148)
Balance at end of year	**1,874**	**2,103**

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

	2022		2021	
Cash and cash equivalents	221	11.8%	170	8.1%
Public equity investments	400	21.4%	607	28.9%
Fixed income investments	595	31.8%	769	36.5%
Derivative financial instruments	(1)	(0.1%)	3	0.1%
Investment properties	26	1.4%	27	1.3%
Investments in associates and joint ventures	99	5.3%	139	6.6%
Other invested assets	561	29.9%	387	18.4%
Securities sold under repurchase agreements	(31)	(1.7%)	-	-
Other	4	0.2%	1	0.1%
Total Loss of Retirement Income Fund assets	**1,874**	**100.0%**	**2,103**	**100.0%**

16. Employee benefit plans

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

Pension plans

(a) WSIB Employees' Pension Plan

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

On July 1, 2020, the EPP was converted from a single-employer pension plan to a jointly sponsored pension plan. However, there was no impact to the EPP obligation as a result of the conversion. The WSIB and the Ontario Compensation Employees Union are the plan sponsors. The Board of Trustees is the EPP administrator. Various plan administration functions continue to be performed by the WSIB in accordance with an Agency Agreement between the WSIB and the Board of Trustees. The participating employers of the EPP include the WSIB, the Board of Trustees, and four Safe Workplace Associations ("SWAs") whose employees are deemed employees of the WSIB for pension purposes. The EPP is open to new entrants, and the WSIB, the Board of Trustees and the SWAs are currently responsible for their own funding for current service costs, less any required employee contributions. Employee contribution requirements are gradually increasing until the employers and employees are each contributing 50% of the normal cost (the "Phase-in Period"). Thereafter, the participating employers will be responsible for only 50% of the total costs of the EPP and its associated liability. It is currently estimated that the 50%/50% cost-sharing target will be reached by 2031.

Additional contributions to the EPP may be required by the WSIB based on a pre-determined calculation as of December 31, 2024 dependent on the investment performance of plan assets and subject to a fixed upper bound. Should a payment be required, it may be made as a lump-sum payment prior to December 31, 2025 or on an installment basis with interest during the remaining term of the Phase-In Period. During the Phase-In Period, the WSIB is responsible for funding the balance of the normal cost of the EPP and any going concern special payments that arise. The Board of Trustees and the SWAs are not required to pay a share of any special payments that may arise during the Phase-In Period.

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(b) The Employees' Supplementary Pension Plan ("ESPP")

The ESPP is a single-employer pension plan, with five participating employers, the WSIB and the four SWAs. The ESPP generally has the same benefit plan provisions as the EPP, except that it provides for benefits that are earned above the maximum pension benefits permitted under the *Income Tax Act* (Canada). Employee contributions are currently 7% of earnings above the contribution earnings limit under the EPP. Participating employers match the employees' contributions. The WSIB makes additional contributions when required. The SWAs make additional year-end contributions, as required. The ESPP is registered with the CRA as a Retirement Compensation Arrangement.

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 or upon retirement, and disability benefits payable up to age 65.

Governance of the plans

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

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

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

Risks

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

The most significant sources of risk for the WSIB include:

a) A decline in discount rates that increases the obligation and expense;

b) An increase in inflation;

c) Investment returns which are lower than expected;

d) Lower-than-expected rates of mortality; and

(millions of Canadian dollars)

e) Health care cost inflation being higher than assumed.

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

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	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Current service cost	169	175	22	27	191	202
Net interest on the employee benefit plans liability	41	45	31	31	72	76
Past service cost (recovery)	-	(9)	(3)	5	(3)	(4)
Long-term employee benefit losses (gains)	-	-	(11)	13	(11)	13
Administrative expenses	13	11	-	-	13	11
Employee benefit plans expense	**223**	**222**	**39**	**76**	**262**	**298**

Amounts recognized in other comprehensive income are as follows:

	Pension plans		Other benefits		Total	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Actuarial gains (losses) arising from:						
Financial assumptions	1,511	219	360	186	1,871	405
Plan experience	(79)	(12)	9	-	(70)	(12)
Return on plan assets excluding interest income	(462)	322	-	-	(462)	322
Remeasurements of employee benefit plans	**970**	**529**	**369**	**186**	**1,339**	**715**

Employee benefit plans liability

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

	Pension plans		Other benefits		Total	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Present value of obligations[1]	4,198	5,434	644	1,002	4,842	6,436
Fair value of plan assets	(3,825)	(4,221)	-	-	(3,825)	(4,221)
Employee benefit plans liability	**373**	**1,213**	**644**	**1,002**	**1,017**	**2,215**

1. The WSIB's pension plans are wholly or partly funded whereas the 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	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Balance, beginning of year	5,434	5,470	1,002	1,137	6,436	6,607
Current service cost	169	175	22	27	191	202
Employee contributions	39	32	-	-	39	32
Interest expense on the employee benefit obligations	166	145	31	31	197	176
Past service cost (recovery)	-	(9)	(3)	5	(3)	(4)
Actuarial losses (gains) arising from:						
Financial assumptions	(1,511)	(219)	(369)	(171)	(1,880)	(390)
Plan experience	79	12	(12)	(2)	67	10
Benefits paid	(178)	(172)	(27)	(25)	(205)	(197)
Balance, end of year	**4,198**	**5,434**	**644**	**1,002**	**4,842**	**6,436**

As at December 31, 2022, the EPP was 99.2% of the pension plans obligation (2021 – 99.2%), and the Post-Retirement Benefit plan was 84.3% of the other benefits obligation (2021 – 86.8%).

The weighted average duration of the defined benefit pension plans and the other benefit plans' obligations as at December 31, 2022 is 15.2 and 14.2 years, respectively (2021 – 18.2 and 20.6 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	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Balance, beginning of year	4,221	3,872	-	-	4,221	3,872
Interest income on plan assets	126	100	-	-	126	100
Return in excess of interest income on plan assets	(462)	322	-	-	(462)	322
Employer contributions	93	78	27	25	120	103
Employee contributions	39	32	-	-	39	32
Benefits paid	(178)	(172)	(27)	(25)	(205)	(197)
Administrative costs paid	(14)	(11)	-	-	(14)	(11)
Balance, end of year	**3,825**	**4,221**	**-**	**-**	**3,825**	**4,221**

Employer's contributions to the pension plans are projected to be $102 for 2023.

Benefits to be paid from pension plan assets, during 2023, are projected to be $183, and other benefits to be paid directly by the employer are projected to be $36.

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

	2022		2021[1]	
Pension plan assets				
Public equities	1,455	38.0%	1,833	43.4%
Fixed income	875	22.9%	1,080	25.6%
Credit	193	5.1%	125	3.0%
Public market alternatives	387	10.1%	383	9.1%
Securities sold under repurchase agreements	(77)	(2.0%)	-	0.0%
Real estate	460	12.0%	419	9.9%
Infrastructure	464	12.1%	324	7.7%
Cash and cash equivalents	60	1.6%	55	1.3%
Other	8	0.2%	2	0.0%
Total[2]	**3,825**	**100.0%**	**4,221**	**100.0%**

1. Certain comparative amounts have been reclassified to be consistent with the current year's presentation.
2. Includes $5 net assets of the ESPP (2021 – $4.3).

Actuarial assumptions

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

	2022	2021[1]
Discount rate[2]		
Benefit plan expense	3.00%	2.60%
Accrued benefit obligation at end of year	5.05%	3.00%
Rate of pension increase at beginning of year[3]		
2024	4.00%	1.50%
2025	2.50%	1.50%
2026 and thereafter	1.50%	1.50%
Rate of compensation increase at end of year[4]	3.75%	3.75%
Health care trends at end of year[5]		
Initial trend rate	5.00%	4.75%
Ultimate trend rate	4.00%	4.50%
Year ultimate trend rate is reached	2025	2023
Dental care trend rate at beginning of year		
2023	8.00%	4.00%
2024	5.00%	4.00%
2025 and thereafter	3.00%	4.00%
Mortality		
Base table[6]	100% of CPM (Public)	100% of CPM (Public)
Projection scale[7]	MI-2017	MI-2017

1. Certain comparative amounts have been reclassified to be consistent with the current year's presentation.
2. Weighted average based on obligation (rounded to the nearest 5 basis points).
3. Pension benefits are increased annually, every January 1, equal to 75% of the Consumer Price Index (i.e., inflation).
4. This is an approximation. Actual assumption is based on long-term inflation of 2% per annum plus unisex pay merit scale.
5. Health care trend rates are for drugs only. The trend for semi-private hospital and vision are 2% and other medical costs is 3%.
6. 2014 Canadian Pensioners' Sector Mortality Table ("CPM").
7. Scale MI-2017 modified to have an ultimate rate of 0.8%.

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

	2022	2021
Longevity for those currently at age 65		
Males	23.2 years	23.2 years
Females	25.1 years	25.1 years
Longevity at age 65 for those currently at age 45		
Males	24.3 years	24.3 years
Females	26.2 years	26.1 years

Sensitivity of the actuarial assumptions

Changes in the actuarial assumptions used have a significant effect on the employee benefit plans obligation. The sensitivity analysis below provides an estimate of the potential impact of changes in key assumptions as at December 31, 2022, 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	(553)	(82)	(635)
1% decrease in discount rate	704	105	809
Rate of compensation increase			
1% increase in compensation rate	124	3	127
1% decrease in compensation rate	(109)	(3)	(112)
Rate of pension increase			
1% increase in pension benefits	412	N/A	412
1% decrease in pension benefits	(358)	N/A	(358)
Health and dental care trend rates			
1% increase in trend rates	N/A	96	96
1% decrease in trend rates	N/A	(76)	(76)
Mortality rates			
10% increase in mortality rates[1]	(72)	(10)	(82)
10% decrease in mortality rates[2]	78	12	90

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.

(millions of Canadian dollars)

17. 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:

	2022	**2021**
Loss of earnings	8,584	8,759
Workers' pensions	4,938	4,921
Health care	4,985	4,922
Survivor benefits	3,333	3,193
Future economic loss	566	646
External providers	93	92
Non-economic loss	396	352
Long latency occupational diseases	2,544	2,454
Claim administration costs	1,645	1,469
Loss of Retirement Income	486	502
Benefit liabilities	**27,570**	**27,310**

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	8,759	992	(1,079)	391	71	(550)	8,584
Workers' pensions	4,921	-	(440)	223	43	191	4,938
Health care	4,922	613	(559)	221	(57)	(155)	4,985
Survivor benefits	3,193	142	(212)	147	30	33	3,333
Future economic loss	646	-	(123)	28	4	11	566
External providers	92	29	(28)	4	-	(4)	93
Non-economic loss	352	69	(65)	15	2	23	396
Long latency occupational diseases[1]	2,454	(98)	-	117	30	41	2,544
Claim administration costs	1,469	537	(585)	63	127	34	1,645
Loss of Retirement Income	502	43	(52)	23	4	(34)	486
Total for 2022	**27,310**	**2,327**	**(3,143)**	**1,232**	**254**	**(410)**	**27,570**

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

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

Claim payments

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

	2022	**2021**
Loss of earnings	1,079	1,067
Workers' pensions	440	452
Health care	559	576
Survivor benefits	212	212
Future economic loss	123	138
External providers	28	28
Non-economic loss	65	66
Total claim payments	**2,506**	**2,539**

Claim administration costs

Claim administration costs are comprised of the following:

	2022	**2021**
Allocation from administration and other expenses	558	533
Allocation from legislated obligations and funding commitments expenses	27	24
Total claim administration costs	**585**	**557**

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Change in actuarial valuation of benefit liabilities

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

	2022	2021
Changes in estimate of cost of claims	(1,226)	(1,208)
Changes in actuarial assumptions and methods	254	411
Accretion[1]	1,232	1,197
Total changes in actuarial valuation of benefit liabilities	**260**	**400**

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

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

	2022	2021
Changes in methods and assumptions for future claim administration costs	176	172
Changes in methods and assumptions for loss of earnings benefits	-	(13)
Changes in methods and assumptions for health care escalation	(137)	252
Changes in methods and assumptions for rate of inflation	215	-
Total changes in actuarial assumptions and methods	**254**	**411**

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	Claim administration costs	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)	-	-	-	-	-	-	-	✓	-

(millions of Canadian dollars)

(a) Economic assumptions

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

	2022[1]	**2021[1]**
Discount rate	2023 and thereafter – 4.75%	2022 and thereafter – 4.75%
Inflation (CPI)	3.00% for 2023 2.00% thereafter	2.0%
Indexation of benefits	3.5% for 2024 2.6% for 2025 2.0% thereafter	2.0% (CPI)
Wage escalation rate	4.0% (CPI + 1.0%) for 2023 3.0% (CPI + 1.0%) thereafter	3.0% (CPI + 1.0%)
Health care costs escalation rate	6.5% (CPI + 3.0%) for 2023 5.6% (CPI + 3.0%) for 2024 4.0% (CPI + 2.0%) thereafter	6.0% (CPI + 4.0%) from 2022 to 2024 5.0% (CPI + 3.0%) from 2025 to 2026 4.0% (CPI + 2.0%) thereafter

1. All percentages are on a per annum basis.

(b) Wage loss

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

(c) Mortality

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

(i) The mortality assumption for injured workers is based on an actuarial study of the mortality levels by age and gender experienced by the WSIB disability income recipients from 2013 to 2017, adjusted to reflect any prevailing improvements (or otherwise) in the experience of the WSIB injured workers up to and including 2022;
(ii) The mortality assumption for those receiving survivor benefits is based on an actuarial study of mortality levels experienced by the 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 the WSIB survivors up to and including 2022; 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, 2022. 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.

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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 ending in 2021 and modified for the existing claims expected to be of longer duration. The exposure index has been developed using the number of lost-time injuries incurred up to injury year 1998, and for subsequent years, the number of workers covered by the WSIB, adjusted by the variation in the average risk associated with these workers. The termination rates and the projected number of loss of earnings future lock-in claims and their profiles were updated in 2022 to reflect recent experience.

(e) Expenses

The average claim administration cost per unit of exposure index for each claims duration is determined based on the experience from 2020 to 2021. The 2022 exposure index and the wage escalation are applied to these factors to determine the future claim administration cost liability.

(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:

Changes in assumptions	Increase in claim costs 2022	Increase in claim costs 2021
100 basis point decrease in the discount rate	2,964	2,934
100 basis point increase in the inflation rate:		
Impact of benefits indexation rate	1,432	1,586
Impact of wage growth	752	623
Impact of health care cost escalation	572	622

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Claims development

Benefit liabilities include the current estimate of future payments related to claims incurred during 2022 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 2013 to 2022.

	Year of injury										
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
Year of estimate											
2013	2,627										
2014	2,296	2,453									
2015	1,981	2,145	2,317								
2016	1,877	1,933	2,071	2,210							
2017	1,827	1,864	1,970	2,274	2,371						
2018	1,799	1,838	1,925	2,208	2,405	2,604					
2019	1,761	1,761	1,897	2,126	2,351	2,494	2,614				
2020	1,702	1,730	1,858	2,085	2,325	2,449	2,663	2,618			
2021	1,701	1,701	1,863	2,102	2,333	2,472	2,627	2,545	3,054		
2022	1,660	1,667	1,809	2,008	2,247	2,366	2,501	2,318	2,668	2,985	
Current estimate of cumulative claims costs	1,660	1,667	1,809	2,008	2,247	2,366	2,501	2,318	2,668	2,985	22,229
Cumulative payments made	(704)	(670)	(680)	(760)	(754)	(778)	(739)	(589)	(527)	(254)	(6,455)
Outstanding claims (undiscounted)	956	997	1,129	1,248	1,493	1,588	1,762	1,729	2,141	2,731	15,774
Effect of discounting	(452)	(465)	(545)	(589)	(720)	(742)	(823)	(819)	(963)	(1,097)	(7,215)
Benefit liabilities (discounted outstanding claims)	504	532	584	659	773	846	939	910	1,178	1,634	8,559
Benefit liabilities (discounted outstanding claims) prior to 2013 injury year											14,822
Claim administration costs											1,645
Long latency occupational diseases											2,544
Total benefit liabilities											27,570

Claim costs for years of injury before 2016 generally exhibit a downward trend. However, claim costs for years of injury after 2016 and up to 2021 generally exhibit an upward trend, primarily due to the increase in lost-time injuries and the worsening return to work experience, compared to the previous injury years. Claim costs for the current injury year are lower than 2021, reflecting the improved return to work experience.

Rate setting

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

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

(a) Set class rate for each industry class based on its risk profile and share of responsibility to maintain the insurance fund. The class rate is a collective rate that represents the class' share of responsibility for its WSIB costs; and

(b) Compare individual insurable earnings and claims history to the businesses in the class. This means that a business' overall rate under this model reflects its individual experience and risk.

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Concentration of risks

The WSIB provides workplace injury insurance for all Schedule 1 employers with workers in the Province. In this respect, the WSIB's risks are concentrated among the workplace risks associated with the various industries in the Province. The gross premiums by industry for the year ended December 31, 2022 are provided below.

	Gross premiums	% of total
Class/Subclass		
Agriculture	52	1.8%
Mining, quarrying, oil and gas extraction	73	2.6%
Utilities	24	0.8%
Educational services	24	0.8%
Public administration	84	3.0%
Hospitals	127	4.5%
Food, textiles and related manufacturing	97	3.4%
Non-metallic and mineral manufacturing	131	4.6%
Printing, petroleum and chemical manufacturing	40	1.4%
Metal, transportation equipment and furniture manufacturing	265	9.3%
Machinery, electrical equipment and miscellaneous manufacturing	71	2.5%
Computer and electronic manufacturing	8	0.3%
Rail, water, truck transportation and postal service	149	5.2%
Air, transit, ground passenger, recreational and pipeline transportation, courier services and warehousing	108	3.8%
Residential construction	71	2.5%
Infrastructure construction	98	3.4%
Foundation, structure and building exterior construction	159	5.6%
Residential building equipment construction	161	5.7%
Specialty trades construction	121	4.3%
Non-residential building construction	45	1.6%
Petroleum, food, motor vehicle and miscellaneous wholesale	58	2.0%
Personal and household goods, building materials and machinery wholesale	71	2.5%
Motor vehicles, building materials, food and beverage retail	125	4.4%
Furniture, home furnishings, clothing and accessories retail	24	0.8%
Electronics, appliances, health and personal care retail	14	0.5%
Specialized retail and department stores	58	2.0%
Information and culture	16	0.6%
Finance, management and leasing	38	1.3%
Professional, scientific and technical	32	1.1%
Administration, services to buildings, dwellings and open spaces	107	3.8%
Ambulatory health care	69	2.4%
Nursing and residential care facilities	104	3.7%
Social assistance	33	1.2%
Leisure and hospitality	106	3.7%
Other services	80	2.9%
Total	**2,843**	**100.0%**
Premium accrued but not reported	441	
Total	**3,284**	

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

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

Liquidity of benefit liabilities risks

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

	2022	**2021**
Up to one year	6%	6%
Over one year and up to five years	18%	18%
Over five years and up to ten years	17%	18%
Over ten years and up to fifteen years	14%	14%
Over fifteen years	45%	44%
	100%	**100%**

(millions of Canadian dollars)

18. 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
	2022	2021	
Wholly owned subsidiaries			
2742267 Ontario Ltd.	100.0%	100.0%	Canada
2742268 Ontario Ltd.	100.0%	100.0%	Canada
2778374 Ontario Ltd.	100.0%	100.0%	Canada
2778376 Ontario Ltd.	100.0%	100.0%	Canada
2859927 Ontario Inc.	100.0%	100.0%	Canada
2859928 Ontario Inc.	100.0%	100.0%	Canada
799549 Ontario Inc.	100.0%	100.0%	Canada
Simcoe Infra A Insurance Fund Ltd.	100.0%	100.0%	Canada
Simcoe Infra A LRI Ltd.	100.0%	100.0%	Canada
Simcoe PE C2 Ltd.[1]	100.0%	0.0%	Canada
Simcoe RES (Non-Pension) C Ltd.[1]	100.0%	0.0%	Canada
Simcoe Wight IF Holdings Ltd.	100.0%	100.0%	Canada
Simcoe Wight LRI Holdings Ltd.	100.0%	100.0%	Canada
WSIB INS Infra A Pool Ltd.[1]	100.0%	0.0%	Canada
WSIB Investments (International Infrastructure Non-Pension) Limited	100.0%	100.0%	Canada
WSIB Investments (International Realty Non-Pension) Limited	100.0%	100.0%	Canada
WSIB Investments (Private Equity Non-Pension) Limited	100.0%	100.0%	Canada
WSIB LRI Infra A Pool Ltd.[1]	100.0%	0.0%	Canada
WSIB Van IF GP Holdings Ltd.	100.0%	100.0%	Canada
WSIB Van LRI GP Holdings Ltd.	100.0%	100.0%	Canada
Partly owned subsidiaries			
2742266 Ontario Ltd.	91.9%	95.6%	Canada
Absolute Return (2012) Pooled Fund Trust	90.5%	90.5%	Canada
Simcoe Pacific Pooled Fund Trust	90.8%	90.8%	Canada
WSIB Investments (Fixed Income) Pooled Fund Trust	90.8%	90.8%	Canada
WSIB Investments (Infrastructure) Pooled Fund Trust	90.8%	90.8%	Canada
WSIB Investments (International Realty) Limited	91.2%	91.2%	Canada
WSIB Investments (Realty) Limited	91.2%	91.2%	Canada
WSIB Investments (Total Return) Pooled Fund Trust	89.7%	89.7%	Canada

1. These entities were incorporated during the year ended December 31, 2022.

During the year ended December 31, 2022, the following entities were dissolved: Diversified Markets (2010) Pooled Fund Trust (WSIB ownership in 2021 – 51.9%), Simcoe Accord Credit Limited (WSIB ownership in 2021 – 98.5%), and the WSIB Investments (Public Equities) Pooled Fund Trust (WSIB ownership in 2021 – 91.3%).

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

Summary information from statements of financial position	2022	2021
Total assets	4,128	9,051
Total liabilities	(59)	(50)
Surplus of assets	**4,069**	**9,001**
Attributable to the WSIB Employees' Pension Plan	**352**	**698**

Summary information from statements of comprehensive income	2022	2021
Investment income (loss)	(366)	1,751
Investment expenses	(57)	(91)
Net investment income (loss)	**(423)**	**1,660**
Translation gains (losses) from net foreign investments	**17**	**(17)**
Attributable to the WSIB Employees' Pension Plan	**(29)**	**170**

(b) Reconciliation of non-controlling interests

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

Balance as at December 31, 2020	**2,502**
Excess of revenues over expenses	169
Translation losses from net foreign investments	(1)
Distributions paid by subsidiaries to non-controlling interests	(446)
Net redemptions related to non-controlling interests[1]	(1,470)
Balance as at December 31, 2021	**754**
Deficiency of revenues over expenses	(37)
Translation gains from net foreign investments	3
Distributions paid by subsidiaries to non-controlling interests	(81)
Net redemptions related to non-controlling interests[1]	(237)
Balance as at December 31, 2022	**402**

1. Includes the derecognition of $244 (2021 – $1,471), representing the EPP's proportionate share of net assets, as a result of strategic changes in the WSIB's investment portfolio during the year, including the launch of the pooling strategy.

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19. Premium revenue

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

	2022	2021[1]
Gross Schedule 1 premiums	3,284	3,142
Bad debts recovery (expense)	(48)	28
Interest and penalties	75	32
Schedule 1 employer premiums	**3,311**	**3,202**
Schedule 2 employer administration fees	112	92
Net mandatory employer incentive programs	(23)	(128)
Premium revenue	**3,400**	**3,166**

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

20. Net investment income (loss)

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

	2022	2021
Cash and cash equivalents	12	1
Public equity investments	(1,762)	2,155
Fixed income investments	(1,958)	(12)
Derivative financial instruments	(482)	412
Investment properties	(27)	71
Investments in associates and joint ventures[1]	(105)	432
Other invested assets	1,009	1,124
Add (Less): Loss (income) attributable to Loss of Retirement Income Fund	136	(178)
Investment income (loss)	**(3,177)**	**4,005**
Less: Investment expenses[2]	(335)	(392)
Net investment income (loss)	**(3,512)**	**3,613**

1. Included in investments in associates and joint ventures for the year ended December 31, 2022 is a net impairment reversal of $7 (2021 – impairment reversal of $30). Refer to note 10 for details.
2. Includes $106 of management fees paid to investment managers for the year ended December 31, 2022 (2021 – $170). Includes $24 of expenses related to the securities sold under repurchase agreements, net of foreign currency gains and losses, for the year ended December 31, 2022 (2021 – nil).

21. Surplus distribution

On February 10, 2022, the Board of Directors approved a rebate of surplus funds, up to $1,500, to be distributed to eligible Schedule 1 employers within 90 days. As at December 31, 2022, a total of $1,193 has been distributed to eligible businesses, and a minimal amount has been held in reserve for possible adjustments to rebates of surplus funds. Refer to note 13.

22. Commitments and contingent liabilities

(a) Investment commitments

The WSIB's commitments for capital calls as at December 31, 2022 related to its investment portfolio are $6,360 (2021 – $5,286). There is no specific timing requirement to fulfill these commitments during the investment period.

(millions of Canadian dollars)

(b) Legislated obligations and funding commitments

Known commitments related to legislated obligations and funding commitments as at December 31, 2022 were approximately $306 for 2023 (2021 – $290 for 2022).

(c) Other commitments

As at December 31, 2022, the WSIB had additional commitments going forward under non-cancellable contracts for purchases of goods and services with future minimum payments of approximately $122 (2021 – $95).

(d) Legal actions

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

23. 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, 2022, the WSIB's capital is represented by net assets attributable to WSIB stakeholders of $3,221 (2021 – $7,261).

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

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

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

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

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

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

The Ontario Regulations state that the Sufficiency Ratio shall be calculated by dividing the value of the insurance fund assets by the value of the insurance fund liabilities, as determined by the WSIB using methods and assumptions that are consistent with accepted actuarial practice for going concern valuations. Going concern valuations are based on the assumption that the WSIB will continue to operate in the future indefinitely.

The WSIB prepares a quarterly Sufficiency Report to report on its Sufficiency Ratio as it relates to the regulated funding requirements. As at December 31, 2022, the Sufficiency Ratio was 118.2% (2021 – 121.2%).

24. 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, 2022 was $289 (2021 – $269) 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, 2022 are $1,524 of marketable fixed income investments issued by the Government of Ontario and related entities (2021 – $1,786).

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.

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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**	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Salaries and short-term benefits	1.5	1.6	4.0	4.0	5.5	5.6
Long-term employee benefit plans	-	-	0.5	0.6	0.5	0.6
	1.5	**1.6**	**4.5**	**4.6**	**6.0**	**6.2**

1. Includes the Chair and the President and CEO.
2. Includes the Chiefs, General Counsel and 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 16 provides details of transactions with these employee benefit plans.