Workplace Safety and Insurance Board

First Quarter 2019 Results

Here to help

When an injury or illness happens on the job, we move quickly to provide wage-loss benefits, medical coverage and help getting back to work.

We cover over five million people in more than 300,000 workplaces across Ontario. We are committed to meeting, and exceeding, the needs of those injured at work and employers by adhering to fairness, integrity and professionalism in all we do.

Commitment to accountability

We're funded by premiums paid by businesses across the province. We closely monitor and report on our operating results and financial position to be transparent with those we serve. We hope this report provides you with a clear picture of how we are doing.

Contact us

If you have questions about our results you can contact us at **communications@wsib.on.ca**.

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Highlights this quarter

The following section includes a combination of noteworthy items from the management's discussion and analysis ("MD&A"), the unaudited condensed interim consolidated financial statements and other announcements.

Higher claim volume | Compared to Q1 2018, registered claim volume grew 6.5% in Q1 2019, from 50,465 to 53,755 claims. Quarter-over-quarter claim volumes were higher throughout 2018, and so far this trend has continued in 2019. Both lost-time and no-lost-time claim volumes were higher than Q1 last year, by 5.1% and 7.2%, respectively. Also, mental stress and mild traumatic brain injury claims increased by over 40% this quarter, although they continue to represent a relatively small portion of all registered claims.

Lost-time injury ("LTI") rate holds steady | There was 1.0 LTI per 100 Schedule 1 persons in Q1 2019, unchanged compared to the same quarter last year. The higher number of lost-time claims this quarter was matched by an increase in employment. The LTI rate improved in services and the automotive sector, held steady in manufacturing, and declined in our other large industry sectors, construction, health care and transportation. Among Schedule 2 businesses, the LTI rate grew from 2.87 in Q1 2018 to 2.94 in Q1 2019.

Longer claim durations | Claim durations increased in Q1 2019. Durations for each time interval (e.g. 3 months, 6 months, etc.) were higher than in Q1 2018 for both Schedule 1 and 2. At the same time, the percentage of people returning to work with no wage loss within 12 months (90.2%) increased slightly this quarter compared to the same period last year (89.6%).

Timely appeals decisions | The number of appeals coming in to the WSIB increased by 10% in Q1 2019 compared to the first quarter of 2018. 85 per cent of appeals were resolved within six months. The 27% reversal rate in Q1 was well within the normal range of 25% to 30%.

Eligibility decisions also continued to be timely with 91% of decisions made within two weeks in Q1 2019, which is slightly higher than in Q1 2018 (90%).

Increase in customer satisfaction | 73 per cent of people with workplace injuries or illnesses and 78% of businesses were satisfied with their experience of the WSIB this quarter. Satisfaction for both groups increased compared to Q1 2018 when 65% and 72%, respectively, were satisfied.

71 per cent of people who completed an online survey after using an online service reported that they were satisfied with their experience in Q1.

Strong funding position | As at March 31, 2019 our net assets on a Sufficiency Ratio basis were $2.7 billion, an increase of $0.1 billion from $2.6 billion as at December 31, 2018. This corresponds to a Sufficiency Ratio of 108.7%, compared to 108.0% at year-end 2018.

Increased claim payments | Our claim payments increased $10 million or 1.6% compared to Q1 2018 as a result of higher health care payments due to higher cost of health services.

Premium rate reduction | Net premiums decreased $337 million or 27.8% compared to Q1 2018 as a result of a 29.8% reduction to the average premium rate, partially offset by an increase in insurable earnings. This growth was primarily in the automotive, education, electrical, health care and mining industries.

Investment returns | Our investment portfolio returned 5.8% during the quarter, compared to 0.4% in the same quarter last year. Portfolio returns in Q1 were robust, driven by especially strong outcomes in public equities (10.4%) and diversified markets (10.0%), tempered by lower returns in fixed income, real estate, infrastructure and absolute return. Long-term investment returns (10-year (+9.0%) and 15-year (+6.4%)) remain within, or above the long-term target of 3.5% to 6.7%.

Increased administration costs | Administration and other expenses, before allocation to claim costs, increased $4 million or 1.9%, compared to Q1 2018, reflecting $5 million of higher fees for professional services, $3 million of higher system development and integration expenses and $4 million of lower salaries and benefits expenses.

New developments

Revamped WSIB website | In March, we refreshed our website, and simplified our url to wsib.ca, to make it easier for people to do business with us and improve their online experience. We reorganized the information, services and resources available on our site, and enhanced the search capability so that important information is easier to find.

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

Online reconciliation now available | WSIB's annual reconciliation process is used by businesses to confirm they have reported the correct amount of premiums. In response to feedback from businesses and to simplify the reconciliation process, online reconciliation is now available on our website. The features of the online reconciliation include automated calculations and links to the online reconciliation guide for assistance. The response from customers has been very positive, with 31% of reconciliations processed online to date (March 31st).

Reduced reporting requirements | At the end of 2018, we increased the insurable earnings threshold for businesses required to report and pay premiums monthly. As a result, approximately 45,000 fewer businesses were required to report premiums in January and February of this year, since they now report and pay on a quarterly basis.

What to expect from our new premium rate-setting model | To help businesses prepare for 2020, beginning in February we began offering monthly webinars to provide businesses with the latest updates and information on the new model, and to give them an opportunity to ask questions about the coming changes. To attend a session, businesses may register at wsib.ca/rateframework.

Digging deeper

Measuring health and safety in Ontario

We recently released the results for the annual Health and Safety Index ("HSI"). The HSI measures the overall performance of the health and safety system in Ontario in a single metric. It provides insight into how elements of the health and safety system are performing, enabling better focus on strategies for improvement.

This annual index result allows Ontarians to track whether the WSIB and our system partners are achieving our goal of making the province a safer place to work. The HSI ensures that we are collectively accountable for increased safety, and that we are able to focus resources to drive improvements where they are most needed. The HSI also raises awareness of this crucial issue and encourages us to strive for continuous improvement.

In the past year, based on the 15 metrics shown below, workplace health and safety has improved 1.9% in Ontario. Increased worker empowerment had the largest positive impact on the HSI. While we saw a higher number of injuries in the past year, the severity of injuries, on average, has decreased.

By industry sector, health care has shown the greatest improvement (4.4%), primarily due to a decrease in severe injuries. Construction also made gains (1.9%), while retail trade (-1.9%), manufacturing (-1.6%) and transportation (-1.6%) each showed some deterioration compared to last year.

Health and Safety Index results

Component	Metric	Contribution to component weight*	Component weight
Prevention	# of inspections	39%	**20%**
	# of workplace prevention activities	41%	
	Amount of workplace support (e.g., # of health and safety reps)	20%	
Worker empowerment	# of complaints	43%	**13%**
	Involvement in the health and safety of the workplace	16%	
	# of worker refusals	41%	
Workplace safety awareness and culture	Worker awareness of *Occupational Health and Safety Act* ("OHSA") and WSIB legislation	17%	**23%**
	Workers' experience of workplace culture aimed at safety	42%	
	Leadership involvement in the organization's health and safety	41%	
Enforcement	# of convictions	22%	**21%**
	Average value of fines	39%	
	# of orders per inspection	39%	

Component	Metric	Contribution to component weight*	Component weight
Injuries	# of injuries per 100 workers	14%	**23%**
	Severe injuries and fatalities	42%	
	% of injured workers off compensation at 30 days	45%	

* May not add to 100% due to rounding up or down of each value.

Management's discussion and analysis

The following Management's Discussion and Analysis ("MD&A") and accompanying unaudited condensed interim consolidated financial statements, as approved by the Board of Directors of the Workplace Safety and Insurance Board, are prepared by management as at and for the three months ended March 31, 2019.

It should be read in conjunction with the unaudited condensed interim consolidated financial statements of the WSIB as at and for the three months ended March 31, 2019, and the annual information available in the consolidated financial statements and the accompanying notes as at and for the year ended December 31, 2018.

The accompanying unaudited condensed interim consolidated financial statements as at and for the three months ended March 31, 2019 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting,* using accounting policies consistent with International Financial Reporting Standards ("IFRS").

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

Forward-looking statements contained in this document represent management's expectations, estimates and projections regarding future events based on information currently available, and involve assumptions, judgments, inherent risks and uncertainties. Readers are cautioned that 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. 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.

Thomas Teahen
President and Chief Executive Officer
June 20, 2019
Toronto, Ontario

Tom Bell
Chief Risk Officer and Acting Chief Financial Officer

1. Financial analysis

Financial results

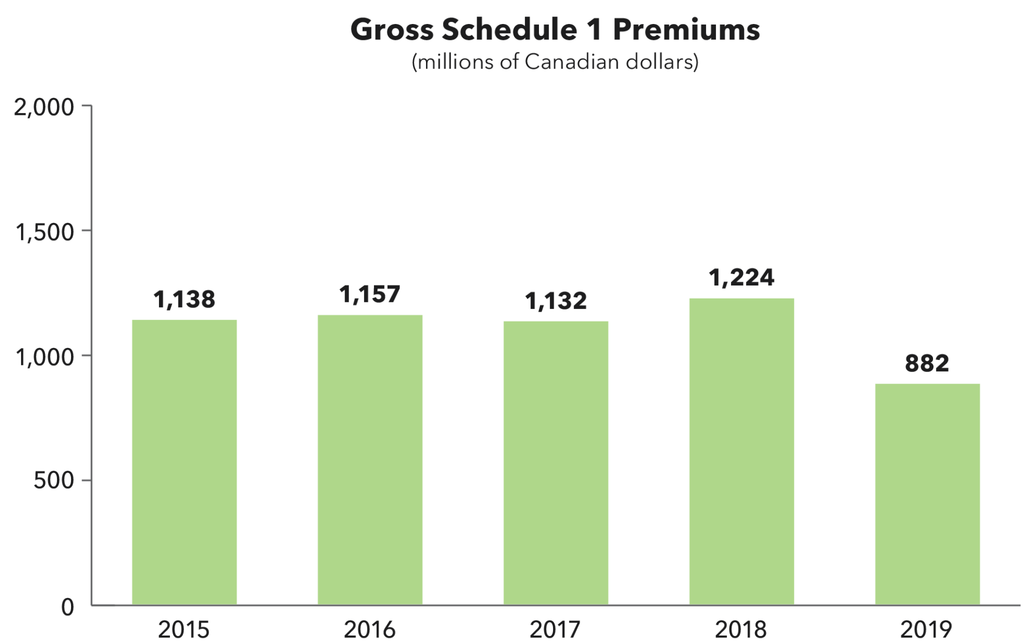
(millions of Canadian dollars)	Three months ended March 31 2019	2018
Revenues		
Net premiums	876	1,213
Net investment income	1,881	14
	2,757	**1,227**
Expenses		
Total claim costs	822	763
Loss of Retirement Income Fund contributions	14	14
Administration and other expenses	115	110
Legislated obligations and funding commitments	63	70
	1,014	**957**
Excess of revenues over expenses	**1,743**	**270**
Total other comprehensive income (loss)	(384)	123
Total comprehensive income	**1,359**	**393**
Other measures		
Return on investments[1]	5.8%	0.4%
	Mar. 31 2019	**Dec. 31 2018**
Net assets [2, 3]	2,655	1,484
Net assets – Sufficiency Ratio basis[3]	2,736	2,550
Sufficiency Ratio[3]	108.7%	108.0%

1. Return on investments is the investment income (loss), net of transaction costs and withholding taxes, generated over a given period of time as a percentage of the capital invested taking into account capital contributions and withdrawals.
Net assets represent the net assets attributable to WSIB stakeholders as at the end of the reporting period. The total net assets of $5,933 million as at March 31, 2019 (December 31, 2018 – $4,642 million) are allocated between the WSIB stakeholders and the non-controlling interests ("NCI") on the basis of their proportionate interests in the net assets of the WSIB. NCI represent the proportionate interest of the net assets and total comprehensive income of subsidiaries in which the WSIB directly or indirectly owns less than 100% interest. NCI of $3,278 million as at March 31, 2019 (December 31, 2018 – $3,158 million) exclude benefit liabilities since the holders of NCI, the WSIB Employees' Pension Plan and other investors, are not liable for those obligations. The proportionate share of the total net assets attributable to WSIB stakeholders as at March 31, 2019 was $2,655 million (December 31, 2018 – $1,484 million), which includes benefit liabilities. Refer to the unaudited interim consolidated statements of financial position for further details.
2. Refer to Section 4 – Reconciliation of the net assets on a Sufficiency Ratio basis for further details.

Net premiums

	Three months ended March 31			
			Change	
(millions of Canadian dollars)	**2019**	**2018**	**$**	**%**
Gross Schedule 1 premiums	882	1,224	(342)	(27.9)
Bad debts	(20)	(13)	(7)	(53.8)
Interest and penalties	16	15	1	6.7
Other income	1	1	-	-
Schedule 1 employer premiums	**879**	**1,227**	**(348)**	**(28.4)**
Schedule 2 employer administration fees	21	23	(2)	(8.7)
Premiums	**900**	**1,250**	**(350)**	**(28.0)**
Net mandatory employer incentive programs	(24)	(37)	13	35.1
Net premiums	**876**	**1,213**	**(337)**	**(27.8)**

Gross Schedule 1 premiums decreased $342 million or 27.9% reflecting a $364 million or 29.7% reduction in the realized average premium rate collected from employers as a result of the reduction in the published 2019 premium rates, partially offset by a $22 million or 2.5% increase in insurable earnings driven by moderate growth in the automotive, education, electrical, health care and mining industries.



Net investment income

Investment strategy (millions of Canadian dollars)	2019 Investment income (loss)	2019 Return[1] %	2019 Net asset value[2]	2019 %	2018 Investment income (loss)	2018 Return[1] %	2018 Net asset value[2]	2018 %
Public equities	1,228	10.4	13,578	37.0	121	0.9	12,563	36.5
Fixed income	145	2.3	6,843	18.6	11	0.2	6,722	19.6
Absolute return	69	1.5	3,273	8.9	(42)	(0.7)	3,548	10.3
Diversified markets	388	10.0	4,408	12.0	(100)	(2.4)	4,389	12.8
Real estate	54	1.5	4,059	11.0	67	2.1	3,737	10.9
Infrastructure	58	1.0	3,511	9.6	9	1.5	2,839	8.3
Cash and cash equivalents	3	0.5	1,005	2.7	2	-	473	1.4
Other	-	-	63	0.2	-	-	67	0.2
Investment income	**1,945**	**5.8**	**36,740**	**100.0**	**68**	**0.4**	**34,338**	**100.0**
Investment expenses	(64)				(54)			
Net investment income	**1,881**				**14**			

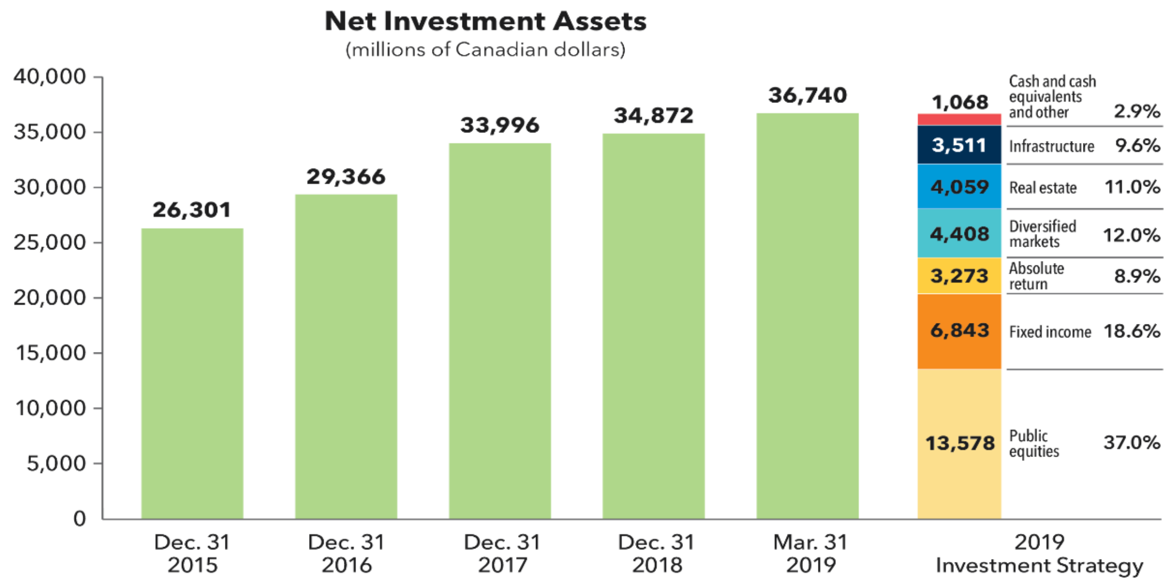
Three months ended March 31

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

For the three months ended March 31, 2019, net investment income was $1,881 million, reflecting an overall return of 5.8%. Net investment income increased by $1,867 million compared to the same period last year, driven by strong performance in public equities and diversified markets which each exceeded 10.0% muted by low single digit returns from other asset class returns.

During the three months ended March 31, 2019, net investment assets increased $1,868 million to $36,740 million. This was comprised largely of investment income before investment expenses of $1,945 million (5.8%) gross return and offset by transfers to operating activities of $40 million.

The total fund historical 10-year return is 9.0% as at March 31, 2019, higher than the forward-looking long-term expected investment target. The 15-year total fund return is 6.4%, within the expected range of 3.5% to 6.7%. We maintain a cautiously optimistic long-term stance that markets will continue to be accommodative while acknowledging this upward trend may not occur in the short-term quarters to come.



Total claim costs

Total claim costs consist of:

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

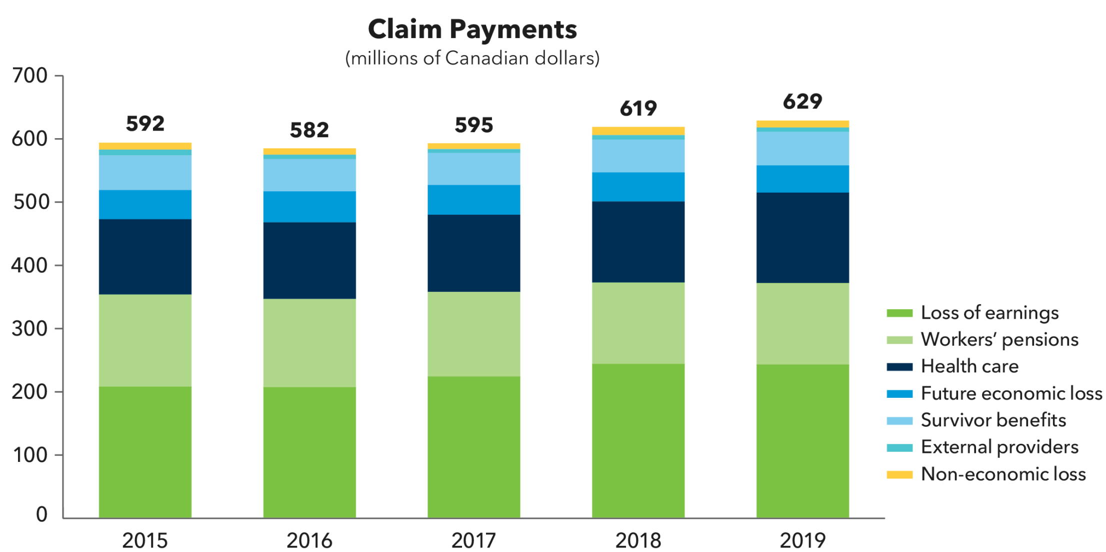
	Three months ended March 31			
			Change	
(millions of Canadian dollars)	**2019**	**2018**	**$**	**%**
Claim payments	629	619	10	1.6
Claim administration costs	111	112	(1)	(0.9)
Change in actuarial valuation of benefit liabilities	82	32	50	100+
Total claim costs	**822**	**763**	**59**	**7.7**

Claim payments

	Three months ended March 31			
			Change	
(millions of Canadian dollars)	2019	2018	$	%
Loss of earnings	242	243	(1)	(0.4)
Workers' pensions	130	130	-	-
Health care	143	128	15	11.7
Survivor benefits	53	52	1	1.9
Future economic loss	43	46	(3)	(6.5)
External providers	7	7	-	-
Non-economic loss	11	13	(2)	(15.4)
Total claim payments	**629**	**619**	**10**	**1.6**

A summary of the significant changes in claim payments for the three months ended March 31, 2019 is as follows:

- Loss of earnings benefits were $1 million lower primarily due to lower volume and payments associated with locked-in claims.
- Health care expenses were $15 million higher due to the higher claim volume as well as the higher cost of health services.
- Survivor benefits were $1 million higher mainly as a result of indexation.
- Future economic loss benefits were $3 million lower due to the natural reduction in the number of claimants reaching age 65, the age at which these benefits cease. This program has been discontinued.
- Non-economic loss benefits were $2 million lower due to higher payments than usual in 2018 associated with the claim review initiative addressing pre-existing conditions.



Claim administration costs

	Three months ended March 31			
			Change	
(millions of Canadian dollars)	**2019**	**2018**	**$**	**%**
Allocation from administration and other expenses	105	106	(1)	(0.9)
Allocation from legislated obligations and funding commitments expenses	6	6	-	-
Total claim administration costs	**111**	**112**	**(1)**	**(0.9)**

Claim administration costs reflect the portions of administration and other expenses and legislated obligations and funding commitments expenses allocated to claim costs. For the three months ended March 31, 2019, claim administration costs were $1 million or 0.9% lower. The change was attributed to a lower allocation percentage of claim administration costs from administration and other expenses.

Change in actuarial valuation of benefit liabilities

	Three months ended March 31			
			Change	
(millions of Canadian dollars)	**2019**	**2018**	**$**	**%**
Change in actuarial valuation of benefit liabilities	82	32	50	100+

For the three months ended March 31, 2019, the change in actuarial valuation of benefit liabilities is detailed as follows:

(millions of Canadian dollars)	
Benefit liabilities as at December 31, 2018	**27,210**
Payments made in 2019 for prior injury years	(694)
Interest accretion[1]	326
Liabilities incurred for the 2019 injury year	447
Experience losses	3
Benefit liabilities as at March 31, 2019	**27,292**
Change in actuarial valuation of benefit liabilities	**82**

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.

Administration and other expenses

(millions of Canadian dollars)	Three months ended March 31			
			Change	
	2019	**2018**	**$**	**%**
Salaries and short-term benefits	112	116	(4)	(3.4)
Employee benefit plans	47	49	(2)	(4.1)
Depreciation and amortization	11	10	1	10.0
Other	50	41	9	22.0
	220	216	4	1.9
Claim administration costs allocated to claim costs	(105)	(106)	1	0.9
Total administration and other expenses	**115**	**110**	**5**	**4.5**

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

- Salaries and short-term benefits decreased $4 million, reflecting lower staffing levels.
- Employee benefit plans decreased $2 million, reflecting a 50 basis point increase (from 3.45% to 3.95%) in the discount rate used to value our pension obligations.
- Other operating expenses increased $9 million, primarily reflecting higher fees for professional services and new initiatives as part of our transformational efforts.

Legislated obligations and funding commitments expenses

(millions of Canadian dollars)	Three months ended March 31			
			Change	
	2019	**2018**	**$**	**%**
Legislated obligations				
Occupational Health and Safety Act	24	29	(5)	(17.2)
Ministry of Labour Prevention Costs	25	29	(4)	(13.8)
	49	58	(9)	(15.5)
Workplace Safety and Insurance Appeals Tribunal	7	6	1	16.7
Workplace Safety and Insurance Advisory Program	5	4	1	25.0
Total legislated obligations	**61**	**68**	**(7)**	**(10.3)**
Funding commitments				
Grants	-	1	(1)	(100.0)
Safety program rebates	8	7	1	14.3
Total funding commitments	**8**	**8**	**-**	**-**
	69	**76**	**(7)**	**(9.2)**
Claim administration costs allocated to claim costs	(6)	(6)	-	-
Total legislated obligations and funding commitments	**63**	**70**	**(7)**	**(10.0)**

For the three months ended March 31, 2019, legislated obligations and funding commitments expenses, before allocation to claim costs, decreased by $7 million, reflecting lower costs by the Ministry of Labour (the “MoL”) to administer and enforce the *Occupational Health and Safety Act* (“OHSA”) and higher costs by the Workplace Safety and Insurance Appeals Tribunal (the “WSIAT”) for its caseload reduction initiative.

2. Changes in financial position

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

(millions of Canadian dollars)	Mar.31 2019	Dec.31 2018	Change $	Change %	Commentary
Assets					
Cash and cash equivalents	2,782	2,538	244	9.6	Increase primarily reflects an increase in cash held for investments and cash collateral used to support our derivative positions
Receivables and other assets	1,349	1,480	(131)	(8.9)	Decrease primarily reflects lower premium receivables, lower accrued premium receivables and lower investment receivables, partially offset by higher surcharges on employer incentive programs
Public equity securities	13,915	12,548	1,367	10.9	Net change reflects performance of these asset classes and net cash withdrawals for operating activities in 2019
Fixed income securities	7,617	7,634	(17)	(0.2)	
Derivative assets	248	159	89	56.0	
Investment properties	1,425	1,412	13	0.9	
Investments in associates and joint ventures	2,314	2,322	(8)	(0.3)	
Other invested assets	8,415	8,929	(514)	(5.8)	
Property, equipment and intangible assets	310	287	23	8.0	Increase primarily reflects adjustments related to the initial application of IFRS 16, partially offset by depreciation related to new accounts and claims management system
Liabilities					
Payables and other liabilities	1,103	1,604	(501)	(31.2)	Decrease primarily reflects lower investment payables and lower experience rating refunds payable
Derivative liabilities	179	448	(269)	(60.0)	Decrease largely reflects changes in our currency and futures positions within the investment portfolio
Long-term debt and lease liabilities	147	114	33	28.9	Increase primarily due to application of IFRS 16, which changed qualifying operating leases to capital leases
Loss of Retirement Income Fund liability	1,939	1,867	72	3.9	Increase reflects net investment income reduced by disbursements in excess of contributions
Employee benefit plans liability	1,782	1,424	358	25.1	Increase reflects a decrease in the interest rate used for valuation
Benefit liabilities	27,292	27,210	82	0.3	Increase primarily due to higher liabilities for the new injury year
Net assets	2,655	1,484	1,171	78.9	Changes reflect total comprehensive income attributable to WSIB stakeholders and impact of the initial application of IFRS 16
Net assets – Sufficiency Ratio basis	2,736	2,550	186	7.3	Strengthening due to continued strong operating results
Sufficiency Ratio	108.7%	108.0%		0.7	

3. Liquidity and capital resources

	Three months ended March 31	
(millions of Canadian dollars)	**2019**	**2018**
Cash and cash equivalents, beginning of year	2,538	2,586
Net cash provided (required) by operating activities	(261)	129
Net cash provided (required) by investing activities	568	(632)
Net cash required by financing activities	(63)	(5)
Cash and cash equivalents, end of year	**2,782**	**2,078**

A summary of the significant changes in cash and cash equivalents for the three months ended March 31, 2019 is as follows:

- Cash required by operating activities was $261 million compared to $129 million of cash provided in 2018, reflecting an increase in amounts paid on payables, partially offset by an increase in cash from higher amounts collected on receivables (excluding investments).
- Cash provided by investing activities was $568 million compared to $632 million required for investing activities during the same period in 2018. This reflects cash flowing largely out of the absolute return and diversified markets strategies in the first quarter of 2019 while awaiting redeployment whereas in the first quarter of 2018 money was flowing primarily into new investments in real estate and infrastructure.
- Cash required by financing activities was $63 million compared to $5 million in 2018. The increase in cash required for financing activities is mainly due to net withdrawals by non-controlling interests from subsidiaries in the period compared to the prior period.

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 March 31, 2019.

Commitments

There were no significant changes during the quarter.

4. Reconciliation of the net assets on a Sufficiency Ratio basis

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

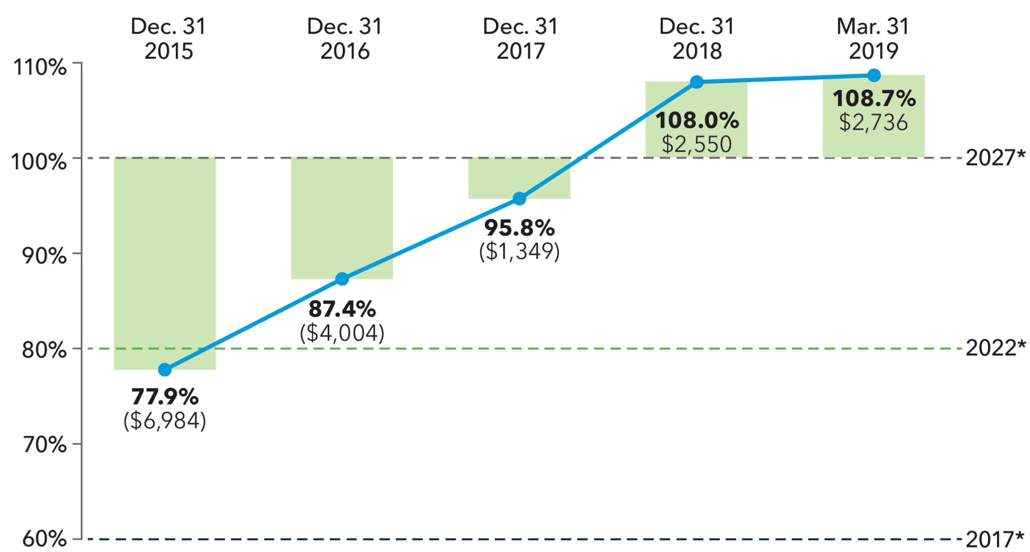
The investment portfolio is valued at fair value adjusted by investment gains and losses deviating from the net investment return objective, less the interests in those assets held by third parties (non-controlling interests). These gains or losses are amortized over a five-year period, thereby moderating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

As at March 31, 2019, the Sufficiency Ratio, as defined in the *Ontario Regulation 141/12* and amended by *Ontario Regulation 338/13* (collectively, the "Ontario Regulations"), was 108.7% (December 31, 2018 – 108.0%). Set forth below is the reconciliation of the net assets between the IFRS basis and Sufficiency Ratio basis:

(millions of Canadian dollars)	**March 31 2019**	**December 31 2018**
Net assets attributable to WSIB stakeholders on an IFRS basis	2,655	1,484
Add (Less): Adjustments per Ontario Regulations:		
Change in valuation of invested assets	(1,068)	423
Change in valuation of employee benefit plans liability	1,065	694
Change in valuation of invested assets attributable to non-controlling interests	84	(51)
Net assets attributable to WSIB stakeholders on a Sufficiency Ratio basis	**2,736**	**2,550**
Sufficiency Ratio	**108.7%**	**108.0%**

Net Assets (UFL) on a Sufficiency Ratio basis and Sufficiency Ratios

(millions of Canadian dollars)



*Legislated required Sufficiency Ratio at end of year

5. Internal control over financial reporting

Management is responsible for the accuracy, integrity and objectivity of the consolidated financial statements within reasonable limits of materiality. The WSIB's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. Management is also responsible for the preparation and presentation of additional financial information included in the Annual Report and ensuring its consistency with the consolidated financial statements.

6. Changes in accounting standards

(a) Standards and amendments adopted during the current year

IFRS 16 *Leases* ("IFRS16")

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

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

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

Impact of transition to IFRS 16

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

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

On adoption of IFRS 16, the WSIB recognized right-of-use assets of $30 and lease liabilities of $38. The difference of $8 was recognized in net assets. The right-of-use assets are measured as if IFRS 16 had been applied since the commencement date, but discounted using the WSIB's incremental borrowing rate as at January 1, 2019. The lease liabilities are measured at the present value of remaining lease payments, discounted using the WSIB's incremental borrowing rate as at January 1, 2019. The WSIB's weighted average incremental borrowing rate as at January 1, 2019 was 3.18%.

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

	January 1 2019
Operating lease commitments disclosed as at December 31, 2018	27
Extension options reasonably certain to be exercised	20
Effect of discounting lease commitments	(9)
Lease liabilities as at January 1, 2019	**38**
Finance lease liabilities as at December 31, 2018	46
Total lease liabilities recognized as at January 1, 2019	**84**

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

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

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

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In May 2017, the IASB issued IFRS 17, which replaces the guidance in IFRS 4 *Insurance Contracts* and establishes a comprehensive principles-based framework for the recognition, measurement and presentation of insurance contracts. The WSIB will adopt the standard on the effective date of January 1, 2021; however, the IASB is considering deferring the effective date one year to January 1, 2022. The WSIB is currently assessing the impact of adopting this standard and expects that it will have a significant impact on the WSIB's consolidated financial statements.

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

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

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

The WSIB will defer IFRS 9 until January 1, 2021, 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). However, the IASB is considering deferring the effective date one year to January 1, 2022. Based on the nature of the WSIB's financial instruments, adoption of IFRS 9 is not expected to have a significant impact on the WSIB's consolidated financial statements as most of the WSIB's financial instruments are measured at fair value.

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

In October 2018, the IASB issued amendments to IFRS 3, which clarify that to be considered a business, an acquired set of activities must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. The adoption of these amendments is not expected to have a significant impact on the WSIB's consolidated financial statements.

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

7. Outlook

Premiums

Premium revenues are anticipated to decrease in 2019, reflecting the 29.8% reduction to the average premium rate, partially offset by moderate growth in insurable earnings and lower net payouts for mandatory employer incentive programs. The increase in insurable earnings is driven by an assumed 0.8% employment growth and a 1.9% increase in average wages.

Net investment income

Net investment income is planned at a 4.8% net return on investments, consistent with our long-term investment return objective within an expected range of 3.5% to 6.7%. We will continue to implement our Strategic Investment Plan in a way that permits us to take advantage of investment opportunities without exposing us to a higher level of volatility and corresponding investment risk.

Claim payments

Claim payments are anticipated to be higher than the level of claim payments in 2018. We caution readers that the level of claim payments may rise in part due to new types of compensable claims.

Administration and other expenses

Administration and other expenses are anticipated to increase in 2019 reflecting increases to information technology costs.

Legislated obligations and funding commitments

Legislated obligations and funding commitments are anticipated to decrease reflecting lower costs by the MoL to administer and enforce the OHSA and WSIAT costs.

Net assets

We anticipate the net assets position will continue to increase, based on current funding and benefit levels and employer contributions, as measured under current accounting and actuarial standards.

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

	Note	March 31 2019	December 31 2018
Assets			
Cash and cash equivalents		2,782	2,538
Receivables and other assets	5	1,349	1,480
Public equity securities	7	13,915	12,548
Fixed income securities	7	7,617	7,634
Derivative assets	7	248	159
Investment properties	7	1,425	1,412
Investments in associates and joint ventures		2,314	2,322
Other invested assets	7	8,415	8,929
Property, equipment and intangible assets	8	310	287
Total assets		**38,375**	**37,309**
Liabilities			
Payables and other liabilities	9	1,103	1,604
Derivative liabilities	7	179	448
Long-term debt and lease liabilities	10	147	114
Loss of Retirement Income Fund liability		1,939	1,867
Employee benefit plans liability	11	1,782	1,424
Benefit liabilities	13	27,292	27,210
Total liabilities		**32,442**	**32,667**
Net assets			
Reserves		2,608	1,056
Accumulated other comprehensive income		47	428
Net assets attributable to WSIB stakeholders		**2,655**	**1,484**
Non-controlling interests		3,278	3,158
Total net assets		**5,933**	**4,642**
Total liabilities and net assets		**38,375**	**37,309**

Approved by the Board of Directors

Elizabeth Witmer

Chair
June 20, 2019

Lea Ray

Audit and Finance Committee (Chair)
June 20, 2019

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

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

		Three months ended March 31	
	Note	**2019**	**2018**
Revenues			
Premiums	12	900	1,250
Net mandatory employer incentive programs	12	(24)	(37)
Net premiums		**876**	**1,213**
Investment income	6	1,945	68
Investment expenses	6	(64)	(54)
Net investment income		**1,881**	**14**
Total revenues		**2,757**	**1,227**
Expenses			
Claim payments		629	619
Claim administration costs		111	112
Change in actuarial valuation of benefit liabilities		82	32
Total claim costs		**822**	**763**
Loss of Retirement Income Fund contributions		14	14
Administration and other expenses		115	110
Legislated obligations and funding commitments		63	70
Total expenses		**1,014**	**957**
Excess of revenues over expenses		**1,743**	**270**
Other comprehensive income (loss)			
Item that will not be reclassified subsequently to income			
Remeasurements of employee benefit plans	11	(352)	72
Item that will be reclassified subsequently to income			
Translation gains (losses) from net foreign investments		(32)	51
Total other comprehensive income (loss)		**(384)**	**123**
Total comprehensive income		**1,359**	**393**

	Three months ended March 31	
	2019	**2018**
Excess of revenues over expenses attributable to:		
WSIB stakeholders	1,560	268
Non-controlling interests	183	2
	1,743	**270**
Total comprehensive income attributable to:		
WSIB stakeholders	1,179	386
Non-controlling interests	180	7
	1,359	**393**

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

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

		Three months ended March 31	
	Note	**2019**	**2018**
Reserves (deficit)			
Balance at beginning of period		1,056	(792)
Effect of initial application of IFRS 16	4	(8)	-
Adjusted balance at beginning of period		1,048	(792)
Excess of revenues over expenses		1,560	268
Balance at end of period		**2,608**	**(524)**
Accumulated other comprehensive income			
Balance at beginning of period		428	82
Remeasurements of employee benefit plans	11	(352)	72
Translation gains (losses) from net foreign investments		(29)	46
Balance at end of period		**47**	**200**
Net assets (unfunded liability) attributable to WSIB stakeholders		**2,655**	**(324)**
Non-controlling interests			
Balance at beginning of period		3,158	3,228
Excess of revenues over expenses		183	2
Translation gains (losses) from net foreign investments		(3)	5
Change in ownership share in investments		(60)	(4)
Balance at end of period		**3,278**	**3,231**
Total net assets		**5,933**	**2,907**

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

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

		Three months ended March 31	
	Note	**2019**	**2018**
Operating activities:			
Total comprehensive income		1,359	393
Adjustments:			
Amortization of net discount on investments		(8)	(5)
Depreciation and amortization of property, equipment and intangible assets		13	11
Changes in fair value of investments		(1,794)	135
Changes in fair value of investment properties		(5)	(18)
Translation (gains) losses from net foreign investments		32	(51)
Dividend income from public equity securities		(151)	(103)
Income from investments in associates and joint ventures		(18)	(22)
Interest income		(46)	(45)
Interest expense		2	2
Total comprehensive income (loss) after adjustments		(616)	297
Changes in non-cash balances related to operations:			
Receivables and other assets, excluding those related to investing activities		64	(62)
Payables and other liabilities, excluding those related to investing and financing activities		(221)	(81)
Loss of Retirement Income Fund liability		72	(2)
Employee benefit plans liability	11	358	(55)
Benefit liabilities	13	82	32
Total changes in non-cash balances related to operations		355	(168)
Net cash provided (required) by operating activities		**(261)**	**129**
Investing activities:			
Dividends received from public equity securities, associates and joint ventures		152	104
Interest received		23	21
Purchases of property, equipment and intangible assets		(6)	(5)
Purchases of investments		(3,815)	(4,258)
Proceeds on sales and maturities of investments		4,216	3,637
Net additions to investment properties		(10)	(10)
Net dispositions (additions) to investments in associates and joint ventures		8	(121)
Net cash provided (required) by investing activities		**568**	**(632)**
Financing activities:			
Net contributions (distributions) related to non-controlling interests		(33)	9
Distributions paid by subsidiaries to non-controlling interests		(27)	(13)
Net issuance (repayment) of debt and lease liabilities		(1)	1
Interest paid on debt and lease liabilities		(2)	(2)
Net cash required by financing activities		**(63)**	**(5)**
Net increase (decrease) in cash and cash equivalents		**244**	**(508)**
Cash and cash equivalents, beginning of period		2,538	2,586
Cash and cash equivalents, end of period		**2,782**	**2,078**

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

Notes to Condensed Interim Consolidated Financial Statements
March 31, 2019
Unaudited

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Notes to Condensed Interim Consolidated Financial Statements
March 31, 2019
Unaudited

1. Nature of operations

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

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

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

2. Statement of compliance

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

These unaudited condensed interim consolidated financial statements should be read in conjunction with the annual information available in the consolidated financial statements and the accompanying notes for the year ended December 31, 2018. Except as noted in note 3 and 4, these unaudited condensed interim consolidated financial statements have been prepared on a basis consistent with the policies and methods outlined in the notes to the consolidated financial statements for the year ended December 31, 2018.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the WSIB's Board of Directors on June 20, 2019.

3. Significant accounting policies, estimates and assumptions

Use of estimates and assumptions

The WSIB is required to apply judgment when making estimates and assumptions that affect the reported amounts recognized in these unaudited condensed interim consolidated financial statements. The estimates and assumptions that are significant in these unaudited condensed interim consolidated financial statements are the same as those applied in the annual information provided in the consolidated financial statements for the year ended December 31, 2018, except for the new significant judgments and key source of estimation uncertainty related to IFRS 16 *Leases* ("IFRS 16") described below.

Judgments and estimates required in the application of IFRS 16 include whether a contract (or part of a contract) includes a lease, determining whether it is reasonably certain that an extension or termination option will be exercised and estimation of the lease term, determination of the appropriate discount rate to discount the lease payments, and an assessment of whether the right-of-use asset is impaired.

Notes to Condensed Interim Consolidated Financial Statements
March 31, 2019
Unaudited

4. Changes in accounting standards

(a) Standards and amendments adopted during the current year

IFRS 16 *Leases*

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

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

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

Impact of transition to IFRS 16

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

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5. Receivables and other assets

Receivables and other assets are comprised of the following:

	March 31 2019	**December 31 2018**
Premium receivables	267	340
Accrued premium receivables	402	473
Less: Allowance for doubtful accounts	(150)	(140)
Net premium receivables	**519**	**673**
Investment receivables[1]	309	376
Total receivables	**828**	**1,049**
Other assets[2]	521	431
Total receivables and other assets	**1,349**	**1,480**

1. Investment receivables include $22 (December 31, 2018 – $22) which are expected to be received over a period of more than one year.
2. Other assets include employer incentive program surcharges of $415 (December 31, 2018 – $356) which are expected to be received over a period of more than one year.

Notes to Condensed Interim Consolidated Financial Statements
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Unaudited

6. Net investment income

Net investment income by nature of invested assets for the three months ended March 31 is as follows:

	Three months ended March 31	
	2019	**2018**
Cash and cash equivalents	4	2
Public equity securities	1,276	255
Fixed income securities	155	45
Derivative financial instruments	502	(518)
Investment properties	18	32
Investments in associates and joint ventures	18	22
Other invested assets		
Investment funds	80	231
Infrastructure related investments	(12)	-
Real estate related investments	(7)	3
Less: Income attributable to Loss of Retirement Income Fund	(89)	(4)
Investment income	**1,945**	**68**
Less: Investment expenses[1]	(64)	(54)
Net investment income	**1,881**	**14**

1. Includes $33 of management fees paid to investment managers for the three months ended March 31, 2019 (2018 – $37).

Notes to Condensed Interim Consolidated Financial Statements
March 31, 2019
Unaudited

7. Fair value measurement and disclosures

Fair value hierarchy

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

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

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

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

Notes to Condensed Interim Consolidated Financial Statements
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Unaudited

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

	March 31, 2019				December 31, 2018[3]			
	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]	841	1,941	-	**2,782**	1,028	1,510	-	**2,538**
Public equity securities	13,854	61	-	**13,915**	12,493	55	-	**12,548**
Fixed income securities	-	7,617	-	**7,617**	-	7,634	-	**7,634**
Derivative assets	84	164	-	**248**	65	94	-	**159**
Investment properties	-	-	1,425	**1,425**	-	-	1,412	**1,412**
Other invested assets								
Investment funds	-	-	7,537	**7,537**	-	-	8,032	**8,032**
Infrastructure related investments	-	-	398	**398**	-	-	412	**412**
Real estate related investments	-	-	480	**480**	-	-	485	**485**
Derivative liabilities	(23)	(156)	-	**(179)**	(72)	(376)	-	**(448)**
Assets and liabilities for which fair value is disclosed								
Investment receivables[1]	-	309	-	**309**	-	376	-	**376**
Administration payables[1]	(347)	-	-	**(347)**	(336)	-	-	**(336)**
Investment payables[1]	-	(57)	-	**(57)**	-	(341)	-	**(341)**
Long-term debt[2]	-	(69)	-	**(69)**	-	(66)	-	**(66)**
Loss of Retirement Income Fund liability	-	-	(1,939)	**(1,939)**	-	-	(1,867)	**(1,867)**

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

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

During the three months ended March 31, 2019 and March 31, 2018, there were no transfers between Level 1 and Level 2.

Notes to Condensed Interim Consolidated Financial Statements
March 31, 2019
Unaudited

Level 3 fair value measurements

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

For the three months ended March 31, 2019	Other invested assets: Investment funds	Infrastructure related investments	Real estate related investments	Subtotal	Investment properties	Total
Balance as at January 1, 2019	8,032	412	485	8,929	1,412	10,341
Net gains (losses) recognized in net investment income	(78)	3	(6)	(81)	4	(77)
Foreign translation losses recognized in other comprehensive loss	(17)	(17)	-	(34)	-	(34)
Purchases or asset acquisition	117	-	1	118	-	118
Sales or disposals	(517)	-	-	(517)	-	(517)
Capital expenditures	-	-	-	-	9	9
Balance as at March 31, 2019	**7,537**	**398**	**480**	**8,415**	**1,425**	**9,840**
Changes in unrealized gains (losses) included in earnings for assets and liabilities for positions still held	**(133)**	**(14)**	**(6)**	**(153)**	**4**	**(149)**

For the three months ended March 31, 2018	Other invested assets: Investment funds	Infrastructure related investments	Real estate related investments	Subtotal	Investment properties	Total
Balance as at January 1, 2018	6,714	399	456	7,569	1,340	8,909
Net gains (losses) recognized in net investment income	219	(30)	3	192	18	210
Foreign translation gains recognized in other comprehensive income	20	31	-	51	-	51
Purchases or asset acquisition	293	-	-	293	-	293
Sales or disposals	(131)	-	-	(131)	-	(131)
Capital expenditures	-	-	-	-	10	10
Transfers into Level 3	-	361	-	361	-	361
Balance as at March 31, 2018	**7,115**	**761**	**459**	**8,335**	**1,368**	**9,703**
Changes in unrealized gains included in earnings for assets and liabilities for positions still held	**232**	**2**	**3**	**237**	**18**	**255**

For the three months ended March 31, 2019, there were no transfers between Level 2 and Level 3.

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

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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	March 31, 2019 Range of inputs Low	March 31, 2019 Range of inputs High	December 31, 2018 Range of inputs Low	December 31, 2018 Range of inputs High
Investment funds	Net asset value	Net asset value	n/a	n/a	n/a	n/a
Infrastructure related investments	Discounted cash flow and market comparable	Discount rate and expected future cash flows	n/a	n/a	n/a	n/a
Real estate related investments and investment properties	Discounted cash flow and market comparable	Discount rate	4.8%	7.8%	4.8%	7.8%
		Terminal capitalization rate	4.3%	7.0%	4.3%	7.0%
Loss of Retirement Income Fund liability	Net asset value	Net asset value	n/a	n/a	n/a	n/a

Sensitivity of Level 3 financial instruments

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

Fair values of infrastructure related investments are based on valuations obtained from investment managers. The WSIB assesses the reasonableness of these fair values based on periodic appraisals performed by independent qualified appraisers. The valuations of infrastructure related investments obtained from investment managers are based on comparable transactions in the market and discounted cash flow models using unobservable inputs such as discount rates, terminal values and expected future cash flows. Holding other factors constant, an increase to terminal values or expected future cash flows would tend to increase the fair value, while an increase in the discount rate would have the opposite effect.

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

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

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

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8. Property, equipment and intangible assets

	Property and Equipment				Intangible Assets		
	Land	Buildings[1]	Leasehold improvements	Office and computer equipment	Internally developed software	Acquired software	Total
Cost							
Balance as at December 31, 2017	**40**	**102**	**19**	**23**	**236**	**8**	**428**
Additions	-	-	1	3	24	-	28
Balance as at December 31, 2018	**40**	**102**	**20**	**26**	**260**	**8**	**456**
Adjustments[2]	-	71	-	-	-	-	71
Additions	-	-	-	-	6	-	6
Balance as at March 31, 2019	**40**	**173**	**20**	**26**	**266**	**8**	**533**
Accumulated depreciation and amortization							
Balance as at December 31, 2017	-	**32**	**15**	**22**	**55**	**2**	**126**
Depreciation and amortization	-	3	2	1	35	2	43
Balance as at December 31, 2018	-	**35**	**17**	**23**	**90**	**4**	**169**
Adjustments[2]	-	41	-	-	-	-	41
Depreciation and amortization	-	2	-	-	10	1	13
Balance as at March 31, 2019	-	**78**	**17**	**23**	**100**	**5**	**223**
Carrying amounts							
At December 31, 2018	**40**	**67**	**3**	**3**	**170**	**4**	**287**
At March 31, 2019	**40**	**95**	**3**	**3**	**166**	**3**	**310**

1. Buildings include right-of-use assets of $30, net of accumulated depreciation of $41.
2. Adjustments related to the initial application of IFRS 16.

The carrying amount for internally developed software as at March 31, 2019 includes $28 of costs (December 31, 2018 – $25) for software that was not yet available for use and therefore was not yet subject to amortization.

The WSIB has determined that there was no impairment of property, equipment and intangible assets during the three months ended March 31, 2019.

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9. Payables and other liabilities

	March 31 2019	December 31 2018
Administration payables	347	336
Investment payables	57	341
Other liabilities	699	927
Total payables and other liabilities	**1,103**	**1,604**

Payables are expected to be paid within 12 months from the reporting date. As at March 31, 2019, other liabilities include experience rating refunds of $660 (December 31, 2018 – $779) which are expected to be paid over the next two years.

10. Long-term debt and lease liabilities

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

	March 31 2019	December 31 2018
Mortgages payable	70	70
Lease liabilities	82	46
Less: Current portion	(5)	(2)
	147	**114**

11. Employee benefit plans

Employee benefit plans expense

The cost of the employee benefit plans recognized in administration and other expenses for the three months ended March 31 is as follows:

	Pension plans		Other benefits		Total	
For the three months ended March 31	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Current service cost	26	28	4	5	30	33
Net interest on the employee benefit plans liability	8	8	7	7	15	15
Long-term employee benefit losses	-	-	2	1	2	1
Employee benefit plans expense	**34**	**36**	**13**	**13**	**47**	**49**

Amounts recognized in other comprehensive income (loss) for the three months ended March 31 are as follows:

	Pension plans		Other benefits		Total	
For the three months ended March 31	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Actuarial gains (losses) arising from:						
Financial assumptions	(420)	66	(83)	22	(503)	88
Plan experience	-	1	-	(1)	-	-
Return on plan assets excluding interest income	151	(16)	-	-	151	(16)
Remeasurements of employee benefit plans	**(269)**	**51**	**(83)**	**21**	**(352)**	**72**

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Employee benefit plans liability

The employee benefit plans liability is comprised of the following:

	Pension plans		Other benefits		Total	
	Mar. 31 2019	**Dec. 31 2018**	**Mar. 31 2019**	**Dec. 31 2018**	**Mar. 31 2019**	**Dec. 31 2018**
Present value of obligations[1]	4,336	3,880	832	744	5,168	4,624
Fair value of plan assets	(3,386)	(3,200)	-	-	(3,386)	(3,200)
Employee benefit plans liability	**950**	**680**	**832**	**744**	**1,782**	**1,424**

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

12. Premium revenues

A summary of premiums for the three months ended March 31 is as follows:

	Three months ended March 31	
	2019	**2018**
Gross Schedule 1 premiums	882	1,224
Bad debts	(20)	(13)
Interest and penalties	16	15
Other income	1	1
Schedule 1 employer premiums	**879**	**1,227**
Schedule 2 employer administration fees	21	23
Premiums	**900**	**1,250**
Net mandatory employer incentive programs	(24)	(37)
Net premiums	**876**	**1,213**

13. Benefit liabilities

Benefit liabilities are comprised of the following:

	March 31 2019	**December 31 2018**
Loss of earnings	8,594	8,523
Workers' pensions	5,668	5,731
Health care	4,305	4,254
Survivor benefits	3,108	3,091
Future economic loss	952	982
External providers	96	94
Non-economic loss	287	285
Long latency occupational diseases	2,410	2,384
Claim administration costs	1,344	1,338
Loss of Retirement Income	528	528
Benefit liabilities	**27,292**	**27,210**

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14. Commitments and contingent liabilities

(a) Investment commitments

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

	March 31 2019	December 31 2018
Investment funds, infrastructure and real estate related investments	2,508	2,188
Investments in associates and joint ventures	79	80
Purchases or development of investment properties	29	32
Total investment commitments	**2,616**	**2,300**

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

(b) Legislated obligations and funding commitments

Known commitments related to legislated obligations and funding commitments as at March 31, 2019 were approximately $272 for the period from April 1, 2019 to March 31, 2020.

(c) Legal actions

The WSIB is engaged in various legal proceedings and claims that have arisen in the ordinary course of business, the outcome of which is subject to future resolution. Based on information currently known to the WSIB, management believes the probable ultimate resolution of all existing legal proceedings and claims will not have a material effect on the WSIB's financial position.

15. Related party transactions

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

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 *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 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 three months ended March 31, 2019 was $62 (2018 – $69) and is included in legislated obligations and funding commitments expenses.

In addition to the above, the unaudited condensed interim 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 as at March 31, 2019 are $1,387 of marketable fixed income securities issued by the Government of Ontario and related entities (December 31, 2018 – $1,376).

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

Investment Management Corporation of Ontario ("IMCO")

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

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

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

Employee benefit plans

The WSIB's defined benefit pension plans and the other benefit plans are considered related parties. Note 11 provides details of transactions with these employee benefit plans.