Workplace Safety and Insurance Board

Third Quarter 2020 Results

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Message from the Chair and President and CEO

The COVID-19 pandemic continues to have a dramatic impact on the way we live and work. We continue to support people who have experienced a work-related injury or illness and businesses to do everything we can to help during this difficult time. We are also doing our part to improve workplace health and safety for all Ontarians.

Throughout Q3 we provided updates on various pandemic response measures and introduced additional supports for those we serve based on the evolving situation. At our Annual General Meeting we announced premium rate stability –businesses will pay the same rate in 2021 that they paid in 2020 – a prudent approach that will help businesses while protecting coverage for Ontarians.

The premium rate stability builds on our financial relief package that allowed Ontario employers to defer reporting and payment of premiums from March to August 2020. To help further reduce the financial burden, we also informed businesses that repayment of deferred premiums will not be required to begin before January 2021 and can be spread over six months without penalty or interest.

Our strong financial position has allowed us to offer this relief to businesses. We have ended Q3 with 116.6% funding on a Sufficiency Ratio basis, and we are on track to maintain full funding for the remaining months of 2020 and over the next decade.

Operationally our focus remains on improving return-to-work outcomes with some early indications of success. Our expanded online services are also helping to improve people's experiences with us, which is reflected in our customer satisfaction results.

Finally, our Health and Safety Excellence program continues in its initial year to help connect businesses with approved providers to improve health and safety results in workplaces across the province. With five topics addressing immediate pandemic-related priorities to help businesses safely resume operations and remain open, we have already achieved 97% (1,939 registrations) of our 2020 target.

The challenges raised by the pandemic have added urgency to our efforts to better support those we serve. We are determined to improve workplace health and safety, and help those who suffer a work-related injury or illness, and do so in a financially responsible and accountable way.

Elizabeth Witmer

Chair, WSIB
December 10, 2020

Thomas Teahen

President and CEO, WSIB
December 10, 2020

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Highlights this quarter

Update on impact of COVID-19

Registered claim volume │ In Q3 2020, there were 20% fewer Schedule 1 claims than in Q3 2019. Claim volume grew compared to Q2 (when there were 37% fewer claims than last year) as Ontario businesses continued to reopen over the summer, bringing claim volumes closer to pre-pandemic levels. In Q3, there were 4% fewer lost-time claims and 27% fewer no-lost-time claims.

We continued to register and allow work-related COVID-19 claims. For a COVID-19 claim to be allowed, evidence must show that the person's risk of contracting the disease through their work is greater than the risk to the public at large and that work contributed significantly to their illness. To determine the work-relatedness of COVID-19 claims, we look at details such as the person's employment activities, their symptoms and whether they have a diagnosis of COVID-19.

In Q3, we registered just over 2,000 COVID-19-related claims, down from nearly 7,000 in Q2. The highest numbers of COVID-19 claims continued to come from the health care sector, followed by agriculture. There have been fewer work-related COVID-19 claims during the ongoing second wave compared to total case counts than in the spring. We will continue to monitor this situation moving forward.

Claim durations │ Claim durations, or the amount of time a person with a workplace injury or illness continues to require benefits, have not been significantly affected by the pandemic to date.

Our shortest-term duration, three months, has shown some improvement due to work-related COVID-19 claims, as these claims tend to be resolved quickly. Only a small minority of COVID-19 claims (fewer than 10%) continue to require benefits after two months. We are also seeing some early indication that short-term duration[1] could be improving among non-COVID-19 claims as non-rolling three-month duration improved every month since May. This measure is timelier than traditional duration, which is a 12-month rolling average, but also more volatile.

Longer-term claims appear to be following normal experience patterns to date.

Stability for Ontario businesses │ At our Annual General Meeting in October, we announced that we will be holding premium rates for 2021 at 2020 levels. Our strong financial position has allowed us to offer premium rate stability to help support Ontario businesses during this difficult time. The average premium rate for 2020 and 2021 ($1.37) is 47% lower than it was in 2016 ($2.59).

In addition, businesses that chose to defer premium payments in the spring and summer will have until January 2021 to begin repaying deferred amounts. Businesses will have six months to complete repayment, without interest or penalties.

Operational highlights

Timely claim processing │ Claims processing continued to be efficient in Q3, as 96% of eligibility decisions were made within two weeks of claim registration, compared to our 91% target. Additionally, 81% of claims were paid within 15 days of us being notified of the claim, above the 60% target.

Simplifying access to claim information │ People with workplace injuries or illnesses now have the option to view claim information online. Using our new service from any device, people with claims can sign up to see their claim status, latest payments and approved benefits, as well as send us messages or upload documents to their file.

1. Our traditional duration metric is a 12-month rolling average, but non-rolling duration is based on a single period. It's timelier than rolling durations, but also subject to greater fluctuations from one period to the next, and to seasonality.

For those who needed or chose to contact us by phone, 75% of calls in Q3 were resolved on first contact, without requiring a transfer, above the target of 62%.

Positive customer satisfaction │ In Q3, 78% of people with workplace injuries or illnesses and 78% of businesses reported that they were satisfied with their overall experience with us. These results are comparable to Q2 (79% for both groups). Satisfaction is up for people with workplace injuries or illnesses and unchanged for businesses compared to Q3 2019. In Q3, 78% of those surveyed after an online transaction reported that they were satisfied, up from 61% in Q3 2019.

Results indicate that we are still able to effectively support those we serve following our switch to remote work due to COVID-19.

Financial highlights

Funded position | As at September 30, 2020, our net assets on a Sufficiency Ratio basis were $5.2 billion, an increase of $0.9 billion from $4.3 billion as at December 31, 2019. This corresponds to a Sufficiency Ratio of 116.6%, compared to 113.7% at year-end 2019. The increase mainly reflects the deferral of current period investment losses, recognition of deferred investment income from prior periods and the going concern adjustments of the employee benefit plans liability.

Premium rate reduction | Net premiums decreased $121 million, or 13.2%, compared to Q3 2019, primarily reflecting a 18.0% reduction in Schedule 1 employer premiums driven mainly by the 17.0% reduction to the published 2020 premium rates and a decrease in insurable earnings. Employers participating in the financial relief package were required to report deferred premiums by October 31, 2020, with repayment of these amounts beginning in January 2021. In lieu of employer reporting, we have compared economic reports for Ontario for September year-to-date 2020 and 2019, to estimate the impact of COVID-19 on premiums by including a 5.2% reduction in insurable earnings based on an estimated nominal GDP outlook for the year.

Investment returns | Our investment portfolio produced a 2.9% gross return during the quarter, compared to a 1.4% gross return in the same quarter last year primarily due to a positive rebound in public equity markets this quarter following the downturn experienced in Q1 2020 at the beginning of the COVID-19 pandemic. Portfolio gains in Q3 were driven predominantly by returns in public equities (6.2%), followed by diversified markets (3.7%) and public market alternatives (2.8%).

Long-term investment returns (10-year (7.3%) and 15-year (6.0%)) remain within, or above, the long-term expected range of 3.9% to 6.6%.

Liquidity and capital resources | As at September 30, 2020, we held $5,160 million of cash and cash equivalents, of which $356 million was held for operating purposes and $4,804 million was held for investing purposes.

Financial results and outlook

Results of operations

The WSIB reported total comprehensive income of $902 million for the three months ended September 30, 2020, compared to total comprehensive income of $433 million for the same period last year mainly due to the following:

- A decrease in net premiums of $121 million mainly due to lower gross Schedule 1 premiums attributable to the 17.0% reduction in the published 2020 premium rates and lower insurable earnings as well as lower interest and penalties, which have been waived during the deferral period, partially offset by higher net surcharges for mandatory employer incentive programs relating to prior years.
- An increase in net investment income of $507 million was mainly attributable to the strong performance from the public equity portfolio as it continues to rebound from the significant market depreciation in March due to the COVID-19 pandemic. The public equity portfolio posted quarterly returns of 6.2% for Q3 2020 in contrast to 1.5% for the same period in 2019. The market rebound also benefited the public market alternative and diversified market portfolios although this was partially offset by a drop in real estate investments in the current quarter.
- A decrease in claim payments of $18 million mainly due to lower health care expense.
- As expected, an increase in total administration and other expenses, before allocation to claim costs, of $18 million primarily reflecting $12 million of higher employee benefit plans expenses due to change in discount rates and $10 million of higher other expenses primarily reflecting information technology costs, partially offset by $4 million of lower salary and short-term benefits.

For the nine months ended September 30, 2020, total comprehensive loss was $1,501 million, compared to total comprehensive income of $2,192 million for the same period last year mainly due to the following:

- A decrease in net premiums of $590 million mainly due to lower gross Schedule 1 premiums attributable to the 17.0% reduction in the published 2020 premium rates and lower insurable earnings as well as lower interest and penalties, which have been waived during the deferral period, partially offset by higher net surcharges for mandatory employer incentive programs relating to prior years.
- A decrease in net investment income of $3,313 million was mainly attributable to the market downturn and instability resulting from the COVID-19 pandemic, primarily affecting the public and diversified market portfolios and, to a lesser extent, the private market portfolios, as compared to strong, above average returns in 2019.
- A decrease in claim payments of $23 million mainly due to lower health care expense and natural decline in future economic loss and workers' pension claim inventory.
- As expected, an increase in total administration and other expenses, before allocation to claim costs, of $55 million primarily reflecting $34 million of higher employee benefit plans expenses due to change in discount rates, and $22 million of higher other expenses primarily reflecting information technology costs and new initiatives as part of our transformational efforts.

Outlook

Premiums

Premium revenues are expected to continue to decrease for the rest of 2020. This expectation reflects the 17.0% reduction to the published average premium rate determined under the new premium rate-setting model and the expected adverse implications of COVID-19 on insurable earnings growth and premiums paid by employers on every $100 of insurable payroll. These implications include critical assumptions on the employment rate, average wage and nominal GDP growth rate as it applies to Ontario's economic outlook.

Net investment income

While our long-term investment return objective is planned within an expected range of 3.9% to 6.6%, we expect lower investment returns in 2020 and near-term volatility due to market and economic conditions as a result of COVID-19. We will continue to implement our Strategic Investment Plan ("SIP") in a way that permits us to take advantage of investment opportunities without exposing us to a higher level of expected volatility and corresponding investment risk over the long term.

Claim payments

Claim payments are anticipated to approximate the level of claim payments in 2019. While slowdown in economic activity may reduce claim payments related to new injuries, it may also push durations higher for existing claims thereby offsetting the effect of lower new claim volume. For certain categories such as health care, although diminished activity has the effect of deferring the majority of costs rather than eliminating them, the costs may not materialize until the following year. Consideration of these factors, together with high uncertainty in the economic outlook, leads to expectations of claim payments lower than budget.

Administration and other expenses

While administration and other expenses are anticipated to increase in 2020 compared to our 2019 actuals (reflecting increases to employee benefit plans expenses, information technology costs and salaries and short-term benefits), the WSIB is exploring both expense savings and expenditure deferral opportunities to prudently manage our cash flows.

Legislated obligations and funding commitments

Legislated obligations and funding commitments are anticipated to decrease, reflecting lower safety program rebates, partially offset by higher prevention costs of the Ministry of Labour, Training and Skills Development and higher costs for the WSIB's new Health and Safety Excellence program.

Net assets

Lower than expected premium revenues and investment returns in 2020 due to the impacts of the COVID-19 outbreak are expected to decrease our net asset position.

Liquidity

A range of stress tests are used in our liquidity assessments and a portion of assets will continue to be maintained in highly liquid government securities to ensure funds are available as required. We do not anticipate encountering difficulty in meeting payment obligations when due. In order to further mitigate liquidity risks and support the deferral of employer premiums, the WSIB established a revolving line of credit in the amount of $900 million with the Ontario Financing Authority for a 14-month period beginning in October 2020. Refer to the subsequent events note for more details.

Reconciliation of the net assets on a Sufficiency Ratio basis

As at September 30, 2020, the Sufficiency Ratio, as defined in the *Ontario Regulation 141/12* and amended by *Ontario Regulation 338/13* (collectively, the "Ontario Regulations"), was 116.6% (December 31, 2019 – 113.7%). Set forth below is the reconciliation of the net assets between the IFRS basis and Sufficiency Ratio basis:

(millions of Canadian dollars)	**September 30 2020**	**December 31 2019**
Net assets attributable to WSIB stakeholders on an IFRS basis	3,107	4,588
Add (Less): Adjustments per Ontario Regulations:		
Change in valuation of invested assets	283	(1,686)
Change in valuation of employee benefit plans liability	2,025	1,283
Change in valuation of invested assets attributable to non-controlling interests	(198)	84
Net assets attributable to WSIB stakeholders on a Sufficiency Ratio basis	**5,217**	**4,269**
Sufficiency Ratio	**116.6%**	**113.7%**

Internal control over financial reporting

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

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

	Note	September 30 2020	December 31 2019
Assets			
Cash and cash equivalents	4	5,160	3,408
Receivables and other assets	5	1,790	1,297
Public equity securities	7	12,098	14,915
Fixed income securities	7	7,686	7,728
Derivative assets	7	149	223
Investment properties	7	1,213	1,368
Investments in associates and joint ventures		2,443	2,458
Other invested assets	7	8,958	8,783
Property, equipment and intangible assets		343	356
Total assets		**39,840**	**40,536**
Liabilities			
Payables and other liabilities		1,389	1,163
Derivative liabilities	7	304	72
Long-term debt and lease liabilities		177	201
Loss of Retirement Income Fund liability		1,937	2,000
Employee benefit plans liability	8	2,564	1,971
Benefit liabilities	10	27,147	27,110
Total liabilities		**33,518**	**32,517**
Net assets			
Reserves		3,733	4,676
Accumulated other comprehensive loss		(626)	(88)
Net assets attributable to WSIB stakeholders		**3,107**	**4,588**
Non-controlling interests		3,215	3,431
Total net assets		**6,322**	**8,019**
Total liabilities and net assets		**39,840**	**40,536**

Approved by the Board of Directors

Elizabeth Witmer

Chair
December 10, 2020

Leslie Lewis

Audit and Finance Committee (Chair)
December 10, 2020

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

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

		Three months ended September 30		Nine months ended September 30	
	Note	**2020**	**2019**	**2020**	**2019**
Revenues					
Premiums	9	786	937	2,183	2,851
Net mandatory employer incentive programs	9	10	(20)	21	(57)
Net premiums		**796**	**917**	**2,204**	**2,794**
Investment income (loss)	6	1,029	515	(103)	3,165
Investment expenses	6	(73)	(66)	(231)	(186)
Net investment income (loss)		**956**	**449**	**(334)**	**2,979**
Total revenues		**1,752**	**1,366**	**1,870**	**5,773**
Expenses					
Claim payments	11	600	618	1,853	1,876
Claim administration costs	11	114	108	345	330
Change in actuarial valuation of benefit liabilities	11	15	20	37	91
Total claim costs		**729**	**746**	**2,235**	**2,297**
Loss of Retirement Income Fund contributions		14	14	42	42
Administration and other expenses	12	126	114	385	348
Legislated obligations and funding commitments		51	65	168	194
Total expenses		**920**	**939**	**2,830**	**2,881**
Excess (deficiency) of revenues over expenses		**832**	**427**	**(960)**	**2,892**
Other comprehensive income (loss)					
Item that will not be reclassified subsequently to income					
Remeasurements of employee benefit plans	8	69	10	(513)	(635)
Item that will be reclassified subsequently to income					
Translation gains (losses) from net foreign investments		1	(4)	(28)	(65)
Total other comprehensive income (loss)		**70**	**6**	**(541)**	**(700)**
Total comprehensive income (loss)		**902**	**433**	**(1,501)**	**2,192**

	Three months ended September 30		Nine months ended September 30	
	2020	**2019**	**2020**	**2019**
Excess (deficiency) of revenues over expenses attributable to:				
WSIB stakeholders	736	378	(943)	2,599
Non-controlling interests	96	49	(17)	293
	832	**427**	**(960)**	**2,892**
Total comprehensive income (loss) attributable to:				
WSIB stakeholders	806	385	(1,481)	1,906
Non-controlling interests	96	48	(20)	286
	902	**433**	**(1,501)**	**2,192**

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)

	Note	Three months ended September 30		Nine months ended September 30	
		2020	**2019**	**2020**	**2019**
Reserves					
Balance at beginning of period		2,997	3,252	4,676	1,056
Effect of initial application of IFRS 16		-	-	-	(25)
Adjusted balance at beginning of period		2,997	3,252	4,676	1,031
Excess (deficiency) of revenues over expenses		736	378	(943)	2,599
Balance at end of period		**3,733**	**3,630**	**3,733**	**3,630**
Accumulated other comprehensive income (loss)					
Balance at beginning of period		(696)	(272)	(88)	428
Remeasurements of employee benefit plans	8	69	10	(513)	(635)
Translation gain (losses) from net foreign investments		1	(3)	(25)	(58)
Balance at end of period		**(626)**	**(265)**	**(626)**	**(265)**
Net assets attributable to WSIB stakeholders		**3,107**	**3,365**	**3,107**	**3,365**
Non-controlling interests					
Balance at beginning of period		3,190	3,349	3,431	3,158
Excess (deficiency) of revenues over expenses		96	49	(17)	293
Translation losses from net foreign investments		-	(1)	(3)	(7)
Change in ownership share in investments		(71)	(21)	(196)	(68)
Balance at end of period		**3,215**	**3,376**	**3,215**	**3,376**
Total net assets		**6,322**	**6,741**	**6,322**	**6,741**

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

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

		Three months ended September 30		Nine months ended September 30	
	Note	**2020**	**2019**	**2020**	**2019**
Operating activities:					
Total comprehensive income (loss)		902	433	(1,501)	2,192
Adjustments:					
Amortization of net discount on investments		(1)	(8)	(12)	(24)
Depreciation and amortization of property, equipment and intangible assets		14	14	41	40
Changes in fair value of investments		(937)	(227)	490	(2,530)
Changes in fair value of investment properties		4	(6)	23	(14)
Translation losses (gains) from net foreign investments		(1)	4	28	65
Dividend income from public equity securities		(119)	(201)	(362)	(460)
Loss (income) from investments in associates and joint ventures		39	(42)	142	(104)
Interest income		(49)	(43)	(138)	(140)
Interest expense		2	2	7	8
Total comprehensive loss after adjustments		**(146)**	**(74)**	**(1,282)**	**(967)**
Changes in non-cash balances related to operations:					
Receivables and other assets, excluding those related to investing activities		(28)	(42)	(58)	(86)
Payables and other liabilities, excluding those related to investing and financing activities		14	77	(244)	(63)
Loss of Retirement Income Fund liability		24	10	(63)	97
Employee benefit plans liability	8	(38)	25	593	683
Benefit liabilities	10	15	20	37	91
Total changes in non-cash balances related to operations		(13)	90	265	722
Net cash provided (required) by operating activities		**(159)**	**16**	**(1,017)**	**(245)**
Investing activities:					
Dividends received from public equity securities, associates and joint ventures		155	222	426	504
Interest received		36	22	135	117
Purchases of property, equipment and intangible assets		(7)	(9)	(24)	(26)
Purchases of investments		(10,333)	(2,860)	(26,672)	(13,058)
Proceeds on sales and maturities of investments		11,110	3,012	29,167	13,497
Net dispositions (additions) to investment properties		(4)	(17)	132	(13)
Net additions to investments in associates and joint ventures		(47)	(29)	(164)	(48)
Net cash provided by investing activities		**910**	**341**	**3,000**	**973**
Financing activities:					
Net contributions (redemptions) related to non-controlling interests		(50)	15	(143)	18
Distributions paid by subsidiaries to non-controlling interests		(21)	(36)	(53)	(86)
Repayment of debt and lease liabilities		(2)	(2)	(28)	(5)
Interest paid on debt and lease liabilities		(2)	(2)	(7)	(8)
Net cash required by financing activities		**(75)**	**(25)**	**(231)**	**(81)**
Net increase in cash and cash equivalents		**676**	**332**	**1,752**	**647**
Cash and cash equivalents, beginning of period		4,484	2,853	3,408	2,538
Cash and cash equivalents, end of period		**5,160**	**3,185**	**5,160**	**3,185**

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

Notes to Condensed Interim Consolidated Financial Statements
September 30, 2020
Unaudited (millions of Canadian dollars)

1. Nature of operations

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

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

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

2. Statement of compliance

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

These unaudited condensed interim consolidated financial statements should be read in conjunction with the annual information available in the consolidated financial statements and the accompanying notes for the year ended December 31, 2019. Except as noted in note 3, these unaudited condensed interim consolidated financial statements have been prepared on a basis consistent with the policies and methods outlined in the notes to the consolidated financial statements for the year ended December 31, 2019.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the WSIB's Board of Directors on December 10, 2020.

3. Significant accounting policies, estimates and assumptions

The WSIB is required to apply judgment in its accounting policies, estimates and assumptions that affect the reported amounts recognized in these unaudited condensed interim consolidated financial statements. The accounting policies, significant estimates and assumptions that are significant in these unaudited condensed interim consolidated financial statements are consistent with those applied in the annual information provided in the consolidated financial statements for the year ended December 31, 2019.

(a) Impact of the COVID-19 pandemic

The WSIB has been closely monitoring developments related to COVID-19 and its existing and potential impact on the WSIB's results and operations.

COVID-19 presents additional measurement uncertainty in the key unobservable inputs used in assessing the fair value of certain financial instruments and investment properties. For real estate related investments, the key unobservable inputs include the discount rate and the terminal capitalization rate. For infrastructure investments, the key unobservable inputs include the discount rate and expected future cash flows.

The WSIB is required to assess if an investment in an associate or joint venture is impaired and impaired losses are incurred if, and only if, there is objective evidence of impairment. An impairment loss related to the associate or joint venture is the amount by which the carrying amount exceeds its estimated recoverable amount. The estimated recoverable amount uses management's best estimates of fair value as well as the present value of future cash flows based on current and anticipated market conditions.

Notes to Condensed Interim Consolidated Financial Statements
September 30, 2020
Unaudited (millions of Canadian dollars)

The impact of COVID-19 on the employee benefit plans liability may be reflected on the fair value of plan assets. Further, there is increased uncertainty in the present value of the pension obligation as it includes management's estimates and assumptions of compensation increases, mortality, retirement ages of employees and discount rates.

There is increased uncertainty in the estimates and assumptions used in the actuarial valuation of the benefit liability. These estimates and assumptions include claim duration, mortality rates, wage and health care escalations, general inflation, discount rates and COVID-19-related claims.

As part of the effort to help reduce the financial burden of the COVID-19 situation, the WSIB, in partnership with the Government of Ontario, offered a financial relief package allowing employers to defer premium reporting and payments until August 31, 2020, with no interest or penalties accruing during the deferral period. Employers participating in the financial relief package are required to report deferred premiums by October 31, 2020, with repayment of these amounts beginning on January 1, 2021 and be over a six-month period. Regular monthly and quarterly reporting and payment schedules resumed in September 2020 for all employers. As a result of employers electing to defer premium reporting and payments for a portion of the reporting period, there is additional uncertainty around estimates and assumptions used in the recognition of premium revenues. Furthermore, COVID-19 has introduced additional uncertainty around estimates and assumptions used in the recognition of an allowance for doubtful accounts due to the deferral and payment option. Critical assumptions used in the recognition of premium revenues and an allowance for doubtful accounts include the employment rate, average wage, and nominal GDP growth rate as it applies to Ontario's economic outlook as well as the WSIB's current and historical cash collection experience.

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

(b) Standards and amendments adopted during the current year

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 were effective for annual reporting periods beginning on or after January 1, 2020. The adoption of these amendments did not have a significant impact on the WSIB's unaudited condensed interim consolidated financial statements.

Amendments to IAS 1 *Presentation of Financial Statements* ("IAS 1") **and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*** ("IAS 8")

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

(c) Future changes in accounting standards

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

In May 2017, and amended in June 2020, the IASB issued IFRS 17, which replaces the guidance in IFRS 4 *Insurance Contracts* and establishes a comprehensive principles-based framework for the recognition, measurement and presentation of insurance contracts. The WSIB will adopt the standard on the effective date of January 1, 2023. The WSIB is currently assessing the impact of adopting this standard and expects that it will have a significant impact on the WSIB's consolidated financial statements.

Unaudited (millions of Canadian dollars)

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

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

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

4. Cash and cash equivalents

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

	September 30 2020	December 31 2019
Cash	2,717	1,270
Short-term money market securities	2,443	2,138
Total cash and cash equivalents	**5,160**	**3,408**

As at September 30, 2020, we held $5,160 of cash and cash equivalents, of which $356 was maintained for operating purposes and $4,804 was maintained for investing purposes.

5. Receivables and other assets

Receivables and other assets are comprised of the following:

	September 30 2020	December 31 2019
Premium receivables	440	357
Accrued premium receivables	380	396
Less: Allowance for doubtful accounts[1]	(140)	(139)
Net premium receivables	**680**	**614**
Investment receivables[2]	734	298
Total receivables	**1,414**	**912**
Other assets[3]	376	385
Total receivables and other assets	**1,790**	**1,297**

1. The allowance for doubtful accounts include an additional provision of $7 in consideration of the COVID-19 pandemic.
2. Investment receivables include amounts of $10 (2019 – $5) which are expected to be received over a period of more than one year.
3. Other assets include employer incentive program surcharges of $306 (2019 – $309) which are expected to be received within one year.

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6. Net investment income (loss)

Net investment income (loss) by nature of invested assets for the three months and nine months ended September 30 is as follows:

	Three months ended September 30		**Nine months ended September 30**	
	2020	**2019**	**2020**	**2019**
Cash and cash equivalents	-	5	7	13
Public equity securities	772	216	49	1,640
Fixed income securities	26	59	387	306
Derivative financial instruments	209	(25)	(711)	849
Investment properties	8	20	15	57
Investments in associates and joint ventures[1]	(39)	44	(142)	106
Other invested assets				
Investment funds	111	203	353	350
Infrastructure related investments	4	18	(16)	(5)
Real estate related investments	(17)	2	(49)	(3)
Add (Less): Loss (income) attributable to Loss of Retirement Income Fund	(45)	(27)	4	(148)
Investment income (loss)	**1,029**	**515**	**(103)**	**3,165**
Less: Investment expenses[2]	(73)	(66)	(231)	(186)
Net investment income (loss)	**956**	**449**	**(334)**	**2,979**

1. In the second quarter of 2020, the WSIB identified indicators of impairment with respect to its investment in a joint venture, accounted for using the equity method of accounting, which is a provider of ferry services between the Isle of Wight and the United Kingdom. The onset of the COVID-19 pandemic and resulting limitations to passenger travel using ferry services has resulted in reduced passenger volumes and overall financial strain. The WSIB determined the recoverable amount of the investment to approximate $140 based on the higher of value-in-use and fair value less costs to sell. An impairment loss of $39 has been included in the condensed interim consolidated statements of comprehensive income (loss).
2. Includes $27 and $97 of management fees paid to investment managers for the three months and nine months ended September 30, 2020, respectively (2019 – $38 and $97).

7. Fair value measurement and disclosures

Fair value hierarchy

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

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

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

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

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

	September 30, 2020				December 31, 2019			
	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]	2,717	2,443	-	**5,160**	1,270	2,138	-	**3,408**
Public equity securities	12,098	-	-	**12,098**	14,833	82	-	**14,915**
Fixed income securities	-	7,686	-	**7,686**	-	7,728	-	**7,728**
Derivative assets	44	105	-	**149**	54	169	-	**223**
Investment properties[2]	-	-	1,213	**1,213**	-	-	1,368	**1,368**
Other invested assets								
Investment funds	-	-	8,412	**8,412**	-	-	8,161	**8,161**
Infrastructure related investments	-	-	124	**124**	-	-	144	**144**
Real estate related investments	-	-	422	**422**	-	-	478	**478**
Derivative liabilities	(46)	(258)	-	**(304)**	(55)	(17)	-	**(72)**
Assets and liabilities for which fair value is disclosed								
Investment receivables[1]	-	734	-	**734**	-	298	-	**298**
Administration payables[1]	(317)	-	-	**(317)**	(342)	-	-	**(342)**
Investment payables[1]	-	(525)	-	**(525)**	-	(54)	-	**(54)**
Long-term debt[3]	-	(73)	-	**(73)**	-	(68)	-	**(68)**
Loss of Retirement Income Fund liability	-	-	(1,937)	**(1,937)**	-	-	(2,000)	**(2,000)**

1. The carrying amounts (less allowance for impairment) of cash and cash equivalents, investment receivables and administration and investment payables approximate their fair values.
2. Investment properties include a right-of-use asset of $10 (December 31, 2019 – $30).
3. Carrying amount as at September 30, 2020 was $70 (December 31, 2019 – $70).

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

During the three months and nine months ended September 30, 2020 and September 30, 2019, there were no transfers between levels within the hierarchy.

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Level 3 fair value measurements

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

For the three months ended September 30, 2020	Other invested assets: Investment funds	Other invested assets: Infrastructure related investments	Other invested assets: Real estate related investments	Subtotal	Investment properties	Total
Balance as at July 1, 2020	8,392	121	440	8,953	1,213	10,166
Net gains (losses) recognized in net investment income	57	3	(18)	42	(4)	38
Foreign translation losses recognized in other comprehensive income	(11)	-	-	(11)	-	(11)
Purchases	330	-	-	330	-	330
Sales	(356)	-	-	(356)	-	(356)
Capital expenditures	-	-	-	-	4	4
Balance as at September 30, 2020	**8,412**	**124**	**422**	**8,958**	**1,213**	**10,171**
Changes in unrealized gains (losses) included in earnings for assets and liabilities for positions still held	(25)	3	(18)	(40)	(4)	(44)

For the nine months ended September 30, 2020	Other invested assets: Investment funds	Other invested assets: Infrastructure related investments	Other invested assets: Real estate related investments	Subtotal	Investment properties	Total
Balance as at January 1, 2020	8,161	144	478	8,783	1,368	10,151
Net gains (losses) recognized in net investment income	177	(20)	(56)	101	(23)	78
Foreign translation losses recognized in other comprehensive income	(59)	-	-	(59)	-	(59)
Purchases	1,340	-	-	1,340	-	1,340
Sales	(1,207)	-	-	(1,207)	(150)	(1,357)
Capital expenditures	-	-	-	-	18	18
Balance as at September 30, 2020	**8,412**	**124**	**422**	**8,958**	**1,213**	**10,171**
Changes in unrealized losses included in earnings for assets and liabilities for positions still held	(111)	(21)	(56)	(188)	(23)	(211)

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For the three months ended September 30, 2019	Other invested assets: Investment funds	Other invested assets: Infrastructure related investments	Other invested assets: Real estate related investments	**Subtotal**	**Investment properties**	**Total**
Balance as at July 1, 2019	8,015	382	481	8,878	1,415	10,293
Net gains recognized in net investment income	172	12	-	184	6	190
Foreign translation losses recognized in other comprehensive income	(17)	(13)	-	(30)	-	(30)
Purchases	480	-	-	480	-	480
Sales	(638)	(148)	-	(786)	-	(786)
Capital expenditures	-	-	-	-	15	15
Balance as at September 30, 2019	**8,012**	**233**	**481**	**8,726**	**1,436**	**10,162**
Changes in unrealized gains (losses) included in earnings for assets and liabilities for positions still held	**140**	**(3)**	**-**	**137**	**6**	**143**

For the nine months ended September 30, 2019	Other invested assets: Investment funds	Other invested assets: Infrastructure related investments	Other invested assets: Real estate related investments	**Subtotal**	**Investment properties**	**Total**
Balance as at January 1, 2019	8,032	412	485	8,929	1,412	10,341
Net gains (losses) recognized in net investment income	108	11	(5)	114	14	128
Foreign translation losses recognized in other comprehensive income	(53)	(42)	-	(95)	-	(95)
Purchases	1,206	-	1	1,207	-	1,207
Sales	(1,281)	(148)	-	(1,429)	(32)	(1,461)
Capital expenditures	-	-	-	-	42	42
Balance as at September 30, 2019	**8,012**	**233**	**481**	**8,726**	**1,436**	**10,162**
Changes in unrealized gains (losses) included in earnings for assets and liabilities for positions still held	**(18)**	**(33)**	**(5)**	**(56)**	**14**	**(42)**

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

	Valuation methods	Key unobservable inputs	September 30, 2020 Range of inputs		December 31, 2019 Range of inputs	
			Low	High	Low	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%	8.0%	4.8%	7.8%
		Terminal capitalization rate	4.3%	7.3%	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. Employee benefit plans

On July 1, 2020, the WSIB Employees' Pension Plan (the "EPP") was amended to convert to a jointly sponsored pension plan ("JSPP"). The JSPP is a defined benefit pension plan that is jointly sponsored, governed, and funded by the employer and members. The WSIB and the Ontario Compensation Employees Union are the plan sponsors, and a Board of Trustees was established to administer the JSPP. The JSPP is considered a related party. There was no impact to the obligation on July 1, 2020 as a result of the amendment to the EPP. Employee contribution requirements will gradually increase until both the WSIB and employees are each contributing 50% of normal costs. Thereafter, the WSIB will only be responsible for 50% of the total costs of the EPP and its associated liability. It is estimated that the employee contributions will equal the WSIB contributions in 2029. The impact on the obligation will be reflected at the end of this phase-in period. In addition, a one-time lump-sum payment will be made by the WSIB, estimated to be in December 2020, based on the conversion valuation as of July 1, 2020.

Employee benefit plans expense

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

	Pension plans		Other benefits		Total	
For the three months ended September 30	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Current service cost	33	26	6	4	39	30
Net interest on the employee benefit plans liability	9	7	7	8	16	15
Long-term employee benefit losses	-	-	1	1	1	1
Administrative expenses	2	-	-	-	2	-
Employee benefit plans expense	**44**	**33**	**14**	**13**	**58**	**46**

	Pension plans		Other benefits		Total	
For the nine months ended September 30	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Current service cost	101	78	18	12	119	90
Net interest on the employee benefit plans liability	27	22	21	23	48	45
Long-term employee benefit losses	-	-	3	3	3	3
Administrative expenses	2	-	-	-	2	-
Employee benefit plans expense	**130**	**100**	**42**	**38**	**172**	**138**

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

	Pension plans		Other benefits		Total	
For the three months ended September 30	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Actuarial gains (losses) arising from:						
Financial assumptions	(3)	(6)	(1)	(1)	(4)	(7)
Plan experience	-	-	8	2	8	2
Return on plan assets excluding interest income	65	15	-	-	65	15
Remeasurements of employee benefit plans	**62**	**9**	**7**	**1**	**69**	**10**

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	Pension plans		Other benefits		Total	
For the nine months ended September 30	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Actuarial gains (losses) arising from:						
Financial assumptions	(354)	(697)	(66)	(138)	(420)	(835)
Plan experience	1	-	7	3	8	3
Return on plan assets excluding interest income	(101)	197	-	-	(101)	197
Remeasurements of employee benefit plans	**(454)**	**(500)**	**(59)**	**(135)**	**(513)**	**(635)**

Employee benefit plans liability

The employee benefit plans liability is comprised of the following:

	Pension plans		Other benefits		Total	
	Sep. 30 2020	**Dec. 31 2019**	**Sep. 30 2020**	**Dec. 31 2019**	**Sep. 30 2020**	**Dec. 31 2019**
Present value of obligations[1]	5,089	4,620	985	911	6,074	5,531
Fair value of plan assets	(3,510)	(3,560)	-	-	(3,510)	(3,560)
Employee benefit plans liability	**1,579**	**1,060**	**985**	**911**	**2,564**	**1,971**

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

9. Premium revenues

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

	Three months ended September 30		Nine months ended September 30	
	2020	**2019**	**2020**	**2019**
Gross Schedule 1 premiums	746	910	2,142	2,769
Bad debt recovery (expense)[1]	18	(13)	(43)	(41)
Interest and penalties	-	16	14	53
Other income	-	1	-	3
Schedule 1 employer premiums	**764**	**914**	**2,113**	**2,784**
Schedule 2 employer administration fees	22	23	70	67
Premiums	**786**	**937**	**2,183**	**2,851**
Net mandatory employer incentive programs[2]	10	(20)	21	(57)
Net premiums	**796**	**917**	**2,204**	**2,794**

1. The bad debt recovery for the three months ended September 30, 2020 was primarily driven by a change in estimate relating to allowance for doubtful accounts – refer to Note 3 (a) for additional information on estimation uncertainty.
2. Prior to January 1, 2020, Schedule 1 employers participated in mandatory employer incentive programs that may have resulted in adjustments to premium rates. Effective January 1, 2020, the WSIB transitioned to the new premium rate-setting model, which eliminates the need of such adjustments to premium rates. The amounts for the three months and nine months ended September 30, 2020 represent the net payouts for mandatory employer incentive programs that are related to previous years.

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10. Benefit liabilities

Benefit liabilities are comprised of the following:

	September 30 2020	December 31 2019
Loss of earnings	8,568	8,493
Workers' pensions	5,279	5,491
Health care	4,736	4,588
Survivor benefits	3,009	2,995
Future economic loss	779	873
External providers	101	97
Non-economic loss	310	310
Claim administration costs	1,381	1,355
Long latency occupational diseases	2,473	2,395
Loss of Retirement Income	511	513
Benefit liabilities	**27,147**	**27,110**

11. Total claim payments

Claim payments

	Three months ended September 30		Nine months ended September 30	
	2020	**2019**	**2020**	**2019**
Loss of earnings	253	256	787	761
Workers' pensions	117	117	363	368
Health care	116	130	366	406
Survivor benefits	52	53	154	159
Future economic loss	37	41	115	128
External providers	5	7	16	20
Non-economic loss	20	14	52	34
Total claim payments	**600**	**618**	**1,853**	**1,876**

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Claim administration costs

	Three months ended September 30		Nine months ended September 30	
	2020	**2019**	**2020**	**2019**
Allocation from administration and other expenses	108	102	330	312
Allocation from legislated obligations and funding commitments expenses	6	6	15	18
Total claim administration costs	**114**	**108**	**345**	**330**

Change in actuarial valuation of benefit liabilities

	Three months ended September 30		Nine months ended September 30	
	2020	**2019**	**2020**	**2019**
Change in actuarial valuation of benefit liabilities	15	20	37	91

For the nine months ended September 30, 2020, the change in actuarial valuation of benefit liabilities is detailed as follows:

Benefit liabilities as at December 31, 2019	**27,110**
Payments made in 2020 for prior injury years (including Loss of Retirement Income and claims administration costs)	(1,985)
Interest accretion[1]	924
Liabilities incurred for the 2020 injury year	1,251
Experience gains	(200)
Additional provision for health care benefits	47
Benefit liabilities as at September 30, 2020	**27,147**
Change in actuarial valuation of benefit liabilities	**37**

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 period.

12. Administration and other expenses

	Three months ended September 30		Nine months ended September 30	
	2020	**2019**	**2020**	**2019**
Salaries and short-term benefits	104	108	332	334
Employee benefit plans	58	46	172	138
Depreciation and amortization	12	12	37	36
Other	60	50	174	152
	234	**216**	**715**	**660**
Claim administration costs allocated to claim costs	(108)	(102)	(330)	(312)
Total administration and other expenses	**126**	**114**	**385**	**348**

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13. Commitments and contingent liabilities

(a) Investment commitments

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

	September 30 2020	December 31 2019
Investment funds, infrastructure and real estate related investments	3,306	2,204
Investments in associates and joint ventures	507	517
Purchases or development of investment properties	-	14
Total investment commitments	**3,813**	**2,735**

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

(b) Legislated obligations and funding commitments

Known commitments related to legislated obligations and funding commitments as at September 30, 2020 were approximately $275 for the period from October 1, 2020 to September 30, 2021.

(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.

14. Subsequent events

Credit facility

The WSIB has entered into a revolving line of credit facility in the amount of $900 million with the Ontario Financing Authority ("OFA") as of October 30, 2020. The purpose of the credit facility is to support the Employer Financial Relief Package, which allowed employers to defer premium payments due between March and August 31, 2020 with repayment to begin on January 1, 2021 and be over a six-month period. The OFA and the WSIB are related parties. The credit facility has a variable interest rate, the Three Month Ontario Treasury Bill Rate plus 3.2 basis points, with a 14-month term. The credit facility is intended to provide the WSIB with additional flexibility to manage uncertainties due to COVID-19 and its potential impacts on premium revenues, liquidity, and the investment portfolio.

Canadian Public Equity Pooled Fund ("CPE Pool")

On November 2, 2020, IMCO launched the CPE Pool as part of IMCO's Pooled Asset Management strategy which enables the WSIB and other public entities to "pool" the management of their investments. This pooling strategy creates a sufficiently large asset pool which will broaden access to other asset classes and gain more diversification. The WSIB participated in the CPE pool with other public entities transferring over $1.2 billion of assets comprised mainly of Canadian public equities, into the pool. The WSIB is still assessing the impact of the transfer but it is expected that $187 million of assets will be deconsolidated with a corresponding decrease in non-controlling interest.