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ONTARIO

2019 Economic Statement

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Message from Elizabeth Witmer, Chair and Thomas Teahen, President and CEO

On behalf of the Board of Directors of Ontario's Workplace Safety and Insurance Board (WSIB), we are pleased to present the 2019 Economic Statement. A strong financial position ensures that we can continue to serve Ontarians over the long term, and future benefits for anyone with a workplace injury or illness are protected. Our aim is to make Ontario the safest province in which to work and run a business, which is why maintaining financial sustainability is integral to the work that we do: promoting healthy and safe workplaces across the province and supporting the best return-to-work and recovery outcomes for anyone with a workplace injury or illness.

The 2019 Economic Statement delivers an overview of our major milestones and improvements in service delivery and operational results, and our financial performance over the last year. This is the second year in row that the WSIB is over 100 per cent funded, on a Sufficiency Ratio basis, and this accomplishment is due in part to the contributions made by Ontario businesses. We cannot thank Ontario's employees and employers enough for their continued support and partnership in making Ontario a safer place to work.

As a result of a continued strong financial position, we will be able to maintain and further enhance our programs and services for people who need us, make improvements to our customer experience, enhance our health and safety programs and provide Ontario businesses with a 17 per cent reduction in the average premium rate for 2020. This will result in $607 million being put back into the hands of Ontario businesses, for further investments in workplace health and safety programs and initiatives.

We are also introducing a new premium rate-setting model in 2020 that will provide greater transparency and fairness in the rate setting process. This new rate model will ensure WSIB services are provided in a financially sustainable way.

Elizabeth Witmer
Chair

Thomas Teahen
President & CEO

Highlights

Lower premium rates for 2020. Ontario businesses will see a 17 per cent reduction to the average premium rate for 2020. This is the fourth year in a row that the average premium rate has been lowered for businesses, a total reduction of $1.22 (47 per cent) from $2.59 in 2016.

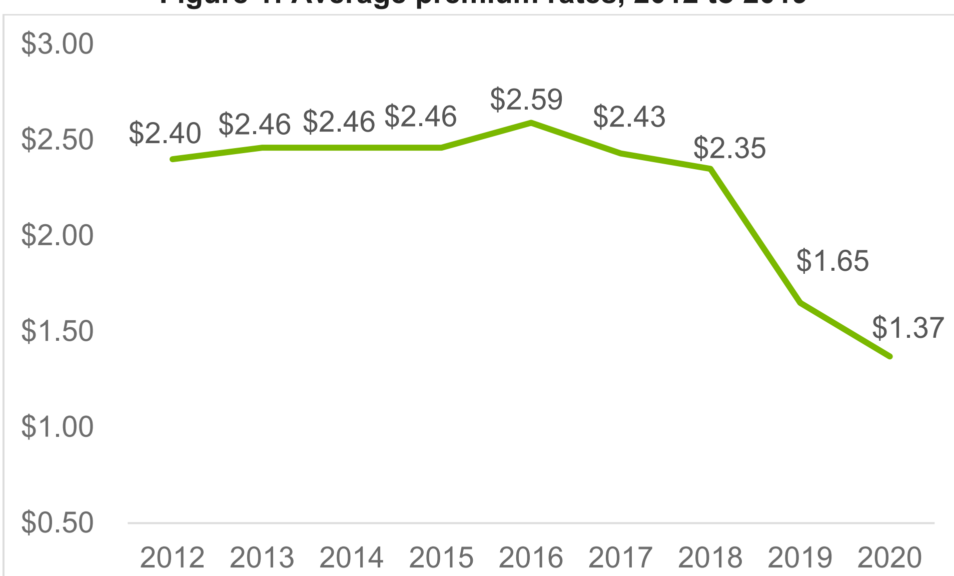
Increased fairness and transparency in premium rate setting. We are launching our new rate-setting model on January 1, 2020. Beginning in 2020, premium rates will be fairer, more transparent and will better reflect a business's individual risk and claims experience. Businesses will also be able to improve their rates with a better health and safety record.

We continue to be over 100% funded. After eliminating our Unfunded Liability (UFL) in 2018, our financial position continues to be strong. At the end of Q2 we were 110 per cent funded.

Maintaining service with higher claim volume. Like other compensation boards across the country, we have seen an increase in claim submissions over the past few years. Even though we have seen a higher number of claims coming into the WSIB, 9 in 10 eligibility decisions continue to be made within two weeks, 9 in 10 people continue to return to work with no wage loss within 12 months and 8 in 10 claims are paid within five business days of the claim being allowed.

Value for Ontarians. Once again the average premium rate was lowered in 2020 for Ontario businesses, resulting in $607 million being put back into the economy instead of going to fund the workers' compensation system. This is in addition to the $2.2 billion of savings that have come as a result of consistent rate reductions since 2017. This means more money for Ontario businesses that can be reinvested in workplace health and safety.

Figure 1: Average premium rates, 2012 to 2019



Our new strategic focus

In our 2019 – 2021 Strategic Plan, we describe the WSIB's central focus: reducing the disruption and devastation caused by injuries and illnesses in the workplace while supporting businesses to prevent injuries and illnesses in the first place. And in the Strategic Plan we lay out four key questions to anchor our work, to ensure we are delivering true public value to Ontarians.

- Are we making Ontario a safer place to work?
- Are we improving return-to-work and recovery outcomes?
- Are we meeting our customers' needs and expectations?
- Are we providing services in a financially responsible and accountable way?

Over the past year, we have made progress in each of these four areas, which are highlighted below.

1| We are making Ontario a safer place to work

Health and Safety Index. In May 2019, we released the latest Health and Safety Index result. Based on a comprehensive set of 15 metrics, workplace health and safety has improved by 1.9 per cent in Ontario in the past year. Increased worker empowerment had the largest positive impact.

This annual index result allows Ontarians to track how well the WSIB and our system partners are achieving our goal of making the province a safer place to work. The Index ensures we are collectively accountable for increased workplace 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.

Enhancements to Compass. Compass is an online tool that allows Ontarians to view and compare the health and safety statistics of businesses across the province. It helps promote workplace health and safety and motivates employers to improve by allowing anyone to view the health and safety records of Ontario workplaces. The tool continues to be available to all Ontarians on our website and has been refreshed with 2018 data.

Starting in fall 2019, businesses will have secure login access to Compass, which has been expanded as part of our online services. Here, individual businesses can access exclusive, detailed insights about their own claims, costs, premiums and rates.

Voluntary health and safety program for workplaces. We are launching a new health and safety program that streamlines existing programs (Small Business, Safety Groups and Workwell) into one program with increased flexibility and service options for workplaces. The new program will leverage the results of the Health and Safety Index as well as other data to identify priority workplaces for a targeted approach. A roadmap will guide employers in improving their workplace health and safety, supported by a network of WSIB-approved providers responsive to the needs of businesses of different sizes and industries. Businesses that are successful in the program will earn rebates as well as recognition on Compass to highlight their investment in health and safety.

Preventing Noise Induced Hearing Loss*.* Noise in the workplace is widespread and common, however work-related noise induced hearing loss is entirely preventable. This year, we renewed our efforts to raise awareness of this critical issue in October 2018. The latest campaign helped Ontarians understand how loud is too loud, to test their hearing and to find more information on what to do about noise in the workplace.

2 | We are improving return-to-work and recovery outcomes for people with workplace injuries or illnesses in a compassionate way

Process and service enhancements. We've made improvements to provide better customer service and get people faster access to benefits and quality services. The process and service enhancements we started making in 2018 and continued into 2019 are designed to remove barriers and help get the right people doing the right work at the right time. For instance, last summer we began to better triage claims as they come in. Instead of handling all claims the same way, we now provide more personalized support to people who have recovery and return-to-work obstacles and use a team-based approach to get them the best results.

Creating occupational health hubs across Ontario. Our new Occupational Health Assessment Program (OHAP) provides assessment and case consult services for people with workplace injuries and illnesses. The new assessment program consolidates four existing services (including Regional Evaluation Centres) into one program and builds on our existing partnerships with public hospitals across Ontario. It supports better communication and coordination between health care providers, to get people the right treatment at the right time. The program helps us make sure that anyone with a workplace injury or illness receives the highest quality care, as close to home as possible.

3 | We are improving customer service

Online reconciliation for businesses. Businesses use our annual reconciliation to confirm that they have reported the correct amount of premiums. Online reconciliation became available on our website starting in early 2019. The tool includes automated calculations and links to an online reconciliation guide for assistance. Response from customers has been very positive, with 27 per cent of reconciliations processed online during the March-April 2019 reconciliation period.

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 (about 15 per cent of our businesses) were no longer required to report premiums in January, February, April and May of this year, since they now report and pay on a quarterly basis.

Improved WSIB website. This spring, we refreshed our website, and simplified our URL to wsib.ca, to make it easier to access information and for people to do business with us. We streamlined the information, services and resources available on our site, and enhanced the search capability so that important information is easier to find.

Premium reporting reminder service. In November 2018, we launched a new service that reminds businesses when it is time to report and pay their premiums. As of the start of July 2019, over 100,000 businesses received these electronic reminders, which are geared towards improving customer experience by helping businesses stay up-to-date and avoid late reporting and payment charges. The reminder service, along with other initiatives aimed at improving compliance, have led to 13 per cent fewer “premium not reported charges” year to date compared to last year.

4 | We are providing services in a financially responsible and accountable way

Uploading claim documents online. This past year, we added functionality to our website to allow people to complete and submit claim-related forms and documents online. We now accept scanned or saved PDF and Word documents, and photographs, making it easier for people to send us documents quickly and securely. Providing the option to submit documents online has improved our customer service and has reduced the time needed to process these documents, which allows us to provide better and more efficient service. And more efficient service means that we are more financially responsible.

Online address updates. In June 2019, we launched a new online address update service for businesses. The online address update service is secure, available to our customers anytime and has Google Maps integration, making it easier for businesses to keep their information up-to-date. Allowing businesses to make address changes themselves adds convenience for them and means greater efficiency in our services. Since the launch, uptake of the new tool is 32 per cent compared to traditional methods such as email and physical mail.

Developments in 2019

There were no legislative changes in the past year that would impact benefits for those with workplace injuries or illnesses. However, we continue to monitor the impact of legislative changes made during the first half of 2018 and to make improvements to our planning for and management of those claims.

Work-related Chronic Mental Stress benefits. 2019 marks the second year we have been providing support and compensation for those experiencing work-related Chronic Mental Stress (CMS), following legislation passed by the Ontario government in 2017. For our 2020 rates, we have allowed for a volume of CMS claims consistent with our actual experience from 2018, then adjusted based on forecasts and trends. Actual CMS claim volume was lower than what we had originally anticipated before the legislation came into effect

Presumptive PTSD benefits for First Responders. While the volume of work-related Chronic Mental Stress claims has been lower than anticipated since we began implementing this legislation, the opposite has been true for presumptive posttraumatic stress disorder (PTSD) claims for First Responders. In May 2018, the Ontario government expanded the list of occupations covered by the PTSD presumption to include six additional roles. In part due to the inclusion of these new roles, the number of PTSD claims has increased, as shown below.

Figure 2: PTSD claim volume

Year	Schedule 1 PTSD claims[1]	Schedule 2 PTSD claims[1]
2016	77	465
2017	96	799
2018	186	1,118
2019 YTD	114	609

The new voluntary health and safety program for workplaces that we are launching, as described earlier, includes a component that will specifically support an increase in PTSD claims. We have also been actively leading and participating in collaborations with various businesses that are aimed at supporting the understanding and awareness of mental health in the workplace. We are exploring opportunities to build relationships that support best practices in the prevention, recovery and sustained return to work for mental stress injuries.

Higher claim volume. Since 2016, we have seen a steady increase in the number of incoming and allowed claims at the WSIB. Lost-time (rather than no-lost-time) claims in particular were

[1] Includes allowed lost-time claims based on decision year. Snapshot is as of January in the following year.

more numerous. Other Canadian compensation boards reported a similar trend[2]. The increase in claim volumes exceeded employment growth, since we have also seen a rise in the lost-time injury *rate* (lost-time injuries per 100 full-time equivalent employees).

We continue to assess the causes of the increase in claim volume and review the trend with other compensation boards across the country. Potential factors may include:

- *Economic growth:* Research has found that workplace injury claim rates tend to increase during periods of economic growth when there may be a faster pace of work and longer working hours. There may be more new or less experienced people on the job and there may be a need to use more equipment, even equipment that may be older or less safe.
- *Low unemployment:* Ontario's unemployment rate has been reaching some of its lowest levels in decades. Low unemployment is linked to an inexperienced workforce, who have been found to be more vulnerable to workplace injuries.
- *Legislated increases in benefits:* While not a major impact, we have seen some increase in claim volume because of legislative changes in recent years, namely presumptive PTSD for First Responders, benefits for work-related Chronic Mental Stress and presumptive cancers for firefighters.

Higher claim volumes have a direct impact on claim costs but can also pose challenges for our claim management, as we strive to process claims and support recovery and safe return to work efficiently and effectively.

So far in 2019, registered claim volumes have remained stable overall and in Q2 we saw a decrease, the first decrease in seven quarters. It remains to be seen whether recent stabilization of claim volume is a lasting trend.

[2] Quebec, for example, experienced declining lost-time claim volume until 2015, and then increasing volume from 2016 to 2018, just like Ontario.

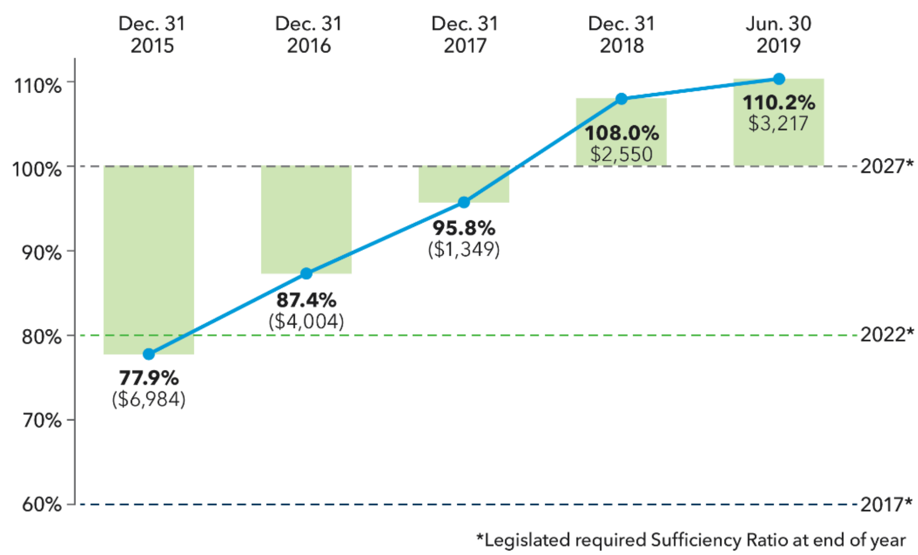
Our performance

Financial performance

Our funding position has improved over the past year in part due to positive financial and investment performance:

- So far in 2019[3], premium revenue of $1,877 million is 5 per cent higher than budget. Our insurable earnings have increased by 4 per cent compared to last year, more than anticipated, as Ontario continues to experience economic and employment growth.
- Our claim payments year to date ($1,258 million) are comfortably within budget even though they are higher than last year due to higher claim volumes and longer claim durations.
- Total administrative expenses are also well within budget. They have increased by 3 per cent compared to last year primarily due to higher fees for professional services and new initiatives as part of our transformational efforts.
- Following challenging financial markets in late 2018, markets rebounded at the start of 2019. Investment returns were -0.7 per cent in 2018, but year-to-date in 2019 they are 7.7 per cent. Our long-term (10-year) investment performance exceeded the 3.5 to 6.5 per cent target in 2018 (7.9 per cent) and year-to-date in 2019 (8.3 per cent)

Figure 3: Nets Assets on a Sufficiency Ratio basis ($M) and Sufficiency Ratios



Operational performance

We have seen improvement in some areas of our operational performance and deterioration in others where higher claim volumes may have been a factor. We will continue to closely monitor changes in our operational performance and take action to ensure the best possible outcomes for those with workplace injuries and their workplaces.

[3] 2019 performance is Q2 year to date, unless otherwise specified

- 2018 registered claim volume was 5 per cent higher than 2017, though year-to-date 2019 claim volume is only 0.6 per cent higher than last year, moving up from 104,351 to 104,939. The increase in claims in 2018 was mostly in lost-time claims, where we saw an increase of 13 per cent.
- Claim durations have increased, which means more people with claims require benefits for longer on average. For instance 3-month duration was 14.2 per cent at the end of Q2 compared to 13.2 per cent at the same time last year. 12-month duration increased to 5.8 per cent from 5.7 per cent last year.
- Despite the increase in durations, the number of claims locked in has not increased—537 claims were locked in as of Q2 2019 in comparison to 565 at the same time last year.
- The number of people who are experiencing permanent impairment from their workplace injuries or illnesses remains low. This was the case for 5.9 per cent of claims year to date, up from 5.2 per cent in 2018.

Ushering in a new premium rate model

We are introducing a new way to set premium rates for the over 300,000 Ontario businesses covered by our workplace injury and illness insurance. The new model will come into effect on January 1, 2020, and 2020 premium rates were set using our new rate model.

For 2020, the average business premium rate will be $1.37, which is 17 per cent lower than last year, and 42 per cent lower than two years ago. This significant reduction in rates is due to the planned phase out of the Past Claims Cost (PCC) component of premium rates. The PCC was collected specifically to eliminate the UFL. We expect this to be the final year that the average premium rate is substantially lower.

The new model classifies businesses using the North American Industry Classification System (NAICS), which is already used by the Canada Revenue Agency and is a North American standard. Adopting NAICS will make it easier for businesses to understand how they and other businesses are classified.

Our new model comes into effect January 1, 2020, changing the way businesses are classified, boosting fairness and increasing transparency in how premium rates are set and adjusted. Initial premium rates under the new model will be based on a business's rate group rate, claims experience, the size of their business, new NAICS classification, new projected premium rate and whether or not they were in an experience rating program previously.

The model is also prospective, which means a business's individual risk and claims experience will be incorporated into their actual premium rate. Going forward, individual businesses will be able to influence their own rates through better health and safety and return-to-work performance.

For the first time we are also sharing projected premium rate information with businesses. Projected premium rates provide the future direction of business's premium rate if there is no change in individual and class experience from year-to-year. This information will help businesses plan for the future, and make the necessary investments to their workplace health and safety efforts.

To help businesses smoothly transition to our new model, rate decreases will be applied immediately to 2020 rates, while any initial rate increases will be staggered.

The 2020 class rates for each of the 34 NAICS classes in the new model are shown below. These class rates have been set based on the collective risk profile of all of the businesses within the class and represent the class's share of responsibility to maintain the insurance fund.

Figure 4: 2020 premium rates by class

Class	Class Description	Base Premium Rate for 2020
A	Agriculture	$2.88
B	Mining, Quarrying and Oil and Gas Extraction	$2.62
C	Utilities	$0.82
D1	Educational Services	$0.34
D2	Public Administration	$3.50
D3	Hospitals	$0.87
E1	Food, Textiles and Related Manufacturing	$1.41
E2	Non-Metallic and Mineral Manufacturing	$2.15
E3	Printing, Petroleum and Chemical Manufacturing	$1.21
E4	Metal, Transportation Equipment and Furniture Manufacturing	$1.92
E5	Machinery, Electrical Equipment and Miscellaneous Manufacturing	$1.27
E6	Computer and Electronic Manufacturing	$0.28
F1	Rail, Water, Truck Transportation and Postal Service	$4.27
F2	Air, Transit, Ground Passenger, Recreational and Pipeline Transportation, Courier Services and Warehousing	$1.68
G1	Building Construction	$2.30
G2	Infrastructure Construction	$2.31
G3	Foundation, Structure and Building Exterior Construction	$4.45
G4	Building Equipment Construction	$1.84
G5	Specialty Trades Construction	$2.47
H1	Petroleum, Food, Motor Vehicle and Miscellaneous Wholesale	$1.76
H2	Personal and Household Goods, Building Materials and Machinery Wholesale	$0.82
I1	Motor Vehicles, Building Materials and Food and Beverage Retail	$1.35
I2	Furniture, Home Furnishings, Clothing and Clothing Accessories Retail	$0.81
I3	Electronics, Appliances and Health and Personal Care Retail	$0.34
I4	Specialized Retail and Department Stores	$0.93
J	Information and Culture	$0.36
K	Finance, Management and Leasing	$0.90
L	Professional, Scientific and Technical	$0.31
M	Administration, Services to Buildings, Dwellings and Open Spaces	$1.67
N1	Ambulatory Health Care	$1.36
N2	Nursing and Residential Care Facilities	$2.02
N3	Social Assistance	$1.22
O	Leisure and Hospitality	$1.05
P	Other Services	$1.51

The WSIB's Impact

By working with our partners to prevent workplace injuries and illnesses from occurring in the first place, and by supporting safe and timely return to work when they do, we are improving the lives of people across the province.

Providing services, and charging premiums, in a financially responsible and accountable way is another important source of the public value we provide to Ontarians. The more efficient we are, the better we are able to use our resources directly to support those with workplace injuries and illnesses, to help in their recovery and return to work.

The 17 per cent reduction in the average premium rate for 2020 means the over $600 million that would have gone towards funding the workers' compensation system will now remain in the economy, to be invested in jobs, business growth, new technology or in improvements to workplace health and safety. This savings to Ontario is in addition to the roughly $2.2 billion returned to the economy from the reductions made to premium rates between 2017 and 2019.

About the WSIB

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 5.5 million people in approximately 320,000 workplaces across Ontario. We also help promote health and safety in the workplace with a goal of one day having zero work-related injuries or illnesses. The WSIB is funded by employer premiums.

The WSIB:

- Invests over $30 billion in reserve to support our $30 billion in liabilities, to pay benefits for injuries that have occurred and require benefits and support in the future.
- Registered over 250,000 claims in 2018.
- Paid $2.8 billion in benefits to people injured at work or who experienced an occupational illness in 2018.
- Plays an active role in promoting workplace health and safety and in supporting and working with the Ministry of Labour and Chief Prevention Officer. And according to the Health and Safety Index, the health and safety of Ontario workplaces improved by 1.9 per cent in the past year.

Appendix 1: Funding status and path

Each year since our first Economic Statement in 2015, we have shared a financial trajectory to show our estimated timing for eliminating the UFL, and beyond, as required by legislation. As we move forward, we must be prepared to withstand possible future negative economic conditions and to ensure with enhanced assurance[4] that our insurance fund will not fall below 100 per cent funding.

The WSIB calculates estimated funding levels under two different scenarios, a Base scenario and an Adverse scenario. These funding levels assume that no new increases to benefits are legislated by the Ontario government. Should the government commit to any increases to benefits, it would add to our costs and could potentially reduce our funding levels.

Base scenario: We assume a 17.0 per cent reduction in the average business premium rate for 2020 as the Past Claims Cost component of premium rates is eliminated. Under this scenario, even with considerable rate reductions, we can achieve and maintain a stable level of funding and remain 100 per cent funded. This scenario also assumes that there are no significant economic downturns.

Adverse scenario: We assume the same premium rate reductions as the Base scenario, plus economic conditions similar to those that arose during the 2007/2008 financial crisis. These adverse conditions negatively affect both investment returns and the expected costs of incoming claims (New Claims Cost). This scenario shows that in the event of a significant economic downturn following our planned rate reductions, subsequent rate increases may be needed to ensure that we meet our Sufficiency Ratio requirements by 2027.

Original Sufficiency Plan: Forecast from our first Sufficiency Plan in 2013, for historical context.

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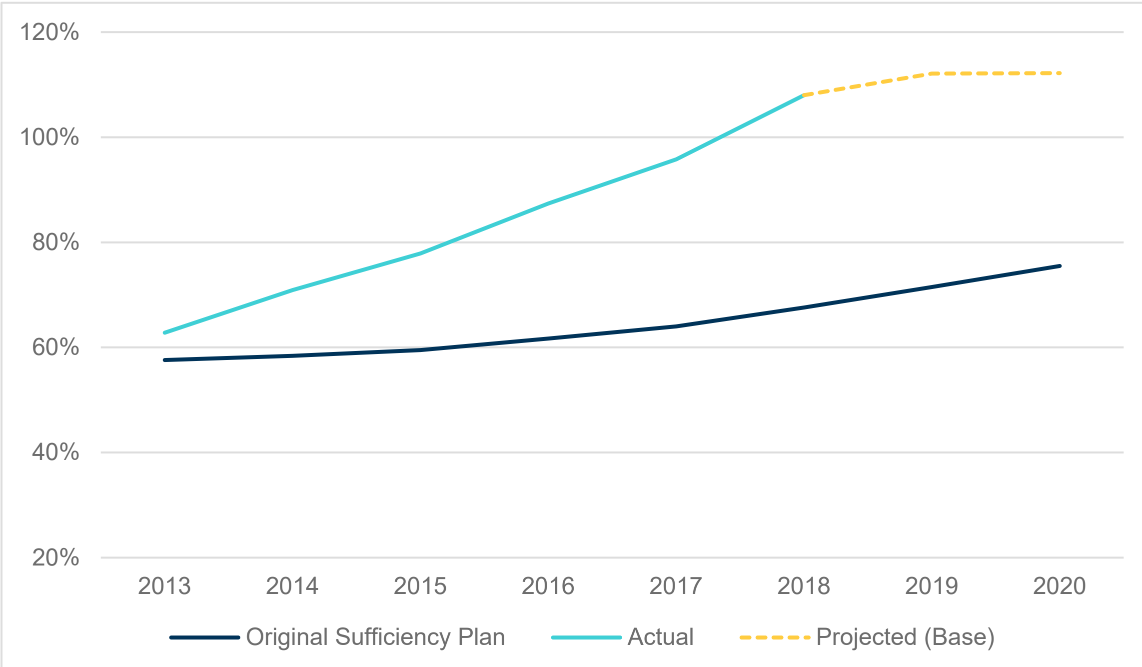
[4] Enhanced Assurance represents a high degree of confidence in achieving the regulated Sufficiency Ratio requirements and maintaining Full Funding once reached, as determined by periodic asset-liability studies, where “Full Funding” represents the level of funding sufficiency that provides a high probability that the Sufficiency Ratio will not fall below 100%.

Figure 5: Sufficiency Ratio projections



We base the estimated funding paths shown on the assumptions in the table below. The 2019 Base and Adverse scenarios differ only in forecast insurable earnings, investment returns and New Claims Cost.

Figure 6: Assumptions for estimated trajectories

Revenues	Notes* 1	2013 Original Sufficiency Plan	2019 Base scenario	2019 Adverse scenario
Average Premium Rate		$2.46	$1.65 in 2019, $1.37 in 2020-2021 (includes revenue adjustment margin[5]), $1.25 thereafter	Same as Base scenario
Insurable Earnings		3.0% growth	2.7% growth in 2019, 3.0% thereafter	2.7% growth in 2019, 3.0% in 2020, -2.5% in 2021, 0% in 2022, return to normal in 5 years (2027)
Investment Return, net		3.5% to 2017 5.5% thereafter	4.75% annually	4.75% in 2019-2020, -1% in 2021, -15% in 2022, 8.25% in 2023-2028, 4.75% thereafter
Claim Costs	2			
New Claims Cost		$1.10	$0.77 for 2019, $0.85 for 2020-2021, $0.77 thereafter	$0.77 for 2019, $0.85 for 2020, $0.935 (+10% adverse) for 2021, return to normal in 5 years (2026)
Benefit Coverage		No change	Includes coverage for work-related chronic mental stress, PTSD, presumptive cancer legislation and partial indexation rate	Same as Base scenario
Health Care Escalation		4.5%	4.0%	Same as Base scenario
Claims Duration		No improvement	Return-to-work assumption updated at 2018 year-end	Same as Base scenario
Lost Time Injury Claims		No improvement	No change	Same as Base scenario
Administration	3	Stable at $800 million then growth at 2% thereafter	Stable at $1.0 billion per year for next 5 years, then growth at 2% thereafter	Same as Base scenario

* We provide more detail on these assumptions, and how they have changed compared to the original Sufficiency Plan in Appendix 2.

[5] Revenue adjustment: Businesses will receive their projected rates for 2020 in the fall of 2019 and this will be the first time they receive both their classification and the resulting projected rates. Although employers have been classified into NAICS using the best available data, some businesses may contest their NAICS classification seeking to reduce their projected rates. Their projected rates may be reduced if the request is justified. As a result, employer-initiated reviews will reduce the amount of premiums actually received. The 2020 rates include a contingency to cover the potential cost of these revenue adjustments.

Appendix 2: Sufficiency plan update requirements

The *Workplace Safety and Insurance Act*, *1997 (Ontario)* (the "WSIA" or the "Act") requires the WSIB maintain the Insurance Fund with an amount in the fund that is sufficient to meet its obligations under the WSIA and to make payments to people injured at work and their families when necessary. The WSIB charges premiums to Ontario businesses from which we pay benefits to injured people.

Regulations that apply to the Sufficiency Ratio and the Sufficiency Plan
Ontario Regulation 141/12, which came into force on January 1, 2013, requires the WSIB to meet prescribed Sufficiency Ratios by the following dates:

- 60 per cent on or before December 31, 2017
- 80 per cent on or before December 31, 2022
- 100 per cent on or before December 31, 2027

As required by *Ontario Regulation 141/12*, we calculate our Sufficiency Ratio by dividing the value of assets, measured according to accepted accounting principles, by total liabilities, as determined by accepted practices for actuarial valuations. However, the regulations did not permit the actuarial valuation of investment assets for the purposes of the Sufficiency Ratio.

Ontario Regulation 338/13 came into force on January 1, 2014, which requires the WSIB to value both our assets and liabilities using actuarial valuations that are consistent with accepted practices for going concern valuations. We amortize investment results that differ from our long-term expected rate of return over a five-year period using straight-line amortization, thus moderating the effect of investment market volatility on our financial results. We retrospectively recalculated our Sufficiency Ratio as of January 1, 2013, the date when we first began reporting the Sufficiency Ratio, to reflect the *Ontario Regulation 338/13* methodology.

The WSIB reports the Sufficiency Ratio pursuant to these two regulations ("Sufficiency Regulation").

Sufficiency Ratio calculation methodology

The Sufficiency regulations permit the actuarial valuation of investment assets for the purposes of the Sufficiency Ratio and allow the WSIB to amortize investment gains and losses that differ from the long-term expected rate of return over a five-year period. The WSIB currently expects a long-term expected rate of return on investments of 4.75 per cent (2018 – 4.75 per cent). Amortizing the investments gains and losses that differ from the long-term expected rate of return over five years on a straight-line basis is consistent with guidance in the *Pension Benefits Act (Ontario)* and mirrors the practices of many large pension plans in Ontario.

The WSIB's Sufficiency Statement presents the Sufficiency Ratio to stakeholders on a quarterly basis. The Sufficiency Statement provides reconciliation between the consolidated statement of financial positions prepared in accordance with the International Financial Reporting Standards (IFRS) and the assets and liabilities for Sufficiency Ratio purposes. The detailed basis of measurement for the purposes of the Sufficiency Ratio under the sufficiency regulations is described below.

Assets

For the purposes of the Sufficiency Ratio calculation, the WSIB's assets consist of the total consolidated assets of the WSIB less the interests in those assets of third parties, as represented by the balance of non-controlling interest (including the assets of the WSIB Employee's Pension Plan) on an amortized basis. The investment assets used in the Sufficiency Ratio calculation are adjusted by investment gains and losses deviating from the WSIB's expected return on investments. These gains or losses are amortized over a five-year period on a straight-line basis, thereby moderating the effect of market volatility. After five years, the current period's investment gain or loss is fully recognized in the asset value.

The current unamortized balance representing the cumulative investment returns in excess of the long-term expected return since 2013 was $1,238 million at June 30, 2019 (2018 – investment loss of $423 million). This balance will fluctuate depending on the WSIB's actual investment income as compared to expectations of 4.75 per cent (2018 – 4.75 per cent) per annum and will be amortized into future income and Net Assets on a Sufficiency Ratio basis over the remaining amortization period.

Liabilities

The liabilities included in the Sufficiency Ratio are calculated as our total liabilities shown on our consolidated statements of financial position and are adjusted to reflect valuations of the Employee Benefit Plans liabilities on a going concern basis rather than a market basis.

Based on the WSIB's Sufficiency Ratio methodology under the Sufficiency regulations, the Sufficiency Ratio as at June 30, 2019 was 110.2 per cent (108.0 per cent in 2018) corresponding to a funding reserve of $3,218 million (2018 – Reserve of $2,550 million and 2017 – UFL of $1,349 million) on a Sufficiency Ratio basis. The component of premiums collected to help eliminate the UFL and our ongoing positive investment and excellent operational results have resulted in better than anticipated progress in achieving 100 per cent funding.

A reconciliation of the Net Assets (UFL) attributable to WSIB stakeholders between the International Financial Reporting Standards (the "IFRS") basis and the sufficiency basis is presented as following:

Figure 7: Reconciliation of the Net Assets (UFL) on a Sufficiency Ratio Basis

(millions of Canadian dollars)	**30-Jun 2019**	**31-Mar 2019**	**31-Dec 2018**	**31-Dec 2017**
Net Assets (UFL) attributable to WSIB stakeholders on an IFRS basis	2,980	2,655	1,484	(710)
Add/(Less): Adjustments per Sufficiency Regulations:				
Change in valuation of investment portfolio	(1,238)	(1,068)	423	(1,720)
Change in valuation of employee benefit plans liability	1,377	1,065	694	925
Change in valuation of investment portfolio attributable to non-controlling interests	98	84	(51)	156
Net Assets (UFL) attributable to WSIB stakeholders on a Sufficiency Ratio basis	3,217	2,736	2,550	(1,349)
Sufficiency Ratio	**110.2%**	**108.7%**	**108.0%**	**95.8%**

Significant Financial Risks and Mitigation Strategies

We include discussion of the significant risk factors that affect the operations of the WSIB is included in the Management's Discussion and Analysis section of the 2018 Annual Report. The WSIB believes the significant risks outlined in these reports have not changed materially.

Notes about Assumptions for Estimated Trajectories (Figure 6)

The WSIB has made the following changes to the significant assumptions for 2019 to reflect experience and our long-term outlook as summarized below.

1. Revenues

   Premium Revenue

   - We've assumed the average premium rate of $1.37 per $100 of insurable earnings for 2020. This is a significant decrease from the original Sufficiency Plan, which included an average premium rate of $2.46 per $100 of payroll. A decrease in the weighted average premium rate reflects the approved reduction of the average 2020 premium rate for Schedule 1.

- We've assumed that under the rate framework, the average premium rate will be net of employer incentive programs.
- We've assumed that under the current Base scenario there will be a 17.0 per cent reduction in the average premium rate in 2020 and taking into account the expected cost impact of work-related chronic mental stress and PTSD legislation.
- We've assumed insurable earnings will grow at 3.0 per cent in 2020 and thereafter annually (a combination of wage and employment growth). In the Adverse scenario we project a recessionary environment in which insurable earnings will grow at 3.0 per cent only in 2020 followed by a 2.5 per cent decrease in the second year, remain flat in the third and fourth year and return to normal growth in five years.

Investment Returns

- We've assumed investment returns will be 4.75 per cent in 2019 and thereafter.
- We've assumed that in the Adverse scenario there will be a 4.75 per cent return on investments from 2019 to 2020 followed by a 1.0 per cent loss in the third year, a further 15.0 per cent loss in the fourth year, then a 8.25 per cent positive return for the next five years and 4.75 per cent thereafter.

2. Benefit costs
    - We've assumed that New Claims Costs (NCC) is $0.77 per $100 of insurable earnings in 2019 and $0.85 in 2020 to 2021, and $0.77 thereafter. This is $0.33 lower than the original Sufficiency Plan due to claims experience in recent years, notwithstanding increase related to the legislative changes for work-related chronic mental stress benefits, posttraumatic stress disorder benefits, indexing of benefits and presumptive cancers for firefighters' benefits.
    - We've assumed there will be no change in benefit coverage or levels, with the exception of work-related chronic mental stress and posttraumatic stress disorder, noted above reflecting recent legislative amendments.
    - We've assumed that health care costs will grow at 4.0 per cent per year. This is a decrease from the original Sufficiency Plan of 4.5 per cent as our health care cost experience has been favourable and we expect the experience will continue.
    - We've updated duration of claims at 2018 year-end as the actuarial assumption for Return-to-work was updated for recent experience.

3. Administration
    - We've assumed administration and other expenses will increase to $1.0 billion and remain relatively stable over the next 5 years due to resource related costs and information technology transformation.
    - We've assumed CPI will grow by 2.0 per cent annually, a change from the original Sufficiency Plan of 2.5 per cent. Inflation remains steady at historical lows. We have reduced the long-term inflation target to match the Bank of Canada's long-term target.