

Workplace Safety and Insurance Board

Second Quarter 2021 Results

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Message from the Chair and President and CEO

The COVID-19 pandemic continues to heavily influence events here in Ontario and around the world. While continuing to navigate and adjust to the realities of the pandemic, our focus remains on delivering improved outcomes and better results for people who experience a work-related injury or illness, and for Ontario businesses.

This focus on results has led to the first quarterly decrease in short-term durations (the amount of time claims require benefits) since 2015-2016. Three and six-month durations decreased by 0.4 percentage points each over the quarter, to 15.7% and 10.1%, respectively. These positive early returns are an encouraging first step on our claim duration improvement path. Although decreases remain fragile, we will continue our efforts to ensure stabilization will be maintained moving forward.

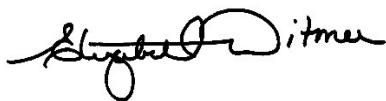
Another significant milestone result was achieved this quarter as we marked one year since the launch of online services for people with claims. Over 30,000 people have signed up and benefitted from being able to view their claim information, including latest payments and approved benefits, submit documents straight to their file and send us a message at any time.

In Q2, our Health and Safety Excellence program delivered its largest quarterly rebate payout since its launch. More than 200 businesses earned over \$3.2 million in rebates this quarter by strengthening their health and safety programs.

This quarter also saw the conclusion of the repayment period for all businesses that participated in our COVID-19 financial relief program. As part of our commitment to support businesses coping with the impacts of the pandemic, help remains available for those requiring longer repayment terms.

Finally, we continued to achieve strong financial results in Q2 with a Sufficiency Ratio of 119.5% as of June 30, 2021 and investment returns of 4.2%.

The WSIB team has remained steadfast in our efforts to make Ontario a safer place to work and improve outcomes for those with work-related injuries and illnesses, while providing support to those we serve throughout the pandemic. As Ontario continues to reopen, we look forward to starting to return to our offices in the fall and being able to help people both digitally and in person again soon.



Elizabeth Witmer
Chair, WSIB
September 23, 2021



Tom Bell
President and CEO, WSIB
September 23, 2021

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Highlights this quarter

Update on impact of COVID-19

Work-related COVID-19 claims | We experienced the rise and decline of the third wave of the COVID-19 pandemic in Ontario during Q2. There was a coinciding increase in COVID-19 claims, but there were fewer claims than during the second wave of the pandemic. We registered 6,872 COVID-19 claims across Schedule 1 businesses in Q2 and 966 across Schedule 2. This was 28% fewer Schedule 1 claims than in Q1, but 12% more than in Q2 2020. The number of COVID-19 claims declined almost steadily from early May to the end of June 2021.

While the breakdown of COVID-19 claims by industry shifted (e.g. smaller proportion of claims from healthcare and agriculture after the first wave; increasing share from manufacturing after the first wave), the breakdown by age was very similar in each wave. We did not see a higher share of claims from younger people in the third wave.

Registered claim volume | Q2 registered claim volume (Schedule 1) was 49% higher than in 2020, but it was still 7% below the pre-pandemic Q2 2019 level. No-lost-time claim volume in particular remained 23% below Q2 2019, though lost-time claim volume was nearly one-third (31%) higher than Q2 2019 level because most COVID-19 claims are lost-time.

We will be closely monitoring claim volumes as pandemic-related restrictions on businesses continue to lift and the Ontario economy re-opens.

Insurable earnings above pre-pandemic level | Starting on June 11, restrictions put in place during the third wave began to ease as the province moved into stage one of its reopening plan. Employment and hours worked remained well above the low experienced in spring 2020 and insurable earnings stayed above pre-pandemic levels. 2021 year-to-date insurable earnings were an estimated 11.0% above the same period in 2020 and 3.1% above the pre-pandemic 2019 amount. Insurable earnings, together with the premium rates we charge, determine the WSIB's premium revenue. Economic and insurable earnings growth is expected during the second half of 2021.

Operational highlights

Stabilizing claim durations | We reported early signs of possible stabilization in our claim durations (the amount of time that claims continue to require benefits) in Q1 after they had increased steadily since 2016. In Q2, there was improvement in short-term durations with three and six-month durations decreasing by 0.4 percentage points each over the quarter, to 15.7% and 10.1%, respectively. This was the first quarterly decrease in these durations since 2015-2016. The improvement followed the launch of a new 120-day plan in April to address the deteriorating results. The stabilization of durations remains fragile and we will continue our efforts to improve outcomes for those with workplace injuries and illnesses moving forward.

Service timeliness maintained | We made 96% of eligibility decisions within 10 business days in Q2, above the 93% target but below the Q2 2020 result of 98%. 2020 claim volume was lower than this year, especially during Q2. Eligibility decisions were timely despite the complexity of work-related COVID-19 claims.

Payments continued to be timely, with 72% of claims paid within 15 days of the initial notification, up from 70% in Q2 2020 and above the 65% target.

Timelier appeal decisions | In Q2, 90% of appeals were resolved within six months, up from 87% in Q2 2020. The number of appeals in inventory remained elevated, at 2,235, but did decrease by over 200 appeals (8%) over the quarter. 30% of appeal issues were allowed or allowed in part in Q2, falling within the expected range of 26% to 33%.

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

Health and Safety Excellence program growing | As of June 2021, there were 2,289 businesses actively participating in the WSIB's Health and Safety Excellence program, already ahead of our 2,200 target for 2021. The total amount of rebates issued in Q2 2021, over \$3.2 million to over 200 businesses, was the highest quarterly amount since the program began in 2019.

Financial highlights

Funded position | As at June 30, 2021, our net assets on a Sufficiency Ratio basis were \$6.1 billion, an increase of \$0.6 billion from \$5.5 billion as at December 31, 2020. This corresponds to a Sufficiency Ratio of 119.5%, compared to 117.3% at year-end 2020. The increase mainly reflects recognition of current period investment gains, recognition of deferred investment income from prior periods and the going concern adjustments of the employee benefit plans liability.

Premium | Net premiums increased \$155 million, or 22.8%, compared to Q2 2020, primarily reflecting higher gross premiums in the quarter and a recovery of bad debts as we continue to collect on deferred premiums. Premiums this quarter have increased primarily due to higher insurable earnings as businesses recover to above pre-pandemic levels.

Investment returns | Our investment portfolio had a gross return of 4.2% during the quarter compared with a higher gross return of 6.7% during the same period last year. The Public Equity portfolio was the main factor in the drop in returns, despite the 6.2% return in the current quarter as the comparative quarter had a 14.3% gain. The 14.3% return was attributable to the recovery of the public equity markets which posted significant gains subsequent to Q1 2020 when losses peaked during the market downturn due to the COVID-19 pandemic.

Long-term investment returns (10-year at 7.6% and 15-year at 6.4%) remain within, or above, the long-term expected return range of 3.3% to 6.7%.

Financial results and outlook

Results of operations

The Workplace Safety and Insurance Board (the “WSIB”) reported total comprehensive income of \$1,272 million for the three months ended June 30, 2021, compared to total comprehensive income of \$1,162 million for the same period last year mainly due to the following:

- An increase in net premiums of \$155 million is mainly due to higher gross Schedule 1 premiums attributable to a higher realized average premium rate in the quarter as well as a recovery of bad debts as we continue to collect on deferred premiums. The significant increase over the same period last year is mainly due to higher insurable earnings as businesses recover to above pre-pandemic levels.
- A decrease in net investment income of \$747 million was mainly attributable to the Public Equity portfolio. The current quarter posted solid gains of 6.2%; however, this was exceeded by very strong returns of 14.3% in 2020 when equity markets experienced a rebound from the Q1 downturn when equity markets were hardest hit due to the COVID-19 pandemic. The Fixed Income, Infrastructure and Real Estate portfolios partially offset the decline in the quarterly growth rate as they turned in gains of 3.2%, 3.0% and 1.2% respectively as compared to gains of 2.3% for Fixed Income, 2.4% for Infrastructure and a loss of 1.9% for Real Estate this time last year.
- An increase in claim payments of \$41 million mainly due to higher health care expenses relative to same period last year.
- As expected, there was an increase in total administration and other expenses, before allocation to claim costs, of \$19 million primarily reflecting higher employee benefit plans expenses due to the change in the discount rate.
- A decrease in total other comprehensive loss of \$782 million primarily due to a smaller loss from the remeasurement of employee benefit plans arising from a decrease in discount rate.

For the six months ended June 30, 2021, total comprehensive income was \$1,776 million, compared to total comprehensive loss of \$2,403 million for the same period last year mainly due to the following:

- An increase in net premiums of \$196 million mainly due to higher gross Schedule 1 premiums attributable to an 11.0% increase in insurable earnings as well as a recovery of bad debts as we continue to collect on deferred premiums. This was partially offset by lower interest and penalties, which have been waived during the premium repayment deferral period that has been extended to June 2021. The significant increase in insurable earnings over the same period last year is partly due to a lower than normal Q2 2020 which was impacted by workplace shutdowns.
- An increase in net investment income of \$2,725 million was mainly attributable to the solid Public Equity return in the current year of 9.3%. In comparison, last year there was a loss of 5.7%, as equity markets were still lagging from the first quarter market decline when the COVID-19 pandemic peaked. The increase can also be attributed to the solid performance of the Diversified Markets and Public Market Alternatives portfolios which had positive returns in 2021, in contrast to the losses in 2020. Private Markets portfolios also incurred losses last year as Infrastructure and Real Estate posted a negative return whereas both portfolios posted positive returns in the current period. These increases were slightly offset by the Fixed Income portfolio which had higher returns in 2020 as compared to losses in the current period.
- An increase in claim payments of \$39 million mainly due to higher health care expenses in 2021.
- As expected, there was an increase in total administration and other expenses, before allocation to claim costs, of \$40 million primarily reflecting higher employee benefit plans expenses, depreciation and amortization and equipment and maintenance costs.
- An increase in total other comprehensive income of \$1,364 million primarily due to a gain from the remeasurement of employee benefit plans arising from an increase in discount rate of roughly 55 bps and a gain from investment return on plan assets.

Outlook

Premiums

Premium revenues are expected to increase throughout 2021. This expectation reflects a 6.7% growth in insurable earnings as a result of the vaccine rollout and expected recovery in the economy in 2021.

Net investment income

While our long-term investment return objective is planned within an expected return range of 3.3% to 6.7%, we continue to expect near-term volatility due to market and economic conditions as a result of COVID-19. We will continue to implement our Strategic Investment Plan in a way that permits us to take advantage of investment opportunities without exposing us to a higher level of volatility and corresponding investment risk.

Claim payments

Following a decline in 2020, claim payments are anticipated to grow in 2021. While the uncertainty in near term economic conditions remains high, growth is expected to resume in the second half of 2021. Due to consecutive waves of the COVID-19 pandemic extending into Q2 of 2021, claim payments for the year may finish below 2019 levels.

Administration and other expenses

Administration and other expenses are anticipated to increase in 2021 reflecting increases to information technology costs and salaries and short-term benefits, partially offset by a decrease to employee benefit plan expenses.

Legislated obligations and funding commitments

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

Net assets

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

Liquidity

A range of stress tests are used in our liquidity assessments and a portion of assets will continue to be maintained in highly liquid government securities to ensure funds are available as required. We do not anticipate encountering difficulty in meeting payment obligations when due. In order to further mitigate liquidity risks during the pandemic, the WSIB established a revolving line of credit in the amount of \$900 million with the Ontario Financing Authority for a 14-month period beginning in October 2020. As at June 30, 2021, \$400 million was drawn against the revolving line of credit, of which \$280 million has been repaid. The amount of the loan as at June 30, 2021 is \$120 million. The WSIB will continue to pay \$30 million at the beginning of each month until the loan is paid off.

Reconciliation of the net assets on a Sufficiency Ratio basis

As at June 30, 2021, the Sufficiency Ratio, as defined in the *Ontario Regulation 141/12* and amended by *Ontario Regulation 338/13* (collectively, the “Ontario Regulations”), was 119.5% (December 31, 2020 – 117.3%). Set forth below is the reconciliation of the net assets between the IFRS basis and Sufficiency Ratio basis:

(millions of Canadian dollars)	June 30 2021	December 31 2020
Net assets attributable to WSIB stakeholders on an IFRS basis	6,001	4,324
<i>Add (Less):</i> Adjustments per Ontario Regulations:		
Change in valuation of invested assets	(1,473)	(849)
Change in valuation of employee benefit plans liability	1,548	2,118
Change in valuation of invested assets attributable to non-controlling interests	42	(67)
Net assets attributable to WSIB stakeholders on a Sufficiency Ratio basis	6,118	5,526
Sufficiency Ratio	119.5%	117.3%

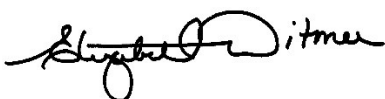
Internal control over financial reporting

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

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

	Note	June 30 2021	December 31 2020
Assets			
Cash and cash equivalents	4	2,190	4,969
Receivables and other assets	5	1,295	2,171
Public equity investments	7	14,366	12,959
Fixed income investments	7	11,355	9,302
Derivative assets	7	73	250
Investment properties	7	702	892
Investments in associates and joint ventures		2,653	2,369
Other invested assets	7	7,422	7,590
Property, equipment and intangible assets		308	335
Total assets		40,364	40,837
Liabilities			
Payables and other liabilities	10	1,413	1,696
Borrowings		120	400
Derivative liabilities	7	284	92
Long-term debt and lease liabilities		171	175
Loss of Retirement Income Fund liability		2,032	2,003
Employee benefit plans liability	8	2,009	2,735
Benefit liabilities	11	26,949	26,910
Total liabilities		32,978	34,011
Net assets			
Reserves		6,085	5,167
Accumulated other comprehensive loss		(84)	(843)
Net assets attributable to WSIB stakeholders		6,001	4,324
Non-controlling interests		1,385	2,502
Total net assets		7,386	6,826
Total liabilities and net assets		40,364	40,837

Approved by the Board of Directors



Elizabeth Witmer

Chair
 September 23, 2021



Leslie Lewis

Audit and Finance Committee (Chair)
 September 23, 2021

Workplace Safety and Insurance Board
Second Quarter 2021 Results

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

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

	Note	Three months ended June 30		Six months ended June 30	
		2021	2020	2021	2020
Revenues					
Premiums	9	843	673	1,617	1,397
Net mandatory employer incentive programs	9	(7)	8	(13)	11
Net premiums		836	681	1,604	1,408
Investment income (loss)	6	1,530	2,257	1,629	(1,132)
Investment expenses	6	(86)	(66)	(194)	(158)
Net investment income (loss)		1,444	2,191	1,435	(1,290)
Total revenues		2,280	2,872	3,039	118
Expenses					
Claim payments	12	643	602	1,292	1,253
Claim administration costs	12	138	114	263	231
Change in actuarial valuation of benefit liabilities	12	(23)	(26)	39	22
Total claim costs		758	690	1,594	1,506
Loss of Retirement Income Fund contributions		13	14	27	28
Administration and other expenses	13	136	133	273	259
Legislated obligations and funding commitments		57	47	122	117
Total expenses		964	884	2,016	1,910
Excess (deficiency) of revenues over expenses		1,316	1,988	1,023	(1,792)
Other comprehensive income (loss)					
Item that will not be reclassified subsequently to income					
Remeasurements of employee benefit plans	8	(24)	(775)	812	(582)
Item that will be reclassified subsequently to income					
Translation losses from net foreign investments		(20)	(51)	(59)	(29)
Total other comprehensive income (loss)		(44)	(826)	753	(611)
Total comprehensive income (loss)		1,272	1,162	1,776	(2,403)

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Excess (deficiency) of revenues over expenses attributable to:				
WSIB stakeholders	1,264	1,773	918	(1,679)
Non-controlling interests	52	215	105	(113)
	1,316	1,988	1,023	(1,792)
Total comprehensive income (loss) attributable to:				
WSIB stakeholders	1,222	952	1,677	(2,287)
Non-controlling interests	50	210	99	(116)
	1,272	1,162	1,776	(2,403)

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 June 30		Six months ended June 30	
		2021	2020	2021	2020
Reserves					
Balance at beginning of period		4,821	1,224	5,167	4,676
Excess (deficiency) of revenues over expenses		1,264	1,773	918	(1,679)
Balance at end of period		6,085	2,997	6,085	2,997
Accumulated other comprehensive income (loss)					
Balance at beginning of period		(42)	125	(843)	(88)
Remeasurements of employee benefit plans	8	(24)	(775)	812	(582)
Translation losses from net foreign investments		(18)	(46)	(53)	(26)
Balance at end of period		(84)	(696)	(84)	(696)
Net assets attributable to WSIB stakeholders		6,001	2,301	6,001	2,301
Non-controlling interests					
Balance at beginning of period		1,387	3,094	2,502	3,431
Excess (deficiency) of revenues over expenses		52	215	105	(113)
Translation losses from net foreign investments		(2)	(5)	(6)	(3)
Change in ownership share in investments		(52)	(114)	(1,216)	(125)
Balance at end of period		1,385	3,190	1,385	3,190
Total net assets		7,386	5,491	7,386	5,491

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

Second Quarter 2021 Results

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

	Note	Three months ended June 30		Six months ended June 30	
		2021	2020	2021	2020
Operating activities:					
Total comprehensive income (loss)		1,272	1,162	1,776	(2,403)
Adjustments:					
Amortization of net discount on investments		-	(3)	(1)	(11)
Depreciation and amortization of property, equipment and intangible assets		18	13	35	27
Changes in fair value of investments		(1,325)	(2,297)	(1,183)	1,427
Changes in fair value of investment properties		(5)	5	(16)	19
Translation losses from net foreign investments		20	51	59	29
Dividend income from public equity securities		(90)	(133)	(140)	(243)
Loss (income) from investments in associates and joint ventures		(69)	124	(163)	103
Interest income		(101)	(40)	(180)	(89)
Interest expense		3	2	5	5
Total comprehensive income (loss) after adjustments		(277)	(1,116)	192	(1,136)
Changes in non-cash balances related to operations:					
Receivables and other assets, excluding those related to investing activities		37	(219)	176	(30)
Payables and other liabilities, excluding those related to investing and financing activities		203	(18)	15	(258)
Loss of Retirement Income Fund liability		47	78	29	(87)
Employee benefit plans liability	7	75	803	(726)	631
Benefit liabilities	9	(23)	(26)	39	22
Total changes in non-cash balances related to operations		339	618	(467)	278
Net cash provided (required) by operating activities		62	(498)	(275)	(858)
Investing activities:					
Dividends received from public equity securities, associates and joint ventures		125	152	256	271
Interest received		128	56	172	99
Purchases of property, equipment and intangible assets		(3)	(6)	(6)	(17)
Purchases of investments		(4,621)	(8,774)	(11,483)	(16,339)
Proceeds on sales and maturities of investments		4,833	10,436	10,025	18,057
Net dispositions (additions) to investment properties		110	(6)	204	136
Net additions to investments in associates and joint ventures		(73)	(71)	(168)	(117)
Net cash provided (required) by investing activities		499	1,787	(1,000)	2,090
Financing activities:					
Net redemptions related to non-controlling interests		(36)	(95)	(1,178)	(93)
Distributions paid by subsidiaries to non-controlling interests		(16)	(19)	(38)	(32)
Repayment of debt and lease liabilities		(92)	(2)	(284)	(26)
Interest paid		(2)	(2)	(4)	(5)
Net cash required by financing activities		(146)	(118)	(1,504)	(156)
Net increase (decrease) in cash and cash equivalents		415	1,171	(2,779)	1,076
Cash and cash equivalents, beginning of period		1,775	3,313	4,969	3,408
Cash and cash equivalents, end of period		2,190	4,484	2,190	4,484

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

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

1. Nature of operations

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

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

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

2. Statement of compliance

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

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

These unaudited condensed interim consolidated financial statements were authorized for issuance by the WSIB’s Board of Directors on September 23, 2021.

3. Significant accounting policies, estimates and assumptions

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

(a) Impact of COVID-19

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

The WSIB continues to closely monitor developments related to the COVID-19 pandemic and its existing and potential impact on the WSIB’s results and operations. Increased uncertainty has and could continue to impact financial results, as the duration of the COVID-19 pandemic, the effectiveness of steps undertaken by the government and vaccine efficacy remain uncertain.

Uncertainty exists in the estimates and assumptions used by the WSIB and include, but are not limited to, the recognition of an allowance for doubtful accounts for amounts outstanding under the financial relief

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

package, the key unobservable inputs used in assessing the fair value of certain financial instruments and investment properties, the impairment assessment of investments in associates and joint ventures, the fair value of plan assets for the pension obligation and employee benefit plans, and the actuarial valuation of the benefit liabilities.

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

(b) Future changes in accounting standards

IFRS 17 Insurance Contracts (“IFRS 17”)

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

IFRS 9 Financial Instruments (“IFRS 9”)

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

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

Amendments to IAS 1 Presentation of Financial Statements (“IAS 1”)

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

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

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

Notes to Condensed Interim Consolidated Financial Statements
June 30, 2021
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4. Cash and cash equivalents

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

	June 30 2021	December 31 2020
Cash	1,259	3,182
Short-term money market securities	733	1,787
Restricted cash ¹	198	-
Total cash and cash equivalents	2,190	4,969

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

As at June 30, 2021, the WSIB held \$2,190 of cash and cash equivalents, of which \$315 was maintained for operating purposes and \$1,875 was maintained for investing purposes.

5. Receivables and other assets

Receivables and other assets are comprised of the following:

	June 30 2021	December 31 2020
Premium receivables	257	463
Accrued premium receivables	363	374
<i>Less: Allowance for doubtful accounts</i>	<i>(47)</i>	<i>(71)</i>
Net premium receivables	573	766
Investment receivables ¹	663	1,364
Total receivables	1,236	2,130
Other assets ²	59	41
Total receivables and other assets	1,295	2,171

1. Investment receivables include \$43 of loans receivable (2020 – \$16) which are expected to be received over a period of more than one year.

2. Other assets include employer incentive program refunds of \$3 (2020 – \$30) which are expected to be paid within 12 months.

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6. Net investment income (loss)

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

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Cash and cash equivalents	1	2	1	7
Public equity investments	829	1,629	1,132	(723)
Fixed income investments	268	126	(294)	361
Derivative financial instruments	212	684	450	(920)
Investment properties	12	4	31	7
Investments in associates and joint ventures ¹	69	(124)	163	(103)
Other invested assets				
Investment funds	233	81	244	242
Infrastructure related investments	(16)	(19)	(16)	(20)
Real estate related investments	(10)	(28)	(14)	(32)
<i>Add (Less):</i> Income attributable to Loss of Retirement Income Fund	(68)	(98)	(68)	49
Investment income (loss)	1,530	2,257	1,629	(1,132)
<i>Less:</i> Investment expenses ²	(86)	(66)	(194)	(158)
Net investment income (loss)	1,444	2,191	1,435	(1,290)

- During the six months ended June 30, 2021, the WSIB reversed an impairment loss related to certain of its investments in associates and joint ventures resulting from a favourable change in the estimates used to determine the recoverable amount of its investments. An impairment reversal of \$13 has been included in the consolidated statements of comprehensive income (loss) and no impairment losses were recorded on investments for the six months ended June 30, 2021. During the six months ended June 30, 2020, the WSIB recorded an impairment related to certain of its investments in associates and joint ventures as a result of the impact of the COVID-19 pandemic. The WSIB determined the recoverable amount of the impaired investments to be lower than the carrying amount. An impairment loss of \$39 had been included in the condensed interim consolidated statements of comprehensive income (loss) for the six months ended June 30, 2020.
- Includes \$30 and \$74 of management fees paid to investment managers for the three months and six months ended June 30, 2021, respectively (2020 – \$33 and \$70).

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7. Fair value measurement and disclosures

Fair value hierarchy

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

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

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

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

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

	June 30, 2021				December 31, 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets and liabilities measured at fair value								
Cash and cash equivalents ¹	1,457	733	-	2,190	3,182	1,787	-	4,969
Public equity investments								
Public equity securities	856	-	-	856	12,314	-	-	12,314
Public equity pooled funds ²	-	13,510	-	13,510	-	645	-	645
Fixed income investments	-	11,355	-	11,355	-	9,302	-	9,302
Derivative assets	24	49	-	73	93	157	-	250
Investment properties ³	-	-	702	702	-	-	892	892
Other invested assets								
Investment funds	-	-	6,930	6,930	-	-	7,081	7,081
Infrastructure related investments	-	-	87	87	-	-	103	103
Real estate related investments	-	-	405	405	-	-	406	406
Derivative liabilities	(9)	(275)	-	(284)	(29)	(63)	-	(92)
Assets and liabilities for which fair value is disclosed								
Investment receivables ¹	-	663	-	663	-	1,364	-	1,364
Administration payables ¹	(362)	-	-	(362)	(354)	-	-	(354)
Investment payables ¹	-	(688)	-	(688)	-	(987)	-	(987)
Borrowings	-	(120)	-	(120)	-	(400)	-	(400)
Long-term debt ⁴	-	(70)	-	(70)	-	(72)	-	(72)
Loss of Retirement Income Fund liability	-	-	(2,032)	(2,032)	-	-	(2,003)	(2,003)

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

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

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

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

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Level 3 fair value measurements

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

For the three months ended June 30, 2021	Other invested assets					
	Investment funds	Infrastructure related investments	Real estate related investments	Subtotal	Investment properties	Total
Balance as at April 1, 2021	6,737	103	399	7,239	808	8,047
Net gains (losses) recognized in net investment income	115	(16)	(1)	98	(3)	95
Foreign translation losses recognized in other comprehensive income	(5)	-	-	(5)	-	(5)
Purchases	695	-	7	702	-	702
Sales	(612)	-	-	(612)	(104)	(716)
Capital expenditures	-	-	-	-	1	1
Balance as at June 30, 2021	6,930	87	405	7,422	702	8,124
Changes in unrealized gains (losses) included in earnings for assets and liabilities for positions still held	(68)	(16)	(1)	(85)	5	(80)

For the six months ended June 30, 2021	Other invested assets					
	Investment funds	Infrastructure related investments	Real estate related investments	Subtotal	Investment properties	Total
Balance as at January 1, 2021	7,081	103	406	7,590	892	8,482
Net gains (losses) recognized in net investment income	(13)	(16)	(8)	(37)	8	(29)
Foreign translation losses recognized in other comprehensive income	(10)	-	-	(10)	-	(10)
Purchases	1,264	-	7	1,271	-	1,271
Sales	(1,392)	-	-	(1,392)	(200)	(1,592)
Capital expenditures	-	-	-	-	2	2
Balance as at June 30, 2021	6,930	87	405	7,422	702	8,124
Changes in unrealized gains (losses) included in earnings for assets and liabilities for positions still held	(394)	(16)	(8)	(418)	16	(402)

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For the three months ended June 30, 2020¹	Other invested assets			Subtotal	Investment properties	Total
	Investment funds	Infrastructure related investments	Real estate related investments			
Balance as at April 1, 2020	8,313	140	473	8,926	1,214	10,140
Net gains (losses) recognized in net investment income (loss)	77	(19)	(33)	25	(5)	20
Foreign translation losses recognized in other comprehensive income	(30)	-	-	(30)	-	(30)
Purchases	205	-	-	205	-	205
Sales	(441)	-	-	(441)	-	(441)
Capital expenditures	-	-	-	-	4	4
Balance as at June 30, 2020	8,124	121	440	8,685	1,213	9,898
Changes in unrealized losses included in earnings for assets and liabilities for positions still held	(28)	(21)	(32)	(81)	(5)	(86)

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

For the six months ended June 30, 2020¹	Other invested assets			Subtotal	Investment properties	Total
	Investment funds	Infrastructure related investments	Real estate related investments			
Balance as at January 1, 2020	8,161	144	478	8,783	1,368	10,151
Net gains (losses) recognized in net investment income (loss)	124	(23)	(38)	63	(19)	44
Foreign translation losses recognized in other comprehensive income	(52)	-	-	(52)	-	(52)
Purchases	742	-	-	742	-	742
Sales	(851)	-	-	(851)	(150)	(1,001)
Capital expenditures	-	-	-	-	14	14
Balance as at June 30, 2020	8,124	121	440	8,685	1,213	9,898
Changes in unrealized losses included in earnings for assets and liabilities for positions still held	(86)	(24)	(38)	(148)	(19)	(167)

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

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

	Valuation methods	Key unobservable inputs	June 30, 2021 Range of inputs		December 31, 2020 Range of inputs	
			Low	High	Low	High
Investment funds	Net asset value	Net asset value provided by administrator/manager	n/a	n/a	n/a	n/a
Infrastructure related investments	Recent transaction	None	n/a	n/a	n/a	n/a
Real estate related investments and investment properties	Discounted cash flow and market comparable	Discount rate	5.0%	8.0%	5.0%	8.0%
		Terminal capitalization rate	4.5%	7.3%	4.5%	7.3%
Loss of Retirement Income Fund liability	Net asset value	Net asset value provided by administrator/manager	n/a	n/a	n/a	n/a

Sensitivity of Level 3 financial instruments

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

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

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

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

The WSIB has not applied 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

Employee benefit plans expense

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

	Pension plans		Other benefits		Total	
	2021	2020	2021	2020	2021	2020
For the three months ended June 30						
Current service cost	44	34	7	6	51	40
Net interest on the employee benefit plans liability	11	9	8	7	19	16
Long-term employee benefit losses	-	-	-	3	-	3
Past service cost	-	-	5	-	5	-
Administrative expenses	3	-	-	-	3	-
Employee benefit plans expense	58	43	20	16	78	59
	Pension plans		Other benefits		Total	
	2021	2020	2021	2020	2021	2020
For the six months ended June 30						
Current service cost	88	68	14	12	102	80
Net interest on the employee benefit plans liability	22	18	16	14	38	32
Long-term employee benefit losses (gains)	-	-	(2)	2	(2)	2
Past service cost	(9)	-	5	-	(4)	-
Administrative expenses	6	-	-	-	6	-
Employee benefit plans expense	107	86	33	28	140	114

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

	Pension plans		Other benefits		Total	
	2021	2020	2021	2020	2021	2020
For the three months ended June 30						
Actuarial gains (losses) arising from:						
Financial assumptions	(126)	(789)	(31)	(170)	(157)	(959)
Plan experience	1	-	4	(1)	5	(1)
Return on plan assets excluding interest income	128	185	-	-	128	185
Remeasurements of employee benefit plans	3	(604)	(27)	(171)	(24)	(775)

	Pension plans		Other benefits		Total	
	2021	2020	2021	2020	2021	2020
For the six months ended June 30						
Actuarial gains (losses) arising from:						
Financial assumptions	514	(351)	138	(65)	652	(416)
Plan experience	2	1	5	(1)	7	-
Return on plan assets excluding interest income	153	(166)	-	-	153	(166)
Remeasurements of employee benefit plans	669	(516)	143	(66)	812	(582)

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Employee benefit plans liability

The employee benefit plans liability is comprised of the following:

	Pension plans		Other benefits		Total	
	Jun. 30 2021	Dec. 31 2020	Jun. 30 2021	Dec. 31 2020	Jun. 30 2021	Dec. 31 2020
Present value of obligations ¹	5,037	5,470	1,013	1,137	6,050	6,607
Fair value of plan assets	(4,041)	(3,872)	-	-	(4,041)	(3,872)
Employee benefit plans liability	996	1,598	1,013	1,137	2,009	2,735

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

9. Premium revenues

A summary of premiums for the three months and six months ended June 30 is as follows:

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Gross Schedule 1 premiums	801	697	1,542	1,396
Bad debts recovery (expense)	19	(45)	27	(61)
Interest and penalties	(2)	(2)	(2)	14
Other income	-	(1)	-	-
Schedule 1 employer premiums	818	649	1,567	1,349
Schedule 2 employer administration fees	25	24	50	48
Premiums	843	673	1,617	1,397
Net mandatory employer incentive programs ¹	(7)	8	(13)	11
Net premiums	836	681	1,604	1,408

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

10. Payables and other liabilities

	June 30 2021	December 31 2020
Administration payables	362	354
Investment payables	688	987
Short term payable – Worker Income Protection Benefit Program ¹	198	-
Experience rating refunds	29	239
Other liabilities	136	116
Total payables and other liabilities	1,413	1,696

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

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11. Benefit liabilities

Benefit liabilities are comprised of the following:

	June 30 2021	December 31 2020
Loss of earnings	8,745	8,733
Workers' pensions	5,028	5,167
Health care	4,673	4,550
Survivor benefits	3,128	3,079
Future economic loss	686	745
External providers	98	93
Non-economic loss	329	322
Claim administration costs	1,317	1,322
Long latency occupational diseases	2,435	2,385
Loss of Retirement Income	510	514
Benefit liabilities	26,949	26,910

12. Total claim payments

Claim payments

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Loss of earnings	272	272	538	534
Workers' pensions	115	122	230	244
Health care	144	98	296	249
Survivor benefits	54	52	108	104
Future economic loss	34	39	70	78
External providers	7	4	14	11
Non-economic loss	17	15	36	33
Total claim payments	643	602	1,292	1,253

Claim administration costs

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Allocation from administration and other expenses	132	111	253	222
Allocation from legislated obligations and funding commitments expenses	6	3	10	9
Total claim administration costs	138	114	263	231

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Change in actuarial valuation of benefit liabilities

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Change in actuarial valuation of benefit liabilities	(23)	(26)	39	22

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

Benefit liabilities as at December 31, 2020	26,910
Payments made in 2021 for prior injury years (including Loss of Retirement Income and claims administration costs)	(1,353)
Interest accretion ¹	609
Liabilities incurred for the 2021 injury year	940
Experience gains	(157)
Benefit liabilities as at June 30, 2021	26,949
Change in actuarial valuation of benefit liabilities	39

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

13. Administration and other expenses

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Salaries and short-term benefits	112	113	233	228
Employee benefit plans	78	59	140	114
Depreciation and amortization	16	13	32	25
Other	57	59	116	114
	263	244	521	481
Claim administration costs allocated to claim costs	(127)	(111)	(248)	(222)
Total administration and other expenses	136	133	273	259

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14. Commitments and contingent liabilities

(a) Investment commitments

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

	June 30 2021	December 31 2020
Investment funds, infrastructure and real estate related investments	4,996	3,589
Investments in associates and joint ventures	350	479
Total investment commitments	5,346	4,068

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

(b) Legislated obligations and funding commitments

Known commitments related to legislated obligations and funding commitments as at June 30, 2021 were approximately \$289 for the period from July 1, 2021 to June 30, 2022.

(c) Legal actions

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