Workplace Safety and Insurance Board

Third Quarter 2016 Report to Stakeholders

Workplace Safety and Insurance Board
Commission de la sécurité professionnelle et de l’assurance contre les accidents du travail

Management's Responsibility for Financial Reporting

The accompanying unaudited condensed interim consolidated financial statements as at and for the three and nine months ended September 30, 2016 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting,* using accounting policies consistent with International Financial Reporting Standards ("IFRS").

In this Management's Discussion and Analysis ("MD&A"), "WSIB," or the words "our," "us" or "we" refer to the Workplace Safety and Insurance Board (the "WSIB"). This MD&A is dated September 30, 2016, and all amounts herein are denominated in millions of Canadian dollars, unless otherwise stated.

The following MD&A and accompanying unaudited condensed interim consolidated financial statements, as approved by the Board of Directors of the WSIB, are prepared by management as at and for the three and nine months ended September 30, 2016.

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

Thomas Teahen
President and Chief Executive Officer
December 14, 2016
Toronto, Ontario

Pamela Steer
Chief Financial Officer

Management's Discussion and Analysis

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1. Quarter in Review

Highlights of our performance for the three and nine months ended September 30, 2016 compared to 2015.

The following MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of the WSIB as at and for the three and nine months ended September 30, 2016.

Financial highlights for the three months ended September 30, 2016 compared to the three months ended September 30, 2015:

- Total comprehensive income increased by $1,426 million to $1,312 million in the third quarter of 2016, reflecting a net investment income of $958 million and continued strong operating performance resulting from growth in premium revenues.
- Premium revenues increased $65 million or 5.6%, primarily reflecting a $62 million increase in gross premiums driven by a $52 million or 4.3% increase in insurable earnings due to strong growth in the automotive, construction, health care, manufacturing, services and transportation industries.
- The WSIB investment portfolio reflected a net investment income of $958 million, representing a positive return of 3.8% in the third quarter of 2016, an increase of $1,486 million compared to the same period in 2015. We caution readers that current investment returns are not a reflection of expected future performance and caution should be exercised in projecting investment income results into the future based on our current results.
- Benefit payments decreased $8 million or 1.4%, primarily reflecting declines in claim costs in workers' pension and future economic loss, partially offset by higher costs in loss of earnings and health care compared to the third quarter of 2015.
- Administration and other expenses, before allocation to benefit costs, increased $22 million or 12.1%, reflecting $15 million of higher bad debts expenses, $4 million of higher systems development and integration expenses and $3 million of higher other operating expenses.
- For the three months ended, other comprehensive loss was $44 million primarily due to a 15 basis point decrease in the interest rate used to value our employee benefit liabilities, partially offset by pension investment returns greater than expected.

Financial highlights for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015:

- Total comprehensive income increased by $215 million to $1,721 million in the first nine months of 2016, reflecting a net investment income of $1,246 million and continued strong operating performance resulting from growth in premium revenues. We generated positive cash flow in our business as our premium revenues exceeded our operating expenses, thereby allowing us to transfer $1,210 million of cash generated from operating activities to investments by the end of the third quarter of 2016.
- Premium revenues increased $153 million or 4.4%, primarily reflecting a $162 million increase in gross premiums driven by a $115 million or 3.2% increase in insurable earnings due to strong growth in the automotive, construction, health care, manufacturing, services and transportation industries, net of $22 million of higher net mandatory employer incentive programs expense reflecting improved return-to-work outcomes.
- The WSIB investment portfolio reflected a net investment income of $1,246 million, representing a positive return of 5.2% in the first nine months of 2016, an increase of $773 million compared to the first nine months of 2015. The return target on our investments over a rolling 10 to 15-year period was reduced from 6.0% to 5.25% effective January 1, 2016.
- Benefit payments decreased $7 million or 0.4%, primarily reflecting declines in claim costs in workers' pensions and future economic loss, partially offset by higher costs in loss of earnings and health care compared to the first nine months of 2015.

- Administration and other expenses, before allocation to benefit costs, increased $29 million or 5.1%, reflecting $8 million of higher salaries and short-term benefits, $7 million of higher systems development and integration expenses, $5 million of higher bad debts expenses, $5 million of higher depreciation and amortization expenses reflecting the implementation of the new accounts and claims management systems, $5 million of higher equipment and maintenance expenses, partially offset by $1 million of lower other operating expenses.
- For the nine months ended, other comprehensive loss was $509 million primarily due to a 75 basis point decrease in the interest rate used to value our employee benefit liabilities, partially offset by pension investment returns greater than expected.
- Our unfunded liability on a Sufficiency Ratio basis was $4,799 million as at September 30, 2016, a decrease of $2,185 million or 31.3% since December 31, 2015.

Operational highlights for the nine months ended September 30, 2016:

Increase in registered claim volume. In the first nine months of 2016, registered Schedule 1 claim volume has increased by 0.7% compared to the same period in 2015, from 144,522 to 145,504 claims. This increase was a result of higher claim volume in the third quarter, which increased from 50,676 to 52,538 claims. Both lost-time and no-lost-time claim volumes were higher in the third quarter of 2016 compared to the same period in 2015, by 5.4% and 3.0% respectively.

The lost-time injury rate has increased by 1.2%, from 0.85 injuries per 100 workers in 2015 to 0.86 in 2016. Among the largest industry sectors, automotive and manufacturing experienced the largest increases in lost-time injury rates, increasing by 7% and 4% respectively. In contrast, lost-time injury rates for the health care and transportation industries have both improved, by 4% and 2% respectively, in 2016 compared to the same period in 2015.

Long-term durations continue to improve. As of the third quarter of 2016, 24-, 48- and 72-month Schedule 1 durations have all improved compared to the same period in 2015. While 2.7% of claims remained on benefits at 24-month duration in the third quarter of 2015, this result has improved to 2.5% in 2016. Similarly, 48-month duration declined from 2.2% to 2.1%, and 72-month duration was down from 3.8% to 2.6%. These improvements were once again anticipated due to the reductions in short-term durations experienced in previous quarters.

In contrast to longer-term durations, durations of one year or less have increased in the third quarter of 2016 compared to the same quarter in 2015, particularly 3-month duration which increased from 10.8% in 2015 to 11.6% in 2016.

Positive results from the WSIB's Work Transition Program. For workers whose injuries prevent them from returning to their pre-injury job and who are considering alternative work, specialists are available to assist them in creating and completing a Work Transition plan. Year to date, 84% of Schedule 1 injured workers who completed their Work Transition plans were successful in finding employment, an increase of 5% compared to the same period in 2015. The success of this program, along with other similar services from the WSIB, have resulted in 92% of injured workers returning to work within 12 months with no wage loss in the first nine months of 2016. This percentage has been maintained at 91% or higher since early 2012.

Progress on customer satisfaction. In the third quarter of 2016, based on the results from the WSIB's new overall satisfaction measure, injured workers reported their highest level of satisfaction at 73% since the measure was introduced at the start of 2015. Employers' overall satisfaction has declined slightly from 79% to 76% compared to the second quarter of 2016, though it has increased from 74% in the third quarter of 2015. To improve and maintain both injured workers' and employers' satisfaction levels, a new customer experience strategy is being developed and implementation will begin later this year. Customer service excellence continues to be one of the WSIB's four main areas of focus.

Timely appeals resolution keeps inventory low. The volume of incoming appeals has decreased by 10% in the third quarter of 2016 compared to the same quarter in 2015 (from 1,883 to 1,687 appeals). Year to date, incoming appeal volume has decreased by 11%.

Appeals resolution continues to be timely, with 89% of appeals resolved within six months in the third quarter of 2016, an improvement of four percentage points compared to the same period in 2015. This timeliness helps to keep appeals inventory down. There were 2,054 active appeals as of the end of the third quarter in 2016, a decrease from 2,251 cases in the same period in 2015.

The percentage of appeals allowed (17%) was up 3% compared to the third quarter of 2015. The percentage allowed/denied in part (13%) represents a decrease of 1% compared to the same period in 2015.

2. Operating Results

A more detailed discussion of our financial performance for the three and nine months ended September 30, 2016 compared to 2015.

Financial highlights

The following table sets forth our operating results for the three and nine months ended September 30:

(millions of Canadian dollars)	Three months ended September 30 2016	2015	Nine months ended September 30 2016	2015
Revenues				
Premiums	1,282	1,216	3,796	3,621
Net mandatory employer incentive programs	(46)	(45)	(136)	(114)
	1,236	1,171	3,660	3,507
Net investment income (loss)				
Investment income (loss)	996	(499)	1,360	573
Investment expenses	(38)	(29)	(114)	(100)
	958	(528)	1,246	473
	2,194	**643**	**4,906**	**3,980**
Expenses				
Benefit costs				
Benefit payments	566	574	1,734	1,741
Claim administration costs	100	99	303	296
Change in actuarial valuation of benefit liabilities	(5)	(65)	97	(10)
	661	608	2,134	2,027
Loss of Retirement Income Fund contributions	14	15	42	43
Administration and other expenses	109	87	310	286
Legislated obligations and funding commitments	54	62	190	202
	838	772	2,676	2,558
Excess (deficiency) of revenues over expenses	**1,356**	**(129)**	**2,230**	**1,422**
Other comprehensive income (loss)				
Remeasurements of employee defined benefit plans	(44)	15	(509)	84
Total comprehensive income (loss)	**1,312**	**(114)**	**1,721**	**1,506**
Total comprehensive income (loss) attributable to:				
WSIB stakeholders	1,203	(57)	1,576	1,439
Non-controlling interests	109	(57)	145	67
	1,312	**(114)**	**1,721**	**1,506**
Other measures				
Core Earnings[1]	393	334	1,081	939
Return on investments[2]	3.8%	(2.1%)	5.2%	2.5%
			Sep. 30 2016	**Dec. 31 2015**
Unfunded liability[3,4]			(5,023)	(6,599)
Unfunded liability - Sufficiency Ratio basis[4]			(4,799)	(6,984)
Sufficiency Ratio[4]			84.9%	77.9%

1. Core Earnings is calculated as total comprehensive income (loss), excluding the impacts of net investment income (loss), change in actuarial valuation and any items that are considered as material and exceptional in nature. See Section 8 – Non-IFRS Financial Measure.
2. Return on investments is calculated as the change in the fair value of the total investment portfolio, taking into account capital contributions and withdrawals prior to investment expenses.
3. Unfunded liability represents the deficiency of net assets attributable to WSIB stakeholders as at the end of the reporting period. The total deficiency of assets of $2,077 million as at September 30, 2016 (December 31, 2015 – $3,797 million) is allocated between the WSIB stakeholders and the non-controlling interests ("NCI") on the basis of their proportionate interests in the net assets of the WSIB. NCI represent the proportionate interest of the net assets and total comprehensive income of subsidiaries in which the WSIB directly or indirectly owns less than 100% interest. NCI of $2,946 million as at September 30, 2016 (December 31, 2015 – $2,802 million) excludes benefit liabilities since the holders of NCI, the WSIB Employees' Pension Plan and other investors, are not liable for those obligations. The proportionate share of the total deficiency of assets attributable to WSIB stakeholders as at September 30, 2016 was $5,023 million (December 31, 2015 – $6,599 million) which includes benefit liabilities. Refer to the unaudited condensed interim consolidated statements of financial position for further details.
4. Refer to Section 4 – Reconciliation of the Unfunded Liability on a Sufficiency Ratio Basis for further details.

Premiums

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

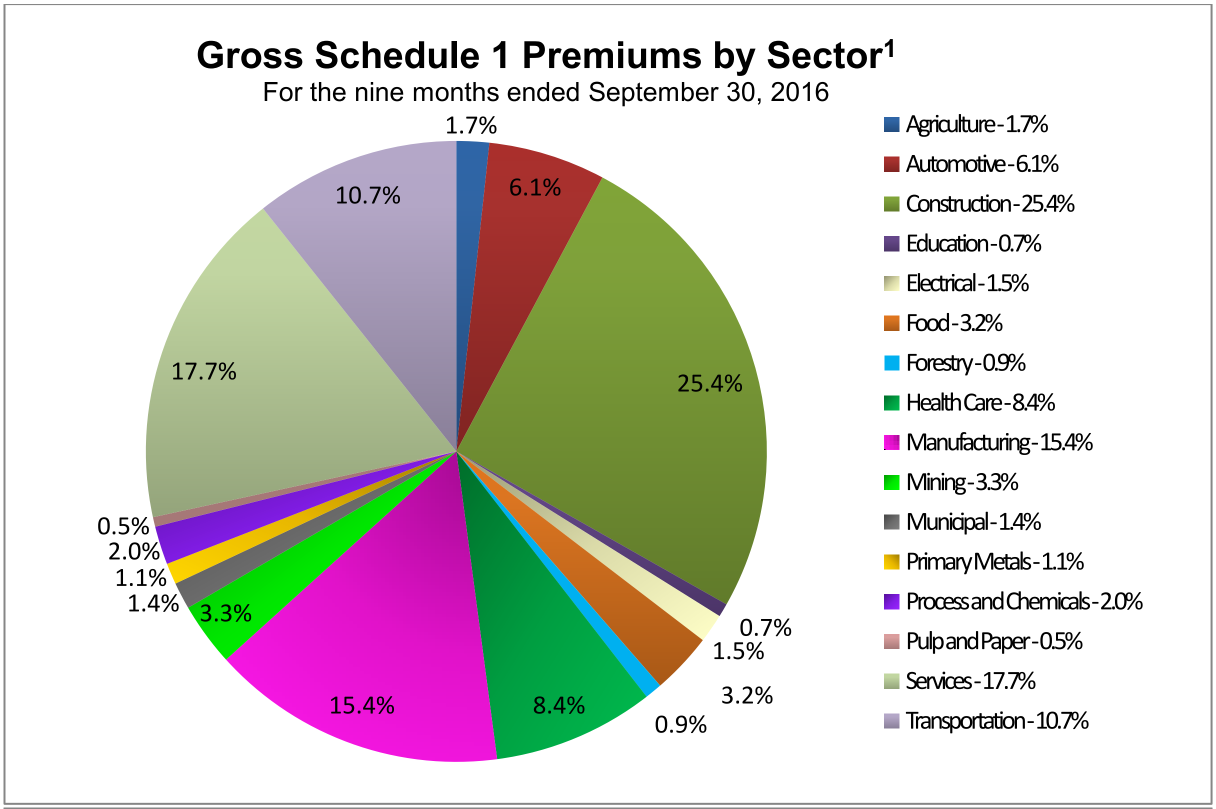
	Three months ended September 30				Nine months ended September 30			
			Change				Change	
(millions of Canadian dollars)	**2016**	**2015**	**$**	**%**	**2016**	**2015**	**$**	**%**
Schedule 1 employer premiums								
Gross Schedule 1 premiums	1,249	1,187	62	5.2	3,690	3,528	162	4.6
Interest and penalties	14	13	1	7.7	45	42	3	7.1
	1,263	1,200	63	5.3	3,735	3,570	165	4.6
Schedule 2 employer administration fees	19	16	3	18.8	61	51	10	19.6
	1,282	1,216	66	5.4	3,796	3,621	175	4.8
Net mandatory employer incentive programs	(46)	(45)	(1)	(2.2)	(136)	(114)	(22)	(19.3)
	1,236	**1,171**	**65**	**5.6**	**3,660**	**3,507**	**153**	**4.4**

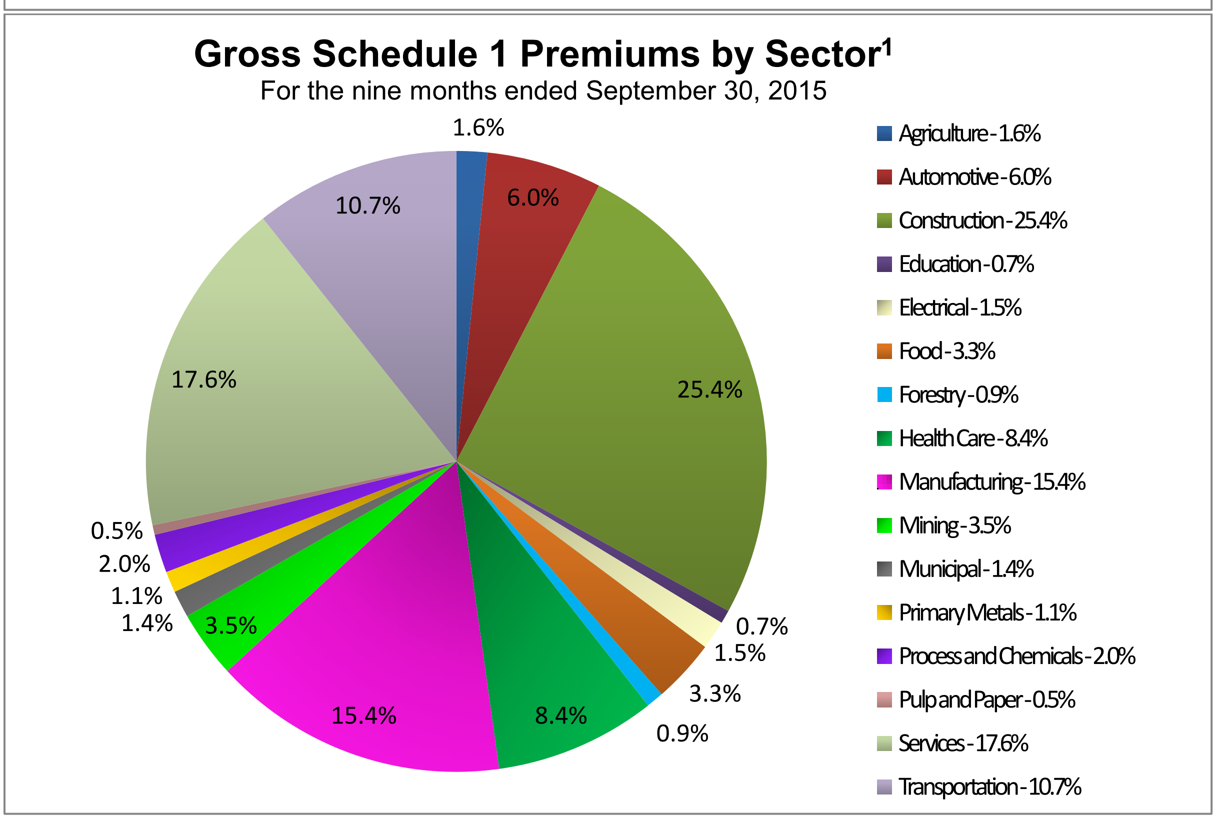
For the three months ended September 30, 2016, gross premiums increased $62 million or 5.2% as a result of $52 million attributed to a 4.3% increase in insurable earnings and $10 million attributed to the slight increase in the realized average premium rate collected from employers in 2016 due to shifts in industry sector mix.

For the nine months ended September 30, 2016, gross premiums increased $162 million or 4.6% as a result of $115 million attributed to a 3.2% increase in insurable earnings and $47 million attributed to the slight increase in the realized average premium rate collected from employers in 2016 due to shifts in industry sector mix.

For the three and nine months ended September 30, 2016, payouts in net mandatory employer incentive programs increased due to higher refunds available under the retrospective experience-rating programs, principally the New Experimental Experience Rating program (the “NEER”), reflecting continuing improved return-to-work experience.

The following charts display gross premiums by sector for the nine months ended September 30:





1. For employers who have not reported, premiums are estimated and included in "Premiums accrued but not reported" category. This category has been excluded for the purpose of determining the industry sector mix.

Net investment income (loss)

A summary of investment income (loss) for the three and nine months ended September 30, is as follows:

Investment Strategy	Three months ended September 30							
	2016				2015			
(millions of Canadian dollars)	Investment income (loss)	Return %	Net asset value[1]	%	Investment income (loss)	Return %	Net asset value[1]	%
Public equity securities	693	7.2	10,406	36.0	(414)	(4.7)	8,956	35.4
Fixed income	78	1.2	6,993	24.2	-	-	6,285	24.8
Multi-asset	164	2.9	5,625	19.5	(153)	(2.5)	5,834	23.1
Real estate	9	0.4	2,442	8.5	31	1.7	2,076	8.2
Infrastructure	51	3.1	1,839	6.4	36	3.8	1,053	4.2
Cash and cash equivalents	1	-	1,501	5.2	1	-	1,019	4.0
Other	-	-	67	0.2	-	-	68	0.3
	996	**3.8**	**28,873**	**100.0**	**(499)**	**(2.1)**	**25,291**	**100.0**
Investment expenses	(38)				(29)			
Net investment income (loss)	**958**				**(528)**			

1. Total net asset value includes investment cash, investment receivables and payables, and investment derivatives.

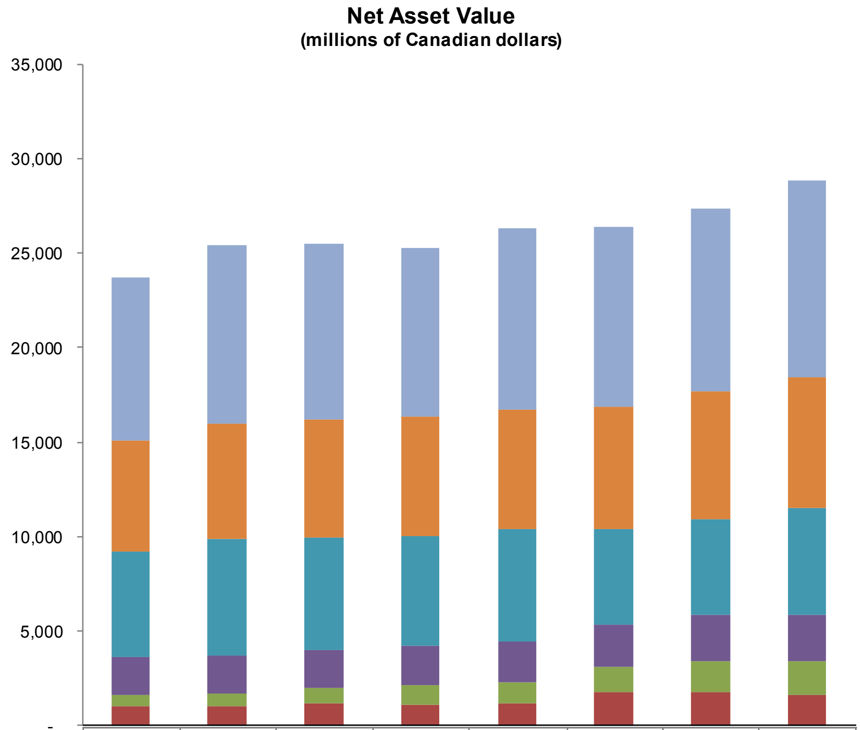
For the three months ended September 30, 2016, net investment income increased by $1,486 million over the same period last year, reflecting an overall return of 3.8% or net investment income of $958 million for the third quarter. Portfolio returns in the third quarter were driven primarily by strong equity returns, along with moderate returns from multi-asset and infrastructure strategies.

Investment Strategy	Nine months ended September 30							
	2016				2015			
(millions of Canadian dollars)	Investment income (loss)	Return %	Net asset value[1]	%	Investment income (loss)	Return %	Net asset value[1]	%
Public equity securities	505	4.8	10,406	36.0	274	3.1	8,956	35.4
Fixed income	334	5.4	6,993	24.2	145	2.5	6,285	24.8
Multi-asset	320	5.9	5,625	19.5	41	0.6	5,834	23.1
Real estate	49	2.5	2,442	8.5	55	3.3	2,076	8.2
Infrastructure	148	10.0	1,839	6.4	55	4.8	1,053	4.2
Cash and cash equivalents	4	-	1,501	5.2	3	-	1,019	4.0
Other	-	-	67	0.2	-	-	68	0.3
	1,360	**5.2**	**28,873**	**100.0**	**573**	**2.5**	**25,291**	**100.0**
Investment expenses	(114)				(100)			
Net investment income	**1,246**				**473**			

1. Total net asset value includes investment cash, investment receivables and payables, and investment derivatives.

For the nine months ended September 30, 2016, net investment income increased by $773 million over the same period last year, reflecting an overall return of 5.2% or net investment income of $1,246 million year to date. Public equity returns (4.8%) were driven by strong equity markets and recovering resource stocks, partially offset by a rising Canadian dollar. Fixed income returns (5.4%) were driven by stronger bond markets. Multi-asset returns (5.9%) were driven by strong bond and commodity markets partially offset by weak hedge fund returns. Infrastructure returns (10.0%) benefited from both improved valuations and income returns while real estate returns (2.5%) were comprised primarily of income returns.

The following chart displays the different components of net asset value for the eight consecutive quarters ended September 30, 2016:



	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16	Q3-16
Public equity securities	8,653	9,466	9,358	8,956	9,594	9,569	9,672	10,406
Fixed income	5,886	6,071	6,217	6,285	6,353	6,447	6,793	6,993
Multi-asset	5,604	6,237	5,941	5,834	5,889	5,028	5,089	5,625
Real estate	1,967	1,958	2,037	2,076	2,212	2,241	2,405	2,442
Infrastructure	627	682	782	1,053	1,095	1,404	1,639	1,839
Cash and cash equivalents	929	939	1,117	1,019	1,086	1,646	1,699	1,501
Other	74	72	70	68	72	71	69	67
Total	**23,740**	**25,425**	**25,522**	**25,291**	**26,301**	**26,406**	**27,366**	**28,873**

Benefit costs

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

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

	Three months ended September 30				Nine months ended September 30			
			Change				Change	
(millions of Canadian dollars)	**2016**	**2015**	**$**	**%**	**2016**	**2015**	**$**	**%**
Benefit payments	566	574	(8)	(1.4)	1,734	1,741	(7)	(0.4)
Claim administration costs	100	99	1	1.0	303	296	7	2.4
Change in actuarial valuation of benefit liabilities	(5)	(65)	60	92.3	97	(10)	107	100+
Total benefit costs	**661**	**608**	**53**	**8.7**	**2,134**	**2,027**	**107**	**5.3**

Benefit payments

Benefit payments represent cash paid during the three and nine months ended September 30 to or on behalf of injured workers. Benefit payments are comprised of the following:

	Three months ended September 30				Nine months ended September 30			
			Change				Change	
(millions of Canadian dollars)	**2016**	**2015**	**$**	**%**	**2016**	**2015**	**$**	**%**
Loss of earnings	212	206	6	2.9	634	618	16	2.6
Workers' pensions	138	143	(5)	(3.5)	420	436	(16)	(3.7)
Health care	107	104	3	2.9	342	331	11	3.3
Future economic loss	48	53	(5)	(9.4)	151	161	(10)	(6.2)
Survivor benefits	45	47	(2)	(4.3)	143	140	3	2.1
External providers	7	8	(1)	(12.5)	22	26	(4)	(15.4)
Non-economic loss	10	10	-	-	31	32	(1)	(3.1)
Other	(1)	3	(4)	(100+)	(9)	(3)	(6)	(100+)
Total benefit payments	**566**	**574**	**(8)**	**(1.4)**	**1,734**	**1,741**	**(7)**	**(0.4)**

A summary of the significant changes in benefit payments for the three months ended September 30, 2016 is as follows:

- Loss of earnings benefits increased primarily due to higher claim volume, as well as higher cost per claim which increased 2.5% compared to the third quarter of 2015.
- Workers' pensions decreased reflecting the natural reduction of claims due to mortality. This program has been discontinued.
- Health care increased due to higher cost per claim and higher claim volumes for health services.
- Future economic loss decreased reflecting the natural reduction in the number of claimants due to mortality or reaching age 65, the age at which these benefits cease. This program has been discontinued.

A summary of the significant changes in benefit payments for the nine months ended September 30, 2016 is as follows:

- Loss of earnings benefits increased primarily due to higher current injury year claim volume and duration, as well as higher cost per prior injury year claim, partially offset by 1.1% decline in prior injury year claim volume (net of locked-in claims).
- Workers' pensions decreased reflecting the natural reduction of claims due to mortality. This program has been discontinued.
- Health care increased due to higher cost per claim for health services, partially offset by lower claim volumes.
- Future economic loss decreased reflecting the natural reduction in the number of claimants due to mortality or reaching age 65, the age at which these benefits cease. This program has been discontinued.
- External providers' expense decreased primarily due to fewer lost-time injuries and a more targeted approach to return to work.
- Other benefit payments decreased primarily due to lower overpayments and higher recoveries from third parties, resulting in a net recovery of $9 million for the nine months ended September 30.

Claim administration costs

Claim administration costs reflect the portions of administration and other expenses and legislated obligations and funding commitments expenses allocated to benefit costs. A summary of claim administration costs for the three and nine months ended September 30 is as follows:

	Three months ended September 30				**Nine months ended September 30**			
			Change				**Change**	
(millions of Canadian dollars)	**2016**	**2015**	**$**	**%**	**2016**	**2015**	**$**	**%**
Allocation from administration and other expenses	95	95	-	-	288	283	5	1.8
Allocation from legislated obligations and funding commitments expenses	5	4	1	25.0	15	13	2	15.4
Total claim administration costs	**100**	**99**	**1**	**1.0**	**303**	**296**	**7**	**2.4**

For the three and nine months ended September 30, 2016, the change was attributed to higher costs for those expense items that are allocated to claim administration costs.

Change in actuarial valuation of benefit liabilities

	Three months ended September 30		**Nine months ended September 30**	
(millions of Canadian dollars)	**2016**	**2015**	**2016**	**2015**
Change in actuarial valuation of benefit liabilities	(5)	(65)	97	(10)

For the nine months ended September 30, 2016, the change in actuarial valuation of benefit liabilities includes an experience gain attributed to the favourable experience in loss of earnings, partially offset by the impact of the legislative amendment for posttraumatic stress disorder ("PTSD"). The change is detailed as follows:

(millions of Canadian dollars)	
Benefit liabilities as at December 31, 2015	**27,830**
Payments made in 2016 for prior injury years	(1,861)
Interest accretion[1]	958
Liabilities incurred for the 2016 injury year	1,162
Experience gains	(197)
Impact of legislative amendment[2]	35
Benefit liabilities as at September 30, 2016	**27,927**
Change in actuarial valuation of benefit liabilities	**97**

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.
2. Impact of legislative amendment includes an increase of $35 million relating to PTSD. On April 5, 2016, Bill 163, *Supporting Ontario's First Responders Act (Posttraumatic Stress Disorder), 2016* was passed by the Legislature. This amends the *Workplace Safety and Insurance Act, 1997* with respect to first responders diagnosed with PTSD. The amendments provide that if a first responder is diagnosed with PTSD and meets specific employment and diagnostic criteria, that first responder's PTSD is presumed to have arisen out of and in the course of his or her employment, unless the contrary is shown. In specific circumstances, the presumption will apply to first responders diagnosed with PTSD up to 24 months before the coming-in-force date, as well as those claims for which a decision is pending from either the WSIB or the Workplace Safety and Insurance Appeals Tribunal on the date the legislation comes into force.

Administration and other expenses

	Three months ended September 30				**Nine months ended September 30**			
			Change				**Change**	
(millions of Canadian dollars)	**2016**	**2015**	**$**	**%**	**2016**	**2015**	**$**	**%**
Salaries and short-term benefits	105	104	1	1.0	318	310	8	2.6
Long-term employee benefit plans	39	38	1	2.6	113	114	(1)	(0.9)
Bad debts	13	(2)	15	100+	30	25	5	20.0
Communications	3	2	1	50.0	9	8	1	12.5
Depreciation and amortization	5	4	1	25.0	14	9	5	55.6
Equipment and maintenance	17	16	1	6.3	51	46	5	10.9
Facilities	8	10	(2)	(20.0)	26	29	(3)	(10.3)
Systems development and integration	5	1	4	100+	10	3	7	100+
Other	9	9	-	-	27	25	2	8.0
	204	182	22	12.1	598	569	29	5.1
Claim administration costs allocated to benefit costs	(95)	(95)	-	-	(288)	(283)	(5)	(1.8)
Total administration and other expenses	**109**	**87**	**22**	**25.3**	**310**	**286**	**24**	**8.4**

For the three months ended September 30, 2016, administration and other expenses, before allocation to benefit costs, increased by $22 million or 12.1% over the prior year with the key drivers of this change being the following:

- Bad debts increased $15 million primarily due to new system reporting capabilities resulting in more reliable collectability estimates.
- Systems development and integration expenses increased $4 million reflecting new initiatives as part of our transformational efforts.

For the nine months ended September 30, 2016, administration and other expenses, before allocation to benefit costs, increased by $29 million or 5.1% over the prior year with the key drivers of this change being the following:

- Salaries and short-term benefits increased $8 million reflecting inflationary pressures and higher long-term disability benefit costs due to experience.
- Bad debts increased $5 million primarily due to new system reporting capabilities resulting in more reliable collectability estimates.
- Depreciation and amortization increased $5 million reflecting the implementation of new accounts and claims management systems.
- Equipment and maintenance expenses increased $5 million reflecting higher infrastructure support services and higher software license fees.
- Systems development and integration expenses increased $7 million reflecting new initiatives as part of our transformational efforts.

Legislated obligations and funding commitments expenses

	Three months ended September 30				Nine months ended September 30			
			Change				Change	
(millions of Canadian dollars)	**2016**	**2015**	**$**	**%**	**2016**	**2015**	**$**	**%**
Legislated obligations								
Occupational Health and Safety Act	25	24	1	4.2	71	71	-	-
Ministry of Labour Prevention Costs	27	27	-	-	81	82	(1)	(1.2)
	52	51	1	2.0	152	153	(1)	(0.7)
Workplace Safety and Insurance Appeals Tribunal	5	5	-	-	17	15	2	13.3
Workplace Safety and Insurance Advisory Program	4	4	-	-	12	12	-	-
Total legislated obligations	**61**	**60**	**1**	**1.7**	**181**	**180**	**1**	**0.6**
Funding commitments								
Grants	1	-	1	-	1	1	-	-
Safety program rebates	(3)	6	(9)	(100+)	23	34	(11)	(32.4)
Total funding commitments	**(2)**	**6**	**(8)**	**(100+)**	**24**	**35**	**(11)**	**(31.4)**
	59	**66**	**(7)**	**(10.6)**	**205**	**215**	**(10)**	**(4.7)**
Claim administration costs allocated to benefit costs	(5)	(4)	(1)	(25.0)	(15)	(13)	(2)	(15.4)
Total legislated obligations and funding commitments	**54**	**62**	**(8)**	**(12.9)**	**190**	**202**	**(12)**	**(5.9)**

For the three and nine months ended September 30, 2016, legislated obligations and funding commitments expenses, before allocation to benefit costs, decreased $7 million and $10 million respectively, reflecting lower safety program rebates as a result of a decrease in participation in the program.

3. Financial Condition

A discussion of the significant changes in our September 30, 2016 unaudited condensed interim consolidated statements of financial position.

Changes in our unaudited condensed interim consolidated statements of financial position are as follows:

(millions of Canadian dollars)	Sep. 30 2016	Dec. 31 2015	Change $	Change %	Commentary
Assets					
Cash and cash equivalents	1,792	1,581	211	13.3	Increase primarily reflects higher cash collateral balances to support derivative trading activity Refer to the unaudited condensed interim consolidated statements of cash flows for more details.
Receivables	1,680	1,614	66	4.1	Increase reflects higher surcharges on employer incentive programs partially offset by lower investment receivables.
Public equity securities	10,889	10,055	834	8.3	Increases reflect net investment income earned in 2016 and cash transferred from operating activities.
Bonds	7,483	6,756	727	10.8	
Derivative assets	102	68	34	50.0	
Other invested assets	8,575	7,947	628	7.9	
Property, equipment and intangible assets	309	284	25	8.8	Increase reflects additions related to the new accounts and claims management systems.
Liabilities					
Payables and accruals	1,252	1,077	175	16.2	Increase reflects higher refunds on experience ratings and higher investment payables.
Derivative liabilities	62	133	(71)	(53.4)	Decrease primarily reflects changes in our currency hedge within our investment portfolio.
Long-term debt	133	116	17	14.7	New mortgage on new investment property.
Loss of Retirement Income Fund liability	1,776	1,724	52	3.0	Increase reflects investment income partially offset by disbursements in excess of contributions.
Employee benefit plans liability	1,757	1,222	535	43.8	Increase reflects a reduction in the interest rate used for valuation.
Benefit liabilities	27,927	27,830	97	0.3	No significant changes.
Unfunded liability	(5,023)	(6,599)	1,576	23.9	Changes reflect total comprehensive income attributable to WSIB stakeholders.
Unfunded liability - Sufficiency Ratio basis	(4,799)	(6,984)	2,185	31.3	Strengthening due to continued strong operating results.
Sufficiency Ratio	84.9%	77.9%		7.0	

4. Reconciliation of the Unfunded Liability on a Sufficiency Ratio Basis

An explanation and discussion about the changes to the September 30, 2016 unfunded liability on a Sufficiency Ratio basis.

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

On a going concern basis, investment assets are valued at fair value adjusted for the unamortized gains or losses relative to the long-term expected rate of return on those assets, less the interests in those assets held by third parties (non-controlling interests). Investment gains and losses that differ from the long-term expected rate of return are amortized over a five-year period. The values of the obligations of the Employee Benefit Plans are determined through an actuarial valuation using the going concern basis, rather than the market basis.

As at September 30, 2016, the Sufficiency Ratio, as defined in *Ontario Regulation 141/12* and amended by *Ontario Regulation 338/13* (collectively, the "Sufficiency Regulation"), was 84.9% (December 31, 2015 – 77.9%). Set forth below is the reconciliation of the unfunded liability ("UFL") between the IFRS and Sufficiency Ratio basis:

(millions of Canadian dollars)	**September 30 2016**	**December 31 2015**
UFL attributable to WSIB stakeholders on an IFRS basis	5,023	6,599
Add/(Less): Adjustments per Sufficiency Regulation:		
Change in valuation of investment assets	944	981
Change in valuation of employee benefit plans liability	(1,068)	(465)
Change in valuation of investment assets attributable to non-controlling interests	(100)	(131)
UFL attributable to WSIB stakeholders on a Sufficiency Ratio basis	**4,799**	**6,984**
Sufficiency Ratio	**84.9%**	**77.9%**

5. Summary of Quarterly Results

A summary view of our quarterly financial performance.

Selected financial information for the eight consecutive quarters ended September 30, 2016 is as follows:

	2016			2015				2014
(millions of Canadian dollars)	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Net premiums	1,236	1,274	1,150	1,177	1,171	1,202	1,134	1,164
Net investment income (loss)	958	553	(265)	726	(528)	(308)	1,309	554
Benefit costs								
Benefit payments	566	586	582	591	574	575	592	610
Claim administration costs	100	101	102	102	99	98	99	68
Change in actuarial valuation of benefit liabilities	(5)	(28)	130	1,040	(65)	(7)	62	(153)
	661	659	814	1,733	608	666	753	525
Loss of Retirement Income Fund contributions	14	14	14	13	15	14	14	15
Administration and other expenses	109	101	100	120	87	115	84	131
Legislated obligations and funding commitments	54	65	71	61	62	66	74	56
Excess (deficiency) of revenues over expenses	1,356	988	(114)	(24)	(129)	33	1,518	991
Remeasurements of employee defined benefit plans (Other comprehensive income (loss))	(44)	(305)	(160)	(39)	15	193	(124)	34
Total comprehensive income (loss)	1,312	683	(274)	(63)	(114)	226	1,394	1,025
Total comprehensive income (loss) attributable to WSIB stakeholders	1,203	620	(247)	(148)	(57)	258	1,238	958
Other measures								
Core Earnings[1]	393	407	281	290	334	334	271	284
Return on investments (%)[2]	3.8	2.3	(1.0)	3.2	(2.1)	(1.2)	6.0	2.7
Unfunded liability[3,4]	5,023	6,226	6,846	6,599	6,451	6,394	6,652	7,890
Unfunded liability - Sufficiency Ratio basis[4]	4,799	5,633	6,420	6,984	6,584	7,331	8,105	8,697

Our quarterly revenues and expenses are impacted by a number of trends and recurring factors such as seasonality as well as general economic and market conditions. Our premium revenues are also impacted by insurable earnings, which rise and fall with the employment levels in the industries we insure. The increase in net investment income in the third quarter of 2016 was driven primarily by strong equity returns along with moderate returns from multi-asset and infrastructure strategies.

1. Core Earnings is calculated as total comprehensive income (loss), excluding the impacts of net investment income (loss), change in actuarial valuation and any items that are considered as material and exceptional in nature. See Section 8 – Non-IFRS Financial Measure.
2. Return on investments is calculated as the change in the fair value of the total investment portfolio, taking into account capital contributions and withdrawals, prior to investment expenses.
3. Unfunded liability represents the deficiency of net assets attributable to WSIB stakeholders as at the end of the reporting period. The total deficiency of assets of $2,077 million as at September 30, 2016 (December 31, 2015 – $3,797 million) is allocated between the WSIB stakeholders and the non-controlling interests ("NCI") on the basis of their proportionate interests in the net assets of the WSIB. NCI represent the proportionate interest of the net assets and total comprehensive income of subsidiaries in which the WSIB directly or indirectly owns less than 100% interest. NCI of $2,946 million as at September 30, 2016 (December 31, 2015 – $2,802 million) excludes benefit liabilities since the holders of NCI, the WSIB Employees' Pension Plan and other investors, are not liable for those obligations. The proportionate share of the total deficiency of assets attributable to WSIB stakeholders as at September 30, 2016 was $5,023 million (December 31, 2015 – $6,599 million) which includes benefit liabilities. Refer to the unaudited condensed interim consolidated statements of financial position for further details.
4. Refer to Section 4 – Reconciliation of the Unfunded Liability on a Sufficiency Ratio Basis for further details.

6. Outlook for the Year Ending December 31, 2016

The outlook for our business for the year ending December 31, 2016.

Original 2016 Expectation	Current 2016 Outlook
Premiums. Modest increase reflecting an assumed 1.2% increase in employment growth and a 1.3% increase in average wages, partially offset by $22 million of higher net mandatory employer incentive programs expense. While average premium rates in 2016 are anticipated to remain unchanged from the prior year, employers continue to contribute towards retiring the unfunded liability.	*Premiums.* Aligned to original expectation of higher insurable earnings, partially offset by higher net mandatory employer incentive programs expenses reflecting continuing improved return-to-work experience.
Net investment income. We anticipate an annual rate of return of 5.25% (net), consistent with our long-term planning assumption.	*Net investment income*. Aligned to original expectation.
Benefit payments. Benefit payments are anticipated to be $2.3 billion in 2016, approximating the level of benefit payments in 2015.	*Benefit payments.* Aligned to original expectation.
Administration and other expenses. We anticipate an increase in 2016 reflecting increases for information technology costs and higher new systems development and integration expenses as a result of our transformational efforts.	*Administration and other expenses.* Aligned to original expectation.
Legislated obligations. We anticipate $300 million in 2016, an increase of $17 million or 6.0% reflecting an increase in safety program rebates.	*Legislated obligations*. Decrease reflecting lower safety program rebates.
Unfunded liability. We anticipate a decrease based on current funding and benefit levels, and as measured under current accounting and actuarial standards as a result of continued operational excellence.	*Unfunded liability.* Aligned to original expectation.

7. Internal Control over Financial Reporting

A statement of responsibilities regarding internal control over financial reporting.

Management is responsible for the accuracy, integrity and objectivity of the unaudited condensed interim 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 unaudited condensed interim 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 unaudited condensed interim consolidated financial statements.

8. Non-IFRS Financial Measure

A definition of our non-IFRS financial measure.

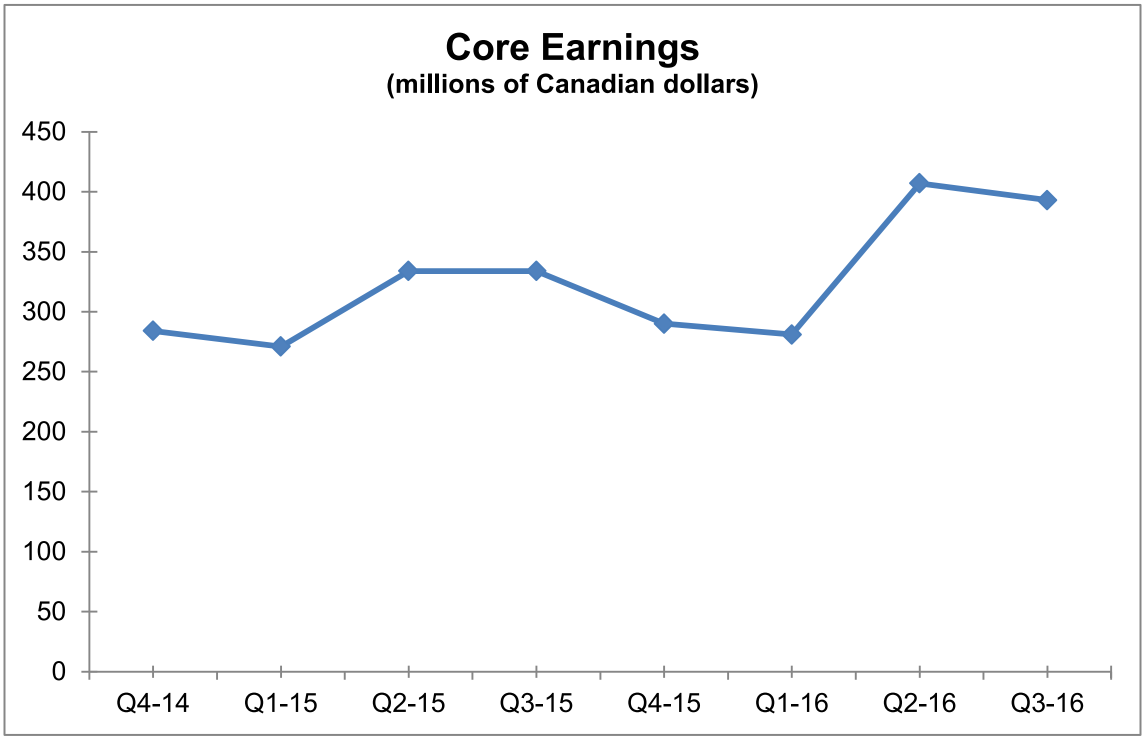
Core Earnings

The WSIB utilizes "Core Earnings," a non-IFRS financial measure, to help stakeholders better understand our underlying operating performance. This measure is relevant in how we manage our operations and offers a consistent methodology in evaluating our underlying performance. Core Earnings are defined as total comprehensive income, excluding the impacts of net investment income, change in actuarial valuation and any items that are considered as material and exceptional in nature. This measure does not have any standard meaning prescribed by IFRS and is not necessarily comparable to similarly titled measures of other organizations.

Set forth below is the reconciliation of Core Earnings and total comprehensive income, the most directly comparable financial measure calculated and presented consistent with IFRS:

	Three months ended September 30		Nine months ended September 30	
(millions of Canadian dollars)	**2016**	**2015**	**2016**	**2015**
Total comprehensive income (loss) for the period	1,312	(114)	1,721	1,506
Add/(Less): Net investment loss (income)	(958)	528	(1,246)	(473)
Add/(Less): Change in actuarial valuation of benefit liabilities	(5)	(65)	97	(10)
Add/(Less): Change in actuarial valuation of employee benefit plans	44	(15)	509	(84)
Core Earnings	**393**	**334**	**1,081**	**939**

The following chart displays Core Earnings for the eight consecutive quarters ended September 30, 2016:



9. Forward-looking Statements

Caution regarding forward-looking statements.

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

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

WORKPLACE SAFETY AND INSURANCE BOARD

Condensed Interim Consolidated Statements of Financial Position

Unaudited (millions of Canadian dollars)

	Note	September 30 2016	December 31 2015
Assets			
Cash and cash equivalents	4	1,792	1,581
Receivables	3	1,680	1,614
Public equity securities	4	10,889	10,055
Bonds	4	7,483	6,756
Derivative assets	4	102	68
Other invested assets	4	8,575	7,947
Property, equipment and intangible assets		309	284
Total assets		**30,830**	**28,305**
Liabilities			
Payables and accruals		1,252	1,077
Derivative liabilities	4	62	133
Long-term debt		133	116
Loss of Retirement Income Fund liability		1,776	1,724
Employee benefit plans liability	5	1,757	1,222
Benefit liabilities	6	27,927	27,830
Total liabilities		**32,907**	**32,102**
Deficiency of assets			
Unfunded liability attributable to WSIB stakeholders		(5,023)	(6,599)
Non-controlling interests		2,946	2,802
Total deficiency of assets		**(2,077)**	**(3,797)**
Total liabilities and deficiency of assets		**30,830**	**28,305**

Commitments and contingent liabilities (note 7)

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

WORKPLACE SAFETY AND INSURANCE BOARD

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

		Three months ended September 30		Nine months ended September 30	
	Note	**2016**	**2015**	**2016**	**2015**
Revenues					
Premiums		1,282	1,216	3,796	3,621
Net mandatory employer incentive programs		(46)	(45)	(136)	(114)
		1,236	1,171	3,660	3,507
Net investment income (loss)					
Investment income (loss)	4	996	(499)	1,360	573
Investment expenses	4	(38)	(29)	(114)	(100)
Total net investment income (loss)		958	(528)	1,246	473
Total revenues		**2,194**	**643**	**4,906**	**3,980**
Expenses					
Benefit costs					
Benefit payments		566	574	1,734	1,741
Claim administration costs		100	99	303	296
Change in actuarial valuation of benefit liabilities		(5)	(65)	97	(10)
		661	608	2,134	2,027
Loss of Retirement Income Fund contributions		14	15	42	43
Administration and other expenses		109	87	310	286
Legislated obligations and funding commitments		54	62	190	202
Total expenses		**838**	**772**	**2,676**	**2,558**
Excess (deficiency) of revenues over expenses		**1,356**	**(129)**	**2,230**	**1,422**
Other comprehensive income (loss)					
Remeasurements of employee defined benefit plans	5	(44)	15	(509)	84
Total comprehensive income (loss)		**1,312**	**(114)**	**1,721**	**1,506**

	Three months ended September 30		Nine months ended September 30	
	2016	**2015**	**2016**	**2015**
Excess (deficiency) of revenues over expenses attributable to:				
WSIB stakeholders	1,247	(72)	2,085	1,355
Non-controlling interests	109	(57)	145	67
	1,356	**(129)**	**2,230**	**1,422**
Total comprehensive income (loss) attributable to:				
WSIB stakeholders	1,203	(57)	1,576	1,439
Non-controlling interests	109	(57)	145	67
	1,312	**(114)**	**1,721**	**1,506**

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

WORKPLACE SAFETY AND INSURANCE BOARD

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

	Note	Deficiency of assets		
		Unfunded liability attributable to WSIB stakeholders	Non-controlling interests	Total
Balance as at December 31, 2014		(7,890)	2,644	(5,246)
Excess of revenues over expenses		1,355	67	1,422
Remeasurements of employee defined benefit plans	5	84	-	84
Change in ownership share in investments		-	6	6
Balance as at September 30, 2015		(6,451)	2,717	(3,734)
Excess (deficiency) of revenues over expenses		(109)	85	(24)
Remeasurements of employee defined benefit plans		(39)	-	(39)
Balance as at December 31, 2015		(6,599)	2,802	(3,797)
Excess of revenues over expenses		2,085	145	2,230
Remeasurements of employee defined benefit plans	5	(509)	-	(509)
Change in ownership share in investments		-	(1)	(1)
Balance as at September 30, 2016		**(5,023)**	**2,946**	**(2,077)**

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

WORKPLACE SAFETY AND INSURANCE BOARD

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

	Three months ended September 30		Nine months ended September 30	
	2016	**2015**	**2016**	**2015**
Operating activities:				
Total comprehensive income (loss)	1,312	(114)	1,721	1,506
Adjustments:				
Amortization of net premium on investments	-	1	1	2
Depreciation and amortization of property, equipment and intangible assets	6	5	17	12
Changes in fair value of investments	(915)	702	(960)	(143)
Changes in fair value of investment properties	21	(2)	50	16
Dividend income from public equity securities	(78)	(90)	(266)	(252)
Income from joint ventures	(8)	(11)	(40)	(26)
Interest income	(50)	(56)	(168)	(165)
Interest expense	2	1	6	8
Total comprehensive income after adjustments	290	436	361	958
Changes in non-cash balances related to operations:				
Receivables, excluding those related to investing activities	(30)	(13)	(141)	(111)
Payables and accruals, excluding those related to investing and financing activities	81	60	107	78
Loss of Retirement Income Fund liability	48	(37)	52	16
Employee benefit plans liability	53	(5)	535	(51)
Benefit liabilities	(5)	(65)	97	(10)
Total changes in non-cash balances related to operations	147	(60)	650	(78)
Net cash provided by operating activities	**437**	**376**	**1,011**	**880**
Investing activities:				
Dividends received from public equity securities and joint ventures	92	101	280	269
Interest received	23	32	142	141
Purchases of property, equipment and intangible assets	(17)	(13)	(42)	(48)
Purchases of investments	(4,064)	(2,554)	(10,044)	(8,733)
Proceeds on sales and maturities of investments	3,288	2,026	8,916	7,475
Net additions to investment properties	(8)	(18)	(55)	(38)
Acquisitions of joint ventures	(7)	(2)	(14)	(12)
Proceeds on dispositions of joint ventures	-	4	-	4
Net cash required by investing activities	**(693)**	**(424)**	**(817)**	**(942)**
Financing activities:				
Proceeds on dispositions of non-controlling interests	24	5	70	56
Distributions paid by subsidiaries to non-controlling interests	(26)	(16)	(71)	(50)
Net issue (repayment) of debt	2	(54)	24	(61)
Interest paid on debt	(2)	(2)	(6)	(8)
Net cash provided (required) by financing activities	**(2)**	**(67)**	**17**	**(63)**
Net increase (decrease) in cash and cash equivalents	**(258)**	**(115)**	**211**	**(125)**
Cash and cash equivalents, beginning of period	2,050	1,463	1,581	1,473
Cash and cash equivalents, end of period	**1,792**	**1,348**	**1,792**	**1,348**

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

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"). As a trust agency of the Government of Ontario (as classified in the Agency 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 workers 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 workers. The WSIB is funded entirely 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"), which have been adopted by the Accounting Standards Board of Canada as Canadian generally accepted accounting principles for public interest entities.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the WSIB's Board of Directors on December 14, 2016.

3. Receivables

Receivables are comprised of the following:

	September 30 2016	**December 31 2015**
Premiums receivable	262	259
Less: Allowance for doubtful accounts	(96)	(92)
	166	167
Accrued premiums receivable	504	507
	670	674
Employer incentive programs surcharges	486	353
Other assets	47	35
Accounts receivable	1,203	1,062
Investment receivables	477	552
Total receivables	**1,680**	**1,614**

Premiums receivable primarily relates to Schedule 1 employer premiums which are assessed and are receivable when employers report their insurable earnings for the current year. For employers who have not reported, premiums are estimated and included in the accrued premiums receivable.

Employer incentive programs surcharges represent premium increases for Schedule 1 employers based on claims experience.

Unaudited (millions of Canadian dollars)

4. Invested Assets and Net Investment Income

Invested assets

The following provides a summary of the nature of the invested assets by investment strategy:

	Public equities	Fixed income	Multi-asset	Real estate	Infra-structure	Other	Sep. 30 2016	Dec. 31 2015
Public equity securities	**10,396**	**-**	**493**	**-**	**-**	**-**	**10,889**	**10,055**
Bonds	**-**	**6,936**	**547**	**-**	**-**	**-**	**7,483**	**6,756**
Derivative assets	**12**	**-**	**78**	**1**	**11**	**-**	**102**	**68**
Alternative investments	-	-	4,236	616	1,692	67	6,611	6,024
Investment properties	-	-	-	1,366	-	-	1,366	1,361
Investments in joint ventures	-	-	-	462	136	-	598	562
Other invested assets	**-**	**-**	**4,236**	**2,444**	**1,828**	**67**	**8,575**	**7,947**

Net investment income (loss)

Net investment income (loss) by nature of invested assets is as follows:

	Three months ended September 30		Nine months ended September 30	
	2016	**2015**	**2016**	**2015**
Public equity securities	758	(304)	459	601
Bonds	108	23	364	211
Alternative investments	218	282	(77)	788
Investment properties	2	17	4	26
Income from joint ventures	8	11	40	26
Derivatives	(45)	(559)	642	(1,044)
Cash and cash equivalents	4	1	5	2
Less: Loss (income) attributable to Loss of Retirement Income Fund	(57)	30	(77)	(37)
Investment income (loss)	**996**	**(499)**	**1,360**	**573**
Less: Investment expenses	(38)	(29)	(114)	(100)
Net investment income (loss)	**958**	**(528)**	**1,246**	**473**

Unaudited (millions of Canadian dollars)

Net investment income (loss), including income from cash and cash equivalents and derivatives, for the three and nine months ended September 30 is comprised of the following:

	Three months ended September 30		Nine months ended September 30	
	2016	**2015**	**2016**	**2015**
Net gains (losses) on financial instruments	915	(702)	960	143
Interest and dividend income	128	145	433	415
Income from investment properties	2	17	4	26
Income from joint ventures	8	11	40	26
Less: Loss (income) attributable to Loss of Retirement Income Fund	(57)	30	(77)	(37)
Investment income (loss)	**996**	**(499)**	**1,360**	**573**
Less: Investment expenses	(38)	(29)	(114)	(100)
Net investment income (loss)	**958**	**(528)**	**1,246**	**473**

Fair value measurement and disclosures

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

Hierarchy level	Valuation method
Level 1	Fair value is measured as the closing bid price for identical assets in an active public market at the reporting date.
Level 2	Where bid prices in an active public market are not available, observable inputs are used to estimate fair value using a market approach or an income approach. When using a market approach, fair value is estimated by adjusting the market price of a similar asset or liability, using inputs such as quoted interest or currency rates. Estimated fair value using an income approach is based on fixed future cash flows discounted using market interest rates for similar assets or liabilities.
Level 3	*Alternative investments* Alternative investments in private markets consist of investments in the infrastructure sector. The fair value of private market investments is estimated at cost in the year of acquisition. Subsequently, fair value is primarily based on estimated future distributable cash flows, terminal values and discount rates. The fair value of alternative investments in real estate entities is estimated using valuations of the underlying investment properties, with the same methods as noted below for investment properties. *Investment properties* Fair values of investment properties are estimated based on valuations performed by qualified appraisers. The valuations of the investment properties are primarily based on discounted expected future cash flows of each property, using discount and terminal capitalization rates reflective of the characteristics, location and market of the property. The future cash flows are based on, among other things, rental income from current leases and assumptions about rental income from future leases reflecting current conditions, less future cash outflows relating to such current and future leases.

Unaudited (millions of Canadian dollars)

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

	September 30, 2016				December 31, 2015			
	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]	807	985	-	1,792	624	957	-	1,581
Public equity securities	10,889	-	-	10,889	10,011	44	-	10,055
Bonds	-	7,483	-	7,483	-	6,756	-	6,756
Alternative investments	-	5,470	1,141	6,611	-	5,604	420	6,024
Investment properties	-	-	1,366	1,366	-	-	1,361	1,361
Derivative assets	-	102	-	102	-	68	-	68
Derivative liabilities	-	(62)	-	(62)	-	(133)	-	(133)
Liabilities for which fair value is disclosed								
Long-term debt[2]	-	(148)	-	(148)	-	(128)	-	(128)

1. Cash and cash equivalents include cash of $807 and short-term money market securities of $985 (December 31, 2015 – $624 and $957, respectively).
2. Carrying amount as at September 30, 2016 was $133 (December 31, 2015 – $116).

Alternative investments (Level 3 fair value measurements)

The tables below provide reconciliations of the fair value of real estate entities and private market investments:

	September 30, 2016			September 30, 2015		
For the three months ended	**Private market investments**	**Real estate entities**	**Total**	**Private market investments**	**Real estate entities**	**Total**
Balance, July 1	589	424	1,013	-	440	440
Purchases	13	-	13	-	1	1
Sales	-	(1)	(1)	-	-	-
Net gains recognized in net investment income	15	2	17	-	11	11
Transfers into Level 3	99	-	99	-	-	-
Balance, September 30	**716**	**425**	**1,141**	**-**	**452**	**452**

Unaudited (millions of Canadian dollars)

	September 30, 2016			September 30, 2015		
For the nine months ended	**Private market investments**	**Real estate entities**	**Total**	**Private market investments**	**Real estate entities**	**Total**
Balance, January 1	-	420	420	-	372	372
Purchases	160	33	193	-	68	68
Sales	-	(31)	(31)	-	-	-
Net gains recognized in net investment income	15	3	18	-	12	12
Transfers into Level 3	541	-	541	-	-	-
Balance, September 30	**716**	**425**	**1,141**	**-**	**452**	**452**

During the nine months ended September 30, 2016, private market investments with a carrying amount of $541 were transferred from Level 2 to Level 3 because their valuations, subsequent to acquisition, are based on unobservable inputs.

Valuations of private market investments are obtained from independent third parties who develop the quantitative unobservable inputs to the valuations. These inputs are mainly distributable cash flows, terminal values and discount rates. Holding other factors constant, an increase to future distributable cash flows or terminal values would tend to increase the fair value, while an increase in the discount rate would have the opposite effect. Quantitative information about these inputs is not available from the valuators.

Fair values of real estate entities are obtained from qualified appraisers who develop the quantitative unobservable inputs to the valuations. Holding other factors constant, an increase to rental income inputs would increase the fair values, while an increase in the inputs for the discount rates and terminal capitalization rates would have the opposite effect. During the nine months ended September 30, 2016, changes in unobservable inputs did not have a significant impact on the fair values of the real estate entities. Refer to our 2015 audited consolidated financial statements for quantitative information about the significant unobservable inputs.

Unaudited (millions of Canadian dollars)

Investment properties (Level 3 fair value measurements)

The tables below provide reconciliations of the fair value of investment properties:

For the three months ended	**September 30 2016**	**September 30 2015**
Balance, July 1	1,379	1,196
Capital expenditures	8	18
Net gains (losses) from changes in fair value	(21)	2
Disposals	-	(4)
Balance, September 30	**1,366**	**1,212**

For the nine months ended	**September 30 2016**	**September 30 2015**
Balance, January 1	1,361	1,194
Asset acquisitions	29	7
Capital expenditures	26	31
Net losses from changes in fair value	(50)	(16)
Disposals	-	(4)
Balance, September 30	**1,366**	**1,212**

During the nine months ended September 30, 2016, there were no transfers of investment properties between levels.

Fair values of investment properties are obtained from qualified appraisers who develop the quantitative unobservable inputs to the valuations. Holding other factors constant, an increase to rental income inputs would increase the fair value, while an increase in the inputs for the discount rates and terminal capitalization rates would have the opposite effect. During the nine months ended September 30, 2016, changes in unobservable inputs did not have a significant impact on the fair value of the investment properties. Refer to our 2015 audited consolidated financial statements for quantitative information about the significant unobservable inputs.

Unaudited (millions of Canadian dollars)

5. Employee Benefit Plans

Remeasurements of the employee defined benefit plans recognized in other comprehensive income (loss) are as follows:

	Three months ended September 30		Nine months ended September 30	
	2016	**2015**	**2016**	**2015**
Actuarial gains (losses) arising from changes in financial assumptions	(124)[1]	97	(570)[1]	97
Actuarial losses arising from demographic and other experience	(1)	-	(1)	(2)
Excess (deficiency) of actual return on plan assets over interest income	81	(82)	62	(11)
Total remeasurements of employee defined benefit plans	**(44)**	**15**	**(509)**	**84**

1. The actuarial losses were primarily due to changes in the interest rate used to value our employee benefit liabilities, which decreased by 15 basis points and 75 basis points, for the three months and nine months ended September 30, respectively.

Employee benefit plans liability

The employee benefit plans liability is comprised of the following:

	September 30 2016	**December 31 2015**
Present value of wholly or partly funded obligations	3,819	3,243
Present value of unfunded obligations	850	736
Total present value of obligations	4,669	3,979
Fair value of plan assets	(2,912)	(2,757)
Employee benefit plans liability	**1,757**	**1,222**

6. Benefit Liabilities

Benefit liabilities are comprised of the following:

	September 30 2016	**December 31 2015**
Loss of earnings	9,220	9,096
Workers' pensions	6,369	6,587
Health care	4,058	3,938
Survivor benefits	2,909	2,860
Future economic loss	1,390	1,502
External providers	198	184
Non-economic loss	295	291
Long latency occupational diseases	2,173	2,137
Posttraumatic stress disorder	35	-
Claim administration costs	1,280	1,235
Benefit liabilities	**27,927**	**27,830**

Unaudited (millions of Canadian dollars)

7. Commitments and Contingent Liabilities

Investment commitments

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

	September 30 2016	December 31 2015
Real estate, multi-asset and infrastructure investments	1,890	1,322
Investments in joint ventures	102	110
Purchases or development of investment properties	6	7
	1,998	**1,439**

Legislated obligations and funding commitments

Known legislated obligations and funding commitments as at September 30, 2016 are approximately $253 for the period from October 1, 2016 to September 30, 2017.

Legal actions

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

8. Related Party Transactions

Government of Ontario and related entities

The WSIB is a trust agency of the Government of Ontario, responsible for administering the WSIA. As such, the WSIB is considered a government-related entity and is provided partial exemptions under IFRS from its disclosure of transactions with the Government of Ontario and its controlled ministries, agencies, and Crown corporations.

Pursuant to the WSIA, the WSIB is required to reimburse the Government of Ontario for all administrative costs of the Occupational Health and Safety Act. The WSIB is also required to fund costs associated with the Ministry of Labour's prevention activities, the Workplace Safety and Insurance Appeals Tribunal and the offices of each of the Worker and Employer Adviser. These reimbursements and associated amounts charged to employers are determined and approved by the Minister of Labour. The WSIB also provides grant funding to carry on investigations, research and training. The total funding provided under these legislated obligations and funding commitments for the three and nine months ended September 30, 2016 were $62 and $182 (2015 – $60 and $181), respectively.

The WSIB is required to reimburse the Ministry of Health and Long-Term Care ("MOHLTC") for physicians' fees for services to injured workers, as well as an administrative fee to the MOHLTC. Amounts paid to the MOHLTC for physicians' fees and administrative services for the three and nine months ended September 30, 2016 were $9 and $27 (2015 – $9 and $27), respectively.

In addition to legislated obligations and workplace health and safety expenses, which the WSIB collectively presents in legislated obligations and funding commitments expenses, the unaudited condensed interim consolidated financial statements include amounts resulting from transactions conducted in the normal course of operations with various controlled ministries, agencies, and Crown corporations of the Government of Ontario.

Included in investments as at September 30, 2016 are $1,751 of marketable fixed income securities issued by the Government of Ontario and related entities (December 31, 2015 – $1,515).

Post-employment benefit plans

The WSIB's two employee defined benefit pension plans and other long-term employee benefit plans, which include life insurance, dental and extended health coverage, are considered related parties. Note 5 provides details of transactions with these post-employment benefit plans.