2018 Economic Statement

WSIB ONTARIO

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

On behalf of the Board of Directors of Ontario's Workplace Safety and Insurance Board (WSIB), we are pleased to present the 2018 Economic Statement. Everything we do for Ontarians is dependent on building a strong financial foundation over the long term. Achieving financial sustainability enables our vital work of promoting healthy and safe workplaces across the province and supporting the best return-to-work and recovery outcomes for anyone with a workplace injury or illness.

The 2018 Economic Statement delivers an overview of our major milestones and improvements in service delivery and operational results, and our financial performance over the last year. This year we accomplished a significant financial achievement, in paying off our Unfunded Liability (UFL) almost ten years ahead of the legislated schedule. As a result, we will be able to maintain our programs and services for people who need us, make improvements to our customer experience, and provide Ontario businesses with a 29.8 per cent reduction in the average premium rate for 2019.

The Economic Statement also previews our work to support new legislation, such as work-related chronic mental stress benefits, increased coverage of presumptive PTSD and calculation of benefits. Details of our funded position and financial performance for the year are also outlined.

We have now reached a turning point with the elimination of the UFL and the future looks very promising. We are pleased to be offering these rate reductions to businesses at the same time we are now over 100 per cent funded, are reporting a $653 million reserve on a Sufficency Ratio Basis, and have attained a strong funding position.

Mrs. Elizabeth Witmer,
Chair

Mr. Thomas Teahen,
President and CEO

Contents

Highlights

We're over 100% funded | Ontario's workers' compensation system is now over 100 per cent funded and is operating without an Unfunded Liability (UFL)[1], well ahead of our legislated timeline to eliminate the UFL by 2027.

The elimination of the UFL was achieved through partnership and positive investment and operational performance | We have achieved this historic milestone in partnership with businesses through the component of premiums collected to help eliminate the UFL and through our ongoing positive investment and operational performance. As of June 30, 2018, our Sufficiency Ratio was 102.0 per cent[2]. Figure 1 illustrates the four key variables that contributed to eliminating the UFL.

Over 90% of people with workplace injuries safely returned to work within a year | As of June 30, 2018 over 90 per cent of people with a workplace place injury returned to work at 100 per cent of their pre-injury earnings within a year.

Reduction in average premium rate for 2019 | Our Board of Directors has approved a 29.8 per cent reduction in the average premium rate for 2019. This is the third year in a row that the average premium rate has been lowered for businesses, a total reduction of over $0.90 from a high of $2.59 in 2016.

No rate group will see an increase in 2019 | Nearly every rate group will see their premium rate go down in 2019 and no rate group will see an increase.

New rate setting model in 2020 | The 2019 premium rates will lay the foundation for our new premium rate setting model that will take effect in 2020.

Strong funding position | As shown in Figure 2, our funding position and estimated future path improved in 2018. Our funding position improved while premium rates continued to decrease, benefits increased and some aspects of our operational performance leveled off. The UFL has been eliminated over a year earlier than was projected in last year's Economic Statement.

1. The UFL represents the shortfall between the money needed to pay future projected benefits for all established claims and the money in the insurance fund.
2. All financial results are preliminary as of June 30, 2018 unless otherwise specified.

Figure 1: Four key drivers that contributed to eliminating the UFL

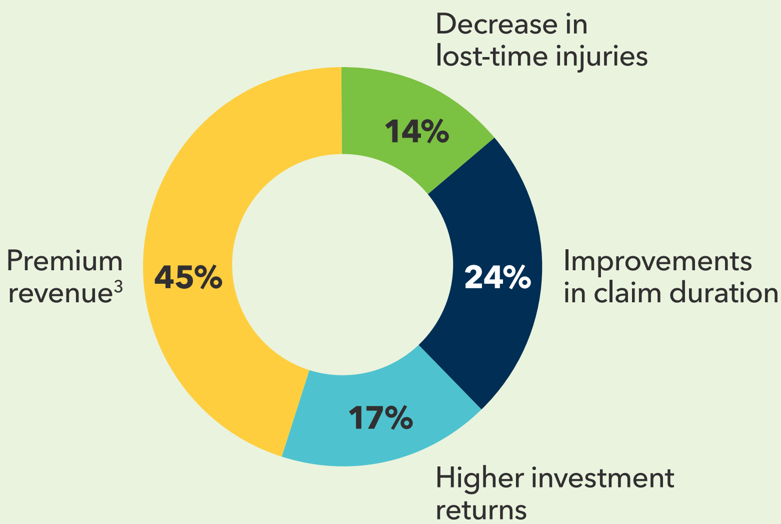
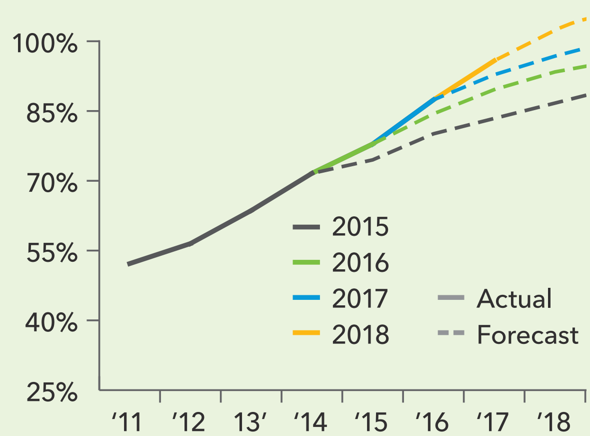


Figure 2: Estimated funding trajectory compared to past projections



3. Planned surplus premium revenue, collected to reduce the UFL.

About the Economic Statement

Our 2018 Economic Statement shows the factors that affected our financial position over the past year. We describe how we arrived at our latest financial forecast, why it has changed since last year and why we are charging the premium rates we have planned for 2019. It continues to incorporate our legislated annual update requirements to the original Sufficiency Plan.

There are many factors that can affect our economic situation, including:

The broader economy

Premium revenue

Investment returns

New legislative obligations

Our experience with claims
(e.g., return-to-work results, health-care costs)

The WSIB in 2018

2018 is the final year of our current Strategic Plan. We continue to work towards the five key priorities that help us to serve people all across Ontario. Here are some highlights of what we have accomplished to date:

1. Health and Safety

Our new online, interactive health and safety tool, Compass, launched in fall of 2017, to which enhancements continue to be made has become a popular resource for businesses and people across the province. It allows visitors to view and compare health and safety statistics for individual workplaces across the province. It supports businesses to manage their risk and improve their performance. We are now preparing a second phase of Compass that will include more detailed private claim and account-level information for businesses who log in to the site.

For the second year in a row, we held our Small Business Health and Safety Leadership awards. The aim of the awards is to recognize small business leaders who make their workplaces healthier and safer, and have outstanding health and safety programs for their employees.

2. Return to Work, Recovery and Fair Benefits

We developed a consolidated strategy and will be launching an enhanced program to guide our efforts to support safe and sustainable return to work following a workplace injury. The program, which targets the next three years (2019-2021), emphasizes positive outcomes over process, and removing barriers. The program will focus on six key areas: providing a customer-centric experience, focusing on "at risk" cases, making the right decisions, delivering quality services, building an expert workforce and strengthening our networks and strategic partnerships.

We have also partnered with two Ontario colleges to help people with workplace injuries who are unable to return to their pre-injury positions gain hands-on work experience to support their program of study. These experiential learning opportunities include participation in real work projects, work trials or short-term placements, volunteer work, job shadows, informational interviews and career mentoring. They help people build their resumés and networks in preparation for the transition back into the workforce.

3. Financial Sustainability

From a high of $14.2 billion in 2011, the WSIB's UFL has now been eliminated. Our financial position has improved while the average business premium rate has been reduced by nearly 10 per cent over the past two years. The elimination of the UFL ensures the security of benefits to anyone with a workplace injury for generations to come, and allows us to focus on other ways of creating public value for the province.

The decrease in the UFL was accomplished through:

- Premiums exceeding those needed to cover claims and administrative costs
- Better than expected investment returns
- Fewer claims
- Better recovery and return to work

4. Innovation

After launching the Health and Safety Index in 2017, we released our first results in May 2018. Our results show that health and safety in Ontario workplaces improved overall by 1.6 per cent over the year. The Health and Safety Index has just been recognized as the 2018 recipient of the International Association of Industrial Accident Boards and Commissions (IAIABC) Innovation Award.

In January, our Workwell program launched the organization's first-ever mobile app. The app walks businesses through a self-evaluation of their workplace programs for health and safety and return to work against the Workwell standard. The Workwell app greatly extends the program's reach and impact.

5. Our People

One of the themes to emerge from our 2017 employee experience survey was frustration among some employees who face barriers in their efforts to deliver high quality service to those we serve. This result has further motivated us to look for new ways to remove barriers faced by staff to ultimately enhance the services we provide.

We continue to lead by example on employee mental health. As we work towards the Gold level in Excellence Canada certification for mental health, we have now trained all of our senior leaders and over 60 per cent of people leaders in the Leading a Mentally Healthy Workplace Program. As well, we want to ensure that our staff can provide excellent mental health services to the people of Ontario. In advance of the new Chronic Mental Stress legislation, we provided specialized mental health training to our staff, to ensure they could provide proficient service for any CMS-related claims.

Developments in 2018

Legislative Changes

Work-Related Chronic Mental Stress Benefits

Starting on January 1, 2018, as a result of legislation passed by the goverment in December 2017 we began providing support and compensation for those who experience work-related Chronic Mental Stress (CMS).

A provision for these benefits was included in 2018 premium rates. So far, the actual number of CMS claims to come into the WSIB has been fewer than expected. We will continue to make a provision for CMS claims in 2019 rates, but it will be less than last year.

Financial implications: We anticipate that there will be approximately 2,500 work-related CMS claims in total in 2019, 1,600 among Schedule 1 businesses and 900 among Schedule 2 businesses.

Indexation of Benefits to Inflation

In response to legislation, we changed the way benefits are indexed to inflation. Indexing means that benefits are increased to keep pace with the rising cost of living each year. Now, all wage-loss and survivor benefits are increased using the same indexing factor, the Consumer Price Index (CPI).

Financial implications: Since this change was based on legislation passed in 2015, it was accounted for at that time through a $948 million increase in the UFL. The increase included the cost of interim and then full indexation of benefits to the CPI. There have been no new financial implications from the legislation since.

Increased Coverage of Presumptive PTSD Legislation

In April 2016, new legislation took effect in Ontario which granted First Responders (or people in other designated professions) diagnosed with post-traumatic stress disorder (PTSD) presumptive entitlement for their PTSD. This means that for this group of people, we could presume their PTSD to be work-related, unless the contrary was shown. This past May, the government expanded the list of occupations covered by the PTSD presumption to include six additional roles: nurses who directly provide patient care, provincial bailiffs, probation officers and their direct supervisors and three additional policing occupations.

Financial implications: With the addition of these new types of work, we estimate that there will be approximately 1,050 more PTSD claims in the remainder of 2018, and 650 additional claims in 2019. Among nurses specifically, we anticipate approximately 600 work-related PTSD claims in 2019. As of June 30, 2018 we added $12 million to our liability as a result of this change in legislation.

Our Performance

Besides changes in our external environment, our performance as an organization also affects our funding level and the premium rates we charge to businesses. Our financial performance was once again strong in 2017, and the first half of 2018 has been no different.

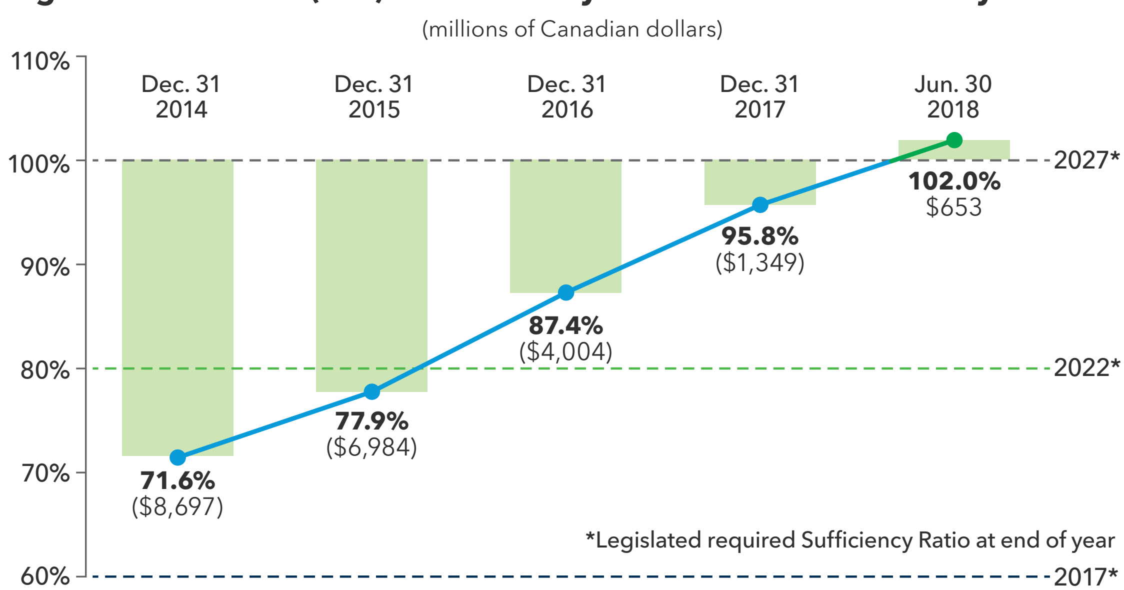
Financial Performance

We achieved a major milestone in 2018 when we reached a Sufficiency Ratio of 100 per cent for the first time. As of the end of June 2018, the Sufficiency Ratio was 102.0 per cent, an increase of 10 per cent over 12 months.

This growth resulted from:

- Year-to-date4 premium revenue that was 5 per cent higher than the same point last year ($2,518 million compared to $2,394 million in 2017) even though the average premium rate is 3.3 per cent lower than in 2017.
- A year-to-date increase in net investment assets of $1,198 million to $35,194 million to pay for the promise of benefits already earned. This was comprised largely of transfers generated from operating activities of $600 million and investment income before investment expenses of $600 million (1.9 per cent gross return). As well, our longer-term investment performance (10-year returns of 6.8 per cent) is slightly higher than our target range of 3.5 to 6.5 per cent. Our growing investment portfolio ensures that benefits will be there for those who need them in the years to come.
- Claims costs and administrative expenses that remained within budget as of year-end 2017. Year-to-date, claims payments were $1,241 million (2017 – $1,182 million) and administrative expenses were $434 million (2017 – $394 million).

Figure 3: Net Assets (UFL) on Sufficiency Ratio Basis and Sufficiency Ratios



4. Performance results are year-to-date as of June 30, 2018 unless otherwise specified. All financial results are preliminary. Operational results are Schedule 1 only unless otherwise specified.

Operational Performance

Our registered claim volume was 6 per cent higher year-to-date compared to 2017. The increase was mainly due to higher lost-time claim volume (+16 per cent, or 4,642 claims), while no-lost-time claims increased 2 per cent (1,377 claims).

Compared to this time last year, short and medium-term durations have increased. In other words, for these time intervals, those with claims continue to require benefits for longer. For example 3-month duration was 13.2 per cent at the end of Q2, compared to 12.4 per cent at the same time last year, and 12-month duration has increased from 4.6 to 5.7 per cent.

On the other hand, year to date long-term duration has improved, and 72-month duration decreased from 2.1 to 2.0 per cent. As well, the number of claims locked in has not increased this year compared to last (565 lock-ins year to date compared to 567 in 2017).

Fewer people are experiencing permanent impairment from their workplace injuries or illnesses. This was the case for 5.2 per cent of claims year to date, compared to 5.9 per cent in 2017.

We will continue to closely monitor changes in our operational performance and take action to ensure the best possible outcomes for those with workplace injuries and their workplaces. To date, these changes have not affected our overall financial position.

Financial Outlook

Funding Status and Path

Each year since our first Economic Statement in 2015, we have shared a financial trajectory to show our estimated timing for eliminating the UFL and beyond as required by legislation (see Appendix 1). As we move forward, we must be prepared to withstand possible future negative economic conditions to ensure that our insurance fund remains greater than 100 per cent funded.

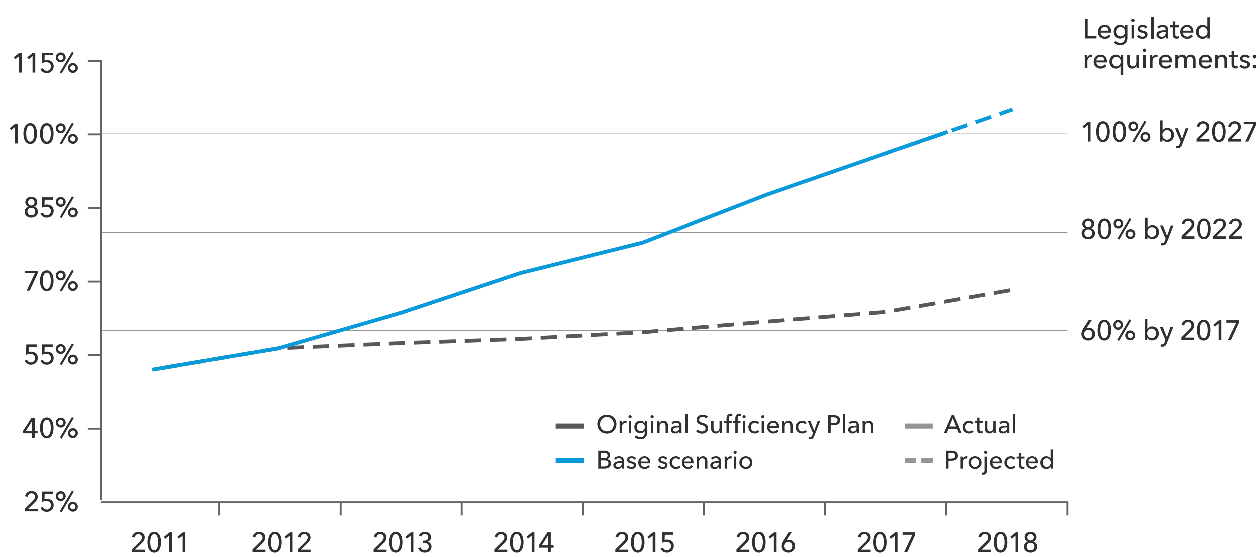
The WSIB calculates estimated funding levels under two different scenarios, a Base scenario and an Adverse scenario. These funding levels assume that no new increases to benefits are legislated by the Ontario government. Should the government commit to any increases to benefits, it would add to our costs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

Base scenario: We will assume a 29.8 per cent reduction in the average business premium rate for 2019 as the Past Claims Cost component of premium rates is phased out. Under this scenario, even with considerable rate reductions, we can achieve and maintain a stable level of funding and remain 100 per cent funded. This scenario also assumes that there are no significant economic downturns.

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

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

Figure 4: Sufficiency Ratio Projections



We base the estimated funding paths shown on the assumptions in the table below. The 2018 Base and Adverse scenarios differ only in forecast insurable earnings, investment returns and New Claims Cost.

Figure 5: Assumptions for estimated trajectories

	Notes*	2013 Original Sufficiency Plan	2018 Base scenario	2018 Adverse scenario
Revenues	1			
Average Premium Rate		$2.46	$2.35 in 2018 29.8% reduction in 2019 15.8% reduction for 2020	Same as Base scenario
Insurable Earnings		3.0% growth	2.0% annual growth	2.0% growth in 2018-2020 -2.5% in 2021 0% in 2022 Return to normal in 5 years (2027)
Investment Return, net		3.5% to 2017 5.5% thereafter	4.75% annually	4.75% in 2018-2020 -1% in 2021 -15% in 2022 8.25% in 2023-2028 4.75% thereafter
Claim Costs	2			
New Claims Cost		$1.10	$0.775 for 2018 $0.825 for (2019+)	$0.775 for 2018 $0.825 (2019 – 2020) $0.91 for 2021 $0.825 Return to normal in 5 years (2026)
Benefit Coverage		No change	Includes coverage for work-related chronic mental stress, PTSD, presumptive cancer legislation and partial indexation rate	Same
Health Care Escalation		4.5%	4.0%	Same
Claims Duration		No improvement	Continuance curve assumption updated at 2017 year end	Same
Lost-Time Injury Claims		No improvement	No change	Same
Administration	3	Stable at $800 million then 2% growth thereafter	Stable at $1.0 billion per year for next 10 years	Same

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

Premium Rate Outlook

For 2019, the average business premium rate will be $1.65, which is 29.8 per cent lower than in 2018. No rate group will see an increase in their premium rate in 2019, and all but seven rate groups will be paying lower rates, to a maximum decrease of 48 per cent.

The significant reduction in rates is due to the planned phase out of the Past Claims Cost (PCC) component of premium rates. The PCC was collected specifically to eliminate the UFL. Now that the UFL has reached zero, we plan to eliminate the PCC from rate calculations. By lowering rates for 2019, we are also preparing for 2020 when our new premium rate setting model comes into effect.

Figure 6: Premium rates for select rate groups

	2019 Rate	% Change, year over year	2018 Rate	Savings in 2019*
General Trucking	4.88	-30.0%	6.97	100.1 million
Restaurants and Catering	1.04	-31.6%	1.52	41.4 million
Home Building	4.33	-40.2%	7.24	89.8 million

* Savings are shown in constant 2019 millions of dollars and include forecast growth in insurable earnings for each rate group.

Note: Under the rate framework, the rate charged to individual businesses within each class will vary. Businesses will be assigned a "risk band" based on their individual risk and experience. Each year, if their experience with claims improves or worsens in relation to their class experience, businesses will move up or down in their rates, up to three risk bands.

Our Public Value

Our new 2019-2021 Strategic Plan focuses on the public value we deliver and how we can work to maximize our value to people. We measure public value based on how well we contribute to the overall economic and social health of Ontario.

We deliver public value by reducing the disruption and devastation caused by workplace injuries and illnesses, while making Ontario a safer place to work. By working with our partners to prevent workplace injuries and illnesses from occurring in the first place, and by supporting safe and timely return to work when they do, we are improving the lives of people across the province.

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

The 29.8 per cent reduction in the average premium rate for 2019 means the approximately $1.45 billion that would have gone towards funding the workers' compensation system will now remain in the economy, to be invested in jobs, business growth, new technology or in improvements to workplace health and safety. This savings to Ontario is in addition to the roughly $780 million returned to the economy from the reductions made to the 2017 and 2018 premium rates.

About the WSIB

When an injury or illness happens on the job, we move quickly to provide wage-loss benefits, medical coverage and help getting back to work. We cover over five million people in more than 300,000 workplaces across Ontario. We also help promote health and safety in the workplace with a goal of one day having zero work-related injuries or illnesses. The WSIB is funded by employer premiums.

The WSIB:

- Invests over $30 billion in reserve to support our $30 billion in liabilities, to pay benefits for injuries that have occurred and require benefits and support in the future.
- Pays nearly $300 million each year to cover the cost of programs outside the WSIB such as funding for the Ministry of Labour, the Office of the Chief Prevention Officer and health and safety associations.
- Registered nearly 240,000 claims in 2017.
- Paid $2.4 billion in benefits to people injured at work or who experienced an occupational illness in 2017.

Appendix: Sufficiency Plan Update Requirements

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

Regulations that Apply to the Sufficiency Ratio and the Sufficiency Plan

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

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

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

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

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

Sufficiency Ratio Calculation Methodology

The sufficiency regulations permit the actuarial valuation of investment assets for the purposes of the Sufficiency Ratio and allow the WSIB to amortize investment gains and losses that differ from the long-term expected rate of return over a five-year period. The WSIB currently expects a long-term expected rate of return on investments of 4.75 per cent (2017 – 4.75 per cent). Amortizing the investment gains and losses that differ from the long-term expected rate of return over five years on a straight-line basis is consistent with guidance in the *Pension Benefits Act* (Ontario) and mirrors the practices of many large pension plans in Ontario.

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

Assets

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

The current unamortized balance representing the cumulative investment returns in excess of the long-term expected return since 2013 was $1,269 million at June 30, 2018 (2017 – $ 1,720 million). This balance will fluctuate depending on the WSIB's actual investment income as compared to the expectation of 4.75 per cent (2017 – 4.75 per cent) per annum and will be amortized into future income and the UFL on a Sufficiency Ratio basis over the remaining amortization period.

Liabilities

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

Based on the WSIB's Sufficiency Ratio methodology under the sufficiency regulations, the Sufficiency Ratio as of June 30, 2018 was 102.0 per cent (95.8 per cent in 2017) corresponding to a funding reserve of $+653 million (2017 – UFL of $1,349 million and 2016 – UFL of $4,004 million) on a Sufficiency Ratio basis. The component of premiums collected to help eliminate the UFL and our ongoing positive investment and excellent operational results have resulted in better than anticipated progress in achieving 100 per cent funding.

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

(millions of Canadian dollars)	**30-Jun 2018**	**31-Mar 2018**	**31-Dec 2017**	**31-Dec 2016**
UFL attributable to WSIB stakeholders on an IFRS basis	1,000	(324)	(710)	(3,925)
Add/(Less): Adjustments per Ontario Regulations:				
Change in valuation of investment portfolio	(1,269)	(1,305)	(1,720)	(779)
Change in valuation of employee benefit plans liability	814	(882)	(925)	626
Change in valuation of investment portfolio attributable to non-controlling interests	108	113	156	74
UFL attributable to WSIB stakeholders on a Sufficiency Ratio basis	653	(634)	(1,349)	(4,004)
Sufficiency Ratio	**102.0%**	**98.0%**	**95.8%**	**87.4%**

Significant Financial Risks and Mitigation Strategies

We include a discussion of the significant risk factors that affect the operations of the WSIB in the Management's Discussion and Analysis section of the 2017 Annual Report. Further discussion of Insurance Funding Risk factors and mitigation of identified risks are included in the 2017 Economic Statement and the First Quarter 2018 Sufficiency Report to Stakeholders. The WSIB believes the significant risks outlined in these reports have not changed materially.

Notes about Assumptions for Estimated Trajectories (Figure 5)

The WSIB has made the following changes to the significant assumptions for 2018 to reflect recent experience and our long-term outlook as summarized below.

1. Revenues

Premium Revenue

- We've assumed the average premium rate of $1.65 per $100 of insurable earnings for 2019. This is a significant decrease from the original Sufficiency Plan, which included an average premium rate of $2.46 per $100 of payroll. A decrease in the weighted average premium rate reflects the approved reduction of the average 2019 premium rate for Schedule 1.
- We've assumed that under the rate framework, the average premium rate will be net of employer incentive programs.
- We've assumed that under the current Base scenario there will be a 29.8 per cent reduction in the average premium rate in 2019 and taking into account the expected cost impact of work-related chronic mental stress and PTSD legislation.
- We've assumed insurable earnings will grow at 2.0 per cent in 2019 and thereafter annually (a combination of wage and employment growth). In the Adverse scenario we project a recessionary environment in which insurable earnings grow at only 2.0 per cent for three years followed by a 2.5 per cent decrease in the fourth year, remain flat in the fifth year and 2.0 per cent growth thereafter.

Investment Returns

- We've assumed investment returns will be 4.75 per cent in 2018 and thereafter.
- We've assumed that in the Adverse scenario there will be a 4.75 per cent return on investments from 2018 to 2020 followed by a 1.0 per cent loss in the fourth year, a further 15.0 per cent loss in the fifth year, then a 8.25 per cent positive return for the next six years and 4.75 per cent thereafter.

2. Benefit Costs

- We've assumed that New Claims Cost (NCC) is $0.775 per $100 of insurable earnings in 2018 and $0.825 thereafter. This is $0.275 lower than the original Sufficiency Plan due to claims experience in recent years, notwithstanding increases related to the legislative changes for work-related chronic mental stress benefits, posttraumatic stress disorder benefits, indexing of benefits and presumptive cancers for firefighters' benefits.
- We've assumed there will be no change in benefit coverage or levels, with the exception of work-related chronic mental stress and posttraumatic stress disorder, noted above reflecting recent legislative amendments.
- We've assumed that health care costs will grow at 4 per cent per year. This is a decrease from the original Sufficiency Plan of 4.5 per cent as our health care cost experience has been favourable and we expect the experience will continue.
- We've updated duration of claims at 2017 year-end as the actuarial assumption for continuance was updated for recent experience.

3. Administration

- We've assumed administration and other expenses will increase to $1.0 billion and remain relatively stable over the next 10 years due to higher employee costs and information technology transformation.
- We've assumed CPI will grow by 2 per cent annually, a change from the original Sufficiency Plan of 2.5 per cent. Inflation remains steady at historical lows. We have reduced the long-term inflation target to match the Bank of Canada's long-term target.

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