WORKPLACE SAFETY & INSURANCE BOARD

THIRD QUARTER 2017 REPORT TO STAKEHOLDERS

wsib
ONTARIO

Management's Responsibility for Financial Reporting

The accompanying unaudited condensed interim consolidated financial statements as at and for the three months and nine months ended September 30, 2017 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, 2017, 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 months and nine months ended September 30, 2017.

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, 2017
Toronto, Ontario

Pamela Steer
Chief Financial Officer

Management's Discussion and Analysis

Table of Contents

1. Operational Highlights

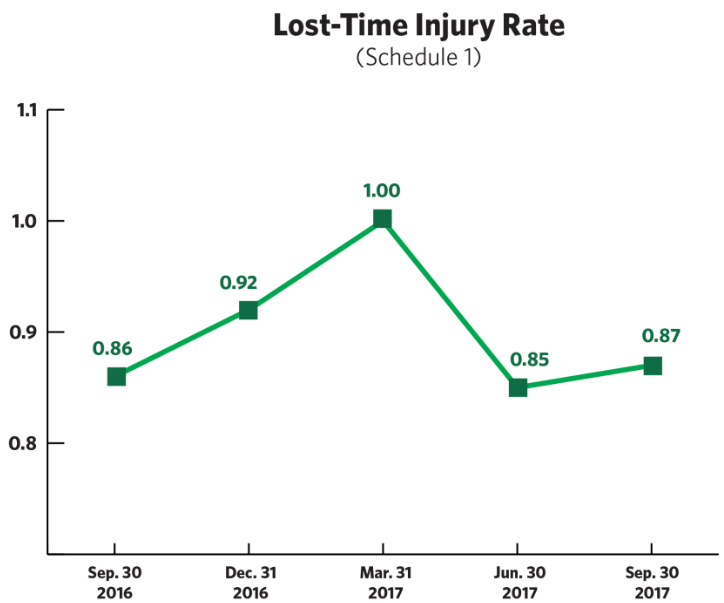
Highlights of our operational performance for the nine months ended September 30, 2017 compared to 2016.

Operational highlights for the nine months ended September 30, 2017:

Higher year-to-date registered claim volume. Year-to-date, Schedule 1 registered claim volume continues to be higher than in 2016 but has increased at a lower rate throughout the current year. As of September 30, 2017, there were 148,893 registered claims, 2.3% higher than the same period in 2016 (145,504 claims). The increase was primarily a result of higher claim volume earlier in the year.

In the third quarter of 2017, Schedule 1 registered claim volume was 3.7% lower than in the third quarter of 2016 (50,592 claims compared to 52,538 claims). This was the first time in the past four quarters that registered claim volume has decreased when compared to the same quarter in the previous year. Lost-time claims have decreased by 4.6% when compared to the same period in 2016, while no-lost-time claims decreased by 3.3% compared to the third quarter in the previous year. Schedule 2 registered claim volume in the third quarter was 8,333, the lowest it has been since 2011.

Lost-time injury rate is stabilizing. As with Schedule 1 registered claim volume, the lost-time injury ("LTI") rate remains higher than in 2016 but increased at a lower rate throughout the current year. As of September 30, 2017, there were 0.87 allowed lost-time claims per 100 workers, compared to 0.86 in 2016. Considering the WSIB's largest industry sectors, the LTI rates have improved over 2016 in the transportation (1.53 compared to 1.58) and automotive (0.89 compared to 0.90) sectors. LTI rates for the other four large sectors have remained stable (health care) or increased slightly (construction, manufacturing and services).

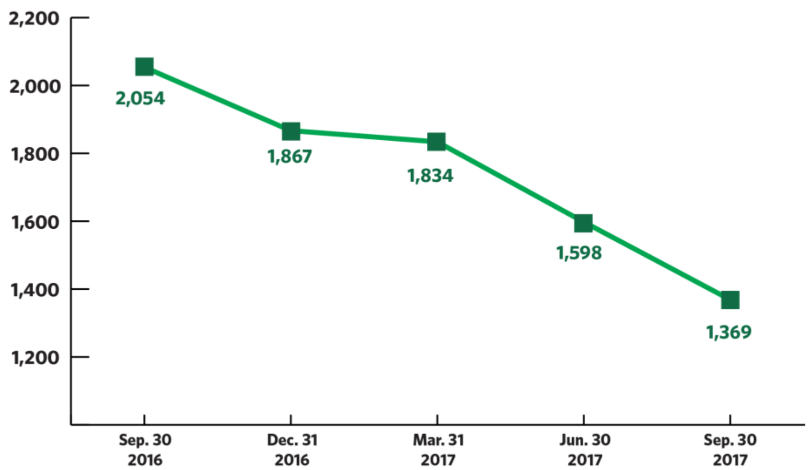


Short-term and medium-term durations continue to increase. Injured workers continue to require benefits for longer durations compared to both 2016 and to the historic low durations seen in 2015. Durations of up to 24 months for Schedule 1 and 2 claims were higher in the third quarter of 2017 than last year. Each of these durations has also increased compared to the second quarter of 2017.

Long-term duration continues to improve. Long-term duration of 72 months continues to decrease among Schedule 1 claims (from 2.6% in the third quarter of 2016 to 2.0% in 2017) and remains steady among Schedule 2 claims (0.5%). Claims that continue to require benefits at this point may be "locked in," which has occurred for 818 claims year-to-date, down from 1,055 claims or 22% over the same period in 2016.

Appeal decision-making continues to be timely. In the third quarter of 2017, 90% of the appeals coming in to the WSIB's Appeals Services Division were resolved within six months, well above the 85% target and consistent with the 89% resolved in the third quarter of 2016. The number of appeals received also continues to decline; 1,247 new appeals came in during the third quarter of 2017, down from 1,374 in the last quarter. With fewer incoming appeals and ongoing timeliness in decision making, the inventory of active appeals was at a new low of 1,369 cases.

Active Appeals Inventory
(number of active appeals)



During the third quarter of 2017, 15% of appeals were allowed and 13% were allowed in part. Both of these results were within target ranges and consistent with recent quarters.

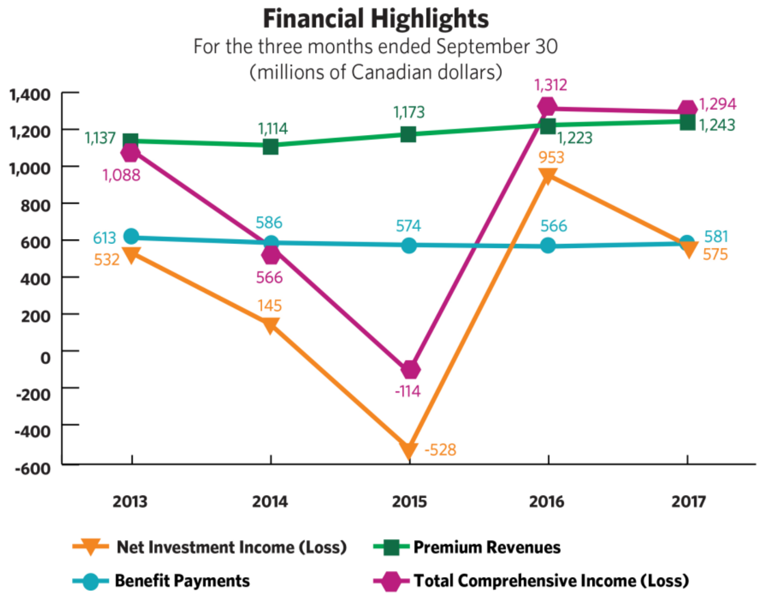
Notable item

On July 24, 2017, Investment Management Corporation of Ontario ("IMCO") officially launched and began managing certain of WSIB and Ontario Pension Board assets. Having our funds managed by IMCO will allow us to achieve economies of scale, have wider access to investment opportunities, increase diversification, enhance our risk management, and optimize our use of internal and external investment management.

2. Financial Highlights

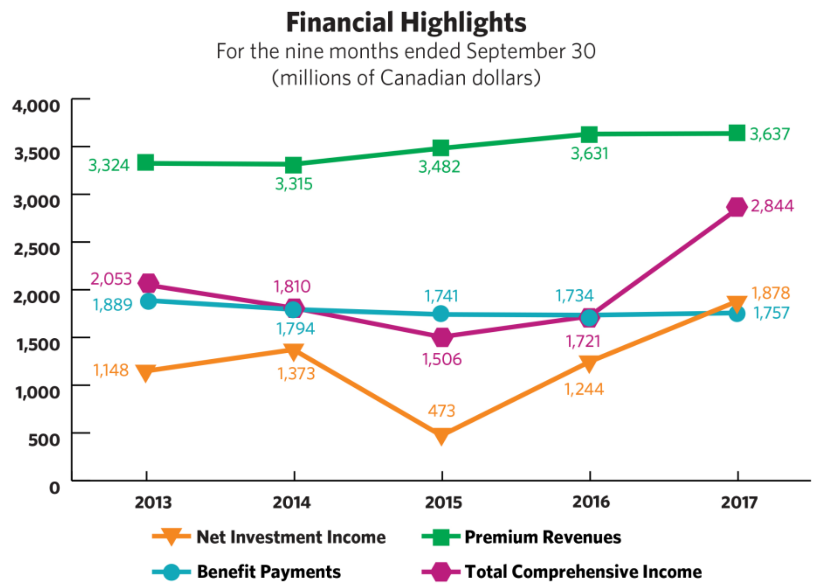
Highlights of our financial performance for the three months and nine months ended September 30, 2017 compared to 2016.

The following section should be read in conjunction with the unaudited condensed interim consolidated financial statements of the WSIB as at and for the three months and nine months ended September 30, 2017.



Financial highlights for the three months ended September 30, 2017 compared to the three months ended September 30, 2016:

- We generated a total comprehensive income of $1,294 million in the third quarter of 2017, primarily reflecting a net investment income of $581 million, other comprehensive income of $317 million and positive cash flow in our business as our premium revenues exceeded our operating expenses.
- Premium revenues increased $20 million or 1.6% primarily reflecting lower net payouts for employer incentive programs due to higher surcharges, higher reimbursement of administrative fees from Schedule 2 employers and higher premiums attributable to a 7.7% increase in insurable earnings driven by strong growth in the construction, health care, manufacturing, services and transportation industries, partially offset by a 6.5% reduction in the realized average premium rate collected from employers in the quarter as a result of the 6.2% reduction in the published 2017 premium rates.
- The WSIB investment portfolio reflected a net investment income of $581 million, a decrease of $372 million compared to the same period in 2016. The return on investments was 2.0% in the third quarter of 2017 compared to 3.8% in the third quarter of 2016. 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 increased $9 million or 1.6% primarily reflecting higher loss of earnings payments, partially offset by lower workers' pension payments.
- Administration and other expenses, before allocation to benefit costs, increased by $7 million or 3.7%, reflecting $4 million of higher depreciation and amortization expenses, $2 million of higher facilities expenses, $2 million of higher systems development and integration expenses, and $1 million of lower other operating expenses.
- For the three months ended September 30, 2017, other comprehensive income was $317 million primarily attributed to an average increase in the employee benefit plans discount rate of 40 basis points and better than expected returns on pension plan assets, partially offset by translation losses from net foreign investments.



Financial highlights for the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016:

- We generated a total comprehensive income of $2,844 million in the first nine months of 2017, primarily reflecting a net investment income of $1,878 million and positive cash flow in our business as our premium revenues exceeded our operating expenses, thereby allowing us to transfer $1,060 million of cash generated from operating activities to our investment fund in the first nine months of 2017.
- Premium revenues increased $6 million or 0.2% primarily reflecting lower net payouts for employer incentive programs due to higher surcharges, higher reimbursement of administrative fees from Schedule 2 employers, partially offset by lower gross premiums. Gross premiums decreased $14 million reflecting a 5.1% reduction in the realized average premium rate as a result of the 6.2% reduction in the published 2017 premium rates, partially offset by a 5.0% increase in insurable earnings driven by strong growth in the construction, health care, manufacturing, services and transportation industries.
- Year-to-date, the WSIB's investment portfolio increased by $3,080 million largely due to investment income of $1,878 million combined with net cash transfers of $1,060 million. The return on investments was 6.9% in the first nine months of 2017 compared to 5.2% in the same period of 2016.
- Benefit payments increased $23 million or 1.3% primarily reflecting higher loss of earnings payments, partially offset by lower workers' pensions and future economic loss benefit payments.
- Administration and other expenses, before allocation to benefit costs, increased by $23 million or 4.0%, reflecting $8 million of higher long-term employee benefit plans expenses, $7 million of higher depreciation and amortization expenses, $4 million of higher salaries and short-term benefits expenses and $4 million of higher other operating expenses.
- For the nine months ended September 30, 2017, other comprehensive income was $1 million primarily attributed to better than expected returns on pension plan assets, offset by an average decrease in the employee benefit plans discount rate of 10 basis points and translation losses from net foreign investments.
- Our unfunded liability on a Sufficiency Ratio basis was $1,777 million as at September 30, 2017, a decrease of $2,227 million or 55.6% since December 31, 2016.

3. Financial Results

A more detailed discussion of our financial performance for the three months and nine months ended September 30, 2017 compared to 2016.

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

	Three months ended September 30		Nine months ended September 30	
(millions of Canadian dollars)	**2017**	**2016[5]**	**2017**	**2016[5]**
Revenues				
Premiums	1,283	1,269	3,765	3,767
Net mandatory employer incentive programs	(40)	(46)	(128)	(136)
	1,243	1,223	3,637	3,631
Net investment income				
Investment income	629	991	2,014	1,358
Investment expenses	(48)	(38)	(136)	(114)
	581	953	1,878	1,244
	1,824	**2,176**	**5,515**	**4,875**
Expenses				
Benefit costs				
Benefit payments	575	566	1,757	1,734
Claim administration costs	105	100	314	303
Change in actuarial valuation of benefit liabilities	(1)	(5)	74	97
	679	661	2,145	2,134
Loss of Retirement Income Fund contributions	14	14	42	42
Administration and other expenses	99	96	296	281
Legislated obligations and funding commitments	55	54	189	190
	847	**825**	**2,672**	**2,647**
Excess of revenues over expenses	**977**	**1,351**	**2,843**	**2,228**
Other comprehensive income (loss)				
Item that will not be reclassified subsequently to income				
Remeasurements of employee defined benefit plans	349	(44)	42	(509)
Item that will be reclassified subsequently to income				
Translation gains (losses) from net foreign investments	(32)	5	(41)	2
Total other comprehensive income (loss)	**317**	**(39)**	**1**	**(507)**
Total comprehensive income	**1,294**	**1,312**	**2,844**	**1,721**
Total comprehensive income attributable to:				
WSIB stakeholders	1,231	1,203	2,641	1,576
Non-controlling interests	63	109	203	145
	1,294	**1,312**	**2,844**	**1,721**
Other measures				
Core Earnings[1]	395	393	1,039	1,081
Return on investments[2]	2.0%	3.8%	6.9%	5.2%
			Sep. 30 2017	**Dec. 31 2016**
Unfunded liability[3,4]			(1,284)	(3,925)
Unfunded liability - Sufficiency Ratio basis[4]			(1,777)	(4,004)
Sufficiency Ratio[4]			94.5%	87.4%

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 10 – Non-IFRS Financial Measure.
2. Return on investments is the investment income (loss), net of transaction costs and withholding taxes, generated over a given period of time as a percentage of capital invested taking into account capital contributions and withdrawals.
3. Unfunded liability represents the deficiency of assets attributable to WSIB stakeholders as at the end of the reporting period. The total net assets of $1,863 million as at September 30, 2017 (December 31, 2016 – deficiency of $996 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 $3,147 million as at September 30, 2017 (December 31, 2016 – $2,929 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, 2017 was $1,284 million (December 31, 2016 – $3,925 million) which includes benefit liabilities. Refer to the unaudited condensed interim consolidated statements of financial position for further details.
4. Refer to Section 5 – Reconciliation of the Unfunded Liability on a Sufficiency Ratio Basis for further details.
5. Certain comparative amounts have been reclassified to be consistent with the current period's presentation.

Premiums

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

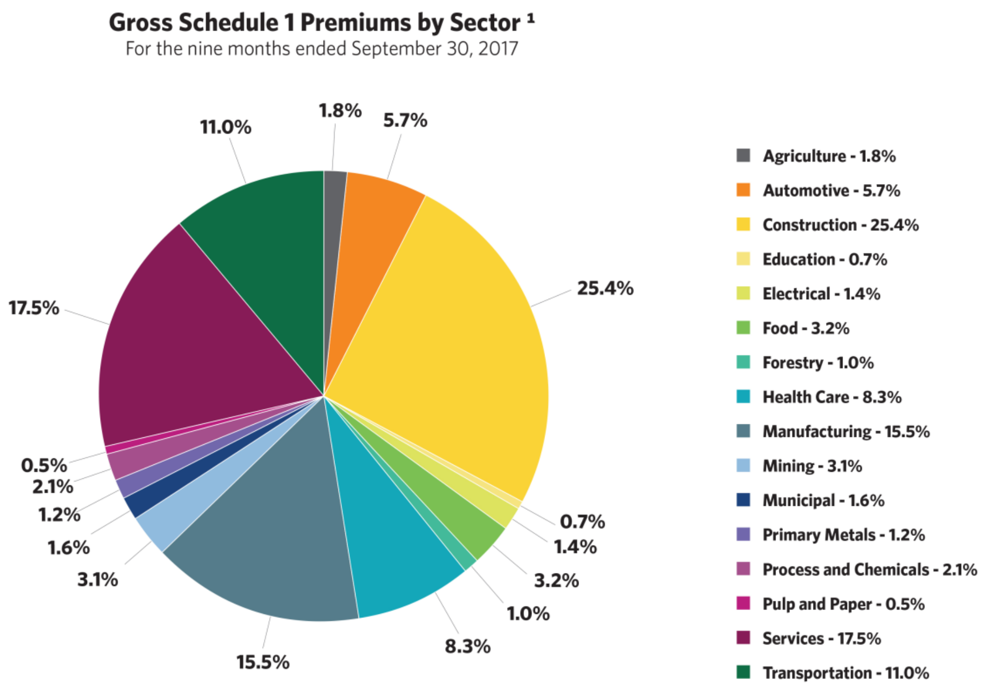
	Three months ended September 30				Nine months ended September 30			
			Change				Change	
(millions of Canadian dollars)	**2017**	**2016**	**$**	**%**	**2017**	**2016**	**$**	**%**
Schedule 1 employer premiums								
Gross Schedule 1 premiums	1,257	1,249	8	0.6	3,676	3,690	(14)	(0.4)
Bad debts	(10)	(13)	3	23.1	(27)	(29)	2	6.9
Interest and penalties	13	14	(1)	(7.1)	46	45	1	2.2
	1,260	1,250	10	0.8	3,695	3,706	(11)	(0.3)
Schedule 2 employer administration fees	23	19	4	21.1	70	61	9	14.8
	1,283	1,269	14	1.1	3,765	3,767	(2)	(0.1)
Net mandatory employer incentive programs	(40)	(46)	6	13.0	(128)	(136)	8	5.9
	1,243	**1,223**	**20**	**1.6**	**3,637**	**3,631**	**6**	**0.2**

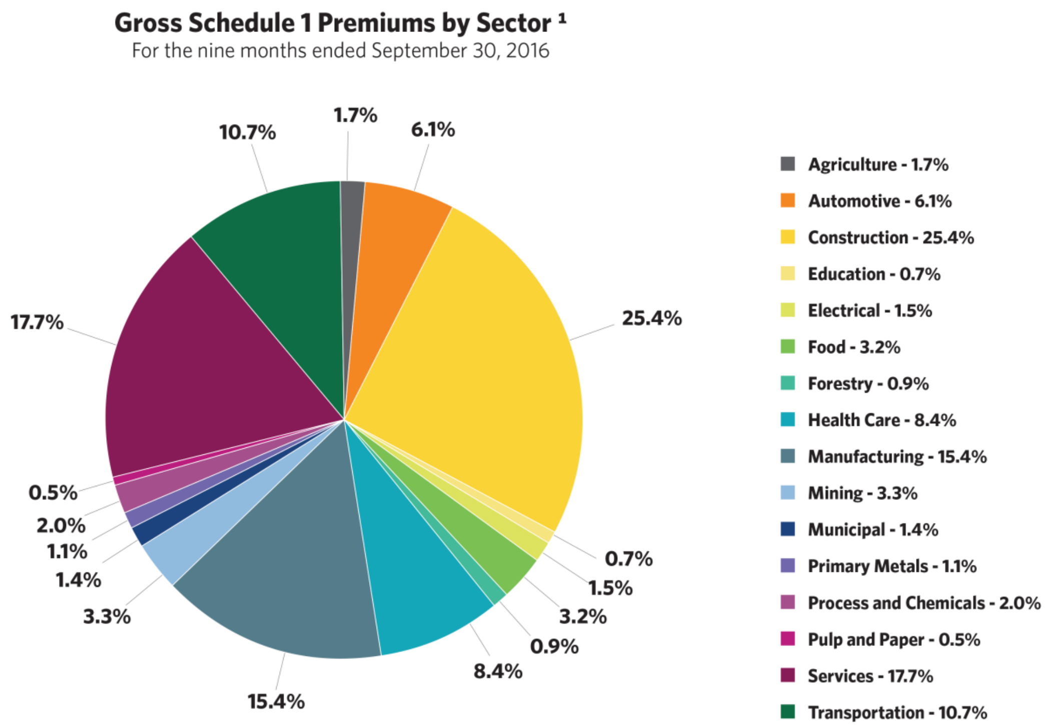
For the three months ended September 30, 2017, gross premiums increased $8 million or 0.6%, reflecting a $89 million or 7.7% increase in insurable earnings driven by strong growth in the construction, health care, manufacturing, services and transportation industries, partially offset by a $81 million or 6.5% reduction in the realized average premium rate collected from employers as a result of the 6.2% reduction in the published 2017 premium rates.

For the nine months ended September 30, 2017, gross premiums decreased $14 million or 0.4%, reflecting a $189 million or 5.1% reduction in the realized average premium rate collected from employers as a result of the 6.2% reduction in the published 2017 premium rates, partially offset by a $175 million or 5.0% increase in insurable earnings driven by strong growth in the construction, health care, manufacturing, services and transportation industries.

For the three months and nine months ended September 30, 2017, net payouts for mandatory employer incentive programs decreased due to higher surcharges required under the retrospective experience-rating programs, principally the New Experimental Experience Rating program (the “NEER”), reflecting employer claims 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 the “Premiums accrued but not reported” category. This category has been excluded for the purpose of determining the industry sector mix.

Net investment income

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

Investment Strategy	Three months ended September 30							
	2017				2016			
(millions of Canadian dollars)	Investment income (loss)	Return %	Net asset value[1]	%	Investment income (loss)	Return %	Net asset value[1]	%
Public equities	337	2.9	12,234	37.7	693	7.2	10,406	36.0
Fixed income	(56)	(1.0)	6,088	18.8	78	1.2	6,993	24.2
Multi-asset	209	2.6	6,044	18.6	164	2.9	5,625	19.5
Real estate	71	2.1	3,514	10.8	9	0.4	2,442	8.5
Infrastructure	66	2.7	2,365	7.3	46	3.1	1,839	6.4
Cash and cash equivalents	2	-	2,134	6.6	1	-	1,501	5.2
Other	-	-	67	0.2	-	-	67	0.2
	629	**2.0**	**32,446**	**100.0**	**991**	**3.8**	**28,873**	**100.0**
Investment expenses	(48)				(38)			
Net investment income	**581**				**953**			

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

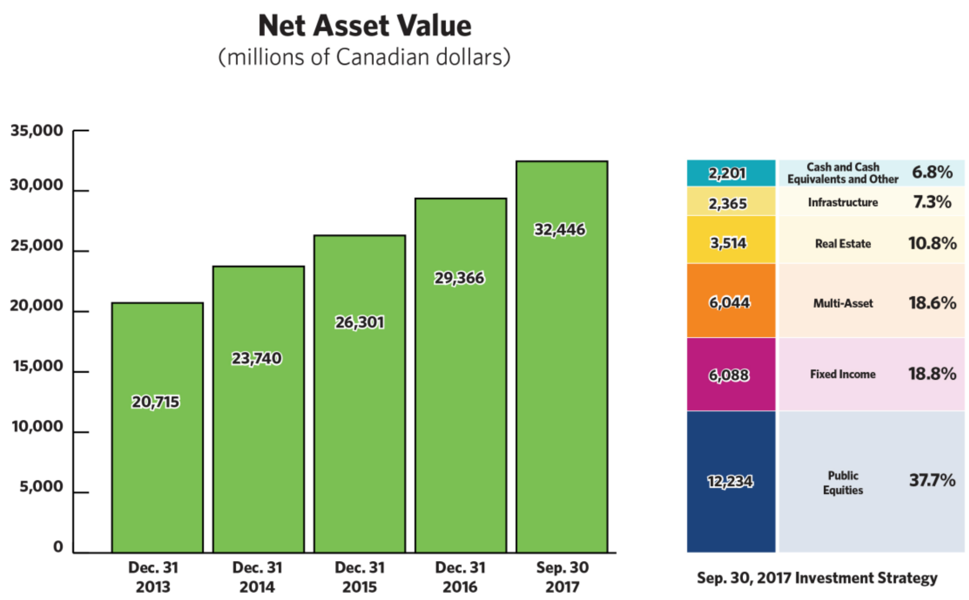
For the three months ended September 30, 2017, net investment income decreased by $372 million over the same period last year, reflecting an overall return of 2.0% or net investment income of $581 million for the third quarter. Portfolio returns in the third quarter were driven primarily by strong returns in public equity and multi-asset strategies.

Investment Strategy	Nine months ended September 30							
	2017				2016			
(millions of Canadian dollars)	Investment income (loss)	Return %	Net asset value[1]	%	Investment income (loss)	Return %	Net asset value[1]	%
Public equities	1,178	10.9	12,234	37.7	505	4.8	10,406	36.0
Fixed income	3	0.2	6,088	18.8	334	5.4	6,993	24.2
Multi-asset	443	6.2	6,044	18.6	320	5.9	5,625	19.5
Real estate	151	5.0	3,514	10.8	49	2.5	2,442	8.5
Infrastructure	235	12.0	2,365	7.3	146	10.0	1,839	6.4
Cash and cash equivalents	4	-	2,134	6.6	4	-	1,501	5.2
Other	-	-	67	0.2	-	-	67	0.2
	2,014	**6.9**	**32,446**	**100.0**	**1,358**	**5.2**	**28,873**	**100.0**
Investment expenses	(136)				(114)			
Net investment income	**1,878**				**1,244**			

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

For the nine months ended September 30, 2017, net investment income increased by $634 million over the same period last year, reflecting an overall return of 6.9% or net investment income of $1,878 million year-to-date. Public equity returns of 10.9% were driven by strong returns on foreign equities outside of North America. Infrastructure returns of 12.0% were driven by both capital and income returns. Multi-asset returns of 6.2% were primarily driven by hedge funds.

The following chart displays the net asset value for the years from 2013 to 2016 and the nine months of 2017:



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 months 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)	**2017**	**2016**	**$**	**%**	**2017**	**2016**	**$**	**%**
Benefit payments	575	566	9	1.6	1,757	1,734	23	1.3
Claim administration costs	105	100	5	5.0	314	303	11	3.6
Change in actuarial valuation of benefit liabilities	(1)	(5)	4	80.0	74	97	(23)	(23.7)
Total benefit costs	**679**	**661**	**18**	**2.7**	**2,145**	**2,134**	**11**	**0.5**

Benefit payments

Benefit payments represent cash paid during the three months 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)	**2017**	**2016**	**$**	**%**	**2017**	**2016**	**$**	**%**
Loss of earnings	227	212	15	7.1	684	634	50	7.9
Workers' pensions	133	138	(5)	(3.6)	404	420	(16)	(3.8)
Health care	109	107	2	1.9	341	342	(1)	(0.3)
Future economic loss	47	48	(1)	(2.1)	141	151	(10)	(6.6)
Survivor benefits	45	45	-	-	145	143	2	1.4
External providers	6	7	(1)	(14.3)	18	22	(4)	(18.2)
Non-economic loss	11	10	1	10.0	30	31	(1)	(3.2)
Other	(3)	(1)	(2)	(100+)	(6)	(9)	3	33.3
Total benefit payments	**575**	**566**	**9**	**1.6**	**1,757**	**1,734**	**23**	**1.3**

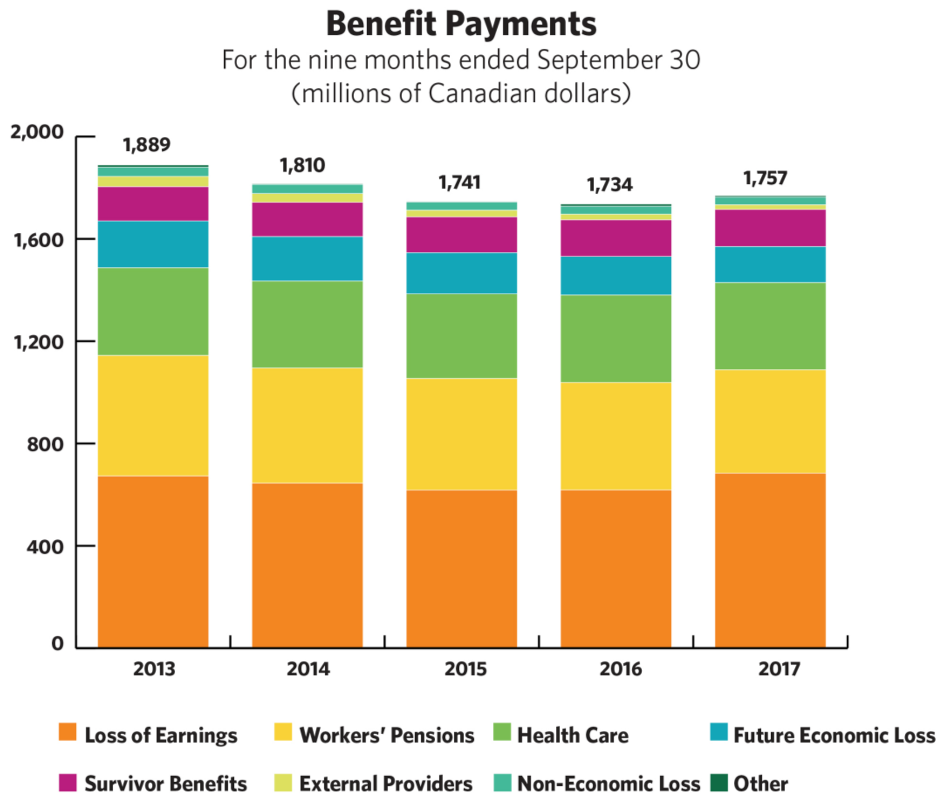
A summary of the significant changes in benefit payments for the three months ended September 30, 2017 is as follows:

- Loss of earnings benefits increased primarily due to higher durations for current injury year claims as well as higher volume of claims from prior years.
- Workers' pensions decreased reflecting the natural reduction of claims due to mortality.

A summary of the significant changes in benefit payments for the nine months ended September 30, 2017 is as follows:

- Loss of earnings benefits increased primarily due to higher durations for current injury year claims as well as higher volume of claims from prior years.
- Workers' pensions decreased reflecting the natural reduction of claims due to mortality.
- Future economic loss benefits decreased reflecting the natural reduction in the number of claimants reaching age 65, the age at which these benefits cease. The program has been discontinued.

The following chart displays benefit payments 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 months 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)	**2017**	**2016**	**$**	**%**	**2017**	**2016**	**$**	**%**
Allocation from administration and other expenses	99	95	4	4.2	296	288	8	2.8
Allocation from legislated obligations and funding commitments expenses	6	5	1	20.0	18	15	3	20.0
Total claim administration costs	**105**	**100**	**5**	**5.0**	**314**	**303**	**11**	**3.6**

For the three months and nine months ended September 30, 2017, the change was due to higher costs for those expense items that are allocated to claim administration costs.

Change in actuarial valuation of benefit liabilities

(millions of Canadian dollars)	Three months ended September 30 2017	2016	Nine months ended September 30 2017	2016
Change in actuarial valuation of benefit liabilities	(1)	(5)	74	97

For the nine months ended September 30, 2017, the change in actuarial valuation of benefit liabilities was $74 million. The change is detailed as follows:

(millions of Canadian dollars)	
Benefit liabilities as at December 31, 2016	**27,920**
Payments made in 2017 for prior injury years	(1,881)
Interest accretion[1]	911
Liabilities incurred for the 2017 injury year	1,160
Experience gains	(116)
Benefit liabilities as at September 30, 2017	**27,994**
Change in actuarial valuation of benefit liabilities	**74**

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.

Administration and other expenses

	Three months ended September 30				Nine months ended September 30			
			Change				Change	
(millions of Canadian dollars)	2017	2016	$	%	2017	2016	$	%
Salaries and short-term benefits	103	105	(2)	(1.9)	322	318	4	1.3
Long-term employee benefit plans	39	39	-	-	121	113	8	7.1
Communications	3	3	-	-	9	9	-	-
Depreciation and amortization	9	5	4	80.0	21	14	7	50.0
Equipment and maintenance	18	17	1	5.9	51	51	-	-
Facilities	10	8	2	25.0	27	26	1	3.8
Systems development and integration	7	5	2	40.0	12	10	2	20.0
Other	9	9	-	-	29	28	1	3.6
	198	191	7	3.7	592	569	23	4.0
Claim administration costs allocated to benefit costs	(99)	(95)	(4)	(4.2)	(296)	(288)	(8)	(2.8)
Total administration and other expenses	**99**	**96**	**3**	**3.1**	**296**	**281**	**15**	**5.3**

A summary of the significant changes in administration and other expenses, before allocation to benefit costs, for the three months ended September 30, 2017 is as follows:

- Depreciation and amortization expenses increased $4 million as the new accounts and claims management systems became operational.
- Facilities expenses increased $2 million reflecting higher occupancy expenses.
- Systems development and integration expenses increased $2 million reflecting new initiatives as part of our transformational efforts.

A summary of the significant changes in administration and other expenses, before allocation to benefit costs, for the nine months ended September 30, 2017 is as follows:

- Salaries and short-term benefits increased $4 million primarily reflecting higher termination benefit expenses.
- Long-term employee benefit plans increased $8 million primarily due to a gain recorded in 2016 to reflect changes to the post-retirement benefit plan provisions for new retirees.
- Depreciation and amortization expenses increased $7 million as the new accounts and claims management systems became operational.

Legislated obligations and funding commitments expenses

	Three months ended September 30				Nine months ended September 30			
			Change				Change	
(millions of Canadian dollars)	**2017**	**2016**	**$**	**%**	**2017**	**2016**	**$**	**%**
Legislated obligations								
Occupational Health and Safety Act	26	25	1	4.0	75	71	4	5.6
Ministry of Labour Prevention Costs	29	27	2	7.4	83	81	2	2.5
	55	52	3	5.8	158	152	6	3.9
Workplace Safety and Insurance Appeals Tribunal	7	5	2	40.0	20	17	3	17.6
Workplace Safety and Insurance Advisory Program	4	4	-	-	12	12	-	-
Total legislated obligations	**66**	**61**	**5**	**8.2**	**190**	**181**	**9**	**5.0**
Funding commitments								
Grants	-	1	(1)	(100.0)	1	1	-	-
Safety program rebates	(5)	(3)	(2)	(66.7)	16	23	(7)	(30.4)
Total funding commitments	**(5)**	**(2)**	**(3)**	**(100+)**	**17**	**24**	**(7)**	**(29.2)**
	61	**59**	**2**	**3.4**	**207**	**205**	**2**	**1.0**
Claim administration costs allocated to benefit costs	(6)	(5)	(1)	(20.0)	(18)	(15)	(3)	(20.0)
Total legislated obligations and funding commitments	**55**	**54**	**1**	**1.9**	**189**	**190**	**(1)**	**(0.5)**

For the three months and nine months ended September 30, 2017, legislated obligations and funding commitments expenses, before allocation to benefit costs, increased by $2 million, primarily reflecting higher costs by the Ministry of Labour to administer and enforce the *Occupational Health and Safety Act*.

4. Financial Condition

A discussion of the significant changes in our September 30, 2017 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 2017	Dec. 31 2016	Change $	Change %	Commentary
Assets					
Cash and cash equivalents	2,411	2,496	(85)	(3.4)	Decrease primarily reflects the improved efforts to direct resources to investment return generating initiatives.
Receivables	1,708	1,644	64	3.9	Increase reflects higher surcharges on employer incentive programs, partially offset by lower investment receivables.
Public equity securities	12,863	11,382	1,481	13.0	Net increase reflects strong performance of these assets and net cash contribution from operating activities in the first nine months of 2017.
Bonds	6,646	6,793	(147)	(2.2)	
Derivative assets	106	72	34	47.2	
Other invested assets	10,647	8,788	1,859	21.2	
Property, equipment and intangible assets	303	316	(13)	(4.1)	Decrease primarily reflects depreciation related to the new accounts and claims management systems.
Liabilities					
Payables and accruals	1,274	1,112	162	14.6	Increase primarily reflects higher experience rating refunds payable, higher investment-pending purchases and higher legislated obligations payable, partially offset by lower administration expenses payable.
Derivative liabilities	269	243	26	10.7	Increase reflects changes in our currency and futures positions within the investment portfolio.
Long-term debt	132	132	-	-	No significant changes.
Loss of Retirement Income Fund liability	1,865	1,790	75	4.2	Increase reflects investment income, partially offset by disbursements in excess of contributions.
Employee benefit plans liability	1,287	1,290	(3)	(0.2)	No significant changes.
Benefit liabilities	27,994	27,920	74	0.3	No significant changes.
Unfunded liability	(1,284)	(3,925)	2,641	67.3	Changes reflect total comprehensive income attributable to WSIB stakeholders.
Unfunded liability - Sufficiency Ratio basis	(1,777)	(4,004)	2,227	55.6	Strengthening due to continued strong operating results.
Sufficiency Ratio	94.5%	87.4%		7.1	

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

An explanation and discussion about the changes to the September 30, 2017 unfunded liability on a Sufficiency Ratio basis.

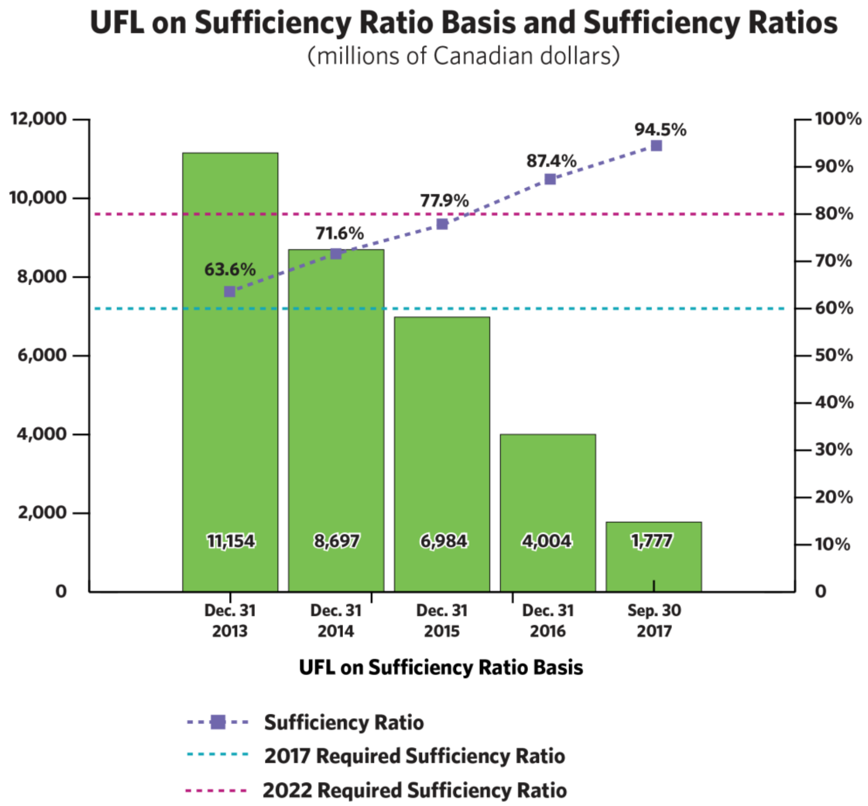
The Sufficiency Ratio is calculated by comparing total assets to total liabilities, with certain assets and liabilities measured on a different basis than that required under IFRS. For the purpose of the Sufficiency Ratio calculation, the amounts of total assets, as presented on the unaudited condensed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

The investment portfolio is valued at fair value adjusted by investment gains and losses deviating from the net investment return objective, less the interests in those assets held by third parties (non-controlling interests). These gains or losses are amortized over a five-year period, thereby moderating the effect of market volatility. The values of the Employee Benefit Plans obligations are determined through an actuarial valuation using the going concern basis, rather than the market basis.

As at September 30, 2017, the Sufficiency Ratio, as defined in *Ontario Regulation 141/12* and amended by *Ontario Regulation 338/13* (collectively, the "Ontario Regulations"), was 94.5% (December 31, 2016 – 87.4%). Set forth below is the reconciliation of the unfunded liability ("UFL") between the IFRS basis and Sufficiency Ratio basis:

(millions of Canadian dollars)	**September 30 2017**	**December 31 2016**
UFL attributable to WSIB stakeholders on an IFRS basis	**1,284**	**3,925**
Add/(Less): Adjustments per Ontario Regulations:		
Change in valuation of investment portfolio	1,270	779
Change in valuation of employee benefit plans liability	(662)	(626)
Change in valuation of investment portfolio attributable to non-controlling interests	(115)	(74)
UFL attributable to WSIB stakeholders on a Sufficiency Ratio basis	**1,777**	**4,004**
Sufficiency Ratio	**94.5%**	**87.4%**

The following chart displays the UFL on Sufficiency Ratio basis and Sufficiency Ratios for the years from 2013 to 2016 and the nine months of 2017:



6. Summary of Quarterly Results

A summary view of our quarterly financial performance.

Selected financial information for the eight consecutive quarters ended September 30, 2017 is as follows:

	2017			2016				2015
(millions of Canadian dollars)	**Q3**	**Q2**[5]	**Q1**[5]	**Q4**[5]	**Q3**[5]	**Q2**[5]	**Q1**[5]	**Q4**[5]
Net premiums	1,243	1,276	1,118	1,175	1,223	1,265	1,143	1,149
Net investment income (loss)	581	403	894	260	953	556	(265)	726
Benefit costs								
Benefit payments	575	587	595	518	566	586	582	591
Claim administration costs	105	107	102	102	100	101	102	102
Change in actuarial valuation of benefit liabilities	(1)	(35)	110	(7)	(5)	(28)	130	1,040
	679	659	807	613	661	659	814	1,733
Loss of Retirement Income Fund contributions	14	14	14	14	14	14	14	13
Administration and other expenses	99	103	94	94	96	92	93	92
Legislated obligations and funding commitments	55	67	67	54	54	65	71	61
Excess (deficiency) of revenues over expenses	**977**	**836**	**1,030**	**660**	**1,351**	**991**	**(114)**	**(24)**
Total other comprehensive income (loss)	317	(243)	(73)	465	(39)	(308)	(160)	(39)
Total comprehensive income (loss)	**1,294**	**593**	**957**	**1,125**	**1,312**	**683**	**(274)**	**(63)**
Total comprehensive income (loss) attributable to WSIB stakeholders	**1,231**	**551**	**859**	**1,098**	**1,203**	**620**	**(247)**	**(148)**
Other measures								
Core Earnings[1]	395	398	246	393	393	407	281	290
Return on investments (%)[2]	2.0	1.5	3.4	1.1	3.8	2.3	(1.0)	3.2
Unfunded liability[3,4]	1,284	2,515	3,066	3,925	5,023	6,226	6,846	6,599
Unfunded liability - Sufficiency Ratio basis[4]	1,777	2,621	3,482	4,004	4,799	5,633	6,420	6,984

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 net investment income in the third quarter of 2017 was driven primarily by strong returns in public equity and multi-asset strategies.

1. Core Earnings is calculated as total comprehensive income (loss), excluding the impacts of net investment income (loss), changes in actuarial valuation and any items that are considered as material and exceptional in nature. See Section 10 – Non-IFRS Financial Measure.
2. Return on investments is the investment income (loss), net of transaction costs and withholding taxes, generated over a given period of time as a percentage of the capital invested, taking into account capital contributions and withdrawals.
3. Unfunded liability represents the deficiency of assets attributable to WSIB stakeholders as at the end of the reporting period. The total net assets of $1,863 million as at September 30, 2017 (December 31, 2016 – deficiency of $996 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 $3,147 million as at September 30, 2017 (December 31, 2016 – $2,929 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, 2017 was $1,284 million (December 31, 2016 – $3,925 million) which includes benefit liabilities. Refer to the unaudited condensed interim consolidated statements of financial position for further details.
4. Refer to Section 5 – Reconciliation of the Unfunded Liability on a Sufficiency Ratio Basis for further details.
5. Certain comparative amounts have been reclassified to be consistent with the current period’s presentation.

7. Future Changes in Accounting Standards

A discussion of new and amended IFRS developments that will or may impact our consolidated financial statements.

IFRS 17 Insurance Contracts ("IFRS 17")

In May 2017, the International Accounting Standards Board issued IFRS 17 *Insurance Contracts*, which replaces the guidance in IFRS 4 *Insurance Contracts* and establishes a comprehensive principle-based framework for the recognition, measurement, and presentation of insurance contracts. The standard is effective for the WSIB on January 1, 2021. We are currently assessing the impact of adopting the standard.

8. Outlook for the Year Ending December 31, 2017

The outlook for our business for the year ending December 31, 2017.

Original 2017 Expectation	Current 2017 Outlook
Premiums. Anticipated to decrease reflecting a 6.2% reduction in the average premium rate, partially offset by an assumed 1.2% increase in employment growth and a 1.3% increase in average wages and $4 million of lower net mandatory employer incentive programs expense. While average premium rates in 2017 are anticipated to decrease from 2016, employers continue to contribute towards retiring the unfunded liability.	*Premiums.* Anticipating lower premium reduction compared to original expectation, primarily due to an increase in average wages growth to 2.6% and a 5.7% reduction in the realized average premium rate.
Net investment income. Planned at a 4.75% net return on investments, consistent with our rolling 10 to 15-year period investment return objective within an expected range of 3.5% to 6.5%, reduced from a range of 4.0% to 7.0% effective January 1, 2017. We will continue to implement our Strategic Investment Plan in a way that permits us to take advantage of investment opportunities without exposing us to a higher level of volatility and corresponding investment risk.	*Net investment income*. Increased expectation to exceed our rolling 10 to 15-year period investment return objective of 3.5% to 6.5%.
Benefit payments. Anticipated to be $2,402 million in 2017, 6.7% higher than in 2016.	*Benefit payments.* Benefit payments are expected to be $2,353 million, 4.5% higher than 2016.
Administration and other expenses. Anticipated to increase in 2017 reflecting increases to the pension liability, increases for information technology costs and higher new systems development and integration expenses as a result of our transformational efforts.	*Administration and other expenses.* Anticipating lower expenses than original expectation, reflecting revaluation of long-term benefits expense, and lower than budgeted salaries and benefit costs.
Legislated obligations. Anticipated to increase reflecting higher safety program rebates.	*Legislated obligations*. Anticipating lower expenses than original expectation, reflecting lower safety program rebates, partially offset by an increase to Workplace Safety and Insurance Tribunal to reduce active caseloads.
Unfunded liability. Anticipated to decrease, based on current funding and benefit levels and employer contributions towards retiring this liability, as measured under current accounting and actuarial standards.	*Unfunded liability.* Aligned to original expectation.
Core Earnings. Although Core Earnings will decrease as a result of the reduction in the average premium rate, we anticipate continued contribution towards retiring the unfunded liability.	*Core Earnings.* Aligned to original expectation.

9. 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.

10. Non-IFRS Financial Measure

A definition of our non-IFRS financial measure.

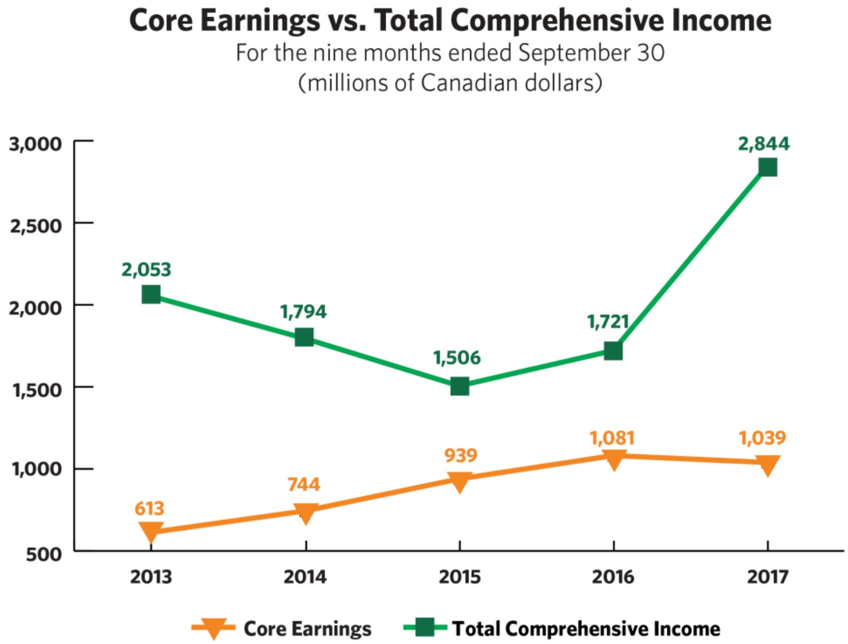
Core Earnings

The WSIB utilizes "Core Earnings", a non-IFRS financial measure, to help stakeholders better understand our underlying operating performance. This measure is relevant to our operations management and offers a consistent methodology in evaluating our underlying performance. Core Earnings is defined as total comprehensive income, excluding the impacts of investment related items, changes in actuarial valuations 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)	**2017**	**2016**	**2017**	**2016**
Total comprehensive income for the period	**1,294**	**1,312**	**2,844**	**1,721**
Add/(Less): Net investment loss (income)	(581)	(953)	(1,878)	(1,244)
Add/(Less): Translation losses (gains) from net foreign investments	32	(5)	41	(2)
Add/(Less): Change in actuarial valuation of benefit liabilities	(1)	(5)	74	97
Add/(Less): Change in actuarial valuation of employee benefit plans	(349)	44	(42)	509
Core Earnings	**395**	**393**	**1,039**	**1,081**

The following chart displays Core Earnings measurement versus the IFRS measurement for the nine months ended September 30:



11. 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.

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

	Note	September 30 2017	December 31 2016[1]
Assets			
Cash and cash equivalents	5	2,411	2,496
Receivables	4	1,708	1,644
Public equity securities	5	12,863	11,382
Bonds	5	6,646	6,793
Derivative assets	5	106	72
Other invested assets	5	10,647	8,788
Property, equipment and intangible assets		303	316
Total assets		**34,684**	**31,491**
Liabilities			
Payables and accruals		1,274	1,112
Derivative liabilities	5	269	243
Long-term debt		132	132
Loss of Retirement Income Fund liability		1,865	1,790
Employee benefit plans liability	6	1,287	1,290
Benefit liabilities	7	27,994	27,920
Total liabilities		**32,821**	**32,487**
Net (deficiency of) assets			
Deficit		(1,673)	(4,309)
Accumulated other comprehensive income		389	384
Unfunded liability attributable to WSIB stakeholders		**(1,284)**	**(3,925)**
Non-controlling interests		3,147	2,929
Total net (deficiency of) assets		**1,863**	**(996)**
Total liabilities and net (deficiency of) assets		**34,684**	**31,491**

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

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

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

	Note	Three months ended September 30 2017	Three months ended September 30 2016[1]	Nine months ended September 30 2017	Nine months ended September 30 2016[1]
Revenues					
Premiums		1,283	1,269	3,765	3,767
Net mandatory employer incentive programs		(40)	(46)	(128)	(136)
		1,243	1,223	3,637	3,631
Net investment income					
Investment income	5	629	991	2,014	1,358
Investment expenses	5	(48)	(38)	(136)	(114)
Total net investment income		581	953	1,878	1,244
Total revenues		**1,824**	**2,176**	**5,515**	**4,875**
Expenses					
Benefit costs					
Benefit payments		575	566	1,757	1,734
Claim administration costs		105	100	314	303
Change in actuarial valuation of benefit liabilities		(1)	(5)	74	97
		679	661	2,145	2,134
Loss of Retirement Income Fund contributions		14	14	42	42
Administration and other expenses		99	96	296	281
Legislated obligations and funding commitments		55	54	189	190
Total expenses		**847**	**825**	**2,672**	**2,647**
Excess of revenues over expenses		**977**	**1,351**	**2,843**	**2,228**
Other comprehensive income (loss)					
Item that will not be reclassified subsequently to income					
Remeasurements of employee defined benefit plans	6	349	(44)	42	(509)
Item that will be reclassified subsequently to income					
Translation gains (losses) from net foreign investments		(32)	5	(41)	2
Total other comprehensive income (loss)		**317**	**(39)**	**1**	**(507)**
Total comprehensive income		**1,294**	**1,312**	**2,844**	**1,721**

	Three months ended September 30 2017	Three months ended September 30 2016[1]	Nine months ended September 30 2017	Nine months ended September 30 2016[1]
Excess of revenues over expenses attributable to:				
WSIB stakeholders	911	1,242	2,636	2,083
Non-controlling interests	66	109	207	145
	977	**1,351**	**2,843**	**2,228**
Total comprehensive income attributable to:				
WSIB stakeholders	1,231	1,203	2,641	1,576
Non-controlling interests	63	109	203	145
	1,294	**1,312**	**2,844**	**1,721**

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

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

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

	Note	Three months ended September 30		Nine months ended September 30	
		2017	**2016[1]**	**2017**	**2016[1]**
Deficit					
Balance at beginning of period		(2,584)	(6,184)	(4,309)	(7,025)
Excess of revenues over expenses		911	1,242	2,636	2,083
Balance at end of period		(1,673)	(4,942)	(1,673)	(4,942)
Accumulated other comprehensive income (loss)					
Balance at beginning of period		69	(42)	384	426
Remeasurements of employee defined benefit plans	6	349	(44)	42	(509)
Translation differences from net foreign investments		(29)	5	(37)	2
Balance at end of period		389	(81)	389	(81)
Unfunded liability attributable to WSIB stakeholders		**(1,284)**	**(5,023)**	**(1,284)**	**(5,023)**
Non-controlling interests					
Balance at beginning of period		3,075	2,839	2,929	2,802
Excess of revenues over expenses		66	109	207	145
Translation differences from net foreign investments		(3)	-	(4)	-
Change in ownership share in investments		9	(2)	15	(1)
Balance at end of period		3,147	2,946	3,147	2,946
Total net (deficiency of) assets		**1,863**	**(2,077)**	**1,863**	**(2,077)**

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

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

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

	Three months ended September 30		Nine months ended September 30	
	2017	**2016[1]**	**2017**	**2016[1]**
Operating activities:				
Total comprehensive income	1,294	1,312	2,844	1,721
Adjustments:				
Amortization of net premium on investments	(4)	-	(14)	1
Depreciation and amortization of property, equipment and intangible assets	11	6	24	17
Changes in fair value of investments	(456)	(910)	(1,525)	(958)
Changes in fair value of investment properties	(5)	21	10	50
Translation losses (gains) from net foreign investments	32	(5)	41	(2)
Dividend income from public equity securities	(93)	(78)	(336)	(266)
Income from joint ventures	(44)	(8)	(84)	(40)
Interest income	(45)	(50)	(129)	(168)
Interest expense	2	2	6	6
Total comprehensive income after adjustments	692	290	837	361
Changes in non-cash balances related to operations:				
Receivables, excluding those related to investing activities	(84)	(30)	(175)	(141)
Payables and accruals, excluding those related to investing and financing activities	108	81	124	107
Loss of Retirement Income Fund liability	20	48	75	52
Employee benefit plans liability	(338)	53	(3)	535
Benefit liabilities	(1)	(5)	74	97
Total changes in non-cash balances related to operations	(295)	147	95	650
Net cash provided by operating activities	**397**	**437**	**932**	**1,011**
Investing activities:				
Dividends received from public equity securities and joint ventures	107	92	355	280
Interest received	19	23	117	142
Purchases of property, equipment and intangible assets	(2)	(17)	(11)	(42)
Purchases of investments	(4,671)	(4,064)	(14,005)	(10,044)
Proceeds on sales and maturities of investments	4,325	3,288	13,677	8,916
Net additions to investment properties	(10)	(8)	(26)	(55)
Acquisitions of joint arrangements	(183)	(7)	(1,133)	(14)
Net cash required by investing activities	**(415)**	**(693)**	**(1,026)**	**(817)**
Financing activities:				
Net proceeds on dispositions of non-controlling interests	28	24	79	70
Distributions paid by subsidiaries to non-controlling interests	(19)	(26)	(64)	(71)
Net issuance of debt	-	2	-	24
Interest paid on debt	(2)	(2)	(6)	(6)
Net cash provided (required) by financing activities	**7**	**(2)**	**9**	**17**
Net increase (decrease) in cash and cash equivalents	**(11)**	**(258)**	**(85)**	**211**
Cash and cash equivalents, beginning of period	2,422	2,050	2,496	1,581
Cash and cash equivalents, end of period	**2,411**	**1,792**	**2,411**	**1,792**

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

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

Notes to Condensed Interim Consolidated Financial Statements
September 30, 2017
Unaudited

Table of Contents

Note **Page**

Notes to Condensed Interim Consolidated Financial Statements
September 30, 2017
Unaudited (millions of Canadian dollars)

1. Nature of Operations

The Workplace Safety and Insurance Board (the "WSIB") is a statutory corporation created by an Act of the Ontario Legislature in 1914 and domiciled in the Province of Ontario (the "Province"), Canada. As a board-governed trust agency, in accordance with the 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").

These unaudited condensed interim consolidated financial statements should be read in conjunction with the annual information available in the consolidated financial statements and the accompanying notes for the year ended December 31, 2016. These unaudited condensed interim consolidated financial statements have been prepared on a basis consistent with the policies outlined in the notes to the consolidated financial statements for the year ended December 31, 2016.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the WSIB's Board of Directors on December 14, 2017.

3. Future Changes in Accounting Standards

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

In May 2017, the International Accounting Standards Board issued IFRS 17 *Insurance Contracts*, which replaces the guidance in IFRS 4 *Insurance Contracts* and establishes a comprehensive principle-based framework for the recognition, measurement, and presentation of insurance contracts. The standard is effective for the WSIB on January 1, 2021. We are currently assessing the impact of adopting the standard.

Notes to Condensed Interim Consolidated Financial Statements
September 30, 2017
Unaudited (millions of Canadian dollars)

4. Receivables

Receivables are comprised of the following:

	September 30 2017	December 31 2016
Premiums receivable	254	264
Accrued premiums receivable	553	539
Less: Allowance for doubtful accounts	(113)	(111)
	694	692
Employer incentive programs surcharges	558	387
Investment receivables	396	507
Other assets	60	58
Total receivables	**1,708**	**1,644**

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.

5. Invested Assets and Net Investment Income

(a) 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 2017[1]	Dec. 31 2016
Public equity securities	**12,250**	**-**	**613**	**-**	**-**	**-**	**12,863**	**11,382**
Bonds	**-**	**6,043**	**603**	**-**	**-**	**-**	**6,646**	**6,793**
Derivative assets	**6**	**-**	**100**	**-**	**-**	**-**	**106**	**72**
Alternative investments[2]	-	-	4,674	753	2,054	67	7,548	6,892
Investment properties	-	-	-	1,331	-	-	1,331	1,315
Investments in joint ventures	-	-	-	1,437	331	-	1,768	581
Other invested assets	**-**	**-**	**4,674**	**3,521**	**2,385**	**67**	**10,647**	**8,788**

1. Assets attributable to the Loss of Retirement Income Fund are included within the WSIB's investment portfolio. See note 5(b) for income attributable to the Loss of Retirement Income Fund.
2. Alternative investments include investment funds, private market investments and real estate entities.

Notes to Condensed Interim Consolidated Financial Statements
September 30, 2017
Unaudited (millions of Canadian dollars)

(b) Net investment income

Net investment income by nature of invested assets, including income from cash and cash equivalents and derivatives, for the three months and nine months ended September 30 is as follows:

	Three months ended September 30		Nine months ended September 30	
	2017	**2016[1]**	**2017**	**2016[1]**
Public equity securities	276	758	1,164	459
Bonds	(63)	108	7	364
Alternative investments	(1)	213	165	(79)
Investment properties	20	2	33	4
Income from joint ventures	44	8	84	40
Derivatives	384	(45)	662	642
Cash and cash equivalents	2	4	6	5
Less: Income attributable to Loss of Retirement Income Fund	(33)	(57)	(107)	(77)
Investment income	**629**	**991**	**2,014**	**1,358**
Less: Investment expenses[2]	(48)	(38)	(136)	(114)
Net investment income	**581**	**953**	**1,878**	**1,244**

1. Certain comparative amounts have been reclassified to be consistent with the current period's presentation.
2. Includes $34 and $93 of management fees paid to investment managers for the three months and nine months ended September 30, 2017, respectively (2016 – $31 and $79, respectively).

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

	Three months ended September 30		Nine months ended September 30	
	2017	**2016[1]**	**2017**	**2016[1]**
Net gains on financial instruments	456	910	1,525	958
Interest and dividend income	142	128	479	433
Income from investment properties	20	2	33	4
Income from joint ventures	44	8	84	40
Less: Income attributable to Loss of Retirement Income Fund	(33)	(57)	(107)	(77)
Investment income	**629**	**991**	**2,014**	**1,358**
Less: Investment expenses	(48)	(38)	(136)	(114)
Net investment income	**581**	**953**	**1,878**	**1,244**

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

Notes to Condensed Interim Consolidated Financial Statements
September 30, 2017
Unaudited (millions of Canadian dollars)

(c) Acquisition of Vancouver properties

On February 1, 2017, the WSIB and a third party jointly purchased a 50% interest in a portfolio of retail and office properties in downtown Vancouver (the "Vancouver properties") for $953. The joint arrangement to hold the 50% interest of Vancouver properties is conducted through separate vehicles. WSIB effectively has a 25% economic interest in the Vancouver properties, which is accounted for using the equity method of accounting and is held for investment purposes to earn rental income and capital appreciation.

The following tables provide summaries of the WSIB's share of net assets and net income of the Vancouver properties:

	September 30 2017
Total assets	1,993
Total liabilities	(33)
Net assets	**1,960**
WSIB's share of net assets	**980**

	Three months ended September 30, 2017	**Nine months ended September 30, 2017**
Revenues	32	85
Expenses	(13)	(34)
Gains from increases in fair value	47	47
Net income	**66**	**98**
WSIB's share of net income	**33**	**49**

Notes to Condensed Interim Consolidated Financial Statements
September 30, 2017
Unaudited (millions of Canadian dollars)

(d) Fair value measurement and disclosures

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

Hierarchy level	Valuation methods
Level 1	Fair value is 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	Fair value is measured using significant non-market observable inputs. The fair values of investment funds are determined based on net asset values provided by investment managers. The fair values of private market investments are obtained from independent third parties who develop the quantitative unobservable inputs to the valuations. Private market investments primarily consist of investments in the infrastructure sector. Fair values of real estate entities and investment properties are estimated based on valuations performed by qualified third party 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.

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

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

During the three months and nine months ended September 30, 2017 and September 30, 2016, there were no transfers between Level 1, Level 2 and Level 3.

Notes to Condensed Interim Consolidated Financial Statements
September 30, 2017
Unaudited (millions of Canadian dollars)

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

	September 30, 2017				December 31, 2016			
	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]	664	1,747	-	2,411	552	1,944	-	2,496
Public equity securities	12,745	118	-	12,863	11,293	89	-	11,382
Bonds	-	6,646	-	6,646	-	6,793	-	6,793
Alternative investments	-	404	7,144	7,548	-	339	6,553	6,892
Investment properties	-	-	1,331	1,331	-	-	1,315	1,315
Derivative assets	59	47	-	106	36	36	-	72
Derivative liabilities	(48)	(221)	-	(269)	(33)	(210)	-	(243)
Liabilities for which fair value is disclosed								
Long-term debt[2]	-	(140)	-	(140)	-	(142)	-	(142)

1. Cash and cash equivalents include cash of $664 and short-term money market securities of $1,747 (December 31, 2016 – $552 and $1,944, respectively).
2. Carrying amount as at September 30, 2017 was $132 (December 31, 2016 – $132).

Level 3 fair value measurements

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

For the three months ended September 30, 2017	Alternative investments					
	Investment funds	Private market investments	Real estate entities	**Subtotal**	**Investment properties**	**Total**
Balance as at July 1, 2017	6,209	394	427	7,030	1,316	8,346
Net gains (losses) recognized in net investment income	(28)	3	(1)	(26)	5	(21)
Translation gains (losses) recognized in other comprehensive income	(34)	-	-	(34)	-	(34)
Purchases	374	-	(1)	373	-	373
Disposals	(198)	-	(1)	(199)	-	(199)
Capital expenditures	-	-	-	-	10	10
Balance as at September 30, 2017	**6,323**	**397**	**424**	**7,144**	**1,331**	**8,475**

Notes to Condensed Interim Consolidated Financial Statements
September 30, 2017
Unaudited (millions of Canadian dollars)

For the three months ended September 30, 2016	Alternative investments: Investment funds	Alternative investments: Private market investments	Alternative investments: Real estate entities	Alternative investments: Subtotal	Investment properties	Total
Balance as at July 1, 2016	4,674	344	424	5,442	1,379	6,821
Net gains (losses) recognized in net investment income	185	8	2	195	(21)	174
Purchases	755	8	-	763	-	763
Disposals	(91)	-	(1)	(92)	-	(92)
Capital expenditures	-	-	-	-	8	8
Balance as at September 30, 2016[1]	**5,523**	**360**	**425**	**6,308**	**1,366**	**7,674**

1. For the three months ended September 30, 2016, certain amounts have been reclassified to be consistent with the current period's presentation based on more refined policies and procedures in assessing the observability of inputs used in valuing such investments. This resulted in alternative investments with a carrying amount of $738 being reclassified from Level 2 to Level 3.

For the nine months ended September 30, 2017	Alternative investments: Investment funds	Alternative investments: Private market investments	Alternative investments: Real estate entities	Alternative investments: Subtotal	Investment properties	Total
Balance as at January 1, 2017	5,792	342	419	6,553	1,315	7,868
Net gains (losses) recognized in net investment income	(17)	25	6	14	(10)	4
Translation gains (losses) recognized in other comprehensive income	(53)	(2)	-	(55)	-	(55)
Purchases	1,187	32	-	1,219	-	1,219
Disposals	(586)	-	(1)	(587)	-	(587)
Capital expenditures	-	-	-	-	26	26
Balance as at September 30, 2017	**6,323**	**397**	**424**	**7,144**	**1,331**	**8,475**

For the nine months ended September 30, 2016	Alternative investments: Investment funds	Alternative investments: Private market investments	Alternative investments: Real estate entities	Alternative investments: Subtotal	Investment properties	Total
Balance as at January 1, 2016	5,304	228	420	5,952	1,361	7,313
Net gains (losses) recognized in net investment income	(191)	(20)	3	(208)	(50)	(258)
Purchases	1,206	154	33	1,393	29	1,422
Disposals	(796)	(2)	(31)	(829)	-	(829)
Capital expenditures	-	-	-	-	26	26
Balance as at September 30, 2016[1]	**5,523**	**360**	**425**	**6,308**	**1,366**	**7,674**

1. For the nine months ended September 30, 2016, certain amounts have been reclassified to be consistent with the current period's presentation based on more refined policies and procedures in assessing the observability of inputs used in valuing such investments. This resulted in alternative investments with a carrying amount of $5,167 being reclassified from Level 2 to Level 3.

Notes to Condensed Interim Consolidated Financial Statements
September 30, 2017
Unaudited (millions of Canadian dollars)

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

			September 30, 2017		December 31, 2016	
	Valuation methods	Key unobservable inputs	Range of inputs Low	High	Range of inputs Low	High
Investment funds	Net asset value	Net asset value	n/a	n/a	n/a	n/a
Private market investments	Discounted cash flow and market comparable	Discount rate and expected future cash flows	n/a	n/a	n/a	n/a
Real estate entities and Investment properties	Discounted cash flow	Discount rate	5.0%	8.0%	5.0%	8.3%
		Terminal capitalization rate	4.3%	7.0%	4.3%	7.5%

Sensitivity of Level 3 financial instruments

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

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

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

We have not applied another reasonably possible alternative assumption to the significant Level 3 categories as the net asset values and appraised fair values are provided by the investment managers and other third party appraisers.

Notes to Condensed Interim Consolidated Financial Statements
September 30, 2017
Unaudited (millions of Canadian dollars)

6. 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	
	2017	**2016**	**2017**	**2016**
Actuarial gains (losses) from changes in financial assumptions	317	(124)	(76)	(570)
Actuarial losses from demographic and other experience	-	(1)	-	(1)
Excess of actual return on plan assets over interest income	32	81	118	62
Total remeasurements of employee defined benefit plans	**349**	**(44)**	**42**	**(509)**

Employee benefit plans liability

The employee benefit plans liability is comprised of the following:

	September 30 2017	December 31 2016
Present value of wholly or partly funded obligations	3,642	3,478
Present value of unfunded obligations	778	749
Total present value of obligations	4,420	4,227
Fair value of plan assets	(3,133)	(2,937)
Employee benefit plans liability	**1,287**	**1,290**

7. Benefit Liabilities

Benefit liabilities are comprised of the following:

	September 30 2017	December 31 2016
Loss of earnings	9,107	8,934
Workers' pensions	6,250	6,462
Health care	4,215	4,082
Survivor benefits	2,999	2,947
Future economic loss	1,308	1,421
External providers	141	136
Non-economic loss	291	283
Long latency occupational diseases	2,359	2,321
Posttraumatic stress disorder	30	35
Claim administration costs	1,294	1,299
Benefit liabilities	**27,994**	**27,920**

Notes to Condensed Interim Consolidated Financial Statements
September 30, 2017
Unaudited (millions of Canadian dollars)

8. Commitments and Contingent Liabilities

Investment commitments

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

	September 30 2017	December 31 2016
Real estate, multi-asset and infrastructure investments	1,876	1,748
Investments in joint ventures	91	97
Purchases or development of investment properties	51	45
	2,018	**1,890**

Legislated obligations and funding commitments

Known commitments related to legislated obligations and funding commitments as at September 30, 2017 are approximately $269 for the period from October 1, 2017 to September 30, 2018.

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.

Notes to Condensed Interim Consolidated Financial Statements
September 30, 2017
Unaudited (millions of Canadian dollars)

9. Related Party Transactions

Government of Ontario and related entities

The WSIB is a board-governed trust agency under the Agencies and Appointments Directive, 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 various ministries, agencies, and Crown corporations over which the Government of Ontario has control.

The WSIB is required to make payments to defray the cost of administering the *Occupational Health and Safety Act* (the "OHSA") and the regulations made under the OHSA. The WSIB is also required to pay for the operating costs of the Workplace Safety and Insurance Appeals Tribunal and the costs that may be incurred by the Office of the Worker Adviser, and the Office of the Employer Adviser. The WSIB also provides various grants funding to carry on investigations, research and training. The total funding provided under these legislated obligations and funding commitments for the three months and nine months ended September 30, 2017 were $66 and $191, respectively (2016 – $62 and $182, 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 months and nine months ended September 30, 2017 were $5 and $14, respectively (2016 – $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 ministries, agencies and Crown corporations over which the Government of Ontario has control.

Included in investments as at September 30, 2017 are $1,187 of marketable fixed income securities issued by the Government of Ontario and related entities (December 31, 2016 – $1,562).

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 6 provides details of transactions with these post-employment benefit plans.

10. Subsequent Event

On May 17, 2017, the Ontario government passed Bill 127, *Stronger, Healthier Ontario Act (Budget Measures), 2017*, amending section 13 of the WSIA to allow entitlement to chronic mental stress for workplace injuries that occur on or after January 1, 2018. On December 14, 2017, the Ontario government passed Bill 177, *Stronger, Fairer Ontario Act (Budget Measures), 2017*, which further amends section 13 of the WSIA to provide transition measures. Under the transitional rules, chronic mental stress coverage extends retroactively to April 29, 2014. WSIB's estimate of the potential impact on benefit liabilities based on preliminary work performed is significant but not expected to exceed $750. This work will be completed in the fourth quarter and the actual impact, which could differ, will be recorded in the Fourth Quarter 2017 Report to Stakeholders.