Third Quarter **2018**

Results

wsib ONTARIO

Here to help

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 are committed to meeting, and exceeding, the needs of those injured at work and employers by adhering to fairness, integrity and professionalism in all we do.

Commitment to accountability

We’re funded by premiums paid by businesses across the province. We closely monitor and report on our operating results and financial position to be transparent with those we serve. We hope this report provides you with a clear picture of how we are doing.

Contact us

If you have questions about our results you can contact us at **communications@wsib.on.ca**.

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Q3 results

Our Q3 results show our continued commitment to making Ontario the safest and healthiest place to work.

Highlights this quarter

The following section includes a combination of noteworthy items from the management's discussion and analysis (MD&A), the unaudited condensed interim consolidated financial statements and other announcements.

Higher claim volumes | Registered and lost-time claim volumes continued to increase in Q3 2018. Year-to-date among Schedule 1 businesses, they are now 7% and 15% higher, respectively, than in 2017. Among Schedule 2 businesses, registered claim volume has increased 12% while lost-time claim volume increased 19% year to date.

Increase in the lost-time injury (LTI) rate | Due to higher lost-time claim volumes in 2018, the LTI rate (Schedule 1) has increased to 0.97 allowed lost-time claims per 100 full-time equivalent employees compared to 0.87 at this same time last year. The LTI rate has increased in 2018 for each of our 16 industry sectors, with the exception of agriculture and forestry. Among the largest industry sectors, the automotive and health care sectors have shown the greatest increase in LTI rate compared to last year.

Recovery and return-to-work results remain stable | Despite higher claim volumes, return-to-work outcomes have not deteriorated. In Q3, 90.3% of people with workplace injuries or illnesses returned to work with no wage loss within 12 months, which is consistent with Q3 2017 (90.4%). In addition, 5.8% of those with workplace injuries or illnesses experienced a permanent impairment, unchanged compared to Q3 2017.

Decision-making timeliness is better than target | Despite higher claim volumes, eligibility decisions continue to exceed targets for timeliness. In Q3, 95% of Schedule 1 claims and 94% of Schedule 2 claims were decided within two weeks, above our target of 90%.

In Q3, new appeals were 9% higher than last year (1,353 in Q3 2018 compared to 1,247 in Q3 2017). Even with more appeals coming in, we continue to exceed our target for timely decisions. In Q3, 90% of appeals were resolved within six months, ahead of the 87% target and consistent with Q3 2017 results as well.

Strong funding position | In consideration of the payments and costs outlined in this highlights section, and in the following MD&A, as at September 30, 2018 our net assets on a Sufficiency Ratio basis were $1.6 billion, an increase of $2.9 billion from an unfunded liability (UFL) of $1.3 billion as at December 31, 2017. This corresponds to a Sufficiency Ratio of 104.9%, compared to 95.8% at year-end 2017.

Increased claim payments | Our claim payments increased by $25 million or 4.3% compared to Q3 2017 as a result of higher loss of earnings payments, which increased due to higher durations affecting current and prior injury year claims, and a higher volume of current injury year claims.

Premium rate reduction | Net premiums increased by $48 million or 3.9% compared to Q3 2017 despite a 3.3% reduction to the average premium rate. This is because there was strong insurable earnings growth primarily in the construction, healthcare, manufacturing, services and transportation industries, which were boosted by the increase in minimum wage.

Investment returns | Our investment portfolio returned 0.9% during the quarter, compared to 2.0% in the same quarter last year. Portfolio returns in the third quarter were modest, driven by good outcomes from public equities, real estate and infrastructure, partially offset by negative returns from fixed income, and diversified market. Long-term investment returns (10-year (+7.8%) and 15-year (+7.1%)) remain above the long-term target of 3.5% to 6.5%.

Increased administration costs | As expected, administration and other expenses, before allocation to claim costs, increased $19 million or 9.6%, compared to Q3 2017, reflecting $9 million of higher employee benefit plans expenses, $5 million of higher system development and integration expenses, $4 million of higher salaries and short-term benefits expenses and $1 million of higher other operating expenses. Notwithstanding the year-over-year increase, these administrative costs are below our year-to-date target.

New developments

2019 premium rate reductions | Following the elimination of our UFL in Q2 2018, we were able to reduce the average employer premium rate for 2019 substantially. The $1.65 per $100 of insurance earnings average rate for 2019 is 29.8% lower than in 2018. Most rate groups will see their premium rates go down for 2019, and no group will see an increase. This is the third year in a row that we have reduced the average premium rate, a total reduction of over $0.90 from a high of $2.59 in 2016.

Small Business Leadership Awards | Running for its second consecutive year, our Small Business Health and Safety Leadership Awards recognize outstanding health and safety programs in small businesses with fewer than 50 employees. After receiving 84 applications, the top three winners were selected and announced during our Annual General Meeting in September 2018. This year's gold, silver and bronze winners were from Waterloo, Kitchener and Kingston, respectively. Each winner led by example in their excellent health and safety practices, inspections, hazard management and return-to-work support.

Submitting documents online to the WSIB | It is now possible for people to use the WSIB website to complete and upload claim-related forms and documents through our new upload tool. This service makes it easier for our customers to send documents quickly and securely, saves us time processing these documents and allows us to provide better, more efficient service.

Innovation Award for the Health and Safety Index | In October, we were the proud recipients of the International Association of Industrial Accident Boards and Commissions (IAIABC) 2018 Innovation Award. We received the award for our work on the Health and Safety Index, a new tool used to measure the overall health and safety of Ontario's workplaces. The Index raises awareness of workplace health and safety and helps system partners use data to focus their efforts and resources where they are most needed.

Digging deeper
The vision guiding our mission: 2019-2021 Strategic Plan

In September 2018 we launched our new Strategic Plan (the Plan). It is designed to guide how we will deliver our services and meet the needs and expectations of the people we serve and work with over the next three years.

The Plan also outlines our vision to make Ontario the safest and healthiest place to work and sets the standard for outcomes in recovery, return to work, occupational health care and claims decision-making. The Plan was released at the same time we announced the elimination of our UFL almost a decade ahead of the legislated schedule. Because of this achievement, the benefits we provide are more secure for people who become injured or ill at work now and in the future.

In the Plan, we defined the strategic priorities that will guide our activities over the next three years and set the foundation for the kind of organization we envision ourselves to be. With the objective of continuously checking-in and monitoring our progress, we've laid out these priorities in four questions:

Are we making Ontario a safer place to work?

Are we improving return-to-work and recovery outcomes for people with workplace injuries or illnesses in a compassionate way?

Are we meeting our customers' service needs and expectations?

Are we providing services in a financially responsible and accountable way?

To answer these questions we will begin publicly reporting on the progress we make during the next three years using measures that show how we deliver public value. As a government agency, accountable to all of the people we serve, we have an obligation and responsibility to show and measure the public value we deliver as we work toward our vision. We are excited to be one of the first public sector organizations in Canada to use public value in our decision-making and to measure and report back on our growth.

The financials

The following pages provide a closer look at our Q3 financial results.

Management's discussion and analysis

The following Management's Discussion and Analysis ("MD&A") and accompanying unaudited condensed interim consolidated financial statements, as approved by the Board of Directors of the Workplace Safety and Insurance Board, are prepared by management as at and for the three months and nine months ended September 30, 2018.

It 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, 2018, and the annual information available in the consolidated financial statements and the accompanying notes for the year ended December 31, 2017.

The accompanying unaudited condensed interim consolidated financial statements as at and for the three months and nine months ended September 30, 2018 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 MD&A, "WSIB," or the words "our," "us" or "we" refer to the Workplace Safety and Insurance Board (the "WSIB"). All amounts herein are denominated in millions of Canadian dollars, unless otherwise stated.

Forward-looking statements contained in this document represent management's expectations, estimates and projections regarding future events based on information currently available, and involve assumptions, judgments, inherent risks and uncertainties. Readers are cautioned that 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. 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.

Thomas Teahen
President & CEO

Pamela Steer
Chief Financial Officer

1. Financial analysis

Financial results

(millions of Canadian dollars)	Three months ended September 30 2018	Three months ended September 30 2017	Nine months ended September 30 2018	Nine months ended September 30 2017
Revenues				
Net premiums	1,291	1,243	3,809	3,637
Net investment income	293	581	787	1,878
	1,584	**1,824**	**4,596**	**5,515**
Expenses				
Total claim costs	606	679	1,690	2,145
Loss of Retirement Income Fund contributions	13	14	42	42
Administration and other expenses	121	99	344	296
Legislated obligations and funding commitments	67	55	201	189
	807	**847**	**2,277**	**2,672**
Excess of revenues over expenses	**777**	**977**	**2,319**	**2,843**
Total other comprehensive income	175	317	398	1
Total comprehensive income	**952**	**1,294**	**2,717**	**2,844**
Other measures				
Core Earnings[1]	387	395	1,053	1,039
Return on investments[2]	0.9%	2.0%	2.9%	6.9%

	Sep. 30 2018	Dec. 31 2017
Net assets (unfunded liability)[3,4]	1,919	(710)
Net assets (unfunded liability) – Sufficiency Ratio basis[4]	1,596	(1,349)
Sufficiency Ratio[4]	104.9%	95.8%

1. Core Earnings is calculated 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. See Section 8 – Non-IFRS financial measure for further details.
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. Net assets (unfunded liability) represent the net assets (deficiency of net assets) attributable to WSIB stakeholders as at the end of the reporting period. The total net assets of $5,160 million as at September 30, 2018 (December 31, 2017 – $2,518 million) are 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 $3,241 million as at September 30, 2018 (December 31, 2017 – $3,228 million) exclude 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 net assets attributable to WSIB stakeholders as at September 30, 2018 was $1,919 million (December 31, 2017 – deficiency of assets of $710 million) which includes benefit liabilities. Refer to the unaudited condensed interim consolidated statements of financial position for further details.
4. Refer to Section 4 – Reconciliation of the net assets (unfunded liability) on a Sufficiency Ratio basis for further details.

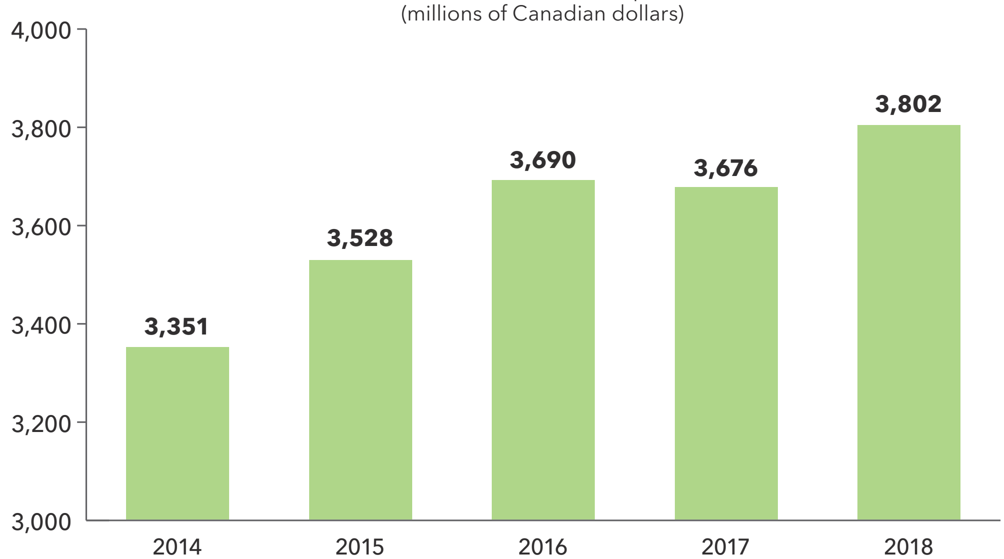
Net premiums

(millions of Canadian dollars)	Three months ended September 30				Nine months ended September 30			
			Change				Change	
	2018	**2017**	**$**	**%**	**2018**	**2017**	**$**	**%**
Gross Schedule 1 premiums	1,282	1,257	25	2.0	3,802	3,676	126	3.4
Bad debts	(17)	(10)	(7)	(70.0)	(44)	(27)	(17)	(63.0)
Interest and penalties	17	13	4	30.8	53	46	7	15.2
Other income	-	-	-	-	2	-	2	+100
Schedule 1 employer premiums	**1,282**	**1,260**	**22**	**1.7**	**3,813**	**3,695**	**118**	**3.2**
Schedule 2 employer administration fees	24	23	1	4.3	72	70	2	2.9
Premiums	**1,306**	**1,283**	**23**	**1.8**	**3,885**	**3,765**	**120**	**3.2**
Net mandatory employer incentive programs	(15)	(40)	25	62.5	(76)	(128)	52	40.6
Net premiums	**1,291**	**1,243**	**48**	**3.9**	**3,809**	**3,637**	**172**	**4.7**

This is the second year that we are providing a reduction to the average premium rate. For 2018, we announced a reduction of 3.3% to the average premium rate. Even with this rate reduction, gross Schedule 1 premiums for the three months and nine months ended September 30, 2018 increased 2.0% and 3.4%, respectively, reflecting strong insurable earnings growth in construction, health care, manufacturing, services and transportation industries, which were impacted by the increase in minimum wage.

Gross Schedule 1 Premiums

For the nine months ended September 30
(millions of Canadian dollars)



Net investment income

Investment strategy	Three months ended September 30							
	2018				2017			
(millions of Canadian dollars)	Investment income (loss)	Return %[1]	Net asset value[2]	%	Investment income (loss)	Return %[1]	Net asset value[2]	%
Public equities	213	1.7	13,228	36.9	337	2.9	12,477	38.5
Fixed income	(18)	(0.3)	6,828	19.0	(56)	(1.0)	6,093	18.8
Absolute return	16	0.1	3,499	9.8	85	1.7	3,290	10.1
Diversified markets	(30)	(0.7)	4,382	12.2	124	3.3	4,156	12.8
Real estate	66	1.8	3,914	10.9	71	2.1	3,514	10.8
Infrastructure	102	2.9	3,062	8.5	66	2.7	2,372	7.3
Cash and cash equivalents	2	-	892	2.5	2	-	477	1.5
Other	-	-	64	0.2	-	-	67	0.2
Investment income	**351**	**0.9**	**35,869**	**100.0**	**629**	**2.0**	**32,446**	**100.0**
Investment expenses	(58)				(48)			
Net investment income	**293**				**581**			

1. Return percentages are based on investment income prior to adjustments such as translation gains and losses on net foreign investments.
2. Total net asset value includes investment cash, investment receivables and payables, and investment derivatives within investment strategies.

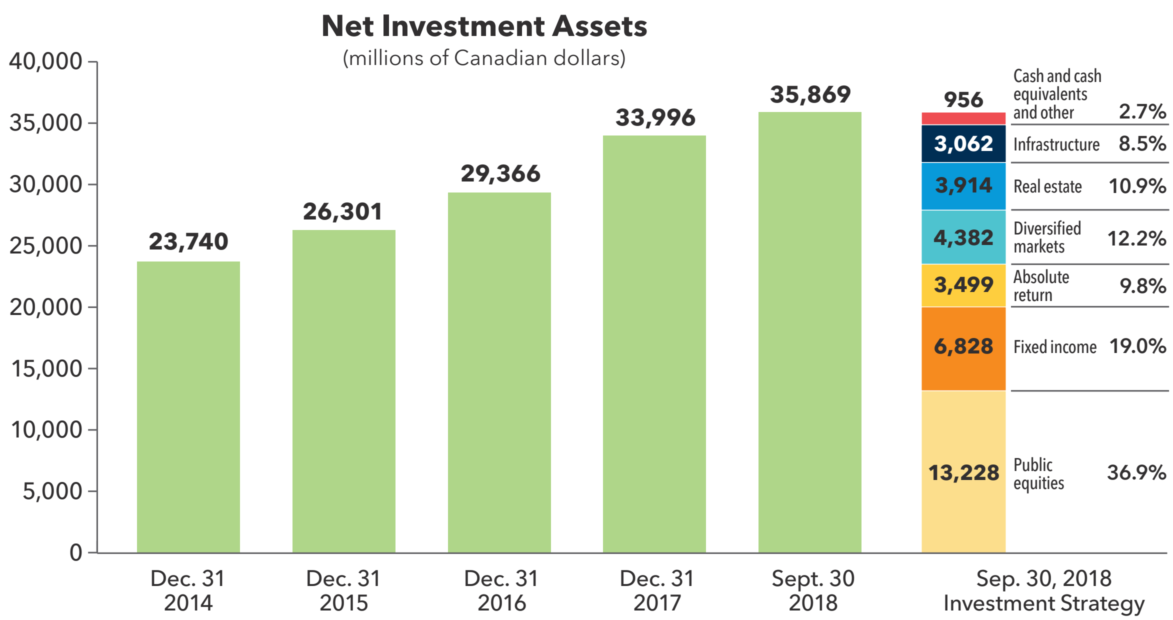
For the three months ended September 30, 2018, net investment income was $293 million. This represents a 0.9% gross return compared to a 2.0% gross return in the same period last year. The period-over-period decrease in net investment income of $288 million was largely due to reduced returns from the public equity, diversified markets and absolute return strategies offset marginally by slight increases from the fixed income and infrastructure strategies. 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.

Investment strategy	Nine months ended September 30							
	2018				2017			
(millions of Canadian dollars)	Investment income (loss)	Return %[1]	Net asset value[2]	%	Investment income (loss)	Return %[1]	Net asset value[2]	%
Public equities	670	5.4	13,228	36.9	1,178	10.9	12,477	38.5
Fixed income	19	0.3	6,828	19.0	3	0.2	6,093	18.8
Absolute return	(34)	(0.4)	3,499	9.8	154	3.5	3,290	10.1
Diversified markets	(86)	(2.1)	4,382	12.2	289	8.6	4,156	12.8
Real estate	200	5.9	3,914	10.9	151	5.0	3,514	10.8
Infrastructure	174	5.9	3,062	8.5	235	12.0	2,372	7.3
Cash and cash equivalents	8	-	892	2.5	4	-	477	1.5
Other	-	-	64	0.2	-	-	67	0.2
Investment income	**951**	**2.9**	**35,869**	**100.0**	**2,014**	**6.9**	**32,446**	**100.0**
Investment expenses	(164)				(136)			
Net investment income	**787**				**1,878**			

1. Return percentages are based on investment income prior to adjustments such as translation gains and losses on net foreign investments.
2. Total net asset value includes investment cash, investment receivables and payables, and investment derivatives within investment strategies.

For the nine months ended September 30, 2018, net investment income was $787 million. This represents a 2.9% gross return compared to a 6.9% gross return in the same period last year. The period-over-period decrease in net investment income of $1,091 million was driven primarily by lower returns from all strategies except real estate which showed a modest increase.

During the nine months ended September 30, 2018, net investment assets increased $1,873 million to $35,869 million. This increase was comprised largely of transfers generated from operating activities of $1,030 million and investment income before investment expenses of $951 million (2.9% gross return).



Total claim costs

Total claim costs consist of:

- claim payments to or on behalf of people with work-related injuries or illnesses;
- claim administration costs, which represent an estimate of our administration costs necessary to support benefit programs; and
- 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.

	Three months ended September 30				Nine months ended September 30			
			Change				Change	
(millions of Canadian dollars)	**2018**	**2017**	**$**	**%**	**2018**	**2017**	**$**	**%**
Claim payments	600	575	25	4.3	1,841	1,757	84	4.8
Claim administration costs	103	105	(2)	(2.0)	328	314	14	4.5
Change in actuarial valuation of benefit liabilities	(97)	(1)	(96)	(100+)	(479)	74	(553)	(100+)
Total claim costs	**606**	**679**	**(73)**	**(10.8)**	**1,690**	**2,145**	**(455)**	**(21.2)**

Claim payments

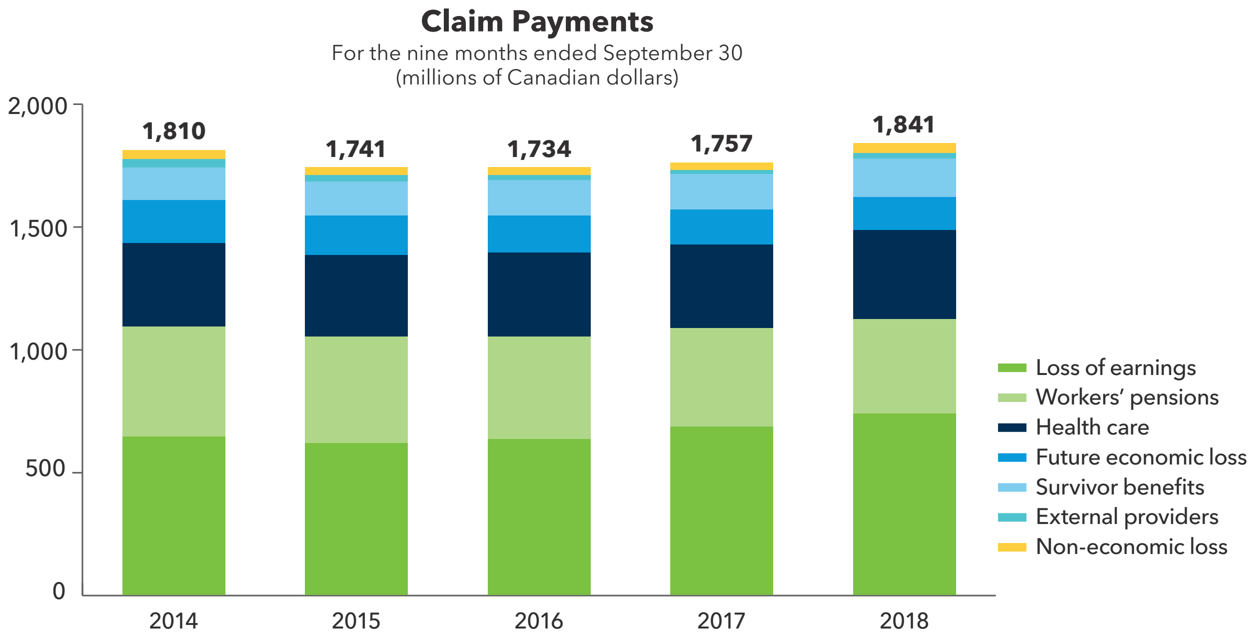
	Three months ended September 30				Nine months ended September 30			
			Change				Change	
(millions of Canadian dollars)	**2018**	**2017[1]**	**$**	**%**	**2018**	**2017[1]**	**$**	**%**
Loss of earnings	241	227	14	6.2	737	684	53	7.7
Workers' pensions	129	130	(1)	(0.8)	388	397	(9)	(2.3)
Health care	116	108	8	7.4	362	341	21	6.2
Future economic loss	44	47	(3)	(6.4)	135	142	(7)	(4.9)
Survivor benefits	51	46	5	10.9	157	145	12	8.3
External providers	7	6	1	16.7	21	18	3	16.7
Non-economic loss	12	11	1	9.1	41	30	11	36.7
Total claim payments	**600**	**575**	**25**	**4.3**	**1,841**	**1,757**	**84**	**4.8**

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

A summary of significant changes in claim payments for the three months and nine months ended September 30, 2018 is as follows:

- Loss of earnings benefits were $14 million and $53 million higher, respectively, due to higher durations affecting current and prior injury year claims in addition to higher volume of current injury year claims.
- Workers' pensions were $1 million and $9 million lower, respectively, compared to last year driven by natural reduction in claim inventory.
- Health care payments were $8 million and $21 million higher, respectively, due to higher costs per claim for health services.

- Future economic loss expenses were $3 million and $7 million lower, respectively, compared to last year driven by natural reduction in claim inventory.
- Non-economic loss ("NEL") expenses were $1 million and $11 million higher, respectively, due to higher incidence of NEL re-determinations as a result of reconsiderations under a claim review initiative.



Claim administration costs

	Three months ended September 30				Nine months ended September 30			
			Change				Change	
(millions of Canadian dollars)	**2018**	**2017**	**$**	**%**	**2018**	**2017**	**$**	**%**
Allocation from administration and other expenses	96	99	(3)	(3.0)	307	296	11	3.7
Allocation from legislated obligations and funding commitments expenses	7	6	1	16.7	21	18	3	16.7
Total claim administration costs	**103**	**105**	**(2)**	**(1.9)**	**328**	**314**	**14**	**4.5**

Claim administration costs reflect the portions of administration and other expenses and legislated obligations and funding commitments expenses allocated to claim costs. For the three months ended September 30, 2018, the change was attributed to a lower allocation percentage of claim administration costs from administration and other expenses and for the nine months ended September 30, 2018, attributed to higher administration and other expenses.

Change in actuarial valuation of benefit liabilities

	Three months ended September 30		Nine months ended September 30	
(millions of Canadian dollars)	**2018**	**2017**	**2018**	**2017**
Change in actuarial valuation of benefit liabilities	(97)	(1)	(479)	74

For the nine months ended September 30, 2018, the change in actuarial valuation of benefit liabilities is detailed as follows:

(millions of Canadian dollars)	
Benefit liabilities as at December 31, 2017	**28,290**
Payments made in 2018 for prior injury years	(1,960)
Interest accretion[1]	922
Liabilities incurred for the 2018 injury year	1,336
One-time experience gain related to retroactive CMS claims[2]	(540)
Other experience gains	(247)
Impact of legislative amendment	10
Benefit liabilities as at September 30, 2018	**27,811**
Change in actuarial valuation of benefit liabilities	**(479)**

1. Accretion represents the estimated interest cost of the benefit liabilities, considering the discount rate, benefit liabilities at the beginning of the period and payments made during the period.
2. On December 14, 2017, passage of Bill 177 titled *Stronger, Fairer Ontario Act (Budget Measures)*, 2017 amended section 13 of the *Workplace Safety and Insurance Act,1997* (Ontario) to provide Chronic Mental Stress ("CMS") benefits for diagnoses on or after April 29, 2014. The legislated retroactive claims deadline was June 30, 2018. Because retroactive claims submitted and accepted, up to this date, were significantly lower than expected, the WSIB no longer holds a liability in respect of CMS claims for prior injury years. A one-time experience gain of $540 million was recognized in the prior quarter.

Administration and other expenses

	Three months ended September 30				Nine months ended September 30			
			Change				Change	
(millions of Canadian dollars)	**2018**	**2017**	**$**	**%**	**2018**	**2017**	**$**	**%**
Salaries and short-term benefits	107	103	4	3.9	333	322	11	3.4
Employee benefit plans	48	39	9	23.1	144	121	23	19.0
Depreciation and amortization	10	9	1	11.1	30	21	9	42.9
Other	52	47	5	10.6	144	128	16	12.5
	217	**198**	**19**	**9.6**	**651**	**592**	**59**	**10.0**
Claim administration costs allocated to claim costs	(96)	(99)	3	3.0	(307)	(296)	(11)	(3.7)
Total administration and other expenses	**121**	**99**	**22**	**22.2**	**344**	**296**	**48**	**16.2**

For the three months ended September 30, 2018, administration and other expenses, before allocation to claim costs, is as follows:

- Salaries increased $4 million reflecting higher staffing levels as additional staff were hired to support Chronic Mental Stress ("CMS") legislation and increases due to inflationary pressures.
- Employee benefit plans increased $9 million reflecting a 45 basis point decrease in the discount rate used to value our pension obligations.
- Other operating expenses increased $5 million reflecting new initiatives as part of our transformational efforts.

For the nine months ended September 30, 2018, administration and other expenses, before allocation to claim costs, is as follows:

- Salaries and short-term benefits increased $11 million reflecting higher staffing levels as additional staff were hired to support CMS legislation and increases due to inflationary pressures.
- Employee benefit plans increased $23 million reflecting a 45 basis point decrease in the discount rate used to value our pension obligations.
- Depreciation and amortization increased $9 million as the new claims and accounts management systems became operational.
- Other operating expenses increased $16 million reflecting new initiatives as part of our transformational efforts.

Legislated obligations and funding commitments expenses

(millions of Canadian dollars)	Three months ended September 30				Nine months ended September 30			
			Change				Change	
	2018	**2017**	**$**	**%**	**2018**	**2017**	**$**	**%**
Legislated obligations								
Occupational Health and Safety Act	27	26	1	3.8	79	75	4	5.3
Ministry of Labour Prevention Costs	28	29	(1)	(3.4)	83	83	-	-
	55	55	-	-	162	158	4	2.5
Workplace Safety and Insurance Appeals Tribunal	8	7	1	14.3	23	20	3	15.0
Workplace Safety and Insurance Advisory Program	4	4	-	-	12	12	-	-
Total legislated obligations	**67**	**66**	**1**	**1.5**	**197**	**190**	**7**	**3.7**
Funding commitments								
Grants	-	-	-	-	1	1	-	-
Safety program rebates	7	(5)	12	100+	24	16	8	50.0
Total funding commitments	**7**	**(5)**	**12**	**100+**	**25**	**17**	**8**	**47.1**
	74	**61**	**13**	**21.3**	**222**	**207**	**15**	**7.2**
Claim administration costs allocated to claim costs	(7)	(6)	(1)	(16.7)	(21)	(18)	(3)	(16.7)
Total legislated obligations and funding commitments	**67**	**55**	**12**	**21.8**	**201**	**189**	**12**	**6.3**

For the three months ended September 30, 2018, legislated obligations and funding commitments expenses, before allocation to claim costs increased by $13 million or 21.3% primarily reflecting higher safety program rebates due to an increase in the participation in the program.

For the nine months ended September 30, 2018, legislated obligations and funding commitments expenses, before allocation to claim costs increased by $15 million or 7.2% reflecting higher safety program rebates due to an increase in the participation in the program, higher costs by the Ministry of Labour to administer and enforce the *Occupational Health and Safety Act*, and higher Workplace Safety and Insurance Appeals Tribunal costs for its caseload reduction initiative.

2. Changes in financial position

This section discusses the significant changes in our September 30, 2018 unaudited condensed interim consolidated statements of financial position compared to year-end 2017.

(millions of Canadian dollars)	Sep. 30 2018	Dec. 31 2017	Change $	Change %	Commentary
Assets					
Cash and cash equivalents	2,808	2,586	222	8.6	Increase primarily reflects continued improvements in operating performance.
Receivables and other assets	2,247	1,387	860	62.0	Increase primarily reflects higher investment receivables, higher surcharges on employer incentive programs and higher accrued premium receivables.
Public equity securities	13,678	13,414	264	2.0	
Fixed income securities	7,592	6,800	792	11.6	
Derivative assets	206	342	(136)	(39.8)	Net increase reflects the performance of these assets and cash contribution from operating activities in the quarter.
Investment properties	1,386	1,340	46	3.4	
Investments in associates and joint ventures	1,780	1,641	139	8.5	
Other invested assets	8,653	7,910	743	9.4	
Property, equipment and intangible assets	287	302	(15)	(5.0)	Decrease primarily reflects depreciation related to the accounts and claims management systems.
Liabilities					
Payables and other liabilities	2,226	1,185	1,041	87.8	Increase primarily reflects a significant increase in investment payables due to a large volume of equity purchases outstanding at quarter end, as well as higher experience rating refunds payable and higher legislated obligations payable, offset by lower administration expenses payable.
Derivative liabilities	99	88	11	12.5	Increase reflects changes in our currency and future positions within the investment portfolio.
Long-term debt	115	115	-	-	No significant changes.
Loss of Retirement Income Fund liability	1,931	1,915	16	0.8	Increase largely reflects income earned on contributions offset by net contributions and withdrawals from the Fund.
Employee benefit plans liability	1,295	1,611	(316)	(19.6)	Decrease reflects an increase in the interest rate used for valuation.
Benefit liabilities	27,811	28,290	(479)	(1.7)	Decrease primarily due to the release of the retroactive provision for CMS benefits, lower loss of earnings claims and lower benefit liabilities for new injury year.
Net assets (unfunded liability)	1,919	(710)	2,629	100+	Changes reflect total comprehensive income attributable to WSIB stakeholders.
Net assets (unfunded liability) – Sufficiency Ratio basis	1,596	(1,349)	2,945	100+	Strengthening due to continued strong operating results.
Sufficiency Ratio	104.9%	95.8%		9.1%	

3. Liquidity and capital resources

(millions of Canadian dollars)	Three months ended September 30 2018	2017	Nine months ended September 30 2018	2017
Cash and cash equivalents, beginning of period	2,156	2,422	2,586	2,496
Cash provided by operating activities	414	397	917	932
Cash provided (required) by investing activities	305	(415)	(596)	(1,026)
Cash provided (required) by financing activities	(67)	7	(99)	9
Cash and cash equivalents, end of period	**2,808**	**2,411**	**2,808**	**2,411**

A summary of the significant changes in cash and cash equivalents for the three months ended September 30, 2018 is as follows:

- Cash provided by operating activities was $414 million compared to $397 million in 2017 reflecting an increase in cash from higher amounts collected on receivables and a decrease in amounts paid on payables (excluding investments).
- Cash provided by investing activities was $305 million compared to cash required by investing activities of $415 million in 2017 primarily reflecting net proceeds from the sale of investments versus net purchases of investments in the prior period and a small net outflow of cash to investments in associates and joint ventures.
- Cash required by financing activities was $67 million compared to cash provided by financing activities of $7 million in 2017. The reduction in cash required for financing activities is mainly due to net redemptions of $64 million versus net contributions of $9 million by non-controlling interests in the prior period resulting from a redemption of the non-controlling interest in the investments and net outflows related to non-controlling interests in real estate.

A summary of the significant changes in cash and cash equivalents for the nine months ended September 30, 2018 is as follows:

- Cash provided by operating activities was $917 million compared to $932 million in 2017 reflecting a decrease in cash from lower amounts collected on receivables partially offset by a decrease in amounts paid on payables (excluding investments).
- Cash required by investing activities was $596 million compared to $1,026 million in 2017. In 2017, there was a single significant real estate investment. In 2018, there were several smaller opportunities in both real estate and infrastructure investments combined with drawdowns on investment fund commitments offset by lower net purchases of investments.
- Cash required by financing activities was $99 million compared to cash provided by financing activities of $9 million in 2017. The increase in cash required for financing activities is mainly due to net redemptions of $75 million versus net contributions of $15 million by non-controlling interests in the prior period resulting from a redemption of the non-controlling interests in the investments and net outflows related to non-controlling interest in real estate.

Credit facilities

There were no significant changes during the quarter.

Commitments

Outstanding commitments declined $64 million this quarter, due to accelerated drawn downs primarily by infrastructure investment funds offset by new commitments to real estate investment funds and infrastructure related investments.

4. Reconciliation of the net assets (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.

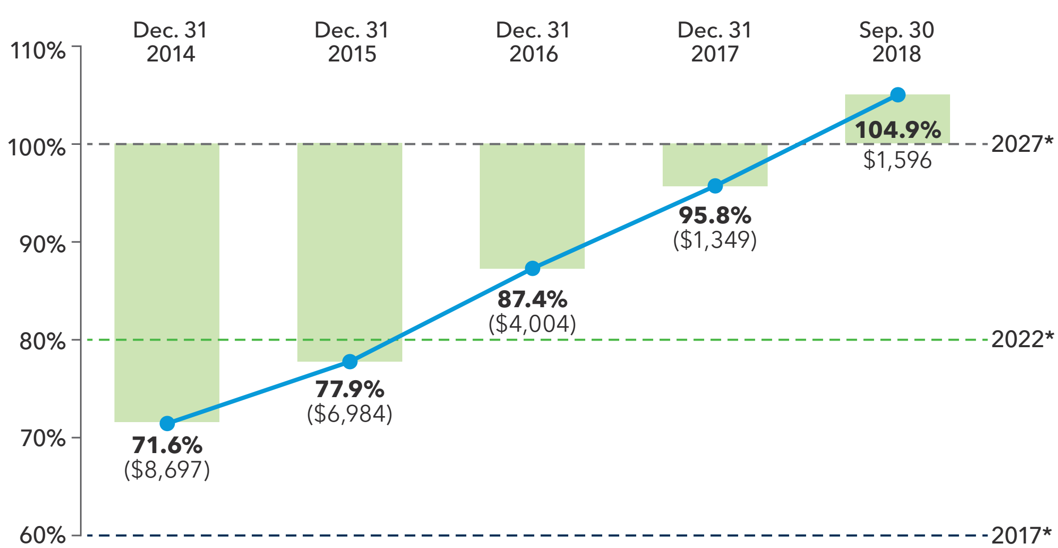
The investment portfolio is valued at fair value adjusted by investment gains and losses deviating from the net investment return objective, less the interests in those assets held by third parties (non-controlling interests). These gains or losses are amortized over a five-year period, thereby moderating 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, 2018, the Sufficiency Ratio, as defined in *Ontario Regulation 141/12* and amended by *Ontario Regulation 338/13* (collectively, the "Ontario Regulations"), was 104.9% (December 31, 2017 – 95.8%). Set forth below is the reconciliation of the net assets (unfunded liability) between the IFRS basis and Sufficiency Ratio basis:

(millions of Canadian dollars)	**Sep. 30 2018**	**Dec. 31 2017**
Net assets (UFL) attributable to WSIB stakeholders on an IFRS basis	**1,919**	**(710)**
Add/(Less): Adjustments per Ontario Regulations:		
Change in valuation of invested assets	(1,046)	(1,720)
Change in valuation of employee benefit plans liability	640	925
Change in valuation of invested assets attributable to non-controlling interests	83	156
Net assets (UFL) attributable to WSIB stakeholders on a Sufficiency Ratio basis	**1,596**	**(1,349)**
Sufficiency Ratio	**104.9%**	**95.8%**

Net Assets (UFL) on a Sufficiency Ratio basis and Sufficiency Ratios

(millions of Canadian dollars)



*Legislated required Sufficiency Ratio at end of year

5. 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. Our 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.

6. Changes in accounting standards

a. Standards and amendments adopted during the year

IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15")

The WSIB adopted IFRS 15 effective for annual periods beginning on or after January 1, 2018. IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for items such as financial instruments, insurance contracts, and leases. The impact of IFRS 15 is limited to the WSIB's revenue from the services provided to Schedule 2 employers and one-time gains on disposal of investment properties and property and equipment. Based on the nature of the WSIB's revenues, IFRS 15 did not have a material impact on the WSIB's unaudited condensed interim consolidated financial statements.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration* ("IFRIC 22")

The WSIB adopted IFRIC 22 effective for annual periods beginning on or after January 1, 2018. IFRIC 22 clarifies the accounting for transactions when an entity recognizes a non-monetary asset or liability arising from an advance payment that is received or paid in a foreign currency, prior to recognition of the underlying transaction. IFRIC 22 did not have a material impact on the WSIB's unaudited condensed interim consolidated financial statements.

Annual Improvements to IFRSs 2014–2016 Cycle

In December 2016, the International Accounting Standards Board ("IASB") issued *Annual Improvements to IFRSs 2014 – 2016 Cycle*, which includes a minor amendment to IAS 28 *Investments in Associates and Joint Ventures* effective January 1, 2018. The adoption of this amendment did not have a significant impact on the WSIB's unaudited condensed interim consolidated financial statements.

Amendments to IAS 40 *Investment Property* ("IAS 40")

The WSIB adopted the amendments to IAS 40 effective for annual periods beginning on or after January 1, 2018. The amendments clarify that an entity shall transfer property to, or from, an investment property when, and only when, there is evidence of a change in use. The adoption of these amendments did not have a significant impact on the WSIB's unaudited condensed interim consolidated financial statements.

b. Future changes in accounting standards

The following amended accounting standard has been issued by the IASB and is not yet effective.

Amendments to IAS 19 *Employee Benefits* ("IAS 19")

In February 2018, the IASB issued amendments to IAS 19 which require entities to use updated assumptions to determine current service cost and net interest for the period after a plan amendment, curtailment or settlement. The amendments are effective for annual periods beginning on or after January 1, 2019. The WSIB is currently assessing the impact the adoption of these amendments will have on the unaudited condensed interim consolidated financial statements.

7. Outlook

Premiums

Premium revenues are anticipated to increase in 2018 reflecting a strong growth in insurable earnings and lower net payouts for mandatory employer incentive programs. The increase in insurable earnings is driven by an assumed 3.5% employment growth and a 1.6% increase in average wages, which is expected to more than offset the 3.3% reduction to the average premium rate.

Net investment income

Net investment income is planned to represent a 3.82% net return on investments, lower than our long-term investment return objective of 4.75% (within the range of 3.5% to 6.5%). We will continue to implement our Strategic Investment Plan in a way that permits us to take advantage of investment opportunities without exposing us to a higher level of volatility and corresponding investment risk.

Claim payments

Increasing claim registrations and an increasing volume of lost-time claims have resulted in a higher than expected increase in loss of earnings payments leading to an increased outlook on overall claim payments. We caution readers that claim payments may rise partially due to new types of compensable claims.

Administration and other expenses

Administration and other expenses are anticipated to increase in 2018 reflecting increases to information technology costs, increases to the pension liability and higher salary expenses.

Legislated obligations and funding commitments

As expected, legislated obligations and funding commitments are anticipated to increase in 2018 in comparison to 2017 year-end actuals, reflecting higher safety program rebates.

Net assets

We anticipate the net assets position will continue to increase, based on current funding and benefit levels and employer contributions, as measured under current accounting and actuarial standards.

8. Non-IFRS financial measure

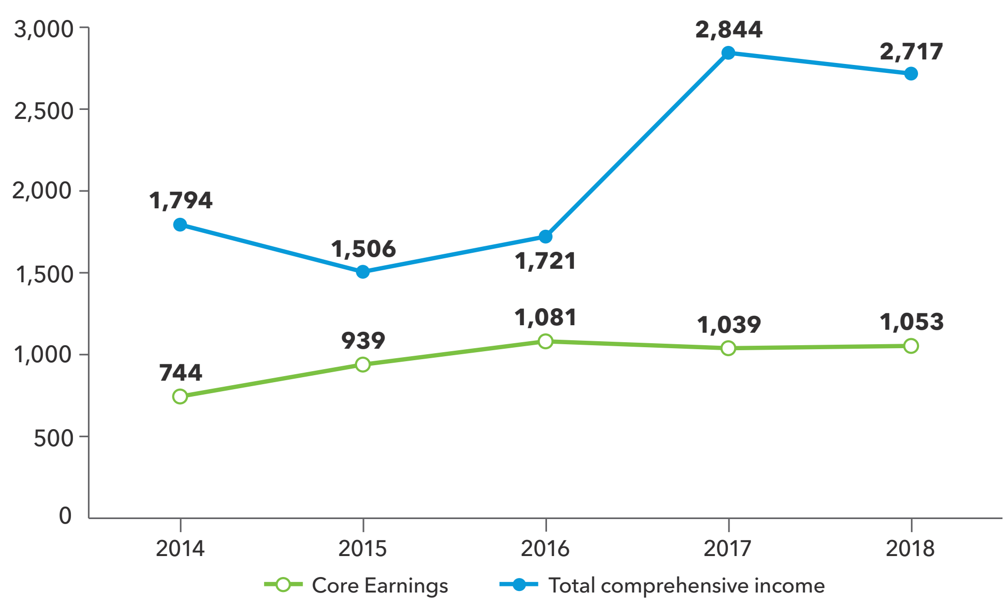
Core Earnings

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)	**2018**	**2017**	**2018**	**2017**
Total comprehensive income for the period	**952**	**1,294**	**2,717**	**2,844**
Add/(Less): Net investment loss (income)	(293)	(581)	(787)	(1,878)
Add/(Less): Translation losses (gains) from net foreign investments	26	32	(22)	41
Add/(Less): Change in actuarial valuation of benefit liabilities	(97)	(1)	(479)	74
Add/(Less): Change in actuarial valuation of employee benefit plans	(201)	(349)	(376)	(42)
Core Earnings	**387**	**395**	**1,053**	**1,039**

Core Earnings vs. Total Comprehensive Income
For the nine months ended September 30
(millions of Canadian dollars)



Unaudited condensed interim consolidated financial statements for Q3 2018

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

	Note	September 30 2018	December 31 2017
Assets			
Cash and cash equivalents		2,808	2,586
Receivables and other assets	4	2,247	1,387
Public equity securities	6	13,678	13,414
Fixed income securities	6	7,592	6,800
Derivative assets	6	206	342
Investment properties	6	1,386	1,340
Investments in associates and joint ventures		1,780	1,641
Other invested assets	6	8,653	7,910
Property, equipment and intangible assets		287	302
Total assets		**38,637**	**35,722**
Liabilities			
Payables and other liabilities	7	2,226	1,185
Derivative liabilities	6	99	88
Long-term debt		115	115
Loss of Retirement Income Fund liability		1,931	1,915
Employee benefit plans liability	8	1,295	1,611
Benefit liabilities	10	27,811	28,290
Total liabilities		**33,477**	**33,204**
Net assets			
Reserves (deficit)		1,442	(792)
Accumulated other comprehensive income		477	82
Net assets (unfunded liability) attributable to WSIB stakeholders		**1,919**	**(710)**
Non-controlling interests		3,241	3,228
Total net assets		**5,160**	**2,518**
Total liabilities and net assets		**38,637**	**35,722**

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 2018	Three months ended September 30 2017	Nine months ended September 30 2018	Nine months ended September 30 2017
Revenues					
Premiums	9	1,306	1,283	3,885	3,765
Net mandatory employer incentive programs	9	(15)	(40)	(76)	(128)
Net premiums		**1,291**	**1,243**	**3,809**	**3,637**
Investment income	5	351	629	951	2,014
Investment expenses	5	(58)	(48)	(164)	(136)
Net investment income		**293**	**581**	**787**	**1,878**
Total revenues		**1,584**	**1,824**	**4,596**	**5,515**
Expenses					
Claim payments		600	575	1,841	1,757
Claim administration costs		103	105	328	314
Change in actuarial valuation of benefit liabilities		(97)	(1)	(479)	74
Total claim costs		**606**	**679**	**1,690**	**2,145**
Loss of Retirement Income Fund contributions		13	14	42	42
Administration and other expenses		121	99	344	296
Legislated obligations and funding commitments		67	55	201	189
Total expenses		**807**	**847**	**2,277**	**2,672**
Excess of revenues over expenses		**777**	**977**	**2,319**	**2,843**
Other comprehensive income					
Item that will not be reclassified subsequently to income					
Remeasurements of employee benefit plans	8	201	349	376	42
Item that will be reclassified subsequently to income					
Translation gains (losses) from net foreign investments		(26)	(32)	22	(41)
Total other comprehensive income		**175**	**317**	**398**	**1**
Total comprehensive income		**952**	**1,294**	**2,717**	**2,844**

	Three months ended September 30 2018	Three months ended September 30 2017	Nine months ended September 30 2018	Nine months ended September 30 2017
Excess of revenues over expenses attributable to:				
WSIB stakeholders	742	911	2,234	2,636
Non-controlling interests	35	66	85	207
	777	**977**	**2,319**	**2,843**
Total comprehensive income attributable to:				
WSIB stakeholders	919	1,231	2,629	2,641
Non-controlling interests	33	63	88	203
	952	**1,294**	**2,717**	**2,844**

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

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

	Note	Three months ended September 30		Nine months ended September 30	
		2018	**2017**	**2018**	**2017**
Reserves (deficit)					
Balance at beginning of period		700	(2,584)	(792)	(4,309)
Excess of revenues over expenses		742	911	2,234	2,636
Balance at end of period		**1,442**	**(1,673)**	**1,442**	**(1,673)**
Accumulated other comprehensive income					
Balance at beginning of period		300	69	82	384
Remeasurements of employee benefit plans	8	201	349	376	42
Translation gains (losses) from net foreign investments		(24)	(29)	19	(37)
Balance at end of period		**477**	**389**	**477**	**389**
Net assets (unfunded liability) attributable to WSIB stakeholders		**1,919**	**(1,284)**	**1,919**	**(1,284)**
Non-controlling interests					
Balance at beginning of period		3,272	3,075	3,228	2,929
Excess of revenues over expenses		35	66	85	207
Translation gains (losses) from net foreign investments		(2)	(3)	3	(4)
Change in ownership share in investments		(64)	9	(75)	15
Balance at end of period		**3,241**	**3,147**	**3,241**	**3,147**
Total net assets		**5,160**	**1,863**	**5,160**	**1,863**

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)

	Note	Three months ended September 30		Nine months ended September 30	
		2018	**2017**[1]	**2018**	**2017**[1]
Operating activities:					
Total comprehensive income		952	1,294	2,717	2,844
Adjustments:					
Amortization of net discount on investments		(7)	(4)	(18)	(14)
Depreciation and amortization of property, equipment and intangible assets		11	11	33	24
Changes in fair value of investments		(120)	(456)	(275)	(1,525)
Changes in fair value of investment properties		(30)	(5)	(57)	10
Translation (gains) losses from net foreign investments		26	32	(22)	41
Dividend income from public equity securities		(122)	(93)	(386)	(336)
Income from investments in associates and joint ventures		(27)	(44)	(74)	(84)
Interest income		(50)	(45)	(149)	(129)
Interest expense		2	2	7	6
Total comprehensive income after adjustments		**635**	**692**	**1,776**	**837**
Changes in non-cash balances related to operations:					
Receivables and other assets, excluding those related to investing activities		(73)	(84)	(232)	(175)
Payables and other liabilities, excluding those related to investing and financing activities		131	108	152	124
Loss of Retirement Income Fund liability		2	20	16	75
Employee benefit plans liability	8	(184)	(338)	(316)	(3)
Benefit liabilities	10	(97)	(1)	(479)	74
Total changes in non-cash balances related to operations		(221)	(295)	(859)	95
Net cash provided by operating activities		**414**	**397**	**917**	**932**
Investing activities:					
Dividends received from public equity securities, associates and joint ventures		146	117	430	384
Interest received		27	19	126	117
Purchases of property, equipment and intangible assets		(6)	(2)	(18)	(11)
Purchases of investments		(3,177)	(4,671)	(12,725)	(14,005)
Proceeds on sales and maturities of investments		3,275	4,325	11,698	13,677
Net additions to investment properties		36	(10)	9	(26)
Net additions to investments in associates and joint ventures		4	(193)	(116)	(1,162)
Net cash provided (required) by investing activities		**305**	**(415)**	**(596)**	**(1,026)**
Financing activities:					
Net proceeds on dispositions (acquisitions) of non-controlling interests		(49)	28	(28)	79
Distributions paid by subsidiaries to non-controlling interests		(15)	(19)	(47)	(64)
Repayment of debt		(1)	-	(18)	-
Interest paid on debt		(2)	(2)	(6)	(6)
Net cash provided (required) by financing activities		**(67)**	**7**	**(99)**	**9**
Net increase (decrease) in cash and cash equivalents		**652**	**(11)**	**222**	**(85)**
Cash and cash equivalents, beginning of period		2,156	2,422	2,586	2,496
Cash and cash equivalents, end of period		**2,808**	**2,411**	**2,808**	**2,411**

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, 2018
Unaudited

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Notes to Condensed Interim Consolidated Financial Statements
September 30, 2018
Unaudited (millions of Canadian dollars)

1. Nature of operations

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

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

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

2. Statement of compliance

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

These unaudited condensed interim consolidated financial statements should be read in conjunction with the annual information available in the consolidated financial statements and the accompanying notes for the year ended December 31, 2017. Except as noted in Note 3, these unaudited condensed interim consolidated financial statements have been prepared on a basis consistent with the policies and methods outlined in the notes to the consolidated financial statements for the year ended December 31, 2017.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the WSIB's Board of Directors on December 12, 2018.

3. Changes in accounting standards

(a) Standards and amendments adopted during the year

IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15")

The WSIB adopted IFRS 15 effective for annual periods beginning on or after January 1, 2018. IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for items such as financial instruments, insurance contracts, and leases. The impact of IFRS 15 is limited to the WSIB's revenue from the services provided to Schedule 2 employers and one-time gains on disposal of investment properties and property and equipment. Based on the nature of the WSIB's revenues, IFRS 15 did not have a material impact on the WSIB's unaudited condensed interim consolidated financial statements.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration* ("IFRIC 22")

The WSIB adopted IFRIC 22 effective for annual periods beginning on or after January 1, 2018. IFRIC 22 clarifies the accounting for transactions when an entity recognizes a non-monetary asset or liability arising from an advance payment that is received or paid in a foreign currency, prior to recognition of the underlying transaction. IFRIC 22 did not have a material impact on the WSIB's unaudited condensed interim consolidated financial statements.

Notes to Condensed Interim Consolidated Financial Statements
September 30, 2018
Unaudited (millions of Canadian dollars)

Annual Improvements to IFRSs 2014 - 2016 Cycle

In December 2016, the IASB issued *Annual Improvements to IFRSs 2014 – 2016 Cycle*, which includes a minor amendment to IAS 28 *Investments in Associates and Joint Ventures* effective January 1, 2018. The adoption of this amendment did not have a significant impact on the WSIB's unaudited condensed interim consolidated financial statements.

Amendments to IAS 40 *Investment Property* ("IAS 40")

The WSIB adopted the amendments to IAS 40 effective for annual periods beginning on or after January 1, 2018. The amendments clarify that an entity shall transfer property to, or from, an investment property when, and only when, there is evidence of a change in use. The adoption of these amendments did not have a significant impact on the WSIB's unaudited condensed interim consolidated financial statements.

(b) Future changes in accounting standards

The following amended accounting standard has been issued by the IASB and is not yet effective.

Amendments to IAS 19 *Employee Benefits* ("IAS 19")

In February 2018, the IASB issued amendments to IAS 19 which require entities to use updated assumptions to determine current service cost and net interest for the period after a plan amendment, curtailment or settlement. The amendments are effective for annual periods beginning on or after January 1, 2019. The WSIB is currently assessing the impact the adoption of these amendments will have on the unaudited condensed interim consolidated financial statements.

4. Receivables and other assets

Receivables and other assets are comprised of the following:

	September 30 2018	December 31 2017
Premium receivables	308	298
Accrued premium receivables	536	493
Less: Allowance for doubtful accounts	(133)	(118)
Net premium receivables	**711**	**673**
Investment receivables	872	244
Total receivables	**1,583**	**917**
Other assets[1]	664	470
Total receivables and other assets	**2,247**	**1,387**

1. Other assets include employer incentive program surcharges of $590 (December 31, 2017 – $416) which are expected to be received over a period of more than one year.

Notes to Condensed Interim Consolidated Financial Statements
September 30, 2018
Unaudited (millions of Canadian dollars)

5. Net investment income

Net investment income by nature of invested assets for the three months and nine months ended September 30 is as follows:

	Three months ended September 30		Nine months ended September 30	
	2018	**2017[1]**	**2018**	**2017[1]**
Cash and cash equivalents	4	2	10	6
Public equity securities	138	276	761	1,164
Fixed income securities	(23)	(63)	54	7
Derivative financial instruments	206	384	(421)	662
Investment properties	43	20	97	33
Investments in associates and joint ventures	27	44	74	84
Other invested assets				
Investment funds	(29)	(92)	422	46
Infrastructure related investments	4	90	1	107
Real estate related investments	(2)	1	-	12
Less: Income attributable to Loss of Retirement Income Fund	(17)	(33)	(47)	(107)
Investment income	**351**	**629**	**951**	**2,014**
Less: Investment expenses[2]	(58)	(48)	(164)	(136)
Net investment income	**293**	**581**	**787**	**1,878**

1. Certain comparative amounts have been reclassified to be consistent with the current period's presentation.
2. Includes $33 and $97 of management fees paid to investment managers for the three months and nine months ended September 30, 2018, respectively (2017 – $34 and $93).

Notes to Condensed Interim Consolidated Financial Statements
September 30, 2018
Unaudited (millions of Canadian dollars)

6. Fair value measurement and disclosures

Fair value hierarchy

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

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

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

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

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

	September 30, 2018				December 31, 2017			
	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]	792	2,016	-	**2,808**	850	1,736	-	**2,586**
Public equity securities	13,564	114	-	**13,678**	13,305	109	-	**13,414**
Fixed income securities	-	7,592	-	**7,592**	-	6,800	-	**6,800**
Derivative assets	45	161	-	**206**	46	296	-	**342**
Investment properties	-	-	1,386	**1,386**	-	-	1,340	**1,340**
Other invested assets								
Investment funds	-	-	7,445	**7,445**	-	-	6,714	**6,714**
Infrastructure related investments	-	-	754	**754**	-	341	399	**740**
Real estate related investments	-	-	454	**454**	-	-	456	**456**
Derivative liabilities	(57)	(42)	-	**(99)**	(41)	(47)	-	**(88)**
Assets and liabilities for which fair value is disclosed								
Investment receivables[1]	-	872	-	**872**	-	244	-	**244**
Administration payables[1]	(284)	-	-	**(284)**	(304)	-	-	**(304)**
Investment payables[1]	-	(950)	-	**(950)**	-	(42)	-	**(42)**
Long-term debt[2]	-	(119)	-	**(119)**	-	(123)	-	**(123)**
Loss of Retirement Income Fund liability	-	(365)	(1,566)	**(1,931)**	(283)	(49)	(1,583)	**(1,915)**

1. Due to their short-term nature, the carrying amounts of cash and cash equivalents, investment receivables, and administration and investment payables approximate their fair values.
2. Carrying amount as at September 30, 2018 was $115 (December 31, 2017 – $115).

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, 2018 and September 30, 2017, there were no transfers between Level 1 and Level 2.

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Level 3 fair value measurements

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

	Other invested assets					
For the three months ended September 30, 2018	Investment funds	Infrastructure related investments	Real estate related investments	**Subtotal**	**Investment properties**	**Total**
Balance as at July 1, 2018	7,503	745	460	8,708	1,393	10,101
Net gains (losses) recognized in net investment income	(65)	9	(6)	(62)	30	(32)
Translation losses recognized in other comprehensive income	(12)	(15)	-	(27)	-	(27)
Purchases and additions	166	15	-	181	-	181
Sales or disposals	(147)	-	-	(147)	(49)	(196)
Capital expenditures	-	-	-	-	12	12
Balance as at September 30, 2018	**7,445**	**754**	**454**	**8,653**	**1,386**	**10,039**
Changes in unrealized gains (losses) included in earnings for assets and liabilities for positions still held	**(94)**	**(5)**	**(6)**	**(105)**	**30**	**(75)**

	Other invested assets					
For the nine months ended September 30, 2018	Investment funds	Infrastructure related investments	Real estate related investments	**Subtotal**	**Investment properties**	**Total**
Balance as at January 1, 2018	6,714	399	456	7,569	1,340	8,909
Net gains (losses) recognized in net investment income	331	(18)	(5)	308	57	365
Translation gains (losses) recognized in other comprehensive income	23	(3)	-	20	-	20
Purchases and additions	679	15	3	697	-	697
Sales or disposals	(302)	-	-	(302)	(49)	(351)
Capital expenditures	-	-	-	-	38	38
Transfers into Level 3	-	361	-	361	-	361
Balance as at September 30, 2018	**7,445**	**754**	**454**	**8,653**	**1,386**	**10,039**
Changes in unrealized gains (losses) included in earnings for assets and liabilities for positions still held	**327**	**(19)**	**(5)**	**303**	**57**	**360**

During the three months ended September 30, 2018, there were no transfers between Level 2 and Level 3.

During the nine months ended September 30, 2018, infrastructure related investments with a carrying amount of $361 were transferred from Level 2 to Level 3 because the inputs used in their valuations are now based on unobservable inputs, versus the previous period.

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	Other invested assets					
For the three months ended September 30, 2017[1]	Investment funds	Infrastructure related investments	Real estate related investments	**Subtotal**	**Investment properties**	**Total**
Balance as at July 1, 2017	6,221	394	415	7,030	1,316	8,346
Net gains (losses) recognized in net investment income	(26)	3	(2)	(25)	5	(20)
Translation losses recognized in other comprehensive income	(34)	-	-	(34)	-	(34)
Purchases and additions	373	-	-	373	-	373
Sales or disposals	(200)	-	-	(200)	-	(200)
Capital expenditures	-	-	-	-	10	10
Balance as at September 30, 2017	**6,334**	**397**	**413**	**7,144**	**1,331**	**8,475**
Changes in unrealized gains (losses) included in earnings for assets and liabilities for positions still held	**(52)**	**3**	**(2)**	**(51)**	**5**	**(46)**

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

	Other invested assets					
For the nine months ended September 30, 2017[1]	Investment funds	Infrastructure related investments	Real estate related investments	**Subtotal**	**Investment properties**	**Total**
Balance as at January 1, 2017	5,802	342	409	6,553	1,315	7,868
Net gains (losses) recognized in net investment income	(13)	14	4	5	(10)	(5)
Translation gains (losses) recognized in other comprehensive income	(53)	9	-	(44)	-	(44)
Purchases and additions	1,186	32	-	1,218	-	1,218
Sales or disposals	(588)	-	-	(588)	-	(588)
Capital expenditures	-	-	-	-	26	26
Balance as at September 30, 2017	**6,334**	**397**	**413**	**7,144**	**1,331**	**8,475**
Changes in unrealized gains (losses) included in earnings for assets and liabilities for positions still held	**(367)**	**24**	**4**	**(339)**	**(10)**	**(349)**

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

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

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

			September 30, 2018		December 31, 2017	
	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
Infrastructure related investments	Discounted cash flow and market comparable	Discount rate and expected future cash flows	n/a	n/a	n/a	n/a
Real estate related investments and investment properties	Discounted cash flow and market comparable	Discount rate	5.0%	7.8%	5.0%	8.0%
		Terminal capitalization rate	4.3%	7.0%	4.3%	7.0%
Loss of Retirement Income Fund liability	Net asset value	Net asset value	n/a	n/a	n/a	n/a

Sensitivity of Level 3 assets and liabilities

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

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

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

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

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

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7. Payables and other liabilities

	September 30 2018	December 31 2017
Administration payables	284	304
Investment payables	950	42
Other liabilities	992	839
Total payables and other liabilities	**2,226**	**1,185**

Payables are expected to be paid within 12 months from the reporting date. As at September 30, 2018, other liabilities include experience rating refunds of $899 (December 31, 2017 – $810), which are expected to be paid over the next three years.

8. Employee benefit plans

Employee benefit plans expense

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

	Pension plans		Other benefits		Total	
For the three months ended September 30	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Current service cost	29	22	5	5	34	27
Net interest on the employee benefit plans liability	7	6	7	7	14	13
Long-term employee benefit gains	-	-	-	(1)	-	(1)
Employee benefit plans expense	**36**	**28**	**12**	**11**	**48**	**39**

	Pension plans		Other benefits		Total	
For the nine months ended September 30	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Current service cost	85	67	15	15	100	82
Net interest on the employee benefit plans liability	22	18	21	21	43	39
Long-term employee benefit losses	-	-	1	-	1	-
Employee benefit plans expense	**107**	**85**	**37**	**36**	**144**	**121**

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

	Pension plans		Other benefits		Total	
For the three months ended September 30	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Actuarial gains arising from:						
Financial assumptions	161	259	37	58	198	317
Plan experience	-	-	1	-	1	-
Return on plan assets excluding interest income	2	32	-	-	2	32
Remeasurements of employee benefit plans	**163**	**291**	**38**	**58**	**201**	**349**

	Pension plans		Other benefits		Total	
For the nine months ended September 30	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Actuarial gains (losses) arising from:						
Financial assumptions	293	(63)	68	(13)	361	(76)
Plan experience	-	1	5	(1)	5	-
Return on plan assets excluding interest income	10	118	-	-	10	118
Remeasurements of employee benefit plans	**303**	**56**	**73**	**(14)**	**376**	**42**

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Employee benefit plans liability

The employee benefit plans liability is comprised of the following:

	Pension plans		Other benefits		Total	
	Sep. 30 2018	**Dec. 31 2017**	**Sep. 30 2018**	**Dec. 31 2017**	**Sep. 30 2018**	**Dec. 31 2017**
Present value of obligations[1]	3,851	4,029	762	819	4,613	4,848
Fair value of plan assets	(3,318)	(3,237)	-	-	(3,318)	(3,237)
Employee benefit plans liability	**533**	**792**	**762**	**819**	**1,295**	**1,611**

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

9. Premium revenues

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

	Three months ended September 30		Nine months ended September 30	
	2018	**2017**	**2018**	**2017**
Gross Schedule 1 premiums	1,282	1,257	3,802	3,676
Bad debts	(17)	(10)	(44)	(27)
Interest and penalties	17	13	53	46
Other income	-	-	2	-
Schedule 1 employer premiums	**1,282**	**1,260**	**3,813**	**3,695**
Schedule 2 employer administration fees	24	23	72	70
Premiums	**1,306**	**1,283**	**3,885**	**3,765**
Net mandatory employer incentive programs	(15)	(40)	(76)	(128)
Net premiums	**1,291**	**1,243**	**3,809**	**3,637**

10. Benefit liabilities

Benefit liabilities are comprised of the following:

	September 30 2018	**December 31 2017**
Loss of earnings	8,837	9,037
Workers' pensions	5,899	6,124
Health care	4,254	4,285
Survivor benefits	3,047	3,015
Future economic loss	1,024	1,120
External providers	109	106
Non-economic loss	277	289
Long latency occupational diseases	2,543	2,492
Claim administration costs	1,271	1,257
Loss of Retirement Income	550	565
Benefit liabilities	**27,811**	**28,290**

On December 14, 2017, passage of Bill 177 titled *Stronger, Fairer Ontario Act (Budget Measures), 2017* amended section 13 of the WSIA to provide Chronic Mental Stress ("CMS") benefits for diagnoses on or after April 29, 2014. The legislated retroactive claims deadline was June 30, 2018.

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Because retroactive claims submitted and accepted up to this date were significantly lower than expected, the WSIB no longer holds a liability in respect of CMS claims for prior injury years. A one-time experience gain of $540 was recognized in the prior quarter.

11. Commitments and contingent liabilities

(a) Investment commitments

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

	September 30 2018	December 31 2017
Investment funds, infrastructure and real estate related investments	1,995	2,142
Investments in associates and joint ventures	42	88
Purchases or development of investment properties	56	48
Total investment commitments	**2,093**	**2,278**

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

(b) Legislated obligations and funding commitments

Known commitments related to legislated obligations and funding commitments as at September 30, 2018 were approximately $266 for the period from October 1, 2018 to September 30, 2019.

(c) Legal actions

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

12. Related party transactions

The WSIB's related parties include the Government of Ontario and related entities, key management personnel, subsidiaries, associates, joint ventures, and post-retirement benefit plans for the WSIB's employees. The transactions are in the ordinary course of business and at arm's length.

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 and funding to carry on investigations, research and training. The total of this funding for the three months and nine months ended September 30, 2018 was $66 and $198, respectively (2017 – $66 and $191), and is included in legislated obligations and funding commitments expenses.

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In addition to the above, 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, 2018 are $1,290 of marketable fixed income securities issued by the Government of Ontario and related entities (December 31, 2017 – $1,171).

Reimbursements paid to the Ministry of Health and Long-Term Care (“MOHLTC”) for physicians’ fees for services to people with work-related injuries or illnesses are included in claim payments. Administrative fees paid to the MOHLTC are included in administration and other expenses.

Investment Management Corporation of Ontario (“IMCO”)

In 2016, the WSIB was named in *Ontario Regulation 251/16* as one of the initial members of IMCO. Created by the Ontario Government and enacted by legislation, IMCO is a new entity that will provide investment management and advisory services to participating organizations in Ontario’s public sector.

On July 27, 2016, IMCO entered into a Funding Agreement with the WSIB, which was amended on September 30, 2016, to fund IMCO’s operations during the start-up period as defined in the Funding Agreement. The Funding Agreement sets out the basis on which monies could be advanced by the WSIB to IMCO through promissory notes during the start-up period. The promissory notes bore interest at prime rate plus 2%, calculated daily. The promissory note payable to the WSIB totaled $4.3 and was repaid in full as at June 30, 2017.

On July 24, 2017, IMCO officially began managing the WSIB’s invested assets and subsequent to IMCO becoming operational, the WSIB’s share of IMCO’s operating expenses is paid by the WSIB on a cost recovery basis.

External investment manager and custodial fees, previously paid directly by the WSIB, are now paid by IMCO on the WSIB’s behalf.

Employee benefit plans

The WSIB’s defined benefit pension plans and the other benefit plans are considered related parties. Note 8 provides details of transactions with these employee benefit plans.

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