Workplace Safety and Insurance Board

2020 Annual Report

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Message from Chair and President & CEO

2020 was a year that none of us will forget. The COVID-19 pandemic disrupted almost every aspect of daily life. It led us to focus attention on helping people with COVID-19 related claims, supporting businesses with both financial relief and programs to be pandemic-ready in order to keep people healthy and safe. We did this while continuing to provide benefits to people who have experienced work-related injury or illness. Our ability to adapt, respond and find new ways to meet the needs of Ontarians drove the WSIB's efforts during this difficult year.

A strong financial position helped us implement our pandemic response throughout 2020 and will continue to do so moving forward. Our sufficiency ratio at the end of Q4 was 117.3%, and we remain on track to maintain full funding for 2021.

Highlights of our COVID-19 response include moving our entire workforce to a remote work model while ensuring there were no service interruptions for customers. We also made a financial relief package available to all Ontario businesses registered with the WSIB and introduced a premium rate hold in 2021 to provide stability and help reduce the financial burden of the pandemic.

As the number of COVID-19 claims we registered grew throughout April and May 2020, we stepped up our efforts to provide claims management support. Once the province moved out of the first lockdown, non-COVID-19 claims started increasing and continued to do so as the second wave of the pandemic brought a larger number of COVID-19 claims. Overall claims volumes steadily increased toward the end of the year, pushing our teams to continue to find new ways to provide timely support on an ongoing basis for both COVID-19 and non-COVID-19 claims.

New pandemic readiness training was created through our Health and Safety Excellence program to help businesses protect the health and safety of employees and customers. The Health and Safety Excellence program was very successful in its first year, with over 2,000 businesses registering in 2020.

Our 2020 results show how these efforts have supported our ongoing work to provide enhanced service to the people of Ontario:

- 95% claim eligibility decisions were made within 10 business days of registration, more than our 91% target;
- 71% of claims were paid within 15 days of the WSIB first being notified of the claim, above our 60% target; and
- 75% of people with workplace injuries and illnesses were satisfied with their overall experience with the WSIB, compared to 71% in 2019.

As the need for additional digital options grew in 2020, we expedited our efforts to launch new online services.

People can now view their basic claim information, upload claim documents and send us secure messages directly online. Work-related noise-induced hearing loss claims can now be submitted online, along with claim related documents. We also introduced a new premium rate calculator to help businesses see the impact of potential health and safety improvements on their rates.

Businesses' rates also now better reflect their individual claims experience following the implementation of our new premium rate-setting model in 2020. Our new model makes it easier to understand how businesses are classified and helps businesses plan for the future by providing projected rate information.

Our new model, digital service options and pandemic response throughout 2020 helped ensure that we were able to continue to meet our obligations to those we serve.

We look forward to finding new ways to enhance our support for our customers and continue on our journey to make Ontario the healthiest and safest place to work.

Elizabeth Witmer
Chair, WSIB
April 22, 2021

Tom Bell
President and CEO, WSIB
April 22, 2021

2020 highlights

The COVID-19 pandemic beginning in March 2020 had widespread impacts on our business, as it did for many organizations in Ontario and globally. Where the pandemic significantly affected our results is discussed in the highlights below.

Financial highlights

Full funding maintained, despite the pandemic
The WSIB ended 2020 with a Sufficiency Ratio of 117.3%, an increase of 3.6% compared to 2019. At the same time, our net assets (on a Sufficiency Ratio basis) increased from $4.3 billion to $5.5 billion. Our financial position improved even though net premiums and net investment income were lower than last year due to the pandemic.

No increase to premium rates for 2021
Despite disruption to global, national and provincial economies due to COVID-19 and restrictions placed on businesses, our financial position continued to be strong throughout 2020. As a result, the average employer premium rate for 2021 is $1.37, the same as 2020.

Decrease in insurable earnings and premium revenue
Restrictions on business activity to help stop the spread of COVID-19 created higher levels of unemployment and underemployment in Ontario. Due to this reduced business activity and fewer working hours for many Ontarians, our insurable earnings decreased 3.6% in 2020 compared to 2019. Among the hardest hit sectors were leisure and hospitality, manufacturing, wholesale and retail, and construction. Net premiums of $2,972 million in 2020 were 19.2% lower than in 2019, mainly due to the 17% reduction in the average employer premium rate in 2020, but also because of the decrease in insurable earnings.

Short-term volatility, but long-term investment performance on target
The global pandemic caused significant volatility in investment markets in 2020. Losses from early in the year were recovered as the portfolio returned 4.8% by year end. Longer term, investment returns were within their target ranges. 10-year returns were 7.4% while 15-year returns were 6.2%.

Decrease in claim payments
Claim payments were $2,533 million in 2020, relatively unchanged from 2019. The slight decrease was a result of lower registered claim volume and reduced health care costs.

Financial performance compared to budget
In 2020, we generated $144 million of total comprehensive loss, $557 million lower than budget. This reflects lower other comprehensive loss driven primarily from a decrease in the discount rate and changes in demographic assumptions of the employee pension liability, lower net premiums and net investment income as gross investment returns were 0.9% below budget, partially offset by lower claim costs and expenses. Gross premiums were below budget by $139 million or 4.6%, primarily due to lower insurable earnings as a result of COVID-19 impacts on classes/subclasses relating to leisure and hospitality, manufacturing, wholesale and retail, and construction.

Total administration and other expenses and legislative obligations and funding commitment expenses were lower than budget by $81 million. This primarily reflects lower costs for the Health and Safety Excellence program and the Ministry of Labour, Training and Skills Development's new Sustaining Ontario's Safe Employers program.

Operational highlights

Lower claim volume
Restrictions on business activity to help stop the spread of COVID-19 resulted in fewer claims compared to 2019. Overall, registered claim volume was 20% lower (Schedule 1). However, lost-time claims, which tend to be more time and resource-intensive than no-lost-time claims, decreased by less than 3%. No-lost-time claim volume was significantly more affected by the pandemic, falling by 28%.

Work-related COVID-19 claims
The WSIB allows work-related COVID-19 claims when the nature of the person's work creates a risk of contracting the disease for them that the public at large is not normally exposed to. We registered 13,763 COVID-19 claims in 2020 (Schedule 1) primarily from the health care sector, followed by the agriculture industry. In total, COVID-19 claims accounted for one in five (19%) lost-time claims registered by the WSIB in 2020.

Longer claim durations
Duration, the amount of time that claims continue to require benefits, increased across all time intervals during 2020 if we exclude COVID-19 claims. The increase occurred among both Schedule 1 and 2 claims. COVID-19 claims tend to have relatively short duration – nearly all (95%) have durations of two months or less.

The pandemic posed challenges to our efforts to stabilize durations as priorities shifted to more immediate needs of implementing our business continuity plan, working from home effectively and supporting businesses with COVID-19 claims and pandemic health and safety. Our efforts will continue in 2021 and focus on:

- improving outcomes and customer experience
- redesigning our processes
- managing resourcing levels
- focusing on people and culture

We have assessed the impact of the economic shutdown on non-COVID-19 claims and overall there does not seem to be a significant impact on claim durations. However, there may be sectoral and employer-level differences which we continue to investigate.

Service timeliness
In March, the WSIB was able to quickly implement its business continuity plan and switch to a work from home model for our entire organization to help fight the spread of COVID-19. We ensured there were no interruptions to claim decisions or benefit payments to injured or ill people.

In 2020, 95% of claim eligibility decisions were made within 10 business days of registration, more than the 91% target. This timeliness was achieved despite the challenge of work-related COVID-19 claims, which were being decided on for the first time and must be decided on a case-by-case basis. Nearly three-quarters of claims (71%) were paid within 15 days of the WSIB first being notified of the claim, above the 60% target.

During peak periods of the pandemic in April, May and December, we registered over 200 COVID-19 claims per day. As COVID-19 claims require manual decisions and are usually lost-time claims, our resource requirements during these peak periods were significantly higher than what would normally be expected. As a result, there were some temporary delays in service at those peak times. For example, only 48% of claims were paid within 15 days compared to the 60% target in April alone.

No negative impact to customer satisfaction
Against the backdrop of the pandemic, people with workplace injuries and illnesses reported a higher level of satisfaction in 2020, at 75% satisfied, than in 2019 (71%). Satisfaction among businesses remained stable at 77% in 2020, unchanged from 2019.

Improvements to benefits and services

Simplifying access to claim information
As of June 2020, people with workplace injuries or illnesses now have the option to view claim information online. Using our new service from any device, people with claims can sign up to see their claim status, check their benefit and payment information, add direct deposit details, and send us messages or upload documents to their file. This new service goes a long way towards making it easier to work with us by offering a quick and convenient way to get information and to reach us.

Further expanding our online services
We were able to accelerate our plans to provide additional online services as the need for increased digital solutions grew in 2020. In addition to providing those with workplace injuries or illnesses access to claim information online in 2020, we also made it possible to:

- submit a work-related noise-induced hearing loss claim online
- upload documents in support of a claim or exposure incident before we have even registered the claim and assigned it a claim number
- see the premium rate impact of specific improvements to health and safety results for individual businesses, through our new premium rate calculator

These new services add to existing offerings for businesses, including reporting and paying premiums, finding or obtaining a clearance, uploading claims-related documents or analyzing their rates and past claims costs.

Adapting our workplace health and safety support
At the end of 2019, we launched our Health and Safety Excellence program to help make Ontario workplaces safer. Our program provides a roadmap for all businesses in Ontario to develop initiatives based on best practice to improve their workplace health and safety.

Since the onset of COVID-19 in Ontario, the program has been adapted to help businesses stay pandemic ready and safe. Five of the program's 36 topics address immediate pandemic-related priorities that helped many businesses safely resume operations in the summer and fall. Participating businesses that already had an approved action plan were allowed to switch to topics that address the impacts of COVID-19. The program will continue to provide relevant support when businesses reopen following the second wave lockdown.

Working with the recommendations from the Provincial review
In November, the Government of Ontario released *The WSIB in Transition*, the final report of the operational review of the WSIB led by special advisors Linda Regner Dykeman and Sean Speer. The report lists 25 recommendations on key topics including expanding online service options, combatting claim suppression and expanding coverage to more Ontario workplaces. By the end of 2020, we had already come a long way in addressing some of the recommendations in the report, but we recognize that there is more that we can do. We look forward to continuing to work with the Ministry of Labour, Training and Skills Development and all of our stakeholders to address more of the gaps identified in the report.

Measuring our operational results

Strategic goal	Measure	Baseline	2020 result	
Make Ontario a safer place to work	Health and Safety Index	1.9%	-4.2%	Our Health and Safety Index measures the overall performance of the health and safety system in Ontario in a single metric. It provides insight into how elements of the health and safety system are performing, enabling better focus on strategies for improvement. The 2020 province-wide score was -4.2%, indicating a decline in the health and safety of Ontario's workplaces, after two years of improvement. People feeling empowered with regard to health and safety at work and the lower number of severe injury claims had the largest positive impact on the index. The length of time it takes some people to get back to work and total overall number of injuries had a negative impact on most industry scores.
Improve return-to-work and recovery outcomes	Return to work at 100% pre-injury earnings within 12 months	90.4%	87.9%	Nine in 10 people injured at work returned to work within 12 months with no wage loss in 2020. While this result continued to be strong, it was below the 90.4% baseline and 88.4% in 2019. Our efforts to stabilize increasing durations and support more people to return to work in 2020 were hindered by challenges related to the pandemic, as described above. In spite of the challenges, we were able to begin work in the areas mentioned previously: • improving outcomes and customer experience • redesigning our processes • managing resourcing levels • focusing on people and culture We also smoothly transitioned to a new Chief Operating Officer and leadership team, focused our recruitment efforts to replenish front-line resources and ensure adequate resources for the volume of claims,

				and established the new Focus on Results process, a clear framework for articulating problems, identifying solutions and tracking progress. We are also beginning to make more strategic use of analytics and digital solutions to improve the functionality of our claims management system. All of this is an important foundation for our ongoing efforts, and our work to stabilize outcomes for those with workplace injuries and illnesses will continue through 2021.
Meet our customers' needs and expectations	Overall satisfaction with the WSIB: injured/ill people	71%	75%	People with workplace injuries and illnesses reported a higher level of satisfaction in 2020, at 75% satisfied, than in recent years. For instance, the satisfaction level in 2019 was 71%. It remains to be seen whether the higher level of satisfaction can be sustained beyond the pandemic. 2020 results were highest at the start of the pandemic (79% in Q2) and had returned to pre-pandemic levels by Q4 (71%).
	Overall satisfaction with the WSIB: businesses	79%	77%	77% of businesses were satisfied or very satisfied with their overall experience when working with us in 2020. This result is unchanged from 2019 and comparable to prior years. It confirms that businesses' satisfaction with their customer experience was not negatively impacted by the pandemic or our switch to a work-from-home model.
Provide services in a financially responsible and accountable way	Sufficiency Ratio	>100%	117.3%	Despite lower revenue in 2020, the WSIB's financial position continued to be strong. Our Sufficiency Ratio continued to increase in 2020, reaching 117.3% by year-end, compared to 113.7% in 2019. Our net assets on a Sufficiency Ratio basis grew $1.3 billion in 2020 to reach $5.5 billion. This strength meant that we were able to maintain the same employer premium rates for 2021 as in 2020, with no increase.

Board of Directors' biographies

Elizabeth Witmer

CHAIR: January 1, 2021 – December 31, 2021

Elizabeth Witmer has served the Ontario public for 36 years, including 22 years as the Kitchener-Waterloo Member of Provincial Parliament (MPP) and now Chair of the WSIB. As an MPP, she also served as the Deputy Premier of Ontario, Minister of Labour, Minister of Health and Long-Term Care, Minister of Environment and Minister of Education.

Her leadership has been acknowledged with many awards such as the Queen's Golden and Diamond Jubilee medals, the Social Work Doctors Award for her commitment to a just and caring society, the Kitchener-Waterloo Citizen of the Year Award and the Asthma Society of Canada Innovation in Public Policy Award.

Elizabeth is a graduate of the University of Western Ontario, Althouse College of Education and the Rotman Institute of Corporate Directors Program.

Thomas Teahen

PRESIDENT AND CEO: February 1, 2016 – January 31, 2021

Tom has devoted most of his professional life to bringing together the interests of workers, employers and all Ontarians. He began his career as a labour and employment lawyer and then served as Chief of Staff to the Minister of Labour and later the Minister of Education.

Tom joined the WSIB in 2010 as Chief of Corporate Services, leading seven business divisions. In 2013, he returned to government, this time as Chief of Staff to the Premier of Ontario. And then, in 2016, Tom returned to the WSIB as President and CEO.

A native of St. Marys, Ontario, Tom has a Bachelor of Arts degree from the University of Western Ontario and received his law degree from Queen's University.

Jeffery A. Lang

MEMBER: October 31, 2019 – October 30, 2022

Jeffery Lang is President and CEO of Jetfloat Ltd., a manufacturer of modular floating docking systems and platforms, and Exi-Plast Custom Moulding Ltd., a contract plastics manufacturer with customers worldwide.

He completed his undergraduate degree in social sciences and honours degree in political science at the University of Western Ontario, King's University College.

Jeffery is co-founder and Board Chair of the Canadian Economic Development Assistance for South Sudan and has held many past community roles, including Vice President of Ronald McDonald House Charities; President of Boys & Girls Club of London; Board Chair, Alzheimer Foundation of London; and Board Member of Pathways Skills Development and the London Food Bank.

Jeffery is a proud fourth generation Londoner.

Leslie Lewis

MEMBER: May 9, 2019 – May 8, 2022

Leslie Lewis is the Vice President of Financial Planning and Analysis at PowerSchool Group, a portfolio company of Onex Corporation. Prior to PowerSchool, Leslie was a Principal at Onex Corporation, one of the oldest and most successful private equity firms, with total assets under management of $32 billion. Preceding Onex, Leslie was the Tax, Trade, and International Finance Policy Advisor to the Canadian Minister of Finance at the Government of Canada. Prior to her government service, Leslie was an investor at the Ontario Teachers' Pension Plan and worked in investment banking as part of CIBC's Mergers and Acquisitions group.

Leslie's career began as a Canadian national team athlete in kayaking and she holds a business degree from Acadia University. Leslie's community involvement includes serving as Co-Chair of the Investment Committee at Rise Asset Development and on the Board of Directors of the Toronto Pan Am Sports Centre.

Sean McFarling

MEMBER: February 27, 2020 – February 26, 2023

Sean McFarling serves as General Counsel to the Labourers' International Union of North America, Ontario Provincial District Council ("OPDC") and LiUNA's Central and Eastern Canada Organizing Fund ("CECOF"). His practice focuses on providing strategic advice and overseeing the OPDC's legal affairs across Ontario and CECOF's legal matters across Central and Eastern Canada.

Sean is also on the roster of independent legal counsel to the Professional Engineers of Ontario, where he provides educational and legal services to the PEO's Registration and Discipline Committees.

Sean has dedicated his career to representing the hard working men and women of Ontario, and he currently serves as LiUNA's Vice President at the Ontario Federation of Labour.

Helen Polatajko

MEMBER: December 12, 2019 – December 11, 2022

Helen Polatajko has over 35 years of executive experience in both the private and the public sectors, in Canada and the United States. As a CIO, she was responsible for the overall strategic direction, organizational and digital transformation, and management of information technology functions while being a contributing member of company executive committees at CMHC, CIBC Mellon and BNY Mellon.

Helen has over 10 years experience serving as Chair and member on Risk, Audit and Governance Committees on the boards of CDSPI, York University, Tafelmusik Baroque Orchestra and the IESO.

She was featured on the cover of CIO Canada magazine for an article titled "Fusing Business and Technology" and has served on the judging panel of the Canadian Information Productivity Awards. Helen also served on the Canadian Advisory Board of the CIO Executive Council and the Advisory Committee of the Conference Board of Canada, Council of CIOs. Helen has been recognized as one of the Top 100 Women in Computing, acknowledging her achievements and contributions to information services and technology.

Helen received her education from the University of Pittsburgh, in Pennsylvania, attaining a Bachelor of Science in Mathematics and Psychology degree, and graduated from the Stonier Graduate School of Banking at the University of Delaware. Helen has also received the ICD.D designation from the Institute of Corporate Directors.

Bruce Smith

MEMBER: October 31, 2019 – October 30, 2022

Bruce is the Executive Director, Business Development and Strategic Support at Fanshawe College. Bruce is also the Chief Executive Officer of the Canadian Centre for Product Validation and oversees the business operations of Fanshawe's subsidiary companies.

Prior to joining Fanshawe College, Bruce gained several years of senior management experience in the North American electricity distribution sector providing financial management advice and data collection services to water, electric and gas utilities.

Bruce had the honour of serving in the Ontario Legislature from 1995-1999 as the Member of Provincial Parliament for Middlesex and Parliamentary Assistant to the Minister of Education and Training. During that time, Bruce served on the Policy Coordination sub-committee of Cabinet.

Bruce is a past member of the Board of Directors for St. Joseph's Health Care London, Ontario where he served on the Executive Committee and Chaired the Human Resources Committee of the Board.

Bruce is also a past member of the Board of Governors for Fanshawe College, serving as Chair of the Board for two years as well as Chair of Colleges Ontario – the advocacy organization representing Ontario's 24 colleges of applied arts and technology.

Bruce has earned a Master's Degree in Public Administration from Western University, an Honour's Degree in Environmental Studies (minor degree in Political Science) from the University of Waterloo, and earned his Diploma in Urban Design from Fanshawe College.

Karen Tam

MEMBER: October 31, 2019 – October 30, 2022

Karen is the CFO and Corporate Secretary at Choice Hotels Canada, Canada's largest hotel franchisor. She was previously the CFO and Corporate Secretary of Global Risk Institute in Financial Services and the CFO of Toronto Financial Services Alliance, following roles in finance and operations with a range of private sector firms and professional consulting companies, including Morneau Shepell, Four Seasons Hotels, and KPMG LLP.

Karen has more than 20 years' experience in finance, HR, governance, contract administration, and operations management.

Karen is a CPA, CA and holds the CFA and US CPA designations. She has a Bachelor of Commerce degree from Queen's University.

Lori Turik

MEMBER: June 20, 2019 – June 19, 2022

Lori Turik is responsible for establishing the strategic, operational and financial management of the World Health Innovation Network and the Supply Chain Advancement Network in Health. She has extensive background providing strategic, business development, government and stakeholder relations and communications advice to public and private sector clients in her capacity as a consultant. Her clients included the pharmaceutical industry, health care providers, not-for-profit associations and private businesses.

Lori is the former Executive Director of the Ivey International Centre of Health Innovation where she led the successful development of the Centre, its products and services and grew the Centre's reputation both nationally and globally. Lori has served as Senior Vice President, Government and Industry Relations at GS1 Canada; Vice President, Public Policy, for the Canadian Association of Chain Drug Stores; Senior Policy Advisor to the Minister of Health, Province of Ontario; and as Director of Public Health Nursing Services, North York.

Lori has held appointments and has guest lectured at the University of Toronto and York University. She holds a Master’s in Public Administration from Queen's University and a Bachelor of Science in Nursing from Lakehead University. Lori served as a member of the Canadian Institutes for Health Research Board of Governors and has worked on numerous boards and government committees. She continues to be involved in various professional, community and health related organizations.

Bryce Walker

MEMBER: January 23, 2020 – January 22, 2023

Bryce Walker brings with him a wealth of experience in health care and education governance. He is currently Chair of Faithlife Financial. He is past Vice-Chair of the Board of Trustees of the Healthcare of Ontario Pension Plan and past Chair of both Wilfrid Laurier University's Board of Governors and Grand River Hospital's Board of Directors.

Bryce's professional experience includes his role as Senior Vice President of Group Benefits for Manulife Financial, from which he has retired. He has a Bachelor of Math degree from the University of Waterloo, is a Fellow of the Canadian Institute of Actuaries, a Chartered Financial Analyst and holds an ICD.D designation from Rotman School of Management.

Board of Directors' remuneration

The Agencies and Appointments Directive issued under the *Management Board of Cabinet Act* requires that the annual report contain the total annual remuneration of each individual appointee (not including expense).

The total annual remuneration of each individual appointee for 2020 is as shown below:

Name	Total remuneration paid in 2020
Elizabeth Witmer	$205,057.13
Thomas Teahen	$525,530.22
Jeffery A. Lang	$18,507.50
Leslie Lewis	$22,963.50
Sean McFarling	$12,100.00
Helen Polatajko	$18,012.50
Bruce Smith	$18,535.00
Karen Tam	$18,012.50
Lori Turik	$19,030.00
Bryce Walker	$24,997.50
Total:	**$882,745.85**

Management's responsibility for financial reporting

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") and the consolidated financial statements have been prepared by management and approved by the Board of Directors of the Workplace Safety and Insurance Board (the "WSIB"). The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") and, where appropriate, reflect management's best estimates and judgment. Where alternative accounting methods exist, management has chosen those methods considered most appropriate in the circumstances. Management is responsible for the accuracy, integrity and objectivity of the consolidated financial statements within reasonable limits of materiality of internal controls. Management is also responsible for the preparation and presentation of additional financial information included in the Annual Report and ensuring its consistency with the consolidated financial statements.

The Audit and Finance Committee of the Board of Directors meets with management as well as with the independent auditors to satisfy itself that management is properly discharging its financial reporting responsibilities and reviews the consolidated financial statements and the independent auditor's report. The Audit and Finance Committee also reports its findings to the Board of Directors for consideration in approving the WSIB's Annual Report and its submission to the Minister of Labour, Training and Skills Development (the "Minister") pursuant to a Memorandum of Understanding between the Ministry of Labour, Training and Skills Development (the "MLTSD") of the Province of Ontario (the "Province") and the WSIB.

In this MD&A, the "WSIB" or the words "our", "us" or "we" refer to the WSIB. This MD&A is dated as of the date below, and all amounts herein are denominated in millions of Canadian dollars, unless otherwise stated.

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 forward-looking statements in cases in which future events and circumstances do not occur as expected.

The consolidated financial statements have been examined by the WSIB's independent auditors, Ernst & Young LLP, and their report is provided herein.

Tom Bell
President and Chief Executive Officer
April 22, 2021
Toronto, Ontario

Ernest Chui
Chief Financial Officer

Management's discussion and analysis

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1. Our business

Our mandate

The WSIB, a board-governed trust agency under the Agencies and Appointments Directive of the Government of Ontario, is legislated to administer the Province's no-fault workplace injury and illness insurance system under the *Workplace Safety and Insurance Act, 1997* (Ontario) (the "WSIA").

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 support the promotion of workplace health and safety and strive to make Ontario the safest place to work.

We cover over five million people in more than 300,000 workplaces across Ontario. Our goal is to maximize the public value we deliver each day through the services we offer.

How we are funded

We fund our operation and deliver benefits and services through premiums paid by Ontario businesses and investment returns.

Premiums

As per *Ontario Regulation 175/98,* the WSIB collects premiums from businesses classified under Schedule 1 of the WSIA and administration fees from businesses listed in Schedule 2. Over 75% of Ontario's labour force is covered by the WSIB under either Schedule 1 or Schedule 2. Each year, we adjusts both premium rates for Schedule 1 businesses and administration fee rates for Schedule 2 businesses.

Schedule 1 businesses contribute to the collective liability insurance fund. Each business is assigned to one or more classes/subclasses under the North American Industry Classification System, based on its business activities. The premium rate for each business will reflect the rate of the class/subclass and its risk in relation to other businesses in that class. Each class/subclass has a series of risk bands and each risk band has an associated rate either above or below the class rate. The premium rate for each class reflects costs associated with claims, administration and legislative obligations.

Schedule 2 businesses are individually responsible for the full cost of their respective claims. Schedule 2 businesses include federal and provincial governments and their agencies, municipalities and school boards, and other enterprises such as major railways with operations in Ontario. These businesses reimburse the WSIB for the costs of their claims plus a fee to cover overhead and administrative costs and, in the case of provincially regulated employers, legislative obligations.

Investment returns

The WSIB also generates income through investment returns on our approximately $38 billion in invested assets as at December 31, 2020.

The Investment Management Corporation of Ontario ("IMCO") has managed WSIB's invested assets since July 24, 2017. Having our funds managed by IMCO allows 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.

Investments

Our governance framework

We invest the portion of premiums collected but not required to be paid to or on behalf of people with work-related injuries or illnesses in the current year or to fund current operating expenses. As at December 31, 2020, we held $38 billion in investments to fund all future claims including the WSIB employee pension benefit obligations. Our investment strategy, as applicable to WSIB controlled investment vehicles, involves a prudent balance of income generation and capital appreciation.

Our governance framework operates in accordance with best practices for good governance as summarized below:

- Investment decisions that have the most impact on investment outcomes remain at the Board of Directors level. These decisions include establishing our overall governance framework and approving the Statements of Investment Policies and Procedures ("SIPPs").
- The WSIB's SIPPs require that a detailed review of the policy asset mix (which sets out the target allocations to various asset classes) be conducted no less frequently than every four years in the context of WSIB's risk appetite, benefit liabilities, premium rate levels, and capital market assumptions. This is to ensure that the long-term investment return objective, policy asset mix, and other provisions of the SIPPs remain relevant.
- With appropriate reporting and oversight, the Board of Directors delegates authority for certain matters to our Investment Committee, our senior management, and IMCO. The Investment Committee is appointed by the Board of Directors and consists of Board members and external advisers. The Investment Committee provides advice and assistance to the Board of Directors on issues relating to investments and approves investment policies to supplement the SIPPs. Effective July 24, 2017, through an Investment Management Agreement for each of the Insurance Fund and Loss of Retirement Income Fund, IMCO was delegated authority to manage the WSIB's investments. IMCO and our investments are monitored by senior staff members under the direction of our Chief Investment Officer, President and Chief Executive Officer, the Investment Committee and, ultimately, our Board of Directors.
- Risk is inherent in each element of the investment decision-making process. Hence, risk management is an integral component of our governance framework. We believe the most significant investment risks to which we are exposed include market risk, credit risk, and liquidity risk. A discussion of our investment risks and mitigating strategies is contained in Section 14 – Risk factors in this MD&A and in note 12 in our consolidated financial statements. We use various financial and non-financial methods to assess, measure and monitor risk.

What we invest in

We invest in a wide range of asset classes to provide a target level of investment return over the long term given the level of risk we are prepared to assume. The asset classes we invest in are:

- ***Fixed Income.*** Our Fixed Income portfolio is comprised of high quality government Fixed Income securities as well as cash and money market investments. This portfolio seeks to provide interest rate sensitivity, liquidity, safety and diversification, particularly when economic conditions are weak, or when market or economic shocks precipitate a flight to lower risk investments.
- ***Credit.*** Our Credit portfolio includes both investment grade and non-investment grade public and private investments with the intention of providing broad exposure to global Fixed Income credit markets. Credit tends not to be highly correlated with high-quality Fixed Income or with equities and, as a result, Credit is expected to enhance our returns and to provide diversification benefits.
- ***Public Equity.*** We invest directly and through holdings in pooled funds in a diversified portfolio of domestic and international equity securities to provide broad exposure to equity markets. Equities are expected to provide higher investment returns than other asset classes over the long run, but are expected to exhibit higher variability in returns from year to year.

- ***Private Equity.*** The Private Equity asset class seeks to generate long-term capital appreciation and aims to outperform Public Equity by investing in a diversified set of private operating companies and providing value-add through strategic, operational and financial improvements. Private Equity is a higher risk asset class involving long-term investments in generally illiquid assets.
- ***Public Market Alternatives.*** The Public Market Alternatives asset class provides access to alternative investment risk premiums through strategies that may employ the short-sale of securities and seek to offer low correlation with public equities. Investments encompass a broad range of publicly traded assets, including equities, fixed income, credit and currencies, as well as derivatives. Public Market Alternative investments are expected to reduce overall volatility while maintaining return targets. External Public Market Alternatives and Diversified Markets are component parts of this strategy.
- ***Real Estate.*** We invest in Real Estate properties and investment funds diversified across office, retail, industrial, multi-residential and mixed-use property types located in Canada, the United States and internationally. Real estate is expected to provide a stable source of income and to keep pace over time with inflation, mitigating the risk of unexpected inflation.
- ***Infrastructure.*** Our global Infrastructure portfolio consists of assets that provide essential services and facilities, many of which operate with regulated or strategic competitive advantages. Revenues are typically generated under long-term contracts that offer stable cash flows with inflation sensitivity.
- ***Total Portfolio Management.*** The objective of total portfolio management is to enhance investment returns and manage risk at the total fund level, by efficiently rebalancing the portfolio, managing liquidity, implementing active asset allocation decisions and by managing active and passive foreign exchange exposures.

Claim costs

Types of claim payments

A number of different benefits are administered by the WSIB in accordance with the WSIA and predecessor legislation, the *Workers' Compensation Act*. These benefits relate to compensating wage loss and providing for health care treatments and other benefits to injured and ill workers and survivors. Each type of benefit is described in more detail below:

- ***Loss of earnings benefits*** compensate injured workers for earnings lost due to a work-related injury or illness occurring subsequent to 1997, starting the day after the injury or illness occurred. The benefit rate is based on 85% of the worker's pre-injury net average earnings, subject to legislated minimum and maximum amounts of compensation.
- ***Workers' pensions*** represent pensions for injured workers suffering a workplace injury prior to January 1, 1990 based on the degree of the injured worker's disability.
- ***Health care costs*** are payments for professional services provided by health care practitioners, hospitals and health facilities as well as the cost of drugs that are required to facilitate recovery. They may also include attendant services, home or vehicle modifications, assistive devices and prostheses, extraordinary transportation costs to obtain health care and other measures to improve the quality of a worker's life.
- ***Future economic loss or FEL benefits*** compensate workers injured after January 1, 1990, and prior to January 1, 1998, who cannot restore their pre-injury earnings as a result of a permanent impairment or temporary disability for 12 continuous months.
- ***Survivor pensions*** represent monthly benefits provided to the spouse, dependent children and other dependents of a worker whose death was the result of a workplace injury or occupational disease.
- ***External provider costs*** associated with our work reintegration program include payments to external agencies providing rehabilitation services, such as training programs to assist an injured worker's return to work and the costs of work transition assessments and plans. They are incurred when accommodations with the pre-injury employer are not available.

- ***Non-economic loss or NEL benefits*** represent compensation to a worker who suffers a permanent impairment as a result of an injury. Benefits are based on the severity of the permanent impairment. Non-economic loss benefits recognize the physical, functional or psychological loss resulting from a permanent impairment, beyond wage loss.

Loss of Retirement Income benefits contributions are payable on behalf of an injured worker who has received loss of earnings benefits for 12 continuous months or future economic loss benefits and was under the age of 64 at the date of injury. At age 65, the injured worker receives a benefit from contributions made to their Loss of Retirement Income account plus any investment income earned.

Provision for claims

Benefit liabilities are established on a quarterly basis and represent the present value of the expected future cost to satisfy all claims occurring prior to but still outstanding as at the consolidated statements of financial position date. The liability consists of expected costs for reported claims, expected costs on outstanding claims that have been incurred but not yet been awarded, as well as increases in benefits resulting from deterioration of an existing injury, and a provision for future occupational disease claims.

Data and other factors that can influence the amount and timing of future payments are considered when calculating benefit liabilities. Some factors include historical trends, our governing legislation, as well as our policies, claims adjudication practices and appeal decisions. We also consider the development of future claim payment trends, which may be impacted by management actions, legislative changes, judicial decisions and economic conditions. Where possible, we apply multiple techniques to estimate the required benefits liability provision. This approach provides additional insight into the trends inherent in the claims data being used to project the future payments valued in the benefits liability. Between the reporting and final disposition of a claim, circumstances may change, which may result in changes to the established liability. For example, changes in the provisions of the WSIA or medical costs could substantially affect the ultimate cost of a claim. Accordingly, we review and re-evaluate claims and their impact on the estimate of the benefit liabilities on a regular basis.

Provisions made for future occupational diseases recognize that workers exposed to hazardous substances or conditions in their workplaces may develop occupational diseases after long latency periods. These provisions are significant and are expected to increase in future years due to increasing workplace risk exposures. Claim costs will vary depending on the type and characteristics of the disease, and the timing and management of the claim. Given the inherent uncertainties, the eventual cost to satisfy outstanding claims can vary substantially from the initial estimates.

Administration and other expenses

Administration and other expenses include the expenses necessary to support our various business activities.

Legislated obligations and funding commitments

Legislative obligations. 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. We are also required to pay for the operating costs of the Workplace Safety and Insurance Appeals Tribunal ("WSIAT"). Furthermore, we are required to pay for the costs that may be incurred by the Office of the Worker Adviser and the Office of the Employer Adviser.

Grants program. Our grants program supports practical, expert research studies and training initiatives delivered by professional individuals and organizations that address current and emerging challenges aimed at strengthening Ontario's workplace injury and illness insurance system now and in the future. In 2020, the WSIB awarded four research teams funding to conduct studies that may improve return-to-work and recovery outcomes for people who were injured or made ill at work.

Additionally, the Workplace Health Champion Program is transitioning from the Health Services branch to the Grants Program to continue its funding as a training grant.

The program funds "Champions" within each of Ontario's six medical schools to develop and deliver occupational health and safety content within the curriculum to improve knowledge for the next generation of medical professionals.

More information about the program is available on the WSIB website.

Voluntary employer health and safety incentive programs. Based on key recommendations from a review by the Chief Prevention Officer, stakeholder consultations, and building on the strengths from three previous programs, the WSIB launched one integrated program called the Health and Safety Excellence program in the Fall of 2019. The Health and Safety Excellence program takes a risked based approach to improving workplace health and safety. There are 36 topics to choose from across the three levels: foundations, intermediate and advanced. Once businesses complete topics in the Health and Safety Excellence program, they receive a rebate on their premiums based on a formula that takes into account their predictability, total prior year premiums and number of topics implemented.

2. Our strategy

In 2020, we temporarily shifted our focus to maintain critical business functions and address the needs of people and businesses impacted by the COVID-19 pandemic. We were able to stabilize quickly with minimal disruption to customers, resume our normal operations in a remote work environment, and ensure support was available to businesses experiencing financial difficulty.

Our 2019–2021 Strategic Plan continues to propel the organization forward, building on the momentum gained by eliminating the unfunded liability almost a decade ahead of the legislated schedule. Our goal remains to make Ontario the safest and healthiest place to work, with a workplace insurance system that is there for the people and businesses we serve.

The Strategic Plan guided our efforts in 2020 to build on over 100 years of helping people return to health and work following a workplace injury or illness. Our plan incorporates the concept of public value as an important foundation for decision-making and as a measure of the WSIB's contributions to the overall economic and social health of Ontario.

The following themes are included under the broader umbrella of delivering public value, each supported by objectives and performance measures to track our progress toward achieving each goal:

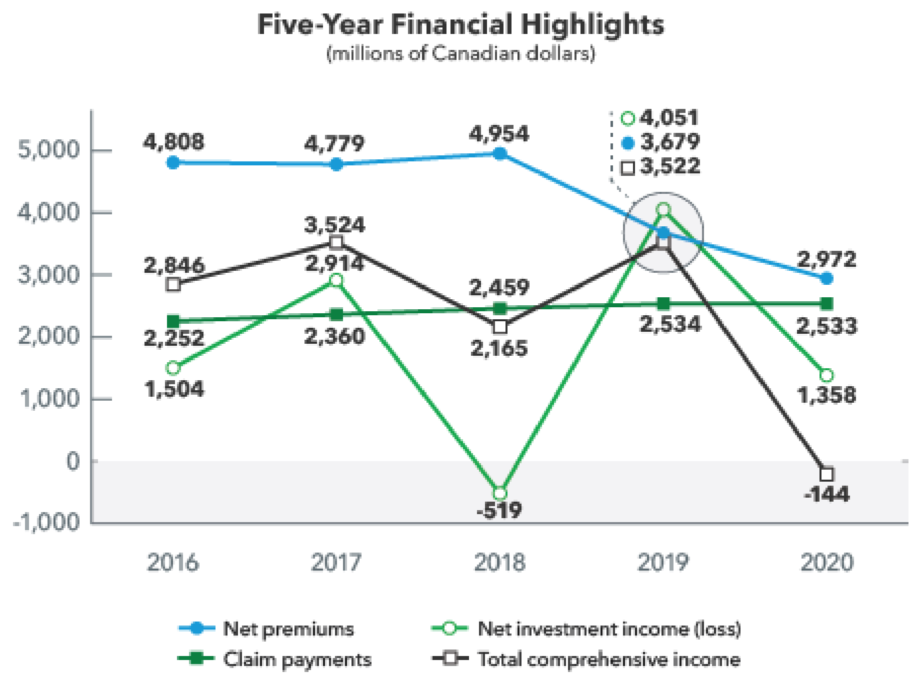
1. Make Ontario a safer place to work
2. Improve return-to-work and recovery outcomes
3. Meet our customers' needs and expectations
4. Provide services in a financially responsible and accountable way

These strategic themes ensure that the right technology, people and processes are in place to reduce the disruption and devastation caused by workplace injuries and illnesses, while continuing to make Ontario a safer place to work.

In 2021, we will continue to deliver against the Strategic Plan and to support our stakeholders throughout these unprecedented times.

3. Financial highlights

The following section should be read in conjunction with the audited consolidated financial statements and accompanying notes of the WSIB as at and for the year ended December 31, 2020 (the "consolidated financial statements").



Financial highlights for the year ended December 31, 2020 compared to the year ended December 31, 2019:

- In 2020, we generated $144 million of total comprehensive loss, a decrease of $3.7 billion primarily reflecting lower net investment income driven by an 7.8% decrease in investment returns, lower net premiums as a result of the impact of COVID-19 and other comprehensive loss primarily from a decrease in the discount rate and changes in demographic assumptions of the employee pension liability, partially offset by lower claim costs. During the year, we transferred $1,210 million of cash from our investment fund and borrowed $400 million from Ontario Financing Authority ("OFA") to support operating activities.
- Net premiums decreased $707 million, or 19.2%, primarily reflecting lower gross Schedule 1 premiums attributable to the 17% reduction in the published average 2020 premium rates and a 3.6% decrease in insurable earnings primarily due to the COVID-19 impact on classes/subclasses relating to leisure and hospitality, manufacturing, wholesale and retail, and construction, as well as lower interest and penalties, which have been waived during the deferral period, partially offset by higher net adjustments for mandatory employer incentive programs relating to prior years.
- Net investment income decreased by $2,693 million from a net income of $4,051 million in 2019 to $1,358 million. The return on investments was a gain of 4.8% in 2020 compared to 12.6% in 2019. 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.
- The actuarial valuation of benefit liabilities decreased $200 million to $26,910 million, reflecting the refinement of valuation methods and assumptions of loss of earnings benefits and health care benefits to better reflect the current trends and to adjust for the updated experience.

- Administration and other expenses, before allocation to claim costs, increased by $140 million, or 15.4%, reflecting $113 million of higher employee benefit plans expenses, $25 million of higher other operating expenses, and $2 million of higher depreciation and amortization expenses.
- Other comprehensive loss was $753 million, primarily attributed to a decrease in the employee benefit plan’s discount rate, the use of a new mortality table in the employee benefit plans valuation, and translation losses from net foreign investments.
- Our net assets on a Sufficiency Ratio basis were $5,526 million as at December 31, 2020, an increase of $1,257 million, or 29.4%, since December 31, 2019.

4. Financial analysis

Financial results

The following table sets forth our annual financial results for the years ended December 31:

(millions of Canadian dollars)	2020	2019	Change $	Change %
Revenues				
Net premiums	2,972	3,679	(707)	(19.2)
Net investment income	1,358	4,051	(2,693)	(66.5)
	4,330	**7,730**	**(3,400)**	**(44.0)**
Expenses				
Total claim costs	2,879	2,887	(8)	(0.3)
Loss of Retirement Income Fund contributions	55	57	(2)	(3.5)
Administration and other expenses	558	484	74	15.3
Legislated obligations and funding commitments	229	257	(28)	(10.9)
	3,721	**3,685**	**36**	**1.0**
Excess of revenues over expenses	**609**	**4,045**	**(3,436)**	**(84.9)**
Total other comprehensive loss	(753)	(523)	(230)	(44.0)
Total comprehensive income (loss)	**(144)**	**3,522**	**(3,666)**	**(100+)**
Other measures				
Return on investments[1]	4.8%	12.6%	n/a	(8.0)
Net assets[2, 3]	4,324	4,588	(264)	(5.8)
Net assets – Sufficiency Ratio basis[3]	5,526	4,269	1,257	29.4
Sufficiency Ratio[3]	117.3%	113.7%	n/a	3.6

1. 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.
2. Net assets represent net assets attributable to WSIB stakeholders as at the end of the reporting period. The total net assets of $6,826 million as at December 31, 2020 (2019 – $8,019 million) are allocated between the WSIB stakeholders and the non-controlling interests ("NCI") on the basis of their proportionate interests in net assets of the WSIB. NCI represent the proportionate interest of net assets and total comprehensive income of subsidiaries in which the WSIB directly or indirectly owns less than 100% interest. NCI of $2,502 million as at December 31, 2020 (2019 – $3,431 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 total net assets attributable to WSIB stakeholders as at December 31, 2020 was $4,324 million (2019 – $4,588 million), which includes benefit liabilities. Refer to the consolidated statements of financial position for further details.
3. Refer to Section 6 – Reconciliation of the change in net assets for further details.

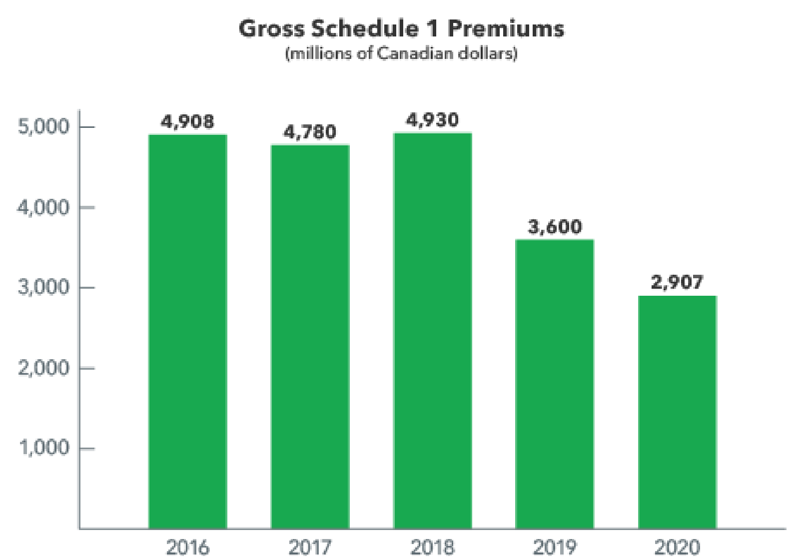
Net premiums

A summary of premiums for the years ended December 31 is as follows:

(millions of Canadian dollars)	2020	2019	Change $	Change %
Gross Schedule 1 premiums	2,907	3,600	(693)	(19.3%)
Bad debts	(43)	(56)	13	23.2%
Interest and penalties	12	67	(55)	(82.1%)
Other income	1	3	(2)	(66.7%)
Schedule 1 employer premiums	**2,877**	**3,614**	**(737)**	**(20.4%)**
Schedule 2 employer administration fees	93	89	4	4.5%
Premiums	**2,970**	**3,703**	**(733)**	**(19.8%)**
Net mandatory employer incentive programs	2	(24)	26	100+
Net premiums	**2,972**	**3,679**	**(707)**	**(19.2%)**

Gross Schedule 1 premiums decreased $693 million, or 19.3%, reflecting a $108 million, or 3.6%, decrease in insurable earnings primarily due to COVID-19 impact on classes/subclasses relating to leisure and hospitality, manufacturing, wholesale and retail, and construction and a $585 million, or 16.2%, reduction in the realized average premium rate collected from employers as a result of the 17% reduction in the published average 2020 premium rates.

The following chart displays the gross Schedule 1 premiums for the five consecutive years ended December 31:



Interest and penalties decreased $55 million, or 82.1%, as interest and penalties were waived during the deferral period.

Net adjustments for mandatory employer incentive programs relating to prior years increased due to higher surcharges in the New Experimental Experience Rating program as a result of higher average claim costs, in particular for injury year 2019, and lower rebates in the Council Amended Draft #7 program due to worsening experience and decrease in premiums.

A summary of employment, insurable earnings and gross premiums by class/subclass for the year ended December 31, 2020 is as follows:

(millions of Canadian dollars)	Employment[1] #	Insurable earnings $	Gross premiums $	% of total
Class/Subclass				
Agriculture	52,608	1,855	48	1.9%
Mining, quarrying, oil & gas extraction	36,557	2,345	72	2.9%
Utilities	45,124	3,485	22	0.9%
Educational services	159,587	7,684	23	0.9%
Public administration	52,613	2,624	71	2.8%
Hospitals	245,140	14,424	128	5.1%
Food, textiles & related manufacturing	162,400	6,286	94	3.7%
Non-metallic & mineral manufacturing	137,709	5,926	126	5.0%
Printing, petroleum & chemical manufacturing	108,762	4,695	40	1.6%
Metal, transportation equipment & furniture manufacturing	302,498	13,603	249	9.8%
Machinery, electrical & miscellaneous manufacturing	116,928	5,124	64	2.5%
Computer and electronic manufacturing	85,283	3,563	9	0.4%
Rail, water, truck transportation & postal service	70,623	3,148	133	5.3%
Air, transit, ground passenger, recreational & pipeline transportation, courier services & warehousing	130,738	5,046	80	3.2%
Building construction	82,460	4,030	91	3.6%
Infrastructure construction	58,792	3,150	79	3.1%
Foundation, structure & building exterior construction	76,402	3,352	141	5.6%
Building equipment construction	144,899	7,127	135	5.3%
Specialty trades construction	88,924	3,731	98	3.9%
Petroleum, food, motor vehicle & miscellaneous wholesale	109,389	3,801	49	1.9%
Personal & household goods, building materials & machinery wholesale	253,407	9,255	63	2.5%
Motor vehicles, building materials, food & beverage retail	258,546	8,655	119	4.7%
Furniture, home furnishings, clothing & accessories retail	91,098	2,581	19	0.8%
Electronics, appliances, health & personal care retail	110,252	3,919	12	0.5%
Specialized retail & department stores	183,790	5,533	55	2.2%
Information & culture	93,184	4,174	12	0.5%
Finance, management & leasing	119,646	4,690	31	1.2%
Professional, scientific & technical	327,297	13,745	26	1.0%
Administration, services to buildings, dwellings & open spaces	184,358	6,744	91	3.6%
Ambulatory health care	105,420	4,046	58	2.3%
Nursing & residential care facilities	129,609	4,856	106	4.2%
Social assistance	67,187	2,700	26	1.0%
Leisure & hospitality	298,785	7,477	78	3.1%
Other services	159,885	5,933	76	3.0%
Total	**4,649,900**	189,307	2,524	**100.0%**
Premium accrued but not reported		22,644	383	
Total		**211,951**	**2,907**	

[1]We derive employment levels based on reported insurable earnings divided by an estimated average wage for each class/subclass.

Net investment income

A summary of investment income for the years ended December 31 is as follows:

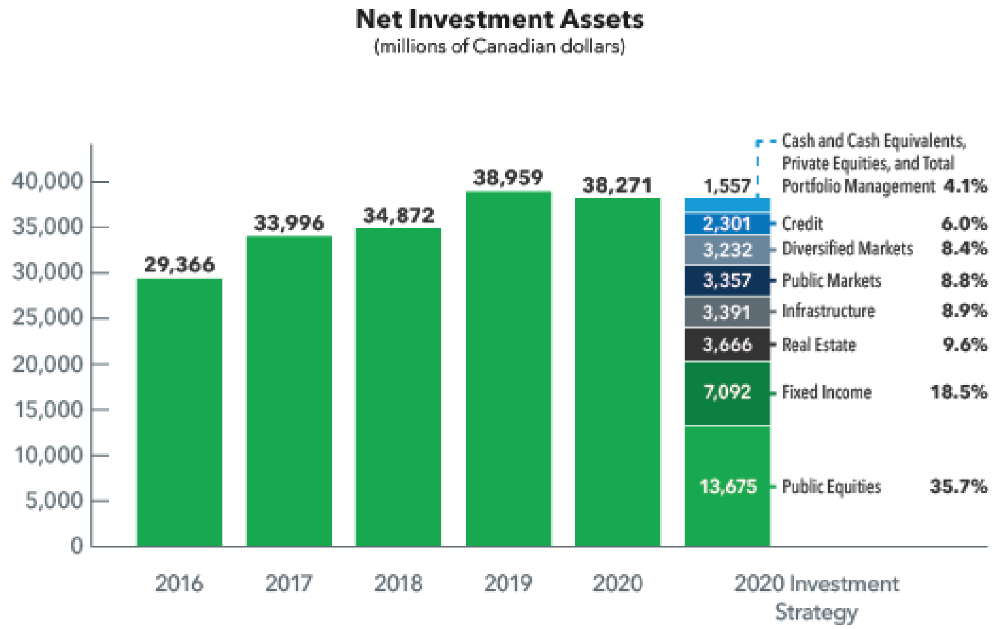
Investment strategy (millions of Canadian dollars)	2020 Investment income (loss)	2020 Return[1] %	2020 Net asset value[2]	2020 %	2019 Investment income (loss)	2019 Return[1] %	2019 Net asset value[2]	2019 %
Public Equity	1,090	9.3	13,675	35.7	2,426	20.5	14,585	37.3
Private Equity[3]	(1)	-	126	0.3	-	-	-	-
Fixed Income	397	6.3	7,092	18.5	249	3.9	7,108	18.2
Credit[3]	47	-	2,301	6.0	-	-	-	-
Public Market Alternatives	132	4.1	3,357	8.8	261	6.7	3,762	9.7
Diversified Markets	70	2.9	3,232	8.4	730	18.9	4,718	12.1
Real Estate	(69)	(1.9)	3,666	9.6	250	6.7	4,150	10.7
Infrastructure	(29)	0.2	3,391	8.9	405	8.9	3,417	8.8
Cash and cash equivalents	4	0.9	1,170	3.1	12	1.9	1,159	3.0
Total Portfolio Management	20	-	48	0.1	-	-	-	-
Other	-	-	213	0.6	-	-	60	0.2
Investment income	**1,661**	**4.8**	**38,271**	**100.0**	**4,333**	**12.6**	**38,959**	**100.0**
Investment expenses	(303)				(282)			
Net investment income	**1,358**				**4,051**			

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.
3. No separate returns available for this strategy as it was newly launched.

2020 resulted in a net investment income of $1,358 million compared to a net investment income of $4,051 million in 2019. Over 10 and 15 years, our investment returns were 7.4% and 6.2% per annum, respectively. Net investment income decreased by $2,693 million compared to last year, reflecting an overall return of 4.8% compared to 12.6% in 2019. The decrease in net investment income was mainly attributable to the market downturn and instability resulting from the COVID-19 pandemic, primarily affecting the Public Equity and Diversified Markets portfolios and, to a lesser extent, the private market portfolios, as compared to strong, above average returns in 2019. WSIB's portfolio continues to rebound from the significant market depreciation in March due to the COVID-19 pandemic, with the Public Equity, Fixed Income, and Public Market Alternatives portfolios leading returns for the year.

Past performance may not be indicative of future results. Our financial performance is heavily reliant on the amount of investment income we are able to generate as each 1% rate of return on investments represents approximately $380 million of net investment income equating to $0.18 of premium per $100 of insurable earnings, or about 13% of annual premiums.

The following chart displays net asset values for the five consecutive years ended December 31 and the different components of net asset value for 2020:



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 consolidated statements of financial position.

A summary of total claim costs for the years ended December 31 is as follows:

			Change	
(millions of Canadian dollars)	**2020**	**2019**	**$**	**%**
Claim payments	2,533	2,534	(1)	(0.0)
Claim administration costs	546	453	93	20.5
Change in actuarial valuation of benefit liabilities	(200)	(100)	(100)	(100.0)
Total claim costs	**2,879**	**2,887**	**(8)**	**(0.3)**

Claim payments

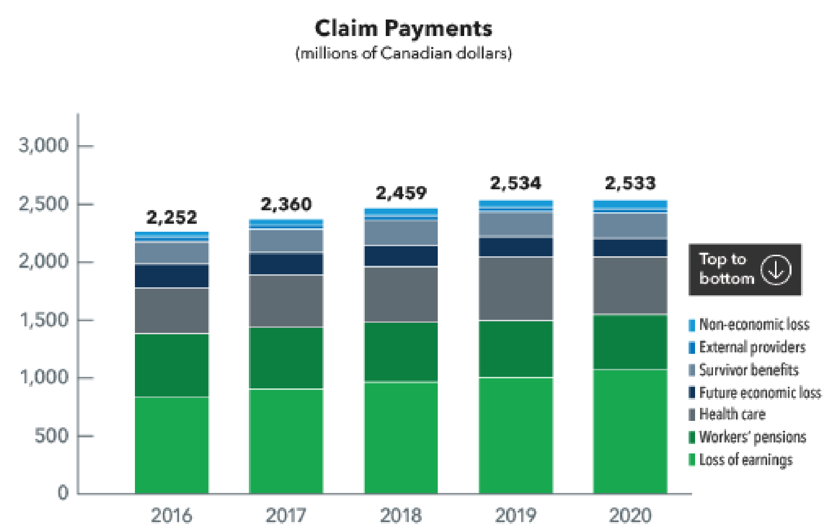
Claim payments represent cash paid during the year to or on behalf of people with work-related injuries or illnesses. Claim payments for the years ended December 31 are comprised of the following:

(millions of Canadian dollars)	2020	2019	Change $	Change %
Loss of earnings	1,098	1,032	66	6.4
Workers' pensions	478	492	(14)	(2.8)
Health care	503	551	(48)	(8.7)
Survivor benefits	212	207	5	2.4
Future economic loss	150	169	(19)	(11.2)
External providers	23	27	(4)	(14.8)
Non-economic loss	69	56	13	23.2
Total claim payments	**2,533**	**2,534**	**(1)**	**(0.0)**

A summary of the significant changes in claim payments for 2020 is as follows:

- Loss of earnings benefits increased $66 million primarily due to higher durations for prior injury year claims as well as higher volume of claims from sectors affected by COVID-19, partially offset by declines in new injuries in all other sectors.
- Workers' pensions decreased $14 million, reflecting the natural reduction of claims due to mortality.
- Health care expenses decreased $48 million, reflecting lower volume of new claims as well as fewer health services in 2020 attributed to the lockdown and reduced economic activity.
- Future economic loss benefits decreased $19 million, reflecting the natural reduction in claim inventory.
- External provider expenses decreased $4 million due to lower claims volume.
- Non-economic loss benefits increased $13 million, reflecting higher volume of new awards as a result of greater claim processing and adjudication of accumulated NEL decisions (backlog) and return to customary service levels.

The following chart displays claim payments for the years ended December 31:



Claim administration costs

Claim administration costs reflect the portions of administration and other expenses and legislated obligations and funding commitments expenses allocated to claim costs. A summary of claim administration costs is as follows:

			Change	
(millions of Canadian dollars)	**2020**	**2019**	**$**	**%**
Allocation from administration and other expenses	524	428	96	22.4
Allocation from legislated obligations and funding commitments expenses	22	25	(3)	(12.0)
Total claim administration costs	**546**	**453**	**93**	**20.5**

For the year ended December 31, 2020, the change was attributed to higher administration and other expenses, partially offset by lower costs from the WSIAT.

Change in actuarial valuation of benefit liabilities

Change in actuarial valuation of benefit liabilities represents the change in the present value of future payments for loss of earnings and other disability benefits, health care, survivor, labour market re-entry and claim administration related to claims that occurred on or before December 31, 2020, and for occupational disease claims expected to arise in the future as a result of exposures which were incurred in the workplace on or before December 31, 2020 in respect of occupational diseases currently recognized by the WSIB.

			Change	
(millions of Canadian dollars)	**2020**	**2019**	**$**	**%**
Change in actuarial valuation of benefit liabilities	(200)	(100)	(100)	100.0

For the year ended December 31, 2020, the change in actuarial valuation of benefit liabilities is detailed as follows:

(millions of Canadian dollars)	
Benefit liabilities as at December 31, 2019	**27,110**
Payments made in 2020 for prior injury years (include Loss of Retirement income and claim administration costs)	(2,656)
Interest accretion[1]	1,226
Liabilities incurred for the 2020 injury year	1,597
Experience gains	(179)
Valuation assumptions and methodologies change[2]	(188)
Benefit liabilities as at December 31, 2020	**26,910**
Change in actuarial valuation of benefit liabilities	(200)

1. Accretion represents the estimated interest cost of the benefit liabilities, considering the discount rate, benefit liabilities at the beginning of the year and payments made during the year.
2. Change in valuation basis includes:
   a. Updated loss of earnings data assumptions and methodologies, a decrease of $34 million
   b. Updated methods and assumptions for health care, an increase of $154 million

Administration and other expenses

A summary of changes in administration and other expenses for the years ended December 31 is as follows:

(millions of Canadian dollars)	2020	2019	Change $	Change %
Salaries and short-term benefits	443	443	-	-
Employee benefit plans	312	199	113	56.8
Depreciation and amortization	50	48	2	4.2
Other	247	222	25	11.3
	1,052	**912**	**140**	**15.4**
Claim administration costs allocated to claim costs	(494)	(428)	(66)	15.4
Total administration and other expenses	**558**	**484**	**74**	**15.3**

A summary of the significant changes in administration and other expenses, before allocation to claim costs, for the year ended December 31, 2020 is as follows:

- Employee benefit plans increased $113 million, reflecting a valuation adjustment to post-retirement health, dental and life insurance benefits, an 80 basis point decrease in our discount rate (from 3.95% to 3.15%) and other assumption changes.
- Other operating expenses increased $25 million, reflecting higher equipment and maintenance expenses primarily due to infrastructure transitioning, new initiatives as part of our transformational efforts and higher facility expenses.

Legislated obligations and funding commitments expenses

A summary of legislated obligations and funding commitments expenses for the years ended December 31 is as follows:

(millions of Canadian dollars)	2020	2019	Change $	Change %
Legislated obligations				
Occupational Health and Safety Act	105	108	(3)	(2.8)
MLTSD Prevention Costs	103	96	7	7.3
	208	204	4	2.0
Workplace Safety and Insurance Appeals Tribunal	25	28	(3)	(10.7)
Workplace Safety and Insurance Advisory Program	16	16	-	-
Total legislated obligations	**249**	**248**	**1**	**0.4**
Funding commitments				
Grants and other funding commitments	3	3	-	-
Safety program rebates	(2)	31	(33)	(100+)
Total SOSE and HSEP[1]	1	-	1	N/A
Total funding commitments	**2**	**34**	**(32)**	**(94.1)**
	251	**282**	**(31)**	**(11.0)**
Claims administration costs allocated to claim costs	(22)	(25)	3	(12.0)
Total legislated obligations and funding commitments	**229**	**257**	**(28)**	**(10.9)**

1. MLTSD accreditation program, Supporting Ontario's Safe Employers ("SOSE"), and Health and Safety Excellence Program ("HSEP"). See Section 1 – Our business for more information.

Legislated obligations and funding commitments expenses, before allocation to claim costs, decreased by $31 million, reflecting lower safety program rebates due to the end of the program, lower OHSA and WSIAT costs, partially offset by higher MLTSD prevention costs.

5. Changes in financial position

This section discusses the significant changes in our December 31, 2020 consolidated statements of financial position compared to year-end 2019.

(millions of Canadian dollars)	2020	2019	Change $	Change %	Commentary
Assets					
Cash and cash equivalents	4,969	3,408	1,561	45.8	Increase mainly reflects higher money market and cash positions held by investment managers and a moderate increase in cash held by operations.
Receivables and other assets	2,171	1,297	874	67.4	Increase primarily reflects higher investment receivables, higher net premium receivables offset primarily by lower surcharges on employer incentive programs.
Public equity investment	12,959	14,915	(1,956)	(13.1)	Net change reflects the performance of the asset classes during the year and decreases due to cash transfers to operating activities, higher cash positions at year end along with the reduction of assets due to deconsolidation as a result of portfolio changes.
Fixed income investment	9,302	7,728	1,574	20.4	
Derivative assets	250	223	27	12.1	
Investment properties	892	1,368	(476)	(34.8)	
Investments in associates and joint ventures	2,369	2,458	(89)	(3.6)	
Other invested assets	7,590	8,783	(1,193)	(13.6)	
Property, equipment and intangible assets	335	356	(21)	(5.9)	Decrease primarily reflects depreciation related to the accounts and claims management systems, depreciation related to the leased assets and Simcoe buildings.
Liabilities					
Payables and other liabilities	1,696	1,163	533	45.8	Increase primarily reflects higher investment payables, partially offset by lower experience rating refunds payable.
Borrowings	400	-	400	-	Increase reflects short-term borrowings from OFA to provide
Derivative liabilities	92	72	20	27.8	Increase largely reflects net changes in our forward exchange and futures positions within the investment portfolio.
Long-term debt and lease liabilities	175	201	(26)	(12.9)	Decrease primarily due to sale of owned property in Q1 of 2020.
Loss of Retirement Income Fund liability	2003	2,000	3	0.2	Increase reflects net investment gains offset by disbursements in excess of contributions.
Employee benefit plans liability	2,735	1,971	764	38.8	Increase primarily reflects a decrease in the interest rate used for valuation, changes in demographic assumptions, partially offset by WSIB lump sum contribution to the plan.
Benefit liabilities	26,910	27,110	(200)	(0.7)	Decrease primarily due to the refinement of valuation methods and assumptions of loss of earnings benefits and health care benefits
Net assets	4,324	4,588	(264)	(5.8)	Changes reflect total comprehensive loss attributable to WSIB stakeholders.
Net assets - Sufficiency Ratio basis	5,526	4,269	1,257	29.4	Strengthening due to continued strong operating results.
Sufficiency Ratio	117.3%	113.7%		3.6	

6. Reconciliation of the change in net assets

Premiums charged to employers are designed to offset the expected claims and associated administrative costs of injuries occurring in the current fiscal year. Financial results are assessed for both the current injury year to ensure we are funding all current year costs as well as prior injury years to ensure that the funding requirements in *Ontario Regulation 141/12* as amended by *Ontario Regulation 338/13* (collectively, the "Ontario Regulations") are met.

Set forth below is a segmentation of our financial results between the "Current injury year" for 2020 and "Prior injury years".

(millions of Canadian dollars)	Total	Current injury year	Prior injury years
Revenues			
Premiums[1]	2,970	2,970	-
Net mandatory employer incentive programs[2]	2	-	2
	2,972	2,970	2
Net investment income[3]	1,358	38	1,320
	4,330	**3,008**	**1,322**
Expenses			
Claim payments[4]	2,533	202	2,331
Claim administration costs[5]	546	276	270
Change in actuarial valuation of benefit liabilities[6]	(200)	1,597	(1,797)
	2,879	**2,075**	**804**
Loss of Retirement Income Fund contributions[7]	55	-	55
Administration and other expenses[8]	558	558	-
Legislated obligations and funding commitments[8]	229	229	-
	3,721	**2,862**	**859**
Remeasurements of employee benefit plans[9]	(773)	(22)	(751)
Translation losses from net foreign investments	20	1	19
Total comprehensive income (loss)	**(144)**	**125**	**(269)**
Non-controlling interests[9]	120	3	117
Total comprehensive income (loss) attributable to WSIB stakeholders	**(264)**	**122**	**(386)**

1. Calculated based on new claim and administration costs for the 2020 injury year.
2. Represents retrospective refunds arising from experience for prior years.
3. The estimated current injury year's net investment income is calculated based on net cash flow reflecting premium revenues not required for claim payments and related expense in the current injury year.
4. Determined based on injury year for each payment.
5. Current year claim administration costs are calculated by applying appropriate expense factors to actual claims cash flows for the 2020 injury year.
6. Determined based on opening and closing liabilities by injury year.
7. Payments relate to prior years as Loss of Retirement Income Fund contributions are only made once a worker has been injured and on benefits for more than one year.
8. Relates entirely to current year.
9. Same proportionate split as net investment income.

As noted above, premium revenues for the current injury year were sufficient to offset current year injury and administration costs. We believe this result reflects our disciplined approach to premium rate setting and strong oversight of benefits and administration cost management.

Reconciliation of net assets on an IFRS basis

Set forth below is a reconciliation of the movement in net assets in 2020 reflecting actuarial gains and losses as well as assumption and actuarial standard changes. A more detailed discussion of the actuarial gains and losses is contained in note 20 of the consolidated financial statements.

(millions of Canadian dollars)	
Net assets as at December 31, 2019	4,588
Interest on net assets	218
Expected net assets as at December 31, 2020	4,806
Experience gains (losses)	
Losses from investment returns lower than expected	(241)
Losses from remeasurements of employee benefit plans	(751)
Translation losses from net foreign investments	19
Gains and losses on claims/operations	
Gains from current year claims cost lower than expected	122
Gains from net mandatory employer incentive programs	2
Gains from prior year claims cost lower than expected	179
Net actual losses	(670)
Changes in assumptions for future cost on existing claims	
Changes in loss of earnings benefits	34
Changes in health care benefits	154
Net asset increase from assumption changes	188
Net assets as at December 31, 2020	4,324

Reconciliation of the net assets on a Sufficiency Ratio basis

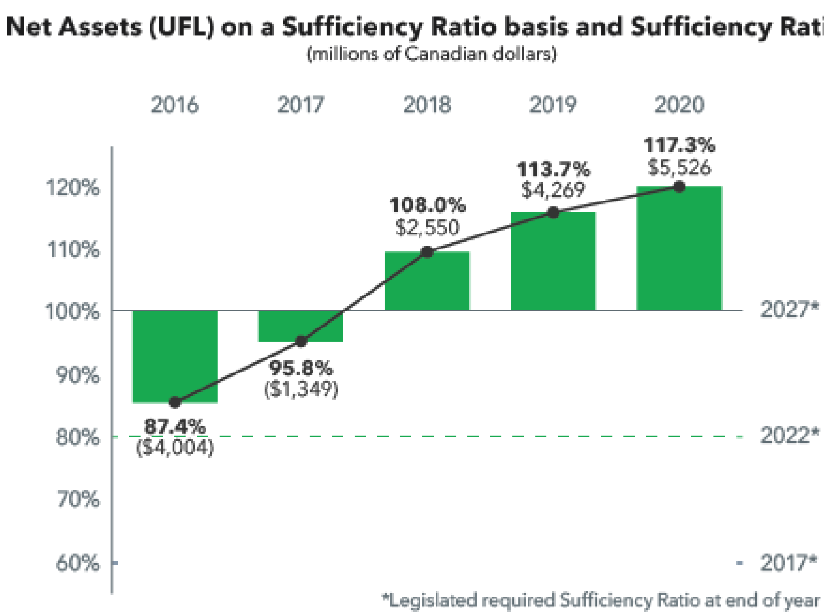
The Sufficiency Ratio is calculated by comparing total assets to total liabilities, with certain assets and liabilities measured on a different basis than that required under IFRS. For the purpose of the Sufficiency Ratio calculation, the amounts of total assets and total liabilities, as presented on the 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 December 31, 2020, the Sufficiency Ratio, as defined in the *Ontario Regulations*, was 117.3% (2019 – 113.7%). Set forth below is the reconciliation of the net assets between the IFRS and Sufficiency Ratio basis:

(millions of Canadian dollars)	**December 31 2020**	**December 31 2019**
Net assets attributable to WSIB stakeholders on an IFRS basis	4,324	4,588
Add (Less): Adjustments per Ontario Regulations:		
Change in valuation of invested assets	(849)	(1,686)
Change in valuation of employee benefit plans liability	2,118	1,283
Change in valuation of invested assets attributable to non-controlling interests	(67)	84
Net assets attributable to WSIB stakeholders on a Sufficiency Ratio basis	**5,526**	**4,269**
Sufficiency Ratio	**117.3%**	**113.7%**

The following table displays the net assets (unfunded liability) on a Sufficiency Ratio basis and Sufficiency Ratios for the five consecutive years ended December 31:



7. Summary of quarterly results

Selected financial information for the eight consecutive quarters ended December 31, 2020 is as follows:

	2020				2019			
(millions of Canadian dollars)	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Net premiums	768	796	681	727	885	917	1,001	876
Net investment income (loss)	1,692	956	2,191	(3,481)	1,072	449	649	1,881
Claim payments	680	600	602	651	658	618	629	629
Claim administration costs	201	114	114	117	123	108	111	111
Change in actuarial valuation of benefit liabilities	(237)	15	(26)	48	(191)	20	(11)	82
Total claim costs	**644**	**729**	**690**	**816**	**590**	**746**	**729**	**822**
Loss of Retirement Income Fund contributions	13	14	14	14	15	14	14	14
Administration and other expenses	173	126	133	126	136	114	119	115
Legislated obligations and funding commitments	61	51	47	70	63	65	66	63
Excess (deficiency) of revenues over expenses	**1,569**	**832**	**1,988**	**(3,780)**	**1,153**	**427**	**722**	**1,743**
Total other comprehensive income (loss)	(212)	70	(826)	215	177	6	(322)	(384)
Total comprehensive income (loss)	**1,357**	**902**	**1,162**	**(3,565)**	**1,330**	**433**	**400**	**1,359**
Total comprehensive income (loss) attributable to WSIB stakeholders	**1,217**	**806**	**952**	**(3,239)**	**1,223**	**385**	**342**	**1,179**
Other measures								
Return on investments (%)[1]	5.2	2.9	6.7	(9.2)	3.1	1.4	1.9	5.8
Net assets[2, 3]	4,324	3,107	2,301	1,349	4,588	3,365	2,980	2,655
Net assets – Sufficiency Ratio basis[3]	5,526	5,217	4,781	4,490	4,269	3,661	3,217	2,736

1. 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.
2. Net assets represent the net assets attributable to WSIB stakeholders as at the end of the reporting period. The total net assets of $6,826 million as at December 31, 2020 (2019 – $8,019 million) are allocated between the WSIB stakeholders and the NCI on the basis of their proportionate interests in the net assets of the WSIB. NCI represent the proportionate interest of the net assets and total comprehensive income of subsidiaries in which the WSIB directly or indirectly owns less than 100% interest. NCI of $2,502 million as at December 31, 2020 (2019 – $3,431 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 total net assets attributable to WSIB stakeholders as at December 31, 2020 was $4,324 million (2019 – $4,588 million), which includes benefit liabilities. Refer to the consolidated statements of financial position for further details.
3. Refer to Section 6 – Reconciliation of the change in net assets for further details.

Notable items affecting our fourth quarter 2020 results compared to the fourth quarter 2019 results are as follows:

- Net premiums were $768 million compared to $885 million, a decrease of $117 million, or 13.2%, reflecting a $66 million decrease in gross Schedule 1 premiums and a $52 million decrease from net adjustments for mandatory employer incentive programs relating to prior years and a $1 million net change in other items.
- The fourth quarter of 2020 resulted in a net investment gain of $1,692 million representing a positive return of 5.2% compared to a net gain of $1,072 million and a positive return of 3.1%, an increase of $620 million in the fourth quarter of 2019. This was primarily attributed to large gains in public equities in the fourth quarter as the market continued to rebound from the COVID-19 impact earlier in the year. The Public Market Alternatives and Diversified Markets strategies also benefitted from the recovery and contributed to the fourth quarter increase.
- Claim payments were $680 million compared to $658 million, an increase of $22 million, or 3.3%, primarily due to lower loss of earnings, health care costs, and payments associated with workers' pension and future economic loss benefits.
- Claim administration costs were $201 million compared to $123 million, an increase of $78 million, attributed to higher administration and other expenses.
- Administration and other expenses, before allocation to claim costs, were $337 million compared to $252 million, an increase of $85 million, or 33.7%, primarily reflecting a $79 million increase in employee benefit plans expenses.
- Legislated obligations and funding commitments, before allocation to claim costs, were $68 million compared to $70 million, a decrease of $2 million, or 2.9%, reflecting lower safety program rebates and higher MLTSD prevention costs and OSHA expenses.

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 and average wages of the businesses we insure. Additionally, net investment income is influenced by volatile global capital markets. We anticipate the volatility in net investment income will continue in 2021.

Refer to Section 4 – Financial analysis for a discussion of the current annual results.

8. Liquidity and capital resources

The purpose of liquidity management is to ensure there is sufficient cash to meet our financial commitments and obligations as they fall due. In the normal course of business, we believe we have the flexibility to obtain, from current cash holdings and ongoing operations, the funds needed to fulfill our cash requirements during the current financial period. We have three sources of funds: (i) premiums charged to employers; (ii) investment income; and (iii) cash and short-term investments.

Our funds are primarily used to satisfy claim payments and operating expenses. As at December 31, 2020, we held $4,969 million of cash and cash equivalents, of which $4,624 million was maintained for investing purposes and $345 million was maintained for operating purposes.

(millions of Canadian dollars)	**2020**	**2019**
Cash and cash equivalents, beginning of year	3,408	2,538
Cash required by operating activities	(1,431)	(298)
Cash provided by investing activities	3,681	1,306
Cash required by financing activities	(689)	(138)
Cash and cash equivalents, end of year	**4,969**	**3,408**

A summary of the significant changes in cash and cash equivalents for the year ended December 31, 2020 is as follows:

- Cash required by operating activities was $1,431 million compared to $298 million in 2019, reflecting lower premiums collected due to the reduction in the average 2020 premium rates, economic impact of COVID-19 and lower amounts collected on receivables (excluding investments), partially offset by a decrease in amounts paid on payables (excluding investment payables).
- Cash provided by investing activities was $3,681 million compared to $1,306 million in 2019, to provide for larger transfers to operations of $1,210 million, attributed to the payment relief granted to employers in response to COVID-19, compared to a $105 million transfer in 2019. This was made possible by a significant increase in the net proceeds from the sales and purchases of investments, which also led to higher cash positions held at year-end. Overall, there was an increase in the volume of sales and purchases throughout the year as a result of executing WSIB's strategic initiatives, including the launch of pooling. Refer to note 7 of the consolidated financial statements.
- Cash required by financing activities was $689 million compared to $138 million in 2019, which reflected an increase in redemptions related to non-controlling interest, partially offset by proceeds from the OFA line of credit acquired on October 30, 2020.

Credit facilities

We maintain and use a $150 million unsecured line of credit with a commercial bank for general operating purposes. There were no outstanding borrowings under this credit facility as at December 31, 2020. We also established a revolving line of credit in the amount of $900 million with OFA for a 14-month period beginning in October 2020. As at December 31, 2020, $400 million was drawn against the revolving line of credit.

Commitments

(a) Mortgages

Mortgages related to investment properties had annual fixed interest rates of 3.6% (2019 – 3.6%), and mature in 2025 (2019 – 2025). For the year ended December 31, 2020, interest of $3 was included in investment expenses (2019 – $3).

As at December 31, 2020, future principal payments on mortgages were as follows:

(millions of Canadian dollars)	Within 1 year	1 – 5 years	Over 5 years	Total
Mortgages	-	70	-	**70**

(b) Investment commitments

The WSIB had the following commitments for capital calls as at December 31 related to its investment portfolio:

(millions of Canadian dollars)	2020	2019
Investment funds, Infrastructure and Real Estate related investments	3,589	2,204
Investments in associates and joint ventures	479	517
Purchases or development of investment properties	-	14
Total investment commitments	**4,068**	**2,735**

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

(c) Legislated obligations and funding commitments

Known commitments related to legislated obligations and funding commitments as at December 31, 2020 were approximately $274 million for 2021 (2019 – $266 million).

(d) Other commitments

As at December 31, 2020, the WSIB had additional commitments going forward under non-cancellable contracts for purchases of goods and services with future minimum payments of approximately $179 million (2019 – $237 million).

9. Critical accounting estimates and judgments

The WSIB is required to apply judgment when making estimates and assumptions that affect the reported amounts recognized in the consolidated financial statements. These estimates and assumptions have a direct effect on the measurement of transactions and balances recognized in the consolidated financial statements. The WSIB has based its estimates and assumptions on information available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the WSIB. Estimates are reviewed on an ongoing basis, with any related revisions recorded in the period in which they are adjusted.

The most significant estimation processes relate to the assumptions used in measuring benefit liabilities, assessing fair value of certain financial instruments and investment properties, and the determination of employee benefit obligations. Although some variability is inherent in these estimates, management believes that the amounts recorded are appropriate.

In addition, the WSIB has made judgments, aside from those that involve estimates, in the process of applying its accounting policies. These judgments can affect the amounts recognized in the consolidated financial statements.

Impact of COVID-19

The WSIB has been closely monitoring developments related to the COVID-19 pandemic and its existing and potential impact on the WSIB's results and operations.

As part of the effort to help reduce the financial burden of the COVID-19 situation, the WSIB, in partnership with the Government of Ontario, offered a financial relief package allowing employers to defer premium reporting and payments for the period from March 2020 until August 2020, with no interest or penalties accruing during the deferral period. Employers participating in the financial relief package were required to report deferred premiums by October 31, 2020, with repayment of these amounts from January 1, 2021 to June 30, 2021. Regular monthly and quarterly reporting and payment schedules resumed in September 2020 for all employers. COVID-19 has introduced additional uncertainty around estimates and assumptions used in the recognition of an allowance for doubtful accounts due to the deferral and payment option.

COVID-19 presents additional measurement uncertainty in the key unobservable inputs used in assessing the fair value of certain financial instruments and investment properties. This uncertainty impacts the WSIB's private market investments, which include Credit, Private Equity, Real Estate and Infrastructure investments. The valuation of these investments is dependent on key unobservable inputs which include discount rates, terminal capitalization rates, and expected cash flows.

The WSIB is required to assess if an investment in an associate or joint venture is impaired and impairment losses are recognized if, and only if, there is objective evidence of impairment. An impairment loss related to the associate or joint venture is the amount by which the carrying amount exceeds its estimated recoverable amount. The estimated recoverable amount uses management's best estimates of fair value as well as the present value of future cash flows based on current and anticipated market conditions.

The impact of COVID-19 on the employee benefit plans liability may be reflected on the fair value of plan assets. Further, there is increased uncertainty in the present value of the pension obligation as it includes management's estimates and assumptions of compensation increases, mortality, retirement ages of employees and discount rates.

There is increased uncertainty in the estimates and assumptions used in the actuarial valuation of the benefit liabilities. These estimates and assumptions include claim duration, mortality rates, wage and health care escalations, general inflation, discount rates and COVID-19-related claims.

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

Benefit liabilities and claim costs

Benefit liabilities represent the actuarially determined present value of the estimated future payments for reported and unreported claims incurred on or prior to the reporting date using best estimate assumptions related to workers of Schedule 1 employers. These estimates and assumptions include claim duration, mortality rates, wage and health care escalations, general inflation, and discount rates. In addition, an obligation is estimated for claims in respect of occupational diseases currently recognized by the WSIB for which a claim has not yet been reported. The future payments are for estimated obligations for loss of earnings, labour market re-entry costs, short- and long-term disability, health care, survivor benefits, retirement income benefits and claim administration costs. Changes in the estimates and assumptions could have a significant impact on the measurement of benefit liabilities and claim costs.

The benefit liabilities are determined in accordance with the Standards of Practice of the Canadian Institute of Actuaries, including the standards for Public Personal Injury Compensation Plans, and legislation in effect at the end of the reporting period. Changes in the estimate of future claim payments are recognized in claim costs expense.

Benefit liabilities do not include any amounts for claims related to workers of Schedule 2 employers; these claims are ultimately paid by the self-insured Schedule 2 employers.

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

Employee benefit plans

On July 1, 2020, the Employee's Pension Plan (the "EPP") was converted from a single-employer pension plan to a jointly sponsored pension plan. The EPP is a defined benefit pension plan that is jointly sponsored, governed, and funded by the employer and members. The WSIB and the Ontario Compensation Employees Union are the plan sponsors, and a Board of Trustees was established to administer the EPP.

The WSIB also sponsors a supplemental defined benefit pension plan, and other benefits. Other benefits include post-retirement benefits for health, dental, vision and life insurance benefits, and other employment benefits for disability income, vacation and attendance programs. Refer to note 18 of the consolidated financial statements for more information on these plans.

The cost of employee benefit plans is recognized as the employees provide services to the WSIB. The obligations for these plans are measured as the present value of the employee benefit obligations less the fair value of plan assets and are included in the employee benefit plans liability. The employee benefit plans liability represents the combined deficit of the plans at the reporting date.

The cost of the employee benefit plans is actuarially determined using the projected unit credit method and includes management's estimates and assumptions of compensation increases, health care cost trend rates, mortality, retirement ages of employees, and discount rates. The discount rate used to value the obligations is based on high-quality corporate bonds that have approximately the same term as the obligation. These estimates are reviewed annually with the WSIB's external actuaries. Changes in these estimates could have an impact on the employee benefit plans liability and total comprehensive income.

The changes in the employee benefit obligations and plan assets are recognized when they occur as follows:

(a) Service costs and the net interest cost are recognized in administration and other expenses; and

(b) Remeasurements, actual experience which differs from assumptions which result in actuarial gains or losses, are recognized in other comprehensive income.

Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in a transaction (not a forced liquidation or distress sale) between market participants at the measurement date, that is, an exit value. Refer to note 7 of the consolidated financial statements for further details.

The carrying amounts of cash and cash equivalents, Fixed Income investments, derivative assets and derivative liabilities are their fair values. Due to their short-term nature, the carrying amounts (less allowance for impairment) of investment receivables and investment payables approximate their fair values.

Where possible, the fair value of financial instruments is based on quoted prices in active markets. The Public Equity investments include Public Equity securities, including stock and exchange traded funds, and units held in Public Equity pooled funds. The carrying amounts of Public Equity securities are their fair values.

Where quoted prices in active markets are not available for financial instruments such as certain Fixed Income securities, the fair value is based on valuation models that use observable market inputs, broker quotes, consensus pricing and the fair value of other similar financial instruments.

Where active markets are not available for financial instruments such as investment, the valuation is based on the net asset values of the underlying held.

The investment properties are valued based on periodic valuations performed by independent qualified appraisers using valuation models incorporating available market evidence, including discount and terminal capitalization rates, inflation rates, vacancy rates, and future net cash flows of the properties.

The other invested assets include investment funds, Infrastructure related investments and Real Estate related investments. Investment funds, including Credit and Private Equity related investments, are valued on the basis of net asset values provided by investment managers.

The approach to determine fair values for the Real Estate related investments is consistent with the preceding discussion for investment properties. The valuations for Infrastructure related investments are provided by investment managers who use acceptable industry valuation methods, which incorporate prevailing market rates and may require estimates for economic risks and projected cash flows.

10. Changes in accounting standards

(a) Standards and amendments adopted during the current year

Amendments to IFRS 3 *Business Combinations* ("IFRS 3")

In October 2018, the International Accounting Standards Board ("IASB") issued amendments to IFRS 3, which clarify that to be considered a business, an acquired set of activities must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments were effective for annual reporting periods beginning on or after January 1, 2020. The adoption of these amendments did not have a significant impact on the WSIB's consolidated financial statements.

Amendments to IAS 1 *Presentation of Financial Statements* ("IAS 1") **and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*** ("IAS 8")

In October 2018, the IASB issued amendments to IAS 1 and IAS 8. The amendments clarify the definition of "material". The amendments were effective for annual reporting periods beginning on or after January 1, 2020. The adoption of these amendments did not have a significant impact on the WSIB's consolidated financial statements.

(b) Future changes in accounting standards

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

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

IFRS 9 *Financial Instruments* ("IFRS 9")

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

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

11. Legal contingencies

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

The WSIB has provided formal written indemnities to its current and former directors to indemnify them, to the extent permitted by law, against any and all charges, costs, expenses, and amounts paid in settlement and damages incurred as a result of any lawsuit or any other judicial, administrative or investigative proceeding in which they are involved as a result of their services.

Additionally, the WSIB has purchased directors' and officers' liability insurance. The WSIB also indemnifies and provides legal representation to all its employees, former employees and persons engaged by the WSIB to conduct an examination, test, enquiry or other authorized function in legal proceedings arising out of alleged acts or omissions in the performance of their duties, provided the person has acted honestly and in good faith.

Also, in the normal course of operations, the WSIB may enter into contractual arrangements with external parties that involve promises to indemnify the other party under certain circumstances. As part of its investment function, the WSIB may also provide indemnification agreements to counterparties that would require the WSIB to compensate them for costs incurred as a result of changes in laws and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnification arrangements will vary.

12. Outlook for the year ending December 31, 2021

The following contains forward-looking statements about the outlook for our business. Reference should be made to Section 16 – Forward-looking statements at the end of this MD&A. For a description of risk factors that could cause our actual results to differ materially from the forward-looking statements, please also see Section 14 – Risk factors in this MD&A and note 12 in our consolidated financial statements.

Premiums

Premium revenues are expected to increase throughout 2021. This expectation reflects a 6.9% growth in insurable earnings as a result of the vaccine rollout and economy reopening in 2021. These implications include critical assumptions on the employment rate, average wage and nominal GDP growth rate as it applies to Ontario's economic outlook.

Net investment income

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

Claim payments

Following a decline in 2020, claim payments are anticipated to grow in 2021 surpassing 2019 levels. While slowdown in economic activity may reduce claim payments related to new injuries, it may also exacerbate already increasing durations for existing claims thereby offsetting the effect of lower new claim volume. For certain categories such as health care, although diminished activity has the effect of deferring the majority of costs rather than eliminating them, the costs may not materialize until the following year. Consideration of these factors, together with high uncertainty in the economic outlook, leads to expectations of claim payments resuming the growth trend observed prior to the pandemic.

Administration and other expenses

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

Legislated obligations and funding commitments

Legislated obligations and funding commitments are anticipated to increase, reflecting higher costs for the Health and Safety Excellence Program, MLTSD's Supporting Ontario's Safe Employers program and MLTSD prevention costs.

Net assets

Higher expected premium revenues and investment returns in 2021 due to a projected rebound in the economy are expected to increase our net asset position.

Liquidity

A range of stress tests are used in our liquidity assessments and a portion of assets will continue to be maintained in highly liquid government securities to ensure funds are available as required. We do not anticipate encountering difficulty in meeting payment obligations when due. In order to further mitigate liquidity risks, the WSIB established a revolving line of credit in the amount of $900 million with the OFA for a 14-month period beginning in October 2020.

13. Internal control over financial reporting

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

14. Risk factors

The WSIB closely monitors enterprise risks that may impact the achievement of its strategic objectives and undertakes continuous engagement with leaders to assess and adjust risk mitigation activities and controls. The Board of Directors, the Governance Committee and senior executives receive quarterly reports of significant enterprise risks. Highlights of some of these risks are discussed below.

Reporting in accordance with IFRS 7

The shaded text in the following sections represents our disclosures on investment, liquidity, credit and market risks in accordance with IFRS 7 *Financial Instruments: Disclosures*, and includes a discussion on how we measure risk and our objectives, policies and methodologies for managing these risks. The shaded text represents an integral part of our consolidated financial statements for the year ended December 31, 2020 and does not imply that these disclosures are of any greater importance than the non-shaded text.

Insurance funding

We face two main insurance funding risks in the achievement of our strategic objectives:

- Underfunding risk – which could materialize as a result of the WSIB not being able to maintain 100% funding, which affects the sustainability of benefits for people with work-related injuries or illnesses; and
- Overfunding risk – that could arise as a result of the WSIB maintaining funds in excess of a sustainability reserve, which in turn leads to a heightened risk of inconsistent decision-making on the treatment of surplus funds.

The WSIB's Sufficiency Ratio was 117.3% as of December 31, 2020, and the risk of underfunding remains low. There continues to be a moderate risk of overfunding as the WSIB continues to explore policy solutions to clearly define minimum and maximum levels of a sustainability reserve and mechanisms to address the management of surplus funding. The WSIB is updating its Funding Policy to better align with principles to govern funding, pricing, investment and surplus distribution.

Safeguarding injured worker benefits and ensuring premium rate stability for employers in the event of future economic shocks remain top priorities for the WSIB. For this reason, the WSIB continues to pursue the establishment of a responsible sufficiency reserve threshold, above the 100% funding requirement, within its funding policy to offset economic volatility. As such, funding parameters, pricing and investment decisions remain central to the organization's strategy to prepare for adverse economic conditions. This has resulted in revisions to our Strategic Investment Plan, which are expected to provide enhanced diversification of returns.

The WSIB has undertaken stress-testing of investment returns and its sufficiency position based on three hypothetical scenarios that would see investment returns decreasing to -5%, -10% and -15% for the full year in 2020 (returning to 5% thereafter). Assessments indicate that the WSIB has adequate levels of liquidity and sufficiency to meet cash and funding requirements under a range of stressed scenarios.

The COVID-19 pandemic has resulted in unprecedented impacts to economies globally, with Canadian federal and provincial governments putting in place fiscal and monetary policy measures to ameliorate the impact. In light of the anticipated economic impact to the employers in Ontario, the WSIB announced a financial relief package to all Ontario businesses to help reduce the financial burden of the pandemic. The package allowed businesses to defer premium payments and reporting. Economic shutdowns to deal with regional COVID-19 outbreaks have been damaging to businesses, making premium recoverability and the collectability of the deferred and future premiums a concern for the WSIB. The OFA credit facility was secured in connection with deferred premiums under the Employer Financial Relief Package. While the WSIB remains confident in its ability to maintain sufficient funding to sustain benefits for injured workers, the impacts of the second wave of COVID-19 on businesses and the implications on premium recoverability and collectability need to be closely monitored.

Routine insurance funding risk mitigation activities executed throughout the year include:

(a) Premium revenue:

- Conducting regular modelling and monitoring of economic scenarios, including stress testing, to better understand the impact of economic risks and to determine the adequacy of our financial assumptions, budget updates, sufficiency planning, and rate setting.

(b) Benefit liabilities:

- Determining benefit liabilities based on assumptions that gradually incorporate emerging experience, thus providing a relatively stable basis for pricing and sufficiency measurement; and
- Monitoring for potential legislative changes that could impact benefit liabilities or costs.

(c) Investment revenue:

- Conducting periodic asset-liability studies to ensure that the long-term investment objective, policy asset mix, and other provisions of the SIPPs remain relevant in the context of the WSIB's risk appetite, benefit liabilities, premium rate levels, and capital market assumptions;
- Monitoring IMCO's performance;
- Monitoring the capital markets and assessing actual investment performance relative to the WSIB's long-term investment return objective and policy asset mix; and
- Managing other financial risks that could impact revenues, specifically liquidity risk, credit risk and market risk. These risks are discussed below.

(i) Liquidity risk

Liquidity risk is the risk that we will encounter difficulty in meeting payment obligations when due through operational cash flows or sales of financial assets without incurring financial loss.

We mitigate this risk by:

- Monitoring and assessing operational cash flows and payment obligations and ensuring funds are available at appropriate times;
- Maintaining a portion of our investments in high quality, government Fixed Income securities as well as cash and money market securities;
- Maintaining a $150 million unsecured credit facility;
- Maintaining a revolving line of credit facility in the amount of $900 million with the OFA.

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

We are exposed to credit risk in several ways including:

- Risk that our Fixed Income investments may become impaired;

- Counterparty risk relating to our securities lending, foreign currency hedging and derivatives in various asset classes, and annuity agreements with Canadian life insurance companies; and
- Credit loss due to Schedule 1 employers not settling their premiums receivable and Schedule 2 employers not reimbursing us for their respective claim costs.

Our credit risk is mitigated by:

- Allocating a predominant component of Fixed Income to investments in high quality government bonds;
- Appointing an experienced agent to manage the securities lending program including the management of borrower credit risk through daily marking-to-market and full collateralization with an additional margin for safety, and receiving an indemnity from the financial institution that manages the securities lending program;
- Minimum requirements for counterparties' credit ratings, diversification of counterparties, and monitoring of counterparties and exposures; and
- Monitoring premiums receivable from Schedule 1 employers and holding collateral from some Schedule 2 employers in the form of either letters of credit issued by highly rated financial institutions or surety bonds issued by highly rated insurance companies.

(iii) Market risk

There are three types of market risk to which we are exposed:

- Currency risk is the risk of loss due to adverse movements in foreign currency rates relative to the Canadian dollar;
- Interest rate risk is the potential for financial loss arising from changes in interest rates; and
- Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

These risks are mitigated through various measures, which include:

- IMCO's policy to hedge currency exchange rate risk associated with certain foreign investment holdings;
- Reviewing interest rate risk through periodic asset-liability studies to determine the appropriate duration for Fixed Income investments in view of the impact of different interest rate scenarios on our assets and liabilities over a period of time; and
- Reviewing price risk through the periodic asset-liability studies to determine the appropriate policy asset mix (the target allocations to the various asset classes), in view of the level of risk we are willing to assume. The policy asset mix is the primary determinant of the portfolio's level of market risk. Our investment portfolio is further diversified in accordance with our investment policies to reduce the portfolio's exposure to a change in price in any particular issuer, group of issuers, geographic region, or sector of the market.

Management of claims

At the WSIB, we aim to manage claims to allow for optimal recovery and return-to-work ("RTW") outcomes for people with work-related injuries or illnesses. Any increases to claims volumes or the complexity of claims presents increased challenges on the existing claims management model. Further, delays in accessing timely health care treatment and RTW services could lead to longer claim durations, the development of permanent impairments and ultimately increased claims costs.

Ontario businesses closed due to the pandemic and reopened over the summer, then closed again, resulting in fluctuations in claims volumes and an overall decrease below pre-pandemic levels. Claim durations, or the amount of time a person with a workplace injury or illness continues to require benefits, have seen some volatility in the short term during 2020, likely driven by the combination of model improvements, resourcing gaps and the complexities related to COVID-19 claims.

Although the WSIB continues to experience challenges with managing capacity to handle fluctuating claims volumes due to the uncertainty of business closures in the pandemic environment, we remain confident that claims are being administered in accordance with legislation and policy. The WSIB has embarked on the following improvements to the delivery of services:

- Updated RTW policies to improve readability, clarify aspects of RTW, and incorporate current RTW terminology;
- Increased resources to address forecasted needs through retirement, recruitment and training;
- Continuing to invest in long-term technology-enabled solutions to improve customer experience and efficiency; and
- Continuing to enhance the service delivery model in line with internal assessments including recent changes aimed at reducing the psychological effects on recovery and RTW outcomes.

The WSIB continues to monitor and adhere to guidance of provincial and national health authorities, including the Ontario Ministry of Health and the Public Health Agency of Canada regarding the COVID-19 pandemic. Adjustments were made to our claims management operations to ensure the health and safety of our employees with limited impact to the continuity of services to employees and employers. Although the outlook remains uncertain for COVID-19 related claims, the WSIB remains confident in our ability to address these claims while pursuing optimal recovery and RTW outcomes.

As of March 31, 2021, 21,761 COVID-19 related claims have been registered and were adjudicated in alignment with an Adjudicative Practice document, published on March 23, 2020. COVID-19 updates are posted on the WSIB's website to provide current information and clarity to our clients on the eligibility and submission of related claims, decision-making processes, and statistics, as well as to promote measures to keep workplaces safe.

Benefit payments decreased during 2020 in line with lower claims volume. Monitoring will be required to assess if there are any material trends with potentially higher durations and the propensity to stay on benefits longer in an unsure economy.

The WSIB has undertaken the following risk mitigation activities to address the COVID-19 pandemic:

- Established a dedicated team of adjudicators and nurse consultants to gather information and review each claim so that people can access the benefits and services they may be entitled to;
- Increased our technology capabilities to enable our staff to continue to provide uninterrupted services and encourage social distancing in our offices;
- Updated COVID-19 communication and website information to provide clarity on eligibility of such claims, answer frequently asked questions, and encourage employers to report potential exposure using the WSIB's existing Program for Exposure Incident Reporting; and
- Implemented a COVID-19 assessment program to assess potential longer term claim impacts.

Program and project delivery

Our aim is to deliver projects on time, on budget, and within an identified scope that meets our strategic priorities and enhances our value. The WSIB continues to focus on mitigating challenges related to these goals by strengthening our project management capabilities.

With the WSIB on a path towards technological advancement, the successful delivery of programs and projects is important to the organization as well as our good governance.

The Enterprise Portfolio Management Office continues to make material progress in centralizing and streamlining project governance, oversight and execution to ensure projects align with our strategic priorities.

Over the past year, we introduced the following:

- A revised Enterprise Gating Model as well as a Portfolio Governance Committee that provides independent assessments and decisions;
- Enhanced governance tools and project management playbooks; and
- A new classification approach/model has been developed to ensure that new divisional initiatives with enterprise-wide impacts benefit from adequate planning and follow a standardized governance, monitoring and reporting approach.

Workforce

As the WSIB evolves, we may experience workforce, leadership, capacity and engagement challenges to deliver our vision and strategic objectives. The following are risk mitigation activities undertaken in 2020 to address these challenges:

- Managed the conversion of the WSIB EPP from a single-sponsored pension plan to a jointly-sponsored pension plan. Support of the jointly-sponsored pension plan transition strategy and operational work plan continues through administrative services as outlined in the Agency Agreement;
- Leadership support and training are ongoing, including a more recent focus on supporting leaders in managing change and a remote workforce;
- A reprioritization of the People Plan was commenced due to the impacts of significant ongoing external and internal changes. A revised People Plan (2022-2026) to account for any changes required as the WSIB develops a new Strategic Plan and responds to a new hybrid workplace model will be developed;
- Managed the increase in retirements in Q1 2020, with 278 FTEs having exited the organization as of April 1, 2020. Recruitment plans are being rolled out to meet business areas resource needs; and
- A Request For Service to secure a vendor to provide advisory services for the procurement of a new Enterprise Resource Planning system was initiated. The solution upgrade is an initiative that will reduce the WSIB's exposure to technology risk once fully implemented in the next 3-4+ years.

As a result of the COVID-19 pandemic, the WSIB had initiated its Business Continuity Plan and regular business services have been ongoing in a distributed work environment within public health guidelines. The WSIB has designed and is implementing a phased approach for employees to return to WSIB offices. The Healthy People, Safe and Dynamic Spaces program, has developed health and safety protocols to support field workers returning to workplaces and limited WSIB employees to offices in the current pandemic environment.

Business continuity management

Our stakeholders rely on our ability to provide services and operate our system without interruptions. Our ability to ensure the continuity of business operations may be subject to risks that lead to a failure to recover and maintain business continuity, due to inadequate business continuity plans or failure to execute these plans effectively.

Our mitigation of these risks over the past year includes:

- Leveraged the Pandemic Plan and Business Continuity Plans ("BCP") to guide effective response to the COVID-19 pandemic. Efforts have been effective at securing critical operations with minimal disruption;
- Developed a new quarterly Health Check Report that provides an aggregate view of the status of BCPs, with all BCP having been updated and validated for 2020 in accordance with the Business Continuity Management ("BCM") life cycle;
- Assessed the risk of technology disruptions, recovery timeframes and workarounds for key processes, as part of an effort to finalize a risk mitigation strategy to address the resiliency of processes related to payment of benefits to injured workers; and
- Coordinated labour disruption planning with business areas to ensure preparedness for any potential "Loss of Person" scenario.

The COVID-19 pandemic has introduced several economic, operational and logistical challenges for organizations globally. The level of preparedness across the WSIB has improved given recent enterprise-wide efforts to enhance BCPs in alignment with the BCM life cycle. A COVID-19 Lessons Learned and After Action Report was prepared. Action items planned for 2020 have been completed, and the resolution of remaining action items is on track through Q4 2021.

Information technology

The WSIB relies on multiple technologies and third parties to provide key components of its infrastructure and remains vigilant in ensuring the integrity of this infrastructure through continuous evaluation and enhancement. Concerns associated with this risk included the pace of legacy information technology ("IT") system decommissioning and deficiencies in our IT security. The WSIB remains on track to strategically address IT and cyber security risks through execution of the IT Security Roadmap (2019–2025).

With the onset of the COVID-19 pandemic, the IT security department has noticed a substantial increase in cyber-criminal activities. Although these events are not specifically targeted to the WSIB, the vulnerability of employees especially in a work from home environment, puts the organization's systems, data and information at risk of being exposed to privacy, security and compliance concerns.

The following are key risk mitigation activities undertaken in the course of the year:

- The onboarding of a new IT security provider with an enhanced service level agreement, providing greater protection to the organization;
- The adoption of enhanced detection systems and remote capabilities, which has increased our security posture during the upsurge of cyber criminal activities;
- Conducting a business impact analysis; the emergency management and business continuity team in collaboration with the IT department, is working with business units to identify and address resiliency gaps; and
- Test phishing emails were conducted, with employees asked to undergo awareness training to enhance their ability to detect nefarious attempts to access data and information.

Third-party vendors

Third-party vendors are used to extend our organizational capability and capacity; however, they also extend risk exposure. There is a risk that the WSIB fails to realize the required performance objectives and outcomes from third parties due to ineffective selection and governance.

The following are a list of our third-party risk mitigation activities completed in 2020:

- Implemented e-Approvals and DocuSign, which allowed for timely execution of critical contract extensions in a work from home environment;
- Initiated work to understand the resiliency of third parties;
- Added business continuity capability language in Requests For Proposals and contracts;
- Development of a preliminary Vendor Management Framework ("VMF"), guides and related tools was completed, and other aspects of this work will continue to evolve in 2021 with the goal of providing guidance to business areas on the fundamental elements of vendor management; and
- Engaged a vendor to review the VMF, assess the WSIB's third party risk and third party risk management practices and develop a future state roadmap which will guide enhancements to the program.

The scale and rapid acceleration of the COVID-19 pandemic resulted in substantial operational and logistical challenges for organizations globally. While some supply chain challenges were encountered (personal protective equipment, technology and home office setup) during the pandemic response, no material vendor or supply chain issues were noted with critical business operations. Strategic Procurement continues to work closely with the emergency management and business continuity team to address action items from the COVID-19 Lessons Learned and After Action Report. The report will help create improvements to BCP and provide greater resilience in the face of future disruptions. Work will continue to engage business areas to identify and validate vendor risk and third-party resiliency levels.

Data and information governance

The use of data remains integral to the WSIB in making informed decisions in the administration of services to injured workers and employers. We recognize that there is a risk that we may not adequately leverage such data to create value and improve decision-making. We further recognize that there is a risk that compromises of data quality, security, and integrity could lead to a loss that may impact customer privacy. Acknowledging this, the organization will continue to prioritize data and information management to ensure its reliability and that it supports decision-making. A data governance program supported by the centralization of data and information across the WSIB will remain an area of focus and will support standardized and consistent data usage and analytics.

The following are activities undertaken by the WSIB to mitigate this risk:

- The enterprise data governance strategy and policy were developed and approved by the Executive Committee with an expected rollout in 2021;
- As a tool that supports the data governance program, the centralization of data across the WSIB has commenced and will continue into 2021; and
- The WSIB continues to deploy enhanced technological security detection systems, in addition to ongoing communication on work from home guidelines as well as increased test phishing emails.

Change management

The WSIB continues to experience an increase in the pace of change as the organization strives to modernize and improve customer services through a number of initiatives. As a result, there is a risk that we exceed our capacity for change or fail to manage this change effectively. To support this change, the Enterprise Change Management Office ("ECMO") continues to be engaged in supporting major projects in planning for change within their specific scope and providing a view as to the impact on specific roles and job functions that arise from these projects.

Considerable progress was achieved in the mitigation of this risk in 2020, and the risk level has been assessed to have reduced within tolerable limits. Accordingly, the status of this risk as a significant enterprise risk has been revised, but it will continue to be monitored.

In 2020, the following activities were undertaken:

- A new change management dashboard and tool were developed to aggregate and track impacted roles/changes across the organization, with corporate monitoring of the data on a monthly basis;
- A change management guidebook was developed and implemented to ensure a standardized approach to managing change across the organization; and
- Continued engagement of the ECMO to support major projects in the management of change within their specific scope.

The ongoing changes brought on by the pandemic continue to impact employees. The ECMO will continue to work closely with corporate communications and HR to keep employees abreast of activities, availability of resources and other support on an ongoing basis.

Health and safety

At the WSIB, we strive to promote a culture of safe workplaces. We recognize the value of this endeavour to reduce workplace injuries and illness, as well as reduce costs to employers and alleviate pressures on the health care system. As a result, we launched the Health and Safety Excellence Program to provide guidance and direct access to employers to promote safer workplaces for their employees. There is a risk of not achieving health and safety performance measures outlined in our 2019-2021 strategic plan. Given the limited reach of our health and safety efforts, there is reliance on third parties to materially achieve our desired results.

The following are activities undertaken by the WSIB to mitigate this risk:

- The WSIB has partnered with the University of British Colombia to conduct a two-year research on the HSEP's effectiveness;
- There is enhanced integration with the Office of the Chief Prevention Officer and Occupational Health and Safety system partners; and
- In response to the pandemic, the HSEP has been modified to further support employers on health and safety in addition to promoting its infectious disease module.

The COVID-19 pandemic has negatively impacted businesses across the province, with many employers shifting their focus from workplace health and safety to the sustainability of their businesses. Availability of vaccines to all Canadians by the fall of 2021 brings hope of continued health and safety of Ontario's workforce and a return to stability for businesses. The WSIB remains confident in its ability to provide benefits and support to employees during this crucial time and will be guided by Canada's provincial and national government responses to the COVID-19 pandemic.

Core Services Modernization

At the WSIB, we aim to provide services in a financially responsible and accountable way. As we continually attempt to improve our metrics on the time to first payment, self-service options and satisfaction, we need to invest in the right technology to adapt to a digital future. The Core Services Modernization ("CSM") program was launched to help achieve the organization's modernization objectives. It aligns well to some of the existing WSIB risk appetite statements namely those for Claims Management, Achievement of Strategic Objectives, Business Continuity, Workforce, and Customer Expectations.

In addition, the CSM program will engender process improvements and help in mitigating five of the 10 Significant Enterprise Risks ("SERs") identified for 2020 in the following ways:

Management of Claims: Successful execution of CSM will modernize the WSIB's operational and administrative business process related to claims management to further deliver on optimal recovery and RTW outcomes.

Program and Project Delivery: Given the complexity and scale of the CSM program, successful delivery would provide significant material value to the WSIB by identifying an acceptable standard by which to ensure sufficient governance, oversight, planning and prioritization for future programs.

Information Technology: The expectation is that the CSM will reduce the risk to the WSIB's digital footprint and reliance on outdated legacy systems through modernization. Further, updates to its current IT infrastructure will ensure the organization's cyber resilience.

Business Continuity Management: The expectation is that the CSM program will better manage disruptions through greatly reducing the number of manual processes. Robust business continuity plans will be delivered in tandem with technological enhancements resulting in robust IT disaster recovery and capabilities.

Workforce: CSM, once completed, will revitalize the WSIB's workforce through improved processes and job design. This will empower and enable employees by providing them enhanced tools to perform their duties and further an efficient organizational operating model.

Despite the foregoing benefits, there continues to be a risk that not effectively planning or executing the program would pose significant challenges to achieving the WSIB's strategic objectives, or substantively achieving the desired benefits and hinder our efforts to mitigate SERs.

The following are key activities undertaken within the CSM program during the course of the past year:

- Instituted material governance improvements to provide greater oversight, engagement and support for the CSM program;
- The CSM program has established a decision-making framework within its governance structure, which includes insight from impacted business areas through Business Owners Committee;
- A specific engagement model with Risk was established to enhance risk management capabilities and risk-informed decision making, identify and review significant enterprise decisions to support decision makers within the program's governance, the Executive Committee and the Board of Directors as required;
- Launched new digital solutions for Document Upload & Online Services for claims; and
- Progressed on new digital solutions for Direct Deposit and Online Services for Business towards launching in 2021.

15. 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.

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 OHSA and the regulations made under the OHSA. The WSIB is also required to pay for the operating costs of the WSIAT 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 year ended December 31, 2020 was $252 million (2019 – $251 million) and is included in legislated obligations and funding commitments expenses.

In addition to the above, the 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 at December 31, 2020 are $1,308 million of marketable Fixed Income securities issued by the Government of Ontario and related entities (2019 – $1,316 million).

Reimbursements paid to the Ministry of Health ("MOH") for physicians' fees for services to people with work-related injuries or illnesses are included in claim payments. Administrative fees paid to the MOH are included in administration and other expenses.

Included in borrowings is a 14-month credit facility in the amount of $900 million with the OFA as of October 30, 2020. Refer to note 15 in our consolidated financial statements.

Investment Management Corporation of Ontario

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 provides investment management and advisory services to participating organizations in Ontario's public sector.

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 18 in our consolidated financial statements provides details of transactions with these employee benefit plans.

16. 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 statements 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 and various assumptions and analyses made by us in light of our experience and our perceptions of historical trends, current conditions and 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.

These factors may cause our actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. Forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made have on our business. For example, they do not include the effect of asset impairments or other changes announced or occurring after the forward-looking statements are made. The financial impact of such transactions and non-recurring and other special items can be complex and necessarily depends on the facts particular to each of them.

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. The forward-looking statements contained in this report are expressly qualified by this cautionary statement.

Responsibility for financial reporting

Role of Management

The accompanying consolidated financial statements are the responsibility of the management of the Workplace Safety and Insurance Board (the “WSIB”) and have been prepared in accordance with International Financial Reporting Standards. The consolidated financial statements include amounts based on management's best estimates and judgments.

Management is responsible for the preparation and fair presentation of these consolidated financial statements and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors has established an Audit and Finance Committee to oversee that management fulfills these responsibilities. The Audit and Finance Committee meets periodically with management, internal auditors, and external auditors to oversee that their responsibilities are properly discharged with respect to the application of critical accounting policies, consolidated financial statement presentation, disclosures, and recommendations on internal control.

Role of the Chief Actuary

With respect to the preparation of the consolidated financial statements, the Chief Actuary works with the WSIB actuarial staff to prepare a valuation, including the selection of appropriate assumptions applicable to the WSIB’s benefit liabilities at the consolidated statements of financial position date to determine the valuation of benefit liabilities. Additionally, the Chief Actuary provides an opinion to the Board of Directors regarding the appropriateness of the benefit liabilities recorded by management of the WSIB at the date of the consolidated statements of financial position. The work to form that opinion includes an examination of the sufficiency and reliability of data and a review of the valuation processes. The Chief Actuary is responsible for assessing whether the assumptions and methods used for the valuation of the benefit liabilities are in accordance with accepted actuarial practice, applicable legislation, and associated regulations and directives. In performing the valuation of these liabilities, which are by their very nature inherently variable, the Chief Actuary makes assumptions as to future interest and mortality rates, expenses, related trends, and other contingencies, taking into consideration the circumstances of the WSIB. It is certain that the benefit liabilities will not develop exactly as projected and may, in fact, vary significantly from the projections. Further, the projections make no provision for future claim categories not sufficiently recognized in the claims experience and inventories. The Chief Actuary’s report outlines the scope of the valuation and her opinion.

Role of the External Auditors

The external auditors, Ernst & Young LLP, working under the direction of the Auditor General of Ontario, have performed an independent and objective audit of the consolidated financial statements of the WSIB in accordance with Canadian generally accepted auditing standards. In carrying out their audit, the external auditors make use of the work of the Chief Actuary and her report on the benefit liabilities of the WSIB. The external auditor has full and unrestricted access to the Board of Directors and the Audit and Finance Committee to discuss audit, financial reporting, and related findings. The external auditor’s report outlines the scope of their audit and their opinion on the consolidated financial statements of the WSIB.

Tom Bell
President and Chief Executive Officer
April 22, 2021
Toronto, Ontario

Ernest Chui
Chief Financial Office

Independent auditor's report

To the Board of Directors of the Workplace Safety and Insurance Board

The Minister of Labour, Training and Skills Development and the Auditor General of Ontario

Opinion

Pursuant to the Workplace Safety and Insurance Act, 1997 (Ontario), which provides that the accounts of the Workplace Safety and Insurance Board (the "WSIB") shall be audited by the Auditor General of Ontario or under his direction by an auditor appointed by the Lieutenant Governor in Council for that purpose, we have audited the consolidated financial statements of the WSIB, which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in net assets, and consolidated statements of cash flows for the years then ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the WSIB as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the WSIB in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion & Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the WSIB's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the WSIB or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the WSIB's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the WSIB's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the WSIB's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the WSIB to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada

April 22, 2021

Actuarial statement of opinion

On the Valuation of the Benefit Liabilities of the Workplace Safety and Insurance Board as at December 31, 2020

I have completed the actuarial valuation of the benefit liabilities of the Workplace Safety and Insurance Board (the “WSIB”) for its consolidated statements of financial position as at December 31, 2020 (the “valuation date”).

In my opinion, the benefit liabilities of $26,910 million make reasonable provision for future payments for loss of earnings, other short and long-term disability, health care, survivor and retirement income benefits with respect to claims which occurred on or before the valuation date, and for occupational disease claims expected to arise after the valuation date as a result of exposures incurred in the workplace on or before the valuation date in respect of occupational diseases with a long latency period that are recognized by the WSIB. This amount provides for future claim administration costs, but does not include a provision for claims related to workers of Schedule 2 employers.

The valuation was based on the provisions of the Workplace Safety and Insurance Act, 1997 (Ontario) (the “WSIA”) and on the WSIB's policies and administrative practices in effect at the time of the valuation. The data on which the valuation is based were provided by the WSIB; I applied such checks of reasonableness of the data as I considered appropriate, and have concluded that the data are sufficiently reliable to permit a realistic valuation of the liabilities and are consistent with the WSIB’s consolidated financial statements. In my opinion, the data on which the valuation is based are sufficient and reliable for the purpose of the valuation.

The economic assumptions adopted for purposes of computing the liabilities have been selected taking account of the WSIB’s strategic plan and investment policies. For this valuation, an annual discount rate of 4.75% was used to discount expected payments which is the same rate used in the previous valuation. Other economic assumptions underlying the calculations include annual changes in the Consumer Price Index (“CPI”) of 2.0%, annual health care costs and annual wage escalation rates of 4.0% and 3.0% respectively. In my opinion, the assumptions are appropriate for the purpose of the valuation.

The methods and assumptions employed in the valuation were consistent with those used in the previous valuation, after taking account of changes in claim patterns. Projections of future claim payments and awards have been made using factors developed from the WSIB’s claims experience, mortality and other assumptions. In my opinion, the methods employed in the valuation are appropriate for the purpose of the valuation.

Changes to the actuarial basis caused liabilities to decrease by $188 million. The change to the modeling of drug benefits resulted in a decrease of $154 million. Changes to loss of earnings locked-in benefits resulted in a decrease of $34 million.

The impact of the changes in actuarial assumptions and methods on the benefit liabilities is disclosed in note 20 to the consolidated financial statements.

Details of the data, actuarial assumptions, valuation methods and analysis of results are set out in my actuarial report as at the valuation date, of which this statement of opinion forms part.

In my opinion, the amount of the benefit liabilities makes appropriate provision for all personal injury compensation obligations and the consolidated financial statements fairly represent the results of the valuation. This report has been prepared, and my opinions given, in accordance with accepted actuarial practice in Canada.

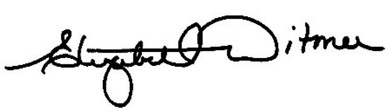
Yun-Suk Kang, FCIA, FSA
Vice President and Chief Actuary
Workplace Safety and Insurance Board

April 22, 2021
Toronto, Ontario

Consolidated Statements of Financial Position
(millions of Canadian dollars)

	Note	December 31 2020	December 31 2019
Assets			
Cash and cash equivalents	4	4,969	3,408
Receivables and other assets	5	2,171	1,297
Public equity investments	7	12,959	14,915
Fixed income investments	7	9,302	7,728
Derivative assets	9	250	223
Investment properties	7	892	1,368
Investments in associates and joint ventures	10,11	2,369	2,458
Other invested assets	7	7,590	8,783
Property, equipment and intangible assets	13	335	356
Total assets		**40,837**	**40,536**
Liabilities			
Payables and other liabilities	14	1,696	1,163
Borrowings	15	400	-
Derivative liabilities	9	92	72
Long-term debt and lease liabilities	16	175	201
Loss of Retirement Income Fund liability	17	2,003	2,000
Employee benefit plans liability	18	2,735	1,971
Benefit liabilities	20	26,910	27,110
Total liabilities		**34,011**	**32,517**
Net assets			
Reserves		5,167	4,676
Accumulated other comprehensive loss		(843)	(88)
Net assets attributable to WSIB stakeholders		**4,324**	**4,588**
Non-controlling interests	24	2,502	3,431
Total net assets		**6,826**	**8,019**
Total liabilities and net assets		**40,837**	**40,536**

Approved by the Board of Directors



Elizabeth Witmer

Chair
April 22, 2021

Leslie Lewis

Audit and Finance Committee (Chair)
April 22, 2021

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

Consolidated Statements of Comprehensive Income (Loss)
For the years ended December 31
(millions of Canadian dollars)

	Note	2020	2019
Revenues			
Premiums	19	2,970	3,703
Net mandatory employer incentive programs	19	2	(24)
Net premiums		**2,972**	**3,679**
Investment income	6	1,661	4,333
Investment expenses	6	(303)	(282)
Net investment income		**1,358**	**4,051**
Total revenues		**4,330**	**7,730**
Expenses			
Claim payments	20	2,533	2,534
Claim administration costs	20	546	453
Change in actuarial valuation of benefit liabilities	20	(200)	(100)
Total claim costs		**2,879**	**2,887**
Loss of Retirement Income Fund contributions	17	55	57
Administration and other expenses		558	484
Legislated obligations and funding commitments		229	257
Total expenses		**3,721**	**3,685**
Excess of revenues over expenses		**609**	**4,045**
Other comprehensive loss			
Item that will not be reclassified subsequently to income			
Remeasurements of employee benefit plans	18	(773)	(454)
Item that will be reclassified subsequently to income			
Translation losses from net foreign investments		20	(69)
Total other comprehensive loss		**(753)**	**(523)**
Total comprehensive income (loss)		**(144)**	**3,522**

		2020	2019
Excess of revenues over expenses attributable to:			
WSIB stakeholders		491	3,645
Non-controlling interests	24	118	400
		609	**4,045**
Total comprehensive income (loss) attributable to:			
WSIB stakeholders		(264)	3,129
Non-controlling interests	24	120	393
		(144)	**3,522**

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

Consolidated Statements of Changes in Net Assets
For the years ended December 31
(millions of Canadian dollars)

	Note	2020	2019
Reserves			
Balance at beginning of year		4,676	1,056
Effect of initial application of IFRS 16		-	(25)
Adjusted balance at beginning of year		4,676	1,031
Excess of revenues over expenses		491	3,645
Balance at end of year		**5,167**	**4,676**
Accumulated other comprehensive income (loss)			
Balance at beginning of year		(88)	428
Remeasurements of employee benefit plans	18	(773)	(454)
Translation gains (losses) from net foreign investments		18	(62)
Balance at end of year		**(843)**	**(88)**
Net assets attributable to WSIB stakeholders		**4,324**	**4,588**
Non-controlling interests			
Balance at beginning of year	24	3,431	3,158
Excess of revenues over expenses	24	118	400
Translation gains (losses) from net foreign investments	24	2	(7)
Change in ownership share in investments	24	(1,049)	(120)
Balance at end of year		**2,502**	**3,431**
Total net assets		**6,826**	**8,019**

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

Consolidated Statements of Cash Flows
For the years ended December 31
(millions of Canadian dollars)

	Note	2020	2019
Operating activities:			
Total comprehensive income (loss)		(144)	3,522
Adjustments:			
Amortization of net discount on investments		(14)	(33)
Depreciation and amortization of property, equipment and intangible assets	13	55	51
Changes in fair value of investments		(1,338)	(3,457)
Changes in fair value of investment properties		50	(12)
Translation losses (gains) from net foreign investments		(20)	69
Dividend income from public equity investments		(465)	(587)
Loss (income) from investments in associates and joint ventures	10	256	(171)
Interest income		(183)	(219)
Interest expense		10	11
Total comprehensive loss after adjustments		**(1,793)**	**(826)**
Changes in non-cash balances related to operations:			
Receivables and other assets, excluding those related to investing activities		194	106
Payables and other liabilities, excluding those related to investing and financing activities		(399)	(158)
Loss of Retirement Income Fund liability	17	3	133
Employee benefit plans liability	18	764	547
Benefit liabilities	20	(200)	(100)
Total changes in non-cash balances related to operations		362	528
Net cash required by operating activities		**(1,431)**	**(298)**
Investing activities:			
Dividends received from public equity investments, associates and joint ventures		529	660
Interest received		193	214
Purchases of property, equipment and intangible assets	13	(30)	(48)
Purchases of investments		(33,990)	(19,991)
Proceeds on sales and maturities of investments		36,782	20,485
Net dispositions to investment properties		424	59
Net additions to investments in associates and joint ventures		(227)	(73)
Net cash provided by investing activities		**3,681**	**1,306**
Financing activities:			
Net contributions (redemptions) related to non-controlling interests		(828)	77
Distributions paid by subsidiaries to non-controlling interests		(221)	(197)
Proceeds from borrowings	15	400	-
Repayment of debt and lease liabilities		(30)	(7)
Interest paid		(10)	(11)
Net cash required by financing activities		**(689)**	**(138)**
Net increase in cash and cash equivalents		**1,561**	**870**
Cash and cash equivalents, beginning of year		3,408	2,538
Cash and cash equivalents, end of year		**4,969**	**3,408**

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

Notes to Consolidated Financial Statements
December 31, 2020

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Notes to Consolidated Financial Statements
December 31, 2020
(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. Significant accounting policies, estimates and assumptions

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities, which are measured at fair value, as explained in the accounting policies below.

The consolidated financial statements for the year ended December 31, 2020 were authorized for issuance by the WSIB’s Board of Directors on April 22, 2021.

Use of estimates and assumptions

The WSIB is required to apply judgment when making estimates and assumptions that affect the reported amounts recognized in the consolidated financial statements. These estimates and assumptions have a direct effect on the measurement of transactions and balances recognized in the consolidated financial statements. The WSIB has based its estimates and assumptions on information available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the WSIB. Estimates are reviewed on an ongoing basis, with any related revisions recorded in the period in which they are adjusted.

The most significant estimation processes relate to the assumptions used in measuring benefit liabilities, assessing fair value of certain financial instruments and investment properties, and the determination of employee benefit obligations. Although some variability is inherent in these estimates, management believes that the amounts recorded are appropriate.

In addition, the WSIB has made judgments, aside from those that involve estimates, in the process of applying its accounting policies. These judgments can affect the amounts recognized in the consolidated financial statements.

Impact of COVID-19

The WSIB has been closely monitoring developments related to the COVID-19 pandemic and its existing and potential impact on the WSIB's results and operations.

As part of the effort to help reduce the financial burden of the COVID-19 situation, the WSIB, in partnership with the Government of Ontario, offered a financial relief package allowing employers to defer premium reporting and payments for the period from March 2020 until August 2020, with no interest or penalties accruing during the deferral period. Employers participating in the financial relief package were required to report deferred premiums by October 31, 2020, with repayment of these amounts from January 1, 2021 to June 30, 2021. Regular monthly and quarterly reporting and payment schedules resumed in September 2020 for all employers. COVID-19 has introduced additional uncertainty around estimates and assumptions used in the recognition of an allowance for doubtful accounts due to the deferral and payment option.

COVID-19 presents additional measurement uncertainty in the key unobservable inputs used in assessing the fair value of certain financial instruments and investment properties. This uncertainty impacts the WSIB's private market investments, which include credit, private equity, real estate and infrastructure investments. The valuation of these investments is dependent on key unobservable inputs, which include discount rates, terminal capitalization rates, and expected cash flows.

The WSIB is required to assess if an investment in an associate or joint venture is impaired and impairment losses are recognized if, and only if, there is objective evidence of impairment. An impairment loss related to the associate or joint venture is the amount by which the carrying amount exceeds its estimated recoverable amount. The estimated recoverable amount uses management's best estimates of fair value as well as the present value of future cash flows based on current and anticipated market conditions.

The impact of COVID-19 on the employee benefit plans liability may be reflected on the fair value of plan assets. Further, there is increased uncertainty in the present value of the pension obligation as it includes management's estimates and assumptions of compensation increases, mortality, retirement ages of employees and discount rates.

There is increased uncertainty in the estimates and assumptions used in the actuarial valuation of the benefit liabilities. These estimates and assumptions include claim duration, mortality rates, wage and health care escalations, general inflation, discount rates and COVID-19-related claims.

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

Basis of consolidation

(a) Subsidiaries and non-controlling interests

The majority of the WSIB's subsidiaries hold investments.

Subsidiaries, including structured entities, are entities that are controlled by the WSIB. The WSIB has control when it has the power to direct the relevant activities, has significant exposure to variable returns from these activities, and has the ability to use its power to affect these returns. Power may be determined on the basis of voting rights or based on contractual arrangements in the case of structured entities.

The financial statements of subsidiaries are included in the WSIB's consolidated financial statements from the date control commences until the date control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to reflect accounting policies consistent with those of the WSIB. All intercompany transactions and balances are eliminated.

Non-controlling interest exists when the WSIB directly or indirectly owns less than 100% of the subsidiary and is presented in the consolidated statements of financial position as a separate component, distinct from the net assets attributable to WSIB stakeholders. The excess of revenues over expenses and total comprehensive income (loss) attributable to the non-controlling interests are also separately disclosed in the consolidated statements of comprehensive income (loss).

The WSIB Employees' Pension Plan (the "EPP"), which was converted to a jointly sponsored pension plan on July 1, 2020, is the non-controlling interest in the majority of the WSIB's subsidiaries. See note 24 for further details.

(b) Investments in joint arrangements and associates

The majority of the WSIB's joint arrangements and associates hold investments in real estate or infrastructure.

The WSIB's joint arrangements are investments over which it has joint control and can either be a joint venture or a joint operation. Joint control exists when the strategic, financial, and operating decisions related to the entity's relevant activities require unanimous consent of parties sharing control.

Joint ventures are investments over which the WSIB has joint control and has rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, investments are initially recognized at cost and adjusted for the WSIB's proportionate share of the joint venture's total comprehensive income and dividends received.

Joint operations are economic activities or entities over which the WSIB has joint control and has rights to specific assets and obligations for specific liabilities relating to the arrangement. The WSIB's consolidated financial statements include its share of assets, liabilities, revenues and expenses related to the joint operations.

Associates are those investments over which the WSIB has significant influence over the financial and operating policies but not control or joint control of the entity. Investments in associates are accounted for using the equity method.

Foreign currency

The WSIB's functional and presentation currency is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate at the consolidated statement of financial position date. Non-monetary assets and liabilities that are measured at fair value are also translated at the exchange rate at the consolidated statement of financial position date. Foreign exchange gains and losses are recognized in investment income or administration and other expenses.

Net foreign investments are foreign subsidiaries which hold other invested assets and whose functional currency is not the Canadian dollar. All assets and liabilities of these net foreign investments are translated at exchange rates at the consolidated statement of financial position date, and all income and expenses are translated using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses on translation are recognized as translation gains (losses) from net foreign investments in other comprehensive income. Upon disposal of a net foreign investment that includes a loss of control, significant influence or joint control, the cumulative translation gain or loss related to that net foreign investment is recognized in income.

Notes to Consolidated Financial Statements
December 31, 2020
(millions of Canadian dollars)

Invested assets

(a) Financial instruments

The WSIB's invested assets and related liabilities that are financial instruments are comprised of cash and cash equivalents, receivables, public equity investments, fixed income investments, derivative assets and liabilities, other invested assets, payables, borrowings and long-term debt. Public equity investments are comprised of public equity securities, including stock and exchange traded funds, and units held in public equity pooled funds. Other invested assets are comprised of investment funds, infrastructure related investments, and real estate related investments. The WSIB records transactions relating to financial instruments on a trade date basis.

(b) Investment properties

Investment properties are properties held to earn rental income or for capital appreciation, or both. These are initially recognized at cost, including transaction costs, and subsequently remeasured at fair value at each reporting period with changes in fair value recognized as investment income during the period in which they arise. See note 6 for discussion of net investment income related to investment properties and note 7 for movements during the reporting period.

(c) Investments in joint ventures, associates and structured entities

Included in the investment portfolios are the WSIB's investments in joint ventures, associates and structured entities which hold infrastructure and real estate related investments. See note 10 and note 11 for further details.

Financial instruments

Financial instruments are contracts that give rise to a financial asset or financial liability when the WSIB becomes a party to the contractual provisions of the instrument. The WSIB's financial instruments are classified as follows:

Financial instrument	Classification
Cash and cash equivalents	FVTPL (a)
Investment receivables	Loans and receivables (b)
Public equity investments	
Public equity securities	FVTPL (a)
Public equity pooled funds	FVTPL (a)
Fixed income investments	FVTPL (a)
Derivative assets and liabilities	FVTPL (a)
Other invested assets	
Investment funds	FVTPL (a)
Infrastructure related investments	FVTPL (a)
Real estate related investments	FVTPL (a)
Investment payables	Other financial liabilities (c)
Administration payables	Other financial liabilities (c)
Borrowings	Other financial liabilities (c)
Long-term debt	Other financial liabilities (c)
Loss of Retirement Income Fund liability	FVTPL (a)

Measurement in subsequent periods depends on the classification of the financial instrument.

(a) Fair value through profit or loss ("FVTPL")

Financial assets and financial liabilities are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management, or if they are derivatives. Financial assets and financial liabilities classified as FVTPL are measured at fair value at initial recognition, with changes recognized in investment income.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets that have fixed or determinable payments and are not quoted in an active market. Loans and receivables are initially measured at fair value plus any transaction costs that are directly attributable to the origination or acquisition of the receivables. Subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method. Loans and receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

The effective interest method is a method of calculating the amortized cost of a financial instrument and allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all transaction costs and other premiums or discounts) through the expected life of the financial instrument to the net carrying amount on initial recognition.

(c) Other financial liabilities

Other financial liabilities consist of investment payables, administration payables, borrowings and long-term debt which are not derivative liabilities or classified as FVTPL. These are initially measured at fair value plus any transaction costs that are directly attributable to the origination or issuance of the financial liability. Subsequent to initial recognition, other financial liabilities are carried at amortized cost using the effective interest method.

Financial assets are derecognized when the rights to the contractual cash flows expire, when substantially all the risks and rewards of ownership are transferred, or when the WSIB no longer retains control. Financial liabilities are derecognized when the obligation is discharged, cancelled, or expires.

Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in a transaction (not a forced liquidation or distress sale) between market participants at the measurement date, that is, an exit value. Refer to note 7 for further details.

The carrying amounts of cash and cash equivalents, fixed income investments, derivative assets and derivative liabilities are their fair values. Due to their short-term nature, the carrying amounts (less allowance for impairment) of investment receivables and investment payables approximate their fair values.

Where possible, the fair value of financial instruments is based on quoted prices in active markets. The public equity investments include public equity securities, for example, stock and exchange traded funds. The carrying amounts of public equity securities are their fair values.

Where quoted prices in active markets are not available for financial instruments such as certain fixed income securities, the fair value is based on valuation models that use observable market inputs, broker quotes, consensus pricing and the fair value of other similar financial instruments.

Where active markets are not available for financial instruments such as investment funds and units held in public equity pooled funds, the valuation is based on the net asset values of the underlying held.

The investment properties are valued based on periodic valuations performed by independent qualified appraisers using valuation models incorporating available market evidence, including discount and terminal capitalization rates, inflation rates, vacancy rates, and future net cash flows of the properties.

The other invested assets include investment funds, infrastructure related investments and real estate related investments. Investment funds, including credit and private equity related investments, are valued on the basis of net asset values provided by investment managers.

The approach to determine fair values for the real estate related investments is consistent with the preceding discussion for investment properties. The valuations for infrastructure related investments are provided by investment managers who use acceptable industry valuation methods, which incorporate prevailing market rates and may require estimates for economic risks and projected cash flows.

Investment income

Investment income is comprised of the following:

(a) Financial instruments

Realized gains and losses and changes in unrealized gains and losses on financial instruments are recognized in investment income in the period they arise.

Interest income is recognized in investment income as it accrues. Dividend income is recognized in investment income when the WSIB's right to receive payment has been established.

(b) Income from investments in associates and joint ventures

The WSIB's proportionate share of its associates and joint ventures' total comprehensive income is recognized in investment income in the period it is recognized by the associates and joint ventures. Impairment losses or the subsequent reversal of such losses in relation to the WSIB's investments in associates and joint ventures is also recognized in investment income.

(c) Income from investment properties

Changes in fair value, net rental income, and service charges from investment properties are recognized in investment income in the period to which they relate.

Loss of Retirement Income Fund liability

The Loss of Retirement Income Fund liability represents the WSIB's obligation to provide retirement benefits to eligible injured workers equal to the total contributions plus income earned on those contributions. As such, the Loss of Retirement Income Fund liability is measured at an amount equivalent to the fair value of the assets in the Loss of Retirement Income Fund. At age 65, the injured worker receives a benefit from contributions made to their Loss of Retirement Income account plus any investment income earned.

Assets attributable to the Loss of Retirement Income Fund are included and managed as part of the WSIB's investment portfolio. See note 17 for more information.

The WSIB contributes 5% of the loss of earnings benefits to the Loss of Retirement Income Fund for injured workers of Schedule 1 employers who have received loss of earnings benefits for 12 consecutive months. Schedule 2 employers are required to contribute 5% of the loss of earnings benefits for their workers once loss of earnings benefits are received for 12 continuous months. Workers eligible for loss of retirement income benefits can choose to contribute a further 5% from their loss of earnings benefits. For claims incurred prior to January 1, 1998, the contribution from the WSIB and Schedule 2 employers is 10% of every future economic loss payment made to injured workers.

The WSIB's contributions are recognized as the Loss of Retirement Income Fund contributions expense.

Notes to Consolidated Financial Statements
December 31, 2020
(millions of Canadian dollars)

The changes related to the actuarial valuation of the WSIB's future contributions into the Loss of Retirement Income Fund are recognized in benefit liabilities in the consolidated statements of financial position. Refer to the changes in benefit liabilities table in note 20 for further information.

Benefit liabilities and claim costs

Benefit liabilities represent the actuarially determined present value of the estimated future payments for reported and unreported claims incurred on or prior to the reporting date using best estimate assumptions related to workers of Schedule 1 employers. These estimates and assumptions include claim duration, mortality rates, wage and health care escalations, general inflation, and discount rates. In addition, an obligation is estimated for claims in respect of occupational diseases currently recognized by the WSIB for which a claim has not yet been reported. The future payments are for estimated obligations for loss of earnings, labour market re-entry costs, short- and long-term disability, health care, survivor benefits, retirement income benefits and claim administration costs. Changes in the estimates and assumptions could have a significant impact on the measurement of benefit liabilities and claim costs.

The benefit liabilities are determined in accordance with the Standards of Practice of the Canadian Institute of Actuaries, including the standards for Public Personal Injury Compensation Plans, and legislation in effect at the end of the reporting period. Changes in the estimate of future claim payments are recognized in claim costs expense.

Benefit liabilities do not include any amounts for claims related to workers of Schedule 2 employers; these claims are ultimately paid by the self-insured Schedule 2 employers.

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

Employee benefit plans

On July 1, 2020, the EPP was converted from a single-employer pension plan to a jointly sponsored pension plan. The EPP is a defined benefit pension plan that is jointly sponsored, governed, and funded by the employer and members. The WSIB and the Ontario Compensation Employees Union are the plan sponsors, and a Board of Trustees was established to administer the EPP.

The WSIB also sponsors a supplemental defined benefit pension plan and other benefits. Other benefits include post-retirement benefits for health, dental, vision and life insurance benefits and other employment benefits for disability income, vacation and attendance programs. Refer to note 18 for more information on these plans.

The cost of employee benefit plans is recognized as the employees provide services to the WSIB. The obligations for these plans are measured as the present value of the employee benefit obligations less the fair value of plan assets and are included in the employee benefit plans liability. The employee benefit plans liability represents the combined deficit of the plans at the reporting date.

The cost of the employee benefit plans is actuarially determined using the projected unit credit method and includes management's estimates and assumptions of compensation increases, health care cost trend rates, mortality, retirement ages of employees, and discount rates. The discount rate used to value the obligations is based on high-quality corporate bonds that have approximately the same term as the obligation. These estimates are reviewed annually with the WSIB's external actuaries. Changes in these estimates could have an impact on the employee benefit plans liability and total comprehensive income.

The changes in the employee benefit obligations and plan assets are recognized when they occur as follows:

(a) Service costs and the net interest cost are recognized in administration and other expenses; and

(b) Remeasurements, actual experience which differs from assumptions which result in actuarial gains or losses, are recognized in other comprehensive income.

Property, equipment and intangible assets

Property, equipment and intangible assets are measured at cost less accumulated depreciation and amortization and any accumulated impairment losses. When significant components of an item of property and equipment have different useful lives, they are accounted for as separate items.

Intangible assets include both internally developed and acquired software. Development costs associated with internally developed software are recognized as an intangible asset when certain criteria are met. The criteria to capitalize development costs include the WSIB's intention and ability to complete the development of the software from which it is probable the WSIB will generate future economic benefits.

Depreciation of property and equipment and amortization of intangible assets are included in administration and other expenses on the consolidated statements of comprehensive income (loss). Property, equipment and intangible assets are depreciated and amortized on a straight-line basis over their estimated useful lives as follows:

Land	Not depreciated
Buildings	
Primary structure	50 - 60 years
Components with different useful lives	10 - 30 years
Leasehold improvements	Lesser of the lease term or 10 years
Office and computer equipment	3 - 5 years
Intangible assets	3 - 8 years

Impairment

The WSIB evaluates its property, equipment and intangible assets for indicators of impairment such as obsolescence, redundancy, deterioration, loss or reduction in future service potential, or when there is a change in intended use at each reporting period. If there are indicators that an asset may be impaired, an impairment test is performed by comparing the asset's carrying value to its recoverable amount. An impairment charge is recorded to the extent that the recoverable amount is less than its carrying value. If an impairment is later reversed, the carrying amount of the asset is adjusted to the lower of the asset's recoverable amount and the carrying amount that would have been determined (net of depreciation) had there been no prior impairment loss.

Premium revenues

Premium revenues are comprised of premiums from Schedule 1 employers and administration fees from Schedule 2 employers.

(a) Schedule 1 employer premiums

Schedule 1 employers are those for which the WSIB is liable to pay benefit compensation for workers' claims. Schedule 1 employer premiums 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 accrued premiums receivable. Premium revenues are recognized over the coverage period of one year.

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(b) Schedule 2 employer administration fees

Schedule 2 employers are employers that self-insure the provision of benefits under the WSIA. Schedule 2 employers are liable to pay all benefit compensation and administration costs for their workers' claims.

The WSIB administers the payment of the claims for workers of Schedule 2 employers and recovers the cost of these claims plus administration fees from the employers. The administration fees are recognized as the services are provided. The claims paid on behalf of Schedule 2 employers and the amounts collected to recover the claims paid are not included in the WSIB's revenues or expenses.

Mandatory employer incentive programs

Schedule 1 employers participate in mandatory employer incentive programs that may result in adjustments to premium rates. These programs involve a surcharge to, or refund of, premiums based on the employer's claims experience. The estimated rebates and surcharges are determined based on an actuarial model and are recognized in the period in which they relate. These programs ended in 2019 as the WSIB transitioned to the new premium rate-setting model effective January 1, 2020. The amounts shown on the consolidated statements of comprehensive income (loss) represent the net payouts that are related to previous years.

Legislated obligations and funding commitments

(a) Legislated obligations

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 ("WSIAT") and the costs that may be incurred by the Office of the Worker Adviser and the Office of the Employer Adviser. The expenses related to these legislated obligations are recognized as an expense in the period to which the funding relates.

(b) Funding commitments

The WSIB provides grant funding to carry on investigations, research and training. The expenses related to these funding commitments are recognized as an expense in the period to which the funding relates.

(c) Voluntary employer incentive programs

The WSIB provides financial incentives to Schedule 1 employers who undertake specific measures to improve health and safety. The cost of these incentive programs is recognized as an expense in legislated obligations and funding commitments in the period the measures are undertaken by the employer.

Leases

A lease is a contract, or part of a contract, that conveys the right to an asset for a period of time in exchange for consideration. Upon lease commencement, the WSIB recognizes a right-of-use ("ROU") asset and a lease liability. The WSIB has commercial lease agreements relating to Simcoe Place land, office premises, leases relating to investment properties, and computer equipment.

The ROU assets are initially measured based on the present value of lease payments, plus other adjustments including initial direct costs, lease incentives, and an estimate of asset retirement costs to be incurred by the WSIB at the end of the lease. The ROU assets are included in property, equipment and intangible assets or investment properties for leases relating to investment properties. The ROU assets are depreciated over either the asset's useful life or the lease term, whichever comes earlier and are subject to testing for impairment if there is an indicator for impairment. In addition, ROU assets related to investment properties are included in investment properties and are measured at fair value at each reporting period with changes in fair value recognized as investment income or loss, as applicable, during the period in which they arise.

The lease liability is measured at the present value of lease payments that are outstanding as at the reporting period and subsequently measured using the effective interest method. With the effective interest method, the carrying amount of the lease liability is measured on an amortized cost basis and the interest expense is allocated over the lease term. Lease liabilities are included in long-term debt and lease liabilities.

For leases where the total lease term is less than 12 months or for leases of low value, the WSIB has elected not to recognize an ROU asset and lease liability. The payments for such leases are recognized in administration and other expenses on a straight-line basis over the term of the lease.

3. Changes in accounting standards

(a) Standards and amendments adopted during the current year

Amendments to IFRS 3 *Business Combinations* (“IFRS 3”)

In October 2018, the IASB issued amendments to IFRS 3, which clarify that to be considered a business, an acquired set of activities must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments were effective for annual reporting periods beginning on or after January 1, 2020. The adoption of these amendments did not have a significant impact on the WSIB’s consolidated financial statements.

Amendments to IAS 1 *Presentation of Financial Statements* (“IAS 1”) **and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*** (“IAS 8”)

In October 2018, the IASB issued amendments to IAS 1 and IAS 8. The amendments clarify the definition of “material”. The amendments were effective for annual reporting periods beginning on or after January 1, 2020. The adoption of these amendments did not have a significant impact on the WSIB’s consolidated financial statements.

(b) Future changes in accounting standards

IFRS 17 *Insurance Contracts* (“IFRS 17”)

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

IFRS 9 *Financial Instruments* (“IFRS 9”)

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

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

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4. Cash and cash equivalents

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

	2020	2019
Cash	3,182	1,270
Short-term money market securities	1,787	2,138
Total cash and cash equivalents	**4,969**	**3,408**

As at December 31, 2020, the WSIB held $4,969 of cash and cash equivalents, of which $345 was maintained for operating purposes (2019 – $96) and $4,624 was maintained for investing purposes (2019 – $3,312).

5. Receivables and other assets

Receivables and other assets are comprised of the following:

	2020	2019
Premium receivables	463	357
Accrued premium receivables	374	396
Less: Allowance for doubtful accounts	(71)	(139)
Net premium receivables	**766**	**614**
Investment receivables[1]	1,364	298
Total receivables	**2,130**	**912**
Other assets[2]	41	385
Total receivables and other assets	**2,171**	**1,297**

1. Investment receivables include amounts of $16 (2019 – $5) which are expected to be received over a period of more than one year.
2. Other assets include employer incentive program refunds of $30 (2019 – surcharges of $309) which are expected to be paid (received) within 12 months.

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6. Net investment income

Net investment income by nature of invested assets for the years ended December 31 is as follows:

	2020	**2019**
Cash and cash equivalents	8	18
Public equity investments	1,080	2,458
Fixed income investments	440	281
Derivative financial instruments	54	1,052
Investment properties	(1)	72
Investments in associates and joint ventures[1]	(256)	175
Other invested assets		
Investment funds	501	452
Infrastructure related investments	(38)	24
Real estate related investments	(49)	1
Add (Less): Income attributable to Loss of Retirement Income Fund	(78)	(200)
Investment income	**1,661**	**4,333**
Less: Investment expenses[2]	(303)	(282)
Net investment income	**1,358**	**4,051**

1. During the year ended December 31, 2020, the WSIB recorded an impairment related to certain of its investments in associates and joint ventures as a result of the impact of the COVID-19 pandemic. The WSIB determined the recoverable amount of the impaired investments to be lower than the carrying amount. An impairment loss of $116 has been included in the consolidated statements of comprehensive income (loss).
2. Includes $145 of management fees paid to investment managers (2019 – $135).

7. Fair value measurement and disclosures

Fair value hierarchy

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

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

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

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

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

	December 31, 2020				December 31, 2019			
	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]	3,182	1,787	-	**4,969**	1,270	2,138	-	**3,408**
Public equity investments								
Public equity securities	12,314	-	-	**12,314**	14,833	82	-	**14,915**
Public equity pooled funds[2]	-	645	-	**645**	-	-	-	**-**
Fixed income investments	-	9,302	-	**9,302**	-	7,728	-	**7,728**
Derivative assets	93	157	-	**250**	54	169	-	**223**
Investment properties[3]	-	-	892	**892**	-	-	1,368	**1,368**
Other invested assets								
Investment funds	-	-	7,081	**7,081**	-	-	8,161	**8,161**
Infrastructure related investments	-	-	103	**103**	-	-	144	**144**
Real estate related investments	-	-	406	**406**	-	-	478	**478**
Derivative liabilities	(29)	(63)	-	**(92)**	(55)	(17)	-	**(72)**
Assets and liabilities for which fair value is disclosed								
Investment receivables[1]	-	1,364	-	**1,364**	-	298	-	**298**
Administration payables[1]	(354)	-	-	**(354)**	(342)	-	-	**(342)**
Investment payables[1]	-	(987)	-	**(987)**	-	(54)	-	**(54)**
Borrowings	-	(400)	-	**(400)**	-	-	-	**-**
Long-term debt[4]	-	(72)	-	**(72)**	-	(68)	-	**(68)**
Loss of Retirement Income Fund liability (note 17)	-	-	(2,003)	**(2,003)**	-	-	(2,000)	**(2,000)**

1. The carrying amounts (less allowance for impairment) of cash and cash equivalents, investment receivables and administration and investment payables approximate their fair values.
2. The WSIB owns units of pooled funds which hold investments in public equity securities.
3. Investment properties include an ROU asset of $10 (2019 – $30).
4. Carrying amount as at December 31, 2020 was $70 (2019 – $70).

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

During the years ended December 31, 2020 and December 31, 2019, there were no transfers between levels within the hierarchy.

On November 2, 2020, Investment Management Corporation of Ontario ("IMCO") launched the IMCO Canadian Public Equity Pool ("CPE Pool") as part of its Pooled Asset Management strategy which enables entities to "pool" the management of their investments. This pooling strategy creates a sufficiently large asset pool to broaden access to and efficiently manage investments. The WSIB participated in the CPE Pool transferring assets comprised mainly of Canadian public equities into the pool. The WSIB's investment in the CPE Pool is recorded as Public equity pooled funds within Public equity investments in the consolidated statements of financial position.

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Level 3 fair value measurements

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

	Other invested assets					
For the year ended December 31, 2020	Investment funds	Infrastructure related investments	Real estate related investments	**Subtotal**	**Investment properties**	**Total**
Balance as at January 1, 2020	8,161	144	478	8,783	1,368	10,151
Net gains (losses) recognized in net investment income	243	(41)	(72)	130	(37)	93
Translation losses recognized in other comprehensive income	12	-	-	12	-	12
Purchases	1,151	-	-	1,151	-	1,151
Sales	(2,486)	-	-	(2,486)	(459)	(2,945)
Capital expenditures	-	-	-	-	20	20
Balance as at December 31, 2020	**7,081**	**103**	**406**	**7,590**	**892**	**8,482**
Changes in unrealized losses included in earnings for assets and liabilities for positions still held	**(298)**	**(42)**	**(71)**	**(411)**	**(37)**	**(448)**

	Other invested assets					
For the year ended December 31, 2019	Investment funds	Infrastructure related investments	Real estate related investments	**Subtotal**	**Investment properties**	**Total**
Balance as at January 1, 2019	8,032	412	485	8,929	1,412	10,341
Net gains (losses) recognized in net investment income	81	(24)	(8)	49	14	63
Translation losses recognized in other comprehensive income	(40)	(1)	-	(41)	-	(41)
Purchases	1,660	-	1	1,661	-	1,661
Sales	(1,572)	(243)	-	(1,815)	(118)	(1,933)
Capital expenditures	-	-	-	-	60	60
Balance as at December 31, 2019	**8,161**	**144**	**478**	**8,783**	**1,368**	**10,151**
Changes in unrealized gains (losses) included in earnings for assets and liabilities for positions still held	**(100)**	**(76)**	**(7)**	**(183)**	**12**	**(171)**

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

	Valuation methods	Key unobservable inputs	2020 Range of inputs Low	2020 Range of inputs High	2019 Range of inputs[1] Low	2019 Range of inputs[1] High
Investment funds	Net asset value	Net asset value provided by administrator/manager	n/a	n/a	n/a	n/a
Infrastructure related investments	Discounted cash flow and market comparable	Discount rate	9.7%	9.7%	8.3%	8.8%
Real estate related investments and investment properties	Discounted cash flow and market comparable	Discount rate	5.0%	8.0%	4.8%	7.8%
		Terminal capitalization rate	4.5%	7.3%	4.3%	7.0%
Loss of Retirement Income Fund liability	Net asset value	Net asset value provided by administrator/manager	n/a	n/a	n/a	n/a

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

Sensitivity of Level 3 financial instruments

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

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

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

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

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

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8. Transferred financial assets not derecognized

The WSIB participates in a securities lending program through an intermediary for the purpose of generating fee income. Non-cash collateral, the fair value of which represents at least 102% of the fair value of the loaned securities, is maintained until the underlying securities have been returned to the WSIB. The fair value of the loaned securities is monitored on a daily basis by an intermediary financial institution with additional collateral obtained or refunded as the fair value of the underlying securities fluctuates. The intermediary indemnifies the WSIB against any shortfalls in collateral in the event of default by the counterparty. These transactions are conducted under terms that are usual and customary to security lending activities, as well as requirements determined by exchanges where a financial institution acts as an intermediary.

Under the terms of the securities lending program, the WSIB retains substantially all the risks and rewards of ownership of the loaned securities and also retains contractual rights to the cash flows. These securities are not derecognized from the consolidated statements of financial position.

As at December 31, 2020, the fair value of investments loaned under the securities lending program was $1,575 (2019 – $4,107) and the fair value of securities maintained as collateral was approximately $1,674 (2019 – $4,419). There has been a reduction in the size of the securities lending program as a result of the transitioning of securities related to IMCO’s strategies and Pooled Asset Management.

9. Derivative financial instruments

Derivatives are financial contracts whose value is derived from an underlying interest rate, foreign exchange rate, other financial instruments, commodity prices or indices. The WSIB uses foreign exchange forward contracts to hedge investments denominated in a foreign currency and for active trading. Equity index futures, fixed income futures and commodity futures are held to provide international and asset class diversification.

Forward contracts and futures agreements are contractual obligations to buy or sell a financial instrument, foreign currency or other underlying commodity on a predetermined future date at a specific price. Forward contracts are over-the-counter contracts that are negotiated between IMCO, on behalf of the WSIB and the counterparty, whereas futures are contracts that are traded on a regulated exchange with standard amounts and settlement dates. A contract for difference is a contract between two parties, where one party has the obligation to pay the other party the difference in value of an underlying asset between two specific points in time. An option is a contract that grants the holder a right, but not obligation, to buy or sell an underlying asset, exchange rate or interest rate at a specific price. A swap is a contract in which two parties have an obligation to exchange cash flows of underlying assets for a specific period of time.

Some derivatives are collateralized with cash and treasury bills. As at December 31, 2020, the fair value of the securities maintained as collateral was approximately $204 (2019 – $106).

The foreign exchange derivative assets and derivative liabilities are subject to netting arrangements and in practice are settled on a net basis. However, these do not meet the criteria to be presented on a net basis. As such, the derivative assets and derivative liabilities are presented separately in the consolidated statements of financial position.

The WSIB does not designate any of the derivatives in a qualifying hedge accounting relationship but uses derivatives for economic hedging purposes. The notional amounts in the table below are not recorded as assets or liabilities in the WSIB’s consolidated financial statements as they represent the reference amounts to which a rate or a price is applied to determine the amount of cash flows to be exchanged. Notional amounts do not represent the potential gains or losses associated with market risks and are not indicative of the credit risks associated with derivative financial instruments.

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The notional amounts and the fair values of the derivative assets and derivative liabilities as at December 31 are as follows:

	2020			2019		
		Fair value			Fair value	
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Forward exchange contracts	19,792	151	61	15,352	162	17
Fixed income futures	3,923	9	4	4,180	-	26
Commodity futures	447	26	2	838	30	9
Equity index futures	2,657	54	7	1,489	16	4
Foreign currency futures	5	-	1	(247)	-	2
Contract for difference	-	6	3	-	-	-
Options	25	4	14	36	8	14
Swaps	-	-	-	695	7	-
Total	**26,849**	**250**	**92**	**22,343**	**223**	**72**

10. Joint arrangements and associates

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”). The WSIB accounts for this investment using the equity method of accounting and holds it for investment purposes to earn rental income and capital appreciation.

Summarized financial information of the Vancouver properties, based on their IFRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements as at December 31 are set out below:

	2020	2019[1]
Current assets	10	6
Non-current assets	2,140	2,251
Current liabilities	(32)	(32)
Non-current liabilities	(5)	(5)
Net assets	2,113	2,220
WSIB’s share of net assets	**1,056**	**1,110**

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

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The above amounts of assets and liabilities include the following:

	2020	2019
Cash and cash equivalents	6	2
Current financial liabilities (excluding trade and other payables)	(2)	(2)
Non-current financial liabilities (excluding trade and other payables)	(5)	(5)

Summarized below is the statement of comprehensive income (loss) of the Vancouver properties:

	2020	2019
Income	129	143
Gains (losses) from increases (decreases) in fair values	(148)	122
Expenses	(49)	(54)
Total comprehensive income (loss)	**(68)**	**211**
WSIB's share of total comprehensive income (loss)	**(34)**	**106**

The Vancouver properties have no contingent liabilities or capital commitments as at December 31, 2020 (2019 – nil). During 2020, the WSIB received dividends from the Vancouver properties of $34 (2019 – $46).

Investments in other joint arrangements and associates

The following table summarizes the carrying value of the WSIB's interests in other joint arrangements and associates that are not individually material as well as the WSIB's share of income (loss) of those entities.

	Associates		Joint ventures		Joint operations	
	2020	2019	2020	2019	2020	2019
WSIB's share of net assets	**67**	**12**	**1,246**	**1,336**	**214**	**220**
WSIB's share of:						
Net income (loss)	(1)	2	(104)	63	(18)	(3)
Other comprehensive income (loss)	-	-	28	(30)	-	-
Impairment loss[1]	-	-	(116)	-		

1. During the year ended December 31, 2020, the WSIB recorded an impairment related to certain of its investments in associates and joint ventures as a result of the impact of the COVID-19 pandemic. The WSIB determined the recoverable amount of the impaired investments to be lower than the carrying amount. An impairment loss of $116 has been included in the consolidated statements of comprehensive income (loss).

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11. Interests in structured entities

A structured entity is an entity that is designed whereby voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created with a narrow and well-defined objective with relevant activities being directed by means of contractual arrangements. The WSIB has an interest in a structured entity when there is a contractual or non-contractual involvement that exposes the WSIB to variable returns from the structured entity. The WSIB consolidates a structured entity when the WSIB controls the entity in accordance with the accounting policy described in note 2. The WSIB's consolidated structured entities are predominantly real estate and infrastructure related investments in the investment portfolios where the WSIB has substantive rights related to the termination of investment managers. Consolidated subsidiaries are detailed further in note 24.

Unconsolidated structured entities

The WSIB holds interests in third-party structured entities, predominantly in the form of direct investments in securities or partnership interests. The WSIB does not consolidate these structured entities as its involvement is limited to investment holdings and does not have power over the key economic decisions of these entities. These investments in structured entities are recognized in other invested assets, and interest and dividend income received are recognized in net investment income. The following table summarizes the WSIB's investments and maximum exposure to loss related to its interests in unconsolidated structured entities:

	WSIB investment		WSIB maximum exposure to loss[1]	
	2020	**2019**	**2020**	**2019**
Real estate	1,543	1,611	1,543	1,611
Infrastructure	761	847	761	847
Private equity	52	-	52	-
Credit	13	-	13	-
Total	**2,369**	**2,458**	**2,369**	**2,458**

1. The WSIB's maximum exposure to loss is limited to amounts invested.

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12. Risk management

The WSIB is exposed to a number of risks and uncertainties related to its financial instruments and benefit liabilities. These risks and the WSIB's risk mitigation policies and techniques are disclosed in Section 14 – Risk factors of the Management's Discussion and Analysis. Only the shaded text and tables form an integral part of these consolidated financial statements.

Investment risk

The Board of Directors of the WSIB has established Statements of Investment Policies and Procedures ("SIPPs"), which establish the policies governing the WSIB's investment portfolio. The SIPPs require that the WSIB's investment portfolio be diversified across certain asset classes, and it is currently diversified among eight primary investment asset classes.

Liquidity risk

As at December 31, 2020, 71.0% (2019 – 66.7%) of the WSIB's investment portfolio was invested in cash and readily marketable money market securities, fixed income investments and publicly traded equities.

The following tables provide the carrying values of all financial instruments by contractual maturity or expected cash flow:

	Within 1 year	1 – 6 years	6 – 10 years	Over 10 years	No fixed maturity	2020
Cash and cash equivalents	4,969	-	-	-	-	**4,969**
Investment receivables	1,347	11	6	-	-	**1,364**
Public equity investments	-	-	-	-	12,959	**12,959**
Fixed income investments	106	3,969	1,292	3,877	58	**9,302**
Derivative assets	250	-	-	-	-	**250**
Other invested assets						
Investment funds	-	-	-	-	7,081	**7,081**
Infrastructure related investments	-	-	-	-	103	**103**
Real estate related investments	-	-	-	-	406	**406**
Investment payables	(987)	-	-	-	-	**(987)**
Administration payables	(354)	-	-	-	-	**(354)**
Derivative liabilities	(92)	-	-	-	-	**(92)**
Borrowings	(400)	-	-	-	-	**(400)**
Long-term debt	-	(70)	-	-	-	**(70)**
Loss of Retirement Income Fund liability	-	-	-	-	(2,003)	**(2,003)**

(millions of Canadian dollars)

	Within 1 year	1 – 6 years	6 – 10 years	Over 10 years	No fixed maturity	2019
Cash and cash equivalents	3,408	-	-	-	-	**3,408**
Investment receivables	293	-	5	-	-	**298**
Public equity investments	-	-	-	-	14,915	**14,915**
Fixed income investments	34	5,951	783	900	60	**7,728**
Derivative assets	223	-	-	-	-	**223**
Other invested assets						
Investment funds	-	-	-	-	8,161	**8,161**
Infrastructure related investments	-	-	-	-	144	**144**
Real estate related investments	-	-	-	-	478	**478**
Investment payables	(54)	-	-	-	-	**(54)**
Administration payables	(342)	-	-	-	-	**(342)**
Derivative liabilities	(72)	-	-	-	-	**(72)**
Long-term debt	-	-	(70)	-	-	**(70)**
Loss of Retirement Income Fund liability	-	-	-	-	(2,000)	**(2,000)**

The WSIB maintains and uses a $150 unsecured line of credit with a commercial bank for general operating purposes. Although the line of credit was occasionally used for minimal amounts in 2020, as at December 31, 2020, there were no outstanding borrowings (2019 – nil). Additionally, the WSIB entered into a 14-month revolving line of credit facility in the amount of $900 with the Ontario Financing Authority (“OFA”) as of October 30, 2020 (refer to note 15).

Credit risk

(a) Fixed income investments

The WSIB’s fixed income investments consist primarily of high-quality, investment-grade debt instruments. An investment-grade debt instrument is one that is rated BBB and above. The WSIB manages its credit risk through its diversified mix of assets, including a minimum weight for government fixed income holdings, and minimum credit ratings for money market and government fixed income investments.

The following table provides information regarding the credit rating of the WSIB’s fixed income securities:

	2020		2019	
AAA	4,382	47.2%	3,925	50.8%
AA	1,424	15.3%	1,459	18.9%
A	2,068	22.2%	2,141	27.7%
BBB	449	4.8%	143	1.8%
BB	552	5.9%	-	0.0%
B or lower	350	3.8%	-	0.0%
Not rated	77	0.8%	60	0.8%
Total fixed income investments	**9,302**	**100.0%**	**7,728**	**100.0%**

Credit risk associated with fixed income investments also includes concentration risk. Concentration risk arises from the exposure of investments from one particular issuer, a group of issuers, a geographic region, or an industry sector. These groups share similar characteristics such as type of industry, regulatory compliance, and economic and political conditions, which may impact the issuers' ability to meet their contractual commitments.

(millions of Canadian dollars)

The WSIB manages concentration risk through its diversified mix of assets and a limit of 5% of the fair value of the investment portfolio that may be invested in the securities of a single non-government issuer at the time of acquisition of an investment. Further, IMCO has established concentration limits for each of its strategies.

The following table provides information regarding the concentration of fixed income investments:

	2020		2019	
Federal government and agencies	4,168	44.8%	3,844	49.7%
Provincial and municipal governments and agencies	3,136	33.7%	2,872	37.2%
Consumer products and merchandising	422	4.5%	14	0.2%
Utilities and telecommunications	414	4.5%	56	0.7%
Financial services	348	3.8%	858	11.1%
Natural resources	299	3.2%	6	0.1%
Other[1]	515	5.5%	78	1.0%
Total fixed income investments	**9,302**	**100.0%**	**7,728**	**100.0%**

1. Includes sectors having a total exposure of less than 2%.

(b) Securities lending program

Counterparty risk relating to the securities lending program, as further described in note 8, is managed by an intermediary financial institution in accordance with a written agreement, investment policy and procedures on securities lending. Non-cash collateral is comprised primarily of equities, government bonds, and major bank short-term notes. Note 8 of the consolidated financial statements provides the fair value of investments loaned under the securities lending program.

(c) Receivables from Schedule 1 and Schedule 2 employers

Credit risk associated with premium receivables related to Schedule 1 employers is mitigated through risk management policies and procedures, which include close monitoring of premium payment status and follow-up measures with the employer. An allowance for doubtful accounts is established when a premium receivable is past due.

Credit risk related to receivables from Schedule 2 employers is mitigated by holding collateral in the form of letters of credit and surety bonds. At December 31, 2020, the WSIB held collateral in the total amount of $259 (2019 – $259) with Schedule 2 employers.

Market risk

(a) Currency risk

The WSIB is exposed to a number of foreign currencies in its investment portfolio and manages its currency risk through the appointment of its investment manager, IMCO. IMCO, on the WSIB's behalf, uses foreign exchange contracts as an additional source of return, for economic hedging strategies to manage investment risk, or to manage exposure to asset classes or strategies. IMCO manages currency risk in accordance with principles and policies for currency exposures to be managed, permitted instruments, and other currency risk management controls and processes.

The following provides a sensitivity analysis of the effect of a 1% increase or decrease in the Canadian dollar compared to the five foreign currencies that represent 95.4% (2019 – 84.4%) of the WSIB's foreign currency exposure in its investment portfolio:

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	2020		2019	
	Net exposure	**Effect of 1% change**	**Net exposure**	**Effect of 1% change**
United States dollar	10,375	104	5,779	58
Euro	910	9	332	3
Japanese yen	837	8	347	4
British pound sterling	246	3	147	1
Hong Kong dollar	117	1	547	6
Foreign currency exposure	**12,485**	**125**	**7,152**	**72**

(b) Interest rate risk

The WSIB uses effective duration to measure the sensitivity of the fair value of fixed income investments to a change in interest rates. Parallel shifts in the yield curve of 1%, with all other variables held constant, would result in an increase or decrease in the fair value of fixed income investments of approximately $930 (2019 – $453). This information is based on the assumption that the fixed income investments are not impaired and interest rates and equity prices move independently.

(c) Price risk

The WSIB is exposed to price risk through its investments in public equity investments. The WSIB's price risk mitigation strategies are discussed in Section 14 – Risk factors of the Management's Discussion and Analysis.

The estimated effect on the fair value of public equity investments resulting from a 10% change in market prices, holding all other factors constant, is $1,296 (2019 – $1,491).

Insurance funding risk – benefit liabilities

The WSIB is exposed to the risk that the actual obligations for claim payments exceed its estimate of benefit liabilities. Benefit liabilities are influenced by factors such as the discount rate used to value future claims; expected inflation; availability, utilization and cost of health care services; injury severity and duration, availability of return-to-work programs and re-employment opportunities at pre-injury employers; wage growth; new medical findings that affect the recognition of occupational diseases; legislated changes to benefit rates or modification of the recognition of workplace injuries, which are sometimes applied retroactively; and precedents established through various claims appeals processes.

The WSIB mitigates these risks by utilizing both proprietary and commercially available actuarial models and assessing historical loss development patterns and other predictive analytics. These risks are also mitigated by engaging independent actuaries annually to review actuarial assumptions and methodologies in establishing benefit liabilities, as well as reviewing actuarial related matters at regular meetings with the WSIB's Actuarial Advisory Committee.

Note 20 provides further information regarding the nature of benefit liabilities.

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13. Property, equipment and intangible assets

	Property and equipment				Intangible assets		
	Land	Buildings[1]	Leasehold improvements	Office and computer equipment	Internally developed software	Acquired software	Total
Cost							
Balance as at December 31, 2018	**40**	**102**	**20**	**26**	**260**	**8**	**456**
Adjustments[2]	-	152	-	-	-	-	152
Additions	-	2	3	1	40	2	48
Balance as at December 31, 2019	**40**	**256**	**23**	**27**	**300**	**10**	**656**
Additions	-	3	1	1	23	5	33
Balance as at December 31, 2020	**40**	**259**	**24**	**28**	**323**	**15**	**689**
Accumulated depreciation and amortization							
Balance as at December 31, 2018	-	**35**	**17**	**23**	**90**	**4**	**169**
Adjustments[2]	-	80	-	-	-	-	80
Depreciation and amortization	-	9	2	-	37	3	51
Balance as at December 31, 2019	-	**124**	**19**	**23**	**127**	**7**	**300**
Depreciation and amortization	-	9	2	2	38	3	54
Balance as at December 31, 2020	-	**133**	**21**	**25**	**165**	**10**	**354**
Carrying amounts							
At December 31, 2019	**40**	**132**	**4**	**4**	**173**	**3**	**356**
At December 31, 2020	**40**	**126**	**3**	**3**	**158**	**5**	**335**

1. Buildings include ROU assets of $65, net of accumulated depreciation of $91.
2. Adjustments related to the initial application of IFRS 16.

The carrying amount for internally developed software as at December 31, 2020 includes $73 (2019 – $58) of costs for software that was not yet available for use and therefore was not yet subject to amortization.

The WSIB has determined that there was no impairment of property, equipment and intangible assets in 2020.

14. Payables and other liabilities

	2020	2019
Administration payables	354	342
Investment payables	987	54
Experience rating refunds	239	733
Other liabilities	116	34
Total payables and other liabilities	**1,696**	**1,163**

Total payables and other liabilities are expected to be paid within 12 months from the reporting date.

(millions of Canadian dollars)

15. Borrowings

The WSIB entered into a 14-month revolving line of credit facility (“credit facility”) in the amount of $900 with the OFA as of October 30, 2020. The purpose of the revolving line of credit facility is to provide the WSIB with flexibility in support of the employer financial relief package.

The credit facility has a variable interest rate, the Three Month Ontario Treasury Bill Rate plus 3.2 basis points, which shall be reset automatically on January 1, April 1, July 1 and October 1. Interest is accrued daily on the same terms as the principal and is compounded quarterly. The amount of the loan as at December 31, 2020 is $400.

The credit facility matures on December 31, 2021. The fair value of borrowings as at December 31, 2020 approximates their carrying amount as the credit facility is at market terms.

16. Long-term debt and lease liabilities

Long-term debt and lease liabilities are comprised of the following:

	2020	**2019**
Mortgages payable	70	70
Lease liabilities	112	138
Less: Current portion of lease liabilities	(7)	(7)
Total long-term debt and lease liabilities	**175**	**201**

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17. Loss of Retirement Income Fund liability

The reconciliation of carrying amounts for the Loss of Retirement Income Fund liability is set forth below:

	2020	2019
Balance at beginning of year	2,000	1,867
Contributions from the WSIB	55	57
Optional contributions from injured workers	8	7
Contributions from Schedule 2 employers	8	7
Income earned on contributions	79	197
Benefits paid in cash	(147)	(135)
Balance at end of year	**2,003**	**2,000**

The following provides a summary of the assets by asset category included in the Loss of Retirement Income Fund:

	2020		2019	
Cash and cash equivalents	521	26.2%	461	23.0%
Public equity investments	540	27.0%	624	31.2%
Fixed income investments	475	23.7%	381	19.1%
Derivative financial instruments	7	0.3%	6	0.3%
Investment properties	38	1.9%	59	2.9%
Investments in associates and joint ventures	93	4.6%	94	4.7%
Other invested assets				
Investment funds	297	14.8%	345	17.3%
Infrastructure related investments	4	0.2%	6	0.3%
Real estate related investments	17	0.8%	20	1.0%
Other	11	0.5%	4	0.2%
Total Loss of Retirement Income Fund assets	**2,003**	**100.0%**	**2,000**	**100.0%**

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18. Employee benefit plans

The WSIB sponsors defined benefit pension plans and other benefits for WSIB employees.

Pension plans

(a) WSIB Employees' Pension Plan

The EPP provides for partially indexed pensions based on years of service and the best consecutive five of the last ten years of earnings. The EPP is a registered pension plan under the *Pension Benefits Act* (Ontario) ("PBA") and the Canada Revenue Agency ("CRA").

On July 1, 2020, the EPP was converted from a single-employer pension plan to a jointly-sponsored pension plan; however, there was no impact to the EPP obligation as a result of the conversion. The WSIB and the Ontario Compensation Employees Union are the plan sponsors, and a Board of Trustees was established to administer the EPP, while various pension administration and financial support functions continue to be performed by the WSIB in accordance with an Agency Agreement between the WSIB and the Board of Trustees. The EPP is open to new entrants, and the WSIB is currently responsible for its funding less any required employee contributions. Employee contribution requirements will gradually increase until both the WSIB and employees are each contributing 50% of the normal cost. Thereafter, the WSIB will only be responsible for 50% of the total costs of the EPP and its associated liability. It is estimated that the employee contributions will equal the WSIB contributions in 2029.

In December 2020, the WSIB made a one-time lump-sum contribution to the EPP of $199, accounted for as an employer contribution to the EPP. An additional contribution to the EPP may be required based on a pre-determined calculation dependent on the investment performance of plan assets and subject to a fixed upper bound based on the actuarial valuation of the EPP at July 1, 2020, adjusted for the investment performance of plan assets as at December 31, 2024. As such, it is not practical to determine both the probability of whether a payment will be required and the amount of the payment. Should a payment be required, it may be made as a lump-sum prior to December 31, 2025 or on an installment basis up until the point at which employee contributions equal the WSIB contributions to the EPP.

(b) The Employees' Supplementary Pension Plan

The Employees' Supplementary Pension Plan ("ESPP") is a single-employer pension plan. The ESPP has generally the same benefit plan provisions as the EPP, except that it provides for benefits that are earned above the maximum pension benefits permitted under the *Income Tax Act* (Canada) and employee contributions that are fixed at 7% of earnings. The ESPP is registered with the CRA as a Retirement Compensation Arrangement. The WSIB matches employee contributions to the ESPP and contributes additional amounts when required.

Other benefits

(a) The Post-Retirement Benefit Plan

The Post-Retirement Benefit Plan provides extended health, dental, vision, and life insurance benefits for employees who meet the eligibility requirements. Employees must be entitled to a WSIB pension and meet a service requirement to qualify for benefits. The plan is funded on a pay-as-you-go basis.

(b) Other employment benefits

Other employment benefits include vacation and attendance credits, which are payable upon termination of employment, and disability benefits payable up to age 65.

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Governance of the plans

Effective July 1, 2020, the EPP Board of Trustees performs the governance and the administration of the EPP. This includes such tasks as approval of the actuarial valuation reports and audited plan financial statements, appointment and termination of key service providers, approval of asset-liability studies, determining the EPP's SIPP and asset mix, as well as performing any regulatory and legislative pension plan compliance. The WSIB Board of Directors and the Ontario Compensation Employees Union bear joint responsibility in the determination of the plan design and the selection of the EPP Board of Trustees.

The WSIB Board of Directors oversees the administration of all the other employee benefit plans in accordance with applicable legislation and approves the governance structure, including the mandates of those to whom administrative duties and responsibilities were delegated.

The WSIB Board of Directors receives assistance in the fulfilment of its responsibilities related to the employee benefit plans through various committees, including the Audit and Finance Committee, the Human Resources and Compensation Committee and the Governance Committee.

Risks

Given that employee contributions to the employee benefit plans (if any) are fixed in the short term, the WSIB generally bears the risks associated with the employee benefit plans. For the EPP, employee contributions will increase until equal to the WSIB contributions. Once employee and the WSIB contributions are equal, all EPP funding risks will be shared equally.

The most significant sources of risk for the WSIB include:

a) A decline in discount rates that increases the obligation and expense;

b) Investment returns which are lower than expected;

c) Lower-than-expected rates of mortality; and

d) Health care cost inflation being higher than assumed.

In general, the risks are managed through plan design reviews and, in relation to investment risks, through risk control mechanisms in the pension plan's SIPP. The SIPP is determined and monitored by the EPP Board of Trustees in accordance with the PBA, and the review of plan design is conducted jointly by the plan sponsors.

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Employee benefit plans expense

The cost of the employee benefit plans recognized in administration and other expenses is as follows:

	Pension plans		Other benefits		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Current service cost	134	103	24	27	158	130
Net interest on the employee benefit plans liability	37	30	28	29	65	59
Past service cost	-	-	86	-	86	-
Long-term employee benefit gains	-	-	(2)	(2)	(2)	(2)
Plan amendments	-	-	-	12	-	12
Administrative expenses	5	-	-	-	5	-
Employee benefit plans expense	**176**	**133**	**136**	**66**	**312**	**199**

Amounts recognized in other comprehensive loss are as follows:

	Pension plans		Other benefits		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Actuarial losses arising from:						
Financial assumptions	(487)	(575)	(73)	(119)	(560)	(694)
Demographic assumptions	(170)	-	(39)	-	(209)	-
Plan experience	(39)	(22)	(10)	(10)	(49)	(32)
Return in excess of interest income on plan assets	45	272	-	-	45	272
Remeasurements of employee benefit plans	**(651)**	**(325)**	**(122)**	**(129)**	**(773)**	**(454)**

Employee benefit plans liability

The employee benefit plans liability as at December 31 is comprised of the following:

	Pension plans		Other benefits		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Present value of obligations[1]	5,470	4,620	1,137	911	6,607	5,531
Fair value of plan assets	(3,872)	(3,560)	-	-	(3,872)	(3,560)
Employee benefit plans liability	**1,598**	**1,060**	**1,137**	**911**	**2,735**	**1,971**

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

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The movement in the total present value of employee benefit obligations is as follows:

	Pension plans		Other benefits		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Balance, beginning of year	4,620	3,880	911	744	5,531	4,624
Current service cost	134	103	24	27	158	130
Employee contributions	30	29	-	-	30	29
Interest expense on the employee benefit obligations	148	156	28	29	176	185
Past service cost	-	-	86	-	86	-
Plan amendments	-	-	-	12	-	12
Actuarial losses arising from:						
Financial assumptions	487	575	75	121	562	696
Demographic assumptions	170	-	39	-	209	-
Plan experience	39	22	6	6	45	28
Benefits paid	(158)	(145)	(32)	(28)	(190)	(173)
Balance, end of year	**5,470**	**4,620**	**1,137**	**911**	**6,607**	**5,531**

As at December 31, 2020, the Employees' Pension Plan was 99.0% of the pension plans obligation (2019 – 98.9%), and the Post-Retirement Benefit plan was 89.0% of the other benefits obligation (2019 – 86.3%).

The weighted average duration of the defined benefit pension plans and the other benefit plans' obligations as at December 31, 2020 is 18.8 and 21.0 years, respectively (2019 – 17.5 and 18.6 years, respectively).

Fair value of plan assets

The movement in the total fair value of plan assets is as follows:

	Pension plans		Other benefits		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Balance, beginning of year	3,560	3,200	-	-	3,560	3,200
Interest income on plan assets	112	126	-	-	112	126
Return in excess of interest income on plan assets	45	272	-	-	45	272
Employer contributions[1]	288	78	32	28	320	106
Employee contributions	30	29	-	-	30	29
Benefits paid	(158)	(145)	(32)	(28)	(190)	(173)
Administrative costs paid	(5)	-	-	-	(5)	-
Balance, end of year	**3,872**	**3,560**	**-**	**-**	**3,872**	**3,560**

1. Includes $199 related to the one-time lump-sum contribution made to the EPP in December 2020.

Employer's contributions to the pension plans are estimated to be $89 for 2021.

Benefits to be paid from pension plan assets, during 2021, are projected to be $167, and other benefits to be paid directly by the employer are estimated to be $37.

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Pension plan assets as at December 31 are comprised of the following:

	2020		2019	
Pension plan assets				
Public equities	1,361	35.1%	1,333	37.4%
Fixed income	800	20.7%	650	18.3%
Credit	36	0.9%	-	0.0%
Public market alternatives	309	8.0%	345	9.7%
Diversified markets	408	10.5%	431	12.1%
Real estate	336	8.7%	372	10.4%
Infrastructure	316	8.2%	312	8.8%
Cash and cash equivalents	411	10.6%	106	3.0%
Other	(105)	(2.7%)	11	0.3%
Total[1]	**3,872**	**100.0%**	**3,560**	**100.0%**

1. Includes $4.9 net assets of the ESPP (2019 – $3.2).

Actuarial assumptions

The significant actuarial assumptions used in the determination of the present value of the employee benefit obligations are as follows:

	2020	2019
Discount rate[1]		
Benefit plan expense	3.15%	3.95%
Accrued benefit obligation at end of year	2.60%	3.15%
Rate of pension increase at end of year[2]	1.31%	1.31%
Rate of compensation increase at end of year[3]	3.50%	3.50%
Health care trends at end of year		
Initial trend rate	5.00%	5.25%
Ultimate trend rate	4.50%	4.50%
Year ultimate trend rate is reached	2023	2023
Dental care trend rate at end of year	4.00%	4.00%
Mortality		
Base table[4]	100% of CPM (Public)	104% of CPM (Private)
Projection scale[5]	MI-2017	MI-2017

1. Weighted average based on obligation (rounded to nearest 5 basis points).
2. Pension benefits are increased annually, every January 1, equal to 75% of the Consumer Price Index (i.e. inflation).
3. This is an approximation. Actual assumption is based on inflation of 1.75% per annum plus unisex seniority salary scale.
4. 2014 Canadian Pensioners' Sector Mortality Table ("CPM").
5. Scale MI-2017 modified to have an ultimate rate of 0.8%.

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The current longevities underlying the measurement of the employee benefit obligations as at December 31 are as follows:

	2020	2019
Longevity for those currently age 65		
Males	23.1 years	21.5 years
Females	25.0 years	24.0 years
Longevity at age 65 for those currently age 45		
Males	24.2 years	22.7 years
Females	26.1 years	25.1 years

Sensitivity of the actuarial assumptions

Changes in the actuarial assumptions used have a significant effect on the employee benefit plans obligation. The sensitivity analysis below provides an estimate of the potential impact of changes in key assumptions as at December 31, 2020, with all other assumptions held constant:

	Increase (decrease) in the obligations		
Sensitivity in assumptions	**Pension plans**	**Other benefits**	**Total**
Discount rate			
1% increase in discount rate	(884)	(202)	(1,086)
1% decrease in discount rate	1,173	277	1,450
Rate of compensation increase			
1% increase in compensation rate	189	7	196
1% decrease in compensation rate	(170)	(6)	(176)
Rate of pension increase			
1% increase in pension benefits	627	N/A	627
1% decrease in pension benefits	(534)	N/A	(534)
Health and dental care trend rates			
1% increase in trend rates	N/A	247	247
1% decrease in trend rates	N/A	(184)	(184)
Mortality rates			
10% increase in mortality rates[1]	(115)	(29)	(144)
10% decrease in mortality rates[2]	127	32	159

1. The increase in the mortality rates results in a decrease of the average life expectancy of a female aged 65 years by 0.7 years.
2. The decrease in the mortality rates results in an increase of the average life expectancy of a female aged 65 years by 0.8 years.

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19. Premium revenues

A summary of premiums for the years ended December 31 is as follows:

	2020	2019
Gross Schedule 1 premiums	2,907	3,600
Bad debts	(43)	(56)
Interest and penalties	12	67
Other income	1	3
Schedule 1 employer premiums	**2,877**	**3,614**
Schedule 2 employer administration fees	93	89
Premiums	**2,970**	**3,703**
Net mandatory employer incentive programs[1]	2	(24)
Net premiums	**2,972**	**3,679**

1. Prior to January 1, 2020, Schedule 1 employers participated in mandatory employer incentive programs that may have resulted in adjustments to premium rates. Effective January 1, 2020, the WSIB transitioned to the new premium rate-setting model, which eliminates the need of such adjustments to premium rates. The amount for the year ended December 31, 2020 represents the net payouts for mandatory employer incentive programs that are related to previous years.

20. Benefit liabilities and claim costs

Benefit liabilities

Benefit liabilities are based on the level and nature of entitlement under the WSIA and adjudication practices in effect at that date.

Benefit liabilities are comprised of the following:

	2020	2019
Loss of earnings	8,733	8,493
Workers' pensions	5,167	5,491
Health care	4,550	4,588
Survivor benefits	3,079	2,995
Future economic loss	745	873
External providers	93	97
Non-economic loss	322	310
Long latency occupational diseases	2,385	2,395
Claim administration costs	1,322	1,355
Loss of Retirement Income	514	513
Benefit liabilities	**26,910**	**27,110**

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Further details of the changes in benefit liabilities are as follows:

	Benefit liabilities, beginning of year	Claim costs recognized during the year	Payments processed during the year[2]	Interest expense on the liability	Impact of actuarial remeasure-ment	Changes in claims experience	**Benefit liabilities, end of year**
Loss of earnings	8,493	882	(1,098)	379	(31)	108	8,733
Workers' pensions	5,491	-	(478)	251	-	(97)	5,167
Health care	4,588	492	(504)	212	(154)	(84)	4,550
Survivor benefits	2,995	129	(210)	135	-	30	3,079
Future economic loss	873	-	(151)	39	-	(16)	745
External providers	97	28	(23)	3	-	(12)	93
Non-economic loss	310	49	(69)	11	-	21	322
Long latency occupational diseases[1]	2,395	(78)	-	114	-	(46)	2,385
Claim administration costs	1,355	534	(546)	57	-	(78)	1,322
Loss of Retirement Income	513	39	(55)	25	(3)	(5)	514
Total for 2020	**27,110**	**2,075**	**(3,134)**	**1,226**	**(188)**	**(179)**	**26,910**

1. Claim costs recognized during the year for long latency occupational diseases represent the additional claims due to the current year's exposure offset by the expected benefit liabilities as at previous year-end for the current year's occupational diseases claims.
2. Payments processed during the year relate to prior and current injury years.

	Benefit liabilities, beginning of year	Claim costs recognized during the year	Payments processed during the year[2]	Interest expense on the liability	Impact of actuarial remeasure-ment	Changes in claims experience	**Benefit liabilities, end of year**
Loss of earnings	8,523	857	(1,032)	378	(223)	(10)	**8,493**
Workers' pensions	5,731	-	(492)	261	32	(41)	**5,491**
Health care	4,254	522	(551)	192	169	2	**4,588**
Survivor benefits	3,091	115	(207)	140	(103)	(41)	**2,995**
Future economic loss	982	-	(169)	43	(4)	21	**873**
External providers	94	31	(27)	4	3	(8)	**97**
Non-economic loss	285	41	(56)	11	(2)	31	**310**
Long latency occupational diseases[1]	2,384	(72)	-	114	(23)	(8)	**2,395**
Claim administration costs	1,338	478	(453)	33	60	(101)	**1,355**
Loss of Retirement Income	528	37	(57)	23	(15)	(3)	**513**
Total for 2019	**27,210**	**2,009**	**(3,044)**	**1,199**	**(106)**	**(158)**	**27,110**

1. Claim costs recognized during the year for long latency occupational diseases represent the additional claims due to the current year's exposure offset by the expected benefit liabilities as at previous year-end for the current year's occupational diseases claims.
2. Payments processed during the year relate to prior and current injury years.

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Claim payments

Claim payments represent cash paid or payable during the year to or on behalf of injured workers excluding claim administration costs and the Loss of Retirement Income. Claim payments are comprised of the following:

	2020	2019
Loss of earnings	1,098	1,032
Workers' pensions	478	492
Health care	503	551
Survivor benefits	212	207
Future economic loss	150	169
External providers	23	27
Non-economic loss	69	56
Total claim payments	**2,533**	**2,534**

Claim administration costs

Claim administration costs are comprised of the following:

	2020	2019
Allocation from administration and other expenses	524	428
Allocation from legislated obligations and funding commitments expenses	22	25
Total claim administration costs	**546**	**453**

Change in actuarial valuation of benefit liabilities

The change in actuarial valuation of benefit liabilities is comprised of the following:

	2020	2019
Changes in estimate of cost of claims	(1,238)	(1,193)
Changes in actuarial assumptions and methods	(188)	(106)
Accretion[1]	1,226	1,199
Total changes in actuarial valuation of benefit liabilities	**(200)**	**(100)**

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

The changes in actuarial assumptions and methods are comprised of the following:

	2020	2019
Changes in mortality assumptions	-	(208)
Changes in methods and assumptions for future claim admin costs	-	79
Changes in methods and assumptions for loss of earnings benefits	(34)	(175)
Changes in methods and assumptions for health care benefits	(154)	193
Changes in methods and assumptions for future awards	-	5
Total changes in actuarial assumptions and methods	**(188)**	**(106)**

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Actuarial assumptions and methods

The actuarial present value of future claim payments depends on actuarial assumptions, including economic assumptions, which are based on past experience modified for current trends and expected development. Actuarial assumptions are reviewed annually when the actuarial valuation is performed. Management believes the valuation methods and assumptions are, in aggregate, appropriate for the valuation of benefit liabilities. The following table summarizes the main underlying actuarial assumptions used in estimating the categories of benefit liabilities:

Actuarial Assumption	Note	Loss of earnings	Workers' pensions	Health care	Survivor benefits	Future economic loss	External providers	Non-economic loss	Long latency occupational diseases (f)
Discount rate	(a)	✓	✓	✓	✓	✓	✓	✓	✓
Indexation	(a)	✓	✓	✓	✓	✓	-	✓	✓
Wage escalation	(a)	✓	✓	✓	✓	✓	✓	✓	✓
Health care escalation	(a)	-	-	✓	-	-	-	-	✓
Wage loss	(b)	✓	-	-	-	✓	-	-	✓
Mortality	(c)	✓	✓	✓	✓	✓	-	✓	✓
Claims incidence	(d)	✓	-	-	-	-	-	-	✓
Termination	(d)	✓	-	-	-	-	-	-	✓
Exposure index	(d)	✓	✓	✓	✓	✓	✓	✓	✓
Expenses	(e)	✓	✓	✓	✓	✓	✓	✓	✓

(a) Economic assumptions

The following provides a summary of the primary economic assumptions used in the actuarial valuation of benefit liabilities:

	2020	2019
Discount rate	2021 and thereafter – 4.75%	2020 and thereafter – 4.75%
Indexation of benefits	2.0%	2.0%
Wage escalation rate	3.0%	3.0%
Health care costs escalation rate	4.0%	4.0%

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(b) Wage loss

Wage loss refers to the proportion of a worker's wages that is lost due to an injury. Most benefits influenced by wage loss are based on historical experience and limits in the WSIA.

(c) Mortality

Mortality rates are used to estimate the duration for which the WSIB will continue to be required to make payments to injured workers or survivors receiving monthly pension amounts. The mortality assumptions are determined separately for injured workers and survivors as follows:

(i) the mortality assumption for injured workers is based on an actuarial study of the mortality levels by age and gender experienced by WSIB disability income recipients from 2013 to 2017, adjusted to reflect any prevailing improvements (or otherwise) in the experience of WSIB injured workers up to and including 2020;

(ii) the mortality assumption for those receiving survivor benefits is based on an actuarial study of mortality levels experienced by WSIB survivors, and the 2014–2016 Province of Ontario population mortality table developed by Statistics Canada, adjusted to reflect any prevailing improvements (or otherwise) in the experience of WSIB survivors up to and including 2020; and

(iii) the mortality rates for both injured workers and survivors are projected for future years using the Canada Pension Plan's mortality improvement factors. As such, future mortality rates are reduced to allow for greater future longevity expected for injured workers and survivors.

(d) Claims incidence, termination and exposure index

Claims incidence refers to the number of claims incurred during the year and requires actuarial assumptions for the number of claims expected to have been incurred but not reported at December 31, 2020. Termination refers to the actuarial assumptions regarding the future duration of claims. Exposure index refers to the indicator used to assist in predicting certain future costs for different injury years and represents, on a relative basis, the level of risk insured by the WSIB.

The assumptions regarding claims incidence are determined based on the number of claims incurred in past years. The termination assumption is determined using average termination experience of the WSIB from five recent injury years and modified for the existing claims expected to be of longer duration. The exposure index has been developed using the number of lost-time injuries incurred up to injury year 1998, and for subsequent years, the number of workers covered by the WSIB, adjusted by the variation in the average risk associated with these workers. The termination rates and the projected number of loss of earnings future lock-in claims and their profile were updated in 2020 to reflect recent experience.

(e) Expenses

Ratios of claim administration costs to the amounts of claims paid are used to estimate the future costs of claim administration for current claims. These ratios have been developed in analyzing claims administration and other claims related management costs for all cost centres at the WSIB by claim type, duration and amount.

(f) Long latency occupational diseases

Long latency occupational diseases refer to future occupational disease claims arising from exposures up to the valuation date to hazardous substances or conditions, such as asbestos and excessive noise.

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Sensitivity of actuarial assumptions

Changes in the actuarial assumptions used have a significant effect on the claim costs recognized. The following provides an estimate of the potential impact of a change in the more significant assumptions:

Changes in assumptions	Increase in claim costs 2020	Increase in claim costs 2019
100 basis point decrease in the discount rate	2,854	2,910
100 basis point increase in the inflation rate:		
Impact of benefits indexation rate	1,582	1,647
Impact of wage growth	618	569
Impact of health care cost escalation	578	589

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Claims development

Benefit liabilities include the current estimate of future payments related to claims incurred during 2020 and prior years. Each reporting period, benefit liabilities are adjusted for changes in the estimate of the future payments, and the change in estimate is recognized in claim costs. The table below provides the development of the estimates related to claims incurred from 2011 to 2020.

	Year of injury										
	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
Year of estimate											
2011	2,760										
2012	2,363	2,815									
2013	2,019	2,274	2,627								
2014	1,897	2,000	2,296	2,453							
2015	1,764	1,843	1,981	2,145	2,317						
2016	1,699	1,751	1,877	1,933	2,071	2,210					
2017	1,624	1,716	1,827	1,864	1,970	2,274	2,371				
2018	1,668	1,714	1,799	1,838	1,925	2,208	2,405	2,604			
2019	1,641	1,713	1,761	1,761	1,897	2,126	2,351	2,494	2,614		
2020	1,585	1,657	1,702	1,730	1,858	2,085	2,325	2,449	2,663	2,618	
Current estimate of cumulative claims costs	1,585	1,657	1,702	1,730	1,858	2,085	2,325	2,449	2,663	2,618	20,672
Cumulative payments made	(703)	(679)	(628)	(589)	(588)	(643)	(615)	(602)	(484)	(202)	(5,733)
Outstanding claims (undiscounted)	882	978	1,074	1,141	1,270	1,442	1,710	1,847	2,179	2,416	14,939
Effect of discounting	(409)	(465)	(509)	(534)	(611)	(677)	(819)	(844)	(974)	(999)	(6,841)
Benefit liabilities (discounted outstanding claims	473	513	565	607	659	765	891	1,003	1,205	1,417	8,098
Benefit liabilities (discounted outstanding claims) prior to 2011 injury year											15,105
Claim administration costs											1,322
Long latency occupational diseases											2,385
Total benefit liabilities											**26,910**

Claim costs for years of injury before 2016 generally exhibit a downward trend. Claim costs for years of injury after 2016, however, exhibit an upward trend, primarily due to the increase in lost-time injuries and the worsening return to work experience, compared to the previous injury years.

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Rate setting

In accordance with the WSIA, the WSIB's obligations are satisfied by charging annual premiums to all Schedule 1 employers. The WSIB introduced a new rate setting model and North American Industry Classification System based classification structure effective January 1, 2020. The rate setting model is a prospective premium rate setting framework that is applied to all businesses. The model includes built-in dynamic risk banding which allows a range of business premium rates within a class/subclass and for individual business premium rates to change year-over-year to better reflect changes in a business's claims cost experience. The premium rate for each business will reflect the rate of the class/subclass and their risk in relation to other businesses in that class. Each class/subclass has a series of risk bands and each risk band has an associated rate either above or below the class rate. The premium rate for each class reflects costs associated with claims, administration and legislative obligations.

There is a two-step approach to set and adjust premium rates for businesses:

(a) Set class rate for each industry class based on its risk profile and share of responsibility to maintain the insurance fund. The class rate is a collective rate that represents the class's share of responsibility for its WSIB costs; and

(b) Compare individual insurable earnings and claim history to the businesses in the class. This means that a business's overall rate under the new model will reflect its individual experience and risk.

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Concentration of risks

The WSIB provides workplace injury insurance for all Schedule 1 employers with workers in the Province. In this respect, the WSIB's risks are concentrated among the workplace risks associated with the various industries in the Province. The gross premiums by industry for the year ended December 31, 2020 are provided below.

	Gross premiums	% of total
Class/Subclass		
Agriculture	48	1.9%
Mining, quarrying, oil & gas extraction	72	2.9%
Utilities	22	0.9%
Educational services	23	0.9%
Public administration	71	2.8%
Hospitals	128	5.1%
Food, textiles & related manufacturing	94	3.7%
Non-metallic & mineral manufacturing	126	5.0%
Printing, petroleum & chemical manufacturing	40	1.6%
Metal, transportation equipment & furniture manufacturing	249	9.8%
Machinery, electrical & miscellaneous manufacturing	64	2.5%
Computer and electronic manufacturing	9	0.4%
Rail, water, truck transportation & postal service	133	5.3%
Air, transit, ground passenger, recreational & pipeline transportation, courier services & warehousing	80	3.2%
Building construction	91	3.6%
Infrastructure construction	79	3.1%
Foundation, structure & building exterior construction	141	5.6%
Building equipment construction	135	5.3%
Specialty trades construction	98	3.9%
Petroleum, food, motor vehicle & miscellaneous wholesale	49	1.9%
Personal & household goods, building materials & machinery wholesale	63	2.5%
Motor vehicles, building materials, food & beverage retail	119	4.7%
Furniture, home furnishings, clothing & accessories retail	19	0.8%
Electronics, appliances, health & personal care retail	12	0.5%
Specialized retail & department stores	55	2.2%
Information & culture	12	0.5%
Finance, management & leasing	31	1.2%
Professional, scientific & technical	26	1.0%
Administration, services to buildings, dwellings & open spaces	91	3.6%
Ambulatory health care	58	2.3%
Nursing & residential care facilities	106	4.2%
Social assistance	26	1.0%
Leisure & hospitality	78	3.1%
Other services	76	3.0%
Total	**2,524**	**100.0%**
Premium accrued but not reported	383	
Total	**2,907**	

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In addition, the WSIB's risks are concentrated among the workplace injuries and diseases that result in disabilities or deaths to injured workers. The WSIA does not provide the WSIB with the ability to diversify away from these risks. Additional risks can arise from appeals or legislative changes, which can produce an immediate increase in benefit liabilities.

Premium rates are the primary means to mitigate these risks. Premium rates are adjusted annually as benefit liabilities and risks are reviewed and then differentiated by class/subclass and business in order to reflect the higher or lower expected costs and loss frequency associated with particular classes/subclasses and businesses.

Liquidity of benefit liabilities risks

The following table provides an estimate of the expected timing of undiscounted cash flows for claim payments:

	2020	**2019**
Up to one year	6%	5%
Over one year and up to five years	18%	18%
Over five years and up to ten years	18%	18%
Over ten years and up to fifteen years	14%	15%
Over fifteen years	44%	44%
	100%	**100%**

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21. Commitments and contingent liabilities

(a) Mortgages

Mortgages related to investment properties had annual fixed interest rates of 3.6% (2019 – 3.6%) and mature in 2025 (2019 – 2025). For the year ended December 31, 2020, interest of $3 was included in investment expenses (2019 – $3).

As at December 31, 2020, future principal payments on mortgages were as follows:

	Within 1 year	1 – 5 years	Over 5 years	Total
Mortgages	-	70	-	**70**

(b) Investment commitments

The WSIB had the following commitments for capital calls as at December 31 related to its investment portfolio:

	2020	2019
Investment funds, infrastructure and real estate related investments	3,589	2,204
Investments in associates and joint ventures	479	517
Purchases or development of investment properties	-	14
Total investment commitments	**4,068**	**2,735**

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

(c) Legislated obligations and funding commitments

Known commitments related to legislated obligations and funding commitments as at December 31, 2020 were approximately $274 for 2021 (2019 – $266).

(d) Other commitments

As at December 31, 2020, the WSIB had additional commitments going forward under non-cancellable contracts for purchases of goods and services with future minimum payments of approximately $179 (2019 – $237).

(e) Legal actions

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

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22. Funding and capital management

As the board-governed trust agency under the Agencies and Appointments Directive for administering the Province's compensation system, the WSIB's capital management objective is to ensure sufficient funding to provide compensation and other benefits to workers and to the survivors of deceased workers. The WSIA requires the WSIB to make payments for current benefits as they come due and to provide for future benefits. Further, the WSIA requires the WSIB to maintain sufficient funding so as not to burden unduly or unfairly any class of Schedule 1 employers with payments, in any year in respect of current benefits, or in future years in respect of future benefits.

The capital resources available to the WSIB are comprised of its total assets less total liabilities, excluding those attributable to non-controlling interests. As at December 31, 2020, the WSIB's capital is represented by net assets attributable to WSIB stakeholders of $4,324 (2019 – $4,588).

Ontario Regulation 141/12 under the WSIA came into force on January 1, 2013 and requires the WSIB to calculate a Sufficiency Ratio and ensure the Sufficiency Ratio meets the prescribed levels by the following dates:

December 31, 2017	60%
December 31, 2022	80%
December 31, 2027	100%

Ontario Regulation 141/12, as amended by *Ontario Regulation 338/13,* which became effective January 1, 2014 (collectively, the "Ontario Regulations"), further clarifies the measurement of assets and liabilities included in the Sufficiency Ratio. The Sufficiency Ratio is calculated by comparing total assets to total liabilities, with certain assets and liabilities measured on a going concern basis rather than that required under IFRS.

The WSIB prepares a quarterly Sufficiency Report to report on its progress towards meeting the legislated funding requirements. During the fiscal year 2018, the WSIB achieved a Sufficiency Ratio of 100%, ahead of requirements. As at December 31, 2020, the Sufficiency Ratio was 117.3% (2019 – 113.7%), which exceeds the legislated 100% funding level required on December 31, 2027.

23. 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.

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 OHSA and the regulations made under the OHSA. The WSIB is also required to pay for the operating costs of the WSIAT 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 year ended December 31, 2020 was $252 (2019 – $251) and is included in legislated obligations and funding commitments expenses.

In addition to the above, the 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 at December 31, 2020 are $1,308 of marketable fixed income investments issued by the Government of Ontario and related entities (2019 – $1,316).

Reimbursements paid to the Ministry of Health ("MOH") for physicians' fees for services to people with work-related injuries or illnesses are included in claim payments. Administrative fees paid to the MOH are included in administration and other expenses.

Included in borrowings is a 14-month credit facility in the amount of $900 with the OFA as of October 30, 2020 (refer to note 15).

Investment Management Corporation of Ontario

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 provides investment management and advisory services to participating organizations in Ontario's public sector.

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.

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Key management remuneration

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the WSIB, directly or indirectly. The remuneration of key management, which includes the Board of Directors, is included in administration and other expenses.

	Appointees to the Board of Directors[1]		Executive personnel[2]		**Total**	
	2020	**2019**	**2020**	**2019[3]**	**2020**	**2019[3]**
Salaries and short-term benefits	0.9	0.8	3.8	3.5	4.7	4.3
Long-term employee benefit plans	-	-	0.5	0.5	0.5	0.5
	0.9	**0.8**	**4.3**	**4.0**	**5.2**	**4.8**

1. Includes the Chair and the President and CEO.
2. Includes the Chiefs, General Counsel and Special Advisor to the President and CEO.
3. Certain comparative amounts have been reclassified to be consistent with the current year's presentation.

Employee benefit plans

The WSIB's defined benefit pension plans and the other benefit plans are considered related parties. Note 18 provides details of transactions with these employee benefit plans.

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24. Information on subsidiaries and non-controlling interests

The WSIB's consolidated financial statements include the financial statements of all its subsidiaries.

(a) Directly or indirectly owned subsidiaries

The majority of the WSIB's assets are held directly or indirectly by the following subsidiaries:

	WSIB's ownership		Country of incorporation and operation
	2020	2019	
Wholly owned subsidiaries			
2742267 Ontario Ltd.	100.0%	-	Canada
2742268 Ontario Ltd.	100.0%	-	Canada
2778374 Ontario Ltd.	100.0%	-	Canada
2778376 Ontario Ltd.	100.0%	-	Canada
799549 Ontario Inc.	100.0%	100.0%	Canada
Simcoe Wight IF Holdings Ltd.	100.0%	100.0%	Canada
Simcoe Wight LRI Holdings Ltd.	100.0%	100.0%	Canada
WSIB Investments (International Infrastructure Non-Pension) Limited	100.0%	100.0%	Canada
WSIB Investments (International Realty Non-Pension) Limited	100.0%	100.0%	Canada
WSIB Investments (Private Equity Non-Pension) Limited	100.0%	-	Canada
WSIB Van IF GP Holdings Ltd.	100.0%	100.0%	Canada
WSIB Van LRI GP Holdings Ltd.	100.0%	100.0%	Canada
Partly owned subsidiaries			
2742266 Ontario Ltd.	98.4%	-	Canada
Absolute Return (2012) Pooled Fund Trust	90.8%	90.9%	Canada
Diversified Markets (2009) Pooled Fund Trust	87.9%	90.9%	Canada
Diversified Markets (2010) Pooled Fund Trust	87.0%	90.9%	Canada
Simcoe Accord Credit Limited	98.5%	-	Canada
Simcoe Pacific Pooled Fund Trust	90.8%	90.9%	Canada
WSIB Investments (Fixed Income) Pooled Fund Trust	90.8%	90.9%	Canada
WSIB Investments (Infrastructure) Pooled Fund Trust	90.8%	90.9%	Canada
WSIB Investments (International Realty) Limited	91.2%	91.2%	Canada
WSIB Investments (Public Equities) Pooled Fund Trust	91.1%	90.9%	Canada
WSIB Investments (Realty) Limited	91.2%	91.2%	Canada
WSIB Investments (Total Return) Pooled Fund Trust	90.8%	90.9%	Canada

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The WSIB's Employees' Pension Plan is the non-controlling interest in each of the partly owned subsidiaries listed above. The following provides aggregated summary financial information for the partly owned subsidiaries, before intercompany eliminations:

Summary information from statements of financial position	**2020**	**2019**
Total assets	28,129	36,721
Total liabilities	(733)	(125)
Surplus of assets	**27,396**	**36,596**
Attributable to the WSIB Employees' Pension Plan	**2,413**	**3,334**

Summary information from statements of comprehensive income	**2020**	**2019**
Investment income	1,373	4,403
Investment expenses	(63)	(88)
Net investment income	**1,310**	**4,315**
Translation gains (losses) from net foreign investments	**22**	**(71)**
Attributable to the WSIB Employees' Pension Plan	**127**	**389**

(b) Reconciliation of non-controlling interests

The following provides a reconciliation of the non-controlling interests, including the effect of changes in ownership:

	Non-controlling interests		
	Partly owned subsidiaries	**Other subsidiaries**	**Total**
Balance as at December 31, 2018	**3,065**	**93**	**3,158**
Excess of revenues over expenses	399	1	400
Translation losses from net foreign investments	(7)	-	(7)
Distributions paid by subsidiaries to non-controlling interests	(193)	(4)	(197)
Net contributions related to non-controlling interests	73	4	77
Balance as at December 31, 2019	**3,337**	**94**	**3,431**
Excess (deficiency) of revenues over expenses	121	(3)	118
Translation losses from net foreign investments	2	-	2
Distributions paid by subsidiaries to non-controlling interests	(217)	(4)	(221)
Net contributions (redemptions) related to non-controlling interests[1]	(832)	4	(828)
Balance as at December 31, 2020	**2,411**	**91**	**2,502**

1. Includes the derecognition of $830, representing the Employee's Pension Plan's proportionate share of net assets, as a result of strategic changes in WSIB's investment portfolio during the year, including the launch of the pooling strategy.

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25. Subsequent event

IMCO Global Public Equity and Emerging Markets Public Equity Pooled Funds

On February 22, 2021, IMCO launched the IMCO Global Public Equity Pool ("GPE Pool") as part of its Pooled Asset Management strategy which enables entities to "pool" the management of their investments. The WSIB participated in the GPE Pool transferring over $12.08 billion of global public equities. Similarly, on March 22, 2021, IMCO launched the IMCO Emerging Markets Public Equity Pool, transferring over $1.73 billion of emerging markets public equities. The WSIB is still assessing the impact of both transfers but it is expected that $1.20 billion of assets will be derecognized with a corresponding decrease in non-controlling interests.