Workplace Safety and Insurance Board

First Quarter 2021 Results

Contact accessibility@wsib.on.ca if you require this communication in an alternative format.

Message from the Chair and President and CEO

Our response to COVID-19 continued to evolve during the first quarter of 2021 as Ontario marked the one-year anniversary of the first COVID-19 lockdown and moved from the second to the third wave of the pandemic. Throughout this unprecedented time we have continued to find new ways to provide timely support to people with work related injury or illness, and to businesses experiencing financial difficulties.

Our enhanced digital options, including submission of documents through our website and a new online opt-in for direct deposit have helped improve our ability to respond to both COVID-19 and non-COVID-19 claims. We performed ahead of our yearly targets to make timely decisions and payments to people who have experienced work related injury or illness in Q1 2021.

Meanwhile, our premium rate hold for 2021 came into effect in January, ensuring no premium increases for businesses across the province. Businesses that participated in our financial relief package also have until June 30, 2021 to repay deferred amounts, and we are committed to working with businesses that may require further support during these difficult times.

Through the Health and Safety Excellence program, we also gave $1.5 million in rebates to businesses in February. These businesses can now log in through our website to access and analyze their individual key statistics to make decisions about how to reinvest their rebates in health and safety and further our collective goal of making Ontario the healthiest and safest place to work.

Increased vaccination rates across the province have started to offer hope to Ontarians of a return to pre-pandemic life in the not-too-distant future. As the vaccination rollout moves forward, our commitment remains to provide timely service and support to people who have experienced a work related illness or injury, and to help businesses navigate public health guidelines for reopening to ensure workplace health and safety.

Elizabeth Witmer

Chair, WSIB
June 17, 2021

Tom Bell

President and CEO, WSIB
June 17, 2021

Table of contents

Highlights this quarter

Update on impact of COVID-19

Work-related COVID-19 claims │ We registered 9,513 COVID-19 claims across Schedule 1 businesses in Q1 2021 and 1,408 across Schedule 2. In both cases, these were the highest totals of any quarter since the start of the pandemic, other than Q4 2020 when we registered 13,763 Schedule 1 and 1,772 Schedule 2 COVID-19 claims. As we moved into the second and third waves of the pandemic in Ontario, we have seen the share of COVID-19 claims from the healthcare and agriculture industries decrease compared to other sectors.

Registered claim volume │ Q1 2021 registered claim volume (Schedule 1) was 5% higher than in Q1 2020. COVID-19 claim volume from the second wave of the pandemic has driven this increase. COVID-19 claims represented nearly one in five Q1 2021 claims (19%), a significant increase over 2020, when COVID-19 claims were only 0.3% of Q1 volume. The Q1 2021 non-COVID-19 claim volume of 39,702 was 15% below Q1 2020, but higher than any quarter since then.

The increase in claim volume compared to Q1 2020 was because of lost-time claims – most COVID-19 claims are lost-time. Compared to Q1 2020, lost-time claim volume increased by 49% while no-lost-time claims decreased by 15%. Lost-time claims continue to represent a significantly higher proportion of our registered volume than pre-pandemic.

Operational highlights

Service timeliness maintained │ Despite the higher claim volume in Q1 2021, 95% of eligibility decisions were made within 10 business days, unchanged compared to Q1 2020. Additionally, we paid 70% of claims within 15 days of the initial notification, up from the Q1 2020 figure of 62%. Both of these metrics exceeded our 2021 targets. Eligibility decisions were timely despite the complexity of work-related COVID-19 claims.

Increase in claim durations │ Claim durations – the amount of time that claims continue to require benefits – increased in Q1 among non-COVID-19 claims for time intervals up to 12 months. Durations of 24-months and longer remained stable. Encouragingly, the increase in three-month duration was the smallest (+0.1%) that we've seen in two years and may be an early indication that claim durations are stabilizing.

We've also been tracking durations of COVID-19 claims, which tend to be relatively short. One-month durations among COVID-19 claims were considerably lower in Q1 2021 compared to earlier in the pandemic, demonstrating our improved practices and efficiency when handling COVID-19 claims.

Timelier appeal decisions │ In Q1 2021, 81% of appeals were resolved within six months, up from 77% in Q1 2020. Timeliness improved alongside higher numbers of incoming appeals (+64%). The number of appeals in inventory remains elevated, at 2,439 compared to 1,832 at the end of Q1 2020.

New online service for people with claims │ In January, we added a direct deposit feature to our online services for people with claims. At the end of March, more than 4,000 people had signed up online for direct deposit and over 200 people had used the online option to update their banking information. The new service makes it faster and more convenient for those with claims to receive benefit payments.

Filtering out COVID claims in Compass │ Compass now allows businesses to analyze past claims costs and premium rates. Starting in Q1 2021, businesses may view claim information with or without COVID-19 claims. Since costs associated with COVID-19 related claims are allocated at the Schedule level rather than employer level, businesses may choose to filter these claims out.

Financial highlights

Funded position | As at March 31, 2021, our net assets on a Sufficiency Ratio basis were $5.6 billion, an increase of $0.1 billion from $5.5 billion as at December 31, 2020. This corresponds to a Sufficiency Ratio of 118.1%, compared to 117.3% at year-end 2020. The increase mainly reflects the deferral of current period investment losses, recognition of deferred investment income from prior periods and the going concern adjustments of the employee benefit plans liability.

Premium | Net premiums increased $41 million, or 5.6%, compared to Q1 2020, primarily reflecting a 2.0% increase in insurable earnings and a higher realized average premium rate in the quarter.

Investment returns | Our investment portfolio had a gross loss of 0.1% during the quarter compared with a 9.2% loss during the same period last year. This was primarily attributable to the recovery of the Public Equity portfolio with 2.9% returns in the current quarter in contrast to the 17.5% loss in Q1 2020 during the peak of the market downturn due to the COVID-19 pandemic. The Diversified Markets and Infrastructure strategies were also significant contributors to the rebound in returns as these portfolios had a 2.6% loss and 4.9% return, respectively, compared with a 14.9% loss and 5.1% loss, respectively, last year. The Fixed Income portfolio partially offset these current quarter gains as it had a 6.8% loss compared with a 2.9% gain this time last year.

Long-term investment returns (10-year (7.2%) and 15-year (5.9%)) remain within, or above, the long-term expected return range of 3.3% to 6.7%.

Financial results and outlook

Results of operations

The Workplace Safety and Insurance Board (the "WSIB") reported total comprehensive income of $504 million for the three months ended March 31, 2021, compared to total comprehensive loss of $3,565 million for the same period last year mainly due to the following:

- An increase in net premiums of $41 million mainly due to higher gross Schedule 1 premiums attributable to a 2.0% increase in insurable earnings and a higher realized average premium rate in the quarter as well as a recovery of bad debts as we continue to collect on deferred premiums. This was partially offset by lower interest and penalties, which have been waived during the premium repayment deferral period that has been extended to June 2021.
- An increase in net investment income of $3,472 million was mainly attributable to the solid performance of Public Equity in the quarter, which returned 2.9% continuing the rebound from the COVID-19 market depreciation in March of 2020 when the portfolio posted losses of 17.5%. Other large contributors to the increase were the Diversified Markets, Public Market Alternatives and Infrastructure portfolios, as these were also hard hit last year by the effects of the pandemic. The Fixed Income portfolio on the other hand, experienced a 6.8% loss in the current quarter compared with a gain of 2.9% in Q1 2020. Overall the investment portfolios had a combined gross loss of 0.1% in the current quarter in contrast to a loss of 9.2% for the same period last year.
- As expected, there was an increase in total administration and other expenses, before allocation to claim costs, of $21 million primarily reflecting increases to employee benefit plans, salaries and short-term benefits and equipment and maintenance expenses and depreciations and amortization expenses.
- An increase in total other comprehensive income of $582 million primarily due to a larger gain from the remeasurement of employee benefit plans arising from an increase in discount rate and a higher overall investment return on plan assets.

Outlook

Premiums

Premium revenues are expected to increase throughout 2021. This expectation reflects a 3.2% growth in insurable earnings as a result of the vaccine rollout and expected recovery in the economy in 2021.

Net investment income

While our long-term investment return objective is planned within an expected return range of 3.3% to 6.7%, we continue to 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. While the uncertainty in near term economic conditions remains high, growth is expected to resume in the second half of 2021. Due to consecutive waves of the COVID-19 pandemic extending into Q2 of 2021, claim payments for the year may finish below 2019 levels.

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, Ministry of Labour, Training and Skills Development's ("MLTSD") Supporting Ontario's Safe Employers program, MLTSD prevention costs, Occupational Health and Safety Act, and Workplace Safety and Insurance Appeals Tribunal.

Net assets

Higher expected premium revenues and investment returns are expected 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 during the pandemic, the WSIB established a revolving line of credit in the amount of $900 million with the Ontario Financing Authority for a 14-month period beginning in October 2020. As at March 31, 2021, $400 million was drawn against the revolving line of credit and of which, $190 million has been repaid. WSIB will continue to pay $30 million in the beginning of each month until the loan is paid off.

Reconciliation of the net assets on a Sufficiency Ratio basis

As at March 31, 2021, the Sufficiency Ratio, as defined in the *Ontario Regulation 141/12* and amended by *Ontario Regulation 338/13* (collectively, the "Ontario Regulations"), was 118.1% (December 31, 2020 – 117.3%). Set forth below is the reconciliation of the net assets between the IFRS basis and Sufficiency Ratio basis:

(millions of Canadian dollars)	**March 31 2021**	**December 31 2020**
Net assets attributable to WSIB stakeholders on an IFRS basis	4,783	4,324
Add (Less): Adjustments per Ontario Regulations:		
Change in valuation of invested assets	(392)	(849)
Change in valuation of employee benefit plans liability	1,189	2,118
Change in valuation of invested assets attributable to non-controlling interests	41	(67)
Net assets attributable to WSIB stakeholders on a Sufficiency Ratio basis	**5,621**	**5,526**
Sufficiency Ratio	**118.1%**	**117.3%**

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.

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

	Note	March 31 2021	December 31 2020
Assets			
Cash and cash equivalents	4	1,775	4,969
Receivables and other assets	5	1,470	2,171
Public equity investments	7	13,982	12,959
Fixed income investments	7	10,073	9,302
Derivative assets	7	139	250
Investment properties	7	808	892
Investments in associates and joint ventures		2,527	2,369
Other invested assets	7	7,239	7,590
Property, equipment and intangible assets		321	335
Total assets		**38,334**	**40,837**
Liabilities			
Payables and other liabilities		753	1,696
Borrowings		210	400
Derivative liabilities	7	141	92
Long-term debt and lease liabilities		173	175
Loss of Retirement Income Fund liability		1,985	2,003
Employee benefit plans liability	8	1,934	2,735
Benefit liabilities	10	26,972	26,910
Total liabilities		**32,168**	**34,011**
Net assets			
Reserves		4,821	5,167
Accumulated other comprehensive loss		(42)	(843)
Net assets attributable to WSIB stakeholders		**4,779**	**4,324**
Non-controlling interests		1,387	2,502
Total net assets		**6,166**	**6,826**
Total liabilities and net assets		**38,334**	**40,837**

Approved by the Board of Directors

Elizabeth Witmer

Chair
June 17, 2021

Leslie Lewis

Audit and Finance Committee (Chair)
June 17, 2021

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

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

	Note	Three months ended March 31 2021	2020
Revenues			
Premiums	9	774	724
Net mandatory employer incentive programs	9	(6)	3
Net premiums		**768**	**727**
Investment income (loss)	6	99	(3,389)
Investment expenses	6	(108)	(92)
Net investment loss		**(9)**	**(3,481)**
Total revenues		**759**	**(2,754)**
Expenses			
Claim payments	11	649	651
Claim administration costs	11	125	117
Change in actuarial valuation of benefit liabilities	11	62	48
Total claim costs		**836**	**816**
Loss of Retirement Income Fund contributions		14	14
Administration and other expenses	12	137	126
Legislated obligations and funding commitments		65	70
Total expenses		**1,052**	**1,026**
Deficiency of revenues over expenses		**(293)**	**(3,780)**
Other comprehensive income			
Item that will not be reclassified subsequently to income			
Remeasurements of employee benefit plans	8	836	193
Item that will be reclassified subsequently to income			
Translation gains (losses) from net foreign investments		(39)	22
Total other comprehensive income		**797**	**215**
Total comprehensive income (loss)		**504**	**(3,565)**

	Three months ended March 31 2021	2020
Excess (deficiency) of revenues over expenses attributable to:		
WSIB stakeholders	(346)	(3,452)
Non-controlling interests	53	(328)
	(293)	**(3,780)**
Total comprehensive income (loss) attributable to:		
WSIB stakeholders	455	(3,239)
Non-controlling interests	49	(326)
	504	**(3,565)**

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

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

		Three months ended March 31	
	Note	**2021**	**2020**
Reserves			
Balance at beginning of period		5,167	4,676
Deficiency of revenues over expenses		(346)	(3,452)
Balance at end of period		**4,821**	**1,224**
Accumulated other comprehensive income (loss)			
Balance at beginning of period		(843)	(88)
Remeasurements of employee benefit plans	8	836	193
Translation gains (losses) from net foreign investments		(35)	20
Balance at end of period		**(42)**	**125**
Net assets attributable to WSIB stakeholders		**4,779**	**1,349**
Non-controlling interests			
Balance at beginning of period		2,502	3,431
Excess (deficiency) of revenues over expenses		53	(328)
Translation gains (losses) from net foreign investments		(4)	2
Change in ownership share in investments		(1,164)	(11)
Balance at end of period		**1,387**	**3,094**
Total net assets		**6,166**	**4,443**

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

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

		Three months ended March 31	
	Note	**2021**	**2020**
Operating activities:			
Total comprehensive income (loss)		504	(3,565)
Adjustments:			
Amortization of net discount on investments		(1)	(8)
Depreciation and amortization of property, equipment and intangible assets		17	14
Changes in fair value of investments		142	3,724
Changes in fair value of investment properties		(11)	14
Translation losses (gains) from net foreign investments		39	(22)
Dividend income from public equity investments		(50)	(110)
Income from investments in associates and joint ventures		(94)	(21)
Interest income		(79)	(49)
Interest expense		2	3
Total comprehensive income (loss) after adjustments		**469**	**(20)**
Changes in non-cash balances related to operations:			
Receivables and other assets, excluding those related to investing activities		139	189
Payables and other liabilities, excluding those related to investing and financing activities		(188)	(240)
Loss of Retirement Income Fund liability		(18)	(165)
Employee benefit plans liability	8	(801)	(172)
Benefit liabilities	10	62	48
Total changes in non-cash balances related to operations		(806)	(340)
Net cash required by operating activities		**(337)**	**(360)**
Investing activities:			
Dividends received from public equity investments, associates and joint ventures		131	119
Interest received		44	43
Purchases of property, equipment and intangible assets		(3)	(11)
Purchases of investments		(6,862)	(7,565)
Proceeds on sales and maturities of investments		5,192	7,621
Net dispositions to investment properties		94	142
Net additions to investments in associates and joint ventures		(95)	(46)
Net cash provided (required) by investing activities		**(1,499)**	**303**
Financing activities:			
Net contributions (redemptions) related to non-controlling interests		(1,142)	2
Distributions paid by subsidiaries to non-controlling interests		(22)	(13)
Repayment of debt and lease liabilities		(192)	(24)
Interest paid		(2)	(3)
Net cash required by financing activities		**(1,358)**	**(38)**
Net decrease in cash and cash equivalents		**(3,194)**	**(95)**
Cash and cash equivalents, beginning of period		4,969	3,408
Cash and cash equivalents, end of period		**1,775**	**3,313**

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

Notes to Condensed Interim Consolidated Financial Statements
March 31, 2021
Unaudited (millions of Canadian dollars)

1. Nature of operations

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

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

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

2. Statement of compliance

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

These unaudited condensed interim consolidated financial statements should be read in conjunction with the annual information available in the consolidated financial statements and the accompanying notes for the year ended December 31, 2020. Except as noted in note 3, these unaudited condensed interim consolidated financial statements have been prepared on a basis consistent with the policies and methods outlined in the notes to the consolidated financial statements for the year ended December 31, 2020.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the WSIB's Board of Directors on June 17, 2021.

3. Significant accounting policies, estimates and assumptions

The WSIB is required to apply judgment in its accounting policies, estimates and assumptions that affect the reported amounts recognized in these unaudited condensed interim consolidated financial statements. The accounting policies, significant estimates and assumptions that are significant in these unaudited condensed interim consolidated financial statements are consistent with those applied in the annual information provided in the consolidated financial statements for the year ended December 31, 2020.

(a) Impact of COVID-19

During 2020, as a part of the effort to help reduce the financial burden of the COVID-19 pandemic, 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. The standard repayment period began on January 1, 2021 and will end June 30, 2021. With the ongoing impact of the pandemic still being felt by Ontario businesses, the WSIB is continuing to work with certain employers who have requested additional time for full repayment.

The WSIB continues to closely monitor developments related to the COVID-19 pandemic and its existing and potential impact on the WSIB's results and operations. Increased uncertainty has and could continue to impact financial results, as the duration of the COVID-19 pandemic, the effectiveness of steps undertaken by the government and vaccine efficacy, availability and uptake remain uncertain.

Uncertainty exists in the estimates and assumptions used by the WSIB and include, but are not limited to, the recognition of an allowance for doubtful accounts for amounts outstanding under the financial relief package, the key unobservable inputs used in assessing the fair value of certain financial instruments and investment properties, the impairment assessment of investments in associates and joint ventures, the fair value of plan assets for the pension obligation and employee benefit plans, and the actuarial valuation of the benefit liabilities.

The WSIB has applied valuation techniques using estimates and assumptions that reflect information available when these unaudited condensed interim 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.

(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.

Amendments to IAS 1 *Presentation of Financial Statements* (“IAS 1”)

In February 2021, the IASB issued amendments to IAS 1, which require the disclosure of material accounting policies instead of significant accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023. The adoption of these amendments is not expected to have a significant impact on the WSIB’s consolidated financial statements.

Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (“IAS 8”)

In February 2021, the IASB issued amendments to IAS 8, which clarify the definition of accounting estimates and that a change in accounting estimates resulting from new information or new developments is not the correction of an error. The amendments are effective for annual periods beginning on or after January 1, 2023. The adoption of these amendments is not expected to have a significant impact on the WSIB’s consolidated financial statements.

Notes to Condensed Interim Consolidated Financial Statements
March 31, 2021
Unaudited (millions of Canadian dollars)

4. Cash and cash equivalents

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

	March 31 2021	December 31 2020
Cash	1,254	3,182
Short-term money market securities	521	1,787
Total cash and cash equivalents	**1,775**	**4,969**

As at March 31, 2021, we held $1,775 of cash and cash equivalents, of which $62 was maintained for operating purposes and $1,713 was maintained for investing purposes.

5. Receivables and other assets

Receivables and other assets are comprised of the following:

	March 31 2021	December 31 2020
Premium receivables	337	463
Accrued premium receivables	339	374
Less: Allowance for doubtful accounts	(64)	(71)
Net premium receivables	**612**	**766**
Investment receivables[1]	802	1,364
Total receivables	**1,414**	**2,130**
Other assets[2]	56	41
Total receivables and other assets	**1,470**	**2,171**

1. Investment receivables include $43 of loans receivable (2020 – $16) which are expected to be received over a period of more than one year.
2. Other assets include employer incentive program refunds of $15 (2020 – $30) which are expected to be paid within 12 months.

Notes to Condensed Interim Consolidated Financial Statements
March 31, 2021
Unaudited (millions of Canadian dollars)

6. Net investment loss

Net investment income (loss) by nature of invested assets for the three months ended March 31 is as follows:

	Three months ended March 31	
	2021	**2020**
Cash and cash equivalents	-	5
Public equity investments	303	(2,352)
Fixed income investments	(562)	235
Derivative financial instruments	238	(1,604)
Investment properties	20	3
Investments in associates and joint ventures	94	21
Other invested assets		
Investment funds	11	161
Infrastructure related investments	-	(1)
Real estate related investments	(4)	(4)
Add (Less): Income (loss) attributable to Loss of Retirement Income Fund	(1)	147
Investment income (loss)	**99**	**(3,389)**
Less: Investment expenses[1]	(108)	(92)
Net investment loss	**(9)**	**(3,481)**

1. Includes $44 of management fees paid to investment managers for the three months ended March 31, 2021 (2020 – $37).

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.

Notes to Condensed Interim Consolidated Financial Statements
March 31, 2021
Unaudited (millions of Canadian dollars)

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

	March 31, 2021				December 31, 2020			
	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]	1,254	521	-	**1,775**	3,182	1,787	-	**4,969**
Public equity investments								
Public equity securities	1,171	-	-	**1,171**	12,314	-	-	**12,314**
Public equity pooled funds[2]	-	12,811	-	**12,811**	-	645	-	**645**
Fixed income investments	-	10,073	-	**10,073**	-	9,302	-	**9,302**
Derivative assets	18	121	-	**139**	93	157	-	**250**
Investment properties[3]	-	-	808	**808**	-	-	892	**892**
Other invested assets								
Investment funds	-	-	6,737	**6,737**	-	-	7,081	**7,081**
Infrastructure related investments	-	-	103	**103**	-	-	103	**103**
Real estate related investments	-	-	399	**399**	-	-	406	**406**
Derivative liabilities	(43)	(98)	-	**(141)**	(29)	(63)	-	**(92)**
Assets and liabilities for which fair value is disclosed								
Investment receivables[1]	-	802	-	**802**	-	1,364	-	**1,364**
Administration payables[1]	(354)	-	-	**(354)**	(354)	-	-	**(354)**
Investment payables[1]	-	(233)	-	**(233)**	-	(987)	-	**(987)**
Borrowings	-	(210)	-	**(210)**	-	(400)	-	**(400)**
Long-term debt[4]	-	(70)	-	**(70)**	-	(72)	-	**(72)**
Loss of Retirement Income Fund liability	-	-	(1,985)	**(1,985)**	-	-	(2,003)	**(2,003)**

1. The carrying amounts (less allowance for impairment, where applicable) 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 a right-of-use asset of $9 (December 31, 2020 – $10).
4. Carrying amount as at March 31, 2021 was $70 (December 31, 2020 – $70).

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

During the three months ended March 31, 2021 and March 31, 2020, there were no transfers between levels within the hierarchy.

On February 22, 2021, Investment Management Corporation of Ontario ("IMCO") launched the IMCO Global Public Equity Pool ("GPE Pool") and on March 22, 2021, IMCO launched the IMCO Emerging Markets Public Equity Pool ("EMPE Pool"). The launches are part of IMCO's 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 GPE Pool transferring assets comprised mainly of global public equities into the pool and in the EMPE Pool transferring assets comprised mainly of emerging markets public equities into the pool. The WSIB's investments in the GPE Pool and EMPE Pool are recorded as Public equity pooled funds within Public equity investments in the unaudited condensed interim consolidated statements of financial position.

Notes to Condensed Interim Consolidated Financial Statements
March 31, 2021
Unaudited (millions of Canadian dollars)

Level 3 fair value measurements

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

For the three months ended March 31, 2021	**Other invested assets** Investment funds	Infrastructure related investments	Real estate related investments	**Subtotal**	**Investment properties**	**Total**
Balance as at January 1, 2021	7,081	103	406	7,590	892	8,482
Net gains (losses) recognized in net investment income (loss)	(127)	-	(7)	(134)	11	(123)
Foreign translation losses recognized in other comprehensive income	(6)	-	-	(6)	-	(6)
Purchases	613	-	-	613	-	613
Sales	(824)	-	-	(824)	(96)	(920)
Capital expenditures	-	-	-	-	1	1
Balance as at March 31, 2021	**6,737**	**103**	**399**	**7,239**	**808**	**8,047**
Changes in unrealized gains (losses) included in earnings for assets and liabilities for positions still held	(326)	-	(7)	(333)	11	(322)

For the three months ended March 31, 2020	**Other invested assets** 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 (loss)	46	(4)	(5)	37	(14)	23
Foreign translation losses recognized in other comprehensive income	(21)	-	-	(21)	-	(21)
Purchases	537	-	-	537	-	537
Sales	(410)	-	-	(410)	(150)	(560)
Capital expenditures	-	-	-	-	10	10
Balance as at March 31, 2020	**8,313**	**140**	**473**	**8,926**	**1,214**	**10,140**
Changes in unrealized losses included in earnings for assets and liabilities for positions still held	**(58)**	**(3)**	**(5)**	**(66)**	**(14)**	**(80)**

Unaudited (millions of Canadian dollars)

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

	Valuation methods	Key unobservable inputs	March 31, 2021 Range of inputs Low	High	December 31, 2020 Range of inputs Low	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%	9.7%	9.7%
Real estate related investments and investment properties	Discounted cash flow and market comparable	Discount rate	5.0%	8.0%	5.0%	8.0%
		Terminal capitalization rate	4.5%	7.3%	4.5%	7.3%
Loss of Retirement Income Fund liability	Net asset value	Net asset value provided by administrator/manager	n/a	n/a	n/a	n/a

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.

Notes to Condensed Interim Consolidated Financial Statements
March 31, 2021
Unaudited (millions of Canadian dollars)

8. Employee benefit plans

Employee benefit plans expense

The cost of the employee benefit plans recognized in administration and other expenses for the three months ended March 31 is as follows:

	Pension plans		Other benefits		Total	
For the three months ended March 31	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Current service cost	44	34	7	6	51	40
Net interest on the employee benefit plans liability	11	9	8	7	19	16
Long-term employee benefit gains	-	-	(2)	(1)	(2)	(1)
Past service cost	(9)	-	-	-	(9)	-
Administrative expenses	3	-	-	-	3	-
Employee benefit plans expense	**49**	**43**	**13**	**12**	**62**	**55**

Amounts recognized in other comprehensive income (loss) for the three months ended March 31 are as follows:

	Pension plans		Other benefits		Total	
For the three months ended March 31	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Actuarial gains arising from:						
Financial assumptions	640	438	169	105	809	543
Plan experience	1	1	1	-	2	1
Return on plan assets excluding interest income	25	(351)	-	-	25	(351)
Remeasurements of employee benefit plans	**666**	**88**	**170**	**105**	**836**	**193**

Employee benefit plans liability

The employee benefit plans liability is comprised of the following:

	Pension plans		Other benefits		Total	
	Mar. 31 2021	**Dec. 31 2020**	**Mar. 31 2021**	**Dec. 31 2020**	**Mar. 31 2021**	**Dec. 31 2020**
Present value of obligations[1]	4,867	5,470	971	1,137	5,838	6,607
Fair value of plan assets	(3,904)	(3,872)	-	-	(3,904)	(3,872)
Employee benefit plans liability	**963**	**1,598**	**971**	**1,137**	**1,934**	**2,735**

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

Notes to Condensed Interim Consolidated Financial Statements
March 31, 2021
Unaudited (millions of Canadian dollars)

9. Premium revenues

A summary of premiums for the three months ended March 31 is as follows:

	Three months ended March 31	
	2021	**2020**
Gross Schedule 1 premiums	741	699
Bad debt recovery (expense)	8	(16)
Interest and penalties	-	16
Other income	-	1
Schedule 1 employer premiums	**749**	**700**
Schedule 2 employer administration fees	25	24
Premiums	**774**	**724**
Net mandatory employer incentive programs[1]	(6)	3
Net premiums	**768**	**727**

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 three months ended March 31, 2020 represents the net payouts for mandatory employer incentive programs that are related to previous years.

10. Benefit liabilities

Benefit liabilities are comprised of the following:

	March 31 2021	**December 31 2020**
Loss of earnings	8,773	8,733
Workers' pensions	5,110	5,167
Health care	4,611	4,550
Survivor benefits	3,101	3,079
Future economic loss	716	745
External providers	95	93
Non-economic loss	324	322
Long latency occupational diseases	2,410	2,385
Claim administration costs	1,318	1,322
Loss of Retirement Income	514	514
Benefit liabilities	**26,972**	**26,910**

Notes to Condensed Interim Consolidated Financial Statements
March 31, 2021
Unaudited (millions of Canadian dollars)

11. Total claim payments

Claim payments

	Three months ended March 31	
	2021	**2020**
Loss of earnings	266	262
Workers' pensions	117	122
Health care	152	151
Survivor benefits	53	52
Future economic loss	36	39
External providers	7	7
Non-economic loss	18	18
Total claim payments	**649**	**651**

Claim administration costs

	Three months ended March 31	
	2021	**2020**
Allocation from administration and other expenses	121	111
Allocation from legislated obligations and funding commitments expenses	4	6
Total claim administration costs	**125**	**117**

Change in actuarial valuation of benefit liabilities

	Three months ended March 31	
	2021	**2020**
Change in actuarial valuation of benefit liabilities	62	48

For the three months ended March 31, 2021, the change in actuarial valuation of benefit liabilities is detailed as follows:

Benefit liabilities as at December 31, 2020	**26,910**
Payments made in 2021 for prior injury years (including Loss of Retirement Income and claims administration costs)	(701)
Interest accretion[1]	296
Liabilities incurred for the 2021 injury year	483
Experience gains	(16)
Benefit liabilities as at March 31, 2021	**26,972**
Change in actuarial valuation of benefit liabilities	62

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

Notes to Condensed Interim Consolidated Financial Statements
March 31, 2021
Unaudited (millions of Canadian dollars)

12. Administration and other expenses

	Three months ended March 31	
	2021	**2020**
Salaries and short-term benefits	121	115
Employee benefit plans	62	55
Depreciation and amortization	16	12
Other	59	55
	258	**237**
Claim administration costs allocated to claim costs	(121)	(111)
Total administration and other expenses	**137**	**126**

13. Commitments and contingent liabilities

(a) Investment commitments

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

	March 31 2021	**December 31 2020**
Investment funds, infrastructure and real estate related investments	4,267	3,589
Investments in associates and joint ventures	442	479
Total investment commitments	**4,709**	**4,068**

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

(b) Legislated obligations and funding commitments

Known commitments related to legislated obligations and funding commitments as at March 31, 2021 were approximately $274 for the period from April 1, 2021 to March 31, 2022.

(c) Legal actions

The WSIB is engaged in various legal proceedings and claims that have arisen in the ordinary course of business, the outcome of which is subject to future resolution. Based on information currently known to the WSIB, management believes 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.