Workplace Safety and Insurance Board

First Quarter 2023 Results

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

	Note	March 31 2023	December 31 2022 *restated*	January 1 2022 *restated*
Assets				
Cash and cash equivalents	5	639	664	681
Receivables and other assets	4,6	332	296	252
Public equity investments	7	10,218	10,000	14,041
Fixed income investments	7	8,978	8,773	11,755
Derivative assets	7	122	47	128
Securities purchased under resale agreements		8	-	-
Investment properties	7	662	653	651
Investments in associates and joint ventures		2,377	2,376	3,378
Other invested assets	7	13,468	12,852	8,914
Property, equipment and intangible assets		228	228	286
Total assets		**37,032**	**35,889**	**40,086**
Liabilities				
Payables and other liabilities	4,8	398	333	358
Derivative liabilities	7	29	59	51
Securities sold under repurchase agreements		1,176	1,082	-
Long-term debt and lease liabilities		166	162	169
Loss of Retirement Income Fund liability	9	1,904	1,874	2,103
Employee benefit plans liability	10	1,040	1,017	2,215
Insurance contract liabilities	4,11	27,270	26,647	31,802
Total liabilities		**31,983**	**31,174**	**36,698**
Net assets				
Reserves		3,382	3,036	2,772
Accumulated other comprehensive income (loss)		1,261	1,277	(138)
Net assets attributable to WSIB stakeholders		**4,643**	**4,313**	**2,634**
Non-controlling interests		406	402	754
Total net assets		**5,049**	**4,715**	**3,388**
Total liabilities and net assets		**37,032**	**35,889**	**40,086**

Approved by the Board of Directors

Grant Walsh
Chair
June 9, 2023

Reagan Ruslim
Audit and Finance Committee (Chair)
June 9, 2023

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 2023	Three months ended March 31 2022 *restated*
Revenues			
Insurance revenue	12	853	793
Insurance service expenses	14	(1,007)	(805)
Insurance service result		**(154)**	**(12)**
Insurance finance income (expense)	4	**(562)**	**2,833**
Investment income (loss)	13	1,224	(1,566)
Investment expenses	13	(75)	(84)
Net investment income (loss)		**1,149**	**(1,650)**
Total revenues		**433**	**1,171**
Expenses			
Loss of Retirement Income Fund contributions		13	13
Administration and other expenses	15	32	37
Legislated obligations and funding commitments		69	65
Other income and expense		(28)	(27)
Total expenses		**86**	**88**
Excess from operations		**347**	**1,083**
Surplus distribution expense	16	-	1,335
Excess (deficiency) of revenues over expenses		**347**	**(252)**
Other comprehensive income (loss)			
Item that will not be reclassified subsequently to income			
Remeasurements of employee benefit plans	10	(17)	850
Item that will be reclassified subsequently to income			
Translation gains (losses) from net foreign investments		1	(34)
Total other comprehensive income (loss)		**(16)**	**816**
Total comprehensive income		**331**	**564**

	Note	Three months ended March 31 2023	Three months ended March 31 2022 *restated*
Excess (deficiency) of revenues over expenses attributable to:			
WSIB stakeholders		346	(252)
Non-controlling interests	18	1	-
		347	**(252)**
Total comprehensive income (loss) attributable to:			
WSIB stakeholders		330	566
Non-controlling interests	18	1	(2)
		331	**564**

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

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

	Note	Three months ended March 31 2023
Reserves		
Balance at December 31, 2022 (As reported)		1,944
Impact of the adoption of IFRS 17	4	1,092
Balance at January 1, 2023 (Restated)		3,036
Excess from operations		346
Surplus distribution	15	-
Balance at end of period		**3,382**
Accumulated other comprehensive income (loss)		
Balance at beginning of period		1,277
Remeasurements of employee benefit plans	10	(17)
Translation gains (losses) from net foreign investments		1
Balance at end of period		**1,261**
Net assets attributable to WSIB stakeholders		**4,643**
Non-controlling interests		
Balance at beginning of period		402
Excess of revenues over expenses		1
Translation losses from net foreign investments		-
Change in ownership share in investments		3
Balance at end of period		**406**
Total net assets		**5,049**

	Note	Three months ended March 31 2022 *restated*
Reserves		
Balance at December 31, 2021 (As reported)		7,399
Transitional adjustment upon adoption of IFRS 17	4	(4,627)
Balance at January 1, 2022 (Restated)		2,772
Excess from operations		1,083
Surplus distribution	15	(1,335)
Balance at end of period (Restated)		**2,520**
Accumulated other comprehensive income (loss)		
Balance at beginning of period		(138)
Remeasurements of employee benefit plans	10	850
Translation gains (losses) from net foreign investments		(32)
Balance at end of period		**680**
Net assets attributable to WSIB stakeholders		**3,200**
Non-controlling interests		
Balance at beginning of period		754
Excess of revenues over expenses		-
Translation losses from net foreign investments		(2)
Change in ownership share in investments		(58)
Balance at end of period		**694**
Total net assets (Restated)		**3,894**

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	**2023**	**2022** ***restated***
Operating activities:			
Total comprehensive income		331	564
Adjustments for non-cash items:			
Amortization of net discount on investments		(7)	(1)
Depreciation and amortization of property, equipment and intangible assets		9	17
Changes in fair value of investments		(1,193)	1,959
Changes in fair value of investment properties		1	(7)
Translation losses (gains) from net foreign investments		(1)	34
Dividend income from public equity investments		(7)	(48)
Loss (income) from investments in associates and joint ventures		23	(159)
Surplus distribution expense	16	-	(101)
Interest income		(90)	2
Interest expense		13	1,335
Total comprehensive income (loss) after adjustments		(921)	3,595
Changes in non-cash balances related to operations:			
Receivables and other assets, excluding those related to investing and financing activities		(7)	(1)
Payables and other liabilities, excluding those related to investing and financing activities		80	(61)
Loss of Retirement Income Fund liability	9	30	(93)
Employee benefit plans liability	10	23	(820)
Insurance contract liabilities	11	623	(2,889)
Total changes in non-cash balances related to operations		749	(3,864)
Net cash required by operating activities		**(172)**	**(269)**
Investing activities:			
Dividends received from investments		11	39
Interest received		46	62
Purchases of property, equipment and intangible assets		(3)	(1)
Purchases of investments		(3,913)	(2,827)
Proceeds on sales and maturities of investments		3,997	4,253
Net additions to investment properties		(10)	(5)
Net additions to investments in associates and joint ventures		(39)	(26)
Net cash provided (required) by investing activities		**89**	**1,495**
Financing activities:			
Net redemptions related to non-controlling interests		4	(57)
Distributions paid by subsidiaries to non-controlling interests		(1)	(1)
Repayment of debt and lease liabilities		(1)	(2)
Interest paid		(11)	(2)
Surplus distribution		(20)	-
Net increase in securities sold under repurchase agreements		95	-
Net increase in securities purchased under resale agreements		(8)	-
Net cash provided (required) by financing activities		**58**	**(62)**
Net increase (decrease) in cash and cash equivalents		**(25)**	**1,164**
Cash and cash equivalents, beginning of period		664	681
Cash and cash equivalents, end of period		**639**	**1,845**

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

Notes to Condensed Interim Consolidated Financial Statements
March 31, 2023
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, 2022. 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, 2022, except as noted below.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the WSIB's Board of Directors on June 9, 2023. The 2022 figures as presented in these unaudited condensed interim consolidated financial statements have been restated, where indicated, for the adoption of IFRS 17.

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, 2022, except as noted below.

a) Securities purchased under resale agreements

The WSIB enters into resale agreements where the WSIB purchases securities and subsequently resells them at a specified price on a specified date in the future. Securities purchased under resale agreements are accounted for as collateralized lending transactions initially measured at fair value and subsequently measured at amortized cost using the effective interest rate method. Due to the short-term nature of these agreements, the carrying amounts of the securities purchased under resale agreements approximate fair value.

b) Use of estimates and assumptions

Uncertainty exists in the estimates and assumptions used by the WSIB, which include, but are not limited to, the key unobservable inputs used in assessing the fair value of certain financial instruments and investment properties, the impairment of investments, the fair value of plan assets for the pension obligation and employee benefit plans, and the actuarial valuation of the benefit liabilities, now part of insurance contract liabilities under IFRS 17. 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.

4. Changes in accounting policies

Standards and amendments adopted during the current year:

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

In these financial statements, WSIB has applied IFRS 17 for the first time. IFRS 17 replaces the guidance in IFRS 4 *Insurance Contracts* and establishes a comprehensive principles-based framework for the recognition, measurement and presentation of insurance contracts for annual periods beginning on or after January 1, 2023.

IFRS 17 introduces two primary measurement models of insurance contract liabilities that could be applicable to the WSIB, depending on the nature of the insurance contracts: the General Measurement Model and the Premium Allocation Approach.

The General Measurement Model requires insurance contracts to be measured using current estimates of discounted future cash flows, an adjustment for risk and a contractual service margin representing the profit expected from fulfilling the contracts. The Premium Allocation Approach is a simplified model that can be applied to insurance contracts with coverage periods of one year or less, or where the Premium Allocation Approach approximates the General Measurement Model. The Premium Allocation Approach includes discounted future cash flows and an adjustment for risk, but does not include a contractual service margin (i.e. referred to as "fulfilment cash flows"). The WSIB has assessed the coverage period of its insurance contracts as one year in length, and as such, has applied the Premium Allocation Approach on transition.

The most significant impact that IFRS 17 has on the WSIB's consolidated financial statements is on the Benefit liabilities, now part of Insurance contract liabilities.

a) Discount rate

Under IFRS 17, the discount rate used to reflect the time value of money in the fulfilment cash flows is based on the characteristics of the liabilities, which is different from IFRS 4, where the discount rate is based on the yield curve of the assets supporting those liabilities.

All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. The WSIB uses a bottom-up approach to determine a liquidity premium over risk-free rates based on the market spread of an asset reference portfolio adjusted to remove the credit losses, and to account for the difference in liquidity between the asset reference portfolio and the insurance contract.

Unaudited (millions of Canadian dollars)

The annual spot rates applied for discounting of future cash flows are listed below:

	Annual spot rates	
Year	**March 31, 2023**	**December 31, 2022**
1	5.47%	5.61%
2	5.16%	5.42%
3	4.93%	5.28%
4	4.80%	5.20%
5	4.73%	5.15%
10	4.87%	5.20%
15	5.13%	5.38%
20	5.24%	5.45%
30	4.94%	5.04%
50	5.04%	5.10%
Single-equivalent rate[1]	**5.03%**	**5.26%**

1. Single-equivalent is a derived spot rate that allows for the comparison or aggregation of cash flows that occur at different points in time.

b) Onerous contracts

An insurance contract is onerous at the date of initial recognition if the fulfilment cash flows allocated to the contract results in a total net outflow. IFRS 17 requires entities to distinguish groups of insurance contracts expected to be onerous from those insurance contracts that are not expected to be onerous. Where facts and circumstances indicate that insurance contracts are onerous at initial recognition, the WSIB recognizes a liability to reflect the expected net outflow as applicable. The recognition of this liability results in a loss recognized in the period it arises.

The WSIB has developed a methodology to identify the indicators of possible onerous contracts and to determine the onerous loss component at the Schedule 1 employer level. Subsequent to initial recognition, the loss component is amortized through net income over the coverage period such that the onerous loss liability will be nil at the end of the coverage period and a new onerous loss liability pertaining to the following premium year will be recognized in the year-end financial statements.

The WSIB has applied the full retrospective approach on transition to IFRS 17 as of January 1, 2022 and as a result, all comparative information has been restated.

On adoption of IFRS 17, the WSIB's net assets decreased by approximately $4,627 as a result of the change in discount rate and recognition of the onerous loss liability.

The changes to the classification, measurement, presentation and disclosure of insurance results in WSIB's consolidated financial statements can be summarized as follows:

Contract boundary

The WSIB includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the period in which the WSIB can compel the policyholder to pay the premiums, or in which the WSIB has a substantive obligation to provide the policyholder with insurance contract services. The WSIB has assessed the contract boundary for its insurance contracts to be one year as it only has the substantive right to compel Schedule 1 employers to pay premiums annually and has the practical ability to reassess the risks and set a price that fully reflects these risks on an annual basis.

Changes to classification and measurement

The adoption of IFRS 17 did not change the classification of the WSIB's insurance contracts. However, IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued.

a) Level of aggregation

IFRS 17 requires an entity to determine the level of aggregation by first identifying the portfolios of insurance contracts. Portfolios comprise of groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: (i) onerous contracts, (ii) contracts with no significant risk of becoming onerous, and (iii) the remainder. IFRS 17 also notes that no group for level of aggregation purposes may contain contracts issued more than one year apart.

WSIB's arrangement with Schedule 1 employers gives rise to a single portfolio as the insurance contracts with Schedule 1 employers are subject to similar risks and are managed together. This portfolio is further disaggregated into groups of contracts that are issued within a calendar year and are (i) contracts that are onerous at initial recognition (ii) a group of remaining contracts. Due to the not-for-profit nature of WSIB's operations, the category of contracts with no significant risk of becoming onerous is not applicable.

b) Recognition

WSIB recognizes groups of insurance contracts from the earliest of the following:

- The beginning of the coverage period of the group of contracts, or
- For a group of onerous contracts, as soon as facts and circumstances indicate that the group is onerous.

c) Measurement

WSIB's Insurance contract liabilities is comprised of two components: 1) Liabilities for remaining coverage comprising fulfilment cash flows related to future service allocated to each group of contracts at period end and 2) Liabilities for incurred claims comprising the fulfilment cash flows related to past service allocated to each group of contracts at period end.

Liabilities for remaining coverage

Since WSIB has applied the Premium Allocation Approach on transition to IFRS 17, on initial recognition of each group of contracts, the carrying amount of the Liabilities for remaining coverage is measured at the premiums received on initial recognition.

Subsequently, the carrying amount for the Liabilities for remaining coverage is increased by any premiums received and decreased by the amount recognized as insurance revenue for the coverage provided. On initial recognition of each group of contracts, WSIB expects that the time between providing each part of the coverage and the related premium due date is no more than a year. Accordingly, WSIB has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then WSIB recognizes a loss in the consolidated statement of comprehensive income and increases the Liabilities for remaining coverage.

Liabilities for incurred claims

This is similar to what was previously referred to as Benefit liabilities under IFRS 4. WSIB recognizes the liabilities for incurred claims of a group of insurance contracts at the amount of the fulfilment cash flows relating to incurred claims.

Unaudited (millions of Canadian dollars)

Liabilities for incurred claims 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 can have a significant impact on the measurement of Insurance contract liabilities and claim costs.

Insurance contract 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 and fall outside the scope of IFRS 17.

The table below reconciles the WSIB's Benefit liabilities as at December 31, 2022, as previously reported in WSIB's annual audited consolidated financial statements to the Liabilities for incurred claims under IFRS 17 as at December 31, 2022.

	December 31 2022
Benefit liabilities as at December 31, 2022 (As previously reported)	27,570
Impact of IFRS 17 adoption due to new measurement methodology	(1,300)
Impact of IFRS 17 adoption due to reclassification of insurance related payables	90
Liabilities for incurred claims as at December 31, 2022	**26,360**

Insurance revenue
Insurance revenue is comprised of Schedule 1 premiums expected to be received during the coverage period adjusted for the time value of money and excluding any investment components. Given that WSIB's coverage period is one year, no adjustment is made to Schedule 1 premiums for the time value of money. Insurance revenue is recognized by allocating Schedule 1 premiums to each reporting period on the basis of the passage of time, which is the coverage period of one year.

Insurance service expenses
Insurance service expenses are comprised of fulfilment cash flows that are included within the boundary of WSIB's insurance contracts. These include payments to (or on behalf of) a policyholder, claims handling costs, policy administration and maintenance costs, and an allocation of fixed and variable overhead costs. These overhead costs are allocated to WSIB's insurance contracts using methods that are systematic and rational, and are consistently applied to all costs that have similar characteristics.

Insurance finance income (expense)
Insurance finance income or expense is comprised of the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money
- The effect of financial risk and changes in financial risk

Under IFRS 17, there is an option to disaggregate changes in the Liabilities for incurred claims resulting from changes in discount rates and present them in Other comprehensive income. However, since the majority of WSIB's investment assets backing the insurance contracts are managed on a fair value basis and measured at fair value through profit and loss, the WSIB has elected to recognize the changes in discount rates within profit and loss.

Unaudited (millions of Canadian dollars)

Risk adjustment for non-financial risk
The risk adjustment for non-financial risk is applied to the discounted cash flows and reflects the compensation the WSIB requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as WSIB fulfils insurance contracts. Due to the not-for-profit nature of WSIB's operations, the WSIB does not require compensation for bearing uncertainty from any non-financial risk. Therefore, the WSIB's risk adjustment is determined to be de minimis and corresponds to a 50% confidence level.

Changes to presentation and disclosure

The most significant change on the consolidated statements of financial position compared with last year is that Benefit liabilities are presented as Insurance contract liabilities under IFRS 17 and is comprised of:

- Benefit liabilities measured using the new discount rate methodology,
- Insurance related payables reclassified from Payables and other liabilities (together with Benefit liabilities referred to as Liabilities for incurred claims"),
- Onerous loss liability; and
- Insurance related receivables reclassified from Receivables and other assets (i.e. together with Onerous loss liability, referred to as Liabilities for remaining coverage).

The line item descriptions on the consolidated statements of comprehensive income have been changed significantly. Previously, the WSIB reported the following line items: Premium revenue, Claim payments, and Change in actuarial valuation of benefit liabilities. IFRS 17 requires separate presentation of:

- Insurance revenue: comprising of premiums from Schedule 1 employers. Administration fees from Schedule 2 employers fall outside the scope of IFRS 17 and are presented as Other income and expense.
- Insurance service expenses: comprising of incurred claims excluding investment components and other incurred directly attributable insurance service expenses, losses on onerous contracts and reversals of those losses and changes in Liabilities for incurred claims.
- Insurance finance income or expense: comprising of changes in the Liabilities for incurred claim due to changes in the discount rate and interest accretion.

The table below reconciles the WSIB's assets and liabilities as at December 31, 2021, as previously disclosed in the WSIB's annual audited consolidated financial statements, to the WSIB's restated assets and liabilities on initial application of IFRS 17 on January 1, 2022.

		Impact of IFRS 17		
As at January 1, 2022	**IFRS 4**	**Presentation[1]**	**Measurement[2]**	**IFRS 17**
Total assets	40,532	(446)	-	40,086
Total liabilities	32,517	(446)	4,627	36,698
Net assets attributable to WSIB stakeholders	7,261	-	(4,627)	2,634
Non-controlling interests	754	-	-	754

1. Due to the reclassification of insurance related receivables and payables to Insurance contract liabilities
2. Due to new measurement methodology prescribed by IFRS 17

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

In these financial statements, WSIB has applied IFRS 9 for the first time. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39") and includes guidance on the classification and measurement of financial instruments, impairment of financial assets, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2023. The measurement of the WSIB's financial liabilities remains the same upon transition to IFRS 9.

Please refer to the accounting policies in the annual information provided in the consolidated financial statements for the year ended December 31, 2022 for more details on WSIB's significant accounting policies under IAS 39.

Changes to classification and measurement

The IAS 39 measurement categories for financial assets (fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity (HTM) and loans and receivables at amortized cost have been replaced by the following under IFRS 9:

- Amortized cost—a financial a financial asset is measured at amortized cost if the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual cash flows pass the "solely payments of principal and interest" ("SPPI") test;
- Fair value through other comprehensive income (FVOCI) - financial assets are classified and measured at FVOCI if the assets are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual cash flows pass the SPPI test.
- Fair value through profit or loss (FVTPL) – any financial assets that do not meet the measurement criteria for Amortized cost or FVOCI. Specifically, a business model in which an entity manages the financial assets with the objective of realizing cash flows through the sale of assets and the entity makes decisions based on the asset's fair values and manages the assets to realize those fair values.

Under IFRS 9, the classification of a financial asset is based on the business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Depending on the assessment, a financial asset is either classified as fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVOCI"), or Amortized cost.

The WSIB's primary business model is to manage financial assets with the objective of realizing cash flows through the sale of assets and making decisions based on the assets' fair values and managing the assets to realize those fair values. Financial assets are measured at Amortized cost if they are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual cash flows pass the solely payments of principal and interest test ("SPPI"). The adoption of IFRS 9 does not have a significant impact on the WSIB's consolidated financial statements as most of the WSIB's financial instruments continue to be measured at FVTPL and the WSIB has no financial assets that are classified as FVOCI. Based on the new classification categories, WSIB's financial assets including investment receivables and securities purchased under resale agreements are now classified as Amortized cost.

Changes to the impairment calculation

The new forward-looking expected credit loss (“ECL”) model introduced by IFRS 9 replaces the “incurred loss” model under IAS 39 for the recognition and measurement of impairment on all financial instruments not measured at fair value. The adoption of the new expected loss model is applied prospectively.

IFRS 9 requires an allowance for ECL for all financial assets that are not held at FVPL. Under the IFRS 9 expected credit loss methodology, an allowance is recorded for expected credit losses on financial assets regardless of whether there has been an actual loss event. The WSIB recognizes an allowance at an amount equal to 12 month expected credit losses, if the credit risk at the reporting date has not increased significantly since initial recognition (Stage 1). When a financial asset experiences a significant increase in credit risk subsequent to origination but is not considered to be in default, it is included in Stage 2 and subject to lifetime expected credit losses. Financial assets that are in default are included in Stage 3. Similar to Stage 2, the allowance for credit losses for Stage 3 financial assets captures the lifetime expected credit losses. The ECL model does not have a significant impact on the WSIB’s financial assets classified as amortized cost as their carrying value approximates their fair value (which takes into consideration future credit losses) due to their short-term nature.

Changes to presentation and disclosure

As the impact of IFRS 9 is not significant to the WSIB, there are no material changes to presentation and disclosure.

Transition

The transition to IFRS 9 is applied retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. As IFRS 9 does not have a significant impact on the financial statements of the WSIB, the WSIB has chosen not to restate the prior periods.

c) 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 did not have a significant impact on the WSIB’s consolidated financial statements.

d) 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 did not have a significant impact on the WSIB’s consolidated financial statements.

5. Cash and cash equivalents

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

Notes to Condensed Interim Consolidated Financial Statements
March 31, 2023
Unaudited (millions of Canadian dollars)

	March 31 2023	**December 31 2022**
Cash	285	256
Short-term money market securities	296	384
Restricted cash[1]	58	24
Total cash and cash equivalents	**639**	**664**

1. The restricted cash balance consists of funds received from the Government of Ontario for the purposes of administering the COVID-19 Worker Income Protection Benefit Program on behalf of the Government of Ontario.

As at March 31, 2023, the WSIB held $639 (December 31, 2022 – $664) of cash and cash equivalents, of which $203 (December 31, 2022 – $127) was maintained for operating purposes and $436 (December 31, 2022 – $537) was maintained for investing purposes.

6. Receivables and other assets

Receivables and other assets are comprised of the following:

	March 31 2023	**December 31 2022** ***restated***
Investment receivables	234	208
Other assets	98	88
Total receivables and other assets	**332**	**296**

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:

	March 31, 2023				December 31, 2022			
	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]	343	296	-	**639**	280	384	-	**664**
Public equity investments								
Public equity pooled funds[2]	-	10,216	-	**10,216**	-	9,999	-	**9,999**
Public equity securities	2	-	-	**2**	1	-	-	**1**
Fixed income investments	-	8,978	-	**8,978**	-	8,773	-	**8,773**
Derivative assets	32	90	-	**122**	-	47	-	**47**
Investment properties[3]	-	-	662	**662**	-	-	653	**653**
Other invested assets								
Private market pooled funds[4]	-	-	7,246	**7,246**	-	-	7,070	**7,070**
Other private market investments	-	-	6,222	**6,222**	-	-	5,782	**5,782**
Derivative liabilities	(9)	(20)	-	**(29)**	(8)	(51)	-	**(59)**
Loss of Retirement Income Fund liability (note 9)	-	-	(1,904)	**(1,904)**	-	-	(1,874)	**(1,874)**
Assets and liabilities for which fair value is disclosed								
Long-term debt[5]	-	(64)	-	**(64)**	-	(64)	-	**(64)**

1. The carrying amount of cash and cash equivalents approximates its fair value.
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 $7 (December 31, 2022 – $9).
4. The WSIB owns units of pooled funds which hold investments in private market investments.
5. Carrying amount as at March 31, 2023 was $70 (December 31, 2022 – $70).

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

During the three months ended March 31, 2023 and March 31, 2022, there were no transfers between levels within the hierarchy.

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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:

For the three months ended March 31, 2023	Other invested assets: Private market pooled funds	Other invested assets: Other private market investments	Subtotal	Investment properties	Total
Balance as at January 1, 2023	7,070	5,782	12,852	653	13,505
Reclassification upon adoption of IFRS 9[1]	-	33	33	-	33
Net gains (losses) recognized in net investment income (loss)	46	47	93	(1)	92
Purchases	138	502	640	-	640
Sales	(8)	(142)	(150)	-	(150)
Capital expenditures	-	-	-	10	10
Balance as at March 31, 2023	**7,246**	**6,222**	**13,468**	**662**	**14,130**
Changes in unrealized gains (losses) included in income (loss) for positions still held	**46**	**40**	**86**	**(1)**	**85**

1. Certain reclassifications have been made upon adoption of IFRS 9. See note 4 for further details pertaining to the implementation of IFRS 9 on January 1st, 2023.

For the three months ended March 31, 2022	Other invested assets: Private market pooled funds	Other invested assets: Other private market investments	Subtotal	Investment properties	Total
Balance as at January 1, 2022	2,544	6,370	8,914	651	9,565
Net gains (losses) recognized in net investment income	83	(41)	42	7	49
Translation losses recognized in other comprehensive income (loss)	-	(2)	(2)	-	(2)
Purchases	347	813	1,160	-	1,160
Sales	-	(630)	(630)	-	(630)
Capital expenditures	-	-	-	5	5
Balance as at March 31, 2022	**2,974**	**6,510**	**9,484**	**663**	**10,147**
Changes in unrealized gains (losses) included in income for positions still held	**84**	**55**	**139**	**7**	**146**

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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	March 31, 2023 Range of inputs Low	March 31, 2023 Range of inputs High	December 31, 2022 Range of inputs Low	December 31, 2022 Range of inputs High
Private market pooled funds	Net asset value	Net asset value provided by manager	n/a	n/a	n/a	n/a
Other private market investments	Net asset value	Net asset value provided by manager	n/a	n/a	n/a	n/a
	Discounted cash flow and market comparable	Discount rate	5.4%	8.3%	5.4%	8.3%
		Terminal capitalization rate	4.8%	8.0%	4.8%	8.0%
Investment properties	Discounted cash flow and market comparable	Discount rate	6.0%	8.8%	5.3%	8.8%
		Terminal capitalization rate	5.3%	7.8%	5.0%	7.8%
Loss of Retirement Income Fund liability	Net asset value	Net asset value provided by administrator	n/a	n/a	n/a	n/a

Sensitivity of Level 3 financial instruments

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

Fair values of other private market investments are based on valuations obtained from investment managers. The valuations obtained from investment managers are based on net asset values, comparable transactions in the market or 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 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. Payables and other liabilities

	March 31 2023	December 31 2022 *restated*
Administration payables	171	158
Investment payables	73	70
Short-term payable – Worker Income Protection Benefit Program[1]	58	24
Other liabilities	96	81
Total payables and other liabilities	**398**	**333**

1. The short-term payable – Worker Income Protection Benefit Program balance consists of payables related to administering the COVID-19 Worker Income Protection Benefit Program on behalf of the Government of Ontario.

9. Loss of Retirement Income Fund liability

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

	March 31 2023	December 31 2022
Balance at beginning of period	1,874	2,103
Contributions from the WSIB	13	52
Optional contributions from injured workers	2	7
Contributions from Schedule 2 employers	3	10
Income (loss) earned on contributions	55	(131)
Benefits paid in cash	(43)	(167)
Balance at end of period	**1,904**	**1,874**

Unaudited (millions of Canadian dollars)

10. 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	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Current service cost	21	42	3	6	24	48
Net interest on the employee benefit plans liability	5	10	8	8	13	18
Long-term employee benefit gains	-	-	1	(5)	1	(5)
Administrative expenses	4	3	-	-	4	3
Employee benefit plans expense	**30**	**55**	**12**	**9**	**42**	**64**

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	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Actuarial gains (losses) arising from:						
Financial assumptions	(91)	868	(13)	165	(104)	1,033
Plan experience	-	1	-	2	-	3
Return on plan assets excluding interest income	87	(186)	-	-	87	(186)
Remeasurements of employee benefit plans	**(4)**	**683**	**(13)**	**167**	**(17)**	**850**

Employee benefit plans liability

The employee benefit plans liability is comprised of the following:

	Pension plans		Other benefits		Total	
	Mar. 31 2023	**Dec. 31 2022**	**Mar. 31 2023**	**Dec. 31 2022**	**Mar. 31 2023**	**Dec. 31 2022**
Present value of obligations[1]	4,328	4,198	660	644	4,988	4,842
Fair value of plan assets	(3,948)	(3,825)	-	-	(3,948)	(3,825)
Employee benefit plans liability	**380**	**373**	**660**	**644**	**1,040**	**1,017**

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

Unaudited (millions of Canadian dollars)

11. Insurance contract liabilities

Roll forward of the insurance contract liabilities showing the liabilities for remaining coverage and the liabilities for incurred claims as of March 31, 2023.

	Liabilities for remaining coverage		**Liabilities for incurred claims**	**Total**
	Excluding loss component	**Loss component**	**Estimates of the present value of future cash flows**	
Insurance contract liabilities as at January 1, 2023	**97**	**190**	**26,360**	**26,647**
Insurance revenue	(853)	-	-	(853)
Insurance service expenses				
Incurred claims and other expenses	-	(47)	866	819
Losses on onerous contracts and reversals of those losses	-	-	-	-
Changes in liabilities for incurred claims	-	-	188	188
Total insurance service (income) or expenses	-	(47)	1,054	1,007
Insurance service result	**(853)**	**(47)**	**1,054**	**154**
Insurance finance expense	**-**	**-**	**562**	**562**
Total changes in the statement of comprehensive income	**(853)**	**(47)**	**1,616**	**716**
Cash flows				
Premium received	768	-	-	768
Claims and other expenses paid	-	-	(861)	(861)
Total cash flows	**768**	**-**	**(861)**	**(93)**
Insurance contract liabilities as at March 31, 2023	**12**	**143**	**27,115**	**27,270**

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Roll forward of the insurance contract liabilities showing the liabilities for remaining coverage and the liabilities for incurred claims as of December 31, 2022.

	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	
Insurance contract (assets) liabilities as at January 1, 2022	**(195)**	**310**	**31,687**	**31,802**
Insurance revenue	(3,279)	-	-	(3,279)
Insurance service expenses				
Incurred claims and other expenses	-	(310)	3,447	3,137
Losses on onerous contracts and reversals of those losses	-	190	-	190
Changes in liabilities for incurred claims	-	-	291	291
Total insurance service (income) or expenses	-	(120)	3,738	3,618
Insurance service result	**(3,279)**	**(120)**	**3,738**	**339**
Insurance finance income	**-**	**-**	**(5,630)**	**(5,630)**
Total changes in the statement of comprehensive income	**(3,279)**	**(120)**	**(1,892)**	**(5,291)**
Cash flows				
Premium received	3,571	-	-	3,571
Claims and other expenses paid	-	-	(3,435)	(3,435)
Total cash flows	**3,571**	**-**	**(3,435)**	**136**
Insurance contract liabilities as at December 31, 2022	**97**	**190**	**26,360**	**26,647**

Liabilities for incurred claims by benefit type are comprised of the following:

	March 31 2023	**December 31 2022**
Loss of earnings	8,519	8,283
Workers' pensions	4,787	4,727
Health care	4,904	4,715
Survivor benefits	3,250	3,139
Future economic loss	541	558
External providers	95	92
Non-economic loss	394	380
Long latency ccupational diseases	2,433	2,329
Claim administration costs	1,615	1,577
Loss of Retirement Income	482	470
Liabilities for incurred claims	**27,020**	**26,270**
Receivables and payables reclassified to liabilities for incurred claims	95	90
Total liabilities for incurred claims	**27,115**	**26,360**

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Sensitivity of actuarial assumptions

The liabilities for incurred claims' sensitivity to changes in discount rate is outlined below. The discount rate is the only key assumption that has changed significantly upon the adoption of IFRS 17. All the other actuarial assumptions such as claims duration, mortality rates, and inflation assumption have not changed; therefore the sensitivity analysis below shows the impact on net income of changes in the discount rate assumption with all other assumptions held constant.

Sensitivity analysis on liabilities for incurred claims[1]:

	March 31 2023
100 basis point increase in the discount rate	(2,310)
100 basis point decrease in the discount rate	2,793

1. The sensitivity analysis is only performed on the liabilities for incurred claims and not on the onerous loss liability as the impact of discounting on the onerous loss liability is not material.

Insurance funding risk

The adoption of IFRS 17 has not changed the way the WSIB manages insurance funding risk. Refer to note 11 in the WSIB's 2022 annual audited consolidated financial statements for details.

12. Insurance revenue

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

	Three months ended March 31	
	2023	**2022** *restated*
Schedule 1 employer premiums	844	777
Interest and penalties	9	16
Insurance revenue	**853**	**793**

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13. Net investment income (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	
	2023	**2022**
Cash and cash equivalents	8	-
Public equity investments	764	(1,048)
Fixed income investments	329	(1,089)
Derivative financial instruments	24	126
Investment properties	5	12
Investments in associates and joint ventures	(23)	159
Other invested assets	172	201
Add (Less): Loss (income) attributable to Loss of Retirement Income Fund	(55)	73
Investment income (loss)	**1,224**	**(1,566)**
Less: Investment expenses[1]	(75)	(84)
Net investment income (loss)	**1,149**	**(1,650)**

1. Includes $21 of management fees paid to investment managers for the three months ended March 31, 2023 (three months ended March 31, 2022 – $16). Includes $11 of expenses related to the securities sold under repurchase agreements and securities purchased under resale agreements, net of foreign currency gains and losses, for the three months ended March 31, 2023 (three months ended March 31, 2022 - nil).

14. Insurance service expenses

Insurance service expenses are comprised of:

	Three months ended March 31	
	2023	**2022** *restated*
Loss of earnings	274	261
Workers' pensions	114	114
Health care	157	150
Survivor benefits	53	54
Future economic loss	30	32
External providers	8	8
Non-economic loss	19	17
Total incurred claims	**655**	**636**
Insurance service expenses allocated from administration and other expenses	204	218
Insurance service expenses allocated from legislated obligations and funding commitments expenses	7	6
Other insurance service expenses	**211**	**224**
Total incurred claims and other insurance service expenses	**866**	**860**
Losses on onerous contracts and reversals of those losses	(47)	(78)
Changes in liabilities for incurred claims	188	23
Insurance service expenses	**1,007**	**805**

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15. Administration and other expenses

	Three months ended March 31	
	2023	**2022** *restated*
Salaries and short-term benefits	128	124
Employee benefit plans	42	64
Depreciation and amortization	8	17
Other	58	50
	236	**255**
Insurance administration costs allocated to Insurance service expenses	(204)	(218)
Total administration and other expenses	**32**	**37**

16. Surplus distribution

On February 10, 2022, the Board of Directors approved a rebate of surplus funds, up to $1,500, to be distributed to eligible Schedule 1 employers within 90 days. For the three months ended March 31, 2023, no additional amount was distributed to eligible businesses (three months ended March 31, 2022 – $1,335).

17. Commitments and contingent liabilities

(a) Investment commitments

The WSIB's commitments for capital calls as at March 31, 2023 related to its investment portfolio are $6,287 (December 31, 2022 – $6,360). There is 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, 2023 were approximately $297 for the period from April 1, 2023 to March 31, 2024.

(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.

18. Funding and capital management

The WSIB's Sufficiency Ratio has not been impacted significantly as a result of the transition to IFRS 17 and IFRS 9 as the Sufficiency Ratio is prescribed by regulation and is based on accepted actuarial practice for going concern valuations. Additionally, the fundamental economics of WSIB's insurance contracts and financial assets and liabilities has not changed. Therefore, there has been no significant changes to WSIB's funding and capital management policies.

Refer to note 23 in the WSIB's 2022 annual audited consolidated financial statements for details.