Workplace Safety and Insurance Board

Second Quarter 2022 Results

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

	Note	June 30 2022	December 31 2021
Assets			
Cash and cash equivalents	4	1,126	681
Receivables and other assets	5	739	698
Public equity investments	6	10,130	14,041
Fixed income investments	6	8,396	11,755
Derivative assets	6	29	128
Investment properties	6	662	651
Investments in associates and joint ventures		3,522	3,378
Other invested assets	6	10,737	8,914
Property, equipment and intangible assets		255	286
Total assets		**35,596**	**40,532**
Liabilities			
Payables and other liabilities	7	1,319	669
Derivative liabilities	6	150	51
Long-term debt and lease liabilities		166	169
Loss of Retirement Income Fund liability	8	1,891	2,103
Employee benefit plans liability	9	882	2,215
Benefit liabilities	10	28,124	27,310
Total liabilities		**32,532**	**32,517**
Net assets			
Reserves		1,185	7,399
Accumulated other comprehensive income (loss)		1,245	(138)
Net assets attributable to WSIB stakeholders		**2,430**	**7,261**
Non-controlling interests		634	754
Total net assets		**3,064**	**8,015**
Total liabilities and net assets		**35,596**	**40,532**

Approved by the Board of Directors

Grant Walsh
Chair
September 29, 2022

Leslie Lewis
Audit and Finance Committee (Chair)
September 29, 2022

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)

		Three months ended June 30		Six months ended June 30	
	Note	**2022**	**2021**	**2022**	**2021**
Revenues					
Premium revenue	11	**881**	**836**	**1,698**	**1,604**
Investment income (loss)	12	(2,162)	1,530	(3,728)	1,629
Investment expenses	12	(76)	(86)	(160)	(194)
Net investment income (loss)		**(2,238)**	**1,444**	**(3,888)**	**1,435**
Total revenues		**(1,357)**	**2,280**	**(2,190)**	**3,039**
Expenses					
Claim payments	13	621	643	1,257	1,292
Claim administration costs	13	137	138	277	263
Change in actuarial valuation of benefit liabilities	13	698	(23)	814	39
Total claim costs		**1,456**	**758**	**2,348**	**1,594**
Loss of Retirement Income Fund contributions		13	13	26	27
Administration and other expenses	14	131	136	252	273
Legislated obligations and funding commitments		65	57	130	122
Total expenses		**1,665**	**964**	**2,756**	**2,016**
Excess (deficiency) from operations		**(3,022)**	**1,316**	**(4,946)**	**1,023**
Surplus distribution expense (recovery)	15	(68)	-	1,267	-
Excess (deficiency) of revenues over expenses		**(2,954)**	**1,316**	**(6,213)**	**1,023**
Other comprehensive income (loss)					
Item that will not be reclassified subsequently to income					
Remeasurements of employee benefit plans	9	552	(24)	1,402	812
Item that will be reclassified subsequently to income					
Translation gains (losses) from net foreign investments		12	(20)	(22)	(59)
Total other comprehensive income (loss)		**564**	**(44)**	**1,380**	**753**
Total comprehensive income (loss)		**(2,390)**	**1,272**	**(4,833)**	**1,776**

		Three months ended June 30		Six months ended June 30	
	Note	**2022**	**2021**	**2022**	**2021**
Excess (deficiency) of revenues over expenses attributable to:					
WSIB stakeholders		(2,955)	1,264	(6,214)	918
Non-controlling interests		1	52	1	105
		(2,954)	**1,316**	**(6,213)**	**1,023**
Total comprehensive income (loss) attributable to:					
WSIB stakeholders		(2,390)	1,222	(4,831)	1,677
Non-controlling interests		-	50	(2)	99
		(2,390)	**1,272**	**(4,833)**	**1,776**

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)

		Six months ended June 30	
	Note	**2022**	**2021**
Reserves			
Balance at beginning of period		7,399	5,167
Excess (deficiency) from operations		(4,947)	918
Surplus distribution	15	(1,267)	-
Balance at end of period		**1,185**	**6,085**
Accumulated other comprehensive income (loss)			
Balance at beginning of period		(138)	(843)
Remeasurements of employee benefit plans	9	1,402	812
Translation losses from net foreign investments		(19)	(53)
Balance at end of period		**1,245**	**(84)**
Net assets attributable to WSIB stakeholders		**2,430**	**6,001**
Non-controlling interests			
Balance at beginning of period		754	2,502
Excess of revenues over expenses		1	105
Translation losses from net foreign investments		(3)	(6)
Change in ownership share in investments		(118)	(1,216)
Balance at end of period		**634**	**1,385**
Total net assets		**3,064**	**7,386**

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

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

	Note	Six months ended June 30 2022	2021
Operating activities:			
Total comprehensive income (loss)		(4,833)	1,776
Adjustments for non-cash items:			
Amortization of net discount on investments		(2)	(1)
Depreciation and amortization of property, equipment and intangible assets		35	35
Changes in fair value of investments		4,414	(1,183)
Changes in fair value of investment properties		-	(16)
Translation losses from net foreign investments		22	59
Dividend income from public equity investments		(96)	(140)
Income from investments in associates and joint ventures		(190)	(163)
Surplus distribution expense	15	1,267	-
Interest income		(223)	(180)
Interest expense		4	5
Total comprehensive income after adjustments		**398**	**192**
Changes in non-cash balances related to operations:			
Receivables and other assets, excluding those related to investing and financing activities		52	176
Payables and other liabilities, excluding those related to investing and financing activities		(358)	15
Loss of Retirement Income Fund liability	8	(212)	29
Employee benefit plans liability	9	(1,333)	(726)
Benefit liabilities	10	814	39
Total changes in non-cash balances related to operations		(1,037)	(467)
Net cash required by operating activities		**(639)**	**(275)**
Investing activities:			
Dividends received from public equity investments, associates and joint ventures		147	256
Interest received		220	172
Purchases of property, equipment and intangible assets		(4)	(6)
Purchases of investments		(6,804)	(11,483)
Proceeds on sales and maturities of investments		8,011	10,025
Net dispositions of (additions to) investment properties		(11)	204
Net additions to investments in associates and joint ventures		(22)	(168)
Net cash provided (required) by investing activities		**1,537**	**(1,000)**
Financing activities:			
Net redemptions related to non-controlling interests		(117)	(1,178)
Distributions paid by subsidiaries to non-controlling interests		(1)	(38)
Repayment of debt and lease liabilities		(4)	(284)
Interest paid		(4)	(4)
Surplus distribution		(327)	-
Net cash required by financing activities		**(453)**	**(1,504)**
Net increase (decrease) in cash and cash equivalents		**445**	**(2,779)**
Cash and cash equivalents, beginning of period		681	4,969
Cash and cash equivalents, end of period		**1,126**	**2,190**

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

Notes to Condensed Interim Consolidated Financial Statements
June 30, 2022
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, 2021. 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, 2021.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the WSIB's Board of Directors on September 29, 2022.

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, 2021.

(a) 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, the actuarial valuation of the benefit liabilities and surplus distribution amounts held in reserve.

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 remains uncertain.

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. Also, in December 2021, the IASB amended IFRS 17 to add a transition option for a classification overlay to address possible accounting mismatches between financial assets measured under IFRS 9 *Financial Instruments* (“IFRS 9”) and insurance contract liabilities in the comparative information presented on initial application of IFRS 17. The WSIB plans to adopt the new standard on the effective date of January 1, 2023 together with IFRS 9.

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. The WSIB will apply the Premium Allocation Approach at transition.

The most significant impact that IFRS 17 is expected to have on the WSIB’s consolidated financial statements is on the Benefit liabilities:

a) <u>Discount rate</u>
Under IFRS 17, the discount rate used to reflect the time value of money in the fulfillment cash flows is based on the characteristics of the liability, which is different from IFRS 4, where the discount rate is based on the yield curve of the assets supporting those liabilities. The WSIB is assessing the impact of this change on its insurance liabilities and results of operations.

b) <u>Onerous contracts</u>
An insurance contract is onerous at the date of initial recognition if the fulfilment cash flows allocated to the contract result 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 will recognize a liability to reflect the expected net outflow as applicable. The recognition of this liability will result in a loss recognized in the period it arises. The WSIB is assessing the impact of this change on its insurance liabilities and results of operations.

Retrospective application is required unless impracticable, in which case a modified retrospective approach or a fair value approach can be used for transition. The WSIB will apply a full retrospective approach at transition.

The WSIB is currently assessing the impact of adopting this standard and expects that it will have a significant impact on how insurance contracts results are measured, presented and disclosed in the WSIB’s consolidated financial statements.

IFRS 9 *Financial Instruments*

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*. 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). By electing the exemption under IFRS 4, the WSIB is permitted to defer the adoption of IFRS 9 while its associates and joint ventures have adopted IFRS 9. 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.

Amendment to IFRS 17: Initial Application of IFRS 17 and IFRS 9 – Comparative Information

In December 2021, the IASB issued a narrow-scope amendment to the transition requirements in IFRS 17. Upon initial application of IFRS 17 and IFRS 9 on January 1, 2023, the amendment provides an option to present comparative information about financial assets as if the classification and measurement requirements of IFRS 9 had been applied to those financial assets before. This amendment intends to reduce the accounting mismatch that could arise from measuring financial assets and financial liabilities related to insurance contracts on different bases. As most of the WSIB's financial instruments are measured at fair value, significant accounting mismatches are not expected to arise between financial assets and financial liabilities related to insurance contracts. As such, the WSIB elects not to apply the option provided by this amendment. The adoption of this amendment is not expected to have a significant impact on the WSIB's consolidated financial statements.

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.

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4. Cash and cash equivalents

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

	June 30 2022	**December 31 2021**
Cash	1,029	248
Short-term money market securities	80	314
Restricted cash[1]	17	119
Total cash and cash equivalents	**1,126**	**681**

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 June 30, 2022, the WSIB held $1,126 of cash and cash equivalents, of which $701 (December 31, 2021 – $243) was maintained for operating purposes and $425 (December 31, 2021 – $438) was maintained for investing purposes.

5. Receivables and other assets

Receivables and other assets are comprised of the following:

	June 30 2022	**December 31 2021**
Premium receivables[1]	128	187
Accrued premium receivables	404	392
Less: Allowance for doubtful accounts	(52)	(42)
Net premium receivables	**480**	**537**
Investment receivables[2]	247	155
Total receivables	**727**	**692**
Other assets[3]	12	6
Total receivables and other assets	**739**	**698**

1. Premium receivables are presented net of surplus distributions that have been applied. Employer accounts with credit balances have been reclassified to Employer liabilities within Payables and other liabilities. Refer to note 7.
2. Investment receivables include $41 of loans receivable (December 31, 2021 – $43) which are expected to be received over a period of more than one year.
3. Other assets include employer incentive program refunds of $41 (December 31, 2021 – $58) which are expected to be paid within 12 months.

6. Fair value measurement and disclosures

Fair value hierarchy

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

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

Hierarchy level	Valuation methods
Level 1	Fair value is based on unadjusted quoted market prices in active markets for identical assets or liabilities that the WSIB has the ability to access at the measurement date.
Level 2	Fair value is based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or 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:

	June 30, 2022				December 31, 2021			
	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]	1,046	80	-	**1,126**	367	314	-	**681**
Public equity investments								
Public equity pooled funds[2]	-	10,129	-	**10,129**	-	13,641	-	**13,641**
Public equity securities	1	-	-	**1**	400	-	-	**400**
Fixed income investments	-	8,396	-	**8,396**	-	11,755	-	**11,755**
Derivative assets	4	25	-	**29**	3	125	-	**128**
Investment properties[3]	-	-	662	**662**	-	-	651	**651**
Other invested assets								
Private market pooled funds[4]	-	-	2,973	**2,973**	-	-	2,544	**2,544**
Other private market investments	-	-	7,764	**7,764**	-	-	6,370	**6,370**
Derivative liabilities	(3)	(147)	-	**(150)**	-	(51)	-	**(51)**
Assets and liabilities for which fair value is disclosed								
Investment receivables[1]	-	247	-	**247**	-	155	-	**155**
Administration payables[1,5]	(108)	-	-	**(108)**	(149)	-	-	**(149)**
Investment payables[1]	-	(78)	-	**(78)**	-	(8)	-	**(8)**
Long-term debt[6]	-	(65)	-	**(65)**	-	(70)	-	**(70)**
Loss of Retirement Income Fund liability	-	-	(1,891)	**(1,891)**	-	-	(2,103)	**(2,103)**

1. The carrying amounts (less allowance for impairment) of cash and cash equivalents, investment receivables and administration and investment payables approximate their fair values.
2. The WSIB owns units of pooled funds which hold investments in public equity securities.
3. Investment properties include a right-of-use asset of $9 (December 31, 2021 – $9).
4. The WSIB owns units of pooled funds which hold investments in private market investments.
5. Certain comparative amounts have been reclassified to be consistent with the current period's presentation.
6. Carrying amount as at June 30, 2022 was $70 (December 31, 2021 – $70).

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

During the three months and six months ended June 30, 2022 and June 30, 2021, 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:

	Other invested assets				
For the three months ended June 30, 2022	Private market pooled funds	Other private market investments	**Subtotal**	**Investment properties**	**Total**
Balance as at April 1, 2022	2,974	6,510	9,484	663	10,147
Net gains (losses) recognized in net investment income (loss)	45	133	178	(7)	171
Translation gains recognized in other comprehensive income (loss)	-	6	6	-	6
Purchases	-	1,258	1,258	-	1,258
Sales	(46)	(143)	(189)	-	(189)
Capital expenditures	-	-	-	6	6
Balance as at June 30, 2022	**2,973**	**7,764**	**10,737**	**662**	**11,399**
Changes in unrealized gains (losses) included in earnings for assets and liabilities for positions still held	**45**	**135**	**180**	**(7)**	**173**

	Other invested assets				
For the six months ended June 30, 2022	Private market pooled funds	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 recognized in net investment income (loss)	128	92	220	-	220
Translation gains recognized in other comprehensive income (loss)	-	4	4	-	4
Purchases	347	2,071	2,418	-	2,418
Sales	(46)	(773)	(819)	-	(819)
Capital expenditures	-	-	-	11	11
Balance as at June 30, 2022	**2,973**	**7,764**	**10,737**	**662**	**11,399**
Changes in unrealized gains included in earnings for assets and liabilities for positions still held	**129**	**190**	**319**	**-**	**319**

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For the three months ended June 30, 2021[1]	**Other invested assets** Private market pooled funds	Other private market investments	**Subtotal**	**Investment properties**	**Total**
Balance as at April 1, 2021	-	7,239	7,239	808	8,047
Net gains (losses) recognized in net investment income (loss)	-	98	98	(3)	95
Translation losses recognized in other comprehensive income (loss)	-	(5)	(5)	-	(5)
Purchases	-	702	702	-	702
Sales	-	(612)	(612)	(104)	(716)
Capital expenditures	-	-	-	1	1
Balance as at June 30, 2021	**-**	**7,422**	**7,422**	**702**	**8,124**
Changes in unrealized gains (losses) included in earnings for assets and liabilities for positions still held	**-**	**(85)**	**(85)**	**5**	**(80)**

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

For the six months ended June 30, 2021[1]	**Other invested assets** Private market pooled funds	Other private market investments	**Subtotal**	**Investment properties**	**Total**
Balance as at January 1, 2021	-	7,590	7,590	892	8,482
Net gains (losses) recognized in net investment income (loss)	-	(37)	(37)	8	(29)
Translation losses recognized in other comprehensive income (loss)	-	(10)	(10)	-	(10)
Purchases	-	1,271	1,271	-	1,271
Sales	-	(1,392)	(1,392)	(200)	(1,592)
Capital expenditures	-	-	-	2	2
Balance as at June 30, 2021	**-**	**7,422**	**7,422**	**702**	**8,124**
Changes in unrealized gains (losses) included in earnings for assets and liabilities for positions still held	**-**	**(418)**	**(418)**	**16**	**(402)**

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

Notes to Condensed Interim Consolidated Financial Statements
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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	June 30, 2022 Range of inputs Low	High	December 31, 2021 Range of inputs Low	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	5.0%	8.0%	5.0%	7.8%
		Terminal capitalization rate	4.5%	7.0%	4.5%	7.0%
Investment properties	Discounted cash flow and market comparable	Discount rate	5.0%	8.5%	5.3%	8.5%
		Terminal capitalization rate	4.5%	7.5%	4.5%	7.5%
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.

Unaudited (millions of Canadian dollars)

7. Payables and other liabilities

	June 30 2022	December 31 2021[1]
Administration payables	108	149
Investment payables	78	8
Short-term payable - Worker Income Protection Benefit Program[2]	17	119
Employer liabilities[3]	954	231
Experience rating refunds	21	46
Other liabilities	141	116
Total payables and other liabilities	**1,319**	**669**

1. Certain comparative amounts have been reclassified to be consistent with the current periods' presentation.
2. 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.
3. Employer liabilities consists of the reclassification of premium receivables of all outstanding employer accounts with credit balances, including employers with credit balances following the application of the surplus distribution, and a reserve of $74 for any adjustments to surplus distribution amounts issued to eligible employers. Refer to note 15.

8. Loss of Retirement Income Fund liability

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

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Balance at beginning of period	2,010	1,985	2,103	2,003
Contributions from the WSIB	13	14	26	27
Option contributions from injured workers	2	1	4	3
Contributions from Schedule 2 employers	3	1	3	3
Income earned on contributions	(93)	68	(166)	68
Benefits paid in cash	(44)	(37)	(79)	(72)
Balance at end of period	**1,891**	**2,032**	**1,891**	**2,032**

9. Employee benefit plans

Employee benefit plans expense

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

	Pension plans		Other benefits		Total	
For the three months ended June 30	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Current service cost	42	44	6	7	48	51
Net interest on the employee benefit plans liability	10	11	8	8	18	19
Past service cost	-	-	-	5	-	5
Long-term employee benefit gains	-	-	(4)	-	(4)	-
Administrative expenses	3	3	-	-	3	3
Employee benefit plans expense	**55**	**58**	**10**	**20**	**65**	**78**

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	Pension plans		Other benefits		Total	
For the six months ended June 30	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Current service cost	84	88	12	14	96	102
Net interest on the employee benefit plans liability	20	22	16	16	36	38
Past service cost (recovery)	-	(9)	-	5	-	(4)
Long-term employee benefit gains	-	-	(9)	(2)	(9)	(2)
Administrative expenses	6	6	-	-	6	6
Employee benefit plans expense	**110**	**107**	**19**	**33**	**129**	**140**

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

	Pension plans		Other benefits		Total	
For the three months ended June 30	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Actuarial gains (losses) arising from:						
Financial assumptions	705	(126)	136	(31)	841	(157)
Plan experience	1	1	2	4	3	5
Return on plan assets excluding interest income	(292)	128	-	-	(292)	128
Remeasurements of employee benefit plans	**414**	**3**	**138**	**(27)**	**552**	**(24)**

	Pension plans		Other benefits		Total	
For the six months ended June 30	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Actuarial gains arising from:						
Financial assumptions	1,573	514	301	138	1,874	652
Plan experience	2	2	4	5	6	7
Return on plan assets excluding interest income	(478)	153	-	-	(478)	153
Remeasurements of employee benefit plans	**1,097**	**669**	**305**	**143**	**1,402**	**812**

Employee benefit plans liability

The employee benefit plans liability is comprised of the following:

	Pension plans		Other benefits		Total	
	Jun. 30 2022	**Dec. 31 2021**	**Jun. 30 2022**	**Dec. 31 2021**	**Jun. 30 2022**	**Dec. 31 2021**
Present value of obligations[1]	3,955	5,434	701	1,002	4,656	6,436
Fair value of plan assets	(3,774)	(4,221)	-	-	(3,774)	(4,221)
Employee benefit plans liability	**181**	**1,213**	**701**	**1,002**	**882**	**2,215**

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

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10. Benefit liabilities

Benefit liabilities are comprised of the following:

	June 30 2022	December 31 2021
Loss of earnings	9,053	8,759
Workers' pensions	5,025	4,921
Health care	5,053	4,922
Survivor benefits	3,355	3,193
Future economic loss	620	646
External providers	96	92
Non-economic loss	377	352
Long latency occupational diseases	2,533	2,454
Claim administration costs	1,497	1,469
Loss of Retirement Income	515	502
Benefit liabilities	**28,124**	**27,310**

11. Premium revenue

A summary of premiums for the three months and six months ended June 30 is as follows:

	Three months ended June 30		Six months ended June 30	
	2022	**2021**	**2022**	**2021**
Gross Schedule 1 premiums	850	801	1,622	1,542
Bad debts recovery (expense)	(22)	19	(20)	27
Interest and penalties	21	(2)	37	(2)
Schedule 1 employer premiums	**849**	**818**	**1,639**	**1,567**
Schedule 2 employer administration fees	28	25	55	50
Net mandatory employer incentive programs	4	(7)	4	(13)
Premium revenue	**881**	**836**	**1,698**	**1,604**

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12. Net investment income (loss)

Net investment income (loss) by nature of invested assets for the three months and six months ended June 30 is as follows:

	Three months ended June 30		Six months ended June 30	
	2022	**2021[1]**	**2022**	**2021[1]**
Cash and cash equivalents	2	1	2	1
Public equity investments	(1,463)	829	(2,511)	1,132
Fixed income investments	(948)	268	(2,037)	(294)
Derivative financial instruments	(171)	212	(45)	450
Investment properties	(3)	12	9	31
Investments in associates and joint ventures[2,3]	31	69	190	163
Other invested assets	297	207	498	214
Add (Less): Loss (income) attributable to Loss of Retirement Income Fund	93	(68)	166	(68)
Investment income (loss)	**(2,162)**	**1,530**	**(3,728)**	**1,629**
Less: Investment expenses[4]	(76)	(86)	(160)	(194)
Net investment income (loss)	**(2,238)**	**1,444**	**(3,888)**	**1,435**

1. Certain comparative amounts have been reclassified to be consistent with the current period's presentation.
2. In the first quarter of 2022, the WSIB entered into an agreement for the sale of one of its investments held as an associate. As at June 30, 2022, this investment is classified as held for sale within Investments in associates and joint ventures in the amount of $204. The sale was closed during the third quarter of 2022.
3. During the six months ended June 30, 2022, the WSIB reversed an impairment loss related to certain of its investments in associates and joint ventures resulting from a favourable change in the estimates used to determine the recoverable amount of its investments. An impairment reversal of $16 (2021 – $13) has been included in the condensed interim consolidated statements of comprehensive income (loss) and no impairment losses were recorded on investments for the six months ended June 30, 2022.
4. Includes $30 and $46 of management fees paid to investment managers for the three months and six months ended June 30, 2022, respectively (2021 – $30 and $74).

13. Total claim costs

Claim payments

	Three months ended June 30		Six months ended June 30	
	2022	**2021**	**2022**	**2021**
Loss of earnings	267	272	528	538
Workers' pensions	110	115	224	230
Health care	139	144	289	296
Survivor benefits	52	54	106	108
Future economic loss	31	34	63	70
External providers	7	7	15	14
Non-economic loss	15	17	32	36
Total claim payments	**621**	**643**	**1,257**	**1,292**

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Claim administration costs

	Three months ended June 30		Six months ended June 30	
	2022	**2021**	**2022**	**2021**
Allocation from administration and other expenses	131	132	265	253
Allocation from legislated obligations and funding commitments expenses	6	6	12	10
Total claim administration costs	**137**	**138**	**277**	**263**

Change in actuarial valuation of benefit liabilities

	Three months ended June 30		Six months ended June 30	
	2022	**2021**	**2022**	**2021**
Change in actuarial valuation of benefit liabilities	698	(23)	814	39

For the six months ended June 30, 2022, the change in actuarial valuation of benefit liabilities is detailed as follows:

Benefit liabilities as at December 31, 2021	**27,310**
Payments made in 2022 for prior injury years (including Loss of Retirement Income and claims administration costs)	(1,337)
Interest accretion[1]	625
Liabilities incurred for the 2022 injury year	1,107
Experience losses	419
Benefit liabilities as at June 30, 2022	**28,124**
Change in actuarial valuation of benefit liabilities	814

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.

14. Administration and other expenses

	Three months ended June 30		Six months ended June 30	
	2022	**2021**	**2022**	**2021**
Salaries and short-term benefits	125	112	249	233
Employee benefit plans	65	78	129	140
Depreciation and amortization	16	16	33	32
Other	56	57	106	116
	262	**263**	**517**	**521**
Claim administration costs allocated to claim costs	(131)	(127)	(265)	(248)
Total administration and other expenses	**131**	**136**	**252**	**273**

15. 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. As at June 30, 2022, a total of $1,193 has been distributed to eligible businesses, and a reserve of $74 has been recognized for possible adjustments to rebates of surplus funds. Substantially all surplus distributions are expected to be paid during the year ended December 31, 2022. Refer to note 7.

16. Commitments and contingent liabilities

(a) Investment commitments

The WSIB's commitments for capital calls as at June 30, 2022 related to its investment portfolio are $5,240 (December 31, 2021 – $5,286). 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 June 30, 2022 were approximately $290 for the period from July 1, 2022 to June 30, 2023.

(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.

17. Subsequent event

Repurchase agreements

Starting in Q3 2022, the WSIB will implement a total portfolio leverage strategy whereby the WSIB can increase its market exposure on certain asset classes. The Investment Management Corporation of Ontario ("IMCO") will be utilizing repurchase agreements, which represent short-term funding transactions where securities are sold and subsequently repurchased at a specified price on a specified date in the future. This creates leverage because the cash from the sale can be invested in other assets. The WSIB will retain economic exposure to changes in the value of the sold securities as well as any income from the sold securities. These transactions will be executed under master repurchase agreements and with counterparties with a credit rating of above "A" or equivalent, which will be monitored daily. In August 2022, IMCO started entering into these repurchase agreements on behalf of the WSIB. The WSIB is still assessing the impact of these transactions; however, the WSIB's repurchase agreement activity is expected to represent a significant portion of the WSIB's total investment portfolio by the end of the fiscal year.