WORKPLACE SAFETY AND INSURANCE BOARD

2010
Fourth Quarter Report to Stakeholders

For the Quarter Ended December 31, 2010

wsib ONTARIO

COMMENTARY

Overview

The WSIB's annual operating deficit fell to $675 million from $1,189 million in 2009. While this is a significant improvement year over year, the existence of a large operating deficit signals that premium revenue combined with investment revenue are insufficient to cover costs. Having said that, the WSIB made important gains in the control of costs during 2010. Benefit costs for the year, excluding actuarial assumption adjustments to benefits liabilities, fell by $503 million from the previous year. This was the first time in 11 years that benefit costs paid had reduced year over year. We discuss this in more detail below.

Premium Revenue

Premium revenue increased by $195 million which reflects an overall increase in insurable payroll and an increase in the average premium rate. However, the average premium rate collected was $2.27 compared to the planned rate of $2.30. The reason for this is that there was a change in the mix of payrolls among the different rate paying groups. Manufacturing payroll fell short of expectation in 2010 while most other sectors increased. Overall; Ontario has one of the highest premium rates in the country. However, based on premiums to cover the full costs of new claims, Ontario is quite competitive, with only Alberta having a lower rate for new claims costs in the past few years. The Ontario premium rate is higher than most due to the addition of a premium component to fund the unfunded liability, generated by years of premiums not covering the full costs of the system.

Employer incentives which impose surcharges for poor claims experience and rebates for good claims experience came more into balance this year. Over the past 16 years refunds exceeded surcharges by an annual average of $156 million, which has added to the UFL. In 2009, this imbalance was reduced to $37 million and in 2010 it was further reduced to $20 million. This reflects a continuing emphasis by management to ensure that employer qualifications for rebates and surcharges are being carefully managed.

Investment Revenue

Investment revenue did well returning 9.6 per cent on assets. This followed the even stronger 2009 year when returns were 13 per cent. In 2010, realized investment gains were much higher than in 2009 due to the need to realize investments in public equities and redirect them to infrastructure. This is part of a long term shift in our Statement of Investment Policies and Procedures which calls for an investment mix with less public equity and more infrastructure in order to reduce volatility.

Benefits Liability and Unfunded Liability

The net present value of the liability for future benefits payments increased by a net of $1,100 million from $23,250 million to $24,350 million. This was due to three factors: increasing duration of long-term loss of earnings claims, increases in provision for the longevity of claimants and increases in the expectation of greater costs for occupational disease claims arising from employment. These additional provisions were offset by improvements in the management of more recent claims and the retiring of old claims from the inventory. At the same time, the value of investments in the Insurance Fund increased from $12,775 million to $13,360 million. As a result, the UFL grew year over year by $604 million from $11,751 million to $12,355 million, and the funding ratio improved slightly. The WSIB expects that the UFL, which had almost doubled since 2006, absent any changes to the discount rate being used, has stabilized.

Benefit Costs – the main component of the Insurance Fund cost

Benefit costs, on a comparable basis, excluding actuarial assumption adjustments to the benefit liability, fell by some $503 million in 2010 compared to 2009. This was due to fewer lost time claims coming in to the system from employers and more stringent application of eligibility rules, which had the combined effect of reducing the number of claims entering the system by 9 per cent year over year. In 2009, 7.9 per cent of registered claims did not meet eligibility criteria. In 2010, this rate increased to 11.3 per cent. Also in 2010, more injured workers receiving benefits were assisted in getting back to work or not requiring assistance resulting in a drop in the number of workers still on claim 30 days 60 days and up to two years after injury. As well, a combination of efforts by workers, employers and the WSIB has resulted in 27.6 per cent fewer workers needing the full permanent 100% loss of earnings replacement compared to 2009.

In 2010, these factors resulted in a reduction of actual payments of $121 million, a reduction of $386 million in future liabilities for paying benefits, and an increase in claims administration expenses of $4 million, and resulted in the $503 million reduction referenced above. Two other management actions also resulted in lower costs in 2010. There was better management of medical costs which saw medical costs actually drop by $17 million year over year against an expectation that they would continue to rise by 6.5 per cent. As well, more attention to assist workers on long-term benefits resulted in lower benefit costs being locked in at the statutory six year lock -in period for benefits for workers that had reached this stage. The average annual benefit payment to workers being locked in at the statutory six year mark in 2010 was $15,624. This compares to the average payment of $21,144 for the pool of locked in benefits per worker for all previous years.

Change in Benefits Liabilities

Benefit liabilities represent an actuarially determined provision for future benefit payments relating to incurred claims and the costs of administering these claims in the future. The calculation is guided by a number of assumptions and variables that are detailed in the notes to the annual financial statements each year. These assumptions may change over time to reflect underlying conditions and it is possible that such changes could cause a material change in the actuarial present value of future benefit payments.

While current claims – injuries that have occurred two years ago or less – are being more carefully managed to improve return to work outcomes, claims remaining on our books for injuries incurred more than two years ago continued to demonstrate greater propensity to need continuing assistance. This has resulted in an increase in the length of time (referred to as duration) that older claims remain in the system. We expect this trend to continue for the next three to four years, as older claims which did not receive the same degree of attention as they should have, work their way through the system.

We have observed rising levels of the following predictors of duration in claims originating in 2004-2008: increasing percentage of claims with permanent impairments and those with more serious injuries, increasing age of workers being injured, and an increasing number of claims being reopened due to losing their job after having successfully gone back to work at least once. We have increased the future liability for the cost of paying future benefits to these claimants by $593 million. We expect the trend of greater duration to moderate and improve as the more recent claims, where newer processes are being applied, move through the system.

We also increased the liability for future benefits by $200 million due to the increasing longevity of workers and we have increased the provision for future occupational disease claims by $600 million to take into account the increasing trend in number of claims for occupational disease hazards, such as cancers. The total provision for future occupational disease claims, which form part of the WSIB's overall benefits liability of $24,350 million now stands at $2.1B or about 10 per cent. This percentage has been growing steadily in recent years. Based on information currently available, we expect that these additional provisions for future liabilities will sufficiently reflect the actual needs of the Insurance Fund over the next several years.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

Management's discussion and analysis (MD&A) sets out the WSIB's financial and operational results for the fourth quarter and year-over-year comparisons as of December 31, 2010. This unaudited quarterly report is prepared in accordance with Canadian generally accepted accounting principles (GAAP) and should be read in conjunction with the WSIB's audited consolidated financial statements.

The information in the MD&A necessarily includes amounts based on informed judgments and estimates. Any forward looking statements contained in this discussion represent management's expectations, estimates, and projections regarding future events based on the currently available information and involve assumptions, inherent risks, and uncertainties. Readers are cautioned that actual results in the future may differ materially from projections in cases where future events and circumstances do not occur as expected.

Financial Summary

The WSIB's fourth quarter 2010 revenues fell short of total benefit costs and other expenses by $58 million, compared with an excess of revenues over total benefit costs and other expenses of $203 million incurred in the fourth quarter 2009. This unfavorable change is primarily attributable to higher benefit costs partially offset by increases in premium and investment revenue.

Although the WSIB experienced shortfalls in revenue over total benefit costs and other expenses of $675 million year-to-date December 2010, this shortfall has improved from the same period in 2009 when the shortfall was $1,189 million largely due to increases in both premium and investment revenues.

The total comprehensive loss for the fourth quarter 2010 was $131 million compared with a $12 million comprehensive loss in the fourth quarter 2009. The December year-to-date comprehensive loss was $608 million compared with a $282 million comprehensive loss for the same period last year.

Unfunded Liability

The unfunded liability stood at $12,355 million at the end of 2010, an increase of $604 million compared with $11,751 million at the end of 2009. This $604 million unfavorable change is due to the combination of the shortfall of revenues over total benefit costs and other expenses ($675 million), less the net amounts for unrealized gains ($67 million) as well as the gain resulting from a transfer of ownership interest from the WSIB to the Employees' Pension Plan ($4 million).

The main reasons for the net increase in the unfunded liability were:

- $1,301 million increase for actuarial assumption changes: $593 million for long-term loss of earnings claims staying in the system longer, $200 million for income recipients living longer, and $600 million for future occupational disease claims arising for current workplace exposures, less $92 million for reduced indexation in 2011 for fully disabled injured workers and survivors;

Offset by:

- $201 million due to natural reductions from closures of older claims and lower benefit payments.

The WSIB's funding ratio represents the percentage of assets it has available to meet its financial obligations. In 2010, the WSIB's funding ratio improved modestly to 54.5 per cent in 2010 compared with 54.2 per cent at the end of 2009.

In 2010, the WSIB initiated a Funding Review. The WSIB Funding Review is seeking input from workers, labour and employers of all sizes on a range of public policy issues relating to the WSIB's financial future. The review will continue throughout 2011. At its conclusion, the WSIB will receive valuable input on how to manage its financial situation while meeting the needs of its customers. With input from the review, clear funding targets and timelines will be established to help the WSIB meet its legislative obligation to achieve and maintain sufficient funding.

Investment Revenue

In the fourth quarter 2010, the global recovery continued and was led by high-growth emerging market economies in the Asia-Pacific and Latin/South American regions. Although the performance gap between emerging and advanced economies persisted, it is narrowed due to improving momentum, mainly in the US and Germany but broadly in Canada and the rest of the EU through spillover effects from increased trade.

Monetary policy remained supportive of growth in the developed world as most central banks, including the Bank of Canada, held interest rates steady to stimulate employment growth, as unemployment rates remained undesirably high in the developed countries. High-growth emerging economies (i.e. China and India) began the process of tightening policy to keep inflation in check. More restraint is expected should inflationary pressures mount.

Investment revenue includes interest and dividends received and realized gains or losses on sales made in the year. Where investments were not sold during 2010, the changes in their fair value are reflected in other comprehensive income. Market appraisal of properties are performed and recorded in the fourth quarter. In the fourth quarter 2010, the WSIB's total investment revenue was $482 million ($555 million realized gains and $73 million unrealized losses) compared with $184 million ($399 million realized gains and $215 million unrealized losses) in the fourth quarter 2009.

For the year ended 2010, the WSIB's total investment revenue was $1,070 million ($1,003 million realized gains and $67 million unrealized gains) compared with $1,522 million in 2009 ($615 million realized gains and $907 million unrealized gains). During 2010, the WSIB restructured a number of its equity portfolios as it continued to move towards its new investment strategy. As a result, previously unrealized equity gains were realized thus reducing the pool of unrealized gains.

Together, both investment revenue and other comprehensive income generated an annual return of 9.6 per cent which contributed to the 15-year return exceeding the 7.0 per cent long-term targeted return.

Premium Revenue

In the fourth quarter 2010 premium revenue was $924 million compared with $895 million in the fourth quarter 2009 for an increase of $29 million. In 2010, total premium revenue was $3,735 million compared with $3,540 million, an increase of $195 million. The increases in premium revenue for the quarter and year-over-year are primarily due to the growth in insurable payroll and an increase in the average premium rate. Services, Construction and Health Care were the sectors largely contributing to the increases in insurable payroll.

Benefit Costs and Benefit Liabilities

Fourth quarter 2010 benefit costs were $1,356 compared with $960 million for the same quarter in 2009, an increase of $396 million. This difference primarily results from a $475 million increase in the change in the benefit liabilities partially offset by a $54 million decrease in benefit costs paid. In the fourth quarter 2010, a $600 million provision was made for future occupational disease claims arising from current workplace exposures.

For the year ended 2010, benefit costs were $4,809 million compared with $4,736 million for the same period in 2009, an increase of $73 million. This difference is largely due to the net difference in the change in the benefit liabilities of $190 million during 2010 partially offset by the decrease in benefit costs paid of $121 million. 2010 marks the first year since 1999 where a decline in benefit costs paid has occurred. The savings in benefit costs paid is evidence of the WSIB's efforts to address key operational drivers of the unfunded liability. In particular, the benefit costs paid savings is due to fewer lost-time claims, increased focus on return to work efforts leading to improved outcomes for new Work Reintegration program and Health Care strategy.

Outlook

In 2011, it is expected that the global economy will continue on a path of slow and gradual recovery. While fiscal and monetary relief started and sustained the recovery in the U.S. and Canada, significant risks remain in the global economic system, causing the forecasting environment to remain uncertain. The improvement in the Ontario economy that began in the spring of 2009 will likely sustain its tentative pace, gaining momentum through a slowly improving job market, growing incomes and a better investment environment. Specific risks to the forecast include inflationary pressures from global commodity markets, the outlook and recovery of the U.S. economy, and the continuing high value of the Canadian dollar.

The changes WSIB has already begun carry the seeds of a comprehensive, flexible yet cost effective approach to address these challenges. The WSIB's new work reintegration model has recognized the importance of focusing on the needs of each worker in preparing for return to work. The WSIB's Health Care Strategy will be bringing early specialized, evidenced based care to the issue of reducing disability and supporting RTW as an active approach to recovery. New entitlement and case management approaches recognize the importance of bringing more specialized knowledge to the different aspects of a claim. One size fits all is no longer the approach that will meet workers needs. More specialized teams with more work reintegration specialists (some 200 added in 2010) will provide more focused, knowledgeable support to both workers and employers to respond to their unique needs and circumstances.

To support staff in delivering flexible and adaptive services, WSIB is adding new systems capability in case management and an expanded set of eServices that will enable more efficient, responsive, and accessible services.

As the WSIB continues to develop its services, it will continue to incorporate the best evidence available to deliver services that are fair and achieve results. It will bring a stronger and sharper focus to understanding and delivering what really matters to its customers, and build on the understanding that returning to work is the best outcome for all.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

WORKPLACE SAFETY AND INSURANCE BOARD

CONSOLIDATED BALANCE SHEET (unaudited)

($ millions)	Dec. 31, 2010	Dec. 31, 2009
ASSETS		
Cash and cash equivalents	$ 305	$ 45
Receivables	870	882
Investment receivables (note 3)	78	75
Employee benefit plans (note 5)	29	-
Investments (note 3)	15,136	14,350
Property, equipment and other assets	119	113
Intangible assets	101	96
	$ 16,638	**$ 15,561**
LIABILITIES		
Payables and accruals	$ 955	$ 754
Investment payables (note 3)	24	20
Long-term debt	121	109
Loss of Retirement Income Fund	1,193	1,054
Employee benefit plans (note 5)	520	495
Benefit liabilities	24,350	23,250
	27,163	**25,682**
Non-controlling interest in pooled investments (note 3)	1,830	1,630
UNFUNDED LIABILITY		
Accumulated excess of expenses over revenues	(13,693)	(13,106)
Accumulated other comprehensive income	1,338	1,355
	(12,355)	**(11,751)**
	$ 16,638	**$ 15,561**

CONSOLIDATED STATEMENT OF OPERATIONS (unaudited)

	For the three months ended Dec. 31		For the twelve months ended Dec. 31	
($ millions)	**2010**	**2009**	**2010**	**2009**
GROSS REVENUE	$ 1,552	$ 1,341	$ 4,877	$ 4,227
CURRENT OPERATIONS				
REVENUES				
Premiums for the period	$ 702	$ 641	$ 2,835	$ 2,533
Investments (note 3)	627	446	1,139	686
Other income	1	-	3	1
	1,330	**1,087**	**3,977**	**3,220**
EXPENSES				
Benefit costs	1,356	960	4,809	4,736
Loss of Retirement Income Fund	61	36	167	194
Administrative and other expenses	60	30	213	188
Legislated obligations and commitments	61	65	227	227
	1,538	**1,091**	**5,416**	**5,345**
Excess of expenses over revenues from current operations	**(208)**	**(4)**	**(1,439)**	**(2,125)**
Premiums for unfunded liability	222	254	900	1,007
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE NON-CONTROLLING INTEREST IN INCOME FROM POOLED INVESTMENTS	**14**	**250**	**(539)**	**(1,118)**
Non-controlling interest in income from pooled investments (note 3)	(72)	(47)	(136)	(71)
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENSES	**$ (58)**	**$ 203**	**$ (675)**	**$ (1,189)**

WORKPLACE SAFETY AND INSURANCE BOARD

CONSOLIDATED STATEMENT OF CHANGES IN UNFUNDED LIABILITY (unaudited)

	For the twelve months ended Dec. 31	
($ millions)	**2010**	**2009**
ACCUMULATED EXCESS OF EXPENSES OVER REVENUES		
Balance at beginning of period	$ (13,106)	$ (11,917)
Change in ownership share of non-controlling interest in pooled investments	88	-
Excess of expenses over revenues	(675)	(1,189)
Balance at end of period	**(13,693)**	**(13,106)**
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance at beginning of period	1,355	448
Change in ownership share of non-controlling interest in pooled investments	(84)	-
Unrealized gains on investments net of amount realized	67	907
Balance at end of period	**1,338**	**1,355**
UNFUNDED LIABILITY AT END OF PERIOD	**$ (12,355)**	**$ (11,751)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS) (unaudited)

	For the three months ended Dec. 31		For the twelve months ended Dec. 31	
($ millions)	**2010**	**2009**	**2010**	**2009**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	**$ (58)**	**$ 203**	**$ (675)**	**$ (1,189)**
Other comprehensive income (loss):				
Unrealized net gains on available-for-sale financial assets arising during the period	$ 333	$ 54	$ 651	$ 986
Realized (gains) losses included in income	(417)	(288)	(575)	45
Unrealized gains (losses) on investments	**(84)**	**(234)**	**76**	**1,031**
Non-controlling interest in income from pooled investments	11	19	(9)	(124)
Unrealized gains (losses) on investments after non-controlling interest in income from pooled investments	**(73)**	**(215)**	**67**	**907**
COMPREHENSIVE LOSS	**$ (131)**	**$ (12)**	**$ (608)**	**$ (282)**

WORKPLACE SAFETY AND INSURANCE BOARD

CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

	For the three months ended Dec. 31		For the twelve months ended Dec. 31	
($ millions)	**2010**	**2009**	**2010**	**2009**
OPERATING CASH FLOWS				
Cash received from:				
Premiums for the period	$ 779	$ 529	$ 2,986	$ 2,500
Premiums for unfunded liability	252	204	956	992
Investment income	182	122	521	474
	1,213	855	4,463	3,966
Cash paid to:				
Claimants, survivors and care providers	(824)	(882)	(3,359)	(3,482)
Loss of Retirement Income Fund	(20)	(20)	(79)	(79)
Employees and suppliers for administrative goods and services	(129)	(130)	(559)	(584)
Legislated obligations and commitments	(59)	(71)	(227)	(226)
	(1,032)	(1,103)	(4,224)	(4,371)
Net cash provided (required) by operating activities	**181**	**(248)**	**239**	**(405)**
INVESTING CASH FLOWS				
Sale of investments	11,999	6,194	26,088	24,130
Purchase of investments	(12,027)	(5,889)	(25,968)	(23,765)
Real estate acquisitions	-	(38)	(95)	(38)
Net cash provided (required) by investing activities	**(28)**	**267**	**25**	**327**
FINANCING CASH FLOWS				
Mortgages	-	1	(1)	(3)
Obligation under capital leases	(2)	-	(3)	(2)
Net cash provided (required) by financing activities	**(2)**	**1**	**(4)**	**(5)**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**151**	**20**	**260**	**(83)**
Cash and cash equivalents, beginning of period	154	25	45	128
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 305**	**$ 45**	**$ 305**	**$ 45**
Cash and cash equivalents of investment funds included in investments*	703	382	703	382
	$ 1,008	$ 427	$ 1,008	$ 427

* Includes $146 million cash (2009: $17 million) held in LRI 60-65 program

Condensed Notes to Interim Consolidated Financial Statements (unaudited)

December 31, 2010

1. GENERAL

In accordance with the provisions of the Workplace Safety and Insurance Act the accounts of the Workplace Safety and Insurance Board (WSIB) are audited annually at its December 31 year-end and the annual report is filed with the Ministry of Labour. The unaudited financial statements presented here are in accordance with CICA accounting standard on “Interim Financial Statements” (CICA Handbook Section 1751). The statements follow the same accounting policies and methods as the most recent annual financial statements. These statements should be read in conjunction with the WSIB’s Annual Report.

The results of operations for interim periods are not necessarily indicative of full year results.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements include the Schedule 1 and Schedule 2 accounts of the WSIB and its subsidiaries. These financial statements have been prepared in accordance with generally accepted accounting principles, except that these unaudited financial statements do not include all of the disclosures required for annual financial statements. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates. The significant accounting policies followed in the preparation of these interim consolidated financial statements are consistent with those found in the Annual Report.

Basis of Consolidation

The WSIB’s subsidiaries are consolidated. Investments in entities in which the WSIB exercises a significant influence are accounted for using the equity method.

The consolidated financial statements include the assets, liabilities, results of operations and cash flows of all subsidiaries of the WSIB after the elimination of intercompany transactions and balances.

Significant Accounting Changes

Counterparty risk

Effective January 1, 2009, the WSIB adopted the CICA Emerging Issues Committee (EIC) Abstract No. 173: Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. EIC 173 clarifies how an entity’s own credit risk and that of relevant counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The new guidance did not have a material impact on the WSIB’s 2010 consolidated financial statements.

Future Accounting Changes—International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board (AcSB) confirmed that the changeover date for the adoption of International Financial Reporting Standards (IFRS) will be January 1, 2011. The WSIB will begin reporting financial statements on an IFRS basis on January 1, 2011 and will restate 2010 financial results based on IFRS to provide comparative information for users.

3. INVESTMENTS AND INVESTMENT REVENUE

Investments by category are as follows:

($ millions)	December 2010							Dec 2009
	Amortized cost	Carrying value adjustment	Unrealized[1] Gains	Unrealized[1] Losses	Carrying value	Other[2]	WSIB	Carrying value
Cash and cash equivalents:								
Domestic[3]	$ 450	$ -	$ -	$ -	$ 450	$ 38	$ 412	$ 302
Foreign - US	244	-	-	-	244	30	214	77
- Global	9	-	-	-	9	1	8	3
Total cash and cash equivalents	**703**	**-**	**-**	**-**	**703**	**69**	**634**	**382**
Held-for-trading:								
Foreign exchange contracts								
Domestic	-	3,529	-	-	3,529	431	3,098	2,964
Foreign - US	-	(2,604)	-	-	(2,604)	(320)	(2,284)	(1,947)
- Global	-	(903)	-	-	(903)	(108)	(795)	(969)
Total held-for-trading	**-**	**22**	**-**	**-**	**22**	**3**	**19**	**48**
Available-for-sale:								
Fixed income securities								
Bonds	4,778	-	248	(4)	5,022	614	4,408	4,915
Equities securities								
Domestic	1,113	3	484	-	1,600	190	1,410	2,008
Foreign - US	2,924	2	299	-	3,225	382	2,843	3,150
- Global	2,292	3	250	-	2,545	301	2,244	2,622
Alternative investments[4]	938	-	57	(3)	992	128	864	429
Real estate[5]	160	23	134	(9)	308	36	272	281
Infrastructure[6]	116	-	-	(3)	113	14	99	-
Total available-for-sale	**12,321**	**31**	**1,472**	**(19)**	**13,805**	**1,665**	**12,140**	**13,405**
Real estate entities subject to significant influence	205	1	-	-	206	24	182	204
Real estate subsidiaries - income producing properties	326	7	-	-	333	62	271	251
Loss of Retirement Income Fund annuities	67	-	-	-	67	-	67	60
Total investments	**13,622**	**61**	**1,472**	**(19)**	**15,136**	**1,823**	**13,313**	**14,350**
Investment receivables:								
Amount due from pending trades	21	-	-	-	21	3	18	20
Accrued income	57	-	-	-	57	7	50	55
Total investment receivables	**78**	**-**	**-**	**-**	**78**	**10**	**68**	**75**
Investment payables:								
Amount due for pending trades	(24)	-	-	-	(24)	(3)	(21)	(20)
Net investments assets	**$ 13,676**	**$ 61**	**$ 1,472**	**$ (19)**	**$ 15,190**	**$ 1,830**	**$ 13,360**	**$ 14,405**

1. Unrealized gains (losses) include a gain of $115 million from Employees' Pension Plan.
2. Comprised of Employees' Pension Plan non-controlling interest of $1,799 million and third party non-controlling interest of $31 million.
3. Includes $146 million cash (2009: $17 million) held in LRI 60-65 program.
4. Alternative investment portfolios comprised hedge fund units of $857 million, equities of $87 million, and bonds of $48 million.
5. Participating debentures in Real estate.
6. Infrastructure investment portfolios compromised debenture notes of $15 million and pooled fund units of $98 million.

Revenue by category of investment is as follows:

($ millions)	For the three months ended Dec. 31		For the twelve months ended Dec. 31	
	2010	2009	2010	2009
Held-for-trading				
Foreign exchange contracts	$ 111	$ 76	$ 172	$ 321
Available-for-sale				
Bonds	66	53	262	272
Amortization	(4)	(5)	(19)	(21)
Equities	450	337	719	125
Alternative investments	10	(3)	15	(3)
Real estate*	4	5	15	11
Infrastructure	1	-	1	-
	527	387	993	384
Real estate entities subject to significant influence	1	(8)	8	7
Real estate subsidiaries - income producing properties	1	1	12	5
Short-term securities	-	-	1	1
	640	**456**	**1,186**	**718**
Investment expenses	(13)	(10)	(47)	(32)
Net investment revenue	**627**	**446**	**1,139**	**686**
Non-controlling interest in income from pooled investments	(72)	(47)	(136)	(71)
	$ 555	**$ 399**	**$ 1,003**	**$ 615**

* Participating debentures in Real estate

For the three months ended December 31:

Revenue from bonds includes $8 million (2009: $5 million net realized losses) of net realized gains. Revenue from equities includes $410 million (2009: $297 million) of net realized gains and real estate includes $- million (2009: $ - million) of net realized gains. Revenue from alternative investments includes $1 million (2009: $4 million) of net realized losses. Revenue from foreign exchange contracts includes $70 million (2009: $23 million) of net realized gains.

During the period, $31 million (2009: $21 million) was assessed as an other-than-temporary impairment on available-for-sale securities and recognized as a reduction in investment income.

For the twelve months ended December 31:

Revenue from bonds includes $37 million (2009: $44 million of net realized gains) of net realized gains. Revenue from equities includes $536 million of net realized gains (2009: $86 million of net realized losses) and real estate includes $3 million (2009: $1 million) of net realized gains. Revenue from alternative investments includes $1 million (2009: $4 million) of net realized losses. Revenue from foreign exchange contracts includes $198 million (2009: $257 million) of net realized gains.

During the year $299 million (2009: $655 million) was assessed as an other-than-temporary impairment on available-for-sale securities and recognized as a reduction in investment income.

These assets were comprised of equity securities which had significant prolonged market losses which the WSIB determined were other-than-temporary. The remaining unrealized losses on available-for-sale securities of $19 million (2009: $45 million) are not considered to be other-than-temporarily impaired as at December 31, 2010 and remain in accumulated other comprehensive income. These losses were not considered other-than-temporary as their amounts were either insignificant and/or short-term in nature and are securities in which the WSIB has the intent and ability to hold to recover the temporary loss.

4. FAIR VALUE MEASUREMENT DISCLOSURES

The following is a summary of the inputs used as of December 31 in valuing the WSIB's investments and derivatives carried at fair values:

($ millions)	2010				2009			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ -	$ 703	$ -	$ 703	$ -	$ 382	$ -	$ 382
Held-for-trading								
Foreign exchange contracts	-	22	-	22	-	48	-	48
Available-for-sale								
Bonds	-	5,018	4	5,022	-	4,911	4	4,915
Equities	7,298	72	-	7,370	7,579	201	-	7,780
Alternative investments	87	747	158	992	-	324	105	429
Real estate*	-	-	308	308	-	-	281	281
Infrastructure	-	113	-	113	-	-	-	-
Other								
Loss of Retirement Income Fund annuities	-	67	-	67	-	60	-	60
Total	**$ 7,385**	**$ 6,742**	**$ 470**	**$ 14,597**	**$ 7,579**	**$ 5,926**	**$ 390**	**$ 13,895**

* Participating debentures in Real estate

For the period ended December 31, 2010, there were no significant transfers between Level 1 and Level 2, and Level 2 and Level 3.

During the period ended December 31, 2010, the reconciliation of investments measured at fair value using non-observable inputs (Level 3) is presented as follows:

($ millions) Available-for-sale	2010	2009
Balances at beginning of year	$ 390	$ 247
Purchases	54	146
Sales	(9)	-
Realized gains recorded in net income	12	11
Unrealized gains recorded in other comprehensive income	23	(14)
Balances at end of the period	**$ 470**	**$ 390**

The total unrealized gains for the period ended December 31, 2010 included in comprehensive income which is still held as of quarter-end are $23 million (2009: $14 million of total unrealized losses).

5. EMPLOYEE BENEFIT PLANS

The WSIB has several benefit plans for eligible current and retired employees. The cost of employee benefit plans is recognized in the reporting period in which employees have provided service.

Benefit plans with an excess of accrued benefit obligation over plan assets amount to $520 million (2009: 495 million). Benefit plans with an excess of plan assets over accrued benefit obligation amount to $29 million (2009: $- million).

Pension and Other Benefit Plans

The WSIB has two pension plans for its employees and employees of Safe Workplace Associations: the WSIB Employees' Pension Plan and the WSIB Employees' Supplementary Pension Plan.

Other benefits include medical, dental and life insurance, accrued vacation, short-term salary protection to cover periods of illness and other absences, as well as, the costs of insurance benefits provided to employees who sustain injuries in the course of employment.

The most recent and next actuarial valuation for funding purposes are as of December 31, 2009 and 2012, respectively.

Net benefit plan expenses are as follows:

($ millions)	For the three months ended Dec. 31		For the twelve months ended Dec. 31	
	2010	**2009**	**2010**	**2009**
Employees' Pension Plan	$ 11.6	$ 2.5	$ 40.1	$ 10.6
Employees' Supplementary Pension Plan	0.3	0.3	1.4	1.0
Other benefit plans	11.3	9.6	44.9	38.3
Total benefit plan expenses	**$ 23.2**	**$ 12.4**	**$ 86.4**	**$ 49.9**

6. COMPARATIVE FIGURES

Certain of the comparative amounts have been reclassified to conform to the presentation adopted in the current period.

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