Workplace Safety and Insurance Board

Second Quarter 2011 Report to Stakeholders

Workplace Safety and Insurance Board
Commission de la sécurité professionnelle et de l'assurance contre les accidents du travail

Table of Contents

Management's Discussion and Analysis

Basis of Presentation

The following Management's Discussion and Analysis ("MD&A") of financial condition and results of operations, as approved by the Board of Directors of the Workplace Safety and Insurance Board ("WSIB") is prepared for the three and six months ended June 30, 2011.

Effective January 1, 2011, the WSIB has adopted International Financial Reporting Standards ("IFRS"). The WSIB's unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") IAS 34-Interim Financial Reporting. This MD&A should be read in conjunction with these financial statements.

In this MD&A, "WSIB," the "Agency," or the words "our," "us" or "we" refer to the WSIB. This MD&A is dated September 14, 2011, and all amounts herein are denominated in millions of Canadian dollars, unless otherwise stated.

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

1 Operating Results

A discussion of our operating results for the three and six months ended June 30, 2011.

Baseline Operations

Continuing strong performance of baseline operations resulted in a surplus of $328 million for the six months ending June 30, 2011, our first surplus since 2005. Adjusting for one time actuarial provisions of $593 million booked in the first half of 2010, the improvement over the comparable period was $963 million.

The WSIB is demonstrating a stronger and sharper focus on understanding and delivering what really matters to customers, built on the understanding that reintegration into the workforce is the best outcome. Our approach is to continue delivering fair benefits and services that are cost-effective and achieve results.

This is reflected in the improved financial performance of the WSIB's operations, with benefit savings resulting from fewer lost-time claims, increased focus on return-to-work and recovery outcomes for injured workers, and better management of health-care costs.

As at June 30, 2011, there was a decrease of 3.5% in new paid lost time injuries registered in the system year-over-year, despite an increase in employment levels. The WSIB's service delivery model continues to be enhanced and is having a significant impact on improving return-to-work and recovery outcomes for injured workers, thus improving the lives of injured workers, reducing their dependence on the system and reducing benefit costs.

The WSIB implemented its new Work Reintegration program in November 2010, which included the integration of new policies, new front-line roles and new approaches. The new program involves high engagement with employers facilitated by the WSIB to speed workers' rehabilitation and recovery. The WSIB is also better aligning Experience Rating Incentive programs to maximize return-to-work with the injury employer.

Low back injuries represent a large proportion of benefit costs. In early 2011, the WSIB introduced a new low back program as part of its Health Care Strategy. Elements of the new program include better education, a mandatory program of care and earlier intervention emphasizing mobility and early return-to-work to reduce the likelihood of permanent impairment. The WSIB has also introduced improved management oversight in relation to all cases referred for permanent impairment assessments to ensure quality and consistency in relation to this key decision point.

As a result, at the end of the second quarter of 2011:

- Benefit costs paid decreased for the six months year to date by $90 million as a result of improved recovery and return-to-work outcomes;
- More workers are getting back to work than ever before. In fact, the for the 12-month period ending June 30, 2011, of over 57,000 workers with lost time injuries, 94.7%, were able to return-to-work at full wages within one year of their injuries;
- A reduction in high impact claims (low backs, shoulders and fractures) and improved medical management contributed to a reduction of over 2,000 permanent impairments in the six months ending June 30, 2011, a drop of 31.3% over the corresponding period of 2010;
- As a result of more workers returning to their pre-injury jobs at full wages, vocational rehabilitation training costs fell by $24 million;
- Improved retraining and the ability of workers to better restore their earnings capacity, have resulted in the average annual benefit payment to workers being locked-in at a lower average rate of $15,106 a year. This represents an improvement of 3.3% from the lock-in of $15,624 at the end of 2010 and a 28.6% improvement from the average payment of $21,144 for the pool of locked-in benefits prior to 2010;
- Improved consistency in the application of Second Injury Enhancement Fund (SIEF) policy has led to greater employer accountability for workplace injuries. As a result, $48 million less relief was granted in the first six months of 2011, compared to the same period of 2010; and
- Despite the severe pressure on medical costs, results showed a year over year drop of 2% in medical expenditures for the six months ending June 30, 2011.

In addition to management actions, the 2% increase in the average annual premium rate approved by the WSIB's Board of Directors for 2011 and 2012, has assisted in beginning to move the WSIB toward sufficient funding. Combined with a significant increase in insurable payroll, premium revenue rose by $210 million for the first half of 2011. The net result is that excluding the one-time actuarial adjustments recorded last year, which had the effect of increasing expenses for 2010, the WSIB's comprehensive income for the six months ended June 30, 2011 improved by $963 million compared to 2010.

The following table sets out the WSIB's quarterly and year-to-date operating results:

($ millions)	**Three months ended June 30**		**Six months ended June 30**	
	2011	**2010**	**2011**	**2010**
Condensed Consolidated Interim Statement of Comprehensive Income (Loss)				
Revenues				
Premiums	978	872	1,862	1,652
Investments and other income (loss)	131	(494)	443	(203)
	1,109	378	2,305	1,449
Expenses				
Benefit costs	697	1,292	1,594	2,420
Loss (recovery) of Retirement Income Fund	25	(25)	65	14
Administrative and other expenses	82	88	164	170
Legislated obligations and commitments	50	49	103	99
	854	1,404	1,926	2,703

($ millions)	Three months ended June 30		Six months ended June 30	
	2011	**2010**	**2011**	**2010**
Comprehensive income (loss)	255	(1,026)	379	(1,254)
Less: amount attributable to non-controlling interest	14	(57)	51	(25)
Comprehensive income (loss) attributable to WSIB stakeholders	**241**	**(969)**	**328**	**(1,229)**
Condensed Consolidated Interim Statement of Cash Flows				
Cash provided by operating activities			144	84
Cash required by investing activities			(151)	(27)
Cash required by financing activities			(3)	(1)
Other measures				
Unfunded liability[1]			12,110	13,122
Funding ratio[2]			55.9%	51.2 %
Return on Investments[3]	0.8%	(3.5)%	2.8%	(1.5)%

[1] Unfunded liability represents the deficiency of net assets attributable to WSIB stakeholders.
[2] Funding ratio is calculated as total assets, excluding non-controlling interest in pooled investments, divided by total liabilities.
[3] Return on investments is calculated as the change in the investing balance, taking into account capital contributions or withdrawals.

Highlights for the three months ended June 30, 2011 compared to the three months ended June 30, 2010

Comprehensive income attributable to the WSIB stakeholders for the three months ended June 30, 2011 increased $1,210 million compared to the three months ended June 30, 2010, as detailed below:

- Premiums increased $106 million reflecting a 2% increase in premium rates and a 5.1% increase in insurable payroll, consisting of a 2.0% increase in employment growth and a 3.1% increase in average wages.
- Investments and other income increased $625 million reflecting stronger market returns and a higher asset base.
- Expenses decreased $550 million or 39.2% primarily attributed to the absence of changes in actuarial assumptions related to benefit claims and modestly lower benefit costs, partially offset by $50 million of higher Loss of Retirement Income Fund expenses.
- Non-controlling interest increased $71 million reflecting the change in investment income attributed to third parties.

Highlights for six months ended June 30, 2011 compared to the six months ended June 30, 2010

Comprehensive income attributable to the WSIB stakeholders for the six months ended June 30, 2011 increased $1,557 million compared to the six months ended June 30, 2010, as detailed below:

- Premiums increased $210 million reflecting a 2% increase in premium rates and a 4.9% increase in insurable payroll, consisting of a 2.3% increase in employment growth and a 2.6% increase in average wages.
- Investments and other income increased $646 million due to stronger market returns and a higher asset base.
- Expenses decreased $777 million or 28.7% primarily attributed to the absence of changes in actuarial assumptions related to benefit claims and modestly lower benefit costs, partially offset by $51 million of higher Loss of Retirement Income Fund expenses.
- Non-controlling interest decreased $76 million reflecting the change in investment income attributed to third parties.

2 Financial Condition

A discussion of the significant changes in our Condensed Consolidated Balance Sheets.

($ millions)	June 30 2011	Dec. 31 2010	Change $	Change %
Cash and cash equivalents	999	1,009	(10)	(1.0)
Receivables	1,024	872	152	17.4
Investments	14,967	14,674	293	2.0
Payables and accruals	1,011	955	56	5.9
Benefit liabilities	24,299	24,350	(51)	(0.2)
Unfunded liability	(12,110)	(12,438)	(328)	(2.6)

Cash and cash equivalents decreased $10 million or 1% reflecting $144 million provided by operating activities offset by $151 million used in investing activities and $3 million used in financing activities. Refer to Section 4 - Liquidity and Capital Resources, for a discussion of the changes in cash and cash equivalents.

Receivables increased $152 million or 17.4% reflecting higher experience rating premiums for employers with poor claims experiences.

Investments increased $293 million or 2.0% primarily as a result of market returns.

Payables and accruals increased $56 million or 5.9% primarily due to a higher accrual for experience rating premiums for employers with improved claims experiences.

Benefit liabilities decreased $51 million or 0.2% reflecting management actions implemented in 2010 to improve the efficiency of our claims management process.

Unfunded liability decreased $328 million or 2.6% reflecting $328 million of comprehensive income. The corresponding funding ratio improved from 54.6% to 55.9%.

3 Summary of Quarterly Results

A summary view of our quarterly financial performance

The following table highlights selected financial information for the eight consecutive quarters ended June 30, 2011:

($ millions)	2011 Q2	2011 Q1	2010[1] Q4	2010[1] Q3	2010[2] Q2	2010[2] Q1	2009[1] Q4	2009[1] Q3
Premiums	978	884	924	1,017	872	780	895	848
Investment and other income (loss)	131	312	628	205	(494)	291	446	586
Benefit costs paid	809	836	909	918	857	870	988	929
Change in benefit liability	(112)	61	447	(40)	435	258	(28)	366
Benefit costs	697	897	1,356	878	1,292	1,128	960	1,295
Administrative and legislated expenses	132	135	121	105	137	132	95	108
Comprehensive income (loss) attributable to WSIB stakeholders	241	87	(58)	124	(969)	(260)	203	(117)
Funding ratio (%)	55.9	55.4	54.6	54.2	51.2	54.1	54.2	54.8

Notes:

[1] Data for the third and fourth quarters of 2010 and 2009 are presented in accordance with Canadian GAAP.

[2] Certain accounting and measurement methods previously applied under Canadian GAAP have been amended to comply with IFRS.

4 Liquidity and Capital Resources

A discussion of cash flow, liquidity, credit facilities and other arrangements.

The purpose of liquidity management is to ensure there is sufficient cash to meet the WSIB's financial commitments and obligations as they fall due. The WSIB believes it has the flexibility to obtain, from current cash holdings and ongoing operations, the funds needed to fulfill its cash requirements during the current financial period. The WSIB has three sources of funds, including premiums charged to employers, investment income and cash and short-term investments. Funds are used primarily for the payment of benefit claims and operating expenses. As at June 30, 2011, the WSIB held $715 million or 4.6% of its total invested assets as cash and cash equivalents of which $246 million is held for bond, equity and commodity contracts.

Cash provided by operating activities

($ millions)	Six months ended June 30 2011	2010
Cash received	**2,065**	2,063
Cash paid	**(1,921)**	(1,979)
Cash provided by operating activities	**144**	84

Cash provided by operating activities increased $60 million for the six months ended June 30, 2011 compared to the six months ended June 30, 2010 due to lower payments to claimants, survivors and care providers reflecting a more favourable claims profile.

Cash required by investing activities

($ millions)	Six months ended June 30 2011	2010
Cash required by investing activities	**(151)**	(27)

Cash required by investing activities increased $124 million for the six months ended June 30, 2011 compared to the six months ended June 30, 2010 reflecting an increase in investments purchased.

Cash required by financing activities

($ millions)	Six months ended June 30 2011	2010
Cash required by financing activities	**(3)**	(1)

Cash required by financing activities increased $2 million reflecting new lease agreements for information technology equipment.

Credit facilities

The WSIB maintains a $150 million unsecured line of credit with a commercial bank for general corporate purposes. As at June 30, 2011, the WSIB had utilized $0.4 million of this credit facility to support letters of credit in favour of the Ontario Ministry of Finance related to real estate transactions completed by WSIB Investment (Realty) Limited, a wholly owned subsidiary of the WSIB.

Other arrangements

As at June 30, 2011, the WSIB had commitments to fund real estate and infrastructure investment obligations of $297 million (2010 - $102 million).

5 Critical Accounting Estimates and Judgments

A description of our accounting estimates that are critical to determining our financial results and changes to accounting policies.

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods covered by the consolidated financial statements.

Management makes judgments involving assumptions and estimates relating to our obligations to administer the Workplace Safety and Insurance Act, 1997, some of which relate to matters that are inherently uncertain. The determination of these obligations is fundamental to our financial results and requires management to make assumptions about administrative costs, equity market performance, health-care costs, inflation, injured worker loss of earnings, interest rates and mortality rates.

During the second quarter of 2011, there were no material method or assumption changes. We are currently reviewing our more significant assumptions regarding benefit liabilities, investment returns and changes in regulatory policies. Accordingly, changes in any of these assumptions may result in material changes to our financial position. A summary of our more significant estimates and judgments are discussed below.

Allowance for doubtful accounts. An allowance for doubtful accounts is recorded in administrative and other expenses to estimate losses on premiums for Schedule 1 employers.

Benefit liabilities. Benefit liabilities are determined through an actuarial valuation, which estimates the present value of future payments for loss of earnings, labour market re-entry costs, short and long-term disability costs, health-care costs, survivor benefits costs, retirement income benefits and claim administration costs. Benefit liabilities represent an actuarially determined provision for future benefits payments and the future cost of administering claims incurred on or before period end. The provision for benefit liabilities has been determined by estimating future benefit payments in accordance with the adjudication practices in effect at the validation date and relevant legislation. The change in present value of future benefit payments for reported and unreported work-related injuries and illnesses, and the change in future claim administration costs will be recorded as benefit costs on the WSIB's interim financial statements. Benefit liabilities are reviewed each quarter and adjusted based on new information available or any changes in benefit payments and practices or relevant legislation. For example, the discount rate used to calculate the present value of future benefit liabilities is based on the expected long-term return on invested assets. Benefit liabilities do not include any provision for payment of Schedule 2 claims. The costs of these claims are not considered WSIB liabilities because they are the liability of Schedule 2 employers.

Employee future benefits. Employee future benefits represent the estimated value of benefit liabilities for pension and other post-employment benefit plans. Actuarial valuations are performed as at December 31 of each year based on various assumptions including the discount rate, rate of compensation increase, retirement age, mortality and the anticipated cost of health-care in future periods. The discount rate is determined by the WSIB with reference to AA credit-rated bonds that have maturity dates approximating the WSIB's duration at period end and are denominated in the same currency as the benefit obligations. Other assumptions are determined with reference to long-term expectations.

Investments. WSIB's financial assets are carried at their fair values. The fair values of investments are the quarter or year-end quoted prices where available. Where quoted prices are not available, estimated fair values are calculated based on the yields and values of comparable marketable securities. The cost of short-term securities, treasury bills and term deposits maturing within a year, plus accrued interest income, approximates their fair value. The carrying value of receivables and payables approximates their fair value because of the short-term nature of these instruments. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in profit or loss. Fair values for investment properties are determined using market appraisals derived using internal and external resources. External appraisals are carried out by independent appraisers annually at a minimum. The methodologies use a combination of techniques such as discounted cash flows, capital expenditures or general market conditions in the interim period between appraisals. The internal valuation process includes the combination of the direct capitalization income approach and discounted cash flow calculations.

Premiums. Premium revenue is recognized on an accrual basis when it is probable that economic benefits will flow to the WSIB and the revenue can be reliably measured. Interest and penalties are charged to employers and recognized as revenue in the period earned. Additionally, surcharges and rebates are accrued according to an experience rating plan and updated based on new information in the current period.

6 Recent Accounting Pronouncements

A discussion of GAAP developments that have, will, or might affect the WSIB.

The International Accounting Standards Board ("IASB") has issued the following standards, which have not yet been adopted by the WSIB. Each of the standards is effective for periods beginning on or after January 1, 2013 with early adoption permitted. The WSIB has not yet completed its assessment of the impact of early adopting any of the new standards.

Accounting standards not yet effective

IFRS 9 - Financial Instruments ("IFRS 9"), was issued in November 2009 and contains requirements for financial assets. This accounting standard addresses the classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, Financial Instruments – Recognition and Measurement ("IAS 39") for debt instruments, with a new mixed measurement model that has only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income (loss). Where such equity instruments are measured at fair value through other comprehensive income (loss), dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in other comprehensive income (loss) indefinitely. Requirements for financial liabilities were added in October 2010 and largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income (loss). The IASB has issued an exposure draft proposing to defer the effective date of IFRS 9 to annual periods beginning on or after January 1, 2015.

IFRS 10 - Consolidation ("IFRS 10"), requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, Consolidation - Special Purpose Entities, and parts of IAS 27, Consolidated and Separate Financial Statements.

IFRS 11 - Joint Arrangements ("IFRS 11"), requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures and SIC-13, Jointly Controlled Entities - Non-monetary Contributions by Venturers.

IFRS 12 - Disclosure of Interests in Other Entities ("IFRS 12"), establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off-balance sheet vehicles. The IFRS standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 - Fair Value Measurement ("IFRS 13"), is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosure.

Amendments to existing standards not yet effective

In addition to the issuance of new standards, there have been amendments to existing standards, including IAS 1, Presentation of Financial Statements ("IAS 1"), IAS 19, Employee Benefits ("IAS 19"), IAS 27, Separate Financial Statements ("IAS 27") and IAS 28, Investments in Associates and Joint Ventures ("IAS 28"). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to 13. Amendments to IAS 27 and IAS 28 are applicable to annual periods beginning on or after January 1, 2013, with early adoption permitted. The amendments to IAS 1 will require that entities group items presented in other comprehensive income based on an assessment of whether such items may, or may not, be reclassified to earnings at a subsequent date. Amendments to IAS 1 are applicable to annual periods beginning on or after July 1, 2012, with early adoption permitted. Amendments to IAS 19 eliminate an entity's option to defer the recognition of certain gains and losses related to post-employment benefits and require remeasurement of associated assets and liabilities in comprehensive income. Amendments to IAS 19 are applicable on a modified retrospective basis to annual periods beginning on or after January 1, 2013, with early adoption permitted.

IFRS 4, Insurance Contracts - In July 2010, an exposure draft was released on insurance contracts that proposes to change the accounting basis for insurance contracts to fair value. The final standard is expected in the fourth quarter of 2011. This is an important standard that may have a significant impact on the WSIB's condensed consolidated interim financial statements. Currently no effective date is set for the new standard as the IASB plans additional deliberation on the effective dates of these proposals in conjunction with other proposed standards to be issued in 2011. No impact is expected on the WSIB's condensed consolidated interim financial statements until the final standard becomes effective.

IAS 17, Leases, is to be re-exposed with revised proposals in the third quarter of 2011. It is expected to reaffirm the IASB's position on the initially issued exposure draft in August 2010 that proposed a major change to lease accounting. Other changes are also expected to be included. The proposed exposure draft will include the new accounting model for leases where both lessees and lessors would record the assets and liabilities on the balance sheet at the present value of the lease payments arising from all lease contracts. The new classification would be the right-of-use model, replacing the operating and capital (termed finance under IFRS) lease accounting models that exist under Canadian Generally Accepted Accounting Principles. The impact of adopting the proposed changes will be determined once the final standard is issued.

7 Outlook

The outlook for our business.

The provision of insurance for workplace injuries is affected by changes to trends in demographics, the economy, health-care and regulatory changes. The WSIB continues to improve its financial and operational performance by implementing several initiatives commenced in 2010 including work reintegration and our health-care strategy. We believe the reduction of injuries and establishing healthy and safe workplaces continues to be the best way to improve our performance.

We anticipate premium revenues will meet or marginally exceed our expectations for 2011 primarily due to stronger employment growth in the Province of Ontario.

We expect investment and other income may be below 2010 levels given recent equity market outlooks. The WSIB continues to implement its Strategic Investment Plan to reduce the volatility of its investment portfolio to short-term market swings as seen recently in equity markets worldwide. If world equity markets continue to be volatile, our investment returns may be adversely affected.

We anticipate benefit costs, excluding any adjustments for actuarial assumption changes, to be modestly lower than 2010. We continue to update and review our actuarial studies to validate our assumptions on various components of benefit liabilities. Changes to our assumptions could have significant impact on the assessment of benefit liabilities.

Administrative and other expenses are expected to be below 2010 levels due to operating efficiencies.

Accordingly, we anticipate realizing continued improved financial performance in 2011 prior to reflecting any possible changes in assumptions concerning benefit liabilities or the performance of our investments.

8 Internal Control Over Financial Reporting

A statement of responsibilities regarding internal control over financial reporting.

The WSIB's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. WSIB's management is responsible for establishing and maintaining adequate internal control over financial reporting for the WSIB. All internal control systems have inherent limitations and may become inadequate because of changes in conditions. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. There have been no changes in the WSIB's internal control over financial reporting during the period ended June 30, 2011 that have materially affected, or are reasonably likely to materially affect, WSIB's internal control over financial reporting.

9 Risk Factors

A discussion of significant risk factors affecting our business.

The WSIB is subject to risk in all areas of its operation, consistent with most large, complex organizations. The WSIB's 2010 Annual Report summarizes our approach to mitigate risk. A brief discussion of the more significant risks that could influence our financial results are discussed below.

Economic risk. The WSIB is impacted by economic risks including domestic factors such as the rate of inflation, interest rates, currency values, employment levels, capital market activities and government reaction to worldwide economic influences. The WSIB is also impacted by international factors such as capital markets performance, inflation rates, currency values and other factors that may affect foreign demand for goods and services produced in Ontario. The WSIB is particularly susceptible to the effects of changes in the employment structure of the Ontario economy. When employment moves from traditional industries to new industries not required to be covered by the Workplace Safety and Insurance Act, 1997, during times of economic recovery or growth, premium revenue and return-to-work opportunities can be adversely affected.

Benefit costs risks. Benefit costs are comprised of payments to claimants and service providers and the change in the level of benefit liabilities. Benefit costs are influenced by factors such as the discount rate used to value future claims, health-care inflation, availability and utilization, injury severity and duration, availability of return-to-work programs and re-employment opportunities at injury employers, wage growth, new medical findings that impact the recognition of occupational diseases, legislated changes to benefit rates or modifying the recognition of workplace injuries, which are sometimes applied retroactively and precedents established through various claims appeals processes. These factors add considerable uncertainty to the WSIB's operations and put pressure on future premium rates and our funding model.

Investment return risk. The WSIB is reliant on a stream of investment returns to fund a portion of its operation. Investment risks include credit risk, liquidity risk and market risk (currency, interest rate and price). Each of these risks is discussed in detail in our 2010 Annual Report. Investment returns in recent years have been volatile and continue to be so in 2011. Insufficient investment returns (i.e., below our long-term target of 7%) will require the WSIB to monetize investments to fund operations and in the long-term will exert pressure to increase premium rates. The WSIB continues to implement its Strategic Investment Plan to reduce volatility while continuing to produce an acceptable level of return over the long-term.

Premium revenue risk. The WSIB sets premiums on an annual basis to cover a portion of its anticipated operating costs. Actual factors, many of which are beyond the control of the WSIB, can change between the time of premium setting and the fiscal year to which the premium relates, causing premiums to be insufficient to cover annual operating costs and leading to an increase in both the size of the unfunded liability and pressure to increase future premium rates.

Technology and operational risk. The WSIB utilizes information technology systems to process large volumes of transactional activity and maintain claims and employer data. Significant disruption to customer service could occur if these systems were to fail or be compromised. The WSIB has a business continuity plan, including the availability of back-up systems to mitigate this risk. Additionally, our information systems and business processes may not be as efficient and have the functionality expected by our stakeholders and require a significant investment in information technology over time to maintain and improve stakeholder satisfaction.

WORKPLACE SAFETY AND INSURANCE BOARD

Condensed Consolidated Interim Balance Sheets
(millions of Canadian dollars)
(unaudited)

	June 30 2011	December 31 2010
Assets		
Cash and cash equivalents (note 6)	$ 999	$ 1,009
Receivables	1,024	872
Investments (note 7)	14,967	14,674
Property, equipment and other assets	206	194
Intangible assets	99	101
Total assets	**$ 17,295**	**$ 16,850**
Liabilities		
Payables and accruals	$ 1,011	$ 955
Long-term debt	138	139
Loss of Retirement Income Fund liability	1,240	1,193
Employee benefit plans	803	788
Benefit liabilities	24,299	24,350
Total liabilities	**27,491**	**27,425**
Deficiency of assets		
Unfunded liability	(12,110)	(12,438)
Non-controlling interest	1,914	1,863
Total deficiency of assets	**(10,196)**	**(10,575)**
Total liabilities and deficiency of assets	**$ 17,295**	**$ 16,850**

The accompanying notes form an integral part of these Condensed Consolidated Interim Financial Statements.

WORKPLACE SAFETY AND INSURANCE BOARD
Condensed Consolidated Interim Statements of Comprehensive Income (Loss)
(millions of Canadian dollars)
(unaudited)

	Three months ended June 30		Six months ended June 30	
	2011	**2010**	**2011**	**2010**
Revenues				
Premiums for the period	$ 728	$ 639	$ 1,387	$ 1,211
Premiums for unfunded liability	250	233	475	441
	978	872	1,862	1,652
Investment income (loss) (note 7)	124	(498)	433	(213)
Income from associates	6	4	9	8
Other income	1	-	1	2
	1,109	**378**	**2,305**	**1,449**
Expenses				
Benefit costs	697	1,292	1,594	2,420
Loss (recovery) of Retirement Income Fund expense	25	(25)	65	14
Administrative and other expenses (note 8)	82	88	164	170
Legislated obligations and commitments (note 9)	50	49	103	99
	854	**1,404**	**1,926**	**2,703**
Comprehensive income (loss) for the period	**255**	**(1,026)**	**379**	**(1,254)**
Less: amount attributable to non-controlling interest	14	(57)	51	(25)
Comprehensive income (loss) attributable to WSIB stakeholders	**$ 241**	**$ (969)**	**$ 328**	**$ (1,229)**

The accompanying notes form an integral part of these Condensed Consolidated Interim Financial Statements.

WORKPLACE SAFETY AND INSURANCE BOARD
Condensed Consolidated Interim Statement of Changes in Deficiency of Assets
(millions of Canadian dollars)
(unaudited)

		June 30 2011
Unfunded liability		
Balance at January 1, 2010	$	(11,893)
Comprehensive loss attributable to WSIB stakeholders for the period		(1,229)
Balance at June 30, 2010		(13,122)
Comprehensive income attributable to WSIB stakeholders		684
Balance at December 31, 2010		(12,438)
Comprehensive income attributable to WSIB stakeholders for the period		328
Balance at June 30, 2011	**$**	**(12,110)**
Non-controlling interest		
Balance at January 1, 2010	$	1,633
Comprehensive loss attributable to non-controlling interest for the period		(25)
Change in ownership share in the pooled investments		70
Balance at June 30, 2010		1,678
Comprehensive income attributable to non-controlling interest		185
Balance at December 31, 2010		1,863
Comprehensive income attributable to non-controlling interest for the period		51
Balance at June 30, 2011	**$**	**1,914**
Deficiency of assets	**$**	**(10,196)**

The accompanying notes form an integral part of these Condensed Consolidated Interim Financial Statements.

WORKPLACE SAFETY AND INSURANCE BOARD
Condensed Consolidated Interim Statements of Cash Flows
(millions of Canadian dollars)
(unaudited)

	Six months ended June 30 2011	2010
Operating cash flows		
Cash received from:		
Premiums for the period	$ 1,308	$ 1,308
Premiums for unfunded liability	452	475
Investment income	305	280
	2,065	2,063
Cash paid to:		
Claimants, survivors and care providers	(1,645)	(1,727)
Loss of Retirement Income Fund for benefit recipients	(18)	(15)
Employees and suppliers for administrative goods and services	(155)	(138)
Legislated obligations and commitments	(103)	(99)
	(1,921)	(1,979)
Cash provided by operating activities	**144**	**84**
Investing cash flows		
Sale of investments	9,198	8,575
Purchase of investments	(9,375)	(8,515)
Disposals (acquisitions)	26	(87)
Cash required by investing activities	**(151)**	**(27)**
Financing cash flows		
Mortgage principal payments	(1)	-
Finance lease payments	(2)	(1)
Cash required by financing activities	**(3)**	**(1)**
Increase (decrease) in cash and cash equivalents during the period	**(10)**	**56**
Cash and cash equivalents, beginning of period (note 6)	1,009	427
Cash and cash equivalents, end of period	**$ 999**	**$ 483**

The accompanying notes form an integral part of these Condensed Consolidated Interim Financial Statements.

WORKPLACE SAFETY AND INSURANCE BOARD
Notes to Condensed Consolidated Interim Financial Statements
(millions of Canadian dollars)
(unaudited)

1. Description of Business

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 WSIB is responsible for administering the Workplace Safety and Insurance Act, 1997. The WSIB's registered office is 200 Front Street West, Toronto, Ontario M5V 3J1.

2. Basis of Preparation and Adoption IFRS

These condensed consolidated interim financial statements of the WSIB were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). In June 2011, the WSIB prepared condensed consolidated interim financial statements for the three months ended March 31, 2011, the WSIB's initial presentation of its results and interim financial position under IFRS.

These condensed consolidated interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 and IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1"). Subject to certain transition elections disclosed in note 5, the WSIB has consistently applied the same accounting policies in its opening IFRS consolidated balance sheet at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 5 discloses the impact of the transition to IFRS on the WSIB's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the WSIB's annual consolidated financial statements for the year ended December 31, 2010.

The policies applied in these condensed consolidated interim financial statements are based on IFRS policies effective as of September 14, 2011, the date the Board of Directors approved these condensed consolidated interim financial statements. Any subsequent changes to IFRS that are given effect in the WSIB's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these condensed consolidated interim financial statements, including the transition adjustments recognized on changeover to IFRS.

These condensed consolidated interim financial statements should be read in conjunction with the WSIB's Canadian generally accepted accounting principles ("GAAP") annual consolidated financial statements for the year ended December 31, 2010, and the condensed consolidated interim financial statements for the three months ended March 31, 2011 along with the accounting policies used in their preparation as these condensed consolidated interim financial statements follow the same accounting policies and methods of application. Note 3 of the WSIB's condensed consolidated interim financial statements for the three months ended March 31, 2011 discloses IFRS information for the year ended December 31, 2010 that is material to an understanding of these condensed consolidated interim financial statements. The condensed consolidated interim financial statements have been prepared on the historical cost basis except for the following material items in the condensed consolidated balance sheets: (i) financial instruments are measured at fair value through profit or loss ("FVTPL"); (ii) derivative financial instruments are

WORKPLACE SAFETY AND INSURANCE BOARD
Notes to Condensed Consolidated Interim Financial Statements
(millions of Canadian dollars)
(unaudited)

measured at fair value; (iii) investment properties are measured at fair value; (iv) loans and receivables are carried at amortized cost; and (v) the defined employees benefit plans' asset is recognized as the net total of the plan assets, plus unrecognized past service cost and unrecognized actuarial losses, less unrecognized actuarial gains and the present value of the defined benefit obligation. These condensed consolidated interim financial statements have been prepared on a going concern basis, as the WSIB has developed a comprehensive plan to address its unfunded liability. These condensed consolidated interim financial statements are presented in Canadian dollars, which is the WSIB's functional currency. All financial information is presented in Canadian dollars and has been rounded to the nearest million.

3. Significant Accounting Judgments and Estimates

The preparation of condensed consolidated interim financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the amount reported in the condensed consolidated interim financial statements and notes to the condensed consolidated interim financial statements. Actual results could differ from those estimates. The estimates are based on management's best knowledge of current events and actions the WSIB may undertake in the future. Actual results could differ from those estimates. Significant areas requiring the WSIB to make estimates include investments, benefit liabilities and employee future benefits and are further discussed below.

Investments. WSIB's financial assets are carried at their fair values. The fair values of investments are the quarter or year-end quoted prices where available. Where quoted prices are not available, estimated fair values are calculated based on the yields and values of comparable marketable securities. The cost of short-term securities, treasury bills and term deposits maturing within a year, plus accrued interest income, approximates their fair value. The carrying values of receivables and payables approximates their fair values because of the short-term nature of these instruments. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in profit or loss. Fair values for investment properties are determined using market appraisals provided by independent third parties. Fair values are derived using internal and external resources. External appraisals are carried out by independent appraisers annually at a minimum. The methodologies use a combination of techniques such as discounted cash flows, capital expenditures or general market conditions in the interim period between appraisals. The internal valuation process includes the combination of the direct capitalization income approach and discounted cash flow calculations.

Benefit liabilities. Benefit liabilities are determined through an actuarial valuation, which estimates the present value of future payments for loss of earnings, labour market re-entry, short and long-term disability, health-care, survivor benefits, retirement income benefits and claim administration costs. Benefit liabilities represent an actuarially determined provision for future benefits payments and the future cost of administering claims incurred on or before period end. The provision has been determined by estimating future benefit payments in accordance with the adjudication practices in effect at the validation date and relevant legislation. The change in present value of future benefit payments for reported and unreported work-related injuries and illnesses, and the change in future claim administration costs, will be recorded as benefit costs on WSIB's condensed consolidated interim financial statements. Benefit liabilities are reviewed each quarter and adjusted based on information available and any changes in benefit payments and practices or relevant legislation. The benefit liabilities do not include any provision for payment of self-insured employers ("Schedule 2") claims. The

WORKPLACE SAFETY AND INSURANCE BOARD
Notes to Condensed Consolidated Interim Financial Statements
(millions of Canadian dollars)
(unaudited)

costs of these claims are not considered WSIB's liabilities because they are the liability of Schedule 2 employers.

Employee future benefits. Actuarial valuations of benefit liabilities for pension and other post-employment benefit plans are performed as at December 31 of each year based on the WSIB's assumptions on the discount rate, rate of compensation increase, mortality and the trend in the health-care cost rate. The discount rate is determined by the WSIB with reference to AA credit-rated bonds that have maturity dates approximating the WSIB's obligation terms at period end and are denominated in the same currency as the benefit obligations. Other assumptions, such as employee turnover disability and early retirement, are determined with reference to long-term expectations.

4. Accounting Standards and Amendments to Existing Standards Not Yet Effective

Accounting standards not yet effective

The IASB has issued the following standards, which have not yet been adopted by the WSIB. Each of the standards is effective for periods beginning on or after January 1, 2013 with early adoption permitted. The WSIB has not yet completed its assessment of the impact of early adopting any of the new standards.

IFRS 9 - Financial Instruments ("IFRS 9"), was issued in November 2009 and contains requirements for financial assets. This standard addresses the classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, Financial Instruments – Recognition and Measurement ("IAS 39") for debt instruments, with a new mixed measurement model that has only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income (loss). Where such equity instruments are measured at fair value through other comprehensive income (loss), dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income (loss) indefinitely. Requirements for financial liabilities were added in October 2010 and largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income (loss).

IFRS 10 - Consolidation ("IFRS 10"), requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC 12, Consolidation - Special Purpose Entities and parts of IAS 27, Consolidated and Separate Financial Statements.

IFRS 11 - Joint Arrangements ("IFRS 11"), requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31,

WORKPLACE SAFETY AND INSURANCE BOARD
Notes to Condensed Consolidated Interim Financial Statements
(millions of Canadian dollars)
(unaudited)

Interests in Joint Venture and SIC 13, Jointly Controlled Entities - Non-monetary Contributions by Venturers.

IFRS 12 - Disclosure of Interests in Other Entities ("IFRS 12"), establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off-balance sheet vehicles. The IFRS standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 - Fair Value Measurement ("IFRS 13"), is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to existing standards not yet effective
In addition to the issuance of new standards, there have been amendments to existing standards, including IAS 1, Presentation of Financial Statements ("IAS 1"), IAS 19, Employee Benefits ("IAS 19"), IAS 27, Separate Financial Statements ("IAS 27") and IAS 28, Investments in Associates and Joint Ventures ("IAS 28"). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to 13. Amendments to IAS 27 and IAS 28 are applicable to annual periods beginning on or after January 1, 2013, with early adoption permitted. The amendments to IAS 1 will require that entities group items presented in comprehensive income based on an assessment of whether such items may, or may not, be reclassified to earnings at a subsequent date. Amendments to IAS 1 are applicable to annual periods beginning on or after July 1, 2012, with early adoption permitted. Amendments to IAS 19 eliminate an entity's option to defer the recognition of certain gains and losses related to post-employment benefits and require remeasurement of associated assets and liabilities in comprehensive income. Amendments to IAS 19 are applicable on a modified retrospective basis to annual periods beginning on or after January 1, 2013, with early adoption permitted.

IFRS 4, Insurance Contracts - In July 2010, an exposure draft was released on insurance contracts that proposes to change the accounting basis for insurance contracts to fair value. The final standard is expected in the fourth quarter of 2011. This is an important standard that may have a significant impact on the WSIB's condensed consolidated interim financial statements. Currently, no effective date is set for the new standard as the IASB plans additional deliberation on the effective dates of these proposals in conjunction with other proposed standards to be issued in 2011. No impact is expected on the WSIB's condensed consolidated interim financial statements until the final standard becomes effective.

IAS 17, Leases, is to be re-exposed with revised proposals in the third quarter of 2011. It is expected to reaffirm the IASB's position on the initially issued exposure draft in August 2010 that proposed a major

WORKPLACE SAFETY AND INSURANCE BOARD
Notes to Condensed Consolidated Interim Financial Statements
(millions of Canadian dollars)
(unaudited)

change to lease accounting. Other changes are also expected to be included. The proposed exposure draft will include the new accounting model for leases where both lessees and lessors would record the assets and liabilities on the balance sheet at the present value of the lease payments arising from all lease contracts. The new classification would be the right-of-use model, replacing the operating and capital (termed finance under IFRS) lease accounting models that exist under Canadian GAAP. The impact of adopting the proposed changes will be determined once the final standard is issued.

5. Transition to International Financial Reporting Standards

The effect of the WSIB's transition to IFRS is summarized as follows: (i) transition elections; (ii) reconciliation of equity and comprehensive income (loss) as previously reported under Canadian GAAP to IFRS; (iii) explanatory notes; and (iv) adjustments to the consolidated statement of cash flows.

(i) Transition Elections

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS effective at the end of the WSIB's first annual reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

The transition elections used in the preparation of these condensed consolidated interim financial statements and notes are the same transition elections as disclosed in the condensed consolidated interim financial statements and notes thereto for the three months ended March 31, 2011. Refer to the condensed consolidated interim financial statements and notes thereto for the three months ended March 31, 2011 for details of the transitional exceptions and exemptions to full retrospective application of IFRS applied by the WSIB in its preparation of the opening IFRS consolidated balance sheet as at January 1, 2010, the WSIB's transition date.

WORKPLACE SAFETY AND INSURANCE BOARD
Notes to Condensed Consolidated Interim Financial Statements
(millions of Canadian dollars)
(unaudited)

(ii) Reconciliation of Equity and Comprehensive Income (Loss) as Previously Reported Under Canadian GAAP to IFRS

Reconciliation of the condensed consolidated interim balance sheets from previous Canadian GAAP to IFRS:

	June 30, 2010		
	Canadian GAAP	Adj.	IFRS
Assets			
Cash and cash equivalents	$ 483	$ -	$ 483
Receivables	916	2	918
Employee benefit plans	28	-	28
Investments (note 5 (iii) (a),(b))	13,622	106	13,728
Property, equipment and other assets (note 5 (iii) (c))	114	73	187
Intangible assets	95	-	95
Total assets	**$ 15,258**	**$ 181**	**$ 15,439**
Liabilities			
Payables and accruals	$ 960	$ -	$ 960
Long-term debt	116	11	127
Loss of Retirement Income Fund liability	1,053	-	1,053
Employee benefit plans (note 5 (iii) (d))	506	294	800
Benefit liabilities	23,943	-	23,943
Total liabilities	**26,578**	**305**	**26,883**
Deficiency of assets			
Unfunded liability	(13,847)	725	(13,122)
Accumulated other comprehensive income (note 5 (iii) (f))	863	(863)	-
	(12,984)	(138)	(13,122)
Non-controlling interest	1,664	14	1,678
Total deficiency of assets	**(11,320)**	**(124)**	**(11,444)**
Total liabilities and deficiency of assets	**$ 15,258**	**$ 181**	**$ 15,439**

WORKPLACE SAFETY AND INSURANCE BOARD
Notes to Condensed Consolidated Interim Financial Statements
(millions of Canadian dollars)
(unaudited)

Reconciliation of the condensed consolidated interim statement of comprehensive income (loss) from previous Canadian GAAP to IFRS for the three and six months ended June 30, 2010:

	Three months ended June 30, 2010			Six months ended June 30, 2010		
	Canadian GAAP	Adj.	IFRS	Canadian GAAP	Adj.	IFRS
Revenues						
Premiums for the period (note 5 (iii) (e), (h))	$ 715	$ (76)	$ 639	$ 1,364	$ (153)	$ 1,211
Premiums for the unfunded liability (note 5 (iii) (e), (h))	227	6	233	430	11	441
	942	(70)	872	1,794	(142)	1,652
Investment income (loss) (note 5 (iii) (f))	(55)	(443)	(498)	307	(520)	(213)
Income from associates (note 5 (iii) (g))	-	4	4	-	8	8
Other income	-	-	-	2	-	2
	887	(509)	378	2,103	(654)	1,449
Expenses						
Benefit costs (note 5 (iii) (h))	1,368	(76)	1,292	2,575	(155)	2,420
Loss of Retirement Income Fund	(22)	(3)	(25)	17	(3)	14
Administrative and other expenses (note 5 (iii) (e), (h))	55	33	88	107	63	170
Legislated obligations and commitments (note 5 (iii) (h))	53	(4)	49	107	(8)	99
	1,454	(50)	1,404	2,806	(103)	2,703
Excess of expenses over revenues before non-controlling interest	(567)	(459)	(1,026)	(703)	(551)	(1,254)
Non-controlling interest in (income) loss	5	52	57	(38)	63	25
Excess of expenses over revenues	**(562)**	**(407)**	**(969)**	**(741)**	**(488)**	**(1,229)**
Other comprehensive income (loss):						
Unrealized net gains (losses) on available-for-sale financial assets arising during the period	(516)	516	-	(471)	471	-
Realized gains (losses) included in income	48	(48)	-	(85)	85	-
Unrealized gains (losses) on investments, net of amounts realized before non-controlling interest	(468)	468	-	(556)	556	-
Non-controlling interest in (income) loss	53	(53)	-	64	(64)	-
Unrealized gains (losses) on investments, net of amounts realized after non-controlling interest	(415)	415	-	(492)	492	-
Comprehensive income (loss) attributable to WSIB stakeholders	**$ (977)**	**$ 8**	**$ (969)**	**$ (1,233)**	**$ 4**	**$ (1,229)**

WORKPLACE SAFETY AND INSURANCE BOARD
Notes to Condensed Consolidated Interim Financial Statements
(millions of Canadian dollars)
(unaudited)

(iii) Explanatory Notes

a) *Investments.* The WSIB has elected to redesignate all its investments to fair value through profit and loss classification.

b) *Investment properties.* Under Canadian GAAP, investment properties are carried at amortized cost, whereas under IFRS they are classified as investment properties and are measured at fair value from the date of transition.

c) *Property, equipment and other assets.* The WSIB elected to value its head office in downtown Toronto at fair value at the date of transition. Under Canadian GAAP, the head office was measured on a depreciated cost basis. Post-transition, the WSIB follows the cost model.

d) *Employee benefits.* Tthe WSIB elected to recognize all cumulative actuarial gains and losses that existed at its transition date in opening unfunded liability for all its employee benefit plans. Subsequent to transition, the WSIB will continue to use the corridor approach.

e) *Reclassification of expenses.* Under IAS 1, Presentation of Financial Statements, no offsetting of expenses against income is permitted unless specified through another standard. Under IAS 18, Revenue, expenses previously offset against premiums are now included as part of administrative and other expenses. Investment expenses previously offset against investment income under Canadian GAAP are now reported as part of administrative and other expenses. These reclassifications do not impact overall comprehensive income.

f) *Investment income.* The WSIB elected to redesignate all its investments to the fair value through profit or loss classification from the available-for-sale category. The redesignation has no overall impact on the unfunded liability on transition but resulted in a reclassification of unrealized gains and losses from other comprehensive income to investment income. The other comprehensive income category is now eliminated.

g) *Reclassification of investment income.* IAS 1, requires investment income from associates to be shown separately. Under Canadian GAAP, the income from associates was included in investment income. This change did not impact comprehensive income (loss).

h) *Schedule 2.* Schedule 2 claims are ultimately paid by Schedule 2 employers and therefore there is no insurance risk and accordingly these transactions are not recorded in comprehensive income (loss). Beginning January 1, 2010, due to IFRS, Schedule 2 is now treated as reimbursements and not included the statement of comprehensive income (loss).

(iv) Adjustments to the Consolidated Statement of Cash Flows

The transition from Canadian GAAP to IFRS had no significant impact on cash flows generated by the WSIB.

WORKPLACE SAFETY AND INSURANCE BOARD
Notes to Condensed Consolidated Interim Financial Statements
(millions of Canadian dollars)
(unaudited)

6. Cash and Cash Equivalents

Components of cash and cash equivalents on the condensed consolidated interim balance sheets are:

	June 30 2011	December 31 2010	January 1 2010
Cash available for operating purposes	$ 146	$ 306	$ 45
Cash held for investment purposes	715	557	365
Cash held for Loss of Retirement Income purposes	138	146	17
Cash and cash equivalents	**$ 999**	**$ 1,009**	**$ 427**

The WSIB maintains a $150 unsecured line of credit with a commercial bank for general corporate purposes. As at June 30, 2011, the WSIB utilized $0.4 (December 31, 2010: $0.4) of this credit facility to support letters of credit in favour of the Ontario Ministry of Finance related to certain real estate transactions completed by WSIB Investment (Realty) Limited, a wholly owned subsidiary of the WSIB.

7. Investments and Investment Revenue

Investments at estimated fair value and amortized cost are as follows:

	June 30, 2011		December 31, 2010	
	Fair value	Amortized cost	Fair value	Amortized cost
Held-for-trading:				
Foreign-exchange contracts				
Domestic	$ 4,022	$ -	$ 3,529	$ -
Foreign – US	(2,807)	-	(2,604)	-
– Global	(1,194)	-	(903)	-
Futures	(1)	-	4	-
Total held-for-trading	**20**	**-**	**26**	**-**
Fair value through profit or loss:				
Fixed income securities				
Bonds	4,914	4,680	5,022	4,778
Equity securities				
Domestic	1,474	1,163	1,600	1,113
Foreign – US	2,853	2,857	3,223	2,924
– Global	2,594	2,545	2,545	2,292
Alternative investments	1,846	1,752	992	938

WORKPLACE SAFETY AND INSURANCE BOARD
Notes to Condensed Consolidated Interim Financial Statements
(millions of Canadian dollars)
(unaudited)

	June 30, 2011		December 31, 2010	
	Fair value	**Amortized cost**	**Fair value**	**Amortized cost**
Infrastructure pooled fund	102	109	99	102
Infrastructure bond	19	19	15	14
Real estate debentures	294	150	308	160
Total fair value through profit or loss	**14,096**	**13,275**	**13,804**	**12,321**
Investments in associates	336	239	330	228
Investment properties	355	363	398	372
Loss of Retirement Income Fund annuities	67	67	67	67
Total investments	**14,874**	**13,944**	**14,625**	**12,988**
Investment receivables:				
Amount due from pending trades	90	90	16	16
Accrued income	67	66	57	57
	157	156	73	73
Investment payables:				
Amount due from pending trades	(63)	(64)	(24)	(24)
Foreign withholding taxes	(1)	(1)	-	-
	(64)	(65)	(24)	(24)
Net investment assets	**14,967**	**$ 14,035**	**14,674**	**$ 13,037**
Less: non-controlling interest	1,914		1,863	
	$ 13,053		**$ 12,811**	

Revenue by category of investments (financial instruments) is as follows:

	Three months ended June 30		Six months ended June 30	
	2011	**2010**	**2011**	**2010**
Held-for-trading				
Foreign exchange contracts	$ 15	$ (119)	$ 79	$ 21
Fair value through profit or loss				
Bonds	125	142	118	210
Amortization of premium/discount on bonds	(4)	(6)	(8)	(11)
Equity securities	(93)	(583)	129	(519)
Infrastructure investments	1	-	1	-
Alternative investments	62	50	80	51
Real estate debentures	6	7	10	13
	97	(390)	330	(256)

WORKPLACE SAFETY AND INSURANCE BOARD
Notes to Condensed Consolidated Interim Financial Statements
(millions of Canadian dollars)
(unaudited)

	Three months ended June 30		Six months ended June 30	
	2011	**2010**	**2011**	**2010**
Investment properties	11	10	22	21
Short-term securities	1	1	2	1
Investment income	124	(498)	433	(213)
Investment expenses*	(16)	(13)	(30)	(25)
Investment properties expense*	(6)	(7)	(12)	(13)
Net investment income	102	(518)	391	(251)
Income from associates	6	4	9	8
Less: amount attributable to non-controlling interest	14	(57)	51	(25)
Total net investment income (loss) attributable to WSIB stakeholders	**$ 94**	**$ (457)**	**$ 349**	**$ (218)**

* These expenses are included in administrative and other expenses.

For the three months ended June 30, 2011, investment income of $124 (2010: investment loss of $498) is comprised of $588 (2010: $365) of gross gains, $607 (2010: $999) of gross losses, and $143 (2010: $136) of interest and dividend income. For the six months ended June 30, 2011, investment income of $433 (2010: investment loss of $213) is comprised of $1,310 (2010: $899) of gross gains, $1,105 (2010: $1,349) of gross losses, and $228 (2010: $237) of interest and dividend income.

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

As at June 30, 2011, the WSIB had loaned securities with a fair value of approximately of $549 (December 31, 2010: $559; January 1, 2010: $1,243) and has accepted eligible securities as collateral with a fair value of approximately $578 (December 31, 2010: $591; January 1, 2010: $1,310).

WORKPLACE SAFETY AND INSURANCE BOARD
Notes to Condensed Consolidated Interim Financial Statements
(millions of Canadian dollars)
(unaudited)

8. Administrative and Other Expenses

Administrative and other expenses at June 30 consist of the following:

	Three months ended June 30		Six months ended June 30	
	2011	**2010**	**2011**	**2010**
Salaries and fringe benefits	$ 95	$ 88	$ 186	$ 174
Staff benefit plans	22	22	44	44
Bad debt expense	12	18	22	34
Investment related expenses	16	13	30	25
Equipment and maintenance	6	6	22	24
Occupancy costs	10	10	20	20
Investment properties expenses	6	7	12	13
Amortization expense	5	4	10	13
Other	4	4	8	7
Communications	2	3	5	5
Supplies and services	1	1	2	2
Travel and vehicle maintenance	2	1	3	2
New systems development and integration	1	-	2	1
Total expenses	182	177	366	364
Claim administration costs charged to benefit liabilities	(90)	(79)	(182)	(174)
Administrative charge to self-insurers	(10)	(10)	(20)	(20)
Total administrative and other expenses	**$ 82**	**$ 88**	**$ 164**	**$ 170**

9. Related Party Transactions

Ontario Government

Pursuant to the Workplace Safety and Insurance Act, 1997, the WSIB is considered an "Administrative agency" of the Provincial Government of Ontario and accordingly, the WSIB and the Ontario government are considered to be related parties. The WSIB has elected to adopt the related party exemption under IAS 24, Related Party Disclosures, which allows the WSIB to omit disclosure of the significant transactions with related parties.

WORKPLACE SAFETY AND INSURANCE BOARD
Notes to Condensed Consolidated Interim Financial Statements
(millions of Canadian dollars)
(unaudited)

Legislated Obligations and Commitments

Pursuant to the Workplace Safety and Insurance Act, 1997, the WSIB is required to reimburse the Government of Ontario for all administrative costs of the Occupational Health and Safety Act. The WSIB is also required to fund the Workplace Safety and Insurance Appeals Tribunal (“WSIAT”) and the offices of the Worker and Employer Advisor. These reimbursements and associated amounts charged to employers are determined and approved by the Minister of Labour. The WSIB is also committed to providing funding for the Institute for Work & Health and the Safe Workplace Associations, clinics, and training centres. The total amount of funding provided under these legislated obligations and commitments for the three and six months ended June 30, 2011 was $50 and $103, respectively (for the three and six months ended June 30, 2010: $49 and $99, respectively).

10. Commitments and Contingencies

As of June 30, 2011, the WSIB had entered into commitments to acquire real estate investments and infrastructure investments for $89 (2010: $nil) and $208 (2010: $102), respectively.

11. Comparative Figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.