

Workplace Safety and Insurance Board

First Quarter 2012 Report to Stakeholders

Management's Responsibility for Financial Reporting

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") and accompanying financial statements as approved by the Board of Directors of the Workplace Safety and Insurance Board (the "WSIB"), is prepared by management for the three months ended March 31, 2012.

The accompanying unaudited condensed interim consolidated financial statements for the three months ended March 31, 2012 have been prepared in accordance with IAS 34, *Interim Financial Statements*, using accounting policies consistent with International Financial Reporting Standards ("IFRS").

In this MD&A, "WSIB," the "Agency," or the words "our," "us" or "we" refer to the WSIB. This MD&A is dated June 14, 2012, 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, and 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.

I. David Marshall
President and Chief Executive Officer

Lawrence E. Davis
Chief Financial Officer

June 14, 2012
Toronto, Ontario

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1 Quarter in Review

Highlights of our performance for the first quarter of 2012 compared to the first quarter of 2011.

The WSIB provides one of the most comprehensive worker's compensation benefit systems in North America, including wage replacement, health care, recovery and return to work services.

First Quarter 2012 Highlights:

- Comprehensive income was \$697 million reflecting a 5.1% return on investments or \$703 million, which is unlikely to be maintained as a result of recent market volatility.
- Premium revenues increased \$72 million or 8.1% reflecting a 2% increase in average published premium rates announced in 2010 and a 2.7% increase in insurable payroll. Our premium revenues approximated our total costs in the quarter, an important milestone for the insurance fund.
- We were able to transfer \$75 million from our cash and cash equivalents holdings to our investments in the first quarter for the first time since 1996. Between 1997 and 2010, we had liquidated over \$6 billion of investments to fund our operating needs.
- Benefit payments decreased \$39 million or 5.2% reflecting continued improvements in operational performance and to a lesser extent, lower claims volumes, as discussed below.
- Administration and other expenses decreased \$6 million or 8.3% prior to reflecting \$11 million of termination benefits and \$5 million of additional pension plan costs.

Better than expected investment returns. Net investment income increased \$433 million reflecting a 5.1% return on investments compared to 2.0% in the first quarter of 2011, largely as a result of achieving a 10.1% return on public equities. Subsequent to the end of the quarter, however, we experienced significant erosion of our net investment income earned in the first quarter of 2012 as global markets continue to exhibit significant volatility. Accordingly, we believe it is prudent to anticipate that our net investment income for 2012 will be in the order of 3.5%. On this basis, we would have reported comprehensive income of approximately \$115 million for the first quarter of 2012.

Our financial performance is heavily reliant on the amount of net investment income we generate as each 1% return on investments represents approximately \$130 million of net investment income equating to 8 cents of premium per \$100 of insurable payroll or 3% of annual premiums.

Increased premium revenues. Premium revenues increased \$72 million or 8.1% reflecting a \$39 million or 2.7% increase in insurable payroll and a \$33 million or 2% increase in our average published premium rates from \$2.35 per \$100 of insurable payroll in 2011 to \$2.40 in 2012.

Benefit payments continue to trend down. Benefit payments decreased \$39 million or 5.2% reflecting:

- A \$20 million or 7.4% reduction in loss of earnings benefits. This is the result of 5,500 or 17.9% fewer non locked-in claims at March 31, 2012 compared to March 31, 2011, which in turn is due to better return to work outcomes and to a lesser extent, a lower volume of claims;
- A \$6 million or 3.5% decrease in worker's pension payments reflecting the natural reduction of claims due to mortality;
- A \$1 million or 0.8% reduction in health care costs. This is notwithstanding a 2,096 or 1.5% increase in claims receiving health care services and a \$4.8 million increase in payments to specialty clinics supporting the early return to work of injured/ill workers. These increases were partially offset by a \$2.5 million reduction in drug payments, reflecting price reductions for generic drugs and fewer narcotics; and
- A \$11 million or 39.3% reduction in external provider costs. This is attributed to our decision in 2010 to in-source work reintegration activities which has led to improved return to work outcomes for injured workers.

Operating metrics continue to improve. Our improved service delivery model, proactive health care strategy, and enhanced in-house work reintegration support are leading to continued improvements in return to work and recovery outcomes. These improvements have given us a solid start to a third year of improved financial results.

We continue to help more injured workers to recover and get back to work.

- Injured workers are getting better and back to work faster. As a result, both short and medium-term durations continue to decline due to in-sourced work reintegration and proactive health care. These management initiatives have led to a decrease in the percentage of workers still on benefits after 12 months from 6.5% to 5.3%; and after 24 months from 7.0% to 4.9%.
- Injured workers are benefiting from our more efficient health care and work reintegration support. We have seen a reduction in the average Loss of Earnings (“LOE”) entitlement award at lock-in from 60.7% to 53.2% of insured pre-injury income. At the same time, the percentage of non-locked-in claims on 100% LOE has dropped from 69.9% to 63.0%.

Faster referrals to high-quality health care providers have helped to reduce the percentage of injured workers with permanent impairments from 11.1% to 9.8%. We are now returning to norms that existed prior to 1998 when the rate of permanent impairments was at 9.6% of claims received, while workplaces have also become safer since that time.

Administration and other expenses decreasing. Administration and other costs decreased \$6 million or 8.3% prior to \$11 million of termination benefits associated with the elimination of 317 full-time positions and \$5 million of increased pension plan costs due to adverse changes in actuarial assumptions.

Other notable items:

Ontario experienced two tragic events. During the first quarter of 2012, the Province of Ontario experienced two tragic events causing 13 workers to lose their lives in the course of their employment. In one incident, a motor vehicle accident claimed the lives of 10 agricultural workers who were covered by the WSIB. In the other, a train derailment claimed the lives of three railway employees. The WSIB's Occupational Disease and Specialized Services Division led the WSIB's response to these tragedies and ensured the workers' families were supported during this difficult period.

Prevention transition to the Ministry of Labour. Throughout 2011, the WSIB worked closely with the Ministry of Labour (“MOL”) to prepare for the transition of our prevention mandate to the MOL, which became effective on April 1, 2012. The WSIB had direct responsibility for overseeing prevention activities in the workplace from 1998 to March 31, 2012 when this responsibility was formally transferred to the new Chief Prevention Officer at the Ministry of Labour. During the time the WSIB was responsible for prevention, the rate of lost time injuries fell from 2.6% to 1.3%, a drop of 50%.

Harry Arthurs' Funding Review. On May 4, 2012, Professor Arthurs released his Funding Fairness report, which we are now reviewing. Concurrent with the release of Professor Arthurs' Funding Fairness report, the MOL announced the government will establish a new regulation under the *Workplace Safety and Insurance Act, 1997* requiring the WSIB's insurance fund to reach 60% funding by 2017, 80% funding by 2022 and 100% funding by 2027. Reaching these goals is expected to substantially improve the financial viability of the Insurance Plan in order to protect injured workers. The WSIB is considering the impacts of these goals on premium rates for the next few years and will announce its decision on premium rates by late summer or early fall of this year.

2 Operating Results

A more detailed discussion of our financial performance for the first quarter of 2012.

This section provides a detailed discussion of our financial performance. Certain prior year's figures have been reclassified to conform to the current year's presentation.

Financial highlights

The following table sets out our operating results for the three months ended March 31.

(\$ millions)	Three months ended March 31	
	2012	2011
Revenues		
Premiums	970	898
Net investment income		
Investment income	713	287
Investment expenses	(24)	(20)
Income from associates and jointly controlled entities	14	3
	<u>703</u>	<u>270</u>
	<u>1,673</u>	<u>1,168</u>
Expenses		
Benefit costs		
Benefit payments	705	744
Claims administration costs	123	92
Changes in actuarial valuation of benefit liabilities	(10)	61
	<u>818</u>	<u>897</u>
Loss of Retirement Income Fund contributions	17	18
Administration and other expenses	82	72
Legislated obligations and commitments	59	57
	<u>976</u>	<u>1,044</u>
Comprehensive income for the period	697	124
Comprehensive income attributable to:		
WSIB stakeholders	604	87
Non-controlling interest	93	37
	<u>697</u>	<u>124</u>
Other measures		
Cash used in operating activities ¹	(62)	(169)
Return on investments ²	5.1%	2.0%
	March 31	December 31
	2012	2011
Unfunded liability ³	(13,595)	(14,199)
Funding ratio ⁴	54.3%	52.2%

1 Cash used in operating activities represents comprehensive income for the period prior to items not involving cash and non-cash balances related to operations.

2 Return on investments is calculated as the change in the fair value of the investment portfolio, taking into account capital contributions and withdrawals, prior to investment expenses.

3 Unfunded liability represents the deficiency of net assets attributable to WSIB stakeholders as at the end of the reporting period.

4 Funding ratio is calculated as total assets, excluding non-controlling interest in pooled investments, divided by total liabilities as at the end of the reporting period.

Premiums

Premiums were \$970 million, an increase of \$72 million or 8.0% and are comprised of the following:

(\$ millions)	Three months ended March, 31			
	2012	2011	Change	
Schedule 1 employer premiums				
Gross Schedule 1 premiums	957	885	72	8.1%
Other income	(1)	1	(2)	(200.0%)
Net experience rating refunds	(11)	(13)	2	(15.4%)
Interest and penalties	9	11	(2)	(18.2%)
	954	884	70	7.9%
Schedule 2 administration fees	16	14	2	12.1%
	970	898	72	8.0%

Gross Schedule 1 premiums increased by \$72 million or 8.1% comprised of \$39 million attributed to a 2.7% increase in insurable payroll and \$33 million resulting from the 2% increase in our average published premium rates from \$2.35 per \$100 of insurable payroll in 2011 to \$2.40 in 2012.

Net experience rating refunds decreased \$2 million or 15.4% as a result of modestly lower safety group program rebates reflecting a lower than expected number of program participants in 2012.

Schedule 2 administration fees increased by \$2 million or 12.1% as a result of an increase in the administration rate charged to Schedule 2 employers reflecting a modest increase in the expected administration costs and a lower base of benefit reimbursements. Our expectations for the year are for these fees to be consistent with our budgeted level.

Net Investment income

Net investment income, prior to \$24 million of investment expenses, increased \$437 million reflecting a 5.1% rate of return compared to 2.0% substantially as a result of a 10.1% return in public equities compared to 3.4%.

As previously noted, subsequent to the end of the first quarter of 2012, we experienced a significant erosion of our net investment income as global markets continue to exhibit significant volatility. Accordingly, our net investment income for 2012 is anticipated to be in the order of 3.5%, a reduction from 5.5% as at December 31, 2011. Our financial performance is heavily reliant on the amount of investment income we are able to generate as each 1% return on investments represents \$130 million of net investment income equating to 8 cents of premium per \$100 of insurable payroll or 3% of annual premiums.

A summary of net investment income, prior to investment expenses, segmented by asset class is as follows:

Asset Class	Three months ended March 31			
	2012		2011	
	Investment income	Return (%)	Investment income	Return (%)
Fixed income	(10)	(0.2)	(10)	(0.2)
Public equities	633	10.1	232	3.4
Multi-asset strategies	72	3.3	48	2.8
Real estate	25	3.3	18	1.1
Infrastructure	6	3.6	1	0.7
Interest on operating funds	1	-	1	-
Benefit annuities	-	-	-	-
Investment income	727	5.1	290	2.0
Investment expenses	(24)		(20)	
	703		270	

Benefit costs

Benefit costs consist of: (i) benefit payments to or on behalf of injured workers; (ii) claim administration costs, which represent an estimate of our administration costs necessary to support existing claims; and (iii) the change in the actuarial valuation of our benefit liabilities, which represent an adjustment to the actuarially determined estimates for future claim costs existing at the date of the condensed interim consolidated statement of financial position. Benefit costs were comprised of the following:

(\$ millions)	Three months ended March 31			
	2012	2011	Change	
			\$	%
Benefit payments	705	744	(39)	(5.2)
Claims administration costs	123	92	31	33.7
Changes in actuarial valuation of benefit liabilities	(10)	61	(71)	(116.4)
	818	897	(79)	(8.8)

Benefit payments

Benefit payments represent cash paid during the year to or on behalf of injured workers and are detailed by category as follows:

(\$ millions)	Three months ended March 31			
	2012	2011	Change	
			\$	%
Loss of earnings	252	272	(20)	(7.4)
Worker's pension	166	172	(6)	(3.5)
Health care	129	130	(1)	(0.8)
Future economic loss	67	69	(2)	(2.9)
Survivor benefits	44	43	1	2.3
External providers	17	28	(11)	(39.3)
Non-economic loss	21	27	(6)	(22.2)
Other benefit costs	9	3	6	200.0
	705	744	(39)	(5.2)

A summary of the changes in benefit payments for the three months ended March 31, 2012 is noted below.

- Loss of earnings benefits decreased \$20 million or 7.4% reflecting 5,500 or 17.9% fewer non locked-in claims as at March 31, 2012 compared to March 31, 2011. This reduction is mainly attributable to fewer workers on claim, whose claims have yet to be locked-in, as a result of improved claims management and better return to work outcomes. This is a lagging indicator of improved performance as reductions in volumes of non-locked-in claims are muted by the fact that more than 70% of the payments in this category relate to locked-in claims, over which we have little influence.
- Worker's pension decreased \$6 million or 3.5% reflecting the natural reduction of claims due to mortality.
- Health care costs declined \$1 million or 0.8% notwithstanding a 1.5% increase in the number of claims receiving health care services, a \$4.8 million increase in payments to specialty clinics supporting the early return to work of injured/ill workers, partially offset by a \$2.5 million reduction in drug payments, reflecting price reductions for generic drugs and fewer narcotics.
- Future economic loss benefits decreased \$2 million or 2.9% reflecting an increase in the number of claimants reaching age 65, the age at which these benefits cease.
- Survivor benefits increased \$1 million or 2.3% reflecting a higher number of traumatic and occupational disease fatalities.
- External providers decreased \$11 million or 39.3% attributed to our decision in 2010 to in-source work reintegration activities, which has led to improved return to work outcomes for injured workers.
- Non-economic loss awards decreased \$6 million or 22.2%, attributed to earlier and more effective case management resulting in improved return to work outcomes.
- Other benefit costs increased \$6 million or 200.0% resulting mainly from lower recoveries related to asbestos settlements from United States-based bankruptcy trusts.

Claims administration costs

Claims administration costs increased \$8 million or 8.7% prior to reflecting \$15 million of termination benefits associated with the elimination of 317 full time positions and \$8 million of increased pension plan costs attributed to adverse changes in actuarial assumptions. The increase was primarily due to adding staff in areas that will directly enhance service levels to injured workers and employers. Additionally, in-sourcing our work reintegration program has contributed to better return to work outcomes for injured workers and has resulted in a reduction of overall costs associated with this activity.

Changes in actuarial valuation of benefit liabilities

The change in the actuarial valuation of the benefit liabilities is as follows:

	Three months ended March 31	
	2012	2011
Changes in actuarial valuation of benefit liabilities	(10)	61

The change in the actuarial valuation of benefit liabilities represents a reduction of \$10 million of benefit liabilities based on a reduction in our claims inventory on account of improved claims management, better return to work outcomes and to a lesser extent, a lower volume of new claims.

Administration and other expenses

Administration and other expenses decreased \$6 million or 8.3% prior to reflecting \$11 million of termination benefits and a \$5 million increase in the cost of long-term benefit plans, as previously noted. A summary of changes in administration and other expenses for the three months ended March 31, 2012 compared to 2011 is as follows:

Three months ended March 31				
(\$ millions)	2012	Change		Commentary
		\$	%	
Salaries and short-term benefits	97	6	6.6	Reflects filling 72 vacant positions to enhance service levels to injured workers and employers and hiring an additional 48 full-time equivalents to support work reintegration activities.
Long-term benefit plans	35	13	59.1	Increased pension expense reflecting changes in actuarial assumptions.
Termination benefits	26	26	100.0	Costs incurred to eliminate 317 full-time positions.
Equipment and maintenance	19	3	18.8	Increase in software licence fees.
Facilities	10	-	-	No meaningful change.
Amortization	6	1	20.0	Increase in amortization of acquired software.
Other	3	-	-	No meaningful change.
Communications	3	-	-	No meaningful change.
Bad debts	2	(9)	(81.8)	Reflects a more favourable trend in recent collections.
New systems development and integration	2	1	100.0	Increased activity in business transformation projects.
Supplies and services	1	-	-	No meaningful change.
Travel and vehicle maintenance	1	-	-	No meaningful change.
	205	41	25.0	
Claims administration costs allocated to benefit costs	(123)	(31)	33.7	Refer to Section 2 – Operating Results for detailed discussion of claims administration costs.
Total administration and other expenses	82	10	13.9	

Legislated obligations

Legislated obligations were \$59 million, an increase of \$2 million, or 3.5%, as follows:

Three months ended March, 31				
(\$ millions)	2012	Change		Commentary
		\$	%	
Legislated obligations				
Occupational Health & Safety Act	26	1	4.0	Higher costs due to timing of payments.
Mine rescue program	1	1	100.0	Higher costs due to timing of payments.
	27	2	8.0	
Workplace Safety & Insurance Appeals Tribunal	5	-	-	No meaningful change.
Workplace Safety & Insurance Advisory Program				
Program administration	-	-	-	No meaningful change.
Office of the Worker Adviser	3	-	-	No meaningful change.
Office of the Employer Adviser	1	-	-	No meaningful change.
Workplace Safety & Insurance Advisory Program	4	-	-	
Total legislated obligations	36	2	5.9	
Commitments				
Safe Workplace Associations	17	-	-	No meaningful change.
Workplace Health & Safety Centre	2	-	-	No meaningful change.
Health clinics	2	-	-	No meaningful change.
Grants	1	-	-	No meaningful change.
Institute for Work & Health	1	-	-	No meaningful change.
Total commitments	23	-	-	
Total legislated obligations and commitments	59	2	3.5	

3 Financial Condition

A discussion of the significant changes in our condensed interim consolidated statement of financial position.

Changes in our condensed interim consolidated statement of financial position are as follows:

Three months ended March, 31				
(\$ millions)	2012	Changes		Explanation of the changes
		\$	%	
Assets				
Cash and cash equivalents	951	(32)	(3.3)	See Section 5 - Liquidity and Capital Resources.
Receivables	1,097	56	5.4	Increase reflects higher experience rating surcharges.
Investment receivables	175	60	52.2	Increase in investment pending trades.
Investments	14,140	492	3.6	Increase in fair value of investments and \$75 million transferred from cash and cash equivalents to investments.
Investments under securities lending program	674	151	28.9	Increase in security lending activity reflecting greater utilization of available securities.
Investments in associates and jointly controlled entities	393	18	4.8	Increase in equity income earned and additional investments.
Investment property	489	1	0.2	Increase due to capital expenditure partially offset by fair value changes.
Property and equipment	179	(3)	(1.6)	Reduction due to amortization.
Intangible assets	48	(2)	(4.0)	Reduction due to amortization.
Liabilities				
Payables and accruals	1,020	(57)	(5.3)	Reduction due to the timing of NEER experience rating rebate payments in the quarter.
Investment payables	55	32	139.1	Increase in investment pending trades.
Long-term debt	142	(1)	(0.7)	Reduction due to principal repayments.
Loss of Retirement Income Fund liability	1,313	59	4.7	Reflects higher investment returns.
Employee benefit plans	833	21	2.6	Reflects \$13 million of increased liabilities due to adverse actuarial assumption changes.
Benefit liabilities	26,380	(10)	-	Reflects continued reduction in claims inventory. See Section 2 - Operating Results.
Unfunded liability	(13,595)	604	4.3	Reflects comprehensive income attributable to WSIB stakeholders.

4 Summary of Quarterly Results

A summary view of our quarterly financial performance.

Selected financial information for the eight consecutive quarters ended March 31, 2012 is as follows:

(\$ millions)	2012	2011				2010		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Premiums	970	987	998	993	898	867	958	886
Net investment income (loss)	703	614	(688)	100	270	572	854	(477)
Benefit payments	705	692	695	719	744	757	757	777
Claims administration costs	123	97	89	90	92	81	87	79
Change in actuarial valuation of benefit liabilities	(10)	2,400	(309)	(112)	61	447	(40)	435
Benefit costs	818	3,189	475	697	897	1,285	804	1,291
Loss of Retirement Income Fund contributions	17	17	18	17	18	18	18	19
Administration and other expenses	82	113	69	70	72	76	63	79
Legislated obligations and commitments	59	60	58	53	57	61	60	52
Comprehensive income (loss) attributable to WSIB stakeholders	604	(1,866)	(222)	240	87	(75)	758	(975)
Other measures								
Cash generated by (used in) operating activities ¹	(62)	(2,391)	423	147	(169)	(621)	(55)	(511)
Unfunded liability ²	13,595	14,199	12,333	12,111	12,351	12,438	12,363	13,121
Funding ratio (%) ³	54.3	52.2	55.0	56.1	55.4	54.7	54.4	51.4
Return on investments (%) ⁴	5.1	4.4	(4.7)	0.8	2.0	4.2	6.8	(3.5)

1 Cash generated by (used in) operating activities represents comprehensive income (loss) prior to items not involving cash and non-cash balances related to operations.

2 Unfunded liability represents the deficiency of net assets attributable to WSIB stakeholders as at the end of the reporting period.

3 Funding ratio is calculated as total assets, excluding non-controlling interest in pooled investments, divided by total liabilities as at the end of the reporting period.

4 Return on investments is calculated as the change in the fair value of the investment portfolio, taking into account capital contributions and withdrawals, prior to investment expenses.

Our quarterly revenues and expenses are impacted by a number of trends and recurring factors such as seasonality as well as general economic and market conditions. Seasonal factors impact our premium revenues, reflecting higher insurable payrolls in the construction industry in the second and third quarters largely attributed to warmer temperatures. Our premium revenues are also impacted by insurable payrolls, which rise and fall with the employment levels in the industries we insure. Additionally, net investment income is influenced by worldwide capital markets and has been volatile on a quarterly basis for the last few years. We anticipate the volatility in net investment income will continue through 2012 and likely cause our net investment income to be in the order of 3.5% for 2012.

Refer to Section 2 - Operating Results for a discussion of the current quarter results in the chart above.

5 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 our financial commitments and obligations as they fall due. We believe we have the flexibility to obtain, from current cash holdings and ongoing operations, the funds needed to fulfill our cash requirements during the current financial period. We have three sources of funds including: (i) premiums charged to employers; (ii) investment income; and (iii) cash and short-term investments.

Our funds are primarily used for benefit payments and operating expenses. As at March 31, 2012, we held \$951 million of cash and cash equivalents of which \$144 million was held for operating purposes, \$156 million was held in our Loss of Retirement Income Fund on behalf of injured workers and \$651 million was held for investing.

Cash required by operating activities

Cash required by operating activities for the three months ended March 31, 2012 was \$105 million compared to \$133 for the three months ended March 31, 2011, reflecting continued improvements in operating performance.

(\$ millions)	Three months ended March 31	
	2012	2011
Comprehensive income	697	124
Net adjustments	(759)	(293)
Net change in non-cash balances related to operations	(43)	36
Cash required by operating activities	(105)	(133)

Cash provided by investing activities

Cash provided by investing activities for the three months ended March 31, 2012 was \$78 million compared to \$31 million for the three months ended March 31, 2011 reflecting an increase in the net cash provided from dividends and interest income and fewer purchases of investments.

(\$ millions)	Three months ended March 31	
	2012	2011
Cash provided by investing activities	78	31

Cash required by financing activities

Cash required by financing activities for the three months ended March 31, 2012 was \$5 million unchanged from the three months ended March 31, 2011. Cash required by financing activities represents the net contributions paid to non-controlling interests and payments related to mortgages and leases.

(\$ millions)	Three months ended March 31	
	2012	2011
Cash required by financing activities	(5)	(5)

Credit facilities

We maintain a \$150 million unsecured line of credit with a commercial bank for general corporate purposes. As at March 31, 2012, we had utilized \$0.4 million (December 31, 2011 - \$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.

Investment commitments

As at March 31, 2012, we had \$82 million of commitments for investments (\$88 million as at December 31, 2011) and \$253 million of commitments for investments in associates and jointly controlled entities (\$240 million as at December 31, 2011). Subsequent to the quarter end, we entered into \$298 million of additional investment commitments.

6 Critical Accounting Estimates and Judgments

A description of the critical estimates and judgments that affect the measurement and presentation within the condensed interim consolidated financial statements.

The preparation of the condensed interim consolidated financial statements requires the WSIB to apply judgment when making estimates and assumptions that affect the reported amounts recognized in the condensed interim consolidated financial statements. These estimates have a direct effect on the measurement of transactions and balances recognized in the condensed interim consolidated financial statements, and actual results could differ from estimates. Estimates are reviewed on an ongoing basis, with any related revisions recorded in the period in which they are adjusted.

In addition, the WSIB has made judgments, aside from those that involve estimates, in the process of applying its accounting policies. These judgments can affect the amounts recognized in the condensed interim consolidated financial statements.

Benefit liabilities

Benefit liabilities represent the actuarially determined present value of future payments for reported and unreported claims related to workers of Schedule 1 employers incurred prior to the reporting date. The measurement of the benefit liabilities requires the actuary to make estimates and assumptions for a number of factors, including those for claim duration, mortality rates, wage escalation, expected return on investments, general inflation and discount rates. Changes in these estimates and assumptions could have an impact on the measurement of the benefit liabilities and benefit costs.

Employee benefit plans

The costs and liabilities associated with defined benefit pension plans and other long-term employee benefit plans are determined in accordance with actuarial valuations. The actuarial valuations rely on estimates and assumptions including those for wage escalation, expected return on plan assets, health care and dental cost inflation, retirement ages, life expectancies and discount rates. Changes in these estimates could have an impact on the employee benefit plans liability and employee benefit costs.

Fair value measurement of financial instruments

Where possible, the fair value of publicly traded financial instruments is based on quoted market prices. The fair value for a substantial majority of financial instruments is based on quoted market prices or valuation models that use observable market inputs such as interest rate yield curves. Valuation models incorporate prevailing market rates and may require estimates for economic risks and projected cash flows.

Fair value measurement of investment properties

The WSIB's investment properties are owned indirectly through subsidiaries or jointly controlled entities. Investment properties are remeasured to fair value at each reporting date. When estimating the fair value of investment properties, estimates and assumptions are made that have a significant effect on the reported value of investment properties. Estimates and assumptions used in determining the fair value of the investment properties include discount and terminal capitalization rates, inflation rates, vacancy rates, and future net cash flows of the property.

7 Outlook

The outlook for our business.

Set forth below is an update of our Outlook included in our Fourth Quarter 2011 Report to Stakeholders.

Item	Original Expectation	Current Outlook
Premiums	2.0% increase reflecting a 2.0% increase in average published premium rates.	Modestly higher premiums reflecting growth in insurable earnings.
Net investment income	Moderate improvement over 2.3% return in 2011.	No change.
Benefit costs	Continued downward trend reflecting improved operating results.	No change.
Administration and other expenses	Relatively stable after reflecting more than \$27 million of business transformation costs.	No change.
Legislated obligations	Modest growth in this area as the prevention mandate moves to the Ministry of Labour.	No change.
Unfunded liability	Based on current funding and benefit levels, we believe the unfunded liability has peaked and will decrease in 2012 and beyond, reflecting continued improved operating performance.	No change.

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 condensed interim consolidated financial statements using accounting policies consistent with IFRS. Management is responsible for the accuracy, integrity and objectivity of the condensed interim consolidated financial statements within reasonable limits of materiality of internal controls. Management is also responsible for the preparation and presentation of additional financial information included in the first quarter report and ensuring its consistency with the condensed interim consolidated financial statements.

9 Risk Factors

A discussion of the more significant risk factors affecting our business.

Introduction

We face a number of different risks and uncertainties that expose us to possible losses. Set forth below are those risks and uncertainties that we currently believe to be material. They are not, however, the only risks and uncertainties we face. If any of these risks (or any other risks and uncertainties that we have not yet identified, or that we currently consider to be not material) actually occur or become material, our business prospects, financial condition, results of operations and cash flows could be adversely affected. While we employ a broad and diversified set of risk mitigation techniques, those techniques and the judgments that accompany their application cannot anticipate every outcome or the specifics and timing of such outcomes.

Our risks can be broadly categorized as either operational or investment related in nature, each of which is summarized below, along with our mitigation strategies.

Operational risks

Operational risks include those risks that can cause an adverse impact on our operating results.

Strategy

To successfully implement our strategic plan, we intend to more effectively define how we deliver services to our stakeholders. While we have been successful in implementing the near term milestones of our strategic plan, we cannot be sure we will continue to be successful in implementing our strategies. We may experience difficulties due to adverse economic conditions, changes in regulatory requirements, delays in implementing new technologies or incurring unforeseen costs. To help mitigate these risks, we rely extensively on a comprehensive planning capability, analytical tools, and technology to improve our capacity to deliver our services.

Benefit liabilities

Benefit liabilities are estimated to cover the estimated ultimate unpaid liability for benefits with respect to reported and unreported claims incurred as of the end of each accounting period. Our success is dependent on our ability to accurately assess the risks associated with the benefit liability being compensated. Failure to accurately assess the risks assumed may lead to the setting of premium rates that are inadequate to cover costs and could adversely affect our comprehensive income and financial condition. Benefit liabilities do not represent an exact calculation of liability, but instead represent estimates at a given point in time involving actuarial and statistical projections of our expectations of the ultimate settlement and administration costs of claims incurred. Establishing an appropriate level of benefit liabilities is an inherently uncertain process.

Benefit liabilities are influenced by factors such as the discount rate used to value future claims, expected levels of inflation, the availability, utilization and cost of health care services, injury severity and duration, availability of return to work programs and re-employment opportunities at pre-injury employers, wage growth, new medical findings that affect the recognition of occupational diseases, legislated changes to benefit rates or modification of the recognition of workplace injuries, which are sometimes applied retroactively, and precedents established through various claims appeals processes. We mitigate these risks by utilizing both proprietary and commercially available actuarial models, assessing historical loss development patterns in addition to augmenting our resources with the recruitment of a Chief Statistician and the formation of an Actuarial Advisory Board consisting of individuals with expertise in the area of actuarial science and specifically as it relates to worker compensation matters.

Premium revenues

We set premiums on an annual basis to cover a significant portion of our anticipated operating costs. Factors, many of which are beyond our control, 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. We mitigate this risk by diligently assessing our anticipated operating costs factoring in both known variables such as salaries and benefits as well as anticipated variables such as new claims costs and the cost of our business transformation efforts.

Economic conditions and workforce changes

Our business may be materially adversely affected from time to time by general economic conditions. We are particularly susceptible to both the level and composition of employment in the province. Employers covered under the Workplace Safety and Insurance Act, 1997 ("WSIA") pay premiums based on one of 154 premium rates established by us multiplied by the employer's insurable payroll. Accordingly, to the extent the province's economy incurs low or modest growth, our premiums will be adversely affected. Additionally, the province's workforce continues to have a greater percentage of older workers than ever before and continues to shift toward non-traditional jobs such as knowledge work generally supplied by workplaces not compulsorily covered by the WSIA. As well, the trend to more part-time and temporary work may result in higher claims volumes and costs due to challenges with return to work programs. We mitigate these risks by conducting economic forecasting to better project the level of future insurable payrolls and the employment levels within the underlying rate groups.

Business interruption

We may experience an abrupt interruption of activities caused by unforeseeable and/or catastrophic events, an example of which is a global flu pandemic (e.g., H1N1). Our operations may be subject to losses resulting from such disruptions. Losses can relate to financial assets and also to key personnel. If our business continuity plans cannot be put into action or do not take such events into account, losses may increase further. In order to maintain the integrity and continuity of our operations in the event of a crisis, we have developed several communication protocols. For example, emergency action plans, business continuity plans, business recovery plans, major health crisis plans, building evacuation plans and crisis communication plans have all been defined and are tested on an ongoing basis.

Dependency on key employees

Our success is dependent on our ability to retain the services of our existing key employees and to attract and retain additional qualified personnel in the future. The loss of the services of any of our key employees, or the inability to identify, hire and retain other highly qualified personnel in the future, could adversely affect the efficiency of our business operations. We have developed a focused recruiting strategy to aggressively market careers and opportunities. The strategy includes an updated website, focused external recruiting campaigns, rebranding and targeted advertising. Talent identification and development programs have been implemented to retain and grow existing talent and ingrain succession planning.

Technology

Third parties provide certain key components of our business infrastructure such as voice and data communications and network access. Given the high volume of transactions processed daily, we are reliant on such third party provided services to successfully deliver our products and services. Despite our contingency plans and those of the third party service providers, failure of these systems could interrupt our operations and impact our ability to rapidly evaluate and commit to new business opportunities. In addition, a security breach of our information systems could damage our reputation or result in liability. We retain

confidential information regarding our business dealings in our computer systems, including, in some cases, confidential personal information regarding benefit claimants. Therefore, it is critical that our facilities and infrastructure remain secure.

Reputation

From time to time, various stakeholder groups or the media may focus attention on our services, thereby subjecting us to periodic negative publicity. We also may be negatively impacted in relation to our information systems and technology, or if we engage in practices resulting in increased public attention to our business. To mitigate these risks, our senior officers oversee our disclosure practices and procedures, and under the direction of our Audit and Finance Committee approve the release of material financial information. Additionally, we continually review our enterprise risk management activities to identify situations that can adversely affect our reputation.

Regulatory, political and other influences

Our business is subject to changing political and regulatory influences. Any programs to reform or amend the WSIA could adversely affect us. We mitigate this risk by engaging with the Minister of Labour as well as our stakeholder community to ensure, to the greatest extent possible, that any changes to existing programs are developed and implemented in a manner that best aligns with our strategic plan and organizational capabilities.

Investment risks

Our primary investment risk is that investment returns, taken together with a reasonable and sustainable level of contributions, are insufficient to meet the long-term obligations for which the fund is established. This risk would be manifest in the failure to achieve a return of at least the long-term actuarial discount rate of 6% (5.5% to 2015 and 6% thereafter) over a horizon of rolling ten to fifteen-year periods. Our overarching risk mitigation tool for investment risk is through the diversification of investment return sources as provided for in our Statement of Investment Policies and Procedures, which is presented annually to the Board of Directors for their approval.

The significant risks related to investments include liquidity risk, credit risk and market risk and are discussed below:

Liquidity risk

Liquidity risk is the risk we will encounter difficulty in meeting obligations associated with financial liabilities. We mitigate this risk by investing the majority of our assets in readily marketable instruments, publicly traded equity, and fixed income securities and invest the remainder of our investments in real estate and infrastructure investments that provide steady cash flows. A portion of our investments is maintained in short-term (less than one year) highly liquid money market securities, which are used to manage our operational requirements. We also have a \$150 million unsecured committed credit facility, which we can utilize to manage our liquidity needs.

Credit risk

Credit risk is the risk one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. We are exposed to several types of credit risk, as follows:

- Our fixed income investments consist primarily of investment grade debt instruments. We manage our credit risk through holding a diversified portfolio of debt instruments, which are subject to a due diligence process and exposure limits.

- We manage counterparty risk relating to our security lending program by establishing a pre-approved qualified borrower list and through exposure limits. In addition, we mitigate credit risk by requiring daily marking-to-market to maintain full collateralization with an additional margin for safety.
- We pay insurance benefits for Schedule 2 workers and are then reimbursed by their employers for the related costs. We mitigate the risk of credit loss by holding collateral in the form of letters of credit issued by highly rated Canadian financial institutions.
- We enter into annuity agreements with various Canadian life insurance companies, which have credit ratings of at least A or better, to provide for fixed and recurring payments to claimants. We are exposed to the credit risk that life insurers may fail to fulfill their obligations.

Market risk

There are four types of market risk we are exposed to including currency risk, interest rate risk, price risk and concentration risk as follows:

- Currency risk is the risk of loss due to adverse movements in foreign currency rates as compared with the Canadian dollar. We use foreign exchange contracts to hedge exchange rate risk associated with certain foreign investment holdings. Foreign exchange contracts are agreements to exchange an amount of one currency for another at a future date and at a set price, agreed upon at the contract inception.
- Interest rate risk is the potential for financial loss arising from changes in interest rates. We review interest rate risk through periodic asset liability analyses, which assess the impact of different interest rate scenarios on our assets and liabilities over a period of time. Interest rate risk is mitigated primarily through asset allocation, which aims to diversify the fund's exposure to the impact of changes in interest rate levels.
- Price risk is the risk the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. We mitigate price risk by diversifying our investment portfolio in accordance with our investment policies.
- Concentration risk arises from the exposure of investments in one particular issuer, a group of issuers, a geographic region, or a sector. These groups share similar characteristics such as type of industry, regulatory compliance, and economic and political conditions, which may impact the issuers' ability to meet contractual commitments. We mitigate these risks through limits on exposure to regions and sectors and limits on underlying securities.

10 Forward-looking Statements

Caution regarding forward-looking statements.

This MD&A constitutes "forward-looking statements," within the meaning of applicable Canadian securities laws. Forward-looking statements can be identified by the use of words, such as "anticipates," or "believes," "budget," "estimates," "expects," or "is expected," "forecasts," "intends," "plans," "scheduled," or variations of such words and phrases or state that certain actions, events or results "could," "may," "might," "will," "would," or be taken, occur or be achieved. These forward-looking statements relate to, among other things, our future results, levels of activity, performance, goals or achievements or other future events. These

forward-looking statements are based on current expectations and various assumptions and analyses made by us in light of our experience and our perceptions of historical trends, current conditions and expected future developments and other factors we believe are appropriate in the circumstances. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in our forward-looking statements.

These factors may cause our actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. Forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made have on our business. For example, they do not include the effect of asset impairments or other charges announced or occurring after the forward-looking statements are made. The financial impact of such transactions and non-recurring and other special items can be complex and necessarily depends on the facts particular to each of them.

We believe the expectations represented by our forward-looking statements are reasonable, yet there can be no assurance that such expectations will prove to be correct. The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding our anticipated financial performance and may not be appropriate for other purposes. Furthermore, unless otherwise stated, the forward-looking statements contained in this report are made as of the date of this report and we do not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise unless required by applicable legislation or regulation. The forward-looking statements contained in this document are expressly qualified by this cautionary statement.

WORKPLACE SAFETY AND INSURANCE BOARD
Condensed Interim Consolidated Statements of Financial Position
Unaudited
(millions of Canadian dollars)

	Note	March 31 2012	December 31 2011
Assets			
Cash and cash equivalents	7	951	983
Receivables		1,097	1,041
Investment receivables		175	115
Investments	8	14,140	13,648
Investments under securities lending program	8	674	523
Investments in associates and jointly controlled entities		393	375
Investment property		489	488
Property and equipment		179	182
Intangible assets		48	50
Total assets		18,146	17,405
Liabilities			
Payables and accruals		1,020	1,077
Investment payables		55	23
Long-term debt		142	143
Loss of Retirement Income Fund liability		1,313	1,254
Employee benefit plans		833	812
Benefit liabilities	9	26,380	26,390
Total liabilities		29,743	29,699
Deficiency of assets			
Unfunded liability attributable to WSIB stakeholders		(13,595)	(14,199)
Non-controlling interest		1,998	1,905
Total deficiency of assets		(11,597)	(12,294)
Total liabilities and deficiency of assets		18,146	17,405

Commitments and contingent liabilities (note 11)

Subsequent events (note 13)

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

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

	Note	Three months ended March 31	
		2012	2011
Revenues			
Premiums	5	970	898
Net investment income			
Investment income	8	713	287
Investment expenses	8	(24)	(20)
Income from associates and jointly controlled entities		14	3
		703	270
		1,673	1,168
Expenses			
Benefit costs			
Benefit payments	9	705	744
Claim administration costs	9	123	92
Changes in actuarial valuation of benefit liabilities	9	(10)	61
		818	897
Loss of Retirement Income Fund contributions		17	18
Administration and other expenses	6	82	72
Legislated obligations and commitments	12	59	57
		976	1,044
Comprehensive income for the period		697	124
Comprehensive income attributable to:			
WSIB stakeholders		604	87
Non-controlling interest		93	37
		697	124

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

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

Unfunded liability attributable to WSIB stakeholders	
Balance at December 31, 2010	(12,438)
Comprehensive income attributable to WSIB stakeholders	87
Balance at March 31, 2011	(12,351)
Comprehensive loss attributable to WSIB stakeholders	(1,848)
Balance at December 31, 2011	(14,199)
Comprehensive income attributable to WSIB stakeholders	604
Balance at March 31, 2012	(13,595)
Non-controlling interest	
Balance at December 31, 2010	1,863
Comprehensive income attributable to non-controlling interest	37
Change in ownership share in the pooled investments (note 10)	(17)
Balance at March 31, 2011	1,883
Comprehensive income attributable to non-controlling interest	16
Change in ownership share in the pooled investments	6
Balance at December 31, 2011	1,905
Comprehensive income attributable to non-controlling interest	93
Change in ownership share in the pooled investments (note 10)	-
Balance at March 31, 2012	1,998
Total deficiency of assets March 31, 2012	(11,597)

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

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

	Three months ended March 31	
	2012	2011
Operating activities:		
Comprehensive income	697	124
Adjustments:		
Amortization of net discounts on investments	3	4
Amortization of property, equipment and intangible assets	7	6
Changes in fair value of investments	(652)	(200)
Changes in fair value of investment property	2	-
Dividend income from equity securities	(50)	(43)
Income from associates and jointly controlled entities	(14)	(3)
Interest income	(58)	(60)
Interest expense	3	3
	(62)	(169)
Change in non-cash balances related to operations:		
Receivables	(56)	(42)
Payables and accruals	(57)	(23)
Loss of Retirement Income Fund liability	59	31
Employee benefit plans	21	9
Benefit liabilities	(10)	61
	(43)	36
Net cash required by operating activities	(105)	(133)
Investing activities:		
Dividends received from equity securities	46	32
Dividends received from associates and jointly controlled entities	2	1
Interest received	41	41
Additions of property and equipment	-	(2)
Additions of intangible assets	(1)	(1)
Purchase of investments	(5,393)	(5,398)
Sale of investments	5,392	5,332
Additions of investment property	(3)	-
Acquisition of associates and jointly controlled entities	(6)	(4)
Disposition of subsidiaries	-	30
Net cash provided by investing activities	78	31
Financing activities:		
Disposition of non-controlling interest	12	14
Distributions paid by subsidiaries to non-controlling interest	(12)	(14)
Repayment on mortgages and finance leases	(2)	(1)
Interest paid on mortgages and finance leases	(3)	(4)
Net cash required by financing activities	(5)	(5)
Decrease in cash and cash equivalents	(32)	(107)
Cash and cash equivalents, beginning of period	983	1,009
Cash and cash equivalents, end of period	951	902

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

WORKPLACE SAFETY AND INSURANCE BOARD
Notes to Condensed Interim Consolidated Financial Statements
March 31, 2012
Unaudited (millions of Canadian dollars)

1. Nature of operations

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

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

The WSIB’s primary place of business is 200 Front Street West, Toronto, Ontario M5V 3J1.

2. Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”), using accounting policies consistent with International Financial Reporting Standards (“IFRS”).

The condensed interim consolidated financial statements were authorized for issuance by the WSIB’s Board of Directors on June 14, 2012.

3. Summary of significant accounting policies

Basis of presentation

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for the following items:

- i) financial instruments classified as at fair value through profit or loss, which are measured at fair value;
- ii) investment properties, which are measured at fair value; and
- iii) the defined benefit pension and other employee benefit plan liabilities, which are measured as the present value of the defined benefit obligation less the fair value of plan assets.

Basis of consolidation

a) Subsidiaries

Subsidiaries are entities controlled by the WSIB.

The financial statements of subsidiaries are included in the WSIB’s consolidated financial statements from the date control commences until the date control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to reflect accounting policies consistent with those of the WSIB. All intercompany transactions and balances are eliminated.

WORKPLACE SAFETY AND INSURANCE BOARD
Notes to Condensed Interim Consolidated Financial Statements
March 31, 2012
Unaudited (millions of Canadian dollars)

The majority of the WSIB's investment portfolio is held in subsidiaries in which the WSIB employees' pension plan is a non-controlling interest. These subsidiaries include the following:

- i) Diversified Beta Strategies Ltd.;
- ii) WSIB Investments (Fixed Income) Pooled Fund Trust;
- iii) WSIB Investments (Infrastructure) Pooled Fund Trust;
- iv) WSIB Investments (Public Equities) Pooled Fund Trust;
- v) WSIB Investments (Realty) Limited;
- vi) WSIB Investments (Total Return) Pooled Fund Trust;
- vii) Absolute Return (2012) Pooled Fund Trust; and
- viii) Diversified Markets (2009) Pooled Fund Trust.

b) Non-controlling interests

Non-controlling interests represent other investors' proportionate interest of the net assets and comprehensive income of subsidiaries in which the WSIB directly or indirectly owns less than 100%. Comprehensive income and the surplus or deficiency of assets related to these subsidiaries is allocated to WSIB stakeholders and non-controlling interests.

c) Investments in associates and jointly controlled entities

Associates are entities over which the WSIB has significant influence, but not control. Generally, the WSIB is considered to have significant influence when it owns more than 20% of an entity, but does not control or jointly control that entity. Jointly controlled entities are entities over whose activities the WSIB has joint control. Joint control exists when the strategic financial and operating decisions related to the entity require unanimous consent of parties sharing control.

Investments in associates and jointly controlled entities are accounted for using the equity method. Under the equity method, investments are initially recognized at cost and are adjusted for the WSIB's proportionate share of the associates' or jointly controlled entity's net income or loss. The consolidated financial statements include the WSIB's share of the net income and losses and any equity movements of investments in associates and jointly controlled entities from the date significant influence or joint control commences until the date significant influence or joint control ceases. When the WSIB's share of losses exceeds its interest in an investment in an associate or jointly controlled entity, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent the WSIB has an obligation to make payments, or has made payments, on behalf of the investee.

d) Jointly controlled assets

Jointly controlled assets are investments in economic activities over which the WSIB has joint control. Joint control exists when the strategic financial and operating decisions related to the assets require unanimous consent of parties sharing control.

These consolidated financial statements include the WSIB's share of the jointly controlled assets and its share of the liabilities incurred jointly with the other investors. The consolidated financial statements also include the WSIB's share of the revenues generated and expenses incurred by the economic activity related to the jointly controlled assets from the date joint control commences until the date joint control ceases.

WORKPLACE SAFETY AND INSURANCE BOARD
Notes to Condensed Interim Consolidated Financial Statements
March 31, 2012
Unaudited (millions of Canadian dollars)

Business combinations

At times, the WSIB's investments in investment properties are acquired through business combinations. Acquisitions of businesses are accounted for using the acquisition method. The acquiree's identifiable assets and liabilities are recognized at their fair values at the date of acquisition. The transaction costs associated with business combinations are expensed as incurred.

Foreign currency

The WSIB's functional and presentation currency is the Canadian dollar. The Canadian dollar is also the functional currency of each of the WSIB's subsidiaries, associates and joint ventures.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in a foreign currency are translated at the period-end rates of exchange. Non-monetary assets and liabilities that are measured at fair value are also translated at the period-end rates of exchange. Foreign exchange gains and losses are recognized in the consolidated statement of comprehensive income.

Financial instruments

The WSIB recognizes financial assets and financial liabilities when it becomes a party to a contract. Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position only when the WSIB has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and financial liabilities, with the exception of financial assets classified as at fair value through profit or loss, are measured at fair value plus transaction costs on initial recognition. Financial assets at fair value through profit or loss are measured at fair value on initial recognition and transaction costs are expensed when incurred.

Measurement in subsequent periods depends on the classification of the financial instrument. The WSIB's financial assets and financial liabilities are classified as follows:

Financial asset or financial liability	Classification
Cash and cash equivalents	At fair value through profit and loss (a)
Receivables	Loans and receivables (b)
Investment receivables	Loans and receivables (b)
Investments	At fair value through profit and loss (a)
Investments under securities lending program	At fair value through profit and loss (a)
Payables and accruals	Other financial liabilities (c)
Investment payables	Other financial liabilities (c)
Long-term debt	Other financial liabilities (c)

a) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management, or if they are derivative assets. Financial assets classified as FVTPL are measured at fair value, with changes recognized in the consolidated statement of comprehensive income.

Investments and investments under the WSIB's securities lending program are managed based on their fair value in accordance with the WSIB's documented risk management or investment strategy.

WORKPLACE SAFETY AND INSURANCE BOARD
Notes to Condensed Interim Consolidated Financial Statements
March 31, 2012
Unaudited (millions of Canadian dollars)

b) Loans and receivables

Loans and receivables are non-derivative financial assets that have fixed or determinable payments and are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method. Loans and receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

c) Other financial liabilities

Other financial liabilities are financial liabilities that are not derivative liabilities or classified as FVTPL. Subsequent to initial recognition, other financial liabilities are carried at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of an instrument and of allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all transaction costs and other premiums or discounts) through the expected life of the debt instrument to the net carrying amount on initial recognition.

Interest income is recognized when it is earned and dividend income is recognized when the WSIB's right to receive payment has been established. Interest income and dividend income are included in investment income on the consolidated statement of comprehensive income.

Investment property

Investment property is property held either to earn rental income or for capital appreciation, or both. Investment properties acquired through a business combination are recognized at fair value and the related transaction costs are expensed as incurred. Investment properties acquired through an asset purchase are recognized at cost, which includes transaction costs. Subsequent to initial recognition, investment properties are measured at fair value with changes in fair value recognized as investment income during the period in which they arise.

Fair values of investment properties are primarily based on discounted expected future cash flows of each property, using a discount and terminal capitalization rate reflective of the characteristics, location and market of each property. The future cash flows of each property are based on, among other things, rental income from current leases and assumptions about rental income from future leases reflecting current conditions, less future cash outflows relating to such current and future leases.

Property and equipment

Property and equipment are measured at cost less accumulated amortization and any accumulated impairment losses. When significant components of an item of property and equipment have different useful lives, they are accounted for as separate items.

Property and equipment are amortized on a straight-line basis over their estimated useful lives as follows:

Land	Not amortized
Buildings	
Primary structure	60 years
Components with different useful lives	10 - 30 years
Leasehold improvements	lesser of the lease term or 10 years
Office and computer equipment	3 - 5 years

WORKPLACE SAFETY AND INSURANCE BOARD
Notes to Condensed Interim Consolidated Financial Statements
March 31, 2012
Unaudited (millions of Canadian dollars)

Intangible assets

Intangible assets, which include internally developed and acquired software, are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over their estimated useful lives of three to five years.

Development costs associated with internally developed computer software are recognized as an intangible asset when certain criteria are met. The criteria to capitalize development costs include the WSIB's intention and ability to complete the development of the software from which it is probable the WSIB will generate future economic benefits.

Leases

Leases are classified as either finance or operating leases. Finance leases are those that substantially transfer the benefits and risks of ownership of an asset to the lessee.

a) Leases where the WSIB is the lessee

Assets held under finance leases are recognized as assets and included in property and equipment. At the inception of the lease, the asset is measured at the lower of the present value of minimum lease payments and the fair value of the leased asset. A corresponding liability is recognized as a finance lease obligation. Lease payments are apportioned between interest expense and a reduction of the lease obligation to achieve a constant rate of interest on the remaining liability.

Total payments under operating leases are recognized as an expense in administration and other expenses on a straight-line basis over the term of the relevant lease. As an exception, operating leases for investment property are accounted for as a finance lease. Investment properties held under operating leases are recognized as an asset and measured at fair value.

b) Leases where the WSIB is the lessor

All leases to which the WSIB is the lessor are leases of its investment property and have been determined to be operating leases. Rental revenue from operating leases is recognized in investment income on a straight-line basis over the term of the lease.

Impairment of non-financial assets

At each reporting date, the WSIB's property and equipment and intangible assets are reviewed to determine whether there is an indication those assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statement of comprehensive income. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted at a rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purposes of assessing for indications of impairment and impairment testing, assets that do not have largely independent cash inflows are grouped into cash-generating units. Cash-generating units are the smallest identifiable groups of assets with independent cash inflows.

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. When an impairment loss is reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed what the carrying amount would have been had no impairment losses been recognized for the asset in prior years.

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Premium revenues

Premium revenues are comprised of premiums from Schedule 1 employers and administration fees from Schedule 2 employers.

a) Schedule 1 employer premiums

Schedule 1 employers are those for which the WSIB is liable to pay benefit compensation for workers' claims. Schedule 1 employers are required by legislation to pay premiums to the WSIB, which are fully earned and recognized over the period that coverage is provided.

b) Schedule 2 employer administration fees

Schedule 2 employers are employers that self-insure the provisions of benefits under the WSIA. Schedule 2 employers are liable to pay all benefit compensation and administration costs for their workers' claims.

The WSIB administers the payment of the benefits for workers of Schedule 2 employers and recovers the cost of these benefits plus administration fees from the employers. The administration fees are recognized as the services are provided. The benefits paid on behalf of Schedule 2 employers and the amounts collected to recover the benefits paid are not included in the WSIB's revenue or expenses.

Loss of Retirement Income Fund liability

The Loss of Retirement Income Fund liability represents an obligation for payments of retirement benefits to certain workers. The WSIB makes contributions to the Loss of Retirement Income Fund for injured workers who have received loss of earnings benefits for twelve continuous months. The WSIB's contributions, and any voluntary contributions from injured workers, are segregated within the WSIB's investment portfolio as the Loss of Retirement Income Fund.

The WSIB's obligation to the injured worker is to provide retirement benefits equal to the total contributions plus income earned on those contributions. As such, the Loss of Retirement Income Fund liability is measured as the fair value of the assets in the Loss of Retirement Income Fund. The WSIB's contributions to the Loss of Retirement Income Fund are recognized as the Loss of Retirement Income Fund contributions expense.

Benefit liabilities

Benefit liabilities represent the actuarially determined present value of the estimated future payments for reported and unreported claims related to workers of Schedule 1 employers incurred on or prior to the reporting date. These future payments are for loss of earnings, labour market re-entry, short and long-term disability, health care, survivor benefits, retirement income benefits, and claim administration costs. The benefit liabilities are determined by estimating future benefit payments in accordance with the adjudication practices and relevant legislation in effect at the consolidated statement of financial position date. At a minimum, actuarial assumptions are reviewed annually when the actuarial valuation is performed. Changes in the benefit liabilities are recognized in benefit costs in the consolidated statement of comprehensive income.

The benefit liabilities do not include any amounts for claims related to workers of Schedule 2 employers; these claims are ultimately paid by the self-insured Schedule 2 employers.

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Employee future benefits

The WSIB maintains two employee defined benefit pension plans, and a plan that provides other long-term employee benefits. The obligations for these plans are measured individually as the present value of the benefit obligation less the fair value of plan assets and are included in the employee benefit plans liability.

a) **Defined benefit pension plans**

The cost of the defined benefit plans is actuarially determined using the projected unit credit method and management's best estimate of expected plan investment performance, compensation level increases and retirement ages of workers.

Actuarial gains and losses are recognized in the consolidated statement of comprehensive income based on the corridor method. Under the corridor method, net actuarial gains and losses are amortized when the amount exceeds 10% of the greater of the accrued benefit obligation at the beginning of the year and the fair value of plan assets at the beginning of the year. The net actuarial gains or losses in excess of this threshold are amortized on a straight-line basis over the average remaining service period of active workers expected to receive benefits under the plan.

b) **Other long-term employee benefits**

Other long-term employee benefits include post-retirement dental, extended health and life insurance benefits. The cost of other long-term employee benefits is actuarially determined and represents the amount of future benefit that workers have earned in return for their service in the current and prior periods.

Termination benefits

Termination benefits refer to benefits payable to employees as a result a voluntary or involuntary termination of employment. The cost of termination benefits is recognized in administration and other expenses when the WSIB is demonstrably committed to terminate the employment of an employee or group of employees or to provide benefits resulting from an offer of voluntary exit packages.

Consolidated Statements of cash flows

The WSIB's consolidated statements of cash flows are presented using the indirect method, classifying cash flows as cash flows from operating, investing and financing activities. In the consolidated financial statements for periods ending prior to December 31, 2011, the WSIB presented its consolidated statements of cash flows using the direct method, whereby major classes of gross cash receipts and gross cash payments were disclosed.

4. Critical accounting estimates and judgments

The preparation of these condensed interim consolidated financial statements requires the WSIB to apply judgment when making estimates and assumptions that affect the reported amounts recognized in the condensed interim consolidated financial statements. These estimates have a direct effect on the measurement of transactions and balances recognized in the condensed interim consolidated financial statements, and actual results could differ from those estimates. Estimates are reviewed on an ongoing basis, with any related revisions recorded in the period in which they are adjusted.

In addition, the WSIB has made judgments, aside from those that involve estimates, in the process of applying its accounting policies. These judgments can have an effect on the amounts recognized in the condensed interim consolidated financial statements.

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Benefit liabilities

Benefit liabilities represent the actuarially determined present value of future payments for reported and unreported claims related to workers of Schedule 1 employers incurred on or prior to the reporting date. The measurement of the benefit liabilities requires the chief actuary to make estimates and assumptions for a number of factors, including those for claim duration, mortality rates, wage escalation, expected return on investments, general inflation and discount rates. Actuarial assumptions are reviewed annually when the actuarial valuation is performed. Changes in these estimates and assumptions could have an impact on the measurement of the benefit liabilities and benefit costs.

Employee benefit plans

The costs and liabilities associated with defined benefit pension plans and other long-term employee benefit plans are determined in accordance with actuarial valuations. The actuarial valuations rely on estimates and assumptions including those for wage escalation, expected return on plan assets, health care and dental cost inflation, retirement ages, life expectancies and discount rates. Changes in these estimates could have an impact on the employee benefit plans' liability and employee benefit costs.

Fair value measurement of financial instruments

Where possible, the fair value of publicly traded financial instruments is based on quoted market prices. The fair value for a substantial majority of financial instruments is based on quoted market prices or valuation models that use observable market inputs such as interest rate yield curves. Valuation models incorporate prevailing market rates and may require estimates for economic risks and projected cash flows.

Fair value measurement of investment properties

Investment properties are remeasured to fair value at each reporting date, estimated based on annual valuations performed by third party appraisers. On a quarterly basis, the fair values of investment properties are updated based on internal valuation models incorporating available market evidence. When estimating the fair value of investment properties, the third party appraisers and management make estimates and assumptions that have a significant effect on the reported value of investment properties. Estimates and assumptions used in determining the fair value of the investment properties include discount and terminal capitalization rates, inflation rates, vacancy rates, and future net cash flows of the property.

5. Revenues

	Three months ended March 31	
	2012	2011
Premiums		
Schedule 1 employer premiums	954	884
Schedule 2 employer administration fees	16	14
	970	898
Net investment income (note 8)	703	270
	1,673	1,168

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Premiums

Schedule 1 employers are those for which the WSIB is liable to pay benefit compensation for workers' claims. Premiums are primarily derived from total insurable payrolls of Schedule 1 employers and are recognized over the period coverage is provided. Premiums also include:

- i) experience rating refunds and surcharges, which are assessed based on the employers' actual workplace injury experience and are recognized when determined; and
- ii) interest and penalties, which are recognized when assessed.

Schedule 2 employers are employers that self-insure the provision of benefits under the WSIA. The WSIB administers the payment of the benefits for workers of Schedule 2 employers. The Schedule 2 employer administration fees represent revenue received for the administration of Schedule 2 benefit payments.

Net investment income

Details of net investment income are provided in note 8.

6. Administration and other expenses

Administration and other expenses for the three months ended March 31 are comprised of the following:

	Three months ended March 31	
	2012	2011
Salaries and short-term benefits	97	91
Long-term benefit plans	35	22
Termination benefits	26	-
Equipment and maintenance	19	16
Facilities	10	10
Amortization	6	5
Other	3	3
Communications	3	3
Bad debts	2	11
New systems development and integration	2	1
Supplies and services	1	1
Travel and vehicle maintenance	1	1
	205	164
Claim administration costs allocated to benefit costs (note 9)	(123)	(92)
	82	72

Claim administration costs allocated to benefit costs represent management's estimate of the administration and other expenses incurred to adjudicate and administer claims, and to process claim payments. These costs are allocated to benefit costs. Note 9 provides further details on the benefit liabilities and benefit costs.

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7. Cash and cash equivalents

Highly liquid investments with a maturity of three months or less from the date of purchase are considered to be cash equivalents. Cash and cash equivalents are comprised of following:

	March 31 2012	December 31 2011
Cash	309	467
Short-term money market securities	642	516
	951	983

For management purposes, cash and cash equivalents are held as follows:

	March 31 2012	December 31 2011
For operating purposes	144	328
Held in Investment portfolio (note 8)	651	502
Held in Loss of Retirement Income Fund	156	153
	951	983

8. Investments and net investment income

Investment portfolio

The investment portfolio is presented in five asset classes as follows:

Fixed income	Bonds, debentures, loans, notes, mortgages, money market and other fixed income investments.
Public equities	Investment in the equity, or securities convertible into equity, of public corporations.
Multi-asset strategies	Investments that seek to provide a diversified source of total return generated from the broad market and from active management. Investments within multi-asset strategies may include derivatives, commodities, currencies, hedge funds, equities and fixed income investments.
Real estate	Real estate debentures and properties in Canada diversified across office, retail, industrial and mixed use assets.
Infrastructure	Investments in transportation, utilities, energy and health care facilities.

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The following provides a summary of the nature of the investments in the investment portfolio by asset class:

	Fixed income	Public equities	Multi-asset strategies	Real estate	Infra-structure	Other	Mar. 31 2012 Total	Dec. 31 2011 Total
Equity securities	-	7,061	487	-	-	1	7,549	6,875
Fixed income securities	4,990	-	350	-	-	-	5,340	5,337
Hedge funds	-	-	794	-	-	-	794	707
Real estate debentures	-	-	-	336	-	-	336	337
Commingled investment funds	-	-	649	-	141	-	790	771
Annuities	-	-	-	-	-	72	72	74
Foreign exchange contracts	-	(28)	(18)	-	(2)	-	(48)	71
Futures	-	-	(19)	-	-	-	(19)	(1)
Investments and investments under securities lending program	4,990	7,033	2,243	336	139	73	14,814	14,171
Investment in associates and jointly controlled entities	-	-	-	368	25	-	393	375
Investment property	-	-	-	489	-	-	489	488
Investment receivables	66	63	43	1	2	-	175	115
Investment payables	(12)	(41)	(2)	-	-	-	(55)	(23)
Cash and cash equivalents	8	296	294	39	14	-	651	502
Total investment portfolio	5,052	7,351	2,578	1,233	180	73	16,467	15,628
March 31, 2012 - % of total	30.7%	44.6%	15.7%	7.5%	1.1%	0.4%		
December 31, 2011 - % of total	32.4%	42.9%	15.4%	7.7%	1.1%	0.5%		

Holdings in the WSIB's investment portfolio are held directly or held indirectly through investments in subsidiaries, associates, jointly controlled entities or jointly controlled assets.

The WSIB's investment portfolio is presented in the consolidated statement of financial position within the following line items:

	March 31 2012	December 31 2011
Investments	14,140	13,648
Investments under securities lending program (a)	674	523
Investment receivables	175	115
Investment payables	(55)	(23)
Investments in associates and jointly controlled entities	393	375
Investment property	489	488
Cash and cash equivalents (note 7)	651	502
	16,467	15,628

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- a) The WSIB participates in a securities lending program through an intermediary for the purpose of generating fee income. Non-cash collateral, the fair value of which represents at least 102% of the fair value of the loaned securities, is maintained 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.

Under the terms of the securities lending program, the WSIB retains substantially all the risks and rewards of ownership of the loaned securities and also retains contractual rights to the cash flows. These securities are not derecognized from the consolidated statement of financial position and are reclassified as investments under the securities lending program.

As at March 31, 2012, the fair value of securities maintained as collateral was approximately \$729 (December 31, 2011: \$551).

Net investment income

Net investment income by category of investments for the three months ended March 31 is as follows:

	Three months ended March 31	
	2012	2011
Equity securities	678	226
Fixed income securities	(3)	(3)
Amortization of premium/discount on bonds	(3)	(4)
Hedge funds	7	(1)
Real estate debentures	3	4
Commingled investment funds	16	(2)
Foreign exchange contracts	69	64
Futures	(11)	13
Short-term securities	1	1
Income from associates and jointly controlled entities	14	3
Investment property	11	11
Investment expenses	(24)	(20)
Less: Income attributable to Loss of Retirement Income Fund	(55)	(22)
	703	270

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Net investment income is comprised of:

	Three months ended March 31	
	2012	2011
Realized and unrealized gains	1,375	631
Realized and unrealized losses	(723)	(431)
Interest and dividend income	105	98
Investment property	11	11
Income attributable to Loss of Retirement Income Fund	(55)	(22)
Investment income	713	287
Investment expenses	(24)	(20)
Income from associates and jointly controlled entities	14	3
	703	270

9. Benefit liabilities and benefit costs

Benefit liabilities

Benefit liabilities represent the estimated present value of the WSIB's obligation for future benefit payments of claims related to workers of Schedule 1 employers. The benefit liabilities include reported and unreported claims incurred on or before the statement of financial position date, and the estimated cost of administering those claims. The benefit liabilities are based on the level and nature of entitlement under the WSIA and adjudication practices in effect at that date.

The benefit liabilities do not include any amounts for claims related to workers of Schedule 2 employers; the WSIB's payment of these claims is reimbursed by the self-insured Schedule 2 employers on an on going basis.

Benefit liabilities are actuarially determined in accordance with the standards of practice established by the Canadian Institute of Actuaries.

The benefit liability is comprised of the following:

	March 31 2012	December 31 2011
Loss of earnings	9,841	9,758
Worker's pension	6,473	6,552
Health care	3,845	3,825
Survivor benefits	2,522	2,508
Future economic loss	2,133	2,176
External providers	254	261
Non-economic loss	276	274
Future claim administration costs	1,036	1,036
	26,380	26,390

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Benefit costs

Benefit costs are comprised of the following:

	Three months ended March 31	
	2012	2011
Benefit payments	705	744
Claim administration costs	123	92
Change in actuarial valuation of benefit liability	(10)	61
	818	897

10. Change in ownership share in the pooled investments

There was no change in the ownership share in the pooled investments for the three months ended March 31, 2012 (2011 - decrease of \$17).

11. Commitments and contingent liabilities

Investment commitments

As of March 31, 2012, the WSIB had commitments to fund real estate and infrastructure investments for \$19 and \$63, respectively (December 31, 2011 - \$21 and \$67). In addition, the WSIB had \$253 (December 31, 2011 - \$240) of commitments for additional investments in associates and jointly controlled entities.

Legislated obligations and commitments

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, the offices of each of the Worker and Employer Adviser, and provide funding for the Institute for Work & Health, Safe Workplace Associations, clinics, and training centres. Funding is recognized in the consolidated statement of comprehensive income in the period to which the funding related.

Known commitments related to legislated obligations at March 31, 2012 were \$237 related to the Government of Ontario's 2013 fiscal year April 1, 2012 through March 31, 2013.

Legal actions

The WSIB is engaged in various legal proceedings and claims that have arisen in the ordinary course of business, the outcome of which is subject to future resolution. Based on information currently known to the WSIB, management believes the probable ultimate resolution of all existing legal proceedings and claims will not have a material effect on the WSIB's financial position.

The WSIB entered into indemnification agreements with its current and former directors and officers to indemnify them, to the extent permitted by law, against any and all charges, costs, expenses, and amounts paid in settlement and damages incurred as a result of any lawsuit or any other judicial, administrative or investigative proceeding in which they are involved as a result of their services. Any such indemnification claims will be subject to any statutory or other legal limitation periods. The nature of the indemnification agreements prevents the WSIB from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. Additionally, the WSIB has purchased directors' and officers' liability insurance. No amount has been recorded in the consolidated financial statements with respect to these indemnification agreements.

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Also, in the normal course of operations, the WSIB may provide indemnification agreements, other than those listed above, to counterparties that would require the WSIB to compensate them for costs incurred as a result of changes in laws and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnification agreements will vary. The nature of the indemnification agreements prevents the WSIB from making a reasonable estimate of the maximum potential amount the WSIB could be required to pay to counterparties. No amount has been recorded in the consolidated financial statements with respect to these indemnification agreements.

12. Related party transactions

Government of Ontario and related entities

The WSIB is a trust agency of the Government of Ontario, responsible for administering the WSIA. As such, the WSIB is considered a government-related entity and is provided partial exemptions under IFRS from its disclosure of transactions with the Government of Ontario and its controlled ministries, agencies, and Crown corporations.

Pursuant to the WSIA, 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 each 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 months ended March 31, 2012 was \$59 (2011 - \$57).

In addition to legislated obligations and workplace health and safety expenses, which the WSIB collectively presents as legislated obligations in the consolidated statement of comprehensive income, the consolidated financial statements include amounts resulting from transactions conducted in the normal course of operations with various controlled ministries, agencies, and Crown corporations of the Government of Ontario.

Included in investments at March 31, 2012 are marketable fixed income securities issued by the Government of Ontario and related entities valued at \$1,015 (December 31, 2011 - \$975).

13. Subsequent events

On April 1, 2012, the prevention mandate that resided within the WSIB was transferred to the Ministry of Labour. Prior to April 1, 2012, expenses related to the WSIB's prevention mandate were recognized in administration and other expenses. Following the transition on April 1, 2012, the level of expenses related to the prevention mandate will be determined by the Ministry of Labour and recognized in legislated obligations and commitments.

In 2010 at the request of the WSIB, Professor Harry Arthurs had been appointed to conduct an independent review of funding related aspects of the WSIB. Professor Arthurs' report, Funding Fairness, was released on May 4, 2012. The WSIB is currently reviewing the recommendations contained in Professor Arthurs' report and at this time, cannot quantify the impact that Professor Arthurs' report may have on the WSIB.

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On May 4, 2012, the Minister of Labour issued a communication noting that a new regulation would be established under the Workplace Safety and Insurance Act, requiring the WSIB to reach sufficiency of 60% funding by 2017, 80% funding by 2022 and a full 100% funding by 2027.

Subsequent to March 31, 2012, the WSIB made commitments to fund real estate investments for \$48 and infrastructure investments for \$250.