Workplace Safety and Insurance Board

First Quarter 2015 Report to Stakeholders

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

Management's Responsibility for Financial Reporting

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") and accompanying unaudited condensed interim consolidated financial statements, as approved by the Board of Directors of the Workplace Safety and Insurance Board (the "WSIB"), are prepared by management as at and for the three months ended March 31, 2015.

The accompanying unaudited condensed interim consolidated financial statements as at and for the three months ended March 31, 2015 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards ("IFRS").

In this MD&A, "WSIB," or the words "our," "us" or "we" refer to the WSIB. This MD&A is dated March 31, 2015, 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 involve 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
June 18, 2015
Toronto, Ontario

Pamela Steer
Chief Financial Officer (Acting)

Management's Discussion and Analysis

Table of Contents

1. Quarter in Review

Highlights of our performance for the three months ended March 31, 2015 compared to 2014.

The following MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of the WSIB as at and for the three months ended March 31, 2015 (the "interim consolidated financial statements").

Financial highlights for the three months ended March 31, 2015 compared to the three months ended March 31, 2014:

- We generated $1,394 million of total comprehensive income reflecting continued strong operating performance resulting from growth in premium revenues, improved return to work outcomes resulting in lower benefit payments and strong returns on our investments.
- Premium revenues increased $7 million or 0.6% reflecting a 3% increase attributable to a higher average premium rate charged to employers in 2015 as a result of shifts in industry sector mix, and an increase in insurable earnings due to modest growth in the construction, education, services and transportation industries, net of $8 million of higher net mandatory employer incentive programs expenses reflecting favourable claims experience. We continue to generate positive cash flow in our business as our premium revenues exceeded our operating expenses, thereby allowing us to transfer $285 million of cash generated from operating activities to our investment fund in the first quarter of 2015.
- Overall investment return was 6.0% compared to 3.8% in the same period last year. The investment portfolio increased to $25,425 million as at March 31, 2015, representing a $1,685 million increase from December 31, 2014. Public equities delivered a return of 9.1% and Fixed income delivered a return of 4.4%. Multi-asset strategies delivered a return of 5.4%, which was driven by strong equity, bond and credit markets, offset by weakness in commodities. Investment returns have been strong in recent years and have exceeded expectations. However, these results should not be extrapolated in the future, and we continue to target a 6% per annum rate of return on our investments over a rolling 10 to 15 year period.
- Benefit payments decreased $20 million or 3.3% reflecting 1,736 or 3.9% fewer prior year claims including locked-in claims, as well as 344 or 5.1% fewer current injury year claims compared to the first quarter of 2014.
- Administration and other expenses, before allocation to benefit costs, increased $2 million or 1.1% reflecting $8 million of higher long-term employee benefit expenses due to a 70 basis point decrease in interest rates used to value our long-term employee benefit plans, $6 million of higher salaries and benefit expenses, partially offset by $6 million of lower new systems development and integration expenses, $3 million of lower depreciation and amortization expenses and $3 million of lower other operating expenses.
- Other comprehensive loss was $124 million primarily attributed to a 35 basis point decrease in the interest rate used to value our employee benefit liabilities compared to December 31, 2014.
- Our unfunded liability was $6,860 million as at March 31, 2015, a decrease of $1,238 million or 15.3% since December 31, 2014.

Operational highlights for the three months ended March 31, 2015:

Decrease in claim volumes. The number of registered claims in the first quarter of 2015 was 4.3% or 2,053 claims lower than last year. Both lost-time and no-lost-time claim volumes decreased in 2015 compared to the same quarter in 2014, decreasing from 14,342 to 13,483 and from 33,500 to 32,306, respectively. The lost-time injury rate has improved to 0.90 injuries per 100 workers due to fewer registered claims and a slight increase of 0.2% in insurable earnings in the first quarter of 2015. This reflects an improvement of 8.2% compared to the lost-time injury rate of 0.98 in the first quarter of 2014.

***Outcomes for injured workers continue to improve*.** In the first quarter of 2015, the WSIB's integrated recovery and return to work approach continues to result in positive outcomes for workers and employers. The Province of Ontario ("the Province") once again has some of the best recovery and return to work outcomes in Canada – 92.0% of injured workers continue to return to work within 12 months with no wage loss and 80.1% of injured workers completing the WSIB's Work Transition Program successfully found employment.

The percentage of workers remaining on loss of earnings benefits at key duration intervals also continues to improve. The percentages of workers on benefits at three and six months in the first quarter of 2015 achieved their lowest levels, decreasing from 12.1% to 11.0% and from 6.8% to 6.1%, respectively, compared to the same period in 2014. Longer-term durations (48 and 72 months) also improved compared to last year, decreasing from 3.5% to 2.4% and from 5.4% to 4.4%, respectively.

Health care investments continue to deliver improved recovery. Ongoing emphasis on early medical care for injured workers through services such as Specialty Clinics and Programs of Care has helped to hold the percentage of workers with a permanent impairment at 5.6%, unchanged since 2014. The average percentage of impairment also declined to 9.6% from 9.9% in the first quarter of 2014. Contributing to these improvements is the continued growth in the percentage of claims participating in these integrated healthcare programs, which increased to 40.6% of claims from 35.4% in the first quarter of 2014.

Timeliness of decisions continues to improve. Due to lower claims volume and ongoing improvements to service efficiency this quarter, 92.2% of eligibility decisions were made within two weeks, which increased from 89.5% in first quarter of 2014. The appeals process continued to be efficient and timely, and 87.1% of appeals were resolved within six months.

A strong foundation for 2015. The WSIB's ongoing operational improvements have resulted in higher quality and more efficient service. Improved operational performance was reflected in the positive financial performance demonstrated in this report, which supports improved outcomes for both the injured workers and employers. The WSIB will continue to build on these initial achievements to ensure that 2015 is another positive year on the path towards ensuring a sustainable workplace compensation system for the Province.

2. Operating Results

A more detailed discussion of our financial performance for the three months ended March 31, 2015 compared to 2014.

This section provides a detailed discussion of our financial performance. All amounts herein are in millions of Canadian dollars, unless otherwise specified.

Financial highlights

The following table sets forth our operating results for the three months ended March 31:

	Three months ended March 31	
(millions of Canadian dollars)	**2015**	**2014**
Revenues		
Premiums	1,166	1,151
Net mandatory employer incentive programs	(32)	(24)
	1,134	1,127
Net investment income		
Investment income	1,360	752
Investment expenses	(51)	(43)
	1,309	709
	2,443	**1,836**
Expenses		
Benefit costs		
Benefit payments	592	612
Claim administration costs	99	102
Change in actuarial valuation of benefit liabilities	62	98
	753	812
Loss of Retirement Income Fund contributions	14	15
Administration and other expenses	84	75
Legislated obligations and funding commitments	74	76
	925	**978**
Excess of revenues over expenses	**1,518**	**858**
Other comprehensive loss		
Remeasurements of employee defined benefit plans	(124)	(141)
Total comprehensive income	**1,394**	**717**
Total comprehensive income attributable to:		
WSIB stakeholders	1,238	629
Non-controlling interests	156	88
	1,394	**717**
Other measures		
Core Earnings[1]	271	247
Return on investments[2]	6.0%	3.8%
Unfunded liability[3]	(6,860)	(10,009)

1. Core Earnings is calculated as total comprehensive income, excluding the impacts of net investment income, changes in actuarial valuation and any items that are considered as material and exceptional in nature. See Section 7 – Non-IFRS Financial Measure.
2. Return on investments is calculated as the change in the fair value of the total 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. The total deficiency of assets of $4,063 million as at March 31, 2015 (December 31, 2014 – $5,454 million) is allocated between the WSIB stakeholders and the non-controlling interests (“NCI”) on the basis of their proportionate interests in the net assets of the WSIB. NCI represent the proportionate interest of the net assets and total comprehensive income of subsidiaries in which the WSIB directly or indirectly owns less than 100% interest. NCI of $2,797 million as at March 31, 2015 (December 31, 2014 – $2,644 million) exclude benefit liabilities since the holders of NCI, the WSIB Employees’ Pension Plan and other investors are not liable for those obligations. The proportionate share of the total deficiency of assets attributable to WSIB stakeholders as at March 31, 2015 was $6,860 million (December 31, 2014 – $8,098 million) which includes benefit liabilities. Refer to the interim consolidated statements of financial position for further details.

Premiums

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

(millions of Canadian dollars)	Three months ended March 31 2015	2014	Change $	%
Schedule 1 employer premiums				
Gross Schedule 1 premiums	1,138	1,123	15	1.3
Interest and penalties	11	10	1	10.0
	1,149	1,133	16	1.4
Schedule 2 employer administration fees	17	18	(1)	(5.6)
	1,166	1,151	15	1.3
Net mandatory employer incentive programs	(32)	(24)	(8)	(33.3)
	1,134	**1,127**	**7**	**0.6**

Gross premiums increased $15 million or 1.3%, reflecting $3 million attributed to a 0.2% increase in insurable earnings and $12 million or 1.1% attributed to the slight increase in the average premium rate charged to employers in 2015 as a result of shifts in industry sector mix.

Net mandatory employer incentive programs increased due to higher refunds available under the retrospective experience-rating programs, principally the New Experimental Experience Rating program (the "NEER"), reflecting favourable claims experience.

Net investment income

A summary of investment income, segmented by asset class, for the three months ended March 31 is as follows:

Asset Class	Three months ended March 31 2015				2014			
(millions of Canadian dollars)	Investment income (loss)	Return %	Net asset value[1]	%	Investment income (loss)	Return %	Net asset value[1]	%
Public equity securities	766	9.1	9,466	37.2	348	4.6	8,107	37.2
Fixed income	245	4.4	6,071	23.9	130	2.7	5,174	23.8
Multi-asset	321	5.4	6,237	24.5	228	4.7	4,868	22.4
Real estate	18	0.4	1,958	7.7	33	1.3	1,913	8.8
Infrastructure[2]	9	(0.6)	682	2.7	12	2.3	599	2.8
Cash and cash equivalents	1	-	939	3.7	1	-	1,039	4.7
Other	-	-	72	0.3	-	-	73	0.3
Investment income	**1,360**	**6.0**	**25,425**	**100.0**	**752**	**3.8**	**21,773**	**100.0**
Investment expenses	(51)				(43)			
Net investment income	**1,309**				**709**			

1. Total net asset value includes investment cash, investment receivables and payables, and investment derivatives.
2. The negative return in Infrastructure for the three months ended March 31, 2015 reflects a valuation adjustment (reduction of $13 million) reported by the WSIB as at December 31, 2014 but not reported by the custodian. In January 2015, the valuation adjustment was reported by the custodian.

Net investment income increased by $600 million over the same period last year, reflecting an overall return of 6.0% for the quarter. Returns from the Public Equities (9.1%) and Fixed Income (4.4%) strategies were boosted by a decline in the Canadian dollar and in long-term interest rates, respectively. Multi-asset strategies delivered a return of 5.4% which were driven by strong equity, bond and credit market returns, offset by weakness in commodities.

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 benefit programs; and (iii) the change in the actuarial valuation of our benefit liabilities, which represents an adjustment to the actuarially determined estimates for future claim costs existing at the date of the interim consolidated statement of financial position.

A summary of benefit costs for the three months ended March 31 is as follows:

	Three months ended March 31			
			Change	
(millions of Canadian dollars)	**2015**	**2014**	**$**	**%**
Benefit payments	592	612	(20)	(3.3)
Claim administration costs	99	102	(3)	(2.9)
Change in actuarial valuation of benefit liabilities	62	98	(36)	(36.7)
Total benefit costs	**753**	**812**	**(59)**	**(7.3)**

Benefit payments

Benefit payments represent cash paid during the three months ended March 31 to or on behalf of injured workers. Benefit payments are comprised of the following:

	Three months ended March 31			
			Change	
(millions of Canadian dollars)	**2015**	**2014**	**$**	**%**
Loss of earnings	207	213	(6)	(2.8)
Workers' pensions	147	151	(4)	(2.6)
Health care	119	121	(2)	(1.7)
Future economic loss	55	58	(3)	(5.2)
Survivor benefits	46	44	2	4.5
External providers	9	12	(3)	(25.0)
Non-economic loss	11	11	-	-
Other	(2)	2	(4)	(100+)
Total benefit payments	**592**	**612**	**(20)**	**(3.3)**

A summary of the significant changes in benefit payments for the three months ended March 31, 2015 is as follows:

- Loss of earnings benefits decreased primarily due to improved claims management through better recovery and return to work outcomes, reflecting 3,702 or 15.6% fewer non-locked-in claims as at March 31, 2015. The lost-time injury rate decreased by 8.0% to 0.90 injuries per 100 workers, which also contributed to the decrease in loss of earnings benefits.
- Workers' pensions decreased reflecting the natural reduction of claims due to mortality. This program has been discontinued.
- Future economic loss benefits decreased reflecting the natural reduction in the number of claimants that reach age 65, the age at which these benefits cease. This program has been discontinued.
- Survivor benefits increased reflecting annual indexation, as well as the impact of approximately $0.5 million due to new legislation allowing coverage of firefighter occupational diseases.
- External providers' expense decreased primarily due to fewer lost-time injuries and a more targeted approach to return to work.

- Other benefit payments decreased primarily due to lower overpayments and higher recoveries from third parties, resulting in a net recovery of $2 million during the first quarter of 2015.

Claim administration costs

Claim administration costs reflect the portions of administration and other expenses and legislated obligations and funding commitments expenses allocated to benefit costs.

For the three months ended March 31, 2015, the decrease was attributed to a reduction in allocation percentage of claim administration costs compared to the prior year.

	Three months ended March 31			
			Change	
(millions of Canadian dollars)	**2015**	**2014**	**$**	**%**
Allocation from administration and other expenses	95	102	(7)	(6.9)
Allocation from legislated obligations and funding commitments expenses	4	-	4	100+
Total claim administration costs	**99**	**102**	**(3)**	**(2.9)**

Changes in actuarial valuation of benefit liabilities

	Three months ended March 31			
			Change	
(millions of Canadian dollars)	**2015**	**2014**	**$**	**%**
Change in actuarial valuation of benefit liabilities	62	98	(36)	(36.7)

Change in actuarial valuation of benefit liabilities primarily reflects favourable experience in loss of earnings and health care benefits, as well as a lower increase than the prior quarter in liabilities incurred for the 2015 injury year.

Change in actuarial valuation of benefit liabilities for the three months ended March 31 is detailed as follows:

(millions of Canadian dollars)	
Benefit liabilities as at December 31, 2014	**26,800**
Payments made in 2015 for prior injury years	(691)
Interest accretion[1]	302
Liabilities incurred for the 2015 injury year	451
Benefit liabilities as at March 31, 2015	**26,862**
Change in actuarial valuation of benefit liabilities	**62**

1. Accretion represents the estimated interest cost of the benefits liabilities, considering the discount rate, benefit liabilities at the beginning of the period and payments made during the period.

Administration and other expenses

Administration and other expenses, before allocation to benefit costs, were $179 million, an increase of $2 million or 1.1%. A summary of changes in administration and other expenses for the three months ended March 31 is as follows:

	Three months ended March 31			
			Change	
(millions of Canadian dollars)	**2015**	**2014**	**$**	**%**
Salaries and short-term benefits	103	97	6	6.2
Long-term employee benefit plans	40	32	8	25.0
Bad debts	(2)	-	(2)	(100+)
Communications	2	2	-	-
Depreciation and amortization	1	4	(3)	(75.0)
Equipment and maintenance	15	14	1	7.1
Facilities	10	11	(1)	(9.1)
New systems development and integration	1	7	(6)	(85.7)
Termination benefits	2	2	-	-
Other	7	8	(1)	(12.5)
	179	177	2	1.1
Claim administration costs allocated to benefit costs	(95)	(102)	7	6.9
Total administration and other expenses	**84**	**75**	**9**	**12.0**

A summary of the significant changes in administration and other expenses, before allocation to benefit costs, for the three months ended March 31, 2015 is as follows:

- Salaries and short-term benefits increased reflecting inflationary pressures and higher costs for temporary staff to support our business transformation efforts.
- Long-term employee benefit plans increased primarily reflecting a 70 basis point decrease in interest rates used to value our pension and other post-retirement obligations, which include life insurance, dental and extended health coverage.
- Depreciation and amortization decreased reflecting accelerated amortization of intangible assets in 2014 and a lower capital base in 2015.
- New systems development and integration expenses decreased reflecting an increase in development costs that are eligible to be capitalized.

Legislated obligations and funding commitments expenses

Legislated obligations and funding commitments are as follows:

	Three months ended March 31			
			Change	
(millions of Canadian dollars)	2015	2014	$	%
Legislated obligations				
Occupational Health and Safety Act	24	24	-	-
Ministry of Labour Prevention Costs	29	29	-	-
	53	53	-	-
Workplace Safety and Insurance Appeals Tribunal	5	4	1	25.0
Workplace Safety and Insurance Advisory Program				
Office of the Worker Adviser	4	4	-	-
Office of the Employer Adviser	1	1	-	-
	5	5	-	-
Total legislated obligations	63	62	1	1.6
Funding commitments				
Safety program rebates	15	14	1	7.1
Total funding commitments	15	14	1	7.1
	78	**76**	**2**	**2.6**
Claims administration costs allocated to benefit costs	(4)	-	(4)	(100+)
Total legislated obligations and funding commitments	**74**	**76**	**(2)**	**(2.6)**

For the three months ended March 31, 2015, legislated obligations and funding commitments expenses, before allocation to benefit costs, increased $2 million or 2.6%, reflecting higher Workplace Safety and Insurance Appeals Tribunal expenses and higher Safety program rebates.

3. Financial Condition

A discussion of the significant changes in our March 31, 2015 interim consolidated statements of financial position.

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

(millions of Canadian dollars)	Mar. 31 2015	Dec. 31 2014	Change $	Change %	Commentary
Assets					
Cash and cash equivalents	1,328	1,473	(145)	(9.8)	Refer to the interim consolidated statements of cash flows in the interim consolidated financial statements for details.
Receivables	1,433	1,303	130	10.0	Primarily reflects higher investment receivables.
Public equity securities	10,010	9,136	874	9.6	Increase primarily due to changes in fair values. Refer to Section 2 – Operating Results for details.
Bonds	6,393	6,307	86	1.4	
Derivative assets	138	158	(20)	(12.7)	
Other invested assets	7,583	6,960	623	9.0	
Property and equipment	123	124	(1)	(0.8)	No significant changes.
Intangible assets	126	110	16	14.5	Increase due to implementation of a new system
Liabilities					
Payables and accruals	1,118	1,186	(68)	(5.7)	No significant changes.
Derivative liabilities	62	97	(35)	(36.1)	Decrease reflects changes in our currency and futures position within our investment portfolio.
Long-term debt	52	52	-	-	No significant changes.
Loss of Retirement Income Fund liability	1,740	1,663	77	4.6	No significant changes.
Employee benefit plans liability	1,363	1,227	136	11.1	Increase reflects losses due to actuarial assumption changes and experience.
Benefit liabilities	26,862	26,800	62	0.2	No significant changes. Refer to Section 2 – Operating Results for details.
Unfunded liability	(6,860)	(8,098)	1,238	15.3	Total 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, 2015 is as follows:

	2015	2014				2013		
(millions of Canadian dollars)	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Net premiums	1,134	1,127	1,120	1,093	1,127	1,034	1,149	1,113
Net investment income (loss)	1,309	554	145	519	709	894	532	(106)
Benefit costs								
Benefit payments	592	610	586	612	612	629	613	636
Claim administration costs	99	68	100	93	102	92	109	118
Change in actuarial valuation of benefit liabilities	62	(153)	(216)	111	98	(330)	(100)	144
	753	525	470	816	812	391	622	898
Loss of Retirement Income Fund contributions	14	15	14	15	15	15	16	15
Administration and other expenses	84	131	68	84	75	144	85	84
Legislated obligations and funding commitments	74	56	72	72	76	52	72	64
Excess (deficiency) of revenues over expenses	1,518	954	641	625	858	1,326	886	(54)
Remeasurements of employee defined benefit plans (Other comprehensive income (loss))	(124)	34	(75)	(114)	(141)	308	202	224
Total comprehensive income	1,394	988	566	511	717	1,634	1,088	170
Total comprehensive income attributable to WSIB stakeholders	1,238	921	545	445	629	1,523	1,020	178
Other measures								
Core Earnings[1]	271	247	280	217	247	102	254	196
Return on investments (%)[2]	6.0	2.7	0.8	2.6	3.8	5.0	3.1	(0.5)
Unfunded liability[3]	6,860	8,098	9,019	9,564	10,009	10,638	12,161	13,181

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. Our premium revenues are also impacted by insurable earnings, which rise and fall with the employment levels in the industries we insure. Additionally, the rise in net investment income reflects the markets' strong response to central bank actions, which were focused on managing risks to economic growth. Returns were supported by a decline in long-term interest rates and in the Canadian dollar, which boosted bonds and equity returns respectively.

1. Core Earnings is calculated as total comprehensive income, excluding the impacts of net investment income, changes in actuarial valuation and any items that are considered as material and exceptional in nature. See Section 7 – Non-IFRS Financial Measure.
2. Return on investments is calculated as the change in the fair value of the total investment portfolio, taking into account capital contributions and withdrawals prior to investment expenses. Does not equal annual figures due to rounding.
3. Unfunded liability represents the deficiency of net assets attributable to WSIB stakeholders as at the end of the reporting period. The total deficiency of assets of $4,063 million as at March 31, 2015 (December 31, 2014 – $5,454 million) is allocated between the WSIB stakeholders and the NCI on the basis of their proportionate interests in the net assets of the WSIB. NCI represent the proportionate interest of the net assets and total comprehensive income of subsidiaries in which the WSIB directly or indirectly owns less than 100% interest. NCI of $2,797 million as at March 31, 2015 (December 31, 2014 – $2,644 million) exclude benefit liabilities since the holders of NCI, the WSIB Employees' Pension Plan and other investors are not liable for those obligations. The proportionate share of the total deficiency of assets attributable to WSIB stakeholders as at March 31, 2015 was $6,860 million (December 31, 2014 – $8,098 million) which includes benefit liabilities. Refer to the interim consolidated statements of financial position for further details.

5. Outlook

The outlook for our business.

Original Expectation	Current Outlook
Premiums. Modest increase reflecting a 3.0% increase in insurable earnings and no increase in the published premium rates, offset by $8 million of higher net mandatory employer incentive programs expense.	*Premiums.* No change.
Net investment income. We anticipate annual investment income will approximate 6.0% over the long-term.	*Net investment income.* Net investment income is anticipated to reflect a 6.0% return on assets, consistent with our long-term planning assumption. We will continue to implement our Strategic Investment Plan in a way that permits us to take advantage of investment opportunities without exposing us to increased volatility and corresponding investment risk.
Benefit costs. Continued downward trend reflecting improved operating results.	*Benefit costs.* No change.
Administration and other expenses. Modest increase reflecting increases to the pension liability and higher new systems development and integration expenses.	*Administration and other expenses.* No change.
Legislated obligations. Modest growth in this area reflecting an increase in Safety program rebates.	*Legislated obligations.* No change.
Unfunded liability. Based on current funding and benefit levels and as measured under current accounting and actuarial standards, we believe the unfunded liability will decrease in 2014 and beyond, reflecting continued improved operating performance.	*Unfunded liability.* No change.

6. Internal Control over Financial Reporting

A statement of responsibilities regarding internal control over financial reporting.

Management is responsible for the accuracy, integrity and objectivity of the interim consolidated financial statements within reasonable limits of materiality. The WSIB's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of interim consolidated financial statements for external purposes in accordance with IFRS. Management is also responsible for the preparation and presentation of additional financial information included in the annual report and ensuring its consistency with the interim consolidated financial statements.

7. Non-IFRS Financial Measure

A definition of our non-IFRS financial measure.

Core Earnings

The WSIB utilizes "Core Earnings," a non-IFRS financial measure, to help stakeholders better understand our underlying operating performance. This measure is relevant in how we manage our operations and offers a consistent methodology in evaluating our underlying performance. Core Earnings are defined as total comprehensive income excluding the impacts of investment income, changes in actuarial valuation and any items that are considered as material and exceptional in nature. This measure does not have any standard meaning prescribed by IFRS and is not necessarily comparable to similarly titled measures of other organizations.

Set forth below is the reconciliation of Core Earnings and total comprehensive income, the most directly comparable financial measure calculated and presented in consistent with IFRS:

	Three months ended March31	
(millions of Canadian dollars)	**2015**	**2014**
Total comprehensive income for the period	1,394	717
Less: Net investment income	(1,309)	(709)
Add: Change in actuarial valuation of benefit liabilities	62	98
Add: Change in actuarial valuation of employee benefit plans	124	141
Core Earnings	**271**	**247**

8. 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 are based on current expectations, various assumptions and analyses, 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.

We believe that 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.

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

	Note	March 31 2015	December 31 2014
Assets			
Cash and cash equivalents	7	1,328	1,473
Receivables		1,433	1,303
Public equity securities	3	10,010	9,136
Bonds	3	6,393	6,307
Derivative assets	3	138	158
Other invested assets	3	7,583	6,960
Property and equipment		123	124
Intangible assets		126	110
Total assets		**27,134**	**25,571**
Liabilities			
Payables and accruals		1,118	1,186
Derivative liabilities		62	97
Long-term debt		52	52
Loss of Retirement Income Fund liability		1,740	1,663
Employee benefit plans liability	4	1,363	1,227
Benefit liabilities	5	26,862	26,800
Total liabilities		**31,197**	**31,025**
Deficiency of assets			
Unfunded liability attributable to WSIB stakeholders		(6,860)	(8,098)
Non-controlling interests		2,797	2,644
Total deficiency of assets		**(4,063)**	**(5,454)**
Total liabilities and deficiency of assets		**27,134**	**25,571**

Commitments and contingent liabilities (note 6)

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 2015	2014
Revenues			
Premiums		1,166	1,151
Net mandatory employer incentive programs		(32)	(24)
		1,134	1,127
Net investment income			
Investment income	3	1,360	752
Investment expenses	3	(51)	(43)
Total net investment income		1,309	709
Total revenues		**2,443**	**1,836**
Expenses			
Benefit costs			
Benefit payments		592	612
Claim administration costs		99	102
Change in actuarial valuation of benefit liabilities		62	98
		753	812
Loss of Retirement Income Fund contributions		14	15
Administration and other expenses		84	75
Legislated obligations and funding commitments		74	76
Total expenses		**925**	**978**
Excess of revenues over expenses		**1,518**	**858**
Other comprehensive loss			
Remeasurements of employee defined benefit plans	4	(124)	(141)
Total comprehensive income		**1,394**	**717**

	Three months ended March 31 2015	2014
Excess of revenues over expenses attributable to:		
WSIB stakeholders	1,362	770
Non-controlling interests	156	88
	1,518	**858**
Total comprehensive income attributable to:		
WSIB stakeholders	1,238	629
Non-controlling interests	156	88
	1,394	**717**

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)

		Deficiency of assets		
	Note	**Unfunded liability attributable to WSIB stakeholders**	**Non-controlling interests**	**Total**
Balance at December 31, 2013		(10,638)	2,394	(8,244)
Excess of revenues over expenses		770	88	858
Remeasurements of employee defined benefit plans	4	(141)	-	(141)
Change in ownership share in investments		-	(4)	(4)
Balance as at March 31, 2014		(10,009)	2,478	(7,531)
Excess of revenues over expenses		2,066	154	2,220
Remeasurements of employee defined benefit plans		(155)	-	(155)
Change in ownership share in investments		-	12	12
Balance as at December 31, 2014		(8,098)	2,644	(5,454)
Excess of revenues over expenses		1,362	156	1,518
Remeasurements of employee defined benefit plans	4	(124)	-	(124)
Change in ownership share in investments		-	(3)	(3)
Balance as at March 31, 2015		**(6,860)**	**2,797**	**(4,063)**

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	
	2015	**2014**
Operating activities:		
Total comprehensive income	1,394	717
Adjustments:		
Amortization of net premium on investments	-	3
Depreciation and amortization of property, equipment and intangible assets	3	5
Changes in fair value of investments	(1,310)	(637)
Changes in fair value of investment properties	15	(1)
Dividend income from public equity securities	(64)	(81)
Income from associates and joint ventures	(8)	(7)
Interest income	(51)	(53)
Interest expense	4	3
Total comprehensive income after adjustments	(17)	(51)
Changes in non-cash balances related to operations:		
Receivables, excluding those related to investing activities	(54)	(71)
Payables and accruals, excluding those related to investing and financing activities	(68)	(60)
Loss of Retirement Income Fund liability	77	47
Employee benefit plans liability	136	148
Benefit liabilities	62	98
Total changes in non-cash balances related to operations	153	162
Net cash provided by operating activities	**136**	**111**
Investing activities:		
Dividends received from public equity securities, associates and joint ventures	68	81
Interest received	32	35
Purchases of property, equipment and intangible assets	(17)	(5)
Purchases of investments	(3,434)	(2,654)
Proceeds on sales and maturities of investments	3,087	2,785
Additions to investment properties	(6)	(7)
Acquisitions of associates and joint ventures	(5)	(39)
Business acquisitions	-	(184)
Net cash provided (required) by investing activities	**(275)**	**12**
Financing activities:		
Disposition of non-controlling interests	15	17
Distributions paid by subsidiaries to non-controlling interests	(18)	(20)
Repayments of debt	-	(1)
Interest paid on debt	(3)	(3)
Net cash required by financing activities	**(6)**	**(7)**
Net increase (decrease) in cash and cash equivalents	**(145)**	**116**
Cash and cash equivalents, beginning of period	1,473	1,274
Cash and cash equivalents, end of period	**1,328**	**1,390**

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

Unaudited (millions of Canadian dollars)

1. Nature of Operations

The Workplace Safety and Insurance Board (the "WSIB") is a statutory corporation created by an Act of the Ontario Legislature in 1914 and domiciled in the Province of Ontario (the "Province"). As a trust agency of the Government of Ontario, the WSIB is responsible for administering the *Workplace Safety and Insurance Act, 1997* (Ontario) (the "WSIA"), which establishes a no-fault insurance scheme that provides benefits to 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 registered office is located at 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,* using accounting policies consistent with International Financial Reporting Standards ("IFRS"), which have been adopted by the Accounting Standards Board of Canada as Canadian generally accepted accounting principles for public interest entities.

These condensed interim consolidated financial statements were authorized for issuance by the WSIB's Board of Directors on June 18, 2015.

3. Invested Assets and Net Investment Income

The following provides a summary of the nature of the invested assets by asset strategy:

	Public equities	Fixed income	Multi-asset	Real estate	Infra-structure	Other	Mar. 31 2015	Dec. 31 2014
Public equity securities (note 7)	**9,461**	**-**	**549**	**-**	**-**	**-**	**10,010**	**9,136**
Bonds (note 7)	**-**	**6,018**	**375**	**-**	**-**	**-**	**6,393**	**6,307**
Derivative assets (note 7)	**12**	**-**	**123**	**-**	**3**	**-**	**138**	**158**
Alternative investments (note 7)[1]	-	-	4,879	371	549	72	5,871	5,239
Investment properties (note 7)	-	-	-	1,185	-	-	1,185	1,194
Investments in associates and joint ventures	-	-	-	402	125	-	527	527
Other invested assets	**-**	**-**	**4,879**	**1,958**	**674**	**72**	**7,583**	**6,960**

[1] Alternative investments include private market investments, pooled funds and annuities.

Unaudited (millions of Canadian dollars)

Net investment income

Net investment income is as follows:

	Three months ended March 31	
	2015	**2014**
Public equity securities	992	492
Bonds	297	160
Alternative investments	602	252
Income from investment properties	11	25
Income from associates and joint ventures	8	7
Derivatives	(467)	(136)
Cash and cash equivalents	1	1
Less: Investment expenses	(51)	(43)
Less: Income attributable to Loss of Retirement Income Fund	(84)	(49)
Net investment income	**1,309**	**709**

Net investment income is comprised of the following:

	Three months ended March 31	
	2015	**2014**
Net gains on financial instruments	1,310	637
Interest and dividend income	115	132
Income from investment properties	11	25
Income from associates and joint ventures	8	7
Less: Income attributable to Loss of Retirement Income Fund	(84)	(49)
Investment income	1,360	752
Investment expenses	(51)	(43)
Net investment income	**1,309**	**709**

Unaudited (millions of Canadian dollars)

4. Employee Benefit Plans

Remeasurements of the employee defined benefit plans recognized in other comprehensive loss are as follows:

	Three months ended March 31	
	2015	**2014**
Actuarial losses arising from changes in financial assumptions	249	145
Actuarial losses arising from changes in demographic assumptions	-	57
Actuarial losses (gains) arising from demographic and other experience	5	(1)
Excess of actual return on plan assets over interest income	(130)	(60)
Total remeasurements of employee defined benefit plans	**124**	**141**

Remeasurements are never reclassified to expenses; other comprehensive loss related to the remeasurements is immediately transferred to the unfunded liability.

Employee benefit plans liability

The employee benefit plans liability is comprised of the following:

	March 31 2015	**December 31 2014**
Present value of wholly or partly funded obligations	3,358	3,118
Present value of unfunded obligations	762	708
Total present value of obligations	4,120	3,826
Fair value of plan assets	(2,757)	(2,599)
Employee benefit plans liability	**1,363**	**1,227**

Unaudited (millions of Canadian dollars)

5. Benefit Liabilities

Benefit liabilities are comprised of the following:

	March 31 2015	December 31 2014
Loss of earnings	9,108	9,015
Workers' pensions	6,037	6,115
Health care	3,892	3,849
Survivor benefits	2,703	2,687
Future economic loss	1,567	1,608
External providers	243	239
Non-economic loss	255	253
Long latency occupational diseases	1,899	1,886
Claim administration costs	1,158	1,148
Benefit liabilities	**26,862**	**26,800**

A summary of the changes in benefit liabilities is as follows:

	March 31 2015	December 31 2014
Benefit liabilities, beginning of period	26,800	26,960
Benefit costs	753	2,623
Benefit costs paid during the period	(691)	(2,783)
Benefit liabilities, end of period	**26,862**	**26,800**

6. Commitments and Contingent Liabilities

Investment commitments

The WSIB had the following commitments related to its investment portfolio:

	March 31 2015	December 31 2014
Real estate, multi-asset and infrastructure investments	972	948
Investments in associates and joint ventures	120	127
Purchases or development of investment properties	12	8
	1,104	**1,083**

Legislated obligations and funding commitments

Known commitments related to legislated obligations and funding commitments as at March 31, 2015 were approximately $250 for the period from April 1, 2015 to March 31, 2016.

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.

Unaudited (millions of Canadian dollars)

7. Fair Value Measurement and Disclosures

During the three months ended March 31, 2015 and the year ended December 31, 2014, there were no changes in the levels of classification of financial instruments. Transfers between levels within the hierarchy are recognized at the end of the reporting period.

The following table provides the fair value hierarchy classifications for assets and liabilities:

	March 31, 2015				**December 31, 2014**			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets and liabilities measured at fair value								
Cash and cash equivalents[1]	623	705	-	1,328	658	815	-	1,473
Public equity securities	9,940	70	-	10,010	9,097	39	-	9,136
Bonds	-	6,393	-	6,393	-	6,307	-	6,307
Alternative investments	-	5,500	371	5,871	-	4,867	372	5,239
Investment properties	-	-	1,185	1,185	-	-	1,194	1,194
Derivative assets	-	138	-	138	-	158	-	158
Derivative liabilities	-	(62)	-	(62)	-	(97)	-	(97)
Liabilities for which fair value is disclosed								
Long-term debt	-	(64)	-	(64)	-	(64)	-	(64)

1. Cash and cash equivalents include cash of $623 and short-term money market securities of $705 (December 31, 2014 – $658 and $815, respectively).

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

Hierarchy level	**Valuation method**
Level 1	Fair value is measured as the closing bid price for identical assets in an active public market at the reporting date.
Level 2	Where bid prices in an active public market are not available, observable inputs are used to estimate fair value using a market approach or an income approach. When using a market approach, fair value is estimated by adjusting the market price of a similar asset or liability, using inputs such as quoted interest or currency rates. Estimated fair value using an income approach is based on fixed future cash flows discounted using market interest rates for similar assets or liabilities.
Level 3	*Alternative investments* The fair value of alternative investments in real estate entities is estimated using valuations of the underlying investment properties, with the same methods as noted below for investment properties. *Investment properties* Fair values of investment properties are estimated based on valuations performed by qualified appraisers. The valuations of the investment properties are primarily based on discounted expected future cash flows of each property, using discount

Unaudited (millions of Canadian dollars)

and terminal capitalization rates reflective of the characteristics, location and market of the property. The future cash flows 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. At least one valuation per year for each property is based on an independent appraisal.

Alternative investments in real estate entities (Level 3 fair value measurements)

The table below provides a reconciliation of the fair value of alternative investments in real estate entities:

	March 31 2015	December 31 2014
Balance at beginning of period	372	371
Purchases	-	3
Sales	-	(8)
Net gains (losses) recognized in net investment income	(1)	6
Balance at end of period	**371**	**372**

The following discount and terminal capitalization rates were used in the discounted cash flow estimates of fair value:

	March 31 2015	December 31 2014
Real estate entities		
Discount rates	5.5% - 8.3%	5.5% - 8.3%
Terminal capitalization rates	4.8% - 7.8%	4.8% - 7.8%

The WSIB has estimated that a 50 basis point increase in the assumptions used for both the terminal capitalization rate and discount rate would result in a $33 decrease (December 31, 2014 – $37) in the fair value of the real estate entities. A 50 basis point decrease in the assumptions used for both the terminal capitalization rate and discount rate would result in an estimated $48 increase (December 31, 2014 – $43) in the fair value of the real estate entities. The WSIB has also estimated that a five percent increase (decrease) in the expected future cash flows of the underlying properties would result in a $20 (December 31, 2014 – $21) increase (decrease) in the fair value of the real estate entities.

Investment properties (Level 3 fair value measurements)

The table below provides a reconciliation of the fair value of investment properties:

	March 31 2015	December 31 2014
Balance, at beginning of period	1,194	970
Business combinations	-	184
Capital expenditures	6	32
Gains (losses) from increases in fair value	(15)	16
Other	-	(8)
Balance, at end of period	**1,185**	**1,194**

8. 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 costs associated with the Ministry of Labour's prevention activities, the Workplace Safety and Insurance Appeals Tribunal and the offices of the Worker and Employer Adviser. These reimbursements and associated amounts charged to employers are determined and approved by the Minister of Labour. The total funding provided under these legislated obligations for the three months ended March 31, 2015 was $63 (2014 – $62).

In addition to legislated obligations, which the WSIB presents in legislated obligations and funding commitments expense, the condensed interim 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.

The WSIB is required to reimburse the Ministry of Health and Long-Term Care ("MOHLTC") for physicians' fees for services to injured workers, as well as an administrative fee to the MOHLTC. Amounts paid to the MOHLTC for physicians' fees and administrative services for the three months ended March 31, 2015 were $9 (2014 – $9).

Included in investments are $1,477 of marketable fixed income securities issued by the Government of Ontario and related entities (December 31, 2014 – $1,394).

Post-employment benefit plans

The WSIB's two employee defined benefit pension plans and other long-term employee benefit plans which include life insurance, dental and extended health coverage, are considered related parties. Note 4 provides details of transactions with these post-employment benefit plans.