Workplace Safety and Insurance Board

2013 Sufficiency Report to Stakeholders

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

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President and CEO's Message

The Workplace Safety and Insurance Board (the "WSIB") has a statutory responsibility to ensure that the Province of Ontario's workplace compensation system remains financially viable. We continue with our efforts to eliminate the WSIB's unfunded liability (the "UFL") by December 31, 2027. Thanks to more stringent financial controls, and changes to our return to work and health care strategy, the UFL stood at $10.4 billion on a sufficiency basis at December 31, 2013, a decrease of $2.7 billion since the beginning of the year.

Ontario Regulation 338/13 under the *Workplace Safety and Insurance Act, 1997* (Ontario), which came into force January 1, 2014, will change the way we calculate our Sufficiency Ratio. The values of our assets and liabilities will be determined using actuarial valuations that are consistent with accepted actuarial practice for going concern valuations. This will allow us to amortize our investment gains and losses that differ from our long-term expected return, reducing the impact of returns on investments from one period to the next. It will also allow for changes in legislation or actuarial or accounting standards that result in significant impacts to be amortized over a reasonable period (not exceeding five years) based on the size of their impact and their relation to the regulated sufficiency requirements. The new regulation will reduce the volatility of our financial results on a sufficiency basis, providing injured workers and employers with more consistent reporting of our UFL.

In the fourth quarter of 2013, the WSIB realized strong operating results and investment returns ahead of our long-term expectation which led to an improvement in our Sufficiency Ratio from 62.2% to 66.0%. Since the WSIB's first Sufficiency Report, issued as at December 31, 2012, our Sufficiency Ratio has improved from 57.0% to 66.0%, reflecting continued operating improvements and a higher return on investments, relative to long-term expectations.

In 2012, the Ontario Government passed *Ontario Regulation 141/12* that requires the WSIB to reach Sufficiency Ratios of 60% by 2017, 80% by 2022 and 100% by 2027. I am pleased to report that we are well on our way to meeting these requirements, but the system is still at a very delicate stage. Maintaining the WSIB's Sufficiency Ratio at over 60% and meeting the next funding requirement of 80% by 2022 remains a significant challenge. It is vital that we stay the course.

Several years ago, the WSIB achieved strong investment returns which allowed it to achieve a Funding Ratio in excess of 70%. Despite these strong investment returns, the WSIB was not able to continue to progress towards eliminating its UFL and accordingly, utmost caution must now be exercised in projecting financial results into the future based on our current results.

Financial results in 2013 give us cause to be optimistic about the future, but it must be understood that the system is still fragile and just beginning to move away from its financial "tipping point". This is a delicate time when recent gains could easily be undone. It is more important than ever that the WSIB maintains its focus, and builds on the momentum that has been created.

I look forward to reporting our continued progress in the coming year.

I. David Marshall

President and Chief Executive Officer

April 24, 2014
Toronto, Ontario

Management's Responsibility for Financial Reporting

Management's review of the Sufficiency Ratio and related notes and management's discussion of Funding and Risks (the "Sufficiency Statement") have been prepared by management and approved by the Board of Directors of the Workplace Safety and Insurance Board (the "WSIB"). The Sufficiency Ratio calculation has been prepared in accordance with the accounting policies described in note 2, pursuant to *Ontario Regulation 141/12* made under the *Workplace Safety and Insurance Act, 1997* (Ontario) (the "WSIA") and, where appropriate, reflects management's best estimates and judgment. Where alternative accounting methods exist, management has chosen those methods considered most appropriate in the circumstances. Management is responsible for the accuracy, integrity and objectivity of the Sufficiency Statement within reasonable limits of materiality of internal controls. Management is also responsible for the preparation and presentation of additional financial information in the Annual Report and ensuring its consistency with the Sufficiency Statement.

The Audit and Finance Committee of the Board of Directors meets with management as well as with the independent auditors to satisfy itself that management is properly discharging its financial reporting responsibilities and reviews the Sufficiency Statement and the Independent Auditors' Report. The Audit and Finance Committee also reports its findings to the Board of Directors for consideration in approving the Sufficiency Statement and its reporting submission to the Minister of Labour pursuant to *Section 170 (1)* of the WSIA.

The Sufficiency Statement has been examined by the WSIB's independent auditors, Ernst & Young LLP, Chartered Accountants, and their report is provided herein.

I. David Marshall
President and Chief Executive Officer

Lawrence E. Davis
Chief Financial Officer

April 24, 2014
Toronto, Ontario

Review of Funding and Risks

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1. Overview

An explanation of our regulations.

The Review of Funding and Risks should be read in conjunction with the audited consolidated financial statements and accompanying notes of the Workplace Safety and Insurance Board (the "WSIB") as at and for the year ended December 31, 2013 (the "consolidated financial statements") and the audited Sufficiency Statement and accompanying notes of the WSIB as at December 31, 2013 (the "Sufficiency Report to Stakeholders").

The *Workplace Safety and Insurance Act, 1997* (Ontario) (the "WSIA") governs the operations of the WSIB. One of the statutory purposes of the WSIA is to provide compensation and other benefits to workers and to the survivors of deceased workers in a financially responsible and accountable manner.

The WSIA requires the WSIB to make payments for current benefits as they come due and to provide for future benefits. Further, it requires that the WSIB shall maintain the Insurance Fund so as not to burden unduly or unfairly any class of Schedule 1 employers with payments, in any year in respect of current benefits, or in future years in respect of future benefits.

Ontario Regulation 141/12 ("Regulation 141"), which came into force January 1, 2013, requires the WSIB to meet prescribed Sufficiency Ratios by certain dates over the next 15 years. Regulation 141 is a regulation under the WSIA and addresses the WSIB's unfunded liability (the "UFL"), which has increased to a significant size and poses a threat to the future of the WSIB's Insurance Fund. Regulation 141 mandates that the WSIB meet the following prescribed ratios:

December 31, 2017	60%
December 31, 2022	80%
December 31, 2027	100%

Under the WSIA and Regulation 141, the WSIB submitted a Sufficiency Plan to the Minister of Labour on June 30, 2013 describing the measures being taken by the WSIB to improve the Sufficiency Ratio and how these measures will achieve the prescribed targets. On August 8, 2013, the Minister of Labour formally accepted our Sufficiency Plan. The Sufficiency Plan is a road map to achieving our legislated funding requirements. It allows us to create and test assumptions of the valuation of our assets and liabilities, as well as identify and mitigate risks that may prevent legislated requirements from being met. We are committed to quarterly reporting on our progress toward meeting legislated funding requirements.

On December 16, 2013, *Ontario Regulation 338/13* ("Regulation 338") was filed under the WSIA that changes the method that the WSIB is required to use to calculate its assets for the purpose of reporting its Sufficiency Ratio pursuant to *Subsection 1 (3)* of Regulation 141. The Sufficiency Ratio measures whether there are sufficient funds to meet the WSIB's future projected claims payouts. Regulation 338 will come into force on January 1, 2014.

Specific definitions for a number of terms in this Sufficiency Report can be found in Subsection 8.

2. Year in Review

A discussion of our performance in 2013 and the effect on our Sufficiency Ratio.

Our Sufficiency Ratio increased from 57.0% as at December 31, 2012 to 66.0% as at December 31, 2013 reflecting continued strong operating results and a 12.7% return on our investments ahead of our long-term expectation of a 6.0% return.

Our Insurance Fund Ratio increased from 58.4% as at December 31, 2012 to 67.4% as at December 31, 2013 reflecting continued operating improvements and a higher return on investments, relative to long-term expectations.

Our Employee Benefit Plans Ratio increased from 74.4% as at December 31, 2012 to 78.1% as at December 31, 2013 reflecting a 12.7% return on investments.

3. The Sufficiency Ratio Calculation Methodology

A description of the components of the Sufficiency Ratio calculation.

As required by Regulation 141, we calculate our Sufficiency Ratio by comparing assets on hand to total estimated liabilities. This fundamental measure is comparable with the methods used by other Canadian workers' compensation boards and as reported by the Association of Workers' Compensation Boards of Canada to measure the adequacy of funding and is a measure used by leading pension plans around the world. However, a standard definition for Sufficiency Ratio does not exist.

As at December 31, 2013, we had a funding shortfall of $10.4 billion on a Sufficiency Ratio basis, which means our liabilities (the estimated present value of future benefit payments) exceeded the current value of our assets. Expressed in percentage terms, we had 66.0% of the assets required to meet our future benefit obligations.

The WSIB has a statutory responsibility to ensure Ontario's workplace compensation system remains financially viable. While we have $20.7 billion of investments on hand, the WSIB does not have sufficient funds on hand to cover the future cost of existing claims in the system. The existence of unfunded future liabilities transfers costs from one generation of employers to another which has serious consequences for the perceived fairness and affordability of benefits by future employers, and, if not addressed, could lead to endangering future worker benefits.

We considered the following principles to represent the tenets of a fair and transparent funding system and used them as a basis for the selection of the methodology to calculate the Sufficiency Ratio:

- *Stability of Premiums* – annual premiums should be predictable and stable;
- *Transparent and Understandable* – employers should be able to clearly understand how the WSIB makes funding decisions;
- *Financial Security* – the WSIB should act in a financially prudent manner in support of the sustainability of the workplace compensation system;
- *Ease of Administration* – the WSIB should administer the funding/pricing system efficiently and effectively;
- *Collective Liability* – funding the system adequately means all Schedule 1 employers must collectively pay the premiums required each year to maintain the WSIB Insurance Fund; and
- *Compliance with the WSIA* – the WSIB must maintain the Insurance Fund so as not to burden unduly or unfairly any class of Schedule 1 employers with payments, in any year, in respect of current benefits, or in future years in respect of future benefits.

As noted above, the Sufficiency Ratio must be calculated in a transparent manner that considers the nature of the WSIB and its stakeholders. As we are using asset and liability values derived from our consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), the Sufficiency Ratio is subject to fluctuations reflecting investment market volatility and changes in accounting and actuarial standards. Ultimately, these fluctuations will translate into volatile employer premiums, which could unduly burden the stakeholders of the WSIB.

The WSIB should have a Sufficiency Ratio measurement definition that will be consistent and transparent throughout the period of regulation to provide all stakeholders with stability in measurement. The following facts and objectives were used in the determination of an appropriate measurement definition:

- stable and predictable average premiums for employers as the Sufficiency Ratio will be a significant factor in the determination of premium rates;
- injured workers and their beneficiaries must be assured payment;
- revenues must be aligned with the WSIB's long-term costs;
- our obligations extend over many years and in some cases decades;
- our investment policy is designed to achieve targeted returns over the long-term; and
- Canadian Actuarial Standard of Public Personal Injury Compensation Plans requires benefit liabilities to be valued on a going concern basis.

Regulation 338 under the WSIA, which comes into force January 1, 2014, will change the way we calculate our Sufficiency Ratio. The values of our assets and liabilities will be determined using actuarial valuations that are consistent with accepted actuarial practice for going concern valuations. Gains and losses on investments that differ from the long-term expected rate of return will be amortized over a five-year period, thus moderating the effect of investment market volatility on financial results.

Sufficiency Ratio Calculation Policies

Set forth below is a summary of the accounting policies used to calculate our Sufficiency Ratio as at December 31, 2013 and December 31, 2012 based on our interpretation of Regulation 141.

Assets

The assets included in the Sufficiency Ratio are calculated as our total assets shown on our consolidated financial statements less the interests in those assets held by third parties (non-controlling interests). This adjustment is necessary as our assets include portions of investments to which third parties ultimately have rights (including the assets of the WSIB Employee Pension Plan) and therefore would not be appropriate to include in our Sufficiency Ratio.

Liabilities

The liabilities included in the Sufficiency Ratio are calculated as our total liabilities shown on our consolidated financial statements adjusted to reflect the valuation of Employee Benefit Plans obligations on a going concern rather than market basis.

Under IFRS, we are required to value the obligations of our Employee Benefit Plans based on market yields of high quality corporate bonds at the end of a reporting period. This results in volatility from movements in short-term interest rates. Accordingly, for the Sufficiency Ratio, we are valuing liabilities on a long-term going concern basis consistent with accepted actuarial practices used to value our Insurance Fund liability.

Future Sufficiency Ratio Calculation Policies

Regulation 338 will come into force on January 1, 2014 allowing the WSIB to calculate its Sufficiency Ratio on a long-term, going concern approach for both assets and liabilities.

The following policies will be incorporated into our funding policy effective January 1, 2014.

i) Amortizing investment gains and losses

In accordance with IFRS, we value our investments based on market values. Market values provide a snapshot of value as at the consolidated statement of financial position date. As our investment strategy and many of our underlying investments are intended to yield returns over the long-term, any short-term losses should not necessarily signal the need to increase premium rates or reduce worker benefits. Conversely, significant short-term gains in asset value do not necessarily mean the UFL has been permanently reduced and funds are available to lower employer premium rates or suggest there is capacity to increase worker benefits. To avoid rate fluctuations generated by financial market volatility, under Regulation 338, we will amortize investment gains and losses that differ from long-term expectations for the purposes of the Sufficiency Ratio over a five-year period, thus moderating the effect of investment market volatility on financial results. The long-term rate is based on extensive research and considers factors such as the WSIB's historical investment returns and expected future returns relevant to the WSIB's investment strategy. The long-term expected rate of return is 6.0%.

Amortizing returns over five years on a straight-line basis is consistent with guidance in the *Pension Benefits Act* (Ontario) and is used by many large pension plans in Ontario. This approach takes into account the unique business requirements of Canadian workers' compensation systems, including the need for pricing stability (for employer premium rates) and benefit sustainability (for injured workers and their dependants). The amortization period of five years is considered an appropriate length of time to reduce the volatility of investment returns without deferring gains or losses unduly into future periods.

ii) Future changes in legislation to change benefits or services and accounting or actuarial calculation methodologies

Under IFRS, the impact of changes in accounting or actuarial standards is accounted for based on the specified transition period of the related new standard. The transition period can be immediate and can result in a significant charge in the year of adoption. Similarly, as part of our analysis and review of worker injuries and diseases, additional benefit obligations are sometimes required to be accrued for workers who are at risk for injury or impairment in the future due to the nature of their past and current employment. Under IFRS, changes in the Insurance Fund liability related to these new or incremental benefits or additional types of injury or disease coverage are recorded as an additional liability in the year of change.

Significant changes could have a significant impact on premiums and would unduly burden employers with additional premium payments in the year of adoption. This impact would contradict the WSIB's goal of stable premiums and would not align premiums with the WSIB's true long-term costs.

Accordingly, for purposes of the Sufficiency Ratio, changes in legislation or actuarial or accounting standards that result in minimal impact to our Insurance Fund liabilities will be recognized immediately. Changes resulting in a significant impact will be amortized over a reasonable period based on the size of their impact and their relation to the regulated sufficiency requirements, such period not to exceed five years.

The specific impact of these two policies is quantified in Subsection 4.

4. Alternate Sufficiency Measure

A discussion of an alternate measure for our Sufficiency Ratio.

Regulation 141 currently does not permit the actuarial valuation of investment assets for the purposes of the Sufficiency Ratio. Accordingly, the WSIB made a request for a regulation change to the Minister of Labour which was approved and Regulation 338 will come into force on January 1, 2014.

Had we adopted the methodology of Regulation 338 to calculate the Sufficiency Ratio as at December 31, 2013, we would have achieved the following results:

	Regulation 141	Regulation 338	Variance
Sufficiency Ratio	66.0%	62.8%	3.2%
Insurance Fund Ratio	67.4%	64.4%	3.0%
Employee Benefit Plans Ratio	78.1%	74.2%	3.9%

We will report our Sufficiency Ratio with the application of Regulation 338 for quarterly reporting in 2014.

5. Our Funding Strategy

A discussion of our funding strategy and how we plan to increase the Sufficiency Ratio.

In accordance with Regulation 141, the WSIB is required to submit a Sufficiency Plan to the Minister of Labour describing the measures being taken by the WSIB to improve the Sufficiency Ratio and how these measures will achieve the prescribed ratios.

To meet the Sufficiency Ratio requirements for 2017 through 2027, we will manage our investments to generate returns that meet or exceed the expected long-term rate of return, while prudently managing the WSIB's operations to ensure premium revenues absorb benefit costs, administration and other expenses and provide an allocation towards the retirement of the UFL. The WSIB has been managing its operations in this manner since early 2011, resulting in premium revenues exceeding cash operating expenses over this time period. In addition, as a result of favourable claims experience and investment returns, we were able to make demonstrable progress towards retiring the UFL. While investment returns can vary from year to year, we expect to earn a return of 6.0% over a rolling 10 to 15 year period. Our long-term estimated return on assets was determined after a detailed analysis was performed with external advisers. Our Statement of Investment Policies and Procedures ("SIPP") requires a detailed analysis at least every four years.

6. Supplemental Measures

Supplemental measures to assess our financial condition.

In addition to the Sufficiency Ratio, we also assess risks and sustainability by monitoring our Insurance Fund Ratio and the Employee Benefit Plans Ratio as noted below:

Insurance Fund Ratio

The Insurance Fund Ratio excludes the net deficit of the WSIB's Employee Benefit Plans in order to provide a measure of the WSIB's insurance operations and is calculated as follows:

(millions of Canadian dollars)	2013	2012
Total assets per consolidated financial statements	22,510	19,472
Less: Non-controlling interests in investments	(2,394)	(2,103)
Total Assets	**20,116**	**17,369**
Total liabilities per consolidated financial statements	30,493	30,474
Less: Employee Benefit Plans deficit, on the Sufficiency Ratio basis	(659)	(714)
Total Liabilities	**29,834**	**29,760**
Insurance Fund Ratio	**67.4%**	**58.4%**

At December 31, 2013, the Insurance Fund Ratio increased by 9.0% to 67.4% primarily resulting from $2,747 million or 15.8% of higher total assets reflecting continued operating improvements and a higher return on investments of 12.7% relative to the long-term expectation of 6.0%.

Employee Benefit Plans Ratio

The Employee Benefit Plans of the WSIB are a component of total compensation for the WSIB's permanent employees. The Employee Benefit Plans Ratio provides a measure of the sufficiency of the Employee Benefit Plans.

The Employee Benefit Plans Ratio is calculated as follows:

(millions of Canadian dollars)	2013	2012
Employee Benefit Plans assets	2,343	2,074
Divided by: Employee Benefit Plans obligation, on the Sufficiency Ratio basis	3,002	2,788
Employee Benefit Plans Ratio	**78.1%**	**74.4%**

At December 31, 2013, the Employee Benefit Plans Ratio increased by 3.7% to 78.1% primarily reflecting a 12.7% return on investments, net of a modest increase in Employee Benefit Plans liabilities.

7. Risk Factors

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

The significant risk factors that affect the operations of the WSIB are discussed in the Management's Discussion and Analysis in our 2013 Annual Report. The most significant risk factors affecting attainment of the legislated targets for our Sufficiency Ratio are presented below.

Business Risks

Investments

Our ability to meet our long-term obligations is dependent upon the sufficiency of our Investment Fund. The risks to our Investment Fund relate to liquidity, credit and the market. 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 was established. This risk would be manifest in the failure to achieve a net return of at least the long-term actuarial discount rate of 5.5% (5.0% to 2017 and 5.5% thereafter) over a horizon of rolling 10 to 15 year periods.

Our primary risk mitigation tool is the diversification of investment return sources as provided for in our SIPP, which is presented annually to the Board of Directors for their approval.

Insurance Fund liabilities

The WSIB, as the trust agency for administering the Province of Ontario's (the "Province") compensation system, must ensure there is adequate provision of funds to cover the cost of future claims. Benefit liabilities, required to cover the ultimate benefits to be paid on reported and unreported claims, are calculated using sound actuarial practices to estimate costs based on a number of factors.

Establishing an appropriate level of benefit liabilities is, therefore, an inherently uncertain process which presents a number of risks that could adversely affect our comprehensive income and financial condition.

The risks are predominantly related to:

- the failure to accurately make assumptions and assess the factors of claims costs which may result in setting premium rates that are inadequate to cover costs and contribute to the reduction of the UFL; and
- unforeseen changes in the factors used to calculate the ultimate claims costs could render our estimates inaccurate.

We mitigate these risks:

- by utilizing both proprietary and commercially available actuarial models and assessing historical loss development patterns;
- by regular, ongoing reviews and re-evaluation of claims and their impact on the estimate of the benefit liabilities;
- by engaging external actuaries to review actuarial assumptions and methodologies in establishing the benefit liabilities; and
- by reviewing actuarial related matters at regular meetings with our Actuarial Advisory Committee and Chief Statistician.

Economic conditions and labour market changes

Given the WSIB's mandate to deliver a no-fault insurance plan, funded predominantly by premium revenues, the WSIB is inherently subject to economic risks, including:

- low or modest growth in the Province's employment levels, especially in covered industries, may result in not meeting premium revenue targets as well as limiting work transition opportunities;
- the growth in industries that are not required to have coverage under the WSIA may negatively impact the UFL;
- the trend toward casual, part-time and temporary work may result in return to work challenges and, therefore, higher claims costs; and
- the growing number of older workers in the workforce who, if injured, generally have a longer recovery time and greater challenge with return to work.

We mitigate these risks by:

- conducting economic forecasting to better project the level of future insurable earnings and employment levels within the underlying industry sector;
- continuously monitoring and researching the job market for available, sustainable positions for injured workers ready to transition to the job market;
- providing return to work and health care intervention programs to support injury recovery and sustainable return to work; and
- enhancing the work transition services for injured workers facing return to work obstacles, such as English as a second language and limited work experience, by providing enhanced employment placement services.

Regulatory, political and other influences

Our business is subject to changing legal regulatory and other influences. Any amendments to the WSIA or other legislation could require the WSIB to make adjustments. For example, changes in law or regulations can have an impact on the way we deliver services or the services themselves. This may require the dedication of WSIB resources to implement new systems or processes. Further, political and stakeholder influences and competing interests may impact our ability to make timely changes to policy or operational programs and processes, or may introduce new changes not planned or contemplated by the WSIB.

We mitigate this risk by:

- engaging with the Minister of Labour and the Ministry of Labour to understand the intent of any legislative or regulatory changes and to consult on the potential impact to outcomes and capacity;
- accurately costing any legislative or regulatory changes to ensure that the impact of any change is fully understood;
- consulting with our stakeholder community during the planning and implementation of any legislative or regulatory changes, as well as WSIB program and policy changes; and
- ensuring that any changes to existing policies and programs are developed and implemented and that they align with our value propositions and organizational capabilities.

8. Definitions

- **"Employee Benefit Plans"** refer to the long-term benefit plans offered to permanent employees of the WSIB. They include pension and other post-employment benefit plans.
- **"Employee Benefit Plans Ratio"** refers to the ratio of the Employee Benefit Plans' assets to the Employee Benefit Plans' liabilities as presented in the Sufficiency Statement, and is expressed as a percentage.
- **"Funding Ratio"** refers to the ratio of total assets of the WSIB, less non-controlling interests, to the total liabilities of the WSIB, as presented in the WSIB's consolidated financial statements prepared according to IFRS and is expressed as a percentage.
- **"Insurance Fund"** refers to the assets and liabilities of the WSIB, excluding the assets and obligations of the Employee Benefit Plans.
- **"Insurance Fund Ratio"** refers to the ratio of Insurance Fund assets, less non-controlling interests, to Insurance Fund liabilities as presented in the Sufficiency Statement and is expressed as a percentage.
- **"Non-controlling Interests"** refer to the WSIB Employees' Pension Plan and other investors' proportionate interest of the net assets and comprehensive income of the subsidiaries.
- **"Sufficiency Ratio"** refers to the ratio of total assets of the WSIB, less non-controlling interests, to the total liabilities of the WSIB as presented in the Sufficiency Statement and is expressed as a percentage.
- **"Sufficiency Statement"** refers to the statement that presents the Sufficiency Ratio, Insurance Fund Ratio, and Employee Benefit Plans Ratio. The basis of accounting for the Sufficiency Ratio is found in note 2 of the Sufficiency Statement.

RESPONSIBILITY FOR REPORTING OF SUFFICIENCY RATIO

Role of Management

The accompanying Sufficiency Ratio and related notes (the “Sufficiency Statement”) are the responsibility of the management of the Workplace Safety and Insurance Board (the “WSIB”) and have been prepared in accordance with the basis of accounting described in note 2, pursuant to *Ontario Regulation 141/12* made under the *Workplace Safety and Insurance Act, 1997* (Ontario). The calculation of the Sufficiency Ratio includes amounts based on management's best estimates and judgments.

Management is responsible for the preparation of the Sufficiency Statement in accordance with the basis of accounting described in note 2, and for such internal control as management determines is necessary to enable the preparation of the Sufficiency Statement to be free from material misstatement, whether due to fraud or error. The Audit and Finance Committee of the Board of Directors ensures management fulfills these responsibilities. The Audit and Finance Committee meets periodically with management, the internal auditors, and external auditors to ensure their responsibilities are properly discharged with respect to the application of critical accounting policies, consolidated financial statement presentation, disclosures, and recommendations on internal control.

Role of the External Auditors

The external auditors, Ernst & Young LLP, working under the direction of the Auditor General of Ontario, have performed an independent and objective audit of the Sufficiency Statement of the WSIB in accordance with the basis of accounting described in note 2. In carrying out their audit, the external auditors make use of the work of the Chief Actuary and his report on the Insurance Fund liabilities of the WSIB. The external auditors have full and unrestricted access to the Board of Directors and the Audit and Finance Committee to discuss audit, financial reporting, and related findings. The independent auditors' report outlines the scope of their audit and their opinion.

I. David Marshall
President and Chief Executive Officer

Lawrence E. Davis
Chief Financial Officer

April 24, 2014
Toronto, Ontario

INDEPENDENT AUDITORS' REPORT

To the Workplace Safety and Insurance Board,
the Minister of Labour and the Auditor General of Ontario

We have audited the accompanying Sufficiency Ratio of the Workplace Safety and Insurance Board as at December 31, 2013 and a summary of significant accounting policies and other explanatory information (the "Sufficiency Statement"). The Sufficiency Statement has been prepared by management using the basis of accounting described in note 2.

Management's Responsibility for the Sufficiency Ratio

Management is responsible for the preparation and fair presentation of this Sufficiency Statement in accordance with the basis of accounting described in note 2; this includes determining that the basis of accounting is an acceptable basis for the preparation of the Sufficiency Statement in the circumstances, and for such internal control as management determines is necessary to enable the preparation of a Sufficiency Statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the Sufficiency Statement based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Sufficiency Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Sufficiency Statement. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the Sufficiency Statement, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation of the Sufficiency Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the Sufficiency Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Sufficiency Statement presents fairly, in all material respects, the Sufficiency Ratio of the Workplace Safety and Insurance Board as at December 31, 2013 in accordance with the basis of accounting described in note 2.

Basis of Accounting

Without modifying our opinion, we draw attention to note 2 to the Sufficiency Statement, which describes the basis of accounting. The Sufficiency Statement is prepared to provide information regarding the Sufficiency Ratio of the Workplace Safety and Insurance Board. As a result, the Sufficiency Statement may not be suitable for another purpose.

Other matter

The Sufficiency Statement of the Workplace Safety and Insurance Board as at December 31, 2012 was audited by another auditor who expressed an unmodified opinion on that statement on June 19, 2013.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada
April 24, 2014

WORKPLACE SAFETY AND INSURANCE BOARD

Sufficiency Statement

As at December 31

(millions of Canadian dollars)

Sufficiency Ratio

	2013	2012
Sufficiency Ratio assets (note 3)	22,510	19,472
Less: Non-controlling interests	(2,394)	(2,103)
	20,116	17,369
Divided by: Sufficiency Ratio liabilities (note 3)	30,493	30,474
Sufficiency Ratio	**66.0%**	**57.0%**

Supplemental Ratios

Insurance Fund Ratio

	2013	2012
Insurance Fund assets (note 4)	22,510	19,472
Less: Non-controlling interests	(2,394)	(2,103)
	20,116	17,369
Divided by:		
Insurance Fund liabilities (note 4)	30,493	30,474
Less: Employee Benefits Plans deficit, on the Sufficiency Ratio basis	(659)	(714)
	29,834	29,760
Insurance Fund Ratio	**67.4%**	**58.4%**

Employee Benefit Plans Ratio

	2013	2012
Employee Benefit Plans assets, on the Sufficiency Ratio basis (note 5)	2,343	2,074
Divided by: Employee Benefit Plans obligation, on the Sufficiency Ratio basis (note 5)	3,002	2,788
Employee Benefit Plans Ratio	**78.1%**	**74.4%**

The accompanying notes form an integral part of this Sufficiency Statement.

WORKPLACE SAFETY AND INSURANCE BOARD
Notes to Sufficiency Statement
December 31, 2013

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WORKPLACE SAFETY AND INSURANCE BOARD
Notes to Sufficiency Statement
December 31, 2013
(millions of Canadian dollars)

1. Governing regulation

Ontario Regulation 141/12 (“Regulation 141”) under the *Workplace Safety and Insurance Act, 1997* (Ontario) (the “WSIA”) came into force on January 1, 2013. Regulation 141 requires the Workplace Safety and Insurance Board (the “WSIB”) to calculate a Sufficiency Ratio of the Insurance Fund and ensure the Sufficiency Ratio meets certain prescribed ratios by December 31, 2017, 2022 and 2027.

Regulation 141 states that the Sufficiency Ratio of the Insurance Fund shall be calculated by dividing the value of the Insurance Fund assets as of the date, as determined by the WSIB in accordance with accepted accounting principles, by the value of the Insurance Fund liabilities as of the date, as determined by the WSIB’s actuary in an actuarial valuation.

2. Calculation of the Sufficiency Ratio

The consolidated financial statements of the WSIB prepared in accordance with IFRS have been adjusted for the items that follow, based on Regulation 141, to derive the assets and liabilities used in the calculation of the Sufficiency Ratio in accordance with Regulation 141.

Assets

Assets for the purposes of the Sufficiency Ratio calculation have been determined by the WSIB to consist of the total consolidated assets of the WSIB less the interests in those assets held by third parties, as represented by the balance of non-controlling interests.

Liabilities

Liabilities for the purposes of the Sufficiency Ratio have been determined as follows:

Insurance Fund liabilities have been determined through an actuarial valuation as described in note 19 of the WSIB’s 2013 consolidated financial statements.

Employee Benefit Plans consist of long-term employee benefits including pensions and other post-employment benefits. The value of the liabilities of the Employee Benefit Plans have been determined through an actuarial valuation, using the going concern basis, which reflects the expected future returns on the WSIB’s registered pension plan assets, less any required actuarial margin for adverse deviation, in determining the present value of benefit liabilities, consistent with the funding basis of the WSIB’s pension plan. This discount rate is based on research by an actuarial consulting firm and considers factors such as the WSIB’s historical investment returns and the WSIB’s investment strategy. The liability reflects the use of a discount rate of 5.0% to 2017 and 5.5% thereafter determined with reference to the long-term expected rate of return on plan assets. This differs from the accounting basis used in preparing the WSIB’s consolidated financial statements, which uses a discount rate of 4.70% (2012 – 3.90%) based on high quality corporate bond yields rather than the returns expected on the WSIB’s pension plan assets.

All other liabilities are determined on an accounting basis as recorded in the WSIB’s consolidated financial statements.

WORKPLACE SAFETY AND INSURANCE BOARD

Notes to Sufficiency Statement
December 31, 2013
(millions of Canadian dollars)

3. Reconciliation of the Sufficiency Ratio assets and liabilities to the consolidated financial statements prepared in accordance with IFRS

A reconciliation of the total assets and liabilities used for the calculation of the Sufficiency Ratio to those under IFRS as at December 31, 2013 is provided below. The consolidated statement of financial position presented as the IFRS basis is the condensed consolidated statement of financial position from the WSIB's annual 2013 consolidated financial statements. The annual consolidated financial statements include explanatory notes. The funding ratio is defined as total assets less non-controlling interests per the IFRS consolidated financial statements, divided by total liabilities per the IFRS consolidated financial statements. An explanatory note follows the reconciliation.

	December 31, 2013			December 31, 2012		
	IFRS Basis	**Adjust-ments**	**Sufficiency Ratio Basis**	**IFRS Basis**	**Adjust-ments**	**Sufficiency Ratio Basis**
Assets						
Cash and cash equivalents	1,274	-	1,274	1,331	-	1,331
Receivables	1,168	-	1,168	1,168	-	1,168
Investments	19,908	-	19,908	16,809	-	16,809
Property and equipment	133	-	133	147	-	147
Intangible assets	27	-	27	17	-	17
Total assets	**22,510**	**-**	**22,510**	**19,472**	**-**	**19,472**
Liabilities						
Payables and accruals	1,090	-	1,090	1,076	-	1,076
Derivative liabilities	78	-	78	88	-	88
Long-term debt	168	-	168	169	-	169
Loss of Retirement Income Fund liability	1,538	-	1,538	1,377	-	1,377
Employee Benefit Plans liability	920	$(261)_a$	659	1,670	$(956)_b$	714
Benefit liabilities	26,960	-	26,960	27,050	-	27,050
Total liabilities	**30,754**	**(261)**	**30,493**	**31,430**	**(956)**	**30,474**
Deficiency of assets						
Unfunded liability attributable to WSIB stakeholders	(10,638)	261_a	(10,377)	(14,061)	956_b	(13,105)
Non-controlling interests	2,394	-	2,394	2,103	-	2,103
Total deficiency of assets	(8,244)	261	(7,983)	**(11,958)**	**956**	**(11,002)**
Total liabilities and deficiency of assets	**22,510**	**-**	**22,510**	**19,472**	**-**	**19,472**
Funding Ratio	65.4%		-	55.3%		-
Sufficiency Ratio	-		66.0%	-		57.0%
Insurance Fund Ratio	67.4%		67.4%	58.4%		58.4%
Employee Benefit Plans Ratio	71.8%		78.1%	55.4%		74.4%

Notes:

a) Reflects the use of a discount rate of 5.0% to 2017 and 5.5% thereafter determined with reference to the expected rate of return on plan assets. For the purposes of the consolidated financial statements, a discount rate of 4.70% was used based on high quality corporate bond yields (note 2).

b) Reflects the effect of the use of a discount rate of 5.5% for fiscal years 2013 to 2017 and 6.0% thereafter determined with reference to the expected rate of return on plan assets. For the purposes of the consolidated financial statements, a discount rate of 3.90% was used based on high quality corporate bond yields (note 2). The consolidated financial statements have been restated for the revision to accounting standard IAS 19 *Employee Benefits*, which came into effect January 1, 2013 and reflected an increase of $762 to the WSIB's Employee Benefit Plans deficit.

4. Calculation of the Insurance Fund Ratio

The Insurance Fund Ratio is provided as a supplemental measure to illustrate the ratio of assets to liabilities of the WSIB prior to the inclusion of the Employee Benefit Plans. The Insurance Fund Ratio is calculated using the same components as the Sufficiency Ratio as described in notes 2 and 3, except that the net liability of the Employee Benefit Plans as calculated in note 3 is excluded.

5. Calculation of the Employee Benefit Plans Ratio

The Employee Benefit Plans Ratio is provided as a supplemental measure to illustrate the ratio of the assets and the liabilities of the Employee Benefit Plans. The Employee Benefit Plans Ratio is calculated by dividing the assets of the Employee Benefit Plans by the liabilities of the Employee Benefit Plans. The balance of the assets of the Employee Benefit Plans is the amount disclosed in note 18 of the consolidated financial statements prepared under IFRS. The balance of the liabilities of the Employee Benefit Plans is calculated using a discount rate of 5.0% to 2017 and 5.5% thereafter determined with reference to the expected rate of return on plan assets as described in note 2.

6. Subsequent event

Ontario Regulation 338/13 under the WSIA came into force and is effective as of January 1, 2014 and requires the valuation of assets and liabilities using going concern actuarial valuations practices. Gains and losses on investments that differ from the long-term assumed rate of return will be amortized over a five-year period. Changes in legislation, accounting or actuarial standards that have a significant impact on insurance fund liabilities will be amortized over a period not to exceed five years. The impact of this change cannot be estimated as amounts to be amortized will depend on future events.