Workplace Safety and Insurance Board

2009 Annual Report

wsib
ONTARIO

Workplace Safety and Insurance Board
2009 Annual Report

This document is published by the WSIB's Strategic Communications, Policy and Research Division. For additional copies, please visit our website (www.wsib.on.ca), phone (416) 344-4185 or (toll-free) 1-800-387-5540, ext. 4185

General Information: (416) 344-1000
Toll-free: 1-800-387-5540
TTY: 1-800-387-0050
email: wsibcomm@wsib.on.ca

Head Office:
200 Front Street West
Toronto, Ontario M5V 3J1

2250A (05/10)   ISSN 1487-1955

Table of contents

Chair's message

Steven W. Mahoney
WSIB Chair

I am proud to report that, despite the challenges of 2009, the WSIB was able to secure its ongoing ability to provide benefits to injured workers and services to employers, while continuing to shift cultural attitudes to workplace health and safety in Ontario. Through creativity, innovation, and collaboration, the WSIB is successfully reducing its costs, while maintaining the high levels of service that Ontario's workers and employers are used to receiving.

In 2009, the province of Ontario continued to face an unprecedented economic challenge, driven predominantly by global financial market adjustments beyond its control. Economic conditions took their toll on the Workplace Safety and Insurance Board's financial position in 2009, with the unfunded liability drawing close scrutiny from stakeholders and government alike.

Funding of the workplace safety and insurance system has been an issue for a number of years. The WSIB has tried to keep premium rates low for employers while giving injured workers all of the benefits to which they are entitled. In 2009, the WSIB implemented a range of initiatives as part of its *Road to Zero* strategic plan – procurement and health-care cost initiatives, new approaches to case management, prevention-system enhancements, and measures to reduce administrative costs – to address the system costs that are within its control.

These initiatives are achieving results but, as a significant player in the province's overall economic health, the WSIB felt it was imperative that it have frank and open dialogue with stakeholders regarding its programs and services. My goal, as I led a major stakeholder consultation initiative in 2009, was to gather the input needed to create the foundation for building a sustainable workplace health and safety insurance system for Ontario – to create a reasonable, concrete, and certain financial future for the system, a system that must survive to serve generations to come.

The WSIB does not set benefits for injured workers. That is the responsibility of the government. But the WSIB does support the efforts of government to improve benefits for injured workers and their families. It is essential that Ontario's workers receive fair and appropriate treatment when an injury occurs, and this includes help with medical costs, retraining if required, and income protection for injured workers and their survivors when necessary.

Some employer-stakeholders have called for cuts to injured-worker benefits and lower rates, and we hear the labour movement calling for more benefits and full indexation. The fact is that the system has to balance the interests of injured workers – who want fast, fair access to benefits and services – and employers, who want affordable coverage for their workers and stable, low premium rates. It's a complex system, and finding the right balance presents us with a wide range of challenges. But my discussions with stakeholders in 2009 have confirmed my belief that we are moving in the right direction with the programs and the leadership we have in place to serve the workers and employers of Ontario.

2009 saw the retirement of former president and CEO, Jill Hutcheon. I join the board members and all my colleagues at the WSIB in thanking Jill for her work over the years – both as president and CEO and as interim chair. The WSIB's new president and CEO, David Marshall, brings to us very impressive financial credentials and a public administrative skill set that will serve us well. David has held many key federal government positions, including assistant auditor general and deputy receiver general for Canada. As a certified general accountant, he has also held senior roles in the Toronto and New York banking sectors. His experience and leadership in facing the challenges of such a large organization come to us at a very important juncture in our history.

David is already initiating important changes within the organization to realign our operations to better meet the needs of our clients, the injured workers, and our premium ratepayers, the employers of the province of Ontario.

The WSIB has a history of evaluating, streamlining, and adapting its services and programs to ensure the highest level of service to employers and injured workers within the fiscal boundaries of income generated through premiums and investments. But this organization operates in a highly political, complex, and constantly changing environment. Accordingly, any major changes we make must be carefully considered and discussed with our stakeholders.

The 2009 consultations proved that prevention remains a shared priority for Ontario workers and employers, as well as for the WSIB. By working with our health and safety partners, we've had some success in reducing the number of lost time injuries and traumatic fatalities. But we still have much more work to do. We are now two years into the WSIB's Strategic Plan and, although the economic downturn has put some curves in the *Road to Zero*, we are still driving toward the elimination of all workplace injuries, illnesses, and deaths. Focusing on prevention – on keeping new claims out of the system by protecting workers – will be crucial on our journey to building a financially sustainable system for generations to come.

The report on our 2009 consultations with stakeholders represents a starting point for ongoing consultation, discussion, and stakeholder engagement, because the most important thing is for all system partners – health and safety associations, employer and worker stakeholders, and the government – to work together to address the issues with a co-ordinated approach.

Hon. Steven W. Mahoney, P.C.
Chair

President’s message

I. David Marshall
WSIB President and CEO

I began work as president and CEO of the WSIB in January 2010 with a clear mandate to build a sound financial plan for the organization and address the unfunded liability; to ensure stability for workers, employers, and stakeholders; and to ensure we have a WSIB that is, and is seen to be, value-added for the workers and employers it serves.

Looking back over 2009, we see encouraging results in some areas: Our prevention strategies contributed to the lost-time injury rate improvement, which was approximately 17.6 per cent – a great achievement, more than 10 per cent greater than the target; investment returns were about 13 per cent; and customer satisfaction remained high. In addition, 2009 saw:

- completion of the rollout of the New Service Delivery Model across all WSIB offices;
- health-care savings maximized through strategic sourcing initiative;
- continued development of eServices offerings for employers and injured workers;
- continued implementation of a revised Strategic Investment Plan to reduce portfolio volatility; and
- reorganization of the province’s health and safety associations into four new entities.

But the key issue for our stakeholders in 2009 was the unfunded liability. The auditor general’s 2009 annual report found that the existence of an unfunded liability is the result of a complex set of interactions among at least four key levers: premiums, coverage, the level of benefits paid, and the amount earned on investments.

The WSIB is already working with its partners in the workplace safety and insurance system to address each of these levers. There is a lot of work that needs to be done, but it is important to realize that the system is not in crisis. The WSIB is financially able to meet its obligations into the foreseeable future.

In early 2009, it started to become clear that the system had not built up enough reserves to overcome the economic downturn of 2007 and 2008, and still reach the goal of full funding for 2014. It also became clear that a new plan was needed to get the system to better financial health, and to build in a cushion to protect the system when economic turbulence hits.

The system of worker compensation is, by nature, a complex one. Trends and unintended effects take a long time, often years, to become evident. For example, the unintended effect of changes to legislation, the impact of occupational diseases, and the effect of an aging workforce all can take years to identify.

As an organization, the WSIB is looking closely at trends in injury costs. For short-term disabilities in 2009, 44 per cent of the cost of an injury for benefit payments will be incurred in the year in which that injury occurs. But for long-term disabilities, only 1 per cent of the total benefit cost of that injury is visible in the first year and a full 70 per cent of that cost will have to be paid 11-plus years after the injury has occurred. The financial impacts of serious injuries on the system go on for a very long time.

Looking at claims currently in the system, we find that older claims, especially those that are locked in, make up more than two-thirds of the current liabilities. In fact, many of them date to before 1990. There is little we can do to change these, except manage them to completion. That leaves only about one-third of claims that are more current and that we can influence through improvements in claims management, especially return-to-work efforts.

There is no magic wand we can wave to reduce our liabilities. We can and must pay close attention to the kinds of claims that are coming into the system. We must try to prevent injuries, especially serious injuries, from occurring in the future, so that claims coming into the system today do not draw from the fund six, 10 and 20 years into the future. We need to get these workers back to health and back to work safely and avoid high benefit costs and health-care costs, and we need to work collaboratively to keep duration levels down.

Addressing the unfunded liability and ensuring a financially sound system is a complex challenge, but we must tackle it. The current level of unfunded liability is not healthy and must be brought down so that we have sufficient reserves to create a cushion for bad economic times, to secure workers' benefits and to reduce premiums.

Our funding objectives require a system wide approach that balances the needs of all the different players. Our goal is to collaboratively build a long-term financial plan with measurable benchmarks and milestones, and to do it as quickly as we can. Chair Steven Mahoney's recent round of consultations will be an important guide, and I am looking forward to continuing to work closely with the chair and the Board of Directors as we tackle these issues.

Since I began at the WSIB, I have seen a range of studies, reviews, and audits, and have listened to comments from all sides. But no amount of analysis will change the fact that in the end, some tough decisions will have to be made. I have received nothing but the strongest support from the chair, the board, senior staff of the WSIB, the minister of labour, and officials in the ministry; and I look forward to working with our stakeholders to find the right balance on this journey.

I. David Marshall
President and CEO

Board of directors and committees

The members of the WSIB Board of Directors have a diverse range of skills and understanding, reflecting their experiences across many business and industry sectors.

Committees of the Board of Directors

The **Audit and Finance Committee** advises on financial and other reporting practices and internal controls.

The **Health and Safety Committee** advises on workplace health and safety policies, performance objectives, and measurement criteria.

The **Human Resources and Compensation Committee** advises on the health and safety of WSIB employees and the human resources function.

The **Governance and Policy Committee** advises on governance and policy matters.

The **Investment Committee** provides counsel on investment policy, monitors investment returns, and reviews the performance of investment managers and their compliance with applicable laws and regulations, and their respective mandates. (The committee includes external advisors Maureen Farrow, Don Walcot, and Paul Grise.)

Steven W. Mahoney
Chair: May 17, 2006 – May 16, 2011

I. David Marshall
President and CEO: January 24, 2010 – January 23, 2015
Investment Committee, Governance Committee

Lawrence R. Barnett
Member: January 15, 2007 – January 14, 2013
Health and Safety Committee (Chair), Human Resources and Compensation Committee

---

Estelle M. Caines
Member: November 18, 2009 – November 17, 2012
Human Resources and Compensation Committee

Patrick Dillon
Member: July 17, 1996 – July 16, 2010
Health and Safety Committee, Governance Committee

Louis Girard
Member: January 28, 2009 – January 27, 2012
Audit and Finance Committee, Health and Safety Committee, Human Resources and Compensation Committee

---

P. Morgan McCague
Member: August 21, 2008 – August 20, 2011
Audit and Finance Committee, Investment Committee (Chair), Human Resources and Compensation Committee

---

Marlene McGrath
Member: October 14, 2004 – October 13, 2010
Audit and Finance Committee (Chair), Investment Committee

Lea M. Ray
Member: December 3, 2008 – December 2, 2011
Health and Safety Committee, Investment Committee, Governance Committee (Chair)

Sari Sairanen
Member: September 24, 2008 – September 23, 2011
Health and Safety Committee, Governance Committee

2009 achievements

The Year in Review

2009 was a challenging year, not only for the WSIB, but for thousands of businesses across the province. Overall financial results in 2009 were improved compared with those in 2008. Premium revenues fell in line with reduced employment industries and claims costs increased in response to a reduction in re-employment opportunities. Offsetting these losses, investment returns were strong. Overall, the unfunded liability rose slightly in 2009 from 2008 levels.

Despite the numerous challenges, the WSIB remains firm and committed to maintaining a financially sustainable system for generations to come. Other highlights of 2009 are listed below:

Health and safety

- Continued to collaborate with partners; and improved standards, outcomes, and measures through our new Prevention Strategy.
- Reorganized the health and safety associations, introducing a new model that integrates the governance, structure, and resources of the Safe Workplace Associations into four new entities.
- Developed promotional materials to maintain public awareness built by our high-profile 2008 advertising campaigns.
- Exceeded target lost-time-injury-rate reduction of 7 per cent by more than 10 per cent.

Service excellence

- Completed implementation of our New Service Delivery Model; repositioning front-line staff to focus more on interaction with injured workers, early intervention, and longer-duration claims.
- Took steps to lay the groundwork for long-term improvements to our incentive-based programs.
- Realized millions of dollars in health-care savings through our Strategic Sourcing initiative.
- Continued development of our eChannel and eServices offerings for employers and injured workers.

Financial sustainability

- Announced the 2010 premium rates, which provides a rate freeze for the majority of employers and an increase for those in rate groups with poorer health and safety and return-to-work results.
- Continued our wide-ranging efficiency review, resulting in savings from administration expenses.
- Consulted with stakeholders on policies and practices to support Bill 119's mandatory coverage legislation.
- Introduced public disclosure of quarterly financial statements to enhance transparency and accountability. The WSIB is one of the only workers' compensation boards in Canada that discloses quarterly results.

Organizational excellence

- Initiated the Internal Prevention project, including Root Cause Analysis and a Work Safe Response Team pilot.
- Commenced the implementation of the Voice of the Customer strategy, which saw Service Excellence training for more than 200 staff and managers, as well as customer service standards training for Ontarians with disabilities.
- Introduced renewed accountability controls.
- Through the People Strategy, introduced a workforce planning and new competency model.

While the WSIB enjoyed a number of successes in 2009, there remains much more to be done. The WSIB must continue to pursue cost efficiencies aggressively while investing in key areas to keep us on the *Road to Zero* and delivering exceptional customer service. The WSIB must develop more effective and financially sustainable prevention incentive programs, combining claims cost and health and safety components. And the WSIB must continue to refine its service delivery model; as well as its labour market re-entry and experience rating programs to deal with the drivers of increased claims duration.

WSIB bids farewell to Jill Hutcheon

In late December 2009, the WSIB said thank you and goodbye to former President and CEO Jill Hutcheon, who retired after a distinguished and accomplished 36-year career in the public service in Ontario. The first female WSIB president, Jill served with the WSIB for the past seven years, having joined in February 2003 – initially as vice president for policy and research, then as acting chair, and rising to the position of president and CEO in 2004. Before joining the WSIB, Jill was most notably deputy minister of labour, and assistant deputy minister in the ministries of transportation, education and training, and skills development.

A record of accomplishment and direction for the future

Jill's administration was characterized by and respected for providing solid, dependable, intelligent, and strategic leadership. Under her leadership, the WSIB adopted principles of modern financial management, good corporate governance – including codes of conduct – and ethics policies. Even more than all this, she was, as noted by WSIB Chair Steve Mahoney, "instrumental in leading the strategic planning process that resulted in the *Road to Zero*," the strategic plan that continues to guide this organization.

Other highlights of Jill's WSIB tenure include the creation of the Occupational Disease Division, the Occupational Cancer Research Centre, and ground-breaking social media campaigns that garnered international attention and acclaim. Most recently, recognizing the social stigma attached to being an injured worker, her administration partnered with community organizations to identify and work towards eliminating these negative attitudes across the workplace safety and insurance system.

A community of shared values

It is telling that Jill's career at the WSIB closed on the issue of the social stigma that affects injured workers, because this reveals something about the thing that had motivated her during all her years of public service: Simply, a concern for people – be they injured workers, staff at all levels, aspiring managers, senior management team, or anyone else the WSIB deals with. In Jill's own words, the WSIB is a community "with shared values, with a common vision, and with a culture ... as rich as it is diverse." At the time of Jill's retirement, WSIB staff and management, as well as Minister of Labour Peter Fonseca, paid tribute to Jill Hutcheon's leadership, her achievements, and her idea of a community firmly placed on the *Road to Zero*.

THE WSIB IS A COMMUNITY "WITH SHARED VALUES, WITH A COMMON VISION, AND WITH A CULTURE ... AS RICH AS IT IS DIVERSE"

Funded research

In 2009, the WSIB Research Advisory Council (RAC) funded a total of 28 new research projects, of which 16 were funded under the main RAC program, Solutions for Workplace Change. The remaining 12 were funded under the Bridging the Gap program, a smaller competition that aims to address specific workplace issues and build working partnerships among researchers, workplace parties, and prevention organizations.

One of the new projects funded in 2009 aims to improve the ergonomic design of police cruiser interiors. Advancing technology has transformed police vehicles into mobile offices with data terminals, card scanners, and citation printers. Postures required to use the computer keyboard and screen in the tight quarters of the car can cause police officers to suffer back and shoulder injuries.

Another project funded in 2009 aims to reduce the risk of slips, trips, and falls for postal workers by helping to determine which footwear is most effective on slippery and uneven winter surfaces. This project will also develop design criteria for improving winter footwear in the future.

2009 also saw the completion of 22 research projects that were funded by the RAC in earlier competitions. Summaries of these and other completed projects, as well as a list of all projects funded by the RAC, have been posted on the WSIB's website.

In an important development, the Occupational Cancer Research Centre was launched in April 2009. The Centre is jointly funded by Cancer Care Ontario, the WSIB, and the Canadian Cancer Society (Ontario Division), and was developed in collaboration with the United Steelworkers union. This Centre is the first of its kind in Canada. Its aim is to bridge the gaps in our knowledge of occupation-related cancers, and to translate these findings into information and programs that will improve workplaces and the health of Ontarians. The Centre is housed at Cancer Care Ontario.

The Institute for Work & Health (IWH) operates with the support of the WSIB. In 2009, the IWH initiated 16 new research studies, which included research on older workers, health and safety in temporary work agencies, and the measurement of leading indicators of workplace prevention policies and practices. The IWH also prepared a number of products for Ontario stakeholders based on its own research, including *Red Flags/Green Lights: A Guide to Identifying and Solving Return-to-Work Problems*, and a series of *Issue Briefings* summarizing research on topics of interest to policy-makers, such as shift work, new workers, and the cost of workers' compensation systems in Canada and the U.S.

Management's discussion and analysis

Statement of management's responsibility

Management's discussion and analysis (MD&A) provides management's perspective on key issues that impact the current and future financial condition and operating results of the WSIB for the year ended December 31, 2009. This discussion should be read in conjunction with the audited consolidated financial statements and accompanying notes, which are prepared in accordance with Canadian generally accepted accounting principles (GAAP). The WSIB also uses certain non-GAAP measures to track its performance, some of which will be discussed in this report. Information presented is as of December 31, 2009, unless otherwise indicated. When information as of December 31, 2009, is not available, information for the latest period before December 31, 2009, is used.

The information in the MD&A necessarily 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 the information currently available, involving assumptions, inherent risks, and uncertainties. Readers are cautioned that actual results in the future may differ materially from projections in cases in which future events and circumstances do not occur as expected.

Role of the Board of Directors

The WSIB Board of Directors acts in a financially responsible and accountable manner in exercising its powers and performing its duties. The responsibility of the Board of Directors in relation to the reporting of financial statements is to ensure that the financial information reported by management in the Annual Report and elsewhere reasonably reflects the financial condition, results of operations, plans, and long-term commitments of the WSIB, as well as appropriate risk-mitigation strategies, effective functioning of the internal audit system, and effective conduct of the external audits. The Board is also responsible for providing the Ontario minister of labour with the following documents annually: A current strategic plan, an annual budget and business plan, an annual statement of investment policies and procedures, an annual report, and an annual value-for-money audit.

Role of the Audit and Finance Committee

The role of the Audit and Finance Committee is to provide assistance to the Board of Directors in carrying out its oversight responsibilities related to the WSIB's financial reporting practices, systems of internal control, and risk management; its performance, independence, and the qualifications of its internal and external auditors; as well as compliance with policies related to financial reporting obligations that may apply to the WSIB.

Accounting changes for 2009

Asset pooling

Effective January 1, 2009, the WSIB implemented asset pooling as part of its investment administration. Under asset pooling, the investment assets of the Insurance Fund, the Loss of Retirement Income (LRI) Fund and the WSIB Employees' Pension Plan are pooled, with each fund's ownership interest represented by units held in each pooled fund.

Asset pooling improves the efficiency and flexibility of investment fund operations and asset allocation. It allows for improved investment-related operation of the funds and provides a broader, more diversified choice of investment strategies. Pooled investment structures are often used in both the public and private sectors.

The full amount of the pooled assets is included on the balance sheet and on the statement of operations, categorized as "investments" and offset by the "Employees' Pension Plan interest in pooled investments." The fair value of the Employees' Pension Plan assets that were transferred into the pool at January 1, 2009, was $1,412 million.

Intangible assets

Effective January 1, 2009, the WSIB adopted the *CICA Handbook*'s Sec. 3064: Goodwill and Intangible Assets, replacing existing Sec. 3062: Goodwill and Other Intangible Assets, and Sec. 3450: Research and Development Costs. As a result of the adoption of the new requirements, certain software totalling a net book value of $82 million was previously included in property, equipment, and other assets, and has been reclassified as intangible assets and appears as a separate line on the consolidated balance sheet.

About the WSIB

The WSIB promotes workplace health and safety and provides a workplace insurance system for Ontario employers and workers. The WSIB is a statutory corporation responsible for administering the *Workplace Safety and Insurance Act (Ontario), 1997*. Fundamental to the system is a historical compromise by which workers gave up the right to sue for their work-related injuries, irrespective of fault, in return for guaranteed benefits for allowed claims. Employers, for their part, receive protection from lawsuits in exchange for financing the program through premiums. This system of collective liability provides fair compensation for injured workers and their families while spreading individual costs among employers. As in other insurance frameworks, high-risk industries with more claims costs pay higher premium rates. The WSIB is funded entirely by employer premiums and does not receive any funding from the Government of Ontario.

The WSIB maintains an Insurance Fund to cover future obligations in relation to existing claims. The return on investment of the Insurance Fund is an integral part of the overall funding of WSIB benefits. Premiums collected by the WSIB are used to fund injured-worker benefits and other operating costs, and also cover legislated obligations and commitments, including the operating costs of Health and Safety Associations, the Workers Health and Safety Centre, and the Occupational Health Clinics for Ontario Workers. The WSIB is also required to reimburse the Government of Ontario for all administrative costs of the *Occupational Health and Safety Act*, as well as to provide funding for the Workplace Safety and Insurance Appeals Tribunal, the Offices of the Worker and Employer Advisers, and the Fair Practices Commission.

The WSIB also oversees Ontario's system of workplace safety education and training.

Corporate strategy

The WSIB's vision, the elimination of workplace fatalities, injuries, and illnesses in Ontario, is strongly reflected in its Five-Year Strategic Plan, 2008 – 2012, *The Road to Zero*, which outlines a course of action that accelerates the WSIB's progress towards its vision.

The Road to Zero contains a five-year strategic direction for WSIB and comprises four fundamentals. These fundamentals are:

Health and safety

The WSIB will demonstrate leadership in building strong and sustainable partnerships to raise awareness that workplace fatalities, injuries, and illnesses are unacceptable and preventable by supporting employers and workers as they strive to prevent workplace injuries and illnesses.

Service excellence

The WSIB will develop programs, tools, and partnerships that encourage and support workplaces and communities, fostering the development and implementation of early, safe, and sustainable return to work, effective health recovery programs and services, and fair and timely insurance benefits.

Financial sustainability

The WSIB will be creative, innovative, and collaborative as it looks for administrative efficiencies that will help to reduce costs while maintaining the high levels of service that Ontario's workers and employers are used to experiencing when dealing with the WSIB.

Organizational excellence

Through continuous development and support of employees, and by providing the processes, tools, and technology to enable delivery of services and achievement of outcomes, the WSIB will accelerate Ontario's progress on *The Road to Zero*.

Factors that may affect results

As noted in the "Statement of management's responsibility" section, all forward-looking statements and information, by their very nature, are subject to inherent risks and uncertainties, both general and specific, which may cause actual results to differ materially from expectations. Some of these risks and uncertainties are discussed in this section.

The economy and labour market conditions

Factors such as employment rates, wage rates, business investment, foreign-exchange rates, and the health of capital markets affect the business in which the WSIB operates. Premium revenues are directly impacted by the number of employees working in WSIB-covered industries. Declining employment rates serve to reduce insurable payrolls, thereby directly impacting on the WSIB's premium revenue. In the industries covered by the WSIB, total employment was down by 5.8 per cent in 2009, with some industries showing sharper declines, such as Automotive (-29.2 per cent) and Manufacturing (-9.8 per cent).

The reduction in employment opportunities in 2009 has resulted in claims inventories not declining as quickly as previously anticipated. Without an increase to premium rates, this resulted in upward pressure on the unfunded liability.

Financial market performance has a direct impact on the annual returns for the WSIB's investment portfolio.

Significant changes to Ontario's demographics, the composition of Ontario's industrial base, and the nature of work that will affect WSIB's covered workforce

Ontario is dealing with a structural shift in industry sectors due in part to the economic downturn. The recent economic recession has accelerated changes in the restructuring of Ontario's economy and industry sectors. Sectors such as Automotive and Manufacturing have been greatly impacted. As a result, the nature and location of work will evolve, creating significant challenges for the WSIB.

Ontarians' rapidly growing expectations for enhanced service and value from public-sector agencies

Like the federal and Ontario public sectors, the WSIB is responding to growing customer expectations with integrated service strategies. The WSIB is committed to continuous improvement in customer service, and this commitment is reflected in the expansion of eServices – our online transaction capabilities – which are already making it easier for workers and employers to deal with the WSIB.

By making use of constantly evolving technology and by developing new, innovative, and more efficient business processes, the WSIB is proving that customer service is the foundation of everything it does. In 2009, the WSIB introduced technology-enabled adjudication of no-lost-time claims. In less than a year, 17 per cent of claims are already adjudicated using this streamlined method. The WSIB is looking to expand this streamlined approach in 2010.

The WSIB will continue to improve the efficiency and effectiveness of all of its programs and business practices. As this work goes on, we will be building more and more capabilities into our eServices to form a robust eChannel that will better serve the workers and employers of Ontario.

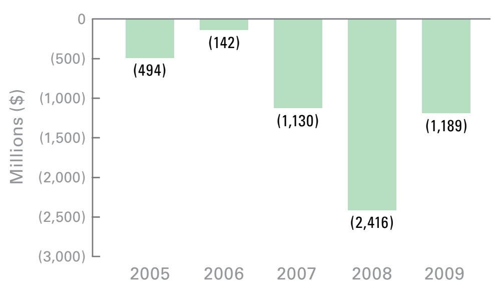
Highlights of financial performance

2009 financial results

Overall financial results in 2009 were improved compared with those in 2008. Premium revenues fell in line with reduced employment in Ontario industries and claims costs increased in response to a reduction in re-employment opportunities. Offsetting these losses, investment returns were strong. Overall, the unfunded liability rose slightly in 2009 from 2008 levels.

The unfunded liability increased to $11,751 million at the end of 2009. This is $282 million higher than at the end of 2008, when it was $11,469 million. Despite this increase in the unfunded liability, the WSIB's funding ratio has improved modestly by 0.7 percentage points to 54.2 per cent on December 31, 2009, from 53.5 per cent at December 31, 2008, reflecting a higher ratio of assets to total liabilities.

Excess of expenses over revenues



In 2009, revenues on an accrual basis fell short of total benefit costs and other expenses by $1,189 million, compared with $2,416 million for the year ended December 31, 2008. On a cash basis, the WSIB was required to draw $825 million from the insurance fund to cover 2009 obligations. The improvement of $1,227 million is primarily due to improved financial market performance in 2009, partially offset by lower premium revenue and higher benefit costs.

The WSIB's investment revenue in 2009 was $615 million, plus $907 million in net unrealized gains, compared with an investment loss of $1,340 million in 2008 combined with $959 million in net unrealized losses – a year-over-year increase of $1,955 million in investment revenue and an improvement of $1,866 million in unrealized gains. The improvement in equities markets positively impacted results in 2009. Since March 2009, equities markets have recovered some of the ground lost during 2008 and early 2009.

The WSIB has taken steps to diversify drivers of investment performance through the implementation of a multi-year strategic investment plan that targets a 7.0 per cent long-term return while reducing investment portfolio volatility. Effective 2009, the WSIB revised the strategic asset mix to diversify the portfolio more broadly to rely less on public equities, thus reducing volatility while still pursuing targeted returns.

Total benefit costs and other expenses increased by $701 million from $4,644 million in 2008 to $5,345 million in 2009. While lost-time injury rates continued to fall, claims duration – the time injured workers are on benefits – and the increase in critical injuries are two key systemic issues causing benefit costs to increase.

Increased benefit liabilities of $382 million resulted from legislated changes to benefit indexations for partially disabled workers ($134 million), changes to the *Income Tax Act* ($130 million), and the inclusion of volunteer firefighters ($118 million). Changes in actuarial assumptions resulted in a $343 million net increase in benefit liabilities, along with a $185 million net increase due to the growth in new claims; these increases were offset by the natural reductions of benefit liabilities and closures of older claims. The impacts for legislated changes and changes to actuarial assumptions have not been reflected in current premium rates.

Administrative expenses form only a small part of overall expenses (10 per cent). Since 2004, the WSIB has committed to hold the line on these expenses and has increased cost-effectiveness while still delivering the best service for injured workers and employers. Controllable administrative expenses were frozen from 2005 to 2007, and held to minimal CPI increases for 2008 and 2009. These results were achieved through productivity improvements offsetting investments in strategic initiatives, collective agreement increases, growth in business volumes, external funding requests, and increased legislative obligations.

In 2009, in recognition of the economic downturn, the WSIB undertook an efficiency review of administrative expenses that focused on reducing costs in all areas of the organization. This included limiting discretionary expenses such as travel, conferences, and consulting; and implementing controlled staffing. These efforts reduced expenditures by $7.8 million.

Controllable expenses for 2005 – 2009 were a total of $56 million lower than budget. Internal savings and efficiencies have been found in a number of creative and innovative ways, and efforts to identify further administrative cost efficiencies are continuing.

In the autumn of 2009, the Ontario government released an economic update and fiscal review noting its expectation of continued lagging employment growth in the province. The employment situation is also of concern to the WSIB, as slower growth will delay improvements in the WSIB's funding position, continuing to impact premium revenue and claim costs negatively. The WSIB continued to experience improvements from financial markets since the second quarter of 2009, which contributed to overall improvements in financial results, but the financial markets continue to demonstrate significant volatility.

While economic conditions have stabilized, the timing and strength of the recovery and the effect on capital markets remains uncertain. How governments pull back on fiscal stimulus and when central banks move to raise interest rates will have an important impact on future economic conditions.

Despite the numerous challenges, the WSIB remains firm and committed to maintaining a financially sustainable system for generations to come.

Eliminating the unfunded liability is one of the WSIB's main priorities. WSIB initiatives and strategies to address its unfunded liability include new approaches to case management, procurement, and health-care cost initiatives; a revised investment strategy; and measures to reduce the administrative costs that are within the WSIB's control.

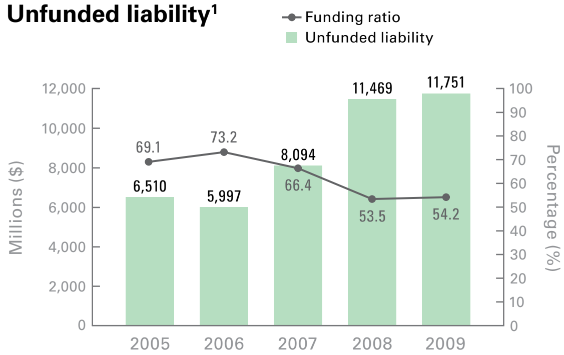
2009 financial performance review

Operating results

In 2009, revenues fell short of total benefit costs and other expenses by $1,189 million, compared with $2,416 million in 2008, resulting in a $1,227 million improvement. The main factor contributing to this improvement was the positive performance in equities markets throughout most of 2009. Overall improved operating results were partially offset by lower revenues and higher benefit costs.

Unfunded liability

Unfunded liability[1]



[1] Unfunded liability includes accumulated other comprehensive income, effective 2004

The unfunded liability stood at $11,751 million at the end of 2009, an increase of $282 million, compared with $11,469 million in 2008. This unfavourable change of $282 million is recorded as "comprehensive loss" for the year in the 2009 financial statements (2008: $3,375 million) (See Investment section, Consolidated Financial Statements, and notes). As a result, the WSIB's funding ratio improved modestly to 54.2 per cent in 2009, compared with 53.5 per cent in 2008.

The main reasons for the net increase of $282 million in unfunded liability in 2009 were:

- $564 million increase due to longer durations for loss-of-earnings claims than previously assumed;
- $432 million increase primarily due to items such as lower premium revenue, higher bad debts expense, and higher premium rebates than surcharges;
- $134 million increase in liabilities resulting from Bill 187 that increased indexing for partially indexed benefits and provides for claims after lock-in to be reassessed;
- $130 million increase due to reductions in personal income taxes, which increases injured worker net income payments;
- $118 million increase in liabilities resulting from Bill 221 that improves coverage for volunteer firefighters with occupational cancers and work-related heart attacks;
- $653 million decrease due to higher than expected investment income on invested assets;
- $221 million decrease due to the indexation of benefits less than expected;
- $222 million net decrease, resulting from premiums allocated to the reduction of the unfunded liability, offset by the imputed interest on the unfunded liability.

Additional information is shown in note 12: Reconciliation of the change in the unfunded liability.

Revenue

Premium revenue

Premium revenue comprises mostly assessments received from rateable employers and, to a much lesser extent, from self-insured employers. Rateable premium revenue is derived primarily from total insurable payrolls of employers multiplied by their appropriate premium rate. Schedule 1 employers have a component built into their premium rate that contributes towards paying down the unfunded liability.

In 2009, total premium revenue was $3,540 million, compared with $3,566 million in 2008, a decrease of $26 million. The economic downturn has directly impacted premium revenue, as decreased growth and increasing unemployment rates negatively impact assessable payroll. Sectors such as Automotive, Manufacturing, and Services have been greatly impacted during this time. Government stimulus in infrastructure projects helped shelter Ontario from the full impact of the economic downturn. As well, in line with the Strategic Plan goal of providing premium rate stability for the employers of Ontario, the WSIB Board of Directors made a decision not to raise premium rates in 2009. This decision also impacted premium revenue in 2009.

The employment situation is of concern to the WSIB, because slower growth impacts the WSIB's funding position as it continues to impact premium revenue negatively. During this time, the WSIB is doing all it can to improve and maximize premium revenues, which includes fostering compliance in a fair, consistent, and transparent way. The WSIB has completed a voluntary registration program allowing employers to register without penalty. The WSIB continues to leverage its partnership with the Canada Revenue Agency (CRA) to identify and register non-compliant employers and to verify payroll reporting.

The average premium rate has been held flat at $2.26 per $100 of insurable payroll for the years 2006 to 2009. While 2010 premium rates were held flat for most employers, rates were increased for poorly performing rate groups that had not achieved expected health and safety or return-to-work outcomes. No rate group received a rate decrease. This resulted in the average premium rate increasing from $2.26 per $100 of insurable payroll in 2009 to $2.30 per $100 of insurable payroll for 2010.

Insurable payroll for 2009 was $144,910 million, compared with $150,535 million in 2008, a decrease of $5,625 million or 3.7 per cent. In the table below, the combined total of the lines for premiums assessed for Schedule 1 and the premiums for the unfunded liability are down by 3.9 per cent. Service and Manufacturing sectors accounted for 49.8 per cent of insurable earnings and 36.8 per cent of total premium revenue in 2009. The Construction sector produced 23.2 per cent of premium revenue in 2009, while comprising 8.8 per cent of total insurable earnings for the year.

Lower net experience rating refunds of $37 million in 2009 (2008: $144 million) partially offset the decreases in premium revenue, due to worsening claim experience. Review of experience rating programs continued in 2009, with recommendations to improve the program to be made in 2010 and 2011.

Bad debts increased to $86 million in 2009 from $69 million in 2008. The weakened economy in Ontario impacted bad debts by an increase of $17 million in 2009 compared with 2008. Bad debts expense for 2009 arises mainly from the Construction, Services, Transportation and Manufacturing industry sectors.

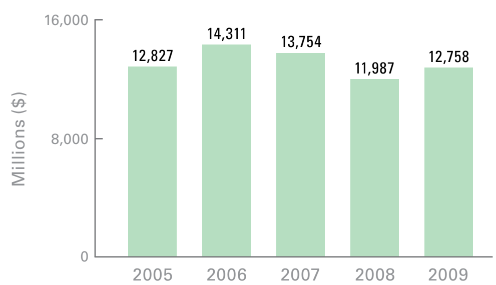
Revenue from Schedule 2 employers was $371 million in 2009, compared with $359 million in 2008, due to higher reimbursements of benefit costs from Schedule 2 employers as a result of higher claims duration and worker pension costs.

Premium revenue for years ended December 31:

($ millions)	2009	2008	Increase/(Decrease)	
Schedule 1 (collective liability)				
Premiums assessed	$2,224	$2,399	$(175)	(7.3)%
Experience rating net refunds	(37)	(144)	107	(74.3)
Interest, penalties, less bad debts	(25)	(10)	(15)	(150.0)
Schedule 1 current premiums	**2,162**	**2,245**	**(83)**	**(3.7)**
Schedule 2 (self-insurers) reimbursements	371	359	12	3.3
Premiums for the year	**2,533**	**2,604**	**(71)**	**(2.7)**
Premiums for the unfunded liability	1,007	962	45	4.7
Total premium revenue	**$3,540**	**$3,566**	**$(26)**	**(0.7)%**

Investment revenue

The WSIB's carrying value of investments[2]



[2] 2009 reflects WSIB's share of investment carrying value

The WSIB's investments are held in an Insurance Fund to meet future benefit payments to injured workers. They are diversified among three primary asset classes: Public fixed-income securities, public equities, and private real estate. The carrying value of the Insurance Fund and LRI Fund investments at December 31, 2009, was $12,758 million after transfers totalling $825 million to fund benefit payments to injured workers. This is an increase of $771 million from the $11,987 million carrying value at the end of 2008.

The WSIB's investment revenue in 2009 is $615 million plus $907 million in net unrealized gains, compared with an investment loss of $1,340 million in 2008 along with $959 million in net unrealized losses – a year-over-year increase of $1,955 million in investment revenue and an improvement of $1,866 million in unrealized gains.

In 2007, the WSIB's Board approved a five-year strategic investment plan designed to reduce the variability of investment fund returns while achieving the 7.0 per cent funding return target. At that time, fully 88.0 per cent of the fund's annual return variability came from its 65.0 per cent allocation to public equity investments. The plan is to reduce such variability of returns by diversifying the sources of return through increasing the allocation to real estate and by investing in infrastructure, private equities, and other alternative asset classes. The strategy will make more use of modern investment techniques, such as the short sale of securities and the use of derivative instruments to control risk and enhance returns. The Board will also employ enhanced oversight and monitoring processes commensurate with the added complexity of the new strategy.

In 2008, world economies fell into a sharp and deep recession. A volatile period of financial crisis in capital markets followed, characterized by the disruption in the normal functioning of credit markets. Governments around the world provided unprecedented fiscal and monetary stimulus packages, and central banks cut interest rates deeply. Central banks also took steps to restore liquidity to the financial system. The crisis continued through to the second quarter of 2009, when the economy showed some early signs of recovery.

By the end of 2009, a positive total investment return of 13.0 per cent was recorded, partially offsetting the negative 15.5 per cent overall return posted at the end of 2008. This positive performance was mainly due to strong global equities markets that began in March 2009 and continued through the end of the year, with a minor setback in October. The bounce-back in global stock markets in 2009 was driven by increased confidence that measures taken by policy-makers had stabilized the financial system. Technology, materials and consumer stocks were the strongest contributors to global performance in 2009.

The following table shows the total compounded annual returns for the Insurance Fund as at December 31 over one-, five-, 10- and 15-year periods:

Insurance fund total returns (in Canadian dollars)

	1 year	5 years	10 years	15 years
As of December 31, 2009	13.0%	4.0%	4.1%	7.6%
As of December 31, 2008	(15.5)%	3.2%	4.0%	6.6%

Equities and commodity markets ended strongly in 2009. However, recent debt events, along with the expected removal of economic stimulus by central banks, have given rise to uncertainty regarding the future global economic recovery.

On a regional basis, after a slow start to the fourth quarter, U.S. equities finished 2009 with gains posted in November and December. The full-year 7.0 per cent return (in C$) was lower than in other countries. Investor optimism was supported by positive economic indicators throughout the year; however, the U.S. housing market and employment recovery remain uncertain.

International equities were up by 13.0 per cent (in C$) for the year and emerging market equities returned positive 52.0 per cent (in C$) for the year on the strength in China, Turkey, Brazil, and Russia. These countries typically perform stronger when investors have a higher tolerance for risk.

Canadian equities (TSX) gained 35.0 per cent in the year, exceeding their best annual performance since 1979. Unlike world markets, the Canadian market was led by the strong returns of banking stocks (financials), technology (IT), and rising oil prices (energy). A downward correction from these high-return levels is a possibility. China's recent actions to moderate economic growth have resulted in downward pressure on resources stocks, which form a significant portion of the Canadian equities market.

Canadian bonds posted a positive return of 5.0 per cent for the year, largely on the strength of the corporate bond sector. Corporate bonds returned positive 16.0 per cent, compared with government bonds at 2.0 per cent for the year.

Inflationary concerns from the significant amounts of monetary and fiscal stimulus have lowered bond return expectations going forward as interest rate increases are expected, which will cause bond prices to fall.

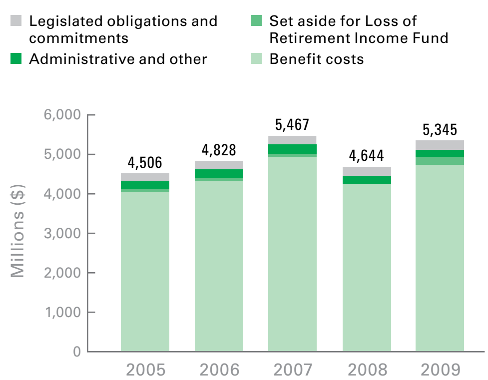
The Canadian real estate market ended the year in negative territory (-3.0 per cent) as downward market valuation adjustments offset positive yields from rents.

The Canadian dollar continued its upward trend in December, gaining against the US$, euro, pound, and yen. For the year, the C$ was up by more than 17.0 per cent versus the US$, and was generally higher versus the currencies of most developed counterparts, making it one of the best-performing currencies in the world. The WSIB's initiation of a hedging program in the first quarter of 2009 provided significant protection from the negative impact of the stronger dollar on global investments.

Looking forward, the economic outlook is cautiously optimistic. Uncertainty is a significant concern as central banks begin to remove fiscal stimulus. Labour market improvement will be a key success factor in the 2010 economic outlook. Longer term, financial regulatory reforms will be important in ensuring that the causes of the financial crisis are not repeated. During this uncertainty, diversification is the key for risk management, as each asset category has different risks and opportunities.

Expenses

Total benefit costs and other expenses

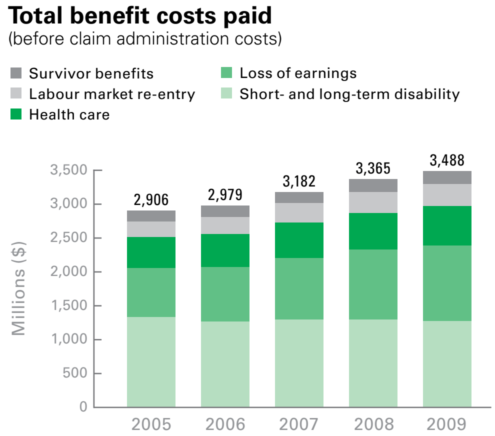


The WSIB's total expenses comprise benefit costs, amounts set aside for the Loss of Retirement Income Fund, administrative and other expenses, and legislated obligations and commitments. In 2009, total expenses were $5,345 million, an increase of $701 million from $4,644 million in 2008.

Benefit costs

Benefit costs consist of two components: Benefit costs paid, which represent the amount paid to injured and ill workers and survivors during the year; and the change in benefit liabilities, which is the adjustment to the actuarially-determined estimates for future claim costs for current- and prior-year claims. Benefit costs also include the related claim administration costs that were reclassified from administrative and other expenses. In accordance with the *Workplace Safety and Insurance Act*, the WSIB provides benefits for loss of earnings, non-economic loss benefits for permanent impairment, payments for health-care expenses, assistance to facilitate return to work, and survivor benefits in cases of work-related fatalities. Total benefits costs in 2009 were $4,736 million, compared with $4,258 million in 2008. Even though lost-time injury rates continued to fall, two key systemic issues affecting benefit costs are increases in claims duration – or the time injured workers are on benefits – and increases in serious injuries.

Benefit costs paid



In 2009, Loss-of-earnings (LOE) benefit costs were $1,116 million, compared with $1,031 million in 2008 – an increase of $85 m illion, or 8.2 per cent. This increase is mainly attributable to an additional year of claims included in LOE inventory and the indexation of claims, partially offset by lower volume of lost-time injuries in 2009. There was also an increase in the duration of LOE claims more than one year post-accident.

Health-care benefit costs also increased by $37 million, or 6.8 per cent, and reached $579 million in 2009, compared with $542 million in 2008. The increase can be attributed to higher usage of services coupled with the corresponding higher costs per service, partially offset by lower health-care claims volumes.

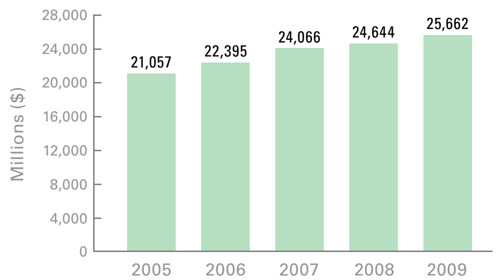
Labour market re-entry (LMR) costs increased by $25 million, or 8.1 per cent, over 2008, reaching $334 million in 2009, compared with $309 million in 2008. The increased LMR costs paid were due to higher income-support payments for injured workers participating in LMR programs resulting from a higher volume of claims and greater duration in LMR programs. In 2009, the WSIB did a value-for-money audit on its LMR programs. Using recommendations from this audit and research into international leading best practices, the WSIB formulated the Work Re-Integration Program, which is being implemented in 2010.

Going forward, an efficiency review initiative undertaken in 2009 with the purpose of reducing overall WSIB costs anticipates the realization of savings in certain health-care expenses. These savings are expected in 2010 and will originate from the implementation of cost ceilings on hearing aids and revised fees for MRI scans that became effective in the last quarter of 2009. A Drug Advisory Committee, comprising a panel of external experts, has been established to assist in how best to manage the WSIB’s drug benefit program. Also, the WSIB has developed a comprehensive strategy to enhance its case management of injured workers who have been prescribed narcotics (opioids) for non-cancer pain. This includes a proposed graduated approach to narcotic management through a new narcotic formulary that became effective in mid-February 2010.

The total cost of benefits paid was reduced by the decrease in year-over-year cost of legacy benefits, pension payments for workers injured prior to 1990, as well as wage-loss benefits for workers injured between 1990 and 1998. The decline of approximately $24 million in annual cost of these claims is attributed to the natural attrition in claims inventory due to mortality or, in the case of wage-loss benefits, reaching retirement age.

Change in benefit liabilities

Total liabilities



The WSIB's benefit liabilities are actuarially determined provisions for future benefit costs related to claims that occurred on or before December 31, 2009. As of December 31, 2009, the benefit liabilities were $23,250 million, a $910 million increase from the December 31, 2008, value of $22,340 million.

Benefit liabilities increased by $382 million due to legislative changes. $130 million of the increase was the result of reductions in federal and provincial personal income taxes, which increased the amount of net income benefits payable to injured workers. $134 million of the increase was the result of increasing the benefit indexation rate to 0.5 per cent for partially disabled injured workers under Bill 187. Finally, $118 million was the result of extending occupational disease coverage to volunteer firefighters under Bill 221, similar to the coverage already in effect for full-time firefighters.

Changes in actuarial assumptions resulted in a $343 million increase in benefit liabilities. Liabilities increased by $564 million, primarily due to an increase in the duration assumption for loss-of-earnings claims. This amount was offset by a decrease in liabilities of $221 million due to a reduction in the indexation rate for 2010 income benefits from 2.5 per cent to 0.4 per cent per annum, payable to fully disabled injured workers and to survivors.

The impact of legislated changes and changes to actuarial assumptions has not been reflected in current premium rates.

In addition, benefit liabilities increased by $185 million due to the growth of new claims outpacing the natural reductions of benefit liabilities and closures of older claims. The changes in claim inventories include the following increases:

- $370 million increase due to net growth in loss-of-earnings claims inventory;
- $107 million increase in health-care liabilities due to continued growth in inventory;
- $50 million increase due to net growth in survivor benefit claims inventory;
- $30 million net increase due to net growth in labour market re-entry and future claims administration costs.

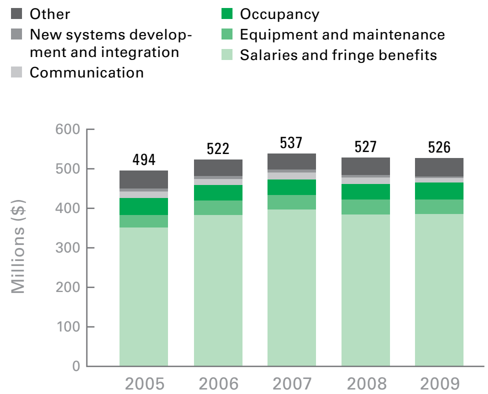
These were offset by the following decreases:

- $246 million decrease due to natural reductions and closures of worker pensions and supplemental payments to injured workers covered under pre-1990 legislation;
- $126 million decrease due to natural reductions and closures of future economic loss benefits, their supplemental payments, and temporary compensation benefits; and non-economic loss.

The overall increase in benefit liabilities of $910 million is $330 million higher than the 2008 increase of $580 million.

Administrative and other expenses

Administrative and other expenses



In 2009, administrative and other expenses were $526 million, compared to $527 million for 2008 – a decrease of $1 million. These expenses comprise the cost of adjudicating and administering claims and other administrative expenses. Other administrative expenses include the cost of prevention, financial services, human resources, and special projects. In the Consolidated Statement of Operations, claim administration costs are included in benefits, and other administrative expenses are reported separately. (See note 13 to the Consolidated Financial Statements.)

Total administrative and other expenses, before reclassification of claim administration costs to benefit costs, decreased by $1 million compared with 2008. Cost decreases were due to the following factors:

- Staff benefits expenses decreased by $13 million, or 18.8 per cent, compared with 2008. The decrease is mainly attributed to the increase in the market-based discount rate used to calculate expenses for the year from 5.75 per cent in 2008 to 7.0 per cent in 2009.
- Communication expenses decreased by $5 million, or 29.4 per cent, compared with 2008, mainly due to decreases in advertisement expenses. In 2008, initiatives to raise awareness about workplace health and safety included social marketing expenditures for ads on television, in transit shelters, and in movie theatres across the province. In 2009, the WSIB departed from the traditional advertising campaign blitzes to become more targeted with its marketing efforts.
- Other expenses decreased by $4 million, or 20.0 per cent, compared with 2008, mainly due to focused efforts to reduce discretionary expenditures for specialized services, conferences, and staff meetings.
- New systems development and integration expenses decreased by $2 million, or 33.3 per cent, compared with 2008. Project expenses were higher in 2008, mainly due to development of new case-management technology, and information-management and performance-measurement capabilities.

The decreases in administrative and other expenses were partially offset by the following increases:

- Salaries and fringe benefit expenses increased by $12 million, or 3.8 per cent, over 2008. This increase is attributed mainly to increases under collective agreement provisions.
- Occupancy expenses increased by $2 million, or 5.0 per cent, compared with 2008, mainly due to additional costs related to the Ottawa office relocation and movement of claim files from the Simcoe Place concourse in Toronto to offsite storage.
- Supplies and services expenses increased by $1 million, or 16.7 per cent, compared with 2008. This increase is mainly due to the rollout of Voice of the Customer service excellence initiatives.

The WSIB has kept controllable administrative costs down, but is still determined to improve in this area. In December 2008, the WSIB began conducting an efficiency review to look for ways to improve cost-effectiveness while still delivering the best service to injured workers and employers.

Internal savings and efficiencies have been found in a number of areas, and efforts to identify further efficiencies are continuing. Any new opportunities identified will inform the course of action in 2010, and of business planning for 2011 and beyond. The WSIB will continue to strive for business excellence by making sound decisions to improve its effectiveness and efficiency, and to strengthen its financial stewardship for the future.

Legislated obligations and commitments

The WSIB is required by legislation to fund the administration of various related organizations, such as the Health and Safety Associations, the Office of the Worker Adviser, the Office of the Employer Adviser, the Workplace Safety and Insurance Appeals Tribunal, and programs under the *Occupational Health and Safety Act*.

Total legislative obligations and commitments increased by $1 million in 2009 to $227 million. This increase is attributed mainly to a funding increase for Health and Safety Associations of $2.6 million to provide specialist health and safety expertise to Ontario workplaces, and to cover expenses related to realignment activities. The increase is partially offset by $1.1 million in reduced funding requirements for administration of the *Occupational Health and Safety Act*.

Enterprise risk management

Risk is present in all aspects of the operation of a complex organization such as the WSIB, making risk management a priority that is not only essential for our success but is also required as part of good governance and fulfilling our responsibilities to stakeholders through a diligent execution of our mandate. The WSIB defines risks as “events or conditions that may prevent the organization from achieving its strategic and key business objectives.” The WSIB’s risk-management approach is integrated, future-focused, and process-oriented to assist the WSIB in managing key business risks and opportunities, with the intent of maximizing value for the enterprise as a whole.

In recognition of the WSIB’s fiduciary responsibility to stakeholders, the organization has implemented an integrated Enterprise Risk Management Framework, including policies and procedures that formally identify, assess, manage, and report on risks. Enterprise Risk Management is a structured and disciplined approach aligning strategy, processes, people, technology, and knowledge, with the purpose of evaluating and managing the uncertainties the enterprise faces as it creates value. The WSIB’s objective is to limit exposure to undue risk. Risk-management plans are embedded into the WSIB’s strategic and business unit plans.

Risk planning is integrated into the annual business planning cycle. Risk planning involves discovery and assessment of risks, as well as ensuring that appropriate mitigating strategies are incorporated into the planning to increase the probability of success.

The WSIB’s risk-identification system has both the rigour and the flexibility to deal with constant changes in the environment in which the WSIB operates. Risk identification is a continuous process. Enterprise wide risks are reviewed and updated on at least an annual basis to reflect both the key risks that must be managed and the changes in the organization’s risk profile.

Accounting matters

Interim financial statements

In the interest of openness and transparency and in order to be responsible to our stakeholders in this volatile economic climate, the WSIB began releasing unaudited interim financial results on a quarterly basis beginning with the results of the fourth quarter of 2008. Interim financial reporting serves to supplement the annual report in conveying financial progress on a more regular and timely basis.

As well as producing more frequent updates on the financial results, interim statements help strengthen accountability and increase transparency and oversight of the WSIB's operations. In these uncertain times, clear communication of the WSIB's ability to continue to meet its financial obligations is particularly important.

Future changes in accounting policies

In the near future, the WSIB is planning to adopt a significant change to its accounting policies. The following paragraphs summarize the significant future changes to our financial reporting, as mandated by the Canadian Institute of Chartered Accountants (CICA).

International financial reporting standards (IFRS)

The Canadian Accounting Standards Board (AcSB) confirmed in February 2008 that International Financial Reporting Standards (IFRS) will replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on or after January 1, 2011. This decision will require financial statements for 2011 and 2010 comparative figures to be in accordance with IFRS. The AcSB concluded that not-for-profit organizations should be able to adopt IFRS or the *Public Sector Accounting Handbook* (PSAB), depending on the entity's assessment of which standards best meet its reporting obligations to its stakeholders.

The final decision to convert to IFRS or PSAB will depend on the assessment of the appropriateness of the reporting to the WSIB's business. In order to preserve the option of moving to IFRS, WSIB is engaged in a multi-stage process to permit transition by 2011 if required.

In 2009, the WSIB focused on its multiple-stage transition process, with significant progress being made in the solution-development phase. While IFRS is premised on a conceptual framework similar to GAAP, numerous differences exist. Many of the differences identified between IFRS and Canadian GAAP are not expected to have a material impact on the WSIB's unfunded liability, however, some IFRS areas, such as IFRS 4, are still under development and therefore, the complete impact on WSIB's financial statements is still unknown.

Areas with the most change include financial statement note disclosures, consolidations as IFRS casts a broader net that is likely to include more entities in the consolidated statements, and the selection of optional exemptions under IFRS Section 1: First-time Adoption of International Financial Reporting Standards. The most significant optional exemptions expected to be applied from full retrospective application of IFRS are deemed fair value of property and equipment, business combinations, employee benefits, and designation of financial instruments.

The WSIB continues to analyze the various choices available and will implement those determined to be most appropriate for its circumstances. The WSIB regularly shares information with other workers' compensation boards in Canada to identify common issues and solutions regarding IFRS.

Regular progress reports are provided to the Audit and Finance Committee of the WSIB's Board of Directors.

In 2010, the multi-stage transition process will continue with activities, including ongoing education and training, changes in accounting policy, the restatement of comparative periods, and implementation of solutions.

Outlook

The downturn in global economic markets continues to affect many organizations adversely, including the WSIB. Although the economy is beginning to stabilize, the longer-term economic outlook remains cautious. Improvements to the factors that affect the WSIB, such as the expansion of employment opportunities and growth in the insurable payrolls of business segments covered by the WSIB, tend to lag the reported economic recovery.

The changes recognized in 2009 for legislated changes and changes to actuarial assumptions, which caused the unfunded liability to increase by $725 million during the year, have not been reflected in current premium rates. The reduction in employment opportunities in 2009 has resulted in claims inventories not declining as quickly as previously anticipated. Without an increase to premium rates, this will result in upward pressure on the unfunded liability.

Reduction of the unfunded liability is one of the WSIB's main priorities, and the WSIB is constantly identifying new opportunities for cost efficiencies and savings in the system. The Ontario government and the WSIB under the leadership of its new CEO are developing a comprehensive action plan in response to the auditor general's 2009 report on the unfunded liability. At the beginning of 2010, the Ontario government announced a comprehensive review of the occupational health and safety prevention and enforcement system. The review will look at the entire system and ensure that all partners in the health and safety system are working collaboratively to achieve the best possible outcomes for the workers and employers of this province. Also, the WSIB has implemented a number of initiatives and strategies to address its unfunded liability, including a revised investment strategy, procurement and health-care cost initiatives, new approaches to case management, and measures to reduce administrative costs.

Managing the unfunded liability and ensuring a financially sound system is a complex task that requires a system wide approach. What is clear is that the WSIB needs to work co-operatively and collaboratively with all system partners to ensure a balanced system for generations to come. The WSIB chair completed a comprehensive, year long consultation with stakeholders across Ontario. This critical examination of programs and policies has provided valuable feedback. The dialogue with stakeholders will be continuing so that, together, we can ensure a sustainable financial future for Ontario's workers' compensation system.

Responsibility for financial reporting

The accompanying financial statements were prepared by management in accordance with Canadian generally accepted accounting principles, consistently applied, and include amounts based upon management's best estimates and judgments. Any financial information contained elsewhere in the Annual Report is consistent with these financial statements.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are properly accounted for and safeguarded from loss. The Board of Directors has established an Audit and Finance Committee to ensure that management fulfils these responsibilities. The Audit and Finance Committee meets periodically with management, internal auditors, and external auditors to ensure that their responsibilities are properly discharged with respect to financial statement presentation, disclosure, and recommendations on internal control.

The Internal Audit Division performs audits designed to test the adequacy and consistency of the Workplace Safety and Insurance Board's (WSIB's) internal controls, practices, and procedures.

Role of the actuary

With respect to the preparation of these financial statements, the actuary prepares a valuation, including the selection of appropriate assumptions, of the WSIB's benefit liabilities at the balance sheet date to determine the valuation of the benefit liabilities and provide an opinion to the Board of Directors regarding the appropriateness of the benefit liabilities recorded by management of the WSIB at the balance sheet date. The work to form that opinion includes an examination of the sufficiency and reliability of data, and review of the valuation processes. The actuary is responsible for assessing whether the assumptions and methods used for the valuation of the benefit liabilities are in accordance with accepted actuarial practice, applicable legislation, and associated regulations and directives. In performing the valuation of these liabilities, which are by their very nature inherently variable, the actuary makes assumptions as to future interest and mortality rates, expenses, related trends, and other contingencies, taking into consideration the circumstances of the WSIB. It is certain that the benefit liabilities will not develop exactly as projected and may, in fact, vary significantly from the projections. Further, the projections make no provision for future claim categories not sufficiently recognized in the claims experience and inventories. The actuary's report outlines the scope of the valuation and his opinion.

Role of the external auditors

The external auditors, KPMG LLP, working under the direction of the auditor general of Ontario, have performed an independent and objective audit of the financial statements of the WSIB in accordance with Canadian generally accepted auditing standards. In carrying out this audit, the external auditors make use of the work of the actuary and his report on the benefit liabilities of the WSIB. The external auditors have full and unrestricted access to the

WSIB's Board of Directors and its Audit and Finance Committee to discuss audit, financial reporting, and related findings. The external auditors' report outlines the scope of their audit and their opinion on the financial statements of the WSIB.

I. David Marshall
President and CEO

Anthea English
Chief Financial Officer

April 7, 2010

Auditors’ report

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

Pursuant to the *Workplace Safety and Insurance Act*, which provides that the accounts of the Workplace Safety and Insurance Board (“WSIB”) shall be audited by the auditor general of ontario or under his direction by an auditor appointed by the lieutenant governor in council for that purpose, we have audited the consolidated balance sheet of the WSIB as at December 31, 2009, and the consolidated statements of operations, changes in unfunded liability, comprehensive income (loss), and cash flows for the year then ended. These financial statements are the responsibility of the WSIB’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance regarding whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the WSIB as at December 31, 2009, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

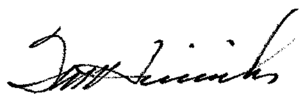
Chartered Accountants, Licensed Public Accountants
Toronto, Canada

April 7, 2010

Actuarial opinion

I have valued the benefit liabilities of the Workplace Safety and Insurance Board of Ontario for its consolidated balance sheet as of December 31, 2009, and its change in the consolidated statement of operations for the year then ended in accordance with actuarial practice generally accepted in Canada, including the selection of appropriate assumptions and methods.

In my opinion, the amount of benefit liabilities makes appropriate provision for all Schedule 1 Insurance Fund obligations, and the consolidated financial statements fairly present the results of the valuation.



W. Robert Hinrichs
Fellow, Canadian Institute of Actuaries

April 7, 2010

Consolidated financial statements

CONSOLIDATED BALANCE SHEET

as of December 31

($ millions)	2009	2008
Assets		
Cash and cash equivalents	$62	$141
Receivables	882	874
Investments (note 3)	14,388	11,987
Property, equipment, and other assets (note 7)	113	123
Intangible assets (note 8)	96	82
	$15,541	**$13,207**
Liabilities		
Payables and accruals	$754	$821
Long-term debt (note 9)	109	91
Loss of Retirement Income Fund (note 6)	1,054	890
Employee benefit plans (note 10)	495	502
Benefit liabilities (note 11)	23,250	22,340
	25,662	**24,644**
Employees' Pension Plan interest in pooled investments (note 3)	1,630	32
Unfunded liability (note 12)		
Accumulated excess of expenses over revenues	(13,106)	(11,917)
Accumulated other comprehensive income	1,355	448
	(11,751)	**(11,469)**
	$15,541	**$13,207**

Commitments and contingencies (note 15)

On behalf of the Board of Directors:

I. David Marshall
President and CEO

Anthea English
Chief Financial Officer

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS

For the years ended December 31

($ millions)	2009	2008
Gross revenue	**$4,227**	**$2,228**
Current operations		
Revenues		
Premiums for the year	$2,533	$2,604
Investments (note 3)	686	(1,340)
Other income	1	2
	3,220	**1,266**
Expenses		
Benefit costs (note 11)	4,736	4,258
Loss of Retirement Income Fund (note 6)	194	(54)
Administrative and other expenses (note 13)	188	214
Legislated obligations and commitments (note 14)	227	226
	5,345	**4,644**
Excess of expenses over revenues from current operations	**(2,125)**	**(3,378)**
Premiums for unfunded liability	1,007	962
Excess of expenses over revenues before Employees' Pension Plan interest in income from pooled investments	**(1,118)**	**(2,416)**
Employees' Pension Plan interest in income from pooled investments (note 3)	(71)	–
Excess of expenses over revenues	**$(1,189)**	**$(2,416)**

CONSOLIDATED STATEMENT OF CHANGES IN UNFUNDED LIABILITY

For the years ended December 31

($ millions)	2009	2008
Accumulated excess of expenses over revenues		
Balance at beginning of year	$(11,917)	$(9,501)
Excess of expenses over revenues	(1,189)	(2,416)
Balance at end of year	**(13,106)**	**(11,917)**
Accumulated other comprehensive income		
Balance at beginning of year	448	1,407
Unrealized gains (losses) on investments net of amounts realized	907	(959)
Balance at end of year	**1,355**	**448**
Unfunded liability at end of year	**$(11,751)**	**$(11,469)**

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the years ended December 31

($ millions)	2009	2008
Excess of expenses over revenues	**$(1,189)**	**$(2,416)**
Other comprehensive income (loss):		
Unrealized net gains (losses) on available-for-sale financial assets arising during the year	986	(2,558)
Realized losses included in income	45	1,599
Unrealized gains (losses) on investments	**1,031**	**(959)**
Employees' Pension Plan interest in income from pooled investments	(124)	–
Unrealized gains (losses) on investments after Employees' Pension Plan interest in income from pooled investments	**907**	**(959)**
Comprehensive loss	**$(282)**	**$(3,375)**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31

($ millions)	2009	2008
Operating cash flows		
Cash received from:		
Premiums for the year	$2,500	$2,655
Premiums for unfunded liability	992	980
Investment income	474	484
	3,966	4,119
Cash paid to:		
Claimants, survivors, and care providers	(3,482)	(3,362)
Loss of Retirement Income Fund	(75)	(75)
Employees and suppliers of administrative goods and services	(584)	(511)
Legislated obligations and commitments	(226)	(245)
	(4,367)	(4,193)
Net cash required by operating activities	**(401)**	**(74)**
Investing cash flows		
Sale of investments	24,130	19,875
Purchase of investments	(23,765)	(19,878)
Acquisitions	(38)	–
Net cash provided (required) by investing activities	**327**	**(3)**
Financing cash flows		
Mortgages	(3)	31
Obligation under capital leases	(2)	(2)
Net cash provided (required) by financing activities	**(5)**	**29**
Decrease in cash and cash equivalents	**(79)**	**(48)**
Cash and cash equivalents, beginning of year	141	189
Cash and cash equivalents, end of year	**$62**	**$141**

The accompanying notes form an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

December 31, 2009

1. Nature of operations

The Workplace Safety and Insurance Board (WSIB) is a statutory corporation created by an act of the Ontario legislature in 1914. The WSIB is responsible for administering the *Workplace Safety and Insurance Act, 1997*. The WSIB promotes the prevention of injuries and illnesses in Ontario workplaces and provides insurance benefits to workers who sustain injuries in the course of employment or contract occupational diseases. The WSIB also provides insurance benefits in the cases of workers who die due to workplace injuries or illnesses to their survivors and assists injured workers in their early and safe return to work.

Employers covered by the *Workplace Safety and Insurance Act, 1997*, are divided into two groups, referred to as “Schedule 1” and “Schedule 2.” Schedule 1 employers are insured under a “collective liability” system and are required to contribute to the WSIB Insurance Fund. Schedule 2 employers are “self-insured” and are individually liable for the full costs of their workers’ claims. The WSIB pays insurance benefits for Schedule 2 workers and is reimbursed by their employers for the costs of the claims, including administrative costs, and for the cost of the WSIB’s prevention activities.

The WSIB also administers the federal *Government Employees Compensation Act*. Under an agreement with Human Resources Development Canada, the federal government is treated like a Schedule 2 employer.

Revenue is raised through premiums, which are collected from all Schedule 1 employers covered under the *Workplace Safety and Insurance Act, 1997*. Revenue is also earned from a diversified investment portfolio held to meet future obligations on existing claims. Schedule 2 reimbursements also contribute to the WSIB’s revenue.

The WSIB receives no government funding or assistance. The financial statements have been prepared on a “going concern” basis, as management has plans to eliminate the unfunded liability over the course of several years.

2. Significant accounting policies

The consolidated financial statements include the Schedule 1 and Schedule 2 accounts of the WSIB and its subsidiaries. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates.

The significant accounting policies are summarized as follows:

Basis of consolidation

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

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

Cash and cash equivalents

Cash and cash equivalents consist of cash and money-market instruments with original maturities up to three months.

Receivables

Receivables consist of premiums receivable from stakeholders. The balance is shown net of an allowance for doubtful accounts of $154 million (2008: $213 million).

Investments

Investments in short-term securities, bonds, and equities are classified as either held-for-trading or available-for-sale based on management's intention. Investment transactions are recorded on a "trade date" basis. The WSIB has designated all of its investments as available-for-sale except for derivatives.

Available-for-sale securities include securities that may be sold in response to or in anticipation of changes in interest rates, changes in foreign-currency risk, changes in funding sources, or to meet liquidity needs. Available-for-sale securities are carried at estimated fair value. Realized gains and losses are recognized as investment income in the year in which they occur. Unrealized gains and losses on available-for-sale securities are recognized in other comprehensive income until they are realized.

Available-for-sale securities are assessed regularly to determine whether an unrealized loss is an other-than-temporary impairment. Writedowns to reflect other-than-temporary impairment are included in investment income and removed from accumulated other comprehensive income.

Held-for-trading securities, which are purchased for sale in the near term, are reported at estimated fair value. Realized and unrealized gains and losses are recognized as investment income as they arise.

Transaction costs are capitalized for all financial instruments designated as available-for-sale. For derivative financial instruments designated as held-for-trading, transactions costs are expensed as incurred. The WSIB is party to forward foreign-exchange contracts that are designated as held-for-trading and are carried at fair value. Changes in the fair value of these forward foreign-exchange contracts are recognized in income in the period in which they arise.

Investment asset pooling

On January 1, 2009, the WSIB and the WSIB's Employees' Pension Plan pooled all equity, bond and real estate investments held in the WSIB's Insurance Fund, the Loss of Retirement Income Fund and the WSIB's pension funds (the "funds") into four separate pooled funds. These pools were established to hold the public equities, fixed income, real estates and other investment assets, respectively. The public equities, fixed income, and other asset pools were established as trusts. The real estate pool was established as a real estate holding company.

The fair value of pension plan assets initially transferred into the pool was $1,412 million.

On the date of transfer, the WSIB owned 89 per cent of the public equities pool, 89 per cent of the fixed-income pool, 93 per cent of the real estate pool, and 100 per cent of the other asset pool. The trusts agreements provide the WSIB with exclusive power and control over the trusts. Due to the WSIB's substantial ownership and control, the WSIB consolidates all four funds.

The Employees' Pension Plan's share of investment assets is in the range of 10 to 11 per cent of each pooled trust and seven per cent of the real estate holding company. These amounts are reflected as the Employees' Pension Plan interest in pooled investments in the financial statements.

Real estate investments subject to significant influence

Significant influence is presumed when ownership in real estate entities is equal to or greater than 20 per cent. Investments in these entities are initially recorded at cost. Prior to January 1, 2004, the carrying value of these investments included move-to-market adjustments recorded to the end of 2003. These adjustments amortized any market value changes in these investments over a five-year period.

From January 1, 2004, the carrying value of these investments is adjusted to reflect the equity pickup of earnings after a deduction for amortization of the building, less any dividends paid or payable. Amortization is taken over the estimated useful life of 40 years on a straight-line basis.

Fair value of financial instruments

The fair values of investments are the year-end quoted prices where available. Where quoted prices are not available, estimated fair values are calculated based upon the yields and values of comparable marketable securities.

The real estate investments over which the WSIB does not have significant influence are stated at fair value based on market appraisals provided by independent third parties. Appraisals are based on accepted valuation methodologies of the Canadian Uniform Standards of Professional Appraisal Practice. These methodologies use a combination of techniques, such as discounted cash flows, direct capitalization, and direct comparison, that incorporate observable market inputs.

The cost of short-term securities, treasury bills, and term deposits maturing within a year, plus accrued interest income, approximates the fair value of these instruments.

The carrying value of receivables and payables approximates their fair value because of the short-term nature of these instruments.

Pooled fund investments are valued at the unit values supplied by the pooled fund administrator. These values represent the WSIB's proportionate share of underlying net assets at fair value.

Derivative instruments

The WSIB holds currency forward contracts that are classified as held-for-trading and reported at fair value, with changes in fair value included in income through the statement of operations.

Derivative instruments are financial instruments that derive their value from that of other financial instruments, economic or financial indicators, including but not limited to derivatives of equities, fixed-income or currency-related investments, futures and /or forward contracts, swaps, option, warrants, rights, or other similar instruments. The WSIB may use derivative instruments as an additional source of return, for economic hedging strategies to manage investment risk, to improve liquidity, or to manage exposure to asset classes or strategies, including but not limited to rebalancing.

Impairment review

Available-for-sale securities are reviewed annually to identify and evaluate investments that show indications of possible impairment. An investment is considered impaired if its unrealized losses represent impairment that is considered to be other-than-temporary. In determining whether a loss is temporary, factors considered include the extent of the unrealized loss, length of time that the security has been in an unrealized loss position, and the WSIB's ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery. If a decline is considered other-than-temporary, a writedown is recorded.

Foreign-currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing on the balance sheet date. Revenues and expenses are translated at exchange rates in effect on the transaction date. Realized exchange gains and losses are included in income. Unrealized exchange gains and losses for available-for-sale securities are included in other comprehensive income. Unrealized exchange gains and losses for held-for-trading securities are included in income.

Property, equipment, and other assets

Property, equipment, and other assets are recorded at cost. The cost of buildings includes development, financing, and other costs capitalized prior to the day they become fully operational. At that time, amortization commences. Capital assets are amortized using the straight-line method, at rates calculated to expense the cost of assets over their estimated useful lives, which are 20 years for buildings, five years for office equipment, three years for computer equipment, and the lesser of the lease term or 10 years for leasehold improvements.

Premiums

Each year, the Board of Directors approves preliminary and final premium rates. The preliminary rates are recalibrated annually with current economic and actuarial assumptions and are used to solicit feedback from stakeholders in the development of the final premium rates. Premium rates are established to cover all expected claims and operating costs for the upcoming injury year. To stabilize premium rates, there are rules in place to govern the amount of increase and to moderate any excessive changes from year to year. Premium rates include a component that is applied to reduce the unfunded liability. The WSIB may also levy a special premium when it is considered appropriate. In advance of the year, Schedule 1 employers are notified of their final premium rates to be paid for the upcoming injury year. Premium revenue is determined by applying premium rates to Schedule 1 employers' insurable payrolls.

Schedule 2 employers are individually liable to pay all insurance benefits and administration costs with respect to their workers' claims. Reimbursements for claims paid and the cost of administration are included in their premium assessment.

The Schedule 1 premiums are net of bad debts. An allowance for doubtful accounts is recorded in the Consolidated Balance Sheet and is maintained at a level that is adequate to absorb losses on premiums for Schedule 1 employers. The allowance comprises specific allowances and an additional allowance that covers any impairment in the employer premiums that, based on experience, will not be collectable.

Benefit liabilities

Benefit liabilities are determined annually through an actuarial valuation, which estimates the present value of future payments for loss of earnings, labour market re-entry, short- and long-term disability, health care, survivor benefits, retirement income benefits, and claim administration costs. These liabilities represent a provision for future benefit payments and the future cost of administering claims incurred on or before December 31. The provision has been determined by estimating future benefit payments in accordance with the adjudication practices in effect at December 31 and relevant legislation.

The benefit liabilities do not include any provision for payment of Schedule 2 claims. The costs of these claims are not considered the WSIB liabilities because they are a liability of Schedule 2 employers.

Benefit liabilities do not include any provision for future claims relating to occupational diseases, or for injuries and illnesses that are not currently considered to be work-related.

Pension and other benefit plans

The WSIB offers a number of benefit plans, which provide pension and other post-retirement benefits to eligible staff. These plans include a statutory pension plan, a supplemental pension plan, and other post retirement benefits plans including health, dental- and life insurance.

The WSIB funds its statutory pension and post-retirement benefit plans annually based on actuarially determined amounts required to satisfy employee benefit entitlements under current pension regulations and benefit plan policies. These pension plans provide benefits based on years of service and average earnings at retirement.

Actuarial valuations are performed annually to determine the present value of the accrued pension benefits, based on projections of the employees' compensation levels to the time of retirement. Investments held by the pension funds primarily comprise equity securities, bonds, and debentures. Pension fund assets are valued at fair value.

Pension benefit expense, which is included in staff benefit plans within administrative and other expenses (note 13), consists of the cost of employee pension benefits for the current year's service, interest cost on the liability, expected investment return on the market-related value of plan assets, and the amortization of unrecognized past service costs, unrecognized net actuarial gains or losses, and unrecognized transition asset or obligation. Amortization is charged over the expected average remaining service period of active employees covered by the plan.

The cumulative excess of pension fund contributions over the amount recorded as expenses is reported as accrued benefit liability in note 10, and as employee benefit plans in the Consolidated Balance Sheet. The cumulative excess of pension benefit expense over pension fund contributions is reported in the employee benefit plans' liabilities. Liabilities for other post-retirement benefits are also reported in the employee benefit plans' liabilities.

The full amount of the gain or loss from the change in obligation for workplace accident benefits is recognized in the year the gain or loss occurs and is included in other benefit plans (note 10).

Other defined-contribution plan costs are recognized in income for services rendered by employees during the year.

Significant accounting changes

Intangible assets

On January 1, 2009, the WSIB adopted new *CICA Handbook* Section 3064: Goodwill and Intangible Assets. Section 3064 provides guidance for the recognition, measurement, presentation, and disclosure of intangible assets, including internally developed intangible assets.

As a result of the adoption of the new requirement, certain software totalling a net book value of $82 million was reclassified from property, equipment, and other assets to intangible assets.

Business combinations

On January 1, 2009, the WSIB adopted new *CICA Handbook* Section 1582. Section 1582 provides guidance for the accounting and disclosure requirements for a business combination.

Investment in businesses in which the WSIB's ownership is more than 50 per cent is accounted for as business combination. The purchase price is allocated to all identifiable tangible and intangible assets and liabilities in proportion to their fair values on the purchase date.

Any non-controlling interest in the subsidiary is recorded on the date of acquisition. Acquisition cost is expensed when incurred.

Financial instruments disclosures

The WSIB adopted the amendments to *CICA Handbook* Section 3862: Financial Instruments – Disclosures, effective January 1, 2009. Section 3862 establishes a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the fund's investments. The hierarchy of inputs is summarized below:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs used are observable inputs other than Level 1 quoted prices, such as prices in an active market for similar assets or liabilities or where observable inputs are used for valuation of an asset or liability (Level 2);
- inputs used for the valuation of an asset or liability that are not based on observable market data (Level 3).

Changes in valuation methods may result in transfers into or out of an investment's assigned level.

Future changes in accounting policies – International Financial Reporting Standards (IFRS)

In 2011 the accounting framework under which financial statements in Canada are prepared for all publicly accountable enterprises (PAE) will change to IFRS. Generally accepted accounting principles (GAAP) will cease to apply for PAEs and will be replaced by IFRS. The Canadian Accounting Standards Board concluded that not-for-profit organizations should be able to adopt IFRS or the Public Sector Accounting Handbook (PSAB), depending on the entity's assessment of which standards best meet its reporting obligations to its stakeholders.

The final decision to convert to IFRS or PSAB will depend on the assessment of the appropriateness of the reporting to the WSIB's business. In order to preserve the option of moving to IFRS, the WSIB is engaged in a multi-stage process to permit transition by 2011 if required.

3. Investments and investment revenue

Investments by category are as follows:

($ millions)	2009							2008
	Amortized cost	Carrying value adjustments	Unrealized** Gains	Unrealized** Losses	Carrying value	EPP*	WSIB	WSIB
Held-for-trading:								
Foreign-exchange contracts								
Domestic	$30	$2,964	$ –	$ –	$2,994	$346	$2,648	$(22)
Foreign – U.S.	–	(1,947)	–	–	(1,947)	(226)	(1,721)	(104)
– Global	–	(969)	–	–	(969)	(111)	(858)	112
Total held-for-trading	**30**	**48**	**–**	**–**	**78**	**9**	**69**	**(14)**
Available-for-sale:								
Fixed-income securities								
Bonds	4,809	–	171	(18)	4,962	560	4,402	4,312
Equity securities								
Domestic	1,727	3	516	–	2,246	258	1,988	1,956
Foreign – U.S.	3,333	3	325	–	3,661	423	3,238	2,685
– Global	2,337	15	280	–	2,632	303	2,329	2,340
Real estate***	169	32	138	(27)	312	49	263	268
	7,566	53	1,259	(27)	8,851	1,033	7,818	7,249
Total available-for-sale	**12,375**	**53**	**1,430**	**(45)**	**13,813**	**1,593**	**12,220**	**11,561**
Real estate entities subject to significant influence	437	–	–	–	437	28	409	381
Loss of Retirement Income Fund annuities	60	–	–	–	60	–	60	59
Total investments	**$12,902**	**$101**	**$1,430**	**$(45)**	**$14,388**	**$1,630**	**$12,758**	**$11,987**

*Employees' Pension Plan interest in pooled investments
**Unrealized gains (losses) include a gain of $30 million from Employees' Pension Plan
***Participating debentures in real estate

Included in the above is accrued income of $55 million (2008: $55 million).

Foreign currency

The gross notional amounts in foreign-exchange contracts are the contractual amounts on which payments are made. The net notional value is the sum of all the long (or the short) positions in the portfolio and it reflects the aggregate positions of the portfolio. These notional amounts have been converted into Canadian dollars at the contractual exchange rates in effect at the inception of the contracts.

At December 31, 2009, the gross notional value of outstanding foreign-currency contracts was $3,852 million (2008: $1,336 million). Outstanding contracts in a favourable position had a fair value of $57 million (2008: $62 million) and those in an unfavourable position had a fair value of negative $9 million (2008: negative $76 million). Unrealized gains on foreign-exchange contracts of $48 million (2008: loss of $14 million) were included in investment income.

The net notional value of foreign-exchange contracts as of December 31, 2009, was $3,056 million (2008: $222 million).

The fair value of the investment portfolio includes $3,377 million (2008: $5,033 million) of securities denominated in foreign currency. The major holdings are as follows: 51 per cent (2008: 51 per cent) in U.S. dollars, 11 per cent (2008: 16 per cent) in euros, 8 per cent (2008: 2 per cent) in Swiss francs, 7 per cent (2008: 11 per cent) in British pounds sterling, 5 per cent (2008: 12 per cent) in Japanese yen, and 18 per cent (2008: 8 per cent) in other currencies.

Bonds by term to maturity as of December 31:

($ millions)	2009					2008
	Term to contractual maturity (years)					
	Up to 1	1 – 5	5 – 10	Over 10	Total	Total
Government bonds						
Fair value	$ –	$1,891	$689	$946	$3,526	$2,980
Yield %*	–	2.2	3.7	4.7	3.1	2.9
Corporate bonds						
Fair value	$8	$604	$377	$447	$1,436	$1,332
Yield %*	0.6	2.9	4.5	5.7	4.1	5.5
Total fair value	**$8**	**$2,495**	**$1,066**	**$1,393**	**$4,962**	**$4,312**
Yield %*	**0.6**	**2.3**	**4.0**	**5.0**	**3.4**	**3.7**

* The average yield reflects the yield to maturity, which is the discount rate that makes the present value of future cash flows for each bond equal to its fair value as of December 31

Revenue by category of investment is as follows:

($ millions)	2009	2008
Held-for-trading		
Foreign-exchange contracts	$321	$(18)
Available-for-sale		
Bonds	272	230
Amortization	(21)	(14)
Equities	122	(1,547)
Real estate*	27	24
	400	(1,307)
Real estate entities subject to significant influence	(4)	14
Short-term securities	1	5
	718	(1,306)
Investment expenses	(32)	(34)
Net investment revenue	**686**	**(1,340)**
Employees' Pension Plan interest in income from pooled investments	(71)	–
	$615	**$(1,340)**

* Participating debentures in real estate

Revenue from bonds includes $44 million (2008: $21 million) of net realized gains. Revenue from equities includes $90 million (2008: $1,633 million) of realized losses. Real estate includes $1 million (2008: $13 million) of net realized gains. Revenue from foreign-exchange contracts includes $257 million of net realized gains (2008: $15 million of net realized losses).

During 2009, $655 million (2008: $1,007 million) was assessed as an other-than-temporary impairment and recognized as a reduction in investment income. These assets comprised equity securities that had significant prolonged market losses, which the WSIB determined were other-than-temporary. The remaining unrealized losses on available-for-sale securities of $45 million (2008: $337 million) are not considered to be other-than-temporarily impaired as at December 31, 2009, and remain in accumulated other comprehensive income. These losses were not considered other-than-temporary as their amounts were either insignificant and/or short-term in nature and are securities that the WSIB has the intent and ability to hold to recover the temporary loss.

Securities lending

The WSIB earns additional income by participating in a securities lending program. Securities it owns are loaned to others for a fee and are secured by high-quality collateral. The fair value of the collateral always exceeds the fair value of the securities loaned, and the collateral is marked-to-market daily. The program is managed by a Canadian financial institution.

At December 31, 2009, the fair value of securities on loan was $1,243 million (2008: $1,005 million). The collateral held with respect to these securities was $1,310 million (2008: $1,080 million).

4. Fair value measurements disclosures

The following is a summary of the inputs used as of December 31, 2009, in valuing the WSIB's investments and derivatives carried at fair value:

($ millions)	Value using quoted prices (Level 1)	Value using observable inputs (Level 2)	Value using non-observable inputs (Level 3)	Total
Held-for-trading				
Foreign-exchange contracts	$ –	$78	$ –	$78
Available-for-sale				
Bonds	–	4,958	4	4,962
Equities	7,598	836	105	8,539
Real estate*	–	14	298	312
Other				
Loss of Retirement Income Fund annuities	–	60	–	60
Total	**$7,598**	**$5,946**	**$407**	**$13,951**

* Participating debentures in real estate

For the period ended December 31, 2009, there were no significant transfers between Level 1 and Level 2.

During the period ended December 31, 2009, the reconciliation of investments measured at fair value using non-observable inputs (Level 3) is presented as follows:

($ millions)	Held-for-trading	Available-for-sale	Total
Balances at beginning of year	$ –	$264	$264
Net purchases, sales, issuances, and settlements	–	146	146
Realized gains recorded in net income	–	11	11
Unrealized losses recorded in other comprehensive income	–	(14)	(14)
Balances at end of year	**$ –**	**$407**	**$407**

The total unrealized loss for the period ended December 31, 2009, included in comprehensive income that is still held as of year-end is $14 million.

5. Financial instruments risk management

The WSIB is responsible for investing the funds of the Insurance Fund and the Loss of Retirement Income Fund. These responsibilities are carried out through strategic and other investment policies that govern how the funds are to be invested and how the investment performance and compliance of the funds are to be monitored and evaluated. A statement of investment policies and procedures (SIPP) is reviewed and presented to the Board of Directors for approval. Review is undertaken of the WSIB's benefit liabilities and capital market assumptions to ascertain that the policy asset mix and other provisions of the SIPP remain relevant to the prevailing and forecasted nature of the benefit liabilities. The policy asset mix mitigates but does not eliminate short-term risk through diversification across asset strategies and strikes a compromise between achieving the long-term return objective and enduring short-term variability.

Although neither the Insurance Fund nor the Loss of Retirement Income Fund is a registered pension fund, legislation requires the funds available for investment be invested in those investments that are authorized under the Ontario *Pension Benefits Act*. The act further requires that the funds be invested in the same manner as is authorized for those pension funds – namely, with the care, diligence, and skill that a person of ordinary prudence would exercise in dealing with the property of another person and using all relevant knowledge and skill that the person may possess.

Risk is inherent in the generating of investment returns in excess of the risk-free rate (i.e., three-month Government of Canada treasury bills) and in each element of the investment decision-making process; hence, risk measurement and risk management are integral to the asset-management program.

The primary risk is that investment returns, taken together with a reasonable and sustainable level of contributions, are insufficient to meet the long-term obligations for which the fund is established. This risk would be manifest in the failure to achieve a return of at least the actuarial discount rate of 7.0 per cent over a long-term horizon of rolling 15-year periods.

The significant risks related to financial instruments are credit risk, liquidity risk, and market risk (currency, interest rate, and price). The following sections describe how the WSIB manages each of these financial instrument risks:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk also includes concentration risk. The WSIB mitigates these portfolio credit risks through comprehensive due diligence and diversification.

i) Asset quality

Asset quality is an assessment of the financial liquidity of the investment and of the ability of the issuer to meet current and future contractual obligations. The WSIB's fixed-income investments consist primarily of high-quality, investment-grade debt instruments. An investment-grade bond is one that is rated BBB and above.

The following table highlights the bond ratings for fixed-income securities as of December 31, 2009:

($ millions)	2009				2008	
Bond rating	**Fair value total**	**EPP***	**WSIB**	**%**	**WSIB**	**%**
AAA	$1,852	$209	$1,643	37.3	$2,122	49.2
AA	1,591	180	1,411	32.1	1,050	24.4
A	1,251	141	1,110	25.2	889	20.6
BBB	268	30	238	5.4	251	5.8
Total	**$4,962**	**$560**	**$4,402**	**100**	**$4,312**	**100**

* Employees' Pension Plan interest in pooled investments

The WSIB manages counterparty risk through a due diligence process by selecting multiple highly rated counterparties and by setting counterparty exposure limits. In addition, the WSIB requires its active currency managers to use a continuous-linked settlement service to mitigate settlement risk and an international foreign-exchange master agreement to mitigate risk of default at any time. The WSIB monitors its exposure on an ongoing basis.

The WSIB manages counterparty risk relating to its security lending program by establishing a pre-approved qualified borrower list and through exposure limits. In addition, the WSIB mitigates counterparty risk by requiring daily marking-to-market to maintain full collateralization with additional margin for safety. Loans are secured by high-quality collateral comprised primarily of government bonds (99 per cent) and major bank short-term notes (1 per cent).

The WSIB pays insurance benefits for Schedule 2 workers and is then reimbursed by their employers for the related costs. The WSIB holds collateral in the form of letters of credit in the amount of $294 million (2008: 286 million) as of December 31, 2009, to mitigate any risk related to self-insurers' outstanding reimbursements. These letters of credit are issued by highly rated Canadian financial institutions and can be drawn upon on demand.

ii) Concentration risk

Concentration risk arises from the exposure of investments in one particular issuer, a group of issuers, a geographical region, or a sector. These groups share similar characteristics, such as type of industry, regulatory compliance, and economic and political conditions, which may impact the issuers' ability to meet contractual commitments. The WSIB manages these risks through limits on exposure to regions and sectors and through limits on underlying securities. As such, not more than 5 per cent of the market value of the Insurance Fund is invested in the securities of a single non-government issuer.

The WSIB's fixed-income investments are derived from indexed portfolios and none of the non-government index constituents is more than 3 per cent of the index.

The following table highlights the fair value of fixed-income securities by sector as of December 31, 2009:

($ millions)	2009				2008	
	Fair value total	EPP*	WSIB	%	WSIB	%
Fixed-income sector						
Asset-backed securities	$60	$7	$53	1.2	$91	2.1
Communications and publishing	51	6	45	1.0	29	0.7
Consumer products and merchandising	31	3	28	0.7	36	0.8
Federal government and agency	1,443	163	1,280	29.1	1,780	41.3
Financial services	770	87	683	15.5	733	17.0
Industrial products	3	–	3	0.1	3	0.1
Natural resources	21	2	19	0.4	36	0.8
Other corporate	184	21	163	3.7	223	5.2
Provincials and municipal	2,093	236	1,857	42.2	1,114	25.8
Real estate	26	3	23	0.5	14	0.3
Utilities and telecommunications	280	32	248	5.6	253	5.9
Total	**$4,962**	**$560**	**$4,402**	**100**	**$4,312**	**100**

* Employees' Pension Plan interest in pooled investments

Liquidity risk

Liquidity risk, or funding risk, is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity risk to the WSIB is the risk that it will not be able to fund all cash outflow commitments as they fall due. The WSIB mitigates this risk by investing 91.4 per cent of its insurance assets in readily marketable, publicly traded equities and fixed-income securities. The remaining insurance assets are invested in quality real estate investments (5.4 per cent) in commercial properties in major markets that provide steady cash flows and in hedge funds (3.2 per cent).

The following outlines the carrying values of financial assets by contractual maturity or expected cash flow:

($ millions)	2009								2008
	1 yr	2 – 5 yrs	6 – 10 yrs	>10 yrs	No fixed maturity	Total	EPP*	WSIB	WSIB
Assets:									
Cash and cash equivalents	$62	$ –	$ –	$ –	$ –	$62	$ –	$62	$141
Receivables	882	–	–	–	–	882	–	882	874
Foreign-exchange contracts	78	–	–	–	–	78	9	69	(14)
Bonds	48	2,468	1,061	1,385	–	4,962	560	4,402	4,312
Equities	109	–	–	–	8,430	8,539	984	7,555	6,982
Real estate	–	–	–	–	749	749	77	672	648
Loss of Retirement Income Fund annuities	–	–	–	–	60	60	–	60	59
Total	**$1,179**	**$2,468**	**$1,061**	**$1,385**	**$9,239**	**$15,332**	**$1,630**	**$13,702**	**$13,002**

* Employees' Pension Plan interest in pooled investments

Market risk

There are three types of market risk: Currency risk, interest rate risk, and price risk. Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign-exchange rates. Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in market interest rates. Price risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices.

i) Foreign currency risk

Foreign-currency risk is the risk of loss due to adverse movements in foreign-currency rates as compared to the Canadian dollar. The WSIB uses foreign-exchange contracts as an additional source of investment return, for economic hedging strategies to manage investment risk, to improve liquidity, or to manage exposure to asset classes or strategies. Foreign-exchange contracts are agreements to exchange an amount of one currency for another at a future date and at a set price, agreed upon at the contract's inception. The fair value of these financial instruments would change in response to changes in the underlying variables affecting the contracts, such as changes in the foreign-exchange rates of the currencies involved in the contracts.

Below is a sensitivity analysis of the effect of a fluctuation in the Canadian dollar of +/-1 per cent against the five major currencies that represents 82 per

cent (2008: 92 per cent) of the WSIB's equities portfolio's foreign-currency exposure (actual market fluctuations could differ significantly from the sensitivity analysis presented):

($ millions)

Currency	WSIB	EPP*	Total fair value exposure	+/-1%
U.S. dollar	$1,516	$197	$1,713	$17
Euro	341	45	386	4
Swiss franc	235	30	265	3
British pound sterling	211	27	238	2
Japanese yen	152	20	172	2
Total	**$2,455**	**$319**	**$2,774**	**$28**

* Employees' Pension Plan interest in pooled investments

ii) Interest rate risk

Interest rate risk is the potential for financial loss arising from changes in interest rates.

The WSIB reviews interest rate risk through periodic asset liability analyses, which assess the impact of different interest rate scenarios on asset and liabilities of the Insurance Fund over a period of time. Interest rate risk is mitigated primarily through asset allocation, which aims to cover interest rate risk over the long term.

The WSIB uses option-adjusted modified duration to measure the sensitivity of the price of a fixed-income instrument to a change in interest rates. A parallel shift in the yield curve of +/-1 per cent would result in an impact on the fair value of the bond portfolio of approximately $290 million, with all other variables held constant. In practice, actual results may differ materially from this sensitivity analysis. This information is based on the assumption that the securities in the WSIB's portfolio are not impaired; interest rates and equities prices move independently; and credit and liquidity risks have not been considered. Available-for-sale securities in an unrealized loss position, as reflected in other comprehensive income, may at some point in the future be realized either through a sale or an other-than-temporary impairment.

iii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or by factors affecting all instruments traded in the market.

The WSIB mitigates price risk by the diversification of its investment portfolios. Also, the SIPP outlines the policy mix requirements to manage the price risk. As well, the funds are actively managed. A balanced allocation of risk across a broad set of return sources is appropriate to meet the return objectives of the funds. The assets of the funds are diversified by combining different sources of return across and within asset classes and investment strategies.

The estimated effect on net assets due to a reasonable change in market indices, holding all other factors constant, would be as follows (actual market fluctuations could differ significantly from the sensitivity analysis presented):

($ millions)				
Market indices	**WSIB**	**EPP***	**Total fair value exposure**	**Effect on net assets**
S&P / TSX	$2,003	$260	$2,263	$226
S&P 500 Index	2,890	378	3,268	327
MSCI EAFE	2,662	346	3,008	301
Total	**$7,555**	**$984**	**$8,539**	**$854**

* Employees' Pension Plan interest in pooled investments

6. Loss of Retirement Income Fund

The carrying value of the Loss of Retirement Income investments as of December 31 is as follows:

($ millions)	**2009**	**2008**
Cash and cash equivalents	$12	$11
Bonds	385	373
Equities	597	447
Investment fund	**994**	**831**
Annuities	60	59
	$1,054	**$890**

The WSIB has purchased annuities from various annuity providers to administer the settlement of Loss of Retirement Income benefits to eligible claimants. The related financial assets and corresponding liabilities are carried at actuarially determined fair values. The WSIB remains liable for the annuities in the event of default by the annuity providers. This risk is mitigated by acquiring annuities from highly rated Canadian financial institutions. At December 31, 2009, none of the annuity providers was in default and no provision for credit risk was required.

The change in Loss of Retirement Income investment is as follows:

($ millions)	**2009**	**2008**
Funds set aside under the *Act*[1]	$87[2]	$82[2]
Investment income	115	(129)
Benefit costs paid	(39)	(40)
Increase in net assets	163	(87)
Net assets, beginning of year	831	918
Net assets, end of year	**$994**	**$831**

[1] *Workplace Safety and Insurance Act, 1997*
[2] Includes $8 million (2008: $7 million) of injured worker optional contributions

Loss of Retirement Income Fund's expenses are made up as follows:

($ millions)	2009	2008
Funds set aside under the *Act*[1]	$87	$82
less: Injured worker optional contributions	(8)	(7)
Increase (decrease) in investment obligation	115	(129)
Total expenses	**$194**	**$(54)**

[1] *Workplace Safety and Insurance Act, 1997*

For injuries and illnesses that occurred prior to January 1, 1998, the WSIB sets aside funds equal to 10 per cent of every payment made to injured workers.

Effective January 1, 1998, for claims incurred after December 31, 1997, by workers who have received loss-of-earnings benefits for 12 continuous months, the WSIB sets aside 5 per cent of their loss-of-earnings benefits for their retirement fund. Injured workers may choose to contribute a further 5 per cent from their loss-of-earnings benefits. These funds are segregated from the WSIB's investment portfolio and are invested to provide retirement income benefits for injured workers.

7. Property, equipment and other assets

($ millions)	2009		2008
	Cost	Net carrying value	Net carrying value
Land, under a capital lease	$29	$29	$29
Buildings and leasehold improvements	202	78	85
Office equipment	114	3	2
Computer equipment	72	3	5
	417	113	121
Other assets	–	–	2
	$417	**$113**	**$123**

Amortization expense in 2009 was $14 million (2008: $13 million).

The WSIB, through its wholly owned subsidiary, 799549 Ontario Inc., is a 75 per cent participant in a co-ownership agreement for its head office land and building at 200 Front Street West, Toronto.

The land value of $29 million represents the WSIB's 75 per cent share of the co-ownership's interest in land on which the WSIB's head office building was constructed.

The building and leasehold improvements of $78 million (2008: $85 million) represent the WSIB's 75 per cent share of the co-ownership.

8. Intangible assets

Intangible assets include the following:

($ millions)	2009			2008
	Cost	Accumulated amortization	Net carrying value	Net carrying value
Computer software	$97	$64	$33	$5
Computer software under development	63	–	63	77
	$160	**$64**	**$96**	**$82**

During the twelve-month period ended December 31, 2009, computer software under development decreased by $14 million (2008: increased by $33 million). Computer software is amortized on a straight-line basis over periods of three to five years, with no residual value.

Amortization expense is as follows:

($ millions)	2009	2008
Computer software	$7.5	$0.9

9. Long-term debt

($ millions)	2009	2008
Mortgages payable	$97	$99
Obligation under capital leases	25	28
	122	127
Current portion	(13)	(36)
	$109	**$91**

Mortgages payable

To fund part of the development and construction of the building at 200 Front Street West, Toronto (note 7), the WSIB entered into a long-term mortgage loan agreement in 1993. The mortgage loan is secured by the building and matures in the year 2015. The interest rate is fixed at 10.25 per cent per annum, compounded semi-annually. The balance of this mortgage on December 31, 2009, was $66 million (2008: $67 million).

Two of the real estate subsidiaries acquired in 2008 have mortgage balances. The original terms of both mortgages expired during 2009 and the mortgages were extended under new terms. The interest rates on these mortgages are 6.18 per cent on a loan balance of $23 million and 4.14 per cent on a loan balance of $8 million. These loans mature in 2014 and 2010, respectively.

The fair value of the mortgages payable as of December 31, 2009, was $97 million (2008: $105 million) with a book value of $97 million (2008: $99 million). Mortgage interest expense of $7 million was included in occupancy cost (note 13) and $2 million was included in investment income (2008: $7 million and $1 million).

Future mortgage payments are as follows:

($ millions)	
2010	$18
2011	10
2012	10
2013	10
2014	29
	77
Thereafter	61
	138
Interest portion	(41)
	$97

Obligation under capital leases

The obligation under capital leases consists of the following:

($ millions)	2009	2008
Simcoe Place land lease	$22	$23
Computer equipment leases	3	5
	$25	**$28**

The Simcoe Place land lease represents the balance of the lease obligation for the land at 200 Front Street West, Toronto (note 7), on which the WSIB's head office building is located. The WSIB, through its wholly owned subsidiary, 799549 Ontario Inc., makes annual lease payments of $4 million under this capital lease.

During 2006, the WSIB negotiated an amendment to this lease to accelerate the lease expiry from 2087 to 2027, and to provide the WSIB with an option to purchase a 75 per cent interest in the land at the expiry date of May 31, 2027, for $1.5 million. This option price is considered by management to be advantageous and it is expected that the option will be exercised.

There are six capital leases for computer equipment, with initial terms between three and four years. Five are expiring on December 31, 2010, and one on November 30, 2012.

The fair value of the lease obligations at December 31, 2009, was $41 million (2008: $43 million). Interest on the lease obligation for the year was $4 million (2008: $4 million). Interest on the Simcoe Place land lease obligation for the year of $4 million (2008: $4 million) was included in occupancy cost.

Future minimum lease payments and the balance of the lease obligation on December 31, 2009, are as follows:

($ millions)	
2010	$7
2011	4
2012	4
2013	4
2014	4
	23
Thereafter	54
	77
Interest portion	(52)
	$25

10. Employee benefit plans

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

Pension and other benefit plans

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

The WSIB Employees' Pension Plan is a defined-benefit pension plan that provides for partially indexed pensions based on years of service and the best five consecutive years' average earnings in the last 10 years. The WSIB Employees' Supplementary Pension Plan ensures that employees of the WSIB and Safe Workplace Associations whose earnings exceed the threshold earnings for the maximum pension benefit permitted under the federal *Income Tax Act* will receive pension benefits based on their total earnings.

The investment activities and the administrative and accounting functions of the pension plans are administered by the WSIB. The accrued pension obligations of the plans reflect management's estimates of salary escalation, investment rate of return, mortality of members, terminations, and ages at which members will retire.

Other benefit plans include medical, dental, and life insurance, accrued vacation, short-term salary protection to cover periods of illness and other absences, as well as the costs of insurance benefits provided to employees who sustain injuries in the course of employment. The measurement date for financial reporting purposes of the plans' assets and the benefit obligation is as of December 31, 2009. The most recent and next actuarial valuations for funding purposes are as of December 31, 2007, and 2010, respectively.

Information about the WSIB's defined-benefit pension plans and other benefit plans, in aggregate, is as follows:

($ millions)	Employees' Pension Plan		Employees' Supplementary Pension Plan		Other benefit plans		Total plans	
	2009	2008	2009	2008	2009	2008	2009	2008
Accrued benefit obligation:								
Beginning of year	**$ 1,488.7**	**$ 1,663.0**	**$ 13.0**	**$ 14.5**	**$ 409.7**	**$ 486.5**	**$ 1,911.4**	**$2,164.0**
Current service cost	32.7	46.2	0.1	0.3	11.5	14.5	44.3	61.0
Interest cost	106.3	98.4	0.9	0.8	28.8	28.2	136.0	127.4
Benefits paid	(53.4)	(52.0)	(0.5)	(0.5)	(17.7)	(16.5)	(71.6)	(69.0)
Contributions by employee	23.5	22.3	0.3	0.2	–	–	23.8	22.5
Past service benefit cost	–	5.6	–	–	–	–	–	5.6
Actuarial (gain) loss	305.4	(294.8)	3.9	(2.3)	80.5	(103.0)	389.8	(400.1)
End of year	**1,903.2**	**1,488.7**	**17.7**	**13.0**	**512.8**	**409.7**	**2,433.7**	**1,911.4**
Plan assets:								
Fair value at beginning of year	**1,444.0**	**1,702.1**	**2.6**	**2.6**	**–**	**–**	**1,446.6**	**1,704.7**
Actual return on plan assets	190.2	(264.8)	–	–	–	–	190.2	(264.8)
Contributions by employer	38.9	36.4	0.3	0.3	17.7	16.5	56.9	53.2
Contributions by employee	23.5	22.3	0.3	0.2	–	–	23.8	22.5
Benefits paid	(53.4)	(52.0)	(0.5)	(0.5)	(17.7)	(16.5)	(71.6)	(69.0)
Fair value at end of year	**1,643.2**	**1,444.0**	**2.7**	**2.6**	**–**	**–**	**1,645.9**	**1,446.6**
Funded status:								
Funded status (plan deficit)	(260.0)	(44.7)	(15.0)	(10.4)	(512.8)	(409.7)	(787.8)	(464.8)
Unamortized net actuarial (gain) loss	288.6	54.7	3.3	(0.6)	28.8	(54.3)	320.7	(0.2)
Unamortized past service costs	15.6	17.6	(0.1)	–	4.2	4.9	19.7	22.5
Unamortized transitional obligation	(47.2)	(59.0)	–	–	–	–	(47.2)	(59.0)
Accrued benefit liability	**(3.0)**	**(31.4)**	**(11.8)**	**(11.0)**	**(479.8)**	**(459.1)**	**(494.6)**	**(501.5)**
Accrued benefit obligation, end of year	1,903.2	1,488.7	17.7	13.0	512.8	409.7	2,433.7	1,911.4
Fair value of plan assets, end of year	1,643.2	1,444.0	2.7	2.6	–	–	1,645.9	1,446.6
Funded status (plan deficit)	**(260.0)**	**(44.7)**	**(15.0)**	**(10.4)**	**(512.8)**	**(409.7)**	**(787.8)**	**(464.8)**
Net benefit plan expense:								
Current service cost	32.7	46.2	0.1	0.3	11.5	14.5	44.3	61.0
Interest cost	106.3	98.4	0.9	0.8	28.8	28.2	136.0	127.4
Expected return on plan assets	(117.8)	(118.1)	–	–	–	–	(117.8)	(118.1)
Amortization of past service costs	2.0	1.9	–	–	0.6	0.6	2.6	2.5
Amortization of transitional obligation	(11.8)	(11.8)	–	–	–	–	(11.8)	(11.8)
Amortization of net actuarial (gain) loss	(0.8)	–	–	–	(2.6)	1.5	(3.4)	1.5
Net benefit plan expense	**$ 10.6**	**$ 16.6**	**$ 1.0**	**$ 1.1**	**$ 38.3**	**$ 44.8**	**$ 49.9**	**$ 62.5**

($ millions)	Employees' Pension Plan				Employees' Supplementary Pension Plan	
	2009		2008		2009	2008
	($)	(%)	($)	(%)	($)	($)
Plan assets by major category						
Equity securities	$937.5	57.0	$828.8	57.4	$ –	$ –
Debt securities	581.5	35.4	544.6	37.7	–	–
Real estate	53.6	3.3	50.6	3.5	–	–
Accrued investment income	–	–	6.0	0.4	–	–
Other	70.6	4.3	14.0	1.0	2.7	2.6
Total	**$1,643.2**	**100**	**$1,444.0**	**100**	**$2.7**	**$2.6**

The significant actuarial assumptions adopted for the year to value the Employees' Pension Plan, the Employees' Supplementary Pension Plan, and other benefit plans are as follows:

	Employees' Pension Plan		Employees' Supplementary Pension Plan		Other benefit plans	
	2009	2008	2009	2008	2009	2008
Discount rate – plan expenses	7.00%	5.75%	7.00%	5.75%	7.00%	5.75%
Discount rate – accrued benefit obligations	5.75%	7.00%	5.75%	7.00%	5.75%	7.00%
Expected long-term rate of return on plan assets	7.0%	7.0%	3.5%	3.5%	–	–
Dental cost escalation	–	–	–	–	4.0%	4.0%
Average remaining service period (years)	13	13	13	13	13.5	13

Health-care cost trend rates as of December 31:

	2009	2008
Medical cost		
General inflation rate		
Initial rate	10.0%*	10.0%*
Ultimate rate	4.0%	4.0%
Year ultimate rate reached	2016	2015
Dental costs		
General inflation rate	4.0%	4.0%

*Grading downward by 1% per year

Sensitivity of actuarial assumptions

The key economic assumptions used in measuring the pension benefit liability and related expenses are outlined in the table below. The sensitivity analysis provided in the table is hypothetical and changes in each key assumption may not be linear. The sensitivities in each key assumption have been calculated independently of changes in other key assumptions. Actual experience may result in changes in a number of key assumptions simultaneously. Change in one assumption may result in changes in another, which could amplify or reduce certain sensitivities.

($ millions)	Discount rate (%)	Impact of 1% increase ($)	Impact of 1% decrease ($)	Rate of compensation increase (%)	Impact of 0.25% increase ($)	Impact of 0.25% decrease ($)	Expected rate of return on plan assets (%)	Impact of 1% increase ($)	Impact of 1% decrease ($)
Employees' Pension Plan									
Benefit liability*	5.75	(271.4)	345.6	3.50	19.4	(19.0)	7.00	N/A	N/A
Benefit expense**	7.00	(10.8)	13.6	3.50	2.2	(2.1)	7.00	(16.8)	16.8
Employees' Supplementary Pension Plan									
Benefit liability*	5.75	(2.1)	2.6	3.50	0.5	(0.4)	3.50	N/A	N/A
Benefit expense**	7.00	(0.1)	0.1	3.50	0.1	(0.1)	3.50	–	–
Unfunded pensions									
Benefit liability*	5.75	(0.3)	0.3	3.50	–	–	–	N/A	N/A
Benefit expense**	7.00	–	–	3.50	–	–	–	–	–
Total change									
Benefit liability*	**5.75**	**(273.8)**	**348.5**	**3.50**	**19.9**	**(19.4)**	**7.00**	**N/A**	**N/A**
Benefit expense**	**7.00**	**(10.9)**	**13.7**	**3.50**	**2.3**	**(2.2)**	**7.00**	**(16.8)**	**16.8**

*Accrued benefit obligation as of December 31, 2009 **2009 Pension Expense

11. Benefit liabilities and benefit costs

Benefit liabilities represent an actuarially determined provision for future benefit payments relating to incurred claims and the expense of administering those future benefit payments that are discounted to the valuation date at the assumed rates shown below. Estimates of future benefit payments apply to both reported and unreported claims resulting from injuries and illnesses, including occupational diseases, that occurred on or before December 31, 2009, and are based on the level and nature of entitlement and the adjudication practices in effect at that date.

The benefit liabilities were determined using accepted actuarial practices in accordance with the standards of practice established by the Canadian Institute of Actuaries. Benefit liabilities are calculated as the present value of expected future benefits which is considered an indicator of fair value since there is no ready market for the trading of benefit liabilities.

The actuarial present value of future benefit payments depends on economic and actuarial assumptions that are based on past experience, modified for current trends and expected development. These assumptions may change over time to reflect underlying conditions, and it is possible that such changes could cause a material change in the actuarial present value of future benefit payments.

The following key long-term economic assumptions were used in the actuarial valuation of the benefit liabilities:

	2009	2008
Inflation rate	2.5%	2.5%
Discount rate	7.0%	7.0%
Rate of indexation of benefits		
Fully indexed	2.5%	2.5%
Partially indexed	0.5%	0.3%
Wage escalation rate	3.5%	3.5%
Health-care costs escalation rate	6.5%	6.5%

A detailed review of the discount and inflation rate assumptions was conducted by an actuarial consulting firm late in 2007. The review suggested that a nominal discount rate in the range of 7.0 per cent to 7.5 per cent and a rate of inflation in the range of 2.0 per cent to 3.0 per cent would be considered appropriate.

As a result of the review, a long-term rate of inflation of 2.5 per cent per annum was assumed for fully indexed disability payments. For partially indexed payments, the indexation assumption was set equal to 0.5 per cent per annum. This is an increase from the previous assumption of 0.3 per cent and recognizes the potential continued extension of indexation to partially disabled injured workers set by regulation under the *Workplace Safety and Insurance Act*.

Mortality estimates are based on the WSIB's injured-worker mortality experience from 1996 to 2000, adjusted for mortality improvements to 2009; for survivors of deceased workers, estimates are based on the 1995 – 1997 Ontario Life Tables adjusted for mortality improvements to 2009.

Loss-of-earnings termination rates are based on the WSIB's injured-workers termination experience up to and including 2007, simulated to 2009, and adjusted to reflect future expectations of terminations consistent with the WSIB's *Road to Zero* strategy.

Provisions have been made for the effect of future increases in the covered earnings ceiling and in the minimum and maximum limits affecting income benefits.

Long-term economic and actuarial assumptions and methods are reviewed annually when an actuarial valuation is performed. Management believes that the valuation methods and assumptions are, in aggregate, appropriate for the valuation.

The change in present value of future benefit payments for reported and unreported work-related injuries and illnesses, and the change in future claims administration costs, are recorded as benefit costs. Any adjustments resulting from the continuous review of entitlements and experience, or from changes in legislation, assumptions, or methods, are also included as benefit costs.

The benefit liabilities include a provision of $894 million (2008: $859 million) for future costs of administering existing claims. Administrative and other expenses have been adjusted by $338 million (2008: $313 million) to reflect the amount that was charged against the provision for benefit liabilities relating to future claim administration costs in the current year.

Sensitivity of actuarial assumptions

The benefit liabilities are calculated based on actuarial assumptions. Changes in these assumptions can cause significant changes in the benefit liabilities. The sensitivities are illustrated as follows:

- The actuarial assumption most sensitive to change is the assumed discount rate of 7.0 per cent per annum. The approximate impact of a 1.0 per cent decrease in the discount rate would increase benefit liabilities by approximately $1,555 million (2008: $1,516 million).
- A 1.0 per cent increase in benefit indexation rate would increase benefit liabilities by approximately $1,280 million (2008: $1,237 million).
- The calculation of the benefit liabilities was based on the WSIB's injured-worker mortality experience. A flat reduction of 1.0 per cent in these mortality rates would increase benefit liabilities by approximately $23 million (2008: $21 million).
- A 1.0 per cent increase in the number of lost-time injuries in the current year would increase the benefit liabilities by approximately $12 million (2008: $11 million).
- Health-care benefit liabilities are calculated assuming a future rate of escalation of health-care costs of 6.5 per cent per annum. A 1.0 per cent increase in the escalation factors used for future health-care costs would increase benefit liabilities by approximately $255 million (2008: $247 million).
- Calculation of the benefit liabilities for the loss-of-earnings benefit uses the WSIB's injured-worker claim termination experience. A flat reduction of 1.0 per cent in termination rates would increase benefit liabilities by approximately $43 million (2008: $46 million).

Benefit liabilities and benefit costs paid in 2009 were as follows:

($ millions)	2009								2008
		Labour market re-entry							
	Loss of earnings	Income support	External providers	Short- & long-term disability	Health care	Survivor benefits	Claim admin. costs	Total	Total
Benefit liabilities, beginning of year	$6,873	$46	$482	$9,107	$3,194	$1,779	$859	**$22,340**	**$21,760**
Benefit costs	2,019	162	186	987	683	326	373	**4,736**	**4,258**
Benefit costs paid during the year									
Schedule 1	(1,004)	(159)	(164)	(1,171)	(513)	(167)	(338)	**(3,516)**	**(3,377)**
Schedule 2	(112)	(7)	(4)	(103)	(66)	(18)	–	**(310)**	**(301)**
	(1,116)	(166)	(168)	(1,274)	(579)	(185)	(338)	**(3,826)**	**(3,678)**
Change in benefit liabilities	903	(4)	18	(287)	104	141	35	**910**	**580**
Benefit liabilities, end of year	$7,776	$42	$500	$8,820	$3,298	$1,920	$894	**$23,250**	**$22,340**

12. Reconciliation of the change in the unfunded liability

The change in the unfunded liability is affected by a number of factors. These include an interest charge on the unfunded liability, premiums applied to reduce the unfunded liability, experience gains and losses, changes in legislation, and changes in actuarial assumptions.

The interest charge on the unfunded liability recognizes that there are no assets supporting a portion of the liabilities, resulting in a shortfall in investment income to pay future claim payments. Premiums that are collected to reduce the unfunded liability include an amount to cover this shortfall.

In addition, the difference between expected and actual experience on items such as indexation, investment returns, and claims experience also affects the change in the unfunded liability.

($ millions)	**2009**	**2008**
Unfunded liability, beginning of year	$11,469	$8,094
Add (deduct):		
Interest charge on unfunded liability	785	661
Premiums allocated to reduction of unfunded liability	(1,007)	(962)
Experience (gains)/losses resulting from:		
Indexation of benefits more (less) than expected	(221)	–
(Higher)/lower than expected investment return	(653)	3,087
Prior and current years' claims experience	432	883
Changes in assumptions:		
Reduction in long-term inflation	–	(438)
Increase in claim durations	564	102
Other changes	–	17
Changes in benefit cost assumptions:		
Health-care benefits	–	(25)
External agency rehabilitation payments	–	43
Other changes	–	(33)
Other changes:		
Reductions in personal income tax rates	130	40
Impact of legislation enacted in 2007:		
Increase in liabilities resulting from Bill 187	134	–
Increase in liabilities resulting from Bill 221	118	–
Unfunded liability, end of year	**$11,751**	**$11,469**

Bill 187 increased indexing for partially indexed benefits, and provides for claims after lock-in to be reassessed. Bill 221 improves coverage for volunteer firefighters with occupational cancers and work-related heart attacks.

13. Administrative and other expenses

Administrative and other expenses consist of the following:

($ millions)	2009	2008
Salaries and fringe benefits	$326	$314
Equipment and maintenance	37	37
Occupancy	42	40
Communication	12	17
Supplies and services	7	6
Travel and vehicle maintenance	5	5
New systems development and integration	4	6
Other	16	20
	449	445
Amortization expense	21	13
Staff benefit plans	56	69
	526	527
Claim administration costs (note 11)	(338)	(313)
	$188	**$214**

14. Related party transactions

Legislated obligations and commitments

Under the *Workplace Safety and Insurance Act, 1997*, and as directed by the lieutenant governor through orders in council, the WSIB is required to reimburse the Government of Ontario for all administrative costs of the *Occupational Health and Safety Act*. The WSIB is also required to fund the Workplace Safety and Insurance Appeals Tribunal (WSIAT) and the offices of the Worker and Employer Advisor. These reimbursements and funding amounts are determined and approved by the minister of labour. The WSIB is also committed to providing funding for the Institute for Work & Health and the Safe Workplace Associations, clinics, and training centres.

The total amount of funding provided under these legislated obligations and commitments in 2009 was $227 million (2008: $226 million).

Investments

Included in investments are marketable fixed-income securities issued by the Ontario provincial government and related corporations valued at $858 million (2008: $394 million).

Other

In addition to legislated obligations and workplace health and safety expenses, the financial statements include amounts resulting from transactions conducted in the normal course of operations with various Ontario government-controlled ministries, agencies, and Crown corporations. Such transactions are conducted according to terms and conditions similar to those that apply to transactions with unrelated parties. Account balances resulting from these transactions are not significant.

15. Commitments and contingencies

Contractual obligations

At December 31, 2009, the WSIB was committed under non-cancellable contractual obligations, consisting of software licences, equipment, and property leases, requiring future minimum payments of approximately $24 million per year over the next five years, and $16 million in aggregate thereafter.

Investment commitments

As of December 31, 2009, the WSIB had entered into commitments to acquire real estate investments totalling $91 million.

On January 12, 2010, the WSIB entered into a commitment to invest $100 million in infrastructure investments by the end of the third quarter, 2010.

Legal actions

The WSIB is party to various claims and lawsuits, which are being contested. In the opinion of management, the outcome of such claims and lawsuits will not have a material effect on the WSIB's expenses or financial position.

Bank line of credit

The WSIB maintains an unsecured $150 million line of credit with a commercial bank. The credit line was not utilized in 2009 and 2008.

16. Capital management

The WSIB is required by legislation to maintain its investments at a level sufficient to make the required payments under the insurance plan as they become due. In keeping with this requirement, the WSIB's strategic objectives include the overarching goal of ensuring that the workplace safety and insurance system remains financially sustainable for future generations.

To meet this goal, the WSIB established a funding framework to provide a prudent and fiscally responsible process for setting stable and predictable premium rates for employers while ensuring long-term financial sustainability. The WSIB's investment strategy is integrated with the funding framework and is a key fundamental to ensure the long-term financial sustainability of the workplace safety and insurance system.

The table below shows the WSIB's current funded status:

($ millions)	2009	2008
WSIB assets*	$13,911	$13,175
WSIB liabilities	$25,662	$24,644
Funding ratio	54.2%	53.5%

* It is the net amount of total assets less the $1,630 million (2008: $32) for Employees' Pension Plan interest in pooled investments

17. Comparative

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

Ten-year summary of the statements of operations and unfunded liability

($ millions)	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Revenues										
Premiums for current year	$2,533	$2,604	$ 2,499	$2,385	$2,256	$ 2,124	$2,068	$1,997	$1,866	$1,760
Investments	686	(1,340)	812	1,298	819	470	456	246	765	1,128
Other income	1	2	2	3	3	49	–	–	–	–
	3,220	**1,266**	**3,313**	**3,686**	**3,078**	**2,643**	**2,524**	**2,243**	**2,631**	**2,888**
Expenses										
Benefit costs paid	3,826	3,678	3,476	3,285	3,197	3,101	2,996	2,883	2,755	2,558
Net increase/(decrease) in benefit liabilities	910	580	1,460	1,050	840	950	495	692	270	125
Loss of Retirement Income Fund	194	(54)	70	64	66	60	56	52	50	46
	4,930	**4,204**	**5,006**	**4,399**	**4,103**	**4,111**	**3,547**	**3,627**	**3,075**	**2,729**
Administrative and other expenses	188	214	243	221	203	204	210	240	236	247
Legislated obligations	227	226	218	208	200	188	172	160	162	156
	5,345	**4,644**	**5,467**	**4,828**	**4,506**	**4,503**	**3,929**	**4,027**	**3,473**	**3,132**
Excess of expenses over revenues from current operations	(2,125)	(3,378)	(2,154)	(1,142)	(1,428)	(1,860)	(1,405)	(1,784)	(842)	(244)
Premiums for unfunded liability	1,007	962	1,024	1,000	934	1,017	861	902	860	971
Transfer of Electrical Utilities from Schedule 2	–	–	–	–	–	–	–	(52)	–	–
	(1,118)	**(2,416)**	**(1,130)**	**(142)**	**(494)**	**(843)**	**(544)**	**(934)**	**18**	**727**
Employees' Pension Plan interest in income from pooled investments	(71)	–	–	–	–	–	–	–	–	–
Excess (deficiency) of revenues over expenses	**(1,189)**	**(2,416)**	**(1,130)**	**(142)**	**(494)**	**(843)**	**(544)**	**(934)**	**18**	**727**
Unfunded liability, beginning of year	(11,469)	(8,094)	(5,997)	(6,510)	(6,420)	(7,135)	(6,591)	(5,657)	(5,675)	(6,402)
Effect of change in accounting policy	–	–	–	–	–	1,088	–	–	–	–
Other comprehensive income	907	(959)	(967)	655	404	470	–	–	–	–
Excess (deficiency) of revenues over expenses	(1,189)	(2,416)	(1,130)	(142)	(494)	(843)	(544)	(934)	18	727
Unfunded liability, end of year	**$(11,751)**	**$(11,469)**	**$(8,094)**	**$(5,997)**	**$(6,510)**	**$(6,420)**	**$(7,135)**	**$(6,591)**	**$(5,657)**	**$(5,675)**

Other statistics

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Schedule 1										
Average premium rate (per $100 of payroll)	$2.26	$ 2.26	$ 2.26	$ 2.26	$ 2.19	$ 2.19	$ 2.19	$ 2.13	$ 2.13	$ 2.29
Total insured payroll ($ millions)	$144,910	$150,535	$146,393	$140,912	$135,865	$130,398	$125,638	$120,252	$113,727	$109,237
Schedule 1 & 2										
Number of new claims by registration year	249,477	312,315	329,161	336,851	352,996	352,474	354,926	361,179	371,067	379,079
Employees at December 31										
Full-time equivalent	4,284	4,467	4,359	4,241	4,317	4,370	4,238	4,350	4,467	4,421

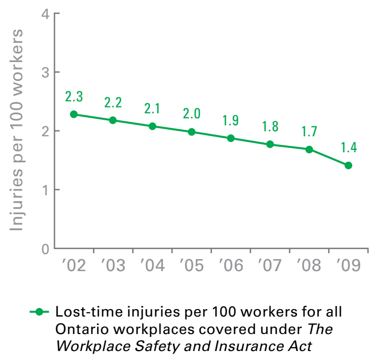
Outcomes and measures

In 2009, a corporate outcomes, measures, and targets initiative helped the WSIB to monitor its progress in relation to three key imperatives:

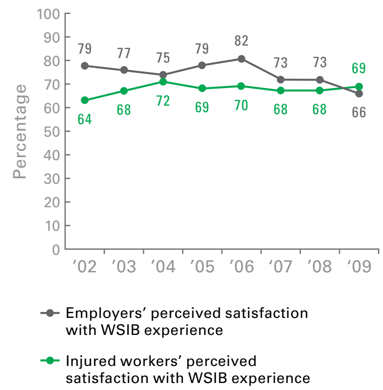
- making Ontario workplaces among the safest in the world;
- providing quality service that meets the needs of workers and employers;
- ensuring the financial security of the workplace safety and insurance system.

These charts measure the WSIB's progress against each of these imperatives:

Schedule 1 & 2 lost-time injury rate
(Exceeded 2009 target of 1.6)

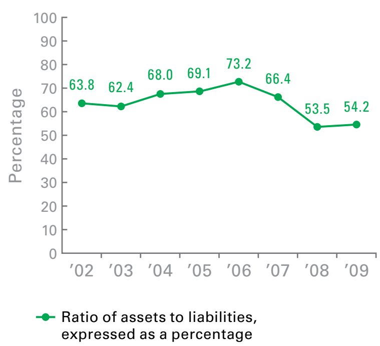


Perceived overall satisfaction with WSIB experience*
(Fell short of 2009 employer target of 74 and 2009 injured worker target of 71)



*Ipsos-Reid survey data

Funding ratio
(Exceeded 2009 target of 53.4%)



The above noted measures are all included in an Action Plan being developed in 2010 to address the WSIB's Unfunded Liability.