MANAGEMENT DISCUSSION & ANALYSIS

1999 In Review

In 1999 the WSIB continued to focus on its initiatives to promote health and safety in the workplace and to support injured workers. Work progressed on year two of the five year strategic plan and on the business model that sets the direction of the WSIB into the year 2000 and beyond.

At the divisional level, front-line service areas of the Operations and the Health Services Divisions underwent significant changes. The primary focus was the implementation of the new Service Delivery Model along with the new Health Care Model, designed to provide efficient customer service to both injured workers and employers of the province.

The Prevention Division, together with the Health and Safety agencies, developed business plans that align with Small Business and Industry Sectors and create a more accountable, co-ordinated, and efficient prevention system. During the year, to raise public consciousness of workplace health and safety, the WSIB launched a social awareness campaign via television, radio, and newspapers to highlight the importance of preventing workplace injuries and illnesses. This campaign was successful in raising prevention awareness across Ontario.

With staff needs for technological tools and more information, and with meeting customer and client service expectations becoming increasingly critical to the achievement of the goals of the five-year strategic plan, the WSIB recognised the need to improve the information technology resources available. Development of a plan designed to identify the tools needed by the WSIB began in 1998 and was approved by the Board of Directors six months later. This plan, named the “Agility Program,” will transform WSIB business processes and computer systems over the next five years. The Agility Program has completed the “discovery” phase of assessing existing processes and systems.

Responsible for managing Ontario’s workplace safety and insurance system, the WSIB has taken significant steps towards ensuring its fiscal responsibility and accountability. The funding strategy aimed at eliminating the unfunded liability by the year 2014 is progressing well. This strategy ensures that a significant portion of employer premiums are used to increase assets to be set against the liabilities of the WSIB so that liabilities are fully funded by 2014. The strategy also requires that premiums for all rate groups be set at the “full target level for the group,” that is, the level required to cover the full costs of new claims, including the future costs of administering these claims, overhead expenses and unfunded liability charges.

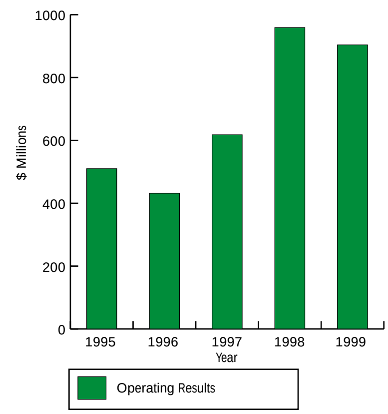
In 1999 the WSIB achieved an excess of revenues over expenses for the sixth consecutive year. For the year, the excess of revenues over expenses was $904 million

(1998: $959 million), due primarily to higher investment revenues in 1999 ($68 million higher than in 1998) and an increase in the premiums earned of $116 million. These improvements were offset by an increase in benefit costs of $168 million. The year over year financial highlights are illustrated below:

($ Millions)	1999	1998	Increase / (Decrease)	Increase / (Decrease) %
Excess of Revenues over Expenses	$ 904	$ 959	$ (55)	(5.7)
Revenues				
Premiums	2,768	2,652	116	4.4
Investment Income	1,065	997	68	6.8
Expenses				
Benefit Costs	2,397	2,229	168	7.5
Administrative & Other	387	335	52	15.5
Assets				
Investments	9,552	8,607	945	11.0
Liabilities				
Benefit Liabilities	15,735	15,600	135	0.9
Unfunded Liability	$ 6,402	$ 7,098	$ (696)	(9.8)
Funding Ratio	62.1%	56.8%	5.3%	9.3

The financial results for the last five years are provided below:

Excess of Revenues over Expenses



NOTE: For comparison purposes, to exclude the onetime impact of changes legislated by Bill 99, $1,785 million has been removed from the excess of revenues over expenses for 1997.

Statement of Operations

Revenues

Premium Revenue

Premiums are charged to Schedule 1 employers to cover the cost of the current year's claims including the future cost of administering these claims and overhead expenses. Schedule 1 employers also have a component built into their premium rate that contributes towards the reduction of the WSIB's unfunded liability. To set premium rates, the WSIB follows insurance principles and organizes employers into classes and rate groups, based on similarity of business activity and associated injury risks.

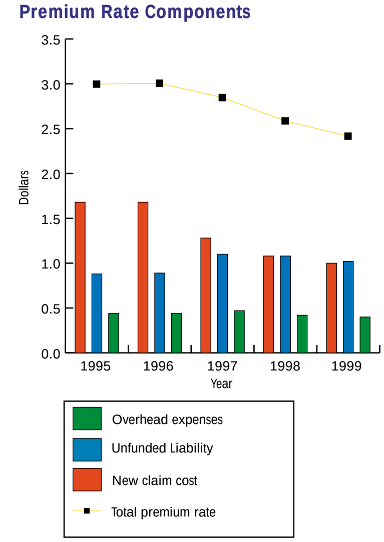
The 1999 average Schedule 1 premium rate was $2.42 per $100 of assessable payroll, a decrease of 6.6 per cent from the average rate of $2.59 in 1998. 1999 was the third year in a row that the average premium rate paid by employers has been lowered. The largest decreases in premium rates were in industries where accident performance had improved the most.

Schedule 2 employers are individually liable for the benefits under the *Workplace Safety and Insurance Act, 1997*, with respect to the workers employed. Reimbursements for claims paid and the cost of administering the claims are included in the total premium revenues of the WSIB.

As a result of Ontario's strong economic growth, the total payroll of Schedule 1 employers increased to $101.7 billion, an increase of $5.5 billion or 5.7 per cent from 1998 ($96.2 billion).

Total premium revenue amounted to $2,768 million in 1999, an increase of $116 million or 4.4 per cent compared to the preceding year. The portion of premiums charged to retire the unfunded liability increased by $131 million year over year to $1,061 million. The unfunded liability component included in the 1999 average premium rate was increased to $1.02 compared to $1.00 in 1998, an increase of 2.0 per cent.

Premium Rate Components



The current component of the average premium rate for 1999 was reduced to $1.40 compared to $1.59 in 1998, a decrease of 11.9 per cent. As a result, Schedule 1 premiums to fund current WSIB operations decreased by $90 million to $1,454 million (1998: $1,544 million).

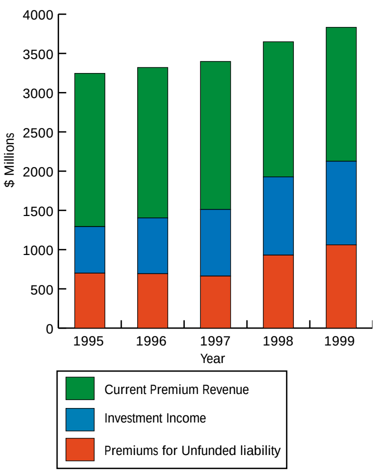
As a result of implementing refinements to the rate-setting model, the provision required for net experience rating refunds was the lowest since 1992. In addition there was an increase in penalties charged and a reduction in the bad debt provision due to improvements in collection efforts; these improvements, however, did not offset the decrease in current Schedule 1 premiums.

Premium revenue from Schedule 2 (self-insured) employers totalled $255 million, an increase of $7 million from 1998.

The schedule below shows premium revenue by category:

The following table shows total revenues by type for the last five years:

Total Revenues



Premium Revenue For the year ended December 31, 1999 ($ Millions)	1999	1998	Increase/ (Decrease)	Increase/ (Decrease) %
Schedule 1				
Current premiums	$1,454	$1,544	$ (90)	(5.8)
Experience Rating net refunds	(90)	(125)	35	28.0
Interest, penalties and bad debts	88	55	33	60.0
	1,452	**1,474**	**(22)**	**(1.5)**
Schedule 2 (Self-insurers)	255	248	7	2.8
Total current premiums	**1,707**	**1,722**	**(15)**	**(0.9)**
Premiums for unfunded liability	1,061	930	131	14.1
Total premium revenue	**$2,768**	**$2,652**	**$116**	**4.4**

Investment Revenue

Investment revenue rose 6.8 per cent and totalled $1,065 million in 1999, an increase of $68 million year over year. This was due primarily to higher realized and unrealized gains on equities resulting from the recovery of the equity markets during 1999, particularly in the technology and telecommunication sectors. In 1999, $706 million (1998: $612 million) of realized and unrealized net gains were amortized to investment revenue. The Insurance Fund provided a return of 10.2 percentage points above inflation for the year. The schedule below provides the revenue by category:

Revenue by category of investment: ($ Millions)	1999	1998
Bonds	$ 262	$ 275
Equities	797	725
Short-term securities	4	2
	1,063	**1,002**
Injured Workers' Retirement Fund	23	15
Investment expenses	(21)	(20)
Investment revenue	**$ 1,065**	**$ 997**

Investment expenses are related to the total market value of the funds, which increased by $1,266 million to $12,022 million (1998: $10,756 million). In line with this improvement, investment expenses increased by $1 million, to $21 million (1998: $20 million).

Expenses:

Benefit Costs

Both benefit liabilities and benefit costs are affected by factors such as changes in legislation, adjudication policies and practices, effectiveness of health care and return to work programs, and economic conditions.

Total benefit costs, excluding the net increase in the Injured Workers' Retirement Fund, amounted to $2,338 million in 1999, $161 million more than recorded in 1998, primarily due to current year's claims experience and implementation of a specific provision for future administration costs associated with existing claims, partially offset by the net impact of actuarial assumption changes.

Overall, benefit payments made in 1999 were $2,203 million, $59 million less than in 1998. The decrease was mainly due to a decrease in the total amount paid in survivor benefits.

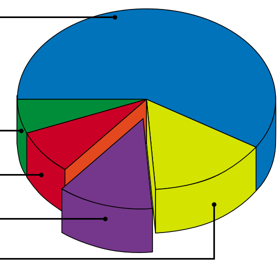
Total long-term disability payments, excluding payments from the Injured Workers' Retirement Fund, remained unchanged at $1,307 million. Labour market re-entry payments decreased as a result of income support expenses being paid under a different category. These payments were reported as short-term disability in 1999. Consequently, short term disability payments were $51 million higher than in 1998.

Health care payments were $26 million higher in 1999 partly due to an increase in the schedule of fees for health care providers. Health care fees for speech language therapy and occupational therapy increased by 18.9 per cent in 1999, the first fee increase for these categories of treatment since 1989. The range of increases for all other health care activities was 0.3 per cent to 4.6 per cent in 1999.

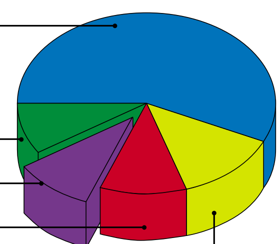
Compared to 1998, payments made for survivor benefits decreased by $72 million as fewer Bill 99 reinstatements of spousal benefits were made in 1999 ($12 million) compared to 1998 ($89 million). The majority of spousal benefit reinstatements required under Bill 99 were requested and paid in 1998.

Reflecting the WSIB's commitment to financial security for its customers and clients, for the first time a provision of $820 million has been included in benefit liabilities for future costs of administering existing claims calculated at 5.5 per cent of the actuarially determined benefit liabilities. There were also changes in the long-term economic assumptions used in the actuarial valuation. As a result, overall benefit liabilities increased by $135 million in 1999, compared to an $85 million decrease in 1998. The changes are noted below.

1999 – Benefit Costs paid



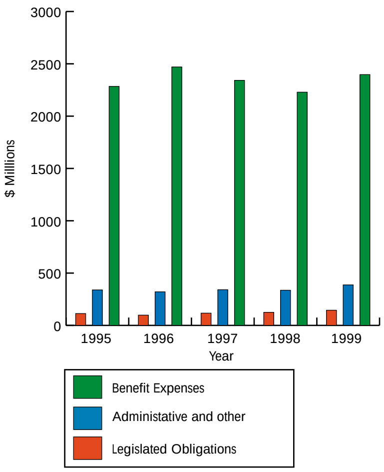
1998 – Benefit Costs paid



Change in the Benefits Liability For the year ended December 31, 1999 ($ Millions)	1999	1998	Increase/(Decrease)	Increase/(Decrease) %
Benefit costs	$2,293	$2,177	$116	5.3
Major changes in actuarial assumptions	(775)	–	(775)	(100)
Provision for future claim administration costs	820	–	820	100
Total benefit costs (excluding net increase in IWRF)	**2,338**	**2,177**	**161**	**7.4**
Benefit costs paid	(2,203)	(2,262)	59	2.6
Net increase/(decrease) in benefit liabilities	**135**	**(85)**	**220**	**258.8**
Benefit liabilities, January 1	15,600	15,685	(85)	(0.5)
Benefit liabilities, December 31	**$15,735**	**$15,600**	**$135**	**0.9**

The following table shows total expenses by type for the last five years:

Total Expenses



Administrative and Other Expenses

There was a year over year increase in administrative expenses of $52 million resulting in total expenses of $387 million in 1999 (1998: $335 million). The increased costs are primarily due to higher employee benefit expenses ($16 million increase from 1998) that arose from a change in accounting policy based on the new CICA accounting standard related to employee future benefit costs, as well as one time charges for additional consultant expenses ($18 million increase from 1998) and equipment costs ($8 million increase from 1998) that were incurred due to the need to address the year 2000 computer system issue.

In addition, salary and fringe benefit costs were $16 million higher than 1998 as the number of WSIB employees increased compared to the previous year due to planned implementation of new service improvement initiatives. Salary increments also increased these costs.

Legislated Obligations and Commitments

In 1999 legislated obligations and commitment funding amounted to $145 million, an increase of $19 million or 15.1 per cent from 1998. The increased costs were due to additional funding of $7 million for the Safe Workplace Associations which provide injury and illness prevention services for Ontario's workplaces; an $8 million increase in funding for the *Occupational Health and Safety Act* program as legislated by the Government of Ontario and an increase of $4 million for grants provided for prevention and health services initiatives.

Balance Sheet

Unfunded Liability

The reduction of the unfunded liability continued in 1999 and the WSIB remains on target to eliminate the unfunded liability by 2014. In 1999, total assets increased by $1,141 million (12.2 per cent) to $10,479 million, while total liabilities increased by $445 million (2.7 per cent) to $16,881 million. The unfunded liability of $7,098 million at the beginning of the year was increased by $208 million due to the change in accounting policy based on the new CICA accounting standard resulting in a balance of $7,306 million at January 1, 1999. The excess of revenues over expenses of $904 million were applied to the unfunded liability which stood at $6,402 million at December 31, 1999 ($7,098 million in 1998).

Unfunded liability:

($ Millions)	1999	1998
Unfunded Liability at beginning of the year	$7,098	$8,057
Adjustment due to change in accounting policy	$208	$0
Adjusted balance	**$7,306**	**$8,057**
Less excess of revenues over expenses applied to Unfunded liability	$904	$959
Unfunded Liability at end of year	**$6,402**	**$7,098**

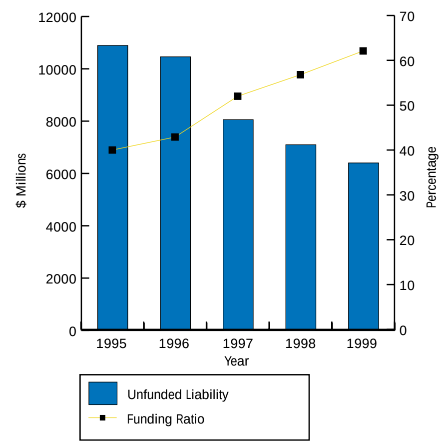
The funding ratio at the end of 1999 was 62.1 per cent compared to 56.8 per cent at the end of 1998. The reduction in the unfunded liability is $4,490 million since 1995 when the funding ratio was 40.0 per cent. This improvement represents a 55.3 per cent improvement in the funding ratio compared to 1995.

Sensitivity of Actuarial Assumptions

The actuarial assumption most susceptible to change is the investment return. The investment return assumption was revised in 1999, as well as the inflation rate, to reflect long-term economic trends, adjusted for recent experience. The approximate impact of a half-percent increase in the assumed future rate of investment income would be to reduce the benefit liabilities by $625 million. A reduction of one per cent in the assumed long-term inflation rate from 4 per cent to 3 per cent and consequent changes in the real investment return assumptions from 3 per cent to 4 per cent per annum with respect to fully indexed benefits and from 6 per cent to 6.5 per cent per annum with respect to partially indexed benefits would decrease the benefit liabilities by $775 million.

The following table shows Unfunded Liability and Funding Ratio for the last five years:

Unfunded Liability & Funding Ratio



Investments

The WSIB's Insurance Fund funds benefit payments to injured workers. The investments of this Fund comprise a broadly diversified portfolio of shares in high-grade bonds, commercial real estate and cash and short term investments invested in Canada, the U.S.A and abroad.

The Statement of Investment Policy and Goals ("SIP&G") sets out the policies and principles employed in the selection of investments for the Fund. Further, the SIP&G defines a prudently diversified asset mix which is appropriate to the needs and objectives of the Fund, taking into account the nature of its liabilities and obligations, as well as investment return prospects and risks associated with alternative investment policies. In addition, the SIP&G defines the management structure and procedures to be utilized in the ongoing prudent and effective management of the Fund. The provisions of the SIP&G require that it be reviewed no less frequently than annually by the Board of Directors, and such review took place in November 1999.

The selection of investments and investment managers for the Fund is made with consideration given to the overall context of the investment portfolio in order to achieve a reasonable expectation of fair return or appreciation, given the nature of the investment, without exposure to an undue risk of loss or impairment.

The inflation-related investment return objective of the Fund, as amended in 1999, is to achieve a total annualized "real" rate of return – the return which exceeds the prevailing rate of inflation – of at least 4 per cent on average over the long term. This objective incorporates an increase of 1 per cent from that of prior years.

In general, world economies were buoyant in 1999, defying the contraction/recession scenario forecast in the wake of 1998's economic woes in Asia. In Canada, the economy expanded strongly on increased export demand and improved consumer confidence. GDP rose an estimated 3.8 per cent while inflation and unemployment fell and key commodity prices surged. The sole negative was a rise in interest rates, principally in response to the U.S. Federal Reserve and Bank of Canada actions taken to head off inflationary pressures from the buoyant economy.

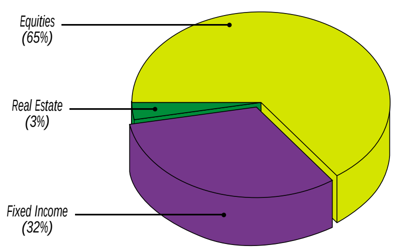
On the face of it, the Canadian stock market appeared to flourish in 1999, with the TSE 300 Index recording a spectacular 31.7 per cent gain, ranking it among the top performing markets in the world. This advance was extremely narrowly based however, as two stocks – BCE Inc. and Nortel Networks - accounted for over 70 per cent of the index's rise. Excluding these two issues, the balance of the index recorded a modest 8.8 per cent gain for the year.

Internationally, the U.S. S&P 500 Index marked a rewarding 14.1 per cent increase, continuing its prolonged record of excellent returns. Unusually, this lagged behind other world markets as the MSCI Europe, Australia and Far East ("EAFE") Index returned a healthy 19.7 per cent (CAD). However, the big story for world equity markets in 1999 was the spectacular performance of the technology-laden NASDAQ index, which gained over 75 per cent (CAD) on the year, leading the explosion of "technology" issue prices worldwide.

The WSIB Insurance Fund produced a 12.8 per cent return on market value in 1999, the fifth consecutive year of double-digit returns. On an annualized basis, the Fund's return on market exceeds 12 per cent for all periods up to and including nine years, and 11.8 per cent over 10 years, as indicated in the table below.

(Per cent)	One Year	Three Years	Five Years	Ten Years
Insurance Fund return	12.8	13.5	15.1	11.8
Return above inflation	10.2	12.1	13.5	9.7

1999 – Asset Mix



The market value of the Insurance Fund was $11,986 million at December 31, 1999, an increase of $1,282 million on the year. The asset mix of the Fund at December 31, 1999 based on market value is shown to the left.

Cash Flow

As a result of the excess of benefit and overhead payments over premium revenues, there was a cash shortfall from current operations of $182 million (1998 $276 million). To meet this shortfall, $255 million was transferred (1998: $286 million) from the investment portfolio of the Insurance Fund.

Cash received from current premiums decreased by $22 million year over year. The decrease is primarily due to the reduction in the current component of the average premium rate to $1.40 in 1999 from $1.59 in 1998.

Although the average premium rate was reduced by 6.6 per cent compared to 1998, the unfunded liability component of the premium rate was increased from $1.00 to $1.02 resulting in an increase of $120 million in cash received from unfunded liability premiums.

Allowed Lost-Time Claims

The number of allowed lost-time injuries for accidents registered for 1999 increased by 3.6 per cent compared to 1998. Lost-time injuries by industry sector registered for 1999 and 1998 are presented in the table on the next page.

Allowed lost-time injuries registered for 1999 and 1998 by Industry Sectors

Lost-time Injuries	1999	1998	Increase / (Decrease)	Increase / (Decrease) %
Agriculture	1,574	1,626	(52)	(3.2)
Automotive	6,753	6,338	415	6.5
Chemical / Process	2,417	2,296	121	5.3
Construction	4,990	4,869	121	2.5
Education	961	1,127	(166)	(14.7)
Electrical	390	455	(65)	(14.3)
Food	3,224	3,283	(59)	(1.8)
Forestry	954	835	119	14.2
Health Care	7,033	7,066	(33)	(0.5)
Manufacturing	21,156	20,038	1,118	5.6
Mining	508	524	(16)	(3.1)
Municipal	1,033	1,088	(55)	(5.1)
Pulp & Paper	362	330	32	9.7
Services	24,613	24,144	469	1.9
Steel	1,522	1,499	23	1.5
Transportation	8,320	7,906	414	5.2
Schedule 2	14,916	13,766	1,150	8.3
Total	100,726	97,190	3,536	3.6

The Year 2000 Issue

Like most organizations worldwide, the WSIB made the initial transition to the year 2000 successfully without any interruption of its services. At a project cost of $57.3 million that included capital costs incurred over four years, the year 2000 remediation was a major undertaking for the WSIB. Because the Y2K threat was dealt with forcefully, the threats it posed did not materialize and thus the extent of disruption it could have caused to the operation of the WSIB will never be known.

Considering the risks to the WSIB that the year 2000 rollover posed, the results justified the expenditure incurred in 1999 of $26 million ($8 million in 1998) for remediation of the systems. Although the change in date has occurred, it is not possible to conclude that all aspects of the year 2000 issue affecting the WSIB, including those related to the efforts of its customers, suppliers, or other third parties, have been fully resolved. The WSIB will continue to monitor its systems output for the remainder of the year 2000 to ensure that there are no service disruptions.

2000 Outlook

In 2000, the Ontario economy is expected to continue to produce strong growth in employment opportunities. The growth rate of Ontario industry is projected at 3.4 per cent, with the manufacturing, retail and wholesale and construction sectors leading. Employment gains in 2000 should be widespread, with significant gains expected in the consumer-related retail, wholesale and transportation services. The growth in employment will be led by the automotive industry. On average, hourly wages are expected to increase by 2.2 per cent.

For the WSIB, the impact of this forecast is the continuation of a period of stability for premium revenues; the impact of declining premium rates will be partly offset by an increase in the total amount of assessable payroll.

The current level of stock markets suggests 2000 may be a year of considerable volatility. In this context, the WSIB has made conservative projections, which would seem appropriate at this time.

Financial performance is expected to remain positive. The funding ratio at the end of 2000 is expected to increase at the same pace as in 1999 and may exceed 66 per cent, the highest level since 1981 and in line with the unfunded liability strategy.

In 2000 the WSIB will continue to focus on three imperatives:

- Health and Safety – The WSIB will be the catalyst in the creation of the healthiest and safest workplaces in the world.
- Customer/Client Satisfaction – The WSIB will provide services and products in a manner that anticipates and responds fully to the needs of workplace parties.
- Financial Security – The WSIB will be financially secure in order to meet all its obligations to its customers and clients.

The WSIB has set its course upon an ambitious business transformation and is firmly committed to making the fundamental changes that are necessary to ensure that its focus is on its customers and clients, that its processes are cost effective and efficient, and that it is a financially secure organization providing the comprehensive range of products and services needed by Ontario workers and employers to achieve the healthiest and safest workplaces in the world.

BALANCE SHEET

December 31, 1999 ($ millions)	1999	1998
ASSETS		
Cash and cash equivalents	$ –	$ 61
Receivables	320	143
Investments (note 3)	9,552	8,607
Injured Workers' Retirement Fund (note 4)	332	273
Capital and other assets (note 5)	275	254
	$ 10,479	$ 9,338
LIABILITIES		
Payables and accruals	$ 516	$ 489
Mortgage payable (note 6)	74	74
Injured Workers' Retirement Fund (note 4)	332	273
Employee future benefit liability (note 11)	224	–
Benefit liabilities (note 7)	15,735	15,600
	16,881	16,436
UNFUNDED LIABILITY	(6,402)	(7,098)
	$ 10,479	$ 9,338

On behalf of the Board of Directors:

Glen Wright, Chair
Director

Eileen Mercier,
Director

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

STATEMENT OF OPERATIONS & UNFUNDED LIABILITY

For the Year Ended December 31, 1999 ($ millions)	1999	1998
CURRENT OPERATIONS		
REVENUES		
Premiums for current year	$ 1,707	$ 1,722
Investments (note 3)	1,065	997
	2,772	2,719
EXPENSES		
Benefit costs (note 7)	2,338	2,177
Net increase in the Injured Workers' Retirement Fund (note 4)	59	52
Administrative and other (note 9)	387	335
Legislated obligations and commitments (note 10)	145	126
	2,929	2,690
EXCESS / (DEFICIENCY) OF REVENUES OVER EXPENSES FROM CURRENT OPERATIONS	(157)	29
Premiums for unfunded liability	1,061	930
EXCESS OF REVENUES OVER EXPENSES APPLIED TO REDUCE THE UNFUNDED LIABILITY	904	959
Unfunded liability, beginning of year	7,098	8,057
Change in accounting policy (note 11)	208	–
Unfunded liability, end of year	$ 6,402	$ 7,098

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

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 1999 ($ millions)	1999		1998	
INVESTING CASH FLOWS				
Investment income	$ 411		$ 445	
Sale of investments	4,253		2,851	
Purchase of investments	(4,543)		(2,872)	
Net cash provided by investing activities		$ 121		$ 424
OPERATING CASH FLOWS				
Current Operations				
Cash received from:				
Current premiums	$ 1,618		$ 1,640	
Cash paid to:				
Claimants, survivors and care providers	(2,203)		(2,262)	
Injured Workers' Retirement Fund	(63)		(52)	
Employees and suppliers for administrative goods and services	(396)		(363)	
Others under legislated obligations & commitments	(143)		(124)	
	(2,805)		(2,801)	
Net cash required by current operations		(1,187)		(1,161)
Cash received from unfunded liability premiums		1,005		885
CASH REQUIRED BY OPERATIONS		(182)		(276)
Increase / (decrease) in cash and cash equivalents		(61)		148
Cash and cash equivalents, beginning of year		61		(87)
Cash and cash equivalents, end of year		$ –		$ 61

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 1999

1. NATURE OF OPERATIONS

The Workplace Safety & Insurance Board (WSIB) is a statutory corporation created by an *Act* of the Ontario Legislature in 1914. It 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 compensation to workers who sustain injuries arising out of and in the course of employment, or who contract occupational diseases.

The WSIB administers the *Workplace Safety and Insurance Act, 1997*, for two groups of employers, referred to as Schedule 1 and Schedule 2. Schedule 1 relates to services and industries in which employers are insured through "collective liability" and are required to contribute to the WSIB Insurance Fund whereas Schedule 2 relates to employers who are "self-insured" in that they are individually liable. The Federal Government, which is covered under a separate agreement with Human Resources Development Canada, is also treated as a Schedule 2 employer.

The WSIB pays the actual cost of claims for Schedule 2 workers and is reimbursed by those employers for the claims paid, as well as for the cost of prevention activities and administering the claims.

In addition, investment revenue is earned from a diversified investment portfolio held to meet future obligations on existing claims.

The WSIB does not receive government funding or other assistance and raises funds through premium rates being applied to the payrolls of Ontario's Schedule 1 employers covered under the *Workplace Safety and Insurance Act, 1997*. This funding provides compensation to workers or survivors of the workers who are injured in the course of employment or who contract an occupational disease.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires 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:

Cash and cash equivalents

Cash and cash equivalents are funds consisting of cash and money market instruments with initial maturities up to three months.

Investments

a) Bonds, coupons and mortgages

Bonds, coupons and mortgages are carried at amortized cost. In the case of mortgages, amortized cost is adjusted for principal repayments. Realized gains and losses on the sale of bonds, coupons and mortgages are deferred and amortized over the lesser of 20 years or the period to maturity of the security sold.

b) Equities and real estate

Equities and real estate are carried at cost adjusted towards fair value, using a five-year moving average market method. Realized gains and losses are deferred and amortized over a four-year period.

c) Short-term securities

Short-term securities consist of money market instruments with maturities between three and twelve months and are carried at cost. Gains and losses from sales are included in income in the year they occur.

d) Foreign currency translation

Transactions in investments denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the time of the transaction. The cash and cash equivalents are translated to Canadian dollars at the exchange rate in effect at the balance sheet date.

Fair values of investments

Fair values of investments are determined as follows:

Bonds and equities are valued at 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.

Short-term notes, treasury bills and term deposits maturing within a year are valued at cost, which together with accrued interest income approximates fair value given the short-term nature of these instruments.

Real estate is valued based on appraised values conducted on a cyclical basis.

Pooled fund investments are valued at the unit values supplied by the pooled fund administrator, which represent the WSIB's proportionate share of underlying net assets at fair values determined using closing market prices.

Fair value of other financial assets and liabilities

The fair values of other financial assets and liabilities, being cash, receivables, bank indebtedness, payables and accrued liabilities approximate their carrying values due to the short-term nature of these instruments.

Injured Workers' Retirement Fund

Investments held in the Injured Workers' Retirement Fund are carried at fair value. Changes in fair values are taken into income of the Injured Workers' Retirement Fund in the year they occur or are realized.

Capital assets and depreciation

Capital assets are stated at cost. Capital assets are depreciated using the straight-line method at rates calculated to expense the cost of assets over their estimated useful lives which, in the case of buildings and equipment, are 20 years and 5 years respectively. Buildings are carried at cost and include development, financing and other costs capitalized prior to becoming fully operational, at which time depreciation commences.

Premium revenue

Under the *Workplace Safety and Insurance Act, 1997*, the Board shall determine the total amount of the premiums to be paid by all Schedule 1 employers with respect to each year in order to maintain the Insurance Fund under this *Act*.

Premium revenue is determined on the basis of estimated and actual payrolls for employers included in Schedule 1 of the *Workplace Safety and Insurance Act, 1997*, adjusted for claim experience where relevant.

Schedule 2 employers are individually liable to pay the benefits under the *Workplace Safety and Insurance Act, 1997*, with respect to the workers employed. Reimbursements for claims paid and cost of administering the claims are included in the premiums of the WSIB.

Premiums for unfunded liability

In advance of the fiscal year, the WSIB notifies Schedule 1 employers of the methods used to calculate these rates, the premiums payable and the payment schedule. Premium rates include a specified component that is applied to reduce the unfunded liability.

Benefit liabilities

The benefit liabilities are determined annually through an actuarial valuation and represent a provision for future payments relating to claims incurred on or before December 31. The provision has been obtained by estimating future benefit payments in accordance with the adjudication practices in effect at December 31, 1999 and is based on legislation enacted January 1, 1998. For the first time, benefit liabilities include a provision for the future costs of administering existing claims estimated at 5.5 per cent of the total benefit liabilities.

The benefit liabilities do not include any provision for payment of claims relating to Schedule 2 employers as they are a liability of Schedule 2 employers.

Benefit liabilities also make no provision for future claims related to occupational diseases and injuries that are not currently considered to be work related.

3. INVESTMENTS AND INVESTMENT REVENUE

The carrying value of investments comprises investments at cost of $10,230 million (1998: $9,597 million) including accrued investment income, plus adjustments towards fair value of $574 million (1998: $447 million), less unamortized net gains realized on the sale of investments of $1,252 million (1998: $1,437 million). Investments by category are as follows:

($ Millions)	1999 Carrying Value	1999 Fair Value	1998 Carrying Value	1998 Fair Value
Fixed Income Securities				
Bonds	$ 3,524	$ 3,879	$ 3,181	$ 3,847
Mortgages	2	2	6	6
	3,526	3,881	3,187	3,853
Equities				
Domestic	2,964	3,778	2,638	3,032
Foreign- U.S.	562	1,049	367	919
- Global	2,185	2,961	2,085	2,606
	5,711	7,788	5,090	6,557
Real Estate	235	273	255	271
Short-term Securities				
Money market instruments	7	7	1	1
Accrued investment income	73	73	74	74
	$ 9,552	$ 12,022	$ 8,607	$ 10,756

The WSIB engages in a securities lending program whereby securities are loaned to borrowers, approved by the WSIB and the custodian, for a fee, against high quality collateral. At December 31, 1999, the fair value of securities on loan was $1,816 million (1998: $2,505 million).

Foreign investments are exposed to currency risk. Derivative instruments are used for the sole purpose of hedging foreign currency transactions to better manage and reduce currency risk. Such instruments are valued at year-end market prices. The notional amount of foreign currency contracts hedging investments in foreign currencies totalled $73 million at December 31, 1999 (1998: $321 million). Their related replacement value at year-end was $71 million (1998: $323 million). The contracts mature in the first three months of 2000.

Bonds by term to maturity as at December 31:

($ Millions)	Term to maturity: Up to 1 year	1 - 5 years	5 - 10 years	Over 10 years	1999 Total	1998 Total
Government bonds						
Carrying value	$4	$1,512	$836	$836	$3,188	$3,080
Fair value	$4	$1,491	$815	$808	$3,118	$3,227
Yield %	5.7	6.1	6.4	6.5	6.3	5.0
Corporate bonds						
Carrying value	$4	$331	$218	$233	$786	$600
Fair value	$5	$323	$211	$222	$761	620
Yield %	5.6	6.6	6.7	6.8	6.7	5.5
Less: Unamortized gain					450	499
Total						
Carrying value					$3,524	$3,181
Fair value					$3,879	$3,847
Yield %					6.4	5.1

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

Revenue by category of investment is as follows:

($ Millions)	1999	1998
Bonds	$ 262	$ 275
Equities	797	725
Short-term securities	4	2
	1,063	1,002
Injured Workers' Retirement Fund	23	15
Investment expenses	(21)	(20)
Investment revenue	$ 1,065	$ 997

In 1999, $706 million (1998: $612 million) of realized and unrealized net gains were amortized to investment revenue.

4. INJURED WORKERS' RETIREMENT FUND

Under section 44 of the *Workers' Compensation Act* and Regulations of Ontario, R.S.O. 1990 (which continues to apply to injuries and diseases prior to January 1, 1998) the WSIB sets aside funds equal to 10 per cent of every payment made to injured workers under section 43 of that *Act*. In accordance with the provisions of that *Act*, these funds are segregated from the WSIB's Insurance Fund and are invested to provide for retirement income benefits for injured workers.

Under section 45 of the new *Workplace Safety and Insurance Act, 1997*, effective January 1, 1998, the WSIB set aside 5 per cent rather than 10 per cent of workers' loss of earnings benefits for his/her retirement fund for new claims. The injured workers may choose to contribute a further 5 per cent from their loss of earnings benefits. The amount is set aside only after the worker has received payments for loss of earnings for 12 continuous months. Since the *Workplace Safety and Insurance Act, 1997* took effect January 1, 1998, the 5 per cent set-aside first occurred on January 1, 1999.

The fair value of the fund at December 31 is as follows:

($ Millions)	1999	1998
Cash	$ 4	$ 4
Bonds	117	114
Equities - Domestic	120	91
Foreign Global	61	51
Money market Instruments	28	11
Accrued investment income	2	2
	$ 332	$ 273

In 1999, the net increase in the Injured Workers' Retirement Fund was $59 million (1998: $52 million). This net increase resulted from funds set aside pursuant to section 44 of the *Act* in the amount of $44 million (1998: $44 million) together with $23 million (1998: $15 million) earned on its investments, less $8 million (1998: $7 million) paid as retirement pensions.

Bonds by term to maturity

($ Millions)	Term to maturity					
	Up to 1 year	1 -5 years	5 - 10 years	Over 10 years	1999	1998
Government bonds						
Fair value		$28	$20	$23	$71	$77
Yield %		6.1	6.5	6.5	6.3	5.1
Corporate bonds						
Fair value	$3	$23	$ 6	$14	$46	$37
Yield %	5.9	6.6	7.0	7.3	6.7	7.4
Total						
Fair value					$117	$114
Yield %					6.5	6.4

5. CAPITAL AND OTHER ASSETS

($ Millions)	1999 Cost	1999 Net Book Value	1998 Net Book Value
Buildings and leasehold improvements	$ 211	$ 163	$ 165
Equipment	174	55	32
	385	218	197
Other assets	57	57	57
	$ 442	$ 275	$ 254

Depreciation expense in 1999 was $27 million (1998: $20 million).

6. MORTGAGE PAYABLE

The WSIB is a 75 per cent participant in the co-ownership agreement of its head office building. To partially fund the development and construction of the building, 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.

7. BENEFIT LIABILITIES AND BENEFIT COSTS

Benefit liabilities represent an actuarially determined provision for future benefit payments relating to incurred claims which were discounted to present value at the assumed net investment returns as shown below. Estimates of future benefit payments refer to both reported and unreported claims which have arisen from work-related accidents and occupational diseases that occurred on or before December 31, 1999 and are based on the level and nature of entitlement, as prescribed by legislation enacted January 1, 1998, and on adjudication practices in effect at December 31, 1999.

The benefit liabilities were determined using accepted actuarial practices in accordance with the standards established by the Canadian Institute of Actuaries.

The actuarial present value of future benefit payments reflects long-term estimates of economic and actuarial assumptions and methods, which were based upon past experience, modified for current trends. As these assumptions may change over time to reflect underlying conditions, 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:

Mortality was estimated based on the WSIB's mortality experience of 1991 - 1995 for injured workers and on the Ontario Life Tables adjusted on the basis of WSIB's mortality projections for survivors of deceased workers. Full provision has been made for the effect of future increases in the covered earnings ceiling and indexation of benefits.

Management believes the amount provided for future payments of incurred claims to be adequate. Long-term economic and actuarial assumptions and methods are reviewed annually at December 31 of each year, when independent actuarial valuations are performed. The actuarial cost of claims for reported and unreported work-related accidents that occurred in the year are recorded under benefit costs, together with adjustments, if any, resulting from the continuous review of entitlements, experience, or from changes in legislation, assumptions or methods. Future claims administration costs, provided at 5.5 per cent of the actuarially determined benefit liabilities, are $820 million (1998: nil).

	1999	1998
Inflation rate	3%	4%
Rate of indexation of benefits		
- Fully indexed	3%	4%
- Partially indexed	0.5%	1%
Net Investment return		
- Fully indexed	4%	3%
- Partially indexed	6.5%	6%
Wage and health care costs escalation rate	4%	5%

Benefit liabilities provision and benefit costs paid in 1999 were as follows:

($ Millions)	1999 Long-term Disability	1999 Labour Market Re-entry Income Support	1999 Labour Market Re-entry External Providers	1999 Short-term Disability	1999 Health Care	1999 Survivor Benefits	1999 Claims Administration Costs	1999 Total	1998 Total
Benefit liabilities,									
Beginning of year	$11,440	$790	$205	$488	$1,271	$1,406	–	$15,600	$15,685
Benefit costs	912	(38)	64	318	238	24	820	2,338	2,177
Benefit costs paid,									
During the year									
- Schedule 1	(1,197)	(123)	(43)	(286)	(229)	(108)	–	(1,986)	(2,045)
- Schedule 2	(110)	(10)	(2)	(47)	(26)	(14)	–	(209)	(210)
- Injured Workers' Retirement Fund	(8)	–	–	–	–	–	–	(8)	(7)
	(1,315)	(133)	(45)	(333)	(255)	(122)	–	(2,203)	($2,262)
Benefit liabilities,									
End of year	$11,037	$619	$224	$473	$1,254	$1,308	$820	$15,735	$15,600

Benefit costs paid include the following:

($ Millions)	Schedule 1 1999	Schedule 1 1998	Schedule 2 1999	Schedule 2 1998
Long-term disability				
- Worker pensions	$ 572	$ 578	$ 63	$ 63
- Supplements	245	251	19	18
- Future economic loss	300	290	19	19
- Non-economic loss	80	79	9	9
	1,197	1,198	110	109
Labour Market Re-entry				
- Income support	123	185	10	13
- External provider	43	42	2	3
	166	227	12	16
Short-term disability	286	241	47	41
Health care				
- Health care	211	188	24	21
- Medical reports	18	18	2	2
	229	206	26	23
Survivor benefits	108	173	14	21
	$ 1,986	$ 2,045	$ 209	$ 210

8. ACTUARIAL RECONCILIATION OF THE CHANGE IN THE UNFUNDED LIABILITY

The actuarial reconciliation of the change in the unfunded liability is as follows:

($ Millions)		1999		1998
Unfunded liability, beginning of year		$ 7,098		$ 8,057
Add / (deduct):				
Investment income not earned due to shortfall in invested assets		499		569
Premiums allocated to reduction of unfunded liability		(1,061)		(930)
Experience losses (gains) resulting from:				
Indexation of benefits less than expected		(69)		(231)
Higher than expected interest rates		(408)		(400)
Prior and current year's claims experience and other sources		(16)		(93)
Other increases / (decreases):				
Changes in assumptions				
Net investment returns	$ (775)		$ -	
Other changes	106	(669)	126	126
Future claims administration costs		820		-
Change in accounting policy (note 11)		208		-
Unfunded liability, end of year		$ 6,402		$ 7,098

9. ADMINISTRATIVE AND OTHER EXPENSES

Administrative and other expenses consist of the following:

($ Millions)	1999	1998
Salaries and employee benefits	$ 259	$ 227
Equipment depreciation and maintenance	30	22
Occupancy	31	29
Communication	12	11
Supplies and services	13	16
Miscellaneous	10	11
Travel and vehicle maintenance	6	5
Year 2000 project	26	8
	387	329
Restructuring	0	6
	$ 387	$ 335

10. 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 the administrative cost of the *Occupational Health and Safety Act*. In addition, the WSIB is also required to fund the operating costs of the Workplace Safety and Insurance Appeals Tribunal, the Offices of the Worker and Employer Adviser and the mine rescue stations. The amounts of reimbursements and funding are determined and approved by the Minister of Labour. The WSIB is also committed to provide funding for the Institute for Work and Health and for the Safe Workplace Associations. The total amount of funding provided under these legislated obligations and commitments in 1999 was $145 million (1998: $126 million).

Investments

Included in investments are marketable fixed income securities issued by the Ontario provincial government and related corporations of $362 million (1998: $298 million).

Other

In addition to the legislated obligations and accident prevention 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 with which the WSIB may be considered related. Such transactions are conducted on terms and conditions similar to those transactions with unrelated parties. Account balances resulting from these transactions are not significant.

11. EMPLOYEE FUTURE BENEFIT LIABILITY

Previously the costs of providing these post retirement benefits were charged to income as the expenditures were incurred. In 1999 WSIB changed its accounting policy for employee future benefits other than pensions based on the new CICA accounting standard for "Employee Future Benefits" which is required for fiscal years commencing January 1, 2000. Under the new policy, costs for employee future benefits other than pensions are required to be accrued over the periods in which the employees render services in return for these benefits. This change has been applied retroactively effective January 1, 1999.

The current year's expense incurred for these employee future benefits other than pensions has increased by $16 million as a result. The cumulative effect of this accounting policy change as of January 1, 1999, is an increase in the employee future benefit liability of $208 million and an increase in the unfunded liability by the same amount. As the effect of this accounting policy change was not reasonably determinable, the comparative statements have not been restated to reflect this change.

At year end 1999, the WSIB's employee future benefit obligation other than pensions was as follows:

Accrued benefit obligation	$224 million

The significant actuarial assumptions adopted to measure the WSIB's employee future benefit obligation other than pensions were as follows:

Discount rate	6%
Health care cost trend rate	
-medical	5%
-dental	4%

12. COMMITMENTS AND CONTINGENCIES

Operating leases

At December 31, 1999, the WSIB was committed under non-cancellable operating leases requiring future minimum payments of approximately $17 million per year over the next 5 years and aggregating $37 million thereafter.

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.

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 1999.

Year 2000 Issue

The year 2000 Issue arises from computing and microchip circuitry that use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900, or some other date, resulting in errors when calculations using Year 2000 are performed. In addition, similar problems may arise in some systems that use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the year 2000 Issue affecting the WSIB, including those related to the efforts of its customers, suppliers, or other third parties have been fully resolved.

13. PENSION PLANS

The WSIB has two pension plans for its employees and safe workplace associations: the WSIB Employees' Pension Plan and the WSIB Employees' Supplementary Pension Plan.

The WSIB Employees' Pension Plan is a contributory defined benefit pension plan which provides for partially indexed pensions based on years of service and earnings rates near retirement. The investment activities and the administrative and accounting matters of the pension plan are administered by the WSIB.

An independent actuarial valuation performed as of December 31, 1999 has determined that the pension plan is in a surplus position. The accrued pension obligations of the contributory defined benefit plan reflect management's estimates of salary escalations, investment rate of return, mortality of members, terminations, and the ages at which members will retire.

As at December 31, 1999, the pension plan's funded status was as follows:

($ Millions)	1999	1998
Pension assets	$ 1,042	$ 962
Accrued pension obligations	$ 831	$ 701

The WSIB's Employees' Supplementary Pension Plan is a contributory defined benefit plan and was created to ensure that employees of the WSIB whose earnings exceed the threshold earnings for the maximum pension benefit permitted under the *Income Tax Act (Canada)* receive pension benefits based on their total earnings. The investment activities and the administrative and accounting matters of the supplementary pension plan are administered by the WSIB.

As at December 31, 1999, the supplementary plan's funded status was as follows:

($ Millions)	1999	1998
Pension assets	$ 0.5	$ 0.2
Accrued pension obligations	$ 7.8	$ 5.0

RESPONSIBILTY FOR FINANCIAL REPORTING

The accompanying financial statements were prepared by management in accordance with generally accepted accounting principles, consistently applied, and include some amounts based upon management's best estimates and judgements. 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 Committee, to ensure that management fulfils these responsibilities. The Audit 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 Branch performs audits designed to test the adequacy and consistency of the WSIB's internal controls, practices and procedures.

The external auditors, KPMG LLP, working under the direction of the Provincial Auditor, have performed an independent audit of the financial statements of the WSIB in accordance with generally accepted auditing standards. Their report outlines the scope of this independent audit and their opinion on the financial statements of the WSIB.

Eckler Partners Ltd., the independent consulting actuaries to the WSIB, express an opinion on the adequacy and appropriateness of the valuation of the WSIB's benefits liability.

David Williams
President and
Chief Executive Officer

Thomas Chan
Vice-President,
Finance and Corporate Services
and Chief Financial Officer

March 3, 2000

AUDITORS' REPORT

KPMG

To the Workplace Safety and Insurance Board,
the Minister of Labour,
and to the Provincial Auditor

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 Provincial Auditor or under his direction by an auditor appointed by the Lieutenant Governor in Council for that purpose, we have audited the balance sheet of the WSIB as at December 31, 1999 and the statements of operations and unfunded liability and cash flows for the year then ended. These financial statements are the responsibility of WSIB 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 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 financial statements present fairly, in all material respects, the financial position of the WSIB as at December 31, 1999 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Toronto, Canada
March 3, 2000

CONSULTING ACTUARIES' REPORT

Eckler Partners Ltd.

Consulting Actuaries' Report on the Valuation of the Benefits Liabilities of the Schedule 1 Insurance Fund of The Workplace Safety and Insurance Board of Ontario as at December 31, 1999

We have determined the estimated present value as at December 31, 1999 of future payments for short term disability, long term disability, labour market re-entry, survivor benefits, health care and retirement income benefits under Schedule 1 on account of accidents that occurred on or before that date to be $14,915 million. We have examined the data upon which the calculations were based and found them to be sufficient and reliable for the purposes of the valuation and consistent with the WSIB's financial statements. We consulted with the Chief Actuary in selecting appropriate assumptions and methods for the valuation. As in previous valuations, the present value does not include provision for future claims related to occupational disease or for future costs of administering the current claims.

We understand that this year the Board will be making a separate provision for the future costs of administering the current claims. WSIB management has determined the provision for future claims administration costs to be $820 million as at December 31, 1999. We believe that it is prudent and appropriate to establish a provision for the future costs of administering the current claims, although we are not able to provide an opinion with respect to the adequacy of the provision at this time.

The present value reported above includes the liability for benefits under Bill 162 which came into effect as of January 2, 1990. For the purpose of this valuation, we continue to use the same assumptions as were used in the previous valuation regarding the average percentage of permanent impairment of workers becoming eligible for compensation for non-economic loss under section 42, of the average percentage wage loss of workers becoming eligible for compensation for future loss of earnings under section 43 and of the portions of compensation for future loss of earnings under section 43 and of supplemental pensions under section 147(4) of the Act which will be continued following the reviews 24 months and 60 months after the benefits commence.

The present value also takes into account the provisions of Bill 165, which came into effect as of January 1, 1995 and the provisions of Bill 99, which came into effect as of January 1, 1998.

The valuation was based on the provisions of the Workplace Safety and lnsurance Act and on the WSIB's administrative practices in effect as of January 1, 2000. Full provision has been made for potential future increases in the covered earnings ceiling and in the level of compensation as provided under the Act by using a net investment return assumption of 4 per cent per annum with respect to fully indexed benefits and 6.5 per cent per annum with respect to partially indexed benefits. The rates of net investment return were determined on the assumption that investment income in excess of these rates will be required to finance indexation of those benefits related to inflation. The long-term rate of general price inflation assumed in the valuation was 3 per cent per annum, and the rate of indexation of benefits was therefore assumed to be 3 per cent per annum for fully indexed benefits and 0.5 per cent per annum for partially indexed benefits.

In the previous valuation, the long-term rate of general price inflation was assumed to be 4 per cent per annum and the valuation was based on a net investment return assumption of 3 per cent per annum with respect to fully indexed benefits and 6 per cent per annum with respect to partially indexed benefits. For the purpose of this year's valuation, the long-term inflation assumption was reduced to 3 per cent per annum and the net investment return assumption was increased to 4 per cent per annum with respect to fully indexed benefits and 6.5 per cent per annum with respect to partially indexed benefits, to better reflect the current underlying economic conditions. The effect of this change was a reduction in the liabilities of $775 million.

It was assumed that survival on Loss of Earnings benefits will follow WSIB experience for the years 1991-1996, modified after one year so that 6 per cent of lost time accidents continue to receive benefits after two years. Following the two-year period, the renewal rate would decrease annually at an average rate of 10 per cent until it reaches 60 per cent six years after the date of accident.

Except as described above, the methods and assumptions employed in the valuation were consistent with those used in the previous valuation, after taking account of changes in claim patterns. A complete description of the methods and assumptions employed in the valuation will be provided in our detailed report to the Board on the valuation.

In our opinion, the assumptions made in this valuation are appropriate, the methods employed are in accordance with sound actuarial principles and the amount of $14,915 million as at December 31, 1999 makes reasonable provision for future payments for short term disability, long term disability, labour market re-entry, survivor benefits, health care and retirement income benefits under Schedule 1 on account of accidents that occurred on or before December 31, 1999.

David A. Short, F.S.A., F.C.I.A.

Jill M. Flicht, F.S.A., F.C.I.A.

Actuaries with the firm of Eckler Partners Ltd.

March 3, 2000

TEN-YEAR HISTORY

Workplace Safety and Insurance Board
Ten-Year Summary of the Statements of Operations and Unfunded Liability

($ millions)

	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
REVENUES										
Premiums for current year (see note below)	$ 1,707	$1,722	$1,886	$1,917	$1,953	$1,864	$1,969	$2,171	$2,505	$2,596
Investment	1,065	997	849	711	593	499	521	453	450	440
	2,772	2,719	2,735	2,628	2,546	2,363	2,490	2,624	2,955	3,036
EXPENSES										
Benefits paid	2,203	2,262	2,249	2,371	2,385	2,331	2,435	2,444	2,342	2,059
Net increase (decrease) in benefits liability	135	(85)	(1,740)	50	(150)	(75)	400	760	1,440	1,220
Net increase in the Injured Workers' Retirement Fund	59	52	48	49	49	29	30	14	2	–
	2,397	2,229	557	2,470	2,284	2,285	2,865	3,218	3,784	3,279
Administrative and other	387	336	341	321	339	331	343	347	343	323
Legislated obligations	145	125	117	98	113	104	100	97	87	53
	2,929	2,690	1,015	2,889	2,736	2,720	3,308	3,662	4,214	3,655
EXCESS / (DEFICIENCY) OF REVENUES OVER EXPENSES	(157)	29	1,720	(261)	(190)	(357)	(818)	(1,038)	(1,259)	(619)
Premiums for unfunded liability (see note below)	1,061	930	683	693	700	487	314	357	–	–
Excess of revenues over expenses - applied to reduce the unfunded liability	904	959	2,403	432	510	130	(504)	(681)	(1,259)	(619)
Unfunded Liability beginning of year	7,098	8,057	10,460	10,892	11,402	11,532	11,028	10,347	9,088	8,469
Change in accounting policy	208	–	–	–	–	–	–	–	–	–
Unfunded Liability end of year	$6,402	$7,098	$8,057	$10,460	$10,892	$11,402	$11,532	$11,028	$10,347	$9,088

Note: Premiums were not segregated into current and unfunded liability components for 1990 to 1991.

OTHER STATISTICS

	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Schedule 1										
Average rate of assessment (per $100 of payroll)	$2.42	$2.59	$2.85	$3.00	$3.00	$3.01	$2.95	$3.16	$3.20	$3.18
Total assessable payroll ($ millions)	$101,654	$96,205	$91,497	$86,844	$86,065	$82,818	$84,243	$83,048	$80,727	$80,352
Number of WSIB employees as at December 31	4,260	4,057	3,966	4,373	4,597	4,603	4,751	4,909	5,139	5,138
Number of registered claims	364,069	342,687	341,178	345,606	371,837	370,444	368,485	377,019	409,946	473,407

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