The Liversidge Letter

An *Executive Briefing* on Emerging Workplace Safety and Insurance Issues

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Interview with former WSIB President & CEO David Marshall

The interview, Part 2

My interview with former WSIB President and CEO David Marshall continues.

The Funding Review

LAL: For a long time, starting in November 2008, I was pushing the Board to organize what I called a "**Funding Summit**." I repeated that suggestion in more detail in April 2010 when I outlined my views on why the 2014 Funding Strategy failed (see the April 19, 2010 issue of **The Liversidge Letter**, ***The WSIB 2014 Funding Plan - Why it Failed***). I shared those thoughts with you at the time (and again just before this discussion). As I re-read those ideas now, I am struck at how this suggestion dovetailed with your actual approach, which took shape shortly after. I liked my suggested approach but yours was better.

In cooperation with the government and the Board, Dr. Harry Arthurs was engaged for a long-term **Funding Review**, kicking off in 2010 and reporting in early 2012. This was a remarkable process and I was pleased to participate in it from the beginning. It was an enormous undertaking. The entire **Funding Review** process was conceptually linked to the themes you introduced in February 2010. Why did you believe that a third-party advisory process was important? How did it assist you?

DM: I was very open to, and very intrigued with, your idea of a funding summit. I thought that it was a brilliant idea. Steve's idea was the advisory committees, which was a good one, but the funding summit, which was the key to the whole success, came from you. I built on it, changed it, refined it, but I thought it was a wonderful way to just get everybody together in one room and hear each other about the issues that we were facing.

LAL: The Arthurs review was a game-changer. There was a bit of a risk baked into that. Why did you think a third-party advisory process was important? I know you wanted to get a buy-in. How did that process ultimately assist you? Because of a lot of what you did, you would have done notwithstanding the funding review. How was the process instrumental to helping you save the workers' comp system? I don't want to embarrass you, but I think that is exactly what you did – save the system. How did the funding review fit in to helping you with your mission? You took an interesting step and directly engaged in the process, not simply as the provider of information and resources, which you did, but through the provision of ideas and suggestions, formally and publicly, not behind-the-scenes or through a back door. I am referring to your personal June 6, 2011 memorandum to the Funding Review entitled, "**Position Papers for the Harry Arthurs Funding Review**," along with three accompanying policy discussion papers. The entire document runs 125 pages. It seems that this memorandum and the attached policy papers, for some reason, are no longer available on the Board's webpage. However, I have an archived copy and have placed it on my website (here). You personally described these papers in your memo:

> **The first, entitled Perspectives on the Unfunded Liability** at WSIB, provides analysis and commentary on the pros and cons of maintaining an Unfunded Liability in the WSIB Insurance Fund. It presents the opinion of the WSIB management team. It concludes that the interests of injured workers, employers and good public policy is best served by full funding of WSIB's Insurance Plan. It also suggests that the magnitude of the challenge and the uncertainties which lie in the future would dictate that WSIB should aim to reach a substantial level of funding within the five to eight year timeframe and then move incrementally above that to 100%.
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> **The second paper is entitled Concept Design Paper for Funding of the Workplace Safety and Insurance Board** (WSIB). It has been prepared by Richard LaRoche of Eckler Ltd. This paper proposes a means to achieving full funding for the WSIB. It proposes that the existing liability of the WSIB be ring-fenced and retired with a defined premium similar to

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retiring a mortgage. New claims each year should be fully funded going forward. A scenario is also provided to show the impact on funding and premium rates of increasing benefits for injured workers by way of fully indexing partially disabled worker pensions. The paper describes how such a plan would work and what funding policies should be adopted to implement it.

The third paper, entitled A Pricing System Conceptual Design for Moving Forward, has been prepared by Bruce Neville of Nexus Actuarial Consultants Ltd. This paper seeks to deal with the issue that the current classification, rate group and premium setting process at the WSIB, including the Experience Rating process, have become cumbersome, non-responsive to changes in the economy and workplace, and lack the trust and confidence of employers. Basic principles of a sound Rate Setting system and Experience Rating system are outlined. The existing system is critiqued against these criteria, and a new and better system is proposed and also compared to the basic principles. The proposed system design eliminates Rate Groups and Experience Rating and goes directly to assessing employers a premium rate linked to their claims experience. The proposed system elegantly incorporates the principles of collective liability and provides a structured series of messages to employers if their cost behaviour deviates from norms. Employers are encouraged to take corrective action without the need for a cumbersome Experience Rating system or behaviours not in the best interests of workers.

In my view, this was an extraordinary move – to provide a *de facto* external review with the Board's own detailed and researched views with, in your words, "*the intent of eliciting scrutiny and debate*." In **Funding Fairness**, Harry Arthurs commented on your papers (at p. 11):

Finally, subsequent to the hearings, WSIB management, in its capacity as an interested party or stakeholder, filed three position papers that it either wrote or commissioned. These position papers were treated like any other submission.

This affirms the unimpeachable integrity and independence of the **Funding Review**, but also the depth to which you went to be entirely transparent. Words like "transparency" are often repeated today but rarely practiced in the same manner.

DM: So, Les, there was a, sort of, fundamental fork in the road, and that was: *Did we need to be fully funded or not?* There was a very strong lobby that said we don't need to be fully funded. (**LAL:** Yes, I very much recall). The WSIB Board itself was of that position. That this was all, you know, a lot of noise over nothing, that we were able to pay our bills, there was no need to be fully funded. If I could not get the Board's opinion to be changed, then all of this was useless. There would be no point. We could fiddle at the margins, and at this point, I kind of became very seized with the need to fix this place, and I had to get outside stakeholder confirmation, buy-in that you had to be fully funded. If I could not get that then I was finished. So that was the big driver, and then everything else was in support of what we were doing well and what could do better or worse in terms of getting to full funding. So that was the big driver, and that was behind those papers I wrote. I personally wrote the paper on whether we should be fully funded or not.

Steve Mahoney became a supporter of having the consultation, and he brought John Tory onto the advisory panel. John made a few remarks, which I cheered from the sidelines, which was that the WSIB Board of Directors had been "asleep at the switch." He made that comment, and to a large extent it kind of became much more useful than I had originally envisaged because it allowed us to become transparent about our actuarial situation. I think that is the place where we talked about our discount rate as well (**LAL:** Yes), about you know, the durations and so on, but quite soon into my mandate. I wanted to understand what precursor types of claim conditions would impact our financial results down the street. So, I needed an analysis of our data. I was joined by a brilliant statistician by the name of Dr. Eugene Wen. Eugene was both a medical doctor specializing in epidemiology as well as holding a doctorate in Statistics. He led the work and came up with a few key observations based on our data. Some of them were easy to understand.

For example, if a person didn't speak English, they would stay on claim 20% longer than someone with the same injury who did speak English. It was understandable if you only spoke Portuguese, you were injured, it was harder to find another job easily. But one thing Eugene came up with, which incidentally was corroborated by literature later, was that there was a clear demarcation line at 90 days. The data showed that if a person was off 90 days after injury, the chances that they would go back to work dropped by 50%. If we were going to be focused on getting injured workers back to work, we've got 90 days, basically.

So enough with fiddling around with 80% of the claims, which had either no lost time or only 1-5 days of lost time from work. Let's approve them, especially if the employer was not objecting to the fact that it was a legitimate workplace injury. So, we put into the computer system an automatic approval of claims of that nature, and then we started to focus on how we were getting people back to work. That is where we developed the Programs of Care. We didn't want to wring our hands about what was needed, but also, we did not want to let that person wander around in the medical system navigating all the silos on their own. So, we took a very proactive view of recovery. The Programs of Care were designed to provide immediate medical care for the most common types of injury, covering 90% of injury types. They were developed in cooperation with medical advisors and care providers and represented the best evidence-based care.

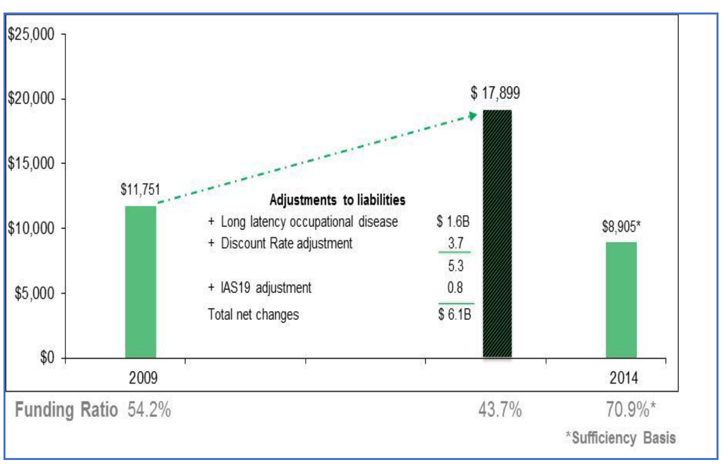
Next, based on John Slinger's advice, we re-patriated the return to work (RTW) role, that is the role of helping advise workers on how to get their jobs back after an injury or if necessary to train workers to do an alternative job so they could continue a productive career. Since 1998 that role had been outsourced to external providers. You know, you can have as many smarts as you want, but you've got to have a little luck on your side. Imagine getting approval from the Department of Labour, Deputy Minister Cindy Morton and others to hire 300 people to do RTW internally.

We said look, if we can achieve about the same level of durations as we had prior to 1998 when the function had remained internal to WSIB, that would be a very good thing to do. So, we clawed back the RTW functions from the outside agencies that were doing that for us, and we did something else, Les. We actually got our newly hired staff to visit companies to help workers return to work. We made a staggering 25,000 on-site visits a year with companies to help negotiate a return to work for injured workers.

Most organizations in Ontario are small businesses, so they could not take someone back who could not do a full day's job. We understood that, and so we went and talked to the owners and said, well, Charlie is a good worker, the owner would say: absolutely, we miss him, but we can't afford to pay him unless he can do a full day's work. So, we said, what can he do for you? Maybe call on clients, maybe do some training? In other words, we negotiated with businesses to give the worker some light work while they were recovering, and we agreed to top up the difference in compensation that they could afford to pay him. Up to the 85% loss of earnings (LOE). In other cases, we paid to retrain workers for an alternative job.

So, there were a whole series of steps we took, geared toward what would get the person back to work earlier and safely, all going on in the background while this funding review was proceeding.

We had given the AG a blueprint of what we were going to do and when. It was a risk, but I was used to that. Nothing great can be accomplished without risk. Often the goals seem completely impossible, and then you know, thankfully, you have succeeded. So that was going on in the background. Les, I have a couple of slides that can help illustrate the story. Can I project them for you here? **DM** shared screen.



DM: I extracted these slides last night, but they were put together by our CFO at the time. The UFL was bigger than we thought. When I took over, the official UFL was about $12 billion, then we got hit with a series of liabilities that had not been taken into account.

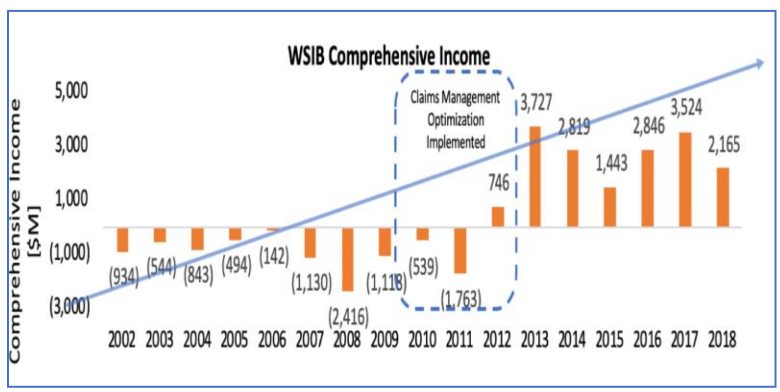
As shown in the chart, we had to correct the unrealistic discount rate that was being used, which added $3.7 billion to the unfunded liability.

Next, we had to take into account the impact of long-latency occupational diseases in our liability which had not been taken into account, which added $1.6 billion to the liability. Finally, there was an accounting rule that the international accounting standards people brought up that added $800 million to the liability.

When the final calculation was made, based on advice from an external **Actuary Advisory Committee**, which we created, we had to add $6.1 billion to the original UFL, so we were really dealing with an unfunded liability at WSIB of $17.9 billion dollars of UFL, not the $12 billion that everyone talked about.

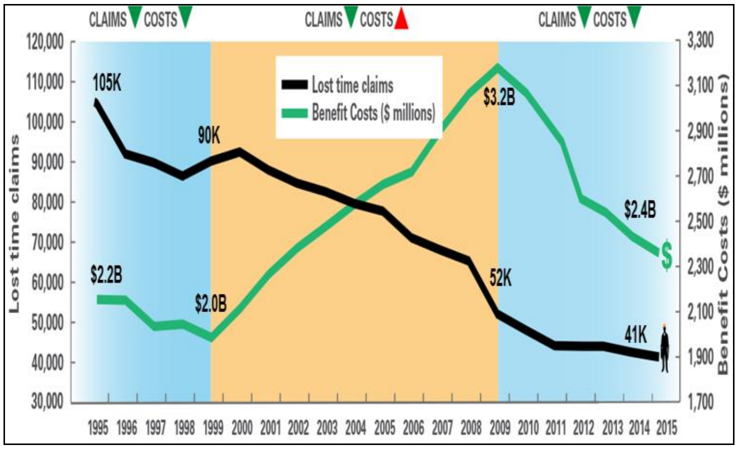
You can imagine how much agony this caused us but I couldn't really use this number publicly because, you know, it would start to sound like I was just exaggerating things, and then, we would have a whole argument around this.

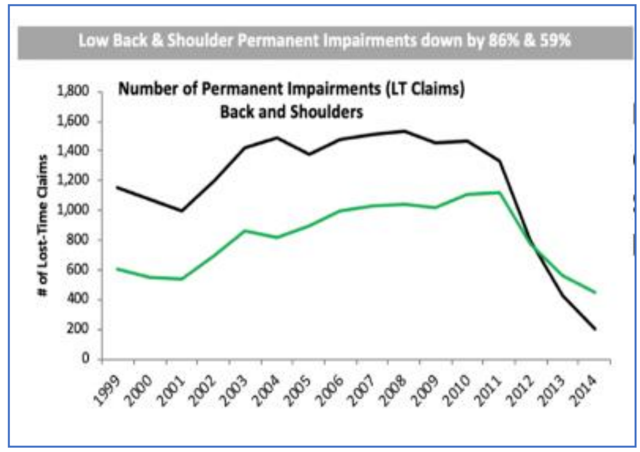
I just left it alone and kept dealing with the challenge of somehow finding nearly $18 billion dollars internally. (Incidentally, C.D. Howe, in a study published on March 22, 2012 titled, "*The Hole in Ontario's Budget: WSIB's Unfunded Liability*," estimated WSIB's UFL at $19B. They were closer to the truth than they knew!)



DM: If you look at this graph (above) you see the 10 years the AG talked about - $900 million in average annual losses. In 2010 and 2011 we showed losses because we had to take those big charges for increasing the UFL, but underneath it we had actually turned the corner.

In 2012 we had three quarters of a billion in surplus; in 2013 the surplus reached $3.7B and we never went into deficit again as long as I served as CEO. How did that happen?





Lost time injuries kept coming down throughout the roughly 20-year period 1996 – 2015 (in the chart above). You see three periods of claims management:

- 1996 - 1998: Costs keep pace with declining injuries;
- 1998 – 2009: Injuries decline but costs go up;
- 2010 – 2015: Injuries decline but costs also decline - a fairly dramatic turnaround as a result of the actions we took. I think that injuries have continued to come down.

LAL: The lost-time injury rate has been creeping up a bit over the last few years (see WSIB stats), but much of that was likely due to COVID.

DM: Take a look at these charts that used to be on the website (WSIB), but have since been taken down. The chart on duration measures the percentage of injured workers who were not yet back to work at various intervals post-injury, three months, six months and so on. From 2010 onwards we are laser-focused on helping workers recover faster and help them negotiate better return to work outcomes with their employers. You can see the percentage of injured workers not back to work dropping in 2010 immediately after our actions followed by sharp drops all along the duration curve right up to those still on benefits at the six-year mark. The earlier workers get back to work the better for them and of course the less it costs the system.

	2010	2011	2012	2013	2014	2015
3 months	14.3	13.9	11.8	11.9	11.2	11.1
6 months	9.2	8.2	6.6	6.6	6.4	5.9
12 months	7.0	5.6	4.2	4.0	4.0	3.7

	2010	2011	2012	2013	2014	2015
24 months	7.4	5.5	3.6	2.7	2.7	2.7
48 months	6.5	6.6	5.6	3.9	2.6	2.1
72 months	5.4	5.4	5.6	5.5	4.8	3.4

The next chart shows the percentage of workers who had a permanent impairment as a result of their injuries in a given year. As a result of better, faster treatment which we organized and earlier return to activity, the percentage of workers who developed permanent impairments dropped dramatically. Another factor in improved outcomes for workers and lower cost of benefits for WSIB. Incidentally, just before I arrived, under the leadership of Dr. Donna Bain the head of our medical service, WSIB took the unpopular decision at the time to severely restrict the payment for opioid drugs that were being prescribed for injured workers because our data showed that they were developing addictions as a result and were unable to work. We began to feel the positive effects of that decision starting in 2010. Today the negative impact of opioids is well understood but when we moved to restrict their use in 2009-2010 the decision was strongly criticized by organized labour.

But there is another little-understood phenomenon as to why our financial picture turned so quickly. It relates to what is known as the six-year lock-in provision in the WSIB legislation. Basically, if a worker is not back to work on the sixth anniversary of his or her injury, their benefits are locked-in for life. These are among the most expensive claims WSIB has. The reduction in duration times and drop in workers developing permanent impairments meant that far fewer were entering the six-year lock-in. As a result, the Actuaries significantly reduced their estimate of future claims costs and this improvement went straight to our bottom line.

Finally, because our expenses had dropped and we had modestly increased premiums (by, I think 2.5% over two years) to cope with the crisis, we were able to pay our expenses without dipping into our investment fund as had previously been the case. So, the returns on our investment fund started compounding. As the investment fund grew our returns grew with them. The investment fund grew from $14 billion when I took office in 2010 to nearly $30 billion when I left in 2016. In the background, of course, the rate of workplace injuries kept dropping steadily placing fewer demands on our resources. We had entered what economists call a virtuous circle.

LAL: That is very helpful and leads me into the next series of questions. I will come back to the **Funding Review** in a moment, but I want to keep on this theme of the power of RTW. You started achieving success, started recalibrating the WSIB less as a compensation system and more of a rehabilitation system, with the primary objective of getting people back to work. (**DM:** Right). You just showed the phenomenal impact that that had and how that was achieved in a relatively short period of time. The fix, once it was implemented and in place, triggered remarkable change very quickly. Two and a half years after your start, you were back in front of a legislative committee, the **Standing Committee on Government Agencies** on July 4 and July 5, 2012. By this time Elizabeth Witmer was WSIB Chair, coming on earlier that year. I will touch on the remarkable team you and Elizabeth made from 2012 – 2016 in a moment, but first, a little about that appearance.

You advised the Committee that for the first time in 14 years, in 2011 the Board did not have to take funds from the investment fund to meet operational costs, and the Board experienced an operational surplus. Quite an achievement. Yet, in re-reading the Hansard report, it seemed the focus of the committee members had shifted from the very sustainability of the system, your "Job 1," to less urgent issues such as the underground economy, and the beginning of complaints on your very successes. For example, I noted that one member actually expressed concern that the Board was perhaps returning workers to work too fast. No one at that committee seems to be all that worried anymore about the sustainability of the WSIB but are starting to point fingers at you a little bit. Did you find that the political players fully understood the depth of the task you were facing? It almost seemed that some were getting impatient.

DM: Right Les. So, you know, a couple of things. Having worked at the federal government for a number of years. I understood that politicians were forever looking to score points. If they could be led into doing something that would allow them to gain points, they were happy to do so and move on. And so, while I listened to the criticisms, I wasn't prepared to play that game.

When I took over, within two weeks or so, I had a town hall meeting of all our staff and I explained the UFL and its implications. By the way, we did a survey of staff attitudes and it showed that our staff were socially liberal but financially conservative. So, in other words, they were not people antagonistic to social benefits, as some groups are. That was not the case with our staff.

They seemed to have a strong loyalty to the organization and to its mission. But they were also basically conservative financially. They did not like wasting money. And I thought, wow, what a blessing, that is exactly what we want, exactly what we need.

So, I addressed the group with that knowledge in mind and told them that we weren't actually serving people well by just writing cheques. We had to help them get back to work. That resonated with them well. In that sense I was extremely lucky to have a workforce ready to make a change. On the other hand, there was understandable concern among the staff that there were strong employer and worker lobbies who would strongly resist change as they had done in the past.

My advice was, look, we can continue to be victims of our circumstances or we can take charge of our destiny and I intended to take charge of our destiny, and do what was right.

As it turns out I was actually quite unpopular with the different Minsters of Labour at the time. In fact, no Minster sat me down and said – "you know what, you've done a pretty good job here; this is pretty interesting, how did you do that?" Not one, not one minster sat me down and said wow, this was a good job. The point here is I was not popular with the politicians, but I understood that I could not fix WSIB and be popular at the same time.

The part that really bothered me, if anything, was that organized labour was resolutely against me. They just could not get it into their heads that people were being better served than they had ever been before. They kept pointing to the fact that the total claim costs were going down and that it must be because I was cutting costs. I just found it so tiresome.

One of the things my staff kept reassuring me was, look, these are the same people (organized labour) that have been around a long time. When expenses were going up, they weren't happy, and they weren't happy when they were coming down, you are never going to satisfy them, so don't let them get to you. But you know, I found organized labour's constant complaints without any constructive ideas to be really annoying.

LAL: BTW I should tell you that same rhetoric is happening today and it has been ratcheted up in volume. There was a recent workers' comp bill, introduced and discussed in the House last year, ***Bill 46*****, Less Red Tape, Stronger Ontario Act, 2022**.

It really was much ado about nothing, the Bill itself, but all the parliamentary time was taken up in presenting an argument that injured workers, more than half of injured workers, because of the WSIB, are living in poverty, which of course is untrue, so much so that it is almost comical if it were not so destructive.

At the time, I developed a commentary on **Bill 46** (here). While I have highlighted more in my report, here is a sampling of the type of rhetoric that is being presented in today's environment. This is how I described the comments in my report (of course, I do not agree that the characterization is valid or fair):

> The Board is generally viewed by opposition members as an insensitive, uncaring institution hell-bent to deny claims, and is fraught with red tape against those making claims.

Remember, the following statements are being made by political leaders in the Ontario legislature, and they are being made more than six years since you left the Board:

- "I'm wondering if the government's bill has any changes that will actually help protect the 50% of injured workers who we know are living in poverty."
- "The bill that we're talking is about supposed to be about red tape, but sometimes I think, embedded in this omnibus legislation are red ribbons—gifts, in fact, to some very powerful bullies in our province, and the WSIB is one of those bullies."
- "Instead, the WSIB does the exact opposite. It's in the claims denial business. It's trying to look at its bottom line."
- "Indeed, the workers compensation system envisioned by Meredith and practised in Ontario for most of its history has been utterly changed over the last 25 years. Instead of being there to help injured workers access support, the WSIB now functions like a private insurance company doing its utmost to deny claims in order to return money to employers, but this was never the intent behind creating a workers compensation system."
- "Certainly, current WSIB practices are examples of red tape run amok, with injured workers having to hold themselves together physically, financially and emotionally while experiencing the institutional violence that is now the norm for the WSIB."
- "Speaker, 50% of injured workers today are living in poverty."

Those are just a few excerpts. Those type of comments are not true today and were not true during your time and, yet are being said over and over again. It wasn't you. It's change and people's sense of the politics surrounding it. I should add that I have the greatest of respect for those advocating for injured workers. Always have. They have a remarkable track record, going back more than 40 years, but the rhetoric should be more grounded.

We mentioned Elizabeth Witmer, who joined the Board in your second year there. I had the great pleasure to get to know both Steve Mahoney, her immediate predecessor, and Elizabeth from their days as Liberal and Progressive Conservative labour critics respectively in the early 1990s. The continuity of their careers on workers' compensation is unprecedented and is likely never to be repeated. Both Chairs adopted a similar approach to stakeholder outreach, with both being very active with stakeholder communities.

DM: Yes, exactly. Elizabeth Witmer was fantastic in that regard. She was amazing. I grew to be very fond of her. She was a really, really, good Chair. She was very smart in handling the labour side. In that, I was extremely lucky to have her there. We took binders of information to our meetings with labour, trying to explain, you know, costs are coming down because claims are coming down, don't you think that is logical? And more people are getting back between 30-60 days after injury. And we weren't forcing workers back before they were ready because the rate of injury recurrence was also coming down. But all to no avail.

LAL: Something big was happening too. It was not just how the Board did its business. You were actually changing workplace culture as well. What impact did that have and was that originally your vision? Were you surprised at the extent to which there was a renewed sense of cooperation with employers when the Board got re-engaged? This is rather ironic in a way. Employers were not as engaged when the 1997 changes expected them to be. Yet, when the Board gets more involved again, so do employers.

DM: So, Les, yes. I would say there developed a strong cooperative effort between us and the employer groups represented at the Chair's Advisory Committees. I found a very welcome change in attitude by employers, you know less push back, more willingness to co-operate, because, I think employers saw the improvements, saw the finances getting into better shape and they were willing to support our efforts.

You had a lot to do with that. Les, you were kind of my unseen partner. Nobody gave you credit for it but I knew what you were doing. You would caucus with advisory committee members in the concourse of our building before they came up. You were the intellectual force behind those committees. There were several committees. But all of them, they all came down waiting for you to take the lead, talk about various issues and give us warnings and so on. I wouldn't say I looked forward to it because in expressing yourself you did not give too much regard for you know (laughing) sensitivity of the person, but you were often right and Elizabeth really trusted you. And, so did I.

We used to talk about these things after the meetings, and say wow, that was a tough meeting, but he's got a point, or say, oh well I think he is exaggerating there, you know, but it came to play in almost every part of what we did. For example, I think we brought in something that said if an employer doesn't cooperate with us on a return to work discussion, we were going to apply a financial sanction. And you pushed back on that. But that was all part of having a good outcome.

LAL: I appreciate your very kind compliments, but the biggest outcomes, huge achievement, which had never before happened, was, for the first few years you were increasing premium rates, and employers not only were not pushing back, they partnered up on that. How did you manage that dynamic? Because before that, if rates went up a penny there would be employer push back. This is the first time that employers had sort of joined arms as you were increasing taxation. It was incredible.

DM: Right. Yes, Les. I think partly, because, I had been in the private sector. I had worked there. I had an understanding of employers' pressures and I appealed to their business sense. We were totally transparent. Employers could see the current situation was improving rapidly but we had to retire the UFL and we showed employers that a large chunk of their premium was actually being applied to the UFL. Once that was gone premiums would come down. And they did, very substantially, just a few years later.

In other words, business people, in the end, even if it is a tough message, can see the logic of it. Mind you, employers never gave us a blank cheque. We always had very tough discussions and arguments about why we were setting the rates the way we were. But I guess maybe nobody had taken employers through that logic before, and nobody had demonstrated concrete results.

BTW, I've got to tell you that you and Terry Mundell were kind of a good cop, bad cop routine (laughing). When I would feel beaten up, Terry would say, don't worry, keep working away, you seem to be making sense and so on and so forth. There were also others from the committees who helped me a lot, for example Ian Cunningham and Ian Howcroft helped me tremendously.

One of the employer representatives, I don't recall his name, said to me, well why should we believe you now? You know, many years ago there was a reset, WSIB increased premiums and they said they would retire the UFL, but it didn't happen. So, I asked what was the plan? What plan from WSIB did you buy into to achieve that result? And they agreed there was no plan, there was just, a vague sense that if the problem were punted far enough into the future it should all work out. (**LAL:** Right). So, I said, well you know, then, you are to blame, really for buying into that bargain, because it had zero chance of success but yet you bought into it. You cannot blame us now that you bought that.

The Funding Fairness report – How did it influence the Board's plans?

LAL: The Funding Review report, "**Funding Fairness**," (link here) was released in early 2012. This is my take. Notwithstanding that the report was brilliant, none of the recommendations were at all at odds with what the Board already had in motion. I will go a bit further. My opinion is that there isn't much of what the Board did that was materially influenced by **Funding Fairness**.

The Board and Harry Arthurs seemed to be on the same wave-length. And, I don't in the least suggest that Dr. Arthurs was not absolutely independent, or that the Board simply blindly put in place the **Funding Fairness** recommendations. I worked within that process the entire time and had many private chats with Dr. Arthurs. He was impeccably and absolutely independent. The Board was impeccably and absolutely transparent.

What I mean is this. The Board and Dr. Arthurs came to pretty much the same conclusions, based on the same evidence, solving the same problems after being exposed to the same process. In fact, at the end of the process, there were very few detractors. I can't really recall any. Employers, the group that usually pushes back against rate hikes, and at least in the short-term benefits from an underfunded system, supported each and every one of the core recommendations. It was quite remarkable. I hadn't witnessed that before. Not in 1983, when the system almost split apart. Not in the early 1990s.

Looking back, how was it that this series of serious recommendations that would change how the Board priced its insurance product differently going forward, gained such strong support? One of the core principles you clearly articulated in your June 6, 2011 memo to the **Funding Review**, and repeated many times later, appearing as a core plank in the Board's post-**Funding Fairness** funding policy, seems too simple to be received as a change statement. But it was. This is what you ever so simply said: "*New claims each year should be fully funded going forward*."

Of course, this principle was recognized before. In 1996, the Minister Responsible for Workers' Compensation Reform said much the same thing. Minister Jackson's **January 1996 Discussion Paper** observed that many benefit enrichment decisions were "*not balanced by measures to guarantee adequate reserves*." Translation: benefit increases must be accompanied by premium rate hikes. Seems simple enough. In Minister Jackson's June, 1996 report, "**New Directions for Workers' Compensation Reform**," this is how the principle was interpreted by employers (as expressed in the report):

> "The employer community is supportive of the government's commitments to retire the unfunded liability on or before 2014 and to keep rates competitive, through an immediate 5 per cent reduction and further reductions in the future."

I guess it was sort of a "through the looking glass" approach. That suggestion is the one that did in fact prevail, as we know. Rates *were* reduced by 5%. Predictably, the path to the 2009 AG report continued. (Note: It seems that neither of these two reports are available on the internet. I have placed archived copies on my website. The January 1996 report is here and the June 1996 report is here.)

So, this leads to a very simple question. While the solution, i.e., properly pricing the WSIB insurance product, was known from the get go, why was this basic insurance idea ignored decade after decade?

DM: Right, I was able to get the Board to act rationally because, I was able to relay, able to communicate to employers about what was going on, in a way that helped them understand the issues. I have to tell you, Les, that it was my staff, all those wonderful dedicated workers, managers and executives who had been working for years at WSIB and never been given the chance to put into practice what they knew would be right and the employers, the business community of Ontario, who helped me achieve what we achieved.

In the next issue of **The Liversidge Letter**, the interview continues. David will discuss his April 2014 speech at the **C.D. Howe Institute**, and his cautious approach even after tremendous progress had been made.