Workers' Compensation Advisory Committee (WCAC) Meeting
Labor & Industries Tumwater, WA
Meeting Minutes
June 22, 2009

Attendees

Business Representatives

Rick Anderson, Sakuma Bros; Nancy Dicus, TOC Management Services; Kris Tefft, Association of Washington Business; Rebecca Forrestor, Group Health

Labor Representatives

Karen Gude, United Food & Commercial Workers Union Local 1439; Dave Johnson, Washington State Building & Construction Trades Council; Jeff Johnson, Washington State Labor Council; Owen Linch, Joint Council of Teamsters No. 28

Labor & Industries

Judy Schurke, Director; Bob Malooly, Assistant Director of Insurance Services

Recorder

Sharon Avery

Guests

Ann Jarvis, Julie Peterson, Kim Huff, Greg Kabacy, Richard Weeks, Lloyd Brooks, Janice Camp, Thang Vu, Carolyn Logue, Tammie Hetrick, Dennis Kelly Jones, Vicky Smith, Joan Elgee, Rebecca Johnson, Michael Temple, Dave Kaplan, Craig Scukas, Mac Nicholson, Trista Zugel.

L&I Staff

Sharon Elias, Cassandra Smith, Jessica Nau, Russell Frank, Cara Hsieh, Mark Mercier, Dan Johnston, Cheri Ward, Les Hargrave, Joshua Ligosky, Rebecca Linolle, Jean Vanek, Joe Jauquet, Brenda Heilman, Diane Doherty, Kelli Zimmerman, Wayne Shatto, Tiffany Scheer, Trista Zugel, Josh Swanson,

Opening Comments and Safety Message

Mr. Malooly presented a safety message to the committee. The meeting continued with an introduction of the attendees.

The minutes are not ready for review and approval.

Director Schurke provided introductory comments regarding the discussion of rate indications earlier in the process than previous years. The department is analyzing various issues and trends that may have affected costs and duration during the most recent 12 months. Director Schurke asked for the committee's advice and engagement in the discussion. There is sensitivity with sharing data early. It is not complete since the ultimate indications are based on 4th quarter information. Director Schurke asked the committee to use the preliminary information with discretion; it is not ready for publication.

Board of Industrial Insurance Appeals (BIIA) Update: Tom Egan

The Board lost four hearing judges and is in the process of hiring replacements. These judges had a combined experience of 85 years at the Board; two judges retired and two went to work for the federal government. Mr. Egan announced that Larry Dittman is the new business Board member.

Benefits Pending Appeal:

Benefits now continue during a self-insured or state fund employer appeal unless the Board issues an order staying benefits. This law has been in effect for approximately one year. The Board has had 137 motions for stay. They have granted stays in two cases, and in one case the stay was automatically granted at the worker's request.

- *Appeals Filed and Granted per Month:* there was a large spike in the last quarter which has brought the total to the level of appeals at this time last fiscal year.
- *Quarterly Average Weeks to Completion:* this chart is for the quarter ending in March. The Board is down to 33 weeks, which is the lowest average weeks to completion seen in years. For the fiscal year to date, the average is 33.3 weeks, which compares favorably to the 34.4 weeks for the prior fiscal year.
- *D&O Lag Time by Quarter:* this chart measures the time the Board and judges take to issue a Decision and Order once a Petition for Review is filed. There has been an increase from 28 to 31 days for the Board's time which is a result of being without a business member for several months. The total for the Board and judges is 62 days.
- *Department Reassumption Rate by Quarter:* the reassumption rate has been consistently lower for the last three quarters.

A question was asked regarding whether there is a way to track the 135 benefits during appeal cases and if the amount of benefits involved could be provided. Mr. Egan felt the Board could provide this once the appeal is final. Mr. Egan added that a large percentage of cases have been dismissed by the appealing employer.

It was suggested that it would be useful for the Board to provide information on how many cases were dismissed, how many cases go through a hearing and what the final outcomes are. This would help the committee understand how many workers may have to repay benefits. Mr. Egan answered that the statute requires the department to provide those statistics through a legislative report. Mr. Egan can provide how many of the appeals are still active, how many were dismissed and what the results of the final orders are. Director Schurke stated the department will provide information at a future WCAC meeting.

It was asked if the Board is tracking cases where the worker declined benefits. Mr. Egan answered there is only the one case he is aware of.

Review of WSIB and Conning presentation from 4/29/2009 WCAC meeting: Bob Malooly

Mr. Malooly provided a refresher on the contingency reserve policy discussion from the Washington State Investment Board and Conning presentations provided at the April 29, 2009 meeting.

The current policy states if the contingency reserve is below the target ranges, an additional surcharge to the rates may be considered to bring it back to mid-range. With the recent improvement in the performance of the stock market, we are not considering a surcharge at this time.

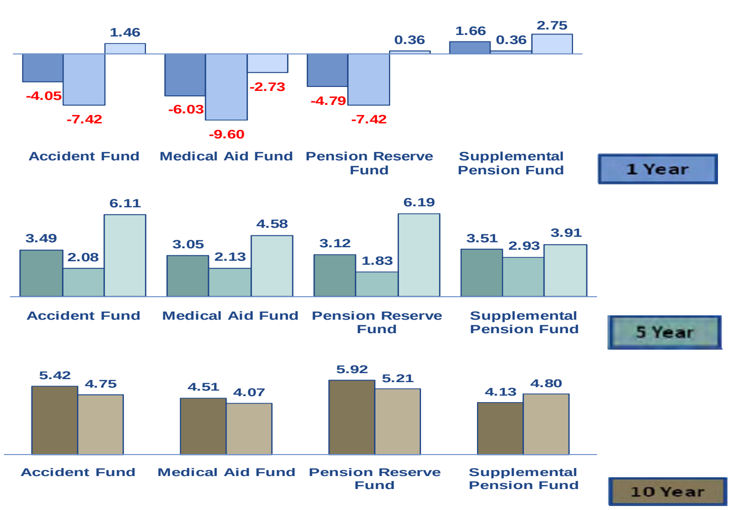
Policy Guidelines			
	Fixed Income	TIPS*	Equity
Accident Fund	80% ±4	10% ±2	10% ±2
Pension Reserve Fund	80% ±4	10% ±2	10% ±2
Medical Aid Fund	65% ±5	20% ±3	15% ±3
Supplemental Pension Fund	100%	0%	0%

There are more Treasury Inflation Protected Securities (TIPs) invested for the Medical Aid Fund than for the other funds because the Medical Aid Fund has more exposure to inflation. TIPs have a low yield rate but offer protection against inflation. They were added to the portfolio two years ago. Medical inflation typically runs higher than general inflation, and medical inflation in workers' compensation tends to be higher than other medical inflation. Having inflation protection through TIPs helps insulate the fund from the consequences of medical inflation. The TIPs reduce exposure to the volatility of the equity markets.

It was asked if there is a lower yield overall because of the inflation protection. Mr. Malooly explained that generally you receive a lower yield because you are purchasing protection, but if there is a strong inflationary time, the yield from TIPS might be higher than other investments. It is a way to diversify the portfolio and reduce some volatility. If the department left the higher equity exposure in the Medical Aid Fund, it may have lost another significantly more when the stock market declined. In the short term, TIPs have proven to be a successful investment.

It was asked how often the department meets with WSIB about allocations and if the WSIB makes recommendations or if the department makes decisions about allocations. The department meets with the WSIB every quarter, and works closely with Conning and the WSIB on its allocations. Director Schurke remarked that the department's investments have consistently beaten the benchmarks; we have conservatively invested duration- matched liability investments, unlike other trust funds the WSIB handles. The WSIB is providing the department high quality and conservative investments.

Performance as of March 31, 2009



The first bar represents the workers' compensation funds performance, the second bar is the Comparable Market Index (CMI), and the third bar is the Statutory Return. The Statutory Return represents has the investment return would appear on financial statements prepared according to statutory accounting principles (SAP). Insurance companies are required to follow SAP when reporting financial results to state insurance regulators.

The first and second bars provide a comparison of our investment performance to portfolios structured similarly and show that our funds are doing well.

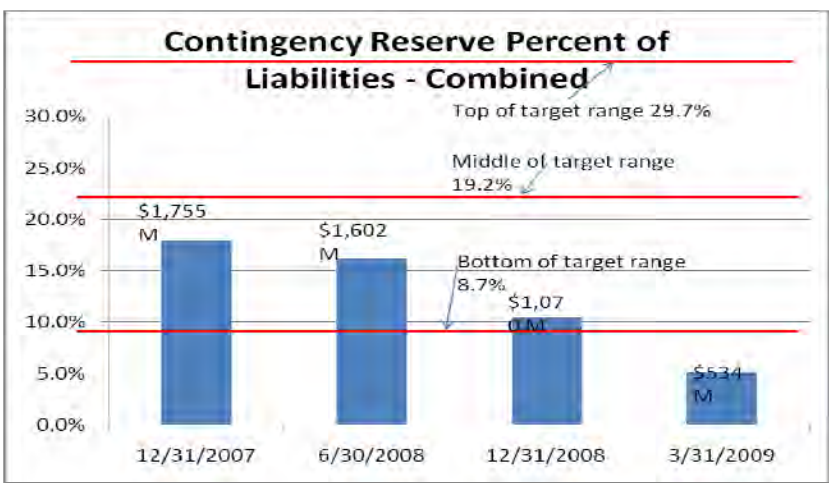
Workers' Comp Projections (2009 First Quarter)					
		Statutory Data			*GAAP*
Year	Premium Growth	Loss Ratio	Expense Ratio	Combined Ratio	Return on Equity
2007	-3.6%	76.1%	24.4%	102.8%	10.3%
2008	-8.0%	77.2%	23.5%	103.0%	3.7%
2009	-5.7%	79.1%	24.0%	104.9%	8.5%
2010	0.5%	80.1%	24.5%	105.6%	8.7%

Source: Conning Property-Casualty Forecast & Analysis By Line of Insurance 1Q09

The chart above was taken from a recent Conning presentation. Premium growth is down nationally due to the economic downturn. The expectation is an increase in 2010, but only if the economy stabilizes and return rates increase.

The loss ratio is increasing nationally as well as the combined ratio shown above. When a combined ratio is 100% it means the national workers' compensation market is at a breakeven point in underwriting. The insurance industry is generally reducing reliance on expectations of earnings on invested funds and is striving to earn money from an underwriting perspective, rather than taking losses from underwriting and making it up through investments. These same factors are affecting the department as expected investment yields decline.

Director Schurke added that unemployment and falling payrolls mean premium income has decreased and there is resulting price competition in other states. For Washington, there is no price competition but we have seen rising unemployment and a decrease in worker hours. Also, the increasing severity of claims that offsets the frequency decrease is the same trend for the department as seen in other parts of the country.



The top of the target range for the contingency reserve is 29.7%, the mid-range is 19.2%, and the bottom is 8.7%. As of March 31, 2009, the contingency reserve is below the range. However, more recently the reserve was up to 9.5%, above the bottom of the range. The department does not want to take action based on a momentary condition of being outside the ranges. The policy indicates a surcharge would be considered but the department is not contemplating a surcharge for 2010 rates.

Workers' Compensation Economic Indicator Discussion: Felix D'Allesandro

Mr. D'Allesandro reviewed the presentation on "Economic Trends and Workers' Compensation."

- *State Fund Hours versus Employment*: State fund hours and statewide employment are following similar trends.
- *State Fund Hours and Recession*: The state forecaster's assumptions for employment show a continued decline until mid-2010. The unemployment rate is about 9.4 percent and is forecasted to peak as high as 10.6. The state fund hours reported will probably not reach pre-recession levels until the end of the upcoming biennium.
- *Unemployment Insurance Claims*: BLS has estimated total unemployment for Washington State to be 327,000 individuals.
- *Claims Received:* Looking at the relationship of the trend line to the recession, there is a mixed result, and there are no consistent reactions to recessions.
- *Active TL Claims Washington State:* For April/May 2008, claims increase consistently compared to prior months. The increase in active claims is one of the key drivers of the rate indication. There has been a dramatic increase in the last twelve months.

Mr. D'Allesandro provided an example of a sector analysis for the construction industry.

Mr. Malooly remarked that this analysis is important to workers' compensation because during the recession of 2001, claims declined. The recent recession is different since it is led by the downturn in home construction which is a high workers' compensation cost industry. The department needs to analyze the data to determine how much different industry sectors may contribute to the change in claims. Nationally, claims are down substantially but the cost of claims has increased.

For the supplemental pension fund, the department has an ongoing obligation to pay the inflation adjustment for workers on pension and long-term time-loss. If hours worked decrease but the obligation for the fund stays the same, the supplemental pension fund rate will need to increase. This is because there are no reserves to draw on since it is a "pay as you go", cash-based fund.

A question was asked regarding the first two charts of the presentation on hours and whether there is data available for self-insured contributions to the supplemental pension fund. Mr. D'Allesandro remarked the self-insured hours can be added to the chart and the information will be provided to the committee members.

A question was asked if the average wage has increased recently despite the increased layoffs. The current wage growth is 3.4%, comparing Calendar Year 2007 to 2008. A discussion followed regarding higher paid positions. More senior workers not necessarily the first to be laid off, which may increase the state's average wage.

Financial Update: Sharon Elias

The presentation, *Statutory Financial Information Industrial Insurance (State) Fund 3rd Quarter Fiscal Year 2009, as of March 31, 2009*, was reviewed and copies of the financial statement were distributed.

Financial highlights:

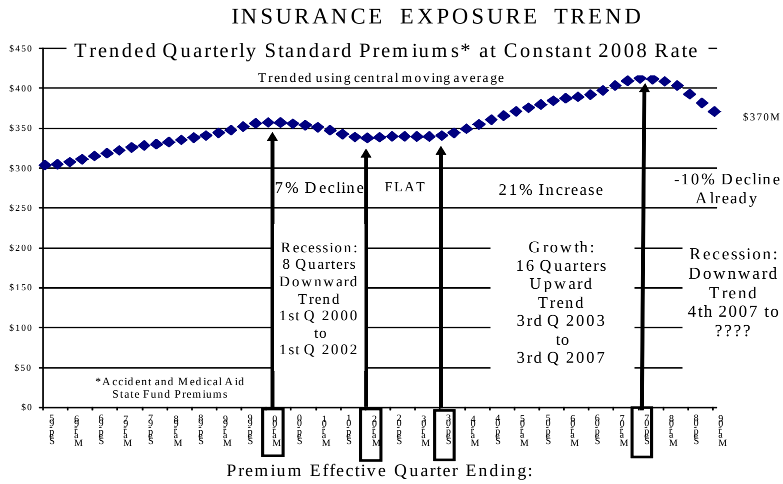
- The contingency reserve balance decreased overall by $1.06 billion. The current balance is $534 million.
    - Correction in handout "Contingency Reserve Percent of Liabilities – Accident Pension Funds", the March 31, 2009 amount should be $98 million.
- As of the third quarter, the Accident Fund is well below the target contingency reserve range.
- The Medical Aid Fund is above the bottom of the target range. Currently it is $438 million which is a drop of $388 million from June 30, 2008.
- The Pension Reserve Fund is at negative $128 million which will be corrected to zero when the annual experting is done at the end of the year.
- Due to conservative investment strategies, the department only had a decrease in the investment balance of $344 million, from $11.003 billion to $10.66 billion.
- Premium receivables decreased $67 million. For SAP financial reporting, we only report receivables that are less than 90 days old. Therefore, the report reflects changes for the quarter ending March 31, 2009, typically the lowest of four quarters.
- The benefit liabilities increased by $610 million. Compared to the quarter ending December 31, 2008, there is an increase of $348 million. This is due to an increase in the average compensation and time-loss duration.
- Claims administration expense increased by $28 million due to the liability changes.
- Retrospective rating adjustment liability increased $37 million due to seasonality.

A question was asked regarding the seasonality of retro and if it was due to July refunds. Ms. Elias confirmed that was the case.

A question was asked regarding the benefit liabilities increase for the Accident Fund and if the Medical Aid Fund was not contributing to the overall liability increase as dramatically. Mr. Malooly referred to slide 7 of the presentation, and noted that regarding the Medical Aid Fund, "Development on prior liabilities as of March 31, 2009' was $11 million while the Accident Fund is $273 million."

Preliminary Discussion of 2010 Rate Indications: Bill Vasek

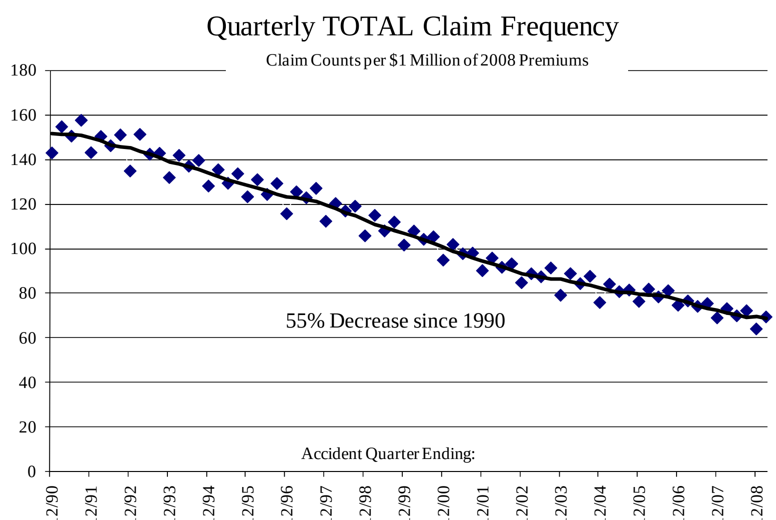
Copies of the presentation, *Preliminary Discussion of 2010 Rate Indications*, were distributed.



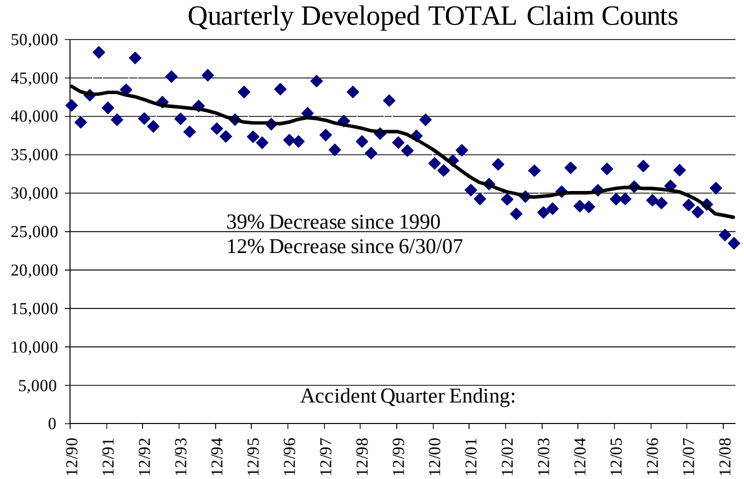
Slide 2: Mr. Vasek explained that the Insurance Exposure Trend data is the trend in Accident and Medical Aid Fund premiums at constant 2008 premium rates. The decrease in premiums is due to the decreasing amount of work being reported to the department, especially in industries with high premium rates such as construction. There has already been a decline, at a rate much faster than in the last recession.

Mr. Malooly added that the downturn in 2000 was a four-quarter downturn, a recession is defined as a decline in the GDP for two or more quarters. However, in the last recession, the decline in insurance exposure continued after we were officially in a recovery . It took about five years for employment to returnto pre-recession levels and we expect a longer recovery period this time.

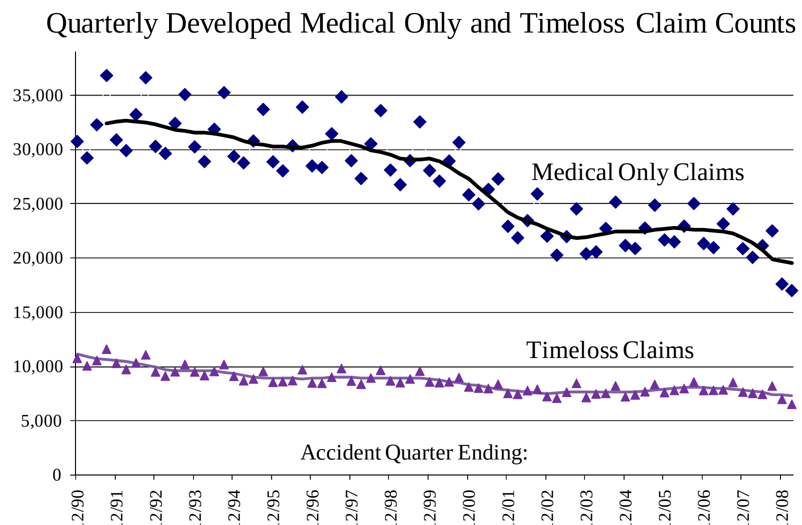
It was asked when was the last 20% rate increase. Mr. Vasek answered there was a 29% rate increase in 2003 and a 19% increase in 2004.



Slide 3: The total claim frequency continues to go down. The decrease since 1990 is 55%, and has been a steady decline.



Slide 4: This chart shows total claim counts, which include both time-loss and medical only claims. There has been a significant drop in claim counts, as well as the significant drop in hours worked. The claims decrease is 12% since June 30, 2007. Director Schurke added that on a short-term basis, if you compare the data from November 2008 through May 2009 to November 2007 through May 2008, the decrease is 20%.



Slide 5: There have always been more medical only claims than time-loss claims in the overall claim counts. Usually time-loss claims account for about 25% of the total and medical only claims account for over 75% . However, time-loss claims are now accounting for 27% of the total claim count while medical only claims are 73%.

The chart shows a significant decline in medical only claims, and some decline in time-loss claims as well. This coincides with the decline in hours and exposure in the last five quarters.

It was asked if kept-on-salary (KOS) claims are included in the data. Mr. Vasek remarked that claims classified as KOS are included in the time-loss claim counts. Given the economic stress employers are experiencing, KOS may not be an option at some point and the department may begin paying time-loss benefits to these workers, increasing benefit outlays.

It was asked if the department tracks data regarding employers who are experiencing hardship and unable to provide KOS to their workers. Mr. Malooly confirmed that the department is looking at data concerning KOS.

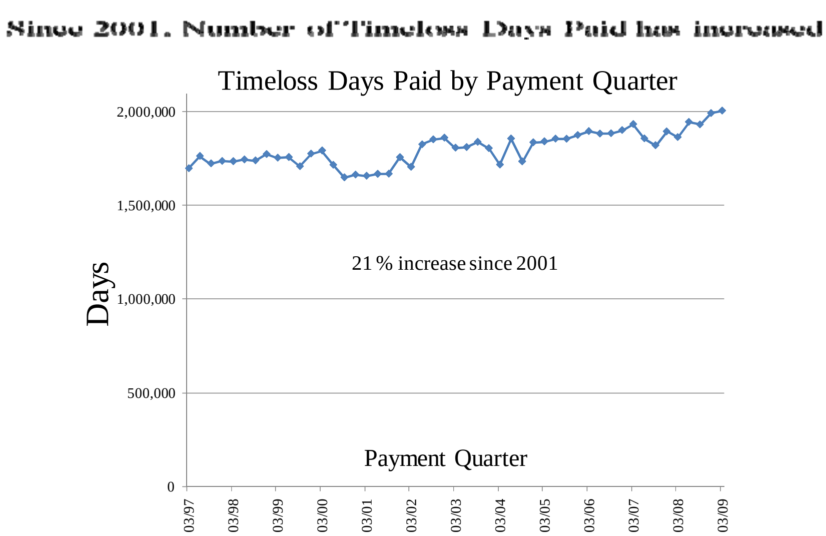
It was asked how the department counts claims as time-loss if time-loss is not being paid; for example, if an employer decides to keep a worker on salary, are there triggers in the system to flag that the claim should be counted.. Mr. Vasek answered that if a claim manager is notified of a KOS claim and classifies it as such, the department counts this as a time-loss claim. If the department is not notified by the employer or worker, it will be considered a medical only claim in the overall counts unless time-loss is paid at some point.

A question was asked if the department tracks the number of days a claim is considered KOS regardless if time-loss is paid on it and the answer was no, the department does not track this data.

A committee member commented that an employer would usually contact the department if their worker is KOS, because wages are paid in lieu of time-loss. They expressed that the data in slide 5 may be accurate. Another committee member confirmed that on the report of accident form the employer can designate if the claim is KOS and felt that the information was reported accurately. Ms. Ward, Program Manager for Claims Administration, explained that if a worker is KOS and the employer is unable to continue KOS, the department is usually notified by either the worker or employer that salary has been discontinued and the department would pay time–loss, if appropriate. The department does not have a tracking mechanism in the system for days a worker is KOS. However, the claim file would reflect the worker's injury date, the time period they were not paid time-loss (KOS) and when time-loss compensation began.

The department distributes a report every quarter to retro employers that reflects how many of their claims are classified as KOS, but the report does not reflect how many days of KOS. Director Schurke confirmed that the department does not currently generate a report that tracks KOS or RTW/KOS, but the department will conduct future analysis and provide this data to the committee.

It was commented that it would be helpful to the committee if the department could look at time-loss claims and differentiate them by the percentage of time-loss claims and KOS claims in the total claim count. Mr. Vasek confirmed that this data can be provided for the committee at the next meeting.



Slide 6: This chart shows that the number of time loss days paid has been increasing.

It was asked if the department compares claim cost drivers in relation to the overall state population and population growth. Mr. Vasek referred to slide 2 and explained that as population grows, there should be more hours reported in the system which leads to higher premiums. However, in recessions, the amount of work decreases.

It was asked if unemployed workers are included in the data. Mr. Vasek answered that the data only reflects claimants who are collecting time loss; the medical only and KOS claims are not included in the time-loss days paid data. Mr. Malooly added that claimants are not eligible for unemployment insurance if they are collecting time-loss benefits. The department cross matches data with Employment Security Department to ensure people cannot collect from both agencies.

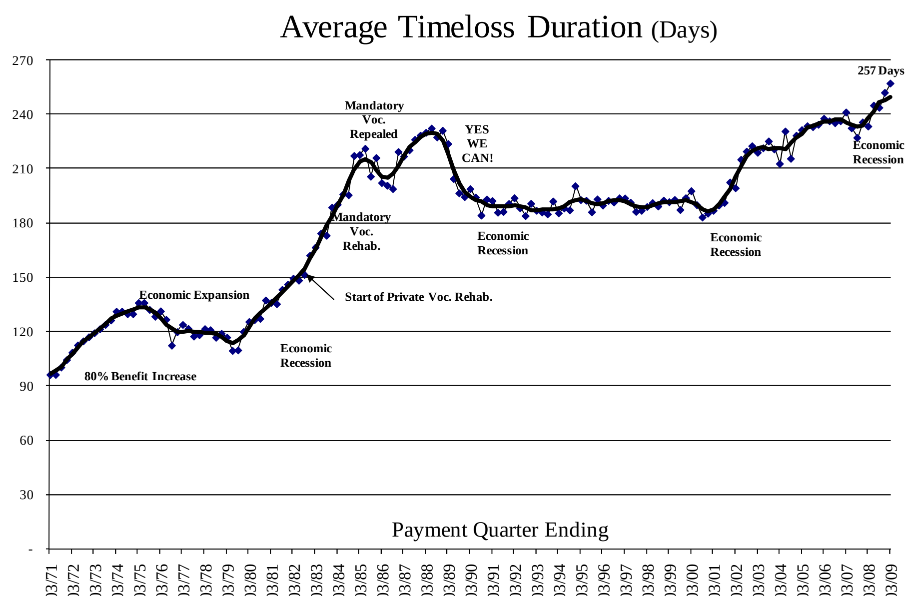
The unemployment rate does not directly impact the workers' compensation system, but indirectly it has an effect on the tax base for the Supplemental Pension Fund (SPF). It may also be an indication that, because of economic conditions, businesses cannot offer KOS or light-duty return-to-work to injured workers. Poor economic conditions complicate return-to-work efforts of injured workers. Workers who complete vocational retraining gain valuable skills and become employable, but there are fewer jobs available for them in a poor economy.

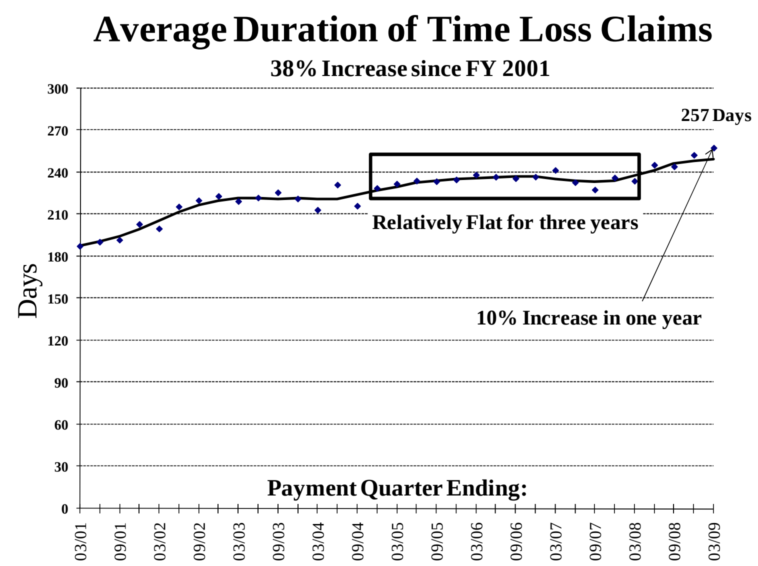
Accident Fund

Key cost drivers:

- Timeloss duration
- Pension frequency

Slide 7: There are two key cost driver trends that affect the rate indication. The time loss duration index measures the time claimants are in the system collecting time-loss. Time loss duration also can affect pension frequency. Generally, when time-loss duration increases, claims are staying open longer and older claims have a higher chance of becoming a costly pension.





Slide 9: Time-loss duration has been relatively flat for three years at an average of 230 days, but there has been a 10% increase in the last 12 months, going from 230 days to 257 days. Mr. Malooly added that the department does not fully understand what is driving the 10% increase. Some of it may be due to the economic conditions. The department is looking at several factors that may be contributing to the recent increase. The department hopes to be able to provide more insight at the August WCAC meeting.

It was commented that light duty availability may be a factor—if an employer cuts back their work force, light duty may not be an option due to the dire economic conditions.

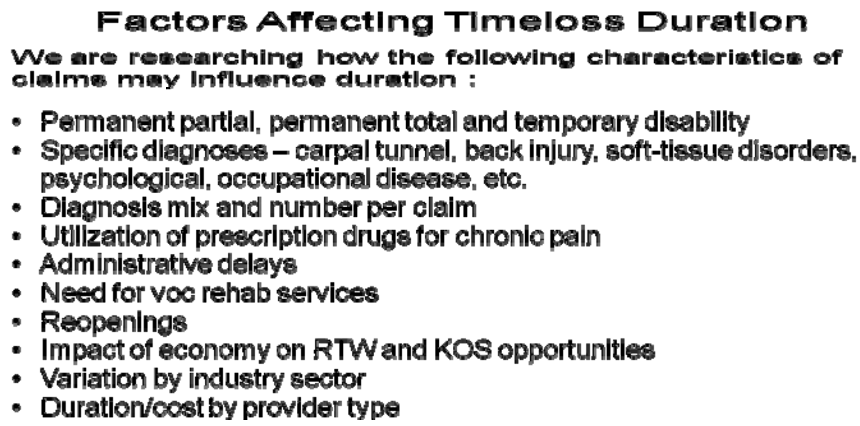
A question was raised regarding workers who are pensioned and if they are included in this data. Mr. Vasek answered that they are not included in the time loss duration data. He added that the oldest time-loss claim dates back to the 1950s. This may be a claim that has closed and reopened several times. Mr. Vasek explained that if the data was truncated at 5 years from the date of injury, the data would still show an average of 190 days of time-loss duration.

Russ Redding explained that there are a very small number of workers who are off work for many years. What the data shows is that newer claims that used to collect time-loss for only 4 months are now 5 months long or if they used to be 3 months, they are now 3.5 months long. Mr. Malooly added that there is a national debate regarding the 'middle of the claims' distribution. These moderately severe claims have dropped dramatically due to workplaces being safer.

It was commented that the chart on slide 9 may provide a skewed perception and a person could incorrectly assume the average worker is collecting time loss benefits for 257 days. It was suggested that there may be value in looking at the data differently. It may be helpful to show the number of cases that quickly resolve and the number of long-term cases. The long-term claims may be driving the cost and should be focused on.

It was suggested that it may be useful for the committee to see the data in an actuarial triangle by loss date for the development of days lost. This would provide an idea if cases are newer or older. Mr. Vasek answered the data is reviewed by month, and when time-loss days have increased, it is not older claims but newer claims, specifically claims that are six months old.

It was requested that the department also provide data showing the median.



Slide 10: It was asked if the turnover of claim managers is considered a factor causing administrative delays. Mr. Malooly answered that the turnover rate in the Claims program has declined in the past year and should not have had a significant impact on time-loss duration.

It was asked to clarify the factor “Permanent partial, permanent total and temporary disability.” Mr. Vasek explained that the durations are different for each type of claim. As the proportion of claims is changing, the department is reviewing whether there is an impact to duration.

It was asked if the department is taking longer for a worker to receive permanent total disability. Mr. Vasek answered that workers are being placed on permanent total disability sooner than they have been in the past.

A comment was made regarding the department’s process improvement efforts with programs such as the Centers for Occupational Health and Education (COHE) and independent medical examinations. These efforts may provide a perspective on what is working.

It was asked if the department is producing data for each factor listed. Mr. Malooly commented that the department had experienced claim managers review 500 claims that were considered long duration. The claim managers reviewed when additional diagnoses were added to the claims and the impact they have on duration. The department did notice that there are more psych issues and higher opioid use in claims with longer duration.

It was commented that attorney involvement in a claim may be considered a factor. It was added that there may be physicians in certain geographic areas that may not be open to return-to-work options.

Another comment was made to consider injured workers’ understanding of the claim process. A claim manager may be able to better assist a worker if they understand the worker’s experience. Mr. Malooly added that in the Early Claims Solution pilot efforts, there is evidence that the worker, employer and doctor do not clearly understand the system and they are grateful to receive early communication from the department.

It was commented that pre-existing conditions and prior claims may have an effect on time-loss duration.

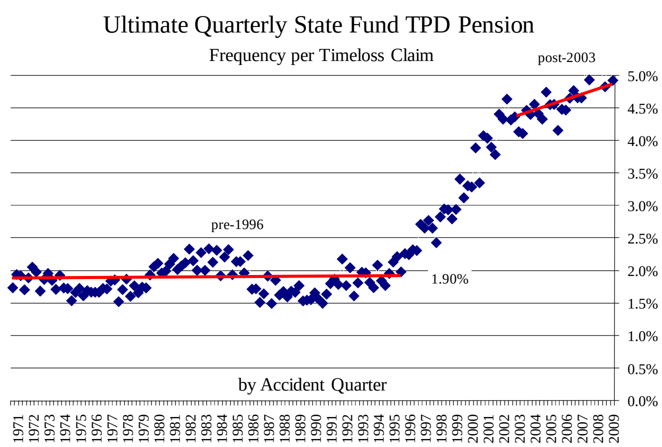
It was added that the delay in claim filing, between the date of injury and when it is received at the department, and the lag of the initial payment on a claim may also be factors.

Chance of a Timeless Claim Becoming a Pension

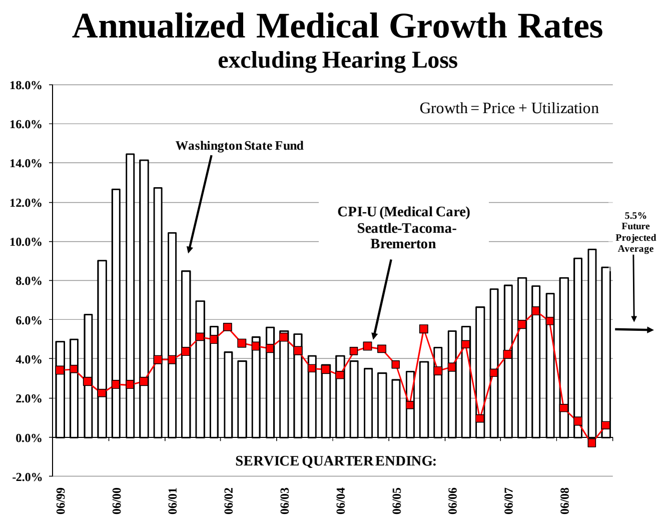
Age in Years	Chance of TPD Pension	Count of Active Timeloss Age	6/30/2008	3/31/2009
2	29%	2-3	3,164	3,390
3	44%	3-4	2,033	2,145
4	58%	4-5	1,479	1,599
5	68%	5-6	1,078	1,157
6	77%	6-7	913	878
7	82%	7-8	723	735
8	88%	8-9	569	579
9	88%	9-10	432	465
10	93%	10-11	326	359
11	96%	11-12	244	254
12	99%	12-13	167	194
13	99%	13-14	137	128
14	100%	14-15	111	126

Slide 11: This chart shows there are more active time-loss claims as of March 31, 2009 versus June 30, 2008 in every age group. There are more claims reaching older ages. The potential of older claims becoming pensions is higher which translates to an expectation that more pensions will be granted in the future. Pension probability is a significant cost driver.

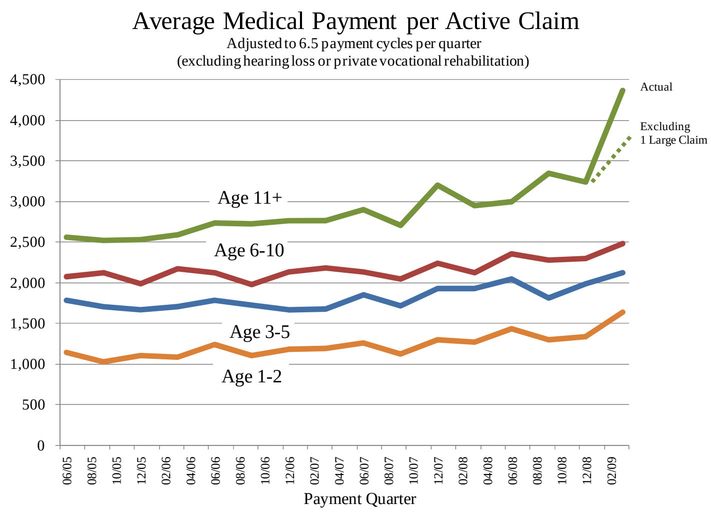
Mr. Malooly explained that when the actuaries determine the probability of a pension, they do it by quarters and there is a different percentage for two years versus quarters. Mr. Vasek added that the expectation of pensions that will be granted in the future has increased over the last nine months because workers are staying on time-loss longer.



Slide 12: It was asked how this chart relates to the Pension Study report. Mr. Vasek clarified that the chart is based on accident quarters and the backlogs that were referred to in the Pension Study are not reflected in the data, but there still is a significant increase. Mr. Malooly added that the last time the committee reviewed this chart, the recent trend line was flat because the more recent data points were not available. The fact that the data shows an increase instead of a flat trend is concerning. The department must have a better understanding of what is causing the increase.



Slide 14: There has been an increase in medical growth in the past two years. The expectation is 5.5% in future annual growth.



Slide 15: The department was asked to explain the adjusted 6.5 payment cycles per quarter. Mr. Vasek explained that medical providers are paid every two weeks. Some quarters have six payment cycles, while others have seven; 6.5 is the average that is used.

It was commented that over the last year the number of claims eleven years old and older is higher than in the past. Mr. Vasek confirmed that there are more claims in this higher medical cost growth group.

It was commented that a factor that may be contributing to increased time-loss duration and also may be affecting medical costs is treatment that is authorized as an aid to recovery, but is not necessarily an accepted condition on a claim. Workers are losing insurance and the department may be covering more treatment than in the past.

It was asked why claims eleven years old and greater are not pensioned, and why is time-loss paid for this length of time before they are pensioned. It was answered that workers have to be medically stable and need to have completed the vocational evaluation process before they are considered for pension. In addition, some of these claims have been closed and reopened.

Factors Affecting Medical Growth

We are researching the following:

- Diagnosis mix and number per claim
- Costs by provider type
- Changes in treatment patterns
- Relationship of secondary conditions

Slide 16: It was asked to clarify the ‘relationship of secondary conditions’ factor. Ms. Schurke answered that those are conditions that are aggravated by the injury.

It was asked if the department is aware of workers leaving the state or country that could be driving up medical costs. Mr. Vasek confirmed that out of state medical coverage is more expensive and will provide the data regarding the numbers of workers to the committee at the next meeting.

It was asked whether the actuaries break down costs per claim by provider type. Mr. Vasek indicated the data shows how much was paid in a quarter for a certain provider type per claim.

It was commented that due to the economic downturn, the medical community may be treating workers longer. This may be a factor to consider for time-loss duration.

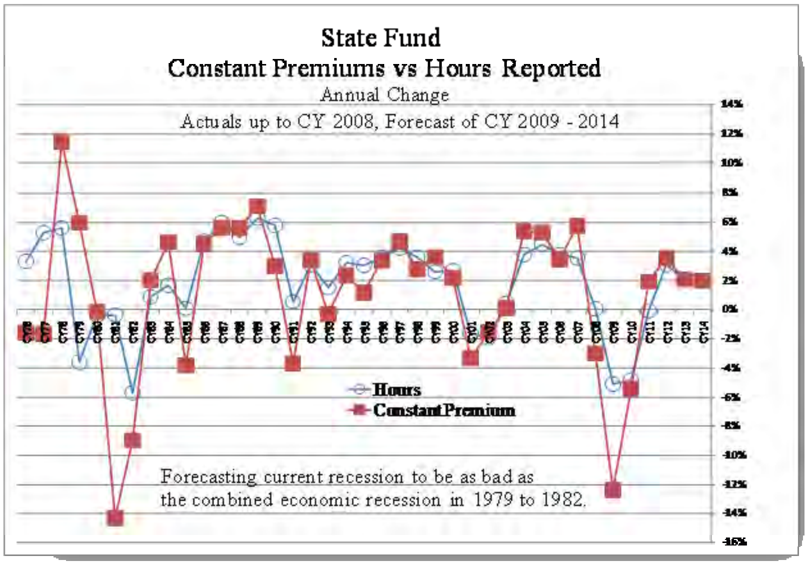
It was asked if the department is able to easily track when a worker changes physicians. Ms. Ward answered that through the computer system, there is a history of when the worker changes physicians, but only when the claim manager updates the information.

Supplemental Pension Fund

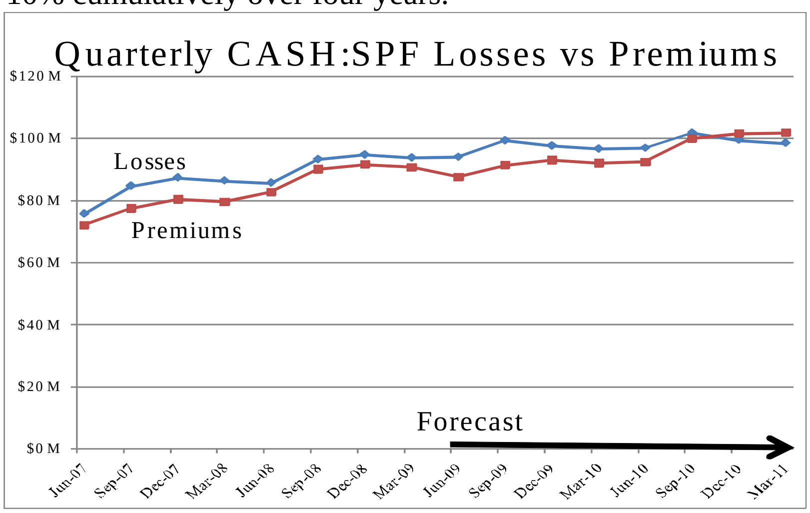
Key cost drivers:

- Hours reported
- State average annual wage

Slide 17: The 2007 to 2008 state average annual wage increase that applied on July 1, 2009 to time-loss and pension benefits is 3.4%.



Slide 18: The department is expecting a 5% drop in hours in both 2009 and 2010 and no increase in 2011, for a cumulative 10% decrease. This forecast is based on the current recession being as bad as the early 1980s, when hours also decreased by 10% cumulatively over four years.



Slide 19: It was asked if the 3.4% increase was considered in this chart. It was answered that it was not, and the gap of losses and premiums may get worse.

In Summary

- Indicated range is preliminary – two more quarters of financial data will influence final indicated rate
- Medical inflation
- Time loss duration going up:
  - RTW, KOS and light-duty opportunities diminished
  - Specific claim characteristics under research
- Fewer new claims, but older claims costing more
- Contingency reserve at historic low due to financial markets
- Less premium received due to fewer hours reported (primarily impacts Supplemental Pension Fund)

Slide 21: The preliminary rates are in a range of 15-20% at this point for the combined funds. At the next WCAC meeting, the department will have another quarter's data and before the director makes a final decision, the department will have one more quarter to consider. The information today is preliminary and will change.

In closing, Mr. Malooly remarked that the department would like input and advice from the advisory committee to help the department understand the trends that are driving the costs. Director Schurke added that the department is trying to maintain the lowest possible rate while keeping the funds solvent and providing the appropriate benefits to injured workers.

Meeting Adjourned.