

Workers' Compensation Advisory Committee (WCAC)

March 30, 2022



AGENDA

Workers' Compensation Advisory Committee (WCAC)

Quarterly Meeting

Wednesday, March 30, 2022

Zoom

9:00 – 12:00

Time	Topic	Presenter(s)
9:00 am - 9:10 am	Welcome	Joel Sacks
	<ul style="list-style-type: none">• Introductions• Intro Mike• Safety Message	Vickie Kennedy Craig Blackwood
9:10 am – 9:50 am	General Updates	Joel Sacks
	<ul style="list-style-type: none">• Legislation• Rule making• Re-entry• COVID-19	Vickie Kennedy Mike Ratko
9:50 am – 10:10 am	Insurance Services Dashboard	Vickie Kennedy
10:10 am – 10:20 am	Break	
10:20 am – 10:50 am	Logger Safety Initiative	Eddy Boulch Beth Covert
10:50 am – 11:15 am	FIIRE Initiative	Dave Bonauto Rick Goggins
11:15 am – 11:30 am	Industrial Insurance State Fund Financial Overview	Rachel Swanner
11:30 am – 11:40 am	Board of Industrial Insurance (BIIA) Update	Mark Jaffe
11:40 am – 11:45 am	WCAC Retrospective	Vickie Kennedy
11:45 am – 11:55 am	Agenda Setting	Mike Ratko
11:55 am – 12:00 pm	Closing Comments & Adjourn	Vickie Kennedy Joel Sacks

Safety Message

Craig Blackwood

Assistant Director, Division of Occupational Safety and Health (DOSH)





SPOT THE HAZARDS

Photos were staged to demonstrate hazards. Answer key can be found on back pages of the calendar.

General Updates



- Legislation

Tammy Fellin

- Rulemaking

Vickie Kennedy

- COVID-19

Vickie Kennedy

- Re-entry

Mike Ratko

Industrial Insurance Bills that passed – 2022

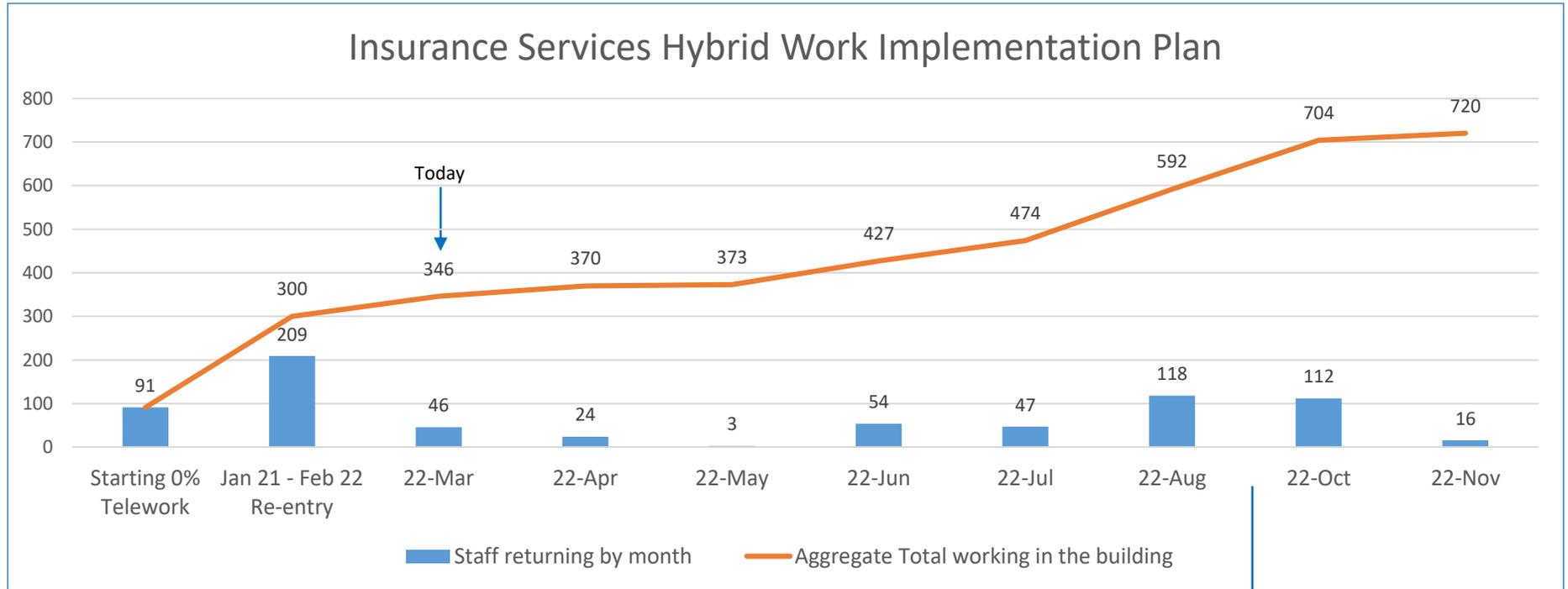
- **HB 1902** (Schmick) – Extending when workers’ comp benefits may be paid from 60 to 120 days prior to a claim being re-opened to address delays in providers submitting the re-opening application.
- **HB 2076** (Berry) – Covering transportation network company drivers
- **SB 5701** (Nguyen) – Workers’ comp inmate wages based on the usual wage paid other employees engaged in like or similar occupations, and requiring a report June, 2024.
- **SB 5875** (Nguyen) – Adding certain Dept. of Licensing employees to the presumption that infectious or contagious diseases which are the subject of a public health emergency are work-related – as provided for by the Health Emergency Labor Standards Act (HELISA).
- **SB 5890** (Keiser) – Clarifying eligibility for the presumption for workers' comp for all personnel working at a radiological hazardous waste facility - removing the limitation to “Hanford site workers.”

Hybrid Work Model Principles

- Working remote must meet customer needs, allow us to sustain or exceed performance expectations, promote a healthy work/life balance.
- Recognize that staff are realizing the benefits of working remote and it is a recruiting tool where it can be successful.
- Involve staff in assessment of hybrid schedules.

Breakdown of remote work percentage for Insurance Services				
Remote work percentage	0-24%	25-49%	50-74%	75% or greater
Number of staff	106	58	257	680 (includes 381 full time remote)
Total Divisional Staff = 1,101				

Hybrid Work Implementation for Insurance Services



Total Insurance Services Staff _____(1,101)
 Staff projected to work full time remote _____(381)
 Staff projected to work Hybrid schedules _____(720)

*No staff projected to begin Hybrid model in September

Transition to Hybrid Status by Program

Programs that have transitioned to Hybrid Work Model

Claims Administration

Legal Services

Support Services

Return to Work Partnerships

Tech Services

Programs planning to transition to Hybrid Work Model

Administration

Employer Services

Health Services Analysis

Retrospective Rating

Office of the Medical Director

Self Insurance

Dashboard – Help Injured Workers Heal and Return to Work

Vickie Kennedy

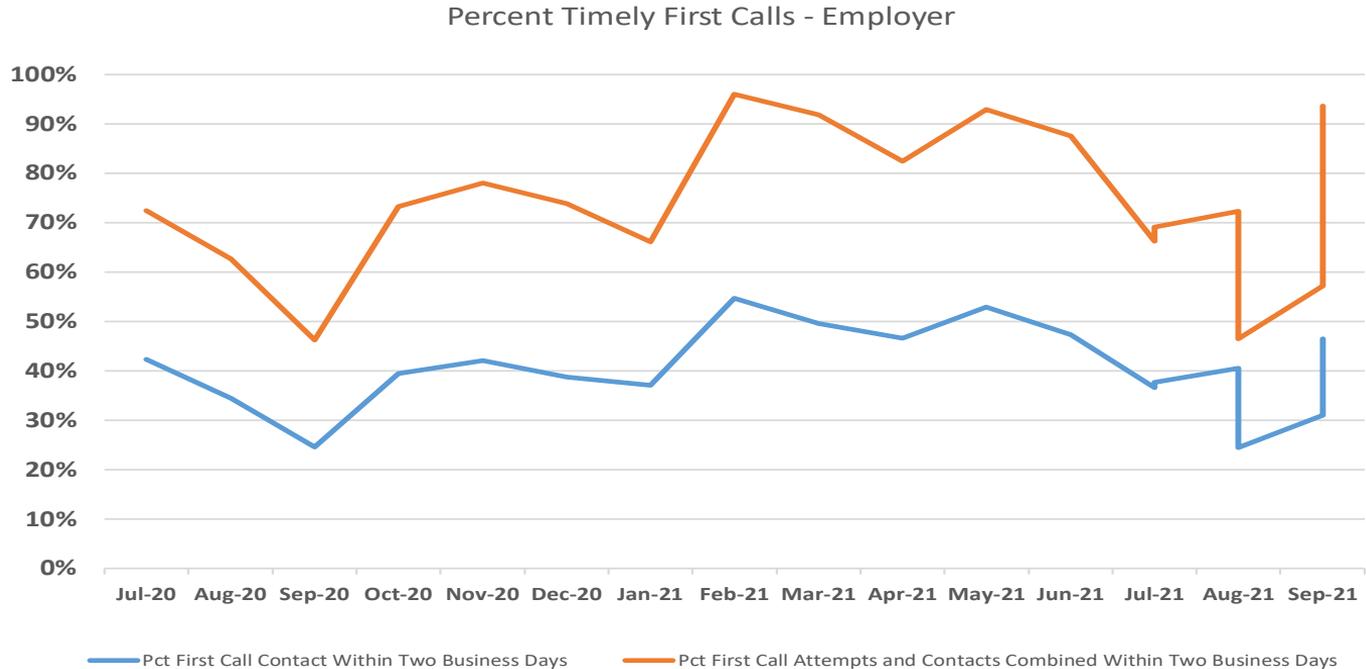
Assistant Director for Insurance Services



DASHBOARD SUMMARY

Measure	Change from 2012 (unless otherwise noted)		Y/Y Change	
Long Term Disability – share that received a TL payment in the 12 month post injury	-6.7%	✓	11.5%	⚠
Pensions granted	Down	✓		
Resolution rate - time-loss claims at 6 months	16.2%	✓	9.1%	✓
High risk claims – share return to work at 12 months	5.2%	✓	4.8%	✓
Median time-loss days paid at first vocational service	-80.6%	✓	-12.8%	✓
% RTW outcomes - all first vocational service referrals	303.1%	✓	18.0%	✓
WSAW participation	Steady utilization			
COHE utilization	90.9%	✓	0.3%	✓

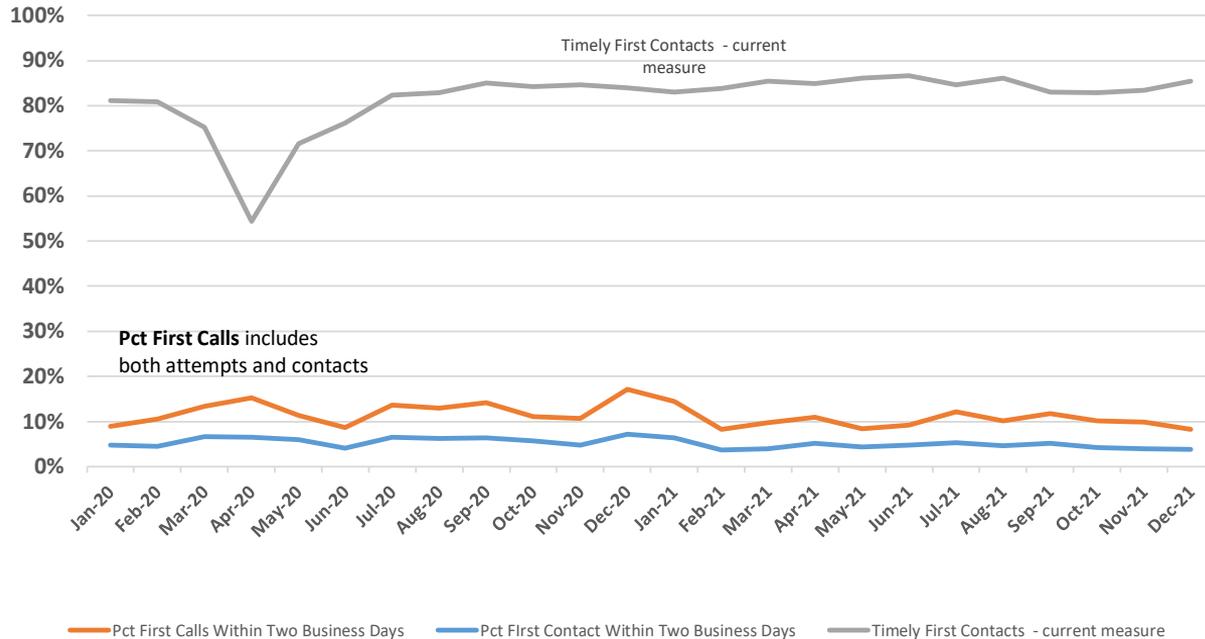
JLARC recommended employer contact measure



Note: Clock starts when claim is established in the system.

JLARC recommended worker contact measures & L&I's current measure

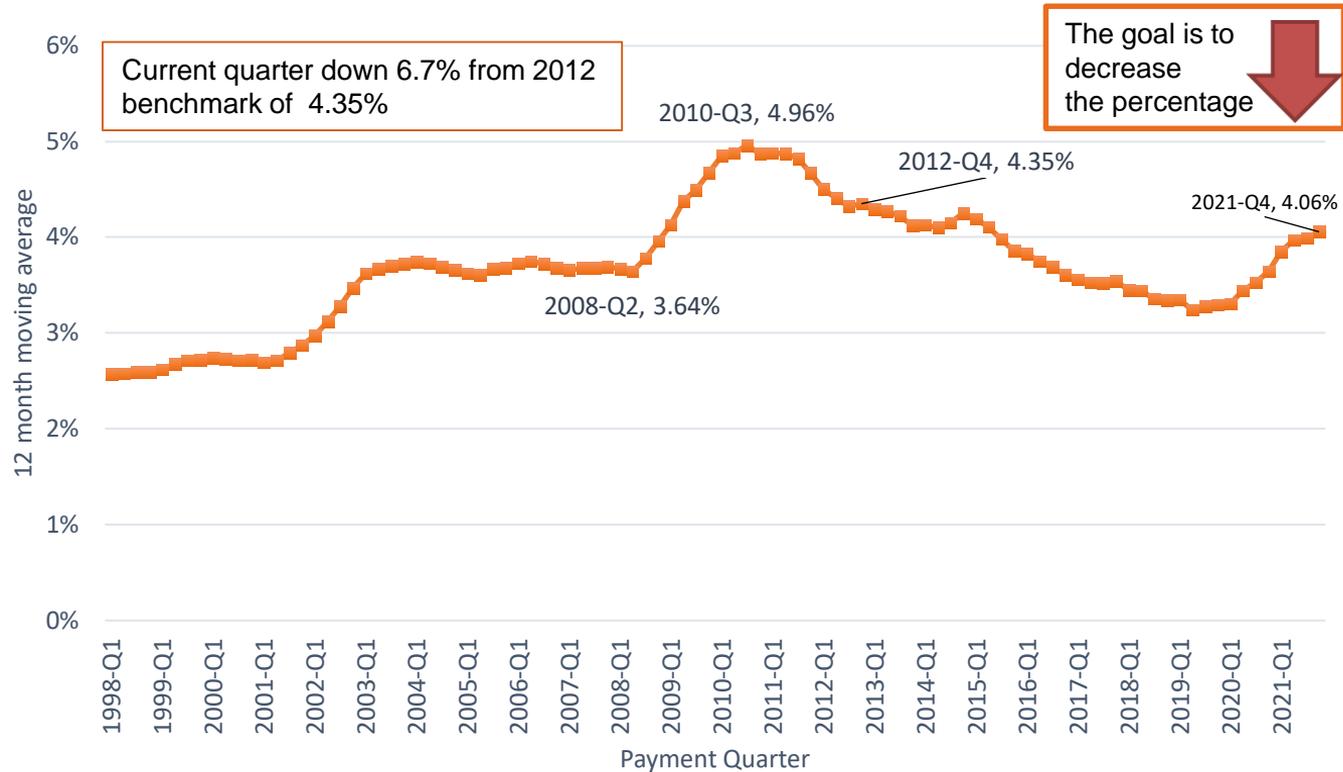
Percent Timely First Calls - Workers



Note: Clock starts when firm and class are assigned on the JLARC recommended measure and when time loss is first paid on the current operational measure.

Long term disability percent

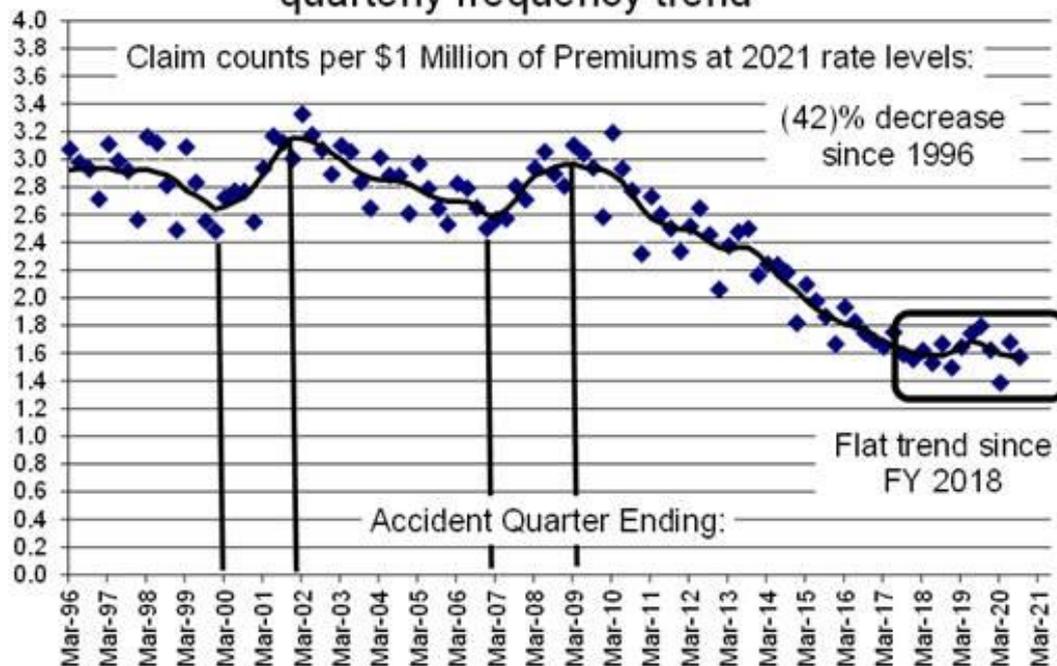
Share of injured workers with time-loss paid in the 12th month post injury: *smaller percentage indicates less long-term disability*



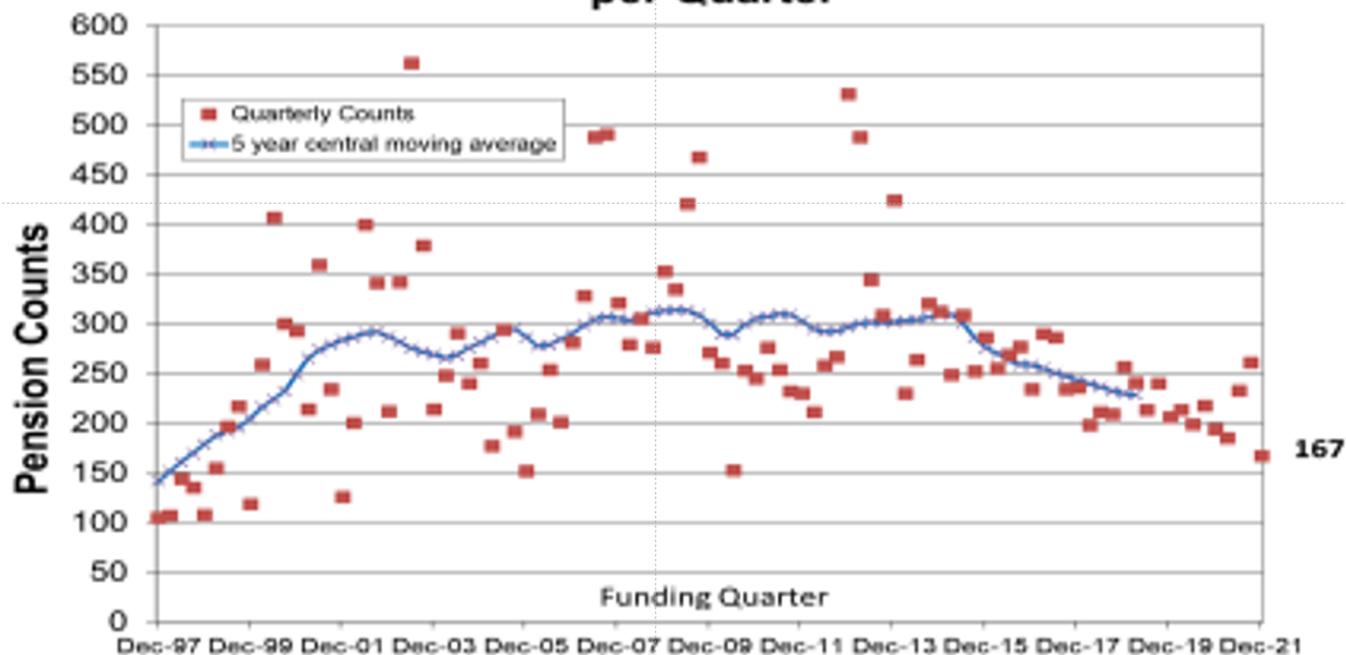
12 month active time-loss claim frequency

Somewhat Flat since FY 2018

Active 12 month old Time-loss claims quarterly frequency trend

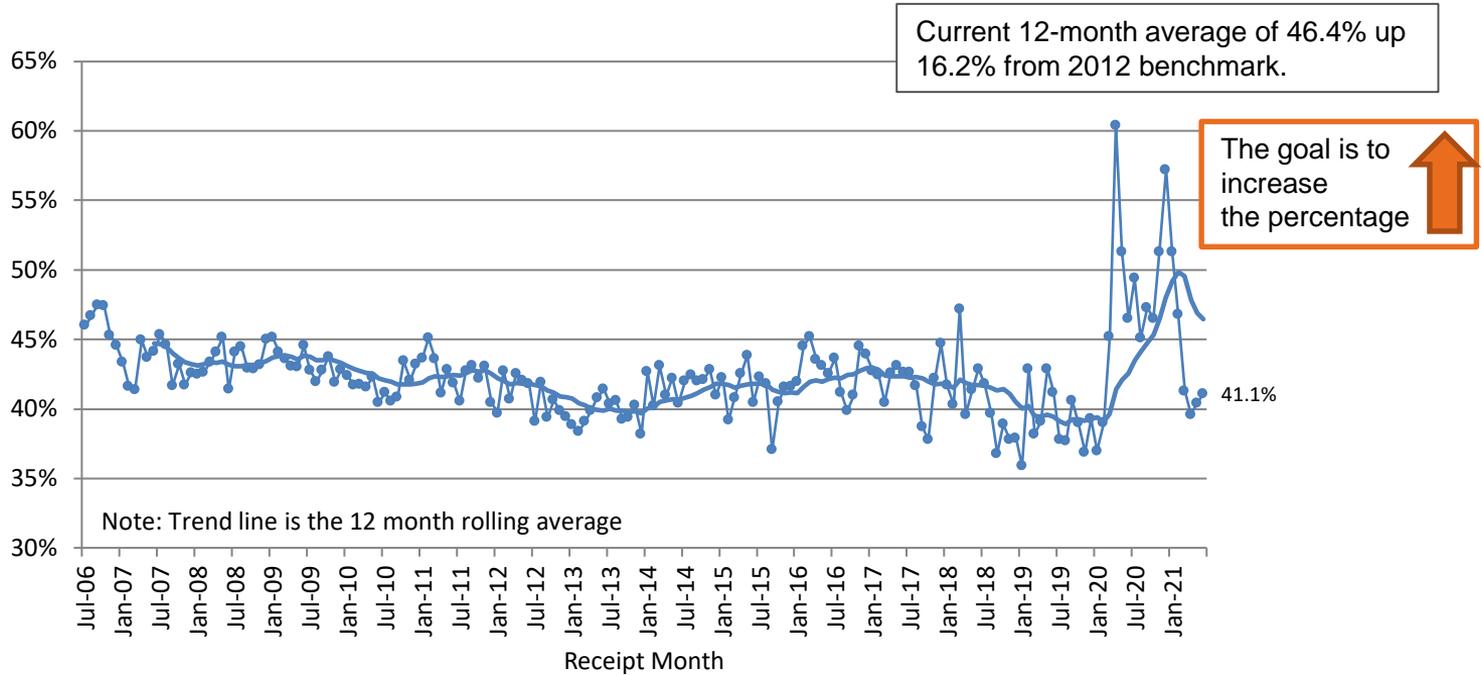


Count of State Fund TPD Pensions Funded per Quarter



The share of time-loss claims resolved six months after claim receipt

Share of time-loss claims resolved six months after claim receipt



Transitioned to COTS

Workers newly on opioids transitioned to chronic opioid therapy



Transitioned to COT

Workers Newly on Opioids Transitioned to Chronic Opioid Therapy

48

Workers Transitioned to COT

-19%

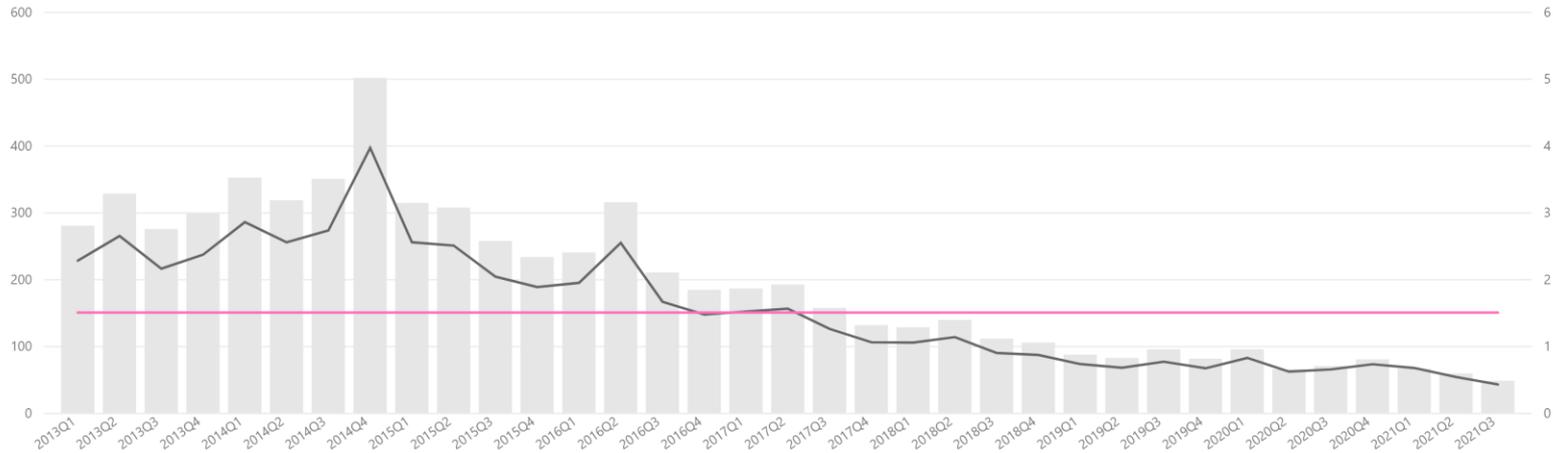
Change Since Previous Quarter

0.42

Rate per 1000 Injured Workers

Workers Transitioned to COT

● Workers Transitioned to COT ● Rate of Workers Transitioned to COT ● Threshold Rate = 1.5



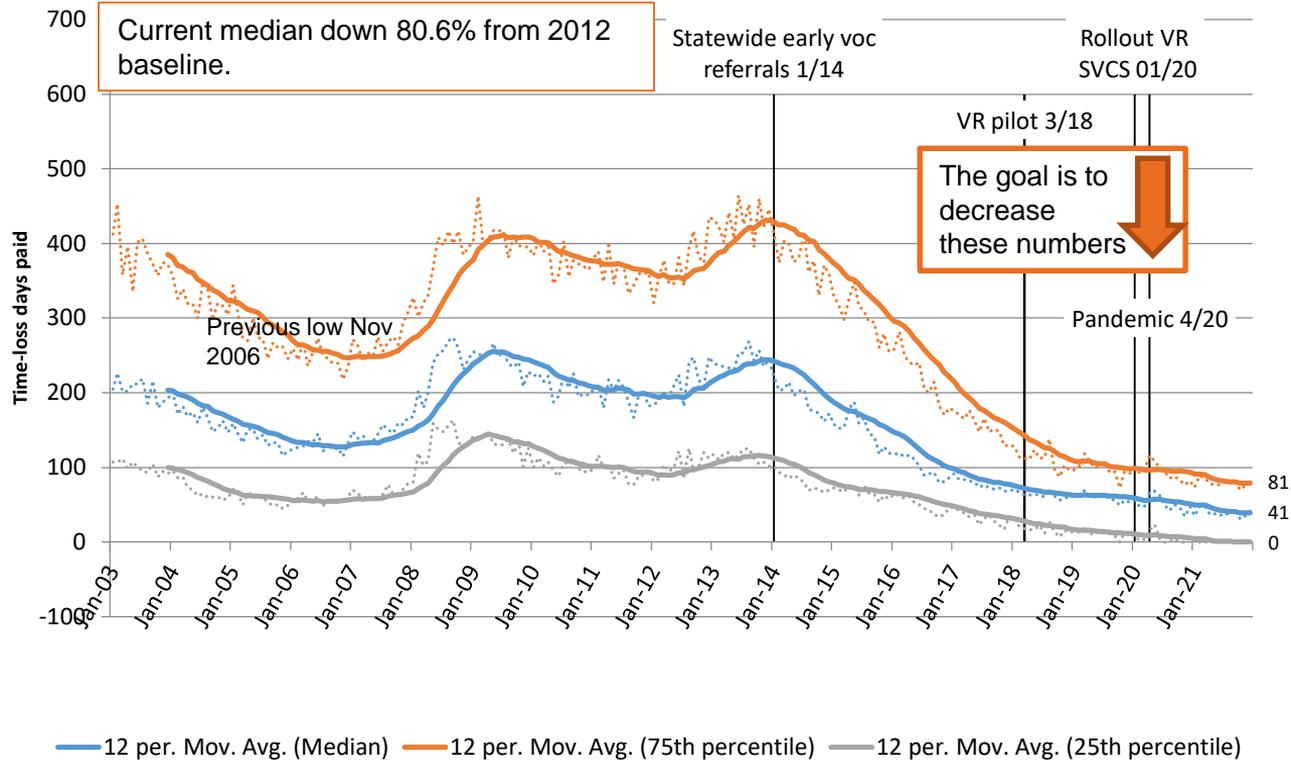
High risk claims – Initiatives in the first year are improving RTW outcomes



High risk workers are defined as those being disabled on the 40th day following claim receipt, about 1,540 claims per quarter. RTW is defined as the status of not receiving disability benefits between 7 and 12 months

Referrals are now targeted to address the onset of disability

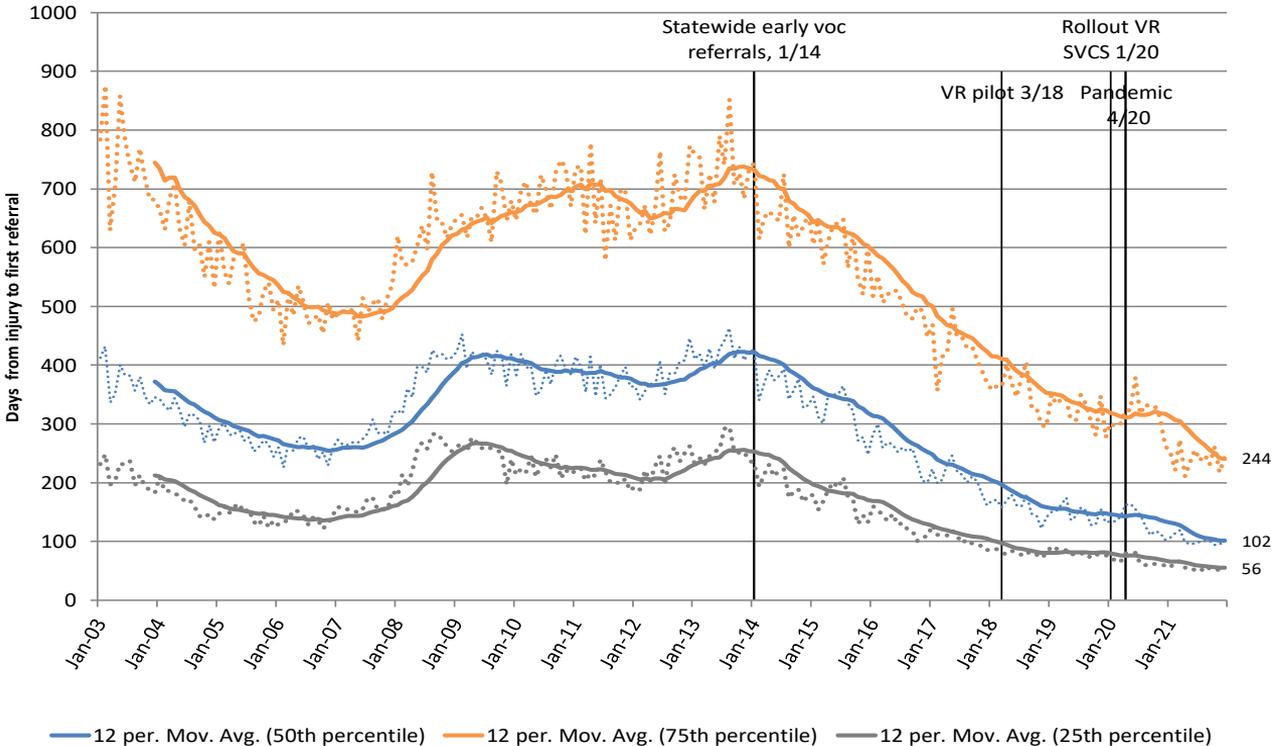
Time-loss days paid at first vocational service referral



Referrals are now targeted to address the onset of disability

days from date of injury

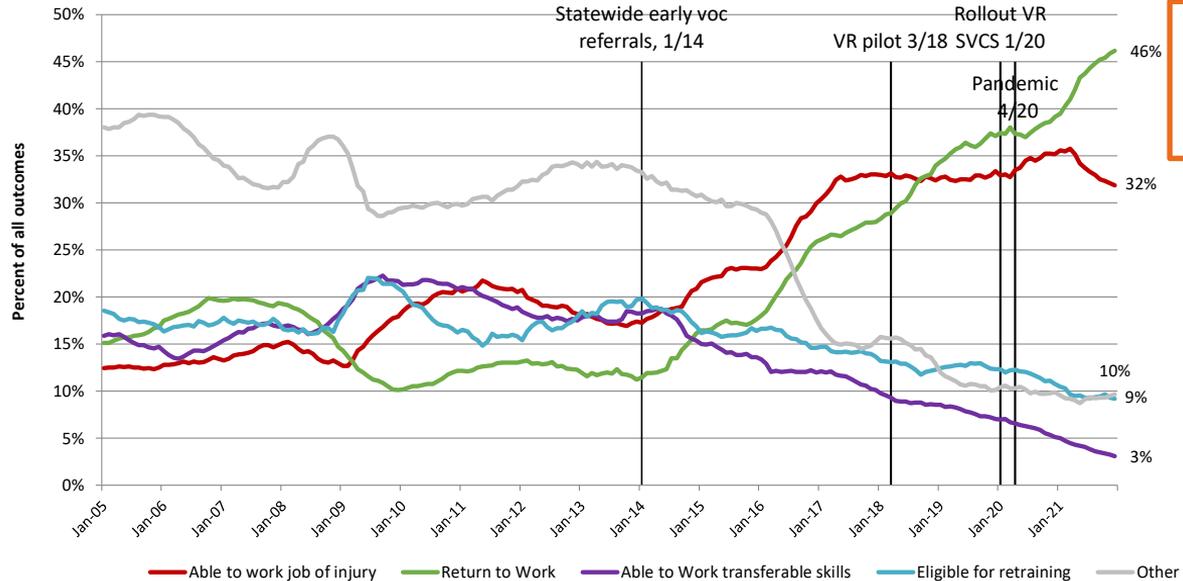
Injury Days at first vocational referral
25th, 50th, 75th percentiles



New focus on return to work has increased positive employable outcomes for all first vocational service referrals

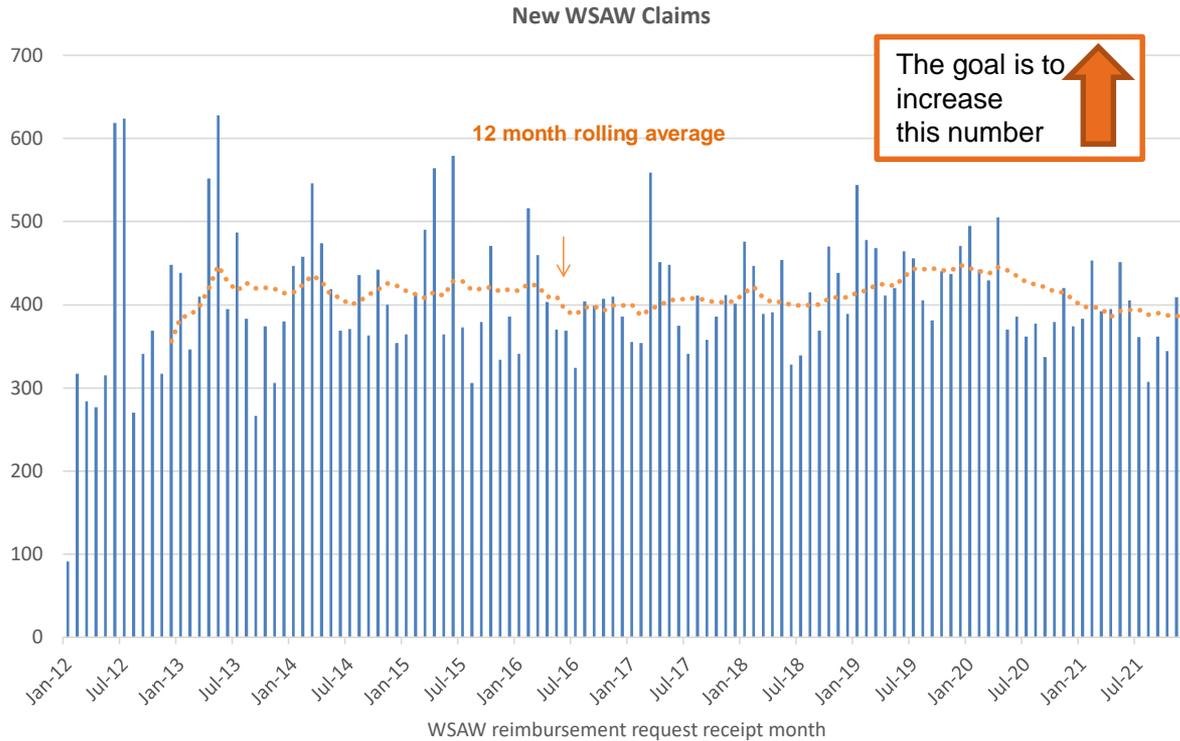
The share of RTW outcomes on all first vocational service referrals has increased 303% since the new process was implemented.

Outcome distribution, first vocational service referrals, select outcomes (12-month average)

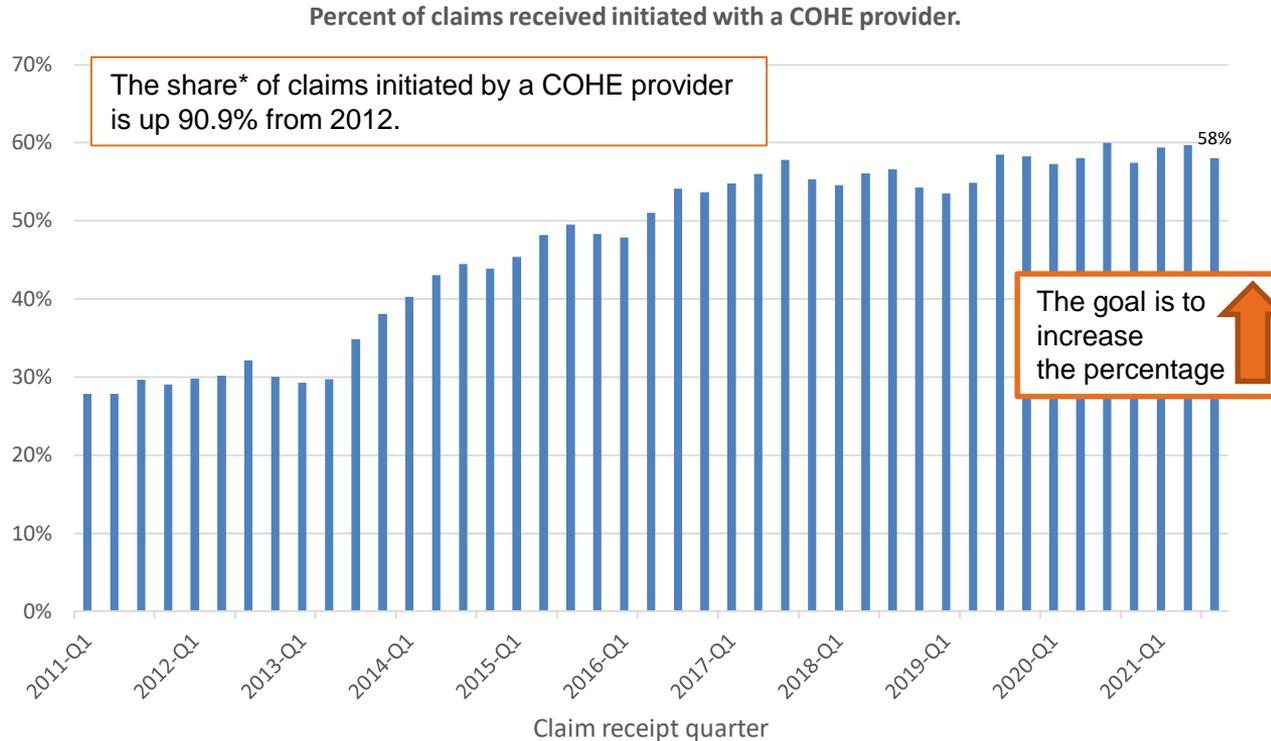


The goal is to increase the share of RTW outcomes

Participation in light duty job assignments helps maintain the employer/injured worker relationship.



Percentage of claims for injured workers initiated with a COHE provider



*Average share for most recent 4 quarters.

Logger Safety Initiative

Eddy Boulch, Program Specialist

Beth Covert, Senior Project Manager



History of the Logger Safety Initiative (LSI)

In 2012, industry representatives met with L&I to discuss the workers' compensation rates, trends and injury statistics for non-mechanized or manual logging operations.

- Program Goals

- Focus on ways to promote occupational safety
- Reduce the frequency and severity of workplace injuries and fatalities
- Explore options for reducing costs
- Create a culture of safety that is pervasive throughout the logging industry

Legislative Involvement

- April 2013, the Logger Safety Initiative was supported by the passage of Engrossed Substitute Senate Bill 5744
- May 21, 2013, Governor Jay Inslee signed the commitment letter along with:
 - Washington Contract Loggers Association (WCLA)
 - Washington Forest Protection Association (WFPA)
 - Department of Natural Resources (DNR)
 - Department of Labor & Industries (LNI)

LSI Program Commitment

- L&I received funding for 8 staff from three L&I divisions
 - Field Services
 - Division of Occupational Safety and Health (DOSH)
 - Insurance Services
- Safety & Health Research & for Prevention (SHARP) program and Government Affairs & Policy Division (GAPD) partnership
- LSI Taskforce
 - Taskforce assisted in the development of the program after 2013 Legislative Session
 - Became an advisory committee in 2015; meet quarterly
 - Focus on industry trends to recommend program improvements

Timber Landowner Commitment

Green Diamond Resource Company

Hancock Forest Management

Merrill & Ring

Olympic Resource Management LLC

Port Blakely Tree Farms

Rayonier Washington Timber Company

Sierra Pacific Industries

Washington State Department of Natural Resources

Weyerhaeuser Western Timberlands

Program Kickoff

- 2013
 - 60 companies enrolled by December
- 2014
 - DOSH began performing LSI safety consultations
 - Field audit began performing technical premium audits
 - Contracted with third-party company to begin independent safety audits.
- 2015
 - Safety Review Panel Policy went into effect

Tiered Discount Structure

- Tier 1 - 5% discount – 3 companies currently participating
 - Complete program application
 - Implementing the LSI Accident Prevention Program
 - Complete a DOSH Safety Consultation
- Tier 2 - 10% discount – 1 company currently participating
 - Complete a technical premium Workers' Compensation premium audit
- Tier 3 - 20% discount – 71 companies currently participating
 - Program certification
 - Review of ongoing quarterly and annual program requirements

Data as of 03/10/2022

Safety Review Panel Policy

- The policy was implemented in July 2015
 - Accountability for safety
 - The policy promotes a “safety first” culture
 - Industry representatives from WFPA and WCLA sit on the panel. The panel provides perspective on employer’s safety protocols and injury causation.
- Triggering Events:
- Work related fatality or catastrophic injury.
 - Traumatic injuries resulting in an in-patient hospitalization.
 - In the clear violation cited by DOSH consultation or compliance.
 - Inadequate LSI required safety training.
 - State Fund Compensable Claim, where injury mechanism is being struck-by, as a result of the worker not being ‘in-the-clear.’
 - Timber landowner referral of an unsafe act.

Policy Discount Reductions

- Most triggering events lose 10% of discount for a minimum of one quarter.
- Fatalities and catastrophic injuries lose 15% for a minimum of two quarters.
- If a company does not participate in the safety review panel process they are terminated from program enrollment.

Program Success

- Premium rates dropped for the manual logging risk classification.
- The industry became better educated on hazard identification and recognition.
- Injury rates decreased incrementally over time.
- Rapid industry adoption of steep slope logging methods.

Base Rates per hour / per FTE 2012 - 2022

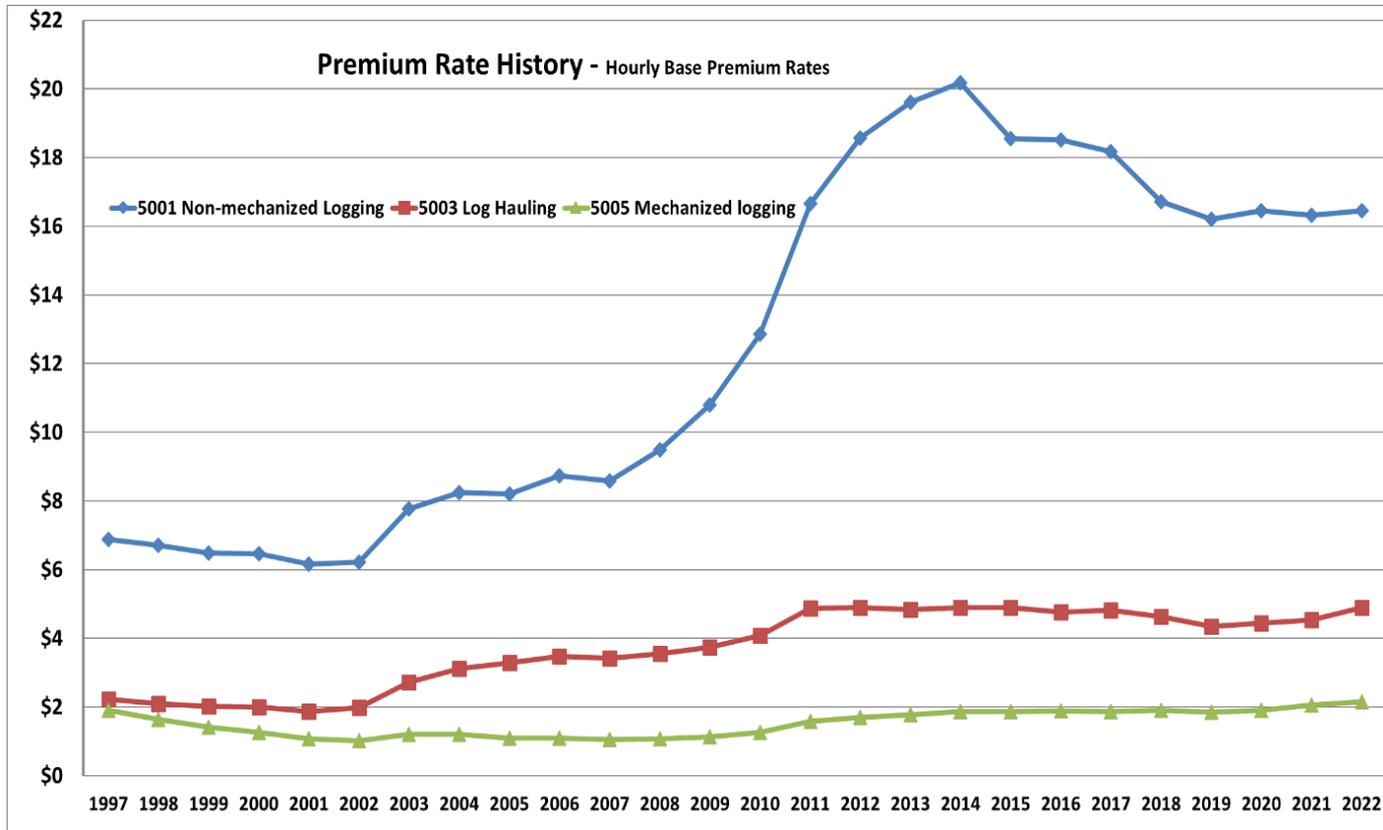
Year	% of base rate change all state fund	% of base rate change 5001	Comp Rate Per Hr/FTE	LSI Tier 3 Discount 20%
2022	3.1%	0.8%	\$16.55	\$13.24
2021	0.0%	-0.8%	\$16.32	\$13.06
2020	-0.8%	1.5%	\$16.45	\$13.16
2019	-4.9%	-3.1%	\$16.20	\$13.00
2018	-2.6%	-8.0%	\$16.72	\$13.38
2017	0.7%	-1.9%	\$18.18	\$14.55
2016	2.0%	-0.1%	\$18.57	\$14.83
2015	0.8%	-8.1%	\$18.55	\$14.84
2014	2.7%	2.9%	\$20.14	\$16.11
<i>Prior to LSI Inception</i>				
2013	0.0%	5.6%	\$19.61	
2012	0.1%	11.4%	\$18.56	

Why did the premium rates drop?

Proper reporting and hours placed into the correct risk classes.

- LSI premium audits
 - Since 2013: 29,666 hours reclassified
- Logging non-LSI premium compliance audits
 - Since 2013: 143,220 hours reclassified
- Common audit findings
 - Under reporting / non-reporting
 - Misclassifying workers as independent contractors from workers' compensation coverage

Historical Base Premium Rates in Logging



Percentage of LSI Hours in Manual Logging

	LSI as % of	Sum 5001
Year	5001 Hours	Hours
2021	71.3%	708,325
2020	76.5%	682,178
2019	81.5%	757,351
2018	77.9%	828,376
2017	84.1%	782,113
2016	86.3%	868,514
2015	81.2%	952,763
2014	72.8%	1,067,610
2013	0.0%	1,020,714

Logging Fatal Accidents Declined

- In 2014, 9 covered worker logging fatalities
 - (LSI (3) and non-LSI (6) covered workers)
- In 2021, zero covered worker logging fatalities
- In 2022, 1 covered worker logging fatality

**Manual logging and contracted log hauling*

Questions?

Eddy Boulch

Edward.Boulch@lni.wa.gov

360-902-5607

www.loggersafety.org

LSI Re-visioning Project

Beth Covert



Program Challenges

- Initial third party safety auditing contact
 - Very expensive
 - Industry survey concluded low program value and low impact on the overall safety of the industry
- The downward trend in injury claims leveled out
- Indicators that companies were becoming less engaged with safety
- Technical audits were too predictive

2019 LSI Taskforce Charter Revisions

- Developed a 5 year plan
- Updated taskforce goals to include program revisions
 - Stratify the program incentives towards safety performance and accountability
 - Continuously evaluate the safety interventions provided by the LSI program and make changes to improve effectiveness
 - Assess and update the LSI training program and develop training resources for employers
 - Create innovative solutions to improve safety culture to reduce injuries

Why are we conducting this project?

- Align with the five-year goals set by the Taskforce
- Program data indicated a need to further meet the program's original goals.
- Over time, three distinct groups of enrollee performance emerged.

LSI Project Goals

Move LSI to a performance-based tier discount assignment program

- Build a tool to randomize premium audit scheduling.
- Develop measurable DOSH Consultation activities that assess safety performance and climate.
- Create a methodology that assesses enrollee performance to assign premium discount.
- Review and modify existing policies and processes to streamline and implement program efficiencies
- Revise the existing worker safety training website

When will the project be implemented

- Phased approach
 - Supplemental premium audits – COMPLETE
 - Training repository – April 2022
 - DOSH Consultation tool – January 2023
 - Implement the underwriting element – January 2023
 - Assign performance-based discounts 2024

Questions?

Beth Covert

Beth.Covert@lni.wa.gov

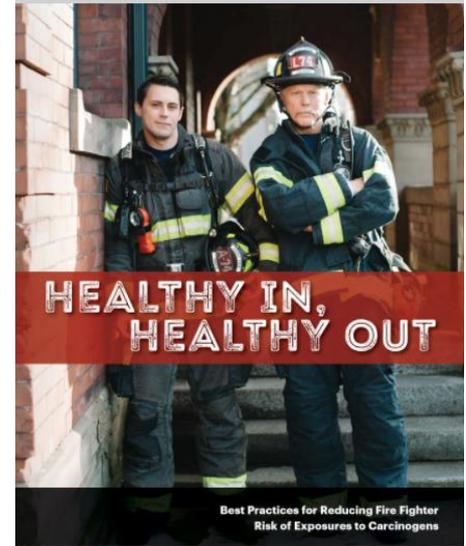
Washington Firefighter Injury and Illness REduction (FIIRE) Initiative

Dave Bonauto, MD, MPH
Rick Goggins, MS, CPE



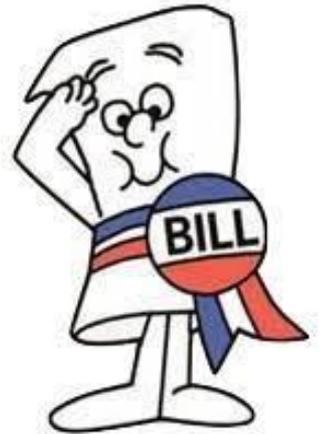
How did we get to the FIIRE Initiative?

- FF workers compensation presumption laws
 - Expanded list of conditions - 2019
 - Legislative deliberations
- Firefighter SHIP Grant
 - Healthy In, Healthy Out (HIHO)



How did we get to the FIIRE Initiative?

- Legislation – 2019 SSB 5175
 - Bill contents-
 - Risk Management framework
 - Prevention of exposure to carcinogens - HIHO
 - Prevent common causes of WC claims
 - **Safety grant program** to institute best practices
 - Mandatory engagement of FF and their employers in program development
 - >>Premium discount



Source: Schoolhouse Rock

Two premium discount programs – two different industries...

Manual Logging (RC5001)	Firefighting (RC6904)
Private Sector	Public Sector
Non-unionized	Unionized
Small firms	Larger firms
Employment -Precarious	Employment – Year-round
Hourly wage (-benefits)	Salary (+ Benefits)
Safety Standards (state/WCLA)	Industry Safety Standards (NFPA)
Discount – 20% of \$16.56	Discount – 10% of \$2.74
Distrust Government	Are Government
On the job training	Training programs
Landowner Requirements	Public Oversight

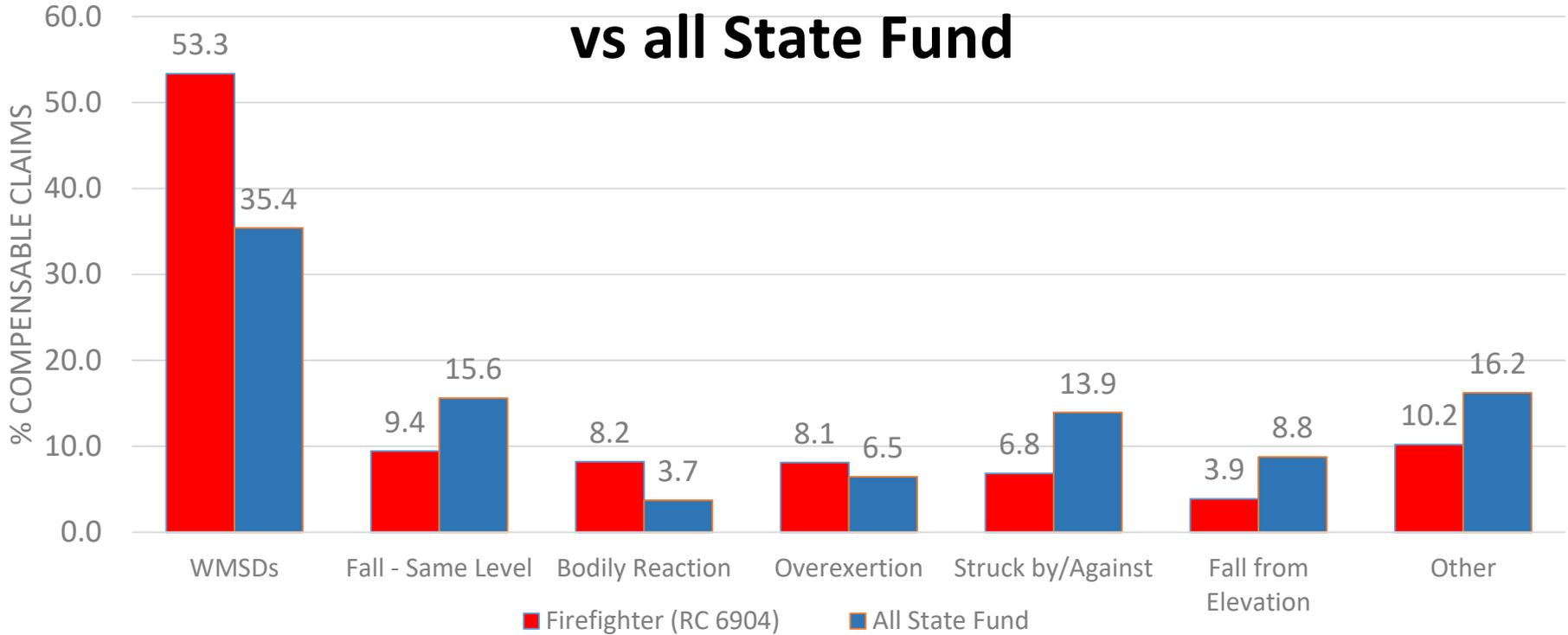
Creating the FIIRE Program?

- Established a Working Group
 - Firefighters and Fire Chiefs
- Consultation with SME in academia, FF advocacy groups, WSCFF, WSFC, etc.
- Informed by the data available to us

Data to inform the development of FIIRE

- Washington State Fire Departments (RC 6904)
 - ~240 Fire Departments in Washington State
 - Many small (>50% are <10 FTE; mix of career and volunteer)
 - 22 are >100 FTE; half of these are self-insured, mostly urban.
 - ~9000 FTE with 35% in self-insured departments

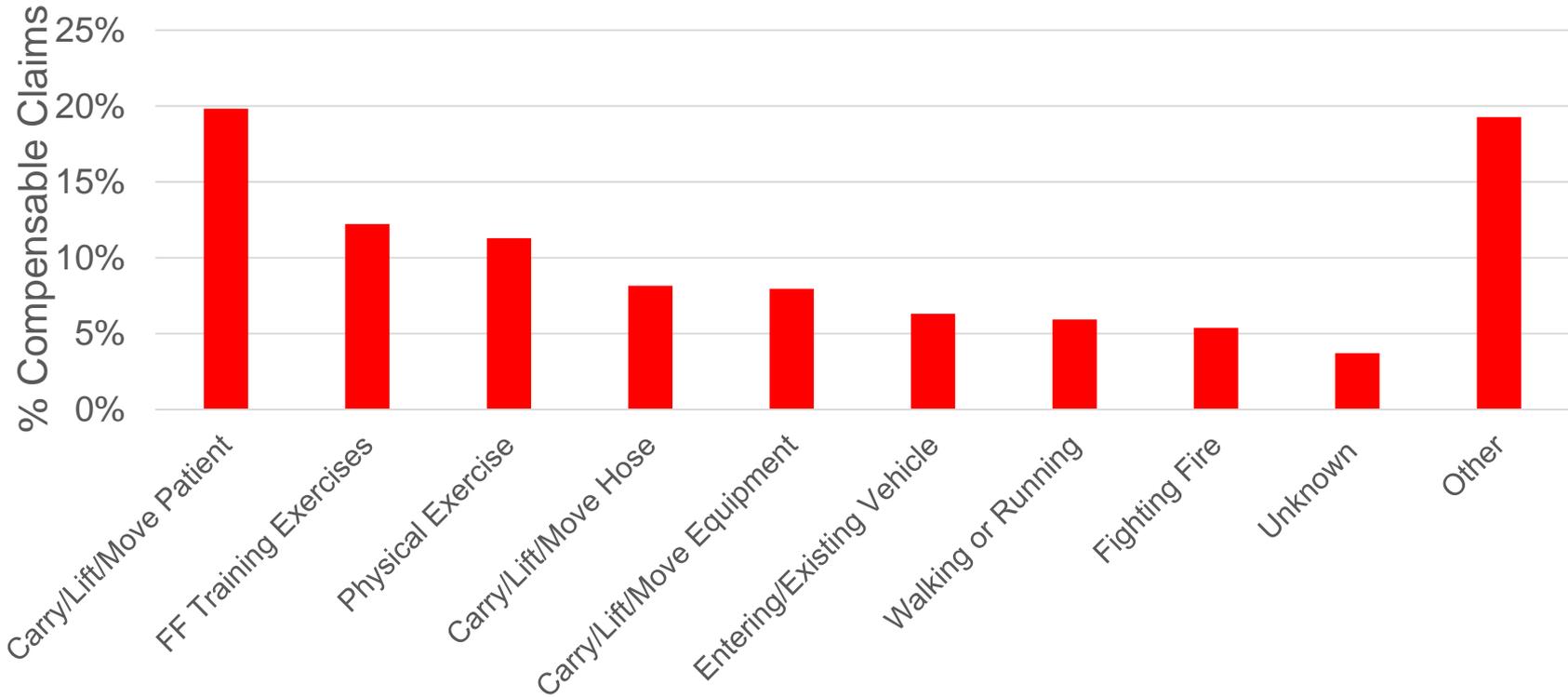
Compensable Claim Causes - Firefighter (FF) vs all State Fund



SF CY 2012-2016, Compensable claims

Cause of Firefighter Compensable Claims

SF SFY 2016-17



Total compensable claims = 540.

Creating the FIIRE Program?

- Untested concepts and programs elements >> Pilot program
- The FIIRE Initiative
 - Phase in quarter to evaluate program requirements
 - One year Pilot Program (October '21 – September '22)
 - Pilot opportunity will keep program dynamic
 - Program goal to have FD sustained improvement efforts

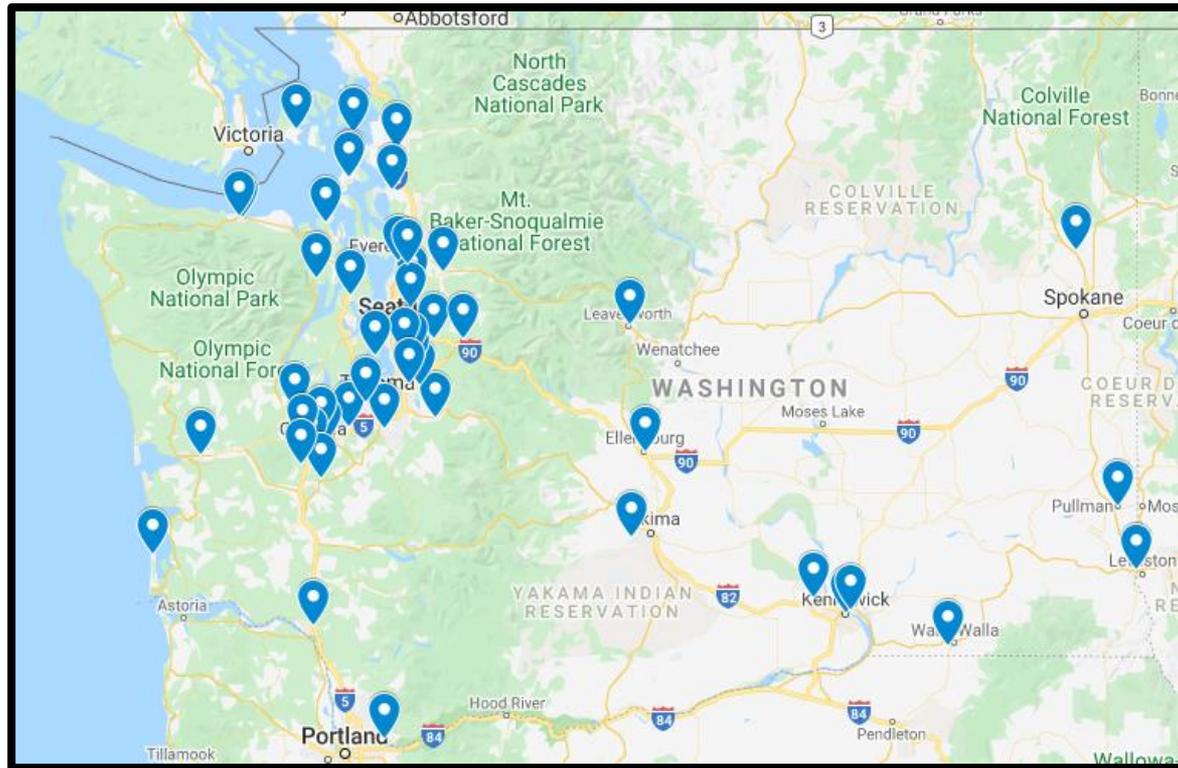
Pilot participation

	FIIRE Review Quarter [Jul – Sept 2021]	FIIRE Pilot Quarter 1 [Oct – Dec 2021]
Number of State Fund departments enrolled	31	49

- **23%** of all State Fund departments* reporting hours in 6904 are enrolled in the FIIRE initiative.
- **47%** of hours* reported in 6904 are from departments enrolled in FIIRE.

*Based on hours reported to L&I in Q2 of 2021 (Apr – Jun 2021)

Pilot Quarter 1 participant distribution



FIIRE Program Requirements

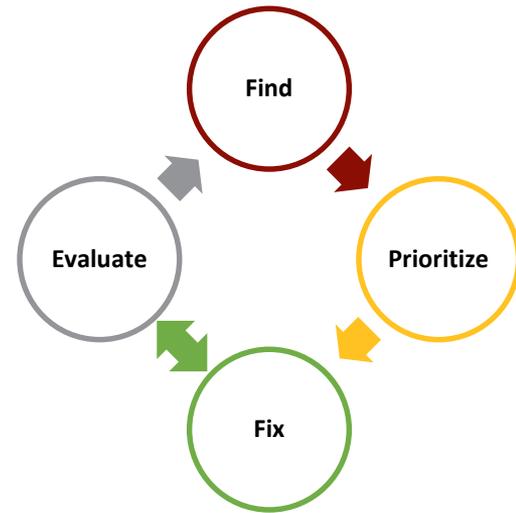
FIIRE Program Requirements

- Complete Self-Assessment
 - NFFF Vulnerability Assessment Program
 - Build better safety committee
- RTW and Stay at Work Programs
 - Departmental Resources on RTW
 - Washington Fire Chiefs
 - Time Loss Resources
 - Return to Work Guide (*Funded by SHIP Grant*)

Risk Management Training

- Interactive trainings with one or multiple FD
- Task analysis to identify hazards
- Brainstorm possible interventions (consultation with FIIRE, others)

- Integrate with other components of the FIIRE Program



Risk Management Training

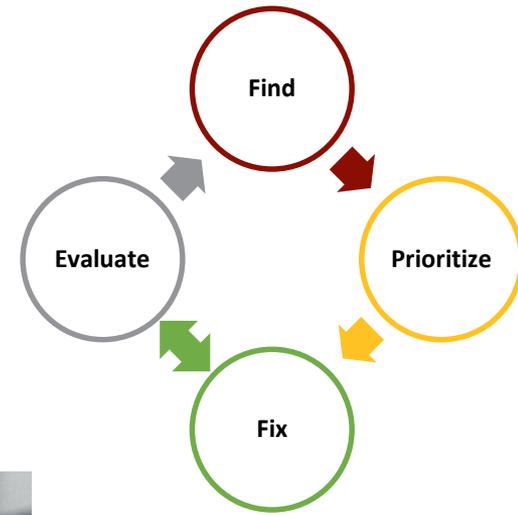
Scenario 1

Carcinogen Exposure



Scenario 2

Patient Transport



FD Safety Improvement Plan (SIP)

- Content:
 - Integrates VAP results
 - Incorporates risk management process
 - Considers best practices for both:
 - Carcinogen exposures
 - Musculoskeletal disorders (MSDs)
- Actively monitor progress and adjust as needed
 - Quarterly reports
 - Engagement vs. participation in safety

Ongoing FIIRE Program Participant Responsibilities

- Participate in FF Collaborative
- Continue work of safety committee applying Risk Management Approach
- Implement Return to Work Program
- Provide program feedback to L&I

Firefighters Safety and Health Grant Program

- Funds to purchase equipment or gear to help with SIP to help mitigate exposures to carcinogens or work-related musculoskeletal disorder risks
- Eligibility:
 - FIIRE participants ONLY during Pilot Phase of FIIRE Initiative
- Criteria
 1. Size of organization
 2. Demonstrated financial need
 3. Matching funds
 4. Indication of equipment need

Equipment Grants

- First round capped at \$10-15K range with range of matching funds based on fire department size
- 33 participants applied for grants
 - 21 related to carcinogen exposure prevention
 - 10 for prevention of musculoskeletal injuries
 - 2 for both priorities

Examples of carcinogen reduction equipment



Storm Stick



Gear extractors



2nd set of turnout gear

Examples of musculoskeletal risk reduction equipment



Inflatable Lift Cushion



Power gurneys and loaders



Hose handling tool

Participant feedback

- “Great training. Helped a lot with having someone outside the organization reinforce the need for safety.”
- “We have taken a higher priority on Safety items. We are excited to start the Risk Management Plan on Carcinogen and Musculoskeletal injuries.”
- “L&I assistance has been outstanding, open, and flexible to our needs. Thank you so much to all members who are providing us assistance.”
- “Keep up the great work. Probably increase the grant funding when it becomes available.”

Questions?

FIIRE@LNI.WA.GOV

Supplemental Slides

FIIRE attracted the larger departments

	FIIRE Pilot Quarter 1 (n=49 accounts)	All other State Fund accts with hours in 6904 (n=162)
Median # FTE*/dept.	34	9
# FTE*	Percent of FIIRE accounts	Percent of all other 6904 accts
<2	0	23.5
2 - 10	10.2	32.1
>10-25	28.6	21.0
>25-50	22.4	10.5
>50-100	20.4	8.1
>100	18.4	5.0

*Full Time Equivalent (FTE)= hours reported to L&I in Q2 of 2021 (Apr – Jun 2021) / 500

Additional characteristics of fire departments

	FIIRE (n=49 accounts)	All other State Fund accts with hours in 6904 (n=162)
Median experience rating*	0.84	0.89
Percent of accts in Retro 122*	33%	9%
Claim rate per 100 FTE**, 2017- current		
Medical aid only claim rate	10.0	7.3
Compensable claim rate	7.5	4.3

*Experience rating and retro status assessed as of Q2 of 2021 (Apr – Jun 2021)

**Full Time Equivalent (FTE)= hours reported to L&I 2017 through Q2 of 2021 / 2000

Firefighter Safety and Health Collaborative

- Fire Departments exchange information and transfer knowledge on training and best practices in collaborative meetings
- Created through partnerships of Washington State Council of Firefighters, the Washington Fire Chiefs and facilitated by L&I
- Current State
 - FIIRE Requirement to attend collaborative meetings
 - Restricted to FIIRE participants ONLY during Pilot Phase of FIIRE Initiative



Washington State
Council of Fire Fighters

FIIRE Evaluation

- Self-evaluation in SIP Quarterly Report
 - Progress on department level safety priorities
 - Identification of new hazards (and response)
 - Grant purchases and any metrics for utilization
- L&I Evaluation
 - Participants (size, geography, claims history, DOSH history)
 - Risk management progression in quarterly reports
 - Collaboratives as a means to introduce safety ideas
 - L&I utilization – request for consults, interaction with FIIRE staff

FIIRE Collaboration

L&I DOSH

Richard Goggins

Pamela Zenzius

L&I GAPD

Maggie Leland

Monica Fontaine

L&I SHARP

Jennifer Marcum

Miyoko Sasakura

WA St Council of FF

Keven Rojecki

Dennis Lawson

WA Fire Chiefs

Steven Wright

Lonnie Rash

Break Time

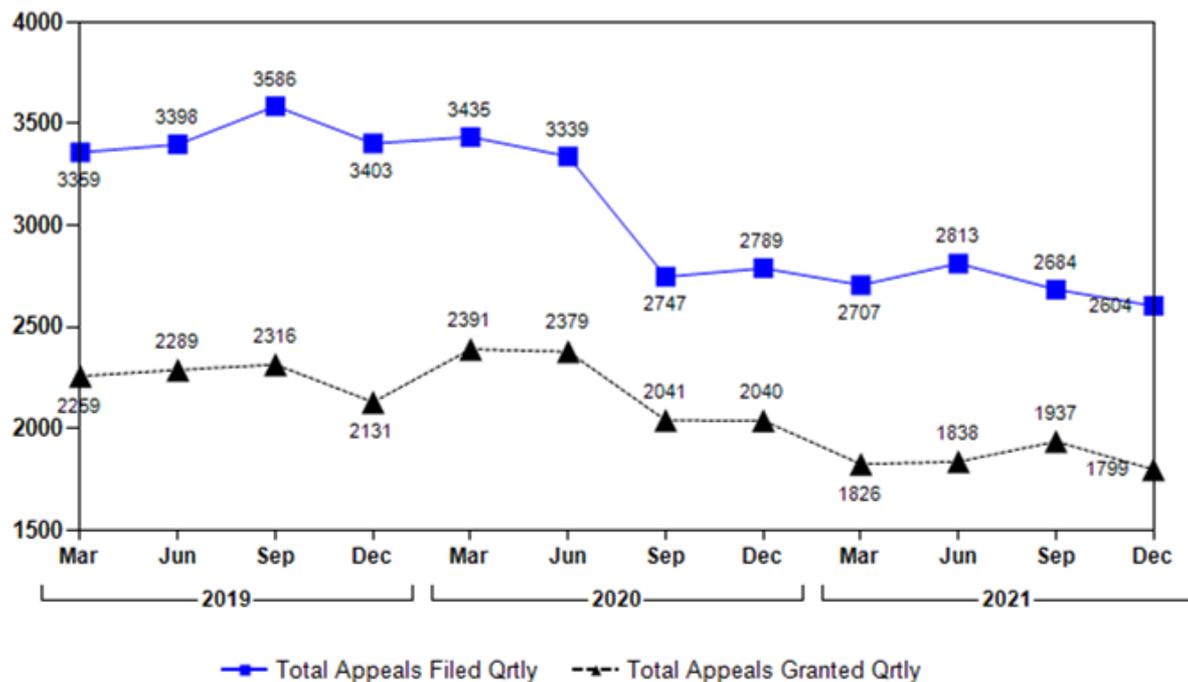


Board of Industrial Insurance Appeals (BIIA) Update

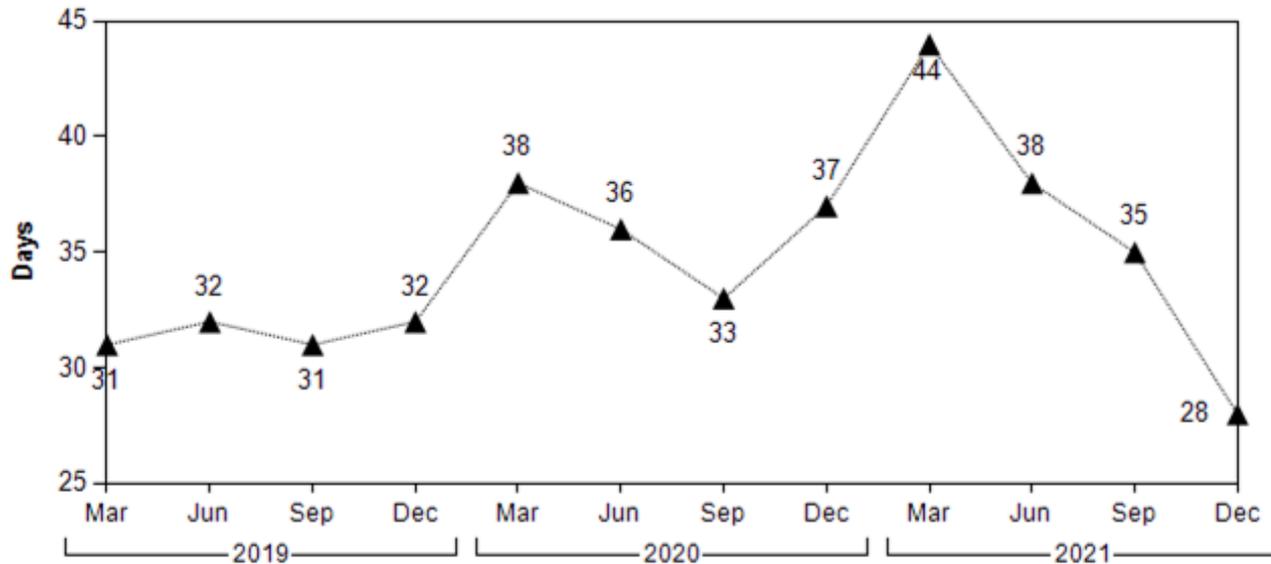
Mark Jaffe, Chair



Total Appeals Filed and Granted

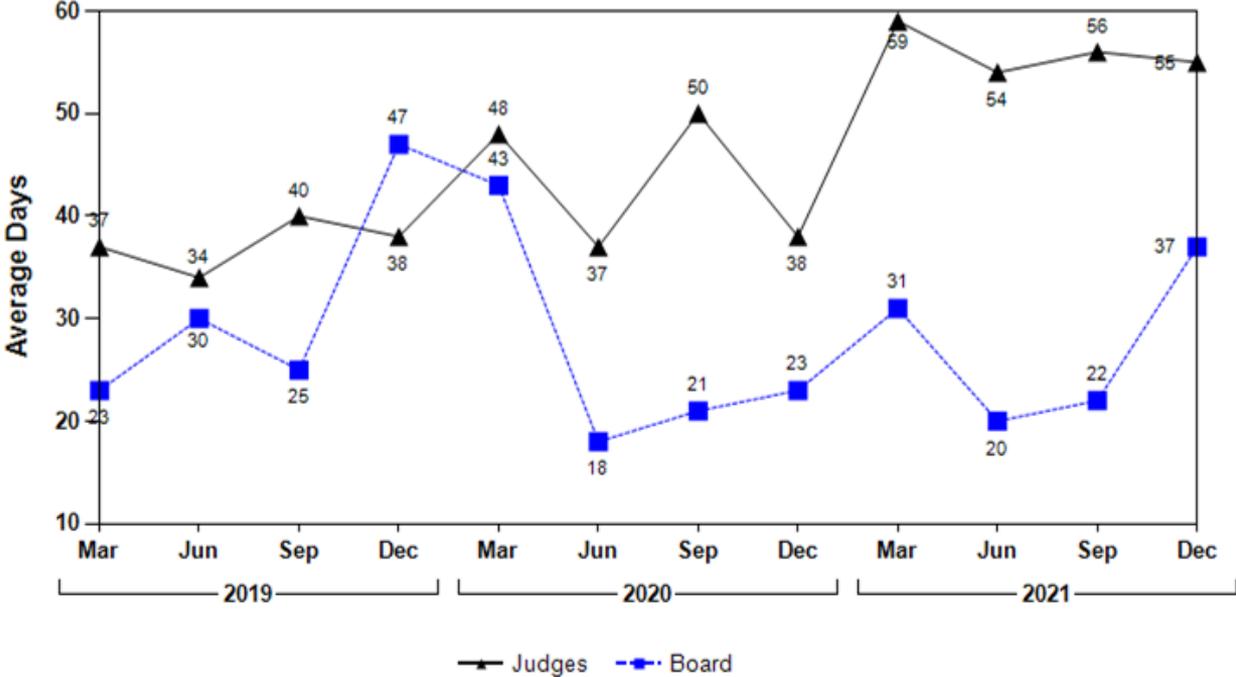


Average PD&O* Time-lag by Quarter for Hearing Judges

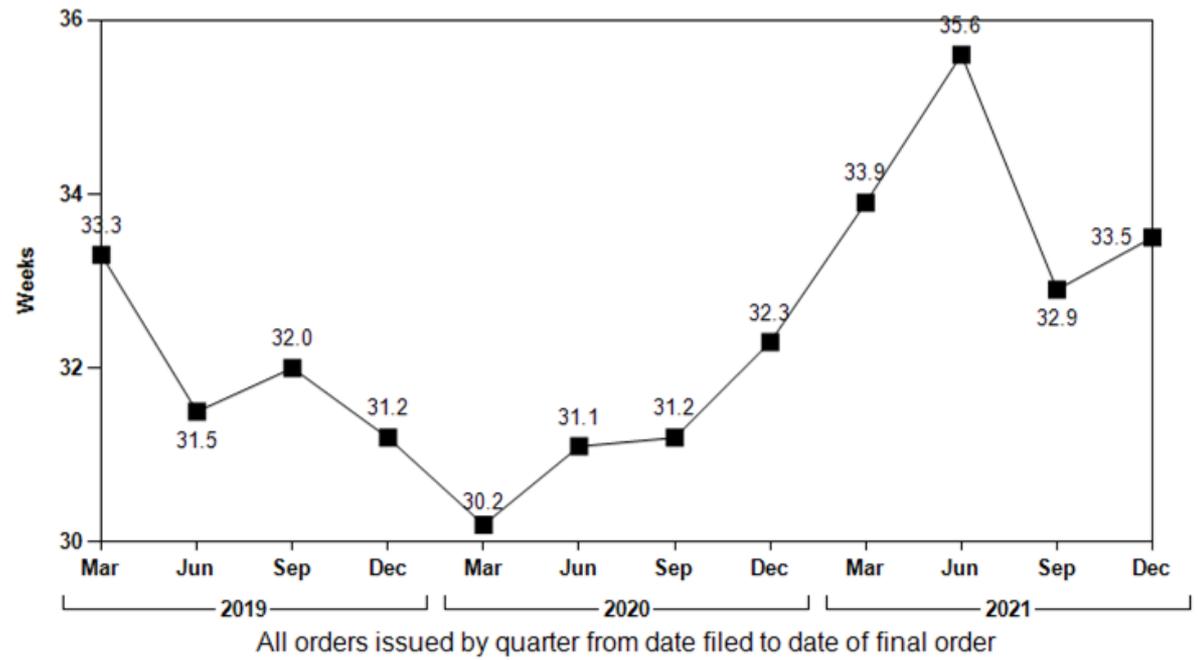


*Proposed Decision and Order

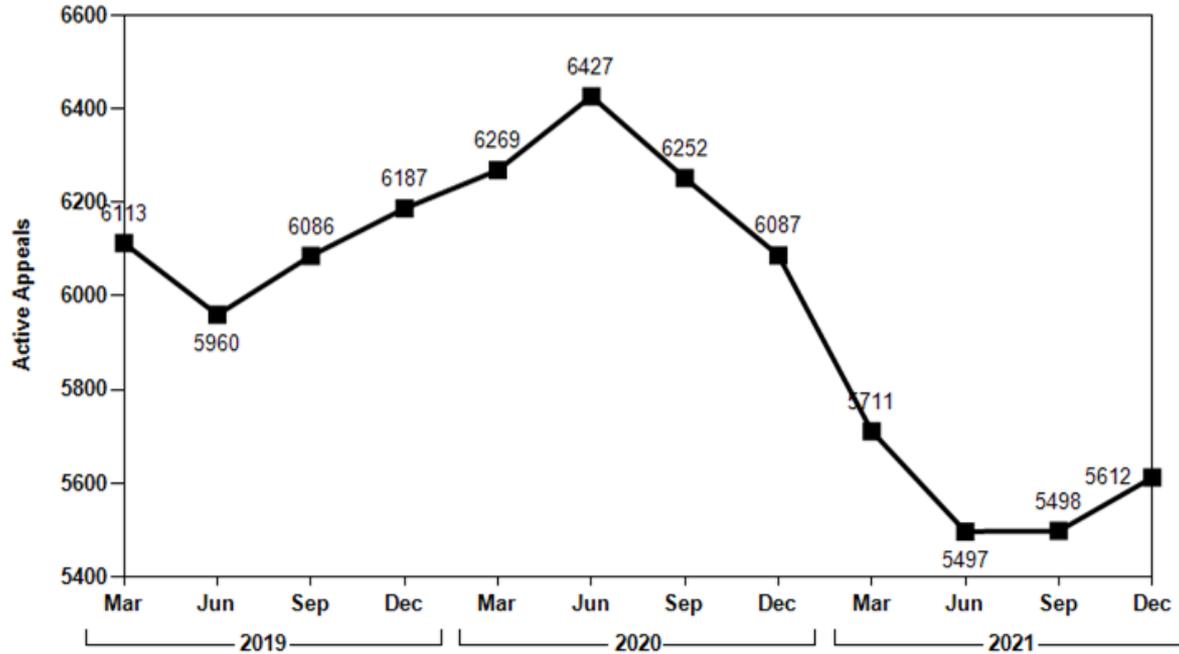
D & O* Time-Lag by Quarter



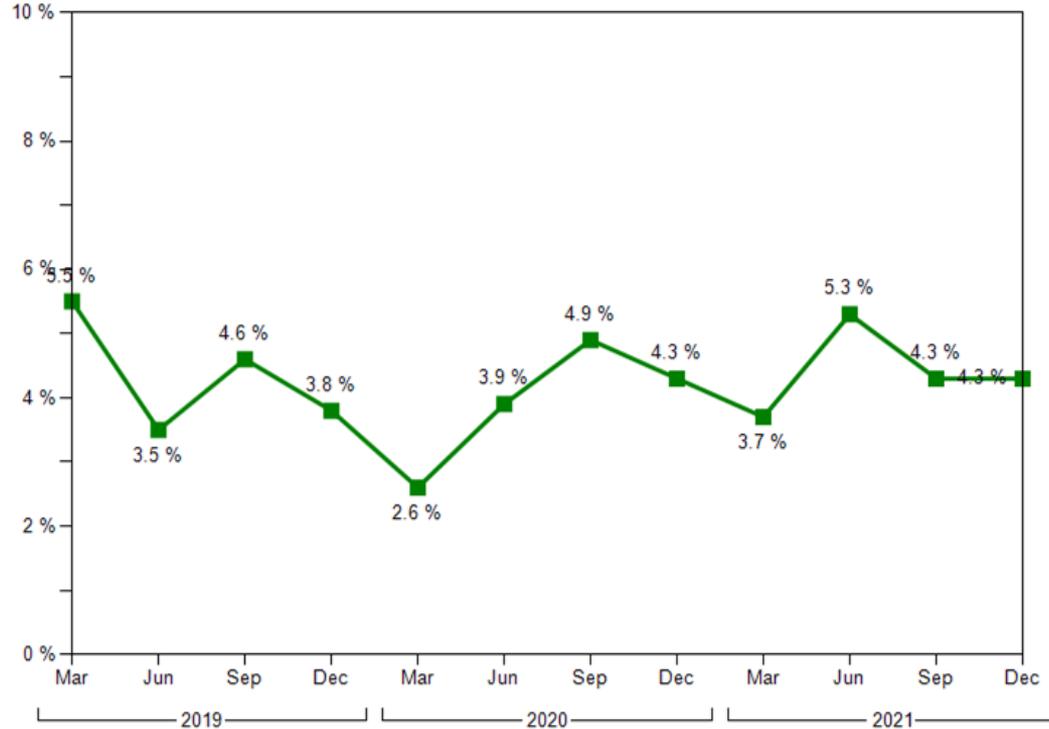
Quarterly Average Weeks to Completion



Caseload at End of Quarter



Percentage of Final Orders Appealed to Superior Court - Quarterly



Industrial Insurance (State) Fund Financial Overview - Appendix

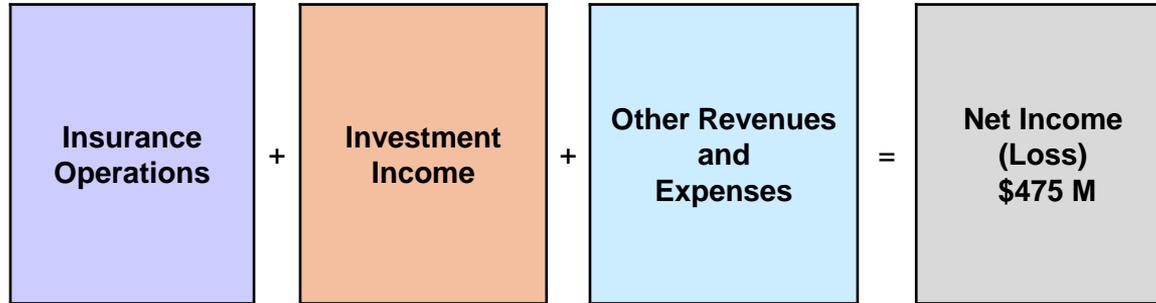
*Rachel Swanner, Workers' Compensation Accounting
Manager*



State Fund Results

“Net Income”

July 2021 through December 2021



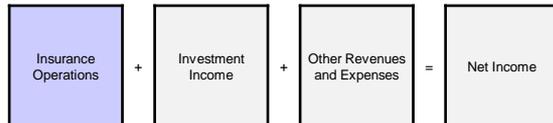
Insurance Operations

July through December 2021
(in millions)

Six Months Ended

		December 31, 2021	December 31, 2020
We took in (Premiums Earned)	+	\$ 1,020	\$ 828
We spent (Expenses Incurred)			
Benefits Incurred		748	1,163
Claim Administrative Expenses		99	124
Other Insurance Expenses		46	47
Total Expenses Incurred	-	893	1,334
Net Income (Loss) from Insurance Operations	=	\$ 127	\$ (506)

Net loss from insurance operations is normal for workers compensation insurers who routinely rely on investment income to cover a portion of benefit payments.



Premiums Earned

July through December 2021
(in millions)

	Six Months Ended		Difference
	December 31, 2021	December 31, 2020	
Standard Premiums Collected	\$1,027	\$966	
Less Retrospective Rating Adjustments	(54)	(39)	
Less Ceded Reinsurance Premiums	(7)	(6)	
Net Premiums Collected	966	921	
Changes in future Premium Amounts To Be Collected	102	(23)	
Changes in future Retrospective Rating Adjustment Refunds	(48)	(70)	
Net Premiums Earned	\$ 1,020	\$ 828	\$ 192

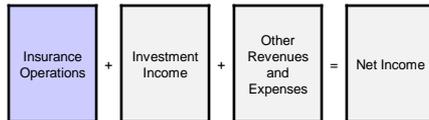


Benefits Incurred

July through December 2021
(in millions)

Six Months Ended

	December 31, 2021	December 31, 2020	Difference
Benefits Paid	\$ 831	\$ 820	\$ 11
Change in Benefit Liabilities	(83)	343	(426)
Total Benefits Incurred	\$ 748	\$ 1,163	\$ (415)

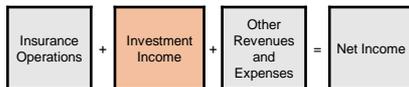


Investment Income

July through December 2021
(in millions)

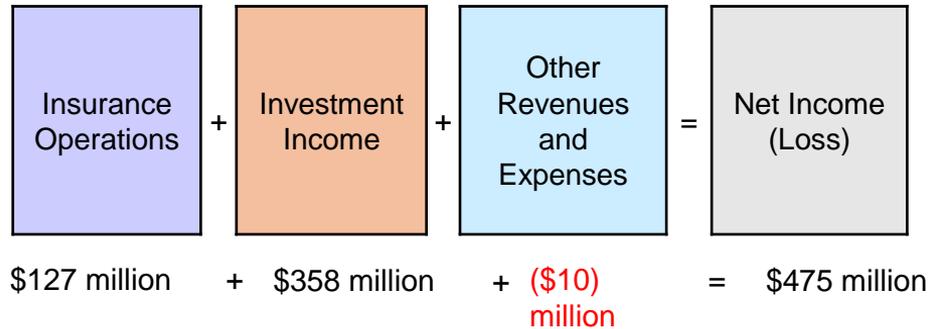
Six Months Ended

		December 31, 2021	December 31, 2020
Investment Income Earned from Interest on bonds	+	\$228	\$ 233
Realized Gain/(Loss) from Fixed Income Investments Sold	+	64	61
Realized Gains from Stocks (Equity Investments) Sold	+	66	193
Total Investment Income	=	\$ 358	\$ 487



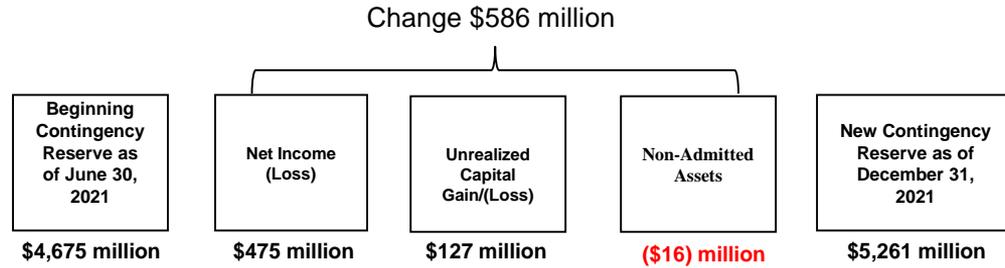
Results of Operations

July 2021 through December 2021



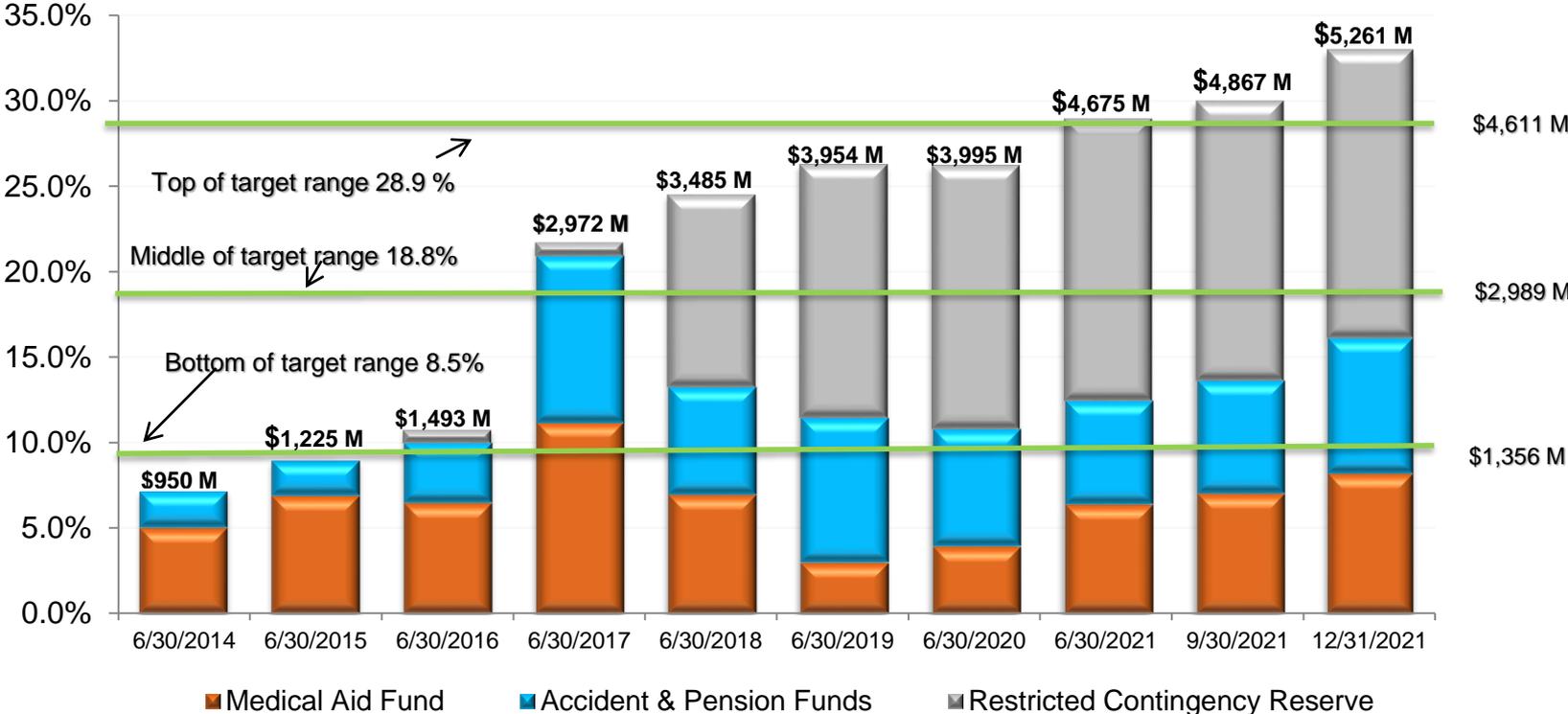
How Did Contingency Reserve Perform?

July 2021 through December 2021



Combined Contingency Reserve vs. Targets

Combined Contingency Reserve is 33.0% of Total Liabilities

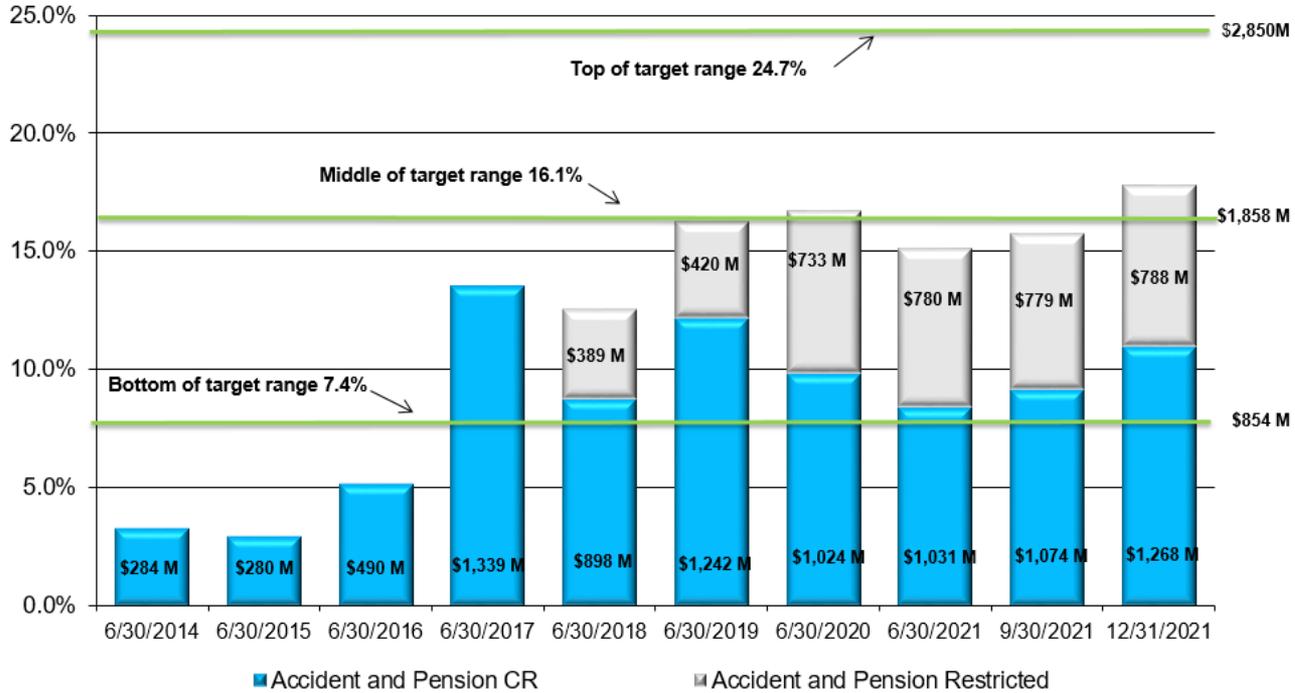


Restricted is based on final June 30, 2021 financial information and the change in the value of investments through 12-31-21.

The WCAC Target has historically been the midpoint between the bottom and middle target.

Accident, Pension & Restricted Contingency Reserve is 17.8% of Liabilities

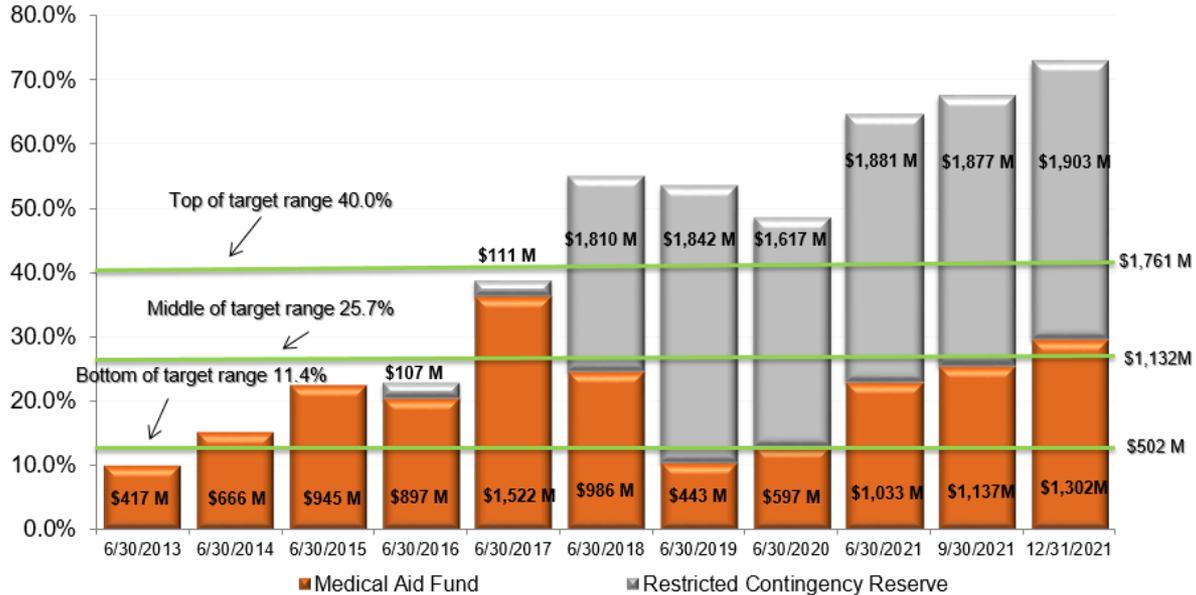
Accident & Pension Contingency Reserve vs. Targets



The WCAC Target has historically been the midpoint between the bottom and middle target.

Medical Aid & Restricted Contingency Reserve is 72.8% of Liabilities

Medical Aid & Restricted Contingency Reserve vs. Targets



Restricted is based on final June 30, 2021 financial information and investment earnings through 9-30-21.

The WCAC Target has historically been the midpoint between the bottom and middle target.

Key Financial Ratios

as a percentage of premium earned

Ratios	Quarter Ended December 31, 2021		Fiscal Year Ended June 30, 2021	Fiscal Year Ended June 30, 2020
	State Fund	Industry Forecast		
Current Year Benefit (Loss Ratio)	98.1%		117.1%	90.5%
Prior Year Benefit (Loss Ratio)	(24.8)%		30.0%	35.4%
Total Benefit (Loss Ratio)	73.3%	48.8%	147.1%	125.9%
Current Year CAE Ratio	11.9%		14.4%	11.5%
Prior Year CAE Ratio	(2.2)%		1.8%	1.8%
Total Claim Administration Expense (CAE) Ratio	9.7%	12.7%	16.2%	13.3%
Sub-Total: Benefit and Claim Administration Expense Ratios	83.0%	61.5%	163.3%	139.3%
Underwriting Expense Ratio includes all insurance administrative expenses except CAE	4.6%	26.2%	6.1%	5.1%
Combined Ratio (Industry omits dividends)	87.6%	87.7%	169.4%	144.4%
Investment Income Ratio	22.3%	16.8%	28.9%	26.3%
Operating Ratio	65.3%	70.9%	140.5%	118.1%

Note: a ratio of 100% would indicate that costs = premium for the period.

Questions & Comments

Contact Rachel Swanner,
Workers Compensation Accounting Manager

- Phone: 360-902-6263
- Email: Rachel.swanner@lni.wa.gov.

Thank You!

Reconciliation of Change in Benefit Liabilities

(In \$1,000s)

July 1, 2021 Benefit Liability Beginning Balance	\$14,622,093
Prior Year Benefit Payments	(\$750,941)
Prior Year Development and Model Change (Unfavorable)	(\$433,468)
Self Insurance Prefunded Pension Transfers	\$7,852
Regular reserve discount reduction	\$172,954
Net Total Prior Year Benefit Liability as of December 31, 2021	\$13,618,490
New Current Year Benefit Liabilities	\$920,270
December 31, 2021 Benefit Liabilities Ending Balance	\$14,538,760
Change Between Beginning and Ending Balance	(\$83,333)

Highlights of Changes in the Contingency Reserve

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22 Q2	Total
Actuarial Development ¹	\$149M	\$543M	\$147M	\$926M	\$941M	\$352M	\$(197)M	\$287M	\$434M	\$3,608M
Rate Changes	\$58M	\$59M	\$38M	\$27M	\$(14)M	\$(120)M	\$(110)M	\$(44)M	\$(29)M	\$(135)M
Greater (less) than expected changes in the stock market	\$279M	\$(29)M	\$(101)M	\$411M	\$199M	\$50M	\$340M	\$1,263M	\$202M	\$2,614M
Mortality table change	-	\$(146)M	-	-	-	-	-	-	-	\$(146)M
Adjustments to avoid double counting 2011 reform savings	\$(130)M	\$(83)M	-	-	-	-	-	-	-	\$(213)M
Discount rate reduction	\$(256)M ²	\$(31)M	\$(31)M	\$(36)M	\$(646)M ³	-	\$(90)M ⁴	\$(384)M ⁵	-	\$(1,473)M

1. Includes numerous, offsetting factors including model changes, operational influences, and the state of the economy.

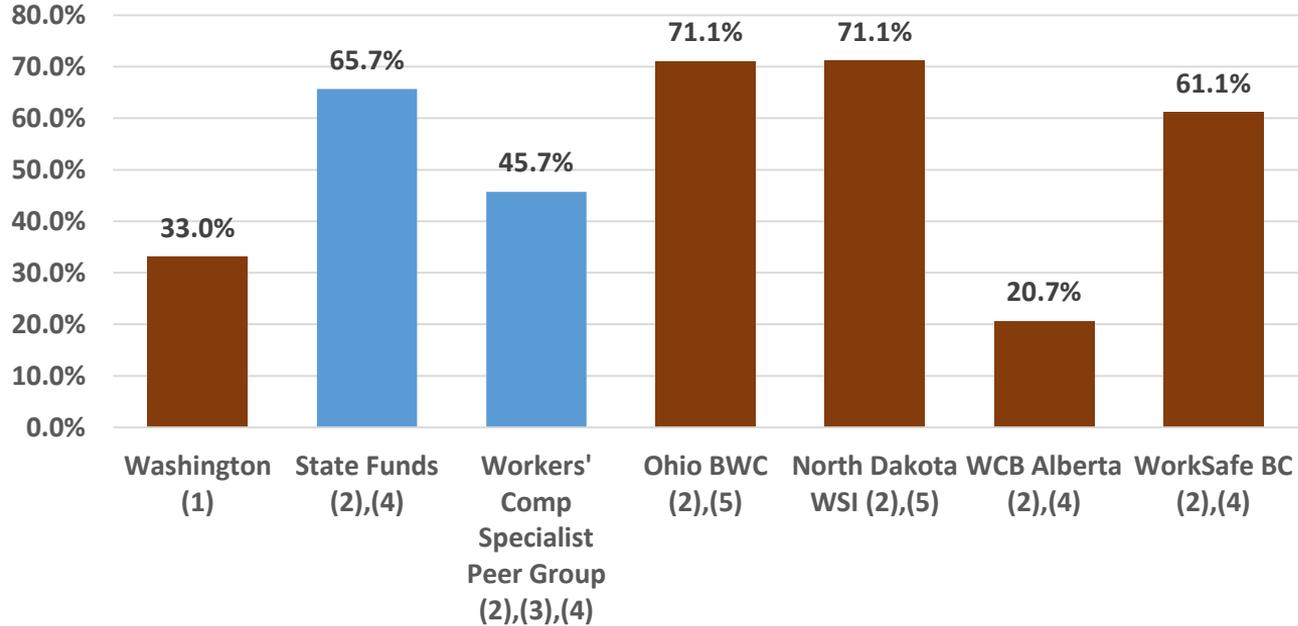
2. Model change for 13-year plus claims \$102 M; Pension Discount change \$154 M.

3. Pension Discount Rate reduction from 6.2% to 4.5%

4. Non-Pension Discount Rate reduction from 1.5% to 1.0%

5. Proposed Pension Discount Rate 4.5% to 4.0%

Washington's CR is below most other funds as a percent of liabilities



(1) Preliminary as of 12/31/2021

(2) Source: Conning Peer Analysis, August 19, 2021

(3) Worker's Comp Specialist Peer Group—workers' compensation specialist insurers including some state funds

(4) As of 12/31/2020

(5) As of 6/30/2020

Historic Results of Operations

July through December

(in millions)

As of Quarter Ended December 31,	Insurance Operations	+	Investment Income	+	Other Revenues & Expenses	=	Net Income (Loss)
2021	127		358		(10)		475
2020	(161)		173		(18)		(6)
2019	(203)		188		4		(11)
2018	(85)		123		10		48
2017	175		214		20		409
2016	(168)		128		18		(22)
2015	(194)		184		20		10
2014	(81)		132		16		67
2013	(36)		158		15		137
2012	(11)		144		8		141
2011	(104)		135		18		49

Historical Investment Performance

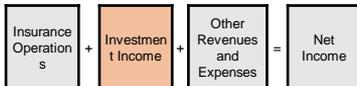
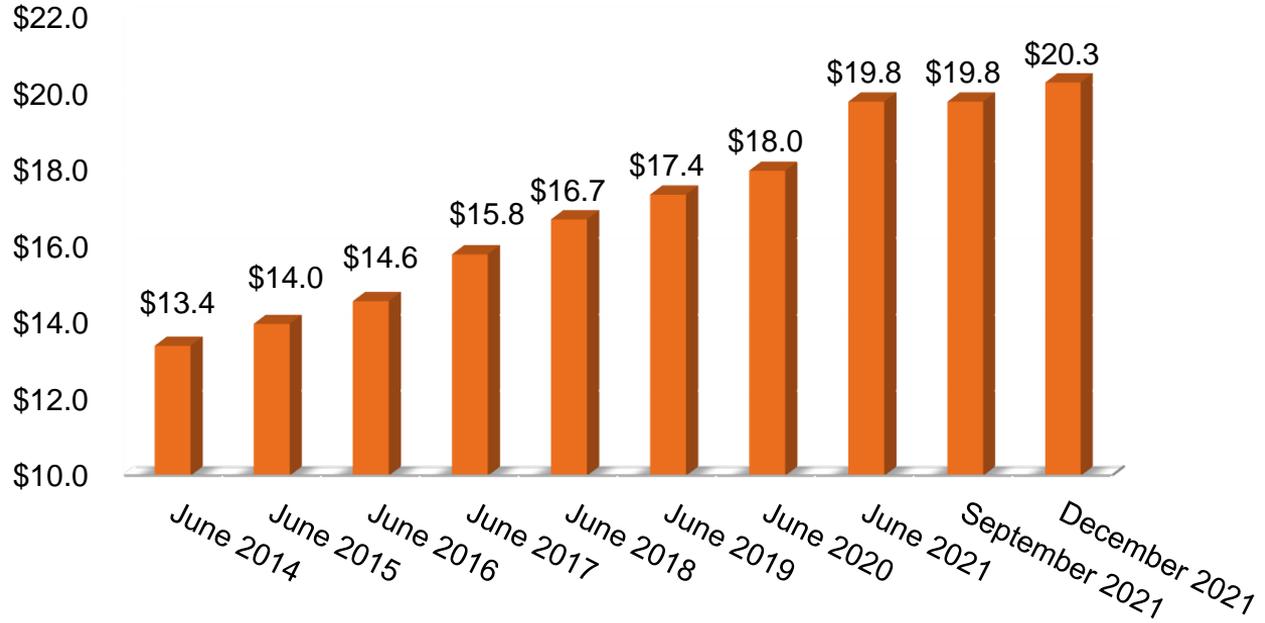
Fiscal Year Ended

	Quarter Ended December 31, 2021	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Investment Income	227,744,000	462,700,000	496,981,000	498,626,000	481,048,000	478,130,000
Realized Gain (Loss)	130,159,000	299,787,000	272,266,000	(23,498,000)	1,092,446,000	102,540,000
Unrealized Gain (Loss)	127,624,000	1,069,560,000	161,264,000	151,820,000	(812,942,000)*	380,183,000
Total Invested Assets	20,247,693,000	19,793,907,000	17,992,984,000	17,443,448,000	16,728,166,000	15,815,997,000

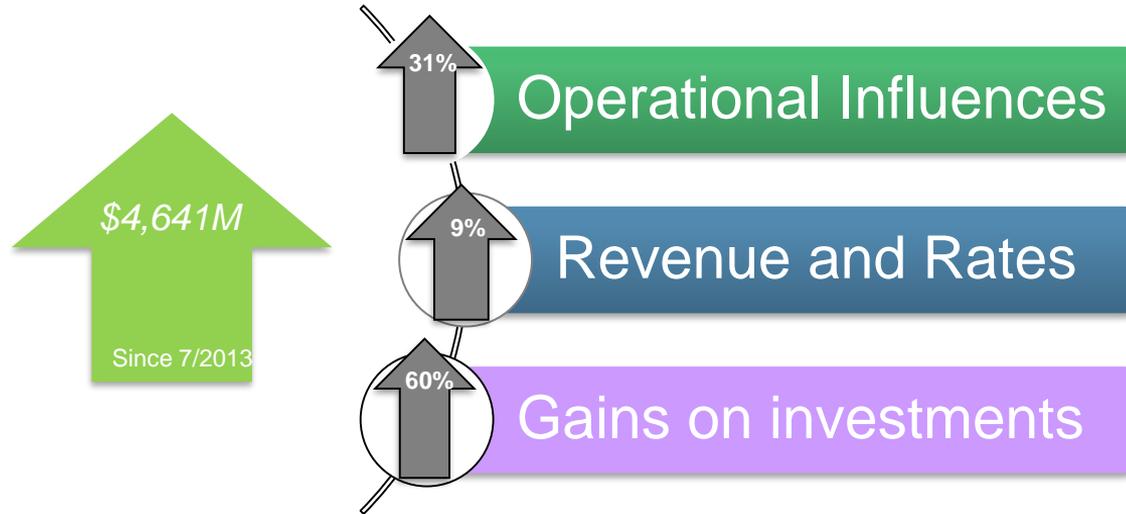
***Unrealized gains in prior years that increased the contingency reserve were removed from unrealized and included in realized gains when equities were sold in fiscal year 2018.**

Total Investments

(rounded to billions)



Contingency Reserve Drivers



As of 12/31/2021 the CR is at \$5,261M.

WCAC Retrospective

Vickie Kennedy



Agenda Setting

Mike Ratko



Closing Comments & Adjourn

Vickie Kennedy, Assistant Director for Insurance Services
Joel Sacks, Agency Director



Next Meeting

- June 15, 2022
- LNI HQ Auditorium