

Workers' Compensation Advisory Committee (WCAC)

June 15, 2021



AGENDA

Workers' Compensation Advisory Committee (WCAC) Quarterly Meeting

6/15/2021

Zoom

9:00am – 12:00pm

Time	Topic	Presenter(s)
9:00 am - 9:10 am	Welcome <ul style="list-style-type: none">• Introductions• Safety Message	Joel Sacks Vickie Kennedy Ernesto Carcamo
9:10 am – 9:30 am	Legislative Updates	Vickie Kennedy Joel Sacks
9:30 am – 9:50 am	General Updates <ul style="list-style-type: none">• CR 101 Updates• COVID-19	Joel Sacks Vickie Kennedy
9:50 am – 10:10 am	Insurance Services Dashboard	Vickie Kennedy
10:10 am – 10:25 am	Break	
10:25 am – 11:25 am	The Expansion of Telework and Workers' Compensation	Kirsta Glenn John Geppert Maurice Perigo
11:25 am – 11:40 am	Industrial Insurance State Fund Financial Overview	Rachel Swanner
11:40 am – 11:50 am	Board of Industrial Insurance (BIIA) Update	Linda Williams
11:50 am – 12:00 pm	Closing Comments & Adjourn	Vickie Kennedy Joel Sacks

Next WCAC Meeting

Thursday, September 30, 2021

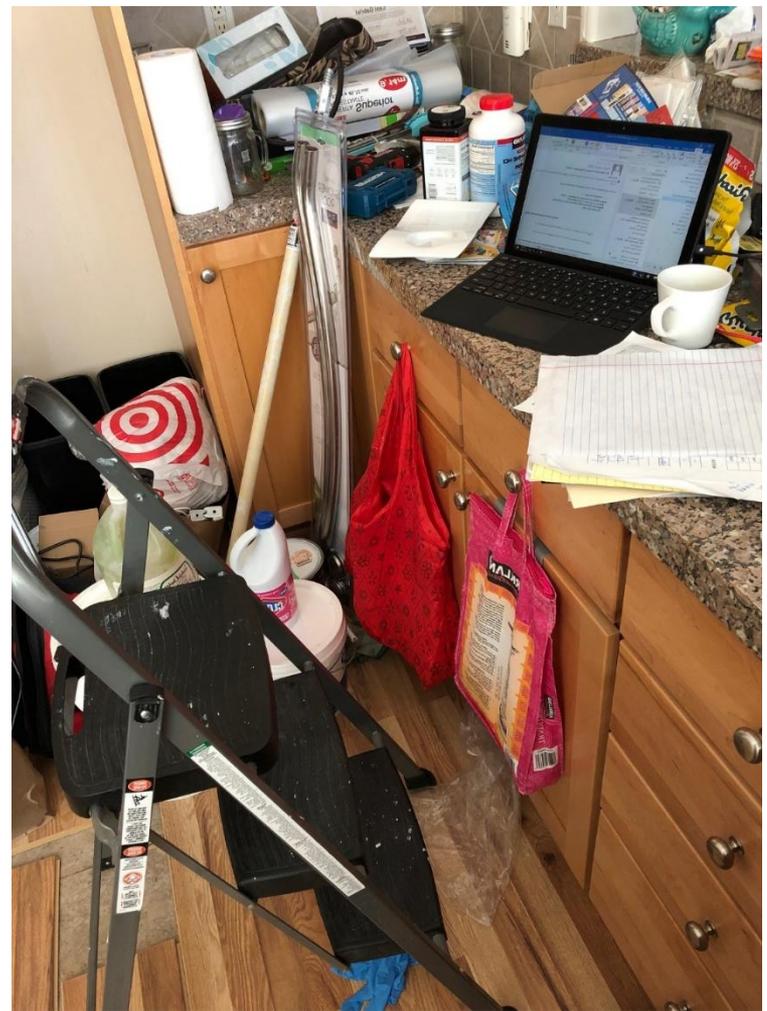
L&I Tumwater Headquarters

Safety Message

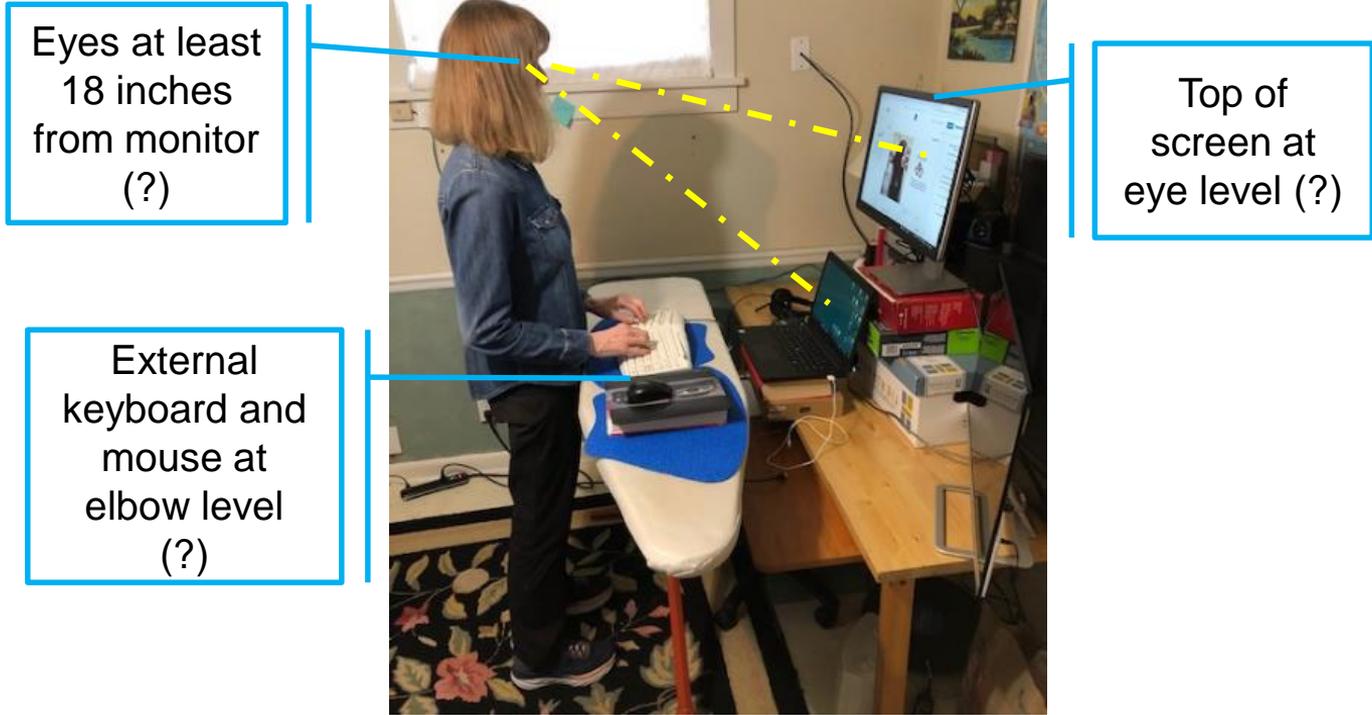
Ernesto Carcamo
DOSH - Ergonomist



“I can sit or stand.”

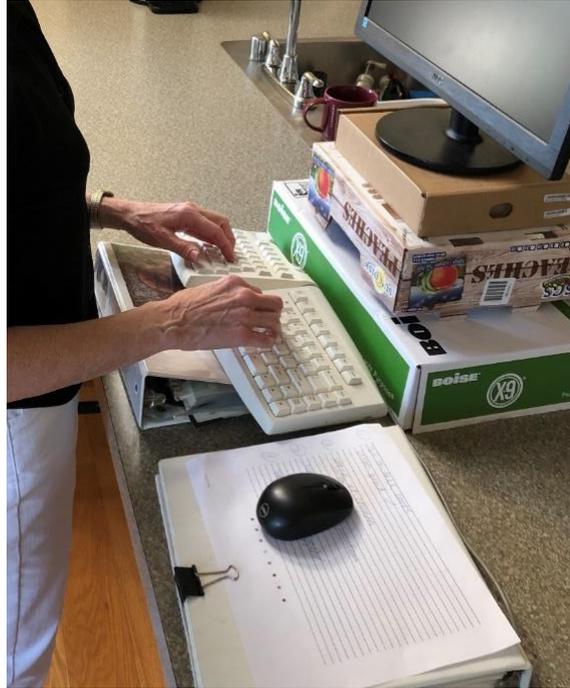
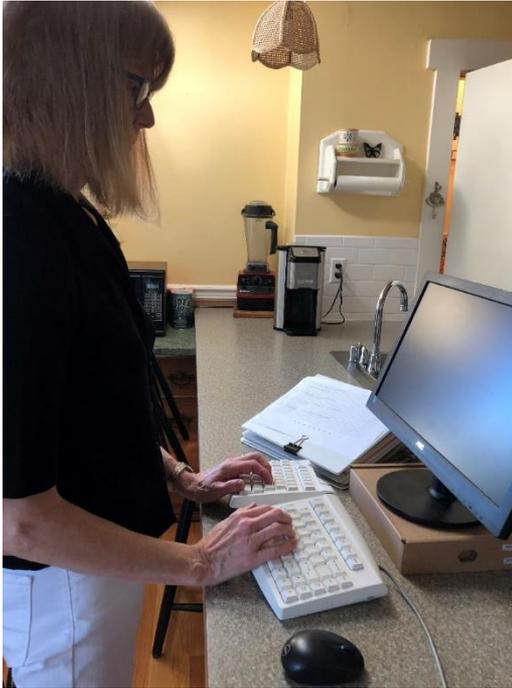


You may have to get creative

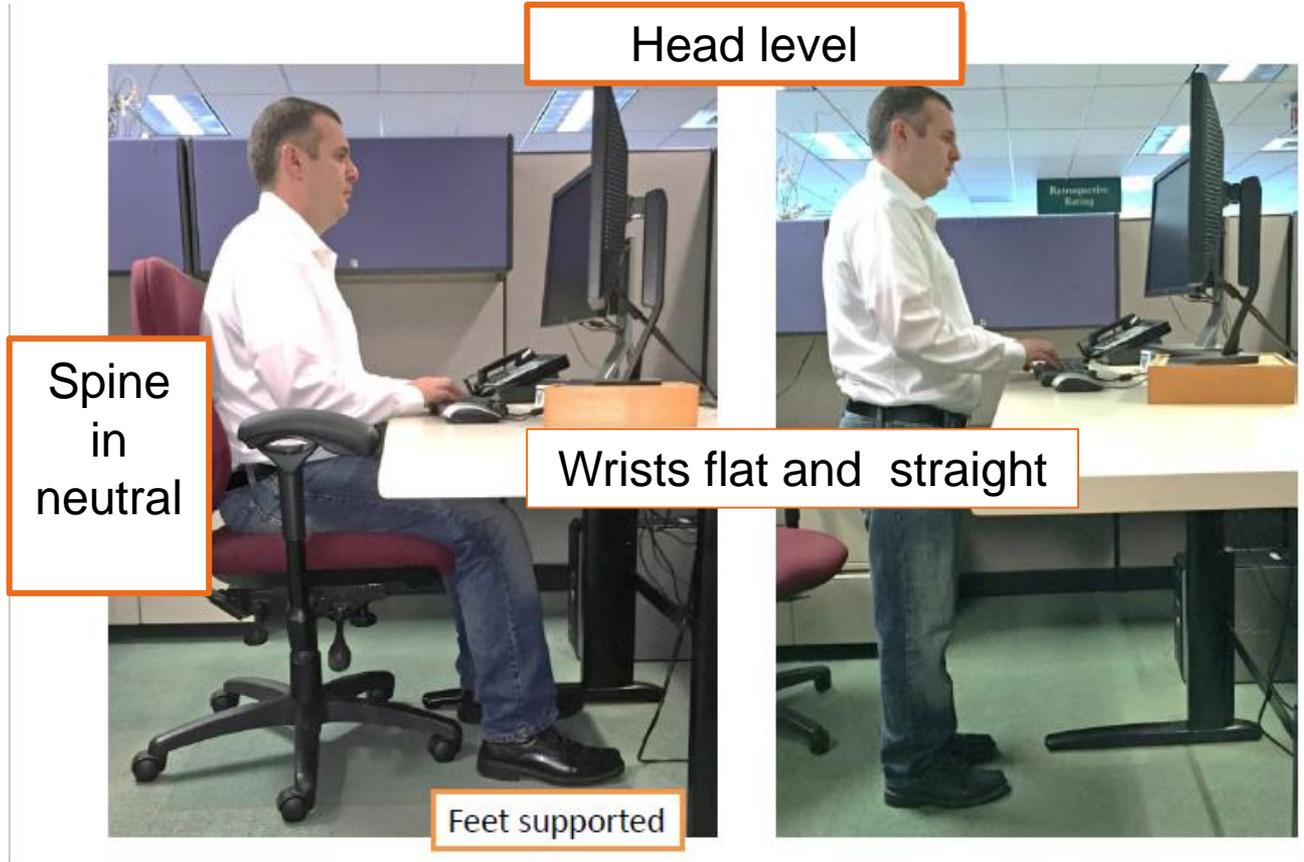


Standing at kitchen counter

Goals: Straight, flat wrists
Level head



The goal of an ergonomic set up at home is the same as at work



Legislative Updates

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



ESSB 5190 and ESSB 5115

- Both bills provide presumptive workers' compensation coverage for workers considered to be at greater risk of contracting disease during a pandemic.
 - ESSB 5190 provides coverage for Health Care Employees
 - ESSB 5115 provides coverage for “Frontline” Workers
- Both bills included an emergency clause and became effective the date signed by the Governor: May 11, 2021

Who is Covered?

- **5190: Health Care Employees**

- an employee of any health care facility or other organization that provides emergency or medical services
- and who has or likely has had direct contact with any person who has been exposed to or tested positive.

- **5115: Frontline Employees, including:**

- First Responders
- Employees performing food processing or manufacturing, food distribution, farm work, meat packing
- Maintenance, janitorial and food service at any facility treating patients
- Drivers and operators with transit or public agency providing mass transportation
- Licensed child care
- Retail stores, hotels, motels, restaurants
- Home care aides
- Corrections officers and support employees at a correctional institution
- Educational employees when required to be physical present with in-person classes or vehicles
- Higher education and employees of public libraries that remain open with in-person interaction

Other Provisions....

ESSB 5190

- Applies to exposures during the declared public health emergency (Feb 29, 2020 to date)
- Presumption can be rebutted by clear and convincing evidence

ESSB 5115

- Applies to cases where exposure and claim filed on or after May 11, 2021
- Presumption can be rebutted by a preponderance of evidence

- Worker must show they contracted the disease
- No waiting period for time-loss benefits
- If compensated for time-off through another state or federal program, time-loss is not payable for the same dates
- Costs are not applied to State Fund employer's claim experience
- Coverage triggered by emergency declaration from the President or Governor

Claim Resolution Settlement Agreements

- SB 5037-Joint proposal from business & labor
- Allows for a single lump sum payment
- Periodic (structured) payments still allowed
- Addresses social security offset issue

General Updates

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



COVID Claims

	State Fund	Self-Insured	Total
Allowed total	4,255	2,610	6,865
<i>Open</i>	169	491	660
<i>Closed</i>	4,086	2,119	6,205
Rejected	604	229	833
Pending	292	10	302
Total	5,151	2,849	8,000

Industry Group	Claims	Share
Healthcare Related	4,526	57%
Miscellaneous Services	963	12%
First Responders	866	11%
Misc. Professional and Clerical	662	8%
Government	256	3%
All Other	727	9%
Total	8,000	100%

State Fund Accepted Claims

Time-loss	71%
Medical	16%
KOS	13%
Total	100%

Fatal Claims

State Fund	17
Self-Insured	9
Total	26

Dashboard – Help Injured Workers Heal and Return to Work

Vickie Kennedy

Assistant Director for Insurance Services

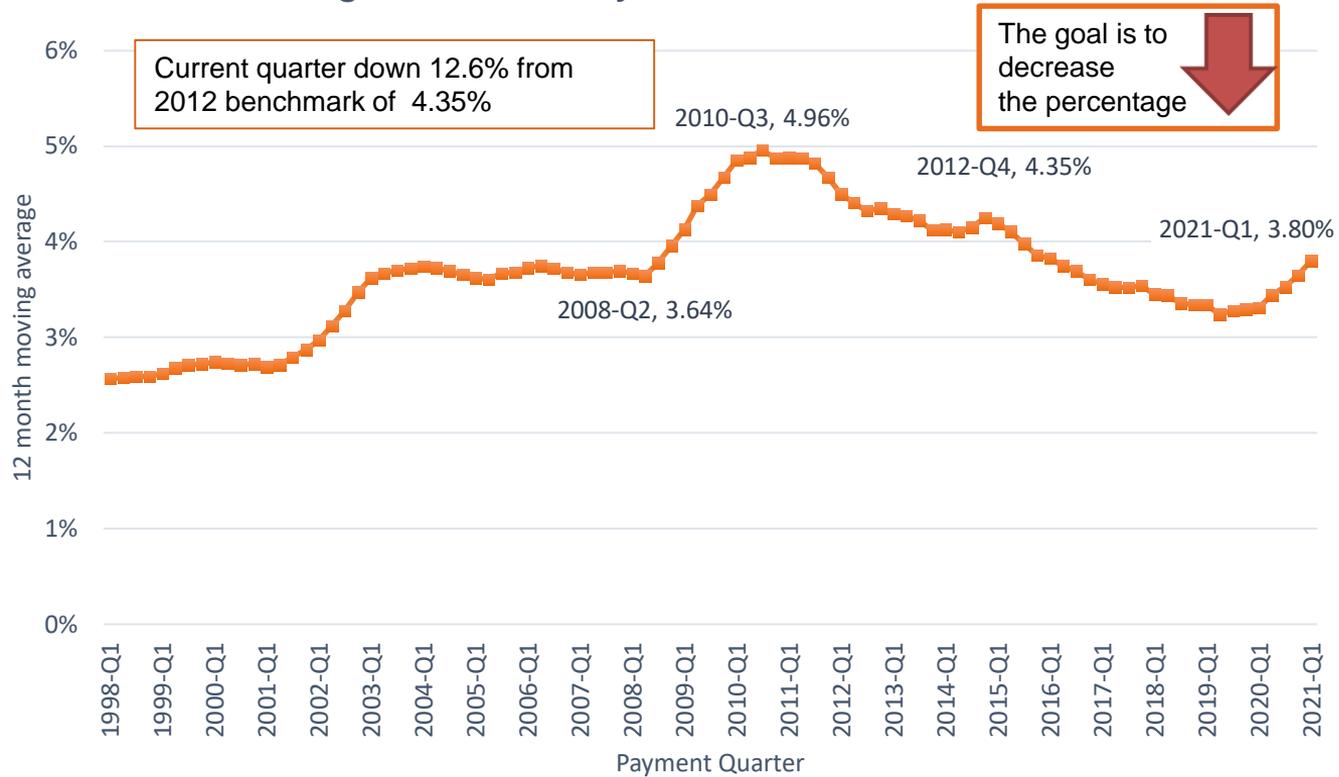


DASHBOARD SUMMARY

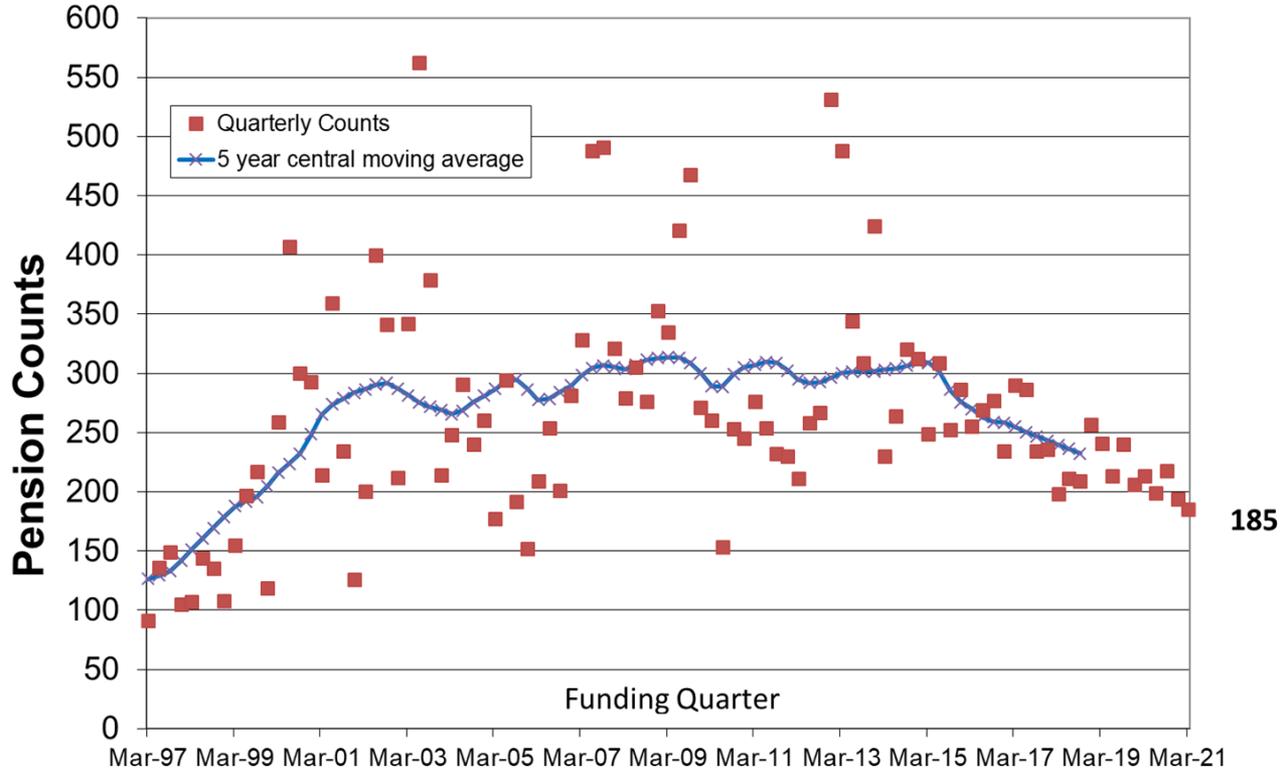
Measure	Change from 2012 (unless otherwise noted)		Y/Y Change	
Long Term Disability – share that received a TL payment in the 12 month post injury	-12.6%	✓	14.8%	⚠
Pensions granted	Down	✓		
Resolution rate - time-loss claims at 6 months	12.0%	✓	14.1%	✓
Auto adjudication of claims	69.1% from 2014	✓	-6.3%	⚠
High risk claims – share return to work at 12 months	-0.6%	✓	-5.2%	⚠
Median time-loss days paid at first vocational service	-77.8%	✓	-2.1%	✓
% RTW outcomes - all first vocational service referrals	257.8%	✓	7.8%	✓
WSAW participation	Steady utilization			
COHE utilization	92.6%	✓	2.8%	✓

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*

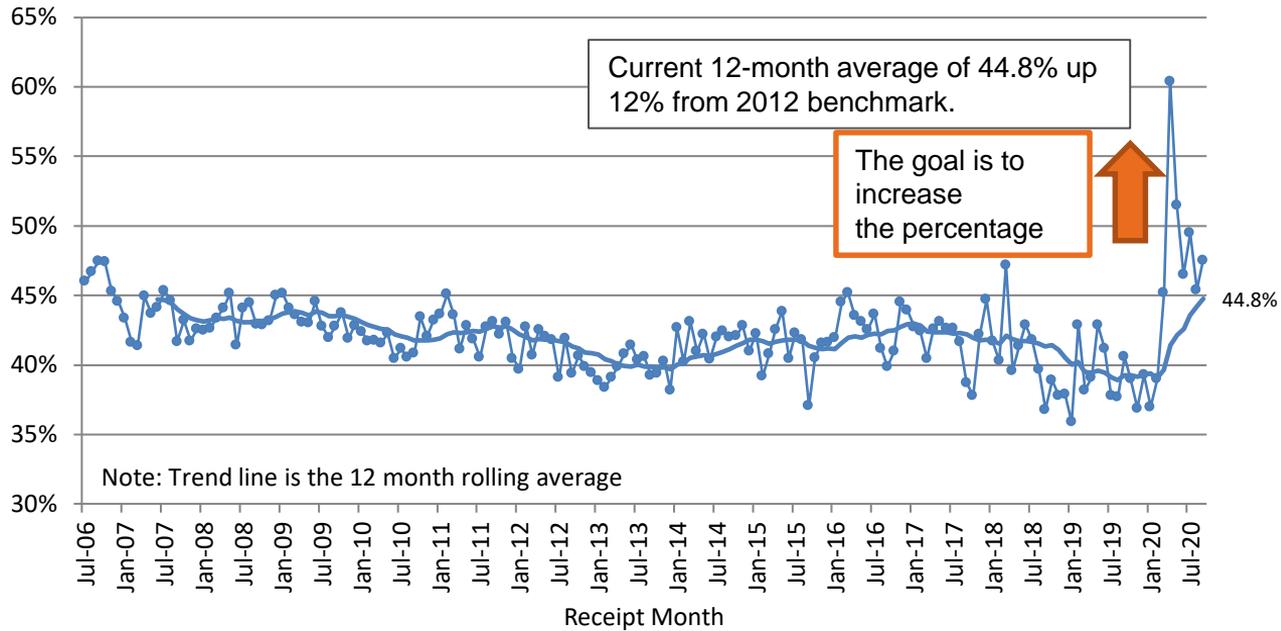


Count of State Fund TPD Pensions Funded per Quarter



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

66

Workers Transitioned to COT

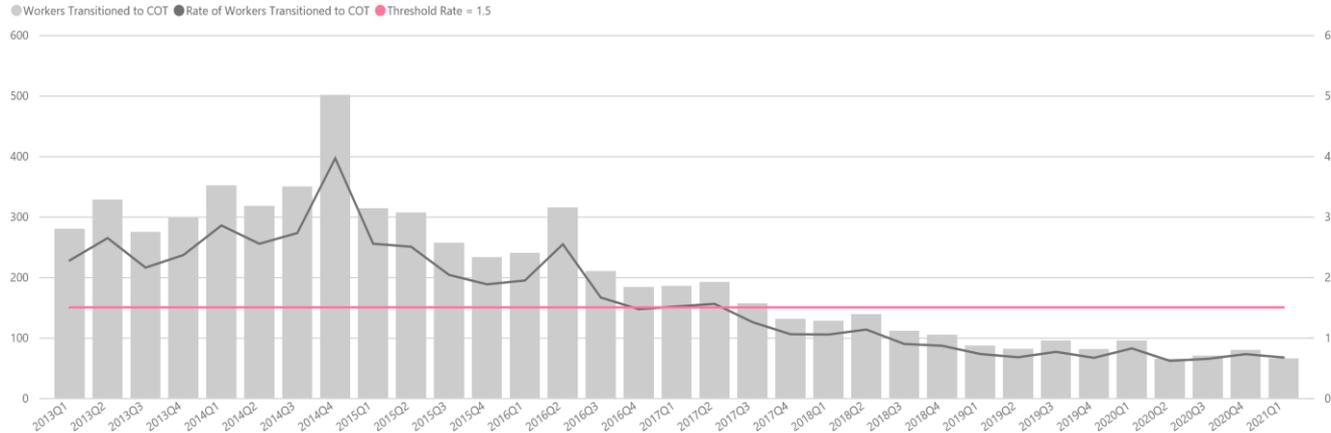
-18%

Change Since Previous Quarter

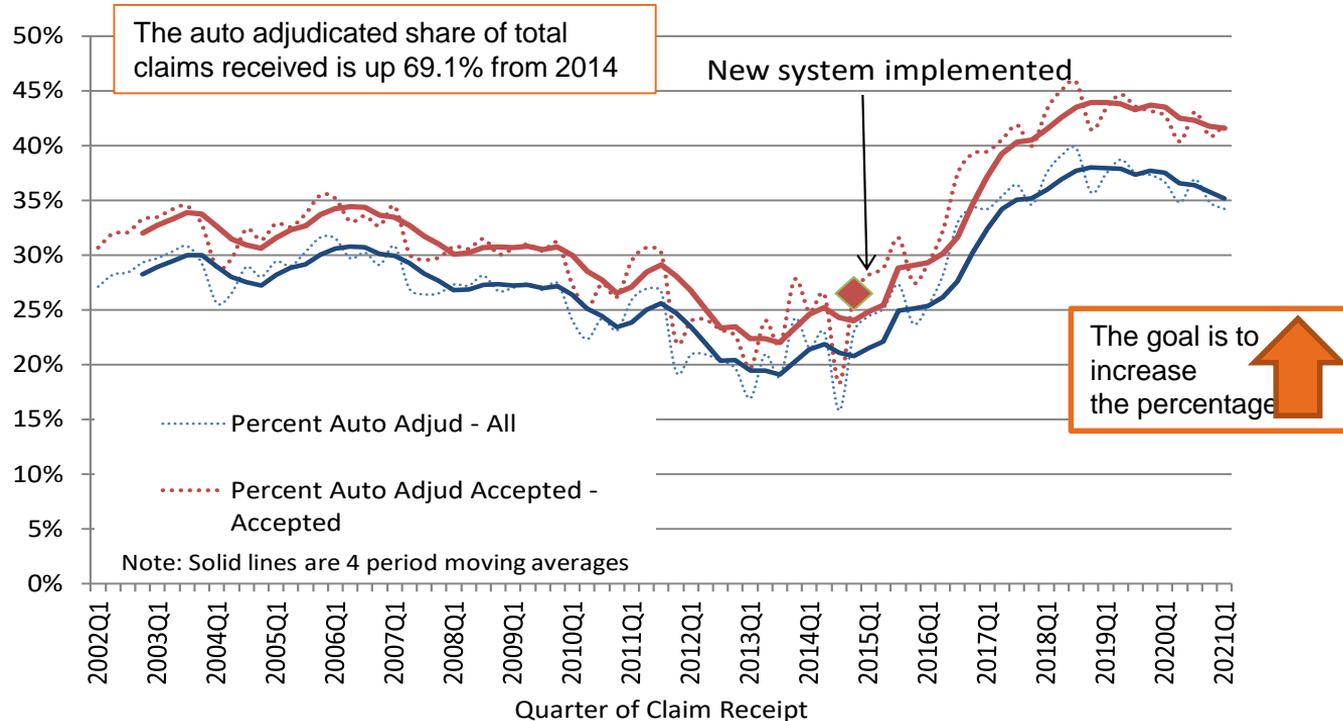
0.67

Rate per 1000 Injured Workers

Workers Transitioned to COT



A new auto-adjudication process was implemented in early 2015 and is showing results



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

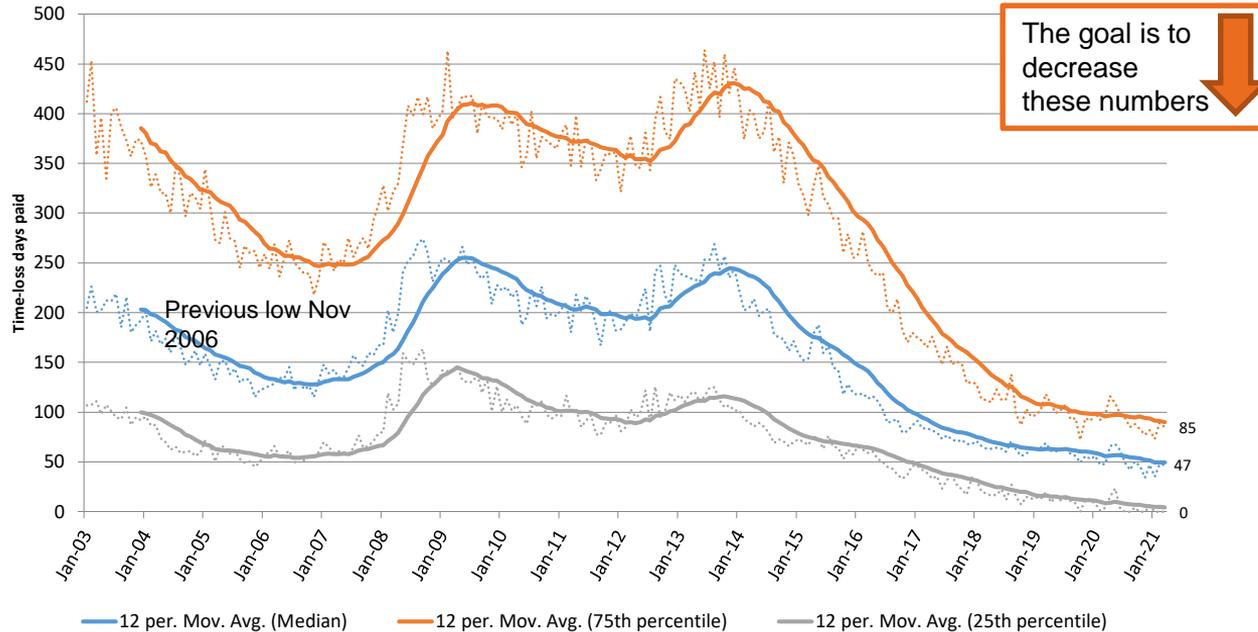


High risk workers are defined as those being disabled on the 40th day following claim receipt, about 1,540 claims per quarter. RTW is defined as the status of not receiving disability benefits between 7 and 12 months

Referrals are now targeted to address the onset of disability

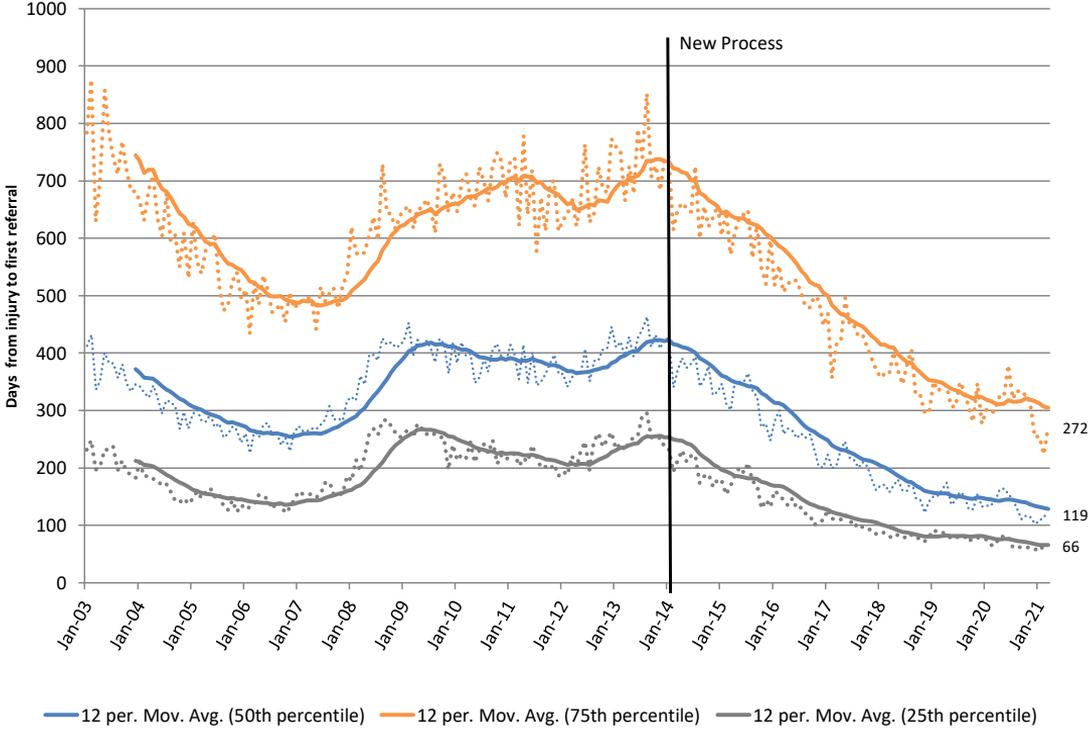
Current median down 77.8% from 2012 baseline.

Time-loss days paid at first vocational service referral



Referrals are now targeted to address the onset of disability days from date of injury

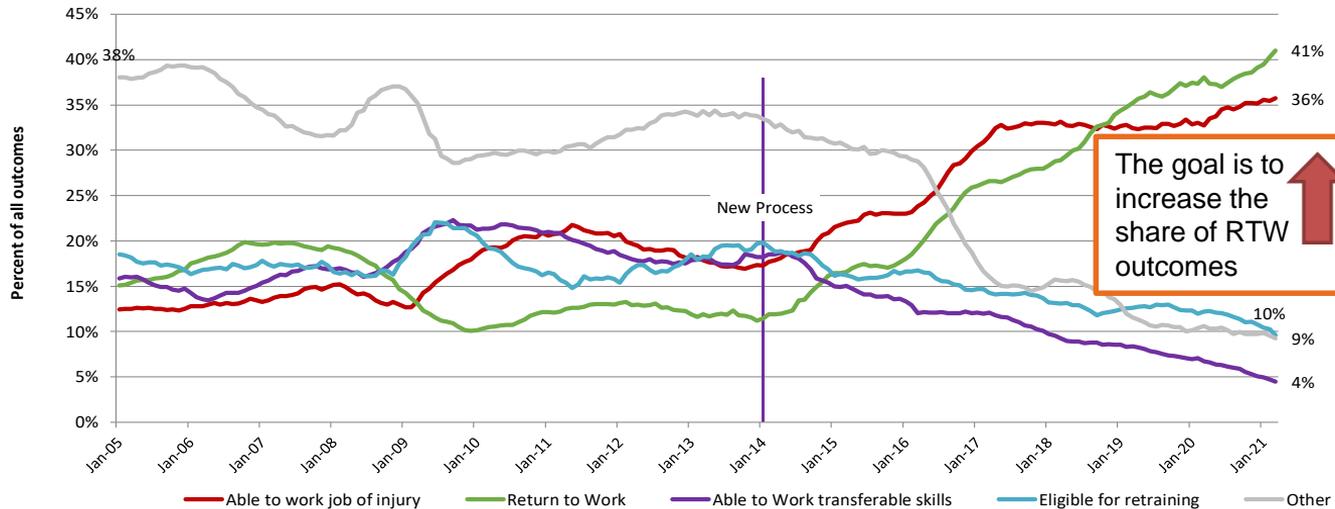
Injury Days at first vocational referral
25th, 50th, 75th percentiles



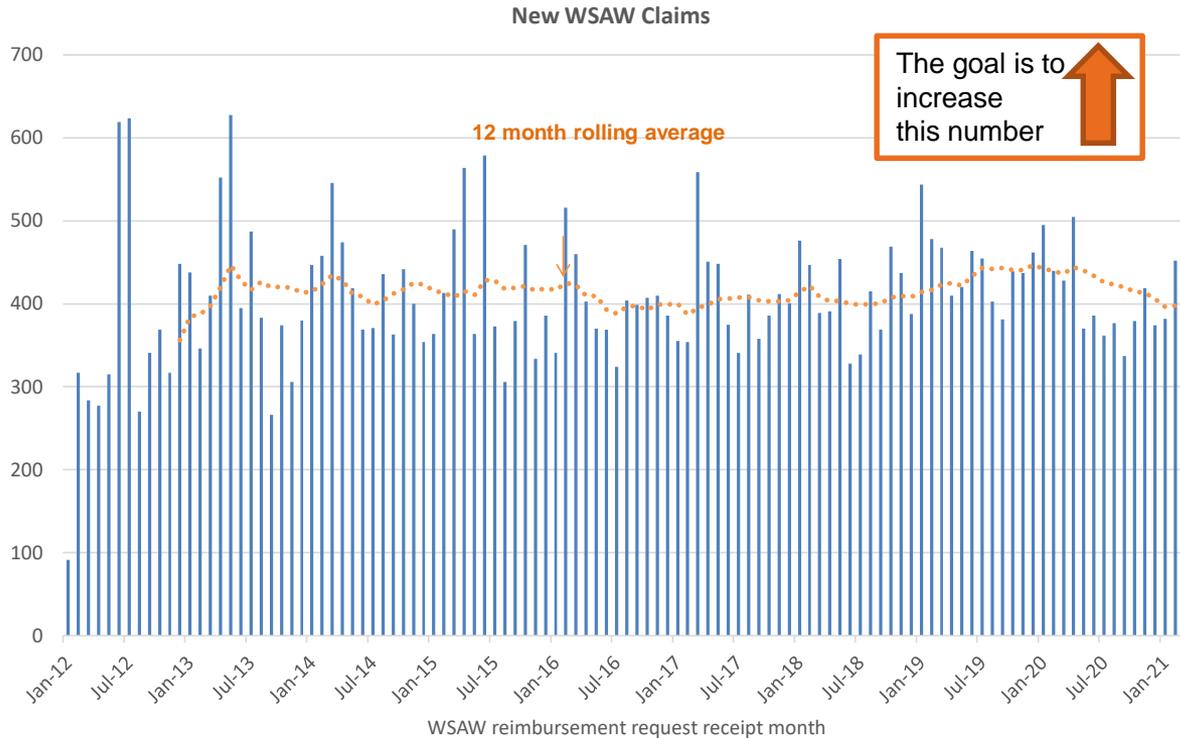
New focus on return to work has increased positive employable outcomes for all first vocational service referrals

The share of RTW outcomes on all first vocational service referrals has increased 257.8% since the new process was implemented.

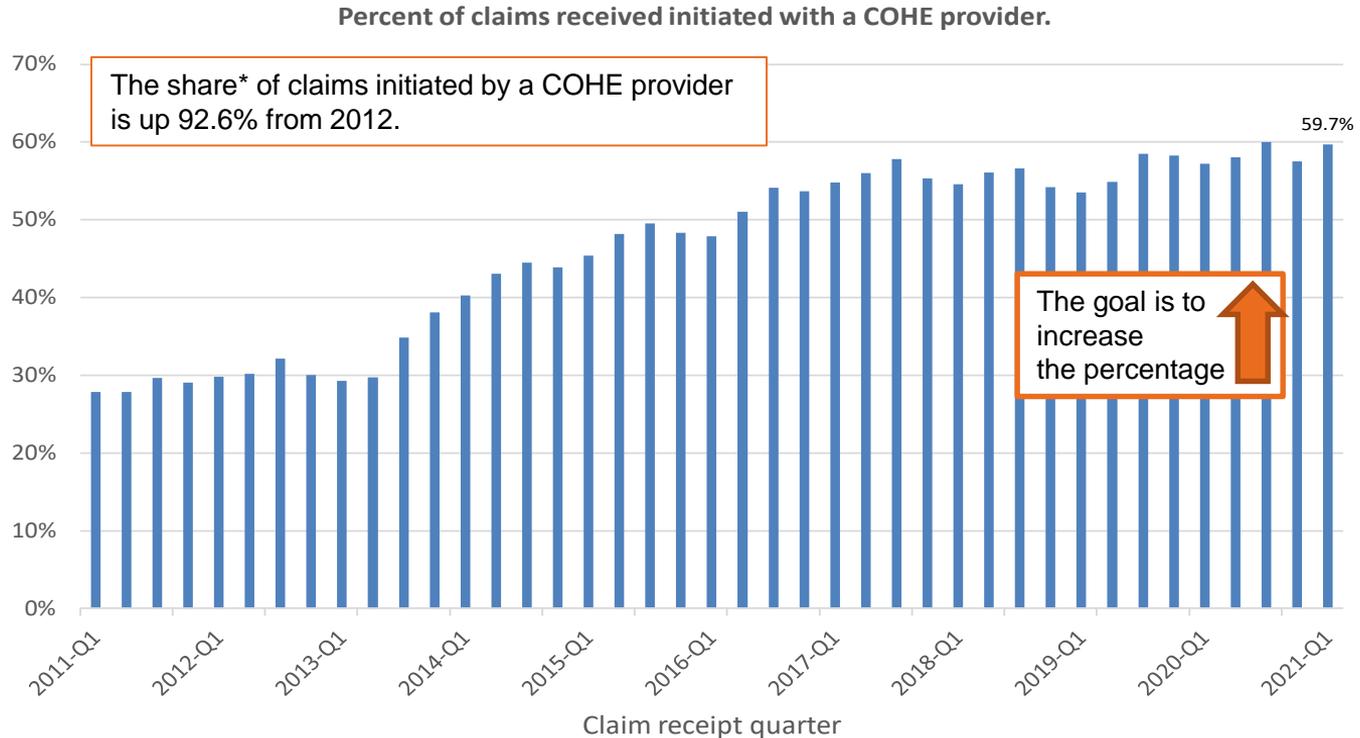
Outcome distribution, first vocational service referrals, select outcomes (12-month average)



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.

Break Time



The Expansion of Telework and Workers' Compensation.

Kirsta Glenn, Line of Business Manager

John Geppert, Acting DOSH Education and Outreach Program Manager

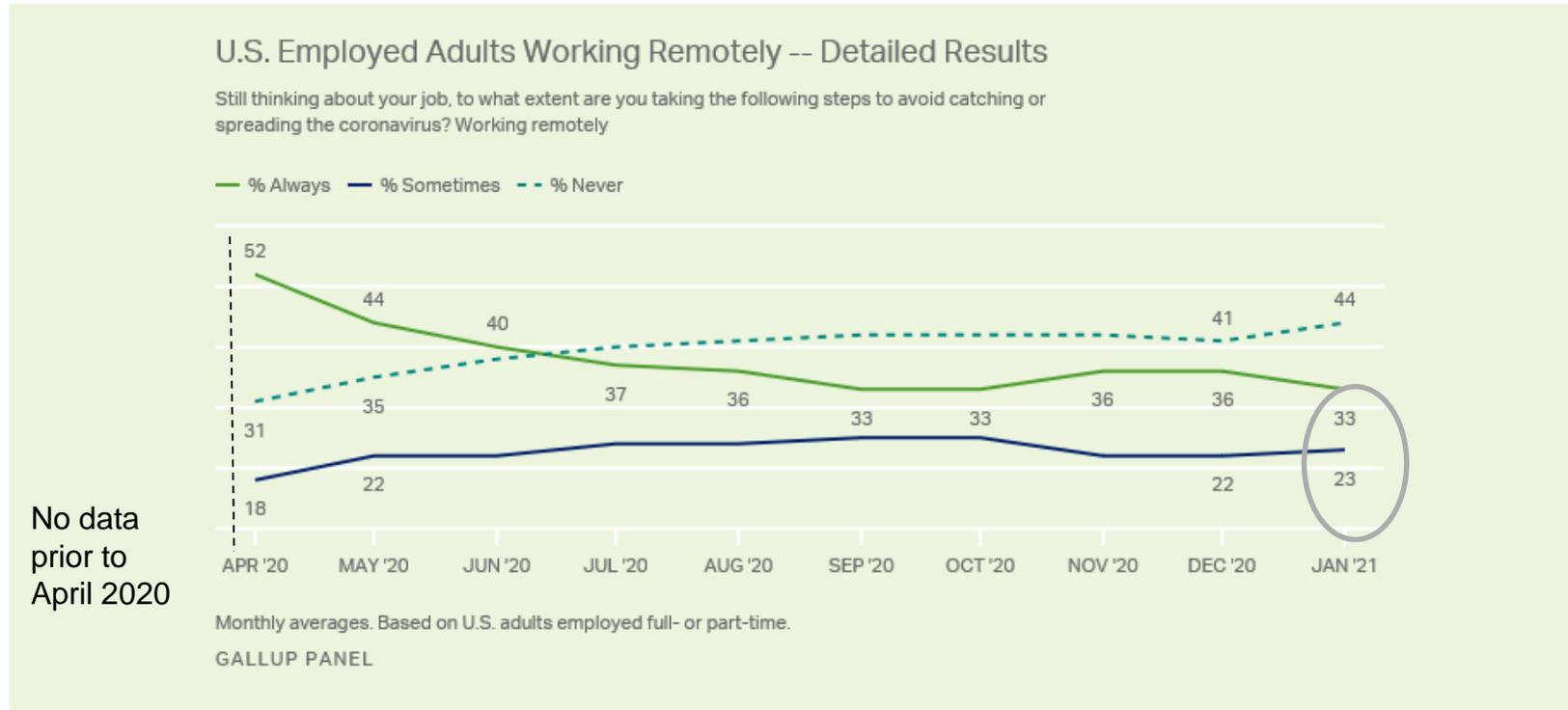
Maurice Perigo, Assistant Director for Admin Services



Agenda

- Magnitude of telework – national data
- Workers comp data on telework
- Actuarial perspective
- Available occupational safety and health resources
- L&I experience
- Conclusions

In national data more than half of employed adults are currently teleworking at least sometimes.



No data
prior to
April 2020

Source: Gallup poll November 2020

Will teleworking continue post pandemic?

- By 2025, at least 70% of the workforce are projected to be doing some remote work – Forbes (Dec 2020)
- Post pandemic, 52% of employees prefer a hybrid work environment (compared to 30% pre-pandemic) – McKinsey survey (Jan 2021)
- Less than one in five executives say they want to return to the office as it was pre-pandemic. PwC US remote work survey Jan 2021 (133 executives)

The majority of teleworkers report they can work effectively from home.

Percent reporting a positive experience while teleworking

- Having technology to work from home 87%
- Meeting deadlines 80%
- Adequate workspace 77%
- Work without interruption 68%
- Feeling motivated 64%

Pew Research Center: survey of US adults conducted Oct 13-19 2020

Telework impact on the injury rate is uncertain

Increase in injury rate



- Home office environment may not have same ergonomic standards
- Workers may not be monitored for safe practices at home
- Workers may be exposed to additional hazards while working at home
- More difficult to determine validity of injuries sustained at home

Decrease in injury rate



- Workers more engaged and happier
- Workers are more familiar with home environment
- Home environment may be set up for unique needs of worker
- Some work hazards may not be present in the home environment
- Less travel and exposure to hazards

L&I has limited workers' compensation data on telework

- Injury data – No clear indication of telework status
 - Three choices for where injury occurred:
 - Employer's premise
 - Job site
 - Other than job site or employer's premises
 - Diagnosis and description not likely to indicate telework
- Hours worked – no indication of telework status
 - Hours worked is reported by risk class and employer account. The account main address would be the location.
 - Premium paid would be based on these reported hours.

A Preliminary Look – Projected Annual Rate of Claims per 100 FTE

Total claim rates have declined more in job classes where telework is known to have been more prevalent during the pandemic compared to sectors where telework was much less likely. The extent to which this is due to characteristics of telework versus other factors is unknown.

Risk Classes	2019 Quarters 2 and 3	2020 Quarters 2 and 3	Percentage Change
Administrative	0.4	0.2	-56%
Construction	10.2	8.4	-17%
Other	5.9	5.2	-13%

Projected annual rate of claims per 100 full time equivalent (FTE) employees

Note: Rates include accepted and undetermined claims. Data will continue to mature and additional injury claims may be filed.

Actuarial Perspective

- Pros and cons of a telework risk class
 - Most telework is office or clerical work
 - Clerical and office work tends to have relatively low loss compared to other risk classes
 - State lacks data on teleworking specific loss
 - Not reported in hours
 - Not reported in claims
 - Difficulty in keeping track/verifying in cases of hybrid work
- Experience rating
 - Will catch up change in injury rate

Occupational Safety and Health— telework is a hybrid work environment

What are the safety and health requirements for teleworking?

- There are no specific WISHA regulations regarding home-based workplace safety.
- OSHA Directive CPL 2-0.125 (February 25, 2000) on home-based worksites.
- Accident Prevention Program
- Recordkeeping Requirements
- Telework Enhancement Act of 2010 for Federal agencies and employees

What are the hazards of telework?

- Evaluate for common hazards
- Physical demands(posture, repetitive motions while seated/standing prolonged periods)
- Mental stressors

What do we need to do?

- Incorporate telework into your Accident Prevention program
- Develop methods to perform workplace hazard assessment
- Train Employees to identify and mitigate hazards
- Safety Tips

Available Safety and Health Tools for Telework



- Telework.gov
- OSHA Computer workstation e-tool
- DOSH telework document publication f417-289-000

Don't bend, don't break
Setting up a safe and healthy workspace for teleworking

Shoulders relaxed

Lower back supported

Head level

Wrists straight

Feet supported

Staying healthy and productive when working from home starts with a good set-up of your main work area. But even if you have a comfortable set-up, you should still change positions at least hourly. The advice from experts is the same whether you're working from home or the office: change positions frequently, because "your best position is your next position."

Building a good home office set up

Ensure your chair is comfortable and working appropriately:

- Create a standing station and change positions from time to time
- Ensure your keyboard, mouse and monitor allow your arms, wrists and neck to be at comfortable positions
 - Your head should be level, shoulders relaxed, wrists straight and lower back and feet supported

Take care of your neck and shoulders:

- Align the monitor's center with the middle of your body
- Place your monitor where you can easily see it while using your chair's backrest (this will depend on things like monitor size, prescription glasses, etc.)
- The top of the monitor should be at eye level
- If you wear bifocals, position the monitor so you don't have to raise your chin to see clearly
- Adjust your chair or use a footrest if needed

Division of Occupational Safety and Health
www.lni.wa.gov/safety-health 1-800-423-7233

Washington State Department of Labor & Industries

L&I Experience - Telework Support

- **Pre Pandemic - Approx 20% staff teleworking part time**
- **During the Pandemic - Approx 95% staff teleworking full time**
 - Provided Laptops, Mobile Devices, and Wi-Fi connectivity
 - Expanded call-center capabilities with soft-phones and stipends for land-lines
 - Equipment Delivery Options: Monitors, Peripherals, Office Chairs, Sit-Stand Desks
 - Employee Wellness, Needs Assessment and Engagement Strategies
 - Customized Schedule Options
- **Post Pandemic - Transitioning into our future hybrid work model**
 - Change Management Strategies
 - Optimizing Telework Processes
 - Telework Criteria
 - Remote Work Agility Strategies
 - Home Office Safety
 - Re-Orientation Training

Home Ergo Considerations



Office Chair
Criteria proposes location of chair



Laptop Riser
Offered to any staff for home office



Desktop Riser
Offered to staff that work from home 50%+



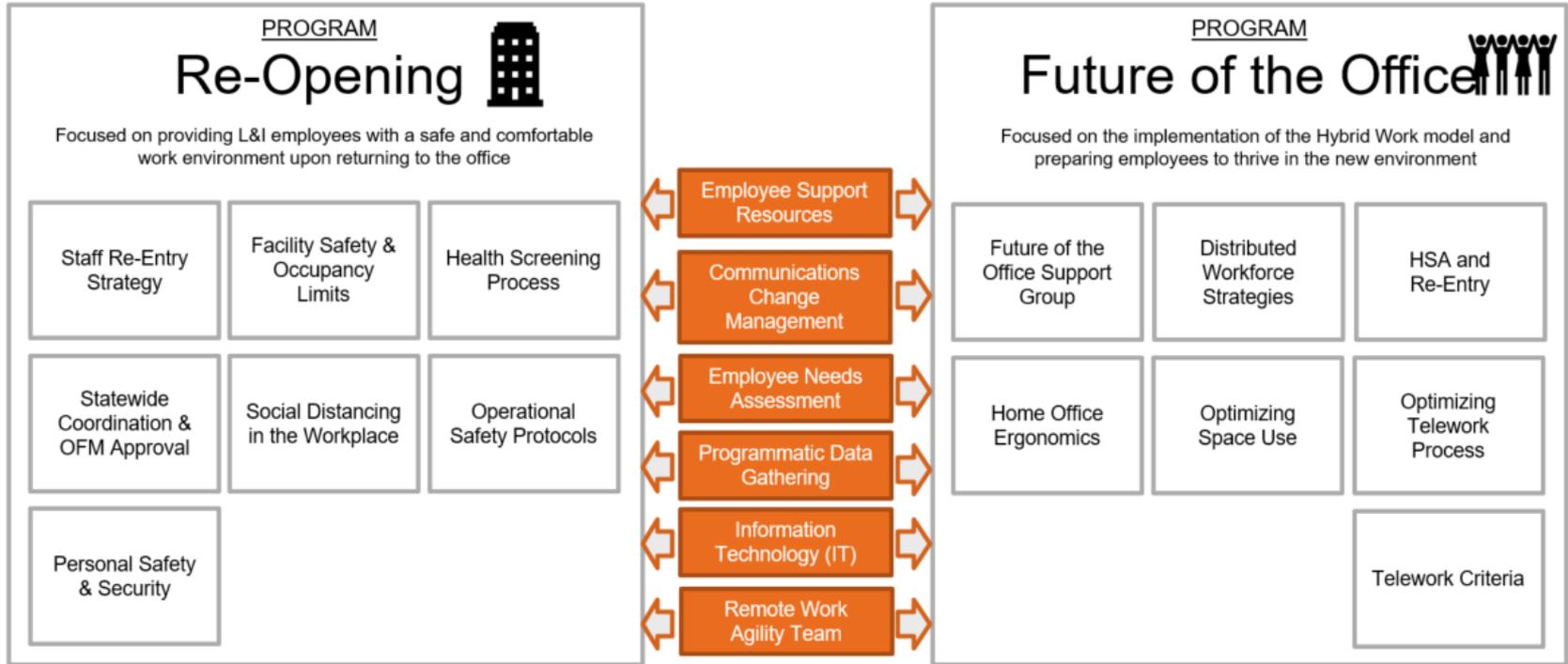
E-Desk
Offered to staff that work from home 75%+

L&I Experience - Telework Safety

- Updating Accident Prevention Program
 - *New Section: Teleworking Conditions and Home Office Ergonomics*
- Workplace Hazard Assessment
 - Home Ergonomics
 - Virtual Ergonomics Assessment
 - Telework Safety Reference Materials
 - Workplace Safety
 - *In Development: Self Help Guide - Home Office Hazard Assessment & Safety Checklist*
 - *Under Consideration: Virtual Workplace Hazard Assessment Process*
- Train Employees to identify and mitigate hazards
 - Communications
 - *Email messages and Inside L&I Articles promoting home office and telework safety*
 - In Development
 - *Online Training Course for Remote Work Hazard Mitigations*
 - *Safety Tip Resources for Remote Working*

L&I Experience – Transition to Hybrid Work Model

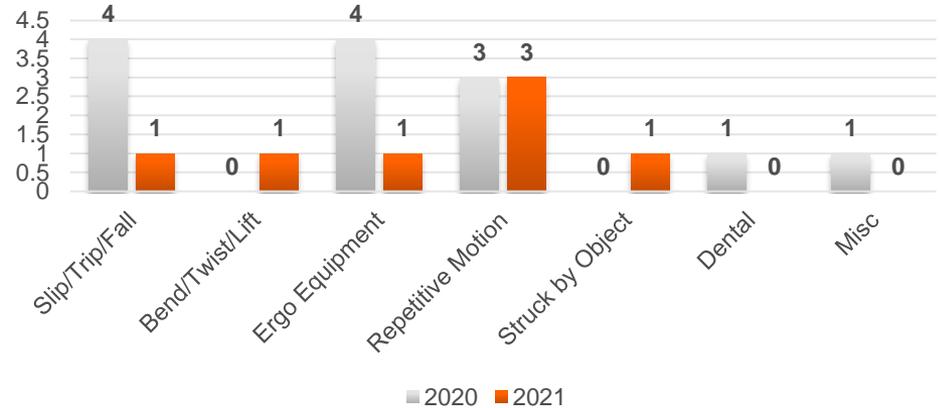
HYBRID WORK MODEL PORTFOLIO



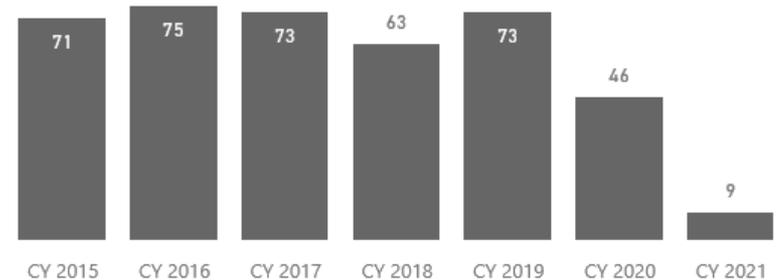
L&I Experience

- Claim experience
 - 21 internal claims filed during 3/1/20 – 5/15/21 related to working from home.
 - These injury types vary from slip/trip/falls to ergonomic injuries because correct equipment was not yet available for use.
- Different from normal?
 - L&I had zero internal teleworking injuries before 3/20/21. Higher ergo type injuries than normal for office workers during first 6 months of pandemic.
 - Most home based slip/trip/fall injuries could have been prevented.
 - Lower injury totals overall, but most home based injuries seemed preventable.

Telework - Types of Injuries



Count of Allowed Claims by Injury Calendar Year



Conclusions

- The pandemic caused a major increase in telework
- Telework is not likely to return to pre-pandemic levels
- Telework has an ambiguous impact on injuries
- We are not yet seeing evidence that the increase in telework is causing an increase in claims

- Recommendation: continue to monitor

Industrial Insurance (State) Fund Financial Overview

*Rachel Swanner, Workers' Compensation Accounting
Manager*



Significant Financial Highlights

July 2020 through March 2021

The contingency reserve increased **\$625 million**, from \$3,995 million on July 1, 2020 to \$4,620 million on March 31, 2021.



- Gain on Investments
- Favorable Development
 - Medical Aid Account

- Expected revenue less than projected costs (Premium Inadequacy)
- Unfavorable Development
 - Accident Account



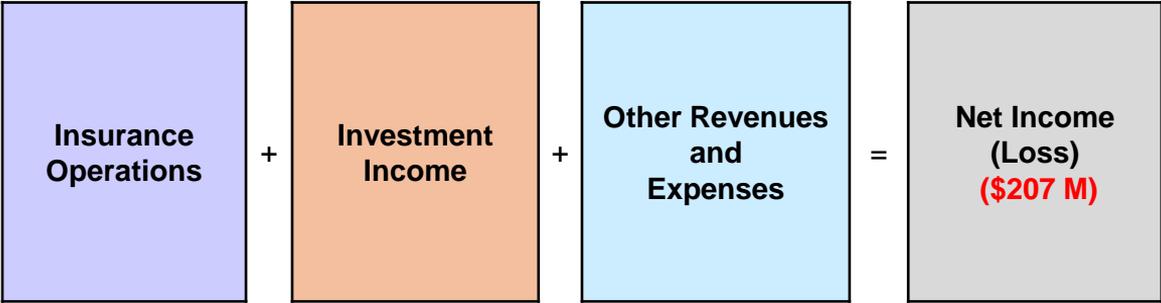
Change in contingency reserve by quarter for fiscal year 2021.

- July 1st to September 30, 2020 – an increase of \$276 million
- October 1st to December 31, 2020 – an increase of \$330 million
- January 1st to March 31, 2021 – an increase of \$19 million

State Fund Results

“Net Income”

July 2020 through March 2021



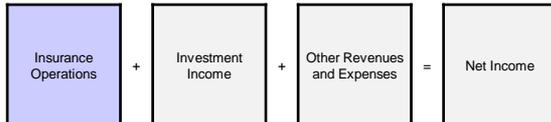
Insurance Operations

July through March 2021
(in millions)

Nine Months Ended

		March 31, 2021	March 31, 2020
We took in (Premiums Earned)	+	\$ 1,217	\$ 1,395
We spent (Expenses Incurred)			
Benefits Incurred		1,760	1,784
Claim Administrative Expenses		210	180
Other Insurance Expenses		71	70
Total Expenses Incurred	-	2,041	2,034
Net Income (Loss) from Insurance Operations	=	\$ (824)	\$ (639)

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 March 2021
(in millions)

	Nine Months Ended		Difference
	March 31, 2021	March 31, 2020	
Standard Premiums Collected	\$1,479	\$1,652	
Less Retrospective Rating Adjustments	(43)	(58)	
Less Ceded Reinsurance Premiums	(14)	(12)	
Net Premiums Collected	1,422	1,582	
Changes in future Premium Amounts To Be Collected	(49)	(74)	
Changes in future Retrospective Rating Adjustment Refunds	(156)	(113)	
Net Premiums Earned	\$ 1,217	\$ 1,395	\$ (178)

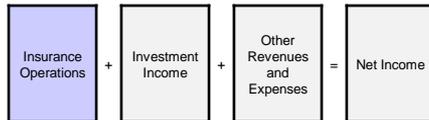


Benefits Incurred

July through March 2021
(in millions)

Nine Months Ended

	March 31, 2021	March 31, 2020	Difference
Benefits Paid	\$ 1,220	\$ 1,271	\$ (51)
Change in Benefit Liabilities	541	513	28
Total Benefits Incurred	\$ 1,761	\$ 1,784	\$ (23)

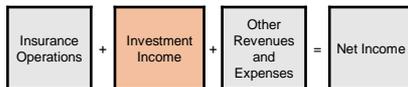


Investment Income

July through March 2021
(in millions)

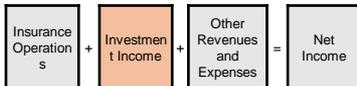
Nine Months Ended

		March 31, 2021	March 31, 2020
Investment Income Earned from Interest on bonds	+	\$ 349	\$ 376
Realized Gain/(Loss) from Fixed Income Investments Sold	+	101	134
Realized Gains from Stocks (Equity Investments) Sold	+	193	3
Total Investment Income	=	\$ 643	\$ 513



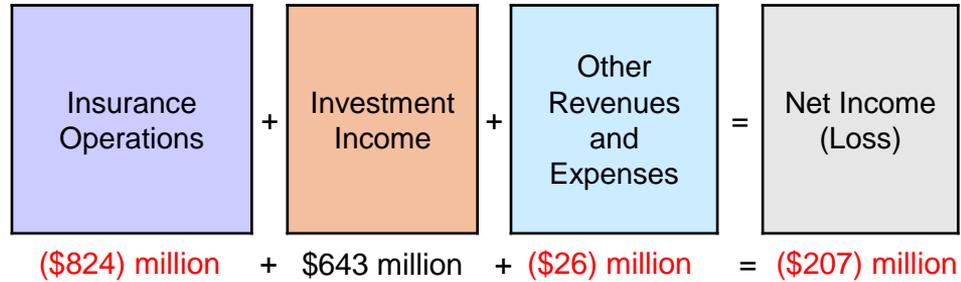
Total Investments

(rounded to billions)



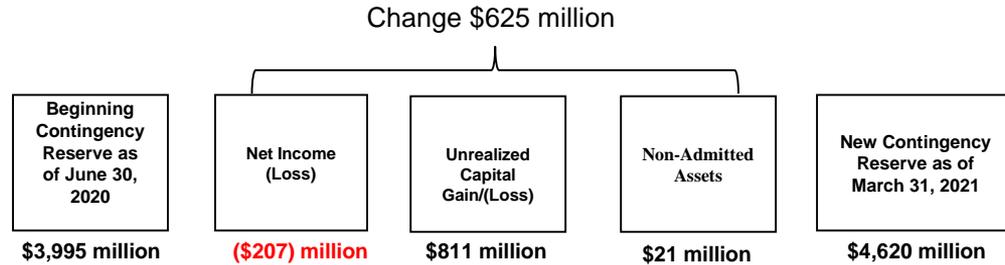
Results of Operations

July 2020 through March 2021



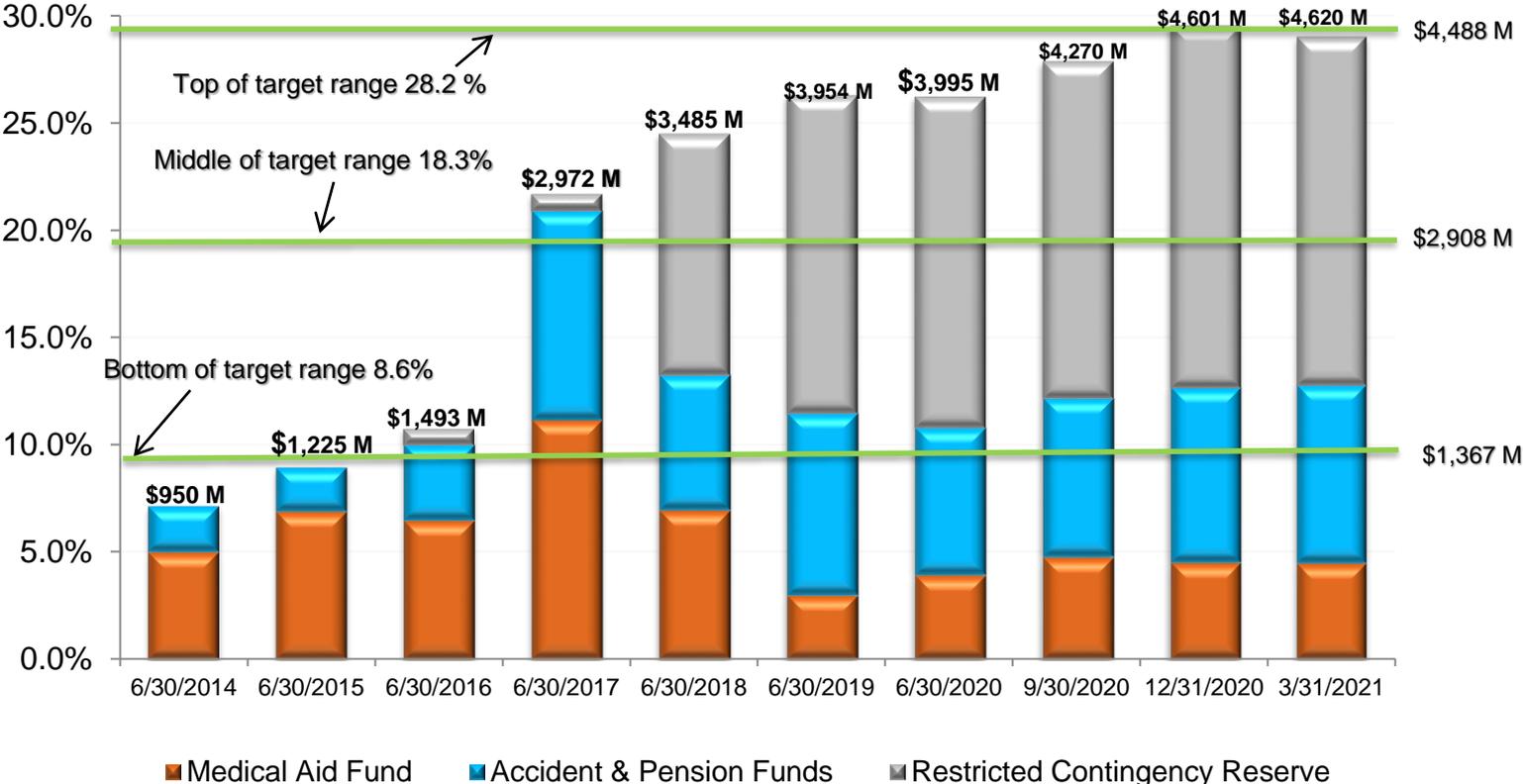
How Did Contingency Reserve Perform?

July 2020 through March 2021



Combined Contingency Reserve vs. Targets

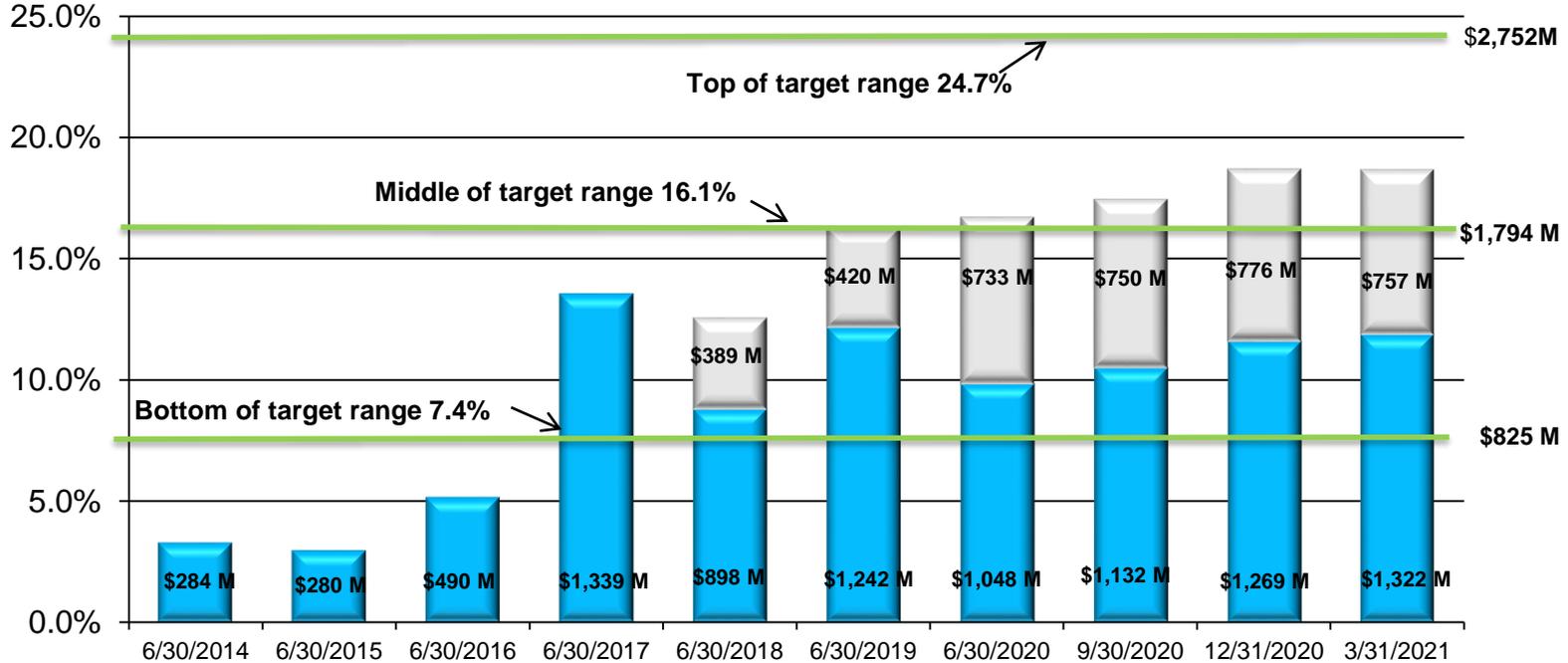
Combined Contingency Reserve is 29.0% of Total Liabilities



*Restricted is based on final March 31, 2021 financial information and the change in the value of investments through 3-31-21.
The WCAC Target has historically been the midpoint between the bottom and middle target.*

Accident, Pension & Restricted Contingency Reserve is 18.7% of Liabilities

Accident & Pension Contingency Reserve vs. Targets

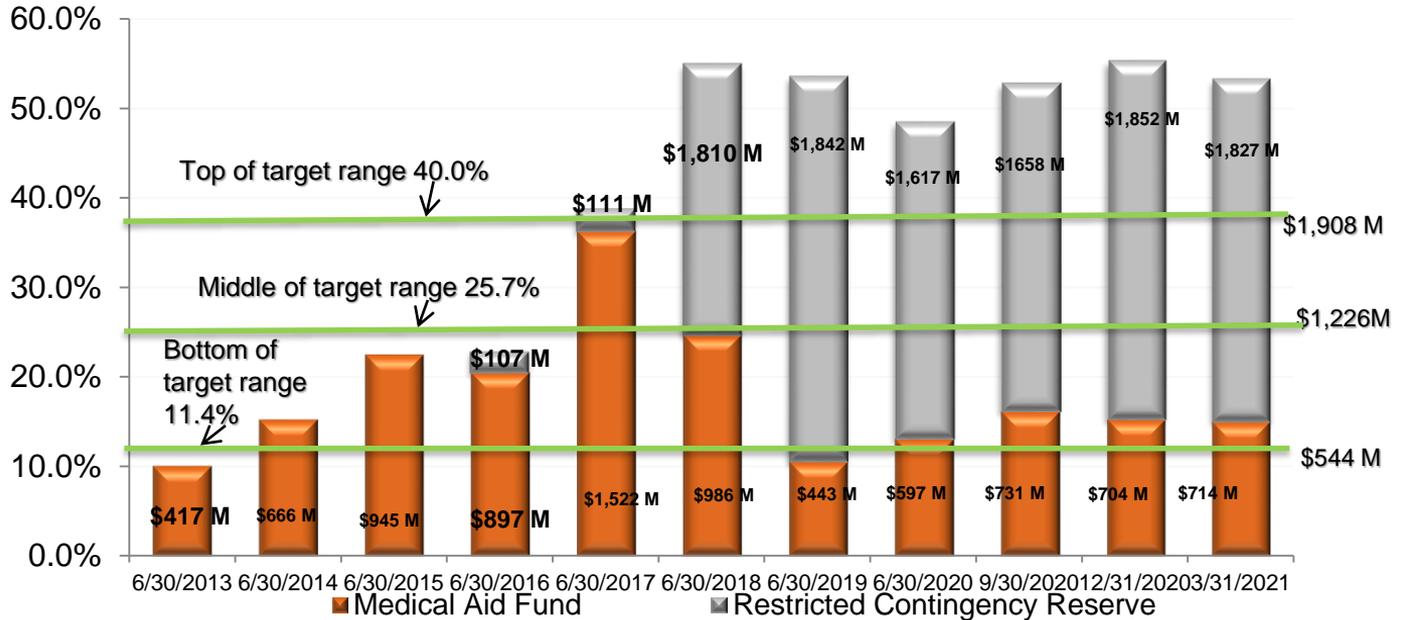


■ Accident and Pension CR ■ Accident and Pension Restricted

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

Medical Aid & Restricted Contingency Reserve is 53.3% of Liabilities

Medical Aid & Restricted Contingency Reserve vs. Targets



Restricted is based on final June 30, 2020 financial information and investment earnings through 3-31-21.

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 March 31, 2021		Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019
	State Fund	Industry Forecast		
Current Year Benefit (Loss Ratio)	122.8%		90.5%	83.7%
Prior Year Benefit (Loss Ratio)	21.9%		35.4%	4.9%
Total Benefit (Loss Ratio)	144.7%	50.1%	125.9%	88.6%
Current Year CAE Ratio	15.0%		11.5%	10.3%
Prior Year CAE Ratio	2.2%		1.8%	5.9%
Total Claim Administration Expense (CAE) Ratio	17.2%	16.0%	13.3%	16.2%
Sub-Total: Benefit and Claim Administration Expense Ratios	161.9%	66.1%	139.2%	104.8%
Underwriting Expense Ratio includes all insurance administrative expenses except CAE	5.8%	27.0%	5.1%	5.4%
Combined Ratio (Industry omits dividends)	167.7%	93.1%	144.3%	110.2%
Investment Income Ratio	28.7%	17.4%	26.1%	25.9%
Operating Ratio	139.0%	75.7%	118.2%	84.3%

Questions & Comments

Contact Rachel Swanner,
Workers Compensation Accounting Manager

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

Thank You!

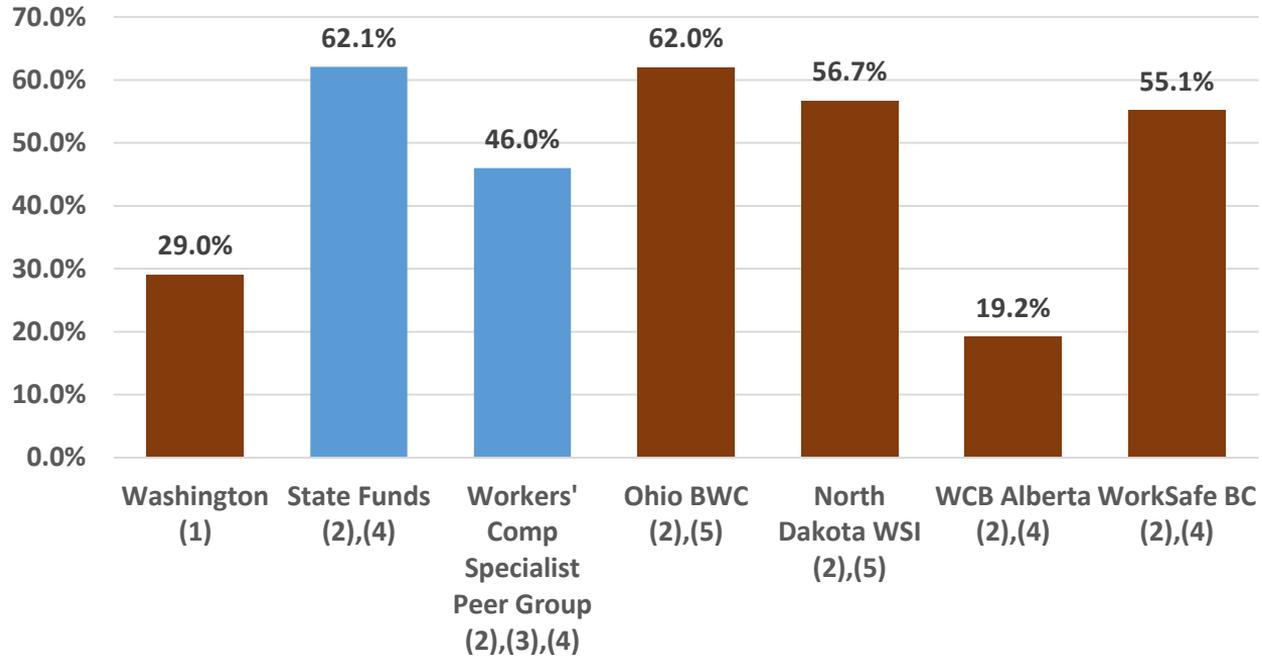
Supplemental slides

Reconciliation of Change in Benefit Liabilities

(In \$1,000s)

July 1, 2020 Benefit Liability Beginning Balance	\$13,893,986
Prior Year Benefit Payments	(\$1,060,777)
Prior Year Development and Model Change (Unfavorable)	\$6,235
Self Insurance Prefunded Pension Transfers	\$12,806
Regular reserve discount reduction	\$247,355
Net Total Prior Year Benefit Liability as of March 31, 2021	<u>\$13,099,605</u>
New Current Year Benefit Liabilities	\$1,335,382
March 31, 2021 Benefit Liabilities Ending Balance	<u><u>\$14,434,987</u></u>
Change Between Beginning and Ending Balance	\$541,001

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



(1) Preliminary as of 3/31/2021

(2) Source: Conning Peer Analysis, August 19, 2020

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

(4) As of 12/31/2019

(5) As of 6/30/2019

Historic Results of Operations

July through March
(in millions)

As of Quarter Ended March 31,	Insurance Operations	+	Investment Income	+	Other Revenues & Expenses	=	Net Income (Loss)
2021	(824)		643		(26)		(207)
2020	(639)		513		(13)		(139)
2019	(14)		347		16		349
2018	440		491		36		967
2017	119		387		45		551
2016	(219)		462		43		286
2015	(475)		420		40		(15)
2014	(470)		597		43		170
2013	(579)		427		26		(126)
2012	(620)		394		52		(174)
2011	(540)		416		53		(71)

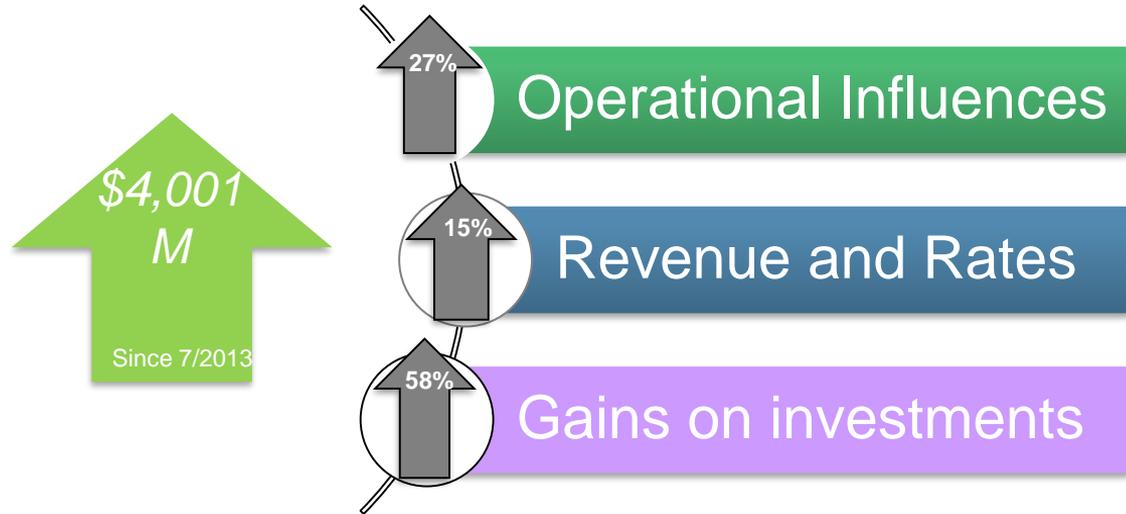
Historical Investment Performance

Fiscal Year Ended

	Quarter Ended March 31, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Investment Income	348,702,000	496,981,000	498,626,000	481,048,000	478,130,000	498,499,000
Realized Gain (Loss)	294,117,000	272,266,000	(23,498,000)	1,092,446,000	102,540,000	137,988,000
Unrealized Gain (Loss)	811,247,000	161,264,000	151,820,000	(812,942,000)*	380,183,000	(181,830,000)
Total Invested Assets	19,447,235,000	17,992,984,000	17,443,448,000	16,728,166,000	15,815,997,000	14,593,530,000

***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.**

Contingency Reserve Drivers



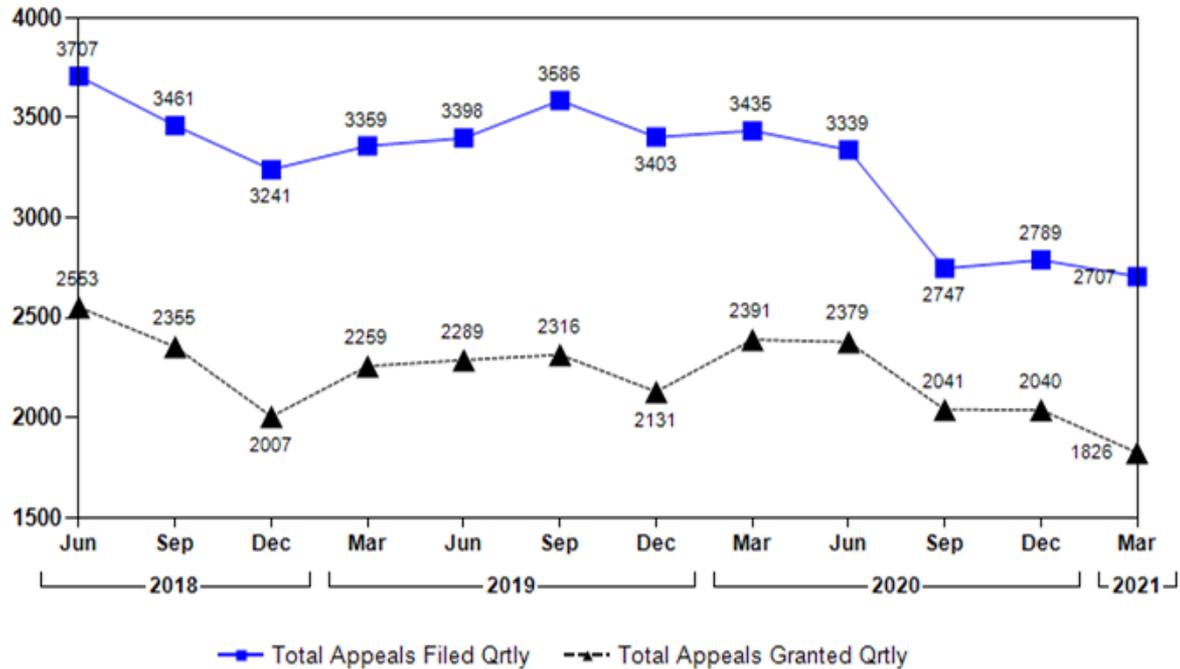
As of 3/31/2021 the CR is at \$4,620 M.

Board of Industrial Insurance Appeals (BIIA) Update

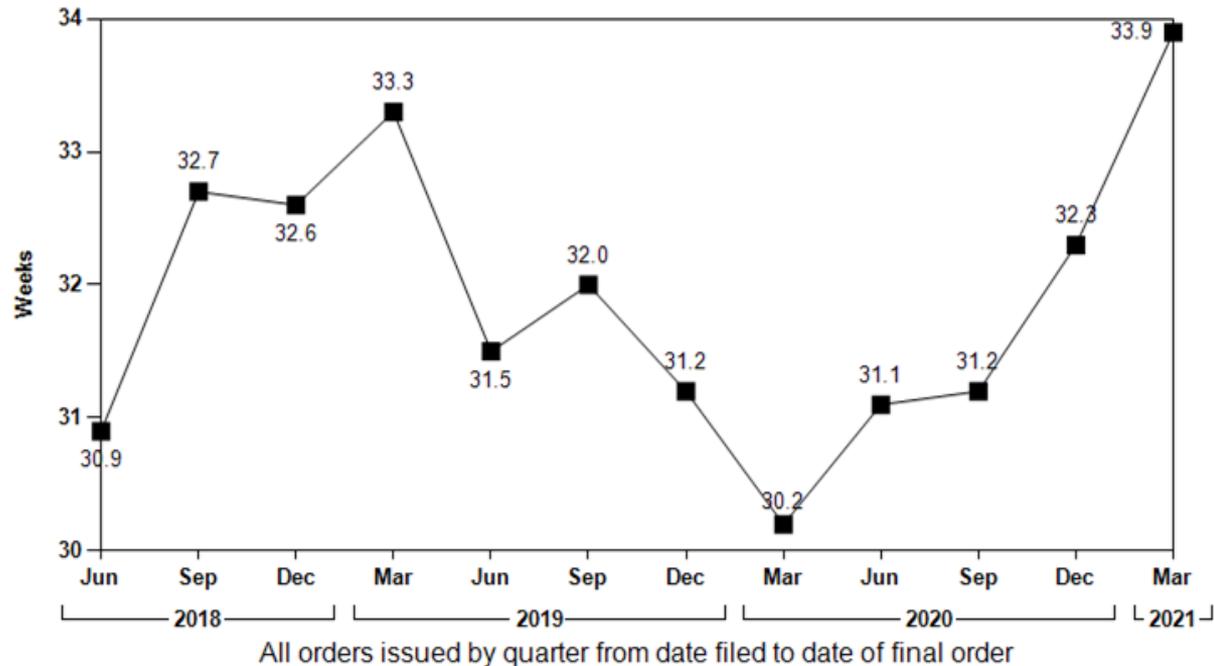
Linda Williams, Chair



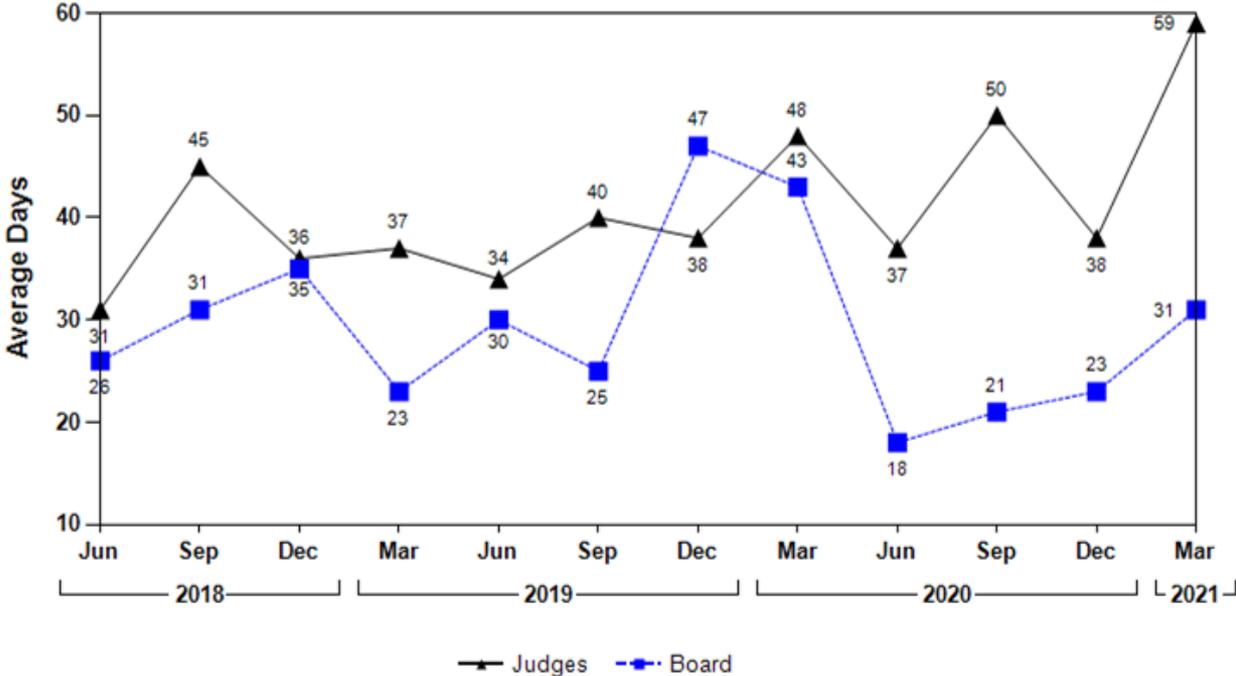
Total Appeals Filed and Granted



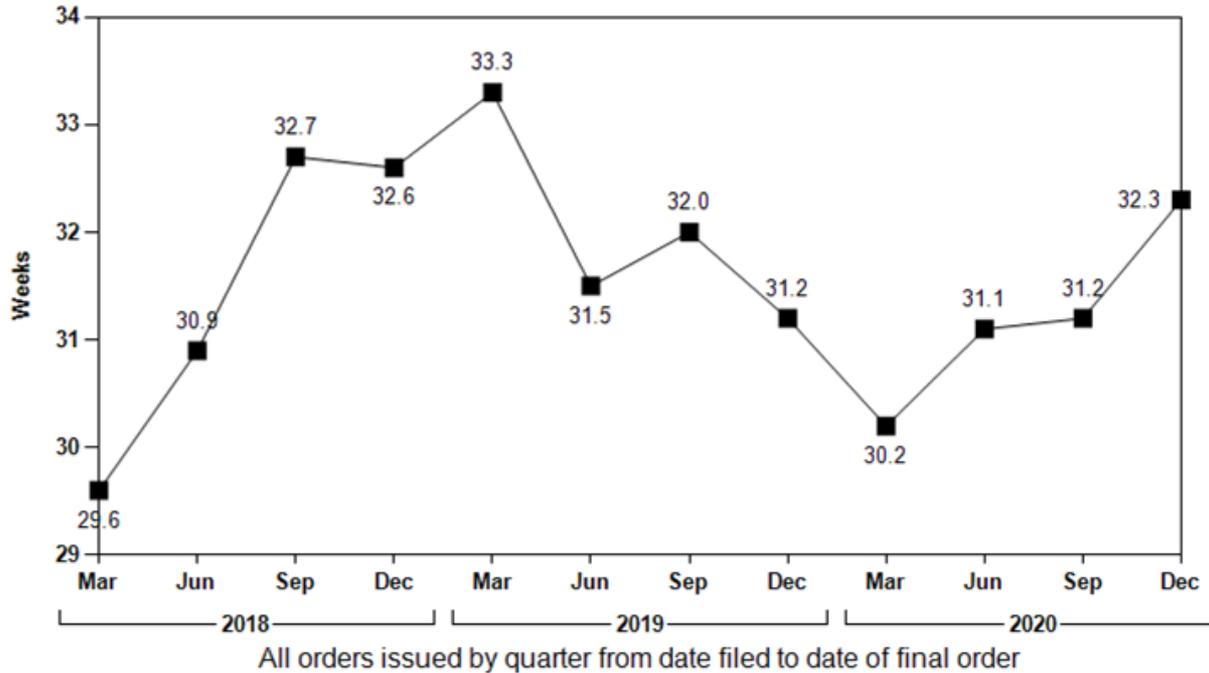
Average PD&O* Time-lag by Quarter for Hearing Judges



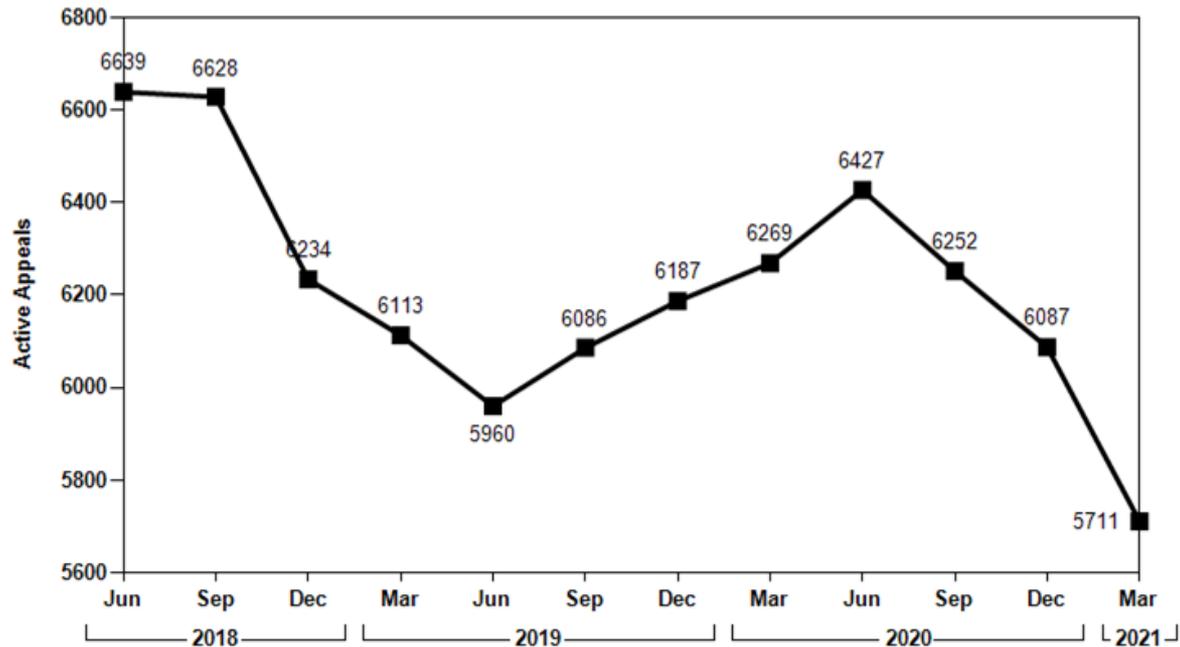
D & O* Time-Lag by Quarter



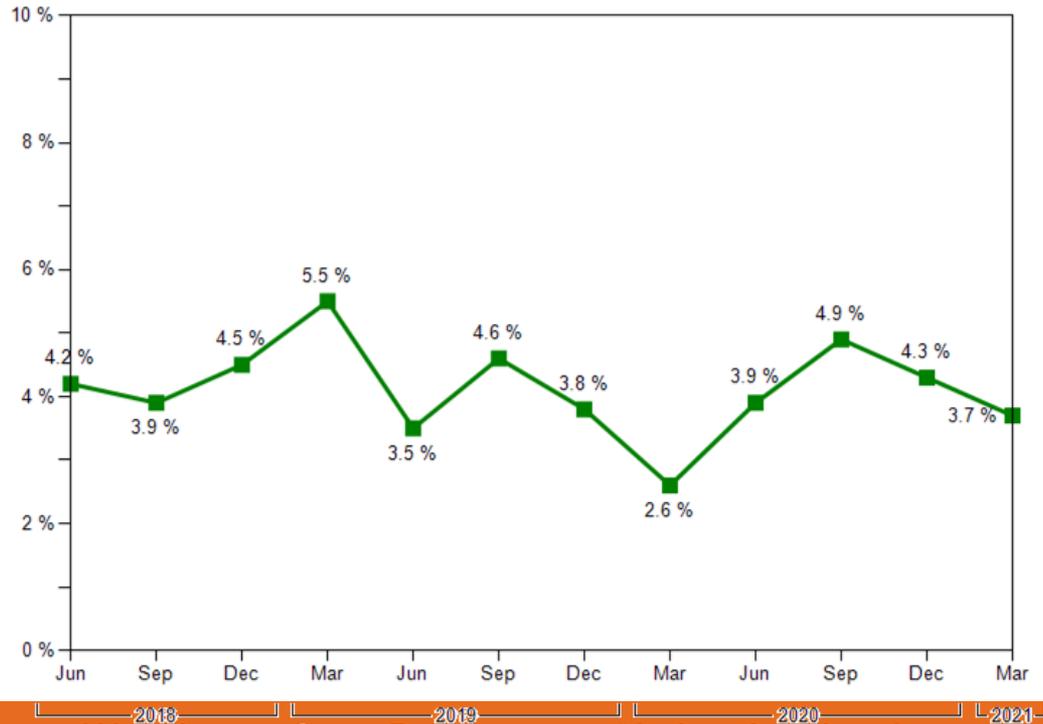
Quarterly Average Weeks to Completion



Caseload at End of Quarter



Percentage of Final Orders Appealed to Superior Court - Quarterly



Closing Comments & Adjourn

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



Next Meeting

- Date: September 30, 2021
- Location: L&I Tumwater Headquarters