

Retro Advisory Committee Meeting

August 27, 2020

Jessica Nau, Acting Retro Program Manager



Washington State Department of
Labor & Industries

RAC 'virtual meeting' guidelines and expectations

- List your full name in participant details.
- To minimize bandwidth issues, we recommend using **audio only** by turning off your camera once Zoom has started.
- Keep your **microphone muted** unless speaking.
- Please *hold questions* until the Q&A period for each topic/speaker (questions can also be submitted through the chat feature).
- Use the '*raise hand*' feature when you have a question or comment, and *wait for a moderator* to recognize you before speaking.
- Unmute, lower your hand, **state your name**, and speak slowly. Using a headset produces the best audio quality.

This is still a new process for everyone, and we ask for your patience and understanding as we work through any technical issues that might occur. Thank you.

Welcome and Introductions

Jessica Nau,

*Acting Retro Program
Manager*



RAC Committee members

- **Brian Bishop**, Association of Washington Cities
- **Lauren Gubbe**, Associated General Contractors
- **Teran Haase**, Washington Hospitality Association
- **Tim Lundin**, Archbright
- **Maria McClain**, Washington Retail Association
- **Luis Sanchez**, Grant County PUD No. 2
- **Tom Walrath, Jr**, T.E. Walrath Trucking, Inc

Agenda

Topics and presenters for the day

<input type="checkbox"/> Welcome & Introductions	Jessica Nau
<input type="checkbox"/> Safety Topic	Jessica Nau
<input type="checkbox"/> API Update	Shannon Steketee
<input type="checkbox"/> Stay at Work Update	Michelle O'Brien
<input type="checkbox"/> Case Reserve Unit Update	Rose Kohler
<input type="checkbox"/> Insurance Services Updates	Vickie Kennedy & Mike Ratko
<input type="checkbox"/> LDF Relativity Study	Casey Tozzi
<input type="checkbox"/> Operational Updates	Jessica Nau
<input type="checkbox"/> RAC Priorities	RAC Committee

Safety Topic

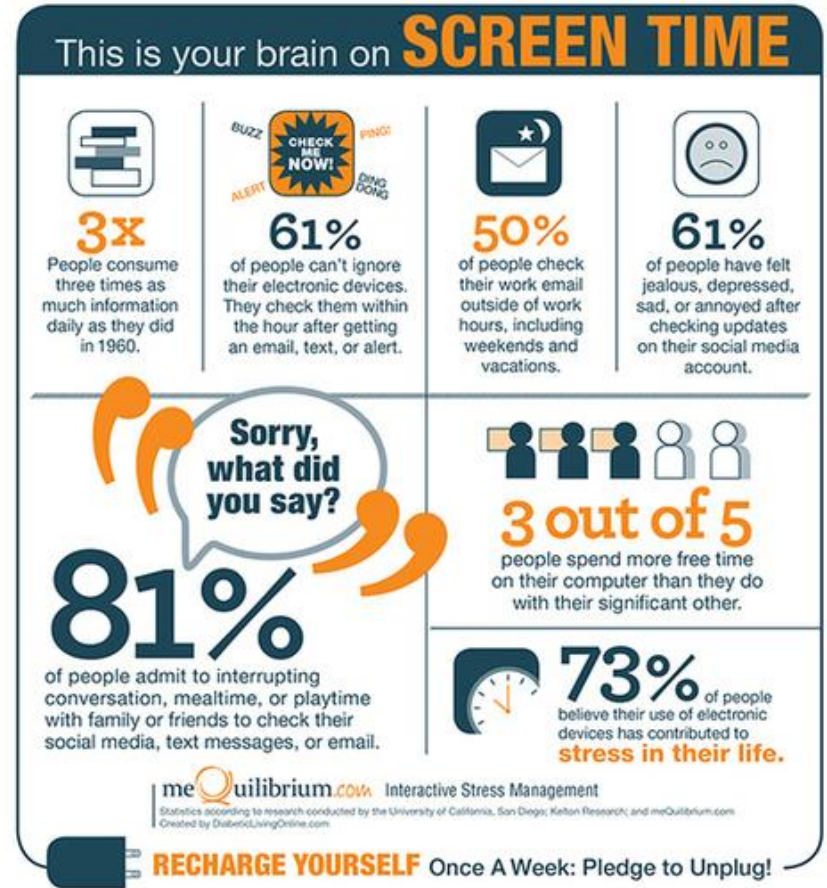
Jessica Nau,
*Acting Retro
Program Manager*

Safety Tip

Recharge yourself

Consider:

- Unplugging once a week
- Establishing non-screen bedtime routines
- Creating routines that signify an end to your working day



API Update

Shannon Steketee,
*Senior Product Manager,
Digital Solutions*

Stay at Work Updates

Michelle O'Brien,
*Classification Services
Manager*

Stay at Work Update

- ***Department of Labor and Industries v. Briseno, published Feb. 18, 2020***
 - The Washington State Court of Appeals clarified that L&I will retroactively pay WSAW wage reimbursements if a light-duty job is approved, as long as the worker was medically released to perform the light-duty work for the dates requested.

Stay at Work Update

▪ *How does this change affect employers?*

- The Court's decision allows the WSAW reimbursements to begin the date the medical provider released the worker to light-duty work. In the past, the first date reimbursements were payable was the date the job description was sent to the provider for approval.
- Acceptable documentation:
 - An approved employer-created job description, or a job description using the L&I [Employer Job Description Form](#) stating specific work tasks.
 - A letter from the attending physician approving specific work tasks.
 - A medical report from the attending physician approving specific work tasks.

Stay at Work Update

Thank you for your time!

Please provide any Stay at Work feedback or questions to:

- Lori Butterfield at Lori.Butterfield@Lni.wa.gov
- Michelle O'Brien at Michelle.Obrien@Lni.wa.gov

Case Reserve Unit Update

Rose Kohler,

Case Reserve Supervisor

CRU Update

Reserving Protocol

- Our system has been designed to automatically flag claims for a manual reserve at various checkpoints throughout the life of the claim, because:
 - Reserve costs are exceeded in one or more areas (TL, Medical, Misc. etc.).
 - Claim is reopened by order.
 - Social Security Offset occurs and an order has been issued.
 - All medical-only claims that have paid-to-date costs exceeding \$22,000.
- In April 2019, when ECR was rolled out we discovered the need for an additional checkpoint to be added. This checkpoint captures all non-compensable claims that have been electronically reserved and estimated to become compensable - these claims will come to the reservist for review at 8 months after the DOI.

CRU Update

Before Requesting a Reserve...ask yourself:

- Have you completed a thorough file review?
 - Reservists will review the entire claim, reserves can go up, down or stay the same.

- Is there documentation in the claim file to support submitting a request?
 - Only documentation imaged in the claim file will be considered.
 - Job offers, light duty, successful return to work
 - KOS
 - Impairment rating

CRU Update

When *not* to ask for a re-reserve

- A re-reserve was requested within the last 60 days.
- There is no substantial change in the direction of the claim.
- The imaged claim file does not contain documentation supporting a new reserve.
- Claim is already flagged for a reserve.
- The claim is closed.
- A reopening application has been received but no decision has been made.

CRU Update

How to request a re-reserve

- Send fax request to **360-902-5029** and include:
 - Requestor name
 - Valid return phone & fax numbers
 - Claim number
 - Reason/rationale for request.
- Requests **received within 2 weeks prior to a freeze date** will be processed after the freeze date.
 - This enables Case Reserve to focus on all manual reserves meeting criteria prior to the freeze dates.
- Phone requests are not encouraged.

CRU Update

Questions?

Insurance Services Updates

Vickie Kennedy,
*Assistant Director
for Insurance Services*

Mike Ratko,
*Deputy Assistant Director
for Insurance Services*



COVID-19 Claims Data

Data as of 8/20/2020

- COVID-19 claims
 - 2,356 State Fund claims
 - 965 Self-insured claims
- Status:
 - 575 claims allowed and still open
 - 2111 allowed and closed
 - 108 claims rejected
 - 527 claims pending

COVID-19 Claims Data Trends

Data as of 8/6/2020

- Approximately 60% of COVID-19 claims are lost-time.
- Claims spiked in March: 27% of all lost-time claims were COVID-19.
 - In the near future they could be 8 to 9 percent of lost-time claims.
- Approximately 1% of total COVID-19 claims required in-patient hospitalization.
- By industry: 74% Healthcare; 10% First Responders; 16% All other

BREAK ...

Annual Review of Loss Development Factor Relativities

Casey Tozzi,
*Actuary, FCAS,
MAAA*

Loss Development by Claim Type

- Relativity approach developed in response to a 1998 JLARC audit recommendation
- Considers both the changes in cost as claims mature and the likelihood of claims switching types (e.g. a PPD claim becoming a pension)
- Implemented beginning in 2005 class rating, 2008 retro enrollments
- Updated annually with study performed in June, based on data as of March 31

Annual LDF Relativity Study

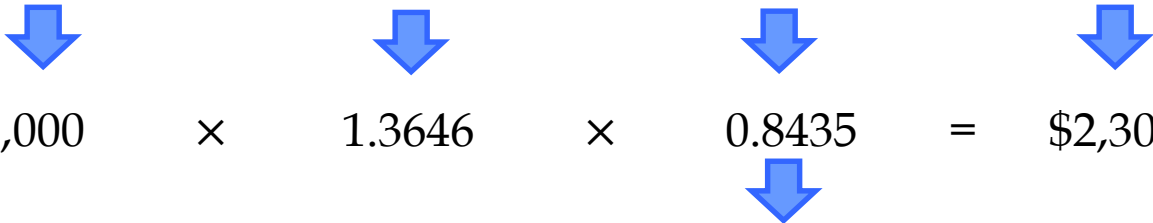
Actuarial study tracking how claims have developed over time:

- Case incurred costs through 7 years (paid + outstanding estimate)
- Change in type of claim
- Paid development beyond 7 years
- Reflect the time value of money
- Separately for Accident and Medical Aid funds

Example Application of New Relativities

Example 1: Med only, 3rd Adjustment, July 2016 enrollment, case incurred claim cost = \$2,000

$$\left(\begin{array}{c} \text{Case Incurred} \\ \text{Claim Cost} \end{array} \right) \times \left(\begin{array}{c} \text{Overall Average} \\ \text{Medical Aid LDF} \end{array} \right) \times \left(\begin{array}{c} \text{Medical Only} \\ \text{LDF Relativity} \end{array} \right) = \left(\begin{array}{c} \text{Developed} \\ \text{Claim Cost} \end{array} \right)$$


$$\$2,000 \quad \times \quad 1.3646 \quad \times \quad 0.8435 \quad = \quad \$2,302$$

Relativity is less than 1.0 because
medical only claims develop less than
other claim types

Example Application of New Relativities

Example 1: PPD, 3rd Adjustment, July 2016 enrollment, Case incurred
Accident = \$20,000 Medical Aid = \$30,000

$$\left(\begin{array}{c} \text{Case Incurred} \\ \text{Claim Cost} \end{array} \right) \times \left(\begin{array}{c} \text{Overall Avg Accident} \\ \text{or Medical Aid LDF} \end{array} \right) \times \left(\begin{array}{c} \text{PPD LDF} \\ \text{Relativity} \end{array} \right) = \left(\begin{array}{c} \text{Developed} \\ \text{Claim Cost} \end{array} \right)$$



$$\begin{array}{ccccccc} \$20,000 & \times & 1.9457 & \times & 0.9957 & = & \$38,740 \end{array}$$

$$\begin{array}{ccccccc} \$30,000 & \times & 1.3646 & \times & 1.0479 & = & \$42,899 \end{array}$$

$$\begin{array}{ccccccc} \text{Total Developed Claim Cost} & & & & & = & \$81,639 \end{array}$$

PPD relativities are typically high, because they develop more than
timeloss claims beyond the final third adjustment.

New LDF Relativities

Adjustment	Retro Discounted Relative* LDFs								ABSOLUTE DEVELOPMENT		
	TPD	PPD		Timeloss		Misc. Accident		Med Only	Fatalities		TPD
	MAF	AF	MAF	AF	MAF	AF	MAF	MAF	AF	MAF	AF
Third	1.4142	0.9957	1.0479	0.9286	0.9161	27.0377	1.1091	0.8435	1.0000	1.0000	0.9344
Second	1.2990	0.9794	1.0533	0.9668	0.9466	35.0741	1.1378	0.8477	1.0000	1.0000	0.9348
First	1.1790	0.9456	1.0273	1.0704	0.9944	45.8829	1.2900	0.9156	1.0000	1.0000	0.9369

Claims recognized as severe (TPD medical & PPD) have more development than less severe claim types (Timeloss & Med only).

Misc. AF relativities are capped at 9.000.

TPD Accident LDF is close to 0.933 to mainly account for discounting to time of claim allowance

*AF factors are relative to the non-pension claims average LDFs.
MAF factors are relative to the non-fatality claims average LDFs.

Prior Retro Discounted Relative* LDFs									ABSOLUTE DEVELOPMENT		
Adjustment	TPD	PPD		Timeloss		Misc. Accident		MedOnly	Fatalities		TPD
	MAF	AF	MAF	AF	MAF	AF	MAF	MAF	AF	MAF	AF
Third	1.3742	0.9933	1.0468	0.9179	0.9111	28.2147	1.1660	0.8356	1.0000	1.0000	0.9328
Second	1.2640	0.9828	1.0537	0.9680	0.9438	32.6482	1.1567	0.8356	1.0000	1.0000	0.9334
First	1.1346	0.9505	1.0321	1.0700	0.9848	43.0399	1.2916	0.9110	1.0000	1.0000	0.9358

% Change from Prior LDF Relativities									Change in Absolute Devt		
Adjustment	TPD	PPD		Timeloss		Misc. Accident		Med Only	Fatalities		TPD
	MAF	AF	MAF	AF	MAF	AF	MAF	MAF	AF	MAF	AF
Third	2.9%	0.2%	0.1%	1.2%	0.6%	NA	-4.9%	0.9%	0.0%	0.0%	0.2%
Second	2.8%	-0.3%	0.0%	-0.1%	0.3%	NA	-1.6%	1.4%	0.0%	0.0%	0.1%
First	3.9%	-0.5%	-0.5%	0.0%	1.0%	NA	-0.1%	0.5%	0.0%	0.0%	0.1%

TPD, Time-loss, and Med Only relativities have mostly increased.

Misc. Accident AF changes are N/A because they are capped.

Misc. Accident Medical relativities have decreased.

*AF factors are relative to the non-pension claims average LDFs.
MAF factors are relative to the non-fatality claims average LDFs.

Questions?

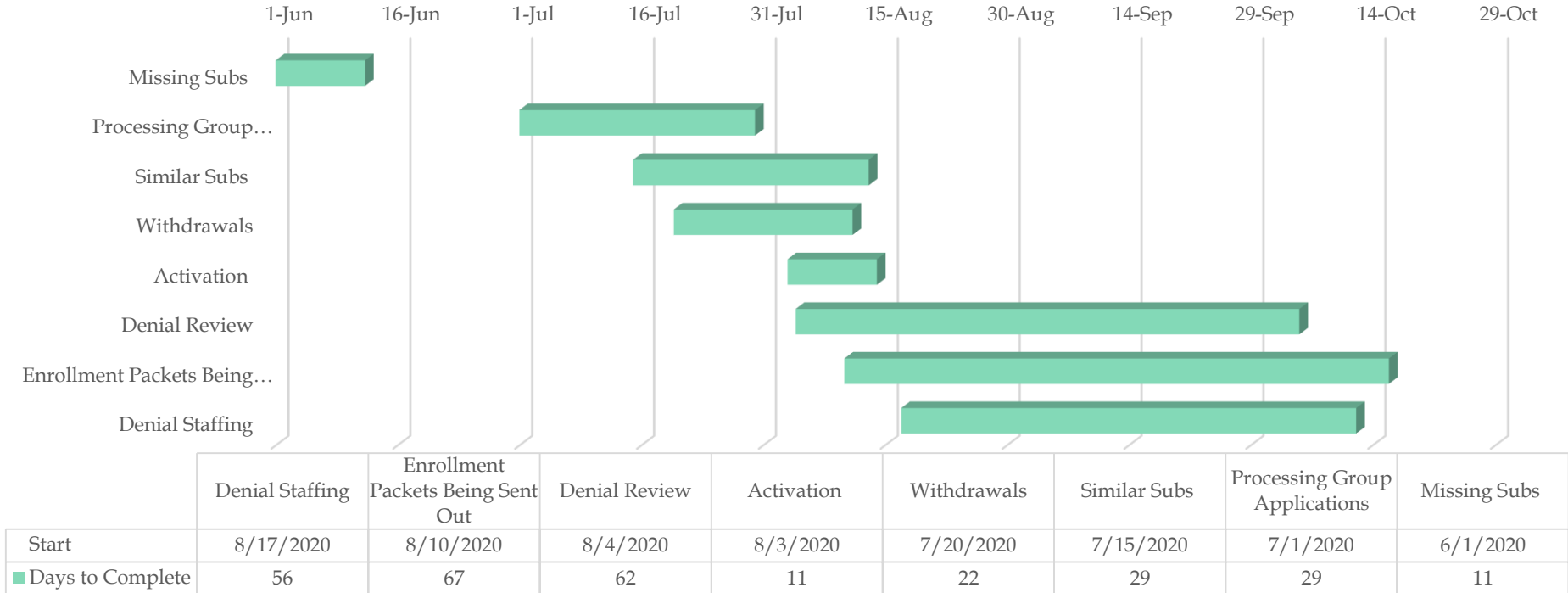
Operational Updates

Jessica Nau,

*Acting Retro Program
Manager*

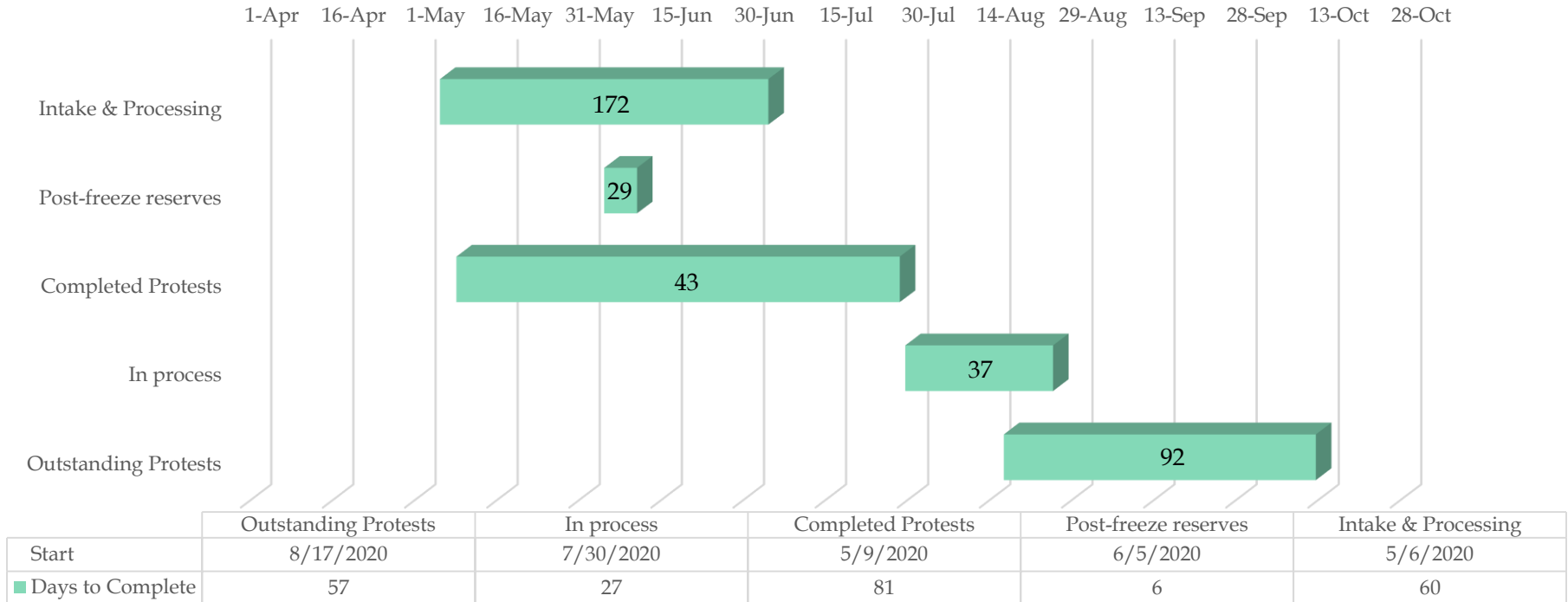
July Enrollment Update

July 2020 Enrollment



July Adjustment Protest Update

July 2020 Adjustment Protests



RAC Priorities

Jessica Nau,

*Acting Retro Program
Manager*

RAC Priorities

Process Overview

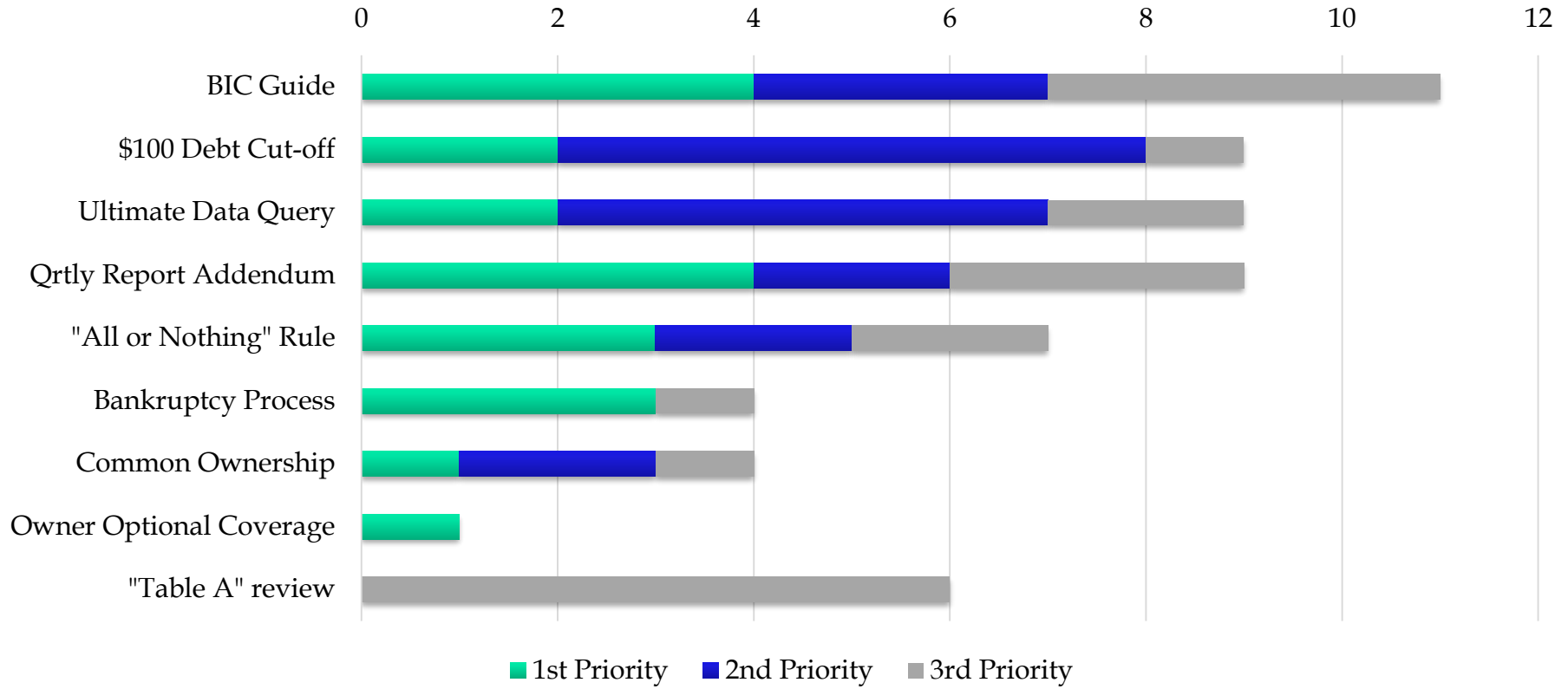
- Goals:

- Identify key areas of focus, from the community perspective
- Increase accountability

- Process

- RAC members reviewed and vetted previously identified priorities
- Verified current status for identified priorities
- Issued survey to community members
- 20 respondents

Distribution within Top 3 Priorities



RAC Priorities

Next Steps

- Determine capacity to support identified priorities
 - Retro program
 - RAC member
 - Retro community

- Framework for workgroups:
 - Membership
 - Workgroup leads
 - Internal and external workgroup members
 - Accountability and time commitments
 - Cadence

Thank you!

Jessica Nau, Acting Retro Program Manager

Jessica.Nau@Lni.wa.gov

Retro@Lni.wa.gov

Appendix

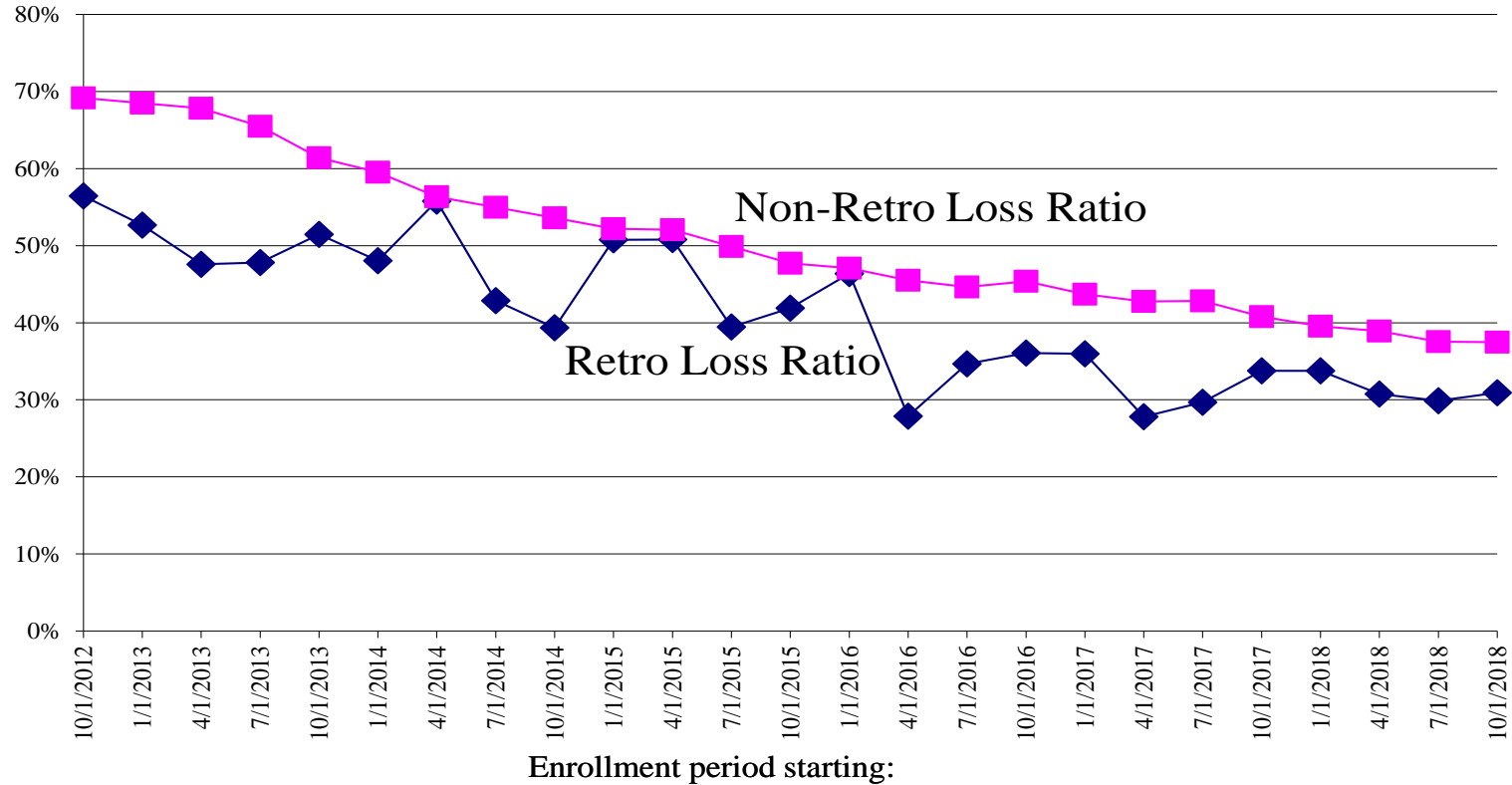
Retrospective Rating:
Performance Adjusted Refunds for
October Enrollments as of July 2020

Nichole Runnels, Actuarial Analyst



Washington State Department of
Labor & Industries

Equalizing the Loss Ratios



Retrospective Rating Goal and Performance Adjusted Refund

GOAL: Retro and Non-Retro firms pay proportional share of insurance costs

- Goal is met when Retro and Non-Retro firms have Equal overall ratio of Losses to Premiums (after refunds)
- Performance Adjusted Refund (PAR) amounts are designed to meet this goal at the time of each annual adjustment
- $PAR = \text{Targeted sum of net retrospective refunds less additional assessments per enrollment period}$

Calculate the % Loss Ratio Difference

for each of 4 consecutive enrollment quarters leading up to and including October enrollment. Example:

Quarter 4: Enrollment beginning 10/1/18:		
	Retro	Non-retro
Losses Case Incurred	17,298,314	515,524,543
Standard Premium	55,928,487	1,375,436,567
Loss Ratio	30.93%	37.48%
Percentage Difference	17.48%	

$$=100\% - 30.93\% \div 37.48\%$$

	Retro Enrollment	Standard Premium	Loss Ratio Percentage Difference
Quarter 1	1/1/2018	167,045,393	14.70%
Quarter 2	4/1/2018	6,882,113	20.98%
Quarter 3	7/1/2018	575,602,426	20.35%
Quarter 4	10/1/2018	55,928,487	17.48%
Total		805,458,419	18.98%

4 Quarter Weighted Average

Performance Adjusted Refund

Target Refund% X 4 Quarter Standard Premiums

	Retro Enrollment	Standard Premium
Quarter 1	1/1/2018	167,027,197
Quarter 2	4/1/2018	6,882,107
Quarter 3	7/1/2018	574,589,036
Quarter 4	10/1/2018	55,870,522
Total		804,368,862
X		X
Performance adjusted refund %		19.56%
=		=
Performance Adjusted Refund		\$157,337,640

Performance adjusted refund % = Interest factor 1.0305 X 18.98% weighted 4 quarter average

Calculating the October 2018 PAF

Hit the PAR target for October 2018 enrollment

				Difference from Target
Target Refund:		157,337,640		
If We Tried Q4 PAF =	1.0000	Then the Refund Would Have Been	\$241,537,213	- \$84,199,573
This refund would be too large. We need to use a larger PAF.				
Quarter 4 PAF=	1.1723			
	Retro Enrollment	Current PAF	Current Refund	
Quarter 1	1/1/2018	0.9980	14,061,121	
Quarter 2	4/1/2018	0.9980	1,601,691	
Quarter 3	7/1/2018	0.9980	135,639,955	
Quarter 4	10/1/2018	0.9980	6,019,265	
Using this PAF we obtain		157,322,032		\$15,608
If We Tried Q4 PAF =	1.1724	Then the Refund Would Have Been	\$157,275,538	\$62,102
If We Tried Q4 PAF =	1.1722	Then the Refund Would Have Been	\$157,368,552	- \$30,912

Refunds are calculated per enrollment period using the PAF shown above for estimation purposes only.

Washington State Department of Labor And Industries
Retrospective Rating

Enrollment Period Beginning:
10/1/2018
Third Evaluation

Report Date: 7/27/2020

PAF: 1.1723

Association Name	Standard Premium	After ELRF & PAF Developed Losses	Standard Loss Ratio	Hazard Plan	Size Group	Single Loss Limit	Max Loss Ratio	Min Loss Ratio	Net Insurance Charge%	Policy Admin Expense	Incurred Loss & Expense after PAF	Net Insurance Charge after PAF	Retrospective Premium Indicated	Cumulative Refund/ (Assessment)	Ratio Refunded (Assessed)
Subtotal - 11 Firms with Refunds	3,286,821	802,599	24%							141,333	929,522	851,837	1,922,692	1,364,129	42%
Subtotal - 7 Firms with Assessments	3,205,900	3,514,673	110%							137,854	2,920,973	1,231,460	4,290,287	(1,084,387)	(34%)
Subtotal - 18 Individual Firms	6,492,721	4,317,272	66%							279,187	3,850,495	2,083,297	6,212,979	279,742	4%
Average Firm Size	360,707														
501(C) Agencies Trust	10,409,531	7,439,617	71%	L	3	72 \$550K	0.925	0.00	0.0554	447,610	8,109,183	449,095	9,005,888	1,403,643	13%
Association of WA Business - Facilities & Property Man:	13,528,402	9,061,606	67%	L	5	73 \$500K	1.000	0.00	0.0318	581,721	9,877,151	313,886	10,772,758	2,755,644	20%
Association of WA Business - Retail, Wholesale, Service	16,319,098	12,901,858	79%	L	4	73 \$500K	1.000	0.00	0.0261	701,721	14,063,025	366,511	15,131,257	1,187,841	7%
Association of Washington Business - Hospitality	6,593,468	5,328,841	81%	L	3	71 \$500K	1.000	0.00	0.0496	283,519	5,808,437	288,377	6,380,333	213,135	3%
Thurston County Chamber of Commerce	1,424,540	765,563	54%	L	4	65 UNLIMITED	0.837	0.20	0.2859	61,255	834,465	238,579	1,134,299	290,241	20%
Towing & Recovery Association of Washington	1,102,762	718,923	65%	P	7	63 \$500K	0.850	0.40	0.2246	47,419	918,645	247,680	1,213,744	(110,982)	(10%)
Subtotal - Associations	49,377,801	36,216,408	73%							2,123,245	39,610,906	1,904,128	43,638,279	5,739,522	12%
Total Enrollment	55,870,522	40,533,680	73%							2,402,432	43,461,401	3,987,425	49,851,258	6,019,264	11%

Washington State Department of Labor And Industries
Retrospective Rating

Enrollment Period Beginning:
10/1/2017
Second Evaluation

Report Date: 7/27/2020

PAF: 0.9980

Association Name	Standard Premium	After ELRF & PAF Developed Losses	Standard Loss Ratio	Hazard Plan Group	Size Group	Single Loss Limit	Max Loss Ratio	Min Loss Ratio	Net Insurance Charge%	Policy Admin Expense	Incurred Loss & Expense after PAF	Net Insurance Charge after PAF	Retrospective Premium Indicated	Cumulative Refund/ (Assessment)	Ratio Refunded (Assessed)
Subtotal - 12 Firms with Refunds	5,411,452	1,486,517	27%							232,692	1,843,811	1,061,908	3,138,411	2,273,041	42%
Subtotal - 7 Firms with Assessments	2,775,426	3,475,992	125%							119,342	2,788,213	1,073,915	3,981,470	(1,206,044)	(43%)
Subtotal - 19 Individual Firms	8,186,878	4,962,509	61%							352,034	4,632,024	2,135,823	7,119,881	1,066,997	13%
Average Firm Size	430,888														
501(C) Agencies Trust	11,806,978	8,576,611	73%	L	3	72 \$500K	0.937	0.00	0.0540	507,700	9,348,506	504,698	10,360,904	1,446,074	12%
Association of WA Business - Facilities & Property Man	13,896,291	10,447,527	75%	L	5	73 \$500K	1.050	0.60	0.0298	597,541	11,387,804	338,901	12,324,246	1,572,045	11%
Association of WA Business - Retail, Wholesale, Servi	18,643,505	12,447,879	67%	L	4	73 \$500K	1.000	0.00	0.0261	801,671	13,568,188	353,614	14,723,473	3,920,032	21%
Association of Washington Business - Hospitality	7,778,627	5,177,789	67%	L	2	72 \$500K	1.000	0.00	0.0252	334,481	5,643,790	142,336	6,120,607	1,658,020	21%
Greater Vancouver Chamber of Commerce	1,065,061	461,712	43%	L	4	63 \$250K	0.929	0.60	0.1715	45,798	696,550	119,481	861,829	203,232	19%
Thurston County Chamber of Commerce	1,416,323	993,248	70%	L	4	65 UNLIMITED	0.837	0.20	0.2859	60,902	1,082,640	309,533	1,453,075	(36,752)	(3%)
Towing & Recovery Association of Washington	1,220,312	693,336	57%	L	7	64 \$250K	0.634	0.00	0.6785	52,473	755,736	512,733	1,320,942	(100,630)	(8%)
Subtotal - Associations	55,827,097	38,798,102	69%							2,400,566	42,483,214	2,281,296	47,165,076	8,662,021	16%
Total Enrollment	64,013,975	43,760,611	68%							2,752,600	47,115,238	4,417,119	54,284,957	9,729,018	15%

Washington State Department of Labor And Industries
Retrospective Rating

Enrollment Period Beginning:
10/1/2016
Third Evaluation

Report Date: 7/27/2020

PAF: 1.0617

Association Name	Standard Premium	After ELRF & PAF Developed Losses	Standard Loss Ratio	Hazard Plan	Size Group	Single Loss Limit	Max Loss Ratio	Min Loss Ratio	Net Insurance Charge%	Policy Admin Expense	Incurred Loss & Expense after PAF	Net Insurance Charge after PAF	Retrospective Premium Indicated	Cumulative Refund/ (Assessment)	Ratio Refunded (Assessed)
Subtotal - 14 Firms with Refunds	5,287,105	1,602,381	30%							253,781	1,860,172	1,485,126	3,599,079	1,688,026	32%
Subtotal - 5 Firms with Assessments	2,900,000	2,556,942	88%							139,200	2,168,708	918,457	3,226,365	(326,365)	(11%)
Subtotal - 19 Individual Firms	8,187,105	4,159,323	51%							392,981	4,028,880	2,403,583	6,825,444	1,361,661	17%
Average Firm Size	430,900														
501(C) Agencies Trust	15,685,146	9,459,655	60%	L	3	73 \$250K	0.700	0.00	0.3970	752,887	10,121,831	4,018,752	14,893,470	791,676	5%
Association of WA Business - Facilities & Property Manag	13,811,205	9,241,323	67%	L	5	73 \$500K	1.000	0.50	0.1077	662,938	9,888,216	1,064,615	11,615,769	2,195,436	16%
Association of WA Business - Retail, Wholesale, Service	20,024,726	14,509,238	72%	L	4	73 \$500K	1.100	0.60	0.0508	961,187	15,524,885	787,903	17,273,975	2,750,751	14%
Association of WA Business - Transportation & Warehou	5,399,820	4,879,199	90%	L	5	71 \$500K	1.200	0.60	0.0321	259,191	5,220,744	167,575	5,647,510	(247,690)	(5%)
Association of Washington Business - Hospitality	8,082,748	5,342,513	66%	L	2	72 \$500K	1.200	0.60	0.0229	387,972	5,716,489	130,982	6,235,443	1,847,305	23%
Greater Vancouver Chamber of Commerce	1,032,139	973,952	94%	L	4	62 \$500K	0.816	0.40	0.3195	49,543	901,181	287,907	1,238,631	(206,492)	(20%)
Thurston County Chamber of Commerce	1,434,947	1,275,001	89%	L	4	65 \$500K	0.716	0.15	0.4388	68,877	1,098,574	482,067	1,649,518	(214,571)	(15%)
Towing & Recovery Association of Washington	1,401,202	1,451,765	104%	L	6	65 \$250K	0.632	0.00	0.6294	67,258	947,549	596,415	1,611,222	(210,020)	(15%)
Subtotal - Associations	66,871,933	47,132,646	70%							3,209,853	49,419,469	7,536,216	60,165,538	6,706,395	10%
Total Enrollment	75,059,038	51,291,969	68%							3,602,834	53,448,349	9,939,799	66,990,982	8,068,056	11%