

Workers' Compensation Advisory Committee (WCAC)

Thursday, May 9, 2019



Agenda

Time	Topic	Presenter(s)
9:00 am - 9:15 am	Welcome <ul style="list-style-type: none"> • Introductions • Agenda overview • Safety message 	Vickie Kennedy Joel Sacks Jenifer Jellison
9:15 am – 9:40 am	General Updates	Joel Sacks Mike Ratko
9:40 am – 9:50 am	Insurance Services Dashboard	Vickie Kennedy
9:50 am – 10:50 am	Joint Legislative Audit and Review Committee Update	Vickie Kennedy Ryan Guppy
10:50 am – 11:05 am	Break	
11:05 am – 11:15 am	Board of Industrial Insurance Appeals Update	Linda Williams
11:15 am – 11:35 am	Business Transformation Workers' Compensation Systems Modernization Procurement Strategy	Randi Warick
11:35 am – 11:50 am	Industrial Insurance State Fund Financial Overview	Rob Cotton
11:50 am – 12:00 pm	Closing Comments & Adjourn	Vickie Kennedy Joel Sacks

Safety Message

Jenifer Jellison, DOSH Education and Outreach



Safety and Health Investment Projects (SHIP)

- SHIP will fully fund all grants approved for the '17-'19 biennium
- SHIP funds two types of grants and assures that 25% of the total funding will be awarded to projects that address the needs of small business (per statute)
 - Return to Work Grants (5 Grants Funded)
 - **Northwest Tire Dealer Association** -- Modified Return to Work Guide for the Tire Industry intended to provide a detailed manual to help employers in this industry return an injured worker to a modified job more quickly.
 - **John W Shervey & Assoc. with Washington Aggregate and Concrete Association** – RTW App provides a tool for mining and related industries to provide transitional duties for injured employees.
 - **Sol Case Management and Pasco Chamber of Commerce** – pilot of an empirical, mixed method research study to obtain data identifying barriers prohibiting industrially injured Latinos from returning to work in central Washington counties.
 - **University of Washington and SEIU 775**. Development, implementation and evaluation of a pilot for a peer navigator program for health care aids.
 - **Integrity Safety Solutions, Inc, and the SMART Association**: Develop a RTW toolkit for Construction which includes utilizing established apprenticeship programs as vocational retraining options, where appropriate.

Safety and Health Investment Projects (SHIP)

- Safety and Health Grants (22 funded)
 - Topics range from raising awareness of occupational safety and health in harder to reach employer communities and development of a Washington specific online safety dairy network.
 - Projects that address the needs of small business (13 grants)
- Approval Process
- Program was audited by the State Auditors Office in '18
 - Positive Outcome

General Updates

Joel Sacks, Agency Director

Mike Ratko, Deputy Assistant Director for Insurance Services



Budget/Legislation/Rule-Making

Joel Sacks, Agency Director

Mike Ratko, Deputy Assistant Director for Insurance Services



Workers' comp-related bills

- **HB 1490 (Rep. Ormsby)**
 - Occupational disease presumption for Hanford workers
- **HB 1909 (Rep. Graham)**
 - Confidentiality of workers' comp claim records
- **HB 1913 (Rep. Doglio)**
 - Occupational disease presumptions
- **SB 5175 (Sen. Braun)**
 - Firefighter safety
- **SB 5474 (Sen. Keiser)**
 - Industrial insurance and self-insurers

Workers' comp and safety appropriations

Budget item	Amount	FTE
Workers' comp systems modernization	\$81,974,000	80.6
2 workers' comp claims units	\$6,149,000	26.1
Provider credentialing system	\$2,872,000	0
Industrial insurance claim records (HB 1909)	\$133,000	0

Appropriations are split between the Accident Fund and Medical Aid Fund.

Supplemental slides

Four L&I-request bills passed

- **SB 5471 (Sen. King)**
 - Extends temporary elevator-mechanic license from 1 month to 1 year.
 - Adds 2 members to the Elevator Safety Advisory Committee.
 - Removes misdemeanor penalty for homeowners who remove stairchair lifts or platform lifts from their homes on their own.
- **HB 1486 (Rep. Mosbrucker)**
 - Allows L&I to contract with qualified entities, including private third parties, to inspect factory-assembled structures constructed outside Washington.

Four L&I-request bills passed (con't)

- **SB 5795 (Sen. Zeiger)**
 - Triples the minimum bond coverage for construction contractors with 1 final judgment against their bond in the past 5 years (3 judgments currently required).
 - Establishes a workgroup to consider additional consumer protections.
- **SB 5566 (Sen. Braun)**
 - Cuts Prevailing-Wage Program fees (for intents and affidavit forms) from \$40 to \$20 for 2 years, saving contractors an estimated \$4.9 million.
 - Gives L&I authority to lower fees in the future if the account balance exceeds what's needed to administer the program.

WCAC Finance Committee Reinsurance Update

Mike Ratko, Deputy Assistant Director for Insurance Services



Reinsurance Update

- L&I's catastrophic reinsurance policy went into effect 2/01/2019
- Our goal was \$800M of reinsurance with a \$200M deductible
- We were ultimately able to purchase \$743M of the \$800M (93%)
 - Deductible increases to \$257M (assuming a \$1B loss)
 - L&I is responsible for 93% of the full \$13.4M price (\$12,420,364)
 - First payment was due April 1, 2019
- Currently exploring timeline for reinstating policy for 2020

Early Case Reserve (ECR) Update

- Early Case Reserves went into effect April 18, 2019
- This form of predictive modeling is designed to provide earlier and more accurate projections for claims costs
 - ECRs are updated monthly
- Employers and their representatives can see estimated reserve values in the [Claim & Account Center](#) or the [My L&I Dashboard](#) usually within 30 days from when a claim is received
- L&I has launched an employer [FAQ document](#) on its website with additional information

Hearing-Aid Rules Update

- Department convened a group to amend hearing-aid repair/replace rule at the request of the legislature.
- Current policy is to replace hearing-aids when they aren't repairable due to normal wear and tear.
- Amended rule, effective May 15, 2019, hearing-aids can be replaced upon request after 5 years of issue date.
- Hearing-aids less than 5 years old will continue to be replaced if not repairable.

Self-Insurance Medical EDI Rules Update










- Department proposing rules regarding submittal of information via the Medical Electronic Data Interchange (EDI) – a component of the Self-Insurance Risk Analysis System.
- New rules will establish reporting standards for accuracy and timeliness; as well as remedies such as training, audit, penalties and corrective action if reporting deficiencies are identified.
- Currently, 98% of SI employers have registered with the EDI and 84% are already reporting.
- An exemption from reporting requirements will also be considered.
- We plan to file the CR-101 (pre-proposal) soon, with a public comment period this summer, and the rules would be effective January 1, 2020.

Dashboard – Help Injured Workers Heal and Return to Work

Vickie Kennedy, Assistant Director for Insurance Services



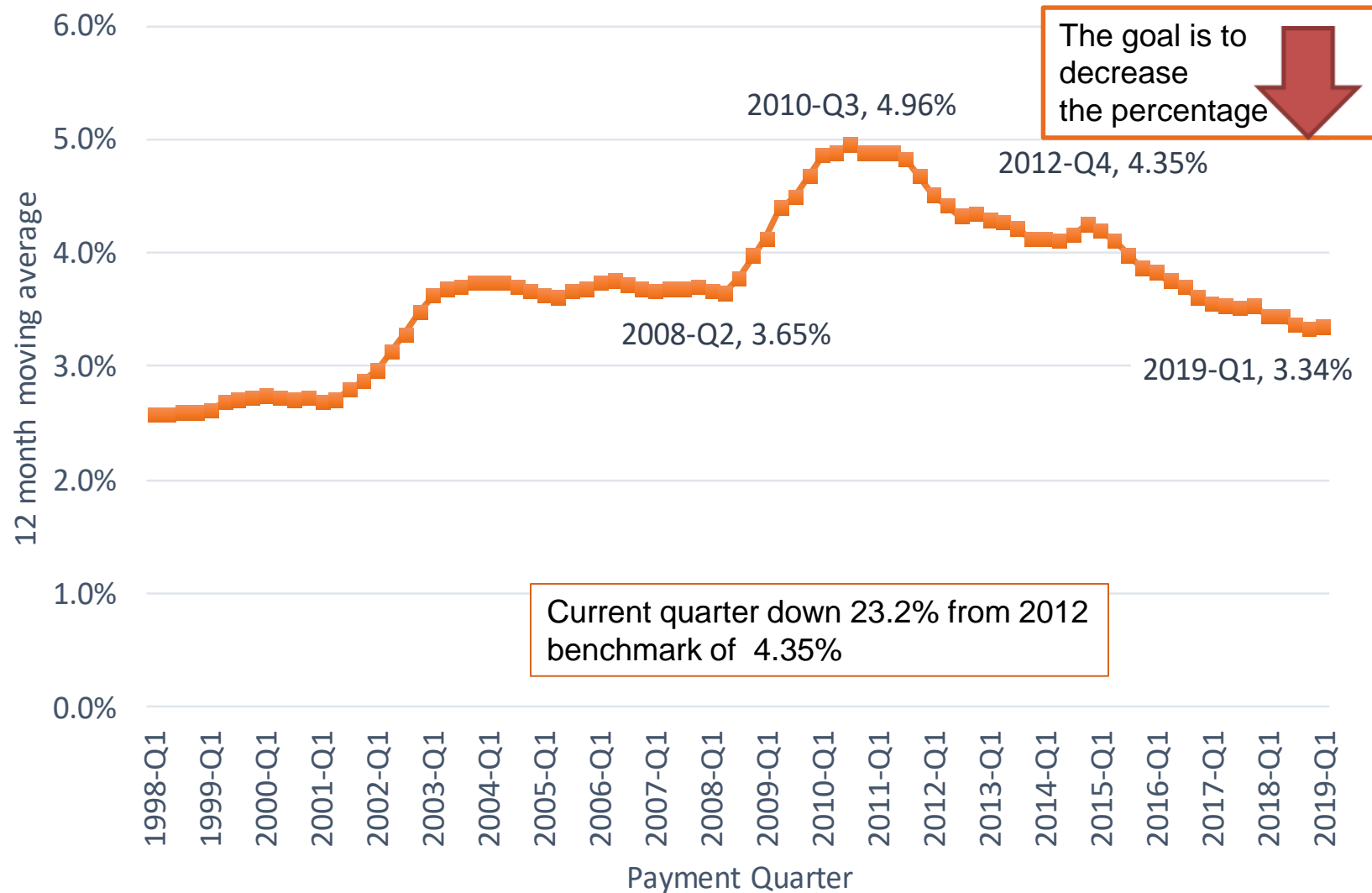
Dashboard Summary

Measure	Change from 2012 (unless otherwise noted)	Highlights
Long Term Disability – share that received a TL payment in the 12 month post injury	Down 23.2 % 	Lowest since 2002
Persistency – Ratio: claims with a TL payment in the 6 th month to those with payment in the 3 rd month	Down 3.4% 	
Resolution rate - time-loss claims at 6 months	Up 4.1% 	
Auto adjudication of claims	Up 82.7% from 2014 	Highest since 2002*
High risk claims – share return to work at 12 months	Up 8.0% 	
Median time-loss days paid at first vocational service	Down 70% 	Lowest since 2002*
% RTW outcomes - all first vocational service referrals	Up 143% 	
WSAW participation	Steady utilization 	
COHE utilization	Up 81.2% 	

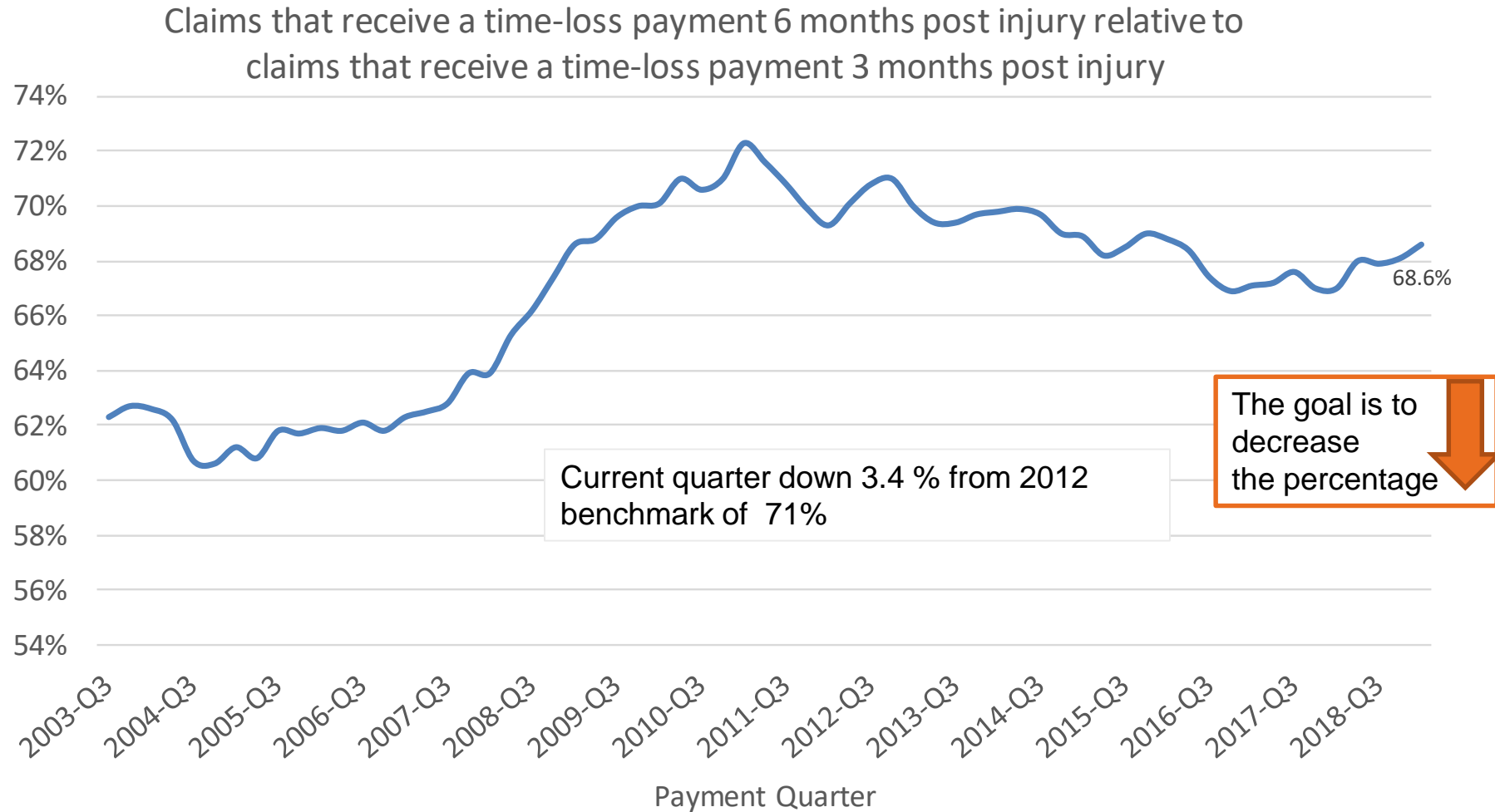
* Earliest year for which measurement is available

Long term disability percent

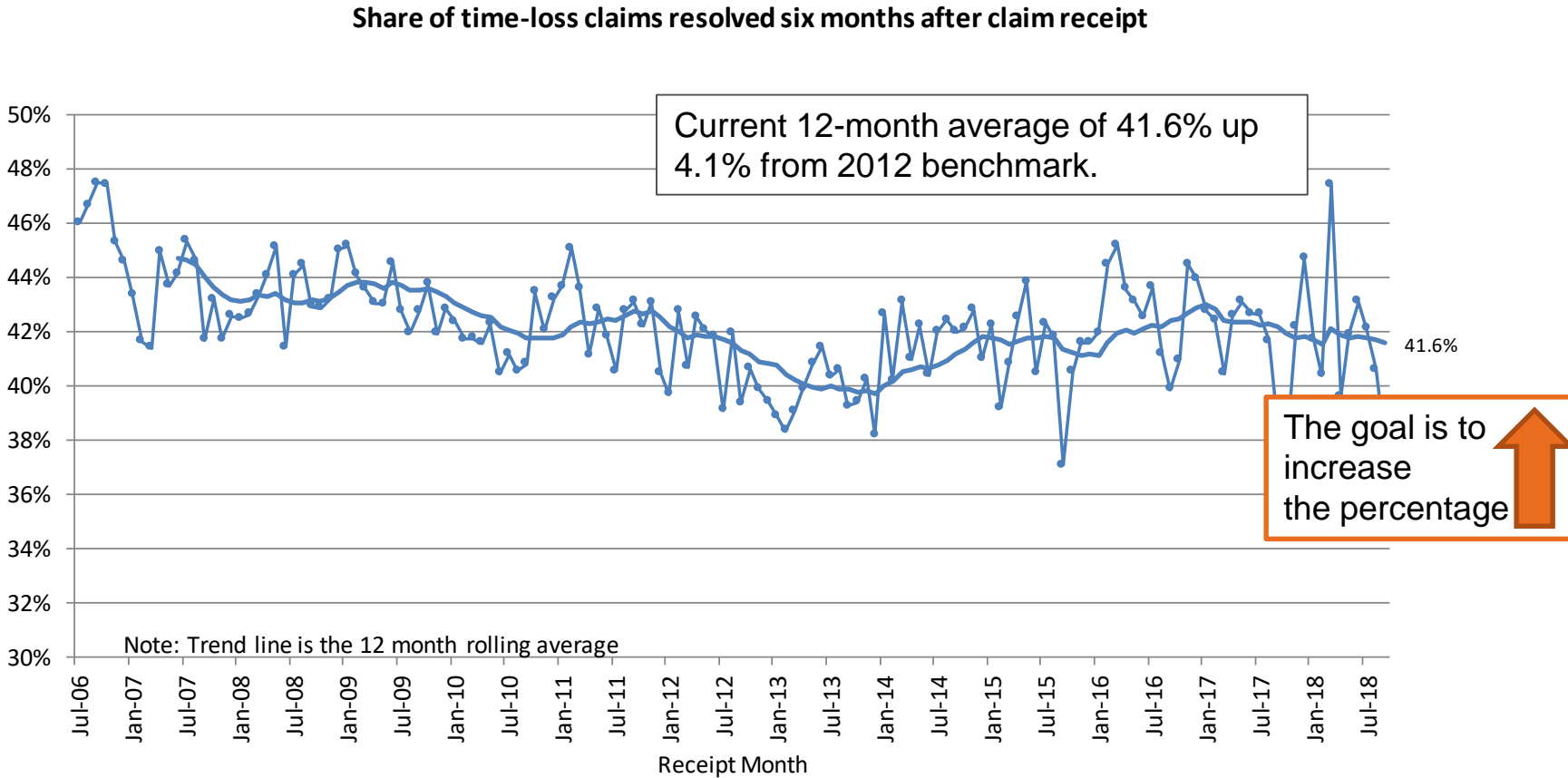
Share of injured workers with time-loss paid in the 12th month post injury: *smaller percentage indicates less long-term disability*



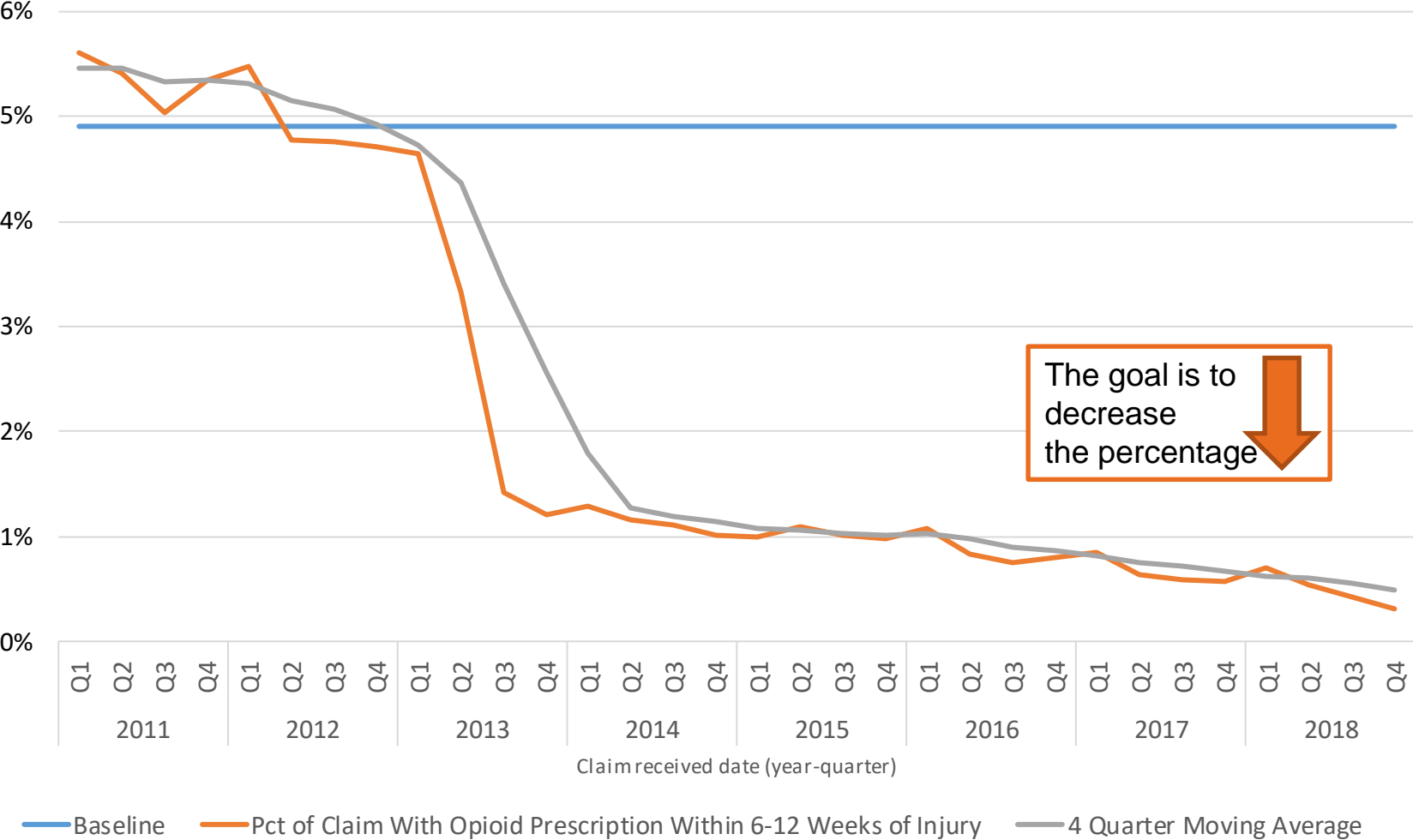
The onset of long-term disability is often measured between three and six months after injury



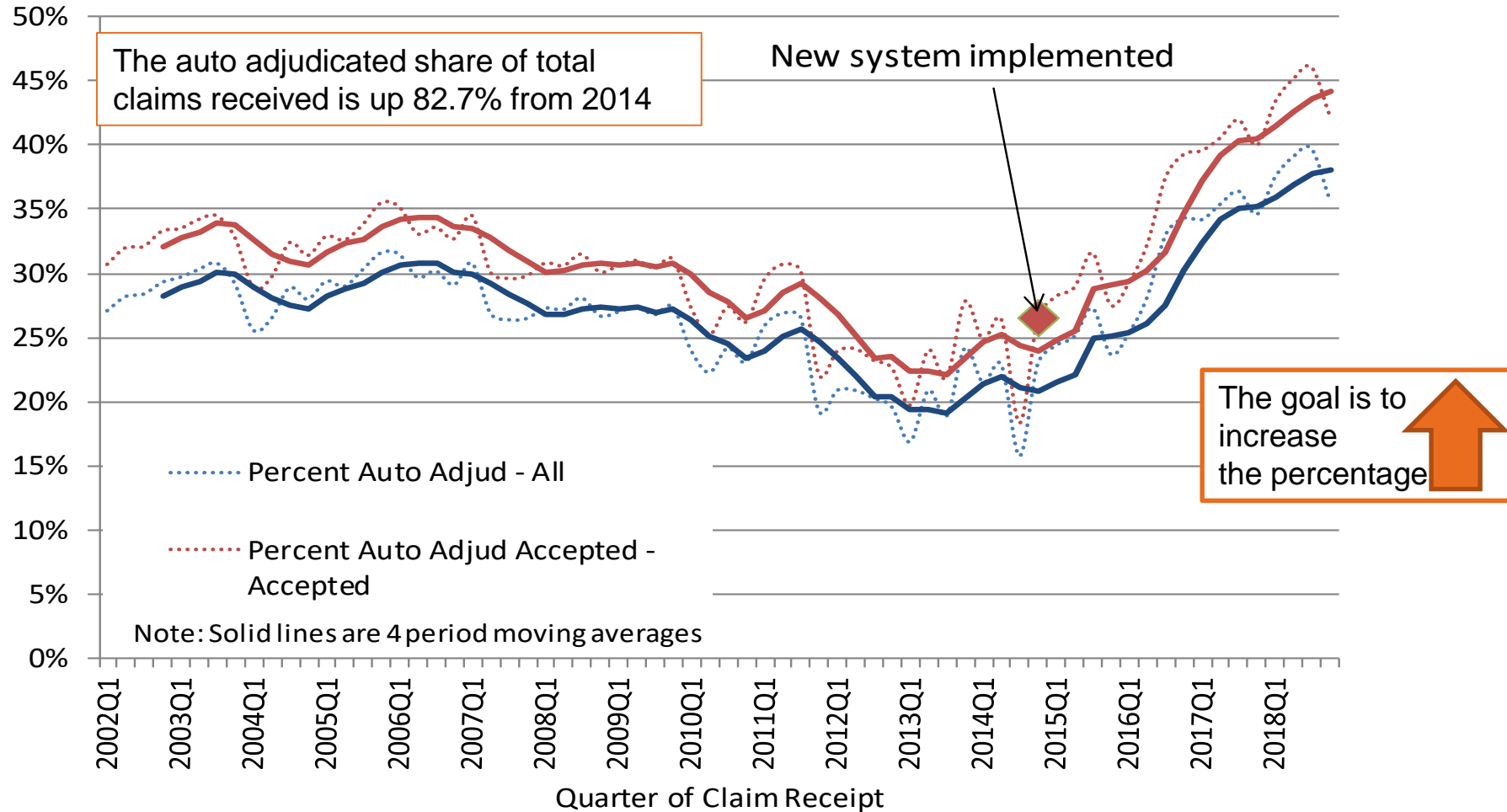
The share of time-loss claims resolved six months after claim receipt



Percentage of accepted State Fund claims with billings for opioids within 6 to 12 weeks of injury



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



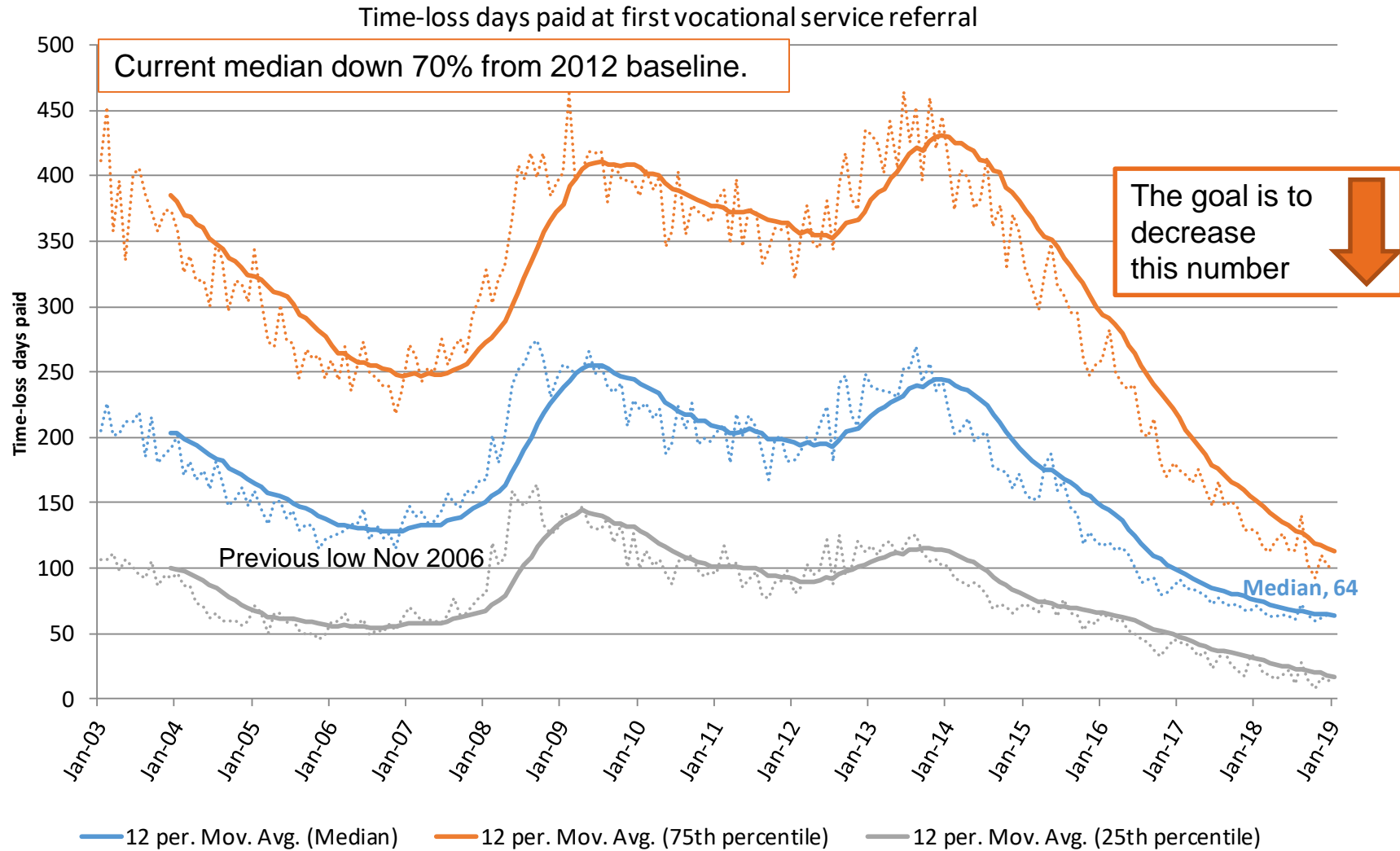
High risk claims – Initiatives in the first year are improving RTW outcomes

The share of injured workers off work 40 days after claim receipt who are likely to have returned to work: Note: 12-month rolling average



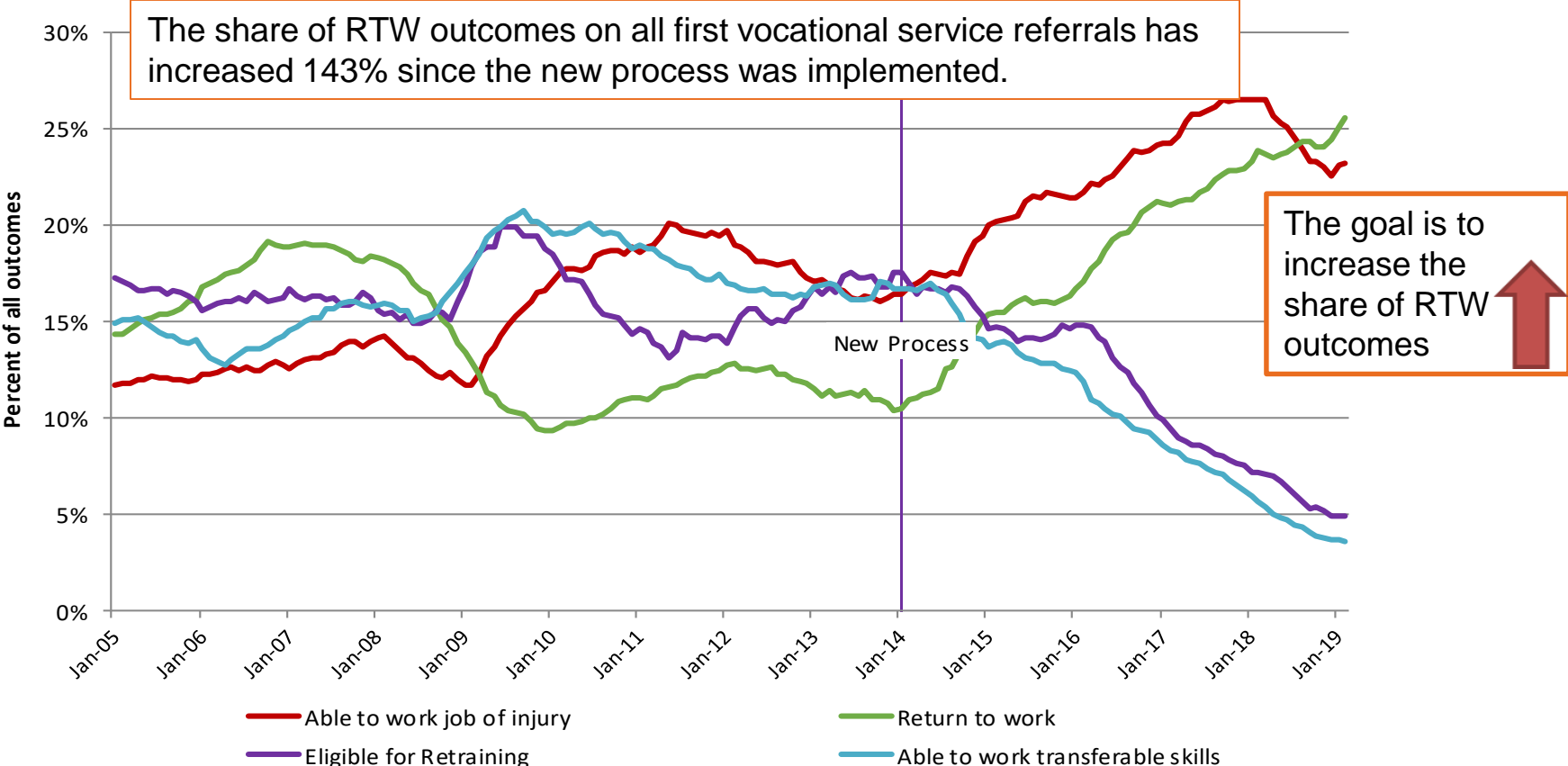
High risk workers are defined as those being disabled on the 40th day following claim receipt, about 1,540 claims per quarter. RTW is defined as the status of not receiving disability benefits between 7 and 12 months

Referrals are now targeted to address the onset of disability

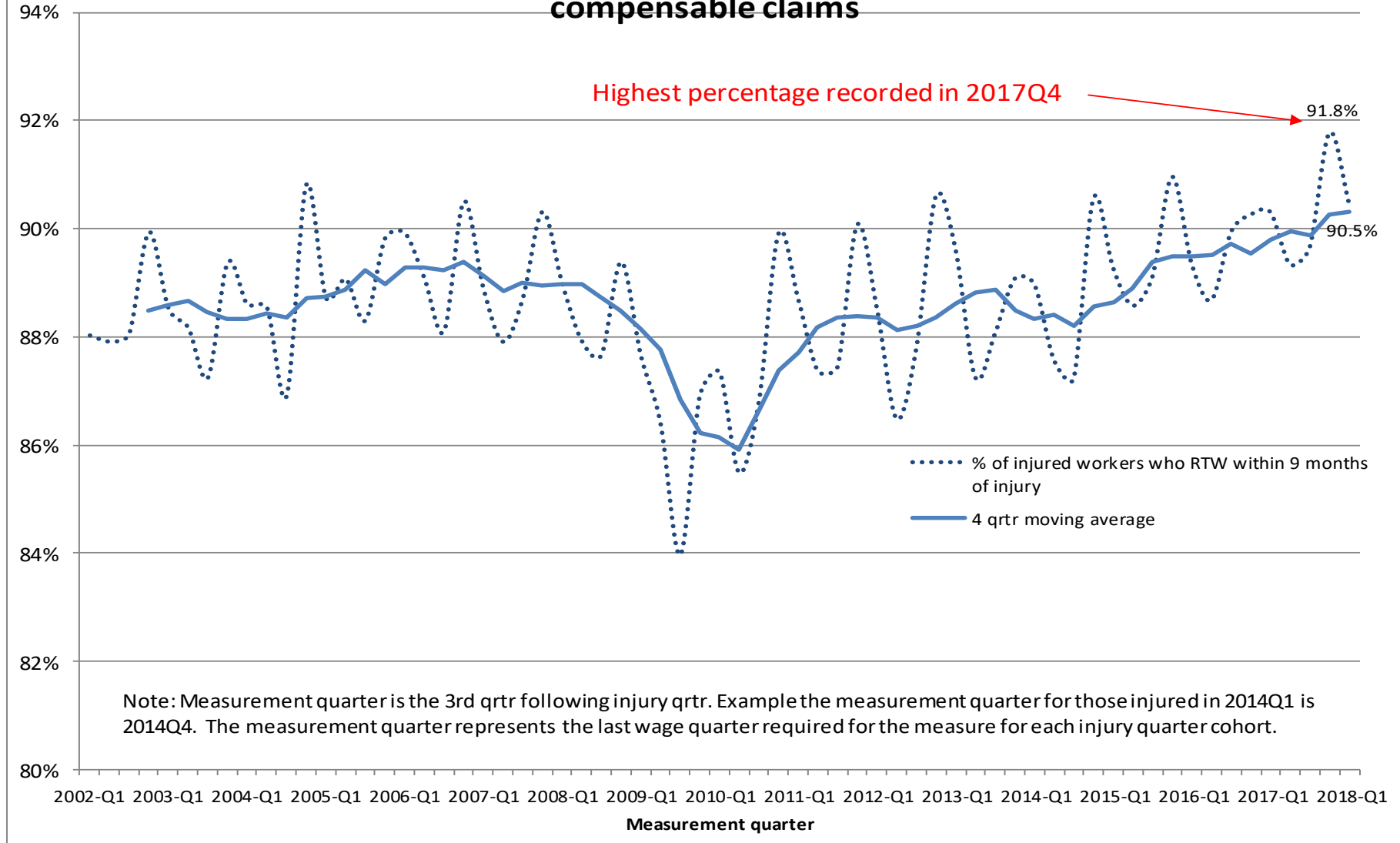


New focus on return to work has increased positive employable outcomes for all first vocational service referrals

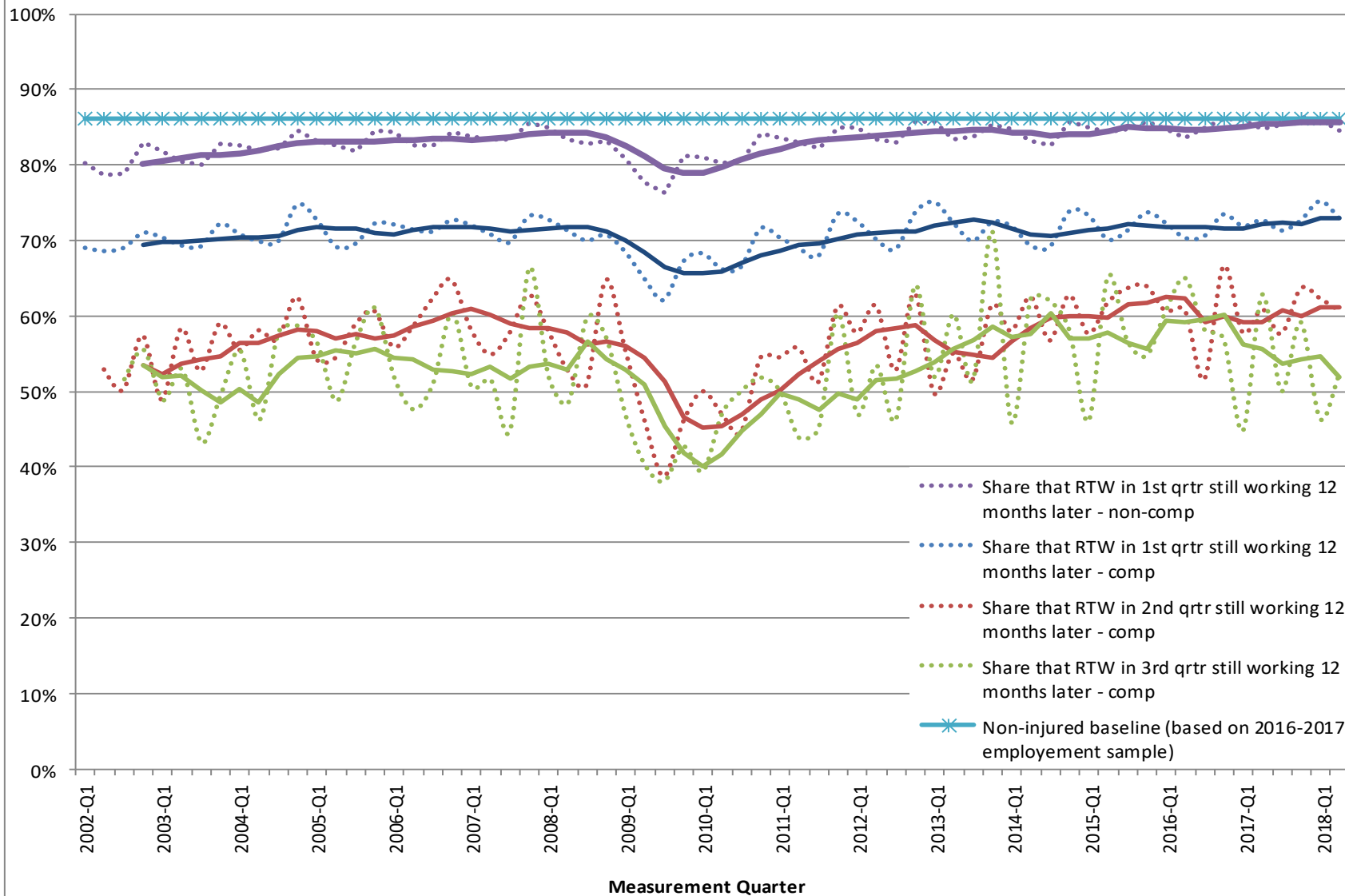
Outcome distribution, first vocational service referrals, select outcomes (12-month average)



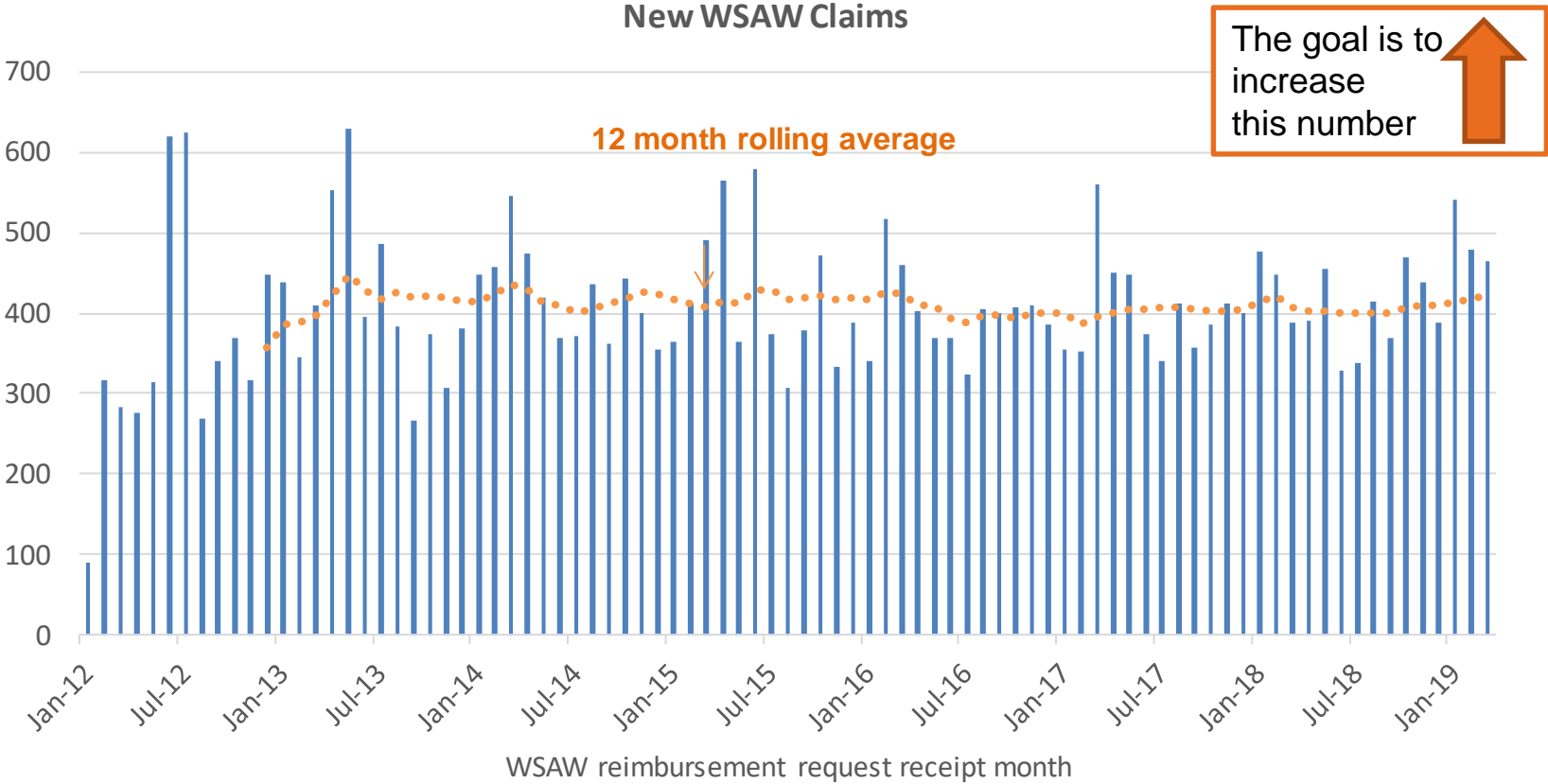
Percent of injured workers who RTW within 9 months of injury, compensable claims



Share still working 12 months later

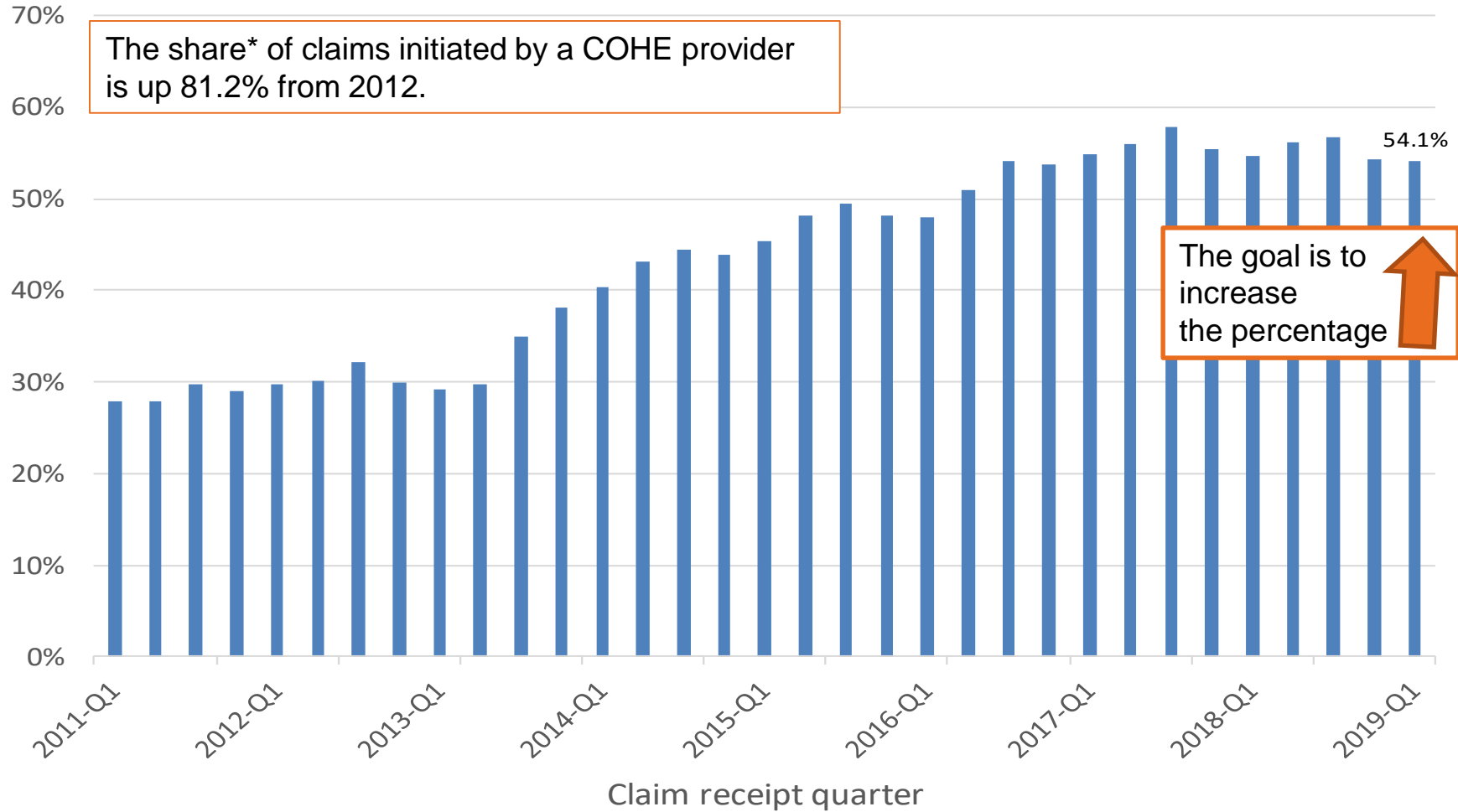


Participation in light duty job assignments helps maintain the employer/injured worker relationship



Percentage of claims for injured workers initiated with a COHE provider

Percent of claims received initiated with a COHE provider.



Joint Legislative Audit and Review Committee (JLARC) Update

Vickie Kennedy, Assistant Director for Insurance Services

Ryan Guppy, Chief of Return to Work Partnerships for Insurance Services



History of the JLARC Report

- 2011 workers' compensation reform legislation included a review of L&I's claims management practices by JLARC
- Audit conducted by national workers' compensation experts
- Published in April 2016

History of the JLARC Report

- JLARC studied L&I's workers' compensation claims management, including self-insured and state fund retrospective rating claim processes, for injuries from 2010 to 2013
- The audit highlighted the need for L&I to make additional progress on expanding and enforcing use of best practices for claims management and return to work efforts

L&I JLARC Recommendation #1

L&I should institute standards for early phone contact, claim-management planning and clear documentation in claims management

- Early contact calls
- Strategic training
 - Modernize claims training to focus on strategies that support return to work and claim resolution
 - Technology application to support claim managers during their training program

Early Contact Calls

- ✓ • To the employer: hired six additional employer account managers to provide loss prevention education and offer services to employers on all potential time-loss claims
- ✓ • To the worker: revised claim manager first call training to focus on identifying return to work barriers and interventions
- ✓ • Implemented a tiered approach to conversations as return to work barriers or motivations are discovered; conversations are reinforced in bi-monthly stand-ups
- Developing an automated approach to track contacts made

Claims Strategic Training

Vision

Modernize the training curriculum to focus on strategic planning and soft skills in order to ensure that return-to-work or vocational recovery, medical management, and resolution plans are in place



Claims Strategic Training

Claims training enhancements

- Focusing on strategic thinking and a vocational recovery approach in our training modules
- Updating curriculum to reflect modern adult learning techniques
- Building a connection between what is trained and what is practiced
- Training the trainers, coaches, supervisors, and leads in supporting the new training strategies

Claims Strategic Training

Created three videos

Video #1: Workers' Compensation in Washington State

Video #2: How the Department of Labor & Industries Keeps Washington Safe and Working

Video #3: So You Want to Be a Claim Manager?



Claim Manager Apprentice/Trainee Work Checking

Technology application to support CM skill development

Key benefits

- Apprentices have real time information about how they are successfully moving through required skills
- Apprentices, coaches, supervisors and leads all know where they stand at a glance
- Duplicate work and manual counting are eliminated
- Searching, filtering and sorting is quick and easy
- Availability of trend and comparative data that can be used to determine training modules that need updates

Claim Manager Apprentice/Trainee Work Checking

Staff Comments

“It’s awesome to be able to see all of your progress without having to ask or wait for someone to tell you.”

“I like having everything automated, we don’t have to keep track separately to make sure the manual routing and tracking is right.”

“We should have done this a long time ago.”

L&I JLARC Recommendation #2

L&I should expand pilot programs and enhance claim-management support systems (training, performance measures, technology), focusing on return-to-work

- Tools to prevent and reduce work disability
- Connecting staff contributions to return to work results
- Vocational recovery project
- Predictive analytics

Tools to Prevent and Reduce Work Disability

Project overview

Prevent long-term work disability by proactively identifying workers with return to work and/or psychosocial barriers and offering appropriate services (e.g., vocational services, activity coaching, behavioral health interventions, etc.)

Accomplishments

- Established disability prevention and management tools, best practices, and resources for staff
- Aligned with resources developed for the medical community
- Trained staff between October 2017 – February 2018

Tools to Prevent and Reduce Work Disability

When claim managers contact providers by phone early in the claim process, they:

- Reduce delays in the claim process
- Identify possible interventions/services covered by L&I
- Help the worker return to work more quickly

Additionally, providers can use this knowledge and experience to help other workers

Connecting Staff Contributions to Return to Work Outcomes

Project overview

Create awareness of how claim managers' expectations and tasks contribute to successful return to work outcomes

Accomplishments

- Updated claim manager job expectations and performance appraisals to demonstrate how daily work and performance measures align with return to work outcomes
- Developed visual management to reinforce those connections

Claims Administration



How Do You Help Workers Return to Work?

About this project

As part of our JLARC efforts, we're increasing staff awareness of the link between claims management activities and return-to-work outcomes. The goal? Everyone who works with claims understands their role in helping injured workers heal and return to work and appreciates the full value and impact of their efforts.

About the team

This team created a document that aligns actions claim managers already take to meet performance expectations to the actions that best support return-to-work outcomes. The team also created a plan for visual management (including bulletin boards like this one) that helps you see those actions and get engaged. Please take a moment to thank the team member nearest you or ask them for more details about this project!



Thank you to our team and their hard work! Meet our team:
Alicia Cole, Jeff Grogan, Neil O'Brien, Jason Paul Corbett, Nancy Stevens, Dana Whitman and John Brown.
Thank you, Maggie Boring, Sarah Housh, Kelly Colwell, Mark Robinson, Julia McManus, Tasha Edwards and G. Nathan.



Lift the circles to find out more!

Vocational Recovery Project

JLARC audit recommendation

Implement RTW standard practices:

“Some vocational service practices need to be tailored to be more effectively utilized in appropriate claims. For example, the AWA is being used as an “adjudicative” tool, but the adjudicative approach is not an effective RTW tool. **New practices and interventions need to be defined and put into use, which can become part of a standard RTW practice used to manage claims towards desired outcomes...**”

Vocational Recovery Project

Ensuring the workers' compensation vocational system aligns with work disability prevention and return to work as the first priority outcome

Work disability definition

Work disability occurs “when a worker is unable to stay at work or return to work because of an injury or disease. **Work disability is the result of a decision by a worker** who for potential physical, psychological, social, administrative, or cultural reasons does not return to work...”

Handbook of Work Disability Prevention and Management – Loisel and Anema 2013

Table 1 – The Stay at Work/Return to Work Process Escalation Levels

The process triggers when a precipitating event, usually health-related, raises the question whether a worker can/should remain at work.

Escalation Level	Who is involved?	How is current work capacity determined?	How are job demands determined (both usual job and alternatives)?	What triggers the actual return to work?
0	Worker	Personal knowledge	Personal knowledge	Personal decision
1	Worker and Supervisor	Discussion	Discussion	Discussion
	Worker and Physician	Discussion RTW note from physician	Verbal description of usual job	Discussion
2	Worker Physician Claims adjuster/case manager	Formal inquiry Simple physical capacities form completed by MD	List of job's functional demands	Discussion
3	Worker Physician Claims adjuster/case manager Physical therapist Ergonomist or vocational consultant IME examiner Union steward Lawyer	Objective testing Functional capacity evaluation Independent medical opinion	Video of job Ergonomic analysis of job On-site workplace visit	Written offer of employment Formal return to work plan Sign-off by all parties

Vocational Recovery Project

Preventing work disability

The 4 principles of work disability prevention

1. Prevent unnecessary delays
2. Prevent a confusing process
3. Prevent unnecessary duration
4. Prevent unclear RTW expectations/plans

Used with permission of Centrix Disability Management Services Inc., 2005–2018

Vocational Recovery Project

Worker centric **means** we

- Put the worker in the lead role and make it easy for them to choose to return to work
- Are engaging and activating workers based on what they think needs to happen through goal planning and attainment to enable them to successfully return to work or progress through the process
- Develop relationships and trust with workers to help them identify their motivations, concerns, and risks with returning to work

Vocational Recovery Project – Next Steps

Rule development

- Defining “vocational recovery” to better align with RCW 51.32.095
- RCW 51.32.095: Broad language supports vocational recovery as opposed to employability assessments as initial “service”
 - Focus on enabling and returning to gainful employment vs. solely employability assessment
 - Does not require medical treatment to be concluded
 - Broad latitude to pay for services necessary for return to work
- “Worker-centric” services

Targeting effective date January 1, 2020

Vocational Recovery Project

- Best practices and education
- Payments and incentives
- Referral process
- Firm and vocational rehabilitation counselor (VRC) registration requirements
- Quality assurance
- Performance measures
- Vocational recovery referral pilot

Vocational Recovery Project

Vocational recovery referral pilot

- Piloting worker-centric work disability prevention services to promote vocational recovery and return to work versus assessment/employability
- Testing evidence-informed best practices and work disability tools
- Pilot will continue to test best practices – a continuous improvement model

Predictive Analytic Solutions

- Use historical data to estimate future claim costs early
- Update data for claim complexity and corresponding claim manager assignment
- Use data to identify the workers and employers to prioritize first calls
- Current technology system doesn't adequately support analytics

Break Time

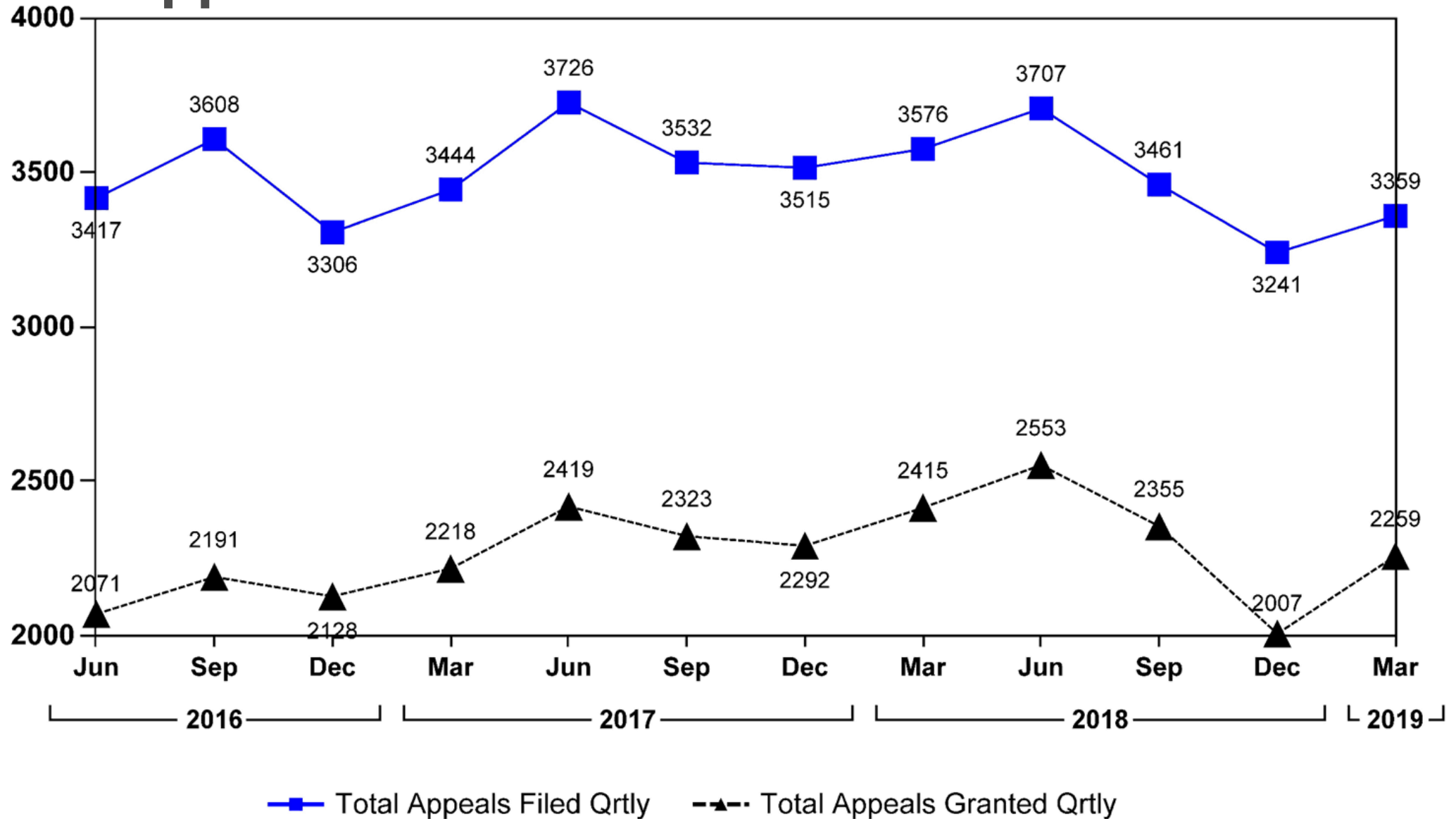


Board of Industrial Insurance Appeals (BIIA) Update

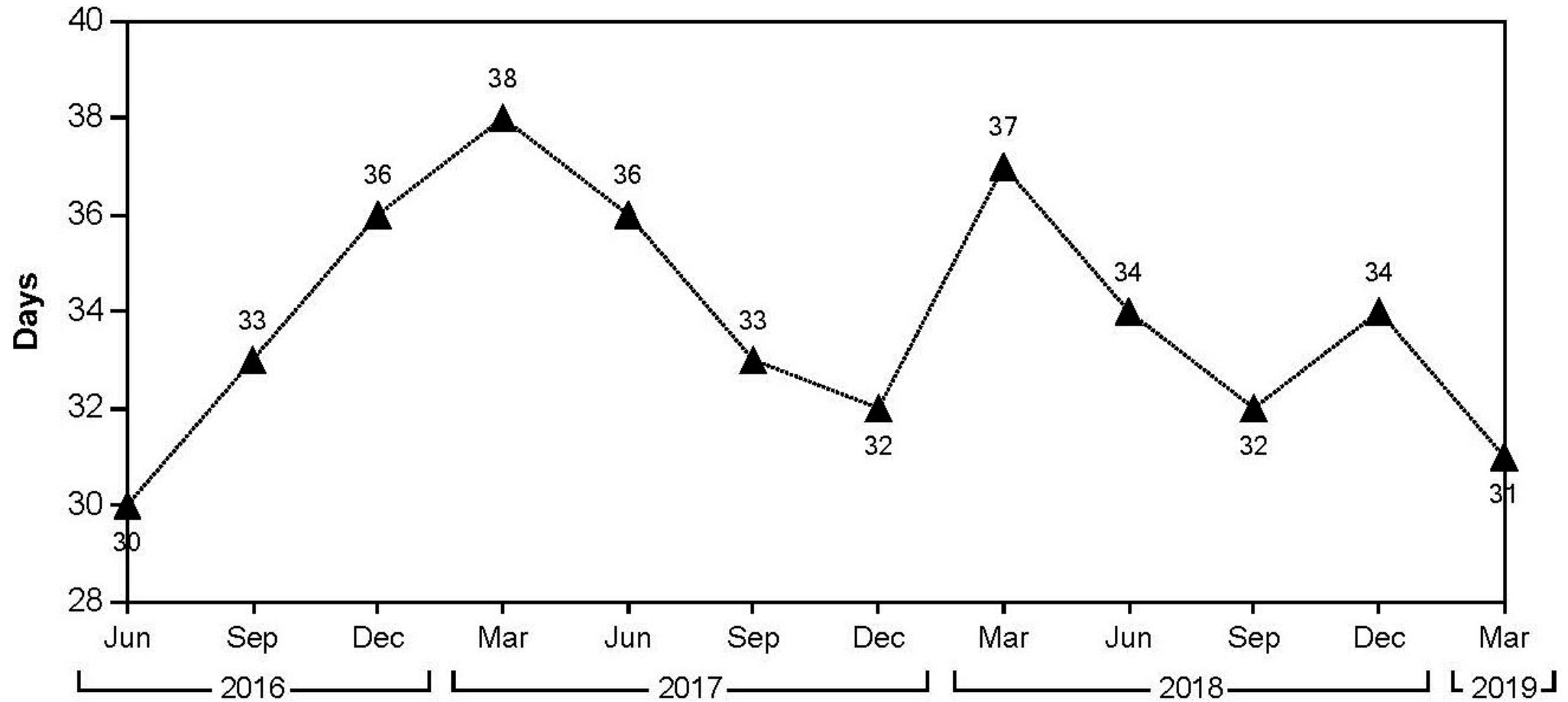
Linda Williams, Chair



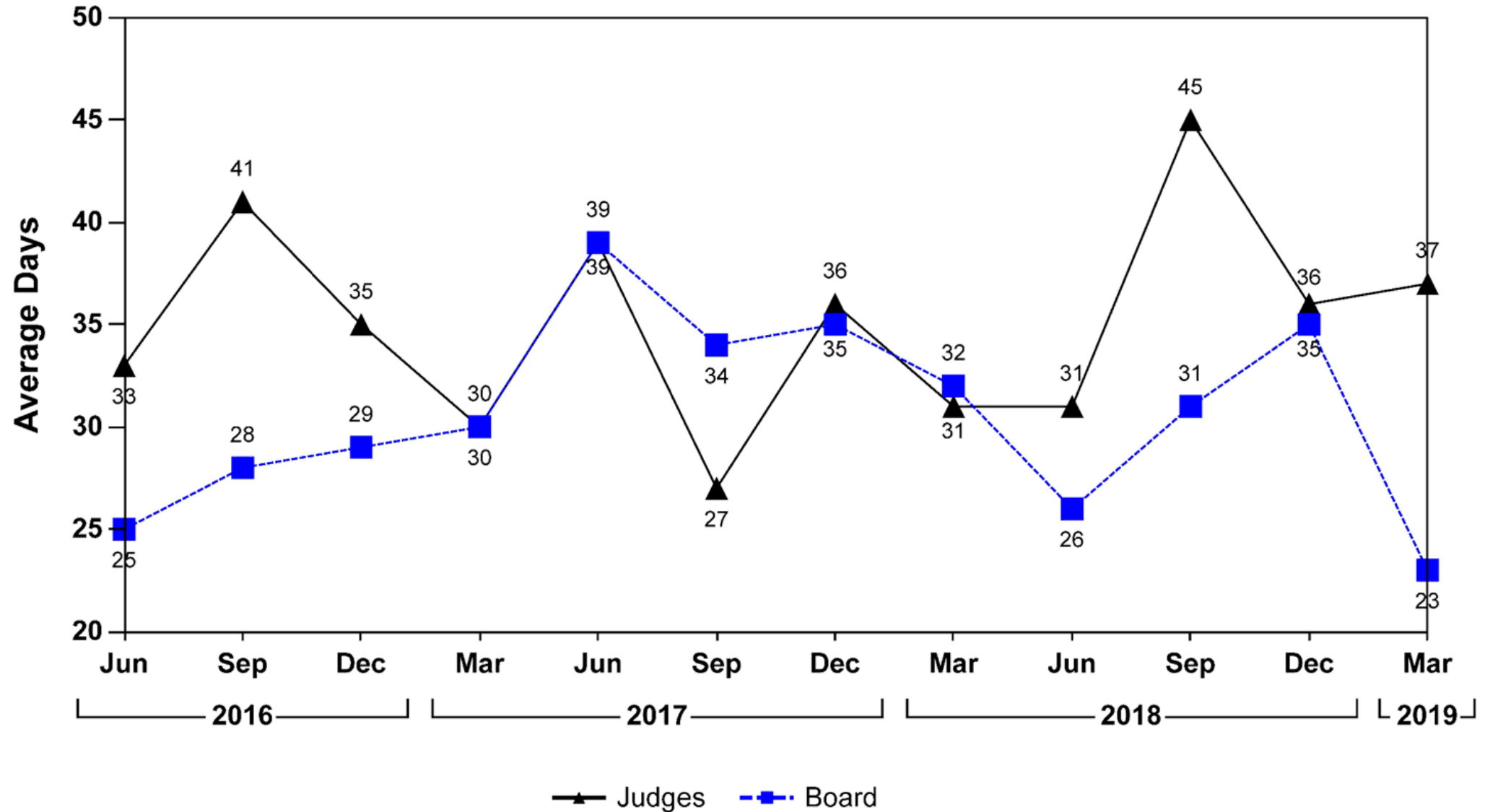
Total Appeals Filed and Granted



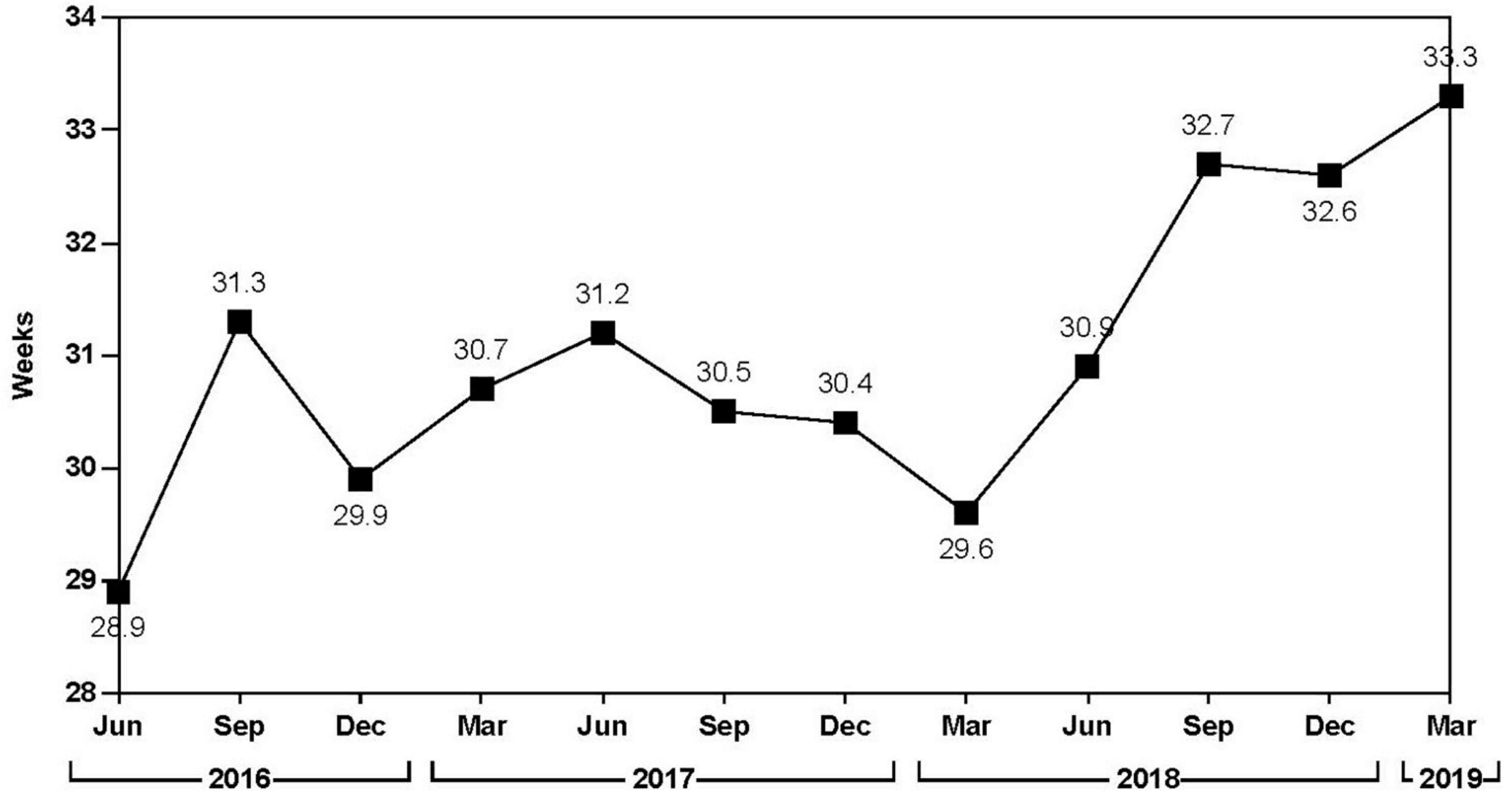
Average PD&O* Time-lag by Quarter for Hearing Judges



D & O* Time-Lag by Quarter

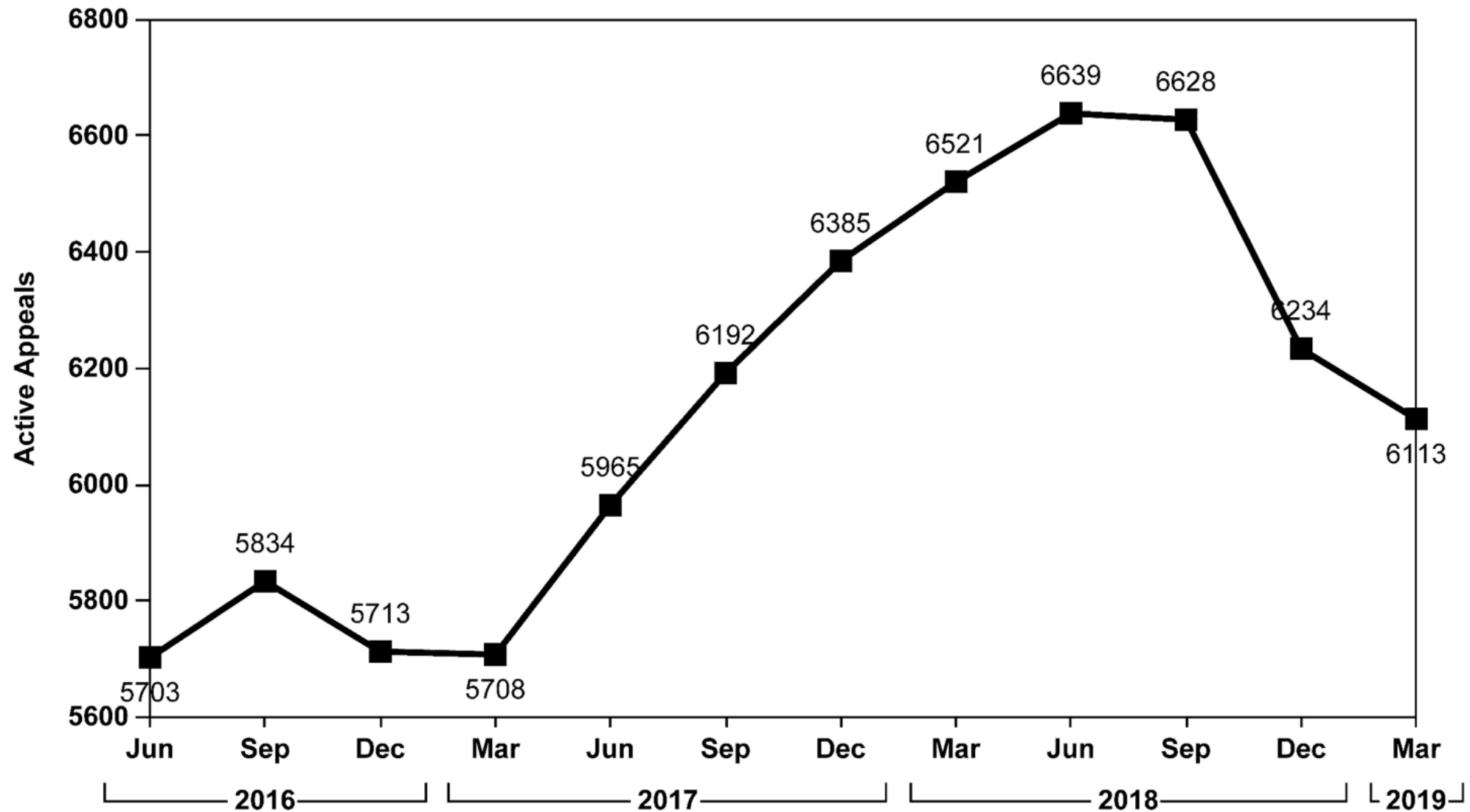


Quarterly Average Weeks to Completion

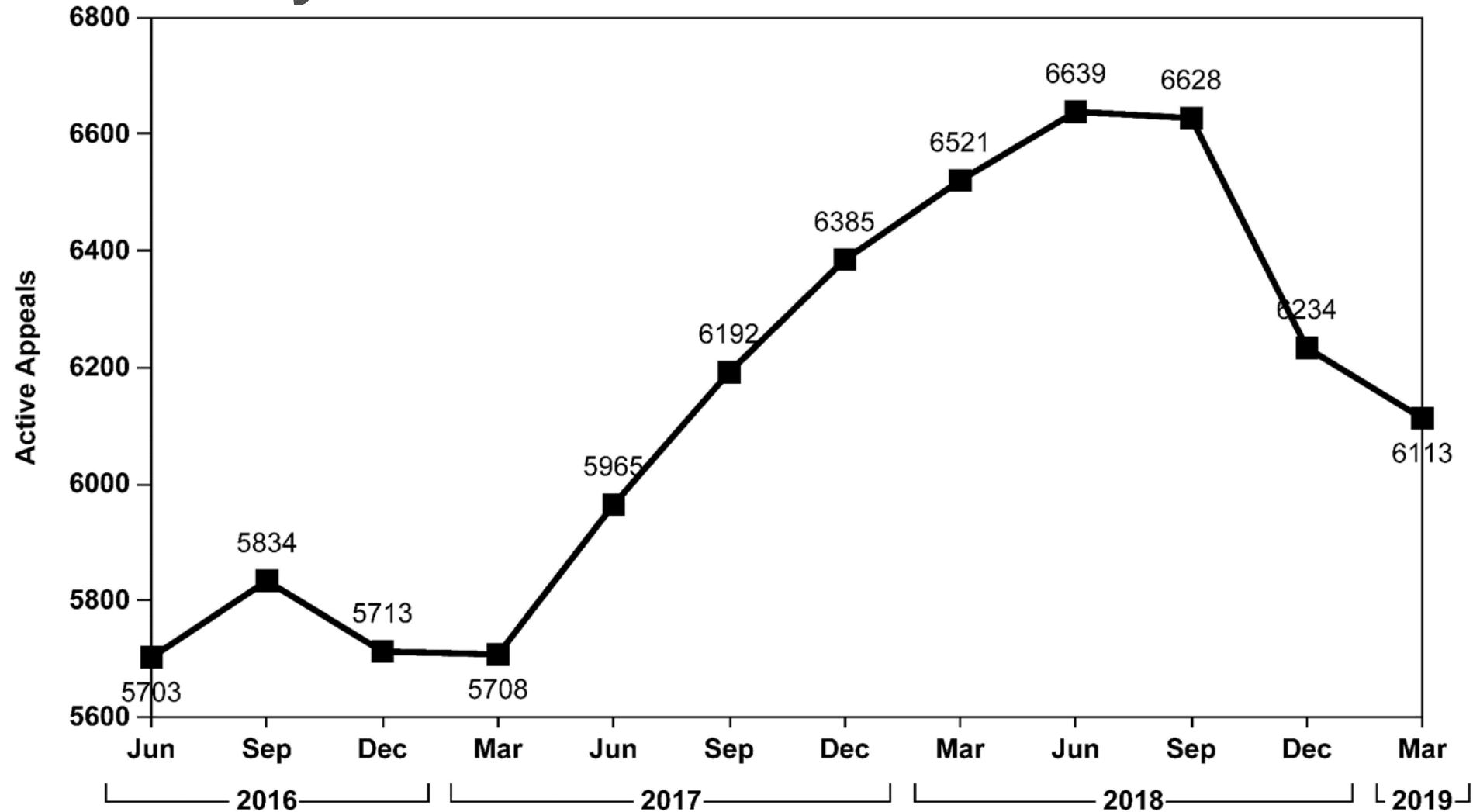


All orders issued by quarter from date filed to date of final order

Caseload at End of Quarter



Percentage of Final Orders Appealed to Superior Court - Quarterly

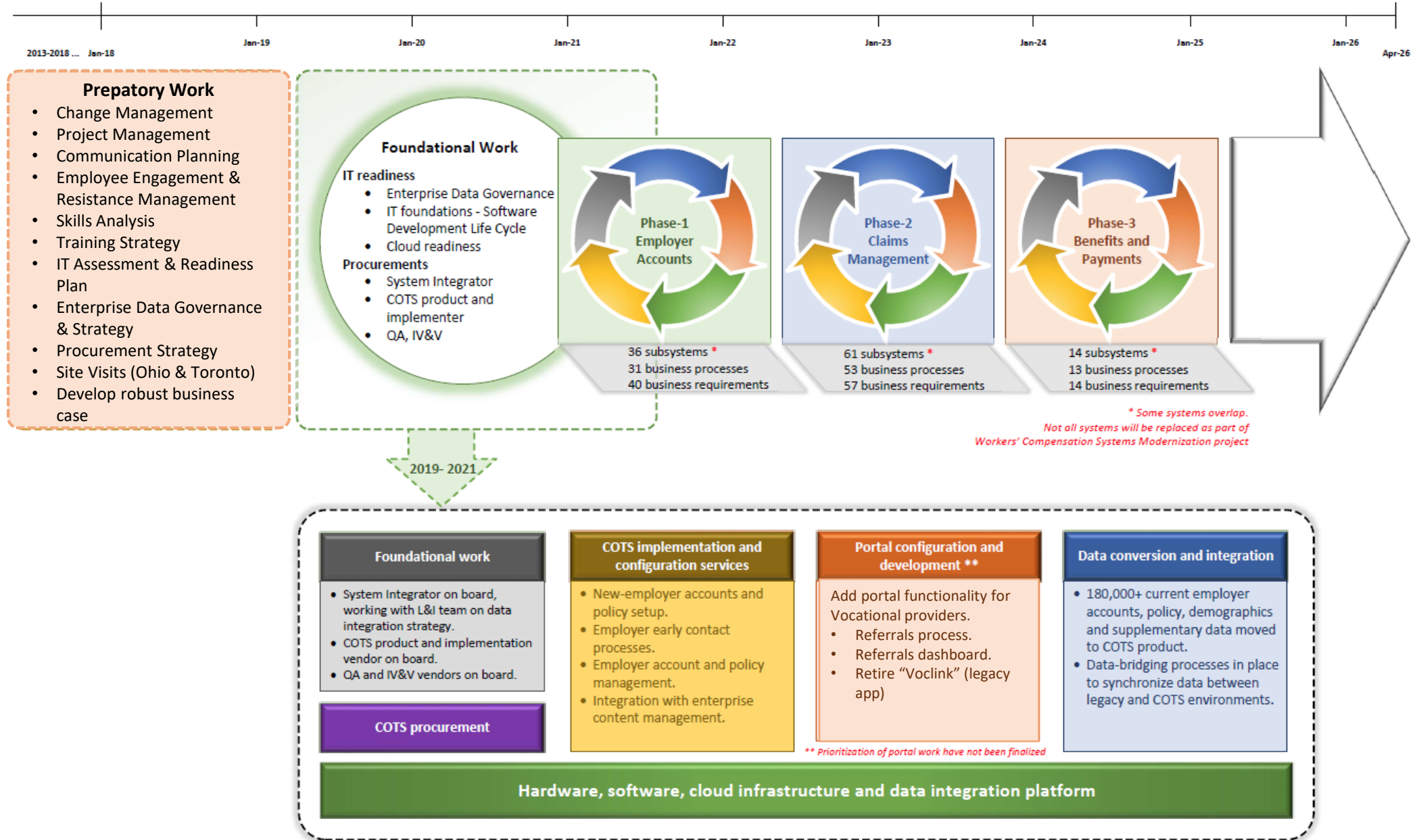


Business Transformation: Workers' Compensation Systems Modernization Procurement Strategy

Randi Warick, Deputy Director



Workers' Compensation Systems Modernization (2019-21 deliverables)



Since we last met. . .

- **Legislature fully funded budget request for June 2019 – June 2021:**
 - \$82 million for the '19-'21 biennium.
 - Reminder: total cost of the project is estimated at \$299M.
- **We established a project governance process:**
 - Hired Project Director; appointed Deputy Project Director (IT), Deputy Project Director (Business).
 - Refined Governance Model; launched Decision Model.
- **We selected a Systems Integrator partner*:**
 - Rigorous five-month procurement process; great response from the vendor community.
 - Multi-phased approach utilizing internal evaluation teams.
- **We approved a commercial off-the-shelf (COTS) procurement strategy:**
 - Release *Request for Proposal* – Oct. 2019

*This is an *Apparently Successful Vendor*. We are in the contract negotiation stage.

Industrial Insurance (State) Fund Financial Overview

Statutory Financial Information
Fiscal Year 2019 through Second Quarter
July 2018 – December 2018

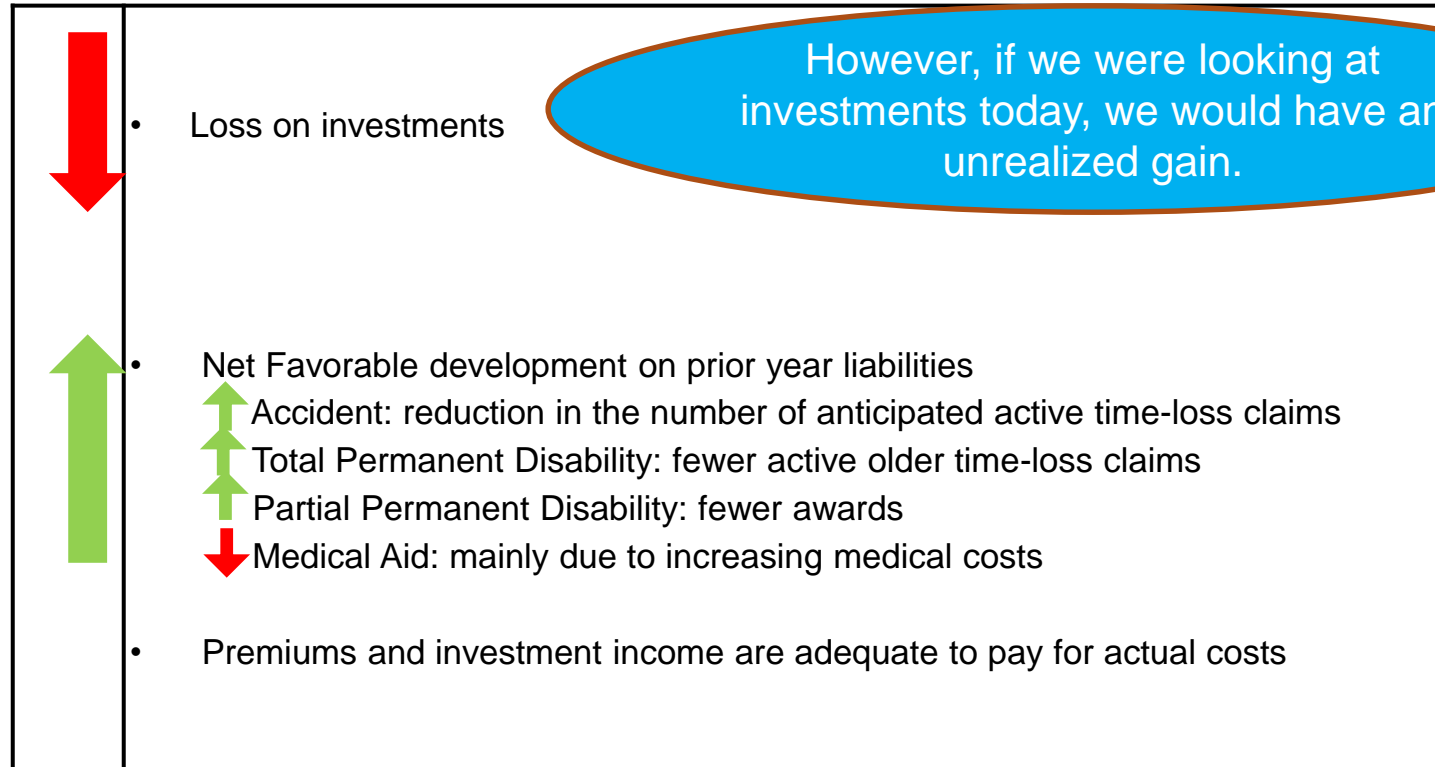
Rob Cotton, Workers' Compensation Accounting Manager



Significant Financial Highlights

July 2018 through December 2018

The contingency reserve decreased \$47 million, from \$3,485 million on July 1, 2018 to \$3,438 million on December 31, 2018.



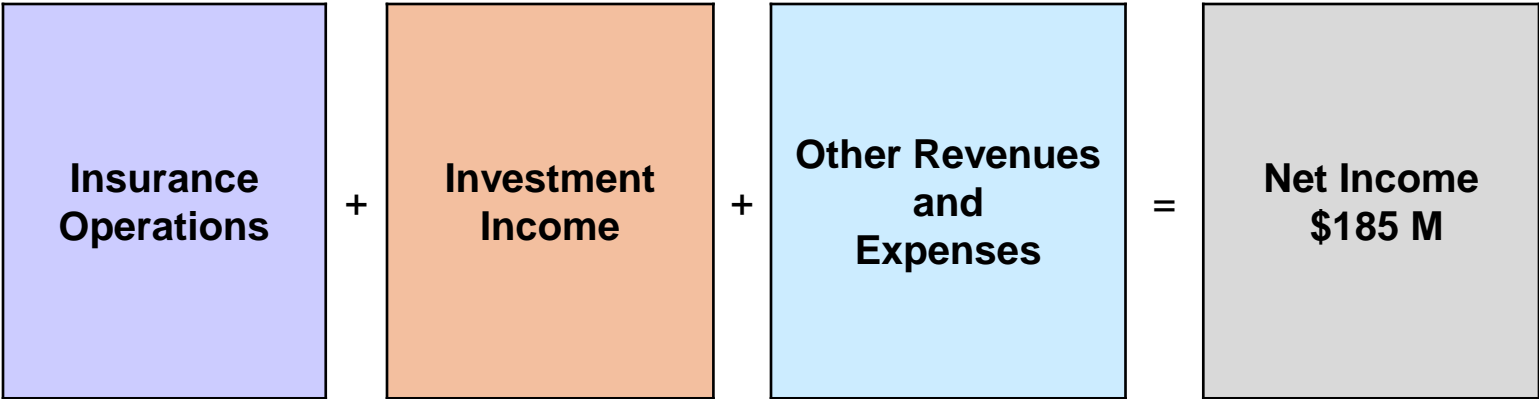
Change in contingency reserve by quarter for fiscal year 2019.

- July 1st to September 30, 2018 – an increase of \$133 million
- October 1st to December 31, 2018 – a decrease of \$180 million

State Fund Results

“Net Income”

July 2018 through December 2018



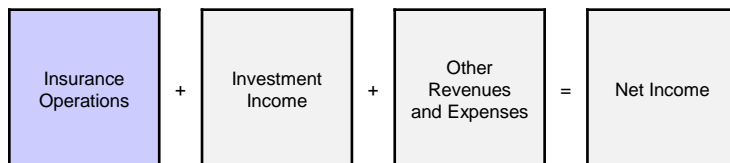
Insurance Operations

July through December 2018
(in millions)

Six Months Ended

		December 31, 2018	December 31, 2017
We took in (Premiums Earned)	+	\$ 1,049	\$ 1,103
We spent (Expenses Incurred)			
Benefits Incurred		940	548
Claim Administrative Expenses		131	86
Other Insurance Expenses		48	46
Total Expenses Incurred	-	1,119	680
Net Income (Loss) from Insurance Operations	=	\$ (70)	\$ 423

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

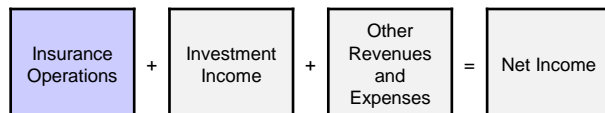


Premiums Earned

July through December
(in millions)

Six Months Ended

	December 31, 2018	December 31, 2017	Difference
Standard Premiums Collected	\$1,167	\$1,177	
Less Retrospective Rating Adjustments	(35)	(23)	
Net Premiums Collected	1,132	1,154	
Changes in future Premium Amounts To Be Collected	(3)	16	
Changes in future Retrospective Rating Adjustment Refunds	(80)	(67)	
Net Premiums Earned	\$ 1,049	\$ 1,103	\$ (54)

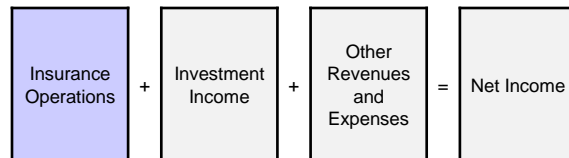


Benefits Incurred

July through December
(in millions)

Six Months Ended

	December 31, 2018	December 31, 2017	Difference
Benefits Paid	\$ 818	\$ 803	\$ 15
Change in Benefit Liabilities	*115	(255)	370
Change in Discount Rate Reduction from 6.1% to 4.5% for State Fund	7	0	7
Total Benefits Incurred	\$ 940	\$ 548	\$ 392



The main reason for the \$392 million increase in benefits incurred is because last year's favorable development on prior year benefit liabilities was greater than this year.

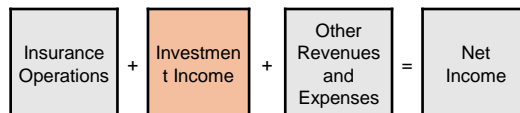
** The \$115 million change in benefit liabilities would have been \$271 million without the positive claim trends.*

Investment Income

July through December
(in millions)

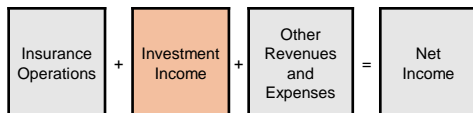
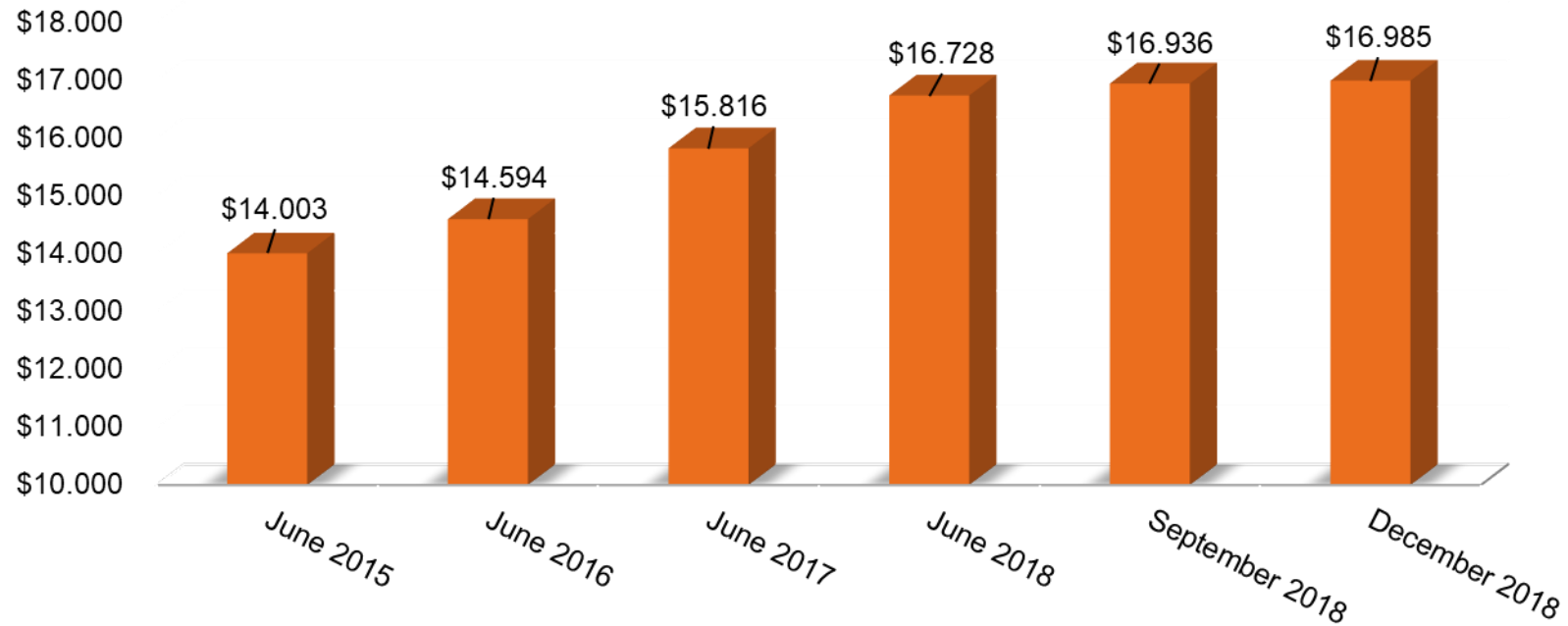
Six Months Ended

		December 31, 2018	December 31, 2017
Investment Income Earned from Interest on bonds	+	\$ 248	\$ 240
Realized Gain/(Loss) from Fixed Income Investments Sold	+	(3)	9
Realized Gains from Stocks (Equity Investments) Sold	+	0	102
Total Investment Income	=	\$245	\$ 351



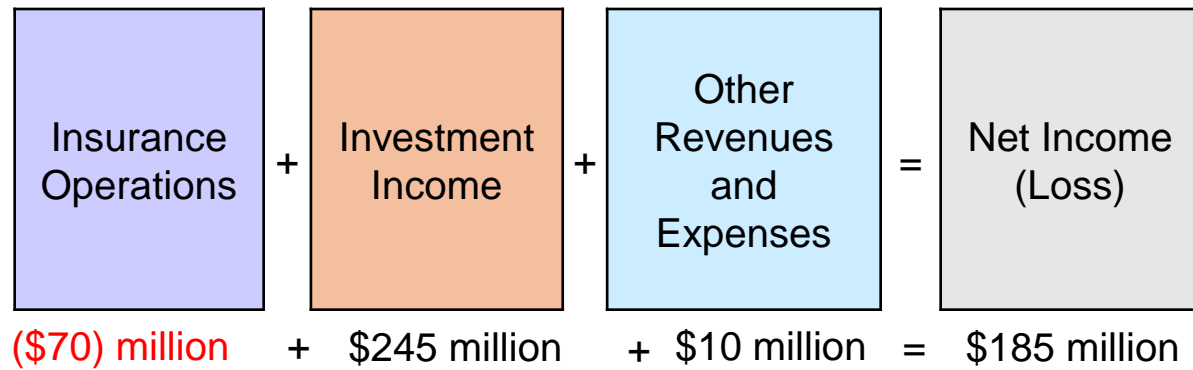
Total Investments

(rounded to billions)



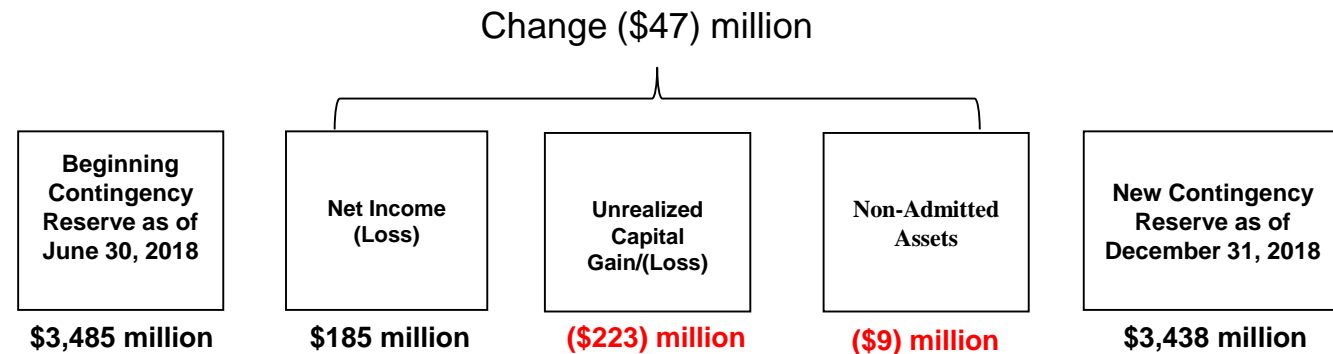
Results of Operations

July 2017 through December 2018



How Did Contingency Reserve Perform?

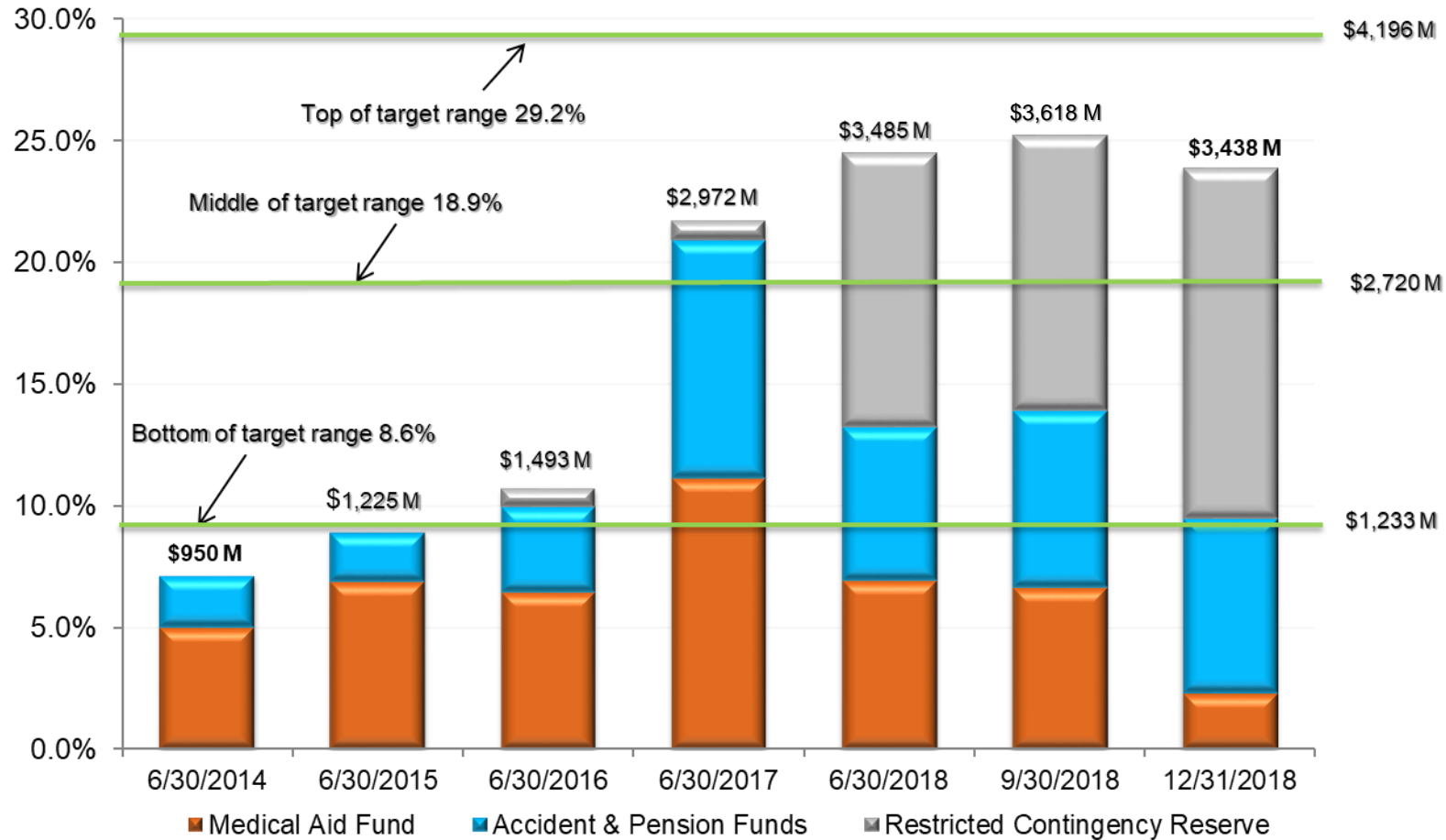
July 2018 through December 2018



However, if we were looking at investments on 5/7/2019, we would have an unrealized gain of \$69 million.

Combined Contingency Reserve vs. Targets

Combined Contingency Reserve is 23.9% of Total Liabilities

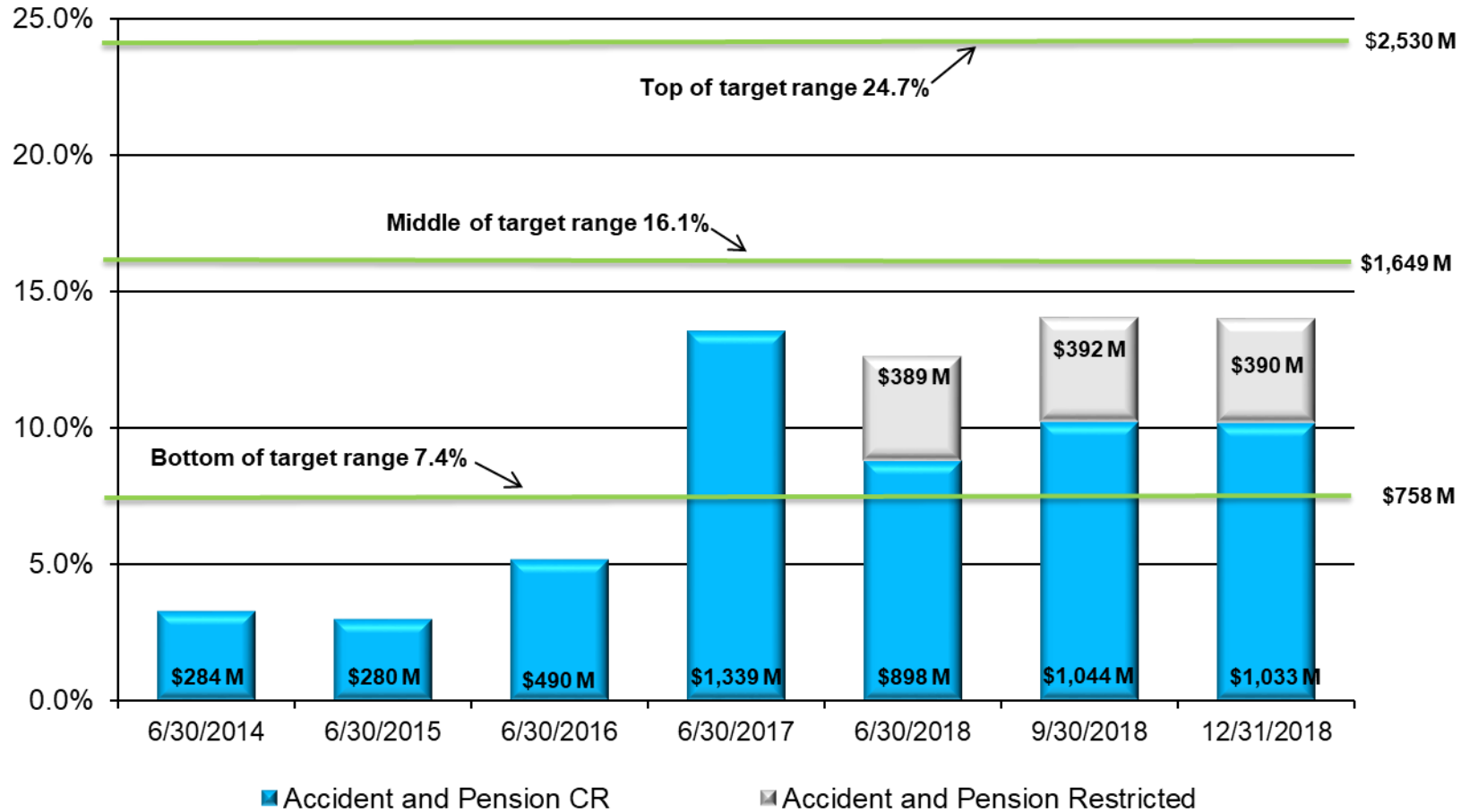


Restricted is based on final June 30, 2018 financial information and the change in the value of investments through 12-31-18.

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

Accident, Pension & Restricted Contingency Reserve is 14.0% of Liabilities

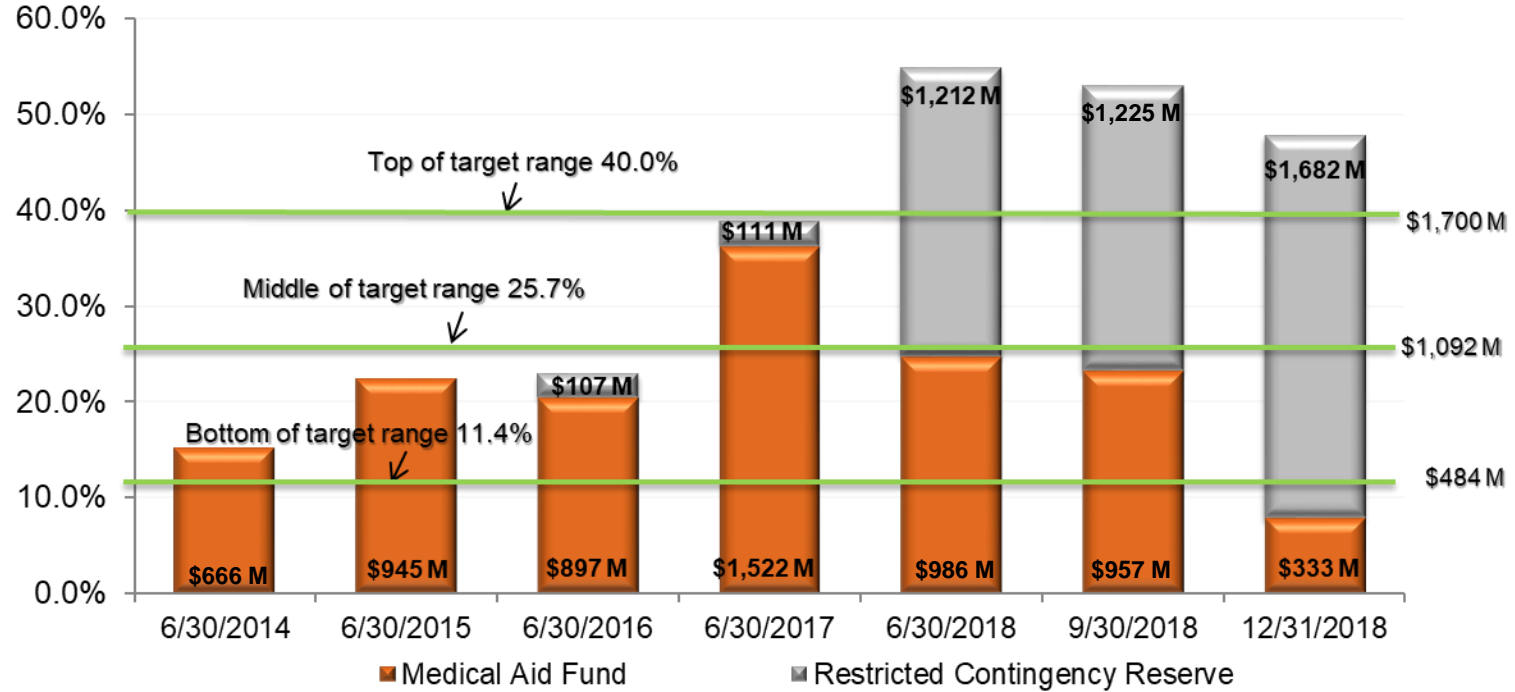
Accident & Pension Contingency Reserve vs. Targets



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

Medical Aid & Restricted Contingency Reserve is 47.8% of Liabilities

Medical Aid & Restricted Contingency Reserve vs. Targets



Restricted is based on final June 30, 2018 financial information and investment earnings through 12-31-18.

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, 2018		Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017
	State Fund	Industry Forecast		
Current Year Benefit (Loss Ratio)	83.5%		77.8%	78.2%
Prior Year Benefit (Loss Ratio)	6.1%		17.1%	(13.1)%
Total Benefit (Loss Ratio)	89.6%	47.6%	94.9%	65.1%
Current Year CAE Ratio	9.7%		9.0%	8.4%
Prior Year CAE Ratio	2.8%		2.3%	(.5%)
Total Claim Administration Expense (CAE) Ratio	12.5%	12.8%	11.3%	7.9%
Sub-Total: Benefit and Claim Administration Expense Ratios	102.1%	60.4%	106.2%	73.0%
Underwriting Expense Ratio includes all insurance administrative expenses except CAE	4.5%	24.8%	4.6%	4.4%
Combined Ratio (Industry omits dividends)	106.6%	85.2%	110.8%	77.4%
Investment Income Ratio	23.6%	18.1%	22.9%	23.0%
Operating Ratio	83.0%	67.1%	87.9%	54.4%

Questions & Comments

Contact Rob Cotton,
Workers' Compensation Accounting Manager

- Phone: 360-902-6263
- Email: cotr235@lni.wa.gov

Thank You!

Industrial Insurance (State) Fund Financial Overview – Appendix

Rob Cotton, Workers' Compensation Accounting Manager



Reconciliation of Change in Benefit Liabilities

July 1, 2018 Benefit Liability Beginning Balance	\$13,091,808
Prior Year Benefit Payments	(\$729,615)
Prior Year Development and Model Change (Favorable)	(\$156,121)
Self Insurance Prefunded Pension Transfers	\$18,201
Regular reserve discount reduction	\$201,838
Net Total Prior Year Benefit Liability as of June 30, 2018	<u>\$12,426,111</u>
New Current Year Benefit Liabilities	\$787,949
December 31, 2018 Benefit Liabilities Ending Balance	<u><u>\$13,214,060</u></u>
Change Between Beginning and Ending Balance	\$122,252

Supplemental Information No. 1

Highlights of Changes in the Contingency Reserve

	FY14	FY15	FY16	FY17	FY18	FY19 Q2	Total	
Changes that increased the contingency reserve								
↑	Operational Influences and model changes	\$149 M	\$543 M	\$147 M	\$926 M	\$941 M	\$159M	\$2,865 M
	Rate Changes	\$58 M	\$59 M	\$38 M	\$27 M	(\$14) M	(\$45) M	\$123 M
	Greater than expected changes in the stock market	\$279 M	N/A	N/A	\$411 M	\$199 M	N/A	\$889 M
Changes that decreased the contingency reserve								
↓	Mortality table change	\$0	\$146 M	\$0	\$0	\$0	\$0	\$146 M
	Adjustments to avoid double counting 2011 reform savings	\$130 M	\$83 M	\$0	\$0	\$0	\$0	\$213 M
	Discount rate reduction	\$256*M	\$31 M	\$31 M	\$36 M	\$646 M**	\$3 M**	\$1,003 M
	Less than expected changes in the stock market	N/A	\$29 M	\$101 M	N/A	N/A	\$266 M	\$353 M

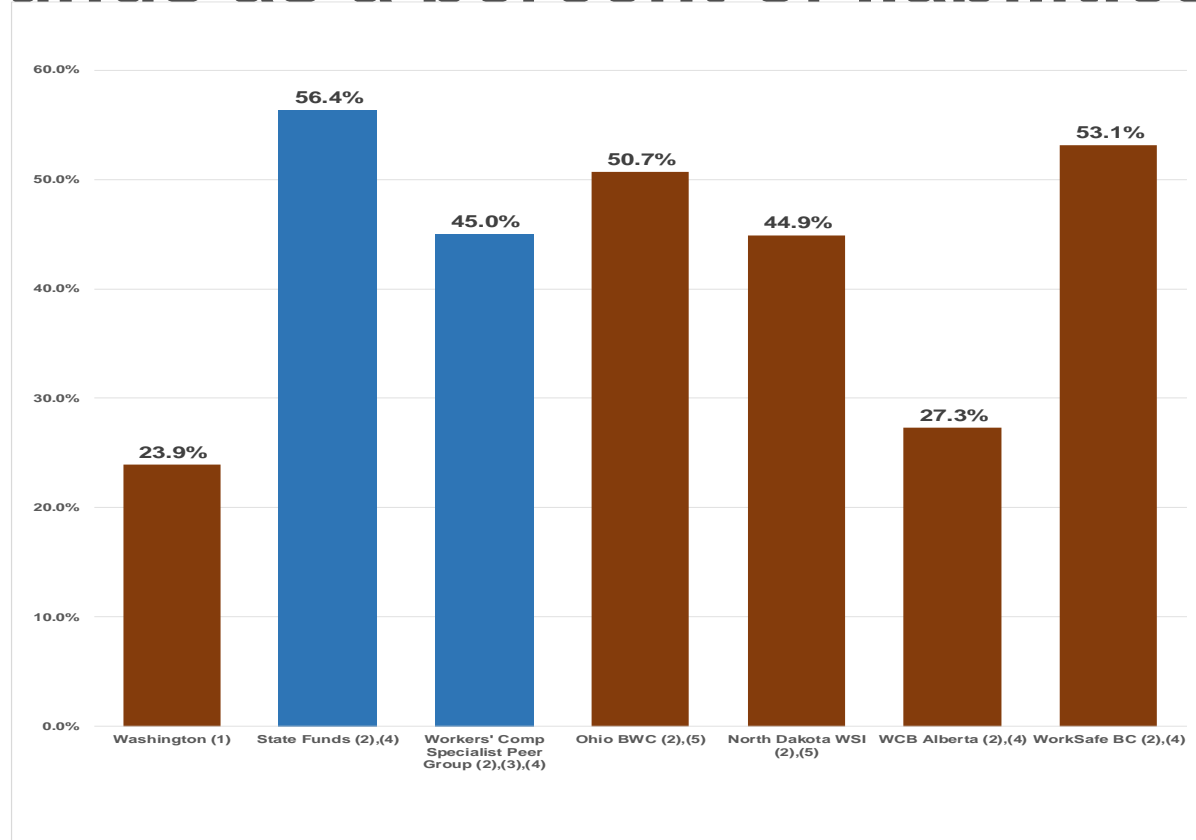
Operational Influences
 FY14: \$91M
 FY15: \$515M
 FY16: \$136M
 FY17: \$926M
 FY18: \$941M
 FY19: \$129M
Total: \$2,738M

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

**Pension Discount Rate reduction from 6.2% to 4.5%

Supplemental Information No. 2

Washington's contingency reserve is below other funds as a percent of liabilities



(1) As of 12/31/2018

(2) Source: Conning Peer Analysis, August 22, 2018

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

(4) As of 12/31/2017

(5) As of 6/30/2017

Supplemental Information No. 3

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)
2018	(70)		245		10		185
2017	423		351		28		802
2016	172		268		30		470
2015	(274)		313		30		69
2014	(196)		262		26		92
2013	(108)		273		26		191
2012	(69)		305		14		250
2011	(353)		274		36		(43)

Supplemental Information No. 4

Historical Investment Performance

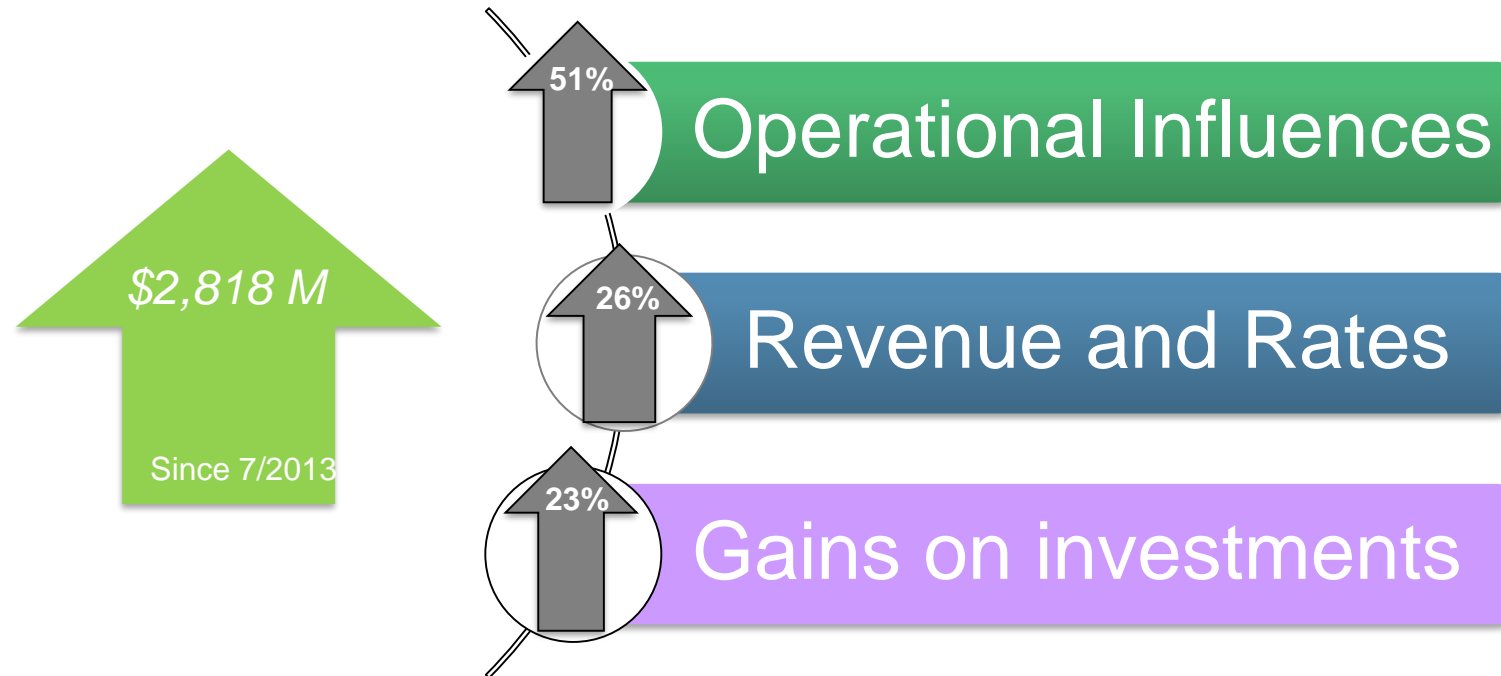
Fiscal Year Ended

	Quarter Ended December 31, 2018	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Investment Income	247,630,000	481,048,000	478,130,000	498,499,000	493,408,000
Realized Gain (Loss)	(2,650,000)	1,092,446,000	102,540,000	137,988,000	58,660,000
Unrealized Gain (Loss)	(222,401,000)	(812,942,000)*	380,183,000	(181,830,000)	23,691,000
Total Invested Assets	16,985,194,000	16,728,166,000	15,815,997,000	14,593,530,000	14,003,302,000

***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.**

Supplemental Information No. 5

Contingency Reserve Drivers



As of 12/31/2018 the CR is at \$3,438 M.

Closing Comments & Adjourn

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

