

# Workers' Compensation Advisory Committee (WCAC)

*Thursday, September 26, 2019*



# Agenda

Time	Topic	Presenter(s)
9:00 – 9:15	Welcome <ul style="list-style-type: none"> <li>• Introductions</li> <li>• Motion to approve minutes</li> <li>• Agenda overview</li> <li>• Safety message</li> </ul>	Joel Sacks Vickie Kennedy David Bonauto
9:15 – 9:35	General Updates <ul style="list-style-type: none"> <li>• Supplemental Budget</li> <li>• Legislation</li> </ul>	Joel Sacks Randi Warick Vickie Kennedy David Bonauto
9:35 – 9:45	2020 Proposed Rate Change	Joel Sacks
9:45 – 10:15	Website Redesign	Kim Contris Ron Langley
10:15 – 10:35	Workers' Compensation Systems Modernization <ul style="list-style-type: none"> <li>• Vendor Days</li> </ul>	Randi Warick BJ Bard Brenda Heilman
10:35 – 10:55	Interpreter Services	Karen Jost Susan Campbell
10:55 – 11:10	Break	
11:10 – 11:20	Board of Industrial Insurance Appeals Update	Linda Williams
11:20 – 11:35	Insurance Services Dashboard	Vickie Kennedy
11:35 – 11:55	Industrial Insurance State Fund Financial Overview	Rob Cotton
11:55 – 12:00	Closing Comments & Adjourn	Vickie Kennedy Joel Sacks

# Safety Message

*David Bonauto, SHARP Program Director*



# Safety Message

- WC claim rates vary across employers with similar business activities.
- Estimate the workers compensation claim reductions and claim cost savings if employers with high injury rates achieved the rates of their safer peers.
- Methods matter:
  - SF only, based off CY 2013-2015, benchmarks derived by risk class
  - Excluded accounts without claims
  - Not an actuarial study

Source: Wuellner, *J Saf Res* 2019

# NFL kickers ranked by % FG Missed, more than 10 attempts, 2017

10<sup>th</sup>%

25<sup>th</sup>%

50<sup>th</sup>%

Rank	Team	% Miss	# Miss/att
1	CAR	3.3	1/30
2	SF	4.9	2/41
3	LA	5.0	2/40
4	JAX	5.0	1/20
5	NE	7.5	3/40
6	PIT	7.9	3/38
7	BAL	8.1	3/37
8	MIA	8.7	2/23
9	KC	9.5	4/42
10	CIN	10.0	2/20
11	BUF	12.1	4/33
12	ATL	12.8	5/39
13	NO	13.9	5/36
14	DET	14.3	5/35
15	IND	14.7	5/34
16	MIN	15.8	6/38

Rank	Team	% Miss	# Miss/att
17	PHI	16.1	5/31
18	TEN	16.7	7/42
19	NYJ	16.7	5/30
20	TB	17.4	4/23
21	WAS	17.6	3/17
22	ARI	20.0	8/40
23	HOU	20.0	5/25
24	GB	21.1	4/19
25	OAK	23.8	5/21
26	DEN	25.0	8/32
27	DAL	25.0	5/20
28	CLE	25.0	5/20
29	JAX	26.7	4/15
<b>30</b>	<b>SEA</b>	<b>27.6</b>	<b>8/29</b>
31	NYG	28.0	7/25
32	CHI	31.3	5/16



Bottom 50%



# Safety Message (cont'd)

<b>Potential 'Annual' Average Reduction in WC Compensable Claims and Costs if Employers Achieve Claim Rate Benchmarks of their Industry Peers</b>		
<b>Percentile Benchmark</b>	<b>Comp Claims Prevented</b>	<b>Est. Claim Cost Savings (mil \$)</b>
<b>50th</b>	<b>6,355</b>	<b>173.9</b>
<b>25th</b>	<b>11,512</b>	<b>308.5</b>
<b>10th</b>	<b>15,707</b>	<b>418.3</b>

Takeaway: Substantial reductions in WA WC claims and costs are possible if employers achieve the injury rates of their safer peers.

Source: Wuellner, *J Saf Res* 2019

# General Updates

*Joel Sacks, Agency Director*



# Supplemental Budget

*Randi Warick, Deputy Director for Finance*





## Preliminary 2020 Supplemental Requests

Item	Estimate			
	608/609 Request	FTE	608/609	Other
Lease Rate Adjustment	-	\$206,000	-	-
Tukwila Move	-	\$117,000	-	-
ESHB 1696 Wage and Salary Information	2.20	\$560,000	-	-
ESSB 5258 Isolated Worker Protection	1.20	\$856,000	-	-
SHB 1155 Health Care Employees	1.90	\$478,000	-	-
Clean Energy*	-	(\$625,000)	\$625,000	
Federal Funds Adjustment	-	-	\$900,000	
ESSB 5418 Local Government Procurement	-	-	\$182,000	
Elevator Workload	5.40	-	\$1,507,000	
Crime Victims Compensation Benefits Funding	TBD	-	TBD	
Attorney General Workload	TBD	TBD	TBD	
<b>TOTAL BY COLUMN</b>	<b>10.7</b>	<b>\$1,592,000</b>	<b>\$3,214,000</b>	
<b>TOTAL REQUEST</b>	<b>\$4,806,000</b>			

\*Moves \$625,000 from 608/609 State to General Fund State

# Legislation

*Vickie Kennedy, Assistant Director for Insurance Services*

*David Bonauto, SHARP Program Director*



**2020 Proposed Rate Change: -0.8%**

*Joel Sacks, Agency Director*



# L&I's Rate-Setting Philosophy:

- Steady and predictable rates.
- Benchmark against wage inflation.
- Maintain adequate reserves.
- Lower costs while focusing on better outcomes for injured workers.

# Additional Considerations for 2020 Rate Proposal

- The Workers' Compensation Systems Modernization will be paid from the Contingency Reserve
- Recognize the difference in reserve levels between the Medical Aid and Accident Funds
- Importance of maintaining at least a three month reserve in the Supplemental Pension Fund

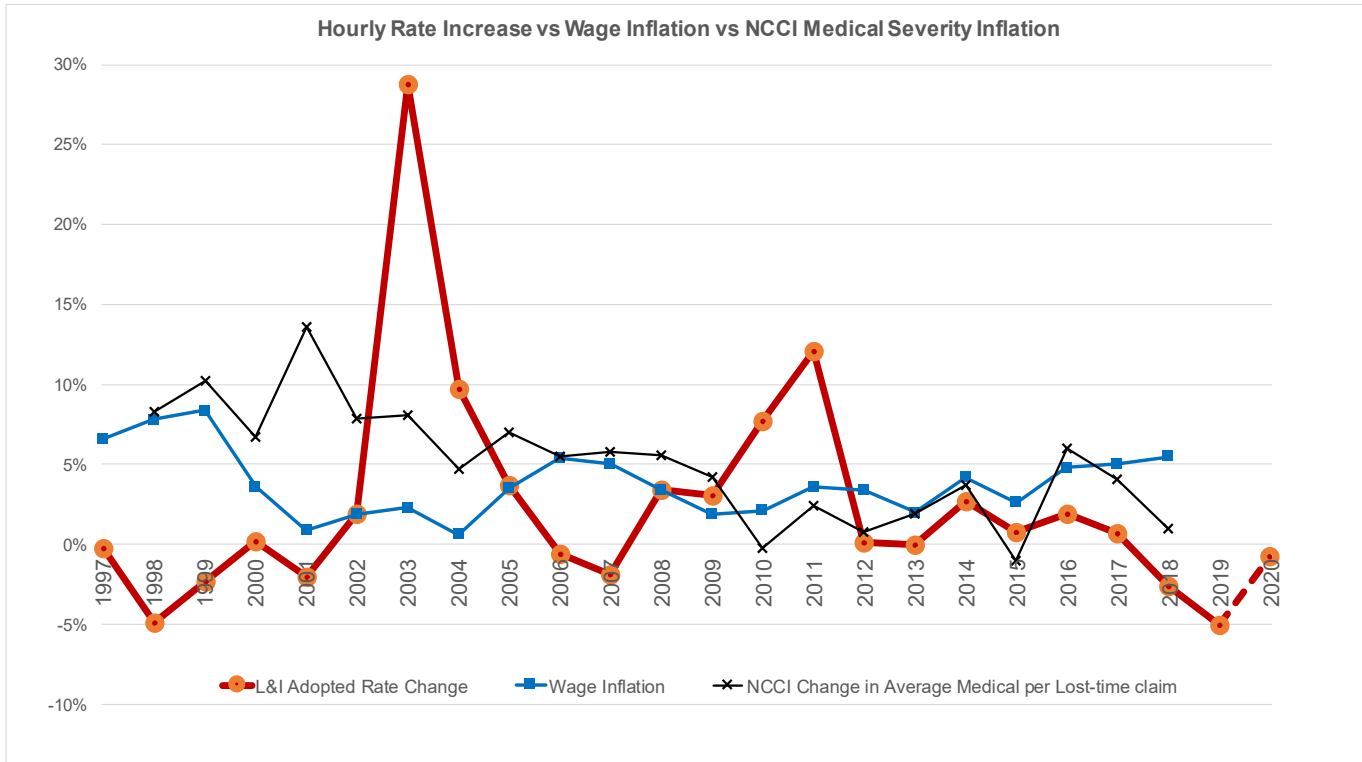
# Proposed Hourly Rate Decrease of 0.8% (Payroll Rate Decrease of 4.2%)

Funds	2019 Average Hrly Rate	2020 Proposed Hrly Rate	2020 Proposed % Change	2020 Break-even Hrly Rate	2020 Break-even Indication
Accident	0.333	<b>0.323</b>	<b>-3.0%</b>	0.315	-5.4%
Medical Aid	0.195	<b>0.189</b>	<b>-3.0%</b>	0.203	4.1%
Supplemental Pension	0.112	<b>0.122</b>	<b>9.4%</b>	0.122	9.4%
Stay-at-Work	0.005	<b>0.005</b>	<b>3.5%</b>	0.005	3.5%
Overall*	<b>0.645</b>	<b>0.640</b>	<b>-0.8%</b>	<b>0.646</b>	<b>0.1%</b>
Net per \$100 of payroll**	<b>1.83</b>	<b>1.75</b>	<b>-4.2%</b>	<b>1.77</b>	<b>-3.2%</b>

\*Does not include Retro

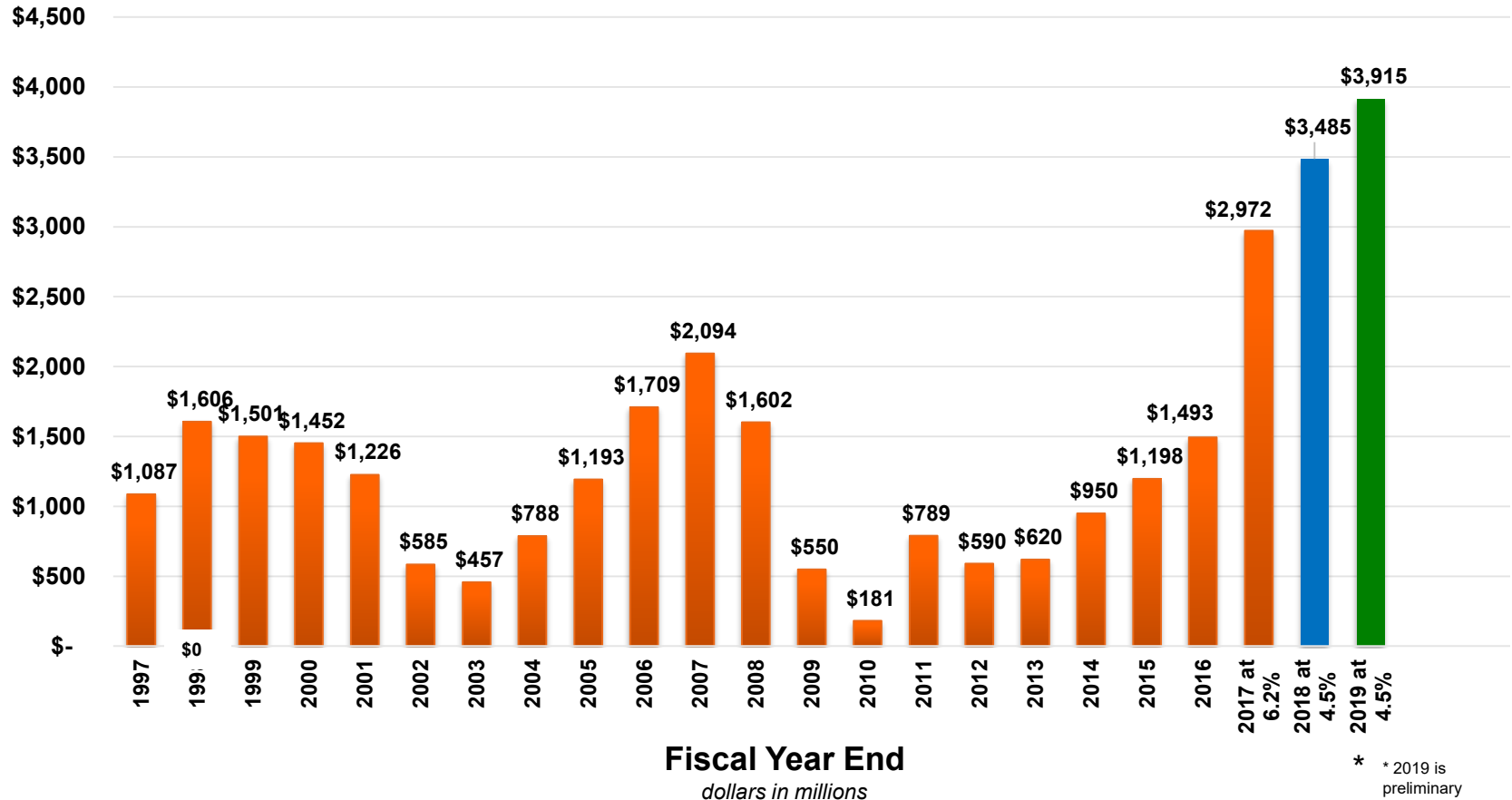
\*\*Projected number based on year ended March 31, 2019 mix of business and current wage inflation estimates

# Hourly Rate Increase vs Wage Inflation vs NCCI Medical Severity Inflation



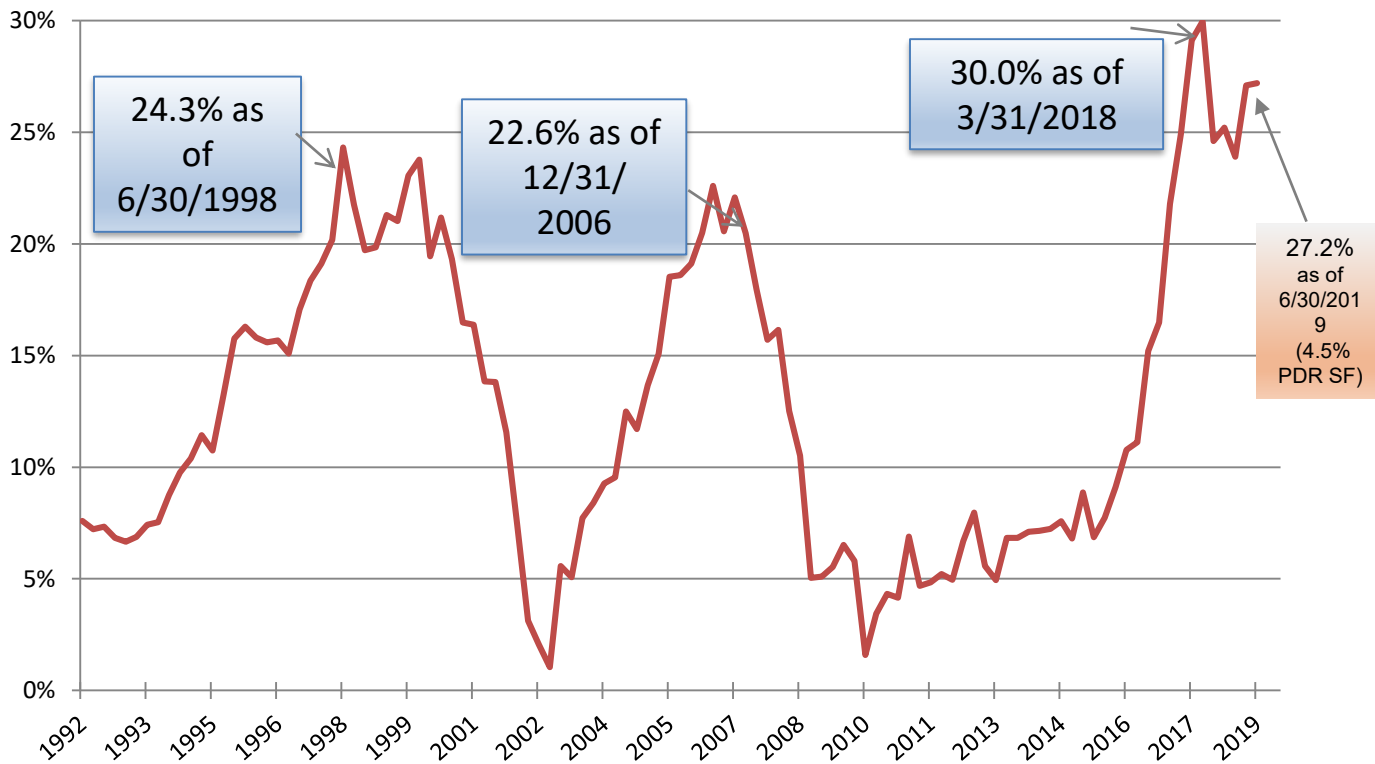
\* Indicates wage inflation rate known when rates were set

# Contingency Reserve Continued to Grow in 2019

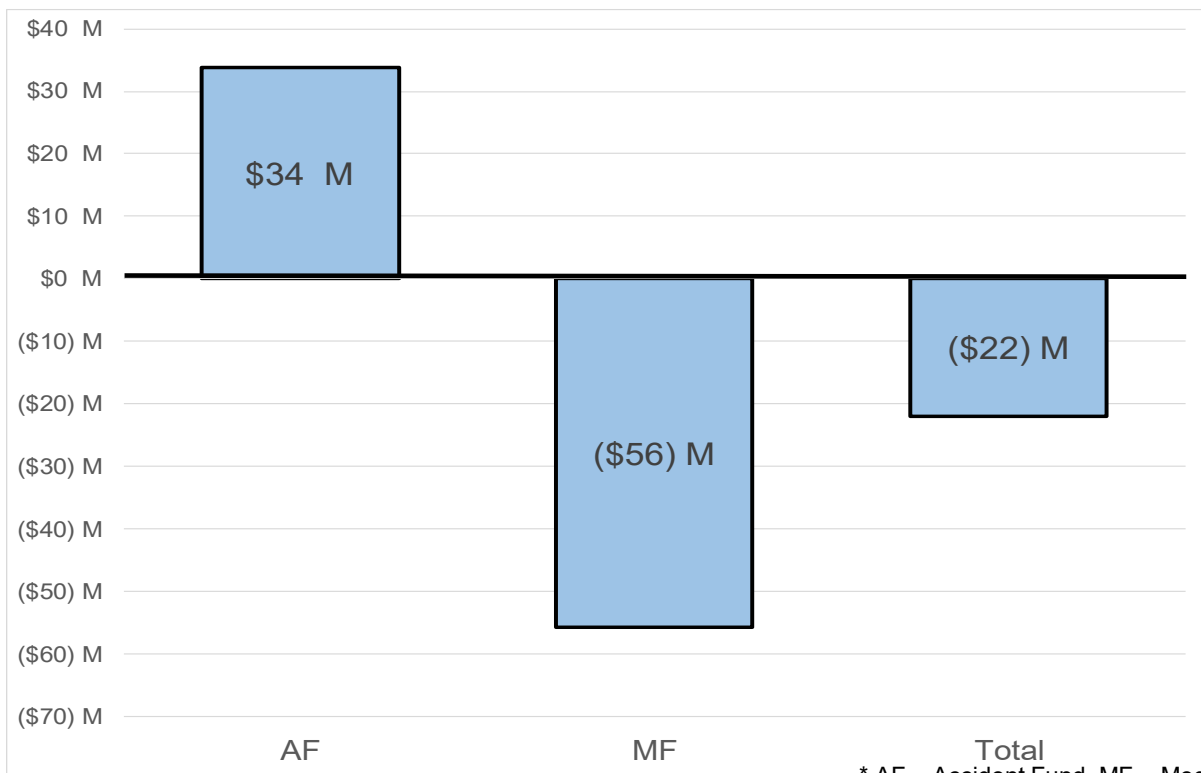




# Contingency Reserve as a Percent of Liabilities is at 27.2%



# Anticipated Impact on the Contingency Reserve of the 2020 Rate Proposal



\* AF – Accident Fund, MF – Medical Aid Fund

# Highlights of Changes in the Contingency Reserve (CR)

		FY14	FY15	FY16	FY17	FY18	FY19 Q4	Total
<b>Changes that increased the contingency reserve</b>								
↑	Operational Influences and model changes	\$149 M	\$543 M	\$147 M	\$926 M	\$941 M	\$352 M	\$3,058 M
	Rate Changes	\$58 M	\$59 M	\$38 M	\$27 M	(\$14) M	(\$120) M	\$48 M
	Greater than expected changes in the stock market	\$279 M	N/A	N/A	\$411 M	\$199 M	\$50 M	\$939 M
<b>Changes that decreased the contingency reserve</b>								
↓	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**	\$0	\$1,000 M
	Less than expected changes in the stock market	N/A	\$29 M	\$101 M	N/A	N/A	N/A	\$130 M

**Operational Influences**  
 FY14: \$91M  
 FY15: \$515M  
 FY16: \$136M  
 FY17: \$926M  
 FY18: \$941M  
 FY19: \$327M  
 Total: \$2,936M

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

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

# Key Next Steps in Adopting Rates

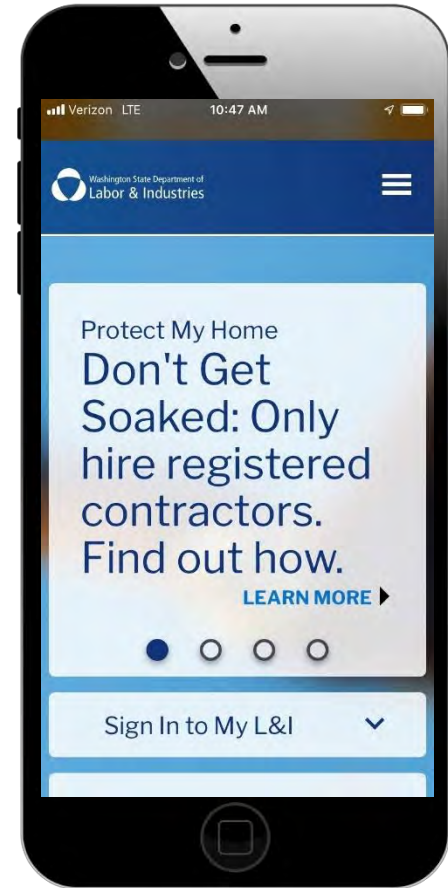
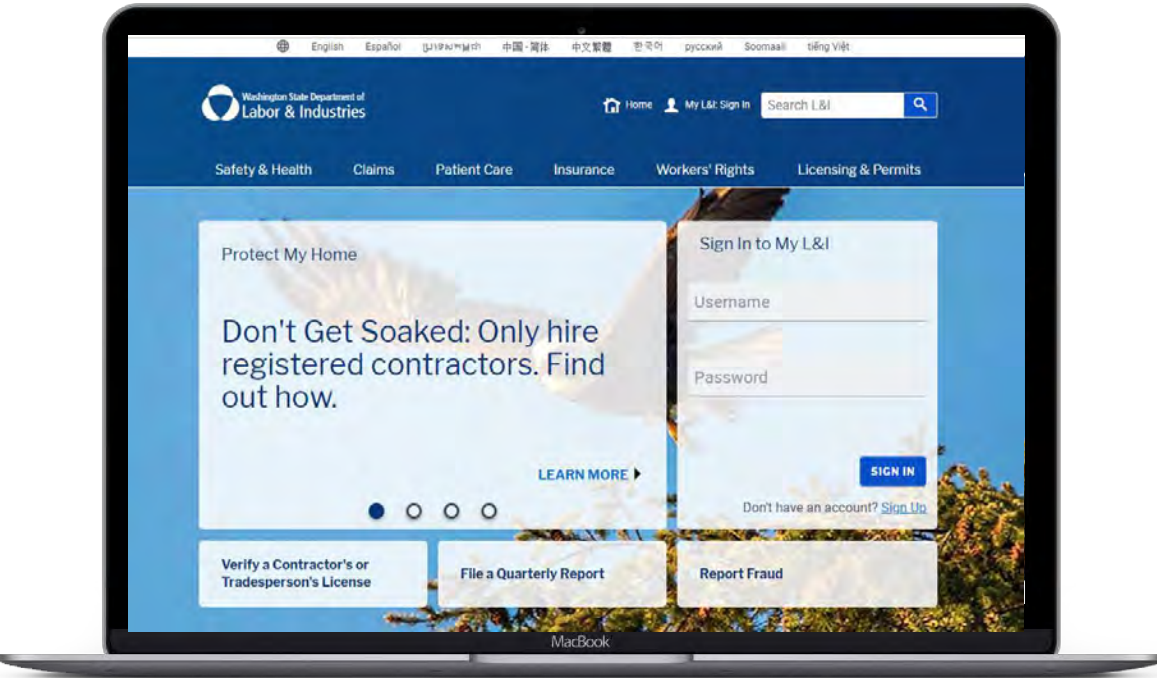
1. Three public hearings statewide (10/29/2019 – 11/1/2019)
2. Adopt final 2019 rates (11/30/2019)
3. Begin mailing rates to employers (12/4/2019)
4. New rates are effective (01/01/2020)

# Website Redesign Project

*Kim Contris, Assistant Director for Web & Comm. Services*  
*Ron Langley, Customer Relations Manager*

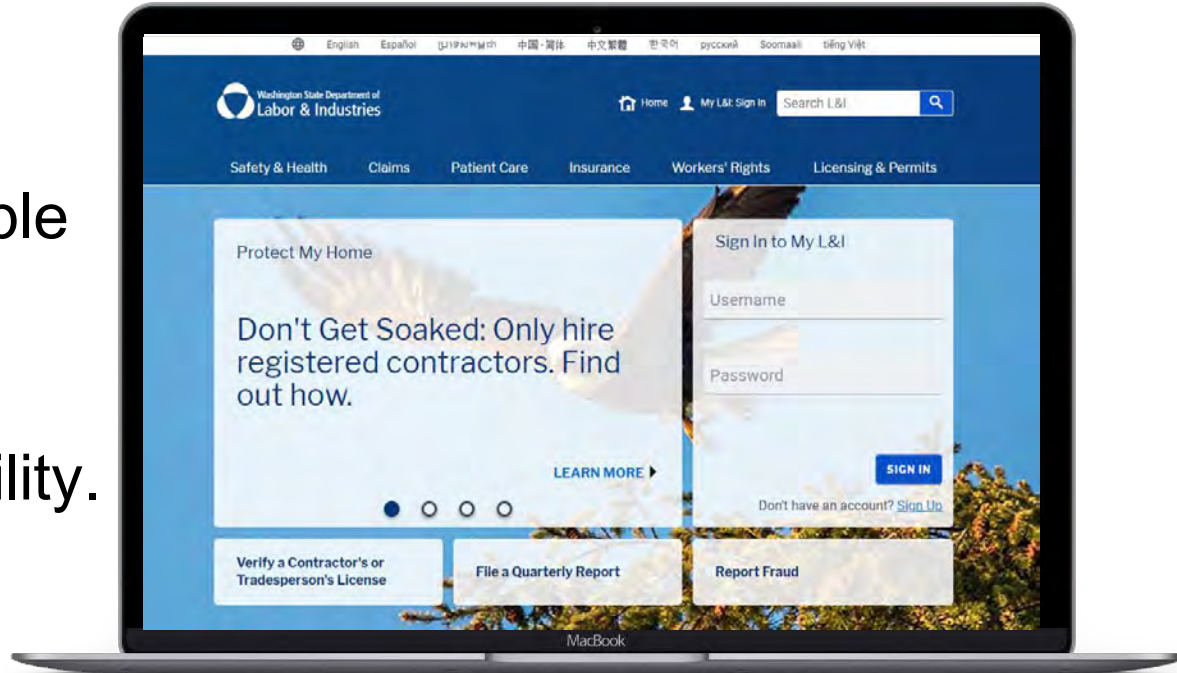


# The all-new Lni.wa.gov



# What's Changing?

- It's blue.
- Larger, more readable font.
- Less clutter.
- Enhanced accessibility.



# What's Changing?

Existing L&I homepage

The screenshot shows the existing homepage of the Washington State Department of Labor & Industries. At the top, there is a language selection bar with options for ខ្មែរ, 中国 - 简体, 中文繁體, Español, 한국어, русский, Soomaali, and tiếng Việt. Below this is a dark navigation bar with 'Home', 'Español', and 'Contact' links. A search bar labeled 'Search L&I' with a 'SEARCH' button is on the right. Further right are links for 'A-Z Index', 'Help', and 'My L&I'. The main navigation bar includes 'Safety & Health', 'Claims & Insurance', 'Workplace Rights', and 'Trades & Licensing'. The central banner features a dog in a yellow raincoat with the text 'Don't Get Soaked! Only hire registered contractors. Find out how.' To the right is a 'Claim & Account Center' with a 'My L&I' lock icon, listing 'Check claim status' and 'File a quarterly report', and a 'Login or Sign up' button. Below the banner are four category buttons: 'Safety and Health Conference', 'Overtime Rules', 'Workers' Comp Rates', and 'Protect My Home'. A news item states 'L&I proposes decrease in average workers' comp rates for third year in a row'. Below this are three main sections: 'For Business' (with a briefcase icon), 'For Workers' (with a toolbox icon), and 'For Medical Providers' (with a medical bag icon). Each section contains a list of links: 'Find a Law (RCW) or Rule (WAC)', 'Get a Form or Publication', and 'Report Fraud' are shared; 'For Business' includes 'What to do if your employees are injured' and 'Find a safety rule'; 'For Workers' includes 'Workers' comp claims', 'Find out about breaks', and 'Learn workplace safety'; 'For Medical Providers' includes 'Become an L&I Provider', 'Fee schedules', and 'Get authorization'.



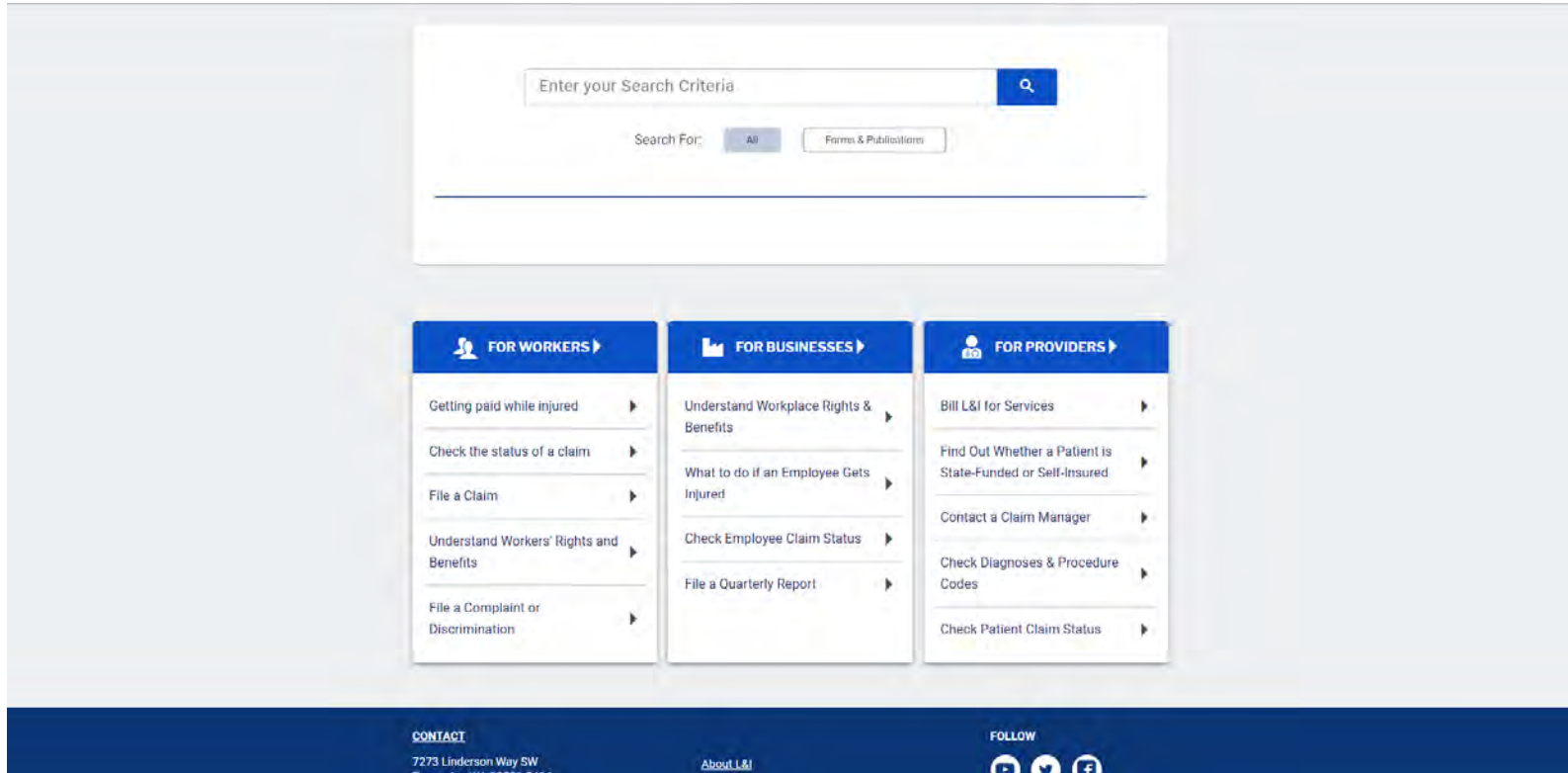
# What's Changing?

New L&I homepage

The screenshot shows the new L&I homepage with a dark blue header. At the top left is the Washington State Department of Labor & Industries logo. To the right are navigation links for Home and My L&I: Sign In, and a search bar labeled Search L&I. Below the header is a horizontal menu with categories: Safety & Health, Claims, Patient Care, Insurance, Workers' Rights, and Licensing & Permits. The main content area features a large hero section with a background image of a white dove. The hero section contains the text "Protect My Home" and "Don't Get Soaked: Only hire registered contractors. Find out how." with a "LEARN MORE" link and four circular indicators. To the right of the hero section is a "Sign In to My L&I" form with fields for Username and Password, a "SIGN IN" button, and a link for "Don't have an account? Sign Up". Below the hero section are three white buttons: "Verify a Contractor's or Tradesperson's License", "File a Quarterly Report", and "Report Fraud".

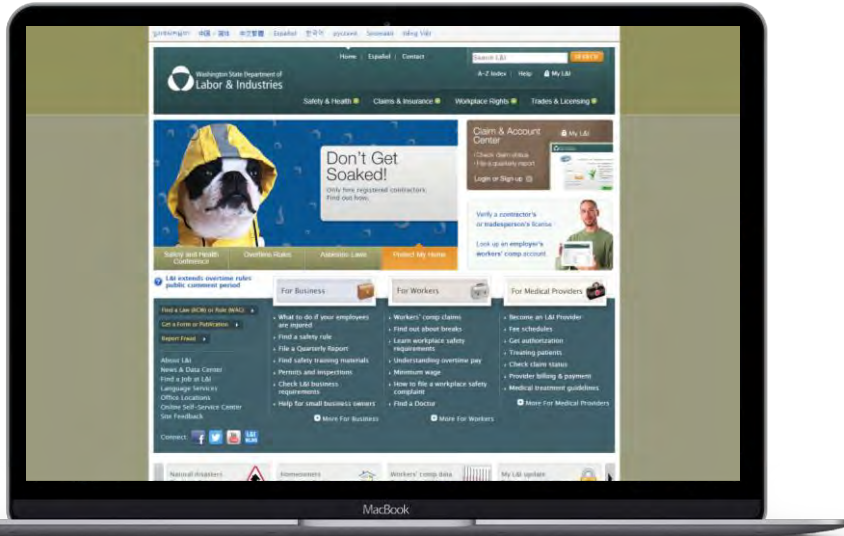
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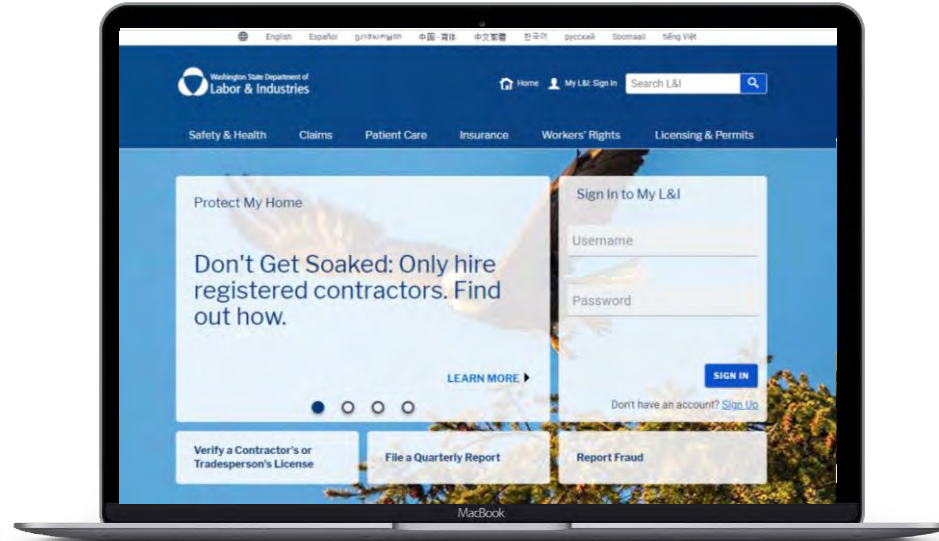


# What's Changing?

Existing L&I homepage



New L&I homepage





# What's Changing?

## Existing site



The existing website header features a dark teal background. On the left is the logo for the Washington State Department of Labor & Industries. To the right of the logo are navigation links: Home, Español, and Contact. Further right is a search bar labeled "Search L&I" with an orange "SEARCH" button. Below the search bar are links for "A-Z Index", "Help", and "My L&I". At the bottom of the header are four menu items: "Safety & Health", "Claims & Insurance", "Workplace Rights", and "Trades & Licensing", each with a small green dropdown arrow.

## New site



The new website header features a dark blue background. On the left is the logo for the Washington State Department of Labor & Industries. To the right of the logo are navigation links: Home (with a house icon), My L&I: Sign In (with a person icon), and a search bar labeled "Search L&I" with a blue search button. Below the navigation links are six menu items: "Safety & Health", "Claims", "Patient Care", "Insurance", "Workers' Rights", and "Licensing & Permits".

# What's Changing?

The screenshot shows the Washington State Department of Labor & Industries website. At the top, there is a navigation bar with the department's logo and name on the left, and links for Home, My L&I: Sign In, and a Search L&I field on the right. Below this is a secondary navigation bar with menu items: Safety & Health, Claims (highlighted with a red box), Patient Care, Insurance, Workers' Rights, and Licensing & Permits. The main content area features a large blue banner with a white text box on the left that reads "Protect My Home" and "Don't Get Soaked: Only hire registered contractors. Find out how." with a "LEARN MORE" link. To the right is a "Sign In to My L&I" form with fields for Username and Password, a "SIGN IN" button, and a "Sign Up" link for new users. At the bottom of the banner are three buttons: "Verify a Contractor's or Tradesperson's License", "File a Quarterly Report", and "Report Fraud".

# What's Changing?

English Español 한국어 中国 - 简体 中文繁體 한국어 русский Soomaali tiếng Việt



Home My L&I: Sign In

Search L&I

Safety & Health

Claims

Patient Care

Insurance

Workers' Rights

Licensing & Permits

## Claims Top Tasks >

**FOR WORKERS** >

FOR EMPLOYERS >

FOR MEDICAL PROVIDERS >

FOR VOCATIONAL PROVIDERS >

CRIME VICTIM CLAIMS >

FRAUD COMPLAINTS >

Injured? What You Need to Know

Find a Doctor

File a Claim

Check the Status of My Claim

Getting Back to Work

Claim Benefits

Protest or Appeal a Claim Decision

### I WANT TO:

- [Check claim status](#)
- [Check your employee's claim status](#)
- [File a claim as a worker](#)

Automated Claims information:  
Call [1-800-4BE-SAFE](tel:1-800-4BE-SAFE)

# What's Changing?

English Español 𑌵𑌶𑌷𑌸𑌹𑌺𑌻𑌼 中国-简体 中文繁體 한국어 русский Soomaali tiếng Việt



Home My L&I: Sign In Search L&I

Safety & Health Claims Patient Care Insurance Workers' Rights Licensing & Permits

## Claims Top Tasks >

- FOR WORKERS >** Injured? What You Need to Know
- FOR EMPLOYERS > Find a Doctor
- FOR MEDICAL PROVIDERS > File a Claim
- FOR VOCATIONAL PROVIDERS > Check the Status of My Claim
- CRIME VICTIM CLAIMS > Getting Back to Work
- FRAUD COMPLAINTS > Claim Benefits
- Protest or Appeal a Claim Decision

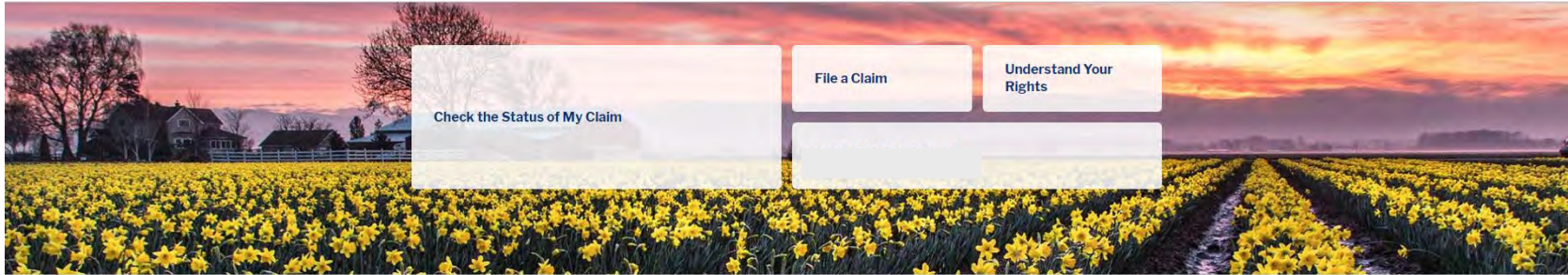
### I WANT TO:

- [Check claim status](#)
- [Check your employee's claim status](#)
- [File a claim as a worker](#)

Automated Claims Information:  
Call [1-800-4BE-SAFE](tel:1-800-4BE-SAFE)



# What's Changing?



## Featured Content

**Get my paper mail online**  
L&I will send you paper mail online in the Secure Message Center instead of waiting for postal mail, helping you to manage your time better.

**Benefits & Payments**  
Find out how L&I makes decisions about claims and the benefits for which you may be eligible.

**Who can file and what is covered**  
Find out if you qualify to file for Crime Victims Compensation Program benefits.

POPULAR FORMS

[SEE MORE](#)

LOOKUP TOOLS

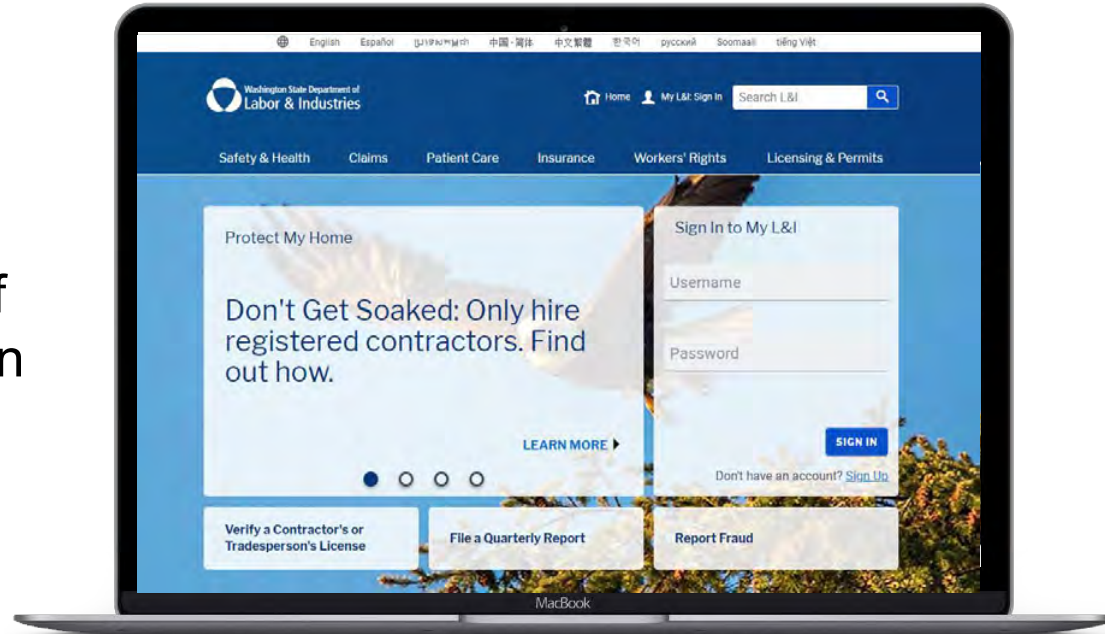
[SEE MORE](#)

LOOKUP TOOLS

[SEE MORE](#)

# What's Not Changing?

- Our web address is still [lni.wa.gov](http://lni.wa.gov).
- Applications that require logging into My L&I are not being redesigned as part of this launch, and will function as they do today.



# Next steps. . .

- L&I employee awareness:
  - Developing training and Q&A document for L&I staff.
  - Provide access to development site for L&I staff to explore the new site 30 days before the launch.
  
- Customer awareness:
  - Landing page on existing site in early October.
    - A “web promo” will be listed on the existing homepage that will link to the landing page.
    - A “web banner” will appear on every page to promote the launch date.
  - Additional pre-launch communications include:
    - Social media (paid/targeted)
    - Blogs
    - Emails to key partners/customers/stakeholders – pre-launch and post-launch
    - Signage in our field offices
    - Earned media

# Workers' Compensation Systems Modernization (WCSM)

*Randi Warick, Deputy Director*

*BJ Bard, WCSM Project Director*

*Brenda Heilman, WCSM Deputy Project Director*



## Since we last met. . .

- We brought on our systems integration partner.
  - Deloitte Consulting, LLC.
  - Started on September 9.
  
- We hosted Vendor Days.
  - Four-day event, Aug. 19-22.
  - Questions and feedback from event will help us refine the RFP for a product implementer.
    - RFP scheduled to be published in late October.

# Vendor Days

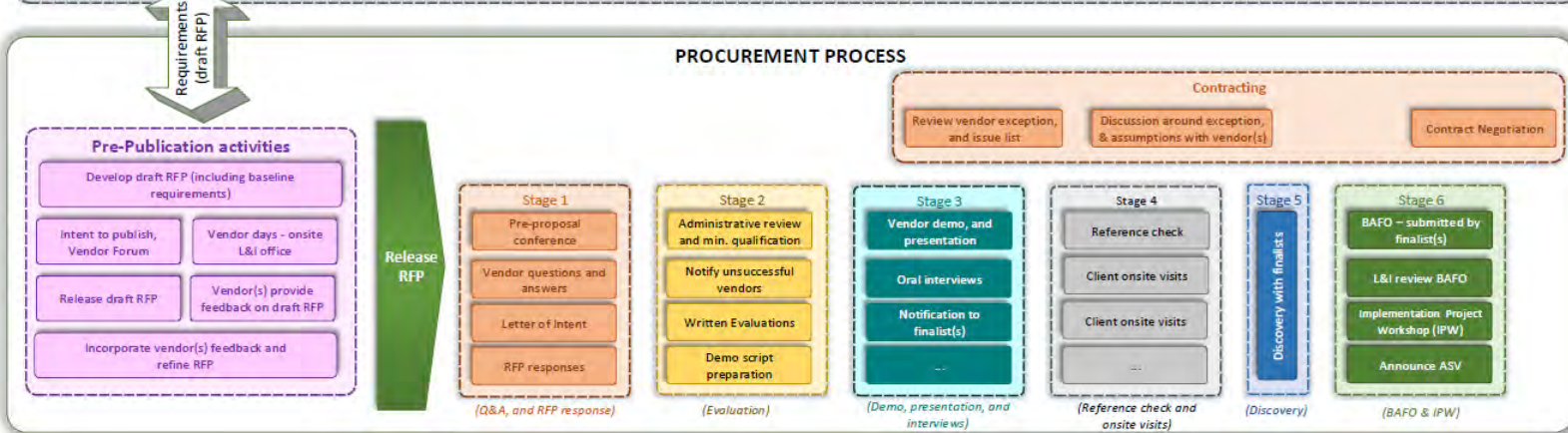
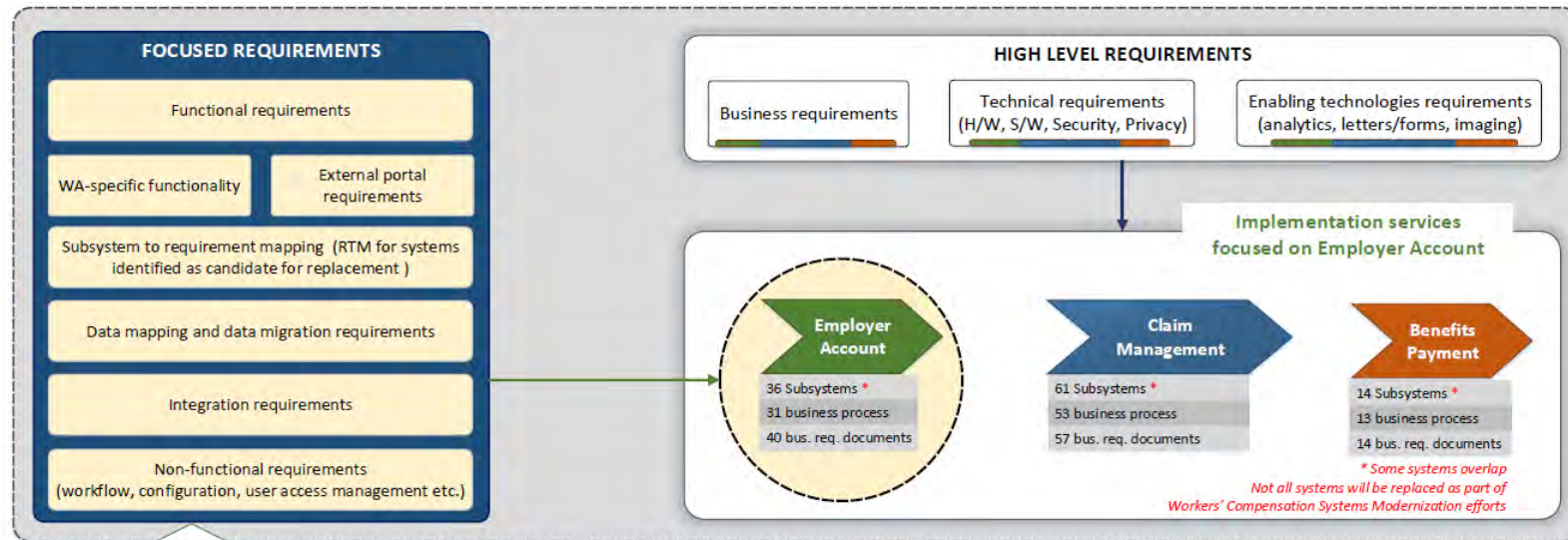
- 50 representatives from 13 vendors worldwide.



# Vendor Days

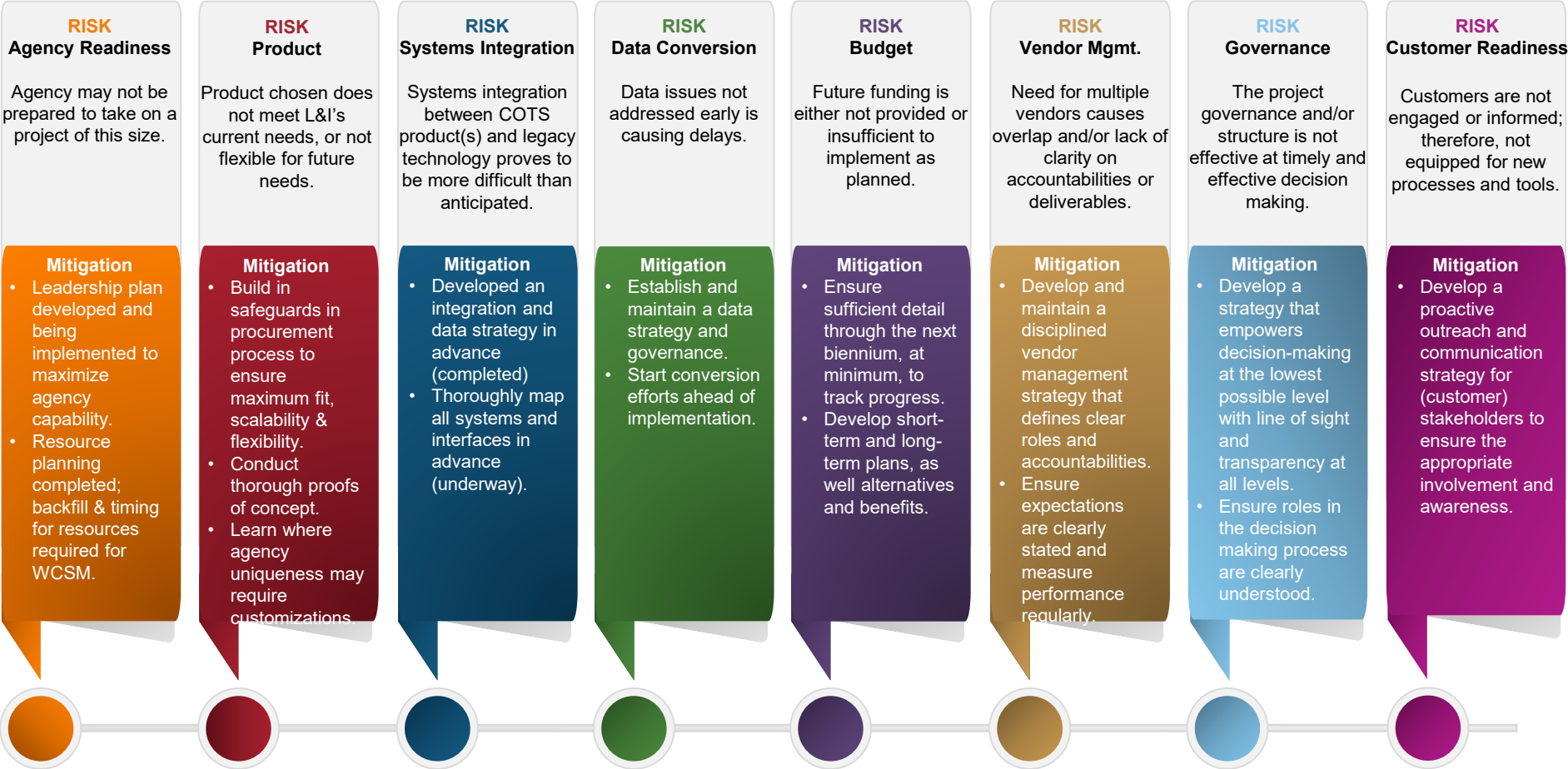
- Daily presentations and panel discussions with:
  - Insurance Services
  - Information Technology
  - Web & Comm. Services
  - Fraud Prevention & Labor Standards
- Presentations included:
  - Life of a Claim Manager
  - Mock Self-Insurance claim application
  - Current IT landscape
  - Live demo from Support Services
  - Live demo of web applications
- More than 180 questions were asked during panel discussions.

# WCSM Procurement Process





# Risks & Mitigations



# Interpreter Services

*Karen Jost, Program Manager for Health Services Analysis*  
*Susan Campbell, Medical Program Specialist 3*



# Interpreter Services Project

2018 Legislation (SSB 6245) requires L&I:

- Purchase interpreter services for workers and crime victims:
  - Directly from Language Access Providers, and/or
  - Through contracts with scheduling and coordinating delivery organizations
- Telephonic and video remote interpreting contract(s)
- Grants collective bargaining rights to interpreters who provide services to workers and crime victims

# Interpreters – current state

- Insurer pays for interpreter services for workers and crime victims
- Delivery methods: face to face and telephonic
- Interpreters must be certified
- Interpreters must establish a provider account with L&I
  - Interpreter may establish personal account, or
  - Interpreter may work for a language agency
- Interpreter or agency bills L&I

# Healthcare and vocational providers

- Ultimately responsible for effective communication
- Secure interpreters by:
  - They have interpreters on staff (hospitals, etc.)
  - Provider office has an established relationship with an interpreter or a firm
  - Using L&I's Interpreter Lookup Service
  - Worker brings an interpreter to appointment and provider agrees to use that interpreter
- Provider verifies services by signing appointment record form

# Future State

- Decision: contract with one or more scheduling/coordinating entity
- Limit the use of individual language access providers outside of a scheduling system

# Future State - Scheduling System

- Provider requests interpreter via portal
- Scheduling system finds appropriate interpreter
- Interpreters receive and accept appointments via portal
- Provider verifies service delivery via portal
- Scheduling firm bills insurer for services
- Scheduling firm pays interpreter

# Actions to date

- Outreach
- Interagency discussions and collaboration
- Request for Proposals (RFP) released on 7/23/19
- Bidders' conference on 8/12/19



# Lessons Learned from Outreach

- Sufficient time for implementation
- Feedback from all users
- User testing
- Change management

# Next Steps

- Proposals due October 4, 2019
- One or more scheduling firms
- Review of proposals and oral presentations through early November
- System development starts January 2020
- System up and running by September 2020

# Questions?

- Contact us at [Interpretation@lni.wa.gov](mailto:Interpretation@lni.wa.gov) or
- Susan Campbell - 360-902-6329
  - [Susan.Campbell@Lni.wa.gov](mailto:Susan.Campbell@Lni.wa.gov)

# Break Time

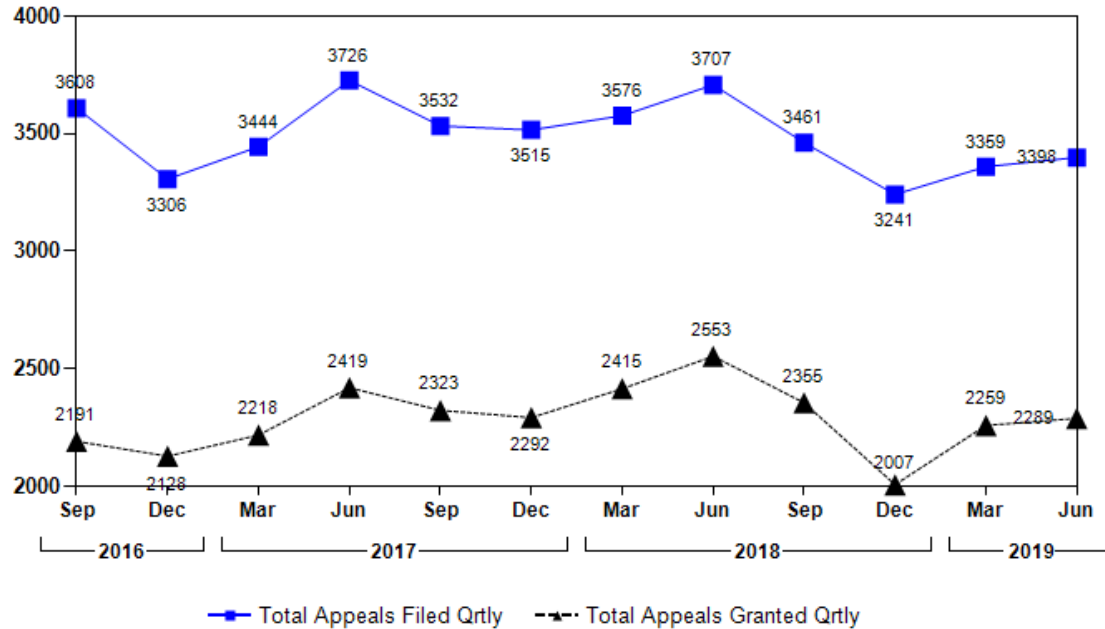


# Board of Industrial Insurance Appeals (BIIA) Update

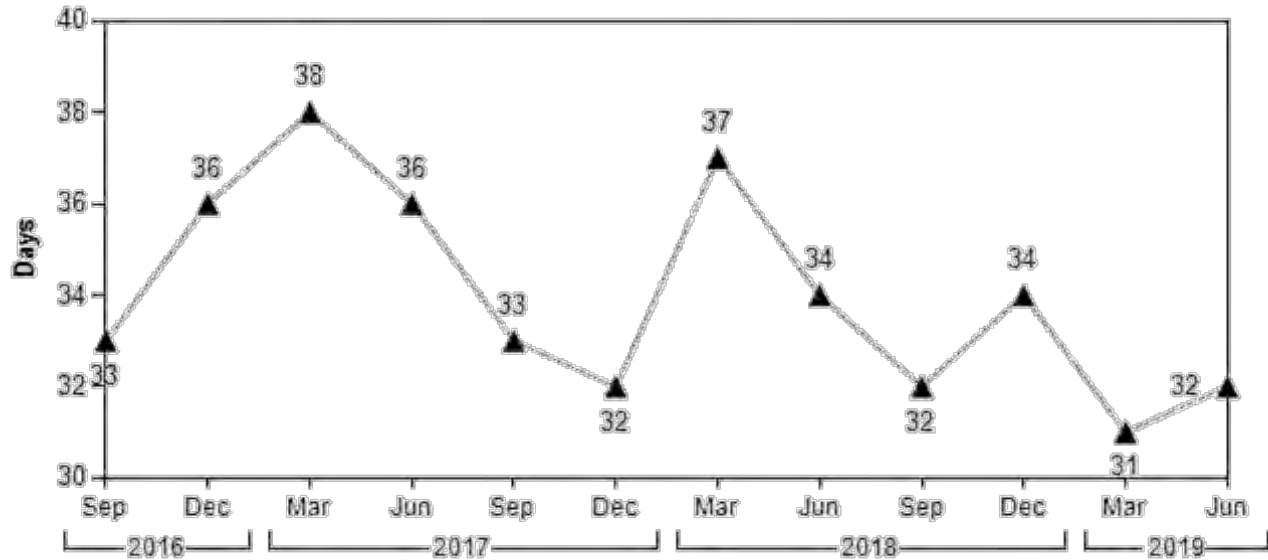
*Linda Williams, Chair*



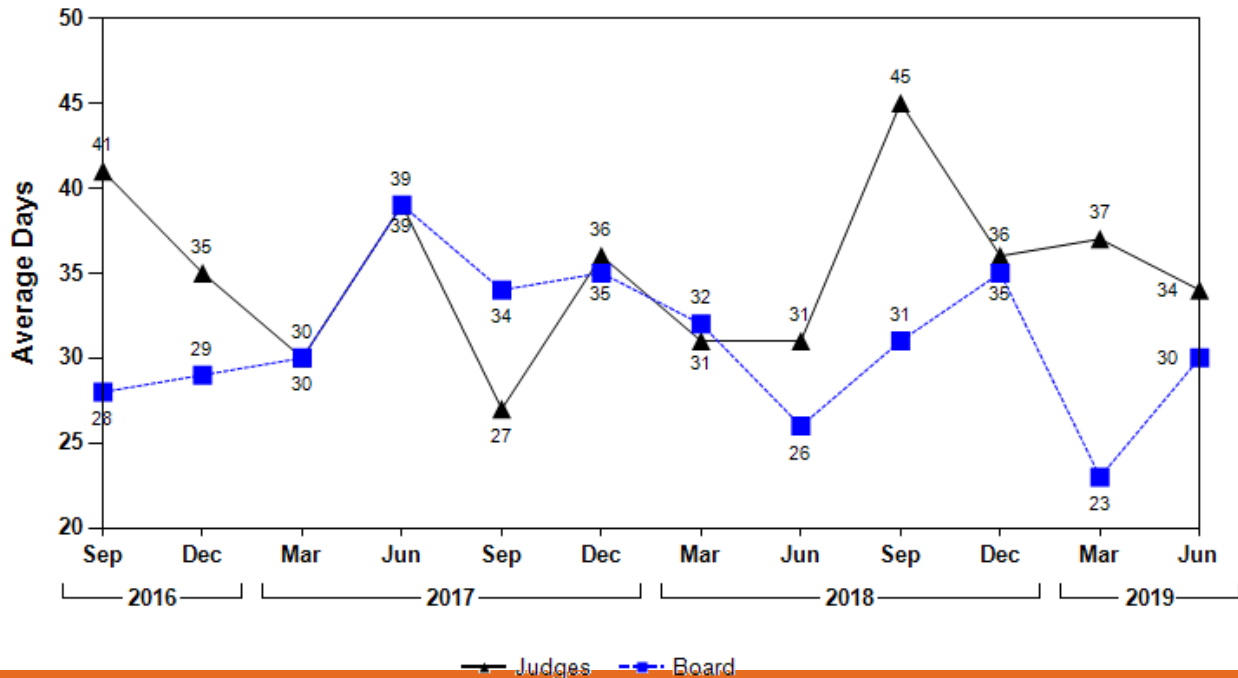
# Total Appeals Filed and Granted



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

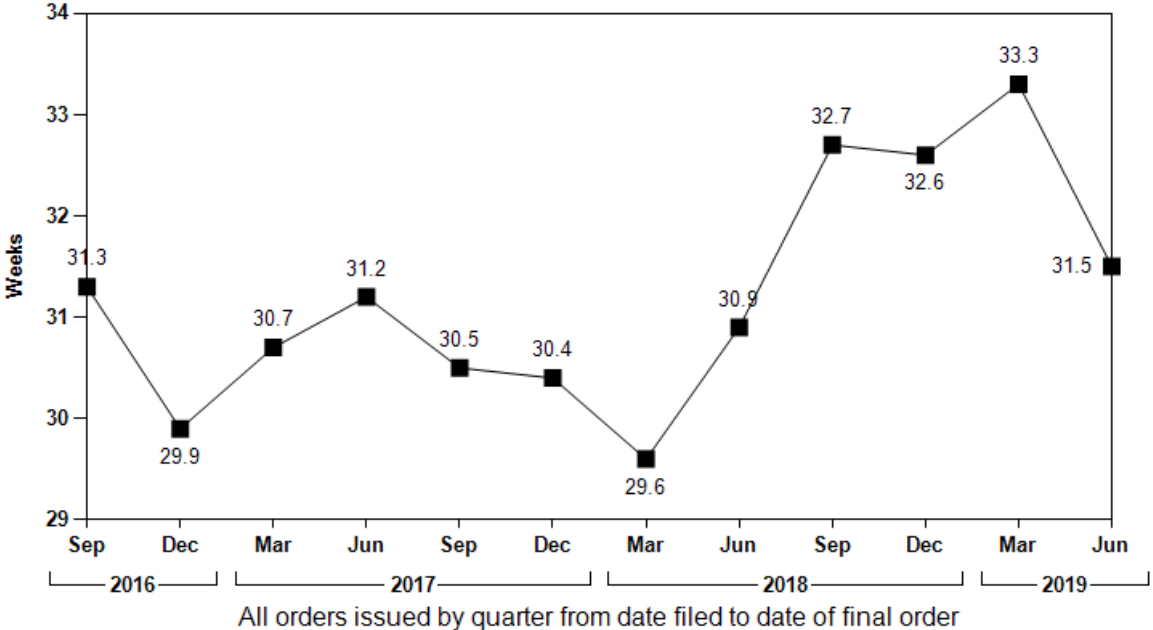


# D & O\* Time-Lag by Quarter

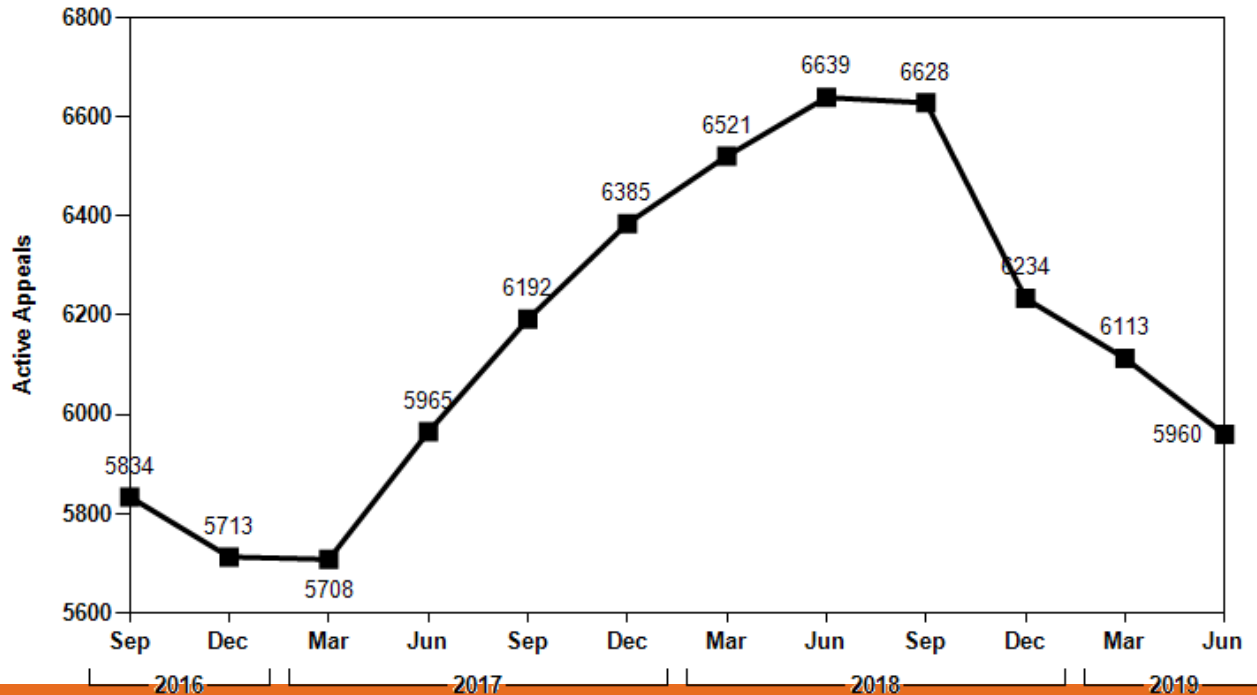




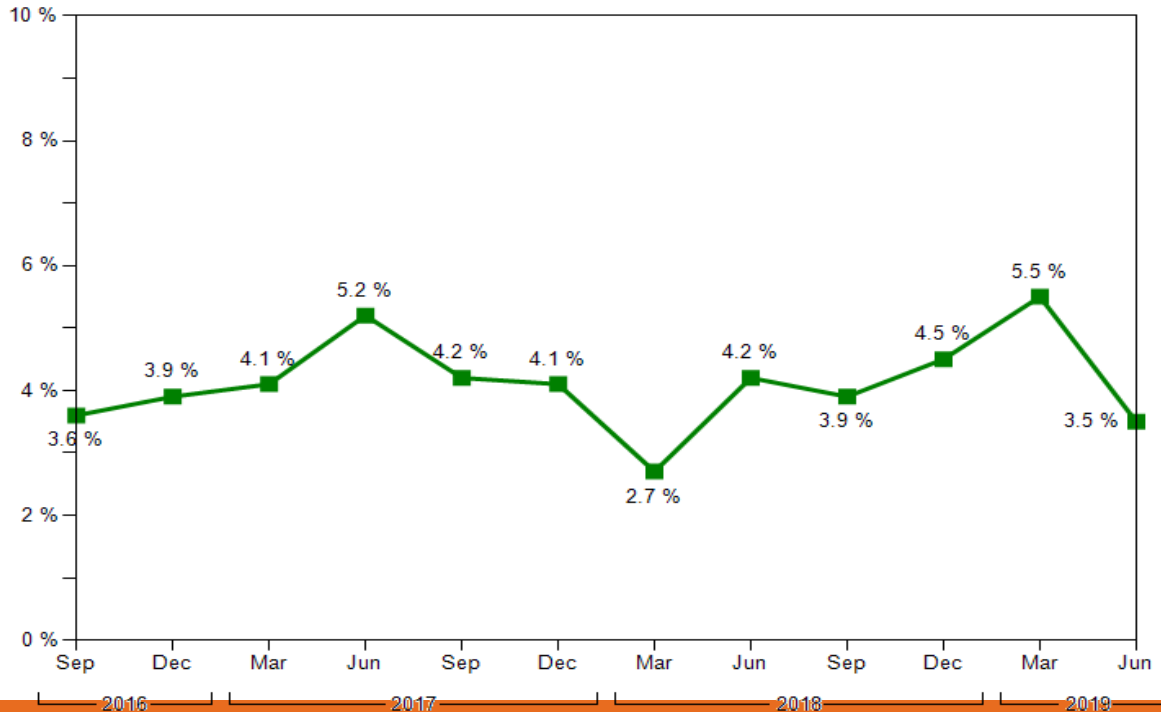
# Quarterly Average Weeks to Completion



# Caseload at End of Quarter



# Percentage of Final Orders Appealed to Superior Court - Quarterly



# Dashboard – Help Injured Workers Heal and Return to Work

*Vickie Kennedy*

*Assistant Director for Insurance Services*



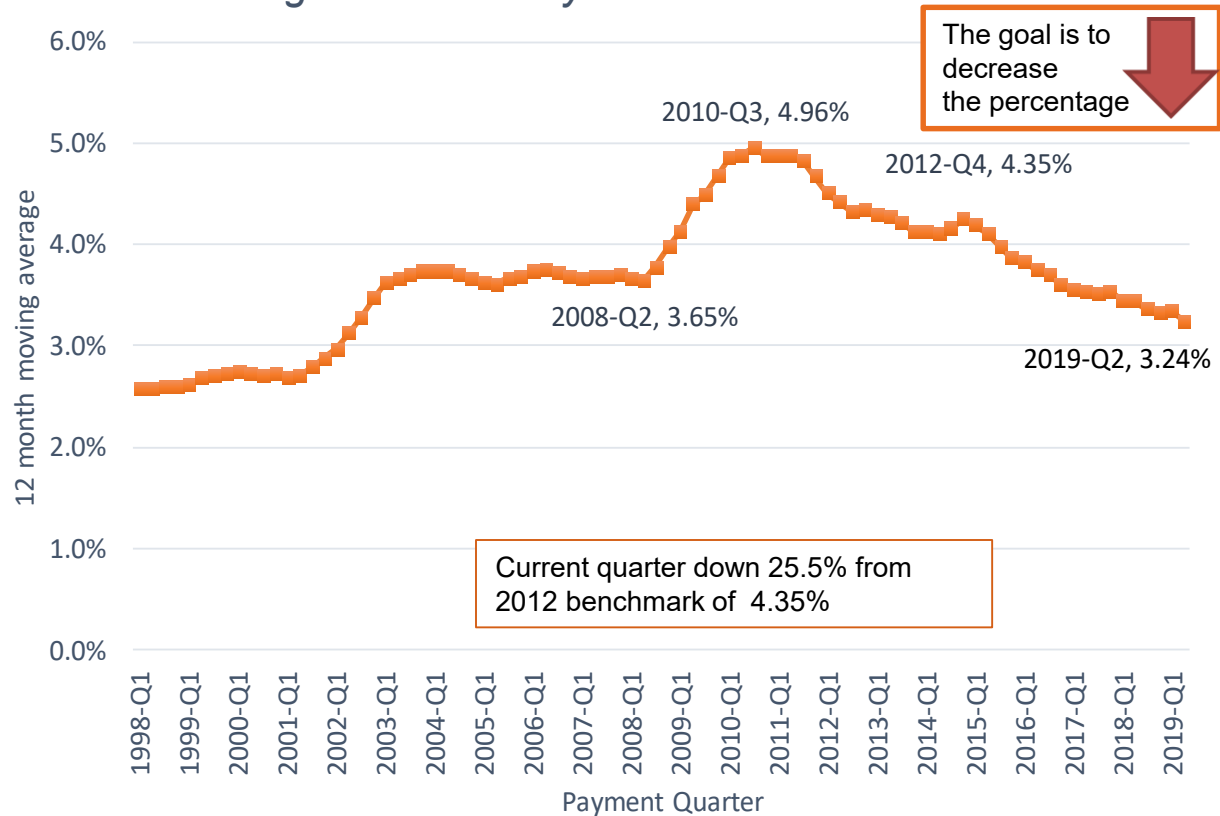
# DASHBOARD SUMMARY

Measure	Change from 2012 (unless otherwise noted)	Highlights
<b>Long Term Disability</b> – share that received a TL payment in the 12 month post injury	Down 25.5 %	Lowest since 2002
<b>Estimated Ultimate Pensions 2004 - 2016</b>	Down 23% (From 2012 Estimates)	
<b>Resolution rate</b> - time-loss claims at 6 months	Up 1.5%	
<b>Auto adjudication of claims</b>	Up 84.9% from 2014	Highest since 2002*
<b>High risk claims</b> – share return to work at 12 months	Up 9.0%	
<b>Median time-loss days paid at first vocational service</b>	Down 70%	Lowest since 2002*
<b>% RTW outcomes</b> - all first vocational service referrals	Up 173%	
<b>WSAW participation</b>	Steady utilization	
<b>COHE utilization</b>	Up 78.3%	

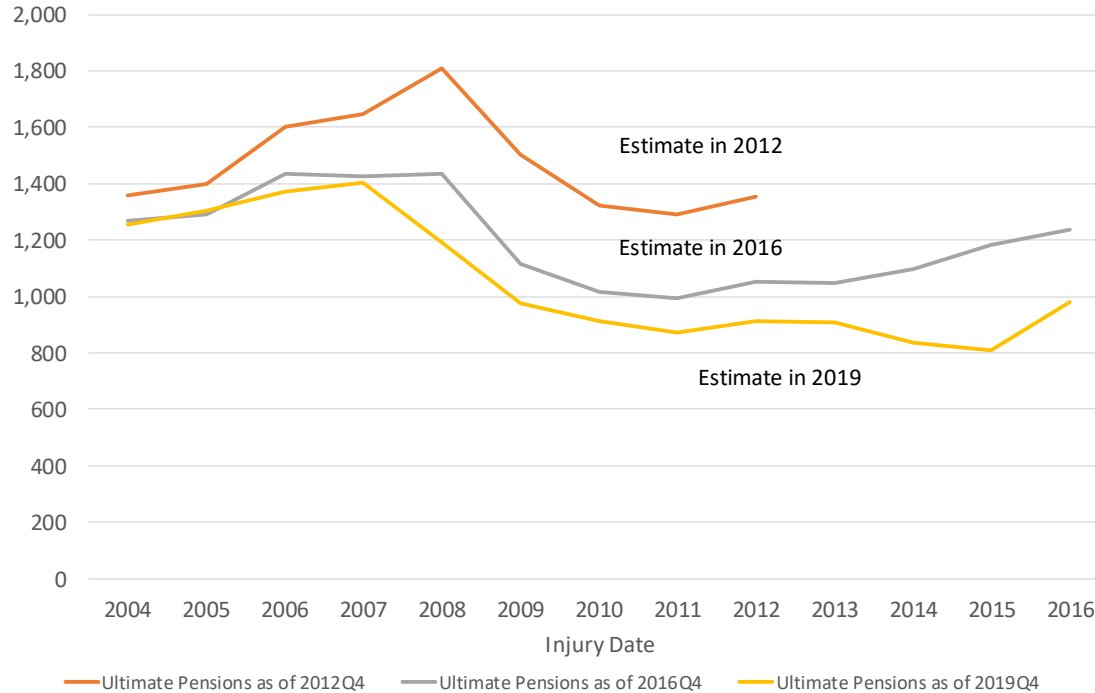
\* Earliest year for which measurement is available

# Long term disability percent

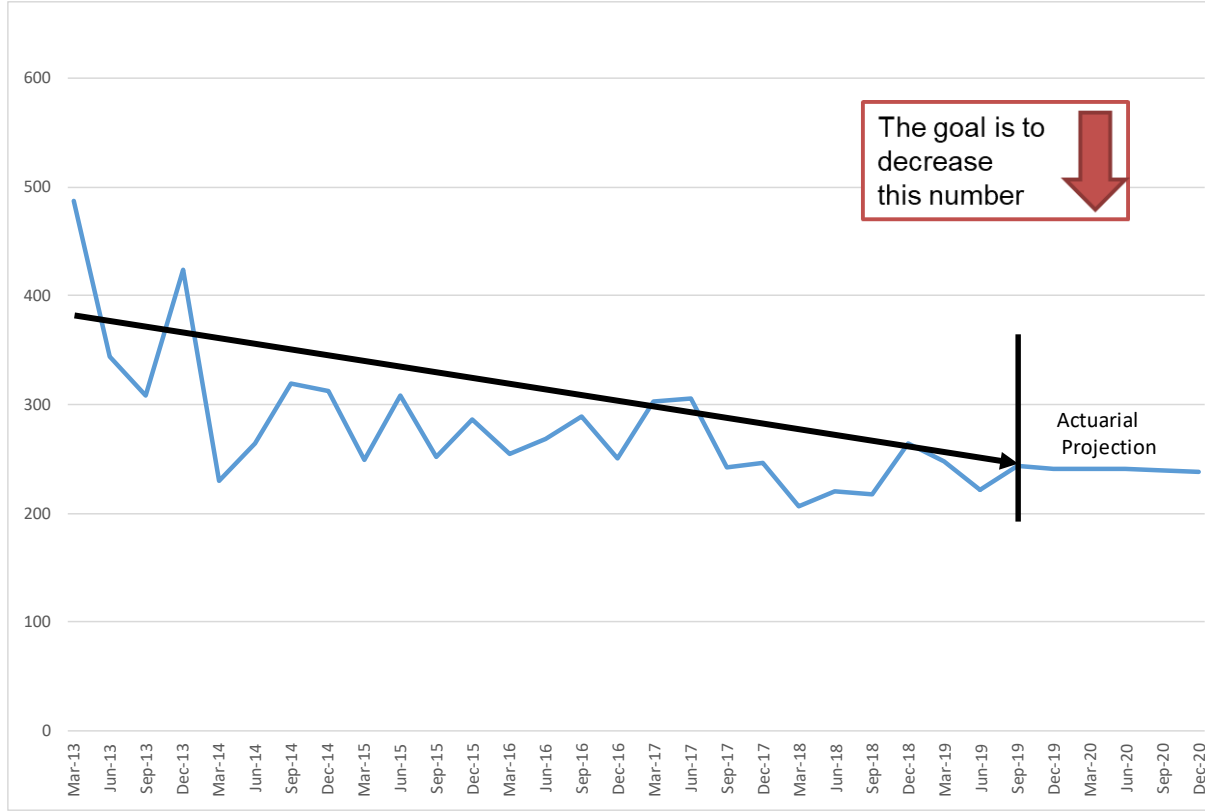
Share of injured workers with time-loss paid in the 12th month post injury: *smaller percentage indicates less long-term disability*



# Pensions by accident year, latest estimates compared to prior estimates.



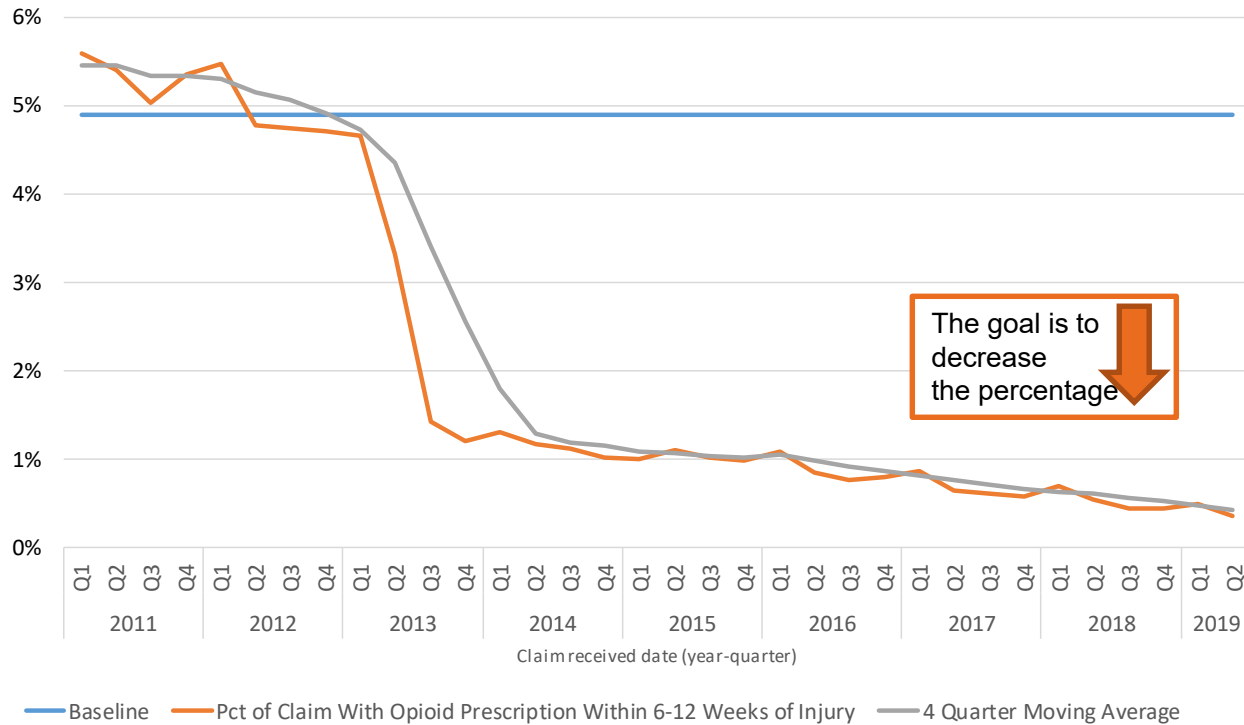
# Pensions Granted (note: future periods estimated)



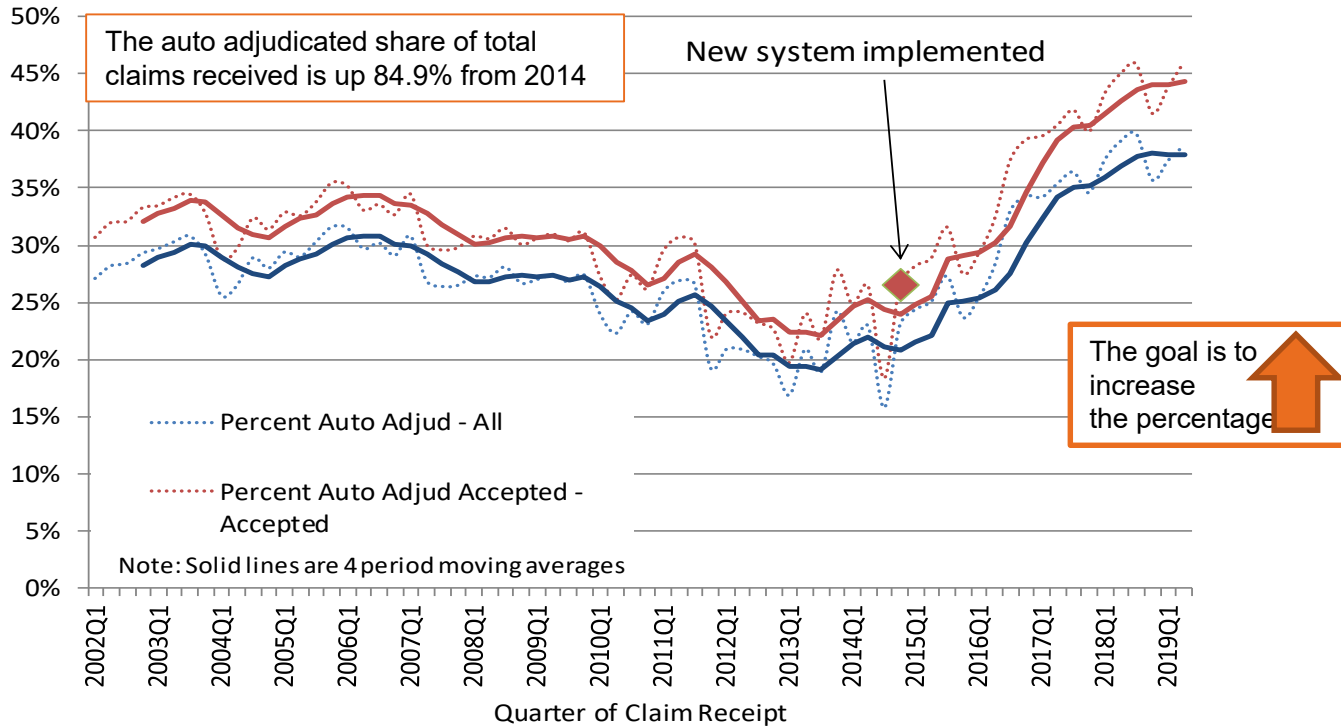




# Percentage of accepted State Fund claims with billings for opioids within 6 to 12 weeks of injury

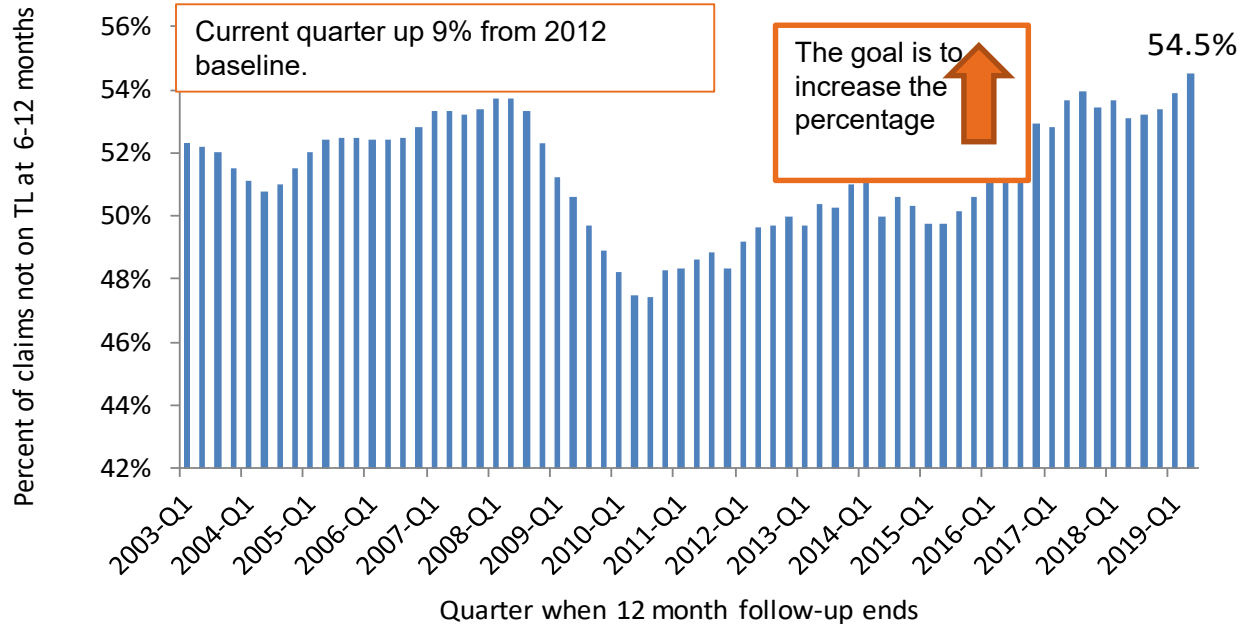


# A new auto-adjudication process was implemented in early 2015 and is showing results



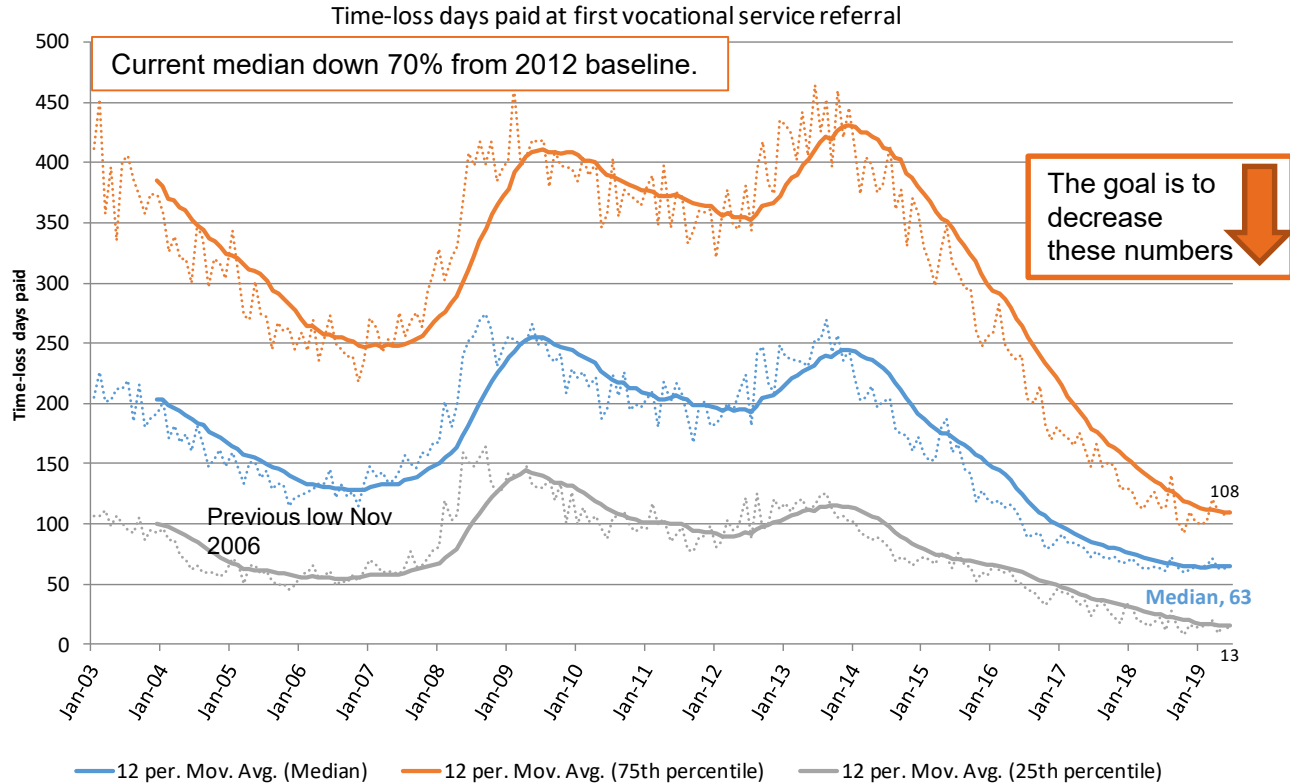
## High risk claims – Initiatives in the first year are improving RTW outcomes

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



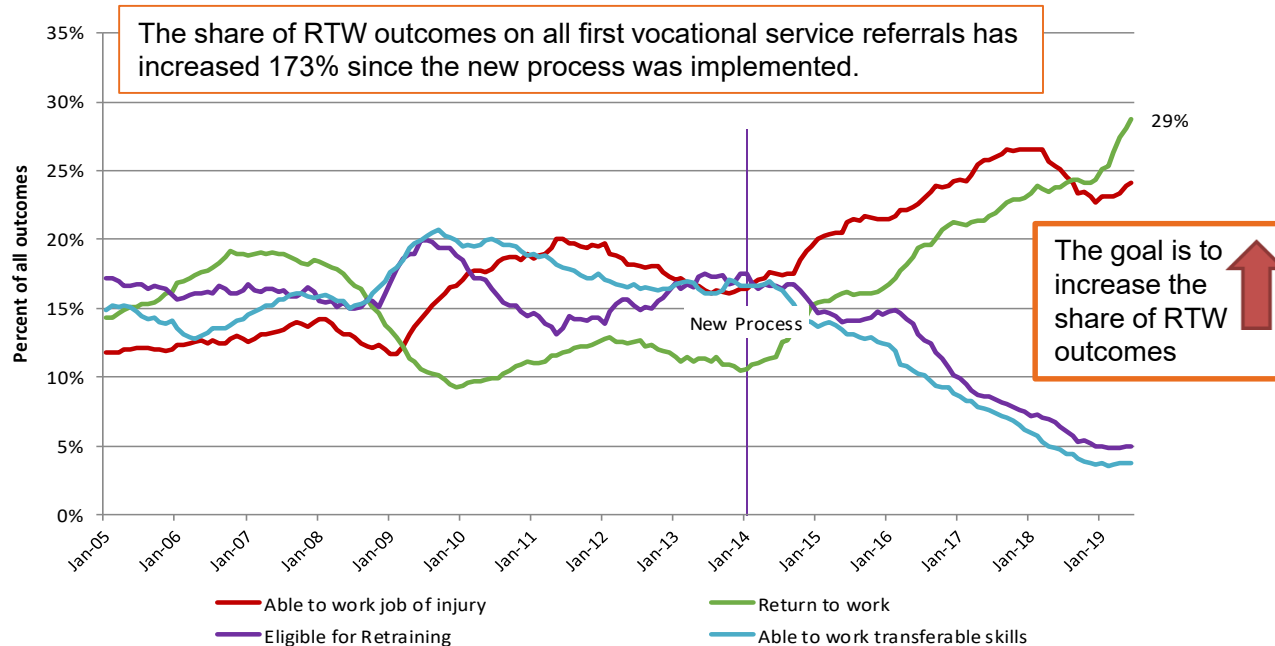
High risk workers are defined as those being disabled on the 40th day following claim receipt, about 1,540 claims per quarter. RTW is defined as the status of not receiving disability benefits between 7 and 12 months

# Referrals are now targeted to address the onset of disability

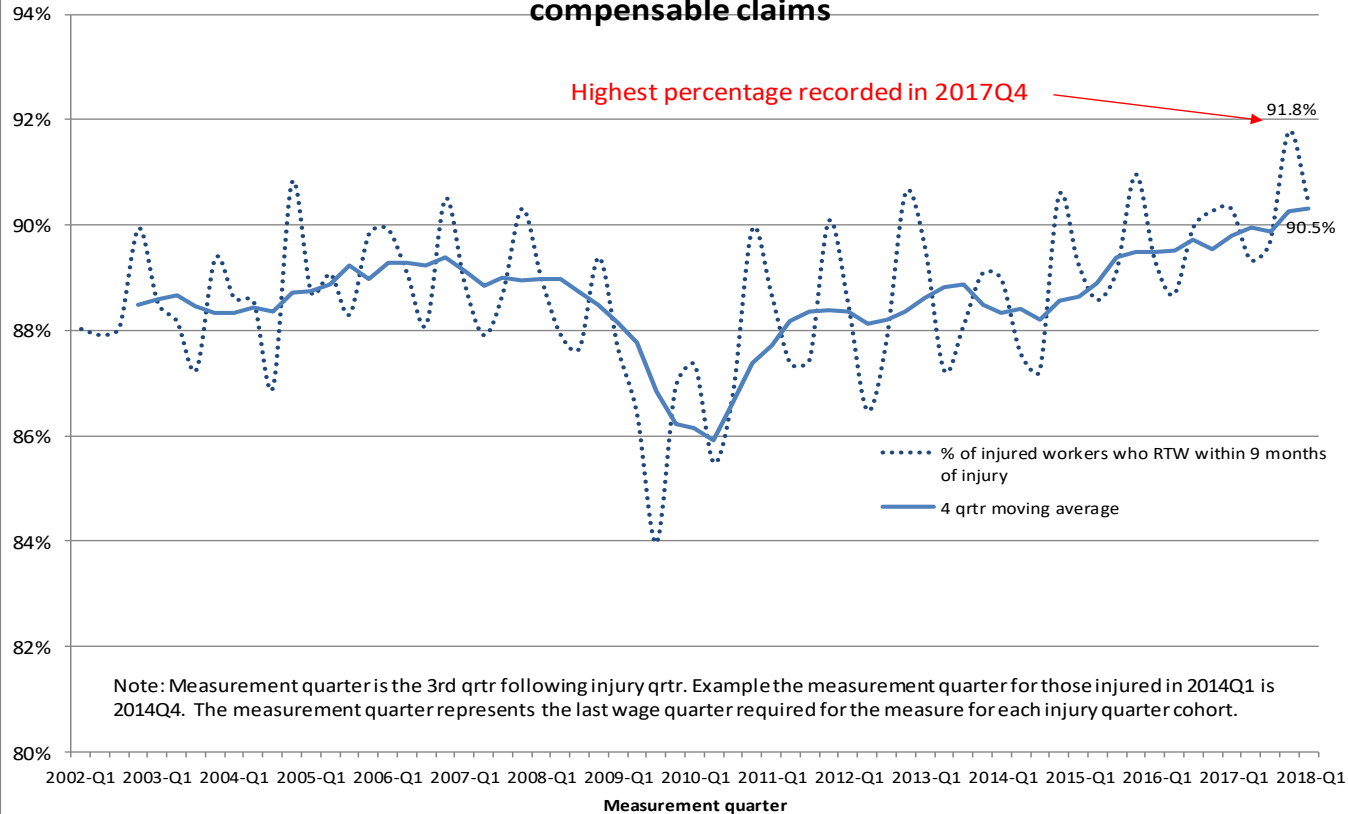


# New focus on return to work has increased positive employable outcomes for all first vocational service referrals

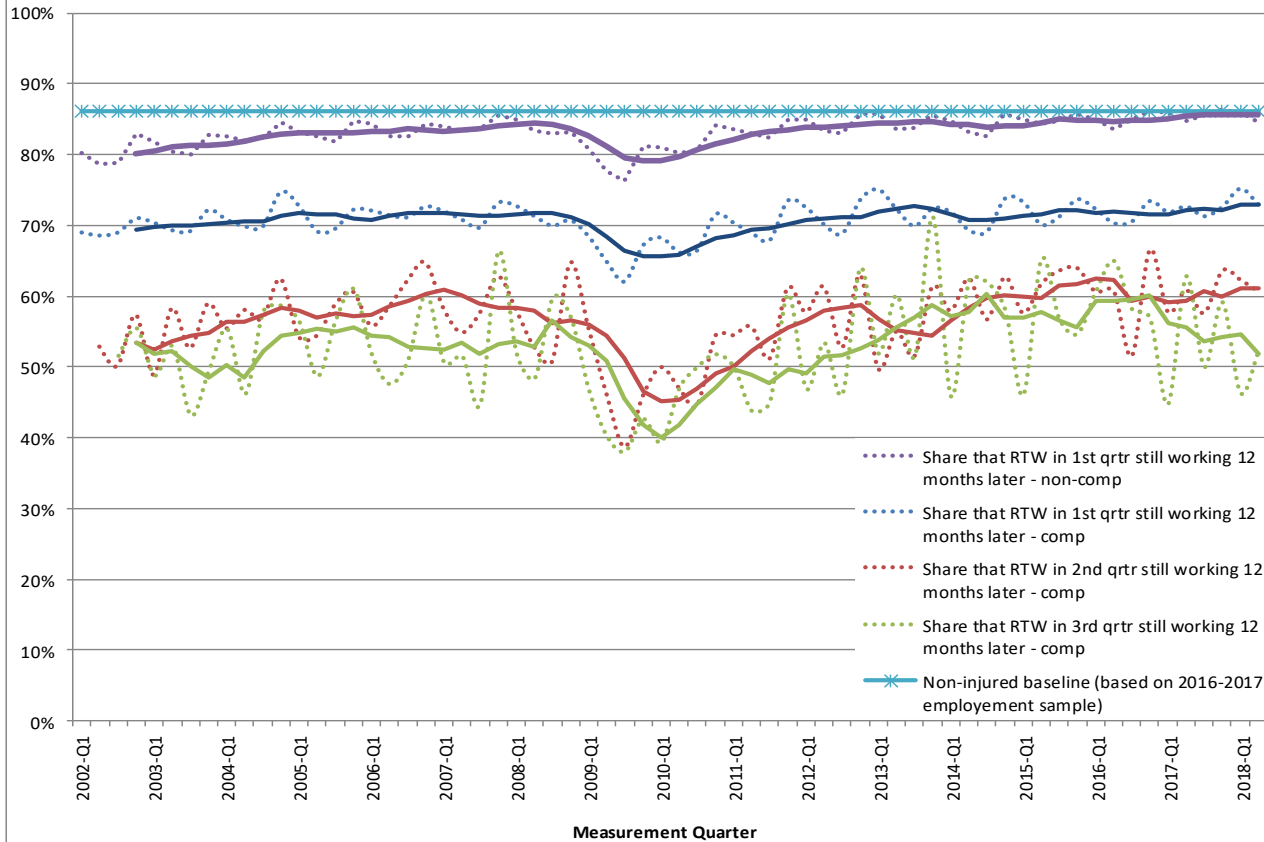
Outcome distribution, first vocational service referrals, select outcomes (12-month average)



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

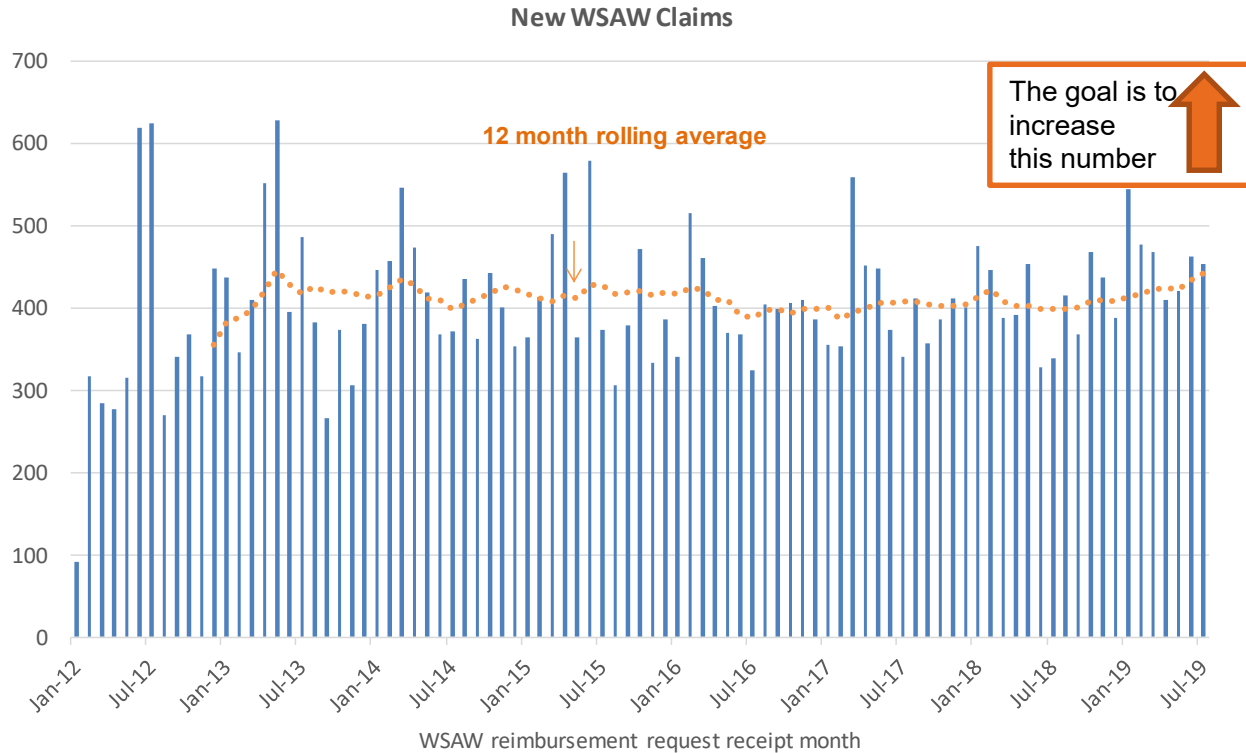


## Share still working 12 months later

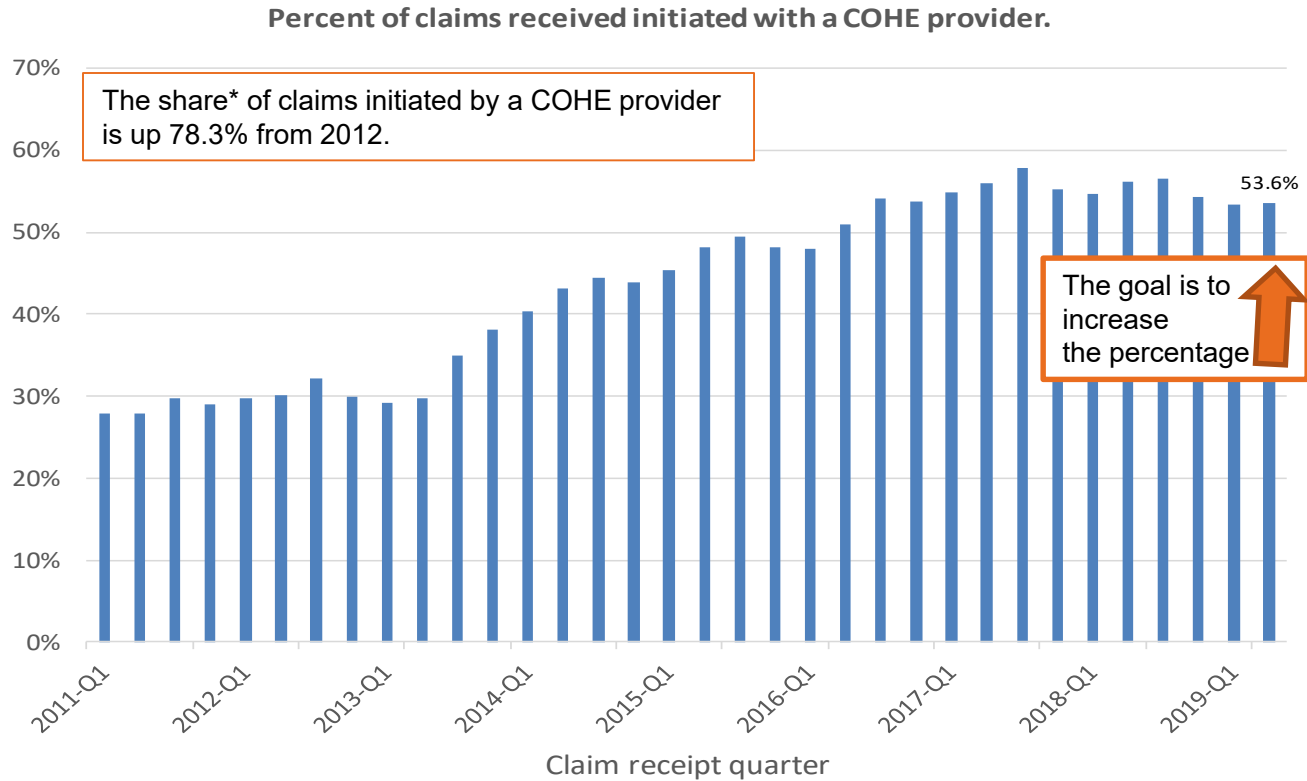




# Participation in light duty job assignments helps maintain the employer/injured worker relationship.



# Percentage of claims for injured workers initiated with a COHE provider



## Industrial Insurance (State) Fund Financial Overview

Statutory Financial Information  
Fiscal Year 2019 through Fourth Quarter  
July 2018 – June 2019


*Rob Cotton, Workers' Compensation Accounting Manager*



# Significant Financial Highlights

July 2018 through June 2019

The contingency reserve increased \$430 million, from \$3,485 million on July 1, 2018 to \$3,915 million on June 30, 2019.



- Net Favorable development on prior year liabilities
  - Accident: reduction in the number of anticipated active time-loss claims
  - Total Permanent Disability: fewer active older time-loss claims
  - Partial Permanent Disability: fewer awards
  - Medical Aid: reduction in the estimates for projected active medical claims
- Premiums and investment income are adequate to pay for actual costs
- Gains on investments

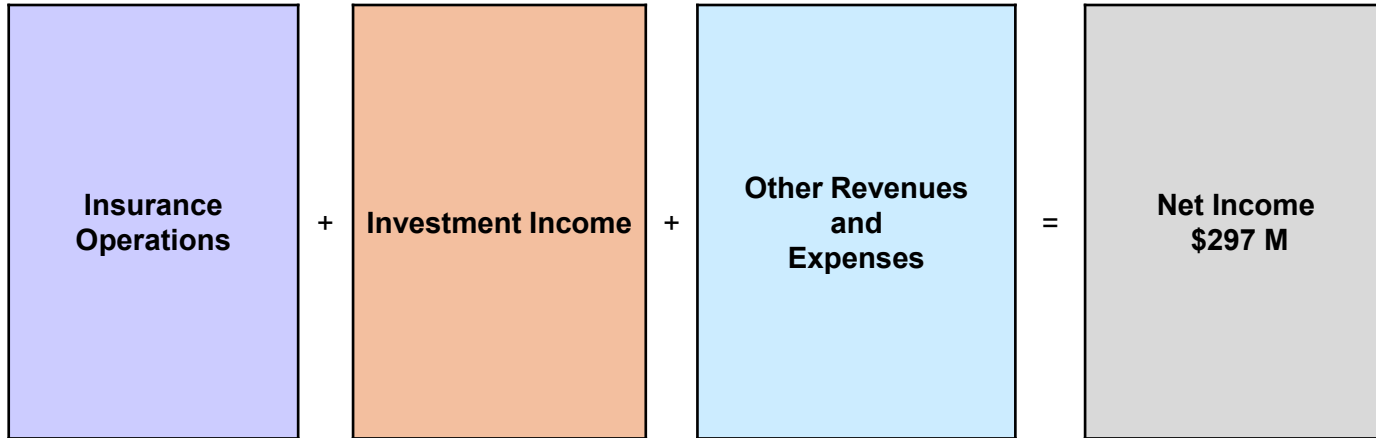
#### Change in contingency reserve by quarter for fiscal year 2019.

- July 1<sup>st</sup> to September 30, 2018 – an increase of \$133 million
- October 1<sup>st</sup> to December 31, 2018 – a decrease of \$180 million
- January 1<sup>st</sup> to March 31, 2019 – an increase of \$449 million
- April 1<sup>st</sup> to June 30, 2019 – an increase of \$28 million

# State Fund Results

**“Net Income”**

July 2018 through June 2019



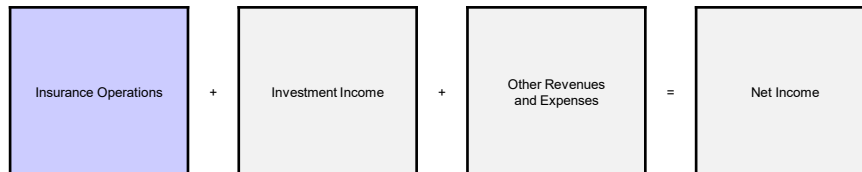
# Insurance Operations

July through June 2019  
(in millions)

**Twelve Months Ended**

		June 30, 2019	June 30, 2018
We took in (Premiums Earned)	+	\$ 1,927	\$ 2,097
We spent (Expenses Incurred)			
Benefits Incurred		1,707	1,990
Claim Administrative Expenses		312	236
Other Insurance Expenses		101	96
Total Expenses Incurred	-	2,120	2,322
Net Income (Loss) from Insurance Operations	=	\$ (193)	\$ (225)

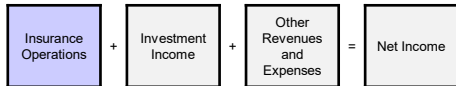
Net loss from insurance operations is normal for workers compensation insurers who routinely rely on investment income to cover a portion of benefit payments.



# Premiums Earned

July through June  
(in millions)

	Twelve Months Ended		Difference
	June 30, 2019	June 30, 2018	
Standard Premiums Collected	\$2,216	\$2,281	
Less Retrospective Rating Adjustments	(253)	(175)	
Less Ceded Reinsurance Premiums	(5)	0	
<b>Net Premiums Collected</b>	<b>1,958</b>	<b>2,106</b>	
Changes in future Premium Amounts To Be Collected	(45)	10	
Changes in future Retrospective Rating Adjustment Refunds	14	(19)	
<b>Net Premiums Earned</b>	<b>\$ 1,927</b>	<b>\$ 2,097</b>	<b>\$ (170)</b>

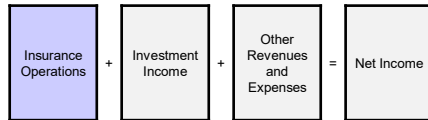


# Benefits Incurred

July through June  
(in millions)

## Twelve Months Ended

	June 30, 2019	June 30, 2018	Difference
Benefits Paid	\$ 1,635	\$ 1,625	\$ 10
Change in Benefit Liabilities	*72	(189)	261
Change in Discount Rate Reduction from 6.1% to 4.5% for State Fund		554	(554)
<b>Total Benefits Incurred</b>	<b>\$ 1,707</b>	<b>\$ 1,990</b>	<b>\$ (283)</b>



*The main reason for the \$283 million decrease in benefits incurred is because last year we reserved for the pension discount rate reduction to 4.5%.*

*\* The \$72 million change in benefit liabilities would have been \$424 million without the positive claim trends.*

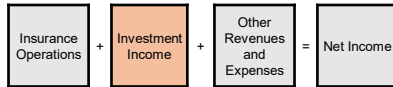


# Investment Income

July through June  
(in millions)

## Twelve Months Ended

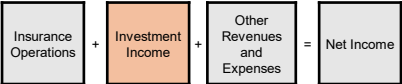
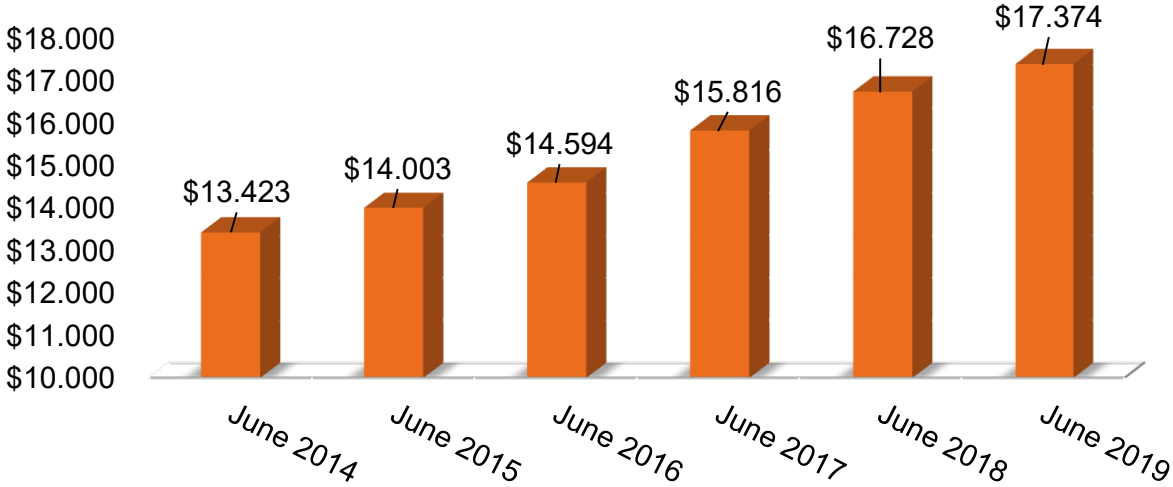
		June 30, 2019	June 30, 2018
Investment Income Earned from Interest on bonds	+	\$ 498	\$ 481
Realized Gain/(Loss) from Fixed Income Investments Sold	+	(26)	33
Realized Gains from Stocks (Equity Investments) Sold	+	3	1,059 *
<b>Total Investment Income</b>	=	<b>\$475</b>	<b>\$ 1,573</b>



\*WSIB decision to transition all equity assets into a single global commingled fund.

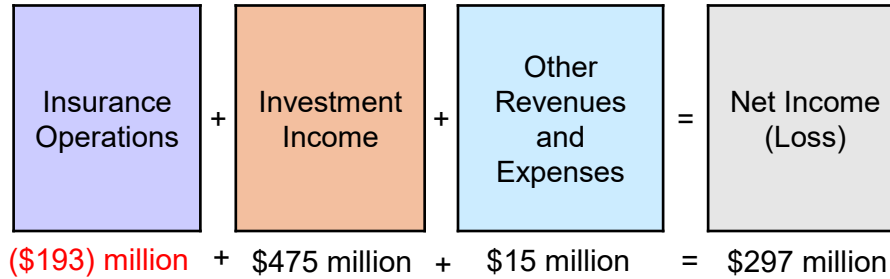
# Total Investments

(rounded to billions)



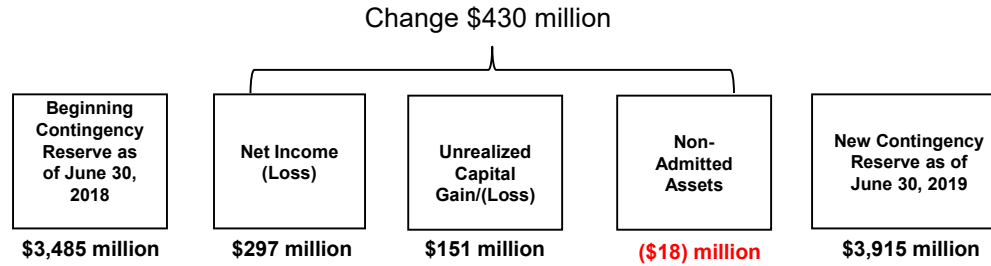
# Results of Operations

July 2018 through June 2019



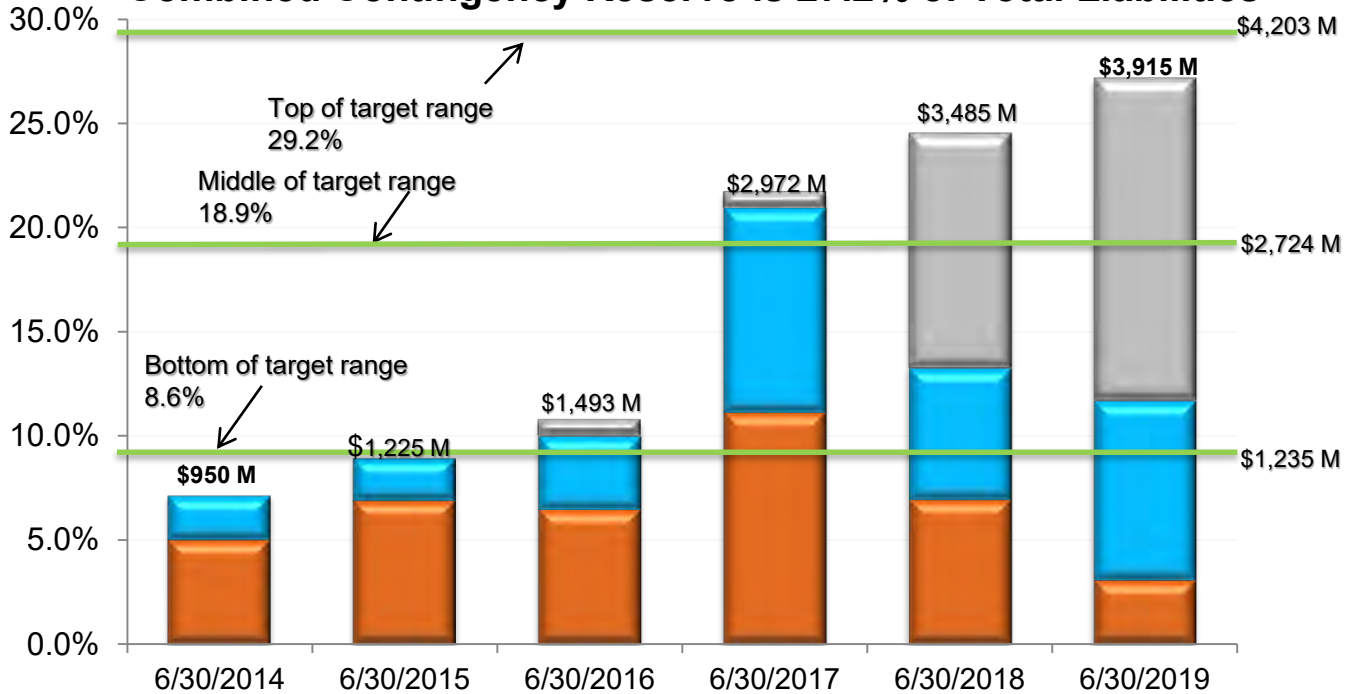
# How Did Contingency Reserve Perform?

July 2018 through June 2019



# Combined Contingency Reserve vs. Targets

## Combined Contingency Reserve is 27.2% of Total Liabilities



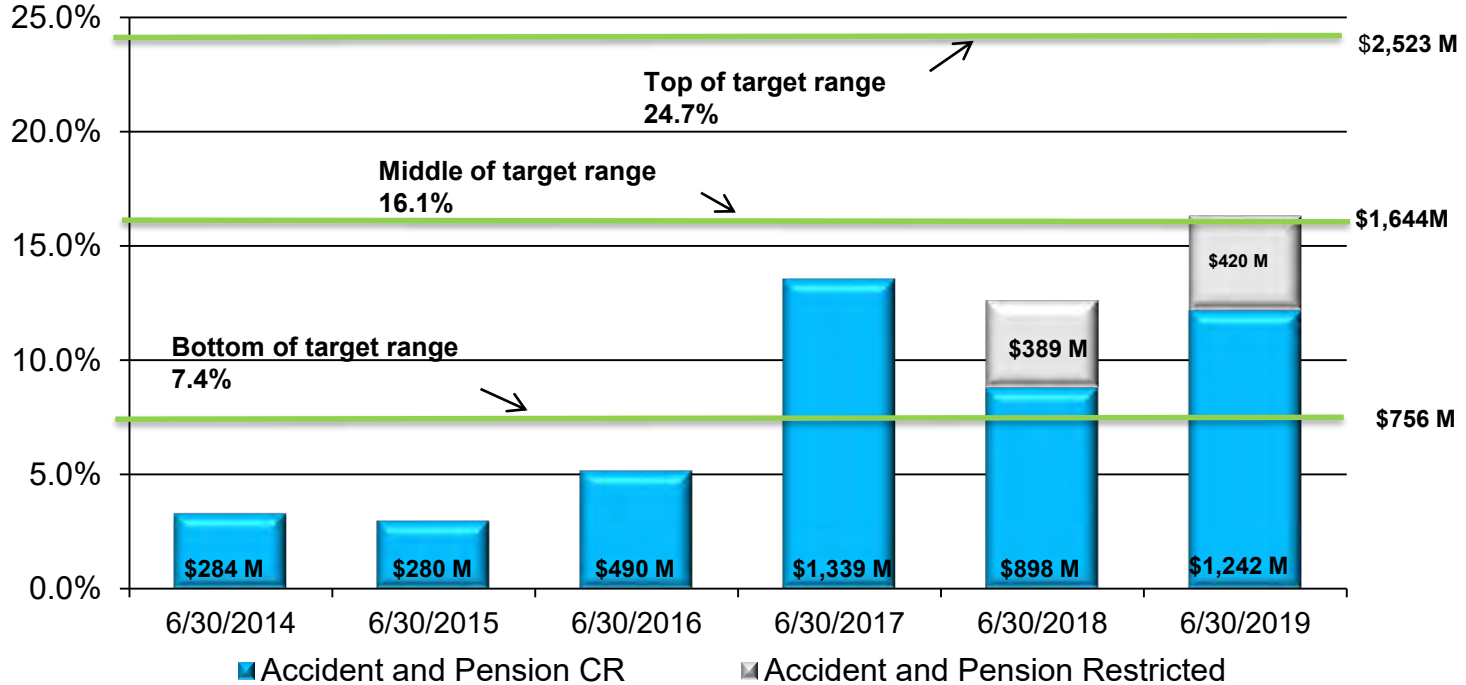
■ Medical Aid Fund 
 ■ Accident & Pension Funds 
 ■ Restricted Contingency Reserve

*Restricted is based on final June 30, 2018 financial information and the change in the value of investments through 6-30-19.*

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

# Accident, Pension & Restricted Contingency Reserve is 16.3% of Liabilities

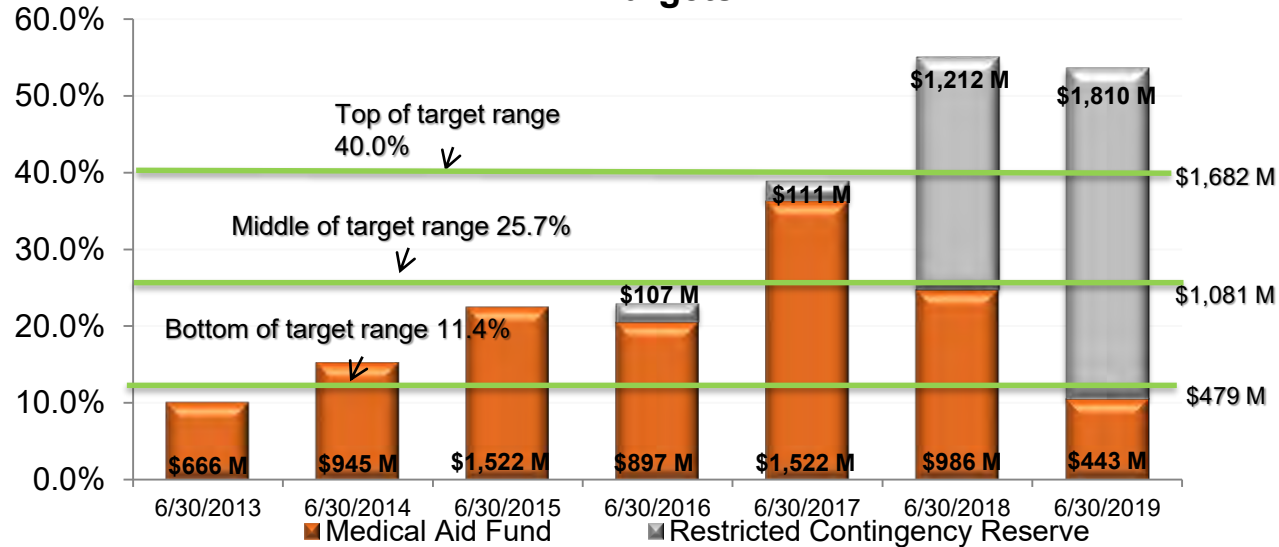
## Accident & Pension Contingency Reserve vs. Targets



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

# Medical Aid & Restricted Contingency Reserve is 53.6% of Liabilities

## Medical Aid & Restricted Contingency Reserve vs. Targets



Restricted is based on final June 30, 2018 financial information and investment earnings through 6-30-19.

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 June 30, 2019		Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017
	State Fund	Industry Forecast		
Current Year Benefit (Loss Ratio)	83.7%		77.8%	78.2%
Prior Year Benefit (Loss Ratio)	4.9%		17.1%	(13.1)%
<b>Total Benefit (Loss Ratio)</b>	<b>88.6%</b>	<b>51.2%</b>	<b>94.9%</b>	<b>65.1%</b>
Current Year CAE Ratio	10.3%		9.0%	8.4%
Prior Year CAE Ratio	5.9%		2.3%	(.5)%
<b>Total Claim Administration Expense (CAE) Ratio</b>	<b>16.2%</b>	<b>15.3%</b>	<b>11.3%</b>	<b>7.9%</b>
Sub-Total: Benefit and Claim Administration Expense Ratios	104.8%	66.5%	106.2%	73.0%
Underwriting Expense Ratio includes all insurance administrative expenses except CAE	5.3%	26.5%	4.6%	4.4%
<b>Combined Ratio (Industry omits dividends)</b>	<b>110.1%</b>	<b>93.0%</b>	<b>110.8%</b>	<b>77.4%</b>
Investment Income Ratio	25.9%	17.7%	22.9%	23.0%
<b>Operating Ratio</b>	<b>84.2%</b>	<b>75.3%</b>	<b>87.9%</b>	<b>54.4%</b>



# Questions & Comments

Contact Rob Cotton,

Workers' Compensation Accounting Manager

- Phone: 360-902-6263
- Email: [cotr235@lni.wa.gov](mailto:cotr235@lni.wa.gov).

Thank You!

# Industrial Insurance (State) Fund Financial Overview – Appendix

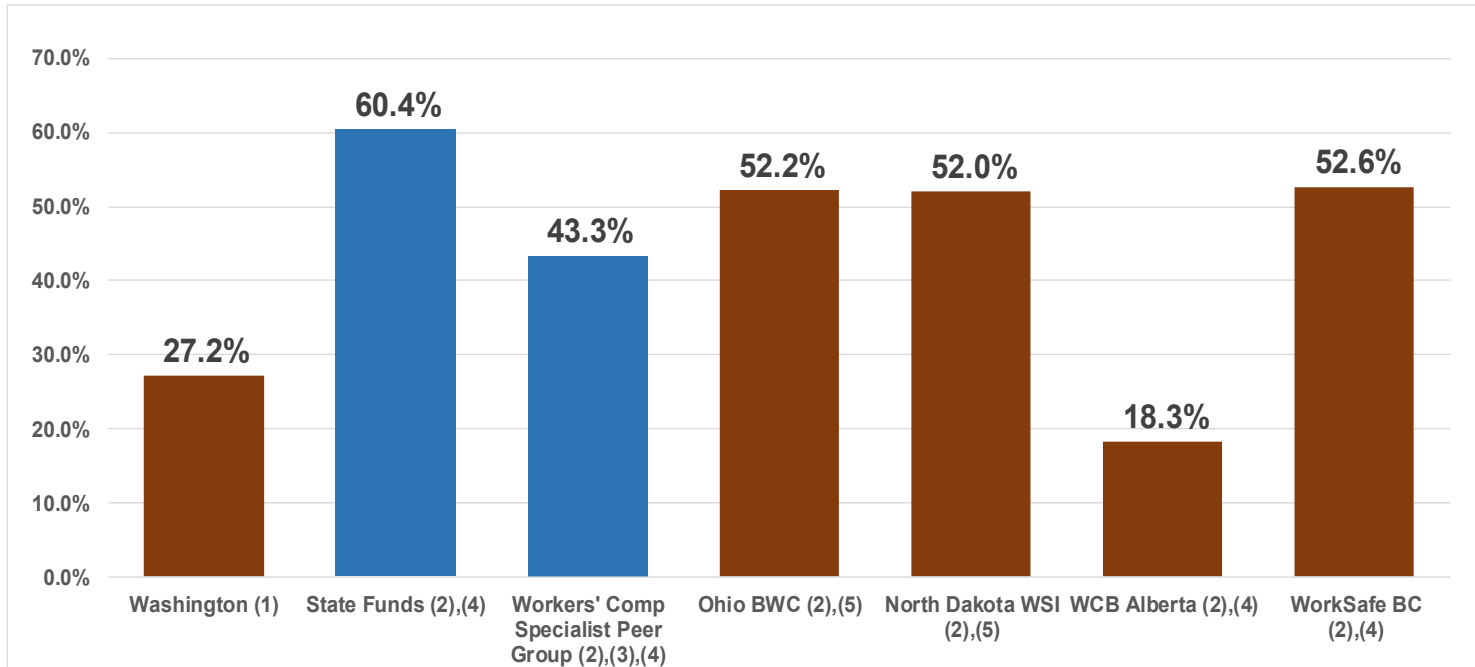
*Rob Cotton, Workers' Compensation Accounting Manager*



## Reconciliation of Change in Benefit Liabilities

July 1, 2018 Benefit Liability Beginning Balance	\$13,091,808
Prior Year Benefit Payments	(\$1,354,977)
Prior Year Development and Model Change (Favorable)	(\$351,834)
Self Insurance Prefunded Pension Transfers	\$29,162
Regular reserve discount reduction	\$416,814
Net Total Prior Year Benefit Liability as of June 30, 2018	<u>\$11,830,973</u>
New Current Year Benefit Liabilities	\$1,333,082
June 30, 2019 Benefit Liabilities Ending Balance	<u><u>\$13,164,055</u></u>
<b>Change Between Beginning and Ending Balance</b>	<b>\$72,247</b>

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



(1) Preliminary as of 6/30/2019

(2) Source: Conning Peer Analysis, September 18, 2019

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

(4) As of 12/31/2018

(5) As of 6/30/2018

# Historic Results of Operations

July through June  
(in millions)

As of Quarter Ended June 30,	Insurance Operations	+	Investment Income	+	Other Revenues & Expenses	=	Net Income (Loss)
2019	(193)		475		15		297
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

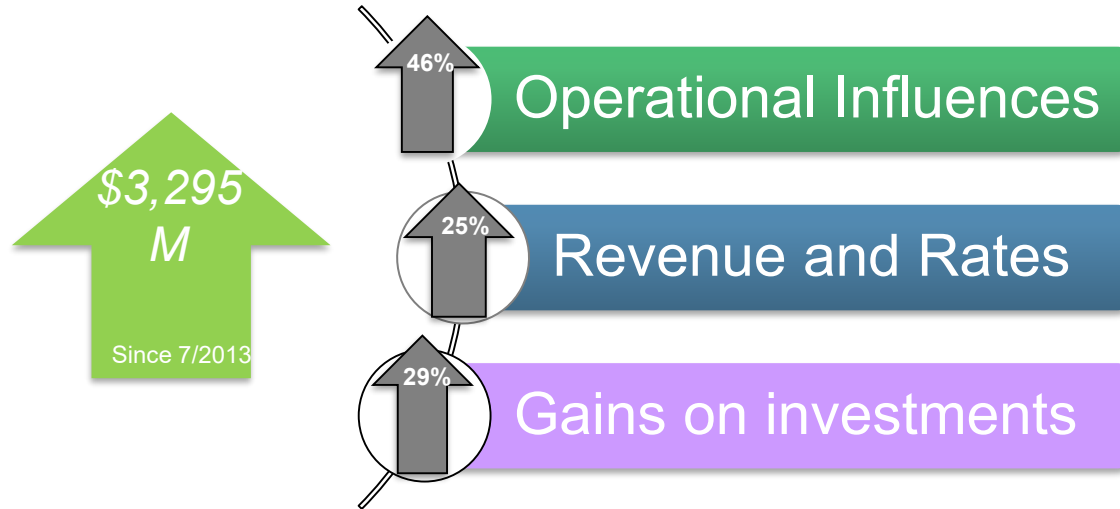
## Fiscal Year Ended

	Quarter Ended June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Investment Income	498,626,000	481,048,000	478,130,000	498,499,000	493,408,000
Realized Gain (Loss)	(23,498,000)	1,092,446,000	102,540,000	137,988,000	58,660,000
Unrealized Gain (Loss)	151,820,000	(812,942,000)*	380,183,000	(181,830,000)	23,691,000
Total Invested Assets	17,373,578,000	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.**

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## Contingency Reserve Drivers



As of 6/30/2019 the CR is at \$3,915 M.

# Closing Comments & Adjourn

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

