

Workers' Compensation Advisory Committee (WCAC)

Tuesday, June 19, 2018



Agenda

Time	Topic	Presenter(s)
9:00 – 9:20 (20 min)	Welcome <ul style="list-style-type: none"> • Introductions • Agenda overview • Safety message 	Vickie Kennedy Joel Sacks Jeff Killip
9:20 – 9:35 (15 min)	General Updates	Vickie Kennedy Mike Ratko
9:35 – 9:45 (10 min)	Board of Industrial Insurance Appeals (BIIA) Update	Linda Williams
9:45 - 10:30 (45 min)	Business Transformation: Business Case	Brian Colker
10:30 – 10:45 (15 min)	Break	
10:45 – 11:30 (45 min)	Business Transformation: Employer Accounts	Chris Bowe
11:30 – 11:40 (10 min)	Industrial Insurance State Fund Financial Overview	Rob Cotton
11:40 – 11:55 (15 min)	Insurance Services Dashboard	Vickie Kennedy
11:55 – 12:00 (5 min)	Closing Comments & Adjourn	Vickie Kennedy Joel Sacks

Safety Message and DOSH Education and Outreach

Jeff Killip, JD MPH

Sr. Manager – DOSH Education and Outreach Services



DOSH Education & Outreach Services

Review!

- Public Health approach: Focus on prevention
- Objective: *Change behavior* (of employers/workers)
 - Info not enough (parenting!)
 - Full court press (anti-smoking, seatbelts, helmets, vaccines)
 - Incentives, disincentives
 - Engagement via digital/social media marketing
 - Accessible, user-friendly
 - Content: humanized, “snackable, shareable, sharp”
 - **Synergistic Partnering with Influencers**: 1+1+1 = 10!

Synergistic Partnering with Influencers:

- Safety & Health Investment Projects (SHIP) Grant Program
- 4 Techno Products – apps focused on prevention
 - *ToolBoxTalks app* – safety briefings for construction job sites
 - *Good Observation/Near Miss/Accident Reporting app* – all industries
 - *SAFEME app* – young retail workers
 - *Highly Contagious Diseases app* – healthcare workers

Prevention app #1:



- Construction industry
- Job site safety briefings
- Grantee: Renton Technical College
- Link to app: <https://itunes.apple.com/us/app/tool-box-talks/id866246915>

Prevention app #2:



- All industries
- Good Observation/Near-Miss/Accident Reporting
- Interactive
- Grantee: Shervey & Assoc./Schuchart Const.
- Link to app: [WA-HSEQ on the App Store](#)



Prevention app #3:

- Retail – young workers
- National attention
- Grantee: WA State Retail Assn.
- Link to app: <https://itunes.apple.com/us/app/safeme-by-washington-retail-association-and-ship/id1155145241?mt=8>



Prevention app #4:

- Healthcare workers
- Highly Infectious Diseases
 - Hand-held Just in Time (JIT) training smartphone app.
 - Deployable to any setting for care of patients w/highly contagious diseases.
- Grantee: UW School of Public Health/Medicine
- Link to app:

https://play.google.com/store/apps/details?id=org.sitel.EbolaPatientHygiene&hl=en_US

- Username: uwashington
- Password: uw2016

Synergistic Partnering with Influencers: 1+1+1 = 10!



General Updates

Vickie Kennedy, Assistant Director for Insurance Services
Mike Ratko, Deputy Assistant Director Insurance Services



Engage Conning to review current Contingency Reserve (CR) target ranges.

Next steps include:

- Compare current CR as a percent of liabilities to other insurers
- Evaluate the risk of a deficit
- Evaluate the effect of a higher target ratio on:
 - Premium rate stability
 - Investment gains

Reinsurance Updates

The finance committee supports the department's efforts to examine potential RI options

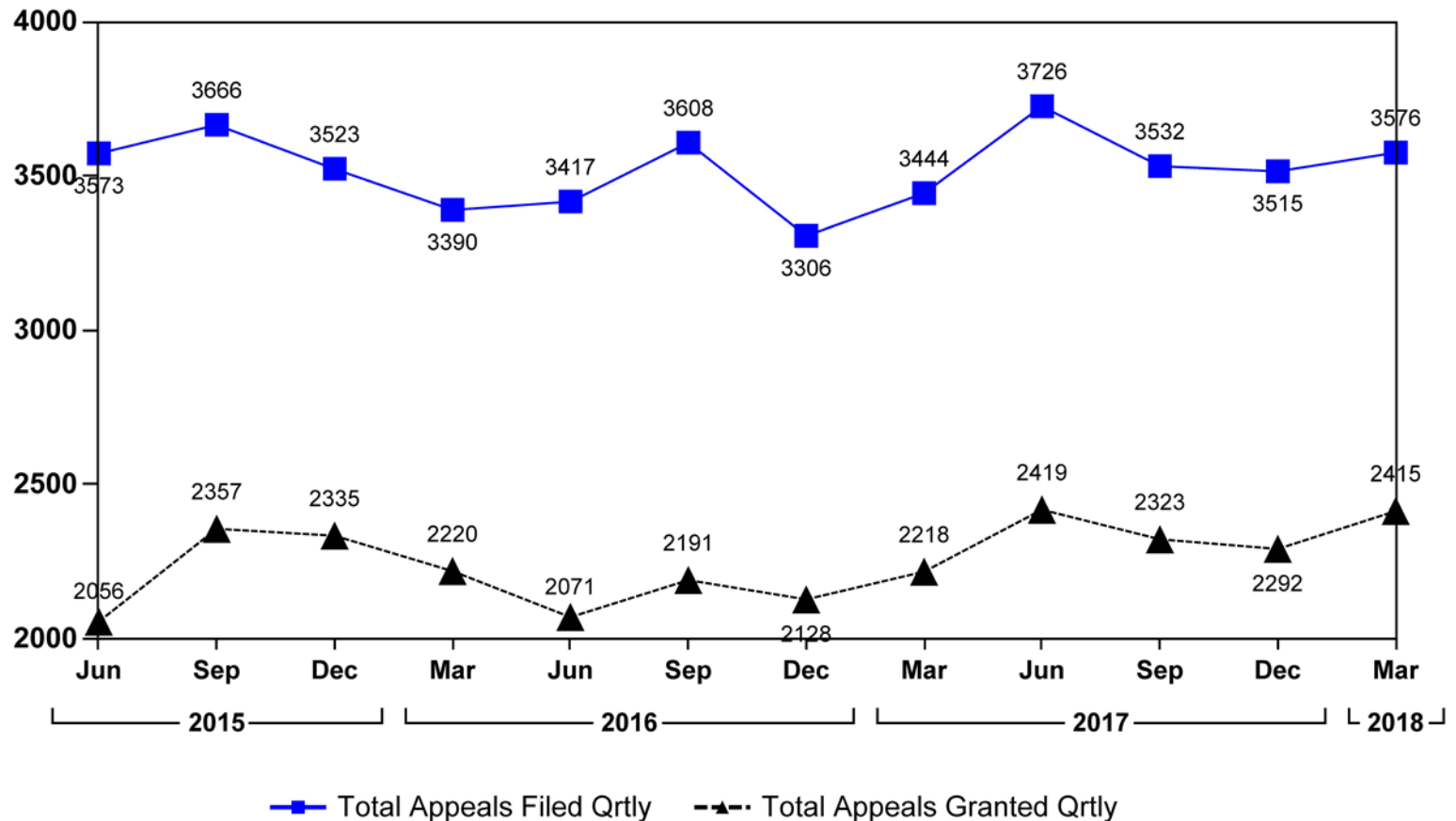
- RI contract under review by department
- Assessing feasibility of Cat Bonds

Board of Industrial Insurance Appeals (BIIA) Update

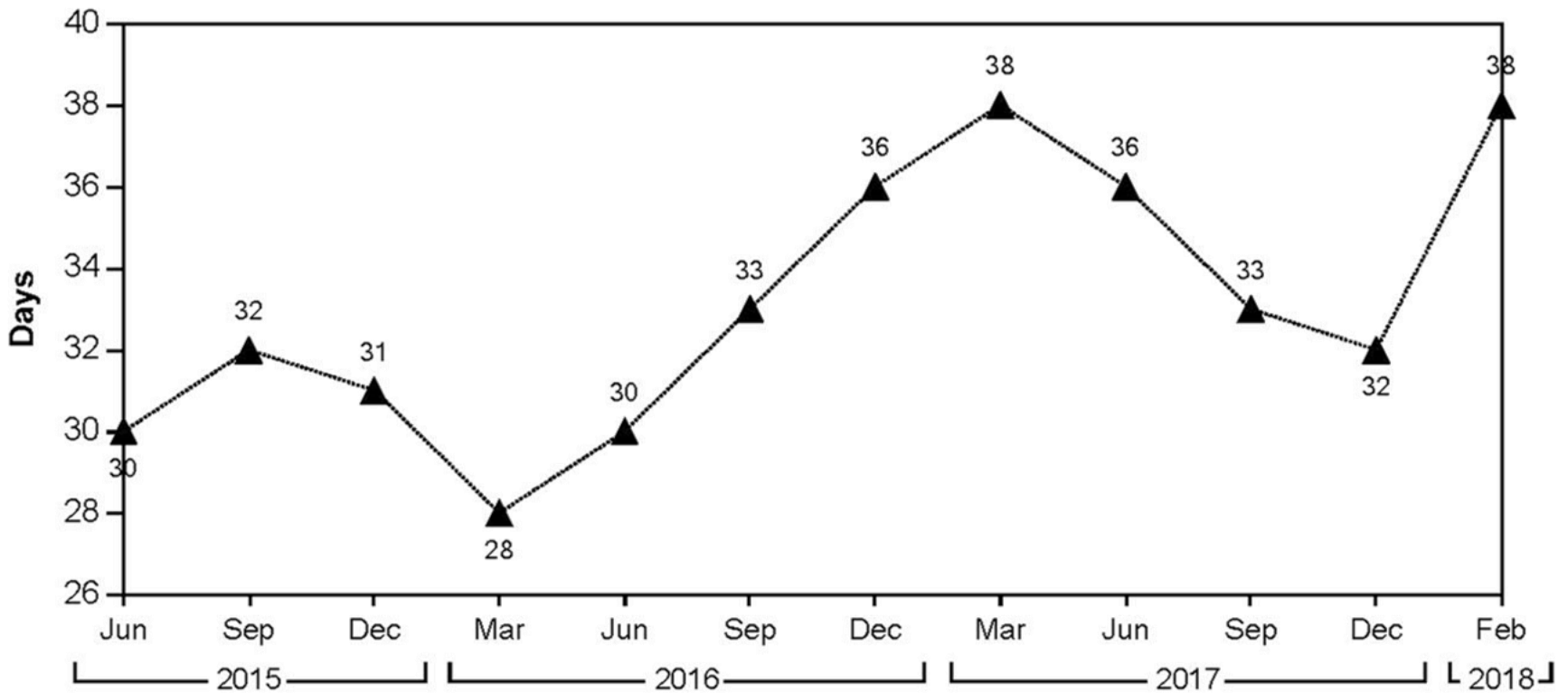
Linda Williams, Chair



Total Appeals Filed and Granted

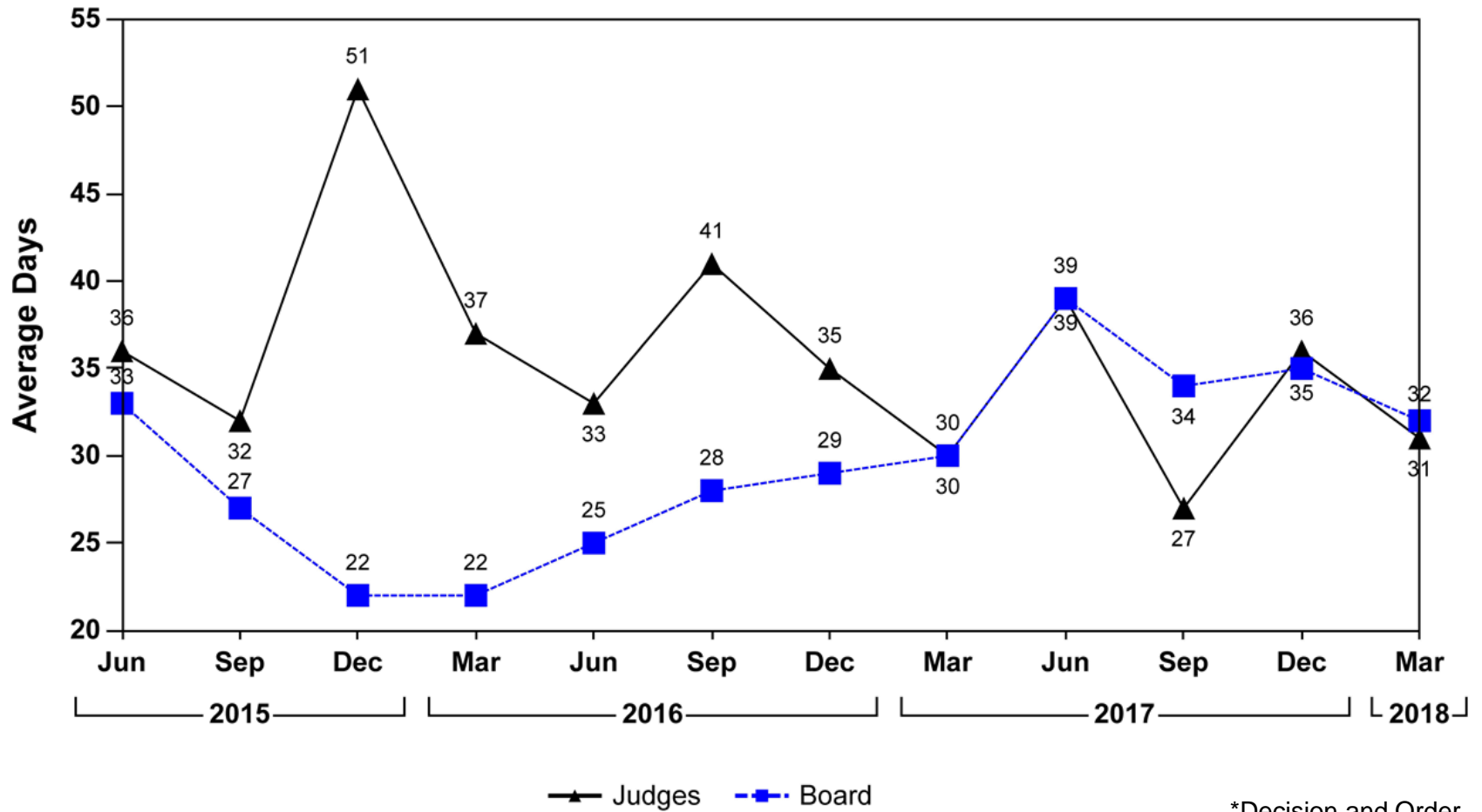


Average PD&O* Time-lag by Quarter for Hearing Judges



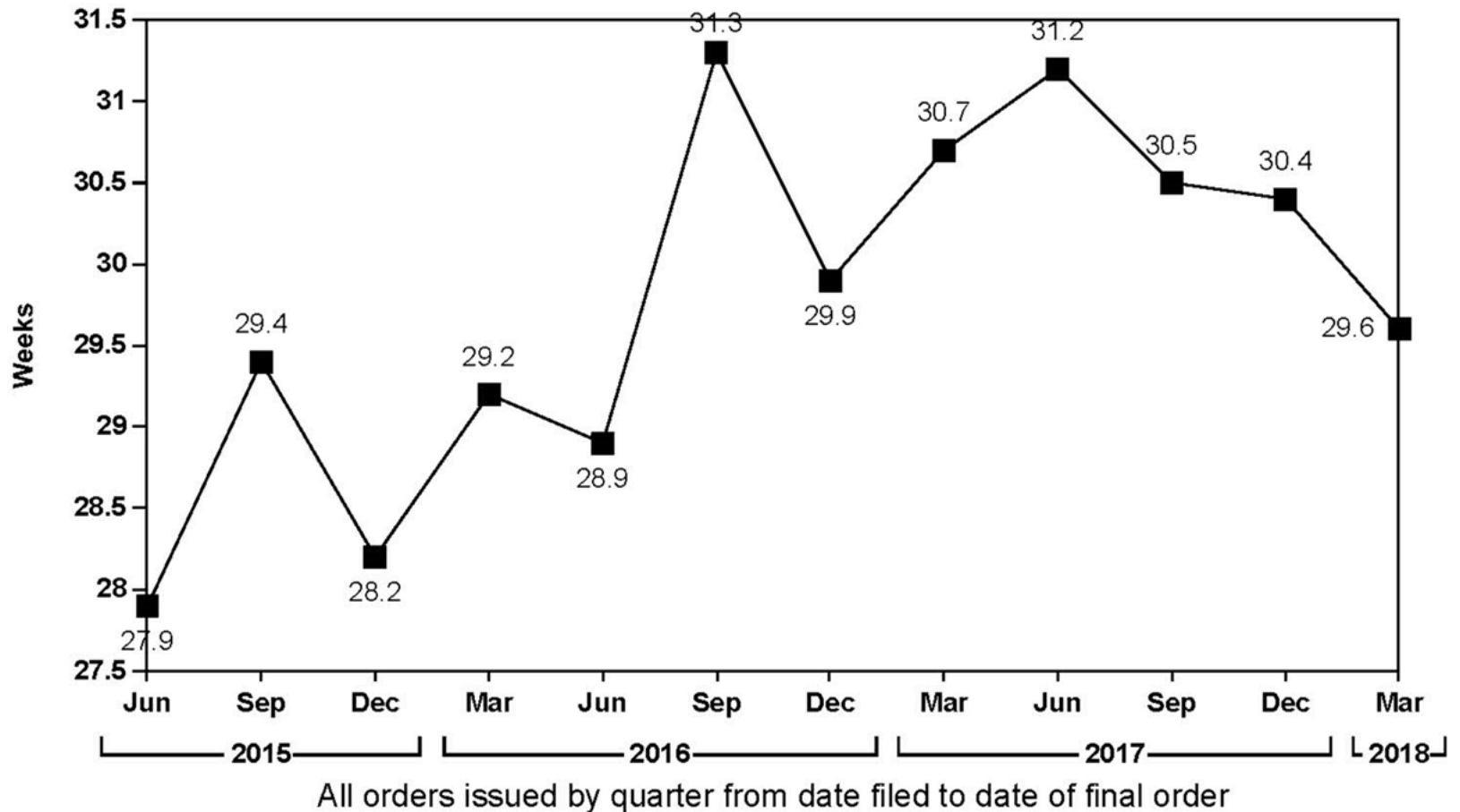
*Proposed Decision and Order

D & O* Time-Lag by Quarter

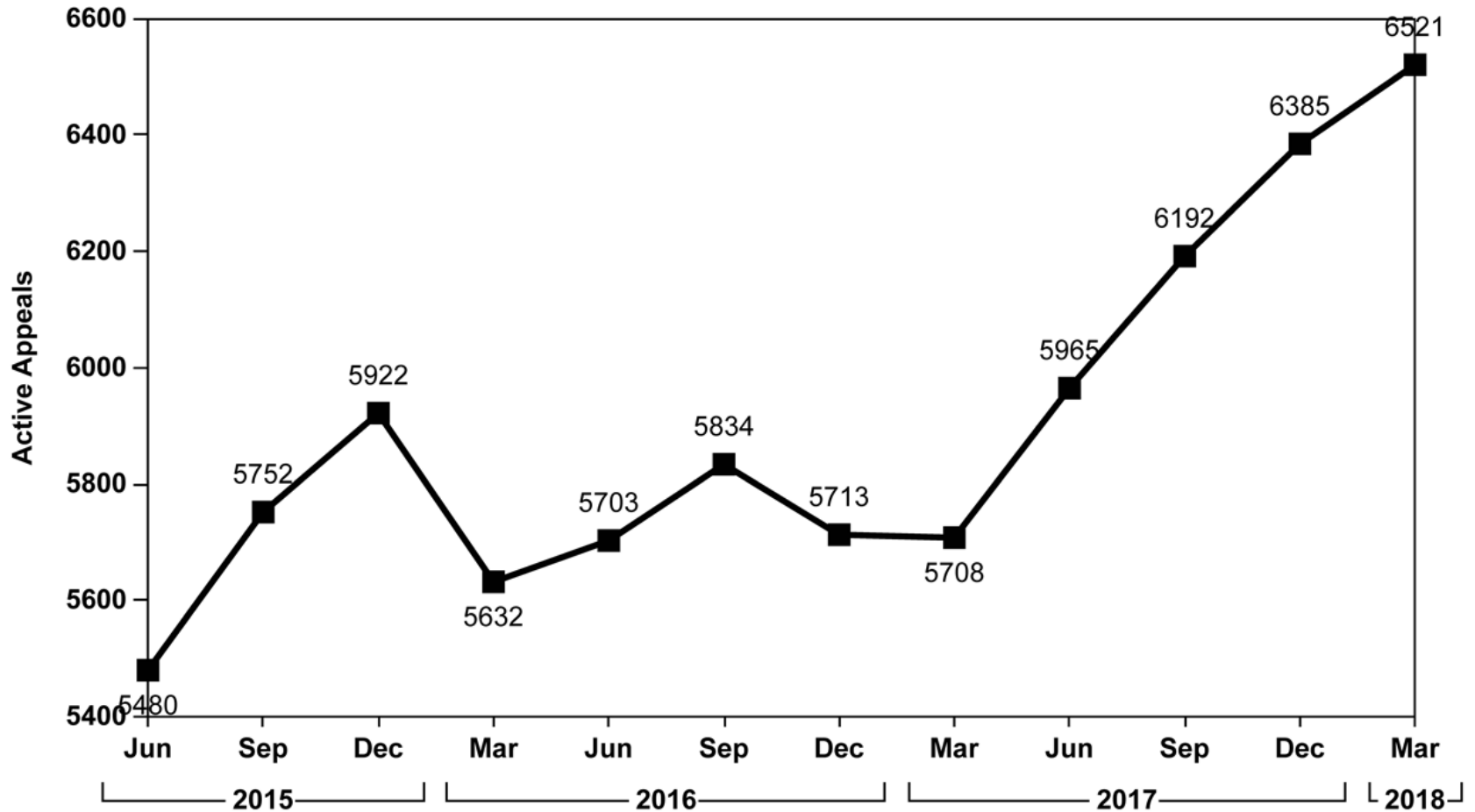


*Decision and Order

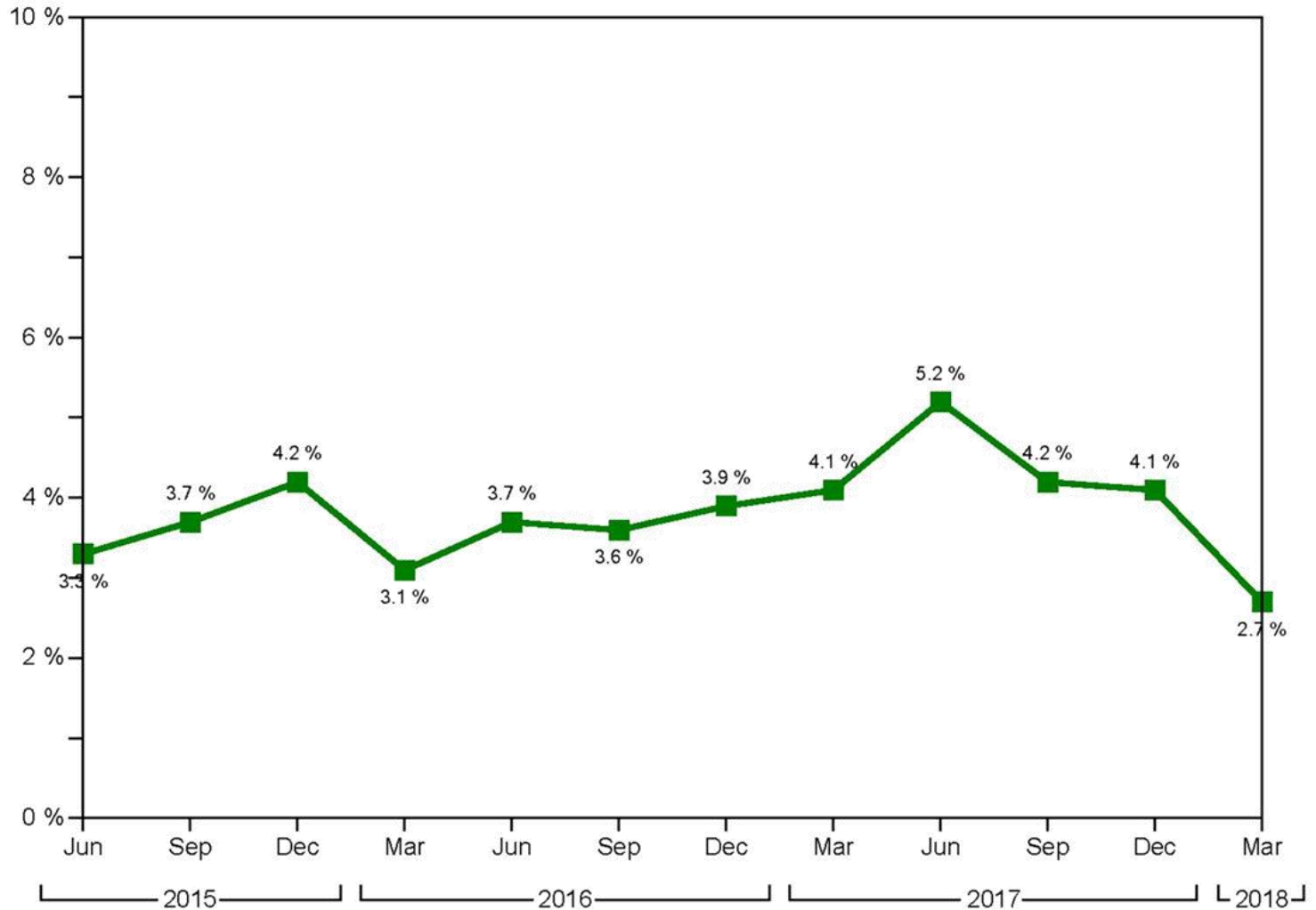
Quarterly Average Weeks to Completion



Caseload at End of Quarter



Percentage of Final Orders Appealed to Superior Court - Quarterly



Business Transformation: Business Case

Brian Colker, Linea Solutions



Progress on the Workers' Comp Replacement Business Case

- **Business Transformation projects**
 - The agency has been doing considerable work with the business transformation projects to prepare for the replacement, including those related to Workers' Compensation Systems Review, Enterprise Data Strategy, and Technology Assessment & Readiness.
- **Investigation of comparable projects**
 - The agency has continued to speak to and visit other organizations about their experiences and lessons learned to gain additional knowledge both in and out of Washington State.
- **Drafted an end-to-end timeline for the effort**
 - The work has been outlined that will be necessary from beginning to end, including considerations for different scenarios of scope, sequencing, phasing, etc.
- **Building bottom-up cost and staffing estimates for the effort**
 - The working estimates have been catalogued for all of the costs (L&I FTEs, external consulting support, hardware, software, etc.), leveraging information from comparables as a reference point.
- **Focusing on identifying risks**
 - The agency continues to consider and document risks and the mitigation strategies to ensure success.

L&I's working timeline spans 7 years

Timeline Highlights

■ 7 years in total

- The first 12 months are focused on software selection, implementation preparedness, and establishing base infrastructure
- The remaining 6 years are the core COTS software implementation, configuration, and roll-out

■ Phased Approach

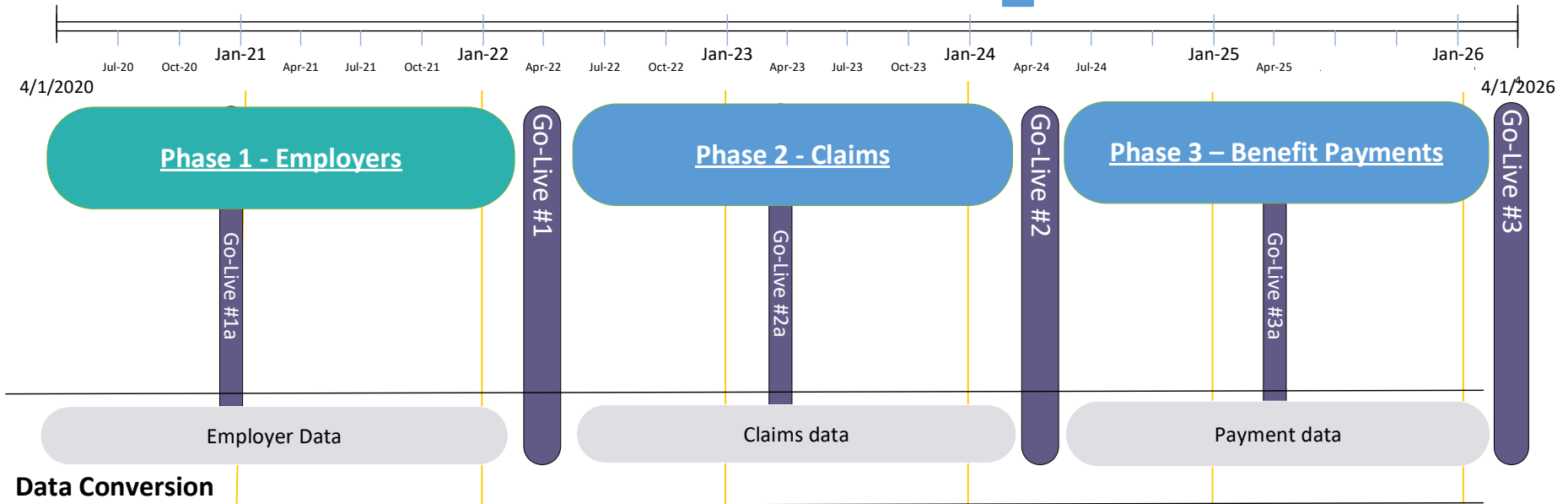
- Employer Accounts first to be followed by Claims
- Phased design, configuration, testing, and deployment along the way; Not a “Big Bang”

■ Addressing risks that are common for projects this size

- Emphasis on change management
- Structured approach to project governance and project management
- Proactively hiring for key business & technology positions to free-up subject matter experts to work on the project

Draft Phasing Plan

Workers' Comp Project Phasing Approach



The working estimate is still being refined so that the budget package constitutes what is needed for success

Working Estimate Highlights

- **In comparable projects executed by other organizations that were investigated the costs were estimated at \$200M - \$250M and in the end, the projects were behind schedule and over budget.**

- **A few factors were identified and assessed that are unique to L&I**
 - L&I has more systems (104) that will require interfaces (500+) to the original workers' compensation system than the comparable projects
 - Comparable agencies have gone through multiple transformational projects over the last several decades where L&I has not. L&I has maintained its legacy system

- **There are still some moving parts that will tighten the working range of estimates leading into the formal funding request, for example:**
 - Fine-tuning the phased implementation plan for the functionality releases
 - Considering the right balance of internal L&I FTEs and external vendor experts

Next Steps

- **The business case is coming together as planned and expected**
- **Continued research, investigation, and planning further affirms the approach to this project**
- **The agency is doing its homework so that they can focus on delivering this important project AND ensure minimal disruption to the day-to-day work with employers and injured workers**
- **Report out to the WCAC the results of this ongoing work at the next meeting**
 - Refined cost and resources needed
 - Timeline

Break Time



Business Transformation: Employer Accounts

Chris Bowe, L&I's Program Manager; Employer Services



Prepping People for the Future

- Breaking away from traditional model
- Focus on customer outcome
- Testing ideas to provide timelier services
- Testing ideas to provide greater convenience

Processes of the Future

- Real time transaction: action is instantly received
- Action taken is instantly available for review
- Improved efficiencies and customer service



Improved Technology: Customer Portal

- Self-service reliability
- Improved reporting capability
- Data available to employer



Industrial Insurance (State) Fund Financial Overview

Statutory Financial Information

Fiscal Year 2018 Through Third Quarter

**Using 4.5% State Fund Pension Discount Rate
July 2017 – March 2018**



Rob Cotton, Workers' Compensation Accounting Manager



Significant Financial Highlights

July 2017 through March 2018

The contingency reserve increased \$1,059 million, from \$2,972 million on July 1, 2017 to \$4,031 million on March 31, 2018. However, lowering the discount rate reduces the contingency reserve by \$741 million and results in a final adjusted contingency reserve of \$3,290 million.

	<ul style="list-style-type: none">• Favorable development on prior year liabilities<ul style="list-style-type: none">➤ Medical Aid: lower than expected claim counts and lower than anticipated medical payments➤ 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• Gains on investments• Premiums and investment income are adequate to pay for expected costs
	<ul style="list-style-type: none">• Lowering discount rate from 6.2% to 4.5% for State Fund

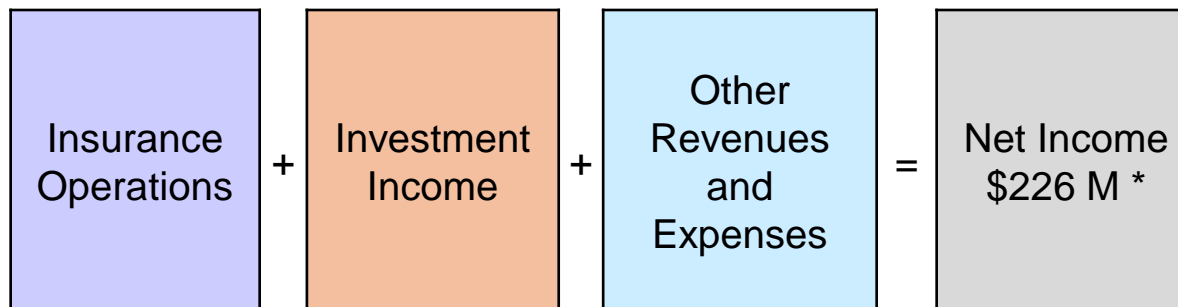
Change in contingency reserve by quarter for fiscal year 2018.

- July 1st to September 30, 2017 – an increase of \$427 million
- October 1st to December 31, 2017 – an increase of \$514 million
- January 1st to March 31, 2018 – a decrease of \$623 million (increase of \$118 million offset by \$741 million decrease for the reduction in the discount rate.)

State Fund Results

“Net Income”

July 2017 through March 2018



*Net income is \$967 M without the \$741 M increase to benefits for the discount rate reduction to 4.5% for the State Fund.

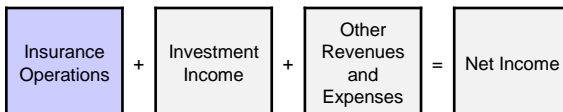
Insurance Operations

July through March 2018
(in millions)

Nine Months Ended

		March 31, 2018	March 31, 2017
We took in (Premiums Earned)	+	\$ 1,561	\$ 1,516
We spent (Expenses Incurred)			
Benefits Incurred		920	1,198
Lowering discount rate from 6.2% to 4.5% for State Fund		741	0
Adjusted Total Benefits Incurred		1,661	1,198
Claim Administrative Expenses		131	135
Other Insurance Expenses		70	64
Total Expenses Incurred	-	1,862	1,397
Net Income Gain(Loss) from Insurance Operations	=	\$ (301)	\$ 119

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



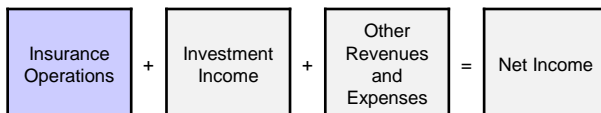
At a 6.2% discount rate there is a net income from Insurance Operations of \$440 million.

Premiums Earned

July through March
(in millions)

Nine Months Ended

	March 31, 2018	March 31, 2017	Difference
Standard Premiums Collected	\$1,751	\$1,680	
Less Retrospective Rating Adjustments	(26)	(31)	
Net Premiums Collected	1,725	1,649	
Changes in future Premium Amounts To Be Collected	(52)	(15)	
Changes in future Retrospective Rating Adjustment Refunds	(112)	(118)	
Net Premiums Earned	\$ 1,561	\$ 1,516	\$ 45

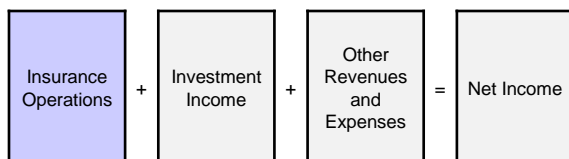


Benefits Incurred

July through March
(in millions)

Nine Months Ended

	March 31, 2018	March 31, 2017	Difference
Benefits Paid	\$ 1,223	\$ 1,208	\$ 15
Change in Benefit Liabilities	(303)	(10)	(293)
Lowering discount rate from 6.2% to 4.5% for State Fund	741	0	741
Adjusted Total Benefits Incurred	\$ 1,661	\$ 1,198	\$ 463



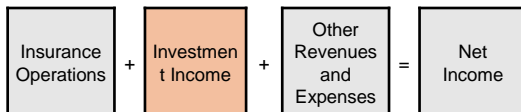
The main reason for the \$463 million increase in benefits incurred is the discount rate reduction offset by favorable development on prior year benefit liabilities.

Investment Income

July through March
(in millions)

Nine Months Ended

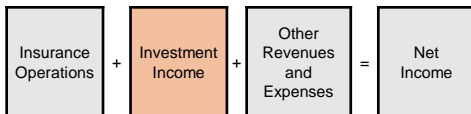
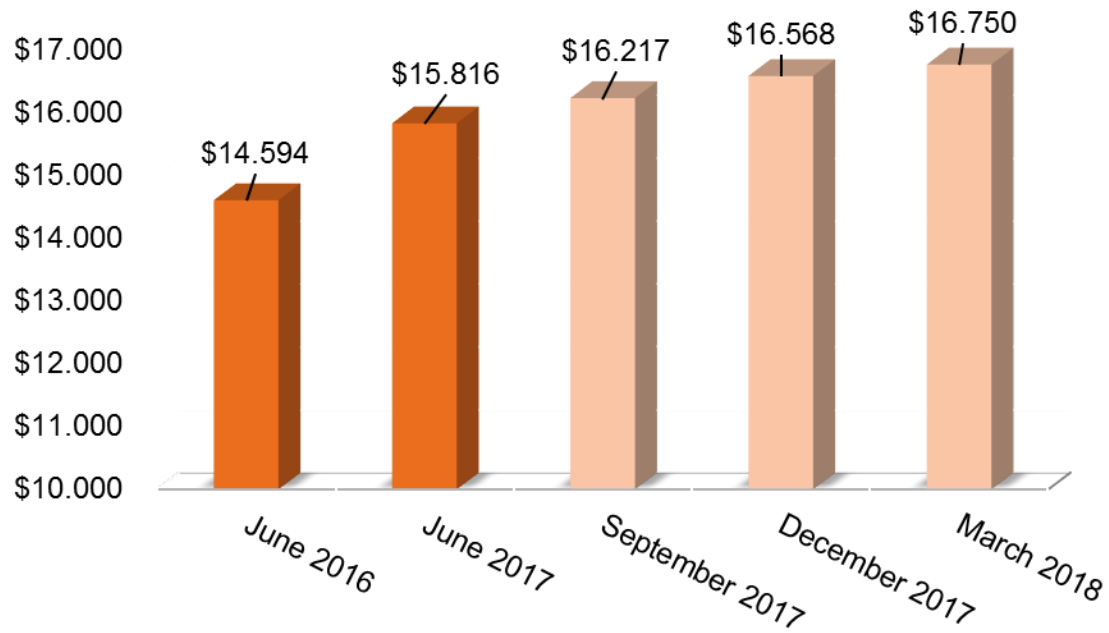
		March 31, 2018	March 31, 2017
Investment Income Earned from Interest on bonds	+	\$ 360	\$ 358
Realized Gain/(Loss) from Fixed Income Investments Sold	+	11	29
Realized Gains from Stocks (Equity Investments) Sold	+	120 *	1
Total Investment Income	=	\$491	\$ 388



*Align with new asset allocation policy and rebalance the investment portfolio.

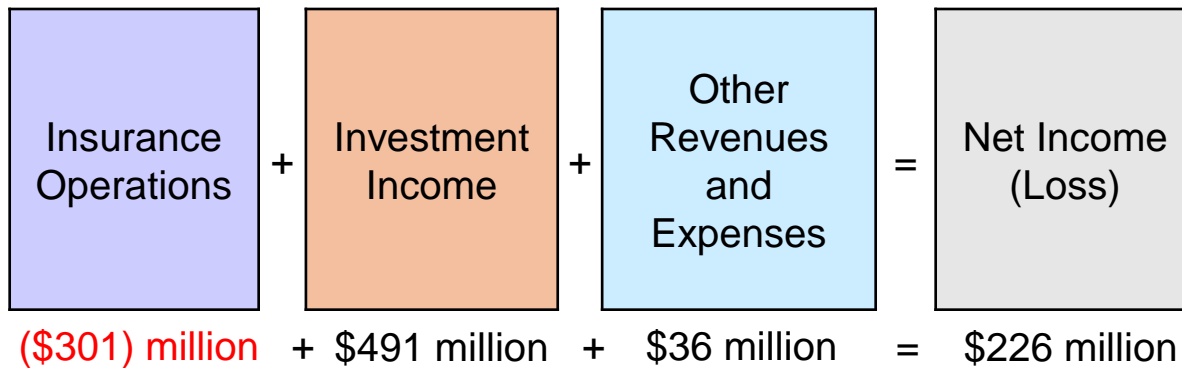
Total Investments

(rounded to billions)



Results of Operations

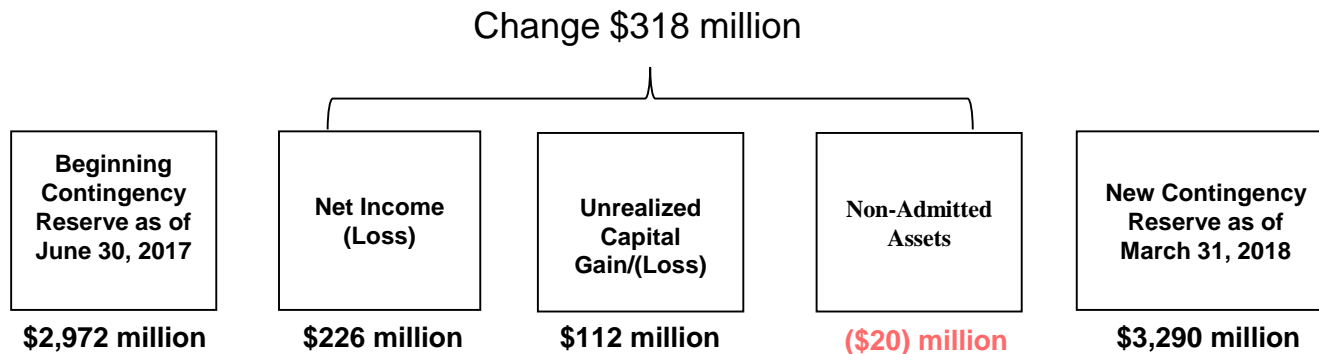
July 2017 through March 2018



Net income is \$967 M without the \$741 M increase to benefits for the discount rate reduction to 4.5% for the State Fund.

How Did Contingency Reserve Perform?

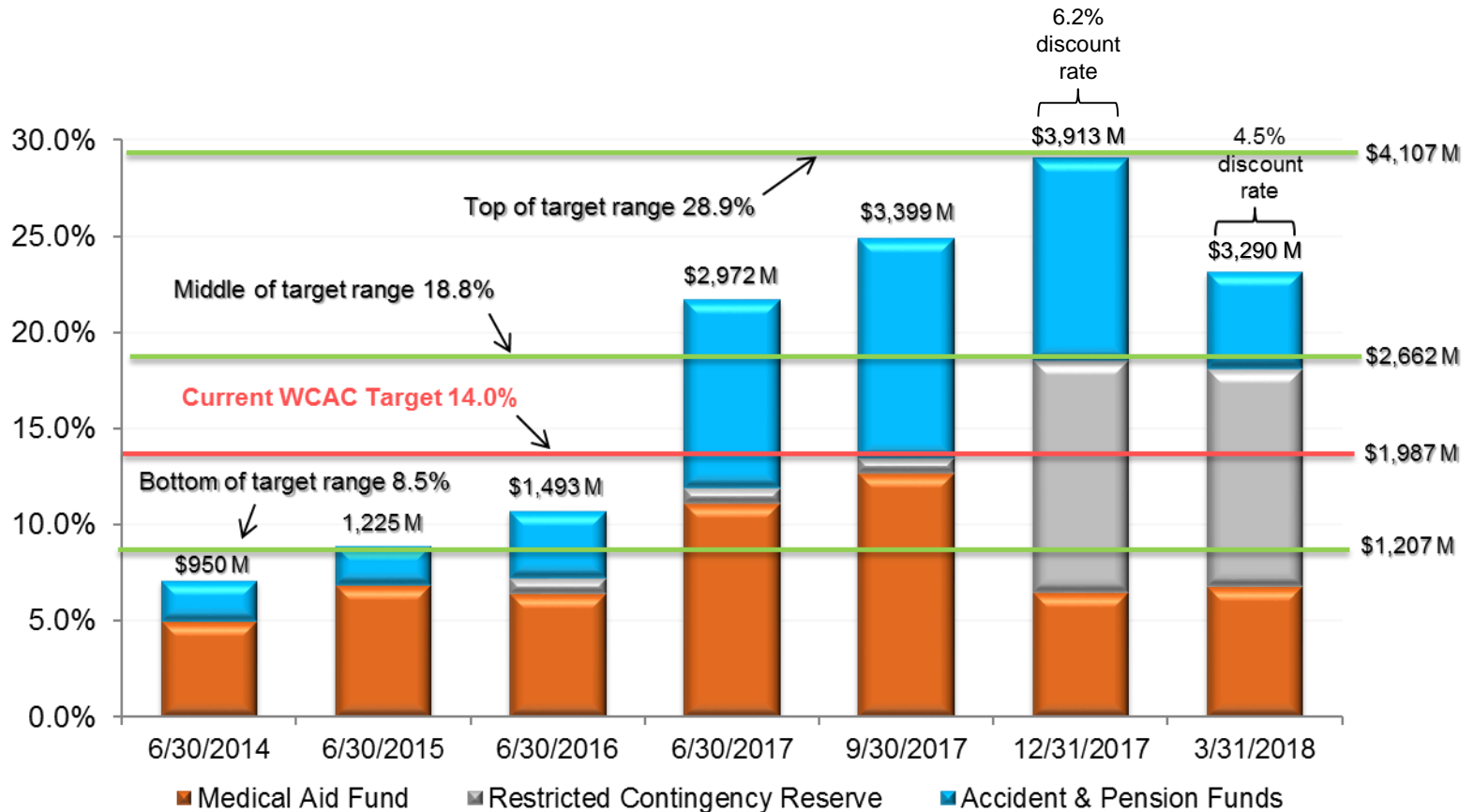
July 2017 through March 2018



The ending contingency reserve is \$4,031 million without the \$741 M increase to benefits for the discount rate reduction to 4.5% for the State Fund.

Combined Contingency Reserve vs. Targets

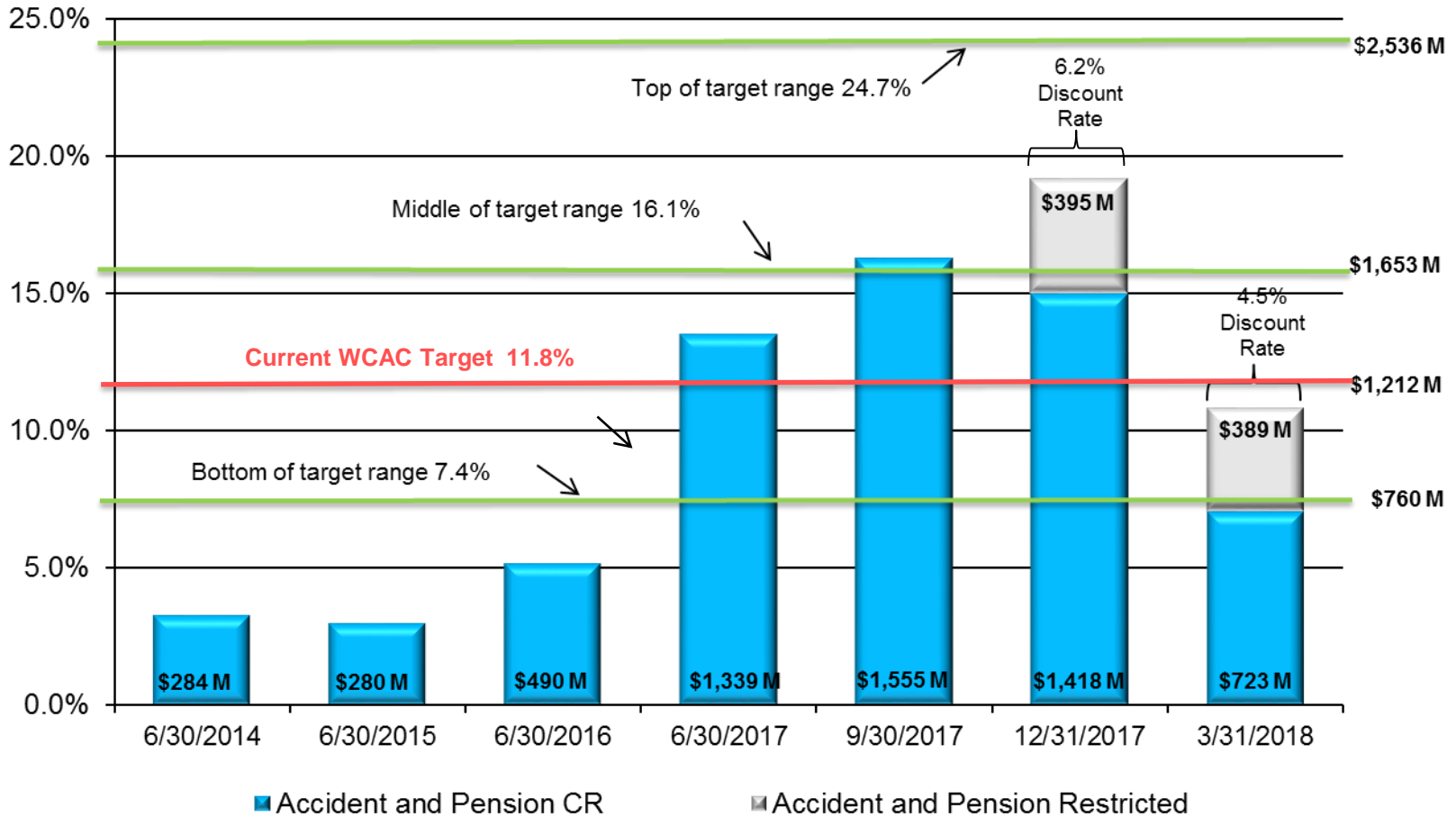
Combined Contingency Reserve with 4.5% State Fund Pension Discount Rate is 23.2% of Total Liabilities



Restricted is based on final June 30, 2017 financial information and the change in the value of investments through 03-31-18.

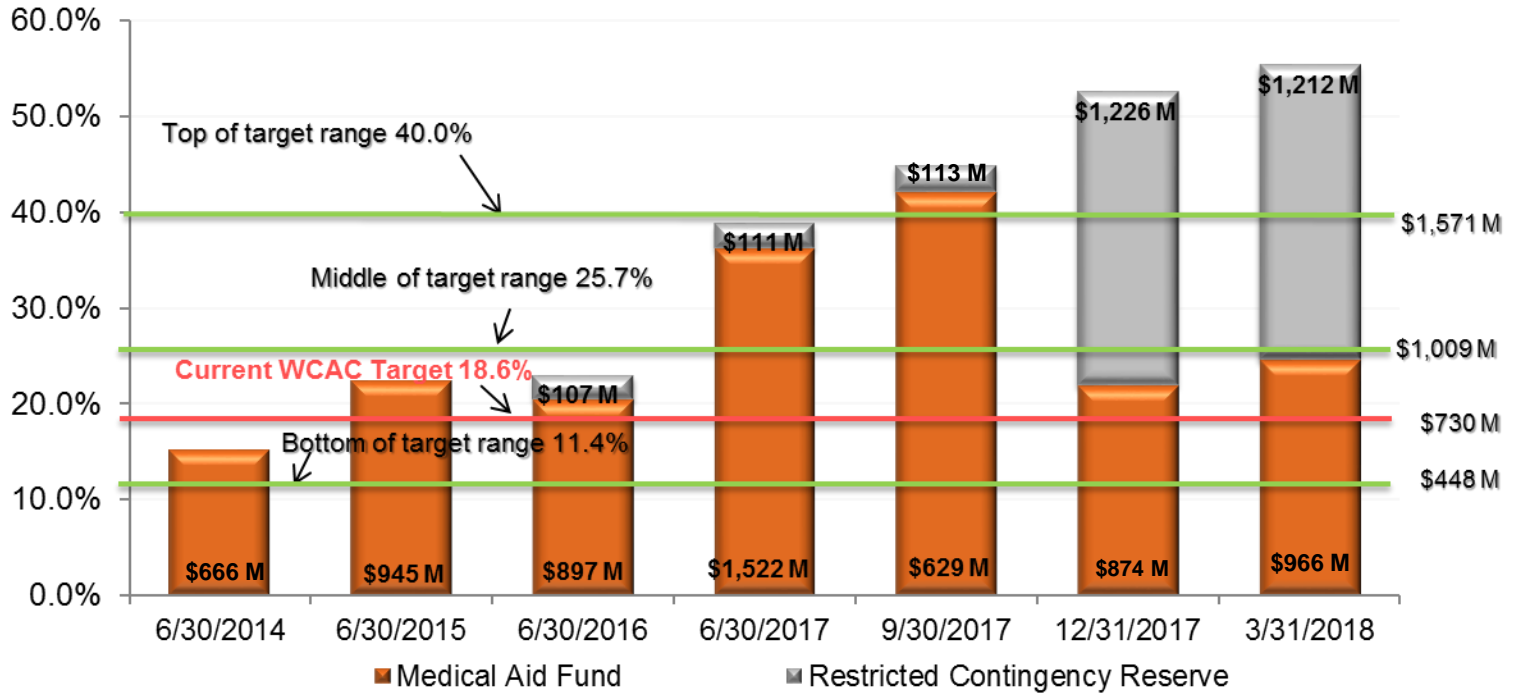
Accident, Pension & Restricted Contingency Reserve with 4.5% State Fund Pension Discount Rate is 10.8% of Liabilities

Accident & Pension Contingency Reserve vs. Targets



Medical Aid & Restricted Contingency Reserve is 55.5% of Liabilities

Medical Aid & Restricted Contingency Reserve vs. Targets



Restricted is based on final June 30, 2017 financial information and investment earnings through 03-31-18.

Key Financial Ratios

with 4.5% State Fund Pension Discount Rate
as a percentage of premium earned

Ratios	Quarter Ended March 31, 2018		Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016
	State Fund	Industry Forecast		
Current Year Benefit (Loss Ratio)	78.2%		78.2%	83.1%
Prior Year Benefit (Loss Ratio)	(19.2)%		(13.1)%	14.0%
Lowering discount rate from 6.2% to 4.5% for State Fund	47.4%		0%	0%
Total Benefit (Loss Ratio)	106.4%	52.8%	65.1%	97.1%
Claim Administration Expense (CAE) Ratio	8.4%	14.2%	7.9%	10.8%
Sub-Total: Benefit and Claim Administration Expense Ratios	114.8%	67.0%	73.0%	107.9%
Underwriting Expense Ratio includes all insurance administrative expenses except CAE	4.5%	25.3%	4.4%	4.5%
Combined Ratio (Industry omits dividends)	119.3%	92.3%	77.4%	112.4%
Investment Income Ratio	23.1%	19.5%	23.0%	25.4%
Operating Ratio	96.2%	72.8%	54.4%	87.0%

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

At a 6.2% discount rate the 3/31/18 operating ratio is 48.8%.

Questions & Comments

Contact Rob Cotton,
Workers' Compensation Accounting Manager

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

Thank You!

Dashboard – help injured workers heal and return to work

Vickie Kennedy, Assistant Director Insurance Services



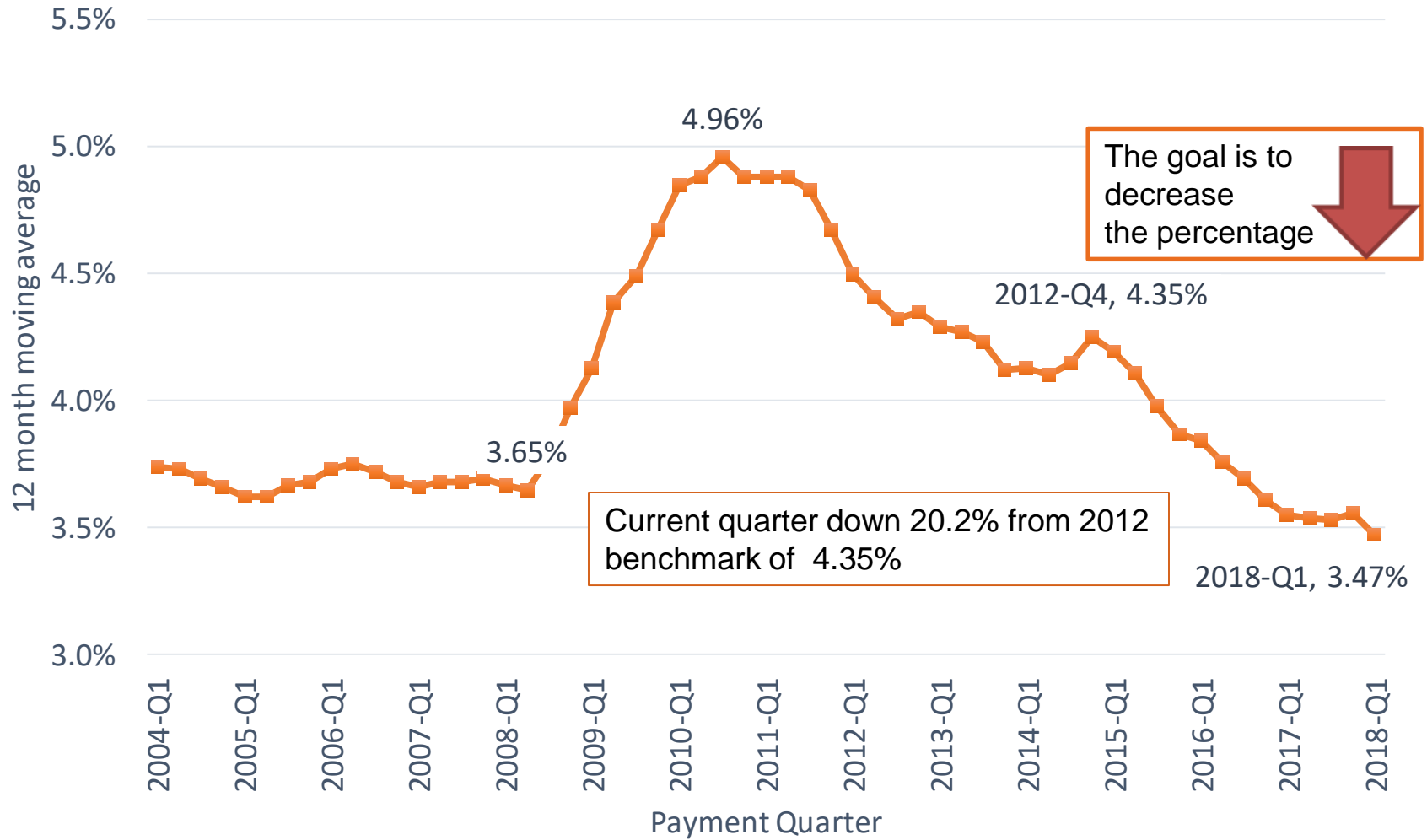
DASHBOARD SUMMARY

Measure	Change from 2012 (unless otherwise noted)		Highlights
Long Term Disability – share that received a TL payment in the 12 month post injury	Down 20.2 %	↓	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 6.2 %	↓	
Resolution rate - time-loss claims at 6 months	Up 5.9%	↑	
Auto adjudication of claims	Up 73% from 2014	↑	Highest since 2002*
High risk claims – share return to work at 12 months	Up 8.2%	↑	
Median time-loss days paid at 1st AWA referral	Down 70.2%	↓	Lowest since 2002*
% RTW outcomes when 1 st AWA referral made by 90th day of TL	Up 52.8% since 2014	↑	
% RTW outcomes - all first AWAs	Up 124% since 2014	↑	
WSAW participation	Steady utilization	↔	
COHE utilization	Up 84%	↑	Highest since 2002

* Earliest year for which measurement is available

Long term disability percent

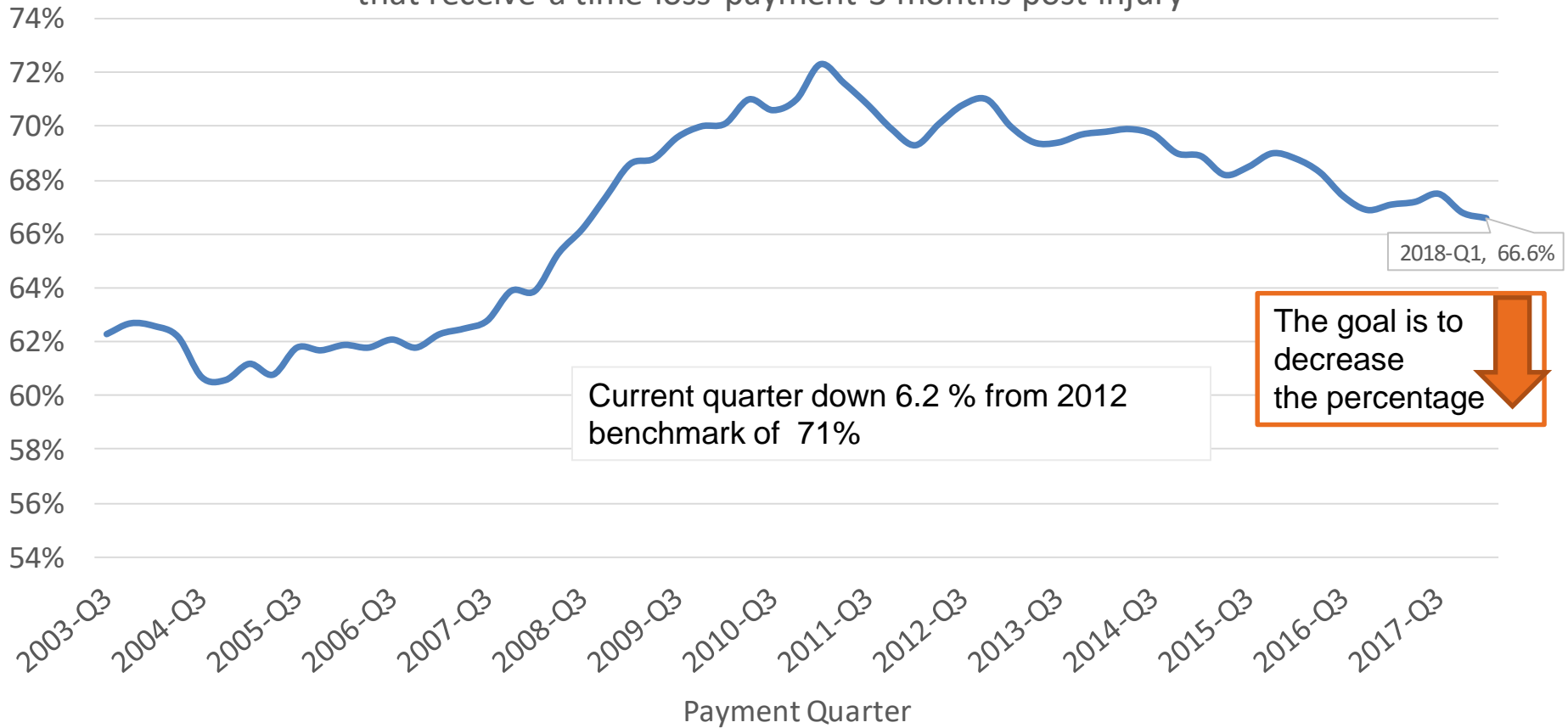
Share of injured workers with time-loss paid in the 12th month post injury: *smaller percentage indicates less long-term disability*



Currently about 820 claims per quarter

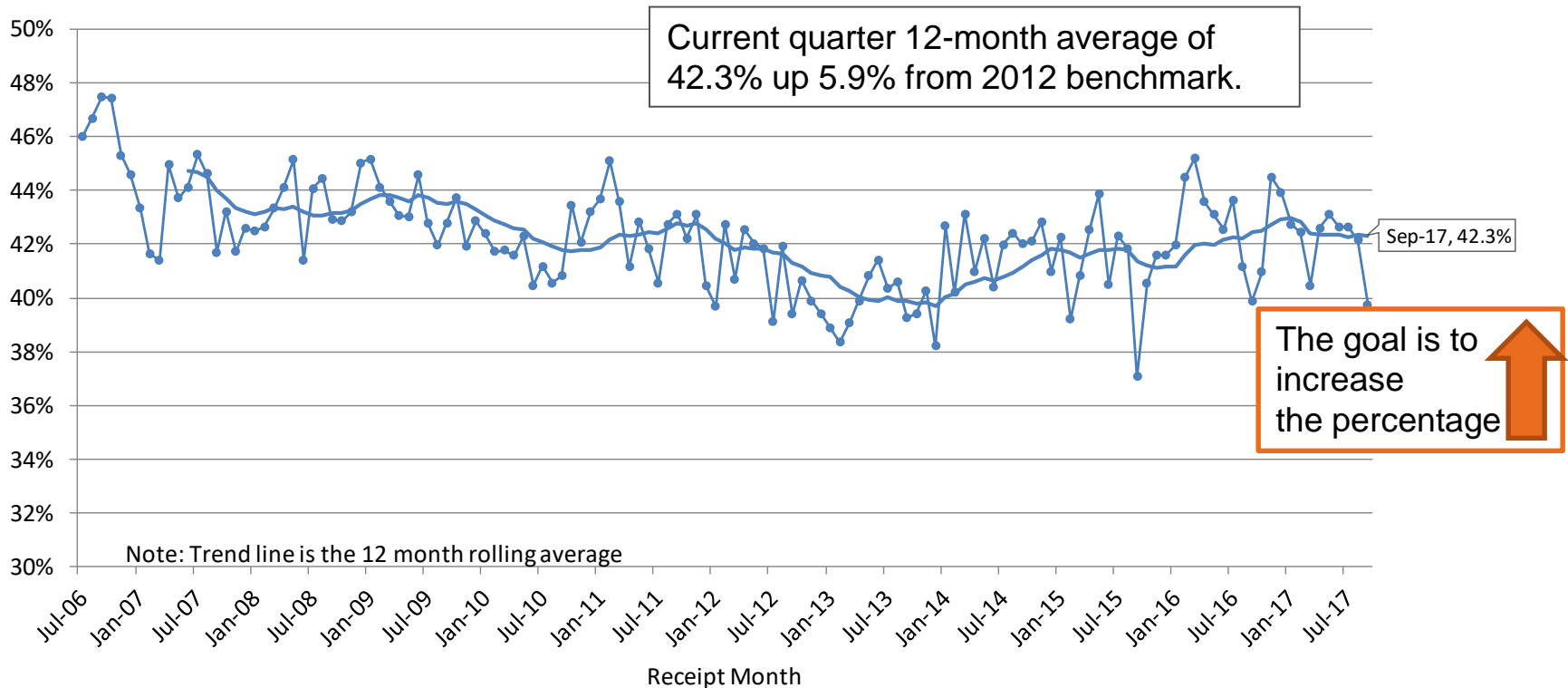
The onset of long-term disability is often measured between three and six months after injury

Claims that receive a time-loss payment 6 months post injury relative to claims that receive a time-loss payment 3 months post injury



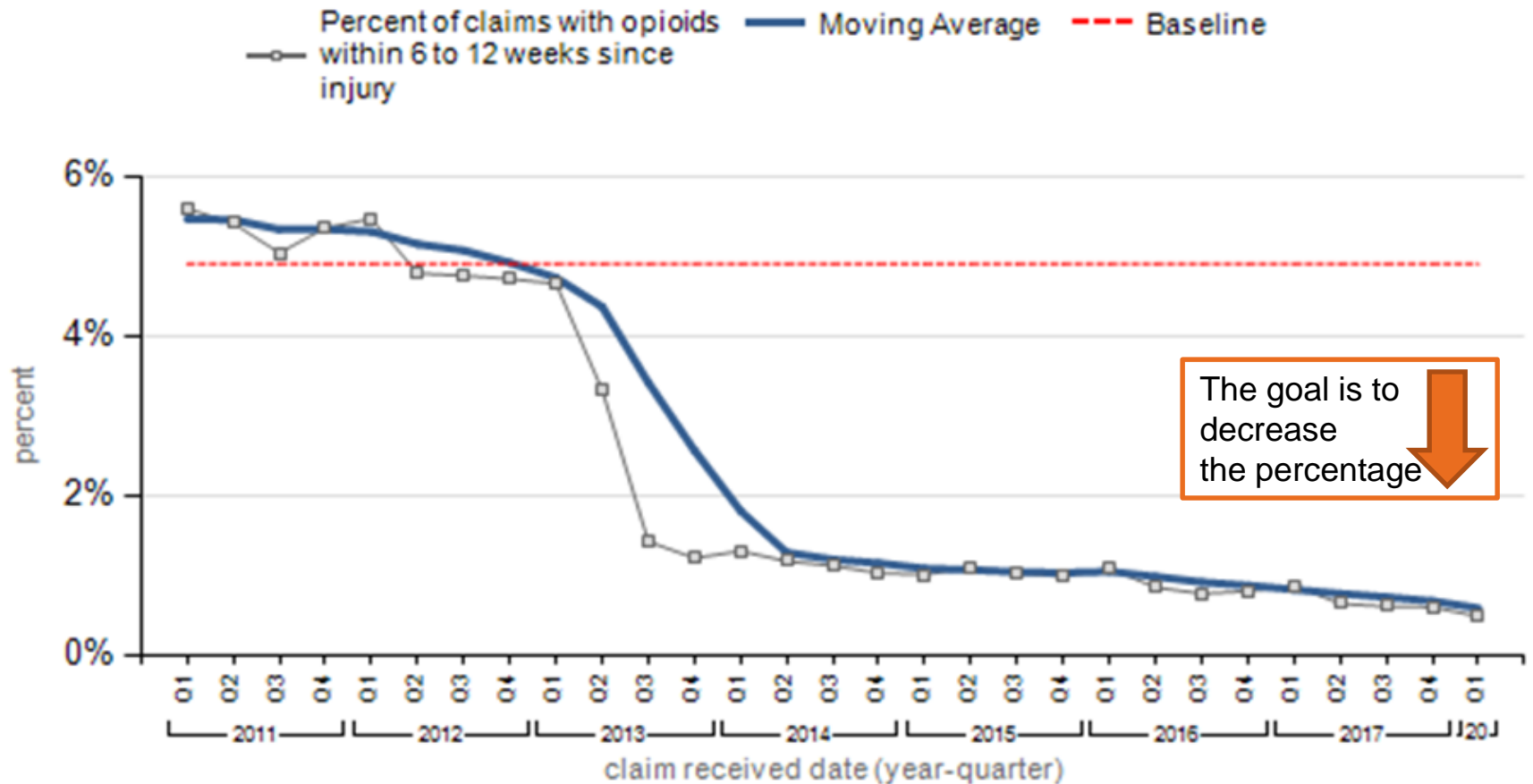
The share of time-loss claims resolved six months after claim receipt - trend has been upward

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

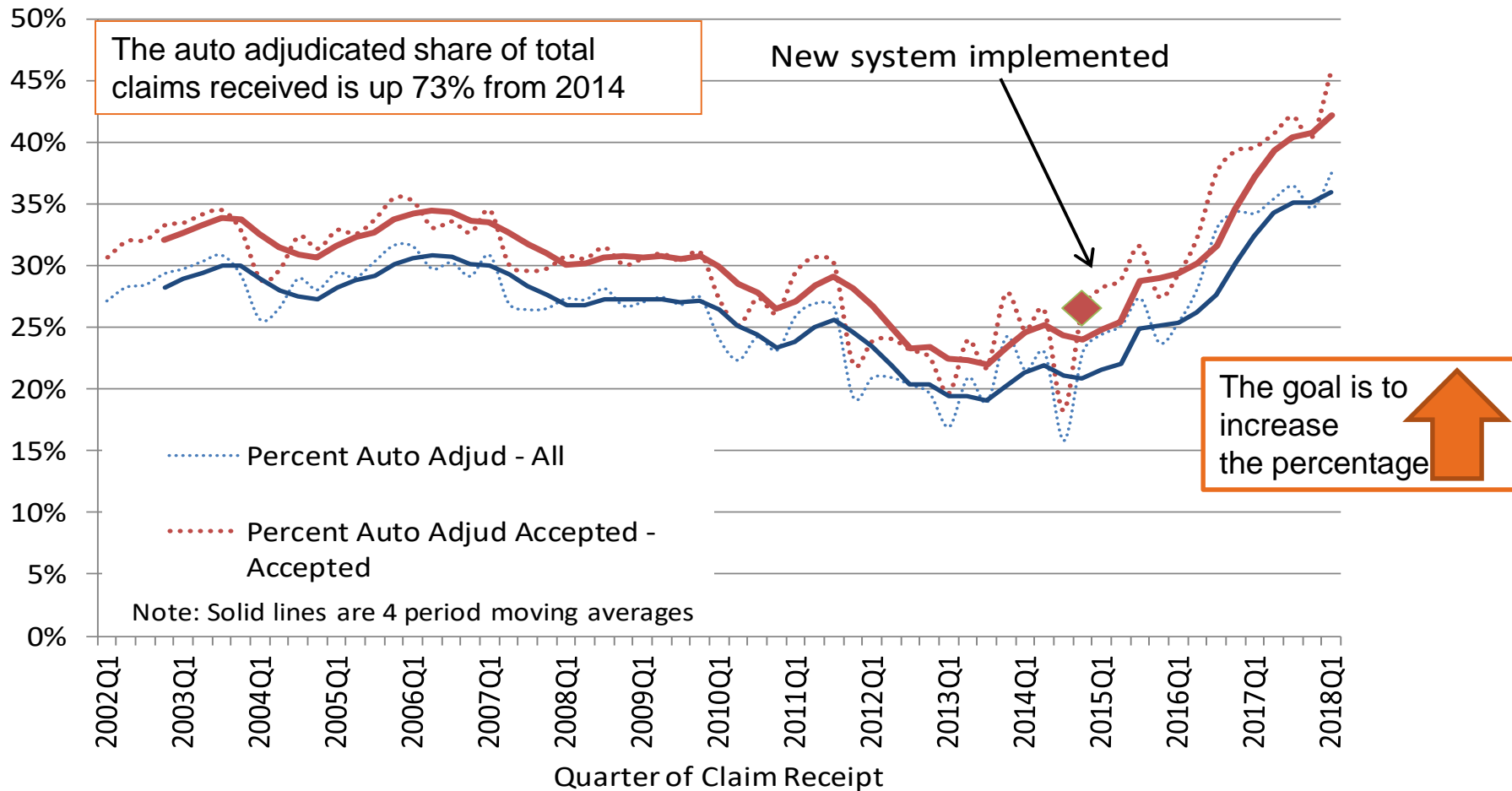


Claims With Opioid Prescriptions Within 6 to 12 Weeks of Injury

Percent accepted claims with opioids within 6 to 12 weeks since injury



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



High risk claims — Initiatives such as early AWA, COHEs, opioid guidelines and the RTW score are improving RTW outcomes

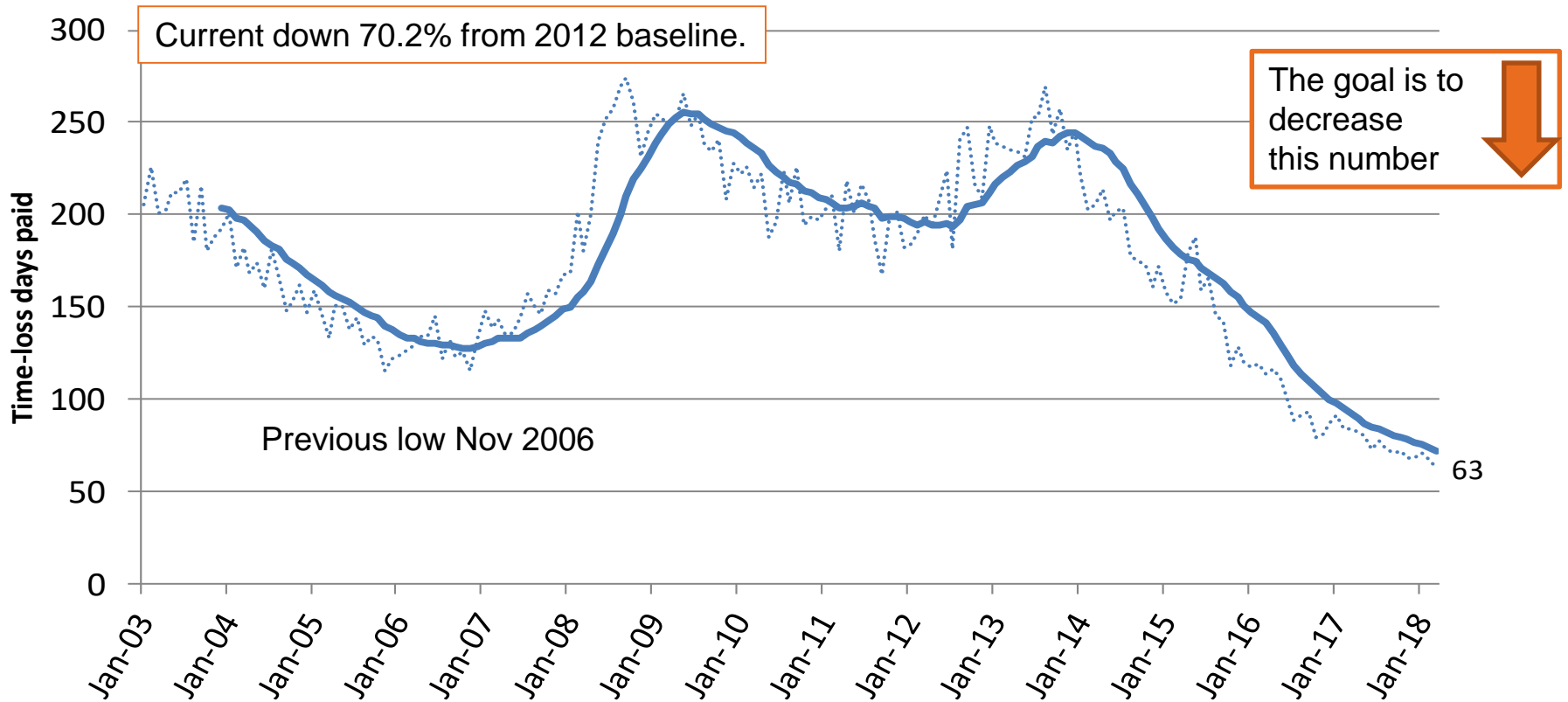
The share of injured workers off work 40 days after claim receipt who are likely to have returned to work: Note: 12-month rolling



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

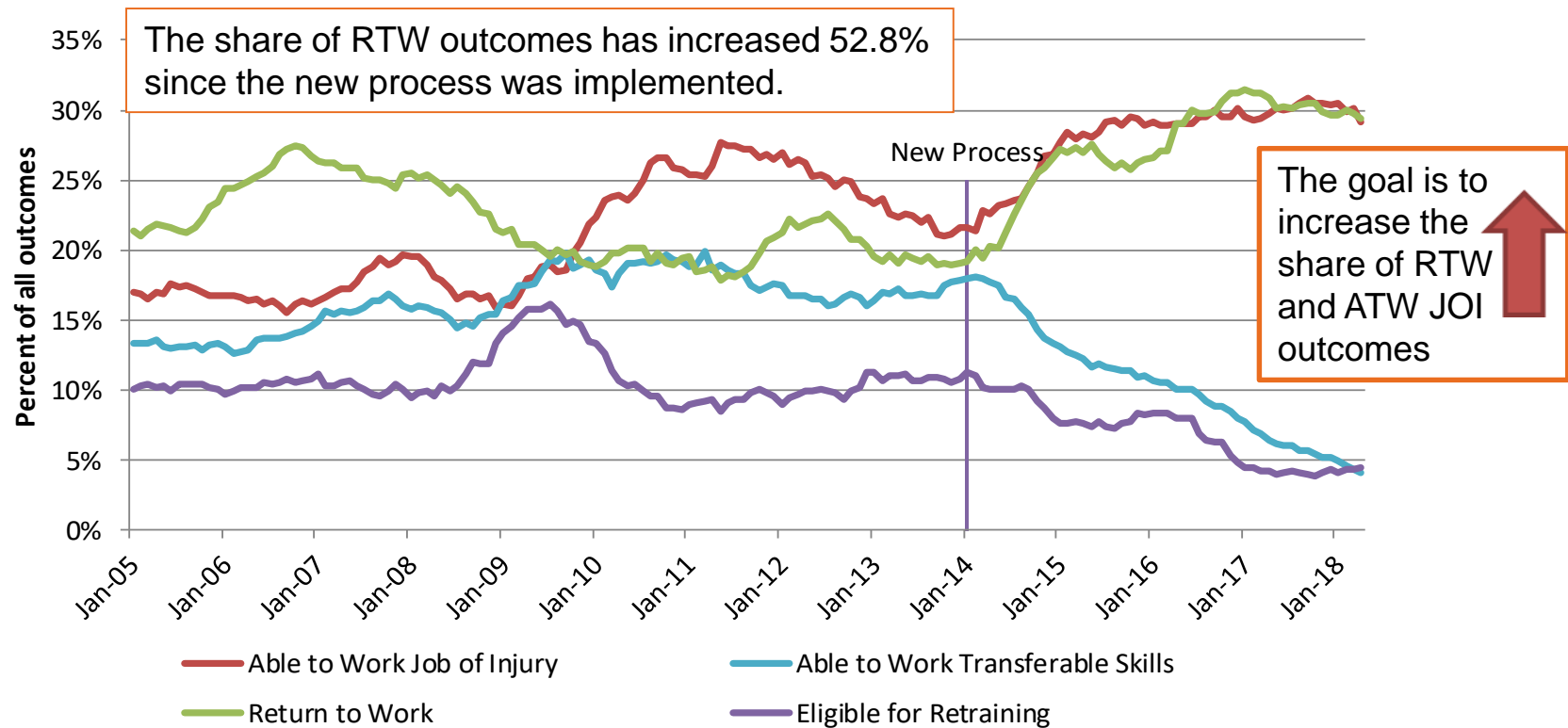
Ability to work assessment referrals are now targeted to address the onset of long-term disability.

Median time-loss days paid at first AWA referral



New focus on return to work in AWA process has increased positive employable outcomes for early AWAs

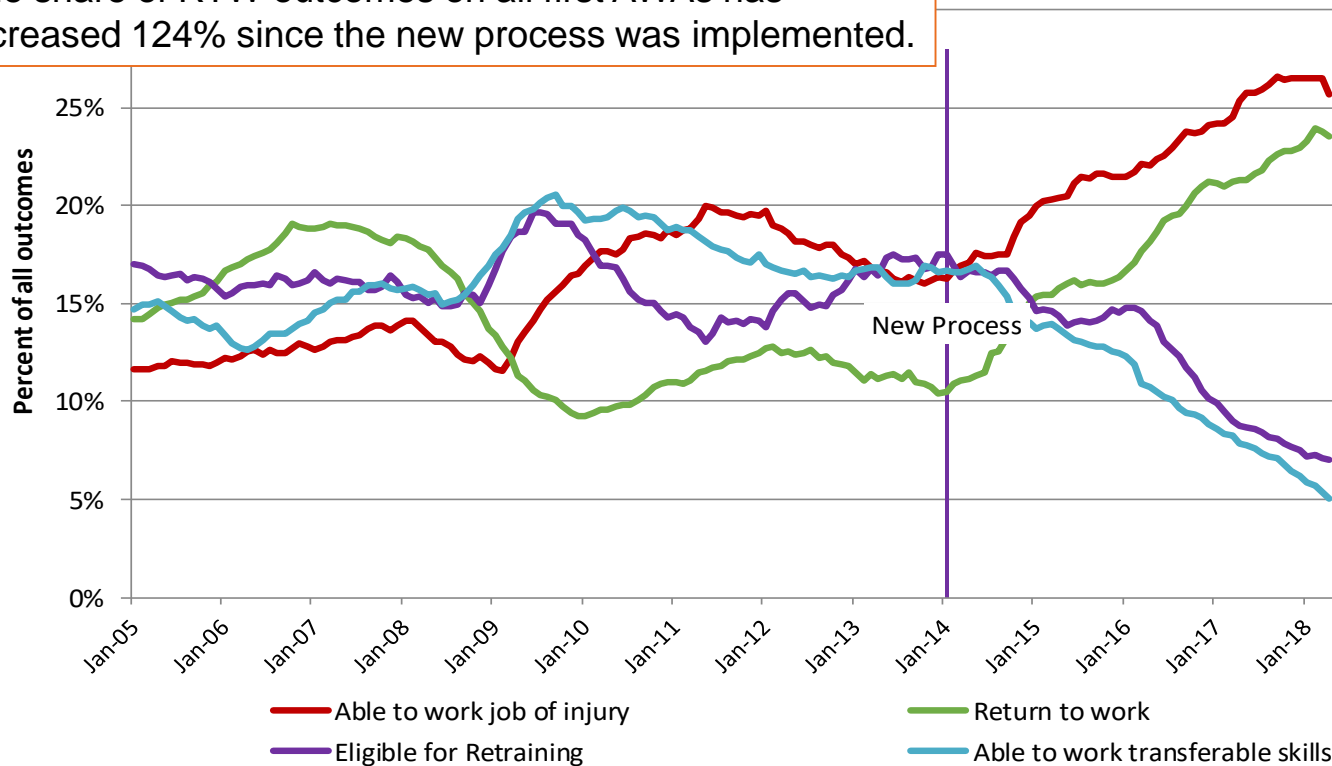
Outcome distribution when first AWA referral made with less than 90 days of time-loss, select outcomes (12-month rolling average)



New focus on return to work in AWA process has increased positive employable outcomes for all first AWAs

Outcome distribution, first AWA referrals, select outcomes (12-month rolling average)

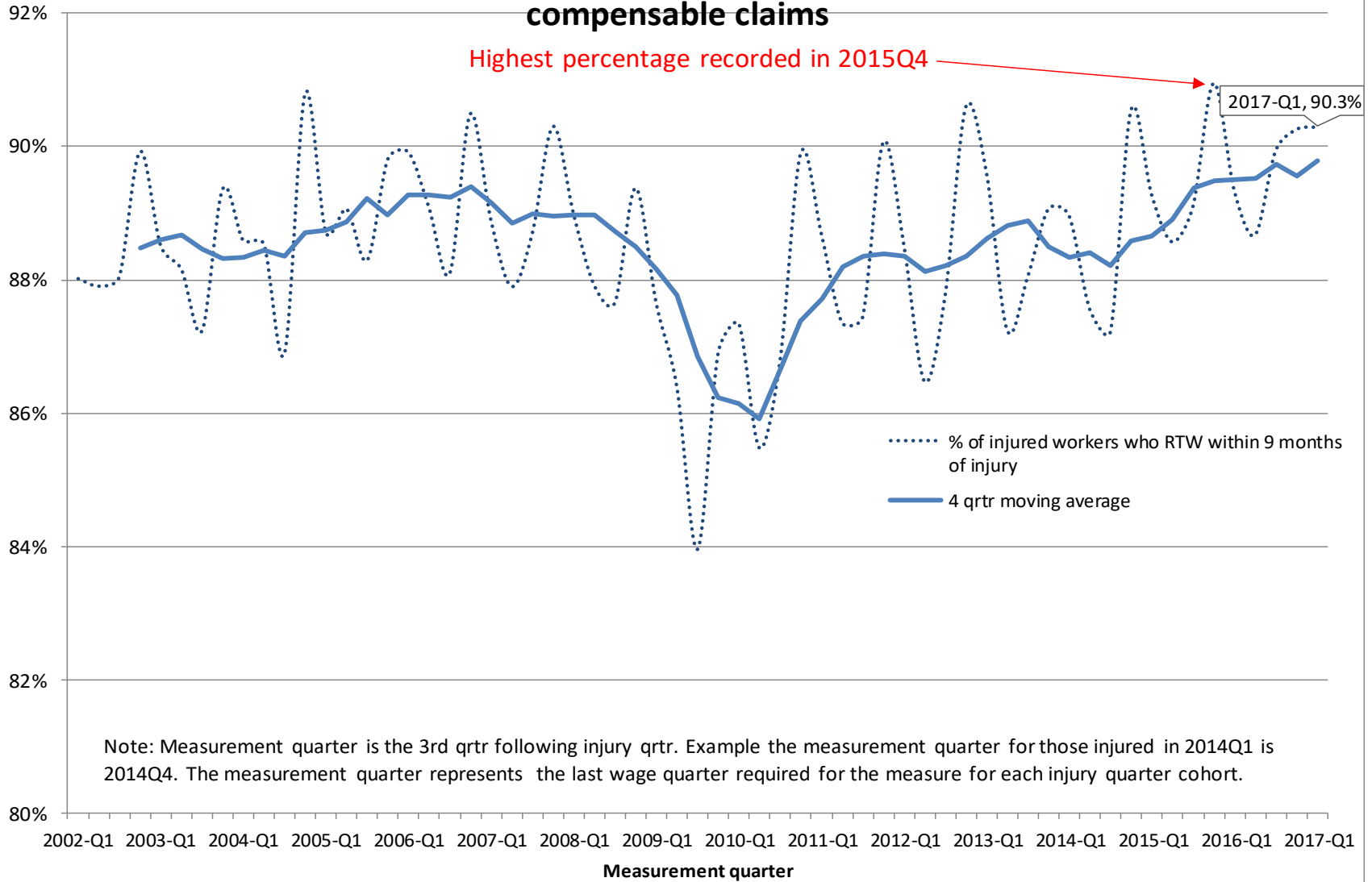
The share of RTW outcomes on all first AWAs has increased 124% since the new process was implemented.



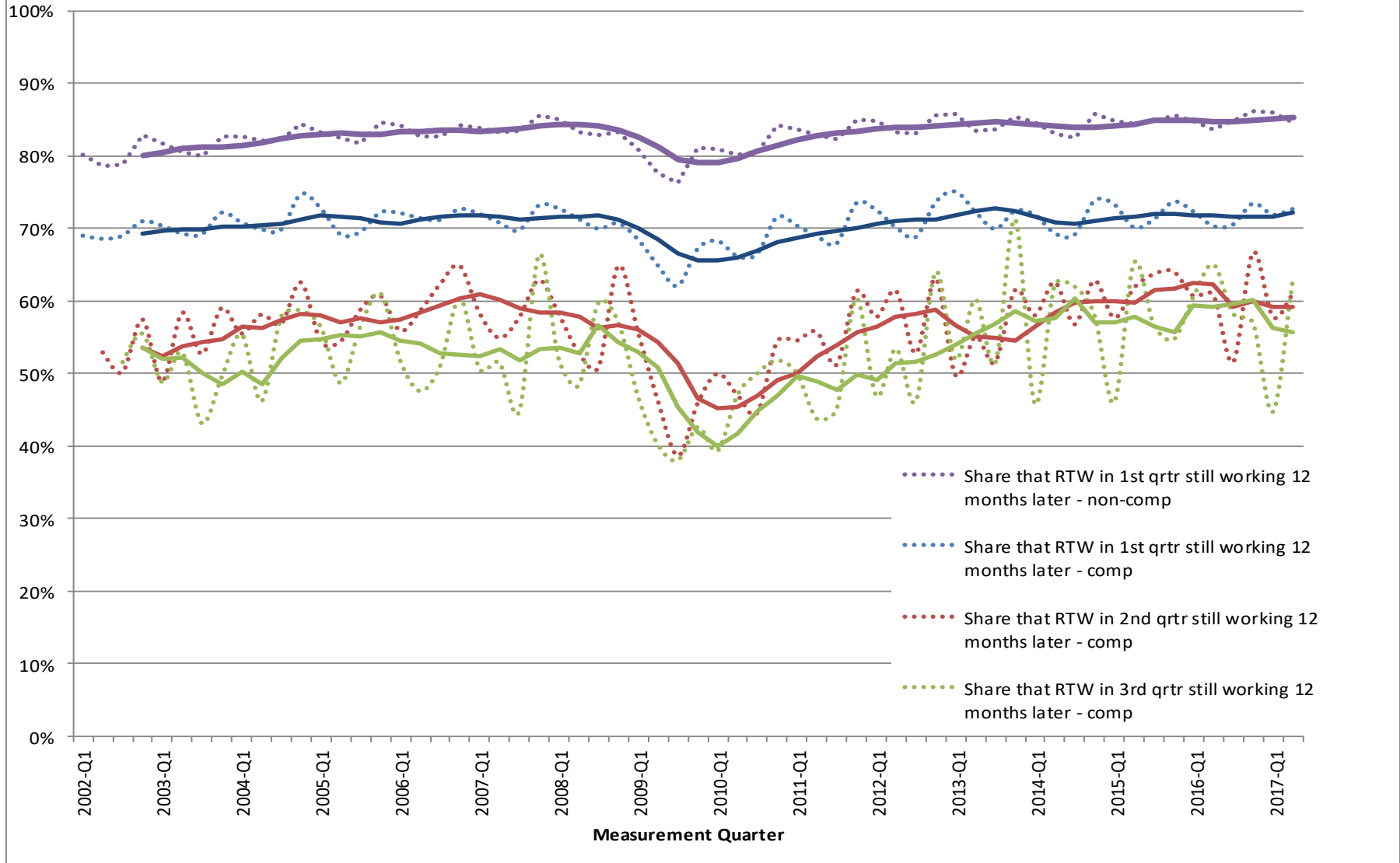
The goal is to increase the share of RTW and ATW JOI outcomes



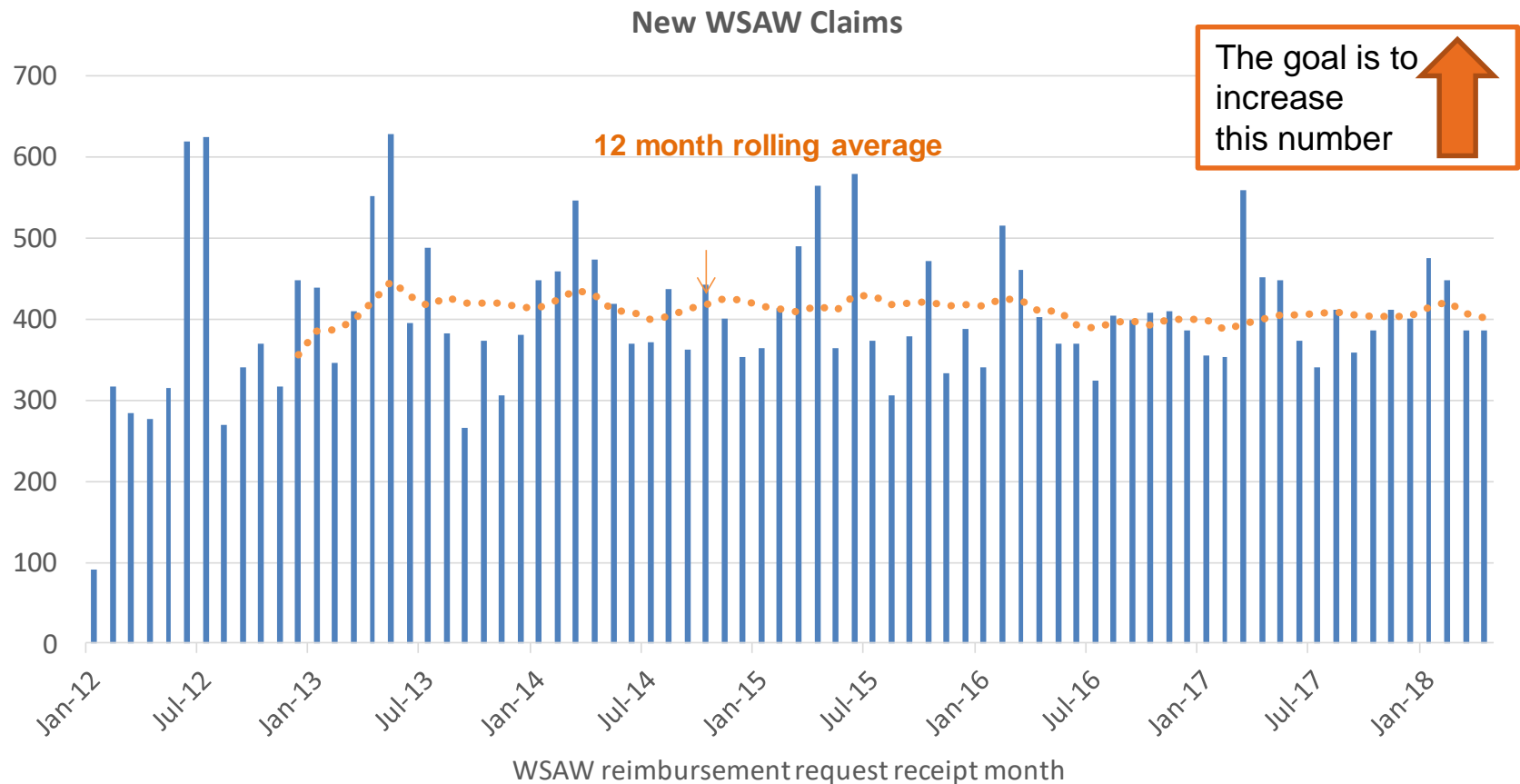
Percent of injured workers who RTW within 9 months of injury, compensable claims



Durable Employment

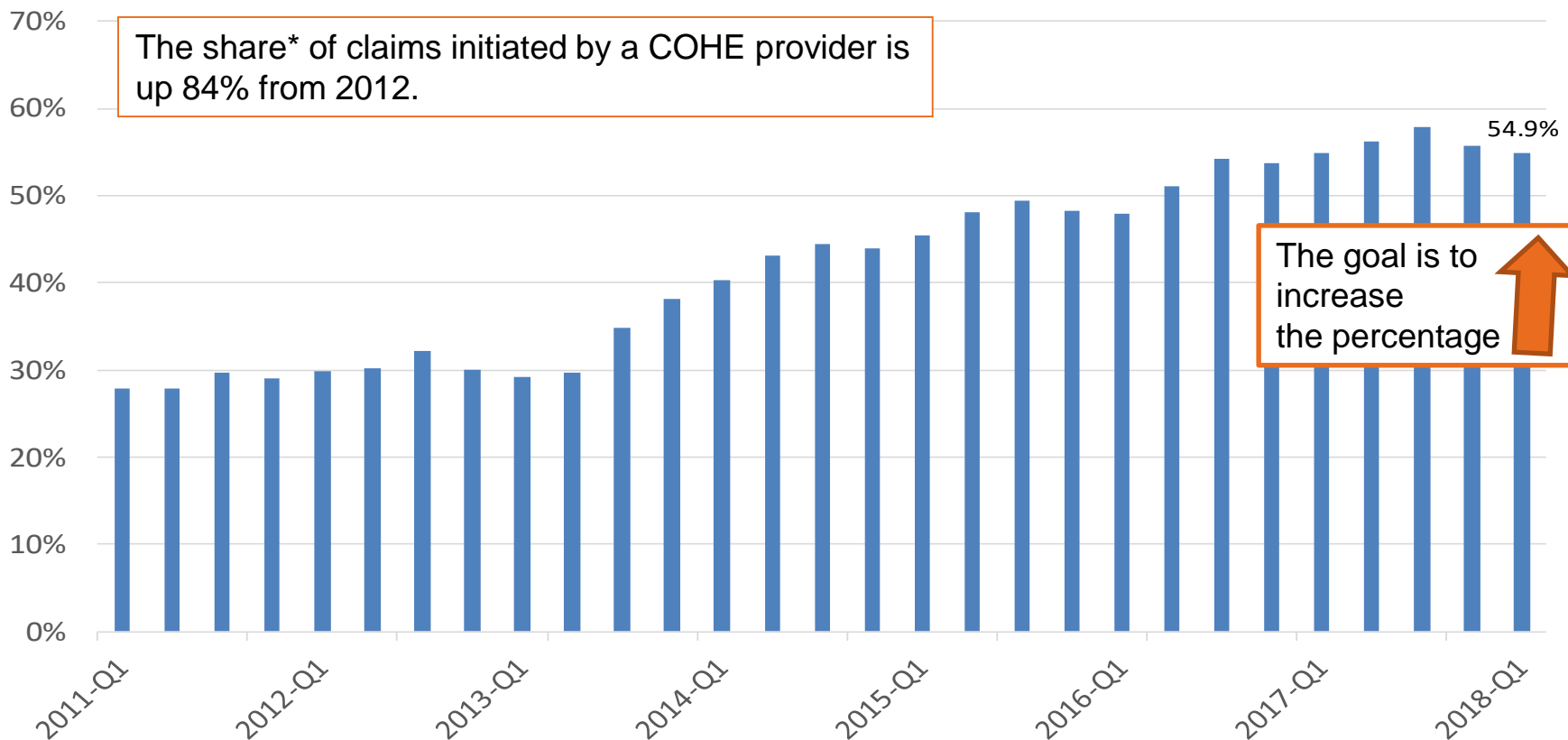


Participation in light duty job assignments helps maintain the employer/injured worker relationship.



Percentage of claims for injured workers initiated with a COHE provider continues to increase

Percent of claims received initiated with a COHE provider



*Average share for most recent 4 quarters

Claim receipt quarter

Closing Comments & Adjourn

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



Appendix



Industrial Insurance (State) Fund Financial Overview

Statutory Financial Information

Fiscal Year 2018 Through Third Quarter

Using 6.2% State Fund Pension Discount Rate

July 2017 – March 2018


Rob Cotton, Workers' Compensation Accounting Manager



Significant Financial Highlights

July 2017 through March 2018

The contingency reserve increased \$1,059 million, from \$2,972 million on July 1, 2017 to \$4,031 million on March 31, 2018.

	<ul style="list-style-type: none">• Favorable development on prior year liabilities accounts for more than half of the contingency reserve increase<ul style="list-style-type: none">➤ Medical Aid: lower than expected claim counts and lower than anticipated medical payments➤ 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• Gains on investments• Premiums and investment income are adequate to pay for expected costs
---	---

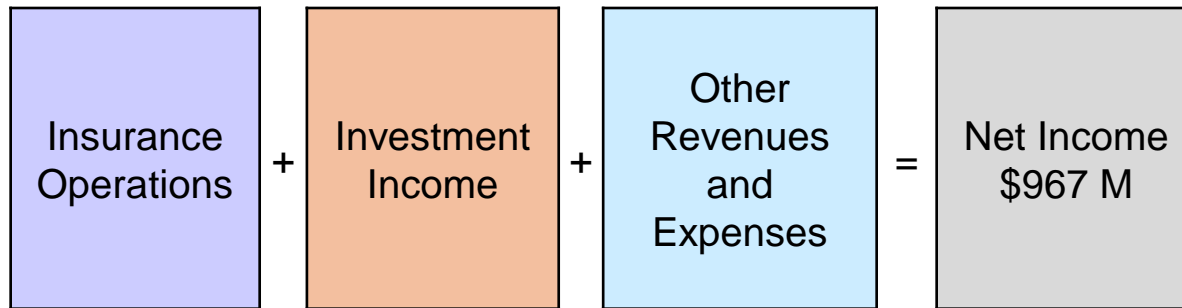
Change in contingency reserve by quarter for fiscal year 2018.

- July 1st to September 30, 2017 – an increase of \$427 million
- October 1st to December 31, 2017 – an increase of \$514 million
- January 1st to March 31, 2018 – an increase of \$118 million

State Fund Results

“Net Income”

July 2017 through March 2018



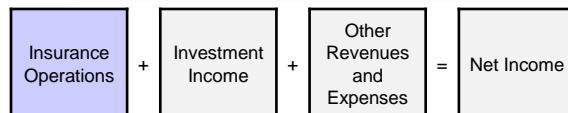
Insurance Operations

July through March 2018
(in millions)

Nine Months Ended

		March 31, 2018	March 31, 2017
We took in (Premiums Earned)	+	\$ 1,561	\$ 1,516
We spent (Expenses Incurred)			
Benefits Incurred		920	1,198
Claim Administrative Expenses		131	135
Other Insurance Expenses		70	64
Total Expenses Incurred	-	1,121	1,397
Net Income Gain(Loss) from Insurance Operations	=	\$ 440	\$ 119

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

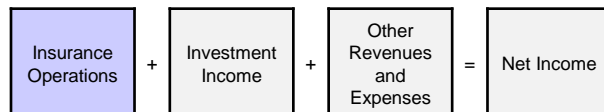


Premiums Earned

July through March
(in millions)

Nine Months Ended

	March 31, 2018	March 31, 2017	Difference
Standard Premiums Collected	\$1,751	\$1,680	
Less Retrospective Rating Adjustments	(26)	(31)	
Net Premiums Collected	1,725	1,649	
Changes in future Premium Amounts To Be Collected	(52)	(15)	
Changes in future Retrospective Rating Adjustment Refunds	(112)	(118)	
Net Premiums Earned	\$ 1,561	\$ 1,516	\$ 45

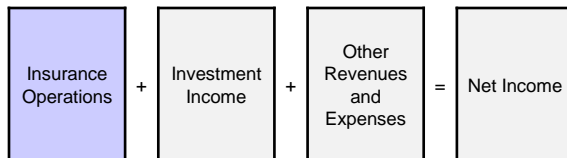


Benefits Incurred

July through March
(in millions)

Nine Months Ended

	March 31, 2018	March 31, 2017	Difference
Benefits Paid	\$ 1,223	\$ 1,208	\$ 15
Total Change in Benefit Liabilities	(303)	(10)	(293)
Benefits Incurred	\$ 920	\$ 1,198	\$ (278)



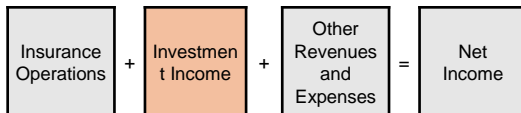
The main reason for the \$278 million decrease in benefits incurred is favorable development on prior year benefit liabilities.

Investment Income

July through March
(in millions)

Nine Months Ended

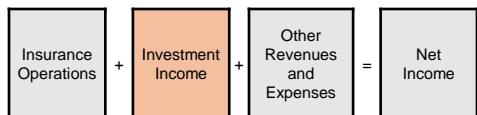
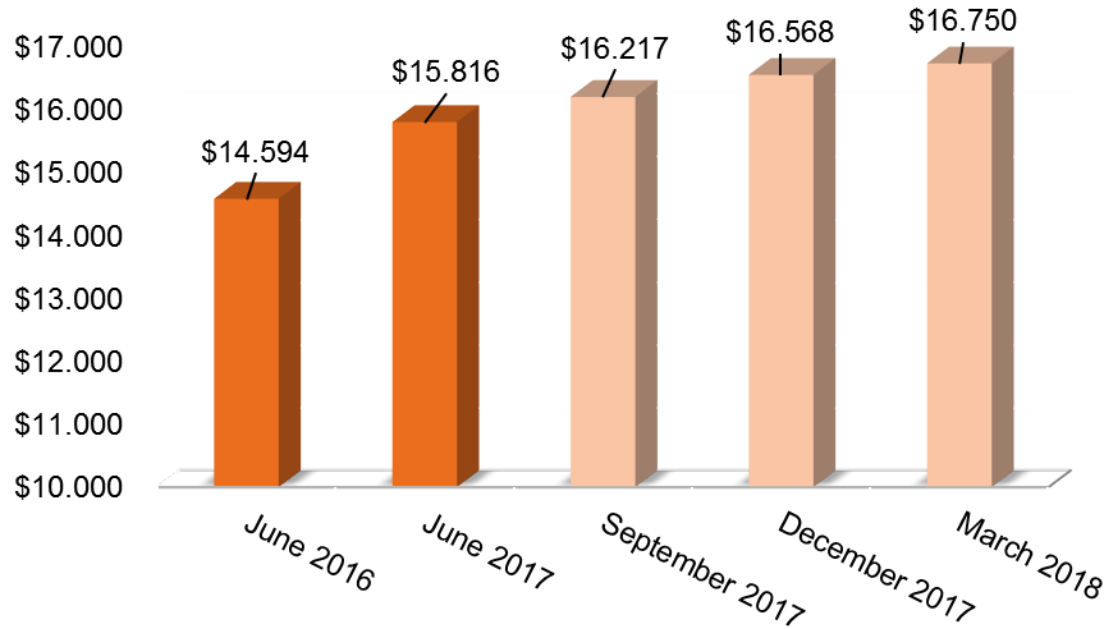
		March 31, 2018	March 31, 2017
Investment Income Earned from Interest on bonds	+	\$ 360	\$ 358
Realized Gain/(Loss) from Fixed Income Investments Sold	+	11	29
Realized Gains from Stocks (Equity Investments) Sold	+	120 *	1
Total Investment Income	=	\$491	\$ 388



*Align with new asset allocation policy and rebalancing the investment portfolio.

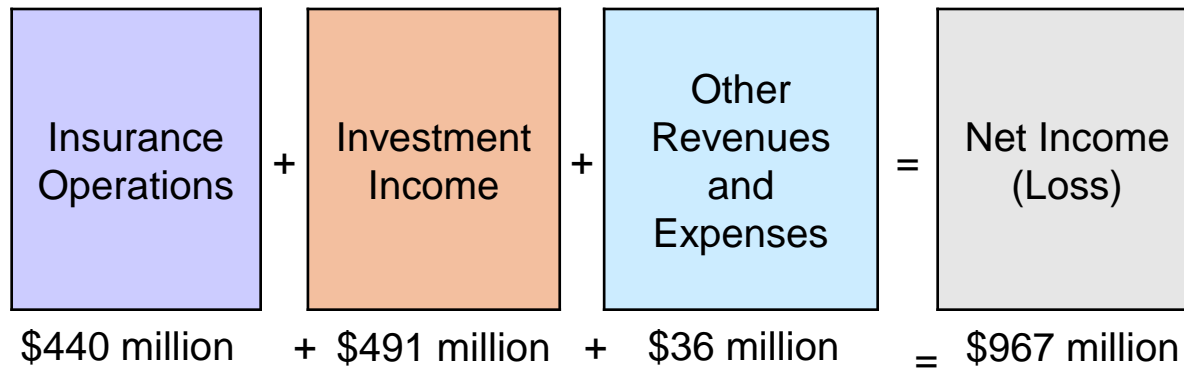
Total Investments

(rounded to billions)



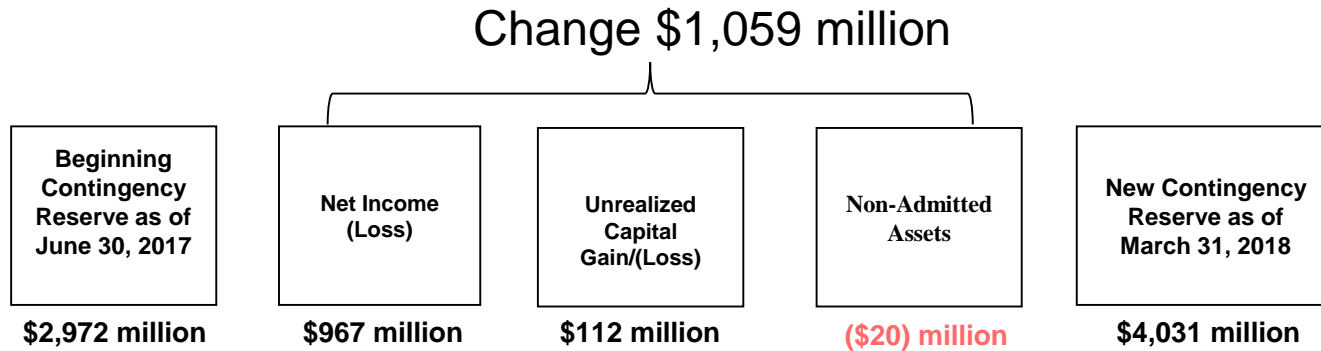
Results of Operations

July 2017 through December 2017



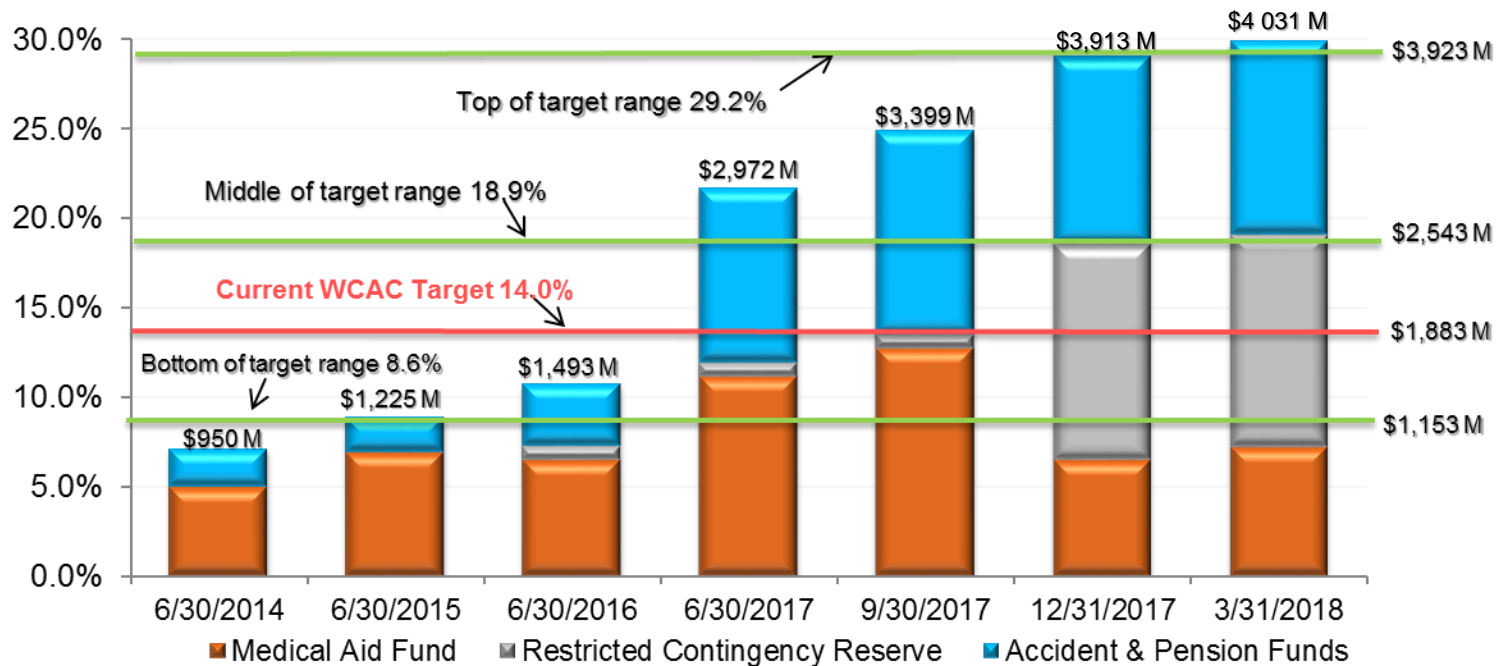
How Did Contingency Reserve Perform?

July 2017 through March 2018



Combined Contingency Reserve vs. Targets

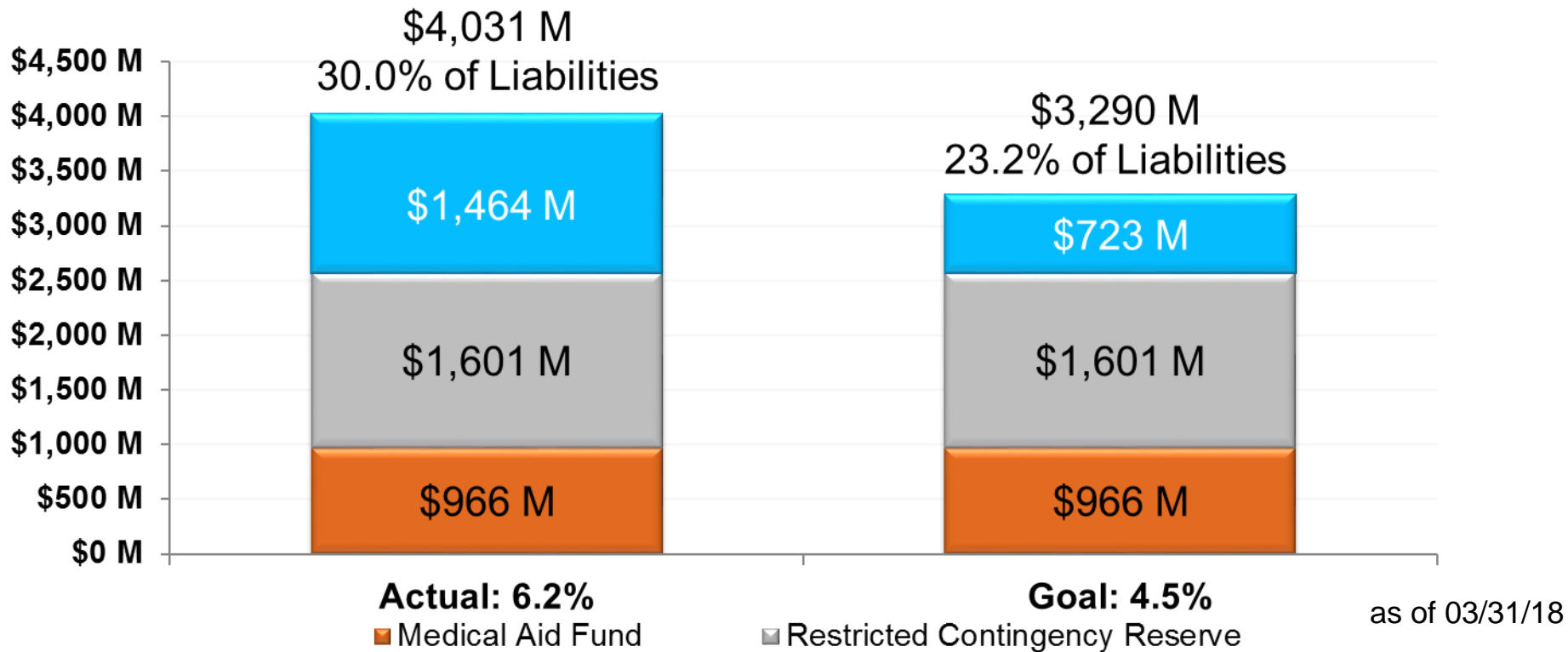
Combined Contingency Reserve is 30.0% of Total Liabilities



Restricted is based on final June 30, 2017 financial information and the change in the value of investments through 03-31-18.

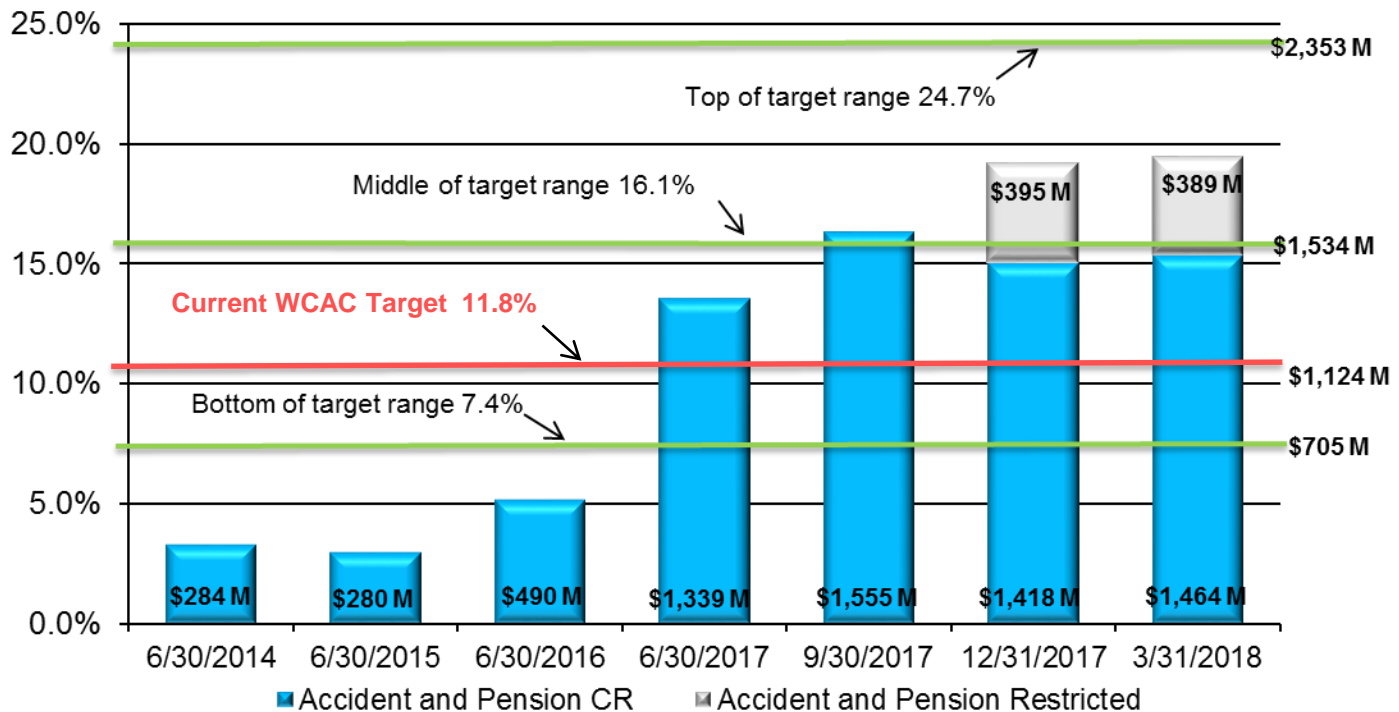
Combined Contingency Reserve At Different Discount Rate Scenarios

Combined Contingency Reserve at 6.2% and 4.5% Pension Discount Rates



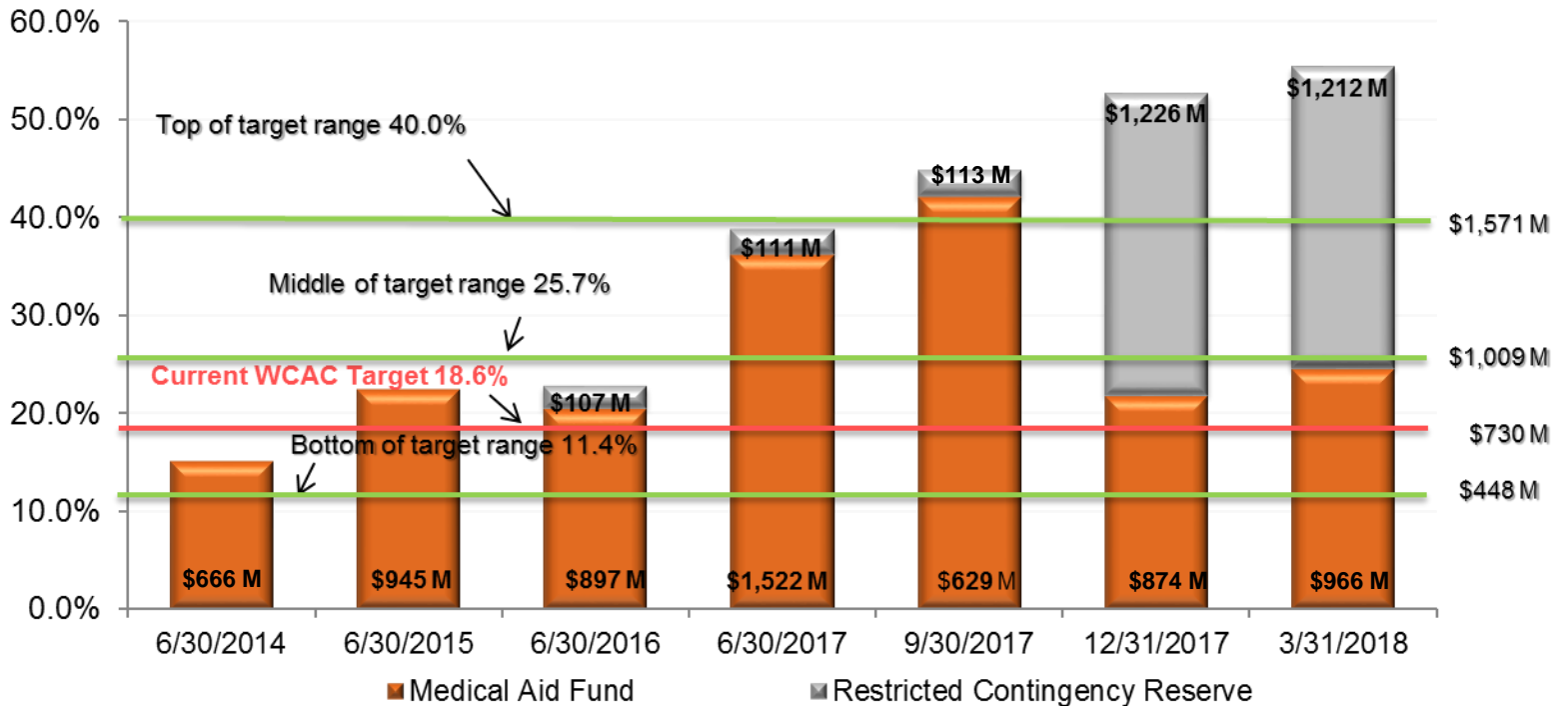
Accident, Pension & Restricted Contingency Reserve is 19.5% of Liabilities

Accident & Pension Contingency Reserve vs. Targets



Medical Aid & Restricted Contingency Reserve is 55.5% of Liabilities

Medical Aid & Restricted Contingency Reserve vs. Targets



Restricted is based on final June 30, 2017 financial information and investment earnings through 03-31-18.

Key Financial Ratios

as a percentage of premium earned

Ratios	Quarter Ended March 31, 2018		Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016
	State Fund	Industry Forecast		
Current Year Benefit (Loss Ratio)	78.2%		78.2%	83.1%
Prior Year Benefit (Loss Ratio)	(19.2)%		(13.1)%	14.0%
Total Benefit (Loss Ratio)	59.0%	52.8%	65.1%	97.1%
Claim Administration Expense (CAE) Ratio	8.4%	14.2%	7.9%	10.8%
Sub-Total: Benefit and Claim Administration Expense Ratios	67.4%	67.0%	73.0%	107.9%
Underwriting Expense Ratio includes all insurance administrative expenses except CAE	4.5%	25.3%	4.4%	4.5%
Combined Ratio (Industry omits dividends)	71.9%	92.3%	77.4%	112.4%
Investment Income Ratio	23.1%	19.5%	23.0%	25.4%
Operating Ratio	48.8%	72.8%	54.4%	87.0%

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

Reconciliation of Change in Benefit Liabilities

July 1, 2017 Benefit Liability Beginning Balance	\$12,726,732
Prior Year Benefit Payments	(\$1,044,871)
Prior Year Development (Favorable)	(\$832,127)
Self Insurance Prefunded Pension Transfers	\$37,862
Discount	\$493,490
Net Total Prior Year Benefit Liability as of March 31, 2018	<u>\$11,381,086</u>
New Current Year Benefit Liabilities	<u>\$1,042,999</u>
March 31, 2018 Benefit Liabilities Ending Balance	<u><u>\$12,424,085</u></u>
Change Between Beginning and Ending Balance	(\$302,647)

Supplemental Information No. 1

Highlights of Changes in the Contingency Reserve

	FY14	FY15	FY16	FY17	FY18 Q3	Total	
Changes that increased the contingency reserve							
↑	Operational Influences and model changes	\$149 M	\$543 M	\$147 M	\$926 M	\$832 M	\$2,597 M
	Rate Changes	\$58 M	\$59 M	\$38 M	\$27 M	(\$3) M	\$179 M
	Greater than expected changes in the stock market	\$279 M	N/A	N/A	\$411 M	\$181 M	\$871 M
Changes that decreased the contingency reserve							
↓	Mortality table change	\$0	\$146 M	\$0	\$0	\$0	\$146 M
	Adjustments to avoid double counting 2011 reform savings	\$130 M	\$83 M	\$0	\$0	\$0	\$213 M
	Discount rate reduction	\$256**M	\$31 M	\$31 M	\$36 M	\$0	\$354 M
	Less than expected changes in the stock market	N/A	\$29 M	\$101 M	N/A	N/A	\$130 M

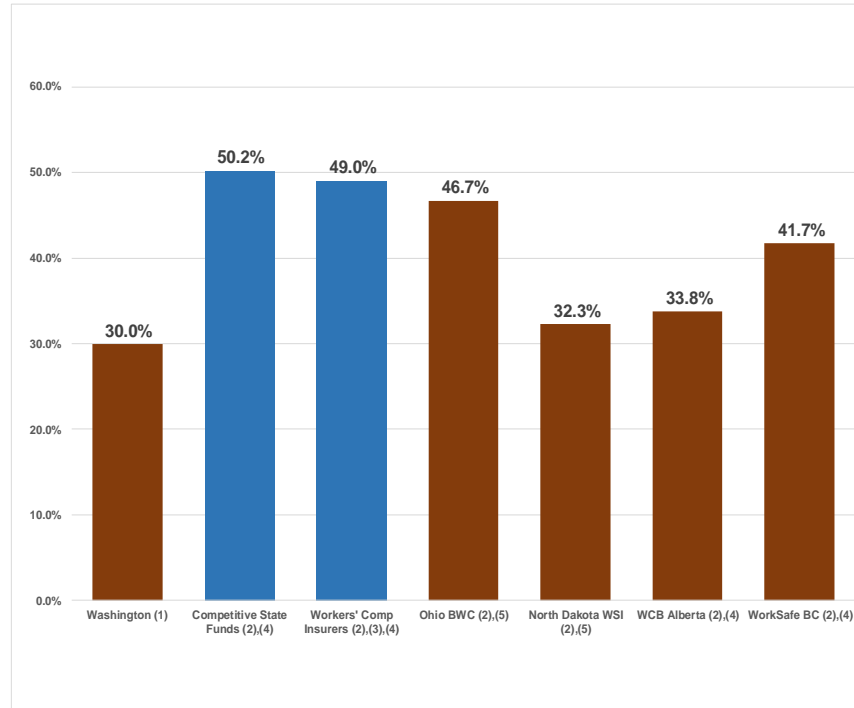
Operational Influences
 FY14: \$91M
 FY15: \$515M
 FY16: \$136M
 FY17: \$926M
 FY18: \$824M
Total: \$2,492M

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

Supplemental Information No. 2

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

Note: at a 4.5% PDR Washington's CR ratio would be at 23.2%



(1) As of 3/31/2018

(2) Source: Conning Peer Analysis, November 2017 (<http://www.lni.wa.gov/ClaimsIns/Insurance/Learn/StateFund/RelatedInfo/Default.asp>)

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

(4) As of 12/31/2016

(5) As of 6/30/2016

Supplemental Information No. 3

Historic Results of Operations

July through March
(in millions)

As of Quarter Ended March 31,	Insurance Operations	+	Investment Income	+	Other Revenues & Expenses	=	Net Income (Loss)
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)

Supplemental Information No. 4

Historical Investment Performance

Fiscal Year Ended

	Quarter Ended March 31, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Investment Income	360,064,000	478,130,000	498,499,000	493,408,000	479,774,000
Realized Gain (Loss)	130,590,000	102,540,000	137,988,000	58,660,000	303,184,000
Unrealized Gain (Loss)	112,205,000	380,183,000	(181,830,000)	23,691,000	200,333,000
Total Invested Assets	16,770,283,000	15,815,997,000	14,593,530,000	14,003,302,000	13,422,957,000

Unrealized gain (loss) changes are impacted mostly by stock market results, and are commonly known as “paper” profit or losses which imply that they have not been “cashed in.”

Supplemental Information No. 5

7-Year Reserve Benchmarks

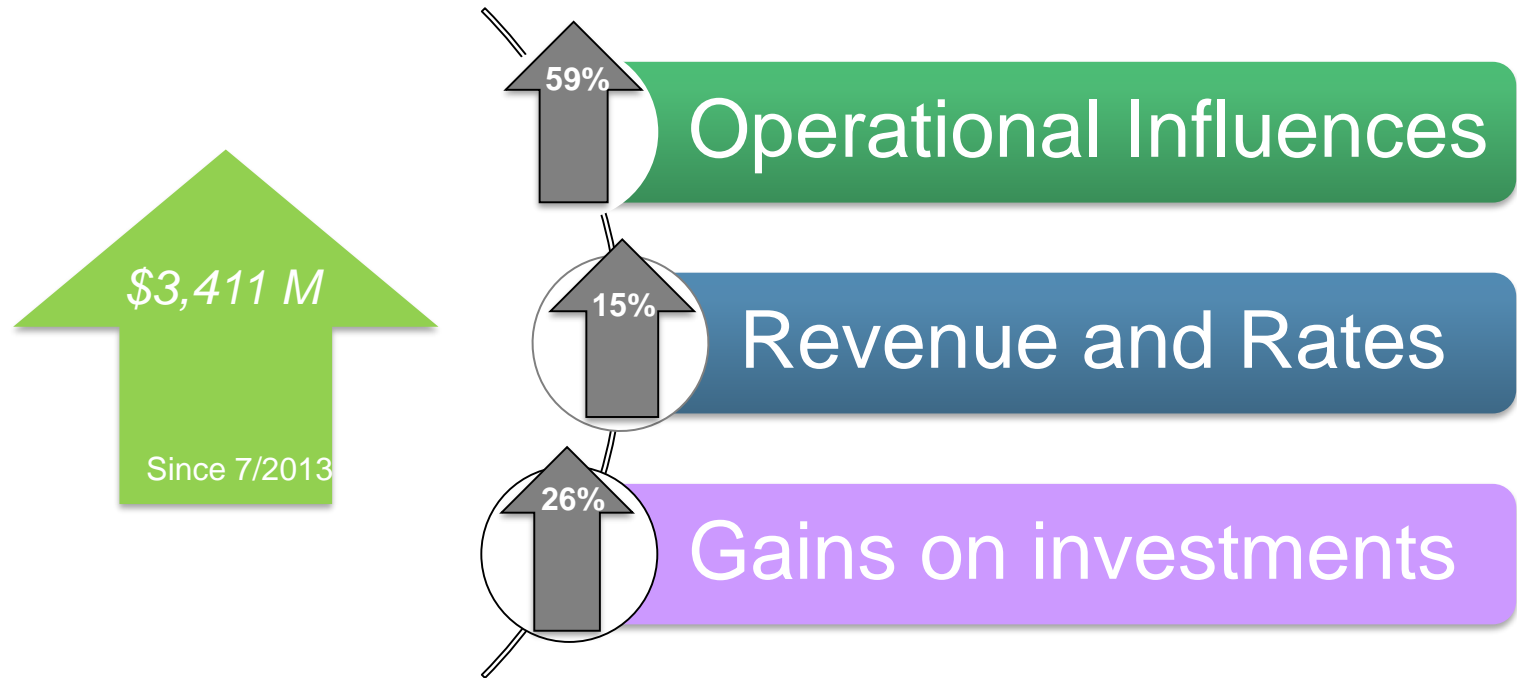
03-31-18 update: \$4,031 million contingency reserve or 30.0% of total liabilities.
Pension Discount rate at 6.2%.

7-Year Interim Targets			
Year	Contingency Reserve Target (range)	Pension Discount Rate (PDR) Target (range)	Contingency Reserve (CR) Yearly Goal (displays steady growth) <small>dollars in millions</small>
Fiscal Year Ended June 2016	10.8%	6.3%	\$1,493
Fiscal Year Ended June 2017	21.8%	6.2%	\$2,972
2014 Target	5-7%	6.5 - 6.3%	\$652 to \$902
2015 Target	6-8%	6.3 – 6.2%	\$797 to \$1,032
2016 Target	7 - 9%	6.4 – 6.25%	\$ 884 to \$1,293
2017-2018	8 - 11%	6.0 – 5.75%	\$ 1,029 to \$1,583
2019-2020	10 - 13%	5.5 – 5.25%	\$ 1,317 to \$1,879
2021-2022	13 - 15%	5.0 – 4.5%	\$ 1,753 to \$2,198
7-Year Contingency Reserve Goal			\$2,198

When the WCAC developed the 10-year plan in Sept. 2012, the contingency reserve was at \$590M and the PDR was at 6.5%

Each tenth of a percent the PDR drops, the CR could reduce between \$29 to \$32 million.

Contingency Reserve Drivers



As of 3/31/2018 the CR is at \$4,031 M

Combined Contingency Reserve At Different Discount Rate Scenarios

Combined Contingency Reserve at 6.1% and 4.5% Pension Discount Rates

