

Workers' Compensation Advisory Committee (WCAC)

Wednesday, December 12, 2018



Agenda

Time	Topic	Presenter(s)
9:00 – 9:15 (15 min)	Welcome <ul style="list-style-type: none"> • Introductions • Agenda overview • Safety message 	Vickie Kennedy Joel Sacks Jeff Killip
9:15 – 9:55 (40 min)	General Updates	Randi Warick Mike Ratko
9:55 – 10:15 (20 min)	Master’s Level Therapists	Vickie Kennedy
10:15 – 10:30 (15 min)	Business Transformation: Provider Credentialing	John Boze
10:30 – 10:45 (15 min)	Break	
10:45 – 11:00 (15 min)	Board of Industrial Insurance Appeals (BIIA) Update	Linda Williams
11:00 – 11:20 (20 min)	Workers’ Compensation IT Replacement Plan	Joel Sacks
11:20 – 11:35 (15 min)	Insurance Services Dashboard	Vickie Kennedy
11:35 – 11:55 (20 min)	Industrial Insurance State Fund Financial Overview	Rob Cotton
11:55 – 12:00 (5 min)	Closing Comments & Adjourn	Vickie Kennedy Joel Sacks

Safety Message

*Jeffrey Killip, DOSH Education and Outreach Senior
Manager*





DOSH Education & Outreach Services

- Workplace safety culture
- Prevention
- Public health approach / change behavior / full-court press
 - Info / training / tools (apps)
 - Incentives, disincentives
 - Engagement via digital/social media marketing
 - Accessible, user-friendly
 - Content: humanized, “snackable, shareable, sharp”
 - Synergistic Partnering with Influencers



Synergistic Partnering with Influencers

- Safety & Health Investment Projects (SHIP) Grant Program
- 5 safety apps – focused on *prevention*
 -  **ToolBoxTalks**** – safety briefings for construction job sites
 -  **WA-HSEQ (Good Observation/Near Miss/Accident Reporting)** – all industries
 -  **SafeMe** – young retail workers
 -  **Ebola Patient Hygiene (Highly Contagious Diseases)** – healthcare workers
 -  **Combustible Dust Hazard Assessment** – all industries

Please Take Out Your Cell Phones

-  **ToolBoxTalks**
 - AppStore search
 - iPhone QR Code → 
 - Android QR Code → not available
- **2 ½ min video tour**

QR Codes to Access 5 Apps

App	iPhone / iOS	Android
 ToolBoxTalks		Not available
 WA-HSEQ		
 SafeMe		
 Ebola Patient Hygiene		
 Combustible Dust		Not available

+/- Feedback Encouraged

- Jenifer Jellison, MPH, SHIP Program Manager
 - jelj235@lni.wa.gov
 - 360-902-5551
- Jeff Killip, JD MPH, DOSH Education & Outreach Senior Manager
 - kilp235@lni.wa.gov
 - 360-902-5172

~ Thank you

General Updates

Randi Warick, Deputy Director

Mike Ratko, Deputy Assistant Director for Insurance Services



WCAC Finance Committee Reinsurance Update

Randi Warick, Deputy Director

Mike Ratko, Deputy Assistant Director for Insurance Services



Risks to the System:

- **Operational Risks**
- **Economic Risks**
- **Insurance Risks**
- **Simultaneous Risks**
(Example: Stock market collapse resulting in massive unemployment, at the same time we are changing our systems)

Catastrophic Reinsurance

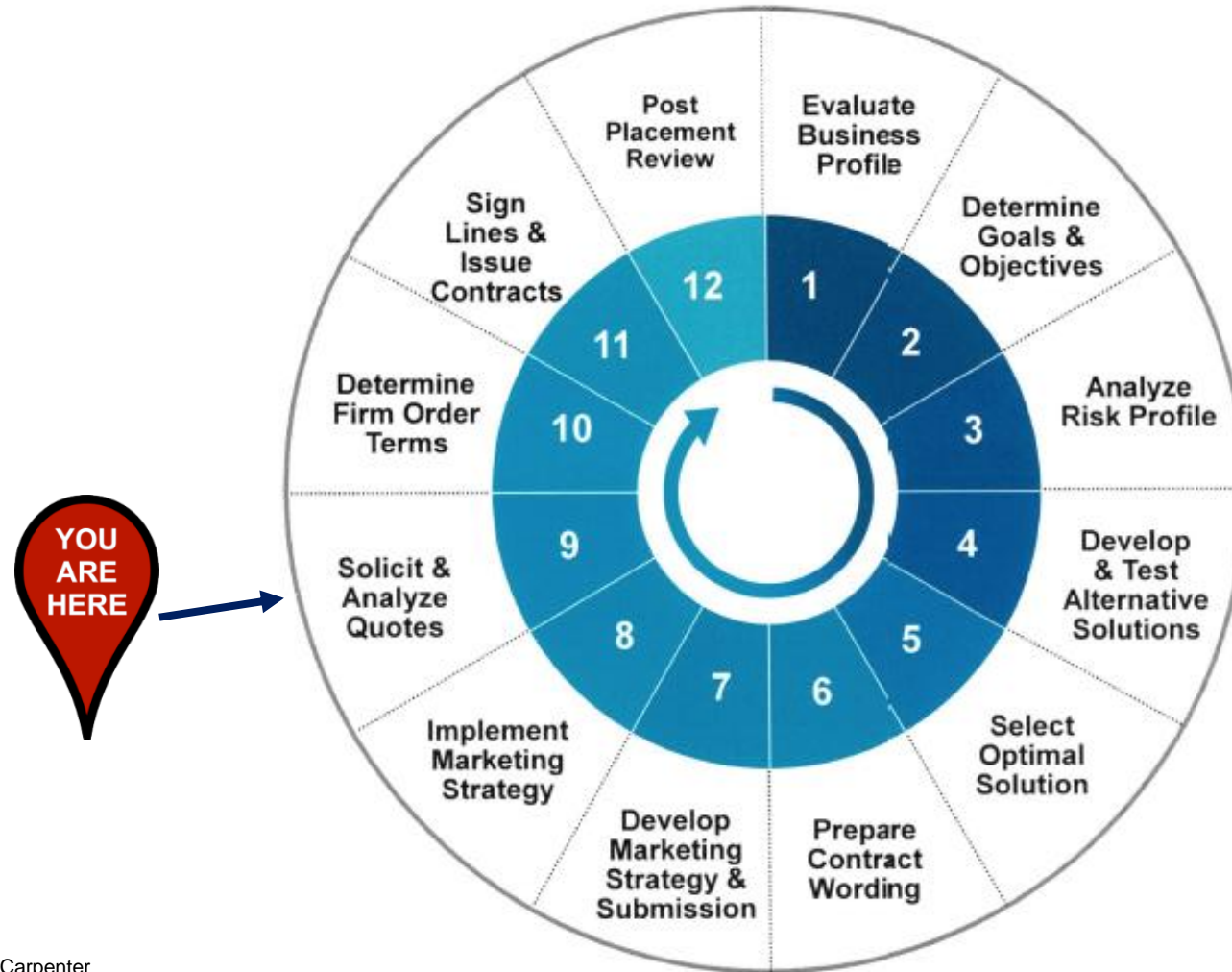
- What is catastrophic reinsurance?

Catastrophic reinsurance is a form of reinsurance that protects against the extreme costs associated with large-scale catastrophic events, such as an earthquake or terrorism event.

- Why is L&I considering reinsurance?

1. Washington state is vulnerable to natural, and potentially catastrophic, disasters which could severely impact our ability to meet and maintain our statutory requirements.
2. Reinsurance would help ensure our ability to pay benefits and limit rate volatility following a catastrophic event.
3. Catastrophic reinsurance is a mechanism that would protect the adequacy of the contingency reserve.
4. L&I is an outlier, compared to the majority of other worker compensation carriers, in that we do not have catastrophic reinsurance.
5. L&I had catastrophic reinsurance prior to 2011.

Reinsurance Placement Process



Guy Carpenter

Catastrophe Modeling

Earthquake Scenario – Southern Whidbey Fault - Magnitude 7.5

L&I insured loss: **\$995 million**

650 killed

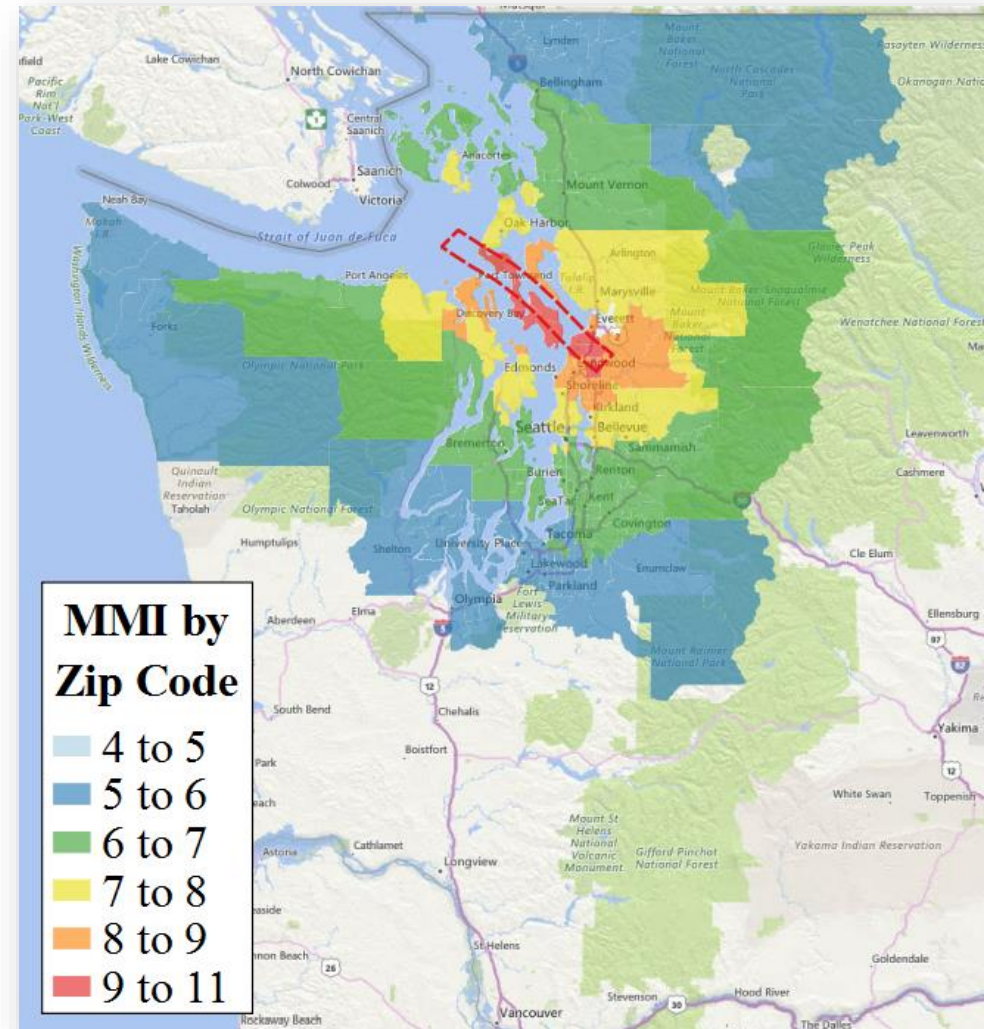
4,700 injured

Assuming 2pm weekday occurrence

Industry insured loss for residential property, commercial property, and automobile: **\$42 billion**

Event #15107154, NWA Southern Whidbey Is FM2
Middle 06, RMS RiskLink v17.0.1

Guy Carpenter



Catastrophe Modeling

Earthquake Scenario – Cascadia Megathrust - Magnitude 9.0



This is the event depicted
in the New Yorker article
The Really Big One.

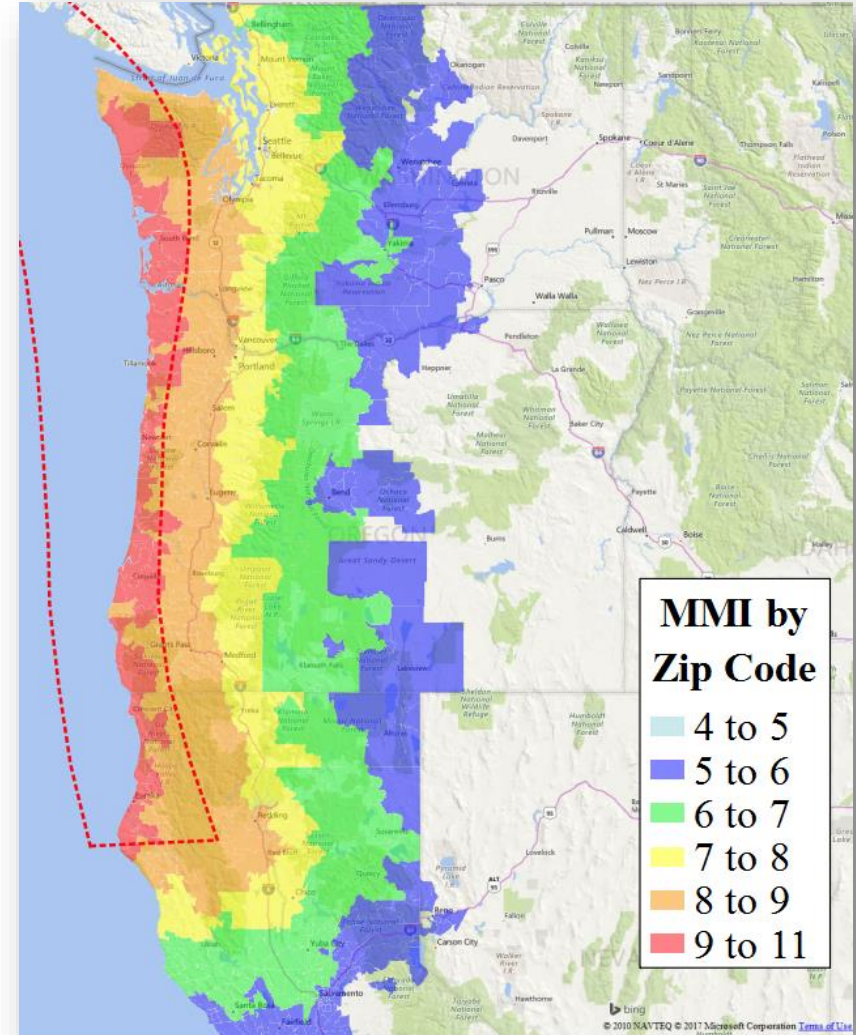
L&I insured loss: **\$2.9 billion**

1,900 killed

14,000 injured

Assuming 2pm weekday occurrence

Washington industry insured loss for
residential property, commercial property,
and automobile: **\$170 billion**

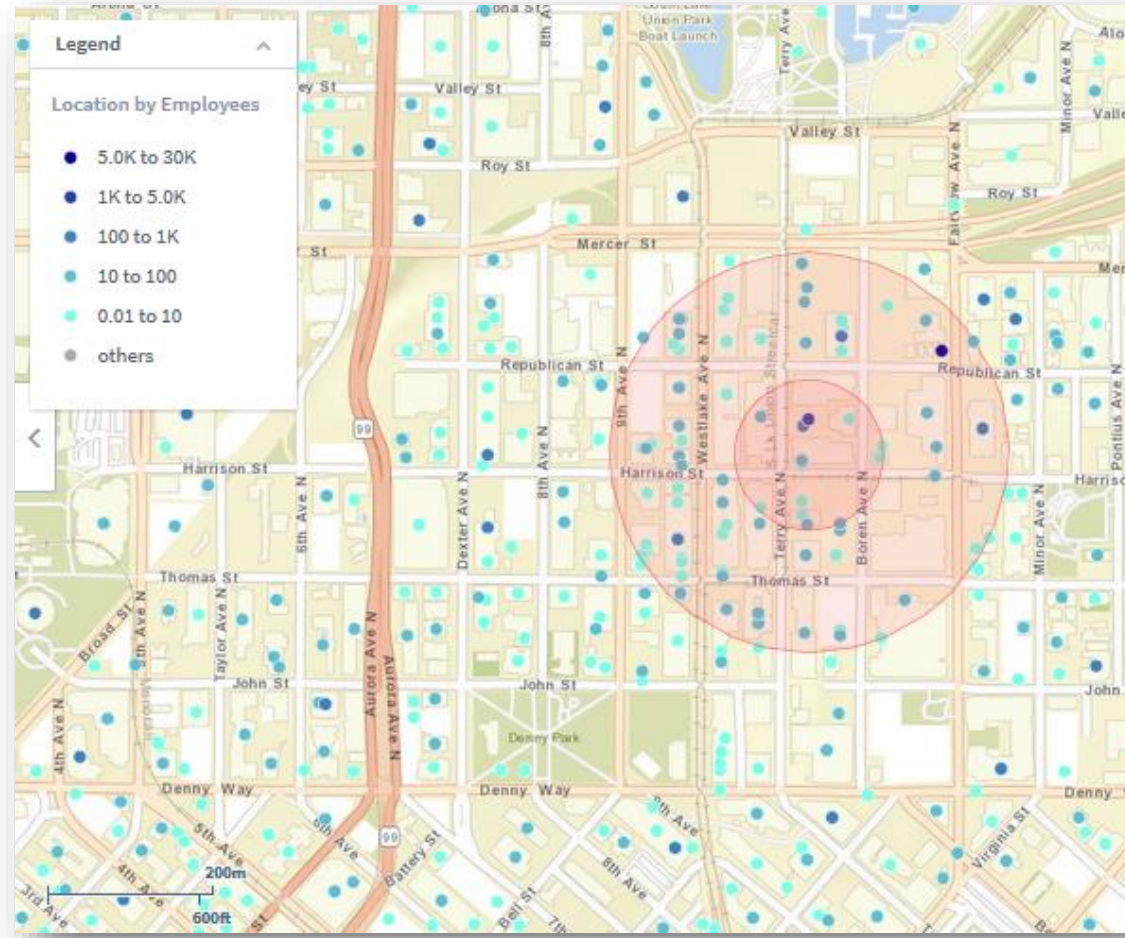


Event #15100002, NW CSZ full rupt-deep-Muro
M9.01, RMS RiskLink v17.0.1

Guy Carpenter

Catastrophe Modeling

Terrorism Scenario at RMS Target – 5 Ton Bomb at Amazon



Estimated Loss: \$3.6 billion

4,400 employees within 300ft

Another 17,500 within 800ft

Only a portion of these are considered present

Blast footprint extends well beyond these rings

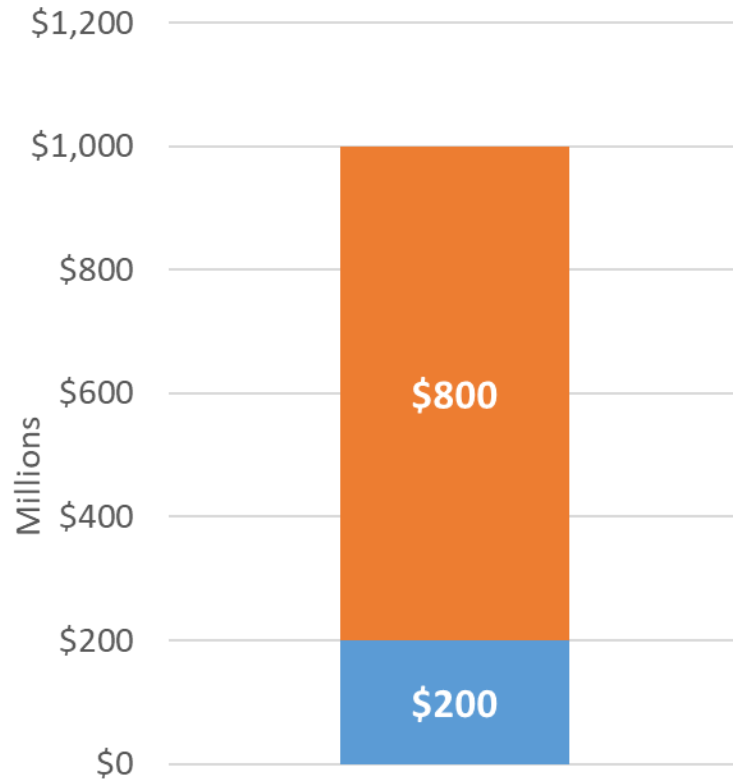
Guy Carpenter

Goals and Objectives

- Goal
 - Protect the contingency reserve

- Parameters
 - Loss estimates based on a 1 in 500 year event
 - \$200 Million deductible
 - Versatility of options:
 - Traditional reinsurance
 - Catastrophic Bond (Cat bonds)
 - Various deductible limits

Recommendation for Placement



- Estimated Cost: \$13.4 M
- Tentative placement date: 1Q2019
- No impact on 2019 SF premium rates

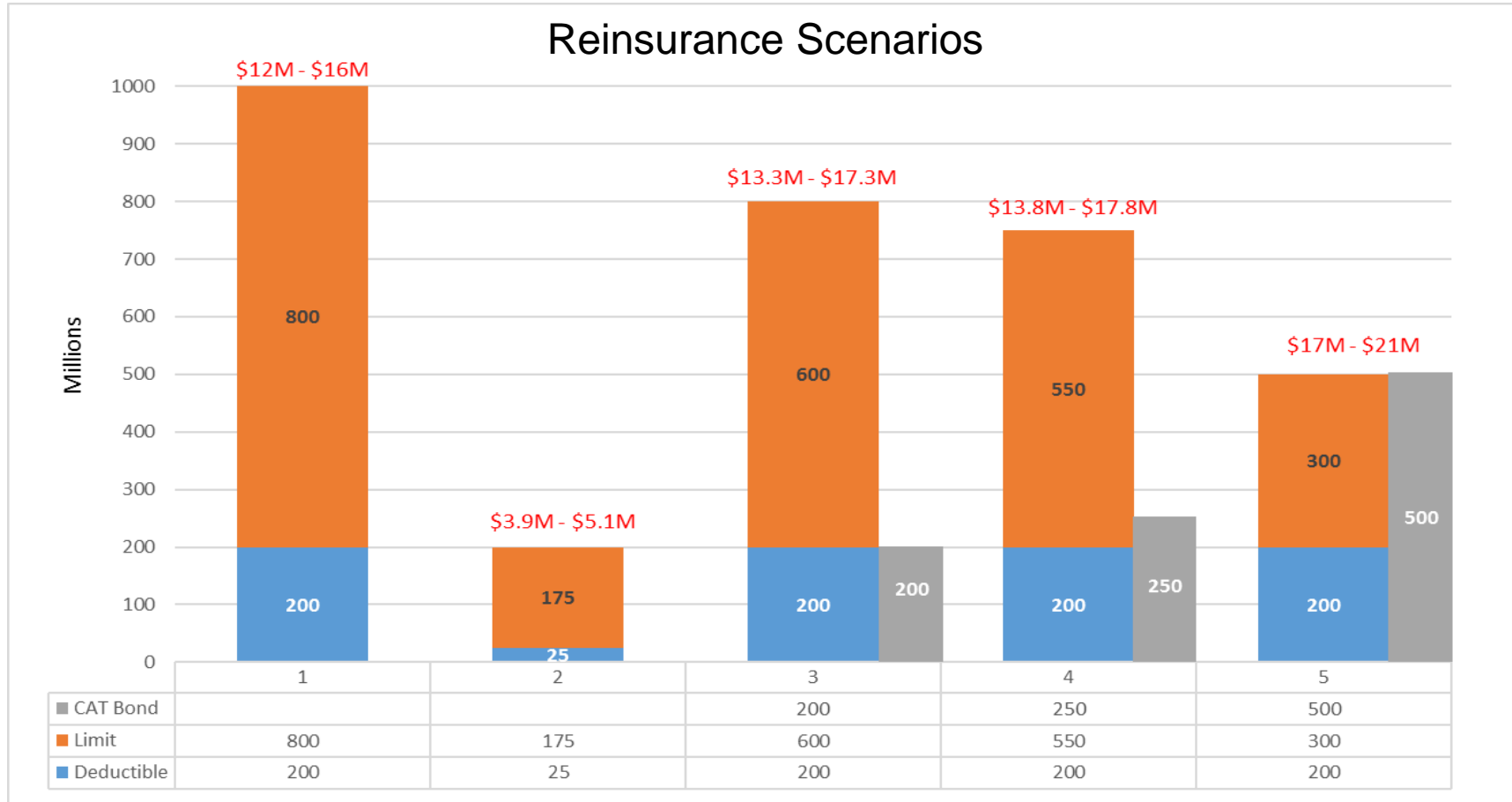
WCAC Finance Committee Reinsurance Update – Appendix

Randi Warick, Deputy Director

Mike Ratko, Deputy Assistant Director for Insurance Services



Step 4: Initial Reinsurance Options & Estimated Cost



Hearing-Aid Workgroup Update

Mike Ratko, Deputy Assistant Director for Insurance Services



Hearing-Aid Replacement Workgroup - Update

The workgroup reviewed:

- Current rule and policy
- Data on replacement time frames from the industry
- L&I data on repair and replacement
- L&I actuarial estimates of automatic replacement policy impact

Data/information presented by different workgroup members:

- Most hearing aid replacements for private pay customers range from 3 to 6 years
- Hearing aid replacements managed by a third party vendor for self-insured employers averaged 5.8 years, and
- 38 of 50 states have a time based hearing replacement policy of 5 years or less for other state administered programs

Hearing-Aid Replacement Workgroup - Update

Rule proposal to allow replacement at 5 years

Key rulemaking dates:

- CR 102 filed: 01/22/2019
- Tentative hearing date(s): 02/27/2019
- Tentative CR 103 filing date: 04/02/2019
- Tentative effective date: 05/15/2019

Master's Level Therapists as Providers in the Workers' Compensation System

Vickie Kennedy, Assistant Director for Insurance Services



Background

- Within workers' compensation, most injured and ill workers experience a physical injury or illness and recover fully without additional assistance related to behavioral or mental health issues
- L&I's medical provider system
 - About 27,000 approved attending providers
 - More than 1,000 mental health specialty providers (psychiatrists, psychiatric ARNPs, and psychologists)
- Currently, master's level therapists (MLTs) are not allowed to treat under a workers' compensation claim
- L&I was asked to change its rules and policy (e.g., WAC 296-21-270)

Vision

- Identify appropriate role(s) for qualified master's level therapists to provide high quality behavioral and mental health services focused on recovery and return to work for workers with a work related injury or illness

Project Phases

- Phase 1: Data gathering and stakeholder engagement (April 2018-August 2019)
 - Create project team and stakeholder group
 - Research behavioral and mental health services in other jurisdictions; access gaps based on Washington geography, etc.
 - Research best practices in MLT services for workers' compensation
 - Decide on implementation approach

Project Phases (cont.)

- Phase 2: Implement or test new authorized provider types (October 2018-December 2019)
 - Identify scope and outcome measures
 - Create new provider types
 - Develop payment model, business rules, and process to ensure integration with L&I system
 - Develop internal and external training, communication, monitoring, and report out plan
 - Update systems
 - Write rules, as necessary

In Scope

- Identify appropriate role(s) for qualified master's level therapists to treat injured workers
- Develop qualifications, practice scope, best practices, and outcome measures
- Develop business requirements for integration with L&I core systems used by Claims Administration, Return-to-Work Partnerships, Office of the Medical Director, Health Services Analysis, and with Business Transformation
- Develop training materials for master's level therapists regarding disability prevention and management, workers' compensation, and integration with claims management, return-to-work, and vocational services
- Develop training materials and tools for internal staff (e.g., claim managers, occupational nurse consultants, provider hotline, etc.)
- Develop communications for internal and external stakeholders

Master's Level Therapist Pilot High-level Timeline*

	May 2018	Jun 2018	Jul 2018	Aug 2018	Sep 2018	Oct 2018	Nov 2018	Dec 2018	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019
Stakeholder Meetings																		
Pilot Development (geography, # of providers, etc.)																		
Pilot Rule Making Process														File CR 101				Ongoing (TBD)
Training Curriculum Development																		
MLT Provider Pilot Pre-Requisite Training																		
MLT Provider Pilot Enrollment and Credentialing																		
MLT Pilot																		Ongoing (TBD)

DRAFT

*Dates subject to change

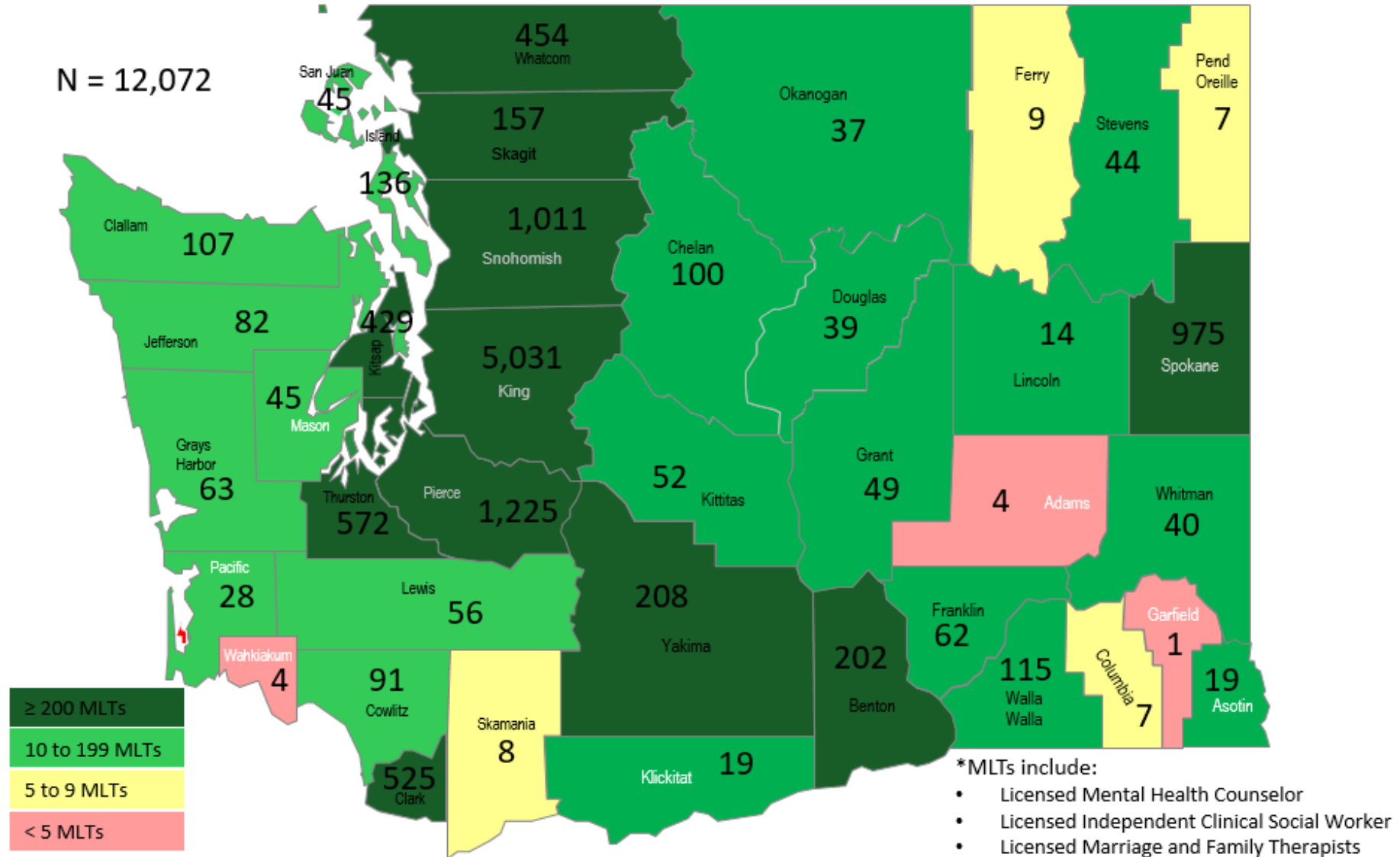
Last updated: 11/30/18

Master's Level Therapists as Providers in the Workers' Compensation System – Appendix

Vickie Kennedy, Assistant Director for Insurance Services



MLTs Licensed in Washington, by County



Provider Credentialing

John Boze, Acting Medical Administrator for Office of the Medical Director



Background

- L&I credentialing and quality compliance staff average 500 updates to provider accounts daily
- L&I provider credentialing desktop software replacement
 - Software vendor (Vistar) indicated that support for the desktop version of the program was to be phased out in 2019
- Legislative mandate for implementation of a single platform credentialing system (SBB 5883)
 - L&I directed to join Health Care Authority's (HCA) existing provider credentialing software
 - ProviderOne software

Vision

- Improve efficiency, customer service, and provider account accuracy
 - Eliminate redundancy
 - Single provider account shared by multiple agencies
 - Reduce system delays and improve our customers' experience
 - Create provider access to account via external portal
 - Eliminate the exclusive use of paper applications and change forms at L&I
 - Automated processes

Project Goals and Objectives

- Timeline
 - Implement L&I's use of ProviderOne by November 2019
- Update ProviderOne to accommodate multiple agencies
 - Retain agency specific control of the provider acceptance process
- Create a user-friendly process to save time and resources
 - Reduce administrative burden
 - Ensure more efficient and effective processes through automation
 - Support providers in a more timely manner

In Scope

- Transfer of provider account and credentialing data from ProviderOne to Medical Information Payment System (MIPS)
 - 82 data points will be transferred in the conversion
 - Medical Provider Network (MPN)
 - Non-MPN providers
 - Data interface to connect ProviderOne to MIPS
- Establish automated continuous monitoring of databases
 - Washington State Department of Health
 - Provider certification and license verification
 - Drug Enforcement Agency licensure
 - Tax ID match to Social Security Administration
 - Review of excluded individuals with the Office of Inspector General

Questions?

Break Time

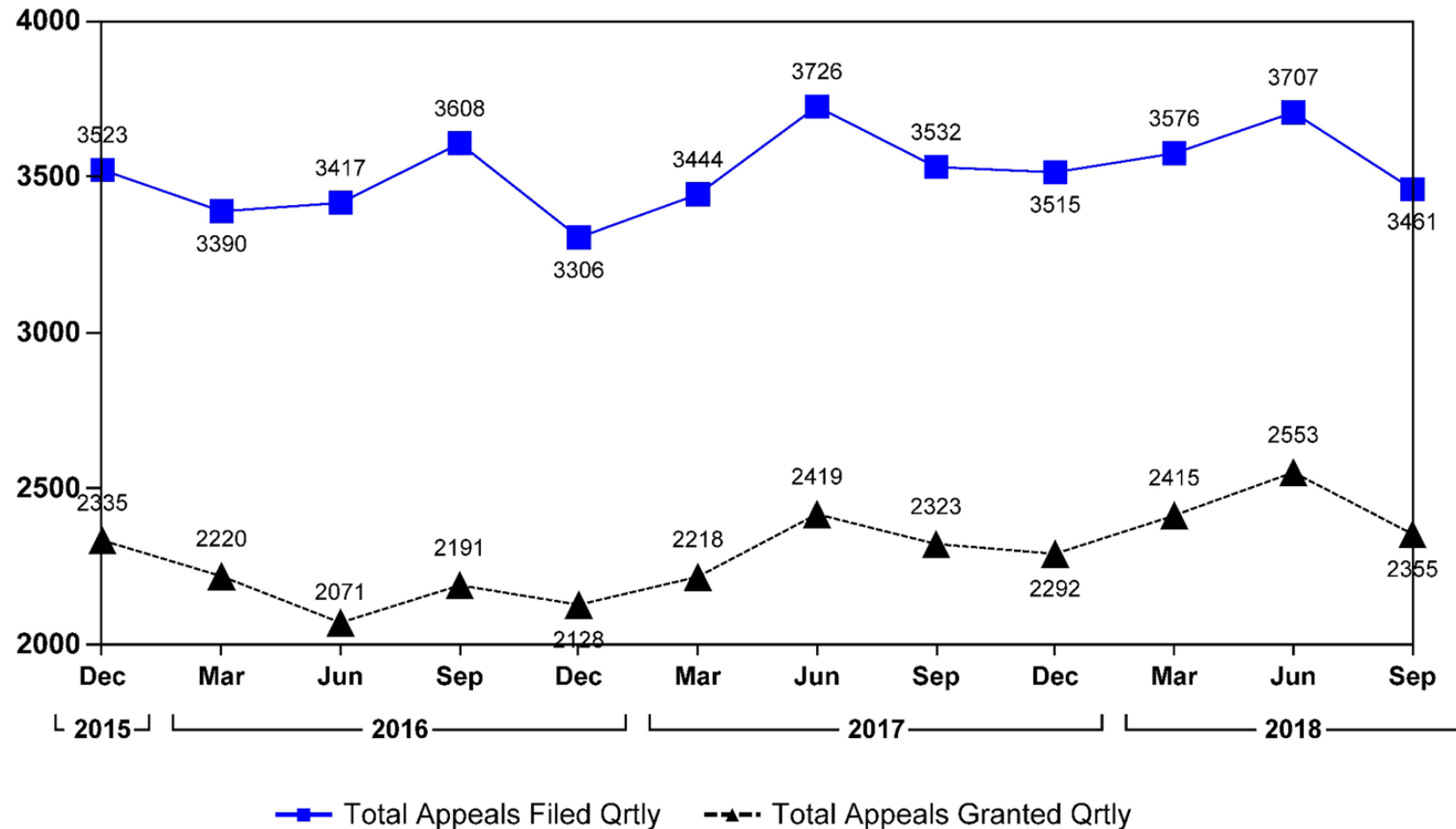


Board of Industrial Insurance Appeals (BIIA) Update

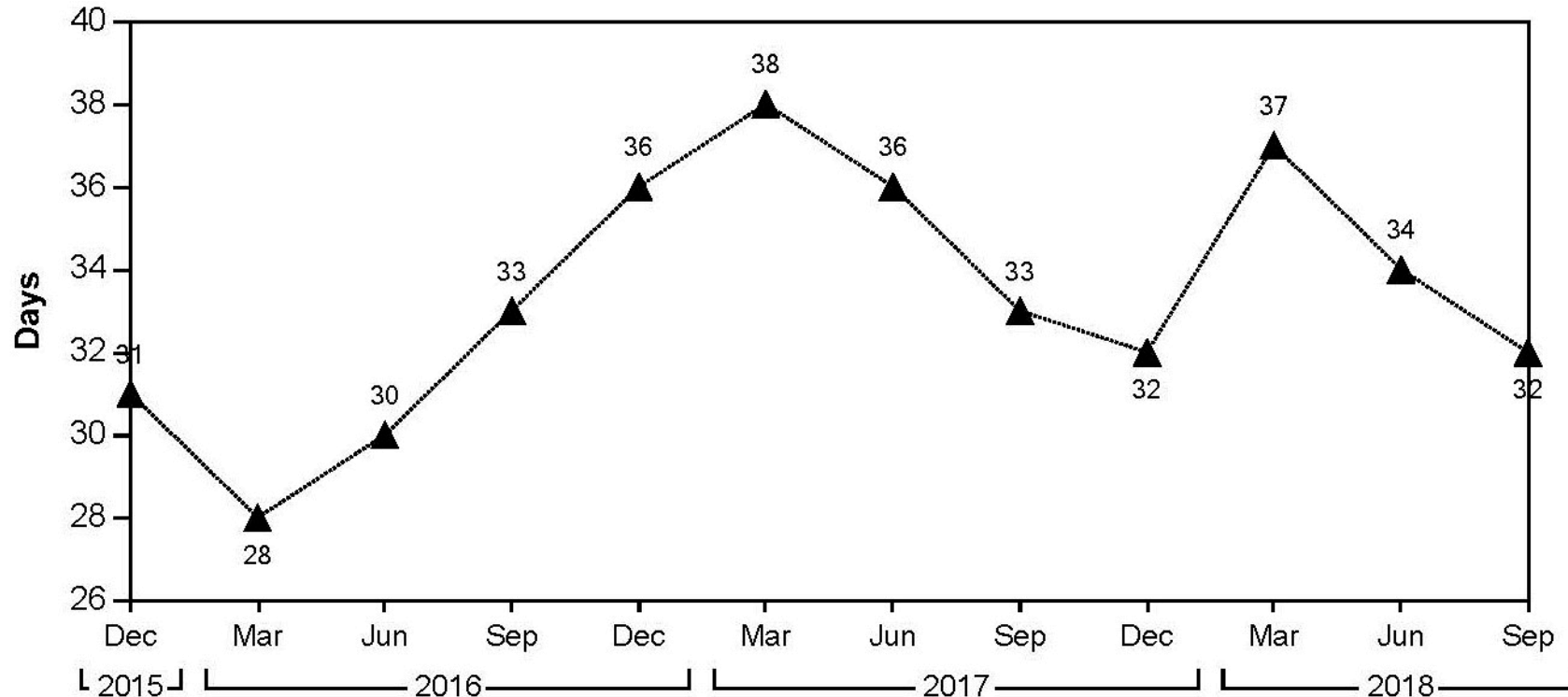
Linda Williams, Chair



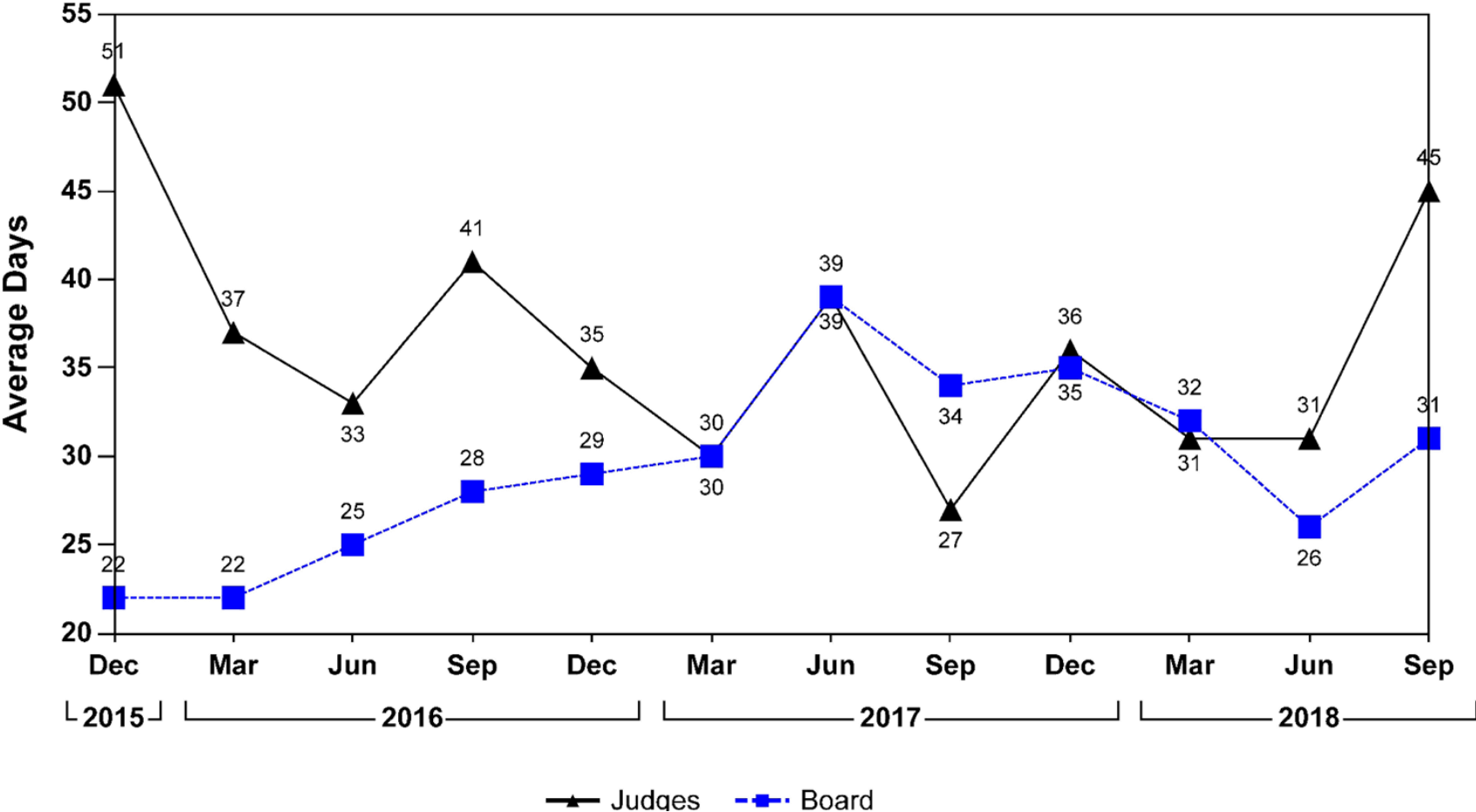
Total Appeals Filed and Granted



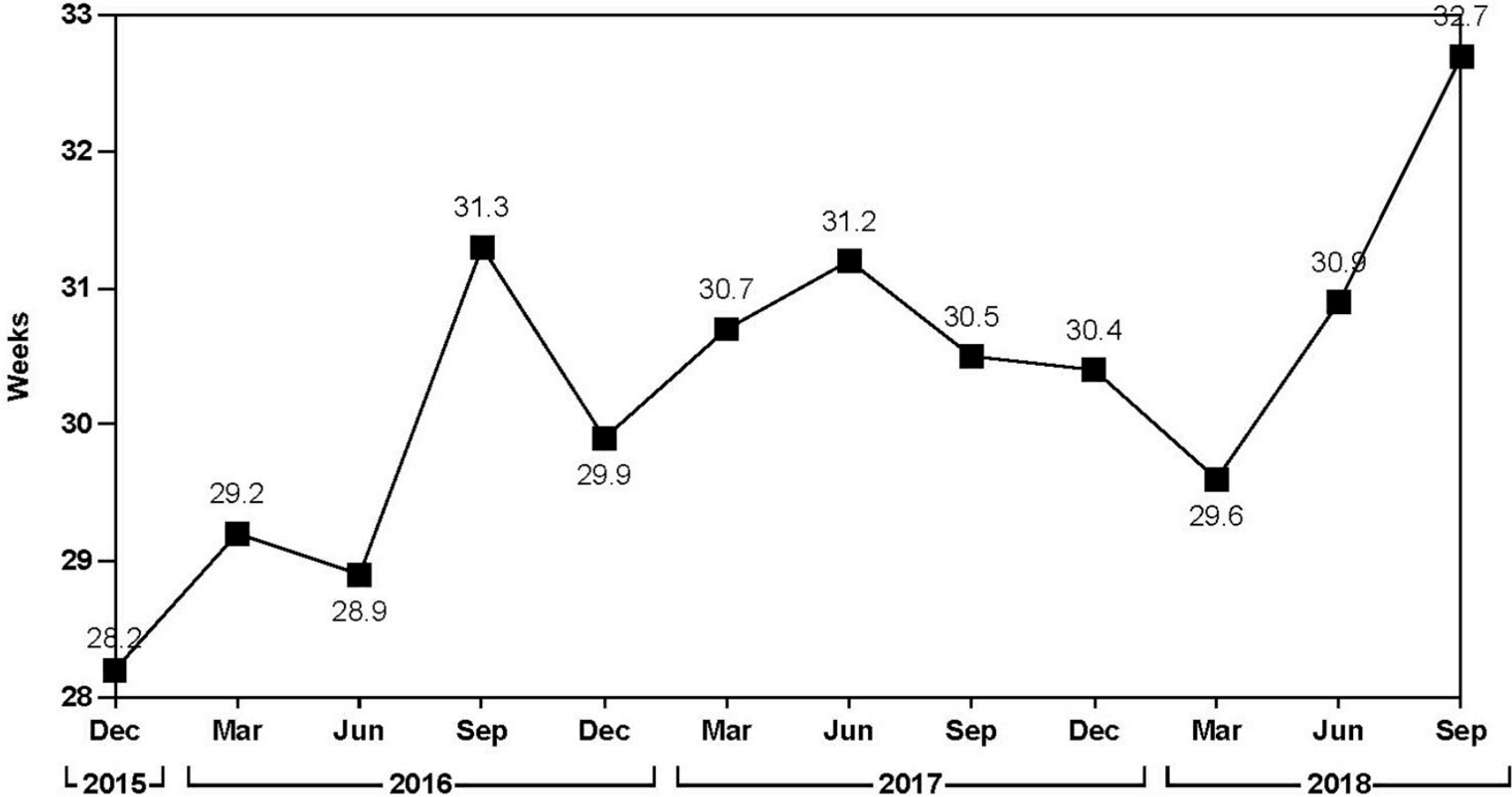
Average PD&O* Time-lag by Quarter for Hearing Judges



D & O* Time-Lag by Quarter

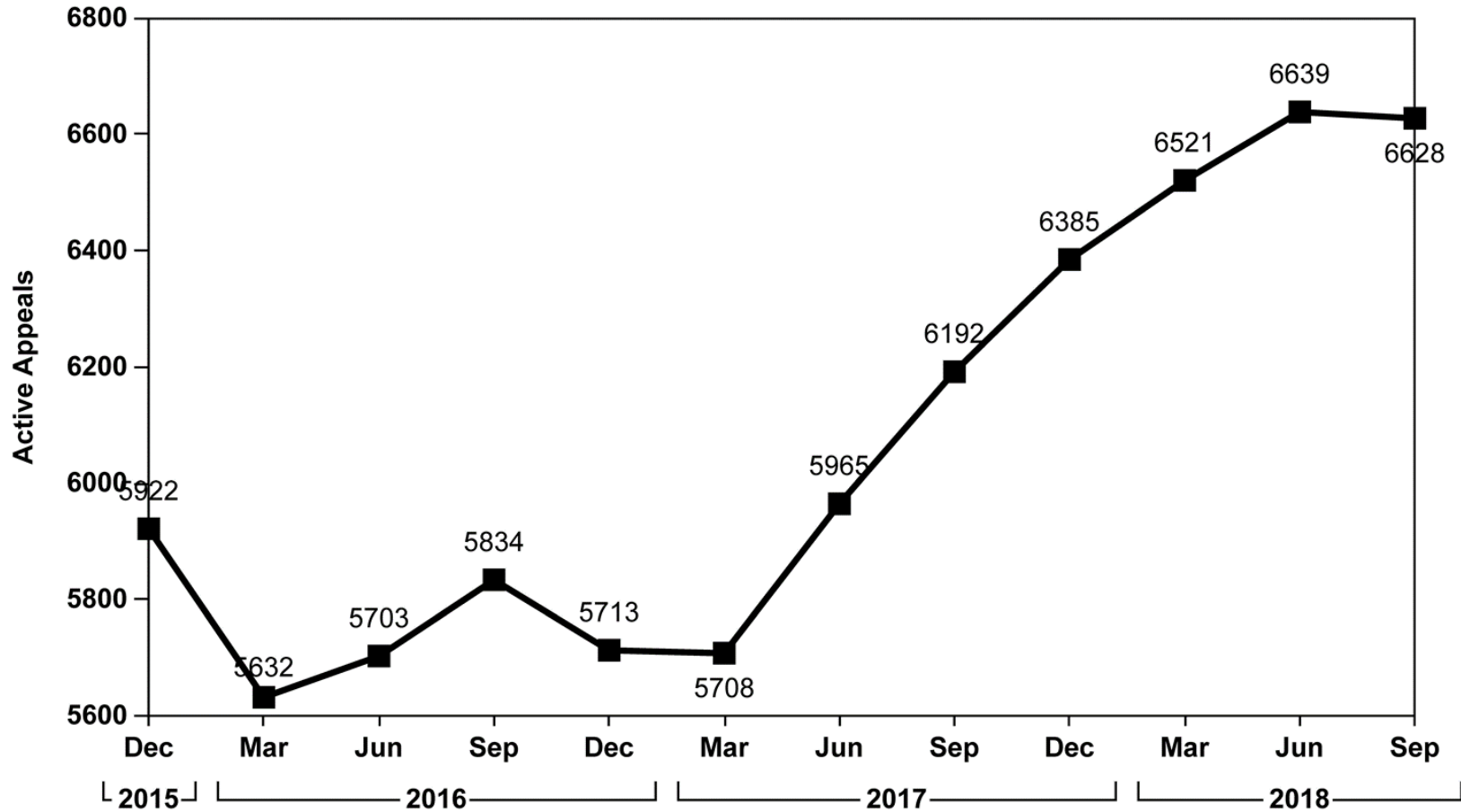


Quarterly Average Weeks to Completion

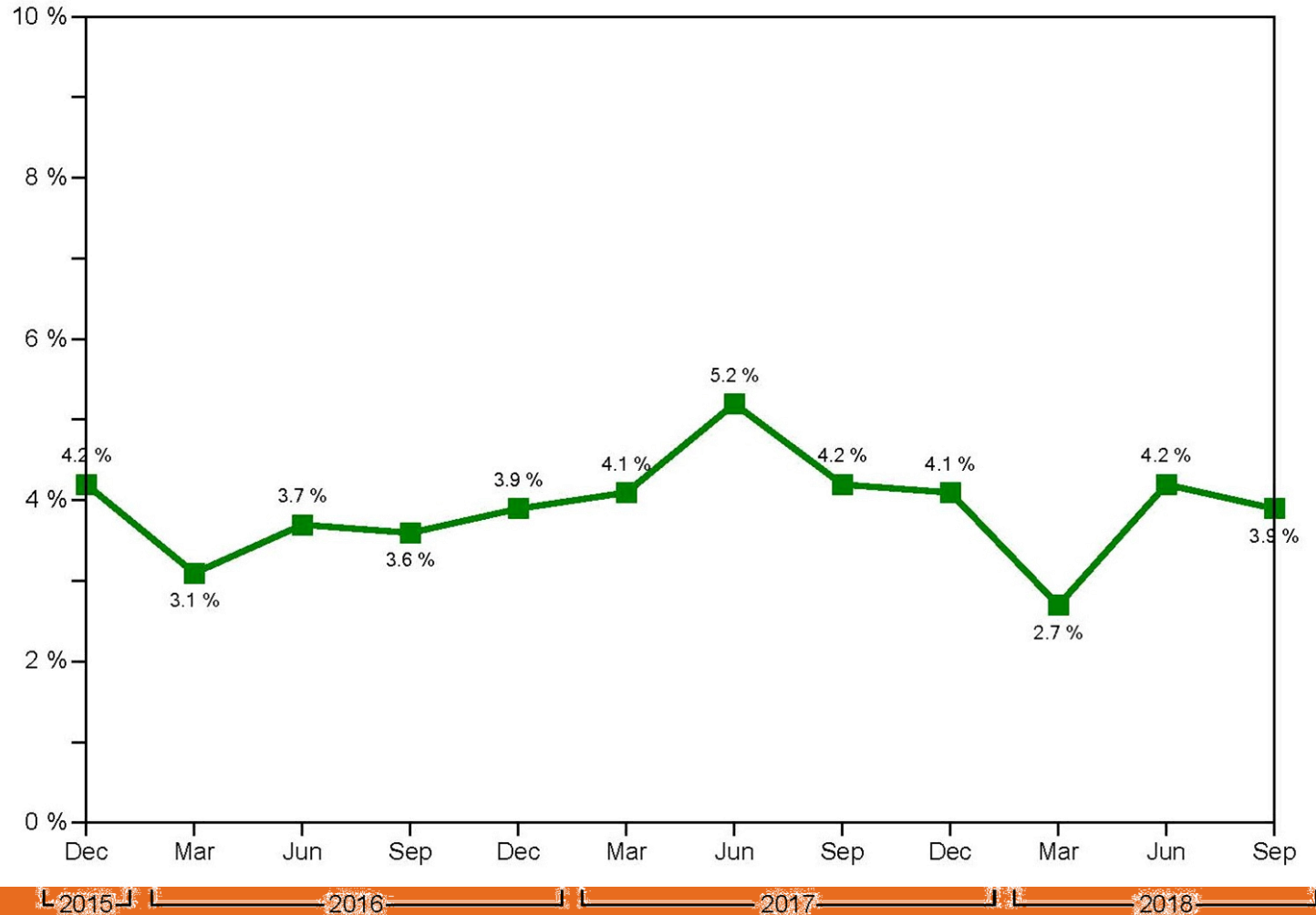


All orders issued by quarter from date filed to date of final order

Caseload at End of Quarter



Percentage of Final Orders Appealed to Superior Court - Quarterly



Workers' Compensation IT Replacement Plan

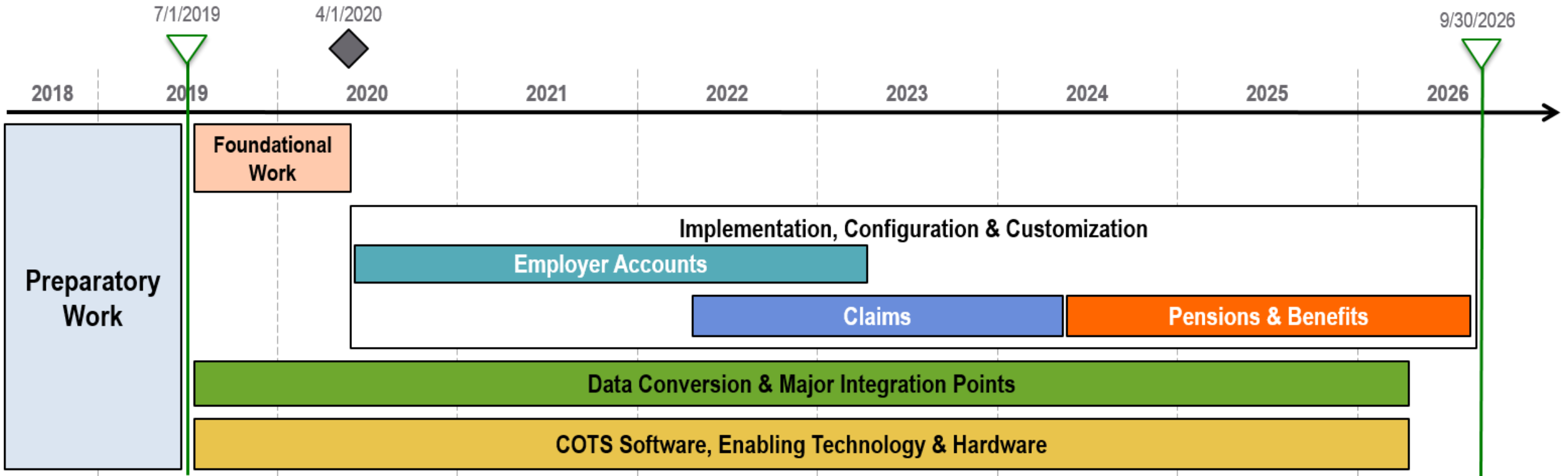
Joel Sacks, Agency Director



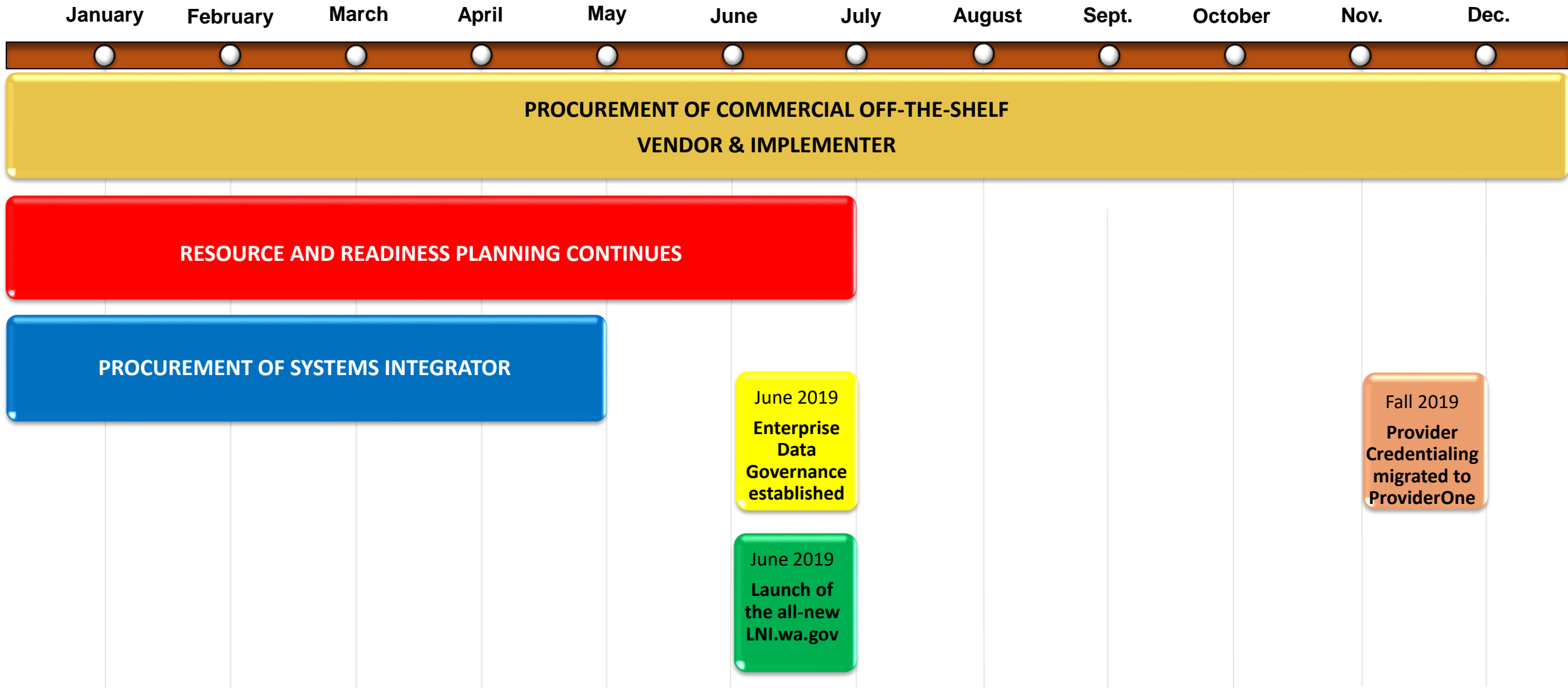
Quick Recap: What we've done so far. . .

- **We've investigated comparable projects inside and outside Washington**
 - Learn from their mistakes, so we don't make the same mistakes.
 - Gain knowledge from their insights of what worked well and what didn't.
- **We identified and assessed factors that are unique to L&I**
 - Our system is comprised of more systems (100+) and over 500 interfaces, this is more than the comparable projects.
 - The comparable agencies have gone through multiple upgrades to their systems over the last several decades, L&I has not. L&I has maintained its legacy system.
- **We created a timeline for the project, along with cost and staffing estimates**
 - High-level work has been identified and outlined, from beginning to end, including scope, sequencing, phasing, etc.
 - The working estimates have been catalogued for all of the costs (L&I FTEs, external consulting support, hardware, software, etc.), leveraging information from the comparables as a reference point.
- **We submitted a decision package and comprehensive business case requesting funding to replace the workers' compensation computer system**

Quick Recap: Project Timeline



Business Transformation: 2019 Snapshot



Workers' Compensation IT Replacement Plan – Appendix

Joel Sacks, Agency Director



Preparatory Work

- **Resource and Readiness Planning**

- Change management
- Project management
- Communication planning
- Employee engagement/resistance management
- Skills analysis
- Training strategy

Foundational Work

■ **Systems Integrator Procurement**

- Integration
- Custom development
- Data management
- Technical infrastructure
- Legacy system and client IT support
- Project management
- Cybersecurity
- Cloud

The systems integrator will not be able to bid on the commercial off-the-shelf product or implementation services.

Foundational Work

- **COTS Product and Implementer Procurement**
 - Core solution
 - Data migration
 - Migration support
 - Training

Learn About the Procurement Strategy and Approach

- <https://abr.ofm.wa.gov/budget/agency/requests>
 - Section 16 (Page 68) of the *Workers' Compensation Replacement Project Business Case*

Next Steps










- **Continue the prep work for Systems Integrator and COTS procurement**
- **Report progress of the decision package and resource planning**

Dashboard – Help Injured Workers Heal and Return to Work

Vickie Kennedy, Assistant Director for Insurance Services



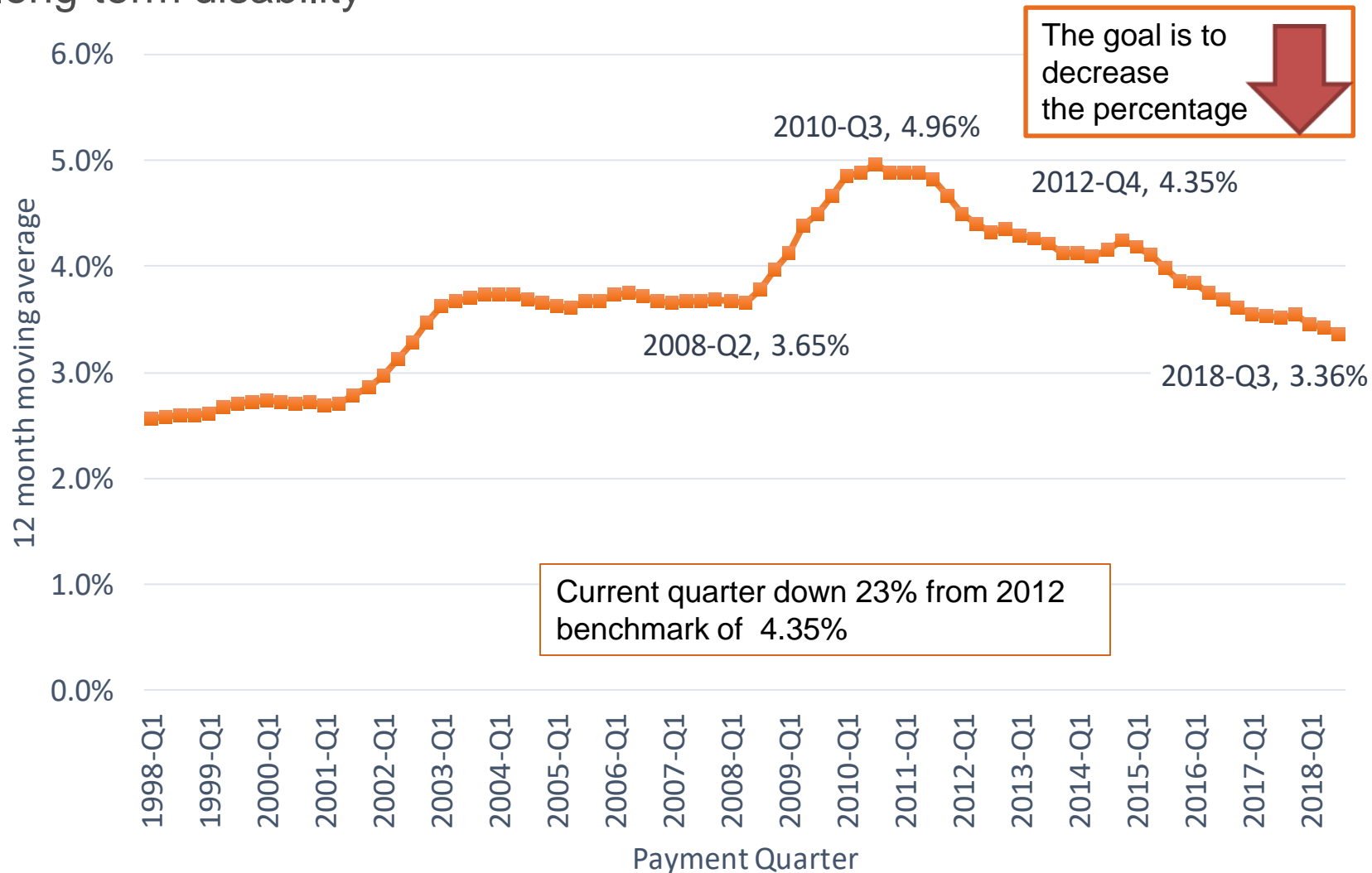
Dashboard Summary

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% 	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 4.8% 	
Resolution rate - time-loss claims at 6 months	Up 5.5% 	
Auto adjudication of claims	Up 81.4% from 2014 	Highest since 2002*
High risk claims – share return to work at 12 months	Up 7.0% 	
Median time-loss days paid at first vocational service	Down 79% 	Lowest since 2002*
% RTW outcomes - all first vocational service referrals	Up 129% 	
WSAW participation	Steady utilization 	
COHE utilization	Up 83% 	

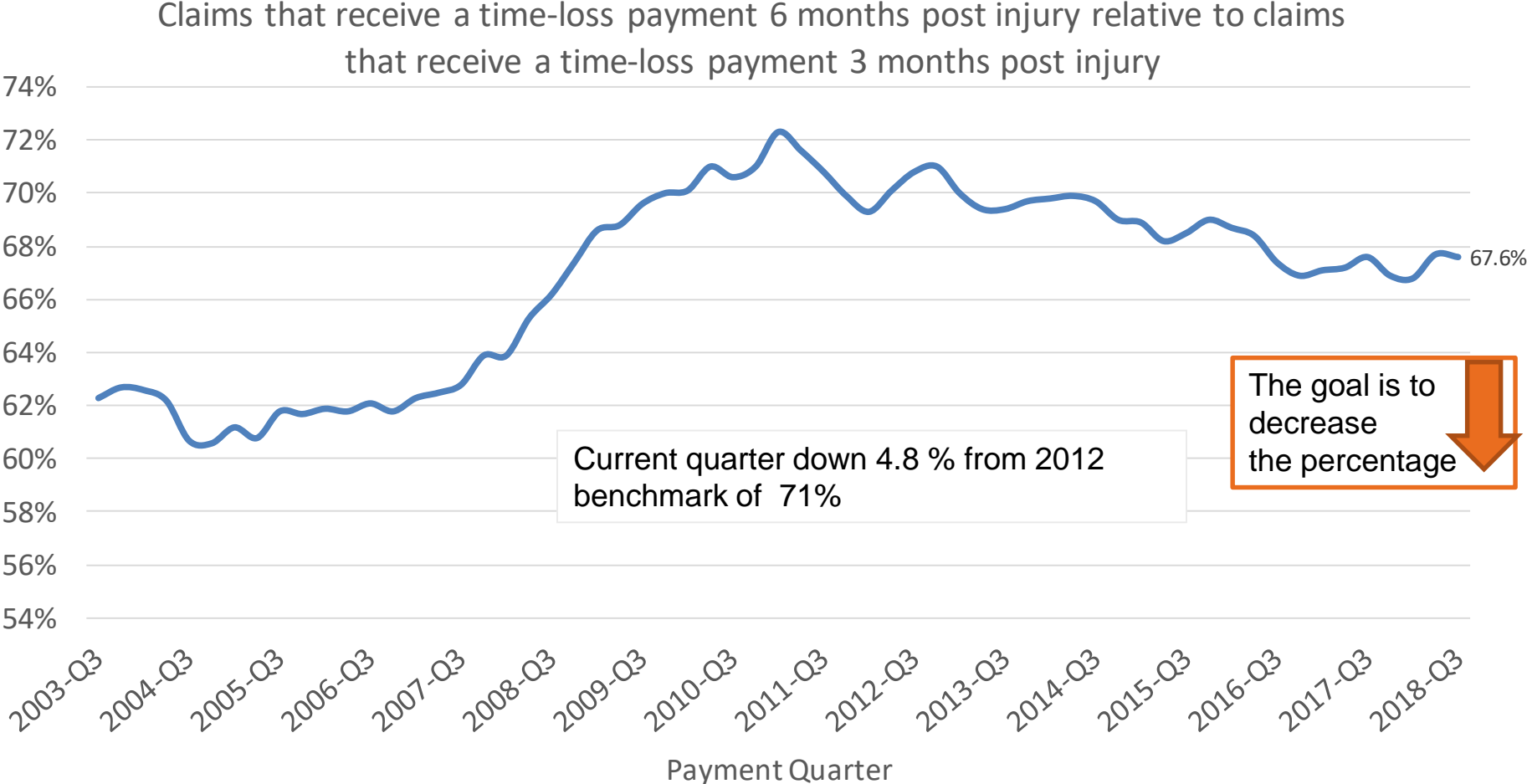
* Earliest year for which measurement is available

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

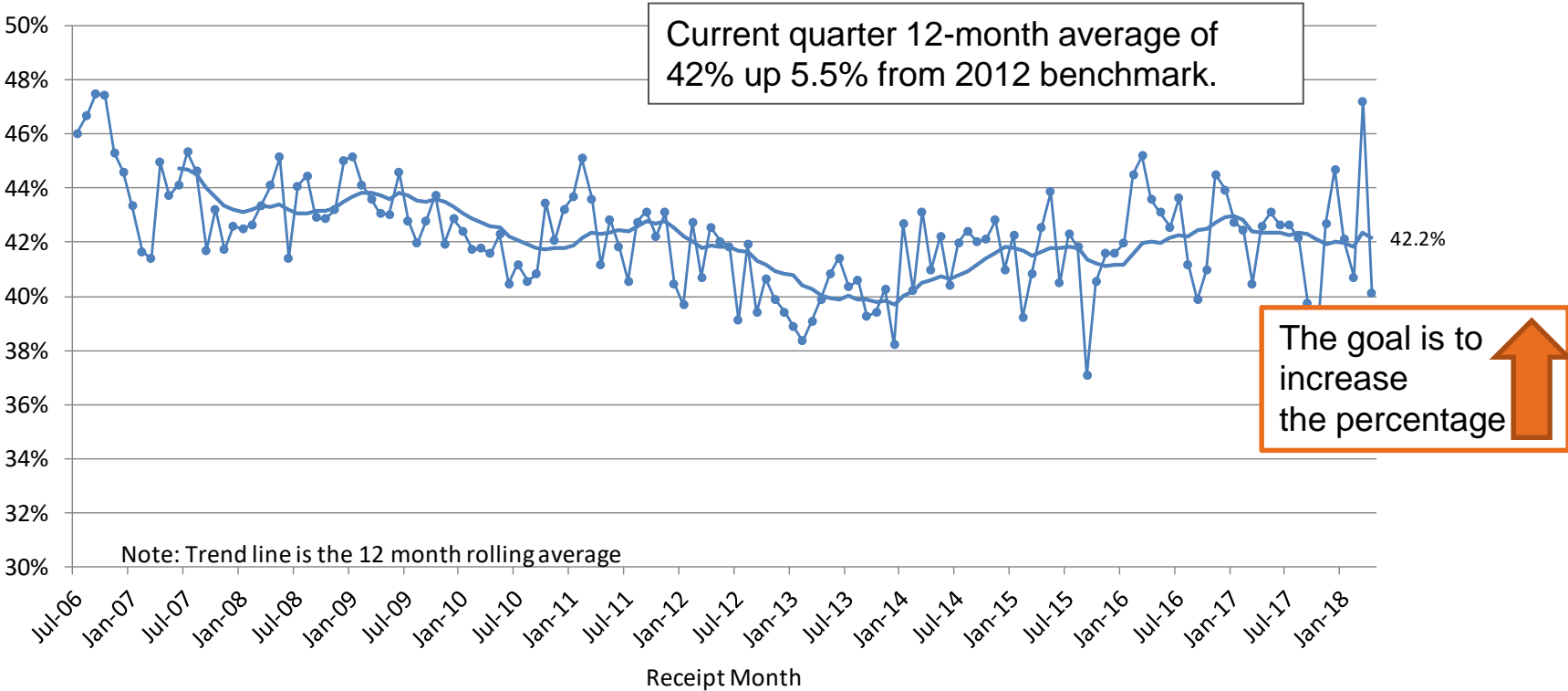


The onset of long-term disability is often measured between three and six months after injury

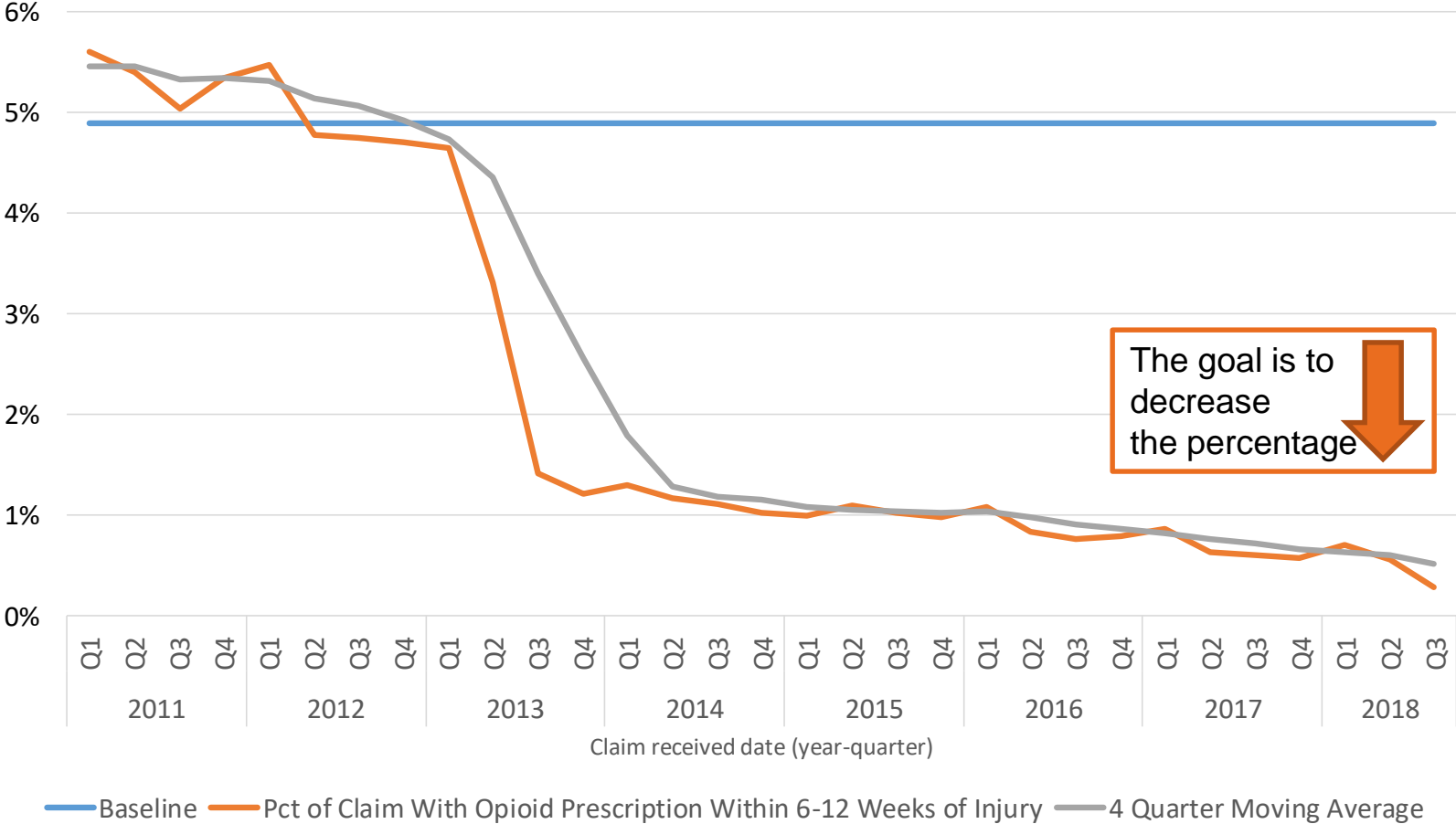


The share of time-loss claims resolved six months after claim receipt

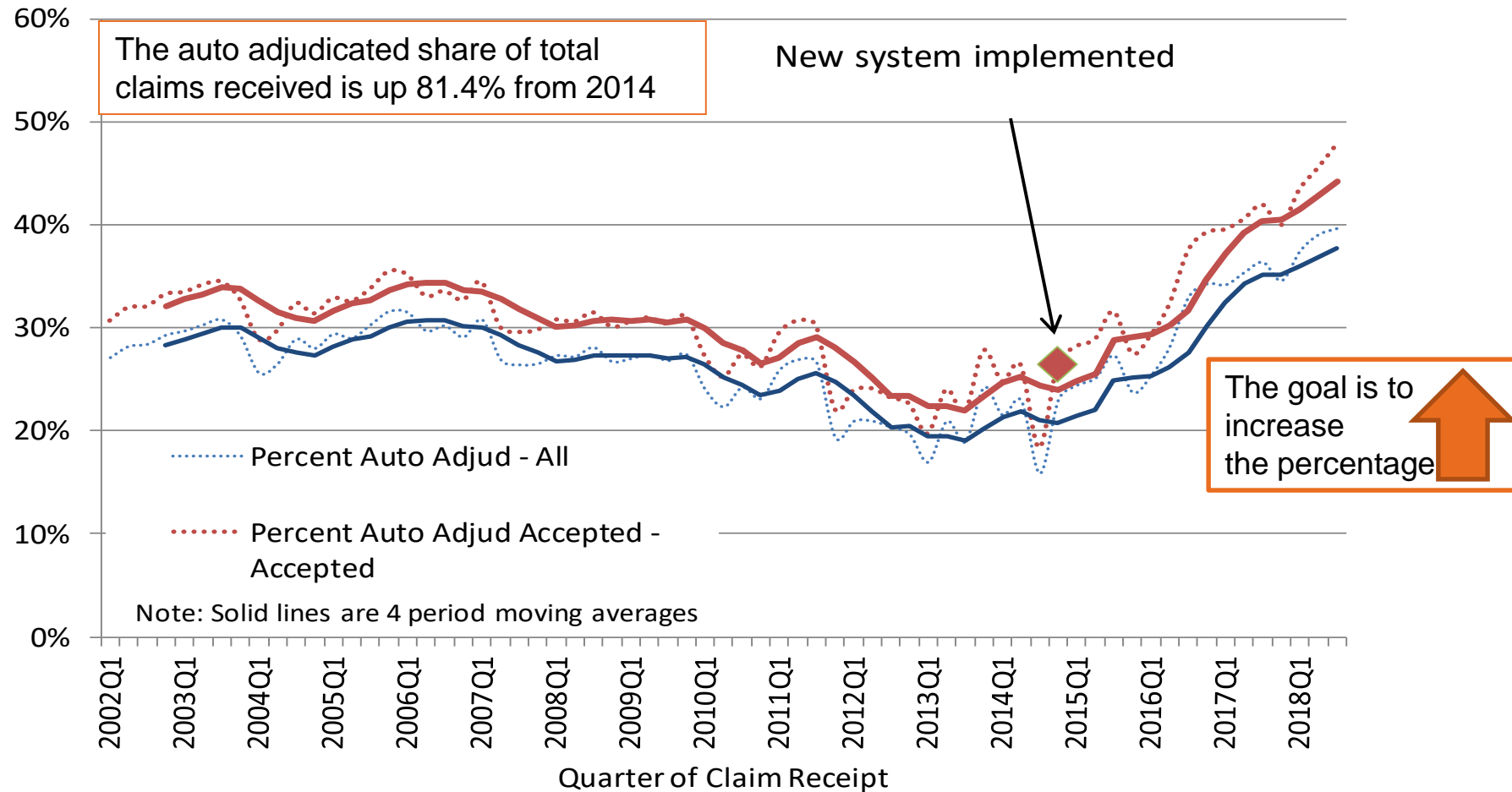
Share of time-loss claims resolved six months after claim receipt



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

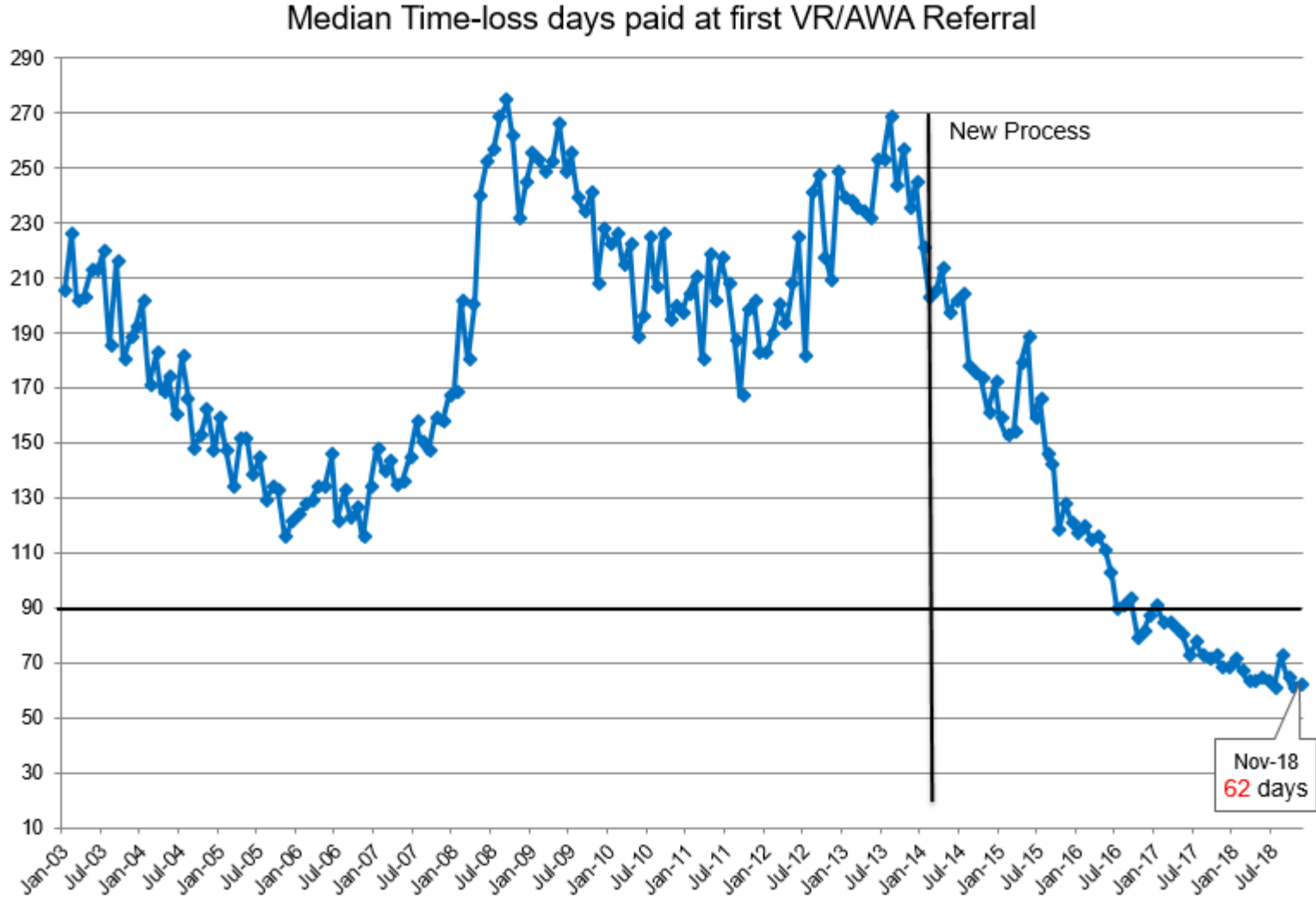


High risk claims – Initiatives in the first year are improving RTW outcomes


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



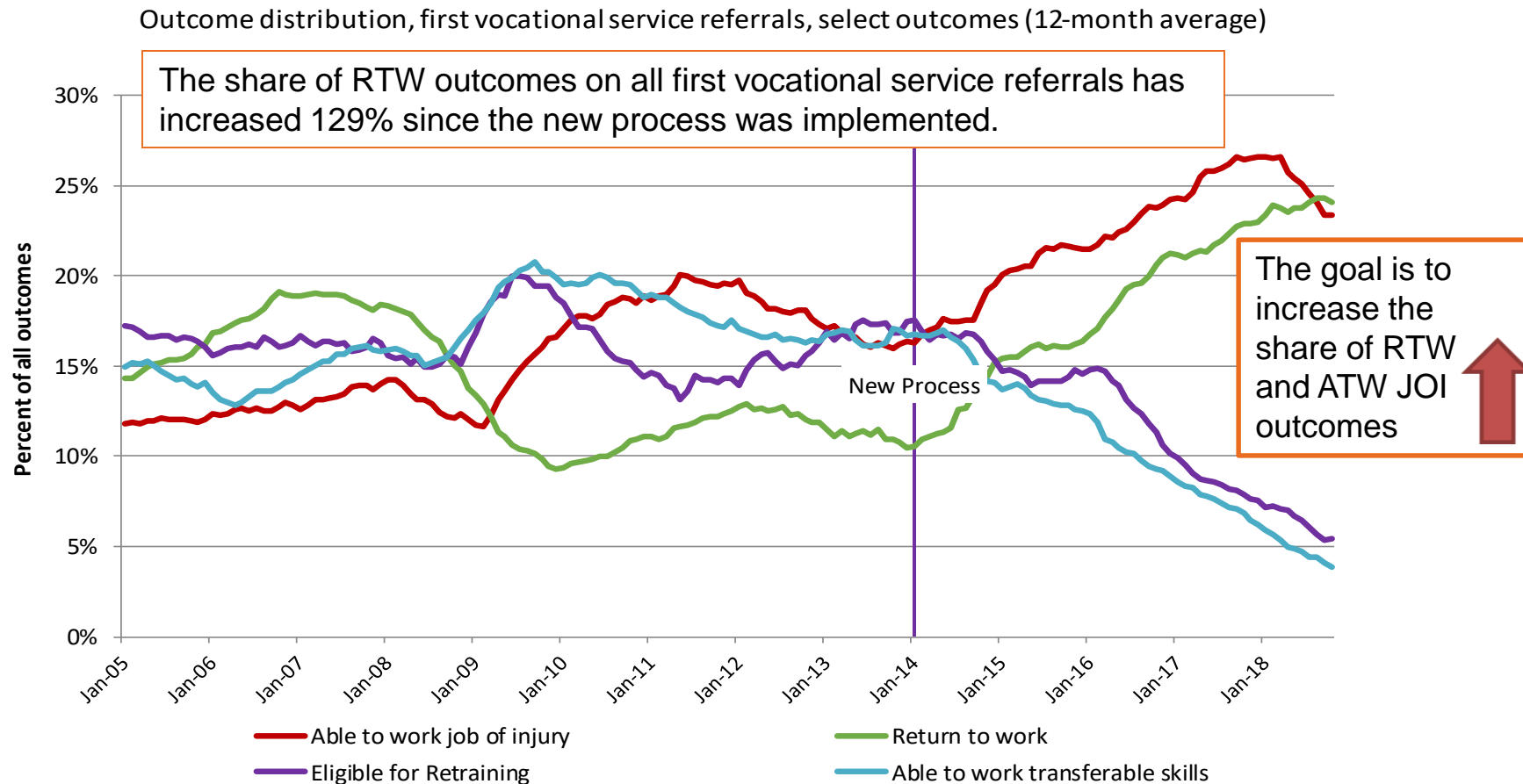
Referrals are now targeted to address the onset of disability



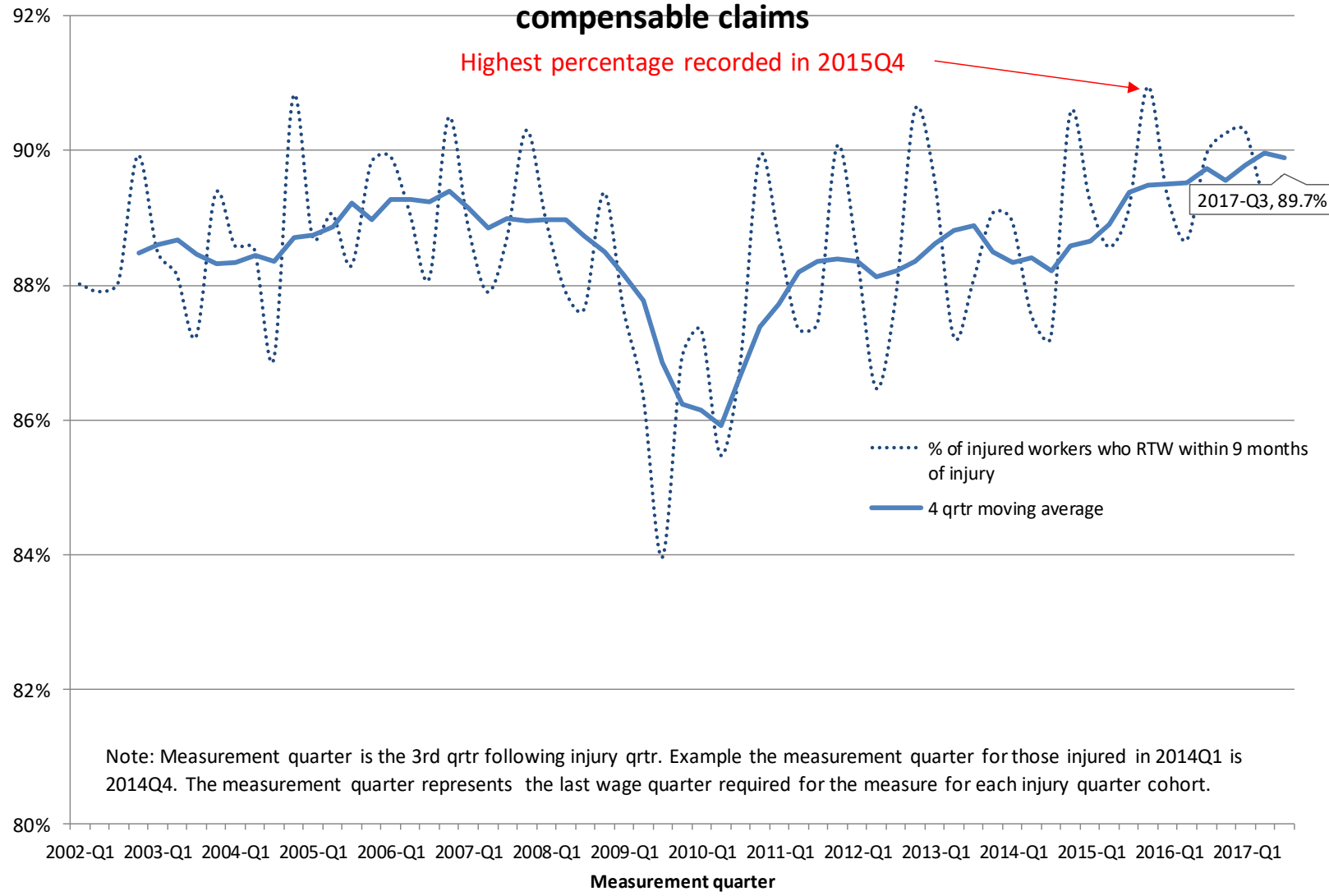
The goal is to decrease this number



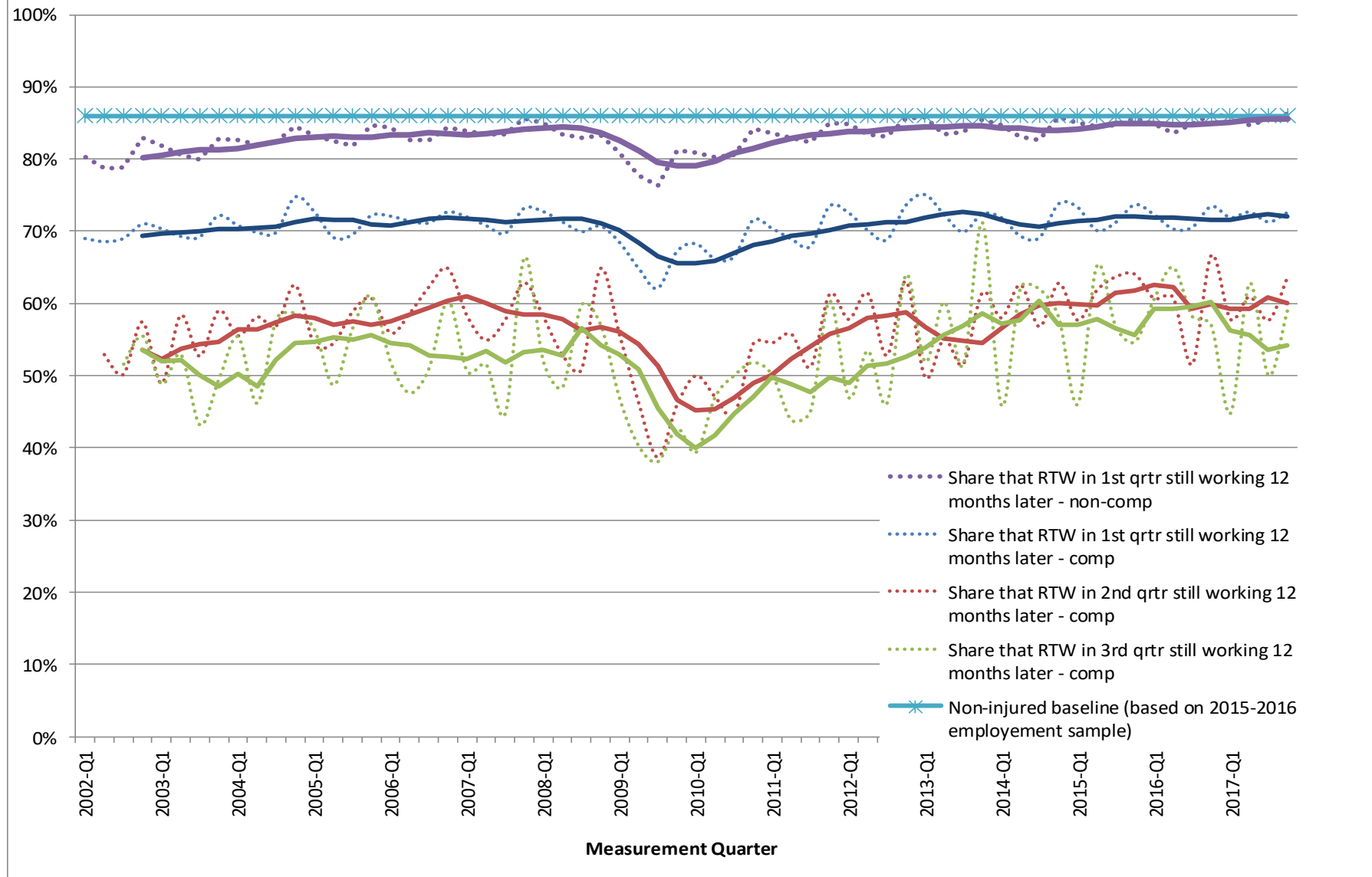
New focus on return to work has increased positive employable outcomes for all first vocational service referrals



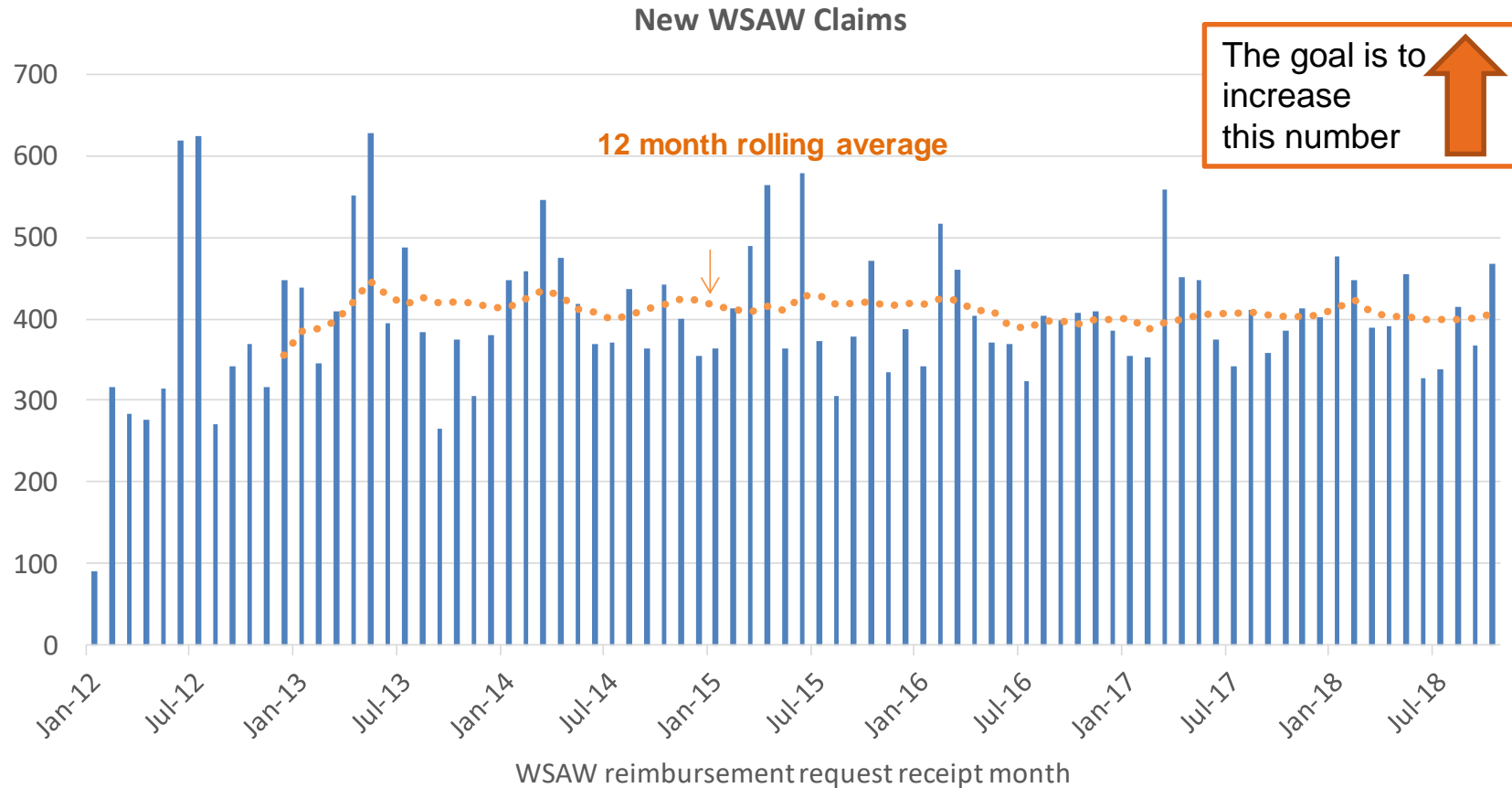
Percent of injured workers who RTW within 9 months of injury, compensable claims



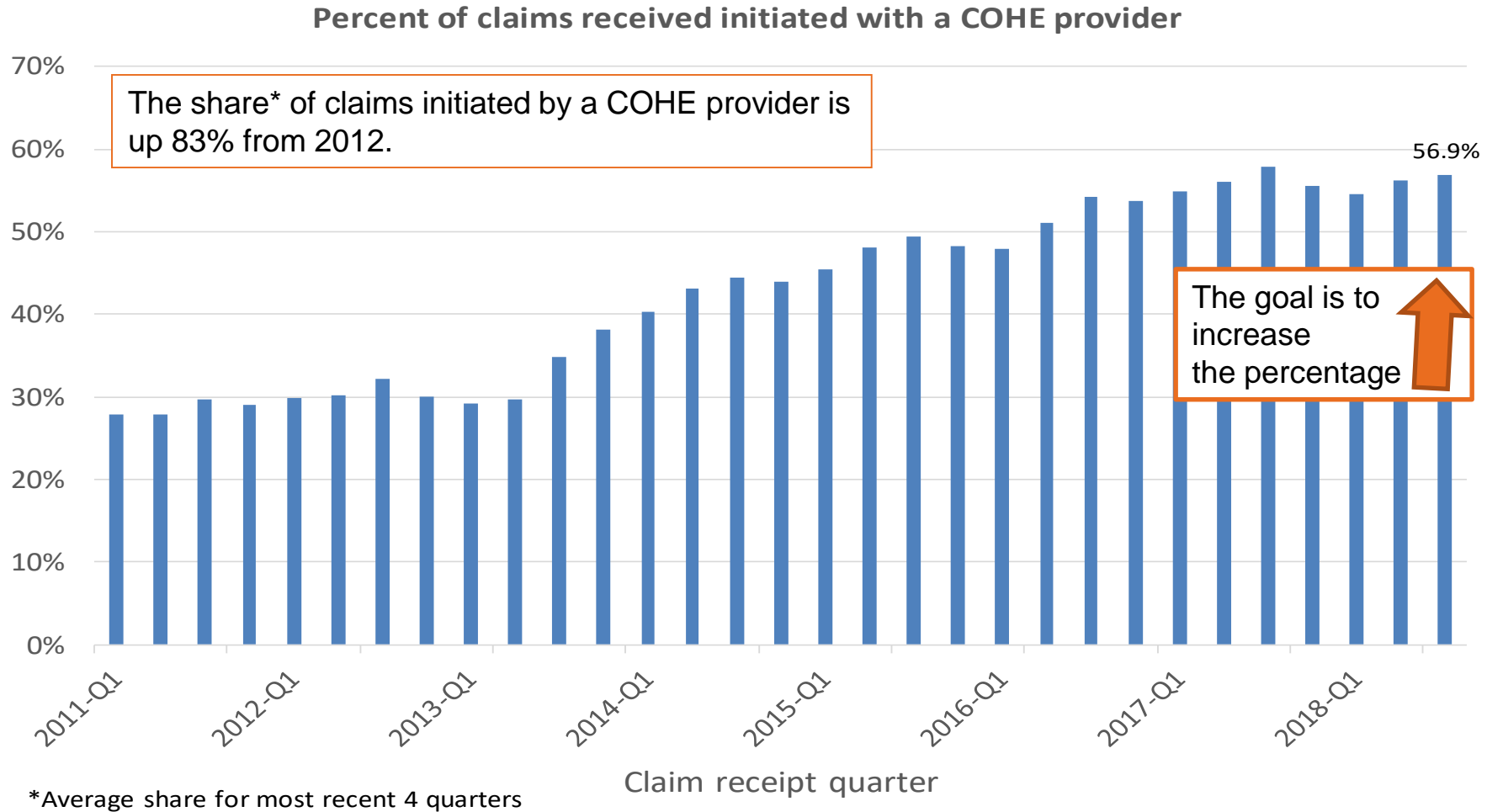
Share still working 12 months later



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 First Quarter
July 2018 – September 2018**

Rob Cotton, Workers' Compensation Accounting Manager



Annual Financial Reports

Fiscal Year 2018 - July 2017 through June 2018



- Annual financial reports will be available on L&I's website at:
<http://www.lni.wa.gov/ClaimsIns/Insurance/Learn/StateFund/Reports>
- If you wish to obtain a paper copy of annual financial reports, send an email to Rob Cotton at cotr235@lni.wa.gov.

Unmodified, “Clean” Opinions Since 2006



Independent Auditors issued unmodified or “clean” opinions on:

- The Workers’ Compensation Program Comprehensive Annual Financial Report (CAFR)
- The Industrial Insurance Fund Annual Statutory Financial Information Report
- Review of actuarial estimates

Significant Financial Highlights

July 2018 through September 2018

The contingency reserve increased \$133 million, from \$3,485 million on July 1, 2018 to \$3,618 million on September 30, 2018. The contingency reserve would be at \$3,385 if we include the stock market change from October 1st through December 7th, 2018.

	<ul style="list-style-type: none">• Gains on investments• Favorable development on prior year liabilities<ul style="list-style-type: none">➤ 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• Premiums and investment income are adequate to pay for actual costs
	<ul style="list-style-type: none">• Unfavorable development on prior year liabilities<ul style="list-style-type: none">➤ Medical Aid: mainly due to increasing medical costs

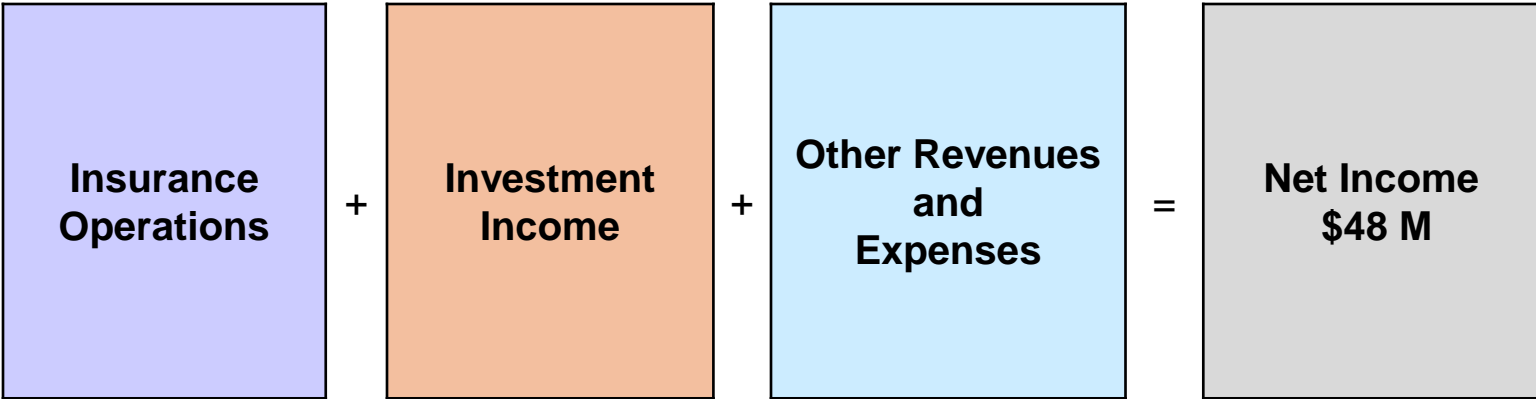
Change in contingency reserve by quarter for fiscal year 2019.

- July 1st to September 30, 2018 – an increase of \$133 million

State Fund Results

“Net Income”

July 2018 through September 2018



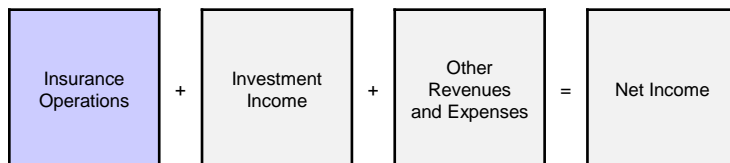
Insurance Operations

July through September 2018
(in millions)

Three Months Ended

		September 30, 2018	September 30, 2017
We took in (Premiums Earned)	+	\$ 561	\$ 567
We spent (Expenses Incurred)			
Benefits Incurred		540	320
Claim Administrative Expenses		82	50
Other Insurance Expenses		24	22
Total Expenses Incurred	-	646	392
Net Income (Loss) from Insurance Operations	=	\$ (85)	\$ 175

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

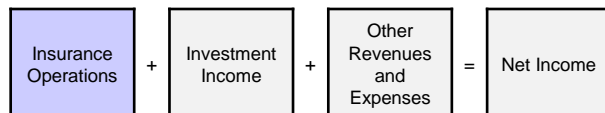


Premiums Earned

July through September
(in millions)

Three Months Ended

	September 30, 2018	September 30, 2017	Difference
Standard Premiums Collected	\$574	\$575	
Less Retrospective Rating Adjustments	(10)	(2)	
Net Premiums Collected	564	573	
Changes in future Premium Amounts To Be Collected	35	43	
Changes in future Retrospective Rating Adjustment Refunds	(38)	(49)	
Net Premiums Earned	\$ 561	\$ 567	\$ (6)

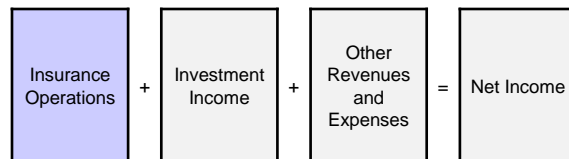


Benefits Incurred

July through September
(in millions)

Three Months Ended

	September 30, 2018	September 30, 2017	Difference
Benefits Paid	\$ 419	\$ 409	\$ 10
Change in Benefit Liabilities	118	(89)	207
Change in Discount Rate Reduction from 6.1% to 4.5% for State Fund	3	0	3
Total Benefits Incurred	\$ 540	\$ 320	\$ 220



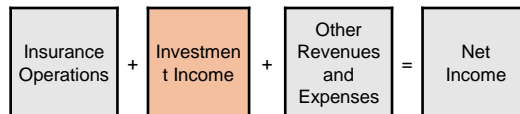
The main reason for the \$220 million increase in benefits incurred is the Fiscal Year 2018 first quarter favorable development on prior year benefit liabilities.

Investment Income

July through September
(in millions)

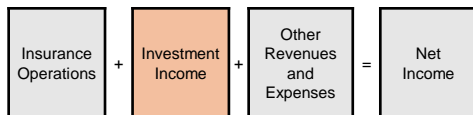
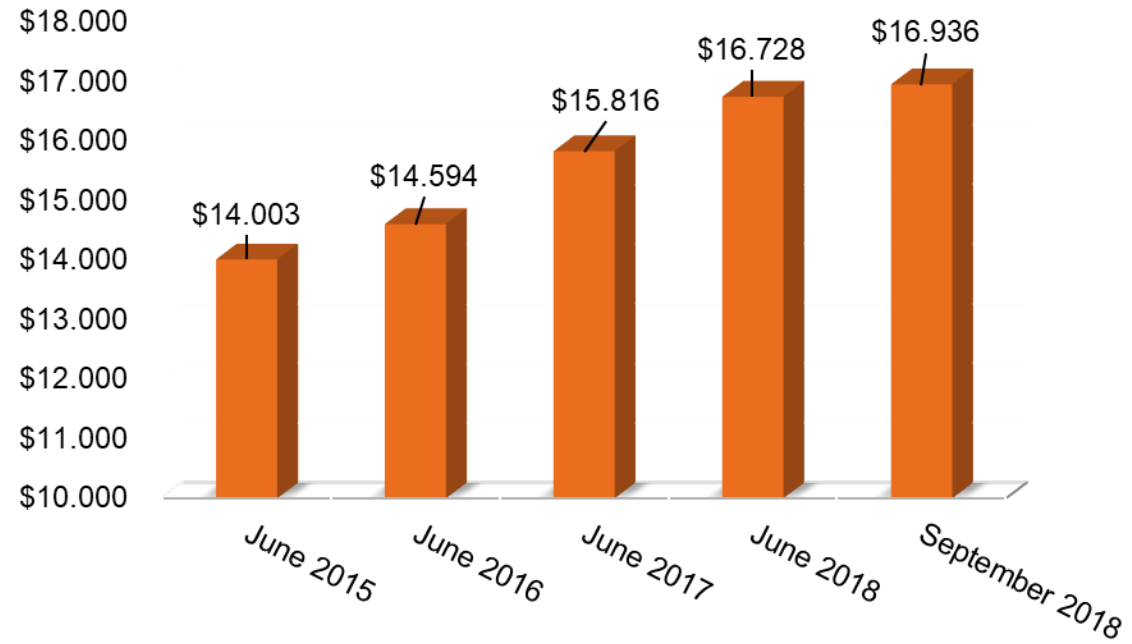
Three Months Ended

		September 30, 2018	September 30, 2017
Investment Income Earned from Interest on bonds	+	\$ 121	\$ 119
Realized Gain/(Loss) from Fixed Income Investments Sold	+	2	(7)
Realized Gains from Stocks (Equity Investments) Sold	+	0	102
Total Investment Income	=	\$123	\$ 214



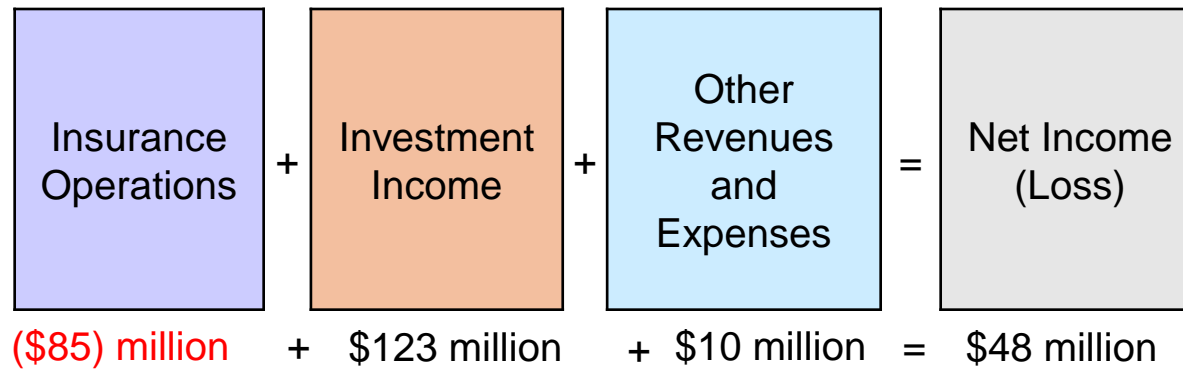
Total Investments

(rounded to billions)



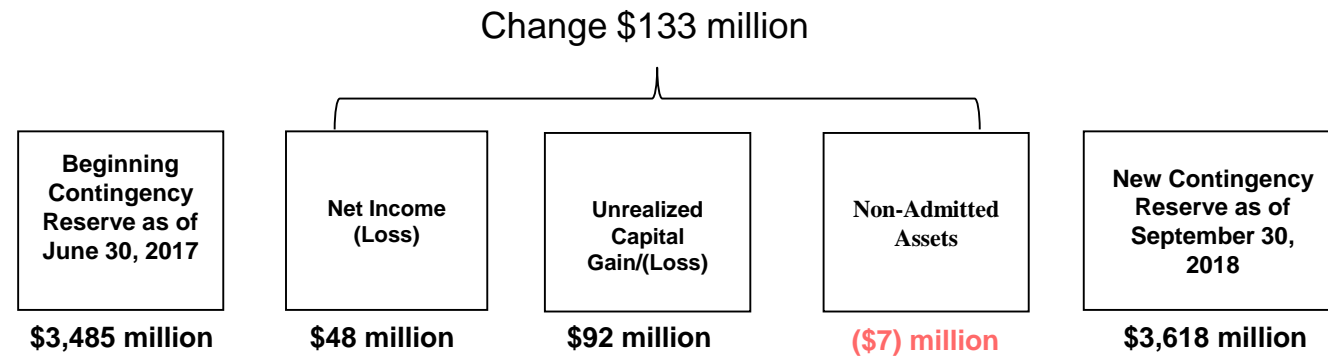
Results of Operations

July 2017 through September 2018



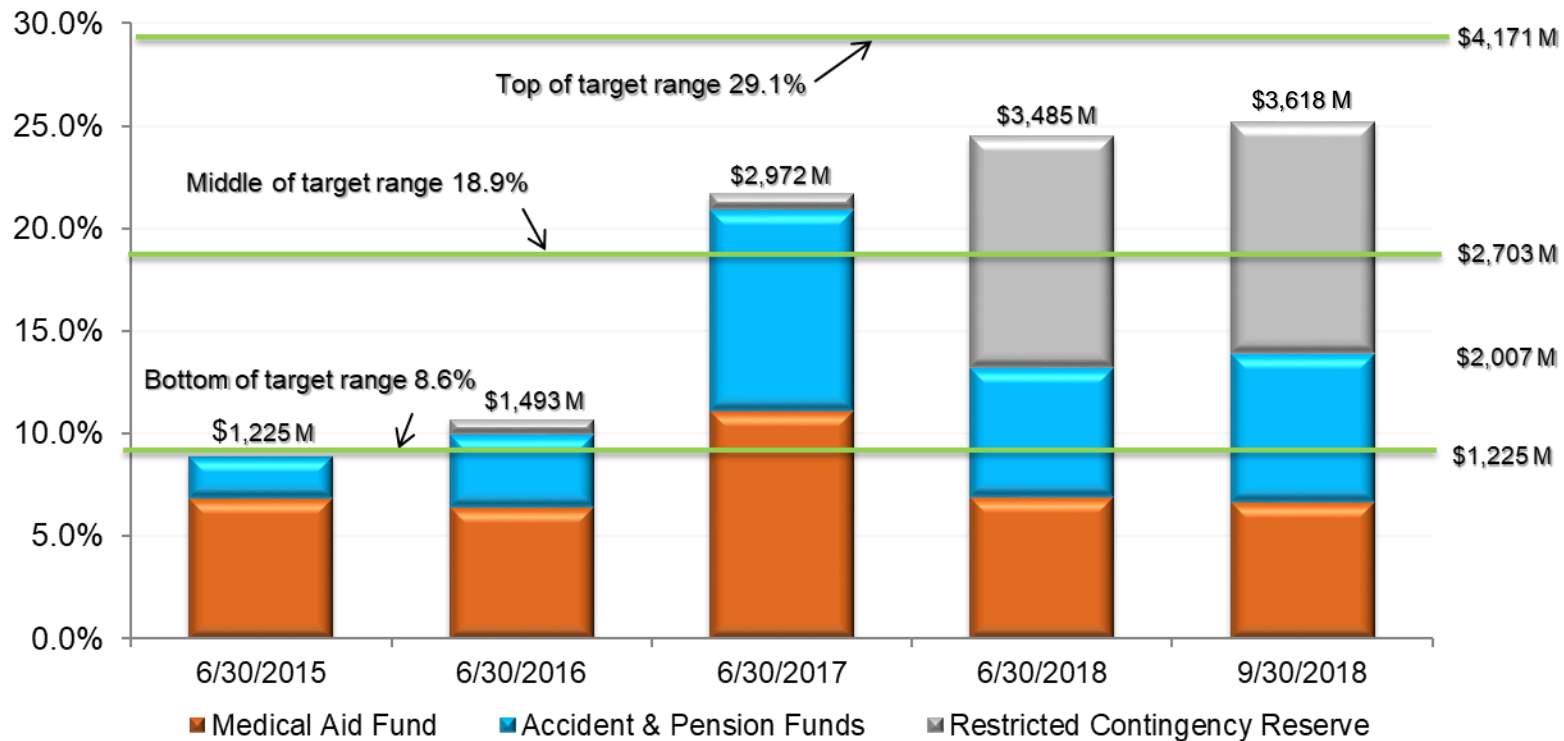
How Did Contingency Reserve Perform?

July 2018 through September 2018



Combined Contingency Reserve vs. Targets

Combined Contingency Reserve is 25.2% of Total Liabilities

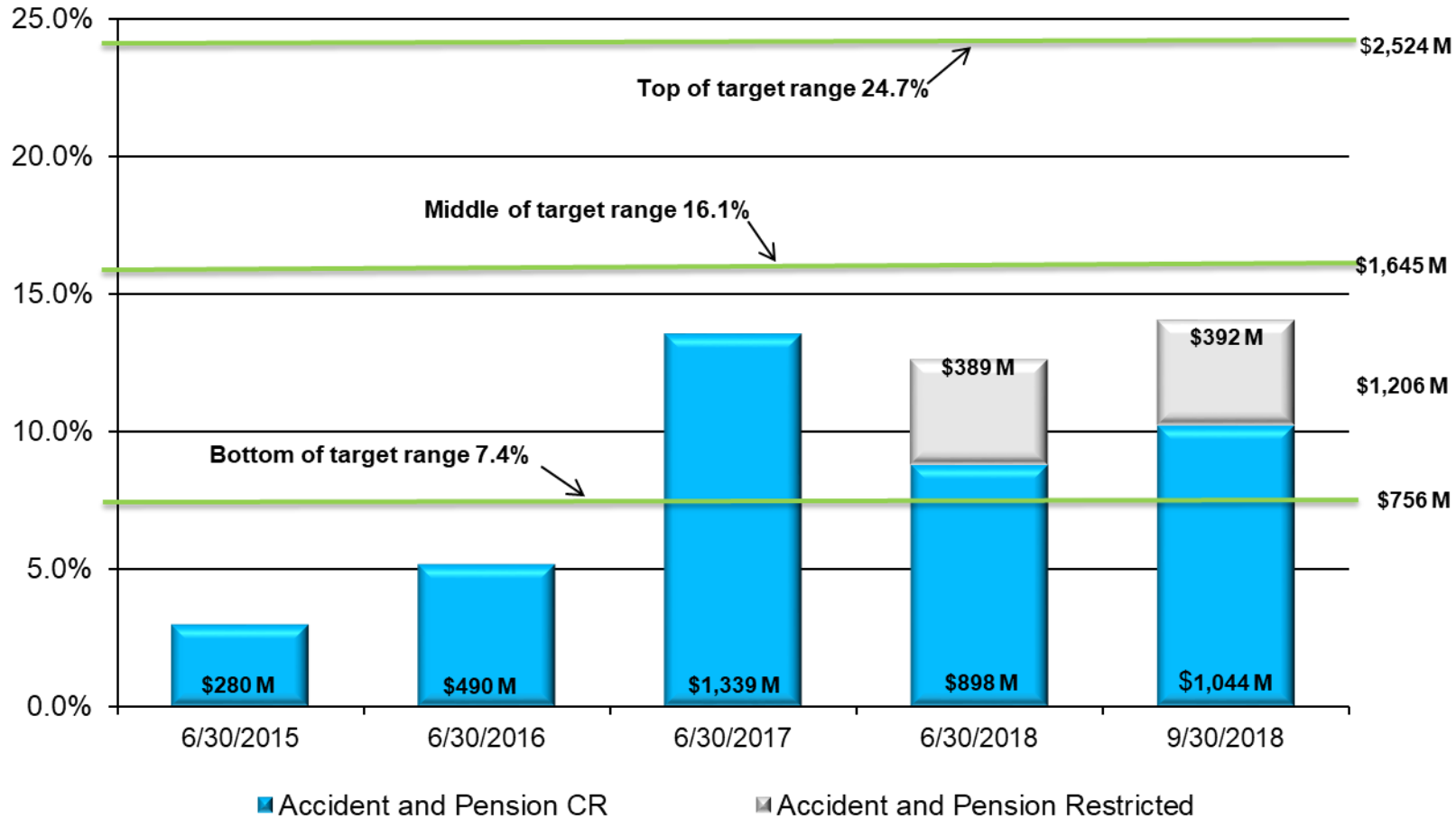


Restricted is based on final June 30, 2017 financial information and the change in the value of investments through 09-30-18.

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

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

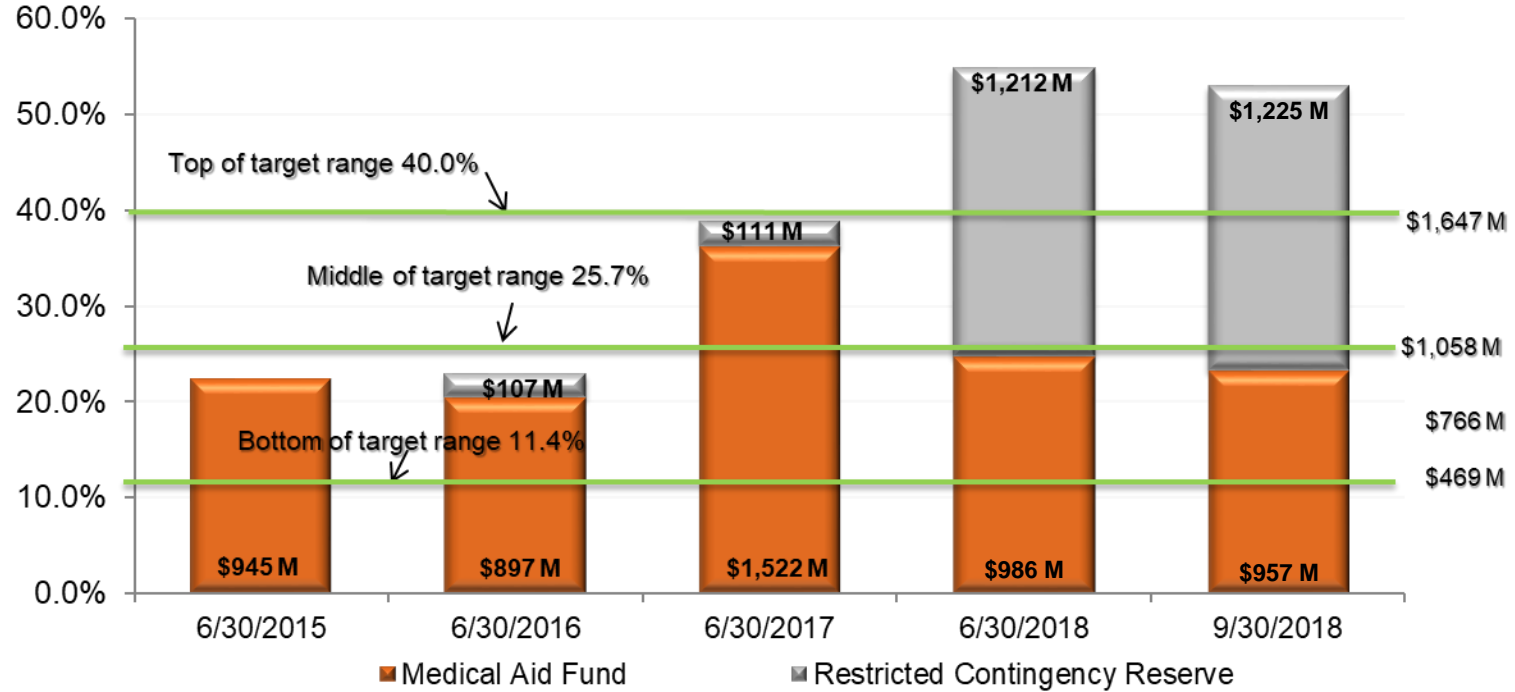
Accident & Pension Contingency Reserve vs. Targets



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

Medical Aid & Restricted Contingency Reserve is 53.0% of Liabilities

Medical Aid & Restricted Contingency Reserve vs. Targets



Restricted is based on final June 30, 2017 financial information and investment earnings through 06-30-18.

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 September 30, 2018		Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017
	State Fund	Industry Forecast		
Current Year Benefit (Loss Ratio)	80.8%		77.8%	78.2%
Prior Year Benefit (Loss Ratio)	15.5%		17.1%	(13.1)%
Total Benefit (Loss Ratio)	96.2%	49%	94.9%	65.1%
Current Year CAE Ratio	8.8%		9.0%	8.4%
Prior Year CAE Ratio	5.7%		2.3%	(.5%)
Total Claim Administration Expense (CAE) Ratio	14.5%	13.2%	11.3%	7.9%
Sub-Total: Benefit and Claim Administration Expense Ratios	110.7%	62.2%	106.2%	73.0%
Underwriting Expense Ratio includes all insurance administrative expenses except CAE	4.3%	26.0%	4.6%	4.4%
Combined Ratio (Industry omits dividends)	115.0%	88.2%	110.8%	77.4%
Investment Income Ratio	21.6%	18.0%	22.9%	23.0%
Operating Ratio	93.4%	70.2%	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	(\$419,347)
Prior Year Development (Favorable)	(\$23,353)
Self Insurance Prefunded Pension Transfers	\$6,309
Regular reserve discount reduction	\$100,665
Pension Table Change @ 4.5% for Pension Experting	\$3,101
Net Total Prior Year Benefit Liability as of June 30, 2018	\$12,759,183
New Current Year Benefit Liabilities	\$453,427
September 30, 2018 Benefit Liabilities Ending Balance	\$13,212,610
Change Between Beginning and Ending Balance	\$120,802

Supplemental Information No. 1

Highlights of Changes in the Contingency Reserve

	FY14	FY15	FY16	FY17	FY18	FY19 Q1	Total	
Changes that increased the contingency reserve								
↑	Operational Influences and model changes	\$149 M	\$543 M	\$147 M	\$926 M	\$941 M	\$20 M	\$2,726 M
	Rate Changes	\$58 M	\$59 M	\$38 M	\$27 M	(\$14) M	(\$23) M	\$145 M
	Greater than expected changes in the stock market	\$279 M	N/A	N/A	\$411 M	\$199 M	\$75 M	\$964 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	N/A	\$130 M

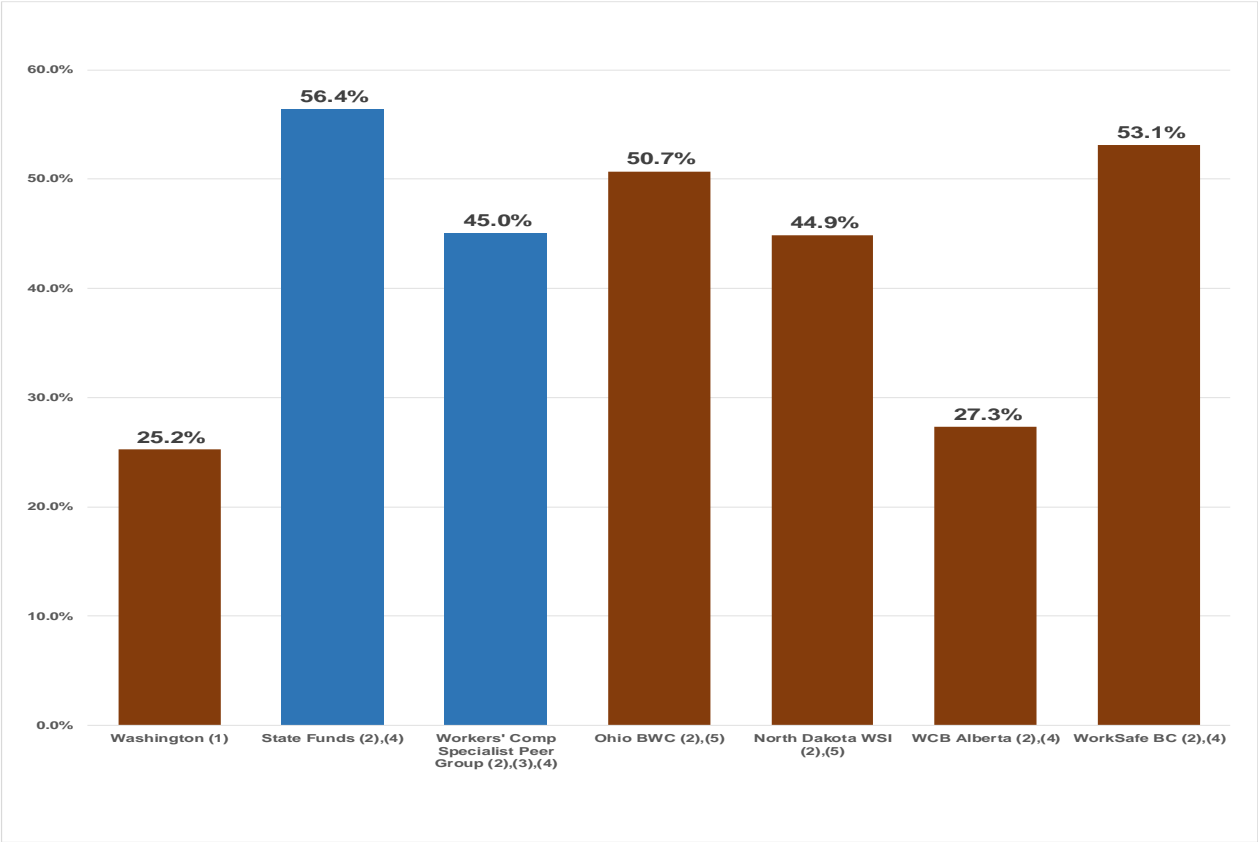
Operational Influences
 FY14: \$91M
 FY15: \$515M
 FY16: \$136M
 FY17: \$926M
 FY18: \$941M
 FY19: \$20M
Total: \$2,629M

*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 9/30/2018
(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 September
(in millions)

As of Quarter Ended September 30,	Insurance Operations	+	Investment Income	+	Other Revenues & Expenses	=	Net Income (Loss)
2018	(85)		123		10		48
2017	175		214		20		409
2016	(168)		128		18		(22)
2015	(194)		184		20		10
2014	(81)		132		16		67
2013	(36)		158		15		137
2012	(11)		144		8		141
2011	(104)		135		18		49

Supplemental Information No. 4

Historical Investment Performance

Fiscal Year Ended

	Quarter Ended September 30, 2018	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Investment Income	121,085,000	481,048,000	478,130,000	498,499,000	493,408,000
Realized Gain (Loss)	2,317,000	1,092,446,000	102,540,000	137,988,000	58,660,000
Unrealized Gain (Loss)	92,483,000	(812,942,000)*	380,183,000	(181,830,000)	23,691,000
Total Invested Assets	16,936,010,000	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

7-Year Reserve Benchmarks

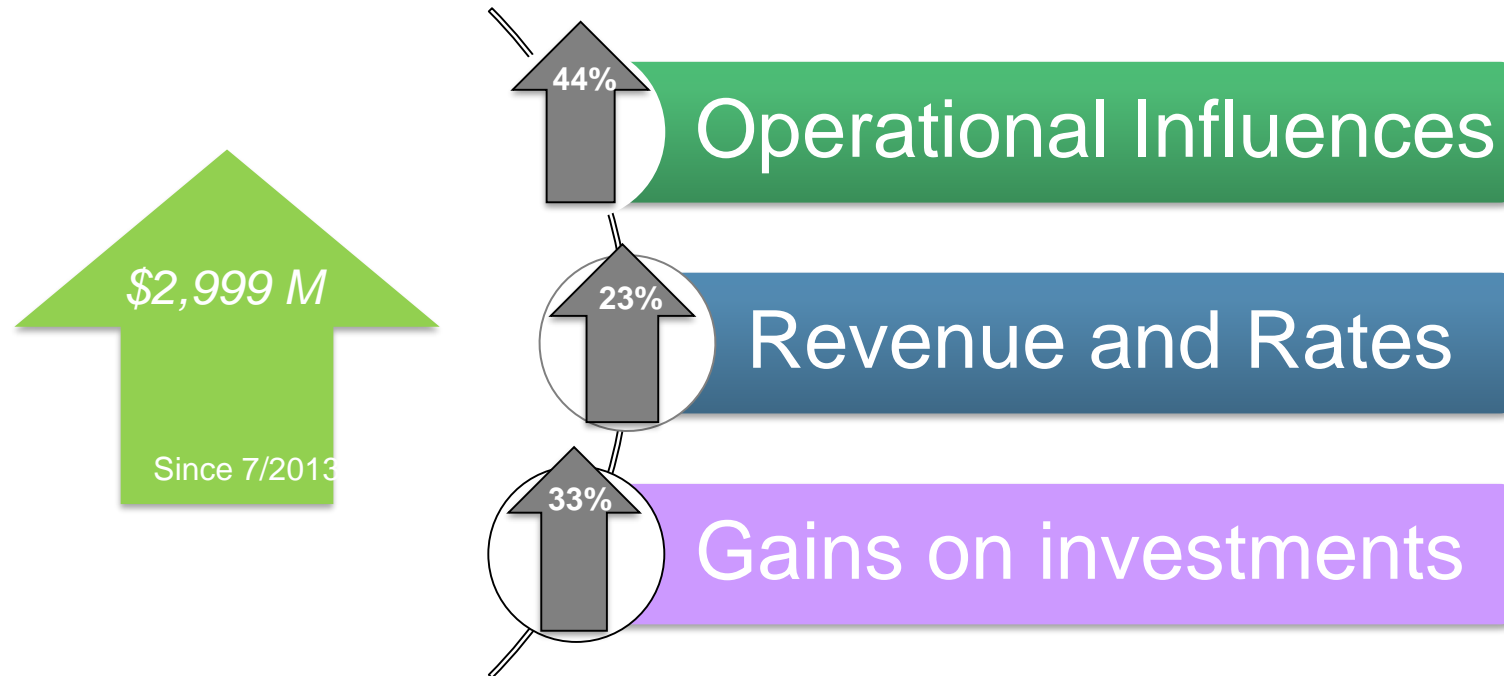
09-30-18 update: \$3,618 million contingency reserve or 25.2% of total liabilities.

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
Fiscal Year Ended June 2018	24.6%	4.5%	\$3,485
Quarter Ended September 2018	25.2%	4.5%	\$3,618
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 9/30/2018 the CR is at \$3,618 M.

Closing Comments & Adjourn

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

