Washington State Department of
Labor & Industries

Workers' Compensation Advisory Committee (WCAC)

March 26, 2026

9:00am-12:00pm

This meeting will be streamed by TVW

Time	Topic	Presenters (s)
9:00 am - 9:10 am	Welcome • Introductions • Motion to approve minutes	Joel Sacks Brenda Heilman
9:10 am – 9:25 am	Drug Overdose Deaths and Occupation	Dr. Dave Bonauto
9:25 am – 10:00 am	General Updates • Leadership updates • Budget • Legislative updates • Interpreter Services update • Workers' Compensation Systems Modernization (WCSM)	Brenda Heilman Joel Sacks Cindy Gaddis
10:00 am – 10:30 am	Insurance Services Strategic Plan	Brenda Heilman
10:30 am - 10:45 am	Break	
10:45 am – 11:00 am	Board of Industrial Insurance Appeals (BIIA) Update	Bob Battles
11:00 am – 11:15 am	Light Duty Job Offers	Cherell Fisher
11:15 am – 11:25 am	Staffing and Caseload Levels and Operational Health Dashboard	Brenda Heilman
11:25 am – 11:40 am	Time-loss Duration	Kirsta Glenn
11:40 am – 11:50 am	Industrial Insurance State Fund Financial Overview	Kim Hurley
11:50 am – 12:00 pm	Closing Comments & Adjourn	Brenda Heilman

Washington State Department of
Labor & Industries

Drug Overdose Deaths and Occupation

Dave Bonauto, MD, MPH, L&I SHARP Program
(Luke Sampson, MPH; Jennifer Marcum, DrPH)

Content Warning:

This presentation mentions suicide.

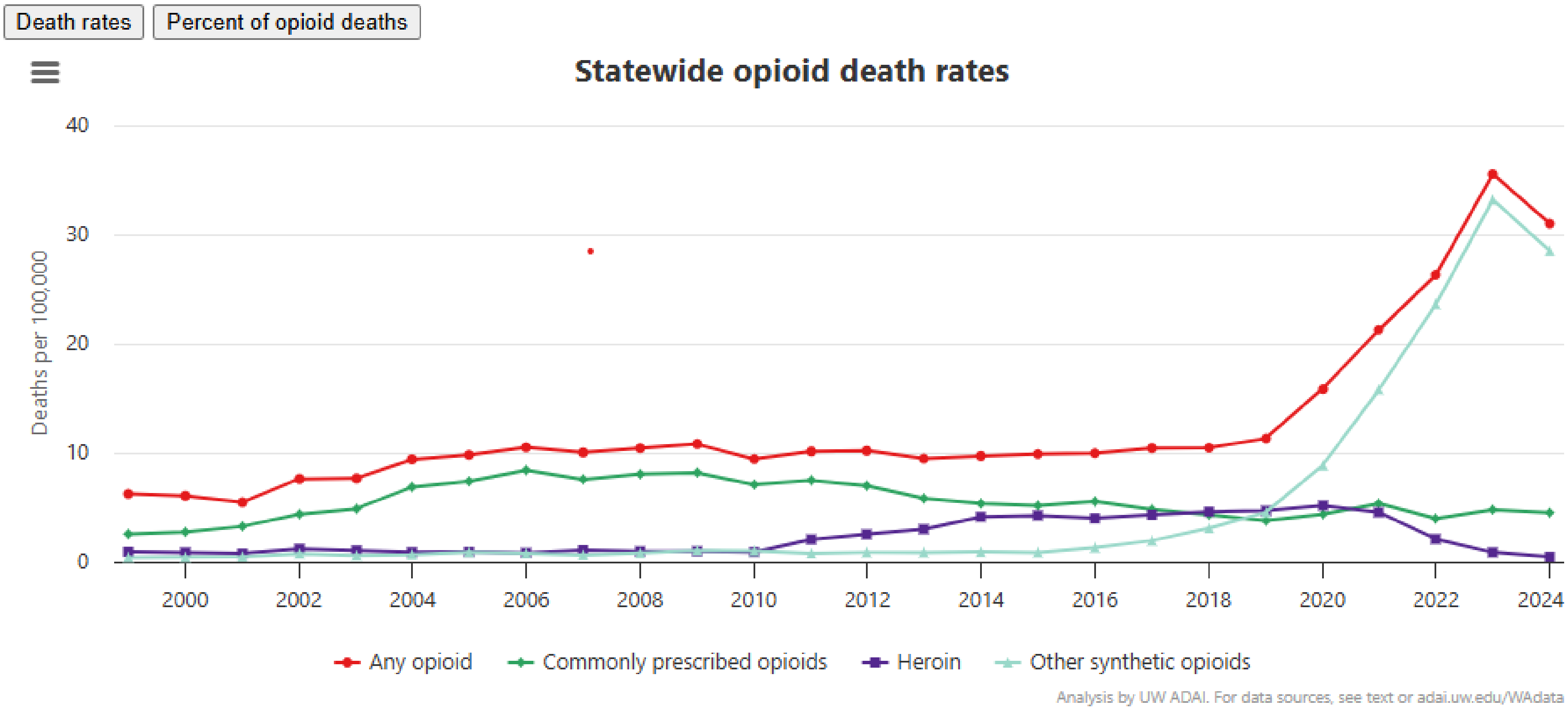
If you feel overwhelmed at any point, please feel free to step away from this presentation.

If you or someone you know is in crisis, support is available at 988 Suicide & Crisis Line (call or text 988 in the U.S.

Drug Overdose Deaths and Occupation

Why?

- NIOSH Total Worker Health®
- Washington Data
  - Efforts by employers, workers, and others to recognize and diminish risk
  - Relevance for other efforts
    - SHB 2492 (2026) ..registered apprenticeships in building and construction trades .. behavioral health and wellness training ....cover the following topics: destigmatizing behavioral health and supporting wellness; recognizing signs of distress; **suicide prevention; substance use disorder awareness and prevention;** and providing peer support and connecting to resources.



Data sources: Washington State Department of Health (deaths), state Office of Financial Management (population).

Source and Access at https://adai.Washington.edu/wadata/heroin_versus_fentanyl.htm

Table 1: Crude drug overdose death rates by higher risk* occupational groups among Washington residents, age 16-65 years, CY2014-2023

Occupation Group	Rate/100K persons	Rate Ratio
Construction and Extraction	102.6 (97.3, 108.0)	3.8
Installation, Maintenance and Repair	50.9 (46.7, 55.4)	1.9
Farming, Forestry, and Fishing	49.8 (44.6, 55.5)	1.8
Food Preparation and Service	43.1 (40.1, 46.4)	1.6
Transportation and Material Moving	39.3 (36.7, 42.0)	1.5
All Occupations**	27.1 (26.3, 28.0)	1

*High risk occupation groups are those with crude rate significantly greater than all occupations combined, top 5.
**Overall rate does not include workers with unknown occupation or military occupations

Table 1(b): Crude drug overdose death rates by lower risk* occupational groups among Washington residents, age 16-65 years, CY2014-2023

Occupation Group	Rate/100K persons	Rate Ratio
All Occupations**	27.1 (26.3, 28.0)	1
Architecture & Engineering	10.9 (9.0, 13.2)	0.40
Legal	10.2 (7.3, 14.3)	0.38
Business & Financial Operations	8.1 (7.0, 9.5)	0.30
Computer & Mathematical	7.7 (6.6, 9.1)	0.28
Education, Training, & Library	5.5 (4.6, 6.6)	0.20

*Lower risk occupation groups are those with crude rate significantly lower than all occupations combined, bottom 5.
**Overall rate does not include workers with unknown occupation or military occupations

Table 2: Drug overdose death rates for Farming, Forestry, Fishing, age adjusted stratified by sex and race/ethnicity, WA residents, CY2014-2023

Occupation Group Race/Ethnicity, Sex	**Rate/100K persons**	**Rate Ratio***
Farming, Forestry, Fishing		
American Indian/Alaska Native, Non- Hispanic, Male	119.2	**2.48**
Hispanic, Male	18.0	**0.63**
White, Non-Hispanic, Male	72.8	**4.36**

*Rate ratio for race/ethnic, sex strata in the occupation group compared to overall rate for age adjusted, race/ethnic, sex group for all occupations: bold represents statistical significance.

Table 3: Drug overdose death rates for Construction, age- adjusted stratified by sex and race/ethnicity, WA residents, CY2014-2023

Occupation Group, Race/Ethnicity, Sex	**Rate/ 100K persons**	**Rate Ratio***
Construction		
American Indian/Alaska Native, Non- Hispanic, Male	407.4	**2.13**
Asian/PI, NH, Male	40.3	**3.52**
Black, NH, Male	294.1	**3.78**
Hispanic, Male	65.0	**2.07**
White, NH, Male	117.0	**2.91**
White,NH, Female	63.9	**3.5**

*Rate ratio for race/ethnic, sex strata in the occupation group compared to overall rate for age adjusted, race/ethnic, sex group for all occupations: bold represents statistical significance.

Work and Drug Overdose Risk

Occupation and Workplace Risk Factors

- Workplace injury; prescribing patterns after injury[1]
- Physically demanding work - chronic musculoskeletal pain[2]
- Job insecurity, financial pressure[3]
- Psychosocial job stressors – high job demands, low job control, low social support leading to mental health disorders depression[4,5]
- Access to health and mental health services[6]

Sources: [1] Durand, JAMA Network Open, 2019; [2] Shaw, Am J Pub Health, 2020 [3] Hawkins, Ann Work Expo Health, 2021; [4] Stansfeld, Am J Pub Health, 2012; [5] Choi, Int Arch Occup Env Health, 2020; [6] Newton, Health Affairs Scholar, 2025

Work and Protective Factors for Overdose Prevention

General Approach for Employers

- Acknowledge mental health challenges
  - Seeking help is encouraged not stigmatized
  - Train manager and staff about mental health
- Provide mental health resources
  - EAP and confidential counseling
  - Health insurance covers mental health
  - Information about accessing crisis hotlines and resources
- Address workplace stressors
  - Injury prevention
  - Modify work to decrease physical demands of the job

Contact Dave Bonauto

Email: David.Bonauto@Lni.wa.gov

General Updates

- *Leadership updates*
- *Budget*
- *Legislative updates*
- *Interpreter Services update*
- *Workers' Compensation Systems Modernization Update*

Bills of interest passed in 2026

- **SSB 6039** Modernizing communication
- **SHB 2405** Establishing pilot program for PTSD
- **SHB 2492** Behavioral health and wellness training in apprenticeship
- **SB 6136** Promoting transparency in rate increases
- **SB 5944** Language access providers’ collective bargaining
- **E2SSB 5847** Access to medical care in workers’ comp

Washington State Department of
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Insurance Services Strategic Plan

2026 2028

Brenda Heilman, Assistant Director

Insurance Services

Why create a Strategic Plan?

A strategic plan helps us translate our mission into concrete results for the people we serve.

How the Strategic Plan helps us work better

Clarifies the outcomes we are trying to achieve

Guides our priorities, decisions, and actions

Improves coordination, communication, and resource use

Builds trust with constituents, legislators, partners, and employees.

Helps us adapt to changing conditions

Creates accountability and measurement

Mission

Advance L&I’s mission by helping injured workers heal and return to work.

Vision

Be a national leader in workers’ compensation ensuring better outcomes through exceptional service, customer focus and forward-thinking solutions.

Strategic Plan goals

Goal 1: Develop and promote high-priority Workers' Compensation policy objectives in collaboration with external parties

Goal 2: Prevent Unnecessary Long-Term Disability

Goal 3: Inspire trust and satisfaction for our customers, partners and service providers.

Goal 4: Ensure Financial Integrity and Sustainability of the Workers' Compensation System

Goal 5: Thriving Workforce

What does success look like?

Shared goals

Measurable progress

Clearer communication internally and externally

Goal 1

Promote a policy agenda in collaboration with external parties.

Improve consistency in methods of engagement with our advisory committees and create a prioritization process for policy objectives.

Goal 2

Prevent unnecessary disability

Improve provider experience and ability of workers to find a provider

Collaborate to identify and address mental health priorities.

Improve and streamline utilization review process.

Increase the use of Skill Enhancement Training

Increase the use of on-the-job and employer-based training.

Reduce claim manager caseload to industry standards

Goal 3

Inspire trust and satisfaction in our services

Streamline stay at work processes and improve electronic communication with employers.

Support staff in implementing new technology as part of WCSM.

Improve provider complaint process

Increase simplicity, effectiveness and usability of all communications about appeals and disputes.

Goal 4

Ensure financial integrity and system sustainability

Develop and implement technology that allows self-insured employers and TPAs to pay balances online.

Modernize pharmacy billing technology and expand access to pharmacists' services

Update our payment systems so they are easy to use, accurate and match industry standards

Goal 5

Thriving Workforce

Support developmental job assignments and cross training in technology program

Evaluate and update aspects of training for claim apprentices to emphasize strategic resolution

Identify and prioritize staff ideas for process efficiencies across Insurance Services

Looking ahead: our path forward

- This is a three-year plan.
- Today we have shared our vision and outlined near-term actions.
- We invite your partnership and will share regular reports on our progress.

Questions?

Insurance Services Strategic Plan

Mission Statement

Advance L&I's mission by helping injured workers heal & return to work

Vision Statement

Be a national leader in workers' compensation – ensuring better outcomes through exceptional service, customer focus and forward-thinking solutions.

GOAL 1:
Develop and promote high priority workers' compensation policy objectives in collaboration with external parties

Objectives:

- Improve consistency in methods of engagement with our workers' compensation advisory committees
- Identify and prioritize policy objectives

GOAL 2:
Prevent unnecessary long-term disability

Objectives:

- Deliver outcomes using incentives
- Develop and expand access to high-quality providers
- Promote and advance principles of work disability prevention
- Define and implement staffing models that enable us to achieve our strategic goals

GOAL 3:
Inspire trust and satisfaction for our customers, partners and service providers

Objectives:

- Streamline our processes so that they are clear and easy to follow
- Design services to be consistent, inclusive and accessible to all
- Provide clear, timely and helpful communication
- Prioritize improvement efforts using data and input from our customers and partners
- Use modern technology to improve efficiency and access

GOAL 4:
Ensure financial integrity and sustainability of the workers' compensation system

Objectives:

- Implement strategies to optimize use of resources and fully leverage spending authority
- Sustain steady and predictable rates
- Provide high-value while being good stewards of workers' compensation funds
- Establish and achieve divisional goals
- Ensure data and technology meets current and future business needs

GOAL 5:
Thriving workforce

Objectives:

- Promote professional development for staff
- Ensure staff have knowledge, tools and resources to perform their job successfully
- Foster a culture where staff feel valued, supported, and motivated to contribute
- Improve use of staffing models and recruitment to meet business needs

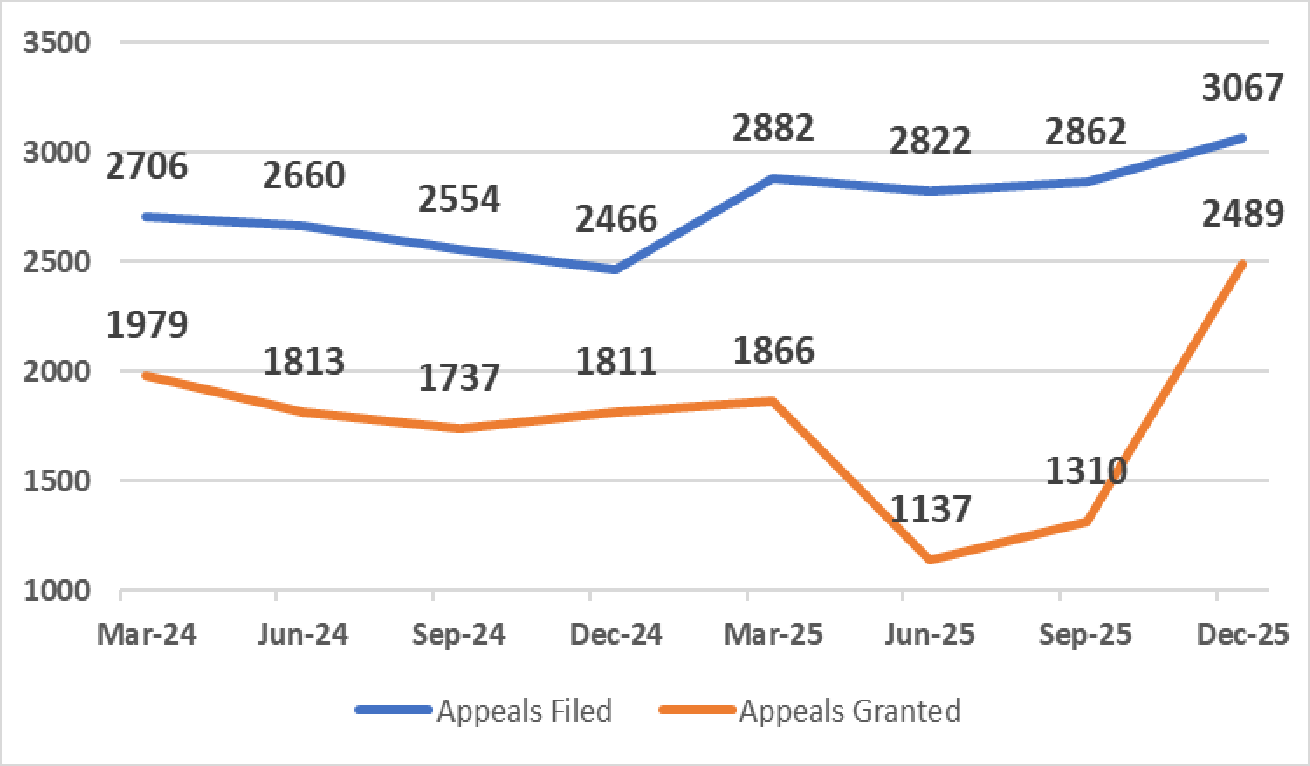
Break Time

Washington State Department of Labor & Industries

Board of Industrial Insurance Appeals (BIIA) Update

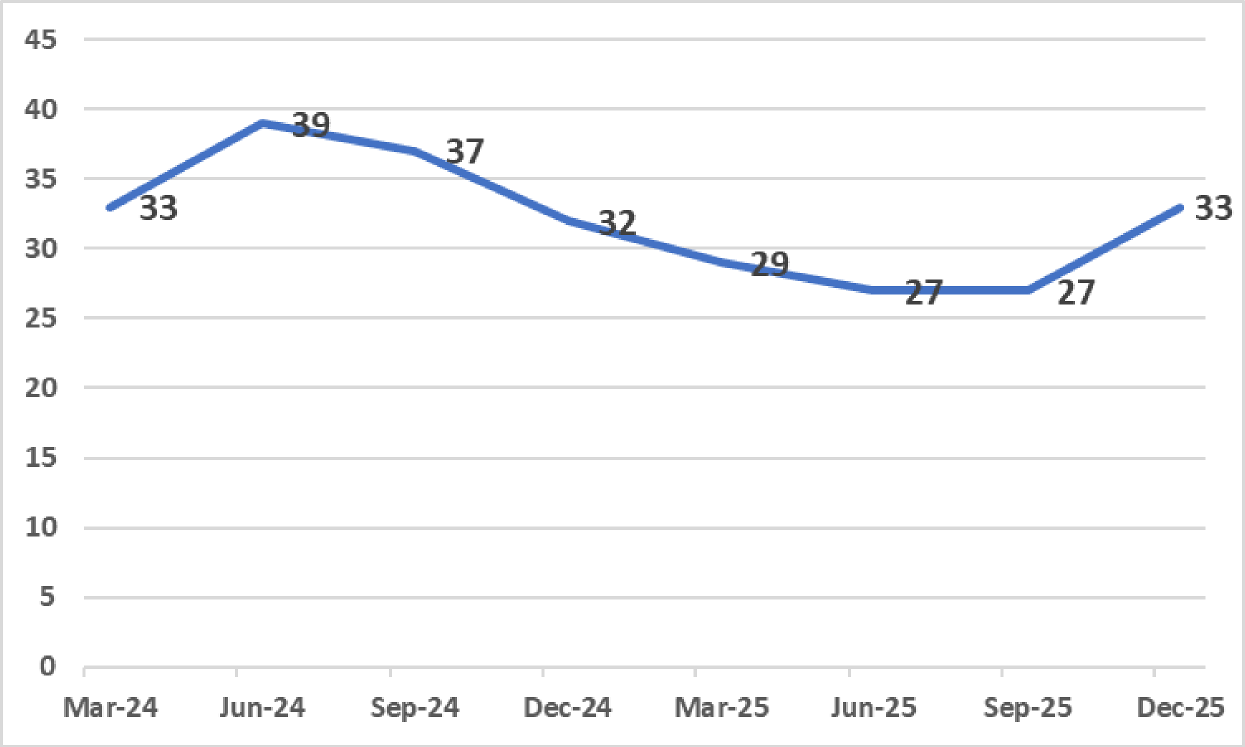
Bob Battles, Business Member of the Board

Appeals filed and granted by quarter



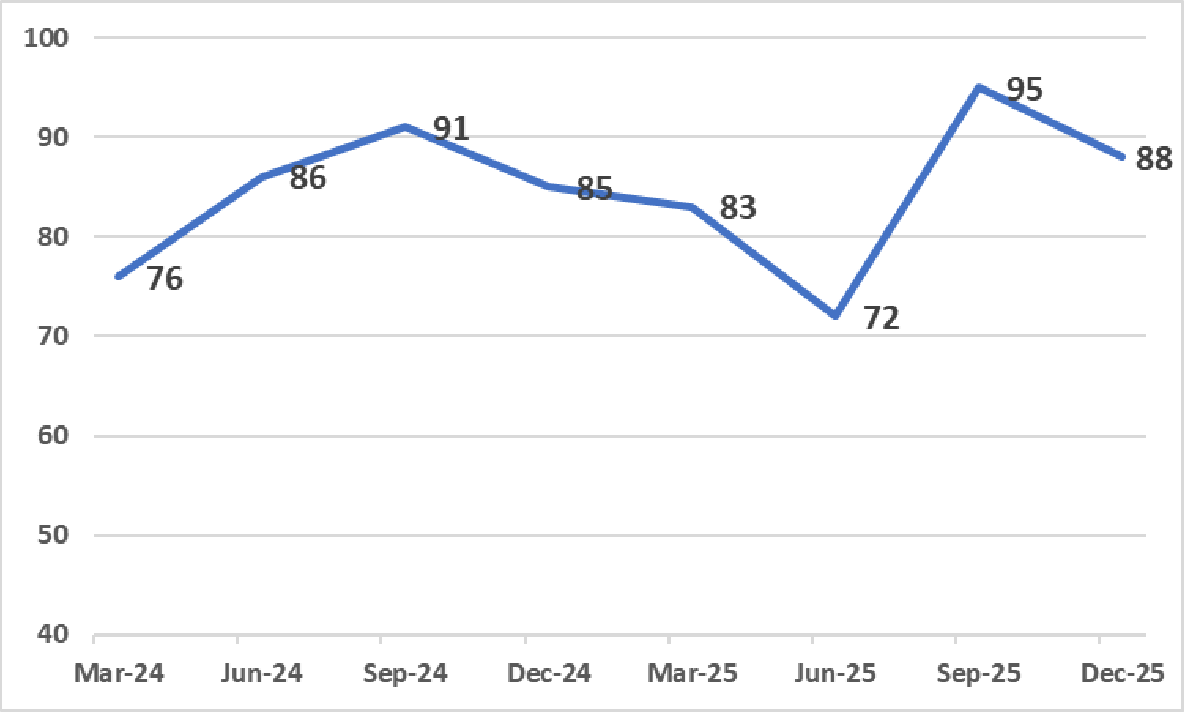
Average PD&O Timelag

(Proposed Decision & Order)



Average D&O Timelag

(Decision & Order)



Light Duty Complaint Resolution Office Update

Cherell Fisher, Chief of Claims
Insurance Services

Kirsta Glenn, Deputy Assistant Director
Insurance Services

Background

Light duty work benefits both workers and employers.

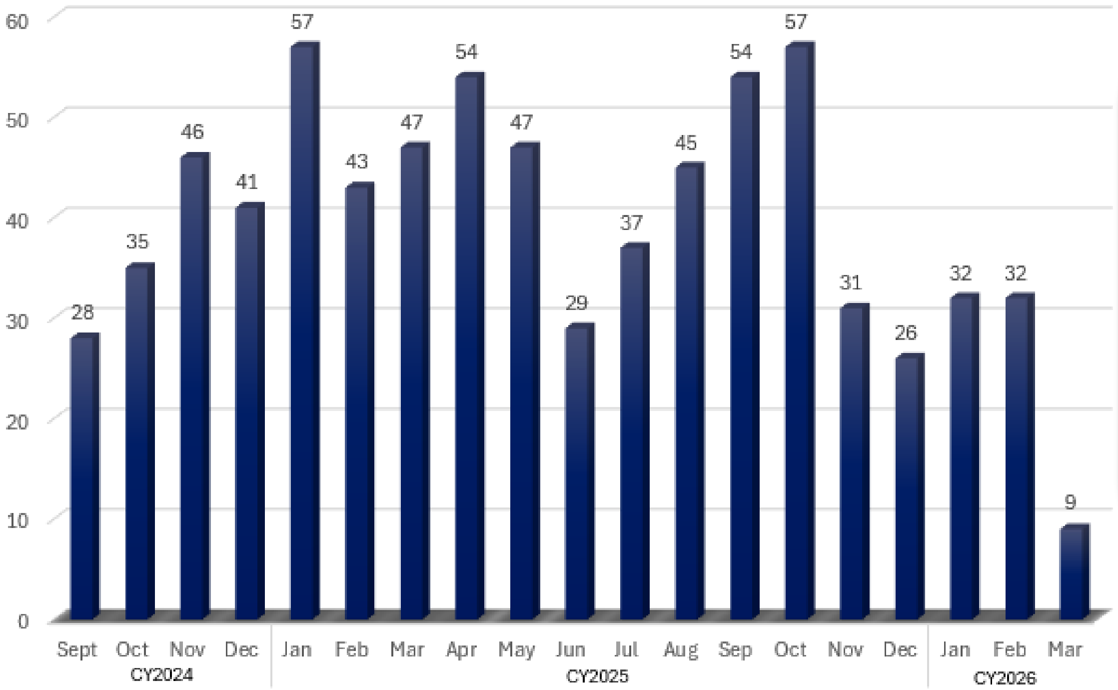
However, in some cases there are light duty jobs offered that workers contend are unfair or not valid.

In 2024, the legislature provided funding for L&I to set up an office that serves as a point of contact for customers who have questions or issues regarding a light duty job offer.

The Light Duty Complaint Resolution Office (LDCRO) opened in September 2024.

The office is responsible for resolving all job offer disagreements for both State Fund and Self-Insurance claims.

LDCRO complaints received



750 complaints were received between September 3, 2024 and March 10, 2026:

- **713** State Fund
- **37** Self-Insurance

LDCRO complaints resolved

As of
March 10, 2026, the
LDCRO has
completed **748**
complaints.

Of the complaints
resolved:

- **358** job offers were found valid
- **257** job offers were found not valid
- **91** job offers were out of scope, including complaints not related to a light duty job offer
- **42** complaints were already resolved

Top four reasons job offers found to be not valid

109 job duties were not within restrictions

80 job descriptions were not approved by provider

38 job offers had unreasonable start dates

23 job offers had unreasonable locations

(e.g., commute)

LDCRO performance *(average from Sept 2024 to March 2026)*

<u>750</u> Light duty complaint count

<u>8.27</u> State Fund average business days to resolve

<u>23.70</u> Self-Insurance average business days to resolve

LDCRO performance improvement *(January 2026)*

32 Light duty complaint count

4.41 State Fund business days to resolve

LDCRO success!

Consistent and efficient process

Provide education to employers and workers

Continue to receive positive feedback from customers

LDCRO contact

LDCRO contact numbers:

State Fund - (360) 902-3515

Self-Insurance - (360) 902-6885

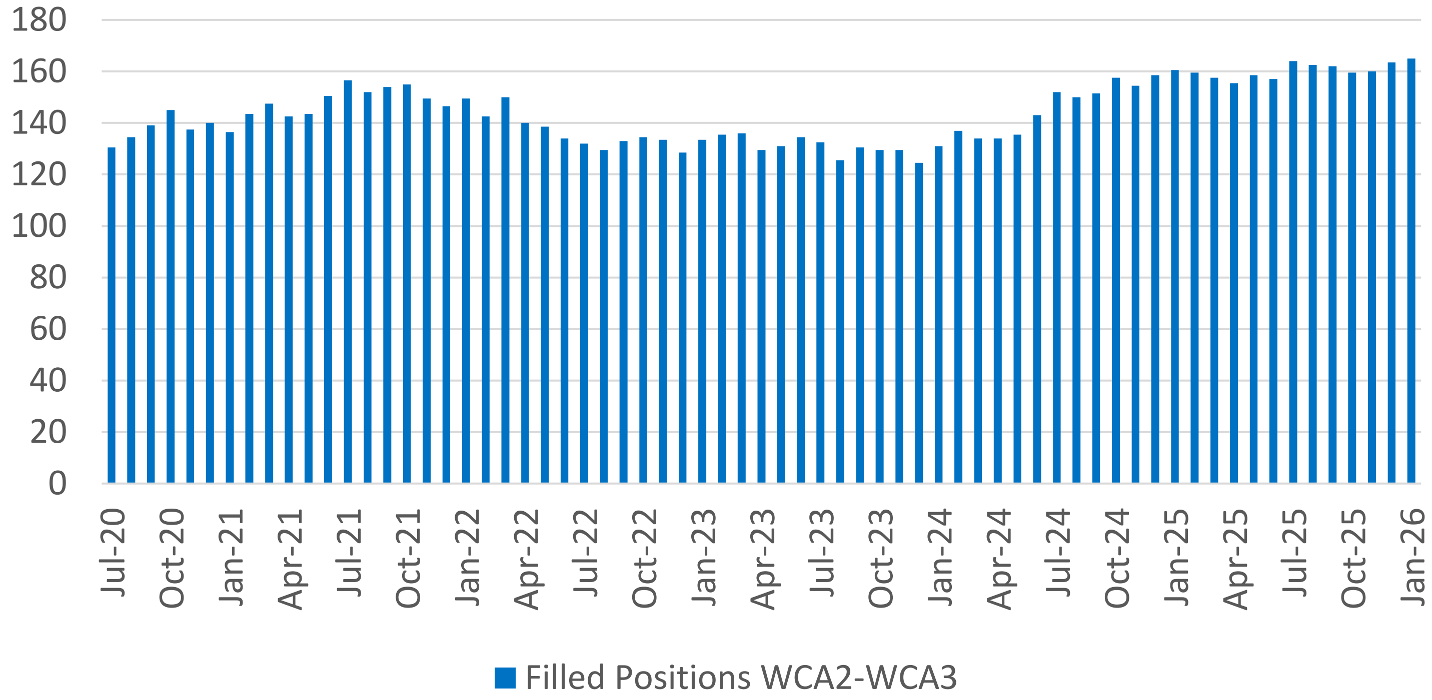
Contact Cherell Fisher

Email: Cherell.Fisher@Lni.wa.gov

Staffing and Caseload Levels

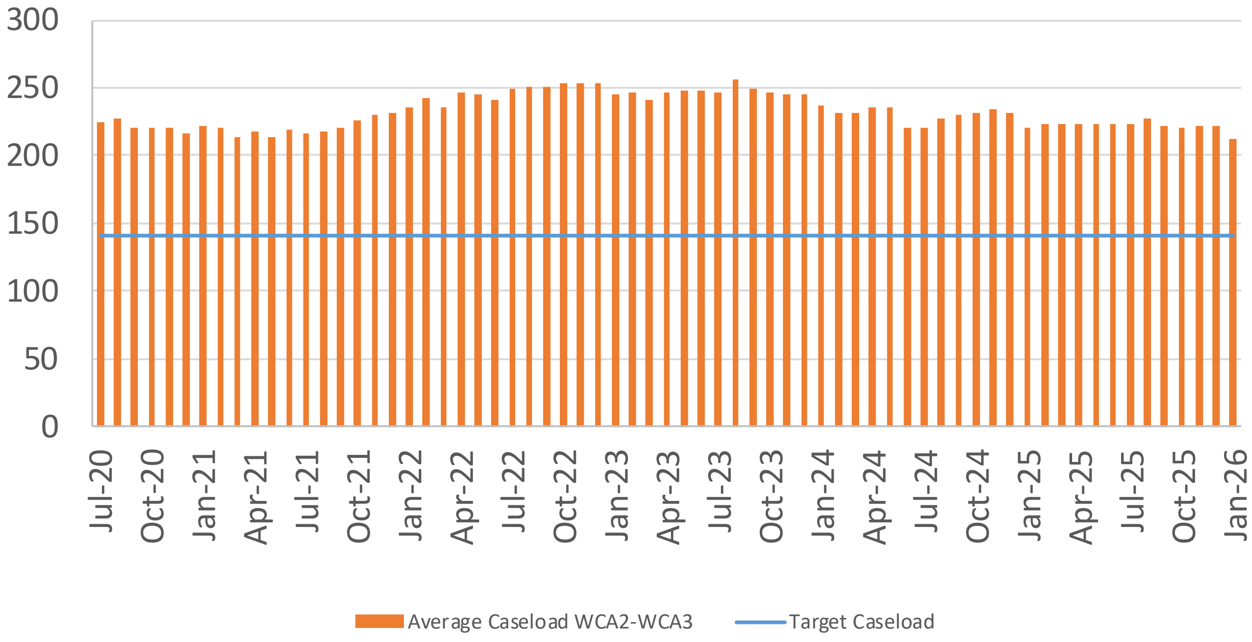
Brenda Heilman, Assistant Director
Insurance Services

Filled Level 2 & 3 Claims Manager Positions



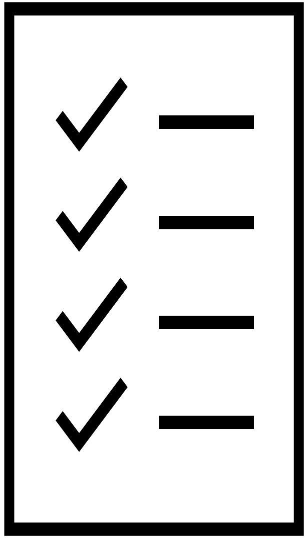
Average Level 2 & 3 Claims Manager Caseload

(Includes open claims except those scheduled for future closure and closed claims with unresolved protests or pending reopening applications)



Claims Manager Hiring Strategy

- Hire new unit funded through the budget
- Develop strategy for 2ESSB 5847
  - Convene small sub-committee
- Focus on recruitment and retention
- Regular reports to WCAC



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Operational Health Dashboard

Brenda Heilman, Assistant Director

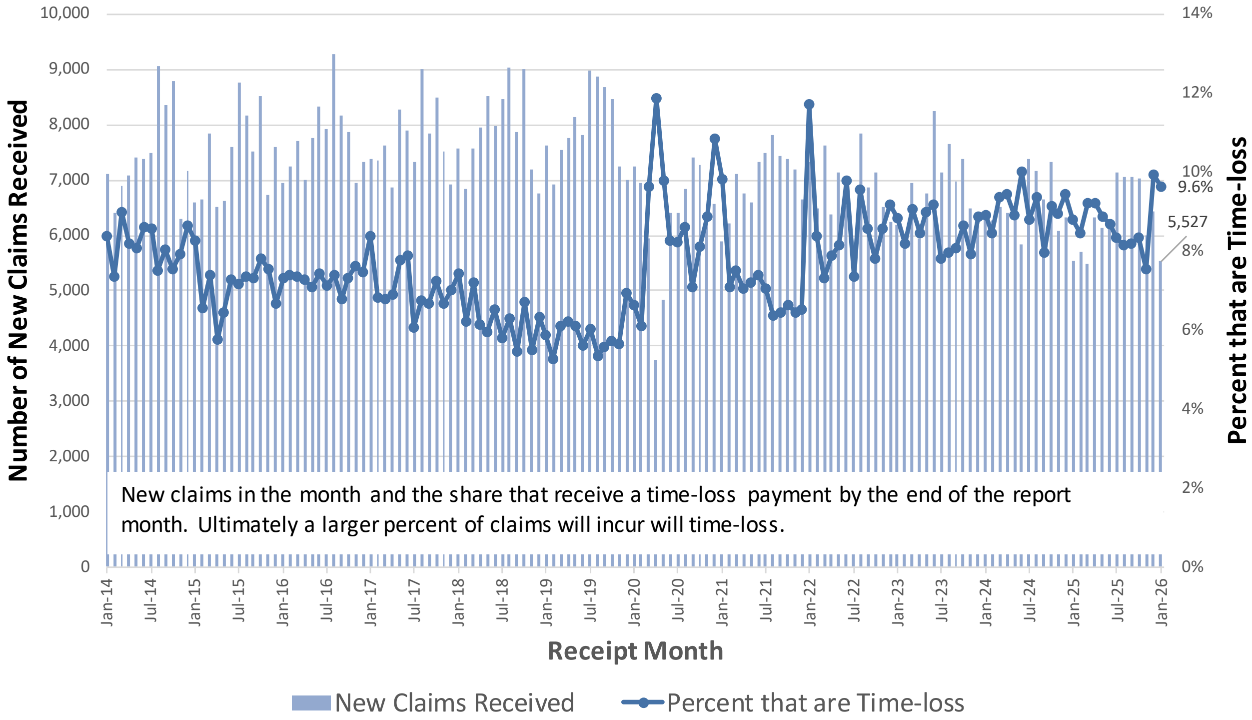
Insurance Services

Operational Health Dashboard

Measure	Status	Definition
Percent of new claims that are time-loss	—	Claims new (received) in the month and percent with a time-loss payment by the end of the month – increase in percent that are time-loss indicates a more severe claim mix.
Long-term disability rate	▲	Percent of all compensable claims with a time-loss payment 12 months post injury – decrease indicates less long-term disability
Pensions funded	—	Number of pensions funded in the quarter – decrease indicates less permanent total disability
Covered hours and claim rate	—	Claims received per 100 FTE indicates the rate of claims considering volume of work - increase indicates higher claim frequency.
Medical cost growth	▲	Percent change in medical costs for services performed in the current quarter vs. the same quarter last year – increase means higher costs estimated for the quarter.
Operational efficiency	●	Percent of operational measures meeting target greater than 80 percent– increase indicates more measures exceeding target.

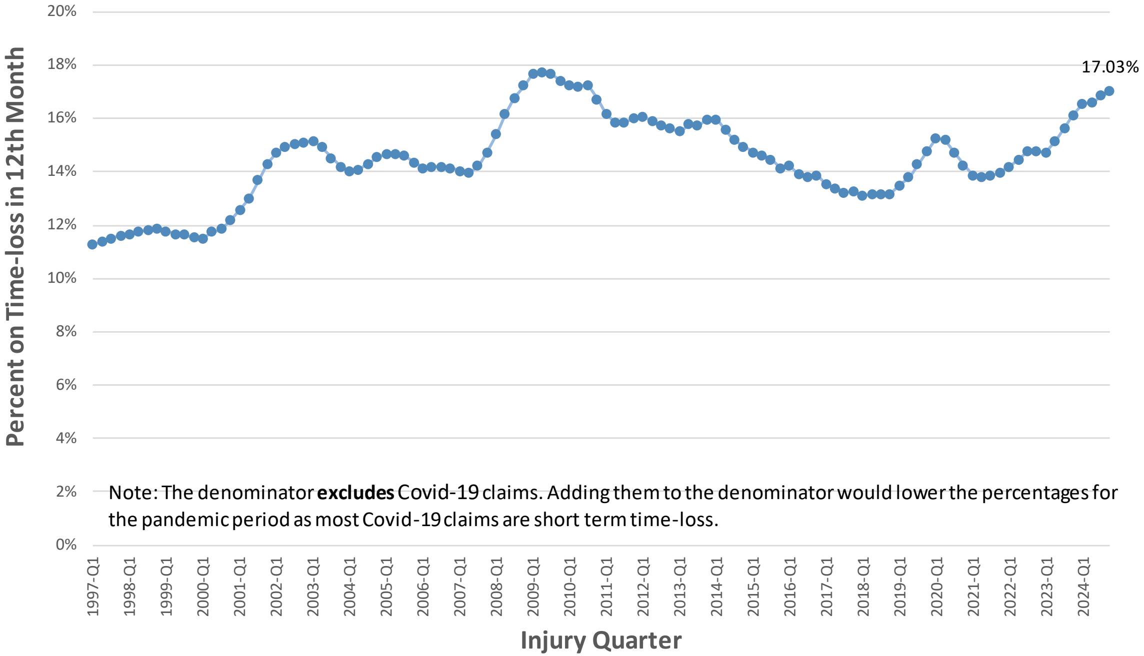
● Right direction — Neutral ▲ Wrong direction

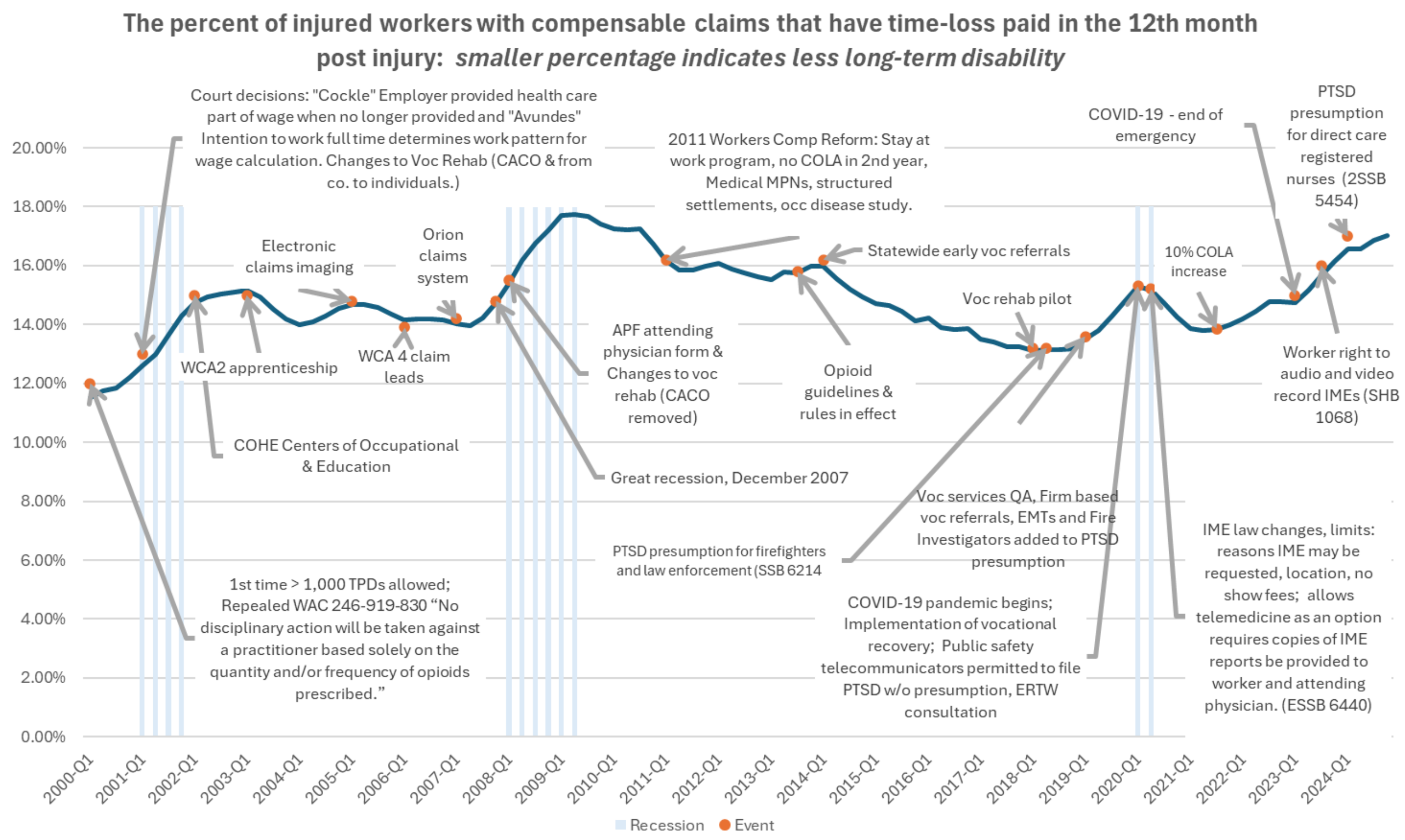
Number of new state fund claims and the percent that are time loss



Long term disability claims

The percent of injured workers with compensable claims that have time-loss paid in the 12th month post injury: *smaller percentage indicates less long-term disability*




The percent of injured workers with compensable claims that have time-loss paid in the 12th month post injury: *smaller percentage indicates less long-term disability*
Court decisions: "Cockle" Employer provided health care part of wage when no longer provided and "Avundes" Intention to work full time determines work pattern for wage calculation. Changes to Voc Rehab (CACO & from co. to individuals.)
2011 Workers Comp Reform: Stay at work program, no COLA in 2nd year, Medical MPNs, structured settlements, occ disease study.
COVID-19 - end of emergency
PTSD presumption for direct care registered nurses (2SSB 5454)
Electronic claims imaging
Orion claims system
Statewide early voc referrals
10% COLA increase
Voc rehab pilot
WCA2 apprenticeship
WCA 4 claim leads
APF attending physician form & Changes to voc rehab (CACO removed)
Opioid guidelines & rules in effect
Worker right to audio and video record IMEs (SHB 1068)
COHE Centers of Occupational & Education
Great recession, December 2007
Voc services QA, Firm based voc referrals, EMTs and Fire Investigators added to PTSD presumption
PTSD presumption for firefighters and law enforcement (SSB 6214
IME law changes, limits: reasons IME may be requested, location, no show fees; allows telemedicine as an option requires copies of IME reports be provided to worker and attending physician. (ESSB 6440)
1st time > 1,000 TPDs allowed; Repealed WAC 246-919-830 “No disciplinary action will be taken against a practitioner based solely on the quantity and/or frequency of opioids prescribed.”
COVID-19 pandemic begins; Implementation of vocational recovery; Public safety telecommunicators permitted to file PTSD w/o presumption, ERTW consultation
20.00%
18.00%
16.00%
14.00%
12.00%
10.00%
8.00%
6.00%
4.00%
2.00%
0.00%
2000-Q1
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2018-Q1
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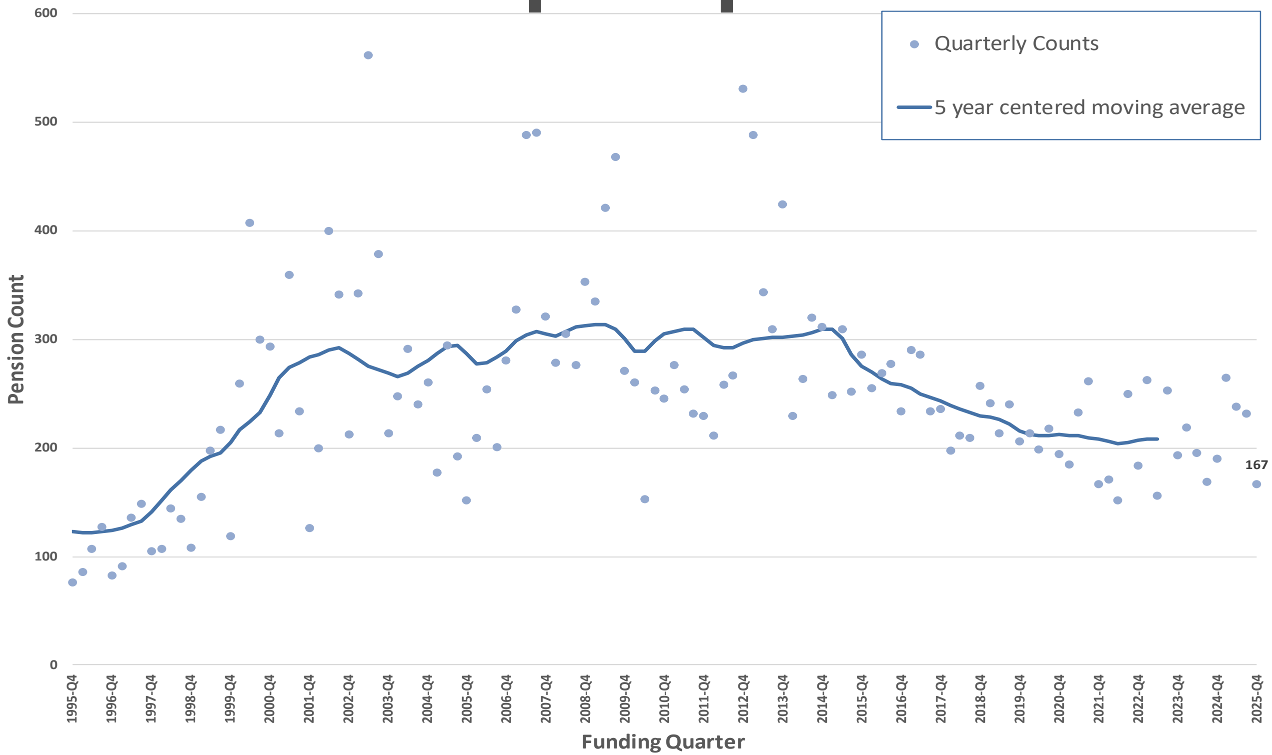
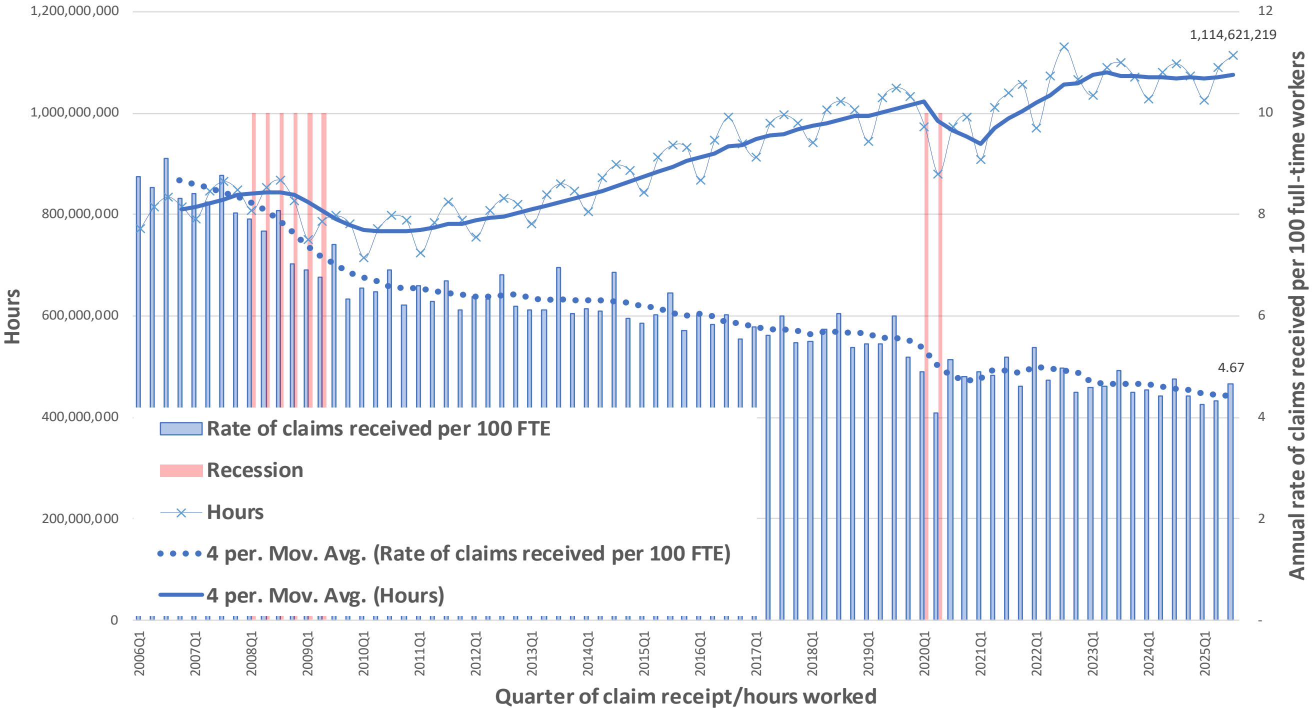
2020-Q1
2021-Q1
2022-Q1
2023-Q1
2024-Q1
Recession
Event

State fund total permanent disability pensions funded per quarter

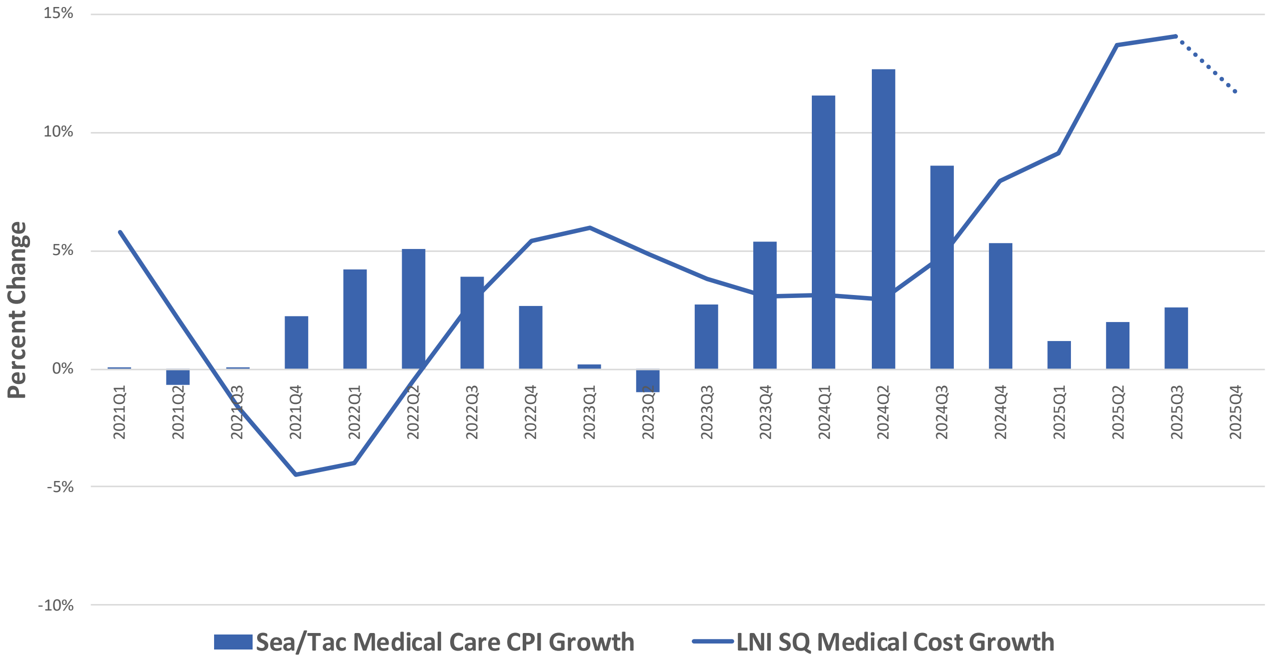


Covered hours and the rate of claims received

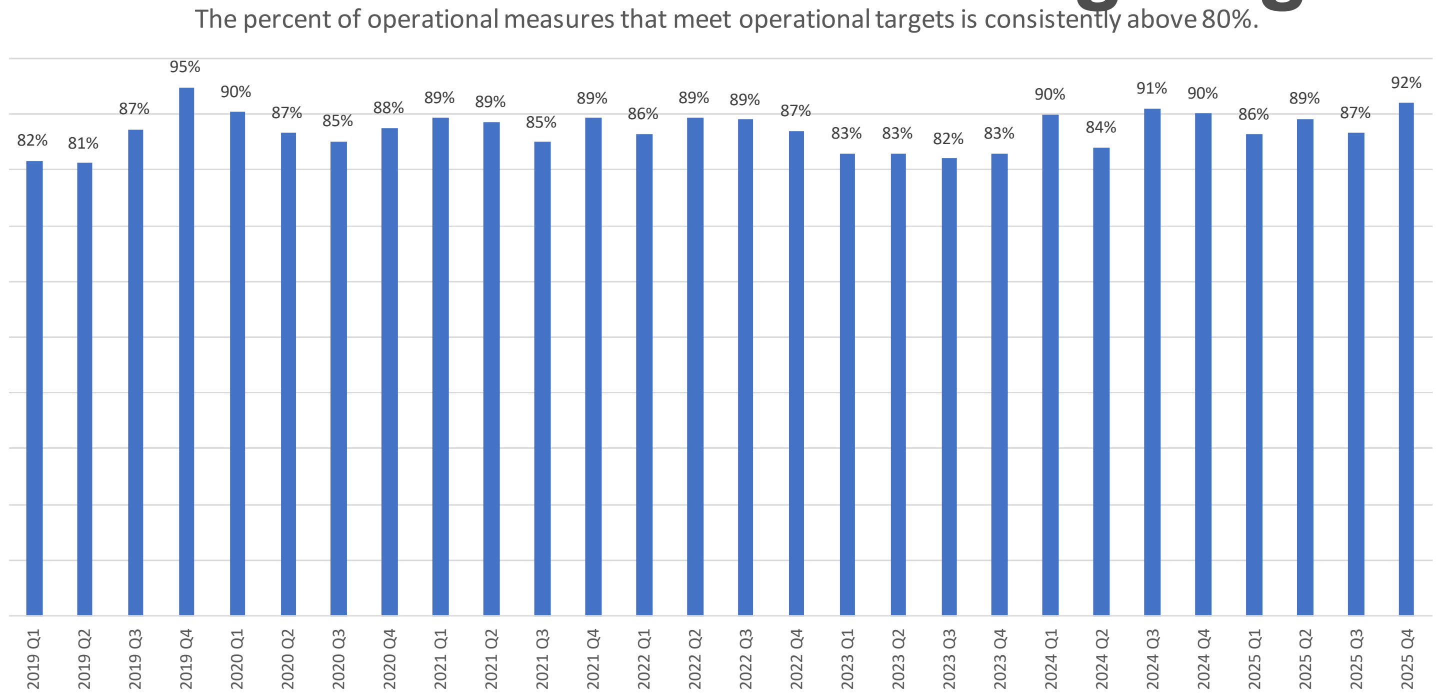


Annualized medical cost growth

All claims excluding hearing loss



Percent of Workers' Comp Operational Measures meeting target



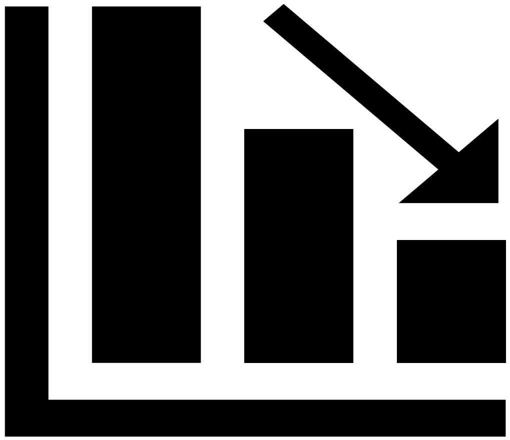
Currently there are 45 active operational measures in Insurance Services

In-standard: Legal Services

<u>Vocational Dispute Resolution Office (VDRO)</u>

Average number of days to resolve VDRO disputes:

- December 2025: 36 days
- February 2026: 22 days



Employer Services

Metric: WA Stay at Work application process

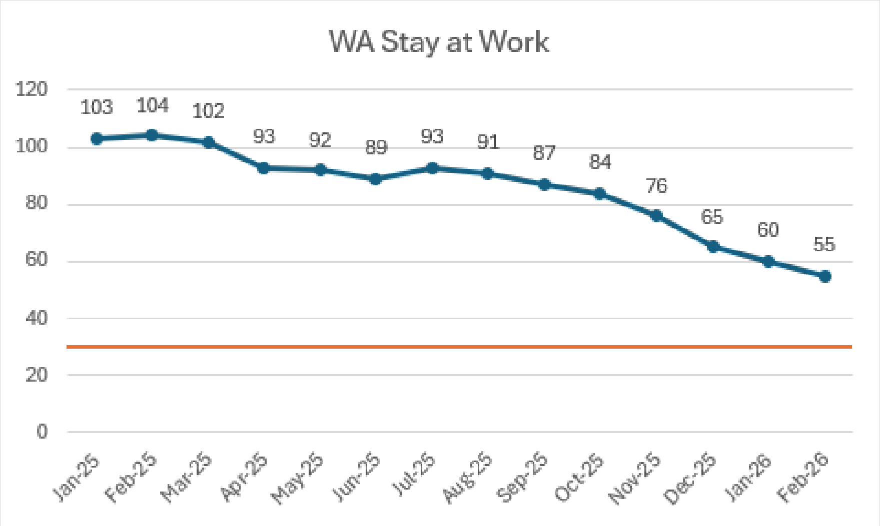
Goal:

Green: ≤ 30 days

Yellow: 31-40 days

Red: ≥ 41 days

Status: 55 days



Mitigation Plan:

- A review process is in place to reduce the backlog of applications.
- Best practices from the review process and intake pilot are being implemented to maintain backlog numbers and reduce application processing time.

Contact Brenda Heilman

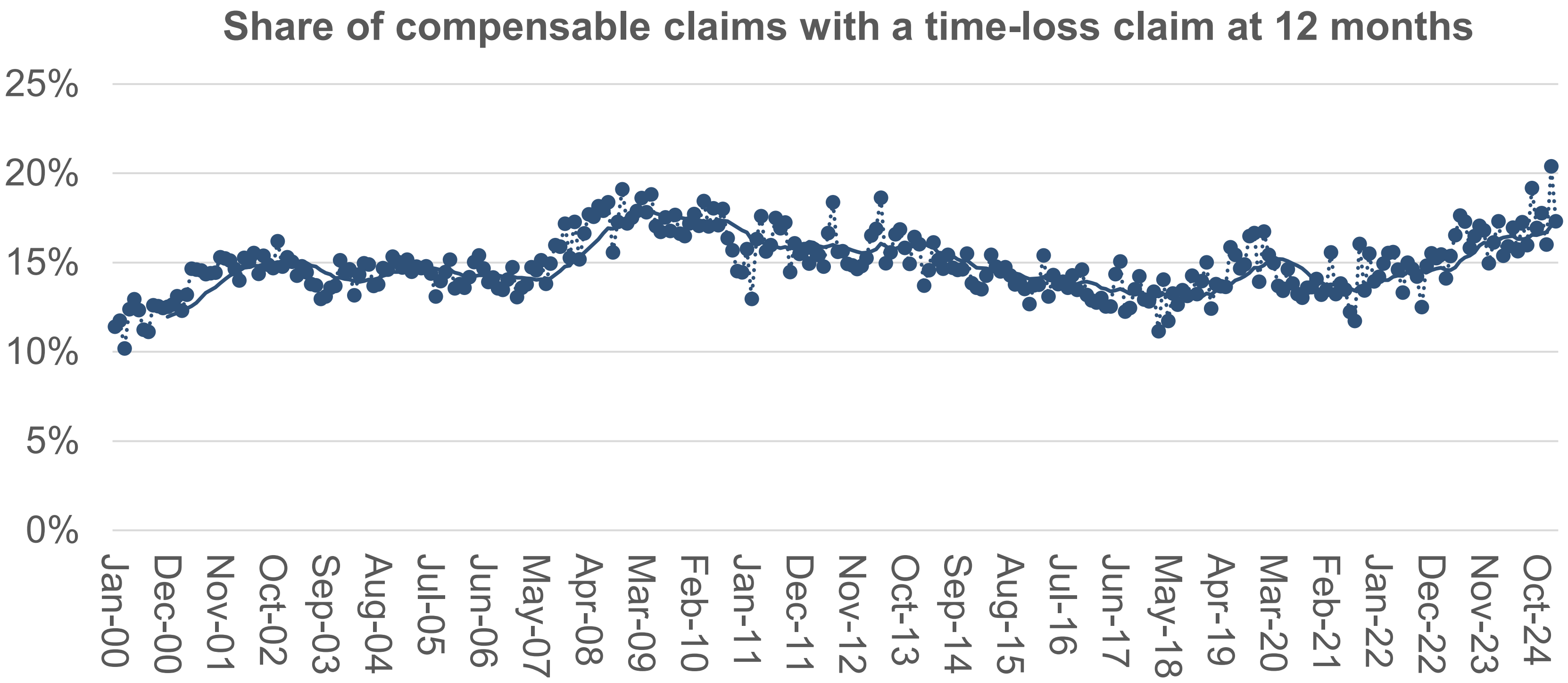
Email: Brenda.Heilman@Lni.wa.gov

Washington State Department of
Labor & Industries

Time-loss Duration

Kirsta Glenn, Deputy Assistant Director
Insurance Services

Long-term disability chart



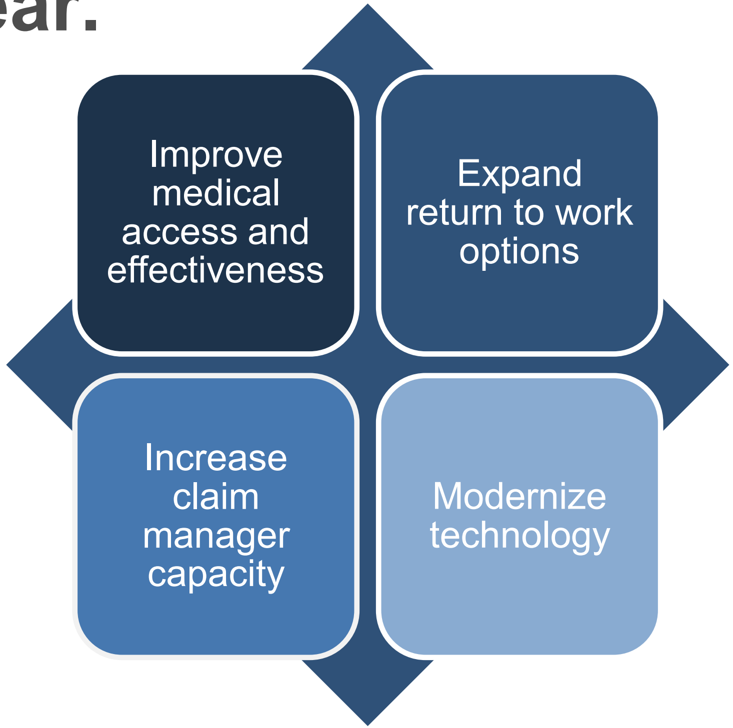
Summary

- **Long-term disability has increased since 2018**, with temporary disruption during the pandemic.
- The **increase has occurred across most claim durations** but is most pronounced in the first year of a claim.
- Increases are larger among workers with **limited English proficiency**.
- **Agriculture, food processing, and government** have experienced particularly notable impacts.
- The **pace of increase accelerated** in 2023–2024.
- In 2025 we have worked on **stabilizing and understanding** the trend.

Root cause analysis

- **Contributing factors**
  - Health system changes since the pandemic
  - Slow job market
  - Some statute changes
  - Increased hours in some higher hazard industries
- **System changes**
  - Shift in treating providers
  - New vocational services
- **Ongoing system challenges**
  - State budget and hiring freezes
  - High claim manager caseloads
  - Aging technology

Next steps – continue to stabilize and undertake actions to reduce duration, focused on the first year.



Improve medical access and effectiveness

- **Process and access improvements**
  - Streamline UR process
  - Improve provider experience
  - Improve process of responding to complaints about providers
- **Technology**
  - Update payment systems
  - Modernize our pharmacy billing technology
- **Provider effectiveness in treating injured workers**
  - Increase access to occupational medicine physicians and other providers proficient in occupational health
  - Identify and implement strategies to educate providers about workers compensation

Expand return-to-work options

- **Support skill development**
  - Build on the successful implementation of Skill Enhancement Training (SET) in 2025 to help workers build skills and achieve better outcomes.
  - Increase hands-on training opportunities such as paid internship, on-the-job training and registered apprenticeships
- **Reduce unnecessary time off of work**
  - Increase ERTW employer consultation & Stay-at-Work outreach
  - Continue to reduce the backlog processing Stay-at-Work incentive applications
  - Leverage the Light Duty Complaint Resolution Office to resolve conflicts and improve processes and education
- **Improve our understanding of return-to-work trends**
  - Integrate new Standard Occupation Code data from Employment Security Department
  - Partner with vocational advisory members to assess claims with vocational referrals that have received a time-loss payment in the 12th month.
- **Promote assistance for job seekers available through WorkSource**

Increase claim manager capacity by reducing caseloads

- **ESSB 5847, "medical access"** in order to *improve timely management of claims* L&I is authorized to hire additional claims managers to reach 141 claims per claims manager.
- New claims unit (pending budget signing)
- **Implementation considerations**
  - Current WCA 2 & WCA 3 caseloads are around 225
  - Apprenticeship lasts 22 months with full caseloads after first year
  - Historic annual hiring is 5-6 classes with 8-9 graduates per class
  - Trainers/coaches may need to be increased
  - Training space appears sufficient
  - Some technology updates needed
  - Currently, many promote to non-caseload carrying positions

Customer benefits of lower caseloads

- Faster claim decisions and reduced delays
- Quicker medical authorizations and approvals
- Fewer errors with more thorough case reviews
- Better understanding of individual circumstances
- Accelerated return-to-work outcomes
- Improved coordination with employers, medical providers, and counselors
- Easier access to claim managers, faster appeals, and stronger overall trust

Partnership with the WCAC

Beginning December 1, 2026, the director shall provide quarterly reports to the WCAC summarizing indicators of progress, as determined by the department, on the following since the effective date of this section:

(a) Average claim costs;

(b) The duration of temporary total disability benefits granted to claimants under RCW 51.32.090;

(c) Claim management timeliness and operational efficiency within the workers' compensation system; and

(d) Other measures related to the impact of the additional claims managers hired under this section.

Technology modernization

- **Current system challenges**
  - Very difficult to recruit and retain IT staff to maintain systems
  - Many steps, different systems to accomplish actions
  - Inflexible and many manual processes
  - Doesn’t communicate well across systems
  - Unable to take advantage of new technology and AI capability
- **What we are doing**
  - WCSM is moving forward in partnership with WaTech
  - Some “technical debt” is being addressed
  - Continuing to support and enhance current technology where possible and cost effective

Contact Kirsta Glenn

Email: Kirsta.Glenn@Lni.wa.gov

Industrial Insurance (State) Fund and Self-Insurance Fund Financial Overview

Statutory Financial Information
Fiscal Year 2026
July 2025 – December 2025

Kim Hurley, Chief Accounting Officer

Significant Financial Highlights

July 2025 through December 2025

The contingency reserve increased **$69 million**, from $4,926 million on July 1, 2025, to $4,995 million on December 31, 2025.

Contingency Reserve Additions

- Favorable Development
  - CAE
  - Retro Liabilities
- Net Realized/Unrealized Gain on Investments

Contingency Reserve Reductions

- Unfavorable Development
  - Medical Aid Account
  - Accident Account
  - Pension Account

Change in contingency reserve by quarter for fiscal year 2026

- July 1 to September 30, 2025 – an increase of $63 million
- October 1 to December 31, 2025 – an increase of $6 million

State Fund Results

“Net Income”

July 2025 through December 2025

Insurance Operations + **Investment Income** + **Other Revenues and Expenses** = **Net Loss ($282M)**

Insurance Operations

July through December 2025
(in millions)

		Six Months Ended	
		December 31, 2025	December 31, 2024
We took in (Premiums Earned)	+	$ **1,223**	$ **1,208**
We spent (Expenses Incurred)			
Benefits Incurred		1,778	1,646
Claim Administrative Expenses		128	167
Other Insurance Expenses		52	53
Total Expenses Incurred	-	**1,958**	**1,866**
Net Income (Loss) from Insurance Operations	=	$ **(735)**	$ **(658)**

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

Insurance Operations + Investment Income + Other Revenues and Expenses = Net Income

Premiums Earned

July 2025 through December 2025 (in millions)

	Six Months Ended		
	December 31, 2025	December 31, 2024	Difference
Standard Premiums Collected	$1,244	$1,217	
Less Retrospective Rating Adjustments	(39)	(38)	
Less Ceded Reinsurance Premiums	(8)	(8)	
Net Premiums Collected	1,197	1,171	
Changes in future Premium Amounts To Be Collected	67	59	
Changes in future Retrospective Rating Adjustment Refunds	(41)	(22)	
Net Premiums Earned	$ 1,223	$ 1,208	$ 15

Insurance Operations + Investment Income + Other Revenues and Expenses = Net Income

Benefits Incurred

July 2025 through December 2025
(in millions)

	Six Months Ended		
	December 31, 2025	December 31, 2024	**Difference**
Benefits Paid	$ 1,036	$ 974	**$ 62**
Change in Benefit Liabilities	742	672	**70**
Total Benefits Incurred	**$ 1,778**	**$ 1,646**	**$ 132**

Insurance Operations + Investment Income + Other Revenues and Expenses = Net Income

Investment Income

July 2025 through December 2025

(in millions)

		Six Months Ended	
		December 31, 2025	December 31, 2024
Investment Income Earned from Interest on bonds	+	$381	$326
Realized Gain/(Loss) from Fixed Income Investments Sold	+	(5)	(11)
Realized Gains from Stocks (Equity Investments) Sold	+	0	313
Total Investment Income	=	$ 376	$ 628

Insurance Operations + Investment Income + Other Revenues and Expenses = Net Income

Results of Operations

July 2025 through December 2025

Insurance Operations	+	Investment Income	+	Other Revenues and Expenses	=	Net Loss
($735) million	+	$376 million	+	$77 million	=	($282) million

How did the contingency reserve perform?

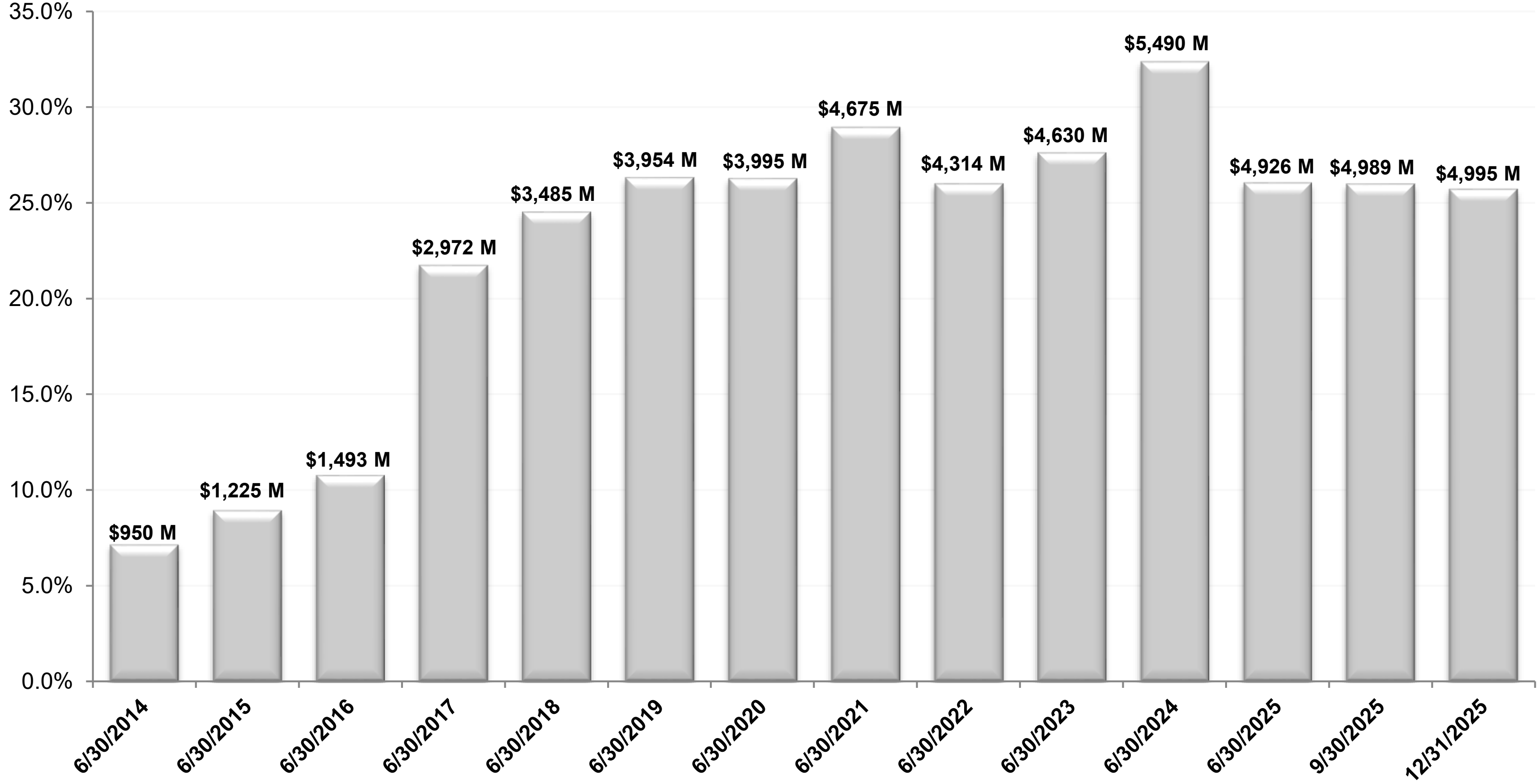
July 2025 through December 2025

Change $69 million

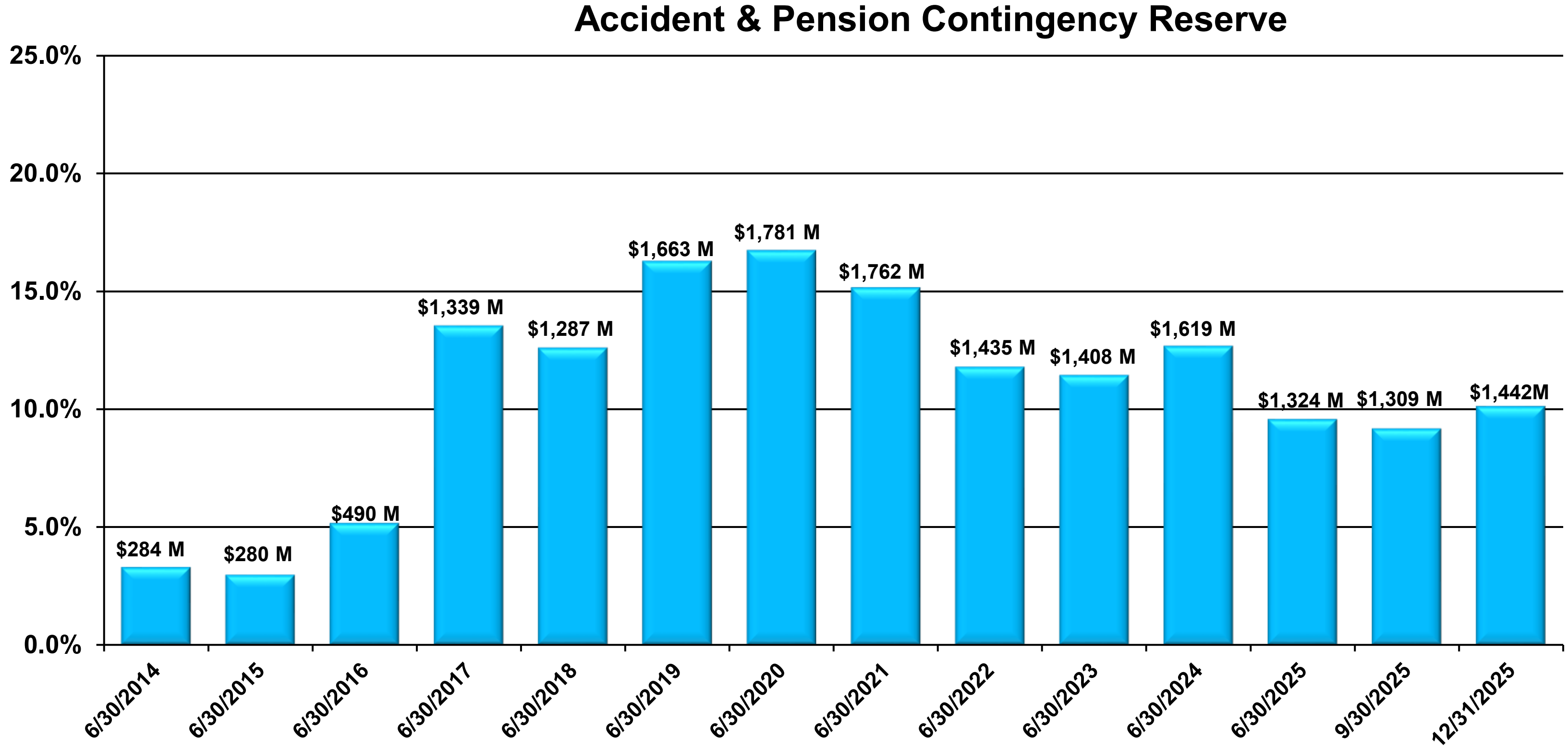
Beginning Contingency Reserve as of June 30, 2025	Net Loss	Unrealized Capital Gain/(Loss)	Non-Admitted Assets	New Contingency Reserve as of December 31, 2025
$4,926 million	($282) million	$401 million	($50) million	$4,995 million

Combined Contingency Reserve

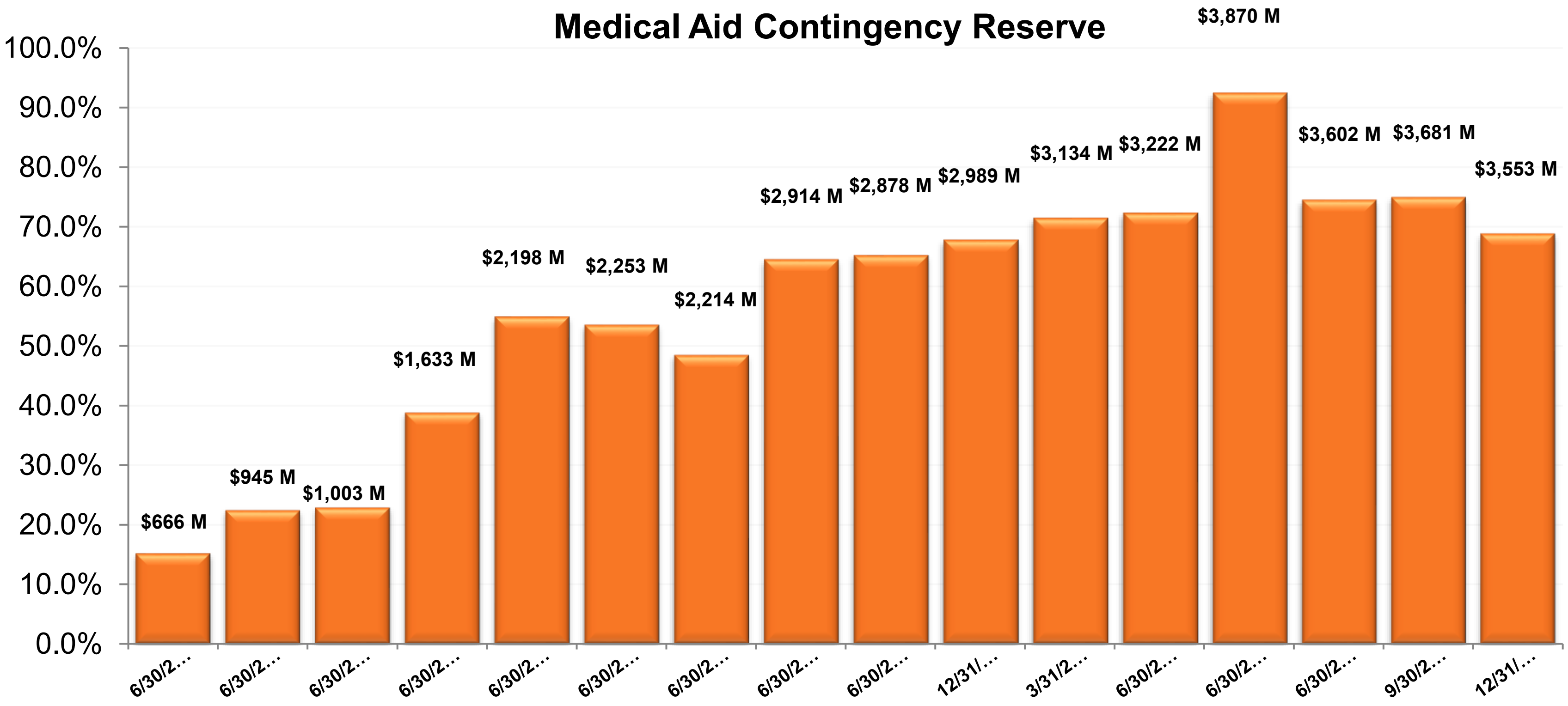
Combined Contingency Reserve is 25.7% of Total Liabilities



Accident & Pension Contingency Reserve is 10.1% of Liabilities



Medical Aid Contingency Reserve is 68.9% of Liabilities



Key Financial Ratios

as a percentage of premium earned

Ratios	Quarter Ended December 31, 2025 State Fund	Quarter Ended December 31, 2025 Industry Forecast *	10 Year Rolling Average	Fiscal Year Ended June 30, 2025	Fiscal Year Ended June 30, 2024
Current Year Benefit (Loss Ratio)	105.0%			97.5%	97.6%
Prior Year Benefit (Loss Ratio)	40.4%			57.7%	3.8%
Total Benefit (Loss Ratio)	**145.4%**	**44.2%**	**106.3%**	**155.2%**	**101.4%**
Current Year CAE Ratio	12.3%			11.1%	11.9%
Prior Year CAE Ratio	(1.8%)			3.4%	(0.5%)
Total Claim Administration Expense (CAE) Ratio	**10.5%**	**13.7%**	**12.0%**	**14.5%**	**11.4%**
Sub-Total: Benefit and Claim Administration Expense Ratios	155.9%	57.9%	118.3%	169.7%	112.8%
Underwriting Expense Ratio includes all insurance administrative expenses except CAE	4.3%	26.6%	4.7%	4.6%	5.1%
Combined Ratio (Industry omits dividends)	**160.2%**	**84.5%**	**123.1%**	**174.3%**	**117.9%**
Investment Income Ratio	31.2%	19.4%	25.6%	29.3%	28.9%
Operating Ratio	**129.0%**	**65.1%**	**97.5%**	**145.0%**	**89.0%**

** Industry Forecast: State of the Line Report of 2025 issued by National Council of Compensation Insurance (NCCI)*

Reconciliation of Change in Benefit Liabilities (In $1,000s)

July 1, 2025 Benefit Liability Beginning Balance	$17,180,318
Prior Year Benefit Payments	(945,027)
Prior Year Development and Model Change (Favorable)	250,509
Self Insurance Prefunded Pension Transfers	0
Regular reserve discount reduction	243,025
Net Total Prior Year Benefit Liability as of December 31, 2025	$16,728,825
New Current Year Benefit Liabilities	$1,193,889
December 31, 2025 Benefit Liabilities Ending Balance	$17,922,714
Change Between Beginning and Ending Balance	**$742,396**

Contact Kim Hurley,
Chief Accounting Officer

Email:
kim.hurley@lni.wa.gov.

Thank You!

Closing Comments and Adjourn

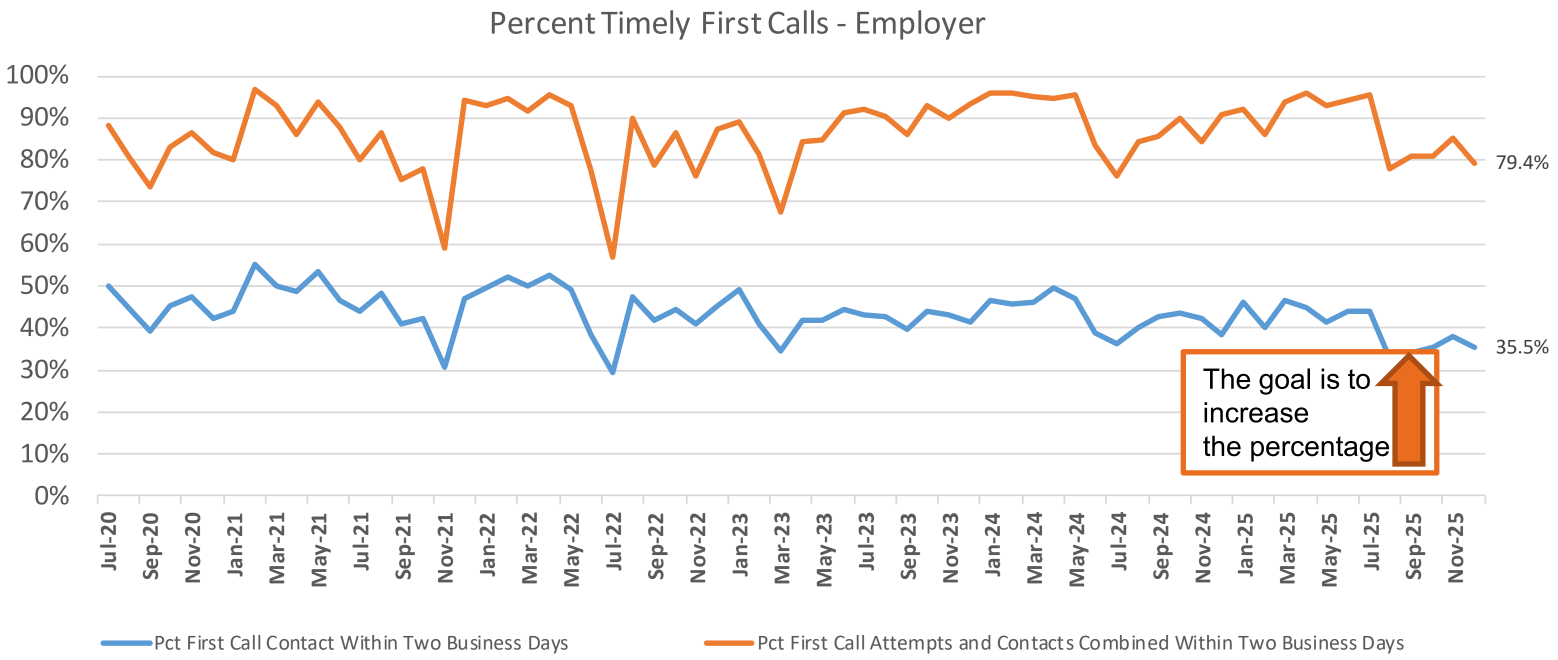
Joel Sack, Agency Director

Brenda Heilman, Assistant Director for Insurance Services

Next meeting: June 23, 2026

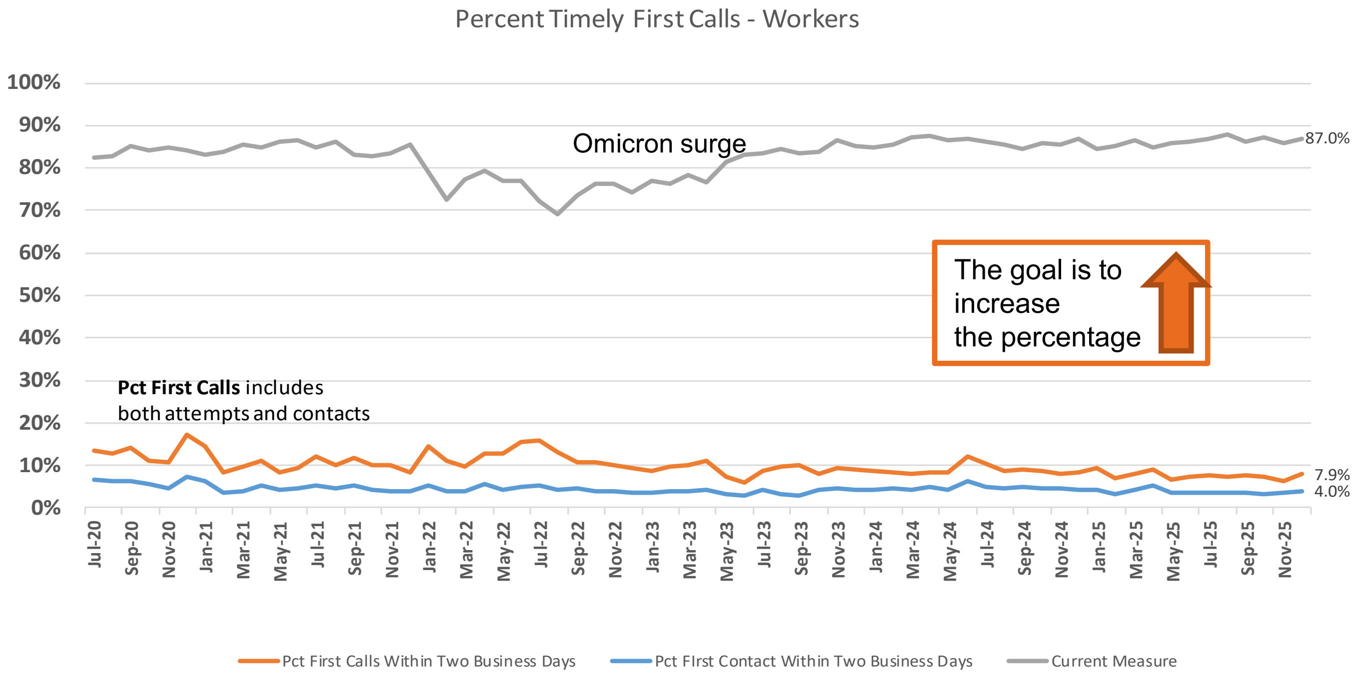
MARCH 2026 – APPENDIX SLIDES

JLARC recommended employer contact measure



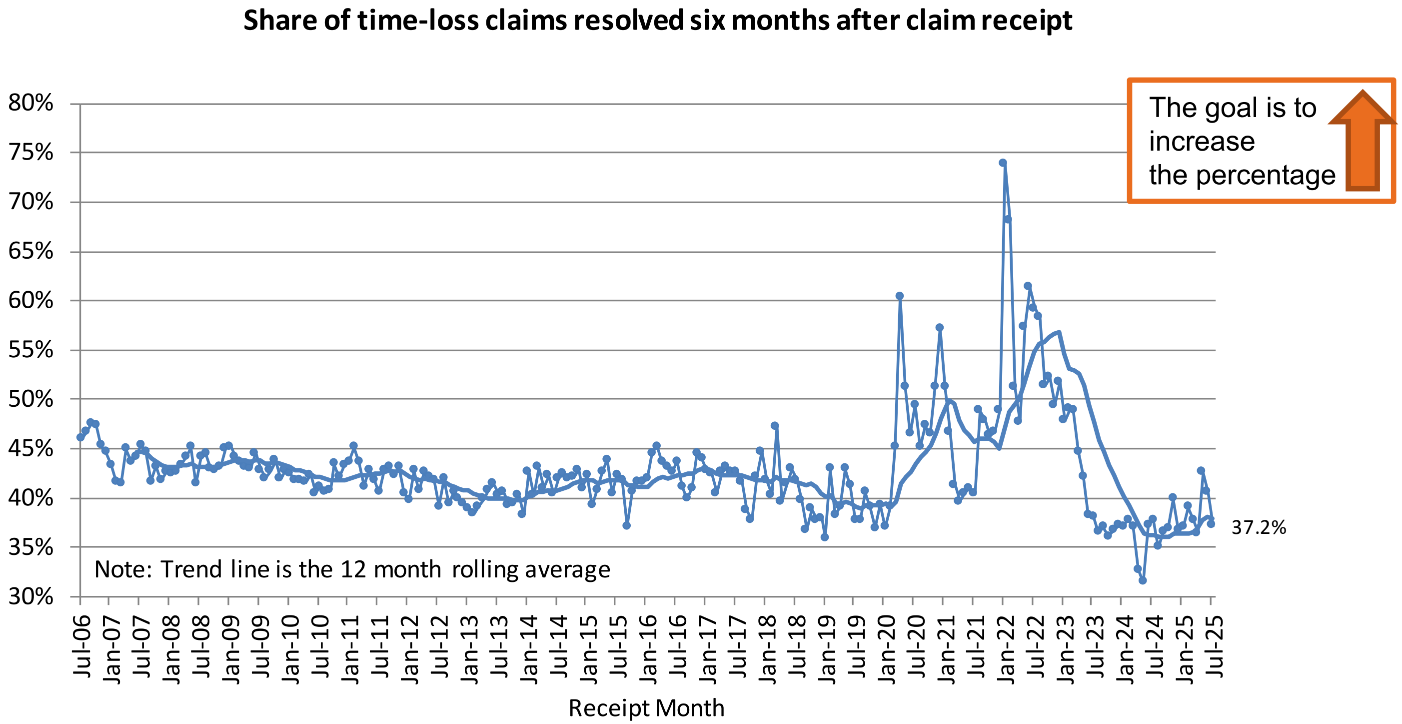
Note: Clock starts when claim is established in the system.

JLARC recommended worker contact measures & L&I's current measure

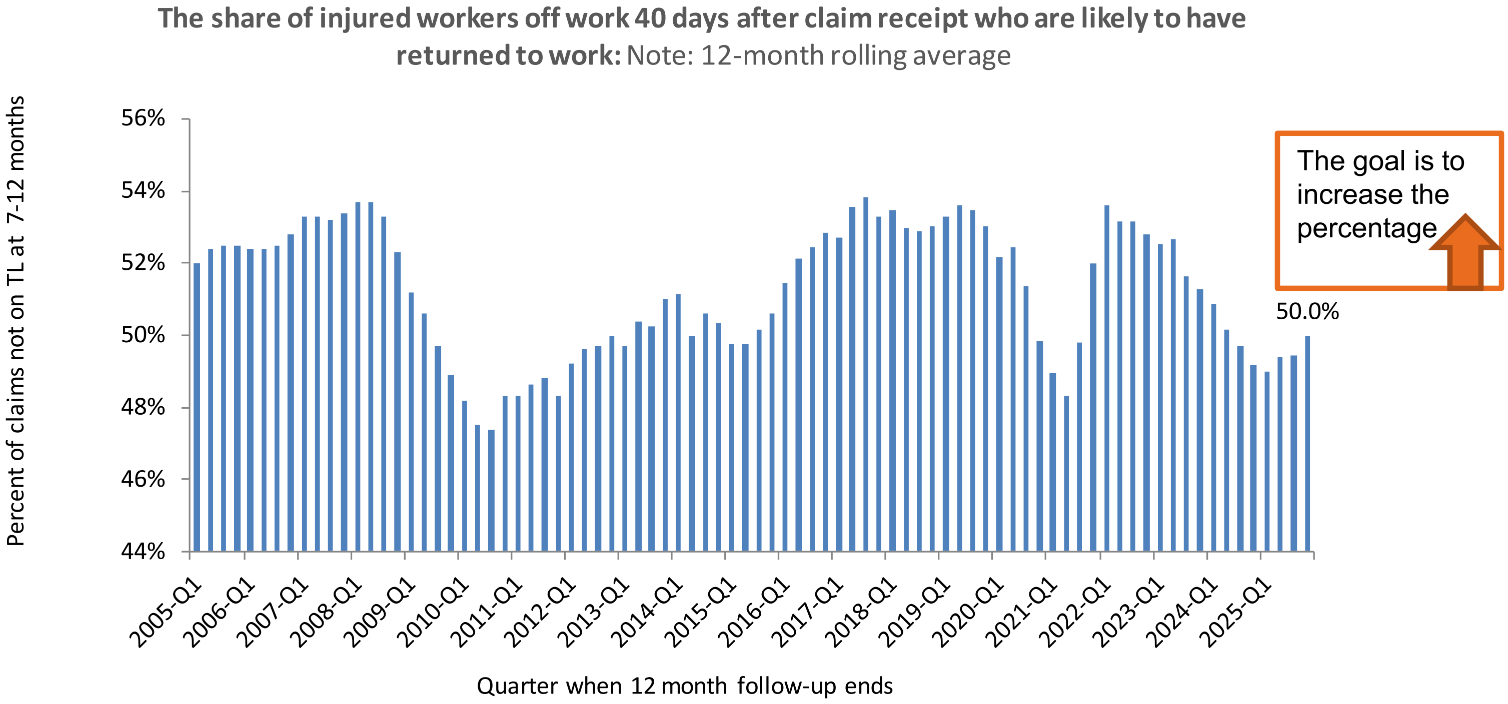


Note: Clock starts when firm and class are assigned on the JLARC recommended measure and when time loss is first paid on the current operational measure.

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



High risk claims –

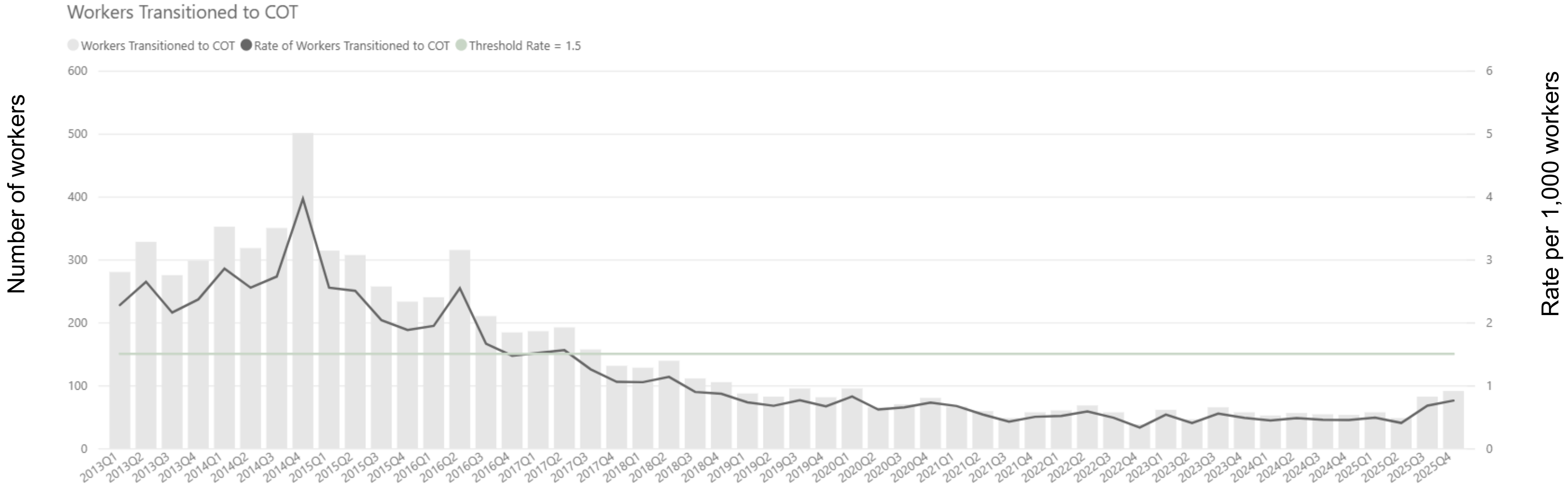


High risk workers are defined as those being disabled on the 40th day following claim receipt, about 1,400 claims per quarter. RTW is defined as the status of not receiving disability benefits between 7 and 12 months

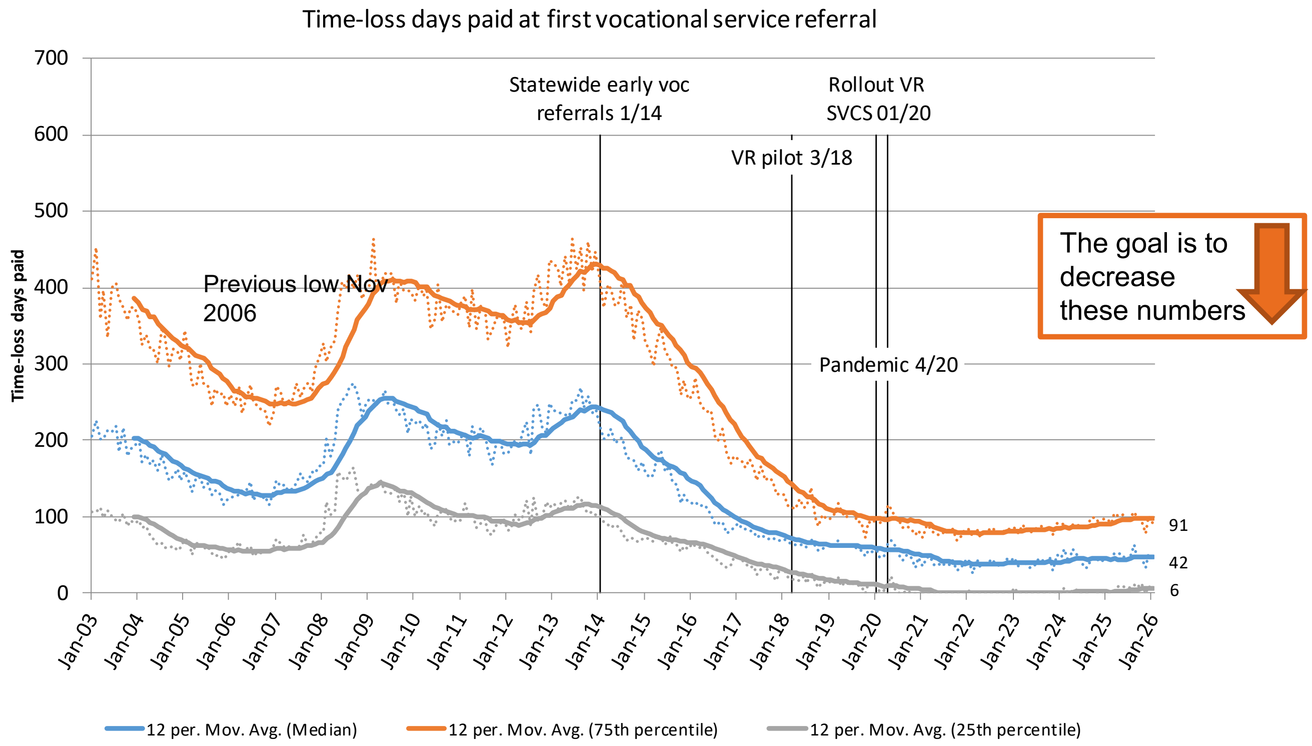
Transitioned to COTS

Workers newly on opioids transitioned to chronic opioid therapy

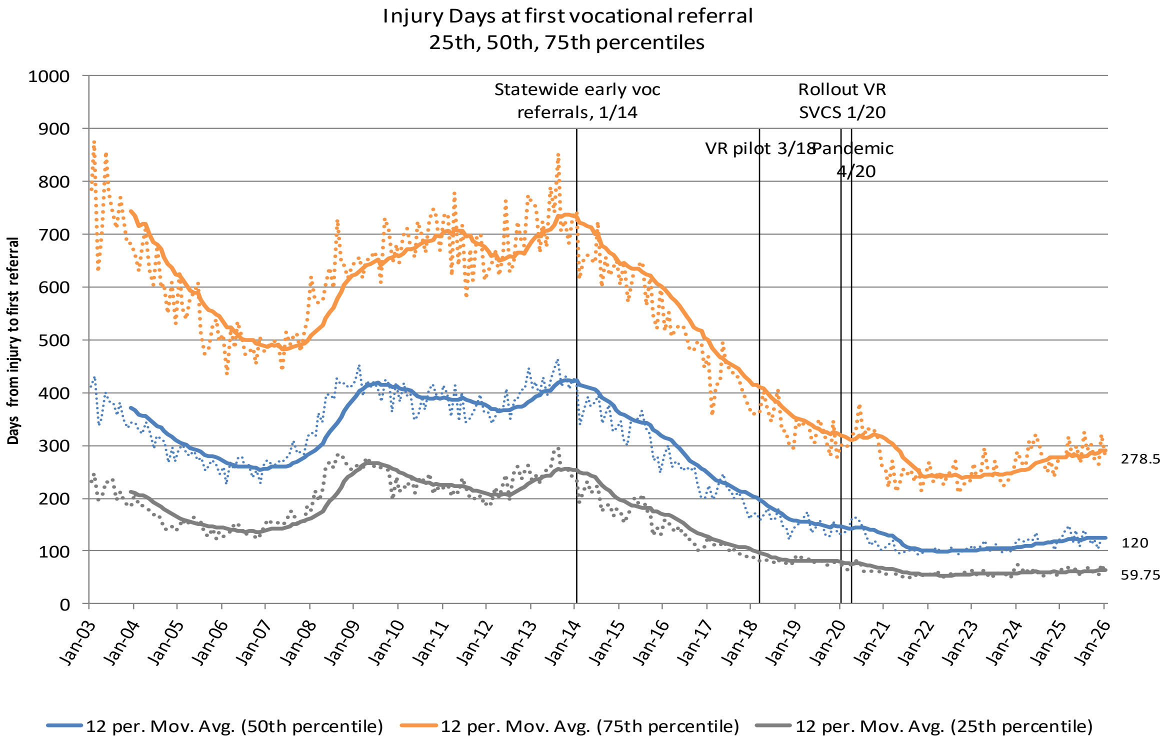
91	+11%	0.76
Workers Transitioned to COT	Change Since Previous Quarter	Rate per 1000 Injured Workers



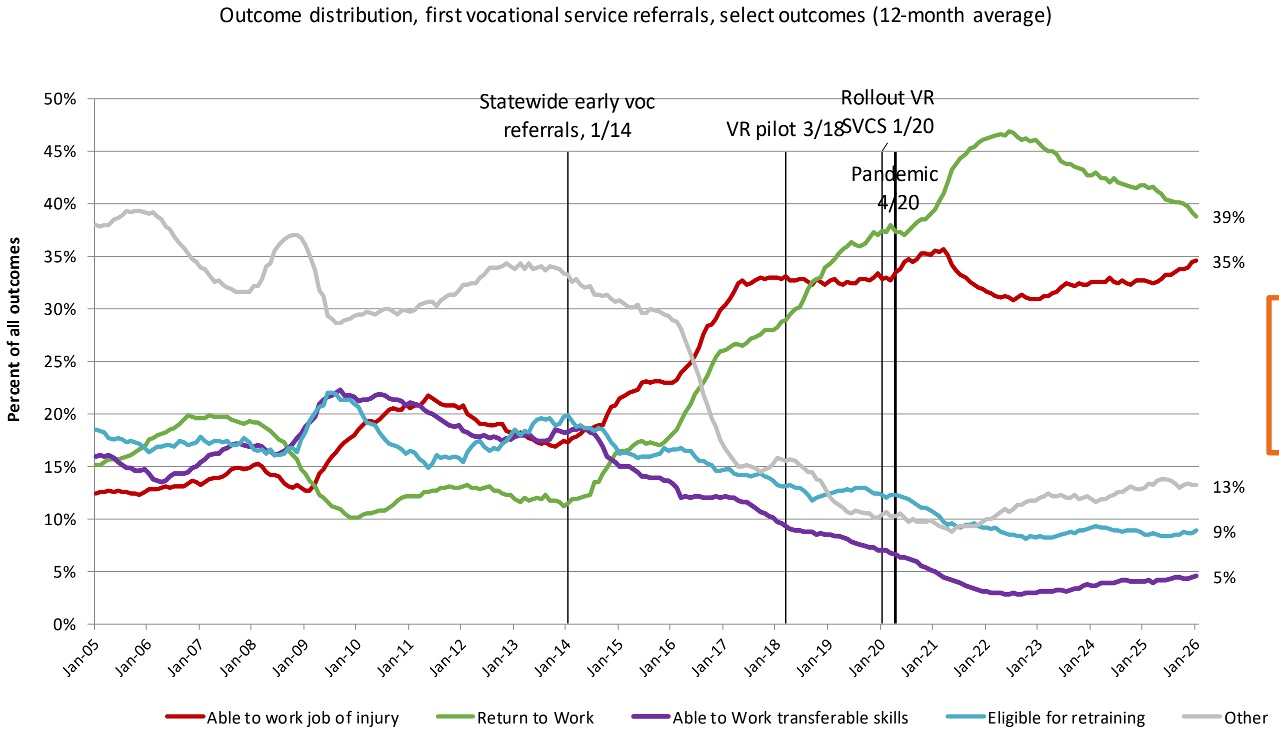
Referrals are now targeted to address the onset of disability



Referrals are now targeted to address the onset of disability - days from date of injury

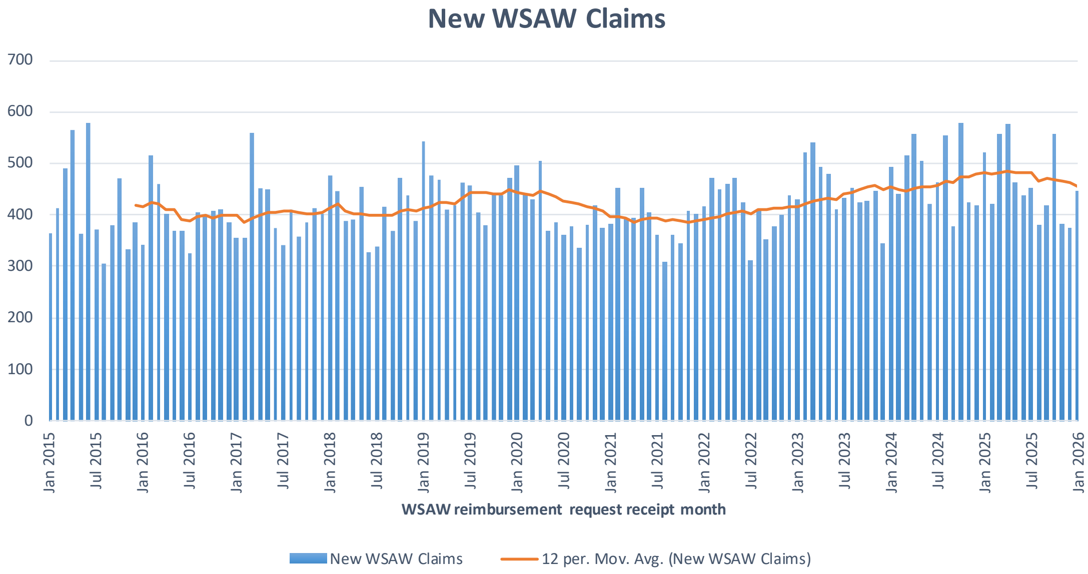


New focus on return to work has increased positive employable outcomes for all first vocational referrals



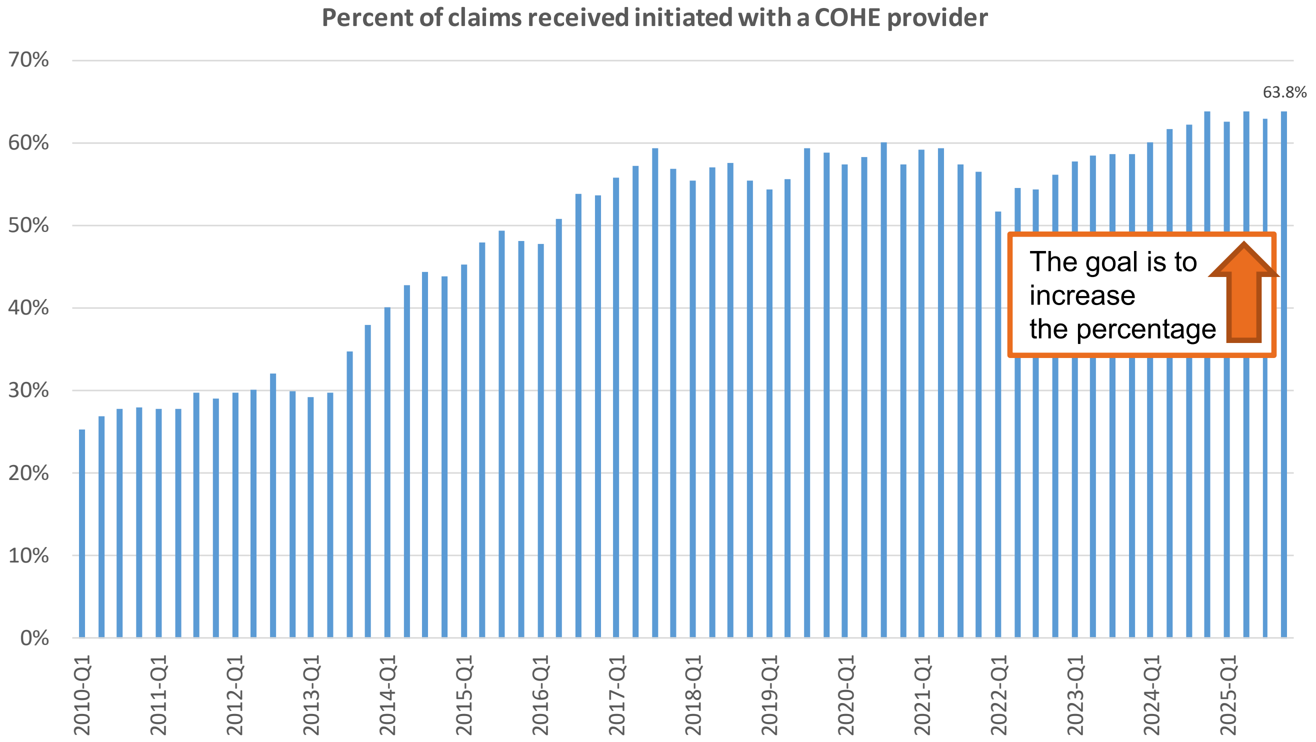
The goal is to increase the share of RTW outcomes

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



The goal is to increase this number

Percentage of claims for injured workers initiated with a COHE provider



Highlights of Changes in the Contingency Reserve

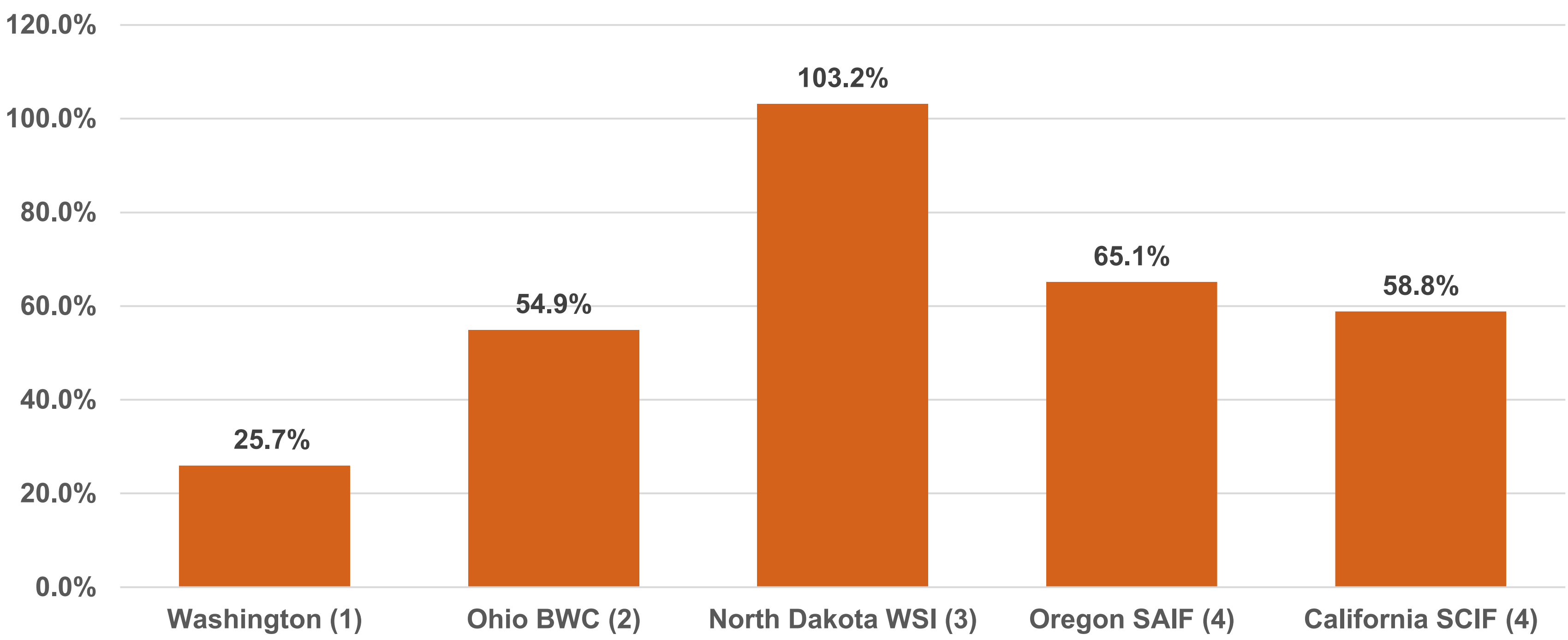
	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	Total
*Actuarial Development[1]	$149M	$543M	$147M	$926M	$941M	$352M	$(171)M	$287M	$526M	$(40)M	$(311)M	$256M	$(426)M	**$3,179M**
Rate Changes	$58M	$59M	$38M	$27M	$(14)M	$(120)M	$(110)M	$(44)M	$(29)M	$17M	$75M	$85M	$22M	**$64M**
Greater (less) than expected changes in the stock market	$279M	$(29)M	$(101)M	$411M	$199M	$50M	$340M	$1,263M	$(639)M	$413M	$445M	$220M	$329M	**$3,180M**
Mortality table change	-	$(146)M	-	-	-	-	-	-	-	-	-	-	-	**$(146)M**
Adjustments to avoid double counting 2011 reform savings	$(130)M	$(83)M	-	-	-	-	-	-	-	-	-	-	-	**$(213)M**
*Discount rate change - State Fund	$(256)M[2]	$(31)M	$(31)M	$(36)M	$(639)M[3]	-	$(84)M[4]	$(384)M[5]	-	$102M[7]	-	-	$175M[11]	**$(1,184)M**
Discount rate change - Self-Insurance	-	$(6)M	$(7)M	$(8)M	$(7)M[3]	-	$(6)M[4]	-	$(6)M[6]	$(7)M[8]	$(6)M[9]	$(6)M[10]	-	**$(59)M**

*Actuarial Development and Discount Rate Change is only for Benefit Liabilities

Highlights of Changes in the Contingency Reserve

1. Includes numerous offsetting factors including model changes, operational influences, and the state of the economy.
2. Model change for 13-year plus claims $102M; Pension Discount change $154M.
3. Pension Discount Rate reduction from 6.2% to 4.5%.
4. Non-Pension Discount Rate reduction from 1.0% to 1.5%.
5. Proposed Pension Discount Rate reduction from 4.5% to 4.0%.
6. Self-insurance prefunded rate reduction from 5.8% to 5.7%.
7. Non-Pension Discount Rate increase from 1.0% to 1.5%.
8. Self-insurance prefunded rate reduction from 5.7% to 5.6%
9. Self-insurance prefunded rate reduction from 5.6% to 5.5%.
10. Self-insurance prefunded rate reduction from 5.5% to 5.4%.
11. Non-Pension Discount Rate increase from 1.5% to 2.0%.

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



(1) Preliminary as of 12/31/2025
(2) As of 6/30/2024
(3) As of 6/30/2025
(4) As of 12/31/2024

Historic Results of Operations

July through December

(in millions)

As of Quarter Ended December 31,	Insurance Operations	+	Investment Income	+	Other Revenues & Expenses	=	Net Income (Loss)
2025	(735)		376		77		(282)
2024	(658)		628		19		(11)
2023	(20)		282		3		265
2022	(247)		251		(15)		(11)
2021	127		358		(10)		475
2020	(506)		487		(20)		(39)
2019	(299)		343		(9)		35
2018	(70)		245		10		185
2017	423		351		28		802
2016	172		268		30		470
2015	(274)		313		30		69
2014	(196)		262		26		92

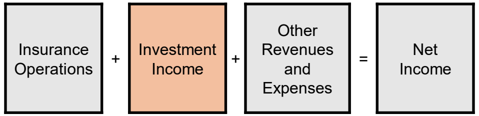
Historical Investment Performance

Fiscal Year Ended

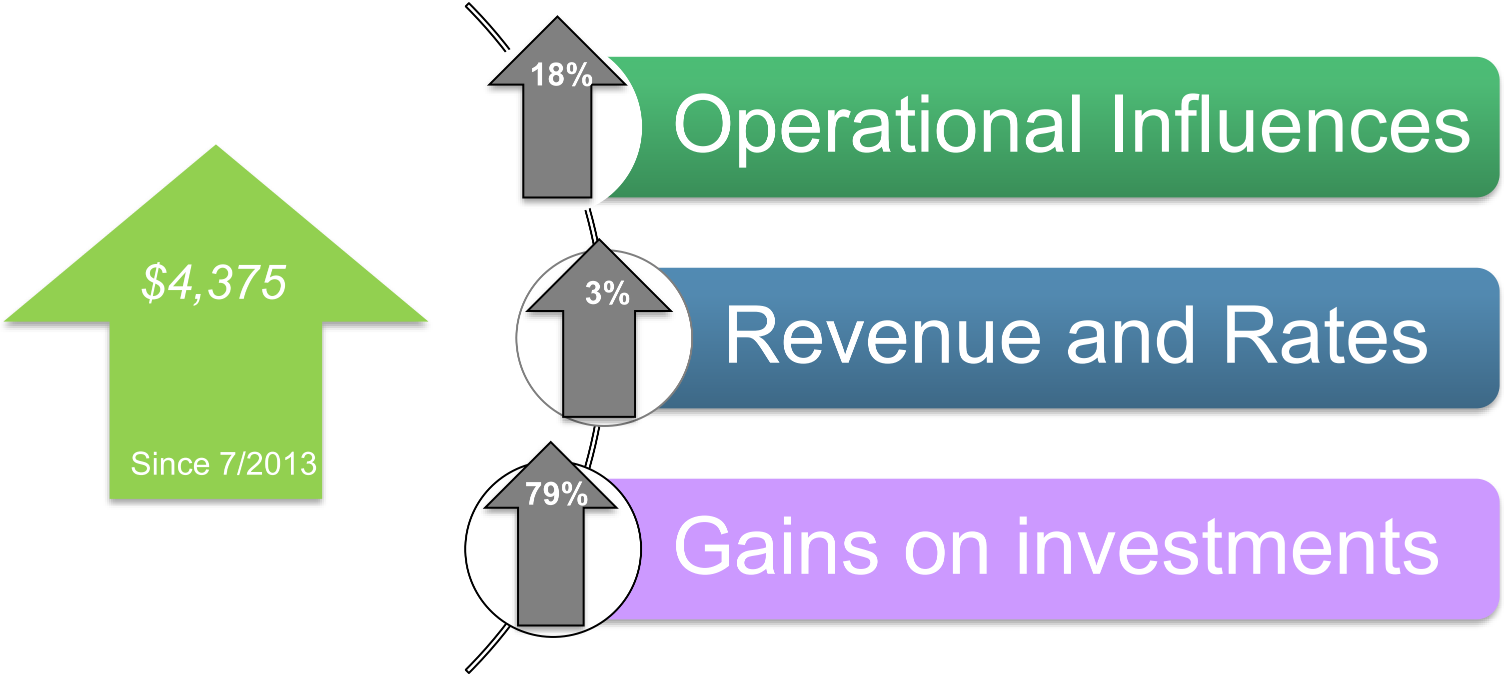
	Quarter Ended December 31, 2025	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Investment Income	381,584,000	685,656,000	592,620,000	504,416,000	456,375,000	462,700,000	496,981,000
Realized Gain (Loss)	(5,261,000)	268,964,000	16,179,000	139,573,000	141,857,000	299,787,000	272,266,000
Unrealized Gain (Loss)	400,769,000	217,778,000	532,457,000	360,212,000	(676,444,000)	1,069,560,000	161,264,000
Total Invested Assets	23,207,906,000	22,398,399,000	21,396,956,000	20,028,515,000	19,420,354,000	19,793,907,000	17,992,984,000

Total Investments

(rounded to billions)



Contingency Reserve Drivers



As of 12/31/2025 the CR is at $4,995M

Benefit Liability History

(in thousands)

	Benefit Liabilities		$ Increase/ (Decrease)	% Increase/ (Decrease)
December 31, 2025	$ 17,922,714	$	742,396	4.3%
June 30, 2025	17,180,318		1,661,202	10.7%
June 30, 2024	15,519,116		251,182	1.6%
June 30, 2023	15,267,934		499,244	3.4%
June 30, 2022	14,768,690		146,597	1.0%
June 30, 2021	14,622,093		728,107	5.2%
June 30, 2020	13,893,986		730,933	5.6%
June 30, 2019	13,163,053		71,245	0.5%
June 30, 2018	13,091,808		365,076	2.9%
June 30, 2017	12,726,732		(251,425)	(1.9%)

The 10-year average increase is $494,456