



WASHINGTON STATE DEPARTMENT OF LABOR & INDUSTRIES

Financial Model
as of June 30, 2023

Deloitte Consulting LLP
December 1, 2023



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December 1, 2023

Mr. Steve Wendling
Audit Manager
Washington State Auditor's Office
3200 Capitol Boulevard
P.O. Box 40031
Olympia, WA 98504

Dear Mr. Wendling:

Deloitte Consulting LLP is pleased to submit our actuarial report regarding a review of the financial impact of the January 1, 2024 rate change of the Industrial Insurance Fund proposed by the Washington State Department of Labor & Industries' ("the Department"). This review is based on the Department's losses and loss adjustment expenses reported as of June 30, 2023 as well as historical statutory financial information.

Rod Morris and Michael Green are members of the Casualty Actuarial Society and the American Academy of Actuaries and meet the qualification standards to issue this actuarial report.

We have enjoyed working with the Department and the Washington State Auditor's Office ("SAO") on this review. If you, any member of the Department's management, or anyone from the SAO has any questions after reviewing this report, please do not hesitate to contact us.

Sincerely,

A handwritten signature in black ink that reads "Rod Morris".

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I. OVERVIEW

Deloitte Consulting LLP (“Deloitte Consulting”, “us”, “we” or “our”) was retained by the Washington State Auditor’s Office to provide a review of the financial impact of the January 1, 2024 rate change of the Industrial Insurance Fund (“State Fund”) proposed by the Washington State Department of Labor and Industries’ (“the Department”). This report specifically addresses the financial impact of the adopted rate level on the actuarial solvency of the Industrial Insurance Fund. The Industrial Insurance Fund is comprised of the Accident Fund, Medical Aid Fund, and the Pension Reserve Fund. The analysis reviews the financial impact of the rate change on the respective Funds individually and collectively as the Industrial Insurance Fund.

This report discusses our approach and presents the results of our June 30, 2023 review. All information presented in this report is as of June 30, 2023 and displayed in thousands of US dollars unless otherwise stated.

BACKGROUND

Department of Labor & Industries

During the early 1900’s, state legislatures throughout the United States recognized the need for a system of workers’ compensation insurance. The Industrial Revolution had dramatically increased the number and severity of work-related injuries, and injured workers were unable to receive medical benefits and wage compensation. Civil lawsuits against employers took years to settle and employees often ended up dependent on welfare or the charity of others.

In 1911, the State of Washington’s “Workers’ Compensation Act” established the industrial insurance system which covered only those working in hazardous work environments. In 1923, Washington became the only state workers’ compensation fund where the employees pay a significant portion of the insurance premiums. In 1971, there was a major overhaul in the workers’ compensation system to expand coverage to virtually all workers and allowing large employers to self-insure.

The Department is the state agency responsible for administering the Washington State workers’ compensation system and providing medical and limited wage-replacement coverage to workers who suffer job-related injuries or illnesses. The Department operates as an exclusive state workers’

compensation fund, one of only four remaining in the U.S. The Department offers enforcement programs ensuring that workers are paid the amounts they are owed, limiting the work hours of children and teens, and protecting consumers from unsound building practices. The Department also administers the workplace safety and health program within the state.

The State's workers' compensation funds (the "Funds") are administered by the Department. The Funds include the Accident Fund, Medical Aid Fund, Pension Reserve Fund, Supplemental Pension Fund, Second Injury Fund, the Self-Insured Employer Overpayment and Reimbursement Fund, and the Industrial Insurance Rainy Day Fund. The Accident, Medical Aid, and Pension Reserve Funds make up the Workers' Compensation Program Basic Plan and write approximately \$2.1 billion of premium annually. The Workers' Compensation Program Basic Plan Funds are required by law to be actuarially fully funded. However, the Supplemental Pension Fund is a pay-as-you-go fund.

A summary of the Funds within the Workers' Compensation Program Basic Plan and the Supplemental Pension Fund is included below.

- Accident Fund

This Fund pays compensation directly to the injured workers for lost wages related to temporary disability and permanent partial disability awards and for costs of retraining. In addition, the Fund pays the Pension Reserve Fund an amount equal to the present value of pensions awarded to survivors of fatally injured workers and to workers who are permanently and totally disabled. Revenues from this Fund are from employer-paid premiums. Lastly, retrospectively rated premium adjustments also are run through the Accident Fund.

- Medical Aid Fund

This Fund pays for the cost of medical and vocational rehabilitation services to injured workers. Revenues for this Fund come from equal contributions from employers and employees. Revenue and costs related to the Stay-At-Work program are run through the Medical Aid Fund.

- Pension Reserve Fund

This Fund pays survivor benefits to dependents of fatally injured workers and wage replacement and dependent benefits to all permanently total disabled pensioners, including pensioners from disabled employees of self-insured employers, their dependents, and

survivors. Revenues from this Fund are generated from transfers from the Accident Fund and reimbursement payments from self-insured employers.

- Supplemental Pension Fund

This Fund provides for supplemental cost of living adjustments to injured workers and their dependents receiving disability payments. The Fund is run on a pay-as-you-go basis and is funded through assessments that are paid 50% by employers (both employers insured through State Fund and self-insured employers) and 50% through deductions from employees' wages. In fiscal year 2023, Supplemental Pension Fund premiums were approximately \$934 million.

In addition, the Department maintains three additional funds: Second Injury Fund, Self-Insured Employer Overpayment Reimbursement Fund, and the Industrial Insurance Rainy Day Fund. The Second Injury Fund was created for the purpose of making benefit payments to workers already partially disabled who subsequently experience a work-related injury, which together, render them totally disabled. The Self-Insured Employer Overpayment Reimbursement Fund was established in 2008 to account for the reimbursements due to self-insured employers for workers' compensation benefits overpaid during the pendency of board or court appeals in which the self-insured employer prevails and has not recovered such amounts. The Industrial Insurance Rainy Day Fund, created in 2011, was intended to provide a tool to help minimize significant premium changes that may otherwise be needed during future difficult economic times. Furthermore, it requires that transfers to the Fund be considered whenever the Accident and Medical Aid Funds assets exceed ten percent of funded liabilities.

Washington State requires all employers, unless exempted, to secure coverage for job-related injuries and illnesses either by paying insurance premiums to the Department or by self-insuring. Direct private insurance is not authorized, although self-insurers are permitted to reinsure up to 80% of their obligations.

The Funds also participate in the Washington United States Longshore and Harbor Workers' Compensation Act Assigned Risk Plan ("WARP") which was established to provide United States Longshore and Harbor ("USL&H") workers' compensation insurance coverage for employers unable to purchase it through the normal private insurance market. The Funds pay assessments to WARP and participate in any underwriting losses or surpluses incurred by WARP. To date, no assessments have been made.

Reinsurance Background

The Funds only write direct insurance business and does not assume any reinsurance. Use of ceded reinsurance is minimal and is limited to catastrophic events and terrorism coverage at high limits in older years and once again purchased effective February 1, 2019 and subsequent. The current reinsurance program consists of two excess of loss contracts. The first excess of loss contract covers catastrophic or terrorism events that exceed \$200 million up to \$500 million per occurrence. The second excess of loss contract covers catastrophic or terrorism events that exceed \$500 million up to \$1.0 billion per occurrence. All reinsurers are rated A or better by AM Best. As of June 30, 2023, the Department has informed us that it is not aware of any catastrophic events that would trigger a reinsurance recovery. Therefore, there are currently no ceded reserves recorded as of June 30, 2023, and no reinsurance collectability problems. With respect to loss and loss adjustment expense reserves net of ceded reinsurance, we have not anticipated any contingent liability which could arise if any of the reinsurers prove unable to meet their loss and loss adjustment expense obligations under the terms and conditions of their contracts with the Funds. We note that in certain years the Funds have retained a portion of the losses within each layer of reinsurance but do not retain any liability within these layers in the reinsurance contracts over the past two years.

Claims Handling

The Department administers the workers' compensation claims arising out of its book of business internally. The Department establishes case reserves beginning at the second month and through the first seven years of the life of the claim. These case reserves are used almost exclusively for experience rating and retrospective rating adjustments. Since case reserves are not available for older fiscal-accident years, a complete case incurred triangle is not available. Therefore, we have not relied upon any actuarial methodologies utilizing case incurred losses to derive our estimates of the unpaid loss and LAE claims.

Loss Adjustment Expenses

For the Department, most LAE represent typical unallocated loss adjustment expenses. These include costs such as the claims administration, Washington State Assistant Attorneys General, internal legal services, Office of the Medical Director, Health Services Analysis, and internal vocational rehabilitation counselors. The one related cost which would fall under typical allocated loss adjustment expenses is the cost related to utilization review for medical treatments which can be allocated to specific claims.

Beginning in fiscal year 2020, the Department initiated a Workers' Compensation System Modernization (WCSM) project to update its policy, administration, and claim systems. It is estimated that a total of \$30.4 million has already been spent as of June 30, 2023 of which none has been currently allocated to CAE payments. The anticipated future cost of WCSM is approximately \$340.6 million over the next ten fiscal years. The Department assumes that approximately 2/3 of the cost will be claims related and will expense the allocated State Fund costs (i.e. excluding costs allocated to self-insureds) through its claims administration expense (CAE). The CAE related cost has been distributed to both future and historical fiscal-accident years. The estimated amount allocated to fiscal-accident years 2023 and prior and included in the reserves as of June 30, 2023 totals \$51.2 million on a discounted basis and \$63.6 million on an undiscounted basis.

Case Law – Tobin Decision

On August 12, 2010, the State's Supreme Court confirmed the Court of Appeals decision in "Tobin v. Department of Labor & Industries", which concluded that "pain and suffering constitutes non-economic damages that workers' compensation statutes do not compensate for." The result of the decision is that future recoveries from injured workers due to their third-party claim awards are expected to be significantly lower than historical recoveries since the amount of "pain and suffering" awarded can no longer be used to offset the past or future workers' compensation payments to that injured worker. The Department and Deloitte Consulting at this point have assumed that the impact is now reflected in the paid data and have removed additional explicit adjustments related to the Tobin Decision.

2011 Reforms – SSB 5801 and EHB 2123

During 2011, the State of Washington passed two bills (SSB 5801 and EHB 2123) that promote quality health care of injured workers, keep them engaged in the workforce, and implemented other changes that impacted costs.

The Department and Deloitte Consulting have assumed that the costs/benefits of these reforms are included in the data and have removed additional explicit adjustments related to the reforms.

Consistent with prior analyses, an additional breakout has been included in the actuarial analyses to separately track estimates of Voluntary Settlement costs.

Stay-at-Work Program

The Stay-at-Work Program was introduced as a part of EHB 2123 and launched in January 2012. This program supports quick and efficient return to work approaches through the provision of wage subsidies and other reimbursements to employers who bring workers back to light duty or modified jobs following an injury. Employers are reimbursed for a variety of costs including:

- Half of wages for up to 66 days within a 24-month period, and up to \$10,000
- Training fees or materials up to \$1,000 per claim
- Special tools or equipment up to \$2,500 per claim
- Clothing up to \$400 per claim

Per EHB 2123, employers will not be experience rated nor retrospectively rated based on losses or premiums from this program. For experience rating (“ER”), the Stay-at-Work Program premiums for an individual employer are adjusted by the ER factor calculated based on Accident Fund and Medical Aid Fund experience only, and the result is then split evenly between all employers and workers. The Stay-at-Work Program is administered with premium collections and benefit payments made through the Medical Aid Fund. However, premium collections and benefit payments will be accounted for separately from the remainder of the Medical Aid Fund. The overall rate is based on the actual experience and other industry assumptions. The overall rate is then allocated to each individual classification code as a percentage of the Accident Fund expected losses since the Department expects the reimbursement benefits to correlate with the Accident Fund losses. We have accepted the Department’s estimates of its costs related to the Stay-at-Work Program.

Preferred Worker Program

The Preferred Worker Program is another return-to-work incentive program in which the Department certifies a worker with permanent medical restrictions as a preferred worker. This certification enables an employer to receive financial incentives and premium relief to eligible employers who create medically-appropriate, long-term jobs for these preferred workers. We have accepted the Department’s estimates of its costs related to the Preferred Worker Program.

Other Reforms and Rule Changes

During 2018 and 2019, Washington State passed two bills (SSB 6214 and HB 1913) that relate to firefighters and police officers. SSB 6214 allows industrial insurance coverage for posttraumatic stress

disorders (PTSD) affecting law enforcement officers and firefighters. HB 1913 adds medical conditions to the presumption of occupational diseases and extends the presumption to certain publicly employed firefighters, investigators, and law enforcement officers. In 2020, HB 2758 was passed which added 911 dispatchers to the individuals for whom PTSD is presumed to be work-related. The effect on the unpaid claims of these bills should be minimal and no explicit adjustment has been made for the passage of these bills.

Effective May 15, 2019, there was a rule change (WAC 296-20-1101) that caused an increase in the estimate of unpaid hearing loss claims. The rule change required the replacement of hearing aids upon request five years after the issue date of the current hearing aid and battery replacement for the life of the hearing aid. Previously, the Department or self-insurer was only required to bear the cost of repairing or replacing the hearing aid due to normal wear and tear at its discretion. The rule change caused the average hearing loss claims per active claim to increase more than expected as more claimants requested hearing aids rather than other (less expensive) services. In addition, the general injured worker population has become more aware of both the ability to request new hearing aids, and to request hearing aid replacements, as opposed to a repair.

REPORT SECTIONS

This report is comprised of the following sections:

- Overview – general introduction and overview of the engagement;
- Scope – describes the work and reports that Deloitte Consulting has been requested to perform and produce;
- Conditions and Limitations – details the limitations that apply to this engagement’s work product, report and results;
- Summary of Results – results of our financial model analysis;
- Financial Modeling Details – describes the approach underlying the results of the financial model analysis;
- Exhibits – describes the contents of the exhibits included in this report.

II. SCOPE

In 2005, the Washington State Legislature passed a law (RCW 51.44.115) requiring the State Auditor's Office to conduct annual audits of the Department's workers' compensation program. A portion of the required audit includes an assessment of the financial impact of the January 1, 2024 adopted rate level changes on the actuarial solvency of the Accident Fund, Medical Aid Fund, and Pension Reserve Fund.

The scope of the review is to provide an independent review of the financial impact on the Industrial Insurance Fund's contingency reserve with respect to several insurance premium rate scenarios over the next ten fiscal years. The contingency reserve is mathematically defined as the total assets minus total liabilities in any given fiscal year. Our results were produced using a stochastic financial model. The model produces pro-forma financials assuming statutory accounting principles, displaying assets and liabilities for each Fund projected ten fiscal years into the future. The model takes into account variability related to several key variables in producing the pro-forma financials: investment income based on the Industrial Insurance Fund's asset mix, unpaid loss and loss adjustment expense liabilities, payment patterns, discounting, and the potential for adverse development.

Deloitte Consulting's analysis is not intended to opine upon or recommend a specific level of contingency reserves for the Funds. Rather, the analysis is intended to provide insights into the future financial strength of the Funds under several different insurance rate level scenarios including the currently adopted January 1, 2024 rate change.

The financial model developed in this report is based on Deloitte Consulting's Analysis of Unpaid Loss and Loss Adjustment Expenses as of June 30, 2023 ("Reserve Review"), a review of the Department's internal ratemaking processes and assumptions, and discussions with the Department's Actuarial Team. For information regarding Deloitte Consulting's Reserve Review as of June 30, 2023, please refer to Deloitte Consulting's report entitled, "State of Washington Department of Labor and Industries, Analysis of Loss and Loss Adjustment Expenses, as of June 30, 2023" dated November 16, 2023. For information regarding Deloitte Consulting's Rate Review as of June 30, 2023, please refer to Deloitte Consulting's report entitled, "State of Washington Department of Labor and Industries, Analysis of 2024 Rate Levels, Accident Fund, Medical Aid Fund and the Stay-at-Work Program" dated December 1, 2023.

Throughout our analysis, we have modeled the Accident Fund and Pension Reserve Fund on a combined basis. We believe that this approach is appropriate because the Pension Reserve Fund does not assess premiums but rather is funded by contributions and transfers from the Accident Fund and self-insured

employers. In addition, the solvency of the Pension Reserve Fund is guaranteed by the Accident Fund as required transfers to/from the Accident Fund (and self-insured employers) occur each year to set the contingency reserve of the Pension Reserve Fund to \$0. Another important consideration for us in combining the Accident Fund and the Pension Reserve Fund is the ability to capture the variability inherent in the Pension Reserve Fund within the Accident Fund analysis. We believe this is important because the majority of any future favorable or adverse development in the Pension Reserve Fund ultimately belongs to the Accident Fund. Unless specifically stated, all references to the Accident Fund in this report inherently refer to both the Accident Fund and Pension Reserve Fund on a combined basis.

Deloitte Consulting serves as an independent consultant to the State Auditor’s Office under an agreement between the State and Deloitte Consulting.

Rod Morris is a Fellow of the Casualty Actuarial Society (FCAS) and Michael Green is an Associate of the Casualty Actuarial Society (ACAS). Both Rod Morris and Michael Green are Members of the American Academy of Actuaries (MAAA). These organizations have professional standards that, among other provisions, require an actuary perform only assignments for which he or she is qualified. Rod Morris prepared and supervised the various analyses contained in this report. Michael Green peer reviewed the work performed by Rod Morris. Rod Morris and Michael Green have met the qualification standards as promulgated by the American Academy of Actuaries to render Actuarial Opinions. Both have also attested compliance with the Casualty Actuarial Society’s Continuing Education Policy as of December 31, 2022 to perform actuarial services in 2023.

The services we performed in this actuarial analysis do not constitute an audit, review, examination, or other form of attestation as those terms are defined by the American Institute of Certified Public Accountants (AICPA). Any use of the word “review” within this report should be interpreted in the common use of that term, and not the definition of “review” promulgated by the AICPA.

III. CONDITIONS, LIMITATIONS, AND DISCLOSURES

The findings and conclusions set forth in this report are based on data and information published in the Department's historical financial statements or provided to us by the Department's management, actuarial and accounting teams. The validity of the conclusions set forth in this report is dependent on the accuracy and completeness of the information published or provided directly to us. A specific audit to verify the accuracy of the data provided to us is beyond the scope of this project. We have relied without audit or verification on the data supplied and assumed that it is both accurate and complete. If the underlying data or information provided is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

We have also relied upon Deloitte Consulting's own independent analysis of the loss and loss adjustment expense reserves as of June 30, 2023. Please note that we did not conduct an operational review of the claim functions, nor of any other company operating departments.

Using the financial model, Deloitte Consulting has performed simulations based upon what we believe to be the Department's operating environment and the most probable future experience within this environment given the Department's historical performance. Unless specifically noted, we have assumed that historical trends will continue into the future. However, it should be recognized that the actual future results may vary from those projected and that a significant difference in the actual future emergence of parametric, operational, or environmental factors versus those reflected in historical results could cause the actual results to vary substantially from the projected results. The factors include, but are not limited to, the frequency and severity of claims, payout patterns, rate level adequacy, reinsurance practices and recoverability, management direction, insurance regulation, accounting practices, inflation rates, and investment yields. Further uncertainty exists due to current and future legislative changes. Deviations from most probable are normal and are to be expected. Even without changes in the above factors, actual results from year to year will vary from those projected due to normal random fluctuations. No warranty is expressed or implied that such variance will not occur.

In particular, the COVID-19 pandemic has impacted the number and severity of reported claims over the past 39 months. There has been a total of 11,312 compensable claims reported as of June 30, 2023. These claims represent 10.9% of the compensable claims for fiscal-accident year 2023, 21.2% of the compensable claims for fiscal-accident year 2022, 10.3% of the compensable claims for fiscal-accident year 2021, and 5.4% of the compensable claims for fiscal-accident year 2020. The total case incurred value of the COVID-19 claims as of June 30, 2023 is \$62.2 million of which \$50.8 million has been paid.

The majority of these claims are very small in nature with only a handful of larger claims. However, there is some initial evidence that many of these claims may become TPD pension claims. The resultant shutdowns and economic downturn had an initial effect on the medical treatment, legal processes, and business operations but we believe that most of these indirect effects of the pandemic have stabilized as of June 30, 2023. We have not incorporated estimated adjustments to the actuarial assumptions in consideration of the effects of the pandemic. However, we caution that the volatility and uncertainty of our projections are increased due to the potential future effects of the pandemic.

The estimates of the Funds' contingency reserve made by Deloitte Consulting include a provision only for claims made by policyholders in the normal course of business under the terms of policies issued by the Department. The estimates make no provision for the broadening of coverage by legislative action or judicial interpretation or for extraordinary future emergence of new classes of losses or types of losses not sufficiently represented in the Department's historical database or which are not yet quantifiable. No attempt has been made by us to determine the effect upon value of any other claims by or against the Department, such as non-policyholder claims or class-action lawsuit claims by policyholders or non-policyholders.

The estimated ultimate loss and LAE estimates and estimated loss and LAE reserves in the pro forma balance sheets stated in this report have been discounted using interest rates provided to Deloitte Consulting by the Department. The use of these rates does not imply that Deloitte Consulting is expressing an opinion on the appropriateness of these rates.

FINANCIAL MODEL UNCERTAINTY

We have developed our stochastic financial model projections using what we believe to be the current and proposed operating environments and the reasonably expected circumstances within such environments, but it should be noted that actual future results may vary significantly from those projected.

Our financial model is subject to the following limitations:

- Changes in Department management, workers' compensation laws, accounting standards, inflation, investment yields, and other economic factors

- Actual assumption values will deviate from expected values around overall investment returns, unpaid loss & LAE variability, frequency trends, medical severity trends, indemnity severity trends, payment pattern variation, and exposure growth
- The long tailed nature of workers' compensation claims, meaning the claims payout over significant periods of time, make it very difficult to predict future claims and claim payments. Medical payments in particular are difficult to estimate due to the volatility of medical inflation.
- The lack of available case reserve estimates. The Department only establishes case reserve for experience rating purposes and does not maintain a history of case reserves. We have relied on paid loss and LAE data to form our ultimate loss and LAE estimates, which influences our loss & LAE reserve estimates, and our estimate of variability around these estimates. Paid loss development can persist for significant periods of time and ultimate loss estimates produced on paid losses alone will be volatile due to this long tailed nature.

DISTRIBUTION AND USE

This study's conclusions are developed in the accompanying text and exhibits, which together comprise the report. This report is prepared solely for the internal use of the SAO and the Department in its evaluation of the financial impact of various rate change scenarios of the Accident Fund and Medical Aid Fund. The report may be provided to other parties ("Recipient"), for the purpose of reviewing the impact of various rate change scenarios on the solvency of the Accident Fund and Medical Aid Fund if the following conditions are met:

- Deloitte Consulting is provided a list of Recipients to whom this report is provided.
- This report is being provided to the Recipient solely for its information and cannot and shall not be relied upon by the Recipient. The Recipient agrees that access to the report is not a substitute for the Recipient undertaking appropriate inquiries and procedures in relation to its assignment.
- The Recipient agrees not to reference or distribute the report to any other party.
- The Department is solely responsible for providing accurate and complete information requested by Deloitte Consulting, and Deloitte Consulting has no responsibility for the

- accuracy or completeness of the information provided by, or on behalf of, the Department, even if Deloitte Consulting had reason to know of or should have known of such incompleteness.
- Deloitte Consulting has no responsibility to advise the Recipient of other services or procedures that might be performed and makes no representation as to the sufficiency or appropriateness of this report for the purposes of the Recipient.
 - The Recipient acknowledges that the Department and the SAO have participated in the preparation of this report and the information, including, without limitation, by reviewing and commenting on prior drafts of this report and the information, and such participation may have resulted in the addition, modification or deletion of information which might be considered material by the Recipient.
 - The Recipient acknowledges that Deloitte Consulting is currently providing and may in the future provide professional services to the Department, and the Recipient agrees that Deloitte Consulting and its personnel shall have no responsibility to the Recipient relating to such services nor any responsibility to use or disclose information that Deloitte Consulting possesses by reason of such services or otherwise, whether or not such information might be considered material by the Recipient.
 - The Recipient acknowledges and agrees that the Recipient does not acquire any rights as a result of access to this report and Deloitte Consulting does not assume any duties or obligations as a result of access to this report.
 - In the event that the Recipient is required by order of a court of competent jurisdiction, administrative agency or governmental body, or by any law, rule, regulation, subpoena, or any other administrative or legal process to disclose this report, the Recipient may disclose this report without liability hereunder, provided that the Recipient gives Deloitte Consulting prompt notice of any such requirement and, at our discretion, either (1) cooperates with us, at our expense, to prohibit such disclosure, or (2) uses all reasonable efforts to get confidential treatment of this report under a protective order or other appropriate mechanism. Furthermore, the Recipient may reference or disclose this report without liability hereunder in the event that such reference or distribution is required by professional standards bodies.

- By retaining a copy of this report the Recipient understands that such Recipient is deemed to have accepted these terms and conditions.

Deloitte Consulting shall have no liability, regardless of form, to any third parties (an entity other than the State Auditor's Office and the Department) for any action taken or omitted to be taken by such parties in respect of this except for matters that are finally judicially determined to be caused by Deloitte Consulting's own bad faith or willful misconduct. Third parties should recognize that the furnishing of this report is not a substitute for their own diligence and should place no reliance on this report or data contained herein that would result in the creation of any duty or liability by Deloitte Consulting to the third party. Any release or distribution of this report to any third party must include the report in its entirety (with discussions and exhibits).

This report has been prepared for use by individuals who have a degree of technical competence in insurance matters. This report should be studied in its entirety before any judgments are made about the conclusions in the report. Deloitte Consulting personnel are available to discuss any questions or concerns regarding this report.

DATA RELIANCE

Deloitte Consulting has relied upon data provided by the Department for this review. A specific audit to verify the accuracy or completeness of the data is beyond the scope of this engagement. While we have reviewed the data in regard to its reasonableness and consistency for our review, we have relied on such data without audit or verification and our conclusions are based on the assumption that it is accurate and complete. If the underlying information provided is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

ASOP 56

Actuarial Standard of Practice No. 56: "Modeling" requires disclosure of certain information regarding the actuary's use of models. For this valuation, the unpaid claims estimate, rate level, and financial projection calculations were determined using Microsoft Excel based pricing models developed and maintained internally by Deloitte Consulting. The model was designed specifically for to test and measure of property & casualty future financial results and variability of those results. The actuary has updated the applicable parameters for the specific coverages reviewed and assumptions selected for this valuation.

IV. SUMMARY OF RESULTS

Contingency Reserve and Actuarial Solvency

For both the Accident Fund and Medical Aid Fund, the Department defines the “contingency reserve” as the difference between the Fund’s total assets and its total liabilities. When the assets exceed the liabilities, the contingency reserve is positive (i.e., greater than zero), and similarly, when the liabilities exceed the assets, the contingency reserve is negative (i.e., less than zero). For a typical insurance company, this value would be called surplus or equity.

As discussed above, Deloitte Consulting has been engaged to assess the financial impact of the Department’s proposed rate level on the actuarial solvency of the Accident Fund (including the Pension Reserve Fund) and the Medical Aid Fund. We believe there are several different ways to define and measure solvency. For purposes of this analysis, we use the term solvency to refer to the situation where a Fund’s liabilities are fully funded by its assets (i.e., contingency reserve is greater than \$0) and the term insolvency to refer to situations where the Fund’s liabilities are not fully funded by its assets (i.e., contingency reserve has fallen below \$0). If a Fund is considered to be insolvent, then no assets would be available to absorb any potential deficiencies in the Fund’s rates or any potential adverse loss development over and above the carried liabilities.

We note that private insurers and competitive state funds are subject to much stricter standards with respect to solvency. Regulators consider metrics such as risk-based capital in determining whether such insurers have sufficient financial strength to operate. The Department, as a monopolistic state fund, is not subject to such regulatory restrictions and can continue to operate at low or even negative contingency reserve levels. However, it is our view that negative contingency reserves is an undesirable position for the Department as it ultimately can lead to the need to raise rates above indicated levels or assess employers, employees, and/or the public in general to fund the shortfall. Therefore, we believe it is appropriate and relevant to measure solvency as described above.

Fund Assets and Ability to Pay Claims

The primary focus in our analysis is to determine whether the contingency reserves for the Accident Fund and/or the Medical Aid Fund are expected to be less than \$0 (“technical insolvency”). This focus and definition of technical insolvency is used at the request of the State Auditor’s Office to meet the requirements of RCW 51.44.115 (2) which states, *“the State auditor shall conduct annual audits of the*

state fund...(and include) an assessment of the financial impact of the proposed rate level on the actuarial solvency” of the Funds. While this focus is appropriate, it does not necessarily assess the impact of the rate changes on the ability of the Industrial Insurance Fund to pay its claims and whether the Funds have sufficient cash or the ability to liquidate its invested assets to pay its obligations over the next several years.

Workers’ compensation claim payments are long-term in nature and can typically extend many years after the date of injury. For instance, in our analysis, we assumed that the medical loss payments for a given policy year will take over 50 years to complete. As such, not all of the assets are required to pay the workers’ compensation benefits in the next year or two, but rather will stretch over many years. With that in mind, we adjusted our financial models to evaluate whether the Funds will have sufficient cash and/or invested assets on hand to pay for their workers’ compensation benefits over the next ten years. In each rate change scenario discussed below, we found that the Funds had sufficient cash and/or invested assets to pay the benefits over the next ten years and the probability that the Funds would not have enough cash and/or invested assets was extremely low (nearly 0%).

Therefore, although the contingency reserves for the Accident and Medical Aid Funds have some probability to be less than \$0 under several of the scenarios below, and the Funds may be considered insolvent from a definitional perspective, there are sufficient assets on hand to pay claims for many years to come and, in our opinion, the Funds are not in jeopardy of being able to pay claims over at least a ten-year horizon. However, over the much longer term (i.e. 20 to 30 years), it is possible that the Funds would run out of cash and/or invested assets without appropriate rate actions.

Starting Point

In Appendix A, we display the past five fiscal years of financial statements for the Accident Fund (including the Pension Reserve Fund) and the Medical Aid Fund. We use the past 16 years of financials as the starting point for our stochastic financial models.

Throughout our analysis, we have modeled the Accident Fund and Pension Reserve Fund on a combined basis. As noted above, we believe that this approach is appropriate because the Pension Reserve Fund does not assess premiums but rather is funded by contributions and transfers from the Accident Fund and self-insured employers.

For the Accident Fund (including the Pension Reserve Fund), the contingency reserve is +\$1.44 billion as of June 30, 2023. For the Medical Aid Fund, the contingency reserve is +\$3.26 billion as of June 30, 2023.

Rate Change Scenarios

We have developed several different rate change scenarios that we believe are relevant to the current situation and provide perspective on the status of the Accident Fund's and Medical Aid Fund's future contingency reserve. The five rate change scenarios are as follows:

1. No Rate Change – Under this scenario, we assume that the adopted rates will be in place for calendar year 2024 but no further rate action will be taken in calendar years 2025 through 2033. This scenario provides insights around potential results or the financial impact on the respective Funds assuming the Department leaves rates unchanged in the future.

One thing to note under this scenario is that workers' compensation premiums in the State of Washington are computed using an exposure base of hours worked. In most other states, payroll is used as the exposure base to compute workers' compensation premiums. As such, no rate action in a given year potentially will be more adverse to the State of Washington than to other state funds. The exposure base of hours worked is not inflation sensitive and adopting no rate changes would keep the Department's premiums flat with similar hours worked from year to year, regardless of actual wage levels and would represent a rate decrease compared with other states that use payroll as the exposure base. However, an exposure base of payroll is inflation sensitive and would likely increase from year to year due to wage level increases, all other things being equal. Therefore, other state funds are likely to experience workers' compensation premium growth without taking any rate level action due solely to increases in wage levels. In order to have similar premium growth, the Department must adopt higher percentage rate increases than other state funds.

2. Wage Inflation Adjusted No Rate Change – Under this scenario, rate changes are only made to adjust for anticipated future wage inflation. For most insurance companies, where rates are based on inflation sensitive exposure bases such as payroll, this would be similar to making no rate change. If the Department charged rates as a percent of payroll rather than hours worked (a non-inflation sensitive exposure base), this would represent a scenario with no rate action from year to year. The annual rate change selected for this scenario equals the average annual wage trend over the past 42 years which is 3.7%.

Calendar Year	Accident Fund	Medical Aid Fund
2024 *	+6.5%	+4.7%
2025-2033	+3.7%	+3.7%

* 2024 is the adopted rate change

3. Deloitte Consulting's Indicated ("Break-Even") Rate Change Scenario – Under this scenario, Deloitte Consulting estimates rate level changes such that each Fund attains a break-even result during the year. In this analysis, the break-even result is defined as the loss ratio at which zero profits are expected to be generated on policies written during the next calendar year and the respective Fund's contingency reserve will remain unchanged (i.e., will not grow or shrink). In other words, the indicated rate change is set such that the upcoming year's expected premiums plus the Fund's expected investment income will match the expected incurred losses and expenses related to the policies issued in that year. The model for this scenario follows the approach to develop the indicated rate changes used and discussed in our rate level analysis. In this scenario, we assume that the adopted rates will be in place for calendar year 2024 and that subsequent adopted range changes will be at the indicated break-even rate level. The indicated rate changes needed at the indicated break-even rate level for calendar years 2025 through 2033 are estimated and shown in the table below:

Calendar Year	Accident Fund	Medical Aid Fund
2024 *	+6.5%	+4.7%
2025	+6.9%	- 3.3%
2026	+2.4%	+5.8%
2027	+2.2%	+6.2%
2028	+2.6%	+6.4%
2029	+2.6%	+6.3%
2030	+2.4%	+6.1%
2031	+2.4%	+6.1%
2032	+2.5%	+6.2%
2033	+2.6%	+6.0%

* 2024 is the adopted rate change

The targeted overall investment returns used in the break-even indicated rate changes for calendar year 2024 are 3.88% for the Accident Fund (the Department selected 3.44%) and 4.26% for the Medical Aid Fund (the Department selected 3.45%). These returns are estimated by taking a weighted average of the risk free rate (applied to cash), an estimate of the fixed income

securities return, and an equities investment return based on historical average equity returns. The estimate of fixed income securities return for 2024 is based on the current yield achieved over the past year and a new money return based on current market bond yields.

Although the historical investment returns on all assets are not used to come up with our targeted investment return assumption, we believe it is informative to review and compare recent historical returns to the selected targeted investment return assumptions.

The recent historical average investment returns on all assets have been higher than the Department's selected returns. The Accident Fund most recent five-year average investment return is 4.50% (ten-year average is 4.76% and 16-year average is 5.05%). The Medical Aid Fund most recent five-year average investment return is 4.61% (ten-year average is 4.88% and 16-year average is 4.70%).

The adopted 2024 rate change of +6.5% for the Accident Fund is somewhat below our break-even indication of +10.4%. The indicated break-even rate change for 2025 assuming a +6.5% rate change in 2024 is also large at 6.9% to make up for the difference between the adopted and indicated break-even rate in 2024 and to account for another year of trend offset by another year of investment returns. Rate changes for 2026 and beyond are consistently similar to consider future trend in the losses less anticipated investment income.

The adopted 2024 rate change of +4.7% for the Medical Aid Fund is also above our break-even indication of -3.3%. The indicated break-even rate change for 2025 assuming a +4.7% rate change in 2024 is -3.3% to make up for the difference between the adopted and indicated break-even rate in 2024 and to account for another year of trend. Rate changes for 2026 and beyond are consistently similar to consider future trend in the losses less anticipated investment income.

4. Contingency Reserve Growth Rate Change (Arriving at a 25% ratio) – Under this scenario, we propose to change rates sufficiently to increase, maintain, or take down the contingency reserves to a certain target threshold over a certain time period. In this case, we have used the target contingency reserve-to-loss reserve ratio of 25% at the end of our 10-year time horizon.

The contingency reserve-to-loss reserve target of 25% represents the Department’s internal target/goal. This target ratio is the same one that was used in our prior year analysis.

For simplicity, we have assumed the adopted rate change for calendar year 2024 and that the future required rate changes will be equally distributed over the next nine calendar years in both the Accident Fund and Medical Aid Fund.

Calendar Year	Accident Fund	Medical Aid Fund
2024 *	+6.5%	+4.7%
2025-2033	+6.9%	-0.3%

* 2024 is the adopted rate change

Since the Accident Fund contingency reserve is currently below the 25% target ratio (current ratio is at 12.1%), rate changes to grow to the target are higher than the rate changes needed to break-even in Scenario 3. The Medical Aid Fund contingency reserve is significantly above the 25% target ratio (current ratio is at 75.9%). The rate changes required in Scenario 3 call for a significant increase in rates in 2024 to maintain the higher contingency reserve level and then level off. The rate changes required in Scenario 4 smooth out the increase in year one but overall are much lower than those in Scenario 3 to allow the contingency reserve to drop down to the 25 % target ratio.

5. Contingency Reserve Growth Rate Change (Maintaining a 25% ratio) – This scenario is similar to Scenario 4 in that we have used the target contingency reserve-to-loss reserve ratio of 25%. Rather than increase rates so that at the end of our 10-year time horizon we hit the target ratio, we assume an immediate capital infusion or removal as of June 30, 2023 so that each fund is at the 25% target ratio and increase future rates to maintain the ratio at 25%. This scenario is useful to consider the reasonableness of the Department’s internal target ratio of 25%.

We have assumed the adopted rate change for calendar year 2024, the required capital infusion/removal as of June 30, 2023, and future required rate increases to maintain the contingency reserve-to-loss reserve ratio at 25%. The required capital infusion as of June 30, 2023 for the Accident Fund is \$1.50 billion. The required capital removal as of June 30, 2023 for the Medical Aid Fund is \$2.07 billion.

Calendar Year	Accident Fund	Medical Aid Fund
2024 *	+6.5%	+4.7%
2025-2033	+3.7%	+5.3%

* 2024 is the adopted rate change

6. Contingency Reserve Growth Rate Change (Arriving at a 94% ratio) – This scenario is similar to scenario 4 except that the target contingency reserve-to-loss reserve ratio of 25% at the end of our 10-year time horizon has been increased to 94%.

We have assumed the adopted rate change for calendar year 2024 and that the future required rate changes will be equally distributed over the next nine calendar years in both the Accident Fund and Medical Aid Fund.

Calendar Year	Accident Fund	Medical Aid Fund
2024 *	+6.5%	+4.7%
2025-2033	+17.8%	+9.2%

* 2024 is the adopted rate change

We estimated a contingency reserve-to-loss reserve benchmark using financial data filed as of December 31, 2021. We note that this benchmark analysis indicated that the median contingency reserve-to-loss reserve level was 94% with the 10th percentile and 90th percentile coming in at 54% and 180% respectively. We note that the other state funds included in the benchmark are typically insurance department regulated entities that are required to keep certain levels of contingency reserves (or surplus).

The Department may want to consider a target contingency reserve-to-loss reserve level consistent with other state fund entities that are regulated by state insurance departments. In order to target a contingency reserve-to-loss reserve ratio of 94.0% at the end of a 10-year time horizon (the benchmark median), annual increases of 17.8% for the Accident Fund and 9.2% for the Medical Aid Fund would be required. Increasing the target ratio to 94%, increases the required annual increases from 6.9% to 17.8% for the Accident Fund and from -0.3% to 9.2% for the Medical Aid Fund.

Output

Deloitte Consulting created separate pro-forma financials (balance sheet and income statement) for the Accident Fund (including the Pension Reserve Fund) and the Medical Aid Fund and tracked the assets, liabilities, and contingency reserve for the two Funds over time from fiscal year 2024 through 2033 under each rate change scenario. In addition, we developed a separate set of financials for the Industrial Insurance Fund (Accident Fund, Medical Aid Fund, and the Pension Reserve Fund combined) in order to help evaluate the solvency of the combined contingency reserve. Lastly, we allowed certain model assumptions to vary over time to recognize the variability in those assumptions and to assess the likelihood of financial insolvency.

Results

The Accident Fund contingency reserve, which was in a deficit position of \$358 million as of June 30, 2010, has improved to a positive \$1.44 billion as of June 30, 2023 which is similar to the contingency reserve as of June 30, 2022. The adopted rate change for calendar year 2023 was less than the indications. The contingency reserve would have declined if not for higher investment returns over the past year.

As of June 30, 2023, the contingency reserve for the Medical Aid Fund increased \$377 million from the level as of June 30, 2022 even though the adopted rate change for calendar year 2023 was less than the indications. Favorable development over the past year on top of higher investment returns resulted in the higher contingency reserve.

The results of our stochastic financial models are summarized below. For each rate change scenario, the tables present the resulting probabilities that the Accident Fund's, the Medical Aid Fund's and the combined Funds' contingency reserves fall below \$0 over a 2-year horizon (or as of June 30, 2025), a 5-year horizon (or as of June 30, 2028), and a 10-year horizon (or as of June 30, 2033). The higher the probability that the contingency reserve is less than \$0, the greater the likelihood that the Funds do not have sufficient assets to fully fund the liabilities.

Rate Change Scenario #1 – “No Rate Change”***Probability of Contingency Reserve < \$0***

Fund	2-Year Horizon	5-Year Horizon	10-Year Horizon
Accident Fund	1.8%	28.4%	73.4%
Medical Aid Fund	0.0%	1.1%	29.4%
Combined Funds	0.0%	4.9%	54.0%

Under this scenario, the probability of the contingency reserve less than \$0 for the Accident Fund and Medical Aid Fund increases significantly over time if no future rate changes are adopted. For the Medical Aid Fund, the probability of the contingency reserve less than \$0 increases over time more so than the Accident Fund. Current actuarial estimates indicate that a significant rate increase is required to maintain the current level of contingency reserve. With no rate increases adopted beyond calendar year 2024 to account for future loss trend, the contingency reserve is expected to decline and the probability of a contingency reserve less than \$0 increases. The probability of a contingency reserve less than \$0 at the 10-year horizon is 73.4% for the Accident Fund and 29.4% for the Medical Aid Fund.

This suggests that if maintaining or building up the contingency reserves over time is important, the Department will be required to increase rates over time.

The probability of insolvency at the 5-year and 10-year horizon for this scenario is somewhat lower for the Accident Fund versus last year, even though the contingency reserve has not changed, since we have increased the future investment return assumptions. The probability of insolvency at the 5-year and 10-year horizon for this scenario is much lower than last year for the Medical Aid Fund since the contingency reserve is much higher as of June 30, 2023 than it was as of June 30, 2022 and the investment return assumptions selected in our model have increased.

The supporting exhibits for this scenario are contained in Section I attached to this report.

Rate Change Scenario #2 – “Wage Inflation Adjusted No Rate Change”***Probability of Contingency Reserve < \$0***

Fund	2-Year Horizon	5-Year Horizon	10-Year Horizon
Accident Fund	1.5%	19.7%	38.5%
Medical Aid Fund	0.0%	0.8%	14.2%
Combined Funds	0.0%	2.8%	20.3%

As expected, adjusting rates to keep up with wage inflation improves the probability of the contingency reserve less than \$0 for both funds. Although, increasing solely for wage inflation is clearly insufficient to cover the historical and likely future effects of medical inflation and loss trends.

The supporting exhibits for this scenario are contained in Section II attached to this report.

Rate Change Scenario #3 – “Deloitte Indicated (Break-Even) Rate Change”***Probability of Contingency Reserve < \$0***

Fund	2-Year Horizon	5-Year Horizon	10-Year Horizon
Accident Fund	1.3%	16.3%	36.7%
Medical Aid Fund	0.0%	0.7%	6.0%
Combined Funds	0.0%	2.0%	13.1%

Under this scenario, the probability of contingency reserve less than \$0 deteriorates over time. The indicated break-even rate by definition does not provide any extra rate to allow the contingency reserves to build-up nor does it allow for a provision for adverse development when it occurs. Therefore, the probability of the contingency reserve less than \$0 increases over time. Scenario 4 through Scenario 6 below are included in our analysis to address this issue. Since the contingency reserve for the Medical Aid Fund is relatively high as of June 30, 2023, it takes some time for the probability of the contingency reserve less than \$0 to increase significantly.

The supporting exhibits for this scenario are contained in Section III attached to this report.

***Rate Change Scenario #4 – “Contingency Reserve Growth Rate Change”
(Arriving at a 25% ratio)***

Probability of Contingency Reserve < \$0

Fund	2-Year Horizon	5-Year Horizon	10-Year Horizon
Accident Fund	1.4%	14.3%	13.2%
Medical Aid Fund	0.0%	1.2%	31.3%
Combined Funds	0.0%	2.5%	15.2%

The current contingency reserve-to-loss reserve ratio is 12.1% for the Accident Fund and 75.9% for the Medical Aid Fund whereas this scenario targets a contingency reserve-to-loss reserve ratio of 25%. For the Accident Fund, the current contingency reserve is below the target ratio of 25%. Therefore, rate changes to increase the contingency reserve to the target ratio produces a probability of contingency reserve less than \$0 at the 10-year horizon that is smaller than the result in Scenario 3. For the Medical Aid Fund, the current contingency reserve is above the target ratio of 25%. Therefore, rate changes to decrease the contingency reserve to the target ratio produces a probability of contingency reserve less than \$0 at the 10-year horizon that is greater than the result in Scenario 3.

If maintaining a contingency reserve above \$0 on a combined basis (i.e., the Funds are solvent over time) is a top priority, the Department will need to take a strategy similar to this scenario where a target contingency reserve-to-loss reserve ratio is desired versus relying on the indicated break-even rate change. The Department will need to target a higher ratio if the probabilities shown above at the 25% level are not acceptable.

The supporting exhibits for this scenario are contained in Section IV attached to this report.

***Rate Change Scenario #5 – “Contingency Reserve Growth Rate Change”
(Maintaining at a 25% ratio)***

Probability of Contingency Reserve < \$0

Fund	2-Year Horizon	5-Year Horizon	10-Year Horizon
Accident Fund	0.0%	1.9%	13.0%
Medical Aid Fund	7.3%	16.6%	31.1%
Combined Funds	0.0%	2.6%	14.8%

The results of this scenario, as expected, are very similar to the results of Scenario 4 at the 10-year horizon since both scenarios target the same contingency reserve-to-loss reserve ratio at the end of the 10-year horizon of 25%. This scenario gets to the target ratio by assuming a capital increase for the Accident Fund and a capital decrease for the Medical Aid Fund as of June 30, 2023 to bring the contingency reserve-to-loss reserve ratio to 25% and then maintains that ratio through appropriate annual rate changes. The additional information gleaned from this scenario is really the expected future rate changes required to maintain the 25% ratio which we mentioned previously would be +3.7% annually for the Accident Fund and +5.3% annually for the Medical Aid Fund.

The supporting exhibits for this scenario are contained in Section V attached to this report.

***Rate Change Scenario #6 – “Contingency Reserve Growth Rate Change”
(Arriving at a 94% ratio)***

Probability of Contingency Reserve < \$0

Fund	2-Year Horizon	5-Year Horizon	10-Year Horizon
Accident Fund	1.2%	3.3%	0.0%
Medical Aid Fund	0.0%	0.4%	2.4%
Combined Funds	0.0%	0.3%	0.0%

We have also run a scenario assuming rate changes to produce a target contingency reserve-to-loss reserve ratio similar to regulated state funds at the median ratio (94%) based on our benchmark study performed as of December 31, 2021. The probability that the contingency reserve is less than \$0 on a combined basis under this scenario is small.

The supporting exhibits for this scenario are contained in Section VI attached to this report.

Alternative Scenarios

At the request of the Department, we also ran two additional variations of Rate Change Scenario #5 using alternative contingency reserve-to loss-reserve ratios. Scenario #7 assumes a capital increase or decrease to bring the contingency reserve-to loss-reserve ratio to 10% and then maintains that ratio through the appropriate annual rate changes. Scenario #8 assumes a capital increase or decrease to bring the contingency reserve-to loss-reserve ratio to 30% and then maintains that ratio through the appropriate annual rate changes. The actual rate changes required for these scenarios do not vary too much from Scenario #5 because of the contingency reserve increase or decrease to match the maintenance contingency reserve-to loss-reserve ratio. The model in Scenario #7 produces less investment income since the contingency reserve is lower but the scenario also requires less investment income to maintain the lower level of contingency reserve. The model in Scenario #8 produces more investment income since the contingency reserve is higher but the scenario also requires more investment income to maintain the higher level of contingency reserve.

The results of the alternative scenarios are show below. The Department can utilize these results as it discusses its strategy in the future as to the appropriate contingency reserve-to loss-reserve ratio.

Rate Change Scenario #7 – “Contingency Reserve Growth Rate Change” (Maintaining at a 10% ratio)

Probability of Contingency Reserve < \$0

Fund	2-Year Horizon	5-Year Horizon	10-Year Horizon
Accident Fund	2.7%	19.3%	39.7%
Medical Aid Fund	26.6%	36.5%	45.6%
Combined Funds	5.3%	21.5%	41.2%

***Rate Change Scenario #8 – “Contingency Reserve Growth Rate Change”
(Maintaining at a 30% ratio)***

Probability of Contingency Reserve < \$0

Fund	2-Year Horizon	5-Year Horizon	10-Year Horizon
Accident Fund	0.0%	0.7%	8.4%
Medical Aid Fund	4.4%	12.5%	27.0%
Combined Funds	0.0%	1.0%	9.8%

Model Changes in Current Analysis

There have been no significant model changes to the analysis performed this year in terms of its structure, methodology, and procedures. We have assumed higher future investment returns than was assumed in our prior years analysis which has lowered the probability of contingency reserve less than \$0 for many of the scenarios.

We have also increased the volatility of the future medical trend by removing the low level and low volatility year over the past several years and relied on the volatility of prior years which we believe will be more representative of the volatility in the future.

Financial Impact on a 2-Year Horizon

Under each of the six scenarios, the adopted 2024 rate change of +6.5% for the Accident Fund and +4.7% for Medical Aid Fund was assumed. Therefore, each scenario, except Scenario 5, provides comparable results through a 2-year horizon (or as of June 30, 2025). The results of the financial model, regardless of the scenario, would indicate that the probability of the contingency reserve falling below \$0 for the combined Funds is almost 0.0% through a 2-year horizon. For Scenario 5, the probability of the contingency reserve falling below \$0 through a 2-year horizon is slightly higher than the other scenarios because of the assumed capital decrease as of June 30, 2023 to reduce the contingency reserve-to-loss reserve ratio to 25% for the Medical Aid Fund is more than the capital increase in the Accident Fund.

V. FINANCIAL MODELING DETAILS

Stochastic Modeling

We developed base-level assumptions and subsequently introduced variability through certain assumptions in the financial model to produce stochastic results with respect to the contingency reserves.

Base-level assumptions represent an expected value (without specification of underlying variability) and are used to support the production of the pro-forma financial statements. In most cases, the expected values are based on a historical review of the Department's performance with a limited comparison to the industry.

To produce stochastic results, variability around certain assumptions is introduced. Variability is based on the study of historical information specific to each applicable assumption. The primary areas where variability is introduced in the modeling process are: investment returns, loss payment patterns, unpaid loss & LAE liabilities, and future loss trends.

Projected Premiums

Rate and exposure changes are used to derive our estimates of future premiums. The rate change scenarios have been discussed previously, and the rate changes vary according to the scenario. We have not included any additional exposure trend beyond June 30, 2023.

Projected Ultimate Losses

Future accident year ultimate losses for the Accident Fund and Medical Aid Fund are determined based on a projected claim frequency (number of ultimate compensable claims per hours worked) and ultimate claim severity (average ultimate loss per compensable claim). The product of the claim frequency, the estimated hours worked, and the ultimate claim severity yields an estimate of ultimate losses for the future accident period.

The 2024 future claim severity is estimated based on the historical accident year results trended forward using a process known as "on-leveling". Historical indicated accident year severities as of June 30, 2023 (from our loss reserve study) are restated to be on the same dollar basis as the 2024 year using an annual severity trend factor. The severity trend factor is based on actual historical experience and is consistent

with the severity selections in our reserving study. Projection of additional future accident years are just increased by the amount of severity trend.

In this analysis, we have used the number of compensable claims rather than total number of claims to measure claim frequency. We believe this is more appropriate for workers' compensation exposures as the ultimate cost of workers' compensation tends to vary more directly with the number of compensable claims than with the total number of claims. We have assumed a 0% claim frequency trend from fiscal year 2023 frequency level into the future.

Stay-at-Work Program

The Stay-at-Work program is administered with premium collections and reimbursement payments made through the Medical Aid Fund. However, premium collections and reimbursement payments are accounted for separately from the remainder of the Medical Aid Fund. We included estimates of the Stay-at-Work Program reimbursements and set them equal to the premium collections for the program. Therefore, the future projections of the Medical Aid Fund premiums and incurred losses include future amounts for the Stay-at-Work Program but the inclusion of the program has no effect on our modeled contingency reserve. By doing this, we have implicitly assumed that the pricing of the Stay-at-Work Program is sufficient and no variability has been included related to the Stay-at-Work Program. The adopted 2024 rate is \$0.0054 per hour for the Stay-at-Work Program. We have assumed that this rate will grow 5.0% annually into the future. We note that Stay-at-Work Program has been in place for 12 years now and during the period the premiums collected have been more than reimbursements incurred. Therefore, our assumption that these amounts would be equal in the future may be conservative or at least have been relative to what has occurred in the past.

Loss Adjustment Expenses

With the introduction of the reforms in 2011, the Department increased its focus and staffing of the claims department. This has been reflected in the most recent several years of LAE. For example, the five most recent fiscal year LAE to Loss ratios (19.0%, 20.3%, 21.4%, 21.9%, and 22.0% respectively) for the Medical Aid Fund, have been much larger than the historical average. In addition, we have held discussions with the Department and understand that ever since 2019 there has been a significant increase in claims staff which is why the ratios were much higher in the 2019 fiscal year and subsequent. We selected an LAE ratio to loss reflecting the most recent years ratios rather than the longer term average. These selected ratios were 8.3% for the Accident Fund and 21.8% for the Medical Aid Fund.

Adjustment to Benefit Level, Expenses, & Other Items

Premiums are intended to provide for all costs to the insurer. Losses represent the majority of costs for the Department, but there are additional adjustments to benefit level, expenses and income which need to be considered in the analysis as well. These include the following:

- Other underwriting expenses
- Retro adjustment ratio
- Other Income ratio
- “Extra investment income”

With the exception of the retro adjustment ratio, we independently estimated the expense provisions noted above. For other certain underwriting expenses and other income, we reviewed the historical cost relative to hours worked from the most recent five years based on each Fund’s financial statements and selected an on-level cost to estimate the fiscal year 2024 amounts. These expenses only increase and decrease due to inflation and exposure changes.

We refer the reader to the 2024 rate level analysis for a complete discussion and documentation of these other expense and income assumptions.

Overall Investment Returns

In determining the overall investments return, we first model the risk-free interest rate. The fixed-income government bond yield for new money, fixed-income corporate bond yield for new money, and equities investment return are correlated to the risk free interest rate and are determined using a linear regression process. The overall investment return is a weighted average of the individual rates using the assumed distribution/weights for each asset class. The asset class weights were provided by the Department assuming their target asset allocation which were mostly consistent with the most recent allocation by Fund in the financial statements.

The simulated overall investment returns are used to calculate investment gain net of expenses in a given year. Investment gain represents a return on invested assets which includes investment income earned, realized capital gains, and unrealized capital gains.

Risk Free Rate of Return

The risk free rate of return is a stochastic variable used to model interest rates. The interest rate generator is an autoregressive model which estimates a future interest rate based on the current interest rate and a long-term average interest rate. The interest rate process used in our model is based on the work of Cox, Ingersoll and Ross. The assumptions used in our model are determined by reviewing the annual treasury yields over the past thirty years with average maturity of five years.

Government Bond Yield / Corporate Bond Yield / Equity Return

The return rates in our model are correlated with the simulated annual risk-free rate. We performed a least squares regression analysis of each yield/return rate and the risk free interest rates. Once a given year's risk-free interest rate is generated, the appropriate yield/return rate is simulated by plugging the simulated risk free rate into the correct linear regression formula for each security.

The return that is generated for the bond yield is used as the new money rate for the bonds. The overall bond return for a given year is based on the current yield achieved over the past year and the generated new money yield.

The overall expected 2024 investment return of 3.88% for the Accident Fund can be further broken down as follows:

<u>Investment Security</u>	<u>Investment Allocation %</u>	<u>Annual Return</u>
Corporate Bonds	85.50%	3.38%
Equities	12.50%	7.29%
Cash and Other	2.00%	4.30%
All Securities	100.00%	3.88%

The overall expected 2024 investment return of 4.26% for the Medical Aid Fund can be further broken down as follows:

<u>Investment Security</u>	<u>Investment Allocation %</u>	<u>Annual Return</u>
Corporate Bonds	78.00%	3.48%
Equities	20.00%	7.29%
Cash and Other	2.00%	4.30%
All Securities	100.00%	4.26%

Severity Trends

The future annual severity trends for the Accident Fund and the Medical Aid Fund consider annual inflation, utilization changes, and other potential changes. Future calendar year severity trends in our model are correlated with the simulated annual risk-free rate. We examined the historical mean and standard deviation of excess medical and indemnity severity to the risk free rate of return and simulated excess severity trends assuming a normal distribution. The simulated severity trend for any given year is the sum of the simulated risk free rate of return and the simulated excess severity return.

Loss and Loss Adjustment Expenses

We rely heavily upon the assumptions used in the unpaid claim analysis as of June 30, 2023. Payment patterns are derived implicitly through the incremental paid method (incremental paid to ultimate compensable claims). For both the Accident Fund and the Medical Aid Fund, initial incremental severities are selected from our unpaid claim analysis. These initial incremental severities are stochastically simulated using a log-normal distribution using a standard deviation based on the historical data. The simulated incremental severities are trended forward using the simulated severity trend factors. Reserves and paid losses at the end of each year are estimated based on these payment patterns.

Each reserve estimate above relies upon an estimate of the ultimate number of compensable claims. We assume that the number of compensable claims is normally distributed with a standard deviation based on historical variability in frequency rates.

Our stochastic financial model uses the unpaid claim estimates from our reserve study as of June 30, 2023 for the Accident Fund and Medical Aid Fund and the Department's estimate of reserves for the Pension Reserve Fund. These "modeled" liabilities are slightly different than the "booked" or "carried" loss and LAE reserves that would be found on the financial statements.

The unpaid claim estimates referenced above are discounted to reflect the time value of money. The amount of discount is based on an actuarially derived projected payment pattern and annual interest rates selected by the Department as follows:

- For the Medical Aid Fund, the Department’s selected interest rate is 1.5%.
- For “state fund pensions” within the Pension Reserve Fund, the Department’s selected interest rate is 4.0%.
- For “self-insured pre-funded pensions” within the Pension Reserve Fund, the Department’s selected interest rate is 5.6% according to the Washington administrative code rule WAC 296-14-8810. The rates selected for self-insured pre-funded pensions is allowed to be different from the rate selected for state fund pensions according to SB6393.
- For the Accident Fund, combinations of interest rates are used to discount the reserves. The future total permanent disability and fatal transfers made to the Pension Reserve Fund assume interest discounts based on an annual rate of 4.0%. The actual transfer payments and all other payments are discounted using a Department selected rate of 1.5%.
- The average combined interest rate for the Basic Plan is approximately 2.90%.

“Shock” Component

The shock component is to account for additional variability observed in the funds over the past several years. Over the past 50 years, the funds have experienced a 20 point drop over a three year period in the contingency reserve-to-loss reserve ratio four times. As we reviewed our model volatility at the worst percentiles, prior to the introduction of the “Shock” component, the results did not capture as significant of a drop in the contingency reserve as the funds have experienced in the past. These drops in the level of contingency reserve in the past have occurred for different reasons (e.g. severe reduction in equity markets, changing time loss duration, reform legislation, significant court opinions, board opinion changes, claims administration changes, information technology changes, dividends, temporary rates decreases/holidays, Pandemic disruptions, etc.) but are clearly a part of the past experience of the funds.

To capture this additional volatility, we have introduced a “Shock” component to our model that assumes a “three year” drop in the contingency reserve-to-loss reserve ratio will be a 1 in 20 year event. Although in the past the three year drop in the contingency reserve-to-loss reserve ratio has occurred once every

ten years, we believe that our historical model does capture some of that variability and the “Shock” component is introduced to increase the variability of the model to match the historical experience of the funds. The 1 in 20 year assumption was selected so that the 10th percentile of the 5-year horizon would show a 20 point drop in the contingency reserve-to-loss reserve ratio.

Profitability Ratios

We have also included three profitability ratios in our exhibits to help explain the scenarios. Those ratios are the fiscal year’s loss & LAE ratio, combined ratio, and operating ratio.

- The loss & LAE ratio is the estimated discounted ultimate loss and LAE divided by earned premiums net of retrospective rating adjustments.
- The combined ratio is the estimated discounted ultimate loss and LAE plus other underwriting expenses divided by earned premiums net of retrospective rating adjustments.
- The operating ratio considers investment and other income earned during the year in the estimate of the ratio. Therefore, the ratio is similar to the combined ratio except that the numerator is reduced by the amount of investment and other income earned during the year.

Simulation Process

We projected pro-forma financials for the Accident Fund (including the Pension Reserve Fund), the Medical Aid Fund, and a combined Accident and Medical Aid Fund. For each of the rate change scenarios, we ran 100,000 simulations via our stochastic financial model to develop our results.

VI. EXHIBITS

<u>Section:</u>	<u>Contents:</u>
Summary:	Summary Exhibit
Section I:	Scenario 1: No Rate Change
Section II:	Scenario 2: Wage Inflation Adjusted No Rate Change
Section III:	Scenario 3: Indicated (Break-Even) Rate Change
Section IV:	Scenario 4: Contingency Reserve Growth Rate Change (Arriving at a 25% ratio)
Section V:	Scenario 5: Contingency Reserve Growth Rate Change (Maintaining at a 25% ratio)
Section VI:	Scenario 6: Contingency Reserve Growth Rate Change (Arriving at a 94.0% ratio)
Appendix A:	Historical Financials

Washington Department of Labor & Industries

Probability of Actuarial Insolvency

Summary Results

Scenario 1: No Rate Change

Scenario Rate Changes	CY 2023	CY 2024	CY2025-CY2033
Accident Fund (Including Pension Reserve Fund)	5.9%	6.5%	0.0%
Medical Aid Fund	1.0%	4.7%	0.0%
Probability of Contingency Reserve < \$0			
	AF	MAF	Combined
2 Year Horizon (as of June 30, 2025)	1.8%	0.0%	0.0%
5 Year Horizon (as of June 30, 2028)	28.4%	1.1%	4.9%
10 Year Horizon (as of June 30, 2033)	73.4%	29.4%	54.0%

Scenario 2: Wage Inflation Adjusted No Rate Changes

Scenario Rate Changes	CY 2023	CY 2024	CY2025-CY2033
Accident Fund (Including Pension Reserve Fund)	5.9%	6.5%	3.7%
Medical Aid Fund	1.0%	4.7%	3.7%
Probability of Contingency Reserve < \$0			
	AF	MAF	Combined
2 Year Horizon (as of June 30, 2025)	1.5%	0.0%	0.0%
5 Year Horizon (as of June 30, 2028)	19.7%	0.8%	2.8%
10 Year Horizon (as of June 30, 2033)	38.5%	14.2%	20.3%

Scenario 3: Indicated (Break-Even) Rate Change

Scenario Rate Changes	CY 2023	CY 2024	CY 2025	CY 2026
Accident Fund (Including Pension Reserve Fund)	5.9%	6.5%	6.9%	2.4%
Medical Aid Fund	1.0%	4.7%	-3.3%	5.8%
	CY 2027	CY 2028	CY 2029	CY 2030
	2.2%	2.6%	2.6%	2.4%
	6.2%	6.4%	6.3%	6.1%
	CY 2031	CY 2032	CY 2033	
	2.4%	2.5%	2.6%	
	6.1%	6.2%	6.0%	
Probability of Contingency Reserve < \$0				
	AF	MAF	Combined	
2 Year Horizon (as of June 30, 2025)	1.3%	0.0%	0.0%	
5 Year Horizon (as of June 30, 2028)	16.3%	0.7%	2.0%	
10 Year Horizon (as of June 30, 2033)	36.7%	6.0%	13.1%	

Washington Department of Labor & Industries

Probability of Actuarial Insolvency

Summary Results

Scenario 4: Contingency Reserve Growth Rate Change (Arriving at a 25% Ratio)

Scenario Rate Changes	CY 2023	CY 2024	CY2025-CY2033
Accident Fund (Including Pension Reserve Fund)	5.9%	6.5%	6.9%
Medical Aid Fund	1.0%	4.7%	-0.3%

Probability of Contingency Reserve < \$0			
AF	MAF	Combined	
2 Year Horizon (as of June 30, 2025)	1.4%	0.0%	0.0%
5 Year Horizon (as of June 30, 2028)	14.3%	1.2%	2.5%
10 Year Horizon (as of June 30, 2033)	13.2%	31.3%	15.2%

Scenario 5: Contingency Reserve Growth Rate Change (Maintaining a 25% ratio)

Scenario Rate Changes	CY 2023	CY 2024	CY2025-CY2033
Accident Fund (Including Pension Reserve Fund)	5.9%	6.5%	3.7%
Medical Aid Fund	1.0%	4.7%	5.3%

Probability of Contingency Reserve < \$0

AF	MAF	Combined	
2 Year Horizon (as of June 30, 2025)	0.0%	7.3%	0.0%
5 Year Horizon (as of June 30, 2028)	1.9%	16.6%	2.6%
10 Year Horizon (as of June 30, 2033)	13.0%	31.1%	14.8%

Scenario 6: Contingency Reserve Growth Rate Change (Arriving at a 94% Ratio)

Scenario Rate Changes	CY 2023	CY 2024	CY2025-CY2033
Accident Fund (Including Pension Reserve Fund)	5.9%	6.5%	17.8%
Medical Aid Fund	1.0%	4.7%	9.2%
Probability of Contingency Reserve < \$0			
	AF	MAF	Combined
2 Year Horizon (as of June 30, 2025)	1.2%	0.0%	0.0%
5 Year Horizon (as of June 30, 2028)	3.3%	0.4%	0.3%
10 Year Horizon (as of June 30, 2033)	0.0%	2.4%	0.0%

Washington Department of Labor & Industries

Scenario 1: No Rate Change

Scenario Assumptions

Assumptions	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
Annual Rate Change Assumptions <i>(Changes are on a calendar year basis versus a fiscal year basis like all other assumptions)</i>											
Accident Fund (Including Pension Reserve Fund)	5.9%	6.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Medical Aid Fund	1.0%	4.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Investment Assumptions											
Accident Fund (Including Pension Reserve Fund)											
Overall Investment Return	4.69%	3.88%	3.94%	4.08%	4.20%	4.28%	4.34%	4.43%	4.50%	4.56%	4.61%
Government Bond Distribution	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Corporate Bond Distribution	81.57%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%
Equities Distribution	15.47%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%
Cash and Other Distribution	2.96%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Medical Aid Fund											
Overall Investment Return	5.62%	4.26%	4.37%	4.50%	4.59%	4.65%	4.71%	4.78%	4.85%	4.91%	4.98%
Government Bond Distribution	0.45%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Corporate Bond Distribution	76.25%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%
Equities Distribution	20.61%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
Cash and Other Distribution	2.69%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Loss Assumptions											
Accident Fund (Including Pension Reserve Fund)											
Reserve Discount	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Severity Trend		3.86%	3.56%	3.36%	3.23%	3.14%	3.08%	3.04%	3.01%	2.99%	2.98%
Medical Aid Fund											
Reserve Discount	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Severity Trend		6.56%	6.26%	6.06%	5.93%	5.84%	5.78%	5.74%	5.71%	5.69%	5.68%
Indemnity Frequency Trend		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Exposure Trend		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Rating Variables Assumptions											
Accident Fund (Including Pension Reserve Fund)											
LAE to Loss Ratio		8.30%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%
Fixed Expenses (Per Hour) *:		\$0.030	\$0.031	\$0.032	\$0.034	\$0.035	\$0.036	\$0.037	\$0.039	\$0.040	\$0.041
Other Income (Per Hour)		\$0.012	\$0.012	\$0.013	\$0.013	\$0.014	\$0.014	\$0.015	\$0.015	\$0.016	\$0.016
Retro Adjustment Ratio (% of premium)		-15.93%	-15.93%	-15.93%	-15.93%	-15.93%	-15.93%	-15.93%	-15.93%	-15.93%	-15.93%
Medical Aid Fund											
LAE to Loss Ratio		21.76%	21.76%	21.76%	21.76%	21.76%	21.76%	21.76%	21.76%	21.76%	21.76%
Fixed Expenses (Per Hour) *:		\$0.020	\$0.021	\$0.022	\$0.022	\$0.023	\$0.024	\$0.025	\$0.026	\$0.027	\$0.027
Other Income (Per Hour)		\$0.001	\$0.001	\$0.001	\$0.001	\$0.001	\$0.001	\$0.001	\$0.001	\$0.001	\$0.001
Other Financial Statement Assumptions											
Accident Fund (Including Pension Reserve Fund)											
Uncollected Premium (% of Premium)		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Assets (% of Premium)		25.63%	25.63%	25.63%	25.63%	25.63%	25.63%	25.63%	25.63%	25.63%	25.63%
Self-Insured Assessments and Reimbursements (Per Hour)		-\$0.020	-\$0.021	-\$0.022	-\$0.022	-\$0.023	-\$0.024	-\$0.025	-\$0.026	-\$0.027	-\$0.027
Self-Insured Administration Expenses (Per Hour)		\$0.005	\$0.005	\$0.005	\$0.006	\$0.006	\$0.006	\$0.006	\$0.006	\$0.007	\$0.007
Medical Aid Fund											
Uncollected Premium % of Premium		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Assets % of Premium		25.14%	25.14%	25.14%	25.14%	25.14%	25.14%	25.14%	25.14%	25.14%	25.14%
Self-Insured Assessments and Reimbursements (Per Hour)		-\$0.005	-\$0.005	-\$0.005	-\$0.006	-\$0.006	-\$0.006	-\$0.006	-\$0.006	-\$0.007	-\$0.007
Self-Insured Administration Expenses (Per Hour)		\$0.004	\$0.004	\$0.004	\$0.004	\$0.005	\$0.005	\$0.005	\$0.005	\$0.005	\$0.005

* Includes Premium Administration, General, and Other Administrative Expenses

Washington Department of Labor & Industries
Scenario 1: No Rate Change
Accident Fund (Including Pension Reserve Fund)
Projected Financials (000's)

U.S. Statutory Balance Sheet	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
<u>ASSETS</u>											
Cash & Invested Assets	13,310,781	13,687,768	14,071,435	14,444,171	14,799,403	15,129,833	15,424,767	15,692,116	15,929,668	16,132,160	16,246,657
Premiums Receivable	373,438	386,096	398,250	398,250	398,250	398,250	398,250	398,250	398,250	398,250	398,250
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	50,511	246,397	254,153	254,153	254,153	254,153	254,153	254,153	254,153	254,153	254,153
Total	13,734,730	14,320,261	14,723,837	15,096,573	15,451,805	15,782,235	16,077,169	16,344,518	16,582,070	16,784,562	16,899,059
<u>LIABILITIES</u>											
Loss Reserves	11,610,047	11,927,643	12,412,346	12,904,061	13,406,131	13,919,826	14,445,681	14,984,476	15,537,354	16,105,237	16,641,123
LAE Reserves	323,114	349,819	375,876	401,261	426,071	450,301	474,025	497,434	520,693	543,845	567,059
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	359,131	531,120	514,164	487,687	461,694	436,188	411,180	386,681	362,705	339,267	316,384
Total	12,292,292	12,808,582	13,302,386	13,793,010	14,293,896	14,806,315	15,330,887	15,868,592	16,420,752	16,988,350	17,524,567
<u>CONTINGENCY RESERVE</u>	1,442,438	1,511,679	1,421,451	1,303,564	1,157,909	975,921	746,282	475,927	161,319	(203,788)	(625,508)

Washington Department of Labor & Industries

Scenario 1: No Rate Change

Accident Fund (Including Pension Reserve Fund)

Projected Financials (000's)

U.S. Statutory Income Statement	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
<u>UNDERWRITING REVENUES</u>											
Premium	1,401,937	1,506,527	1,553,948	1,553,948	1,553,948	1,553,948	1,553,948	1,553,948	1,553,948	1,553,948	1,553,948
Retrospective rating adjustments	(203,774)	(240,033)	(247,588)	(247,588)	(247,588)	(247,588)	(247,588)	(247,588)	(247,588)	(247,588)	(247,588)
Self-Insured Assessments & Reimbursements	66,930	86,412	89,868	93,283	96,704	100,163	103,688	107,295	111,000	114,813	118,743
Other income	49,750	51,336	53,390	55,418	57,450	59,506	61,600	63,743	65,944	68,209	70,544
Total	1,314,843	1,404,243	1,449,618	1,455,062	1,460,514	1,466,029	1,471,647	1,477,398	1,483,303	1,489,381	1,495,647
<u>UNDERWRITING EXPENSES</u>											
Incurred Loss	1,656,380	1,593,189	1,811,062	1,868,007	1,925,139	1,983,115	2,042,375	2,103,112	2,165,543	2,229,820	2,296,068
Incurred LAE	77,505	108,714	112,679	116,555	120,396	124,247	128,136	132,081	136,103	140,217	144,430
Self-Insured Admin Expenses	19,601	21,603	22,467	23,321	24,176	25,041	25,922	26,824	27,750	28,703	29,686
Premium Admin Expenses and Bad Debts	23,885	26,028	27,069	28,098	29,128	30,170	31,232	32,319	33,434	34,583	35,767
General Expenses	30,900	32,475	33,774	35,058	36,343	37,643	38,968	40,324	41,716	43,149	44,626
TRIA Recoup of Government Losses	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	191	433	450	467	484	501	519	537	556	575	594
Other Administrative	75,808	69,404	72,181	74,924	77,671	80,450	83,280	86,178	89,153	92,216	95,372
Total	1,884,270	1,851,846	2,079,682	2,146,430	2,213,338	2,281,168	2,350,432	2,421,374	2,494,255	2,569,262	2,646,543
<u>OTHER OPERATING REVENUES / EXPENSES</u>											
Net investment income	406,918	516,844	539,836	573,480	607,169	633,150	649,147	673,621	696,344	714,774	729,176
Unrealized Capital Gains / (Losses)	191,176	0	0	0	0	0	0	0	0	0	0
Other Direct Charges to Contingency Reserve	(27,165)	0	0	0	0	0	0	0	0	0	0
Total	570,929	516,844	539,836	573,480	607,169	633,150	649,147	673,621	696,344	714,774	729,176
<u>NET INCOME/(LOSS)</u>	1,502	69,241	(90,228)	(117,887)	(145,655)	(181,988)	(229,638)	(270,356)	(314,608)	(365,107)	(421,720)
Profitability Ratios	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
Loss & LAE Ratio	145%	134%	147%	152%	157%	161%	166%	171%	176%	181%	187%
Combined Ratio	157%	146%	159%	164%	169%	175%	180%	185%	191%	197%	203%
Operating Ratio	100%	95%	107%	109%	111%	114%	118%	121%	124%	128%	132%

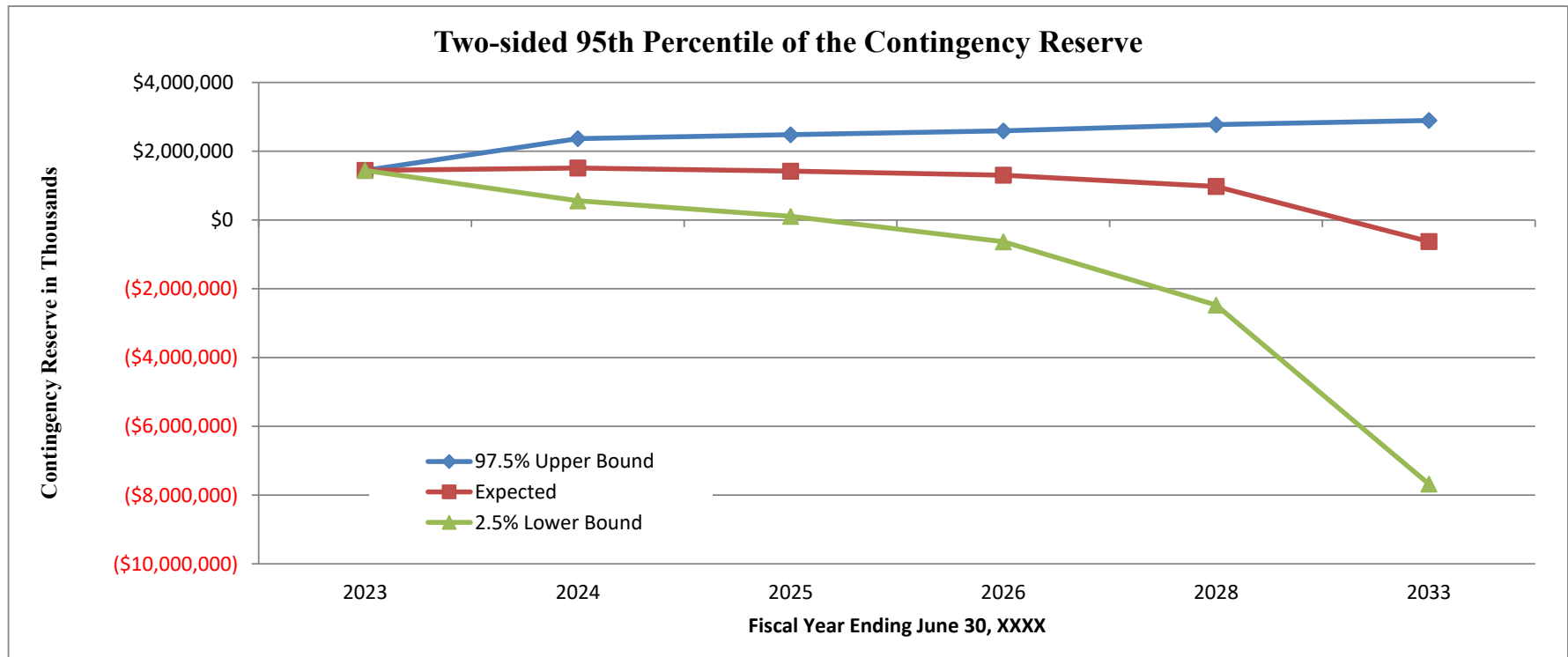
Washington Department of Labor & Industries

Scenario 1: No Rate Change Accident Fund (Including Pension Reserve Fund) Probability of Insolvency

Probability of Contingency Reserve < \$0

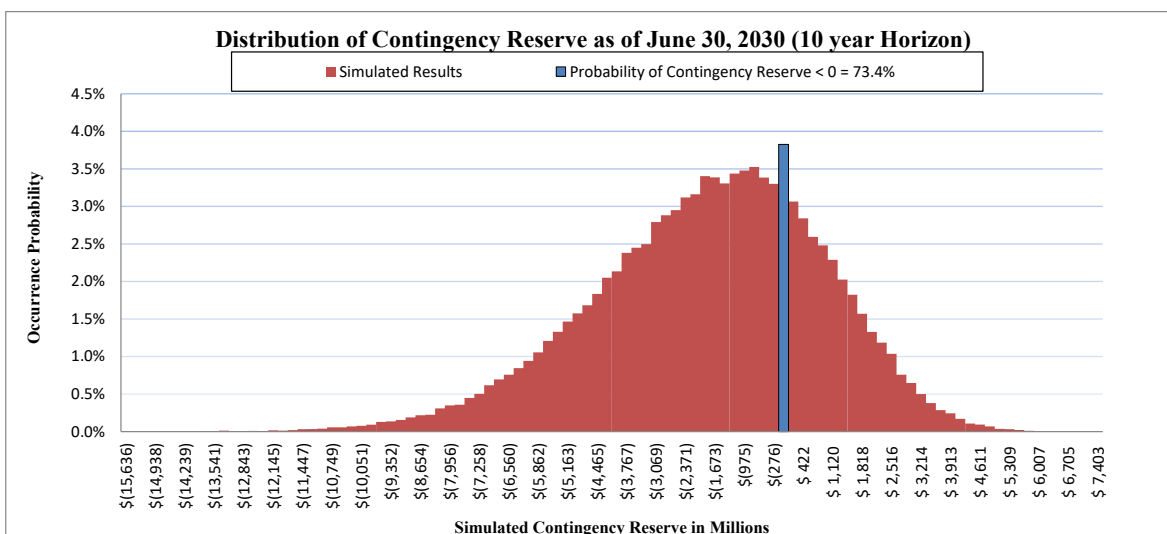
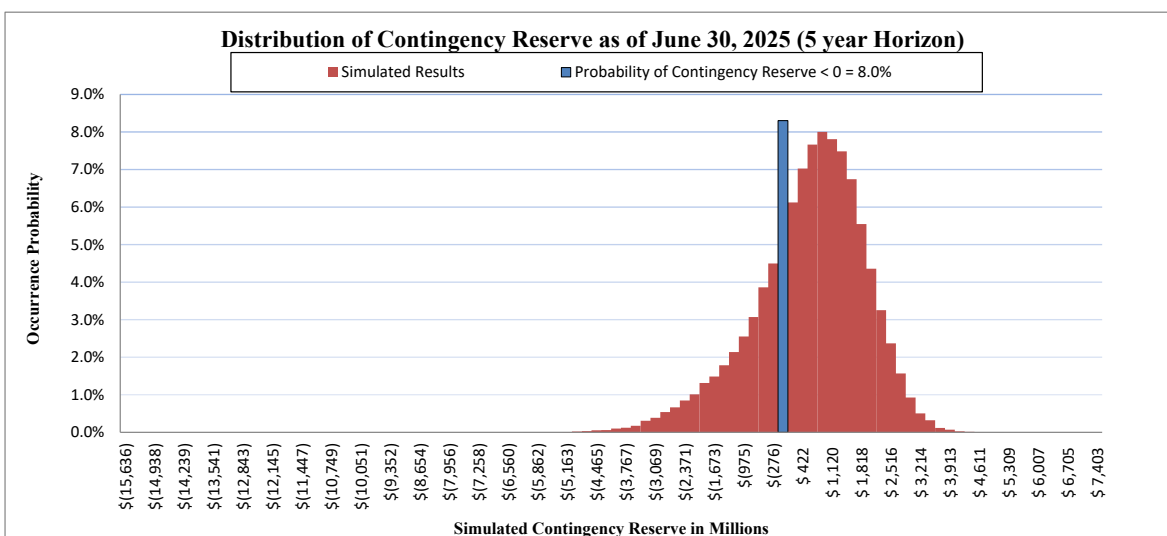
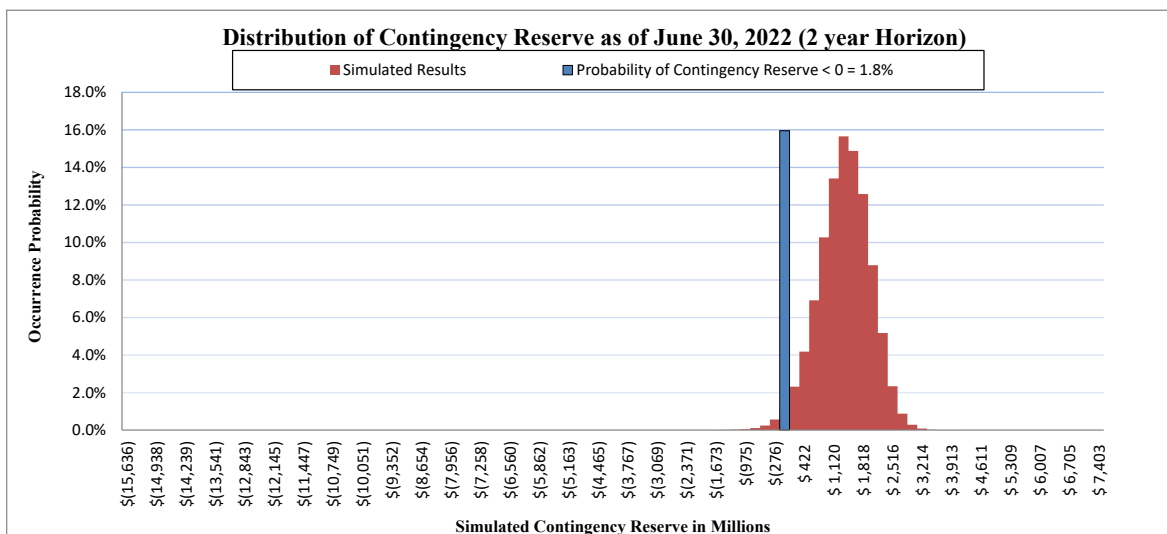
2 Year Horizon (as of June 30, 2025)
5 Year Horizon (as of June 30, 2028)
10 Year Horizon (as of June 30, 2033)

1.8%
28.4%
73.4%



Washington Department of Labor & Industries

Scenario 1: No Rate Change Accident Fund (Including Pension Reserve Fund) Probability of Insolvency



Washington Department of Labor & Industries
Scenario 1: No Rate Change
Medical Aid Fund
Projected Financials (000's)

U.S. Statutory Balance Sheet	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
<u>ASSETS</u>											
Cash & Invested Assets	7,464,247	7,648,524	7,829,842	7,994,173	8,129,749	8,228,778	8,278,518	8,281,800	8,233,171	8,125,224	7,952,585
Premiums Receivable	197,089	191,967	196,374	196,374	196,374	196,374	196,374	196,374	196,374	196,374	196,374
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	22,499	22,846	23,371	23,371	23,371	23,371	23,371	23,371	23,371	23,371	23,371
Total	7,683,835	7,863,337	8,049,587	8,213,918	8,349,494	8,448,523	8,498,263	8,501,545	8,452,916	8,344,969	8,172,330
<u>LIABILITIES</u>											
Loss Reserves	3,657,887	3,795,069	3,906,098	4,029,444	4,163,889	4,309,191	4,465,520	4,633,403	4,813,595	5,006,866	5,213,665
LAE Reserves	632,125	661,970	686,125	712,959	742,208	773,820	807,830	844,353	883,555	925,602	970,593
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	137,571	137,289	145,859	156,537	170,261	187,067	207,012	230,170	256,627	286,480	319,833
Total	4,427,583	4,594,328	4,738,082	4,898,940	5,076,359	5,270,078	5,480,361	5,707,926	5,953,777	6,218,948	6,504,091
<u>CONTINGENCY RESERVE</u>	3,256,252	3,269,009	3,311,505	3,314,978	3,273,135	3,178,444	3,017,902	2,793,619	2,499,139	2,126,021	1,668,239

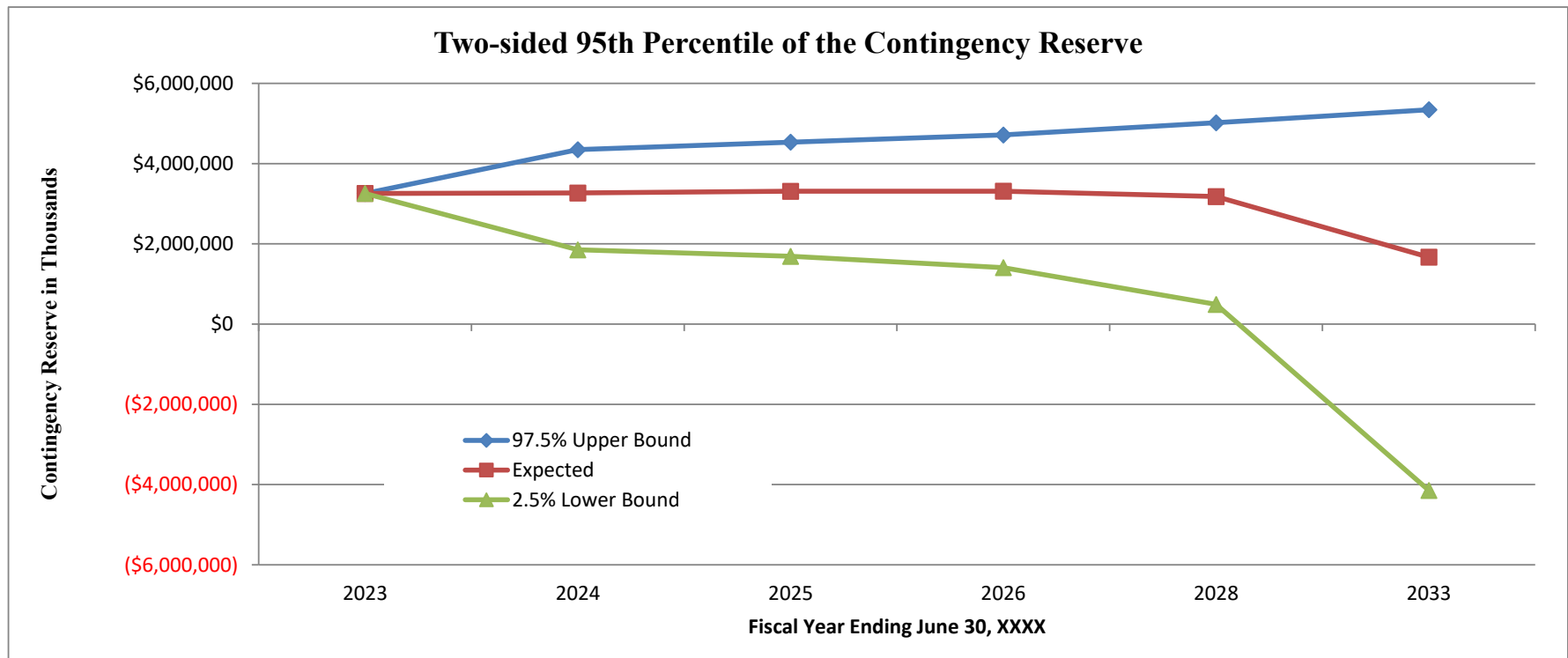
Washington Department of Labor & Industries
Scenario 1: No Rate Change
Medical Aid Fund
Projected Financials (000's)

U.S. Statutory Income Statement	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
<u>UNDERWRITING REVENUES</u>											
Premium	752,738	785,731	804,424	805,034	806,331	807,627	781,055	781,055	781,055	781,055	781,055
Retrospective rating adjustments	0	0	0	0	0	0	0	0	0	0	0
Self-Insured Assessments & Reimbursements	18,563	21,603	22,467	23,321	24,176	25,041	25,922	26,824	27,750	28,703	29,686
Other income	3,016	4,278	4,449	4,618	4,788	4,959	5,133	5,312	5,495	5,684	5,879
Total	774,317	811,612	831,340	832,973	835,294	837,626	812,110	813,191	814,300	815,442	816,620
<u>UNDERWRITING EXPENSES</u>											
Incurred Loss	574,306	835,405	838,769	883,658	932,057	983,183	1,009,248	1,064,841	1,123,590	1,185,685	1,251,339
Incurred LAE	132,915	178,294	177,395	187,028	197,275	208,116	219,567	231,662	244,443	257,952	272,235
Self-Insured Admin Expenses	18,113	17,282	17,974	18,657	19,341	20,033	20,738	21,459	22,200	22,963	23,749
Premium Admin Expenses and Bad Debts	24,057	27,045	28,126	29,195	30,266	31,348	32,451	33,580	34,740	35,933	37,163
General Expenses	22,520	24,155	25,121	26,076	27,032	27,999	28,984	29,993	31,028	32,094	33,193
TRIA Recoup of Government Losses	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	194	297	308	320	332	344	356	368	381	394	408
Other Administrative	37,031	34,064	35,427	36,773	38,121	39,485	40,874	42,296	43,757	45,260	46,809
Total	809,136	1,116,542	1,123,120	1,181,707	1,244,423	1,310,508	1,352,219	1,424,200	1,500,138	1,580,280	1,664,896
<u>OTHER OPERATING REVENUES / EXPENSES</u>											
Net investment income	237,071	317,687	334,276	352,206	367,286	378,191	379,566	386,727	391,358	391,719	390,495
Unrealized Capital Gains / (Losses)	160,433	0	0	0	0	0	0	0	0	0	0
Other Direct Charges to Contingency Reserve	12,181	0	0	0	0	0	0	0	0	0	0
Total	409,685	317,687	334,276	352,206	367,286	378,191	379,566	386,727	391,358	391,719	390,495
<u>NET INCOME/(LOSS)</u>	374,866	12,757	42,496	3,473	(41,843)	(94,691)	(160,542)	(224,283)	(294,480)	(373,119)	(457,782)
Profitability Ratios	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
Loss & LAE Ratio	94%	129%	126%	133%	140%	148%	157%	166%	175%	185%	195%
Combined Ratio	107%	142%	140%	147%	154%	162%	173%	182%	192%	202%	213%
Operating Ratio	50%	98%	95%	100%	105%	112%	121%	129%	138%	148%	159%

Washington Department of Labor & Industries
Scenario 1: No Rate Change
Medical Aid Fund
Probability of Insolvency

Probability of Contingency Reserve < \$0

<u>2 Year Horizon (as of June 30, 2025)</u>	0.0%
<u>5 Year Horizon (as of June 30, 2028)</u>	1.1%
<u>10 Year Horizon (as of June 30, 2033)</u>	29.4%

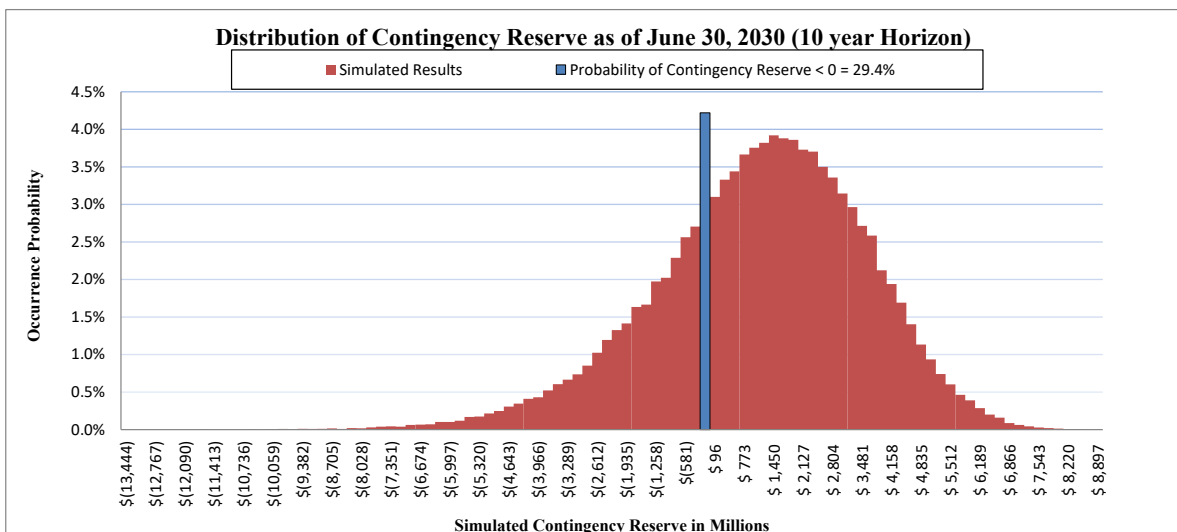
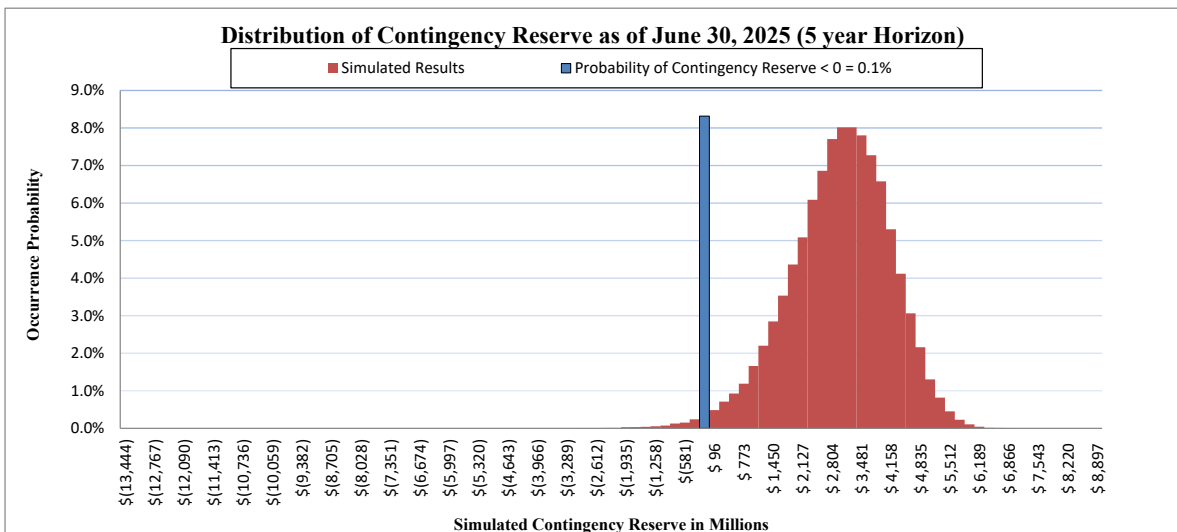
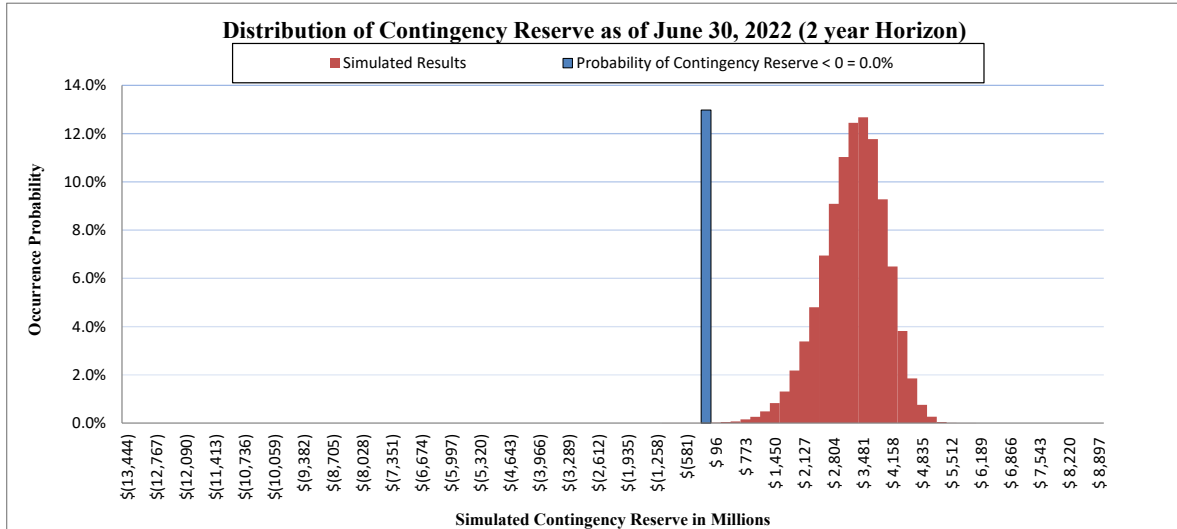


Washington Department of Labor & Industries

Scenario 1: No Rate Change

Medical Aid Fund

Probability of Insolvency



Washington Department of Labor & Industries
Scenario 1: No Rate Change
Combined Funds
Projected Financials (000's)

U.S. Statutory Balance Sheet	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
<u>ASSETS</u>											
Cash & Invested Assets	20,775,028	21,336,292	21,901,277	22,438,345	22,929,152	23,358,611	23,703,285	23,973,916	24,162,839	24,257,384	24,199,242
Premiums Receivable	570,527	578,063	594,624	594,624	594,624	594,624	594,624	594,624	594,624	594,624	594,624
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	73,010	269,243	277,524	277,524	277,524	277,524	277,524	277,524	277,524	277,524	277,524
Total	21,418,565	22,183,598	22,773,424	23,310,492	23,801,299	24,230,758	24,575,432	24,846,063	25,034,986	25,129,531	25,071,389
<u>LIABILITIES</u>											
Loss Reserves	15,267,934	15,722,712	16,318,444	16,933,505	17,570,020	18,229,017	18,911,201	19,617,879	20,350,949	21,112,103	21,854,789
LAE Reserves	955,239	1,011,788	1,062,001	1,114,220	1,168,280	1,224,120	1,281,855	1,341,787	1,404,248	1,469,448	1,537,652
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	496,702	668,409	660,023	644,224	631,955	623,256	618,192	616,851	619,332	625,747	636,218
Total	16,719,875	17,402,909	18,040,468	18,691,950	19,370,255	20,076,393	20,811,248	21,576,517	22,374,528	23,207,298	24,028,658
<u>CONTINGENCY RESERVE</u>	4,698,690	4,780,688	4,732,956	4,618,542	4,431,044	4,154,365	3,764,184	3,269,546	2,660,458	1,922,233	1,042,731

Washington Department of Labor & Industries
Scenario 1: No Rate Change
Combined Funds
Projected Financials (000's)

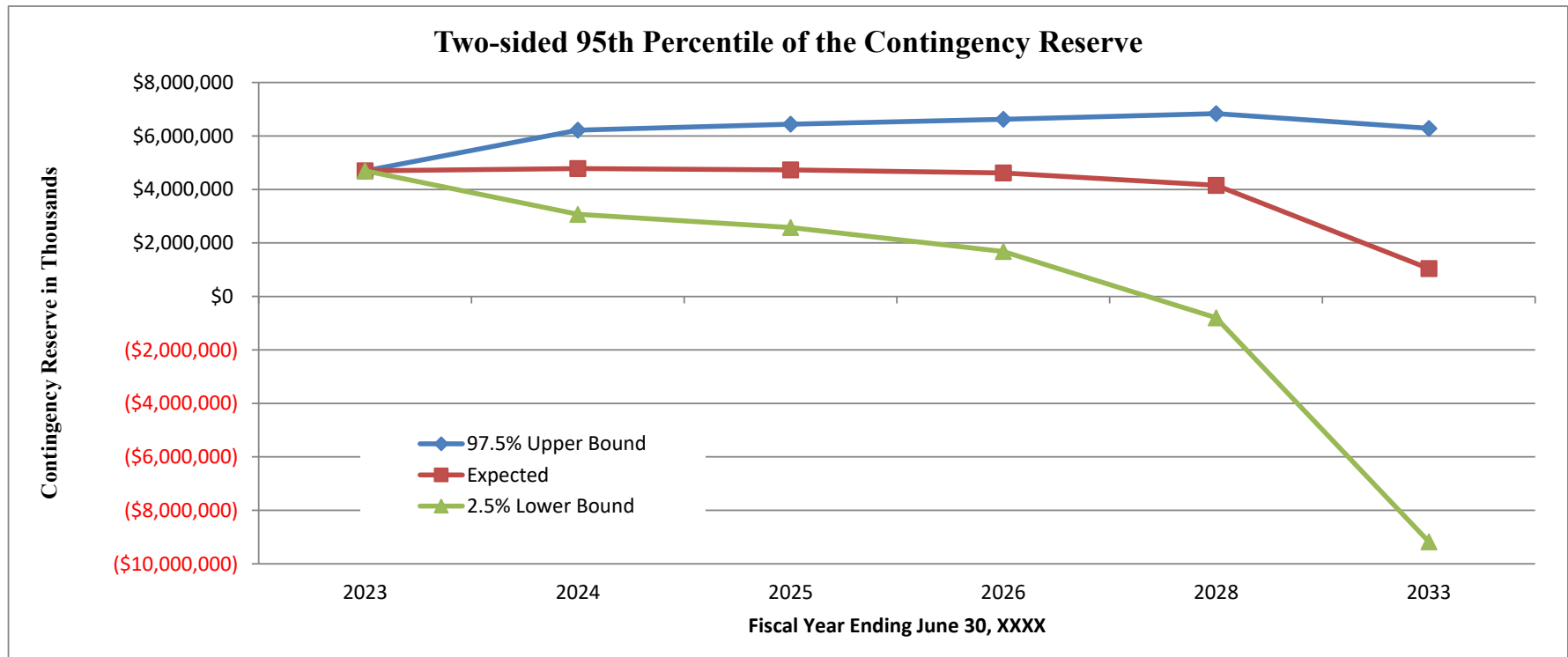
U.S. Statutory Income Statement	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
<u>UNDERWRITING REVENUES</u>											
Premium	2,154,675	2,292,259	2,358,372	2,358,982	2,360,279	2,361,575	2,335,003	2,335,003	2,335,003	2,335,003	2,335,003
Retrospective rating adjustments	(203,774)	(240,033)	(247,588)	(247,588)	(247,588)	(247,588)	(247,588)	(247,588)	(247,588)	(247,588)	(247,588)
Self-Insured Assessments & Reimbursements	85,493	108,015	112,335	116,604	120,879	125,204	129,610	134,119	138,749	143,516	148,429
Other income	52,766	55,614	57,839	60,037	62,238	64,465	66,733	69,055	71,439	73,893	76,423
Total	2,089,160	2,215,855	2,280,958	2,288,035	2,295,808	2,303,656	2,283,758	2,290,589	2,297,603	2,304,824	2,312,266
<u>UNDERWRITING EXPENSES</u>											
Incurred Loss	2,230,686	2,428,593	2,649,831	2,751,665	2,857,196	2,966,298	3,051,623	3,167,954	3,289,133	3,415,505	3,547,407
Incurred LAE	210,420	287,008	290,074	303,583	317,671	332,362	347,704	363,743	380,546	398,168	416,665
Self-Insured Admin Expenses	37,714	38,885	40,441	41,977	43,517	45,074	46,659	48,283	49,950	51,666	53,434
Premium Admin Expenses and Bad Debts	47,942	53,073	55,196	57,293	59,394	61,519	63,683	65,899	68,174	70,516	72,930
General Expenses	53,420	56,630	58,896	61,134	63,375	65,643	67,952	70,316	72,744	75,243	77,819
TRIA Recoup of Government Losses	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	385	729	758	787	816	845	875	905	937	969	1,002
Other Administrative	112,839	103,469	107,607	111,696	115,792	119,935	124,155	128,474	132,910	137,475	142,182
Total	2,693,406	2,968,387	3,202,803	3,328,136	3,457,761	3,591,676	3,702,652	3,845,574	3,994,394	4,149,542	4,311,439
<u>OTHER OPERATING REVENUES / EXPENSES</u>											
Net investment income	643,989	834,531	874,112	925,687	974,454	1,011,341	1,028,713	1,060,348	1,087,702	1,106,493	1,119,671
Unrealized Capital Gains / (Losses)	351,609	0	0	0	0	0	0	0	0	0	0
Other Direct Charges to Contingency Reserve	(14,984)	0	0	0	0	0	0	0	0	0	0
Total	980,614	834,531	874,112	925,687	974,454	1,011,341	1,028,713	1,060,348	1,087,702	1,106,493	1,119,671
<u>NET INCOME/(LOSS)</u>	376,368	81,998	(47,732)	(114,414)	(187,498)	(276,679)	(390,181)	(494,638)	(609,088)	(738,225)	(879,502)
Profitability Ratios	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
Loss & LAE Ratio	125%	132%	139%	145%	150%	156%	163%	169%	176%	183%	190%
Combined Ratio	138%	145%	152%	158%	164%	170%	177%	184%	191%	199%	207%
Operating Ratio	81%	96%	102%	105%	109%	113%	119%	124%	129%	135%	142%

Washington Department of Labor & Industries
Scenario 1: No Rate Change
Combined Funds
Probability of Insolvency

Probability of Contingency Reserve < \$0

2 Year Horizon (as of June 30, 2025)
5 Year Horizon (as of June 30, 2028)
10 Year Horizon (as of June 30, 2033)

0.0%
4.9%
54.0%

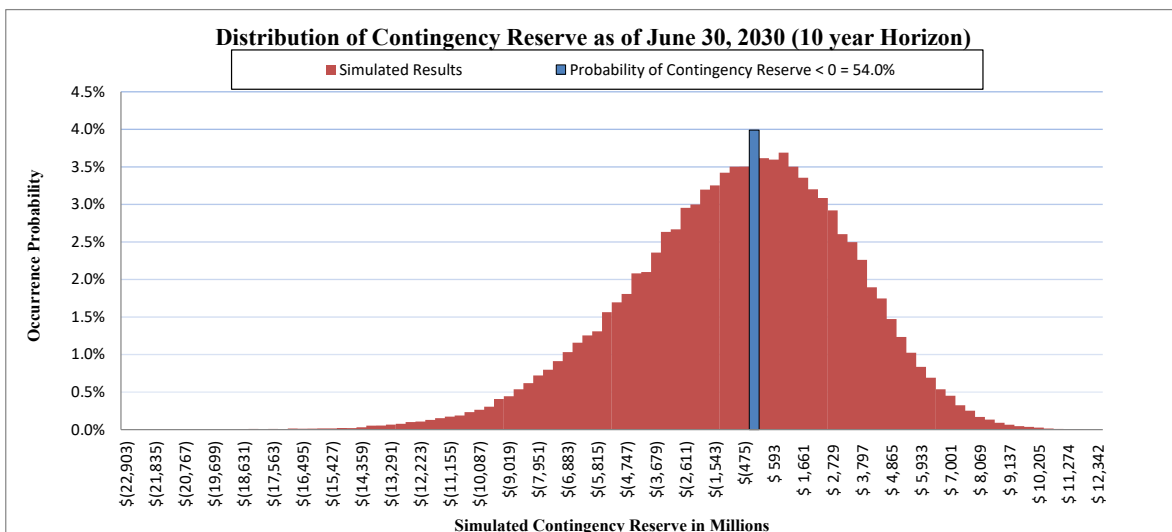
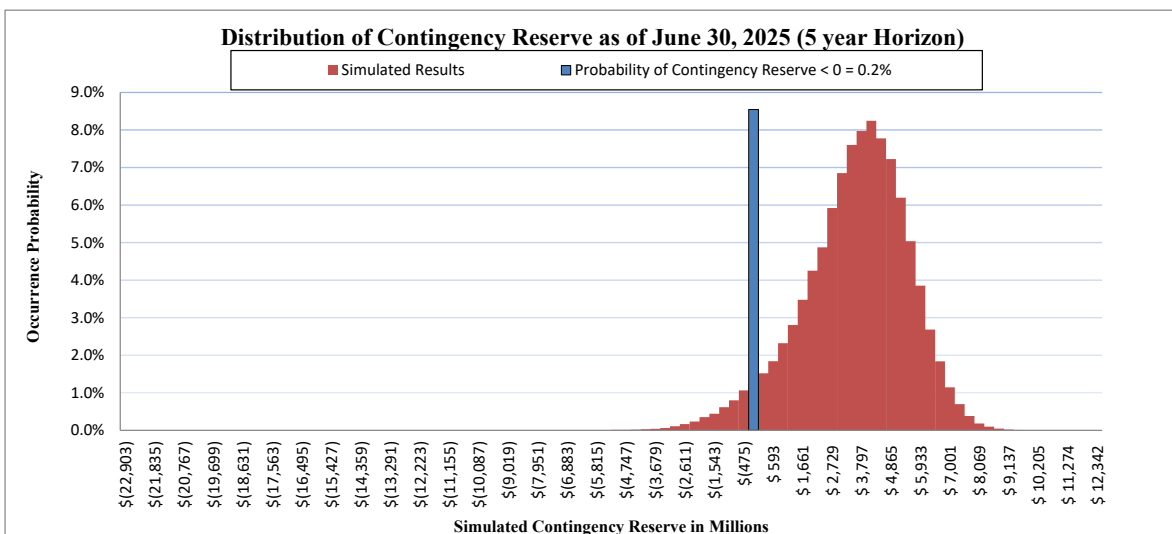
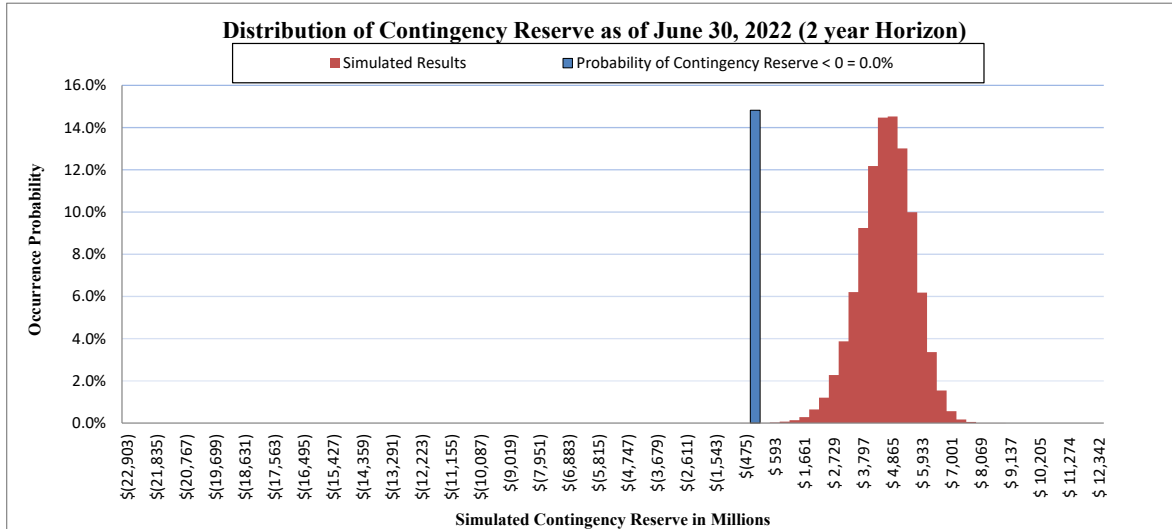


Washington Department of Labor & Industries

Scenario 1: No Rate Change

Combined Funds

Probability of Insolvency



Washington Department of Labor & Industries

Scenario 2: Wage Inflation Adjusted No Rate Changes

Scenario Assumptions

Assumptions	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
Annual Rate Change Assumptions <i>(Changes are on a calendar year basis versus a fiscal year basis like all other assumptions)</i>											
Accident Fund (Including Pension Reserve Fund)	5.9%	6.5%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
Medical Aid Fund	1.0%	4.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
Investment Assumptions											
Accident Fund (Including Pension Reserve Fund)											
Overall Investment Return	4.69%	3.88%	3.94%	4.08%	4.20%	4.28%	4.34%	4.43%	4.50%	4.56%	4.61%
Government Bond Distribution	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Corporate Bond Distribution	81.57%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%
Equities Distribution	15.47%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%
Cash and Other Distribution	2.96%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Medical Aid Fund											
Overall Investment Return	5.62%	4.26%	4.37%	4.50%	4.59%	4.65%	4.71%	4.78%	4.85%	4.91%	4.98%
Government Bond Distribution	0.45%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Corporate Bond Distribution	76.25%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%
Equities Distribution	20.61%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
Cash and Other Distribution	2.69%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Loss Assumptions											
Accident Fund (Including Pension Reserve Fund)											
Reserve Discount	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Severity Trend		3.86%	3.56%	3.36%	3.23%	3.14%	3.08%	3.04%	3.01%	2.99%	2.98%
Medical Aid Fund											
Reserve Discount	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Severity Trend		6.56%	6.26%	6.06%	5.93%	5.84%	5.78%	5.74%	5.71%	5.69%	5.68%
Indemnity Frequency Trend		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Exposure Trend		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Rating Variables Assumptions											
Accident Fund (Including Pension Reserve Fund)											
LAE to Loss Ratio		8.30%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%
Fixed Expenses (Per Hour) *:		\$0.030	\$0.031	\$0.032	\$0.034	\$0.035	\$0.036	\$0.037	\$0.039	\$0.040	\$0.041
Other Income (Per Hour)		\$0.012	\$0.012	\$0.013	\$0.013	\$0.014	\$0.014	\$0.015	\$0.015	\$0.016	\$0.016
Retro Adjustment Ratio (% of premium)		-15.93%	-15.93%	-15.93%	-15.93%	-15.93%	-15.93%	-15.93%	-15.93%	-15.93%	-15.93%
Medical Aid Fund											
LAE to Loss Ratio		21.76%	21.76%	21.76%	21.76%	21.76%	21.76%	21.76%	21.76%	21.76%	21.76%
Fixed Expenses (Per Hour) *:		\$0.020	\$0.021	\$0.022	\$0.022	\$0.023	\$0.024	\$0.025	\$0.026	\$0.027	\$0.027
Other Income (Per Hour)		\$0.001	\$0.001	\$0.001	\$0.001	\$0.001	\$0.001	\$0.001	\$0.001	\$0.001	\$0.001
Other Financial Statement Assumptions											
Accident Fund (Including Pension Reserve Fund)											
Uncollected Premium (% of Premium)		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Assets (% of Premium)		25.63%	25.63%	25.63%	25.63%	25.63%	25.63%	25.63%	25.63%	25.63%	25.63%
Self-Insured Assessments and Reimbursements (Per Hour)		-\$0.020	-\$0.021	-\$0.022	-\$0.022	-\$0.023	-\$0.024	-\$0.025	-\$0.026	-\$0.027	-\$0.027
Self-Insured Administration Expenses (Per Hour)		\$0.005	\$0.005	\$0.005	\$0.006	\$0.006	\$0.006	\$0.006	\$0.006	\$0.007	\$0.007
Medical Aid Fund											
Uncollected Premium % of Premium		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Assets % of Premium		25.14%	25.14%	25.14%	25.14%	25.14%	25.14%	25.14%	25.14%	25.14%	25.14%
Self-Insured Assessments and Reimbursements (Per Hour)		-\$0.005	-\$0.005	-\$0.005	-\$0.006	-\$0.006	-\$0.006	-\$0.006	-\$0.006	-\$0.007	-\$0.007
Self-Insured Administration Expenses (Per Hour)		\$0.004	\$0.004	\$0.004	\$0.004	\$0.005	\$0.005	\$0.005	\$0.005	\$0.005	\$0.005

* Includes Premium Administration, General, and Other Administrative Expenses

Washington Department of Labor & Industries
Scenario 2: Wage Inflation Adjusted No Rate Changes
Accident Fund (Including Pension Reserve Fund)
Projected Financials (000's)

U.S. Statutory Balance Sheet	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
<u>ASSETS</u>											
Cash & Invested Assets	13,310,781	13,687,768	14,088,863	14,521,246	14,987,703	15,485,039	16,011,581	16,577,085	17,184,778	17,835,049	18,481,045
Premiums Receivable	373,438	386,096	405,617	420,625	436,188	452,327	469,063	486,418	504,416	523,079	542,433
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	50,511	246,397	258,854	268,432	278,364	288,663	299,344	310,420	321,905	333,816	346,167
Total	13,734,730	14,320,261	14,753,335	15,210,303	15,702,255	16,226,029	16,779,988	17,373,923	18,011,099	18,691,944	19,369,645
<u>LIABILITIES</u>											
Loss Reserves	11,610,047	11,927,643	12,412,346	12,904,061	13,406,131	13,919,826	14,445,681	14,984,476	15,537,354	16,105,237	16,641,123
LAE Reserves	323,114	349,819	375,876	401,261	426,071	450,301	474,025	497,434	520,693	543,845	567,059
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	359,131	531,120	519,494	503,142	486,181	468,575	450,292	431,301	411,569	391,066	369,759
Total	12,292,292	12,808,582	13,307,716	13,808,464	14,318,383	14,838,701	15,369,999	15,913,211	16,469,615	17,040,148	17,577,941
<u>CONTINGENCY RESERVE</u>	1,442,438	1,511,679	1,445,619	1,401,839	1,383,872	1,387,328	1,409,990	1,460,712	1,541,484	1,651,796	1,791,704

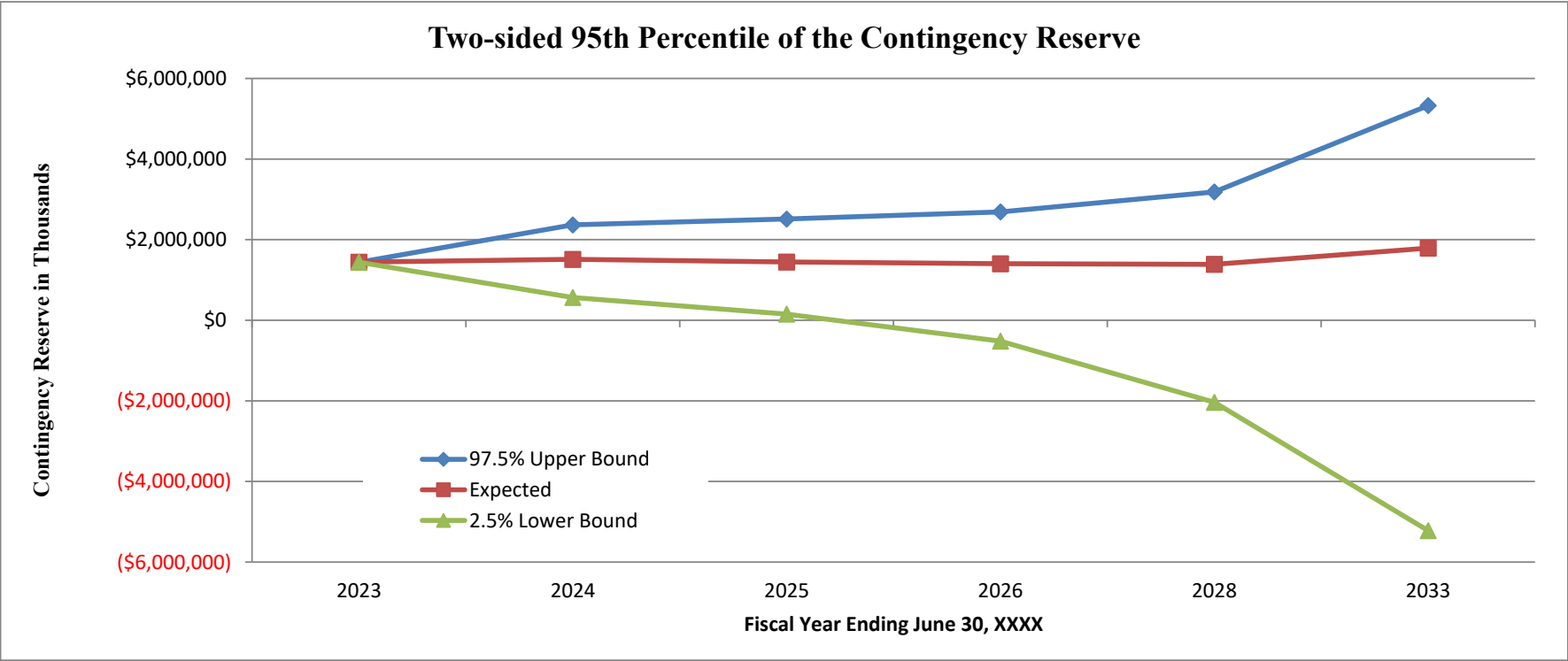
Washington Department of Labor & Industries
Scenario 2: Wage Inflation Adjusted No Rate Changes
Accident Fund (Including Pension Reserve Fund)
Projected Financials (000's)

U.S. Statutory Income Statement	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
<u>UNDERWRITING REVENUES</u>											
Premium	1,401,937	1,506,527	1,582,696	1,641,256	1,701,982	1,764,956	1,830,259	1,897,979	1,968,204	2,041,027	2,116,545
Retrospective rating adjustments	(203,774)	(240,033)	(252,168)	(261,499)	(271,174)	(281,208)	(291,612)	(302,402)	(313,591)	(325,194)	(337,226)
Self-Insured Assessments & Reimbursements	66,930	86,412	89,868	93,283	96,704	100,163	103,688	107,295	111,000	114,813	118,743
Other income	49,750	51,336	53,390	55,418	57,450	59,506	61,600	63,743	65,944	68,209	70,544
Total	1,314,843	1,404,243	1,473,786	1,528,459	1,584,962	1,643,418	1,703,934	1,766,615	1,831,556	1,898,855	1,968,607
<u>UNDERWRITING EXPENSES</u>											
Incurred Loss	1,656,380	1,593,189	1,811,062	1,868,007	1,925,139	1,983,115	2,042,375	2,103,112	2,165,543	2,229,820	2,296,068
Incurred LAE	77,505	108,714	112,679	116,555	120,396	124,247	128,136	132,081	136,103	140,217	144,430
Self-Insured Admin Expenses	19,601	21,603	22,467	23,321	24,176	25,041	25,922	26,824	27,750	28,703	29,686
Premium Admin Expenses and Bad Debts	23,885	26,028	27,069	28,098	29,128	30,170	31,232	32,319	33,434	34,583	35,767
General Expenses	30,900	32,475	33,774	35,058	36,343	37,643	38,968	40,324	41,716	43,149	44,626
TRIA Recoup of Government Losses	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	191	433	450	467	484	501	519	537	556	575	594
Other Administrative	75,808	69,404	72,181	74,924	77,671	80,450	83,280	86,178	89,153	92,216	95,372
Total	1,884,270	1,851,846	2,079,682	2,146,430	2,213,338	2,281,168	2,350,432	2,421,374	2,494,255	2,569,262	2,646,543
<u>OTHER OPERATING REVENUES / EXPENSES</u>											
Net investment income	406,918	516,844	539,836	574,191	610,409	641,206	669,160	705,482	743,471	780,719	817,845
Unrealized Capital Gains / (Losses)	191,176	0	0	0	0	0	0	0	0	0	0
Other Direct Charges to Contingency Reserve	(27,165)	0	0	0	0	0	0	0	0	0	0
Total	570,929	516,844	539,836	574,191	610,409	641,206	669,160	705,482	743,471	780,719	817,845
<u>NET INCOME/(LOSS)</u>	1,502	69,241	(66,060)	(43,780)	(17,967)	3,456	22,662	50,722	80,772	110,312	139,908
Profitability Ratios	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
Loss & LAE Ratio	145%	134%	145%	144%	143%	142%	141%	140%	139%	138%	137%
Combined Ratio	157%	146%	156%	156%	155%	154%	153%	152%	151%	150%	149%
Operating Ratio	100%	95%	105%	103%	101%	100%	99%	97%	95%	94%	92%

Washington Department of Labor & Industries
Scenario 2: Wage Inflation Adjusted No Rate Changes
Accident Fund (Including Pension Reserve Fund)
Probability of Insolvency

Probability of Contingency Reserve < \$0

<u>2 Year Horizon (as of June 30, 2025)</u>	1.5%
<u>5 Year Horizon (as of June 30, 2028)</u>	19.7%
<u>10 Year Horizon (as of June 30, 2033)</u>	38.5%

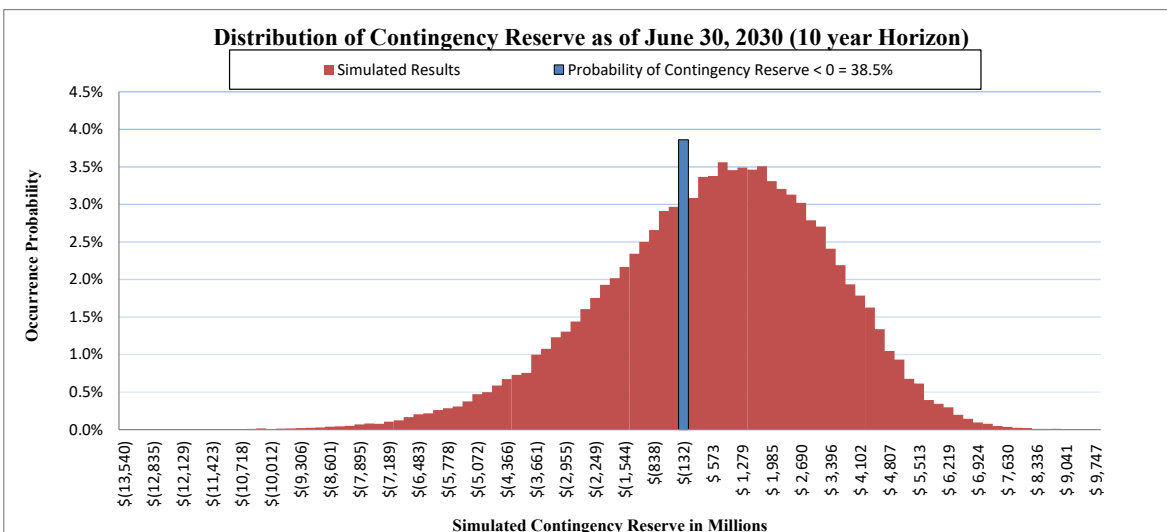
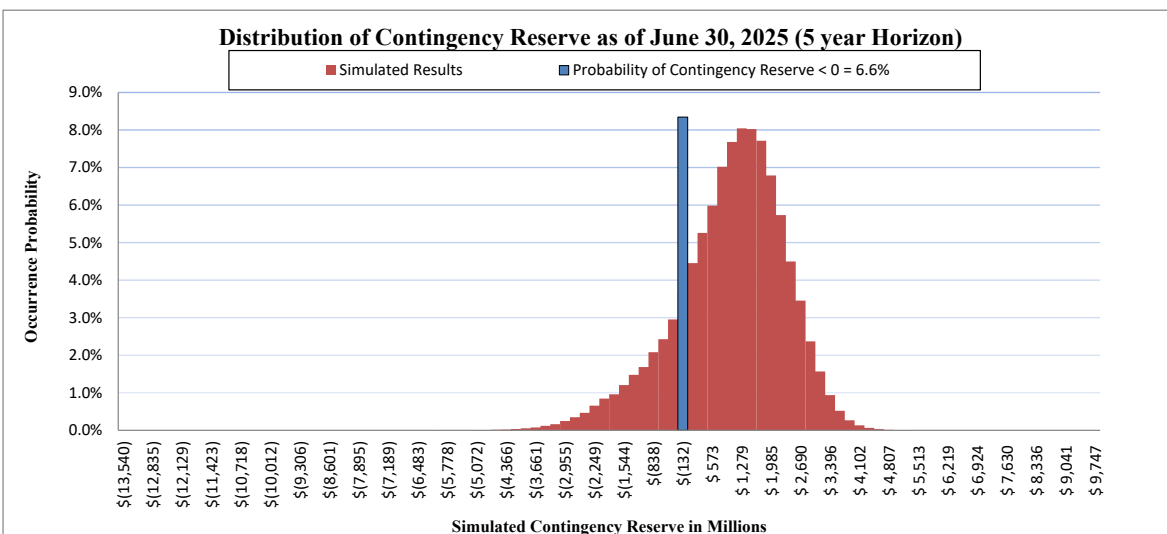
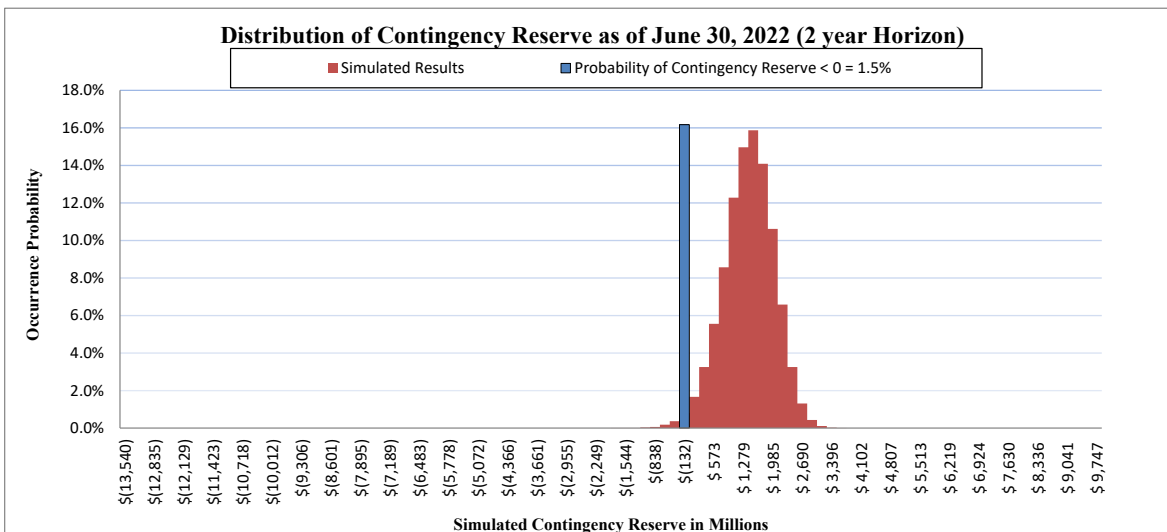


Washington Department of Labor & Industries

Scenario 2: Wage Inflation Adjusted No Rate Changes

Accident Fund (Including Pension Reserve Fund)

Probability of Insolvency



Washington Department of Labor & Industries
Scenario 2: Wage Inflation Adjusted No Rate Changes
Medical Aid Fund
Projected Financials (000's)

U.S. Statutory Balance Sheet	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
<u>ASSETS</u>											
Cash & Invested Assets	7,464,247	7,648,524	7,839,656	8,037,530	8,235,643	8,428,604	8,609,059	8,780,839	8,941,688	9,087,525	9,216,869
Premiums Receivable	197,089	191,967	200,007	207,407	215,081	223,039	231,292	239,850	248,724	257,927	267,470
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	22,499	22,846	23,803	24,684	25,597	26,544	27,527	28,545	29,601	30,696	31,832
Total	7,683,835	7,863,337	8,063,466	8,269,621	8,476,321	8,678,188	8,867,878	9,049,233	9,220,013	9,376,148	9,516,171
<u>LIABILITIES</u>											
Loss Reserves	3,657,887	3,795,069	3,906,098	4,029,444	4,163,889	4,309,191	4,465,520	4,633,403	4,813,595	5,006,866	5,213,665
LAE Reserves	632,125	661,970	686,125	712,959	742,208	773,820	807,830	844,353	883,555	925,602	970,593
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	137,571	137,289	145,288	153,465	161,917	170,576	179,394	188,334	197,368	206,475	215,636
Total	4,427,583	4,594,328	4,737,512	4,895,869	5,068,014	5,253,587	5,452,743	5,666,090	5,894,518	6,138,943	6,399,893
<u>CONTINGENCY RESERVE</u>	3,256,252	3,269,009	3,325,955	3,373,752	3,408,307	3,424,601	3,415,134	3,383,144	3,325,495	3,237,205	3,116,278

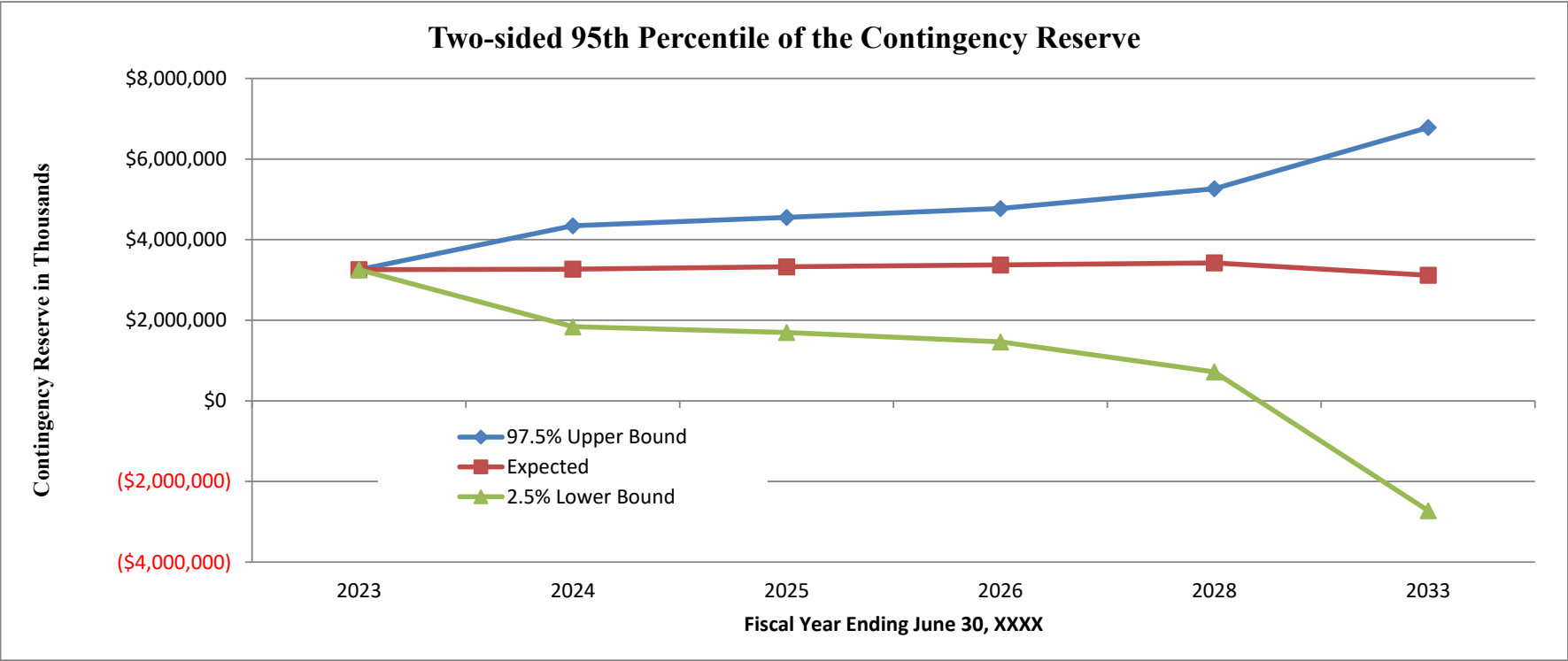
Washington Department of Labor & Industries
Scenario 2: Wage Inflation Adjusted No Rate Changes
Medical Aid Fund
Projected Financials (000's)

U.S. Statutory Income Statement	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
<u>UNDERWRITING REVENUES</u>											
Premium	752,738	785,731	818,874	848,918	880,736	913,685	919,936	953,974	989,271	1,025,874	1,063,831
Retrospective rating adjustments	0	0	0	0	0	0	0	0	0	0	0
Self-Insured Assessments & Reimbursements	18,563	21,603	22,467	23,321	24,176	25,041	25,922	26,824	27,750	28,703	29,686
Other income	3,016	4,278	4,449	4,618	4,788	4,959	5,133	5,312	5,495	5,684	5,879
Total	774,317	811,612	845,790	876,857	909,700	943,684	950,992	986,110	1,022,516	1,060,261	1,099,396
<u>UNDERWRITING EXPENSES</u>											
Incurred Loss	574,306	835,405	838,769	883,658	932,057	983,183	1,009,248	1,064,841	1,123,590	1,185,685	1,251,339
Incurred LAE	132,915	178,294	177,395	187,028	197,275	208,116	219,567	231,662	244,443	257,952	272,235
Self-Insured Admin Expenses	18,113	17,282	17,974	18,657	19,341	20,033	20,738	21,459	22,200	22,963	23,749
Premium Admin Expenses and Bad Debts	24,057	27,045	28,126	29,195	30,266	31,348	32,451	33,580	34,740	35,933	37,163
General Expenses	22,520	24,155	25,121	26,076	27,032	27,999	28,984	29,993	31,028	32,094	33,193
TRIA Recoup of Government Losses	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	194	297	308	320	332	344	356	368	381	394	408
Other Administrative	37,031	34,064	35,427	36,773	38,121	39,485	40,874	42,296	43,757	45,260	46,809
Total	809,136	1,116,542	1,123,120	1,181,707	1,244,423	1,310,508	1,352,219	1,424,200	1,500,138	1,580,280	1,664,896
<u>OTHER OPERATING REVENUES / EXPENSES</u>											
Net investment income	237,071	317,687	334,276	352,648	369,278	383,117	391,762	406,099	419,973	431,729	444,573
Unrealized Capital Gains / (Losses)	160,433	0	0	0	0	0	0	0	0	0	0
Other Direct Charges to Contingency Reserve	12,181	0	0	0	0	0	0	0	0	0	0
Total	409,685	317,687	334,276	352,648	369,278	383,117	391,762	406,099	419,973	431,729	444,573
<u>NET INCOME/(LOSS)</u>	374,866	12,757	56,945	47,798	34,555	16,293	(9,466)	(31,991)	(57,649)	(88,290)	(120,927)
Profitability Ratios	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
Loss & LAE Ratio	94%	129%	124%	126%	128%	130%	134%	136%	138%	141%	143%
Combined Ratio	107%	142%	137%	139%	141%	143%	147%	149%	152%	154%	157%
Operating Ratio	50%	98%	93%	94%	96%	98%	101%	103%	106%	109%	111%

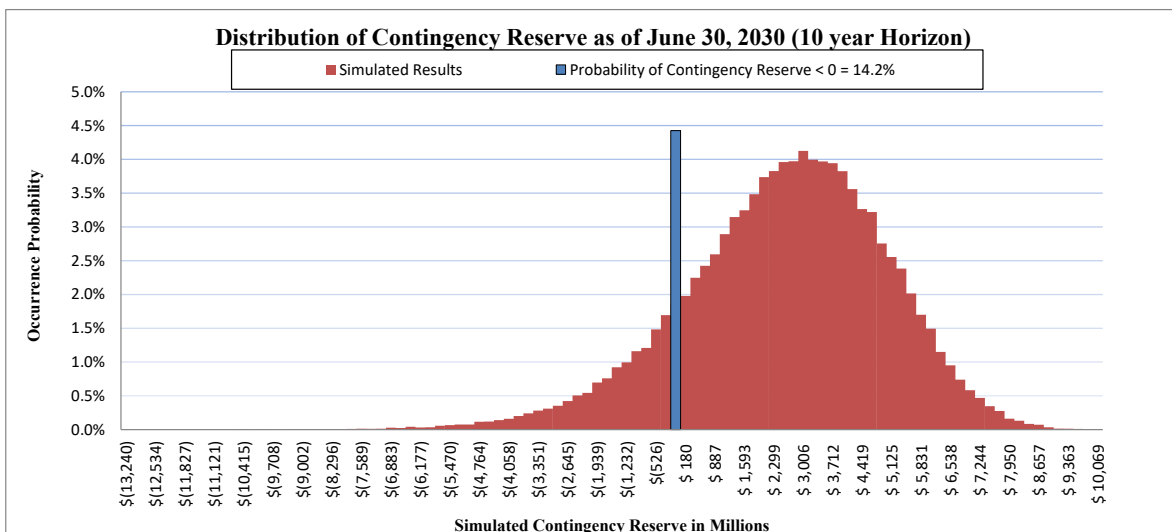
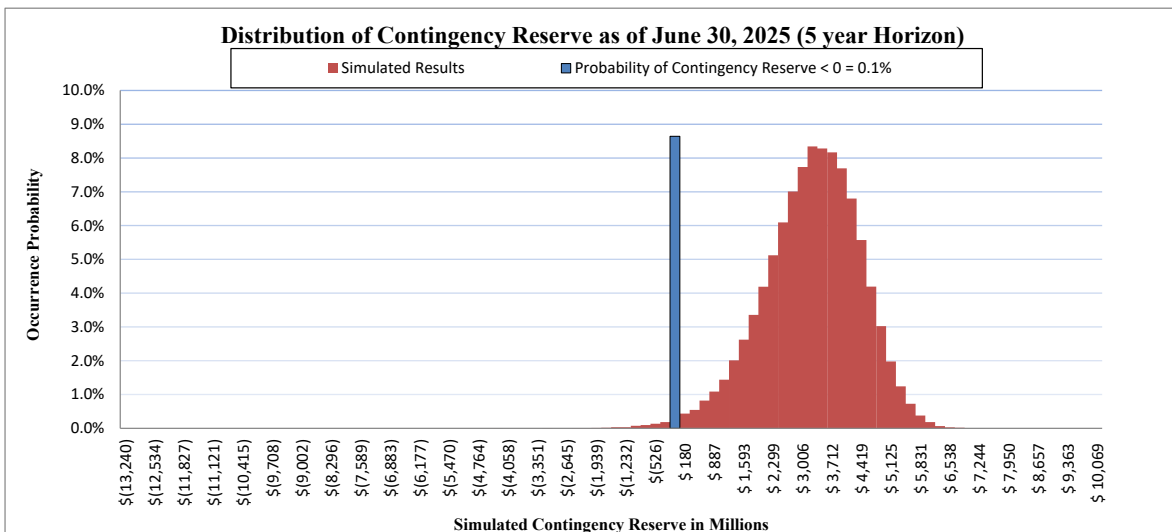
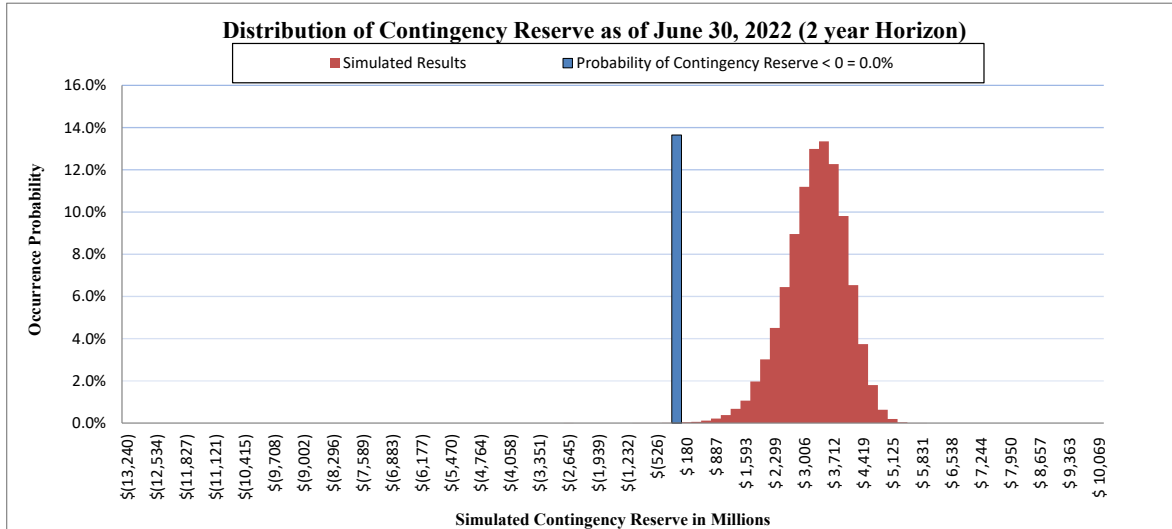
Washington Department of Labor & Industries
Scenario 2: Wage Inflation Adjusted No Rate Changes
Medical Aid Fund
Probability of Insolvency

Probability of Contingency Reserve < \$0

<u>2 Year Horizon (as of June 30, 2025)</u>	0.0%
<u>5 Year Horizon (as of June 30, 2028)</u>	0.8%
<u>10 Year Horizon (as of June 30, 2033)</u>	14.2%



Washington Department of Labor & Industries
Scenario 2: Wage Inflation Adjusted No Rate Changes
Medical Aid Fund
Probability of Insolvency



Washington Department of Labor & Industries
Scenario 2: Wage Inflation Adjusted No Rate Changes
Combined Funds
Projected Financials (000's)

U.S. Statutory Balance Sheet	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
<u>ASSETS</u>											
Cash & Invested Assets	20,775,028	21,336,292	21,928,519	22,558,776	23,223,346	23,913,643	24,620,640	25,357,924	26,126,466	26,922,573	27,697,914
Premiums Receivable	570,527	578,063	605,624	628,032	651,270	675,366	700,355	726,268	753,140	781,006	809,904
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	73,010	269,243	282,658	293,116	303,961	315,208	326,871	338,965	351,506	364,512	377,999
Total	21,418,565	22,183,598	22,816,801	23,479,924	24,178,577	24,904,217	25,647,866	26,423,156	27,231,112	28,068,092	28,885,816
<u>LIABILITIES</u>											
Loss Reserves	15,267,934	15,722,712	16,318,444	16,933,505	17,570,020	18,229,017	18,911,201	19,617,879	20,350,949	21,112,103	21,854,789
LAE Reserves	955,239	1,011,788	1,062,001	1,114,220	1,168,280	1,224,120	1,281,855	1,341,787	1,404,248	1,469,448	1,537,652
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	496,702	668,409	664,783	656,607	648,098	639,151	629,686	619,634	608,937	597,540	585,394
Total	16,719,875	17,402,909	18,045,228	18,704,333	19,386,397	20,092,289	20,822,742	21,579,301	22,364,133	23,179,091	23,977,835
<u>CONTINGENCY RESERVE</u>	4,698,690	4,780,688	4,771,574	4,775,591	4,792,179	4,811,928	4,825,124	4,843,856	4,866,979	4,889,000	4,907,981

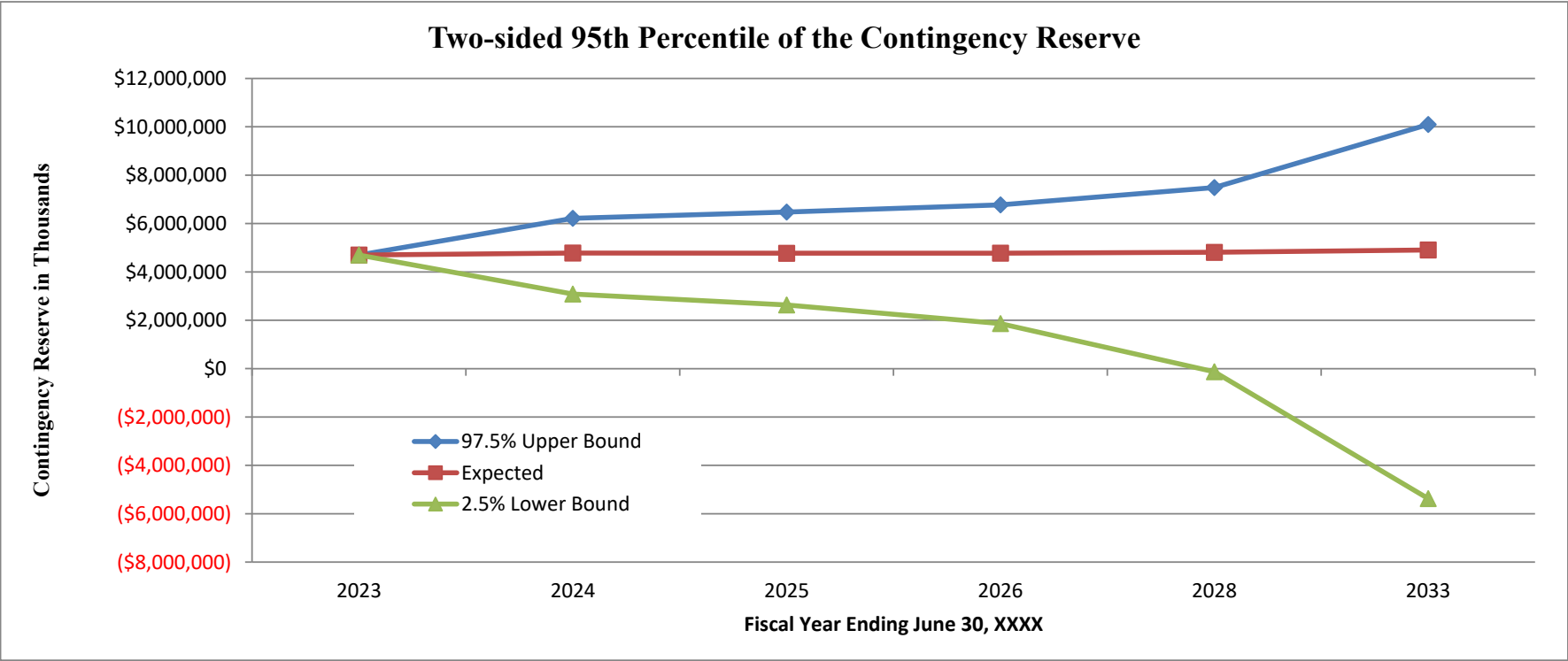
Washington Department of Labor & Industries
Scenario 2: Wage Inflation Adjusted No Rate Changes
Combined Funds
Projected Financials (000's)

U.S. Statutory Income Statement	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
<u>UNDERWRITING REVENUES</u>											
Premium	2,154,675	2,292,259	2,401,570	2,490,173	2,582,719	2,678,640	2,750,195	2,851,953	2,957,475	3,066,901	3,180,377
Retrospective rating adjustments	(203,774)	(240,033)	(252,168)	(261,499)	(271,174)	(281,208)	(291,612)	(302,402)	(313,591)	(325,194)	(337,226)
Self-Insured Assessments & Reimbursements	85,493	108,015	112,335	116,604	120,879	125,204	129,610	134,119	138,749	143,516	148,429
Other income	52,766	55,614	57,839	60,037	62,238	64,465	66,733	69,055	71,439	73,893	76,423
Total	2,089,160	2,215,855	2,319,575	2,405,316	2,494,662	2,587,102	2,654,926	2,752,724	2,854,072	2,959,116	3,068,002
<u>UNDERWRITING EXPENSES</u>											
Incurred Loss	2,230,686	2,428,593	2,649,831	2,751,665	2,857,196	2,966,298	3,051,623	3,167,954	3,289,133	3,415,505	3,547,407
Incurred LAE	210,420	287,008	290,074	303,583	317,671	332,362	347,704	363,743	380,546	398,168	416,665
Self-Insured Admin Expenses	37,714	38,885	40,441	41,977	43,517	45,074	46,659	48,283	49,950	51,666	53,434
Premium Admin Expenses and Bad Debts	47,942	53,073	55,196	57,293	59,394	61,519	63,683	65,899	68,174	70,516	72,930
General Expenses	53,420	56,630	58,896	61,134	63,375	65,643	67,952	70,316	72,744	75,243	77,819
TRIA Recoup of Government Losses	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	385	729	758	787	816	845	875	905	937	969	1,002
Other Administrative	112,839	103,469	107,607	111,696	115,792	119,935	124,155	128,474	132,910	137,475	142,182
Total	2,693,406	2,968,387	3,202,803	3,328,136	3,457,761	3,591,676	3,702,652	3,845,574	3,994,394	4,149,542	4,311,439
<u>OTHER OPERATING REVENUES / EXPENSES</u>											
Net investment income	643,989	834,531	874,112	926,838	979,686	1,024,323	1,060,922	1,111,582	1,163,444	1,212,447	1,262,418
Unrealized Capital Gains / (Losses)	351,609	0	0	0	0	0	0	0	0	0	0
Other Direct Charges to Contingency Reserve	(14,984)	0	0	0	0	0	0	0	0	0	0
Total	980,614	834,531	874,112	926,838	979,686	1,024,323	1,060,922	1,111,582	1,163,444	1,212,447	1,262,418
<u>NET INCOME/(LOSS)</u>	376,368	81,998	(9,115)	4,018	16,588	19,749	13,196	18,732	23,123	22,021	18,981
Profitability Ratios	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
Loss & LAE Ratio	125%	132%	137%	137%	137%	138%	138%	139%	139%	139%	139%
Combined Ratio	138%	145%	149%	149%	150%	150%	151%	151%	151%	151%	152%
Operating Ratio	81%	96%	100%	100%	99%	99%	99%	99%	99%	99%	99%

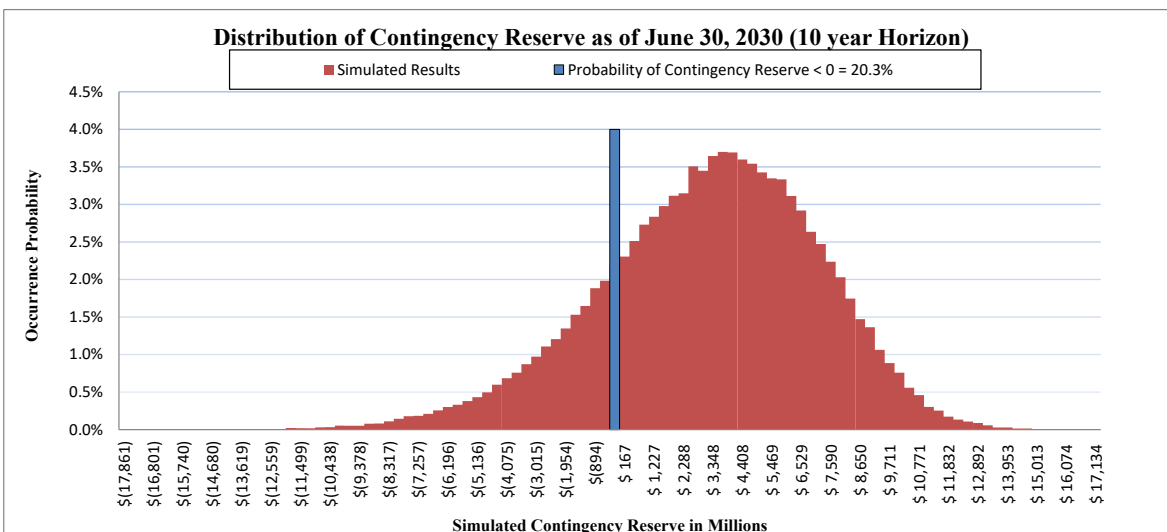
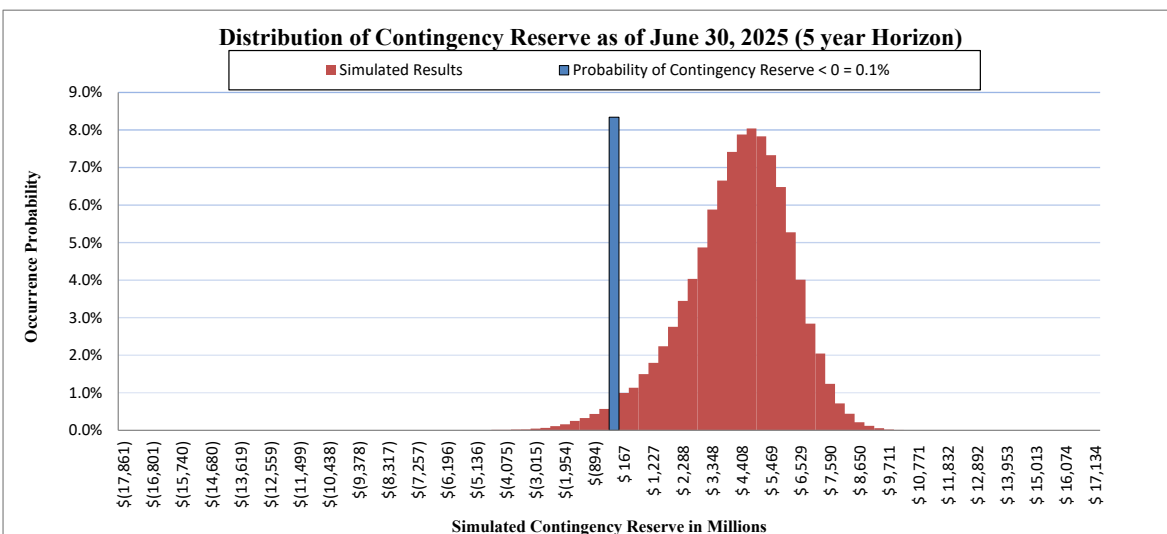
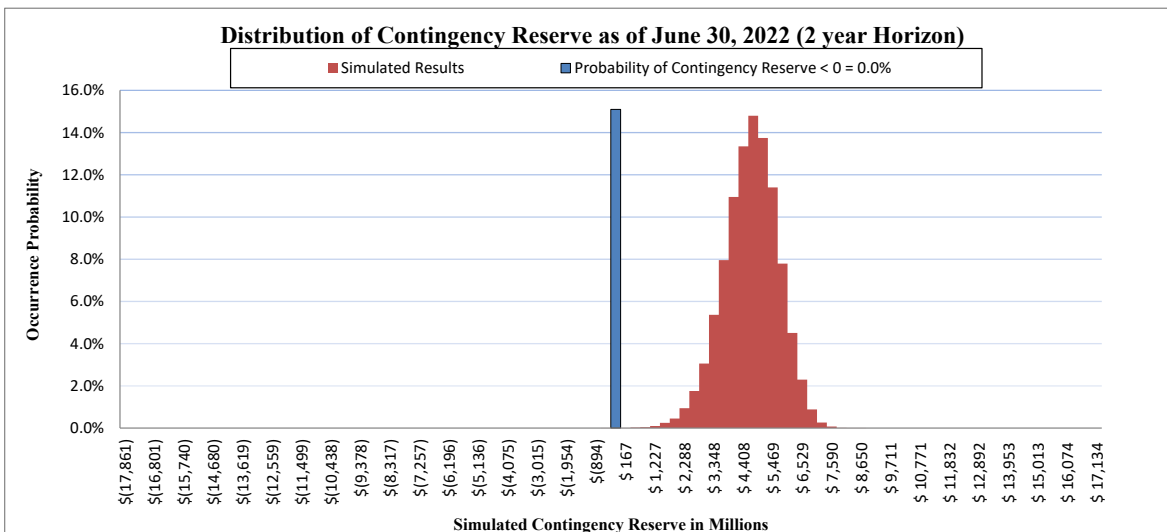
Washington Department of Labor & Industries
Scenario 2: Wage Inflation Adjusted No Rate Changes
Combined Funds
Probability of Insolvency

Probability of Contingency Reserve < \$0

<u>2 Year Horizon (as of June 30, 2025)</u>	0.0%
<u>5 Year Horizon (as of June 30, 2028)</u>	2.8%
<u>10 Year Horizon (as of June 30, 2033)</u>	20.3%



Washington Department of Labor & Industries
Scenario 2: Wage Inflation Adjusted No Rate Changes
Combined Funds
Probability of Insolvency



Washington Department of Labor & Industries

Scenario 3: Indicated (Break-Even) Rate Change

Scenario Assumptions

Assumptions	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
Annual Rate Change Assumptions <i>(Changes are on a calendar year basis versus a fiscal year basis like all other assumptions)</i>											
Accident Fund (Including Pension Reserve Fund)	5.9%	6.5%	6.9%	2.4%	2.2%	2.6%	2.6%	2.4%	2.4%	2.5%	2.6%
Medical Aid Fund	1.0%	4.7%	-3.3%	5.8%	6.2%	6.4%	6.3%	6.1%	6.1%	6.2%	6.0%
Investment Assumptions											
Accident Fund (Including Pension Reserve Fund)											
Overall Investment Return	4.69%	3.88%	3.94%	4.08%	4.20%	4.28%	4.34%	4.43%	4.50%	4.56%	4.61%
Government Bond Distribution	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Corporate Bond Distribution	81.57%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%
Equities Distribution	15.47%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%
Cash and Other Distribution	2.96%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Medical Aid Fund											
Overall Investment Return	5.62%	4.26%	4.37%	4.50%	4.59%	4.65%	4.71%	4.78%	4.85%	4.91%	4.98%
Government Bond Distribution	0.45%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Corporate Bond Distribution	76.25%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%
Equities Distribution	20.61%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
Cash and Other Distribution	2.69%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Loss Assumptions											
Accident Fund (Including Pension Reserve Fund)											
Reserve Discount	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Severity Trend		3.86%	3.56%	3.36%	3.23%	3.14%	3.08%	3.04%	3.01%	2.99%	2.98%
Medical Aid Fund											
Reserve Discount	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Severity Trend		6.56%	6.26%	6.06%	5.93%	5.84%	5.78%	5.74%	5.71%	5.69%	5.68%
Indemnity Frequency Trend		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Exposure Trend		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Rating Variables Assumptions											
Accident Fund (Including Pension Reserve Fund)											
LAE to Loss Ratio		8.30%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%
Fixed Expenses (Per Hour) *:		\$0.030	\$0.031	\$0.032	\$0.034	\$0.035	\$0.036	\$0.037	\$0.039	\$0.040	\$0.041
Other Income (Per Hour)		\$0.012	\$0.012	\$0.013	\$0.013	\$0.014	\$0.014	\$0.015	\$0.015	\$0.016	\$0.016
Retro Adjustment Ratio (% of premium)		-15.93%	-15.93%	-15.93%	-15.93%	-15.93%	-15.93%	-15.93%	-15.93%	-15.93%	-15.93%
Medical Aid Fund											
LAE to Loss Ratio		21.76%	21.76%	21.76%	21.76%	21.76%	21.76%	21.76%	21.76%	21.76%	21.76%
Fixed Expenses (Per Hour) *:		\$0.020	\$0.021	\$0.022	\$0.022	\$0.023	\$0.024	\$0.025	\$0.026	\$0.027	\$0.027
Other Income (Per Hour)		\$0.001	\$0.001	\$0.001	\$0.001	\$0.001	\$0.001	\$0.001	\$0.001	\$0.001	\$0.001
Other Financial Statement Assumptions											
Accident Fund (Including Pension Reserve Fund)											
Uncollected Premium (% of Premium)		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Assets (% of Premium)		25.63%	25.63%	25.63%	25.63%	25.63%	25.63%	25.63%	25.63%	25.63%	25.63%
Self-Insured Assessments and Reimbursements (Per Hour)		-\$0.020	-\$0.021	-\$0.022	-\$0.022	-\$0.023	-\$0.024	-\$0.025	-\$0.026	-\$0.027	-\$0.027
Self-Insured Administration Expenses (Per Hour)		\$0.005	\$0.005	\$0.005	\$0.006	\$0.006	\$0.006	\$0.006	\$0.006	\$0.007	\$0.007
Medical Aid Fund											
Uncollected Premium % of Premium		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Assets % of Premium		25.14%	25.14%	25.14%	25.14%	25.14%	25.14%	25.14%	25.14%	25.14%	25.14%
Self-Insured Assessments and Reimbursements (Per Hour)		-\$0.005	-\$0.005	-\$0.005	-\$0.006	-\$0.006	-\$0.006	-\$0.006	-\$0.006	-\$0.007	-\$0.007
Self-Insured Administration Expenses (Per Hour)		\$0.004	\$0.004	\$0.004	\$0.004	\$0.005	\$0.005	\$0.005	\$0.005	\$0.005	\$0.005

* Includes Premium Administration, General, and Other Administrative Expenses

Washington Department of Labor & Industries
Scenario 3: Indicated (Break-Even) Rate Change
Accident Fund (Including Pension Reserve Fund)
Projected Financials (000's)

U.S. Statutory Balance Sheet	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
<u>ASSETS</u>											
Cash & Invested Assets	13,310,781	13,687,768	14,103,804	14,565,941	15,053,418	15,555,067	16,069,344	16,603,737	17,157,770	17,729,942	18,272,492
Premiums Receivable	373,438	386,096	411,933	430,769	440,784	451,378	463,058	474,564	485,820	497,717	510,429
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	50,511	246,397	262,885	274,906	281,297	288,058	295,511	302,854	310,038	317,630	325,742
Total	13,734,730	14,320,261	14,778,622	15,271,616	15,775,499	16,294,503	16,827,913	17,381,155	17,953,629	18,545,290	19,108,663
<u>LIABILITIES</u>											
Loss Reserves	11,610,047	11,927,643	12,412,346	12,904,061	13,406,131	13,919,826	14,445,681	14,984,476	15,537,354	16,105,237	16,641,123
LAE Reserves	323,114	349,819	375,876	401,261	426,071	450,301	474,025	497,434	520,693	543,845	567,059
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	359,131	531,120	524,063	509,853	487,867	465,792	443,946	421,320	397,892	374,344	350,756
Total	12,292,292	12,808,582	13,312,286	13,815,175	14,320,070	14,835,919	15,363,652	15,903,230	16,455,938	17,023,427	17,558,939
<u>CONTINGENCY RESERVE</u>	1,442,438	1,511,679	1,466,336	1,456,442	1,455,430	1,458,584	1,464,261	1,477,924	1,497,690	1,521,863	1,549,724

Washington Department of Labor & Industries
Scenario 3: Indicated (Break-Even) Rate Change
Accident Fund (Including Pension Reserve Fund)
Projected Financials (000's)

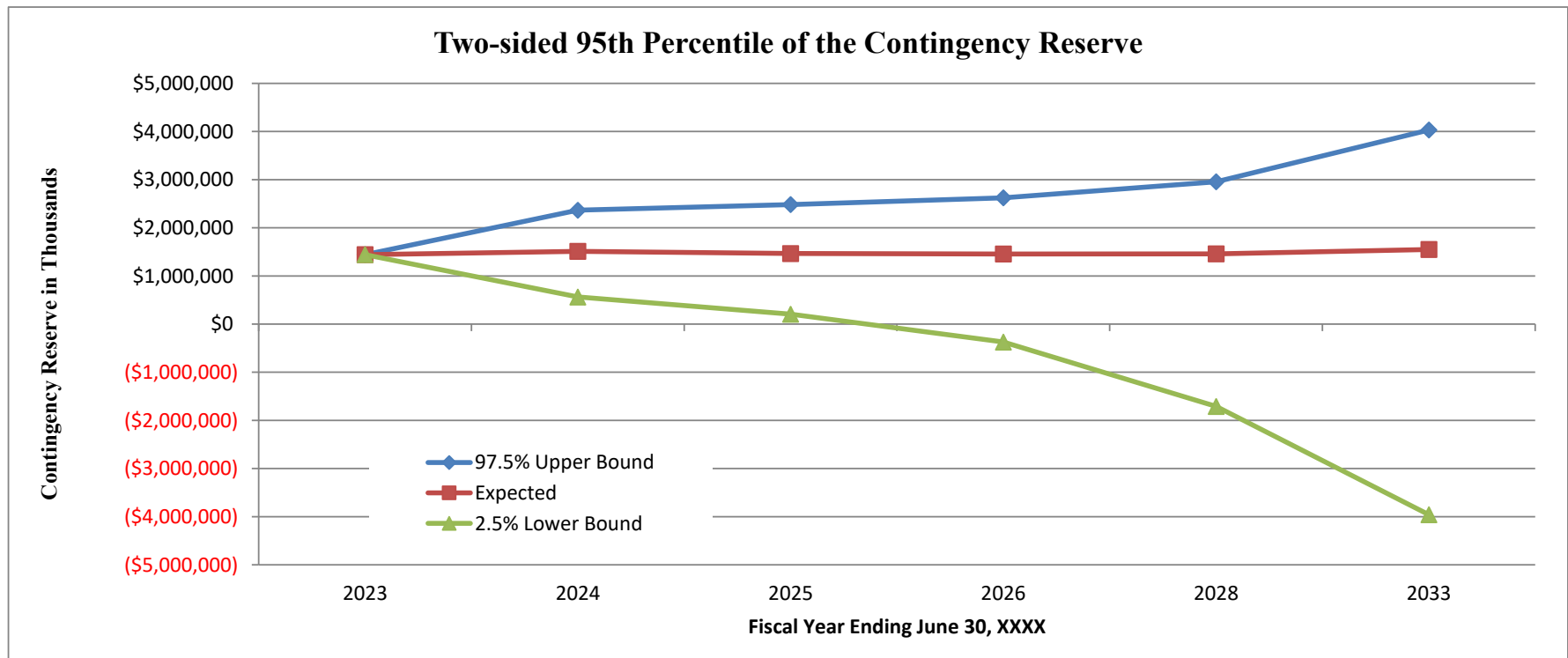
U.S. Statutory Income Statement	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
<u>UNDERWRITING REVENUES</u>											
Premium	1,401,937	1,506,527	1,607,340	1,680,839	1,719,915	1,761,253	1,806,826	1,851,722	1,895,645	1,942,067	1,991,665
Retrospective rating adjustments	(203,774)	(240,033)	(256,095)	(267,805)	(274,031)	(280,618)	(287,879)	(295,032)	(302,030)	(309,426)	(317,329)
Self-Insured Assessments & Reimbursements	66,930	86,412	89,868	93,283	96,704	100,163	103,688	107,295	111,000	114,813	118,743
Other income	49,750	51,336	53,390	55,418	57,450	59,506	61,600	63,743	65,944	68,209	70,544
Total	1,314,843	1,404,243	1,494,503	1,561,735	1,600,038	1,640,305	1,684,234	1,727,728	1,770,558	1,815,662	1,863,623
<u>UNDERWRITING EXPENSES</u>											
Incurred Loss	1,656,380	1,593,189	1,811,062	1,868,007	1,925,139	1,983,115	2,042,375	2,103,112	2,165,543	2,229,820	2,296,068
Incurred LAE	77,505	108,714	112,679	116,555	120,396	124,247	128,136	132,081	136,103	140,217	144,430
Self-Insured Admin Expenses	19,601	21,603	22,467	23,321	24,176	25,041	25,922	26,824	27,750	28,703	29,686
Premium Admin Expenses and Bad Debts	23,885	26,028	27,069	28,098	29,128	30,170	31,232	32,319	33,434	34,583	35,767
General Expenses	30,900	32,475	33,774	35,058	36,343	37,643	38,968	40,324	41,716	43,149	44,626
TRIA Recoup of Government Losses	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	191	433	450	467	484	501	519	537	556	575	594
Other Administrative	75,808	69,404	72,181	74,924	77,671	80,450	83,280	86,178	89,153	92,216	95,372
Total	1,884,270	1,851,846	2,079,682	2,146,430	2,213,338	2,281,168	2,350,432	2,421,374	2,494,255	2,569,262	2,646,543
<u>OTHER OPERATING REVENUES / EXPENSES</u>											
Net investment income	406,918	516,844	539,836	574,800	612,287	644,017	671,875	707,310	743,463	777,773	810,781
Unrealized Capital Gains / (Losses)	191,176	0	0	0	0	0	0	0	0	0	0
Other Direct Charges to Contingency Reserve	(27,165)	0	0	0	0	0	0	0	0	0	0
Total	570,929	516,844	539,836	574,800	612,287	644,017	671,875	707,310	743,463	777,773	810,781
<u>NET INCOME/(LOSS)</u>	1,502	69,241	(45,343)	(9,895)	(1,012)	3,154	5,677	13,664	19,766	24,173	27,861
Profitability Ratios	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
Loss & LAE Ratio	145%	134%	142%	140%	141%	142%	143%	144%	144%	145%	146%
Combined Ratio	157%	146%	154%	152%	153%	154%	155%	156%	157%	157%	158%
Operating Ratio	100%	95%	103%	101%	100%	100%	100%	99%	99%	99%	98%

Washington Department of Labor & Industries
Scenario 3: Indicated (Break-Even) Rate Change
Accident Fund (Including Pension Reserve Fund)
Probability of Insolvency

Probability of Contingency Reserve < \$0

2 Year Horizon (as of June 30, 2025)
5 Year Horizon (as of June 30, 2028)
10 Year Horizon (as of June 30, 2033)

1.3%
16.3%
36.7%

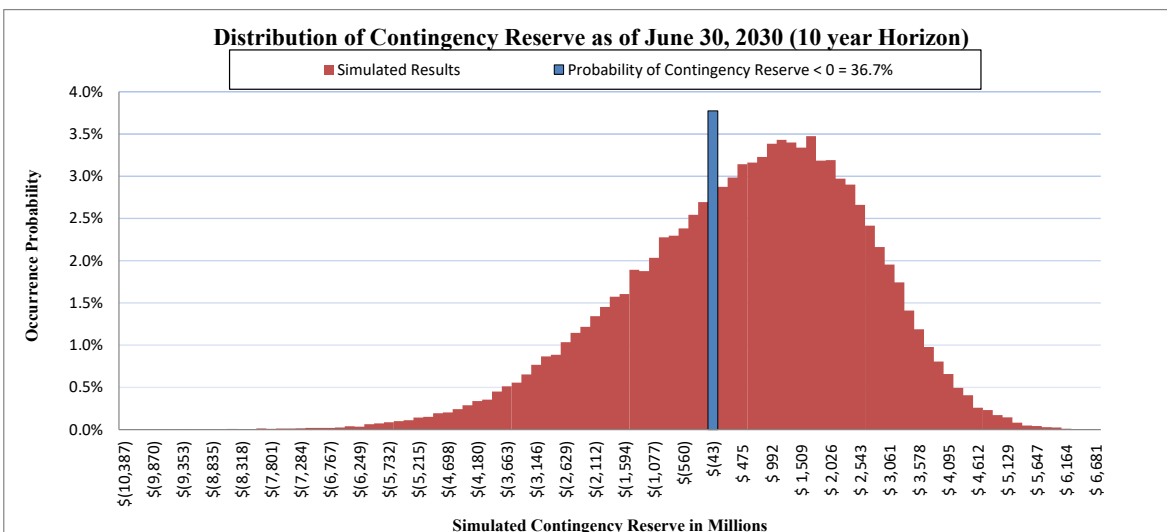
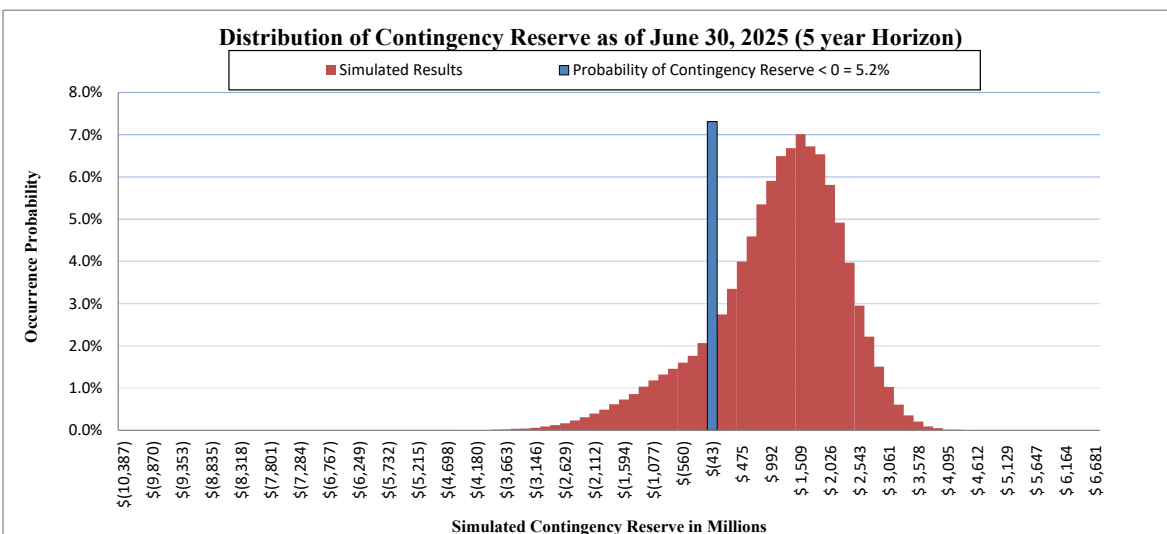
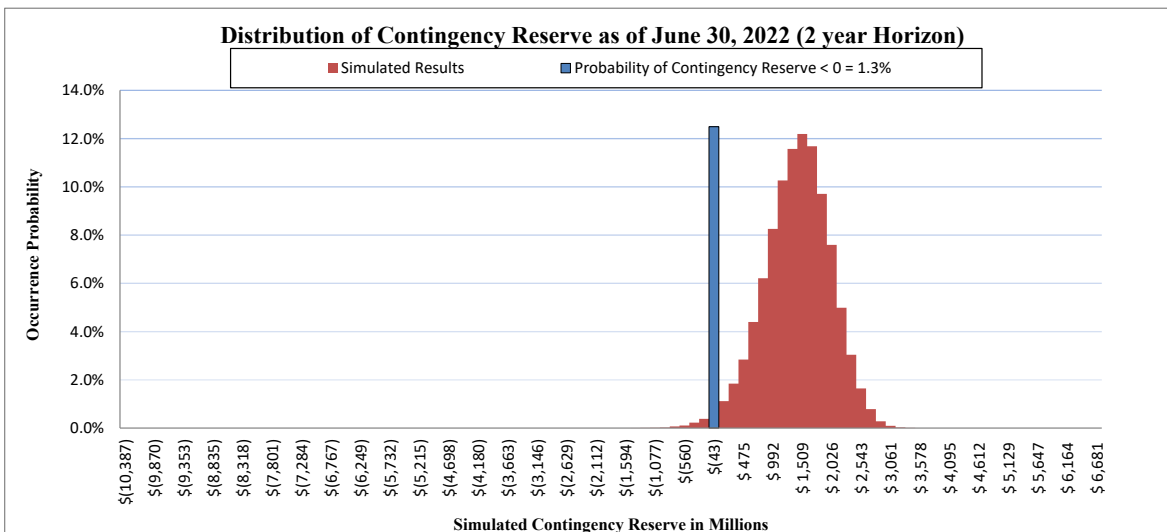


Washington Department of Labor & Industries

Scenario 3: Indicated (Break-Even) Rate Change

Accident Fund (Including Pension Reserve Fund)

Probability of Insolvency



Washington Department of Labor & Industries
Scenario 3: Indicated (Break-Even) Rate Change
Medical Aid Fund
Projected Financials (000's)

U.S. Statutory Balance Sheet	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
<u>ASSETS</u>											
Cash & Invested Assets	7,464,247	7,648,524	7,821,056	7,979,390	8,142,364	8,315,893	8,496,338	8,689,995	8,896,555	9,115,323	9,348,322
Premiums Receivable	197,089	191,967	193,122	195,393	207,098	220,134	234,183	248,737	263,853	279,997	296,997
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	22,499	22,846	22,984	23,254	24,647	26,199	27,871	29,603	31,402	33,323	35,346
Total	7,683,835	7,863,337	8,037,162	8,198,036	8,374,109	8,562,225	8,758,392	8,968,335	9,191,810	9,428,644	9,680,665
<u>LIABILITIES</u>											
Loss Reserves	3,657,887	3,795,069	3,906,098	4,029,444	4,163,889	4,309,191	4,465,520	4,633,403	4,813,595	5,006,866	5,213,665
LAE Reserves	632,125	661,970	686,125	712,959	742,208	773,820	807,830	844,353	883,555	925,602	970,593
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	137,571	137,289	146,369	157,890	170,139	180,945	189,923	196,856	201,634	204,072	203,925
Total	4,427,583	4,594,328	4,738,593	4,900,293	5,076,236	5,263,956	5,463,273	5,674,612	5,898,784	6,136,541	6,388,183
<u>CONTINGENCY RESERVE</u>	3,256,252	3,269,009	3,298,569	3,297,743	3,297,872	3,298,269	3,295,119	3,293,723	3,293,026	3,292,103	3,292,482

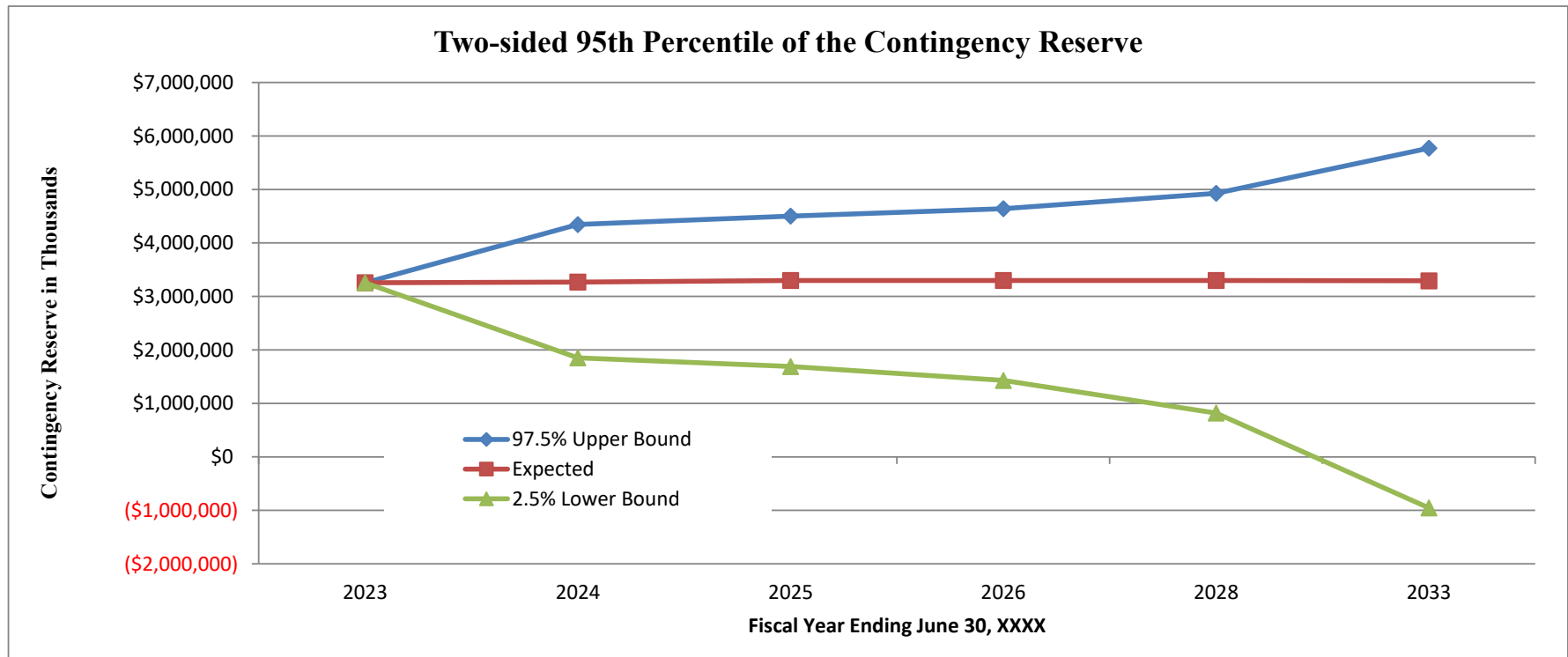
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Washington Department of Labor & Industries
Scenario 3: Indicated (Break-Even) Rate Change
Medical Aid Fund
Probability of Insolvency

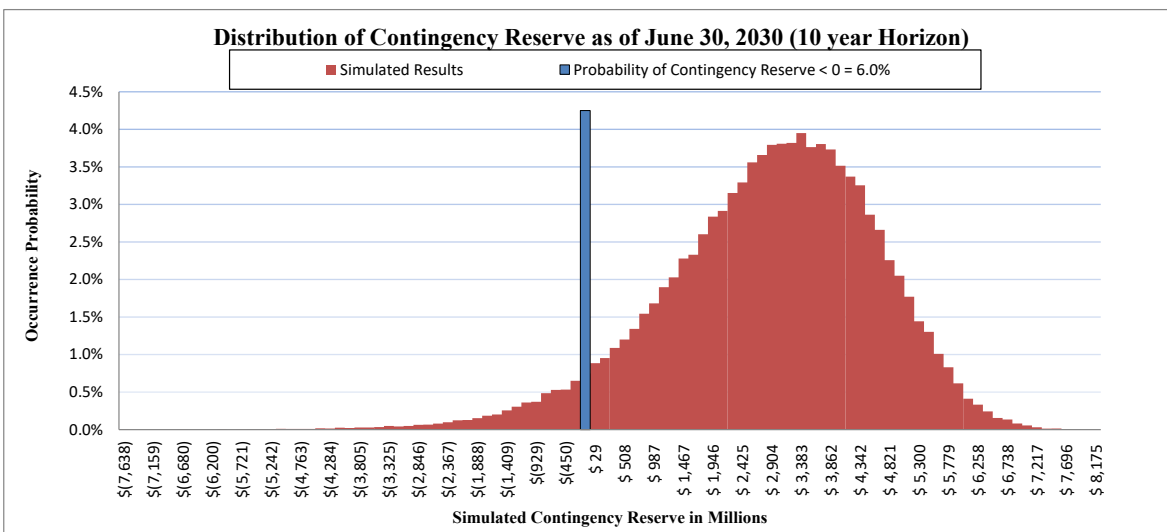
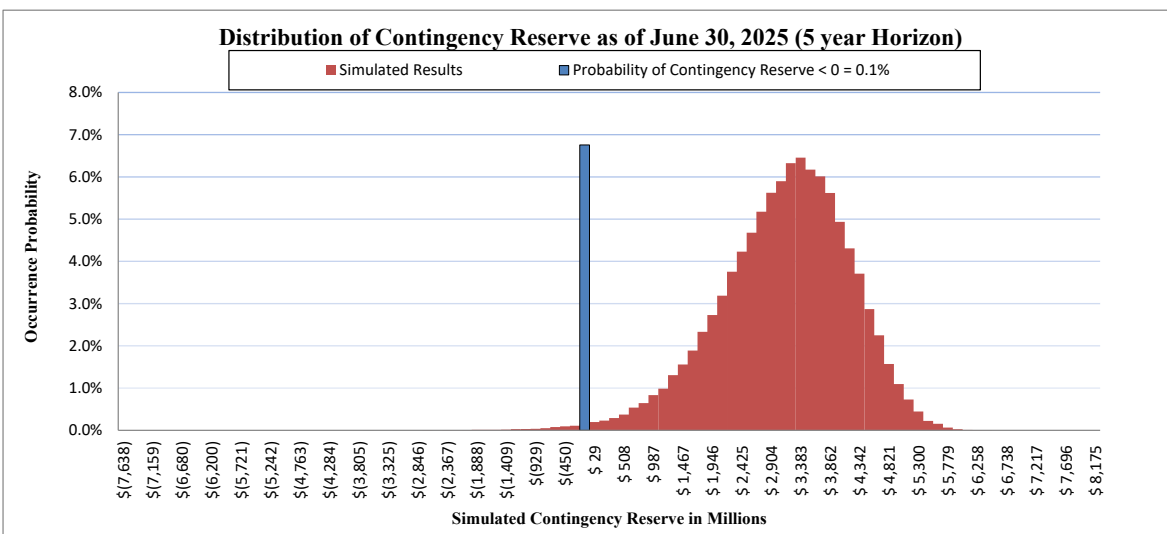
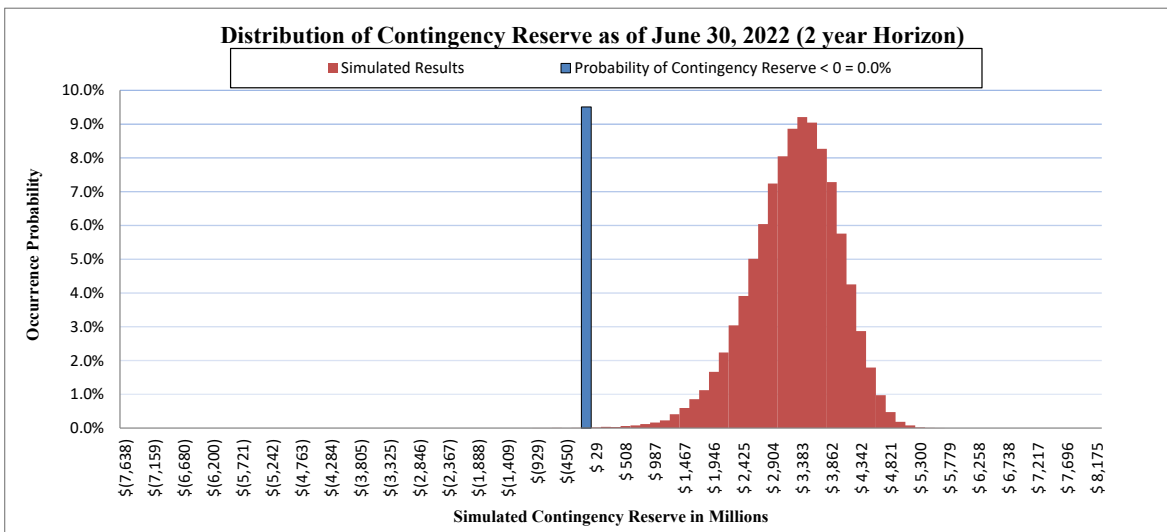
Probability of Contingency Reserve < \$0

2 Year Horizon (as of June 30, 2025)
5 Year Horizon (as of June 30, 2028)
10 Year Horizon (as of June 30, 2033)

0.0%
0.7%
6.0%



Washington Department of Labor & Industries
Scenario 3: Indicated (Break-Even) Rate Change
Medical Aid Fund
Probability of Insolvency



Washington Department of Labor & Industries
Scenario 3: Indicated (Break-Even) Rate Change
Combined Funds
Projected Financials (000's)

U.S. Statutory Balance Sheet	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
<u>ASSETS</u>											
Cash & Invested Assets	20,775,028	21,336,292	21,924,860	22,545,331	23,195,782	23,870,959	24,565,682	25,293,732	26,054,325	26,845,265	27,620,813
Premiums Receivable	570,527	578,063	605,055	626,162	647,882	671,512	697,241	723,301	749,674	777,715	807,425
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	73,010	269,243	285,869	298,160	305,944	314,256	323,382	332,457	341,440	350,954	361,089
Total	21,418,565	22,183,598	22,815,784	23,469,653	24,149,608	24,856,727	25,586,305	26,349,490	27,145,438	27,973,933	28,789,327
<u>LIABILITIES</u>											
Loss Reserves	15,267,934	15,722,712	16,318,444	16,933,505	17,570,020	18,229,017	18,911,201	19,617,879	20,350,949	21,112,103	21,854,789
LAE Reserves	955,239	1,011,788	1,062,001	1,114,220	1,168,280	1,224,120	1,281,855	1,341,787	1,404,248	1,469,448	1,537,652
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	496,702	668,409	670,433	667,743	658,006	646,737	633,869	618,176	599,525	578,417	554,681
Total	16,719,875	17,402,909	18,050,878	18,715,468	19,396,306	20,099,874	20,826,925	21,577,843	22,354,722	23,159,968	23,947,122
<u>CONTINGENCY RESERVE</u>	4,698,690	4,780,688	4,764,906	4,754,184	4,753,302	4,756,853	4,759,380	4,771,647	4,790,716	4,813,966	4,842,205

Washington Department of Labor & Industries
Scenario 3: Indicated (Break-Even) Rate Change
Combined Funds
Projected Financials (000's)

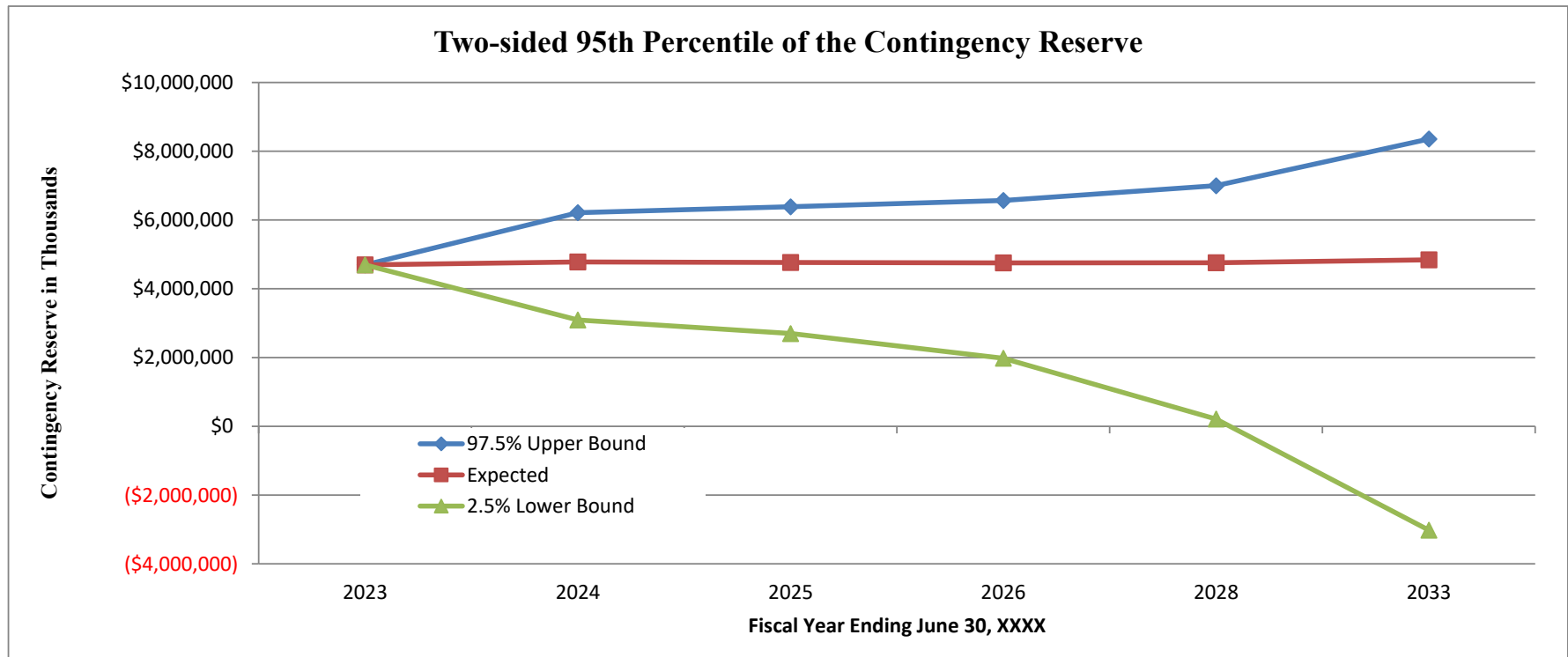
U.S. Statutory Income Statement	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
<u>UNDERWRITING REVENUES</u>											
Premium	2,154,675	2,292,259	2,398,828	2,481,969	2,568,898	2,663,380	2,738,261	2,841,045	2,945,090	3,055,723	3,172,934
Retrospective rating adjustments	(203,774)	(240,033)	(256,095)	(267,805)	(274,031)	(280,618)	(287,879)	(295,032)	(302,030)	(309,426)	(317,329)
Self-Insured Assessments & Reimbursements	85,493	108,015	112,335	116,604	120,879	125,204	129,610	134,119	138,749	143,516	148,429
Other income	52,766	55,614	57,839	60,037	62,238	64,465	66,733	69,055	71,439	73,893	76,423
Total	2,089,160	2,215,855	2,312,907	2,390,804	2,477,984	2,572,432	2,646,725	2,749,186	2,853,249	2,963,705	3,080,457
<u>UNDERWRITING EXPENSES</u>											
Incurred Loss	2,230,686	2,428,593	2,649,831	2,751,665	2,857,196	2,966,298	3,051,623	3,167,954	3,289,133	3,415,505	3,547,407
Incurred LAE	210,420	287,008	290,074	303,583	317,671	332,362	347,704	363,743	380,546	398,168	416,665
Self-Insured Admin Expenses	37,714	38,885	40,441	41,977	43,517	45,074	46,659	48,283	49,950	51,666	53,434
Premium Admin Expenses and Bad Debts	47,942	53,073	55,196	57,293	59,394	61,519	63,683	65,899	68,174	70,516	72,930
General Expenses	53,420	56,630	58,896	61,134	63,375	65,643	67,952	70,316	72,744	75,243	77,819
TRIA Recoup of Government Losses	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	385	729	758	787	816	845	875	905	937	969	1,002
Other Administrative	112,839	103,469	107,607	111,696	115,792	119,935	124,155	128,474	132,910	137,475	142,182
Total	2,693,406	2,968,387	3,202,803	3,328,136	3,457,761	3,591,676	3,702,652	3,845,574	3,994,394	4,149,542	4,311,439
<u>OTHER OPERATING REVENUES / EXPENSES</u>											
Net investment income	643,989	834,531	874,112	926,611	978,894	1,022,795	1,058,453	1,108,655	1,160,214	1,209,087	1,259,222
Unrealized Capital Gains / (Losses)	351,609	0	0	0	0	0	0	0	0	0	0
Other Direct Charges to Contingency Reserve	(14,984)	0	0	0	0	0	0	0	0	0	0
Total	980,614	834,531	874,112	926,611	978,894	1,022,795	1,058,453	1,108,655	1,160,214	1,209,087	1,259,222
<u>NET INCOME/(LOSS)</u>	376,368	81,998	(15,783)	(10,721)	(883)	3,551	2,527	12,267	19,069	23,249	28,240
Profitability Ratios	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
Loss & LAE Ratio	125%	132%	137%	138%	138%	138%	139%	139%	139%	139%	139%
Combined Ratio	138%	145%	149%	150%	151%	151%	151%	151%	151%	151%	151%
Operating Ratio	81%	96%	101%	100%	100%	100%	100%	100%	99%	99%	99%

Washington Department of Labor & Industries
Scenario 3: Indicated (Break-Even) Rate Change
Combined Funds
Probability of Insolvency

Probability of Contingency Reserve < \$0

2 Year Horizon (as of June 30, 2025)
5 Year Horizon (as of June 30, 2028)
10 Year Horizon (as of June 30, 2033)

0.0%
2.0%
13.1%

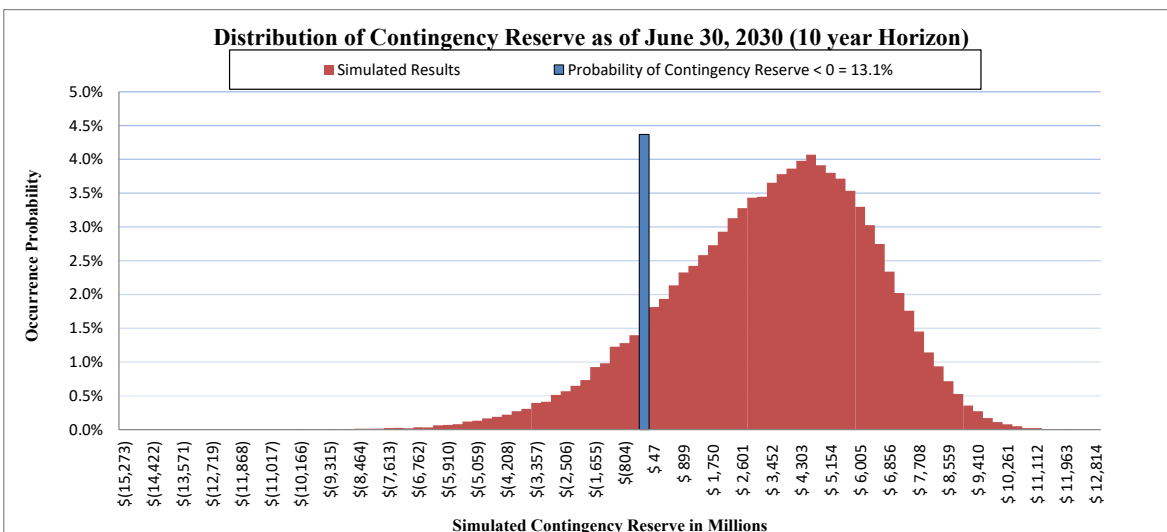
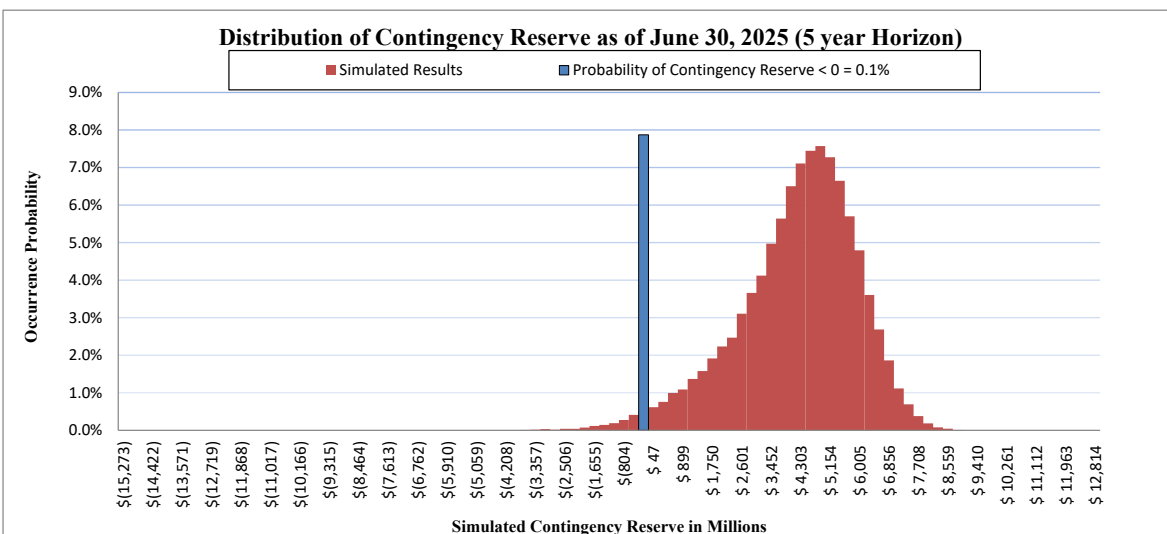
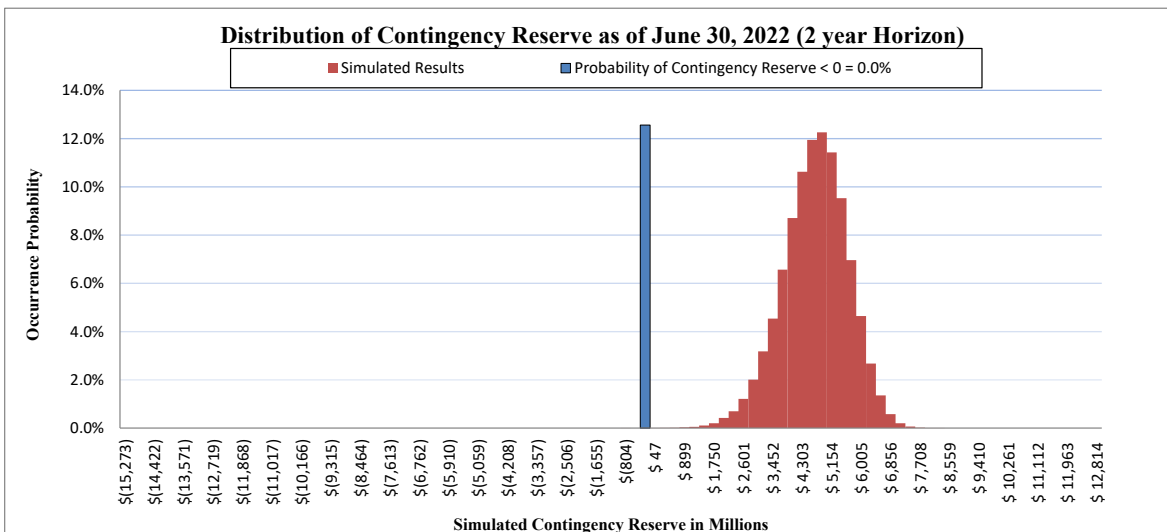


Washington Department of Labor & Industries

Scenario 3: Indicated (Break-Even) Rate Change

Combined Funds

Probability of Insolvency



Washington Department of Labor & Industries
Scenario 4: Contingency Reserve Growth Rate Change (Arriving at a 25% Ratio)
Scenario Assumptions

Assumptions	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
Annual Rate Change Assumptions <i>(Changes are on a calendar year basis versus a fiscal year basis like all other assumptions)</i>											
Accident Fund (Including Pension Reserve Fund)	5.9%	6.5%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%
Medical Aid Fund	1.0%	4.7%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%
Investment Assumptions											
Accident Fund (Including Pension Reserve Fund)											
Overall Investment Return	4.69%	3.88%	3.94%	4.08%	4.20%	4.28%	4.34%	4.43%	4.50%	4.56%	4.61%
Government Bond Distribution	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Corporate Bond Distribution	81.57%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%
Equities Distribution	15.47%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%
Cash and Other Distribution	2.96%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Medical Aid Fund											
Overall Investment Return	5.62%	4.26%	4.37%	4.50%	4.59%	4.65%	4.71%	4.78%	4.85%	4.91%	4.98%
Government Bond Distribution	0.45%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Corporate Bond Distribution	76.25%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%
Equities Distribution	20.61%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
Cash and Other Distribution	2.69%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Loss Assumptions											
Accident Fund (Including Pension Reserve Fund)											
Reserve Discount	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Severity Trend		3.86%	3.56%	3.36%	3.23%	3.14%	3.08%	3.04%	3.01%	2.99%	2.98%
Medical Aid Fund											
Reserve Discount	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Severity Trend		6.56%	6.26%	6.06%	5.93%	5.84%	5.78%	5.74%	5.71%	5.69%	5.68%
Indemnity Frequency Trend		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Exposure Trend		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Rating Variables Assumptions											
Accident Fund (Including Pension Reserve Fund)											
LAE to Loss Ratio		8.30%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%
Fixed Expenses (Per Hour) *:		\$0.030	\$0.031	\$0.032	\$0.034	\$0.035	\$0.036	\$0.037	\$0.039	\$0.040	\$0.041
Other Income (Per Hour)		\$0.012	\$0.012	\$0.013	\$0.013	\$0.014	\$0.014	\$0.015	\$0.015	\$0.016	\$0.016
Retro Adjustment Ratio (% of premium)		-15.93%	-15.93%	-15.93%	-15.93%	-15.93%	-15.93%	-15.93%	-15.93%	-15.93%	-15.93%
Medical Aid Fund											
LAE to Loss Ratio		21.76%	21.76%	21.76%	21.76%	21.76%	21.76%	21.76%	21.76%	21.76%	21.76%
Fixed Expenses (Per Hour) *:		\$0.020	\$0.021	\$0.022	\$0.022	\$0.023	\$0.024	\$0.025	\$0.026	\$0.027	\$0.027
Other Income (Per Hour)		\$0.001	\$0.001	\$0.001	\$0.001	\$0.001	\$0.001	\$0.001	\$0.001	\$0.001	\$0.001
Other Financial Statement Assumptions											
Accident Fund (Including Pension Reserve Fund)											
Uncollected Premium (% of Premium)		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Assets (% of Premium)		25.63%	25.63%	25.63%	25.63%	25.63%	25.63%	25.63%	25.63%	25.63%	25.63%
Self-Insured Assessments and Reimbursements (Per Hour)		-\$0.020	-\$0.021	-\$0.022	-\$0.022	-\$0.023	-\$0.024	-\$0.025	-\$0.026	-\$0.027	-\$0.027
Self-Insured Administration Expenses (Per Hour)		\$0.005	\$0.005	\$0.005	\$0.006	\$0.006	\$0.006	\$0.006	\$0.006	\$0.007	\$0.007
Medical Aid Fund											
Uncollected Premium % of Premium		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Assets % of Premium		25.14%	25.14%	25.14%	25.14%	25.14%	25.14%	25.14%	25.14%	25.14%	25.14%
Self-Insured Assessments and Reimbursements (Per Hour)		-\$0.005	-\$0.005	-\$0.005	-\$0.006	-\$0.006	-\$0.006	-\$0.006	-\$0.006	-\$0.007	-\$0.007
Self-Insured Administration Expenses (Per Hour)		\$0.004	\$0.004	\$0.004	\$0.004	\$0.005	\$0.005	\$0.005	\$0.005	\$0.005	\$0.005

* Includes Premium Administration, General, and Other Administrative Expenses

Washington Department of Labor & Industries
Scenario 4: Contingency Reserve Growth Rate Change (Arriving at a 25% Ratio)
Accident Fund (Including Pension Reserve Fund)
Projected Financials (000's)

U.S. Statutory Balance Sheet	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
<u>ASSETS</u>											
Cash & Invested Assets	13,310,781	13,687,768	14,104,160	14,589,958	15,158,812	15,814,534	16,567,749	17,434,152	18,426,941	19,557,339	20,790,470
Premiums Receivable	373,438	386,096	412,084	440,713	471,332	504,077	539,098	576,552	616,608	659,447	705,262
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	50,511	246,397	262,981	281,252	300,792	321,689	344,039	367,941	393,503	420,842	450,080
Total	13,734,730	14,320,261	14,779,225	15,311,923	15,930,936	16,640,301	17,450,886	18,378,644	19,437,052	20,637,627	21,945,811
<u>LIABILITIES</u>											
Loss Reserves	11,610,047	11,927,643	12,412,346	12,904,061	13,406,131	13,919,826	14,445,681	14,984,476	15,537,354	16,105,237	16,641,123
LAE Reserves	323,114	349,819	375,876	401,261	426,071	450,301	474,025	497,434	520,693	543,845	567,059
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	359,131	531,120	524,172	517,032	508,963	499,873	489,668	478,246	465,501	451,320	435,583
Total	12,292,292	12,808,582	13,312,395	13,822,354	14,341,165	14,870,000	15,409,374	15,960,156	16,523,547	17,100,403	17,643,766
<u>CONTINGENCY RESERVE</u>	1,442,438	1,511,679	1,466,831	1,489,569	1,589,770	1,770,301	2,041,512	2,418,488	2,913,505	3,537,224	4,302,046

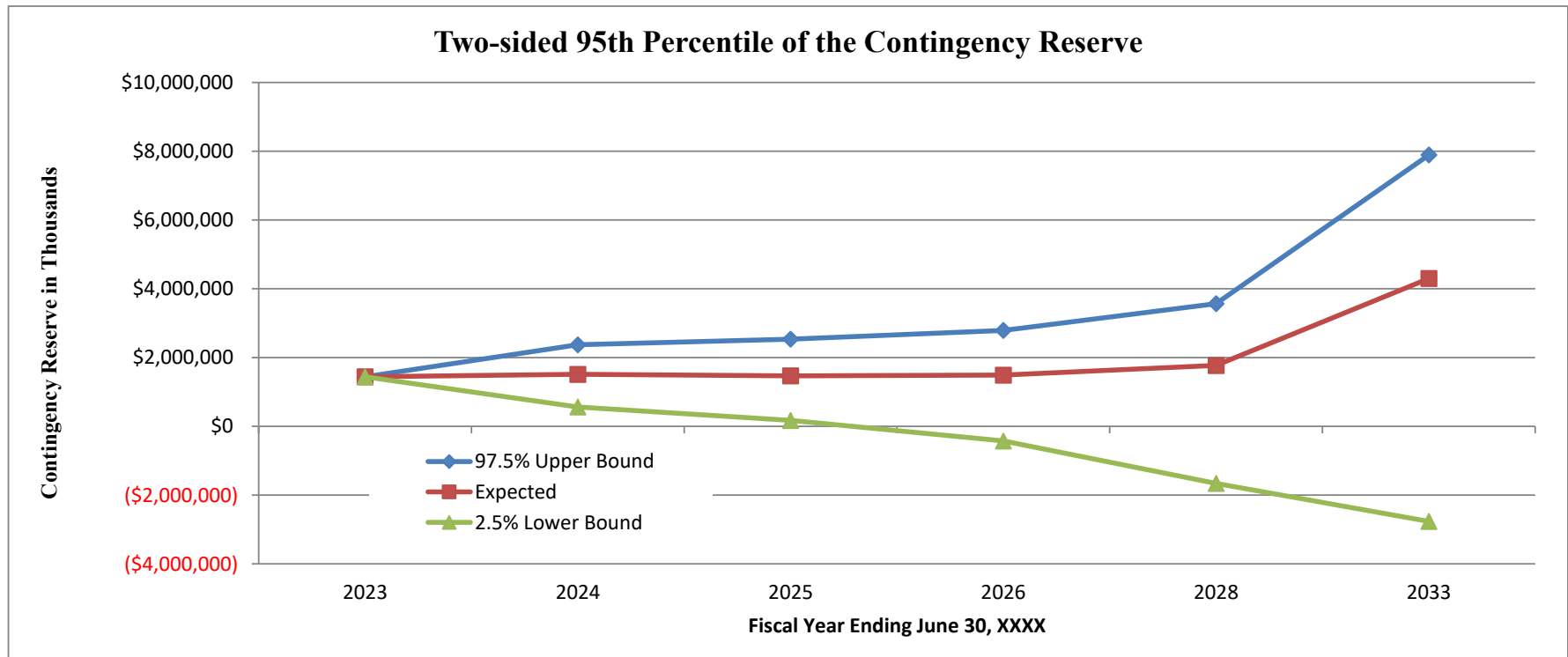
Washington Department of Labor & Industries
Scenario 4: Contingency Reserve Growth Rate Change (Arriving at a 25% Ratio)
Accident Fund (Including Pension Reserve Fund)
Projected Financials (000's)

U.S. Statutory Income Statement	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
<u>UNDERWRITING REVENUES</u>											
Premium	1,401,937	1,506,527	1,607,928	1,719,639	1,839,111	1,966,883	2,103,532	2,249,674	2,405,970	2,573,125	2,751,892
Retrospective rating adjustments	(203,774)	(240,033)	(256,189)	(273,987)	(293,023)	(313,380)	(335,152)	(358,437)	(383,339)	(409,972)	(438,455)
Self-Insured Assessments & Reimbursements	66,930	86,412	89,868	93,283	96,704	100,163	103,688	107,295	111,000	114,813	118,743
Other income	49,750	51,336	53,390	55,418	57,450	59,506	61,600	63,743	65,944	68,209	70,544
Total	1,314,843	1,404,243	1,494,998	1,594,353	1,700,242	1,813,172	1,933,667	2,062,275	2,199,574	2,346,174	2,502,725
<u>UNDERWRITING EXPENSES</u>											
Incurred Loss	1,656,380	1,593,189	1,811,062	1,868,007	1,925,139	1,983,115	2,042,375	2,103,112	2,165,543	2,229,820	2,296,068
Incurred LAE	77,505	108,714	112,679	116,555	120,396	124,247	128,136	132,081	136,103	140,217	144,430
Self-Insured Admin Expenses	19,601	21,603	22,467	23,321	24,176	25,041	25,922	26,824	27,750	28,703	29,686
Premium Admin Expenses and Bad Debts	23,885	26,028	27,069	28,098	29,128	30,170	31,232	32,319	33,434	34,583	35,767
General Expenses	30,900	32,475	33,774	35,058	36,343	37,643	38,968	40,324	41,716	43,149	44,626
TRIA Recoup of Government Losses	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	191	433	450	467	484	501	519	537	556	575	594
Other Administrative	75,808	69,404	72,181	74,924	77,671	80,450	83,280	86,178	89,153	92,216	95,372
Total	1,884,270	1,851,846	2,079,682	2,146,430	2,213,338	2,281,168	2,350,432	2,421,374	2,494,255	2,569,262	2,646,543
<u>OTHER OPERATING REVENUES / EXPENSES</u>											
Net investment income	406,918	516,844	539,836	574,814	613,297	648,526	687,976	736,076	789,698	846,807	908,639
Unrealized Capital Gains / (Losses)	191,176	0	0	0	0	0	0	0	0	0	0
Other Direct Charges to Contingency Reserve	(27,165)	0	0	0	0	0	0	0	0	0	0
Total	570,929	516,844	539,836	574,814	613,297	648,526	687,976	736,076	789,698	846,807	908,639
<u>NET INCOME/(LOSS)</u>	1,502	69,241	(44,848)	22,738	100,202	180,530	271,211	376,977	495,017	623,719	764,821
Profitability Ratios	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
Loss & LAE Ratio	145%	134%	142%	137%	132%	127%	123%	118%	114%	110%	105%
Combined Ratio	157%	146%	154%	148%	143%	138%	133%	128%	123%	119%	114%
Operating Ratio	100%	95%	103%	98%	94%	89%	85%	80%	76%	71%	67%

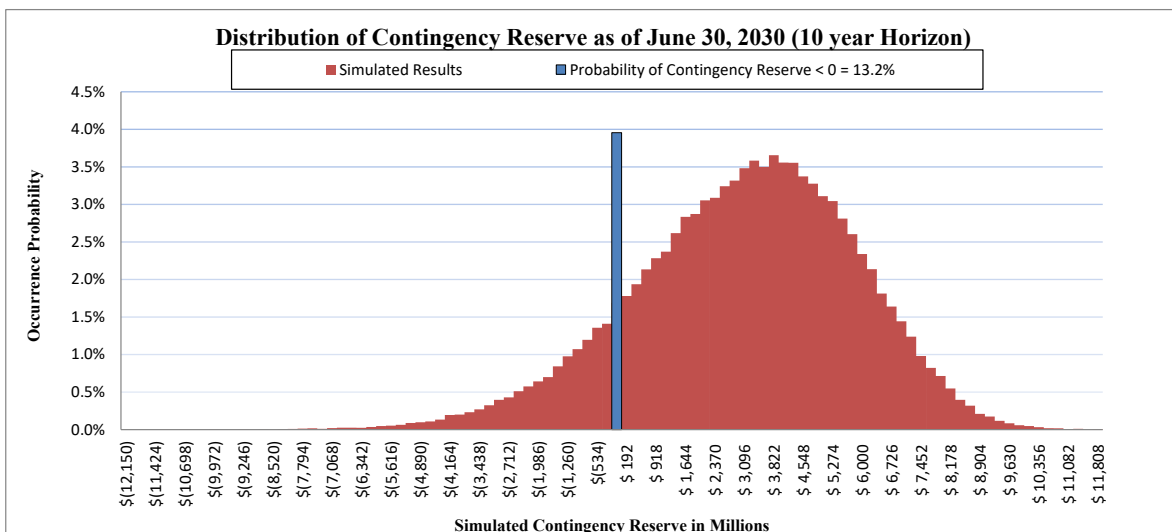
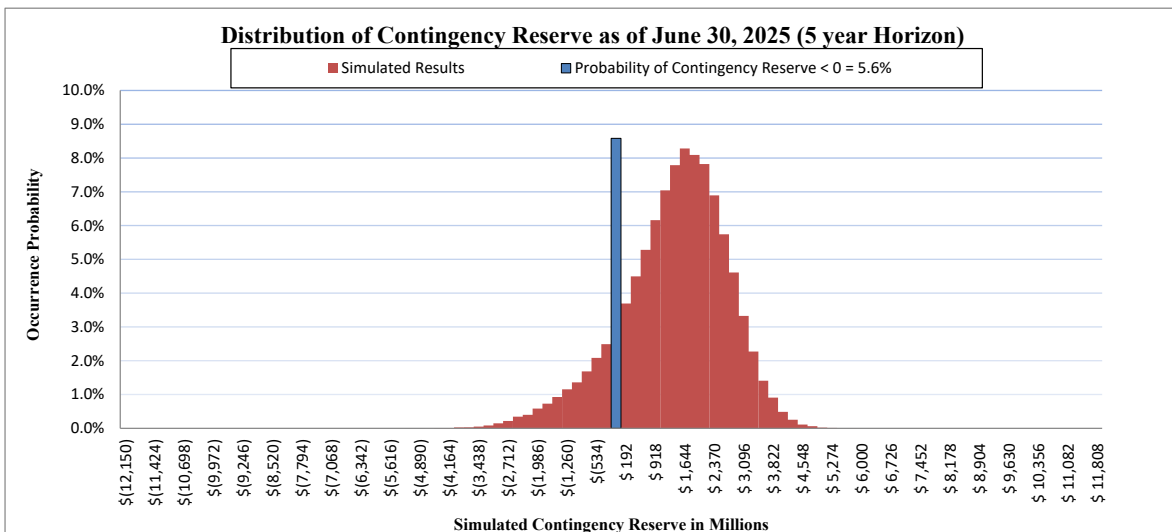
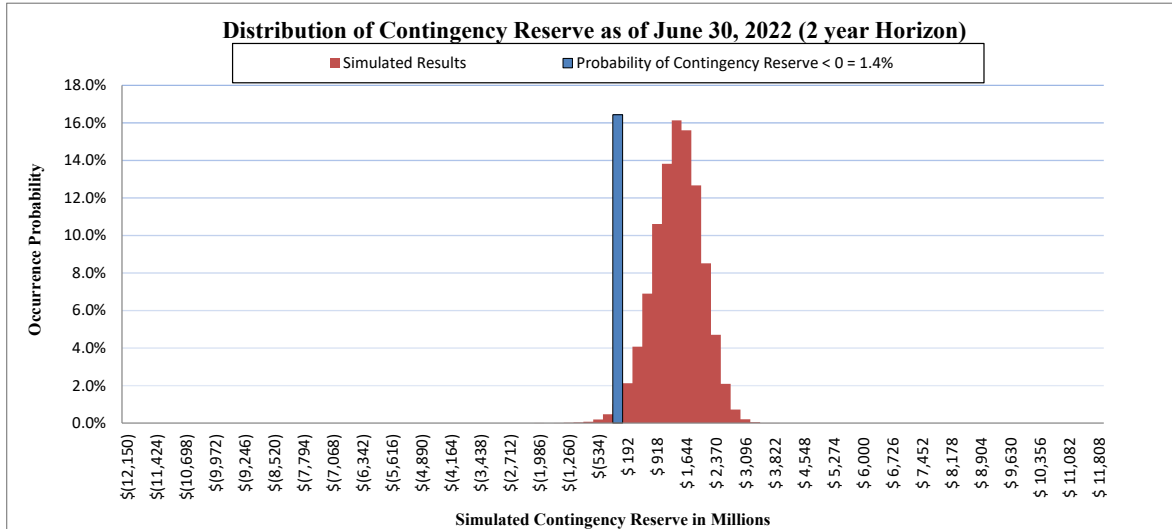
Washington Department of Labor & Industries
Scenario 4: Contingency Reserve Growth Rate Change (Arriving at a 25% Ratio)
Accident Fund (Including Pension Reserve Fund)
Probability of Insolvency

Probability of Contingency Reserve < \$0

<u>2 Year Horizon (as of June 30, 2025)</u>	1.4%
<u>5 Year Horizon (as of June 30, 2028)</u>	14.3%
<u>10 Year Horizon (as of June 30, 2033)</u>	13.2%



Washington Department of Labor & Industries
Scenario 4: Contingency Reserve Growth Rate Change (Arriving at a 25% Ratio)
Accident Fund (Including Pension Reserve Fund)
Probability of Insolvency



Washington Department of Labor & Industries
Scenario 4: Contingency Reserve Growth Rate Change (Arriving at a 25% Ratio)
Medical Aid Fund
Projected Financials (000's)

U.S. Statutory Balance Sheet	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
<u>ASSETS</u>											
Cash & Invested Assets	7,464,247	7,648,524	7,828,927	7,990,169	8,120,079	8,210,752	8,249,078	8,237,916	8,171,657	8,042,739	7,845,591
Premiums Receivable	197,089	191,967	196,036	195,359	194,686	194,014	193,345	192,679	192,014	191,352	190,692
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	22,499	22,846	23,331	23,250	23,170	23,090	23,010	22,931	22,852	22,773	22,695
Total	7,683,835	7,863,337	8,048,294	8,208,779	8,337,935	8,427,856	8,465,433	8,453,525	8,386,523	8,256,864	8,058,978
<u>LIABILITIES</u>											
Loss Reserves	3,657,887	3,795,069	3,906,098	4,029,444	4,163,889	4,309,191	4,465,520	4,633,403	4,813,595	5,006,866	5,213,665
LAE Reserves	632,125	661,970	686,125	712,959	742,208	773,820	807,830	844,353	883,555	925,602	970,593
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	137,571	137,289	145,912	156,821	171,025	188,559	209,479	233,858	261,782	293,347	328,656
Total	4,427,583	4,594,328	4,738,135	4,899,224	5,077,123	5,271,570	5,482,828	5,711,614	5,958,932	6,225,815	6,512,914
<u>CONTINGENCY RESERVE</u>	3,256,252	3,269,009	3,310,158	3,309,555	3,260,812	3,156,286	2,982,605	2,741,911	2,427,591	2,031,049	1,546,064

Washington Department of Labor & Industries
Scenario 4: Contingency Reserve Growth Rate Change (Arriving at a 25% Ratio)
Medical Aid Fund
Projected Financials (000's)

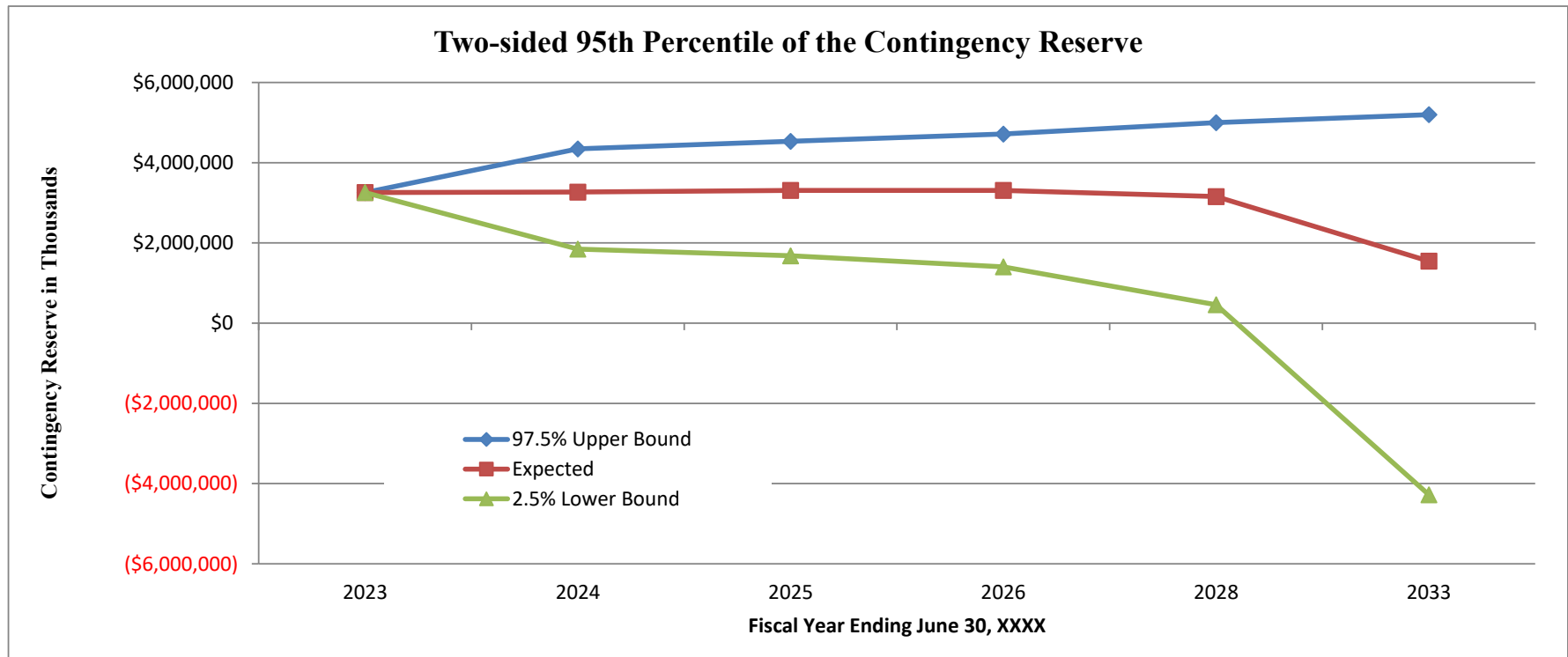
U.S. Statutory Income Statement	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
<u>UNDERWRITING REVENUES</u>											
Premium	752,738	785,731	803,077	800,999	799,615	798,241	769,008	766,356	763,713	761,079	758,455
Retrospective rating adjustments	0	0	0	0	0	0	0	0	0	0	0
Self-Insured Assessments & Reimbursements	18,563	21,603	22,467	23,321	24,176	25,041	25,922	26,824	27,750	28,703	29,686
Other income	3,016	4,278	4,449	4,618	4,788	4,959	5,133	5,312	5,495	5,684	5,879
Total	774,317	811,612	829,993	828,938	828,579	828,241	800,063	798,492	796,958	795,467	794,019
<u>UNDERWRITING EXPENSES</u>											
Incurred Loss	574,306	835,405	838,769	883,658	932,057	983,183	1,009,248	1,064,841	1,123,590	1,185,685	1,251,339
Incurred LAE	132,915	178,294	177,395	187,028	197,275	208,116	219,567	231,662	244,443	257,952	272,235
Self-Insured Admin Expenses	18,113	17,282	17,974	18,657	19,341	20,033	20,738	21,459	22,200	22,963	23,749
Premium Admin Expenses and Bad Debts	24,057	27,045	28,126	29,195	30,266	31,348	32,451	33,580	34,740	35,933	37,163
General Expenses	22,520	24,155	25,121	26,076	27,032	27,999	28,984	29,993	31,028	32,094	33,193
TRIA Recoup of Government Losses	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	194	297	308	320	332	344	356	368	381	394	408
Other Administrative	37,031	34,064	35,427	36,773	38,121	39,485	40,874	42,296	43,757	45,260	46,809
Total	809,136	1,116,542	1,123,120	1,181,707	1,244,423	1,310,508	1,352,219	1,424,200	1,500,138	1,580,280	1,664,896
<u>OTHER OPERATING REVENUES / EXPENSES</u>											
Net investment income	237,071	317,687	334,276	352,165	367,102	377,741	378,475	385,014	388,860	388,271	385,893
Unrealized Capital Gains / (Losses)	160,433	0	0	0	0	0	0	0	0	0	0
Other Direct Charges to Contingency Reserve	12,181	0	0	0	0	0	0	0	0	0	0
Total	409,685	317,687	334,276	352,165	367,102	377,741	378,475	385,014	388,860	388,271	385,893
<u>NET INCOME/(LOSS)</u>	374,866	12,757	41,149	(604)	(48,743)	(104,526)	(173,681)	(240,694)	(314,320)	(396,543)	(484,984)
Profitability Ratios	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
Loss & LAE Ratio	94%	129%	127%	134%	141%	149%	160%	169%	179%	190%	201%
Combined Ratio	107%	142%	140%	148%	156%	164%	176%	186%	196%	208%	220%
Operating Ratio	50%	98%	95%	100%	106%	113%	123%	131%	141%	152%	164%

Washington Department of Labor & Industries
Scenario 4: Contingency Reserve Growth Rate Change (Arriving at a 25% Ratio)
Medical Aid Fund
Probability of Insolvency

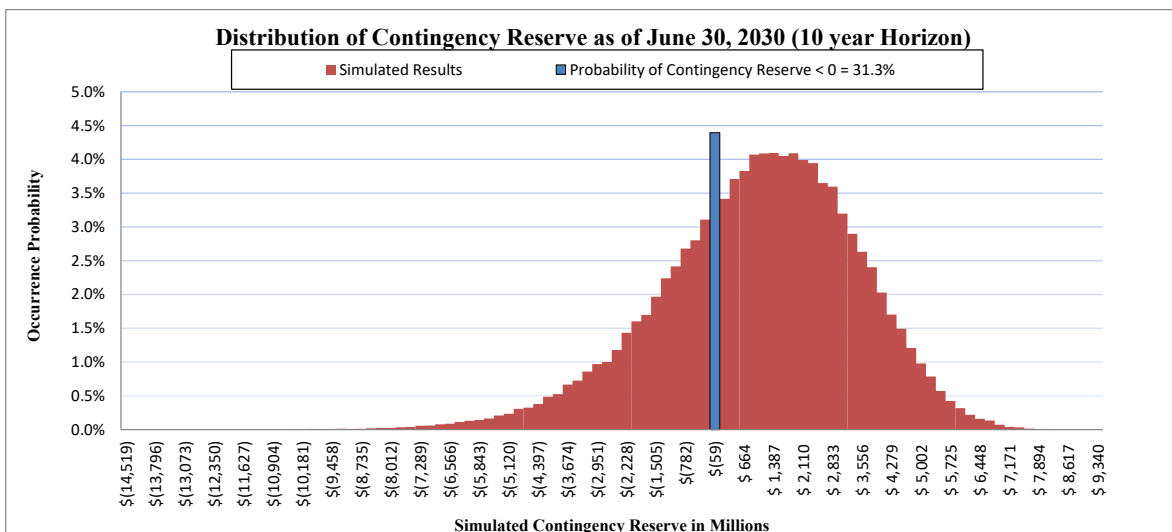
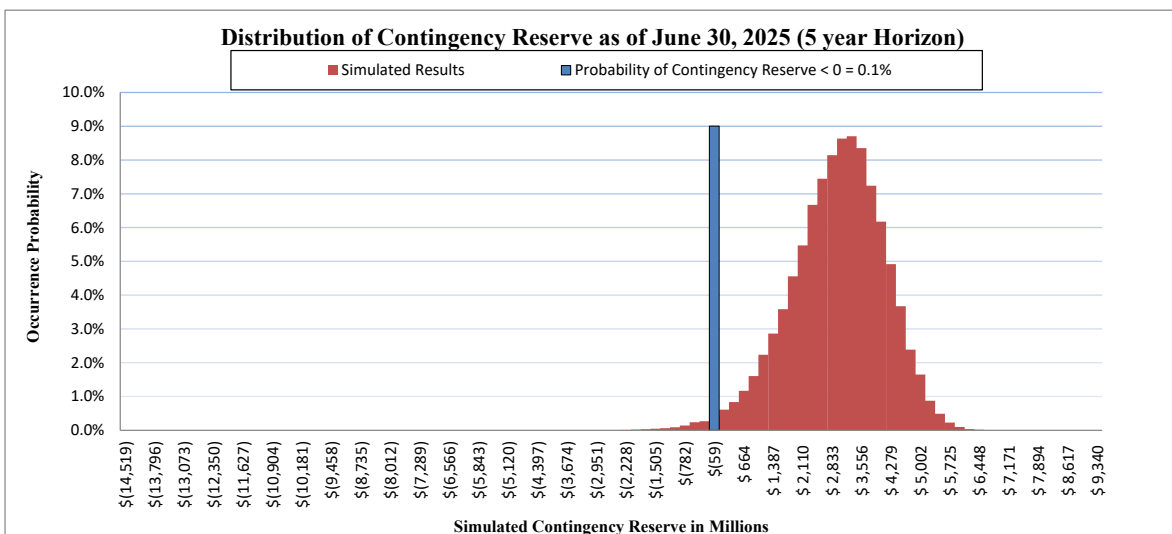
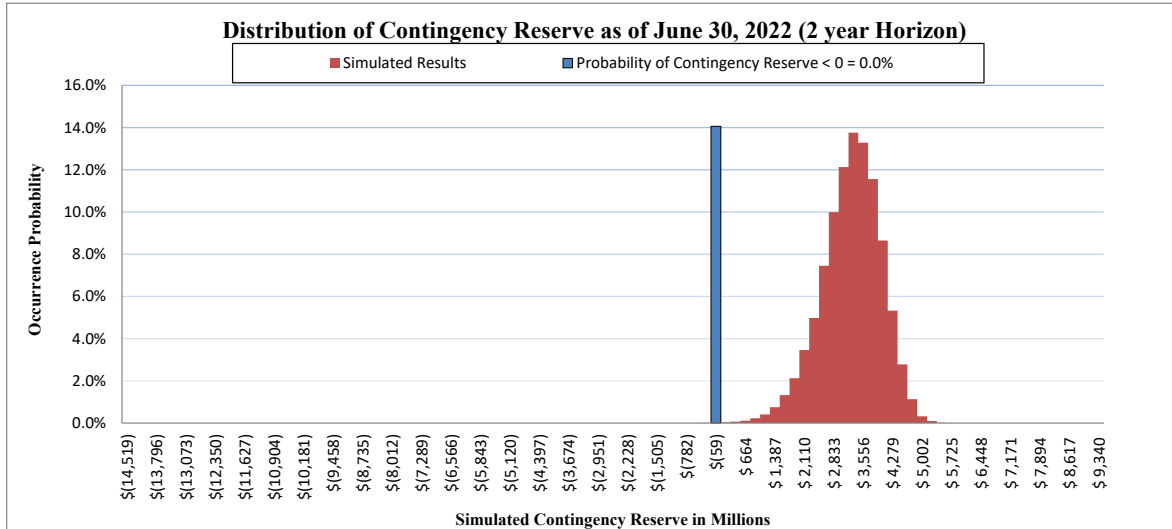
Probability of Contingency Reserve < \$0

2 Year Horizon (as of June 30, 2025)
5 Year Horizon (as of June 30, 2028)
10 Year Horizon (as of June 30, 2033)

0.0%
1.2%
31.3%



Washington Department of Labor & Industries
Scenario 4: Contingency Reserve Growth Rate Change (Arriving at a 25% Ratio)
Medical Aid Fund
Probability of Insolvency



Washington Department of Labor & Industries
Scenario 4: Contingency Reserve Growth Rate Change (Arriving at a 25% Ratio)
Combined Funds
Projected Financials (000's)

U.S. Statutory Balance Sheet	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
<u>ASSETS</u>											
Cash & Invested Assets	20,775,028	21,336,292	21,933,088	22,580,127	23,278,891	24,025,286	24,816,827	25,672,067	26,598,599	27,600,078	28,636,062
Premiums Receivable	570,527	578,063	608,119	636,073	666,017	698,092	732,443	769,230	808,622	850,798	895,953
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	73,010	269,243	286,312	304,502	323,962	344,779	367,049	390,872	416,355	443,615	472,774
Total	21,418,565	22,183,598	22,827,519	23,520,701	24,268,870	25,068,157	25,916,319	26,832,170	27,823,576	28,894,491	30,004,789
<u>LIABILITIES</u>											
Loss Reserves	15,267,934	15,722,712	16,318,444	16,933,505	17,570,020	18,229,017	18,911,201	19,617,879	20,350,949	21,112,103	21,854,789
LAE Reserves	955,239	1,011,788	1,062,001	1,114,220	1,168,280	1,224,120	1,281,855	1,341,787	1,404,248	1,469,448	1,537,652
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	496,702	668,409	670,084	673,853	679,988	688,433	699,147	712,104	727,283	744,667	764,239
Total	16,719,875	17,402,909	18,050,530	18,721,578	19,418,288	20,141,570	20,892,203	21,671,770	22,482,479	23,326,218	24,156,679
<u>CONTINGENCY RESERVE</u>	4,698,690	4,780,688	4,776,989	4,799,123	4,850,582	4,926,586	5,024,117	5,160,399	5,341,097	5,568,273	5,848,110

Washington Department of Labor & Industries
Scenario 4: Contingency Reserve Growth Rate Change (Arriving at a 25% Ratio)
Combined Funds
Projected Financials (000's)

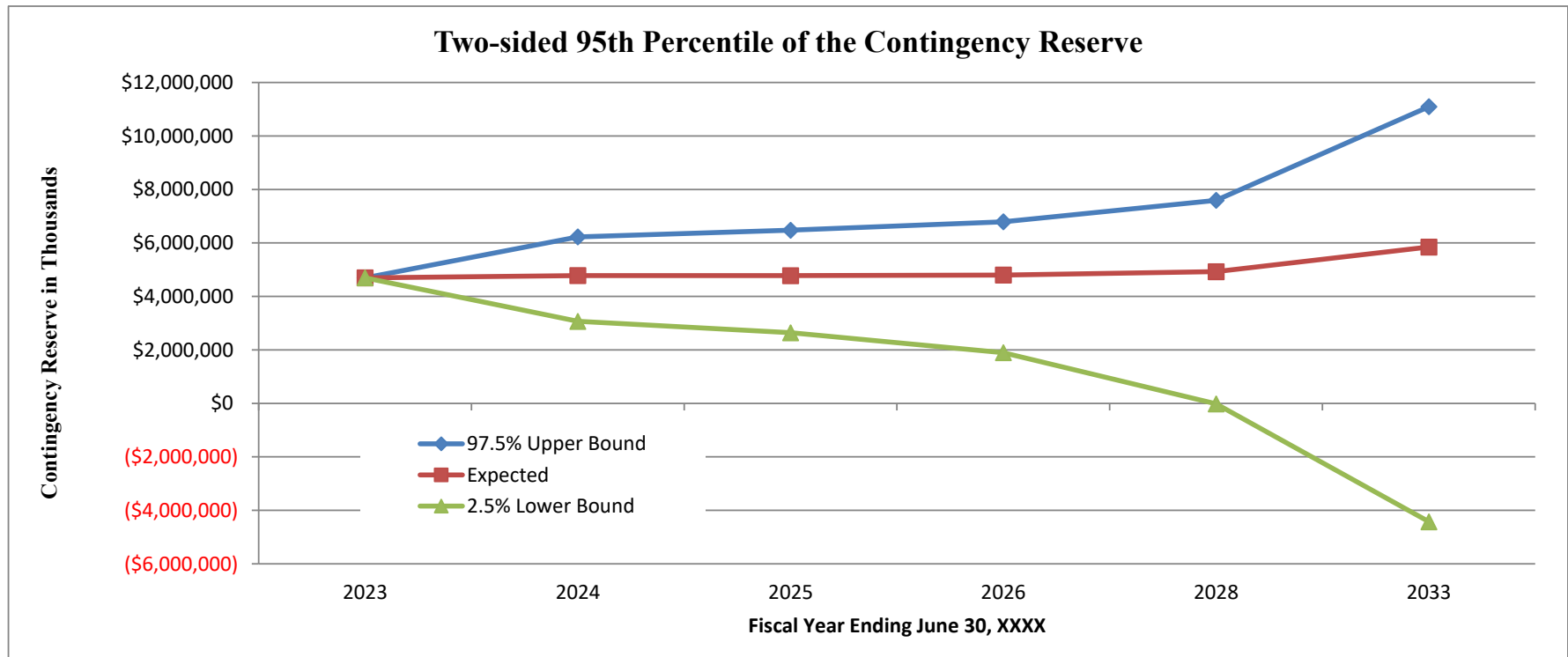
U.S. Statutory Income Statement	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
<u>UNDERWRITING REVENUES</u>											
Premium	2,154,675	2,292,259	2,411,006	2,520,638	2,638,726	2,765,124	2,872,540	3,016,030	3,169,684	3,334,204	3,510,347
Retrospective rating adjustments	(203,774)	(240,033)	(256,189)	(273,987)	(293,023)	(313,380)	(335,152)	(358,437)	(383,339)	(409,972)	(438,455)
Self-Insured Assessments & Reimbursements	85,493	108,015	112,335	116,604	120,879	125,204	129,610	134,119	138,749	143,516	148,429
Other income	52,766	55,614	57,839	60,037	62,238	64,465	66,733	69,055	71,439	73,893	76,423
Total	2,089,160	2,215,855	2,324,991	2,423,291	2,528,821	2,641,413	2,733,730	2,860,767	2,996,532	3,141,641	3,296,744
<u>UNDERWRITING EXPENSES</u>											
Incurred Loss	2,230,686	2,428,593	2,649,831	2,751,665	2,857,196	2,966,298	3,051,623	3,167,954	3,289,133	3,415,505	3,547,407
Incurred LAE	210,420	287,008	290,074	303,583	317,671	332,362	347,704	363,743	380,546	398,168	416,665
Self-Insured Admin Expenses	37,714	38,885	40,441	41,977	43,517	45,074	46,659	48,283	49,950	51,666	53,434
Premium Admin Expenses and Bad Debts	47,942	53,073	55,196	57,293	59,394	61,519	63,683	65,899	68,174	70,516	72,930
General Expenses	53,420	56,630	58,896	61,134	63,375	65,643	67,952	70,316	72,744	75,243	77,819
TRIA Recoup of Government Losses	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	385	729	758	787	816	845	875	905	937	969	1,002
Other Administrative	112,839	103,469	107,607	111,696	115,792	119,935	124,155	128,474	132,910	137,475	142,182
Total	2,693,406	2,968,387	3,202,803	3,328,136	3,457,761	3,591,676	3,702,652	3,845,574	3,994,394	4,149,542	4,311,439
<u>OTHER OPERATING REVENUES / EXPENSES</u>											
Net investment income	643,989	834,531	874,112	926,979	980,399	1,026,267	1,066,452	1,121,090	1,178,558	1,235,078	1,294,532
Unrealized Capital Gains / (Losses)	351,609	0	0	0	0	0	0	0	0	0	0
Other Direct Charges to Contingency Reserve	(14,984)	0	0	0	0	0	0	0	0	0	0
Total	980,614	834,531	874,112	926,979	980,399	1,026,267	1,066,452	1,121,090	1,178,558	1,235,078	1,294,532
<u>NET INCOME/(LOSS)</u>	376,368	81,998	(3,699)	22,134	51,459	76,004	97,530	136,283	180,697	227,177	279,837
Profitability Ratios	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
Loss & LAE Ratio	125%	132%	136%	136%	135%	135%	134%	133%	132%	130%	129%
Combined Ratio	138%	145%	149%	148%	147%	146%	146%	145%	143%	142%	140%
Operating Ratio	81%	96%	100%	99%	98%	97%	96%	95%	94%	92%	91%

Washington Department of Labor & Industries
Scenario 4: Contingency Reserve Growth Rate Change (Arriving at a 25% Ratio)
Combined Funds
Probability of Insolvency

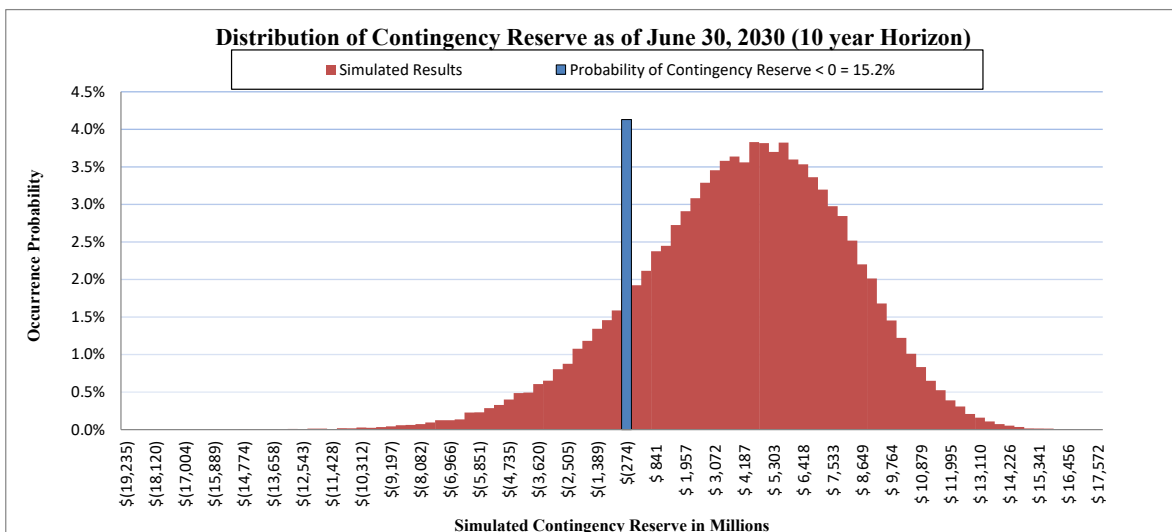
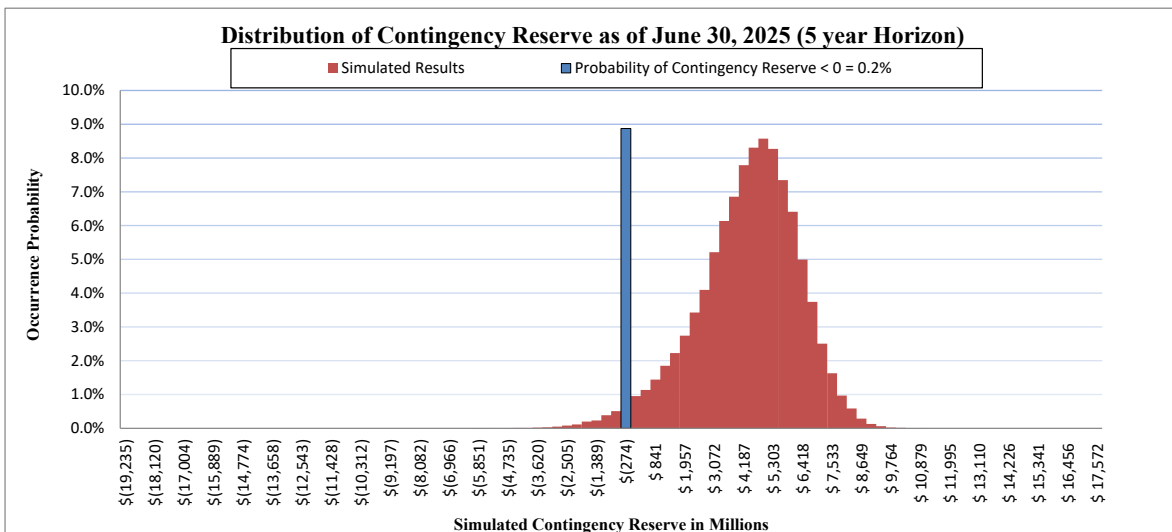
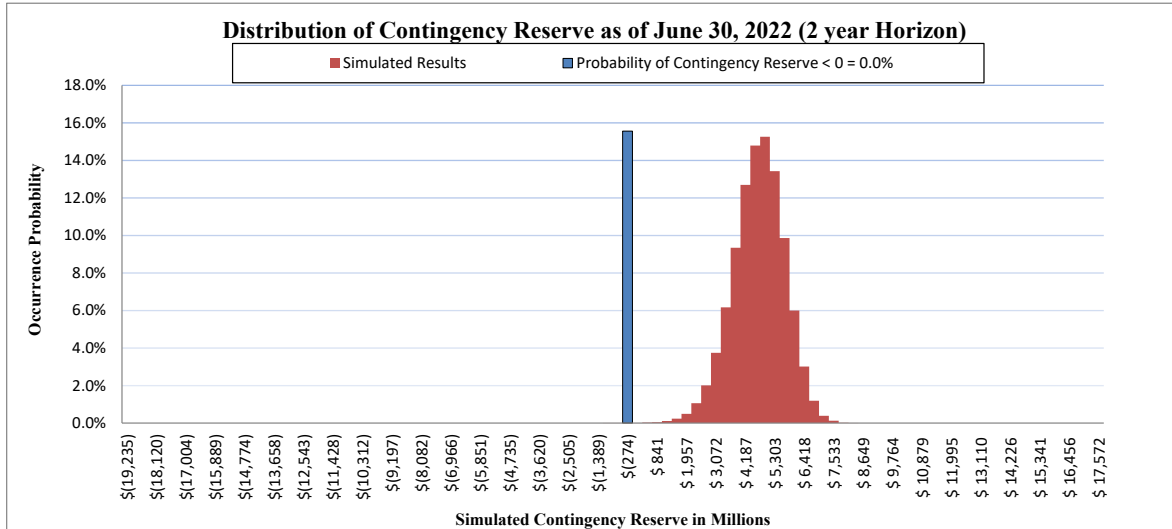
Probability of Contingency Reserve < \$0

2 Year Horizon (as of June 30, 2025)
5 Year Horizon (as of June 30, 2028)
10 Year Horizon (as of June 30, 2033)

0.0%
2.5%
15.2%



Washington Department of Labor & Industries
Scenario 4: Contingency Reserve Growth Rate Change (Arriving at a 25% Ratio)
Combined Funds
Probability of Insolvency



Washington Department of Labor & Industries
Scenario 5: Contingency Reserve Growth Rate Change (Maintaining a 25% ratio)
Scenario Assumptions

Assumptions	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
Annual Rate Change Assumptions <i>(Changes are on a calendar year basis versus a fiscal year basis like all other assumptions)</i>											
Accident Fund (Including Pension Reserve Fund)	5.9%	6.5%								Long Term Required Annual Increase:	3.7%
Medical Aid Fund	1.0%	4.7%								Long Term Required Annual Increase:	5.3%
Investment Assumptions											
Accident Fund (Including Pension Reserve Fund)											
Overall Investment Return	4.69%	3.88%	3.94%	4.08%	4.20%	4.28%	4.34%	4.43%	4.50%	4.56%	4.61%
Government Bond Distribution	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Corporate Bond Distribution	81.57%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%
Equities Distribution	15.47%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%
Cash and Other Distribution	2.96%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Medical Aid Fund											
Overall Investment Return	5.62%	4.26%	4.37%	4.50%	4.59%	4.65%	4.71%	4.78%	4.85%	4.91%	4.98%
Government Bond Distribution	0.45%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Corporate Bond Distribution	76.25%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%
Equities Distribution	20.61%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
Cash and Other Distribution	2.69%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Loss Assumptions											
Accident Fund (Including Pension Reserve Fund)											
Reserve Discount	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Severity Trend		3.86%	3.56%	3.36%	3.23%	3.14%	3.08%	3.04%	3.01%	2.99%	2.98%
Medical Aid Fund											
Reserve Discount	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Severity Trend		6.56%	6.26%	6.06%	5.93%	5.84%	5.78%	5.74%	5.71%	5.69%	5.68%
Indemnity Frequency Trend		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Exposure Trend		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Rating Variables Assumptions											
Accident Fund (Including Pension Reserve Fund)											
LAE to Loss Ratio		8.30%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%
Fixed Expenses (Per Hour) *:		\$0.030	\$0.031	\$0.032	\$0.034	\$0.035	\$0.036	\$0.037	\$0.039	\$0.040	\$0.041
Other Income (Per Hour)		\$0.012	\$0.012	\$0.013	\$0.013	\$0.014	\$0.014	\$0.015	\$0.015	\$0.016	\$0.016
Retro Adjustment Ratio (% of premium)		-15.93%	-15.93%	-15.93%	-15.93%	-15.93%	-15.93%	-15.93%	-15.93%	-15.93%	-15.93%
Medical Aid Fund											
LAE to Loss Ratio		21.76%	21.76%	21.76%	21.76%	21.76%	21.76%	21.76%	21.76%	21.76%	21.76%
Fixed Expenses (Per Hour) *:		\$0.020	\$0.021	\$0.022	\$0.022	\$0.023	\$0.024	\$0.025	\$0.026	\$0.027	\$0.027
Other Income (Per Hour)		\$0.001	\$0.001	\$0.001	\$0.001	\$0.001	\$0.001	\$0.001	\$0.001	\$0.001	\$0.001
Other Financial Statement Assumptions											
Accident Fund (Including Pension Reserve Fund)											
Uncollected Premium (% of Premium)		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Assets (% of Premium)		25.63%	25.63%	25.63%	25.63%	25.63%	25.63%	25.63%	25.63%	25.63%	25.63%
Self-Insured Assessments and Reimbursements (Per Hour)		-\$0.020	-\$0.021	-\$0.022	-\$0.022	-\$0.023	-\$0.024	-\$0.025	-\$0.026	-\$0.027	-\$0.027
Self-Insured Administration Expenses (Per Hour)		\$0.005	\$0.005	\$0.005	\$0.006	\$0.006	\$0.006	\$0.006	\$0.006	\$0.007	\$0.007
Medical Aid Fund											
Uncollected Premium % of Premium		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Assets % of Premium		25.14%	25.14%	25.14%	25.14%	25.14%	25.14%	25.14%	25.14%	25.14%	25.14%
Self-Insured Assessments and Reimbursements (Per Hour)		-\$0.005	-\$0.005	-\$0.005	-\$0.006	-\$0.006	-\$0.006	-\$0.006	-\$0.006	-\$0.007	-\$0.007
Self-Insured Administration Expenses (Per Hour)		\$0.004	\$0.004	\$0.004	\$0.004	\$0.005	\$0.005	\$0.005	\$0.005	\$0.005	\$0.005

* Includes Premium Administration, General, and Other Administrative Expenses

Washington Department of Labor & Industries
Scenario 5: Contingency Reserve Growth Rate Change (Maintaining a 25% ratio)
Accident Fund (Including Pension Reserve Fund)
Projected Financials (000's)

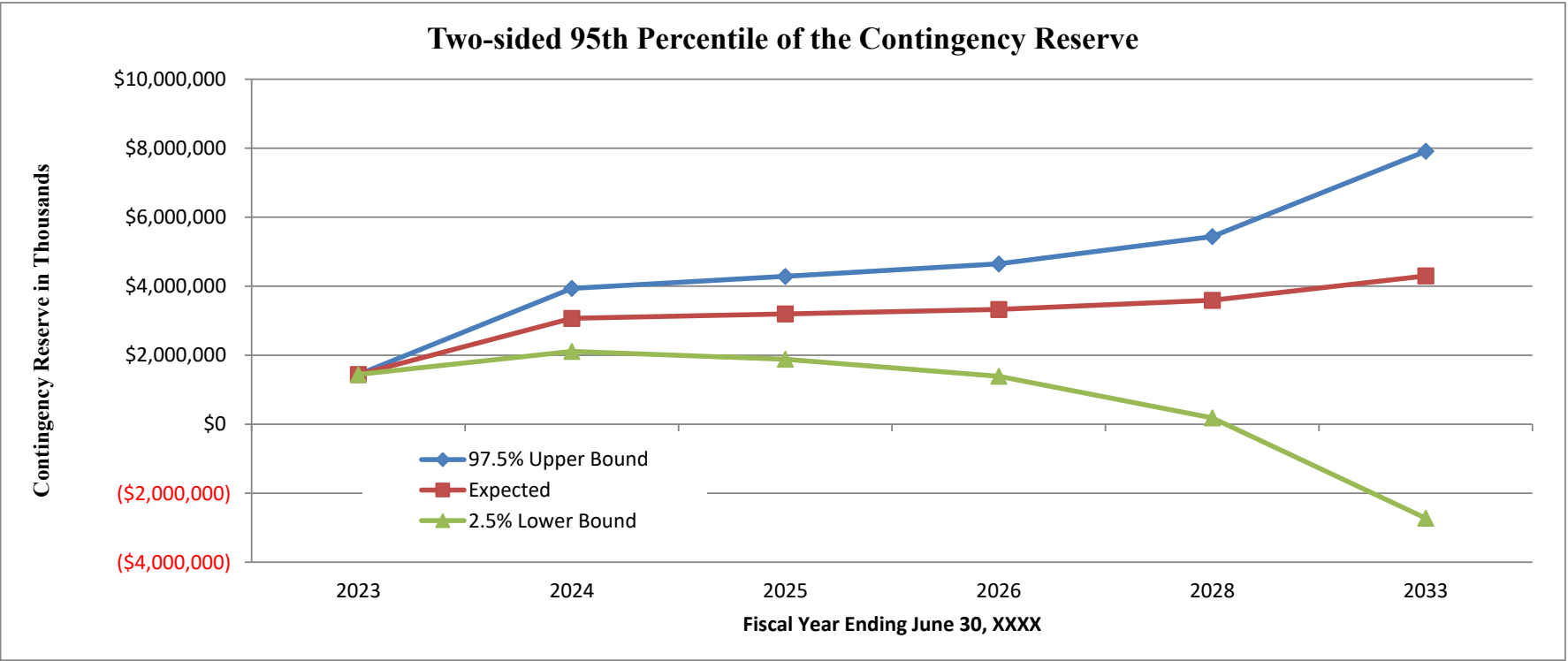
U.S. Statutory Balance Sheet	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
<u>ASSETS</u>											
Cash & Invested Assets	13,310,781	15,245,454	15,803,404	16,412,951	17,035,169	17,668,856	18,315,518	18,979,027	19,659,293	20,356,663	21,015,944
Premiums Receivable	373,438	386,096	445,954	452,080	457,579	465,567	474,974	482,747	490,965	500,540	507,678
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	50,511	246,397	284,597	288,506	292,015	297,113	303,116	308,076	313,321	319,432	323,987
Total	13,734,730	15,877,947	16,533,955	17,153,536	17,784,763	18,431,536	19,093,608	19,769,850	20,463,579	21,176,635	21,847,609
<u>LIABILITIES</u>											
Loss Reserves	11,610,047	11,927,643	12,412,346	12,904,061	13,406,131	13,919,826	14,445,681	14,984,476	15,537,354	16,105,237	16,641,123
LAE Reserves	323,114	349,819	375,876	401,261	426,071	450,301	474,025	497,434	520,693	543,845	567,059
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	359,131	531,120	548,677	521,883	494,510	468,878	443,975	417,462	391,021	365,282	337,381
Total	12,292,292	12,808,582	13,336,899	13,827,206	14,326,713	14,839,005	15,363,681	15,899,373	16,449,068	17,014,364	17,545,563
<u>CONTINGENCY RESERVE</u>	1,442,438	3,069,365	3,197,056	3,326,331	3,458,051	3,592,532	3,729,927	3,870,478	4,014,512	4,162,271	4,302,046

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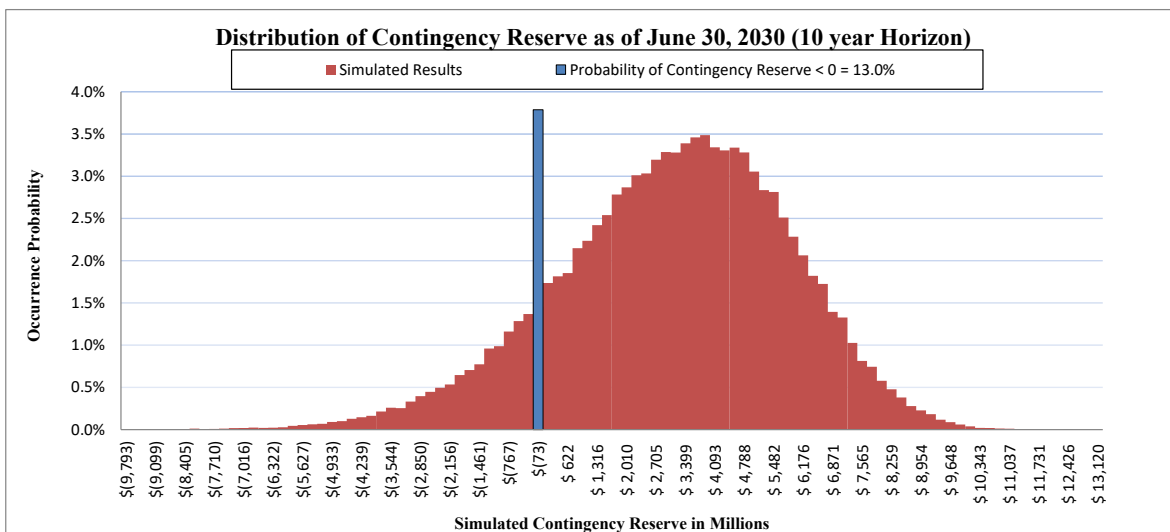
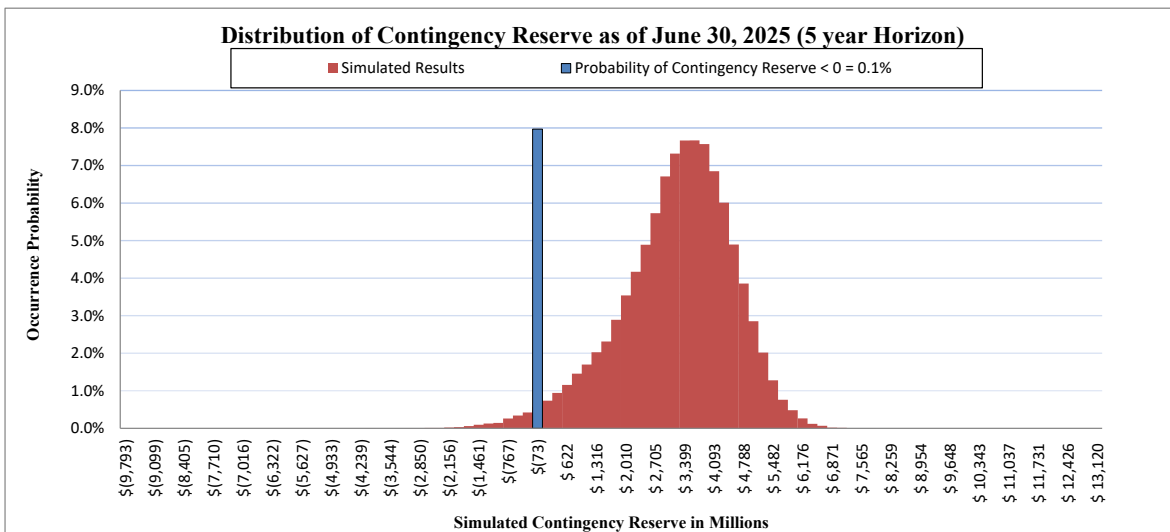
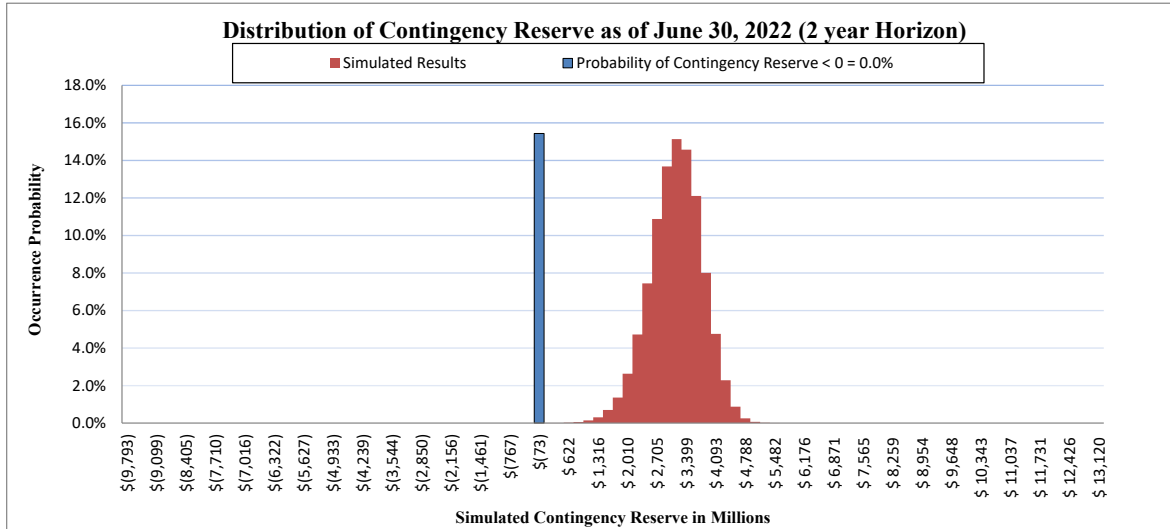
Washington Department of Labor & Industries
Scenario 5: Contingency Reserve Growth Rate Change (Maintaining a 25% ratio)
Accident Fund (Including Pension Reserve Fund)
Probability of Insolvency

Probability of Contingency Reserve < \$0

<u>2 Year Horizon (as of June 30, 2025)</u>	0.0%
<u>5 Year Horizon (as of June 30, 2028)</u>	1.9%
<u>10 Year Horizon (as of June 30, 2033)</u>	13.0%



Washington Department of Labor & Industries
Scenario 5: Contingency Reserve Growth Rate Change (Maintaining a 25% ratio)
Accident Fund (Including Pension Reserve Fund)
Probability of Insolvency



Washington Department of Labor & Industries
Scenario 5: Contingency Reserve Growth Rate Change (Maintaining a 25% ratio)
Medical Aid Fund
Projected Financials (000's)

U.S. Statutory Balance Sheet	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
<u>ASSETS</u>											
Cash & Invested Assets	7,464,247	7,560,559	7,734,735	7,919,728	8,119,168	8,332,051	8,557,772	8,799,532	9,056,934	9,330,382	9,621,259
Premiums Receivable	197,089	191,967	195,153	206,016	218,043	231,425	246,490	260,932	276,210	292,760	309,748
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	22,499	22,846	23,226	24,518	25,950	27,542	29,335	31,054	32,872	34,842	36,864
Total	7,683,835	7,775,372	7,953,114	8,150,262	8,363,161	8,591,019	8,833,598	9,091,519	9,366,017	9,657,984	9,967,870
<u>LIABILITIES</u>											
Loss Reserves	3,657,887	3,795,069	3,906,098	4,029,444	4,163,889	4,309,191	4,465,520	4,633,403	4,813,595	5,006,866	5,213,665
LAE Reserves	632,125	661,970	686,125	712,959	742,208	773,820	807,830	844,353	883,555	925,602	970,593
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	137,571	2,204,074	2,212,835	2,222,258	2,230,540	2,237,255	2,241,911	2,244,324	2,244,580	2,242,399	2,237,548
Total	4,427,583	6,661,113	6,805,059	6,964,662	7,136,637	7,320,266	7,515,261	7,722,080	7,941,730	8,174,867	8,421,806
<u>CONTINGENCY RESERVE</u>	3,256,252	1,114,260	1,148,056	1,185,601	1,226,524	1,270,753	1,318,337	1,369,439	1,424,287	1,483,117	1,546,064

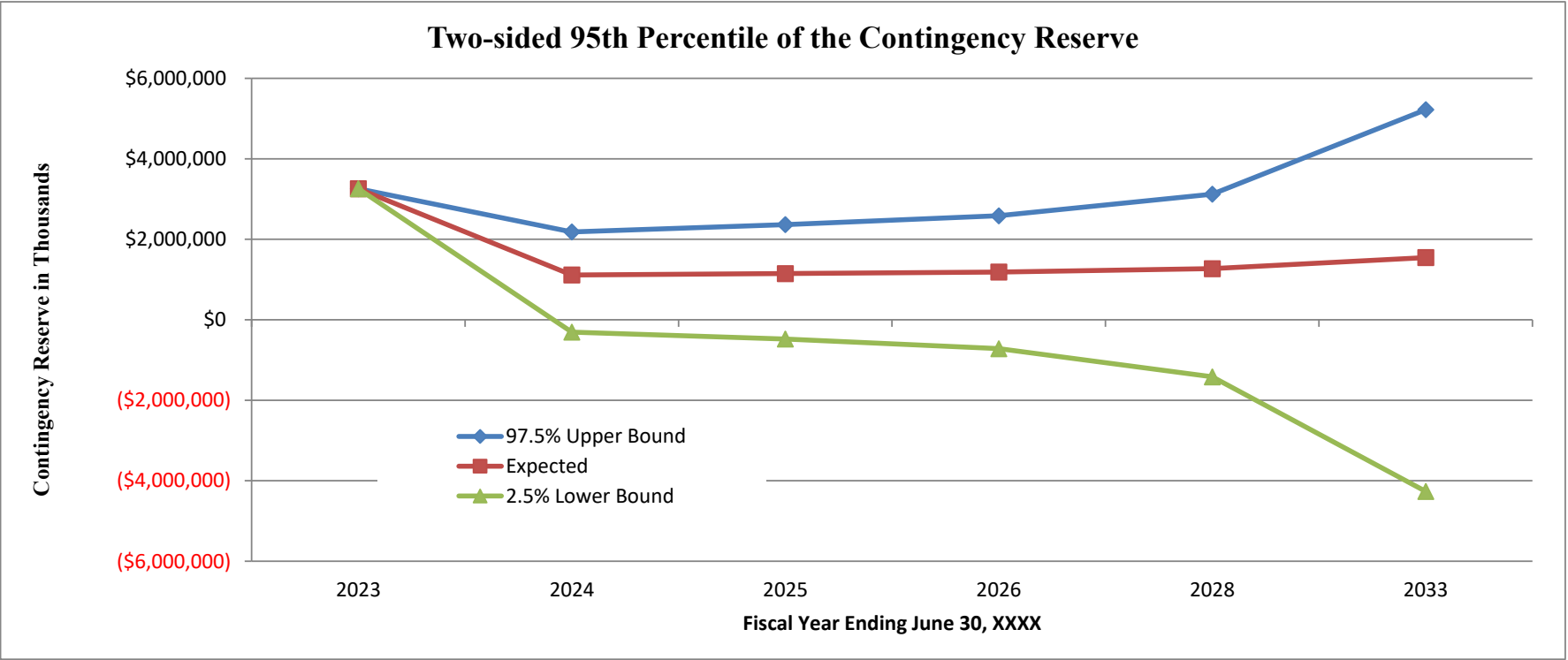
Washington Department of Labor & Industries
Scenario 5: Contingency Reserve Growth Rate Change (Maintaining a 25% ratio)
Medical Aid Fund
Projected Financials (000's)

U.S. Statutory Income Statement	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
<u>UNDERWRITING REVENUES</u>											
Premium	752,738	785,731	799,569	843,385	892,518	947,038	980,386	1,037,828	1,098,594	1,164,419	1,231,985
Retrospective rating adjustments	0	0	0	0	0	0	0	0	0	0	0
Self-Insured Assessments & Reimbursements	18,563	21,603	22,467	23,321	24,176	25,041	25,922	26,824	27,750	28,703	29,686
Other income	3,016	4,278	4,449	4,618	4,788	4,959	5,133	5,312	5,495	5,684	5,879
Total	774,317	811,612	826,485	871,324	921,481	977,038	1,011,441	1,069,963	1,131,839	1,198,806	1,267,550
<u>UNDERWRITING EXPENSES</u>											
Incurred Loss	574,306	835,405	838,769	883,658	932,057	983,183	1,009,248	1,064,841	1,123,590	1,185,685	1,251,339
Incurred LAE	132,915	178,294	177,395	187,028	197,275	208,116	219,567	231,662	244,443	257,952	272,235
Self-Insured Admin Expenses	18,113	17,282	17,974	18,657	19,341	20,033	20,738	21,459	22,200	22,963	23,749
Premium Admin Expenses and Bad Debts	24,057	27,045	28,126	29,195	30,266	31,348	32,451	33,580	34,740	35,933	37,163
General Expenses	22,520	24,155	25,121	26,076	27,032	27,999	28,984	29,993	31,028	32,094	33,193
TRIA Recoup of Government Losses	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	194	297	308	320	332	344	356	368	381	394	408
Other Administrative	37,031	34,064	35,427	36,773	38,121	39,485	40,874	42,296	43,757	45,260	46,809
Total	809,136	1,116,542	1,123,120	1,181,707	1,244,423	1,310,508	1,352,219	1,424,200	1,500,138	1,580,280	1,664,896
<u>OTHER OPERATING REVENUES / EXPENSES</u>											
Net investment income	237,071	229,722	330,432	347,928	363,865	377,699	388,362	405,338	423,147	440,304	460,294
Unrealized Capital Gains / (Losses)	160,433	0	0	0	0	0	0	0	0	0	0
Other Direct Charges to Contingency Reserve	12,181	0	0	0	0	0	0	0	0	0	0
Total	409,685	229,722	330,432	347,928	363,865	377,699	388,362	405,338	423,147	440,304	460,294
<u>NET INCOME/(LOSS)</u>	374,866	(75,207)	33,796	37,545	40,924	44,228	47,585	51,102	54,848	58,830	62,947
Profitability Ratios	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
Loss & LAE Ratio	94%	129%	127%	127%	127%	126%	125%	125%	125%	124%	124%
Combined Ratio	107%	142%	140%	140%	139%	138%	138%	137%	137%	136%	135%
Operating Ratio	50%	110%	96%	96%	95%	95%	95%	95%	95%	95%	95%

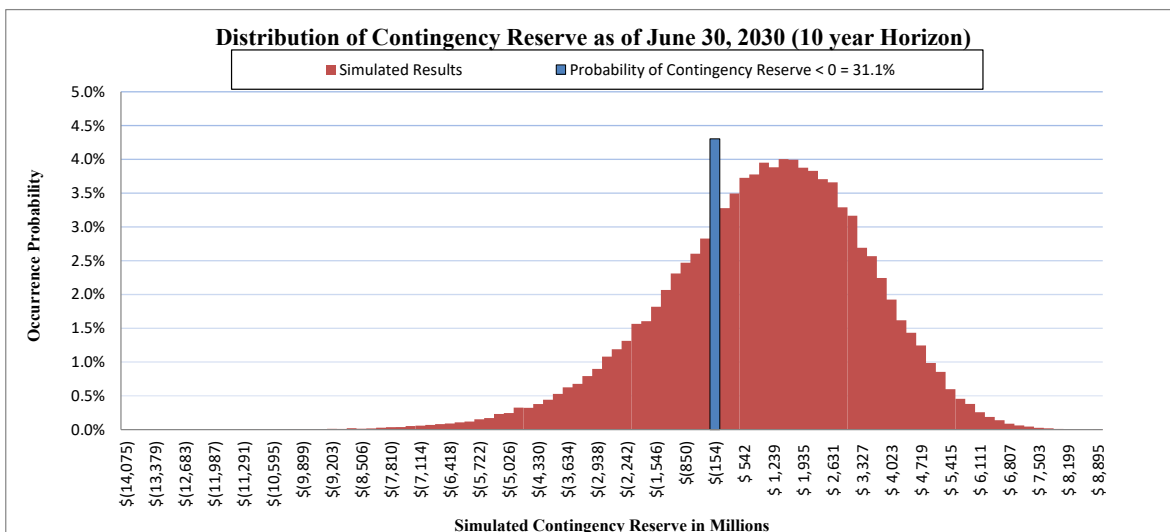
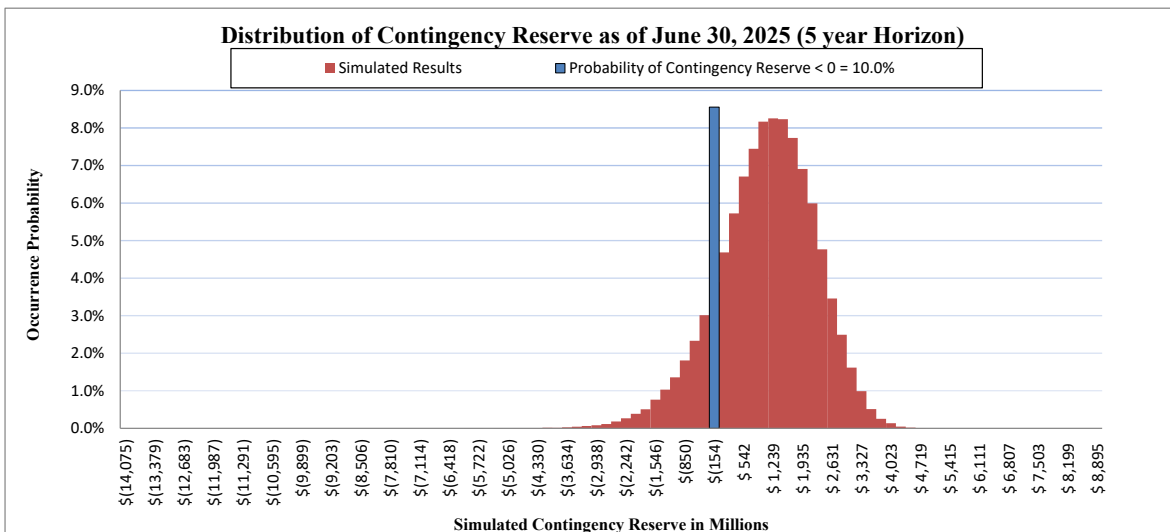
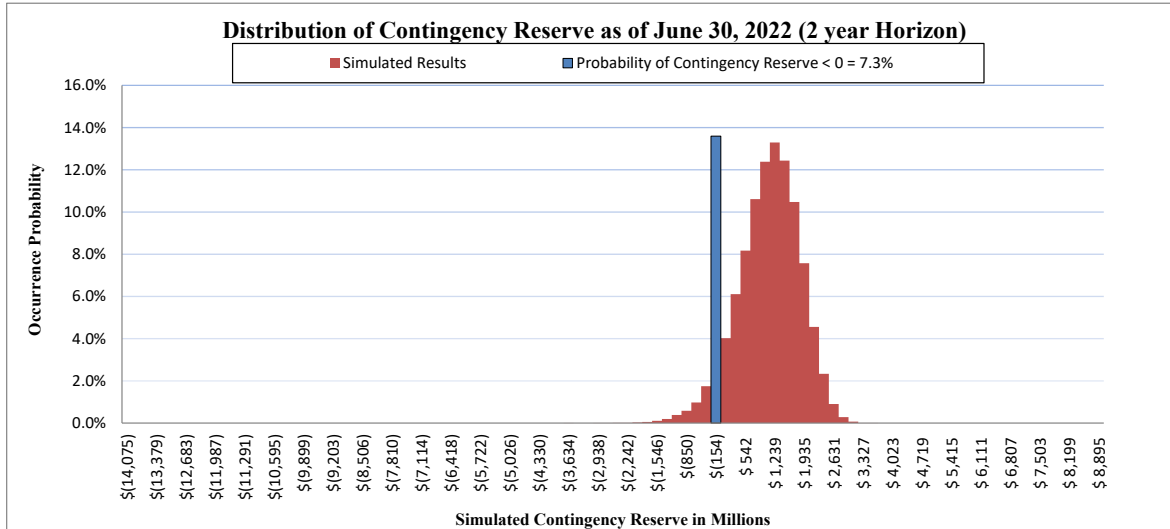
Washington Department of Labor & Industries
Scenario 5: Contingency Reserve Growth Rate Change (Maintaining a 25% ratio)
Medical Aid Fund
Probability of Insolvency

Probability of Contingency Reserve < \$0

<u>2 Year Horizon (as of June 30, 2025)</u>	7.3%
<u>5 Year Horizon (as of June 30, 2028)</u>	16.6%
<u>10 Year Horizon (as of June 30, 2033)</u>	31.1%



Washington Department of Labor & Industries
Scenario 5: Contingency Reserve Growth Rate Change (Maintaining a 25% ratio)
Medical Aid Fund
Probability of Insolvency



Washington Department of Labor & Industries
Scenario 5: Contingency Reserve Growth Rate Change (Maintaining a 25% ratio)
Combined Funds
Projected Financials (000's)

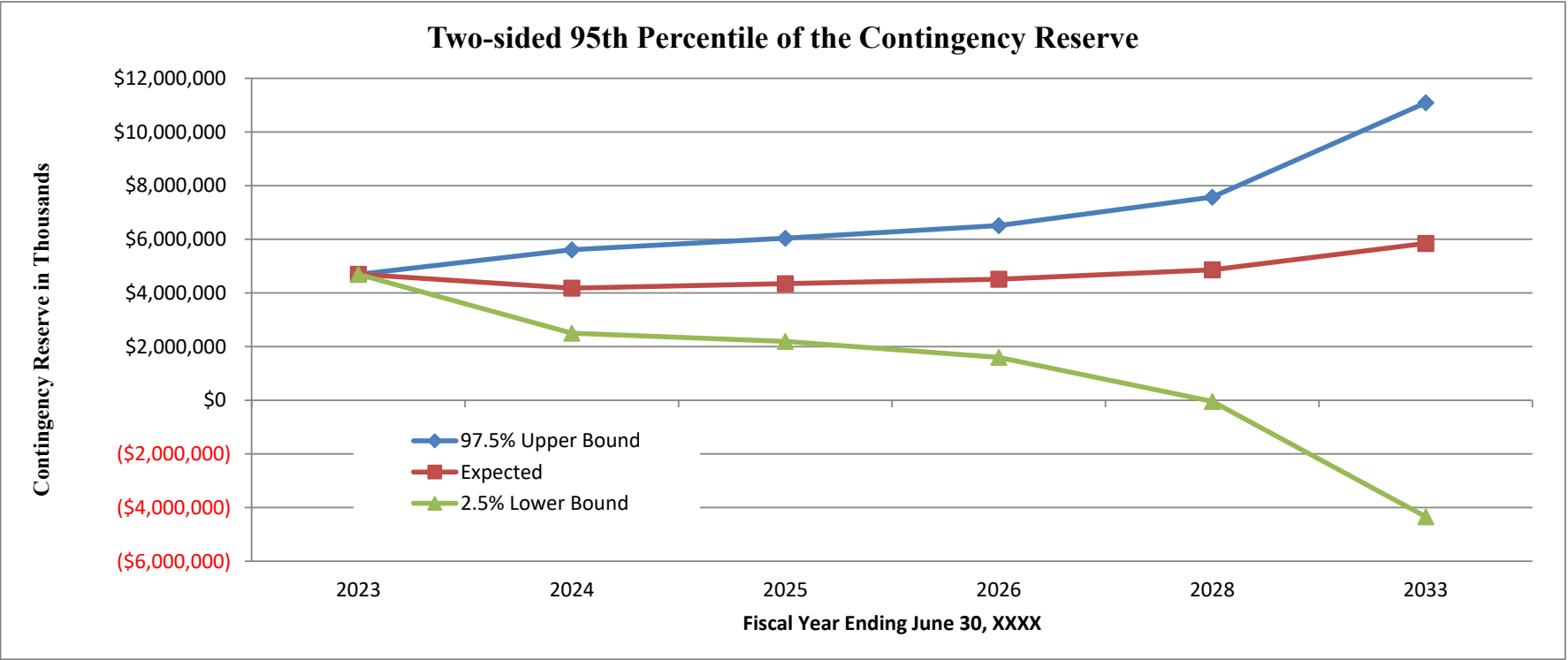
U.S. Statutory Balance Sheet	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
<u>ASSETS</u>											
Cash & Invested Assets	20,775,028	22,806,013	23,538,139	24,332,679	25,154,337	26,000,908	26,873,290	27,778,559	28,716,227	29,687,045	30,637,202
Premiums Receivable	570,527	578,063	641,108	658,096	675,622	696,992	721,464	743,679	767,175	793,300	817,426
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	73,010	269,243	307,822	313,024	317,965	324,655	332,451	339,131	346,194	354,274	360,851
Total	21,418,565	23,653,319	24,487,069	25,303,799	26,147,924	27,022,555	27,927,206	28,861,369	29,829,596	30,834,619	31,815,479
<u>LIABILITIES</u>											
Loss Reserves	15,267,934	15,722,712	16,318,444	16,933,505	17,570,020	18,229,017	18,911,201	19,617,879	20,350,949	21,112,103	21,854,789
LAE Reserves	955,239	1,011,788	1,062,001	1,114,220	1,168,280	1,224,120	1,281,855	1,341,787	1,404,248	1,469,448	1,537,652
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	496,702	2,735,194	2,761,512	2,744,142	2,725,050	2,706,133	2,685,887	2,661,786	2,635,601	2,607,680	2,574,928
Total	16,719,875	19,469,694	20,141,958	20,791,867	21,463,349	22,159,271	22,878,942	23,621,452	24,390,797	25,189,231	25,967,369
<u>CONTINGENCY RESERVE</u>	4,698,690	4,183,625	4,345,111	4,511,931	4,684,575	4,863,284	5,048,264	5,239,917	5,438,799	5,645,388	5,848,110

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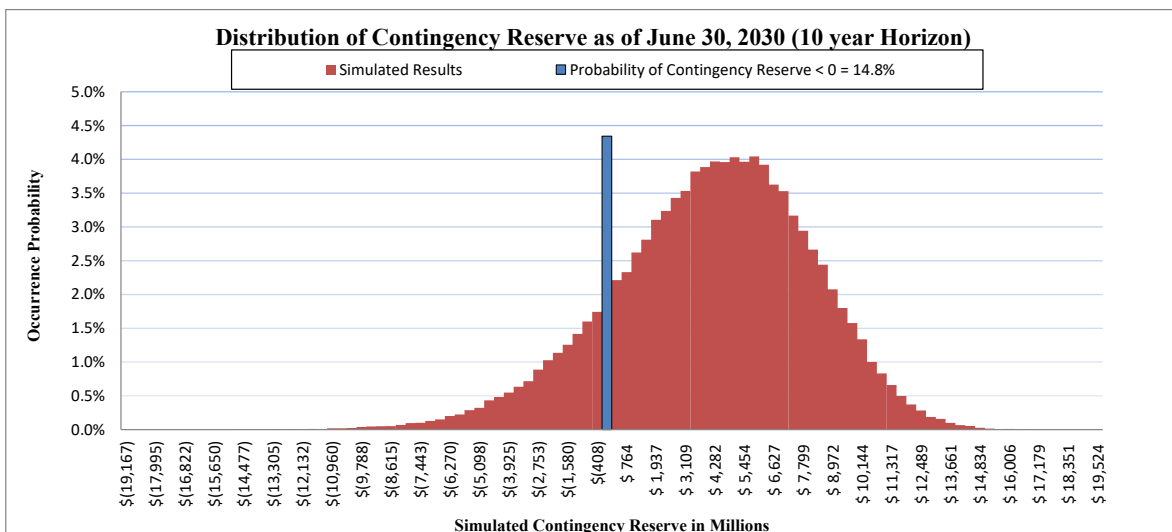
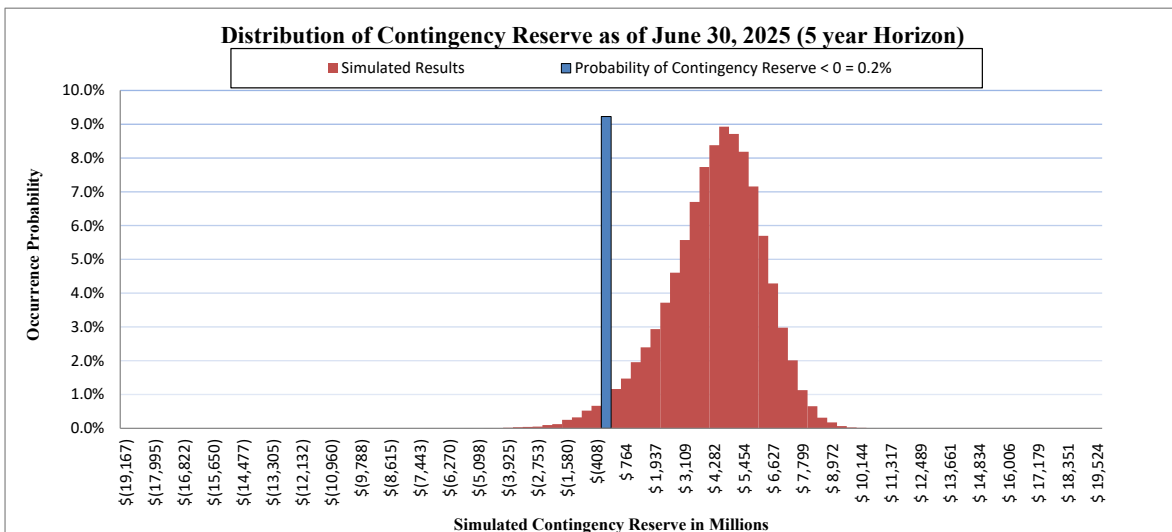
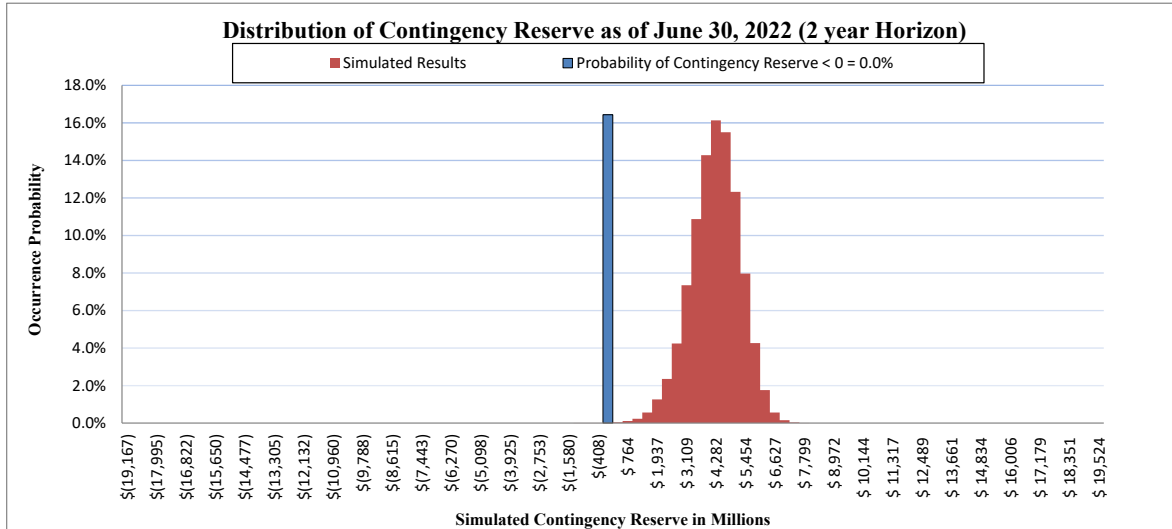
Washington Department of Labor & Industries
Scenario 5: Contingency Reserve Growth Rate Change (Maintaining a 25% ratio)
Combined Funds
Probability of Insolvency

Probability of Contingency Reserve < \$0

<u>2 Year Horizon (as of June 30, 2025)</u>	0.0%
<u>5 Year Horizon (as of June 30, 2028)</u>	2.6%
<u>10 Year Horizon (as of June 30, 2033)</u>	14.8%



Washington Department of Labor & Industries
Scenario 5: Contingency Reserve Growth Rate Change (Maintaining a 25% ratio)
Combined Funds
Probability of Insolvency



Washington Department of Labor & Industries
Scenario 6: Contingency Reserve Growth Rate Change (Arriving at a 94% Ratio)
Scenario Assumptions

Assumptions	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
Annual Rate Change Assumptions <i>(Changes are on a calendar year basis versus a fiscal year basis like all other assumptions)</i>											
Accident Fund (Including Pension Reserve Fund)	5.9%	6.5%	17.8%	17.8%	17.8%	17.8%	17.8%	17.8%	17.8%	17.8%	17.8%
Medical Aid Fund	1.0%	4.7%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%
Investment Assumptions											
Accident Fund (Including Pension Reserve Fund)											
Overall Investment Return	4.69%	3.88%	3.94%	4.08%	4.20%	4.28%	4.34%	4.43%	4.50%	4.56%	4.61%
Government Bond Distribution	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Corporate Bond Distribution	81.57%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%
Equities Distribution	15.47%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%
Cash and Other Distribution	2.96%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Medical Aid Fund											
Overall Investment Return	5.62%	4.26%	4.37%	4.50%	4.59%	4.65%	4.71%	4.78%	4.85%	4.91%	4.98%
Government Bond Distribution	0.45%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Corporate Bond Distribution	76.25%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%
Equities Distribution	20.61%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
Cash and Other Distribution	2.69%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Loss Assumptions											
Accident Fund (Including Pension Reserve Fund)											
Reserve Discount	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Severity Trend		3.86%	3.56%	3.36%	3.23%	3.14%	3.08%	3.04%	3.01%	2.99%	2.98%
Medical Aid Fund											
Reserve Discount	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Severity Trend		6.56%	6.26%	6.06%	5.93%	5.84%	5.78%	5.74%	5.71%	5.69%	5.68%
Indemnity Frequency Trend		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Exposure Trend		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Rating Variables Assumptions											
Accident Fund (Including Pension Reserve Fund)											
LAE to Loss Ratio		8.30%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%	8.30%
Fixed Expenses (Per Hour) *:		\$0.030	\$0.031	\$0.032	\$0.034	\$0.035	\$0.036	\$0.037	\$0.039	\$0.040	\$0.041
Other Income (Per Hour)		\$0.012	\$0.012	\$0.013	\$0.013	\$0.014	\$0.014	\$0.015	\$0.015	\$0.016	\$0.016
Retro Adjustment Ratio (% of premium)		-15.93%	-15.93%	-15.93%	-15.93%	-15.93%	-15.93%	-15.93%	-15.93%	-15.93%	-15.93%
Medical Aid Fund											
LAE to Loss Ratio		21.76%	21.76%	21.76%	21.76%	21.76%	21.76%	21.76%	21.76%	21.76%	21.76%
Fixed Expenses (Per Hour) *:		\$0.020	\$0.021	\$0.022	\$0.022	\$0.023	\$0.024	\$0.025	\$0.026	\$0.027	\$0.027
Other Income (Per Hour)		\$0.001	\$0.001	\$0.001	\$0.001	\$0.001	\$0.001	\$0.001	\$0.001	\$0.001	\$0.001
Other Financial Statement Assumptions											
Accident Fund (Including Pension Reserve Fund)											
Uncollected Premium (% of Premium)		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Assets (% of Premium)		25.63%	25.63%	25.63%	25.63%	25.63%	25.63%	25.63%	25.63%	25.63%	25.63%
Self-Insured Assessments and Reimbursements (Per Hour)		-\$0.020	-\$0.021	-\$0.022	-\$0.022	-\$0.023	-\$0.024	-\$0.025	-\$0.026	-\$0.027	-\$0.027
Self-Insured Administration Expenses (Per Hour)		\$0.005	\$0.005	\$0.005	\$0.006	\$0.006	\$0.006	\$0.006	\$0.006	\$0.007	\$0.007
Medical Aid Fund											
Uncollected Premium % of Premium		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Assets % of Premium		25.14%	25.14%	25.14%	25.14%	25.14%	25.14%	25.14%	25.14%	25.14%	25.14%
Self-Insured Assessments and Reimbursements (Per Hour)		-\$0.005	-\$0.005	-\$0.005	-\$0.006	-\$0.006	-\$0.006	-\$0.006	-\$0.006	-\$0.007	-\$0.007
Self-Insured Administration Expenses (Per Hour)		\$0.004	\$0.004	\$0.004	\$0.004	\$0.005	\$0.005	\$0.005	\$0.005	\$0.005	\$0.005

* Includes Premium Administration, General, and Other Administrative Expenses

Washington Department of Labor & Industries
Scenario 6: Contingency Reserve Growth Rate Change (Arriving at a 94% Ratio)
Accident Fund (Including Pension Reserve Fund)
Projected Financials (000's)

U.S. Statutory Balance Sheet	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
<u>ASSETS</u>											
Cash & Invested Assets	13,310,781	13,687,768	14,155,195	14,826,385	15,770,435	17,042,255	18,733,214	20,924,325	23,722,018	27,248,881	31,603,822
Premiums Receivable	373,438	386,096	433,658	510,771	601,597	708,573	834,571	982,975	1,157,768	1,363,643	1,606,126
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	50,511	246,397	276,749	325,961	383,923	452,193	532,602	627,309	738,858	870,242	1,024,988
Total	13,734,730	14,320,261	14,865,603	15,663,117	16,755,955	18,203,020	20,100,388	22,534,609	25,618,644	29,482,765	34,234,936
<u>LIABILITIES</u>											
Loss Reserves	11,610,047	11,927,643	12,412,346	12,904,061	13,406,131	13,919,826	14,445,681	14,984,476	15,537,354	16,105,237	16,641,123
LAE Reserves	323,114	349,819	375,876	401,261	426,071	450,301	474,025	497,434	520,693	543,845	567,059
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	359,131	531,120	539,781	565,569	594,085	625,733	660,992	700,427	744,706	794,610	851,062
Total	12,292,292	12,808,582	13,328,003	13,870,891	14,426,287	14,995,859	15,580,698	16,182,338	16,802,752	17,443,692	18,059,244
<u>CONTINGENCY RESERVE</u>	1,442,438	1,511,679	1,537,600	1,792,226	2,329,668	3,207,161	4,519,690	6,352,272	8,815,892	12,039,072	16,175,692

Washington Department of Labor & Industries
Scenario 6: Contingency Reserve Growth Rate Change (Arriving at a 94% Ratio)
Accident Fund (Including Pension Reserve Fund)
Projected Financials (000's)

U.S. Statutory Income Statement	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
<u>UNDERWRITING REVENUES</u>											
Premium	1,401,937	1,506,527	1,692,110	1,993,001	2,347,397	2,764,812	3,256,452	3,835,515	4,517,548	5,320,859	6,267,016
Retrospective rating adjustments	(203,774)	(240,033)	(269,601)	(317,542)	(374,007)	(440,513)	(518,845)	(611,106)	(719,774)	(847,764)	(998,514)
Self-Insured Assessments & Reimbursements	66,930	86,412	89,868	93,283	96,704	100,163	103,688	107,295	111,000	114,813	118,743
Other income	49,750	51,336	53,390	55,418	57,450	59,506	61,600	63,743	65,944	68,209	70,544
Total	1,314,843	1,404,243	1,565,767	1,824,161	2,127,544	2,483,969	2,902,894	3,395,447	3,974,717	4,656,117	5,457,790
<u>UNDERWRITING EXPENSES</u>											
Incurred Loss	1,656,380	1,593,189	1,811,062	1,868,007	1,925,139	1,983,115	2,042,375	2,103,112	2,165,543	2,229,820	2,296,068
Incurred LAE	77,505	108,714	112,679	116,555	120,396	124,247	128,136	132,081	136,103	140,217	144,430
Self-Insured Admin Expenses	19,601	21,603	22,467	23,321	24,176	25,041	25,922	26,824	27,750	28,703	29,686
Premium Admin Expenses and Bad Debts	23,885	26,028	27,069	28,098	29,128	30,170	31,232	32,319	33,434	34,583	35,767
General Expenses	30,900	32,475	33,774	35,058	36,343	37,643	38,968	40,324	41,716	43,149	44,626
TRIA Recoup of Government Losses	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	191	433	450	467	484	501	519	537	556	575	594
Other Administrative	75,808	69,404	72,181	74,924	77,671	80,450	83,280	86,178	89,153	92,216	95,372
Total	1,884,270	1,851,846	2,079,682	2,146,430	2,213,338	2,281,168	2,350,432	2,421,374	2,494,255	2,569,262	2,646,543
<u>OTHER OPERATING REVENUES / EXPENSES</u>											
Net investment income	406,918	516,844	539,836	576,894	623,235	674,693	760,066	858,510	983,158	1,136,326	1,325,373
Unrealized Capital Gains / (Losses)	191,176	0	0	0	0	0	0	0	0	0	0
Other Direct Charges to Contingency Reserve	(27,165)	0	0	0	0	0	0	0	0	0	0
Total	570,929	516,844	539,836	576,894	623,235	674,693	760,066	858,510	983,158	1,136,326	1,325,373
<u>NET INCOME/(LOSS)</u>	1,502	69,241	25,921	254,626	537,442	877,494	1,312,528	1,832,582	2,463,620	3,223,181	4,136,619
Profitability Ratios	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
Loss & LAE Ratio	145%	134%	135%	118%	104%	91%	79%	69%	61%	53%	46%
Combined Ratio	157%	146%	146%	128%	112%	98%	86%	75%	66%	57%	50%
Operating Ratio	100%	95%	98%	85%	73%	62%	52%	43%	35%	28%	21%

Washington Department of Labor & Industries
Scenario 6: Contingency Reserve Growth Rate Change (Arriving at a 94% Ratio)
Accident Fund (Including Pension Reserve Fund)
Probability of Insolvency

Probability of Contingency Reserve < \$0

2 Year Horizon (as of June 30, 2025)

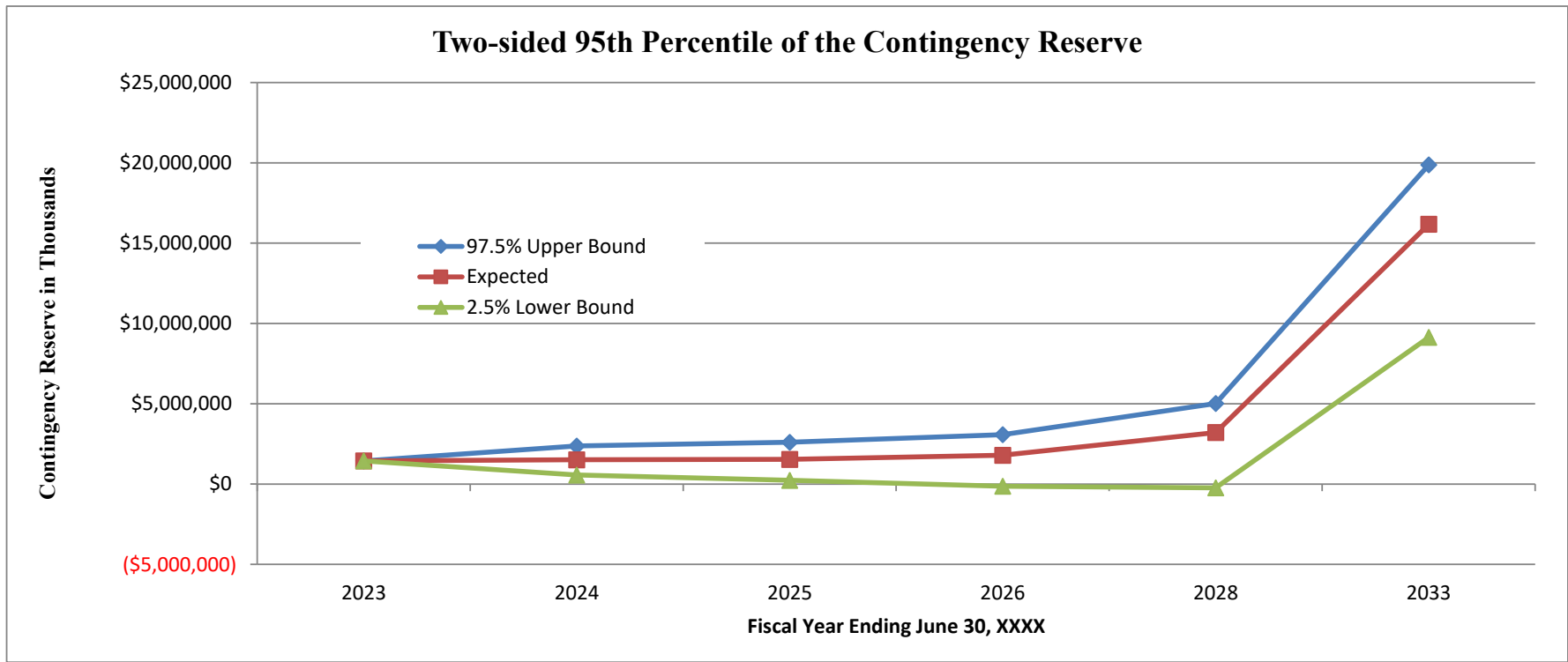
1.2%

5 Year Horizon (as of June 30, 2028)

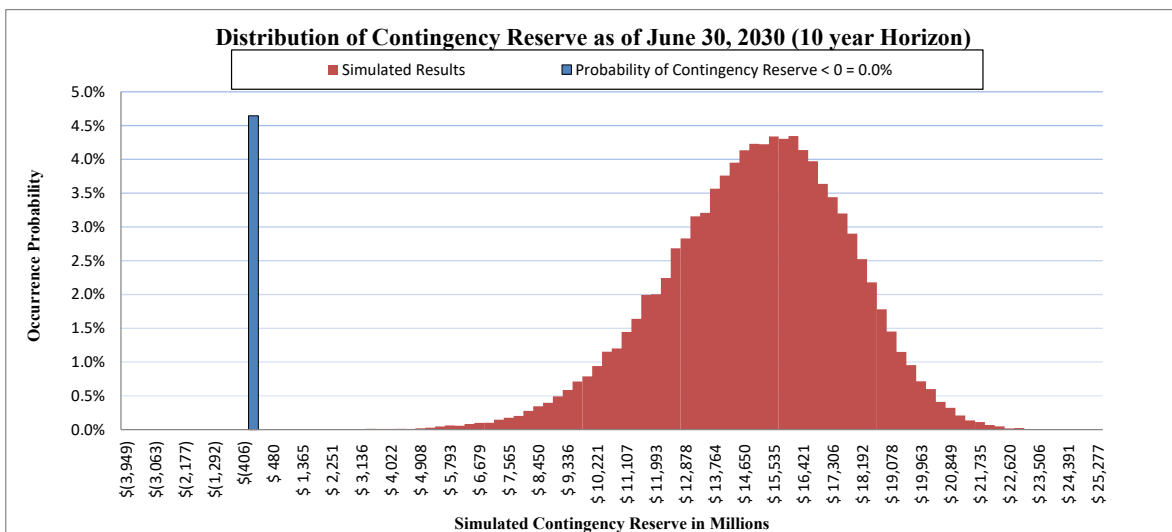
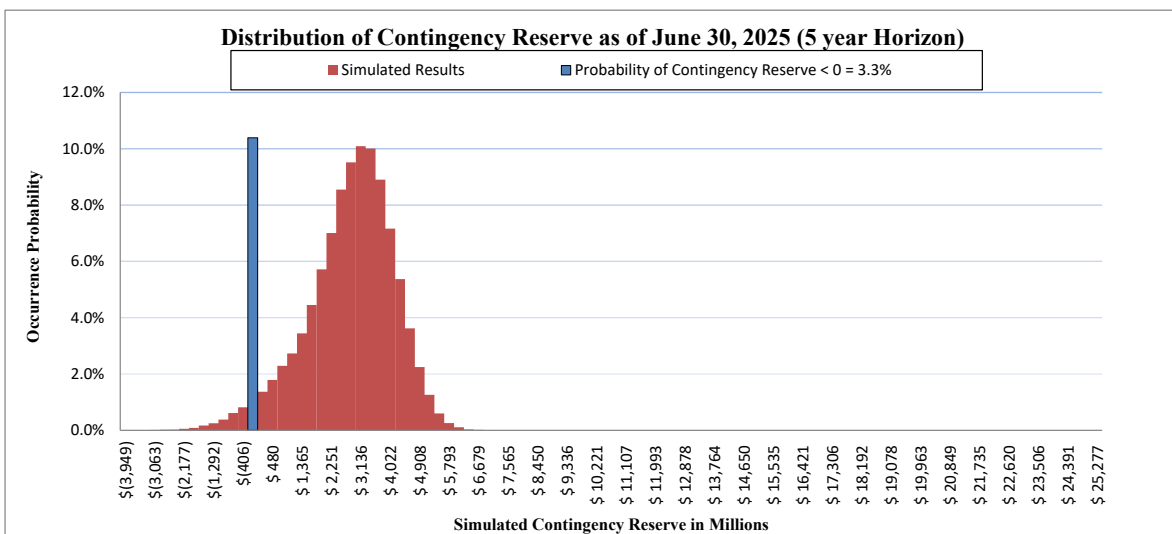
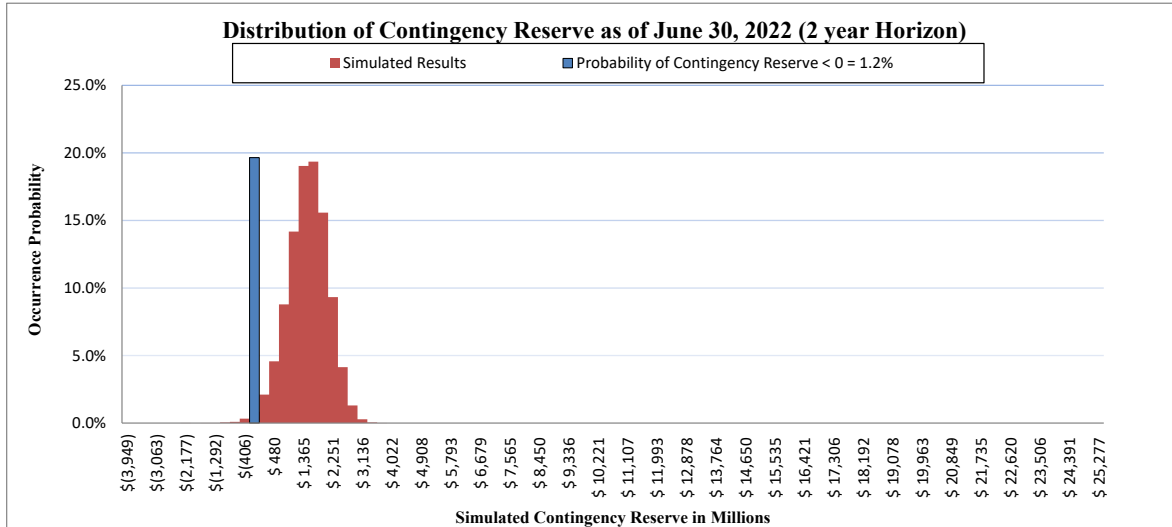
3.3%

10 Year Horizon (as of June 30, 2033)

0.0%



Washington Department of Labor & Industries
Scenario 6: Contingency Reserve Growth Rate Change (Arriving at a 94% Ratio)
Accident Fund (Including Pension Reserve Fund)
Probability of Insolvency



Washington Department of Labor & Industries
Scenario 6: Contingency Reserve Growth Rate Change (Arriving at a 94% Ratio)
Medical Aid Fund
Projected Financials (000's)

U.S. Statutory Balance Sheet	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
<u>ASSETS</u>											
Cash & Invested Assets	7,464,247	7,648,524	7,854,257	8,103,378	8,400,596	8,748,497	9,153,559	9,626,922	10,178,223	10,816,535	11,555,714
Premiums Receivable	197,089	191,967	205,412	224,320	244,968	267,517	292,141	319,032	348,398	380,467	415,489
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	22,499	22,846	24,447	26,697	29,154	31,838	34,768	37,969	41,464	45,280	49,448
Total	7,683,835	7,863,337	8,084,116	8,354,395	8,674,718	9,047,852	9,480,468	9,983,923	10,568,084	11,242,283	12,020,651
<u>LIABILITIES</u>											
Loss Reserves	3,657,887	3,795,069	3,906,098	4,029,444	4,163,889	4,309,191	4,465,520	4,633,403	4,813,595	5,006,866	5,213,665
LAE Reserves	632,125	661,970	686,125	712,959	742,208	773,820	807,830	844,353	883,555	925,602	970,593
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	137,571	137,289	144,440	148,817	148,997	144,346	134,195	117,821	94,444	63,210	23,190
Total	4,427,583	4,594,328	4,736,663	4,891,221	5,055,094	5,227,357	5,407,544	5,595,577	5,791,594	5,995,679	6,207,448
<u>CONTINGENCY RESERVE</u>	3,256,252	3,269,009	3,347,452	3,463,174	3,619,624	3,820,494	4,072,924	4,388,346	4,776,491	5,246,604	5,813,202

Washington Department of Labor & Industries
Scenario 6: Contingency Reserve Growth Rate Change (Arriving at a 94% Ratio)
Medical Aid Fund
Projected Financials (000's)

U.S. Statutory Income Statement	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
<u>UNDERWRITING REVENUES</u>											
Premium	752,738	785,731	840,371	916,185	999,607	1,090,588	1,161,957	1,268,912	1,385,713	1,513,265	1,652,557
Retrospective rating adjustments	0	0	0	0	0	0	0	0	0	0	0
Self-Insured Assessments & Reimbursements	18,563	21,603	22,467	23,321	24,176	25,041	25,922	26,824	27,750	28,703	29,686
Other income	3,016	4,278	4,449	4,618	4,788	4,959	5,133	5,312	5,495	5,684	5,879
Total	774,317	811,612	867,287	944,124	1,028,570	1,120,588	1,193,012	1,301,048	1,418,958	1,547,652	1,688,122
<u>UNDERWRITING EXPENSES</u>											
Incurred Loss	574,306	835,405	838,769	883,658	932,057	983,183	1,009,248	1,064,841	1,123,590	1,185,685	1,251,339
Incurred LAE	132,915	178,294	177,395	187,028	197,275	208,116	219,567	231,662	244,443	257,952	272,235
Self-Insured Admin Expenses	18,113	17,282	17,974	18,657	19,341	20,033	20,738	21,459	22,200	22,963	23,749
Premium Admin Expenses and Bad Debts	24,057	27,045	28,126	29,195	30,266	31,348	32,451	33,580	34,740	35,933	37,163
General Expenses	22,520	24,155	25,121	26,076	27,032	27,999	28,984	29,993	31,028	32,094	33,193
TRIA Recoup of Government Losses	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	194	297	308	320	332	344	356	368	381	394	408
Other Administrative	37,031	34,064	35,427	36,773	38,121	39,485	40,874	42,296	43,757	45,260	46,809
Total	809,136	1,116,542	1,123,120	1,181,707	1,244,423	1,310,508	1,352,219	1,424,200	1,500,138	1,580,280	1,664,896
<u>OTHER OPERATING REVENUES / EXPENSES</u>											
Net investment income	237,071	317,687	334,276	353,304	372,303	390,791	411,637	438,573	469,325	502,742	543,373
Unrealized Capital Gains / (Losses)	160,433	0	0	0	0	0	0	0	0	0	0
Other Direct Charges to Contingency Reserve	12,181	0	0	0	0	0	0	0	0	0	0
Total	409,685	317,687	334,276	353,304	372,303	390,791	411,637	438,573	469,325	502,742	543,373
<u>NET INCOME/(LOSS)</u>	374,866	12,757	78,443	115,722	156,450	200,870	252,430	315,421	388,145	470,113	566,598
Profitability Ratios	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
Loss & LAE Ratio	94%	129%	121%	117%	113%	109%	106%	102%	99%	95%	92%
Combined Ratio	107%	142%	134%	129%	124%	120%	116%	112%	108%	104%	101%
Operating Ratio	50%	98%	91%	87%	84%	82%	78%	75%	72%	69%	66%

Washington Department of Labor & Industries
Scenario 6: Contingency Reserve Growth Rate Change (Arriving at a 94% Ratio)
Medical Aid Fund
Probability of Insolvency

Probability of Contingency Reserve < \$0

2 Year Horizon (as of June 30, 2025)

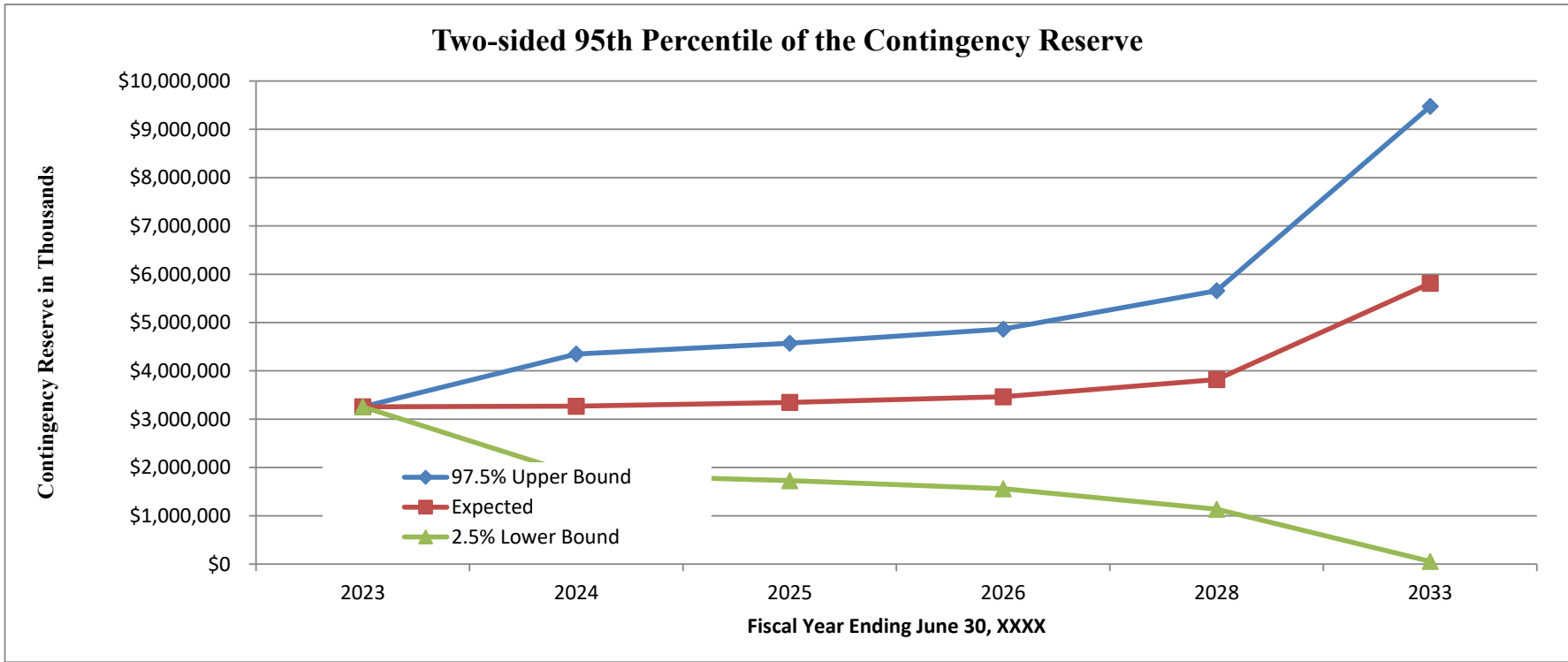
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5 Year Horizon (as of June 30, 2028)

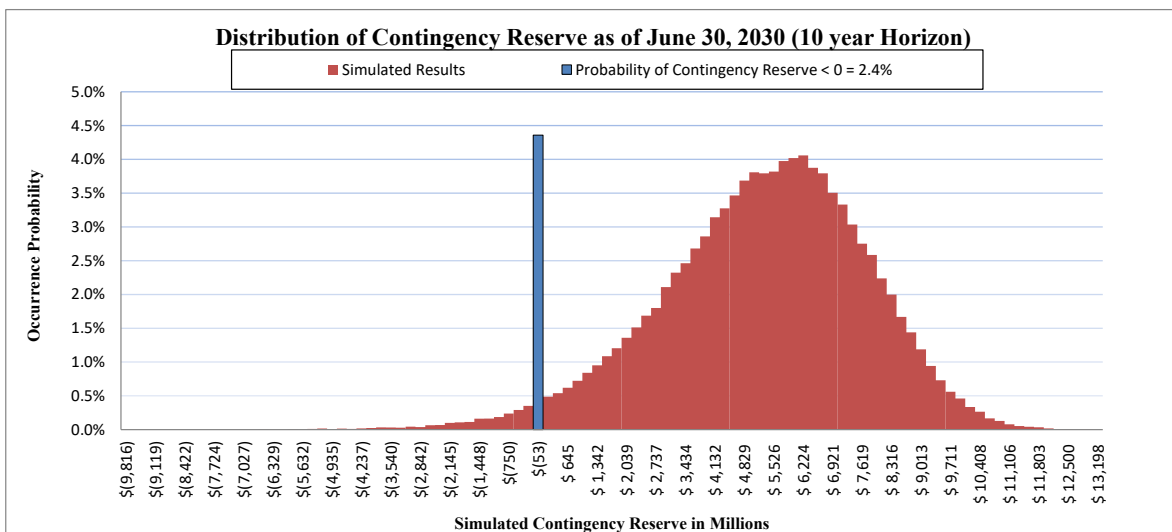
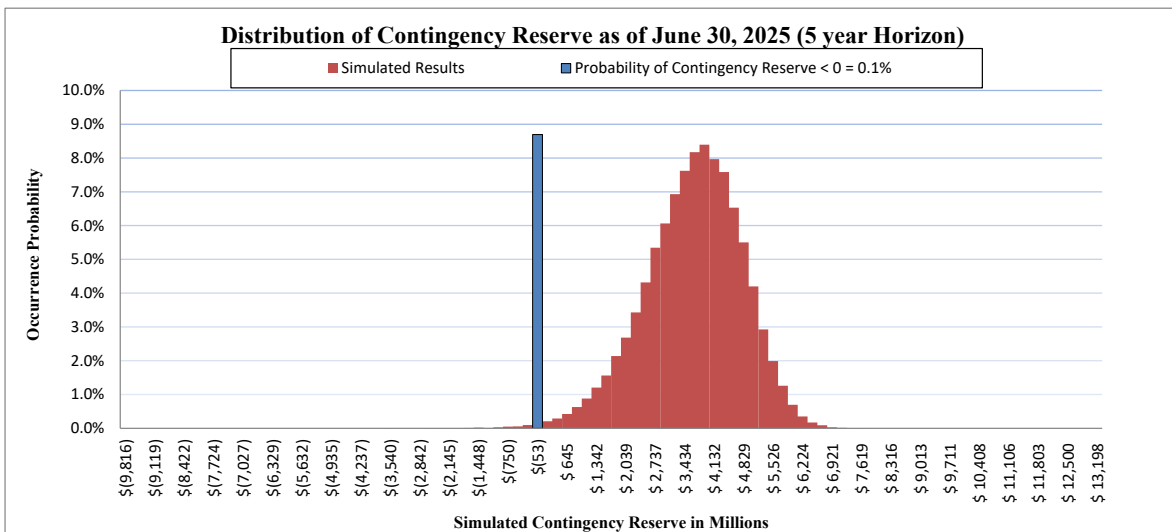
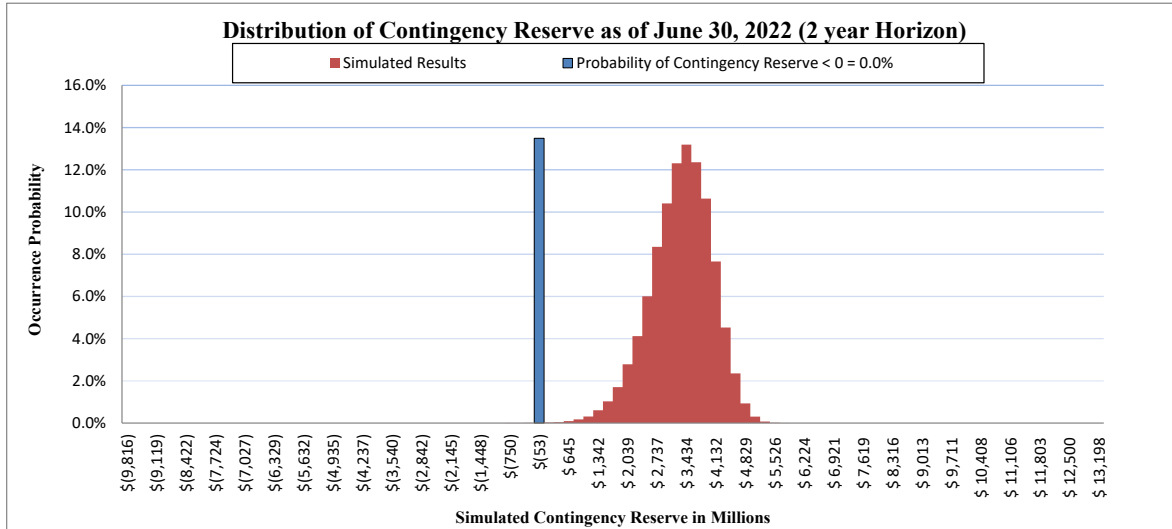
0.4%

10 Year Horizon (as of June 30, 2033)

2.4%



Washington Department of Labor & Industries
Scenario 6: Contingency Reserve Growth Rate Change (Arriving at a 94% Ratio)
Medical Aid Fund
Probability of Insolvency



Washington Department of Labor & Industries
Scenario 6: Contingency Reserve Growth Rate Change (Arriving at a 94% Ratio)
Combined Funds
Projected Financials (000's)

U.S. Statutory Balance Sheet	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
<u>ASSETS</u>											
Cash & Invested Assets	20,775,028	21,336,292	22,009,452	22,929,763	24,171,031	25,790,752	27,886,773	30,551,247	33,900,241	38,065,416	43,159,536
Premiums Receivable	570,527	578,063	639,070	735,091	846,565	976,089	1,126,712	1,302,007	1,506,166	1,744,110	2,021,615
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	73,010	269,243	301,196	352,658	413,078	484,031	567,370	665,278	780,321	915,522	1,074,436
Total	21,418,565	22,183,598	22,949,718	24,017,512	25,430,673	27,250,872	29,580,856	32,518,532	36,186,728	40,725,048	46,255,587
<u>LIABILITIES</u>											
Loss Reserves	15,267,934	15,722,712	16,318,444	16,933,505	17,570,020	18,229,017	18,911,201	19,617,879	20,350,949	21,112,103	21,854,789
LAE Reserves	955,239	1,011,788	1,062,001	1,114,220	1,168,280	1,224,120	1,281,855	1,341,787	1,404,248	1,469,448	1,537,652
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	496,702	668,409	684,221	714,387	743,082	770,079	795,186	818,248	839,149	857,820	874,252
Total	16,719,875	17,402,909	18,064,666	18,762,112	19,481,381	20,223,216	20,988,242	21,777,915	22,594,346	23,439,371	24,266,693
<u>CONTINGENCY RESERVE</u>	4,698,690	4,780,688	4,885,052	5,255,400	5,949,292	7,027,656	8,592,614	10,740,617	13,592,383	17,285,677	21,988,894

Washington Department of Labor & Industries
Scenario 6: Contingency Reserve Growth Rate Change (Arriving at a 94% Ratio)
Combined Funds
Projected Financials (000's)

U.S. Statutory Income Statement	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
<u>UNDERWRITING REVENUES</u>											
Premium	2,154,675	2,292,259	2,532,481	2,909,186	3,347,004	3,855,400	4,418,409	5,104,427	5,903,261	6,834,124	7,919,574
Retrospective rating adjustments	(203,774)	(240,033)	(269,601)	(317,542)	(374,007)	(440,513)	(518,845)	(611,106)	(719,774)	(847,764)	(998,514)
Self-Insured Assessments & Reimbursements	85,493	108,015	112,335	116,604	120,879	125,204	129,610	134,119	138,749	143,516	148,429
Other income	52,766	55,614	57,839	60,037	62,238	64,465	66,733	69,055	71,439	73,893	76,423
Total	2,089,160	2,215,855	2,433,054	2,768,285	3,156,115	3,604,556	4,095,906	4,696,494	5,393,675	6,203,769	7,145,911
<u>UNDERWRITING EXPENSES</u>											
Incurred Loss	2,230,686	2,428,593	2,649,831	2,751,665	2,857,196	2,966,298	3,051,623	3,167,954	3,289,133	3,415,505	3,547,407
Incurred LAE	210,420	287,008	290,074	303,583	317,671	332,362	347,704	363,743	380,546	398,168	416,665
Self-Insured Admin Expenses	37,714	38,885	40,441	41,977	43,517	45,074	46,659	48,283	49,950	51,666	53,434
Premium Admin Expenses and Bad Debts	47,942	53,073	55,196	57,293	59,394	61,519	63,683	65,899	68,174	70,516	72,930
General Expenses	53,420	56,630	58,896	61,134	63,375	65,643	67,952	70,316	72,744	75,243	77,819
TRIA Recoup of Government Losses	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	385	729	758	787	816	845	875	905	937	969	1,002
Other Administrative	112,839	103,469	107,607	111,696	115,792	119,935	124,155	128,474	132,910	137,475	142,182
Total	2,693,406	2,968,387	3,202,803	3,328,136	3,457,761	3,591,676	3,702,652	3,845,574	3,994,394	4,149,542	4,311,439
<u>OTHER OPERATING REVENUES / EXPENSES</u>											
Net investment income	643,989	834,531	874,112	930,199	995,538	1,065,483	1,171,704	1,297,083	1,452,484	1,639,068	1,868,745
Unrealized Capital Gains / (Losses)	351,609	0	0	0	0	0	0	0	0	0	0
Other Direct Charges to Contingency Reserve	(14,984)	0	0	0	0	0	0	0	0	0	0
Total	980,614	834,531	874,112	930,199	995,538	1,065,483	1,171,704	1,297,083	1,452,484	1,639,068	1,868,745
<u>NET INCOME/(LOSS)</u>	376,368	81,998	104,364	370,348	693,892	1,078,364	1,564,958	2,148,003	2,851,765	3,693,294	4,703,217
Profitability Ratios	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033
Loss & LAE Ratio	125%	132%	130%	118%	107%	97%	87%	79%	71%	64%	57%
Combined Ratio	138%	145%	142%	128%	116%	105%	95%	86%	77%	69%	62%
Operating Ratio	81%	96%	95%	86%	77%	68%	60%	52%	45%	38%	32%

Washington Department of Labor & Industries
Scenario 6: Contingency Reserve Growth Rate Change (Arriving at a 94% Ratio)
Combined Funds
Probability of Insolvency

Probability of Contingency Reserve < \$0

2 Year Horizon (as of June 30, 2025)

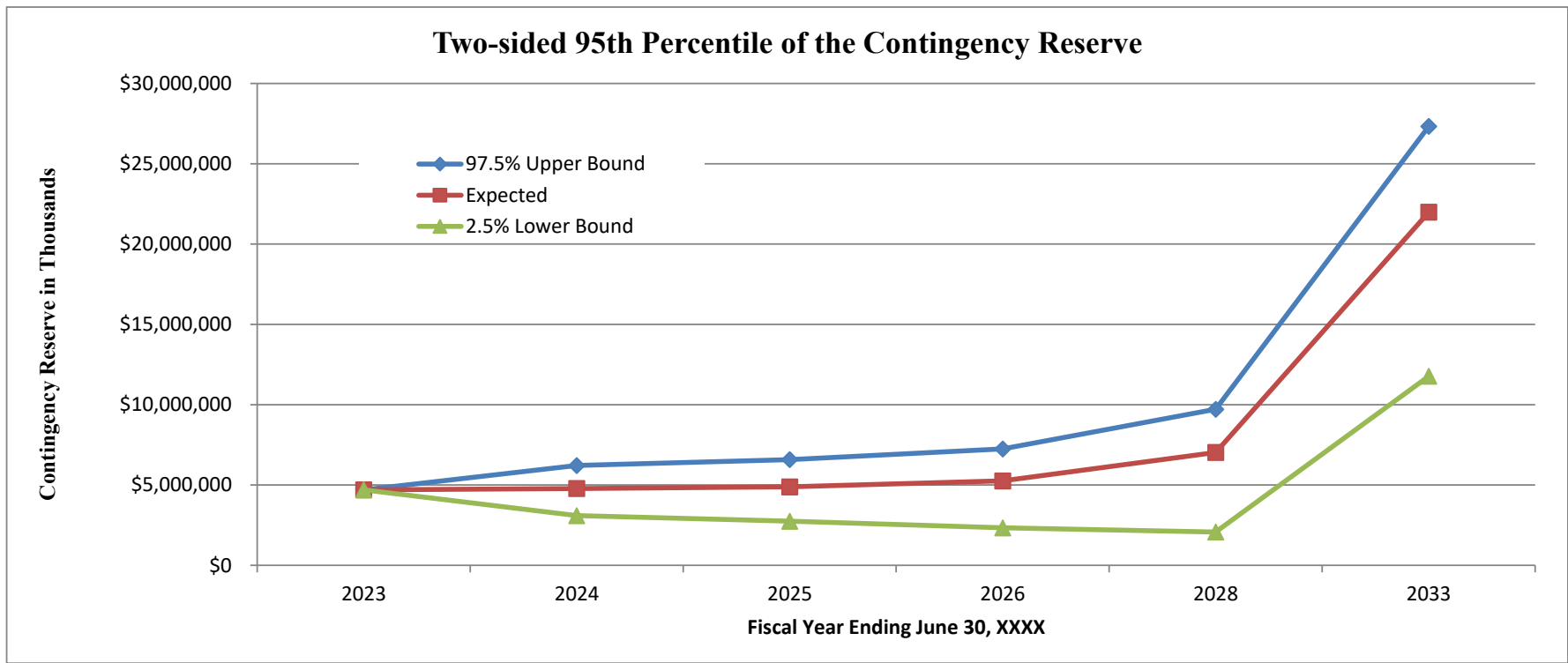
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5 Year Horizon (as of June 30, 2028)

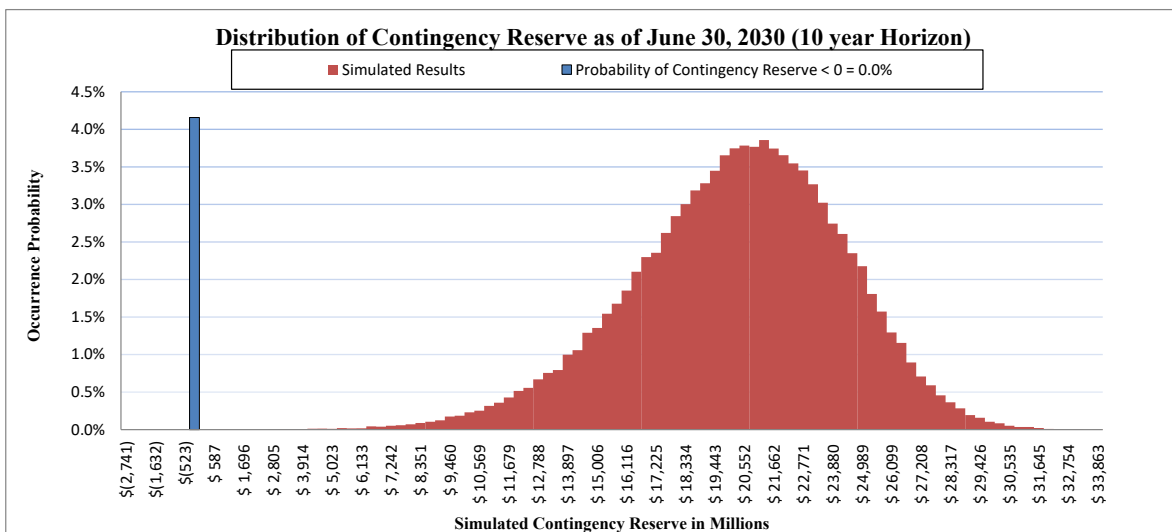
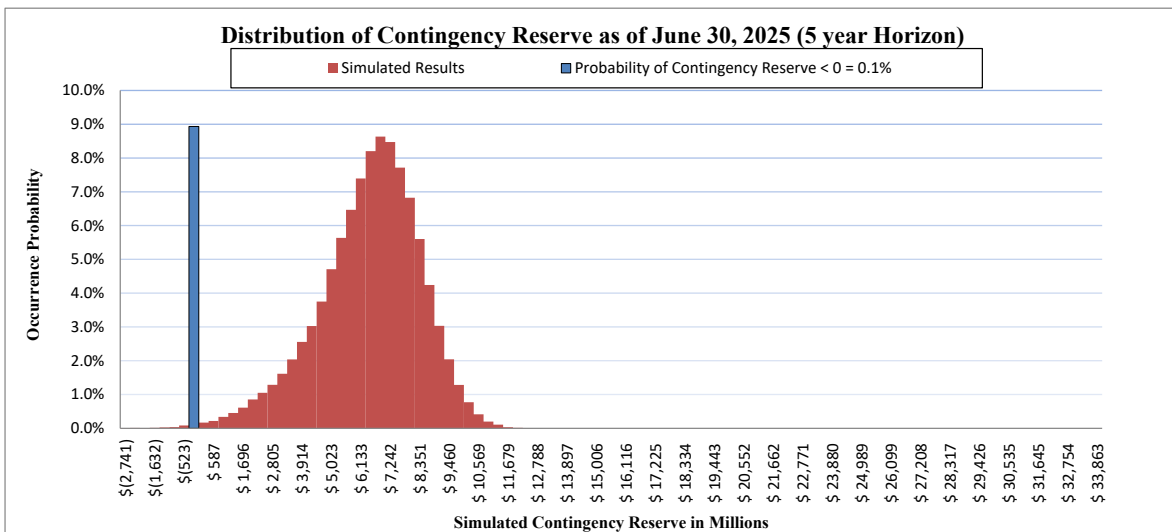
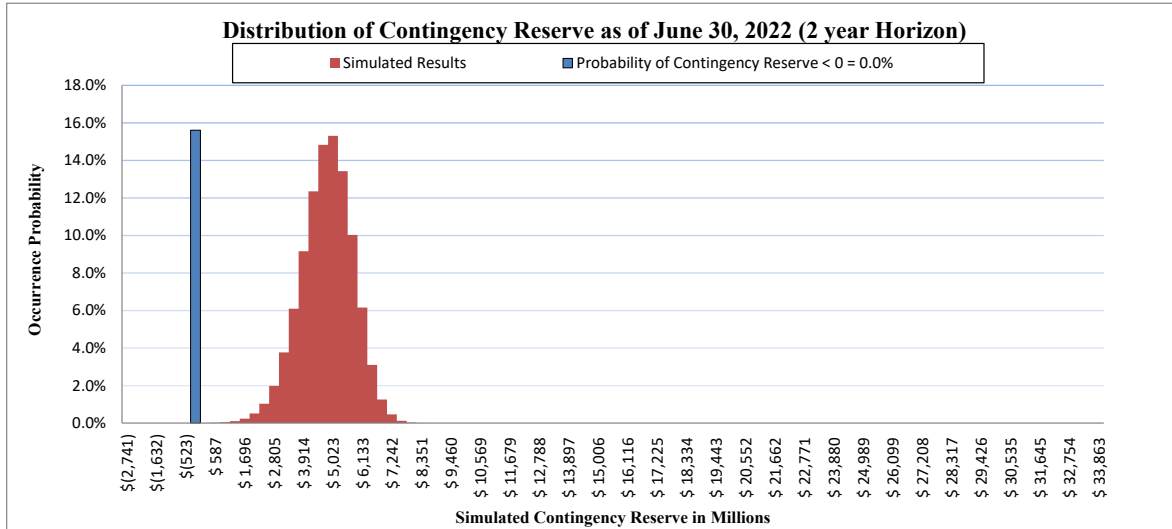
0.3%

10 Year Horizon (as of June 30, 2033)

0.0%



Washington Department of Labor & Industries
Scenario 6: Contingency Reserve Growth Rate Change (Arriving at a 94% Ratio)
Combined Funds
Probability of Insolvency



Washington Department of Labor & Industries

Accident Fund (Including Pension Reserve Fund)

Historical Financials (000's)

U.S. Statutory Balance Sheet		Actual FY 2019	Actual FY 2020	Actual FY 2021	Actual FY 2022	Actual FY 2023
<u>ASSETS</u>						
Cash & Invested Assets		11,494,355	12,025,894	12,916,459	12,747,930	13,310,781
Premiums Receivable		341,933	312,210	312,705	348,129	373,438
Securities lending collateral		15,946	0	0	0	0
Other Assets		688,584	90,650	164,508	83,250	50,511
Total		12,540,818	12,428,754	13,393,672	13,179,309	13,734,730
<u>LIABILITIES</u>						
Loss Reserves		9,589,012	10,040,300	10,832,929	11,103,681	11,610,047
LAE Reserves		262,275	281,461	310,447	320,391	323,114
Collateral from securities lending activities		15,946	0	0	0	0
Other Liabilities		977,619	326,147	488,169	319,880	359,131
Total		10,844,852	10,647,908	11,631,545	11,743,952	12,292,292
<u>CONTINGENCY RESERVE</u>		1,695,966	1,780,846	1,762,127	1,435,357	1,442,438

Washington Department of Labor & Industries

Accident Fund (Including Pension Reserve Fund)

Historical Financials (000's)

U.S. Statutory Income Statement		Actual FY 2019	Actual FY 2020	Actual FY 2021	Actual FY 2022	Actual FY 2023
<u>UNDERWRITING REVENUES</u>						
Premium		1,341,390	1,321,100	1,191,012	1,332,665	1,401,937
Retrospective rating adjustments		(238,629)	(204,941)	(262,982)	(217,198)	(203,774)
Self-Insured Assessments & Reimbursements		85,086	89,581	37,006	103,663	66,930
Other income		47,315	49,006	31,236	42,784	49,750
Total		1,235,162	1,254,746	996,272	1,261,914	1,314,843
<u>UNDERWRITING EXPENSES</u>						
Incurred Loss		995,944	1,522,791	1,873,939	1,388,486	1,656,380
Incurred LAE		116,889	94,116	103,364	80,851	77,505
Self-Insured Admin Expenses		17,188	17,872	18,287	18,354	19,601
Premium Admin Expenses and Bad Debts		24,365	23,671	23,653	23,008	23,885
General Expenses		29,842	28,803	29,474	28,935	30,900
TRIA Recoup of Government Losses		0	0	0	0	0
Operating Transfers Out		0	1,944	899	(1,063)	191
Other Administrative		52,561	60,376	66,623	60,832	75,808
Total		1,236,789	1,749,573	2,116,239	1,599,403	1,884,270
<u>OTHER OPERATING REVENUES / EXPENSES</u>						
Net investment income		325,093	544,597	516,715	445,174	406,918
Unrealized Capital Gains / (Losses)		93,448	92,535	580,814	(384,224)	191,176
Other Direct Charges to Contingency Reserve		(7,569)	(56,923)	3,543	(49,039)	(27,165)
Total		410,972	580,209	1,101,072	11,911	570,929
<u>NET INCOME/(LOSS)</u>		409,345	85,382	(18,895)	(325,578)	1,502

Profitability Ratios		Actual FY 2019	Actual FY 2020	Actual FY 2021	Actual FY 2022	Actual FY 2023
Loss & LAE Ratio		101%	145%	213%	132%	145%
Combined Ratio		112%	157%	228%	143%	157%
Operating Ratio		63%	92%	102%	129%	100%

Washington Department of Labor & Industries

Medical Aid Fund

Historical Financials (000's)

U.S. Statutory Balance Sheet		Actual FY 2019	Actual FY 2020	Actual FY 2021	Actual FY 2022	Actual FY 2023
<u>ASSETS</u>						
Cash & Invested Assets		6,230,070	6,569,946	7,234,877	7,072,437	7,464,247
Premiums Receivable		206,480	185,400	170,643	194,156	197,089
Securities lending collateral		42,523	0	0	0	0
Other Assets		21,341	23,355	23,058	23,257	22,499
Total		6,500,414	6,778,701	7,428,578	7,289,850	7,683,835
<u>LIABILITIES</u>						
Loss Reserves		3,574,041	3,853,686	3,789,164	3,665,009	3,657,887
LAE Reserves		541,459	579,159	616,988	625,250	632,125
Collateral from securities lending activities		42,523	0	0	0	0
Other Liabilities		84,081	131,769	109,831	120,328	137,571
Total		4,242,104	4,564,614	4,515,983	4,410,587	4,427,583
<u>CONTINGENCY RESERVE</u>						
		2,258,310	2,214,087	2,912,595	2,879,263	3,256,252

Washington Department of Labor & Industries

Medical Aid Fund

Historical Financials (000's)

U.S. Statutory Income Statement		Actual FY 2019	Actual FY 2020	Actual FY 2021	Actual FY 2022	Actual FY 2023
<u>UNDERWRITING REVENUES</u>						
Premium		824,322	789,899	687,245	739,296	752,738
Retrospective rating adjustments		0	0	0	0	0
Self-Insured Assessments & Reimbursements		15,200	16,804	17,804	19,217	18,563
Other income		3,132	2,867	3,527	2,762	3,016
Total		842,654	809,570	708,576	761,275	774,317
<u>UNDERWRITING EXPENSES</u>						
Incurred Loss		710,492	876,824	501,910	431,781	574,306
Incurred LAE		198,494	159,443	157,809	127,322	132,915
Self-Insured Admin Expenses		15,775	17,312	17,071	17,202	18,113
Premium Admin Expenses and Bad Debts		24,945	24,085	23,567	23,428	24,057
General Expenses		23,692	20,327	21,755	18,959	22,520
TRIA Recoup of Government Losses		0	0	0	0	0
Operating Transfers Out		0	1,495	352	(724)	194
Other Administrative		23,979	29,819	33,306	27,115	37,031
Total		997,377	1,129,305	755,770	645,083	809,136
<u>OTHER OPERATING REVENUES / EXPENSES</u>						
Net investment income		150,035	224,650	249,344	153,059	237,071
Unrealized Capital Gains / (Losses)		58,372	69,497	488,477	(289,960)	160,433
Other Direct Charges to Contingency Reserve		6,283	(18,369)	7,788	(12,878)	12,181
Total		214,690	275,778	745,609	(149,779)	409,685
<u>NET INCOME/(LOSS)</u>		59,967	(43,957)	698,415	(33,587)	374,866

Profitability Ratios		Actual FY 2019	Actual FY 2020	Actual FY 2021	Actual FY 2022	Actual FY 2023
Loss & LAE Ratio		110%	131%	96%	76%	94%
Combined Ratio		121%	143%	110%	87%	107%
Operating Ratio		93%	106%	-2%	105%	50%

Washington Department of Labor & Industries

Combined Funds

Historical Financials (000's)

U.S. Statutory Balance Sheet		Actual FY 2019	Actual FY 2020	Actual FY 2021	Actual FY 2022	Actual FY 2023
<u>ASSETS</u>						
Cash & Invested Assets		17,724,425	18,595,840	20,151,336	19,820,367	20,775,028
Premiums Receivable		548,413	497,610	483,348	542,285	570,527
Securities lending collateral		58,469	0	0	0	0
Other Assets		709,925	114,005	187,566	106,507	73,010
Total		19,041,232	19,207,455	20,822,250	20,469,159	21,418,565
<u>LIABILITIES</u>						
Loss Reserves		13,163,053	13,893,986	14,622,093	14,768,690	15,267,934
LAE Reserves		803,734	860,620	927,435	945,641	955,239
Collateral from securities lending activities		58,469	0	0	0	0
Other Liabilities		1,061,700	457,916	598,000	440,208	496,702
Total		15,086,956	15,212,522	16,147,528	16,154,539	16,719,875
<u>CONTINGENCY RESERVE</u>						
		3,954,276	3,994,933	4,674,722	4,314,620	4,698,690

Washington Department of Labor & Industries

Combined Funds

Historical Financials (000's)

U.S. Statutory Income Statement		Actual FY 2019	Actual FY 2020	Actual FY 2021	Actual FY 2022	Actual FY 2023
<u>UNDERWRITING REVENUES</u>						
Premium		2,165,712	2,110,999	1,878,257	2,071,961	2,154,675
Retrospective rating adjustments		(238,629)	(204,941)	(262,982)	(217,198)	(203,774)
Self-Insured Assessments & Reimbursements		100,286	106,385	54,810	122,880	85,493
Other income		50,447	51,873	34,763	45,546	52,766
Total		2,077,816	2,064,316	1,704,848	2,023,189	2,089,160
<u>UNDERWRITING EXPENSES</u>						
Incurred Loss		1,706,436	2,399,615	2,375,849	1,820,267	2,230,686
Incurred LAE		315,383	253,559	261,173	208,173	210,420
Self-Insured Admin Expenses		32,963	35,184	35,358	35,556	37,714
Premium Admin Expenses and Bad Debts		49,310	47,756	47,220	46,436	47,942
General Expenses		53,534	49,130	51,229	47,894	53,420
TRIA Recoup of Government Losses		0	0	0	0	0
Operating Transfers Out		0	3,439	1,251	(1,787)	385
Other Administrative		76,540	90,195	99,929	87,947	112,839
Total		2,234,166	2,878,878	2,872,009	2,244,486	2,693,406
<u>OTHER OPERATING REVENUES / EXPENSES</u>						
Net investment income		475,128	769,247	766,059	598,233	643,989
Unrealized Capital Gains / (Losses)		151,820	162,032	1,069,291	(674,184)	351,609
Other Direct Charges to Contingency Reserve		(1,286)	(75,292)	11,331	(61,917)	(14,984)
Total		625,662	855,987	1,846,681	(137,868)	980,614
<u>NET INCOME/(LOSS)</u>		469,312	41,425	679,520	(359,165)	376,368
Profitability Ratios		Actual FY 2019	Actual FY 2020	Actual FY 2021	Actual FY 2022	Actual FY 2023
Loss & LAE Ratio		105%	139%	163%	109%	125%
Combined Ratio		116%	151%	178%	121%	138%
Operating Ratio		76%	98%	58%	119%	81%