



WASHINGTON STATE DEPARTMENT OF
LABOR & INDUSTRIES

Financial Model
as of June 30, 2024

Deloitte Consulting LLP
December 2, 2024



Deloitte Consulting LLP
555 West 5th Street, Suite 2700
Los Angeles, CA 90013
USA
Tel: (213) 600-0100
www.deloitte.com

December 2, 2024

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, 2025 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, 2024 as well as historical statutory financial information.

Rod Morris is a member of the Casualty Actuarial Society and the American Academy of Actuaries and meets 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".

Rod Morris, FCAS, FSA, MAAA
Specialist Leader
Deloitte Consulting LLP
213-688-3374
rmorris@deloitte.com

A handwritten signature in black ink that reads "Kim A. Mitchell".

Kim A. Mitchell
Managing Director
Deloitte Consulting LLP
860-725-3111
kimitchell@deloitte.com

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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, 2025 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, 2024 review. All information presented in this report is as of June 30, 2024 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 \$2.2 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 2024, Supplemental Pension Fund premiums were approximately \$923 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. Additionally, it requires that the assets of the fund not be used for any purposes other than meeting the obligations of the fund.

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. 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 three 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 program, 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. The anticipated future cost of WCSM is approximately \$253.7 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 2024 and prior and included in the reserves as of June 30, 2024 totals \$46.3 million on a discounted basis and \$50.2 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, 2025 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, 2025 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, 2024 ("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, 2024, please refer to Deloitte Consulting's report entitled, "Washington State Department of Labor & Industries, Report Supporting the Statement of Actuarial Opinion on the Loss and Loss Adjustment Expense Reserves as of June 30, 2024" dated October 25, 2024. For information regarding Deloitte Consulting's Rate Review as of June 30, 2024, please refer to Deloitte Consulting's report entitled, "Washington State Department of Labor & Industries, Analysis of 2025 Rate Levels, Accident Fund, Medical Aid Fund and the Stay-at-Work Program" dated December 2, 2024.

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 Member of the American Academy of Actuaries (MAAA) and a Fellow of the Casualty Actuarial Society (FCAS). 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. Rod Morris meets the qualification standards promulgated by the American Academy of Actuaries to render Actuarial Opinions. Rod Morris has attested compliance with the Casualty Actuarial Society's Continuing Education Policy as of December 31, 2023 to perform actuarial services in 2024. Kim Mitchell, Managing Director, performed a peer review of the work and confirmed the applicable actuarial standards of practice have been followed.

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, 2024. 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.

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.

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.

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 18 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 +\$1.62 billion as of June 30, 2024. For the Medical Aid Fund, the contingency reserve is +\$3.87 billion as of June 30, 2024.

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 2025 but no further rate action will be taken in calendar years 2026 through 2034. 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 43 years which is 3.7%.

Calendar Year	Accident Fund	Medical Aid Fund
2025 *	+6.7%	-1.0%
2026-2034	+3.7%	+3.7%

* 2025 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 2025 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 2026 through 2034 are estimated and shown in the table below:

Calendar Year	Accident Fund	Medical Aid Fund
2025 *	+6.7%	-1.0%
2026	+5.8%	- 2.6%
2027	+2.9%	+6.0%
2028	+3.1%	+6.5%
2029	+3.1%	+6.5%
2030	+2.9%	+6.2%
2031	+2.9%	+6.3%
2032	+3.1%	+6.4%
2033	+3.1%	+6.4%
2034	+3.1%	+6.1%

* 2025 is the adopted rate change

The targeted overall investment returns used in the break-even indicated rate changes for calendar year 2025 are 4.34% for the Accident Fund (the Department selected 3.71%) and 4.67% for the Medical Aid Fund (the Department selected 3.75%). 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 2025 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 4.77% (ten-year average is 4.56% and 17-year average is 5.05%). The Medical Aid Fund most recent five-year average investment return is 5.13% (ten-year average is 4.61% and 17-year average is 4.79%).

The adopted 2025 rate change of +6.7% for the Accident Fund is somewhat below our break-even indication of +9.8%. The indicated break-even rate change for 2026 assuming a +6.7% rate change in 2025 is also large at +5.8% to make up for the difference between the adopted and indicated break-even rate in 2025 and to account for another year of trend offset by another year of investment returns. Rate changes for 2027 and beyond are consistently similar to consider future trend in the losses less anticipated investment income.

The adopted 2025 rate change of -1.0% for the Medical Aid Fund is above our break-even indication of -10.4%. The indicated break-even rate change for 2026 assuming a -1.0% rate change in 2025 is also declining at -2.6% even though we are assuming significant medical trend since the adopted rate change for 2025 is higher than our indication. Rate changes for 2027 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 2025 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
2025 *	+6.7%	-1.0%
2026-2034	+7.2%	-1.2%

* 2025 is the adopted rate change

Since the Accident Fund contingency reserve is currently below the 25% target ratio (current ratio is at 13.1%), 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 94.6%). The rate changes required in Scenario 3 call a +6.5% or more rate increase to maintain the higher contingency reserve level. To bring the contingency reserve down to the target ratio, declining rates changes are required over the next ten years in the Medical Aid Fund.

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, 2024 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 2025, the required capital infusion/removal as of June 30, 2024, and future required rate increases to maintain the contingency reserve-to-loss reserve ratio at 25%. The required capital infusion as of June 30, 2024 for the Accident Fund is \$1.50 billion. The required capital removal as of June 30, 2024 for the Medical Aid Fund is \$2.40 billion.

Calendar Year	Accident Fund	Medical Aid Fund
2025 *	+6.7%	-1.0%
2026-2034	+4.3%	+5.5%

* 2025 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 2025 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
2025 *	+6.7%	-1.0%
2065-2034	+18.0%	+8.7%

* 2025 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). We did update the benchmark financial data filed as of December 31, 2023. The benchmark has not changed significantly from data filed as of December 31, 2021 so we have decided not to change the benchmark we have used in the prior year for consistency.

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 18.0% for the Accident Fund and 8.7% for the Medical Aid Fund would be required. Increasing the target ratio to 94%, increases the

required annual increases from 7.2% to 18.0% for the Accident Fund and from -1.2% to 8.7% 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 2025 through 2034 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 \$1.62 billion as of June 30, 2024 which compares to the contingency reserve as of June 30, 2023 of \$1.44 billion. The adopted rate change for calendar year 2024 was less than the indications and the recorded reserve as of June 30, 2023 was higher than our expected causing us to expect the contingency reserve to remain the same during fiscal year 2024. Non-investment revenue and expenses came in as expected during fiscal year 2024. The contingency reserve did increase \$107.6 million as investment returns came in at 5.07% versus an expected 3.88%.

As of June 30, 2024, the contingency reserve for the Medical Aid Fund increased \$601 million from the level as of June 30, 2023. The increase incurred through a combination of the adopted rate change for calendar year 2024 was more than the indications, favorable development over the past year, and investment returns returning 6.2% during fiscal year 2024 versus an expectation of 4.26%.

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, 2026), a 5-year horizon (or as of June 30, 2029), and a 10-year horizon (or as of June 30, 2034). 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	1.7%	28.5%	74.3%
Medical Aid Fund	0.0%	0.3%	24.5%
Combined Funds	0.0%	3.7%	53.6%

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 2025 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 74.3% for the Accident Fund and 24.5% 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 are very similar to the probabilities estimates in our June 30, 2023 review. The probability of insolvency is a little lower for the Medical Aid Fund since the contingency reserve grew significantly over the past year.

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	1.6%	19.9%	40.8%
Medical Aid Fund	0.0%	0.2%	10.4%
Combined Funds	0.0%	2.1%	19.9%

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	1.2%	16.1%	36.0%
Medical Aid Fund	0.0%	0.1%	2.2%
Combined Funds	0.0%	1.2%	10.4%

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, 2024, 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%	14.0%	13.4%
Medical Aid Fund	0.0%	0.4%	30.0%
Combined Funds	0.0%	1.9%	14.0%

The current contingency reserve-to-loss reserve ratio is 13.1% for the Accident Fund and 94.6% 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%	2.2%	13.5%
Medical Aid Fund	4.7%	14.6%	30.0%
Combined Funds	0.0%	2.5%	14.1%

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, 2024 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 +4.3% annually for the Accident Fund and +5.5% 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	1.1%	3.1%	0.0%
Medical Aid Fund	0.0%	0.1%	1.6%
Combined Funds	0.0%	0.1%	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 shown 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	3.1%	19.6%	39.7%
Medical Aid Fund	23.4%	35.0%	45.0%
Combined Funds	4.1%	20.8%	40.6%

***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%	0.8%	8.7%
Medical Aid Fund	2.4%	10.4%	25.8%
Combined Funds	0.0%	0.9%	9.3%

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.

Financial Impact on a 2-Year Horizon

Under each of the six scenarios, the adopted 2025 rate change of +6.7% for the Accident Fund and -1.0% for Medical Aid Fund was assumed. Therefore, each scenario, except Scenario 5 (and the comparable scenarios 7 and 8), provides comparable results through a 2-year horizon (or as of June 30, 2026). 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, 2024 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, 2024.

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 2025 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, 2024 (from our loss reserve study) are restated to be on the same dollar basis as the 2025 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 2024 frequency level into the future.

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 (20.3%, 21.4%, 21.9%, 22.0%, and 23.2% 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 since 2019 there has been significant increase in claims staff which is why the ratios were much higher in the 2019 fiscal year and subsequent. The fiscal year 2020 ratio was 20.3% but may have been distorted high because of the missing medical payments related to the COVID-19 shutdowns, although the 2021 through 2024 ratios were even higher than the 2020 ratio. We selected an LAE ratio to loss reflecting the latest years ratios rather than the longer-term average. These selected ratios were 8.4% for the Accident Fund and 22.1% 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 2025 amounts. These expenses only increase and decrease due to inflation and exposure changes.

We refer the reader to the 2025 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 2025 investment return of 4.34% 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%	4.00%
Equities	12.50%	6.76%
Cash and Other	2.00%	3.80%
All Securities	100.00%	4.34%

The overall expected 2025 investment return of 4.67% 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%	4.15%
Equities	20.00%	6.76%
Cash and Other	2.00%	3.80%
All Securities	100.00%	4.67%

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, 2024. 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, 2024 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.

"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. DISCLOSURES

The following disclosures are applicable to our analysis:

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 calculations were determined using Microsoft Excel based reserving models developed and maintained internally by Deloitte Consulting. The model was designed specifically for the measurement of property & casualty unpaid claim estimates and the actuary has updated the applicable parameters for the specific coverages reviewed and assumptions selected for this valuation.

ASOP 20

Actuarial Standard of Practice No. 20: “Discounting of Property/Casualty Claim Estimates” applies to actuaries when performing actuarial services that involve the discounting of claim estimates for property/casualty coverages to a present value. The standard also requires disclosure of certain information regarding the actuary’s use of discounting. The intended purpose of the discounted estimates is to provide perspective on the impact of the time value of money on the estimates at the annual interest rate provided and used for discounting. In the discount calculations, it is assumed that interest payments will be made in the middle of each successive development period and that the selected payment patterns will apply in the future. The paid development patterns used are based upon the patterns selected in the underlying analysis.

The Department’s selected annual interest rates are 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 5.5% consistent with 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 Program is approximately 2.95% with a total discount amount of \$7.695 billion. The interest rates were selected by the Department. The Department's selected interest rate for non-pension liabilities has been selected to equal a benchmark risk-free rate less a risk adjustment percentage. According to the Department,

"this rate is then rounded to the nearest half percentage point. The current benchmark rate is the five-year average of the 20-Year U. S. Treasury yield. The duration of the 20-Year US Treasury is closer to the duration of the liabilities than other benchmark U.S. Treasury bonds. This five-year average was 2.839% as of June 30, 2024. The five-year averaging provides a balance between stability of the selection and responsiveness to economic conditions. The Department uses daily data from the US Federal Reserve for this calculation. The risk adjustment for the non-pension liabilities is two percentage points when the benchmark rate is over 4.0% and half the benchmark rate when the benchmark rate is under 4.0%. The indicated rate for the June 30, 2024 liabilities in the Accident Fund and Medical Aid Fund is therefore 1.5% ($2.839\% - \frac{1}{2} \times 2.839\% = 1.419\% = 1.5\%$ after rounding to the nearest half percent.)"

We believe that the selected combined interest rate of 2.95% is reasonable based on the duration of the unpaid claim estimates of 15.3 years and the Treasury risk-free returns of 4.43% to 4.64% for 15-year and 20-year maturities as of the June 30, 2024. While the rate selected by the Department is lower than the referenced rates, an explicit risk margin beyond what is implicit in the referenced rates may be appropriate to consider the inherent uncertainty in the timing and amount of payments underlying the unpaid claim estimates.

VII. 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)
Section VII:	Scenario 7: Contingency Reserve Growth Rate Change (Maintaining at a 10% ratio)
Section VIII:	Scenario 8: Contingency Reserve Growth Rate Change (Maintaining at a 30% 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 2024	CY 2025	CY2026-CY2034
Accident Fund (Including Pension Reserve Fund)	6.5%	6.7%	0.0%
Medical Aid Fund	4.7%	-1.0%	0.0%
Probability of Contingency Reserve < \$0			
	AF	MAF	Combined
2 Year Horizon (as of June 30, 2026)	1.7%	0.0%	0.0%
5 Year Horizon (as of June 30, 2029)	28.5%	0.3%	3.7%
10 Year Horizon (as of June 30, 2034)	74.3%	24.5%	53.6%

Scenario 2: Wage Inflation Adjusted No Rate Changes

Scenario Rate Changes	CY 2024	CY 2025	CY2026-CY2034
Accident Fund (Including Pension Reserve Fund)	6.5%	6.7%	3.7%
Medical Aid Fund	4.7%	-1.0%	3.7%
Probability of Contingency Reserve < \$0			
	AF	MAF	Combined
2 Year Horizon (as of June 30, 2026)	1.6%	0.0%	0.0%
5 Year Horizon (as of June 30, 2029)	19.9%	0.2%	2.1%
10 Year Horizon (as of June 30, 2034)	40.8%	10.4%	19.9%

Scenario 3: Indicated (Break-Even) Rate Change

Scenario Rate Changes	CY 2024	CY 2025	CY 2026	CY 2027
Accident Fund (Including Pension Reserve Fund)	6.5%	6.7%	5.8%	2.9%
Medical Aid Fund	4.7%	-1.0%	-2.6%	6.0%
	CY 2028	CY 2029	CY 2030	CY 2031
	3.1%	3.1%	2.9%	2.9%
	6.5%	6.5%	6.2%	6.3%
	CY 2032	CY 2033	CY 2034	
	3.1%	3.1%	3.1%	
	6.4%	6.4%	6.1%	
Probability of Contingency Reserve < \$0				
	AF	MAF	Combined	
2 Year Horizon (as of June 30, 2026)	1.2%	0.0%	0.0%	
5 Year Horizon (as of June 30, 2029)	16.1%	0.1%	1.2%	
10 Year Horizon (as of June 30, 2034)	36.0%	2.2%	10.4%	

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 2024	CY 2025	CY2026-CY2034
Accident Fund (Including Pension Reserve Fund)	6.5%	6.7%	7.2%
Medical Aid Fund	4.7%	-1.0%	-1.2%
<div>Probability of Contingency Reserve < \$0</div> <div>AFMAFCombined</div>			
2 Year Horizon (as of June 30, 2026)	1.4%	0.0%	0.0%
5 Year Horizon (as of June 30, 2029)	14.0%	0.4%	1.9%
10 Year Horizon (as of June 30, 2034)	13.4%	30.0%	14.0%

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

Scenario Rate Changes	CY 2024	CY 2025	CY2026-CY2034
Accident Fund (Including Pension Reserve Fund)	6.5%	6.7%	4.3%
Medical Aid Fund	4.7%	-1.0%	5.5%
Probability of Contingency Reserve < \$0			
	AF	MAF	Combined
2 Year Horizon (as of June 30, 2026)	0.0%	4.7%	0.0%
5 Year Horizon (as of June 30, 2029)	2.2%	14.6%	2.5%
10 Year Horizon (as of June 30, 2034)	13.5%	30.0%	14.1%

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

Scenario Rate Changes	CY 2024	CY 2025	CY2026-CY2034
Accident Fund (Including Pension Reserve Fund)	6.5%	6.7%	18.0%
Medical Aid Fund	4.7%	-1.0%	8.7%

Probability of Contingency Reserve < \$0			
AF	MAF	Combined	
2 Year Horizon (as of June 30, 2026)	1.1%	0.0%	0.0%
5 Year Horizon (as of June 30, 2029)	3.1%	0.1%	0.1%
10 Year Horizon (as of June 30, 2034)	0.0%	1.6%	0.0%

Washington Department of Labor & Industries

Probability of Actuarial Insolvency

Summary Results

Scenario 7: Contingency Reserve Growth Rate Change (Maintaining a 10% ratio)

Scenario Rate Changes	CY 2024	CY 2025	CY2026-CY2034
Accident Fund (Including Pension Reserve Fund)	6.5%	6.7%	4.4%
Medical Aid Fund	4.7%	-1.0%	5.2%
<div>Probability of Contingency Reserve < \$0</div> <div>AFMAFCombined</div>			
2 Year Horizon (as of June 30, 2026)	3.1%	23.4%	4.1%
5 Year Horizon (as of June 30, 2029)	19.6%	35.0%	20.8%
10 Year Horizon (as of June 30, 2034)	39.7%	45.0%	40.6%

Scenario 8: Contingency Reserve Growth Rate Change (Maintaining a 30% ratio)

Scenario Rate Changes	CY 2024	CY 2025	CY2026-CY2034
Accident Fund (Including Pension Reserve Fund)	6.5%	6.7%	4.2%
Medical Aid Fund	4.7%	-1.0%	5.7%
<div>Probability of Contingency Reserve < \$0</div> <div>AFMAFCombined</div>			
2 Year Horizon (as of June 30, 2026)	0.0%	2.4%	0.0%
5 Year Horizon (as of June 30, 2029)	0.8%	10.4%	0.9%
10 Year Horizon (as of June 30, 2034)	8.7%	25.8%	9.3%

Washington Department of Labor & Industries

Scenario 1: No Rate Change

Scenario Assumptions

Assumptions	Actual 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	Projected FY 2034
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)	6.5%	6.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Medical Aid Fund	4.7%	-1.0%	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	5.21%	4.34%	4.44%	4.53%	4.59%	4.64%	4.72%	4.79%	4.84%	4.89%	4.94%
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	81.92%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%
Equities Distribution	16.17%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%
Cash and Other Distribution	1.91%	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	6.30%	4.67%	4.79%	4.87%	4.92%	4.98%	5.06%	5.13%	5.18%	5.23%	5.30%
Government Bond Distribution	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Corporate Bond Distribution	75.01%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%
Equities Distribution	19.41%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
Cash and Other Distribution	4.58%	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		3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%
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		5.67%	5.67%	5.67%	5.67%	5.67%	5.67%	5.67%	5.67%	5.67%	5.67%
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		8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%
Fixed Expenses (Per Hour) *:		\$0.031	\$0.032	\$0.033	\$0.035	\$0.036	\$0.037	\$0.039	\$0.040	\$0.042	\$0.043
Other Income (Per Hour)		\$0.012	\$0.012	\$0.013	\$0.013	\$0.014	\$0.014	\$0.015	\$0.016	\$0.016	\$0.017
Retro Adjustment Ratio (% of premium)		-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%
Medical Aid Fund											
LAE to Loss Ratio		22.13%	22.13%	22.13%	22.13%	22.13%	22.13%	22.13%	22.13%	22.13%	22.13%
Fixed Expenses (Per Hour) *:		\$0.020	\$0.021	\$0.022	\$0.022	\$0.023	\$0.024	\$0.025	\$0.026	\$0.027	\$0.028
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)		26.22%	26.22%	26.22%	26.22%	26.22%	26.22%	26.22%	26.22%	26.22%	26.22%
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	-\$0.028
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		25.66%	25.66%	25.66%	25.66%	25.66%	25.66%	25.66%	25.66%	25.66%	25.66%
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)		\$0.005	\$0.005	\$0.005	\$0.006	\$0.006	\$0.006	\$0.006	\$0.006	\$0.007	\$0.007

* 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 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	Projected FY 2034
<u>ASSETS</u>											
Cash & Invested Assets	13,861,544	14,311,163	14,767,401	15,213,551	15,631,654	16,020,529	16,371,445	16,687,796	16,963,367	17,192,864	17,384,822
Premiums Receivable	419,005	417,521	431,054	431,054	431,054	431,054	431,054	431,054	431,054	431,054	431,054
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	110,178	118,032	121,858	121,858	121,858	121,858	121,858	121,858	121,858	121,858	121,858
Total	14,390,727	14,846,716	15,320,313	15,766,463	16,184,566	16,573,441	16,924,357	17,240,708	17,516,279	17,745,776	17,937,734
<u>LIABILITIES</u>											
Loss Reserves	12,055,657	12,476,194	13,027,334	13,591,845	14,171,118	14,767,857	15,382,362	16,015,517	16,668,457	17,341,664	18,048,274
LAE Reserves	342,298	375,469	407,449	438,362	468,430	497,923	527,097	556,148	585,215	614,462	644,093
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	373,524	350,564	325,364	294,561	264,427	234,987	206,268	178,296	151,102	124,713	99,161
Total	12,771,479	13,202,226	13,760,148	14,324,769	14,903,975	15,500,767	16,115,727	16,749,962	17,404,774	18,080,838	18,791,527
<u>CONTINGENCY RESERVE</u>	1,619,248	1,644,489	1,560,166	1,441,694	1,280,591	1,072,675	808,630	490,746	111,505	(335,063)	(853,793)

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 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	Projected FY 2034
<u>UNDERWRITING REVENUES</u>											
Premium	1,486,849	1,592,423	1,644,041	1,644,041	1,644,041	1,644,041	1,644,041	1,644,041	1,644,041	1,644,041	1,644,041
Retrospective rating adjustments	(208,200)	(238,153)	(245,873)	(245,873)	(245,873)	(245,873)	(245,873)	(245,873)	(245,873)	(245,873)	(245,873)
Self-Insured Assessments & Reimbursements	92,095	85,692	88,948	92,328	95,836	99,478	103,258	107,182	111,255	115,483	119,871
Other income	52,143	50,908	52,843	54,851	56,935	59,099	61,345	63,676	66,095	68,607	71,214
Total	1,422,887	1,490,870	1,539,959	1,545,347	1,550,939	1,556,745	1,562,771	1,569,026	1,575,518	1,582,257	1,589,253
<u>UNDERWRITING EXPENSES</u>											
Incurred Loss	1,652,598	1,792,931	1,974,916	2,038,381	2,104,470	2,173,351	2,245,134	2,319,839	2,397,454	2,478,033	2,561,626
Incurred LAE	102,300	121,162	125,524	129,998	134,595	139,331	144,218	149,266	154,478	159,861	165,422
Self-Insured Admin Expenses	19,834	21,423	22,237	23,082	23,959	24,870	25,815	26,796	27,814	28,871	29,968
Premium Admin Expenses and Bad Debts	25,361	25,793	26,773	27,790	28,846	29,943	31,080	32,262	33,487	34,760	36,081
General Expenses	32,368	32,458	33,692	34,972	36,301	37,681	39,112	40,599	42,141	43,743	45,405
TRIA Recoup of Government Losses	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	0	425	441	458	475	494	512	532	552	573	595
Other Administrative	74,037	72,837	75,604	78,477	81,460	84,555	87,768	91,103	94,565	98,159	101,889
Total	1,906,498	2,067,030	2,259,188	2,333,160	2,410,106	2,490,224	2,573,641	2,660,396	2,750,493	2,843,999	2,940,985
<u>OTHER OPERATING REVENUES / EXPENSES</u>											
Net investment income	412,819	601,401	634,906	669,341	698,065	725,563	746,825	773,487	795,734	815,173	833,002
Unrealized Capital Gains / (Losses)	280,994	0	0	0	0	0	0	0	0	0	0
Other Direct Charges to Contingency Reserve	(18,629)	0	0	0	0	0	0	0	0	0	0
Total	675,184	601,401	634,906	669,341	698,065	725,563	746,825	773,487	795,734	815,173	833,002
<u>NET INCOME/(LOSS)</u>	191,573	25,241	(84,323)	(118,472)	(161,102)	(207,917)	(264,045)	(317,884)	(379,241)	(446,568)	(518,730)
Profitability Ratios	Actual 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	Projected FY 2034
Loss & LAE Ratio	137%	141%	150%	155%	160%	165%	171%	177%	183%	189%	195%
Combined Ratio	149%	153%	162%	167%	172%	178%	184%	190%	197%	203%	210%
Operating Ratio	85%	98%	106%	108%	112%	115%	119%	123%	127%	132%	137%

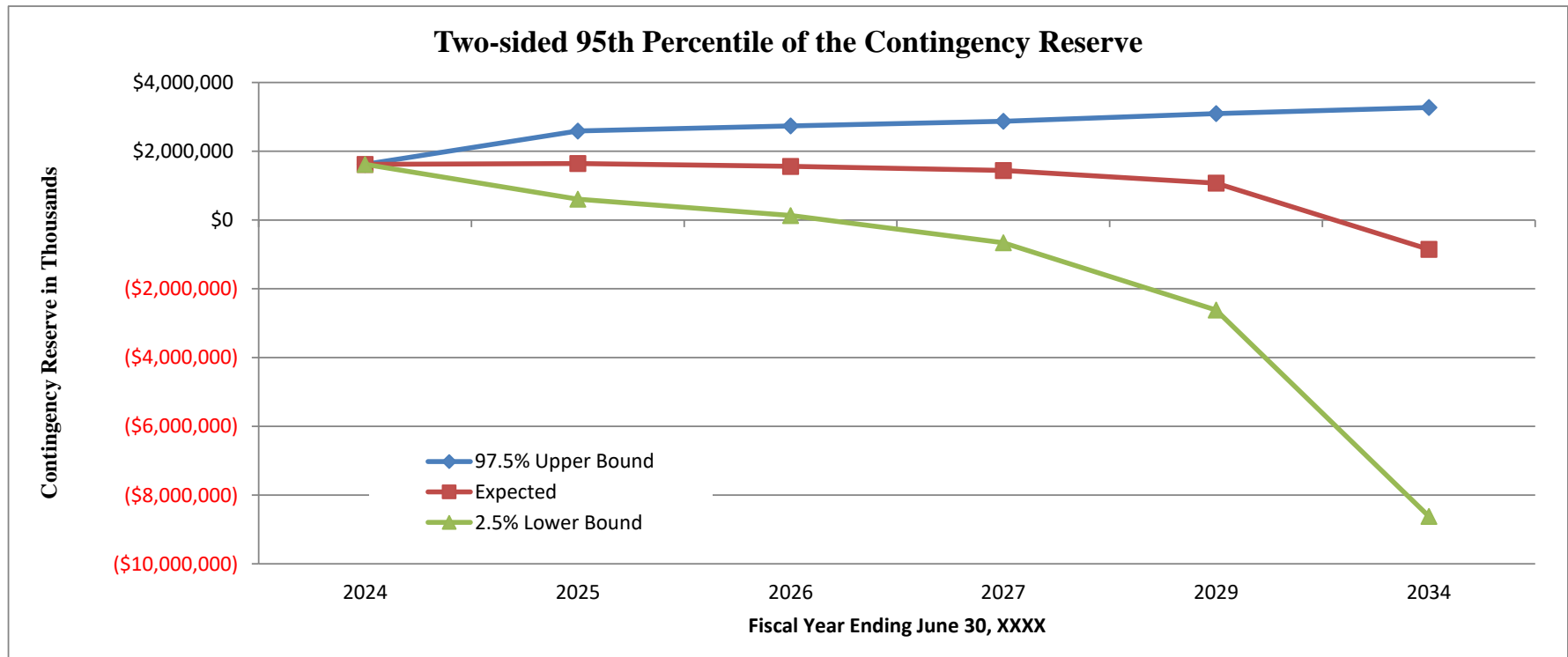
Washington Department of Labor & Industries

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

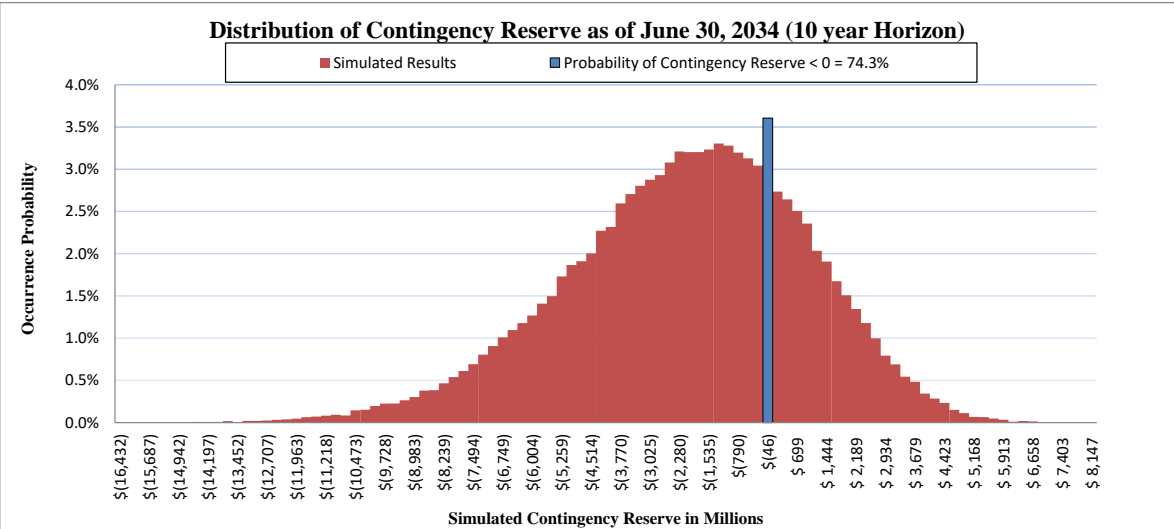
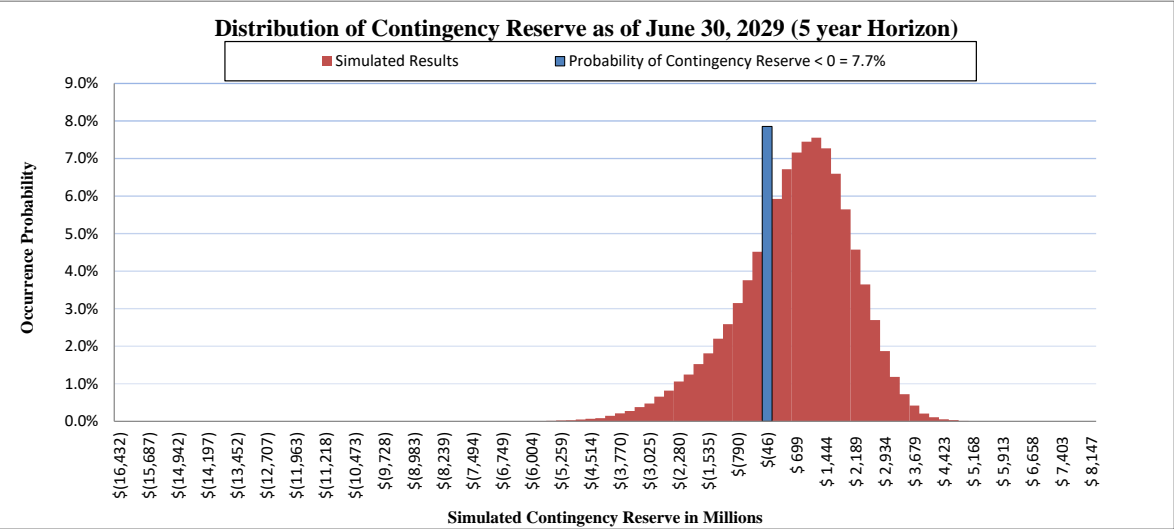
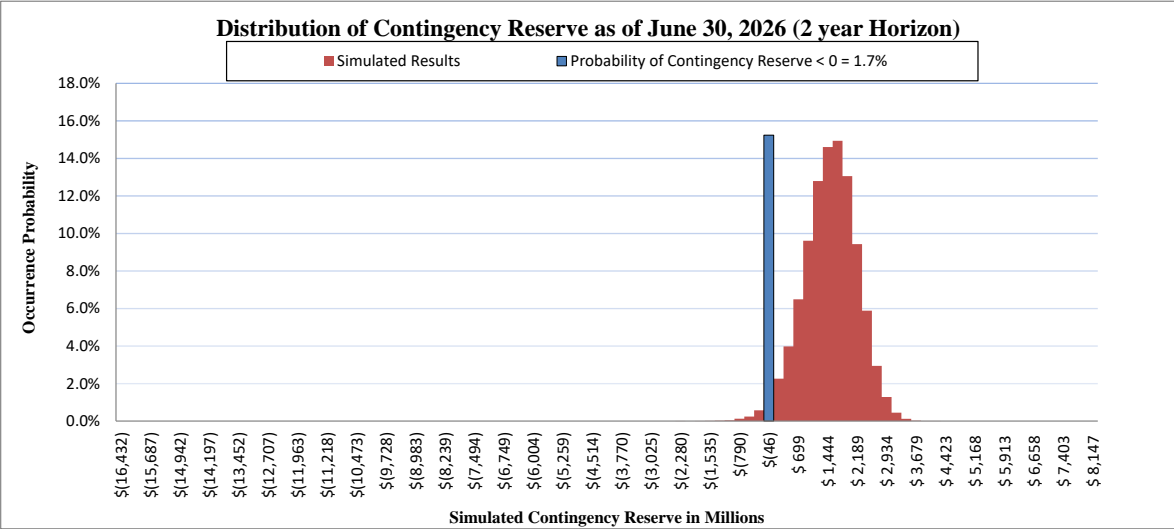
Probability of Contingency Reserve < \$0

2 Year Horizon (as of June 30, 2026)
5 Year Horizon (as of June 30, 2029)
10 Year Horizon (as of June 30, 2034)

1.7%
28.5%
74.3%



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 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	Projected FY 2034
<u>ASSETS</u>											
Cash & Invested Assets	7,818,682	8,021,659	8,201,933	8,359,199	8,485,164	8,574,689	8,614,829	8,606,929	8,543,440	8,417,436	8,223,809
Premiums Receivable	213,329	197,859	196,865	196,865	196,865	196,865	196,865	196,865	196,865	196,865	196,865
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	23,821	23,891	23,770	23,770	23,770	23,770	23,770	23,770	23,770	23,770	23,770
Total	8,055,832	8,243,409	8,422,568	8,579,835	8,705,799	8,795,324	8,835,464	8,827,565	8,764,075	8,638,071	8,444,444
<u>LIABILITIES</u>											
Loss Reserves	3,463,459	3,804,340	3,907,970	4,023,883	4,151,244	4,289,788	4,439,713	4,601,523	4,775,685	4,962,967	5,163,865
LAE Reserves	627,088	702,525	725,459	751,111	779,296	809,956	843,134	878,943	917,486	958,931	1,003,390
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	95,030	101,469	112,514	126,952	144,690	165,853	190,573	218,983	251,224	287,443	327,789
Total	4,185,577	4,608,335	4,745,943	4,901,945	5,075,230	5,265,597	5,473,420	5,699,450	5,944,396	6,209,341	6,495,044
<u>CONTINGENCY RESERVE</u>	3,870,255	3,635,074	3,676,626	3,677,889	3,630,569	3,529,727	3,362,044	3,128,115	2,819,680	2,428,730	1,949,400

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

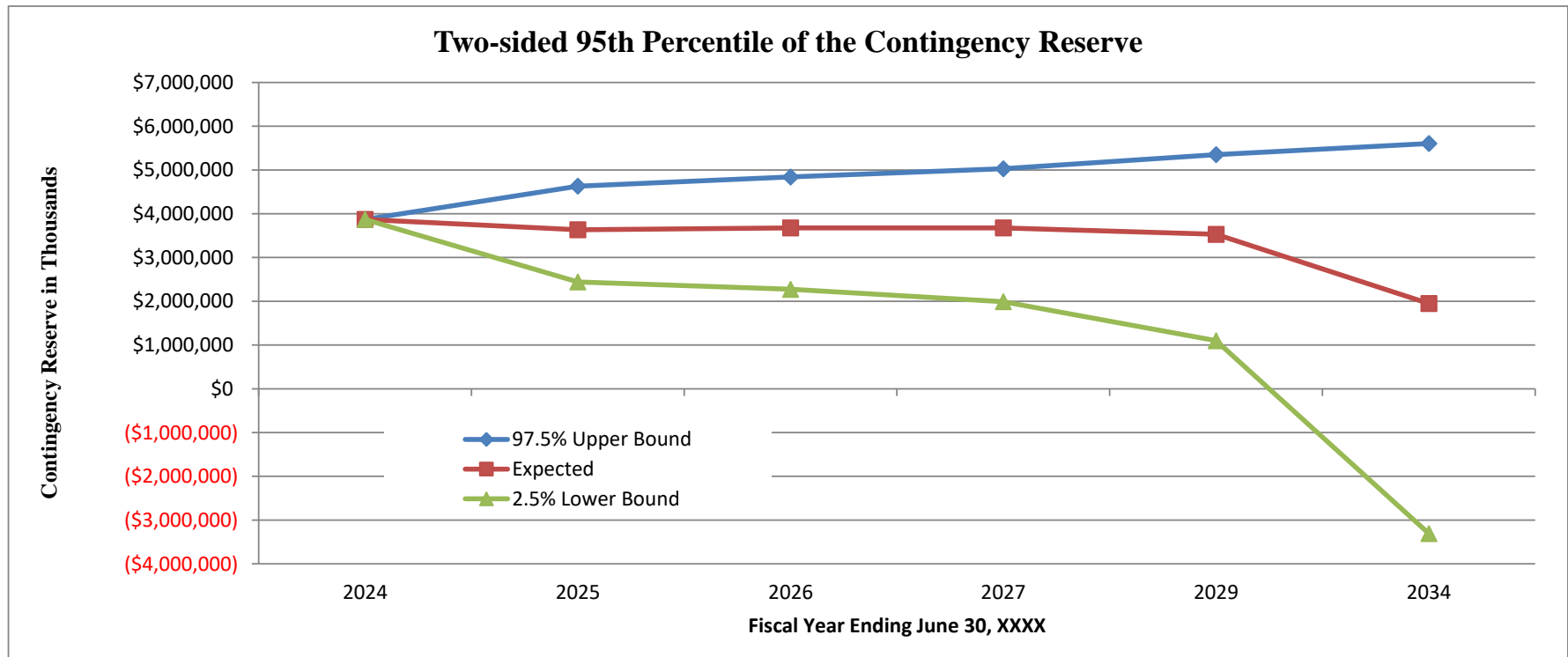
U.S. Statutory Income Statement	Actual FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033	Projected FY 2034
<u>UNDERWRITING REVENUES</u>											
Premium	774,589	771,107	767,232	767,232	767,232	767,232	767,232	767,232	767,232	767,232	767,232
Retrospective rating adjustments	0	0	0	0	0	0	0	0	0	0	0
Self-Insured Assessments & Reimbursements	20,560	21,423	22,237	23,082	23,959	24,870	25,815	26,796	27,814	28,871	29,968
Other income	2,795	4,242	4,404	4,571	4,745	4,925	5,112	5,306	5,508	5,717	5,934
Total	797,944	796,772	793,872	794,884	795,935	797,026	798,158	799,333	800,553	801,819	803,134
<u>UNDERWRITING EXPENSES</u>											
Incurred Loss	411,116	1,056,619	840,088	883,406	930,231	980,266	1,033,467	1,089,903	1,149,712	1,213,040	1,280,077
Incurred LAE	129,536	233,831	185,913	195,499	205,862	216,934	228,708	241,197	254,433	268,448	283,283
Self-Insured Admin Expenses	17,969	21,423	22,237	23,082	23,959	24,870	25,815	26,796	27,814	28,871	29,968
Premium Admin Expenses and Bad Debts	25,990	26,573	27,582	28,630	29,718	30,848	32,020	33,237	34,500	35,811	37,171
General Expenses	21,060	22,952	23,824	24,729	25,669	26,644	27,657	28,708	29,798	30,931	32,106
TRIA Recoup of Government Losses	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	0	289	300	311	323	335	348	361	375	389	404
Other Administrative	32,427	35,034	36,366	37,747	39,182	40,671	42,216	43,820	45,486	47,214	49,008
Total	638,098	1,396,721	1,136,309	1,193,405	1,254,944	1,320,568	1,390,231	1,464,022	1,542,117	1,624,703	1,712,017
<u>OTHER OPERATING REVENUES / EXPENSES</u>											
Net investment income	195,980	364,768	383,988	399,784	411,689	422,699	424,389	430,759	433,129	431,934	429,553
Unrealized Capital Gains / (Losses)	274,517	0	0	0	0	0	0	0	0	0	0
Other Direct Charges to Contingency Reserve	(8,050)	0	0	0	0	0	0	0	0	0	0
Total	462,447	364,768	383,988	399,784	411,689	422,699	424,389	430,759	433,129	431,934	429,553
<u>NET INCOME/(LOSS)</u>	622,293	(235,181)	41,552	1,264	(47,320)	(100,843)	(167,683)	(233,929)	(308,435)	(390,949)	(479,330)
Profitability Ratios	Actual 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	Projected FY 2034
Loss & LAE Ratio	70%	167%	134%	141%	148%	156%	165%	173%	183%	193%	204%
Combined Ratio	82%	181%	148%	156%	164%	172%	181%	191%	201%	212%	223%
Operating Ratio	20%	130%	95%	100%	106%	113%	122%	130%	140%	151%	162%

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

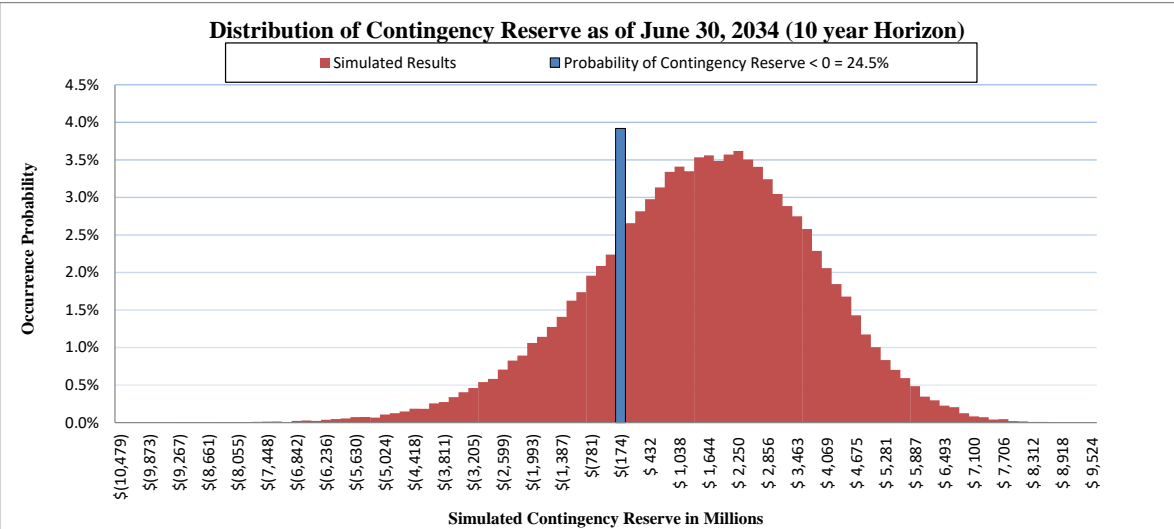
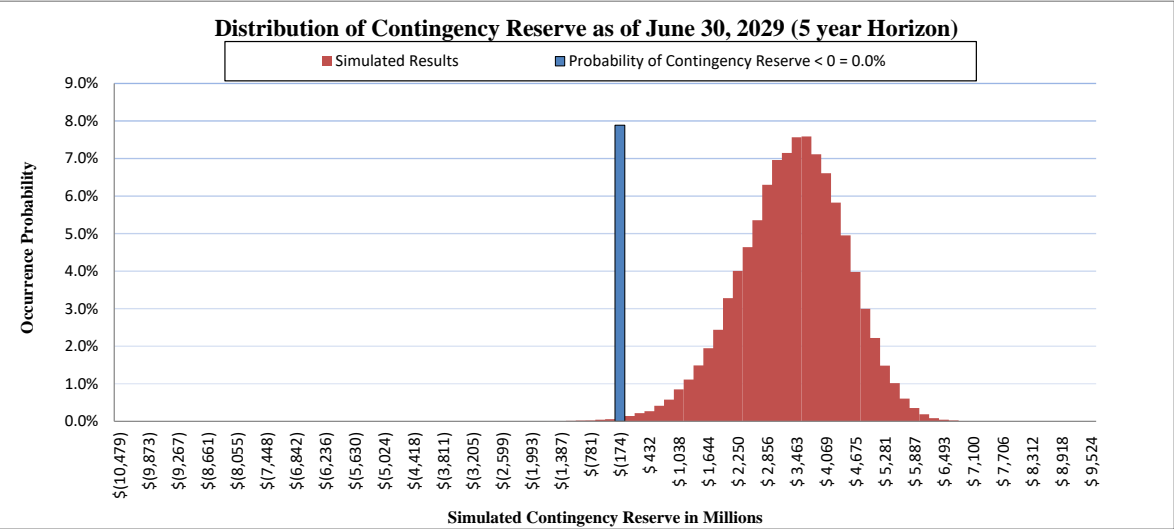
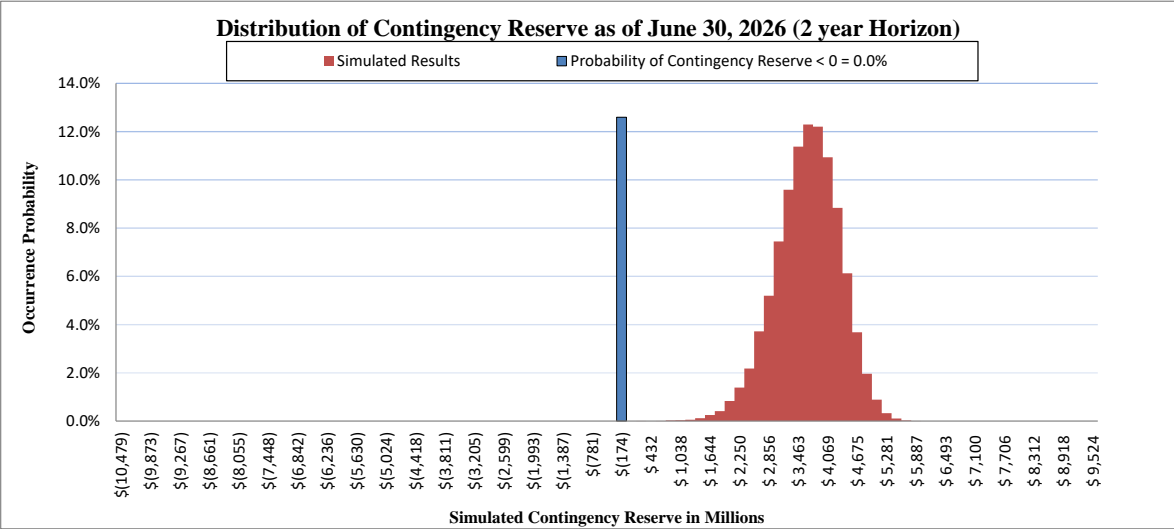
Probability of Contingency Reserve < \$0

2 Year Horizon (as of June 30, 2026)
5 Year Horizon (as of June 30, 2029)
10 Year Horizon (as of June 30, 2034)

0.0%
0.3%
24.5%



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 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	Projected FY 2034
<u>ASSETS</u>											
Cash & Invested Assets	21,680,226	22,332,822	22,969,334	23,572,750	24,116,818	24,595,218	24,986,274	25,294,725	25,506,807	25,610,300	25,608,631
Premiums Receivable	632,334	615,380	627,919	627,919	627,919	627,919	627,919	627,919	627,919	627,919	627,919
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	133,999	141,922	145,628	145,628	145,628	145,628	145,628	145,628	145,628	145,628	145,628
Total	22,446,559	23,090,125	23,742,882	24,346,297	24,890,365	25,368,765	25,759,821	26,068,273	26,280,354	26,383,847	26,382,178
<u>LIABILITIES</u>											
Loss Reserves	15,519,116	16,280,534	16,935,304	17,615,728	18,322,362	19,057,645	19,822,075	20,617,041	21,444,142	22,304,631	23,212,139
LAE Reserves	969,386	1,077,994	1,132,908	1,189,473	1,247,726	1,307,879	1,370,232	1,435,092	1,502,701	1,573,393	1,647,483
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	468,554	452,033	437,878	421,513	409,117	400,840	396,841	397,280	402,326	412,155	426,949
Total	16,957,056	17,810,561	18,506,090	19,226,714	19,979,204	20,766,364	21,589,148	22,449,412	23,349,169	24,290,179	25,286,571
<u>CONTINGENCY RESERVE</u>	5,489,503	5,279,563	5,236,791	5,119,583	4,911,161	4,602,402	4,170,673	3,618,861	2,931,185	2,093,668	1,095,607

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

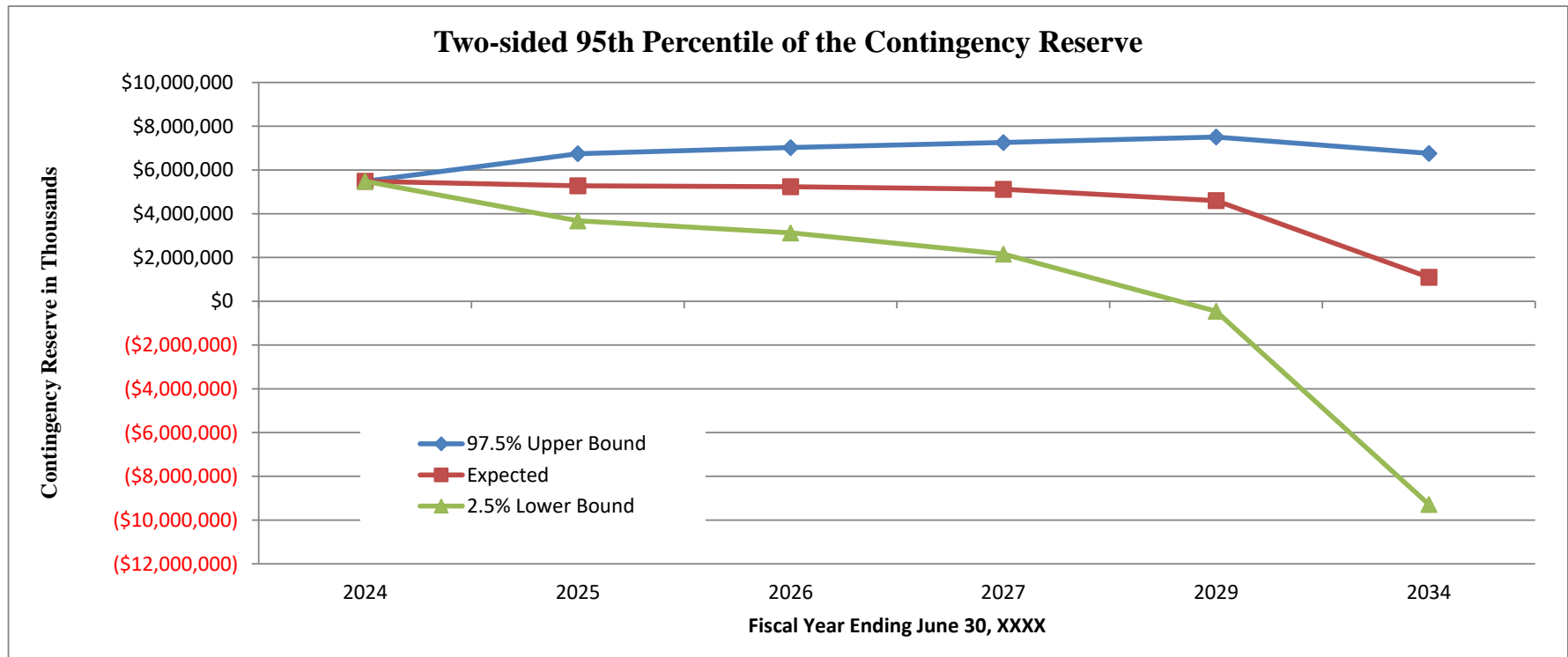
U.S. Statutory Income Statement	Actual FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033	Projected FY 2034
<u>UNDERWRITING REVENUES</u>											
Premium	2,261,438	2,363,530	2,411,272	2,411,272	2,411,272	2,411,272	2,411,272	2,411,272	2,411,272	2,411,272	2,411,272
Retrospective rating adjustments	(208,200)	(238,153)	(245,873)	(245,873)	(245,873)	(245,873)	(245,873)	(245,873)	(245,873)	(245,873)	(245,873)
Self-Insured Assessments & Reimbursements	112,655	107,114	111,185	115,410	119,795	124,348	129,073	133,978	139,069	144,353	149,839
Other income	54,938	55,151	57,246	59,422	61,680	64,024	66,457	68,982	71,603	74,324	77,148
Total	2,220,831	2,287,642	2,333,831	2,340,231	2,346,875	2,353,771	2,360,929	2,368,359	2,376,071	2,384,077	2,392,387
<u>UNDERWRITING EXPENSES</u>											
Incurred Loss	2,063,714	2,849,551	2,815,004	2,921,787	3,034,701	3,153,617	3,278,602	3,409,742	3,547,166	3,691,073	3,841,703
Incurred LAE	231,836	354,994	311,437	325,497	340,457	356,266	372,926	390,463	408,911	428,308	448,705
Self-Insured Admin Expenses	37,803	42,846	44,474	46,164	47,918	49,739	51,629	53,591	55,627	57,741	59,935
Premium Admin Expenses and Bad Debts	51,351	52,366	54,355	56,421	58,565	60,790	63,100	65,498	67,987	70,571	73,252
General Expenses	53,428	55,410	57,516	59,701	61,970	64,325	66,769	69,306	71,940	74,674	77,511
TRIA Recoup of Government Losses	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	0	714	741	769	799	829	860	893	927	962	999
Other Administrative	106,464	107,871	111,970	116,225	120,641	125,226	129,984	134,924	140,051	145,373	150,897
Total	2,544,596	3,463,751	3,395,497	3,526,564	3,665,051	3,810,792	3,963,871	4,124,418	4,292,610	4,468,702	4,653,003
<u>OTHER OPERATING REVENUES / EXPENSES</u>											
Net investment income	608,799	966,169	1,018,894	1,069,125	1,109,754	1,148,262	1,171,214	1,204,247	1,228,863	1,247,108	1,262,555
Unrealized Capital Gains / (Losses)	555,511	0	0	0	0	0	0	0	0	0	0
Other Direct Charges to Contingency Reserve	(26,679)	0	0	0	0	0	0	0	0	0	0
Total	1,137,631	966,169	1,018,894	1,069,125	1,109,754	1,148,262	1,171,214	1,204,247	1,228,863	1,247,108	1,262,555
<u>NET INCOME/(LOSS)</u>	813,866	(209,940)	(42,772)	(117,209)	(208,422)	(308,759)	(431,728)	(551,812)	(687,676)	(837,517)	(998,061)
Profitability Ratios	Actual 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	Projected FY 2034
Loss & LAE Ratio	112%	151%	144%	150%	156%	162%	169%	175%	183%	190%	198%
Combined Ratio	124%	163%	157%	163%	169%	176%	183%	190%	198%	206%	215%
Operating Ratio	60%	110%	102%	105%	110%	114%	120%	125%	132%	139%	146%

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

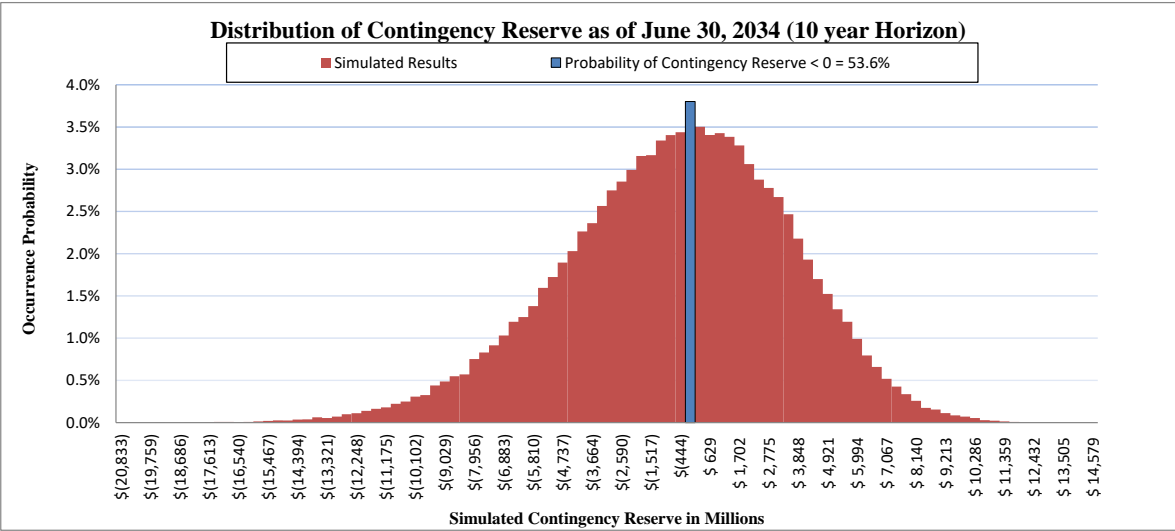
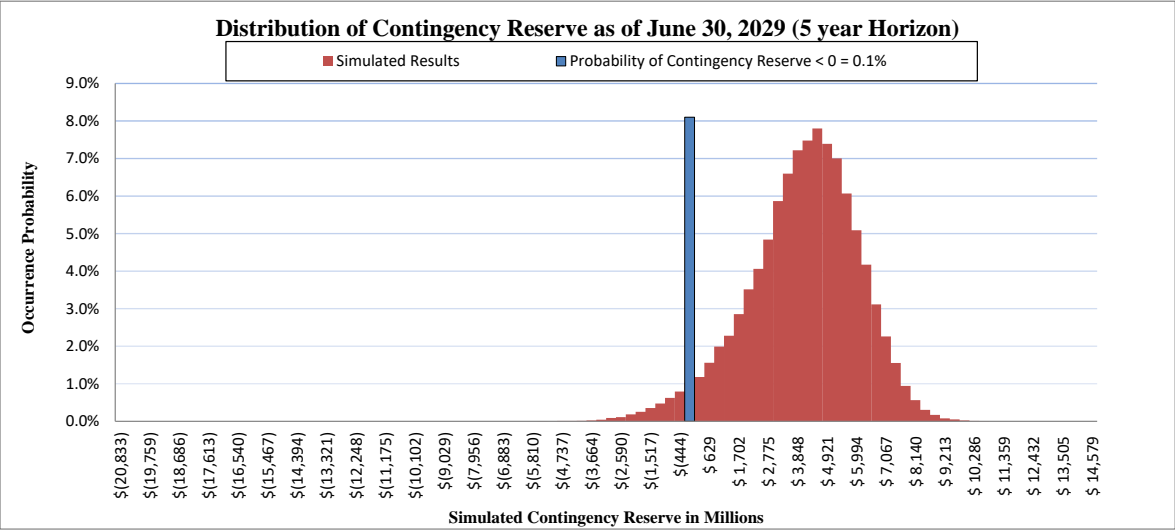
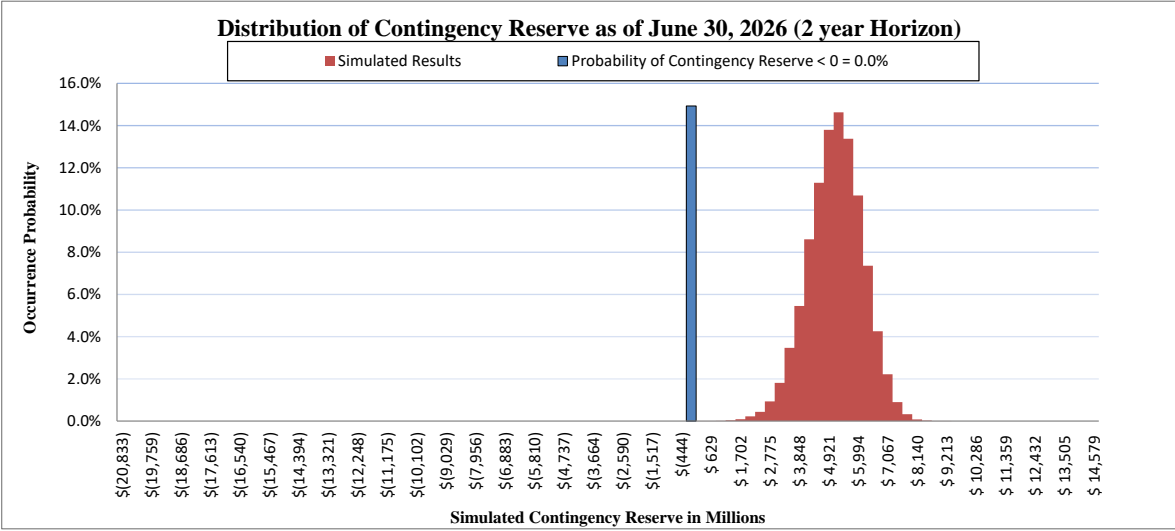
Probability of Contingency Reserve < \$0

2 Year Horizon (as of June 30, 2026)
5 Year Horizon (as of June 30, 2029)
10 Year Horizon (as of June 30, 2034)

0.0%
3.7%
53.6%



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 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	Projected FY 2034
Annual Rate Change Assumptions (Changes are on a calendar year basis versus a fiscal year basis like all other assumptions)											
Accident Fund (Including Pension Reserve Fund)	6.5%	6.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
Medical Aid Fund	4.7%	-1.0%	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	5.21%	4.34%	4.44%	4.53%	4.59%	4.64%	4.72%	4.79%	4.84%	4.89%	4.94%
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	81.92%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%
Equities Distribution	16.17%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%
Cash and Other Distribution	1.91%	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	6.30%	4.67%	4.79%	4.87%	4.92%	4.98%	5.06%	5.13%	5.18%	5.23%	5.30%
Government Bond Distribution	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Corporate Bond Distribution	75.01%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%
Equities Distribution	19.41%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
Cash and Other Distribution	4.58%	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		3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%
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		5.67%	5.67%	5.67%	5.67%	5.67%	5.67%	5.67%	5.67%	5.67%	5.67%
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		8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%
Fixed Expenses (Per Hour) *:		\$0.031	\$0.032	\$0.033	\$0.035	\$0.036	\$0.037	\$0.039	\$0.040	\$0.042	\$0.043
Other Income (Per Hour)		\$0.012	\$0.012	\$0.013	\$0.013	\$0.014	\$0.014	\$0.015	\$0.016	\$0.016	\$0.017
Retro Adjustment Ratio (% of premium)		-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%
Medical Aid Fund											
LAE to Loss Ratio		22.13%	22.13%	22.13%	22.13%	22.13%	22.13%	22.13%	22.13%	22.13%	22.13%
Fixed Expenses (Per Hour) *:		\$0.020	\$0.021	\$0.022	\$0.022	\$0.023	\$0.024	\$0.025	\$0.026	\$0.027	\$0.028
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)		26.22%	26.22%	26.22%	26.22%	26.22%	26.22%	26.22%	26.22%	26.22%	26.22%
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	-\$0.028
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		25.66%	25.66%	25.66%	25.66%	25.66%	25.66%	25.66%	25.66%	25.66%	25.66%
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)		\$0.005	\$0.005	\$0.005	\$0.006	\$0.006	\$0.006	\$0.006	\$0.006	\$0.007	\$0.007

* 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 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	Projected FY 2034
<u>ASSETS</u>											
Cash & Invested Assets	13,861,544	14,311,163	14,785,825	15,295,309	15,831,916	16,399,027	16,998,253	17,634,831	18,308,433	19,020,134	19,785,420
Premiums Receivable	419,005	417,521	439,029	455,273	472,118	489,586	507,701	526,486	545,966	566,167	587,115
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	110,178	118,032	124,112	128,704	133,466	138,404	143,525	148,836	154,343	160,053	165,975
Total	14,390,727	14,846,716	15,348,966	15,879,286	16,437,501	17,027,018	17,649,480	18,310,153	19,008,742	19,746,354	20,538,510
<u>LIABILITIES</u>											
Loss Reserves	12,055,657	12,476,194	13,027,334	13,591,845	14,171,118	14,767,857	15,382,362	16,015,517	16,668,457	17,341,664	18,048,274
LAE Reserves	342,298	375,469	407,449	438,362	468,430	497,923	527,097	556,148	585,215	614,462	644,093
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	373,524	350,564	328,151	302,128	275,160	247,212	218,249	188,234	157,130	124,895	91,490
Total	12,771,479	13,202,226	13,762,934	14,332,336	14,914,707	15,512,991	16,127,709	16,759,900	17,410,802	18,081,021	18,783,857
<u>CONTINGENCY RESERVE</u>	1,619,248	1,644,489	1,586,032	1,546,950	1,522,793	1,514,027	1,521,771	1,550,253	1,597,940	1,665,334	1,754,654

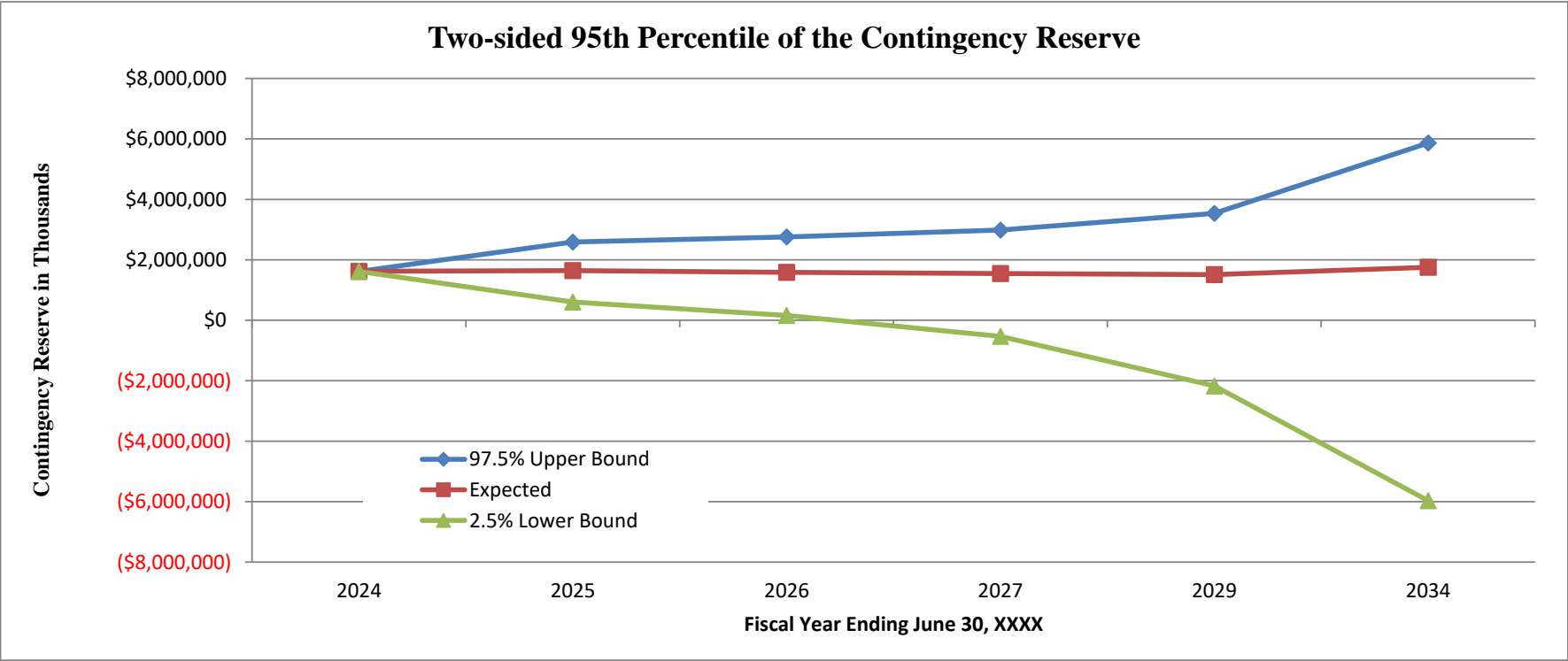
Washington Department of Labor & Industries
Scenario 2: Wage Inflation Adjusted No Rate Changes
Accident Fund (Including Pension Reserve Fund)
Projected Financials (000's)

U.S. Statutory Income Statement	Actual FY 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	Projected FY 2034
<u>UNDERWRITING REVENUES</u>											
Premium	1,486,849	1,592,423	1,674,455	1,736,410	1,800,657	1,867,282	1,936,371	2,008,017	2,082,313	2,159,359	2,239,255
Retrospective rating adjustments	(208,200)	(238,153)	(250,421)	(259,687)	(269,295)	(279,259)	(289,592)	(300,307)	(311,418)	(322,940)	(334,889)
Self-Insured Assessments & Reimbursements	92,095	85,692	88,948	92,328	95,836	99,478	103,258	107,182	111,255	115,483	119,871
Other income	52,143	50,908	52,843	54,851	56,935	59,099	61,345	63,676	66,095	68,607	71,214
Total	1,422,887	1,490,870	1,565,825	1,623,902	1,684,134	1,746,599	1,811,382	1,878,568	1,948,246	2,020,508	2,095,451
<u>UNDERWRITING EXPENSES</u>											
Incurred Loss	1,652,598	1,792,931	1,974,916	2,038,381	2,104,470	2,173,351	2,245,134	2,319,839	2,397,454	2,478,033	2,561,626
Incurred LAE	102,300	121,162	125,524	129,998	134,595	139,331	144,218	149,266	154,478	159,861	165,422
Self-Insured Admin Expenses	19,834	21,423	22,237	23,082	23,959	24,870	25,815	26,796	27,814	28,871	29,968
Premium Admin Expenses and Bad Debts	25,361	25,793	26,773	27,790	28,846	29,943	31,080	32,262	33,487	34,760	36,081
General Expenses	32,368	32,458	33,692	34,972	36,301	37,681	39,112	40,599	42,141	43,743	45,405
TRIA Recoup of Government Losses	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	0	425	441	458	475	494	512	532	552	573	595
Other Administrative	74,037	72,837	75,604	78,477	81,460	84,555	87,768	91,103	94,565	98,159	101,889
Total	1,906,498	2,067,030	2,259,188	2,333,160	2,410,106	2,490,224	2,573,641	2,660,396	2,750,493	2,843,999	2,940,985
<u>OTHER OPERATING REVENUES / EXPENSES</u>											
Net investment income	412,819	601,401	634,906	670,176	701,816	734,858	770,003	810,311	849,934	890,884	934,854
Unrealized Capital Gains / (Losses)	280,994	0	0	0	0	0	0	0	0	0	0
Other Direct Charges to Contingency Reserve	(18,629)	0	0	0	0	0	0	0	0	0	0
Total	675,184	601,401	634,906	670,176	701,816	734,858	770,003	810,311	849,934	890,884	934,854
<u>NET INCOME/(LOSS)</u>	191,573	25,241	(58,457)	(39,082)	(24,157)	(8,767)	7,745	28,482	47,687	67,394	89,320
Profitability Ratios	Actual 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	Projected FY 2034
Loss & LAE Ratio	137%	141%	147%	147%	146%	146%	145%	145%	144%	144%	143%
Combined Ratio	149%	153%	159%	158%	157%	157%	156%	156%	155%	155%	154%
Operating Ratio	85%	98%	104%	103%	102%	101%	100%	98%	97%	96%	95%

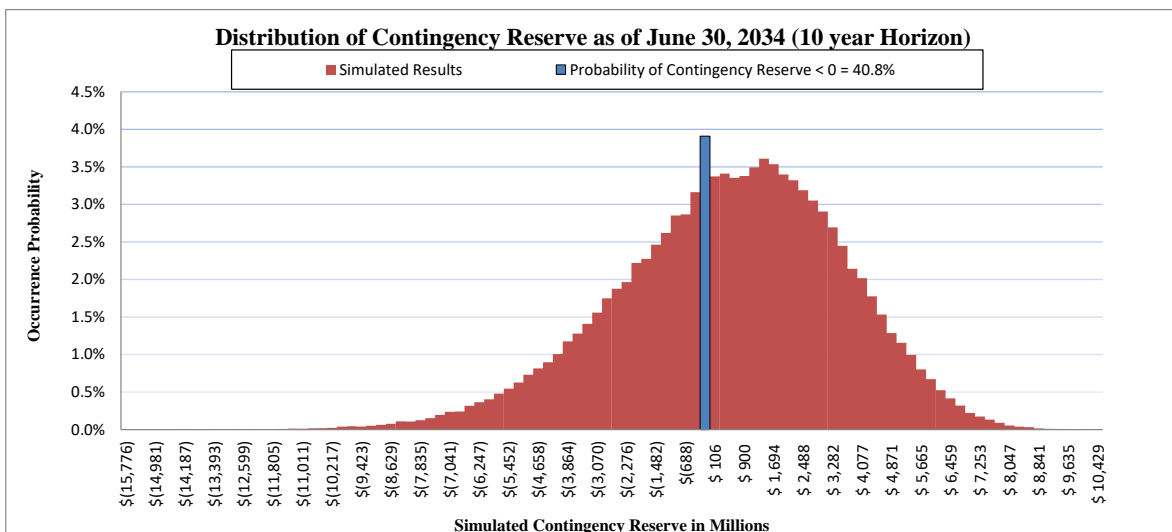
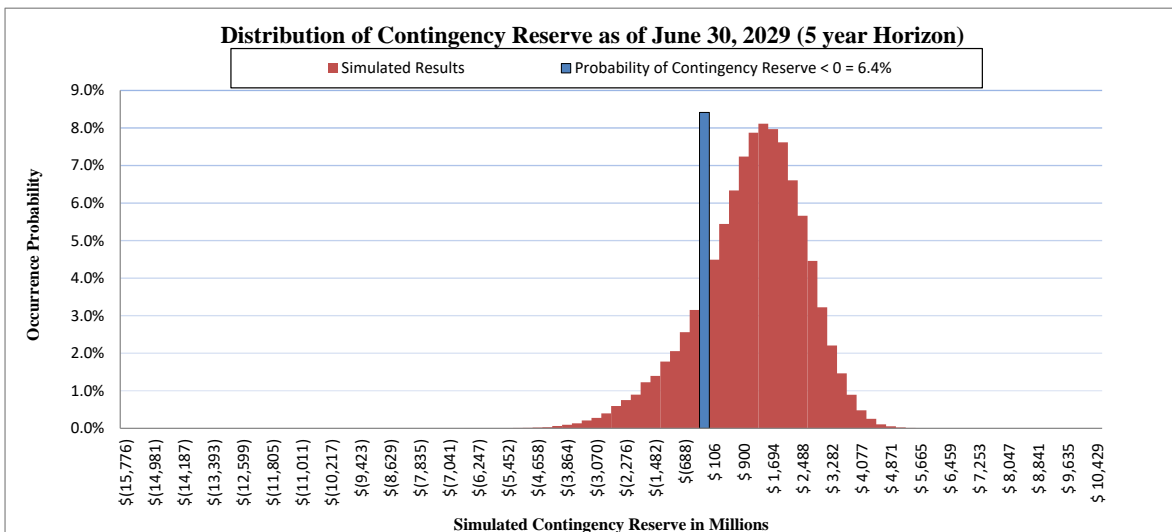
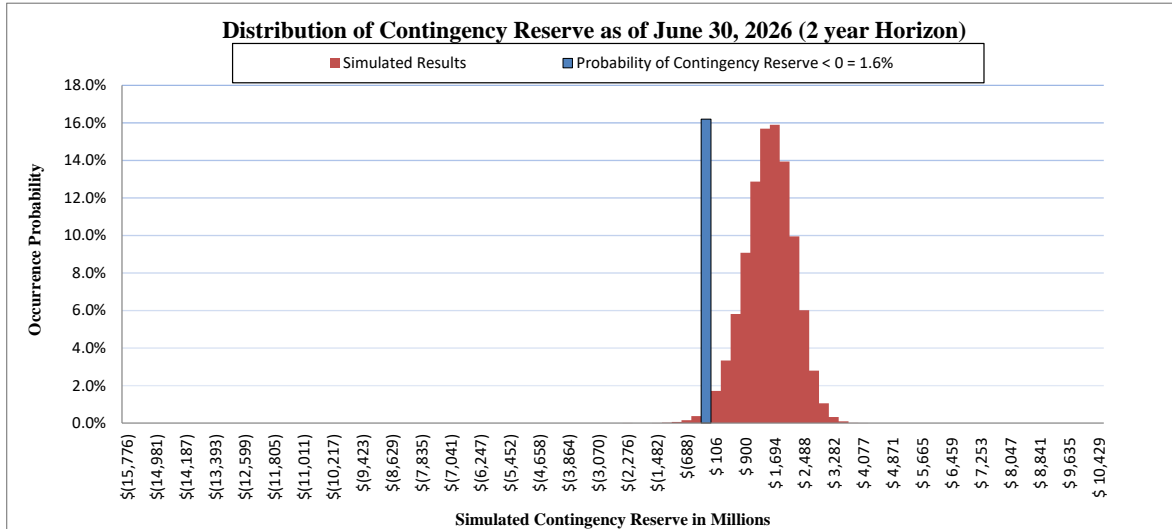
Washington Department of Labor & Industries
Scenario 2: Wage Inflation Adjusted No Rate Changes
Accident Fund (Including Pension Reserve Fund)
Probability of Insolvency

Probability of Contingency Reserve < \$0

<u>2 Year Horizon (as of June 30, 2026)</u>	1.6%
<u>5 Year Horizon (as of June 30, 2029)</u>	19.9%
<u>10 Year Horizon (as of June 30, 2034)</u>	40.8%



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 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	Projected FY 2034
<u>ASSETS</u>											
Cash & Invested Assets	7,818,682	8,021,659	8,211,489	8,401,541	8,588,814	8,770,627	8,939,680	9,098,253	9,241,984	9,367,396	9,473,438
Premiums Receivable	213,329	197,859	200,507	207,925	215,619	223,597	231,870	240,449	249,345	258,571	268,138
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	23,821	23,891	24,210	25,106	26,035	26,998	27,997	29,033	30,107	31,221	32,376
Total	8,055,832	8,243,409	8,436,206	8,634,572	8,830,468	9,021,222	9,199,546	9,367,735	9,521,437	9,657,189	9,773,953
<u>LIABILITIES</u>											
Loss Reserves	3,463,459	3,804,340	3,907,970	4,023,883	4,151,244	4,289,788	4,439,713	4,601,523	4,775,685	4,962,967	5,163,865
LAE Reserves	627,088	702,525	725,459	751,111	779,296	809,956	843,134	878,943	917,486	958,931	1,003,390
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	95,030	101,469	111,958	123,923	136,418	149,466	163,090	177,315	192,167	207,673	223,862
Total	4,185,577	4,608,335	4,745,386	4,898,917	5,066,958	5,249,210	5,445,937	5,657,782	5,885,338	6,129,572	6,391,117
<u>CONTINGENCY RESERVE</u>	3,870,255	3,635,074	3,690,819	3,735,655	3,763,510	3,772,012	3,753,609	3,709,953	3,636,099	3,527,617	3,382,835

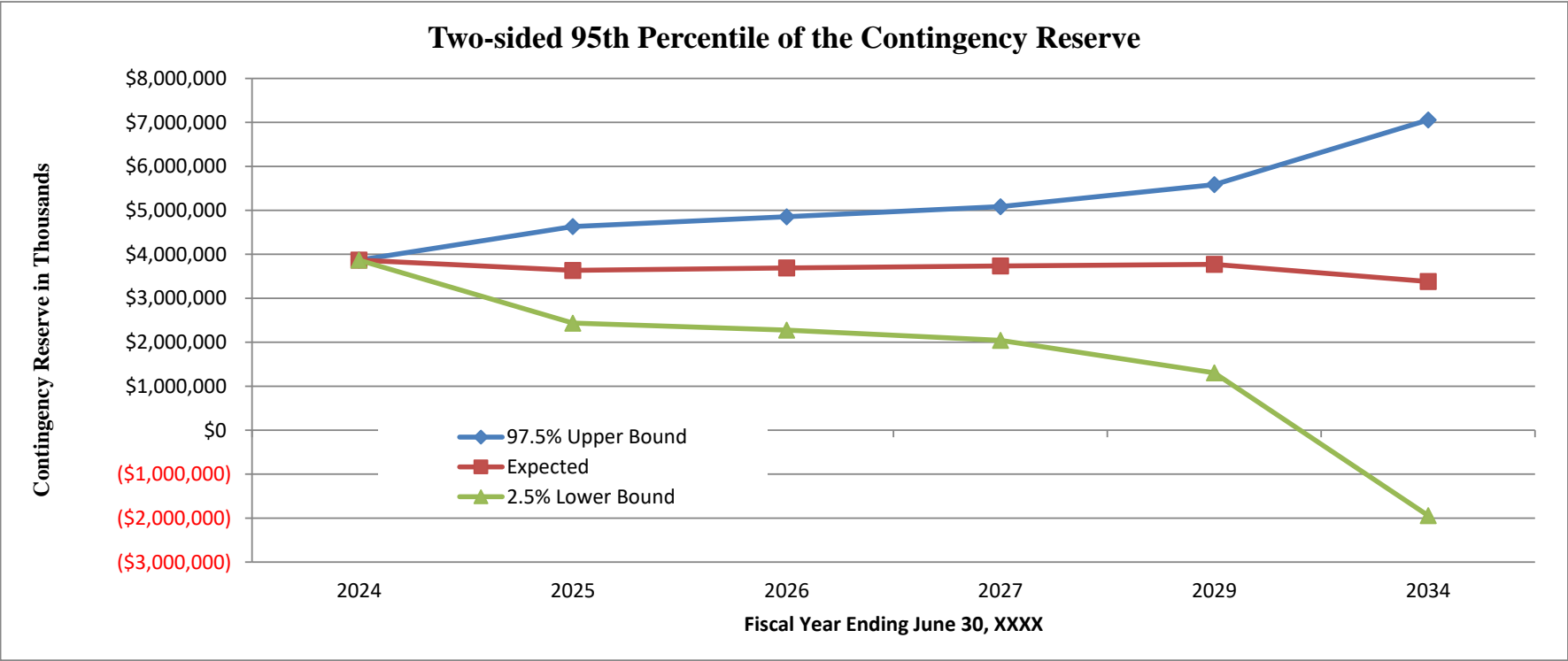
Washington Department of Labor & Industries
Scenario 2: Wage Inflation Adjusted No Rate Changes
Medical Aid Fund
Projected Financials (000's)

U.S. Statutory Income Statement	Actual FY 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	Projected FY 2034
<u>UNDERWRITING REVENUES</u>											
Premium	774,589	771,107	781,425	810,338	840,321	871,412	903,655	937,090	971,762	1,007,718	1,045,003
Retrospective rating adjustments	0	0	0	0	0	0	0	0	0	0	0
Self-Insured Assessments & Reimbursements	20,560	21,423	22,237	23,082	23,959	24,870	25,815	26,796	27,814	28,871	29,968
Other income	2,795	4,242	4,404	4,571	4,745	4,925	5,112	5,306	5,508	5,717	5,934
Total	797,944	796,772	808,066	837,991	869,024	901,207	934,581	969,192	1,005,084	1,042,305	1,080,905
<u>UNDERWRITING EXPENSES</u>											
Incurred Loss	411,116	1,056,619	840,088	883,406	930,231	980,266	1,033,467	1,089,903	1,149,712	1,213,040	1,280,077
Incurred LAE	129,536	233,831	185,913	195,499	205,862	216,934	228,708	241,197	254,433	268,448	283,283
Self-Insured Admin Expenses	17,969	21,423	22,237	23,082	23,959	24,870	25,815	26,796	27,814	28,871	29,968
Premium Admin Expenses and Bad Debts	25,990	26,573	27,582	28,630	29,718	30,848	32,020	33,237	34,500	35,811	37,171
General Expenses	21,060	22,952	23,824	24,729	25,669	26,644	27,657	28,708	29,798	30,931	32,106
TRIA Recoup of Government Losses	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	0	289	300	311	323	335	348	361	375	389	404
Other Administrative	32,427	35,034	36,366	37,747	39,182	40,671	42,216	43,820	45,486	47,214	49,008
Total	638,098	1,396,721	1,136,309	1,193,405	1,254,944	1,320,568	1,390,231	1,464,022	1,542,117	1,624,703	1,712,017
<u>OTHER OPERATING REVENUES / EXPENSES</u>											
Net investment income	195,980	364,768	383,988	400,250	413,774	427,863	437,247	451,174	463,179	473,916	486,330
Unrealized Capital Gains / (Losses)	274,517	0	0	0	0	0	0	0	0	0	0
Other Direct Charges to Contingency Reserve	(8,050)	0	0	0	0	0	0	0	0	0	0
Total	462,447	364,768	383,988	400,250	413,774	427,863	437,247	451,174	463,179	473,916	486,330
<u>NET INCOME/(LOSS)</u>	622,293	(235,181)	55,745	44,836	27,855	8,502	(18,402)	(43,656)	(73,854)	(108,482)	(144,782)
Profitability Ratios	Actual 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	Projected FY 2034
Loss & LAE Ratio	70%	167%	131%	133%	135%	137%	140%	142%	144%	147%	150%
Combined Ratio	82%	181%	145%	147%	149%	152%	154%	156%	159%	161%	164%
Operating Ratio	20%	130%	93%	94%	97%	99%	102%	105%	108%	111%	114%

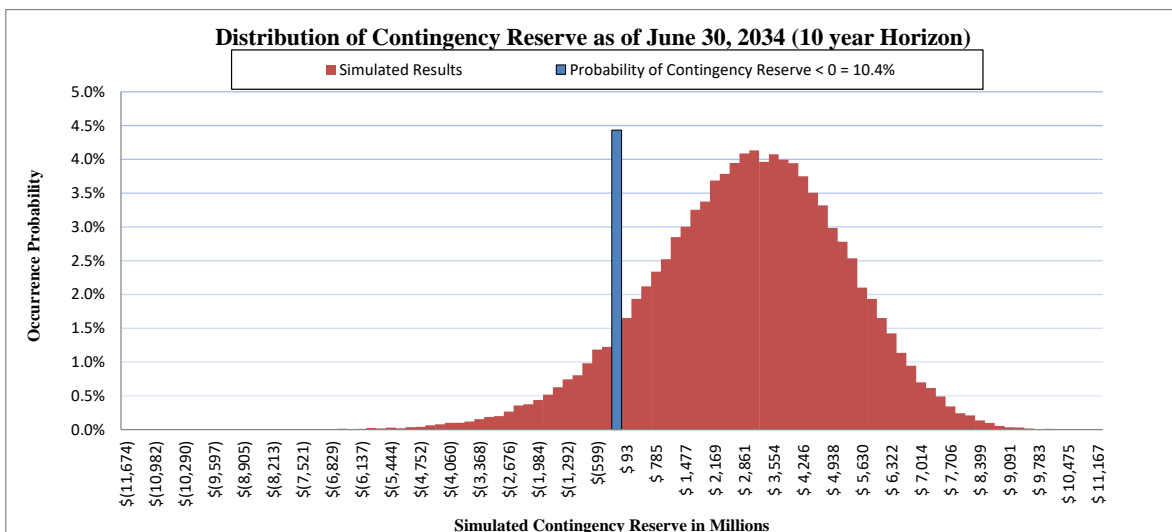
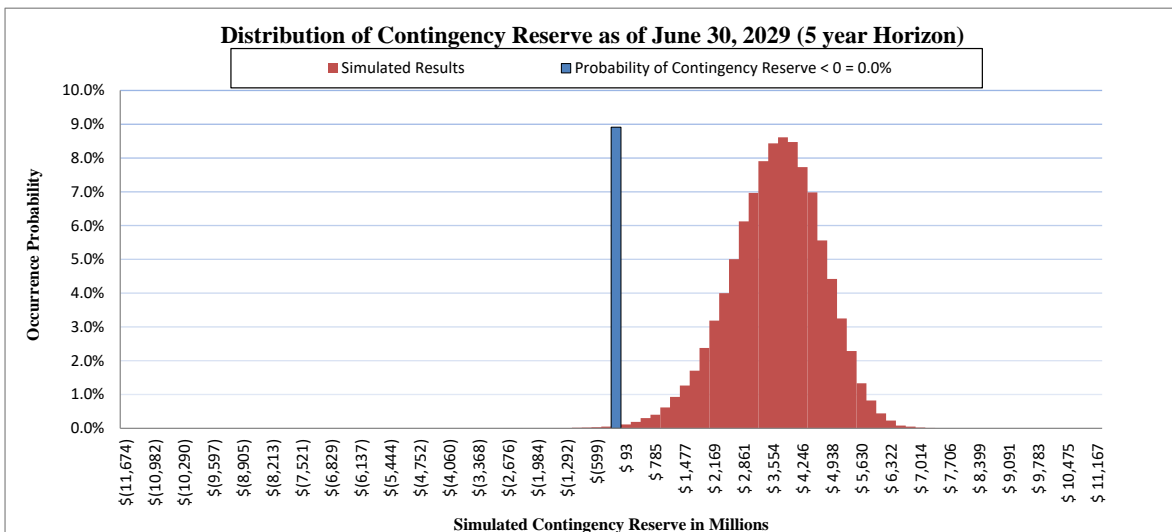
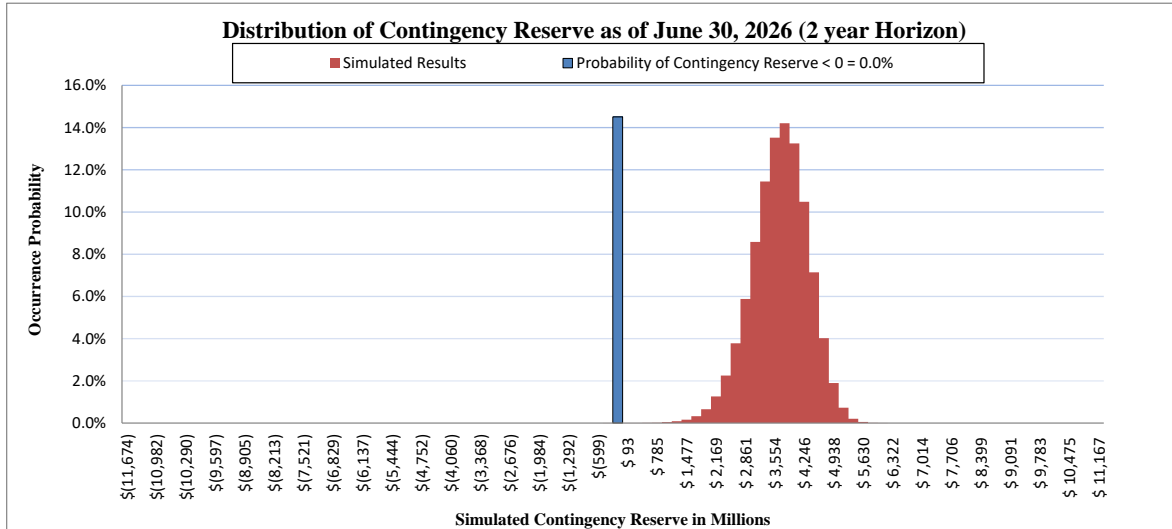
Washington Department of Labor & Industries
Scenario 2: Wage Inflation Adjusted No Rate Changes
Medical Aid Fund
Probability of Insolvency

Probability of Contingency Reserve < \$0

<u>2 Year Horizon (as of June 30, 2026)</u>	0.0%
<u>5 Year Horizon (as of June 30, 2029)</u>	0.2%
<u>10 Year Horizon (as of June 30, 2034)</u>	10.4%



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 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	Projected FY 2034
<u>ASSETS</u>											
Cash & Invested Assets	21,680,226	22,332,822	22,997,314	23,696,849	24,420,731	25,169,654	25,937,933	26,733,084	27,550,417	28,387,530	29,258,858
Premiums Receivable	632,334	615,380	639,536	663,198	687,737	713,183	739,571	766,935	795,312	824,738	855,253
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	133,999	141,922	148,322	153,810	159,501	165,403	171,523	177,869	184,450	191,275	198,352
Total	22,446,559	23,090,125	23,785,172	24,513,858	25,267,969	26,048,240	26,849,026	27,677,888	28,530,178	29,403,543	30,312,463
<u>LIABILITIES</u>											
Loss Reserves	15,519,116	16,280,534	16,935,304	17,615,728	18,322,362	19,057,645	19,822,075	20,617,041	21,444,142	22,304,631	23,212,139
LAE Reserves	969,386	1,077,994	1,132,908	1,189,473	1,247,726	1,307,879	1,370,232	1,435,092	1,502,701	1,573,393	1,647,483
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	468,554	452,033	440,108	426,051	411,578	396,678	381,339	365,549	349,296	332,568	315,352
Total	16,957,056	17,810,561	18,508,320	19,231,252	19,981,665	20,762,201	21,573,646	22,417,682	23,296,140	24,210,592	25,174,974
<u>CONTINGENCY RESERVE</u>	5,489,503	5,279,563	5,276,851	5,282,606	5,286,303	5,286,038	5,275,381	5,260,206	5,234,039	5,192,951	5,137,489

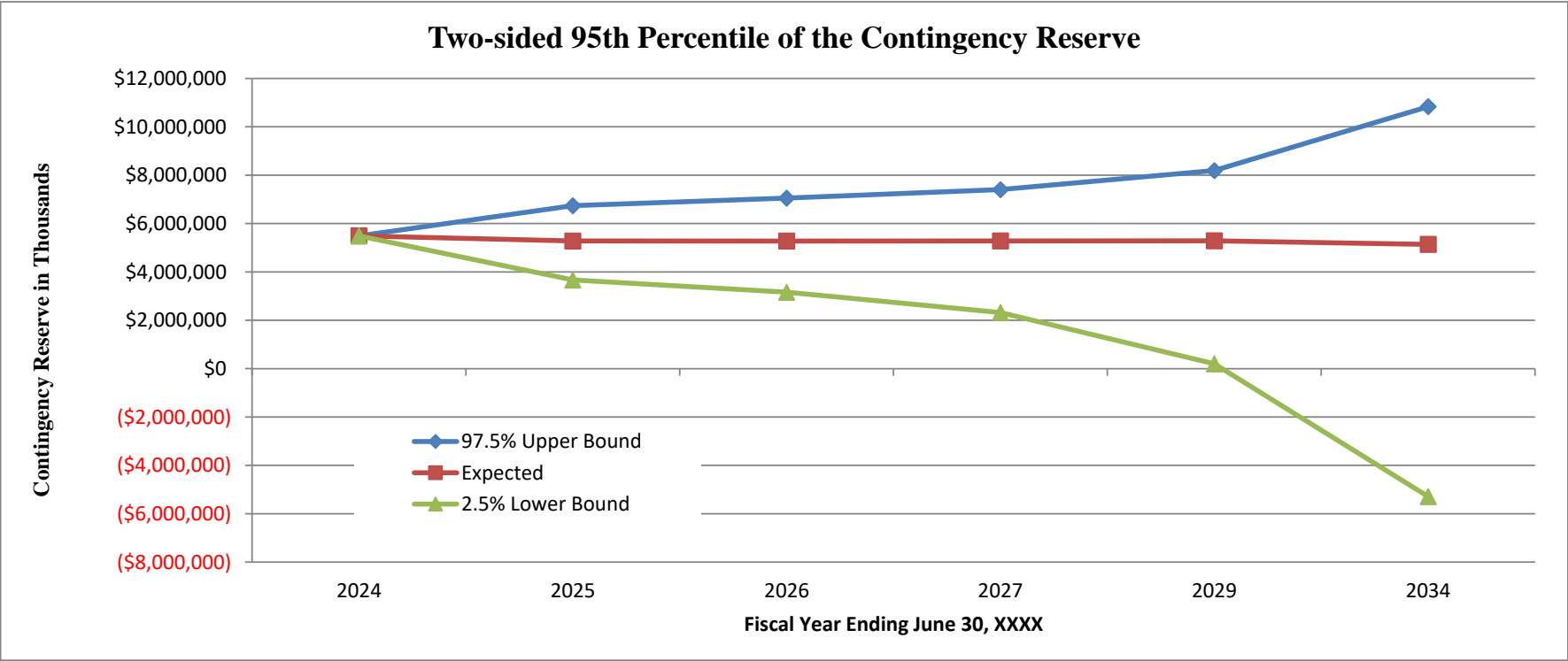
Washington Department of Labor & Industries
Scenario 2: Wage Inflation Adjusted No Rate Changes
Combined Funds
Projected Financials (000's)

U.S. Statutory Income Statement	Actual FY 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	Projected FY 2034
<u>UNDERWRITING REVENUES</u>											
Premium	2,261,438	2,363,530	2,455,881	2,546,748	2,640,978	2,738,694	2,840,026	2,945,107	3,054,076	3,167,076	3,284,258
Retrospective rating adjustments	(208,200)	(238,153)	(250,421)	(259,687)	(269,295)	(279,259)	(289,592)	(300,307)	(311,418)	(322,940)	(334,889)
Self-Insured Assessments & Reimbursements	112,655	107,114	111,185	115,410	119,795	124,348	129,073	133,978	139,069	144,353	149,839
Other income	54,938	55,151	57,246	59,422	61,680	64,024	66,457	68,982	71,603	74,324	77,148
Total	2,220,831	2,287,642	2,373,891	2,461,893	2,553,158	2,647,806	2,745,963	2,847,760	2,953,330	3,062,813	3,176,356
<u>UNDERWRITING EXPENSES</u>											
Incurred Loss	2,063,714	2,849,551	2,815,004	2,921,787	3,034,701	3,153,617	3,278,602	3,409,742	3,547,166	3,691,073	3,841,703
Incurred LAE	231,836	354,994	311,437	325,497	340,457	356,266	372,926	390,463	408,911	428,308	448,705
Self-Insured Admin Expenses	37,803	42,846	44,474	46,164	47,918	49,739	51,629	53,591	55,627	57,741	59,935
Premium Admin Expenses and Bad Debts	51,351	52,366	54,355	56,421	58,565	60,790	63,100	65,498	67,987	70,571	73,252
General Expenses	53,428	55,410	57,516	59,701	61,970	64,325	66,769	69,306	71,940	74,674	77,511
TRIA Recoup of Government Losses	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	0	714	741	769	799	829	860	893	927	962	999
Other Administrative	106,464	107,871	111,970	116,225	120,641	125,226	129,984	134,924	140,051	145,373	150,897
Total	2,544,596	3,463,751	3,395,497	3,526,564	3,665,051	3,810,792	3,963,871	4,124,418	4,292,610	4,468,702	4,653,003
<u>OTHER OPERATING REVENUES / EXPENSES</u>											
Net investment income	608,799	966,169	1,018,894	1,070,426	1,115,590	1,162,721	1,207,250	1,261,484	1,313,113	1,364,800	1,421,185
Unrealized Capital Gains / (Losses)	555,511	0	0	0	0	0	0	0	0	0	0
Other Direct Charges to Contingency Reserve	(26,679)	0	0	0	0	0	0	0	0	0	0
Total	1,137,631	966,169	1,018,894	1,070,426	1,115,590	1,162,721	1,207,250	1,261,484	1,313,113	1,364,800	1,421,185
<u>NET INCOME/(LOSS)</u>	813,866	(209,940)	(2,712)	5,754	3,698	(265)	(10,658)	(15,174)	(26,167)	(41,088)	(55,462)
Profitability Ratios	Actual 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	Projected FY 2034
Loss & LAE Ratio	112%	151%	142%	142%	142%	143%	143%	144%	144%	145%	145%
Combined Ratio	124%	163%	154%	154%	155%	155%	155%	156%	157%	157%	158%
Operating Ratio	60%	110%	100%	100%	100%	100%	100%	101%	101%	101%	102%

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, 2026)</u>	0.0%
<u>5 Year Horizon (as of June 30, 2029)</u>	2.1%
<u>10 Year Horizon (as of June 30, 2034)</u>	19.9%

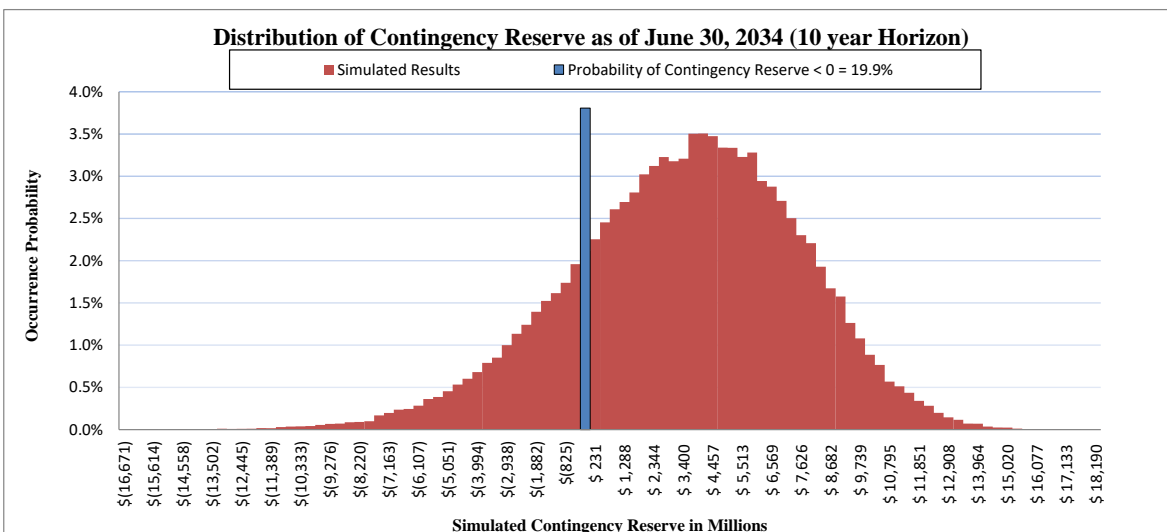
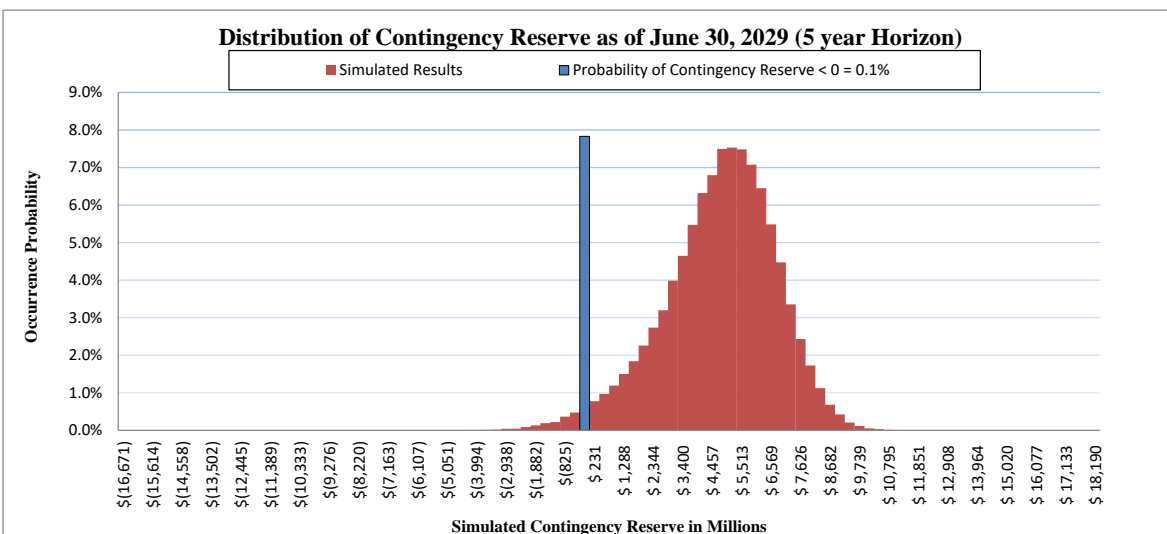
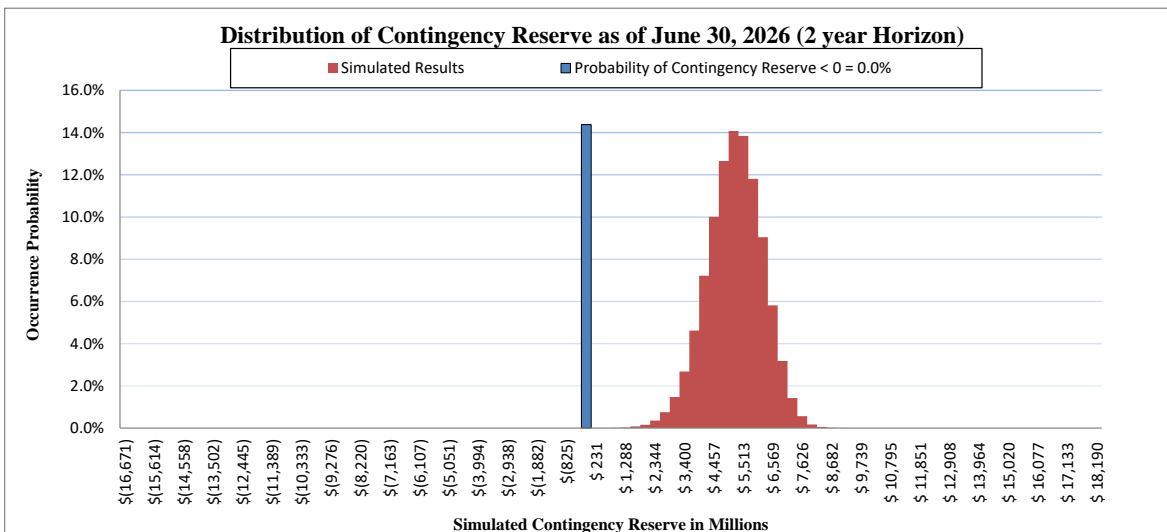


Washington Department of Labor & Industries

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 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	Projected FY 2034
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)	6.5%	6.7%	5.8%	2.9%	3.1%	3.1%	2.9%	2.9%	3.1%	3.1%	3.1%
Medical Aid Fund	4.7%	-1.0%	-2.6%	6.0%	6.5%	6.5%	6.2%	6.3%	6.4%	6.4%	6.1%
Investment Assumptions											
Accident Fund (Including Pension Reserve Fund)											
Overall Investment Return	5.21%	4.34%	4.44%	4.53%	4.59%	4.64%	4.72%	4.79%	4.84%	4.89%	4.94%
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	81.92%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%
Equities Distribution	16.17%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%
Cash and Other Distribution	1.91%	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	6.30%	4.67%	4.79%	4.87%	4.92%	4.98%	5.06%	5.13%	5.18%	5.23%	5.30%
Government Bond Distribution	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Corporate Bond Distribution	75.01%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%
Equities Distribution	19.41%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
Cash and Other Distribution	4.58%	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		3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%
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		5.67%	5.67%	5.67%	5.67%	5.67%	5.67%	5.67%	5.67%	5.67%	5.67%
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		8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%
Fixed Expenses (Per Hour) *:		\$0.031	\$0.032	\$0.033	\$0.035	\$0.036	\$0.037	\$0.039	\$0.040	\$0.042	\$0.043
Other Income (Per Hour)		\$0.012	\$0.012	\$0.013	\$0.013	\$0.014	\$0.014	\$0.015	\$0.016	\$0.016	\$0.017
Retro Adjustment Ratio (% of premium)		-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%
Medical Aid Fund											
LAE to Loss Ratio		22.13%	22.13%	22.13%	22.13%	22.13%	22.13%	22.13%	22.13%	22.13%	22.13%
Fixed Expenses (Per Hour) *:		\$0.020	\$0.021	\$0.022	\$0.022	\$0.023	\$0.024	\$0.025	\$0.026	\$0.027	\$0.028
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)		26.22%	26.22%	26.22%	26.22%	26.22%	26.22%	26.22%	26.22%	26.22%	26.22%
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	-\$0.028
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		25.66%	25.66%	25.66%	25.66%	25.66%	25.66%	25.66%	25.66%	25.66%	25.66%
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)		\$0.005	\$0.005	\$0.005	\$0.006	\$0.006	\$0.006	\$0.006	\$0.006	\$0.007	\$0.007

* 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 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	Projected FY 2034
<u>ASSETS</u>											
Cash & Invested Assets	13,861,544	14,311,163	14,796,350	15,327,163	15,881,674	16,459,313	17,059,870	17,685,575	18,335,397	19,010,514	19,725,491
Premiums Receivable	419,005	417,521	443,584	462,680	476,603	491,550	506,363	521,118	536,785	553,415	570,596
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	110,178	118,032	125,400	130,798	134,734	138,959	143,147	147,318	151,747	156,449	161,305
Total	14,390,727	14,846,716	15,365,334	15,920,640	16,493,011	17,089,822	17,709,379	18,354,012	19,023,929	19,720,378	20,457,392
<u>LIABILITIES</u>											
Loss Reserves	12,055,657	12,476,194	13,027,334	13,591,845	14,171,118	14,767,857	15,382,362	16,015,517	16,668,457	17,341,664	18,048,274
LAE Reserves	342,298	375,469	407,449	438,362	468,430	497,923	527,097	556,148	585,215	614,462	644,093
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	373,524	350,564	329,742	304,204	275,383	246,051	215,714	184,442	152,607	120,156	86,867
Total	12,771,479	13,202,226	13,764,526	14,334,412	14,914,931	15,511,830	16,125,174	16,756,107	17,406,279	18,076,282	18,779,233
<u>CONTINGENCY RESERVE</u>	1,619,248	1,644,489	1,600,808	1,586,229	1,578,080	1,577,991	1,584,206	1,597,904	1,617,650	1,644,096	1,678,159

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

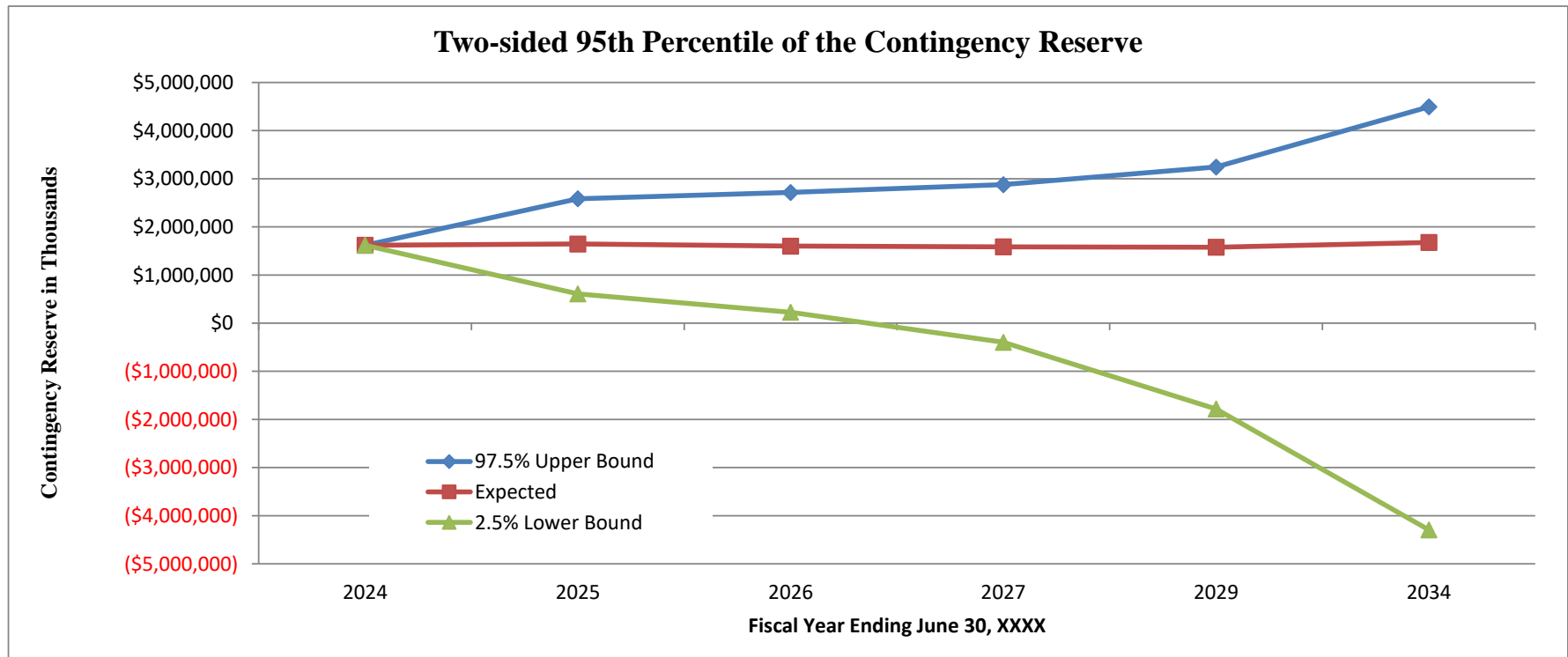
U.S. Statutory Income Statement	Actual FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033	Projected FY 2034
<u>UNDERWRITING REVENUES</u>											
Premium	1,486,849	1,592,423	1,691,830	1,764,660	1,817,762	1,874,770	1,931,267	1,987,543	2,047,298	2,110,724	2,176,250
Retrospective rating adjustments	(208,200)	(238,153)	(253,020)	(263,912)	(271,853)	(280,379)	(288,828)	(297,245)	(306,181)	(315,667)	(325,467)
Self-Insured Assessments & Reimbursements	92,095	85,692	88,948	92,328	95,836	99,478	103,258	107,182	111,255	115,483	119,871
Other income	52,143	50,908	52,843	54,851	56,935	59,099	61,345	63,676	66,095	68,607	71,214
Total	1,422,887	1,490,870	1,580,601	1,647,927	1,698,681	1,752,968	1,807,041	1,861,156	1,918,467	1,979,147	2,041,869
<u>UNDERWRITING EXPENSES</u>											
Incurred Loss	1,652,598	1,792,931	1,974,916	2,038,381	2,104,470	2,173,351	2,245,134	2,319,839	2,397,454	2,478,033	2,561,626
Incurred LAE	102,300	121,162	125,524	129,998	134,595	139,331	144,218	149,266	154,478	159,861	165,422
Self-Insured Admin Expenses	19,834	21,423	22,237	23,082	23,959	24,870	25,815	26,796	27,814	28,871	29,968
Premium Admin Expenses and Bad Debts	25,361	25,793	26,773	27,790	28,846	29,943	31,080	32,262	33,487	34,760	36,081
General Expenses	32,368	32,458	33,692	34,972	36,301	37,681	39,112	40,599	42,141	43,743	45,405
TRIA Recoup of Government Losses	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	0	425	441	458	475	494	512	532	552	573	595
Other Administrative	74,037	72,837	75,604	78,477	81,460	84,555	87,768	91,103	94,565	98,159	101,889
Total	1,906,498	2,067,030	2,259,188	2,333,160	2,410,106	2,490,224	2,573,641	2,660,396	2,750,493	2,843,999	2,940,985
<u>OTHER OPERATING REVENUES / EXPENSES</u>											
Net investment income	412,819	601,401	634,906	670,653	703,278	737,168	772,814	812,939	851,771	891,298	933,179
Unrealized Capital Gains / (Losses)	280,994	0	0	0	0	0	0	0	0	0	0
Other Direct Charges to Contingency Reserve	(18,629)	0	0	0	0	0	0	0	0	0	0
Total	675,184	601,401	634,906	670,653	703,278	737,168	772,814	812,939	851,771	891,298	933,179
<u>NET INCOME/(LOSS)</u>	191,573	25,241	(43,681)	(14,580)	(8,148)	(89)	6,214	13,699	19,745	26,447	34,062
Profitability Ratios	Actual 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	Projected FY 2034
Loss & LAE Ratio	137%	141%	146%	144%	145%	145%	145%	146%	147%	147%	147%
Combined Ratio	149%	153%	157%	155%	156%	156%	157%	157%	158%	158%	159%
Operating Ratio	85%	98%	103%	101%	101%	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, 2026)
5 Year Horizon (as of June 30, 2029)
10 Year Horizon (as of June 30, 2034)

1.2%
16.1%
36.0%

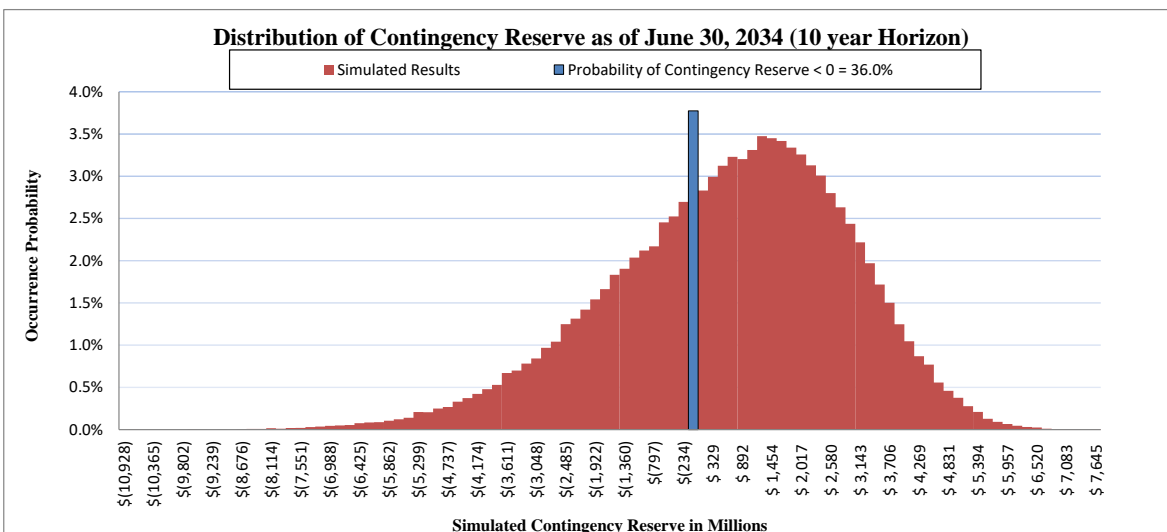
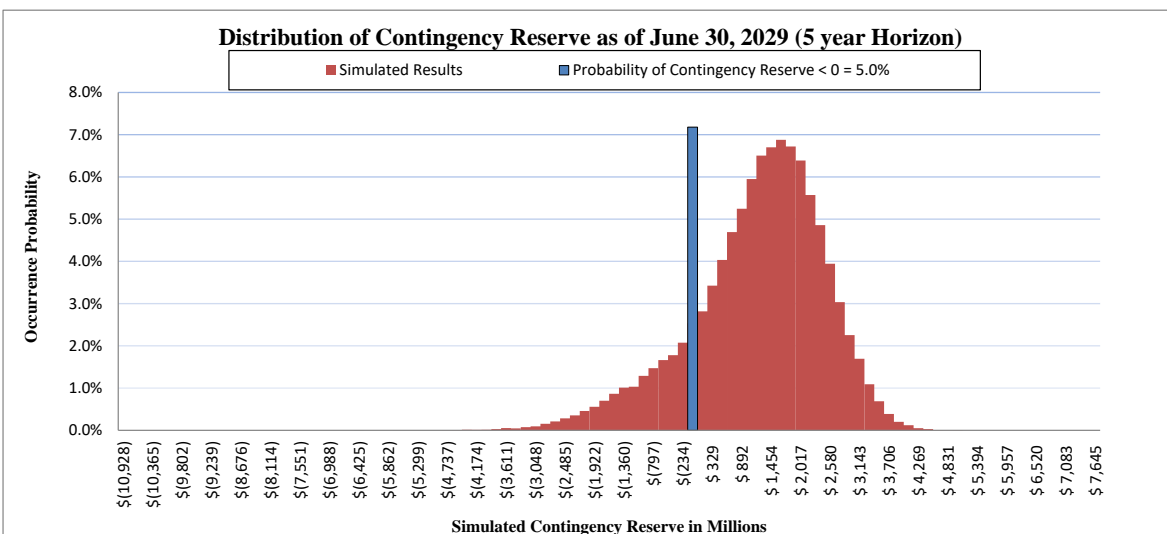
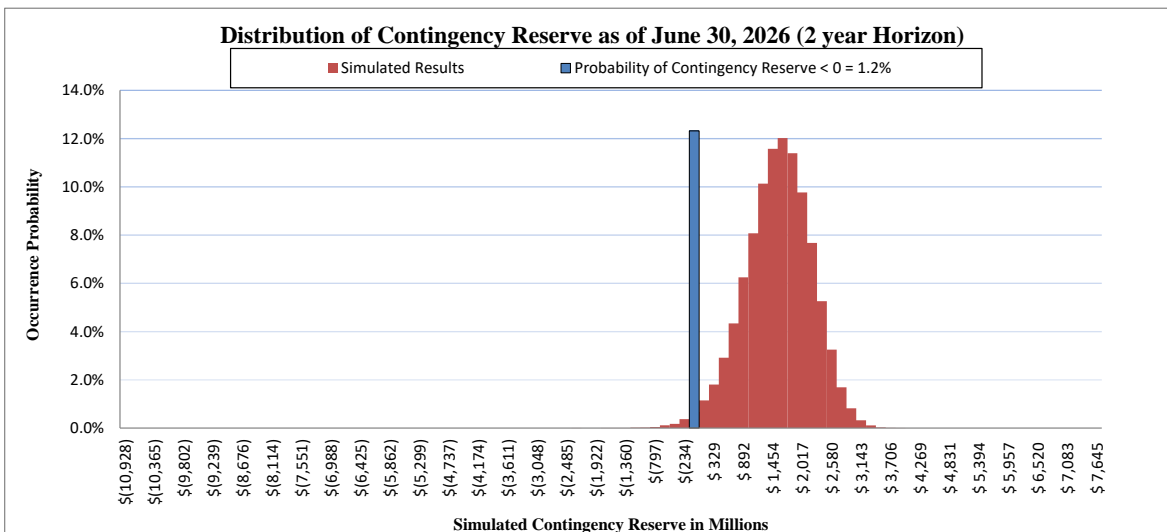


Washington Department of Labor & Industries

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 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	Projected FY 2034
<u>ASSETS</u>											
Cash & Invested Assets	7,818,682	8,021,659	8,195,257	8,351,638	8,512,134	8,684,942	8,865,237	9,057,641	9,261,738	9,478,569	9,710,551
Premiums Receivable	213,329	197,859	194,320	197,529	209,938	223,581	237,667	252,438	268,415	285,561	303,396
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	23,821	23,891	23,463	23,851	25,349	26,996	28,697	30,481	32,410	34,480	36,634
Total	8,055,832	8,243,409	8,413,041	8,573,018	8,747,421	8,935,519	9,131,601	9,340,560	9,562,563	9,798,609	10,050,580
<u>LIABILITIES</u>											
Loss Reserves	3,463,459	3,804,340	3,907,970	4,023,883	4,151,244	4,289,788	4,439,713	4,601,523	4,775,685	4,962,967	5,163,865
LAE Reserves	627,088	702,525	725,459	751,111	779,296	809,956	843,134	878,943	917,486	958,931	1,003,390
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	95,030	101,469	112,902	127,786	143,385	157,657	170,399	181,546	190,907	198,191	203,190
Total	4,185,577	4,608,335	4,746,331	4,902,780	5,073,925	5,257,401	5,453,246	5,662,013	5,884,079	6,120,089	6,370,445
<u>CONTINGENCY RESERVE</u>	3,870,255	3,635,074	3,666,710	3,670,239	3,673,497	3,678,119	3,678,354	3,678,547	3,678,484	3,678,521	3,680,135

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

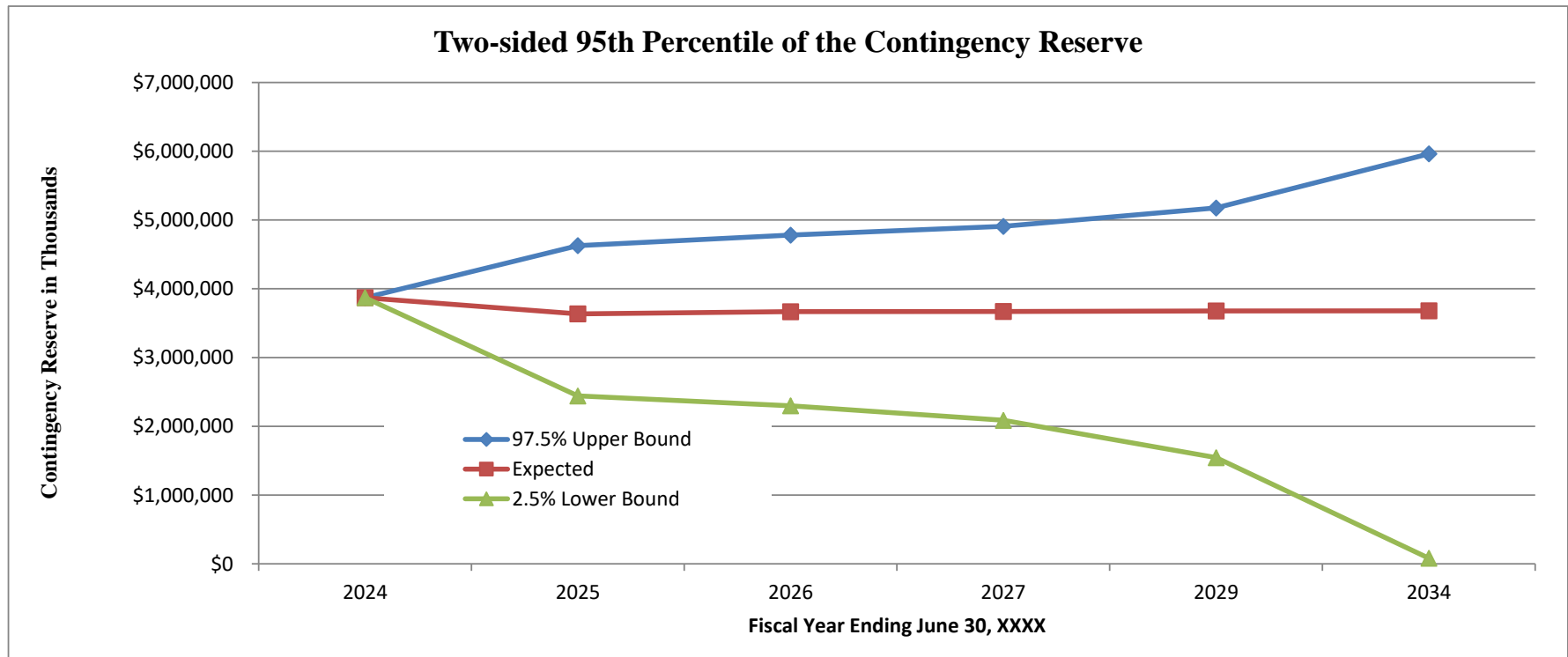
U.S. Statutory Income Statement	Actual FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033	Projected FY 2034
<u>UNDERWRITING REVENUES</u>											
Premium	774,589	771,107	757,316	769,822	818,182	871,352	926,246	983,816	1,046,080	1,112,902	1,182,409
Retrospective rating adjustments	0	0	0	0	0	0	0	0	0	0	0
Self-Insured Assessments & Reimbursements	20,560	21,423	22,237	23,082	23,959	24,870	25,815	26,796	27,814	28,871	29,968
Other income	2,795	4,242	4,404	4,571	4,745	4,925	5,112	5,306	5,508	5,717	5,934
Total	797,944	796,772	783,956	797,475	846,886	901,147	957,173	1,015,918	1,079,402	1,147,490	1,218,311
<u>UNDERWRITING EXPENSES</u>											
Incurred Loss	411,116	1,056,619	840,088	883,406	930,231	980,266	1,033,467	1,089,903	1,149,712	1,213,040	1,280,077
Incurred LAE	129,536	233,831	185,913	195,499	205,862	216,934	228,708	241,197	254,433	268,448	283,283
Self-Insured Admin Expenses	17,969	21,423	22,237	23,082	23,959	24,870	25,815	26,796	27,814	28,871	29,968
Premium Admin Expenses and Bad Debts	25,990	26,573	27,582	28,630	29,718	30,848	32,020	33,237	34,500	35,811	37,171
General Expenses	21,060	22,952	23,824	24,729	25,669	26,644	27,657	28,708	29,798	30,931	32,106
TRIA Recoup of Government Losses	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	0	289	300	311	323	335	348	361	375	389	404
Other Administrative	32,427	35,034	36,366	37,747	39,182	40,671	42,216	43,820	45,486	47,214	49,008
Total	638,098	1,396,721	1,136,309	1,193,405	1,254,944	1,320,568	1,390,231	1,464,022	1,542,117	1,624,703	1,712,017
<u>OTHER OPERATING REVENUES / EXPENSES</u>											
Net investment income	195,980	364,768	383,988	399,459	411,317	424,043	433,294	448,296	462,652	477,250	495,321
Unrealized Capital Gains / (Losses)	274,517	0	0	0	0	0	0	0	0	0	0
Other Direct Charges to Contingency Reserve	(8,050)	0	0	0	0	0	0	0	0	0	0
Total	462,447	364,768	383,988	399,459	411,317	424,043	433,294	448,296	462,652	477,250	495,321
<u>NET INCOME/(LOSS)</u>	622,293	(235,181)	31,636	3,529	3,258	4,622	236	193	(63)	37	1,614
Profitability Ratios	Actual 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	Projected FY 2034
Loss & LAE Ratio	70%	167%	135%	140%	139%	137%	136%	135%	134%	133%	132%
Combined Ratio	82%	181%	150%	155%	153%	152%	150%	149%	147%	146%	145%
Operating Ratio	20%	130%	96%	100%	100%	99%	100%	100%	100%	100%	100%

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

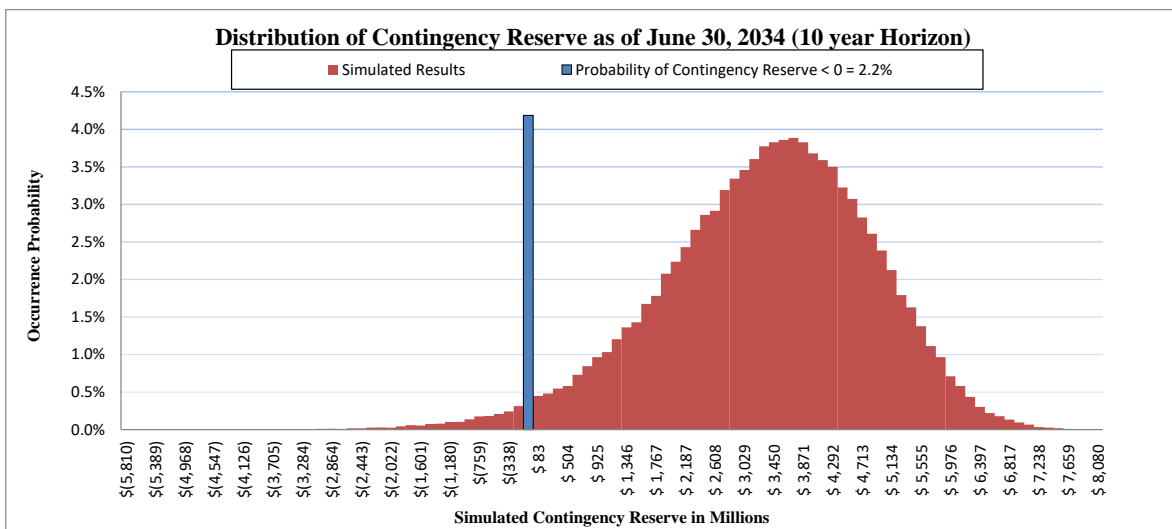
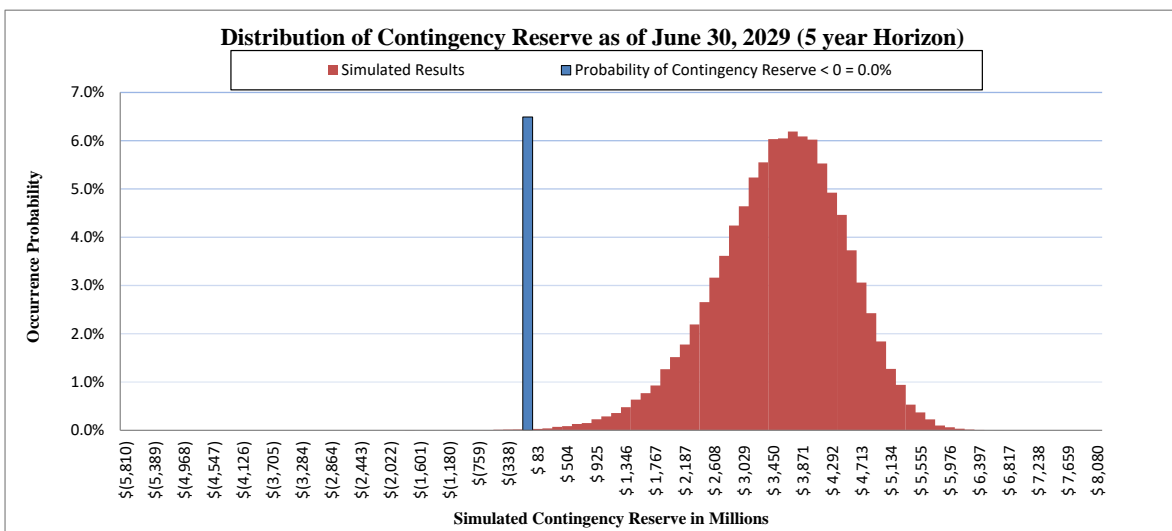
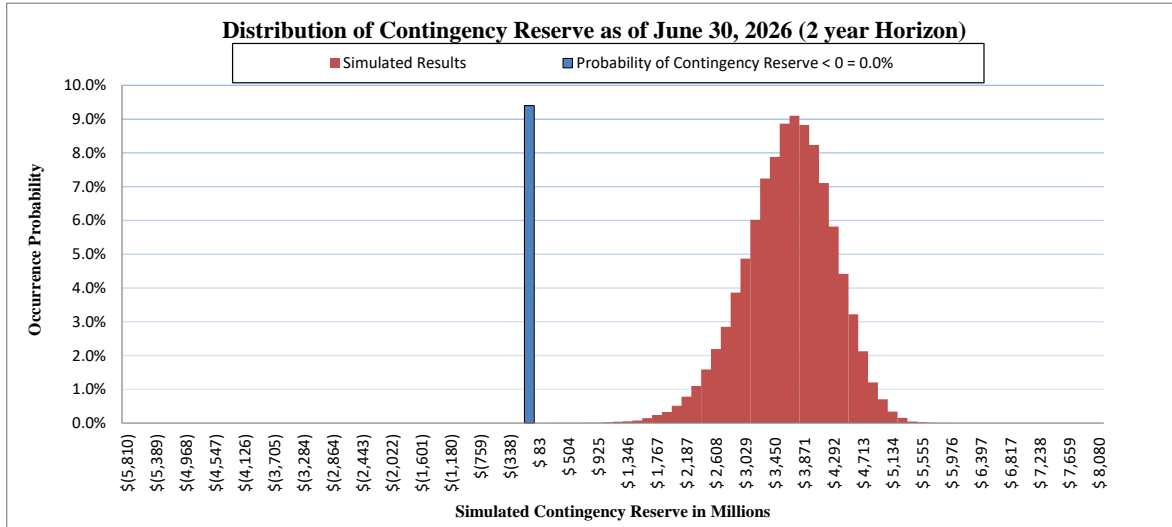
Probability of Contingency Reserve < \$0

2 Year Horizon (as of June 30, 2026)
5 Year Horizon (as of June 30, 2029)
10 Year Horizon (as of June 30, 2034)

0.0%
0.1%
2.2%



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 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	Projected FY 2034
<u>ASSETS</u>											
Cash & Invested Assets	21,680,226	22,332,822	22,991,607	23,678,801	24,393,809	25,144,254	25,925,107	26,743,216	27,597,134	28,489,083	29,436,042
Premiums Receivable	632,334	615,380	637,905	660,209	686,541	715,131	744,029	773,556	805,200	838,976	873,991
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	133,999	141,922	148,863	154,649	160,083	165,956	171,844	177,799	184,157	190,929	197,939
Total	22,446,559	23,090,125	23,778,375	24,493,659	25,240,433	26,025,341	26,840,980	27,694,572	28,586,492	29,518,988	30,507,972
<u>LIABILITIES</u>											
Loss Reserves	15,519,116	16,280,534	16,935,304	17,615,728	18,322,362	19,057,645	19,822,075	20,617,041	21,444,142	22,304,631	23,212,139
LAE Reserves	969,386	1,077,994	1,132,908	1,189,473	1,247,726	1,307,879	1,370,232	1,435,092	1,502,701	1,573,393	1,647,483
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	468,554	452,033	442,645	431,990	418,768	403,708	386,113	365,988	343,515	318,347	290,056
Total	16,957,056	17,810,561	18,510,857	19,237,192	19,988,856	20,769,231	21,578,420	22,418,120	23,290,358	24,196,371	25,149,678
<u>CONTINGENCY RESERVE</u>	5,489,503	5,279,563	5,267,518	5,256,467	5,251,577	5,256,110	5,262,560	5,276,451	5,296,134	5,322,617	5,358,294

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

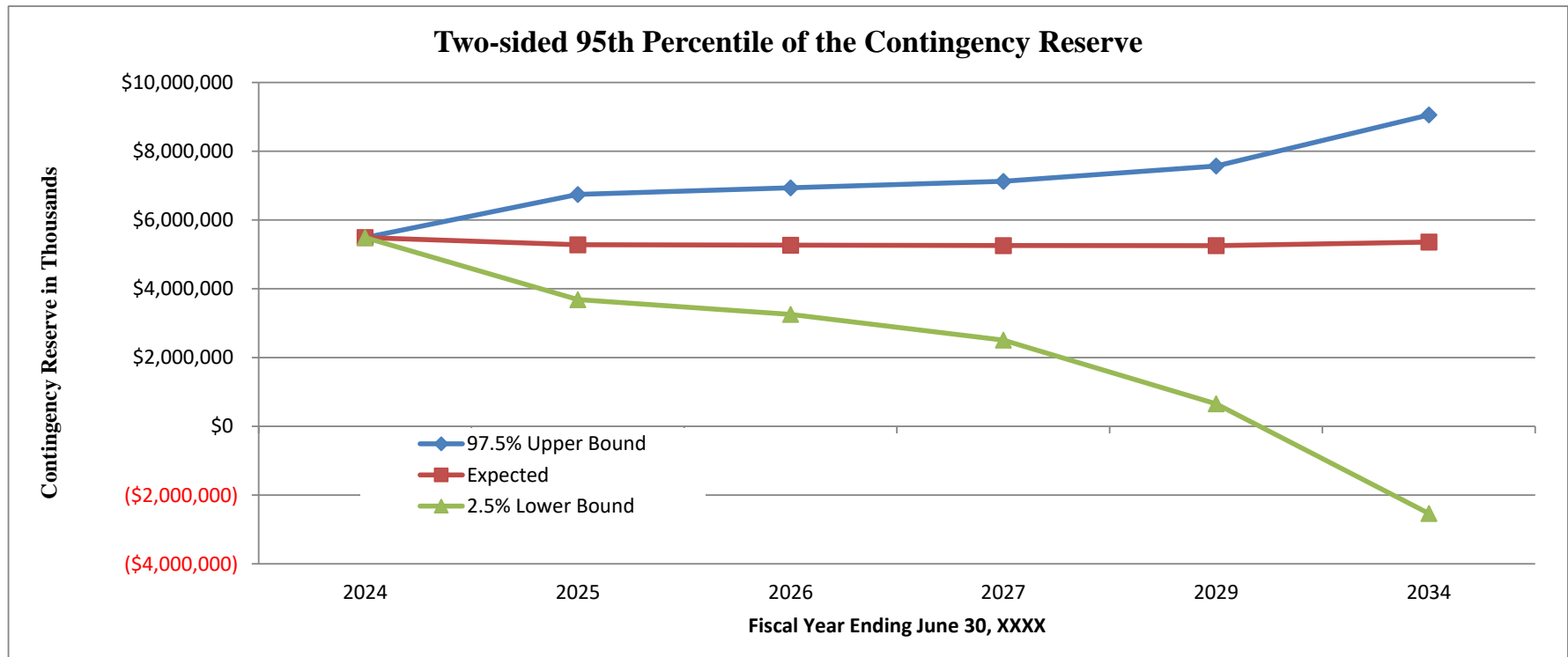
U.S. Statutory Income Statement	Actual FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033	Projected FY 2034
<u>UNDERWRITING REVENUES</u>											
Premium	2,261,438	2,363,530	2,449,146	2,534,482	2,635,944	2,746,122	2,857,513	2,971,359	3,093,378	3,223,626	3,358,659
Retrospective rating adjustments	(208,200)	(238,153)	(253,020)	(263,912)	(271,853)	(280,379)	(288,828)	(297,245)	(306,181)	(315,667)	(325,467)
Self-Insured Assessments & Reimbursements	112,655	107,114	111,185	115,410	119,795	124,348	129,073	133,978	139,069	144,353	149,839
Other income	54,938	55,151	57,246	59,422	61,680	64,024	66,457	68,982	71,603	74,324	77,148
Total	2,220,831	2,287,642	2,364,557	2,445,402	2,545,566	2,654,114	2,764,214	2,877,074	2,997,869	3,126,637	3,260,180
<u>UNDERWRITING EXPENSES</u>											
Incurred Loss	2,063,714	2,849,551	2,815,004	2,921,787	3,034,701	3,153,617	3,278,602	3,409,742	3,547,166	3,691,073	3,841,703
Incurred LAE	231,836	354,994	311,437	325,497	340,457	356,266	372,926	390,463	408,911	428,308	448,705
Self-Insured Admin Expenses	37,803	42,846	44,474	46,164	47,918	49,739	51,629	53,591	55,627	57,741	59,935
Premium Admin Expenses and Bad Debts	51,351	52,366	54,355	56,421	58,565	60,790	63,100	65,498	67,987	70,571	73,252
General Expenses	53,428	55,410	57,516	59,701	61,970	64,325	66,769	69,306	71,940	74,674	77,511
TRIA Recoup of Government Losses	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	0	714	741	769	799	829	860	893	927	962	999
Other Administrative	106,464	107,871	111,970	116,225	120,641	125,226	129,984	134,924	140,051	145,373	150,897
Total	2,544,596	3,463,751	3,395,497	3,526,564	3,665,051	3,810,792	3,963,871	4,124,418	4,292,610	4,468,702	4,653,003
<u>OTHER OPERATING REVENUES / EXPENSES</u>											
Net investment income	608,799	966,169	1,018,894	1,070,112	1,114,594	1,161,210	1,206,107	1,261,235	1,314,424	1,368,548	1,428,500
Unrealized Capital Gains / (Losses)	555,511	0	0	0	0	0	0	0	0	0	0
Other Direct Charges to Contingency Reserve	(26,679)	0	0	0	0	0	0	0	0	0	0
Total	1,137,631	966,169	1,018,894	1,070,112	1,114,594	1,161,210	1,206,107	1,261,235	1,314,424	1,368,548	1,428,500
<u>NET INCOME/(LOSS)</u>	813,866	(209,940)	(12,045)	(11,051)	(4,890)	4,533	6,450	13,891	19,682	26,483	35,677
Profitability Ratios	Actual 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	Projected FY 2034
Loss & LAE Ratio	112%	151%	142%	143%	143%	142%	142%	142%	142%	142%	141%
Combined Ratio	124%	163%	155%	155%	155%	155%	154%	154%	154%	154%	153%
Operating Ratio	60%	110%	101%	100%	100%	100%	100%	99%	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, 2026)
5 Year Horizon (as of June 30, 2029)
10 Year Horizon (as of June 30, 2034)

0.0%
1.2%
10.4%

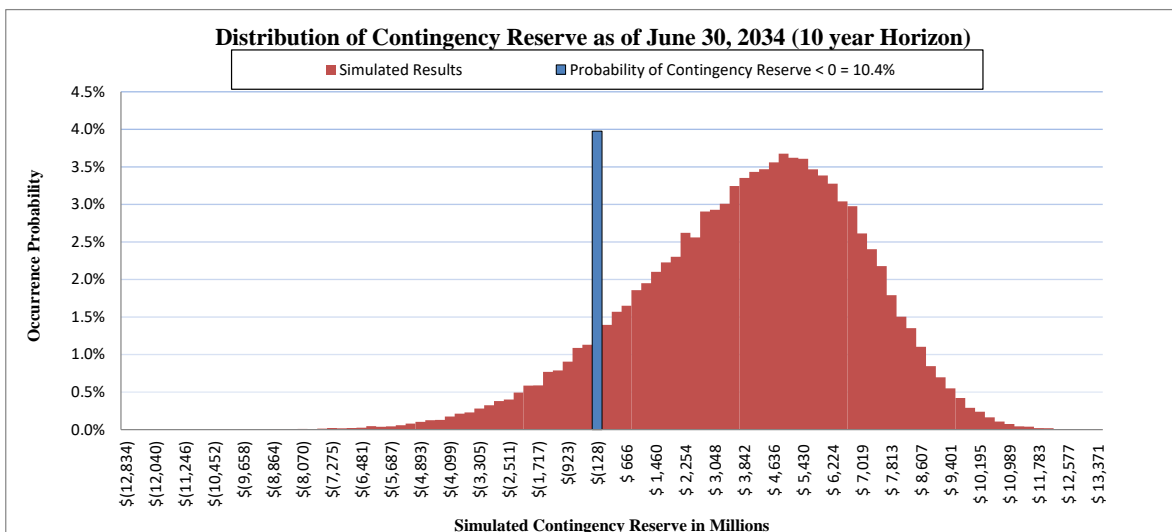
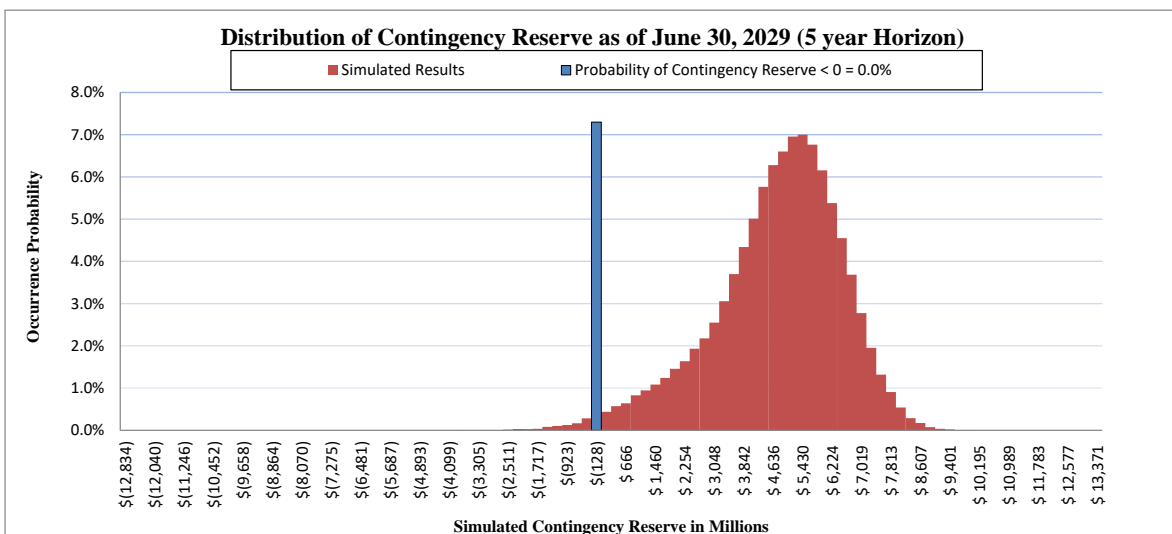
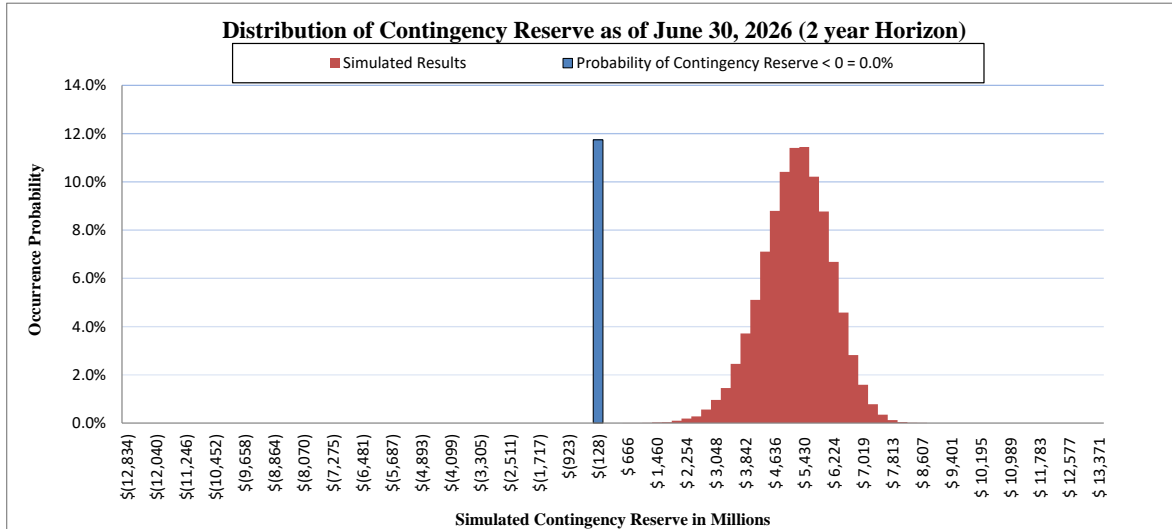


Washington Department of Labor & Industries

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 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	Projected FY 2034
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)	6.5%	6.7%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%
Medical Aid Fund	4.7%	-1.0%	-1.2%	-1.2%	-1.2%	-1.2%	-1.2%	-1.2%	-1.2%	-1.2%	-1.2%
Investment Assumptions											
Accident Fund (Including Pension Reserve Fund)											
Overall Investment Return	5.21%	4.34%	4.44%	4.53%	4.59%	4.64%	4.72%	4.79%	4.84%	4.89%	4.94%
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	81.92%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%
Equities Distribution	16.17%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%
Cash and Other Distribution	1.91%	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	6.30%	4.67%	4.79%	4.87%	4.92%	4.98%	5.06%	5.13%	5.18%	5.23%	5.30%
Government Bond Distribution	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Corporate Bond Distribution	75.01%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%
Equities Distribution	19.41%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
Cash and Other Distribution	4.58%	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		3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%
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		5.67%	5.67%	5.67%	5.67%	5.67%	5.67%	5.67%	5.67%	5.67%	5.67%
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		8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%
Fixed Expenses (Per Hour) *:		\$0.031	\$0.032	\$0.033	\$0.035	\$0.036	\$0.037	\$0.039	\$0.040	\$0.042	\$0.043
Other Income (Per Hour)		\$0.012	\$0.012	\$0.013	\$0.013	\$0.014	\$0.014	\$0.015	\$0.016	\$0.016	\$0.017
Retro Adjustment Ratio (% of premium)		-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%
Medical Aid Fund											
LAE to Loss Ratio		22.13%	22.13%	22.13%	22.13%	22.13%	22.13%	22.13%	22.13%	22.13%	22.13%
Fixed Expenses (Per Hour) *:		\$0.020	\$0.021	\$0.022	\$0.022	\$0.023	\$0.024	\$0.025	\$0.026	\$0.027	\$0.028
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)		26.22%	26.22%	26.22%	26.22%	26.22%	26.22%	26.22%	26.22%	26.22%	26.22%
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	-\$0.028
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		25.66%	25.66%	25.66%	25.66%	25.66%	25.66%	25.66%	25.66%	25.66%	25.66%
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)		\$0.005	\$0.005	\$0.005	\$0.006	\$0.006	\$0.006	\$0.006	\$0.006	\$0.007	\$0.007

* 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 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	Projected FY 2034
<u>ASSETS</u>											
Cash & Invested Assets	13,861,544	14,311,163	14,803,153	15,373,449	16,027,126	16,775,894	17,636,362	18,620,658	19,740,222	21,009,214	22,457,712
Premiums Receivable	419,005	417,521	446,529	478,590	512,953	549,783	589,257	631,566	676,912	725,514	777,606
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	110,178	118,032	126,232	135,296	145,010	155,422	166,581	178,541	191,361	205,100	219,826
Total	14,390,727	14,846,716	15,375,914	15,987,335	16,685,089	17,481,099	18,392,200	19,430,765	20,608,495	21,939,828	23,455,144
<u>LIABILITIES</u>											
Loss Reserves	12,055,657	12,476,194	13,027,334	13,591,845	14,171,118	14,767,857	15,382,362	16,015,517	16,668,457	17,341,664	18,048,274
LAE Reserves	342,298	375,469	407,449	438,362	468,430	497,923	527,097	556,148	585,215	614,462	644,093
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	373,524	350,564	330,771	309,433	285,967	260,198	231,939	200,985	167,118	130,103	89,686
Total	12,771,479	13,202,226	13,765,554	14,339,640	14,925,514	15,525,978	16,141,399	16,772,651	17,420,790	18,086,229	18,782,053
<u>CONTINGENCY RESERVE</u>	1,619,248	1,644,489	1,610,360	1,647,695	1,759,574	1,955,121	2,250,801	2,658,114	3,187,705	3,853,600	4,673,092

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 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	Projected FY 2034
<u>UNDERWRITING REVENUES</u>											
Premium	1,486,849	1,592,423	1,703,061	1,825,341	1,956,400	2,096,870	2,247,425	2,408,789	2,581,740	2,767,109	2,965,787
Retrospective rating adjustments	(208,200)	(238,153)	(254,699)	(272,987)	(292,587)	(313,595)	(336,111)	(360,244)	(386,109)	(413,832)	(443,545)
Self-Insured Assessments & Reimbursements	92,095	85,692	88,948	92,328	95,836	99,478	103,258	107,182	111,255	115,483	119,871
Other income	52,143	50,908	52,843	54,851	56,935	59,099	61,345	63,676	66,095	68,607	71,214
Total	1,422,887	1,490,870	1,590,153	1,699,533	1,816,585	1,941,852	2,075,916	2,219,403	2,372,981	2,537,367	2,713,327
<u>UNDERWRITING EXPENSES</u>											
Incurred Loss	1,652,598	1,792,931	1,974,916	2,038,381	2,104,470	2,173,351	2,245,134	2,319,839	2,397,454	2,478,033	2,561,626
Incurred LAE	102,300	121,162	125,524	129,998	134,595	139,331	144,218	149,266	154,478	159,861	165,422
Self-Insured Admin Expenses	19,834	21,423	22,237	23,082	23,959	24,870	25,815	26,796	27,814	28,871	29,968
Premium Admin Expenses and Bad Debts	25,361	25,793	26,773	27,790	28,846	29,943	31,080	32,262	33,487	34,760	36,081
General Expenses	32,368	32,458	33,692	34,972	36,301	37,681	39,112	40,599	42,141	43,743	45,405
TRIA Recoup of Government Losses	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	0	425	441	458	475	494	512	532	552	573	595
Other Administrative	74,037	72,837	75,604	78,477	81,460	84,555	87,768	91,103	94,565	98,159	101,889
Total	1,906,498	2,067,030	2,259,188	2,333,160	2,410,106	2,490,224	2,573,641	2,660,396	2,750,493	2,843,999	2,940,985
<u>OTHER OPERATING REVENUES / EXPENSES</u>											
Net investment income	412,819	601,401	634,906	670,961	705,401	743,919	793,404	848,306	907,102	972,527	1,047,150
Unrealized Capital Gains / (Losses)	280,994	0	0	0	0	0	0	0	0	0	0
Other Direct Charges to Contingency Reserve	(18,629)	0	0	0	0	0	0	0	0	0	0
Total	675,184	601,401	634,906	670,961	705,401	743,919	793,404	848,306	907,102	972,527	1,047,150
<u>NET INCOME/(LOSS)</u>	191,573	25,241	(34,129)	37,335	111,880	195,547	295,680	407,313	529,591	665,895	819,492
Profitability Ratios	Actual 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	Projected FY 2034
Loss & LAE Ratio	137%	141%	145%	140%	135%	130%	125%	121%	116%	112%	108%
Combined Ratio	149%	153%	156%	150%	145%	140%	135%	130%	125%	121%	117%
Operating Ratio	85%	98%	102%	98%	93%	89%	85%	80%	76%	72%	68%

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

2 Year Horizon (as of June 30, 2026)

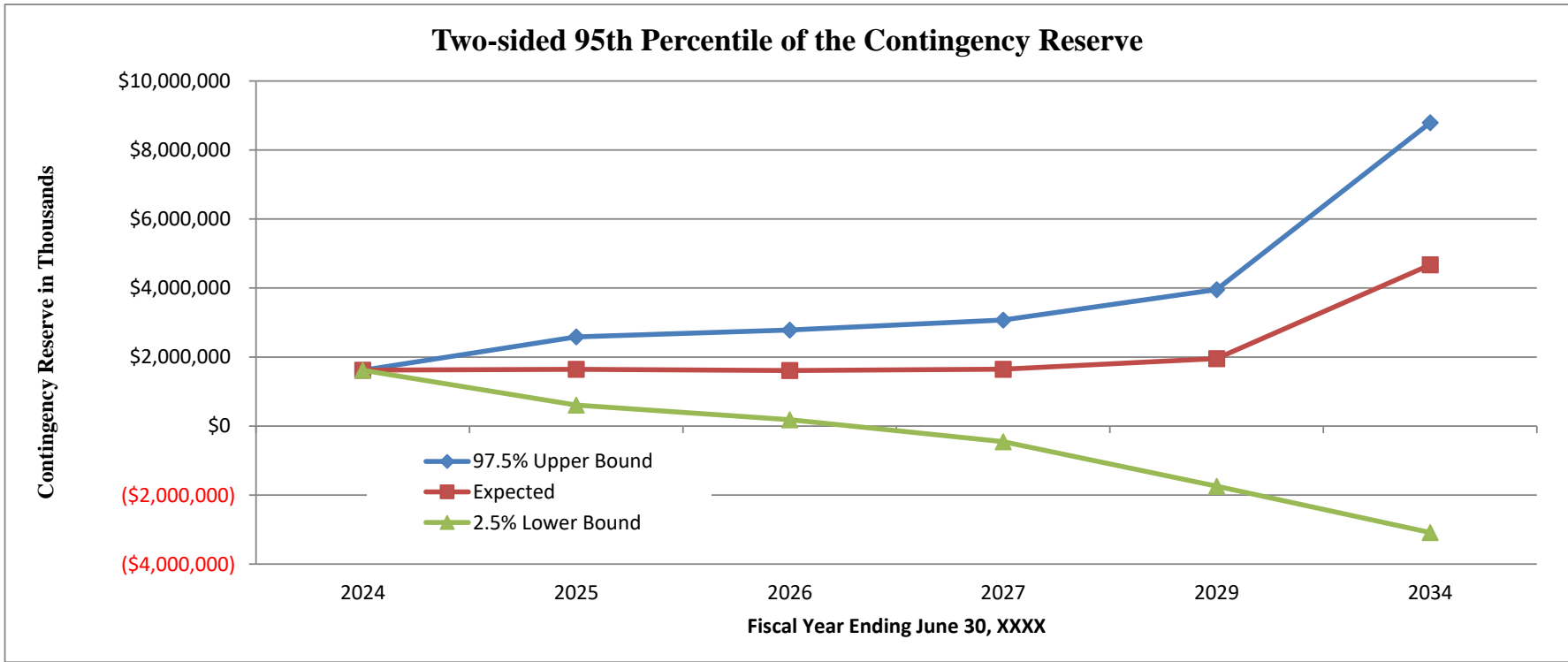
1.4%

5 Year Horizon (as of June 30, 2029)

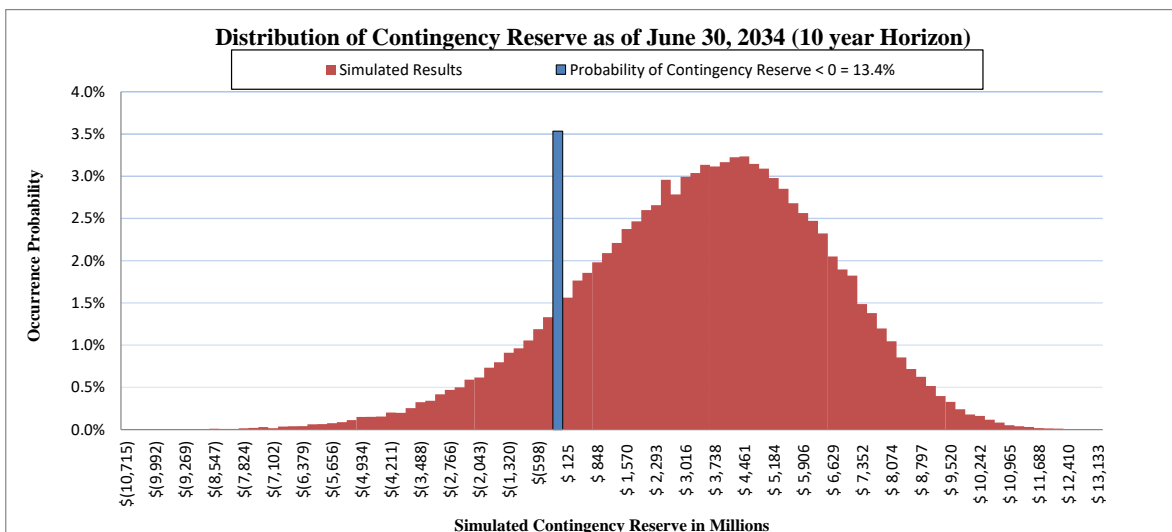
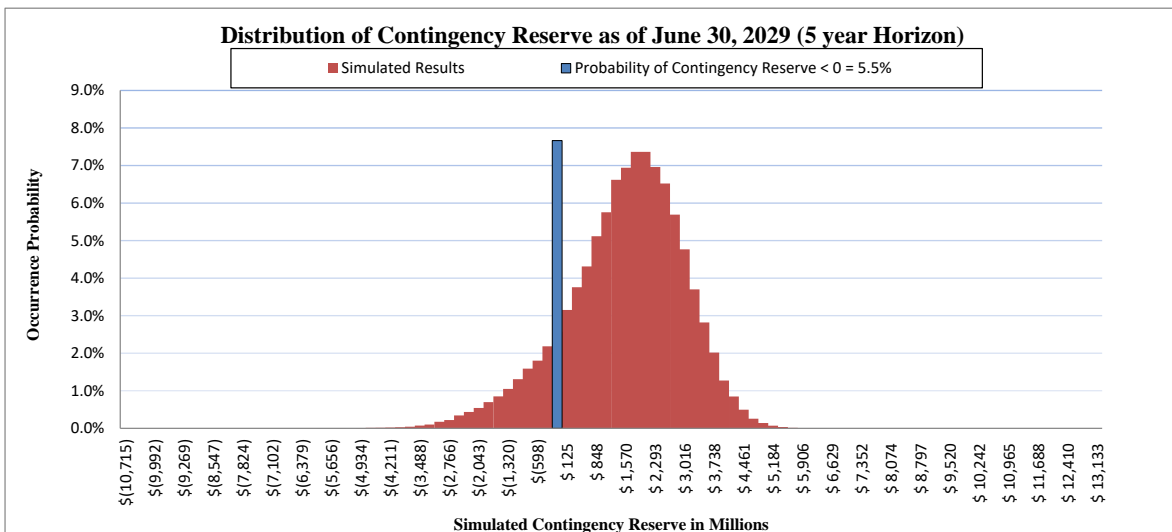
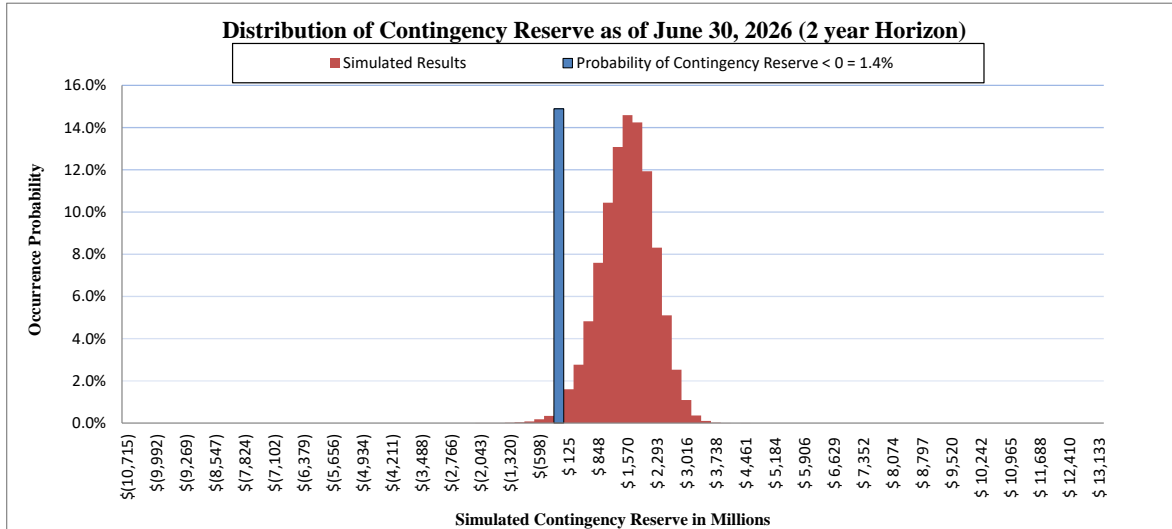
14.0%

10 Year Horizon (as of June 30, 2034)

13.4%



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 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	Projected FY 2034
<u>ASSETS</u>											
Cash & Invested Assets	7,818,682	8,021,659	8,198,871	8,345,780	8,452,758	8,514,323	8,516,266	8,460,124	8,337,892	8,142,151	7,867,163
Premiums Receivable	213,329	197,859	195,698	193,377	191,084	188,819	186,580	184,367	182,181	180,021	177,887
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	23,821	23,891	23,630	23,349	23,073	22,799	22,529	22,262	21,998	21,737	21,479
Total	8,055,832	8,243,409	8,418,198	8,562,507	8,666,915	8,725,940	8,725,374	8,666,753	8,542,071	8,343,909	8,066,529
<u>LIABILITIES</u>											
Loss Reserves	3,463,459	3,804,340	3,907,970	4,023,883	4,151,244	4,289,788	4,439,713	4,601,523	4,775,685	4,962,967	5,163,865
LAE Reserves	627,088	702,525	725,459	751,111	779,296	809,956	843,134	878,943	917,486	958,931	1,003,390
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	95,030	101,469	112,692	127,913	147,284	170,920	198,941	231,472	268,644	310,593	357,460
Total	4,185,577	4,608,335	4,746,121	4,902,907	5,077,824	5,270,664	5,481,788	5,711,939	5,961,815	6,232,491	6,524,715
<u>CONTINGENCY RESERVE</u>	3,870,255	3,635,074	3,672,077	3,659,600	3,589,091	3,455,276	3,243,586	2,954,815	2,580,256	2,111,418	1,541,814

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 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	Projected FY 2034
<u>UNDERWRITING REVENUES</u>											
Premium	774,589	771,107	762,683	753,640	744,704	735,874	727,148	718,526	710,007	701,588	693,269
Retrospective rating adjustments	0	0	0	0	0	0	0	0	0	0	0
Self-Insured Assessments & Reimbursements	20,560	21,423	22,237	23,082	23,959	24,870	25,815	26,796	27,814	28,871	29,968
Other income	2,795	4,242	4,404	4,571	4,745	4,925	5,112	5,306	5,508	5,717	5,934
Total	797,944	796,772	789,324	781,293	773,407	765,668	758,075	750,628	743,328	736,176	729,171
<u>UNDERWRITING EXPENSES</u>											
Incurred Loss	411,116	1,056,619	840,088	883,406	930,231	980,266	1,033,467	1,089,903	1,149,712	1,213,040	1,280,077
Incurred LAE	129,536	233,831	185,913	195,499	205,862	216,934	228,708	241,197	254,433	268,448	283,283
Self-Insured Admin Expenses	17,969	21,423	22,237	23,082	23,959	24,870	25,815	26,796	27,814	28,871	29,968
Premium Admin Expenses and Bad Debts	25,990	26,573	27,582	28,630	29,718	30,848	32,020	33,237	34,500	35,811	37,171
General Expenses	21,060	22,952	23,824	24,729	25,669	26,644	27,657	28,708	29,798	30,931	32,106
TRIA Recoup of Government Losses	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	0	289	300	311	323	335	348	361	375	389	404
Other Administrative	32,427	35,034	36,366	37,747	39,182	40,671	42,216	43,820	45,486	47,214	49,008
Total	638,098	1,396,721	1,136,309	1,193,405	1,254,944	1,320,568	1,390,231	1,464,022	1,542,117	1,624,703	1,712,017
<u>OTHER OPERATING REVENUES / EXPENSES</u>											
Net investment income	195,980	364,768	383,988	399,635	411,028	421,085	420,465	424,622	424,230	419,689	413,242
Unrealized Capital Gains / (Losses)	274,517	0	0	0	0	0	0	0	0	0	0
Other Direct Charges to Contingency Reserve	(8,050)	0	0	0	0	0	0	0	0	0	0
Total	462,447	364,768	383,988	399,635	411,028	421,085	420,465	424,622	424,230	419,689	413,242
<u>NET INCOME/(LOSS)</u>	622,293	(235,181)	37,003	(12,477)	(70,509)	(133,815)	(211,690)	(288,771)	(374,558)	(468,838)	(569,604)
Profitability Ratios	Actual 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	Projected FY 2034
Loss & LAE Ratio	70%	167%	135%	143%	153%	163%	174%	185%	198%	211%	226%
Combined Ratio	82%	181%	149%	158%	169%	179%	191%	204%	217%	232%	247%
Operating Ratio	20%	130%	95%	102%	109%	118%	129%	140%	153%	167%	182%

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, 2026)

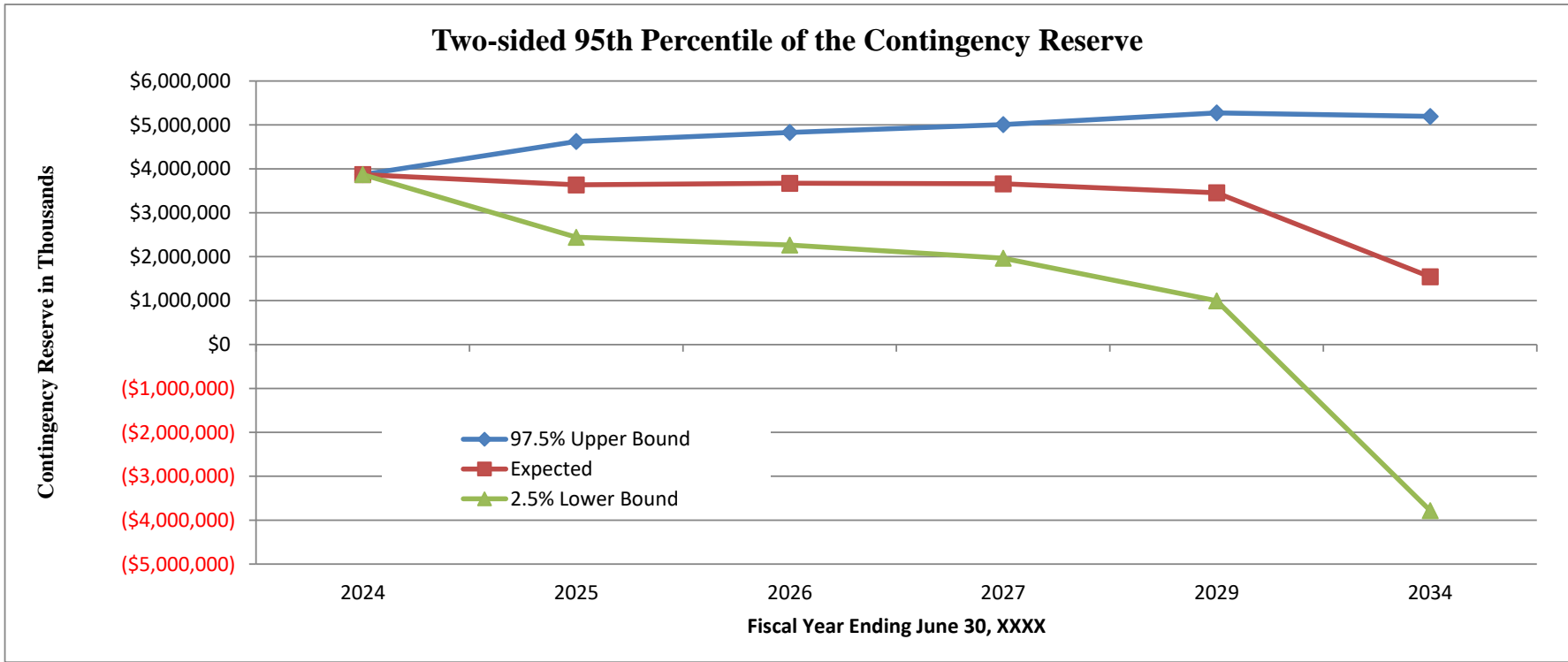
0.0%

5 Year Horizon (as of June 30, 2029)

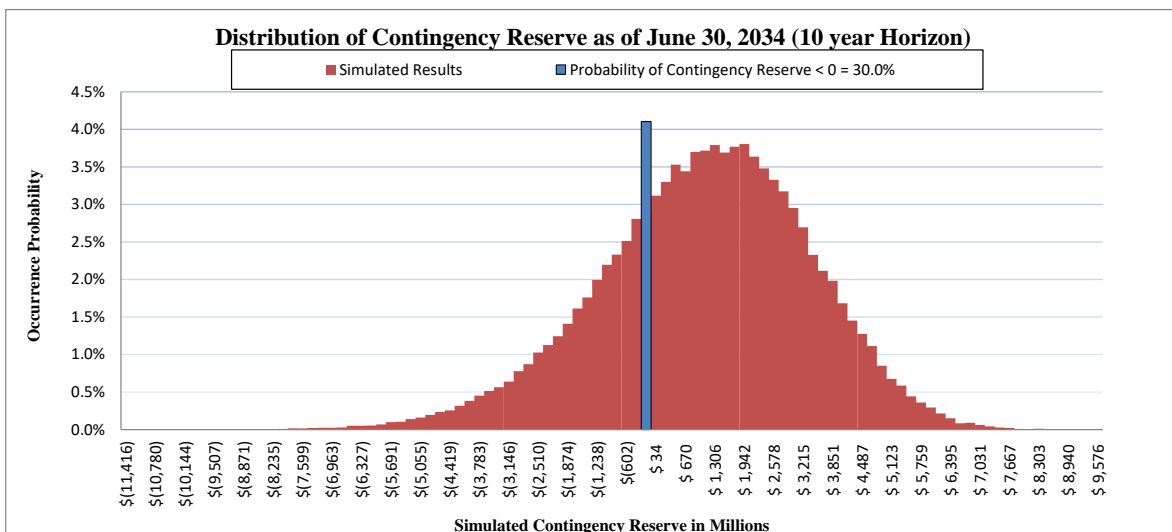
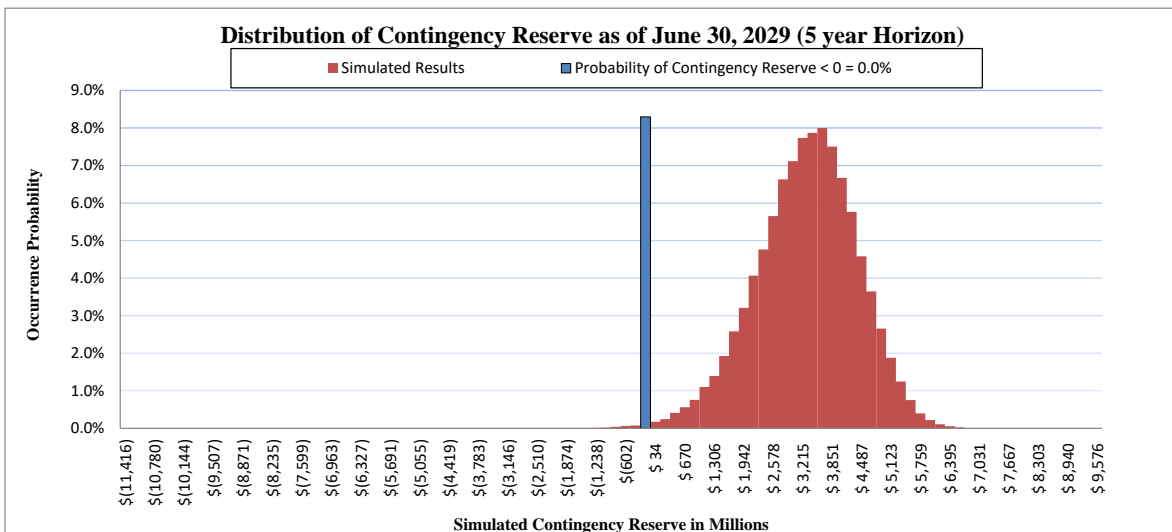
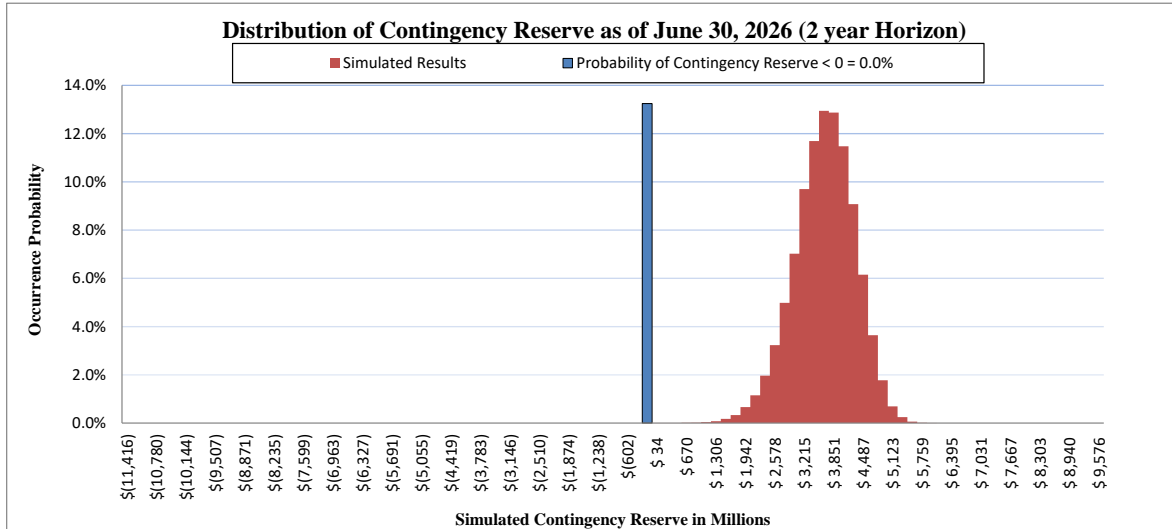
0.4%

10 Year Horizon (as of June 30, 2034)

30.0%



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 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	Projected FY 2034
<u>ASSETS</u>											
Cash & Invested Assets	21,680,226	22,332,822	23,002,023	23,719,229	24,479,884	25,290,217	26,152,628	27,080,782	28,078,115	29,151,365	30,324,875
Premiums Receivable	632,334	615,380	642,227	671,967	704,037	738,601	775,837	815,933	859,093	905,535	955,493
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	133,999	141,922	149,862	158,645	168,082	178,221	189,110	200,803	213,358	226,837	241,305
Total	22,446,559	23,090,125	23,794,112	24,549,842	25,352,004	26,207,039	27,117,574	28,097,518	29,150,566	30,283,737	31,521,673
<u>LIABILITIES</u>											
Loss Reserves	15,519,116	16,280,534	16,935,304	17,615,728	18,322,362	19,057,645	19,822,075	20,617,041	21,444,142	22,304,631	23,212,139
LAE Reserves	969,386	1,077,994	1,132,908	1,189,473	1,247,726	1,307,879	1,370,232	1,435,092	1,502,701	1,573,393	1,647,483
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	468,554	452,033	443,463	437,346	433,251	431,119	430,880	432,457	435,762	440,696	447,146
Total	16,957,056	17,810,561	18,511,675	19,242,547	20,003,338	20,796,642	21,623,187	22,484,590	23,382,605	24,318,719	25,306,768
<u>CONTINGENCY RESERVE</u>	5,489,503	5,279,563	5,282,437	5,307,294	5,348,665	5,410,397	5,494,387	5,612,928	5,767,961	5,965,018	6,214,906

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 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	Projected FY 2034
<u>UNDERWRITING REVENUES</u>											
Premium	2,261,438	2,363,530	2,465,744	2,578,981	2,701,104	2,832,743	2,974,573	3,127,316	3,291,747	3,468,697	3,659,056
Retrospective rating adjustments	(208,200)	(238,153)	(254,699)	(272,987)	(292,587)	(313,595)	(336,111)	(360,244)	(386,109)	(413,832)	(443,545)
Self-Insured Assessments & Reimbursements	112,655	107,114	111,185	115,410	119,795	124,348	129,073	133,978	139,069	144,353	149,839
Other income	54,938	55,151	57,246	59,422	61,680	64,024	66,457	68,982	71,603	74,324	77,148
Total	2,220,831	2,287,642	2,379,476	2,480,826	2,589,992	2,707,520	2,833,991	2,970,032	3,116,310	3,273,543	3,442,499
<u>UNDERWRITING EXPENSES</u>											
Incurred Loss	2,063,714	2,849,551	2,815,004	2,921,787	3,034,701	3,153,617	3,278,602	3,409,742	3,547,166	3,691,073	3,841,703
Incurred LAE	231,836	354,994	311,437	325,497	340,457	356,266	372,926	390,463	408,911	428,308	448,705
Self-Insured Admin Expenses	37,803	42,846	44,474	46,164	47,918	49,739	51,629	53,591	55,627	57,741	59,935
Premium Admin Expenses and Bad Debts	51,351	52,366	54,355	56,421	58,565	60,790	63,100	65,498	67,987	70,571	73,252
General Expenses	53,428	55,410	57,516	59,701	61,970	64,325	66,769	69,306	71,940	74,674	77,511
TRIA Recoup of Government Losses	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	0	714	741	769	799	829	860	893	927	962	999
Other Administrative	106,464	107,871	111,970	116,225	120,641	125,226	129,984	134,924	140,051	145,373	150,897
Total	2,544,596	3,463,751	3,395,497	3,526,564	3,665,051	3,810,792	3,963,871	4,124,418	4,292,610	4,468,702	4,653,003
<u>OTHER OPERATING REVENUES / EXPENSES</u>											
Net investment income	608,799	966,169	1,018,894	1,070,596	1,116,430	1,165,004	1,213,870	1,272,928	1,331,333	1,392,216	1,460,392
Unrealized Capital Gains / (Losses)	555,511	0	0	0	0	0	0	0	0	0	0
Other Direct Charges to Contingency Reserve	(26,679)	0	0	0	0	0	0	0	0	0	0
Total	1,137,631	966,169	1,018,894	1,070,596	1,116,430	1,165,004	1,213,870	1,272,928	1,331,333	1,392,216	1,460,392
<u>NET INCOME/(LOSS)</u>	813,866	(209,940)	2,874	24,857	41,371	61,732	83,990	118,541	155,032	197,057	249,888
Profitability Ratios	Actual 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	Projected FY 2034
Loss & LAE Ratio	112%	151%	141%	141%	140%	139%	138%	137%	136%	135%	133%
Combined Ratio	124%	163%	154%	153%	152%	151%	150%	149%	148%	146%	145%
Operating Ratio	60%	110%	100%	99%	98%	98%	97%	96%	95%	94%	92%

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, 2026)

0.0%

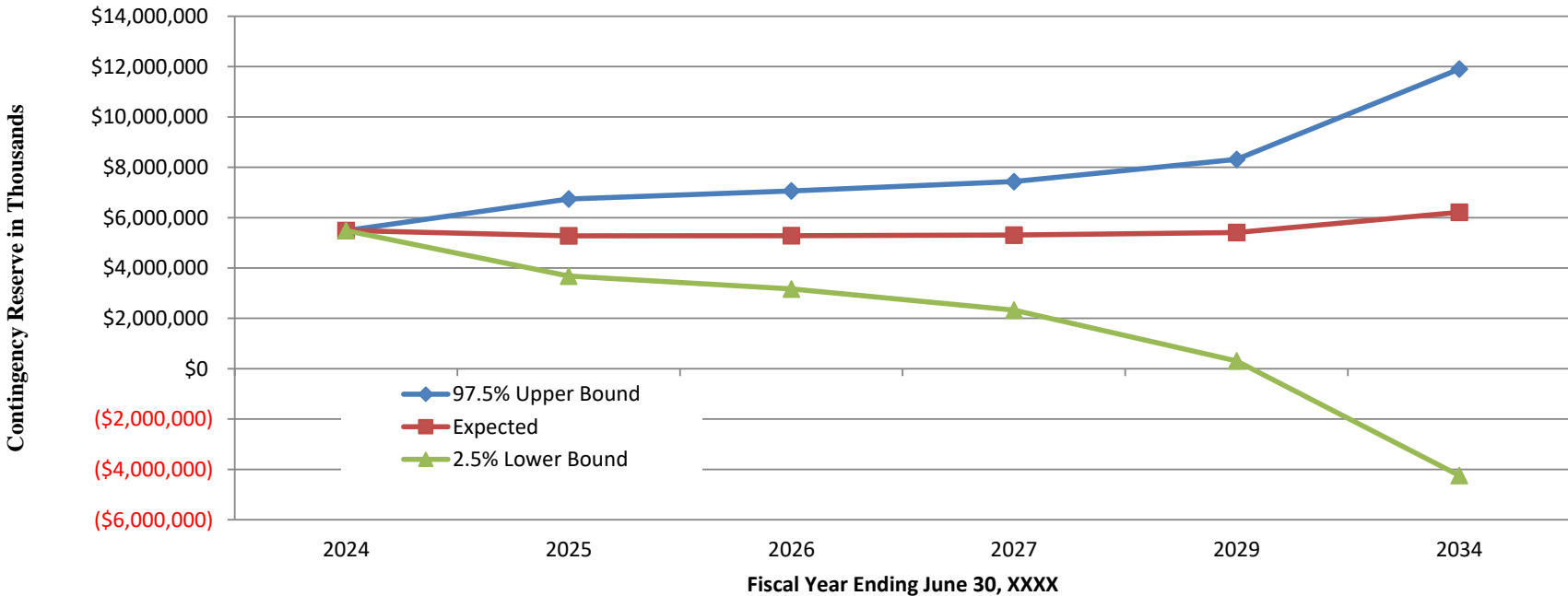
5 Year Horizon (as of June 30, 2029)

1.9%

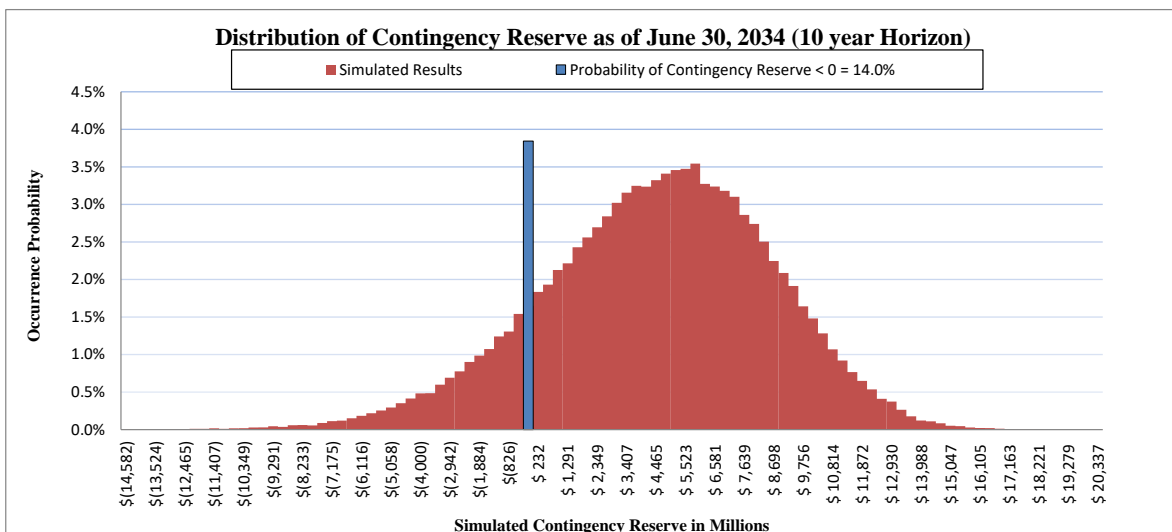
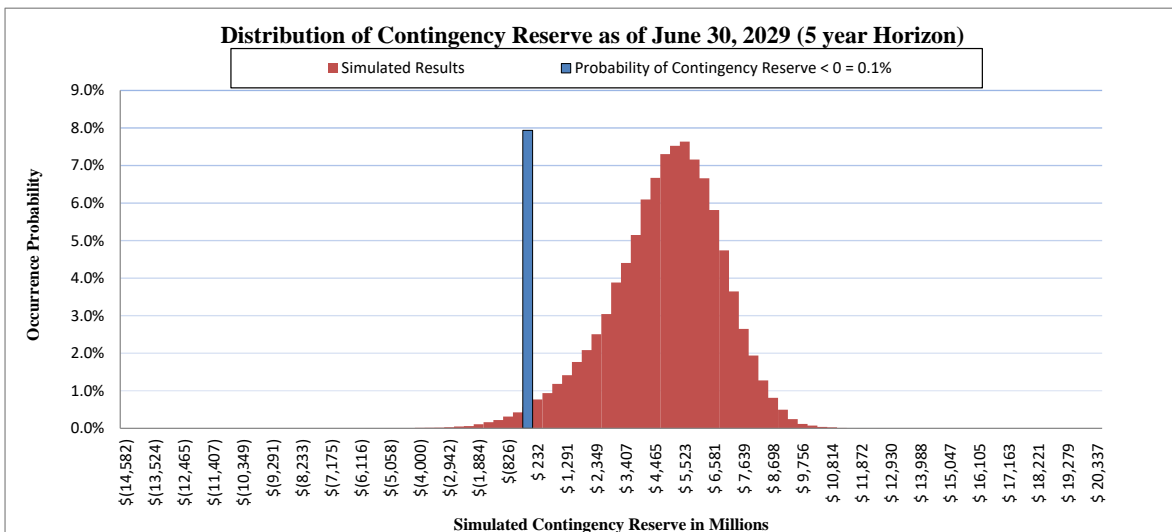
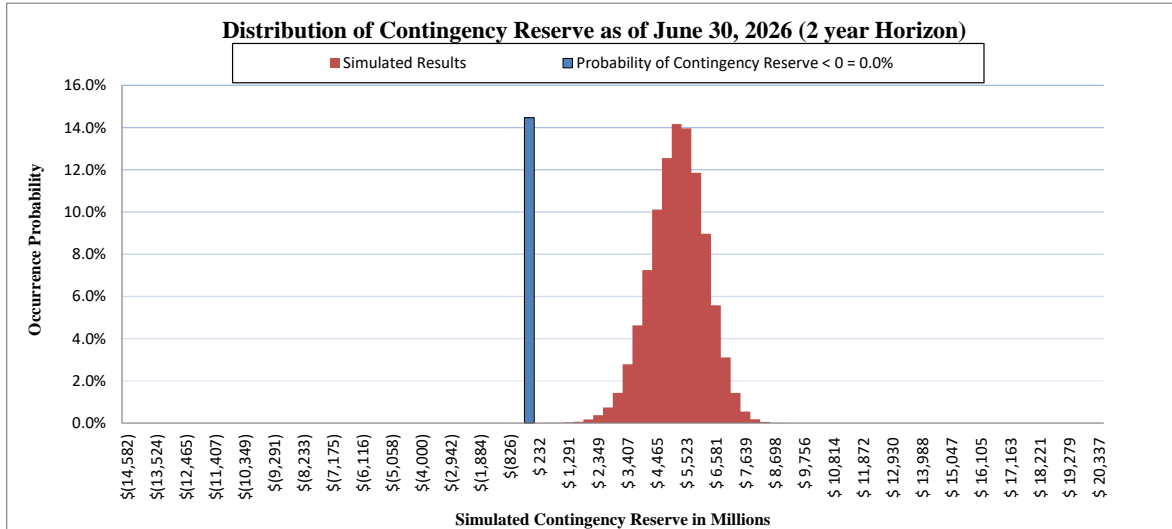
10 Year Horizon (as of June 30, 2034)

14.0%

Two-sided 95th Percentile of the Contingency Reserve



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 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	Projected FY 2034
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)	6.5%	6.7%								Long Term Required Annual Increase:	4.3%
Medical Aid Fund	4.7%	-1.0%								Long Term Required Annual Increase:	5.5%
Investment Assumptions											
Accident Fund (Including Pension Reserve Fund)											
Overall Investment Return	5.21%	4.34%	4.44%	4.53%	4.59%	4.64%	4.72%	4.79%	4.84%	4.89%	4.94%
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	81.92%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%
Equities Distribution	16.17%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%
Cash and Other Distribution	1.91%	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	6.30%	4.67%	4.79%	4.87%	4.92%	4.98%	5.06%	5.13%	5.18%	5.23%	5.30%
Government Bond Distribution	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Corporate Bond Distribution	75.01%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%
Equities Distribution	19.41%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
Cash and Other Distribution	4.58%	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		3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%
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		5.67%	5.67%	5.67%	5.67%	5.67%	5.67%	5.67%	5.67%	5.67%	5.67%
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		8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%
Fixed Expenses (Per Hour) *:		\$0.031	\$0.032	\$0.033	\$0.035	\$0.036	\$0.037	\$0.039	\$0.040	\$0.042	\$0.043
Other Income (Per Hour)		\$0.012	\$0.012	\$0.013	\$0.013	\$0.014	\$0.014	\$0.015	\$0.016	\$0.016	\$0.017
Retro Adjustment Ratio (% of premium)		-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%
Medical Aid Fund											
LAE to Loss Ratio		22.13%	22.13%	22.13%	22.13%	22.13%	22.13%	22.13%	22.13%	22.13%	22.13%
Fixed Expenses (Per Hour) *:		\$0.020	\$0.021	\$0.022	\$0.022	\$0.023	\$0.024	\$0.025	\$0.026	\$0.027	\$0.028
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)		26.22%	26.22%	26.22%	26.22%	26.22%	26.22%	26.22%	26.22%	26.22%	26.22%
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	-\$0.028
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		25.66%	25.66%	25.66%	25.66%	25.66%	25.66%	25.66%	25.66%	25.66%	25.66%
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)		\$0.005	\$0.005	\$0.005	\$0.006	\$0.006	\$0.006	\$0.006	\$0.006	\$0.007	\$0.007

* 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 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	Projected FY 2034
<u>ASSETS</u>											
Cash & Invested Assets	13,861,544	15,879,590	16,519,744	17,219,786	17,935,188	18,670,466	19,427,111	20,206,322	21,008,349	21,834,534	22,701,100
Premiums Receivable	419,005	417,521	480,543	488,985	499,307	510,458	521,515	532,676	545,400	558,957	573,765
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	110,178	118,032	135,848	138,234	141,152	144,305	147,430	150,586	154,183	158,015	162,201
Total	14,390,727	16,415,142	17,136,135	17,847,005	18,575,646	19,325,228	20,096,056	20,889,584	21,707,931	22,551,506	23,437,067
<u>LIABILITIES</u>											
Loss Reserves	12,055,657	12,476,194	13,027,334	13,591,845	14,171,118	14,767,857	15,382,362	16,015,517	16,668,457	17,341,664	18,048,274
LAE Reserves	342,298	375,469	407,449	438,362	468,430	497,923	527,097	556,148	585,215	614,462	644,093
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	373,524	350,564	342,656	309,245	276,212	243,004	209,231	175,002	140,841	106,349	71,608
Total	12,771,479	13,202,226	13,777,439	14,339,453	14,915,760	15,508,783	16,118,691	16,746,667	17,394,513	18,062,475	18,763,975
<u>CONTINGENCY RESERVE</u>	1,619,248	3,212,916	3,358,696	3,507,552	3,659,887	3,816,445	3,977,365	4,142,916	4,313,418	4,489,031	4,673,092

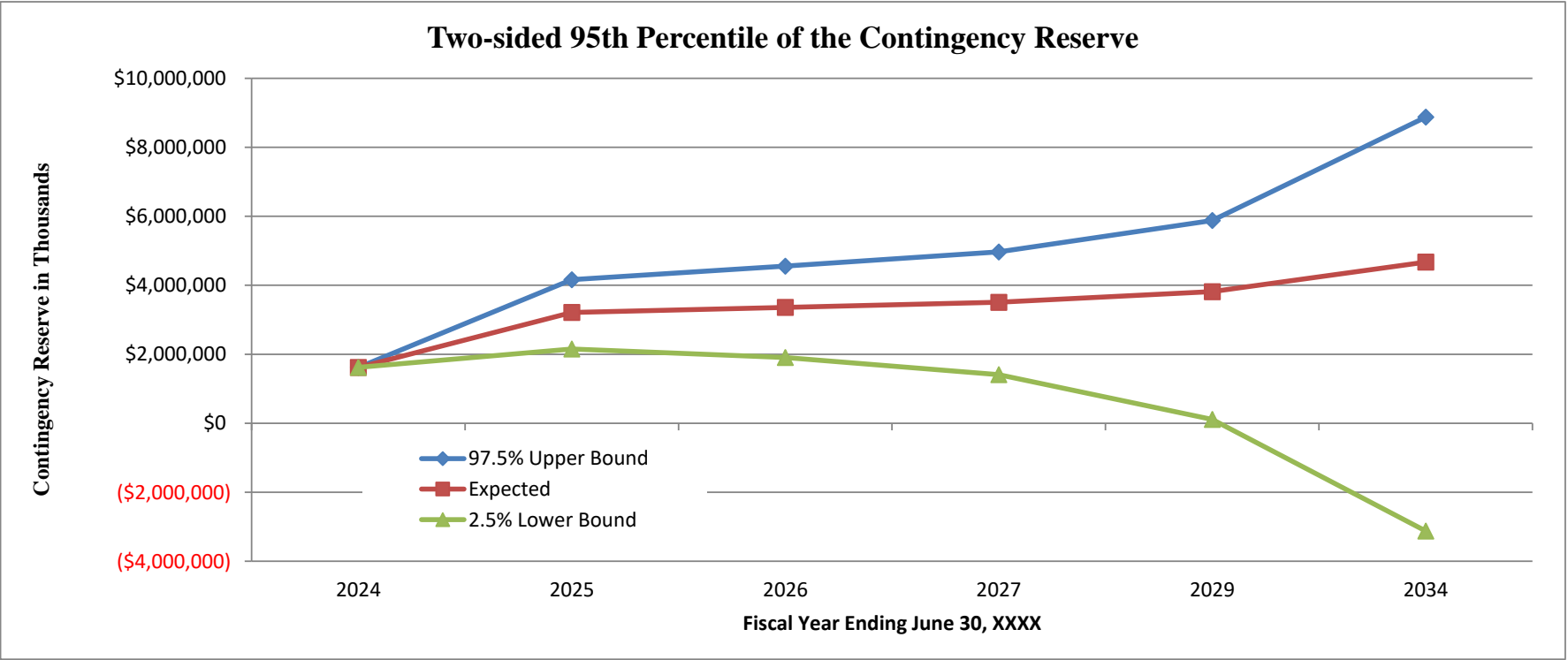
Washington Department of Labor & Industries
Scenario 5: Contingency Reserve Growth Rate Change (Maintaining a 25% ratio)
Accident Fund (Including Pension Reserve Fund)
Projected Financials (000's)

U.S. Statutory Income Statement	Actual 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	Projected FY 2034
<u>UNDERWRITING REVENUES</u>											
Premium	1,486,849	1,592,423	1,832,790	1,864,986	1,904,354	1,946,885	1,989,056	2,031,624	2,080,155	2,131,861	2,188,339
Retrospective rating adjustments	(208,200)	(238,153)	(274,101)	(278,916)	(284,803)	(291,164)	(297,471)	(303,837)	(311,095)	(318,828)	(327,274)
Self-Insured Assessments & Reimbursements	92,095	85,692	88,948	92,328	95,836	99,478	103,258	107,182	111,255	115,483	119,871
Other income	52,143	50,908	52,843	54,851	56,935	59,099	61,345	63,676	66,095	68,607	71,214
Total	1,422,887	1,490,870	1,700,480	1,733,249	1,772,322	1,814,298	1,856,188	1,898,644	1,946,410	1,997,123	2,052,149
<u>UNDERWRITING EXPENSES</u>											
Incurred Loss	1,652,598	1,792,931	1,974,916	2,038,381	2,104,470	2,173,351	2,245,134	2,319,839	2,397,454	2,478,033	2,561,626
Incurred LAE	102,300	121,162	125,524	129,998	134,595	139,331	144,218	149,266	154,478	159,861	165,422
Self-Insured Admin Expenses	19,834	21,423	22,237	23,082	23,959	24,870	25,815	26,796	27,814	28,871	29,968
Premium Admin Expenses and Bad Debts	25,361	25,793	26,773	27,790	28,846	29,943	31,080	32,262	33,487	34,760	36,081
General Expenses	32,368	32,458	33,692	34,972	36,301	37,681	39,112	40,599	42,141	43,743	45,405
TRIA Recoup of Government Losses	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	0	425	441	458	475	494	512	532	552	573	595
Other Administrative	74,037	72,837	75,604	78,477	81,460	84,555	87,768	91,103	94,565	98,159	101,889
Total	1,906,498	2,067,030	2,259,188	2,333,160	2,410,106	2,490,224	2,573,641	2,660,396	2,750,493	2,843,999	2,940,985
<u>OTHER OPERATING REVENUES / EXPENSES</u>											
Net investment income	412,819	666,620	704,488	748,767	790,119	832,484	878,373	927,304	974,584	1,022,489	1,072,896
Unrealized Capital Gains / (Losses)	280,994	0	0	0	0	0	0	0	0	0	0
Other Direct Charges to Contingency Reserve	(18,629)	0	0	0	0	0	0	0	0	0	0
Total	675,184	666,620	704,488	748,767	790,119	832,484	878,373	927,304	974,584	1,022,489	1,072,896
<u>NET INCOME/(LOSS)</u>	191,573	90,460	145,780	148,856	152,335	156,558	160,920	165,551	170,502	175,613	184,060
Profitability Ratios	Actual 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	Projected FY 2034
Loss & LAE Ratio	137%	141%	135%	137%	138%	140%	141%	143%	144%	145%	147%
Combined Ratio	149%	153%	145%	147%	149%	150%	152%	154%	155%	157%	158%
Operating Ratio	85%	93%	91%	91%	91%	91%	90%	90%	90%	90%	90%

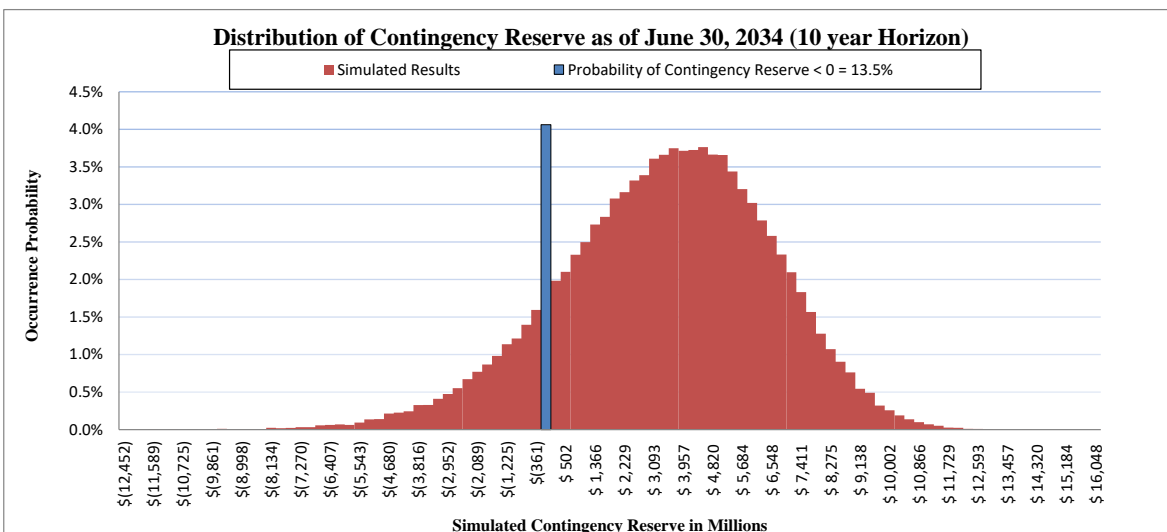
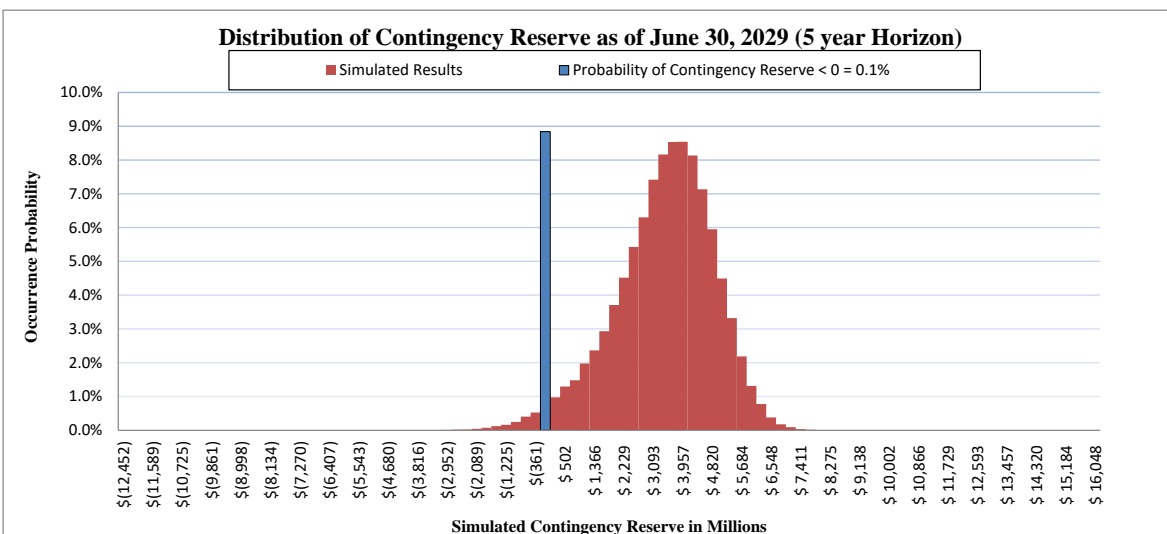
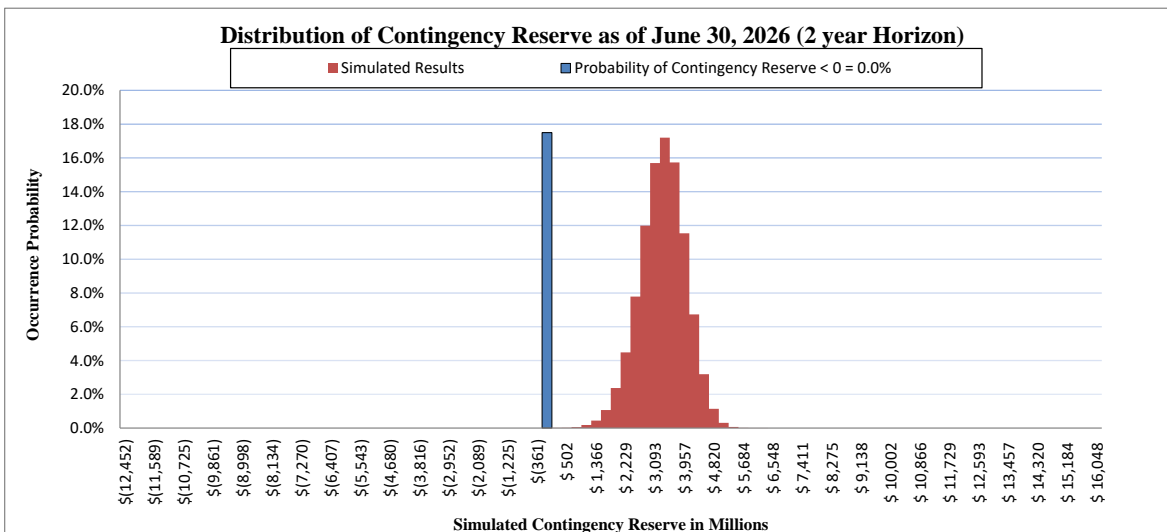
Washington Department of Labor & Industries
Scenario 5: Contingency Reserve Growth Rate Change (Maintaining a 25% ratio)
Accident Fund (Including Pension Reserve Fund)
Probability of Insolvency

Probability of Contingency Reserve < \$0

<u>2 Year Horizon (as of June 30, 2026)</u>	0.0%
<u>5 Year Horizon (as of June 30, 2029)</u>	2.2%
<u>10 Year Horizon (as of June 30, 2034)</u>	13.5%



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 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	Projected FY 2034
<u>ASSETS</u>											
Cash & Invested Assets	7,818,682	7,909,852	8,081,705	8,258,973	8,450,655	8,657,169	8,877,466	9,114,236	9,366,543	9,635,449	9,922,482
Premiums Receivable	213,329	197,859	195,695	207,125	220,251	234,035	249,450	264,624	281,030	298,514	316,278
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	23,821	23,891	23,629	25,009	26,594	28,259	30,120	31,952	33,933	36,044	38,189
Total	8,055,832	8,131,602	8,301,029	8,491,108	8,697,500	8,919,463	9,157,036	9,410,812	9,681,506	9,970,007	10,276,949
<u>LIABILITIES</u>											
Loss Reserves	3,463,459	3,804,340	3,907,970	4,023,883	4,151,244	4,289,788	4,439,713	4,601,523	4,775,685	4,962,967	5,163,865
LAE Reserves	627,088	702,525	725,459	751,111	779,296	809,956	843,134	878,943	917,486	958,931	1,003,390
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	95,030	2,498,020	2,509,243	2,522,366	2,534,326	2,544,783	2,553,477	2,560,228	2,565,042	2,567,634	2,567,880
Total	4,185,577	7,004,885	7,142,672	7,297,359	7,464,865	7,644,527	7,836,324	8,040,695	8,258,213	8,489,532	8,735,135
<u>CONTINGENCY RESERVE</u>	3,870,255	1,126,716	1,158,357	1,193,748	1,232,635	1,274,936	1,320,712	1,370,117	1,423,293	1,480,475	1,541,814

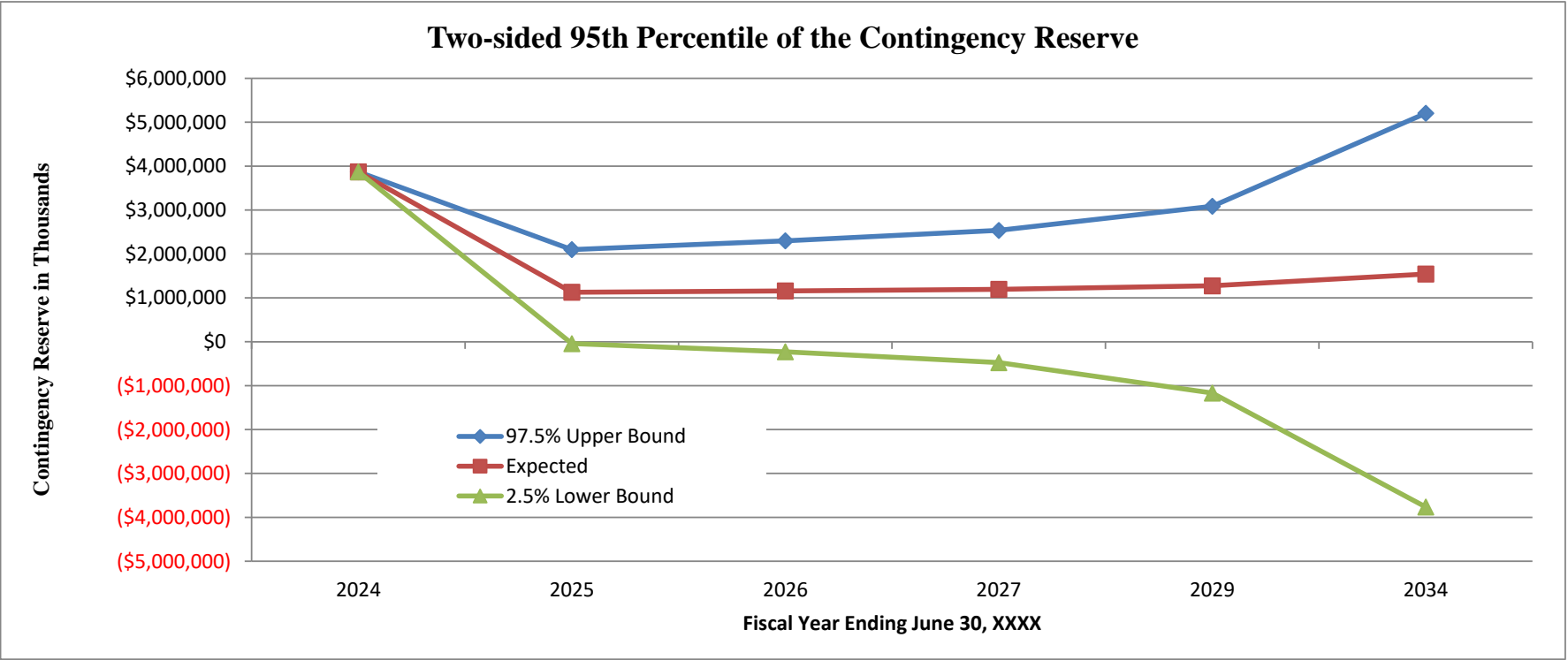
Washington Department of Labor & Industries
Scenario 5: Contingency Reserve Growth Rate Change (Maintaining a 25% ratio)
Medical Aid Fund
Projected Financials (000's)

U.S. Statutory Income Statement	Actual FY 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	Projected FY 2034
<u>UNDERWRITING REVENUES</u>											
Premium	774,589	771,107	762,673	807,219	858,374	912,094	972,170	1,031,307	1,095,243	1,163,383	1,232,614
Retrospective rating adjustments	0	0	0	0	0	0	0	0	0	0	0
Self-Insured Assessments & Reimbursements	20,560	21,423	22,237	23,082	23,959	24,870	25,815	26,796	27,814	28,871	29,968
Other income	2,795	4,242	4,404	4,571	4,745	4,925	5,112	5,306	5,508	5,717	5,934
Total	797,944	796,772	789,313	834,872	887,078	941,889	1,003,097	1,063,409	1,128,565	1,197,971	1,268,516
<u>UNDERWRITING EXPENSES</u>											
Incurred Loss	411,116	1,056,619	840,088	883,406	930,231	980,266	1,033,467	1,089,903	1,149,712	1,213,040	1,280,077
Incurred LAE	129,536	233,831	185,913	195,499	205,862	216,934	228,708	241,197	254,433	268,448	283,283
Self-Insured Admin Expenses	17,969	21,423	22,237	23,082	23,959	24,870	25,815	26,796	27,814	28,871	29,968
Premium Admin Expenses and Bad Debts	25,990	26,573	27,582	28,630	29,718	30,848	32,020	33,237	34,500	35,811	37,171
General Expenses	21,060	22,952	23,824	24,729	25,669	26,644	27,657	28,708	29,798	30,931	32,106
TRIA Recoup of Government Losses	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	0	289	300	311	323	335	348	361	375	389	404
Other Administrative	32,427	35,034	36,366	37,747	39,182	40,671	42,216	43,820	45,486	47,214	49,008
Total	638,098	1,396,721	1,136,309	1,193,405	1,254,944	1,320,568	1,390,231	1,464,022	1,542,117	1,624,703	1,712,017
<u>OTHER OPERATING REVENUES / EXPENSES</u>											
Net investment income	195,980	252,961	378,636	393,924	406,753	420,980	432,910	450,017	466,728	483,914	504,841
Unrealized Capital Gains / (Losses)	274,517	0	0	0	0	0	0	0	0	0	0
Other Direct Charges to Contingency Reserve	(8,050)	0	0	0	0	0	0	0	0	0	0
Total	462,447	252,961	378,636	393,924	406,753	420,980	432,910	450,017	466,728	483,914	504,841
<u>NET INCOME/(LOSS)</u>	622,293	(346,988)	31,641	35,391	38,887	42,301	45,776	49,405	53,176	57,182	61,339
Profitability Ratios	Actual 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	Projected FY 2034
Loss & LAE Ratio	70%	167%	135%	134%	132%	131%	130%	129%	128%	127%	127%
Combined Ratio	82%	181%	149%	148%	146%	145%	143%	142%	141%	140%	139%
Operating Ratio	20%	145%	96%	96%	95%	95%	95%	95%	95%	95%	95%

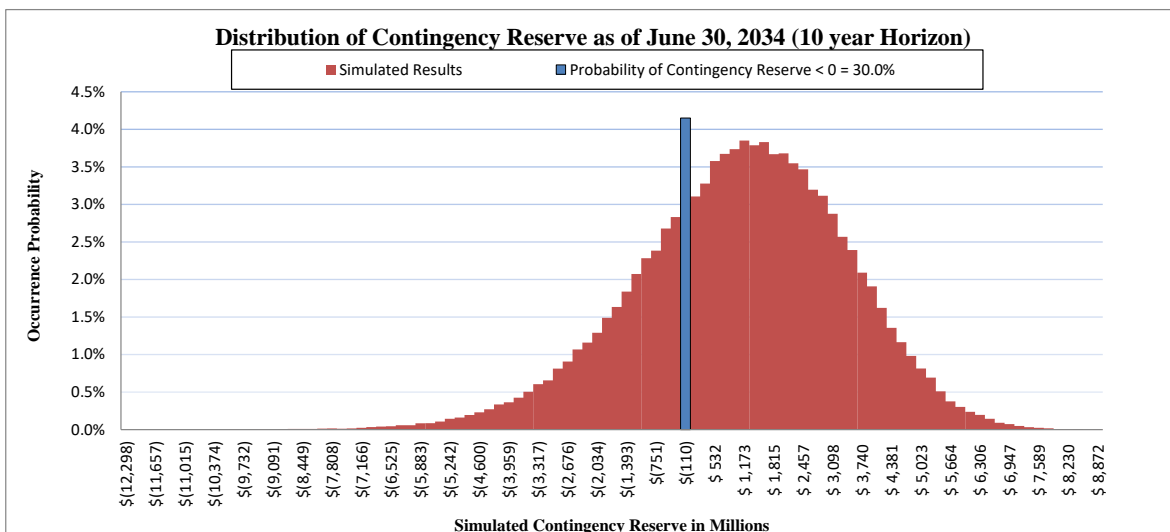
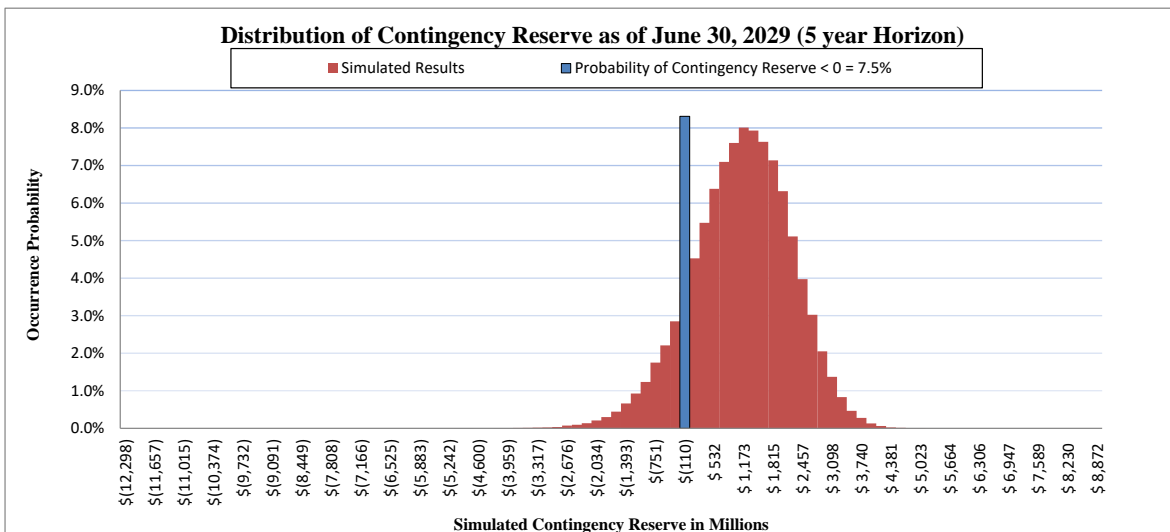
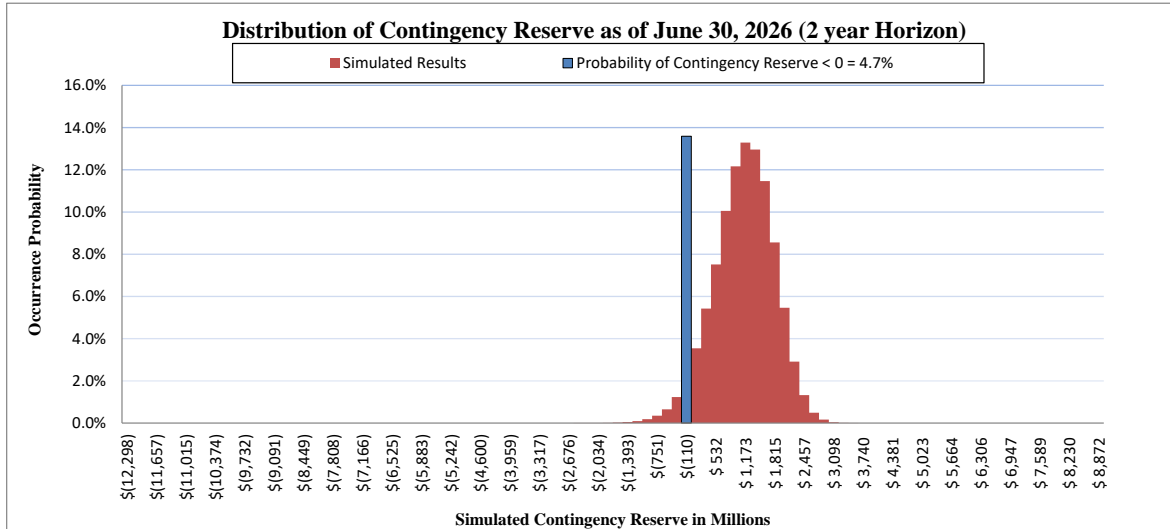
Washington Department of Labor & Industries
Scenario 5: Contingency Reserve Growth Rate Change (Maintaining a 25% ratio)
Medical Aid Fund
Probability of Insolvency

Probability of Contingency Reserve < \$0

<u>2 Year Horizon (as of June 30, 2026)</u>	4.7%
<u>5 Year Horizon (as of June 30, 2029)</u>	14.6%
<u>10 Year Horizon (as of June 30, 2034)</u>	30.0%



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)

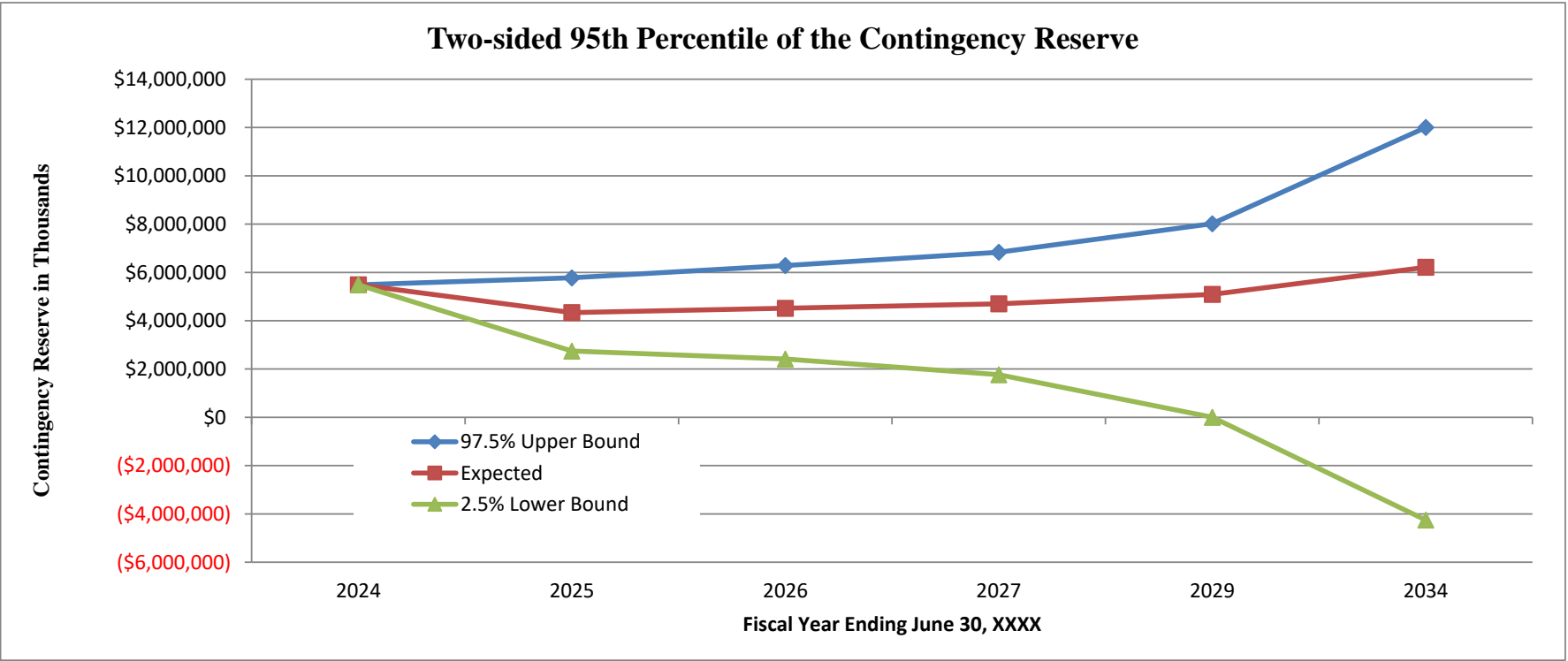
U.S. Statutory Balance Sheet	Actual FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033	Projected FY 2034
<u>ASSETS</u>											
Cash & Invested Assets	21,680,226	23,789,442	24,601,448	25,478,759	26,385,843	27,327,635	28,304,577	29,320,558	30,374,892	31,469,983	32,623,582
Premiums Receivable	632,334	615,380	676,238	696,110	719,558	744,493	770,965	797,300	826,430	857,471	890,043
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	133,999	141,922	159,477	163,244	167,746	172,563	177,550	182,538	188,116	194,059	200,390
Total	22,446,559	24,546,744	25,437,163	26,338,112	27,273,147	28,244,691	29,253,092	30,300,396	31,389,437	32,521,513	33,714,015
<u>LIABILITIES</u>											
Loss Reserves	15,519,116	16,280,534	16,935,304	17,615,728	18,322,362	19,057,645	19,822,075	20,617,041	21,444,142	22,304,631	23,212,139
LAE Reserves	969,386	1,077,994	1,132,908	1,189,473	1,247,726	1,307,879	1,370,232	1,435,092	1,502,701	1,573,393	1,647,483
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	468,554	2,848,583	2,851,899	2,831,611	2,810,538	2,787,787	2,762,708	2,735,230	2,705,884	2,673,983	2,639,488
Total	16,957,056	20,207,112	20,920,110	21,636,812	22,380,625	23,153,310	23,955,015	24,787,363	25,652,727	26,552,007	27,499,110
<u>CONTINGENCY RESERVE</u>	5,489,503	4,339,632	4,517,053	4,701,300	4,892,522	5,091,381	5,298,077	5,513,033	5,736,711	5,969,506	6,214,906

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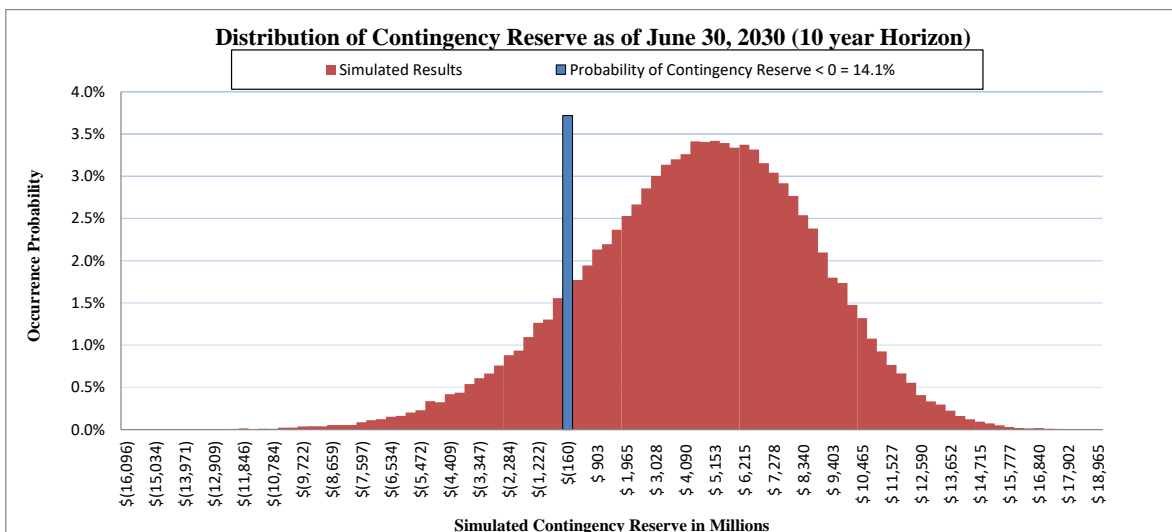
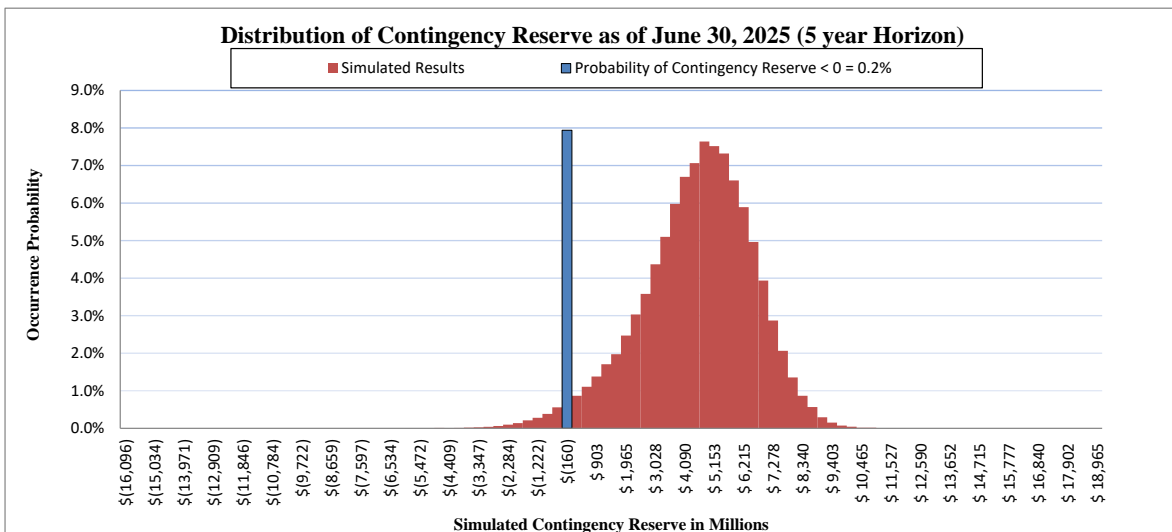
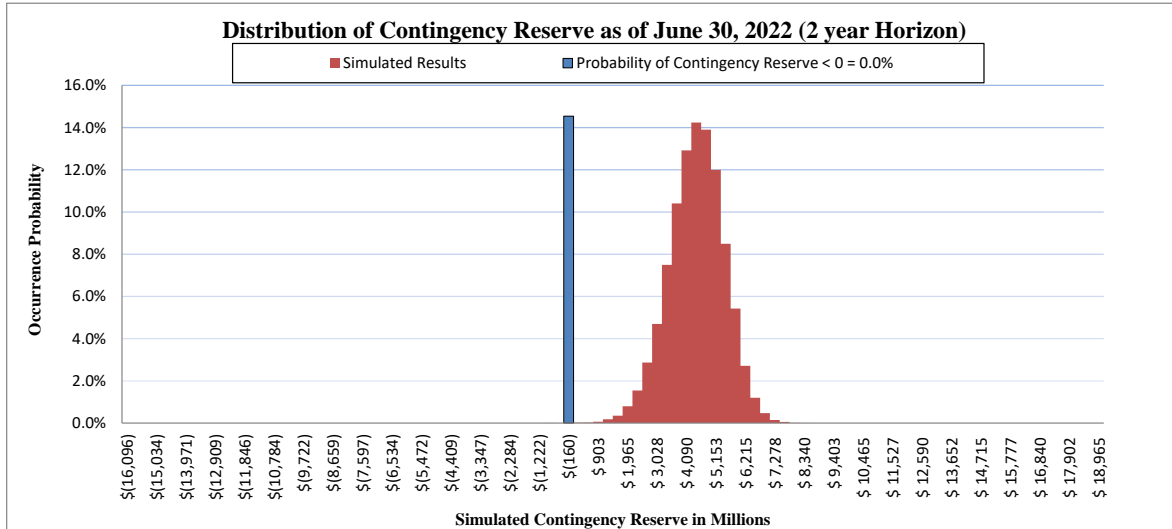
Washington Department of Labor & Industries
Scenario 5: Contingency Reserve Growth Rate Change (Maintaining a 25% ratio)
Combined Funds
Probability of Insolvency

Probability of Contingency Reserve < \$0

<u>2 Year Horizon (as of June 30, 2026)</u>	0.0%
<u>5 Year Horizon (as of June 30, 2029)</u>	2.5%
<u>10 Year Horizon (as of June 30, 2034)</u>	14.1%



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 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	Projected FY 2034
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)	6.5%	6.7%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%
Medical Aid Fund	4.7%	-1.0%	8.7%	8.7%	8.7%	8.7%	8.7%	8.7%	8.7%	8.7%	8.7%
Investment Assumptions											
Accident Fund (Including Pension Reserve Fund)											
Overall Investment Return	5.21%	4.34%	4.44%	4.53%	4.59%	4.64%	4.72%	4.79%	4.84%	4.89%	4.94%
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	81.92%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%
Equities Distribution	16.17%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%
Cash and Other Distribution	1.91%	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	6.30%	4.67%	4.79%	4.87%	4.92%	4.98%	5.06%	5.13%	5.18%	5.23%	5.30%
Government Bond Distribution	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Corporate Bond Distribution	75.01%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%
Equities Distribution	19.41%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
Cash and Other Distribution	4.58%	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		3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%
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		5.67%	5.67%	5.67%	5.67%	5.67%	5.67%	5.67%	5.67%	5.67%	5.67%
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		8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%
Fixed Expenses (Per Hour) *:		\$0.031	\$0.032	\$0.033	\$0.035	\$0.036	\$0.037	\$0.039	\$0.040	\$0.042	\$0.043
Other Income (Per Hour)		\$0.012	\$0.012	\$0.013	\$0.013	\$0.014	\$0.014	\$0.015	\$0.016	\$0.016	\$0.017
Retro Adjustment Ratio (% of premium)		-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%
Medical Aid Fund											
LAE to Loss Ratio		22.13%	22.13%	22.13%	22.13%	22.13%	22.13%	22.13%	22.13%	22.13%	22.13%
Fixed Expenses (Per Hour) *:		\$0.020	\$0.021	\$0.022	\$0.022	\$0.023	\$0.024	\$0.025	\$0.026	\$0.027	\$0.028
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)		26.22%	26.22%	26.22%	26.22%	26.22%	26.22%	26.22%	26.22%	26.22%	26.22%
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	-\$0.028
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		25.66%	25.66%	25.66%	25.66%	25.66%	25.66%	25.66%	25.66%	25.66%	25.66%
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)		\$0.005	\$0.005	\$0.005	\$0.006	\$0.006	\$0.006	\$0.006	\$0.006	\$0.007	\$0.007

* 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 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	Projected FY 2034
<u>ASSETS</u>											
Cash & Invested Assets	13,861,544	14,311,163	14,856,964	15,623,796	16,677,076	18,084,470	19,952,787	22,365,312	25,435,875	29,302,299	34,144,035
Premiums Receivable	419,005	417,521	469,821	554,327	654,032	771,672	910,471	1,074,235	1,267,455	1,495,430	1,764,410
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	110,178	118,032	132,817	156,706	184,893	218,149	257,387	303,682	358,305	422,753	498,793
Total	14,390,727	14,846,716	15,459,601	16,334,828	17,516,000	19,074,290	21,120,644	23,743,229	27,061,635	31,220,482	36,407,238
<u>LIABILITIES</u>											
Loss Reserves	12,055,657	12,476,194	13,027,334	13,591,845	14,171,118	14,767,857	15,382,362	16,015,517	16,668,457	17,341,664	18,048,274
LAE Reserves	342,298	375,469	407,449	438,362	468,430	497,923	527,097	556,148	585,215	614,462	644,093
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	373,524	350,564	338,909	333,279	324,140	310,764	292,292	267,705	235,796	195,139	144,046
Total	12,771,479	13,202,226	13,773,692	14,363,487	14,963,687	15,576,543	16,201,752	16,839,370	17,489,468	18,151,265	18,836,413
<u>CONTINGENCY RESERVE</u>	1,619,248	1,644,489	1,685,909	1,971,341	2,552,313	3,497,747	4,918,893	6,903,859	9,572,167	13,069,217	17,570,825

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 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	Projected FY 2034
<u>UNDERWRITING REVENUES</u>											
Premium	1,486,849	1,592,423	1,791,896	2,114,200	2,494,477	2,943,153	3,472,532	4,097,130	4,834,072	5,703,566	6,729,455
Retrospective rating adjustments	(208,200)	(238,153)	(267,985)	(316,187)	(373,059)	(440,160)	(519,331)	(612,741)	(722,954)	(852,990)	(1,006,416)
Self-Insured Assessments & Reimbursements	92,095	85,692	88,948	92,328	95,836	99,478	103,258	107,182	111,255	115,483	119,871
Other income	52,143	50,908	52,843	54,851	56,935	59,099	61,345	63,676	66,095	68,607	71,214
Total	1,422,887	1,490,870	1,665,701	1,945,192	2,274,190	2,661,570	3,117,805	3,655,246	4,288,468	5,034,666	5,914,124
<u>UNDERWRITING EXPENSES</u>											
Incurred Loss	1,652,598	1,792,931	1,974,916	2,038,381	2,104,470	2,173,351	2,245,134	2,319,839	2,397,454	2,478,033	2,561,626
Incurred LAE	102,300	121,162	125,524	129,998	134,595	139,331	144,218	149,266	154,478	159,861	165,422
Self-Insured Admin Expenses	19,834	21,423	22,237	23,082	23,959	24,870	25,815	26,796	27,814	28,871	29,968
Premium Admin Expenses and Bad Debts	25,361	25,793	26,773	27,790	28,846	29,943	31,080	32,262	33,487	34,760	36,081
General Expenses	32,368	32,458	33,692	34,972	36,301	37,681	39,112	40,599	42,141	43,743	45,405
TRIA Recoup of Government Losses	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	0	425	441	458	475	494	512	532	552	573	595
Other Administrative	74,037	72,837	75,604	78,477	81,460	84,555	87,768	91,103	94,565	98,159	101,889
Total	1,906,498	2,067,030	2,259,188	2,333,160	2,410,106	2,490,224	2,573,641	2,660,396	2,750,493	2,843,999	2,940,985
<u>OTHER OPERATING REVENUES / EXPENSES</u>											
Net investment income	412,819	601,401	634,906	673,400	716,888	774,087	876,982	990,117	1,130,333	1,306,382	1,528,469
Unrealized Capital Gains / (Losses)	280,994	0	0	0	0	0	0	0	0	0	0
Other Direct Charges to Contingency Reserve	(18,629)	0	0	0	0	0	0	0	0	0	0
Total	675,184	601,401	634,906	673,400	716,888	774,087	876,982	990,117	1,130,333	1,306,382	1,528,469
<u>NET INCOME/(LOSS)</u>	191,573	25,241	41,419	285,433	580,972	945,434	1,421,146	1,984,966	2,668,308	3,497,050	4,501,608
Profitability Ratios	Actual 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	Projected FY 2034
Loss & LAE Ratio	137%	141%	138%	121%	106%	92%	81%	71%	62%	54%	48%
Combined Ratio	149%	153%	148%	130%	114%	99%	87%	76%	67%	59%	51%
Operating Ratio	85%	98%	97%	84%	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, 2026)

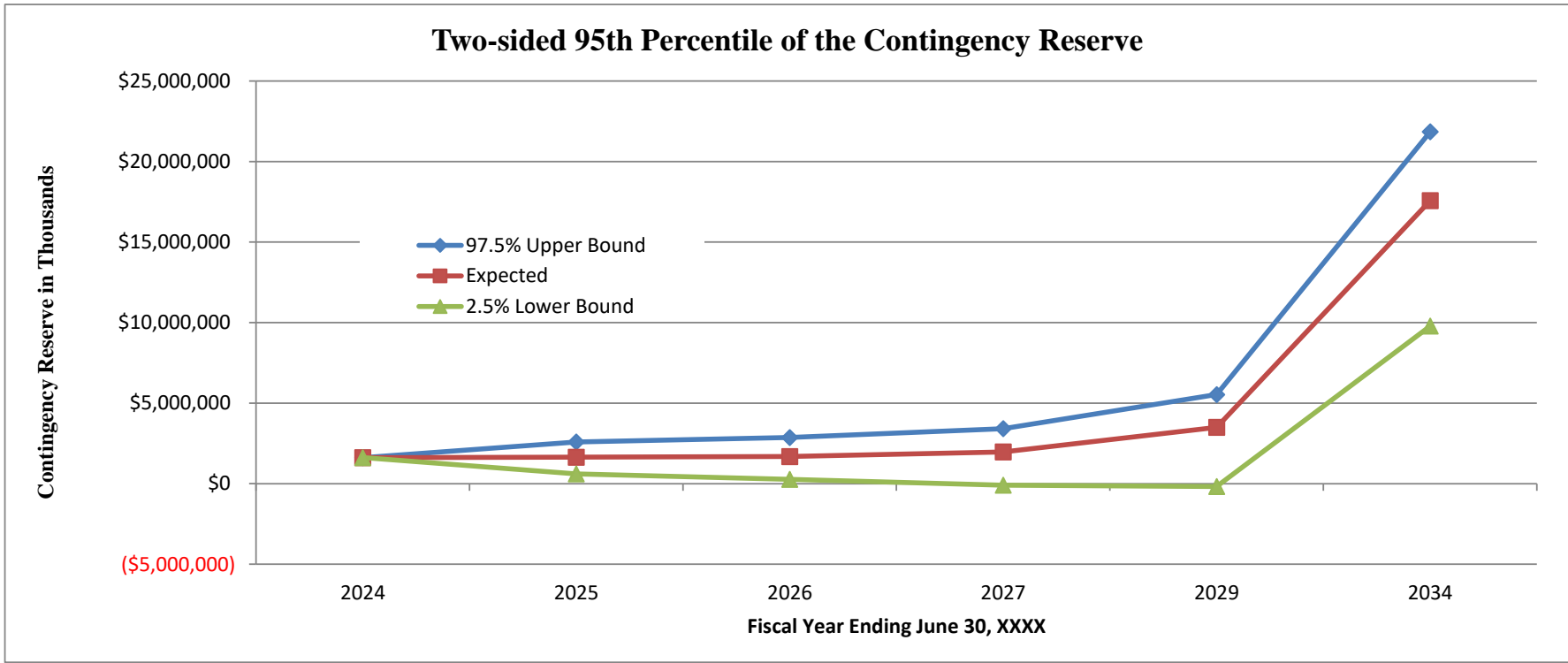
1.1%

5 Year Horizon (as of June 30, 2029)

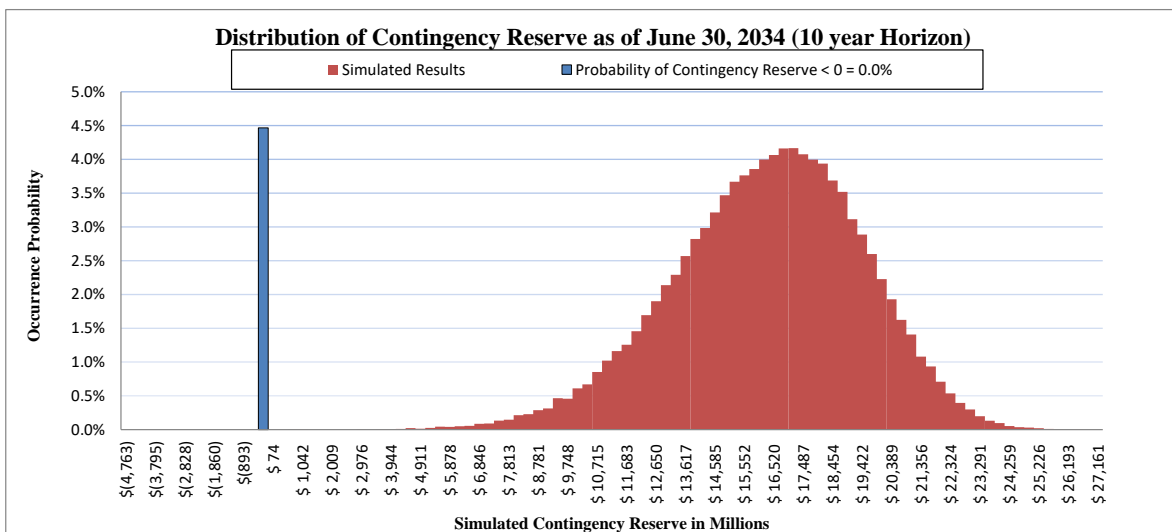
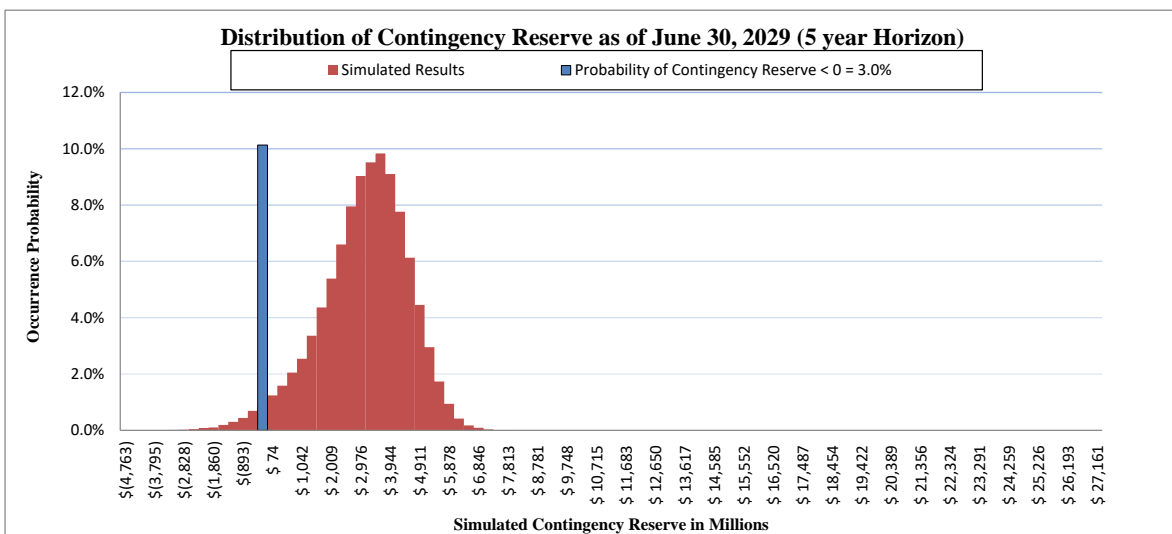
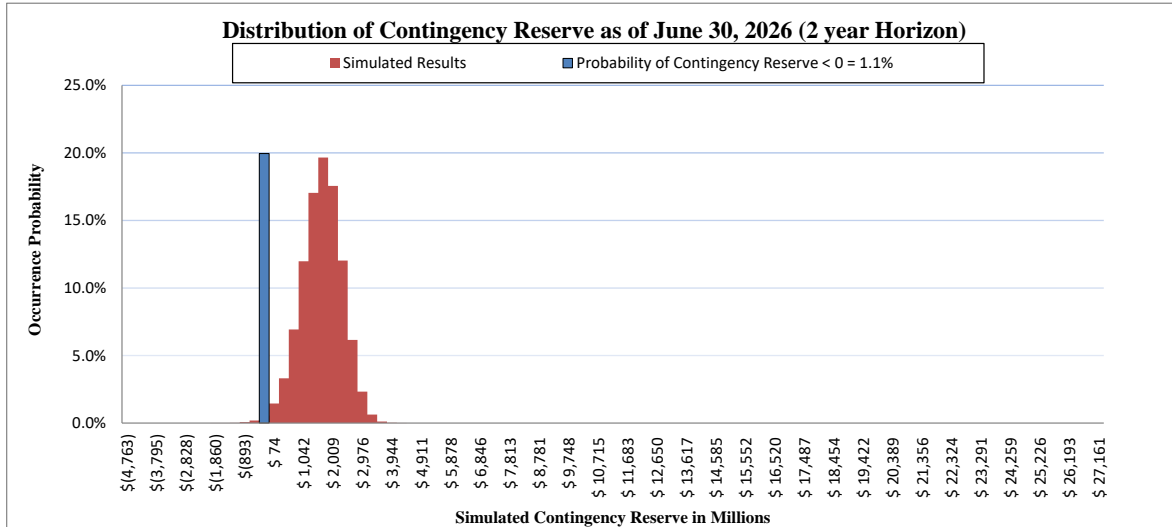
3.1%

10 Year Horizon (as of June 30, 2034)

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 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	Projected FY 2034
<u>ASSETS</u>											
Cash & Invested Assets	7,818,682	8,021,659	8,224,504	8,460,347	8,736,264	9,056,663	9,426,923	9,855,520	10,348,469	10,913,942	11,564,502
Premiums Receivable	213,329	197,859	205,467	223,424	242,950	264,182	287,270	312,376	339,676	369,361	401,642
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	23,821	23,891	24,809	26,977	29,335	31,899	34,687	37,718	41,014	44,599	48,496
Total	8,055,832	8,243,409	8,454,780	8,710,749	9,008,549	9,352,744	9,748,880	10,205,614	10,729,159	11,327,902	12,014,640
<u>LIABILITIES</u>											
Loss Reserves	3,463,459	3,804,340	3,907,970	4,023,883	4,151,244	4,289,788	4,439,713	4,601,523	4,775,685	4,962,967	5,163,865
LAE Reserves	627,088	702,525	725,459	751,111	779,296	809,956	843,134	878,943	917,486	958,931	1,003,390
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	95,030	101,469	111,200	119,732	124,720	125,691	122,125	113,450	99,036	78,194	50,164
Total	4,185,577	4,608,335	4,744,629	4,894,726	5,055,260	5,225,435	5,404,972	5,593,916	5,792,207	6,000,092	6,217,420
<u>CONTINGENCY RESERVE</u>	3,870,255	3,635,074	3,710,151	3,816,023	3,953,289	4,127,309	4,343,907	4,611,697	4,936,951	5,327,810	5,797,220

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

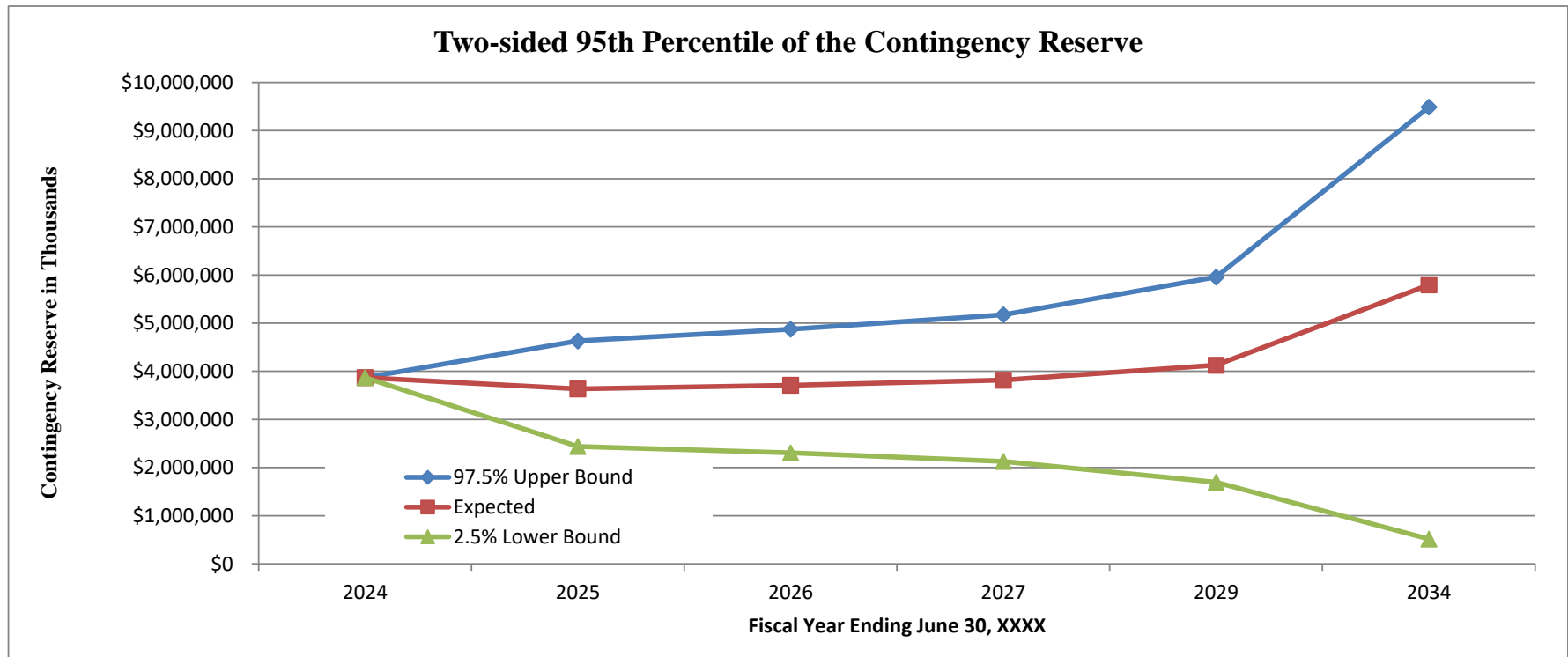
U.S. Statutory Income Statement	Actual FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032	Projected FY 2033	Projected FY 2034
<u>UNDERWRITING REVENUES</u>											
Premium	774,589	771,107	800,757	870,739	946,837	1,029,585	1,119,564	1,217,408	1,323,802	1,439,495	1,565,298
Retrospective rating adjustments	0	0	0	0	0	0	0	0	0	0	0
Self-Insured Assessments & Reimbursements	20,560	21,423	22,237	23,082	23,959	24,870	25,815	26,796	27,814	28,871	29,968
Other income	2,795	4,242	4,404	4,571	4,745	4,925	5,112	5,306	5,508	5,717	5,934
Total	797,944	796,772	827,398	898,392	975,540	1,059,379	1,150,491	1,249,510	1,357,124	1,474,083	1,601,201
<u>UNDERWRITING EXPENSES</u>											
Incurred Loss	411,116	1,056,619	840,088	883,406	930,231	980,266	1,033,467	1,089,903	1,149,712	1,213,040	1,280,077
Incurred LAE	129,536	233,831	185,913	195,499	205,862	216,934	228,708	241,197	254,433	268,448	283,283
Self-Insured Admin Expenses	17,969	21,423	22,237	23,082	23,959	24,870	25,815	26,796	27,814	28,871	29,968
Premium Admin Expenses and Bad Debts	25,990	26,573	27,582	28,630	29,718	30,848	32,020	33,237	34,500	35,811	37,171
General Expenses	21,060	22,952	23,824	24,729	25,669	26,644	27,657	28,708	29,798	30,931	32,106
TRIA Recoup of Government Losses	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	0	289	300	311	323	335	348	361	375	389	404
Other Administrative	32,427	35,034	36,366	37,747	39,182	40,671	42,216	43,820	45,486	47,214	49,008
Total	638,098	1,396,721	1,136,309	1,193,405	1,254,944	1,320,568	1,390,231	1,464,022	1,542,117	1,624,703	1,712,017
<u>OTHER OPERATING REVENUES / EXPENSES</u>											
Net investment income	195,980	364,768	383,988	400,884	416,671	435,208	456,338	482,302	510,248	541,479	580,226
Unrealized Capital Gains / (Losses)	274,517	0	0	0	0	0	0	0	0	0	0
Other Direct Charges to Contingency Reserve	(8,050)	0	0	0	0	0	0	0	0	0	0
Total	462,447	364,768	383,988	400,884	416,671	435,208	456,338	482,302	510,248	541,479	580,226
<u>NET INCOME/(LOSS)</u>	622,293	(235,181)	75,077	105,871	137,267	174,019	216,598	267,790	325,254	390,859	469,410
Profitability Ratios	Actual 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	Projected FY 2034
Loss & LAE Ratio	70%	167%	128%	124%	120%	116%	113%	109%	106%	103%	100%
Combined Ratio	82%	181%	142%	137%	133%	128%	124%	120%	116%	113%	109%
Operating Ratio	20%	130%	91%	88%	86%	83%	81%	78%	75%	73%	70%

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

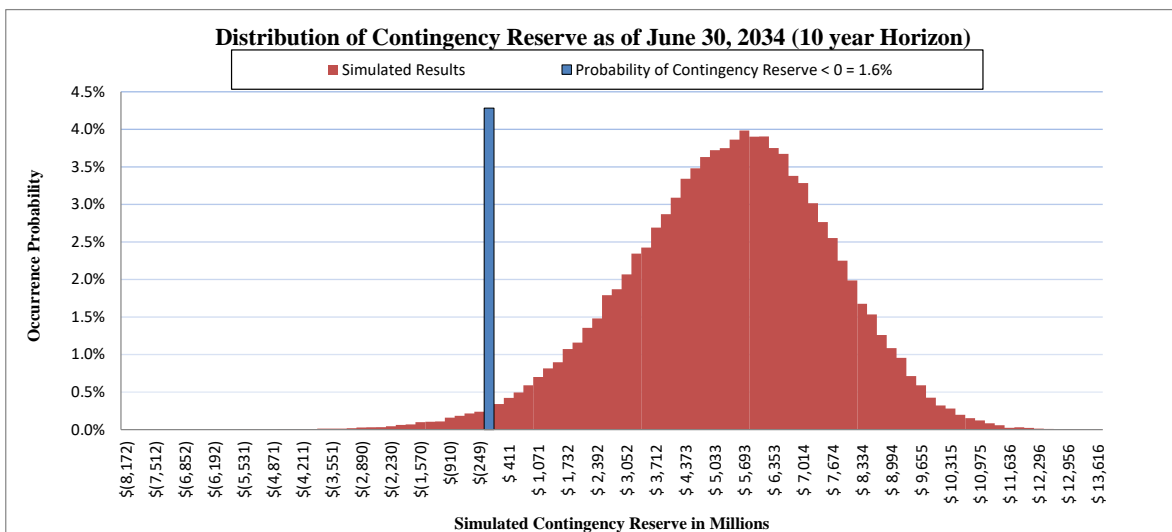
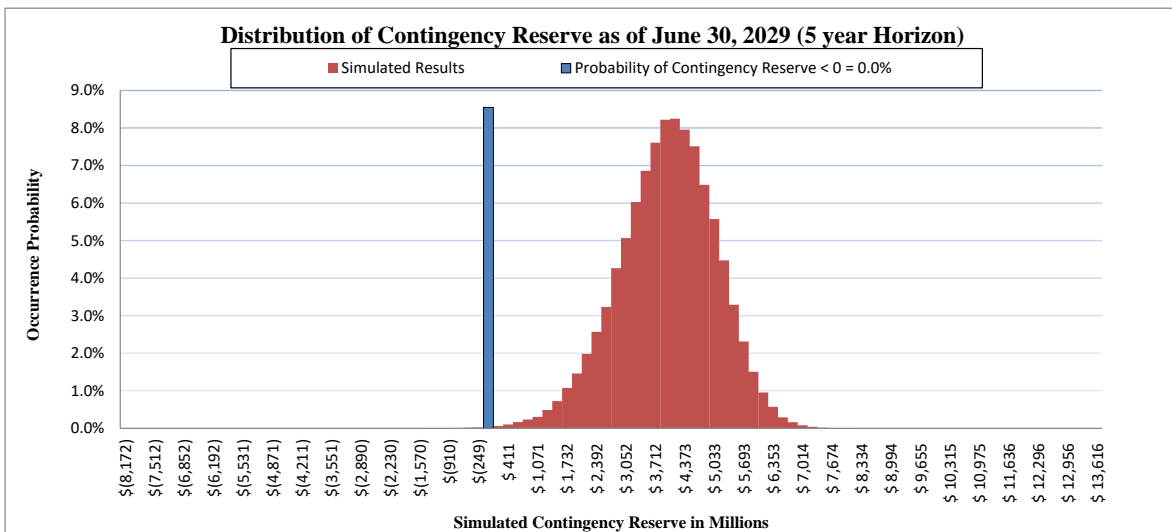
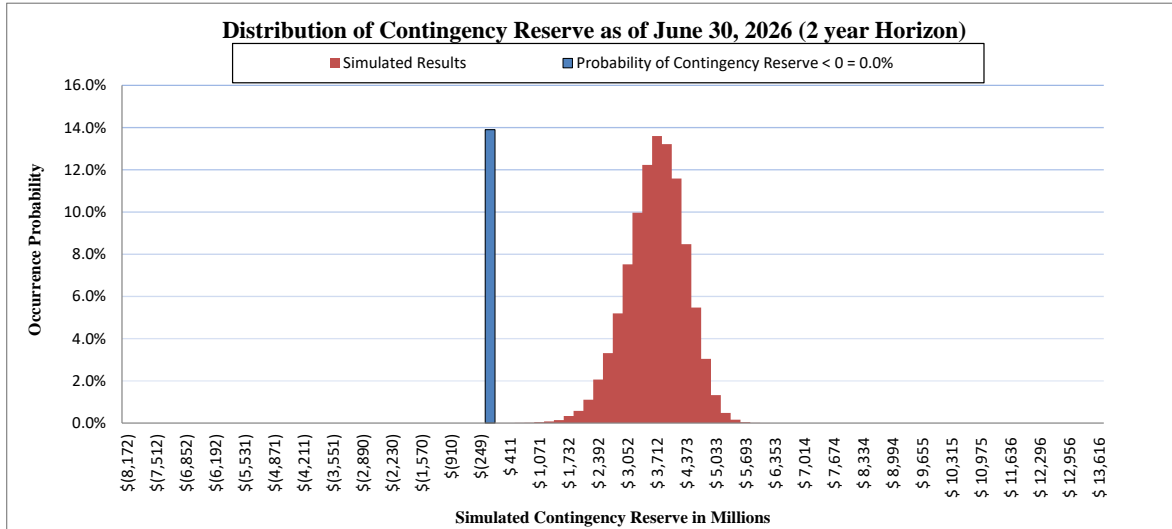
Probability of Contingency Reserve < \$0

2 Year Horizon (as of June 30, 2026)
5 Year Horizon (as of June 30, 2029)
10 Year Horizon (as of June 30, 2034)

0.0%
0.1%
1.6%



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 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	Projected FY 2034
<u>ASSETS</u>											
Cash & Invested Assets	21,680,226	22,332,822	23,081,468	24,084,143	25,413,340	27,141,133	29,379,710	32,220,831	35,784,343	40,216,241	45,708,537
Premiums Receivable	632,334	615,380	675,288	777,750	896,982	1,035,854	1,197,741	1,386,611	1,607,131	1,864,792	2,166,051
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	133,999	141,922	157,626	183,684	214,228	250,048	292,073	341,400	399,319	467,352	547,289
Total	22,446,559	23,090,125	23,914,382	25,045,577	26,524,550	28,427,034	30,869,524	33,948,843	37,790,794	42,548,384	48,421,878
<u>LIABILITIES</u>											
Loss Reserves	15,519,116	16,280,534	16,935,304	17,615,728	18,322,362	19,057,645	19,822,075	20,617,041	21,444,142	22,304,631	23,212,139
LAE Reserves	969,386	1,077,994	1,132,908	1,189,473	1,247,726	1,307,879	1,370,232	1,435,092	1,502,701	1,573,393	1,647,483
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	468,554	452,033	450,110	453,012	448,860	436,455	414,417	381,154	334,832	273,333	194,211
Total	16,957,056	17,810,561	18,518,322	19,258,213	20,018,947	20,801,978	21,606,724	22,433,287	23,281,675	24,151,357	25,053,833
<u>CONTINGENCY RESERVE</u>	5,489,503	5,279,563	5,396,060	5,787,364	6,505,603	7,625,055	9,262,800	11,515,556	14,509,119	18,397,027	23,368,045

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 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	Projected FY 2034
<u>UNDERWRITING REVENUES</u>											
Premium	2,261,438	2,363,530	2,592,653	2,984,939	3,441,314	3,972,738	4,592,097	5,314,537	6,157,874	7,143,061	8,294,754
Retrospective rating adjustments	(208,200)	(238,153)	(267,985)	(316,187)	(373,059)	(440,160)	(519,331)	(612,741)	(722,954)	(852,990)	(1,006,416)
Self-Insured Assessments & Reimbursements	112,655	107,114	111,185	115,410	119,795	124,348	129,073	133,978	139,069	144,353	149,839
Other income	54,938	55,151	57,246	59,422	61,680	64,024	66,457	68,982	71,603	74,324	77,148
Total	2,220,831	2,287,642	2,493,099	2,843,584	3,249,730	3,720,949	4,268,296	4,904,755	5,645,592	6,508,749	7,515,325
<u>UNDERWRITING EXPENSES</u>											
Incurred Loss	2,063,714	2,849,551	2,815,004	2,921,787	3,034,701	3,153,617	3,278,602	3,409,742	3,547,166	3,691,073	3,841,703
Incurred LAE	231,836	354,994	311,437	325,497	340,457	356,266	372,926	390,463	408,911	428,308	448,705
Self-Insured Admin Expenses	37,803	42,846	44,474	46,164	47,918	49,739	51,629	53,591	55,627	57,741	59,935
Premium Admin Expenses and Bad Debts	51,351	52,366	54,355	56,421	58,565	60,790	63,100	65,498	67,987	70,571	73,252
General Expenses	53,428	55,410	57,516	59,701	61,970	64,325	66,769	69,306	71,940	74,674	77,511
TRIA Recoup of Government Losses	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	0	714	741	769	799	829	860	893	927	962	999
Other Administrative	106,464	107,871	111,970	116,225	120,641	125,226	129,984	134,924	140,051	145,373	150,897
Total	2,544,596	3,463,751	3,395,497	3,526,564	3,665,051	3,810,792	3,963,871	4,124,418	4,292,610	4,468,702	4,653,003
<u>OTHER OPERATING REVENUES / EXPENSES</u>											
Net investment income	608,799	966,169	1,018,894	1,074,285	1,133,559	1,209,295	1,333,320	1,472,419	1,640,580	1,847,862	2,108,696
Unrealized Capital Gains / (Losses)	555,511	0	0	0	0	0	0	0	0	0	0
Other Direct Charges to Contingency Reserve	(26,679)	0	0	0	0	0	0	0	0	0	0
Total	1,137,631	966,169	1,018,894	1,074,285	1,133,559	1,209,295	1,333,320	1,472,419	1,640,580	1,847,862	2,108,696
<u>NET INCOME/(LOSS)</u>	813,866	(209,940)	116,497	391,304	718,239	1,119,453	1,637,744	2,252,756	2,993,562	3,887,908	4,971,018
Profitability Ratios	Actual 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	Projected FY 2034
Loss & LAE Ratio	112%	151%	134%	122%	110%	99%	90%	81%	73%	65%	59%
Combined Ratio	124%	163%	146%	132%	119%	108%	97%	88%	79%	71%	64%
Operating Ratio	60%	110%	95%	85%	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, 2026)

0.0%

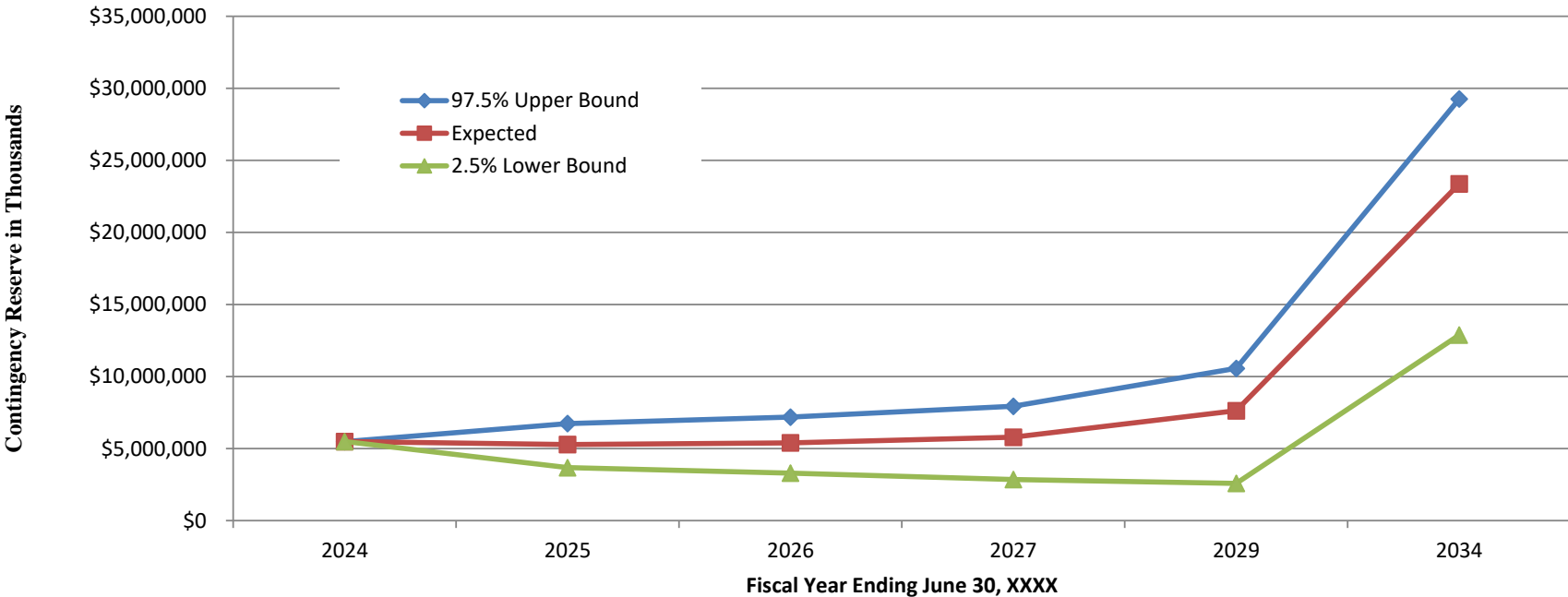
5 Year Horizon (as of June 30, 2029)

0.1%

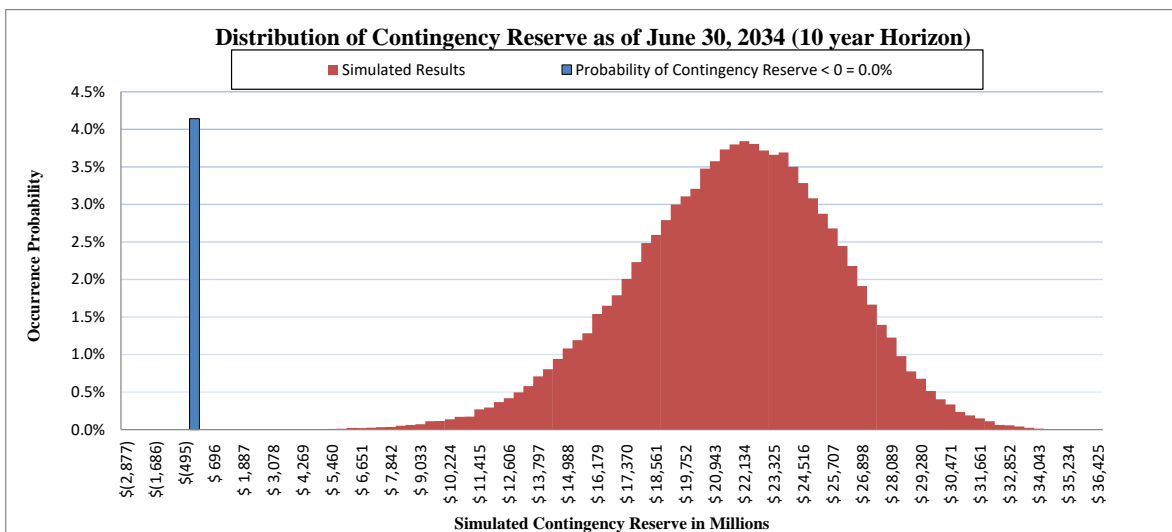
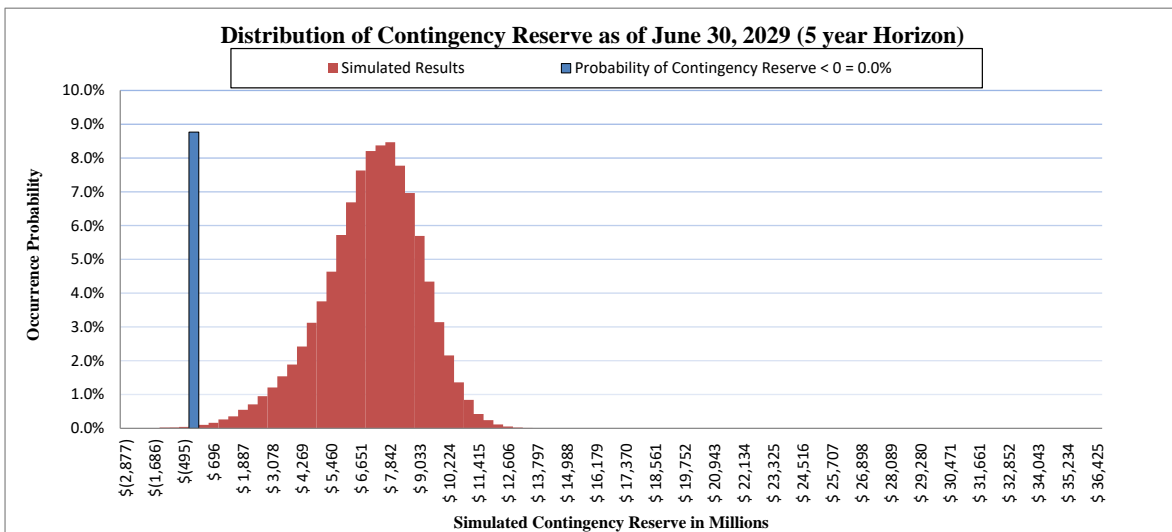
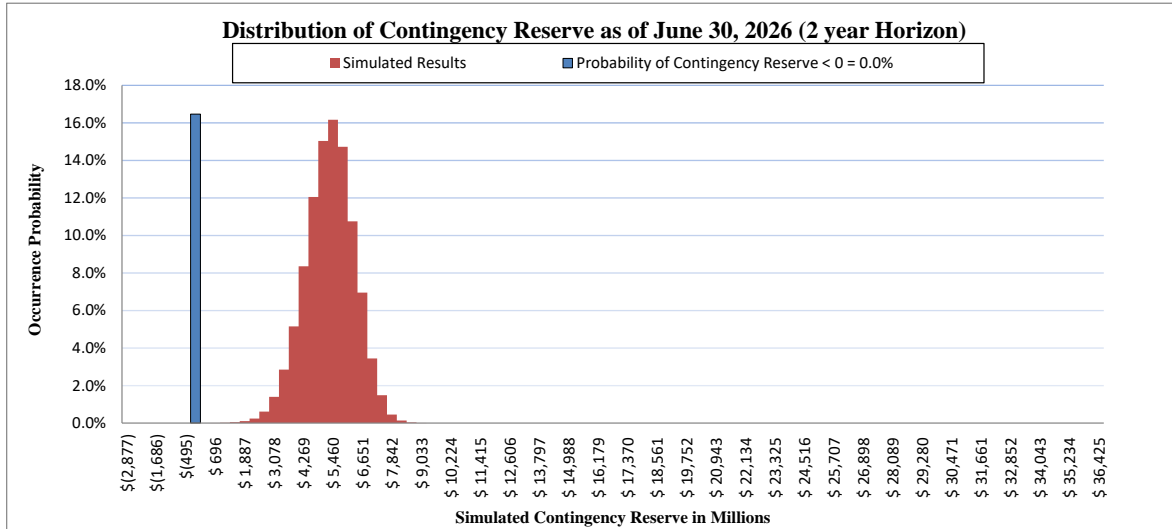
10 Year Horizon (as of June 30, 2034)

0.0%

Two-sided 95th Percentile of the Contingency Reserve



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
Scenario 7: Contingency Reserve Growth Rate Change (Maintaining a 10% ratio)
Scenario Assumptions

Assumptions	Actual 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	Projected FY 2034
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)	6.5%	6.7%								Long Term Required Annual Increase:	4.4%
Medical Aid Fund	4.7%	-1.0%								Long Term Required Annual Increase:	5.2%
Investment Assumptions											
Accident Fund (Including Pension Reserve Fund)											
Overall Investment Return	5.21%	4.34%	4.44%	4.53%	4.59%	4.64%	4.72%	4.79%	4.84%	4.89%	4.94%
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	81.92%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%
Equities Distribution	16.17%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%
Cash and Other Distribution	1.91%	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	6.30%	4.67%	4.79%	4.87%	4.92%	4.98%	5.06%	5.13%	5.18%	5.23%	5.30%
Government Bond Distribution	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Corporate Bond Distribution	75.01%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%
Equities Distribution	19.41%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
Cash and Other Distribution	4.58%	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		3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%
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		5.67%	5.67%	5.67%	5.67%	5.67%	5.67%	5.67%	5.67%	5.67%	5.67%
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		8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%
Fixed Expenses (Per Hour) *:		\$0.031	\$0.032	\$0.033	\$0.035	\$0.036	\$0.037	\$0.039	\$0.040	\$0.042	\$0.043
Other Income (Per Hour)		\$0.012	\$0.012	\$0.013	\$0.013	\$0.014	\$0.014	\$0.015	\$0.016	\$0.016	\$0.017
Retro Adjustment Ratio (% of premium)		-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%
Medical Aid Fund											
LAE to Loss Ratio		22.13%	22.13%	22.13%	22.13%	22.13%	22.13%	22.13%	22.13%	22.13%	22.13%
Fixed Expenses (Per Hour) *:		\$0.020	\$0.021	\$0.022	\$0.022	\$0.023	\$0.024	\$0.025	\$0.026	\$0.027	\$0.028
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)		26.22%	26.22%	26.22%	26.22%	26.22%	26.22%	26.22%	26.22%	26.22%	26.22%
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	-\$0.028
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		25.66%	25.66%	25.66%	25.66%	25.66%	25.66%	25.66%	25.66%	25.66%	25.66%
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)		\$0.005	\$0.005	\$0.005	\$0.006	\$0.006	\$0.006	\$0.006	\$0.006	\$0.007	\$0.007

* Includes Premium Administration, General, and Other Administrative Expenses

Washington Department of Labor & Industries
Scenario 7: Contingency Reserve Growth Rate Change (Maintaining a 10% ratio)
Accident Fund (Including Pension Reserve Fund)
Projected Financials (000's)

U.S. Statutory Balance Sheet	Actual 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	Projected FY 2034
<u>ASSETS</u>											
Cash & Invested Assets	13,861,544	13,951,840	14,505,086	15,114,746	15,737,761	16,378,098	17,036,949	17,715,438	18,413,762	19,133,073	19,888,076
Premiums Receivable	419,005	417,521	479,943	489,602	500,906	512,943	525,032	537,260	550,935	565,440	580,675
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	110,178	118,032	135,678	138,409	141,604	145,007	148,425	151,882	155,747	159,848	164,155
Total	14,390,727	14,487,393	15,120,708	15,742,756	16,380,271	17,036,048	17,710,405	18,404,580	19,120,444	19,858,360	20,632,906
<u>LIABILITIES</u>											
Loss Reserves	12,055,657	12,476,194	13,027,334	13,591,845	14,171,118	14,767,857	15,382,362	16,015,517	16,668,457	17,341,664	18,048,274
LAE Reserves	342,298	375,469	407,449	438,362	468,430	497,923	527,097	556,148	585,215	614,462	644,093
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	373,524	350,564	342,446	309,528	276,769	243,691	210,000	175,748	141,405	106,622	71,302
Total	12,771,479	13,202,226	13,777,229	14,339,736	14,916,316	15,509,470	16,119,459	16,747,414	17,395,077	18,062,748	18,763,669
<u>CONTINGENCY RESERVE</u>	1,619,248	1,285,166	1,343,478	1,403,021	1,463,955	1,526,578	1,590,946	1,657,167	1,725,367	1,795,613	1,869,237

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Washington Department of Labor & Industries
Scenario 7: Contingency Reserve Growth Rate Change (Maintaining a 10% ratio)
Accident Fund (Including Pension Reserve Fund)
Probability of Insolvency

Probability of Contingency Reserve < \$0

2 Year Horizon (as of June 30, 2026)

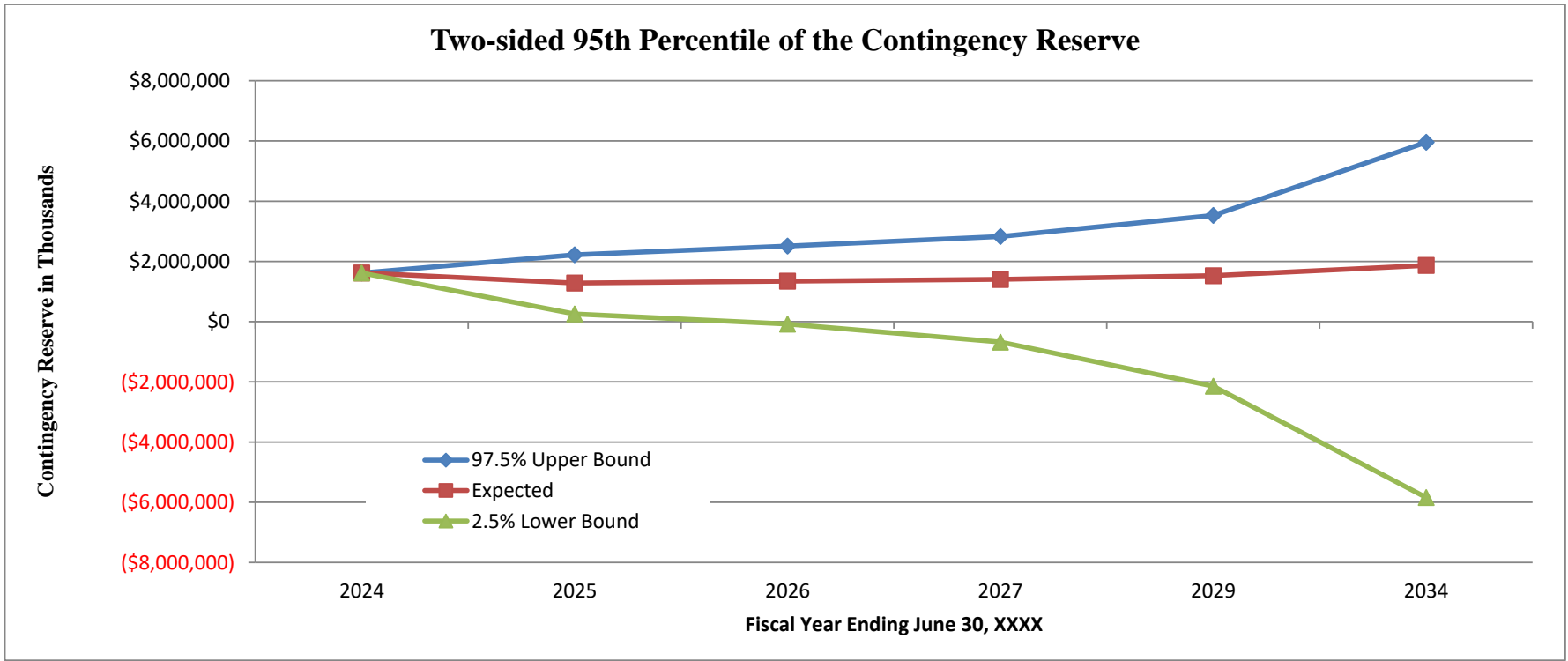
3.1%

5 Year Horizon (as of June 30, 2029)

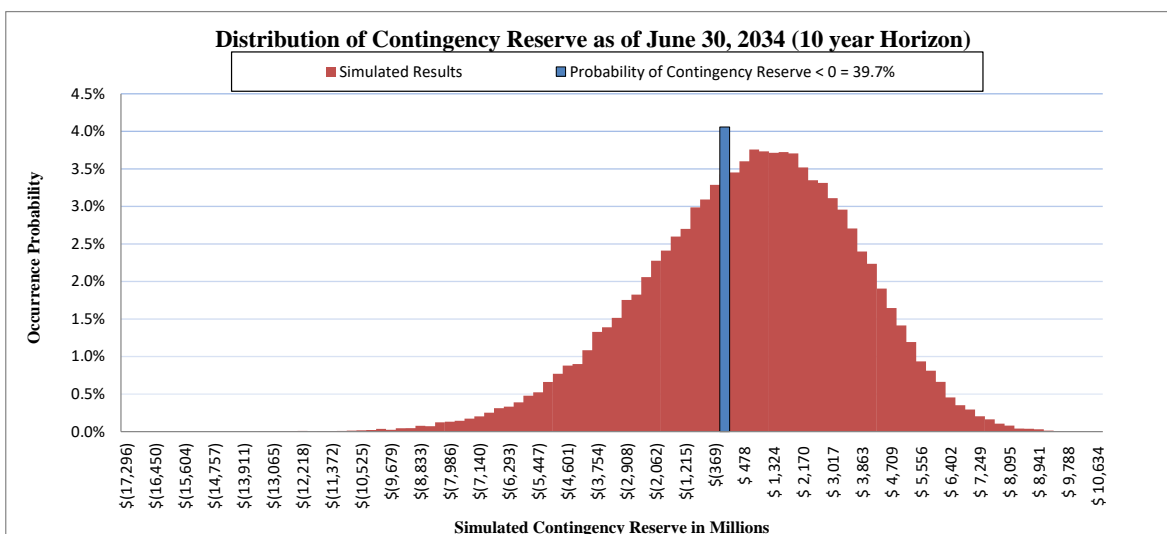
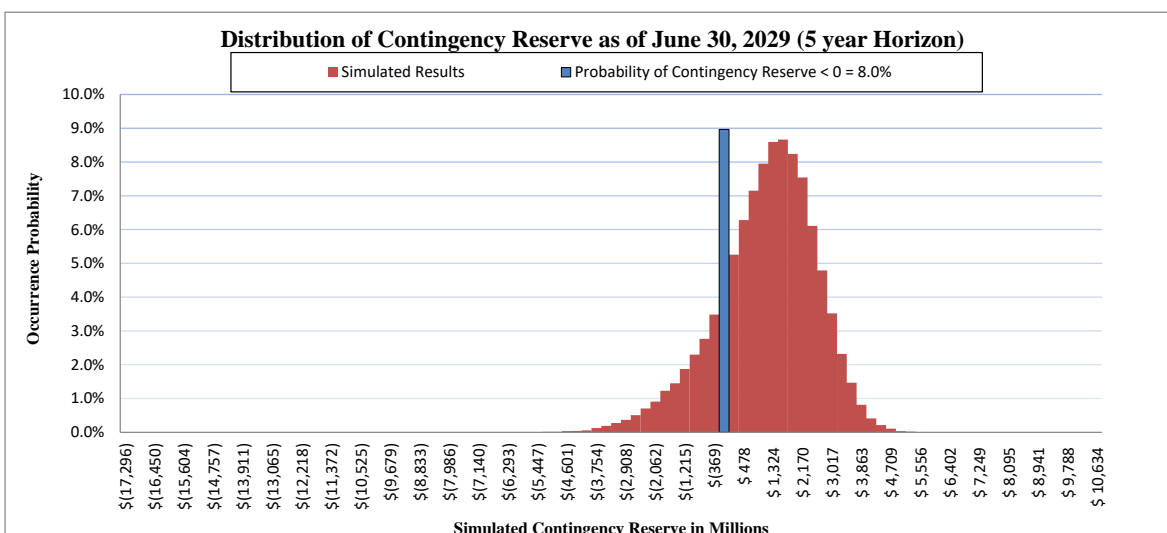
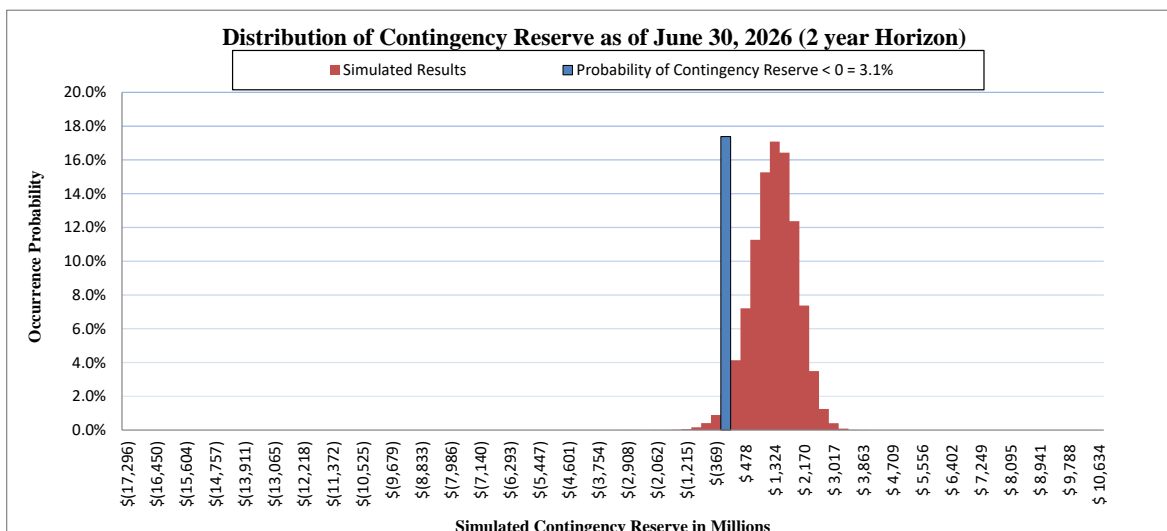
19.6%

10 Year Horizon (as of June 30, 2034)

39.7%



Washington Department of Labor & Industries
Scenario 7: Contingency Reserve Growth Rate Change (Maintaining a 10% ratio)
Accident Fund (Including Pension Reserve Fund)
Probability of Insolvency



Washington Department of Labor & Industries
Scenario 7: Contingency Reserve Growth Rate Change (Maintaining a 10% ratio)
Medical Aid Fund
Projected Financials (000's)

U.S. Statutory Balance Sheet	Actual 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	Projected FY 2034
<u>ASSETS</u>											
Cash & Invested Assets	7,818,682	7,879,719	8,038,319	8,196,524	8,367,049	8,550,408	8,745,357	8,954,775	9,177,533	9,414,560	9,667,253
Premiums Receivable	213,329	197,859	191,194	202,219	215,053	228,591	243,916	258,889	275,101	292,389	309,988
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	23,821	23,891	23,086	24,417	25,967	27,601	29,452	31,260	33,217	35,305	37,430
Total	8,055,832	8,101,468	8,252,598	8,423,160	8,608,070	8,806,601	9,018,724	9,244,924	9,485,851	9,742,253	10,014,670
<u>LIABILITIES</u>											
Loss Reserves	3,463,459	3,804,340	3,907,970	4,023,883	4,151,244	4,289,788	4,439,713	4,601,523	4,775,685	4,962,967	5,163,865
LAE Reserves	627,088	702,525	725,459	751,111	779,296	809,956	843,134	878,943	917,486	958,931	1,003,390
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	95,030	3,143,916	3,155,827	3,170,667	3,184,476	3,196,882	3,207,592	3,216,410	3,223,363	3,228,165	3,230,689
Total	4,185,577	7,650,782	7,789,255	7,945,661	8,115,016	8,296,626	8,490,440	8,696,877	8,916,534	9,150,063	9,397,944
<u>CONTINGENCY RESERVE</u>	3,870,255	450,687	463,343	477,499	493,054	509,974	528,285	548,047	569,317	592,190	616,726

Washington Department of Labor & Industries
Scenario 7: Contingency Reserve Growth Rate Change (Maintaining a 10% ratio)
Medical Aid Fund
Projected Financials (000's)

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Washington Department of Labor & Industries

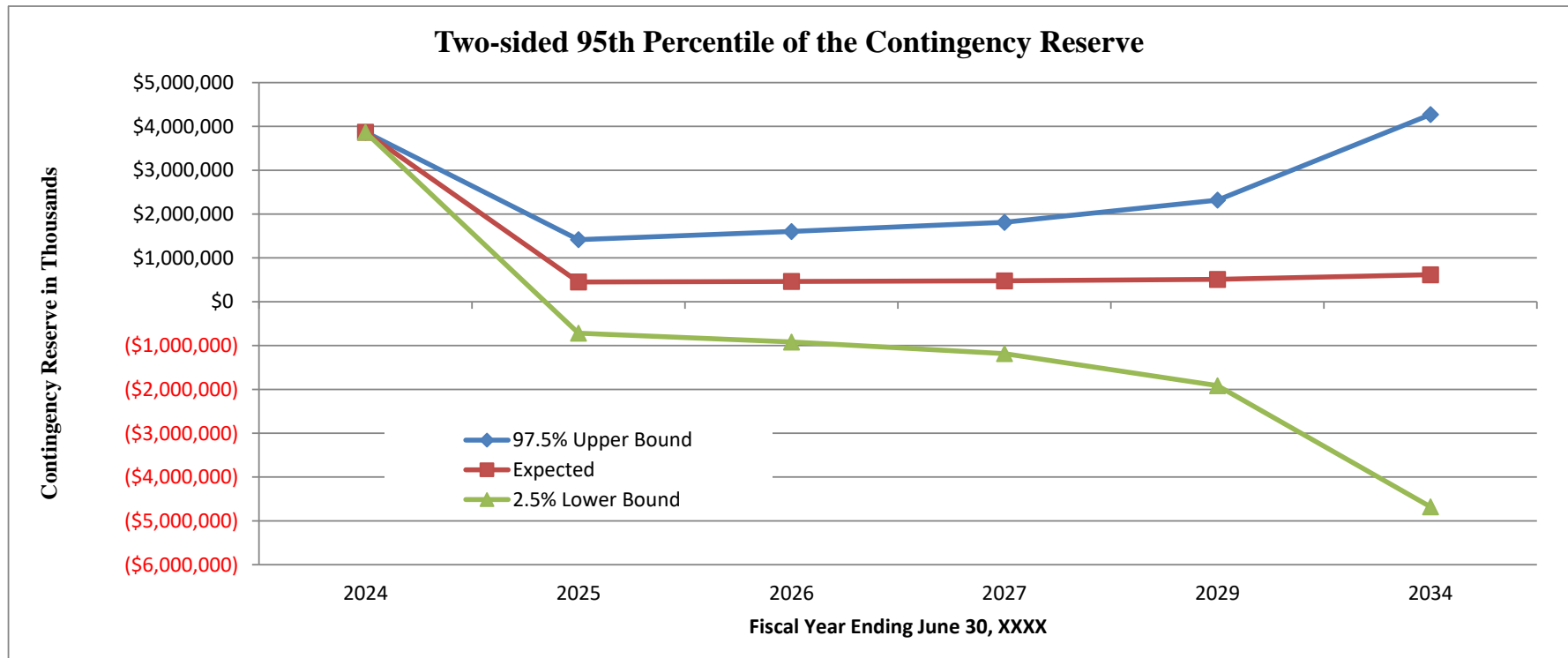
Scenario 7: Contingency Reserve Growth Rate Change (Maintaining a 10% ratio)

Medical Aid Fund

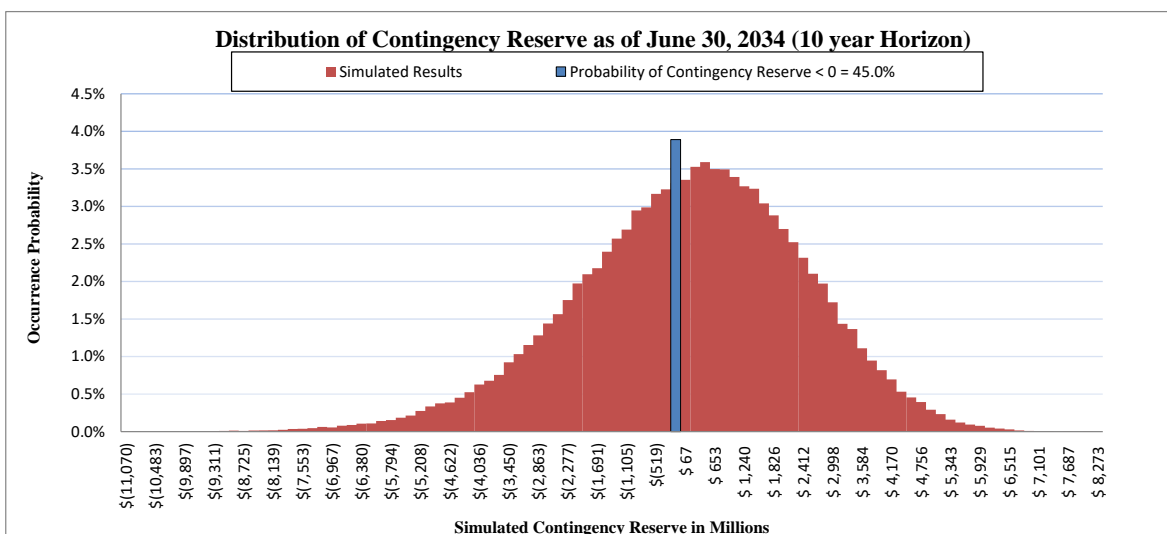
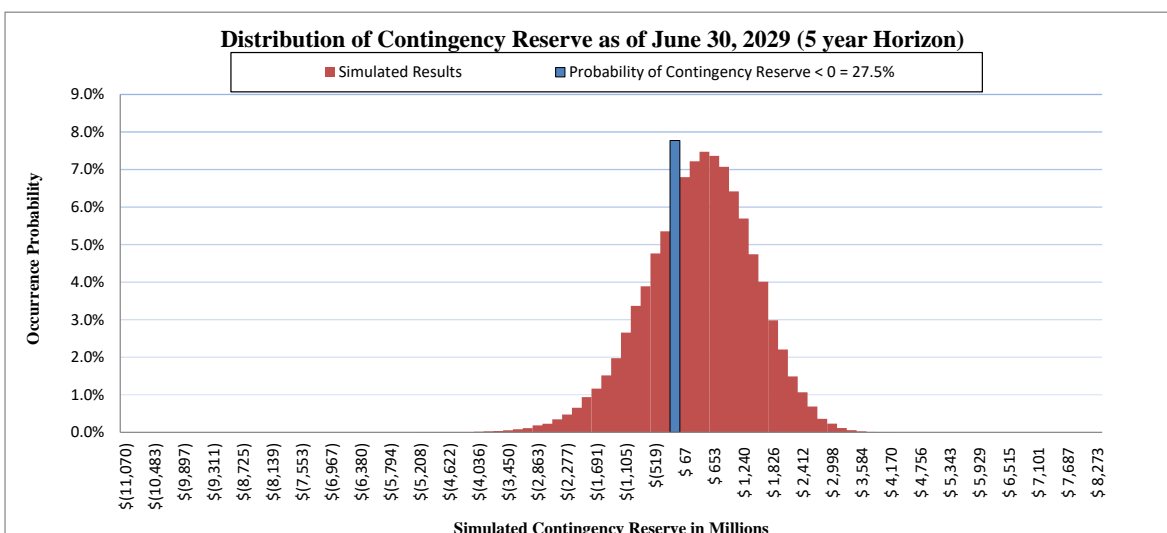
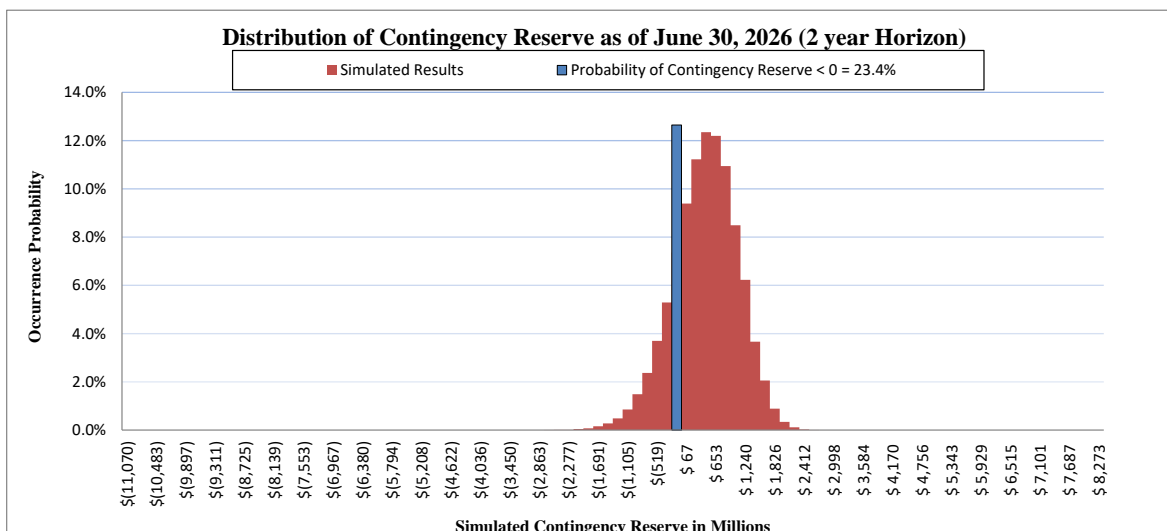
Probability of Insolvency

Probability of Contingency Reserve < \$0

<u>2 Year Horizon (as of June 30, 2026)</u>	23.4%
<u>5 Year Horizon (as of June 30, 2029)</u>	35.0%
<u>10 Year Horizon (as of June 30, 2034)</u>	45.0%



Washington Department of Labor & Industries
Scenario 7: Contingency Reserve Growth Rate Change (Maintaining a 10% ratio)
Medical Aid Fund
Probability of Insolvency



Washington Department of Labor & Industries
Scenario 7: Contingency Reserve Growth Rate Change (Maintaining a 10% ratio)
Combined Funds
Projected Financials (000's)

U.S. Statutory Balance Sheet	Actual 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	Projected FY 2034
<u>ASSETS</u>											
Cash & Invested Assets	21,680,226	21,831,559	22,543,405	23,311,269	24,104,810	24,928,506	25,782,306	26,670,213	27,591,295	28,547,632	29,555,329
Premiums Receivable	632,334	615,380	671,137	691,821	715,959	741,535	768,948	796,150	826,036	857,829	890,662
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	133,999	141,922	158,764	162,826	167,571	172,609	177,876	183,141	188,965	195,152	201,584
Total	22,446,559	22,588,861	23,373,306	24,165,916	24,988,341	25,842,649	26,729,130	27,649,504	28,606,295	29,600,614	30,647,576
<u>LIABILITIES</u>											
Loss Reserves	15,519,116	16,280,534	16,935,304	17,615,728	18,322,362	19,057,645	19,822,075	20,617,041	21,444,142	22,304,631	23,212,139
LAE Reserves	969,386	1,077,994	1,132,908	1,189,473	1,247,726	1,307,879	1,370,232	1,435,092	1,502,701	1,573,393	1,647,483
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	468,554	3,494,480	3,498,273	3,480,195	3,461,245	3,440,573	3,417,592	3,392,158	3,364,768	3,334,787	3,301,991
Total	16,957,056	20,853,008	21,566,485	22,285,396	23,031,332	23,806,097	24,609,899	25,444,291	26,311,611	27,212,811	28,161,613
<u>CONTINGENCY RESERVE</u>	5,489,503	1,735,853	1,806,821	1,880,520	1,957,009	2,036,552	2,119,231	2,205,213	2,294,684	2,387,802	2,485,962

Washington Department of Labor & Industries
Scenario 7: Contingency Reserve Growth Rate Change (Maintaining a 10% ratio)
Combined Funds
Projected Financials (000's)

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Washington Department of Labor & Industries

Scenario 7: Contingency Reserve Growth Rate Change (Maintaining a 10% ratio)

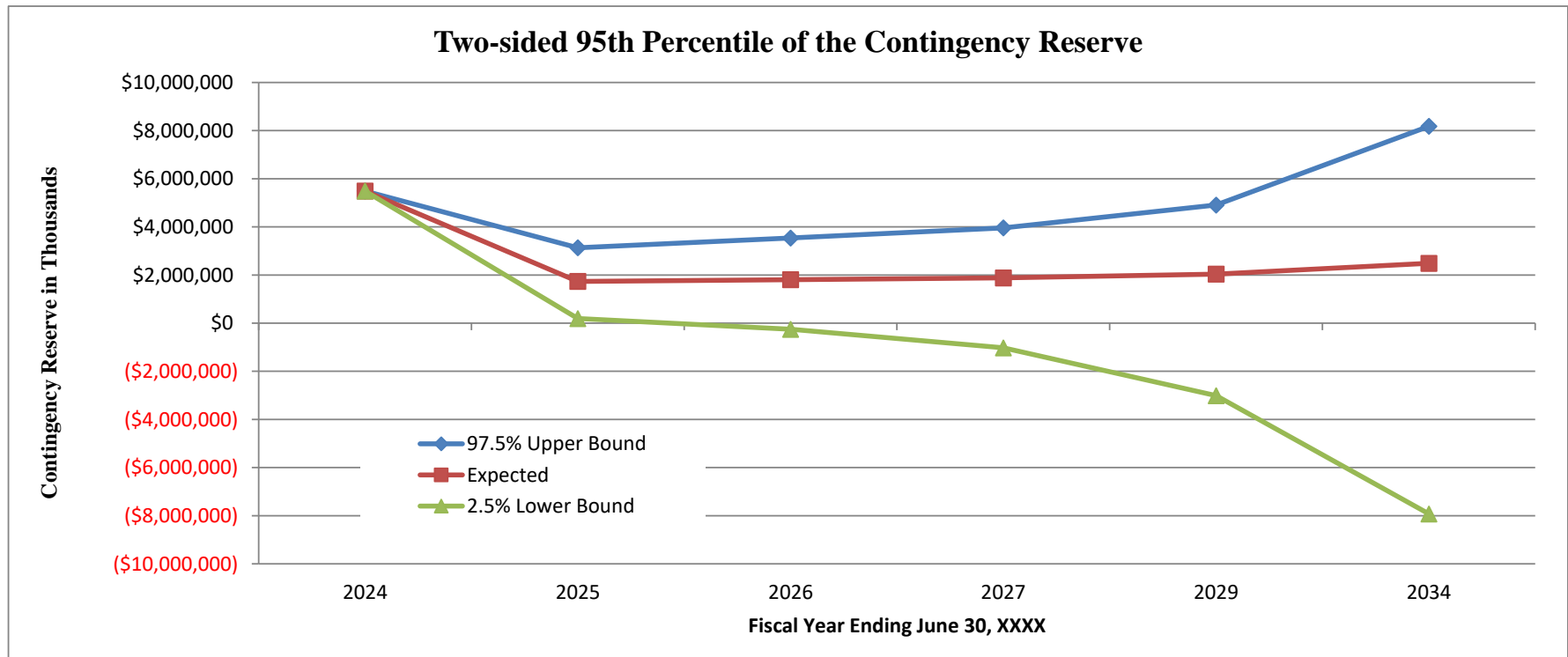
Combined Funds

Probability of Insolvency

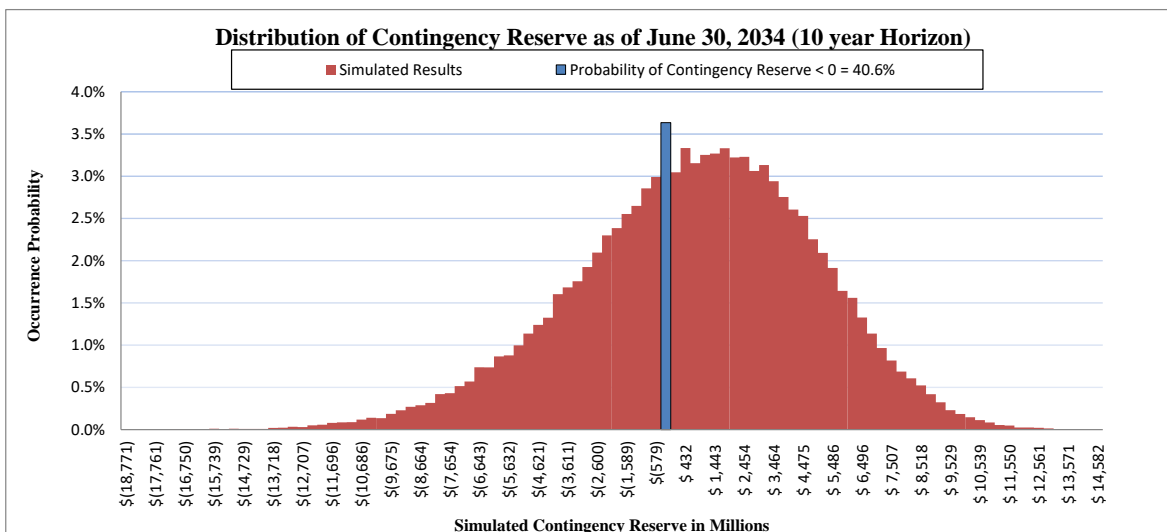
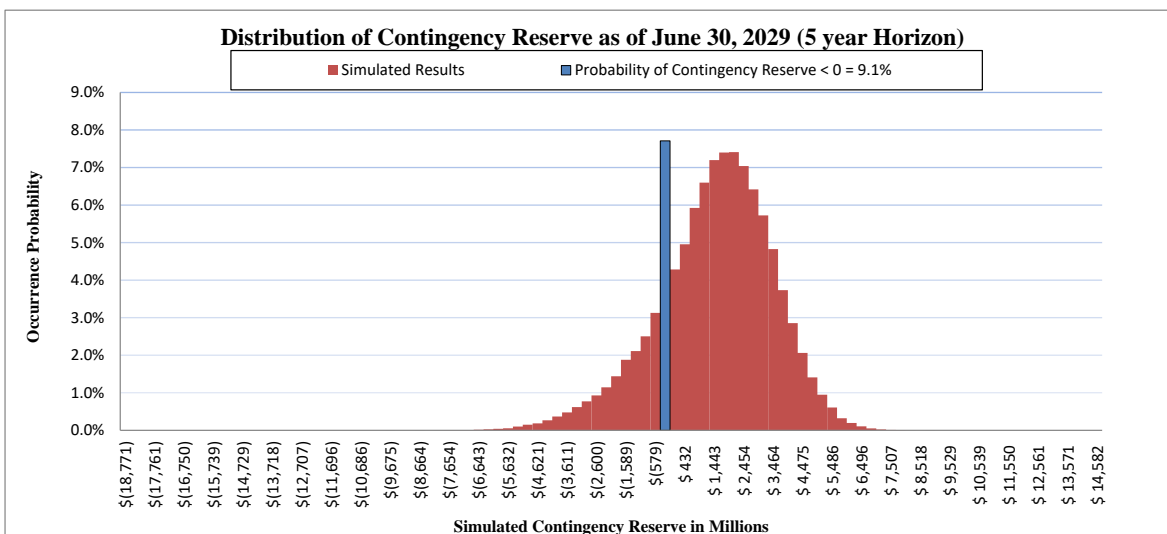
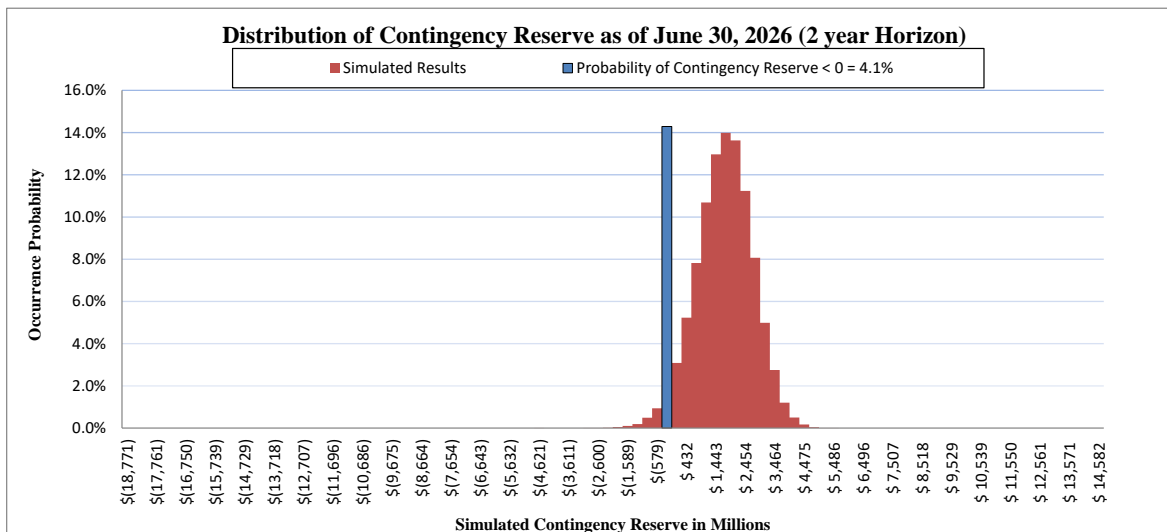
Probability of Contingency Reserve < \$0

2 Year Horizon (as of June 30, 2026)
5 Year Horizon (as of June 30, 2029)
10 Year Horizon (as of June 30, 2034)

4.1%
20.8%
40.6%



Washington Department of Labor & Industries
Scenario 7: Contingency Reserve Growth Rate Change (Maintaining a 10% ratio)
Combined Funds
Probability of Insolvency



Washington Department of Labor & Industries
Scenario 8: Contingency Reserve Growth Rate Change (Maintaining a 30% ratio)
Scenario Assumptions

Assumptions	Actual 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	Projected FY 2034
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)	6.5%	6.7%								Long Term Required Annual Increase:	4.2%
Medical Aid Fund	4.7%	-1.0%								Long Term Required Annual Increase:	5.7%
Investment Assumptions											
Accident Fund (Including Pension Reserve Fund)											
Overall Investment Return	5.21%	4.34%	4.44%	4.53%	4.59%	4.64%	4.72%	4.79%	4.84%	4.89%	4.94%
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	81.92%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%	85.50%
Equities Distribution	16.17%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%
Cash and Other Distribution	1.91%	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	6.30%	4.67%	4.79%	4.87%	4.92%	4.98%	5.06%	5.13%	5.18%	5.23%	5.30%
Government Bond Distribution	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Corporate Bond Distribution	75.01%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%	78.00%
Equities Distribution	19.41%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
Cash and Other Distribution	4.58%	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		3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%	3.47%
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		5.67%	5.67%	5.67%	5.67%	5.67%	5.67%	5.67%	5.67%	5.67%	5.67%
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		8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%
Fixed Expenses (Per Hour) *:		\$0.031	\$0.032	\$0.033	\$0.035	\$0.036	\$0.037	\$0.039	\$0.040	\$0.042	\$0.043
Other Income (Per Hour)		\$0.012	\$0.012	\$0.013	\$0.013	\$0.014	\$0.014	\$0.015	\$0.016	\$0.016	\$0.017
Retro Adjustment Ratio (% of premium)		-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%	-14.96%
Medical Aid Fund											
LAE to Loss Ratio		22.13%	22.13%	22.13%	22.13%	22.13%	22.13%	22.13%	22.13%	22.13%	22.13%
Fixed Expenses (Per Hour) *:		\$0.020	\$0.021	\$0.022	\$0.022	\$0.023	\$0.024	\$0.025	\$0.026	\$0.027	\$0.028
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)		26.22%	26.22%	26.22%	26.22%	26.22%	26.22%	26.22%	26.22%	26.22%	26.22%
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	-\$0.028
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		25.66%	25.66%	25.66%	25.66%	25.66%	25.66%	25.66%	25.66%	25.66%	25.66%
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)		\$0.005	\$0.005	\$0.005	\$0.006	\$0.006	\$0.006	\$0.006	\$0.006	\$0.007	\$0.007

* Includes Premium Administration, General, and Other Administrative Expenses

Washington Department of Labor & Industries
Scenario 8: Contingency Reserve Growth Rate Change (Maintaining a 30% ratio)
Accident Fund (Including Pension Reserve Fund)
Projected Financials (000's)

U.S. Statutory Balance Sheet	Actual 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	Projected FY 2034
<u>ASSETS</u>											
Cash & Invested Assets	13,861,544	16,522,173	17,191,296	17,921,466	18,667,663	19,434,588	20,223,831	21,036,617	21,873,211	22,735,021	23,638,775
Premiums Receivable	419,005	417,521	480,743	488,779	498,773	509,630	520,343	531,147	543,555	556,796	571,462
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	110,178	118,032	135,904	138,176	141,002	144,070	147,099	150,154	153,661	157,404	161,550
Total	14,390,727	17,057,725	17,807,944	18,548,421	19,307,438	20,088,288	20,891,273	21,717,918	22,570,427	23,449,221	24,371,787
<u>LIABILITIES</u>											
Loss Reserves	12,055,657	12,476,194	13,027,334	13,591,845	14,171,118	14,767,857	15,382,362	16,015,517	16,668,457	17,341,664	18,048,274
LAE Reserves	342,298	375,469	407,449	438,362	468,430	497,923	527,097	556,148	585,215	614,462	644,093
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	373,524	350,564	342,726	309,151	276,026	242,775	208,975	174,753	140,654	106,258	71,710
Total	12,771,479	13,202,226	13,777,509	14,339,358	14,915,574	15,508,555	16,118,435	16,746,418	17,394,326	18,062,384	18,764,077
<u>CONTINGENCY RESERVE</u>	1,619,248	3,855,499	4,030,435	4,209,062	4,391,864	4,579,734	4,772,838	4,971,500	5,176,102	5,386,838	5,607,710

Washington Department of Labor & Industries
Scenario 8: Contingency Reserve Growth Rate Change (Maintaining a 30% ratio)
Accident Fund (Including Pension Reserve Fund)
Projected Financials (000's)

U.S. Statutory Income Statement	Actual 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	Projected FY 2034
<u>UNDERWRITING REVENUES</u>											
Premium	1,486,849	1,592,423	1,833,552	1,864,202	1,902,321	1,943,726	1,984,585	2,025,795	2,073,118	2,123,620	2,179,555
Retrospective rating adjustments	(208,200)	(238,153)	(274,215)	(278,799)	(284,499)	(290,692)	(296,802)	(302,965)	(310,043)	(317,595)	(325,961)
Self-Insured Assessments & Reimbursements	92,095	85,692	88,948	92,328	95,836	99,478	103,258	107,182	111,255	115,483	119,871
Other income	52,143	50,908	52,843	54,851	56,935	59,099	61,345	63,676	66,095	68,607	71,214
Total	1,422,887	1,490,870	1,701,128	1,732,582	1,770,593	1,811,611	1,852,386	1,893,687	1,940,426	1,990,114	2,044,679
<u>UNDERWRITING EXPENSES</u>											
Incurred Loss	1,652,598	1,792,931	1,974,916	2,038,381	2,104,470	2,173,351	2,245,134	2,319,839	2,397,454	2,478,033	2,561,626
Incurred LAE	102,300	121,162	125,524	129,998	134,595	139,331	144,218	149,266	154,478	159,861	165,422
Self-Insured Admin Expenses	19,834	21,423	22,237	23,082	23,959	24,870	25,815	26,796	27,814	28,871	29,968
Premium Admin Expenses and Bad Debts	25,361	25,793	26,773	27,790	28,846	29,943	31,080	32,262	33,487	34,760	36,081
General Expenses	32,368	32,458	33,692	34,972	36,301	37,681	39,112	40,599	42,141	43,743	45,405
TRIA Recoup of Government Losses	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	0	425	441	458	475	494	512	532	552	573	595
Other Administrative	74,037	72,837	75,604	78,477	81,460	84,555	87,768	91,103	94,565	98,159	101,889
Total	1,906,498	2,067,030	2,259,188	2,333,160	2,410,106	2,490,224	2,573,641	2,660,396	2,750,493	2,843,999	2,940,985
<u>OTHER OPERATING REVENUES / EXPENSES</u>											
Net investment income	412,819	693,340	732,996	779,205	822,316	866,483	914,359	965,371	1,014,669	1,064,621	1,117,179
Unrealized Capital Gains / (Losses)	280,994	0	0	0	0	0	0	0	0	0	0
Other Direct Charges to Contingency Reserve	(18,629)	0	0	0	0	0	0	0	0	0	0
Total	675,184	693,340	732,996	779,205	822,316	866,483	914,359	965,371	1,014,669	1,064,621	1,117,179
<u>NET INCOME/(LOSS)</u>	191,573	117,180	174,936	178,627	182,802	187,870	193,104	198,662	204,602	210,736	220,872
Profitability Ratios	Actual 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	Projected FY 2034
Loss & LAE Ratio	137%	141%	135%	137%	138%	140%	142%	143%	145%	146%	147%
Combined Ratio	149%	153%	145%	147%	149%	151%	152%	154%	156%	157%	159%
Operating Ratio	85%	91%	89%	89%	89%	89%	89%	88%	88%	88%	88%

Washington Department of Labor & Industries

Scenario 8: Contingency Reserve Growth Rate Change (Maintaining a 30% ratio)

Accident Fund (Including Pension Reserve Fund)

Probability of Insolvency

Probability of Contingency Reserve < \$0

2 Year Horizon (as of June 30, 2026)

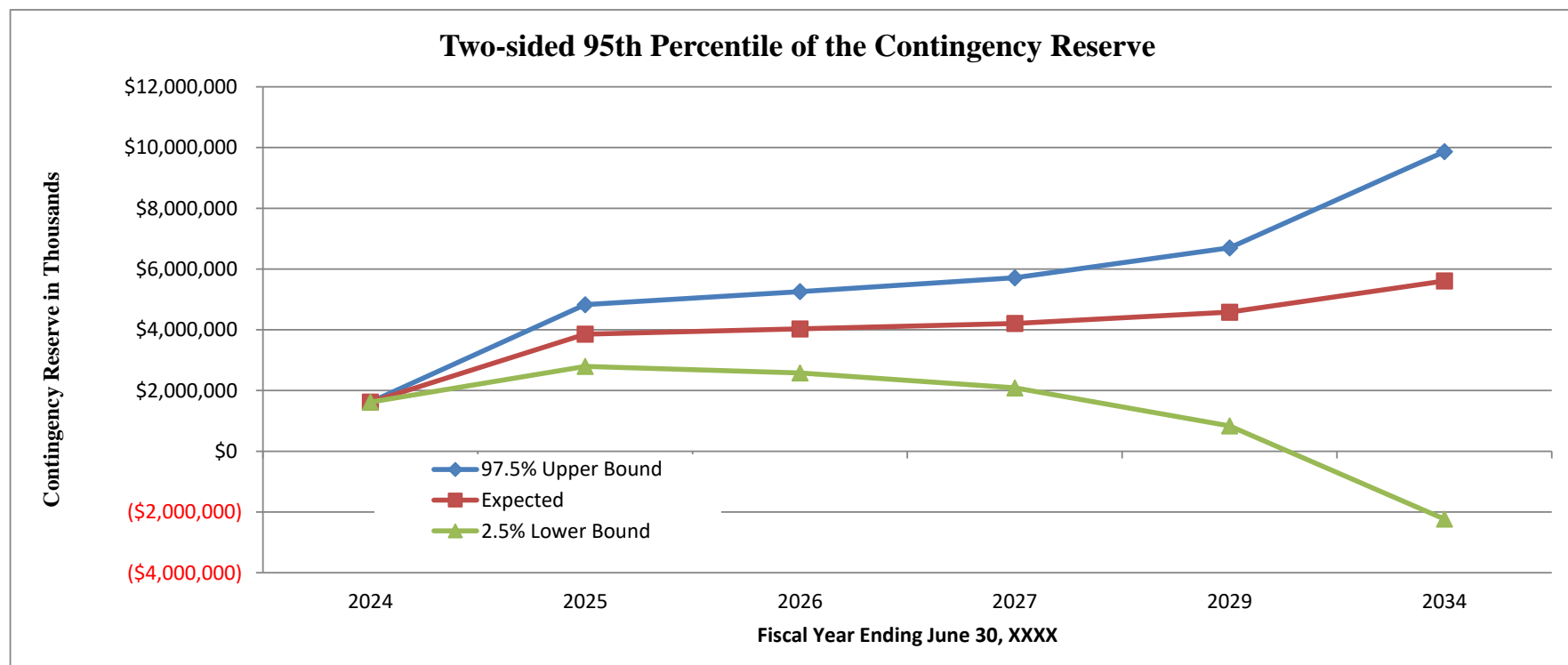
0.0%

5 Year Horizon (as of June 30, 2029)

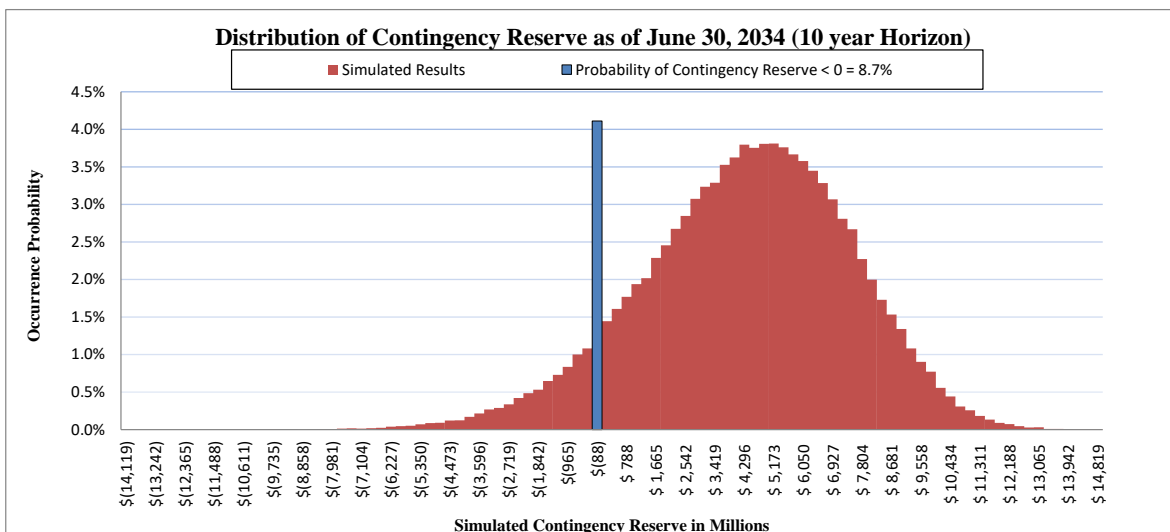
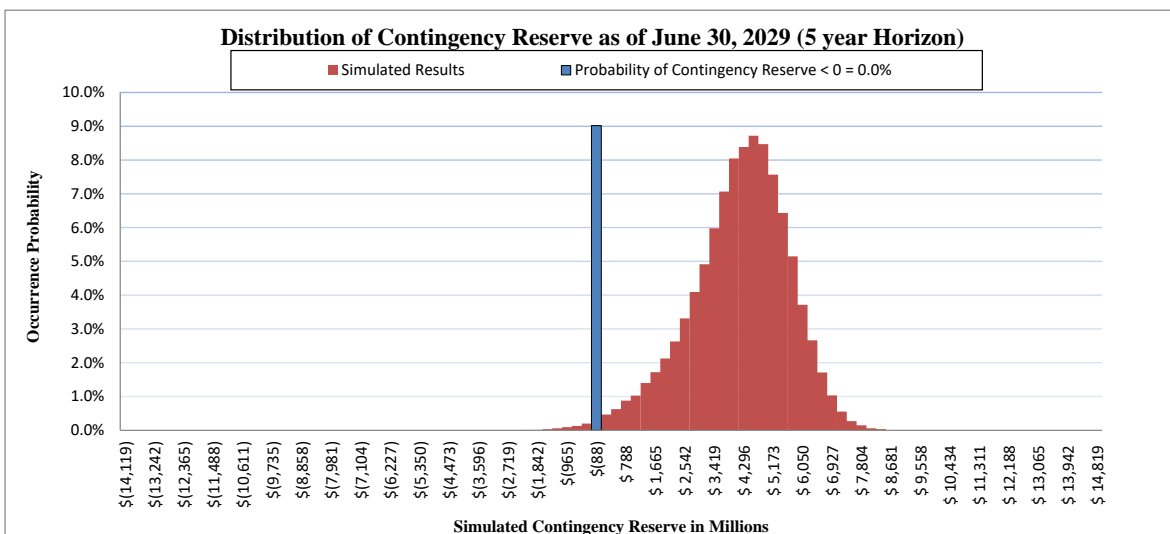
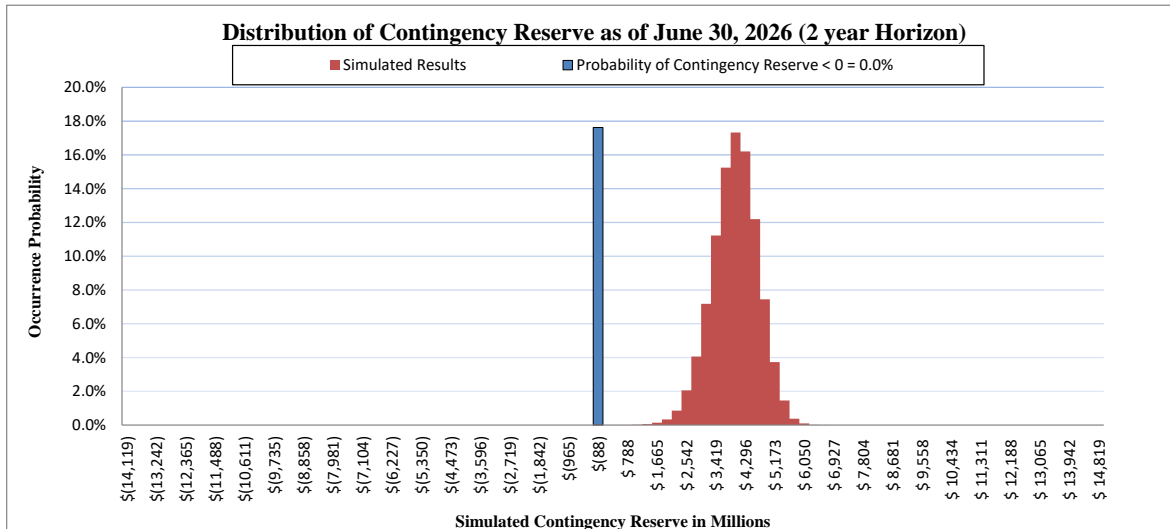
0.8%

10 Year Horizon (as of June 30, 2034)

8.7%



Washington Department of Labor & Industries
Scenario 8: Contingency Reserve Growth Rate Change (Maintaining a 30% ratio)
Accident Fund (Including Pension Reserve Fund)
Probability of Insolvency



Washington Department of Labor & Industries
Scenario 8: Contingency Reserve Growth Rate Change (Maintaining a 30% ratio)
Medical Aid Fund
Projected Financials (000's)

U.S. Statutory Balance Sheet	Actual 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	Projected FY 2034
<u>ASSETS</u>											
Cash & Invested Assets	7,818,682	7,919,897	8,096,166	8,279,790	8,478,524	8,692,756	8,921,502	9,167,389	9,429,547	9,709,078	10,007,559
Premiums Receivable	213,329	197,859	197,195	208,761	221,984	235,850	251,295	266,536	283,006	300,555	318,374
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	23,821	23,891	23,810	25,207	26,803	28,478	30,343	32,183	34,172	36,291	38,442
Total	8,055,832	8,141,646	8,317,172	8,513,757	8,727,311	8,957,083	9,203,140	9,466,108	9,746,724	10,045,924	10,364,375
<u>LIABILITIES</u>											
Loss Reserves	3,463,459	3,804,340	3,907,970	4,023,883	4,151,244	4,289,788	4,439,713	4,601,523	4,775,685	4,962,967	5,163,865
LAE Reserves	627,088	702,525	725,459	751,111	779,296	809,956	843,134	878,943	917,486	958,931	1,003,390
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	95,030	2,282,721	2,293,715	2,306,265	2,317,609	2,327,416	2,335,438	2,341,501	2,345,602	2,347,457	2,346,943
Total	4,185,577	6,789,586	6,927,144	7,081,259	7,248,149	7,427,160	7,618,285	7,821,968	8,038,773	8,269,355	8,514,198
<u>CONTINGENCY RESERVE</u>	3,870,255	1,352,060	1,390,029	1,432,498	1,479,162	1,529,923	1,584,854	1,644,140	1,707,951	1,776,569	1,850,177

Washington Department of Labor & Industries
Scenario 8: Contingency Reserve Growth Rate Change (Maintaining a 30% ratio)
Medical Aid Fund
Projected Financials (000's)

U.S. Statutory Income Statement	Actual 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	Projected FY 2034
<u>UNDERWRITING REVENUES</u>											
Premium	774,589	771,107	768,520	813,593	865,126	919,166	979,360	1,038,757	1,102,945	1,171,339	1,240,785
Retrospective rating adjustments	0	0	0	0	0	0	0	0	0	0	0
Self-Insured Assessments & Reimbursements	20,560	21,423	22,237	23,082	23,959	24,870	25,815	26,796	27,814	28,871	29,968
Other income	2,795	4,242	4,404	4,571	4,745	4,925	5,112	5,306	5,508	5,717	5,934
Total	797,944	796,772	795,161	841,246	893,830	948,961	1,010,286	1,070,859	1,136,267	1,205,927	1,276,687
<u>UNDERWRITING EXPENSES</u>											
Incurred Loss	411,116	1,056,619	840,088	883,406	930,231	980,266	1,033,467	1,089,903	1,149,712	1,213,040	1,280,077
Incurred LAE	129,536	233,831	185,913	195,499	205,862	216,934	228,708	241,197	254,433	268,448	283,283
Self-Insured Admin Expenses	17,969	21,423	22,237	23,082	23,959	24,870	25,815	26,796	27,814	28,871	29,968
Premium Admin Expenses and Bad Debts	25,990	26,573	27,582	28,630	29,718	30,848	32,020	33,237	34,500	35,811	37,171
General Expenses	21,060	22,952	23,824	24,729	25,669	26,644	27,657	28,708	29,798	30,931	32,106
TRIA Recoup of Government Losses	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	0	289	300	311	323	335	348	361	375	389	404
Other Administrative	32,427	35,034	36,366	37,747	39,182	40,671	42,216	43,820	45,486	47,214	49,008
Total	638,098	1,396,721	1,136,309	1,193,405	1,254,944	1,320,568	1,390,231	1,464,022	1,542,117	1,624,703	1,712,017
<u>OTHER OPERATING REVENUES / EXPENSES</u>											
Net investment income	195,980	263,005	379,117	394,629	407,778	422,368	434,876	452,448	469,662	487,394	508,937
Unrealized Capital Gains / (Losses)	274,517	0	0	0	0	0	0	0	0	0	0
Other Direct Charges to Contingency Reserve	(8,050)	0	0	0	0	0	0	0	0	0	0
Total	462,447	263,005	379,117	394,629	407,778	422,368	434,876	452,448	469,662	487,394	508,937
<u>NET INCOME/(LOSS)</u>	622,293	(336,944)	37,969	42,469	46,664	50,761	54,931	59,286	63,811	68,618	73,607
Profitability Ratios	Actual 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	Projected FY 2034
Loss & LAE Ratio	70%	167%	134%	133%	131%	130%	129%	128%	127%	126%	126%
Combined Ratio	82%	181%	148%	147%	145%	144%	142%	141%	140%	139%	138%
Operating Ratio	20%	144%	95%	95%	95%	94%	94%	94%	94%	94%	94%

Washington Department of Labor & Industries

Scenario 8: Contingency Reserve Growth Rate Change (Maintaining a 30% ratio)

Medical Aid Fund

Probability of Insolvency

Probability of Contingency Reserve < \$0

2 Year Horizon (as of June 30, 2026)

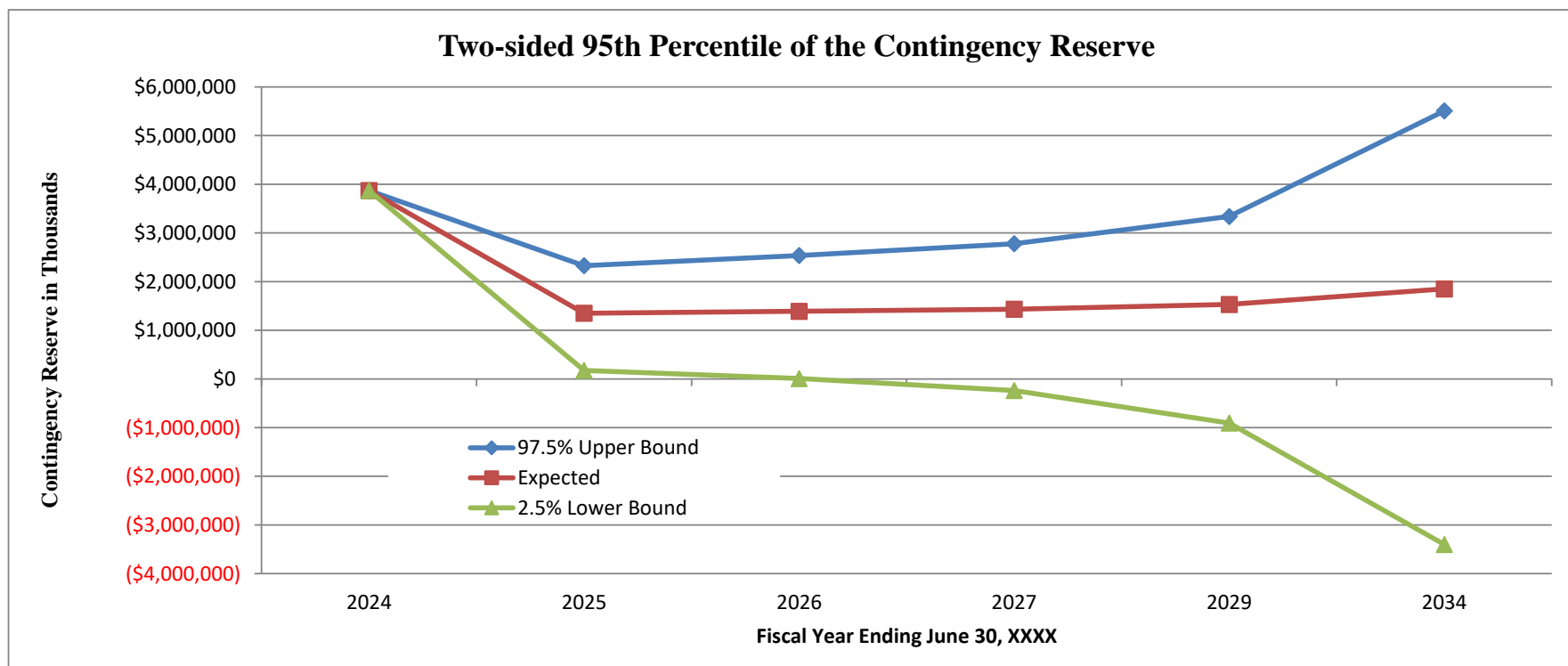
2.4%

5 Year Horizon (as of June 30, 2029)

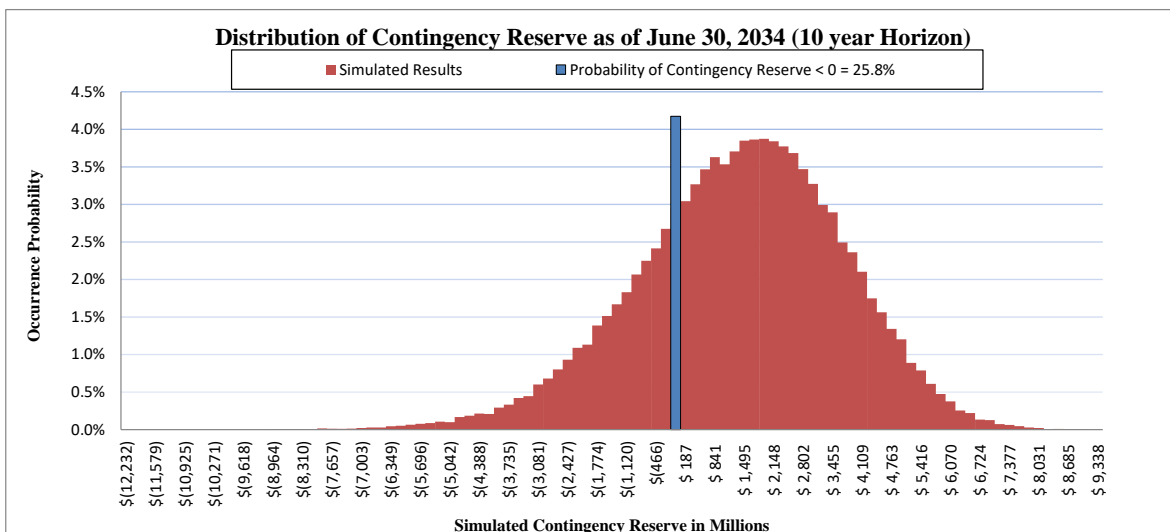
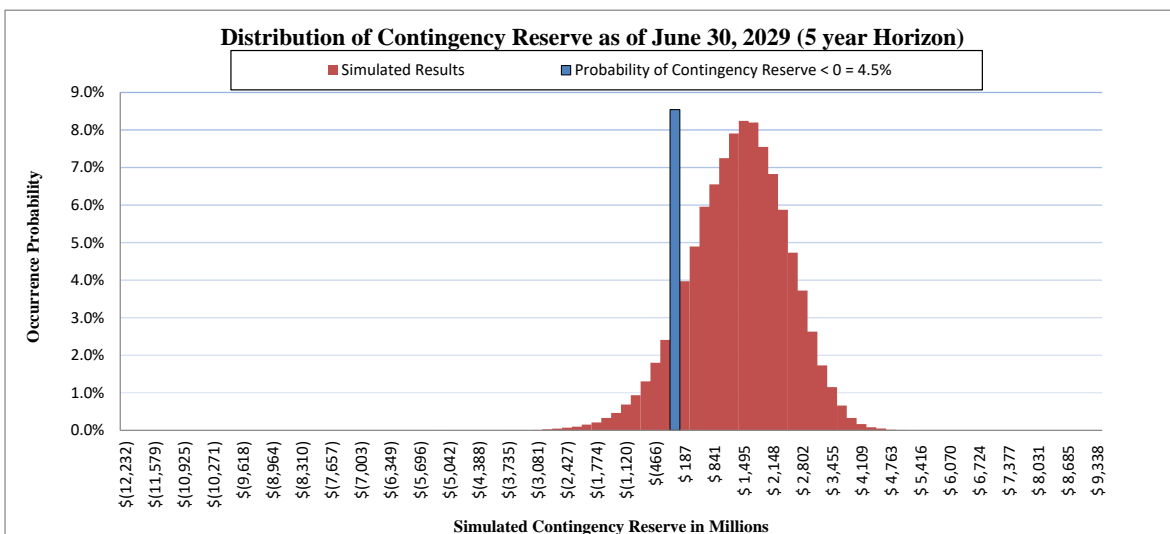
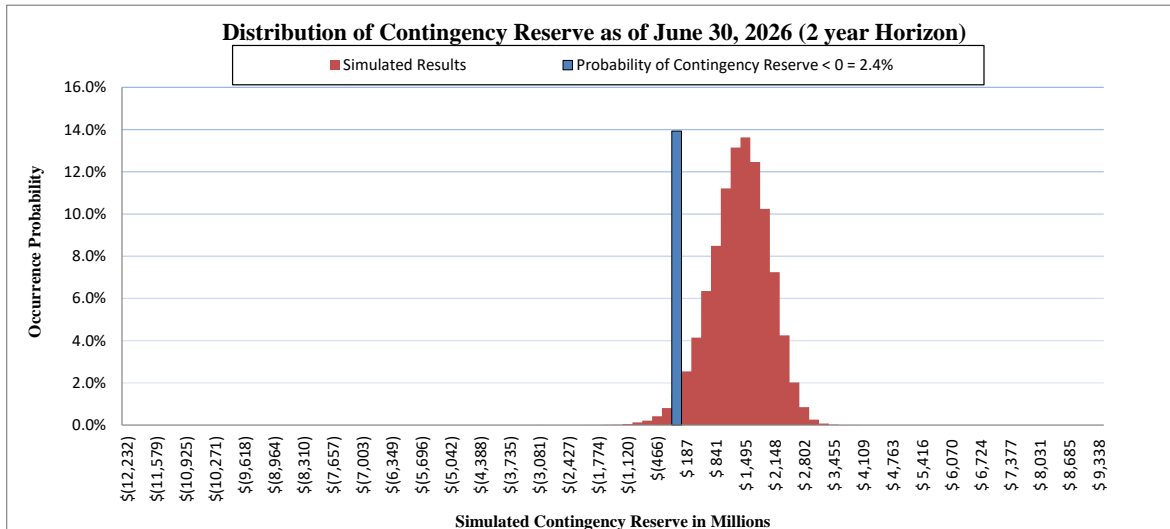
10.4%

10 Year Horizon (as of June 30, 2034)

25.8%



Washington Department of Labor & Industries
Scenario 8: Contingency Reserve Growth Rate Change (Maintaining a 30% ratio)
Medical Aid Fund
Probability of Insolvency



Washington Department of Labor & Industries
Scenario 8: Contingency Reserve Growth Rate Change (Maintaining a 30% ratio)
Combined Funds
Projected Financials (000's)

U.S. Statutory Balance Sheet	Actual 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	Projected FY 2034
<u>ASSETS</u>											
Cash & Invested Assets	21,680,226	24,442,069	25,287,463	26,201,255	27,146,187	28,127,344	29,145,334	30,204,007	31,302,758	32,444,099	33,646,333
Premiums Receivable	632,334	615,380	677,938	697,540	720,757	745,479	771,637	797,683	826,561	857,351	889,836
Securities lending collateral	0	0	0	0	0	0	0	0	0	0	0
Other Assets	133,999	141,922	159,715	163,383	167,805	172,548	177,442	182,336	187,833	193,695	199,993
Total	22,446,559	25,199,371	26,125,116	27,062,178	28,034,749	29,045,372	30,094,413	31,184,026	32,317,151	33,495,146	34,736,162
<u>LIABILITIES</u>											
Loss Reserves	15,519,116	16,280,534	16,935,304	17,615,728	18,322,362	19,057,645	19,822,075	20,617,041	21,444,142	22,304,631	23,212,139
LAE Reserves	969,386	1,077,994	1,132,908	1,189,473	1,247,726	1,307,879	1,370,232	1,435,092	1,502,701	1,573,393	1,647,483
Collateral from securities lending activities	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities	468,554	2,633,284	2,636,440	2,615,416	2,593,635	2,570,191	2,544,414	2,516,254	2,486,255	2,453,715	2,418,653
Total	16,957,056	19,991,813	20,704,652	21,420,617	22,163,723	22,935,715	23,736,721	24,568,386	25,433,099	26,331,739	27,278,275
<u>CONTINGENCY RESERVE</u>	5,489,503	5,207,559	5,420,464	5,641,560	5,871,026	6,109,657	6,357,692	6,615,640	6,884,053	7,163,407	7,457,887

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Washington Department of Labor & Industries

Scenario 8: Contingency Reserve Growth Rate Change (Maintaining a 30% ratio)

Combined Funds

Probability of Insolvency

Probability of Contingency Reserve < \$0

2 Year Horizon (as of June 30, 2026)

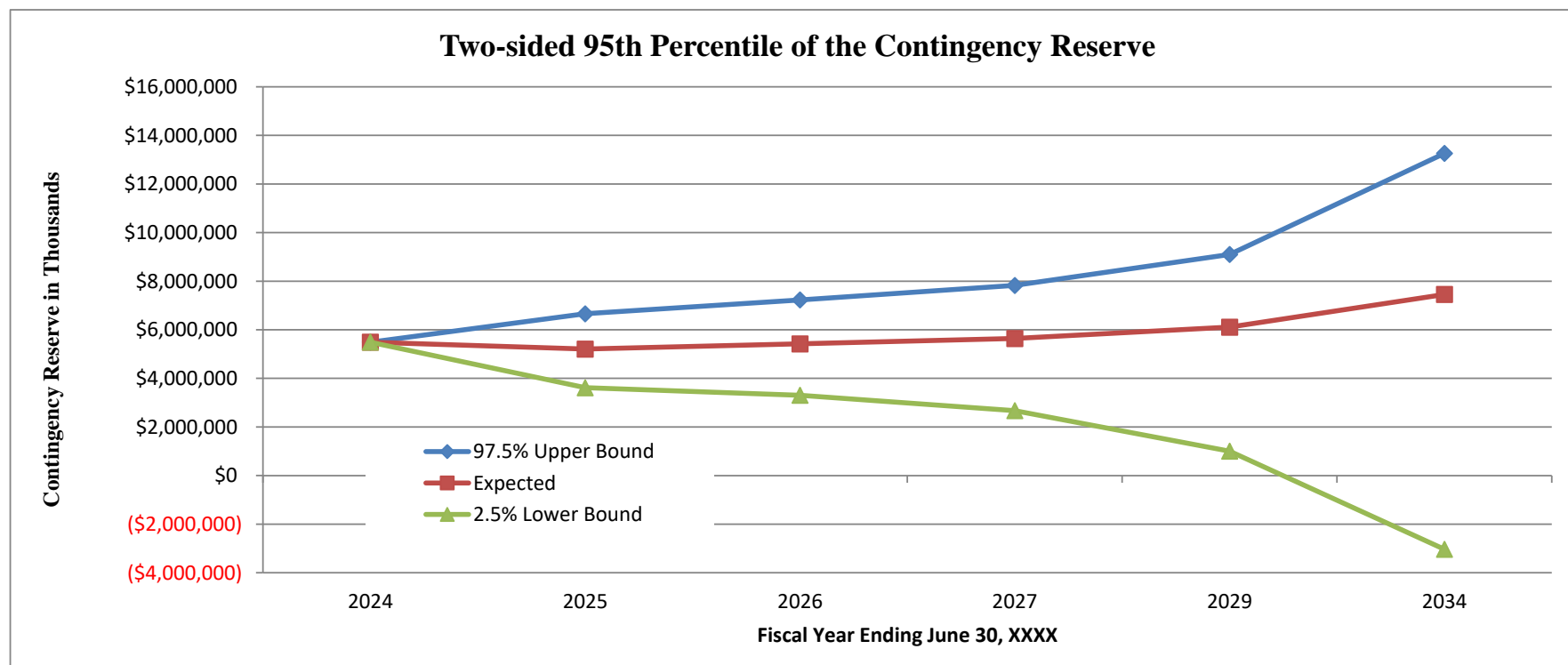
0.0%

5 Year Horizon (as of June 30, 2029)

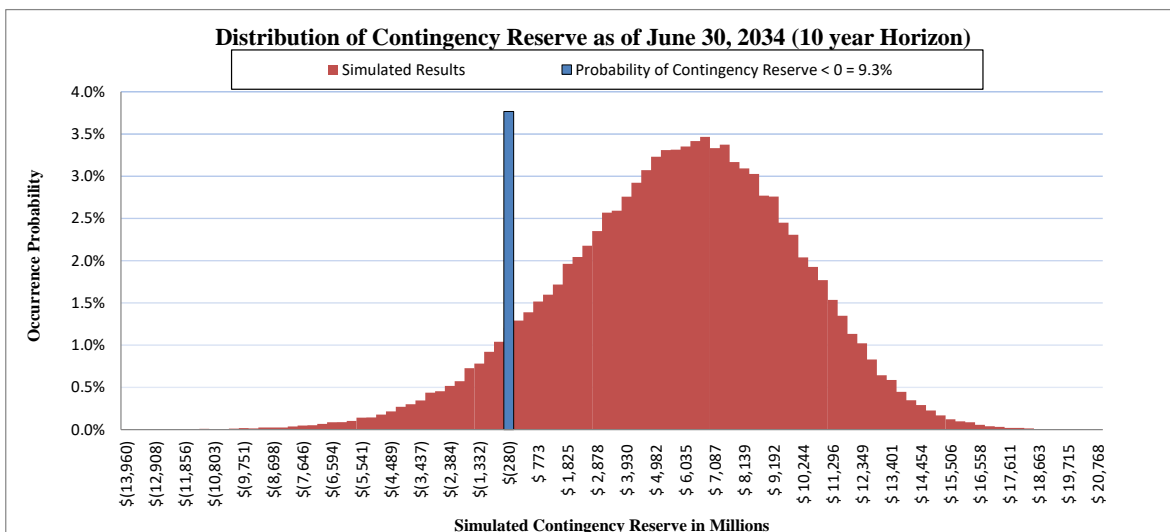
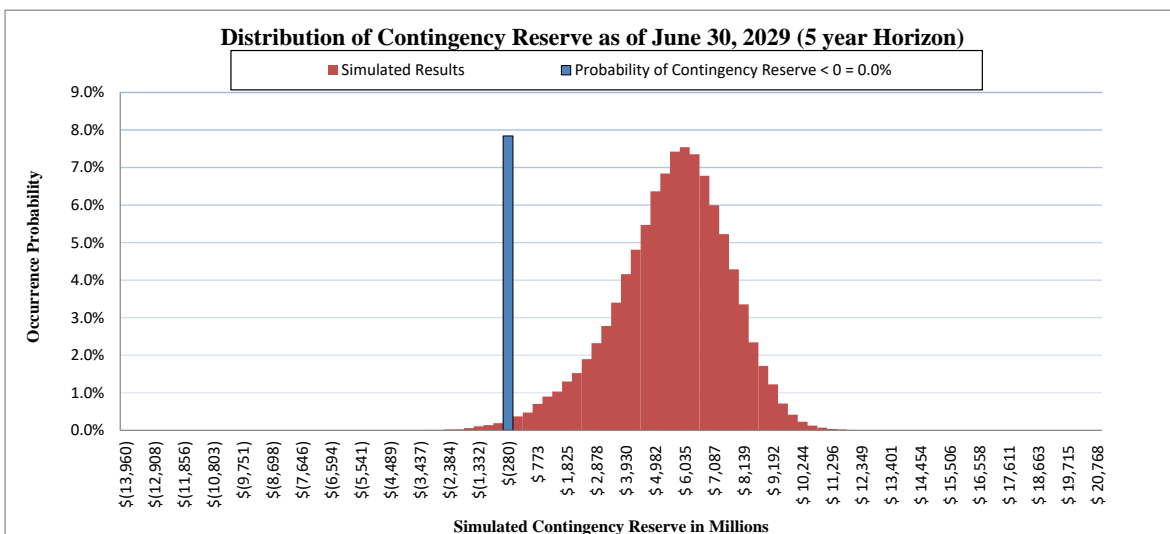
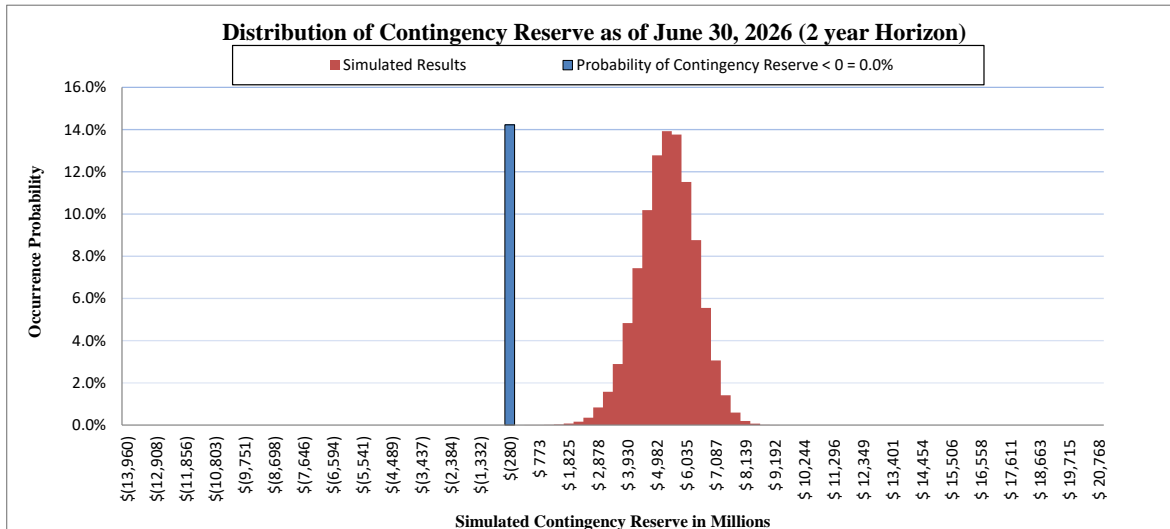
0.9%

10 Year Horizon (as of June 30, 2034)

9.3%



Washington Department of Labor & Industries
Scenario 8: Contingency Reserve Growth Rate Change (Maintaining a 30% 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 2020	Actual FY 2021	Actual FY 2022	Actual FY 2023	Actual FY 2024
<u>ASSETS</u>						
Cash & Invested Assets		12,025,894	12,916,459	12,747,930	13,310,781	13,861,544
Premiums Receivable		312,210	312,705	348,129	373,438	419,005
Securities lending collateral		0	0	0	0	0
Other Assets		90,650	164,508	83,250	50,511	110,178
Total		12,428,754	13,393,672	13,179,309	13,734,730	14,390,727
<u>LIABILITIES</u>						
Loss Reserves		10,040,300	10,832,929	11,103,681	11,610,047	12,055,657
LAE Reserves		281,461	310,447	320,391	323,114	342,298
Collateral from securities lending activities		0	0	0	0	0
Other Liabilities		326,147	488,169	319,880	359,131	373,524
Total		10,647,908	11,631,545	11,743,952	12,292,292	12,771,479
<u>CONTINGENCY RESERVE</u>		1,780,846	1,762,127	1,435,357	1,442,438	1,619,248

Washington Department of Labor & Industries

Accident Fund (Including Pension Reserve Fund)

Historical Financials (000's)

U.S. Statutory Income Statement		Actual FY 2020	Actual FY 2021	Actual FY 2022	Actual FY 2023	Actual FY 2024
<u>UNDERWRITING REVENUES</u>						
Premium		1,321,100	1,191,012	1,332,665	1,401,937	1,486,849
Retrospective rating adjustments		(204,941)	(262,982)	(217,198)	(203,774)	(208,200)
Self-Insured Assessments & Reimbursements		89,581	37,006	103,663	66,930	92,095
Other income		49,006	31,236	42,784	49,750	52,143
Total		1,254,746	996,272	1,261,914	1,314,843	1,422,887
<u>UNDERWRITING EXPENSES</u>						
Incurred Loss		1,522,791	1,873,939	1,388,486	1,656,380	1,652,598
Incurred LAE		94,116	103,364	80,851	77,505	102,300
Self-Insured Admin Expenses		17,872	18,287	18,354	19,601	19,834
Premium Admin Expenses and Bad Debts		23,671	23,653	23,008	23,885	25,361
General Expenses		28,803	29,474	28,935	30,900	32,368
TRIA Recoup of Government Losses		0	0	0	0	0
Operating Transfers Out		1,944	899	(1,063)	191	0
Other Administrative		60,376	66,623	60,832	75,808	74,037
Total		1,749,573	2,116,239	1,599,403	1,884,270	1,906,498
<u>OTHER OPERATING REVENUES / EXPENSES</u>						
Net investment income		544,597	516,715	445,174	406,918	412,819
Unrealized Capital Gains / (Losses)		92,535	580,814	(384,224)	191,176	280,994
Other Direct Charges to Contingency Reserve		(56,923)	3,543	(49,039)	(27,165)	(18,629)
Total		580,209	1,101,072	11,911	570,929	675,184
<u>NET INCOME/(LOSS)</u>		85,382	(18,895)	(325,578)	1,502	191,573

Profitability Ratios		Actual FY 2020	Actual FY 2021	Actual FY 2022	Actual FY 2023	Actual FY 2024
Loss & LAE Ratio		145%	213%	132%	145%	137%
Combined Ratio		157%	228%	143%	157%	149%
Operating Ratio		92%	102%	129%	100%	85%

Washington Department of Labor & Industries

Medical Aid Fund

Historical Financials (000's)

U.S. Statutory Balance Sheet		Actual FY 2020	Actual FY 2021	Actual FY 2022	Actual FY 2023	Actual FY 2024
<u>ASSETS</u>						
Cash & Invested Assets		6,569,946	7,234,877	7,072,437	7,464,247	7,818,682
Premiums Receivable		185,400	170,643	194,156	197,089	213,329
Securities lending collateral		0	0	0	0	0
Other Assets		23,355	23,058	23,257	22,499	23,821
Total		6,778,701	7,428,578	7,289,850	7,683,835	8,055,832
<u>LIABILITIES</u>						
Loss Reserves		3,853,686	3,789,164	3,665,009	3,657,887	3,463,459
LAE Reserves		579,159	616,988	625,250	632,125	627,088
Collateral from securities lending activities		0	0	0	0	0
Other Liabilities		131,769	109,831	120,328	137,571	95,030
Total		4,564,614	4,515,983	4,410,587	4,427,583	4,185,577
<u>CONTINGENCY RESERVE</u>						
		2,214,087	2,912,595	2,879,263	3,256,252	3,870,255

Washington Department of Labor & Industries

Medical Aid Fund

Historical Financials (000's)

U.S. Statutory Income Statement		Actual FY 2020	Actual FY 2021	Actual FY 2022	Actual FY 2023	Actual FY 2024
<u>UNDERWRITING REVENUES</u>						
Premium		789,899	687,245	739,296	752,738	774,589
Retrospective rating adjustments		0	0	0	0	0
Self-Insured Assessments & Reimbursements		16,804	17,804	19,217	18,563	20,560
Other income		2,867	3,527	2,762	3,016	2,795
Total		809,570	708,576	761,275	774,317	797,944
<u>UNDERWRITING EXPENSES</u>						
Incurred Loss		876,824	501,910	431,781	574,306	411,116
Incurred LAE		159,443	157,809	127,322	132,915	129,536
Self-Insured Admin Expenses		17,312	17,071	17,202	18,113	17,969
Premium Admin Expenses and Bad Debts		24,085	23,567	23,428	24,057	25,990
General Expenses		20,327	21,755	18,959	22,520	21,060
TRIA Recoup of Government Losses		0	0	0	0	0
Operating Transfers Out		1,495	352	(724)	194	0
Other Administrative		29,819	33,306	27,115	37,031	32,427
Total		1,129,305	755,770	645,083	809,136	638,098
<u>OTHER OPERATING REVENUES / EXPENSES</u>						
Net investment income		224,650	249,344	153,059	237,071	195,980
Unrealized Capital Gains / (Losses)		69,497	488,477	(289,960)	160,433	274,517
Other Direct Charges to Contingency Reserve		(18,369)	7,788	(12,878)	12,181	(8,050)
Total		275,778	745,609	(149,779)	409,685	462,447
<u>NET INCOME/(LOSS)</u>		(43,957)	698,415	(33,587)	374,866	622,293
Profitability Ratios		Actual FY 2020	Actual FY 2021	Actual FY 2022	Actual FY 2023	Actual FY 2024
Loss & LAE Ratio		131%	96%	76%	94%	70%
Combined Ratio		143%	110%	87%	107%	82%
Operating Ratio		106%	-2%	105%	50%	20%

Washington Department of Labor & Industries

Combined Funds

Historical Financials (000's)

U.S. Statutory Balance Sheet		Actual FY 2020	Actual FY 2021	Actual FY 2022	Actual FY 2023	Actual FY 2024
<u>ASSETS</u>						
Cash & Invested Assets		18,595,840	20,151,336	19,820,367	20,775,028	21,680,226
Premiums Receivable		497,610	483,348	542,285	570,527	632,334
Securities lending collateral		0	0	0	0	0
Other Assets		114,005	187,566	106,507	73,010	133,999
Total		19,207,455	20,822,250	20,469,159	21,418,565	22,446,559
<u>LIABILITIES</u>						
Loss Reserves		13,893,986	14,622,093	14,768,690	15,267,934	15,519,116
LAE Reserves		860,620	927,435	945,641	955,239	969,386
Collateral from securities lending activities		0	0	0	0	0
Other Liabilities		457,916	598,000	440,208	496,702	468,554
Total		15,212,522	16,147,528	16,154,539	16,719,875	16,957,056
<u>CONTINGENCY RESERVE</u>						
		3,994,933	4,674,722	4,314,620	4,698,690	5,489,503

Washington Department of Labor & Industries

Combined Funds

Historical Financials (000's)

U.S. Statutory Income Statement	Actual FY 2020	Actual FY 2021	Actual FY 2022	Actual FY 2023	Actual FY 2024
<u>UNDERWRITING REVENUES</u>					
Premium	2,110,999	1,878,257	2,071,961	2,154,675	2,261,438
Retrospective rating adjustments	(204,941)	(262,982)	(217,198)	(203,774)	(208,200)
Self-Insured Assessments & Reimbursements	106,385	54,810	122,880	85,493	112,655
Other income	51,873	34,763	45,546	52,766	54,938
Total	2,064,316	1,704,848	2,023,189	2,089,160	2,220,831
<u>UNDERWRITING EXPENSES</u>					
Incurred Loss	2,399,615	2,375,849	1,820,267	2,230,686	2,063,714
Incurred LAE	253,559	261,173	208,173	210,420	231,836
Self-Insured Admin Expenses	35,184	35,358	35,556	37,714	37,803
Premium Admin Expenses and Bad Debts	47,756	47,220	46,436	47,942	51,351
General Expenses	49,130	51,229	47,894	53,420	53,428
TRIA Recoup of Government Losses	0	0	0	0	0
Operating Transfers Out	3,439	1,251	(1,787)	385	0
Other Administrative	90,195	99,929	87,947	112,839	106,464
Total	2,878,878	2,872,009	2,244,486	2,693,406	2,544,596
<u>OTHER OPERATING REVENUES / EXPENSES</u>					
Net investment income	769,247	766,059	598,233	643,989	608,799
Unrealized Capital Gains / (Losses)	162,032	1,069,291	(674,184)	351,609	555,511
Other Direct Charges to Contingency Reserve	(75,292)	11,331	(61,917)	(14,984)	(26,679)
Total	855,987	1,846,681	(137,868)	980,614	1,137,631
<u>NET INCOME/(LOSS)</u>	41,425	679,520	(359,165)	376,368	813,866

Profitability Ratios	Actual FY 2020	Actual FY 2021	Actual FY 2022	Actual FY 2023	Actual FY 2024
Loss & LAE Ratio	139%	163%	109%	125%	112%
Combined Ratio	151%	178%	121%	138%	124%
Operating Ratio	98%	58%	119%	81%	60%