

## To our State Fund members:

In these difficult economic times, management of our resources is more important than ever. That applies to you as a business owner, and to us as manager of the state workers' compensation system.

Financially, our strategic objectives are to keep premium rates fair, stable and as low as possible while maintaining the solvency of the State Fund. In order to meet these objectives, the investment portfolio has been prudently managed to maximize earnings at conservatively low levels of risk. Also, the contingency reserve has been managed to be large enough to weather the tough economic times we are experiencing.

We want to run one of the best workers' compensation systems in the nation in the quality of service, benefits and costs. We're pleased with what we've accomplished in 2008. You'll see in this *2008 Year in Review* that we continue to focus on using technology to improve our services – such as the enhanced online Claim and Account Center.

Looking ahead, we will work to process claims faster, in order to speed services to workers and avoid unnecessary costs to employers. We know that early management of new time-loss claims is crucial to preventing long-term disability and improving outcomes for injured workers and employers.

We are committed to working with our partners and customers to ensure mutual protection for workers and employers.



Sincerely,

**Judy Schurke**  
Director



**Robert J. Malooly**  
Assistant Director,  
Insurance Services

## Protection for employers and workers

The Department of Labor & Industries (L&I) administers Washington's workers' compensation system. "Workers' comp" pays medical expenses for workers who suffer job-related injury or illness, and when they are unable to work due to these conditions, partially replaces their lost wages. Employers pay about 75 percent of the premiums and workers contribute the remaining 25 percent.

This no-fault system protects employers from lawsuits that could otherwise result from job-related injuries and illnesses.

### Customer-service goals

**Our goals are to provide:**

- Prompt and responsive service.
- High-quality claim services.
- High-quality insurance services to employers.

**We are also committed to:**

- Making Washington's workplaces safer.  
Our services include free on-site consultations for employers, Web-based information and educational materials.
- Increasing injured workers' access to appropriate, quality medical care and controlling costs.
- Setting premium rates that are fair, stable and as low as possible for State Fund employers and their employees.

### 2008 Year in Review

For additional copies, contact the Labor & Industries office nearest you.

This publication is also available online at [www.Lni.wa.gov/IPUB/200-015-000.pdf](http://www.Lni.wa.gov/IPUB/200-015-000.pdf).

*Other formats for persons with disabilities are available on request. Call 1-800-547-8367. TDD users, call 360-902-5797. L&I is an equal opportunity employer.*

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Washington State Department of  
**Labor & Industries**

*Workers' Compensation Services*



## 2008 Year in Review

*Washington's Workers'  
Compensation System*



## 2008 highlights

Over the past year, we enhanced services through technology improvements and made it easier for you to conduct business with us.

We not only made good progress in expanding online tools and resources, but as you'll see below, we also increased fraud recoveries, launched a safety initiative focused on young workers, and improved access to care for injured workers.

Because the best claim is the one that never happens, we want to remind you that one of the best ways to control your workers' compensation costs is to focus on safety. We conduct about 3,000 safety and health consultations each year with Washington employers. This service is available to you at no cost. For more information, visit [www.SafetyConsultants.Lni.wa.gov](http://www.SafetyConsultants.Lni.wa.gov).

### Preventing fraud and increasing compliance

We continue to work hard to combat fraud and abuse by workers, employers and health-care providers. For every dollar invested in fighting fraud and improving compliance, we bring in about \$8.

Between July 1, 2007, and June 30, 2008, our Fraud Prevention and Compliance Program collected \$124.9 million.

### Raising teens' awareness of job safety and health

Teens are twice as likely as adults to be injured on the job, especially when they are new to the world of work. Last spring, we launched a pilot project that brought a seriously injured young worker to five Washington schools to tell students how he

was injured and why they need to pay attention to safety on the job. A total of 750 students from Bellingham, Mattawa, Seattle, Spokane and Tumwater heard speaker Nick Perry.

In 2009, we will expand the Young Workers Speakers Bureau to 20 schools and include outreach to parent groups.

*One survey question students answered:*

**If I had a serious workplace injury, it could change my life.**

**42% strongly agreed before Nick's presentation**  
**76% strongly agreed after Nick's presentation**

### Improving access to medical care

Employees who are injured on the job or develop work-related illnesses need timely access to the best health-care providers in our communities to help them recover. But in recent years, access to medical care has been an issue, particularly for long-term treatment. We've been working hard to persuade more health-care providers to treat injured workers.

We pay competitively for medical services and pay for paperwork unique to L&I. We also pay quickly – if providers bill electronically, we typically pay within 15 days. We've streamlined many processes and we now provide support to help health-care providers solve problems. And, we've made it easier to do business with us through the online Claim & Account Center.

### Adding new features to the online Claim & Account Center

Launched in early 2005, the online Claim & Account Center has been a big hit. The center is a secure Web site to check the status of a workers' comp claim or employer account without having to contact L&I.

In August, users viewed over 5 million pages within the Claim & Account Center.

With input from employers, we have added enhanced features for filing quarterly reports and the ability to view all or a subset of your claims in a single list. Our new Trend Reports help you understand your account by providing your data in charts and graphs. There's also a new cost-analysis calculator for estimating the effect of claims on your rates.

Next spring, claim managers will be able to reply to your secure messages, increasing your options for communicating with L&I.

If you have comments or questions about the Claim & Account Center, feel free to contact Web Customer Support by e-mail at [WebSupport@Lni.wa.gov](mailto:WebSupport@Lni.wa.gov) or by phone (weekdays 8 a.m. to 5 p.m.) at 360-902-5999.

You can read more about technology changes in the center of this *2008 Year in Review*.



The State Fund provides workers' compensation insurance for about **2,570,000** employees working for **171,000** employers. Premiums paid by employers and workers, and investment earnings, finance the program.

Washington's industrial insurance system also covers an additional **870,000** workers – approximately a third of the state's workforce – whose employers self-insure. L&I ensures that those workers receive equal rights, protections and benefits under the state's workers' compensation laws.

## Statistics at a Glance

Operating Environment	FY 2008	FY 2007
Employers Insured	171,000	168,000
Workers Covered	2,570,000	2,500,000
Hours Reported	3,380,000,000	3,287,000,000
Premiums Assessed (employers' portion)	\$1,255,000,000	\$1,259,000,000
Premiums Assessed (workers' portion)	\$ 319,000,000	\$ 296,000,000
Benefits Incurred	\$1,919,000,000	\$1,770,168,000

Claim Statistics	FY 2008	FY 2007
Number of Claims Filed	136,791	140,308
Number of Claims Accepted	119,788	121,769
Number of Claims Denied	15,748	15,171
Fatal Pensions Awarded	63	54
Total Permanent Disability Pensions Granted	* 1,109	1,557
Permanent Partial Disability Awards Granted	12,316	12,621
New Time-loss (Wage Replacement) Claims	28,593	29,416
Medical-only Claims Accepted	95,052	96,505
Retraining Plans Completed	1,694	1,763
Total Days Paid for Lost Work	7,488,000	7,540,000

Demographics of Accepted Claims	FY 2008	FY 2007
Male	70%	70%
Female	30%	30%
Average Age	37	37
Younger than 30	34%	35%
Age 30 to 50	47%	48%
Older than 50	19%	17%

Most Frequent Injuries	FY 2008		FY 2007	
	Rank	# of Claims	Rank	# of Claims
Traumatic injuries to muscles, tendons, ligaments, joints, etc., of back, including spine, spinal cord (includes sprains, strains, etc.)	1	16,192	1	15,236
Open wounds of finger(s), fingernails (includes cuts and lacerations, and amputation of fingertip or finger)	2	12,871	2	13,186
Surface wounds and bruises of face (includes splinter or other foreign body in eye, and bruises or contusions of the forehead)	3	6,153	3	6,261
Traumatic injuries to muscles, tendons, ligaments, joints, etc., of leg(s) (such as knee or thigh; excludes ankle and hip)	4	4,460	5	4,042
Traumatic injuries to muscles, tendons, ligaments, joints, etc., of shoulder, including clavicle, scapula (injuries to muscles, tendons, and ligaments that are not specifically otherwise classified)	5	4,235	6	3,859

**Notes:** The data are a snapshot of FY2008 (July 1 – June 30) as of the first week of October. Because of rounding, some columns may not add up to 100%.

**Provisional Claims:** Number of Claims Accepted plus Number of Claims Denied do not equal Number of Claims Filed as there are claims in "provisional" status where the decision to accept or deny has yet to be made.

\* **2008 Decrease in Pensions:** The decrease in Total Permanent Disability Pensions Granted reflects our efforts to eliminate backlogs in this area in 2007.

# Washington State Workers' Compensation State Fund

## Convenient and easy Do business with L&I online

### Access to your account

More features, added convenience – do business regarding your workers' compensation account online.

#### What can I do online?

- ❗ **Check the status of your account**
  - What are my rates?
  - What are my risk classes?
  - Do I have a balance in my account?
- ❗ **Check the status of a claim**
  - View claim file documents.
  - Find out who is the claim manager.
  - Has treatment been authorized?
- ❗ **Send information to L&I**
  - Send a secure message.
  - Update work status.
  - Complete employer's report of accident.

#### Manage your account

- **Claim Search** – View all your claims in a single list.
- **Trend Reports** – Sort and analyze your data.
- **Cost-Analysis Calculator** – See how claims influence rates.\*

\* The calculator is an educational tool. L&I does not guarantee that premiums will match estimates.

#### How do I sign up?

You can use the Claim & Account Center at [www.ClaimInfo.Lni.wa.gov](http://www.ClaimInfo.Lni.wa.gov)

### Pay your premiums online

**Why not join more than 50,000 employers already filing quarterly reports online?**

You'll save time and money (staff time, envelopes, and postage). Online filing will also improve your accuracy, avoiding the need for corrections and possible penalties and interest.

You have two options for filing online.

#### Quick File

- This new online option is as easy as paper.
- It's fast — you don't have to log into the Claim & Account Center.
- You can pay quickly with L&I's new E-check option that doesn't store your bank information.

#### Deluxe File

- You can pay online and choose the date your payment will come out of your account.
- See current rates and risk classes, and submit changes to risk classes.
- Review rate notice history.

#### How do I sign up?

Quick File and Deluxe File are available at [www.QuarterlyReports.Lni.wa.gov](http://www.QuarterlyReports.Lni.wa.gov)



## Financial Summary

### Accident, Medical Aid and Pension Reserve Funds (unaudited)

Audited numbers, along with a 10-year history of our financials, will be available on the L&I Web site after January 31, 2009, at [www.StateFundFinancial.Lni.wa.gov](http://www.StateFundFinancial.Lni.wa.gov).

Summary of Financial Condition	Dollars in Millions	
Fiscal Year Ending	June 30, 2008	June 30, 2007
<b>Assets</b>		
Cash and Investments	\$ 11,074	\$ 11,113
Premium Receivables, Net	415	383
Land, Buildings, and Improvements, Net	16	14
Other Assets	20	64
<b>Total Assets</b>	<b>\$ 11,525</b>	<b>\$ 11,574</b>
<b>Liabilities and Contingency Reserve</b>		
Benefits	\$ 9,331	\$ 8,794
Claims Administration	419	414
Retrospective Rating Adjustments	124	160
Other Liabilities	49	110
<b>Total Liabilities</b>	<b>9,923</b>	<b>9,478</b>
<b>Contingency Reserve</b>	<b>1,602</b>	<b>2,096</b>
<b>Total Liabilities and Contingency Reserve</b>	<b>\$ 11,525</b>	<b>\$ 11,574</b>

Summary of Operations and Contingency Reserve		
Revenues		
Net Premiums Earned	\$ 1,124	\$ 1,295
Net Investment Income Earned	537	530
Investment Gains	347	219
Self-Insured Reimbursements	94	70
Other Income	53	58
<b>Total Revenues Earned</b>	<b>2,155</b>	<b>2,172</b>
<b>Expenses</b>		
Net Benefits Incurred	1,919	1,770
Claims Administration Expenses Incurred	130	138
Other Administrative Expenses Incurred	192	133
<b>Total Expenses Incurred</b>	<b>2,241</b>	<b>2,041</b>
<b>Net Income (Loss)</b>	<b>(86)</b>	<b>131</b>
<b>Equities &amp; TIPS Unrealized Gains (Losses)</b>	<b>(429)</b>	<b>272</b>
<b>Change in Non-Admitted Assets</b>	<b>21</b>	<b>(16)</b>
<b>Change in Contingency Reserve</b>	<b>\$ (494)</b>	<b>\$ 387</b>

Cash Flow Summary		
Operating Revenues Collected	\$ 1,159	\$ 1,449
Benefits Paid	(1,382)	(1,305)
Administrative Expenses Paid	(256)	(249)
<b>Net Operating Cash Flow</b>	<b>(479)</b>	<b>(105)</b>
Net Investment Income Collected	894	736
Investment Sales / (Purchases)	(452)	(625)
<b>Net Investment and Other Cash Flow</b>	<b>442</b>	<b>111</b>
<b>Net Cash Flow</b>	<b>(37)</b>	<b>6</b>
<b>Beginning Cash</b>	<b>9</b>	<b>3</b>
<b>Ending Cash</b>	<b>\$ (28)</b>	<b>\$ 9</b>

**Notes:** Fiscal Year 2008 amounts are unaudited. Fiscal Year 2007 is restated to reflect audited amounts and changes in reporting.

**Based on:** Statutory Accounting Principles.

**Source:** The Washington State Agency Financial Reporting System with adjustments for insurance reporting.

## An Invitation to Learn More

This *2008 Year in Review* is part of our effort to help L&I customers, the Legislature and the public learn more about Washington State's workers' compensation system. For more detailed financial reports, a breakdown on how State Fund monies are spent and average premium rates over the past 10 years, please visit [www.StateFundFinancial.Lni.wa.gov](http://www.StateFundFinancial.Lni.wa.gov).