



BIGGEST BANG FOR THE BUCK:

Washington's State-Run Workers Compensation System

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SUMMARY

The nation's largest workers' compensation insurance carriers, as well as the Building Industry Association of Washington, have placed Initiative 1082 on the November Washington State ballot. This initiative would alter Washington's exclusive government-run, non-profit workers' compensation system. It would allow, for the first time, the private insurance industry to enter Washington's workers' compensation market. Washington is one of four states that currently have an entirely state-run system.

Americans for Insurance Reform (AIR) is a coalition of nearly 100 consumer and public interest groups around the country. Under the direction of actuary J. Robert Hunter, Director of Insurance for the Consumer Federation of America, and former Federal Insurance Administrator and Texas Insurance Commissioner, AIR studied the recent experience of the private insurance market as well as competitive state funds (i.e., where state funds compete with private insurers), to see how they compare to Washington's state fund.

The purpose of this analysis is to determine if employers or workers would fare better by allowing private insurers into Washington State. Based on its analysis, AIR finds that the answer is clearly no. Washington's state-run system is remarkably cost-effective, with higher benefits to workers, far lower expenses and profit, as well as much greater reflection of investment income—all fully credited to policyholders for their benefit.

One reason that public non-profit state funds like Washington do better than competitive funds is that they cover all risks—both high-risk industries and safer occupations—allowing the fund to spread its risks so that rates stay moderate. If Washington allowed entry of private insurers into the workers' compensation market, private companies would “cherry-pick” the safer occupations, sticking the state with covering the higher risk businesses, preventing it from spreading risks as it does now, and ultimately forcing it to raise rates.

In sum, the Washington system is a far more efficient benefit delivery system to employees than the private market, with the lowest possible cost to employers. Recent experience suggests that allowing the private insurance industry to enter this market will very likely result in increased costs for employers, decreased benefits for injured workers, and new burdens on Washington State.

WORKERS' COMPENSATION SYSTEM: BACKGROUND

Workers' compensation is administered on a state-by-state basis¹ with a state governing board overseeing varying public/private combinations of workers' compensation systems. The federal government has its own workers' compensation program, subject to its own requirements and statutory parameters for federal employees.

In the vast majority of states, workers' compensation is solely provided by private insurance companies. Twenty-one states operate a competitive (with the private sector) state fund, which serves as a model to private insurers and insures state employees. These are Arizona, California, Colorado, Hawaii, Idaho, Kentucky, Louisiana, Maine, Maryland, Minnesota, Missouri, Montana, New Mexico, New York, Oklahoma, Oregon, Pennsylvania, Rhode Island, Texas, Utah, and West Virginia. To keep the competitive state funds from crowding out private insurers, they are generally required to act as assigned-risk programs or insurers of last resort, and they can only write workers' compensation policies. In contrast, private insurers can turn away the worst risks and can write comprehensive insurance packages covering general liability, natural disasters, and so on.

In four states, including Washington, state-owned insurance funds provide workers' compensation insurance policies to employers. Those are: Ohio, North Dakota, Washington and Wyoming. Ohio's history is instructive.

Ohio's Experience

In 1981, the nation's top insurance companies placed a similar referendum on Ohio's ballot, seeking to allow insurance giants to enter Ohio's workers' compensation market. A strong coalition of business, labor and farmers all opposed this idea. In fact, the Ohio Chamber of Commerce, Ohio Manufacturers' Association, the Ohio Farm Bureau and Ohio AFL-CIO all opposed.

Despite being outspent 7 to 1 by the insurance industry, which spent millions of dollars trying to convince voters that letting them in the market was good idea, Ohioans overwhelmingly—by 79%—said no.

The central reason these groups all opposed this referendum was, as the Ohio Manufacturers' Association noted at the time, that "costs would rise, injured workers would not get as good a deal and the state would be stuck covering high-risk jobs ignored by the private insurers. 'The insurance companies would take only the safer occupations, which would provide them with the most profit. The state fund would have to insure the rest,' said Tom Johnson, president of the Ohio Manufacturers' Association."² These reasons are equally relevant for Washington State today.

¹ See full descriptions of state workers compensation laws at <http://www.cutcomp.com/depts.htm>.

² John W. Chalfant, "Ohio Ballot Measure Defeated," Associated Press, November 4, 1981; John W. Chalfant, "Business, Labor Oppose Private Worker's Compensation Fund," Associated Press, October 27, 1981.

METHODOLOGY

We studied the recent experience of the private insurance market to see how it compares to Washington State's fund in terms of efficiency and results for employers and employee victims of workplace injury. Because some data on competitive state funds is available, that is also reviewed. This data can be found in Exhibit 1.

EXHIBIT 1 – Competitive State Funds vs. Private Sector

At the top of Exhibit 1, data from various editions of Best's Aggregates and Averages are displayed showing the workers' compensation experience for 2004 through 2008. The data show the premiums written and earned, dividends paid to policyholders, losses incurred, expenses incurred (expenses are shown split between defense and cost containment, loss adjustment, commissions, taxes licenses and fees, other acquisition, general and other expenses less other income), pre-tax profit excluding investment income, investment income earned on insurance funds (i.e., the float), profit on surplus before the investment income on surplus and the investment income on surplus. The total profit or loss is also shown. For information, we also display various figures on monies held for future payout (called "reserves" or "unpaid") for losses, defense and cost containment, loss adjustment and unearned premiums.

"Written" premiums are the premiums actually paid by the employers (less any amount paid out to reinsure the business, since these data are "net" of reinsurance so we can understand how the insurer fares in the transaction). "Earned" premiums reflect the actual premiums that the insurer now "owns" since the time of the contract is reflected (e.g., a \$100 dollar policy written on July 1, 2009 is 50% earned at year-end 2009 so the year for that policy would show \$100 written premium and \$50 earned premium). Incurred figures, such as losses, include all payments made in the year and add reserves at the end of the year and subtract reserves at the beginning of the year. Thus, "incurred" figures include the insurer's estimates of future payments to be made.

The first two sets of data, "Sample of Competitive State Funds" and "Total P/C USA Industry," are posted directly from Best's. The third set, "Total P/C USA Industry Less State Funds," is calculated by subtracting the state fund data from the overall total. What's left is therefore purely the private insurer data. The State Fund data are only for some states, as indicated on the spreadsheet. Some of the competitive state funds and none of the four non-profit state funds are included since they do not report their data to insurance regulators under the uniform annual statement approach.

Below the three data sets is a comparison of the sample of the results of the competitive state funds and the private insurers.

The next two data sets on Exhibit 1 show key overall industry results for the decade on both a direct (before the reflection of reinsurance) and net (including the effect of reinsurance) basis.

Findings: Competitive State Funds and Private Sector

- Competitive state funds pay higher dividends to employer/policyholders than the private sector does (3.4% of earned premium vs. 1.4%).
- Competitive state funds pay much higher benefits to injured workers per premium dollar than employers pay into the system (70.2% of earned premium vs. 62% of earned premium, a 13% higher benefit-to-cost ratio).
- Overhead expenses are higher, per premium dollar, in the private sector than in the competitive state funds. Underwriting expenses are 22.3% vs. 18.6%. Total loss adjustment expenses, including defense costs and cost containment, are almost identical for the private market (14.2%) and the competitive state funds (14.4%).
- Both competitive state funds and the private sector make money, but, compared to the premiums paid in, the competitive funds make less (14.4% vs. 17.8%).
- The benefit-to-cost ratio, measured by the incurred losses divided by the earned premiums, is similar whether reinsurance is considered or not (69.5% for direct and 68.1% for net). This means that with or without reinsurance effects, the competitive state funds outperform the private market in terms of delivering a better bang to injured workers for the employer's buck of premium.
- Over the decade ending 2008, the private market made between \$31 billion and \$436.3 billion in profits on the workers' compensation line. The overall operating ratio shows a 5.4% profit before counting investment income on the surplus backing up the coverage.

EXHIBIT 2 – Washington State Fund

Exhibit 2 show similar data for 2004 through 2008 from the non-profit Washington State Fund, known as the "Industrial Insurance Fund," and administered by the Washington State Department of Labor and Industries.

Findings:

Whether compared to the private sector, or competitive state funds, Washington State is a model for efficiency.

- Over the 2004 to 2008 period, Washington State's loss ratio was 128.9%. In other words, for each dollar of premium paid in by employers, injured workers received benefits of \$1.289, a remarkable result.

- By contrast, the private insurer payout (see Exhibit 1) is 62.0%, which means that Washington paid out 107.9% more related to the premium paid by employers – over double the bang for the buck.
- This also compares to the competitive state fund payout (see Exhibit 1) of 70.2%, which means that Washington paid out 83.6% more related to the premium paid by employers.

It should be noted that these results are consistent with those of other non-profit state funds, which we examined where data were readily available. We found that Ohio's 2004-2008 loss ratio was 112.9% and North Dakota's loss ratio was 77.1%, both higher than the competitive state fund results and far higher than the private market. North Dakota's result was 24.4% more bang for the buck than the private results and Ohio was a whopping 82.1% more.

- Over the 5-year period ending 2008, the cost to private insurers to run their workers' compensation systems was more than 90% higher than Washington State's costs to run its state-system. Specifically:
 - **Loss Adjustment Expenses (LAE).** One significant indicator of insurer costs is the cost of adjusting and settling claims - adjuster and legal expenses, and overhead costs associated with these expenses. This is called Loss Adjustment Expenses, or LAE. Between 2004 and 2008, the LAE for Washington was 8.8% of each premium dollar that employers pay into the system. The LAE for private insurers was 14.2%; for competitive state funds, the LAE was not much different – 14.4%. In other words, it is more costly for either private insurers or competitive state funds to settle claims than it currently is for Washington State.
 - **Underwriting expenses.** Another significant cost indicator is underwriting expenses. This includes the salaries, commissions and the portion of all administrative and other expenses attributable to underwriting policies, like marketing and advertising costs, which are unnecessary in state-run systems. As a result, in Washington State, underwriting losses were only 2.9% of earned premiums. For private insurers, these same costs averaged 22.3% for the private sectors. Even competitive state funds averaged a much higher underwriting expense of 18.6%.
 - **Other administrative costs.** Washington State calculates a separate additional administrative expense figure and puts that at 7.6% of earned premiums.
 - **Total Expenses.** From 2004-2008 in Washington State, workers' compensation system expenses totaled 19.3% of each premium dollar that employers paid into the system. For competitive state funds, the figure was 33.0%. For private insurers, this figure was 36.5%, or 90.1% more for the private sector to run their workers' compensation system than it costs Washington State to run its state system.

Investment Income for Washington State is Much Higher than for Private Insurers.

Over the prior five years private insurers credited their workers' compensation business account with 19.1% in investment income. On the other hand, Washington State credited this investment income at 59.1% of earned premiums. This could be because insurers allocate investment income to different lines of insurance and since the workers' compensation line is one of the most rate regulated lines, it pays for private insurers to under-allocate investment income to their workers' compensation line. Some states consider investment income in setting rates – the more income, the smaller the rate hikes. Washington credits all of this income to the workers' compensation line, a long-tailed line with very large investment income.

CONCLUSION

Competitive state funds deliver a bigger bang for the buck than the private sector, but Washington State's non-profit state run system significantly outperforms both. Its lower expenses and much higher allocated investment income results in a very efficient benefit delivery to employees for the lowest possible cost to employers. By insuring the entire market, the Washington Fund obtains spread of risk that is not possible for the competitive state funds, since the private market cherry-picks against the competitive funds, driving up prices and destroying the needed spread of risk. Allowing private insurers into the remarkably efficient Washington State system would surely result in greater costs for employers, smaller benefits for injured workers, and increased burdens on the state.

EXHIBIT 1

WORKERS' COMPENSATION INSURANCE NET DATA FROM INSURANCE EXPENSE EXHIBITS (000 omitted)
SAMPLE OF COMPETITIVE STATE FUNDS

YEAR	PREMIUM WRITTEN	PREMIUM EARNED	POLICYHOLDER DIVIDENDS	INCURRED LOSS	DEFENSE & COST CONTAINMENT	LOSS ADJUSTMENT EXPENSE	UNPAID LOSSES
2004	10,957,206	10,878,041	163,675	7,856,371	368,856	719,022	21,889,581
2005	9,106,817	9,092,937	199,621	6,354,356	337,490	834,680	24,083,992
2006	6,496,409	6,496,485	280,309	4,309,228	209,183	761,519	23,819,108
2007	6,340,087	6,273,471	516,431	4,321,946	249,774	925,903	29,319,902
2008	3,987,888	4,077,986	87,063	3,020,519	200,057	707,025	23,470,784
TOTAL	36,888,407	36,818,920	1,247,099	25,862,420	1,365,360	3,948,149	122,583,367

YEAR	UNPAID DEFENSE	UNPAID LOSS ADJUSTMENT EXP.	UNEARNED PREM RES	AGENT'S BALANCES	COMMISSION INCURRED	TAXES/FEES INCURRED	OTHER ACQ INCURRED
2004	1,046,352	1,388,774	1,183,740	1,066,467	723,912	342,327	318,994
2005	1,182,271	1,529,649	1,034,390	1,008,270	443,029	308,066	318,452
2006	1,134,571	1,622,185	895,277	813,404	391,423	262,046	247,673
2007	1,071,435	2,252,529	1,216,978	804,615	313,229	296,911	295,007
2008	940,058	1,856,006	893,593	862,521	242,495	117,102	279,754
TOTAL	5,374,687	8,649,143	5,223,978	4,555,277	2,114,088	1,326,452	1,459,880

YEAR	GENERAL EXP. INCURRED	OTHER INCURRED LESS OTHER EXP	PRE-TAX P&L EXC INV INC	INV INC ON INS FUNDS	P&L EXC INV INC ON SURPLUS	INV INC ON SURPLUS	TOTAL P&L
2004	397,856	-49,999	-62,964	1,037,287	974,325	283,176	1,257,498
2005	444,759	211,856	64,340	1,163,821	1,226,161	343,314	1,571,473
2006	442,608	-108,653	-516,161	1,230,779	714,621	369,597	1,084,215
2007	384,184	-55,008	-1,084,921	1,652,113	567,194	538,961	1,106,154
2008	395,385	-95,947	-1,067,358	1,039,910	-27,450	293,074	265,624
TOTAL	2,064,792	-97,751	-2,667,064	6,123,910	3,454,851	1,828,122	5,284,964

Note: State Funds included in Best's are Beacon Mutual, Hawaii Employer's Mutual, Injured Worker's Fund, Kentucky Employer's Mutual, MEMIC, Pinnacol Assurance, SCF Group, SFM Group, State Comp Fund of CA, State Insurance Fund of NY, Texas Mutual and Workers compensation Fund.

EXHIBIT 1, continued

WORKERS' COMPENSATION INSURANCE NET DATA FROM INSURANCE EXPENSE EXHIBITS (000 omitted)

TOTAL P/C USA INDUSTRY

YEAR	PREMIUM WRITTEN	PREMIUM EARNED	POLICYHOLDER DIVIDEND	INCURRED LOSS	DEFENSE & COST CONTAINMENT	LOSS ADJUSTMENT EXPENSE	UNPAID LOSSES
2004	40,049,097	39,719,324	571,938	27,187,599	2,402,984	2,943,889	82,612,992
2005	46,633,441	45,366,814	629,845	29,781,594	2,955,972	3,461,138	98,807,930
2006	45,033,012	44,780,012	751,106	26,744,840	2,802,381	3,360,607	104,490,044
2007	44,207,021	43,502,510	1,115,538	26,894,957	3,050,443	3,487,580	117,258,907
2008	37,535,546	38,252,533	682,417	23,633,753	2,659,653	3,092,406	107,502,553
TOTAL	213,458,117	211,621,193	3,750,844	134,242,743	13,871,433	16,345,620	510,672,426

YEAR	UNPAID DEFENSE	UNPAID LOSS ADJUSTMENT EXP	UNEARNED PREM RES	AGENT'S BALANCES	COMMISSION INCURRED	TAXES/FEES INCURRED	OTHER ACQ INCURRED
2004	6,016,420	4,878,167	8,181,206	8,162,601	2,588,964	1,788,732	1,934,897
2005	7,861,110	5,715,855	11,769,265	10,507,164	2,615,175	2,273,489	2,371,354
2006	8,620,054	6,004,742	11,907,915	11,719,951	3,102,741	1,348,805	2,216,465
2007	9,224,935	6,633,925	12,897,036	10,706,227	2,716,739	2,083,325	2,670,205
2008	9,215,426	6,327,335	11,732,112	11,824,391	2,233,987	1,531,348	2,589,786
TOTAL	40,937,945	29,560,024	56,487,534	52,920,334	13,257,606	9,025,699	11,782,707

YEAR	GENERAL EXP INCURRED	OTHER INCURRED LESS OTHER EXP	PRE-TAX P&L EXC INV INC	INV INC ON INS FUNDS	P&L EXC INV INC ON SURPLUS	INV INC ON SURPLUS	TOTAL P&L
2004	2,316,080	34,559	-1,981,178	4,414,834	2,433,652	2,120,495	4,554,148
2005	2,648,868	-28,604	-1,399,267	5,388,738	3,989,530	2,533,600	6,523,086
2006	2,249,783	-623,354	1,578,913	5,574,682	7,153,619	3,289,673	10,443,286
2007	3,113,121	-216,337	-1,845,750	6,649,312	4,803,569	4,139,958	8,943,515
2008	2,933,506	-317,016	-1,421,380	4,586,431	3,165,065	2,700,080	5,865,142
TOTAL	13,261,358	-1,150,752	-5,068,662	26,613,997	21,545,435	14,783,806	36,329,177

EXHIBIT 1, continued

WORKERS' COMPENSATION INSURANCE NET DATA FROM INSURANCE EXPENSE EXHIBITS (000 omitted)

TOTAL P/C USA INDUSTRY LESS STATE FUNDS

YEAR	PREMIUM WRITTEN	PREMIUM EARNED	POLICYHOLDER DIVIDEND	INCURRED LOSS	DEFENSE & COST CONTAINMENT	LOSS ADJUSTMENT EXPENSE	UNPAID LOSSES
2004	29,091,891	28,841,283	408,263	19,331,228	2,034,128	2,224,867	60,723,411
2005	37,526,624	36,273,877	430,224	23,427,238	2,618,482	2,626,458	74,723,938
2006	38,536,603	38,283,527	470,797	22,435,612	2,593,198	2,599,088	80,670,936
2007	37,866,934	37,229,039	599,107	22,573,011	2,800,669	2,561,677	87,939,005
2008	33,547,658	34,174,547	595,354	20,613,234	2,459,596	2,385,381	84,031,769
TOTAL	176,569,710	174,802,273	2,503,745	108,380,323	12,506,073	12,397,471	388,089,059

YEAR	UNPAID DEFENSE	UNPAID LOSS ADJUSTMENT EXP	UNEARNED PREM. RESERVE	AGENT'S BALANCES	COMMISSION INCURRED	TAXES/FEES INCURRED	OTHER ACQ INCURRED
2004	4,970,068	3,489,393	6,997,466	7,096,134	1,865,052	1,446,405	1,615,903
2005	6,678,839	4,186,206	10,734,875	9,498,894	2,172,146	1,965,423	2,052,902
2006	7,485,483	4,382,557	11,012,638	10,906,547	2,711,318	1,086,759	1,968,792
2007	8,153,500	4,381,396	11,680,058	9,901,612	2,403,510	1,786,414	2,375,198
2008	8,275,368	4,471,329	10,838,519	10,961,870	1,991,492	1,414,246	2,310,032
TOTAL	35,563,258	20,910,881	51,263,556	48,365,057	11,143,518	7,699,247	10,322,827

YEAR	GENERAL EXP INCURRED	OTHER INC LESS OTHER EXP	PRE-TAX P&L EXC INV INC	INV INC ON INS FUNDS	OTHER INCURRED LESS OTHER EXP	INV INC ON SURPLUS	TOTAL P&L
2004	1,918,224	84,558	-1,918,214	3,377,547	1,459,327	1,837,319	3,296,650
2005	2,204,109	-240,460	-1,463,607	4,224,917	2,763,369	2,190,286	4,951,613
2006	1,807,175	-514,701	2,095,074	4,343,903	6,438,998	2,920,076	9,359,071
2007	2,728,937	-161,329	-760,829	4,997,199	4,236,375	3,600,997	7,837,361
2008	2,538,121	-221,069	-354,022	3,546,521	3,192,515	2,407,006	5,599,518
TOTAL	11,196,566	-1,053,001	-2,401,598	20,490,087	18,090,584	12,955,684	31,044,213

Note: State Funds included in Best's are Beacon Mutual, Hawaii Employer's Mutual, Injured Worker's Fund, Kentucky Employer's Mutual, MEMIC, Pinnacol Assurance, SCF Group, SFM Group, State Comp Fund of CA, State Insurance Fund of NY, Texas Mutual and Workers compensation Fund.

EXHIBIT 1, continued

WORKERS' COMPENSATION INSURANCE KEY RATIOS FOR 2004 TO 2008 COMBINED

RATIO	STATE FUNDS*	REST OF INDUSTRY	COMMENT
Dividends to Policy Holder as % of Earned Premium	3.4%	1.4%	State Funds pay higher dividends to Policyholders than private insurers do.
Incurred Losses as % of Earned Premium	70.2%	62.0%	State Funds pay much higher benefits per premium dollar than private insurers.
Commission as % of Written Premium	5.7%	6.3%	Commissions to insurance agents are somewhat higher in the private market.
Taxes, Licenses and Fees as % of Premium Written	3.6%	4.4%	Taxes licenses and fees are somewhat higher in the private market.
Other Acquisition as % of Premium Written	4.0%	5.8%	Other acquisition costs are somewhat higher in the private market.
General as % of Premium Earned	5.6%	6.4%	General overhead costs are somewhat higher in the private market.
Other income less other Expense as % of Premium Earned	-0.3%	-0.6%	
Defense and Cost Containment as % of Earned Premium	3.7%	7.2%	
Loss Adjustment Expense as % of Earned Premium	10.7%	7.1%	
Total Loss Adjustment Costs	14.4%	14.2%	Total loss adjustment and defense costs are similar in State Funds as in the private market.
Total Underwriting Expense costs	18.6%	22.3%	Total underwriting expenses are higher in the private market
Pre-tax Profit/Loss (excluding investment income) % Earned Premium	-6.5%	-1.9%	The underwriting losses are greater in the State Funds
Profit/Loss After Insurance Investment Income Added	9.4%	10.3%	But the total profit on purely insurance results in the State Funds is excellent, probably a bit high.
Total Profit/Loss as % of Earned Premium	14.4%	17.8%	Adding investment income on surplus, the State Funds profit is high but better than the private sector.

Data Source: Best Aggregates and Averages, 2004 to 2009 Editions.

* NOTE: Only some State Funds file annual statements so this is a partial list of Funds. See list of Funds Best's includes above

EXHIBIT 1, continued

INDUSTRY DATA OVER THE LAST DECADE -- DIRECT BUSINESS

Year	DIRECT PREMIUM WRITTEN	DIRECT PREMIUM EARNED	LOSS RATIO	LAE RATIO	LOSS/LAE	COMMISSIONS INCURRED	OTHER EXPENSE	TOTAL UND EXPENSES	DIVIDEND TO POLICY HOLDER	COMBINED RATIO
1999	29,524,205	29,129,898	73.9%	15.5%	89.4%	8.2%	17.6%	25.8%	5.9%	121.7%
2000	32,780,086	30,882,305	78.8%	14.0%	92.8%	8.2%	16.0%	24.2%	4.8%	121.7%
2001	37,333,721	35,631,586	86.4%	13.1%	99.5%	8.4%	15.0%	23.4%	3.2%	126.0%
2002	43,950,839	41,816,763	78.2%	12.2%	90.4%	7.7%	14.0%	21.7%	2.6%	114.7%
2003	50,031,977	48,596,172	73.5%	12.3%	85.8%	7.2%	13.3%	20.5%	1.6%	108.0%
2004	51,993,213	51,087,579	67.9%	12.5%	80.4%	7.4%	12.9%	20.3%	1.5%	102.2%
2005	55,160,789	53,973,174	65.2%	14.6%	79.8%	6.6%	14.2%	20.8%	1.6%	102.2%
2006	52,139,537	52,502,071	59.7%	13.3%	73.0%	7.0%	14.6%	21.6%	2.1%	96.8%
2007	51,139,537	50,399,941	60.5%	11.1%	71.6%	7.2%	15.6%	22.8%	2.3%	96.7%
2008	42,686,615	43,200,816	62.8%	14.1%	76.9%	7.7%	16.3%	24.0%	1.7%	102.5%
TOTAL	447,334,026	437,220,323	69.5%	13.2%	82.7%	7.5%	14.8%	22.3%	2.5%	107.4%

INDUSTRY DATA OVER THE LAST DECADE -- NET OF REINSURANCE

Year	NET PREMIUM WRITTEN	NET PREMIUM EARNED	LOSS RATIO	LAE RATIO	LOSS/LAE	COMMIS. INC	OTHER UND EXPENSE	TOTAL UND EXPENSES	POLICYHOLD DIVIDEND	COMBINED RATIO	INV GAIN ON INS	OVERALL OPERATING RATIO
1999	24,653,790	24,422,694	68.0%	16.2%	84.2%	6.4%	21.1%	27.5%	6.7%	118.5%	22.4%	96.1%
2000	28,240,208	26,826,012	73.5%	16.0%	89.5%	6.8%	19.0%	25.8%	5.4%	120.7%	20.9%	99.8%
2001	31,520,736	30,238,687	78.9%	13.6%	92.5%	6.6%	18.4%	25.0%	3.5%	120.9%	12.8%	108.1%
2002	38,137,991	36,283,438	74.6%	12.9%	87.5%	6.6%	15.6%	22.2%	2.8%	112.6%	12.2%	100.4%
2003	43,333,685	42,058,884	72.2%	14.0%	86.2%	6.3%	14.5%	20.8%	1.6%	108.6%	10.5%	98.1%
2004	45,671,801	44,801,823	69.7%	13.4%	83.1%	6.3%	14.5%	20.8%	1.3%	105.1%	10.6%	94.5%
2005	48,637,854	47,368,922	66.1%	14.1%	80.2%	5.4%	15.5%	20.9%	1.7%	102.7%	12.2%	90.5%
2006	46,877,271	46,603,377	60.6%	13.6%	74.2%	5.8%	16.4%	22.2%	2.0%	98.5%	12.2%	86.3%
2007	44,966,544	44,237,816	61.9%	14.9%	76.8%	6.2%	17.7%	23.9%	2.8%	103.6%	14.8%	88.8%
2008	37,535,546	38,252,533	61.8%	15.0%	76.8%	6.0%	18.8%	24.8%	1.8%	103.4%	11.2%	92.9%
TOTAL	389,575,426	381,094,186	68.1%	14.2%	82.3%	6.2%	16.8%	23.0%	2.6%	107.9%	13.3%	94.6%

EXHIBIT 2

WASHINGTON WORKERS' COMP FUND -- DEPARTMENT OF LABOR AND INDUSTRIES

	2008	2007	2006	2005	2004	2004-2008 TOTAL	2004-2008 STATE FUNDS	2004-2008 PRIVATE INSURERS	
Net Earned Premiums	\$1,194,350	\$1,337,502	\$1,338,983	\$1,268,213	\$1,126,673	\$6,265,721	\$36,818,920	\$174,802,273	
Net Losses Incurred	1,918,808	1,770,481	1,413,139	1,386,587	1,584,660	\$8,073,675	25,862,420	108,380,323	
LAE Incurred	130,197	138,252	141,835	112,202	31,697	\$554,183	5,313,509	24,903,544	Includes Defense Costs
Underwriting Expense	28,878	25,651	39,222	44,748	40,459	\$178,958	6,867,461	39,309,157	
Other Admin. Cost	163,520	107,786	83,953	68,504	50,414	\$474,177	0	0	
Loss Ratio	160.6%	132.4%	105.6%	109.3%	140.6%	128.9%	70.2%	62.0%	
LAE Ratio	10.9%	10.3%	16.2%	8.8%	2.8%	8.8%	14.4%	14.2%	Includes Defense Costs
Und. Exp. Ratio	9.6%	3.7%	3.5%	3.5%	3.6%	2.9%	18.7%	22.5%	
Investment Income + Real Gain	884,703	749,065	574,383	623,933	868,041	3,700,125			
Combined Ratio	181.1%	146.4%	125.3%	121.7%	147.1%	143.6%	106.4%	101.9%	Reflects Dividends to PH
Operating Ratio	136.1%	106.8%	88.0%	84.4%	108.7%	104.2%	90.6%	89.7%	Reflects Dividends to PH
Contingency Reserve*	\$1,602,000	\$2,093,000	\$1,769,000	\$1,193,000	\$788,000				

Source: Various Annual Reports of the Washington State Fund (Dollar figures, 000 omitted)

* As of June 30 of the year. (Note, the 2009 figure dropped to \$550,000,000)

Note: Dollar figures (000 deleted)