

Bezanson, Michael

From: Kennedy, Victoria (LNI) [KENE235@LNI.WA.GOV]
Sent: Wednesday, April 15, 2009 4:18 PM
To: Bezanson, Michael
Cc: Swanson, Joshua (LNI)
Subject: Loan from SPF for FLI

4M3 GF-S

Senate Bill 6158 includes extension of the date for a loan from the workers' compensation supplemental pension fund to the family leave account. When a loan was initially considered in 2007, the department anticipated funds would be loaned in small, incremental amounts and would not necessarily cause a premium rate increase for SPF. This is because the fund generally maintains about four months of benefit costs. However, it does not maintain other reserves for future liabilities. The fund is equally paid by all Washington workers and employers, self-insured and state fund.

The recent reductions in hours reported for workers' comp premiums have significantly impacted the SPF, particularly since it does not maintain reserves or a contingency balance. It no longer has a balance of four months of benefit costs. For this reason, any loan from SPF will require a premium rate increase. Based on our preliminary estimates, approximately every \$10 million loaned would result in a 3% premium rate increase for this fund, likely in CY 2010. Premiums for CY 2010 would allow funds to be available starting in May, 2010. We assume system development work would have to start in late 2010, early 2011.

To put this in perspective, the amount L&I could loan in the 2007 legislation to initiate the program was up to \$18 million. If you need more, let me know.

Vickie