October 29, 2026

Joel Sacks, Director
Washington State Department of Labor & Industries
P.O. Box 44000
Olympia, WA 98504-4000

Submitted via e-mail to JoAnne.Attwood@Lni.wa.gov, Rules Analyst

Re: Industry Comment on Proposed 2027 Industrial Insurance Premium Rates

Dear Director Sacks:

The undersigned organizations represent thousands of Washington employers, large and small, insured through the State Fund and self-insured, along with the hundreds of thousands of workers they employ. We appreciate the opportunity to comment on the proposed 2027 premium rates and the Department's continued openness with the Workers' Compensation Advisory Committee (WCAC) and its Finance Committee.

Our position on the proposed rate. We neither support nor oppose the proposed 4.9% average increase. A moderate increase is far better for Washington's workers, employers and economy than one approaching the actuarially indicated level, and we recognize the Department's commitment to steady and predictable rates. Our concern is less with this year's number than a number of troubling trends hidden underneath it.

Seven straight years of premiums below the cost of the system. The break-even indication for 2027 is 18.2%: 38.2% in the Medical Aid Fund and 16.2% in the Accident Fund. The gap between break-even and proposed premium is projected to draw roughly $426 million from the contingency reserve in 2027. This will be the seventh consecutive year in which adopted rates have fallen short of the break-even cost of benefits and administration. According to the Department's accounting presented to the WCAC, the State Fund lost $1.6 billion on insurance operations in FY 2026 and $1.7 billion in FY 2025. Even after allowing for investment income, net losses were $582 million and $739 million. The contingency reserve, now $4.97 billion and 24.6% of liabilities, is already the lowest among the peer funds the Department benchmarks itself against, and it held steady last year only because of $591 million in unrealized investment gains.

A contingency reserve should exist to absorb short-term volatility. It should not be a substitute for premium that covers the true projected cost of the system. When a gap this large becomes routine, the reserve stops being a cushion and becomes a subsidy, one that hides the true cost of the system from the employers and workers who pay for it and from the Legislature that sets its benefits. The Legislature recognized this problem in part when it passed SB 6136 this year, requiring publication of break-even rates by risk class. We appreciate the Department's implementation of the bill and would encourage the Department to present the break-even indication and the projected reserve draw, not only the adopted rate, as the real measure of system cost.

This is not normal elsewhere. Benchmarking rates to wage inflation is reasonable when costs track wages. However, it has become a one-way ratchet. Nationally, workers' compensation is in the longest soft market on record. NCCI reports a 2025 private-carrier combined ratio of 90.6%. In the most recent filing cycle, 35 of 38 NCCI jurisdictions approved loss cost decreases, many in the 5–12% range, and NCCI expects rate and loss cost changes to reduce premium by about 5% in 2026. We understand the Department's point that payroll-based systems collect more premium as wages rise, but NCCI's figures

already reflect payroll growth, and premiums are still flat to falling. Ohio, the comparably sized exclusive state fund, announced a $1 billion dividend to employers this summer.

Washington is moving the other way. The State Fund's combined ratio was 165.8% in FY 2026 and 174.3% in FY 2025, against an NCCI industry figure near 90% and the Fund's own ten-year average of 125.5%. Oregon's biennial premium rate ranking, which controls for industry mix, shows Washington rising from 24th, near the national median, in 2022 to 12th in 2024, at 123% of the median. That climb came before three more years of increases on premiums that remain inadequate.

Long term disability is the core cost driver. The Department's own data identify the core problem as long-term disability. Average non-COVID time-loss duration has risen from 223 days in 2019 to 310 days today, compared with a countrywide average of roughly 125 days. More than 3,750 workers were still on time-loss twelve months after injury in 2025, the highest number in a decade, and about half of them are estimated to never return to their job of injury. The State Fund funds roughly 220 total permanent disability pensions every quarter, each carrying an average reserve of approximately $1.5 million. The Department itself describes Washington's pension rate as “substantially higher than in other jurisdictions.”

To be sure, this is a bigger issue than cost. Each dot on the chart represents workers whose recovery stalled and whose working life, income growth, and connection to the workplace may have ended. The best outcome for an injured worker is a safe, timely return to the job of injury or similar work, not years of time-loss ending in a pension. A system that produces more of the latter is failing workers before it is failing employers.

Policy choices are part of the story. The Department has pointed to changing claim characteristics, labor market shifts, health care access, caseloads and aging technology as driving long term disability trends. We support many of the Department's efforts to address these factors, in particular the concept of WCAC-approved pilots in its 2027 request legislation. But the list leaves out a significant factor: a steady expansion of coverage and benefits, coupled with limits on the tools that support effective claims management and worker recovery. Since 2018, among other things, the Legislature has created and expanded PTSD occupational disease presumptions, restricted independent medical examinations (IMEs) in 2020, and in 2023 enacted an IME recording requirement that has shrunk the pool of available examiners and delayed the medical evidence needed to move claims toward resolution.

These changes are ultimately paid for through State Fund premiums and self-insured employers' claim costs. But with adopted rates held well below break-even, much of that cost has been absorbed by the reserve instead of showing up in rates, so the full price of each decision rarely appears. The price is not only financial. Changes that lengthen claims and delay recovery make a safe return to work less likely and a pension more likely. Policymakers need an unvarnished look at this information before they act on advocates’ continued push for expanded benefits and coverage.

Capping first responder classes is a case in point. The clearest example is the firefighter and law enforcement risk classes, where the expansion of PTSD presumptions is driving costs. The 2027 indicated increases are 44% for salaried firefighters (class 6904), 44% for the Firefighter Injury & Illness Reduction (FIIRE) program, and 48% for county and city law enforcement officers (class 6905). Under its practice of limiting increases that stem from policy changes rather than workplace experience, the Department again proposes to cap each at 15%. By the Department's own figures, this shifts $20.7 million in 2027 premium onto every other risk class, raising their base rates by an average of 0.61%. We appreciate that SB 6136 now brings this into public view. But capping year after year means the local governments that employ these workers, and the Legislature that expanded their coverage, never see

its full cost, while private-sector State Fund employers, many of them small businesses, make up the difference. That runs against a founding principle of Washington's class and experience rating system: costs should follow the employers and risk classes that generate them, so each has a reason to invest in prevention and recovery. We acknowledge it is not an easy issue. First responders deserve coverage that works and the resources to get them well and back on the job, but other Washington employers, who are already taxed for the most part by these same local governments in order to fund first responder services in the first place, should not pay a second tab through workers' compensation socialization.

Our request. As the trustee of the State Fund and the system's independent actuarial voice, the Department is uniquely placed to give the Legislature the clear, sustained information it needs. Much of the institutional knowledge of Washington's industrial insurance system, and the grand bargain behind it, has left the Legislature in recent years. To help mitigate against the need for future high rate indications and rate proposals, we respectfully ask the Department to:

1. Continue to provide fiscal notes and testimony on benefit and claims-administration legislation that clearly quantify the long-term effect on premium rates and on worker outcomes, including claim duration, return to work and pension frequency. When the system cannot reasonably absorb extravagant new benefit proposals, as the trustee of the system, don't hesitate in explaining the human and financial ramifications of these policy proposals.
2. Report the projected reserve draw to the Legislature each year alongside the adopted rate, building on SB 6136.
3. Treat return to work as the system's central measure of success, including preserving timely access to the medical evaluations that help resolve claims.
4. Use the WCAC to develop, with labor and business together, reforms aimed directly at reducing long-term disability and pension frequency.

Washington's workers' compensation system exists to keep a promise to injured workers, and it can only keep that promise if it stays solvent and focused on recovery. Thank you for considering our comments. We look forward to continuing to work with the Department.

Respectfully submitted,

Association of Washington Business
(WCAC Member)

Washington Self-Insurers Association
(WCAC Member)

Washington Trucking Association
(WCAC Member)

Washington State Tree Fruit Association
(WCAC Member)

National Federation of Independent Business

Associated General Contractors of Washington

Building Industry Association of Washington

Washington Retail Association

Washington Hospitality Association

Washington Food Industry Association

Associated Builders and Contractors of Western Washington

Associated Builders and Contractors of the Inland Pacific

Southwest Washington Contractors Association

Northwest Hearth, Patio & Barbecue Association

Washington Air Conditioning Contractors Association