Washington
Paid Family & Medical Leave

Employment Security Department
WASHINGTON STATE

Advisory Committee Meeting

Wednesday, September 25, 2024

Agenda

- Introductions & approve July minutes
- Financial & program updates
- Actuarial annual update
- Rulemaking update
- Current program priorities
- Decision package & legislative updates
- Open comment & adjourn

Meeting structure

Only Advisory Committee members and presenters will be unmuted or speaking during the meeting.

Public to hold all feedback until open comment at the end.

Comments and questions in chat or the meeting will be reviewed during Open Comment at the end of the meeting.

Introductions

Advisory Committee Members

- Advisory committee members will introduce themselves in-person or online.

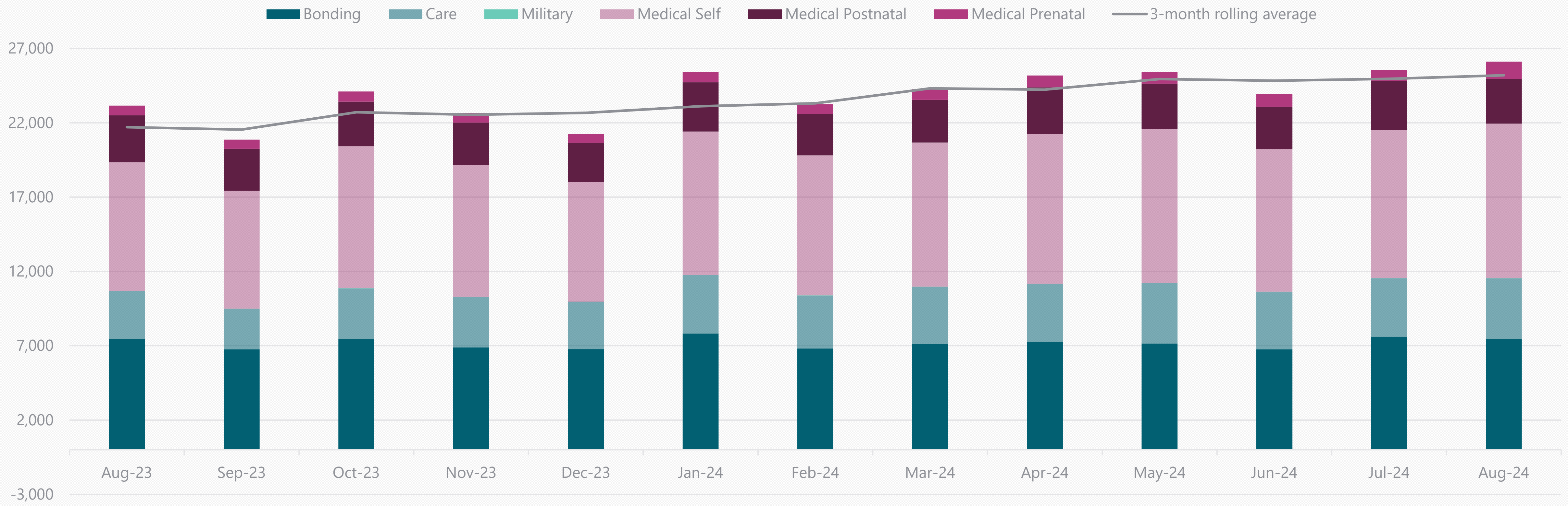
Approve July minutes

Program and fiscal update

Rebecca Grady, Research & Data Manager

Jen Young, Customer Service Manager

Claim applications submitted by type

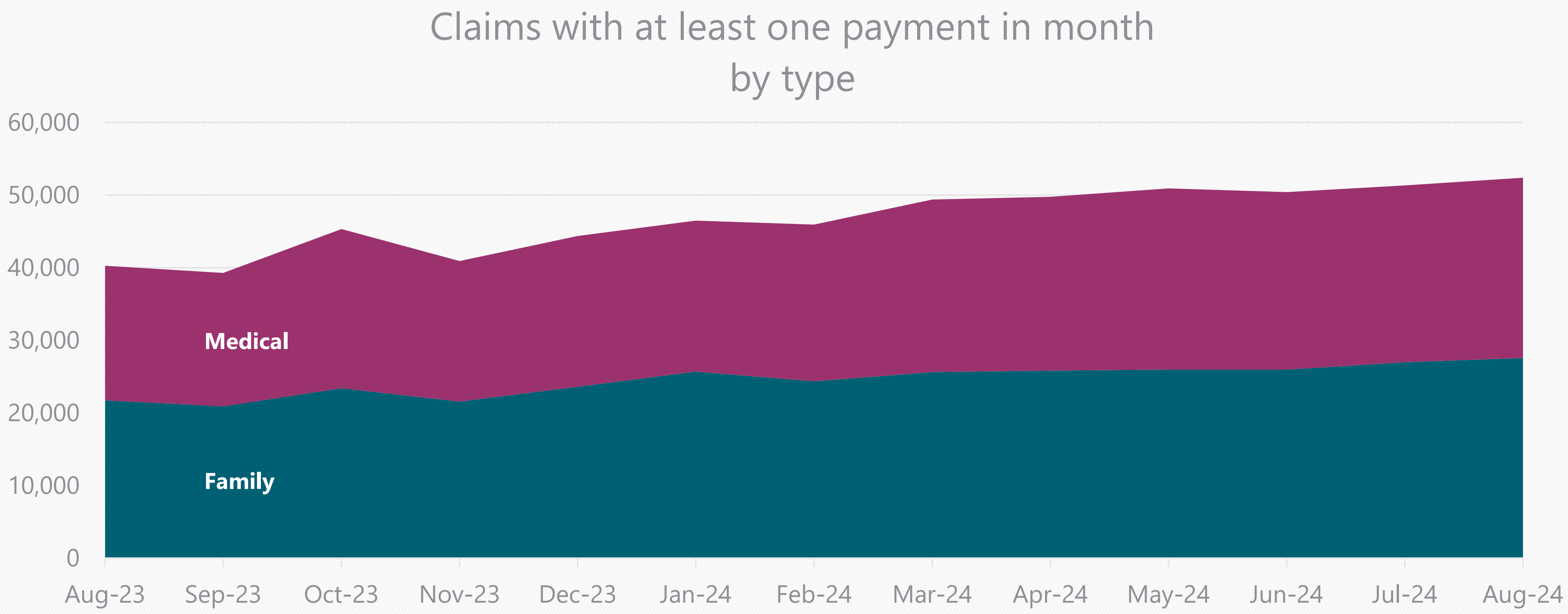


- In August 2024, we received 26,114 applications
  - 7% more than the previous month
  - 13% more than August of last year
- 44% family, 56% medical
- Three-month rolling average ~ 25K claim applications

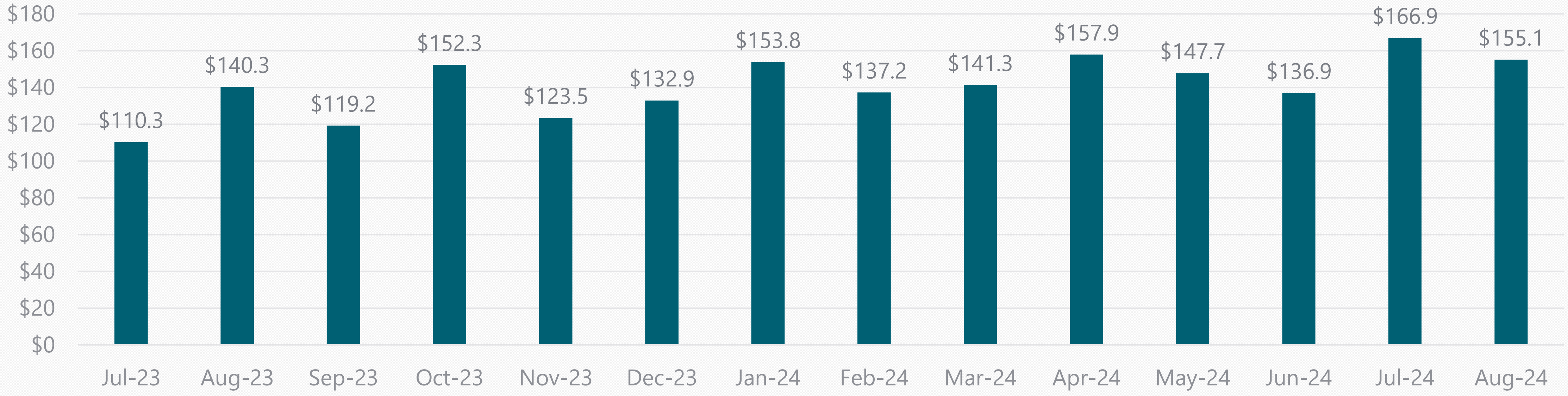
Technical note: Data grouped by Submitted Status Date

Approval rate and monthly claims with payment(s)

- Percentage of claims approved continues to be relatively stable
  - 87% approved in last 3 months
- August 2024 total unique paid leave claims: 52,384
  - 30% more than August of last year



Monthly benefits paid (millions)

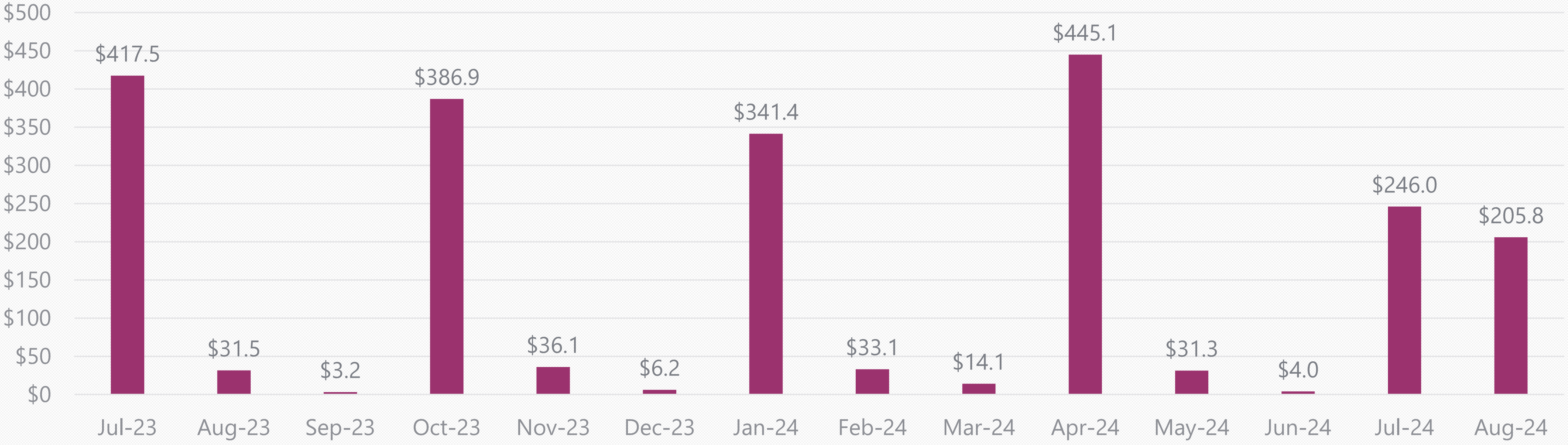


- $155.1 million in benefits paid in August
  - 8% less than the previous month
  - 11% more than August 2023
- $143.7 million average monthly benefits paid over last twelve months

Technical note: Data grouped by date financial transaction occurred in accounting database. If comparing to monthly approved benefit payments or account balance data published elsewhere, there will be slight variation.

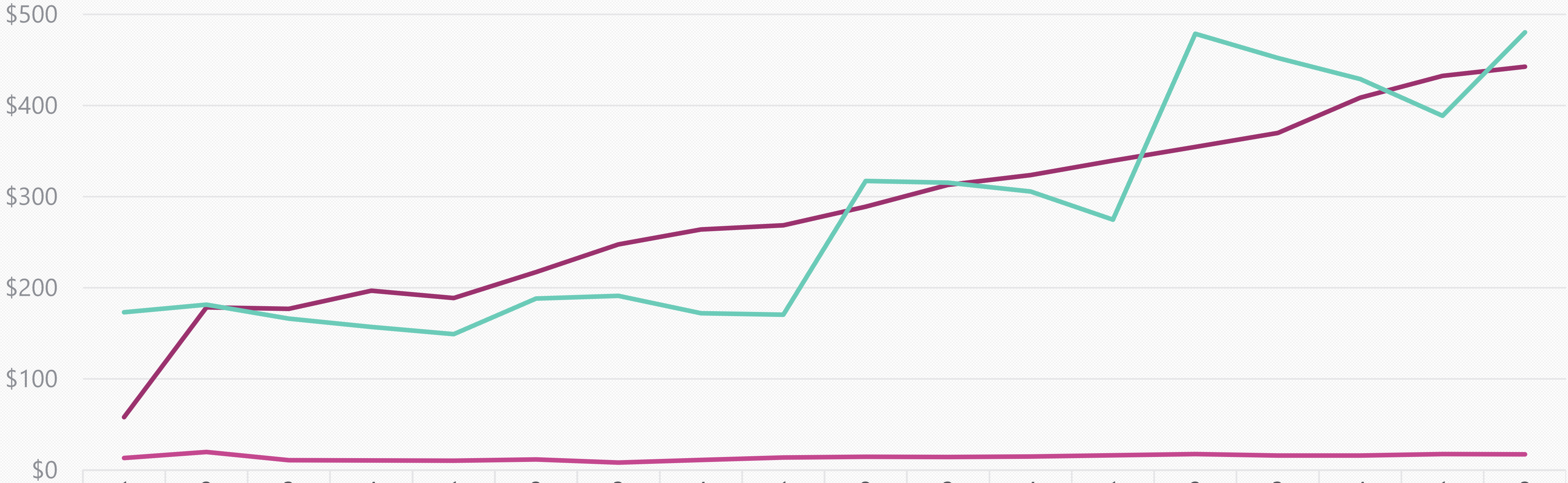
Monthly premiums remitted (millions)

- Cyclical pattern of highest monthly premium transactions occurring at end of quarterly reporting months
- Premiums assessed for each quarter are remitted in the following quarter
- Crowdstrike issue resulted in delay of $174 million Q2 premium receipts until the first week of August
  - July 2024 remitted premiums were $171.5 less than July 2023
  - August 2024 remitted premiums were $174.3 million more than August 2023
- Premium remittance over previous twelve months: $1.75 billion



Technical note: Data grouped by date financial transaction occurred in accounting database. If comparing to monthly invoiced premiums or account balance data published elsewhere, there will be slight variation.

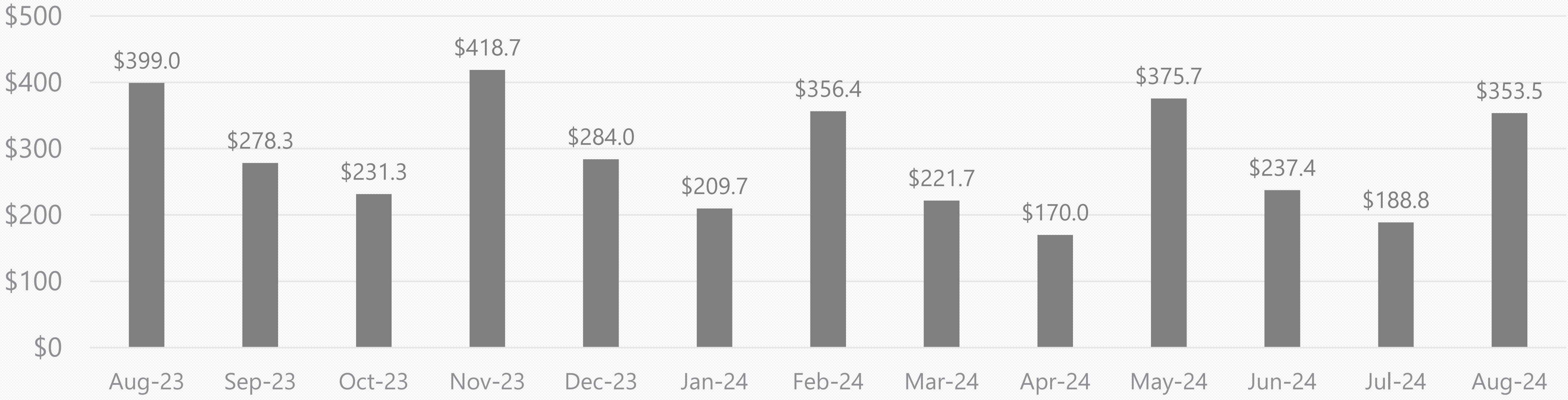
Premiums, benefits, operating expenses, and account balance by quarter (millions)



	2020				2021				2022				2023				2024	
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2
Benefits	$58	$179	$177	$197	$189	$217	$248	$264	$269	$289	$313	$324	$339	$355	$370	$409	$432	$443
Premiums	$173	$181	$166	$157	$149	$188	$191	$172	$170	$317	$315	$306	$275	$479	$452	$429	$389	$480
Operating	$13	$20	$11	$11	$10	$12	$8	$11	$14	$15	$14	$15	$16	$18	$16	$16	$18	$17
Account Balance	$467	$454	$427	$376	$327	$287	$222	$123	$19	$32	$17	-$19	-$98	$211	$278	$284	$222	$237

Technical note: Operating expenses in recent quarter are preliminary. Account balance, premiums, and expenses data are from different data systems so numbers will not exactly total within a quarter.

Monthly ending account balance (millions)



- August 2023 ending balance was $399 million
- August 2024 ending balance was $353.5 million
- $45.5 million lower fund balance compared to 2023

Technical note: Fund book balance in the Treasury Management System. This is equivalent to the balance shown when logging into a personal bank account.

Time from application submission to first payment

Month	Average weeks	Median weeks
August 2023	4.0	2.6
August 2024	4.1	2.9

Month	Average weeks	Median weeks
Sept 2023	5.1	4.4
Oct 2023	4.3	3.3
Nov 2023	4.6	3.4
Dec 2023	4.5	3.4
Jan 2024	4.9	3.6
Feb 2024	4.2	3
Mar 2024	3.9	2.7
Apr 2024	3.9	2.7
May 2024	3.7	2.6
June 2024	4	2.7
July 2024	4.2	3
August 2024	4.1	2.9

Phones

Month	Percentage of calls into queue*	Percentage of calls answered from Paid Leave queue	Queue time for Paid Leave
August 2023	66%	50%	25:24
September 2023	48%	46%	29:20
October 2023	31%	56%	28:27
November 2023	37%	57%	28:19
December 2023	42%	57%	28:54
January 2024	35%	65%	25:38
February 2024	35%	63%	26:41
March 2024	38%	69%	18:56
April 2024	37%	64%	24:04
May 2024	38%	65%	23:46
June 2024	37%	62%	26:58
July 2024	42%	58%	27:27
August 2024	53%	58%	27:19

- **Percentage of calls into queue increased in July and again in August 2024**
- **Slight decrease in the percentage of calls answered from Paid Leave queue starting in July 2024**

**Includes WA Cares*

Actuarial annual update

Karissa Burgess, Actuary

Introduction

The following is an overview of:

- Historical Paid Leave rates and experience
- The current projection of Paid Leave rates and experience through 2028.

Final 2025 rates will be available later this fall.

Rates shown after 2025 are only estimates based on current program projections.

- Actual rates after 2025 will be calculated with the current data and methodologies relevant for that time period.

Effort was made to make reasonable assumptions around future experience.

- Actual data can vary for many reasons, some of which are outlined in more detail in later slides.

Paid Leave rate history and details

Historical rates and methodology changes

2019 – 21	0.40%
2022	0.60%
2023	0.80%
2024	0.74%

- Premium rate capped at 1.20%.
- Total rate includes
  - Family leave – 100% employee
  - Medical leave – 45% employee, 55% employer
- Small employers and elective employees exempt from employer rate (premium exemption)
- Total rate should be low enough to avoid exceeding 3-month reserve as March.

$200 million cash injection in 2023 because of negative account balance.

- New formula used for 2024.

New formula since 2024 rate

Rate calculation method is new as of 2024 rates. Rate formula is based on prior fiscal year paid experience.

$$\frac{140\%\ (\text{benefits paid} + \text{admin costs}) - \text{Sept 30 account balance}}{\text{taxable wages}} = \text{Total Premium Rate}$$

Total rate split by Fam/Med claim %

Total Premium Rate	
Family Leave	Medical Leave

Employee Rates:
100% Family Rate
45% Medical Rate

Employer Rate:
55% Medical Rate

What has changed?

- New formula takes account balance into account but has no ability to apply a solvency charge.
- 140% factor provides a cushion for future year growth.

Annual actuarial projection includes both rate setting approaches: Baseline formula and actuarial ratemaking

- Provide different lens to manage account financial risks.
- Serve as a check and balance with comparison for both approaches.
- Inform decision-makers of available options if running into same challenges again and again.

Baseline formula

- Pros: Transparent, easy to communicate, using actual prior year payment and account balance without any assumptions.
- Cons: Misalignment between rates (future) and experience (calculation using experience), lack of flexibility to adapt to changing situations or objectives, susceptibility to operational changes/risks.

Actuarial ratemaking

- Pros: Align future rates with anticipated experience, ensuring flexibility and mitigating the impact of operational changes/risks, and give credit to more than one year experience.
- Cons: Less transparent, involving assumptions, and requires communication effort.

Actuarial annual update

- Summary of projected results
- Actuarial valuation, pricing and forecasting
- Q&A
- Appendix

Actuarial report: Executive summary

For fiscal year 2024

- Account ending balance was **$237 million** higher than FY23 projected $220 million.
- Observed unearned revenue up by $24 million ($19 million higher than historical) possible driven by WA Cares.
- Program growth is **stabilizing.** From FY23 to FY24:
  - The dollar amount of monthly leave payments increased 25%. The increase from FY22 to FY23 was 24%.
  - The number of claims increased by 14%. The increase from FY22 to FY23 was 15%.
- Workers with small employers worked 4 hours more per month than 2019.

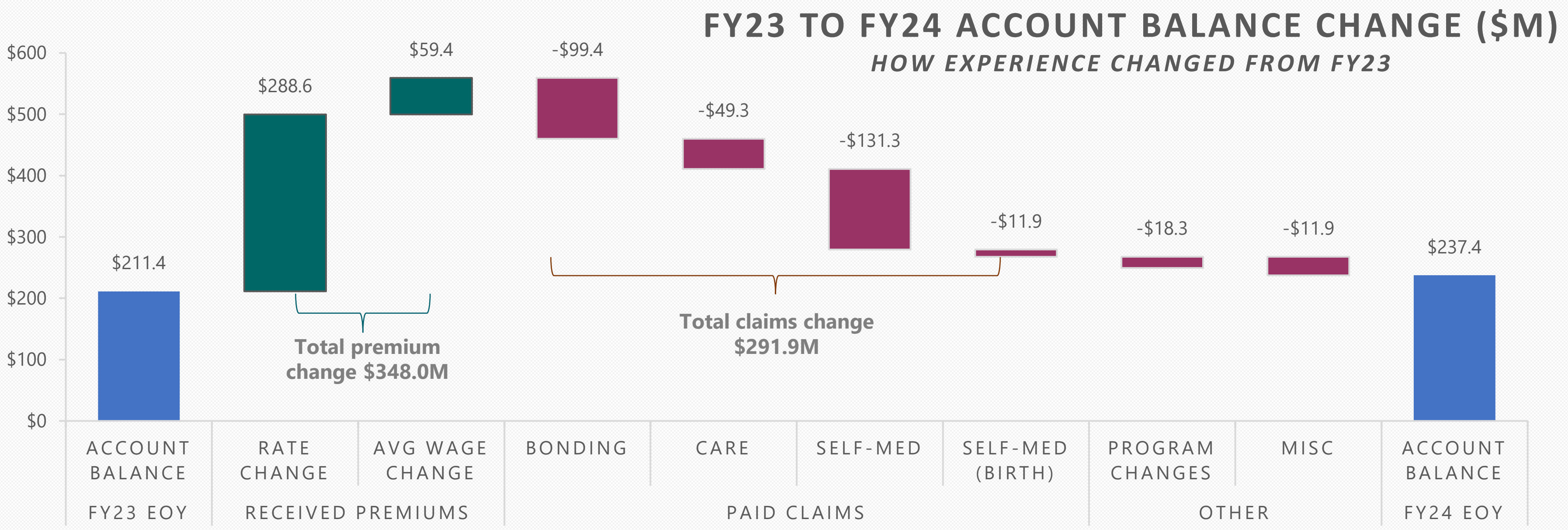
Program forecast

- Growth is projected to continue, close to doubling in four years.
- Projected account **deficit around Q1 2025** and intermittently until early 2027.
- Projected CY25 premium rate ~ 0.91%, CY26 ~ 1.16%, reaching the max rate of 1.20% in CY27
  - TNC experience would swing rates +/-~.01%

How has experience impacted the account balance?

Significant growth in revenue mostly offset by growing claims payment

- Higher average premium rate (0.78%) and increased wage contributed $348 million collected premium.
- Claim benefit payment up by ~$292 million, mostly contributed by bonding and medical leaves.



Note: Some data pieces include allocation/estimation, due to items like program changes not always having data granular enough to be exact, as well as reporting differences in sources.

FY24 claim benefit payment grew about 25%

FY24 total claim payout at $1.67 billion comparing to $1.33 billion in FY23

Monthly claim benefit payment at $139 million, 25% higher than prior fiscal year at $111 million

- Numbers of weeks claim payment up by 18.7%, higher increase than prior year at 15.6%
- Average payment of leave benefit grew by 5.5%, smaller growth than prior fiscal year at 7.7%

Monthly reported claim counts at 23.4K, 2.9K more than prior fiscal year at 20.5K, and main drivers:

- Active workers who worked less during pandemic meet hours-worked eligibility in 2023
  - Active workers refers to those who have reported wage records since 2019
  - Monthly reported claim counts increased by 0.5K
- CBA provision sunset effective Jan 2024
  - Estimated related monthly reported claim counts about 0.6K, and 3.5K from January to June 2024
- Organic program growth

What might we expect for Paid Leave’s future?

Expect the growth of leave benefits to decelerate but outpace wage growth

- Wage and covered employees’ growth continue but slower.
- Claims continue evolving, especially family leaves to care for others and self-medical leaves (non-pregnancy nor birth related).
- TNC Pilot employees join program in Q4 2024. Estimated impact to account balance range is up to $2 mil in FY25, increasing in later years (depending on uptake).
- Program awareness continues to grow.

How the future may differ from the projections

Economic conditions

- Labor market growth, unemployment rate, inflation etc.

Social dynamics, key aspects include:

- Overall trend of social norms
- Societal structures, such as family and work that can lead to behavior and social interactions
- Shift in communication patterns that could lead to significant impact of group behavior

Legislative and policy changes

- Small standalone changes could add up to material impact to the program

Operational changes, examples as:

- Different processing time, system breakdown, and claim process changes

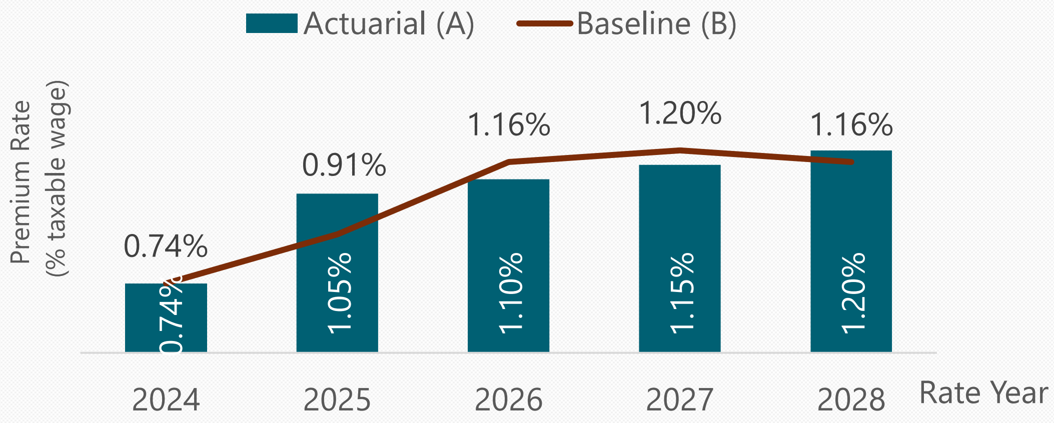
Agenda

- **Summary of projected results**
- Actuarial valuation, pricing and forecasting
- Q&A
- Appendix

Projected Results –Rates & Fund Balance

Baseline rate (B)
Actuarial rate (A)

Expect 2025 baseline rate inadequate, and deteriorating account health till 2026 rate are implemented



Note: Baseline rate defined in SSB5286
2025 baseline rate (0.91%) is estimated, official rate will be published end of Oct

Fiscal Year ($ millions)	2025	2026	2027	2028
(1b) Premium Collection (B)	$1,852	$2,422	$3,074	$3,313
(1a) Premium Collection (A)	$1,941	$2,633	$2,925	$3,242
(2) Leave Benefit Payment	$2,025	$2,328	$2,631	$2,970
(3) Net Administrative Costs	$76	$83	$81	$75
(4b) Account balance (B)	-$5	$6	$369	$637
(4) Account balance (A)	$85	$307	$520	$717

Note: Account balance resonates cash position and focuses on prem, leave payment and administrative cost
Numbers may not add up due to rounding. Difference in interest income between projections was not included for this illustration.
(4) = prior year ending fund balance + (1) – (2) – (3)

Projected rates

- CY25 baseline rate at 0.91% vs. FY23 projection at 0.93%
- CY26 baseline rate likely reaching 1.16%

Projected account balance

- Using baseline rates
  - -$5 mil by FY2025
  - $6 mil by FY2026
  - $637 mil by FY2028
- Actuarial rates up gradually and result in 3-month reserve $733 mil by FY2028

Recommendation

- Consider if and how to leverage the concept of actuarial rate setting approach
- Thoroughly research possible changes before iterative and gradual implementation

Projected Results –Rates & Fund Balance

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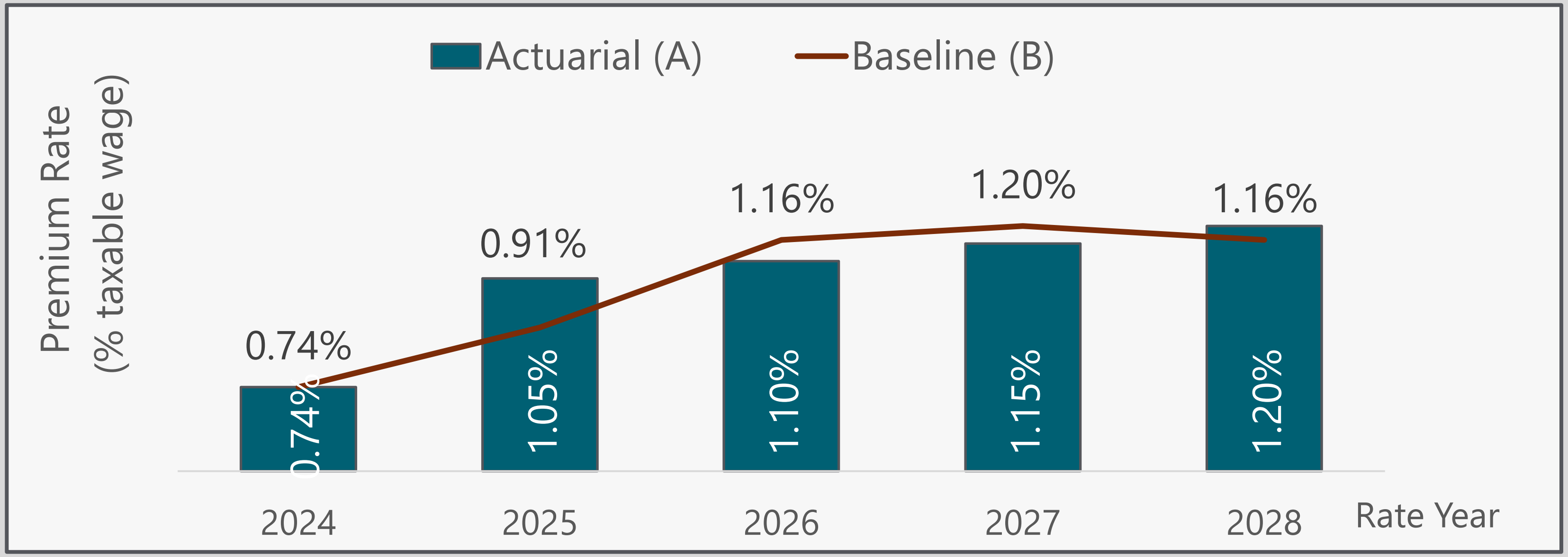

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Actuarial valuation, pricing and forecasting

Models and objectives

- **Valuation** model determines unpaid liabilities → financial health as of today
- **Pricing** model projects rates forward → adequate rate for foreseeable future
- **Forecast** model estimates possible financial experience → financial implication over time

Modeling main assumptions

- Covered employee growth
- Average gross wage growth
- Approved leave utilization rates trend
- Average leave benefit payment trend
- Leave benefit and premium collection pattern
- Others

Note: Some actuarial assumptions are based on the financial condition as of FY2024. Any material changes of financial condition will arrive at different assumptions

Valuation model output – claim benefit metrics

Project historical experience to ultimate, estimate short & long-term trends, and expect positive future trend for some metrics

- Utilization rate growth decelerated in first half fiscal year and **accelerated in second half**
- Approval % and leave duration has largely stabilized for family and medical leaves
- Weekly benefit payments continue to grow – 5% growth in FY24

Family				
Leave Start Quarter	Utilization Rate	Leave Approval %	Average Weekly Payment	Duration (weeks)
20233 (E)	8.6	90.2%	$886	8.3
20234 (E)	**9.0**	90.3%	$879	8.5
20241 (E)	**9.5**	90.2%	$888	8.3
20242 (E)	**9.5**	90.1%	$892	8.3

Medical				
Leave Start Quarter	Utilization Rate	Leave Approval %	Average Weekly Payment	Duration (weeks)
20233 (E)	10.3	84.2%	$882	7.4
20234 (E)	**10.5**	84.5%	$890	7.4
20241 (E)	**11.7**	84.6%	$888	7.5
20242 (E)	**12.0**	84.5%	$902	7.4

Note: 20242 refers to second quarter of 2024
(E) indicates the numbers are estimated based on actuarial reserving analysis
Utilization rate is the number of leave count per 1000 covered employees
Leave approval% is the non-denied claim counts as percentage ultimate reported claim counts
Duration is the average number of calendar weeks per claim
Refer to report for complete output

Baseline rate (B)
Actuarial rate (A)

Pricing model output – rates, expenditures

Actuarial rates resolve solvency concern in 2025, reach 3-month reserve by 2028, and offset expenses with interest income

- Projected baseline rates more volatile comparing to actuarial ratemaking based rates
  - Result in inconsistent financial performance with a loss of 4 cents per dollar of premium in 2025 (104%), and gain of 13 cents in 2026 (87%)
  - 2028 shows reduced gain at 2 cents per dollar of premium than 2027 due to rate fluctuations
- Projected actuarial rates result in consistent financial performance with 3-month target reserve at end of 2028

Calendar-Leave Year	2025	2026	2027	2028
(1) Baseline premium rates	0.91%	1.16%	1.20%	1.16%
(2) Covered Employees	3.52	3.55	3.58	3.61
(3) Taxable Wages	$262,446	$277,330	$293,360	$310,384
(4) Premium Exemption	-$164	-$212	-$223	-$219
(5) Benefit Mix	-$4	-$6	-$6	-$6
(6) Assessed Premium	$2,220	$2,999	$3,291	$3,376
(7) Leave Expenditure	$2,232	$2,527	$2,854	$3,220
(8) Net Administrative Expenses	$81	$83	$77	$73
(9) Pricing Income (Loss)	-$94	$389	$360	$82
(10) Leave benefit Ratio	101%	84%	87%	95%
(11) Expense Ratio	4%	3%	2%	2%
(12) Combined Ratio	104%	87%	89%	98%

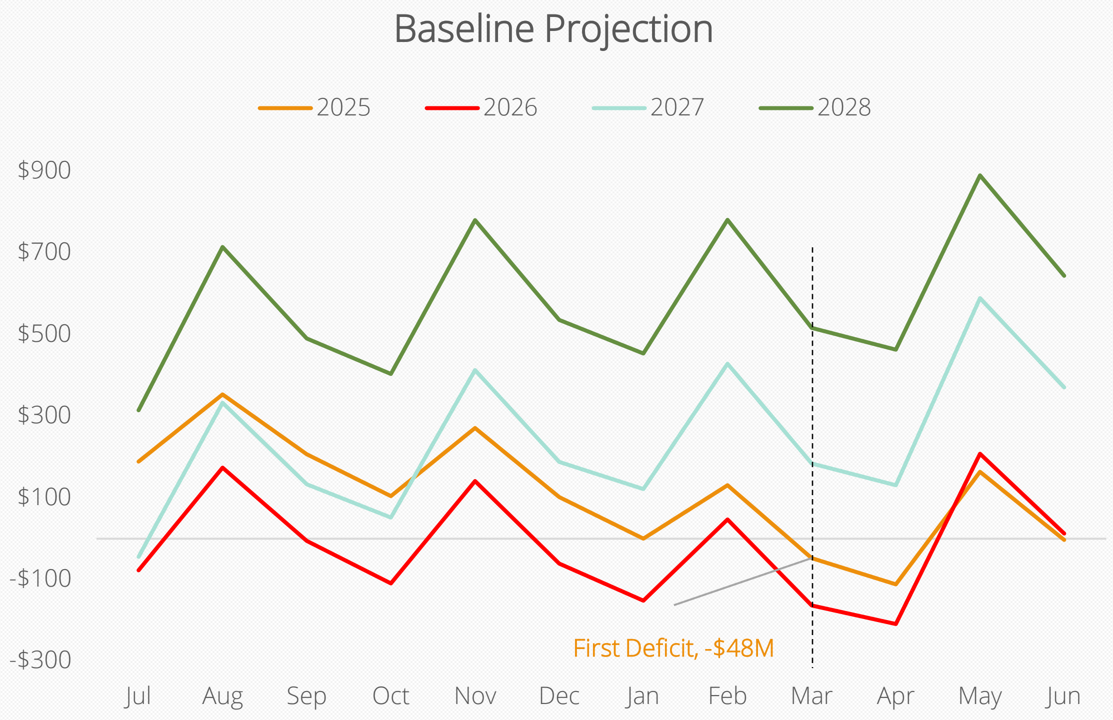
Note: numbers in millions, and (7) net administration cost is administration cost offset by interest income
(6) = (1) x (3) + (4) +(5)
(9) = (6) – (7) – (8) pricing loss indicates inadequate premium comparing to expected total expenditures
(10) = (7) / (6)
(11) = (8) / (6)
(12) = (10) + (11) combined ratio above 100% suggests inadequate premium comparing to expected total expenditures

Actuarial premium rate	2025	2026	2027	2028
(1)	1.05%	1.10%	1.15%	1.20%
(2)	3.52	3.55	3.58	3.61
(3)	$262,446	$277,330	$293,360	$310,384
(4)	-$190	-$201	-$214	-$226
(5)	-$5	-$5	-$6	-$7
(6)	$2,561	$2,844	$3,154	$3,492
(7)	$2,232	$2,527	$2,854	$3,220
(8)	$79	$75	$73	$71
(9)	$250	$242	$228	$201
(10)	87%	89%	90%	92%
(11)	3%	3%	2%	2%
(12)	90%	91%	93%	94%

*Actuarial rates in 2025 include a risk provision meant to help turn the negative account balance positive, this provision decreases to 5%, excluding investment income, by 2028 as the account balance becomes consistently positive. This will help ensure adequate cushion for risk until claims become less volatile.

Forecast model output –account balance by month

Estimated baseline account balance in any given March is less than 3-month reserve



Note: Dotted line represents the end of rate year premium collection when reserve months are calculated.

Account solvency status

- Account balance likely in deficit as early as Mar 2025
- Account could stay in deficit post Mar 2025 most of the time
- Account is projected to cease deficits after early 2027

Q&A

Rulemaking updates

Jason Barrett, Lead Policy Analyst

Rulemaking updates

Current package includes:	
	Adding certified naturopaths to the definition of health care provider.
	Sunsetting pandemic leave assistance.
	Allowing verbal authorization of a designated representative in some cases.
	Clarifying that hours worked in self-employment during a period of leave should be reported on a weekly claim.
	Changing gender-specific pronouns to gender-neutral pronouns.
	Aligning deadline to submit an initial application when good cause factors exist (seven days) with current standard backdating allowance (30 days).
	Setting prevailing interest at 1% for damages.

Program priorities

Alison Eldridge, Deputy Director

Achievements

Technical release coming Thursday, September 26.

- 36 features and 32 bug fixes, including:
  - Modifications to annual employer sizing to accurately account for no payroll reporting.
  - Increased automation and ability for employers to initiate POAs.
  - Modifications to display of employee claim data within employer accounts.
  - Numerous improvements to staff tasks and processes.

Productivity Board recognition.

- Staff member recently recognized by the Productivity Board at the Secretary of State's Office.

Current projects

Two new projects:

- ITIN & dialect updates to benefit application
- 2024 1099s

Project	Status
Employer access to benefit data (SSB 5586)	*On target*
TNC Pilot (SHB 1570)	*On target*
Annual program report	*On target*
Claim year redetermination improvements	**On target**
Cloud migration phase 3 (portal, etc.)	*On target*
Decision package hiring	**On target**
Developing a community engagement model for Paid Leave benefits	On target
Employer sizing calculation	*On target*
Leadership Academy	Close out
Withholding child support from Paid Leave benefits	**On target**
Division budget requests	*Close out*
Actuarial report	*On target*
Unclaimed property 2024	*On target*
2025 annual changes (premium rate, weekly benefit amount, SS cap)	*On target*
Migration to SharePoint online	*On target*
ITIN & dialect updates to benefit application	*On target*
2024 1099s	*Initiating*

Bolded projects are (or enable progress toward) the Paid Leave balance of work.
Italicized projects are required (legislatively, technically, or otherwise).

Future work

Next

- **Automate crossmatching UI with Paid Leave benefits**
- **Weekly claim redeterminations**
- **Benefit overpayments**
- Quality assurance revamp
- Stable data infrastructure
- WorkSource partnership
- Benefit application improvements
- Implement community engagement program

Later

- **Penalties and interest (employer and employee)**
- **Adding county & legislative district to database**
- **Elective coverage for tribes**
- **Crossmatch L&I with Paid Leave benefits**
- **Collections (employer & employee)**
- **Conditional benefit payments**
- Pre-application for benefits
- Implement comprehensive authorized representative process

***Bolded** items are, or enable, Paid Leave balance of work.*

Decision package & legislative updates

Beth Marchand, Leave & Care Interim Director

Caitlyn Jekel, Government Relations Director

Decision package overview

Division-led

- 98 FTE over the biennium to:
  - Support expected caseload growth.
  - Increase capacity for strategic operational and customer-facing improvements.
  - Provide administrative support.

Agency-led

- Outreach Strategy
- Customer Compliance Integration

October meeting

Details

- Wednesday, October 23, 1 to 3 p.m.

Proposed topics

- 2025 annual updates
- Strategic targets and program goals
- Presentation on customer data and analysis

Open comment

Reminders	Please frame your questions as a comment.
	If online -“Raise your hand” virtually In person – let us know and we will give you the floor
	The meeting host will unmute online individuals to allow for the open comment. In person we will call on you

Continue the conversation

Beth Marchand

Interim Director, Leave & Care Division

Employment Security Department

Beth.marchand@esd.wa.gov

Visit us online at www.paidleave.wa.gov

Join our listserv at bit.ly/PaidLeaveList

Appendix

Rate Calculation Method FAQs

Q: What are the limitations to current rate calculation method?

A: The current regulatory rate calculation method is based on prior experience so will not adjust for future expected changes to expenses. Because of the lag between the rate update and the experience period data, there is a chance of compounding losses if the premium rate is not adequate. This also increases the volatility of rates and the account balance. Additionally, because the current rate method is tied to prior data as of specific dates, it is sensitive to operational changes, such as processing time, which can mask true experience.

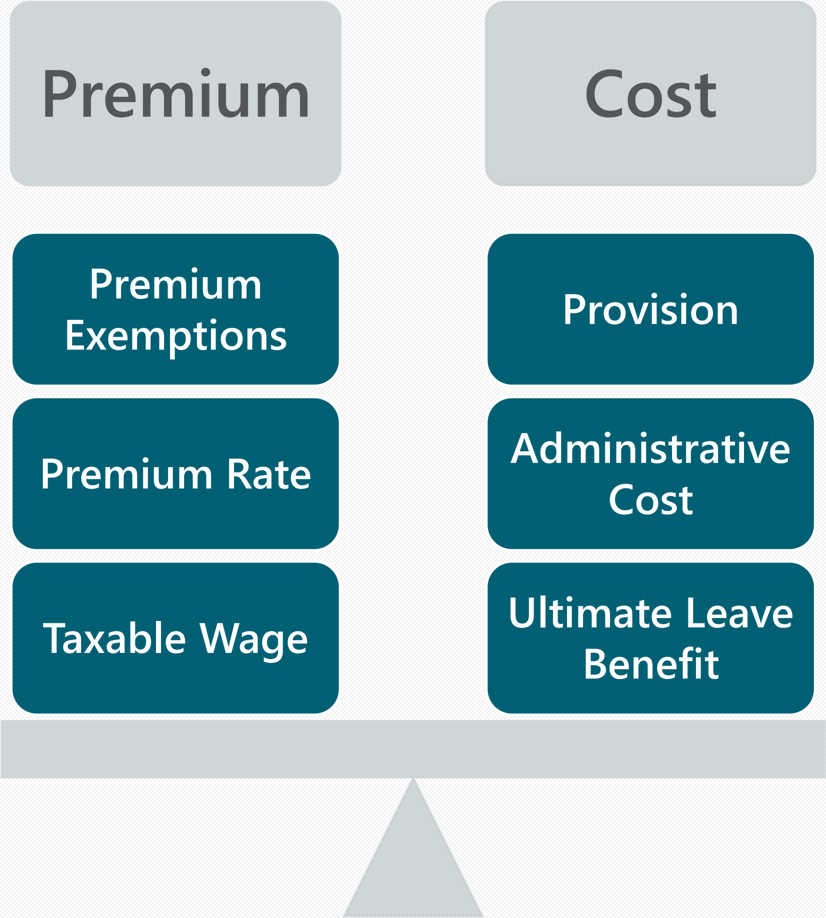
In addition to the rate logic, the provision capping the rates adds risk when an adequate rate is above the cap level. This could cause carried forward losses and a downward spiral in the account balance.

Q: What is the difference between the current rate method and the actuarial rate method?

A: A large difference between the two methods is that the actuarial rate method sets rates based on what is projected to be adequate for a future rate period, while the current rate method will only consider prior experience within a specific timeframe and not whether the rate will be adequate. The actuarial projection relies on past payment patterns and utilization trends, as well as any other adjustments for known programmatic or other changes to project what the future rate period will look like. Note that while the actuarial rate method reduces the risk of the future rate being inadequate, there will always be some risk that the actual data will differ from the projection.

Appendix - Insurance Pricing Foundation

Align premium with cost to be incurred, based on calendar year & leave year



Guiding Rules/Practice/Principles

- Actuarial Standards of Practice
- Claim Reserve Manual
- Principles of P&C Ratemaking

Appendix – FY24 by Employer Type

Employer type influences claims experience

FY24 Annual Average per Covered Employee, based on Leave Year

Employer Type	Covered Employees	Assessed Premiums	Incurred Claims	Leave Benefit Ratio
Small Employer	1,110,563	$315	$297	94%
Large Employer	2,487,690	$553	$543	98%
Elective Employee	1,375	$388	$18,939	4876%

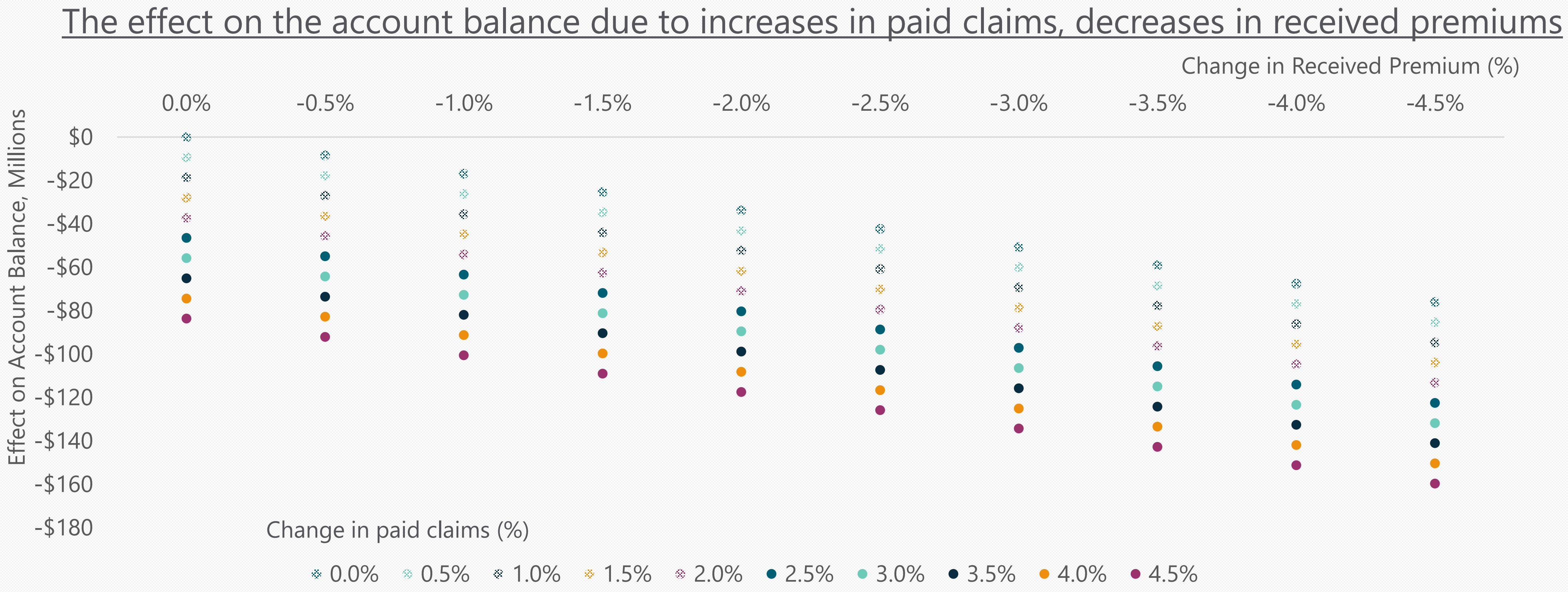
*A small percentage of employees have multiple sources of employment. Claims were allocated based on wages by employment type during the qualifying period. Employees with multiple sources of employment would be counted as a covered employee in the categories above that they had employment in during the fiscal year.

Highlight

- Employees at Small and Large Employers tend to have similar leave benefit ratios
- Elective employee leave benefit ratios tend to be extremely high, care should be taken when considering changes that would increase this block.
- Small Employers and Elective Employees are exempted from paying the employer portion of premium.

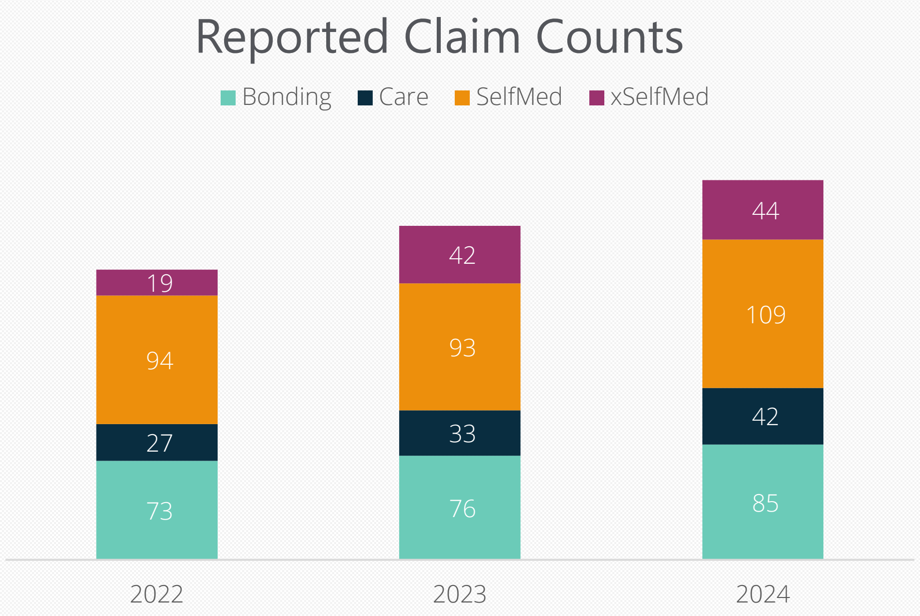
Appendix – Stress Testing

Assessed premiums and incurred claims could vary due to many reasons. The purpose of stress testing is to see how much the account balance deteriorates with changes to either of these items.

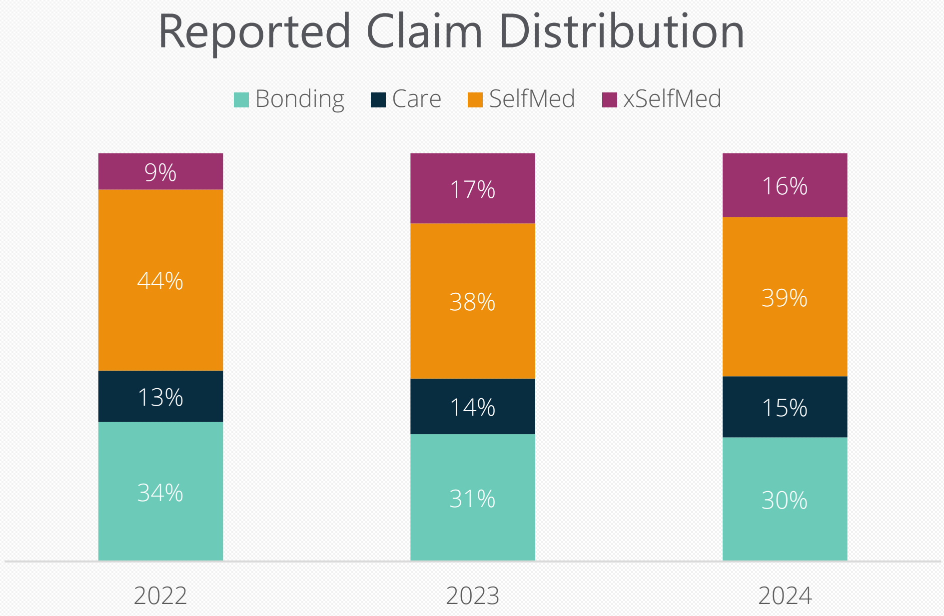


Note: Graph is based on 2025 projection.
0.001% rate change continues to equate to around $2M of premium.

Appendix – FY Reported Claim Counts by Leave Type

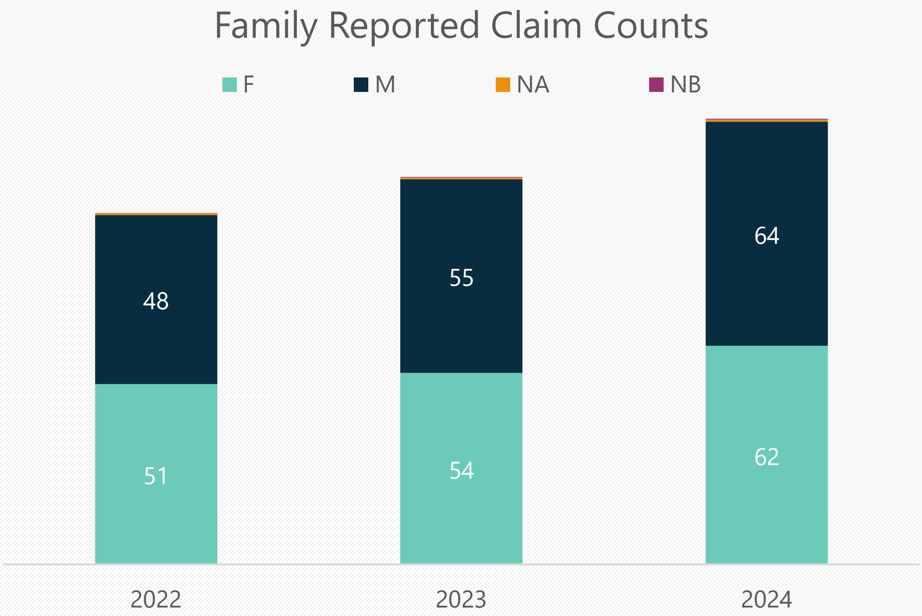


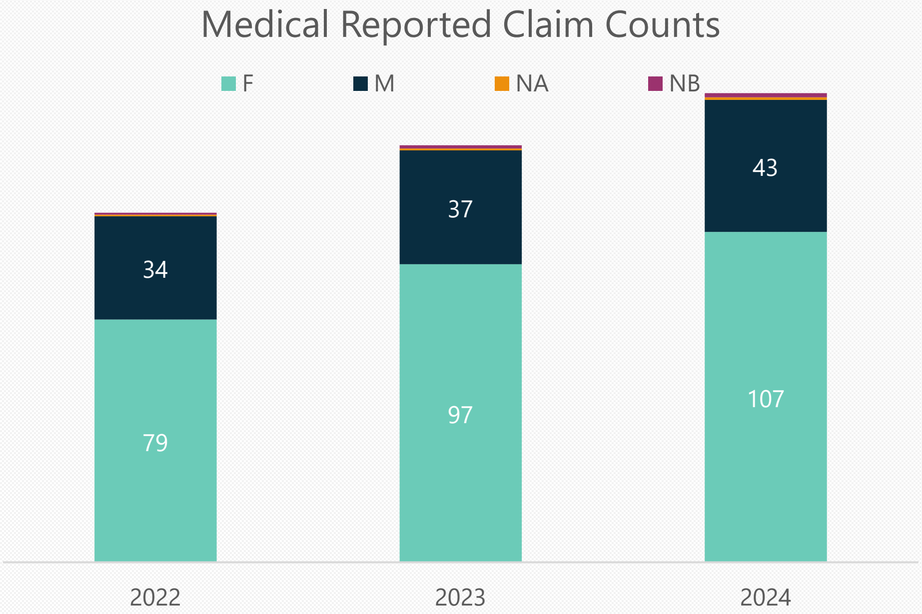
Note: Reported claims may also be referenced as submitted claims



In thousands

Appendix – FY Reported Claim Counts by Gender

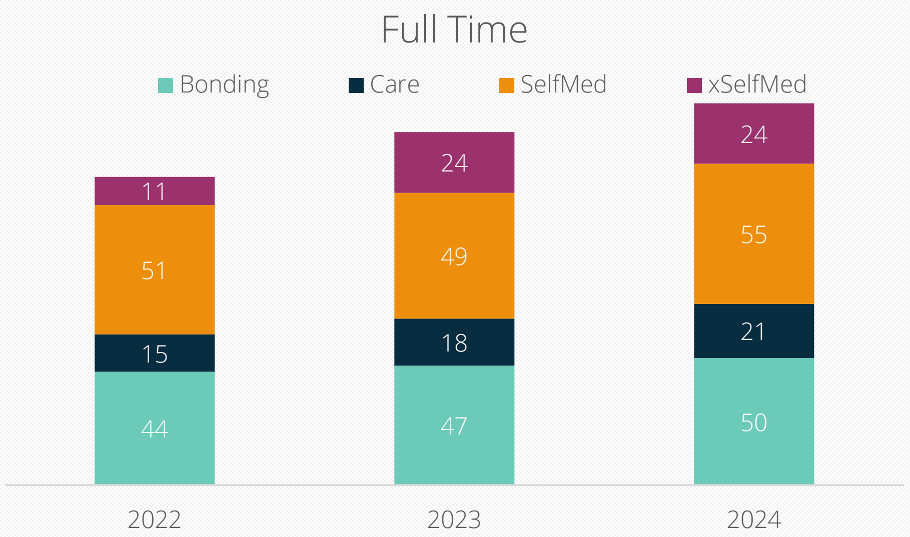




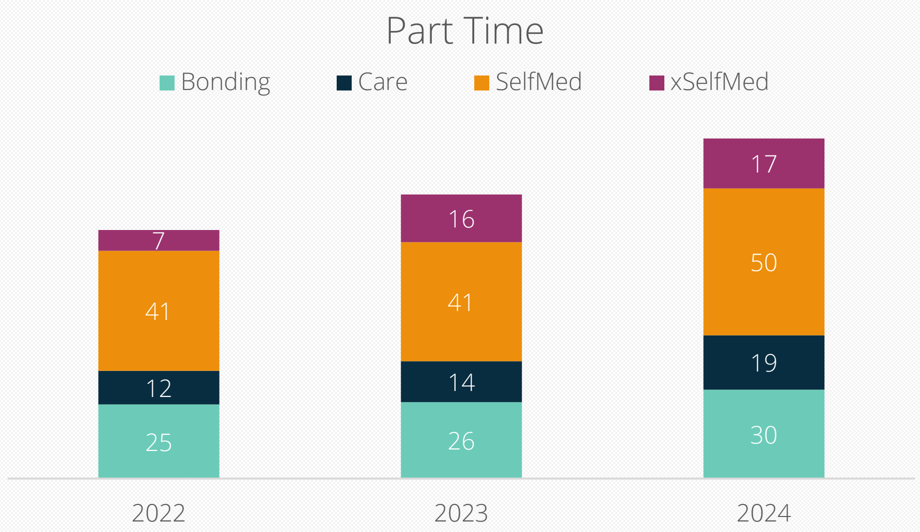
Note: Reported claims may also be referenced as submitted claims

In thousands

Appendix – FY Reported Claim Counts by Employment Type



Note: Reported claims may also be referenced as submitted claims

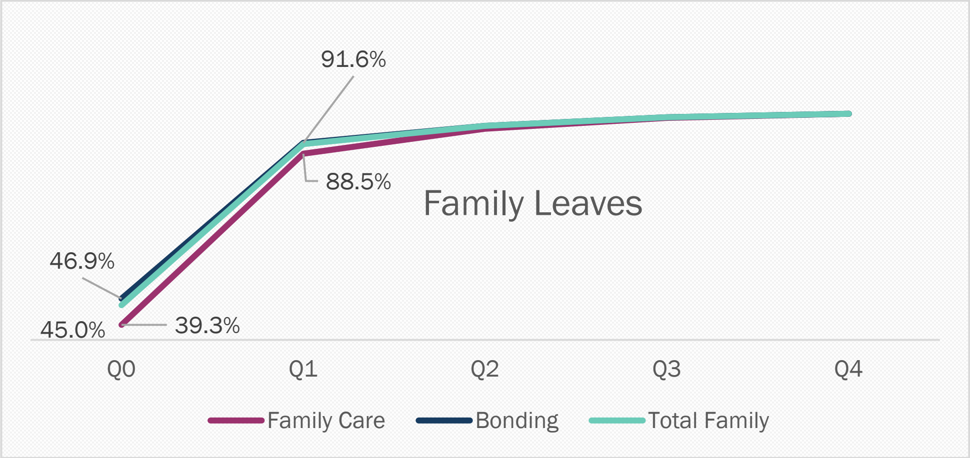


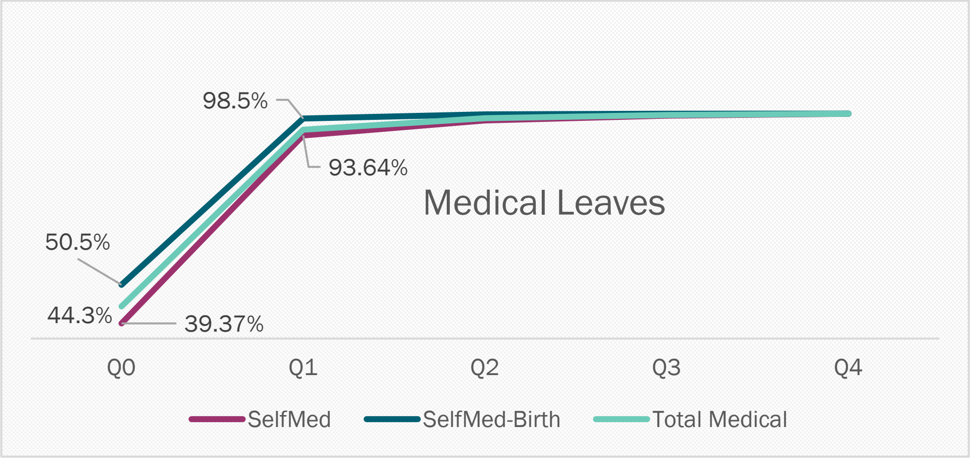
In thousands

Appendix – Claim Payment Patterns

Claim payment patterns differ by benefit type, as benefit mix changes payment patterns will change also

Leave Benefit Payment by Leave Start Quarter & Claim Age





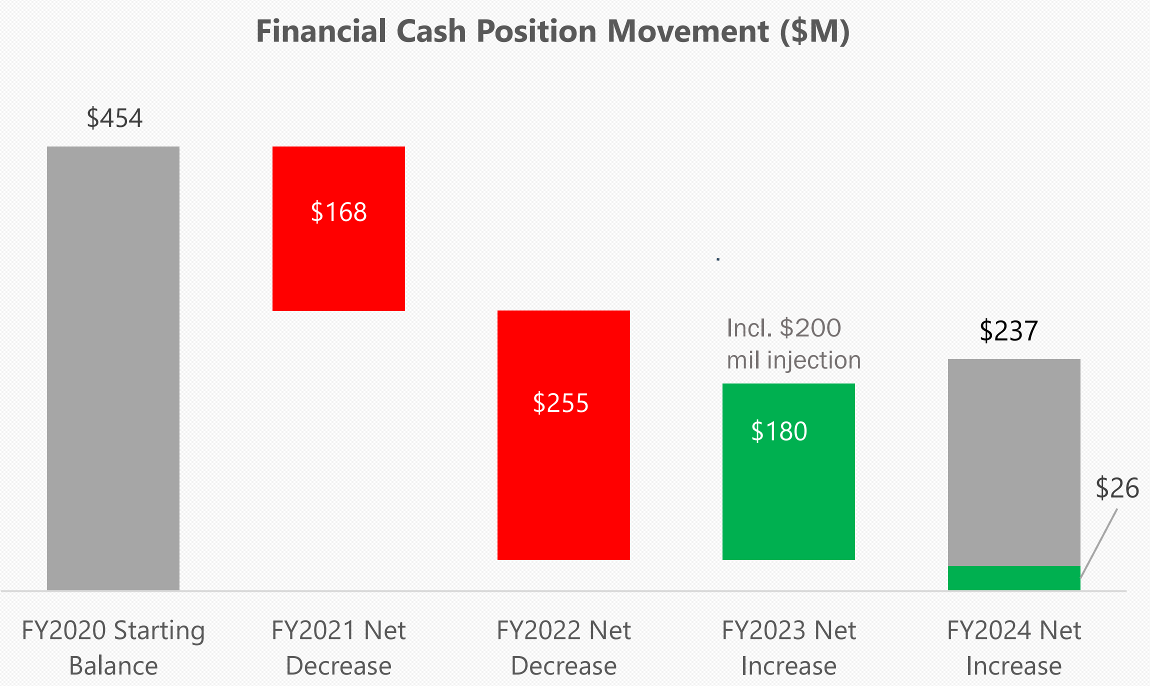
Note: Claim age = evaluation quarter – leave start quarter, claim age of 0 indicates the evaluation quarter is the same as the leave start quarter

Highlights

- Initial data point represents how much of total leave payment occurred in the quarter the leave started– includes processing time and utilization patterns.
- Both Medical and Family leave types have benefit types with different payment patterns. Recent data shows benefit types with longer payment patterns are growing faster so could see average payment times increase.

Historical Financial Cash Position

Higher rate of CY23 keeps FY24 account balance at similar level of FY23

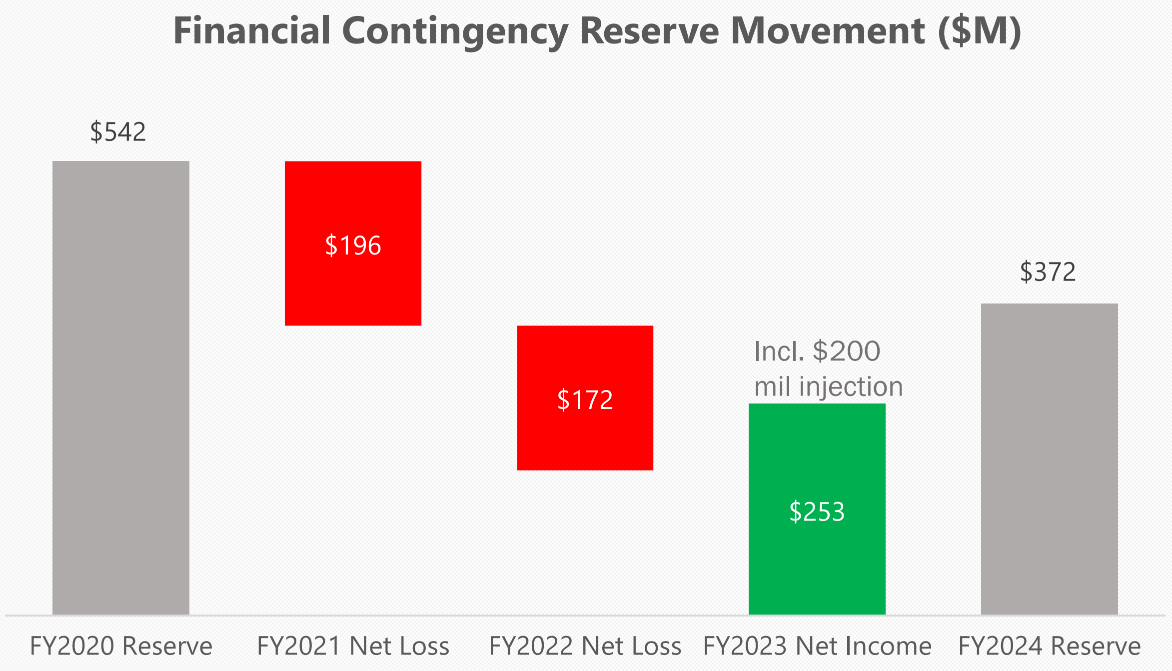


Numbers might not add up due to rounding

- Before FY23, inadequate rates depleted the program cash position
- FY23 program cash position up to $211 mil with $200 mil injection
- CY23 rate of 0.8% kept account balance at $237 mil
- Expect inadequate rate in 2024 and 2025 weakening cash position until 2026

Historical Financial Contingency Reserve

Inadequate rates weakened financial health prior to 2023, cash injection improved position temporarily.



- Inadequate rates resulted net loss before FY2023
- 2023 rate of 0.8% generated slightly positive income for FY2023
- FY2024 also generated slightly positive income due largely due to 0.8% 2023 rate.

Financial contingency reserve is referred as equity or net book value. Current year contingency reserve = prior year contingency reserve + current year net income (loss) or Current year Assets – Current year liabilities
Numbers might not add up due to rounding