

July 6, 2021



BBSI Announces a New Insurance Program that Materially Reduces its Workers' Compensation Exposure Resulting in Better Financial Predictability

Also Enters Into a Transfer of \$53 Million of Additional Claims Liabilities

VANCOUVER, Wash., July 06, 2021 (GLOBE NEWSWIRE) -- Barrett Business Services, Inc. ("BBSI" or the "Company") (NASDAQ: BBSI), a leading provider of business management solutions and one of the largest professional employer organizations (PEO) in the U.S., announced that effective July 1, 2021, it has entered into a new workers' compensation program where it will no longer retain any risk of loss from workers' compensation claims.

The new program allows for premium adjustments depending on overall portfolio performance. If claims develop favorably, BBSI can participate in the savings up to \$20 million for a twelve-month policy period. If claims develop adversely, additional premium is capped at \$7.5 million for a twelve-month policy period. This structure limits potential downside while continuing to allow BBSI to benefit from its best-in-class underwriting, risk mitigation and claims management practices.

Approximately 82% of BBSI's workers' compensation exposure is covered through this new program.

There is no expected impact to workers' compensation expense from eliminating the claims retention because the premium for the new program is in line with the existing loss accrual rate that it replaces. The agreement includes a multiyear commitment through June 2023.

BBSI also announced that it has entered into a loss portfolio transfer (LPT) agreement to effectively remove another \$53 million of outstanding workers' compensation claims obligations from its balance sheet. This transaction primarily includes claims incurred in 2018 and reduces BBSI's outstanding workers' compensation liabilities by approximately 15%. The LPT results in a corresponding reduction in restricted cash and investments of \$52 million and a gain on the transaction of \$1 million.

BBSI has no exposure to unfavorable development on these claims, but the agreement allows for participation in future favorable development. As a reminder, in June of 2020, the Company entered a similar LPT to remove outstanding workers' compensation claims obligations for claims incurred between February 1, 2014 and December 31, 2017.

These transactions will result in a one-time increase in unrestricted cash and investments of approximately \$13 million in July 2021, with additional cash flow benefits to be realized

throughout the program term.

“This milestone is a culmination of many years of hard work as we executed on our long-term strategy of de-risking our business model,” said Gary Kramer, BBSI’s President and CEO. “The ability to enter into these transactions, including another significant LPT, speaks once again to the quality and consistency of our workers’ compensation program. We are proud to now bring even more predictability to our financial results while continuing to provide the same outstanding service to our small-business customers.”

Forward-Looking Statements

Statements in this release about future events or performance, including expectations regarding the effects of the reductions in workers’ compensation claims liabilities and loss retention levels, are forward-looking statements. Such statements involve known and unknown risks, uncertainties and other factors that may cause the actual results of the Company to be materially different from any future results expressed or implied by such forward-looking statements. Such factors with respect to the Company include our ability to retain current clients and attract new clients, difficulties associated with integrating clients into our operations, economic trends in our service areas, the potential for material deviations from expected future workers’ compensation claims experience, changes in the workers’ compensation regulatory environment in our primary markets, security breaches or failures in the Company’s information technology systems, collectability of accounts receivable, changes in effective payroll tax rates and federal and state income tax rates, the carrying values of deferred income tax assets and goodwill (which may be affected by our future operating results), the impact of and potential changes to the Patient Protection and Affordable Care Act, escalating medical costs, and other health care legislative initiatives on our business, the effect of conditions in the global capital markets on our investment portfolio, and the availability of capital, borrowing capacity on our revolving credit facility, or letters of credit necessary to meet state-mandated surety deposit requirements for maintaining our status as a qualified self-insured employer for workers’ compensation coverage or our fronted insurance program. Additional risk factors affecting our business are discussed in Item 1A of Part I of our 2020 Annual Report on Form 10-K and in subsequent reports filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934. Although forward-looking statements help to provide complete information about the Company, readers should keep in mind that forward-looking statements are less reliable than historical information. The Company undertakes no obligation to update or revise forward-looking statements in this release to reflect events or changes in circumstances that occur after the date of this release.

About BBSI

BBSI (NASDAQ: BBSI) is a leading provider of business management solutions, combining human resource outsourcing and professional management consulting to create a unique operational platform that differentiates it from competitors. The Company’s integrated platform is built upon expertise in payroll processing, employee benefits, workers’ compensation coverage, risk management and workplace safety programs, and human resource administration. BBSI’s partnerships help businesses of all sizes improve the efficiency of their operations. The Company works with more than 7,500 clients across all lines of business in 40 states. For more information, please visit www.bbsi.com.

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