

OUR purpose

To care for injured workers



OUR business

Providing workers' compensation and safety services



WSI

North Dakota Workforce
Safety & Insurance



Loyal
Caring
OUR
core values
Forthright



OUR strategy

- ✓ Exceptional People
- ✓ Exceptional Service
- ✓ Financial Stability



WSI Operating Report

fiscal year to date through June 30, 2014

****Final - Audited****

Key Performance Indicators

FY 2014 numbers in this report are a snapshot at quarter end unless stated otherwise

Color Code = positive condition, watch condition, neutral

<i>Fiscal Year Ending:</i>	FY 2011	FY 2012	FY 2013	FY 2014	FY 2014 Projection	Target*
Injury & Medical Services						
<i>Total Claims Filed</i>	21,693	24,647	25,835	26,395	NA	NA
<i>Indemnity Claims Filed</i>	2,657	2,966	3,399	3,480	NA	NA
<i>Claims Filed/100 Covered Workers¹</i> <small>- # of new claims filed divided by the covered workforce</small>	6.22	6.66	6.41	6.31	NA	NA
<i>Indemnity Claims Filed/100 Covered Workers¹</i> <small>- # of new indemnity claims filed divided by the covered workforce</small>	0.76	0.80	0.84	0.83	NA	NA
<i>Average Covered Workforce¹</i> <small>- based on Job Service ND employment and wages data</small>	348,743	369,996	402,771	418,234	NA	NA
<i>Claims with Activity</i> <small>- activity = a new claim filing, receipt of a payment, or a reapplication for benefits on an existing claim</small>	33,866	38,134	45,407	43,681	NA	NA
<i>On-Line Claims as Percent of Total Claims Filed</i> <small>- % of claims filed that were received on-line</small>	59%	60%	60%	62%	NA	NA
<i>Auto-Adjudicated Claims as Percent of Total Claims Filed</i> <small>- % of claims filed that met the initial auto-adjudication requirements</small>	25%	25%	22%	21%	NA	NA
<i>Percent of Claims Adjudicated w/in 14 Days</i> <small>- % of claims where the initial determination of compensability was made w/in 14 days of the registration date</small>						
<small>-Indemnity Claims</small>	41%	35%	34%	32%	NA	55%
<small>-Medical Only Claims</small>	51%	49%	46%	42%	NA	65%
<small>-All Claims</small>	49%	47%	45%	41%	NA	60%
<i>Percent of Three Point Contacts Made w/in 24 hours</i> <small>- % of three point contacts made within 24 hours from the date assigned to an adjuster</small>	94%	94%	95%	97%	NA	95%
<i>Claim Ultimate Acceptance Rate (adjusted)²</i> <small>- % of claims filed that are accepted (excludes incidents)</small>	90%	92%	92%	92%	NA	NA
<i>Percent of Initial Indemnity Payments Made w/in 14 Days of Claim Registration</i> <small>- % of claims where the initial indemnity payment was made w/in 14 days of registration</small>	56%	53%	54%	52%	NA	65%
<i>Percent of Claims Pending Over 31 Days</i> <small>- % of all claims in pending status that are over 31 days</small>	13%	14%	14%	14%	NA	10%
<i>Average New Claims per Claim Adjuster³</i> <small>- average number of new claims assigned per year</small>	493	513	517	498	NA	NA
<i>Average Active Claims per Claim Adjuster³</i> <small>- excludes auto-adjudicated claims</small>						
<small>- Average active indemnity claims</small>	63	62	63	64	NA	NA
<small>- Average active medical only claims (excl. auto adj)</small>	147	166	198	193	NA	NA
<small>- Average active claims (all)</small>	210	228	262	257	NA	NA

1 - "Average Covered Workforce" is based on Job Service ND data (previous calendar year)

2 - Calculation excludes those claims filed that did not seek medical treatment, no signed injured worker report was received, claims that were withdrawn by the worker, and claim technical denials (claims denied because the IW has not returned forms required to adjudicate the claim such as; FROI, PIQ, RMO, etc.). Will be re-calculated at the conclusion of the fiscal year.

3 - Starting in FY2012 the number of Claim Adjusters increased from 44 to 46, then to 48 in October 2011. In FY13 the number of adjusters increased to 50. In FY14 the number of adjusters increased to 53.

* Industry averages or standards related to workers' compensation are difficult to obtain as there exist differences between programs and their corresponding laws from state to state. Consequently, targets are reflected as ultimate goals in many cases, rather than as an industry average or standard.

Key Performance Indicators

FY 2014 numbers in this report are a snapshot at quarter end unless stated otherwise

Fiscal Year Ending:	FY 2011	FY 2012	FY 2013	FY 2014	FY 2014 Projection	Target
Injury & Medical Services (Cont.)						
<i>Percent of Outstanding Bills Over 30 Days Old</i> ^{2, 3} - % of bills, entered but not paid, that are > 30 days from the date entered - snapshot	4%	53%	28%	6%	NA	7%
<i>Days to Adjudicate Medical Bills</i> ³ - Percentage of Medical Bills paid within 31 days of receipt of bill.	95%	58%	63%	69%	NA	95%
Employer Services						
<i>Lag Time to Report Injuries</i> - Percentage of Claims Reported within X day(s) of date of injury						
-within 1 day	47%	47%	50%	49%	NA	NA
-within 7 days	78%	79%	79%	79%	NA	NA
-within 14 days	86%	86%	87%	87%	NA	NA
-within 21 days	89%	89%	90%	90%	NA	NA
-within 31 days	92%	92%	92%	93%	NA	NA
<i>Total Active Employer Accounts</i> - total number of active employer accounts (snapshot)	21,552	23,812	24,793	25,359	NA	NA
<i>Number of Audits Completed (includes phone audits)</i> - number of premium audits completed by the premium auditors	1,420	1,307	1,333	1,398	NA	1,300
<i>Delinquent Premium as Percent of In Force Premium</i> - total delinquent premium divided by in force premium	1.79%	2.05%	3.00%	2.67%	NA	2%
<i>Total Delinquent Premium - Accts in Active Collections</i> - amount of premium, interest and penalties owed by all accounts in collections	\$3,304,301	\$4,633,788	\$8,482,690	\$8,565,028	NA	NA
Legal/SIU						
<i>Hearings Requested</i> ⁴ - number of hearings requested during the fiscal year (1st level litigation - does not include district or supreme court cases)	200	190	235	265	NA	NA
<i>Hearings Held</i> ⁴ - number of hearings held during the fiscal year	83	134	105	195	NA	NA
<i>Claimant Attorney Fees and Costs</i> ⁵ - total fees and costs paid to claimant attorneys	\$202,493	\$301,926	\$271,295	\$308,824	NA	NA
<i>Office of Administrative Hearings (OAH)</i> ⁵ - total fees and costs paid to OAH	\$281,101	\$500,369	\$393,417	\$653,793	NA	NA
<i>WSI Counsel Fees and Costs</i> ⁵ - total fees and costs paid to WSI outside counsel (defense counsel)	\$690,949	\$832,985	\$882,222	\$1,110,085	NA	NA
<i>Avg Days Hearing Request to Final Order (all orders)</i> ¹ - avg number of days from hearing request to issuance of final order regardless of resolution - injured worker cases	181	276	183	241	NA	160
<i>Avg Processing Days Office of Administrative Hearings (OAH)</i> ⁴ - avg number of days cases are in the hands of OAH	150	186	168	183	NA	included in stat above
<i>SIU Return on Investment</i> - total savings + restitution / fraud investigations costs + budget	\$10.91	\$20.49	\$11.58	\$8.15	NA	NA

1 - FY12 includes 9,863 days for cases that were held pending outcome of litigation (similar PPI issue). If those cases are removed from the calculation avg. days are 243.

2 - FY11 YTD increase due to an invoice problem with US Script. The invoice with error was fixed and payment is reflected on the 1/19/11 report.

3 - FY12 YTD increase due to conversion to the Mitchell Smart Advisor bill payment software.

4 - Includes injured worker and employer cases. WSI started tracking our own stats in FY2014.

5 - Includes all fees and costs paid regarding injured worker cases only

* Industry averages or standards related to workers' compensation are difficult to obtain as there exist differences between programs and their corresponding laws from state to state. Consequently, targets are reflected as ultimate goals in many cases, rather than as an industry average or standard.

Key Performance Indicators

FY 2014 numbers in this report are a snapshot at quarter end unless stated otherwise

<i>Fiscal Year Ending:</i>	FY 2011	FY 2012	FY 2013	FY 2014	FY 2014 Projection	Target
Other						
<i>FTE Authority</i> - number of full-time-equivalent employees legislatively allowed	237	247	247	250	NA	NA
<i>Turnover Rate - All WSI Employees¹</i> - employee separation/total employees (Bureau of Labor & Statistics 2011 Industry avg) = 11.6% Finance & Insurance = 6.6% State & Local Government	4.59%	6.84%	8.20%	7.23%	NA	NA
<i>Total Documents Imaged</i> - total number of documents imaged during the year	1,347,643	1,400,848	1,488,406	1,803,699	NA	NA
<i>Average System Availability/Accessibility During Core Business Hours</i> - average percent of time the WSI computer systems were accessible to WSI employees (between 7:00 a.m. & 6:00 p.m.)	97.59%	99.10%	99.40%	98.49%	NA	99.75%
<i>Premium Cost per Covered Worker</i> - actual amount of premiums paid by employers, net of any dividends or rebates, divided by the covered workforce	\$541	\$677	\$769	\$749	NA	TBD
<i>Paid Claim Costs per Covered Worker</i> - total cost of medical, allocated, and indemnity benefits and expenses divided by the covered workforce	\$356	\$363	\$431	\$474	NA	TBD
<i>Administrative Cost per FTE</i> - total ULAE and administrative costs divided by the number of FTE authorized by the Legislature	\$102,950	\$115,174	\$116,973	\$132,341	NA	TBD
<i>Administrative Cost per Claim</i> - total administrative costs divided by the number of claims with activity.	\$720	\$746	\$637	\$758	NA	TBD

1 - Turnover rate does not include temporary employees

<i>Fiscal Year Ending:</i>	FY 2011	FY 2012	FY 2013	FY 2014
Customer Satisfaction				
<i>Employer Satisfaction</i> - mail survey conducted by DLN Consulting in May and Nov. each year - based on a scale of 1-5	4.22	3.67	3.57	4.22
<i>Injured Worker Satisfaction¹</i> - phone survey conducted by DLN Consulting in May and Nov. each year - based on a scale of 1-5	4.23	4.15	4.20	4.31
<i>Medical Provider Satisfaction</i> - on-line/mail survey conducted by WSI - based on a scale of 1-5	3.95	NA	NA	3.48

1 - Injured Worker survey population includes claims 60-120 days post acceptance, closed claims, claims open > 1 year, and denied claims

<i>Fiscal Year Ending:</i>	FY2011	FY 2012	FY 2013	FY 2014	FY 2014 Projection	% Change 13 to 14
<i>Indemnity Benefits Paid</i>	\$47,611,066	\$54,471,527	\$65,091,921	\$79,925,526	\$79,925,526	23%
<i>Medical Benefits Paid</i>	\$72,650,342	\$76,068,092	\$104,639,702	\$112,945,802	\$112,945,802	8%
<i>ALAE (all non-legal) Paid</i>	\$2,598,522	\$1,842,753	\$1,999,546	\$3,013,374	\$3,013,374	51%
<i>ALAE (legal) Paid</i>	\$1,422,683	\$1,885,986	\$1,788,746	\$2,364,544	\$2,364,544	32%
<i>Total Paid Costs</i>	\$124,282,613	\$134,268,358	\$173,519,915	\$198,249,246	\$198,249,246	14%

FY2012 YTD decrease & FY2013 increase due to backlog in bill payments as a result of the conversion to the Mitchell Smart Advisor bill payment software.

Key Performance Indicators

FY 14 numbers in this report are a snapshot at quarter end unless stated otherwise

Financial Statements

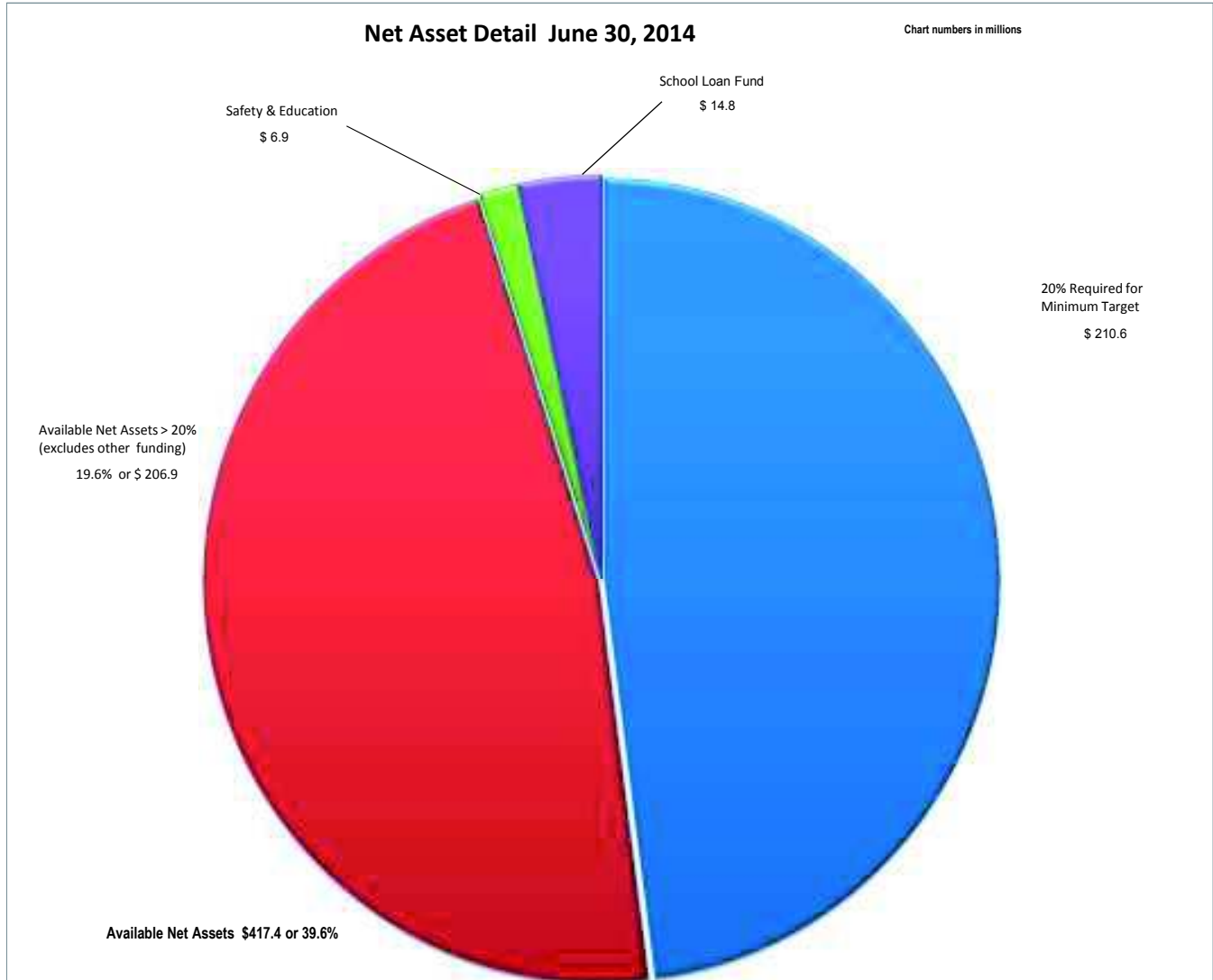
	Audited FY 2011	Audited FY 2012	Audited FY 2013	Audited Jun-14
Statement of Financial Position				
Cash & Investments	1,352,639,916	1,436,644,598	1,560,040,666	1,707,120,324
Receivables	29,970,644	42,693,174	51,191,781	54,606,796
Building & Other	25,178,331	27,020,087	12,103,958	11,006,198
Total Assets	1,407,788,891	1,506,357,859	1,623,336,405	1,772,733,319
Accounts Payable	109,051,523	148,619,598	167,978,534	127,845,407
Unearned Premium	91,586,519	117,488,460	141,890,596	152,954,059
Unpaid Loss & LAE, disc at 5%	814,023,000	865,645,000	958,709,000	1,052,806,000
Total Liabilities	1,014,661,041	1,131,753,058	1,268,578,130	1,333,605,466
Net Position	393,127,850	374,604,802	354,758,275	439,127,853
Total Liabilities & Net Position	1,407,788,891	1,506,357,859	1,623,336,405	1,772,733,319

	Audited FY 2011	Audited FY 2012	Audited FY 2013	Audited Jun-14
Statement of Activities				
Premium Earned	203,963,716	271,275,972	333,991,912	341,835,963
Premium Discount	(12,159,716)	(15,402,524)	(17,502,707)	(21,917,363)
Ceded Reinsurance Premium	(3,054,205)	(5,328,808)	(6,591,703)	(6,753,830)
Net Premium Earned	188,749,796	250,544,641	309,897,502	313,164,771
Incurred Losses & ALAE	161,377,043	180,478,544	263,375,517	281,826,747
ULAE and G&A Expenses	24,399,164	28,448,022	28,892,350	33,085,248
Operating Expense	185,776,207	208,926,566	292,267,867	314,911,995
Underwriting Income (Loss)	2,973,589	41,618,075	17,629,636	(1,747,224)
Investment & Other Income	161,949,289	84,234,932	124,837,805	181,673,988
Dividend & Other Expense	108,006,196	144,376,055	147,585,337	95,557,186
Special Item impairment loss	-	-	(14,728,630)	
Change in Net Position	56,916,682	(18,523,048)	(19,846,527)	84,369,578
EXPENSE RATIOS				
FY Admin Expense Ratio	12.72%	11.12%	9.13%	10.34%
Incurred Loss Ratio	84.14%	70.53%	83.22%	88.09%
Combined Ratio	96.86%	81.65%	92.35%	98.44%
EXPENSE RATIOS (excluding Safety expenditures)*				
FY Admin Expense Ratio	11.85%	9.10%	8.31%	9.11%
Incurred Loss Ratio	84.14%	70.53%	83.22%	88.09%
Combined Ratio	95.99%	79.64%	91.53%	97.20%

* Denotes the following reduction of Administrative Expense: Safety - \$3,938,279 y-t-d

Key Performance Indicators

Net Assets

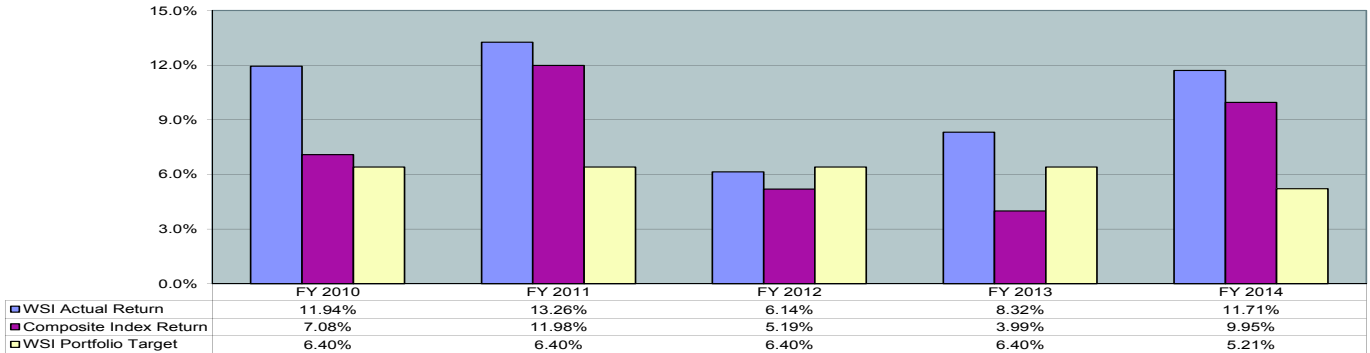


	Actual June 2012	Actual June 2013	Actual June 2014
NET POSITION or "SURPLUS"	\$ 374,604,802	\$ 354,758,275	\$ 439,127,853
Estimated Discounted Financial Reserves	865,645,000	958,709,000	1,052,806,000
Net Position (Surplus)	\$ 374,604,802	\$ 354,758,275	\$ 439,127,853
2009 HB 1035 Allowable Deductions from Net Position (Surplus)			
Safety & Education Grants	18,406,760	10,824,046	6,885,767
Revolving School Loan Fund	14,842,186	14,821,186	14,806,047
ITTP/AIM Update	706,652	-	-
Total Exclusions from Net Position (Surplus)	33,955,598	25,645,232	21,691,814
Available Fund Surplus	\$ 340,649,204	\$ 329,113,043	\$ 417,436,039
	39.4%	34.3%	39.6%

Investments

Investment data provided as of June 30, 2014

FY 2014 Annual Rates of Return



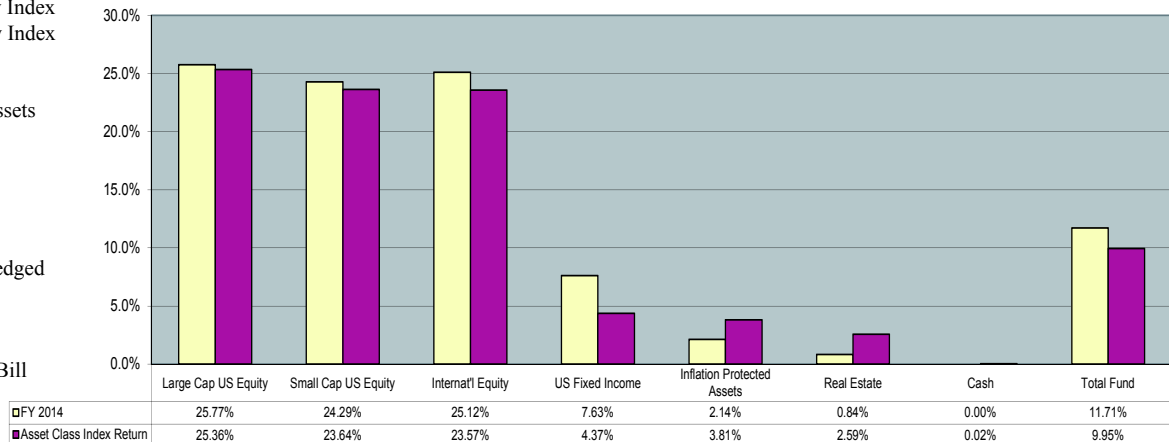
FY 2014 Year to Date Return by Asset Class

Asset Class

- Large Cap US Equity Index
- Small Cap US Equity Index
- International Equity
- US Fixed Income
- Inflation Protected Assets
- Real Estate
- Cash Equivalents

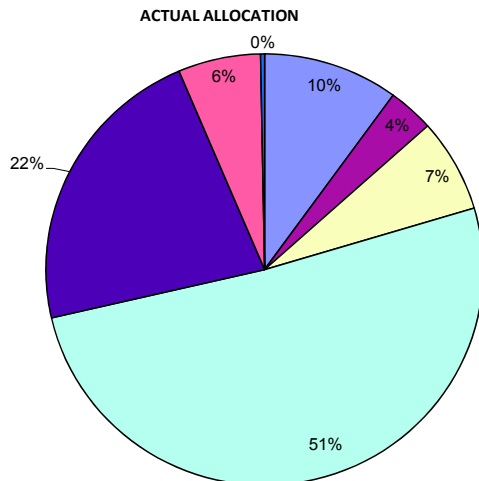
Index

- S & P 500
- Russell 2000
- MSCI EAFE 50% Hedged
- Lehman Aggregate
- Lehman US TIPS
- NCREIF
- 90-day US Treasury Bill



Inflation Protected Assets Detail		Return
Western Inflation Protected Assets		9.91%
TIR - Timber		9.89%
JP Morgan Infrastructure		1.71%

WSI Investment Allocation



ASSET CLASS -- POLICY ALLOCATION

Large Cap Domestic Equity (Target 9.75%)	Small Cap Domestic Equity (Target 3.25%)
International Equity (Target 7.0%)	Domestic Fixed Income (Target 51.0%)
Inflation Protected Assets (Target 22.0%)	Real Estate (Target 6.0%)
Cash Equivalents (Target 1.0%)	