

**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, 2015

**\*\*Final - Audited\*\***

# Key Performance Indicators

FYTD 15 numbers in this report are a snapshot at quarter end unless stated otherwise

Color Code = positive condition, watch condition, neutral

<b>Fiscal Year Ending:</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FYTD 2015</b>	<b>FY 2015 Projection</b>	<b>Target*</b>
<b>Injury Services (Claims)</b>						
<i>Total Claims Filed</i>	24,647	25,835	26,395	24,798	24,798	NA
<i>Indemnity Claims Filed</i>	2,966	3,399	3,480	3,177	3,177	NA
<i>Claims Filed/100 Covered Workers<sup>1</sup></i> <small>- # of new claims filed divided by the covered workforce</small>	6.66	6.41	6.31	5.69	5.69	NA
<i>Indemnity Claims Filed/100 Covered Workers<sup>1</sup></i> <small>- # of new indemnity claims filed divided by the covered workforce</small>	0.80	0.84	0.83	0.73	0.73	NA
<i>Average Covered Workforce<sup>1</sup></i> <small>- based on Job Service ND employment and wages data</small>	369,996	402,771	418,234	435,993	435,993	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>	38,134	45,407	43,681	40,664	40,664	NA
<i>On-Line Claims as Percent of Total Claims Filed</i> <small>- % of claims filed that were received on-line</small>	60%	60%	62%	65%	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%	22%	21%	24%	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>	35%	34%	32%	29%	NA	55%
<small>-Medical Only Claims</small>	49%	46%	42%	40%	NA	65%
<small>-All Claims</small>	47%	45%	41%	39%	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%	95%	97%	95%	NA	95%
<i>Claim Ultimate Acceptance Rate (adjusted)</i> <small>- % of claims filed that are accepted (excludes incidents)</small>	92%	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>	53%	54%	52%	49%	NA	65%
<i>Percent of Claims Pending Over 31 Days</i> <small>- % of all claims in pending status that are over 31 days</small>	14%	14%	14%	13%	NA	10%
<i>Average New Claims per Claim Adjuster<sup>3</sup></i> <small>- average number of new claims assigned per year</small>	513	517	528	468	468	NA
<i>Average Active Claims per Claim Adjuster<sup>3</sup></i> <small>- excludes auto-adjudicated claims</small>						
<small>- Average active indemnity claims</small>	62	63	61	57	NA	NA
<small>- Average active medical only claims (excl. auto adj)</small>	166	198	182	172	NA	NA
<small>- Average active claims (all)</small>	228	262	243	229	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

FYTD 15 numbers in this report are a snapshot at quarter end unless stated otherwise

<b>Fiscal Year Ending:</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FYTD 2015</b>	<b>FY 2015 Projection</b>	<b>Target</b>
<b>Injury Services (Medical Services)</b>						
<i>Percent of Outstanding Bills Over 30 Days Old</i> <sup>1</sup> - % of bills, entered but not paid, that are > 30 days from the date received - snapshot	53%	28%	6%	15%	NA	7%
<i>Days to Adjudicate Medical Bills</i> <sup>1</sup> - Percentage of Medical Bills paid within 31 days of receipt of bill.	58%	63%	69%	90%	NA	95%
<b>Injury Services (Vocational Rehabilitation)</b> <sup>3</sup>						
<i>Number of Open Voc Rehab Cases - In State</i> - The number of open cases - Snapshot as of the end of the quarter.	434	405	431	490	490	NA
<i>Number of Open Voc Rehab Cases - Out of State</i> - The number of open cases - Snapshot as of the end of the quarter.	147	264	302	391	391	NA
<i>Number of Miscellaneous Voc Rehab Closures</i> - Number of misc closures (non compliance, etc.)	198	263	373	343	343	NA
<i>Number of Voc Rehab Closures with a RTW Plan</i> - Number of closures where a return to work plan was identified	225	228	345	346	346	NA
<i>Average Pre-Injury Wage of Voc Participants</i> - The average wage earned by voc recipients before their injury	\$833	\$878	\$990	\$1,056	NA	NA
<i>Average Post-Injury Wage of Voc Participants</i> - The average wage earned by voc recipients after their injury	\$557	\$699	\$750	\$752	NA	NA

<b>Employer Services</b>						
<i>Lag Time to Report Injuries</i> - Percentage of Claims Reported within X day(s) of date of injury						
-within 1 day	47%	50%	49%	51%	NA	NA
-within 7 days	79%	79%	79%	80%	NA	NA
-within 14 days	86%	87%	87%	87%	NA	NA
-within 21 days	89%	90%	90%	90%	NA	NA
-within 31 days	92%	92%	93%	92%	NA	NA
<i>Total Active Employer Accounts</i> - total number of active employer accounts (snapshot)	23,812	24,793	25,359	25,615	25,615	NA
<i>Number of Audits Completed (includes phone audits)</i> - number of premium audits completed by the premium auditors	1,307	1,333	1,398	1,247	1,247	1,300
<i>Delinquent Premium as Percent of In Force Premium</i> - total delinquent premium divided by in force premium	2.05%	3.00%	2.67%	3.28%	NA	2%
<i>Total Delinquent Premium - Accts in Active Collections</i> <sup>2</sup> - amount of premium, interest and penalties owed by all accounts in collections	\$4,633,788	\$8,482,690	\$8,565,028	\$11,268,203	NA	NA

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

2 - Of the \$11,268,203 premium in collections, \$2,547,810 is in litigation

3 - Voc section is new as of the 3/31/15 quarter report. This section was added per a recommendation from the 2014 Performance Evaluation.

\* 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

FYTD 15 numbers in this report are a snapshot at quarter end unless stated otherwise

<b>Fiscal Year Ending:</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FYTD 2015</b>	<b>FY 2015 Projection</b>	<b>Target</b>
<b>Legal/SIU</b>						
<i>Hearings Requested</i> <sup>3</sup> - number of hearings requested during the fiscal year (1st level litigation - does not include district or supreme court cases)	190	235	265	304	304	NA
<i>Hearings Held</i> <sup>3</sup> - number of hearings held during the fiscal year	134	105	195	199	199	NA
<i>Claimant Attorney Fees and Costs</i> <sup>4</sup> - total fees and costs paid to claimant attorneys	\$301,926	\$271,295	\$308,824	\$438,886	\$438,886	NA
<i>Office of Administrative Hearings (OAH)</i> <sup>4</sup> - total fees and costs paid to OAH	\$500,369	\$393,417	\$653,793	\$669,037	\$669,037	NA
<i>WSI Counsel Fees and Costs</i> <sup>4</sup> - total fees and costs paid to WSI outside counsel (defense counsel)	\$832,985	\$882,222	\$1,110,085	\$1,053,615	\$1,053,615	NA
<i>Avg Days Hearing Request to ALJ Decision</i> <sup>2, 3</sup> - avg number of days from hearing request to receipt of ALJ decision regardless of resolution.	276	183	241	208	NA	160
<i>Avg Processing Days Office of Administrative Hearings (OAH)</i> <sup>3</sup> - avg number of days cases are in the hands of OAH	186	168	183	187	NA	included in stat above
<i>SIU Return on Investment</i> - total savings + restitution / fraud investigations costs + budget	\$20.49	\$11.58	\$8.15	\$13.36	NA	NA

2 - 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.

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

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

<b>Fiscal Year Ending:</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FYTD 2015</b>	<b>FY 2015 Projection</b>	<b>Target</b>
<b>Other</b>						
<i>FTE Authority</i> - number of full-time-equivalent employees legislatively allowed	247	247	250	250	NA	NA
<i>Turnover Rate - All WSI Employees</i> <sup>1</sup> - employee separation/total employees (Bureau of Labor & Statistics 2011 Industry avg) = 11.6% Finance & Insurance = 6.6% State & Local Government	6.84%	8.20%	7.23%	9.30%	9.30%	NA
<i>Total Documents Imaged</i> - total number of documents imaged during the year	1,400,848	1,488,406	1,803,699	1,804,180	1,804,180	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.)	99.10%	99.40%	98.49%	99.00%	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	\$677	\$769	\$749	\$756	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	\$363	\$431	\$474	\$455	NA	TBD
<i>Administrative Cost per FTE</i> - total ULAE and administrative costs divided by the number of FTE authorized by the Legislature	\$115,174	\$116,973	\$132,341	\$135,165	NA	TBD
<i>Administrative Cost per Claim</i> - total administrative costs divided by the number of claims with activity.	\$746	\$637	\$758	\$831	NA	TBD

1 - Turnover rate does not include temporary employees

# Key Performance Indicators

FYTD 15 numbers in this report are a snapshot at quarter end unless stated otherwise

<b>Fiscal Year Ending:</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<b>Customer Satisfaction</b>				
<i>Employer Satisfaction</i> - mail survey conducted by DLN Consulting in May and Nov. each year - based on a scale of 1-5	3.67	3.57	4.22	4.27
<i>Injured Worker Satisfaction<sup>1</sup></i> - phone survey conducted by DLN Consulting in May and Nov. each year - based on a scale of 1-5	4.15	4.20	4.31	4.17
<i>Medical Provider Satisfaction</i> - on-line/mail survey conducted by WSI - based on a scale of 1-5	NA	NA	3.48	NA

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

<b>Paid Cost Data</b>						
<b>Fiscal Year Ending:</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FYTD 2015</b>	<b>FY 2015 Projection</b>	<b>% Change 14 to 15</b>
<i>Indemnity Benefits Paid</i>	\$54,471,527	\$65,091,921	\$79,925,526	\$82,451,347	\$82,451,347	3.16%
<i>Medical Benefits Paid</i>	\$76,068,092	\$104,639,702	\$112,945,818	\$108,841,339	\$108,841,339	-3.63%
<i>ALAE (all non-legal) Paid</i>	\$1,842,753	\$1,999,546	\$3,013,374	\$4,411,490	\$4,411,490	46.40%
<i>ALAE (legal) Paid</i>	\$1,885,986	\$1,788,746	\$2,364,544	\$2,486,637	\$2,486,637	5.16%
<i>Total Paid Costs</i>	\$134,268,358	\$173,519,915	\$198,249,262	\$198,190,813	\$198,190,813	-0.03%

*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

FYTD 15 numbers in this report are a snapshot at quarter end unless stated otherwise

## Financial Statements

Statement of Financial Position	Audited FY 2012	Audited FY 2013	Audited FY 2014	Audited FY 2015
Cash & Investments	\$ 1,436,644,598	\$ 1,560,040,666	\$ 1,707,120,324	\$ 1,765,142,380
Receivables	42,693,174	51,191,781	54,606,797	52,043,722
Building & Other	27,020,087	12,103,958	11,006,198	10,892,728
<b>Total Assets</b>	<b>1,506,357,859</b>	<b>1,623,336,405</b>	<b>1,772,733,319</b>	<b>1,828,078,829</b>
<b>Deferred outflows pension</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>822,588</b>
<b>Total Assets and Deferred Outflows &amp; Net Position</b>	<b>1,506,357,859</b>	<b>1,623,336,405</b>	<b>1,772,733,319</b>	<b>1,828,901,417</b>
Accounts Payable	148,619,598	167,978,534	127,845,407	109,987,326
Pension Liability	-	-	-	5,953,413
Unearned Premium	117,488,460	141,890,596	152,954,059	160,329,226
Unpaid Loss & LAE, disc at 5%	865,645,000	958,709,000	1,052,806,000	1,096,674,000
<b>Total Liabilities</b>	<b>1,131,753,058</b>	<b>1,268,578,130</b>	<b>1,333,605,466</b>	<b>1,372,943,964</b>
<b>Deferred Inflows Pension</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,174,902</b>
<b>Net Position **</b>	<b>374,604,802</b>	<b>354,758,275</b>	<b>439,127,853</b>	<b>454,782,551</b>
<b>Total Liabilities, Deferred Inflows &amp; Net Position</b>	<b>\$ 1,506,357,859</b>	<b>\$ 1,623,336,405</b>	<b>\$ 1,772,733,319</b>	<b>\$ 1,828,901,417</b>

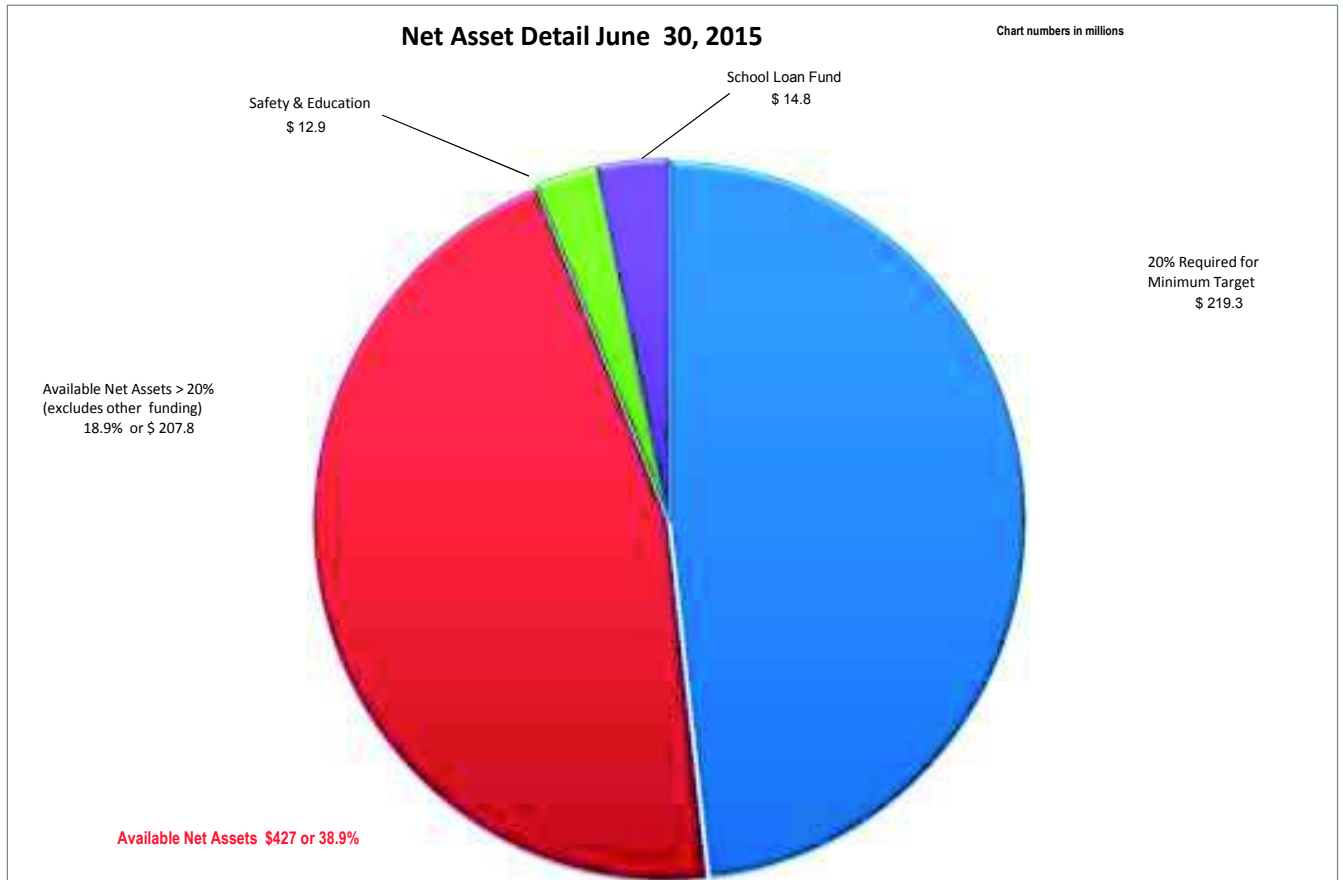
Statement of Activities	Audited FY 2012	Audited FY 2013	Audited FY 2014	Audited FY 2015
Premium Earned	\$ 271,275,972	\$ 333,991,912	\$ 341,835,963	\$ 361,082,391
Premium Discount	(15,402,524)	(17,502,707)	(21,917,363)	(24,154,183)
Ceded Reinsurance Premium	(5,328,808)	(6,591,703)	(6,753,830)	(7,237,898)
<b>Net Premium Earned</b>	<b>250,544,641</b>	<b>309,897,502</b>	<b>313,164,770</b>	<b>329,690,311</b>
Incurred Losses & ALAE	180,478,544	263,375,517	281,826,747	237,603,576
ULAE and G&A Expenses	28,448,022	28,892,350	33,085,248	33,791,147
Pension Expense	-	-	-	(46,192)
Operating Expense	208,926,566	292,267,867	314,911,995	271,348,531
Underwriting Income (Loss)	41,618,075	17,629,636	(1,747,225)	58,341,780
Investment & Other Income	84,234,932	124,837,805	181,673,988	61,654,997
Dividend & Other Expense	(144,376,055)	(147,585,337)	(95,557,186)	(97,925,896)
Special Item impairment loss	-	(14,728,630)	-	-
<b>Change in Net Position **</b>	<b>\$ (18,523,048)</b>	<b>\$ (19,846,527)</b>	<b>\$ 84,369,578</b>	<b>\$ 22,070,882</b>
<b>EXPENSE RATIOS</b>				
FY Admin Expense Ratio	11.12%	9.13%	10.34%	10.03%
Incurred Loss Ratio	70.53%	83.22%	88.09%	70.52%
Combined Ratio	81.65%	92.35%	98.44%	80.55%
<b>EXPENSE RATIOS (excluding Safety expenditures)*</b>				
FY Admin Expense Ratio	9.10%	8.31%	9.11%	8.84%
Incurred Loss Ratio	70.53%	83.22%	88.09%	70.52%
Combined Ratio	79.64%	91.53%	97.20%	79.36%

\* Denotes the following reduction of Administrative Expense: Safety - \$4,003,000 y-t-d

\*\* Note the beginning Net Position for FY 2015 was reduced by approximately \$6.4 million, due to the implementation of GASB Statement No. 68, Pension Liability Reporting.

# Key Performance Indicators

## Net Assets

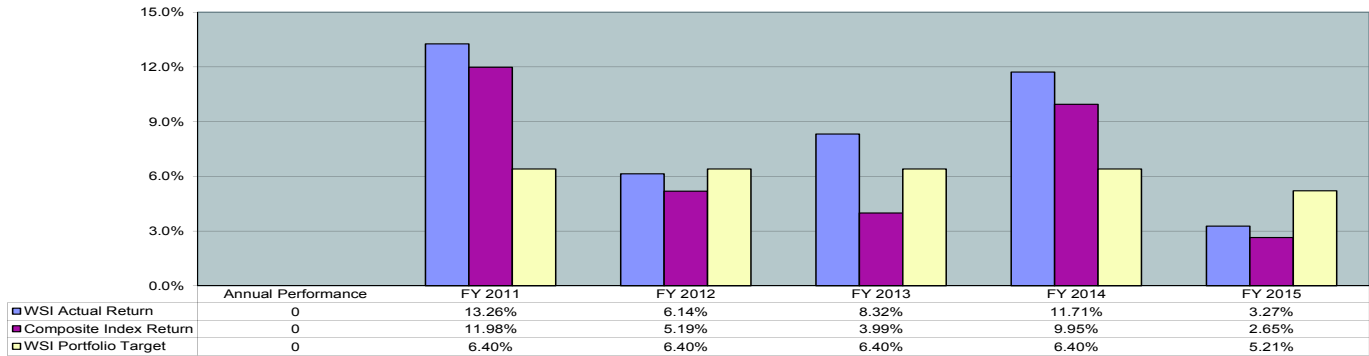


	Actual June 2013	Actual June 2014	Actual June 2015
<b>NET POSITION or "SURPLUS"</b>	<b>\$ 354,758,275</b>	<b>\$ 439,127,853</b>	<b>\$ 454,782,551</b>
<b>Estimated Discounted Financial Reserves</b>	<b>958,709,000</b>	<b>1,052,806,000</b>	<b>1,096,674,000</b>
<b>Net Position (Surplus)</b>	<b>\$ 354,758,275</b>	<b>\$ 439,127,853</b>	<b>\$ 454,782,551</b>
<b>2009 HB 1035 Allowable Deductions from Net Position (Surplus)</b>			
Safety Education & Grants	15,824,046	11,885,767	12,881,858
Revolving School Loan Fund	14,821,186	14,806,047	14,797,047
<b>Total Exclusions from Net Position (Surplus)</b>	<b>30,645,232</b>	<b>26,691,814</b>	<b>27,678,905</b>
<b>Available Fund Surplus</b>	<b>\$ 324,113,043</b>	<b>\$ 412,436,039</b>	<b>\$ 427,103,646</b>
	<b>33.8%</b>	<b>39.2%</b>	<b>38.9%</b>

# Investments

Investment data provided as of June 30, 2015

## FY 2015 Annual Rates of Return



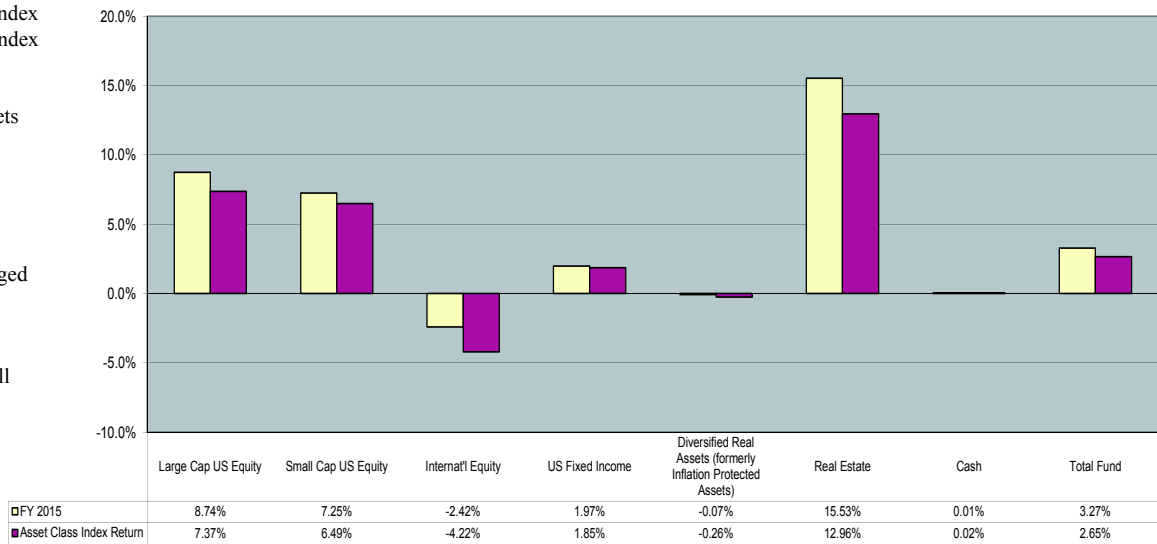
## FY 2015 Year to Date Return by Asset Class

### Asset Class

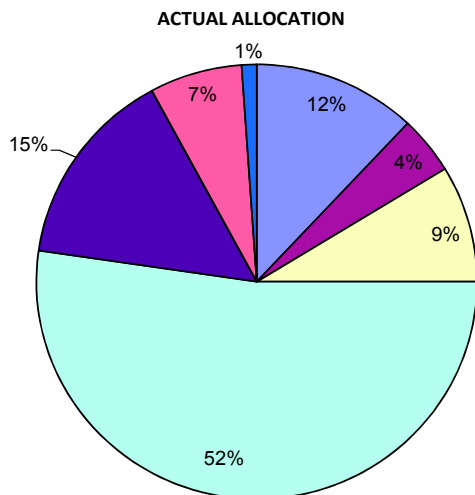
Large Cap US Equity Index  
 Small Cap US Equity Index  
 International Equity  
 US Fixed Income  
 Inflation Protected Assets  
 Real Estate  
 Cash Equivalents

### Index

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



## WSI Investment Allocation



### ASSET CLASS -- POLICY ALLOCATION

Large Cap Domestic Equity (Target 12%)	Small Cap Domestic Equity (Target 4%)
International Equity (Target 9%)	Domestic Fixed Income (Target 53%)
Diversified Real Assets (Target 15%)	Real Estate (Target 6%)
Cash Equivalents (Target 1%)	