

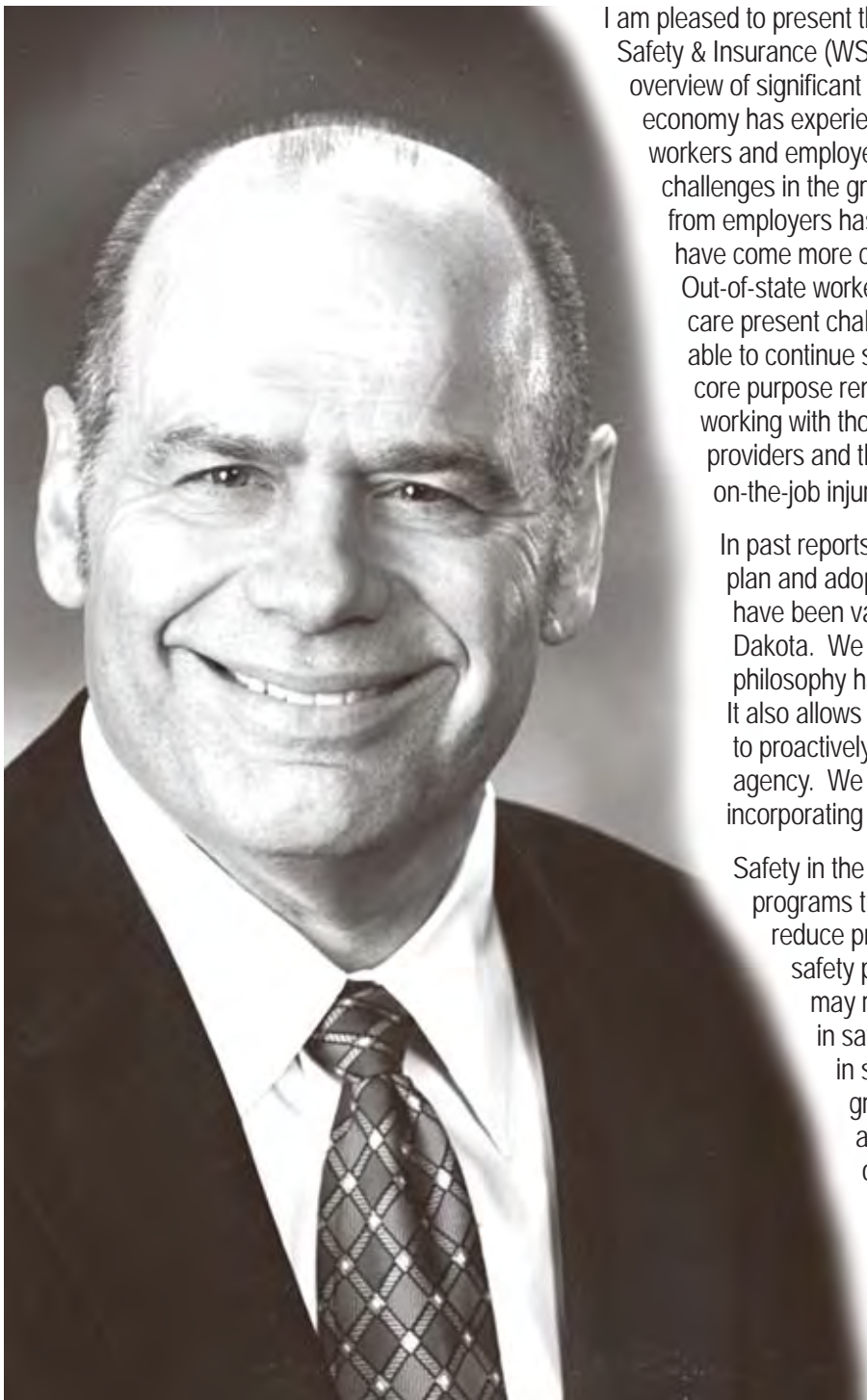
2013 - 2015 BIENNIAL REPORT

WSI

North Dakota Workforce
Safety & Insurance

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I am pleased to present the "2013-2015 Biennial Report" on behalf of Workforce Safety & Insurance (WSI). The report is required by law and provides an overview of significant WSI events during the last biennium. North Dakota's economy has experienced tremendous growth. With record numbers of workers and employers in the booming oil patch, WSI has responded to the challenges in the growth of our operations. WSI's premiums-collected from employers has doubled since 2009. With the increase in workers have come more claims and a record number of out-of-state claims. Out-of-state workers and the out-of-state medical providers providing care present challenges. In spite of these challenges we have been able to continue superior customer service to all our stakeholders. Our core purpose remains, "to care for injured workers". We do that best working with those injured workers and their families, medical providers and their employers to ensure a speedy recovery from an on-the-job injury.

In past reports I have reported to you that we developed a strategic plan and adopted a servant leadership philosophy. Both initiatives have been valuable and are helping the agency to serve North Dakota. We also adopted the Table Group Philosophy. This philosophy has helped WSI develop a cohesive leadership team. It also allows us to provide clarity of what the organization is doing to proactively communicate ideas and strategies throughout the agency. We also have adopted a method of communicating incorporating an idea called Crucial Conversations.

Safety in the workplace continues to be a priority for WSI. We offer programs that help reduce the number of injuries on the job and reduce premiums for employers who proactively implement safety programs. Employers who implement these programs may reduce their premiums by up to 25%. These investments in safety, combined with employer and employee participation in safety and ergonomic programs, has contributed to greater safety on-the-job in North Dakota. Information is available on WSI's website at www.workforcesafety.com or calling 1-800-777-5033.

WSI looks forward to providing the citizens of North Dakota with superior service to injured workers, medical providers and premium payers.

Sincerely,
Bryan Klipfel, Director

OUR PURPOSE TO CARE FOR THE INJURED WORKER

*"I've learned that
people will forget what you said,
people will forget what you did,
but people will never forget
how you made them feel."*

~ Maya Angelou

WSI
North Dakota Workforce
Safety & Insurance

WSI 2015 EXECUTIVE STAFF



Top Row (left to right)

Bryan Klipfel	Director
Clare Carlson	Deputy Director
Tim Wahlin	Chief of Injury Services
Barry Schumacher	Chief of Employer Services

Middle Row (left to right)

Jodi Bjornson	General Counsel
John Halvorson	Chief Operating Officer
Tim Schenfisch	Technology Director

Bottom Row (left to right)

Curt Zimmerman	Facility Management
Cindy Ternes	Director of Finance
Mary Marthaller	Executive Secretary
Mary Selzler	Human Resources Director

BOARD OF DIRECTORS

North Dakota Workforce Safety & Insurance (WSI) is controlled by North Dakota's Governor, who appoints the agency's Executive Director and the 11 member Board of Directors. The Board of Directors serves as quasi-advisory with members serving 4-year terms.

The 11 member board consists of:

- 6 members represent employers with active accounts at WSI
- 3 members represent employees
- 1 member is a member of the North Dakota Medical Association
- 1 member is appointed as a member-at-large

Bobbie Ripplinger

CGO (member-at-large)

Karel Sovak

Vice CGO, Employer Rep (at-large)

Michael Gallagher

Employer Representative (under \$10,000)

Patricia Clement

Employer Representative (at-large)

Vicki Kunz

Employee Representative

Edward Grossbauer

Employee Representative
(WSI benefit recipient)

Pamela Link

Employee Representative (organized labor)

Dr. Michael Quast

ND Medical Association

Tom Coons

Employer Representative (over \$25,000)

Wally Keller

Employer Representative (over \$25,000)

Brad Maier

Employer Representative (under \$25,000)

OUR CORE VALUES

✓ FORTHRIGHT
✓ CARING
✓ LOYAL

OUR BUSINESS . . .



PROVIDING WORKERS' COMPENSATION & SAFETY SERVICES

BRIEF OVERVIEW

In 1919, the 16th North Dakota Legislative Assembly created the Workmens' Compensation Bureau. Its purpose was to provide "sure and certain relief regardless of questions of fault to the exclusion of every other remedy, proceeding or compensation." The intent of the law was to provide relief to workers injured while on the job. This relief would be in the form of compensation for lost earnings and payment of medical bills incurred. It was anticipated that the law would help employers by eliminating the risk of damaging lawsuits by injured employees.

Today Workforce Safety & Insurance (WSI) remains an exclusive, employer financed, no-fault insurance state fund covering workplace injuries, illnesses and death. WSI is the sole provider and administrator of the workers' compensation system in North Dakota. North Dakota is one of four "exclusive" state funds in the country (the other three are Ohio, Washington and Wyoming). This means that all employers must purchase workers' compensation insurance from the state fund, rather than from private insurance companies. In the other 46 states and the District of Columbia, employers have options to buy workers' compensation insurance from private insurance companies, competitive state funds or to self-insure. In November 2008, voters in North Dakota returned control of WSI back to the Governor, who now appoints the agency's Executive Director, while leaving the Board as quasi-advisory.

The 11-member Board of Directors is appointed by the Governor with members serving four-year terms. Six members represent employers that maintain active accounts with WSI, three members represent employees, one member is a member of the North Dakota Medical Association and one is appointed as an at-large member.

As administrator of workers' compensation laws, WSI collects premiums from employers and adjusts rates of premium for each classification to assure the solvency of the organization. WSI also provides workers' compensation for injured employees, cooperates in making arrangements for rehabilitation of persons injured in employment, provides safety grants and incentives to employers, and classifies types of employment with respect to degree of hazard.

WSI IS ADMINISTERED BY THE DIRECTOR AND CONSISTS OF INJURY SERVICES, EMPLOYERS SERVICES AND ADMINISTRATIVE SERVICES FUNCTIONS:

Injury Services: The Claims Department processes new injured worker claims that are filed. Injured workers and employers can file claims either by mail, over the telephone or online. The claims technicians work closely with the claim adjusters to provide clerical support and assistance in the collection of required documentation needed in the processing of claims. Benefit levels for injured workers are tied to the state's average weekly wage as reported by Job Service North Dakota. The maximum disability benefit an injured worker may receive is 125 percent of the state's average weekly wage. Return-to-Work Services assists injured workers and employers coordinate stay-at-work or a return-to-work plan quickly and safely. Medical services administers the managed care and medical bill audit programs and the medical and hospital fee schedules. The department administers the medical dispute resolution process for disputes arising out of managed care recommendations. WSI uses evidence-based treatment guidelines to evaluate the necessity and/or effectiveness of medical care. The department also provides technical support to the claims and rehabilitation department in the processing of medical bills and in computer and claim form functions. Provider Relations works to ensure good communication is taking place between WSI and medical providers. A pharmacy benefit management system has allowed WSI to continue to provide for the medication needs of injured workers, while addressing the issue of continued rising costs in the pharmaceutical area. Injury services also oversees the Customer Service Call Center which receives and answers more than 700 calls per day.

Employer Services: Policyholder services manages employer insurance accounts, develops annual rate and classification structures (in consultation with WSI's actuarial consultant), rates employer loss experience, determines coverage status, and manages extraterritorial agreements with other states. The department's field representatives audit employer accounts and investigate uninsured employers. The Safety and Loss prevention department assists employers with safety and loss prevention program design, implementation and training; conducts workplace safety inspections; and investigates industrial accidents. The department works with employers to establish their own safety programs and provides opportunities through matching grants to purchase safety interventions to eliminate hazards in the workplace. WSI offers safety grant and discount programs aimed at further reducing the frequency of workplace injuries. These programs can reduce a qualifying employer's premium by up to 25 percent. In addition, associations and employee organizations may qualify for grants to help promote safety through training and education.

Other Administrative Services

Communications: The department's primary efforts are designed to maintain close relationships with the news media and the public they serve, as well as contact with the legislature and other governmental leaders. It also works to enhance the agency's internal communications.

Facility Management: Operates Century Center, WSI's home since May of 2003. The building was formally dedicated in September 2003. Century Center is also the home for North Dakota's Commerce Department, Parks and Recreation Department, Council on the Arts, Risk Management and Human Service's Child Support Enforcement and Provider Audit Divisions.

Finance: Monitors, records and reports on all WSI financial activity to ensure WSI resources are used effectively and efficiently and WSI fund solvency is maintained

Human Resources: Administers the personnel functions of WSI and maintains the performance management system of WSI.

Information Services: Provides support and services for all computers, software and telephones for the WSI staff at the Century Center building and remote facilities and offices.

Internal Audit: Plans, directs and completes internal audits and compliance reviews to ensure WSI departments and major programs are properly functioning and operating in accordance with applicable laws, rules, and policies.

Legal Services: Provides support services to legal counsel and assistance to the staff of injury services, employer services, and other administrative departments.

Special Investigations Unit: Provides WSI's Claims, Employer Services, and Medical Services departments with investigation resources for claims adjudication, employer and medical provider non-compliance, and fraud.

Quality Assurance: Ensures the continual improvement of WSI operations by statistically tracking performance and identifying areas that need improvement, and new initiatives that would serve to improve the overall efficiency and cost effectiveness of WSI.

Office Services: Provides support services to all of WSI through mail processing, document imaging, claims registration, fax and photocopying services, forms processing, medical and non-medical bill entry, records retention and off-site storage.

Decision Review Office: Established by the North Dakota Legislature in 1995 in response to two needs: providing injured workers with a no-cost, speedy claims dispute resolution alternative to litigation and to reduce the amount of attorney fees paid by the agency.

NORTH DAKOTA WORKFORCE SAFETY & INSURANCE 2011 - 2015 QUICK FACTS

Category	FY2011	FY2012	FY2013	FY2014	FY2015
Employer accounts	21,552	23,812	24,793	25,359	25,615
Earned premiums (\$millions) ¹	\$191.8	\$255.9	\$316.5	\$320.0	\$336.9
Fund surplus (Net Position) (\$millions)	\$393.1	\$374.6	\$354.8	\$439.1	\$454.8
Declared Premium Dividends (\$millions)	\$102.0	\$142.5	\$155.0	\$115.0	\$100.0
Actual premium dividends ²	\$108.0	\$144.5	\$147.6	\$95.6	\$97.9
Investments (\$millions)	\$1,351	\$1,435	\$1,558	\$1,704	\$1,763
Investment returns	13.26%	6.14%	8.32%	11.71%	3.27%
Average annual premium adjustment ³	3.4%	0.6%	1.1%	-0.7%	1.3%
Covered workforce	348,743	369,996	402,771	418,234	435,993
Medical-only claims filed	19,036	21,681	22,436	22,915	21,696
Wage-loss claims filed	2,657	2,966	3,399	3,480	3,071
Total claims filed	21,693	24,647	25,835	26,395	24,767
Total claims filed per 100 Covered Workers	6.22	6.66	6.41	6.31	5.68
Wage-loss claims filed per 100 Covered Workers	0.76	0.80	0.84	0.83	0.70
General Administrative and ULAE Expenses (\$millions)	\$24.4	\$28.4	\$28.9	\$33.1	\$33.8
General Administrative Expense and ULAE Ratio	12.7%	11.1%	9.1%	10.3%	10.0%
Indemnity benefits paid (\$millions)	\$47.6	\$54.5	\$65.1	\$79.9	\$82.5
Medical benefits paid (\$millions)	\$72.7	\$76.1	\$104.6	\$112.9	\$108.8
Allocated Loss Adjustment Expense (ALAE) paid (\$millions)	\$4.0	\$3.7	\$3.8	\$5.4	\$6.9
Total paid benefits (\$millions)	\$124.3	\$134.3	\$173.5	\$198.2	\$198.2
Maximum weekly wage-loss benefit	\$853	\$905	\$995	\$1,098	\$1,219
Minimum weekly wage-loss benefit	\$410	\$435	\$478	\$527	\$585
Claims adjudicated within 14 days	49%	47%	45%	41%	39%
Claims Reported within 14 days	86%	86%	87%	87%	87%
Litigation requests	200	190	235	265	304
Injured Worker Independent Customer Satisfaction Survey (1 to 5 scale) ⁴	4.23	4.15	4.20	4.31	4.17
Employer Independent Customer Satisfaction Survey (1 to 5 scale) ⁵	4.22	3.67	3.57	4.22	4.27
WSI employee turnover rate	5%	7%	8%	7%	9%

¹ Reflects earned premiums after safety discounts and before reinsurance and dividends

² Current fiscal year amount is an estimate based on prior year's premium

³ Calculated by Actuary - Rate Review

⁴ Starting with FY07 the injured worker survey population includes claims 60-120 days post acceptance, closed claims, claims open > 1 year, and denied claims

⁵ Starting with FY07 the employer survey questions were changed to address new programs in Employer Services

2015 WORKFORCE SAFETY & INSURANCE LEGISLATION

SB 2021 WSI Appropriations Bill

Provides a WSI biennial budget appropriation of \$68,865,170 and FTE authority for 260.14 FTEs for the 2015-17 biennium.

HB 1102 WSI Injury Services Bill

- ☐ Updates the definition of Health Care Provider
- ☐ Removes language requiring disability or death be sustained in order for the presumption of compensability to apply to certain conditions of full-time, paid fire-fighters and law enforcement officers.
- ☐ Establishes that combined partial disability benefits, dependency allowance, and post injury wage-earning capacity cannot exceed 90% of the pre-injury wages of an employee.
- ☐ Expands eligibility for the scholarship fund to include children up through age twenty-six.
- ☐ Allows WSI to provide information to other state and federal agencies.
- ☐ Provides for issuance of notice of decisions for vocational rehabilitation awards.
- ☐ Provides WSI discretion in implementing rehabilitation pilot programs and alters the pilot program reporting requirements.
- ☐ Clarifies and expands the eligibility of children that can utilize the educational revolving loan fund.
- ☐ Provides clarification for determining compensation benefits for volunteer firefighters, emergency or disaster volunteers, volunteer health practitioners, and community emergency response team members.

HB 1103 WSI Employer Services Bill

- ☐ Permits WSI to obtain security deposits and/or other instruments to secure payments of premiums by employers.
- ☐ Increases penalties WSI may assess from \$2,000 to \$5,000 for each premium period the employer was uninsured.
- ☐ Clarifies when employment has significant contacts with this state to include when an employer hires employees in this state for work in this state.

HB 1120 Modified WSI Coverage for Roughrider Industries

- ☐ Requires Roughrider Industries to participate in the workforce safety and insurance account for state entities under section 65-04-03.1 and contribute premiums to the risk management workers' compensation fund, for inmate workers under the Prison Industries Enhancement Certification Program (PIECP).
- ☐ Removes the requirement for Roughrider industries to secure excess coverage or reinsure all excess risks through the risk management division.
- ☐ Requires closure of the Roughrider Industries account in the event WSI has not purchased excess coverage or reinsurance.

HB 1159 Provider Information

- ☐ Clarifies the ability of health care providers to provide certain information to WSI to assist in making decisions on a claim, and precludes disciplinary or other proceedings affecting licensure against a health care provider for making these disclosures to WSI.

HB 1255 Classification of Ambulance Services

- ☐ Clarifies ambulance service classifications for health insurance and workers' compensation payers.

HB 1416 Server Training

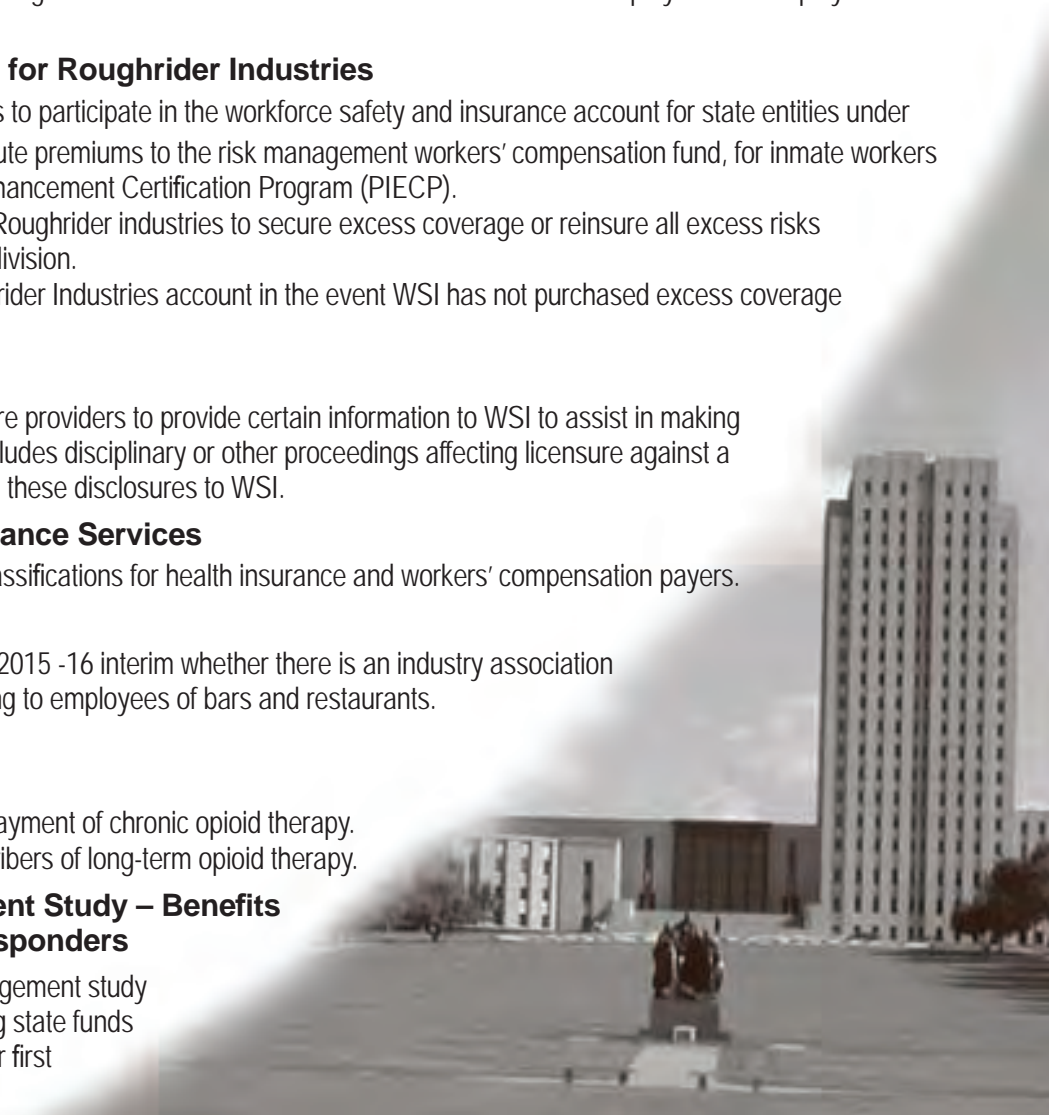
- ☐ Requires WSI to report during 2015 -16 interim whether there is an industry association to provide alcohol server training to employees of bars and restaurants.

SB 2060 Opioid Therapy

- ☐ Defines chronic opioid therapy.
- ☐ Establishes qualifications for payment of chronic opioid therapy.
- ☐ Provides procedures for prescribers of long-term opioid therapy.

SCR 4019 Legislative Management Study – Benefits for Volunteer First Responders

- ☐ Provides for a legislative management study regarding the feasibility of using state funds to provide benefits for volunteer first responders.



North Dakota Workforce Safety & Insurance

North Dakota Weekly Benefit Levels

Effective	Maximum ^{1, 2}	Minimum ³	PPI ^{4, 5}	SAWW	% Change ⁶
7/1/2015	1,219	585	342	975	6.7%
7/1/2014	1,143	549	320	914	4.1%
7/1/2013	1,098	527	308	878	10.3%
7/1/2012	995	478	279	796	9.9%
8/1/2011	905	435	254	724	----
7/1/11 to 7/31/11	905	435	242	724	6.2%
7/1/2010	853	410	228	682	2.6%
8/1/2009	832	399	222	665	----
7/1/09 to 7/31/09	732	399	222	665	6.2%
7/1/2008	689	376	209	626	5.6%
7/1/2007	653	356	198	593	4.6%
7/1/2006	624	341	189	567	3.3%
7/1/2005	604	330	183	549	4.8%
7/1/2004	577	315	175	524	4.0%
7/1/2003	555	303	168	504	3.3%
7/1/2002	537	293	163	488	4.1%
7/1/2001	516	282	157	469	4.0%
7/1/2000	497	271	151	451	3.4%
8/1/1999	480	262	146	436	----
7/1/99 to 07/31/99	436	262	146	436	4.6%
7/1/1998	417	251	139	417	3.7%
7/1/1997	402	241	134	402	3.9%
7/1/1996	387	233	129	387	2.9%
7/1/1995	376	226	126	376	2.7%

¹ Effective August 1, 2009, the maximum weekly benefit is equal to 125% of the SAWW.

² Effective August 1, 1999, the maximum weekly benefit is equal to 110% of the SAWW.

³ The minimum benefit is equal to 60% of the SAWW unless this amount exceeds the employee's net wages (gross wages minus deductions for federal income tax and social security) in which case the employee receives net wages as a weekly compensation rate.

⁴ Prior to August 1, 2011 the PPI rate was equal to 33 1/3% of the SAWW in effect on the date of the impairment evaluation.

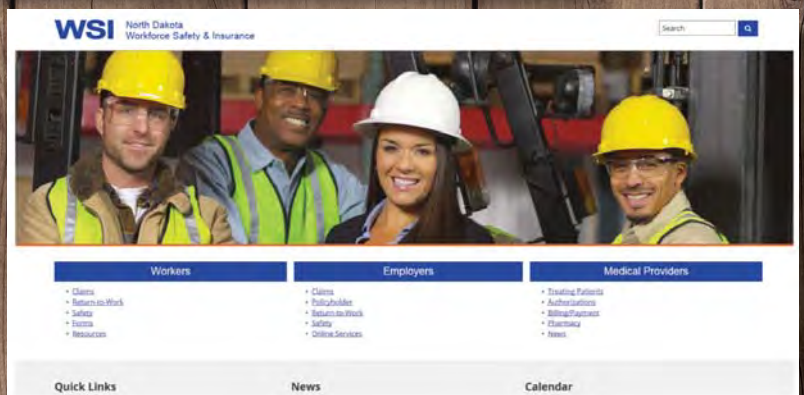
⁶ Annual COLA (Supplemental Benefit) is equal to the percent increase in the SAWW.



PUBLICATIONS & RESOURCES

Buried Alive - Grain Suffocation Hazards Booklet
Classification Manual / Workers' Compensation Rates
Deductible Program Brochure
Detailed Claims & Injury Characteristics Report

25,600 EMPLOYER ACCOUNTS (as of June 30, 2015)



436,000 COVERED WORKFORCE (as of June 30, 2015)

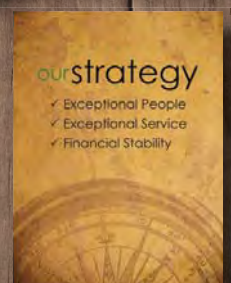
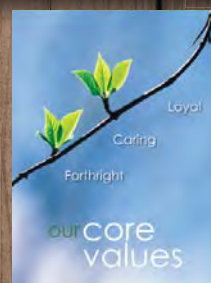


Website: www.workforcesafety.com
Employee's Guide to Workers' Compensation Claims
Fraud Prevention Tips for Employers Brochure
Injured Worker's Guide to Vocational Rehabilitation
Managed Care Guide
North Dakota Workers' Compensation Law
Preferred Worker Program Brochure

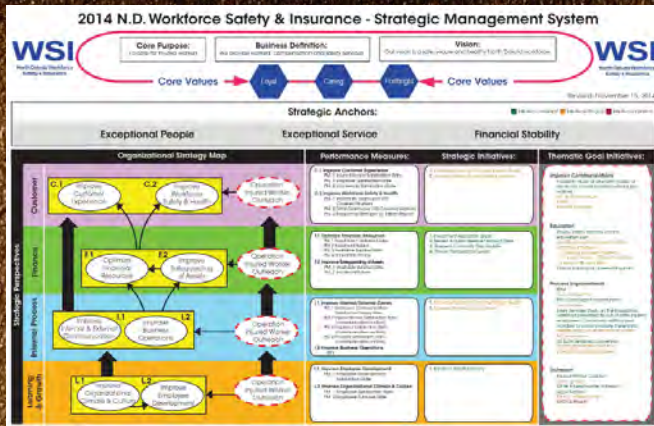


24,800 CLAIMS FILED PER YEAR (as of June 30, 2015)

Risk Management Plus Brochure
Video Resource Library
MedProLink Newsletter
Workers' Compensation & You: A Guide for Injured Workers

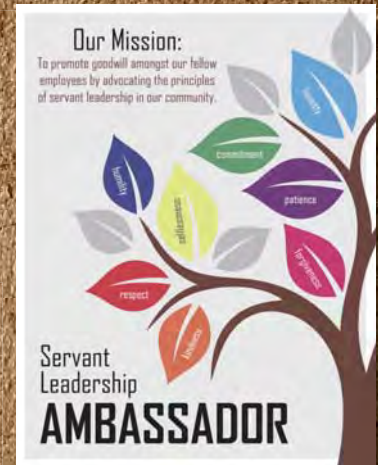


IMPORTANT INNOVATIONS & DEVELOPMENTS



BALANCED SCORECARD

WSI uses a balanced scorecard in our strategic planning to align business activities to the vision and strategy of the organization. This allows WSI to monitor WSI's performance against strategic goals and objectives."



SERVANT LEADERSHIP

At WSI Servant Leadership is a set of practices that enriches the lives of all our employees. The power of the servant-leadership model lies in the ability of its ideas to inspire us to collectively be more than the sum of our individual parts! The main assumption is that true leadership should call us to serve a higher purpose, something beyond ourselves.

CRUCIAL CONVERSATIONS

At WSI we work better together by employing Crucial Conversations techniques. WSI employees have learned how to identify crucial conversations that are the key to organizational, team and interpersonal success. The Crucial Conversations method allows organizations like WSI to effectively have critical conversations about important topics.

TABLE GROUP PHILOSOPHY

Now known as the WSI Philosophy, it is based on our belief that a healthy organization with minimal internal politics can be more efficient in completing its core business activities. This is done through developing a cohesive leadership team, providing clarity of purpose, over-communicating that clarity and reinforcing clarity.

OUR STRATEGIC ANCHORS

- ✓ EXCEPTIONAL PEOPLE
- ✓ EXCEPTIONAL SERVICE
- ✓ FINANCIAL STABILITY

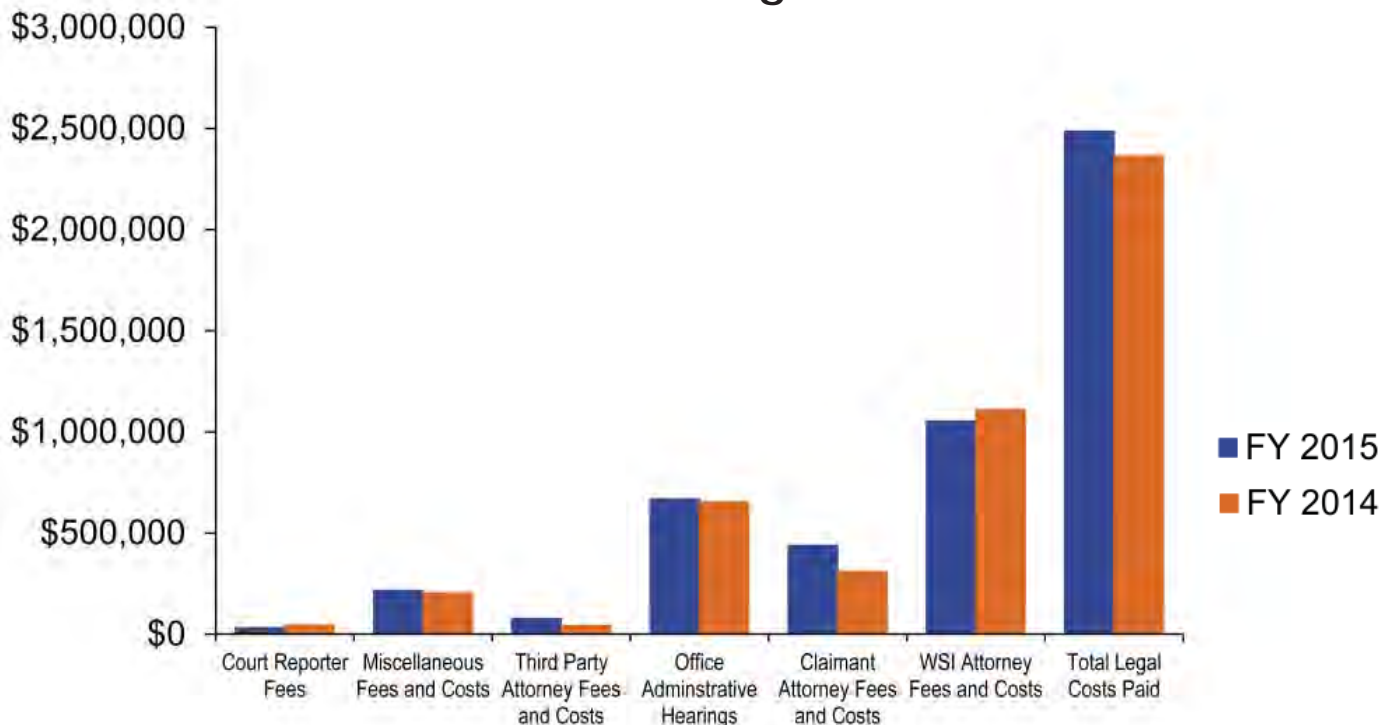




Cause of Injury

	FY2014		FY2015	
	Total Filed	% of Total	Total Filed	% of Total
Burn or Scald-Heat or Cold Exposure	781	3.0%	710	2.9%
Caught In or Between	1,021	3.9%	799	3.2%
Cut, Puncture, Scrape Injured By	3,279	12.4%	3,077	12.4%
Fall or Slip Injury	5,549	21.0%	4,710	19.0%
Miscellaneous Causes	2,777	10.5%	2,856	11.5%
Motor Vehicle	842	3.2%	791	3.2%
Rubbed or Abraded By	22	0.1%	8	0.0%
Strain or Injury By	7,231	27.4%	6,913	27.9%
Striking Against or Stepping On	1,058	4.0%	1,030	4.2%
Struck or Injured By	3,832	14.5%	3,841	15.5%
Unknown or Uncoded	4	0.0%	63	0.3%
Totals	26,396	100.0%	24,798	100.0%

2015 - 2014 Legal Costs



	Court Reporter Fees	Miscellaneous Fees and Costs	Third Party Attorney Fees and Costs	Office of Administrative Hearings	Claimant Attorney Fees and Costs	WSI Attorney Fees and Costs	Total Legal Costs Paid
FY 2015	31,682	215,959	77,458	669,037	438,886	1,053,615	2,486,637
FY 2014	45,288	203,952	42,603	653,793	308,824	1,110,085	2,364,545



North Dakota Workforce
Safety & Insurance

FINANCIAL REPORTS

Years Ended June 30, 2015 and 2014

BALANCE SHEETS
YEARS ENDED JUNE 30, 2015 AND 2014

ASSETS	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,448,255	\$ 3,082,594
Investments	1,753,102,799	1,692,463,156
Premium receivable, net	47,304,062	49,308,315
Est. Retro policy premium receivable, current	-	10,886
Due from other funds	13	-
Other accounts receivable, net	4,739,633	5,287,596
Investment interest receivable	9,591,339	11,574,574
Prepaid expenses	536,921	357,509
Total current assets	1,817,723,022	1,762,084,630
NONCURRENT ASSETS		
Land	901,974	901,974
Capital assets, net	9,453,833	9,746,715
Total assets	1,828,078,829	1,772,733,319
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow Pension	822,588	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,828,901,417</u>	<u>\$ 1,772,733,319</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 3,966,827	\$ 3,652,847
Due to other state agencies	202,604	165,671
Unearned premium	160,329,226	152,954,059
Dividend Payable	103,055,204	121,733,101
Compensated absences payable	1,241,855	1,234,793
Investment Accounts payable	1,318,673	857,982
Unpaid loss and LAE	131,600,880	126,336,720
Total current liabilities	401,715,269	406,935,173
NONCURRENT LIABILITIES		
Compensated absences payable, net of current	202,162	201,013
Pension Liability	5,953,413	-
Unpaid loss and LAE, discounted at 5%	965,073,120	926,469,280
Total non-current liabilities	971,228,695	926,670,293
Total liabilities	1,372,943,964	1,333,605,466
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow pension	1,174,902	-
NET POSITION		
Invested in capital assets, net of related debt	10,355,807	10,648,689
Designated/Unrestricted	444,426,744	428,479,164
Total net position	454,782,551	439,127,853 **
Total liabilities and net position	<u>\$ 1,827,726,515</u>	<u>\$ 1,772,733,319</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 1,828,901,417</u>	<u>\$ 1,772,733,319</u>

** Total net position reported for fiscal year 2014 was reduced approximately \$6.4 million as of July 1, 2014 due to implementation of GASB Statement No. 68, pension liability reporting, as explained in Note 1.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
OPERATING REVENUES		
Net premiums earned	\$ 329,690,311	\$ 313,164,770
Penalties and finance charges	3,874,619	3,134,019
Third party subrogation recoveries	5,138,971	1,709,609
Rental operations	753,022	742,222
Miscellaneous	349,773	29,215
Total operating revenues	339,806,696	318,779,835
OPERATING EXPENSES		
Incurred losses and loss adjustment expenses	248,084,909	292,047,713
Payroll and benefits	21,509,627	20,935,411
Pension expenses	619,152	-
Other administrative expenses	1,865,241	1,697,116
Bad debt expense	3,120,914	3,126,998
Depreciation expense	372,402	1,003,191
Total operating expenses	275,572,245	318,810,429
OPERATING INCOME (LOSS)	64,234,451	(30,594)
NONOPERATING REVENUES (EXPENSES)		
Interest and investment revenue	63,530,966	63,283,433
Investment expenses	(4,409,843)	(4,187,034)
Net (decrease) increase in fair value of investments	(3,358,796)	120,860,959
Dividend credit expenses	(97,925,896)	(95,557,186)
Net non-operating revenues (expenses)	(42,163,569)	84,400,172
CHANGE IN NET POSITION	22,070,882	84,369,578
TOTAL NET POSITION, BEGINNING OF YEAR, AS RESTATED	432,711,669 **	354,758,275
TOTAL NET POSITION, END OF YEAR	\$ 454,782,551	\$ 439,127,853

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

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from employers	\$ 240,092,178	\$ 208,122,546
Receipts from other funds	3,201,301	2,746,300
Receipts from others	6,923,205	3,547,472
Payments to medical providers	(116,691,224)	(119,854,273)
Payments to injured workers	(82,369,496)	(77,920,380)
Payments to employers	(8,874,966)	(10,992,252)
Payments to employees	(22,142,738)	(20,848,840)
Payments to other funds	(2,870,142)	(447,200)
Payments to others	(15,325,793)	(17,029,904)
Net cash provided by operating activities	1,942,325	(32,676,531)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(79,520)	(6,600)
Net cash (used) in financing activities	(79,520)	(6,600)
CASH FLOWS FROM INVESTING ACTIVITIES		
Contributions to pooled investments	(25,947,144)	(2,947,644)
Withdrawals from pooled investments	23,000,000	36,000,000
Net cash (used) in investing activities	(2,497,144)	33,502,356
NET INCREASE IN CASH AND CASH EQUIVALENTS	(634,339)	819,225
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,082,594	2,263,369
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,448,255	\$ 3,082,594
SCHEDULE OF OTHER NONCASH ACTIVITIES		
Net increase in fair value of investments	\$ (139,658,810)	\$ 120,860,961
Investment revenue	56,679,528	62,491,296
Dividends credited to premium billings	116,603,792	135,824,085
Account receivable premium reductions	(116,603,792)	(135,824,085)

**STATEMENTS OF APPROPRIATIONS
YEARS ENDED JUNE 30, 2015 AND 2014**

	Approved 2013-15 Biennial Appropriation	Expenditures 2014	Expenditures 2015	Unexpended Appropriation
APPROPRIATED EXPENDITURES				
Litigation Contingency	\$ 62,572,422	\$ 26,704,950	\$ 29,035,662	\$ 6,831,810
	750,000	47,641	140,347	562,012
CONTINUING APPROPRIATIONS				
Collection agency fees	-	9,642	21,985	-
Vocational rehabilitation grant	-	25,750	39,616	-
Employer fraud & field investigation	-	53,986	29,575	-
Litigation fees & costs	-	86,537	137,989	-
Provider fraud	-	107,770	68	-
Performance Evaluation	-	159,836	125,103	-
Other states coverage	-	590,750	600,000	-
Building operations	-	773,612	845,780	-
Safety programs	-	3,938,279	4,003,909	-
Reinsurance	-	7,252,648	6,746,763	-
Total*	\$ 63,322,422	\$ 39,751,401	\$ 41,726,798	\$ 7,393,822

*This total represents WSI's expenditures through the State Treasurer's Office using the State's PeopleSoft system. WSI has received an authorization from the State Treasurer's Office to also issue payments directly from the Bank of North Dakota: these payments include policyholder refunds, indemnity benefits, medical benefits, allocated loss adjustment expenses, and the educational revolving loan fund.

The total unexpended appropriation of \$7.4 million includes \$4.2 million which was specifically appropriated for WSI's system replacement program. These funds were not expended in the 2013-15 biennium due to implementing an evolutionary approach over a longer period of time.

FINANCIAL INFORMATION

YEARS ENDED JUNE 30, 2015 AND 2014

Financial Highlights

Reduced activity and employee layoffs in the oil fields have not yet been reflected in WSI's book of business. North Dakota's policyholder count continues to increase but at a slower pace. In fiscal year 2015, an additional 131 policyholders came on board for a total of 25,520. In fiscal years 2014 and 2013, there were 596 and 981 new policyholders, respectively. WSI would expect to see a reduction of reported payroll, and the related premium in fiscal year 2016 if the decline continues.

At June 30, 2015, June 30, 2014, and June 30, 2013 coverage extended to the following employers:

	2015	2014	2013
Annual premium \$250 - \$5,000	18,297	18,798	18,465
Annual premium \$5,001 - \$50,000	6,067	5,562	5,400
Annual premium \$50,001 - \$100,000	588	533	478
Annual premium over \$100,000	568	496	450
Total policyholders	25,520	25,389	24,793

Written premium for fiscal year 2015 totaled \$372.6 million, a 6% increase over the fiscal year 2014 written premium amount of \$350.2 million. Fiscal year 2014's written premium amount was similar to fiscal year 2013.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies. Prepared financial statements of Workforce Safety & Insurance follow the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard-setting body for establishing accounting principles generally accepted in the United States of America for governmental entities.

Eide Bailly audited fiscal year 2015 and 2014, issuing an unmodified opinion each year. Eide Bailly followed U.S. generally accepted auditing standards and governmental auditing standards. For complete financial information and footnotes, refer to the audited financial report available at WSI.

2. Cash and Cash Equivalents. Cash and cash equivalents, for reporting purposes, includes cash and short-term, highly liquid investments that are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

3. Investments. Investments include holdings of U.S. Treasury instruments, bonds, mortgage loans, real estate and stocks as well as cash invested in money market funds. Investments are stated at fair value, which was determined by reference to published market data for publicly traded securities or through the use of independent valuation services and appraisers for other investments.

4. Premium Receivable. Premium Receivables are stated net of allowance for doubtful accounts in the amounts of \$7,500,000 at June 30, 2015 and \$6,000,000 at June 30, 2014. The Premium Receivable totals an estimate of premiums that have yet to be billed at year-end, but will be billed in subsequent periods.

5. Other Accounts Receivable. Other Accounts Receivable consists of reinsurance receivable on loss payments, receivables resulting from overpayments of claims, and other miscellaneous receivables. These receivables are stated net of allowances for doubtful accounts in the amount of \$2,000,000 at June 30, 2015 and June 30, 2014.

6. Prepaid Expenses. Payments made to vendors which exceed \$12,000 per year, for services that will benefit periods beyond fiscal year-end are recorded as prepaid expenses.

7. Premises, Furniture and Equipment and Depreciation. All fixed assets are recorded in the accompanying financial statements at cost. WSI capitalizes equipment costing over \$5,000 in accordance with section 54-27-21 of the North Dakota Century Code. WSI's fixed assets are being depreciated on a straight-line basis over estimated useful lives ranging from 3 to 50 years. Accumulated depreciation was \$5.27 million as of June 30, 2015 and \$5.15 million on June 30, 2014.

8. Reinsurance. WSI purchased reinsurance for CY 2015 and 2014 to offset possible catastrophic claims due to the types of industries which continue to enter and expand with the state. Reinsurance costs total approximately \$7.3 million and \$6.7 million in FY 2015 and 2014 respectively.

9. Due to Other State Agencies. During the course of operations, numerous transactions occur with other state agencies for goods provided or services rendered. These payables are classified "Due to Other State Agencies" on the balance sheet in the period in which the liability applies.

10. Compensated Absences Payable. WSI employees accrue vested annual leave at a variable rate based on years of service. Accrued annual leave cannot exceed 30 days at each WSI year-end. Employees are paid for unused annual leave upon termination or retirement. WSI employees also accrue sick leave at the rate of one working day per month of employment without limitation on the amount that can be accumulated. After 10 years of continuous service, the State is liable for 10% of the employee's unused sick leave.

11. Unearned Premium. Premiums are billed to the employer at the beginning of the employer's policy year. The billed premium is recognized as revenue on a straight-line basis over the applicable policy year. Unearned premiums consist of the unamortized portion of the premiums at WSI's year-end.

12. Unpaid Loss and Loss Adjustment Expenses (LAE). The liability for unpaid loss and LAE is estimated by WSI's independent actuary, taking into consideration past experience of WSI in paying claims and the general conditions of WSI's operational environment. This liability is based on the estimated ultimate costs to settle both reported, and incurred but not reported (IBNR) losses, as well as the related loss adjustment expenses (LAE) and includes the effects of inflation and other economic factors. The actuarial computations included a 5% discount at June 30, 2015 and June 30, 2014. The discount rate is a key factor in reporting this liability at its estimated present value.

14. Dividend Credits. WSI issued dividend credits estimated at \$100 million on June 30, 2015. In the past eleven years, approximately \$940 million of dividend credits have been declared and applied against employer accounts.

15. Restricted Net Assets. The 2005 Legislative Assembly established a minimum and maximum financial range for WSI's fund surplus. The 2009 Legislative Assembly established specific guidelines regarding (a) when a dividend could be declared, and (b) the amount of dividend that could be declared. Both of these determinations are based upon the ratio of surplus to actuarial estimates of discounted reserves.

WSI's available surplus plus discounted reserve liabilities on June 30, 2015 equal 138.9% of the actuarial discounted reserve of \$1,096,674,000. This is very similar to the available surplus plus discounted reserve liabilities on June 30, 2014 which equal 139.2% of the actuarial discounted reserve of \$1,052,806,000 million.

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NORTH DAKOTA WORKFORCE SAFETY & INSURANCE



2013 - 2015 BIENNIAL REPORT

WSI

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