



BIENNIAL REPORT

North Dakota Workforce Safety & Insurance

TABLE OF CONTENTS

Director's Message	1
Board of Directors	2
Executive Team	
& WSI Overview	3
Services & Functions	4-5
Facts and Figures	6
Weekly Benefit Levels	7
2017 Legislative Summary	8-9
Cause of Injury	10
Legal Costs	10
Financials	11-16



North Dakota Workforce
Safety & Insurance

Director's Message

I am pleased to present the 2015-2017 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 during the last decade. WSI has responded with innovations in online services, ramping up safety products and services for our policyholders, while remaining committed to our core purpose, to care for injured workers.

Our online services expanded in 2017 with the launch of myWSI, mywsi.workforcesafety.com. myWSI is a secure self-service portal for stakeholders (policyholders, medical providers, and injured workers) to view, update, and submit information related to their interactions with WSI.

In an effort to reduce and prevent injuries, WSI's Loss Control department has employees located throughout the state to help employers provide a safe work environment. WSI's Loss Control department provides a multitude of safety services both in person and online. Some of those services include:

- Safety Incentive programs: employers can receive up to a 25% premium discount for successful participation.
- Ergonomic Initiative Grant: resources and financial assistance for employers to help reduce or eliminate cumulative type injuries in the workplace.
- Learning Management System: 450+ online safety modules available in English and Spanish to assist employers in their safety training efforts.
- Online OSHA 10 Program: OSHA General or Construction course will help employers and employees identify and prevent workplace safety and health hazards.

As WSI approaches its centennial year of 2019, our agency is poised to meet the challenges ahead while maintaining superior service to injured workers, medical providers, and policyholders.



Sincerely,

Bryan Klipfel, Director



Bryan Klipfel, Director

our purpose
...to care for
injured workers

our business ...providing workers' compensation and safety services

WSI's Online Services

myWSI

mywsi.workforcesafety.com

Benefits of connecting to my WSI:

- ☒ Access your WSI account to view billing statements, pay premium, and review account information
- ☒ Grant and manage user access to your WSI account
- ☒ Submit your payroll report online
- ☒ File an incident report and First Report of Injury (FROI) online
- ☒ Use the Claim Lookup to verify claim information
- ☒ Apply for Ergonomic Grants
- ☒ Apply for Safety Discount Programs

2017 Board of Directors

The Governor of North Dakota appoints WSI's Director and Board of Directors. The Board of Directors is an advisory board with members serving 4-year terms.

The 11 member board consists of:

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

The 11 member board consists of:

Wally Keller

Chief Governing Officer
Employer Representative
(over \$25,000)
January 2015 – December 2018

Charles Steffan

Employer Representative
(at-large)
January 2017 – December 2020

Bobbie Ripplinger

(member-at-large)
January 2015 – December 2018

Brad Maier

Employer Representative
(under \$10,000)
January 2017 – December 2020

Patricia Clement

Employer Representative
(at-large)
January 2015 – December 2018

Vicki Kunz

Employee Representative
January 2015 – December 2018

Matthew Gardner

Employee Representative
(WSI benefit recipient)
January 2017 – December 2020

Pamela Link

Employee Representative
(organized labor)
January 2017 – December 2020

Dr. Michael Quast

ND Medical Association
January 2015 – December 2018

Eric Bischke

Employer Representative
(over \$25,000)
January 2017- December 2020

Dean Anagnost

Employer Representative
(under \$25,000)
January 2017 – December 2020



Go To myWSI

Providing injured workers, employers and medical providers with a convenient and comprehensive resource for all of their workers' compensation insurance needs.



WSI Executive Staff

Back Row (Left to Right)

Tim Wahlin - Chief of Injury Services

Bryan Klipfel - Director

Tim Schenfisch - Technology Director

Barry Schumacher - Chief of Employer Services

John Halvorson - Chief Operating Officer

Clare Carlson - Deputy Director

Front Row (Left to Right)

Jodi Bjornson - General Counsel

Cindy Ternes - Director of Finance

Mary Marthaller - Executive Secretary

Mary Selzler - Human Resources Director

WSI Overview

In 1919, the 16th North Dakota Legislative Assembly created the Workmen's 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.

Known today as North Dakota Workforce Safety & Insurance (WSI), the agency 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, except those authorized to self-insure, 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.

The Governor of North Dakota appoints WSI's Director and Board of Directors. The Board of Directors is an advisory board with members serving 4-year terms.

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 arranging 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.

our core
values
Loyal
Caring
Forthright

Under the direction of the Director, WSI has three main functional areas: Employers Services, Injury Services, and Administrative Services.

Employer Services:

Employer Services provides policy administration and safety services to policyholders; departments include:

- Policyholder Services: provides underwriting, premium billing, auditing, and collection services to approximately 24,000 active policyholders. The department develops annual rate and classification structures (in consultation with WSI's actuarial consultant).
- Loss Control: provides administration of safety incentive programs and safety grants to the policyholders. Additionally, this department provides loss control consultants, safety education, and training services. 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.

Injury Services:

Injury Services provides claims management services, educational and administrative services to the medical and pharmacy communities, and office and customer support to the organization; departments include:

- Claims: provides processing and adjudication of over 20,000 new individual claims each year; this in addition to the management of claims already on file. Payments of medical, wage-loss, and rehabilitation payments are also authorized in this department. Benefit levels for injured workers are tied to the state's average annual 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.
- Customer Service: provides a central phone call resolution center for all departments; receiving and answering more than 500 calls per day. The department also includes claims technicians who provide administrative assistance for the Claims Department.
- Medical Services & Pharmacy: provides educational and administrative services to the medical community. Functions include bill review and payment; review of medical services for appropriateness; liaison with medical community; and validation of PPI evaluations. WSI uses the Official Disability Guidelines-Treatment in Workers' Comp (ODG) as developed by Work Loss Data Institute. ODG is a nationally recognized evidence-based treatment and disability guideline and is used to evaluate the necessity and/or effectiveness of medical care.
- Office Services: provides administrative support for WSI. Functions include document imaging, new claim registration, forms/form letter processing, mail processing, photocopying, incoming fax services, data entry of medical and non-medical bills, and records and forms management.
- Return-to-Work Services: assists injured workers and employers to coordinate a stay-at-work or return-to-work plan quickly and safely.

our strategy

Exceptional

People

Exceptional

Service

Financial

Stability

our vision ...a safe, secure and healthy North Dakota workforce

Administrative Services

WSI has several administrative departments that support the overall work of the agency; departments include:

- **Communications:** provides support and expertise for internal customers and external audiences. This includes assistance and direction for all agency communication projects.
- **Decision Review Office (DRO):** resolves disputes between injured workers and WSI, acting on behalf of workers to identify factors that may justify reconsideration of claims decisions. DRO is independent of WSI's Claims Department and provides services at no cost.
- **Facility Management:** operates Century Center, WSI's home since May 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:** provides services and support to internal and external customers for budgeting, compensation, financial reporting, and purchasing functions.
- **Human Resources:** provides support and expertise in the management of personnel. This includes staff development, compensation, and benefits.
- **Information Services:** provides the highest quality, most reliable and cost-effective information management products and services available to support the WSI vision through the innovative use of information technology.
- **Internal Audit:** provides audit services to management and the Board of Directors. The focus is on independent and objective audits to improve operations, risk management, and governance processes.
- **Legal:** provides opinions, draft administrative legal orders, oversight of the administrative hearing process, and review of contracts. In addition, legal assists in resolution of employer services disputes, collections issues, and subrogation.
- **Quality Assurance:** provides statistical tracking of performance measures, identifying areas needing improvement, and new strategic initiatives that would serve to improve the overall efficiency and cost effectiveness of the organization.
- **Special Investigations Unit:** provides investigation resources for claims adjudication, employer and medical provider non-compliance, and fraud.



WSI was named one of the Top 10 places for young professionals to work in Bismarck-Mandan. The mission of the Young Professional Network is to enhance the culture for young professionals in the Bismarck-Mandan community through professional development, entrepreneurship, community service and social networking.

Workforce Safety & Insurance Quick Facts - Fiscal Years 2013-2017

Category	FY2013	FY2014	FY2015	FY2016	FY2017
Employer accounts	24,793	25,359	25,615	24,685	24,228
Earned premiums (\$millions) ¹	\$316.5	\$320.0	\$336.9	\$297.8	\$239.0
Fund surplus (Net Position) (\$millions)	\$354.8	\$439.1	\$454.8	\$466.1	\$608.8
Declared Premium Dividends (\$millions)	\$155.0	\$115.0	\$100.0	\$150.0	\$105.0
Actual premium dividends ²	\$147.6	\$95.6	\$97.9	\$137.0	\$71.2
Investments (\$millions)	\$1,558	\$1,704	\$1,763	\$1,832	\$1,895
Investment returns	8.32%	11.71%	3.27%	3.58%	8.29%
Average annual premium rate adjustment ³	1.1%	-0.7%	1.3%	4.8%	-2.5%
Covered workforce	402,771	418,234	435,993	427,899	408,107
Medical-only claims filed	22,436	22,915	21,621	18,829	17,676
Wage-loss claims filed	3,399	3,480	3,177	2,448	2,369
Total claims filed	25,835	26,395	24,798	21,277	20,045
Total claims filed per 100 Covered Workers	6.41	6.31	5.69	4.97	4.91
Wage-loss claims filed per 100 Covered Workers	0.84	0.83	0.73	0.57	0.58
General Administrative and ULAE Expenses (\$millions)	\$28.9	\$33.1	\$33.7	\$36.1	\$37.4
General Administrative Expense and ULAE Ratio	9.1%	10.3%	10.0%	12.1%	15.6%
Indemnity benefits paid (\$millions)	\$65.1	\$79.9	\$82.5	\$79.4	\$72.2
Medical benefits paid (\$millions)	\$104.6	\$112.9	\$108.8	\$88.2	\$91.1
Allocated Loss Adjustment Expense (ALAE) paid (\$millions)	\$3.8	\$5.4	\$6.9	\$6.7	\$5.9
Total paid benefits (\$millions)	\$173.5	\$198.2	\$198.2	\$174.3	\$169.2
Maximum weekly wage-loss benefit	\$995	\$1,098	\$1,143	\$1,219	\$1,214
Minimum weekly wage-loss benefit	\$478	\$527	\$549	\$585	\$583
Claims adjudicated within 14 days	45%	41%	39%	39%	41%
Claims Reported within 14 days	87%	87%	87%	88%	88%
Litigation requests	235	265	304	357	281
Injured Worker Independent Customer Satisfaction Survey (1 to 5 scale) ⁴	4.20	4.23	4.11	4.06	3.99
Employer Independent Customer Satisfaction Survey (1 to 5 scale) ⁵	3.57	4.22	4.27	4.31	4.41
WSI employee turnover rate	8.2%	7.2%	9.3%	5.1%	3.5%

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

North Dakota Workforce Safety & Insurance

North Dakota Weekly Benefit Levels

Effective	Effective Maximum ^{1, 2}	Minimum ³	PPI ^{4, 5}	SAWW	% Change ⁶
7/1/2017	1,168	561	327	934	-3.8%
7/1/2016	1,214	583	340	971	-0.4%
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	----
7/1/11to 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%

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.

⁵ Effective August 1, 2011 the PPI rate is 35% 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. If zero or less, no COLA adjustment is made.

2017 Legislation Summary



2017 Facts & Figures

Population:

758,000

Covered Workforce:

408,000

Employer Accounts:

24,200

Number of Claims

Filed Per Year:

20,045

(91% Accepted)

House Bill (HB) 1021 WSI Appropriations Bill

Provides a WSI biennial budget appropriation of \$72,406,659 and FTE authority for 260.14 FTEs for the 2017-19 biennium.

HB 1086 WSI Injury Services Bill

- Removes requirement for WSI to copy an injured worker's doctor on a notice of intention to discontinue benefits.
- Clarifies the types of benefits in which WSI can recoup an overpayment that resulted from the receipt of social security benefits.
- Establishes that disputes relating to personal reimbursements will be resolved utilizing the binding dispute resolution process.
- Increases the dollar threshold that constitutes a false claim or false statement from \$500 to \$1,000.
- Changes frequency of vocational rehabilitation pilot program status reports to the legislative workers compensation review committee from annually to biennially.

HB 1137 General Contractor Liability/Cease and Desist Order

- Establishes WSI's method of calculating premiums in the event an employer does not provide a payroll report or a non-complying employer fails to provide reliable payroll information.
- Relocates the general contractor liability statute from the definitions section to its own statute.
- Limits the liability of the general contractor for premiums not paid by a subcontractor or independent contractor to only the work performed under that general contractor.
- Establishes method for WSI to determine premium in the absence of reliable payroll information from a subcontractor or independent contractor.
- Creates a new section allowing WSI to issue a cease and desist order and notice of hearing in the event an employer is operating without workers' compensation coverage.
- Establishes a penalty for those persons employing workers in violation of a cease and desist order in the amount of \$10,000 plus \$100 per day for each day the violation continues.

HB 1156 Medical Marijuana

- Defines medical marijuana for workers' compensation purposes.
- Prohibits payment for medical marijuana.
- Prohibits wage loss payments if they are in any way related to the use of medical marijuana.



HB 1235 Legal Counsel for Indigents access to WSI Records

Provides the commission on legal counsel for indigent's access to WSI records pursuant to 65-05-32 for purposes of determining eligibility for public defender services.

Senate Bill (SB) 2048 Injured Worker Attorney Fees

Provides for payment of an injured worker's attorney fees and costs at the level in which they prevailed regardless of whether the organization ultimately prevails.

SB 2093 WSI Administrative Bill

- Amends statute relating to subrogation liens allowing WSI to bring an action against a third party to recover its lien for benefits paid to an injured employee and in the event WSI's lien is not recognized by another jurisdiction, confirms that WSI can issue a decision demanding repayment from the injured worker.
- Provides that an interested party can request and WSI shall provide an appealable determination if WSI does not issue an order within 60 days of receiving a request for reconsideration.
- Updates Decision Review Office statute to conform to previous statutory changes.

SB 2094 WSI Employer Services Bill

- Relocates the medical expense assessment statute from Chapter 65-05 to Chapter 65-04.
- Strengthens organization's ability to collect premiums when warranted.
- Updates statutory reference within the corporate officer liability and disputed decision statutes.
- Increases penalties WSI may assess from \$2,000 to \$5,000 for employers that willfully misrepresent payroll or willfully fail to secure coverage.
- Increases the premium due threshold that would subject an employer to a class C felony for the willful failure to secure coverage from \$500 to \$1,000.
- Establishes a civil penalty in the amount of \$5,000 for an employer who willfully makes a false statement in an attempt to preclude an injured worker from securing benefits and establishes that a violation of this section is a Class A misdemeanor.

2017 Facts & Figures

WSI Staff:

260 FTE

Net Earned

Premiums:

\$233M

WSI Assets:

\$1.97B

WSI Fund

Surplus:

\$609M

Cause of Injury



	FY2016		FY2017	
	Total Filed	% of Total	Total Filed	% of Total
Burn or Scald-Heat or Cold Exposure	605	2.8%	568	2.8%
Caught in or Between	750	3.5%	713	3.6%
Cut, Puncture, Scrape Injured By	2,715	12.8%	2,413	12.0%
Fall or Slip Injury	4,126	19.4%	4,054	20.2%
Miscellaneous Causes	2,517	11.8%	2,152	10.7%
Motor Vehicle	560	2.6%	541	2.7%
Rubbed or Abraded By	40	0.2%	17	0.1%
Strain or Injury By	5,931	27.9%	5,677	28.3%
Striking Against or Stepping On	881	4.1%	946	4.7%
Struck or Injured By	3,152	14.8%	2,946	14.7%
Unknown or Uncoded	-	0.0%	18	0.1%
Totals	21,277	100.0%	20,045	100.0%

FY2016 and FY2017 Legal Costs



BALANCE SHEETS
YEARS ENDED JUNE 30, 2017 AND 2016

ASSETS	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,190,656	\$ 2,009,802
Pooled investments		
Investments	1,885,205,871	1,822,483,705
Invested securities lending collateral	13,348,052	17,214,543
Premium receivable, net	25,765,982	40,153,603
Due from other state agencies	3	-
Other accounts receivable, net	6,745,885	6,127,150
Investment interest receivable	9,477,938	9,667,915
Prepaid expenses	571,475	316,513
Total current assets	<u>1,944,305,862</u>	<u>1,897,973,231</u>
NON-CURRENT ASSETS		
Land, not depreciated	901,974	901,974
Capital assets, net	12,204,657	10,393,691
Construction in progress, not depreciated	837,813	592,621
Total assets	<u>1,958,250,306</u>	<u>1,909,861,517</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow pension	7,981,691	892,196
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,966,231,997</u>	<u>\$ 1,910,753,713</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 4,848,926	\$ 4,400,732
Due to other state agencies	330,888	198,631
Unearned premium	124,773,938	144,577,275
Dividend payable	109,936,602	156,837,761
Compensated absences payable	1,383,207	1,324,517
Investment accounts payable	881,281	1,020,524
Securities lending collateral	13,348,052	17,214,543
Unpaid loss and LAE	130,292,160	133,408,574
Total current liabilities	<u>385,795,053</u>	<u>458,982,557</u>
NON-CURRENT LIABILITIES		
Compensated absences payable, net of current	225,173	215,619
Pension liability	14,957,537	6,282,403
Unpaid loss and LAE, discounted at 5%	955,475,840	978,329,541
Total non-current liabilities	<u>970,658,550</u>	<u>984,827,563</u>
Total liabilities	<u>1,356,453,603</u>	<u>1,443,810,120</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow pension	963,172	794,575
NET POSITION		
Net investment in capital assets	13,944,444	11,888,286
Designated/Unrestricted	594,870,777	454,260,732
Total net position	<u>608,815,221</u>	<u>466,149,018</u>
Total liabilities and net position	<u>1,965,268,824</u>	<u>1,909,959,138</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 1,966,231,997</u>	<u>\$ 1,910,753,713</u>

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET
POSITION YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
OPERATING REVENUES		
Net premiums earned	\$ 233,060,185	\$ 291,244,452
Penalties and finance charges	2,896,044	3,997,490
Third party subrogation recoveries	7,300,648	7,533,690
Rental operations	1,126,446	851,446
Other revenue	336,995	5,055,698
Total operating revenues	244,720,318	308,682,776
OPERATING EXPENSES		
Incurred losses	146,856,183	197,467,710
Payroll and benefits	23,849,051	23,533,739
Pension expense	2,494,363	581,854
Other administrative expenses	376,370	1,165,833
Bad debt expense	4,316,928	1,977,037
Depreciation expense	639,129	398,680
Total operating expenses	178,532,024	225,124,853
OPERATING INCOME	66,188,294	83,557,923
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment revenue	86,468,873	50,381,724
Investment expenses	(4,348,175)	(4,681,476)
Securities lending investment revenue	184,972	213,849
Securities lending expenses	(36,942)	(42,729)
Net increase in fair value of investments	65,439,489	18,906,161
Dividend credit expense	(71,230,308)	(136,968,985)
Net non-operating revenues (expenses)	76,477,909	(72,191,456)
CHANGE IN NET POSITION	142,666,203	11,366,467
TOTAL NET POSITION, BEGINNING OF YEAR	466,149,018	454,782,551
TOTAL NET POSITION, END OF YEAR	\$ 608,815,221	\$ 466,149,018

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from employers	\$ 140,619,817	\$ 226,808,140
Receipts from other funds	2,628,985	2,518,866
Receipts from others	11,854,812	14,838,995
Payments to medical providers	(97,528,948)	(97,821,360)
Payments to injured workers	(72,718,527)	(80,138,512)
Payments to employers	(24,393,940)	(17,335,307)
Payments to employees	(23,849,051)	(23,505,057)
Payments to other funds	(3,823,149)	(3,481,929)
Payments to others	(13,918,625)	(15,397,133)
Net cash (used in) provided by operating activities	<u>(81,128,626)</u>	<u>6,486,703</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	<u>(2,695,287)</u>	<u>(1,931,159)</u>
Net cash (used in) financing activities	<u>(2,695,287)</u>	<u>(1,931,159)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Contributions to pooled investments	(7,495,233)	(27,993,997)
Withdrawals from pooled investments	<u>92,500,000</u>	<u>23,000,000</u>
Net cash (used in) provided by investing activities	<u>85,004,767</u>	<u>(4,993,997)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	1,180,854	(438,453)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,009,802</u>	<u>2,448,255</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 3,190,656</u></u>	<u><u>\$ 2,009,802</u></u>
SCHEDULE OF OTHER NONCASH ACTIVITIES		
Net increase in fair value of investments	\$ 65,439,489	\$ 19,403,106
Change in securities lending collateral	(3,866,491)	17,214,543
Investment revenue	82,248,873	46,245,738
Dividends credited to premium billings	118,131,467	83,186,428
Account receivable premium reductions	(118,131,467)	(83,186,428)

**STATEMENTS OF APPROPRIATIONS
YEAR ENDED JUNE 30, 2017**

	<u>Approved 2015-17 Biennial Appropriation</u>	<u>Expenditures 2016</u>	<u>Expenditures 2017</u>	<u>Unexpended Appropriation</u>
APPROPRIATED EXPENDITURES	\$ 68,865,170	\$ 32,393,004	\$ 33,181,130	\$ 3,291,036
CONTINUING APPROPRIATIONS				
Collection agency fees	-	127,261	116,636	-
Vocational rehabilitation grant	-	94,186	80,767	-
Employer fraud & field investigation	-	50,617	14,367	-
Medical provider litigation	-	-	88,343	-
Litigation fees & costs	-	205,349	306,144	-
Provider fraud	-	54	909	-
Other states coverage	-	600,000	750,000	-
Building operations	-	803,380	879,841	-
Safety programs	-	4,176,823	3,938,442	-
Reinsurance	-	7,127,375	4,908,867	-
Total*	\$ 68,865,170	\$ 45,578,049	\$ 44,265,446	\$ 3,291,036

*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 transactions.

FINANCIAL INFORMATION
YEARS ENDED JUNE 30, 2017 AND 2016

Financial Highlights

Reduced activity in the energy and other related industries are reflected in WSI's book of business. Fiscal year 2017 shows additional reductions in earned premiums and incurred losses, relating to both a decreased number of policyholders and filed claims.

At June 30, 2017, June 30, 2016, and June 30, 2015, coverage extended to the following employers:

	2017	2016	2015
Annual premium \$250 - \$5,000	18,396	17,835	18,297
Annual premium \$5,001 - \$50,000	4,963	5,654	6,067
Annual premium \$50,001 - \$100,000	458	572	588
Annual premium over \$100,000	425	517	568
Total policyholders	24,242	24,578	25,520

North Dakota's active policyholder count decreased by 336 policies in fiscal year 2017, ending with a total of 24,242 policies. This decrease is in addition to the decrease of 942 policies in fiscal year 2016. The decline in policies is due to the slowdown of the economy in the State.

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 2017 and 2016, 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 date 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. The Premium Receivable total includes outstanding premium and 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.

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 \$6.3 million as of June 30, 2017 and \$5.7 million on June 30, 2016.

8. Reinsurance. WSI purchased reinsurance for CY 2017 and 2016 to offset possible catastrophic claims due to the types of industries which continue to enter and expand with the state. Reinsurance costs total approximately \$5.9 million and \$6.5 million in FY 2017 and 2016 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, 2017 and June 30, 2016. 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 \$105 million on June 30, 2017. In the past thirteen years, approximately \$1.15 billion 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, 2017, was equal to 152.9% of the actuarial discounted reserve of \$1,085,768,000. The available surplus plus discounted reserve liabilities on June 30, 2016, totaled 139.8% of the actuarial discounted reserve of \$1,111,738,115.

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