

We have
a great
story
to tell you.



2017 - 2019 Biennial Report



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Bryan Klipfel, Director

Director's Message

I am pleased to present the 2017-2019 North Dakota Workforce Safety & Insurance (WSI) Biennial Report. Every two years the law requires this report to look at significant events that have transpired over the previous two years. In 2019, WSI celebrated its centennial and marked 100 years of operations. Many of the images in this report are used in a [video](#) that was commissioned chronicling the first 100 years of WSI.

Throughout all the changes, one important aspect that has not changed over the last 100 years is the dedication of the agency's employees.

The responsibilities of our WSI employees range from ensuring safe workplaces, collecting premiums, and paying injured workers medical and wage-replacement benefits while they heal from their injuries. We are proud to have one of the most comprehensive benefit packages in the country.

WSI's core purpose is to care for injured workers. Our business is to provide workers' compensation and safety services. Our core values are loyal, caring and forthright with strategic anchors of employing exceptional people, providing exceptional service and maintaining financial stability.

Our vision for the next 100 years is a continued safe, secure, and healthy North Dakota workforce!

A handwritten signature in black ink that reads "Bryan Klipfel".

Sincerely,
Bryan Klipfel, Director



WSI 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

WSI Board Members as of June 30, 2019

Vicki Kunz

Chief Governing Officer (CGO)
Employee Representative

Ricky Richard

Employee Representative
(WSI benefit recipient)

Dean Anagnost

Vice-CGO
Employer Representative
(under \$25,000)

Amber Schoenborn

Employer Representative
(at-large)

Eric Bischke

Employer Representative
(over \$25,000)

Charles Steffan

Employer Representative
(at-large)

William Jerome

Employer Representative
(over \$25,000)

Pamela Walker

Employee Representative
(organized labor)

Brad Maier

Employer Representative
(under \$10,000)

Chris Whalen

(member-at-large)

Dr. Laura Matzke Bitterman

North Dakota
Medical Association



WSI Executive Staff

Back Row (Left to Right)

Barry Schumacher – Chief of Employer Services
Tim Wahlin – Chief of Injury Services
Bryan Klipfel – Director
Tim Schenfisch – Information Technology Director
John Halvorson – Chief Operating Officer

Middle Row (Left to Right)

Jodi Bjornson – General Counsel
Mary Marthaller – Executive Secretary
Lisa Stieg – Director of Finance

Front Row (Left to Right)

Mary Selzler – Human Resources Director
Valerie Kingsley – Communications Director



History of WSI

Beginning in the early 20th century, states began to adopt workers' compensation laws, designed to provide a safety net for workmen hurt on the job. The idea came from Germany. In 1884, Otto Von Bismarck, Chancellor of the German Empire, introduced the first programs to assist workers in the event of an accidental injury or illness. This initial workers' compensation system was financed by workers and employers.

Not surprisingly then the German immigrants brought the idea to America in the early 20th Century. In 1919, the Non-Partisan League was the majority party in the North Dakota Legislature. They brought forward a legislative agenda of social change for the state.




The League created 3 institutions that year that still resonate strongly in our state 100 years later. The Bank of North Dakota, the North Dakota State Mill and Elevator, and the then called, Workmen's Compensation Bureau, now known as North Dakota Workforce Safety & Insurance (WSI).

The purpose of the Workmen's Compensation Bureau 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, 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.

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 WSI rather than from private insurance companies. In the other 46 states and the District of Columbia, employers have the option to either buy workers' compensation insurance from private insurance companies and competitive state funds or to self-insure.

Today WSI is administered by the Director and consists of three divisions: Administrative Services, Employer Services, and Injury Services.



"Celebrating 100 years of providing a safe, secure and healthy North Dakota Workforce."


| Number of Employees: | | Claim Payments: |
|----------------------|------------|--|
| 1919: 13 | As of | (including medical and wage-replacement costs) |
| 1930: 19 | July 2018: | 1919: \$69,000 |
| 1975: 50 | 260 | 2018: |
| 2003: 212 | | More than \$150,000,000 |

States with Workers' Compensation Laws: 42
(Numbers of states in 1919 was 48)

July 4, 1919
Independence Day Parade, Bismarck, ND

First Injured Worker Claim Filed
Filed by Northern Produce Company
(located at the corner of Front and 10th Street)

| Type of Injury: | About the Claim: |
|---|--|
| Employee opening cream cans cut his hand. (Charles Stearns - 17 yr. old) | ✓ Injury became infected ✓ Required 12 treatments ✓ Total Bill: \$15 |



Administrative Services:

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

Communications:

- Supports and provides expertise for internal customers and external audiences
- Provides direction for all agency communication projects
- Creates publications and materials for agency departments

Decision Review Office:

- Provides assistance and an alternative dispute resolution forum for injured employees who have filed a claim with WSI
- Conducts formal claim file reviews and evaluates claim merit, ensuring all relevant facts are examined and maximizing productive outcomes
- Reduces litigation frequency and litigation costs for injured employees and WSI

Facility Management:

- Oversees all facility operations for the Century Center and field offices and provides operational planning for all WSI staff and members and building tenants
- Manages lease and service contracts

Finance:

- Maintains, monitors, adheres to WSI's budget
- Prepares financial statement and reports to Executive Management, WSI Board of Directors, and Legislative committees as requested
- Procures goods and services; manages contracts and RFP's

Human Resources:

- Provides support and expertise in the management of agency personnel by providing organization-wide human resource effectively support the WSI Philosophy, continuous improvement efforts and ensure compliance with legal requirements

Information Technology:

- Provides technical support for computer hardware, desktop software, printers, etc. that are used within the agency
- Manages help desk to answer IT support calls for the internal customers of WSI
- Maintains the core business applications used by the agency

Internal Audit:

- Provides timely, value-added audit services to all management levels and the WSI Board of Directors
- Coordinates WSI's Performance Evaluation according to state law every four years; the evaluation is conducted by an independent firm
- Coordinates the Board Audit Committee agenda; the Board Audit Committee, as part of their oversight function, defines the Internal Audit Department activities and responsibilities

Legal:

- Provides legal guidance, assistance and opinion to all WSI departments and WSI's Board of Directors
- Drafts and issues administrative legal orders relating to claims and employer services decisions
- Manages administrative order litigation with private law firms in North Dakota who represent WSI in the administrative appeal process

Special Investigations Unit:

- Provides WSI with investigative resources for claims adjudication, employer and medical provider noncompliance, and claimant, employer, and medical provider fraud
- Conducts non-fraud, fact-finding investigations that assist WSI in making decisions about the compensability of a claim or the required coverage of an employer



Quality Assurance:

- Responds to internal and external data requests, example: loss runs, statistical requests, and data for legislative testimony
- Ensures the continual improvement of WSI operations by statistically tracking performance/benchmarks, and identifying areas that need improvement and new initiatives that would serve to improve the overall efficiency of WSI's processes

Employer Services:

Policyholder Services:

- Supports and provides education and expertise for employers/policyholders
- Establishes occupational classifications and provides accurate statistical data for the rate-making process
- Determines appropriate rates for account holders and collects sufficient premium
- Processes and audits employer accounts

Departments within Policyholder Services

Collections/Compliance
Premium Audit
Special Programs
Underwriting

Loss Control Services:

- Provides support and expertise to help prevent workplace injuries and help create safe work environments
- Offers safety incentive programs to employers to make their workplace safe and more profitable
- Provides safety consultation

Injury Services:

Claims:

- Investigates, determines liability, and manages claims
- Assists in returning the injured employee to substantial work as soon as it is safely possible
- Pays appropriate benefits to injured employees

Claims Technicians:

- Provides administrative assistance to claims adjusters
- Requests medical records and forms needed to process claims
- Processes events for existing claims including file copy requests, arranges injured worker travel, enters personal reimbursements, etc.

Customer Service:

- Answers and assists incoming telephone calls
- Responds to inquiries via telephone or electronic means, or refer inquiry to appropriate source

Medical and Pharmacy Services:

- Provides managed care services as directed by statute
- Provides educational and administrative services to the medical community

Departments within Medical and Pharmacy Services:

Utilization Review
Medical Bill Review
Provider Relations
Impairment Audit

Office Services:

- Provides administrative support for the organization
- Services 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 form management

Return to Work Services:

- Assists injured workers in their recovery and preparation for return to work as soon as possible after an injury occurs
- Coordinates and implement strategies for the best medical and return-to-work outcomes

Units within Return to Work Services

Nurse Case Management Unit
Vocational Rehabilitation Unit
Preferred Worker Program

WSI Servant Leadership and Employee Volunteerism

Workplace giving and volunteering is a huge part of the culture at WSI. Our employees serve on a variety of teams and committees, supporting other employees and the communities they live in. Some of the teams/committees at WSI and their goals are:



Crucial Conversations

- Improve dialogue and relationships

Employee Council

- Plan fun events for employees to boost employee morale and raise money for monthly contributions to charitable organizations.

Servant Leadership

- Promote goodwill amongst our fellow employees by advocating the principles of servant leadership in our community.

Wellness Team

- Aims to grow a culture of wellness and promote overall health through physical, mental, and emotional wellness activities and education.

Workforce Safety & Insurance Quick Facts - Fiscal Years 2015-2019

| Category | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 |
|---|---------|---------|---------|---------|---------|
| Employer accounts | 25,615 | 24,685 | 24,228 | 24,148 | 24,467 |
| Earned premiums (\$millions) ¹ | \$336.9 | \$297.8 | \$239.0 | \$235.6 | \$237.9 |
| Fund surplus (Net Position) (\$millions) | \$454.8 | \$466.1 | \$608.8 | \$681.1 | \$770.5 |
| Declared premium dividends (\$millions) | \$100.0 | \$150.0 | \$105.0 | \$105.0 | \$110.0 |
| Actual premium dividends ² | \$92.8 | \$123.2 | \$118.0 | \$105.1 | \$110.0 |
| Investments (\$millions) | \$1,763 | \$1,832 | \$1,895 | \$1,923 | \$2,065 |
| Investment returns | 3.27% | 3.58% | 8.29% | 5.34% | 6.87% |
| Average annual premium rate adjustment ³ | 1.3% | 4.8% | -2.5% | -7.9% | -6.8% |
| Covered workforce | 435,993 | 427,899 | 408,107 | 405,367 | 409,559 |
| Medical-only claims filed | 21,621 | 18,829 | 17,676 | 17,467 | 17,522 |
| Wage-loss claims filed | 3,177 | 2,448 | 2,369 | 2,401 | 2,394 |
| Total claims filed | 24,798 | 21,277 | 20,045 | 19,868 | 19,916 |
| Total claims filed per 100 covered workers | 5.69 | 4.97 | 4.91 | 4.90 | 4.86 |
| Wage-loss claims filed per 100 covered workers | 0.73 | 0.57 | 0.58 | 0.59 | 0.58 |
| General administrative and ULAE expenses (\$millions) | \$33.7 | \$36.1 | \$37.4 | \$37.8 | \$38.3 |
| General administrative expense and ULAE ratio | 10.0% | 12.1% | 15.6% | 16.0% | 16.1% |
| Indemnity benefits paid (\$millions) | \$82.5 | \$79.4 | \$72.2 | \$67.7 | \$61.6 |
| Medical benefits paid (\$millions) | \$108.8 | \$88.2 | \$91.1 | \$82.9 | \$83.6 |
| Allocated loss adjustment expense (ALAE) paid (\$millions) | \$6.9 | \$6.7 | \$5.9 | \$5.9 | \$4.9 |
| Total paid benefits (\$millions) | \$198.2 | \$174.3 | \$169.2 | \$156.5 | \$150.1 |
| Maximum weekly wage-loss benefit | \$1,143 | \$1,219 | \$1,214 | \$1,168 | \$1,200 |
| Minimum weekly wage-loss benefit | \$549 | \$585 | \$583 | \$561 | \$576 |
| Claims adjudicated within 14 days | 39% | 39% | 41% | 40% | 39% |
| Claims reported within 14 days | 87% | 88% | 88% | 88% | 88% |
| Litigation requests | 304 | 357 | 281 | 234 | 176 |
| Injured worker independent customer satisfaction survey (1 to 5 scale) ⁴ | 4.11 | 4.06 | 3.99 | 4.13 | 4.15 |
| Employer independent customer satisfaction survey (1 to 5 scale) | 4.27 | 4.31 | 4.41 | 4.42 | 4.32 |
| WSI employee turnover rate | 9.3% | 5.1% | 3.5% | 6.7% | 5.9% |

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 The injured worker survey population includes claims 60-120 days post acceptance, closed claims, claims open > 1 year, and denied claims



North Dakota Workforce
Safety & Insurance

North Dakota Weekly Benefit Levels

| Effective | Effective Maximum ^{1, 2} | Minimum ³ | PPI ^{4, 5} | SAWW | % Change ⁶ |
|-------------------|-----------------------------------|----------------------|---------------------|------|-----------------------|
| 7/1/2019 | 1,248 | 599 | 350 | 998 | 4.0% |
| 7/1/2018 | 1,200 | 576 | 336 | 960 | 2.8% |
| 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 | ---- |
| 7/1/11 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% |

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.

House Bill 56 signed into law on March 6, 1919

Work began to get
employers in the state
to sign up for coverage.

Policy #1:

**Atlantic Elevator
Company**

Owned a string of
elevators along the
Soo Line railroad
and was based
in Minneapolis.

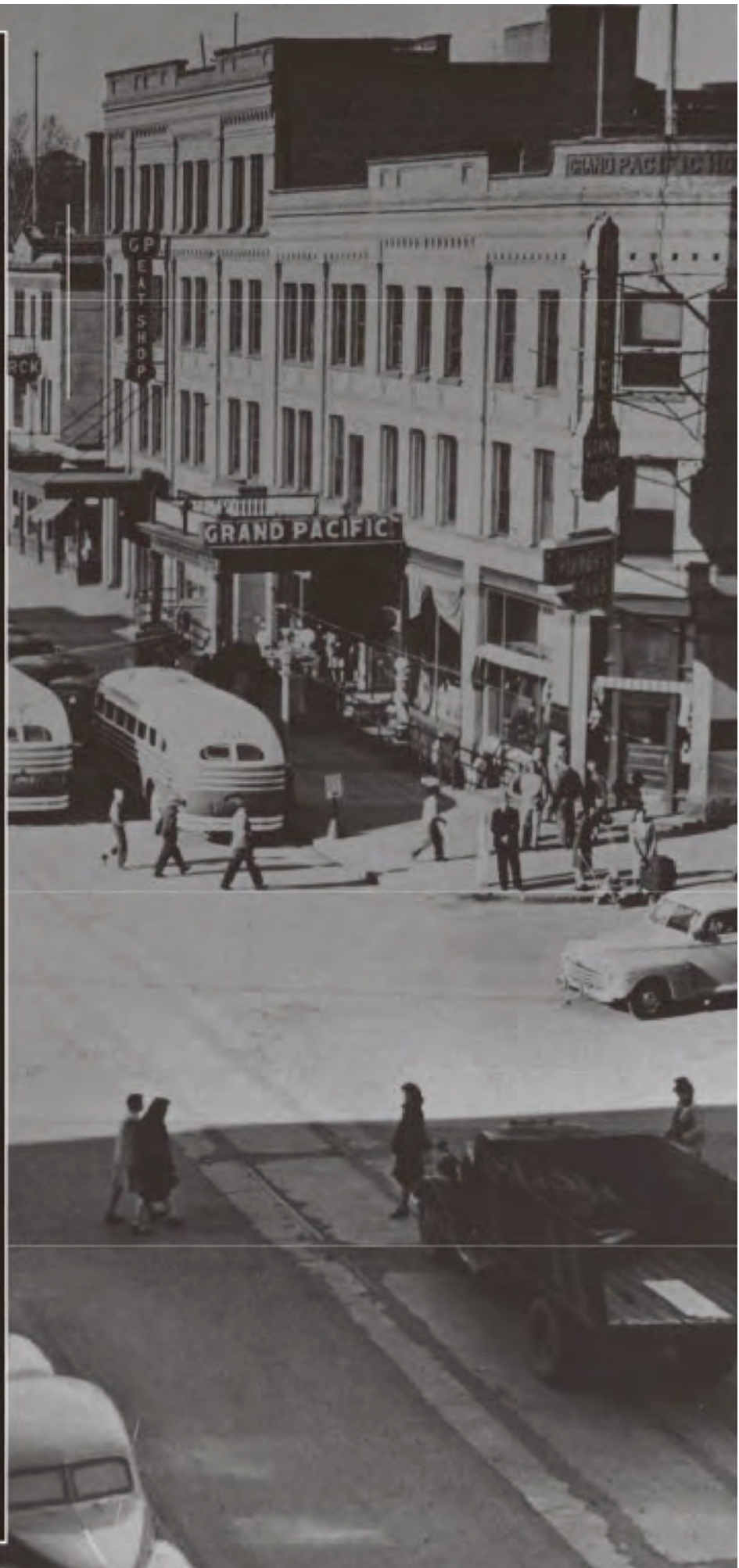
1920:

**First Premium
Field Auditors
Were Hired**

Purpose was to find
employers who did not
have coverage.

1935:

**Bureau Hires
First Attorney**
Majority of the work
was applied to the
prosecution of
uninsured employers.



2019 Legislative Summary

House Bill (HB) 1021 WSI Appropriations Bill

- Provides a WSI biennial budget appropriation of \$68,747,842 and FTE authority for 260.14 FTEs for the 2019-21 biennium.

HB 1062 Terms of WSI Board Members

- Provides for the term of office for appointments to the WSI Board begin on January 1 of even-numbered years instead of odd-numbered years. This will allow new Board members a year to get acquainted with WSI prior to entering legislative session.
- Extends current terms of existing Board by one year to accommodate new appointment schedule.

HB 1064 Administrative Hearings

- Establishes case processing, tracking, and reporting requirements for OAH.

HB 1072 WSI Employer Services Bill

- Defines noncompliance, payroll report, subcontractor, and uninsured within the definitions section.
- Adds an additional civil penalty for a contractor who uses the services of an uninsured employer under a cease and desist order.
- Removes references to "annual" and "twelve month" throughout Chapter 65-04.
- Establishes a penalty of \$5,000 for employers that offset premiums against an employee's wages.
- Removes reference to organizational seal on certificates of coverage.
- Requires payment of premium and assessments to obtain a certificate of coverage.
- Provides WSI the ability to require payroll reporting more frequently than annually.
- Requires payroll reporting to be done electronically.
- Provides WSI the ability to send electronic billing notification.
- Relocated the penalty structure for an employer in default of payment from 65-04-33 to 65-04-22.
- Extends liability to any contractor for utilizing an uninsured subcontractor.
- Ensures consistency of language relating to notice of decisions within NDCC 65-04-32(3) with the notice of decision language contained in NDCC 65-01-16(5).
- Establishes an administrative penalty for an employer who willfully discharges an employee for seeking workers compensation benefits.
- Outlines the penalties for an employer who is uninsured for failing to secure coverage.
- Outlines the penalties for an employer who is noncompliant.
- Increases penalties for an employer failing to provide information from \$2,000 to \$5,000.
- Repeals section relating to the required biennial safety and performance reviews of Roughrider Industries.

HB 1073 WSI Injury Services Bill

- Defines valid functional capacity examination.
- Removes one of the medical exam requirements out of the firefighter/law enforcement presumption statute.
- Allows WSI to establish pilot programs to assess alternative forms of dispute resolution.
- Provides that physicians making utilization review determinations be licensed from a state licensing agency within the United States as opposed to just being licensed in North Dakota.
- Requires healthcare providers to submit medical bills and documentation electronically by no later than July 1, 2021.
- For recurrent disability claims, provides that wages used for benefit calculation to be wages received at time of the recurrence unless the wages at recurrence were lower than at time of initial injury due to limitations from the initial injury, in which case wages from initial injury will be used for calculation of benefit purposes.
- Amends the combined benefit threshold for partial disability benefit recipients to a percentage of gross wages rather than net wages.
- Establishes parameters for medical non-compliance and a process for when disability and vocational rehabilitation benefits can be discontinued for medical non-compliance.
- Repeals statute requiring WSI to have an organizational seal.

HB 1188 Post-Retirement Reapplications

- Provides for up to three years of disability benefits for injured workers that had disability benefits discontinued pre-retirement and a reapplication for benefits post-retirement.

HB 1240 Reporting of WSI Pilot Programs

- Requires WSI to report annually to Legislative Management the status of any current pilot programs.

HCR 3030 WSI 100th Anniversary

- A concurrent resolution to recognize Monday, March 4, 2019, as "North Dakota Workforce Safety & Insurance Day" and to congratulate North Dakota Workforce Safety & Insurance on its 100th anniversary.

SB 2184 Allied Health Care Professionals

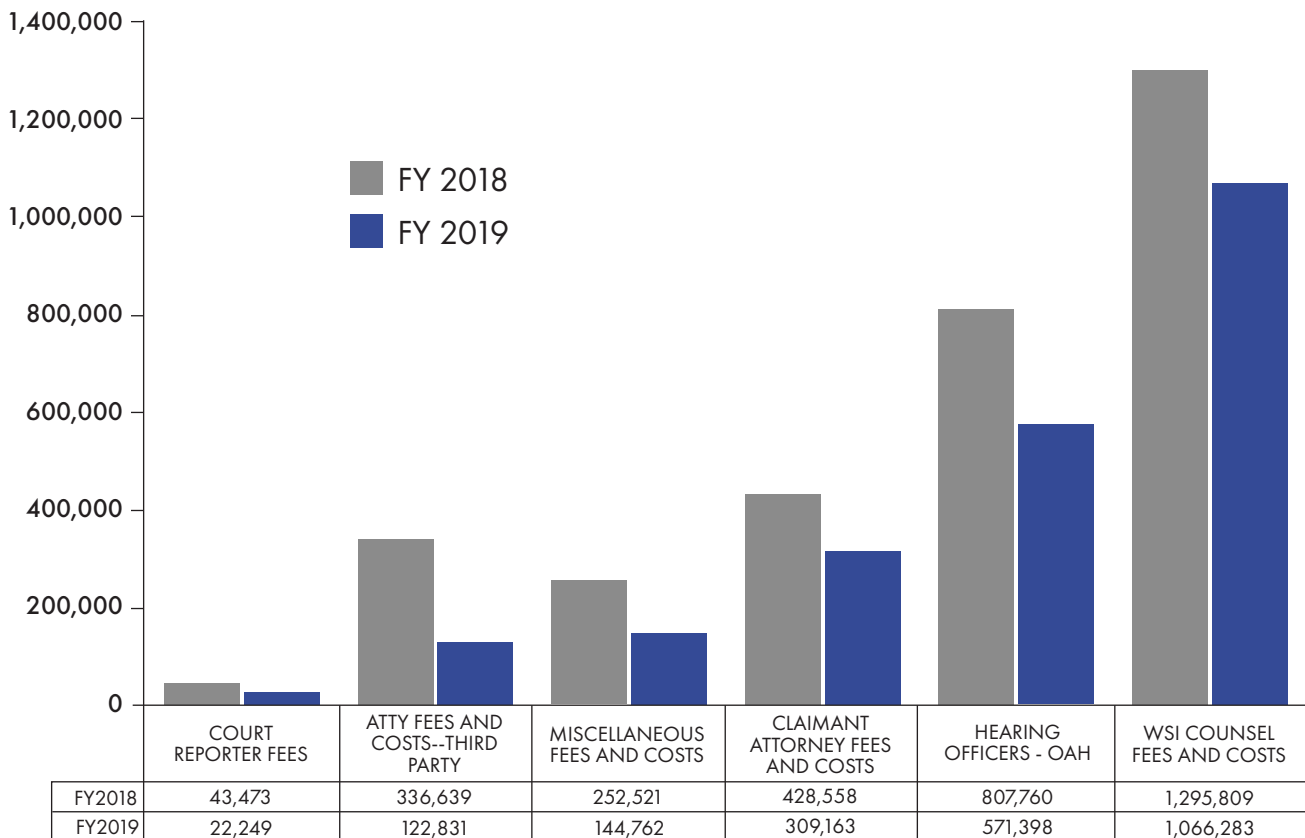
- Defines allied health care professionals, redefines healthcare provider while removing the definition of doctor, and cleans up various references throughout Title 65.





| | FY2018 | | FY2019 | |
|-----------------------------------|---------------|---------------|---------------|---------------|
| | Total Filed | % of Total | Total Filed | % of Total |
| Strain or Injury By | 5,504 | 27.7% | 5,292 | 26.6% |
| Fall or Slip Injury | 4,357 | 21.9% | 4,396 | 22.1% |
| Struck or Injured By | 2,981 | 15.0% | 3,242 | 16.3% |
| Cut, Puncture, Scrape Injured By | 2,433 | 12.2% | 2,347 | 11.8% |
| Miscellaneous Causes | 2,079 | 10.5% | 2,002 | 10.1% |
| Striking Against or Stepping On | 831 | 4.2% | 897 | 4.5% |
| Caught In or Between | 663 | 3.3% | 683 | 3.4% |
| Burn, Scald-Heat or Cold Exposure | 525 | 2.6% | 519 | 2.6% |
| Motor Vehicle | 472 | 2.4% | 512 | 2.6% |
| Rubbed or Abraded By | 23 | 0.1% | 22 | 0.1% |
| Uncoded | - | 0.0% | 4 | 0.0% |
| Totals | 19,868 | 100.0% | 19,916 | 100.0% |

FY2018 and FY2019 Legal Costs



BALANCE SHEETS
YEARS ENDED JUNE 30, 2019 AND 2018

| | <u>2019</u> | <u>2018</u> |
|--|-------------------------|-------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 2,871,189 | \$ 3,726,994 |
| Investments | 2,054,781,942 | 1,913,603,074 |
| Invested securities lending collateral | 6,100,164 | 5,229,084 |
| Premium receivables, net | 23,220,267 | 23,419,012 |
| Other accounts receivable, net | 3,346,729 | 5,139,998 |
| Investment interest receivable | 10,666,901 | 9,603,360 |
| Prepaid expenses | 395,608 | 385,442 |
| Total current assets | 2,101,382,800 | 1,961,106,964 |
| NON-CURRENT ASSETS | | |
| Premises, furniture and equipment | 17,786,728 | 15,786,875 |
| Total assets | <u>2,119,169,528</u> | <u>1,976,893,839</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred outflow pension | 12,296,330 | 14,372,125 |
| Deferred outflow OPEB | 313,963 | 300,842 |
| Total deferred outflows | 12,610,293 | 14,672,967 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | <u>\$ 2,131,779,821</u> | <u>\$ 1,991,566,806</u> |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable | 5,491,787 | 5,548,278 |
| Compensated absences, net | 1,399,626 | 1,331,007 |
| Unearned premium | 115,278,892 | 114,585,609 |
| Dividend payable | 113,235,072 | 107,247,030 |
| Securities lending collateral | 6,100,164 | 5,229,084 |
| Unpaid loss and LAE | 130,913,280 | 125,926,320 |
| Total current liabilities | 372,418,822 | 359,867,328 |
| NONCURRENT LIABILITIES | | |
| Compensated absences, net | 227,846 | 216,676 |
| Pension liability | 25,710,589 | 24,862,684 |
| OPEB liability | 1,158,959 | 1,189,880 |
| Unpaid Loss & LAE - discounted 4.5% in 2019 and 5% in 2018 | 960,030,720 | 923,459,680 |
| Total non current liabilities | 987,128,114 | 949,728,920 |
| Total liabilities | 1,359,546,936 | 1,309,596,248 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred inflow pension | 1,622,059 | 744,015 |
| Deferred inflow OPEB | 79,889 | 80,383 |
| Total deferred inflows | 1,701,948 | 824,398 |
| NET POSITION | | |
| Invested in capital assets | 17,786,728 | 15,786,875 |
| Designated/Unrestricted | 752,744,209 | 665,359,285 |
| Total net position | 770,530,937 | 681,146,160 |
| TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION | <u>\$ 2,131,779,821</u> | <u>\$ 1,991,566,806</u> |

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
POSITION YEARS ENDED JUNE 30, 2019 AND 2018**

| | <u>2019</u> | <u>2018</u> |
|---|-----------------------|-----------------------|
| OPERATING REVENUES | | |
| Net premiums earned | \$ 237,788,871 | \$ 232,018,988 |
| Penalties and finance charges | 1,359,709 | 2,314,017 |
| Third party subrogation recoveries | 8,548,184 | 4,146,670 |
| Rental operations | 1,530,450 | 808,630 |
| Other revenue | 560,527 | 254,579 |
| | <u>249,787,742</u> | <u>239,542,884</u> |
| Total operating revenues | | |
| OPERATING EXPENSES | | |
| Incurred losses | 147,666,582 | 123,838,673 |
| Payroll and benefits | 23,514,239 | 23,925,593 |
| Pension Expenses | 4,509,549 | 4,070,494 |
| OPEB Expenses | 139,635 | 151,559 |
| Other administrative expenses (income) | (417,645) | (1,505,553) |
| Bad debt expense | 1,308,987 | 3,253,872 |
| Depreciation expense | 1,459,046 | 1,017,092 |
| | <u>178,180,393</u> | <u>154,751,730</u> |
| Total operating expenses | | |
| OPERATING INCOME | <u>71,607,349</u> | <u>84,791,154</u> |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Interest and investment revenue | 116,578,864 | 94,151,857 |
| Investment expenses | (4,018,848) | (4,009,141) |
| Securities lending investment revenue | 144,933 | 200,862 |
| Securities lending expenses | (28,932) | (40,117) |
| Net increase in fair value of investments | 20,290,869 | 9,609,967 |
| Dividend credit expense | (115,189,458) | (111,369,772) |
| | <u>17,777,428</u> | <u>(11,456,344)</u> |
| Net non-operating revenues (expenses) | | |
| CHANGE IN NET POSITION | 89,384,777 | 73,334,810 |
| TOTAL NET POSITION, BEGINNING OF YEAR | <u>681,146,160</u> | <u>607,811,350</u> |
| TOTAL NET POSITION, END OF YEAR | <u>\$ 770,530,937</u> | <u>\$ 681,146,160</u> |

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

| | <u>2019</u> | <u>2018</u> |
|---|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from employers | \$ 138,922,793 | \$ 127,315,793 |
| Receipts from other funds | 461,644 | 2,066,194 |
| Receipts from others | 64,398,472 | 10,410,106 |
| Payments to medical providers | (89,922,166) | (90,873,040) |
| Payments to injured workers | (61,538,610) | (67,571,521) |
| Payments to employers | (8,368,862) | (11,973,697) |
| Payments to employees | (23,598,115) | (24,000,129) |
| Payments to other funds | (4,376,386) | (3,605,617) |
| Payments to others | (4,365,989) | (9,377,365) |
| Net cash (used in) provided by operating activities | <u>11,612,781</u> | <u>(67,609,276)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and construction of capital assets | <u>(3,458,899)</u> | <u>(2,859,523)</u> |
| Net cash (used in) financing activities | <u>(3,458,899)</u> | <u>(2,859,523)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Contributions to pooled investments | (53,509,687) | (3,494,863) |
| Withdrawals from pooled investments | <u>44,500,000</u> | <u>74,500,000</u> |
| Net cash (used in) provided by investing activities | <u>(9,009,687)</u> | <u>71,005,137</u> |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (855,805) | 536,338 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>3,726,994</u> | <u>3,190,656</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u><u>\$ 2,871,189</u></u> | <u><u>\$ 3,726,994</u></u> |
| SCHEDULE OF OTHER NONCASH ACTIVITIES | | |
| Net increase in fair value of investments | \$ 20,290,869 | \$ 9,609,969 |
| Change in securities lending collateral | 871,080 | (8,118,968) |
| Investment revenue | (116,580,928) | (94,174,312) |
| Dividends credited to premium billings | 109,201,416 | 114,059,344 |
| Account receivable premium reductions | (109,201,416) | (114,059,344) |

**STATEMENT OF APPROPRIATIONS
YEAR ENDED JUNE 30, 2019**

| | Approved 2017-2019 Biennial Appropriation | Expenditures 2018 | Expenditures 2019 | Unexpended Appropriation |
|---------------------------------|--|----------------------|----------------------|-----------------------------|
| APPROPRIATED EXPENDITURES | \$ 72,481,659 | \$ 32,779,582 | \$ 33,750,654 | \$ 5,951,423 |
| CONTINUING APPROPRIATIONS | | | | |
| Performance evaluations | | 82,161 | 9,129 | |
| Building operations | | 771,891 | 829,037 | |
| Reinsurance | | 3,156,398 | 746,447 | |
| Other states coverage | | 450,000 | 600,000 | |
| Litigation collection costs | | 339,067 | 371,265 | |
| Collection agency fees | | 74,487 | 15,668 | |
| Safety programs | | 2,691,674 | 2,817,964 | |
| Vocational rehabilitation grant | | 98,830 | 99,952 | |
| Medical provider litigation | | 940 | - | |
| Employer fraud | | 26,348 | 13,046 | |
| Provider fraud | | 6,955 | 236 | |
| Total* | \$ 72,481,659 | \$ 40,478,333 | \$ 39,253,398 | \$ 5,951,423 |

* 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, 2019 AND 2018

Financial Highlights

Fiscal year 2019 shows increases in earned premiums, incurred losses, number of policyholders and number of filed claims.

At June 30, 2019, June 30, 2018, and June 30, 2017 coverage extended to the following employers:

| | 2019 | 2018 | 2017 |
|-------------------------------------|--------|--------|--------|
| Annual premium \$250 - \$5,000 | 19,350 | 18,979 | 18,315 |
| Annual premium \$5,001 - \$50,000 | 4,312 | 4,377 | 4,997 |
| Annual premium \$50,001 - \$100,000 | 424 | 421 | 480 |
| Annual premium over \$100,000 | 381 | 371 | 432 |
| Total policyholders | 24,467 | 24,148 | 24,224 |

North Dakota's active policyholder count increased by 319 policies in fiscal year 2019, ending with a total of 24,467 policies.

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 2019 and 2018, 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 \$6,000,000. 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 \$8.7 million as of June 30, 2019 and \$7.3 million on June 30, 2018.

8. Reinsurance. WSI purchased reinsurance for CY 2019 and 2018 to offset possible catastrophic claims due to the types of industries which continue to enter and expand with the state. Reinsurance costs total approximately \$754 thousand and \$753 thousand in FY 2019 and 2018 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 4.5% discount at June 30, 2019 and a 5% discount at June 30, 2018. 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 \$110 million on June 30, 2019. In the past fifteen years, approximately \$1.4 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, 2019, was equal to 168% of the actuarial discounted reserve of \$1,090,944,000. The available surplus plus discounted reserve liabilities on June 30, 2018, totaled 161.9% of the actuarial discounted reserve of \$1,049,386,000.

Here's our Story 1919 to 2018

WSI North Dakota Workforce
Safety & Insurance

Employer Accounts:

2,142
(1919)

24,148
(2018)

Total Claims Filed:

1,500*
(1919)

19,868
(2018)

Covered Workforce:

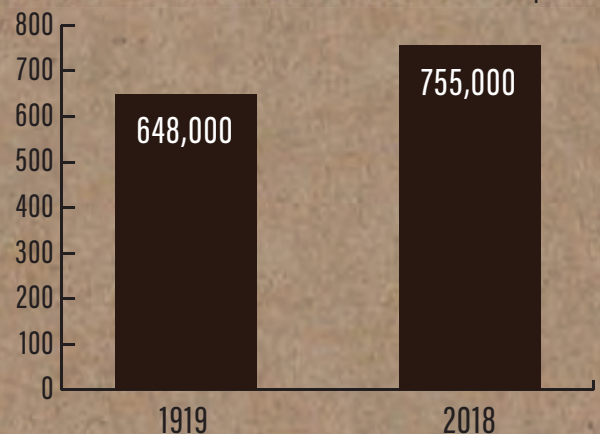
250,000*
(1919)

405,367
(2018)

Workforce Safety & Insurance is a monopolistic state fund established to provide insurance coverage to North Dakota Employees

North Dakota Population:

Source: Wikipedia



Employer premiums provide for the payment of medical and wage-loss benefits.

Net Earned Premium:

\$610,000*
(1919)

\$235.6 M
(2018)

Average Weekly Wage in North Dakota

1919 \$32

2018 \$960



* Information provided is an approximation gathered from internal and state historical archives.



**North Dakota Workforce
Safety & Insurance**

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