





REMEMBER WHO'S WAITING FOR YOU.

Our uncompromising pursuit is to remember those waiting for a father to come home from a job site, a mother working a night shift, and a son recovering from a workplace accident.

In 2011, we insured more than half of Utah businesses. Our main objectives are to provide low-cost workers compensation insurance to Utah employers, promote work place safety and assure Utah workers are in capable hands when an injury occurs.

DEAR POLICYHOLDERS AND FRIENDS,

In 2011, we recorded an underwriting loss from insurance operations of \$35.7 million. This underwriting loss was offset by net investment income, net realized capital gains from the sale of investment securities and other income totaling \$61.5 million, resulting in net income before dividends of \$25.8 million. In June, we paid policyholder dividends of \$7.4 million. Policyholders' surplus decreased from \$601 million to \$575 million, primarily as a result of a decline in the value of common stocks. Despite a challenging year financially, we continue to adhere to the conservative financial practices that have kept us financially strong in difficult times. We are pleased to report that in February 2012, the A.M. Best Company affirmed WCF's "A" (Excellent) financial-strength rating.

The cost of workers compensation insurance to Utah employers is among the lowest in the nation. On an inflation-adjusted basis, workers compensation insurance rates are lower than rates in the early 1990s. However, rates are not adequate and are expected to increase in the coming years.

Rising medical costs remain our most significant issue and will be the primary driver of premium rate increases in the future. As a result of medical inflation and the increased utilization of medical services, medical payments now comprise nearly 75% of our total claims payments. We aggressively strive to control claims costs and prevent accidents. Our superior claims management lowers claims costs and assures the best possible care for injured workers. These initiatives resulted in savings to our policyholders of nearly \$44 million in 2011. At the same time, injured workers received excellent care.

In this environment of rising medical costs, employers can significantly affect their workers compensation insurance costs. Maintaining a safe work environment, promptly reporting all injuries, staying actively involved throughout the claims process, reporting suspicions you may have about an injury, and implementing effective return-to-work programs will all help control costs. Our professional staff is available to assist you in all of these areas. We are anxious to help you keep your workers compensation insurance costs low.

For the last 95 years, WCF has been the one constant in Utah's workers compensation system. We will continue to provide excellent service and the best value available to all Utah companies. Thank you for your trust and your business.



Ray Pickup, *President & CEO*



Dallas H. Bradford, *Board Chair*



Back (left to right): Bob Short *EVP Claims*, Peggy Larsen *SVP Marketing*,
Dennis Lloyd *General Counsel*, Scott Westra *Chief Financial Officer*,
Dan Hair *SVP Underwriting & Safety*, Kris McFarland *VP Human Resources*

Front (left to right): Charles Pugh *SVP Claims*, Ray Pickup *President & CEO*,
Debi Mofford *SVP Information Technology*

WCF Senior Leadership Team



**KEEP MY
DAD SAFE**

PREVENTION

Preventing accidents is the key to keeping Utah employees working. Partnering with our policyholders on workplace safety is one of our most important priorities.

In 2011, the WCF safety and health department introduced an additional way to promote safety in the workplace: On Demand Seminars. WCF policyholders can now train their employees at any time in any place with streaming online WCF safety seminars.

In addition, we have more than 100 free safety seminars, numerous online safety resources, industry-specific safety roundtables and on-site training. We encourage you to use these services to keep your workers safe.

A young boy with blonde hair, wearing a light blue t-shirt and blue jeans, stands on a grassy area. He is holding a white rectangular sign with a black border. The sign has the text "TAKE CARE OF MY MOM" in bold, black, sans-serif capital letters. In the background, there is a large, modern hospital building with many windows. A sign on the building reads "LEVEL 1 TRAUMA CENTER". The scene is outdoors during the day.

**TAKE CARE
OF MY MOM**

MEDICAL SAVINGS

In 2011, workers compensation costs increased in Utah and nationally. The primary cost drivers were increases in medical expenses and the severity of accidents.

We remain committed to working closely with our policyholders to mitigate these troublesome trends. Our partnerships and discounts with local hospitals and clinics give our claimants access to the finest medical care in the region. With nationally recognized doctors and state-of-the-art facilities, our providers offer injured workers high-quality care close to home. In 2011, our preferred provider network provided significant savings to WCF and its policyholders.

A young girl with dark skin and curly hair, wearing a pink shirt and dark pants, stands in a hospital room. She is smiling and holding a large white sign with a black border. The sign has the text "GET BETTER SOON" in bold, black, sans-serif capital letters. In the background, there is a medical monitor on the wall, a stethoscope hanging on a rack, a black chair, and a medical examination table with a white sheet. The floor is made of light-colored tiles.

**GET
BETTER
SOON**

CLAIMANT CARE

Coordinating medical care is critical in controlling costs and providing quality treatment. Our medical case managers evaluate injured employees' circumstances and coordinate care to help in their recovery.

Returning injured employees to productive work quickly is cost-effective for the employer and boosts employee morale. Our certified counselors work with employers, injured workers and physicians to confirm work capabilities, help with job modifications and return injured workers to a productive environment.

For inpatient hospitalizations and many outpatient procedures, a team of registered nurses and physician consultants proactively reviews and approves proposed medical treatments. Our provider-bill-review service reduces claims costs while assuring that injured workers receive outstanding care.

A young boy with light brown hair, wearing a blue polo shirt and blue jeans, stands in a conference room. He is holding a large white sign with a black border. The sign has the text "\$7.3 MILLION DIVIDEND" in bold black letters. The background shows a long conference table with black chairs, a large window, and a television mounted on the wall. The floor is covered with a red and green patterned carpet.

**\$7.3 MILLION
DIVIDEND**

POLICYHOLDER DIVIDENDS

Every year since 1992, WCF has paid a dividend to its policyholders. During the past two decades this has resulted in \$339 million in dividends to our policyholders — giving back nearly 40 percent of operating income (almost 10 percent of net earned premiums). No other carrier in the marketplace has been able to provide this type of profit sharing to their policyholders.

WCF's ability to pay dividends is a credit to our policyholders and their employees who have worked together to improve workplace safety statewide.

A young girl with brown hair, wearing a pink jacket and blue jeans, stands in a hallway holding a large white sign with a black border. The sign has the text "DOING OUR PART" in bold, black, sans-serif capital letters. In the background, there is a blue cart with white linens and a wooden door.

**DOING
OUR
PART**

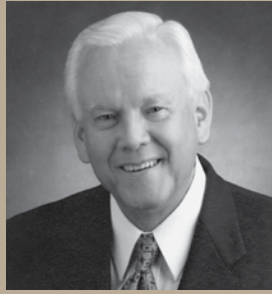
COMMUNITY IMPACT

WCF is committed to investing and making a difference in our community. Across Utah, WCF has devoted resources and built relationships with organizations and programs that make an impact. In 2011, WCF employees raised nearly \$150,000 for United Way of Salt Lake. In addition, WCF's Legacy of Learning scholarship program provided educational assistance to 46 spouses, sons and daughters of workers who lost their lives in work-related accidents.

Employees are also actively engaged in the community. WCF employees help serve lunch at the St. Vincent De Paul Soup Kitchen monthly and participate in volunteer opportunities for a number of non-profit organizations. These partnerships have not only helped the community, they have made WCF a better company. Some of the non-profit organizations WCF worked with during 2011 are listed below.

- United Way
- University of Utah
- American Heart Association
- Salt Lake Chamber
- Juvenile Diabetes Research Foundation
- Utah Business Week
- Days of '47
- Ballet West
- Centerpoint Legacy Theatre
- Forever Young Foundation
- Utah Foundation
- Utah Symphony / Utah Opera
- Arthritis Foundation

WCF BOARD MEMBERS



Dallas Bradford
Board Chair



Roger Livingston
Board Vice Chair



Lane Summerhays
Board Member



Kim Hood
Board Member



David Layton
Board Member

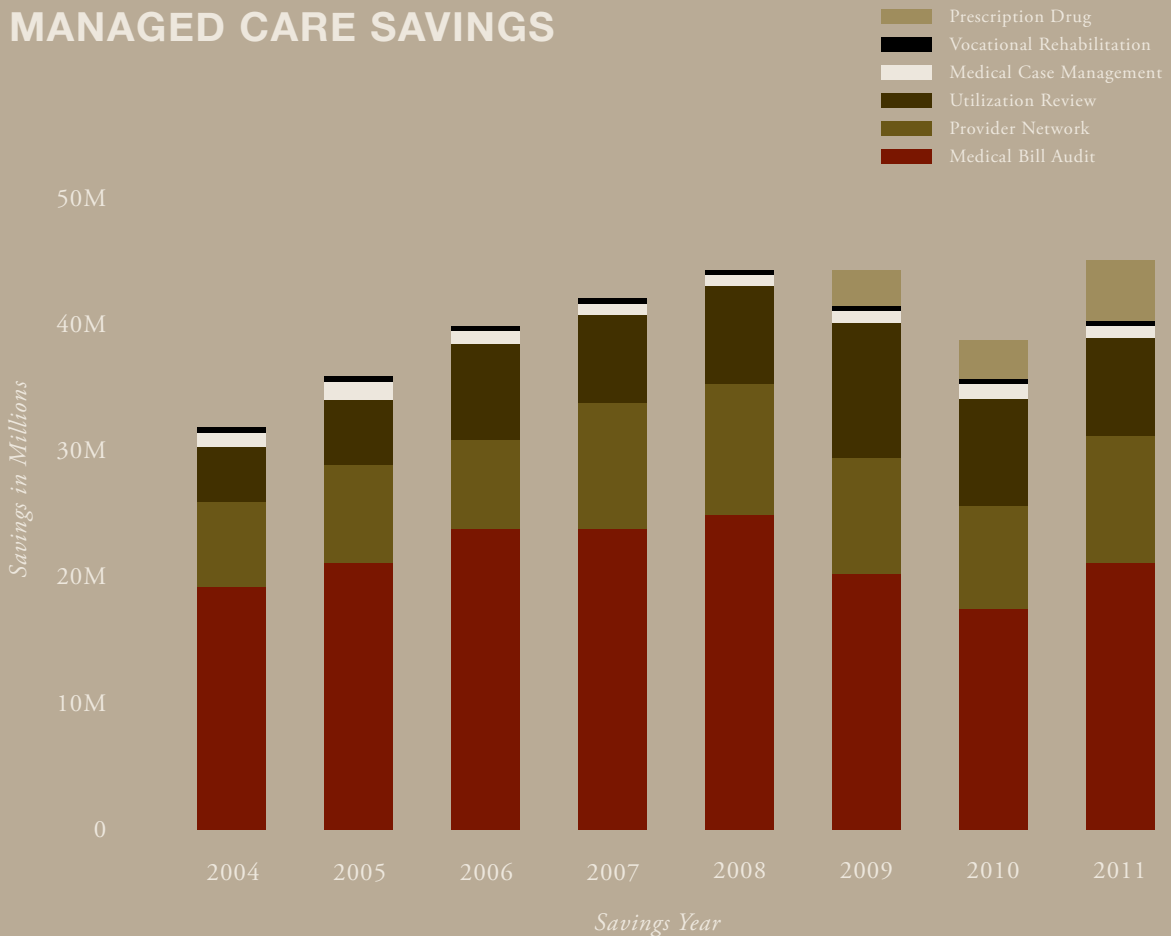


John Eberhardt
Board Member

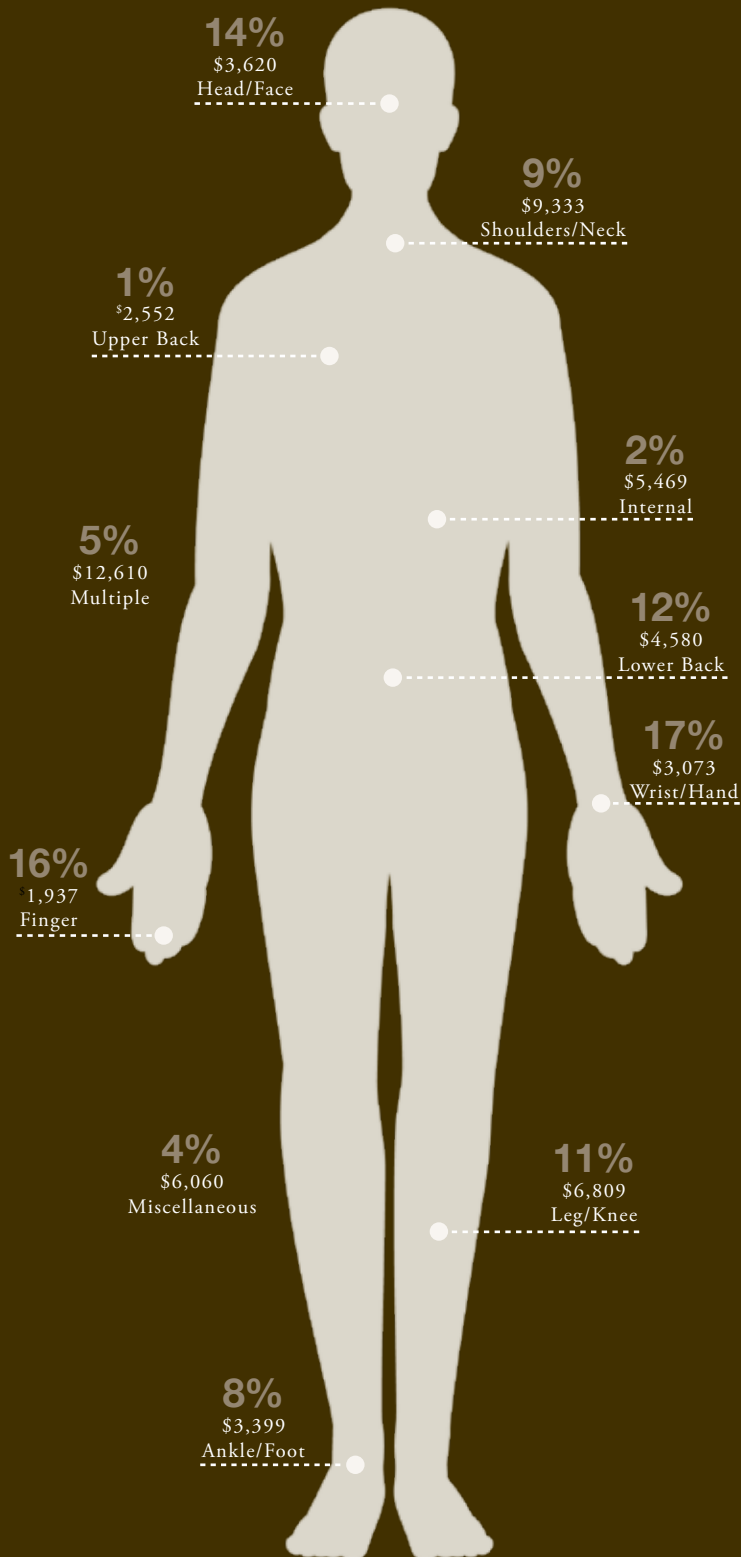


Ray Pickup
Board Member

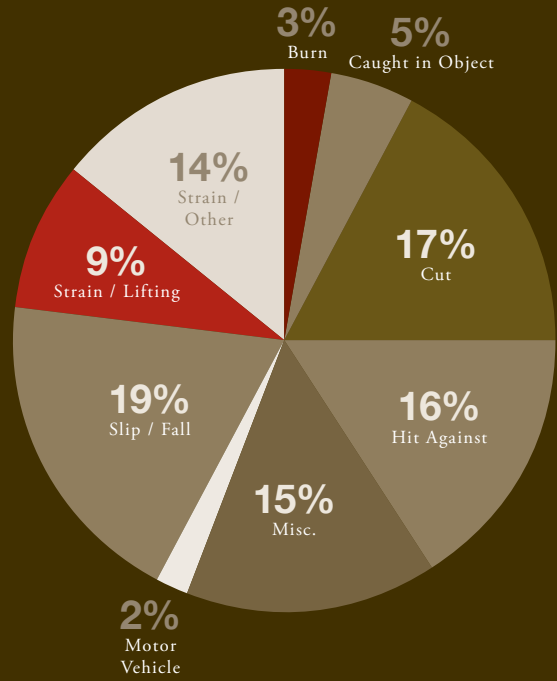
MANAGED CARE SAVINGS



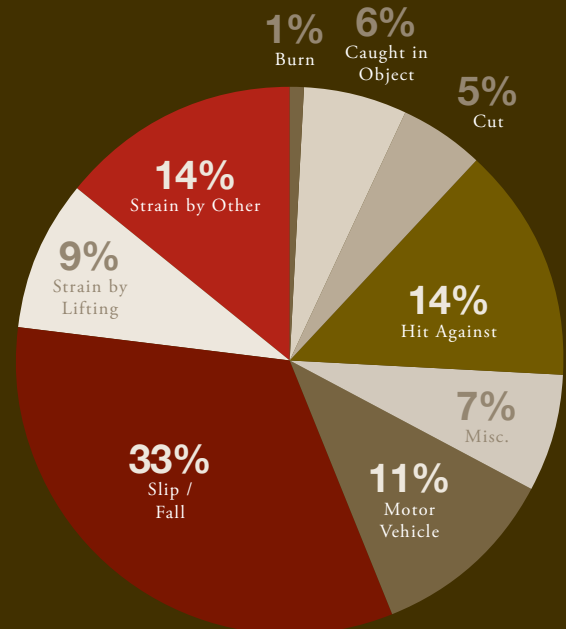
PERCENT OF WCF'S TOTAL CLAIMS AND AVERAGE CLAIM COST BY BODY PART



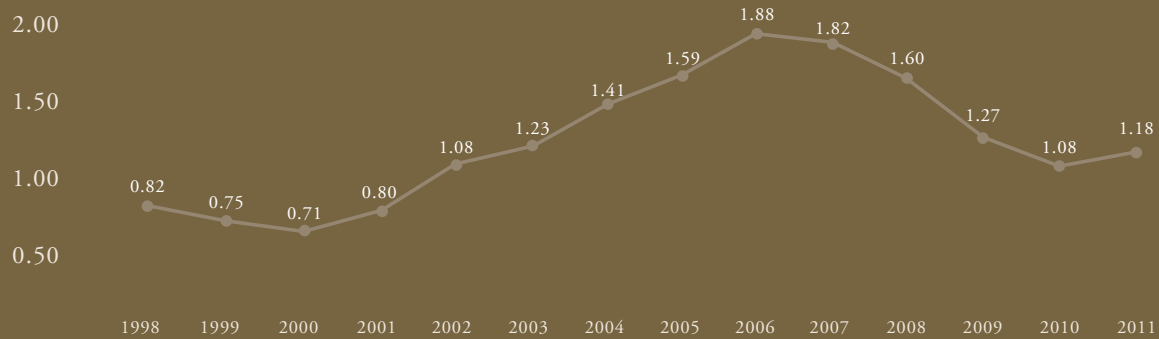
NUMBER OF CLAIMS BY ACCIDENT TYPE



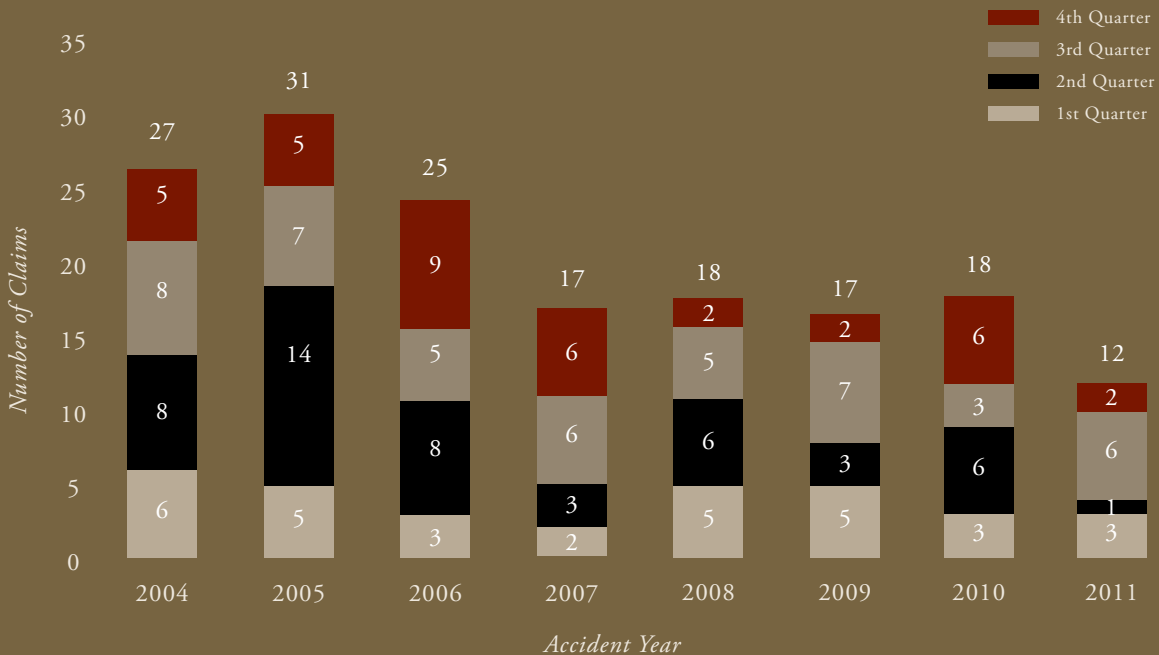
CLAIMS COST INCURRED BY ACCIDENT TYPE



AVERAGE PREMIUM RATE PER MILLION DOLLARS OF INFLATION-ADJUSTED PAYROLL



FATALITIES BY ACCIDENT YEAR



NUMBER OF CLAIMS



FINANCIAL HIGHLIGHTS

Year End December 31	2011	2010
<i>(in thousands)</i>		
Premiums earned, net of reinsurance	\$ 155,532	\$ 155,167
Losses and loss-adjustment expenses	148,019	122,690
Operating expenses	43,206	44,112
Underwriting gain (loss)	(35,693)	(11,635)
Net investment income	52,174	55,414
Realized capital gains (losses) on investments	9,684	6,964
Policyholder dividends	7,392	16,819
Net income	18,411	33,852

	2011	2010
Claims count	16,694	17,532
Policy count	19,498	20,228

December 31	2011	2010
<i>(in thousands)</i>		
Admitted assets	\$ 1,482,815	\$ 1,481,831
Cash and invested assets	1,452,633	1,453,405
Reserve for losses and loss-adjustment expenses	859,158	838,526
Policyholder surplus	575,133	601,128



WORKERS COMPENSATION FUND
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