

2016 CLAIM STATISTICS

NUMBER OF WCF CLAIMS FILED BY **ACCIDENT TYPE**



Burn **2%**



Motor Vehicle **3%**



Caught In Object **5%**



Lifting Strain **8%**



Misc. **13%**



Other Strain **14%**



Cut **18%**

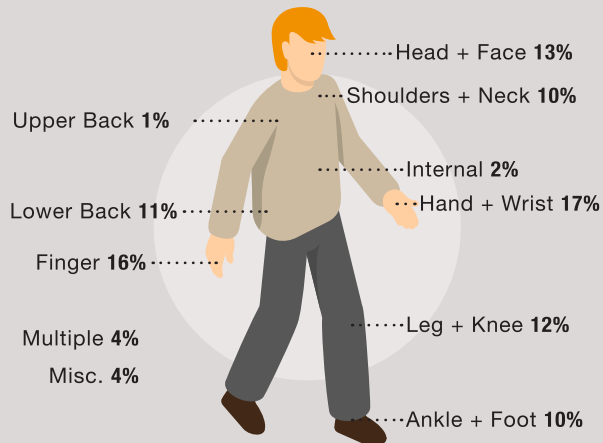


Hit Against **17%**



Slip/Fall **20%**

NUMBER OF WCF CLAIMS FILED BY **BODY PART**



2016 COMPANY HIGHLIGHTS

HIGH RENEWALS

91%

of WCF premium was renewed in 2016

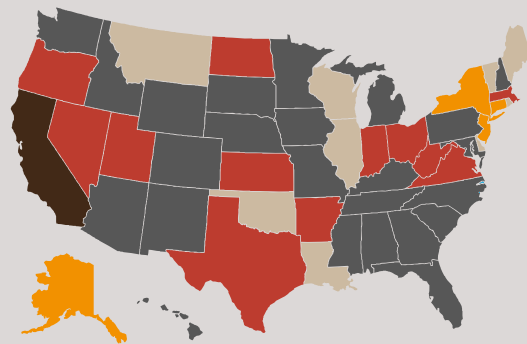
FINANCIAL RETURNS

7.5%

dividend declared from 2016 results

COMPETITIVE PRICING

Utah had some of the lowest workers' compensation rates in the country.



Price per \$100 of payroll:



Oregon Workers' Compensation Premium Rating 2016

WCF IN-HOUSE SAVINGS BY SERVICE

- ▶ **Provider Bill Review** \$18,643,000
- ▶ **Preferred Provider Network** \$12,329,980
- ▶ **Utilization Review** \$11,730,034
- ▶ **Special Investigations Unit** \$5,247,949
- ▶ **Prescription Drug Management** \$4,903,615
- ▶ **Medical Case Management** \$736,925
- ▶ **Vocational Rehabilitation** \$254,327



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100 *Years*

PROTECTING WORKERS

WCF INSURANCE

2016 ANNUAL REPORT

DEAR WCF INSURANCE POLICYHOLDERS,

On July 1, 2017, WCF Insurance will celebrate its 100th birthday!

The Utah legislature created the predecessor to WCF Insurance, the State Insurance Fund, in 1917 to provide a competitive source of insurance to Utah employers in the state's newly created workers' compensation insurance system. The creators of Utah's workers' compensation system were distrustful of large insurers that had no local ties. One historical source reported that Utah public policymakers distrusted insurance companies located "east of the Hudson River." In 1917, the state made a \$40,000 loan to the State Insurance Fund to capitalize the Fund until premiums started rolling in. It repaid that loan in 1922.

The State Insurance Fund operated as part of the state from 1917 through 1988. In 1988, policymakers in the state changed the State Insurance Fund to a quasi-public corporation; changed its name to Workers Compensation Fund of Utah; appointed an independent board of directors representing policyholders; and, instructed the board to run the company like an insurance business. In 1992, the board hired a new CEO, Lane A. Summerhays. During the next few years, most of the management team changed. We have operated as an insurance company for 25 years and the results since 1992 have been remarkable. During that time, we have grown our policyholders' equity from about \$67 million to nearly \$890 million and we have paid over \$418 million in dividends to our policyholders. At the same time, WCF has helped keep the cost of workers' compensation insurance in Utah low. In 2016, Utah was one of only eight states where the average cost of insurance was less than \$1.30 per \$100 of insured payroll.

In 2015, the Utah legislature passed Senate Bill 63, which reduced statutory restrictions connected to our operations. These changes have allowed us to operate more seamlessly with our subsidiary, Advantage Workers Compensation Insurance Company (Advantage). Advantage writes workers' compensation in every state in the country and we have offices in Arizona, California, Colorado, Idaho, and Nevada.

Last year, we held our first board election and welcomed a new director, Kent Cannon. Mr. Cannon has a wealth of actuarial experience and knowledge in key areas that will help us continue to make WCF a better business partner and insurance company. In August 2016, A.M. Best awarded a pooled A (excellent)



rating to WCF and Advantage. According to A.M. Best, "The ratings reflect WCF Group's superior level of risk-adjusted capitalization, historically solid consolidated operating performance, conservative operating philosophy and dominant position in the Utah workers' compensation market."

And most recently, during the 2017 Legislative Session, the Utah legislature passed Senate Bill 92, which transitions WCF's corporate structure from a quasi-public corporation to a mutual insurance corporation. WCF's board of directors and management view this as a natural step in the company's evolution. Becoming a mutual insurance corporation places control of the company firmly in the hands of our policyholders.

In addition to these major structural milestones, WCF had another strong financial year. We passed the two-billion dollar mark in assets, increased policyholder equity to \$882 million, and had nearly \$253 million of net earned premium. We also saw an underwriting profit for the third year in a row.

As a result of our success in 2016, WCF's board of directors has declared a 7.5% dividend. We are grateful for the support of our policyholders, who are our owners. Our mission is to provide our policyholders and their employees excellent customer service with respect, integrity, and compassion. This is our goal. We talk about this frequently in our company and we hope you see it in our work.

Thank you for your business and please be careful out there.

Dallas H. Bradford
Dallas H. Bradford
Board Chair

Ray D. Pickup
Ray D. Pickup
President & CEO

2016 WCF INSURANCE HIGHLIGHTS

Year Ending December 31	2016	2015
(in thousands)		
Net premiums earned	\$ 253,251	\$ 239,566
Losses and loss adjustment expenses	181,153	173,993
Underwriting expenses	70,935	63,834
Underwriting gain	1,163	1,739
Net investment income	48,935	54,694
Net realized capital gains on investments	2,343	59,911
Other expenses	441	1,536
Policyholder dividends	20,889	12,134
Net income	29,162	102,633

WCF and Advantage	2016	2015
Claim count	20,559	20,673
Policyholder count	20,465	19,956

Year Ended December 31	2016	2015
(in thousands)		
Admitted assets	\$ 2,007,731	\$ 1,893,100
Reserve for losses and loss adjustment expenses	1,050,761	1,022,362
Policyholder surplus	881,902	799,559

