

Representative Boschee,

This email is provided in response to your questions regarding the Workforce Safety and Insurance (WSI) fund and North Dakota Century Code Section 65-04-02.

As an update to the September 4, 2020, email below:

As of June 30, 2020, WSI's actuarially established discounted reserve was \$1.03 billion. Based on Section 65-04-02, the fund surplus target was \$206 million to \$412 million. The fund surplus balance on June 30, 2020, was \$906.2 million, after deducting dividend payments of \$103 million. Of the \$906.2 million, \$11.5 million was committed to safety and education grants and \$14.3 million was committed to an educational revolving loan fund. Therefore, the available fund surplus on June 30, 2020, was **\$880.4 million**, equivalent to 185.5 percent of the discounted reserve.

Workforce Safety and Insurance has issued dividend credits in 15 of the previous 16 fiscal years, totaling approximately \$1.5 billion.

Regarding your question related to dividends, Subsection 3 of Section 65-04-02 provides:

“If the level of financial reserves plus available surplus determined as of June thirtieth of any year is above one hundred forty percent of the actuarially established discounted reserve, the organization shall issue premium dividends in a fiscally prudent manner so that the organization is estimated to come into compliance with the requirements of subsection 1 within the following two years. However, premium dividends issued may not exceed fifty percent of the preceding year's premium in any given year.”

Based on recent performance of the WSI fund, WSI has issued dividends at the statutory maximum rate of 50 percent the last five fiscal years. Based on information from WSI, it appears likely dividends will be issued to employers at the statutory maximum rate of 50 percent the next few years, assuming investment returns of the WSI fund remain strong and barring a significant market decrease.

If investment returns remain strong, it is likely the available surplus of the WSI fund will continue to increase, exceeding the June 30, 2020, \$880.4 million available fund surplus, after considering expected dividends of approximately \$110 million each year and approximately \$25 million committed for safety and education related items, and potentially reaching a \$1 billion available fund surplus at June 30, 2021.

If you have any additional questions, please let me know.

Thank you.

Levi Kinnischtzke, CPA

Fiscal Analyst

North Dakota Legislative Council