

TABLE OF CONTENTS

BILLED SERVICES AS REPORTED IN THE CAFR

- Summary of Billed Services
- Imputed Interest Calculations
- Financial Statements - CAFR
 - Combining Statement of Net Assets
 - Combining Statement of Revenues, Expenses and changes in Net Assets
 - Combining Statement of Cash Flows
- Financial Statements – Central Service Fund (breakout by fund)
 - Combining Statement of Net Assets
 - Combining Statement of Revenue, Expenses and changes in Net Assets

FLEET SERVICES

- Nature and Extent of Services
- 2 CFR 200 Retained Earnings Reconciliation
- FY20 Business Plan

MGMT ANALYSIS & DEVELOPMENT and ENTERPRISE TRAINING & DEVELOPMENT

- Nature and Extent of Services
- 2 CFR 200 Retained Earnings Reconciliation - combined
- FY20 Business Plan – Management Analysis & Development
- FY20/21 Business Plan – Enterprise Training & Development

ADMINISTRATIVE HEARINGS

- Nature and Extent of Services
- 2 CFR 200 Retained Earnings Reconciliation
- FY20 Business Plan

CENTRAL MAIL

- Nature and Extent of Services
- 2 CFR 200 Retained Earnings Reconciliation
- Interim FY20 Business Plan

RISK MANAGEMENT

- Nature and Extent of Services
- 2 CFR 200 Retained Earnings Reconciliation
- FY20 Business Plan

PLANT MANAGEMENT

- Nature and Extent of Services
- 2 CFR 200 Retained Earnings Reconciliation
- FY20/21 Business Plan (Leases)
- FY20 Business Plan (Repair and Other Jobs)

MINNESOTA INFORMATION TECHNOLOGY

Nature and Extent of Services
2 CFR 200 Retained Earnings Reconciliation
FY20/21 Business Plan

EMPLOYEE INSURANCE

Nature and Extent of Services
2 CFR 200 Retained Earnings Reconciliation
Plan Year 19 & Plan Year 20 Rate Package

WORKER'S COMPENSATION

Nature and Extent of Services
Summary of Revenue and Expenses
FY20 Business Plan

OFFICE OF THE ATTORNEY GENERAL

Nature and Extent of Services
FY20 Partner Agreements
FY20 Labor Distribution Report

MINNESOTA MANAGEMENT & BUDGET —EMPLOYEE INSURANCE TRUST FUND

Services Provided

Minnesota Management & Budget (MMB) staff administer state employee insurance benefits and manage the Employee Insurance Trust Fund. The managers of this fund represent the state in relationships with private insurance carriers and administrators, and they manage the employer and employee contributions collected to pay for insurance benefits. The employee insurance benefits include the self-insured medical and dental plans as well as the fully insured life and disability plans.

OMB Uniform Guidance, 2 CFR part 200, subpart 200.431(c)

- *"The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and workers compensation insurance...are allowable..."*

How Rates are Computed

MMB staff base rates for the fully self-insured insurance benefits on generally accepted actuarial principles, using historical experience, reasonable assumptions on projected trend and reserve needs.

Plan year 2020 medical rates increased 7.85% based on a projected 6.9% medical trend increase (provided by MMB's actuarial consultant) and a decrease in the contingency reserve. A copy of the consultant's projected medical trend increase has been included. Plan year 2020 dental rates represented an increase of 2.25%. Rates for the fully insured life and disability insurance are set through MMB negotiations with the carrier.

The premium contribution split between employee and employer is determined through collective bargaining agreements. Employer and employee contributions are collected through individual employee payroll records, with a small number paying through an invoice. All insurance contributions are deposited into the trust fund with the completion of each payroll cycle and are held in trust for the benefit of state employees.

An administration fee is paid by participating agencies for each participating employee. Those funds are used by MMB to administer the state's employee insurance benefit programs.

**EMPLOYEE INSURANCE DIVISION
STATE EMPLOYEE GROUP INSURANCE PROGRAM
STATEMENTS OF REVENUE AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

(file-SEGP20 Sheet 19)	Self Insured Medical & Dental	Fully Insured Life & Disability	Adminis- trative	Total	Total Per CAFR (Rounded)
Revenue					
Premiums charged	\$1,011,668,120	\$43,796,191	(\$11,000)	\$1,055,453,311	\$1,055,453,000
Administrative fees and other Income	0	0	8,820,868	8,820,868	8,821,000
Total Revenue	1,011,668,120	43,796,191	8,809,868	1,064,274,179	1,064,274,000
Expenses					
Purchased Services	33,001,566	44,789,289	4,495,233	82,286,087	82,286,000
Salaries and Benefits	-	-	4,496,173	4,496,173	4,496,000
Claims	863,099,105	-	0	863,099,105	863,099,000
Depreciation	-	-	0	0	0
Repairs	-	-	2,118	2,118	2,000
Supplies	-	-	11,156	11,156	11,000
Indirect Costs	-	-	250,468	250,468	250,000
Other Expenses	501,287	-	72,507	573,795	574,000
Total Expenses	896,601,958	44,789,289	9,327,655	950,718,902	950,718,000
Operating Income (Loss)	115,066,162	(993,097)	(517,787)	113,555,277	113,556,000
Investment Income	4,889,588	99,479	161,391	5,150,457	5,150,000
Total Non Operating Revenue	4,889,588	99,479	161,391	5,150,457	5,150,000
Net Change in Reserves for Claims	119,955,750	(893,618)	(356,397)	118,705,735	118,706,000
Internal Transfer	(1,064,000)	0	1,064,000	0	0
Transfer To General Fund	0	0	(28,000)	(28,000)	(28,000)
Reserve for Claims - Beginning of Year	221,682,300	3,238,561	(912,749)	224,008,111	224,008,000
Change in Accounting Principal	0	0	0	0	0
Reserve for Claims - End of Year	\$340,574,049	\$2,344,942	(\$233,146)	\$342,685,846	\$342,686,000

**SELF INSURED MEDICAL PLANS
REQUIRED RESERVE CALCULATION
12 MONTHS ENDED JUNE 30, 2020**

(file-SEGP20 Sheet 19)

Reserve For Unpaid Claims (Medical)

1) Unpaid administrative fees	\$0	
2) Performance Incentive:		
Expected Annual Claims & Expenditures	\$930,700,000	
Performance incentive factor	<u>0.50%</u>	
Retention Reserve Required	<u>4,653,500</u>	
Total Reserve for Unpaid Retention Costs		4,653,500

Reserve For Unpaid Claim Costs

Expected Annual Claims & Expenditures	\$930,700,000	
Percentage per Carrier estimates	<u>8.10%</u>	
Total Reserve for Unpaid Claims		75,424,000

Reserve For Claim Fluctuations (Contingency Reserve)

The Reserve for Claim Fluctuations for 2020 is 33% of total Claims.
The 33% figure is made up of the following three components:

- 1) The 2020 contract year was funded at the expected claim level plus retention.
The 2020 maximum premium level is 125% of expected claims.
The reserve margin is the 25% difference.
- 2) The premium stabilization reserve (PSR) is 5% of expected claims per the established policy.
- 3) The reserve for the overlapping of fiscal years is 3% per the established reserve policy.

The calculation of the 2020 Reserve for Claim Fluctuations is as follows:

Expected Annual Claims & Expenditures	\$930,700,000	
Percentage per established reserve policy	<u>33%</u>	
Total Reserve For Claim Fluctuations		<u>307,131,000</u>
Total Required Health Plan Reserve as of June 30, 2020		<u><u>387,208,500</u></u>

**SELF INSURED DENTAL PLAN
REQUIRED RESERVE CALCULATION
12 MONTHS ENDED JUNE 30, 2020**

(file-SEGP20 Sheet 19)

Reserve For Unpaid Claims (Dental)

1) Unpaid administrative fees

2) Performance Incentive:

Expected Annual Claims & Expenditures	\$63,500,000
Performance incentive factor	<u>1.00%</u>
Retention Reserve Required	<u>635,000</u>

Total Reserve for Unpaid Retention Costs 635,000

Reserve For Unpaid Claim Costs

Expected Annual Claims & Expenditures	\$63,500,000
Percentage per Carrier estimates	<u>3.05%</u>

Total Reserve for Unpaid Claims 1,936,000

Reserve For Claim Fluctuations (Contingency Reserve)

The Reserve for Claim Fluctuations for 2020 is 10% of total Claims.
The 10% figure is made up of the following three components:

- 1) The 2020 contract year was funded at the expected claim level plus retention.
The 2020 maximum premium level is 106% of expected claims.
The reserve margin is the 6% difference.
- 2) The premium stabilization reserve (PSR) is 2.5% of expected claims per the established policy.
- 3) The reserve for the overlapping of fiscal years is 1.5% per the established reserve policy.

The calculation of the 2020 Reserve for Claim Fluctuations is as follows:

Expected Annual Claims & Expenditures	\$63,500,000
Percentage per established reserve policy	<u>10%</u>
Total Reserve For Claim Fluctuations	<u>6,350,000</u>

Total Required Dental Plan Reserve as of June 30, 2020 8,921,000

**STATE EMPLOYEE GROUP INSURANCE PROGRAM
RESERVE ANALYSIS
AS OF JUNE 30, 2020
(file-SEGP20 Sheet 19)**

**DETAIL OF CLAIMS PAYABLE IN THE SEGIP FY 2020 FINANCIAL STATEMENTS
AS REPORTED TO THE LEGISLATURE**

Medical IBNR	75,424,000
Dental IBNR	1,936,000
Subtotal - Medical & Dental	<u>77,360,000</u>
Reserve for MML	1,821,000
Total Claims Payable	<u>79,181,000</u>

COMPONENTS OF THE HEALTH & DENTAL PLAN RESERVE ANALYSIS, AS OF JUNE 30, 2020

	Health Plans (Page 2)	Dental Plan (Page 3)	Total
Reserve for unpaid retention costs	4,653,500	635,000	5,288,500
Reserve for unpaid claims	75,424,000	1,936,000	77,360,000
Reserve for claim fluctuations			
Reserve margin	232,675,000	3,810,000	236,485,000
PSR	46,535,000	1,587,500	48,122,500
Overlapping of fiscal years	27,921,000	952,500	28,873,500
Total Required Reserves	<u>387,208,500</u>	<u>8,921,000</u>	<u>396,129,500</u>

SUMMARY OF MEDICAL & DENTAL PLAN RESERVES

	Reported in Financial Statements	Reported in Reserve Calculation	Difference
Reserve for unpaid retention costs	-	5,288,500	(5,288,500)
Reserve for unpaid claims	77,360,000	77,360,000	-
Reserve for claim fluctuations			
Reserve margin	-	236,485,000	(236,485,000)
PSR	-	48,122,500	(48,122,500)
Overlapping of fiscal years	-	28,873,500	(28,873,500)
Total	<u>77,360,000</u>	<u>396,129,500</u>	<u>(318,769,500)</u>
Per Page 1 - Reserve for claims - End of Year			<u>340,574,049</u>

SELF-FUNDING EMPLOYEE GROUP INSURANCE PROGRAM
IBNR for Health and Dental Plans
As of June 30, 2020
 (file-SEGP20 Sheet 19)

Self Funded Medical Plans

		IBNR Medical Claims	IBNR Pharmacy Claims	Total IBNR
Blue Cross	Pg. 6	36,029,000	Pg. 9	4,162,000
Health Partners	Pg. 7	19,238,000	Pg. 9	3,260,000
Preferred One	Pg. 8	<u>11,495,000</u>	Pg. 9	<u>12,735,000</u>
		<u>66,762,000</u>		<u>8,662,000</u>
Total Medical Plans				<u>75,424,000</u>

Self Funded Dental Plans

Delta Dental	Pg. 10	1,444,000		1,444,000
Health Partner Dental	Pg. 11	<u>492,000</u>		<u>492,000</u>
Total Dental Plans		<u>1,936,000</u>		<u>1,936,000</u>

Mn Life (Page 12)	<u>1,821,000</u>
Total IBNR	<u>79,181,000</u>

State of MN Actives - Total

Reserve Key: 10110
202007

Incurred Month	12 mo. C.F. C.F.	Paid Claims	Ultimate Liability	Required Reserves	Participants	Cost per Participant	Cumulative Reserves	Claims Paid Over Limit
201708	1.0000	\$ 35,021,330	\$ 35,021,330	\$ -	70,744	\$495.04	\$ -	\$ -
201709	1.0000	\$ 29,198,256	\$ 29,198,256	\$ -	70,718	\$412.88	\$ -	\$ -
201710	1.0000	\$ 32,528,384	\$ 32,528,384	\$ -	71,231	\$456.66	\$ -	\$ -
201711	1.0000	\$ 35,236,417	\$ 35,236,417	\$ -	71,310	\$494.13	\$ -	\$ -
201712	1.0000	\$ 36,467,765	\$ 36,467,765	\$ -	71,292	\$511.53	\$ -	\$ -
201801	1.0000	\$ 28,876,154	\$ 28,879,641	\$ 3,487	68,360	\$422.46	\$ -	\$ -
201802	1.0000	\$ 28,999,566	\$ 29,000,754	\$ 1,188	68,357	\$424.25	\$ -	\$ -
201803	1.0000	\$ 30,855,907	\$ 30,859,992	\$ 4,085	68,391	\$451.23	\$ -	\$ -
201804	1.0000	\$ 32,043,303	\$ 32,042,150	\$ (1,153)	68,418	\$468.33	\$ -	\$ -
201805	1.0000	\$ 34,070,607	\$ 34,071,133	\$ 526	68,411	\$498.04	\$ -	\$ -
201806	1.0000	\$ 31,189,818	\$ 31,193,842	\$ 4,024	68,282	\$456.84	\$ -	\$ -
201807	1.0000	\$ 32,393,796	\$ 32,394,930	\$ 1,135	68,248	\$474.66	\$ -	\$ -
201808	0.9999	\$ 34,704,584	\$ 34,715,354	\$ 10,770	68,289	\$508.36	\$ 4,786	\$ -
201809	0.9999	\$ 28,814,867	\$ 28,818,565	\$ 3,698	68,081	\$423.30	\$ 8,391	\$ -
201810	0.9998	\$ 35,608,036	\$ 35,618,307	\$ 10,271	68,535	\$519.71	\$ 14,491	\$ -
201811	0.9998	\$ 33,079,598	\$ 32,990,410	\$ (89,188)	68,441	\$482.03	\$ 19,998	\$ -
201812	0.9996	\$ 34,050,097	\$ 34,067,566	\$ 17,469	68,443	\$497.75	\$ 34,487	\$ -
201901	0.9996	\$ 32,498,448	\$ 32,512,753	\$ 14,306	66,330	\$490.17	\$ 48,812	\$ -
201902	0.9994	\$ 28,583,495	\$ 28,598,174	\$ 14,678	66,247	\$431.69	\$ 66,368	\$ -
201903	0.9991	\$ 31,315,124	\$ 31,343,135	\$ 28,011	66,255	\$473.07	\$ 93,835	\$ -
201904	0.9988	\$ 32,819,882	\$ 32,922,453	\$ 102,571	66,211	\$497.24	\$ 134,225	\$ -
201905	0.9983	\$ 32,445,459	\$ 32,543,299	\$ 97,840	66,146	\$491.99	\$ 189,832	\$ -
201906	0.9979	\$ 29,441,130	\$ 29,507,598	\$ 66,469	65,953	\$447.40	\$ 252,443	\$ -
201907	0.9980	\$ 36,082,039	\$ 36,164,366	\$ 82,327	65,891	\$548.85	\$ 323,078	\$ -
201908	0.9977	\$ 32,654,649	\$ 32,731,298	\$ 76,649	65,932	\$496.44	\$ 397,233	\$ -
201909	0.9973	\$ 32,092,444	\$ 32,187,815	\$ 95,370	65,695	\$489.96	\$ 482,870	\$ -
201910	0.9965	\$ 34,302,846	\$ 34,449,237	\$ 146,391	66,026	\$521.75	\$ 604,773	\$ -
201911	0.9956	\$ 33,641,210	\$ 33,829,681	\$ 188,471	65,959	\$512.89	\$ 754,454	\$ -
201912	0.9940	\$ 37,215,075	\$ 37,707,489	\$ 492,414	65,901	\$572.18	\$ 981,410	\$ -
202001	0.9917	\$ 27,500,494	\$ 27,830,862	\$ 330,368	61,294	\$454.06	\$ 1,212,918	\$ -
202002	0.9877	\$ 28,333,382	\$ 28,897,374	\$ 563,992	61,214	\$472.07	\$ 1,569,247	\$ -
202003	0.9784	\$ 26,198,398	\$ 27,001,336	\$ 802,939	61,266	\$440.72	\$ 2,152,063	\$ -
202004	0.9636	\$ 15,032,837	\$ 16,378,593	\$ 1,345,756	61,692	\$265.49	\$ 2,747,459	\$ -
202005	0.9361	\$ 15,267,346	\$ 20,235,298	\$ 4,967,952	61,674	\$328.10	\$ 4,040,750	\$ -
202006	0.8452	\$ 8,545,919	\$ 26,493,048	\$ 17,947,129	61,511	\$430.70	\$ 8,142,074	\$ -
202007	0.3940	\$ 11,134,560	\$ 33,730,210	\$ 22,595,650	61,456	\$548.85	\$ 30,737,724	\$ -

Total \$ 1,097,431,090 \$ 1,128,168,814 \$ 30,737,724 \$ -

Total thru June \$ 1,067,108,661 \$ 1,094,438,604 \$ 27,329,943

Plan Yr					<u>Rounded Amt</u>	<u>Unpaid Aligned Incentive Provider Settlements</u>	
2017		\$ 168,452,152	\$ 168,452,152	\$ -		0	\$0
2018		\$ 384,686,332	\$ 384,652,643	\$ (33,688)	(34,000)	3,300,000	\$3,266,000
2019	12 Mths	\$ 393,091,801	\$ 394,497,297	\$ 1,405,496	1,405,000	3,900,000	\$5,305,000
20	6 Mths	\$ 120,878,376	\$ 146,836,512	\$ 25,958,135	25,958,000	1,500,000	\$27,458,000
		<u>\$ 1,067,108,661</u>	<u>\$ 1,094,438,604</u>	<u>\$ 27,329,943</u>	<u>\$ 27,329,000</u>	<u>\$ 8,700,000</u>	<u>\$ 36,029,000</u>

J.E. 9B

Carrier HealthPartners

**IBNR Estimate one month runout
2nd Quarter ending 06/30/20**

Part One - To be provided by 08/21/20

<u>Service Dates</u>	<u>Paid Claims</u> from No run out	<u>Est. of Ultimate Liability</u> 30-day Run out	<u>IBNR Estimate</u>
Prior to July of 2019	\$224,982,702	\$225,013,615	\$30,913
Jul-19	\$20,571,355	\$20,988,070	\$416,715
Aug-19	\$19,141,191	\$19,177,518	\$36,327
Sep-19	\$18,760,203	\$18,804,560	\$44,357
Oct-19	\$23,270,515	\$23,685,244	\$414,729
Nov-19	\$20,011,959	\$20,077,509	\$65,550
Dec-19	\$20,718,997	\$20,950,041	\$231,044
Jan-20	\$21,397,315	\$21,738,661	\$341,346
Feb-20	\$19,927,827	\$20,132,615	\$204,788
Mar-20	\$17,452,346	\$17,926,475	\$474,129
Apr-20	\$10,176,223	\$10,782,664	\$606,441
May-20	\$12,355,354	\$15,723,524	\$3,368,170
Jun-20	\$6,372,729	\$19,376,042	\$13,003,313
Subtotal - Jul 2019 to Jun 2020	<u>\$210,156,014</u>	<u>\$229,362,924</u>	<u>\$19,206,910</u>
Total	<u>\$435,138,716</u>	<u>\$454,376,539</u>	<u>\$19,237,823</u>

				IBNR Rounded
2019	\$347,456,922	\$348,696,558	\$1,239,636	\$1,240,000
2020	\$87,681,794	\$105,679,981	\$17,998,187	\$17,998,000
	<u>\$435,138,716</u>	<u>\$454,376,539</u>	<u>\$19,237,823</u>	<u>\$19,238,000</u>

Preferred One

IBNR Worksheet - Including Pharmacy

12 Months Ending 12/31/19 - Run Out thru 06/30/20

	<u>6/30/2020</u> Total Paid <u>Claims</u>	<u>6/30/2020</u> Total Paid <u>RX Claims</u>	<u>6/30/2020</u> Total Paid <u>Medical Claims</u>	<u>6/30/2020</u> Total Projected <u>Claims</u>	<u>6/30/2020</u> Total Projected <u>Medical Claims</u>	<u>IBNR</u>
January - 19	10,986,963	2,216,088	8,770,875	10,986,963	8,770,875	0
February	10,940,376	2,160,057	8,780,319	10,940,376	8,780,319	0
March	11,358,942	2,270,209	9,088,733	11,358,942	9,088,733	0
April	12,045,159	2,305,860	9,739,299	12,045,159	9,739,299	0
May	11,515,015	2,217,213	9,297,802	11,515,015	9,297,802	0
June	10,144,018	2,189,956	7,954,062	10,160,757	7,970,801	16,739
July	11,297,441	2,353,433	8,944,008	11,321,656	8,968,223	24,215
August	11,813,680	2,227,500	9,586,180	11,851,213	9,623,713	37,533
September	10,936,869	2,283,539	8,653,330	10,982,976	8,699,437	46,107
October	12,781,774	2,553,295	10,228,479	12,866,341	10,313,046	84,567
Nov	11,228,592	2,188,733	9,039,859	11,329,137	9,140,404	100,545
December	12,943,698	2,587,404	10,356,294	13,104,611	10,517,207	160,913
	<u>137,992,527</u>	<u>27,553,287</u>	<u>110,439,240</u>	<u>138,463,146</u>	<u>110,909,859</u>	<u>470,619</u>
			2019	Rounded IBNR		<u><u>471,000</u></u>

Preferred One

IBNR Worksheet - Including Pharmacy

6 Months Ending 06/30/20 - 30-day Run Out

	<u>As of 06/30/20</u> Total Paid <u>Claims</u>	<u>As of 06/30/20</u> Total Paid <u>RX Claims</u>	<u>As of 06/30/20</u> Total Paid <u>Medical Claims</u>	<u>30 Day Run Out</u> <u>7/31/2020</u> Total Projected <u>Claims</u>	<u>30 Day Run Out</u> <u>7/31/2020</u> Total Projected <u>Medical Claims</u>	<u>IBNR</u>
January - 20	9,856,592	2,385,942	7,470,650	9,986,390	7,600,448	129,798
February	9,024,091	2,205,558	6,818,533	9,386,761	7,181,203	362,670
March	8,927,961	2,597,977	6,329,984	9,284,716	6,686,739	356,755
April	6,423,632	2,303,703	4,119,929	7,316,417	5,012,714	892,785
May	6,644,256	2,287,571	4,356,685	8,453,680	6,166,109	1,809,424
June	3,021,444	2,423,041	598,403	10,493,585	8,070,544	7,472,141
July			0		0	0
August			0		0	0
September			0		0	0
October			0		0	0
Nov			0		0	0
December			0		0	0
	<u>43,897,976</u>	<u>14,203,792</u>	<u>29,694,184</u>	<u>54,921,549</u>	<u>40,717,757</u>	<u>11,023,573</u>
			2020	Rounded IBNR		<u><u>11,024,000</u></u>

EFT

VENDOR: **CVS Pharmacy Claims**
Vendor # 0000264461-005-5
1 CVS Drive
Woonsocket, RI 02895-0988

ACCT # Pharmacy Claims Account

TOTAL AMOUNT OF EFT: \$8,780,229.65

INVOICE NUMBER: 52857457

SERVICE DATES: 06/16/2020 - 06/30/2020

PAYMENT VOUCHER #: G1001 -

INVOICE REC'D DATE: 07/01/2020

CUSTOMER NUMBER: ASEGIP

2020 BCBS Claims -- 412004 4,161,911.65
Fund: 5600 FinDeptID: G1036620 Appr: G100048

Rounded
4,162,000

2020 BCBS Admin Fees -- 411327 59,969.80
Fund: 5600 FinDeptID: G1036620 Appr: G100048

2020 HP Claims -- 412004 3,260,436.16
Fund: 5600 FinDeptID: G1036620 Appr: G100047

3,260,000

2020 HP Admin Fees -- 411327 44,472.40
Fund: 5600 FinDeptID: G1036620 Appr: G100047

2020 P1 Claims -- 412004 1,239,669.04
Fund: 5600 FinDeptID: G1036620 Appr: G100051

1,240,000

2020 P1 Admin Fees -- 411327 13,770.60
Fund: 5600 FinDeptID: G1036620 Appr: G100051

8,350,000

Authorized Signature & Date: _____

CALENDAR YEAR (JAN - DEC)

	Claims	Admin	DMR Clms	DMR Admin	HD Claims	HD Admin	TOTAL
BCBS	3,924,626.56	58,702.70	236,497.16	1,205.50	787.93	61.60	4,221,881.45
Health Partners	3,112,974.64	42,346.60	142,002.98	2,003.40	5,458.54	122.40	3,304,908.56
Preferred One	1,164,322.37	12,444.10	75,363.01	1,314.60	(16.34)	11.90	1,253,439.64
	<u>8,201,923.57</u>	<u>113,493.40</u>	<u>453,863.15</u>	<u>4,523.50</u>	<u>6,230.13</u>	<u>195.90</u>	<u>8,780,229.65</u>

State Of Minnesota
Group: 000216

Rounded
\$1,444,000

07/01/2019 - 06/30/2020: Estimated IBNR is \$1,444,334

MONTHLY PAID CLAIMS	INCURRED CLAIMS																								
	JUN-2020	MAY-2020	APR-2020	MAR-2020	FEB-2020	JAN-2020	DEC-2019	NOV-2019	OCT-2019	SEP-2019	AUG-2019	JUL-2019	JUN-2019	MAY-2019	APR-2019	MAR-2019	FEB-2019	JAN-2019	DEC-2018	NOV-2018	OCT-2018	SEP-2018	AUG-2018	JUL-2018	
JUL-2019	0	0	0	0	0	0	0	0	0	0	0	2,431,768	692,518	63,452	25,388	15,236	6,154	9,848	334	599	254	1,422	196	806	
AUG-2019	0	0	0	0	0	0	2,543,203	767,157	23,347	11,923	4,891	5,680	7,095	904	244	4,891	5,680	7,095	904	244	4,891	1,316	2,476	409	
SEP-2019	0	0	0	0	0	0	1,964,304	590,871	51,523	17,268	16,211	7,146	1,650	4,538	2,535	996	1,650	4,538	2,535	996	430	2,508	2,600	979	
OCT-2019	0	0	0	0	0	0	557,691	73,000	17,920	14,119	1,958	2,981	4,016	2,416	3,388	217	3,388	217	854	929	1,343	2,438	0	0	
NOV-2019	0	0	0	0	0	0	872,636	464,358	16,784	14,965	3,963	2,566	1,544	618	0	0	3,057	971	0	0	63	0	0	0	
DEC-2019	0	0	0	0	0	0	1,750,849	82,709	39,800	30,036	12,185	20,901	20,178	8,633	11,257	8,633	21,685	8,260	2,916	1,017	0	1,165	0	66	
JAN-2020	0	0	0	0	0	0	3,281,877	747,372	29,383	12,302	10,668	3,798	4,433	4,135	4,433	4,135	2,776	4,592	0	7,761	610	0	215	800	
FEB-2020	0	0	0	0	0	0	2,213,633	631,894	80,487	32,504	18,498	6,674	2,893	184	58	184	1,553	3,713	-253	-1,041	725	0	1,452	965	
MAR-2020	0	0	0	0	0	0	1,769,894	890,604	95,135	23,354	7,249	1,398	851	3,976	1,392	2,144	2,946	-151	809	4,937	2,507	2,328	987	1,246	
APR-2020	0	0	0	0	0	0	240,869	146,507	59,322	40,508	18,524	477	2,235	877	1,614	1,390	0	2,651	0	1,600	362	0	1,484	113	
MAY-2020	0	0	0	0	0	0	783,625	60,030	39,175	37,865	19,974	15,008	3,586	1,677	301	964	650	895	1,302	0	520	0	1,056	-81	
JUN-2020	2,632,130	591,002	18,116	35,657	30,488	30,488	2,632,130	591,002	18,116	35,657	30,488	2,632,130	591,002	18,116	35,657	30,488	2,632,130	591,002	18,116	35,657	30,488	2,632,130	591,002	18,116	
TOTAL	2,632,130	1,374,627	319,015	1,991,233	3,171,712	4,093,032	3,329,703	2,810,954	3,347,331	2,615,793	3,280,524	3,297,783	607,592	141,548	65,205	46,650	52,430	41,419	6,323	18,076	7,154	11,566	11,533	5,190	
59,642	2018 Claims paid Jul 2019-Jun 2020																								
18,549,543	2019 Claims paid Jul-Dec 2019																								
1,286,789	2019 Claims paid Jan-Jun 2020																								
13,481,749	2020 Claims paid Jan-Jun 2020																								
33,377,923	Total Claims paid Jul 2019-Jun 2020 (FY20)																								

Carrier HealthPartners
Dental IBNR Estimate for Fiscal Year-End
All Packages ending June 2020

<u>Service Dates</u>	<u>Paid Claims</u>	<u>Est. of Ultimate Liability</u>	<u>IBNR Estimate</u>
JUL 2019	\$1,687,409	\$1,687,409	\$0
AUG 2019	\$1,761,099	\$1,761,519	\$421
SEP 2019	\$1,497,421	\$1,498,079	\$659
OCT 2019	\$1,765,219	\$1,766,562	\$1,343
NOV 2019	\$1,568,185	\$1,569,912	\$1,727
DEC 2019	\$1,774,279	\$1,777,334	\$3,055
JAN 2020	\$2,133,755	\$2,139,593	\$5,838
FEB 2020	\$1,782,930	\$1,790,503	\$7,572
MAR 2020	\$1,060,053	\$1,067,263	\$7,209
APR 2020	\$214,756	\$217,190	\$2,434
MAY 2020	\$611,496	\$624,118	\$12,622
JUN 2020	\$1,482,727	\$1,545,832	\$63,104
Total - Jul. '19 to Jun. '20	<u>\$17,339,328</u>	<u>\$17,445,314</u>	<u>\$105,986</u>
* July 2020 run-out included in paid claims			IBNR with July
	\$386,214		\$492,200
		Rounded:	<u><u>\$492,000</u></u>

Reserve for Unpaid Retention Costs

The retention costs are paid during the month based on an estimate of enrollment in the month fees are due. No reserve at month-end is required.

Total Retention Reserve Needed June 30, 2020 0

Reserve for Unpaid Claims Costs

The reserve for unpaid claims costs is made up of the following components:

1. The unpaid claims costs are calculated using the expected death claims and AD&D claims for 2020 and the established reserve policy ratio of 1/12 of expected claims.
2. Included in the unpaid claims reserve is an amount equal to 67% of unpaid claims costs associated with the increase in the waiver of premium disability.

1. Calculation of 2020 unpaid claims reserve:	
Expected 2020 death claims per 2021 rate renewal	7,908,800
Expected 2020 AD&D claims per 2021 rate renewal	<u>392,400</u>
Total expected claims for 2020	8,301,200
Reserve policy ratio	<u>1/12</u>
Estimated unreported claims	691,767
2. Calculation of unpaid claims associated with waiver of premium disability	
Expected 2020 waiver of premium for disability per 2021 renewal	-519,700
Estimated reserve percentage	<u>67.00%</u>
Estimated unpaid claims on waiver of premium for disability claims	-348,199
Total Unpaid Claims Reserve Needed June 30, 2020	<u><u>343,568</u></u>

Reserve for Claim Fluctuations

The reserve for Claims Fluctuations for 2020 is 19% of expected premium. The 19% figure is made up of three components and is calculated as follows:

1. For 2020 contract year the funding level will be at the expected claims level plus expenses less interest credits. The expected claims level plus expenses less interest credits is the "Expected Premium".
The 2020 attachment point is 100% of expected claims plus expenses less interest credits.
The reserve margin is the 10% difference.
2. The premium stabilization reserve is 8% of expected premiums per the established reserve policy.
3. The reserve for the overlapping of fiscal years is 1% of expected premiums per the established reserve policy.

Calculation of 2020 claims fluctuation reserve:

Total Expected Premium for 2020	7,776,500
Percentage per established reserve policy	<u>19.00%</u>
Total Claims Fluctuation Reserve Needed June 30, 2020	<u><u>1,477,535</u></u>
Total June 30, 2020 Basic Life Trust Reserve	<u><u>1,821,103</u></u>

Rounded
\$1,821,000

Minnesota Management and Budget

Advantage Plan - SEGIP

Trend Projection Summary 2018-2020

All Plans Combined - Projected MMB Trends

Type	18-19 Trends		
	Cost	Util	Total
IP	4.2%	1.2%	5.4%
OP	4.7%	3.2%	8.1%
PH	3.8%	1.7%	5.6%
RX	5.4%	3.7%	9.3%
Total	4.4%	2.4%	6.9%

Type	19-20 Trends		
	Cost	Util	Total
IP	4.6%	1.0%	5.6%
OP	5.0%	2.9%	8.1%
PH	4.3%	1.7%	6.1%
RX	2.8%	5.4%	8.4%
Total	4.2%	2.6%	6.9%

Type	18-20 Trends		
	Cost	Util	Total
IP	9.0%	2.1%	11.4%
OP	10.0%	6.2%	16.9%
PH	8.3%	3.5%	12.1%
RX	8.3%	9.3%	18.5%
Total	8.8%	5.0%	14.3%



August 29, 2019

Mr. Paul E. Rudeen, FSA, MAAA
 Vice President and Actuary
 Securian Financial Group, Inc.
 400 Robert Street North
 Saint Paul, MN 55101-2098

Dear Paul:

This letter is to confirm acceptance of the life insurance and AD&D benefit programs and rates for the plan year 2020 offered by Minnesota Life Insurance Company for the State of Minnesota Employee Group Insurance Program.

Please sign a copy of this letter for verification by 3:00 p.m., September 5, 2019.

2020 Monthly Premium Rates: The following represents the final 2020 monthly premium rates:

	Plan	2020 Rates per \$1,000
2020 Monthly Premium Rates		
• Employer Paid Life	Managers	\$0.227
	Non-Managers	\$0.161
• Employer Paid AD&D	AD&D	\$0.015
• Employee Paid (Life & AD&D)	Under age 30	\$0.06
	Age 30-34	\$0.08
	Age 35-39	\$0.09
	Age 40-44	\$0.11
	Age 45-49	\$0.19
	Age 50-54	\$0.35
	Age 55-59	\$0.55
	Age 60-64	\$0.90
	Age 65-69	\$1.45
	Age 70-74	\$2.35
	Age 75-79	\$3.80
	Age 80-84	\$6.15
	Age 85-89	\$12.30
	Age 90	\$17.10
	Age 91	\$18.81
	Age 92	\$20.69
	Age 93	\$22.76
	Age 94	\$25.04

m MANAGEMENT AND BUDGET

July 24, 2019

Ms. Tamara Edwards
Client Relationship Manager
The Hartford Financial Group
200 Colonial Center Parkway, 4th Floor
Lake Mary, FL 32746

Dear Tamara:

This letter is to confirm acceptance of the Short-Term and Long-Term Disability benefit programs and rates for the plan year 2020 offered by The Hartford for the State of Minnesota Employee Group Insurance Program.

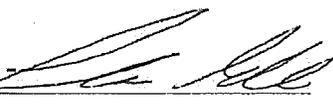
Please sign a copy of this letter for verification by 3:00 p.m. Thursday, July 25, 2019.

2020 Monthly Premium Rates: The following represents the final 2020 monthly premium rates:

Plan	2020 Rates
2020 Monthly Premium Rates	
• Managers Income Protection Plan	30 day E.P. \$0.32
	60 day E.P. \$0.29
	90 day E.P. \$0.26
	120 day E.P. \$0.24
	150 day E.P. \$0.22
• Short Term Disability (STD)	\$1.70
• Long Term Disability (LTD)	\$0.54

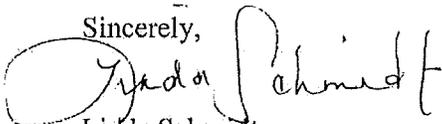
Plan Design Changes

No plan design changes were accepted for the 2020 plan year.

Authorized Signature 

Date July 30, 2019

Sincerely,



Lirida Schmidt
Manager, Contracts & Networks
State Employee Group Insurance Program
(651) 259-3785

m MANAGEMENT AND BUDGET

August 26, 2019

Ms. Amy Mahan
Director, Special Government Accounts
HealthPartners
8170 - 33rd Avenue South
Minneapolis, MN 55440-1309

Dear Amy:

This letter is to confirm the dental rates for plan year 2020 offered by HealthPartners for the State of Minnesota Employee Group Insurance Program.

Please sign a copy of this letter for verification by 3:00 p.m. Tuesday, August 27, 2019.

2020 Monthly Premium Rates

The following represents the final 2020 monthly premium rates:

Employee	Dependent	Family
\$40.74	\$79.80	\$120.54

- Final 2020 Monthly Premium Rates
- Final 2020 Monthly Administrative Fee
\$3.10 Per Employee Per Month
- 2020 RTU Risk Cap \$41.94 pmpm

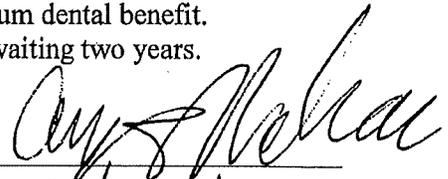
2020 Plan Design Changes

Lifetime maximum orthodontia increased from \$2,400 to \$3,000.

Preventive dental services won't apply to a person's \$2,000 annual maximum dental benefit.

Coverage for repairs on a tooth that has been previously repaired without waiting two years.

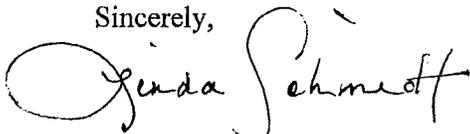
Authorized Signature



Date

8/26/19

Sincerely,



Linda Schmidt
Manager, Contracts & Networks,
State Employee Group Insurance Program
Phone (651) 259-3785

m MANAGEMENT AND BUDGET

August 26, 2019

Mr. Mark J. Keller
Senior Account Manager
Delta Dental Plan of Minnesota
500 Washington Avenue South, Suite 2060
Minneapolis, MN 55415

Dear Mark:

This letter is to confirm the dental rates for plan year 2020 for the State Dental Plan administered by Delta Dental Plan of Minnesota.

Please sign and return a copy of this letter for verification by 3:00 p.m. Tuesday, August 27, 2019.

2020 Monthly Premium Rates

The following represents the final 2020 monthly premium rates and administrative fees:

	Employee	Dependent	Family
• Final 2020 Monthly Premium Rates	\$40.74	\$79.80	\$120.54
• Final 2020 Monthly Administrative Fees	\$2.48		\$6.89
\$2.20 pmpm (conversion factors: 1.1259/3.1314 Single/Family)			

2020 Plan Design Changes

Lifetime maximum orthodontia increased from \$2,400 to \$3,000.

Preventive dental services won't apply to a person's \$2,000 annual maximum dental benefit.

Coverage for repairs on a tooth that has been previously repaired without waiting two years.

2020 claim target for the State Dental Plan

\$36.49 pmpm

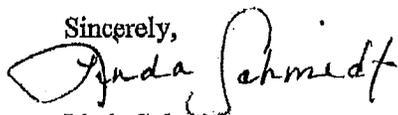
Authorized Signature



Date

9/4/19

Sincerely,



Linda Schmidt
Manager, Contracts & Networks
State Employee Group Insurance Program
(651) 259-3785

Minnesota Management and Budget

Advantage Plan - SEGIP

Trend Projection Summary 2018-2020

All Plans Combined - Projected MMB Trends*

Type	16-17 Trends		
	Cost	Util	Total
IP	6.1%	0.6%	6.7%
OP	4.7%	2.2%	7.0%
PH	3.5%	1.5%	5.1%
RX	5.3%	1.7%	7.2%
Total	6.2%	0.0%	6.2%

Type	17-18 Trends		
	Cost	Util	Total
IP	4.4%	0.5%	4.9%
OP	4.2%	1.8%	6.1%
PH	3.4%	1.1%	4.5%
RX	0.9%	1.7%	2.6%
Total	3.3%	1.3%	4.6%

Type	16-18 Trends		
	Cost	Util	Total
IP	10.7%	1.1%	11.9%
OP	9.1%	4.1%	13.5%
PH	7.0%	2.7%	9.8%
RX	6.2%	3.4%	10.0%
Total	9.7%	1.3%	11.1%

2018 ClaimType Distr		
Type	Total Allowed	%
IP	\$ 150,024,241.43	16.2%
OP	\$ 220,767,042.82	23.9%
PH	\$ 378,274,021.23	40.9%
RX	\$ 175,499,017.14	19.0%
Total	\$ 924,564,322.61	100.0%

All Plans Combined - Actual MMB Trends

Type	16-17 Trends		
	Cost	Util	Total
IP	3.7%	2.0%	5.8%
OP	2.2%	-0.4%	1.7%
PH	1.1%	2.9%	4.0%
RX	7.6%	-1.1%	6.4%
Total	3.1%	1.0%	4.0%

Type	17-18 Trends		
	Cost	Util	Total
IP	6.1%	-8.7%	-3.2%
OP	2.7%	7.1%	10.1%
PH	11.0%	-3.6%	7.0%
RX	8.7%	-4.2%	4.1%
Total	6.8%	-1.1%	5.6%

Type	16-18 Trends		
	Cost	Util	Total
IP	10.0%	-6.9%	2.4%
OP	5.0%	6.7%	12.0%
PH	12.2%	-0.9%	11.3%
RX	16.9%	-5.2%	10.8%
Total	10.0%	-0.2%	9.9%

SEGIP
Historical -
Actual vs
Projection

All Plans Combined - Projected Medical MMB Trends

Type	18-19 Trends		
	Cost	Util	Total
IP	4.2%	1.2%	5.4%
OP	4.7%	3.2%	8.1%
PH	3.8%	1.7%	5.6%
Total	4.2%	2.1%	6.3%

Type	19-20 Trends		
	Cost	Util	Total
IP	4.6%	1.0%	5.6%
OP	5.0%	2.9%	8.1%
PH	4.3%	1.7%	6.1%
Total	4.6%	1.9%	6.6%

Type	18-20 Trends		
	Cost	Util	Total
IP	9.0%	2.1%	11.4%
OP	10.0%	6.2%	16.9%
PH	8.3%	3.5%	12.1%
Total	8.9%	4.0%	13.3%

Medical Only

All Plans Combined - Corporate Trends

Type	18-19 Trends		
	Cost	Util	Total
IP	4.2%	0.5%	4.8%
OP	5.1%	1.7%	6.9%
PH	4.4%	1.4%	5.8%
Total	4.6%	1.3%	5.9%

Type	19-20 Trends		
	Cost	Util	Total
IP	4.1%	0.6%	4.7%
OP	5.0%	1.7%	6.7%
PH	4.5%	1.4%	5.9%
Total	4.5%	1.3%	5.9%

Type	18-20 Trends		
	Cost	Util	Total
IP	8.5%	1.1%	9.7%
OP	10.4%	3.4%	14.1%
PH	9.1%	2.7%	12.0%
Total	9.3%	2.5%	12.1%

Corporate
Trends

BlueCross BlueShield - Projected MMB Trends

Type	18-19 Trends		
	Cost	Util	Total
IP	5.3%	-0.5%	4.8%
OP	6.3%	2.5%	8.9%
PH	4.7%	1.0%	5.8%
Medical	5.3%	1.1%	6.5%

Type	19-20 Trends		
	Cost	Util	Total*
IP	5.9%	-0.5%	5.4%
OP	6.7%	2.5%	9.3%
PH	5.4%	1.0%	6.5%
Medical	5.9%	1.1%	7.1%

Type	18-20 Trends		
	Cost	Util	Total
IP	11.5%	-1.0%	10.4%
OP	13.4%	5.1%	19.1%
PH	10.4%	2.0%	12.6%
Medical	11.5%	2.3%	14.1%

HealthPartners - Projected MMB Trends

Type	18-19 Trends		
	Cost	Util	Total
IP	2.5%	2.4%	5.0%
OP	2.4%	3.0%	5.5%
PH	2.4%	3.1%	5.5%
Medical	2.4%	2.9%	5.4%

Type	19-20 Trends		
	Cost	Util	Total
IP	2.6%	2.4%	5.1%
OP	2.5%	3.0%	5.6%
PH	2.5%	3.1%	5.6%
Medical	2.5%	2.9%	5.5%

Type	18-20 Trends		
	Cost	Util	Total
IP	5.2%	4.9%	10.3%
OP	5.0%	6.1%	11.4%
PH	5.0%	6.2%	11.5%
Medical	5.0%	5.9%	11.2%

Trends Split
by Carrier

PreferredOne - Projected MMB Trends

Type	18-19 Trends		
	Cost	Util	Total
IP	3.5%	4.9%	8.6%
OP	3.7%	6.4%	10.4%
PH	3.3%	1.9%	5.2%
Medical	3.5%	4.1%	7.7%

Type	19-20 Trends		
	Cost	Util	Total
IP	3.9%	3.5%	7.5%
OP	4.0%	4.3%	8.5%
PH	3.9%	1.6%	5.6%
Medical	3.9%	2.9%	7.0%

Type	18-20 Trends		
	Cost	Util	Total
IP	7.6%	8.6%	16.8%
OP	7.9%	11.0%	19.7%
PH	7.3%	3.5%	11.1%
Medical	7.6%	7.1%	15.2%

CVS - Projected MMB Trends **

Type	18-19 Trends		
	Cost	Util	Total
Rx	5.4%	3.7%	9.3%

Type	19-20 Trends		
	Cost	Util	Total
Rx	2.8%	5.4%	8.4%

Type	18-20 Trends		
	Cost	Util	Total
Rx	8.3%	9.3%	18.5%

All Plans Combined - Projected MMB Trends

Type	18-19 Trends		
	Cost	Util	Total
IP	4.2%	1.2%	5.4%
OP	4.7%	3.2%	8.1%
PH	3.8%	1.7%	5.6%
RX	5.4%	3.7%	9.3%
Total	4.4%	2.4%	6.9%

Type	19-20 Trends		
	Cost	Util	Total
IP	4.6%	1.0%	5.6%
OP	5.0%	2.9%	8.1%
PH	4.3%	1.7%	6.1%
RX	2.8%	5.4%	8.4%
Total	4.2%	2.6%	6.9%

Type	18-20 Trends		
	Cost	Util	Total
IP	9.0%	2.1%	11.4%
OP	10.0%	6.2%	16.9%
PH	8.3%	3.5%	12.1%
RX	8.3%	9.3%	18.5%
Total	8.8%	5.0%	14.9%

Total Trend

* 16-17 Trends from 2017 health plan renewals; 17-18 Trends from 2018 health plan renewals

Agcy CD	AGENCY	FY20 ANNUAL	%
B7P	ACCOUNTANCY BOARD	68,995.28	0.01%
G02	ADMINISTRATION DEPT	8,154,966.20	0.87%
G9K	ADMINISTRATIVE HEARINGS	1,008,384.67	0.11%
B04	AGRICULTURE DEPT	8,125,858.59	0.87%
B9D	AMATEUR SPORTS COMM	49,603.80	0.01%
B14	ANIMAL HEALTH BOARD	778,105.65	0.08%
B7E	ARCHITECTURE, ENGINEERING BD	94,417.74	0.01%
E50	ARTS BOARD	259,867.31	0.03%
G9N	ASIAN PACIFIC COUNCIL	39,804.50	0.00%
G06	ATTORNEY GENERAL	5,121,228.97	0.55%
B15	BARBER EXAMINERS	55,757.28	0.01%
B11	BARBERS BOARD	355,436.03	0.04%
H7X	BEHAVIORAL HEALTH & THERAPY BD	97,007.24	0.01%
G9L	BLACK MINNESOTANS COUNCIL	59,961.60	0.01%
B7G	BOXING BOARD	-	0.00%
G9J	CAMPAIGN FINANCE BOARD	163,768.24	0.02%
G9X	CAPITOL AREA ARCHITECT	31,929.96	0.00%
E25	CENTER FOR ARTS EDUCATION	886,788.93	0.09%
G9M	CHICANO LATINO AFFAIRS COUNCIL	36,134.28	0.00%
H7H	CHIROPRACTIC EXAMINERS BOARD	51,989.20	0.01%
B13	COMMERCE DEPT	5,573,991.35	0.60%
P78	CORRECTIONS DEPT	87,143,611.45	9.31%
J58	COURT OF APPEALS	1,339,140.28	0.14%
H7F	DENTISTRY BOARD	151,547.16	0.02%
G9Y	DISABILITY COUNCIL	64,658.16	0.01%
B21	ECONOMIC SECURITY DEPT	-	0.00%
E37	EDUCATION DEPT	6,544,916.42	0.70%
H7S	EMERGENCY MEDICAL SERVICES BD	107,477.27	0.01%
G24	EMPLOYEE RELATIONS DEPT	-	0.00%
B22	EMPLOYMENT & ECONOMIC DEVELPMT	21,394,782.15	2.29%
B20	EXPLORE MINNESOTA TOURISM	685,705.57	0.07%
E44	FARIBAULT ACADEMIES	3,011,688.05	0.32%
G10	MINN MANAGEMENT & BUDGET	4,192,343.97	0.45%
G09	GAMBLING CONTROL BOARD	459,258.10	0.05%
G39	GOVERNORS OFFICE	651,279.53	0.07%
H12	HEALTH DEPT	24,149,844.19	2.58%
E9W	HIGHER ED FACILITIES AUTHORITY	41,535.18	0.00%
B34	HOUSING FINANCE AGENCY	4,323,646.00	0.46%
G17	HUMAN RIGHTS DEPT	700,022.73	0.07%
H55	HUMAN SERVICES DEPT	123,099,161.60	13.15%
G19	INDIAN AFFAIRS COUNCIL	72,363.48	0.01%
G38	INVESTMENT BOARD	475,981.35	0.05%
B43	IRON RANGE RESOURCES & REHAB	1,001,833.35	0.11%
J70	JUDICIAL STANDARDS BOARD	55,757.28	0.01%
B42	LABOR AND INDUSTRY DEPT	7,100,762.07	0.76%
L49	LEGISLATIVE AUDITOR	961,917.17	0.10%
L10	LEGISLATIVE COORD COMMITTEE	1,476,195.72	0.16%
G03	LOTTERY	2,388,140.17	0.26%
H7M	MARRIAGE & FAMILY THERAPY BD	54,157.44	0.01%
G45	MEDIATION SERVICES DEPT	112,949.43	0.01%
H7B	MEDICAL PRACTICE BOARD	402,129.47	0.04%
P01	MILITARY AFFAIRS DEPT	6,320,108.05	0.68%
G62	MINN STATE RETIREMENT SYSTEM	2,274,249.50	0.24%
E26	MN STATE COLLEGES/UNIVERSITIES	209,292,449.54	22.35%
R29	NATURAL RESOURCES DEPT	42,030,658.44	4.49%
H7C	NURSING BOARD	434,414.16	0.05%
H7K	NURSING HOME ADMIN BOARD	107,193.42	0.01%
G46	OFFICE OF ENTERPRISE TECHNOLOGY	41,442,398.44	4.43%
E60	OFFICE OF HIGHER EDUCATION	1,047,320.92	0.11%
H9G	OMBUDSMAN MH/MR	288,753.24	0.03%
G92	OMBUDSPERSON FOR FAMILIES	58,215.36	0.01%
H7J	OPTOMETRY BOARD	23,827.32	0.00%
P77	PEACE OFFICERS BOARD (POST)	157,249.18	0.02%
H7D	PHARMACY BOARD	418,785.49	0.04%
H7W	PHYSICAL THERAPY BOARD	31,929.96	0.00%
H7Q	PODIATRY BOARD	-	0.00%
R32	POLLUTION CONTROL AGENCY	14,067,069.84	1.50%
B7S	PRIVATE DETECTIVES BOARD	29,769.99	0.00%
H7V	PSYCHOLOGY BOARD	110,215.12	0.01%
J52	PUBLIC DEFENSE BOARD	12,538,530.18	1.34%
G63	PUBLIC EMPLOYEES RETIRE ASSOC	1,594,067.65	0.17%

Agcy CD	AGENCY	FY20 ANNUAL	%
B24	PUBLIC FACILITIES	229,943.63	0.02%
P07	PUBLIC SAFETY DEPT	39,998,671.81	4.27%
B82	PUBLIC UTILITIES COMM	905,971.96	0.10%
G05	RACING COMMISSION	189,818.48	0.02%
G67	REVENUE DEPT	23,292,052.51	2.49%
G53	SECRETARY OF STATE	1,323,206.37	0.14%
P9E	SENTENCING GUIDELINES COMM	95,789.88	0.01%
H7L	SOCIAL WORK BOARD	180,907.99	0.02%
G61	STATE AUDITOR	1,328,400.77	0.14%
J65	SUPREME COURT	6,991,693.50	0.75%
J68	TAX COURT	113,465.40	0.01%
G69	TEACHERS RETIREMENT ASSOC	1,463,159.53	0.16%
T79	TRANSPORTATION DEPT	86,520,323.82	9.24%
J33	TRIAL COURTS	40,516,850.52	4.33%
H75	VETERANS AFFAIRS DEPT	20,456,866.45	2.19%
H76	VETERANS HOME BOARD	974.41	0.00%
H7R	VETERINARY MEDICINE BOARD	31,929.96	0.00%
R9P	WATER & SOIL RESOURCES BOARD	2,129,774.36	0.23%
B41	WORKERS COMP COURT OF APPEALS	267,852.40	0.03%
E77	ZOOLOGICAL BOARD	3,195,952.83	0.34%
TOTALS		884,677,613.94	94.49%

IBU	25,125,994.13	2.68%
DIRECT PAY	26,433,368.24	2.82%

936,236,976.31 100%

Medical Premiums per SWIFT-Hard Close - Fiscal '20 945,167,582.46

Variance - Reflects Employee Payments - COBRA and Early Retirees with Incentive	8,930,606.15
---	--------------

Variance as % of Total Premiums 0.94%

Above amounts reflect Medical Premiums paid by Agencies and Employees. (Includes Benefit Billing amounts - for Agency Only, employees on Leaves)
 IBU amounts reflect Employer and Employee Medical Premiums (Estimated at 90% of the total IBU billed premiums per SWIFT)
 Direct Pay - per SWIFT. (100% of Premium paid by Former Employees)

Minnesota Management and Budget

Advantage Plan - SEGIP

Trend Projection Summary 2018-2020

All Plans Combined - Projected MMB Trends*

Type	16-17 Trends		
	Cost	Util	Total
IP	6.1%	0.6%	6.7%
OP	4.7%	2.2%	7.0%
PH	3.5%	1.5%	5.1%
RX	5.3%	1.7%	7.2%
Total	6.2%	0.0%	6.2%

Type	17-18 Trends		
	Cost	Util	Total
IP	4.4%	0.5%	4.9%
OP	4.2%	1.8%	6.1%
PH	3.4%	1.1%	4.5%
RX	0.9%	1.7%	2.6%
Total	3.3%	1.3%	4.6%

Type	16-18 Trends		
	Cost	Util	Total
IP	10.7%	1.1%	11.9%
OP	9.1%	4.1%	13.5%
PH	7.0%	2.7%	9.8%
RX	6.2%	3.4%	10.0%
Total	9.7%	1.3%	11.1%

SEGIP
Historical -
Actual vs
Projection

2018 ClaimType Distr		
Type	Total Allowed	%
IP	\$ 150,024,241.43	16.2%
OP	\$ 220,767,042.82	23.9%
PH	\$ 378,274,021.23	40.9%
RX	\$ 175,499,017.14	19.0%
Total	\$ 924,564,322.61	100.0%

All Plans Combined - Actual MMB Trends

Type	16-17 Trends		
	Cost	Util	Total
IP	3.7%	2.0%	5.8%
OP	2.2%	-0.4%	1.7%
PH	1.1%	2.9%	4.0%
RX	7.6%	-1.1%	6.4%
Total	3.1%	1.0%	4.0%

Type	17-18 Trends		
	Cost	Util	Total
IP	6.1%	-8.7%	-3.2%
OP	2.7%	7.1%	10.1%
PH	11.0%	-3.6%	7.0%
RX	8.7%	-4.2%	4.1%
Total	6.8%	-1.1%	5.6%

Type	16-18 Trends		
	Cost	Util	Total
IP	10.0%	-6.9%	2.4%
OP	5.0%	6.7%	12.0%
PH	12.2%	-0.9%	11.3%
RX	16.9%	-5.2%	10.8%
Total	10.0%	-0.2%	9.9%

All Plans Combined - Projected Medical MMB Trends

Type	18-19 Trends		
	Cost	Util	Total
IP	4.2%	1.2%	5.4%
OP	4.7%	3.2%	8.1%
PH	3.8%	1.7%	5.6%
Total	4.2%	2.1%	6.3%

Type	19-20 Trends		
	Cost	Util	Total
IP	4.6%	1.0%	5.6%
OP	5.0%	2.9%	8.1%
PH	4.3%	1.7%	6.1%
Total	4.6%	1.9%	6.6%

Type	18-20 Trends		
	Cost	Util	Total
IP	9.0%	2.1%	11.4%
OP	10.0%	6.2%	16.9%
PH	8.3%	3.5%	12.1%
Total	8.9%	4.0%	13.3%

Medical Only

All Plans Combined - Corporate Trends

Type	18-19 Trends		
	Cost	Util	Total
IP	4.2%	0.5%	4.8%
OP	5.1%	1.7%	6.9%
PH	4.4%	1.4%	5.8%
Total	4.6%	1.3%	5.9%

Type	19-20 Trends		
	Cost	Util	Total
IP	4.1%	0.6%	4.7%
OP	5.0%	1.7%	6.7%
PH	4.5%	1.4%	5.9%
Total	4.5%	1.3%	5.9%

Type	18-20 Trends		
	Cost	Util	Total
IP	8.5%	1.1%	9.7%
OP	10.4%	3.4%	14.1%
PH	9.1%	2.7%	12.0%
Total	9.3%	2.5%	12.1%

Corporate
Trends

BlueCross BlueShield - Projected MMB Trends

Type	18-19 Trends		
	Cost	Util	Total
IP	5.3%	-0.5%	4.8%
OP	6.3%	2.5%	8.9%
PH	4.7%	1.0%	5.8%
Medical	5.3%	1.1%	6.5%

Type	19-20 Trends		
	Cost	Util	Total *
IP	5.9%	-0.5%	5.4%
OP	6.7%	2.5%	9.3%
PH	5.4%	1.0%	6.5%
Medical	5.9%	1.1%	7.1%

Type	18-20 Trends		
	Cost	Util	Total
IP	11.5%	-1.0%	10.4%
OP	13.4%	5.1%	19.1%
PH	10.4%	2.0%	12.6%
Medical	11.5%	2.3%	14.1%

HealthPartners - Projected MMB Trends

Type	18-19 Trends		
	Cost	Util	Total
IP	2.5%	2.4%	5.0%
OP	2.4%	3.0%	5.5%
PH	2.4%	3.1%	5.5%
Medical	2.4%	2.9%	5.4%

Type	19-20 Trends		
	Cost	Util	Total
IP	2.6%	2.4%	5.1%
OP	2.5%	3.0%	5.6%
PH	2.5%	3.1%	5.6%
Medical	2.5%	2.9%	5.5%

Type	18-20 Trends		
	Cost	Util	Total
IP	5.2%	4.9%	10.3%
OP	5.0%	6.1%	11.4%
PH	5.0%	6.2%	11.5%
Medical	5.0%	5.9%	11.2%

Trends Split
by Carrier

PreferredOne - Projected MMB Trends

Type	18-19 Trends		
	Cost	Util	Total
IP	3.5%	4.9%	8.6%
OP	3.7%	6.4%	10.4%
PH	3.3%	1.9%	5.2%
Medical	3.5%	4.1%	7.7%

Type	19-20 Trends		
	Cost	Util	Total
IP	3.9%	3.5%	7.5%
OP	4.0%	4.3%	8.5%
PH	3.9%	1.6%	5.6%
Medical	3.9%	2.9%	7.0%

Type	18-20 Trends		
	Cost	Util	Total
IP	7.6%	8.6%	16.8%
OP	7.9%	11.0%	19.7%
PH	7.3%	3.5%	11.1%
Medical	7.6%	7.1%	15.2%

CVS - Projected MMB Trends **

Type	18-19 Trends		
	Cost	Util	Total
Rx	5.4%	3.7%	9.3%

Type	19-20 Trends		
	Cost	Util	Total
Rx	2.8%	5.4%	8.4%

Type	18-20 Trends		
	Cost	Util	Total
Rx	8.3%	9.3%	18.5%

All Plans Combined - Projected MMB Trends

Type	18-19 Trends		
	Cost	Util	Total
IP	4.2%	1.2%	5.4%
OP	4.7%	3.2%	8.1%
PH	3.8%	1.7%	5.6%
RX	5.4%	3.7%	9.3%
Total	4.4%	2.4%	6.9%

Type	19-20 Trends		
	Cost	Util	Total
IP	4.6%	1.0%	5.6%
OP	5.0%	2.9%	8.1%
PH	4.3%	1.7%	6.1%
RX	2.8%	5.4%	8.4%
Total	4.2%	2.6%	6.9%

Type	18-20 Trends		
	Cost	Util	Total
IP	9.0%	2.1%	11.4%
OP	10.0%	6.2%	16.9%
PH	8.3%	3.5%	12.1%
RX	8.3%	9.3%	18.5%
Total	8.8%	5.0%	14.3%

Total Trend

* 16-17 Trends from 2017 health plan renewals; 17-18 Trends from 2018 health plan renewals

Projected 19-20 Claims Trends

Type of Service	Cost	Util	Total
Inpatient	4.6%	1.0%	5.6%
Outpatient	5.0%	2.9%	8.1%
Physician/professional	4.3%	1.7%	6.1%
Prescription drugs	2.8%	5.4%	8.4%
Total for projected 2019-2020 trend: 6.9%			

Minnesota Management and Budget

Advantage Plan - SEGIP

Trend Projection Summary 2018-2020

All Plans Combined - Projected MMB Trends

Type	18-19 Trends		
	Cost	Util	Total
IP	4.2%	1.2%	5.4%
OP	4.7%	3.2%	8.1%
PH	3.8%	1.7%	5.6%
RX	5.4%	3.7%	9.3%
Total	4.4%	2.4%	6.9%

Type	19-20 Trends		
	Cost	Util	Total
IP	4.6%	1.0%	5.6%
OP	5.0%	2.9%	8.1%
PH	4.3%	1.7%	6.1%
RX	2.8%	5.4%	8.4%
Total	4.2%	2.6%	6.9%

Type	18-20 Trends		
	Cost	Util	Total
IP	9.0%	2.1%	11.4%
OP	10.0%	6.2%	16.9%
PH	8.3%	3.5%	12.1%
RX	8.3%	9.3%	18.5%
Total	8.8%	5.0%	14.3%



Employee Insurance Fund

**Plan Year 2020
(January 1, 2020 – December 31, 2020)
Proposed Premium Rates**

July 29, 2019

Contact:
Lorna Smith, Enterprise Director
Employee Insurance
651 259-3604
lorna.smith@state.mn.us

Executive Summary

The State Employee Group Insurance Program (SEGIP) provides health insurance and other benefits to more than 129,000 State of Minnesota employees, retirees, and dependents.

State agencies contribute to the cost of health insurance, dental insurance, basic life insurance, and the manager's income protection program (IPP). Employees can purchase several types of optional coverages at their own expense, including additional life insurance coverage, life insurance for spouse and/or children, short-term disability, long-term disability, and long-term care insurance (now closed to new enrollment).

SEGIP's health insurance and dental insurance plans are self-insured, which means that SEGIP bears the full financial risk of claims in these plans and also has control over the level of premiums. The other insurance coverages available are fully-insured products, which means that the insurance company sets premiums and is responsible for financial risk.

The table below summarizes proposed premium changes as of January 1, 2020 for benefits provided to employee through SEGIP.

Insurance type	Percent change in overall premium	Percent change in agency-paid premium
Health:		
- Minnesota Advantage Health Plan	7.85%	7.85%
- Advantage Consumer Directed Health Plan	8.75% single / 8.44% family	8.75% single / 8.44% family
Dental	2.25%	2.86%**
Basic Life/AD&D	5.6%	5.6%
Optional life, spouse life, child life	0%	N/A*
Voluntary AD&D	0%	N/A*
Disability (short-term)	10.4%	N/A*
Disability (long-term)	0%	N/A*

* Agencies do not contribute toward these optional coverages. Only employees bear the premium increases.

** Agencies bear the full increase for the employee-only portion of the dental premium.

SEGIP Overview

The State Employee Group Insurance Program (SEGIP) provides insurance benefits to more than 129,000 State of Minnesota employees, retirees and dependents. SEGIP is the largest employer purchaser of health care in Minnesota, which gives it significant purchasing power and a unique role as a leader in health care purchasing. SEGIP covers state employees and dependents in all three branches of

government, Minnesota State, and a number of quasi-state agencies including the Minnesota Historical Society and the Minnesota State Fair.

SEGIP is housed in the Employee Insurance section of Enterprise Human Capital, at Minnesota Management and Budget. The benefits offered through SEGIP include a self-insured medical plan, a self-insured dental plan, basic life insurance coverage, and optional coverages including additional life insurance, and disability insurance, as well as pre-tax plans to cover medical expenses, dependent care expenses, and transit expenses. SEGIP also provides a variety of innovative wellbeing programs that seek to ensure and improve the ongoing health of its members.

Insurance benefits are collectively bargained with a coalition of 11 labor unions, typically on a 2-year cycle that matches the state’s biennial budget. The benefits are largely uniform across the different labor contracts and compensation plans. The labor contracts and plans must be approved by the Legislature.

In Fiscal Year 2018, SEGIP’s expenditures were approximately \$925 million, as shown in the next figure. The vast majority of SEGIP’s costs (nearly 90%) were for health insurance.

SEGIP FY 2018 Expenditures		
Medical	824,372,896	89.1%
Dental	52,557,129	5.7%
Disability	15,451,405	1.7%
Life Insurance (Employee Paid)	15,392,371	1.7%
Life (Employer Paid)	7,259,694	0.8%
Administration & Other*	9,705,380	1.0%
Total	\$924,738,875	100%

* Includes SEGIP’s administrative costs, and administration of the pre-tax and EAP programs.

Insurance Benefits

This table summarizes the insurance benefits available through SEGIP and the manner in which each is financed. For self-insured benefits, the state holds the financial risk and has control over premium-setting. SEGIP’s contracted vendors hold the risk for the fully-insured benefits and they set the rates.

	Fully-insured or self-insured	State contribution	Employee contribution
Health insurance ¹	Self-insured	95% single 85% dependent	5% single 15% dependent
Dental insurance	Self-insured	90% single 50% dependent	10% single (\$13.50 per month minimum); 50% dependent
Basic life insurance	Fully-insured	100%	0%
Managers' income protection program (life and disability combo)	Fully-insured	100%	0%, with option to purchase shorter elimination period
Optional life insurance (employee, spouse, children)	Fully-insured	0%	100%
Short-term disability	Fully-insured	0%	100%
Long-term disability	Fully-insured	0%	100%
Accidental death and dismemberment (AD&D) (employee, spouse)	Fully-insured	0%	100%
Long-term care (closed to new enrollment)	Fully-insured	0%	100%
Retiree health plans ²	Fully-insured	0%	100%

Health Insurance

SEGIP's medical plan, known as the Minnesota Advantage Health Plan, is a self-insured plan. This means that the state is financially at risk for the cost of medical claims. SEGIP contracts with three health plan administrators (Blue Cross Blue Shield of Minnesota, HealthPartners, and PreferredOne) and one pharmacy benefit manager, (CVS Caremark), to administer health benefits, which includes among other activities, claims processing, case management, and negotiating network participation and payment rates with health care providers.

Elements of the health insurance benefit design that are collectively bargained include deductibles, copayments/coinsurance, out of pocket limits, and covered services (e.g., coverage for palliative care services was added as a result of the 2015 collective bargaining agreements). The percentage of premium that is contributed by employees for single and dependent coverage (currently 5% and 15%, respectively) is also bargained. The dollar amount of premiums is not bargained, rather it is administratively set at the level necessary to pay for projected claims, administrative costs, and a

¹ Over 99% of SEGIP health insurance enrollees are in the Minnesota Advantage Health Plan, but a small number of employees in the managerial and commissioner's plan are enrolled in a high-deductible plan (the Advantage Consumer Directed Health Plan). The plan is not large enough to set premiums independently; instead, the premiums are calculated based on the Minnesota Advantage Health Plan rates as described later in this document.

² The retiree health plans are not part of the Employee Insurance Trust Fund – retirees pay premiums directly to the health carriers and the state has no financial involvement.

contingency reserve at a level appropriate for unexpectedly high claims costs (it is targeted at two months' worth of claims, or 16.7% of expected annual claims).

There is a great deal of uncertainty involved in projecting medical costs, and this uncertainty is increased by the fact that premiums are set well in advance of the plan year. For example, in the summer of 2018 we set premiums for 2019 based on the best information available at that time – which included claims experience for 2017, and some early estimates from the first part of 2018. If actual cost growth varies from projections, it can be a long time until appropriate adjustments can be made to premiums. In the late 1980s, SEGIP's self-funded plan experienced a \$50 million shortfall that required a special appropriation from the legislature. The contingency reserve target of 16.7%, or two months' worth of claims, is intended to avoid the need for any such infusions of funds in the future.

Premium setting process

SEGIP medical premiums are set at a level estimated to be sufficient to pay medical claims costs, administrative fees paid to our three health plan administrators and the pharmacy benefit manager, and amounts necessary to maintain adequate financial reserves. Because health care claims typically increase each year, the amount of the target reserve also increases over time. For example, in 2014 the target level of the reserve was \$120.2 million; because of rising health care costs, the target reserve had increased to \$144.5 million in 2018.

In the spring or summer of each year, SEGIP receives detailed projections of health care price and utilization trends for the next two calendar years from its plan administrators and its actuarial consultant. These estimates are used to project costs for the next two years. Estimated costs associated with changes to benefits resulting from the collective bargaining process and legislation are taken into account. Premiums for the upcoming calendar year are set in the summer, for example, premiums for 2020 will be determined in August of 2019. In addition to the projections from plan administrators, and the impacts of benefit changes, SEGIP also considers data on claims experience for the first half of the current plan year in determining premiums for the next year. The proposed premiums for 2020 include preliminary data on claims costs for the first three months of 2019 and five months of runout for 2018.

Volatile premium growth makes it difficult for state agencies and employees paying insurance premiums to plan for these expenses. To address this issue SEGIP takes a 2-year phased approach for premium adjustments needed to bring the contingency reserve into line with the target level. For example, we predicted that our projected trend increase for 2019 would be higher than it was for 2018, but we averaged the two projected years of premium increases in order to ensure that our reserves met the appropriate level by the end of 2019, while providing agencies with more evenly-distributed year-over-year increases (thus, 2.85% in 2018 and 3% in 2019). Though our estimates for the second year of the two-year period will not always pan out, this time we came very close.

ACDHP Premiums: The Advantage high-deductible plan (ACDHP) is available to employees whose benefit programs follow the managerial or commissioner's plans. Although the ACDHP premium increases are not the same as the Advantage Health Plan, they are calculated by using the Advantage Health Plan

premium as a starting point and they take into account other contributions that the state makes to employees who select this plan. The objective of the rate development for the ACDHP is to equalize the total cost between the Advantage Plan and the ACDHP, which includes premiums as well as state contributions to an employee's Health Savings Account (HSA). The total cost calculation assumes that employees take advantage of the opportunity to earn additional state contributions to their HSA by taking the health assessment and agreeing to receive a call from a health coach. For single coverage, an employee receives an automatic HSA contribution of \$500, with potential for an additional \$300 for taking the health assessment and agreeing to a call; for family coverage, the HSA contribution is \$1,000 with an additional \$600 incentive. Thus, compared to the Advantage Plan the premium rates for the ACDHP are set at a level that is \$800 lower on an annual basis for single coverage, and \$1,600 lower for family coverage. This premium setting process results in an annual change in premiums that is different from the percentage change for the Advantage Plan.

Proposed Rates

The proposed premium increase for 2020 in the Minnesota Advantage Health Plan is 7.85%. For the ACDHP, the premium increase is 8.75% for employee-only coverage, and 8.44% for family coverage. Premiums for the Minnesota Advantage Health Plan and ACDHP are summarized below. Based on the results of systems testing, the final premium rates sometimes need to be adjusted by a few cents.

Medical	Employee-only coverage (Monthly rate)		Family coverage (Monthly rate)	
	2019	2020	2019	2020
Contributor				
Minnesota Advantage Health Plan	649.27	700.72	1,910.62	2,060.60
Employee	32.48	35.04	221.62	239.02
Employer	617.24	665.68	1,689.00	1,821.58
ACDHP	583.06	634.06	1,777.68	1,927.28
Employee	32.48	35.04	221.62	239.02
Employer	\$550.58	\$599.02	\$1,555.68	\$1,688.26

Attachment 1 shows the rates for each of our insurance products over the past five years.

Below is a 5-year private sector annual premium comparison for medical, the only coverage type for which such data is publicly available. It should be noted that SEGIP has much more comprehensive benefits than the average employer plan, meaning it is not possible to do an apples-to-apples comparison of the cost of the same benefits across employers. However, the data do show that even with a much richer benefit set than average, SEGIP's premiums are not much higher than the average employer's. The most recent data available in the Kaiser Family Foundation employer survey is 2018, but for clarity we included both the SEGIP 2019 and 2020 rates as well.

Type of medical coverage Monthly rates	2015	2016	2017	2018	2019	2020
Advantage Plan - single	525.34	564.22	613.32	630.80	649.72	700.72
Advantage Plan - family	1,544.88	1,659.20	1,803.56	1,854.96	\$1,910.62	\$2,060.60

Employer average - single	520.92	536.25	557.50	574.67	N/A	N/A
Employer average - family	\$1,462.08	\$1,511.83	\$1,563.67	\$1,634.67	N/A	N/A

Source: <https://www.kff.org/health-costs/report/2018-employer-health-benefits-survey/>

Assumptions and Supporting Data

Attachment 2 provides detailed information on the Advantage Plan’s financial experience for 2015 through 2018, with projections for 2019 to 2023. The financial projections rely on four main assumptions:

- 1) The number of members in the plan. The number of members is anticipated to remain about the same. We have no reason to believe that a large number of state employees will be added or dropped.
- 2) Growth in allowed claims per person. Allowed claims grew by 5.9% per member per month in 2018 and are anticipated to grow by 6.9% per year from 2019 through 2023.
- 3) Changes in the enrollee’s share of allowed claims. Medical plan costs are paid primarily through premiums and out-of-pocket costs. When premiums increase and out-of-pocket costs do not, then the share of enrollee cost sharing degrades.
Enrollee cost sharing decreased in 2019 because there were no changes to the out-of-pocket costs and the premiums increased. Through the bargaining process, out-of-pocket costs were increased. Enrollee cost-sharing is projected to increase from 6.7% in 2019 to about 8% in 2020. There will be no increase to out-of-pocket costs in 2021 and so cost sharing relative to the premiums will begin to diminish.
- 4) Contingency Reserves. The final consideration is the need to increase or decrease the contingency reserves. The remaining 0.95% accounts for a needed reserve increase.

Attachment 3 illustrates the Minnesota Advantage Health Plan’s historical and projected balance sheet and cash flow statements.

Dental Insurance

Beginning in 2016, coverage for several types of dental services increased from 60% to 80% of allowed claims amounts. The amount of coverage for certain other dental services increased to 80% in 2019. Employees bear the entirety of the cost of the newer benefit changes through an increase in the employee share of the single dental premium (from \$5/month to \$13.50/month).

During the collective bargaining process in 2015, SEGIP agreed to absorb the cost of the enhanced benefits in 2016, and to phase in the impact on premiums by absorbing 50% of it in 2017. In 2018, all of the additional cost associated with the benefits expanded in 2015 were fully reflected in dental premiums. During the collective bargaining process in 2019, SEGIP agreed to three provisions: elimination of the two-year waiting period for repairs on an already repaired tooth, preventative

services are exempt from the annual \$2,000 maximum benefit, and an increase in the lifetime orthodontia benefit from \$2,000 to \$3,000.

Dental benefits are less volatile than are medical benefits and require a lower contingency reserve. Annual dental benefits are capped at \$2,000 (excluding orthodontia, which has a separate lifetime benefit limit). Dental plan claims are more predictable because there are no catastrophic claims and so the target level of the financial contingency reserve is also lower than medical, and is set at 10% of estimated claims for the following year. Premiums are calculated as the amount needed to pay for projected claims and administrative fees and to maintain the contingency reserve at its target level.

Proposed Rates

The proposed dental rates for 2020 represent an increase of 2.25% over 2019 levels. The monthly rates for employee-only and family dental coverage are illustrated in the table below. As with the rates for health insurance, based on the results of systems testing, the final premium rates sometimes need to be adjusted by a few cents (these amounts are shared between the employer and the employee). Agencies will experience an increase of 3.4% for single coverage and 2.72% for family coverage, this is a combined agency increase of 2.86%.

Dental	2019	2020
Employee only	\$39.84	\$40.74
Family	\$117.88	\$120.54

Assumptions and Supporting Data

Attachment 4 illustrates key financial trends and projections for the self-funded dental plan for 2015 through 2023. Key assumptions in forecasting financial experience for the dental plan include the following:

- Stable membership: Like the medical plan, actual membership as of January 1, 2019 are used to project member months for this year, and project the same level of membership forward to future years.
- Claims increases: For 2019, projected claim growth is 15.9% per member, mostly due to the bargained benefits that were implemented in 2019. For 2020, claims are increasing by 6.4%. This projected increase is a result of dental inflation, claim experience, and the cost of the new benefits to be implemented in 2020. For 2021 through 2023, we anticipate claims to increase only by 3.1%.
- Reserves. The dental plan is anticipated to have an excess reserve level of \$8.3 million at the end of Plan Year 2019. What would have been a 6.4% increase is reduced to a 2.25% premium increase in order to spend down the excess reserves. The goal is to gradually spend down the reserves so that agencies experience a gradual increase, rather than experiencing several years of low increases followed by a large jump in rates.

- Premium assignment. The dental premiums are going up by 2.25%, but agency-paid dental premiums will go up 2.86% on average. This is due to the way premium costs are assigned to single and family rates. Agencies will absorb 100% of the single coverage increase and 50% of the dependent coverage increase. Employees will pay the remainder of the increase.

Attachment 5 presents the historical and projected balance sheet and statement of cash flows for the dental plan.

Other Insurance Offerings

As noted earlier, SEGIP does not directly control premium rates for the insurance benefits offered on a fully-insured basis. The 2020 premium rate increases for the fully-insured products are detailed below. Attachments 6 and 7 provide documentation of the 2019 rates that have been confirmed with the insurance carriers.

Plan type	category	2019 rate	2020 rate	Percent Change
Basic Life Insurance and Accidental Death and Dismemberment (AD&D)	Managers (2x)	\$54.70	\$57.78	5.6%
	Managers (1.5x)	\$37.56	\$39.66	5.6%
	Non-Managers	\$10.04	\$10.60	5.6%
Optional and Spouse Life (per \$1,000)	Age < 30	\$0.06	No change	0%
	30-34	\$0.08		
	35-39	\$0.09		
	40-44	\$0.11		
	45-49	\$0.19		
	50-54	\$0.35		
	55-59	\$0.55		
	60-64	\$0.90		
	65-69	\$1.45		
	70-74	\$2.35		
	75-79	\$3.80		
	80-84	\$6.15		
	85-89	\$12.30		
	90	\$17.10		
	91	\$18.81		
	92	\$20.69		
	93	\$22.76		
	94	\$25.04		
	95	\$27.54		
	96	\$30.30		
97	\$33.33			
98	\$36.66			
99	\$40.33			

Plan type	category	2019 rate	2020 rate	Percent Change
	100	\$44.36		
Child Life (\$10,000 coverage for all children in family)	N/A	\$0.84	no change	0%
Voluntary AD&D (per \$5,000)	N/A	\$0.16	no change	0%
Disability Insurance	30 day elimination	\$0.32	\$0.32	0%
	60 day elimination	\$0.29	\$0.29	0%
	90 day elimination	\$0.26	\$0.26	0%
	120 day elimination	\$0.24	\$0.24	0%
	150 day elimination	\$0.22	\$0.22	0%
	STD	\$1.38	\$1.70	10.4%
	LTD	\$0.54	\$0.54	0%

Effect of medical premium change on state agencies

This chart details the effect of the medical premium on each state agency. It assumes the agency will have the same number of employees it had on January 1, 2019. The number of contracts represents the number of covered employees, members includes both employee and covered dependents.

Agency	# of Contracts	# of Members*	Annual ER Cost	Annual EE Cost	Annual Total Cost	Agency Impact of 7.85% Increase
Minnesota State	12,004	29,666	181,261,481	22,566,727	203,828,208	14,229,026
Human Services Dept	7,046	17,196	105,047,995	13,102,745	118,150,740	8,246,268
Corrections Dept	4,928	12,553	74,955,115	9,703,252	84,658,367	5,883,977
Transportation Dept	4,765	12,221	73,357,556	8,756,572	82,114,128	5,758,568
Natural Resources Dept	2,344	5,728	35,406,679	4,519,220	39,925,899	2,779,424
MN.IT Services Office	2,297	5,796	35,268,589	4,255,007	39,523,596	2,768,584
Trial Courts	2,302	5,510	34,282,733	4,211,891	38,494,624	2,691,195
Public Safety Dept	2,199	5,704	33,896,850	4,581,589	38,478,439	2,660,903
Health Department	1,432	3,268	20,858,293	2,451,728	23,310,021	1,637,376
Revenue Dept	1,336	3,086	19,206,979	2,237,285	21,444,264	1,507,748
DEED	1,271	2,835	18,494,482	2,260,632	20,755,113	1,451,817
Veterans Affairs Dept	1,202	2,824	17,444,879	2,257,819	19,702,698	1,369,423
Pollution Control Agency	806	1,931	11,922,531	1,410,114	13,332,645	935,919
Public Defense Board	709	1,678	10,329,805	1,339,518	11,669,323	810,890
Administration Dept	504	1,035	6,939,139	801,729	7,740,868	544,722
Agriculture Dept	441	1,109	6,743,802	825,225	7,569,027	529,388
Labor & Industry Dept	417	964	6,288,636	729,332	7,017,968	493,658
Supreme Court	382	943	5,661,642	730,635	6,392,278	444,439
Education Department	372	874	5,607,212	682,437	6,289,649	440,166
Military Affairs Dept	344	866	5,166,468	632,521	5,798,989	405,568
Commerce Dept	329	810	4,990,793	629,924	5,620,716	391,777

Agency	# of Contracts	# of Members*	Annual ER Cost	Annual EE Cost	Annual Total Cost	Agency Impact of 7.85% Increase
Attorney General	315	699	4,421,685	544,369	4,966,055	347,102
Housing Finance Agency	238	596	3,716,128	437,754	4,153,882	291,716
MMB	241	566	3,543,227	438,944	3,982,171	278,143
MN Zoological Garden	202	437	2,787,655	345,738	3,133,394	218,831
Mn State Academies	187	453	2,743,761	347,537	3,091,298	215,385
Guardian ad Litem Board	195	461	2,681,722	412,226	3,093,948	210,515
Lottery	146	330	2,132,313	246,722	2,379,035	167,387
MNsure	173	328	2,057,712	228,417	2,286,128	161,530
MSRS	123	305	1,855,362	223,304	2,078,666	145,646
Water & Soil Resources Bd	117	312	1,844,050	218,098	2,062,148	144,758
PERA	94	220	1,403,608	161,470	1,565,078	110,183
TRA	82	205	1,276,142	149,984	1,426,126	100,177
Secretary of State	86	189	1,208,335	143,062	1,351,397	94,854
LCC-Leg Coord Comm	80	185	1,158,440	131,047	1,289,486	90,938
Court of Appeals	84	167	1,122,162	121,257	1,243,419	88,090
State Auditor	75	185	1,114,487	136,016	1,250,503	87,487
IRRB	60	146	933,135	109,633	1,042,769	73,251
Administrative Hearings	60	134	907,413	105,094	1,012,507	71,232
Office of Higher Ed	59	139	886,345	102,435	988,780	69,578
Legislative Auditor	60	142	815,785	89,206	904,992	64,039
Perpich Ctr For Arts Ed	49		774,493	91,728	866,221	60,798
Public Utilities Comm	49		761,632	89,458	851,090	59,788
Human Rights Dept	44		698,875	82,970	781,845	54,862
Explore MN Tourism	45		646,068	83,051	729,119	50,716
Animal Health Board	43		622,010	88,315	710,326	48,828
Nursing Board	29		418,726	49,470	468,195	32,870
Governor's Office	34		411,622	65,295	476,917	32,312
Gambling Control Board	27		405,764	46,838	452,602	31,852
Investment Board	22		368,729	44,890	413,619	28,945
Medical Practice Board	25		352,367	39,250	391,616	27,661
Pharmacy Board	20		328,193	39,571	367,764	25,763
Cosmetologist Board	22		284,156	38,678	322,834	22,306
Arts Board	19		256,481	27,833	284,313	20,134
Prof Educator Lic Std Bd	18		241,667	34,850	276,517	18,971
Ombud Mental Hlth & DD	17		241,667	27,053	268,720	18,971
Workers Comp Ct/Appeals	11		222,948	29,254	252,202	17,501
Public Facilities Authority	9		169,551	21,665	191,216	13,310
Racing Commission	10		164,097	19,785	183,882	12,882
Nursing Home Admin Bd	10		151,236	17,516	168,751	11,872
Camp Fin & Public D Bd	9		143,829	17,126	160,955	11,291
Social Work Board	9		130,968	14,856	145,824	10,281
POST Board	9		130,968	14,856	145,824	10,281

Agency	# of Contracts	# of Members*	Annual ER Cost	Annual EE Cost	Annual Total Cost	Agency Impact of 7.85% Increase
Dentistry Board	8		123,561	14,466	138,027	9,700
Tax Court	9		104,445	10,317	114,762	8,199
Psychology Board	7		103,293	11,807	115,100	8,109
Bureau of Med Services	8		97,838	9,927	107,766	7,680
Indian Affairs Council	5		88,479	11,028	99,506	6,946
Arch, Engineering Bd	6		83,025	9,148	92,172	6,517
Sent Guidelines Comm	6		83,025	9,148	92,172	6,517
Disability Council	7		77,570	7,268	84,838	6,089
Accountancy Board	5		75,618	8,758	84,376	5,936
African Heritage Council	4		68,211	8,368	76,579	5,355
Behav Hlth & Therapy Bd	4		55,350	6,098	61,448	4,345
Ombuds for Families	5		49,896	4,218	54,114	3,917
Barber Examiners Board	3		47,943	5,709	53,652	3,764
Amateur Sports Comm	3		47,943	5,709	53,652	3,764
Emergency Med Serv Bd	3		47,943	5,709	53,652	3,764
Marriage & Family Therapy	3		46,343	5,709	52,052	3,638
Judicial Standards Board	3		42,876	10,776	53,652	3,366
Asian-Pacific Council	4		42,489	3,829	46,317	3,335
Chiropractors Board	4		42,489	3,829	46,317	3,335
Higher Ed Facilities	2		40,536	5,319	45,855	3,182
Latino Affairs Council	3		35,082	3,439	38,521	2,754
Physical Therapy Board	3		35,082	3,439	38,521	2,754
Private Detective Board	2		27,675	3,049	30,724	2,172
Capitol Area Architect	2		27,675	3,049	30,724	2,172
Occ Therapy Pract Bd	2		27,675	3,049	30,724	2,172
Optometry Board	1		20,268	2,659	22,927	1,591
Veterinary Medicine Board	1		20,268	2,659	22,927	1,591
	\$50,750	\$124,257	\$761,229,771	\$94,541,006	\$855,770,771	\$59,756,537

* For agencies with less than 60 covered staff members the number of dependents have been removed for privacy reasons. The total number of covered members includes those redacted numbers.

Attachment 1. Rates for each insurance products over the past five years.

Insurance type	Category	Rates					Percent change 2019 to 2020
		2016	2017	2018	2019	2020 (proposed)	
Medical	Employee	\$564.22	\$613.32	\$630.80	\$649.72	\$700.72	7.85%
	Family	\$1,659.20	\$1,803.56	\$1,854.96	\$1910.62	\$2,060.60	7.85%
Medical - ADCHP	Employee	\$497.56	\$546.66	\$564.14	\$583.06	\$634.06	8.75%
	Family	\$1,525.88	\$1,670.24	\$1,721.64	\$1,777.30	\$1,927.28	8.44%
Dental - Delta	Employee	\$29.70	\$33.70	\$34.36	\$39.84	\$40.74	2.25%
	Family	\$87.84	\$99.70	\$101.68	\$117.88	\$120.54	2.26%
Dental - HealthPartners	Employee	\$29.70	\$33.70	\$34.36	\$39.84	\$40.74	2.25%
	Family	\$87.84	\$99.70	\$101.68	\$117.88	\$120.54	2.26%
Basic life insurance and accidental death and disability	Managers (2x)	\$55.38	\$54.36	\$52.48	\$54.70	\$57.78	5.6%
	Managers (1.5x)	\$38.00	\$37.28	\$36.02	\$37.56	\$39.66	5.6%
	Non-Managers	\$10.16	\$9.98	\$9.64	\$10.04	\$10.60	5.6%
Optional and spouse life (rates per \$1,000 of coverage)	Age <30	\$0.06	No change	No change	No change	No change	No Change
	30-34	\$0.08					
	35-39	\$0.09					
	40-44	\$0.11					
	45-49	\$0.19					
	50-54	\$0.35					
	55-59	\$0.55					
	60-64	\$0.90					
	65-69	\$1.45					
	70-74	\$2.35					
	75-79	\$3.80					
	80-84	\$6.15					
	85-89	\$12.30					
	90	\$17.10					
	91	\$18.81					
	92	\$20.69					
	93	\$22.76					
	94	\$25.04					
	95	\$27.54					
	96	\$30.30					
97	\$33.33						
98	\$36.66						
99	\$40.33						
100	\$44.36						

Insurance type	Category	Rates					Percent change 2019 to 2020
		2016	2017	2018	2019	2020 (proposed)	
Child life (\$10,000 coverage for all children in family)	all	\$0.84	No change	No change	No change	No change	No Change
Voluntary AD&D (rates per \$5,000)	N/A	\$0.16	No change	No change	No change	No change	No Change
Disability insurance	30 day elimination	\$0.32	\$0.32	\$0.32	\$0.32	\$0.32	0%
	60 day elimination	\$0.29	\$0.29	\$0.29	\$0.29	\$0.29	0%
	90 day elimination	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26	0%
	120 day elimination	\$0.24	\$0.24	\$0.24	\$0.24	\$0.24	0%
	150 day elimination	\$0.22	\$0.22	\$0.22	\$0.22	\$0.22	0%
	STD	\$1.18	\$1.24	\$1.24	\$1.54	\$1.70	10.4%
	LTD	\$0.68	\$0.54	\$0.54	\$0.54	\$0.54	0%



Employee Insurance Fund

Plan Year 2019 (January 1, 2019 – December 31, 2019)
Proposed Premium Rates

July 31, 2018

Contact:
Lorna Smith, Acting Director
Employee Insurance
651 259-3604
lorna.smith@state.mn.us

Executive Summary

The State Employee Group Insurance Program (SEGIP) provides health insurance and other benefits to over 129,000 State of Minnesota employees, retirees, and dependents.

State agencies contribute to the cost of health insurance, dental insurance, basic life insurance, and the manager's income protection program (IPP). Employees can purchase several types of optional coverages at their own expense, including additional life insurance coverage, life insurance for spouse and/or children, short-term disability, long-term disability, and long-term care insurance (closed to new enrollment).

SEGIP's health insurance and dental insurance plans are self-insured, which means that SEGIP bears the full financial risk of claims in these plans and also has control over the level of premiums. The other insurance coverages available are fully-insured products, which means that the insurance company sets premiums and is responsible for financial risk.

The table below summarizes proposed premium changes as of January 1, 2019 for benefits provided to employee through SEGIP.

Insurance type	Percent change in overall premium	Percent change in agency-paid premium
Health:		
- Minnesota Advantage Health Plan	2.85%	2.85%
- Advantage Consumer Directed Health Plan	3.2% single/3.1% family	3.2% single/3.1% family
Dental	15.9%	1.8%*
Basic Life/AD&D	4.2%	4.2%
Optional life, spouse life, child life	0%	N/A^
Voluntary AD&D	0%	N/A^
Disability (short-term)	11.6%	N/A^
Disability (long-term)	0%	N/A^

* The cost of benefit increases bargained in July 2017 were offset by an increase in the employee share of the single premium. Therefore the only dental premium increase borne by agencies stems from increased trend (1.8%). Due to a delay in legislative approval of the contracts, SEGIP is implementing these bargained benefit enhancements beginning January 1, 2019 and not January 1, 2018 as bargained.

^ Agencies contribute nothing toward all of the optional coverages. Therefore only employees bear the premium increases for those four.

SEGIP Overview

The State Employee Group Insurance Program (SEGIP) provides insurance benefits to over 129,000 State of Minnesota employees, retirees and dependents. SEGIP is the largest employer purchaser of health care in Minnesota, which gives it significant purchasing power and a unique role as a leader in health care purchasing. SEGIP covers state employees and dependents in all three branches of government, the Minnesota State Colleges and Universities system, and a number of quasi-state agencies such as the Minnesota Historical Society and the Minnesota State Fair.

SEGIP is housed in the Employee Insurance section of Enterprise Human Capital, at Minnesota Management and Budget. The benefits offered through SEGIP include a self-insured medical plan, a self-insured dental plan, basic life insurance coverage, and optional coverages including additional life insurance, disability insurance and long-term care insurance¹, as well as pre-tax plans to cover medical expenses, dependent care expenses, and transit expenses. SEGIP also provides a variety of innovative wellness programs that seek to ensure and improve the ongoing health of its members.

Insurance benefits are collectively bargained with a coalition of 11 labor unions, typically on a 2-year cycle that matches the state’s biennial budget. The benefits are largely uniform across the different labor contracts and compensation plans. The labor contracts and plans must be approved by the Legislature.

In state fiscal year 2017, SEGIP’s expenditures were approximately \$888 million, as shown in the next figure. The vast majority of SEGIP’s costs (nearly 90%) were for health insurance.

SEGIP FY 2017 Expenditures		
Medical	\$790,046,609	89%
Dental	\$50,895,899	5.7%
Disability	\$12,169,841	1.4%
Life Insurance (Employee Paid)	\$15,284,307	1.7%
Life (Employer Paid)	\$7,136,604	0.8%
Administration & Other*	\$12,182,268	1%
Total	887,715,528	100%

* Includes SEGIP’s administrative costs and risk management programs

¹ As of February 1, 2016 long-term care insurance is closed to new enrollment.

Insurance Benefits

The table below summarizes the insurance benefits available through SEGIP, and the manner in which each is financed. For self-insured benefits, the state assumes financial risk and also has control over premium-setting. For fully-insured benefits, rates are determined by outside vendors.

	Fully-insured or self-insured	State contribution	Employee contribution
Health insurance ²	Self-insured	95% single 85% dependent	5% single 15% dependent
Dental insurance	Self-insured	90% single 50% dependent	10% single (\$13.50 per month minimum); 50% dependent
Basic life insurance	Fully-insured	100%	0%
Managers' income protection program (life and disability combo)	Fully-insured	100%	0%, with option to purchase shorter elimination period
Optional life insurance (employee, spouse, children)	Fully-insured	0%	100%
Short-term disability	Fully-insured	0%	100%
Long-term disability	Fully-insured	0%	100%
Accidental death and dismemberment (employee, spouse)	Fully-insured	0%	100%
Long-term care (closed to new enrollment)	Fully-insured	0%	100%
Retiree health plans ³	Fully-insured	0%	100%

Health Insurance

SEGIP's medical plan, known as the Minnesota Advantage Health Plan, is a self-insured plan. This means that the state is financially at risk for the cost of medical claims. SEGIP contracts with three health plan administrators—Blue Cross Blue Shield of Minnesota, HealthPartners, and PreferredOne—and one pharmacy benefit manager CVS Caremark to administer health benefits, which includes activities like claims processing, case management, and negotiating network participation and payment rates with health care providers.

² Over 99% of SEGIP health insurance enrollees are in the Minnesota Advantage Health Plan, but a small number of employees in the managerial and commissioner's plan are enrolled in a high-deductible plan (the Advantage Consumer Directed Health Plan). The plan is not large enough to set premiums independently; instead, the premiums are calculated based on the Minnesota Advantage Health Plan rates as described later in this document.

³ The retiree health plans are not part of the Employee Insurance Trust Fund – retirees pay premiums directly to the health carriers and the state has no financial involvement.

Elements of the health insurance benefit design that are collectively bargained include deductibles, copayments/coinsurance, out of pocket limits, and covered services (e.g., coverage for palliative care services was added as a result of the 2015 collective bargaining agreements). In addition, the percentage of premium that is contributed by employees for single and dependent coverage (currently 5% and 15%, respectively) is also bargained. The dollar amount of premiums is not bargained, rather it is administratively set at the level necessary to pay for projected claims, administrative costs, and a contingency reserve at a level appropriate for unexpectedly high claims costs (it is targeted at two months' worth of claims, or 16.7% of expected annual claims).

SEGIP's self-funded medical plan must maintain a contingency reserve to cover unexpectedly high medical claims costs. There is a great deal of uncertainty involved in projecting medical costs, and this uncertainty is increased by the fact that we set premiums well in advance. For example, in the summer of 2017 we set premiums for 2018 based on the best information available at that time – which included claims experience for 2016, and some early estimates from the first part of 2017. If actual cost growth varies from projections, it can be a long time until appropriate adjustments can be made to premiums. In the late 1980s, SEGIP's self-funded plan experienced a \$50 million shortfall that required a special appropriation from the legislature. The contingency reserve target of 16.7%, or two months' worth of claims, is intended to avoid the need for any such infusions of funds in the future.

Premium setting process

SEGIP medical premiums are set at a level estimated to be sufficient to pay medical claims costs, administrative fees paid to our three health plan administrators and the pharmacy benefit manager, and amounts necessary to maintain adequate financial reserves. Because health care claims typically increase each year, the amount of the target reserve also increases over time. For example, in 2014 the target level of the reserve was \$120.2 million; because of rising health care costs, the target reserve had increased to \$144.5 million in 2018.

In the spring or summer of each year, SEGIP receives detailed projections of health care price and utilization trends for the next two calendar years from its plan administrators and its actuarial consultant. These estimates are used to project costs for the next two years. Estimated costs associated with changes to benefits that are required as a result of the collective bargaining process or legislation are also taken into account. Premiums for the upcoming calendar year are set in the summer – for example, premiums for 2019 will be determined in September of 2018. In addition to the projections from plan administrators, and the impacts of benefit changes, SEGIP also considers data on claims experience for the first half of the current plan year in determining premiums for the next year. For example, the proposed premiums for 2019 will include preliminary data on claims cost growth for the first six months of 2018. The rate proposed in this document is based on four months of 2018 claims data.

From the perspective of state agencies and employees that pay insurance premiums, it is frustrating when premium growth is volatile from year to year, because it is more difficult to plan for these expenses. Therefore, beginning with the 2017 plan year, SEGIP takes a 2-year phased approach for

premium adjustments needed to bring the contingency reserve into line with the target level, in order to smooth out volatility in premium growth. For example, a year ago, we predicted that our projected trend increase for 2019 would be higher than it was for 2018, but we averaged the two projected years of premium increases in order to ensure that our reserves meet the appropriate level by the end of 2019 while providing agencies with more even year over year increases (thus, 2.85% in 2018 and 2.85% in 2019). Though our estimates for the second year of the two-year period will not always pan out, this time we came very close (as we explain below, our rate request for 2019 is 2.85%).

ACDHP Premiums: The Advantage high-deductible plan (ACDHP) is available to employees whose benefit programs follow the managerial or commissioner’s plans. Although the ACDHP premium increases are not the same as the Advantage Health Plan, they are calculated by using the Advantage Health Plan premium as a starting point and they take into account other contributions that the state makes to employees who select this plan. The objective of the rate development for the ACDHP is to equalize the total cost between the Advantage Plan and the ACDHP, which includes premiums as well as state contributions to an employee’s Health Savings Account (HSA). The total cost calculation assumes that employees take advantage of the opportunity to earn additional state contributions to their HSA by taking the health assessment and agreeing to receive a call from a health coach. For single coverage, an employee receives an automatic HSA contribution of \$500, with potential for an additional \$300 for taking the health assessment and agreeing to a call; for family coverage, the HSA contribution is \$1,000 with an additional \$600 incentive. Thus, compared to the Advantage Plan the premium rates for the ACDHP are set at a level that is \$800 lower on an annual basis for single coverage, and \$1,600 lower for family coverage. This premium setting process results in an annual change in premiums that is different from the percentage change for the Advantage Plan.

Proposed Rates

The proposed premium increase for 2019 in the Minnesota Advantage Health Plan is 2.85%. For the ACDHP, the premium increase is 3.19% for employee-only coverage, and 3.07% for family coverage. Premiums for the Minnesota Advantage Health Plan and ACDHP are summarized below. Based on the results of systems testing, the final premium rates sometimes need to be adjusted by a few cents.

Medical	Employee-only coverage (Monthly rate)		Family coverage (Monthly rate)	
	2018	2019	2018	2019
Minnesota Advantage Health Plan	\$630.80	\$648.80	\$1,854.96	\$1,907.86
ACDHP	\$564.14	\$582.14	\$1,721.64	\$1,774.54

Attachment 1 shows the rates for each of our insurance products over the past five years.

Below is a 5-year private sector annual premium comparison for medical, the only coverage type for which such data is publicly available. It should be noted that SEGIP has much more comprehensive benefits than the average employer plan, meaning it is not possible to do an apples-to-apples comparison of the cost of the same benefits across employers. However, the data do show that even with a much richer benefit set than average, SEGIP’s premiums are not much higher than the average

employer's. The most recent data available in the Kaiser Family Foundation employer survey is 2017, but for clarity we included both the SEGIP 2018 and 2019 rates as well.

Type of medical coverage Monthly rates	2014	2015	2016	2017	2018	2019
Advantage Plan - single	\$525.34	\$525.34	\$564.22	\$613.32	\$630.80	\$648.80
Advantage Plan - family	\$1,544.88	\$1,544.88	\$1,659.20	\$1,803.56	\$1,854.96	\$1,907.86
Employer average - single	\$502.08	\$520.92	\$536.25	\$557.50	N/A	N/A
Employer average - family	\$1,402.83	\$1,462.08	\$1,511.83	\$1,563.67	N/A	N/A

Source: <https://www.kff.org/report-section/ehbs-2017-summary-of-findings/>

Assumptions and Supporting Data

Attachment 2 provides detailed information on the Advantage Plan's financial experience for 2013 through 2017, with projections for 2018 to 2021. The financial projections rely on three main assumptions: 1) the number of members in the plan; 2) growth in allowed claims per person; and 3) changes in the enrollee's share of allowed claims.

The projections were made using the following key assumptions:

- Membership will be stable. The estimate of member months in 2018 is based on actual membership in the plan as of January 1, 2018; we project this level of membership forward to 2019 and beyond.
- Allowed claims grew by 2.7% per member per month in 2017 (which reflects prior years claim adjustments of approximately a negative \$8 million), followed by growth of 3.9% in 2018 (which is the net impact of a 4.6% increase in allowed claims offset by \$13.0 million additional offset of RX rebates) and are anticipated to grow by 6.5% per year from 2019-2021.
- Enrollee cost sharing will decrease slightly in 2019 due to the fact that benefit design was largely untouched during collective bargaining yet health care costs increase each year. In other words, because the plan design generally does not automatically increase enrollee cost sharing as total health care costs increase, enrollee cost sharing as a percentage of allowed claim is projected to gradually decline in 2019 and future years (without additional changes to plan design that would need to be agreed to in the collective bargaining process). We project enrollee cost-sharing to decrease from 7.6% in 2018 to about 7.2% in 2019.

Attachment 3 illustrates the Minnesota Advantage Health Plan's historical and projected balance sheet and cash flow statements.

Dental Insurance

Beginning in 2016, coverage for several types of dental services increased from 60% to 80% of allowed claims amounts. The amount of coverage for certain other dental services will increase to 80% in 2019.

Employees will bear the entirety of the cost of the newer benefit changes through an increase in the employee share of the single dental premium (from \$5/month to \$13.50/month).

During the collective bargaining process in 2015, SEGIP agreed to absorb the cost of the enhanced benefits in 2016, and to phase in the impact on premiums by absorbing 50% of it in 2017. In 2018, all of the additional cost associated with the benefits expanded in 2015 were fully reflected in dental premiums.

Dental benefits are less volatile than are medical benefits and require a lower contingency reserve. Annual dental benefits are capped at \$1,500 (excluding orthodontia, which has a separate lifetime benefit limit) and are increasing to \$2,000 in 2019. Dental plan claims are more predictable because there are no catastrophic claims and so the target level of the financial contingency reserve is also lower than medical, and is set at 10% of estimated claims for the following year. Premiums are calculated as the amount needed to pay for projected claims and administrative fees and to maintain the contingency reserve at its target level.

Proposed Rates

The proposed dental rates for 2019 represent an increase of 15.95% over 2018 levels. The additional cost of new benefits will be paid by the increase in the employee contribution for single coverage. The employee contribution will increase from a minimum of \$5 per month to a minimum of \$13.50 per month. Therefore, agencies will only pay a 1.8% increase in dental premium in 2019 versus 2018. (This change did not take effect last year is because of the delayed legislative approval of the contracts that were bargained in July 2017).

The monthly rates for employee-only and family dental coverage are illustrated in the table below. As with the rates for health insurance, based on the results of systems testing, the final premium rates sometimes need to be adjusted by a few cents (these amounts are shared between the employer and the employee).

Dental	2018	2019
Employee only	\$34.36	\$39.84
Family	\$101.68	\$117.88

Assumptions and Supporting Data

Attachment 4 illustrates key financial trends and projections for the self-funded dental plan for 2014 through 2021. Key assumptions in forecasting financial experience for the dental plan include the following:

- Stable membership: Like the medical plan, we use actual membership as of January 1, 2017 to project member months for this year, and project the same level of membership forward to future years.

- Claims increases: For 2018, we have projected growth in claims at 2.5% per member, increasing by 15.9% in 2019 due to the bargained benefit increase, and then declining to a more normal level of 3.1% for 2020 and future years.
- Due to an increase in dental benefits beginning in 2019, overall premiums are going up much more than normal, but agency-paid dental benefit increases will be much lower, at 1.8%, a more typical rate increase. This is due to the cost of the benefit being paid for by an increase in the employee share of the single dental premium.

Attachment 5 presents the historical and projected balance sheet and statement of cash flows for the dental plan.

Other Insurance Types

As noted earlier, SEGIP does not directly control premium rates for the insurance benefits we offer that are provided on a fully-insured basis. The 2019 premium rate increases for the fully-insured products are summarized below. Attachments 6 and 7 provide documentation of the 2019 rates that have been confirmed with the insurance carriers.

Plan type	category	2018 rate	2019 rate	percent change
Basic Life Insurance and Accidental Death and Dismemberment (AD&D)	Managers (2x)	\$52.48	\$54.70	4.2%
	Managers (1.5x)	\$36.02	\$37.56	4.3%
	Non-Managers	\$9.64	\$10.04	4.1%
Optional and Spouse Life (rates per \$1,000)	Age < 30	\$0.06	No change	0%
	30-34	\$0.08		
	35-39	\$0.09		
	40-44	\$0.11		
	45-49	\$0.19		
	50-54	\$0.35		
	55-59	\$0.55		
	60-64	\$0.90		
	65-69	\$1.45		
	70-74	\$2.35		
	75-79	\$3.80		
	80-84	\$6.15		
	85-89	\$12.30		
	90	\$17.10		
	91	\$18.81		
	92	\$20.69		
93	\$22.76			
94	\$25.04			
95	\$27.54			
96	\$30.30			

Plan type	category	2018 rate	2019 rate	percent change
	97	\$33.33		
	98	\$36.66		
	99	\$40.33		
	100	\$44.36		
Child Life (\$10,000 coverage for all children in family)	N/A	\$0.84	no change	0%
Voluntary AD&D (rates per \$5,000)	N/A	\$0.16	no change	0%
Disability Insurance	30 day elimination	\$0.32	\$0.32	0%
	60 day elimination	\$0.29	\$0.29	0%
	90 day elimination	\$0.26	\$0.26	0%
	120 day elimination	\$0.24	\$0.24	0%
	150 day elimination	\$0.22	\$0.22	0%
	STD	\$1.38	\$1.54	11.6%
	LTD	\$0.54	\$0.54	0%

Special note on long-term care insurance: The rates for the long-term care insurance product that SEGIP makes available to state employees increased last year for the first time since the program was implemented in January 2001. In 2016, the Minnesota Department of Commerce approved a rate increase request by CNA, the insurance carrier, effective May 2017. Premiums for current enrollees will go up by a total of 45.475%, with the increase phased in over three years. In the first year, premiums increased by 15%, by an additional 15% in this year and then will increase another 10% next year. MMB had no discretion over the amount or timing of the increase, but still collects premiums through payroll deduction and transmits them to the insurance carrier in the same way that it did before (though CNA is switching to a direct bill model, effective August 2018 for the State of Minnesota)

Attachment 1. Rates for each insurance products over the past five years.

Insurance type	Category	2015 rate	2016 rate	2017 rate	2018 rate	2019 rate (proposed)	Percent change
Medical	Employee	\$525.34	\$564.22	\$613.32	\$630.80	\$648.80	2.85%
	Family	\$1,544.88	\$1,659.20	\$1,803.56	\$1,854.96	\$1,907.86	2.85%
Medical - ADCHP	Employee	\$458.68	\$497.56	\$546.66	\$564.14	\$582.14	3.19%
	Family	\$1,411.56	\$1,525.88	\$1,670.24	\$1,721.64	\$1,774.54	3.07%
Dental - Delta	Employee	\$30.18	\$29.70	\$33.70	\$34.36	\$39.84	15.95%
	Family	\$89.24	\$87.84	\$99.70	\$101.68	\$117.88	15.93%
Dental - HealthPartners	Employee	\$30.38	\$29.70	\$33.70	\$34.36	\$39.84	15.95%
	Family	\$89.92	\$87.84	\$99.70	\$101.68	\$117.88	15.93%
Basic life insurance and accidental death and disability	Managers (2x)	\$53.08	\$55.38	\$54.36	\$52.48	\$54.70	4.23%
	Managers (1.5x)	\$36.44	\$38.00	\$37.28	\$36.02	\$37.56	4.28%
	Non-Managers	\$9.74	\$10.16	\$9.98	\$9.64	\$10.04	4.15%
Optional and spouse life (rates per \$1,000 of coverage)	Age <30	\$0.06	No change	No change	No change	No change	No Change
	30-34	\$0.08					
	35-39	\$0.09					
	40-44	\$0.11					
	45-49	\$0.19					
	50-54	\$0.35					
	55-59	\$0.55					
	60-64	\$0.90					
	65-69	\$1.45					
	70-74	\$2.35					
	75-79	\$3.80					
	80-84	\$6.15					
	85-89	\$12.30					
	90	\$17.10					
	91	\$18.81					
	92	\$20.69					
	93	\$22.76					
	94	\$25.04					
	95	\$27.54					
	96	\$30.30					
97	\$33.33						
98	\$36.66						
99	\$40.33						
100	\$44.36						
Child life (\$10,000 coverage for all)	all	\$0.84	No change	No change	No change	No change	No Change

Insurance type	Category	2015 rate	2016 rate	2017 rate	2018 rate	2019 rate (proposed)	Percent change
children in family)							
Voluntary AD&D (rates per \$5,000)	N/A	\$0.16	No change	No change	No change	No change	No Change
Disability insurance	30 day elimination	\$0.32	\$0.32	\$0.32	\$0.32	\$0.32	0%
	60 day elimination	\$0.29	\$0.29	\$0.29	\$0.29	\$0.29	0%
	90 day elimination	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26	0%
	120 day elimination	\$0.24	\$0.24	\$0.24	\$0.24	\$0.24	0%
	150 day elimination	\$0.22	\$0.22	\$0.22	\$0.22	\$0.22	0%
	STD	\$1.18	\$1.24	\$1.24	\$1.38	\$1.54	11.6%
	LTD	\$0.68	\$0.54	\$0.54	\$0.54	\$0.54	0%



July 19, 2018

Ms. Amy Mahan
Director, Special Government Accounts
HealthPartners
8170 - 33rd Avenue South
Minneapolis, MN 55440-1309

Dear Amy:

This letter is to confirm the dental rates for plan year 2019 offered by HealthPartners for the State of Minnesota Employee Group Insurance Program.

Please sign a copy of this letter for verification by 3:00 p.m. Friday, July 20, 2018.

2019 Monthly Premium Rates

The following represents the final 2019 monthly premium rates:

Employee	Dependent	Family
\$39.84	\$78.04	\$117.88

- Final 2019 Monthly Premium Rates
- Final 2019 Monthly Administrative Fee \$3.05 Per Employee Per Month
- 2019 RTU Risk Cap \$42.36 pmpm

2019 Plan Design Changes

Increased In Network coverages from 50% to 80%, sealants being treated as preventive care with no co-pay, dependent and age references for orthodontia removed, implants covered at 80%, annual maximum increased to \$2000.

In addition to the bargained benefit changes noted above, the following benefit changes are adopted to keep benefit parity with the other dental plan administrator for MMB:

Periodontal maintenance cleaning covered at 100%, up to four each calendar year

Posterior Composite filings covered at 80%

Authorized Signature 

Date 7/19/2018

Sincerely,


Shari Horsman
Manager, Contracts & Networks, State Employee Group Insurance Program
Phone (651) 259-3712
E-mail: shari.horsman@state.mn.us

m MANAGEMENT AND BUDGET

July 17, 2018

Mr. Mark J. Keller
Senior Account Manager
Delta Dental Plan of Minnesota
500 Washington Avenue South, Suite 2060
Minneapolis, MN 55415

Dear Mark:

This letter is to confirm the dental rates for plan year 2019 for the State Dental Plan administered by Delta Dental Plan of Minnesota.

Please sign and return a copy of this letter for verification by 3:00 p.m. Wednesday, July 18, 2018.

2019 Monthly Premium Rates

The following represents the final 2019 monthly premium rates and administrative fees:

	Employee	Dependent	Family
• Final 2019 Monthly Premium Rates	\$39.84	\$78.04	\$117.88
• Final 2019 Monthly Administrative Fees	\$2.44		\$6.73
\$2.16 pmpm (conversion factors: 1.1308/3.1172 Single/Family)			

2019 Plan Design Changes

Increased In Network coverages from 50% to 80%, sealants being treated as preventive care with no co-pay, dependent and age references for orthodontia removed, implants covered at 80%, annual maximum increased to \$2000.

2019 claim target for the State Dental Plan

\$34.79 pmpm

Authorized Signature

Date

7/18/18

Sincerely,

Shari Horsman

Manager, Contracts & Networks, State Employee Group Insurance Program

Phone (651) 259-3712

E-mail: shari.horsman@state.mn.us

TABLE 9(v): Collectively Bargained Benefits with assuming the 2018 Premier fee schedule increases to 2%, and the pricing necessary to get to the requested target SDP to Premier fee ratios

Required Premium PMPM

6/1/2018

Description	Cost PMPM
PMPM claims cost for experience period (Grand Total -- TABLE 3)	1 \$ 29.01
Aggregate trend factor (line 5 -- TABLE 4(v))	2 1.0211
Claims costs trended to rating period	3 \$ 29.62
Actuarial value of 2018 contract changes (Total -- TABLE 5)	4 \$ -
Actuarial value of proposed 2019 contract changes (Total -- TABLE 6A)	5 \$ 5.17
Estimated claims cost for rating period	6 \$ 34.79
Administrative costs PMPM (Total -- TABLE 7)	7 \$ 2.16
Other PMPM costs (Total -- TABLE 8)	8 \$ -
Required premium PMPM	9 \$ 36.95

TABLE 10(v): Collectively Bargained Benefits with assuming the 2018 Premier fee schedule increases to 2%, and the pricing necessary to get to the requested target SDP to Premier fee ratios

2019 Calculated and Proposed Rates

Step 1.

6/1/2018

Conversion Factor Calculation

	Contract Mix	Average Contract Size	Rate Ratio	Conversion Factor
Employee	1 44.7%	4 1.00	7 1.00	10 1.1308
Family	2 55.3%	5 3.23	8 2.7566	11 3.1172
Total	3 100.0%	6 2.23	9 1.97	

Step 2.

2019 Rate Calculation

	Employee	Family
Required Premium PMPM	12 \$ 36.95	15 \$ 36.95
Conversion Factor	13 1.1308	16 3.1172
2019 Calculated Rates	14 41.78	17 115.18

Step 3.

2019 Proposed Rates versus 2018 Rates

	Employee	Family	Dependent
2019 Calculated Rates	18 \$ 41.78	19 \$ 115.18	20 \$ 73.40
2019 Proposed Rates	21 \$ 39.53	22 \$ 116.99	23 \$ 77.46
2018 Rates	24 \$ 34.36	25 \$ 101.68	26 \$ 67.32
Percent Change	27 115.06%	28 115.06%	29 115.06%

*Fill in either the calculated rates or the rates your plan is proposing. If the proposed rates are different than the calculated rates please provide a detailed development of the adjustment that is applied to the calculated rate (i.e. the rate from TABLE 8) to derive the

Note: MMB expects the same rate change for single and family coverage.

mn MANAGEMENT AND BUDGET

July 17, 2018

Mr. Paul E. Rudeen, FSA, MAAA
 Vice President and Actuary
 Securian Financial Group, Inc.
 400 Robert Street North
 Saint Paul, MN 55101-2098

Dear Paul:

This letter is to confirm acceptance of the life insurance and AD&D benefit programs and rates for the plan year 2019 offered by Minnesota Life Insurance Company for the State of Minnesota Employee Group Insurance Program.

Please sign a copy of this letter for verification by 3:00 p.m. Wednesday, July 18, 2018.

2019 Monthly Premium Rates: The following represents the final 2019 monthly premium rates:

	Plan	2019 Proposed Rates per \$1,000
Proposed 2019 Monthly Premium Rates		
• Employer Paid Life	Managers	\$0.228
	Non-Managers	\$0.161
• Employer Paid AD&D	AD&D	\$0.015
• Employee Paid (Life & AD&D)	Under age 30	\$0.06
	Age 30-34	\$0.08
	Age 35-39	\$0.09
	Age 40-44	\$0.11
	Age 45-49	\$0.19
	Age 50-54	\$0.35
	Age 55-59	\$0.55
	Age 60-64	\$0.90
	Age 65-69	\$1.45
	Age 70-74	\$2.35
	Age 75-79	\$3.80
	Age 80-84	\$6.15
	Age 85-89	\$12.30
	Age 90	\$17.10
	Age 91	\$18.81
	Age 92	\$20.69
	Age 93	\$22.76

m MANAGEMENT AND BUDGET

July 17, 2018

Ms. Joanne Roff, GBDS, VBS
Senior Client Relationship Manager
The Hartford - Group Benefit Sales
5600 West American Boulevard
Bloomington, MN 55437

Dear Joanne:

This letter is to confirm acceptance of the Short-Term and Long-Term Disability benefit programs and rates for the plan year 2019 offered by The Hartford for the State of Minnesota Employee Group Insurance Program.

Please sign a copy of this letter for verification by 3:00 p.m. Wednesday, July 18, 2018.

2019 Monthly Premium Rates: The following represents the final 2019 monthly premium rates:

Proposed 2019 Monthly Premium Rates

Plan	2019 Proposed Rates
• Unit 001	
30 day E.P.	\$0.32
60 day E.P.	\$0.29
90 day E.P.	\$0.26
120 day E.P.	\$0.24
150 day E.P.	\$0.22
• Unit 002, 003, & 004	
STD	\$1.54
LTD	\$0.54

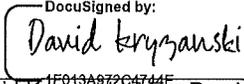
Plan Design Changes

No plan design changes were accepted for the 2019 plan year.

Sincerely,



Shari Horsman
Manager, Contracts & Networks, State Employee Group Insurance Program
Phone (651) 259-3712
E-mail: shari.horsman@state.mn.us

Authorized Signature 
David Kryzanski, Vice President
Date July 18, 2018

DEPARTMENT OF ADMINISTRATION—WORKERS' COMPENSATION REVOLVING FUND

Services Provided

The Workers' Compensation Program is made up of four units as follows:

Claims Management

- Determines liability and either contests or pays workers' compensation claims filed against the state by its employees
- Direct the efforts to return injured employees back to the job, recover costs from negligent third parties, and seek final resolutions for all claims

Legal Services

- Represents state agencies in workers' compensation disputes to protect the legal interests of the state

Safety and Hygiene Unit

- Provides consultative resources to all state agencies
- Help identify and correct workplace safety hazards that put employees at risk for work related injury or illness
- Provides worker exposure assessments, indoor air quality surveys, employee training, and safety program development

OMB Uniform Guidance, 2 CFR part 200, subpart 200.431(c)

- *"The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and workers compensation insurance...are allowable..."*

How Rates are Computed

Rates are based on the actual cost of claims plus administrative expense for each state agency.

Fund 2001

Workers Compensations Revolving Account
Fiscal Year 2020 Summary

Appropriation Unit	Administration G021221	Premium Pool G021222	State Employees (PAYG) G021223	Summary
Revenue:				
Receipts	<u>\$33,113</u>	<u>\$5,920,764</u>	<u>\$26,137,449</u>	<u>\$32,091,326</u>
	\$33,113	\$5,920,764	\$26,137,449	\$32,091,326
Expenses:				
Expenditures	3,509,619	5,791,561	22,815,669	32,116,850
Encumbrances	<u>140,249</u>	<u>7,561</u>	<u>5,756</u>	<u>146,005</u>
	<u>3,649,868</u>	<u>5,799,122</u>	<u>22,821,426</u>	<u>32,262,855</u>
Operating Income/(Loss)	(3,616,755)	121,642	3,316,023	(171,529)
Other Sources or Uses				
Transfers In/ (Out)	<u>3,973,792</u>	<u>(1,006,364)</u>	<u>(2,967,428)</u>	<u>-</u>
Net Income or (Loss)	357,037	(884,722)	348,595	(179,090)
Prior Balance Forward Out (Beginning Account Balance)	958,603	5,201,477	4,490,165	10,650,244
Adjustments to Prior Period receipts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Current Balance Forward In	<u>958,603</u>	<u>5,201,477</u>	<u>4,490,165</u>	<u>10,650,244</u>
Balance Forward Out (Ending Account Balance)	1,315,640	4,316,755	4,838,759	10,471,154
Less: Original Appropriated Balance	<u>-</u>	<u>-</u>	<u>3,437,690</u> *	<u>3,437,690</u>
Accumulated Account Balance	<u>\$ 1,315,640</u>	<u>\$ 4,316,755</u>	<u>\$ 1,401,069</u>	<u>\$ 7,033,464</u>
				\$26,325,288 Expenditures in "Administration" & "Claims Paid"
			**	4,387,548 "Administration" & "PAYG" Allowable reserves (60 days operating costs)
				<u>3,800,000</u> "Premiums" recommended reserves
				<u>8,187,548</u> Allowable Reserves
				<u>\$ (1,154,084)</u> Excess Reserves

* The Program's State Compensation Revolving Fund, a Special Revenue Fund from which workers' compensation payments are made, was created during the 1934 legislative session. Over the years, the General Fund and other funds have contributed a total of \$3,437,690. These dollars are used to make workers' compensation payments for the pay-as-you-go agencies until they are reimbursed to the Fund by the injured employee's state agency, the Special Compensation Fund, the Workers' Compensation Reinsurance Association, or recovered from a subrogation claim.

** Oliver Wyman Actuarial Consulting Inc has done two reviews of the 'Premium Pool' reserves. The first in 2007 and the second in 2014. The recommended reserves were \$3,233,000 from 2007 to 2013. In 2014, the recommendation was to increase the reserves to \$3,800,000

BUDGET_PERIOD	2020
LEDGER	ACTUALS
FUND_CODE	2001

Sum of SumOfMONETARY_AMOUNT CHARTFIELD3	Agency	CUST_NAME	Total
G021223	-	-	(1,575,147.49)
	B42	LABOR AND INDUSTRY DEPT	(1,449,936.94)
	E26	MN STATE COLLEGES/UNIVERSITIES	(4,738,506.79)
	E40	HISTORICAL SOCIETY	(139,101.86)
	G06	ATTORNEY GENERAL	(21,160.92)
	G62	MINN STATE RETIREMENT SYSTEM	(6,694.84)
	G63	PUBLIC EMPLOYEES RETIREMENT ASSOC	(7,573.92)
	H55	HUMAN SERVICES DEPT	(7,344,611.09)
	H75	VETERANS AFFAIRS DEPT	(1,589,498.61)
	J70	JUDICIAL STANDARDS BOARD	(158.44)
	P78	CORRECTIONS DEPT	(4,056,870.17)
	R29	NATURAL RESOURCES DEPT	(1,265,635.58)
	T79	TRANSPORTATION DEPT	(3,942,551.85)
G021223 Total			(26,137,448.50)
G021222	-	-	(397,783.10)
	B42	LABOR AND INDUSTRY DEPT	(602,244.31)
	H75	VETERANS AFFAIRS DEPT	(29,484.00)
	P01	MILITARY AFFAIRS DEPT	(308,930.00)
	B04	AGRICULTURE DEPT	(148,678.00)
	G09	GAMBLING CONTROL BOARD	(1,618.00)
	G39	GOVERNORS OFFICE	(3,629.00)
	J50	GUARDIAN AD LITEM BOARD	(76,418.00)
	G03	LOTTERY	(63,682.00)
	J33	TRIAL COURTS	(309,150.00)
	H7W	PHYSICAL THERAPY BOARD	(170.00)
	G17	HUMAN RIGHTS DEPT	(26,766.00)
	E77	ZOOLOGICAL BOARD	(257,036.00)
	E44	MN STATE ACADEMIES	(178,153.00)
	B34	HOUSING FINANCE AGENCY	(22,001.00)
	G02	ADMINISTRATION DEPT	(351,409.00)
	H7R	VETERINARY MEDICINE BOARD	(170.00)
	R32	POLLUTION CONTROL AGENCY	(63,277.00)
	B41	WORKERS COMP COURT OF APPEALS	(13,387.00)
	B13	COMMERCE DEPT	(82,793.00)
	J58	COURT OF APPEALS	(4,425.00)
	H7J	OPTOMETRY BOARD	(170.00)
	H7C	NURSING BOARD	(2,276.00)
	E25	PERPICH CENTER FOR ARTS EDUCATION	(12,322.00)
	G9J	CAMPAIGN FINANCE BOARD	(442.00)
	B82	PUBLIC UTILITIES COMM	(2,696.00)
	H7L	SOCIAL WORK BOARD	(1,090.00)
	G67	REVENUE DEPT	(240,394.00)
	000	MN STATE FAIR	(135,874.00)
	L10	LEGISLATIVE COORDINATING COMMISSION	(15,157.00)
	L12	MN HOUSE	(26,227.00)
	H9G	OMBUDSMAN MH/DD	(931.00)

G021222

B22	EMPLOYMENT & ECONOMIC DEVELOPMENT	(273,503.00)
G38	INVESTMENT BOARD	(1,080.00)
B20	EXPLORE MINNESOTA TOURISM	(20,797.00)
H7Q	PODIATRIC MEDICINE	(170.00)
H60	MNSure	(10,437.00)
L11	SENATE	(41,791.00)
H7F	DENTISTRY BOARD	(490.00)
H7U	DIETETICS & NUTRITION PRACTICE	(170.00)
G45	MEDIATION SERVICES DEPT	(3,097.00)
E9W	HIGHER ED FACILITIES AUTHORITY	(170.00)
G53	SECRETARY OF STATE	(4,767.00)
G61	OFFICE OF THE STATE AUDITOR	(16,952.00)
G9L	COUNCIL FOR MINNESOTANS OF AFRICAN HERIT	(196.00)
B9D	AMATEUR SPORTS COMM	(170.00)
B14	ANIMAL HEALTH BOARD	(3,448.00)
P7T	PEACE OFFICERS BOARD (POST)	(1,572.00)
P9E	SENTENCING GUIDELINES COMM	(294.00)
R9P	WATER & SOIL RESOURCES BOARD	(8,148.00)
E37	EDUCATION DEPARTMENT	(132,099.00)
H7K	NURSING HOME ADMIN BOARD	(624.00)
P07	PUBLIC SAFETY DEPT	(1,324,334.00)
G9Y	DISABILITY COUNCIL	(539.00)
H7H	CHIROPRACTIC EXAMINERS BOARD	(1,762.00)
L49	LEGISLATIVE AUDITOR	(3,485.00)
B7S	PRIVATE DETECTIVES BOARD	(170.00)
H7B	MEDICAL PRACTICE BOARD	(1,275.00)
H7V	PSYCHOLOGY BOARD	(442.00)
B7P	ACCOUNTANCY BOARD	(247.00)
H7D	PHARMACY BOARD	(1,030.00)
G9K	ADMINISTRATIVE HEARINGS	(6,474.00)
G46	MN.IT Services	(239,128.00)
G9X	CAPITOL AREA ARCHITECT	(196.00)
H7S	EMERGENCY MEDICAL SERVICES BD	(5,936.00)
J65	SUPREME COURT	(44,714.00)
G19	INDIAN AFFAIRS COUNCIL	(384.00)
J52	PUBLIC DEFENSE BOARD	(78,421.00)
B24	PUBLIC FACILITIES AUTHORITY	(442.00)
G92	OMBUDSPERSON FOR FAMILIES	(7,825.00)
B7E	ARCHITECTURE, ENGINEERING BD	(343.00)
H7X	BEHAVIORAL HEALTH & THERAPY BD	(245.00)
G69	TEACHERS RETIREMENT ASSOC	(7,701.00)
B11	COSMETOLOGIST EXAMINERS BOARD	(2,840.00)
G9N	ASIAN-PACIFIC COUNCIL	(245.00)
J68	TAX COURT	(441.00)
E60	OFFICE OF HIGHER EDUCATION	(3,138.00)
H7M	MARRIAGE & FAMILY THERAPY BD	(170.00)
B43	IRON RANGE RESOURCES	(51,435.00)
G10	MINNESOTA MANAGEMENT & BUDGET	(15,603.00)
G05	RACING COMMISSION	(981.00)
E50	ARTS BOARD	(931.00)
B15	BARBER EXAMINERS BOARD	(636.00)
H12	HEALTH DEPT	(220,298.00)

G021222	G9M	MINNESOTA COUNCIL ON LATINO AFFAIRS	(196.00)
G021222 Total			(5,920,764.41)
G021221	-	-	(26,923.32)
B42		LABOR AND INDUSTRY DEPT	(65.00)
E26		MN STATE COLLEGES/UNIVERSITIES	(1,355.00)
G62		MINN STATE RETIREMENT SYSTEM	(130.00)
H55		HUMAN SERVICES DEPT	(510.00)
H75		VETERANS AFFAIRS DEPT	(260.00)
P78		CORRECTIONS DEPT	(260.00)
R29		NATURAL RESOURCES DEPT	(455.00)
T79		TRANSPORTATION DEPT	(960.00)
P01		MILITARY AFFAIRS DEPT	(65.00)
B04		AGRICULTURE DEPT	(65.00)
J33		TRIAL COURTS	(180.00)
E77		ZOOLOGICAL BOARD	(130.00)
E44		MN STATE ACADEMIES	(130.00)
G02		ADMINISTRATION DEPT	(325.00)
R32		POLLUTION CONTROL AGENCY	(180.00)
B41		WORKERS COMP COURT OF APPEALS	(65.00)
B13		COMMERCE DEPT	(130.00)
G67		REVENUE DEPT	(125.00)
000		HENNEPIN COUNTY	(130.00)
		ST CLOUD HOSPITAL	(90.00)
B22		EMPLOYMENT & ECONOMIC DEVELOPMENT	(125.00)
P07		PUBLIC SAFETY DEPT	(65.00)
G46		MN.IT Services	(65.00)
T9B		METROPOLITAN COUNCIL/TRANSPORT	(65.00)
J52		PUBLIC DEFENSE BOARD	(65.00)
G92		OMBUDSPERSON FOR FAMILIES	(130.00)
B43		IRON RANGE RESOURCES	(65.00)
G021221 Total			(33,113.32)



**RISK MANAGEMENT DIVISION
Workers' Compensation
Fund 2001**

**FISCAL YEARS 2020
Business Plan**

April 22, 2019
Gary Westman, Director
Department of Administration
Risk Management Division/Workers' Compensation
658 Cedar Street
St. Paul, MN 55155
Phone: 651/201-3030
Fax: 651/297-5471
E-mail address: gary.westman@state.mn.us
Web site: www.mn.gov/admin/risk/

TABLE OF CONTENTS

Department of Administration	1
Executive Summary	3
The Business	5
Description of Business	5
Products and Services	10
Marketing	17
Competition	20
Financial Outlook	23
Financial Data	27
Financial Statement	36
Supporting Information	43

Executive Summary

Who we are and what we do

The Risk Management Division’s (RMD) Workers’ Compensation Program (Program) exists to provide workers’ compensation insurance coverage and related services to state agencies and employees.

Our goals for FY20

We have the following goals:

- Control workers’ compensation costs for state agencies
- Continue to deliver excellent service to our partners
- Reduce both the frequency and severity of work injuries
- Upgrade existing claims system and improve our risk analytics capabilities by implementing an enterprise-wide safety management system
- Sustain and promote Minnesota Safety Accountability from Everyone (MnSAFE) initiative
- Continue an advocacy-based claims management model that promotes better claim outcomes, thus lowering workers’ compensation costs

Our proposed rates

The rate for managed care services will be increasing from \$2.72 to \$2.80 for FY20. Should the state not continue to realize a return on its investment with the 24/7 nurse triage services, which is part of the managed care services, the state can opt out of this service with 30 days written notice, lowering the managed care services rate by \$.20.

We are proposing 2% increases to the Workers’ Compensation Program’s administrative fee in FY20. These increases amount to \$68,620, bringing the fee total to \$3,499,608 in FY20. In past years, interest earnings were used to offset expenses that were not being covered by the administrative fee. As interest earnings diminished, this practice no longer covered the difference. From FY04 through FY12 the administrative fee remained the same, then increased in FY13 where it remained the same until an increase in FY16. The combination of diminished interest earnings and no administrative fee increases for multiple years resulted in the fund balance falling below the minimum balance the fund has required since its inception. The increase is needed to:

- Continue current level of services
- Pay salaries and other operating expenses
- Upgrade existing claims system and implement an enterprise-wide safety management system
- Achieve the performance results specified in this plan

Fiscal Year	2002	2004		2013		2016	2017	2018	2019	2020
Program Admin Fees	\$2,936,000	\$2,496,000		\$2,620,800		\$2,819,873	\$3,070,922	\$3,347,305	\$3,430,988	\$3,499,608

Our successes, challenges, and economic and legislative impacts

Successes

- Achieved a 95.5% prompt first action score for CY 2018 from the Minnesota Department of Labor and Industry (DLI), surpassing the 94.5% score for self-insured employers and the overall score of 90.0%
- Achieved a 29% reduction through FY18 in the workers' compensation claim incident rate since MnSAFE's inception in FY12
- Achieved a premium pool surplus of \$1,086,639 that will be applied to FY20 premiums for participants in the premium pool
- Completed first statewide safety perception survey involving 48 agencies and had over 19,000 employees participate in FY17 with planning underway for the second survey in FY19

Challenges

- Continuing to control workers' compensation benefit costs
- The trend of reducing our workers' compensation incident rate under MNSAFE is slowing after it decreased by nearly 29% over the past 7 years
- Tracking and analyzing workers' compensation loss data across the enterprise without a comprehensive safety management system
- Aging workforce and potential team member retirements
- Challenges in hiring experienced claim/insurance professionals

Economic Impacts

- Frequency and severity of claims impacts total costs
- Condition of the financial and insurance markets impacts the state's reinsurance rate

Legislative Impacts

- Changes to workers' compensation laws through legislation or administrative rules can impact costs either positively or negatively
- Interpretation of the laws years later by the workers' compensation court system can also have a significant financial impact to our business

Projected FY20 financial activities

	FY20
Revenue	\$30,657,110
Expenses	\$30,195,157
Year-end Retained Earnings	\$14,614,693
Working Capital	\$5,022,125
Full Time Equivalents	26.9
Overall Rate Change	.01%

The Program needs to maintain reserves sufficient to cover benefit payments

The Business

Description of Business

The Program exists to provide workers' compensation insurance coverage and related services to state agencies and employees.

How the business was created

- Statutory authority – M.S. 176.541
- Year created - 1927
- Purpose – The self-insured Program provides self-administered workers' compensation insurance coverage to state agencies and their employees
- Type of fund – A Special Revenue Fund from which workers' compensation payments are made

Significant historical change

- 1984 – The Program joined the Workers' Compensation Reinsurance Association (WCRA)
- 1987 – The Program was transferred from the DLI to the Minnesota Department of Employee Relations
- 1997 – The Safety and Loss Control Unit (SLC) was formally recognized
- 2003 – Premium pool offered to provide a more stable, predictable method of funding workers' compensation costs for state agencies
- 2007 – The Program became part of the RMD in the Minnesota Department of Administration

Significant aspects of the business

Our program consists of two separate partner types based on the way they pay for workers' compensation coverage.

- **Pay-as-you-go program:** Over the years, the General Fund and other funds contributed a total of \$3,437,690 to our State Compensation Special Revenue Fund (Fund). The Fund is also reimbursed by DLI's Special Compensation Fund, the WCRA, and by subrogation recoveries. WCRA and subrogation recoveries are credited to the agencies. After making claim payments, state agencies are invoiced for payments made on their behalf during the prior month, thus a pay-as-you-go system.

The following state agencies are pay-as-you-go partners:

1. Department of Human Services (DHS),
2. Department of Transportation (DOT),
3. Department of Natural Resources (DNR),
4. Minnesota State Colleges and Universities (Minnesota State),
5. Department of Corrections (DOC),
6. Veterans Homes,
7. Attorney General (AG),

8. Historical Society,
 9. Minnesota State Retirement System (MSRS),
 10. Public Employees Retirement Association (PERA), and
 11. Judicial Standards Board.
- **Premium Pool:** The premium pool was given \$1 million during the 1997 legislative session from the General Fund to pay for one-time catastrophic workers' compensation claim expenditures. After legislative changes in 1999 allowing state agencies to utilize the funds as a workers' compensation alternative cost allocation account for funding workers' compensation payments, the premium pool was started in FY03.
 1. Annual rate calculations for the premium pool are computed based on a formula developed by an actuary from Oliver Wyman Actuarial Consulting, Inc. The rate is based on the previous 5-year average agency loss experience. The premium for FY20 is included in this plan.
 2. Participation in the premium pool provides participating state agencies with predictable and stable workers' compensation costs. This occurs simply because larger numbers bring a stabilizing effect for even the smallest participating agency.
 3. Participation in the premium pool protects agencies from catastrophic losses. In addition, agencies do not have to use other funds from their operating budgets or be in a position where they have to seek emergency legislative funding to meet workers' compensation obligations.
 4. The premium pool provides our claims management team with the flexibility to settle claims when it is in the best interest of the agency to limit long-term financial obligations.
 5. Because the rate is experience based, there is a strong incentive to enhance and continue loss control activities already in place in most agencies.
 - **Reinsurance:** The state and all other insurers and self-insured employers in Minnesota are required to purchase workers' compensation reinsurance through the WCRA.
 1. The Program is responsible for paying annual reinsurance premiums from an open appropriation, per M.S. 79.34 Subd. 1 (2).
 2. The premium for FY20 is estimated to be \$660,000.
 3. The WCRA offers four retention limits, or deductibles, and the state has selected the super retention level, which is \$2,000,000 for CY19, and it is anticipated that the super retention levels might increase slightly in CY. The state chose not to elect the highest retention level of \$5,000,000, which became available January 1, 2018, primarily due to the potential adverse cost impact this decision could have in the event of a catastrophic loss.
 4. The state is reimbursed for payments on single occurrence claims over and above the retention level.
 5. Automatic annual changes to the retention limits were changed by the 2016 legislature, and future changes are based on indemnity and medical inflation, benefit changes, amount of risk transferred, rate impacts, etc. The WCRA Board

of Directors make recommendations for changes to retention limits that require approval by the Commissioner of DLI.

- **Special Assessment:** We pay a special assessment to DLI from the Fund.
 1. The assessment is included in premium pool calculations and is also invoiced on a monthly basis to the pay-as-you-go agencies.
 2. Self-insured employers are currently being assessed 14.4% of wage loss benefits paid (i.e. indemnity benefits).
 3. We anticipate paying \$675,098 in special assessments in FY19.
 4. Most of the assessment dollars fund supplemental and second-injury benefits.
 5. The assessment also funds the operating expenses of the Workers' Compensation Division at DLI, the Office of Administrative Hearings, and the Workers' Compensation Court of Appeals.

Our location, hours, and website

310 Centennial Office Building
658 Cedar St
St Paul, MN 55155

Hours: 6:30 am to 5:30 pm M-F

Website: www.mn.gov/admin/risk/

Our partnerships

- **State Agencies:** We partner with state agencies to reduce costs by focusing on accident prevention, job modifications, and early return-to-work programs.
 1. We organize agency roundtable discussion meetings with workers' compensation coordinators as needed. The purpose of the meetings is to provide information regarding the program, seek advice regarding major program initiatives and discuss workers' compensation issues at the agency level.
 2. We have a Premium Pool Advisory Group. This group meets on an ad hoc basis, and provides direction to us regarding the premium pool.
 3. The SLC coordinates an Interagency Safety and Health Committee that meets every other month and provides the SLC with guidance and advice on statewide loss control activities and initiatives.
- **Managed Care Vendor:** We contract with a certified managed care vendor to provide workers' compensation managed care services. The managed care vendor provides 24/7 nurse triage and other services to help injured state employees seek care regardless of the time and place of the injury.
- **AG's Office:** The AG's Office assists us in providing legal defense for workers' compensation claims by appointing Special Assistant Attorneys General.

- **Risk Management Information System Vendor:** We contract with a risk management information system vendor to provide workers' compensation claim software development, maintenance, and hosting services.

Our strengths, weaknesses, opportunities, and threats/risks/vulnerabilities

Strengths

- Experienced team members managing workers' compensation claims and their knowledge about the operations of individual state agencies
- Administrative costs below insurance industry operating ratios
- An actuarial analysis of the pay-as-you-go program completed in FY18 supports the administrative fee rates proposed in this plan, which ensure that we have adequate reserve funds to meet our obligations and that we continue to achieve the results recognized from this independent analysis:
 - Loss rates per \$100 of payroll decreasing annually
 - Both number of and frequency of claims decreasing
 - Stable claim severity as measured by the average cost of a claim
- Contributions by iRISK, our claim system, provides efficiencies and greater internal controls
- Participation in a certified managed care plan that provides enhanced services, which include advocacy-based nurse triage services
- Sponsorship of a highly valued annual conference

Weaknesses

- Challenges in hiring experienced claim/insurance professionals
- An aging workforce resulting in retirements of experienced team members
- Impact on state agency budgets related to workers' compensation settlements for pay-as-you-go agency partners
- Lack of an enterprise-wide safety management system

Opportunities

- Make enhancements to iRISK and maintain upgrade schedule to take full advantage of system functionality
- Continue statewide coordination of the safety perception survey with findings leading to actions that positively impact MnSAFE results
- Explore expanding the advocacy-based claims management model beyond the nurse triage services
- Participate in the department's document management system initiative

Threats

- Changes to workers' compensation laws and changes brought about by the interpretation of those laws can impact workload and have increased cost impact for state government.
- Competitive insurance market for recruiting and retaining personnel
- Complacency with statewide safety efforts can reduce injury reduction results

Major Accomplishments

- Achieved a 95.5% prompt first action score in CY18 from DLI surpassing the 88.5% score for insurance companies, the 94.5% score for self-insured employers and the overall score of 90.0%
- Achieved nearly a 29% reduction through FY18 in the workers' compensation claim incident rate since MnSAFE's inception in FY12
- Achieved a premium surplus of \$1,086,639 that will be applied to FY20 premiums for participants in the premium pool
- Completed first statewide safety perception survey involving 48 state agencies, and we had over 19,000 state employees participate in FY17

Cost Saving Measures

- Increased timely initial reporting of claims which has been proven to reduce overall claim costs
- Continuing lower costs for pharmacy benefit management services provided by our managed care partner
- Reducing both employee time missed from work and medical costs associated with initial health care treatment due to 24/7 nurse triage service being able to better direct injured employees to more efficient health care
- Total workers' compensation benefit payments in four of the past six years were lower than the total benefit payments made in FY11

Other key/significant business/financial information that is important to our business

- Interpretation of the laws years later by the workers' compensation court system can have a significant financial impact to our business
- Changes made to workers' compensation laws through legislation or administrative rules can impact our costs either positively or negatively

Products and Services

Our main products/services and the benefits to our partners

We provide workers' compensation coverage to all state agencies and quasi-state agencies and their employees and volunteers as defined in M.S. 176. Workers' compensation insurance is a no-fault coverage provided to employees if they are injured within the course and scope of their employment. In general, the exclusive remedy for an employee injured in the workplace is recovery of benefits under the Workers' Compensation law.

We provide services through three distinct units:

- Claims management
- Safety and loss control
- Legal defense

Program administration: We collect administrative fees from our partners to pay for operating costs for claims management, administrative support, and safety and loss control services. While the Program continues to manage its controllable expenses and leverages technology to improve efficiencies, we project operating costs to slightly increase.

We are proposing a 2% increase to the Workers' Compensation Program's administrative fee in FY20. This amounts to \$68,620 in FY20, bringing the fee total to \$3,499,608. The increase is needed to:

- Continue current level of services
- Pay salaries and other operating expenses
- Upgrade existing claims system and implement an enterprise-wide safety management system
- Achieve the performance results specified in this plan

Fiscal Year	2002	2004		2013		2016	2017	2018	2019	2020
Program Admin Fees	\$2,936,000	\$2,496,000		\$2,620,800		\$2,819,873	\$3,070,922	\$3,347,305	\$3,430,988	\$3,499,608

1. Claims Management

The claims management unit administers all workers' compensation claims filed by state employees in accordance with Minnesota's workers' compensation laws. The unit works with injured employees, agencies, DLI, vocational rehabilitation specialists, the managed care vendor, the WCRA, attorneys, and medical providers to determine compensability, administer, and resolve state employee workers' compensation claims.

Our claims management services are tailored to meet the needs of individual state agencies. We work directly with agency human resource professionals and involve them in the decision making process as necessary.

The first step in managing a claim is determining eligibility for workers' compensation benefits. This process begins with the employer submitting a First Report of Injury through SEMA4 self-service to iRISK, the Program's claims management system. The Claims Management Unit then investigates the details of the claim to determine whether the injury or illness is work related. If the investigation shows that benefits are payable, there are four main types of benefits an injured employee may be entitled to:

- Wage replacement benefits
 - A. **Temporary Total Disability Benefits** are paid to employees who are unable to return to work in any capacity on a temporary basis. These benefits are paid at two-thirds of the average gross weekly wage the injured employee earned on the date of the injury, subject to maximums and minimums. There may be limitations on the duration of these benefits, depending on the statute in effect on the date of injury.
 - B. **Temporary Partial Disability Benefits** are paid to an employee who, due to the effects of the injury, returns to work at reduced wages or hours. These benefits are calculated at two-thirds of the difference between the employee's gross average weekly wage on the date of injury and his or her current gross wage, subject to maximum limits. These benefits are generally payable until the current earnings equal the wage at the time of the injury.
 - C. **Permanent Total Disability Benefits** are paid to an injured employee who is unable to sustain any gainful employment. The effects of the work injury need only be a substantial contributing factor in the employee's inability to work, not necessarily the sole cause. These benefits are generally equal to two-thirds of the employee's date-of-injury gross wage, subject to minimums and maximums and are payable to age 67 or for life depending on the statute in effect on the date of the injury.
 - D. **Dependency Benefits** are paid to the spouse and/or dependents should an employee die as the result of a work-related incident. The benefits are payable based upon the employee's earnings, number of dependents, and the law in effect on the date of death.
- Payment for loss of body function

Permanent Partial Disability Benefits are benefits that compensate the injured employee for loss of use or permanent damage to an injured body part. The amount of loss of use is determined in accordance with the permanent partial disability schedule maintained by DLI.
- Medical care

Payments for medical expenses are limited by a fee schedule maintained by DLI. The health care provider is prohibited from asking the employer or the employee to pay the difference between the billed amount and the maximum allowed by fee schedule. We also reimburse the employee for mileage expenses and lost wages for attending medical appointments resulting from a compensable work-related injury.

To complement the services provided by claims management, we contract with a managed care plan that is certified and regulated by DLI and is governed by Minnesota rules. The state's certified managed care program through CorVel, monitors medical care for state employees injured at work. The injured employee is entitled to payment for all reasonable and necessary medical expenses for life as long as the care is related to a compensable injury or illness and if the rules of the managed care program are followed. The state utilizes a certified plan largely due to the compliance requirements it places upon employees. Employee compliance with the plan is set forth in rules.

The managed care program provides the following services:

- A. **Medical Provider Network:** The statewide network includes primary care providers, specialized occupational medicine providers, and all health care disciplines necessary to offer quality health care services to injured state employees.
- B. **Nurse Triage Services:** The managed care program provides a 24/7 nurse triage service. Registered nurses are available to receive calls from injured employees, supervisors, and workers' compensation coordinators. Employees are encouraged to call the nurse triage service to receive first-aid recommendations, or to answer questions that they have about their injury or medical care, or if they need a referral to a medical provider
- C. **Medical Case Management:** This unit provides continuous review of medical treatment employees receive for their work-related injuries or illness; in other words, cases are followed until all medical issues are resolved. On-site nurse case management services can also be provided with these services being paid for on an hourly basis from the claim file.
- D. **Medical Bill Payment:** All medical bills are processed by the certified managed care organization, including reimbursement of medication charges incurred by the employee. An employer's liability for medical services is limited to the maximum fee allowed by the Minnesota Workers' Compensation Relative Value fee schedule for care needed to cure and provide relief from the effects of the injury. Providers in the managed care network are not prepaid nor are they paid on a capitated basis for their services.
- E. **Pharmacy Benefit Management Services:** CorVel's CCRx services include a pharmacy-preferred provider organization network, mail order services for employees on long-term drug regimens, a drug utilization review component, and formulary management.

The rate for managed care services will be \$2.80 for FY20. Included in this rate is a 24/7 nurse triage service as a point of first contact for employees who are injured on the job. The 24/7 nurse triage service offers first-aid and other medical advice to employees. The 24/7 nurse

triage service also offers employees the choice of receiving their initial medical care through telemedicine, which if employees agree to, connects employees with a health care provider for medical consultation and treatment. Because the 24/7 nurse triage service better directs injured employees to more efficient health care, initial data shows a reduction in both employee time missed from work and medical costs associated with initial health care treatment. Should the state not continue to realize a return on its investment with the 24/7 nurse triage services, the state can opt out of this service lowering the managed care services rate by \$.20. See the Six-Year Rate Comparison on page 30.

- **Rehabilitation Services**
Qualified Rehabilitation Consultants (QRCs) work with injured state employees, state agencies, workers' compensation specialists, medical providers, and other professionals to provide mandatory vocational rehabilitation services, under M.S. 176.102, to assist injured state employees in their recovery and to facilitate their return to work. Vocational rehabilitation is a proactive program directed at minimizing the impact of disability on each employee's physical capabilities as they relate to job performance.

Promoting early return to work of injured employees is desirable for a number of reasons. An employee's chance for successfully returning to his/her regular job increases if he/she returns to work soon (ideally within two weeks) after an injury occurs. Most employees are capable of doing some work activities within a few days of sustaining an injury.

2. Safety and Loss Control

State agencies, as employers, are required to provide "to each of its employees conditions of employment and a place of employment free from recognized hazards that are causing or are likely to cause death or serious injury or harm to its employees" (M.S. 182.653). The SLC is working to help agencies comply with this obligation by:

- Working to reduce frequency and severity of the most common injury types
- Increasing the level of safety competence across the state workforce through professional development opportunities and communication plans
- Establishing statewide accountability for workplace safety and loss control through various means including the Governor's statewide safety initiative, MnSAFE, and a statewide safety perception survey.
- Delivering high value loss control consulting services to stakeholders

Services by the SLC are delivered both directly and indirectly to state agencies through an enterprise-wide approach to loss control. Direct services include:

- Indoor air quality investigations
- Employee exposure monitoring
- Hazard identification
- Safety compliance consultation

- Control measure recommendations
- Loss data reporting

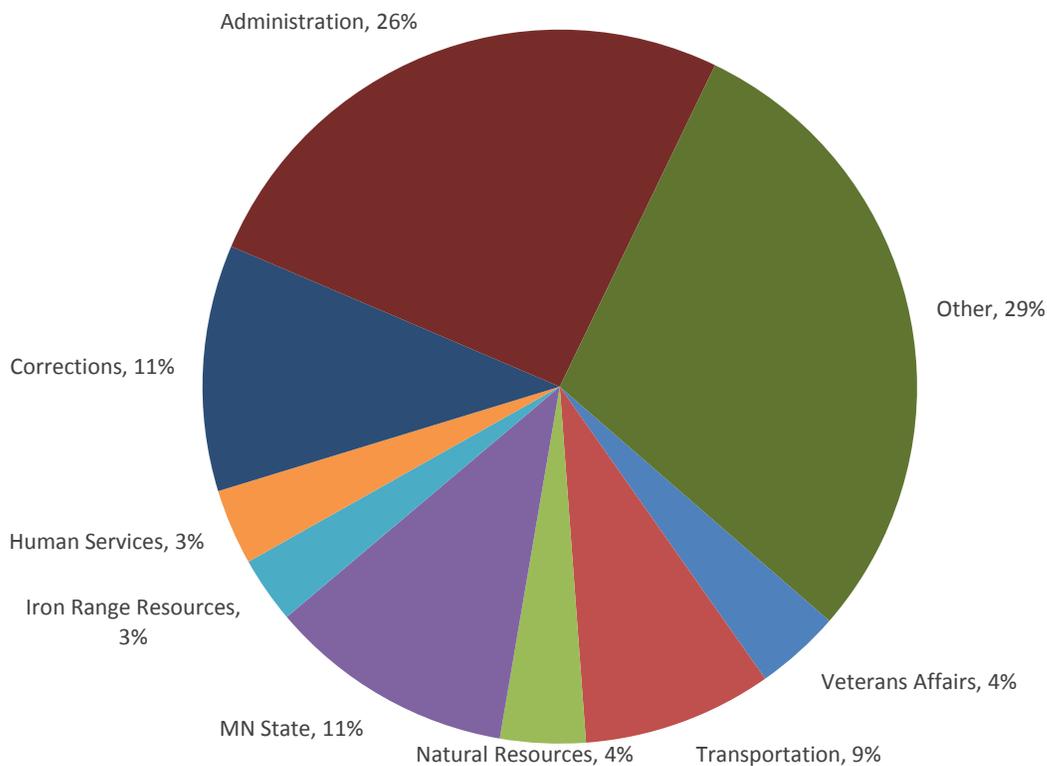
Enterprise-wide activities include:

- Safety consultation for labor negotiations
- Product and service procurement consultation
- Space leasing recommendations
- Building construction and maintenance guidelines

Several professional safety and health vendors exist in the open market. Their fees for service can cause agencies to balk or delay response to safety and occupational health issues identified by our partner agency personnel. Access to the SLC team, free of charge, provides a greater likelihood that agencies will respond in a timely manner to safety and occupational health concerns.

SLC’s partners are clients of the Program. The following chart indicates the distribution of SLC services for calendar year (CY) 18 by agency.

SLC Service Delivery by Agency
CY2018 (235 projects)



3. Legal Services

The law is not always clear about what benefits must be paid. Disagreements can arise regarding

- medical treatment
- rehabilitation issues
- payment of benefits
- any combination of these factors

Litigation occurs when there is an irreconcilable dispute involving these factors. This process is formal, most likely requiring legal counsel for the parties involved. The Legal Services Unit represents the employer (state agency) in these disputes.

To assist the Legal Services Unit, the AG may assume the duties of defending the state at any stage in the workers' compensation legal process and is required to do so if asked by us or a state agency. To provide these services, the AG's Office enters into supplemental agreements with private workers' compensation defense firms to appoint them as special attorneys general.

Disputed cases are presented at hearings that are conducted before an administrative law judge in the Minnesota Office of Administrative Hearings (OAH). Decisions from OAH may be appealed to the Minnesota Workers' Compensation Court of Appeals and from there to the Minnesota Supreme Court.

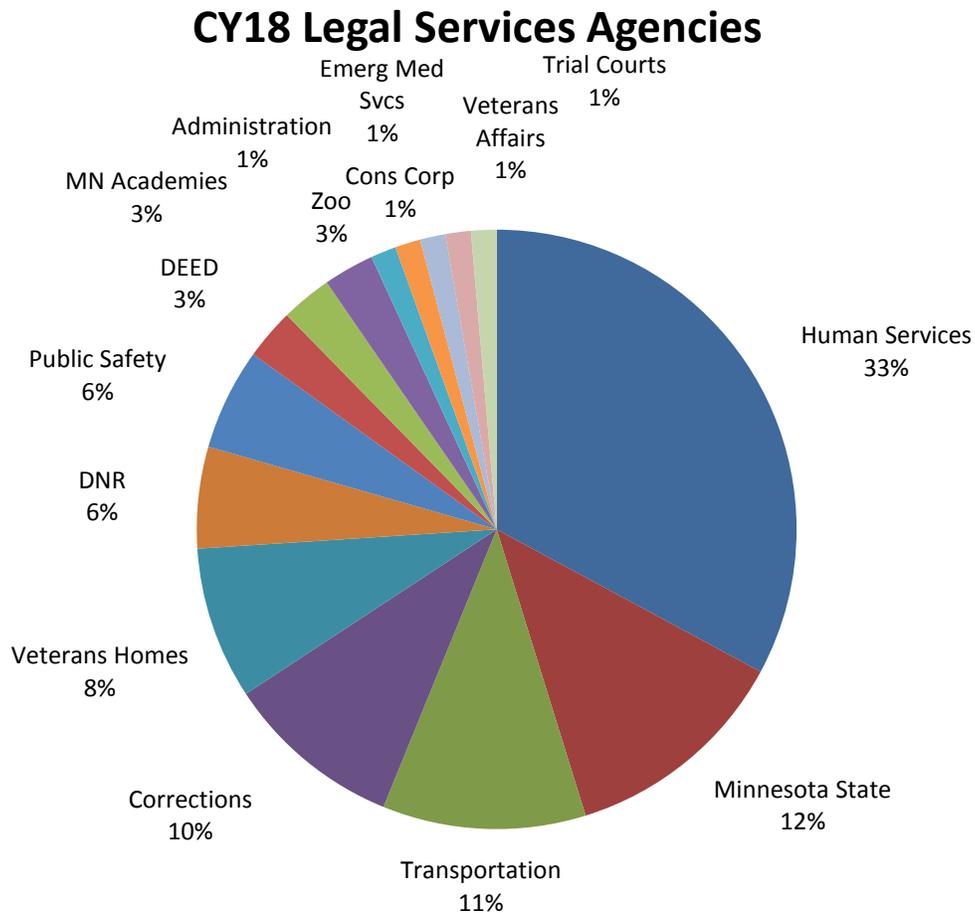
The Legal Services Unit consists of two attorneys and two legal assistants. Legal services are billed on an hourly rate basis to the claim file and the cost for the services is either collected directly from the pay-as-you-go agencies or from the premium pool.

We track legal fees as required by the workers' compensation law and bill agencies separately for legal services according to use. Legal fees will increase from \$129.00 to \$130.00 per hour for attorney time and from \$71.00 to \$75.00 per hour for paralegal time in FY20. The AG's Office rates for attorney fees is \$133.00 and the paralegal rate is \$85.00 for FY20.

It is a benefit to state agencies and us to have legal expertise as part of our team to provide direction on complex and/or disputed claims.

In CY18, 73 new cases were handled by the two attorneys in the Legal Services Unit, with 15 new cases referred to private defense firms. Additionally, 7 new cases were referred for legal representation on subrogation activities. The two attorneys in the Legal Services Unit have active caseloads of 42 and 39 cases respectively.

The following chart indicates distribution of legal services for CY18 by agency.



Our major changes for this year

The rate for managed care services will be increasing from \$2.72 to \$2.80 for FY20.

We are proposing increases for legal services fees in both FY20. Legal fees will increase from \$129.00 to \$130.00 per hour for attorney time and from \$71.00 to \$75.00 per hour for paralegal time in FY20.

We are proposing a 2% increase to our administrative fee in FY20 to continue to provide the level of services that we have been providing, to upgrade our existing claims system and implement an enterprise-wide safety management system, and to achieve the performance results specified in this plan.

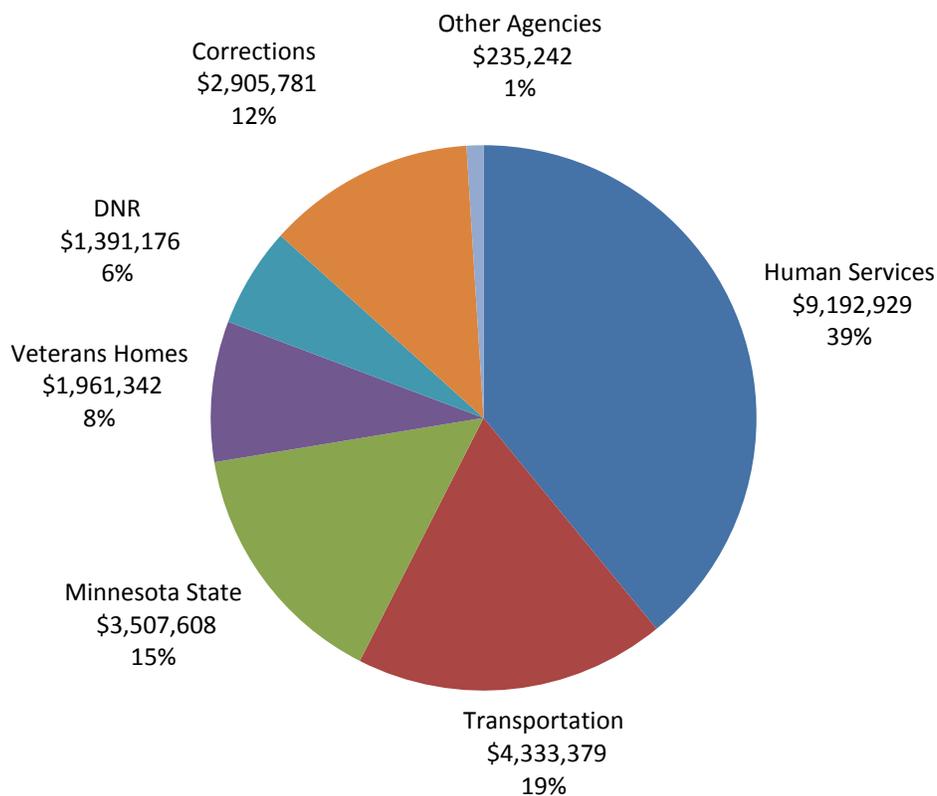
Marketing

Our target audiences/partners

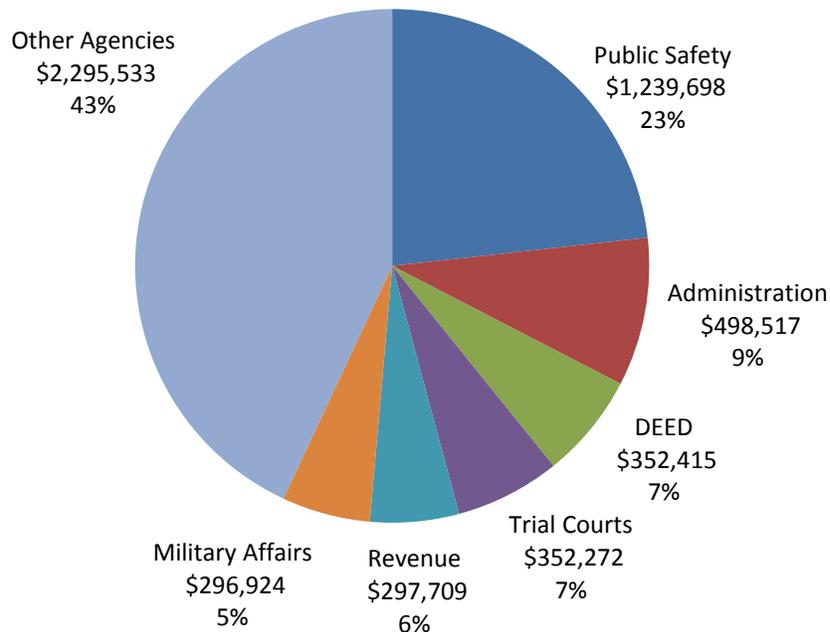
M.S. 176.541 requires that the Program provide workers' compensation coverage for employees of the State as defined in M.S. 3.732. This includes among others, the executive, legislative, judicial branches of state government, Minnesota State, the Minnesota Zoo, the Minnesota State Fair and other specified boards and commissions.

Our key partners

FY18 Pay-As-You-Go Agencies



FY18 Premium Pool Agencies



What is impacting our partners, and why

- Increase in administrative fees will result in agencies paying more for program services
- The implementation of an enterprise-wide safety management system is, in part, driven by demand from agencies as it will help them better manage workers' compensation risks with the desired result to reduce both the frequency and severity of work-related injuries

How we reach out to potential partners

- Website: Information on RMD's website www.mn.gov/admin/risk/ is designed to assist our partners
- Alert Newsletter: The intent of the newsletter is to address topical issues and provide updated information. As new issues are published, they are made available on the website
- Annual Safety & Loss Control Conference: The RMD, in partnership with Minnesota State, sponsors a statewide safety and loss control conference for RMD partners. The conference focuses on subjects related to losses insured through RMD and experienced by RMD partners

- Annual Report: The Business Plan provides detailed and comprehensive information about the Program. The Annual Report is a more simplified publication, giving our partners and other interested individuals/organizations more targeted information about our activities

What we have heard from our partners

Employee Surveys

In FY14, we began surveying all employees submitting a lost time workers' compensation claim

Each month phone calls are made to claimants asking the following:

“You recently reported a (type of claim) with the Risk Management Division. Risk Management seeks to continuously improve its performance and service delivery. We would like to ask you one service delivery question today. Is that okay? Were you treated in a professional and courteous manner by the Risk Management team member you spoke with?”

93.5% of the employees surveyed during FY18 answered “yes” to the question. If additional comments are made, the comments are tracked with follow-up calls being made by management if warranted.

Competition

Our competition

State agencies cannot purchase workers' compensation services from other entities. This provides for a self-administered workers' compensation program that is cost effective and efficient in the delivery of services.

How our rates compare

To measure the competitive level of our services, both from an administrative pricing standpoint and effectiveness in delivering risk management services, we utilize three standard industry benchmarks:

- Paid claims per 100 full-time equivalent (FTE) employees,
- WC costs per \$100 of payroll; and,
- Return-to-work rates.

Benchmark data is from the Workers' Compensation System Report published by DLI. There is a one to two-year lag time on the collection of data and numbers from prior years are continuously updated with each release of the report. Our numbers are adjusted annually, so historical data listed below will change in the future.

All state workers' compensation costs (benefits paid + administrative costs) are included in these benchmarks.

Paid Claims per 100 FTEs

Comparison of the State of Minnesota paid claims per 100 FTE employees to all Minnesota employers. The claims rate (number of paid claims per 100 FTE employees) decreased slightly in FY15 and remains lower than the rate for all Minnesota employers.

State of Minnesota			
Paid Claims Per 100 FTE CY DOI/FTE by FY			
Injury Calendar Year	Indemnity Claims	Medical Only Claims	Total Claims
2013	1.0	2.3	3.3
2014	0.9	2.2	3.1
2015	0.9	2.1	3.0
2016	0.8	2.1	3.0
2017	0.9	2.1	3.0

All Minnesota Employers
Paid Claims Per 100 FTE CY DOI/FTE by FY

Injury Calendar Year	Indemnity Claims	Medical Only Claims	Total Claims
2013	1.0	3.4	4.4
2014	1.0	3.3	4.3
2015	1.0	3.2	4.1
2016	0.9	3.1	4.1
2017	0.9	3.1	4.1

Data Source: DLI’s Workers’ Compensation System Report. Data from prior years updated.

**Comparison of State of Minnesota Cost per \$100 of Payroll
to Self-Insured Employers and Insurers**

The total cost of the state’s workers’ compensation expenditures has decreased during the last five years when compared to payroll costs and to the average cost of indemnity claims (loss of time from work claims) for all other Minnesota employers including other self-insured employers.

Year	State of Minnesota	Minnesota Self-insured Employers	All Minnesota Employers
2013	\$0.83	\$1.06	\$1.25
2014	\$0.81	\$1.05	\$1.24
2015	\$0.76	\$1.02	\$1.23
2016	\$0.76	\$1.02	\$1.22
2017	\$0.68	\$0.89	\$1.08

Data Source: DLI’s Workers’ Compensation System Report. Data from prior years updated.

Return-to-Work Rate

This chart is a comparison of the State of Minnesota’s return-to-work rate against all other Minnesota employers when vocational rehabilitation plans are filed. Return-to-work is affected by the following factors:

- Job market
- Injury severity
- Availability of job modifications

Year of Closure		Return to Work: Same Employer (%)	Return to Work: Different Employer (%)	Not Employed (%)	Total (%)
2013	All MN Employers	41.0	18.0	41.0	100
	State Agencies	51.2	12.4	36.5	100
2014	All MN Employers	43.2	16.7	40.1	100
	State Agencies	66.4	8.4	25.2	100
2015	All MN Employers	41.9	17.4	40.7	100
	State Agencies	58.7	11.1	30.2	100
2016	All MN Employers	42.4	16.9	40.7	100
	State Agencies	54.9	14.3	30.8	100
2017	All MN Employers	42.6	17.0	40.5	100
	State Agencies	51.2	15.5	33.4	100
2018	All MN Employers	43.4	17.3	39.3	100
	State Agencies	60.0	12.2	27.8	100
Average 2013-2018	All MN Employers	42.4	17.2	40.4	100
	State Agencies	57.1	12.3	30.7	100

Data Source: DLI System Report

Please note that data from prior years (2011-2014) have changed due to use of new employment status codes.

Financial Outlook

Our current overall financial health

Overall, the workers' compensation special revenue fund is stable. The proposed 2% administrative fee increases in FY20 will cover our costs.

A variety of economic and business challenges impact our costs. For example,

- Frequency and severity of claims impacts total costs
- Changes made to workers' compensation laws through legislation or administrative rules can impact costs either positively or negatively
- Condition of financial and insurance markets impacts the state's reinsurance rate
- Interpretation of the laws years later by the workers' compensation court system can also have a significant financial impact to our business
- Increases for statewide enterprise services

Major anticipated changes to capital assets

We are not anticipating any changes to our capital assets.

Changes to our rates, and why

The rate for managed care services will be \$2.80 for FY20. The rate includes a 24/7 nurse triage service as a point of first contact for employees who are injured on the job. Should the state not continue to realize a return on its investment with the 24/7 nurse triage services, the state can opt out of this service lowering the managed care services rate by \$.20.

We are proposing increases for legal services fees in both FY20. Legal fees will increase from \$129.00 to \$130.00 per hour for attorney time and from \$71.00 to \$75.00 per hour for paralegal time in FY20. These increases are necessary to cover the salaries & benefits for our legal services group. Other operating costs for these services continue to be covered by the Program.

We are proposing a 2% increase to the Workers' Compensation Program's administrative fee in FY20. This amounts to \$68,620 in FY20, bringing the fee total to \$3,499,608. The increase is needed to:

- Continue current level of services
- Pay salaries and other operating expenses
- Upgrade existing claims system and implement an enterprise-wide safety management system
- Achieve the performance results specified in this plan

How our proposed rates will impact our financial health

The proposed rate increase will:

- Provide necessary funds to continue to manage claims
- Allow us to retain experienced team members
- Ensure adequate retained earnings to cover claim costs

How our proposed rates will impact our partners

The proposed rate increase will do the following:

- Our partners will experience an increase in administrative fees
- Our partners will experience an increase in the hourly fees for legal services
- Increase the level of services, specifically the addition of an enterprise-wide safety management system will help agencies better manage workers' compensation risks with the desired result to reduce both the frequency and severity of work-related injuries
- Achieve the performance results specified in this plan

The administrative fee is apportioned on the following factors:

- Average number of employees
- Number of open claims
- Number of payment transactions

Our proposed rates will have the following impact on our top agencies as follows:

Pay-As-You-Go Agencies

	Impact of 2% Increase in Administrative Fees FY20
Human Services	\$ 14,537
Minnesota State	12,478
Transportation	8,910
Corrections	7,523
DNR	3,310
Veterans Affairs	3,306
Other Agencies	654
Total	\$ 50,718

Pay-As-You-Go agencies are billed on a monthly basis. The impact of the additional fee will be spread over 12 months.

Premium Pool Agencies

	Impact of 2% Increase in Administrative Fees FY20
Public Safety	\$ 3,643
Trial Courts	1,492
Mn.IT Services	1,264
Revenue	1,233
DEED	1,297
Health	1,018
Other Agencies	7,956
Total	\$17,902

The rate increase for managed care services will have the following impact on our top agencies as follows for each fiscal year:

Pay-As-You-Go Agencies

	Impact of Increase in Managed Care Administrative Fees FY20
Human Services	\$ 15,184
Minnesota State	(10,109)
Transportation	14,428
Corrections	2,691
DNR	2,344
Veterans Affairs	1,856
Other Agencies	1,264
Total	\$ 27,658

Premium Pool Agencies

**Impact of Increase in
Managed Care
Administrative Fees
FY20**

Public Safety	\$ 3,819
Trial Courts	3,179
Mn.IT Services	5,809
Revenue	3,000
DEED	1,049
Health	2,361
Other Agencies	13,086
Total	\$32,302

Financial Data

Assumptions for Rate Matrix

**MINNESOTA DEPARTMENT OF ADMINISTRATION
RISK MANAGEMENT DIVISION/WORKERS' COMPENSATION PROGRAM
FOR FISCAL YEAR 2020
OPERATING REVENUES/EXPENSES**

SWIFT

Account 553078	OTHER REVENUE Change = (5.6%) or (\$101,000) Decrease is a result of fewer supplemental reimbursement requests.
513304	SAFETY TRAINING Change = 112.0% or \$11,200 Increase is a result of additional ergo training and root cause training sessions.
41000/41070	SALARIES AND BENEFITS Change = 12.3% or \$330,000 Increase is due to filling 2 vacant WC Claim Specialist positions as a result of a turnover and retirement in FY19, filling the WC Claims Manager position and reallocation of the System Administrator position.
41130/41145	PROFESSIONAL TECHNICAL SERVICES Change = 6.2% or \$113,500 Increase is due to additional SLC training sessions and increase in the managed care rate.
41150	COMPUTER & SYSTEM SERVICES Change = (81.7%) or (\$1,790) Decrease is a result of purchasing a 2-year online subscription in FY19 for FY19 & FY20 and receiving an additional year free
41196	CENTRAL IT SERVICES Change = 35.5% or \$106,500 Increase is due in part to upgrading the claims management system, the addition of a dedicated part-time MN.IT employee and improving risk analytics by implementing an enterprise-wide safety management system.
41160	TRAVEL IN-STATE Change = 33.5% or \$2,850 Increase is due to anticipated travel costs for the in-house attorneys.
41170	TRAVEL OUT-STATE Change = 100.0% or \$1,000 Increase is due to attendance at safety management system training and conferences.
41130	SUPPLIES AND MATERIALS Change = 35.0% or \$9,000 Increase is due in part to supplies for the slip, trip and fall initiative and the safety conference.
43000	INSURANCE Change = 42.2% or \$284,902 Increase is due to the special assessment paid to DLI.
42020	ATTORNEY GENERAL Change = 900.0% or \$900 Increase is due to additional attorney fees to represent the Program.
42010	STATEWIDE INDIRECTS Change = 29.4% or \$68,204 Increase is due to higher statewide indirects.

The assumptions for the business plan include an inflation factor of 0%.

Rate Matrix

MINNESOTA DEPARTMENT OF ADMINISTRATION RISK MANAGEMENT DIVISION/WORKERS' COMPENSATION PROGRAM FOR FISCAL YEAR 2020

	WCA Safety Training	WCR Premium Pool	WKR Pay-As-You- Go	Total
Claim Expense	-	4,500,000	18,800,000	23,300,000
Special Assessment	-	162,400	792,600	955,000
Managed Care Fee	-	685,100	1,206,900	1,892,000
Estimated Salary Expense	-	604,100	2,416,400	3,020,500
Estimated Statewide Indirects/Agency Allocation	-	72,000	228,000	300,000
Miscellaneous Expenses	20,200	212,237	495,220	727,657
TOTAL BASE REVENUE	20,200	6,235,837	23,939,120	30,195,157
Less: Surplus Distribution	-	1,086,639	-	1,086,639
TOTAL NET BASE REVENUE	20,200	5,149,198	23,939,120	29,108,518

The Administrative Fee is apportioned based on the following factors:

- Average number of employees for the period 7/01 through 3/31
- Number of open claims on 3/31
- Number of payment transactions for the period 7/01 through 3/31

Premium Pool

Average number of employees	20,388
Rate/average number of employees	\$44.78

Pay-As-You-Go

Average number of employees	39,775
Rate/average number of employees	\$65.03

Rate Matrix Computations

MINNESOTA DEPARTMENT OF ADMINISTRATION RISK MANAGEMENT DIVISION/WORKERS' COMPENSATION PROGRAM FOR FISCAL YEAR 2020

1. Describe cost and usage estimation methods.

The administrative fee is apportioned based on the following factors:

- a. Average number of employees for the period 7/01 through 3/31
- b. Number of open claims on 3/31
- c. Number of payment transactions for the period 7/01 through 3/31

* These numbers will be adjusted when they become available which will change the allocation of the administrative fee.

2. Method used to allocate expenses to cost centers by SWIFT account (each cost center should recover its own expenses).

Operating expenses are recovered from the administrative fee that is built into the premium pool and revolving revenue accounts.

3. Treatment of capital equipment, including estimated purchases and amortization method.

The Workers' Compensation Program will incur an amortization charge of \$62,407 on a capital asset expenditure of \$624,070 for iRISK, which is the result of depreciating the capital asset over an estimated 10 year useful life on a straight-line basis.

Six-Year Rate Comparison

**MINNESOTA DEPARTMENT OF ADMINISTRATION
RISK MANAGEMENT DIVISION/WORKERS' COMPENSATION PROGRAM
FOR FISCAL YEAR 2020**

Rate	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Administrative Fee/Avg number of covered employees) *	43.42	47.34	51.90	55.94	56.76	58.17
FY13-FY15 - Admin Fee is \$2,620,800						
FY16 - Admin Fee is \$2,819,873						
FY17 - Admin Fee is \$3,070,922						
FY18 - Admin Fee is \$3,347,305						
FY19 - Admin Fee is \$3,430,988						
FY20 - Admin Fee is \$3,499,608						
Premium Pool	32.48	36.26	37.86	40.74	42.45	44.78
Pay-As-You-Go	48.35	52.58	58.59	63.32	63.69	65.03
Legal Services						
Attorney	123.00	123.00	129.00	129.00	129.00	130.00
Paralegal	68.00	68.00	71.00	71.00	71.00	75.00
Rehabilitation Services						
QRC's	70.00	70.00	0.00	0.00	0.00	0.00
Managed Care Fee						
(rate/employee/month)	2.17	2.23	2.23	2.28	2.72	2.80
* The Administrative Fee is apportioned based on the following factors:						
Average number of employees for the period 7/01 through 3/31						
Number of open claims on 3/31						
Number of payment transactions for the period 7/01 through 3/31						

History and Proforma

MINNESOTA DEPARTMENT OF ADMINISTRATION RISK MANAGEMENT DIVISION/WORKERS' COMPENSATION PROGRAM FOR FISCAL YEAR 2020

		FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	\$ CHANGE	% CHANGE
		<u>ACTUAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>EST/ACTUAL</u>	<u>PROPOSED</u>	<u>FY19/FY20</u>	<u>FY19/FY20</u>
Obj class									
RSRC*									
Operating Revenues									
Premium Pool Revenue	553078	4,192,908	3,616,332	4,222,112	4,469,542	4,288,272	4,161,802	(126,470)	-2.9%
Workers' Comp Revolving Revenue (PAYG)	553078	18,680,113	17,051,419	18,415,769	20,553,016	20,360,000	20,799,500	439,500	2.2%
Administrative Fees *		2,620,798	2,819,873	3,070,922	3,347,309	3,430,988	3,499,608	68,620	2.0%
Qualified Rehabilitation Counselors		93,007	41,917	-	-	-	-	-	0.0%
Legal Services Unit		412,566	316,484	417,085	490,658	465,740	475,000	9,260	2.0%
Other Revenue	514213	3,886,040	2,607,704	3,925,231	2,585,546	1,801,000	1,700,000	(101,000)	-5.6%
Safety Training	513304	46,845	39,050	52,400	49,220	10,000	21,200	11,200	112.0%
Total Operating Revenue		<u>29,932,278</u>	<u>26,492,778</u>	<u>30,103,519</u>	<u>31,495,291</u>	<u>30,356,000</u>	<u>30,657,110</u>	<u>301,110</u>	<u>1.0%</u>
Operating Expenses									
Claims Expense	41200	23,514,991	21,848,962	23,112,855	23,805,269	23,000,000	23,300,000	300,000	1.3%
Salaries and Benefits	41000/41070	2,748,252	2,873,285	2,780,164	2,826,337	2,690,500	3,020,500	330,000	12.3%
Rent	41100	114,445	114,292	114,483	118,529	104,000	104,000	-	0.0%
Rent - Equipment	41400	6,833	5,840	6,087	5,843	7,500	7,500	-	0.0%
Repairs and Maintenance	41500	4,355	4,541	4,648	5,029	6,500	6,700	200	3.1%
Printing/Advertising	41110	1,802	2,952	2,686	3,192	3,300	3,450	150	4.5%
Professional Technical Services	41130/41145	1,496,574	1,523,892	1,470,207	1,564,116	1,820,500	1,934,000	113,500	6.2%
Computer and Systems Services	41150	1,088	192	953	1,137	2,190	400	(1,790)	-81.7%
Centralized IT Services	41196	209,954	201,128	219,719	284,273	300,000	406,500	106,500	35.5%
Communications	41155	24,607	22,686	19,634	20,954	16,200	16,400	200	1.2%
Travel - In State	41160	15,619	10,101	5,756	6,611	8,500	11,350	2,850	33.5%
Travel - Out State	41170	2,670	-	142	-	1,000	2,000	1,000	100.0%
Supplies and Materials	41300	12,488	14,075	13,951	19,005	25,750	34,750	9,000	35.0%
Employee Development/Memberships	41180	50,029	41,207	50,275	45,149	16,020	15,600	(420)	-2.6%
Purchased Services	43000	4,030	1,457	899	3,192	8,500	8,600	100	1.2%
Insurance	43000	1,396,569	1,314,063	1,228,341	935,256	675,098	960,000	284,902	42.2%
Attorney General Cost	42020	1,799	348	-	66	100	1,000	900	900.0%
Indirect Costs	42010	240,123	220,536	313,305	277,798	231,796	300,000	68,204	29.4%
Amortization	49005	62,407	62,407	62,407	62,407	62,407	62,407	-	0.0%
Other Operating Costs	43000/42020	1,225	-	7,988	7,970	-	-	-	0.0%
Total Operating Expenses		<u>29,909,860</u>	<u>28,261,964</u>	<u>29,414,501</u>	<u>29,992,134</u>	<u>28,979,861</u>	<u>30,195,157</u>	<u>1,215,296</u>	<u>4.2%</u>
Operating Income (Losses)		<u>22,418</u>	<u>(1,769,186)</u>	<u>689,018</u>	<u>1,503,157</u>	<u>1,376,139</u>	<u>461,953</u>	<u>(914,186)</u>	<u>-66.4%</u>
Nonoperating Revenues (Expenses)									
Interest Revenue	512001	57,828	62,228	96,124	138,297	200,000	200,000	-	0.0%
Total Nonoperating Revenue (Expenses)		<u>57,828</u>	<u>62,228</u>	<u>96,124</u>	<u>138,297</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>0.0%</u>
Income (Losee) before Contributions and Transfers									
Transfers		-	-	-	(6,362)	-	-	-	0.0%
Change in Net Position		<u>80,246</u>	<u>(1,706,958)</u>	<u>785,142</u>	<u>1,635,092</u>	<u>1,576,139</u>	<u>661,953</u>	<u>(914,186)</u>	<u>-58.0%</u>
Retained Earnings, Beginning Period		<u>12,181,201</u>	<u>12,270,877</u>	<u>10,592,531</u>	<u>11,377,744</u>	<u>12,376,601</u>	<u>13,952,740</u>	<u>1,576,139</u>	<u>12.7%</u>
Adjustment to Retained Earnings		9,430	28,611	72	(636,236)	-	-	-	0.0%
Retained Earnings, Ending Period		<u>12,270,877</u>	<u>10,592,531</u>	<u>11,377,744</u>	<u>12,376,601</u>	<u>13,952,740</u>	<u>14,614,693</u>	<u>661,953</u>	<u>4.7%</u>
* The admin fee revenue is collected from:		FY15	FY16	FY17	FY18	FY19	FY20		
Premium Pool		608,451	692,880	722,760	796,416	837,283	912,941		
Pay-As-You-Go		2,012,347	2,126,993	2,348,162	2,550,889	2,593,705	2,586,667		

SWIFT Spending Plan

MINNESOTA DEPARTMENT OF ADMINISTRATION
RISK MANAGEMENT DIVISION/WORKERS' COMPENSATION PROGRAM
FOR FISCAL YEAR 2020

Fund 2001

	Dept ID	G0246701	G0246702	G0246703	G0246704	G0246708	G0246705	G0246706
		Office	Disability	Legal	Consultant	Safety	Claims	Indirect
Revenue Description*	SWIFT Account	Support	Mgmt	Services	Serv	Training	Mgmt	Support
	Total							
Premium/Revolving/Admin Fee	553078	28,935,910		475,000				
Safety Training	513304	20,200				20,200		
Copy fees	553090	1,000	1,000					
Claim Reimbursements	514213	1,700,000						
Interest	512001	200,000	18,000					
Total		30,857,110	19,000	-	475,000	-	20,200	-
Expense Description*	Object Code							
Salaries	41000	2,899,800	440,200	102,300	457,200	319,700	1,324,800	255,600
Part-time/Seasonal	41030	94,400					94,400	
Overtime	41050	-						
Premium Pay	41050	-						
Other Benefits	41070	26,300	1,500				24,800	
Space Rent	41100	104,000	103,000			1,000		
Repairs	41500	6,700	1,300			5,400		
Printing/Advertising	41110	3,450	3,000				450	
Prof/Tech Services	41130	1,934,000	15,000			10,000	17,000	
Prof/Tech Services	41145	-						
Centralized IT Services	41196	406,500	406,500					
Computer Services	41150	400				400		
Communications	41155	16,400	15,000			800		
Travel - In-state	41160	11,350		200	8,000	2,650	500	
Travel - Out-of-state	41170	2,000	1,000			1,000		
Supplies	41300	34,750	12,000		4,500	14,000	1,750	2,500
Equipment Rental	41400	7,500	7,500					
Employee Development	41180	15,600	4,000	500	2,000	4,100	5,000	
Claims & Insurance	43000	24,260,000	5,000					
Other Purchased Services	43000	8,600	1,000			7,600		
Statewide Indirects	42010	300,000						300,000
Agency Provided Prof/Tech	41190	-						
Attorney General	42020	1,000	1,000					
Total		30,132,750	1,017,000	103,000	472,300	365,650	20,200	1,452,000
Adjustments								
Plus:								
Amortization	49005	62,407	62,407	-	-	-	-	-
Total		62,407	62,407	-	-	-	-	-
Minus:								
New System		-	-	-	-	-	-	-
Total		-	-	-	-	-	-	-
Rate Matrix Amount		30,195,157	1,079,407	103,000	472,300	365,650	20,200	1,452,000

SWIFT Spending Plan (continued)

MINNESOTA DEPARTMENT OF ADMINISTRATION
RISK MANAGEMENT DIVISION/WORKERS' COMPENSATION PROGRAM
FOR FISCAL YEAR 2020

Fund 2001

	SWIFT	G0246801	G0246802	G0246803	G0246811	G0246812	G0246813
	Account	Premium Pool	Premium Pool	Premium Pool	Pay-As-You-Go	Pay-As-You-Go	Pay-As-You-Go
Revenue Description*		Claims	Special Assess	Managed Care	Claims	Special Assess	Managed Care
Premium/Revolving/Admin Fee	553078	5,074,743			23,386,167		
Safety Training	513304						
Copy fees	553090						
Claim Reimbursements	514213	300,000			1,400,000		
Interest	512001	107,000			75,000		
Total		5,481,743	-	-	24,861,167	-	-
Expense Description*	Object Code						
Salaries	41000						
Part-time/Seasonal	41030						
Overtime	41050						
Premium Pay	41050						
Other Benefits	41070						
Space Rent	41100						
Repairs	41500						
Printing/Advertising	41110						
Prof/Tech Services	41130			685,100			1,206,900
Prof/Tech Services	41145						
Centralized IT Services	41196						
Computer Services	41150						
Communications	41155						
Travel - In-state	41160						
Travel - Out-of-state	41170						
Supplies	41300						
Equipment Rental	41400						
Employee Development	41180						
Claims & Insurance	43000	4,500,000	162,400		18,800,000	792,600	
Other Purchased Services	43000						
Statewide Indirects	42010						
Agency Provided Prof/Tech	41190						
Attorney General	42020						
Total		4,500,000	162,400	685,100	18,800,000	792,600	1,206,900
Adjustments							
Plus:							
Amortization	49005	-	-	-	-	-	-
Total		-	-	-	-	-	-
Minus:							
New System		-	-	-	-	-	-
Total		-	-	-	-	-	-
Rate Matrix Amount		4,500,000	162,400	685,100	18,800,000	792,600	1,206,900

Projected Cash Flow

MINNESOTA DEPARTMENT OF ADMINISTRATION
RISK MANAGEMENT DIVISION/WORKERS' COMPENSATION PROGRAM
FOR FISCAL YEAR 2020

	Estimate Jul 19	Estimate Aug 19	Estimate Sep 19	Estimate Oct 19	Estimate Nov 19	Estimate Dec 19	Estimate Jan 20	Estimate Feb 20	Estimate Mar 20	Estimate Apr 20	Estimate May 20	Estimate Jun 20
Projected Beginning Cash Balance	10,251,893	9,928,824	13,012,491	13,532,738	13,109,134	13,673,387	13,192,894	12,287,335	11,881,842	11,898,079	11,463,546	11,095,308
Receipts - operating	2,318,164	5,596,053	2,991,215	2,001,404	2,983,933	1,990,475	1,990,475	1,990,475	2,487,205	1,990,475	2,027,730	2,289,506
Transfer Ins	-	-	-	-	-	-	-	-	-	-	-	-
Other Non Operating Receipts	16,666	16,674	16,666	16,666	16,666	16,666	16,666	16,666	16,666	16,666	16,666	16,666
Total Cash Receipt	2,334,830	5,612,727	3,007,881	2,018,070	3,000,599	2,007,141	2,007,141	2,007,141	2,503,871	2,007,141	2,044,396	2,306,172
Expenses												
Salaries & Benefits	232,304	348,730	232,304	232,304	232,304	232,304	348,730	232,304	232,304	232,304	232,304	232,304
Indirect Costs	-	-	75,000	-	-	75,000	-	-	75,000	-	-	75,000
Claim & Insurance Expense	2,191,225	1,975,000	1,975,000	1,975,000	1,975,000	1,975,000	2,318,775	1,975,000	1,975,000	1,975,000	1,975,000	1,975,000
Other Operating Expenses	234,370	205,330	205,330	234,370	229,042	205,330	245,195	205,330	205,330	234,370	205,330	205,330
Dividends/Rebates, if applicable	-	-	-	-	-	-	-	-	-	-	-	-
Transfer Outs	-	-	-	-	-	-	-	-	-	-	-	-
Other Non Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Total Expense Paid	2,657,899	2,529,060	2,487,634	2,441,674	2,436,346	2,487,634	2,912,700	2,412,634	2,487,634	2,441,674	2,412,634	2,487,634
Projected Ending Cash Balance	9,928,824	13,012,491	13,532,738	13,109,134	13,673,387	13,192,894	12,287,335	11,881,842	11,898,079	11,463,546	11,095,308	10,913,846

Financial Statement

For Internal Use Only

STATE OF MINNESOTA	3/28/2019	
RISK MANAGEMENT - WORKERS' COMPENSATION FUND 2001	Unaudited	
STATEMENT OF NET POSITION		
DECEMBER 31, 2018	FY19	FY18
ASSETS		
CURRENT ASSETS		
Cash	\$ 12,951,517.73	\$ 10,950,056.94
Accounts Receivable	1,891,760.76	2,016,697.61
Accounts Receivable - Supplementary Benefits	1,840,263.10	2,610,495.48
Prepaid Expenses	-	4,239.47
Prepaid Insurance	-	322.50
Total Current Assets	<u>\$ 16,683,541.59</u>	<u>\$ 15,581,812.00</u>
NONCURRENT ASSETS (Note 4)		
Recoverable (Note 3)	\$ 73,063,273.22	\$ 82,833,982.66
Software	334,347.10	334,347.10
Accumulated Amortization - Software	(208,966.96)	(175,532.25)
Internally Generated Computer Software (IGCS)	289,722.46	289,722.46
Accumulated Amortization - IGCS	(181,076.52)	(152,104.27)
Total Noncurrent Assets	<u>\$ 73,297,299.30</u>	<u>\$ 83,130,415.70</u>
TOTAL ASSETS	<u>\$ 89,980,840.89</u>	<u>\$ 98,712,227.70</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Other Postemployment Benefits Outflows (Note 6)	\$ 12,000.00	\$ -
Deferred Pension Outflows (Note 7)	-	2,520,417.00
Total Deferred Outflows of Resources	<u>\$ 12,000.00</u>	<u>\$ 2,520,417.00</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	\$ 987,632.88	\$ 1,593,829.70
Salaries and Benefits Payable	152,645.59	106,133.08
Claims Payable (Note 3)	10,959,490.99	12,425,097.40
Compensated Absences Payable (Note 5)	38,427.45	37,254.78
Unearned Revenue	418,641.52	398,205.96
Unearned Premiums	2,608,877.50	2,666,534.00
Total Current Liabilities	<u>\$ 15,165,715.93</u>	<u>\$ 17,227,054.92</u>
NONCURRENT LIABILITIES		
Claims Payable (Note 3)	\$ 62,103,782.23	\$ 70,408,885.26
Compensated Absences Payable (Note 5)	278,613.60	278,520.29
Other Postemployment Benefits (Note 6)	217,935.00	45,961.47
Net Pension Liability (Note 7)	-	3,599,257.39
Total Noncurrent Liabilities	<u>\$ 62,600,330.83</u>	<u>\$ 74,332,624.41</u>
TOTAL LIABILITIES	<u>\$ 77,766,046.76</u>	<u>\$ 91,559,679.33</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Other Postemployment Benefits Inflows (Note 6)	\$ 10,000.00	\$ -
Deferred Pension Inflows (Note 7)	-	262,749.56
Total Deferred Inflows of Resources	<u>\$ 10,000.00</u>	<u>\$ 262,749.56</u>
NET POSITION (Note 9)		
Net Investment in Capital Assets	\$ 234,026.08	\$ 296,433.04
Unrestricted Net Position	<u>11,982,768.05</u>	<u>9,113,782.77</u>
TOTAL NET POSITION	<u>\$ 12,216,794.13</u>	<u>\$ 9,410,215.81</u>

For Internal Use Only

STATE OF MINNESOTA 3/28/2019
 RISK MANAGEMENT - WORKERS' COMPENSATION FUND 2001 Unaudited
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE QUARTER ENDED DECEMBER 31, 2018

	FY19 QTD	FY19 YTD	FY18 QTD	FY18 YTD
OPERATING REVENUES				
Premium Pool	\$ 1,280,995.41	\$ 1,734,222.86	\$ 1,318,070.10	\$ 1,841,136.91
Pay-As-You-Go	3,723,475.49	8,355,149.51	4,616,846.14	9,072,186.63
Administrative Fees	857,747.28	1,499,352.38	836,828.16	1,673,656.41
Legal Services Unit	119,779.41	195,541.66	124,503.28	243,725.73
Safety Training	6,200.00	6,200.00	7,940.00	7,940.00
Other Revenues	1,033,160.69	1,507,153.70	1,015,024.48	1,231,763.74
Total Operating Revenues	\$ 7,021,358.28	\$13,297,620.11	\$ 7,919,212.16	\$14,070,409.42
OPERATING EXPENSES				
Claims	\$ 4,919,777.36	\$10,398,257.70	\$ 5,586,022.86	\$10,899,108.82
Salaries and Benefits	717,725.63	1,433,875.78	670,322.40	1,358,570.76
Rent	19,200.32	49,542.71	29,361.09	58,762.08
Rent - Equipment	3,038.04	3,146.59	1,487.06	2,974.12
Repairs and Maintenance	935.00	2,175.00	480.00	2,109.00
Printing	79.85	686.72	572.88	1,497.75
Professional and Technical Services	503,840.89	956,988.09	424,133.81	798,652.45
Computer and Systems Services	-	47.31	296.10	544.86
Centralized IT Services	4,179.05	21,562.47	164,420.04	203,279.96
Communications	4,701.11	9,927.57	6,582.40	10,293.61
Travel - In State	1,838.44	3,029.21	1,914.87	3,358.43
Travel - Out State	-	-	-	-
Supplies and Materials	5,340.67	10,198.56	4,864.30	7,173.82
Employee Development	2,308.26	4,392.71	2,185.00	2,731.00
Purchased Services	1,324.76	1,344.36	(280.25)	166.78
Insurance	337,548.78	338,177.78	298,627.74	597,384.50
Attorney General Cost	-	-	-	-
Indirect Costs	57,949.00	115,898.00	69,449.50	138,899.00
Amortization	15,601.74	31,203.48	15,601.74	31,203.48
Other Expenses	-	7,416.00	2,570.00	4,370.00
Total Operating Expenses	\$ 6,595,388.90	\$13,387,870.04	\$ 7,278,611.54	\$14,121,080.42
OPERATING INCOME (LOSS)	\$ 425,969.38	\$ (90,249.93)	\$ 640,600.62	\$ (50,671.00)
NONOPERATING REVENUES (EXPENSES)				
Interest Revenue	\$ 61,339.47	\$ 100,416.60	\$ 36,833.77	\$ 60,968.05
Total Nonoperating Revenues (Expenses)	\$ 61,339.47	\$ 100,416.60	\$ 36,833.77	\$ 60,968.05
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	\$ 487,308.85	\$ 10,166.67	\$ 677,434.39	\$ 10,297.05
TRANSFERS AND CONTRIBUTIONS				
Total Transfers and Contributions	\$ -	\$ -	\$ -	\$ -
CHANGE IN NET POSITION	\$ 487,308.85	\$ 10,166.67	\$ 677,434.39	\$ 10,297.05
NET POSITION, BEGINNING, AS REPORTED	\$ 11,729,485.28	\$12,206,627.46	\$ 8,732,781.42	\$10,036,155.18
Adjustment to Net Position (Note 8)	-	-	-	(636,236.42)
NET POSITION, BEGINNING, AS RESTATED	\$ 11,729,485.28	\$12,206,627.46	\$ 8,732,781.42	\$ 9,399,918.76
NET POSITION, ENDING	\$ 12,216,794.13	\$12,216,794.13	\$ 9,410,215.81	\$ 9,410,215.81

For Internal Use Only

STATE OF MINNESOTA 3/28/2019
RISK MANAGEMENT - WORKERS' COMPENSATION FUND 2001 Unaudited
STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED DECEMBER 31, 2018

	YTD
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 15,905,254.84
Receipts from Other Revenues	1,507,153.70
Payments to Claimants	(10,398,257.70)
Payments to Suppliers for Goods and Services	(1,163,045.48)
Payments to Employees	(1,425,413.93)
Payments to Others	-
Net Cash Flows from Operating Activities	<u>\$ 4,425,691.43</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Nonoperating Transfer in (Out)	\$ (6,362.00)
Net Cash Flows from Noncapital Financing Activities	<u>\$ (6,362.00)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Investment in Capital Assets	\$ -
Proceeds from Disposal of Capital Assets	-
Net Cash Flows from Capital and Related Financing Activities	<u>\$ -</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Earnings	\$ 100,416.60
Net Cash Flows from Investing Activities	<u>\$ 100,416.60</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 4,519,746.03
Cash and Cash Equivalents, Beginning, as Reported	8,431,771.70
Cash and Cash Equivalents, Ending	<u>\$ 12,951,517.73</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities	
Operating Income (Loss)	\$ (90,249.93)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities	
Amortization	\$ 31,203.48
(Increase) Decrease in Accounts Receivable	267,247.15
(Increase) Decrease in Accounts Receivable - Supplementary Benefits	820,022.26
(Increase) Decrease in Prepaid Expenses	47.31
(Increase) Decrease in Prepaid Insurance	-
(Increase) Decrease in Recoverable	2,412,296.31
(Increase) Decrease in Deferred Other Postemployment Benefits Outflows	-
(Increase) Decrease in Deferred Pension Outflows	-
Increase (Decrease) in Accounts Payable	361,440.29
Increase (Decrease) in Salaries and Benefits Payable	8,461.85
Increase (Decrease) in Claims Payable	(2,412,296.31)
Increase (Decrease) in Unearned Revenue	418,641.52
Increase (Decrease) in Unearned Premiums	2,608,877.50
Increase (Decrease) in Compensated Absences Payable	-
Increase (Decrease) in Other Postemployment Benefits	-
Increase (Decrease) in Due to Other Funds	-
Increase (Decrease) in Net Pension Liability	-
Increase (Decrease) in Deferred Other Postemployment Benefits Inflows	-
Increase (Decrease) in Deferred Pension Inflows	-
Net Reconciling Items to be Added to (Deducted from) Operating Income	<u>\$ 4,515,941.36</u>
Net Cash Flows from Operating Activities	<u>\$ 4,425,691.43</u>
Noncash Investing, Capital and Financing Activities	\$ -

For Internal Use Only

STATE OF MINNESOTA
RISK MANAGEMENT - WORKERS' COMPENSATION FUND 2001
FOOTNOTES TO FINANCIAL STATEMENTS
FOR THE QUARTER ENDED DECEMBER 31, 2018

3/28/2019
Unaudited

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Basis of Presentation:

The accompanying financial statements of Risk Management-Workers' Compensation have been prepared to conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

On July 1 2011, the state implemented the State Wide Integrated Financial Tools (SWIFT). The amounts presented in the financial statements are based upon information from SWIFT. The capital asset amounts are based upon historical records along with acquisitions and dispositions in FY19.

Reporting Entity:

The fund provides workers' compensation benefits to state employees in the executive, legislative, and judicial branches of state government and in quasi-state agencies.

Supplementary benefits are paid on some claims in conjunction with Temporary Total Disability or Permanent Total Disability benefits to bring these payments up to 65 percent of the statewide average wage. The Workers' Compensation Program does not invoice agencies for these benefit payments instead using money from the workers' compensation revolving fund. The program receives reimbursement from the Department of Labor & Industry (DLI). Payments made by the program may not be totally reimbursed.

Basis of Accounting:

Risk Management-Workers' Compensation is a special revenue fund which utilizes full accrual accounting in the financial statements for the purpose of determining financial position of the business operations only. As defined in MS 176.132, supplementary benefits cannot be requested until 1 year after the claim and are for injuries occurring after January 1, 1972 and before October 1, 1995 only. The reimbursements can be on a one-time or continuous basis depending on the claim. Due to this requirement, supplementary benefit revenue has been accrued in the statements.

Capital assets are generally defined as assets with an initial, individual cost of more than \$300,000 for buildings and depreciable infrastructure \$5,000 or more for equipment and art and historical treasures, and \$30,000 or more for software and internally generated computer software (IGCS). Land, land improvements, building improvements, and easement assets are capitalized, regardless of cost. Capital assets must also have an estimated useful life of two or more years. Capital assets are recorded at cost or, for donated assets, at acquisition value at the date of acquisition.

Capital assets are depreciated using the straight-line method generally based on the following useful lives: 10 years for software and Internally Generated Computer Software (IGCS).

This financial statement includes claims information known as of December 31, 2018 for claims incurred prior to January 1, 2019.

2. LEGISLATION, AUTHORITY, AND CONTRIBUTIONS

The Workers' Compensation program for state employees was specified in 1927 legislation as part of the former Industrial Commission, now Department of Labor and Industry (DLI). The legislation for the program can be found in M.S. 176.5401 through M.S. 176.611. The State Compensation Revolving Fund was created in 1934.

The General Fund and other funds have contributed a total of \$3,437,690 to the program. These contributions are used to make workers' compensation payments for the pay-as-you-go agencies until they are reimbursed by the injured employee's state agency, the Special Compensation Fund, the Workers' Compensation Reinsurance Association, or recovered from a subrogation claim.

The Premium Pool was given \$1 million during the 1997 Legislative Session from the General Fund.

3. RECOVERABLE AND CLAIMS PAYABLE

Due to the nature of workers' compensation benefits, and the fact that claims may take decades to mature, the reserves are relatively large when viewed in context of the financial statements covering a 12 month period. Agencies are obligated to pay their actual claims cost. Therefore, Claims Payable are offset by Recoverable noncurrent assets.

For Internal Use Only

4. CAPITAL ASSETS

	Balance 7/1/2018	Additions	Deletions	Balance 12/31/2018
Software	\$ 334,347.10	\$ -	\$ -	\$ 334,347.10
Internally Generated Computer Software (IGCS)	289,722.46	-	-	289,722.46
Total Capital Assets	\$ 624,069.56	\$ -	\$ -	\$ 624,069.56
Accumulated Depreciation/Amortization for:				
Software	\$ (192,249.58)	\$ (16,717.38)	\$ -	\$ (208,966.96)
Internally Generated Computer Software (IGCS)	(166,590.42)	(14,486.10)	-	(181,076.52)
Total Accumulated Depreciation/Amortization	\$ (358,840.00)	\$ (31,203.48)	\$ -	\$ (390,043.48)

5. COMPENSATED ABSENCES

State employees accrue vacation leave, sick leave, and compensatory leave at various rates within limits specified in the collective bargaining agreements. Leave balances are liquidated upon separation from state employment. Leave balances at year-end are shown as a liability.

	Current	Noncurrent
Beginning Balance 7/1/2018	\$ 38,427.45	\$ 278,613.60
Increase	-	-
Decrease	-	-
Ending Balance 12/31/2018	\$ 38,427.45	\$ 278,613.60

6. OTHER POSTEMPLOYMENT BENEFITS

In FY08, the State of Minnesota implemented GASB Statement No. 45 "Accounting and Financial Reporting by Employer for Postemployment Benefits Other than Pensions". This statement requires the state to measure and report Other Postemployment Benefits (OPEB) expenses and related liabilities.

In FY18, the State of Minnesota implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions". This statement requires recording changes of total OPEB liability along with the inflows and outflows and expense associated with OPEB.

The June 30, 2018 liabilities and deferred outflows and inflows of resources are calculated using June 30, 2017 actuarial report as the June 30, 2018 information is not available in adequate time to incorporate in the financial statements, which is allowed by GASB 75.

A single rate of 3.58% was used to measure the total OPEB liability as of June 30, 2017. The single discount rate was based on a municipal bond rate of 3.58% (based on a 20-year Bond Buyer General Obligation Index as of the end of June 2017). The Department of Administration's allocation was determined based on the headcount of active employees and covered spouses eligible to receive health benefit.

The Net OPEB Liability (NOL) is equal to the actuarially determined total OPEB liability less the net position of the OPEB trust fund.

	Deferred OPEB Outflows	Other Postemployment Benefits	Deferred OPEB Inflows
Beginning Balance 7/1/2018	\$ 12,000.00	\$ 217,935.00	\$ 10,000.00
Increase	-	-	-
Decrease	-	-	-
Ending Balance 12/31/2018	\$ 12,000.00	\$ 217,935.00	\$ 10,000.00

7. NET PENSION LIABILITY

Effective FY15, GASB established new accounting and financial reporting requirements for pension benefits. GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" requires the state to recognize the state's share of the pension plan's liabilities, outflows of resources, and deferred inflows of resources. The pension plan contributions are based on a percentage of salary. The Minnesota State Retirement System (MSRS) prepares a Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, which is audited by the Office of the Legislative Auditor.

Workers' Compensation fund reported net pension liability and deferred inflows and outflows of resources associated with pensions during FY15 through FY18 3rd quarter. MMB does not allocate net pension liability to special revenue funds, all governmental funds pensions are included in the general fund 1000 and proprietary funds. As a result, the financial statement does not include net pension liability as of June 30, 2018.

For Internal Use Only

8. ADJUSTMENTS TO NET POSITION

In FY18, the total prior period adjustments are \$636,236.42. These adjustments include: (\$290,625.60) is due to the overstatement of Other Revenue for Premium Pool (\$345,610.82) due to the overstatement of Other Revenue for Pay-As-You-Go

9. NET POSITION

The State of Minnesota implemented new accounting standards as prescribed by GASB. During FY02, the standards included revised statement formats which resulted in the change from Retained Earnings to Net Asset reporting. During FY13, Net Assets was renamed to Net Position; and Invested in Capital Assets, Net of Related Debt was renamed to Net Investment in Capital Assets. For historical cost comparison, total net assets and retained earnings have been reconciled as shown below.

Net Investment in Capital Assets	\$ 234,026.08
Unrestricted Net Position	11,982,768.05
Total Net Position	<u>\$ 12,216,794.13</u>

Schedule of Retained Earnings

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
Retained Earnings, Beginning	\$ 12,206,627.46	\$ 11,729,485.28	\$ -	\$ -
Net Income (Loss)	(477,142.18)	487,308.85	-	-
Retained Earnings, Ending	<u>\$ 11,729,485.28</u>	<u>\$ 12,216,794.13</u>	<u>\$ -</u>	<u>\$ -</u>
Add: Capital Contributions	\$ -	\$ -	\$ -	\$ -
Reconciliation to Total Net Position	<u>\$ 11,729,485.28</u>	<u>\$ 12,216,794.13</u>	<u>\$ -</u>	<u>\$ -</u>

The FY15 implementation of GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" required the recording of the net pension liability and the deferred inflows and outflows of resources associated with pensions. The FY18 implementation of GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions" (OPEB) required recording changes of total OPEB liability along with the inflows and outflows and expense associated with OPEB. These caused the nonmajor enterprise and internal services funds to end in a deficit net position. The actuarially determined amounts are likely to vary significantly from year to year and are managed by retirement systems and the Minnesota Legislature to ensure the defined benefit plans are adequately funded to pay plan benefits to employee participating as they become due. For these reasons, the state does not include the pension and OPEB related liabilities or deferred inflows or outflows of resources in the rate-setting process for managing these funds as long as the funds are contributing the statutory required contribution. The amounts will continue to be monitored by the retirement systems administering these plans and the Minnesota Legislature.

For Internal Use Only

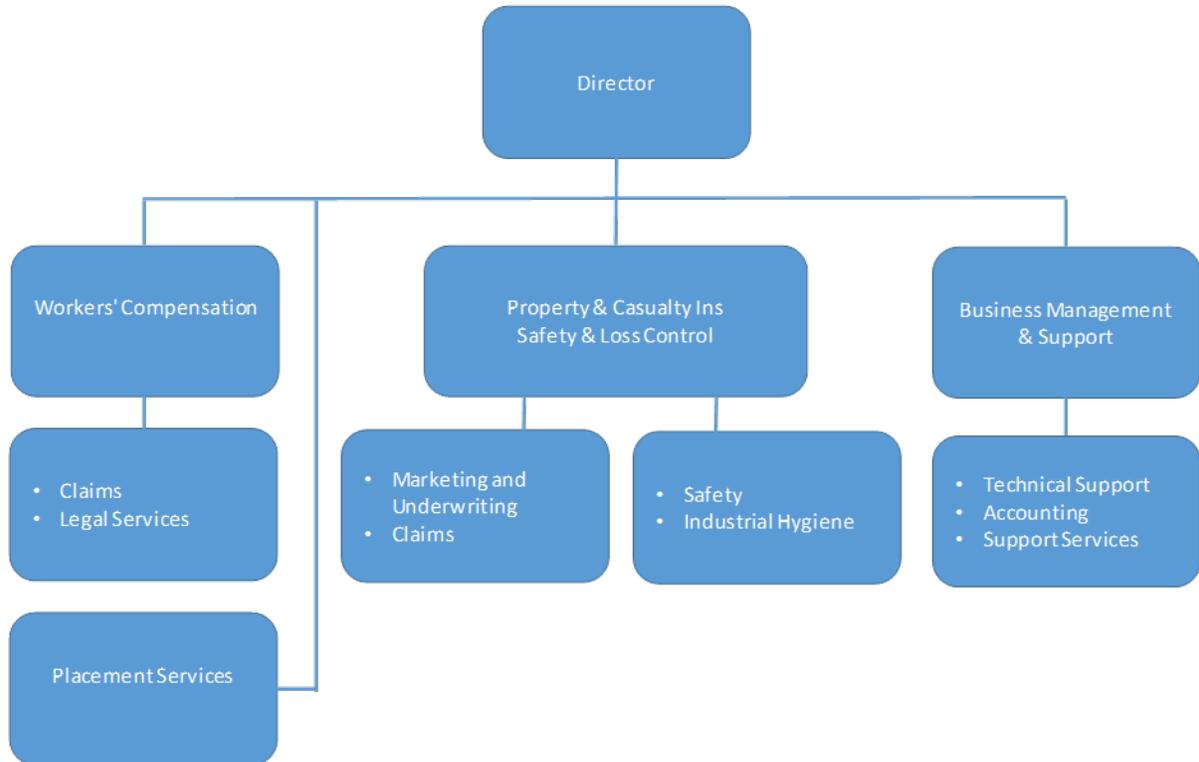
STATE OF MINNESOTA 3/28/2019
RISK MANAGEMENT - WORKERS' COMPENSATION FUND 2001 Unaudited
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - COMBINED
FOR THE QUARTER ENDED DECEMBER 31, 2018

	Combined	Administration Fees	Premium Pool	Pay-As-You-Go
OPERATING REVENUES				
Premium Pool	\$ 1,734,222.86	\$ -	\$ 1,734,222.86	\$ -
Pay-As-You-Go	8,355,149.51	-	-	8,355,149.51
Administrative Fees	1,499,352.38	1,499,352.38	-	-
Legal Services Unit	195,541.66	195,541.66	-	-
Safety Training	6,200.00	6,200.00	-	-
Other Revenues	1,507,153.70	932.50	286,731.42	1,219,489.78
Total Operating Revenues	<u>\$13,297,620.11</u>	<u>\$ 1,702,026.54</u>	<u>\$ 2,020,954.28</u>	<u>\$ 9,574,639.29</u>
OPERATING EXPENSES				
Claims	\$10,398,257.70	\$ -	\$ 2,082,073.04	\$ 8,316,184.66
Salaries and Benefits	1,433,875.78	1,433,875.78	-	-
Rent	49,542.71	49,542.71	-	-
Rent - Equipment	3,146.59	3,146.59	-	-
Repairs and Maintenance	2,175.00	2,175.00	-	-
Printing	686.72	686.72	-	-
Professional and Technical Services	956,988.09	6,093.94	346,336.38	604,557.77
Computer and Systems Services	47.31	47.31	-	-
Centralized IT Services	21,562.47	21,562.47	-	-
Communications	9,927.57	9,927.57	-	-
Travel - In State	3,029.21	3,029.21	-	-
Travel - Out State	-	-	-	-
Supplies and Materials	10,198.56	10,198.56	-	-
Employee Development	4,392.71	4,392.71	-	-
Purchased Services	1,344.36	1,344.36	-	-
Insurance	338,177.78	629.00	63,409.60	274,139.18
Attorney General Costs	-	-	-	-
Indirect Costs	115,898.00	115,898.00	-	-
Amortization	31,203.48	31,203.48	-	-
Other Expenses	7,416.00	7,416.00	-	-
Total Operating Expenses	<u>\$13,387,870.04</u>	<u>\$ 1,701,169.41</u>	<u>\$ 2,491,819.02</u>	<u>\$ 9,194,881.61</u>
OPERATING INCOME (LOSS)	<u>\$ (90,249.93)</u>	<u>\$ 857.13</u>	<u>\$ (470,864.74)</u>	<u>\$ 379,757.68</u>
NONOPERATING REVENUES (EXPENSES)				
Interest Revenue	\$ 100,416.60	\$ 9,752.45	\$ 52,365.04	\$ 38,299.11
Total Nonoperating Revenues (Expenses)	<u>\$ 100,416.60</u>	<u>\$ 9,752.45</u>	<u>\$ 52,365.04</u>	<u>\$ 38,299.11</u>
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	<u>\$ 10,166.67</u>	<u>\$ 10,609.58</u>	<u>\$ (418,499.70)</u>	<u>\$ 418,056.79</u>
TRANSFERS AND CONTRIBUTIONS				
Total Transfers and Contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
CHANGE IN NET POSITION	<u>\$ 10,166.67</u>	<u>\$ 10,609.58</u>	<u>\$ (418,499.70)</u>	<u>\$ 418,056.79</u>

Supporting Information

Staffing and Organizational Chart

The FY19 business plan had 27.4 FTEs. The FY20 business plan has 26.9 FTEs. The elimination of a vacant position (.4) and reallocation (.1) of a position to the Risk Management Fund account for the decrease in FTE's.



Administrative Fees

WORKERS' COMPENSATION ADMINISTRATIVE FEES by AGENCY FY 2020

iRISK Loc #	Department Name	FY19 Avg # of EE's	% of EE's	# of Open Claims as of 3/31/19	% of Open Claims	FY19 # of Trans	% of Trans	Avg %	FY2020 Work Comp Admin Fee	FY2020 MONTHLY Managed Care Fee
01A	Military Affairs	378	0.628%	15	0.887%	116	0.763%	0.759%	\$26,574	\$1,058.40
02 (All)	Administration	522	0.868%	20	1.183%	135	0.888%	0.979%	\$34,273	\$1,461.60
03A	State Lottery	154	0.256%	3	0.177%	5	0.033%	0.155%	\$5,439	\$431.20
04A	Agriculture	505	0.839%	8	0.473%	119	0.782%	0.698%	\$24,438	\$1,414.00
05A	Racing Commission	20	0.033%	0	0.000%	0	0.000%	0.011%	\$388	\$56.00
06A	Attorney General	326	0.542%	2	0.118%	1	0.007%	0.222%	\$7,777	\$912.80
07A	Public Safety - Fiscal and Administrative Serv	38	0.063%	0	0.000%	1	0.007%	0.023%	\$814	\$106.40
07B	Public Safety - Commissioner's Office	12	0.020%	0	0.000%	0	0.000%	0.007%	\$233	\$33.60
07C	Public Safety - BCA Training	333	0.553%	8	0.473%	38	0.250%	0.425%	\$14,890	\$932.40
07D	Public Safety - DVS	537	0.893%	19	1.124%	181	1.190%	1.069%	\$37,402	\$1,503.60
07E	Public Safety - Homeland Security & Emerg Mgmt	65	0.108%	2	0.118%	0	0.000%	0.075%	\$2,640	\$182.00
07F	Public Safety - Fire Marshal	57	0.095%	1	0.059%	6	0.039%	0.064%	\$2,255	\$159.60
07G	Public Safety - Public Educ & Media Rel	12	0.020%	0	0.000%	0	0.000%	0.007%	\$233	\$33.60
07H	Public Safety - Human Resources	14	0.023%	0	0.000%	0	0.000%	0.008%	\$271	\$39.20
07J	Public Safety - Office of Justice Programs	37	0.061%	0	0.000%	0	0.000%	0.020%	\$717	\$103.60
07K	Public Safety - 911 Emergency Service	11	0.018%	0	0.000%	0	0.000%	0.006%	\$213	\$30.80
07M	Public Safety - Pipeline Safety	18	0.030%	0	0.000%	0	0.000%	0.010%	\$349	\$50.40
07P	Public Safety - Patrol	784	1.303%	86	5.086%	513	3.373%	3.254%	\$113,876	\$2,195.20
07Q	Public Safety - Gambling & Alcohol	18	0.030%	1	0.059%	2	0.013%	0.034%	\$1,192	\$50.40
07S	Public Safety - Capitol Security	84	0.140%	3	0.177%	86	0.565%	0.294%	\$10,295	\$235.20
07T	Public Safety - Traffic Safety	20	0.033%	0	0.000%	0	0.000%	0.011%	\$388	\$56.00
09A	Gambling Control Board	33	0.055%	0	0.000%	0	0.000%	0.018%	\$640	\$92.40
10A	Minnesota Management & Budget (MMB)	247	0.411%	1	0.059%	5	0.033%	0.168%	\$5,863	\$691.60
15B	Board of Barbers	3	0.005%	0	0.000%	0	0.000%	0.002%	\$58	\$8.40
11B	Board of Cosmetologist	25	0.042%	1	0.059%	1	0.007%	0.036%	\$1,251	\$70.00
7FH	Board of Chiropractors	5	0.008%	0	0.000%	2	0.013%	0.007%	\$250	\$14.00
7FH	Board of Dentistry	10	0.017%	0	0.000%	0	0.000%	0.005%	\$194	\$28.00
7TP	Board of Peace Officers	10	0.017%	1	0.059%	8	0.053%	0.043%	\$1,497	\$28.00
7KH	Board of Nursing Home Admin	12	0.020%	0	0.000%	0	0.000%	0.007%	\$233	\$33.60
7LH	Board of Social Work	13	0.022%	0	0.000%	1	0.007%	0.009%	\$329	\$36.40
7MH	Board of Marriage & Family Therapy	3	0.005%	0	0.000%	0	0.000%	0.002%	\$58	\$8.40
7BH	Board of Medical Practice	26	0.043%	0	0.000%	0	0.000%	0.014%	\$504	\$72.80
7CH	Board of Nursing	30	0.050%	1	0.059%	3	0.020%	0.043%	\$1,502	\$84.00
7DH	Board of Pharmacy	21	0.035%	0	0.000%	0	0.000%	0.012%	\$407	\$58.80
7EB	Board of Architects	7	0.012%	0	0.000%	0	0.000%	0.004%	\$136	\$19.60
7VH	Board of Psychology	9	0.015%	0	0.000%	0	0.000%	0.005%	\$175	\$25.20
7JH	Board of Optometry	1	0.002%	0	0.000%	0	0.000%	0.001%	\$19	\$2.80
7PB	Board of Accountancy	5	0.008%	0	0.000%	0	0.000%	0.003%	\$97	\$14.00
7RH	Board of Vet Medicine	2	0.003%	0	0.000%	0	0.000%	0.001%	\$39	\$5.60
7QH	Board of Podiatry	1	0.002%	0	0.000%	0	0.000%	0.001%	\$19	\$2.80
7SB	Private Detective Board	3	0.005%	0	0.000%	0	0.000%	0.002%	\$58	\$8.40
7GB	Combative Sports Commission	3	0.005%	0	0.000%	0	0.000%	0.000%	\$0	\$0.00
7WH	Board of Physical Therapy	3	0.005%	0	0.000%	0	0.000%	0.002%	\$58	\$8.40
7SH	Emergency Medical Svs Reg Bd	5	0.008%	1	0.059%	12	0.079%	0.049%	\$1,707	\$14.00
7LH	Dietetics & Nutrition Practice Bd	2	0.003%	0	0.000%	0	0.000%	0.001%	\$39	\$5.60
7XH	Behavioral Health & Therapy Bd	5	0.008%	0	0.000%	0	0.000%	0.003%	\$97	\$14.00
12A	Health	1,575	2.618%	10	0.591%	189	1.243%	1.484%	\$51,933	\$4,410.00
13A	Commerce	365	0.607%	3	0.177%	9	0.059%	0.281%	\$9,837	\$1,022.00
80A	Commerce-Weights & Measures	-	0.000%	1	0.059%	3	0.020%	0.026%	\$920	\$0.00
14A	Animal Health Board	42	0.070%	0	0.000%	0	0.000%	0.023%	\$814	\$117.60
17A	Human Rights	46	0.076%	1	0.059%	4	0.026%	0.054%	\$1,889	\$128.80
19A	Indian Affairs Council	4	0.007%	0	0.000%	0	0.000%	0.002%	\$78	\$11.20
20B	Explore MN Tourism	53	0.088%	1	0.059%	5	0.033%	0.060%	\$2,101	\$148.40
22A	Employment & Economic Development	1,331	2.212%	28	1.656%	274	1.802%	1.890%	\$66,139	\$3,726.80
24B	Public Facilities Authority	9	0.015%	0	0.000%	0	0.000%	0.005%	\$175	\$25.20
25A	Perpich Center for Arts Education	53	0.088%	0	0.000%	17	0.112%	0.067%	\$2,332	\$148.40
X00	Minnesota State-Systems Office	374	0.622%	1	0.059%	20	0.132%	0.271%	\$9,476	\$1,047.20
X01	Minnesota State-Bemidji State Univ	516	0.858%	4	0.237%	23	0.151%	0.415%	\$14,529	\$1,444.80
X02	Minnesota State-MSU Mankato	1,469	2.442%	22	1.301%	186	1.233%	1.655%	\$57,926	\$4,113.20
X03	Minnesota State-MSU Moorhead	672	1.117%	10	0.591%	83	0.546%	0.751%	\$26,294	\$1,881.60
X04	Minnesota State-St Cloud State Univ	1,234	2.051%	15	0.887%	143	0.940%	1.293%	\$45,243	\$3,455.20
X05	Minnesota State-Southwest MN State Univ	389	0.647%	15	0.887%	48	0.316%	0.616%	\$21,572	\$1,089.20
X06	Minnesota State-Winona State Univ	939	1.561%	10	0.591%	64	0.421%	0.858%	\$30,014	\$2,629.20
X07	Minnesota State-Metro State Univ	820	1.363%	9	0.532%	125	0.822%	0.906%	\$31,696	\$2,296.00
X20	Minnesota State-Riverland CC - Austin	207	0.344%	4	0.237%	19	0.125%	0.235%	\$8,230	\$579.60
X21	Minnesota State-Central Lks College-Brainerd	212	0.352%	7	0.414%	32	0.210%	0.326%	\$11,394	\$593.60
X22	Minnesota State-Anoka/Ramsey CC-Cambridge	91	0.151%	3	0.177%	6	0.039%	0.123%	\$4,294	\$264.80
X23	Minnesota State-C & T College-Fergus Falls	107	0.178%	1	0.059%	0	0.000%	0.079%	\$2,755	\$299.60
X24	Minnesota State-Hibbing Community College	131	0.218%	3	0.177%	7	0.046%	0.147%	\$5,145	\$366.80
X25	Minnesota State-Itasca Community College	102	0.170%	0	0.000%	1	0.007%	0.059%	\$2,054	\$285.60
X27	Minnesota State-MN West C&T - Worthington	98	0.163%	0	0.000%	0	0.000%	0.054%	\$1,800	\$274.40
X28	Minnesota State-Vermilion Community College	65	0.108%	3	0.177%	8	0.053%	0.113%	\$3,943	\$182.00
X29	Minnesota State-Rochester Community College	382	0.635%	8	0.473%	11	0.072%	0.393%	\$13,769	\$1,069.60
X30	Minnesota State-Northland C&T - Thief River Fls	142	0.236%	2	0.118%	2	0.013%	0.122%	\$4,286	\$397.60
X31	Minnesota State-Mesabi Range C&T - Virginia	64	0.106%	1	0.059%	0	0.000%	0.055%	\$1,931	\$179.20
X32	Minnesota State-Minneapolis C&T College	508	0.844%	10	0.591%	30	0.197%	0.544%	\$19,049	\$1,422.40
X33	Minnesota State-Anoka/Ramsey Comm College	361	0.600%	4	0.237%	13	0.085%	0.307%	\$10,756	\$1,010.80
X34	Minnesota State-N Hennepin Comm College	352	0.585%	6	0.355%	63	0.414%	0.451%	\$15,796	\$985.60
X35	Minnesota State-Century College	595	0.989%	15	0.887%	188	1.236%	1.037%	\$36,304	\$1,666.00
X36	Minnesota State-Rainy River Comm College	34	0.057%	0	0.000%	1	0.007%	0.021%	\$736	\$95.20

**WORKERS' COMPENSATION ADMINISTRATIVE FEES by AGENCY
FY 2020**

iRISK Loc #	Department Name	FY19 Avg # of EE's	% of EE's	# of Open Claims as of 3/31/19	% of Open Claims	FY19 #of Trans	% of Trans	Avg %	FY2020 Work Comp Admin Fee	FY2020 MONTHLY Managed Care Fee
X37	Minnesota State-Normandale Comm College	553	0.919%	10	0.591%	41	0.270%	0.593%	\$20,766	\$1,548.40
X38	Minnesota State-Inver Hills Comm College	277	0.460%	5	0.296%	46	0.302%	0.353%	\$12,348	\$775.60
X39	Minnesota State-NE Higher Education District	33	0.055%	0	0.000%	0	0.000%	0.018%	\$640	\$92.40
X40	MNSC-Mpls C&T College Law Enforce	-	0.000%	0	0.000%	0	0.000%	0.000%	\$0	\$0.00
X41	Minnesota State-Fond du Lac Tribal & Comm Coll	121	0.201%	2	0.118%	14	0.092%	0.137%	\$4,800	\$338.80
X51	Minnesota State-Anoka Tech College	132	0.219%	2	0.118%	36	0.237%	0.191%	\$6,700	\$369.60
X52	Minnesota State-Alexandria Tech College	191	0.317%	3	0.177%	13	0.085%	0.193%	\$6,770	\$534.80
X53	Minnesota State-Hennepin Tech Coll-Plymouth	4	0.007%	0	0.000%	0	0.000%	0.002%	\$78	\$11.20
X54	Minnesota State-Pine Tech College	120	0.199%	1	0.059%	7	0.046%	0.102%	\$3,554	\$336.00
X55	Minnesota State-St Paul College	384	0.638%	5	0.296%	39	0.256%	0.397%	\$13,886	\$1,075.20
X56	Minnesota State-Lake Superior College	337	0.560%	5	0.296%	8	0.053%	0.303%	\$10,597	\$943.60
X57	Minnesota State-St. Cloud Tech College	294	0.489%	5	0.296%	22	0.145%	0.310%	\$10,837	\$823.20
X59	Minnesota State-Dakota County Tech College	236	0.392%	7	0.414%	67	0.441%	0.416%	\$14,544	\$660.80
X60	Minnesota State-Hennepin TC-Brooklyn Pk	284	0.472%	4	0.237%	21	0.138%	0.282%	\$9,877	\$795.20
X61	Minnesota State-Hennepin TC-Eden Prairie	116	0.193%	2	0.118%	34	0.224%	0.178%	\$6,237	\$324.80
X62	Minnesota State-MN West C&T - Canby	46	0.076%	3	0.177%	28	0.184%	0.146%	\$5,109	\$128.80
X63	Minnesota State-MN West C&T - Granite Falls	25	0.042%	1	0.059%	0	0.000%	0.034%	\$1,175	\$70.00
X64	Minnesota State-MN West C&T - Jackson	37	0.061%	1	0.059%	0	0.000%	0.040%	\$1,407	\$103.60
X65	Minnesota State-MN West C&T - Pipestone	37	0.061%	1	0.059%	0	0.000%	0.040%	\$1,407	\$103.60
X66	Minnesota State-Mesabi Range C&T - Eveleth	28	0.047%	1	0.059%	1	0.007%	0.037%	\$1,309	\$78.40
X68	Minnesota State-SE Tech College-Red Wing	46	0.076%	1	0.059%	0	0.000%	0.045%	\$1,582	\$128.80
X69	Minnesota State-SE Tech College-Winona	90	0.150%	2	0.118%	14	0.092%	0.120%	\$4,199	\$252.00
X71	Minnesota State-Central Lks College-Staples	48	0.080%	0	0.000%	0	0.000%	0.027%	\$931	\$134.40
X72	Minnesota State-Northwest Tech College	69	0.115%	1	0.059%	11	0.072%	0.082%	\$2,871	\$193.20
X73	Minnesota State-C&T College-Detroit Lakes	70	0.116%	2	0.118%	1	0.007%	0.080%	\$2,814	\$196.00
X74	Minnesota State-Northland C&T-E.Grand Forks	92	0.153%	0	0.000%	0	0.000%	0.051%	\$1,784	\$267.60
X75	Minnesota State-C&T College-Moorhead	201	0.334%	1	0.059%	4	0.026%	0.140%	\$4,894	\$562.80
X77	Minnesota State-C&T College-Wadena	53	0.088%	1	0.059%	3	0.020%	0.056%	\$1,948	\$148.40
X78	Minnesota State-Riverland Comm Coll-Albert Lea	31	0.052%	0	0.000%	2	0.013%	0.022%	\$754	\$86.80
X79	Minnesota State-S Central Tech Coll-Mankato	239	0.397%	5	0.296%	5	0.033%	0.242%	\$8,467	\$669.20
X80	Minnesota State-Ridgewater College-Hutchinson	105	0.175%	1	0.059%	0	0.000%	0.078%	\$2,726	\$294.00
X81	Minnesota State-Ridgewater College-Willmar	219	0.364%	5	0.296%	37	0.243%	0.301%	\$10,633	\$613.20
X83	Minnesota State-S Central Tech Coll-Faribault	44	0.073%	0	0.000%	0	0.000%	0.024%	\$853	\$123.20
X99	Minnesota State-Student Workers	3,858	6.413%	7	0.414%	16	0.105%	2.311%	\$80,861	EXEMPT
28A	State Senate	289	0.480%	1	0.059%	0	0.000%	0.180%	\$6,293	\$809.20
29 (All)	DNR (All regions)	2,578	4.285%	85	5.027%	785	5.161%	4.824%	\$168,833	\$7,218.40
CC (All)	Conservation Corp Minnesota	262	0.435%	8	0.473%	36	0.237%	0.382%	\$13,360	\$733.60
31A	House of Representatives	393	0.653%	1	0.059%	2	0.013%	0.242%	\$8,463	\$1,100.40
32A	Pollution Control Agency	857	1.424%	5	0.296%	14	0.092%	0.604%	\$21,140	\$2,399.60
33A	Trial Courts	-	0.000%	0	0.000%	0	0.000%	0.000%	\$0	\$0.00
33L	Trial Courts - District 1	291	0.484%	6	0.355%	24	0.158%	0.332%	\$11,622	\$814.80
33K	Trial Courts - District 10	371	0.617%	0	0.000%	1	0.007%	0.208%	\$7,270	\$1,038.80
33B	Trial Courts - District 2	276	0.459%	1	0.059%	0	0.000%	0.173%	\$5,041	\$772.80
33C	Trial Courts - District 3	211	0.351%	0	0.000%	0	0.000%	0.117%	\$4,091	\$590.80
33D	Trial Courts - District 4	611	1.016%	7	0.414%	41	0.270%	0.566%	\$19,821	\$1,710.80
33E	Trial Courts - District 5	143	0.238%	2	0.118%	4	0.026%	0.127%	\$4,459	\$400.40
33F	Trial Courts - District 6	143	0.238%	1	0.059%	31	0.204%	0.167%	\$5,840	\$400.40
33G	Trial Courts - District 7	230	0.382%	2	0.118%	4	0.026%	0.176%	\$6,146	\$644.00
33H	Trial Courts - District 8	80	0.133%	0	0.000%	0	0.000%	0.044%	\$1,551	\$224.00
33J	Trial Courts - District 9	207	0.344%	3	0.177%	41	0.270%	0.264%	\$9,228	\$579.60
J60	State Guardian ad Litem Board	230	0.382%	5	0.296%	48	0.316%	0.331%	\$11,590	\$644.00
34A	Housing Finance	245	0.407%	1	0.059%	0	0.000%	0.155%	\$5,440	\$686.00
37A	Education	386	0.642%	5	0.296%	107	0.704%	0.547%	\$19,141	\$1,080.80
38A	Investment Board	22	0.037%	0	0.000%	0	0.000%	0.012%	\$427	\$61.60
39A	Governor's Office	44	0.073%	1	0.059%	0	0.000%	0.044%	\$1,543	\$123.20
40A	Historical Society	525	0.873%	9	0.532%	53	0.348%	0.584%	\$20,453	\$1,470.00
41A	Work Comp Court of Appeals	11	0.018%	1	0.059%	42	0.276%	0.118%	\$4,125	\$30.80
42 (All)	Labor & Industry	440	0.731%	14	0.828%	84	0.552%	0.704%	\$24,632	\$1,232.00
43A	IRRFRE	43	0.071%	3	0.177%	42	0.276%	0.175%	\$5,125	\$120.40
44 (All)	Minnesota State Academies	194	0.322%	18	1.054%	185	1.215%	0.868%	\$30,368	\$543.20
45A	Mediation Services	12	0.020%	1	0.059%	0	0.000%	0.026%	\$923	\$33.60
46A	MN.IT Services	2,379	3.954%	14	0.828%	113	0.743%	1.842%	\$64,453	\$6,661.20
49A	Legislative Auditor	60	0.100%	0	0.000%	0	0.000%	0.033%	\$1,163	\$168.00
50A	State Arts Board	19	0.032%	0	0.000%	0	0.000%	0.011%	\$368	\$53.20
5DA	Leg. Coord Committee/Rev of Statutes	88	0.146%	0	0.000%	1	0.007%	0.051%	\$1,783	\$246.40
52A	Public Defense Board	732	1.217%	8	0.473%	23	0.151%	0.614%	\$21,476	\$2,049.60
53A	Secretary of State	86	0.143%	0	0.000%	1	0.007%	0.050%	\$1,744	\$240.80
55A	Human Svs-Anoka RTC	870	1.446%	66	3.903%	602	3.958%	3.102%	\$108,573	\$2,436.00
55B	Human Svs-Brainerd RTC	-	0.000%	12	0.710%	109	0.717%	0.475%	\$16,639	\$0.00
552	Human Svs-CARE	170	0.283%	3	0.177%	10	0.066%	0.175%	\$6,133	\$476.00
553	Human Svs-Brainerd Group Homes	-	0.000%	0	0.000%	0	0.000%	0.000%	\$0	\$0.00
554	Human Svs-Child	40	0.066%	9	0.532%	51	0.335%	0.311%	\$10,896	\$112.00
55C	Human Svs-Cambridge RTC (closed)	-	0.000%	8	0.473%	310	2.038%	0.837%	\$29,295	\$0.00
55D	Human Svs-Central Office	2,018	3.354%	30	1.774%	261	1.715%	2.281%	\$79,842	\$5,650.40
55E	Human Svs-Fergus Falls RTC	-	0.000%	4	0.237%	59	0.388%	0.208%	\$7,285	\$0.00
555	Human Svs-Fergus Falls Group Homes	-	0.000%	0	0.000%	0	0.000%	0.000%	\$0	\$0.00
55F	Human Svs-Faribault RTC (closed)	-	0.000%	11	0.651%	231	1.519%	0.723%	\$26,306	\$0.00

**WORKERS' COMPENSATION ADMINISTRATIVE FEES by AGENCY
FY 2020**

iRISK Loc #	Department Name	FY19 Avg # of EE's	% of EE's	# of Open Claims as of 3/31/19	% of Open Claims	FY19 #of Trans	% of Trans	Avg %	FY2020 Work Comp Admin Fee	FY2020 MONTHLY Managed Care Fee
55G	Human Svs-AHGwahChing RTC	-	0.000%	8	0.473%	174	1.144%	0.539%	\$18,865	\$0.00
55H	Human Svs-Hastings (closed)	-	0.000%	0	0.000%	0	0.000%	0.000%	\$0	\$0.00
55J	Human Svs-MSOCS-ICF/MR	-	0.000%	0	0.000%	0	0.000%	0.000%	\$0	\$0.00
55K	Human Svs-METO	70	0.116%	17	1.005%	175	1.151%	0.757%	\$26,507	\$196.00
55S	Human Svs-MSOCS Group Homes	1,456	2.420%	126	7.451%	1,073	7.055%	5.642%	\$197,452	\$4,076.80
55L	Human Svs-NNE-SOS-Liberalis	-	0.000%	0	0.000%	0	0.000%	0.000%	\$0	\$0.00
55M	Human Svs-Moose Lake RTC (closed)	-	0.000%	3	0.177%	97	0.638%	0.272%	\$9,609	\$0.00
55N	Human Svs-NNE-SOS-Gen.Fund	-	0.000%	0	0.000%	0	0.000%	0.000%	\$0	\$0.00
55P	Human Svs-Moose Lk Reg. St. OP Svs	841	1.398%	27	1.597%	190	1.249%	1.415%	\$49,506	\$2,354.80
55O	Human Svs-NNE-SOS-BHS Grant	-	0.000%	0	0.000%	0	0.000%	0.000%	\$0	\$0.00
557	Human Svs-NNE-SOS-DD-SOCS	-	0.000%	0	0.000%	0	0.000%	0.000%	\$0	\$0.00
55Q	Human Svs-St Peter MSH	954	1.586%	65	3.844%	515	3.386%	2.939%	\$102,839	\$2,671.20
55R	Human Svs-Rochester (closed)	-	0.000%	0	0.000%	0	0.000%	0.000%	\$0	\$0.00
55S	Human Svs-St Peter RTC (closed)	-	0.000%	3	0.177%	21	0.138%	0.105%	\$3,680	\$0.00
55T	Human Svs-Oak Terrace RTC (closed)	-	0.000%	3	0.177%	41	0.270%	0.149%	\$5,214	\$0.00
55U	Human Svs-NNE-SOS-Eveleth	-	0.000%	0	0.000%	0	0.000%	0.000%	\$0	\$0.00
55V	Human Svs-MN Specialty Services	49	0.081%	3	0.177%	12	0.079%	0.113%	\$3,940	\$137.20
55W	Human Svs-Willmar RTC	2	0.003%	2	0.118%	38	0.250%	0.124%	\$4,333	\$5.60
558	Human Svs-MNS	-	0.000%	1	0.059%	7	0.046%	0.035%	\$1,227	\$0.00
559	Human Svs-Willmar Group Homes	-	0.000%	0	0.000%	0	0.000%	0.000%	\$0	\$0.00
55Y	Human Svs-CBHH	609	1.012%	16	0.946%	150	0.986%	0.982%	\$34,351	\$1,705.20
H60	MNSure	165	0.274%	0	0.059%	0	0.000%	0.111%	\$3,889	\$462.00
58A	Court of Appeals	89	0.148%	0	0.000%	1	0.007%	0.052%	\$1,802	\$249.20
60A	Higher Educ Services Office	64	0.106%	0	0.000%	0	0.000%	0.035%	\$1,241	\$179.20
61A	State Auditor	79	0.131%	1	0.059%	40	0.263%	0.151%	\$5,290	\$221.20
62A	MN State Retirement	127	0.211%	0	0.000%	0	0.000%	0.070%	\$2,462	\$355.60
63A	Public EE Retirement Assoc.	98	0.163%	1	0.059%	1	0.007%	0.076%	\$2,667	\$274.40
65 (All)A	Judicial	395	0.657%	1	0.059%	2	0.013%	0.243%	\$8,502	\$1,106.00
67A	Revenue	1,469	2.425%	25	1.478%	226	1.486%	1.796%	\$62,870	\$4,085.20
68A	Tax Court	9	0.015%	0	0.000%	0	0.000%	0.005%	\$175	\$25.20
69A	Teachers Retirement Assoc.	84	0.140%	2	0.118%	0	0.000%	0.086%	\$3,008	\$235.20
70J	Judicial Standards Board	3	0.005%	0	0.000%	0	0.000%	0.002%	\$58	\$8.40
75C	Veterans' Affairs - Central Office	168	0.279%	5	0.296%	36	0.237%	0.271%	\$9,468	\$470.40
75B	Veterans Home Silver Bay	154	0.256%	13	0.769%	150	0.986%	0.670%	\$23,459	\$431.20
75F	Veterans Home Fergus Falls	183	0.304%	11	0.651%	152	0.999%	0.651%	\$22,795	\$512.40
75H	Veterans Home Hastings	85	0.141%	5	0.296%	75	0.493%	0.310%	\$10,850	\$238.00
75L	Veterans Home Luverne	176	0.293%	13	0.769%	93	0.611%	0.558%	\$19,514	\$492.80
75M	Veterans Home Minneapolis	587	0.976%	60	3.548%	511	3.360%	2.628%	\$91,967	\$1,643.60
77 (All)	Minnesota Zoo	279	0.464%	25	1.478%	178	1.170%	1.038%	\$36,309	\$781.20
78A	MCF-Central Office	718	1.193%	24	1.419%	165	1.085%	1.233%	\$43,134	\$2,010.40
78B	MCF-St. Cloud	408	0.678%	21	1.242%	306	2.012%	1.311%	\$45,868	\$1,142.40
78C	MCF-Sauk Center (closed)	-	0.000%	1	0.059%	0	0.000%	0.020%	\$690	\$0.00
78F	MCF-Fairbault	625	1.039%	24	1.419%	295	1.940%	1.466%	\$51,302	\$1,750.00
78H	MCF-Shakopee	264	0.439%	7	0.414%	38	0.250%	0.368%	\$12,862	\$739.20
78L	MCF-Lino Lakes	460	0.765%	13	0.769%	88	0.579%	0.704%	\$24,637	\$1,288.00
78P	MCF-Oak Park Heights	339	0.563%	23	1.360%	309	2.032%	1.318%	\$46,140	\$949.20
78R	MCF-Red Wing	187	0.311%	15	0.887%	95	0.625%	0.608%	\$21,260	\$523.60
78S	MCF-Stillwater	508	0.844%	45	2.661%	543	3.570%	2.359%	\$82,541	\$1,422.40
78T	MCF-Topo	61	0.101%	3	0.177%	39	0.256%	0.178%	\$6,244	\$170.80
78U	MCF-Rush City	342	0.568%	14	0.828%	155	1.019%	0.805%	\$28,178	\$957.60
78W	MCF-Willow River/Mooselake	421	0.700%	10	0.591%	75	0.493%	0.595%	\$20,814	\$1,178.80
790	DOT-Central Office	1,601	2.661%	31	1.833%	325	2.137%	2.210%	\$77,356	\$4,482.80
791	DOT-District 1-Duluth/Virginia	382	0.635%	29	1.715%	287	1.887%	1.412%	\$49,425	\$1,069.60
792	DOT-District 2-Bemidji/Cookston	255	0.424%	8	0.473%	97	0.638%	0.512%	\$17,903	\$714.00
793	DOT-District 3-Baxter/St. Cloud	424	0.705%	19	1.124%	170	1.118%	0.982%	\$34,367	\$1,187.20
794	DOT-District 4-Detroit Lakes/Morris	259	0.430%	8	0.473%	123	0.809%	0.571%	\$19,975	\$725.20
796	DOT-District 6-Rochester/Owatonna	412	0.685%	22	1.301%	173	1.137%	1.041%	\$36,434	\$1,153.60
797	DOT-District 7-Mankato/Window	338	0.562%	29	1.715%	263	1.663%	1.313%	\$45,965	\$946.40
798	DOT-District 8-Willmar	228	0.379%	16	0.946%	171	1.124%	0.816%	\$28,574	\$638.40
799	DOT-District 9-Metro	1,338	2.224%	80	4.731%	825	5.424%	4.126%	\$144,409	\$3,746.40
82A	Public Utilities Commission	55	0.091%	0	0.000%	0	0.000%	0.030%	\$1,066	\$154.00
90A	State Fair	351	0.583%	10	0.591%	119	0.782%	0.652%	\$22,832	\$982.80
92G	Ombudsperson for Families	5	0.008%	0	0.000%	5	0.033%	0.014%	\$480	\$14.00
9KG	Office of Administrative Hearings	62	0.103%	1	0.059%	1	0.007%	0.056%	\$1,969	\$173.60
9GH	Ombudsman - Mental Health	19	0.032%	0	0.000%	0	0.000%	0.011%	\$368	\$53.20
9XG	Capitol Area Architect	4	0.007%	0	0.000%	0	0.000%	0.002%	\$78	\$11.20
9YG	Disability Council	11	0.018%	0	0.000%	0	0.000%	0.006%	\$213	\$30.80
9JG	Campaign Financing & Public Dis. Bd	9	0.015%	0	0.000%	0	0.000%	0.005%	\$175	\$25.20
9WE	Higher Education Facility	2	0.003%	0	0.000%	0	0.000%	0.001%	\$39	\$5.60
9EP	Sentencing Guidelines	6	0.010%	0	0.000%	0	0.000%	0.003%	\$116	\$16.80
9LG	Council for Minnesotans of African Heritage	4	0.007%	0	0.000%	0	0.000%	0.002%	\$78	\$11.20
9PR	Water & Soil Resources Board	124	0.206%	2	0.118%	0	0.000%	0.108%	\$3,784	\$347.20
9NG	Asian-Pacific Council	5	0.008%	0	0.000%	0	0.000%	0.003%	\$97	\$14.00
9MG	Chicano/Latino Affairs Council	4	0.007%	0	0.000%	0	0.000%	0.002%	\$78	\$11.20
9DB	Amateur Sports Commission	3	0.005%	0	0.000%	0	0.000%	0.002%	\$58	\$8.40
TOTALS		60,163	100.000%	1,691	100.000%	15,209	100.000%	100.00%	\$3,499,608	\$157,654

See note regarding allocation of administrative fee on the Rate Matrix Computation

STATE OF MINNESOTA WORKERS' COMPENSATION PROGRAM

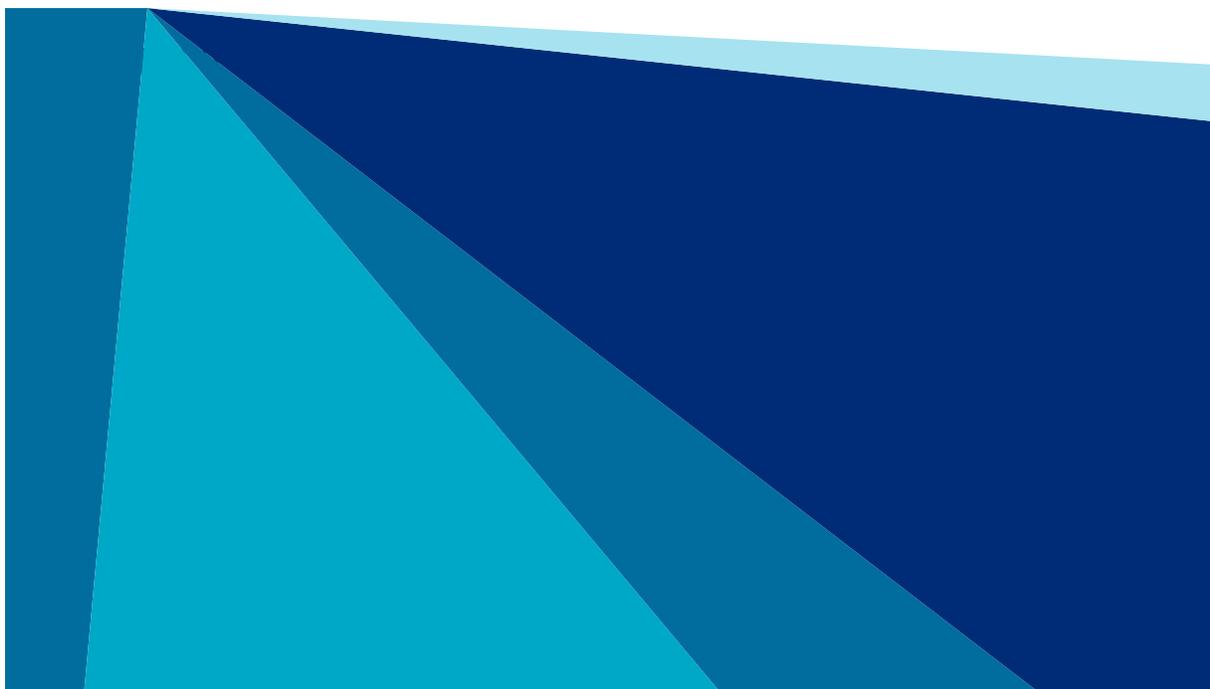
REVIEW OF THE NEEDED FUND RESERVE FOR FISCAL YEAR ENDING 2014

DATA EVALUATED AS OF JUNE 30, 2014
UNPAID LIABILITY ESTIMATED AS OF JUNE 30, 2014

DECEMBER 2, 2014

Prepared by:

RON FOWLER, FCAS, MAAA



CONTENTS

1. Background	1
2. Executive Summary	2
3. Description of Data	3
4. Description of Methodology	4
5. Considerations and Limitations	6
6. Distribution and Use	8
7. Closing Comments	9
8. Glossary	10
9. Exhibits	15



1

Background

The State of Minnesota Department of Administration (The Fund) has asked Oliver Wyman Actuarial Consulting, Inc. (Oliver Wyman) to perform a review of the needed workers' compensation fund reserve for fiscal year-end 2014 for its self-insured program.

The Fund covers approximately 54,000 employees of the executive legislative and judicial branches of state government, along with employees of some quasi-state agencies such as the State Fair and the Minnesota Historical Society. The self-insured, self-administered program provides and coordinates claim management, disability management and managed health care for state workers who are injured on the job and office workers' compensation legal services for state agencies.



Executive Summary

In the course of the review, Oliver Wyman applied several generally accepted loss and ALAE reserving methodologies and procedures to derive the needed reserve fund at fiscal year-end 2014. Oliver Wyman gave consideration to the relative strengths and weaknesses of each of the methods in developing our selected point estimates.

Based on the historical loss (including ALAE) information as of 6/30/2014 and the additional information provided to us (and only that information provided to us) through 10/30/2014 our findings are as follows:

Since premium deficits and surpluses are recouped with a one year lag, The Fund must have enough money to weather two adverse years. Our recommendation is that The Fund retains a reserve amount beginning fiscal year-end 2014 that will withstand a one in 10 year adverse event or a 90% confidence level of future (fiscal year 2015 and fiscal year 2016) loss and ALAE payments. This estimation is \$1,972,030.

In addition, after discussions with The Fund administrators, and consistent with previous analyses, it was deemed appropriate to ensure that one large claim could not exhaust The Fund's balance. The current super retention for WCRA is about \$1,900,000. This amount was added to the aforementioned risk margin for fiscal year loss payments.

Oliver Wyman's estimate of total needed fund reserve for fiscal year-end 2014 is **\$3,872,030** (Exhibit A, Page 8). Our recommendation is The Fund retains this cash balance as a margin against potential future premium shortfalls. This amount represents approximately the 99% confidence level of future loss payments.

All projections presented in this report are net of subrogation and salvage (to the extent captured in the historical claims data) and are limited to The Fund's per occurrence retention, which has been the "Super Retention" since 1996.

All reinsurance is considered to be valid and fully collectible. Oliver Wyman made no assessment, and does not express any opinion, concerning the collectability of reinsurance.

3

Description of Data

Oliver Wyman relied upon data prepared by The State and provided by Gay Sharpen. Oliver Wyman relied upon the data without independent verification and audit. We have also relied on historical loss information provided in a previous analysis as of 6/30/06 for purposes of developing loss and claim triangles. Although the data appears reasonable and the indications are based upon reliable data, if there are any undiscovered material data inconsistencies, the projections could be affected.

The following is a list of the data that was used in the review.

- Claim listings in Excel format evaluated as of beginning with valuation date 6/30/07 and annually thereafter through 6/30/14. The listing included claims with accident dates going back to 1953 through 6/30/14 and included the following fields:
 - Accident Date
 - Report Date
 - Close Date
 - Incurred Loss including allocated loss adjustment expense (ALAE)
 - Paid Loss (including ALAE)
 - Recoveries

4

Description of Methodology

This report was prepared in accordance with generally accepted actuarial principles as promulgated by the Actuarial Standards Board.

The methodologies employed are as follows:

- Incurred Loss Development
- Paid Loss Development
- Incurred Loss Bornhuetter-Ferguson
- Paid Loss Bornhuetter-Ferguson
- Average IBNR

As part of the analysis, Oliver Wyman attempts to gauge any biases inherent in our actuarial methodologies. Oliver Wyman produces a series of diagnostic exhibits that aid in establishing the selected ultimate loss estimate. These include:

- Paid Loss / Ultimate Loss
- Incurred Loss / Ultimate Loss
- Closed Claims / Ultimate Claims
- Reported Claims / Ultimate Claims
- Average Unpaid Loss
- Average IBNR
- Average Paid Loss
- Average Incurred Loss
- Average Open Reserves
- Paid Loss / Incurred Loss
- Closed Claims / Reported Claims
- Claims Disposal Ratio

Ultimate loss and ALAE was selected based upon the results of the methods and resultant diagnostics. This approach limits the impact of material biases underlying any one method.

The above methodologies were used to estimate loss payments made in fiscal years 2015 and 2016. Historical paid loss patterns were used to estimate the volatility of future payments and the range or percentiles were created from this statistical measure of volatility.



Considerations and Limitations

For our analysis, we relied on data and information provided by The Fund without independent audit. Though we have reviewed the data for reasonableness and consistency, we have not audited or otherwise verified this data. It should also be noted that our review of data may not always reveal imperfections. We have assumed that the data provided is both accurate and complete. The results of our analysis are dependent on this assumption. If this data or information is inaccurate or incomplete, our findings and conclusions may need to be revised.

The prospective policy/accident period estimates developed in this analysis are based on estimated loss costs and the projected exposures. It should be noted that prospective period loss and ALAE estimates are directly related to the projected exposures. Therefore, if actual exposures differ from the projection, prospective policy/accident period estimates would need to be adjusted accordingly.

Where The Fund's own historical data was either (i) not available, (ii) not appropriate or (iii) not sufficiently credible to develop our actuarial assumptions, we supplemented it with external information, as we deemed appropriate. Although we believe these external sources may be more predictive of future Fund experience than any other data of which we are aware, the use of external data adds to the uncertainty associated with our projections.

The scope of the project does not include the estimation of any costs other than those described herein. Such ancillary costs may include excess insurance premiums; the costs of trustee, legal, administrative, risk management and actuarial services; fees and assessments; and costs for surety bonds or letters of credit pertaining to claim liabilities.

All excess insurance / reinsurance are considered to be valid and fully collectible. We made no assessment, and do not express any opinion, concerning the collectability of any excess insurance or reinsurance. We have not evaluated the financial strength, claims paying ability or any other factors with regard to Fund's past, current, and / or prospective excess insurers / reinsurers.

We have not examined the assets supporting the liabilities, but have assumed they are supported by valid assets which have appropriate maturities and sufficient liquidity to meet payment obligations associated with the amounts that are within the scope of our review.

Our models may retain more digits than those displayed. In addition, the results of certain calculations may be presented in the exhibits with more or less digits than would be considered significant. As a result, it should be recognized that (i) there may be rounding differences between the results of calculations presented in the exhibits and replications of those calculations based on displayed underlying amounts, and (ii) calculation results may not have been adjusted to reflect the precision of the calculation.

Our conclusions are based on an analysis of The Fund data and on the estimation of the outcome of many contingent events. Future costs were developed from the historical claim experience and covered exposure, with adjustments for anticipated changes. Our estimates make no provision for extraordinary future emergence of new classes of losses or types of losses not sufficiently represented in historical databases or which are not yet quantifiable.

The sources of uncertainty affecting our estimates are numerous and include factors internal and external to The Fund. Internal factors include items such as changes in claim reserving or settlement practices. The most significant external influences include, but are not limited to, changes in the legal, social, or regulatory environment surrounding the claims process. Uncontrollable factors such as general economic conditions also contribute to the variability.

While this analysis complies with applicable Actuarial Standards of Practice and Statements of Principles, users of this analysis should recognize that our projections involve estimates of future events, and are subject to economic and statistical variations from expected values. We have not anticipated any extraordinary changes to the legal, social, or economic environment that might affect the frequency or severity of claims. For these reasons, no assurance can be given that the emergence of actual losses will correspond to the projections in this analysis.

We have calculated estimates of the statistical uncertainty associated with the process risk inherent in our estimates. However, unless otherwise indicated, our probability level estimates do not address parameter or model risk. To the extent that the probability estimates do not address parameter risk or model risk, the true variability of results is greater than the range of outcomes presented. The Fund may wish to consider this additional uncertainty in evaluating the projected and funding amounts.



Distribution and Use

This report was prepared for the sole use of The Fund and Oliver Wyman. All decisions in connection with the implementation or use of advice or recommendations contained in this report are the sole responsibility of The Fund.

This report is not intended for general circulation or publication, nor is it to be used, quoted or distributed to others for any purpose other than those that may be set forth herein or in the written agreement pursuant to which this report has been issued without the prior written consent of Oliver Wyman.

Oliver Wyman's consent to any distribution of this report (whether herein or in the written agreement pursuant to which this report has been issued) to parties other than The Fund does not constitute advice by Oliver Wyman to any such third parties and shall be solely for informational purposes and not for purposes of reliance by any such third parties. Oliver Wyman assumes no liability related to third party use of this report or any actions taken or decisions made as a consequence of the results, advice or recommendations set forth herein. This report should not replace the due diligence on behalf of any such third party.

Neither all nor any part of the contents of this report, any opinions expressed herein, or the firm with which this report is connected, shall be disseminated to the public through advertising media, public relations, news media, sales media, mail, direct transmittal, or any other public means of communications, without the prior written consent of Oliver Wyman. Except as may have otherwise been agreed in the written agreement pursuant to which this report has been issued, our permission is granted for The Fund's release of this report to its directors, officers, employees, auditors, insurance brokers, commercial insurance carriers, reinsurers and consultants who have a need to know and are bound by reasonable obligations of confidentiality, and to The Fund's regulators (if applicable, and only if required or requested through regulatory process). Except as may have otherwise been agreed in the written agreement pursuant to which this report has been issued, distribution to parties other than those specifically mentioned is prohibited without our prior written consent.

The actuarial findings contained in this document are not intended to be used, and cannot be used, by the taxpayer for the purpose of avoiding tax penalties that may be imposed on the taxpayer.



Closing Comments

It has been a pleasure to provide this analysis to The Minnesota Department of Administration and I am prepared to discuss the results at their request.

I, Ron Fowler, am a partner for Oliver Wyman Actuarial Consulting, Inc. I meet the Qualification Standards of the Casualty Actuarial Society and the American Academy of Actuaries to render the actuarial analysis contained in this report.

Please feel free to call me should you have any questions.

A handwritten signature in black ink, appearing to read 'R. Fowler', is positioned above a horizontal line.

Ron Fowler, FCAS, MAAA
Oliver Wyman Actuarial Consulting
540 West Madison Street, Suite 1200
Chicago, IL 60661
(312) 627-6120



Glossary

Accident Period / Fiscal Year

The period in which the event giving rise to a claim occurred, regardless of when the claim is actually reported.

Accounting Date

The point in time at which the estimate of unpaid claims and ACAE is evaluated.

Actuarial Central Estimate

An estimate that represents an expected value over the range of reasonably possible outcomes. Such range of reasonably possible outcomes may not include all conceivable outcomes.

Adjusting and Other Expenses (AO)

Those expenses other than allocated expenses, which include fees of adjusters and settling agents, loss adjustment expenses for participation in voluntary and involuntary market pools if reported by calendar year, attorney fees incurred in the determination of coverage, including litigation between the insurer and the policyholder; and fees or salaries for appraisers, private investigators, hearing representatives, re-inspectors and fraud investigators, if working in the capacity of an adjuster.

Allocated Loss Adjustment Expense (ALAE)

Expense costs associated with the handling and settling of an individual claim that can be directly attributed to the particular claim. Fees paid to outside defense attorneys and investigation firms are examples of this expense cost.

Case Reserves

The unpaid claim estimates established by adjusters on an individual claim basis.

Claim

A demand for payment under the coverage provided by a plan or contract. As used throughout this Glossary, it also includes suits, potentially compensable events, notifications, and unasserted claims.

Claim Adjustment Expenses

The costs of administering, determining coverage for, settling, or defending claims. Claim

adjustment expenses include allocated claim adjustment expenses and unallocated claim adjustment expenses.

Claim Frequency

The number of claims that occur over a period of time per unit of exposure.

Claim Reporting Pattern

The rate at which claims are assumed to be reported over time.

Claim Severity

The average cost per claim.

Coefficient of Variation

A statistical measure of dispersion. The coefficient of variation is calculated as the standard deviation of the random process divided by the expected value (mean).

Confidence Level

The probability that the outcome of a random process will not exceed an associated estimate. For example, a 75% confidence level for an unpaid claim estimate of \$10 million would indicate that there is a 75% probability that the actual claim payments will be less than or equal to \$10 million. The estimate is defined in the context of the risks modeled in our analysis and may not consider all factors contributing to variability of outcomes.

Credibility

A measure of the predictive value of a body of data.

Defense and Cost Containment Expenses (DCC)

Defense and cost containment expenses include:

- (a) Surveillance expenses;
- (b) Fixed amounts for cost containment expenses;
- (c) Litigation management expenses;
- (d) Fees or salaries for appraisers, private investigators, hearing representatives, reinspectors and fraud investigators, if working in defense of a claim, and fees or salaries for rehabilitation nurses, if such cost is not included in losses;
- (e) Attorney fees incurred owing to a duty to defend, even when other coverage does not exist; and
- (f) The cost of engaging experts.

Defense and cost containment expenses do not include:

- (a) Fees of adjusters and settling agents (but not if engaged in a contentious defense);
- (b) Attorney fees incurred in the determination of coverage, including litigation between the insuring entity and the policyholder; and
- (c) Fees or salaries for appraisers, private investigators, hearing representatives, reinspectors and fraud investigators, if working in the capacity of an adjuster.

Development

The change between valuation dates in the observed values of certain fundamental quantities that may be used in the unpaid claim estimation process.

For example, the number of reported claims associated with events occurring within a particular period will change from one valuation date to the next until all claims have been reported. In a similar fashion, the paid claim amounts for events occurring within a particular period will change

from one valuation date to the next until all claims have been reported and closed. The change in the number of reported claims or the change in the paid claim amounts is referred to as development. The concept of development also applies to reported incurred losses.

Discounted Unpaid Claim Estimate

The unpaid claim amount estimate presented on a basis that reflects the time value of money. In other words, how much would need to be invested as of the accounting date such that principal and interest would be equal to the expected future claim payments as they come due.

Discounted Unpaid Loss Estimate

The unpaid loss amount estimate presented on a basis that reflects the time value of money. In other words, how much would need to be invested as of the accounting date such that principal and interest would be equal to the expected future claim payments as they come due.

Estimated Ultimate Claim Costs

The estimated cost of claims during a period. Ultimate incurred claims represent the total of paid claim amounts, case reserves, and IBNR.

Estimated Ultimate Incurred Losses

The estimated cost of claims during a period. Ultimate incurred losses represent the total of paid claim amounts, case reserves, and IBNR.

Event

The incident or activity that triggers potential for claim or allocated claim adjustment expense payment.

Exposure

A measure of the underlying potential for claim costs.

IBNR

The unpaid claim estimate for: (a) events that have occurred for which claims have not been reported as of the accounting date, (b) future development of the case reserves, (c) claims that have been reported but not yet recorded in the loss listing, and (d) claims that have been closed but that will be reopened.

Loss

The cost associated with a claim. The cost may or may not include loss adjustment expenses.

Loss Adjustment Expenses

The costs of administering, determining coverage for, settling, or defending claims. Loss adjustment expenses include allocated loss adjustment expenses and unallocated loss adjustment expenses.

Loss Cost

The loss amount per exposure unit.

Method

The systematic procedure for developing an actuarial estimate.

Model

A mathematical or empirical representation of a specified phenomenon.

Model Risk

The risk that the methods are not appropriate to the circumstances or the models are not representative of the specified phenomenon.

Occurrence Insurance Coverage

A policy that provides coverage for all claims arising from events that occur during the policy period, no matter when they are reported.

Occurrence Period

The period in which the event giving rise to a claim occurred, regardless of when the claim is actually reported.

Paid Claims

The total aggregate dollar amount paid on all reported claims as of a certain date.

Paid Losses

The total aggregate dollar amount paid on all reported claims as of a certain date.

Parameter Risk

The risk that the assumptions or parameters used in the methods or models are not representative of future outcomes.

Payment Pattern

The rate at which claims are paid over time.

Process Risk

The uncertainty associated with the projection of future contingencies that are inherently variable, even when the parameters are known with certainty.

Recorded Claim Reserve or Liability

The provision for unpaid claim amounts shown in a published financial statement or in an internal statement of financial condition.

Recorded Date

The date on which the claim is first entered in the statistical records of the insurer or claims administrator.

Report Date

The date on which the claim is first reported or recorded (in practice it is often taken to be the recorded date).

Report Period

The period in which a claim is reported, regardless of the time period in which the event occurred.

Reported Incurred Claim Amount

The total of paid claim amounts and case reserves.

Reported Incurred Loss Amount

The total of paid claim amounts and case reserves.

Review Date

The date through which information is considered in the unpaid claim estimate analysis.

Risk Margin

An amount that may be added to the unpaid claim estimate to recognize the uncertainty in the estimate.

Salvage

Recoveries due to the sale of damaged or recovered property.

Subrogation

Recoveries from a third party responsible for the event for which a claim has already been paid.

Unallocated Loss Adjustment Expense (ULAE)

Loss adjustment expenses that cannot be attributed to an individual claim. Typically includes salaries, utilities, and rent apportioned to the claim adjustment expense function but not readily assignable to specific claims.

Undiscounted Unpaid Claim Estimate

The unpaid claim estimate presented on a basis that does not reflect the time value of money.

Undiscounted Unpaid Loss Estimate

The unpaid loss estimate presented on a basis that does not reflect the time value of money.

Unpaid Claim Estimate

The estimate of the obligation for future payments resulting from claims due to past events.

Unpaid Loss Estimate

The estimate of the obligation for future payments resulting from losses due to past events.

Valuation Date

The date through which transactions are included in the data used in the unpaid claim estimate analysis.



Exhibits

**State of Minnesota
Workers' Compensation
Total Loss & ALAE
Estimated Payment between 7/1/2016 and 6/30/2017**

Accident Period Ending	Maturity in months @6/30/16	% of Ult. Unpaid @6/30/16	Maturity in months @6/30/17	% of Ult. Unpaid @6/30/17	Expected Payment as % of Reserve (3)	Indicated Reserve @6/30/16 (4)	Estimated Payment (5)	Selected Payment (6)
		(1)		(2)				
6/30/1997	240	5.1%	252	4.5%	12.36%	450,626	55,714	55,714
6/30/1998	228	5.8%	240	5.1%	11.58%	96,947	11,230	11,230
6/30/1999	216	6.5%	228	5.8%	10.96%	172,516	18,915	18,915
6/30/2000	204	7.3%	216	6.5%	10.47%	211,931	22,194	22,194
6/30/2001	192	8.1%	204	7.3%	10.09%	160,396	16,177	16,177
6/30/2002	180	9.0%	192	8.1%	9.79%	420,726	41,188	41,188
6/30/2003	168	9.9%	180	9.0%	9.57%	165,930	15,887	15,887
6/30/2004	156	10.9%	168	9.9%	9.43%	635,856	59,991	59,991
6/30/2005	144	12.2%	156	10.9%	10.07%	121,401	12,222	12,222
6/30/2006	132	13.4%	144	12.2%	9.00%	680,656	61,272	61,272
6/30/2007	120	14.8%	132	13.4%	9.71%	388,977	37,786	37,786
6/30/2008	108	16.6%	120	14.8%	11.08%	588,020	65,149	65,149
6/30/2009	96	18.4%	108	16.6%	9.65%	1,430,677	138,086	138,086
6/30/2010	84	21.0%	96	18.4%	12.41%	736,938	91,468	91,468
6/30/2011	72	25.6%	84	21.0%	17.85%	1,028,314	183,600	183,600
6/30/2012	60	28.0%	72	25.6%	8.69%	1,135,263	98,650	98,650
6/30/2013	48	30.9%	60	28.0%	9.32%	1,259,757	117,369	117,369
6/30/2014	36	36.8%	48	30.9%	15.86%	1,526,231	242,012	242,012
6/30/2015	24	49.5%	36	36.8%	25.71%	2,189,197	562,891	562,891
6/30/2016	12	76.0%	24	49.5%	34.90%	3,636,691	1,269,074	1,269,074
Subtotal						17,037,048	3,120,875	3,120,875
6/30/2017		100.0%		76.0%	24.00%	5,174,960	1,241,879	1,241,879
Total								4,362,755

Notes:

- (1) [1-1/Exhibit F, Page 1, Cumulative LDF]
- (2) Column 1, prior year
- (3) [(1)-(2)]/(1)
- (4) Exhibit A, Page 2, Column (4) - Exhibit A, Page 2, Column (6)
- (5) [(4)*(3)]
- (6) Selected

**State of Minnesota
Workers' Compensation
Total Loss & ALAE
Estimated Payment between 7/1/2015 and 6/30/2016**

Accident Period Ending	Maturity in months @ 6/30/15	% of Ult. Unpaid @ 6/30/15	Maturity in months @ 6/30/16	% of Ult. Unpaid @ 6/30/16	Expected Payment as % of Reserve	Indicated Reserve @ 6/30/15	Estimated Payment	Selected Payment
		(1)		(2)	(3)	(4)	(5)	(6)
6/30/1997	228	5.8%	240	5.1%	11.58%	509,665	59,039	59,039
6/30/1998	216	6.5%	228	5.8%	10.96%	108,885	11,938	11,938
6/30/1999	204	7.3%	216	6.5%	10.47%	192,695	20,179	20,179
6/30/2000	192	8.1%	204	7.3%	10.09%	235,704	23,772	23,772
6/30/2001	180	9.0%	192	8.1%	9.79%	177,802	17,406	17,406
6/30/2002	168	9.9%	180	9.0%	9.57%	465,273	44,547	44,547
6/30/2003	156	10.9%	168	9.9%	9.43%	183,215	17,286	17,286
6/30/2004	144	12.2%	156	10.9%	10.07%	707,035	71,178	71,178
6/30/2005	132	13.4%	144	12.2%	9.00%	133,411	12,009	12,009
6/30/2006	120	14.8%	132	13.4%	9.71%	753,891	73,235	73,235
6/30/2007	108	16.6%	120	14.8%	11.08%	437,443	48,466	48,466
6/30/2008	96	18.4%	108	16.6%	9.65%	650,838	62,818	62,818
6/30/2009	84	21.0%	96	18.4%	12.41%	1,633,414	202,737	202,737
6/30/2010	72	25.6%	84	21.0%	17.85%	897,113	160,175	160,175
6/30/2011	60	28.0%	72	25.6%	8.69%	1,126,174	97,860	97,860
6/30/2012	48	30.9%	60	28.0%	9.32%	1,251,899	116,636	116,636
6/30/2013	36	36.8%	48	30.9%	15.86%	1,497,159	237,403	237,403
6/30/2014	24	49.5%	36	36.8%	25.71%	2,054,484	528,254	528,254
6/30/2015	12	76.0%	24	49.5%	34.90%	3,362,636	1,173,439	1,173,439
Subtotal						16,378,737	2,978,379	2,978,379
6/30/2016		100.0%		76.0%	24.00%	4,784,984	1,148,293	1,148,293
Total								4,126,673

Notes:

- (1) [1-1/Exhibit F, Page 1, Cumulative LDF]
- (2) Column 1, prior year
- (3) [(1)-(2)]/(1)
- (4) Exhibit A, Page 3, Column (4) - Exhibit A, Page 3, Column (6)
- (5) [(4)*(3)]
- (6) Selected

**State of Minnesota
Workers' Compensation
Total Loss & ALAE
Estimated Payment between 7/1/2014 and 6/30/2015**

Accident Period Ending	Maturity in months @ 6/30/14	% of Ult. Unpaid @ 6/30/14	Maturity in months @ 6/30/15	% of Ult. Unpaid @ 6/30/15	Expected Payment as % of Reserve	Indicated Reserve @ 6/30/14	Estimated Payment	Selected Payment
		(1)		(2)	(3)	(4)	(5)	(6)
6/30/1997	216	6.5%	228	5.8%	10.96%	572,427	62,762	62,762
6/30/1998	204	7.3%	216	6.5%	10.47%	121,622	12,736	12,736
6/30/1999	192	8.1%	204	7.3%	10.09%	214,309	21,615	21,615
6/30/2000	180	9.0%	192	8.1%	9.79%	261,282	25,579	25,579
6/30/2001	168	9.9%	180	9.0%	9.57%	196,628	18,826	18,826
6/30/2002	156	10.9%	168	9.9%	9.43%	513,743	48,470	48,470
6/30/2003	144	12.2%	156	10.9%	10.07%	203,725	20,509	20,509
6/30/2004	132	13.4%	144	12.2%	9.00%	776,978	69,943	69,943
6/30/2005	120	14.8%	132	13.4%	9.71%	147,765	14,354	14,354
6/30/2006	108	16.6%	120	14.8%	11.08%	847,825	93,934	93,934
6/30/2007	96	18.4%	108	16.6%	9.65%	484,174	46,732	46,732
6/30/2008	84	21.0%	96	18.4%	12.41%	743,066	92,228	92,228
6/30/2009	72	25.6%	84	21.0%	17.85%	1,988,440	355,026	355,026
6/30/2010	60	28.0%	72	25.6%	8.69%	982,488	85,375	85,375
6/30/2011	48	30.9%	60	28.0%	9.32%	1,241,877	115,703	115,703
6/30/2012	36	36.8%	48	30.9%	15.86%	1,487,821	235,922	235,922
6/30/2013	24	49.5%	36	36.8%	25.71%	2,015,351	518,192	518,192
6/30/2014	12	76.0%	24	49.5%	34.90%	3,155,715	1,101,231	1,101,231
Subtotal						15,955,237	2,939,136	2,939,136
6/30/2015		100.0%		76.0%	24.00%	4,424,396	1,061,760	1,061,760
Total								4,000,896

Notes:

- (1) [1-1/Exhibit F, Page 1, Cumulative LDF]
- (2) Column 1, prior year
- (3) [(1)-(2)]/(1)
- (4) Exhibit A, Page 3, Column (6)
- (5) [(4)*(3)]
- (6) Selected

**State of Minnesota
Workers' Compensation
Limited Loss & ALAE
Summary
Analysis @ 6/30/14**

Total Loss & ALAE

Accident Period Ending	Payroll (00s)	Paid Loss to Date	Incurred Loss to Date	Case Reserves	IBNR Reserve	Total Reserve	Selected Ultimate Loss
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
6/30/1997	10,000	3,210,610	3,683,037	472,427	100,000	572,427	3,783,037
6/30/1998	10,000	2,468,851	2,515,473	46,622	75,000	121,622	2,590,473
6/30/1999	10,000	2,623,991	2,788,301	164,309	50,000	214,309	2,838,301
6/30/2000	10,000	3,613,497	3,774,780	161,282	100,000	261,282	3,874,780
6/30/2001	10,000	2,717,315	2,763,943	46,628	150,000	196,628	2,913,943
6/30/2002	10,000	2,512,291	2,851,035	338,743	175,000	513,743	3,026,035
6/30/2003	10,000	2,233,465	2,312,189	78,725	125,000	203,725	2,437,189
6/30/2004	10,000	2,767,041	3,257,019	489,978	287,000	776,978	3,544,019
6/30/2005	10,000	3,498,274	3,534,039	35,765	112,000	147,765	3,646,039
6/30/2006	10,000	2,174,267	2,752,092	577,825	270,000	847,825	3,022,092
6/30/2007	10,000	2,718,030	2,887,204	169,174	315,000	484,174	3,202,204
6/30/2008	10,000	2,971,806	3,338,569	366,763	376,303	743,066	3,714,872
6/30/2009	10,000	4,025,050	5,537,421	1,512,371	476,069	1,988,440	6,013,490
6/30/2010	10,000	3,505,778	3,655,093	149,315	833,173	982,488	4,488,266
6/30/2011	10,000	2,966,086	3,495,287	529,201	712,676	1,241,877	4,207,963
6/30/2012	10,000	2,053,359	2,890,633	837,274	650,546	1,487,821	3,541,180
6/30/2013	10,000	1,767,073	2,646,121	879,048	1,136,303	2,015,351	3,782,424
6/30/2014	10,000	810,336	1,894,201	1,083,865	2,071,851	3,155,715	3,966,052
Total	180,000	48,637,121	56,576,436	7,939,316	8,015,922	15,955,237	64,592,358

Claim Counts

Closed	Reported	Open	Unreported	Unpaid	Selected Ultimate
(8)	(9)	(10)	(11)	(12)	(13)
589	593	4	-	4	593
508	511	3	-	3	511
502	504	2	-	2	504
525	529	4	-	4	529
531	536	5	1	6	537
468	474	6	1	7	475
423	427	4	1	5	428
451	457	6	1	7	458
418	421	3	1	4	422
414	422	8	1	9	423
414	421	7	2	9	423
438	449	11	2	13	451
443	462	19	3	22	465
388	402	14	4	18	406
375	411	36	5	41	416
306	350	44	5	49	355
272	353	81	6	87	359
115	346	231	2	233	348
7,580	8,068	488	35	523	8,103

Averages

Accident Period Ending	Paid Claim	Incurred Claim	Open Claim	Unpaid Claim	Ultimate Claim	Frequency	Implied Rate
(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
6/30/1997	5,451	6,211	118,107	143,107	6,379	59.30	378
6/30/1998	4,860	4,923	15,541	40,541	5,069	51.10	259
6/30/1999	5,227	5,532	82,155	107,155	5,632	50.40	284
6/30/2000	6,883	7,136	40,321	65,321	7,325	52.90	387
6/30/2001	5,117	5,157	9,326	32,771	5,426	53.70	291
6/30/2002	5,368	6,015	56,457	73,392	6,371	47.50	303
6/30/2003	5,280	5,415	19,681	40,745	5,694	42.80	244
6/30/2004	6,135	7,127	81,663	110,997	7,738	45.80	354
6/30/2005	8,369	8,394	11,922	36,941	8,640	42.20	365
6/30/2006	5,252	6,522	72,228	94,203	7,144	42.30	302
6/30/2007	6,565	6,858	24,168	53,797	7,570	42.30	320
6/30/2008	6,785	7,436	33,342	57,159	8,237	45.10	371
6/30/2009	9,086	11,986	79,598	90,384	12,932	46.50	601
6/30/2010	9,036	9,092	10,665	54,583	11,055	40.60	449
6/30/2011	7,910	8,504	14,700	30,290	10,115	41.60	421
6/30/2012	6,710	8,259	19,029	30,364	9,975	35.50	354
6/30/2013	6,497	7,496	10,852	23,165	10,536	35.90	378
6/30/2014	7,046	5,475	4,692	13,544	11,397	34.80	397

Notes:

- (1) Provided by Client
- (2) Provided by Client
- (3) Provided by Client
- (4) [(3)-(2)]
- (5) [(7)-(3)]
- (6) [(4)+(5)]
- (7) From Exhibit B, Page 1, Column (5)
- (8) Provided by Client
- (9) Provided by Client
- (10) [(9)-(8)]
- (11) [(13)-(9)]
- (12) [(10)+(11)]
- (13) From Exhibit E, Page 1, Column (4)
- (14) [(2)/(8)]
- (15) [(3)/(9)]
- (16) [(4)/(10)]
- (17) [(6)/(12)]
- (18) [(7)/(13)]
- (19) [(13)/(1)] *1000
- (20) [(7)/(1)]

State of Minnesota
Workers' Compensation
Limited Loss & ALAE
Analysis @ 6/30/14

As of 6/30/14						
Accident Period Ending	Ultimate Loss & ALAE (1)	Paid Loss & ALAE (2)	Incurred Loss & ALAE (3)	Case Reserves (4)	IBNR Unpaid (5)	Total Unpaid (6)
6/30/1997	3,783,037	3,210,610	3,683,037	472,427	100,000	572,427
6/30/1998	2,590,473	2,468,851	2,515,473	46,622	75,000	121,622
6/30/1999	2,838,301	2,623,991	2,788,301	164,309	50,000	214,309
6/30/2000	3,874,780	3,613,497	3,774,780	161,282	100,000	261,282
6/30/2001	2,913,943	2,717,315	2,763,943	46,628	150,000	196,628
6/30/2002	3,026,035	2,512,291	2,851,035	338,743	175,000	513,743
6/30/2003	2,437,189	2,233,465	2,312,189	78,725	125,000	203,725
6/30/2004	3,544,019	2,767,041	3,257,019	489,978	287,000	776,978
6/30/2005	3,646,039	3,498,274	3,534,039	35,765	112,000	147,765
6/30/2006	3,022,092	2,174,267	2,752,092	577,825	270,000	847,825
6/30/2007	3,202,204	2,718,030	2,887,204	169,174	315,000	484,174
6/30/2008	3,714,872	2,971,806	3,338,569	366,763	376,303	743,066
6/30/2009	6,013,490	4,025,050	5,537,421	1,512,371	476,069	1,988,440
6/30/2010	4,488,266	3,505,778	3,655,093	149,315	833,173	982,488
6/30/2011	4,207,963	2,966,086	3,495,287	529,201	712,676	1,241,877
6/30/2012	3,541,180	2,053,359	2,890,633	837,274	650,546	1,487,821
6/30/2013	3,782,424	1,767,073	2,646,121	879,048	1,136,303	2,015,351
6/30/2014	3,966,052	810,336	1,894,201	1,083,865	2,071,851	3,155,715
Total	64,592,358	48,637,121	56,576,436	7,939,316	8,015,922	15,955,237

As of 6/30/06					
Ultimate Loss & ALAE (7)	Paid Loss & ALAE (8)	Incurred Loss & ALAE (9)	Case Reserves (10)	IBNR Unpaid (11)	Total Unpaid (12)
3,708,219	2,762,835	3,635,509	872,674	72,710	945,384
2,249,970	2,184,415	2,205,853	21,437	44,117	65,554
2,568,093	2,175,403	2,480,530	305,127	87,563	392,690
3,685,965	2,846,857	3,517,147	670,290	168,817	839,107
2,825,000	2,328,553	2,613,055	284,502	211,945	496,447
2,641,064	2,143,672	2,394,860	251,189	246,204	497,392
2,515,815	1,811,579	2,158,597	347,018	357,218	704,236
3,283,871	1,635,297	2,958,632	1,323,335	325,239	1,648,575
4,500,000	2,133,674	4,173,698	2,040,024	326,302	2,366,326
3,003,751	578,972	2,407,387	1,828,415	596,364	2,424,779
30,981,748	20,601,256	28,545,269	7,944,012	2,436,479	10,380,491

Difference						
Accident Period Ending	Ultimate Loss & ALAE (13)	Paid Loss & ALAE (14)	Incurred Loss & ALAE (15)	Case Reserves (16)	IBNR Unpaid (17)	Total Unpaid (18)
6/30/1997	74,818	447,775	47,528	(400,247)	27,290	(372,957)
6/30/1998	340,503	284,436	309,621	25,185	30,883	56,068
6/30/1999	270,208	448,588	307,771	(140,818)	(37,563)	(178,380)
6/30/2000	188,815	766,640	257,632	(509,008)	(68,817)	(577,825)
6/30/2001	88,943	388,762	150,888	(237,874)	(61,945)	(299,819)
6/30/2002	384,971	368,620	456,175	87,555	(71,204)	16,351
6/30/2003	(78,626)	421,886	153,592	(268,293)	(232,218)	(500,511)
6/30/2004	260,147	1,131,744	298,387	(833,358)	(38,239)	(871,597)
6/30/2005	(853,961)	1,364,600	(639,660)	(2,004,260)	(214,302)	(2,218,561)
6/30/2006	18,341	1,595,295	344,705	(1,250,591)	(326,364)	(1,576,955)
6/30/2007	3,202,204	2,718,030	2,887,204	169,174	315,000	484,174
6/30/2008	3,714,872	2,971,806	3,338,569	366,763	376,303	743,066
6/30/2009	6,013,490	4,025,050	5,537,421	1,512,371	476,069	1,988,440
6/30/2010	4,488,266	3,505,778	3,655,093	149,315	833,173	982,488
6/30/2011	4,207,963	2,966,086	3,495,287	529,201	712,676	1,241,877
6/30/2012	3,541,180	2,053,359	2,890,633	837,274	650,546	1,487,821
6/30/2013	3,782,424	1,767,073	2,646,121	879,048	1,136,303	2,015,351
6/30/2014	3,966,052	810,336	1,894,201	1,083,865	2,071,851	3,155,715
Total	33,610,610	28,035,864	28,031,168	(4,696)	5,579,442	5,574,746
Thru 6/30/06	694,159	7,218,346	1,686,638	(5,531,708)	(992,479)	(6,524,187)

Notes:

- (1) Exhibit B, Page 1, Column 6
- (2)-(3) Provided by Client
- (4) = (3) - (2)
- (5) = (1) - (3)
- (6) = (4) + (5)
- (7)-(12) From 6/30/06 Analysis
- (13) = (1) - (7)
- (14) = (2) - (8)
- (15) = (3) - (9)
- (16) = (4) - (10)
- (17) = (5) - (11)
- (18) = (6) - (12)

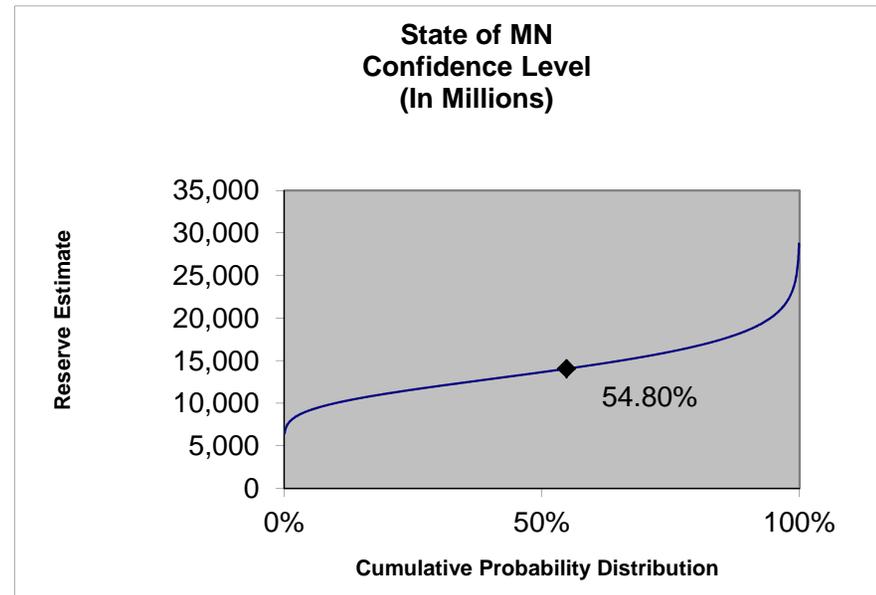
**State of Minnesota
WC Fund
Confidence Levels of Calendar Year 2015 Paid Loss
Data evaluated as of 6/30/14**

	2015 Paid Loss	CV	Low End	High End
Workers Compensation	4,126,673	17.6%		
All Lines	\$ 4,126,673	17.6%	\$ 3,887,846	\$ 4,454,447

Parameters of a Lognormal Curve Fit
Method of Moments

Coefficient of Variation	0.176
σ	0.175
σ^2	0.031
μ	(0.015)

<u>Confidence Level Factors</u>		<u>2015 Paid</u>
99.0%	1.479	6,105,004
90.0%	1.232	5,085,267
80.0%	1.141	4,708,610
75.0%	1.108	4,572,944
70.0%	1.079	4,454,447
60.0%	1.029	4,248,172
50.0%	0.985	4,064,018
40.0%	0.942	3,887,846
30.0%	0.898	3,707,809
20.0%	0.850	3,507,668
10.0%	0.787	3,247,860



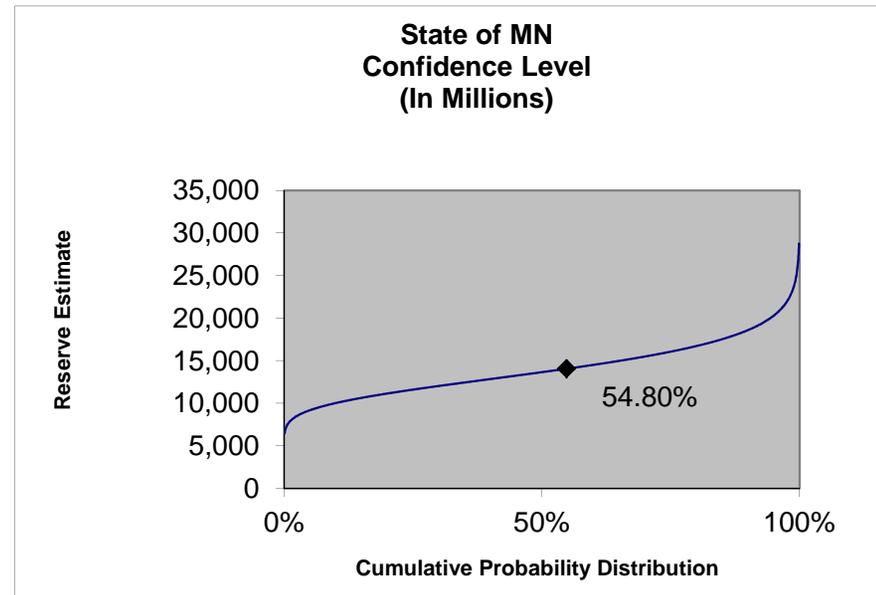
**State of Minnesota
WC Fund
Confidence Levels of Calendar Year 2016 Paid Loss
Data evaluated as of 6/30/14**

	2016 Paid Loss	CV	Low End	High End
Workers Compensation	4,362,755	17.6%		
All Lines	\$ 4,362,755	17.6%	\$ 4,110,265	\$ 4,709,280

Parameters of a Lognormal Curve Fit
Method of Moments

Coefficient of Variation	0.176
σ	0.175
σ^2	0.031
μ	(0.015)

<u>Confidence Level Factors</u>		<u>2015 Paid</u>
99.0%	1.479	6,454,264
90.0%	1.232	5,376,189
80.0%	1.141	4,977,984
75.0%	1.108	4,834,557
70.0%	1.079	4,709,280
60.0%	1.029	4,491,205
50.0%	0.985	4,296,515
40.0%	0.942	4,110,265
30.0%	0.898	3,919,929
20.0%	0.850	3,708,337
10.0%	0.787	3,433,667



**State of Minnesota
Workers' Compensation**

WC Fund Reserve Target

Percentile	2015 Cash Flow	2016 Cash Flow	2015 & 2016 Cash Flow	Risk Margin	Risk Margin w/ Large Claim
	(1)	(2)	(3)	(4)	(5)
10%	3,247,860	3,433,667	6,681,527	(1,807,900)	92,100
20%	3,507,668	3,708,337	7,216,005	(1,273,423)	626,577
30%	3,707,809	3,919,929	7,627,738	(861,690)	1,038,310
40%	3,887,846	4,110,265	7,998,111	(491,317)	1,408,683
50%	4,064,018	4,296,515	8,360,533	(128,895)	1,771,105
60%	4,248,172	4,491,205	8,739,377	249,950	2,149,950
70%	4,454,447	4,709,280	9,163,727	674,300	2,574,300
80%	4,708,610	4,977,984	9,686,594	1,197,167	3,097,167
90%	5,085,267	5,376,189	10,461,457	1,972,030	3,872,030
99%	6,105,004	6,454,264	12,559,268	4,069,841	5,969,841
Mean	4,126,673	4,362,755	8,489,427		

Notes:

- (1) From Exhibit A, Page 6
- (2) From Exhibit A, Page 7
- (3) = (1) + (2)
- (4) Column (3) - "Mean" Column (3)
- (5) Column (4) + Current Retention For WC Fund

State of Minnesota
Workers' Compensation
Limited Loss & ALAE
Analysis @ 6/30/14

Selection of Ultimate Loss

Accident Period Ending	Loss Methods					Selected Ultimate Loss (6)	Incurred Loss (7)	Open Counts (8)	Trended Payroll (9)	Ultimate Claim Severity (10)	Ultimate Pure Premium (11)
	Incurred Loss Dev. (1)	Paid Loss Dev. (2)	Incurred B-F (3)	Paid B-F (4)	Avg. IBNR (5)						
6/30/1997	3,749,495	3,433,982	3,731,277	3,387,645	3,783,037	3,783,037	3,683,037	4	16,528	6,379	228.9
6/30/1998	2,574,655	2,662,283	2,579,423	2,670,988	2,590,473	2,590,473	2,515,473	3	16,047	5,069	161.4
6/30/1999	2,870,194	2,854,665	2,869,404	2,853,684	2,838,301	2,838,301	2,788,301	2	15,580	5,632	182.2
6/30/2000	3,909,255	3,969,023	3,874,807	3,873,968	3,874,780	3,874,780	3,774,780	4	15,126	7,325	256.2
6/30/2001	2,881,000	3,016,087	2,888,571	3,021,165	2,913,943	2,913,943	2,763,943	5	14,685	5,426	198.4
6/30/2002	2,992,522	2,820,831	3,001,065	2,859,375	3,026,035	3,026,035	2,851,035	6	14,258	6,371	212.2
6/30/2003	2,445,247	2,542,718	2,488,697	2,627,979	2,437,189	2,437,189	2,312,189	4	13,842	5,694	176.1
6/30/2004	3,472,744	3,193,924	3,462,843	3,209,886	3,544,019	3,544,019	3,257,019	6	13,439	7,738	263.7
6/30/2005	3,783,476	4,106,124	3,757,168	3,999,290	3,646,039	3,646,039	3,534,039	3	13,048	8,640	279.4
6/30/2006	2,971,131	2,608,536	3,007,145	2,750,227	3,022,092	3,022,092	2,752,092	8	12,668	7,144	238.6
6/30/2007	3,180,181	3,332,002	3,212,604	3,368,876	3,202,204	3,202,204	2,887,204	7	12,299	7,570	260.4
6/30/2008	3,709,338	3,763,574	3,699,109	3,730,635	3,806,569	3,714,872	3,338,569	11	11,941	8,237	311.1
6/30/2009	6,616,221	5,410,760	6,146,727	4,982,064	6,813,421	6,013,490	5,537,421	19	11,593	12,932	518.7
6/30/2010	4,527,015	4,872,349	4,394,301	4,582,231	4,465,093	4,488,266	3,655,093	14	11,255	11,055	398.8
6/30/2011	4,314,632	4,294,261	4,238,828	4,177,098	5,258,287	4,207,963	3,495,287	36	10,927	10,115	385.1
6/30/2012	3,473,300	3,246,812	3,560,729	3,521,631	3,723,633	3,541,180	2,890,633	44	10,609	9,975	333.8
6/30/2013	3,303,796	3,497,778	3,456,929	3,782,424	3,385,621	3,782,424	2,646,121	81	10,300	10,536	367.2
6/30/2014	2,715,002	3,376,704	3,149,478	3,966,052	3,175,701	3,966,052	1,894,201	231	10,000	11,397	396.6
Total	63,489,205	63,002,413	63,519,106	63,365,218	65,506,436	64,592,358	56,576,436	488			

- (1) Exhibit C, Page 2, Col. (3)
- (2) Exhibit C, Page 1, Col. (3)
- (3) Exhibit D, Page 1, Col. (7)
- (4) Exhibit D, Page 2, Col. (7)
- (4) Exhibit C, Page 3, Col. (5)
- (6) Selected
- (7) Client Data
- (8) Client Data
- (8) Client Data
- (10) = (6) / Exhibit E, Page 1, Col 4
- (11) = (6) / (9)

State of Minnesota
Workers' Compensation
Limited Loss & ALAE
Analysis @ 6/30/14

Funding Estimate - 14-15 & 15-16 & 16-17

Accident Period Ending	Payroll (00s) (1)	Selected Ultimate Loss (2)	Exposure Trend (3)	Claim Severity Trend (4)	Benefit Level Adj. Factor (5)	Trended Pure Premium (6)
6/30/1997	10,000	3,783,037	1.702	2.407	1.100	588
6/30/1998	10,000	2,590,473	1.653	2.292	1.097	394
6/30/1999	10,000	2,838,301	1.605	2.183	1.095	423
6/30/2000	10,000	3,874,780	1.558	2.079	1.091	564
6/30/2001	10,000	2,913,943	1.513	1.980	1.054	402
6/30/2002	10,000	3,026,035	1.469	1.886	1.039	404
6/30/2003	10,000	2,437,189	1.426	1.796	1.036	318
6/30/2004	10,000	3,544,019	1.384	1.710	1.034	453
6/30/2005	10,000	3,646,039	1.344	1.629	1.032	456
6/30/2006	10,000	3,022,092	1.305	1.551	1.029	370
6/30/2007	10,000	3,202,204	1.267	1.477	1.027	384
6/30/2008	10,000	3,714,872	1.230	1.407	1.026	436
6/30/2009	10,000	6,013,490	1.194	1.340	1.009	681
6/30/2010	10,000	4,488,266	1.159	1.276	1.002	495
6/30/2011	10,000	4,207,963	1.126	1.216	1.001	455
6/30/2012	10,000	3,541,180	1.093	1.158	1.000	375
6/30/2013	10,000	3,782,424	1.061	1.103	1.000	393
6/30/2014	10,000	3,966,052	1.030	1.050	1.000	404
Total	100,000	64,592,358				

(1) Client Data	3 Year Avg Ex Last	408
(2) Exhibit B, Page 1, Col 6	4 Year Avg Ex Last	430
(3) Trended at 3%	5 Year Avg Ex Last	480
(4) Trended at 5%	5 Year Avg Ex High-Low Ex Last	448
(5) 2013 NCCI Statistical Bulletin	All Year Avg Ex Last	446
(6) = [(2) * (4) * (5)] / {(1) * (3)}		
(7) Selected Trended Pure Premium	Selected 14-15 (7)	430
(8) Client Data, adjusted for 3% exposure trend	Budgeted Exposure (8)	10,300
(9) = (7) * (8)		
(10) Selected Trended Pure Premium	14-15 Funding Estimate (9)	4,424,396
(11) Client Data, adjusted for 3% exposure trend		
(12) = (10) * (11)	Selected 15-16 (10)	451
(13) Selected Trended Pure Premium	Budgeted Exposure (11)	10,609
(14) Client Data, adjusted for 3% exposure trend		
(15) = (13) * (14)	15-16 Funding Estimate (12)	4,784,984
	Selected 16-17 (13)	474
	Budgeted Exposure (14)	10,927
	16-17 Funding Estimate (15)	5,174,960

**State of Minnesota
Workers' Compensation
Limited Loss & ALAE
Analysis @ 6/30/14**

Paid Loss Development Method

Accident Period Ending	Prior Ultimate Loss & ALAE (1)	Prior Unpaid (2)	Expected % Unpaid @ 6/30/06 (3)	Expected % Unpaid @ 6/30/14 (4)	Expected Paid 7/1/07 - 6/30/14 (5)	Actual Paid 7/1/07 - 6/30/14 (6)	Actual vs. Expected (7)	Cumulative Paid to Date (8)	Paid LDF @ 6/30/14 (9)	Estimated Ultimate Loss (10)
6/30/1997	3,708,219	945,384	15.9%	7.4%	504,205	447,775	(56,430)	3,210,610	1.070	3,433,982
6/30/1998	2,249,970	65,554	18.0%	8.5%	34,707	284,436	249,729	2,468,851	1.078	2,662,283
6/30/1999	2,568,093	392,690	20.4%	9.5%	209,676	448,588	238,912	2,623,991	1.088	2,854,665
6/30/2000	3,685,965	839,107	23.3%	10.6%	458,150	766,640	308,490	3,613,497	1.098	3,969,023
6/30/2001	2,825,000	496,447	26.8%	11.6%	281,131	388,762	107,631	2,717,315	1.110	3,016,087
6/30/2002	2,641,064	497,392	31.3%	12.7%	295,752	368,620	72,867	2,512,291	1.123	2,820,831
6/30/2003	2,515,815	704,236	36.1%	13.7%	435,751	421,886	(13,866)	2,233,465	1.138	2,542,718
6/30/2004	3,283,871	1,648,575	44.5%	14.8%	1,100,229	1,131,744	31,516	2,767,041	1.154	3,193,924
6/30/2005	4,500,000	2,366,326	56.1%	15.9%	1,697,145	1,364,600	(332,545)	3,498,274	1.174	4,106,124
6/30/2006	3,003,751	2,424,779	78.6%	18.0%	1,870,371	1,595,295	(275,076)	2,174,267	1.200	2,608,536
6/30/2007								2,718,030	1.226	3,332,002
6/30/2008								2,971,806	1.266	3,763,574
6/30/2009								4,025,050	1.344	5,410,760
6/30/2010								3,505,778	1.390	4,872,349
6/30/2011								2,966,086	1.448	4,294,261
6/30/2012								2,053,359	1.581	3,246,812
6/30/2013								1,767,073	1.979	3,497,778
6/30/2014								810,336	4.167	3,376,704
Total	30,981,748	10,380,491			6,887,117	7,218,346	331,229	48,637,121		63,002,413

(1) From the 6/30/06 Analysis

(2) From the 6/30/06 Analysis

State of Minnesota
Workers' Compensation
Limited Loss & ALAE
Analysis @ 6/30/14

Incurred Loss Development Method

Accident Period Ending	Prior Ultimate Loss & ALAE (1)	Prior IBNR (2)	Expected % Unreported @ 6/30/06 (3)	Expected % Unreported @ 6/30/14 (4)	Expected Incurred 7/1/07 - 6/30/14 (5)	Actual Incurred 7/1/07 - 6/30/14 (6)	Actual vs. Expected (7)	Cumulative Incurred to Date (8)	Incurred LDF @ 6/30/14 (9)	Estimated Ultimate Loss (10)
6/30/1997	3,708,219	72,710	2.0%	0.9%	38,779	47,528	8,749	3,683,037	1.018	3,749,495
6/30/1998	2,249,970	44,117	2.0%	1.0%	20,588	309,621	289,033	2,515,473	1.024	2,574,655
6/30/1999	2,568,093	87,563	3.4%	1.2%	57,350	307,771	250,421	2,788,301	1.029	2,870,194
6/30/2000	3,685,965	168,817	3.9%	1.3%	112,543	257,632	145,089	3,774,780	1.036	3,909,255
6/30/2001	2,825,000	211,945	4.1%	1.4%	137,143	150,888	13,745	2,763,943	1.042	2,881,000
6/30/2002	2,641,064	246,204	9.3%	1.6%	204,775	456,175	251,399	2,851,035	1.050	2,992,522
6/30/2003	2,515,815	357,218	9.0%	1.7%	290,073	153,592	(136,481)	2,312,189	1.058	2,445,247
6/30/2004	3,283,871	325,239	9.9%	1.8%	265,142	298,387	33,244	3,257,019	1.066	3,472,744
6/30/2005	4,500,000	326,302	13.3%	2.0%	278,042	(639,660)	(917,702)	3,534,039	1.071	3,783,476
6/30/2006	3,003,751	596,364	14.5%	2.0%	515,904	344,705	(171,199)	2,752,092	1.080	2,971,131
6/30/2007								2,887,204	1.101	3,180,181
6/30/2008								3,338,569	1.111	3,709,338
6/30/2009								5,537,421	1.195	6,616,221
6/30/2010								3,655,093	1.239	4,527,015
6/30/2011								3,495,287	1.234	4,314,632
6/30/2012								2,890,633	1.202	3,473,300
6/30/2013								2,646,121	1.249	3,303,796
6/30/2014								1,894,201	1.433	2,715,002
Total	30,981,748	2,436,479			1,920,340	1,686,638	(233,702)	56,576,436		63,489,205

- (1) From the 6/30/06 Analysis
- (2) From the 6/30/06 Analysis
- (3) Based on LDF's from 6/30/06

**State of Minnesota
Workers' Compensation
Limited Loss & ALAE
Analysis @ 6/30/14**

Hindsight Average IBNR Method

Accident Period Ending	Incurred Loss Dev. Ultimate	Incurred Loss & ALAE	Unpaid Claim Counts	Selected Average IBNR Unpaid	Estimated Ultimate Loss & ALAE
	(1)	(2)	(3)	(4)	(5)
6/30/1997	3,749,495	3,683,037	4	25,000	3,783,037
6/30/1998	2,574,655	2,515,473	3	25,000	2,590,473
6/30/1999	2,870,194	2,788,301	2	25,000	2,838,301
6/30/2000	3,909,255	3,774,780	4	25,000	3,874,780
6/30/2001	2,881,000	2,763,943	6	25,000	2,913,943
6/30/2002	2,992,522	2,851,035	7	25,000	3,026,035
6/30/2003	2,445,247	2,312,189	5	25,000	2,437,189
6/30/2004	3,472,744	3,257,019	7	41,000	3,544,019
6/30/2005	3,783,476	3,534,039	4	28,000	3,646,039
6/30/2006	2,971,131	2,752,092	9	30,000	3,022,092
6/30/2007	3,180,181	2,887,204	9	35,000	3,202,204
6/30/2008	3,709,338	3,338,569	13	36,000	3,806,569
6/30/2009	6,616,221	5,537,421	22	58,000	6,813,421
6/30/2010	4,527,015	3,655,093	18	45,000	4,465,093
6/30/2011	4,314,632	3,495,287	41	43,000	5,258,287
6/30/2012	3,473,300	2,890,633	49	17,000	3,723,633
6/30/2013	3,303,796	2,646,121	87	8,500	3,385,621
6/30/2014	2,715,002	1,894,201	233	5,500	3,175,701
Total	63,489,205	56,576,436	523		65,506,436

Notes:

- (1) From Exhibit C, Page 2, Column 3
- (2) From Exhibit C, Page 2, Column 1
- (3) Exhibit A, Page 4, Column (12)
- (4) Exhibit C, Page 4
- (5) = (3) x (4) + (2)

State of Minnesota
Workers' Compensation
Limited Loss & ALAE
Analysis @ 6/30/14

Average IBNR Loss (Ultimate Loss - Incurred Loss)/(Ultimate Claim Counts - Closed Claim Counts)

Accident Period Ending	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204	216
6/30/1997	3,735	297	10,434	10,825	7,277	6,847	474	(793)	(458)	14,753	19,459	25,266	52,122	58,246	37,227	50,347	37,480	16,615
6/30/1998	2,772	6,694	4,569	18,416	39,187	34,202	86,740	86,619	128,207	77,022	44,036	72,778	47,641	98,226	47,765	43,907	19,727	
6/30/1999	5,384	14,938	18,270	20,134	22,230	24,673	43,830	35,777	40,290	35,523	41,267	50,406	39,279	34,702	34,449	40,947		
6/30/2000	4,327	9,731	24,030	20,754	42,092	15,214	18,823	33,559	49,409	30,887	28,569	30,492	19,476	21,849	33,619			
6/30/2001	(2,976)	2,429	9,130	15,634	26,717	27,353	31,235	26,752	20,908	23,899	48,539	105,510	99,859	19,509				
6/30/2002	3,336	14,405	19,915	35,352	57,380	41,774	58,362	58,721	21,674	20,290	25,698	10,744	20,212					
6/30/2003	770	1,041	(9,883)	14,663	39,939	8,593	18,242	19,621	13,151	19,504	31,750	26,612						
6/30/2004	(861)	8,631	16,725	31,068	26,834	25,841	16,355	16,914	31,020	26,219	41,000							
6/30/2005	(3,303)	(10,448)	(156)	21,884	10,606	19,830	26,382	24,186	41,023	28,000								
6/30/2006	2,479	8,916	41,660	61,710	101,252	93,465	71,898	52,688	30,000									
6/30/2007	1,644	10,168	26,500	50,664	58,178	53,752	23,783	35,000										
6/30/2008	1,772	417	8,105	13,914	25,633	60,373	36,000											
6/30/2009	8,728	22,629	20,809	47,642	37,118	58,000												
6/30/2010	2,195	(5,571)	(16,404)	(17,810)	45,000													
6/30/2011	3,420	6,960	35,401	43,000														
6/30/2012	3,560	12,858	17,000															
6/30/2013	5,793	8,500																
6/30/2014	5,500																	

Selected Trend 1.050 1.050 1.050 1.050 1.050 1.050 1.050 1.050 1.050 1.050 1.050 1.050 1.050 1.050 1.050 1.050 1.050 1.050 1.050

Accident Period Ending	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204	216
6/30/1997	8,560	648	21,691	21,433	13,722	12,297	810	(1,292)	(711)	21,797	27,381	33,859	66,522	70,798	43,095	55,508	39,354	16,615
6/30/1998	6,052	13,917	9,046	34,726	70,374	58,498	141,291	134,375	189,420	108,378	59,012	92,885	57,907	113,709	52,660	46,102	19,727	
6/30/1999	11,193	29,576	34,451	36,157	38,021	40,190	67,995	52,859	56,692	47,604	52,669	61,269	45,470	38,259	36,171	40,947		
6/30/2000	8,567	18,348	43,155	35,497	68,563	23,602	27,810	47,221	66,213	39,420	34,726	35,299	21,473	22,941	33,619			
6/30/2001	(5,612)	4,362	15,615	25,467	41,447	40,414	43,950	35,850	26,684	29,050	56,190	116,324	104,852	19,509				
6/30/2002	5,992	24,637	32,440	54,843	84,776	58,780	78,210	74,944	26,345	23,488	28,332	11,281	20,212					
6/30/2003	1,316	1,696	(15,332)	21,664	56,199	11,516	23,283	23,850	15,224	21,503	33,338	26,612						
6/30/2004	(1,402)	13,389	24,711	43,715	35,960	32,980	19,879	19,580	34,200	27,529	41,000							
6/30/2005	(5,124)	(15,436)	(220)	29,327	13,536	24,104	30,541	26,665	43,074	28,000								
6/30/2006	3,662	12,546	55,829	78,759	123,073	108,198	79,267	55,322	30,000									
6/30/2007	2,313	13,626	33,822	61,583	67,349	59,261	24,972	35,000										
6/30/2008	2,375	532	9,852	16,107	28,261	63,392	36,000											
6/30/2009	11,140	27,505	24,089	52,526	38,974	58,000												
6/30/2010	2,668	(6,449)	(18,086)	(18,701)	45,000													
6/30/2011	3,960	7,673	37,172	43,000														
6/30/2012	3,925	13,501	17,000															
6/30/2013	6,083	8,500																
6/30/2014	5,500																	

3 Period Avg	4,656	4,908	14,391	16,644	44,861	76,950	44,927	33,856	30,832	24,174	39,286	Tail:					
5 Period Avg	5,555	8,552	17,370	38,055	54,238	57,587	35,588	40,072	29,105	28,198	41,051	3 Year Average, 144 - 192 43,098					
5 Year ex high-low Average	4,656	7,235	22,587	43,405	44,861	51,878	26,265	35,279	29,076	26,689	40,244	2 Year Average, 144 - 204 35,111					
	3,863	10,005	20,549	35,222	52,327	44,436	48,910	46,937	50,793	39,846	41,664	2 Year Average, 144 - 216 25,320					
												All Point Average 47,964					

Selected 5,500 8,500 17,000 43,000 45,000 58,000 36,000 35,000 30,000 28,000 41,000 Selected Tail : 25,000

**State of Minnesota
Workers' Compensation
Limited Loss & ALAE
Analysis @ 6/30/14**

Incurred Bornhuetter-Ferguson Method

Accident Period Ending	Initial Expected Loss & ALAE (1)	Expected Percentage Incurred (2)	Expected Incurred Loss & ALAE (3)	Actual Incurred Loss & ALAE (4)	Expected Percentage Unreported (5)	Expected Unreported Loss & ALAE (6)	Ultimate Loss & ALAE (7)
6/30/1997	2,721,634	98.2%	2,673,395	3,683,037	1.8%	48,240	3,731,277
6/30/1998	2,782,105	97.7%	2,718,155	2,515,473	2.3%	63,950	2,579,423
6/30/1999	2,842,514	97.1%	2,761,410	2,788,301	2.9%	81,104	2,869,404
6/30/2000	2,907,844	96.6%	2,807,817	3,774,780	3.4%	100,028	3,874,807
6/30/2001	3,067,346	95.9%	2,942,717	2,763,943	4.1%	124,628	2,888,571
6/30/2002	3,173,218	95.3%	3,023,188	2,851,035	4.7%	150,030	3,001,065
6/30/2003	3,243,747	94.6%	3,067,239	2,312,189	5.4%	176,508	2,488,697
6/30/2004	3,313,351	93.8%	3,107,527	3,257,019	6.2%	205,824	3,462,843
6/30/2005	3,384,438	93.4%	3,161,309	3,534,039	6.6%	223,130	3,757,168
6/30/2006	3,459,635	92.6%	3,204,582	2,752,092	7.4%	255,053	3,007,145
6/30/2007	3,532,118	90.8%	3,206,719	2,887,204	9.2%	325,400	3,212,604
6/30/2008	3,607,000	90.0%	3,246,460	3,338,569	10.0%	360,541	3,699,109
6/30/2009	3,736,840	83.7%	3,127,534	5,537,421	16.3%	609,306	6,146,727
6/30/2010	3,837,966	80.7%	3,098,758	3,655,093	19.3%	739,208	4,394,301
6/30/2011	3,915,450	81.0%	3,171,909	3,495,287	19.0%	743,541	4,238,828
6/30/2012	3,994,463	83.2%	3,324,368	2,890,633	16.8%	670,095	3,560,729
6/30/2013	4,073,051	80.1%	3,262,243	2,646,121	19.9%	810,808	3,456,929
6/30/2014	4,152,140	69.8%	2,896,863	1,894,201	30.2%	1,255,277	3,149,478
Total	61,744,861		54,802,192	56,576,436		6,942,669	63,519,106

- (1) Exhibit D, Page 3, Col. (11)
- (2) = 1 / LDFs Exhibit C, Page 2, Col. (2)
- (3) = (1) * (2)
- (4) Provided by client
- (5) = 1 - (2)
- (6) = (1) * (5)
- (7) = (4) + (6)

**State of Minnesota
Workers' Compensation
Limited Loss & ALAE
Analysis @ 6/30/14**

Paid Bornhuetter-Ferguson Method

Accident Period Ending	Initial Expected Loss & ALAE (1)	Expected Percentage Paid (2)	Expected Paid Loss & ALAE (3)	Actual Paid Loss & ALAE (4)	Expected Percentage Unpaid (5)	Expected Unpaid Loss & ALAE (6)	Ultimate Loss & ALAE (7)
6/30/1997	2,721,634	93.5%	2,544,599	3,210,610	6.5%	177,036	3,387,645
6/30/1998	2,782,105	92.7%	2,579,968	2,468,851	7.3%	202,137	2,670,988
6/30/1999	2,842,514	91.9%	2,612,822	2,623,991	8.1%	229,692	2,853,684
6/30/2000	2,907,844	91.0%	2,647,374	3,613,497	9.0%	260,470	3,873,968
6/30/2001	3,067,346	90.1%	2,763,496	2,717,315	9.9%	303,850	3,021,165
6/30/2002	3,173,218	89.1%	2,826,134	2,512,291	10.9%	347,084	2,859,375
6/30/2003	3,243,747	87.8%	2,849,233	2,233,465	12.2%	394,515	2,627,979
6/30/2004	3,313,351	86.6%	2,870,506	2,767,041	13.4%	442,844	3,209,886
6/30/2005	3,384,438	85.2%	2,883,423	3,498,274	14.8%	501,016	3,999,290
6/30/2006	3,459,635	83.4%	2,883,675	2,174,267	16.6%	575,961	2,750,227
6/30/2007	3,532,118	81.6%	2,881,272	2,718,030	18.4%	650,846	3,368,876
6/30/2008	3,607,000	79.0%	2,848,171	2,971,806	21.0%	758,829	3,730,635
6/30/2009	3,736,840	74.4%	2,779,826	4,025,050	25.6%	957,014	4,982,064
6/30/2010	3,837,966	72.0%	2,761,513	3,505,778	28.0%	1,076,453	4,582,231
6/30/2011	3,915,450	69.1%	2,704,438	2,966,086	30.9%	1,211,012	4,177,098
6/30/2012	3,994,463	63.2%	2,526,191	2,053,359	36.8%	1,468,272	3,521,631
6/30/2013	4,073,051	50.5%	2,057,700	1,767,073	49.5%	2,015,351	3,782,424
6/30/2014	4,152,140	24.0%	996,424	810,336	76.0%	3,155,715	3,966,052
Total	61,744,861		47,016,764	48,637,121		14,728,098	63,365,218

- (1) Exhibit D, Page 3, Col. (11)
- (2) = 1 / LDFs Exhibit C, Page 1, Col. (2)
- (3) = (1) * (2)
- (4) Provided by client
- (5) = 1 - (2)
- (6) = (1) * (5)
- (7) = (4) + (6)

State of Minnesota
Workers' Compensation
Limited Loss & ALAE
Analysis @ 6/30/14

Initial Expected Loss Calculation

Accident Period Ending	Payroll (1)	Incurred Loss Dev. Method (2)	Paid Loss Dev. Method (3)	Selected Ultimate Loss (4)	Initial Pure Premium (5)	Exposure Trend (6)	Claim Severity Trend (7)	Benefit Level Adj. Factors (8)	Trended Pure Premium (9)	Detrended Pure Premium (10)	Initial Expected Loss (11)
6/30/1997	10,000	3,749,495	3,433,982	3,591,738	359	1.653	2.292	1.100	548	272	2,721,634
6/30/1998	10,000	2,574,655	2,662,283	2,618,469	262	1.605	2.183	1.097	391	278	2,782,105
6/30/1999	10,000	2,870,194	2,854,665	2,862,430	286	1.558	2.079	1.095	418	284	2,842,514
6/30/2000	10,000	3,909,255	3,969,023	3,939,139	394	1.513	1.980	1.091	562	291	2,907,844
6/30/2001	10,000	2,881,000	3,016,087	2,948,543	295	1.469	1.886	1.054	399	307	3,067,346
6/30/2002	10,000	2,992,522	2,820,831	2,906,677	291	1.426	1.796	1.039	380	317	3,173,218
6/30/2003	10,000	2,445,247	2,542,718	2,493,983	249	1.384	1.710	1.036	319	324	3,243,747
6/30/2004	10,000	3,472,744	3,193,924	3,333,334	333	1.344	1.629	1.034	418	331	3,313,351
6/30/2005	10,000	3,783,476	4,106,124	3,944,800	394	1.305	1.551	1.032	484	338	3,384,438
6/30/2006	10,000	2,971,131	2,608,536	2,789,834	279	1.267	1.477	1.029	335	346	3,459,635
6/30/2007	10,000	3,180,181	3,332,002	3,256,092	326	1.230	1.407	1.027	383	353	3,532,118
6/30/2008	10,000	3,709,338	3,763,574	3,736,456	374	1.194	1.340	1.026	430	361	3,607,000
6/30/2009	10,000	6,616,221	5,410,760	6,013,490	601	1.159	1.276	1.009	668	374	3,736,840
6/30/2010	10,000	4,527,015	4,872,349	4,699,682	470	1.126	1.216	1.002	508	384	3,837,966
6/30/2011	10,000	4,314,632	4,294,261	4,304,446	430	1.093	1.158	1.001	456	392	3,915,450
6/30/2012	10,000	3,473,300	3,246,812	3,360,056	336	1.061	1.103	1.000	349	399	3,994,463
6/30/2013	10,000	3,303,796	3,497,778	3,400,787	340	1.030	1.050	1.000	347	407	4,073,051
6/30/2014	10,000	2,715,002	3,376,704	3,045,853	305	1.000	1.000	1.000	305	415	4,152,140
Total	180,000	63,489,205	63,002,413	63,245,809							61,744,861

- (1) Client Data
- (2) Exhibit C, Page 2, Column 3
- (3) Exhibit C, Page 1, Column 3
- (4) Selected by Oliver Wyman
- (5) = (4) / (1)
- (6) Selected by Oliver Wyman
- (7) Selected by Oliver Wyman
- (8) 2013 NCCI Statistical Bulletin
- (9) = (5)*(7)*(8)/(6)
- (10) Selected Pure Premium/[(7)*(8)]*(6)
- (11) = (1)*(9)

3 Year Avg	384
4 Year Avg	415
5 Year Avg	466
5 Year Avg Ex High-Low	438
All Year Avg	435
Selected	415

State of Minnesota
Workers' Compensation
Limited Loss & ALAE
Analysis @ 6/30/14

Selection of Ultimate Counts

Accident Period Ending	Trended Payroll (00s) (1)	Ultimate		Selection Ultimate Counts (4)	Ultimate Frequency (per 100,000) (5)
		Closed Counts (2)	Reported Counts (3)		
6/30/1997	16,528	596	593	593	35.88
6/30/1998	16,047	515	511	511	31.84
6/30/1999	15,580	510	504	504	32.35
6/30/2000	15,126	534	529	529	34.97
6/30/2001	14,685	541	537	537	36.57
6/30/2002	14,258	478	475	475	33.32
6/30/2003	13,842	434	428	428	30.92
6/30/2004	13,439	464	458	458	34.08
6/30/2005	13,048	432	422	422	32.34
6/30/2006	12,668	429	423	423	33.39
6/30/2007	12,299	430	423	423	34.39
6/30/2008	11,941	456	451	451	37.77
6/30/2009	11,593	464	465	465	40.11
6/30/2010	11,255	412	406	406	36.07
6/30/2011	10,927	403	416	416	38.07
6/30/2012	10,609	340	355	355	33.46
6/30/2013	10,300	327	359	359	34.85
6/30/2014	10,000	269	348	348	34.80
Total	234,144	8,034	8,103	8,103	

(1) [Client Data* Exposure trend]

(2) Exhibit E, Page 3, Column 3

(3) Exhibit E, Page 2, Column 3

(4) Selected

(5) = (4) / (1) * 1000

**State of Minnesota
Workers' Compensation
Limited Loss & ALAE
Analysis @ 6/30/14**

Reported Claim Count Development Method

Accident Period Ending	Prior Ultimate Claims (1)	Prior IBNR Claims (2)	Expected % IBNR @ 6/30/06 (3)	Expected % IBNR @ 6/30/14 (4)	Expected Reported 7/1/07 - 6/30/14 (5)	Actual Reported 7/1/07 - 6/30/14 (6)	Actual vs. Expected (7)	Cumulative Reported to Date (8)	Reported DF (9)	Estimated Ultimate Claims (10)
6/30/1997	589	0	0.0%	0.0%	-	4	4	593	1.000	593
6/30/1998	510	0	0.0%	0.0%	-	1	1	511	1.000	511
6/30/1999	501	0	0.0%	0.0%	-	3	3	504	1.001	504
6/30/2000	526	0	0.0%	0.0%	-	3	3	529	1.001	529
6/30/2001	535	0	0.0%	0.0%	-	1	1	536	1.002	537
6/30/2002	473	0	0.0%	0.0%	-	1	1	474	1.002	475
6/30/2003	425	0	0.1%	0.0%	-	2	2	427	1.002	428
6/30/2004	456	1	0.3%	0.0%	1	2	1	457	1.003	458
6/30/2005	419	3	0.8%	0.0%	3	5	2	421	1.004	422
6/30/2006	444	-3	-0.6%	0.0%	(3)	(25)	(22)	422	1.004	423
6/30/2007								421	1.004	423
6/30/2008								449	1.004	451
6/30/2009								462	1.006	465
6/30/2010								402	1.009	406
6/30/2011								411	1.012	416
6/30/2012								350	1.013	355
6/30/2013								353	1.016	359
6/30/2014								346	1.005	348
Total	4,878				1	(3)	(4)	8,068		8,103

- (1) From the 6/30/06 Analysis
- (2) From the 6/30/06 Analysis
- (3) Based on CDF's from 6/30/06

State of Minnesota
Workers' Compensation
Limited Loss & ALAE
Analysis @ 6/30/14

Closed Claim Count Development Method

Accident Period Ending	Prior Ultimate Claims (1)	Prior Unpaid Claims (2)	Expected % Open @ 6/30/06 (3)	Expected % Open @ 6/30/14 (4)	Expected Closed 7/1/07 - 6/30/14 (5)	Actual Closed 7/1/07 - 6/30/14 (6)	Actual vs. Expected (7)	Cumulative Closed to Date (1)	Closed DF (2)	Estimated Ultimate Claims (3)
6/30/1997	589	6	1.0%	0.5%	3	6	3	589	1.012	596
6/30/1998	510	2	1.0%	0.5%	1	-	(1)	508	1.014	515
6/30/1999	501	7	1.4%	0.6%	4	8	4	502	1.015	510
6/30/2000	526	16	1.8%	0.7%	10	15	5	525	1.017	534
6/30/2001	535	9	2.7%	0.7%	7	5	(2)	531	1.020	541
6/30/2002	473	9	3.0%	0.8%	7	4	(3)	468	1.022	478
6/30/2003	425	16	4.6%	0.9%	13	14	1	423	1.025	434
6/30/2004	456	33	6.9%	0.9%	29	28	(1)	451	1.029	464
6/30/2005	419	64	14.9%	1.0%	60	63	3	418	1.033	432
6/30/2006	444	269	52.5%	1.0%	264	239	(25)	414	1.036	429
6/30/2007								414	1.038	430
6/30/2008								438	1.042	456
6/30/2009								443	1.047	464
6/30/2010								388	1.062	412
6/30/2011								375	1.074	403
6/30/2012								306	1.110	340
6/30/2013								272	1.203	327
6/30/2014								115	2.335	269
Total	4,878				396	382	(14)	6,991		7,438

(1) From the 6/30/06 Analysis

(2) From the 6/30/06 Analysis

(3) Based on CDF's from 6/30/06

State of Minnesota
Workers' Compensation
Limited Loss & ALAE
Analysis @ 6/30/14

Paid Loss Development Method

Accident Period Ending	Months of Development																	
	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204	216
6/30/1997	338,547	1,204,896	1,691,612	1,836,608	2,074,727	2,257,517	2,438,974	2,621,395	2,705,786	2,762,835	2,828,668	2,873,481	2,944,046	2,999,316	3,047,671	3,095,305	3,143,888	3,210,610
6/30/1998	631,001	1,402,369	1,810,536	2,007,900	2,057,907	2,113,389	2,164,581	2,180,683	2,184,415	2,248,338	2,353,463	2,367,329	2,397,612	2,437,965	2,443,250	2,452,167	2,468,851	
6/30/1999	418,943	963,957	1,272,514	1,634,793	1,813,983	1,988,673	2,075,412	2,175,403	2,293,091	2,368,654	2,447,012	2,487,532	2,532,788	2,559,217	2,587,770	2,623,991		
6/30/2000	672,079	1,563,967	1,952,201	2,380,484	2,539,411	2,725,341	2,846,857	3,194,303	3,227,048	3,276,757	3,322,397	3,470,246	3,548,151	3,583,984	3,613,497			
6/30/2001	651,998	1,425,371	1,849,586	2,147,738	2,235,535	2,328,553	2,414,037	2,472,663	2,553,370	2,582,277	2,609,883	2,651,255	2,675,996	2,717,315				
6/30/2002	580,968	1,248,981	1,752,261	1,995,041	2,143,672	2,202,176	2,211,975	2,306,753	2,361,333	2,391,609	2,462,583	2,485,367	2,512,291					
6/30/2003	593,765	1,362,956	1,697,293	1,811,579	1,866,232	1,966,894	2,097,354	2,155,359	2,187,405	2,204,777	2,228,146	2,233,465						
6/30/2004	815,062	1,489,129	1,635,297	1,829,524	2,083,123	2,227,752	2,453,938	2,519,350	2,596,202	2,714,111	2,767,041							
6/30/2005	1,301,515	2,133,674	2,437,474	2,941,699	3,174,137	3,246,943	3,268,284	3,342,630	3,386,044	3,498,274								
6/30/2006	578,972	1,441,316	1,640,757	1,804,493	1,909,906	1,983,719	2,035,616	2,163,219	2,174,267									
6/30/2007	763,926	1,593,898	2,093,077	2,288,094	2,304,014	2,424,678	2,601,252	2,718,030										
6/30/2008	1,020,804	2,002,521	2,321,578	2,572,321	2,660,232	2,737,936	2,971,806											
6/30/2009	1,293,684	2,656,291	3,258,523	3,635,971	3,922,292	4,025,050												
6/30/2010	1,143,392	2,270,563	3,111,691	3,402,679	3,505,778													
6/30/2011	1,089,634	2,459,751	2,824,064	2,966,086														
6/30/2012	746,691	1,660,041	2,053,359															
6/30/2013	963,013	1,767,073																
6/30/2014	810,336																	

Accident Period Ending	Age-to-Age Development																	
	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132	132-144	144-156	156-168	168-180	180-192	192-204	204-216	216-ult.
6/30/1997	3.559	1.404	1.086	1.130	1.088	1.080	1.075	1.032	1.021	1.024	1.016	1.025	1.019	1.016	1.016	1.016	1.021	
6/30/1998	2.222	1.291	1.109	1.025	1.027	1.024	1.007	1.002	1.029	1.047	1.006	1.013	1.017	1.002	1.004	1.007		
6/30/1999	2.301	1.320	1.285	1.110	1.096	1.044	1.048	1.054	1.033	1.033	1.017	1.018	1.010	1.011	1.014			
6/30/2000	2.327	1.248	1.219	1.067	1.073	1.045	1.122	1.010	1.015	1.014	1.045	1.022	1.010	1.008				
6/30/2001	2.186	1.298	1.161	1.041	1.042	1.037	1.024	1.033	1.011	1.011	1.016	1.009	1.015					
6/30/2002	2.150	1.403	1.139	1.074	1.027	1.004	1.043	1.024	1.013	1.030	1.009	1.011						
6/30/2003	2.295	1.245	1.067	1.030	1.054	1.066	1.028	1.015	1.008	1.011	1.002							
6/30/2004	1.827	1.098	1.119	1.139	1.069	1.102	1.027	1.031	1.045	1.020								
6/30/2005	1.639	1.142	1.207	1.079	1.023	1.007	1.023	1.013	1.033									
6/30/2006	2.489	1.138	1.100	1.058	1.039	1.026	1.063	1.005										
6/30/2007	2.086	1.313	1.093	1.007	1.052	1.073	1.045											
6/30/2008	1.962	1.159	1.108	1.034	1.029	1.085												
6/30/2009	2.053	1.227	1.116	1.079	1.026													
6/30/2010	1.986	1.370	1.094	1.030														
6/30/2011	2.257	1.148	1.050															
6/30/2012	2.223	1.237																
6/30/2013	1.835																	

3 Year Avg	2.105	1.252	1.087	1.048	1.036	1.061	1.043	1.016	1.029	1.020	1.009	1.014	1.012	1.007	1.011			
5 Year Avg	2.071	1.228	1.092	1.042	1.034	1.059	1.037	1.017	1.022	1.017	1.018	1.015	1.014					
Ex High-Low	2.087	1.208	1.098	1.041	1.031	1.061	1.033	1.017	1.019	1.015	1.014	1.014						
All Year Avg	2.200	1.253	1.130	1.064	1.050	1.049	1.046	1.022	1.023	1.024	1.016	1.016	1.009	1.011	1.011	1.011	1.021	
All Year Wtd Avg	2.106	1.243	1.125	1.062	1.047	1.049	1.047	1.021	1.024	1.023	1.017	1.017	1.014	1.010	1.011	1.012	1.021	
Curve Fit	3.121	1.200	1.094	1.059	1.043	1.033	1.026	1.022	1.019	1.016	1.014	1.013	1.012	1.011	1.010	1.009	1.008	1.070
Selected	2.105	1.252	1.092	1.042	1.034	1.061	1.033	1.022	1.022	1.017	1.014	1.014	1.012	1.011	1.010	1.009	1.008	
Cumulative	4.167	1.979	1.581	1.448	1.390	1.344	1.266	1.226	1.200	1.174	1.154	1.138	1.123	1.110	1.098	1.088	1.078	1.070

State of Minnesota
Workers' Compensation
Limited Loss & ALAE
Analysis @ 6/30/14

Incurred Loss Development Method

Accident Period Ending	Months of Development																	
	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204	216
6/30/1997	2,554,324	3,761,953	3,376,128	3,501,584	3,608,384	3,625,546	3,774,035	3,794,140	3,787,619	3,635,509	3,607,907	3,597,897	3,541,007	3,574,758	3,600,587	3,598,454	3,599,576	3,683,037
6/30/1998	1,933,440	2,208,907	2,416,865	2,258,986	2,198,607	2,248,449	2,243,512	2,243,997	2,205,853	2,282,384	2,414,331	2,429,099	2,431,733	2,476,429	2,479,125	2,486,841	2,515,473	
6/30/1999	1,540,705	1,822,508	2,144,045	2,294,690	2,393,695	2,418,859	2,356,171	2,480,530	2,556,274	2,625,165	2,631,963	2,668,569	2,673,800	2,731,386	2,732,399	2,788,301		
6/30/2000	2,689,165	3,076,871	2,865,500	3,127,618	2,948,763	3,540,073	3,517,147	3,404,955	3,331,282	3,504,138	3,617,656	3,665,316	3,792,398	3,800,011	3,774,780			
6/30/2001	3,774,104	2,700,196	2,557,874	2,476,182	2,486,474	2,613,055	2,664,065	2,699,928	2,746,681	2,746,649	2,719,788	2,669,981	2,681,283	2,763,943				
6/30/2002	2,225,313	2,118,536	2,448,495	2,425,050	2,394,860	2,482,977	2,442,418	2,497,547	2,809,295	2,843,424	2,794,755	2,885,085	2,851,035					
6/30/2003	2,240,966	2,363,244	2,713,911	2,158,597	2,037,795	2,351,257	2,254,765	2,299,842	2,345,135	2,339,670	2,310,189	2,312,189						
6/30/2004	3,768,678	3,086,590	2,958,632	2,891,597	3,061,008	3,156,407	3,347,761	3,341,052	3,264,836	3,281,834	3,257,019							
6/30/2005	4,385,898	4,346,023	3,650,410	3,274,005	3,476,340	3,467,567	3,487,746	3,500,925	3,440,925	3,534,039								
6/30/2006	2,407,387	2,451,455	2,063,902	2,096,449	2,212,073	2,274,371	2,518,808	2,600,590	2,752,092									
6/30/2007	2,804,452	2,622,629	2,539,694	2,492,906	2,445,885	2,557,185	2,916,805	2,887,204										
6/30/2008	3,365,294	3,775,734	3,506,685	3,458,722	3,319,539	3,142,466	3,338,569											
6/30/2009	4,727,331	5,116,266	5,897,835	5,574,719	5,848,363	5,537,421												
6/30/2010	3,990,940	4,816,080	5,055,654	4,928,159	3,655,093													
6/30/2011	4,430,535	4,750,203	3,736,025	3,495,287														
6/30/2012	2,997,445	2,810,696	2,890,633															
6/30/2013	2,105,373	2,646,121																
6/30/2014	1,894,201																	

Accident Period Ending	Age-to-Age Development																	
	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132	132-144	144-156	156-168	168-180	180-192	192-204	204-216	216-ult.
6/30/1997	1.473	0.897	1.037	1.031	1.005	1.041	1.005	0.998	0.960	0.992	0.997	0.984	1.010	1.007	0.999	1.000	1.023	
6/30/1998	1.142	1.094	0.935	0.973	1.023	0.998	1.000	0.983	1.035	1.058	1.006	1.001	1.018	1.001	1.003	1.012		
6/30/1999	1.183	1.176	1.070	1.043	1.011	0.974	1.053	1.031	1.027	1.003	1.014	1.002	1.022	1.000	1.020			
6/30/2000	1.144	0.931	1.091	0.943	1.201	0.994	0.968	0.978	1.052	1.032	1.013	1.035	1.002	0.993				
6/30/2001	0.715	0.947	0.968	1.004	1.051	1.020	1.013	1.017	1.000	0.990	0.982	1.004	1.031					
6/30/2002	0.952	1.156	0.990	0.988	1.037	0.984	1.023	1.125	1.012	0.983	1.032	0.988						
6/30/2003	1.055	1.148	0.795	0.944	1.154	0.959	1.020	1.020	0.998	0.987	1.001							
6/30/2004	0.819	0.959	0.977	1.059	1.031	1.061	0.998	0.977	1.005	0.992								
6/30/2005	0.991	0.840	0.897	1.062	0.997	1.006	1.004	0.983	1.027									
6/30/2006	1.018	0.842	1.016	1.055	1.028	1.107	1.032	1.058										
6/30/2007	0.935	0.968	0.982	0.981	1.046	1.141	0.990											
6/30/2008	1.122	0.929	0.986	0.960	0.947	1.062												
6/30/2009	1.082	1.153	0.945	1.049	0.947													
6/30/2010	1.207	1.050	0.975	0.742														
6/30/2011	1.072	0.786	0.936															
6/30/2012	0.938	1.028																
6/30/2013	1.257																	

3 Year Avg	1.089	0.955	0.952	0.917	0.980	1.104	1.009	1.006	1.010	0.988	1.005	1.009	1.018	0.998	1.008			
5 Year Avg	1.111	0.989	0.965	0.957	0.993	1.075	1.009	1.033	1.008	0.997	1.008	1.006	1.016					
Ex High-Low	1.120	1.002	0.967	0.997	0.991	1.077	1.007	1.020	1.006	0.990	1.009	1.002	1.016					
All Year Avg	1.065	0.994	0.973	0.988	1.037	1.029	1.010	1.017	1.013	1.005	1.006	1.002	1.016	1.001	1.008	1.006	1.023	
Year Wtd Avg	1.049	0.981	0.969	0.980	1.026	1.029	1.007	1.013	1.012	1.004	1.007	1.003	1.015	1.000	1.007	1.005	1.023	
Curve Fit	1.129	1.065	1.039	1.026	1.019	1.014	1.011	1.009	1.007	1.006	1.005	1.005	1.004	1.004	1.003	1.003	1.003	1.018
Selected	1.148	1.039	0.973	0.997	1.037	1.075	1.009	1.020	1.008	1.004	1.008	1.008	1.007	1.006	1.006	1.006	1.005	
Cumulative	1.433	1.249	1.202	1.234	1.239	1.195	1.111	1.101	1.080	1.071	1.066	1.058	1.050	1.042	1.036	1.029	1.024	1.018

State of Minnesota
Workers' Compensation
Limited Loss & ALAE
Analysis @ 6/30/14

Closed Claim Count Development Method

Accident Period Ending	Months of Development																	
	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204	216
6/30/1997	264	522	554	567	569	570	574	579	583	583	584	587	589	590	589	590	589	589
6/30/1998	274	454	473	493	501	501	507	507	508	507	507	509	508	510	509	509	508	508
6/30/1999	263	436	466	477	484	487	493	494	497	498	499	500	499	500	500	502	508	508
6/30/2000	255	447	487	493	507	507	510	515	518	517	520	521	523	524	525			
6/30/2001	248	449	498	509	521	526	529	529	529	530	533	535	535	531				
6/30/2002	235	412	446	458	464	462	465	466	465	466	466	465	468					
6/30/2003	173	357	400	409	418	418	418	421	421	423	424	423						
6/30/2004	197	405	423	437	440	443	446	446	449	448	451							
6/30/2005	198	355	394	405	406	413	416	416	417	418								
6/30/2006	175	359	400	408	415	415	416	415	414									
6/30/2007	181	366	398	409	410	411	411	414										
6/30/2008	202	377	414	426	432	440	438											
6/30/2009	226	390	421	439	439	443												
6/30/2010	190	343	370	380	388													
6/30/2011	174	343	373	375														
6/30/2012	151	284	306															
6/30/2013	138	272																
6/30/2014	115																	

Accident Period Ending	Age-to-Age Development																	
	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132	132-144	144-156	156-168	168-180	180-192	192-204	204-216	216-Ult
6/30/1997	1.977	1.061	1.023	1.004	1.002	1.007	1.009	1.007	1.000	1.002	1.005	1.003	1.002	0.998	1.002	0.998	1.000	
6/30/1998	1.657	1.042	1.042	1.016	1.000	1.012	1.000	1.002	0.998	1.000	1.004	0.998	1.004	0.998	1.000	0.998		
6/30/1999	1.658	1.069	1.024	1.015	1.006	1.012	1.002	1.006	1.002	1.002	1.002	0.998	1.002	1.000	1.004			
6/30/2000	1.753	1.089	1.012	1.028	1.000	1.006	1.010	1.006	0.998	1.006	1.002	1.004	1.002	1.002				
6/30/2001	1.810	1.109	1.022	1.024	1.010	1.006	1.000	1.000	1.002	1.006	1.004	1.000	0.993					
6/30/2002	1.753	1.083	1.027	1.013	0.996	1.006	1.002	0.998	1.002	1.000	0.998	1.006						
6/30/2003	2.064	1.120	1.023	1.022	1.000	1.000	1.007	1.000	1.005	1.002	0.998							
6/30/2004	2.056	1.044	1.033	1.007	1.007	1.007	1.000	1.007	0.998	1.007								
6/30/2005	1.793	1.110	1.028	1.002	1.017	1.007	1.000	1.002	1.002									
6/30/2006	2.051	1.114	1.020	1.017	1.000	1.002	0.998	0.998										
6/30/2007	2.022	1.087	1.028	1.002	1.002	1.000	1.007											
6/30/2008	1.866	1.098	1.029	1.014	1.019	0.995												
6/30/2009	1.726	1.079	1.043	1.000	1.009													
6/30/2010	1.805	1.079	1.027	1.021														
6/30/2011	1.971	1.087	1.005															
6/30/2012	1.881	1.077																
6/30/2013	1.971																	

3 Year Avg	1.941	1.081	1.025	1.012	1.010	0.999	1.002	1.002	1.002	1.003	1.000	1.003	0.999	1.000	1.002			
5 Year Avg	1.871	1.084	1.026	1.011	1.009	1.002	1.002	1.001	1.002	1.004	1.001	1.001	1.000					
5 Year Avg Ex High-Low	1.886	1.082	1.028	1.011	1.010	1.003	1.002	1.000	1.002	1.005	1.001	1.001	1.002					
All Year Avg	1.871	1.084	1.026	1.013	1.005	1.005	1.003	1.003	1.001	1.003	1.002	1.000	1.000	1.000	1.002	0.998	1.000	
All Year Wtd Avg	1.854	1.083	1.026	1.013	1.005	1.005	1.003	1.003	1.001	1.003	1.002	1.002	1.000	1.000	1.002	0.998	1.000	
Curve Fit	1.303	1.068	1.032	1.019	1.013	1.009	1.007	1.006	1.005	1.004	1.003	1.003	1.003	1.002	1.002	1.002	1.002	1.012
Selected	1.941	1.084	1.033	1.012	1.014	1.005	1.003	1.003	1.002	1.005	1.003	1.003	1.003	1.002	1.002	1.002	1.002	1.002
Cumulative	2.335	1.203	1.110	1.074	1.062	1.047	1.042	1.038	1.036	1.033	1.029	1.025	1.022	1.020	1.017	1.015	1.014	1.012

State of Minnesota
Workers' Compensation
Limited Loss & ALAE
Analysis @ 6/30/14

Reported Claim Count Development Method

Accident Period Ending	Months of Development																	
	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204	216
6/30/1997	647	585	587	589	588	588	588	589	589	589	592	592	592	592	592	592	593	593
6/30/1998	512	506	510	510	512	510	510	510	510	510	510	511	511	511	511	511	511	511
6/30/1999	495	496	501	501	501	501	501	501	504	503	503	503	503	503	504	504	511	511
6/30/2000	528	523	522	525	526	526	526	526	526	527	527	527	528	528	529			
6/30/2001	552	530	534	535	535	535	535	535	536	536	536	536	536	536				
6/30/2002	501	469	472	472	473	473	473	473	473	473	473	473	474					
6/30/2003	402	423	424	425	426	427	427	427	427	427	427	427	427					
6/30/2004	497	454	455	456	456	455	456	457	457	457	457							
6/30/2005	419	416	415	418	418	420	421	421	421	421								
6/30/2006	447	420	419	419	419	421	422	422	422									
6/30/2007	427	417	421	421	421	421	422	421										
6/30/2008	452	447	447	447	447	449	449											
6/30/2009	448	458	463	463	463	462												
6/30/2010	398	399	400	399	402													
6/30/2011	417	410	410	411														
6/30/2012	357	350	350															
6/30/2013	368	353																
6/30/2014	346																	

Accident Period Ending	Age-to-Age Development																	
	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132	132-144	144-156	156-168	168-180	180-192	192-204	204-216	216-Ult
6/30/1997	0.904	1.003	1.003	0.998	1.000	1.000	1.002	1.000	1.000	1.005	1.000	1.000	1.000	1.000	1.000	1.002	1.000	
6/30/1998	0.988	1.008	1.000	1.004	0.996	1.000	1.000	1.000	1.000	1.000	1.002	1.000	1.000	1.000	1.000	1.000	1.000	
6/30/1999	1.002	1.010	1.000	1.000	1.000	1.000	1.000	1.006	0.998	1.000	1.000	1.000	1.000	1.002	1.000			
6/30/2000	0.991	0.998	1.006	1.002	1.000	1.000	1.000	1.000	1.002	1.000	1.000	1.000	1.002	1.000	1.002			
6/30/2001	0.960	1.008	1.002	1.000	1.000	1.000	1.000	1.002	1.000	1.000	1.000	1.000	1.000					
6/30/2002	0.936	1.006	1.000	1.002	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.002					
6/30/2003	1.052	1.002	1.002	1.002	1.002	1.000	1.000	1.000	1.000	1.000	1.000							
6/30/2004	0.913	1.002	1.002	1.000	0.998	1.002	1.002	1.000	1.000	1.000								
6/30/2005	0.993	0.998	1.007	1.000	1.005	1.002	1.000	1.000	1.000									
6/30/2006	0.940	0.998	1.000	1.000	1.005	1.002	1.000	1.000										
6/30/2007	0.977	1.010	1.000	1.000	1.000	1.002	0.998											
6/30/2008	0.989	1.000	1.000	1.000	1.004	1.000												
6/30/2009	1.022	1.011	1.000	1.000	0.998													
6/30/2010	1.003	1.003	0.998	1.008														
6/30/2011	0.983	1.000	1.002															
6/30/2012	0.980	1.000																
6/30/2013	0.959																	

3 Year Avg	0.974	1.001	1.000	1.003	1.001	1.002	0.999	1.000	1.000	1.000	1.000	1.001	1.000	1.001	1.000			
5 Year Avg	0.990	1.003	1.000	1.002	1.002	1.002	1.000	1.000	1.000	1.000	1.000	1.001	1.000					
5 Year Avg Ex High-Low	0.989	1.001	1.000	1.000	1.003	1.002	1.000	1.000	1.000	1.000	1.000	1.001	1.000					
All Year Avg	0.976	1.004	1.002	1.001	1.001	1.001	1.000	1.001	1.000	1.001	1.000	1.001	1.000	1.001	1.000	1.001	1.000	
All Year Wtd Avg	0.973	1.004	1.002	1.001	1.000	1.001	1.000	1.001	1.000	1.001	1.000	1.001	1.000	1.001	1.000	1.001	1.000	
Selected	0.990	1.003	1.002	1.003	1.003	1.002	1.000	1.001	1.000	1.001	1.000	1.001	1.000	1.001	1.000	1.001	1.000	
Cumulative	1.005	1.016	1.013	1.012	1.009	1.006	1.004	1.004	1.004	1.004	1.003	1.002	1.002	1.002	1.001	1.001	1.000	1.000

State of Minnesota
Workers' Compensation
Limited Loss & ALAE
Analysis @ 6/30/14

Paid Loss & ALAE / Incurred Loss & ALAE

Accident Period Ending	Months of Development																	
	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204	216
6/30/1997	13.3%	32.0%	50.1%	52.5%	57.5%	62.3%	64.6%	69.1%	71.4%	76.0%	78.4%	79.9%	83.1%	83.9%	84.6%	86.0%	87.3%	87.2%
6/30/1998	32.6%	63.5%	74.9%	88.9%	93.6%	94.0%	96.5%	97.2%	99.0%	98.5%	97.5%	97.5%	98.6%	98.4%	98.6%	98.6%	98.1%	
6/30/1999	27.2%	52.9%	59.4%	71.2%	75.8%	82.2%	88.1%	87.7%	89.7%	90.2%	93.0%	93.2%	94.7%	93.7%	94.7%	94.1%		
6/30/2000	25.0%	50.8%	68.1%	76.1%	86.1%	77.0%	80.9%	93.8%	96.9%	93.5%	91.8%	94.7%	93.6%	94.3%	95.7%			
6/30/2001	17.3%	52.8%	72.3%	86.7%	89.9%	89.1%	90.6%	91.6%	93.0%	94.0%	96.0%	99.3%	99.8%	98.3%				
6/30/2002	26.1%	59.0%	71.6%	82.3%	89.5%	88.7%	90.6%	92.4%	84.1%	84.1%	88.1%	86.1%	88.1%					
6/30/2003	26.5%	57.7%	62.5%	83.9%	91.6%	83.7%	93.0%	93.7%	93.3%	94.2%	96.4%	96.6%						
6/30/2004	21.6%	48.2%	55.3%	63.3%	68.1%	70.6%	73.3%	75.4%	79.5%	82.7%	85.0%							
6/30/2005	29.7%	49.1%	66.8%	89.9%	91.3%	93.6%	93.7%	95.5%	98.4%	99.0%								
6/30/2006	24.0%	58.8%	79.5%	86.1%	86.3%	87.2%	80.8%	83.2%	79.0%									
6/30/2007	27.2%	60.8%	82.4%	91.8%	94.2%	94.8%	89.2%	94.1%										
6/30/2008	30.3%	53.0%	66.2%	74.4%	80.1%	87.1%	89.0%											
6/30/2009	27.4%	51.9%	55.2%	65.2%	67.1%	72.7%												
6/30/2010	28.6%	47.1%	61.5%	69.0%	95.9%													
6/30/2011	24.6%	51.8%	75.6%	84.9%														
6/30/2012	24.9%	59.1%	71.0%															
6/30/2013	45.7%	66.8%																
6/30/2014	42.8%																	

State of Minnesota
Workers' Compensation
Limited Loss & ALAE
Analysis @ 6/30/14

Case Reserves

Accident Period Ending	Months of Development																	
	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204	216
6/30/1997	2,215,777	2,557,057	1,684,516	1,664,976	1,533,657	1,368,028	1,335,061	1,172,745	1,081,833	872,674	779,239	724,416	596,962	575,443	552,916	503,149	455,689	472,427
6/30/1998	1,302,439	806,538	606,329	251,086	140,699	135,060	78,931	63,314	21,437	34,046	60,868	61,770	34,121	38,464	35,875	34,654	46,622	
6/30/1999	1,121,763	858,552	871,531	659,897	579,713	430,186	280,758	305,127	263,183	256,512	184,951	181,037	141,013	172,169	144,628	164,309		
6/30/2000	2,017,086	1,512,903	913,298	747,134	409,352	814,732	670,290	210,653	104,235	227,382	295,259	195,070	244,247	216,027	161,282			
6/30/2001	3,122,107	1,274,826	708,288	328,444	250,939	284,502	250,028	227,265	193,311	164,372	109,905	18,726	5,287	46,628				
6/30/2002	1,644,345	869,554	696,235	430,008	251,189	280,801	230,444	190,794	447,962	451,815	332,171	399,717	338,743					
6/30/2003	1,647,201	1,000,288	1,016,618	347,018	171,563	384,363	157,411	144,483	157,730	134,893	82,043	78,725						
6/30/2004	2,953,617	1,597,461	1,323,335	1,062,073	977,885	928,655	893,823	821,701	668,634	567,723	489,978							
6/30/2005	3,084,383	2,212,349	1,212,936	332,306	302,203	220,624	219,462	158,295	54,882	35,765								
6/30/2006	1,828,415	1,010,139	423,145	291,955	302,167	290,652	483,192	437,370	577,825									
6/30/2007	2,040,525	1,028,731	446,616	204,812	141,870	132,507	315,553	169,174										
6/30/2008	2,344,490	1,773,214	1,185,107	886,400	659,307	404,530	366,763											
6/30/2009	3,433,647	2,459,974	2,639,312	1,938,747	1,926,071	1,512,371												
6/30/2010	2,847,548	2,545,517	1,943,962	1,525,479	149,315													
6/30/2011	3,340,901	2,290,453	911,961	529,201														
6/30/2012	2,250,754	1,150,655	837,274															
6/30/2013	1,142,360	879,048																
6/30/2014	1,083,865																	

Average Case Reserves

Accident Period Ending	Months of Development																	
	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204	216
6/30/1997	5,785	40,588	51,046	75,681	80,719	76,002	95,361	117,274	180,305	145,446	97,405	144,883	198,987	287,721	184,305	251,575	113,922	118,107
6/30/1998	5,472	15,510	16,387	14,770	12,791	15,007	26,310	21,105	10,719	11,349	20,289	30,885	11,374	38,464	17,938	17,327	15,541	
6/30/1999	4,835	14,309	24,901	27,496	34,101	30,728	35,095	43,590	37,598	51,302	46,238	60,346	35,253	57,390	36,157	82,155		
6/30/2000	7,389	19,907	26,094	23,348	21,545	42,881	41,893	19,150	13,029	22,738	42,180	32,512	48,849	54,007	40,321			
6/30/2001	10,270	15,739	19,675	12,632	17,924	31,611	41,671	37,877	27,616	27,395	36,635	18,726	5,287	9,326				
6/30/2002	6,182	15,255	26,778	30,715	27,910	25,527	28,805	27,256	55,995	64,545	47,453	49,965	56,457					
6/30/2003	7,193	15,156	42,359	21,689	21,445	42,707	17,490	24,080	26,288	33,723	27,348	19,681						
6/30/2004	9,845	32,601	41,354	55,899	61,118	77,388	89,382	74,700	83,579	63,080	81,663							
6/30/2005	13,956	36,268	57,759	25,562	25,184	31,518	43,892	31,659	13,720	11,922								
6/30/2006	6,722	16,560	22,271	26,541	75,542	48,442	80,532	62,481	72,228									
6/30/2007	8,295	20,171	19,418	17,068	12,897	13,251	28,687	24,168										
6/30/2008	9,378	25,332	35,912	42,210	43,954	44,948	33,342											
6/30/2009	15,467	36,176	62,841	80,781	80,253	79,598												
6/30/2010	13,690	45,456	64,799	80,288	10,665													
6/30/2011	13,749	34,186	24,648	14,700														
6/30/2012	10,926	17,434	19,029															
6/30/2013	4,967	10,852																
6/30/2014	4,692																	

State of Minnesota
Workers' Compensation
Limited Loss & ALAE
Analysis @ 6/30/14

Incurred Loss Severity

Accident Period Ending	Months of Development																	
	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204	216
6/30/1997	3,948	6,431	5,751	5,945	6,137	6,166	6,418	6,442	6,431	6,172	6,094	6,078	5,981	6,038	6,082	6,078	6,070	6,211
6/30/1998	3,776	4,365	4,739	4,429	4,294	4,409	4,399	4,400	4,325	4,475	4,734	4,754	4,759	4,846	4,852	4,867	4,923	
6/30/1999	3,113	3,674	4,280	4,580	4,778	4,828	4,703	4,951	5,072	5,219	5,233	5,305	5,316	5,430	5,421	5,532		
6/30/2000	5,093	5,883	5,489	5,957	5,606	6,730	6,687	6,473	6,333	6,649	6,865	6,955	7,183	7,197	7,136			
6/30/2001	6,837	5,095	4,790	4,628	4,648	4,884	4,980	5,047	5,124	5,124	5,074	4,981	5,002	5,157				
6/30/2002	4,442	4,517	5,187	5,138	5,063	5,249	5,164	5,280	5,939	6,011	5,909	6,100	6,015					
6/30/2003	5,575	5,587	6,401	5,079	4,784	5,506	5,280	5,386	5,492	5,479	5,410	5,415						
6/30/2004	7,583	6,799	6,502	6,341	6,713	6,937	7,342	7,311	7,144	7,181	7,127							
6/30/2005	10,468	10,447	8,796	7,833	8,317	8,256	8,284	8,316	8,173	8,394								
6/30/2006	5,386	5,837	4,926	5,003	5,279	5,402	5,969	6,163	6,522									
6/30/2007	6,568	6,289	6,033	5,921	5,810	6,074	6,912	6,858										
6/30/2008	7,445	8,447	7,845	7,738	7,426	6,999	7,436											
6/30/2009	10,552	11,171	12,738	12,040	12,631	11,986												
6/30/2010	10,027	12,070	12,639	12,351	9,092													
6/30/2011	10,625	11,586	9,112	8,504														
6/30/2012	8,396	8,031	8,259															
6/30/2013	5,721	7,496																
6/30/2014	5,475																	

Paid Loss Severity

Accident Period Ending	Months of Development																	
	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204	216
6/30/1997	1,282	2,308	3,053	3,239	3,646	3,961	4,249	4,527	4,641	4,739	4,844	4,895	4,998	5,084	5,174	5,246	5,338	5,451
6/30/1998	2,303	3,089	3,828	4,073	4,108	4,218	4,269	4,301	4,300	4,435	4,642	4,651	4,720	4,780	4,800	4,818	4,860	
6/30/1999	1,593	2,211	2,731	3,427	3,748	4,084	4,210	4,404	4,614	4,756	4,904	4,975	5,076	5,118	5,176	5,227		
6/30/2000	2,636	3,499	4,009	4,829	5,009	5,375	5,582	6,203	6,230	6,338	6,389	6,661	6,784	6,840	6,883			
6/30/2001	2,629	3,175	3,714	4,220	4,291	4,427	4,563	4,674	4,827	4,872	4,897	4,956	5,002	5,117				
6/30/2002	2,472	3,032	3,929	4,356	4,620	4,767	4,757	4,950	5,078	5,132	5,285	5,345	5,368					
6/30/2003	3,432	3,818	4,243	4,429	4,465	4,705	5,018	5,120	5,196	5,212	5,255	5,280						
6/30/2004	4,137	3,677	3,866	4,187	4,734	5,029	5,502	5,649	5,782	6,058	6,135							
6/30/2005	6,573	6,010	6,186	7,263	7,818	7,862	7,856	8,035	8,120	8,369								
6/30/2006	3,308	4,015	4,102	4,423	4,602	4,780	4,893	5,213	5,252									
6/30/2007	4,221	4,355	5,259	5,594	5,620	5,899	6,329	6,565										
6/30/2008	5,053	5,312	5,608	6,038	6,158	6,223	6,785											
6/30/2009	5,724	6,811	7,740	8,282	8,935	9,086												
6/30/2010	6,018	6,620	8,410	8,954	9,036													
6/30/2011	6,262	7,171	7,571	7,910														
6/30/2012	4,945	5,845	6,710															
6/30/2013	6,978	6,497																
6/30/2014	7,046																	

State of Minnesota
Workers' Compensation
Limited Loss & ALAE
Analysis @ 6/30/14

Paid Loss & ALAE / Ultimate Loss & ALAE

Accident Period Ending	Months of Development																	
	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204	216
6/30/1997	8.9%	31.8%	44.7%	48.5%	54.8%	59.7%	64.5%	69.3%	71.5%	73.0%	74.8%	76.0%	77.8%	79.3%	80.6%	81.8%	83.1%	84.9%
6/30/1998	24.4%	54.1%	69.9%	77.5%	79.4%	81.6%	83.6%	84.2%	84.3%	86.8%	90.9%	91.4%	92.6%	94.1%	94.3%	94.7%	95.3%	
6/30/1999	14.8%	34.0%	44.8%	57.6%	63.9%	70.1%	73.1%	76.6%	80.8%	83.5%	86.2%	87.6%	89.2%	90.2%	91.2%	92.4%		
6/30/2000	17.3%	40.4%	50.4%	61.4%	65.5%	70.3%	73.5%	82.4%	83.3%	84.6%	85.7%	89.6%	91.6%	92.5%	93.3%			
6/30/2001	22.4%	48.9%	63.5%	73.7%	76.7%	79.9%	82.8%	84.9%	87.6%	88.6%	89.6%	91.0%	91.8%	93.3%				
6/30/2002	19.2%	41.3%	57.9%	65.9%	70.8%	72.8%	73.1%	76.2%	78.0%	79.0%	81.4%	82.1%	83.0%					
6/30/2003	24.4%	55.9%	69.6%	74.3%	76.6%	80.7%	86.1%	88.4%	89.8%	90.5%	91.4%	91.6%						
6/30/2004	23.0%	42.0%	46.1%	51.6%	58.8%	62.9%	69.2%	71.1%	73.3%	76.6%	78.1%							
6/30/2005	35.7%	58.5%	66.9%	80.7%	87.1%	89.1%	89.6%	91.7%	92.9%	95.9%								
6/30/2006	19.2%	47.7%	54.3%	59.7%	63.2%	65.6%	67.4%	71.6%	71.9%									
6/30/2007	23.9%	49.8%	65.4%	71.5%	72.0%	75.7%	81.2%	84.9%										
6/30/2008	27.5%	53.9%	62.5%	69.2%	71.6%	73.7%	80.0%											
6/30/2009	21.5%	44.2%	54.2%	60.5%	65.2%	66.9%												
6/30/2010	25.5%	50.6%	69.3%	75.8%	78.1%													
6/30/2011	25.9%	58.5%	67.1%	70.5%														
6/30/2012	21.1%	46.9%	58.0%															
6/30/2013	25.5%	46.7%																
6/30/2014	20.4%																	

Incurred Loss & ALAE / Ultimate Loss & ALAE

Accident Period Ending	Months of Development																	
	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204	216
6/30/1997	67.5%	99.4%	89.2%	92.6%	95.4%	95.8%	99.8%	100.3%	100.1%	96.1%	95.4%	95.1%	93.6%	94.5%	95.2%	95.1%	95.2%	97.4%
6/30/1998	74.6%	85.3%	93.3%	87.2%	84.9%	86.8%	86.6%	86.6%	85.2%	88.1%	93.2%	93.8%	93.9%	95.6%	95.7%	96.0%	97.1%	
6/30/1999	54.3%	64.2%	75.5%	80.8%	84.3%	85.2%	83.0%	87.4%	90.1%	92.5%	92.7%	94.0%	94.2%	96.2%	96.3%	98.2%		
6/30/2000	69.4%	79.4%	74.0%	80.7%	76.1%	91.4%	90.8%	87.9%	86.0%	90.4%	93.4%	94.6%	97.9%	98.1%	97.4%			
6/30/2001	129.5%	92.7%	87.8%	85.0%	85.3%	89.7%	91.4%	92.7%	94.3%	94.3%	93.3%	91.6%	92.0%	94.9%				
6/30/2002	73.5%	70.0%	80.9%	80.1%	79.1%	82.1%	80.7%	82.5%	92.8%	94.0%	92.4%	95.3%	94.2%					
6/30/2003	91.9%	97.0%	111.4%	88.6%	83.6%	96.5%	92.5%	94.4%	96.2%	96.0%	94.8%	94.9%						
6/30/2004	106.3%	87.1%	83.5%	81.6%	86.4%	89.1%	84.5%	94.3%	92.1%	92.6%	91.9%							
6/30/2005	120.3%	119.2%	100.1%	89.8%	95.3%	95.1%	95.7%	96.0%	94.4%	96.9%								
6/30/2006	79.7%	81.1%	68.3%	69.4%	73.2%	75.3%	83.3%	86.1%	91.1%									
6/30/2007	87.6%	81.9%	79.3%	77.8%	76.4%	79.9%	91.1%	90.2%										
6/30/2008	90.6%	101.6%	94.4%	93.1%	89.4%	84.6%	89.9%											
6/30/2009	78.6%	85.1%	98.1%	92.7%	97.3%	92.1%												
6/30/2010	88.9%	107.3%	112.6%	109.8%	81.4%													
6/30/2011	105.3%	112.9%	88.8%	83.1%														
6/30/2012	84.6%	79.4%	81.6%															
6/30/2013	55.7%	70.0%																
6/30/2014	47.8%																	

State of Minnesota
Workers' Compensation
Limited Loss & ALAE
Analysis @ 6/30/14

Reported Claim Counts / Ultimate Claim Counts

Accident Period Ending	Months of Development																	
	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204	216
6/30/1997	109.1%	98.7%	99.0%	99.3%	99.2%	99.2%	99.2%	99.3%	99.3%	99.3%	99.8%	99.8%	99.8%	99.8%	99.8%	99.8%	100.0%	100.0%
6/30/1998	100.2%	99.0%	99.8%	99.8%	100.2%	99.8%	99.8%	99.8%	99.8%	99.8%	99.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
6/30/1999	98.2%	98.4%	99.4%	99.4%	99.4%	99.4%	99.4%	99.4%	100.0%	99.8%	99.8%	99.8%	99.8%	99.8%	100.0%	100.0%		
6/30/2000	99.8%	98.9%	98.7%	99.2%	99.4%	99.4%	99.4%	99.4%	99.4%	99.6%	99.6%	99.6%	99.8%	99.8%	100.0%			
6/30/2001	102.8%	98.7%	99.4%	99.6%	99.6%	99.6%	99.6%	99.6%	99.8%	99.8%	99.8%	99.8%	99.8%	99.8%				
6/30/2002	105.5%	98.7%	99.4%	99.4%	99.6%	99.6%	99.6%	99.6%	99.6%	99.6%	99.6%	99.6%	99.6%	99.8%				
6/30/2003	93.9%	98.8%	99.1%	99.3%	99.5%	99.8%	99.8%	99.8%	99.8%	99.8%	99.8%	99.8%						
6/30/2004	108.5%	99.1%	99.3%	99.6%	99.6%	99.3%	99.6%	99.8%	99.8%	99.8%	99.8%							
6/30/2005	99.3%	98.6%	98.3%	99.1%	99.1%	99.5%	99.8%	99.8%	99.8%	99.8%								
6/30/2006	105.7%	99.3%	99.1%	99.1%	99.1%	99.5%	99.8%	99.8%	99.8%									
6/30/2007	100.9%	98.6%	99.5%	99.5%	99.5%	99.5%	99.8%	99.8%	99.5%									
6/30/2008	100.2%	99.1%	99.1%	99.1%	99.1%	99.1%	99.6%	99.6%										
6/30/2009	96.3%	98.5%	99.6%	99.6%	99.6%	99.4%												
6/30/2010	98.0%	98.3%	98.5%	98.3%	99.0%													
6/30/2011	100.2%	98.6%	98.6%	98.8%														
6/30/2012	100.6%	98.6%	98.6%															
6/30/2013	102.5%	98.3%																
6/30/2014	99.4%																	

State of Minnesota
Workers' Compensation
Limited Loss & ALAE
Analysis @ 6/30/14

Average Unpaid Loss & ALAE

Accident Period Ending	Months of Development																	
	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204	216
6/30/1997	10,470	36,312	53,626	74,863	71,180	66,327	70,740	82,974	107,725	102,020	106,041	151,593	209,748	261,240	183,841	229,244	159,787	143,107
6/30/1998	8,268	20,844	20,525	32,365	53,257	47,708	106,473	102,448	135,353	85,534	59,253	111,572	64,287	152,508	73,611	69,143	40,541	
6/30/1999	10,039	27,564	41,205	44,574	51,216	49,978	69,353	66,290	77,887	78,275	78,258	87,692	61,103	69,771	62,633	107,155		
6/30/2000	11,689	28,181	45,776	41,508	60,699	52,247	54,101	48,606	58,885	49,835	61,376	50,567	54,438	58,159	65,321			
6/30/2001	7,827	16,916	27,291	27,364	42,400	53,217	62,488	55,160	45,072	47,381	76,015	131,344	118,974	32,771				
6/30/2002	10,188	28,207	43,923	60,647	80,215	63,374	81,406	79,920	66,470	70,492	62,606	54,067	73,392					
6/30/2003	7,229	15,130	26,425	32,927	57,096	47,030	33,984	40,261	35,683	46,483	52,261	40,745						
6/30/2004	10,456	38,772	54,535	81,643	81,161	87,751	90,840	85,389	105,313	82,991	110,997							
6/30/2005	10,467	22,573	43,163	41,432	29,494	44,344	62,959	50,568	51,999	36,941								
6/30/2006	9,851	24,700	60,058	81,173	139,023	129,797	140,925	107,359	94,203									
6/30/2007	10,076	28,216	44,365	65,294	69,092	64,794	50,079	53,797										
6/30/2008	10,820	23,140	37,657	45,702	55,507	88,812	57,159											
6/30/2009	19,748	44,763	62,613	91,443	80,431	90,384												
6/30/2010	15,486	35,202	38,238	41,753	54,583													
6/30/2011	12,886	23,948	32,184	30,290														
6/30/2012	13,698	26,495	30,364															
6/30/2013	12,758	23,165																
6/30/2014	13,544																	

Average IBNR Reserve

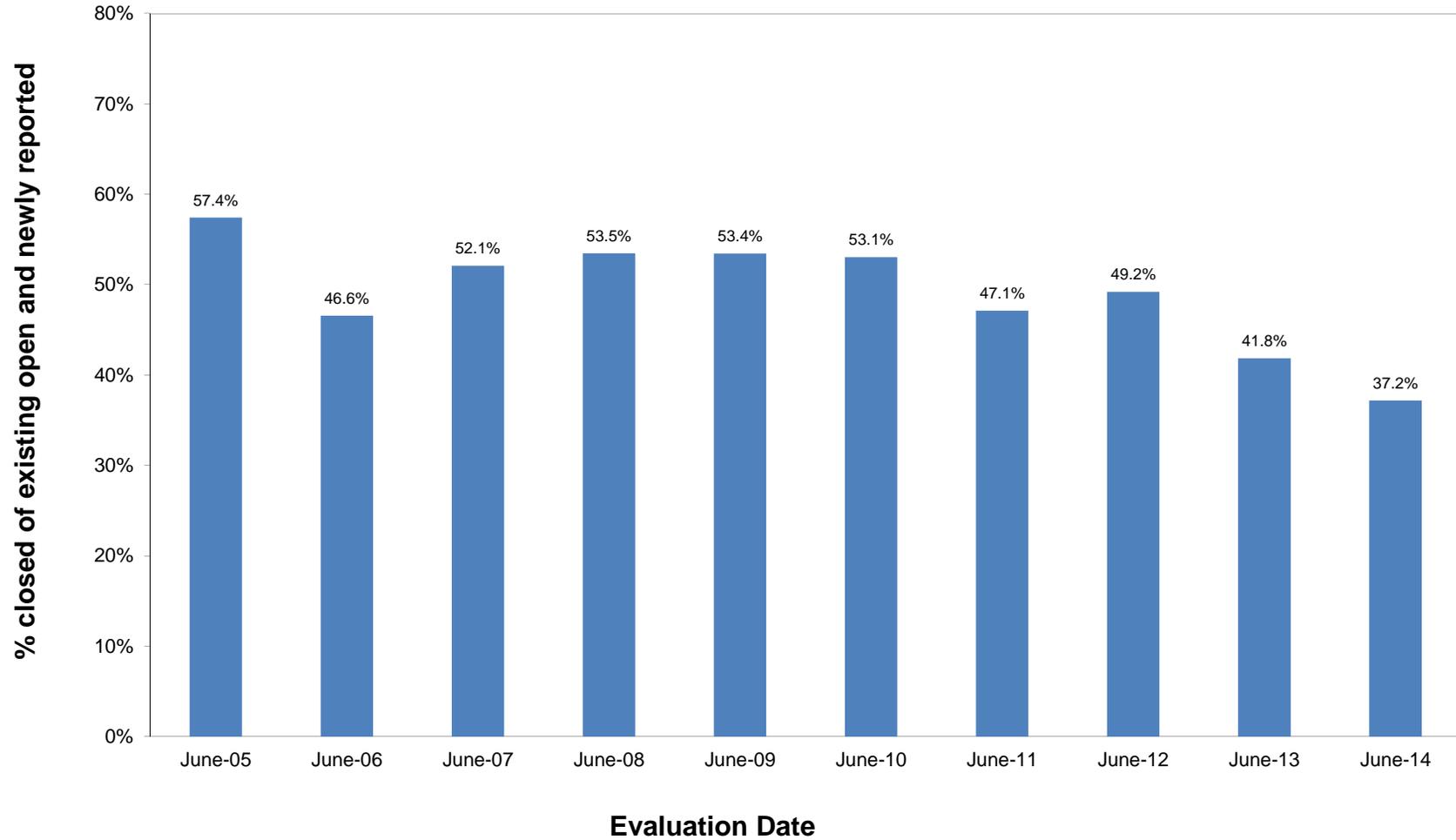
Accident Period Ending	Months of Development																	
	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204	216
6/30/1997	3,735	297	10,434	10,825	7,277	6,847	474	(793)	(458)	14,753	19,459	30,857	60,507	69,426	45,612	61,528	45,865	25,000
6/30/1998	2,772	6,694	4,569	18,416	39,187	34,202	86,740	86,619	128,207	77,022	44,036	80,687	52,913	114,044	55,674	51,816	25,000	
6/30/1999	5,384	14,938	18,270	20,134	22,230	24,673	43,830	35,777	40,290	35,523	41,267	42,433	32,900	26,729	26,476	25,000		
6/30/2000	4,327	9,731	24,030	20,754	42,092	15,214	18,823	33,559	49,409	30,887	28,569	26,183	13,730	14,954	25,000			
6/30/2001	(2,976)	2,429	9,130	15,634	26,717	27,353	31,235	26,752	20,908	23,899	48,539	121,981	116,330	25,000				
6/30/2002	3,336	14,405	19,915	35,352	57,380	41,774	58,362	58,721	21,674	20,290	25,698	14,095	25,000					
6/30/2003	770	1,041	(9,883)	14,663	39,939	8,593	18,242	19,621	13,151	19,504	31,750	25,000						
6/30/2004	(861)	8,631	16,725	31,068	26,834	25,841	16,355	16,914	31,020	26,219	41,000							
6/30/2005	(3,303)	(10,448)	(156)	21,884	10,606	19,830	26,382	24,186	41,023	28,000								
6/30/2006	2,479	8,916	41,660	61,710	101,252	93,465	71,898	52,688	30,000									
6/30/2007	1,644	10,168	26,500	50,664	58,178	53,752	23,783	35,000										
6/30/2008	1,404	(822)	5,627	10,246	20,807	52,037	28,946											
6/30/2009	5,381	11,963	2,629	16,876	6,351	21,640												
6/30/2010	2,302	(5,203)	(15,761)	(16,919)	46,287													
6/30/2011	(920)	(7,428)	10,975	17,382														
6/30/2012	2,665	10,289	13,276															
6/30/2013	7,588	13,061																
6/30/2014	8,892																	

State of Minnesota
Workers' Compensation
Limited Loss & ALAE
Analysis @ 6/30/14

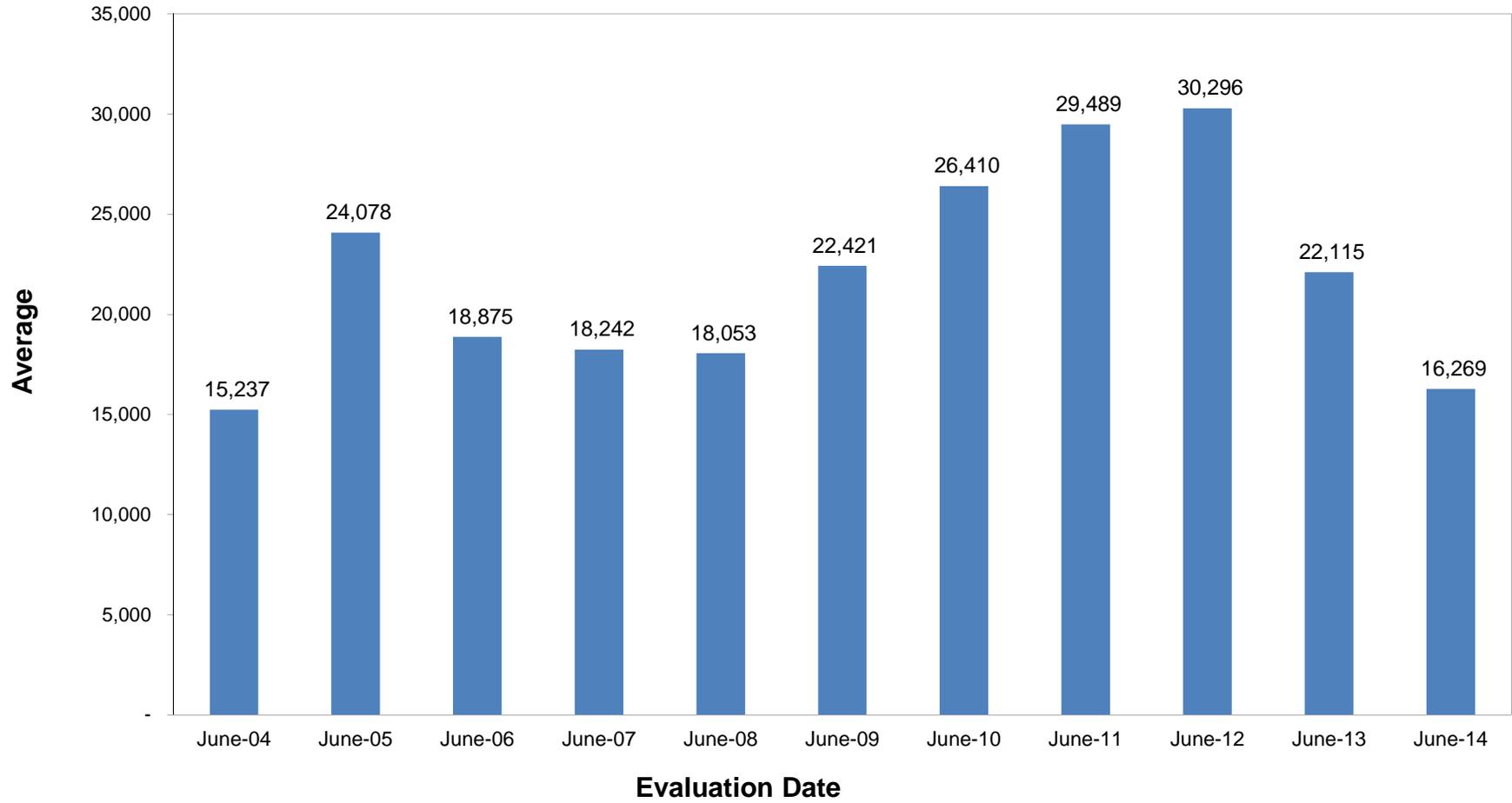
Closed Claim Counts / Reported Claim Counts

Accident Period Ending	Months of Development																	
	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204	216
6/30/1997	40.8%	89.2%	94.4%	96.3%	96.8%	96.9%	97.6%	98.3%	99.0%	99.0%	98.6%	99.2%	99.5%	99.7%	99.5%	99.7%	99.3%	99.3%
6/30/1998	53.5%	89.7%	92.7%	96.7%	97.9%	98.2%	99.4%	99.4%	99.6%	99.4%	99.4%	99.6%	99.4%	99.8%	99.6%	99.6%	99.4%	
6/30/1999	53.1%	87.9%	93.0%	95.2%	96.6%	97.2%	98.4%	98.6%	98.6%	99.0%	99.2%	99.4%	99.2%	99.4%	99.2%	99.6%		
6/30/2000	48.3%	85.5%	93.3%	93.9%	96.4%	96.4%	97.0%	97.9%	98.5%	98.1%	98.7%	98.9%	99.1%	99.2%	99.2%			
6/30/2001	44.9%	84.7%	93.3%	95.1%	97.4%	98.3%	98.9%	98.9%	98.7%	98.9%	99.4%	99.8%	99.8%	99.1%				
6/30/2002	46.9%	87.8%	94.5%	97.0%	98.1%	97.7%	98.3%	98.5%	98.3%	98.5%	98.5%	98.3%	98.7%					
6/30/2003	43.0%	84.4%	94.3%	96.2%	98.1%	97.9%	97.9%	98.6%	98.6%	99.1%	99.3%	99.1%						
6/30/2004	39.6%	89.2%	93.0%	95.8%	96.5%	97.4%	97.8%	97.6%	98.2%	98.0%	98.7%							
6/30/2005	47.3%	85.3%	94.9%	96.9%	97.1%	98.3%	98.8%	98.8%	99.0%	99.3%								
6/30/2006	39.1%	85.5%	95.5%	97.4%	99.0%	98.6%	98.6%	98.3%	98.1%									
6/30/2007	42.4%	87.8%	94.5%	97.1%	97.4%	97.6%	97.4%	98.3%										
6/30/2008	44.7%	84.3%	92.6%	95.3%	96.6%	98.0%	97.6%											
6/30/2009	50.4%	85.2%	90.9%	94.8%	94.8%	95.9%												
6/30/2010	47.7%	86.0%	92.5%	95.2%	96.5%													
6/30/2011	41.7%	83.7%	91.0%	91.2%														
6/30/2012	42.3%	81.1%	87.4%															
6/30/2013	37.5%	77.1%																
6/30/2014	33.2%																	

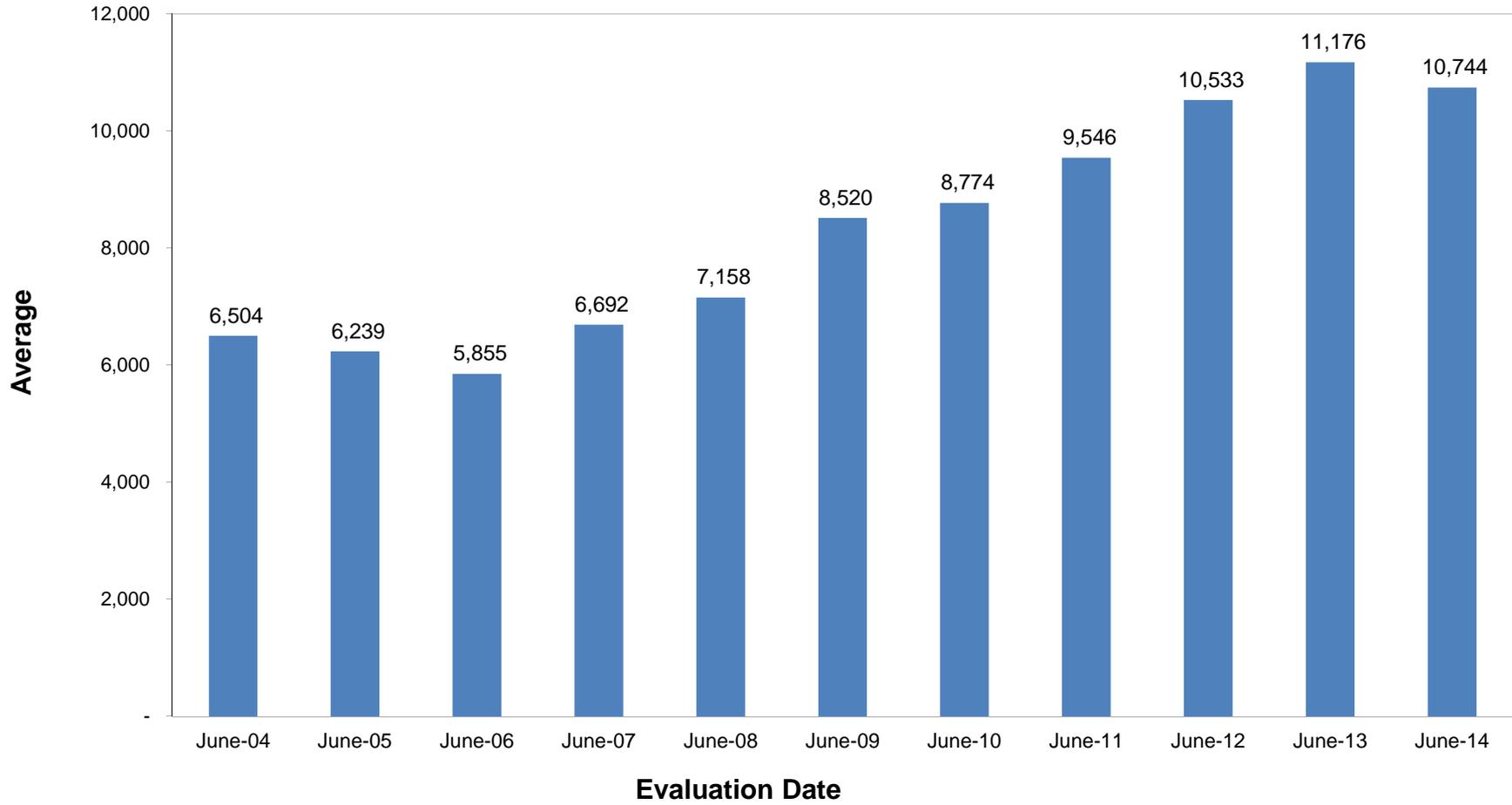
State of Minnesota
Workers' Compensation - Claims Settlement Rates
(2005-2014 claims closed during the period regardless of the date of loss)



**State of Minnesota
Workers' Compensation
Average Open Case Reserves
(2000-2014 claims open during the period regardless of the date of loss)**



**State of Minnesota
Workers' Compensation
Average Paid Claim
(2000-2014 claims paid during the period regardless of the date of loss)**





Oliver Wyman
540 West Madison, Suite 1200
Chicago, IL 60661
1 312 627 6000

MINNESOTA STATE COMPENSATION SPECIAL REVENUE FUND - WC

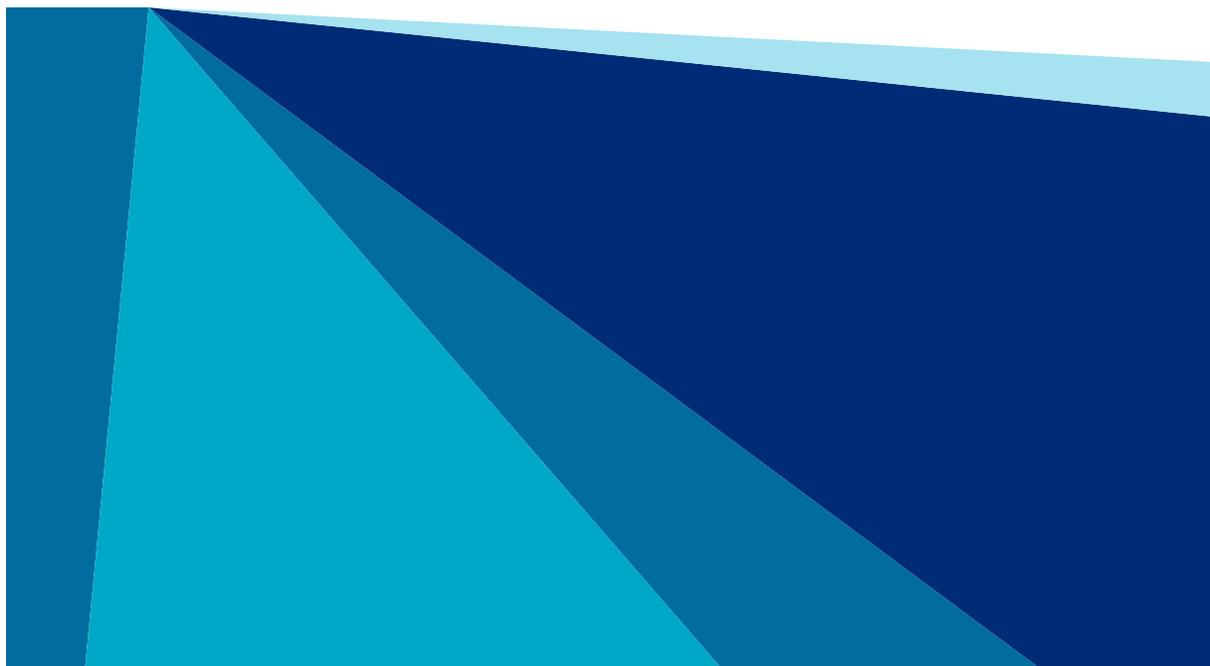
REVIEW OF THE NEEDED FUNDING LEVEL FOR FISCAL YEAR 2018

DATA EVALUATED AS OF DECEMBER 31, 2017

MAY 15, 2018

Prepared by:

RON FOWLER, FCAS, MAAA



CONTENTS

1. Background	1
2. Executive Summary	2
3. Description of Data	4
4. Description of Methodology	5
5. Considerations and Limitations	7
6. Distribution and Use	9
7. Closing Comments	10
8. Glossary	11
9. Exhibits	16

1

Background

The Minnesota Department of Administration (The State) has asked Oliver Wyman Actuarial Consulting, Inc. (Oliver Wyman) to perform a review of the estimated needed funding level (WC payments) for the State Compensation Special Revenue Fund (The Fund) for fiscal year 2018.

The Fund was established in 1935 with a legislative appropriation of \$3,437,690 to cover two months of workers' compensation claim expenses for all state agencies. In 2007, The State implemented a premium pool which is intended to fund the workers' compensation exposures for most of the States agencies. Since the premium pool was implemented, The Fund has been used to cover workers' compensation claim expenses only for the following agencies:

1. Department of Human Services (DHS)
2. Department of Transportation (DOT)
3. Department of Natural Resources (DNR)
4. Minnesota State Colleges and Universities (Minnesota State)
5. Department of Corrections (DOC)
6. Veterans Homes
7. Attorney General
8. Historic Society
9. Minnesota State Retirement System (MSRS)
10. Public Employees Retirement Association (PERA), and
11. Judicial Standards Board

2

Executive Summary

In the course of the review, Oliver Wyman applied several generally accepted loss and ALAE reserving methodologies and procedures to derive the needed funding level for The Fund for 2018. Oliver Wyman gave consideration to the relative strengths and weaknesses of each of the methods in developing our estimates.

The estimated 2018 funding level is based on the historical workers' compensation and ALAE loss information as of 12/31/17 and the additional information provided to us (and only that information provided to us) through 4/9/18 our findings are as follows:

Oliver Wyman's estimate of total workers' compensation and ALAE loss payments for 2018 is **\$17,495,000** (Exhibit A, Page 1). The ultimate loss and ALAE estimate and the prospective payments in this report are intended to represent actuarial estimates which, consistent with the applicable actuarial standard of practice, we define as the expected value over the range of reasonably possible (as opposed to all conceivable) outcomes.

The estimated payments at various confidence levels are:

2018 Funding Estimates

Confidence Level	Payments
40%	\$ 16,915,000
50%	\$ 17,494,000
60%	\$ 18,074,000
70%	\$ 18,693,000
80%	\$ 19,418,000
90%	\$ 20,424,000

All projections presented in this report are net of subrogation and salvage (to the extent captured in the historical claims data) and are limited to The Fund's per occurrence retentions. The State has provided the retentions from 1984 through 2017. Prior to 1984 the claims were not limited.

All reinsurance is considered to be valid and fully collectible. Oliver Wyman made no assessment, and does not express any opinion, concerning the collectability of reinsurance.

Based on our estimates of fiscal year ultimate losses and the number of claims (excess of \$1) we have made the following observations:

1. The resultant claim severities (Ultimate Loss / Number of Claims) have remained relatively flat since 2008 at approximately \$11,000 per claim (Exhibit B, Page 1, Column 11).
2. The loss rates (Ultimate Loss / \$100 Payroll) have shown a steady annual decrease since 2008 (Exhibit B, Page1, Column 12).
3. The number of claims (excess of \$1), have consistently decreased from 2008 to 2018 and the frequency (Number of Claims/ \$100 of Payroll) has also improved annually (Exhibit E, Page 1, Columns 4,5).
4. The claim closure rate (Graph 1) for the last twelve months has increased to 59% from 55% in the previous year. The closure rate represents how many claims were closed in past year that were either open at the beginning of the year or reported during the current year.

All of these observations are positive metrics of The Fund's performance going back to 2008.

3

Description of Data

Oliver Wyman relied upon data prepared by The State and provided by Gay Sharpen. Oliver Wyman relied upon the data without independent verification and audit. Although the data appears reasonable and the indications are based upon reliable data, if there are any undiscovered material data inconsistencies, the projections could be affected.

The following is a list of the data that was used in the review.

- Claim listings in Excel format evaluated annually as of 12/31/xxxx beginning with 2011 through 2017. The listing included claims with accident dates going back to 1963 through 12/31/17 and included the following fields:
 - Accident Date
 - Report Date
 - Close Date
 - Incurred Loss including allocated loss adjustment expense (ALAE)
 - Paid Loss (including ALAE)
 - Recoveries
- Payroll information for the agencies under review going back to fiscal year 2008. An estimate was provided for fiscal year 2017.
- Per claim loss retentions going back to 1984. Prior to 1984 there was no retention on a per claim basis.

4

Description of Methodology

This report was prepared in accordance with generally accepted actuarial principles as promulgated by the Actuarial Standards Board.

The methodologies employed are as follows:

- Incurred Loss Development
- Paid Loss Development
- Incurred Loss Bornhuetter-Ferguson
- Paid Loss Bornhuetter-Ferguson
- Average IBNR
- Average Unpaid

As part of the analysis, Oliver Wyman attempts to gauge any biases inherent in our actuarial methodologies. Oliver Wyman produces a series of diagnostic exhibits (Exhibit G, Pages 1-6) that aid in establishing the selected ultimate loss estimate. These include:

- Paid Loss / Ultimate Loss
- Incurred Loss / Ultimate Loss
- Closed Claims / Ultimate Claims
- Reported Claims / Ultimate Claims
- Average Unpaid Loss
- Average IBNR
- Average Paid Loss
- Average Incurred Loss
- Average Open Reserves
- Paid Loss / Incurred Loss
- Closed Claims / Reported Claims
- Claims Disposal Ratio

Ultimate loss and ALAE was selected based upon the results of the methods and resultant diagnostics. This approach limits the impact of material biases underlying any one method.

The above methodologies were used to estimate loss payments made in fiscal year 2018. We also compared the actual payments made over the past six years to compare against our estimate (Exhibit A, Page 1). Historical paid loss patterns were used to estimate the volatility of future payments and the range or percentiles were created from this statistical measure of volatility.

5

Considerations and Limitations

For our analysis, we relied on data and information provided by The Fund without independent audit. Though we have reviewed the data for reasonableness and consistency, we have not audited or otherwise verified this data. It should also be noted that our review of data may not always reveal imperfections. We have assumed that the data provided is both accurate and complete. The results of our analysis are dependent on this assumption. If this data or information is inaccurate or incomplete, our findings and conclusions may need to be revised.

The prospective policy/accident period estimates developed in this analysis are based on estimated loss costs and the projected exposures. It should be noted that prospective period loss and ALAE estimates are directly related to the projected exposures. Therefore, if actual exposures differ from the projection, prospective policy/accident period estimates would need to be adjusted accordingly.

Where The Fund's own historical data was either (i) not available, (ii) not appropriate or (iii) not sufficiently credible to develop our actuarial assumptions, we supplemented it with external information, as we deemed appropriate. Although we believe these external sources may be more predictive of future Fund experience than any other data of which we are aware, the use of external data adds to the uncertainty associated with our projections.

The scope of the project does not include the estimation of any costs other than those described herein. Such ancillary costs may include excess insurance premiums; the costs of trustee, legal, administrative, risk management and actuarial services; fees and assessments; and costs for surety bonds or letters of credit pertaining to claim liabilities.

All excess insurance / reinsurance are considered to be valid and fully collectible. We made no assessment, and do not express any opinion, concerning the collectability of any excess insurance or reinsurance. We have not evaluated the financial strength, claims paying ability or any other factors with regard to Fund's past, current, and / or prospective excess insurers / reinsurers.

We have not examined the assets supporting the liabilities, but have assumed they are supported by valid assets which have appropriate maturities and sufficient liquidity to meet payment obligations associated with the amounts that are within the scope of our review.

Our models may retain more digits than those displayed. In addition, the results of certain calculations may be presented in the exhibits with more or less digits than would be considered significant. As a result, it should be recognized that (i) there may be rounding differences between the results of calculations presented in the exhibits and replications of those calculations based on displayed underlying amounts, and (ii) calculation results may not have been adjusted to reflect the precision of the calculation.

Our conclusions are based on an analysis of The Fund data and on the estimation of the outcome of many contingent events. Future costs were developed from the historical claim experience and covered exposure, with adjustments for anticipated changes. Our estimates make no provision for extraordinary future emergence of new classes of losses or types of losses not sufficiently represented in historical databases or which are not yet quantifiable.

The sources of uncertainty affecting our estimates are numerous and include factors internal and external to The Fund. Internal factors include items such as changes in claim reserving or settlement practices. The most significant external influences include, but are not limited to, changes in the legal, social, or regulatory environment surrounding the claims process. Uncontrollable factors such as general economic conditions also contribute to the variability.

While this analysis complies with applicable Actuarial Standards of Practice and Statements of Principles, users of this analysis should recognize that our projections involve estimates of future events, and are subject to economic and statistical variations from expected values. We have not anticipated any extraordinary changes to the legal, social, or economic environment that might affect the frequency or severity of claims. For these reasons, no assurance can be given that the emergence of actual losses will correspond to the projections in this analysis.

We have calculated estimates of the statistical uncertainty associated with the process risk inherent in our estimates. However, unless otherwise indicated, our probability level estimates do not address parameter or model risk. To the extent that the probability estimates do not address parameter risk or model risk, the true variability of results is greater than the range of outcomes presented. The Fund may wish to consider this additional uncertainty in evaluating the projected and funding amounts.

6

Distribution and Use

This report was prepared for the sole use of The Fund and Oliver Wyman. All decisions in connection with the implementation or use of advice or recommendations contained in this report are the sole responsibility of The Fund.

This report is not intended for general circulation or publication, nor is it to be used, quoted or distributed to others for any purpose other than those that may be set forth herein or in the written agreement pursuant to which this report has been issued without the prior written consent of Oliver Wyman.

Oliver Wyman's consent to any distribution of this report (whether herein or in the written agreement pursuant to which this report has been issued) to parties other than The Fund does not constitute advice by Oliver Wyman to any such third parties and shall be solely for informational purposes and not for purposes of reliance by any such third parties. Oliver Wyman assumes no liability related to third party use of this report or any actions taken or decisions made as a consequence of the results, advice or recommendations set forth herein. This report should not replace the due diligence on behalf of any such third party.

Neither all nor any part of the contents of this report, any opinions expressed herein, or the firm with which this report is connected, shall be disseminated to the public through advertising media, public relations, news media, sales media, mail, direct transmittal, or any other public means of communications, without the prior written consent of Oliver Wyman. Except as may have otherwise been agreed in the written agreement pursuant to which this report has been issued, our permission is granted for The Fund's release of this report to its directors, officers, employees, auditors, insurance brokers, commercial insurance carriers, reinsurers and consultants who have a need to know and are bound by reasonable obligations of confidentiality, and to The Fund's regulators (if applicable, and only if required or requested through regulatory process). Except as may have otherwise been agreed in the written agreement pursuant to which this report has been issued, distribution to parties other than those specifically mentioned is prohibited without our prior written consent.

The actuarial findings contained in this document are not intended to be used, and cannot be used, by the taxpayer for the purpose of avoiding tax penalties that may be imposed on the taxpayer.



Closing Comments

It has been a pleasure to provide this analysis to The Minnesota Department of Administration and I am prepared to discuss the results at their request.

I, Ron Fowler, am a partner for Oliver Wyman Actuarial Consulting, Inc. I meet the Qualification Standards of the Casualty Actuarial Society and the American Academy of Actuaries to render the actuarial analysis contained in this report.

Please feel free to call me should you have any questions.

A handwritten signature in black ink, appearing to read 'R. Fowler', is positioned above a horizontal line.

Ron Fowler, FCAS, MAAA
Oliver Wyman Actuarial Consulting
540 West Madison Street, Suite 1200
Chicago, IL 60661
(312) 627-6120



Glossary

Accident Period / Fiscal Year

The period in which the event giving rise to a claim occurred, regardless of when the claim is actually reported.

Accounting Date

The point in time at which the estimate of unpaid claims and ACAE is evaluated.

Actuarial Central Estimate

An estimate that represents an expected value over the range of reasonably possible outcomes. Such range of reasonably possible outcomes may not include all conceivable outcomes.

Adjusting and Other Expenses (AO)

Those expenses other than allocated expenses, which include fees of adjusters and settling agents, loss adjustment expenses for participation in voluntary and involuntary market pools if reported by calendar year, attorney fees incurred in the determination of coverage, including litigation between the insurer and the policyholder; and fees or salaries for appraisers, private investigators, hearing representatives, re-inspectors and fraud investigators, if working in the capacity of an adjuster.

Allocated Loss Adjustment Expense (ALAE)

Expense costs associated with the handling and settling of an individual claim that can be directly attributed to the particular claim. Fees paid to outside defense attorneys and investigation firms are examples of this expense cost.

Case Reserves

The unpaid claim estimates established by adjusters on an individual claim basis.

Claim

A demand for payment under the coverage provided by a plan or contract. As used throughout this Glossary, it also includes suits, potentially compensable events, notifications, and unasserted claims.

Claim Adjustment Expenses

The costs of administering, determining coverage for, settling, or defending claims. Claim adjustment expenses include allocated claim adjustment expenses and unallocated claim adjustment expenses.

Claim Frequency

The number of claims that occur over a period of time per unit of exposure.

Claim Reporting Pattern

The rate at which claims are assumed to be reported over time.

Claim Severity

The average cost per claim.

Coefficient of Variation

A statistical measure of dispersion. The coefficient of variation is calculated as the standard deviation of the random process divided by the expected value (mean).

Confidence Level

The probability that the outcome of a random process will not exceed an associated estimate. For example, a 70% confidence level for a fiscal year payment estimate of \$18.7 million would indicate that there is a 70% probability that the actual claim payments will be less than or equal to \$18.7 million. The estimate is defined in the context of the risks modeled in our analysis and may not consider all factors contributing to variability of outcomes.

Credibility

A measure of the predictive value of a body of data.

Defense and Cost Containment Expenses (DCC)

Defense and cost containment expenses include:

- (a) Surveillance expenses;
- (b) Fixed amounts for cost containment expenses;
- (c) Litigation management expenses;
- (d) Fees or salaries for appraisers, private investigators, hearing representatives, reinspectors and fraud investigators, if working in defense of a claim, and fees or salaries for rehabilitation nurses, if such cost is not included in losses;
- (e) Attorney fees incurred owing to a duty to defend, even when other coverage does not exist; and
- (f) The cost of engaging experts.

Defense and cost containment expenses do not include:

- (a) Fees of adjusters and settling agents (but not if engaged in a contentious defense);
- (b) Attorney fees incurred in the determination of coverage, including litigation between the insuring entity and the policyholder; and
- (c) Fees or salaries for appraisers, private investigators, hearing representatives, inspectors and fraud investigators, if working in the capacity of an adjuster.

Development

The change between valuation dates in the observed values of certain fundamental quantities that may be used in the unpaid claim estimation process.

For example, the number of reported claims associated with events occurring within a particular period will change from one valuation date to the next until all claims have been reported. In a similar fashion, the paid claim amounts for events occurring within a particular period will change from one valuation date to the next until all claims have been reported and closed. The change in the number of reported claims or the change in the paid claim amounts is referred to as development. The concept of development also applies to reported incurred losses.

Discounted Unpaid Claim Estimate

The unpaid claim amount estimate presented on a basis that reflects the time value of money. In other words, how much would need to be invested as of the accounting date such that principal and interest would be equal to the expected future claim payments as they come due.

Discounted Unpaid Loss Estimate

The unpaid loss amount estimate presented on a basis that reflects the time value of money. In other words, how much would need to be invested as of the accounting date such that principal and interest would be equal to the expected future claim payments as they come due.

Estimated Ultimate Claim Costs

The estimated cost of claims during a period. Ultimate incurred claims represent the total of paid claim amounts, case reserves, and IBNR.

Estimated Ultimate Incurred Losses

The estimated cost of claims during a period. Ultimate incurred losses represent the total of paid claim amounts, case reserves, and IBNR.

Event

The incident or activity that triggers potential for claim or allocated claim adjustment expense payment.

Exposure

A measure of the underlying potential for claim costs.

IBNR

The unpaid claim estimate for: (a) events that have occurred for which claims have not been reported as of the accounting date, (b) future development of the case reserves, (c) claims that have been reported but not yet recorded in the loss listing, and (d) claims that have been closed but that will be reopened.

Loss

The cost associated with a claim. The cost may or may not include loss adjustment expenses.

Loss Adjustment Expenses

The costs of administering, determining coverage for, settling, or defending claims. Loss adjustment expenses include allocated loss adjustment expenses and unallocated loss adjustment expenses.

Loss Cost

The loss amount per exposure unit.

Method

The systematic procedure for developing an actuarial estimate.

Model

A mathematical or empirical representation of a specified phenomenon.

Model Risk

The risk that the methods are not appropriate to the circumstances or the models are not representative of the specified phenomenon.

Occurrence Insurance Coverage

A policy that provides coverage for all claims arising from events that occur during the policy period, no matter when they are reported.

Occurrence Period

The period in which the event giving rise to a claim occurred, regardless of when the claim is actually reported.

Paid Claims

The total aggregate dollar amount paid on all reported claims as of a certain date.

Paid Losses

The total aggregate dollar amount paid on all reported claims as of a certain date.

Parameter Risk

The risk that the assumptions or parameters used in the methods or models are not representative of future outcomes.

Payment Pattern

The rate at which claims are paid over time.

Process Risk

The uncertainty associated with the projection of future contingencies that are inherently variable, even when the parameters are known with certainty.

Recorded Claim Reserve or Liability

The provision for unpaid claim amounts shown in a published financial statement or in an internal statement of financial condition.

Recorded Date

The date on which the claim is first entered in the statistical records of the insurer or claims administrator.

Report Date

The date on which the claim is first reported or recorded (in practice it is often taken to be the recorded date).

Report Period

The period in which a claim is reported, regardless of the time period in which the event occurred.

Reported Incurred Claim Amount

The total of paid claim amounts and case reserves.

Reported Incurred Loss Amount

The total of paid claim amounts and case reserves.

Review Date

The date through which information is considered in the unpaid claim estimate analysis.

Risk Margin

An amount that may be added to the unpaid claim estimate to recognize the uncertainty in the estimate.

Salvage

Recoveries due to the sale of damaged or recovered property.

Subrogation

Recoveries from a third party responsible for the event for which a claim has already been paid.

Unallocated Loss Adjustment Expense (ULAE)

Loss adjustment expenses that cannot be attributed to an individual claim. Typically includes salaries, utilities, and rent apportioned to the claim adjustment expense function but not readily assignable to specific claims.

Undiscounted Unpaid Claim Estimate

The unpaid claim estimate presented on a basis that does not reflect the time value of money.

Undiscounted Unpaid Loss Estimate

The unpaid loss estimate presented on a basis that does not reflect the time value of money.

Unpaid Claim Estimate

The estimate of the obligation for future payments resulting from claims due to past events.

Unpaid Loss Estimate

The estimate of the obligation for future payments resulting from losses due to past events.

Valuation Date

The date through which transactions are included in the data used in the unpaid claim estimate analysis.



Exhibits

**State of Minnesota - "Pay As You Go" Agencies
Workers' Compensation
Loss & ALAE Limited to Retention
Analysis as of 12/31/17**

Estimated Payments for 2018

(1) Formula Estimated Payments		\$	17,495,000
(2) Historical Actual Payments			
Last 6 - Year Average		\$	16,687,000
Last 3 - Year Average		\$	16,361,000
Highest Last 6 - Years		\$	17,491,000
(3) Selected 2018 Payments		\$	17,495,000
(4) Confidence Level			
	10%	\$	14,565,000
	20%	\$	15,570,000
	30%	\$	16,296,000
	40%	\$	16,915,000
	50%	\$	17,494,000
	60%	\$	18,074,000
	70%	\$	18,693,000
	80%	\$	19,418,000
	90%	\$	20,424,000
	95%	\$	21,253,000

Notes:

- (1) Exhibit A, Page 2, Column (6) Total
- (2) Provided by State of Minnesota
- (3) Selected by Oliver Wyman
- (4) Based on Volatility of Annual Payments from 2011-Current

**State of Minnesota - "Pay As You Go" Agencies
Workers' Compensation
Loss & ALAE Limited to Retention
Analysis as of 12/31/17**

Estimated Payments Between 1/1/18 - 12/31/18

Accident Period Ending	Maturity in months 12/31/17	% of Ult. Unpaid 12/31/17	Maturity in months 12/31/17	% of Ult. Unpaid 12/31/17	Payment as % of Unpaid	Total Unpaid 12/31/17	Estimated Payment	Selected Payment
		(1)		(2)	(3)	(4)	(5)	(6)
All Prior						42,060,461	6,737,802	3,368,901
12/31/2008	120	13.7%	132	12.4%	9.3%	3,355,101	311,685	311,685
12/31/2009	108	15.2%	120	13.7%	9.9%	4,217,721	417,070	417,070
12/31/2010	96	17.0%	108	15.2%	10.6%	3,428,878	364,722	364,722
12/31/2011	84	18.9%	96	17.0%	9.7%	4,587,138	446,443	446,443
12/31/2012	72	21.9%	84	18.9%	13.9%	3,760,482	522,685	522,685
12/31/2013	60	25.2%	72	21.9%	13.1%	4,369,113	573,724	573,724
12/31/2014	48	31.0%	60	25.2%	18.8%	4,751,603	893,320	893,320
12/31/2015	36	38.7%	48	31.0%	19.7%	5,851,954	1,155,188	1,155,188
12/31/2016	24	53.0%	36	38.7%	27.0%	7,971,232	2,154,588	2,154,588
12/31/2017	12	78.9%	24	53.0%	32.8%	11,575,742	3,793,777	3,793,777
12/31/2018		100.0%	12	78.9%	21.1%	16,523,420	3,492,601	3,492,601
Total						112,452,845	20,863,606	17,494,704

Notes:

- (1) = 1 - 1 / Exhibit C, Page 2, Column (2)
- (2) Interpolated from (1)
- (3) = [(1) - (2)] / (1)
- (4) Exhibit A, Page 4, Column (6)
- (5) = (3) x (4)
- (6) Selected by Oliver Wyman

State of Minnesota - "Pay As You Go" Agencies
Workers' Compensation
Loss & ALAE Limited to Retention
Analysis as of 12/31/17

Selection of Ultimate Loss

Accident Period Ending	Loss Methods						Selected Ultimate Loss & ALAE (7)	Incurred Loss & ALAE (8)	Unpaid Claim Counts (9)	Payroll (00s) (10)	Ultimate Claim Severity (11)	Ultimate Loss Rate (12)
	Incurred Loss Dev.	Paid Loss Dev.	Incurred B-F	Paid B-F	Average IBNR	Average Unpaid						
	(1)	(2)	(3)	(4)	(5)	(6)						
12/31/2008	18,198,687	17,519,326	17,881,773	16,887,620	18,473,007	17,532,906	18,473,007	17,108,007	21	18,239,353	11,155	1.01
12/31/2009	19,045,868	17,416,538	18,673,549	16,871,781	18,984,952	17,067,231	18,984,952	17,684,952	20	19,397,601	11,174	0.98
12/31/2010	18,219,991	18,378,818	17,800,304	17,515,126	18,679,246	18,815,368	18,679,246	16,664,246	31	18,776,081	10,529	0.99
12/31/2011	16,528,443	15,593,142	16,145,671	15,065,085	17,239,828	16,907,691	17,239,828	14,834,828	37	18,208,131	10,231	0.95
12/31/2012	14,831,624	14,741,445	14,595,973	14,343,653	15,273,328	15,537,845	15,273,328	12,998,328	35	18,544,666	9,860	0.82
12/31/2013	15,259,724	14,656,883	15,076,556	14,483,983	15,330,670	15,161,557	15,330,670	13,090,670	40	19,598,342	10,289	0.78
12/31/2014	19,769,568	19,119,133	18,917,805	17,835,170	18,410,907	17,457,702	17,934,304	16,250,907	45	20,410,633	12,085	0.88
12/31/2015	14,971,031	14,872,866	15,107,227	15,169,872	14,136,770	14,479,078	14,971,031	11,925,770	67	20,873,189	10,565	0.72
12/31/2016	14,384,114	14,897,670	14,970,657	15,785,900	13,385,769	13,068,426	14,970,657	10,529,769	119	21,663,834	11,282	0.69
12/31/2017	13,523,725	16,311,048	15,023,454	17,114,741	13,235,889	14,121,712	15,023,454	8,195,389	593	22,222,004	11,296	0.68
Total	164,732,774	163,506,869	164,192,969	161,072,931	163,150,367	160,149,514	166,880,478	139,282,867	1,008	197,933,835		

Notes:

- (1) Exhibit C, Page 1, Column (3)
- (2) Exhibit C, Page 2, Column (3)
- (3) Exhibit D, Page 1, Column (7)
- (4) Exhibit D, Page 2, Column (7)
- (5) Exhibit D, Page 4, Column (5)
- (6) Exhibit D, Page 6, Column (5)
- (7) Selected by Oliver Wyman
- (8) Exhibit C, Page 1, Column (10)
- (9) Exhibit E, Page 1, Column (4) - Exhibit E, Page 3, Column (3)
- (10) Exhibit D, Page 3, Column (1)
- (11) = (7) / Exhibit E, Page 1, Column (4)
- (12) = (7) / (10)

State of Minnesota - "Pay As You Go" Agencies

Workers' Compensation
Loss & ALAE Limited to Retention
Analysis as of 12/31/17

Development & Selection of Loss & ALAE 1996 and Prior

Accident Period Ending	Evaluation Month	Paid Loss Development			Incurred Loss Development			Average IBNR Method				
		Paid Total Loss to Date	Cumulative Paid Development Factor	Estimated Ultimate Indemnity Loss	Incurred Total Loss to Date	Cumulative Incurred Development Factor	Estimated Ultimate Indemnity Loss	Incurred Total Loss to Date	Unpaid Claim Counts	Selected Average IBNR	Estimated Ultimate Loss	Selected Ultimate Loss
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
12/31/1963	660	245,519	1.000	245,519	483,477	1.000	483,477	483,477	1	65,000	548,477	548,477
12/31/1964	648	1,491,398	1.000	1,491,398	2,194,554	1.000	2,194,554	2,194,554	1	65,000	2,259,554	2,259,554
12/31/1965	636	224,617	1.000	224,617	224,617	1.000	224,617	224,617	-	65,000	224,617	224,617
12/31/1966	624	15,763	1.000	15,763	15,763	1.000	15,763	15,763	-	65,000	15,763	15,763
12/31/1967	612	379,838	1.000	379,838	438,604	1.000	438,604	438,604	1	65,000	503,604	503,604
12/31/1968	600	619,823	1.000	619,827	704,667	1.000	704,667	704,667	1	65,000	769,667	769,667
12/31/1969	588	129,357	1.000	129,359	129,357	1.000	129,357	129,357	-	65,000	129,357	129,357
12/31/1970	576	472,258	1.000	472,270	472,258	1.000	472,258	472,258	-	65,000	472,258	472,258
12/31/1971	564	114,870	1.000	114,876	114,870	1.000	114,870	114,870	-	65,000	114,870	114,870
12/31/1972	552	839,174	1.000	839,259	897,424	1.000	897,424	897,424	1	65,000	962,424	962,424
12/31/1973	540	564,209	1.000	564,324	765,916	1.000	765,916	765,916	1	65,000	830,916	830,916
12/31/1974	528	744,556	1.000	744,860	983,229	1.000	983,229	983,229	2	65,000	1,113,229	1,113,229
12/31/1975	516	2,459,357	1.001	2,461,366	2,556,516	1.000	2,556,516	2,556,516	2	65,000	2,686,516	2,686,516
12/31/1976	504	7,104,389	1.002	7,115,999	7,637,994	1.000	7,637,994	7,637,994	9	65,000	8,222,994	8,222,994
12/31/1977	492	2,859,288	1.003	2,868,641	3,371,667	1.000	3,371,667	3,371,667	1	65,000	3,436,667	3,436,667
12/31/1978	480	6,429,961	1.007	6,472,095	8,102,411	1.000	8,102,411	8,102,411	8	65,000	8,622,411	8,622,411
12/31/1979	468	5,910,520	1.013	5,988,234	7,190,939	1.000	7,190,939	7,190,939	9	65,000	7,775,939	7,775,939
12/31/1980	456	6,072,276	1.015	6,161,370	8,105,853	1.000	8,105,853	8,105,853	7	65,000	8,560,853	8,560,853
12/31/1981	444	4,774,841	1.016	4,852,522	6,275,691	1.000	6,275,691	6,275,691	3	65,000	6,470,691	6,470,691
12/31/1982	432	3,706,126	1.018	3,772,627	3,857,050	1.000	3,857,050	3,857,050	2	65,000	3,987,050	3,987,050
12/31/1983	420	5,608,867	1.020	5,719,378	6,552,509	1.000	6,552,509	6,552,509	3	65,000	6,747,509	6,747,509
12/31/1984	408	4,917,545	1.022	5,023,537	5,065,997	1.000	5,065,997	5,065,997	6	65,000	5,455,997	5,455,997
12/31/1985	396	7,029,187	1.024	7,194,402	7,100,222	1.000	7,100,222	7,100,222	5	65,000	7,425,222	7,425,222
12/31/1986	384	6,045,988	1.026	6,200,541	6,433,919	1.000	6,433,919	6,433,919	7	65,000	6,888,919	6,888,919
12/31/1987	372	7,529,786	1.028	7,738,658	7,853,461	1.000	7,853,461	7,853,461	8	65,000	8,373,461	8,373,461
12/31/1988	360	9,177,315	1.030	9,453,051	9,316,534	1.000	9,316,534	9,316,534	10	65,000	9,966,534	9,966,534
12/31/1989	348	10,762,703	1.032	11,112,417	11,429,950	1.001	11,438,602	11,429,950	11	65,000	12,144,950	12,144,950
12/31/1990	336	9,223,733	1.035	9,547,460	9,669,616	1.002	9,684,985	9,669,616	9	65,000	10,254,616	10,254,616
12/31/1991	324	10,800,597	1.038	11,209,658	11,416,376	1.003	11,445,004	11,416,376	7	65,000	11,871,376	11,871,376
12/31/1992	312	9,388,314	1.041	9,771,755	9,619,229	1.004	9,653,121	9,619,229	6	65,000	10,009,229	10,009,229
12/31/1993	300	10,024,136	1.044	10,465,443	10,458,291	1.005	10,506,930	10,458,291	10	65,000	11,108,291	11,108,291
12/31/1994	288	7,123,684	1.047	7,461,671	7,312,448	1.006	7,355,638	7,312,448	4	65,000	7,572,448	7,572,448
12/31/1995	276	8,996,322	1.051	9,456,354	9,409,395	1.007	9,478,177	9,409,395	8	65,000	9,929,395	9,929,395
12/31/1996	264	7,975,394	1.055	8,415,076	8,312,712	1.009	8,386,572	8,312,712	7	65,000	8,767,712	8,767,712
12/31/1997	252	9,619,131	1.059	10,191,180	9,866,619	1.011	9,971,805	9,866,619	4	65,000	10,126,619	10,126,619
12/31/1998	240	9,410,033	1.064	10,014,216	10,483,020	1.013	10,615,855	10,483,020	10	65,000	11,133,020	11,133,020
12/31/1999	228	7,700,185	1.069	8,234,571	8,473,306	1.015	8,600,062	8,473,306	6	65,000	8,863,306	8,863,306
12/31/2000	216	8,360,234	1.075	8,988,277	8,769,825	1.018	8,923,977	8,769,825	9	65,000	9,354,825	9,354,825
12/31/2001	204	10,979,411	1.081	11,873,885	12,025,356	1.021	12,272,969	12,025,356	12	65,000	12,805,356	12,805,356
12/31/2002	192	9,745,201	1.089	10,608,143	9,997,428	1.024	10,238,181	9,997,428	11	65,000	10,712,428	10,712,428
12/31/2003	180	9,969,418	1.097	10,931,612	11,046,139	1.028	11,357,131	11,046,139	12	65,000	11,826,139	11,826,139
12/31/2004	168	11,047,498	1.106	12,213,540	12,305,808	1.033	12,711,189	12,305,808	11	65,000	13,020,808	13,020,808
12/31/2005	156	11,944,495	1.116	13,328,832	12,027,407	1.039	12,491,924	12,027,407	8	65,000	12,547,407	12,547,407
12/31/2006	144	14,074,012	1.128	15,873,993	16,086,076	1.045	16,816,756	16,086,076	18	65,000	17,256,076	17,256,076
12/31/2007	132	12,103,854	1.142	13,822,530	13,931,141	1.054	14,678,661	13,931,141	15	65,000	14,906,141	14,906,141
Total		274,715,182		290,384,949	299,485,643		303,473,037	299,485,643	266		316,775,643	316,775,643

Notes:

- (1) Provided by State of Minnesota
- (2) Interpolated From Exhibit F, Page 2
- (3) = (1) x (2)
- (4) Provided by State of Minnesota
- (5) Interpolated From Exhibit F, Page 1
- (6) = (4) x (5)
- (7) Provided by State of Minnesota
- (8) Provided by State of Minnesota
- (9) Exhibit D, Page 5, Selected Tail
- (10) = (8) x (9) + (7)
- (11) Selected by Oliver Wyman

**State of Minnesota - "Pay As You Go" Agencies
Workers' Compensation
Loss & ALAE Limited to Retention
Analysis as of 12/31/17**

Funding Estimate for 2018

Accident Period Ending	Payroll (00s)	Selected Ultimate Loss & ALAE	Exposure Trend	Claim Severity Trend	Claim Frequency Trend	Benefit Level Adj. Factor	Trended Loss Rate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
12/31/2008	18,239,353	18,473,007	1.344	1.629	0.894	1.036	1.14
12/31/2009	19,397,601	18,984,952	1.305	1.551	0.919	1.020	1.09
12/31/2010	18,776,081	18,679,246	1.267	1.477	0.946	1.017	1.12
12/31/2011	18,208,131	17,239,828	1.230	1.407	0.972	1.017	1.07
12/31/2012	18,544,666	15,273,328	1.194	1.340	1.000	1.016	0.94
12/31/2013	19,598,342	15,330,670	1.159	1.276	1.000	1.013	0.87
12/31/2014	20,410,633	17,934,304	1.126	1.216	1.000	1.003	0.95
12/31/2015	20,873,189	14,971,031	1.093	1.158	1.000	1.001	0.76
12/31/2016	21,663,834	14,970,657	1.061	1.103	1.000	1.000	0.72
12/31/2017	22,222,004	15,023,454	1.030	1.050	1.000	1.000	0.69
Total	197,933,835	166,880,478					

Notes:

(1) Provided by State of Minnesota	3 Period Avg	0.72
(2) Exhibit B, Page 1, Column (7)	4 Period Avg	0.78
(3) Exhibit D, Page 3, Column (6) * 1.03	All Period Avg	0.93
(4) Exhibit D, Page 3, Column (7) * 1.05	Avg Last 6 Ex Hi-Lo	0.82
(5) Exhibit D, Page 3, Column (8)		
(6) Exhibit D, Page 3, Column (9)	Selected (8)	0.72
(7) = (2) * (4) * (5) * (6) / (1) / (3)		
(8) Selected Trended Loss Rate	2018 Budgeted Exposure (9)	<u>22,861,302</u>
(9) 2017 Estimate * 1.03		
(10) = (8) * (9)	Funding Estimate for 2018 (10)	16,523,420

**State of Minnesota - "Pay As You Go" Agencies
Workers' Compensation
Loss & ALAE Limited to Retention
Analysis as of 12/31/17**

Incurred Loss & ALAE Development

Accident Period Ending	Cumulative Incurred Loss & ALAE (1)	Incurred LDF @ 12/31/17 (2)	Estimated Ultimate Loss & ALAE (3)
12/31/2008	17,108,007	1.064	18,198,687
12/31/2009	17,684,952	1.077	19,045,868
12/31/2010	16,664,246	1.093	18,219,991
12/31/2011	14,834,828	1.114	16,528,443
12/31/2012	12,998,328	1.141	14,831,624
12/31/2013	13,090,670	1.166	15,259,724
12/31/2014	16,250,907	1.217	19,769,568
12/31/2015	11,925,770	1.255	14,971,031
12/31/2016	10,529,769	1.366	14,384,114
12/31/2017	8,195,389	1.650	13,523,725
Total	139,282,867		164,732,774

Notes:

- (1) Provided by State of Minnesota
- (2) Based on LDF's from Exhibit F, Page 1
- (3) = (1) * (2)

**State of Minnesota - "Pay As You Go" Agencies
Workers' Compensation
Loss & ALAE Limited to Retention
Analysis as of 12/31/17**

Paid Loss & ALAE Development

Accident Period Ending	Cumulative Paid Loss & ALAE (1)	Paid LDF @ 12/31/17 (2)	Estimated Ultimate Loss & ALAE (3)
12/31/2008	15,117,906	1.159	17,519,326
12/31/2009	14,767,231	1.179	17,416,538
12/31/2010	15,250,368	1.205	18,378,818
12/31/2011	12,652,691	1.232	15,593,142
12/31/2012	11,512,845	1.280	14,741,445
12/31/2013	10,961,557	1.337	14,656,883
12/31/2014	13,182,702	1.450	19,119,133
12/31/2015	9,119,078	1.631	14,872,866
12/31/2016	6,999,426	2.128	14,897,670
12/31/2017	3,447,712	4.731	16,311,048
Total	113,011,514		163,506,869

Notes:

- (1) Provided by State of Minnesota
- (2) Based on LDF's from Exhibit F, Page 2
- (3) = (1) * (2)

**State of Minnesota - "Pay As You Go" Agencies
Workers' Compensation
Loss & ALAE Limited to Retention
Analysis as of 12/31/17**

Incurred Bornhuetter-Ferguson Method

Accident Period Ending	Initial Expected Loss & ALAE	Expected Percentage Incurred	Expected Incurred Loss & ALAE	Actual Incurred Loss & ALAE	Expected Percentage Unreported	Expected Unreported Loss & ALAE	Ultimate Loss & ALAE
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
12/31/2008	12,910,773	94.0%	12,137,007	17,108,007	6.0%	773,765	17,881,773
12/31/2009	13,835,306	92.9%	12,846,709	17,684,952	7.1%	988,597	18,673,549
12/31/2010	13,304,852	91.5%	12,168,795	16,664,246	8.5%	1,136,058	17,800,304
12/31/2011	12,792,873	89.8%	11,482,029	14,834,828	10.2%	1,310,843	16,145,671
12/31/2012	12,925,171	87.6%	11,327,526	12,998,328	12.4%	1,597,645	14,595,973
12/31/2013	13,971,105	85.8%	11,985,219	13,090,670	14.2%	1,985,886	15,076,556
12/31/2014	14,983,945	82.2%	12,317,047	16,250,907	17.8%	2,666,898	18,917,805
12/31/2015	15,640,592	79.7%	12,459,135	11,925,770	20.3%	3,181,457	15,107,227
12/31/2016	16,573,049	73.2%	12,132,161	10,529,769	26.8%	4,440,888	14,970,657
12/31/2017	17,330,152	60.6%	10,502,088	8,195,389	39.4%	6,828,065	15,023,454
Total	144,267,817		119,357,715	139,282,867		24,910,102	164,192,969

Notes:

- (1) Exhibit D, Page 3, Column (12)
- (2) = 1 / Exhibit C, Page 1, Column (2)
- (3) = (1) * (2)
- (4) Provided by State of Minnesota
- (5) = 1 - (2)
- (6) = (1) * (5)
- (7) = (4) + (6)

**State of Minnesota - "Pay As You Go" Agencies
Workers' Compensation
Loss & ALAE Limited to Retention
Analysis as of 12/31/17**

Paid Bornhuetter-Ferguson Method

Accident Period Ending	Initial Expected Loss & ALAE	Expected Percentage Paid	Expected Paid Loss & ALAE	Actual Paid Loss & ALAE	Expected Percentage Unpaid	Expected Unpaid Loss & ALAE	Ultimate Loss & ALAE
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
12/31/2008	12,910,773	86.3%	11,141,059	15,117,906	13.7%	1,769,713	16,887,620
12/31/2009	13,835,306	84.8%	11,730,756	14,767,231	15.2%	2,104,550	16,871,781
12/31/2010	13,304,852	83.0%	11,040,094	15,250,368	17.0%	2,264,758	17,515,126
12/31/2011	12,792,873	81.1%	10,380,478	12,652,691	18.9%	2,412,395	15,065,085
12/31/2012	12,925,171	78.1%	10,094,363	11,512,845	21.9%	2,830,808	14,343,653
12/31/2013	13,971,105	74.8%	10,448,678	10,961,557	25.2%	3,522,426	14,483,983
12/31/2014	14,983,945	69.0%	10,331,477	13,182,702	31.0%	4,652,469	17,835,170
12/31/2015	15,640,592	61.3%	9,589,797	9,119,078	38.7%	6,050,795	15,169,872
12/31/2016	16,573,049	47.0%	7,786,575	6,999,426	53.0%	8,786,474	15,785,900
12/31/2017	17,330,152	21.1%	3,663,123	3,447,712	78.9%	13,667,030	17,114,741
Total	144,267,817		96,206,400	113,011,514		48,061,417	161,072,931

Notes:

- (1) Exhibit D, Page 3, Column (12)
- (2) = 1 / Exhibit C, Page 2, Column (2)
- (3) = (1) * (2)
- (4) Provided by State of Minnesota
- (5) = 1 - (2)
- (6) = (1) * (5)
- (7) = (4) + (6)

**State of Minnesota - "Pay As You Go" Agencies
Workers' Compensation
Loss & ALAE Limited to Retention
Analysis as of 12/31/17**

Initial Expected Loss Calculation

Accident Period Ending	Payroll (00s)	Incurred Loss Dev. Method	Paid Loss Dev. Method	Selected Ultimate Loss & ALAE	Initial Loss Rate	Exposure Trend	Claim Severity Trend	Claim Frequency Trend	Benefit Level Adj. Factors	Trended Loss Rate	Detrended Loss Rate	Initial Expected Loss & ALAE
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
12/31/2008	18,239,353	18,198,687	17,519,326	17,859,006	0.98	1.305	1.551	0.894	1.036	1.08	0.71	12,910,773
12/31/2009	19,397,601	19,045,868	17,416,538	19,045,868	0.98	1.267	1.477	0.919	1.020	1.07	0.71	13,835,306
12/31/2010	18,776,081	18,219,991	18,378,818	18,299,405	0.97	1.230	1.407	0.946	1.017	1.07	0.71	13,304,852
12/31/2011	18,208,131	16,528,443	15,593,142	16,060,792	0.88	1.194	1.340	0.972	1.017	0.98	0.70	12,792,873
12/31/2012	18,544,666	14,831,624	14,741,445	14,786,535	0.80	1.159	1.276	1.000	1.016	0.89	0.70	12,925,171
12/31/2013	19,598,342	15,259,724	14,656,883	14,656,883	0.75	1.126	1.216	1.000	1.013	0.82	0.71	13,971,105
12/31/2014	20,410,633	19,769,568	19,119,133	19,119,133	0.94	1.093	1.158	1.000	1.003	1.00	0.73	14,983,945
12/31/2015	20,873,189	14,971,031	14,872,866	14,872,866	0.71	1.061	1.103	1.000	1.001	0.74	0.75	15,640,592
12/31/2016	21,663,834	14,384,114	14,897,670	14,897,670	0.69	1.030	1.050	1.000	1.000	0.70	0.77	16,573,049
12/31/2017	22,222,004	13,523,725	16,311,048	16,311,048	0.73	1.000	1.000	1.000	1.000	0.73	0.78	17,330,152
Total	197,933,835	164,732,774	163,506,869	165,909,206								144,267,817

Notes:

- (1) Provided by State of Minnesota
- (2) Exhibit C, Page 1, Column (3)
- (3) Exhibit C, Page 2, Column (3)
- (4) Selected by Oliver Wyman
- (5) = (4) / (1)
- (6) 3.0% annual trend chosen
- (7) 5.0% annual trend chosen
- (8) Selected by Oliver Wyman
- (9) Based on 2016 Annual NCCI Statistical Bulletin
- (10) = (5) * (7) * (8) * (9) / (6)
- (11) Selected Trended Loss Rate * (6) / (7) / (8) / (9)
- (12) = (1) * (11)

Excluding Last Year	
Last 4 Yr Period	0.81
Last 6 Yr Period	0.85
Last 6 Yr Period Ex Hi-Low	0.78
Avg All, Ex. HI-Low	0.94
Selected Trended Loss Rate	0.78

**State of Minnesota - "Pay As You Go" Agencies
Workers' Compensation
Loss & ALAE Limited to Retention
Analysis as of 12/31/17**

Average IBNR Method

Accident Period Ending	Incurred Loss Development Method	Incurred Loss & ALAE to Date	Unpaid Claim Counts	Selected Average IBNR Loss	Estimated Ultimate Loss & ALAE
	(1)	(2)	(3)	(4)	(5)
12/31/2008	18,198,687	17,108,007	21	65,000	18,473,007
12/31/2009	19,045,868	17,684,952	20	65,000	18,984,952
12/31/2010	18,219,991	16,664,246	31	65,000	18,679,246
12/31/2011	16,528,443	14,834,828	37	65,000	17,239,828
12/31/2012	14,831,624	12,998,328	35	65,000	15,273,328
12/31/2013	15,259,724	13,090,670	40	56,000	15,330,670
12/31/2014	19,769,568	16,250,907	45	48,000	18,410,907
12/31/2015	14,971,031	11,925,770	67	33,000	14,136,770
12/31/2016	14,384,114	10,529,769	119	24,000	13,385,769
12/31/2017	13,523,725	8,195,389	593	8,500	13,235,889
Total	164,732,774	139,282,867	1,008		163,150,367

- (1) Exhibit C, Page 1, Column (3)
- (2) Provided by State of Minnesota
- (3) Exhibit E, Page 1, Column (4) - Exhibit E, Page 3, Column (8)
- (4) Exhibit D, Page 5, Selected Row
- (5) = (3) * (4) + (2)

State of Minnesota - "Pay As You Go" Agencies
Workers' Compensation
Limited to \$1.0M per Occurrence

Average IBNR Method

Average IBNR Loss (Ultimate Loss - Incurred Loss)/(Ultimate Claim Counts - Closed Claim Counts)

Accident Period Ending	12	24	36	48	60	72	84	96	108	120
12/31/2008					35,766	26,209	77,622	116,286	104,792	51,937
12/31/2009				58,624	53,865	52,260	72,732	57,210	68,046	
12/31/2010			14,492	14,675	24,129	55,957	49,881	50,185		
12/31/2011	5,395	28,877	31,360	26,837	72,338	74,667	45,773			
12/31/2012	7,695	15,314	17,622	53,767	56,994	65,000				
12/31/2013	6,439	13,120	38,897	54,139	56,000					
12/31/2014	6,779	22,099	38,969	48,000						
12/31/2015	8,948	26,992	33,000							
12/31/2016	6,656	24,000								
12/31/2017	8,500									
Selected Trend	1.050	1.050	1.050	1.050	1.050	1.050	1.050	1.050	1.050	1.050
Trended Average IBNR Loss										
Accident Period Ending	12	24	36	48	60	72	84	96	108	120
12/31/2008					45,647	31,858	89,857	128,206	110,032	51,937
12/31/2009				74,821	65,474	60,497	80,188	60,070	68,046	
12/31/2010			18,496	17,837	27,932	61,693	52,376	50,185		
12/31/2011	7,230	36,856	38,118	31,067	79,752	78,400	45,773			
12/31/2012	9,821	18,615	20,400	59,278	59,844	65,000				
12/31/2013	7,827	15,188	42,884	56,846	56,000					
12/31/2014	7,848	24,364	40,918	48,000						
12/31/2015	9,865	28,342	33,000							
12/31/2016	6,989	24,000								
12/31/2017	8,500									

3 Period Avg	8,234	22,631	34,734	49,064	55,843	66,863				Tail
5 Period Avg	8,470	24,673	32,163	47,970	55,730				Avg. Last 2 84 -108	64,414
5 Year Avg, Excl. High-Low	8,499	23,773	33,145	49,064	56,988				Avg. Last 3 84 - 96	69,466
Average	8,263	24,673	32,163	47,970	55,730	58,112			Avg. All Yr. 84 - 120	73,667
Average Excl High-Low	8,181	23,773	33,145	49,064	56,988	61,095			Median	64,058
Selected	8,500	24,000	33,000	48,000	56,000	65,000			Selected	65,000

**State of Minnesota - "Pay As You Go" Agencies
Workers' Compensation
Loss & ALAE Limited to Retention
Analysis as of 12/31/17**

Average Unpaid Method

Accident Period Ending	Paid Loss Development Method	Paid Loss to Date	Unpaid Claim Counts	Selected Average Unpaid Loss	Estimated Ultimate Loss & ALAE
	(1)	(2)	(3)	(4)	(5)
12/31/2008	17,519,326	15,117,906	21	115,000	17,532,906
12/31/2009	17,416,538	14,767,231	20	115,000	17,067,231
12/31/2010	18,378,818	15,250,368	31	115,000	18,815,368
12/31/2011	15,593,142	12,652,691	37	115,000	16,907,691
12/31/2012	14,741,445	11,512,845	35	115,000	15,537,845
12/31/2013	14,656,883	10,961,557	40	105,000	15,161,557
12/31/2014	19,119,133	13,182,702	45	95,000	17,457,702
12/31/2015	14,872,866	9,119,078	67	80,000	14,479,078
12/31/2016	14,897,670	6,999,426	119	51,000	13,068,426
12/31/2017	16,311,048	3,447,712	593	18,000	14,121,712
Total	163,506,869	113,011,514	1,008		160,149,514

- (1) Exhibit C, Page 2, Column (3)
- (2) Provided by State of Minnesota
- (3) Exhibit E, Page 1, Column (4) - Exhibit E, Page 3, Column (8)
- (4) Exhibit D, Page 7, Selected Row I
- (5) = (3) * (4) + (2)

KONE INC.
Workers' Compensation
Triangle Data Limited to \$1.0M Ultimate Losses At Retention

Average Unpaid Method

Average Unpaid Loss (Ultimate Loss - Paid Loss)/(Ultimate Claim Counts - Closed Claim Counts)

Accident Period Ending	12	24	36	48	60	72	84	96	108	120
12/31/2008					92,947	88,680	92,795	151,771	129,980	114,353
12/31/2009				91,464	71,833	66,790	114,280	110,884	132,465	
12/31/2010			73,608	64,831	62,087	111,097	98,125	100,918		
12/31/2011	16,772	54,711	64,185	60,553	111,869	127,056	79,472			
12/31/2012	16,279	32,058	38,771	94,939	105,764	115,000				
12/31/2013	14,441	30,275	75,568	94,715	105,000					
12/31/2014	14,335	49,580	75,181	95,000						
12/31/2015	17,406	55,857	80,000							
12/31/2016	14,979	51,000								
12/31/2017	18,000									

Selected Trend	1.050	1.050	1.050	1.050	1.050	1.050	1.050	1.050	1.050	1.050
----------------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------

Trended Average Unpaid Loss

Accident Period Ending	12	24	36	48	60	72	84	96	108	120
12/31/2008					118,627	107,791	107,422	167,327	136,479	114,353
12/31/2009				116,734	87,313	77,317	125,994	116,428	132,465	
12/31/2010			93,945	78,802	71,874	122,485	103,031	100,918		
12/31/2011	22,476	69,827	78,017	70,098	123,335	133,409	79,472			
12/31/2012	20,777	38,967	44,883	104,670	111,052	115,000				
12/31/2013	17,554	35,047	83,314	99,451	105,000					
12/31/2014	16,594	54,662	78,940	95,000						
12/31/2015	19,190	58,650	80,000							
12/31/2016	15,727	51,000								
12/31/2017	18,000									

3 Period Avg	17,171	49,453	69,046	91,406	102,087	111,070				Tail
5 Period Avg	17,968	51,431	75,820	93,951	102,440				Avg. Last 2 84-108	111,466
5 Year Avg, Excl. High-Low	17,779	50,760	80,091	94,308	105,664				Avg. Last 3 84 - 96	115,528
Average	18,720	51,431	75,820	93,951	102,440	110,251			Avg. All Yr. 84 - 120	118,389
Average Excl High-Low	18,529	50,760	80,091	94,308	105,664	115,138			Median	115,391
Median	18,372	54,662	78,940	99,451	111,052	115,138				

Selected	18,000	51,000	80,000	95,000	105,000	115,000		Selected Tail	115,000
-----------------	--------	--------	--------	--------	---------	---------	--	---------------	---------

State of Minnesota - "Pay As You Go" Agencies
Workers' Compensation

Analysis as of 12/31/17

Selection of Ultimate Claim Counts

Accident Period Ending	Trended Payroll (00s) (1)	Ultimate		Selected Ultimate Claim Counts (4)	Ultimate Frequency Per \$1M (5)
		Closed Claim Count Development (2)	Reported Claim Count Development (3)		
12/31/2008	23,798,219	1,643	1,656	1,656	0.70
12/31/2009	24,572,301	1,689	1,699	1,699	0.69
12/31/2010	23,092,211	1,757	1,774	1,774	0.77
12/31/2011	21,741,460	1,667	1,685	1,685	0.78
12/31/2012	21,498,351	1,539	1,549	1,549	0.72
12/31/2013	22,058,107	1,486	1,490	1,490	0.68
12/31/2014	22,303,250	1,493	1,484	1,484	0.67
12/31/2015	22,144,366	1,437	1,417	1,417	0.64
12/31/2016	22,313,749	1,372	1,327	1,327	0.59
12/31/2017	22,222,004	1,481	1,331	1,330	0.60
Total		15,564	15,412	15,411	

Notes:

- (1) Exhibit D, Page 3, Column (1), trended
- (2) Exhibit E, Page 3, Column (3)
- (3) Exhibit E, Page 2, Column (3)
- (4) Selected by Oliver Wyman
- (5) = (4) / (1) * 10,000

State of Minnesota - "Pay As You Go" Agencies
Workers' Compensation

Analysis as of 12/31/17

Reported Claim Count Development

Accident Period Ending	Cumulative Reported Claims (1)	Reported DF @ 12/31/17 (2)	Estimated Ultimate Claims (3)
12/31/2008	1,656	1.000	1,656
12/31/2009	1,699	1.000	1,699
12/31/2010	1,774	1.000	1,774
12/31/2011	1,685	1.000	1,685
12/31/2012	1,549	1.000	1,549
12/31/2013	1,490	1.000	1,490
12/31/2014	1,484	1.000	1,484
12/31/2015	1,416	1.001	1,417
12/31/2016	1,323	1.003	1,327
12/31/2017	1,312	1.014	1,331
Total	15,388		15,412

Notes:

- (1) Provided by State of Minnesota
- (2) Based on CDF's from Exhibit F, Page 3
- (3) = (1) x (2)

State of Minnesota - "Pay As You Go" Agencies
Workers' Compensation

Analysis as of 12/31/17

Closed Claim Count Development

Accident Period Ending	Cumulative Closed Claims (1)	Closed DF @ 12/31/17 (2)	Estimated Ultimate Claims (3)
12/31/2008	1,635	1.005	1,643
12/31/2009	1,679	1.006	1,689
12/31/2010	1,743	1.008	1,757
12/31/2011	1,648	1.011	1,667
12/31/2012	1,514	1.017	1,539
12/31/2013	1,450	1.025	1,486
12/31/2014	1,439	1.037	1,493
12/31/2015	1,350	1.064	1,437
12/31/2016	1,208	1.136	1,372
12/31/2017	737	2.009	1,481
Total	14,403		15,564

Notes:

- (1) Provided by State of Minnesota
- (2) Based on CDF's from Exhibit F, Page 4
- (3) = (1) x (2)

State of Minnesota - "Pay As You Go" Agencies
Workers' Compensation

Analysis as of 12/31/17

Limited Incurred Loss & ALAE (Excluding Recoveries)

Accident Period Ending	12	24	36	48	60	72	84	96	108	120
12/31/2008				16,679,466	16,863,540	17,477,052	15,792,410	16,105,534	16,102,845	17,108,007
12/31/2009			14,723,102	15,467,513	15,806,902	16,110,665	16,863,895	17,501,201	17,684,952	
12/31/2010		15,813,514	17,186,597	17,299,827	16,821,339	16,496,916	16,424,258	16,664,246		
12/31/2011	13,010,016	12,301,809	13,696,143	14,502,464	13,767,612	14,402,498	14,834,828			
12/31/2012	9,440,766	11,215,063	12,242,305	12,316,139	12,879,569	12,998,328				
12/31/2013	10,282,279	12,050,665	12,413,414	12,569,583	13,090,670					
12/31/2014	12,099,286	14,543,663	15,410,290	16,250,907						
12/31/2015	8,177,395	10,438,836	11,925,770							
12/31/2016	8,913,016	10,529,769								
12/31/2017	8,195,389									

Accident Period Ending	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-ULT
12/31/2008				1.011	1.036	0.904	1.020	1.000	1.062	
12/31/2009			1.051	1.022	1.019	1.047	1.038	1.010		
12/31/2010		1.087	1.007	0.972	0.981	0.996	1.015			
12/31/2011	0.946	1.113	1.059	0.949	1.046	1.030				
12/31/2012	1.188	1.092	1.006	1.046	1.009					
12/31/2013	1.172	1.030	1.013	1.041						
12/31/2014	1.202	1.060	1.055							
12/31/2015	1.277	1.142								
12/31/2016	1.181									

3 Year Avg	1.220	1.077	1.024	1.012	1.012	1.024	1.024			
5 Year Avg	1.204	1.087	1.028	1.006	1.018					
5 Year Avg, Ex. High-Low	1.190	1.088	1.025	1.012	1.022					
All Year Avg	1.161	1.087	1.032	1.007	1.018	0.994	1.024	1.005	1.062	
All Year Wtd Avg	1.148	1.085	1.032	1.004	1.018	0.991	1.024	1.005	1.062	
Industry MN	1.397	1.120	1.054	1.030	1.019	1.012	1.011	1.009	1.007	
Cumulative	2.090	1.496	1.336	1.268	1.231	1.208	1.194	1.181	1.170	1.162
Curve Fit	1.135	1.088	1.061	1.043	1.032	1.024	1.019	1.015	1.012	1.064
Selected	1.208	1.088	1.032	1.044	1.022	1.024	1.019	1.015	1.012	
Cumulative	1.650	1.366	1.255	1.217	1.166	1.141	1.114	1.093	1.077	1.064

State of Minnesota - "Pay As You Go" Agencies
Workers' Compensation

Analysis as of 12/31/17

Limited Paid Loss & ALAE (Excluding Recoveries)

Accident Period Ending	12	24	36	48	60	72	84	96	108	120
12/31/2008				12,415,507	13,350,277	14,163,066	14,642,674	14,787,455	14,919,729	15,117,906
12/31/2009			10,157,544	11,579,399	12,829,091	13,393,798	13,988,129	14,422,666	14,767,231	
12/31/2010		8,343,097	11,233,697	12,721,291	14,034,661	14,482,573	14,846,317	15,250,368		
12/31/2011	3,758,235	7,552,067	9,654,775	10,731,235	11,537,989	12,079,556	12,652,691			
12/31/2012	3,198,408	7,042,426	8,869,192	10,316,221	11,095,774	11,512,845				
12/31/2013	3,839,453	7,592,875	9,493,924	10,331,079	10,961,557					
12/31/2014	4,111,944	8,781,201	11,668,773	13,182,702						
12/31/2015	2,886,678	6,826,644	9,119,078							
12/31/2016	3,002,849	6,999,426								
12/31/2017	3,447,712									

Accident Period Ending	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-ULT
12/31/2008				1.075	1.061	1.034	1.010	1.009	1.013	
12/31/2009			1.140	1.108	1.044	1.044	1.031	1.024		
12/31/2010		1.346	1.132	1.103	1.032	1.025	1.027			
12/31/2011	2.009	1.278	1.111	1.075	1.047	1.047				
12/31/2012	2.202	1.259	1.163	1.076	1.038					
12/31/2013	1.978	1.250	1.088	1.061						
12/31/2014	2.136	1.329	1.130							
12/31/2015	2.365	1.336								
12/31/2016	2.331									

3 Year Avg	2.277	1.305	1.127	1.071	1.039	1.039	1.023			
5 Year Avg	2.202	1.291	1.125	1.085	1.044					
5 Year Avg, Ex. High-Low	2.223	1.289	1.125	1.085	1.043					
All Year Avg	2.170	1.300	1.127	1.083	1.044	1.038	1.023	1.016	1.013	
All Year Wtd Avg	2.154	1.301	1.127	1.084	1.044	1.037	1.023	1.016	1.013	
Industry MN	2.244	1.298	1.129	1.070	1.038	1.026	1.021	1.016	1.014	
Cumulative	5.148	2.294	1.767	1.565	1.463	1.409	1.373	1.345	1.324	1.306
Curve Fit	2.586	1.299	1.132	1.076	1.051	1.036	1.028	1.022	1.018	1.159
Selected	2.223	1.305	1.125	1.085	1.044	1.039	1.023	1.022	1.018	
Cumulative	4.731	2.128	1.631	1.450	1.337	1.280	1.232	1.205	1.179	1.159

State of Minnesota - "Pay As You Go" Agencies
Workers' Compensation

Analysis as of 12/31/17

Reported Claim Counts

Accident Period Ending	12	24	36	48	60	72	84	96	108	120
12/31/2008				1,655	1,655	1,656	1,656	1,657	1,656	1,656
12/31/2009			1,694	1,697	1,697	1,700	1,699	1,699	1,699	
12/31/2010		1,767	1,773	1,776	1,775	1,773	1,773	1,774		
12/31/2011	1,660	1,677	1,682	1,684	1,683	1,684	1,685			
12/31/2012	1,518	1,545	1,549	1,547	1,548	1,549				
12/31/2013	1,478	1,489	1,488	1,489	1,490					
12/31/2014	1,483	1,474	1,482	1,484						
12/31/2015	1,397	1,418	1,416							
12/31/2016	1,309	1,323								
12/31/2017	1,312									

Accident Period Ending	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-ULT
12/31/2008				1.000	1.001	1.000	1.001	0.999	1.000	
12/31/2009			1.002	1.000	1.002	0.999	1.000	1.000		
12/31/2010		1.003	1.002	0.999	0.999	1.000	1.001			
12/31/2011	1.010	1.003	1.001	0.999	1.001	1.001				
12/31/2012	1.018	1.003	0.999	1.001	1.001					
12/31/2013	1.007	0.999	1.001	1.001						
12/31/2014	0.994	1.005	1.001							
12/31/2015	1.015	0.999								
12/31/2016	1.011									

3 Year Avg	1.007	1.001	1.000	1.000	1.000	1.000	1.000			
5 Year Avg	1.009	1.002	1.001	1.000	1.000					
5 Year Avg, Ex. High-Low	1.011	1.002	1.001	1.000	1.001					
All Year Avg	1.009	1.002	1.001	1.000	1.000	1.000	1.000	1.000	1.000	
All Year Wtd Avg	1.009	1.002	1.001	1.000	1.000	1.000	1.000	1.000	1.000	

Selected	1.011	1.002	1.001	1.000	1.000	1.000	1.000	1.000	1.000	
Cumulative	1.014	1.003	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000

State of Minnesota - "Pay As You Go" Agencies
Workers' Compensation

Analysis as of 12/31/17

Closed Claim Counts

Accident Period Ending	12	24	36	48	60	72	84	96	108	120
12/31/2008				1,593	1,611	1,618	1,625	1,638	1,636	1,635
12/31/2009			1,597	1,639	1,640	1,644	1,669	1,672	1,679	
12/31/2010		1,564	1,671	1,680	1,697	1,735	1,738	1,743		
12/31/2011	901	1,514	1,572	1,583	1,637	1,647	1,648			
12/31/2012	791	1,284	1,377	1,494	1,507	1,514				
12/31/2013	706	1,240	1,415	1,439	1,450					
12/31/2014	553	1,309	1,407	1,439						
12/31/2015	751	1,280	1,350							
12/31/2016	655	1,208								
12/31/2017	737									

Accident Period Ending	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-ULT
12/31/2008				1.011	1.004	1.004	1.008	0.999	0.999	
12/31/2009			1.026	1.001	1.002	1.015	1.002	1.004		
12/31/2010		1.068	1.005	1.010	1.022	1.002	1.003			
12/31/2011	1.680	1.038	1.007	1.034	1.006	1.001				
12/31/2012	1.623	1.072	1.085	1.009	1.005					
12/31/2013	1.756	1.141	1.017	1.008						
12/31/2014	2.367	1.075	1.023							
12/31/2015	1.704	1.055								
12/31/2016	1.844									

3 Year Avg	1.972	1.090	1.042	1.017	1.011	1.006	1.004			
5 Year Avg	1.859	1.076	1.027	1.012	1.008					
5 Year Avg, Ex. High-Low	1.768	1.067	1.016	1.009	1.005					
All Year Avg	1.829	1.075	1.027	1.012	1.008	1.005	1.004	1.001	0.999	
All Year Wtd Avg	1.798	1.073	1.026	1.012	1.008	1.005	1.004	1.002	0.999	
Curve Fit	1.158	1.060	1.028	1.014	1.008	1.005	1.003	1.002	1.001	1.005
Selected	1.768	1.067	1.026	1.012	1.008	1.005	1.003	1.002	1.001	
Cumulative	2.009	1.136	1.064	1.037	1.025	1.017	1.011	1.008	1.006	1.005

State of Minnesota - "Pay As You Go" Agencies
Workers' Compensation

Analysis as of 12/31/17

Paid Loss / Ultimate Loss & ALAE

Accident Period Ending	12	24	36	48	60	72	84	96	108	120
12/31/2008				67.2%	72.3%	76.7%	79.3%	80.0%	80.8%	81.8%
12/31/2009			53.5%	61.0%	67.6%	70.5%	73.7%	76.0%	77.8%	
12/31/2010		44.7%	60.1%	68.1%	75.1%	77.5%	79.5%	81.6%		
12/31/2011	21.8%	43.8%	56.0%	62.2%	66.9%	70.1%	73.4%			
12/31/2012	20.9%	46.1%	58.1%	67.5%	72.6%	75.4%				
12/31/2013	25.0%	49.5%	61.9%	67.4%	71.5%					
12/31/2014	22.9%	49.0%	65.1%	73.5%						
12/31/2015	19.3%	45.6%	60.9%							
12/31/2016	20.1%	46.8%								
12/31/2017	22.9%									

Incurred Loss / Ultimate Loss & ALAE

Accident Period Ending	12	24	36	48	60	72	84	96	108	120
12/31/2008				90.3%	91.3%	94.6%	85.5%	87.2%	87.2%	92.6%
12/31/2009			77.6%	81.5%	83.3%	84.9%	88.8%	92.2%	93.2%	
12/31/2010		84.7%	92.0%	92.6%	90.1%	88.3%	87.9%	89.2%		
12/31/2011	75.5%	71.4%	79.4%	84.1%	79.9%	83.5%	86.0%			
12/31/2012	61.8%	73.4%	80.2%	80.6%	84.3%	85.1%				
12/31/2013	67.1%	78.6%	81.0%	82.0%	85.4%					
12/31/2014	67.5%	81.1%	85.9%	90.6%						
12/31/2015	54.6%	69.7%	79.7%							
12/31/2016	59.5%	70.3%								
12/31/2017	54.6%									

State of Minnesota - "Pay As You Go" Agencies
Workers' Compensation

Analysis as of 12/31/17

Closed Claim Counts / Ultimate Claim Counts

Accident Period Ending	12	24	36	48	60	72	84	96	108	120
12/31/2008				96.2%	97.3%	97.7%	98.1%	98.9%	98.8%	98.7%
12/31/2009			94.0%	96.5%	96.5%	96.8%	98.2%	98.4%	98.8%	
12/31/2010		88.2%	94.2%	94.7%	95.7%	97.8%	98.0%	98.3%		
12/31/2011	53.5%	89.9%	93.3%	93.9%	97.2%	97.7%	97.8%			
12/31/2012	51.1%	82.9%	88.9%	96.4%	97.3%	97.7%				
12/31/2013	47.4%	83.2%	95.0%	96.6%	97.3%					
12/31/2014	37.3%	88.2%	94.8%	97.0%						
12/31/2015	53.0%	90.3%	95.3%							
12/31/2016	49.4%	91.0%								
12/31/2017	55.4%									

Reported Claim Counts / Ultimate Claim Counts

Accident Period Ending	12	24	36	48	60	72	84	96	108	120
12/31/2008				99.9%	99.9%	100.0%	100.0%	100.1%	100.0%	100.0%
12/31/2009			99.7%	99.9%	99.9%	100.1%	100.0%	100.0%	100.0%	
12/31/2010		99.6%	99.9%	100.1%	100.1%	99.9%	99.9%	100.0%		
12/31/2011	98.5%	99.5%	99.8%	99.9%	99.9%	99.9%	100.0%			
12/31/2012	98.0%	99.7%	100.0%	99.9%	99.9%	100.0%				
12/31/2013	99.2%	99.9%	99.9%	99.9%	100.0%					
12/31/2014	99.9%	99.3%	99.9%	100.0%						
12/31/2015	98.6%	100.1%	99.9%							
12/31/2016	98.6%	99.7%								
12/31/2017	98.6%									

State of Minnesota - "Pay As You Go" Agencies
Workers' Compensation

Analysis as of 12/31/17

Average Unpaid Loss (Ultimate Loss - Paid Loss) / (Ultimate Claim Counts - Closed Claim Counts)

Accident Period Ending	12	24	36	48	60	72	84	96	108	120
12/31/2008				96,151	113,838	113,420	123,559	204,753	177,664	159,767
12/31/2009			86,543	123,426	104,337	101,657	166,561	168,974	210,886	
12/31/2010		49,220	72,287	63,383	60,319	107,607	106,470	110,609		
12/31/2011	17,196	56,654	67,124	63,810	118,788	135,797	123,977			
12/31/2012	15,930	31,060	37,233	90,129	99,466	107,442				
12/31/2013	14,657	30,951	77,823	98,031	109,228					
12/31/2014	14,847	52,303	81,371	105,591						
12/31/2015	18,145	59,448	87,343							
12/31/2016	17,809	66,985								
12/31/2017	19,521									

Average IBNR Loss (Ultimate Loss - Incurred Loss) / (Ultimate Claim Counts - Closed Claim Counts)

Accident Period Ending	12	24	36	48	60	72	84	96	108	120
12/31/2008				28,469	35,766	26,209	86,471	131,526	118,508	65,000
12/31/2009			41,783	58,624	53,865	52,260	70,702	54,954	65,000	
12/31/2010		13,646	14,492	14,675	24,129	55,957	62,639	65,000		
12/31/2011	5,395	28,877	31,360	26,837	72,338	74,667	65,000			
12/31/2012	7,695	15,314	17,622	53,767	56,994	65,000				
12/31/2013	6,439	13,120	38,897	54,139	56,000					
12/31/2014	6,267	19,375	32,779	37,409						
12/31/2015	10,201	33,082	45,452							
12/31/2016	9,014	37,318								
12/31/2017	11,514									

State of Minnesota - "Pay As You Go" Agencies
Workers' Compensation

Analysis as of 12/31/17

Average Paid Loss (Paid Loss / Closed Claim Counts)

Accident Period Ending	12	24	36	48	60	72	84	96	108	120
12/31/2008				7,794	8,287	8,753	9,011	9,028	9,120	9,246
12/31/2009			6,360	7,065	7,823	8,147	8,381	8,626	8,795	
12/31/2010		5,334	6,723	7,572	8,270	8,347	8,542	8,749		
12/31/2011	4,171	4,988	6,142	6,779	7,048	7,334	7,678			
12/31/2012	4,043	5,485	6,441	6,905	7,363	7,604				
12/31/2013	5,438	6,123	6,709	7,179	7,560					
12/31/2014	7,436	6,708	8,293	9,161						
12/31/2015	3,844	5,333	6,755							
12/31/2016	4,585	5,794								
12/31/2017	4,678									

Average Incurred Loss (Incurred Loss / Reported Claim Counts)

Accident Period Ending	12	24	36	48	60	72	84	96	108	120
12/31/2008				10,078	10,189	10,554	9,536	9,720	9,724	10,331
12/31/2009			8,691	9,115	9,315	9,477	9,926	10,301	10,409	
12/31/2010		8,949	9,694	9,741	9,477	9,305	9,264	9,394		
12/31/2011	7,837	7,336	8,143	8,612	8,180	8,553	8,804			
12/31/2012	6,219	7,259	7,903	7,961	8,320	8,391				
12/31/2013	6,957	8,093	8,342	8,442	8,786					
12/31/2014	8,159	9,867	10,398	10,951						
12/31/2015	5,854	7,362	8,422							
12/31/2016	6,809	7,959								
12/31/2017	6,246									

State of Minnesota - "Pay As You Go" Agencies
Workers' Compensation

Analysis as of 12/31/17

Average Open Case Reserve (Case Reserve / Open Claim Counts)

Accident Period Ending	12	24	36	48	60	72	84	96	108	120
12/31/2008				68,774	79,847	87,210	37,088	69,373	59,156	94,767
12/31/2009			47,068	67,036	52,242	48,515	95,859	114,020	145,886	
12/31/2010		36,800	58,362	47,693	35,727	53,009	45,084	45,609		
12/31/2011	12,189	29,140	36,740	37,339	48,470	62,782	58,977			
12/31/2012	8,586	15,987	19,611	37,734	43,507	42,442				
12/31/2013	8,346	17,903	39,993	44,770	53,228					
12/31/2014	8,589	34,924	49,887	68,182						
12/31/2015	8,190	26,175	42,526							
12/31/2016	9,037	30,699								
12/31/2017	8,257									

Paid Loss & ALAE / Incurred Loss & ALAE

Accident Period Ending	12	24	36	48	60	72	84	96	108	120
12/31/2008				74.4%	79.2%	81.0%	92.7%	91.8%	92.7%	88.4%
12/31/2009			69.0%	74.9%	81.2%	83.1%	82.9%	82.4%	83.5%	
12/31/2010		52.8%	65.4%	73.5%	83.4%	87.8%	90.4%	91.5%		
12/31/2011	28.9%	61.4%	70.5%	74.0%	83.8%	83.9%	85.3%			
12/31/2012	33.9%	62.8%	72.4%	83.8%	86.2%	88.6%				
12/31/2013	37.3%	63.0%	76.5%	82.2%	83.7%					
12/31/2014	34.0%	60.4%	75.7%	81.1%						
12/31/2015	35.3%	65.4%	76.5%							
12/31/2016	33.7%	66.5%								
12/31/2017	42.1%									

State of Minnesota - "Pay As You Go" Agencies
Workers' Compensation

Analysis as of 12/31/17

Closed Claim Counts / Reported Claim Counts

Accident Period Ending	12	24	36	48	60	72	84	96	108	120
12/31/2008				96.3%	97.3%	97.7%	98.1%	98.9%	98.8%	98.7%
12/31/2009			94.3%	96.6%	96.6%	96.7%	98.2%	98.4%	98.8%	
12/31/2010		88.5%	94.2%	94.6%	95.6%	97.9%	98.0%	98.3%		
12/31/2011	54.3%	90.3%	93.5%	94.0%	97.3%	97.8%	97.8%			
12/31/2012	52.1%	83.1%	88.9%	96.6%	97.4%	97.7%				
12/31/2013	47.8%	83.3%	95.1%	96.6%	97.3%					
12/31/2014	37.3%	88.8%	94.9%	97.0%						
12/31/2015	53.8%	90.3%	95.3%							
12/31/2016	50.0%	91.3%								
12/31/2017	56.2%									

Claim Disposal Ratio (Incremental Closed Claim Counts) / (Reported Claim Counts - prior Closed Claim Counts)

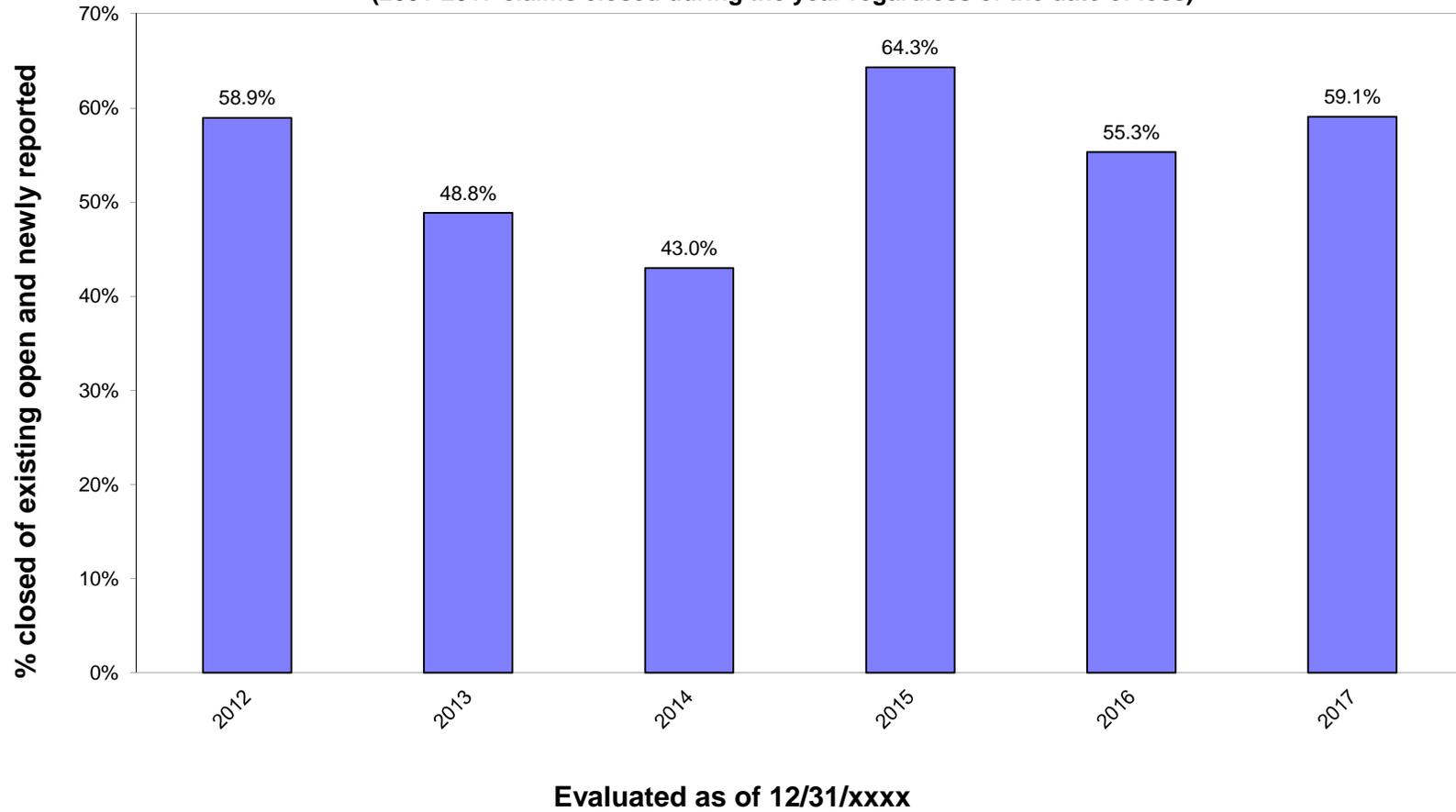
Accident Period Ending	12	24	36	48	60	72	84	96	108	120
12/31/2008					29.0%	15.6%	18.4%	40.6%	-11.1%	-5.0%
12/31/2009				42.0%	1.7%	6.7%	45.5%	10.0%	25.9%	
12/31/2010			51.2%	8.6%	17.9%	50.0%	7.9%	13.9%		
12/31/2011	54.3%	79.0%	34.5%	9.8%	54.0%	21.3%	2.6%			
12/31/2012	52.1%	65.4%	35.1%	68.8%	24.1%	16.7%				
12/31/2013	47.8%	68.2%	70.6%	32.4%	21.6%					
12/31/2014	37.3%	82.1%	56.6%	41.6%						
12/31/2015	53.8%	79.3%	51.5%							
12/31/2016	50.0%	82.8%								
12/31/2017	56.2%									

State of Minnesota - "Pay As You Go" Agencies

Workers' Compensation

Claim Closure Rates

(2001-2017 claims closed during the year regardless of the date of loss)



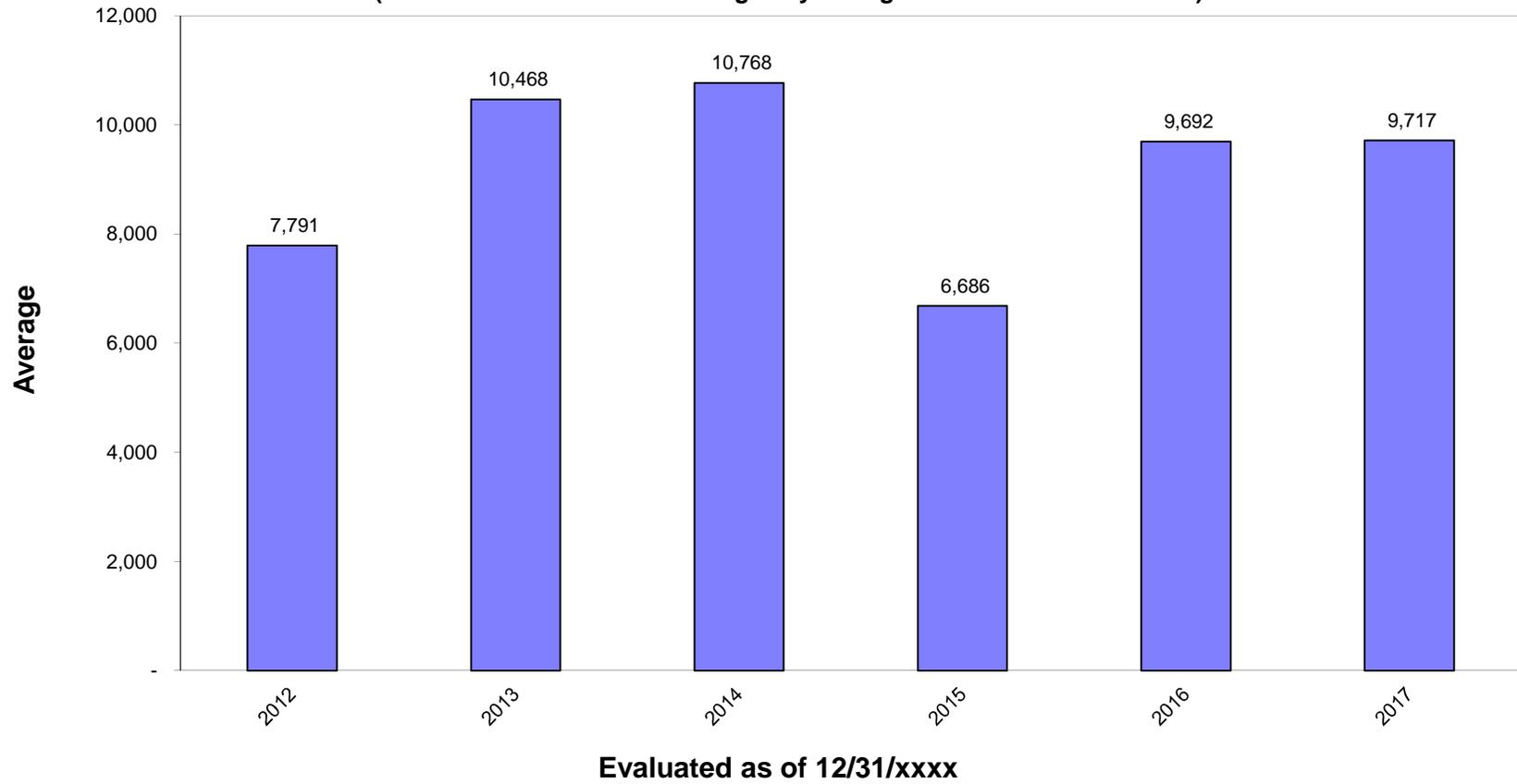
State of Minnesota - "Pay As You Go" Agencies

Workers' Compensation

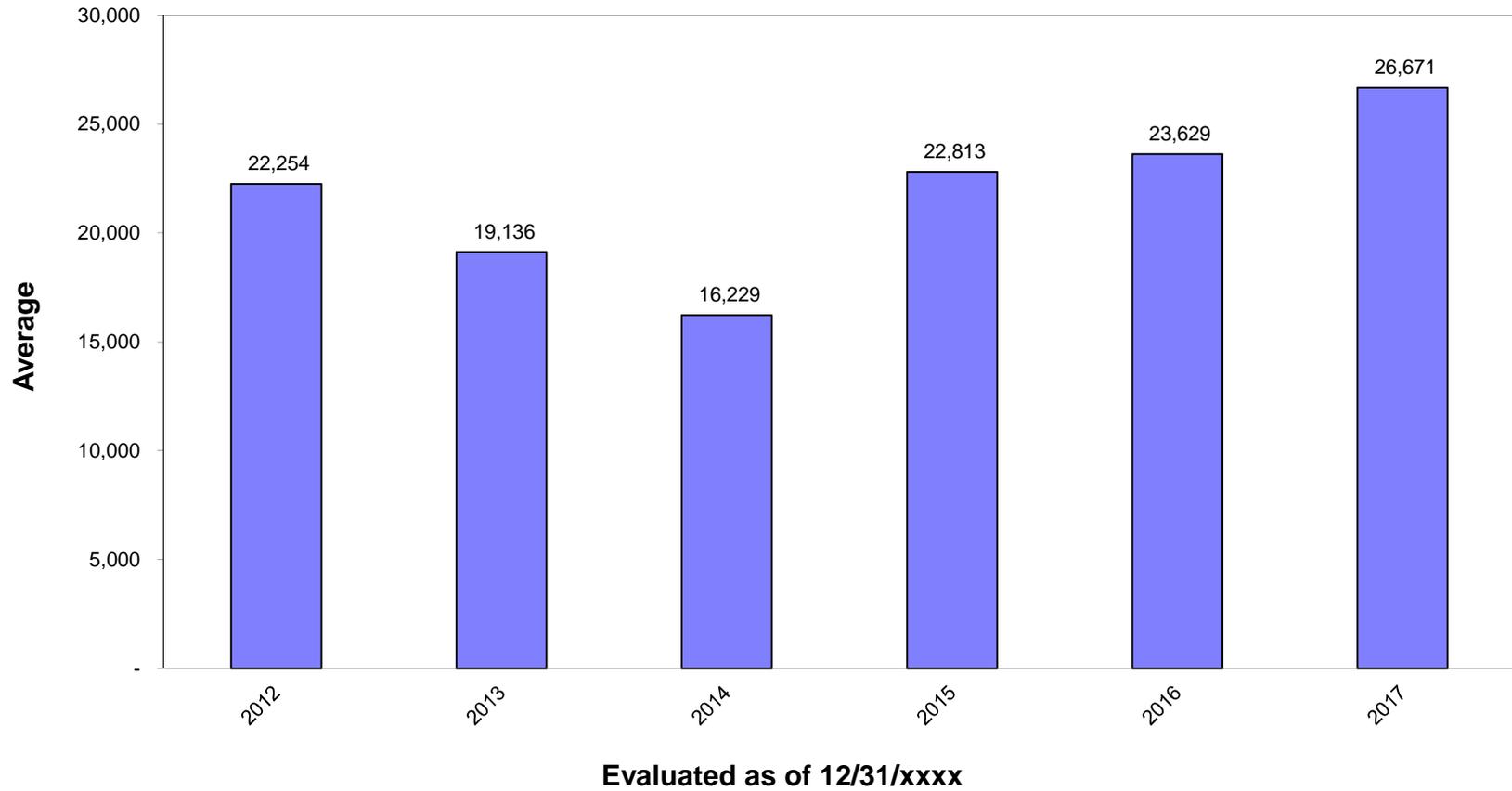
Loss & ALAE Limited to Retention

Average Paid Loss Per Closed Claim

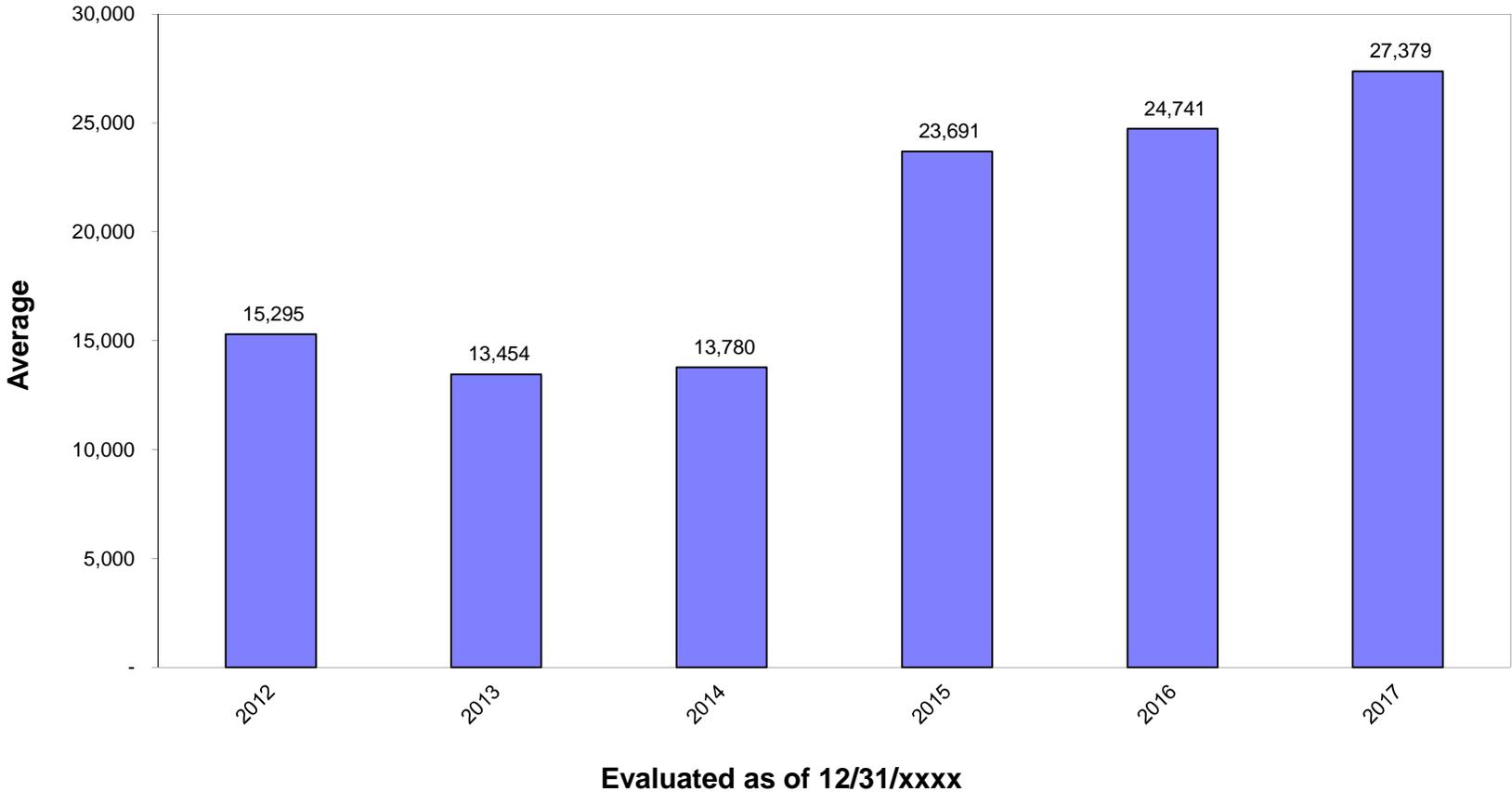
(2001-2017 claims closed during the year regardless of the date of loss)



State of Minnesota - "Pay As You Go" Agencies
Workers' Compensation
Loss & ALAE Limited to Retention
Average Case Reserve Per Open Claim
(2001-2017 open claims at the end of the year regardless of the date of loss)



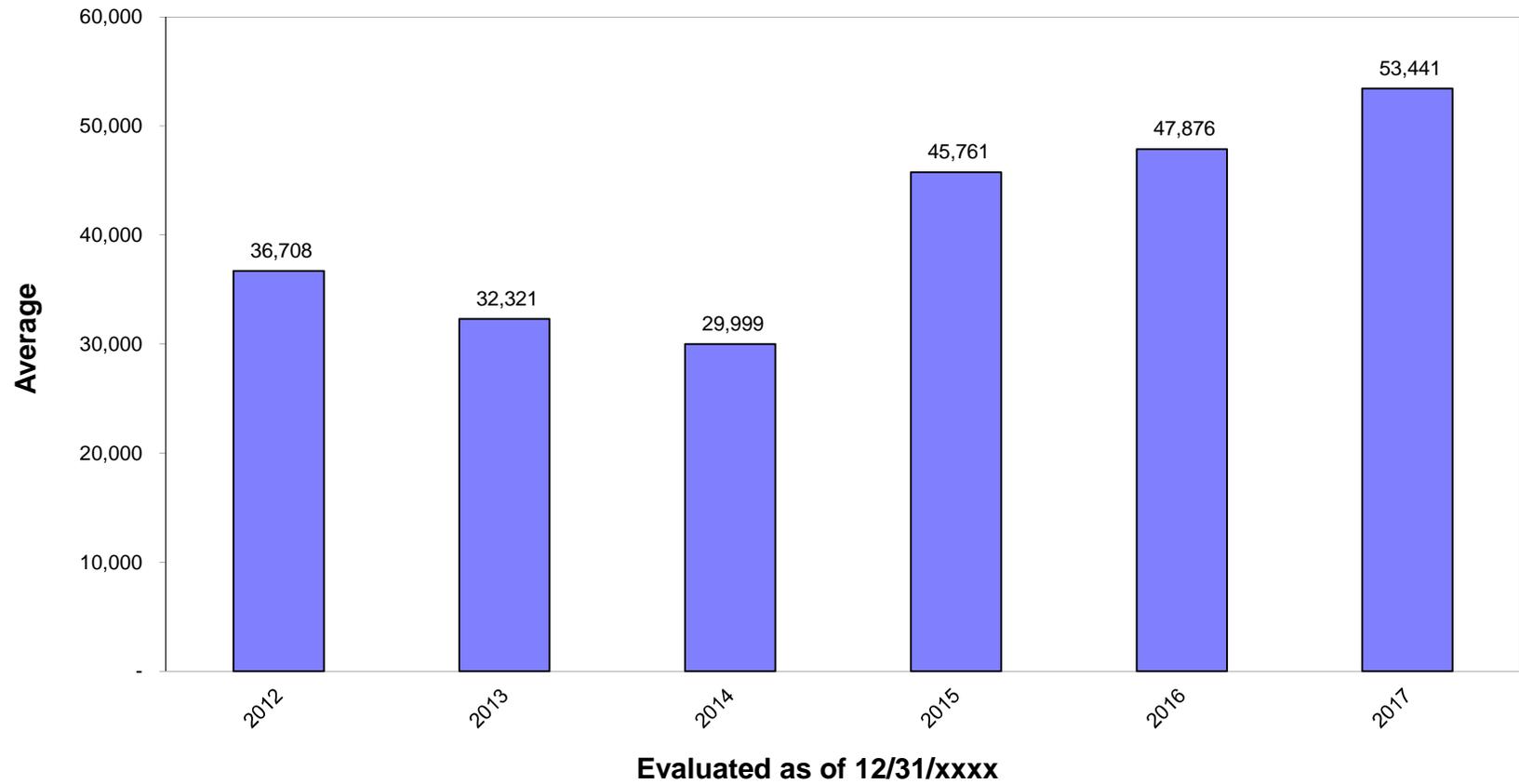
State of Minnesota - "Pay As You Go" Agencies
Workers' Compensation
Loss & ALAE Limited to Retention
Average IBNR per Unpaid Claim
(2001-2017 open claims at the end of the year regardless of the date of loss)



State of Minnesota - "Pay As You Go" Agencies

Workers' Compensation
Loss & ALAE Limited to Retention
Average Unpaid per Unpaid Claim

(2001-2017 open claims at the end of the year regardless of the date of loss)





Oliver Wyman
540 West Madison, Suite 1200
Chicago, IL 60661
1 312 627 6000

OFFICE OF THE ATTORNEY GENERAL – LEGAL SERVICES BILLED & UNDER AGREEMENT**Services Provided**

The Office of the Attorney General provides legal services for all state officers, boards and commissions in the state. The Attorney General is authorized by statute to issue written legal opinions only to constitutional executive officers, state agencies, bodies of state legislature, and attorneys for local governments or pension funds.

OMB Uniform Guidance, 2 CFR part 200, subpart 200.435(e)(1)

- *"Costs incurred in connection with proceedingsmay be allowed but only to the extent that: The costs are reasonable and necessary in relation to the administration of the Federal award and activities required to deal with the proceeding and underlying cause of action"*

How Rates are Computed

Rates are set based on the hours of service estimated for staff attorneys and legal assistants and the cost of providing those services. The rate setting is planned to recover the full cost of services. Certain billing practices call for periodic scheduled payments from "partner agencies" but all payments ultimately are calculated on and reconciled to the hours of services received.

Attorney General's Office

Partner Agreements

Fiscal Year 2020

		Services
	Payments per	Provided per
Agency	Agreement	Agreement
Administration-Risk Management	99,381.60	99,381.60
Agricultural Utilization Research Institute (AURI)	611.80	611.80
Corrections	393,087.36	669,310.94
Education, Department of	486,141.60	486,141.60
Environmental Quality Board (EQB)	11,681.60	11,681.60
Gambling Control Board	19,258.40	19,258.40
Health	714,491.90	714,491.90
Housing Finance Agency	20,563.40	20,563.40
Human Services	3,879,747.70	3,879,747.70
Iron Range Resources Rehabilitation Agency (IRRRA)	2,476.40	2,476.40
Labor and Industry Department	375,234.60	433,740.40
Lottery	6,518.60	6,518.60
Board of Medical Practice	635,321.00	833,435.80
Minnesota Racing Commission	8,766.20	8,766.20
Minnesota State	764,246.80	764,246.80
Minnesota State Retirement Association (MSRS)	24,764.60	26,746.30
MnSure	957.60	957.60
Natural Resources	613,892.50	613,892.50
Petro Tank Release Board	6,131.30	6,131.30
Pollution Control Agency	624,451.40	624,451.40
Public Employees Retirement Association (PERA)	21,840.20	21,840.20
Public Safety	834,409.10	834,409.10
Revenue	571,900.00	462,602.30
Teachers Retirement Association (TRA)	19,803.70	19,803.70
Transportation	1,165,770.70	1,165,770.70
Total	11,301,450.06	11,726,978.24

STATE OF MINNESOTA
Labor Distribution Report by Expense Budget
Fiscal Year 2020

Section	Legal Asst	Manager Attorney	Attorney	Support	Section Admin	Administration	Federal & Match	Policy	(Across) TOTAL
Govt Legal Services - Admin Salaries	0.00	218,841.51	0.00	0.00	92,426.25	0.00	0.00	0.00	311,267.76
Govt Legal Services - Operation Salaries	458,245.71	341,920.08	3,260,929.47	696,317.03	0.00	27,810.94	0.00	0.00	4,785,223.23
Reg Law/Professions - Admin Salaries	0.00	20,704.86	0.00	0.00	108,516.48	0.00	0.00	0.00	129,221.34
Reg Law/Professions - Operation Salaries	0.00	323,723.22	2,079,024.50	526,711.96	0.00	1,386,318.58	0.00	0.00	4,315,778.26
Health & Licensing	922,820.55	182,167.71	954,538.66	485,134.66	0.00	0.00	0.00	0.00	2,544,661.58
Criminal Environment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Remediation Fund	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
State Govt Services - Admin Salaries	0.00	191,738.95	0.00	0.00	162,737.07	0.00	0.00	0.00	354,476.02
State Govt Services - Operation Salaries	2,247,103.63	691,640.20	3,730,094.60	2,036,689.48	0.00	0.00	0.00	0.00	8,705,527.91
Vulnerable Adult	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Forfeiture	0.00	0.00	190,939.24	0.00	0.00	0.00	0.00	0.00	190,939.24
Med Fraud Grant - FFY19	0.00	0.00	0.00	0.00	0.00	0.00	458,057.51	0.00	458,057.51
Med Fraud Grant - FFY20	0.00	0.00	0.00	0.00	0.00	0.00	1,375,376.95	0.00	1,375,376.95
Med Fraud Match-FFY19	0.00	0.00	0.00	0.00	0.00	0.00	152,644.22	0.00	152,644.22
Med Fraud Match-FFY20	0.00	0.00	0.00	0.00	0.00	0.00	458,372.41	0.00	458,372.41
False Claims	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Civil Law - Admin Salaries	0.00	193,378.47	0.00	0.00	113,893.97	0.00	0.00	0.00	307,272.44
Civil Law -Operations Salaries	943,592.39	367,276.44	2,438,714.31	833,982.96	0.00	162,777.34	0.00	0.00	4,746,343.44
Civil Litigation - Admin Salaires	0.00	174,607.59	0.00	0.00	267,854.88	0.00	0.00	0.00	442,462.47
Civil Litigation - Operation Salaires	168,465.82	184,740.73	1,375,657.63	192,911.60	0.00	0.00	0.00	0.00	1,921,775.78
Administration Salaries	0.00	0.00	0.00	0.00	0.00	702,253.44	0.00	0.00	702,253.44
Executive Office Salaries	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,212,881.58	1,212,881.58
Employee Benefits	37,676.00	0.00	22,605.01	10,927.46	0.00	12,190.40	0.00	0.00	83,398.87
ADA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Summer Law Clerks	19,241.38	0.00	0.00	0.00	0.00	0.00	0.00	0.00	19,241.38
Indirect Costs	0.00	0.00	0.00	0.00	0.00	366,390.36	0.00	0.00	366,390.36
Grand Total	4,797,145.48	2,890,739.76	14,052,503.42	4,782,675.15	745,428.65	2,657,741.06	2,444,451.09	1,212,881.58	33,583,566.19

Total - per OBIEE (Labor Distribution Report) \$33,583,566.19

Unemployment Compensation - G0639111				29,699.35					29,699.35
Workers Compensation - G0639111				21,072.34					21,072.34
Miscellaneous Benefits (Account Code 410714)	4,660.67		5,291.70	10,935.72		1,471.47			22,359.56
Agency TOTAL Payroll	4,801,806.15	2,890,739.76	14,057,795.12	4,844,382.56	745,428.65	2,659,212.53	2,444,451.09	1,212,881.58	33,656,697.44

Total - per SWIFT MFR \$ 33,656,697.44

STATE OF MINNESOTA
 Labor Distribution Report by Expense Budget
 Fiscal Year 2020

	Legal Asst	Manager Attorney	Attorney	Support	Section Admin	Administration	Federal & Match	Policy	(Across) TOTAL
	4,801,806.15	2,890,739.76	14,057,795.12	4,844,382.56	745,428.65	2,659,212.53	2,444,451.09	1,212,881.58	33,656,697.44
Allocation of 25% of Manager Attorney Supervisory Hours									
Percentage based on subtotal	0.25		0.75						
Amount of Recharge	184,001.40	(722,684.94)	538,683.54						0.00
SUBTOTAL	4,985,807.55	2,168,054.82	14,596,478.66	4,844,382.56	745,428.65	2,659,212.53	2,444,451.09	1,212,881.58	33,656,697.44
Percentage based on subtotal	0.23	0.10	0.67						
Redistribution of Clerical Support	1,110,472.66	482,883.78	3,251,026.11	(4,844,382.56)					0.00
SUBTOTAL	6,096,280.21	2,650,938.60	17,847,504.78	0.00	745,428.65	2,659,212.53	2,444,451.09	1,212,881.58	33,656,697.44
Redistribute Overhead Salaries (Admin and Section Admin Salaries)	0.23	0.10	0.67						
	780,442.28	339,371.63	2,284,827.27		(745,428.65)	(2,659,212.53)			0.00
SUBTOTAL	6,876,722.49	2,990,310.23	20,132,332.05	0.00	0.00	0.00	2,444,451.09	1,212,881.58	33,656,697.44
Operating Expenses	0.23	0.10	0.67						
	389,665.92	169,444.38	1,140,788.17						1,699,898.47
TOTAL - Agency Expenditures - without Rent	7,266,388.41	3,159,754.62	21,273,120.22	0.00	0.00	0.00	2,444,451.09	1,212,881.58	35,356,595.91
Total Billable Hours (per docketing)	93,349.90		211,127.80						
Estimated Cost Per Hour - without Rent	77.84		115.73						
Rent	0.23	0.10	0.67						
	559,306.58	243,211.82	1,637,429.15						2,439,947.56
TOTAL - Agency Expenditures - with Rent	7,825,694.99	3,402,966.44	22,910,549.37				0.00	0.00	34,139,210.80
Total Billable Hours (per docketing)	93,349.90		211,127.80						
Estimated Cost Per Hour - with Rent	83.83		124.63						