STATE OF UTAH INSURANCE DEPARTMENT

REPORT OF FINANCIAL EXAMINATION

of

WORKERS COMPENSATION FUND

of
Sandy, Utah

as of

December 31, 2013

TABLE OF CONTENTS

June 6, 2013

Honorable Todd Kiser, Commissioner
State of Utah Insurance Department
3110 State Office Building
Salt Lake City, Utah 84114-6901

Pursuant to your instructions and in compliance with Utah Code Annotated (U.C.A.) Title 31A, an examination, as of December 31, 2013, has been made of the financial condition and business affairs of:

WORKERS COMPENSATION FUND
of
Sandy, Utah

hereinafter referred to in this report as the Company or WCF, and the following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered by Examination

Workers Compensation Fund was last examined as of December 31, 2008. The current examination included a review to determine the status of recommendations noted in the previous Report of Examination of Workers Compensation Fund dated May 6, 2010. All comments and recommendations reported in the previous examination reports were satisfactorily addressed.

The current examination covers the period from January 1, 2009 through December 31, 2013, including any material transactions and/or events occurring subsequent to the examination date noted during the course of the examination.

Examination Procedures Employed

The examination was conducted in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook* (Handbook) to determine compliance with accounting practices and procedures in conformity with the applicable laws of the State of Utah, and insurance rules promulgated by the Utah Insurance Department (the Department). The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's

compliance with Statutory Accounting Principles (SSAPs) and annual statement instructions when applicable to domestic state regulations.

The Company retained the services of a certified public accounting firm, EY, LLP, to audit its financial records for the years under examination. An unqualified opinion was rendered for all years under examination. The firm allowed the examiners access to requested work papers prepared in connection with its audits. The external audit work was relied upon where deemed appropriate.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. In order to develop an examination plan tailored to the Company's individual operating profile, the initial phase of the examination focused on evaluating the Company's business approach as well as governance and control environment. A functional activity approach was determined to be appropriate.

The examination determined the inherent risks associated with each of the functional areas and assessed the residual risk for each of the areas after considering mitigating factors. The mitigating factors considered were corporate governance and control environment, work performed by external audit functions, and work performed by internal audit. Interviews were held with the senior management and the Board of Directors of the Company to gain an understanding of the entity's operating profile and control environment. Based on the assessment of residual risk, examination procedures were reduced where considered appropriate.

The examination relied on the findings of the actuarial firm of Taylor, Walker & Associates, Inc. contracted by the Department to determine the adequacy of Loss Reserves, Loss Adjustment Expenses, Premium Deficiency Reserves, and Pricing Policy.

A letter of representation certifying that management has disclosed all significant matters and records was obtained from management and is included in the examination work papers.

SUMMARY OF EXAMINATION FINDINGS

The capital and surplus reported by the Company in its December 31, 2013, annual statement was $698,402,279. The Company's minimum capital requirement was $300,000 as defined in U.C.A. § 31A-8-209. As defined by U.C.A. § 31A-17 Part 6, the Company reported total adjusted capital of $698,402,279, which exceeded the authorized control level risk-based capital (RBC) requirement of $54,561,341 as of December 31, 2013, by $643,840,938. No comments or adjustments were made as a result of this examination.

SUBSEQUENT EVENTS

There were no subsequent events which would require disclosure.

COMPANY HISTORY

General

In 1917, the Utah State legislature adopted the Utah Workmen's Compensation Act, which required employers to provide workers' compensation insurance benefits. The employers were allowed to provide the benefits through self-insurance, private insurance, or insurance through the Utah State Insurance Fund, the Company's predecessor, which was established as a division of the newly created Industrial Commission. The Utah State Insurance Fund had the responsibility of providing workers' compensation coverage to Utah domiciled employers at the least possible cost and to provide prompt, professional service for its policyholders and their injured employees.

Legislation in 1988 and 1990 authorized the Company to operate as a non-profit business enterprise, and pursuant to U.C.A. § 31A-1-105, the Company was brought under regulation of the Department in 1993. U.C.A. § 31A-33-102 created the Company as a nonprofit, quasi-public corporation. On April 6, 1994, the Department issued a certificate of authority authorizing the Company to insure workers' compensation risks in the state of Utah.

As the result of a lawsuit filed by the Company in 2004, the Third Judicial District Court determined the State of Utah does not have an ownership interest in the Company other than as a policyholder. The State of Utah appealed the court's decision to the Utah Supreme Court. On August 23, 2005, the Utah Supreme Court affirmed the district court's decision that the State of Utah has no ownership interest in the Company or its assets other than as a policyholder.

Advantage Workers Compensation Insurance Company (AWCIC - an Indiana Domestic insurer) underwent a re-organization of ownership control during 2004. In 2004, WCF placed all shares of AWCIC stock in a voting trust administered by the National Bank of Indianapolis (Trustee) in order to resolve issues of state government control over the Company. As a result of this transfer of ownership, WCF has no voting rights under the terms of the voting trust agreement. Voting rights are vested in the Trustee who must vote as directed by a defined group of policyholders. In addition, as a consequence of this transfer of control, AWCIC is no longer a subsidiary or an affiliate of WCF; however, WCF holds the sole economic interest in AWCIC. WCF's investment in AWCIC is accounted for as unaffiliated common stock on its balance sheet. WCF uses AWCIC to provide workers' compensation insurance for out-of-state operations of Utah domiciled businesses.

The Company's Articles of Incorporation and bylaws were adopted on March 29, 1994, and April 7, 1994, respectively. No amendments to the Articles of Incorporation were made during this examination period. On May 2010, the following amendments to the bylaws were made:

> Article IV-Section 4.1 was amended to read as follows:
>
> "The Officers of the corporation shall be the Chief Executive Officer, a President, and one or more Senior Vice President, a Secretary and a Chief Financial Officer and

Assistant Officers, including but not limited to a Chief Operating Officer and/or an Executive Vice President, as may be deemed necessary may be appointed by the Board of Directors. Except as provided in the Articles of Incorporation, the same individuals may simultaneously hold more than one office in the Corporation."

Article IV-Section 4.3 was amended to read as follows:

"If appointed, in the absence of the Chief Executive Officer or in the event of his death, inability, or refusal to act, the President, the Chief Operating Officer, or the Executive Vice President, in that order, shall perform the duties of the Chief Executive Officer, and in so acting, shall have all the powers of and be subject to all of the restriction upon the Chief Executive Officers. If the Chief Executive Officer, President, the Chief Operating Officer and Executive Vice President are each unable to act, or have not been appointed by the Board of Directors, the Senior Vice Presidents in an order designated, or in the absence of any designation, then in the order of their appointment, shall have all of the powers of and be subject to all of the restrictions upon the Chief Executive Officer. The President, the Chief Operating Officer, the Executive Vice President and any Senior Vice President shall perform such duties as from time to time may be assigned to him or her by the Chief Executive Offer or the Board of Directors."

Capitalization

In 1917, the State of Utah Treasury appropriated $40,000 for the Company's original capitalization. The appropriation was repaid during the 1920s. The Company is required to maintain a minimum permanent surplus of $300,000, and it is required by U.C.A. 31A-17 Part 6 to meet risk-based capital levels.

Dividends to Policyholders

Dividends to policyholders, as reflected in the Company's statement of income were as follows:

Period	Amount
2009	$9,844,257
2010	16,819,253
2011	7,392,336
2012	3,606,237
2013	8,206,637

CORPORATE RECORDS

The board of directors and committee meeting minutes indicated the board of directors and its committees adequately approved and supported the Company's transactions and events. In accordance with U.C.A. § 31 A-2-204(8), the Company promptly furnished a copy of the prior examination report to each member of the board of directors.

Conflict of Interest Procedure

In compliance with Article III (a)(15) of the Company's bylaws, procedures for disclosure of any material conflict of interest have been established. The procedures provide that each employee will receive a copy of the policy statement, review it annually, and disclose all situations which may give rise to a conflict of interest. Additionally, directors, officers, and key employees are requested to complete annual conflict of interest disclosure questionnaires.

During the period covered by the examination, directors and officers of the Company completed conflict of interest statements annually. No exceptions were noted.

MANAGEMENT AND CONTROL

Ultimate control of the Company resides with its board of directors. U.C.A. § 31A-33-106 establishes the number of directors at seven, consisting of the executive director of the Department of Administrative Services or designee, the chief executive officer of the Company, and five directors appointed by the Governor with the advice and consent of the Senate. Three of the appointed directors are required to be owners, officers or employees of policyholders other than the State of Utah that have been insured by the Company for at least one year before their appointment. Two of the directors are required to be appointed from the public in general. Board member appointment is in accordance with the public director selection provisions for mutual insurance companies under U.C.A. § 31A-5-409.

Each director's term of office is four years beginning July 1 of the year of appointment. At the time of appointment or reappointment, the Governor shall adjust the length of terms of the Directors to ensure that no more than two terms expire in a calendar year.

The following persons served as directors of the Company as of December 31, 2013:

Name/Location	Term Expiration	Capacity	Principle Affiliation
Dallas Hansen Bradford, Chair Bountiful, Utah	2014	Public	Retired Arthur Andersen LLP, Former Managing Partner of Salt Lake City Office
Roger Alan Livingston, Vice Chair Salt Lake City, Utah	2016	Policyholder	Director, Advantage Insurance Company
Kimberly K. Hood Salt Lake City, Utah	Statutory	Public	Director of Risk Management, Utah Department of Administrative Services
Heidi Elaine Leithead Salt Lake City, Utah	2016	Policyholder	Partner, Parr Brown Gee & Loveless
David Snelgrove Layton Sandy, Utah	2014	Policyholder	Owner, Layton Construction
Lane Alma Summerhays Salt Lake City, Utah	2015	Public	Retired Former CEO, Workers Compensation Fund
Ray David Pickup Salt Lake City, Utah	Statutory	Office	President & Chief Executive Officer, Workers Compensation Fund

The following directors constituted the membership of the Company's committees at the examination date:

Investment Committee	Compensation, Benefits and Human Resources Committee
Lane Alma Summerhays, Chair	Lane Alma Summerhays, Chair
Dallas Hansen Bradford	Dallas Hansen Bradford
Kimberly K. Hood	David Snelgrove Layton
Ray David Pickup	Ray David Pickup
David Snelgrove Layton	Roger Alan Livingston
Risk Overview Committee	**Marketing Committee**
Kimberly K. Hood, Chair	Roger Alan Livingston, Chair
David Snelgrove Layton	Heidi Elaine Leithead
Heidi Elaine Leithead	Lane Alma Summerhays
Ray David Pickup	Ray David Pickup
Audit Committee	
Dallas Hansen Bradford, Chair	
Kimberly K. Hood, Vice Chair	
Roger Alan Livingston	

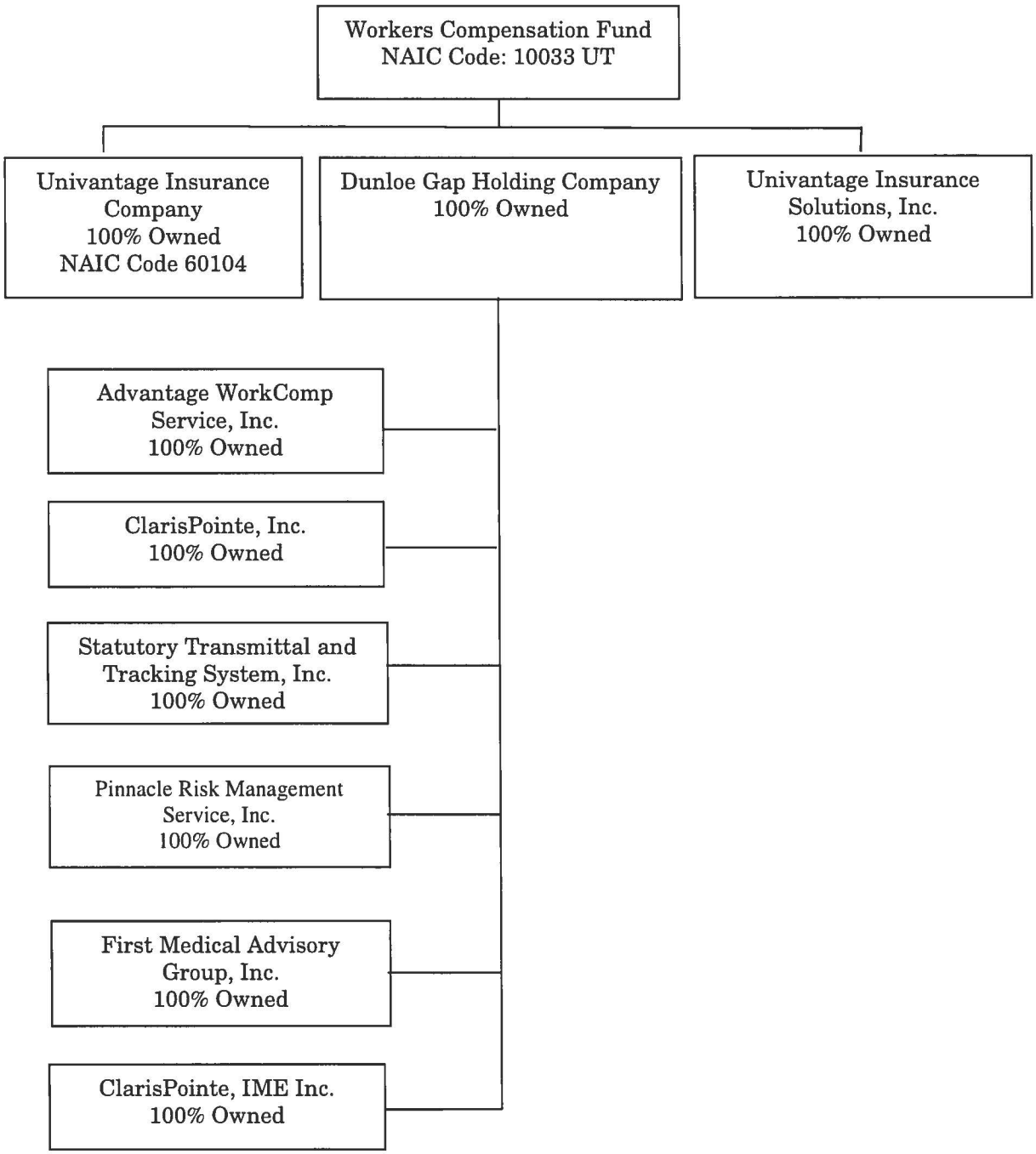
Officers elected by the board of directors and serving at the examination date follow:

Officer	Office
Ray David Pickup	President and Chief Executive Officer
Robert Harold Short	Executive Vice President
Dennis Vaughn Lloyd	Senior Vice President, General Counsel, and Corporate Secretary
Scott Edward Westra	Senior Vice President, Chief Financial Officer, and Corporate Treasurer
Danny Mason Hair	Senior Vice President, Chief Underwriting and Safety Officer
Peggy Jean Larsen	Senior Vice President, Chief Marketing Officer
Debi Ann Mofford	Senior Vice President, Chief Information Officer
Charles Edward Pugh	Senior Vice President, Chief Claims Officer

Affiliated Companies

The Company is the ultimate controlling member of an insurance holding company system. An organizational chart presenting the identities of and interrelationships between the Company and its affiliates on December 31, 2013, follows:

ORGANIZATIONAL CHART
as of 12/31/2013



- Univantage Insurance Company (UIC) is a Utah domiciled insurer acquired by the Company on January 8, 1996, for the purpose of expanding its insurance activities to life and health coverages. However, subsequent to the acquisition date, U.C.A. § 31A-33-103.5 was amended to limit the Company and its subsidiaries to offering only workers' compensation insurance coverage. The subsidiary's insurance operations are dormant and it has no insurance in force. Financial activity of the subsidiary consisted mainly of earnings on its invested assets.

- Univantage Insurance Solutions, Inc. (UIS), is a managing general agent licensed in the State of Utah. UIS was incorporated on October 13, 2009, to facilitate non-workers' compensation coverage solutions to policyholders of the Company.

- Dunloe Gap Holding Company (Dunloe Gap) was incorporated in July 1, 2012, as a holding company for Pinnacle Risk Management Services, Inc. and other wholly owned subsidiaries which provide third-party claims administration, medical case management, fraud investigation, bill review, and independent medical evaluations for self-insured entities and other insurance companies.

- Pinnacle Risk Management Services, Inc. (Pinnacle) is a wholly owned subsidiary under Dunloe Gap that provides third-party administration of workers' compensation claims. Pinnacle provides claims administration services to Advantage WorkComp Insurance Company (AWCIC) and WCF for claims incurred in states other than Utah by employees of WCF's Utah-based policyholders.

- Advantage WorkComp Services, Inc. (AWCS) is a wholly owned subsidiary under Dunloe Gap that provides bill review, utilization review, medical case management and other services to WCF, clients of Pinnacle and to other workers' compensation insurers.

- ClarisPointe, Inc. (Claris) is a wholly owned subsidiary under Dunloe Gap that provides medical services as a Preferred Provider Organization (PPO).

- Statutory Transmittal and Tracking Systems, Inc. is a wholly owned subsidiary under Dunloe Gap that is dormant and currently providing no services.

- First Medial Advisory Group, Inc. is a wholly owned subsidiary under Dunloe Gap that schedules independent medical exams.

- ClarisPointe, IME, Inc. is a wholly owned subsidiary under Dunloe Gap and is currently inactive.

Transactions with Affiliates

No major transactions with affiliates were noted during this examination other than those transactions under the agreements below.

As of December 31, 2013, the Company was party to various agreements with affiliated companies.

On January 1, 2011, the Company entered into separate, but identical, Service Agreements with each of the following subsidiaries:

- Univantage Insurance Company
- Pinnacle Risk Management Services, Inc.
- Advantage WorkComp Services, Inc.
- ClarisPointe, Inc.
- ClarisPointe IME, Inc.
- First Medical Advisory Group, Inc.
- Statutory Transmittal and Tracking Systems, Inc.

Pursuant to the Service Agreements, the Company provides operational support including labor, materials and equipment to administer, market, and service insurance policies and related services. Operational support includes:

- Clerical services
- Legal services
- Financial and accounting services
- Marketing services
- Human resource and payroll services
- Physical location and operating suite
- Information technology services

Fees are based on hourly services performed at commercially reasonable rates. Payment is due 30 days after the receipt of invoice. Invoices are sent monthly.

Other agreements are as follows:

- On April 29, 1998, the Company entered into an Investment Agreement with affiliate, Univantage Insurance Company (UIC). Pursuant to the agreement, the Company agrees to invest and manage the funds of UIC in accordance with UIC's investment guidelines. Fees are based on hourly services performed at commercially reasonable rates. Payment is due within 30 days after receipt of invoice.

- On January 1, 2006, the Company entered into a Claims Service Agreement with affiliate, Pinnacle Risk Management Services, Inc. (Pinnacle). Pursuant to the agreement, Pinnacle will represent and act in matters pertaining to the liability of the

Company for claims under the Workers Compensation Act, or similar law, in the State of Utah. Fees are based on a charge per claim and paid within 30 days after receipt of invoice.

- On January 1, 2006, the Company entered into a Claims Service Agreement with affiliate, Pinnacle Risk Management Services, Inc. (Pinnacle). Pursuant to the agreement, Pinnacle will act as claims administrator for certain out of state exposures relating to business the Company fronted for Old Republic Insurance Company (Old Republic). The Company no longer writes policies for Old Republic but there are still outstanding claims. Fees are based on a charge per claim and paid within 30 days after receipt of invoice.

TRANSACTION WITH NON-AFFILIATED COMPANIES

Administrative Service Agreement

The Company entered into an administrative service agreement with AWCIC on July 1, 2004, with amendments in 2006 and 2007. Per the agreement the Company agrees to provide to AWCIC personnel, support, and facilities to assist AWCIC with operations when and as needed by AWCIC to conduct its business. The agreement stipulates that AWCIC shall, at all times, have ultimate responsibility for and control of operations. Services provided by the Company include financial, accounting, and actuarial services; underwriting services; claims services; legal services/computer/technical services and office services.

Surplus Maintenance Agreement

The Company has been reporting AWCIC as an investment on the Schedule D – Part 2-Section 2 of the financial statements. In order to protect its investment in AWCIC and to ensure that AWCIC maintains an A- rating by AM Best, the Company entered into a surplus maintenance agreement. Per the agreement, the Company agrees to cause Advantage to maintain surplus in an amount which equals $50,000,000. In consideration of this agreement, AWCIC agreed to comply with various terms to help lower the risk of the surplus depletion. This agreement automatically renews for consecutive one year terms unless a twelve month written notice of non-renewal is given by either party before the end of the expiring term. Notwithstanding the forgoing, the agreement automatically terminates upon receipt of notice of a rating downgrade action by A.M. Best of below A-rating.

FIDELITY BOND AND OTHER INSURANCE

The minimum fidelity coverage suggested by the National Association of Insurance Commissioners for an insurer of the Company's size and premium volume is not less than $1,750,000. As of December 31, 2013, the Company had sufficient fidelity bond coverage subject to a loss limit of $10,000,000.

The Company was a named insured under various policies providing property, building flood and earthquake and automobile coverage. In addition, the Company carried general and excess liability coverage and specific coverage for directors and officers' liability.

PENSION AND INSURANCE PLANS

The Company contributes to the State and School Retirement System and State and School Noncontributory Retirement System, cost-sharing multi-employer defined benefit pension plans administered by the Utah Retirement System (System). The System provides refunds and retirement benefits to plan members and beneficiaries in accordance with retirement statutes.

Plan members in the State and School Contributory Retirement System are required to contribute 6% and the Company is required to contribute 14.27% for participating employees' salaries to the Tier 1 system and 16.81% to the Tier 2 system for the first six months of 2013 and 15.97% to the Tier 1 system 16.75% to the Tier 2 system for the last 6 months of 2013. In the State and School Noncontributory Retirement System, the Company is required to contribute 18.76% of participating employee' salaries for the first six months of 2013 and 20.46% for the last six months of 2013. The contributing rates are actuarially determined. The contribution requirements of the State and School Noncontributory Retirement System are authorized by the statute.

Employees participating in the contributory or non-contributory plans are also eligible to participate in a 401(k) salary deferred program and each individual employee may elect to contribute additional amounts.

The Company also administers unfunded retirement plans for both a current and former executive.

The Company offers its employees a variety of medical and dental options. The Company shares in the cost of the coverage. The Company also provides workers' compensation insurance and basic group term life insurance at no cost to employees. Optional benefits included additional coverage of life, accidental death, and dismemberment for the employee and/or their dependents.

INSURANCE PRODUCTS AND RELATED PRACTICES

Underwriting

The Company filed and used its own policy applications, schedules, and endorsements to supplement the NCCI forms when it was considered appropriate and necessary.

All policies currently issued are for a specified policy period with effective and expiration dates shown on the policy information page. Policy periods are generally one year unless a short-term policy is required for a specific reason. Estimated premiums for the policy period are based on estimated payroll with the final premium determined by audit after expiration of the policy.

U.C.A. § 31A-22-1001 obligates the Company to write all workers' compensation insurance for which an application is received. Consequently, underwriting was essentially limited to proper classification of employees, selection of a premium payment plan, and calculation of premiums. NCCI occupational codes were used to assign employee classifications.

TERRITORY AND PLAN OF OPERATION

The Company was created by U.C.A. § 31A-33, to insure Utah employers against liability for compensation based on job-related accidental injuries and occupational diseases and to assure payment of this compensation to Utah employees who are entitled to it. In accordance with U.C.A. § 31A-33-103.5(2), the Company may only offer:

(1) workers' compensation insurance in Utah;
(2) workers' compensation insurance in a state other than Utah to the extent necessary to accomplish its purpose under U.C.A. § 31A-33-102(1)(b); and to provide workers' compensation or occupational disease insurance coverage to Utah employers and their employees engaged in interstate commerce; and
(3) workers' compensation products and services in Utah and other states.

The Company maintained approximately a 50 percent market share of all workers' compensation insurance written in the State of Utah. Its products were marketed by approximately 22 salaried employee/agents and about 43 appointed independent insurance agencies, comprised of around 200 licensed agents. The marketing senior vice president supervised the employee/agents and was the point of contact between the Company and its independent agents.

GROWTH OF THE COMPANY

The following exhibit depicts the Company's financial results throughout the examination period:

	2013	2012	2011	2010	2009
Assets	$1,680,493,800	$1,570,166,469	$1,482,815,213	$1,481,831,170	$1,465,853,498
Liabilities	982,091,521	951,426,382	907,681,737	880,702,783	902,882,892
Surplus	698,402,279	618,740,087	575,133,476	601,128,387	562,970,606
Net Income	40,004,375	39,920,197	18,411,185	33,851,853	50,312,306
Premiums Earned	196,907,419	180,561,920	155,531,682	155,166,592	188,466,026

REINSURANCE

Assumed:

During 2013, the Company contracted with AWCIC for out-of-state operations of Utah businesses. WCF assumes the majority of risk associated with these arrangements. Effective January 1, 2013, the Company reinsures AWCIC for 50% of claim costs on policies assumed from AWCIC. In 2013, the Company assumed $9.5 million in premiums from AWCIC.

Ceded:

The Company's reinsurance program, effective for calendar year 2013, provided per occurrence reinsurance coverage of $80 million in excess of $20 million, with a second occurrence drop down retention of $5 million to protect against catastrophic losses.

ACCOUNTS AND RECORDS

The Company's computer systems operate on mainframe, mid range and server based hardware. The policy administration, claims administration, billing, and accounts payable are proprietary applications that were developed internally. The general ledger is an in-house maintained application. All systems are fully integrated. All major accounting records are maintained electronically. General ledgers, subsidiary ledgers, and journals are not maintained in hard copy form. Trial balances and summary reports are extracted from a database.

STATUTORY DEPOSITS

Pursuant to U.C.A. § 31A-4-105, the Company is required to maintain a statutory deposit equal to its minimum permanent surplus of $300,000. The examination confirmed the Company maintained a statutory deposit with the Department consisting of U.S. Treasury Notes with a statement value of $315,750 and a market value of $355,898, which was adequate to cover the required deposit of $300,000.

FINANCIAL STATEMENTS

The Company's financial condition as of December 31, 2013, and the results of its operations during the twelve months then ended, as determined by examination, are reported in the following financial statements:

BALANCE SHEET as of December 31, 2013

STATEMENT OF REVENUE AND EXPENSES for the Year Ended December 31, 2013

RECONCILIATION OF CAPITAL AND SURPLUS – 2009 through 2013

The accompanying NOTES TO FINANCIAL STATEMENTS are an integral part of the financial statements.

WORKERS COMPENSATION FUND
BALANCE SHEET (ADMITTED ASSETS)
as of December 31, 2013

	Net Admitted Assets	Notes
Bonds	$ 1,207,397,922	
Common stock	234,659,269	
Mortgage loans on real estate-first leins	53,349,641	
Real estate-Properties occupied by the Company	58,761,209	
Real estate-Properties held for the production of income	12,547,156	
Cash and short-term investments	40,326,017	
Other invested assets	29,838,566	
Receivables for securities	3,469,243	
Investment income due and accrued	13,393,402	
Uncollected premiums and agents' balances in course of collection	7,741,372	
Deferred premiums, agents' balances and installed booked but deffered and not yet due	4,929,616	
Amounts recoverable from reinsurers	154,752	
Funds held by or deposited with reinsured companies	8,009,385	
Electronic data processing equipment	1,247,211	
Receivable from parent, subsidiary and affiliates	1,500,094	
Other assets	3,168,945	
Total assets	$ 1,680,493,800	

WORKERS COMPENSATION FUND
BALANCE SHEET (LIABILITIES, SURPLUS, AND OTHER FUNDS)
as of December 31, 2013

			Notes
Losses	$	839,412,366	
Loss adjustment expenses		90,130,156	
Commmisions payable, contingent commisssions, and other similar charges		592,223	
Other expenses, excluding taxes, licenses and fees		9,349,174	
Taxes, licenses and fees due or accred, excluding federal income taxes		2,119,627	
Unearned premiums		35,095,578	
Advance premiums		2,500,005	
Ceded reinsurance premiums payable		66,452	
Amounts withheld or retained by company for account of others		1,666,556	
Remittances and items not allocated		38,207	
Payable for securities		184,580	
Other liabilities		936,597	
Total liabilities	$	982,091,521	
Unassigned funds (surplus)		698,402,279	1
Surplus as regards policyholders		698,402,279	
Total liabilities, surplus and other funds	$	1,680,493,800	

WORKERS COMPENSATION FUND
STATEMENT OF REVENUE AND EXPENSES
for the Year Ended December 31, 2013

Underwriting income:		
Premiums earned	$	196,907,419
Deductions:		
Losses incurred		(138,081,313)
Loss adjustment expenses incurred		(28,522,063)
Other Underwriting expenses incurred		(50,002,473)
Total Underwriting deductions	$	(216,605,849)
Net undwriting gain or (loss)	$	(19,698,430)
Investment income:		
Net investment income earned		52,449,770
Net realized capital gains or (loss)		15,995,440
Net investment gain or (loss)	$	68,445,210
Other income:		
Net gain or (loss) from agents' or premium balances charged off		(651,884)
Aggregate write-ins for miscellaneous income -- other income		116,115
Total other income	$	(535,769)
Net income before dividends to policyholders		48,211,011
Dividens to policyholders		(8,206,636)
Net income, after dividends to policyholders but before federal and foreign income taxes	$	40,004,375
Federal and foreign income taxes incurred		-
Net income	$	40,004,375

WORKERS COMPENSATION FUND
RECONCILIATION OF CAPITAL AND SURPLUS
2009 through 2013

	2009	2010	2011	2012	Per Exam 2013	Notes
Surplus prior year	$460,506,782	$ 562,970,606	$ 601,128,387	$ 575,133,476	$ 618,740,087	
Net income (loss)	50,312,306	33,851,853	18,411,185	39,902,197	40,004,375	
Change in net unrealized capital gains (loss)	52,992,466	16,454,501	(48,043,128)	736,342	40,599,286	
Change in nonadmitted assets	(840,948)	(10,945,881)	3,044,531	2,962,482	(955,588)	
Change in provision for reinsurance	-	(1,202,692)	592,501	5,590	14,120	
Net change in surplus	102,463,824	38,157,781	(25,994,911)	43,606,611	79,662,193	
Surplus end of reporting year	$562,970,606	$ 601,128,387	$ 575,133,476	$ 618,740,087	$ 698,402,280	1

NOTES TO FINANCIAL STATEMENTS

1. Capital and Surplus $686,402,280

No adverse findings, material changes in the financial statements, or other significant regulatory information was disclosed by the examination.

No examination adjustments were made to the Company's unassigned surplus of $698,402,280. U.C.A. § 31A-5-211 requires the Company to maintain permanent surplus in the amount of $300,000. In accordance with U.C.A. 31A-17 Part 6, the Company's total adjusted capital was $698 million or approximately 12.8 times its authorized control level Risk-Based Capital (RBC) of $54.6 million.

ACKNOWLEDGEMENT

Glenn Taylor, ACAS, MAAA, of the actuarial firm of Taylor-Walker & Associates performed the actuarial phases of the examination. In addition to the undersigned, Donald R. Catmull, Assistant Chief Examiner, supervised the examination. In addition to the undersigned, John V. Normile, CFE, of INS Regulatory Insurance Services, Inc., and Robert E. Ficken, CISA, CIA, CFE, AES, of INS Services, Inc., participated in the examination representing the Utah Insurance Department. In addition, Cory L. Starley and James W. Borrowman, examiners for the Utah Insurance Department also participated in the examination. They join the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers, employees, and representatives of the Company.

Respectfully Submitted,

Neeraj Gupta

Neeraj Gupta, CFE
Examiner-in-Charge
INS Regulatory Insurance Services, Inc.
Representing the Utah Insurance Department