





MR.PRESIDENT HOW LONG MUST WOMEN WAIT FOR LIBERTY

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MR. PRESIDENT WHAT WILL YOU DO FOR WOMAN SUFFRAGE

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Section Sectio





THE STATE INSURANCE FUND

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Market Share

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all others 75%

25% SIF

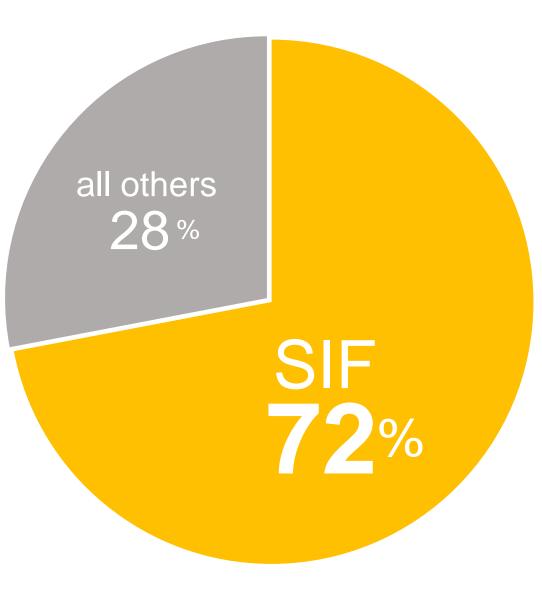








Market Share



State Insurance Fund Reputation...

- •Pay all the claims that came in the door
- •Manual processes...card files...ledger books
- •Play cards in the back room



Failed Thrift Crisis

What entities exist in or near state government that could give rise to an allegation of state liability for their failure?



Insurer of last resort by statute



Formal organizational study recommends autonomy from state



Legislature makes WCF a nonprofit, quasi-public corporation

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New WCFU Initiatives

Fraud Detection **Utilization Review** Vocational Rehabilitation **Bill Review Hospital Contracts**



Internal Revenue Service

Department of the Treasury

Washington, DC 20224

Contact Person

Workers Compensation Fund of Utah 392 East 6400 South Murray, Utah 84107 Edwin Brown Telephone Number: 202-622-7672 In Reference Ic: OP:E:E0:T:3 Date: UEU 2 J 1998

Internal Revenue Code: 501(c)(27) Employer Identification Number: 87-0407018 Accounting Period Ending: December 31 Form 990 Required: No

Dear Applicant:

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Based on the information supplied, and assuming your operations will be as stated in your application for recognition of exemption, we have determined you are exempt from federal income tax under section 501(a) of the Internal Revenue Code as an organization described in the section indicated above effective January 1, 1998.

Unless specifically excepted, you are liable for taxes under the Federal Insurance Contributions Act (social security taxes) for each employee to whom you pay \$100 or more during the calendar year. Unless excepted, you are also liable for tax under the Federal Unemployment Tax Act for each employee to whom you pay \$50 or more during a calendar quarter if, during the current or preceding calendar year, you had one or more employees at any time in each of 20 calendar weeks or you paid wages of \$1,500 or more in any calendar quarter. If you have any questions about excise, employment, or other federal taxes, please contact your key district office.

If your sources of support, or your purposes, character, or method of operation change (including any change in the benefits or eligibility rules), please let the Ohio EP/EO key district office know so that office can consider the effect of the change on your exempt status. In the case of an amendment to your organizational document or bylaws, please send a copy of the amended document or bylaws to Ohio EP/EO key district. Also, you should inform the Ohio EP/EO key district office of all changes in your name or address.

In the heading of this letter we have indicated whether you must file Form 990, Return of Organization Exempt from Income Workers Compensation Fund of Utah

Tax. Since it appears that you are a governmental Unit or an affiliate of a governmental unit you are not required to file Form 990. (See Rev. Proc. 95-48, 1995-2 C.B. 418).

You are not required to file federal income tax returns unless you are subject to the tax on unrelated business income under section 511 of the Code. If you are subject to this tax, you must file an income tax return on Form 990-T. Exempt Organization Business Income Tax Return. In this letter we are not determining whether any of your present or proposed activities are unrelated trade or business as defined in section 513 of the Code.

Contributions to your organization are not deductible by donors under section 170(c)(2) of the Code. Under section 6113, any fund-raising solicitation (including a solicitation for membership dues payment) you make must include an express statement (in a conspicuous and easily recognizable format) that contributions and gifts are not deductible as charitable contributions for federal income tax purposes. Section 6113 does not apply, however, if your annual gross receipts are normally \$100,000 or less, or if your solicitations are made to no more than ten persons during a calendar year. The law provides penalties for failure to comply with this requirement, unless the failure is due to reasonable cause.

Please use the employer identification number indicated in the heading of this letter on all returns you file and in all correspondence with the Internal Revenue Service.

We are informing the Ohio EP/EO key district office of this ruling. Because this letter could help resolve any questions about your exempt status, you should keep it in your permanent records.

If you have any questions about reporting requirements or about excise, employment, or other federal taxes, please contact the Ohio EP/EO Customer Service office at 877-829-5500 (a toll free number) or send correspondence to the following address: Internal Revenue Service, EP/EO Customer Service, P.O. Box 2508, Cincinnati, OH 45201. If you have any immediate questions about this ruling, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Marz Om

Marcus S. Owens Director, Exempt Organizations Division

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Attorney General white paper





MICHAEL O. LEAVITT GOVERNOR OFFICE OF THE GOVERNOR SALT LAKE CITY 84114-0601

OLENE S. WALKER LIEUTENANT GOVERNOR

June 18, 2003

The Honorable L. Alma Mansell President of the Senate

The Honorable Martin R. Stephens Speaker of the House

Members of the Utah Legislature

Dear President Mansell, Speaker Stephens, Honorable Legislators:

During the past several weeks, I have engaged in an in-depth review of the Workers Compensation Fund with the specific purpose of considering whether a change in WCF's status and mission is appropriate. I am pleased to present you with the product of these labors in the following pages and accompanying materials. This report represents the work of many expert hands and arduous analysis.

My report includes background and key policy issues, along with several details presented in question and answer format. My intent is to inform, not to make recommendations, although I reserve the right to offer recommendations in the future after you have a chance to study and discuss the issues. Included in my report are several attachments you will find referenced in the table of contents.

Simultaneously, I am conveying to you the reports of our outside experts: Deloitte & Touche, and Houlihan Lokey Howard & Zukin.

I intend to provide public access to all of this material by placing it on the state website at utah.gov

Because of the importance and complexity of these issues, I urge the Legislature and all interested parties to become engaged and study them carefully.

Sincerely Michael Cent Michael O. Leavitt

Governor

UTAH SUPREME COURT DECISIONS

1936 • Chez v. Industrial Commission

1977 · Gronning v. Smart

1978 • State Tax Comm. v. Dept. of Finance

1982 Hansen v. State Board of Retirement

WCF files declaratory action

AN ALA WALK

Negotiations, legislation, and a ruling.

Workers' Compensation Fund v. State





A \$50 million blunder?

State misses chance to get workers comp money

By Bob Bernick Jr.

Deseret Morning News

Utah taxpayers lost \$50 million Tuesday.

No, the Tax Commission didn't drop a big bag of cash out the back of a truck. And no one made off with the Governor's Mansion.

Instead, the Utah Supreme Court ruled that the state has no ownership in the Workers Compensation Fund.

"This was a \$50 million fiasco," said Sen. Curt Bramble, R-Provo, when informed of the high court's decision. "We're delighted with this opinion," said

Lane Summerhays, president and CEO of the WCF. "True, that \$50 million was on the table. And it's not there now."

In the 2003 Legislature, Bramble, after being asked by then-Goy. Mike Leavitt to look at the fund's operations, tried to get Leavitt and the Legislature to "make a deal" with the WCF: Sell any perceived ownership in the fund for \$50 million. But his bill went nowhere. He tried again, but failed in 2004

"This was a check in our hands." Bramble said Tuesday "It seemed to me a really win-win

proposition. The state got \$50 million; the fund clarified its position" by all agreeing the state had no ownership in the operation, he added.

The fund was originally set up by the state back in 1917 as an "insurer of last resort" for private and public entities that couldn't get injured worker insurance elsewhere. The fund, which now has 30,000 clients, makes payments to workers hurt on the job. But over the years the state had separated itself from the fund through a series of legislative and administrative actions.

Still, the "quasi-governmental" veil hung over the fund. Idaho insurance regulators said their own laws prohibited operations by any insurance firm in Idaho owned by another state, and the WCF's Advantage subsidiary was doing good business there. Some Utah competitors also claimed that WCF's non-tax status was an unfair advantage

To clear up all legal issues and separate the fund from all state ties, the WCF, which always believed the state had no direct ownership other than being a policyholder. offered the \$50 million "buy-out," Bramble said

But Leavitt, a number of legislators and others balked in 2003. Some, including Dane Leavitt, Mike Leavitt's brother and head of the Leavitt family insurance empire (which the governor ran before winning office in 1992).

believed the state's interest in the huge fund was a lot more than \$50 million. Maybe it was as much as \$300 million, the money in the fund above what was needed to pay anticipated worker claims.

Fearing a political backlash if it proved out that the state had sold on the cheap, legislators opted for more time. An exhaustive study of the fund ensued, and the WCF sued the state In 2004, more work was done, and the \$50 million buy-out was offered again.

along with settlement of the suit. But then-Gov. Olene Walker (who succeeded to the governor's office when Mike Leavitt resigned to join the Bush administration) didn't accept the compromise bill.

"I thought we had a deal on that one." said House Speaker Greg Curtis, R-Sandy, "We thought we had an agreement on a third version with the governor," he added. "But it turned out to be a no-go. It con-

tained the \$50 million " Bramble ran no WCF bill in the 2005 Legislature. A district court gave a summary judgment in favor of the WCF (not a good legal sign for the state), and the high court in a 5-0 decision Tuesday upheld that

milino The high court said the "state of Utah has no ownership interest in the Workers Compensation Fund or its assets other than as a policyholder." Furthermore, the court ruled that aside from the Legislature's ability to change governing statutes, the state

has no managerial, financial or operational control of the WCF.

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Curtis said the state of Utah is still one of the largest policyholders in WCF. "That has some value. Is it \$50 million? Probably

But if the WCF wants to get out of being the insurer of last resort in Utah -"then there is some value in those policies." Curtis said. And the speaker guesses that the Legislature would extract some monetary value out of the fund if lawmakers agreed to set up some other kind of insurer of last resort and let the fund out of its current obligations.

Summerhays said all the major issues concerning the fund have now been settled. The Supreme Court's decision "is the last piece to settle everything down."

All the above action took place before Gov. Jon Huntsman Jr. took office last January. His spokeswoman, Tammy Kikuchi, said that the state values what the fund does for both employers and employees. Even with the high court's ruling that the state has no ownership other than as a policyholder. Kikuchi said. "Gov. Huntsman is hopeful that the fund will continue to serve Utah's work force well." Did the state screw up in not taking the

\$50 million? "We won't comment on actions of previous administrations," she said

Legislature passes SB 63, which allows policyholders to elect board members and for the reunion of WCF and Advantage on January 1, 2016.









Legislature unanimously passes SB 92, which repeals WCF's enabling legislation and converts it into a mutual insurance corporation.



	Enrolled Copy S.B. 92			
1	WORKERS' COMPENSATION FUND REVISIONS			
2	2017 GENERAL SESSION			
3	STATE OF UTAH			
4	Chief Sponsor: Curtis S. Bramble			
5	House Sponsor: Val L. Peterson			
6 7	LONG TITLE			
8	General Description:			
)	This bill repeals the statute creating the Workers' Compensation Fund and makes			
)	conforming amendments.			
l	Highlighted Provisions:			
2	This bill:			
3	 repeals the statute creating the Workers' Compensation Fund; 			
1	 removes statutory references to the Workers' Compensation Fund; 			
5	 addresses the obligation to write workers' compensation insurance and residual 			
5	market mechanisms;			
7	 provides for the Workers' Compensation Fund's transition to a mutual corporation; 			
3	 modifies membership on the workers' compensation advisory council; 			
)	 addresses methods to obtain workers' compensation insurance; 			
)	 amends the provision addressing penalty for failure to obtain workers' 			
l	compensation;			
2	 modifies the provision addressing exemptions for employees temporarily in state; 			
3	 addresses continuing education requirements for contractor licensees; and 			
4	 makes technical and conforming amendments. 			
5	Money Appropriated in this Bill:			
5	None			
7	Other Special Clauses:			
3	This bill provides a special effective date.			

Date	Action	Location	Vote
1/19/2017	Bill Numbered but not Distributed	Legislative Research and General Counsel	
1/19/2017	Numbered Bill Publicly Distributed	Legislative Research and General Counsel	
1/19/2017	LFA/ bill sent to agencies for fiscal input	Legislative Research and General Counsel	
1/21/2017	LFA/ fiscal note sent to sponsor	Legislative Research and General Counsel	
1/21/2017	LFA/ fiscal note publicly available	Legislative Research and General Counsel	
1/23/2017	Senate/ received bill from Legislative Research	Waiting for Introduction in the Senate	
1/23/2017	Senate/ received fiscal note from Fiscal Analyst	Waiting for Introduction in the Senate	
1/23/2017	Senate/ 1st reading (Introduced)	Senate Rules Committee	
1/25/2017	Senate/ to standing committee	Senate Business and Labor Committee	
1/27/2017	Senate Comm - Favorable Recommendation	Senate Business and Labor Committee	503
1/30/2017	Senate/ committee report favorable	Senate Business and Labor Committee	
1/30/2017	Senate/ placed on 2nd Reading Calendar	Senate 2nd Reading Calendar	
2/13/2017	Senate/ 2nd reading	Senate 2nd Reading Calendar	
2/13/2017	Senate/ passed 2nd reading	Senate 3rd Reading Calendar	26 0 3
2/14/2017	Senate/ 3rd reading	Senate 3rd Reading Calendar	
2/14/2017	Senate/ passed 3rd reading	Clerk of the House	25 0 4
2/14/2017	Senate/ to House	Clerk of the House	
2/14/2017	House/ received from Senate	Clerk of the House	
2/15/2017	House/ 1st reading (Introduced)	House Rules Committee	
2/16/2017	House/ to standing committee	House Business and Labor Committee	
2/21/2017	House Comm - Favorable Recommendation	House Business and Labor Committee	905
2/21/2017	House Comm - Consent Calendar Recommendation	House Business and Labor Committee	905
2/22/2017	House/ comm rpt/ placed on Consent Calendar	House Business and Labor Committee	
2/22/2017	House/ 2nd reading	House Consent Calendar	
2/24/2017	House/ 3rd reading	House Consent Calendar	
2/24/2017	House/ passed 3rd reading	House Speaker	65 0 10
2/24/2017	House/ signed by Speaker/ returned to Senate	Senate President	
2/24/2017	House/ to Senate	Senate President	
2/24/2017	Senate/ received from House	Senate President	
2/24/2017	Senate/ signed by President/ sent for enrolling	Legislative Research and General Counsel / Enrolling	
2/24/2017	Bill Received from Senate for Enrolling	Legislative Research and General Counsel / Enrolling	
2/24/2017	Draft of Enrolled Bill Prepared	Legislative Research and General Counsel / Enrolling	
3/14/2017	Enrolled Bill Returned to House or Senate	Senate Secretary	
3/14/2017	Senate/ enrolled bill to Printing	Senate Secretary	
3/15/2017	Senate/ received enrolled bill from Printing	Senate Secretary	
3/15/2017	Senate/ to Governor	Executive Branch - Governor	
3/24/2017	Governor Signed	Lieutenant Governor's office for filing	





GARY R. HERBERT GOVERNOR STATE OF UTAH Office of the Governor Salt Lake City, Utah 84114-2220

SPENCER J. COX LIEUTENANT GOVERNOR

July 1, 2017

Ray D. Pickup President and CEO WCF Insurance 100 West Towne Ridge Parkway Sandy, Utah 84070

Dear WCF Insurance Members,

Congratulations on 100 years of service in the state of Utah. This is an incredible achievement for WCF Insurance, its policyholders, and the many employees who have been faithfully protected from financial hardship during workplace accidents.

After the 1917 Workers' Compensation Act required all Utah employers to have insurance for their employees, WCF Insurance was established through a state fund to compete with existing insurance carriers. It has since become an indispensable option to many employers as the best means of protecting their valued employees.

Throughout the past 100 years, WCF Insurance has expanded to include multistate customers through its Advantage Workers Compensation Insurance Company, which is now licensed in all fifty states and includes claim offices throughout the western United States. Despite incredible growth, WCF Insurance has maintained excellent coverage to individual policyholders and their employees, providing stellar, personal service to policyholders and consistently promoting safety in the workplace.

Thank you for your dedication to serving hardworking Utahns. I look forward to the achievements of WCF Insurance in the years to come.

Harg n. Hubert

Gary R. Herbert Governor

Utah Code

63E-1-403 Privatization process -- Audit.

(1) If an independent entity seeks to privatize the independent entity, it shall:

- (a) submit to the Legislature recommended legislation to:
 - (i) repeal the authorizing statute and revise state law as necessary to terminate its relationship to the state; and
 - (ii) address the value of any interests the state holds in the independent entity and whether the state should receive compensation for those interests as part of privatization; and
- (b) be audited by the state auditor:
 - (i) within one year prior to the effective date of legislation that repeals the authorizing statute to terminate the relationship between the independent entity and the state; and
 - (ii) to determine the amount, nature, and source of revenues and assets of the independent entity.
- (2) The relationship between the state and an independent entity may not be terminated except by the repeal of the authorizing statute of the independent entity.

Enacted by Chapter 201, 2001 General Session





OFFICE OF THE STATE AUDITOR



March 30, 2017

Mr. Ray Pickup CEO Workers' Compensation Fund 100 West Towne Ridge Parkway Sandy, Utah 84070

Dear Mr. Pickup:

The statute authorizing Workers' Compensation Fund (WCF) as an independent entity to be repealed through the passage of Senate Bill 92.

UCA 63E-1-403(1)(b) requires that an audit be performed by the state auditor, within one year prior to the effective date of the mentioned legislation, to determine the amount, nature and source of revenues and assets of the independent entity.

Each year, WCF provides the Office of the State Auditor a copy of its audited financial statements. Most recently, WCF provided, and we have reviewed, its audited financial statements as of December 31, 2016. The audit was performed by Ernst & Young, LLP, under the delegated authority of the State Auditor, who expressed an unqualified opinion thereon.

I believe this audit meets the requirement stated in UCA 63E-1-403(1)(b).

I further note, as established by the Utah Supreme Court, that the state of Utah holds no interest in the assets of WCF other than as a policyholder of the company. See *WCF v. State*, No. 20040504 Filed August 23, 2005, 2005 UT 53.

John Dougall State Auditor

Sincerely

(cc: Dennis Lloyd, Senior Vice President General Counsel, WCF Senator Curtis S. Bramble Representative Val L. Peterson



Utah State Legislature

Recognizes



On the occasion of their 100th Anniversary

1917 - 2017

Thank you for 100 years of service to the people of Utah

Presented this 27th Day of February, 2017

Senate Fresident Wayne Niederhauser

Senator Karen Mayne









PROTECTING WORKERS

