Michigan Self-Insurers' Security Fund

Annual Report 2015

(Including Bankruptcy, Financial & Actuarial Summaries)

March 31, 2016

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Summary of Self-Insurers' Security Fund

The Self-Insurers' Security Fund (SISF) provides workers' compensation benefits to employees of self-insured employers who become insolvent after November 15, 1971. Being an approved self-insurer is a lower cost option for employers to meet the mandatory WC insurance requirement under Michigan law. If a private self-insured employer becomes insolvent, payments are made to injured workers from the Self-Insurers' Security Fund when three statutory conditions are met, unless insurance or other coverage is available:

- The private self-insured employer is insolvent.
- The employee requests payment of benefits from the Funds Administrator or files an Application for Mediation or Hearing with the Workers' Compensation Agency and/or the Michigan Administrative Hearing System.
- The insolvent private self-insured employer is unable to continue payments.

The fund pays from the date all three conditions are met. No payments for benefits owed before that date are paid by the SISF. Assessments for the SISF are paid by private self-insured employers only.

In accordance with Rule 408.43q, the Self-Insurers' Security Fund, when triggered, may utilize financial guarantees posted with the agency to pay claims. At present, the SISF manages 50 separate employer trust funds which are funded from the financial guarantees posted with the agency. The trusts are established when a private self-insured employer is no longer able to meet their obligations under the Act. In addition, both specific and aggregate excess liability insurance policies continue to have responsibility for payments when retention levels have been met (Rule 408.43k).

It should be noted that public employers are not covered by the SISF, and in the event of a bankruptcy the employee should also file a claim in bankruptcy court for any workers' compensation benefits the fund cannot pay.

A Message From the Funds Administrator

The mission of the Funds Administration is to provide timely determination of carrier and employee rights to benefits or reimbursement and make payments due in a timely and accurate manner.

This report on the Self-Insurers' Security Fund (SISF) is prepared in accordance with MCL 418.551 and provided to you as an outline of the activities of the SISF during this past calendar year.

The SISF receives virtually 100% of its funding through assessments levied against insurers who self-insure their workers' compensation risk. Our staff embraces the philosophy that our funding is not our own, and we are serious about our responsibility as fiduciaries. The American Heritage dictionary defines fiduciary as *a person who stands in a special relation of trust, confidence, or responsibility in his or her obligations to others.* We are confident that we demonstrate our commitment to this trust by establishing industry-accepted standards and guidelines in our primary operation areas of claims, financial, and vendor management.

2014 saw major legislative changes to the SISF. This report, separate from our traditional reporting, is a result of those changes. However, the primary impact of the legislation was to allow the SISF to begin to actively manage the claims related to the Delphi bankruptcy. The legislation further provided for a .5% potential increase of the statutorily capped 3% assessment assuming certain criteria is met and the additional assessment is used for Delphi only. Also as part of the package the SISF received a $15 million general fund appropriation. Of the $15 million appropriated, $8 million was available to be expended immediately. The remaining $7 million cannot be expended until certain criteria are met and must be spent in concert with the previously mentioned .5% assessment increase. It is important to note that the influx of the general fund appropriation did ease pressure on the SISF's cash flow. For 2015 the Trustees of the Funds Administration chose to forgo the additional .5% increased assessment based upon existing forecasts.

In addition, the legislative package created the Private Employer Group Self-Insurers' Security Fund (PEGSISF), which will become active on January 1, 2020. This will allow the non-public employer group self-insurers to move outside the umbrella of the SISF and be protected under their own umbrella. They will no longer be obligated to pay SISF assessments and the SISF will no longer be obligated for any potential liability. Finally, the legislation provides for the enforcement of penalties and interest on any unpaid assessments, and as alluded to above requires that the SISF be audited annually and that any future assessments be supported by an actuarial analysis.

Our fiduciary based commitment will continue. It is our intent to always implement the Workers' Disability Compensation Act in accordance with the written word and the corresponding case-law. This commitment allows us to pay appropriate claims and to maintain costs through industry tested claims-handling methods.

I hope that you find this annual report informative.

Bankruptcies/Trusts

Note: The following is a brief summary of bankruptcies being handled by the Self-Insurers Security Fund where a claim(s) remain open. The summary also includes comments regarding Trusts that have been established for various reasons and where a bankruptcy has not been filed and claim(s) remain open.

A.B. Myr

The employer was self-insured from October 1, 1983 through October 1, 2009, and the company has ceased payment of their self-insured obligations. There was $200,000 security provided by the employer and a trust fund has been established. A temporary receiver was appointed on March 22, 2013 triggering the Self-Insurers' Security Fund obligation.

- One claim currently active

Alken-Ziegler, Inc.

This employer does not qualify as an insolvent self-insured employer. There are no existing Self-Insurers' Security Fund obligations. Payment of benefits and expenditures on claims are being generated from the Alken-Ziegler trust fund. The trust fund was created with the payment of $200,000 in security. The employer was self-insured from July 1, 2001 through August 31, 2012.

- One claim currently active

American Sunroof Corporation (ASC)

American Sunroof Corporation filed for bankruptcy on May 2, 2007. The employer was self-insured from April 1, 1976 through January 1, 2007. They held a $500,000 line of credit which has been received by the State of Michigan and is being used to initialize the trust fund. There are a series of specific and aggregate policies which cover their former period of self-insurance.

- Three claims currently active

Anderson Safeway, Inc.

The employer was self-insured from July 1, 1979 through March 7, 1982. The employer is not bankrupt, but payments have ceased on one open claim that is into the excess. Security of $10,000 has been received and a trust fund has been created. The trust will continue to have the proceeds from the excess carrier to maintain viability of the trust fund.

- One claim currently active

Armstrong Manufacturing

This is not a bankruptcy; a partial draw of the security for this employer was made to establish a trust for payment of an existing claim due to this employer's voluntary liquidation. The claim is currently being paid out the existing trust.

- One claim currently active

Auto Specialties

Auto Specialties filed for protection under Chapter 11 bankruptcy effective October 3, 1988, the company was self-insured from April 13, 1939 through August 1, 1982. There were three surety bonds which have a total value of $300,000. There is both aggregate and specific excess coverage. The bankruptcy court discharged all of the workers' compensation liabilities effective February 1, 1990. As of February 1, 1990, the Self-Insurers' Security Fund began paying claimants directly.

- One claim currently active

Bethlehem Steel

Bethlehem Steel filed for Chapter 11 bankruptcy effective October 15, 2001. The employer was self-insured from January 1, 1939 through December 31, 1986. The employer had no excess policies. There are three surety bonds covering the dates of injury from September 1, 1983 through September 1, 1986.

- One claim currently active

Blue Water Automotive System, Inc.

Blue Water Automotive Systems Holdings, Inc. filed Chapter 11 bankruptcy petitions on February 13, 2008. This employer was self-insured from April 1, 1987 through November 26, 2008. The employer had no security at the time of the bankruptcy. The Workers' Compensation Agency has received payment of $300,000 in security post-bankruptcy, and this was used to create a trust fund.

- One claim currently active

Chatham Supermarkets

Chatham Supermarkets filed for Chapter 11 bankruptcy on February 25, 1982. Effective May 5, 1982, the bankruptcy judge issued an order indicating Chatham Supermarkets was to resume payment of workers' compensation benefits on the open claims, and also ordered those cases in the court system to proceed through the litigation process. The employer emerged from Chapter 11 bankruptcy effective January 25, 1983. The employer was approved by the Workers' Compensation Agency to remain self-insured until June 26, 1985 when they returned to private insurance. In June of 1987, a receiver was appointed. A trust fund was established with the $350,000 surety bond and the assets of Regal Insurance Company (a captive Insurance company). Payments have been made out of the trust for those benefits which accrued prior to the Self-Insurers' Security Fund's period of liability. The Trust is now closed.

- Three claims currently active

DCT, Inc.

DCT, Inc. was forced into bankruptcy effective February 14, 2002. The employer was self-insured effective October 1, 1985 through January 30, 2002. There is a $100,000 letter of credit which has been used to create the trust fund.

- One claim currently active

Delphi Corporation

Delphi Corporation filed Chapter 11 bankruptcy on October 8, 2005. The company emerged from bankruptcy on October 6, 2009 as a private company, Delphi Holdings. The employer spun-off from General Motors on May 28, 1999 and remained a self-insured employer until its exit from bankruptcy. During various periods of their self-insurance, Pacific Employers Insurance or Ace American Insurance filed Form 400s with the Workers' Compensation Agency indicating that they were liable for the workers' compensation obligations of Delphi Corporation. The coverage issue was litigated and concluded with the Self-Insurers' Security Fund assuming liability for Delphi claims incurred during the approved self-insured period. The employer held no security.

- 298 claims currently active

Delta Tube & Fabricating Corp.

Delta Tube was a participant in the Great Lakes Fabricators and Erectors Workers' Compensation Fund. This group ceased operation January 1, 1989. An inability to pay does not exist. The Self-Insurers' Security Fund is party to one claim where payment is being sought.

- One claim currently active

Detroit Plastic Molding

A trust was established effective November 5, 1990 for the period of self-insurance from July 1, 1975 through February 5, 1990. There are two service agents, Alexis and Meadowbrook and two surety bonds which have a total value of $1,200,000. There is an additional $100,000 which was deposited from the proceeds of the sale of Detroit Plastic Molding. A recovery was made in the amount of $1,000,000 from the claims guarantee, which was used to repay the Self-Insurers' Security Fund, and the balance was deposited into the trust fund.

- One claim currently active

Eagle-Picher Industries

A Chapter 11 bankruptcy was originally filed on January 7, 1991 for Eagle Picher Industries. The period of self-insurance was from October 1, 1958 through October 5, 1989, and the employer continued to operate under private insurance. There were bonds involved with this employer. The employer again filed for bankruptcy on April 11, 2005 in the Southern District of Ohio. The employer had six bonds that covered their period of self-insurance. The Self-Insurers' Security Fund was advised by the Attorney General's office that this employer is unable to continue paying its workers' compensation obligations, triggering the Self-Insurers' Security Fund.

- Two claims currently active

Elias Brothers Restaurants

This employer filed for Chapter 11 protection on October 20, 2000. Elias Brothers was self-insured from May 1, 1977 through April 30, 1982, and October 1, 1987 through September 15, 2000. There was private insurance coverage from May 1, 1982 through September 30, 1987, and September 16, 2000 through October 20, 2000. There is both specific and aggregate insurance. There is a $400,000 letter of credit which has been called by the Workers' Compensation Agency and a trust fund is in place for the payment of benefits.

- One claim currently active

Federal Forge

Federal Forge was self-insured from January 1, 1950 through July 1, 1986. The employer filed for Chapter 11 bankruptcy on February 19, 2004. Federal Forge had no security, but carried excess policies. The payments from the employer ceased on June 23, 2005 upon completion of an asset sale.

- One claim currently active

Great Atlantic & Pacific Tea Company

The Great Atlantic & Pacific Tea Company was self-insured from August 24, 1943 through July 1, 2013. Bankruptcy was filed on July 19, 2015 and the employer ceased making benefit payments. The security for this employer was called and claims not into excess insurance are being paid by the SISF.

- Two claims currently active

Hamady Brothers

The employer filed under Chapter 11 on November 12, 1987. Hamady Brothers was self-insured from August 10, 1971 through November 12, 1987 both with specific and aggregate excess insurance. There were three financial security endorsements; two of them fall into an aggregate excess period. New Hamady reimbursed the Self-Insurers' Security Fund for all benefits paid and issued a claims payment guarantee. New Hamady filed for protection in the bankruptcy court during May of 1991. New Hamady ceased paying benefits on or about July 9, 1991. The trustees authorized resumption of weekly benefit payments, and Hamady no longer exists in any capacity.

- One claim currently active

Hayes-Albion/Harvard Industries

Hayes-Albion, a division of Harvard Industries, filed for Chapter 11 bankruptcy on May 2, 1991 in the U.S. Bankruptcy Court, District of Delaware. Hayes-Albion was first self-insured in Michigan August 14, 1967. The employer emerged from bankruptcy effective November 24, 1998. On January 15, 2002, bankruptcy was again filed under Chapter 11. The period of self-insurance for the employer is from August 14, 1967 through December 31, 2001. Private insurance coverage was obtained effective January 1, 2002. There is a $1,000,000 letter of credit, and a trust was has been created.

- 12 claims currently active

Hayes Lemmerz

Hayes Lemmerz/Motor Wheel/CMI were self-insured from April 17, 1936 through February 1, 2008. The employer filed Chapter 11 bankruptcy on May 11, 2009, and the Self-Insurers' Security Fund has assumed benefit obligations from this employer. A $1,500,000 letter of credit has been received and deposited with the State of Michigan. There are a series of specific excess policies; these policies began in 1967 with Motor Wheel; 1978 with CMI; and 1982 with Hayes Lemmerz.

- 29 claims currently active

Hostess Brands/Interstate Brands

Interstate Brands filed for bankruptcy on September 22, 2004. The employer has been self-insured since March 1, 1996, and is continuing to pay their workers' compensation benefits. A motion has been filed to establish bar dates for filing proofs of claim. There is a $1,000,000 letter of credit that has not been called to date by the Workers' Compensation Agency. The employer emerged from bankruptcy as Hostess Brands and continued their self-insurance status. Hostess Brands filed Chapter 11 bankruptcy on January 11, 2012. The employer held a $1,000,000 letter of credit that has been called and placed into the trust. Hostess Brands on November 21, 2012, obtained court authority to wind down all operations and liquidate their assets. The employer ceased payments on February 4, 2013 due to the bankruptcy. The Self-Insurers' Security Fund has assumed the benefit obligations effective February 4, 2013.

- Five claims currently active

Howell Industries

Howell Industries was self-insured from November 21, 1961 through August 12, 1997. The employer left self-insurance when they were acquired by Oxford Automotive. Oxford Automotive filed for Chapter 11 protection on December 7, 2004. There are no bonds or letter of credit.

- One claim currently active

Interstate Motor Freight

Interstate Motor Freight Systems and its subsidiary, IMF doing business as Interstate Systems, filed under Chapter 11 on April 11, 1984. Subsequently, the company ceased operations and advised the Workers' Compensation Agency they had no funds available to continue paying their workers' compensation obligations. Fuqua Industries, Inc. wrote a claims payment guarantee as the parent company, and is paying claims with dates of injury from July 1, 1978 through October 31, 1980. The Self-Insurers' Security Fund is paying claims with dates of injury prior to July 1, 1972 and after October 1, 1981. The employer was privately insured from November 1, 1980 through September 30, 1981 with Twin City Fire Insurance Co. A trust fund was established from the bond money from INA for the period of October 1, 1981 through October 1, 1983. ERC also had a financial security endorsement for the period from October 1, 1983 through January 1, 1985. There was both specific and aggregate excess for various periods.

- One claim currently active

Jacobson's Stores

Jacobson Stores filed for protection under Chapter 11 on January 16, 2002. Jacobson Stores became self-insured on August 1, 1989. Jacobson Stores liquidated their assets. There is both specific and aggregate excess coverage. A $200,000 bond covers claims during the period from August 1, 2001 through August 1, 2002. In addition, a $200,000 letter of credit covers post-petition claims.

- One claim currently active

Keywell Corporation

Keywell Corporation was self-insured under the authority of Key International and then on its own authority for the period 12-1-73 to 4-1-98. Keywell filed Chapter 11 bankruptcy in 2013 which was subsequently converted to Chapter 7 liquidation. The existing claim is covered by excess and will be reimbursed after an overpayment by the excess insurer has been recouped.

- One claim currently active

Kurdziel Iron Industries

Kurdziel has sold all assets and ceased operations as of July 11, 2008; the purchaser continues to operate the foundry. There was a $350,000 letter of credit that was used to establish the trust. The employer was self-insured from November 1, 1986 through January 1, 2007. A temporary receiver was appointed effective July 23, 2008, and the Self-Insurers' Security Fund was triggered on August 4, 2008.

- One claim currently active

Lake City Forge

Lake City Forge was self-insured from August 8, 1991 through November 1, 1998. This employer appears to be associated with Revstone Industries who filed Chapter 11 in Delaware in 2012. The Workers' Compensation Agency is verifying whether this employer qualifies as an insolvent self-insured employer. The Self-Insurers' Security Fund is party to one claim where payment is being sought for a prosthetic device.

- One claim currently active

Lakey Foundry

Employer went into bankruptcy February 2, 1972. Employer had no security or reinsurance policies.

- Four claims currently active

Lindell Drop Forge

A petition for involuntary bankruptcy was filed with the bankruptcy court in Grand Rapids, Michigan on November 16, 1989. There are three surety bonds which were issued by New Hampshire Insurance totaling $450,000 and one financial security endorsement in the amount of $150,000 which was issued by ERC. There is also specific and aggregate excess coverage.

- Two claims currently active

LTV Steel Company

The employer filed for Chapter 11 on July 17, 1986. LTV Steel Company was self-insured from November 13, 1959 through Aril 25, 1986. LTV Steel Company emerged from bankruptcy on June 28, 1993 and resumed payment of benefits effective June 29, 1993. The employer filed another Chapter 11 petition December 29, 2000. There were no new additional securities available for the Workers' Compensation Agency to call, and it was determined that the employer has the inability to pay benefits effective March 31, 2001.

- Six claims currently active

MacDonald's Industrial Products

MacDonald's Industrial Products was self-insured effective May 23, 1980. The employer has not filed for bankruptcy, but has ceased payments of their workers' compensation obligations. A receiver was appointed and the Workers' Compensation Agency has collected a $150,000 letter of credit.

- Four claims currently active

Meridian Automotive

Meridian Automotive filed Chapter 7 bankruptcy on August 7, 2009. The employer had previously filed for bankruptcy under Chapter 11 on August 26, 2005. The employer has been self-insured since March 1, 1988. Meridian Automotive held a $750,000 letter of credit that has been called and used to establish a trust fund. The employer has a series of specific and aggregate excess policies.

- Five claims currently active

Metaldyne Company, Mascotech Corporation and Simpson Industries

Metaldyne Company formerly known as Simpson Industries filed for Chapter 11 bankruptcy on May 28, 2009. The employer was self-insured since January 1, 1987. A subsidiary, Mascotech, was also a self-insured employer. Metaldyne had a guarantee for their payments. Metaldyne has $2,000,000 in security which has been collected and utilized to establish the trust. The employer also has a series of specific excess insurance policies.

- Ten claims currently active

Michigan Roofing Contractors

Employer is not bankrupt. Payments were being made on one claim that was into excess reinsurance. Fifty-thousand dollars was provided to establish a trust fund. Payments are being made out of the trust and excess reimbursements are replenishing the trust fund.

- One claim currently active

Montgomery Ward

Montgomery Ward filed a Chapter 11 bankruptcy on July 7, 1997. The employer was self-insured from February 27, 1940 through August 14, 1987. There are no surety bonds or security endorsements. There is specific excess coverage for all of the self-insured periods except May 2, 1976 through May 1, 1977; there is no aggregate excess insurance.

- Three claims currently active

National Steel Corporation

National Steel Corporation filed for Chapter 11 bankruptcy on March 6, 2002. The employer became self-insured effective March 22, 1957. The employer had $5,000,000 in security. The Self-Insurers' Security Fund is receiving direct notice of claims from the affected employees. The Self-Insurers' Security Fund assumed benefit obligations on June 3, 2003, when the employer was unable to pay.

- 61 claims currently active

New Haven Foundry

New Haven Foundry was self-insured from 1962 until October 23, 2001 when they ceased operations. A Chapter 7 bankruptcy proceeding was initiated on November 27, 2001. There is a $300,000 letter of credit which has been deposited into the trust and payments have been made. There is both specific and aggregate insurance coverage for all of the periods of self-insurance.

- Two claims currently active

North Oakland Medical Center

The employer filed Chapter 11 bankruptcy on August 26, 2008. North Oakland was self-insured from January 1, 1994 through November 7, 2008. The employer held a $1,000,000 security bond which was been collected and used to establish the Pontiac General Hospital and Medical Center (DBA North Oakland Medical Center) trust fund.

- One claim currently active

Pemco Die Cast

The employer began their self-insurance status effective January 1, 1982. Pemco has not filed for bankruptcy, but they have closed their operations. A temporary receiver was appointed on March 24, 2004. The employer has ceased payments, and their $100,000 letter of credit has been called by the Workers' Compensation Agency. A trust has been established for the payment of this employer's pre-Self-Insurers' Security Fund obligations.

- Two claims currently active

Plastech Engineered Products

Plastech Engineered Products filed a voluntary petition under Chapter 11 bankruptcy on February 1, 2008. The employer has been self-insured effective August 1, 1999 through August 4, 2008. The employer has a $1,300,000 letter of credit. The letter of credit has been called and a trust was established; the Self-Insurers' Security Fund will handle all the files. A termination date for the self-insured status was issued effective August 4, 2008 with the Self-Insurers' Security Fund triggered effective July 11, 2008.

- Five claims currently active

Quality Stores

The self-insured period for Quality Stores, Inc. was November 1, 1992 through January 31, 2002. The creditors filed a Chapter 11 involuntary bankruptcy petition on October 20, 2001 against Quality Stores, Inc. The employer filed voluntary bankruptcy on November 1, 2001. The Workers' Compensation Agency received $300,000 cash to replace a bond. Quality Stores, Inc. obtained insurance coverage from Liberty Mutual Insurance Company effective February 1, 2002. There is both specific and aggregate excess insurance. Determination was made that Quality Stores, Inc. had the inability to pay benefits as of May 29, 2002.

- One claim currently active

Signet Industries

Signet Industries was placed into an involuntary Chapter 11 bankruptcy. A motion was heard and it was converted into a chapter 11 bankruptcy on May 25, 1993.

- One claim currently active

Thorn Apple Valley

Thorn Apple Valley filed for Chapter 11 bankruptcy protection on March 5, 1999. The employer was self-insured from November 29, 1966 through June 9, 1999. The employer obtained private insurance effective June 10, 1999. Thorn Apple Valley was purchased by IBP during the fall of 1999, the sale was for assets only, and the workers' compensation liability was discharged by the bankruptcy court. There are specific excess policies covering the period of self-insurance, and the initial reserves exceeded $4,600,000. The Self-Insurers Security Fund began paying benefits effective July 6, 1999.

- Eight claims currently active

Traffic Transport Engineering

A state receiver was appointed on December 20, 1990. The employer was self-insured from June 1, 1951 through August 1, 1980. Traffic Transport Engineering vacated its place of business during November of 1990 and ceased all operations. There were no surety bonds, and there is both specific and aggregate excess coverage.

- One claim currently active

Veltri Metals

This employer was self-insured effective April 1, 1989 through May 21, 2004. The employer filed for Chapter 11 bankruptcy on January 13, 2004. The employer sold their assets on May 21, 2004 and benefit obligations have been assumed by the Self-Insurers' Security Fund. The trust for Veltri Metals was established with $1,100,000 in security.

- Two claims currently active

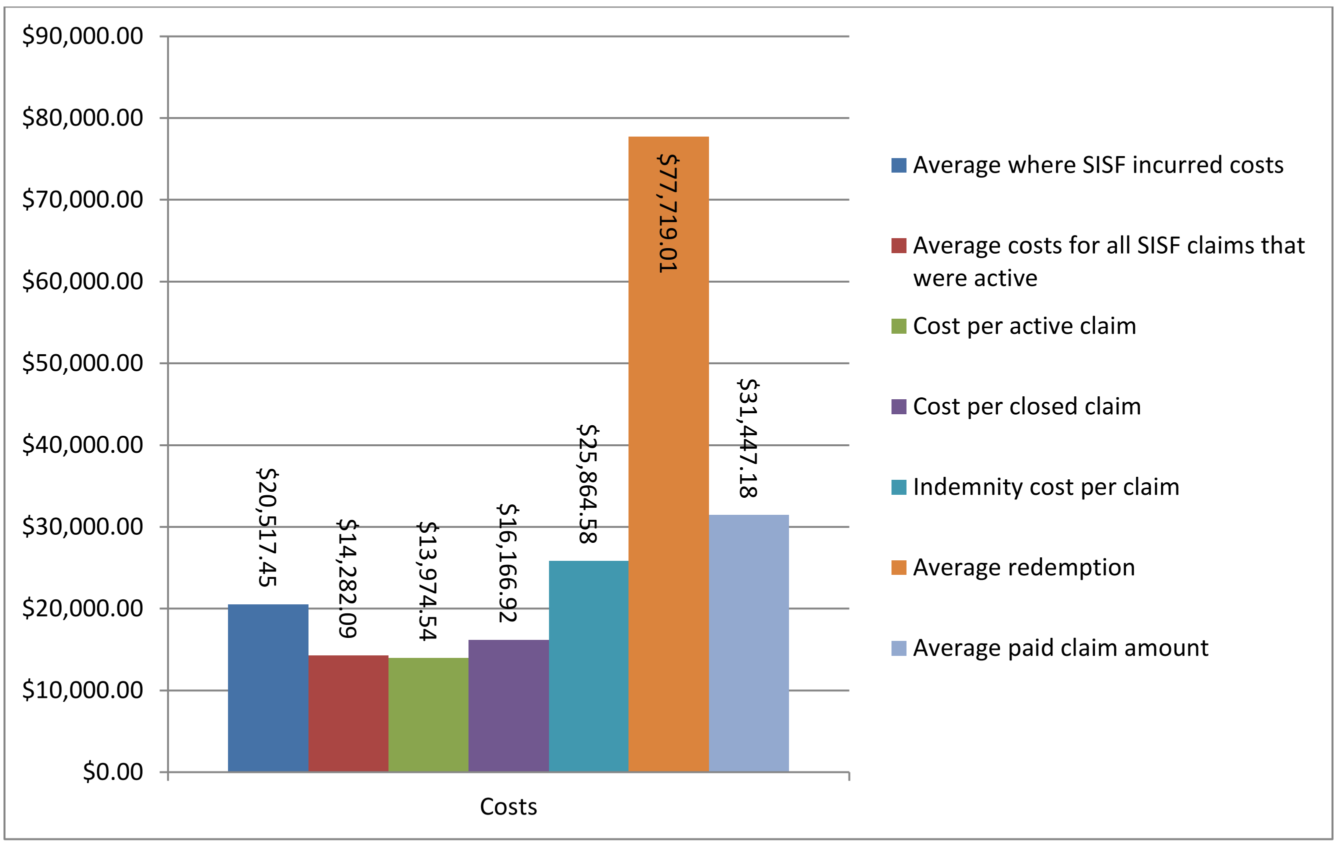
Venture Industries/Venture Global Engineering

Venture Industries was self-insured from January 1, 1989 through May 2, 2005. The employer filed for Chapter 11 bankruptcy on March 28, 2003. On May 2, 2005, New Venture, which was later named Cadence Innovations, acquired Venture Industries. Cadence Innovations filed for Chapter 11 bankruptcy on August 26, 2009. The Self-Insurers' Security Fund has assumed the benefit obligations arising from the Venture Industries claims. A trust has been established from $750,000 in security held by the employer.

- Five claims currently active

SISF Claims Management and Costs

- Average where Self-Insurers' Security Fund incurred costs - $20,517.45
- Average costs for all Self-Insurers' Security Fund claims that were active - $14,282.09
- Cost per active claim - $13,974.54
- Cost per closed claim - $16,166.92
- Indemnity cost per claim - $25,864.58
- Average redemption - $77,719.01
- Average paid claim amount - $31,447.18
- Average loss adjustment expense - $1,323.34



The total medical cost for indemnity claims was $586,202.83 and the medical cost for medical-only claims was zero.

SISF Claims Management and Costs (cont.)

Our claims handling methodology includes attendance by claims professionals at a monthly *round-table* claim discussion and evaluation with Office the Attorney General. Staff also attends multiple seminars throughout the year to stay abreast of all claims trends.

Other controls include:

- The thorough investigation of all claims using all appropriate means.
  - Includes outside investigators and database reviews
- The use of wage earning capacity evaluations to ensure proper rate determinations.
- Peer-to-Peer Prescription Reviews to determine efficacy of existing medications.
- Employ third party vendors for single source distribution of prescriptions, implementation of the Michigan Fee Schedule with PPO Discounts, and durable medical equipment.
- Access conditional payment information through the Medicare Secondary Payer Recovery Portal.
  - Performing these functions in house, saves up to $500/claim from having independent contractors perform this service.
- Employ third party vendors for Medicare Set-Asides and utilize structured settlements when cost-effective.

Our claims management system which is currently being updated and rewritten also includes multiple layers of security. We employ separation of duties to ensure that **all** payments are proper and reviewed at multiple levels prior to their release.

SISF Financial Statements & Schedules

OAG
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Doug A. Ringler, CPA, CIA
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Independent Auditor's Report on the Financial Statements
and Other Reporting Required by *Government Auditing Standards*

Mr. Douglas A. Green, Chair
Board of Trustees for the Funds Administration
and
Mr. Mike Zimmer, Director
Department of Licensing and Regulatory Affairs
Ottawa Building
Lansing, Michigan

Dear Mr. Green and Mr. Zimmer:

Report on the Financial Statements
We have audited the accompanying financial statements of the Self-Insurers' Security Fund, Funds Administration, Workers' Compensation Agency, Department of Licensing and Regulatory Affairs, as of and for the calendar year ended December 31, 2015 and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Doug A. Ringler, CPA, CIA
Auditor General

Opinion
In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Self-Insurers' Security Fund as of December 31, 2015 and the changes in financial position and cash flows for the calendar year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters
As discussed in Note 1, the financial statements present only the Self-Insurers' Security Fund and do not purport to, and do not, present fairly the financial position or results of operations of the State of Michigan or its enterprise funds as of and for the calendar year ended December 31, 2015 in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 10, the Self-Insurers' Security Fund's actuary disclosed several disclaimers related to the actuarially estimated liability amounts. Our opinion is not modified with respect to this matter.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Self-Insurers' Security Fund's basic financial statements. The Schedule of Estimated Liabilities for Claims by Company, Summary of Self-Insurers' Security Fund, Message From the Funds Administrator, Bankruptcy Summaries, and SISF Claim Management and Costs are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Estimated Liabilities for Claims by Company is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Estimated Liabilities for Claims by Company is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Summary of Self-Insurers' Security Fund, Message From the Funds Administrator, Bankruptcy Summaries, and SISF Claim Management and Costs have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will also issue a report on our consideration of the Self-Insurers' Security Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Self-Insurers' Security Fund's internal control over financial reporting and compliance.

Sincerely,

Doug Ringler

Doug Ringler
Auditor General
March 28, 2016

State of Michigan
Department of Licensing and Regulatory Affairs
Self-Insurers' Security Fund

Management's Discussion and Analysis

Year-ended December 31, 2015

Our discussion and analysis of the Self-Insurers' Security Fund (SISF) of the State of Michigan, Department of Licensing and Regulatory Affairs financial performance provides an overview of the SISF's activities for the calendar year ending December 31, 2015.

The SISF was established by Michigan Compiled Laws Section 418.501 and provides workers' compensation benefits to injured employees of non-public self-insured employers who become insolvent after November 15, 1971. The SISF is funded by assessments of 376 current and former non-public self-insured employers that made indemnity payments during calendar year 2014 and by surety bonds and letters of credit held by the Workers' Compensation Agency. Non-public employers apply for the authority to become self-insured through the Workers' Compensation Agency and must be approved by the Workers' Compensation Agency Director. An individual non-public self-insured employer may be required to furnish a surety bond or letter of credit (security). The SISF is managed by a 3-member Board of Trustees. Two of the members are appointed by the Governor with advice and consent of the Senate and the third member is the Director of the Workers' Compensation Agency.

The accompanying financial statements present the results of the operations for the SISF only. Accordingly, these financial statements do not present fairly the financial position or results of operations of the State of Michigan or the State of Michigan Department of Licensing and Regulatory Affairs.

Financial Highlights

Annual assessments are levied against paid indemnity by non-public self-insurers. Assessments are statutorily capped at 3% per calendar year. Revenue from assessments for 2015 was $5.5 million. The SISF also received reimbursement of $1.1 million from excess carriers in 2015 and miscellaneous expenses.

Effective January 1, 2015 through December 31, 2019, the assessment limit is increased to 3.5% under requirements as specified under Section 551 (4) of the Act. These future assessments, plus excess recoveries, will be used to meet the existing future liabilities of the SISF reported in these financial statements.

Public Act 252 of 2014 appropriated $15 million of general funds specifically for the purpose to settle or otherwise support the workers' compensation claims of former employees of Delphi Corporation. Of the $15 million appropriated, $8 million was permitted to be expended during the State's fiscal year 2014-2015 and, subsequently, 2015-2016 until these funds were exhausted. The remaining $7 million cannot be expended until certain criteria are met:

1. The SISF balance and the $8 million are insufficient to adequately settle or otherwise support the workers' compensation claims, and

2. The Department has collected the annual revenue generated by an increased assessment of 0.5% for the SISF.

Once the above criteria are met, then beginning in fiscal year 2014-2015 the Department may annually expend an amount not to exceed 20% of the $7 million of remaining appropriations until:

1. The workers' compensation claims of former employees of Delphi Corporation are settled or otherwise supported.
2. The full remaining balance of the $7 million is expended

The SISF also administers employer trust funds that are created from the call, by the Workers' Compensation Agency, of security that was required from the employer for the privilege of becoming a self-insured employer.

Using this Annual Financial Report

The annual report includes this management's discussion and analysis report, the independent auditor's report, and the financial statements of the SISF. The financial statements also include notes that explain in more detail some of the financial statements, and an actuarially developed supplemental schedule that estimates future contingent liabilities of the SISF. The actuarial valuation is required pursuant to MCL 418.551.

Reporting on the SISF

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The SISF, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis of the SISF

The SISF is reported in the State of Michigan Comprehensive Annual Financial Report (CAFR) as a Special Revenue Fund and in prior years was also presented to its board members as a Special Revenue Fund. In order to comply with MCL 418.551 (10) the Department of Licensing and Regulatory Affairs (LARA) obtained a waiver from the Office of Financial Management, State Budget Office, to present the financial statements as an Enterprise Fund. The material difference of presentation is that non-current receivables and non-current liabilities were not included in the Special Revenue Fund statements. The presentation of the SISF as an Enterprise Fund, as mentioned, does include the non-current receivables and non-current liabilities.

Table 1
Net Position
(in Millions)

	2015	2014	Change
Current Assets	35.7	29.4	6.3
Due from State of Michigan Funds	-	8.0	(8.0)
Total Assets	35.7	37.4	(1.7)
Current Liabilities	8.0	10.5	(2.5)
Long-Term Liabilities	31.8	57.3	(25.5)
Total Liabilities	39.9	67.8	(28.0)
Net Position:	(4.1)	(30.4)	26.3

The increase in the current assets resulted from the cash transfer of $8.0 million from the State's General Fund that occurred in January of 2015. This amount was due from State of Michigan Funds in 2014. Current assets also increased due to the $1.0 million Trust Fund Letter of Credit for The Great Atlantic & Pacific Tea Company and $.057 million payment from Armstrong Manufacturing, Inc. The Great Atlantic & Pacific Tea Company was self-insured from August 24, 1943 to July 1, 2012. They filed for bankruptcy on July 19, 2015 and ceased payment of their workers' compensation obligations on July 31, 2015. Their Letter of Credit was called by the Workers' Compensation Agency (Agency). These funds have been used to create The Great Atlantic & Pacific Tea Company Trust Fund. Armstrong Manufacturing, Inc. was self-insured from July 1, 1985 to December 14, 2012. This employer has ceased operations and is winding down its business. Armstrong and the Agency determined they didn't have the means to pay ongoing workers' compensation obligations. Armstrong and the Agency agreed that the Agency would postpone filing an action seeking injunction and appointment of a receiver in exchange for payment of $.057 million. These funds have been used to create the Armstrong Manufacturing, Inc. Trust Fund. Both of these funds are managed by the SISF under the direction of the Board of Trustees.

Current liabilities decreased by $2.5 million due to the actuarial decrease in estimate of Indemnity, Medical, and Claims expenses net of excess reimbursements for 2015.

The long-term liabilities decreased by $25.5 million also due to the actuarial decrease in estimate of Indemnity, Medical, and Claims expenses net of excess reimbursements for 2015. In 2014, the Indemnity, Medical, and Claims expenses excluded the Trust Fund recoveries in the amount of $1.2 million. The Primary reason for the reduction of SISF's liability was the settlement of claims by the SISF during 2015. A number of these settlements were on Delphi Corporation claims which, in addition to future exposure, also carried substantial accrued exposure for the SISF. Further, the actuaries had an additional year of data available for their comprehensive review of the SISF claims enabling them to refine their estimate.

The increase in current assets and decrease in current and long term liabilities resulted in the overall increase in net position for 2015.

Table 2
Changes in Net Position
(in Millions)

	2015	2014	Change
Operating Revenues			
Assessments	5.5	6.4	(0.8)
Other Revenue	1.3	-	1.3
Total Operating Revenue	6.9	6.4	0.5
Operating Expenses			
Net Change in Indemnity, Medical, and			
Claim Payment Liability	(21.0)	39.0	(60.0)
Administrative Expenses/Legal	1.6	1.4	0.2
Total Operating Expenses	(19.4)	40.5	(59.9)
Operating Income (Loss)	26.3	(34.2)	60.5
Income (Loss) Before Transfers			
Transfers in	-	8.0	(8.0)
Change in Net Position	26.3	(26.1)	52.4
Total net position - beginning of year	(30.4)	(4.3)	(26.1)
Total net position - end of year	(4.1)	(30.4)	26.3

Included in Table 1 notes is the explanation for the increase in other revenue of $1.3 million due in part to the $1.057 million Trust Fund revenue.

The change of ($60.0) million in Indemnity, Medical, and Claim Payment Liability included the decrease of the Actuary's estimated long-term and current liabilities from 2014 of ($54.3) million and ($5.9) million, respectively.

The financial statements report a net position as of December 31, 2015 of ($4.1) million. The SISF assesses private self-insured employers annually, up to a maximum of 3%, of the reported loss paid by these employers during the preceding calendar year, exclusive of payments made pursuant to sections 315, 319 and 345 of the Michigan Workers' Disability Compensation Act. Effective January 1, 2015 through December 31, 2019, the assessment limit is increased to 3.5% under requirements as specified under Section 551 (4) of the Act. These future assessments, plus excess recoveries, will be used to meet the existing future liabilities of the SISF reported in these financial statements.

The amount of $8 million of general fund appropriations mentioned above in the Financial Highlights was transferred to the SISF in January 2015. The Trustees of the Funds Administration for calendar year

2015 determined an assessment of 3% would be sufficient. Therefore, for calendar year 2015 the additional .5% available was not called. As a result, $1.4 million of the funds lapsed. The remaining balance available from the $7 million appropriation is $5.6 million which may be called in the future.

Equity in common cash at the beginning and the end of the year was $28.6 million and $34.3 million, respectively. Of the Equity in common cash, the amount held in trust at the beginning and the end of the year were $9.0 million and $10.0 million, respectively.

The Actuarially estimated liabilities of claims net of estimated excess insurance and trust fund recoveries is $38.9 million. The $38.9 million includes $27.6 million related to Delphi Corporation claims.

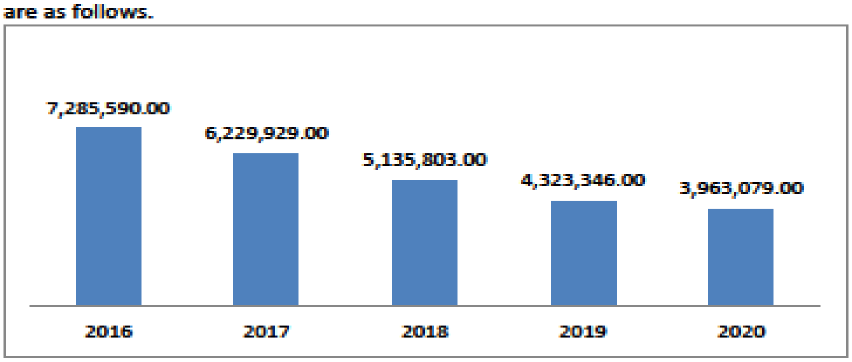
Table 3
Change in Actuarially Estimated Liabilities
Net of Estimated Excess Insurance Recoveries
(in Millions)

	2015	2014	Change
Delphi	27.6	52.8	(25.2)
National Steel	8.4	9.0	(0.6)
Other	2.9	5.8	(2.9)
	38.9	67.6	(28.7)

See Table 1 note for the decrease in actuarially estimated liabilities net of estimated excess insurance and trust fund recoveries.

The above amounts include estimated excess insurance recoveries of $5.5 million related to National Steel Corporation and $16.7 million related to Other Companies, and $1.3 million related to Trust Fund recoveries. There is no estimated excess insurance recoveries for Delphi.

The Actuarially estimated Indemnity and Medical Claim payments for calendar year 2016 through 2020 are as follows.



The illustrated payout pattern is based on lifetime payments assuming an expectation of future payments, mortality and trend. The above amounts have not been reduced by estimated trust fund recoverable amounts.

Litigation

Litigation regarding responsibility for Delphi claims related to insurance coverage has been concluded with the SISF accepting responsibility for claims previously in dispute.

State of Michigan
Department of Licensing & Regulatory Affairs
Self Insurers' Security Fund
Statement of Net Position
December 31, 2015

		2015
ASSETS		
Current Assets:		
Equity in common cash - unrestricted		34,930,482.43
Prepaid Expenditures		14,999.76
Accounts Receivable - Assessments		121,641.45
Accounts Receivable - Third Party and Excess Recoveries		678,238.42
Total Current Assets		35,745,362.06
Total Assets		35,745,362.06
LIABILITIES		
Current Liabilities:		
Warrants outstanding		674,104.84
Accounts payable and other liabilities		156,429.52
Compensated Absences		47,474.00
Indemnity, Medical, and Claim Expenses		7,135,590.00
Total Current Liabilities		8,013,598.36
Long-Term Liabilities:		
Compensated Absences		103,114.00
Indemnity, Medical, and Claim Expenses		31,735,228.00
Total Long-Term Liabilities		31,838,342.00
Total Liabilities		39,851,940.36
NET POSITION		
Unrestricted		(4,106,578.30)
Total Net Position	$	(4,106,578.30)

The accompanying notes are an integral part of the financial statements

State of Michigan
Department of Licensing & Regulatory Affairs
Self Insurers' Security Fund
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2015

	2015
OPERATING REVENUES	
Assessments	$ 5,543,275.23
Other Revenue	$ 1,331,287.45
Total Operating Revenues	6,874,562.68
OPERATING EXPENSES	
Current:	
Net Change in Indemnity, Medical, and Claim Payment Liability	(21,035,851.00)
Administrative Expenses/Legal	1,611,622.89
Total Operating Expenses	(19,424,228.11)
Operating Income (Loss)	26,298,790.79
NONOPERATING REVENUES	
Interest Earned	33,196.06
Total Nonoperating Revenue	33,196.06
CHANGE IN NET POSITION	26,331,986.85
Total net position - beginning of year	(30,438,565.15)
Total net position - end of year	$ (4,106,578.30)

The accompanying notes are an integral part of the financial statements

State of Michigan
Department of Licensing & Regulatory Affairs
Self Insurers' Security Fund
Statement of Cash Flows
Year Ended December 31, 2015

		2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Assessments	$	5,421,633.77
Other Revenue		1,057,000.00
Third Party and Excess Recoveries		274,287.45
Payments for Workers Compensation Benefits		(7,410,289.15)
Payments to Employees		(1,147,164.23)
Payments to Suppliers		(562,772.55)
Net cash provided (used) by operating activities	$	(2,367,304.71)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
General Fund cash transferred in		8,000,000.00
Net cash provided (used) by noncapital financing activities	$	8,000,000.00
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest	$	33,196.06
Net cash provided (used) by investing activities	$	33,196.06
Net cash provided (used) - all activities	$	5,665,891.35
Cash and cash equivalents at beginning of year		28,590,486.24
Cash and cash equivalents at end of year	$	34,256,377.59
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Equity in Common Cash		34,930,482.43
Warrants Outstanding		(674,104.84)
Cash and cash equivalents at end of year	$	34,256,377.59
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (loss)	$	26,298,790.79
Net Changes in Assets and Liabilities:		
Increase in Prepaid Expenditures		(14,999.75)
Increase in Accounts Receivables - Assessments		(121,641.46)
Decrease in Accounts Receivables - Third Party and Excess Recoveries		15,302.57
Increase in Accounts Payable and Other liabilities		152,076.76
Increase in Compensated Absences		4,823.43
Increase in Long-term Compensated Absences		11,424.95
Decrease in Current Indemnity and Medical Payment Liability		(3,214,635.00)
Decrease in Long-term Indemnity and Medical Claim Benefits		(25,498,447.00)
Net cash provided (used) by operating activities	$	(2,367,304.71)

The accompanying notes are an integral part of the financial statements

State of Michigan
Department of Licensing and Regulatory Affairs
Self-Insurers' Security Fund

Notes to the Financial Statements

December 31, 2015

Note 1 General Activities and Significant Accounting Policies

Reporting Entity

The Self-Insurers' Security Fund (SISF) of the State of Michigan Department of Licensing and Regulatory Affairs was established by Michigan Compiled Laws Section 418.501. The fund provides workers' compensation benefits to injured employees of non-public self-insured employers and is funded by annual assessments of the approved non-public self-insured employers and with surety bonds and letters of credit of insolvent non-public self-insured employers.

Basis of Presentation

The SISF is reported in the State of Michigan Comprehensive Annual Financial Report as a Special Revenue Fund for fiscal year ended September 30, 2015 using the current financial resources measurement focus and the modified accrual basis of accounting. To comply with MCL.418.551 (10), and as approved by waiver by the State Budget Office, Office of Financial Management, the accompanying financial statements present the SISF as an enterprise fund. The Basis of Accounting below describes the preparation of the statements. The accompanying financial statements are not intended to present the financial position and results of operations of the State of Michigan or its enterprise funds.

Basis of Accounting

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus, revenues are recognized when they are earned and expenses are recognized when incurred, regardless of the timing of related cash flows.

Operating Revenues and Expenses

Operating revenues and expenses primarily are from the collection of assessments, surety bonds, letters of credit, and the payment of worker's compensation benefits. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Statement of Cash Flows

For the purposes of the statement of cash flows, the SISF considers equity in the State Treasurer's Common Cash pool, net of warrants outstanding, to be cash equivalents.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Equity in the State Treasurer's Common Cash Fund

The State Treasurer manages the State's Common Cash pool, which is used by the SISF. The pooling of cash allows the Treasurer to invest monies not needed to pay immediate obligations so that investment earnings on available cash are maximized. Investments of the pool are not segregated by fund; rather, each contributing fund's balance is treated as equity in the pool and presented in this report as "Equity in State Treasurer's Common Cash."

Investment policies and risk categorization are included in the State of Michigan's Comprehensive Annual Financial Report.

Compensated Absences

Employees accumulate annual leave (vacation) balances to maximum amounts ranging from 296 to 356 hours. The maximum accumulation that may be paid off is 40 hours less than the total hours that may be accumulated. Employees receive a 100% termination payment upon separation based upon their final rate of pay. Sick leave accrues for all employees at the rate of four hours for each two-week period worked and accumulates without limit. Up to 50% of accumulated unused sick leave of employees hired prior to October 1, 1980 is paid to employees or their beneficiaries upon death, retirement, or resignation. For employees hired after September 30, 1980, unused sick leave is forfeited upon termination of employment.

The State instituted a banked leave time program in fiscal year 2004 whereby eligible employees work a regular schedule but receive pay for a reduced number of hours. The banked leave time program was utilized in fiscal years 2005, 2006, and 2010. The unpaid hours worked accrue to a banked leave time account. Upon an employee's separation, death, or retirement from State service, unused banked leave time hours shall be contributed by the State to an employee's account within the State's 401K plans, and if applicable, to the State's 457 plans.

Note 2 Pension Plans and Postemployment Benefits

Plan Descriptions – The defined benefit and defined contribution pension plans are part of the State Employees' Retirement System administered by the Department of Technology, Management and Budget, Office of Retirement Services. Participants in each plan are eligible for retirement, healthcare, disability, and death benefits upon meeting certain vesting requirements. The State Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report is available on the State's website at http://www.michigan.gov/ors. The financial report for the defined contribution plan may be obtained by writing to the Department of Technology, Management and Budget, Office of Retirement Services, 530 West Allegan St., Lansing, MI, 48933-1524 or by calling (517) 322-5103.

New employees hired on or after March 31, 1997 participate in a defined contribution plan that is separate from the State Employee's Retirement System defined benefit plan. Employees hired before March 31, 1997 are covered by the defined benefits plan unless they chose to convert to the defined contribution plan during 1997.

Funding Policy – For the State Employee's Defined Benefit Retirement Plan, the SISF was billed and paid $9,029.59 and $9,034.74 for pension charges and retiree postemployment benefits in fiscal years 2013-14 and 2014-15, respectively. Effective April 1, 2012, defined benefit plan members are required to contribute 4% of their compensation for pension benefits. For the State Employee's Defined Contribution Retirement Plan, the SISF is required to make a contribution of 4% of the annual payroll and to match employee contributions up to 3% of annual covered payroll. The SISF contributions for the Plan were $9,444.79 and $8,684.70 for fiscal years 2013-14 and 2014-15, respectively.

Note 3 Risk Management

The SISF participates in the State of Michigan's (primary government) risk management program. The State is self-insured for most general liability and property losses; portions of its employee insurance benefit and bonding programs; and automobile liability, workers' compensation, and unemployment claims. The State Sponsored Group Insurance Fund and Risk Management Fund (internal service funds) have been established by the State to account for these self-insured risks management programs. As a participant, the SISF recognized expenses for payments made to the State in a manner similar to purchasing commercial insurance.

Note 4 Accounts Receivable

The SISF has the same rights as the self-insured employer to request recovery from excess insurers for continuing claim payments in excess of established retention values under either a specific (individual claim) or aggregate (all claims within policy period) excess reinsurance policy in effect on the claim's date of injury. Individual, and aggregate, claim benefit losses and expenses are compared to the retention limits for the policies in effect on the date of injury. After the cumulative losses on an individual claim (specific policy) or for all claims (aggregate policy) exceed the retention limit, SISF staff request reimbursement from the excess reinsurer for continuing benefit and expense obligations on the claim. Accounts receivables from Third Party and Excess Recoveries were $693,541 and $678,238 for year ending December 31, 2014 and December 31, 2015, respectively.

Note 5 Current Liabilities

Current Liabilities include adjusted actuarially estimated payments net of excess insurance and trust fund recoveries. The actuarially estimated current liability is $7,135,590.

Note 6 Long-Term Liabilities

Long-Term Liabilities include actuarially estimated liabilities net of excess insurance and trust fund recoveries.

Beginning Balance	Additions	Reductions	12/31/2015 Ending Balance	Amounts Due within one year	Amounts Due after one year
$67,583,900	$504,173	$29,217,255	$38,870,818	$7,135,590	$31,735,228

Note 7 Net Position

The SISF assesses private self-insured employers annually, up to a maximum of 3%, of the reported loss paid by these employers during the preceding calendar year, exclusive of payments made pursuant to sections 315, 319 and 345 of the Michigan Workers' Disability Compensation Act. Effective January 1, 2015 through December 31, 2019, the assessment limit is increased to 3.5% under requirements as specified under Section 551 (4) of the Act. These future assessments, plus excess recoveries, will be used to meet the existing future liabilities of the SISF reported in these financial statements. In addition, the remaining $5.6 million of general funds appropriated can be transferred and expended by the SISF when the criteria (mentioned in the MD&A) included in Public Act 252 of 2014 has been met.

Note 8 Fund Deficit

The fund as of 12/31/2015 has a fund balance deficit of ($4.1) million. The fund deficit resulted because the actuarially estimated long term liabilities for the fund exceed the current cash balance and future assessments are not recognized until earned. Future assessments, plus excess recoveries will be used to meet the existing future liabilities of the fund as described above in Note 7. In addition, the remaining $5.6 million of general funds appropriated can be transferred and expended by the fund when the criteria (mentioned in the MD&A) included in Public Act 252 of 2014 has been met.

Note 9 Actuarial Estimates of Liabilities for the Self Insurers' Security Fund

Evaluating loss and expense reserves involves the estimation of the outcome of future uncertain events. Considerable variances on the actuary estimates should be expected. It is quite possible the ultimate values will vary substantially from the estimates developed by the actuary.

Note 10 Actuary Disclaimer

The Actuary disclosed the following disclaimer related to the estimations:

"Evaluating loss and expense reserves involves the estimation of the outcome of future uncertain events. As such, they are subject to variation from expected values. Due to the nature and degree of uncertainty involved in projecting reserves, there can be no guarantee that our independent estimates will prove adequate or not excessive. However, the assumptions and methods we have employed in our analysis are, in our opinion, reasonable under the circumstances."

During 2015, the SISF has updated case reserves on all claims and has recorded these case reserves in the FAIS system. The SISF has also begun the process of verification and settlement of the Delphi Claims Adjudicated since 2014. Given the nature of the exposure as well as the maturity of the Delphi experience, considerable variance from the estimates presented in this report should be expected. However, this variance has been considerably reduced from that underlying our prior estimates due to the improved case reserving. It is also reduced because we now have credible, albeit limited, settlement experience related to the Delphi Claims Adjudicated since 2014.

It is our expectation that the variance will continue to reduce over time due to the improvements in case reserve processes and as additional experience on the Delphi claims is available.

Provided by Actuary

Self Insured Security Fund
Evaluated as of December 31, 2015
Workers Compensation
Summary by Company

Company	Gross Unpaid Indemnity (1)	Gross Unpaid Medical (2)	Gross Unpaid Expenses (3)	Excess Recoveries (4)	Applicable Trust Fund Recoveries (5)	Net Unpaid Total (6)
DELPHI CORPORATION	23,431,067	3,319,192	821,949	-	-	27,572,208
NATIONAL STEEL CORP	6,171,869	6,957,365	850,224	5,538,058	-	8,441,399
HAYES LEMMERZ INT'L INC	538,431	482,780	29,913	372,001	679,124	-
HAYES-ALBION / HARVARD IND INC	536,137	607,370	20,091	957,508	-	206,091
THORNAPPLE VALLEY INC	1,088,874	396,728	29,596	898,512	-	616,686
LTV STEEL COMPANY INC.	91,857	406,217	17,159	116,830	-	398,403
METALDYNE COMPANY LLC	510,926	693,888	504,652	1,485,267	224,200	-
PLASTECH ENGINEERED PRODUCTS, INC.	967,934	375,887	132,482	1,224,065	-	252,238
VENTURE GLOBAL ENGINEERING	885,826	337,401	98,511	1,173,582	-	148,155
MERIDIAN AUTOMOTIVE SYSTEMS, INC.	14,875	547,006	31,790	329,714	27,282	236,675
HOSTESS BRANDS INC.	575,202	580,393	573,915	1,526,504	-	203,006
LAKEY FOUNDRY CORP	53,441	7,357	1,642	2,438	-	60,003
MACDONALD'S INDUSTRIAL PRODUCTS, INC.	636,966	344,280	5,097	964,221	-	22,122
MASCOTECH CORPORATION	104,903	265,177	11,069	194,109	-	187,040
MONTGOMERY WARDS	72,996	71,721	3,132	147,627	-	222
CHATHAM SUPERMARKETS	173,787	9,760	2,202	185,748	-	-
ASC INCORPORATED	48,372	127,862	6,892	88,331	90,378	4,418
GREAT ATLANTIC & PACIFIC TEA COMPANY	334,782	29,458	5,570	179,631	190,179	-
PEMCO DIE CASTING CORP	153,633	7,447	1,614	101,807	14,839	46,047
EAGLE-PICHER INDUSTRIES INC	45,782	21,545	1,096	50,529	-	17,894
NEW HAVEN FOUNDRY	218,801	212,201	53,385	451,906	-	32,481
VELTRI METAL PRODUCTS, INC.	-	26,845	18,695	-	26,845	18,695
LINDELL DROP FORGE	176,078	14,867	966	191,912	-	-
SIMPSON INDUSTRIES, INC.	150,475	4,524	719	77,412	-	78,307
KEYWELL CORPORATION	58,893	2,517	125	-	-	61,535
BETHLEHEM STEEL COMPANY	15,063	645	100	-	-	15,808
QUALITY STORES INC	6,261	3,044	389	-	9,305	389
DELTA TUBE & FABRICATING CORP.	1,456	-	250	-	-	1,706
AUTO SPECIALTIES MFG CO	519	-	-	-	-	519
BLUE WATER AUTOMOTIVE SYSTEM, INC.	117,668	425,066	93,958	636,691	-	-
DETROIT PLASTIC MOLDING	32,589	5,266	500	38,354	-	-
MICHIGAN ROOFING CONTRACTORS	44,036	7,785	500	52,321	-	-
ELIAS BROTHERS RESTAURANTS INC	-	155,247	17,161	-	-	172,408
FEDERAL FORGE INC	-	41,183	1,000	-	-	42,183
ALKEN ZIEGLER INC.	96,178	53,287	2,233	151,699	-	-
ANDERSON SAFEWAY, INC.	100,407	129	500	101,036	-	-
HAMADY BROTHERS	-	117,274	5,638	122,912	-	-
NORTH OAKLAND MEDICAL CENTERS	-	8,330	400	-	8,730	-
ARMSTRONG MANUFACTURING, INC.	-	23,933	992	24,925	-	-
DCT	429,502	-	-	429,502	-	-
HOWELL INDUSTRIES INC	55,012	9,360	905	65,277	-	-
INTERSTATE MOTOR FREIGHT	15,930	4,980	535	21,445	-	-
SIGNET INDUSTRIES	79,819	976	125	80,921	-	-
JACOBSON STORES INC	71,588	7,081	1,556	80,224	-	-
LAKE CITY FORGE	-	29,181	5,000	-	-	34,181
TRAFFIC TRANSPORT ENG INC	277	-	-	277	-	-
KURDZIEL INDUSTRIES INC	385,768	1,395,287	102,855	1,883,910	-	-
A B MYR INDUSTRIES INC.	258,593	1,965,794	67,746	2,292,133	-	-
Total	38,752,573	20,103,637	3,524,826	22,239,338	1,270,881	38,870,818

(1) Gross Unpaid Indemnity	The Gross Unpaid Indemnity amounts represent future indemnity loss projections for the SISF on all open and Incurred but not reported (IBNR) claims.
(2) Gross Unpaid Medical	The Gross Unpaid Medical amounts represent future medical loss projections for the SISF on all open and IBNR claims.
(3) Gross Unpaid Expenses	The Gross Unpaid Expenses are future estimates for SISF administrative and legal expensnes in the management and litigation of all open and IBNR claims.
(4) Excess Insurance Recoveries	The Excess Insurance Recoveries are projections of the future reimbursements due the SISF from excess insurers pursuant to excess contracts in place with the bankrupt self-insured employers.
(5) Trust Fund Recoveries	The Trust Fund Recoveries are projections of future reimbursements due the SISF from trust funds established when the Workers' Compensation Agency called surety bonds or letters of credit that were held as security for a self-insured program.
(6) Net Unpaid Total	The Net Unpaid Total is the total Gross Unpaid Medical, Gross Unpaid Indemnity, Gross Unpaid Expenses, less Excess Insurance Recoveries and Trust Fund Recoveries.