



Industrial Special Indemnity Fund (ISIF)

Annual Report Calendar Year 2022

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INTRODUCTION TO ISIF

The Industrial Special Indemnity Fund (ISIF) was adopted in 1927 by the Idaho State Legislature as part of the State of Idaho's workers' compensation system. The purpose and management of the ISIF, often referred to as the "Second Injury Fund," can be found in Idaho Code §§ 323 – 334. Its general purpose is to offer employers and sureties relief from having full responsibility for paying lifetime benefits should a worker become totally and permanently disabled following a last accident at work.

The basis of ISIF liability is complicated. There are numerous requirements that must be met before liability can be imposed: (1) the injured worker must first have a pre-existing physical impairment from any cause or origin; (2) the pre-existing physical impairment must also be manifest, or clearly evident; (3) it must be a subjective hindrance to employment; and (4) it must combine with a subsequent disability from the last industrial accident to cause the worker to be deemed totally and permanently disabled; or the subsequent industrial injury must aggravate and accelerate the pre-existing impairment to cause total and permanent disability.

Funding for the ISIF is provided by an annual assessment to sureties and self-insured employers. The assessment is calculated based on two times the amount of expenses incurred during the previous fiscal year less the existing cash balance. Through an inter-agency contract, the Idaho Industrial Commission invoices each responsible entity for their proportionate share of the assessment and collects funds on behalf of the ISIF.

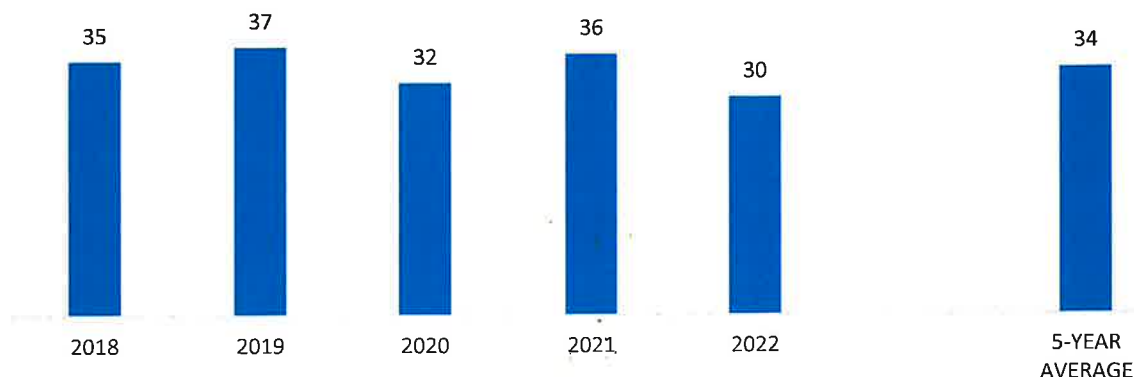
OPERATIONS

Claims & Benefits Administration

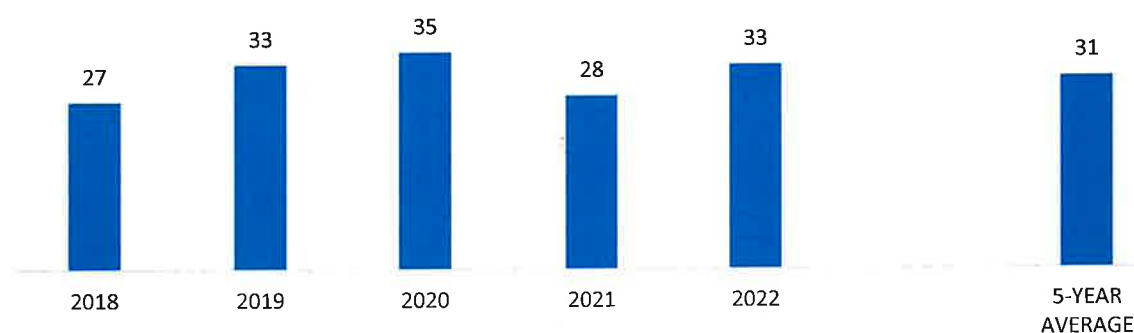
Claims for benefits are started by a party filing a Notice of Intent to File a Complaint Against the ISIF (NOI). Pursuant to Idaho Code § 72-334 (better known as the 60-day rule), the ISIF undertakes an initial in-house review and either agrees to resolve or denies the claim. If the claim is denied, the initiating party can then file a Complaint against the ISIF. Upon receipt of a Complaint, the ISIF will retain outside legal counsel and commence with formal litigation. ISIF personnel remain actively involved in all phases of the claim process.

The number of NOIs and Complaints continues to remain generally consistent as can be seen in the charts on the following page.

Notices of Intent



Complaints



There are three primary ways for a claim against the ISIF to conclude: dismissal, settlement, or hearing decision.

An administrative dismissal usually occurs when the filing party determines that the ISIF does not have liability. Motions or stipulations to dismiss must be submitted to and approved by the Industrial Commission.

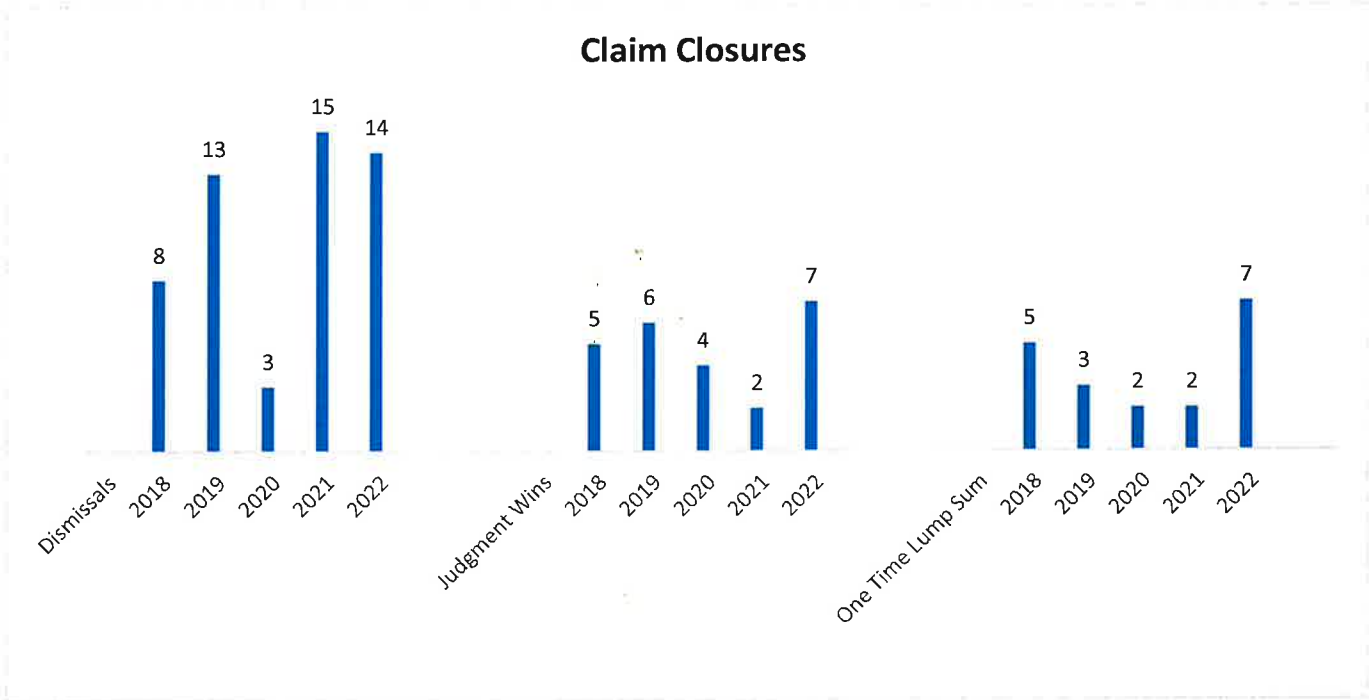
If ISIF liability appears to be established, the parties will often agree to try to settle the case without the necessity of an administrative hearing. This is usually accomplished through private negotiations or mediation. The ISIF has numerous options available to resolve a claim. These options include payment of a one-time lump sum, statutory benefits, modified benefits, guaranteed benefits, deferred benefits, or any combination thereof. Utilizing these various approaches, the ISIF can structure settlements to meet the needs of the claimant while also maintaining its fiscal responsibility.

If ISIF liability continues to be fully contested, the claim will proceed to a hearing before the Industrial Commission. If the ISIF is found liable, then lifetime statutory monthly benefits are paid. Statutory benefits are paid based on a percentage of the currently applicable Average State Weekly Wage, depending on the date of the last industrial accident as well as the injured worker’s rate of pay at that time.

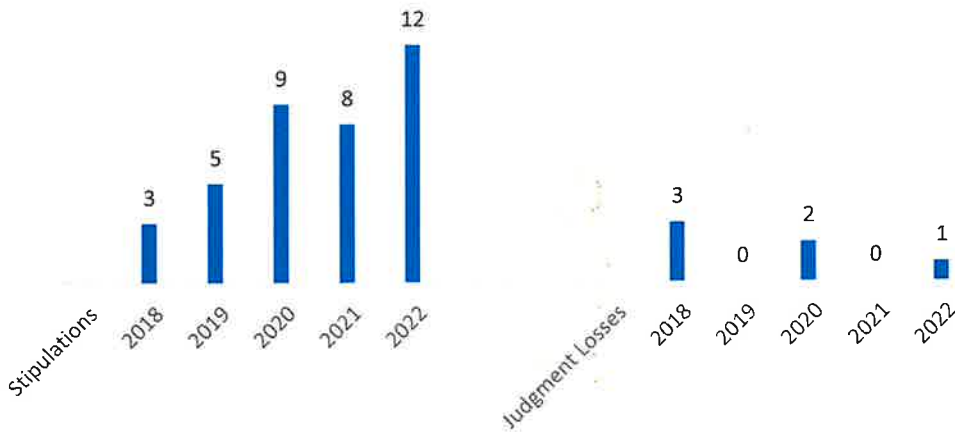
The 2022 legislative session brought about changes in the processing of workers’ compensation settlements. Specifically, the Legislature adopted an amendment to Idaho Code § 72-404, which took effect July 1, 2022. The amended statute allows for the streamlining of settlements. Other than with a few specific exceptions, settlement agreements no longer require Industrial Commission approval. However, any party may still request a “best interests” review by the Commission regarding the appropriateness of a particular settlement. Additionally, the Industrial Commission continues to review and approve all attorney fees and costs.

Calendar Year 2022 saw a significant uptick in claim activity. An initial assumption might lead to a conclusion that this increase, especially as to settlements, was the result of the change to Idaho Code § 72-404. However, upon review, it is apparent that the movement on these cases had just as much to do with old claims that were dormant during the pandemic becoming active again, as it had to do with the new settlement procedures.

The following two charts show the outcome of ISIF claims over the last five calendar years.



Beneficiaries Added

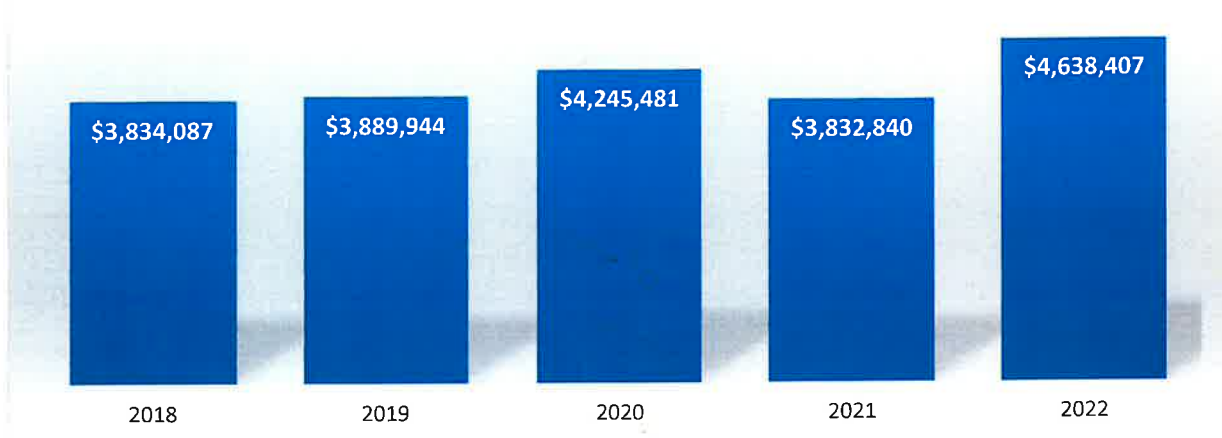


In addition to the thirteen (13) beneficiaries added to the monthly payment schedules in Calendar Year 2022 as noted above, another nine (9) beneficiaries passed away and benefit payments were stopped.

The chart on the next page shows the combined total amount of all benefits paid by the ISIF to injured workers. Overall, benefit payments continue to remain fairly consistent, with fluctuations usually due to yearly changes in the Average State Weekly Wage. For Calendar Year 2022, additional benefit payments were made as a result of the increase in claim activity referenced earlier in this report.

It is worth a separate mention that the Average State Weekly Wage for 2023 increased by 6.5%. This is on top of the 7.8% increase we saw 2022. In looking at the increases from 2019 through 2023, the average was a substantial 5.14%, while the prior five-year period, 2014-2018, averaged a more modest 2.24% increase. The continued escalation of the Average State Weekly Wage is a long-term financial concern for the ISIF.

Combined Claimant Payments



General Claim Demographics

Due to the unique nature of the claims brought against the ISIF, it is beneficial to take a look at specific data points. This information assists the ISIF with claim analysis as well as with the administration of benefits.

- **Average Claimant Age at Date of Injury:** **53**
 - Oldest 79
 - Youngest 19

- **Average Time Between NOI and Complaint – Last 5 Years:** **3 months**
 - Longest 1 years 7 months

- **Average Time Between Complaint and Result – Last 5 Years:**
 - Hearing 2 years 6 months
 - Longest: 4 years
 - No Hearing 1 year 6 months
 - Longest 4 years 7 months

Beneficiary Demographics

- **Number of Beneficiaries on Books** **160**

- **Average Age of Current Beneficiaries:** **69**
 - Oldest 90
 - Youngest 37

- **Average Age at Date of Injury** **50**
 - Oldest 72
 - Youngest 26

- **Average Age at Date of Death** **76**
 - Oldest 93
 - Youngest 47

Legal Representation & Office Administration

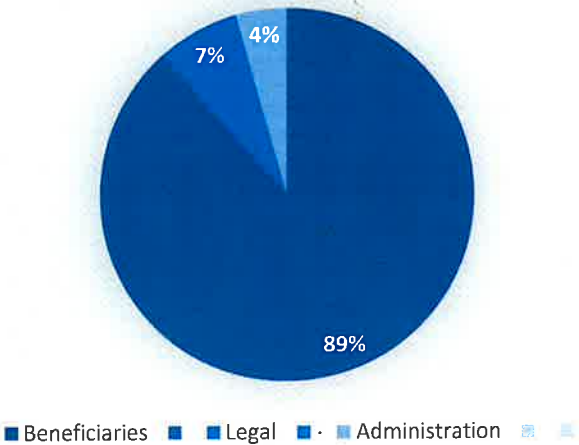
In addition to claims and benefits as noted above, the other two integral parts of ISIF operations are legal representation and office administration.

Litigation expenses include attorney fees and costs, depositions, as well as the services of medical, investigative, and vocational experts. Despite the complexity of the claims, litigation costs have remained fairly steady. Calendar Year 2022 saw only a modest increase in legal expenditures, despite a well-deserved pay raise for the attorneys, as well as the uptick in claim activity. The ability to control costs is in large part due to the expertise of the attorneys representing the ISIF as well as the active involvement by ISIF staff. Legal expenditures for Calendar Year 2022 were \$378,647.

Administrative costs include maintaining an office in Boise, personnel, as well as support services provided by the Department of Administration, the Office of the Governor Information Technology Services, and the Idaho Industrial Commission. Additionally, Calendar Year 2022 included continued expenses for our updated claim management information system in conjunction with the State's new modernization system. Overall administrative expenditures for Calendar 2022 were \$226,428.

As can be seen by the chart below, the majority of the ISIF’s expenditures are for the benefit of the injured workers (89%), with only small percentages of funds spent on litigation (7%) and office administration (4%).

CY2022 Expenditures



Financial Report

The revenue side of the ISIF budget is composed of the annual assessment, fees for late payments, accrued interest, death benefit receipts, and insurance annuity payments. The expenditure side of the budget is broken into three main categories: benefits, legal, and office administration. A summary of the financial position of the ISIF at the end of Calendar Year 2022 is set out below.

| | |
|-------------------------------|---------------------|
| Beginning Cash Balance | \$ 5,476,266 |
| Revenue | + 5,084,086 |
| Expenses | - 5,216,590 |
| Ending Cash Balance | \$ 5,343,762 |

Assessment

The chart below shows a substantial projected increase for the 2024 Assessment. The projected numbers are unsurprising. We are coming off of two consecutive years of reduced assessment amounts. Additionally, given how the ISIF is funded, as cash reserves are spent down, the assessment will consequently increase. Updated numbers will be reviewed following the next quarter, prior to the final assessment amount being calculated at the end of the 2023 Fiscal Year.

