



# Industrial Special Indemnity Fund (ISIF)

## Annual Report Fiscal Year 2022

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## INTRODUCTION TO ISIF

The Industrial Special Indemnity Fund (ISIF) was adopted by the Idaho State Legislature in 1927 as part of the state's comprehensive 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 ISIF deals with claims for workers who have a pre-existing physical impairment, from any cause or origin, that then combines with a subsequent industrial injury (last accident), rendering the worker totally and permanently disabled.

The ISIF does not expend general fund money. Rather, 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 Memorandum of Understanding, the Idaho Industrial Commission invoices each responsible entity for their proportionate share of the assessment and collects funds on behalf of the ISIF.

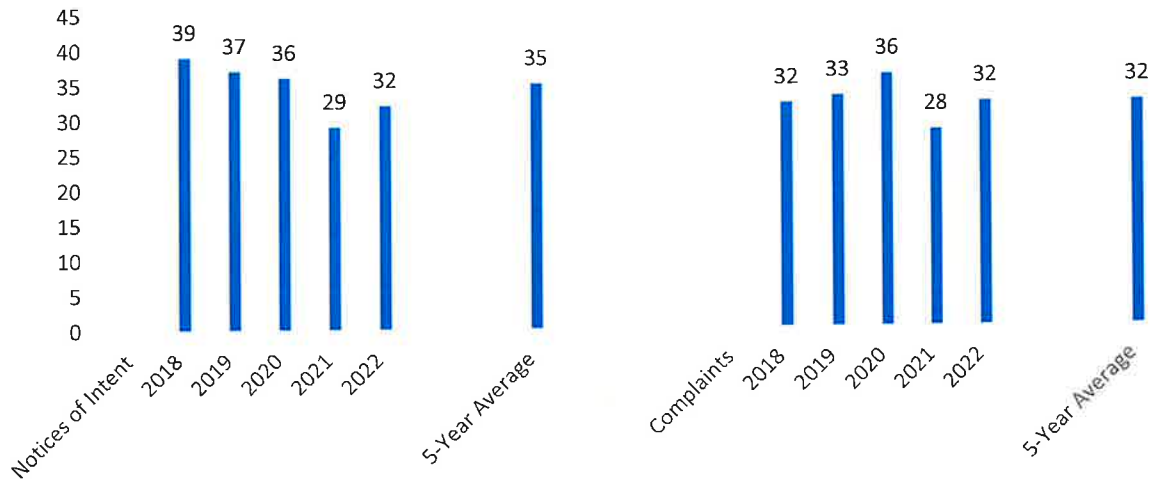
## OPERATIONS

### Claims & Benefits Administration

A claim for benefits from the ISIF is started by a party filing a Notice of Intent to File a Complaint Against the ISIF (NOI). Pursuant to Idaho Code § 72-334, 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, a Complaint can then be filed against the ISIF. Upon receipt of a Complaint, the ISIF will retain outside legal counsel and commence with formal litigation.

The number of NOIs and Complaints has remained generally consistent over the last five fiscal years as indicated below.

### Notices of Intent & Complaints



Once formal litigation begins, discovery is exchanged, and depositions are taken. Oftentimes, medical and/or vocational experts are retained. Through this process a claim strategy is developed. Decisions can then be made regarding how best to resolve the claim. Claim resolutions can be achieved by either administrative dismissals, negotiated settlements or hearing decisions.

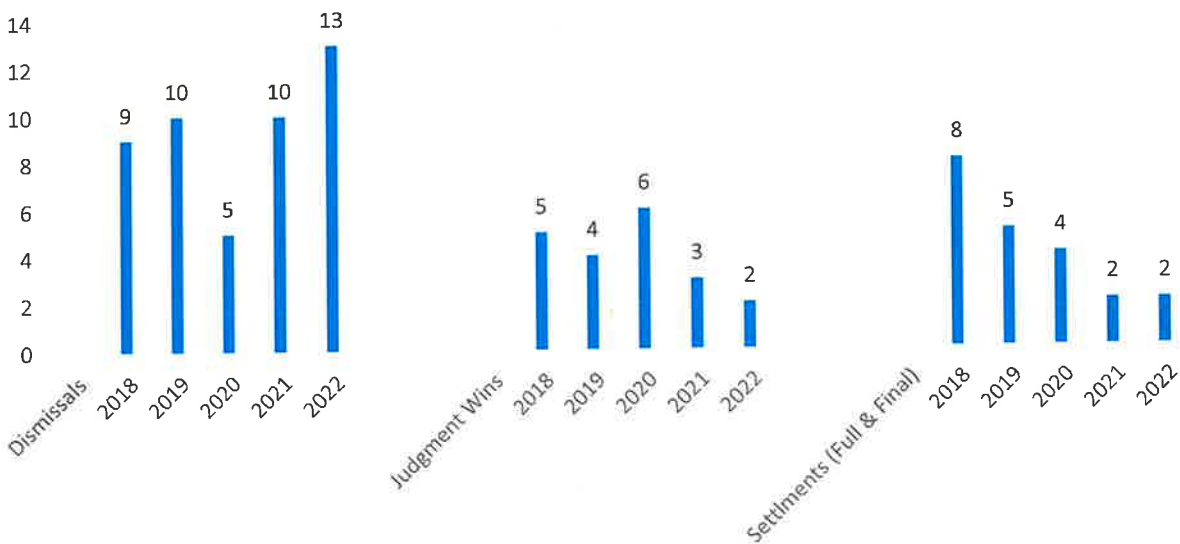
A claim is administratively dismissed when it becomes apparent that there is no ISIF liability. All such dismissals require approval by the Industrial Commission.

If the parties agree that ISIF liability can be established, they work to negotiate a settlement. There are multiple options available on claims resolved through settlement, including statutory benefit payments, periodic benefit payments at a negotiated rate and timeframe, or a one-time, full and final lump sum payment. The ISIF remains diligent in pursuing all options in order to provide benefits to injured workers with qualifying claims, while also maintaining fiscal accountability.

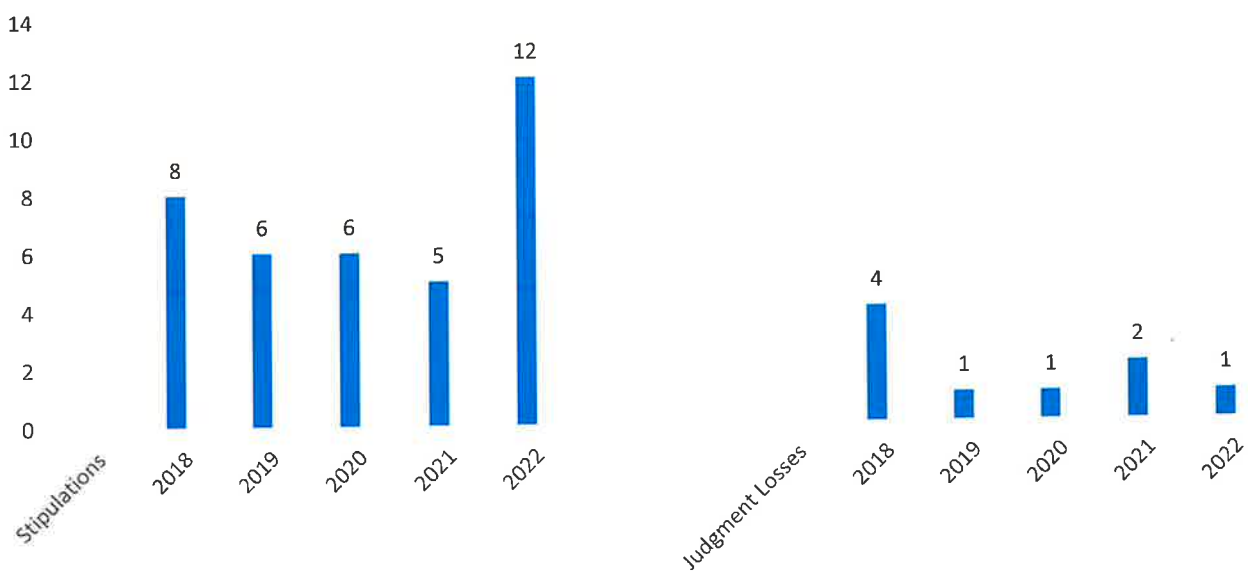
If the parties are unable to come to an agreement regarding ISIF liability, or if settlement negotiations fail, the case will go to a hearing before the Industrial Commission.

The two charts below show the outcomes of ISIF claims over the last five fiscal years.

### Claim Closures



### Beneficiaries Added



The number of administrative dismissals as well as beneficiaries added to the monthly books this fiscal year show a marked increase over previous years. This is due in part to some difficulties obtaining Industrial Commission approval for payment of anything other than statutory benefits. This year also saw an increase in the closure of some stale claims.

In addition to the twelve (12) beneficiaries added, seven (7) beneficiaries passed away were taken off the books.

### General Claim Demographics

Due to the unique nature of the claims brought against the ISIF, it is worth taking a deeper look at some individual demographics.

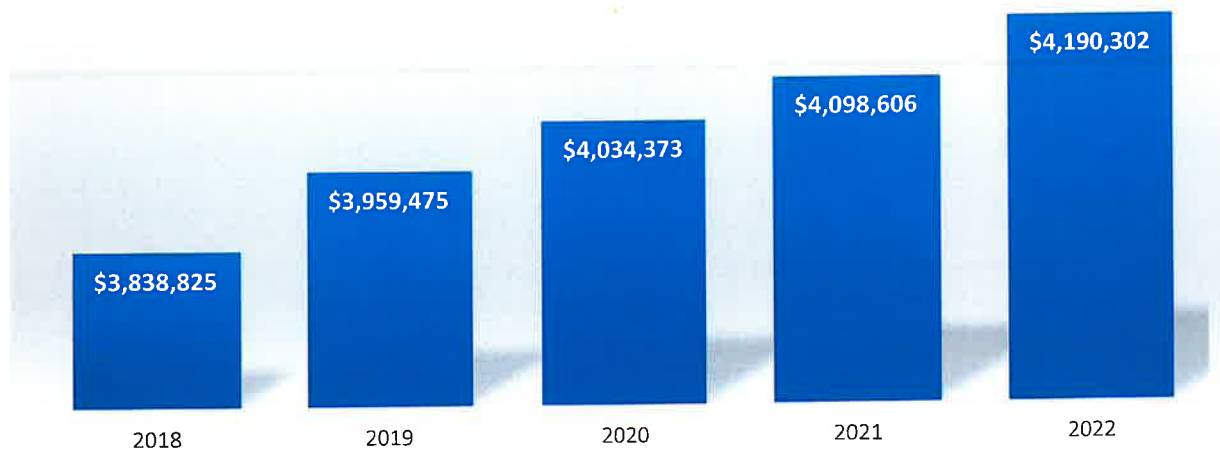
- **Average Claimant Age at Date of Injury:** **53**
  - Oldest 72
  - Youngest 19
  
- **Average Time Between NOI and Complaint:** **3 months**
  - Longest: 3 years 10 months
  - Shortest: 2 weeks
  
- **Average Time Between Complaint and Result (Hearing)** **2 years 8 months**
  - Longest: 3 years 11 months
  - Shortest: 11 months
  
- **Average Time Between Complaint and Result (No Hearing)** **1 year 4 months**
  - Longest: 3 years 1 month
  - Shortest: 4 months

## Beneficiary Demographics

- **Number of Beneficiaries on Books:** **164**
  
- **Average Age at Date of Injury** **50**
  - Oldest 72
  - Youngest 26
  
- **Average Age of Current Beneficiaries:** **69**
  - Oldest 90
  - Youngest 37
  
- **Average Age at Date of Death** **77**
  - Oldest 93
  - Youngest 47

The chart below shows the combined total of all benefits paid to injured workers for the past five fiscal years.

## **Claimant Payments**



You can see an uptick in overall payments each year. These increases generally correlate closely to the yearly increases in the Average State Weekly Wage (ASWW). Effective January 1, 2022 (the second half of Fiscal Year 2022), the ASWW increased by almost 8%, an amount previously unseen.

The increase in the ASWW for the last five years averaged 4.5%. By contrast, the increase for the previous five-year period averaged 1.95%. This current trend of such considerable increases is fiscally concerning.

### **Legal Representation & Office Administration**

In addition to claim benefits, the other two integral parts of the ISIF operation are legal representation and office administration.

Litigation costs include all expenses incurred over the litigated life of the claim. These 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 remain fairly consistent. This 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 Fiscal Year 2022 were \$368,100, with a five-year average of \$393,664.

Administrative costs include maintaining an office in Boise, as well as support services provided by the Department of Administration, Information Technology Services, and the Idaho Industrial Commission. This year again saw an overall reduction in administrative costs. Administrative expenditures for Fiscal Year 2022 were \$184,247, with a five-year average of \$244,705.

Overall, the majority of the ISIF's expenditures are for the benefit of the injured workers (88%), with only small percentages of funds spent on litigation (8%) and office administration (4%).

## 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. As noted above, the expenditure-side of the budget is broken into three categories: benefits, legal, and office administration.

A summary of the financial position of ISIF at the end of the 2022 Fiscal Year is set out below.

<b>Beginning Cash Balance</b>	<b>\$ 5,108,644</b>
Income	+ 5,082,206
Expenses	- 4,742,649
<b>Ending Cash Balance</b>	<b>\$ 5,448,201</b>

## Assessment

The annual assessment for 2023 is \$4,037,097. This is a reduction for the second straight year. However, due to the nature of ISIF funding and the unpredictability of claim numbers and values, the reductions should not be used to project future assessment amounts.

### Annual Assessment

