



Industrial Special Indemnity Fund (ISIF)

Annual Report Fiscal Year 2023

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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.

Benefit rates for total and permanent disability benefits are specified in Idaho Code § 72-408 and § 72-409. The payment rate is determined by the injured worker's average weekly wage at time of injury. In general, total and permanent disability benefits are paid at either 67% or 45% of the Average State Weekly Wage (ASWW) for the year of benefit. There are also some legacy claims being paid at a 60% rate.

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.

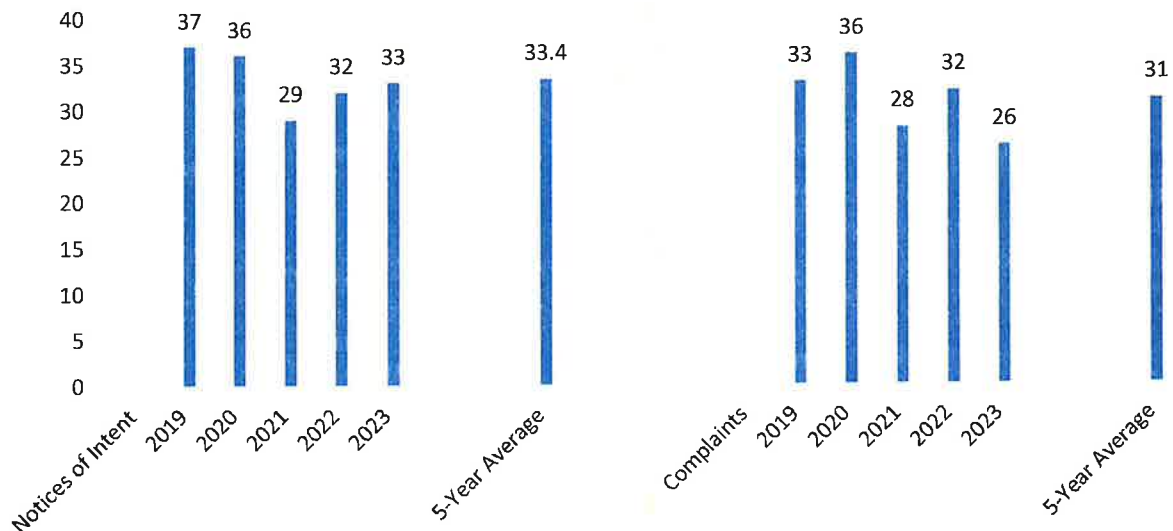
OPERATIONS

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 NOI's filed in Fiscal Year 2023 remained generally consistent, with the number of Complaint showing a slight dip. This can be accounted for by the fact that there is no time requirement or limitation for the filing of a Complaint.

Notices of Intent & Complaints



Historically, NOI's were filed almost exclusively by the Claimant. Over the last few years, we started seeing a slight shift with NOI's also being filed by the Employer/Surety. However, Fiscal Year 2023 saw that of the 33 NOI's filed, 21 were done so by the Employer/Surety. That is a significant 68%. While it is unclear what is driving this marked reversal in filing parties, the processing of the claims remains the same.

Once a Complaint is filed, formal litigation begins. Discovery is exchanged and depositions are taken. Oftentimes, medical and/or vocational experts are retained. Through these processes 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.

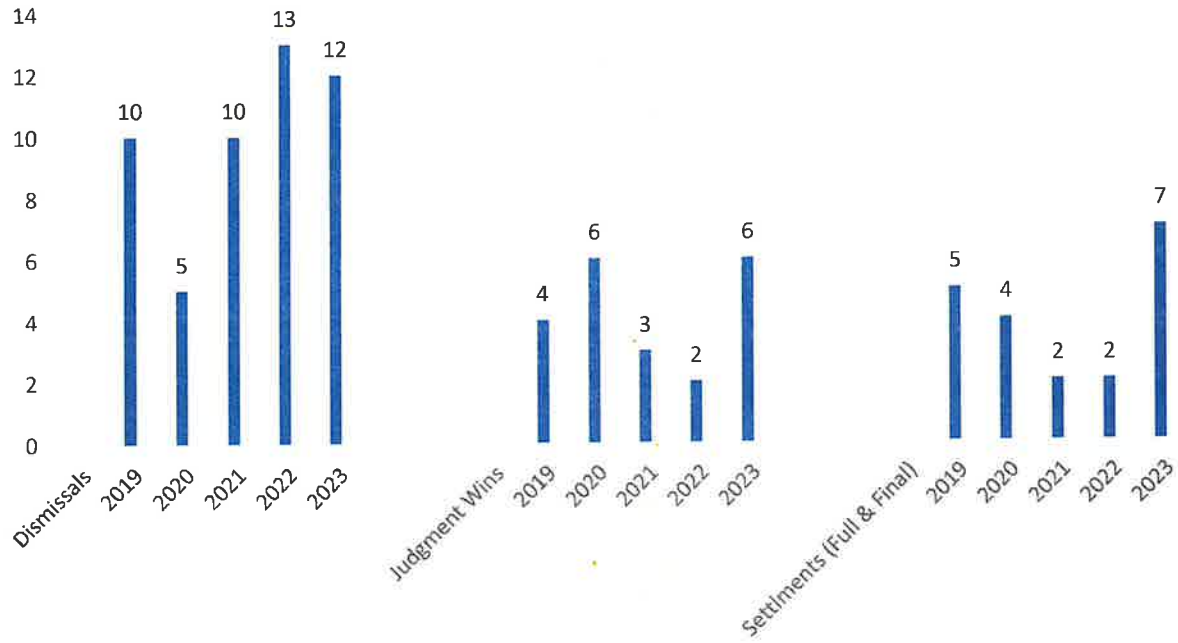
A claim is administratively dismissed when it becomes apparent that there is no ISIF liability. All such dismissals require approval by the Industrial Commission.

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.

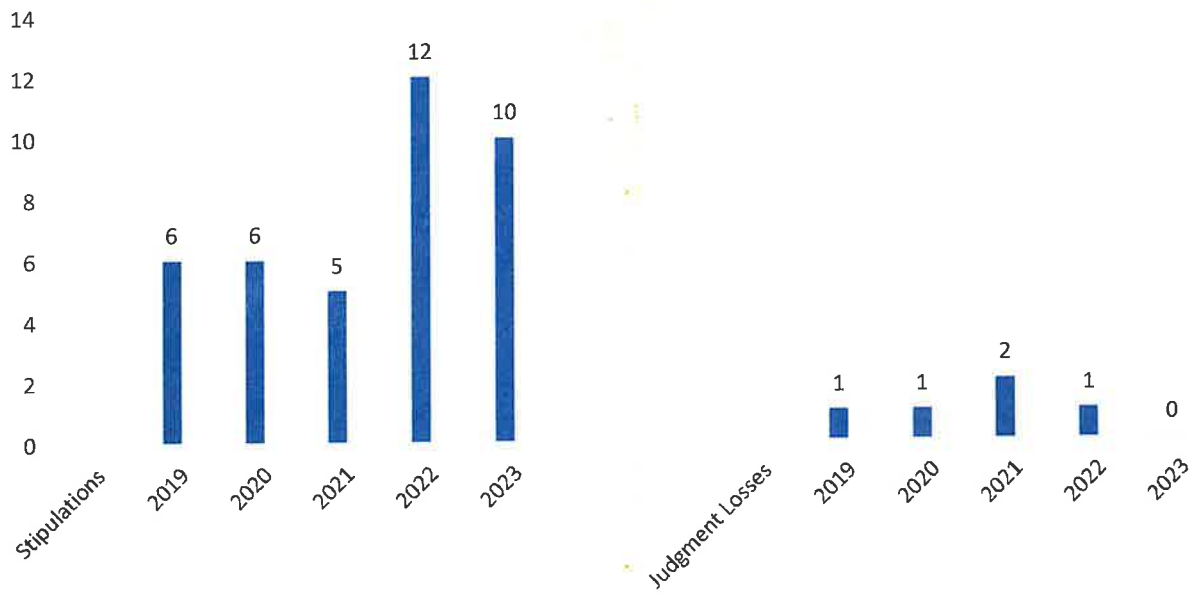
If the parties are unable to come to an agreement regarding ISIF liability, the case will go to a hearing before the Industrial Commission.

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

Claim Closures



Beneficiaries Added



General Claim Demographics

Due to the complex nature of the claims brought against the ISIF, it is worth taking a deeper look at some individual demographics. In order to track current trends, the general claim numbers were taken from the last five fiscal years only, rather than from all historical claim data.

- **Average Claimant Age at Date of Injury:** **54**
 - Oldest 79
 - Youngest 28

- **Average Time Between NOI and Complaint:** **3 months**
 - Longest: 10 months
 - Shortest: 1 month

- **Average Time Between Complaint and Result (Hearing)** **3 years 6 months**
 - Longest: 10 years 3 months
 - Shortest: 1 year 3 months

- **Average Time Between Complaint and Result (No Hearing)** **1 year 11 months**
 - Longest: 6 years 11 months
 - Shortest: 3 months

Beneficiary Demographics

- **Number of Beneficiaries on Books:** **155**

- **Average Age at Date of Injury** **51**
 - Oldest 72
 - Youngest 26

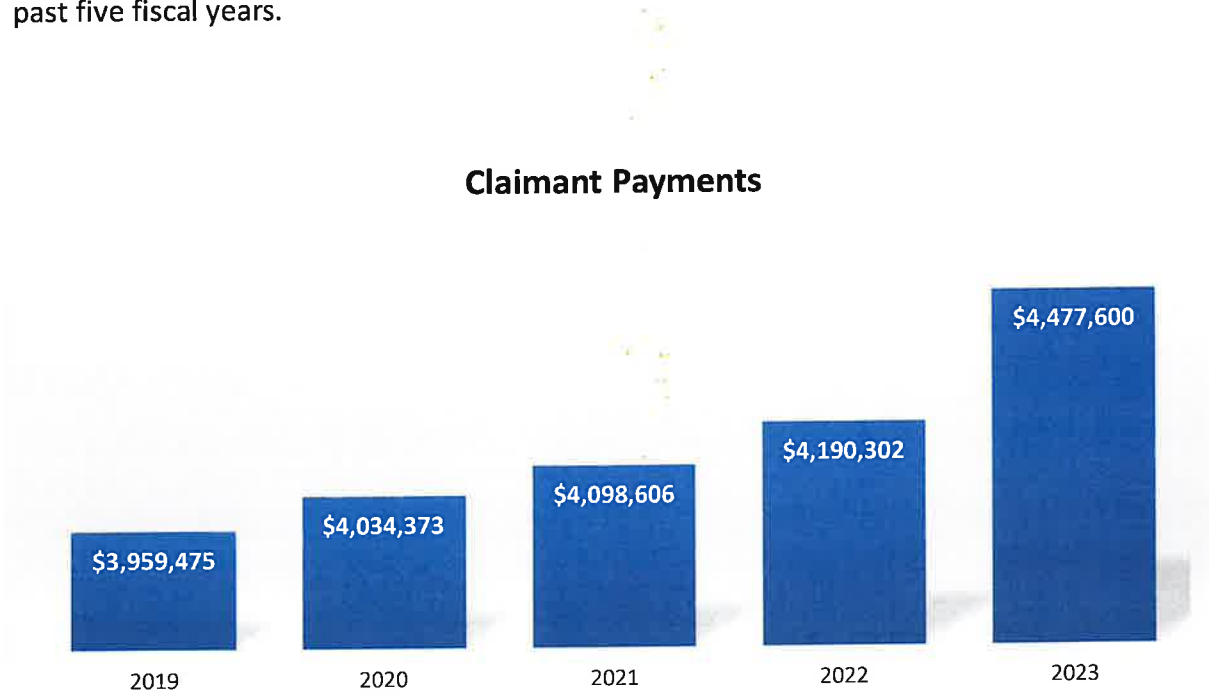
- **Average Age of Current Beneficiaries:** **69**
 - Oldest 91
 - Youngest 38

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

In any given year, the ISIF usually sees an average of 7 beneficiaries pass away. Unfortunately, the ISIF saw an unprecedented 19 beneficiaries die in Fiscal Year 2023. This anomaly necessitated further analysis. The average age of this group of beneficiaries at date of death was 78 years old. The average time for which monthly payments were made to each beneficiary was 22.5 years, with the median being 24.25 years. The longest was just under 32 years, and the shortest was just over 5 years.

The overall payment amounts to injured workers continue to increase each year. The increases generally correlate closely to the yearly increases in the Average State Weekly Wage (ASWW). Effective January 1, 2023 (the second half of Fiscal Year 2023), the ASWW increased by 6.5%.

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



Litigation Expenses & Office Administration

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

Litigation costs include all expenses incurred over the 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 generally consistent. This is due in large part to the expertise of the attorneys representing the ISIF as well as the active involvement by ISIF staff. Litigation expenditures for Fiscal Year 2023 were \$379,078, which is a modest increase over the previous fiscal year.

Administrative costs include expenses required in maintaining an office in Boise, as well as support services provided by the Department of Administration, Information Technology Services, and the Idaho Industrial Commission. Administrative expenditures for Fiscal Year 2023 were \$238,575. This was a notable increase over the previous fiscal year, but a nominal increase over the previous calendar year. The driving force behind this increase was the cost of the updated ISIF information system in conjunction with the cost of the State of Idaho LUMA implementation.

LUMA is the State of Idaho’s new modernized Enterprise Resource Planning (ERP) system. More information regarding the LUMA project can be found at the State of Idaho State Controller’s Office website, www.sco.idaho.gov.

Overall, the majority of the ISIF’s expenditures continue to be for the benefit of the injured workers (88%), with lesser percentages of funds spent on litigation (7%) and office administration (5%).

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, litigation, and office administration.

A summary of the financial position of ISIF at the end of the 2023 Fiscal Year is set out below.

Beginning Cash Balance	\$ 5,448,201
Income	+ 4,955,391
Expenses	- 5,095,252
Ending Cash Balance	\$ 5,308,340

Assessment

The annual assessment for 2024 is \$4,882,164. This is the first increase to the assessment following two years of reductions. This increase was expected due to the continued substantial increases in the Average State Weekly Wage, as well as nature of ISIF funding; as cash on hand is spent down, the assessment amount will consequently go up.

Annual Assessment

