

Industrial Special Indemnity Fund (ISIF)

Annual Report Calendar Year 2023

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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.

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 calculated Average Weekly Wage (AWW) 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.

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 (MOU), the Idaho Industrial Commission invoices each responsible entity for its proportionate share of the assessment and collects funds on behalf of the ISIF.

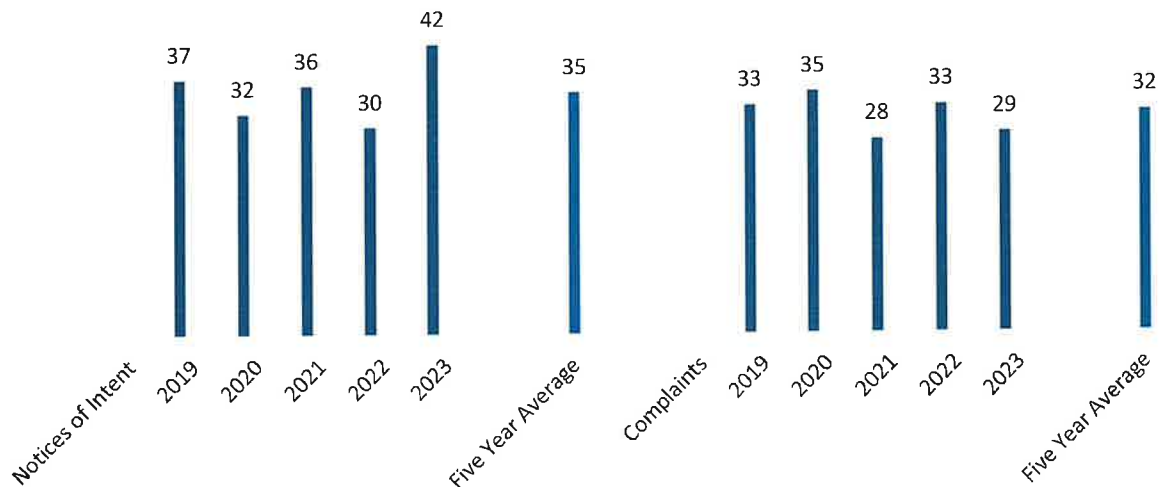
OPERATIONS

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.

As can be seen in the chart below, for Calendar Year 2023, there was a noted increase in the NOIs, while the number of Complaints remained generally consistent.

Notices of Intent & Complaints



Historically, NOI's were filed almost exclusively by the Claimant. Over the last few years there has been a notable shift with NOI's also being filed by the Employer/Surety. Calendar Year 2023 saw a 50/50 split between filings by the Claimant and filings by the Employer/Surety. Taking a deeper dive into the numbers, we see that of the 21 NOIs filed by the Employer/Surety, 15 of them, or 71% were filed by one law firm. Regardless of who files the NOI, 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.

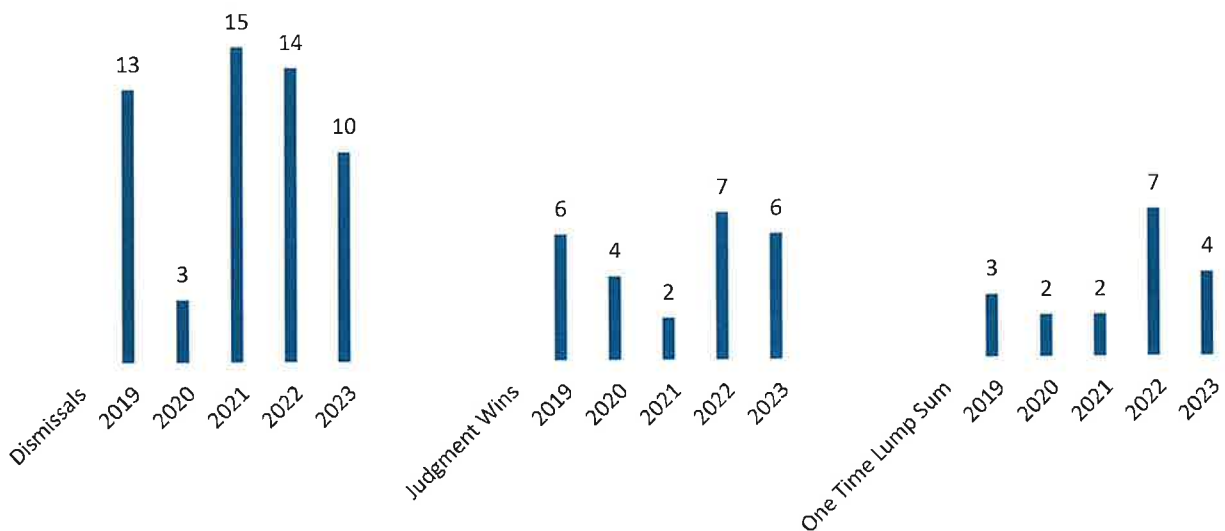
A claim is administratively dismissed when it becomes apparent that there is no ISIF liability. A motion or stipulation to dismiss is then filed. All such dismissals require approval by the Industrial Commission.

If ISIF liability appears to be established, the parties will usually try to settle the case without the necessity of an administrative hearing. This is accomplished through either 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. The ISIF remains diligent in pursuing all options in order to provide benefits to injured workers with qualifying claims, while also maintaining its fiscal accountability.

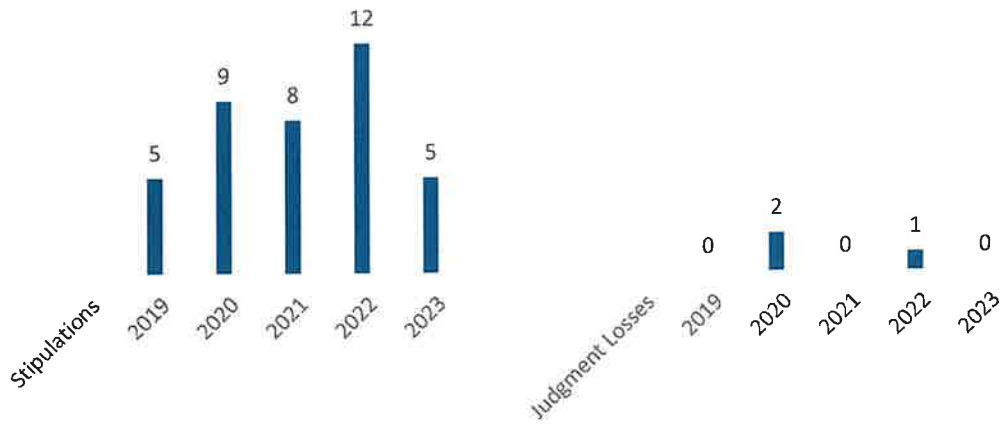
If the parties are unable to come to an agreement regarding ISIF liability, the case will go to a hearing before the Industrial Commission. If the ISIF is found to be liable, then lifetime statutory monthly benefits are paid.

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

Claim Closures



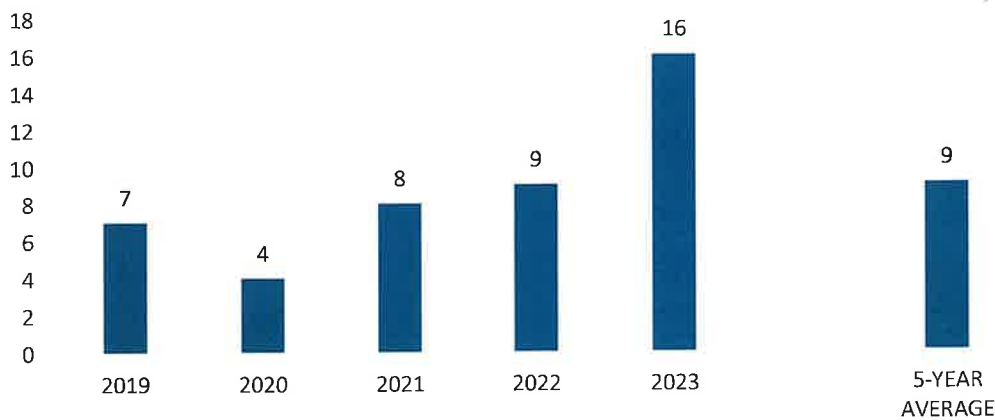
Beneficiaries Added



In addition to the 5 beneficiaries added to the monthly payment schedules in Calendar Year 2023 as noted above, another 16 beneficiaries passed away and benefit payments were stopped. The average age of these beneficiaries as of date of death was 78.5 years. The average length of time for which monthly payments were made was 23 years, with the longest being 31.5 years, and the shortest being just over 5 years.

The chart below shows the average numbers of beneficiary deaths over the past five (5) calendar years.

Beneficiary Deaths



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:** **51**
 - Oldest 79
 - Youngest 19

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

Due to the complexities of ISIF claims, most parties who file an NOI will then go ahead and immediately proceed with the filing a Complaint following the 60-day ISIF review period.

The more lengthy timeframes between NOI date and Complaint date are primarily due to the fact that a Complaint does not have to be filed within any certain time period following the ISIF 60-day review of the NOI. The filing party may wish to delay the onset of formal litigation, most commonly due to a Claimant requiring additional medical treatment or attempting a return to work.

- **Average Time Between Complaint and Result – Last 5 Years:**
 - Hearing **3 years 9 months**
 - Shortest 1 year 3 months
 - Longest: 10 years 9 months

 - No Hearing **1 year 9 months**
 - Shortest 2 months
 - Longest 6 years 11 months

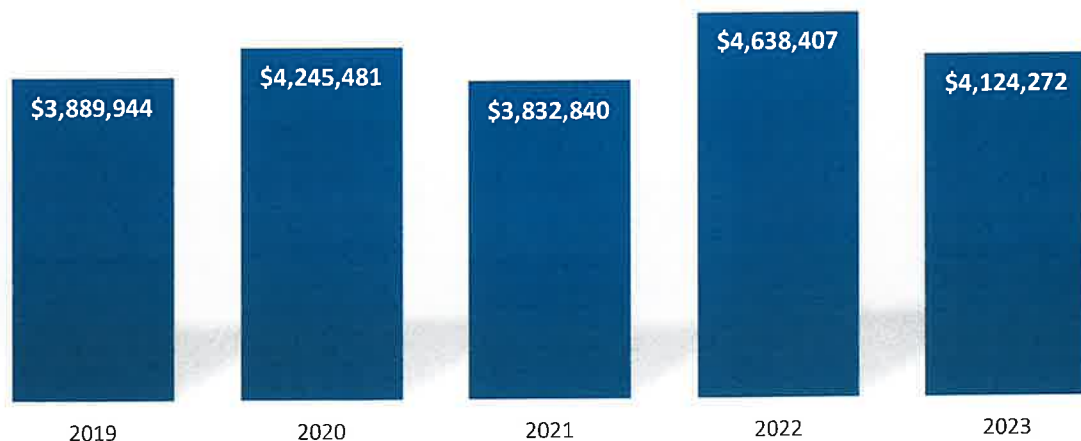
The extreme variations between longest and short timeframes noted above are due to unique situations regarding specific claims.

Beneficiary Demographics

- **Number of Beneficiaries on Books:** **152**
- **Average Age of Current Beneficiaries:** **69**
 - Oldest 91
 - Youngest 38
- **Average Age of Current Beneficiaries at Date of Injury:** **51**
 - Oldest 72
 - Youngest 26
- **Average Age of All Beneficiaries at Date of Death:** **77**
 - Oldest 93
 - Youngest 41

Overall, benefit payments to Claimants continue to remain fairly consistent. The following chart shows the combined total amount of all benefits paid by the ISIF to injured workers for Calendar Year 2023.

Combined Claimant Payments



Litigation & Office Administration

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

The majority of litigation expenses are for attorney fees and costs, depositions, as well as the services of medical, investigative, and vocational experts. The ISIF currently utilizes the services of five well-experienced attorneys representing its interests across the state. Despite the complexity of the claims, litigation costs have remained fairly steady. 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. Calendar Year 2023 saw a modest increase in legal expenditures. Litigation expenses for Calendar Year 2023 were \$392,842.

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 2023 included continued expenses for our updated claim management information system in conjunction with the State's new modernization system, LUMA. Overall administrative expenditures for Calendar 2023 were \$245,371

The majority of the ISIF's expenditures continue to be for the benefit of the injured workers (87%), with only a small percentage of funds spent on litigation (8%) 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. 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 2023 is set out below.

Beginning Cash Balance	\$ 5,343,762
Revenue	+ 4,616,057
Expenses	- 4,762,485
Ending Cash Balance	\$ 5,197,334

Assessment

The chart below shows a projected decrease for the 2025 Assessment. However, the Average State Weekly Wage for Calendar Year 2024 has increased by almost 7%. This will have an immediate impact on the benefit amounts paid by the ISIF to injured workers. The numbers will be reviewed again at the end of the next quarter, prior to the final assessment amount being calculated at the end of the 2024 Fiscal Year.

Annual Assessment

