Industrial Special Indemnity Fund (ISIF)

Annual Report Fiscal Year 2026

Department of Administration
Steve Bailey, Director

Industrial Special Indemnity Fund
Lea Kear, Manager

650 W. State Street, Room 100, Boise, ID 83702
PO Box 83720, Boise, ID 83720-7901
(208) 332-1837

"We serve Idaho by promoting responsible government through expert customer support."

www.adm.idaho.gov

INTRODUCTION TO THE INDUSTRIAL SPECIAL INDEMNITY FUND

The Industrial Special Indemnity Fund, or ISIF, was adopted in 1927 by the Legislature as part of Idaho's workers' compensation system. The ISIF's purpose is to encourage employers to hire workers with preexisting physical impairments by offering the employer relief from total and permanent disability liability if the worker is injured on the job and becomes totally and permanently disabled.

An employer or injured worker can make a claim for benefits from the ISIF by filing a Notice of Intent to File a Complaint Against the Industrial Special Indemnity Fund, which triggers 60-day in-house review period. If the claim is denied, the party filing the claim can proceed with filing a formal complaint against the ISIF. Claims may be resolved between the parties or through formal litigation. All complaints are adjudicated at the administrative level by the Idaho Industrial Commission.

The ISIF does not expend general fund monies. It is funded through an annual assessment to sureties, self-insured employers, and the State Insurance Fund. The method of calculation is set forth in Idaho Code § 72-327. The total assessment amount is calculated at twice the gross expenses of the ISIF for the preceding year, less the ending cash balance of the same fiscal year. The total assessment is then apportioned on a pro rata basis. The Industrial Commission calculates the pro rata rate and collects and distributes payments biannually.

The ISIF is part of the Department of Administration. Consistent with the Department's mission, the ISIF provides ongoing and comprehensive customer support to its beneficiaries through timely administration of monthly benefit payments and prompt assistance with all inquiries. The ISIF also strives to promote responsible government by maintaining reasonable operating costs and carefully evaluating all claims.

OPERATIONS

Revenue

The ISIF's sources of revenue are the annual assessment, death benefit transfers, accrued interest, and receipts on annuities. Over the years, receipts on annuities have trended significantly downwards as many of the original annuitants have passed away. The receipts on annuities for fiscal year 2026 totaled $325,210.

Under Idaho Code § 72-420, when no claim for compensation is made by a dependent of a deceased employee within one year after death, the employer is required to pay $10,000 to ISIF, in what is known as a "death benefit transfer." In the 2026 fiscal year, there were nine death benefit transfers, for a total of $90,000.

The total revenue ISIF received from all sources for fiscal year 2026 was $4,930,872.

Expenditures

The breakdown of expenditures remains steady, with the majority of the ISIF's payments being made for the benefit of the injured workers, and lesser amount of funds being spent on litigation and office administration. In addition to benefits, the ISIF's operations budget includes two essential costs: litigation and administration.

- **PERSONNEL AND BENEFITS/OPERATING COSTS**

The ISIF operates on a lean administrative budget. Personnel consists of one full-time staff person and a shared administrative support person. Administrative costs include expenses required in maintaining an office within the Department of Administration, as well as support services provided by the Department of Administration, Information Technology Services, and the Idaho Industrial Commission. Administrative expenditures for fiscal year 2026 were $268,710, an amount consistent with fiscal year 2025.

- **LITIGATION**

Litigation expenditures are all expenses incurred over the life of the claim. These expenses include attorney fees and costs, deposition costs, and medical and vocational experts. Due to the increasing complexity of workers' compensation litigation, expert opinions are necessary in almost every case.

The ISIF engages outside counsel for representation in litigation. The ISIF is fortunate to be represented by a group of highly skilled and experienced workers' compensation attorneys, thereby producing efficient outcomes. Despite the complexity of the claims, litigation costs remain generally consistent. This is due to the expertise of the attorneys representing the ISIF, as well as active involvement by ISIF staff. Litigation expenditures for fiscal year 2026 were $333,459, which is nearly identical to fiscal year 2025.

- **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), along with any relevant documentation. This triggers a 60-day in-house review period by the manager. If the claim is denied after the review period, the party may proceed with filing a formal complaint.

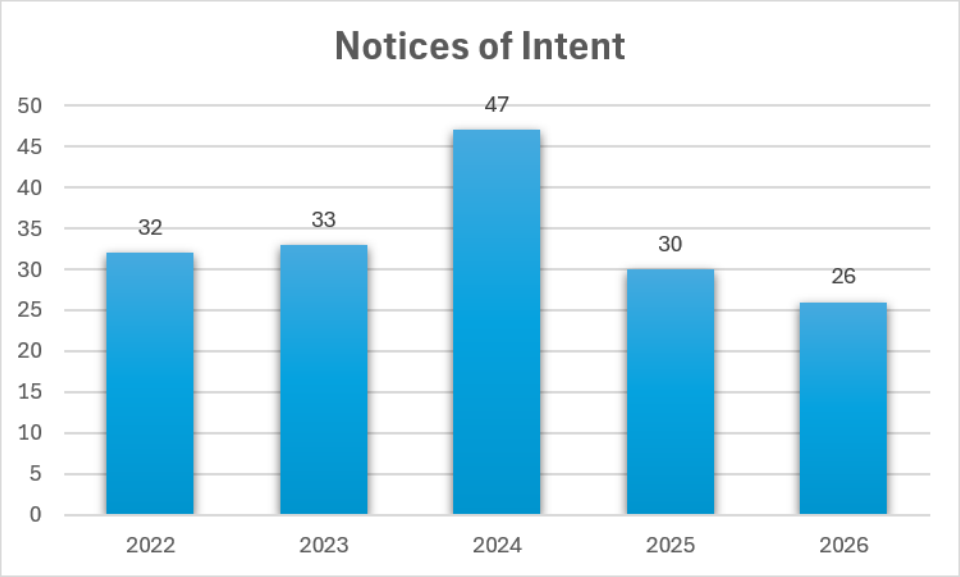
Once a complaint is filed, formal litigation begins. Discovery is exchanged and depositions are taken. Additionally, medical and/or vocational experts are often retained. Through these processes a claim strategy is developed. Decisions can then be made regarding how best to resolve the claim. Claim resolution can be achieved by administrative dismissals, negotiated settlements or administrative hearings. Hearings are held before referees with the Idaho Industrial Commission, with the Idaho Supreme Court having jurisdiction over appeals.

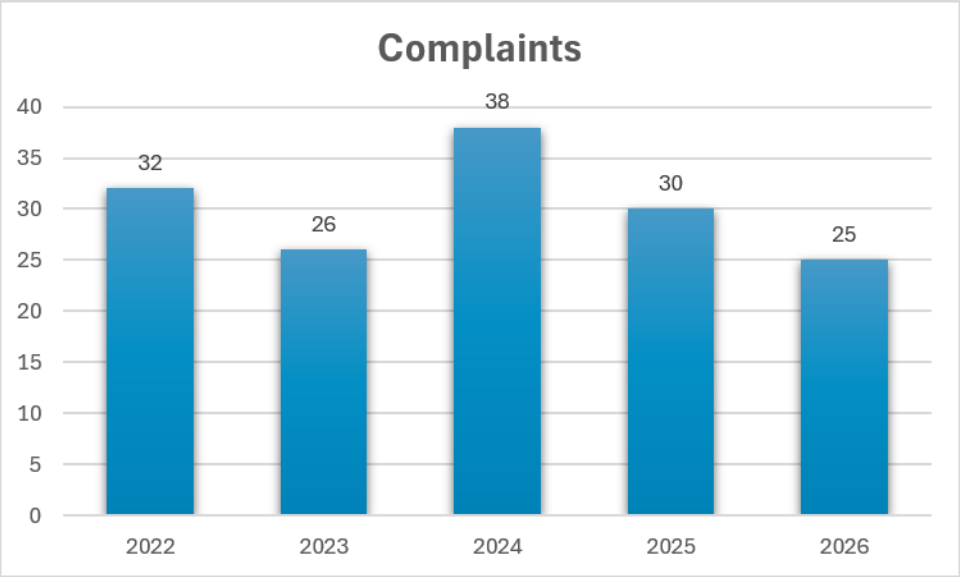
A claim is administratively dismissed when the parties stipulate that there is no ISIF liability. If the parties agree that ISIF liability can be established, they can work to negotiate a settlement. There are multiple options available to resolve claims through settlement, including statutory benefit payments, periodic benefit payments at a negotiated rate and timeframe, or a one-time, full and final lump sum payment.

If the parties are unable to come to an agreement, the case will go to a hearing. If the ISIF is found to be liable, then the injured worker becomes a beneficiary of the ISIF. The worker will receive monthly benefits at the statutory rate for the duration of his or her lifetime.

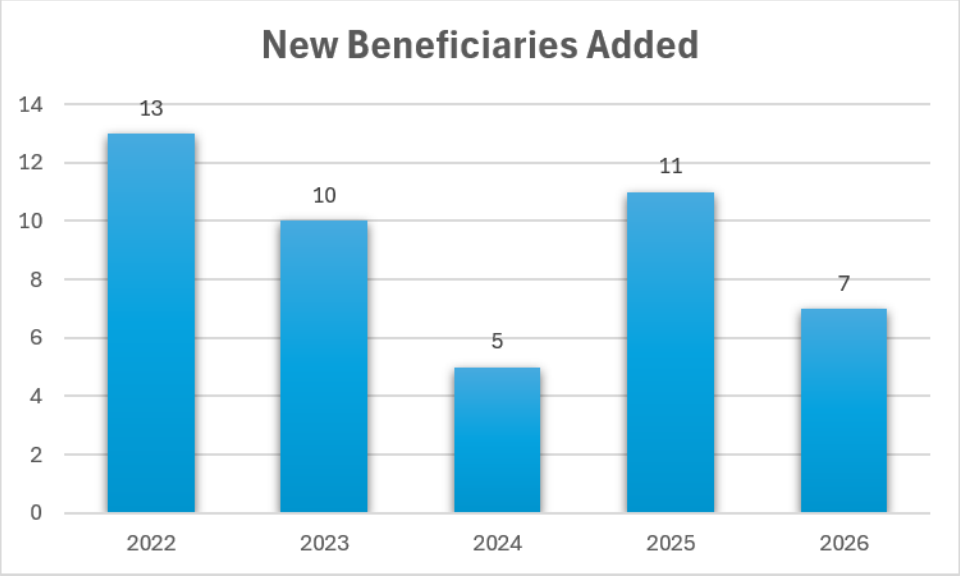
As noted below, there was a decrease in both the number of NOI's and Complaints filed in Fiscal Year 2025.

The following two charts show the number of NOI's and Complaints filed over the last five fiscal years:





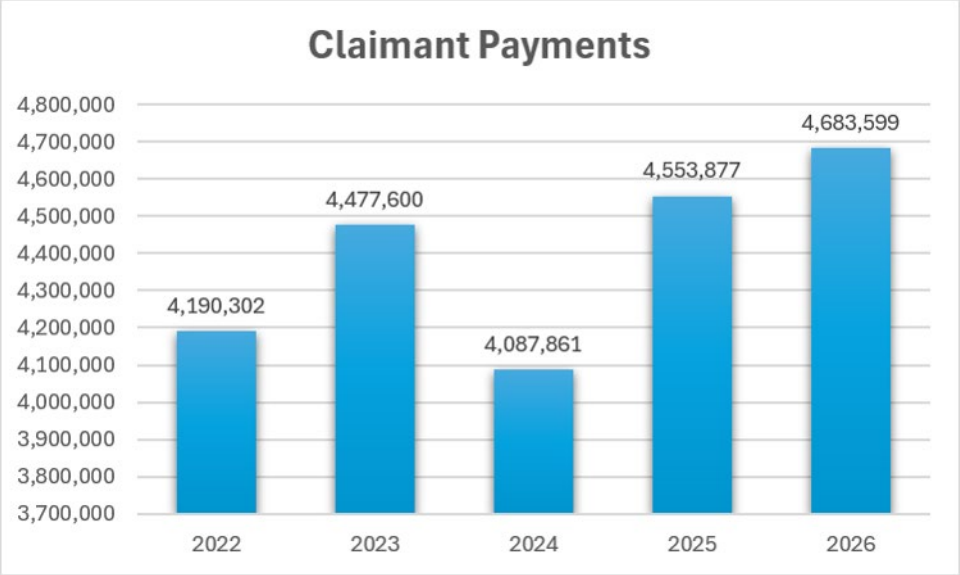
The following chart shows the total number of new beneficiaries added for the last five fiscal years, either through stipulation or through the outcome of litigation. Each of these beneficiaries receives lifetime monthly benefits. There are currently 154 ISIF beneficiaries.



Consistent with the purpose of the fund, the bulk of the expenditures each fiscal year are dedicated to beneficiary payments. Benefit rates for disability are specified in Idaho Code § § 72-408 and 72-409. ISIF beneficiaries, who are totally and permanently disabled, are generally paid at a rate of either 67% or 45% of the average state weekly wage. The

average state weekly wage rate is set forth on benefit tables available on the Industrial Commission's website which illustrate these percentages. The average state weekly wage increases each calendar year, and therefore beneficiaries also receive an increase in their monthly payments from ISIF each calendar year.

The chart below shows the combined total of all benefits paid to injured workers for the past five fiscal years. Fiscal year 2026 saw less than a three percent increase in payments over what was paid in fiscal year 2025 for total payments of $4,683,599. The increase is likely attributable to the increase in the average weekly wage from calendar year 2025 to calendar year 2026.



Financial Report

The revenue-side of the ISIF budget is comprised of the annual assessment, fees for late payments, accrued interest, death benefit transfers, and insurance annuity payments. 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 2026 fiscal year is set out below:

Beginning Cash Balance	***$ 6,003,708.25***
Income	$ 4,930,872.38
Gross Expenditures	$ 5,283,768.69
Ending Cash Balance	***$ 5,650,811.94***

Assessment

The annual assessment for 2027 is $4,916,726. This figure represents the funding formula set forth in Idaho Code § 72-327, which calls for an assessment of twice the gross expenditures of the prior fiscal year minus the cash balance at the end of the fiscal year. Though gross expenditures only increased about three percent in fiscal year 2026, income decreased, resulting in a lower ending cash balance.

The table below illustrates the annual assessment over the past 5 fiscal years:

