



Industrial Special Indemnity Fund **(ISIF)**

Annual Report Calendar Year 2020

Department of Administration
Keith Reynolds, Director

Industrial Special Indemnity Fund
Kim Murphy, Manager

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

<https://adm.idaho.gov/indemnity/>

INTRODUCTION TO ISIF

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 function is to offer employers and sureties relief from having full responsibility for paying lifetime benefits should an injured worker become totally and permanently disabled following a last accident at work.

Funding for the ISIF is provided by an annual assessment to sureties and self-insured employers. 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.

COVID-19

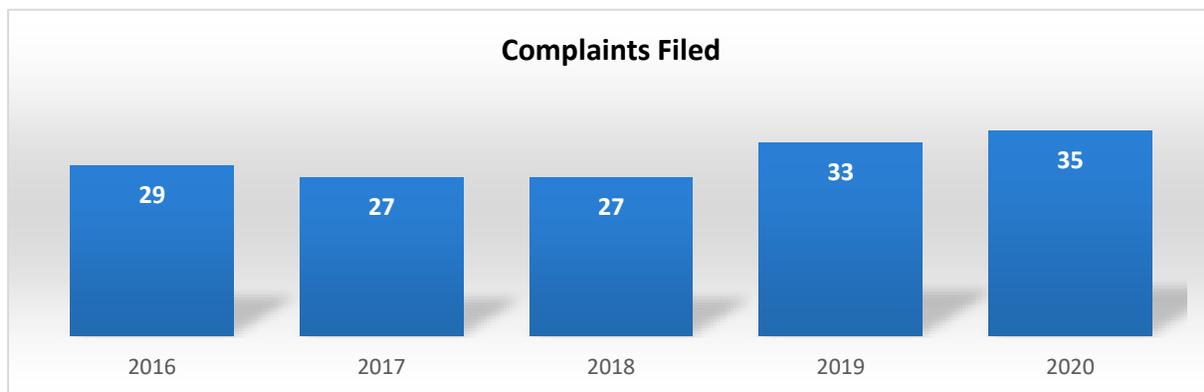
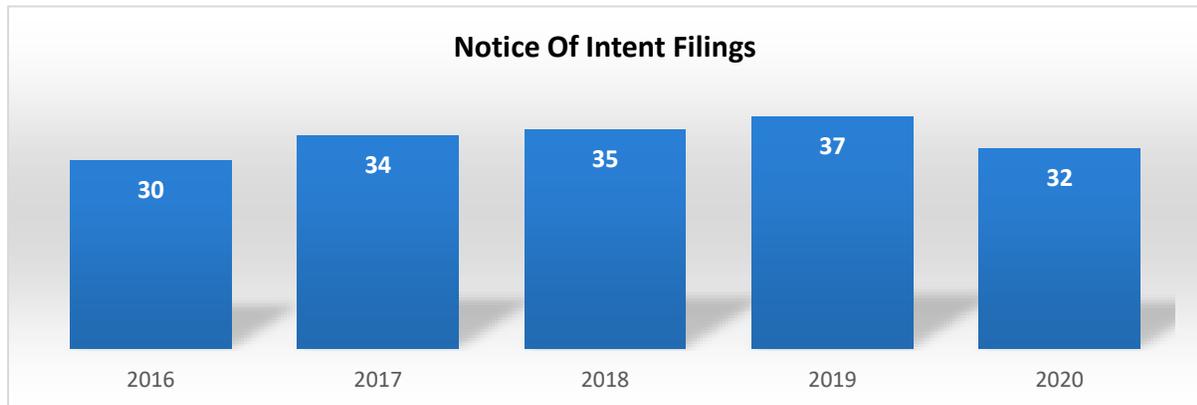
I would be remiss not to touch on the current COVID-19 pandemic. The 2020 Calendar Year was one of peaks and valleys for the ISIF, especially in terms of the receipt of new claims, as well as in moving claims forward. There were numerous stops and starts with regards to medical treatment, depositions, evaluations, and hearings. The labor market has been, and will likely continue to be, somewhat unpredictable for some time to come. The full impact of this pandemic on the ISIF, and the workers’ compensation system as whole, is yet to be determined

OPERATIONS

Claim & Benefit Administration

Claims for benefits from the ISIF are started by a party filing a Notice of Intent (NOI). The ISIF then undertakes an initial in-house review of the claim and either agrees to resolve or denies the claim. If the claim is denied, the filing 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.

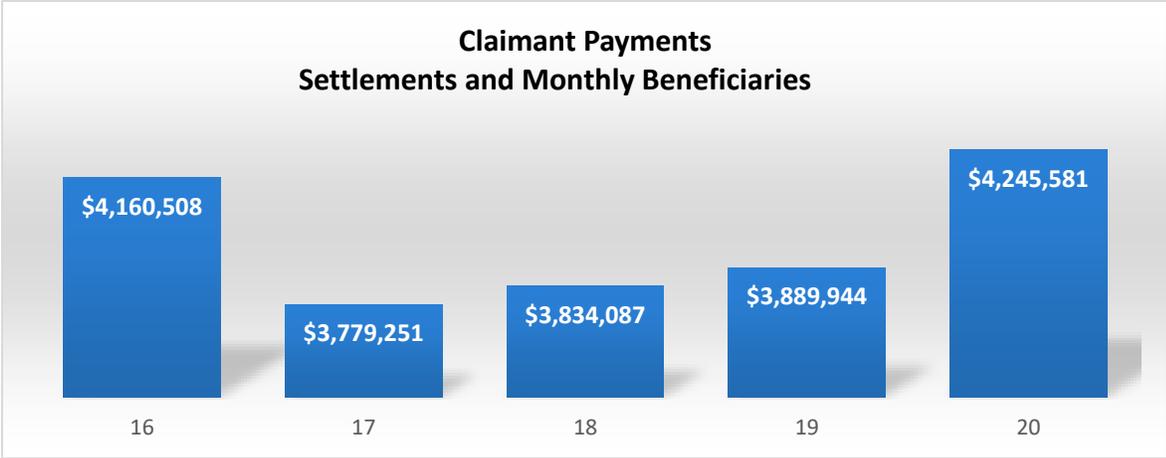
The number of NOIs and Complaints has remained generally consistent over the last five calendar years as the two charts below indicate.



There are a variety of ways claims against the ISIF are concluded. Some are administratively dismissed through the judicial process with rulings by the Commission. Four (4) actively defended claims were dismissed without prejudice. Five (5) claims were successfully defended at hearing. Two (2) lifetime beneficiaries were added as a result of hearing decisions. Additionally, eight (8) beneficiaries died and were taken off the books.

Many claims are resolved through a negotiated settlement process, with options including lump sum payments, statutory benefits, modified benefits, guaranteed benefits, deferred benefits, or any combination thereof. Utilizing these various approaches, settlements can be structured to meet the needs of the claimant, while also maintaining fiscal responsibility to the sureties and employers who ultimately fund the ISIF. In Calendar Year 2020, Claimant and ISIF negotiated the resolution of eleven (11) such claims which were approved by the Commission. Two (2) claims were one-time lump sum payments, and nine (9) were structured with modified benefits.

The overall amount of payments to claimants increased by approximately 9.2%, as illustrated in the next chart. Along with the usual inflationary increases and the addition of new recipients, the most notable reason for this increase was arrearage payments on two very old contested claims. The age of some claims is an ongoing concern for the ISIF.



Legal Administration

A vital component of the agency costs is the retention of attorneys to represent the ISIF. Currently, the ISIF utilizes the services five well-qualified attorneys located throughout the state. Legal representation expenses include not only the hourly fee of the attorneys, but also costs of depositions, travel, as well as the services of medical, investigative, and vocational experts. As the next graph illustrates, legal fees and costs have trended downward over the last five years.



General Office Administration

Also included in the expenses for the ISIF operation are the general costs of maintaining an administrative office in Boise, as well as support services provided by the Department of Administration, ITS, and the Idaho Industrial Commission.

Financial Report & Proposed Assessment

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 general administration.

A summary of the financial position of ISIF at the end of the 2020 Calendar Year is set out below.

Beginning Cash Balance	\$ 5,324,650
Income	+ 4,278,440
Expenses	- 4,862,963
Ending Cash Balance	\$ 4,740,127

It is anticipated that the Assessment for 2022 will show a marked increase, but perhaps not as much as the chart below indicates.

