



Industrial Special Indemnity Fund (ISIF)

Annual Report Calendar Year 2021

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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'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 this last industrial accident in combination with a pre-existing impairment from any cause or origin.

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 contract, the Idaho Industrial Commission invoices each responsible entity for their proportionate share of the assessment and collects funds on behalf of the ISIF.

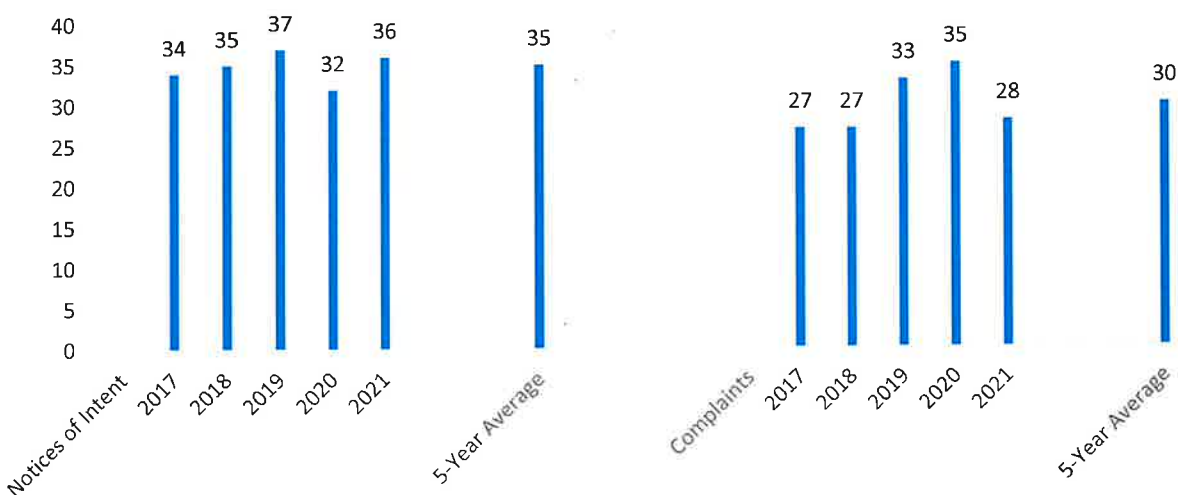
OPERATIONS

Claims & Benefits Administration

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 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. ISIF personnel remain actively involved in all phases of the claim process.

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

Notices of Intent & Complaints



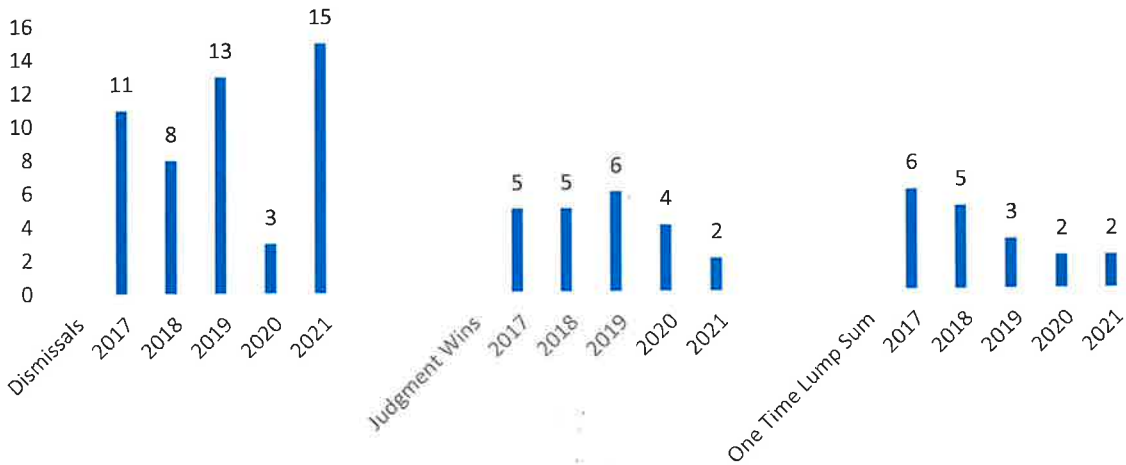
Once a Complaint has been filed there are three primary ways for a claim to conclude: dismissal, settlement, or hearing decision. An administrative dismissal usually occurs when the filing party determines that the ISIF does not have liability. Motions or stipulations to dismiss must be submitted to and approved by the Industrial Commission.

If ISIF liability appears to be established, the parties will usually agree to try to settle the case. Historically, claim settlements have been accomplished through a one-time lump sum payment, periodic monthly benefits at a negotiated rate and time frame, or statutory monthly benefits. Again, as with dismissals, all settlement agreements require Industrial Commission approval.

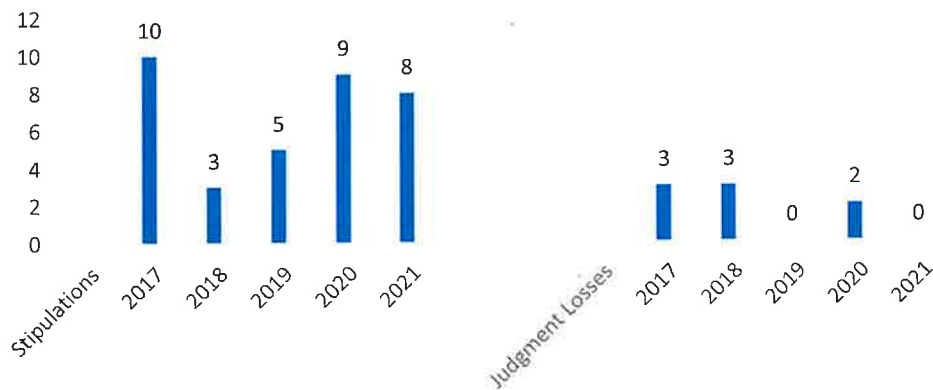
If ISIF liability continues to be fully contested, the claim will proceed to a hearing before the Industrial Commission. If the ISIF is found liable, then lifetime statutory monthly benefits are paid. Statutory benefits are paid at a rate of 45%, 60%, or 67%, of the currently applicable Average State Weekly Wage, depending on the injured worker's rate of pay at the time of injury.

The two charts below show the outcome of ISIF claims over the last five calendar years. In addition to the eight (8) beneficiaries added to the monthly payment schedules in Calendar Year 2021, another eight (8) beneficiaries passed away and benefit payments were terminated.

Claim Closures



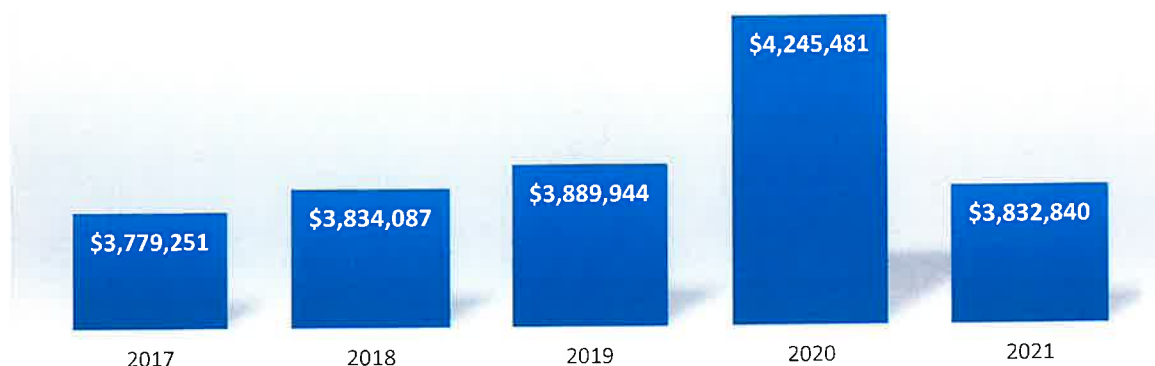
Beneficiaries Added



The chart on the next page shows the combined total amount of all benefits paid by the ISIF to injured workers. Overall, benefit payments tend to remain fairly consistent, with fluctuations usually due to yearly changes in the Average State Weekly Wage. Calendar Year 2020 was a bit of an anomaly due to arrearages having been paid after hearing losses on two very old claims. Calendar Year 2021 was much more in line with customary payments.

It is worth noting that moving forward, the Average State Weekly Wage for 2022 is increasing by 7.8%. This is the largest increase in recent history and will significantly impact the amount of future benefits paid.

Combined Claimant Payments



General Claim Demographics

Due to the unique nature of the claims brought against the ISIF, it is helpful to look at individual 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:** **52**
 - Oldest 73
 - Youngest 19

- **Average Time Between NOI and Complaint – Last 5 Years:** **3 months**
 - Longest 3 years 10 months

- **Average Time Between Complaint and Result – Last 5 Years:**
 - Hearing 2 years 3 months
 - No Hearing 1 year 4 months

Beneficiary Demographics

- **Number of Beneficiaries on Books** **159**

- **Average Age of Current Beneficiaries:** **69 ½**
 - Oldest 89
 - Youngest 36

- **Average Age at Date of Injury** **50**
 - Oldest 72
 - Youngest 26

- **Average Age at Date of Death** **75 ½**
 - Oldest 93
 - Youngest 47

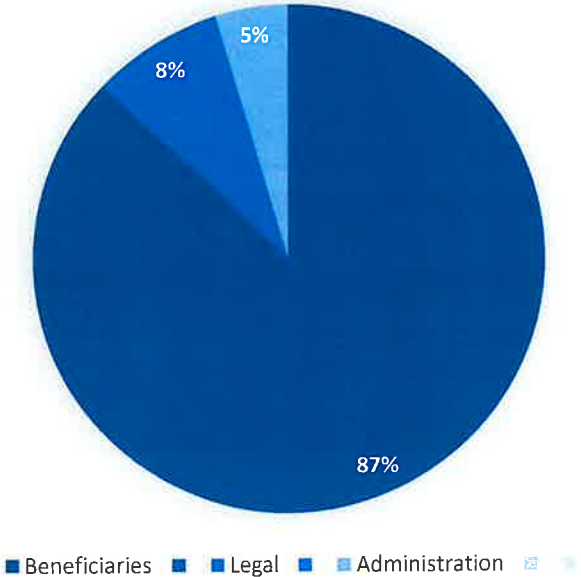
Legal Representation & Office Administration

In addition to claims and benefits as noted above, the other two integral parts of ISIF operations are the legal and administrative expenditures. Litigation 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 have remained fairly steady with a slight decline. 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 Calendar Year 2021 were \$367,716.

Administrative costs include maintaining an office in Boise, personnel, as well as support services provided by the Department of Administration, the Office of Information Technology Services, and the Idaho Industrial Commission. Overall administrative expenditures for Calendar 2021 were \$209,163.

As can be seen by the chart below, the majority of the ISIF’s expenditures are for the benefit of the injured workers, with only small percentages of funds spent on litigation and office administration.

CY2021 Expenditures



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 2021 is set out below.

Beginning Cash Balance	\$ 4,740,127
Income	+ 5,146,308
Expenses	- 4,410,169
Ending Cash Balance	\$ 5,476,266

Assessment

The chart below shows a projected decrease of almost 23% for the 2023 Assessment. However, it is anticipated that there will be a noticeable increase in expenditures during the second half of Fiscal Year 2022. There is the 7.8% increase in the 2022 Average State Weekly Wage as well as an increase in pay for the ISIF attorneys. Additionally, the ISIF is seeing a marked increase in current claim activity. Many claims that have been somewhat dormant over the last 1-½+ years due to the pandemic, are now moving forward again. Therefore, it is expected that the 2023 Assessment will be greater than the current numbers suggest.

Annual Assessment

