



Industrial Special Indemnity Fund (ISIF)

Annual Report FISCAL YEAR 2021

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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 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.

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.

COVID-19

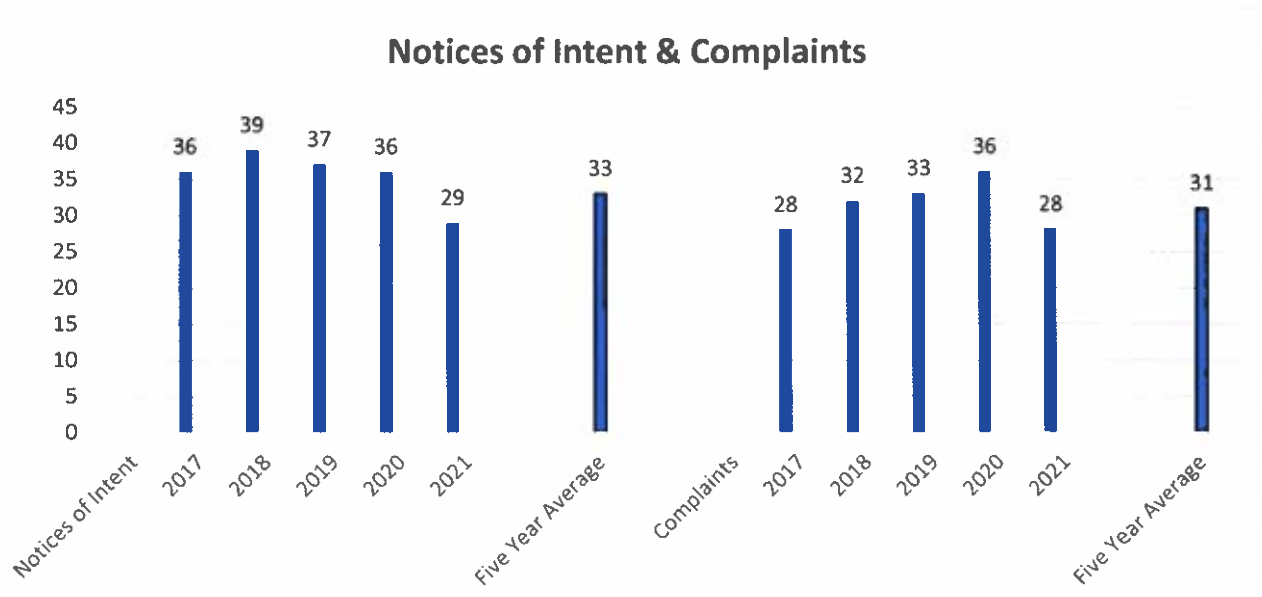
This report contains statistical information from July 1, 2020, through June 30, 2021. Parts of this report contain data during the heart of the pandemic, with the last quarter numbers during the loosening of restrictions. Overall, despite a minor dip in new claims, the numbers ebb and flow as per usual. Here in Idaho, we have been fortunate to have maintained a relatively low unemployment rate. I believe it will still take some time to fully realize any potential long-term ramifications to the workers’ compensation system as a whole, and the ISIF in particular.

OPERATIONS

Claims & Benefits Administration

Claims for benefits from the ISIF are 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, 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 fiscal years as indicated below.



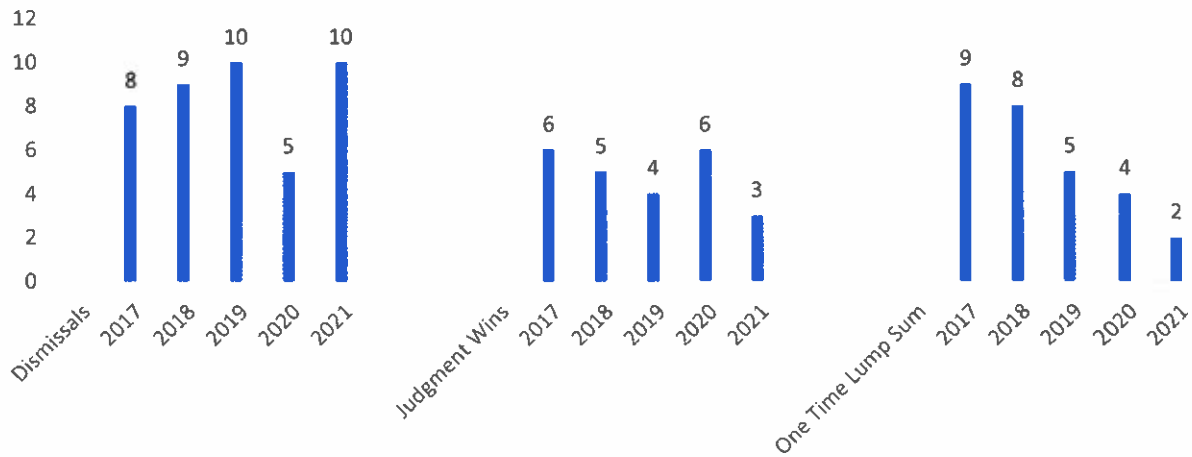
As a claim progresses there are various potential outcomes, with the three main categories being dismissals, hearing decisions, and negotiated settlements. Guidance regarding the resolution of ISIF claims comes from a Supreme Court decision, *Wernecke v. St Maries Joint School Dist. No. 401*, 147 Idaho 277, 207 P.3d 1008 (2009). That decision was issued in 2009, but it has been within the last twelve months that the ISIF has seen changes in the approval process regarding lump sum settlements and stipulated agreements involving modified benefits.

The ISIF remains diligent in pursuing all options in order to provide benefits to injured workers with qualifying claims, while also maintaining fiscal accountability to the sureties and employers who ultimately fund the ISIF.

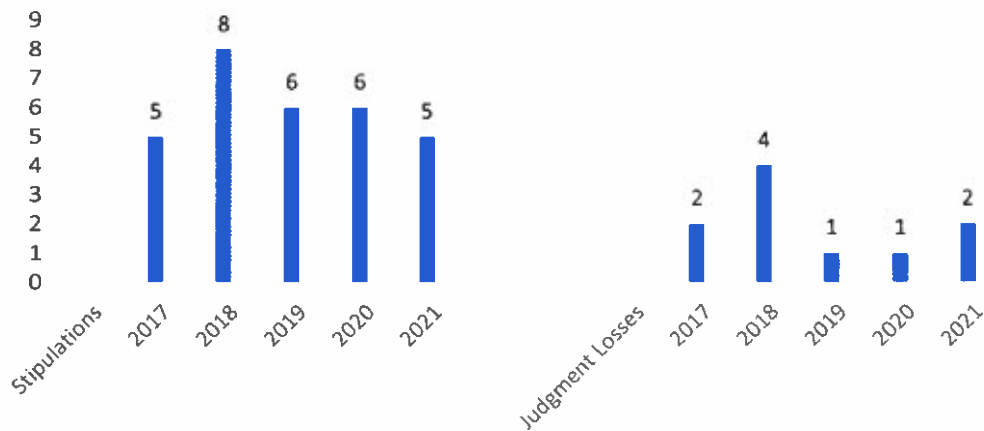
Another issue of concern for the ISIF is the recent Supreme Court decision, *Stanley v. ISIF*, 481 P.3d 731 (2021). Defending stale claims has been a longstanding hardship for the ISIF. This decision, while acknowledging the hardship as well as the potential financial ramifications, leaves the door open for more such claims.

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

Claim Closures

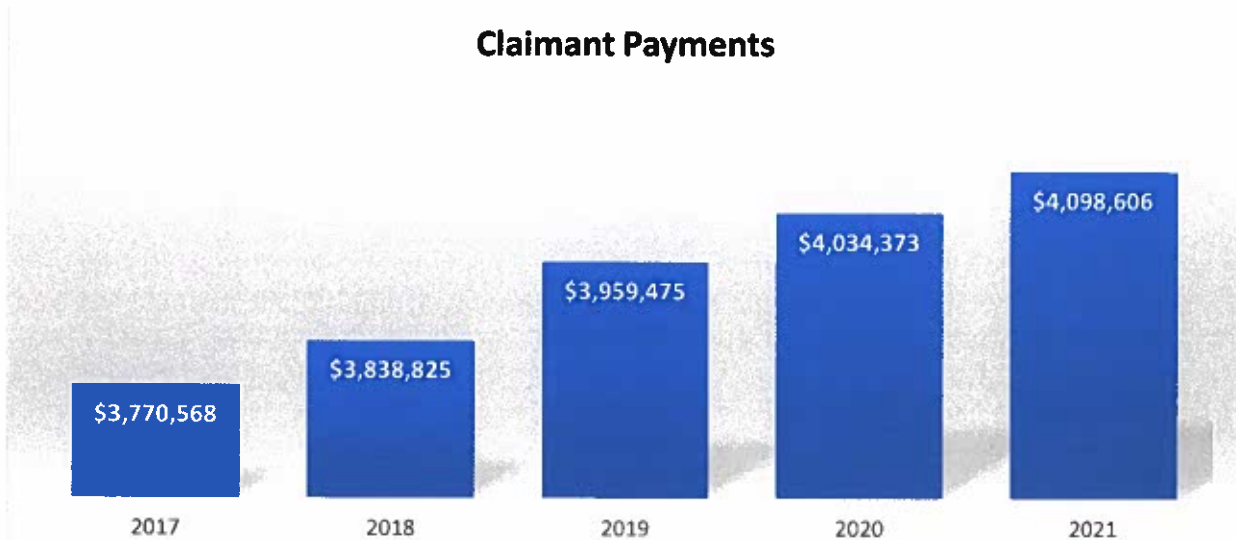


Beneficiaries Added



In addition to the seven (7) beneficiaries added to the monthly books in Fiscal Year 2021, eight (8) beneficiaries passed away were taken off the books.

The chart below shows the combined total of benefits paid to injured workers, whether by lump sum or by periodic payments. You can see an uptick in overall payments each year. These increases generally correlate closely to the yearly increases in the Average State Weekly Wage (ASWW).



General Claim Demographics

Due to the unique nature of claims brought against the ISIF, individual data points should be evaluated. The claim and benefit information referenced above is based on a variety of demographics.

- **Average Claimant Age at Date of Injury:** **52**
 - Oldest 19
 - Youngest 72

- **Average Time Between NOI and Complaint:** **3 months**

- **Average Time Between Complaint and Result:** **1 ½ years (no hearing)**
2 ½ years (hearing)
 - Longest: 10 years 4 months
 - Shortest: 5 months

Beneficiary Demographics

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

- **Average Age of Current Beneficiaries:** **69**
 - Oldest 89
 - Youngest 35

- **Average Age at Date of Injury** **50**
 - Oldest 71
 - Youngest 26

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

Legal Representation & Office Administration

In addition to claims and benefits, the other two integral parts of the ISIF operation 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 Fiscal Year 2021 were \$378,461, with a five-year average of \$421,691.

Agency costs include maintaining an administrative office in Boise, as well as support services provided by the Department of Administration, the Office of Information Technology Services, and the Idaho Industrial Commission. This year saw an overall decrease in administrative costs, primarily due to the reduction in personnel from two fulltime employees to one.

Administrative expenditures for Fiscal Year 2021 were \$226,428, with a five-year average of \$255,542.

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 ISIF at the end of the 2021 Fiscal Year is set out below.

Beginning Cash Balance	\$ 5,087,170
Income	+ 4,724,953
Expenses	- 4,703,479
Ending Cash Balance	\$ 5,108,644

Assessment

The annual assessment for Calendar Year 2022 is \$4,298,314. This represents a 1.3% reduction from last year's assessment. While a reduction in the assessment is unusual, the ISIF will continue to remain attentive to its financial responsibilities.

