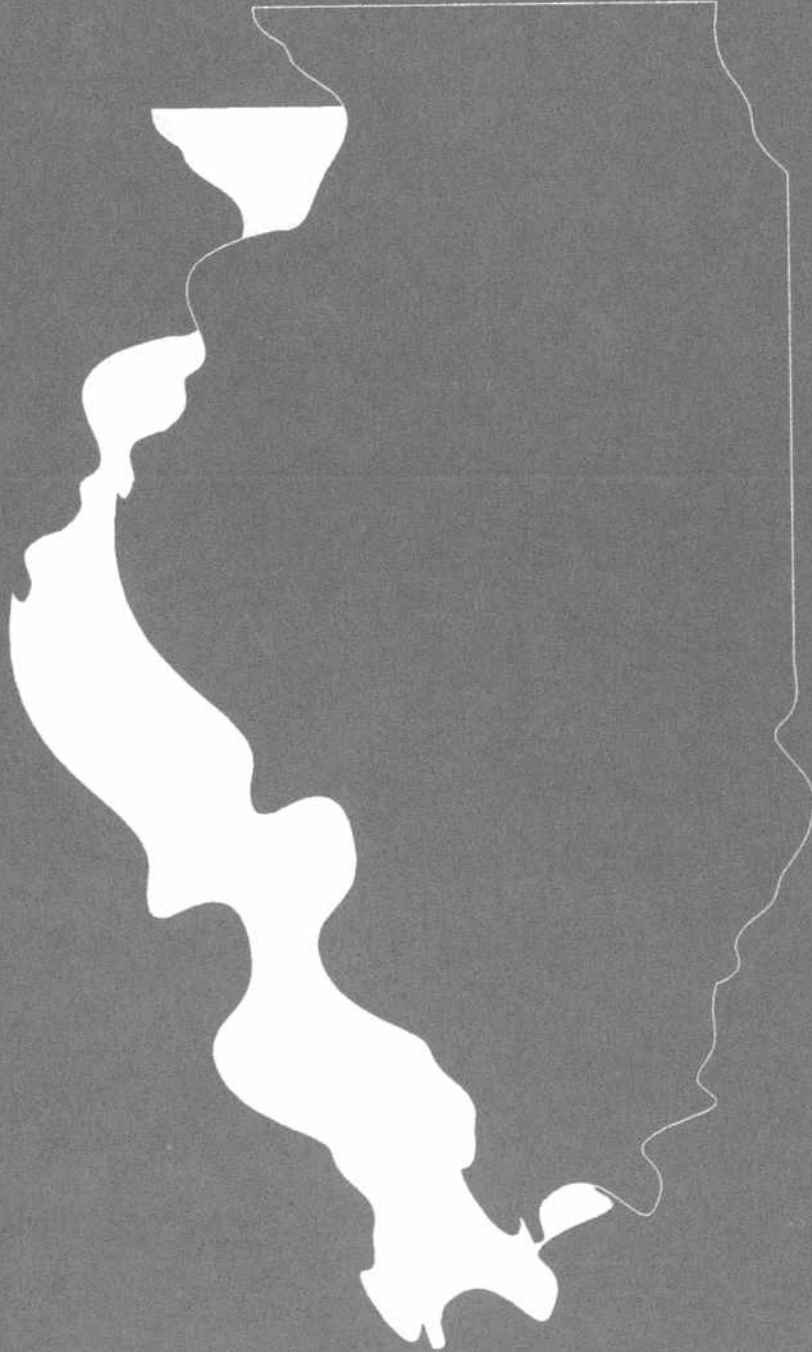


**ILLINOIS INDUSTRIAL COMMISSION
FY98 ANNUAL REPORT**



**GEORGE H. RYAN, GOVERNOR
JOHN W. HALLOCK, JR., CHAIRMAN**

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The Industrial Commission of Illinois
100 W. Randolph, Suite 8-200
Chicago, IL 60601
312/814-6500

George H. Ryan
Governor

John W. Hallock, Jr.
Chairman

Dear Governor Ryan,
Members of the General Assembly, and
Citizens of Illinois:

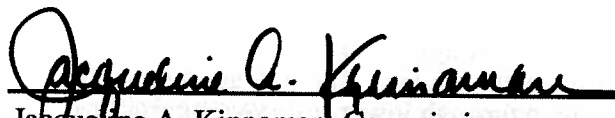
On behalf of the entire Industrial Commission, we are pleased to submit this annual report.


In FY98, we closed more cases than ever before and reduced our caseload by 4,000 cases. In addition, we are taking steps to make sure all employers have workers' compensation insurance, as required by law. There's more good news: workers' compensation costs continue to decline.

We will continue to work together to serve the employers and employees of Illinois. We ask for your support and participation in this effort.

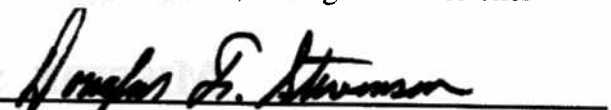

Richard Gilgis, Commissioner

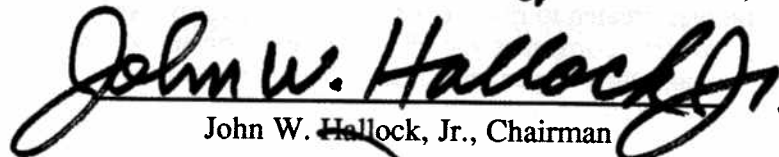

Diane Dickett Smart, Commissioner

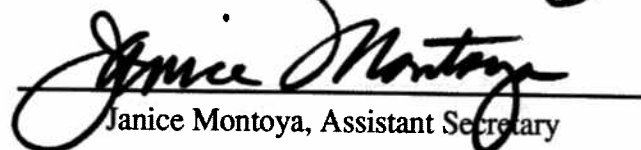

Jacqueline A. Kinnaman, Commissioner


Robert E. Falcioni, Acting Commissioner


Michael L. Weaver, Commissioner


Douglas F. Stevenson, Commissioner


John W. Hallock, Jr., Chairman


Janice Montoya, Assistant Secretary

ARBITRATORS

Peter Akemann
Bernard Barasa
Brian Cronin
John Dibble
Thomas Dillon

Tony Erbacci
Mindy Ferrer
Joann Fratianni
Gilberto Galicia
James Giordano
Kathleen Hagan

Richard Hendershot
Leo Hennessy
Douglas Holland
Milton James
David Kane

Edward Lee
Virginia Long
Stephen Mathis
Neva Neal
Valerie Peiler
Albert Preibis

Joseph Reichart
Ray Rybacki
Calvin Tansor
Ruth White
Robert Williams

HIGHLIGHTS

- In the last two years, the pending caseload at the Commission has decreased by 6,000 cases. This accomplishment is particularly significant, given that the caseload had been increasing by 4,000 cases each year for 12 straight years.
To narrow issues in dispute, arbitrators are pretrying more cases than ever before. Arbitrators now receive regular performance evaluations, and problem areas are addressed promptly. A new program by which retired arbitrators return to the Commission to take over vacant calls has also helped to keep the cases moving as quickly as possible.
- The Commission is making sure that all employers have workers' compensation insurance, as required by law. Since the enforcement unit was eliminated in 1983 due to budget cuts, no action had been taken against the small percentage of noncomplying employers. This situation gave remiss employers an unfair competitive advantage over the employers who obey the law, and left injured workers vulnerable. So far, the Commission has entered into 20 penalty settlements with uninsured employers and given hundreds of employees the proper protection.
- The Commission has improved both the appearance and the delivery of our publications. Thanks to improvements we have made in our processing, handbooks are getting sent out to injured workers in half the time it used to take.
- We have renovated our Chicago office, making our hearing rooms more judicial in appearance, and our work spaces better suited for the employers, employees, attorneys, and others who use our facility. We have installed more public computers for individuals to check on cases. We have hired police to provide needed security in the hearing rooms. We even put up a pictorial display highlighting the history of workers' compensation in Illinois, as an educational service.
- After years of substantial increases, workers' compensation costs are falling. These decreases have occurred despite continuing inflation, rising medical costs, and a growing workforce. After adjusting for inflation, the 1999 Illinois advisory insurance rate actually represents a 26% decrease since 1989.
This is good news for employees, because the decreases in costs appear to be due to greater safety efforts, resulting in both fewer accidents and less severe injuries. It's also good news for employers, because the savings are being passed onto them through lower insurance premiums.

MISSION STATEMENT

The Industrial Commission was created to resolve disputes that occur between injured workers and their employers regarding workers' compensation. The Commission strives to assure financial protection to injured workers and their dependents at a reasonable cost to employers. The Commission performs four main functions:

- 1) *Resolve disputes.* The Commission strives to provide a fair, timely process by which disputed claims may be resolved.
- 2) *Ensure compliance with the law.* The Commission protects the rights of employees and employers under the Illinois Workers' Compensation and Occupational Diseases Acts.
- 3) *Administer self-insurance.* The Commission evaluates and approves eligible employers that wish to insure themselves for their workers' compensation liabilities.
- 4) *Collect statistics.* The Commission compiles information on work-related injuries and diseases.

The Commission intends to accomplish these goals while looking constantly for ways to improve the quality of service and treating the public and co-workers with respect. The success of this organization depends on the commitment and full participation of every member.

BOARD MEMBERS

We are grateful to the individuals who serve on our boards. All serve without compensation.

COMMISSION REVIEW BOARD

The board investigates complaints made against arbitrators and commissioners. The senior labor and business commissioners serve on the board, while arbitrators elect one Chicago and one Downstate arbitrator.

John W. Hallock, Jr., Chairman of Board
Chairman, Industrial Commission

Joseph Reichart
Chicago Arbitrator

Richard Gilgis
Senior Business Commissioner

Ann Marie Walsh
Attorney, Lord, Bissell & Brook

Robert Hanaford
Attorney, Robert H. Hanaford, Ltd.

Ruth White
Downstate Arbitrator

Jacqueline A. Kinnaman
Senior Labor Commissioner

SELF-INSURERS ADVISORY BOARD

The board reviews applications from private companies for the self-insurance privilege and makes recommendations to the chairman. The board also ensures the continued payment of benefits to workers of bankrupt self-insurers.

John W. Hallock, Jr., Chairman of Board
Chairman, Industrial Commission

James L. Sandner
President, Brokers Risk Placement Serv.

Curtis C. Beam
Claims Manager, Archer Daniels Midland Co.

Todd Shivers
Attorney, Law Div., Ameritech Illinois

Peter M. Greco
Asst. Corp. Sec'y., Elmhurst-Chicago Stone

Denean V. Smith
Process Leader, Illinois Power Company

Donald A. Johnson
President, Illinois State AFL-CIO

WORKERS' COMPENSATION ADVISORY BOARD

The board assists the Commission in formulating policies, setting priorities, and developing administrative goals.

Mark Isaf, Chairman of Board
Asher Smith and Isaf

Donald A. Johnson
President, Illinois State AFL-CIO

Gregory W. Baise
President, Illinois Manufacturers Assoc.

David F. Vite
President, Illinois Retail Merchants Assoc.

James DeLisa
Intnatl. Union of Operating Engineers #399

Dennis R. Whetstone
President, Illinois State Chamber of Commerce

William M. Dickson
Retired attorney

OVERVIEW OF WORKERS' COMPENSATION

Workers' compensation laws were the first acts of social legislation passed in the United States, and they have always been controversial. At the beginning of this century, employers feared the assumption of liability for work-related injuries would destroy their businesses, while workers feared financial ruin from disabling injuries. The bargain struck between the employee and employer consisted of two tradeoffs:

1. Employees gave up their right to sue and potentially win large awards in court in exchange for more modest but prompt compensation;
2. Employers gave up their common law defenses in exchange for limits on their liabilities.

Workers' compensation was established as a no-fault system. The theory behind the law is that the cost of work-related injuries or illnesses should be part of the cost of the product or service.

Before the 20th century, an injured worker seeking compensation had to file a lawsuit against his or her employer in court. At the time, the common law held that the employer had a duty to provide a safe place to work and safe tools; to give warnings of dangers; and to provide a sufficient number of appropriate fellow servants to perform the tasks.

In court, the employee had to prove negligence. The employer could present a defense that blamed the injured worker's contributory negligence, or attributed the injury to the negligence of a fellow servant, or argued that the employee assumed certain risks in accepting the job. The process was prolonged and uncertain, with large risks to both employee and employer.

The high injury and death rates throughout the Industrial Revolution and growing dissatisfaction with the common law gradually led to the enactment of employer liability acts. Employers were held more responsible for negligence, but employees still had to file lawsuits for damages.

The first workers' compensation laws originated in Germany in 1884 with a compulsory system of accident insurance covering all employees in manufacturing, mining, and transportation. Similar laws passed in Austria in 1887, Norway in 1894, and Finland in 1895. Great Britain's law in 1897 was the prototype for U.S. laws.

The U.S. was slow to enact laws, which were passed on a state-by-state basis. Most of the early laws covered only hazardous occupations and were frequently challenged as unconstitutional. Maryland passed the first act in 1902, which was restricted to death cases. The first law of general application that withstood legal challenges was Wisconsin's act of 1911. Illinois passed its law in 1911, effective May 1, 1912. By 1948, all states had some form of workers' compensation. To this day, the provisions of the laws vary considerably from state to state.

Originally, the Illinois act was administered by the courts. On July 1, 1913, a three-member Industrial Board was created. In 1917, a five-member Industrial Commission was created within the Illinois Department of Labor. In 1957, the Commission separated from the Department of Labor and became a self-standing agency.

Almost every employee who is hired, injured, or whose employment is localized in Illinois is covered by workers' compensation. For the most part, benefits are paid for accidental injuries that are caused, in whole or in part, by the employee's work. This includes the aggravation of a pre-existing condition and injuries brought on by the repetitive use of a part of the body.

Illinois employers pay for workers' compensation benefits through insurance policies or by self-insurance. Benefits are based on the worker's earnings, subject to certain limits, and are made regardless of need. Cases are first heard by arbitrators, whose decisions may be appealed to commissioners. If warranted, cases may proceed on to the circuit court, Illinois Appellate Court, and the Illinois Supreme Court. Most cases, however, are settled between the parties.

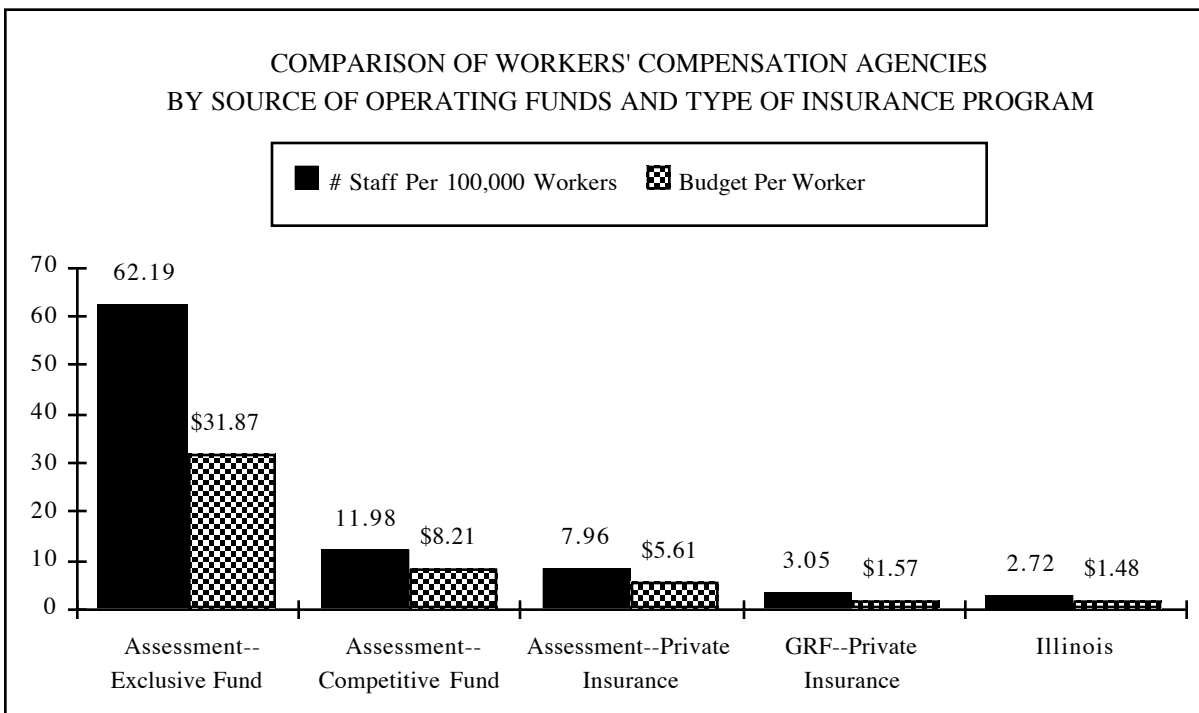
For more information about Illinois law, benefits, or the operations of the Industrial Commission, see the *Handbook on Workers' Compensation and Occupational Diseases*, which is available from the Commission.

FINANCES

Illinois is one of only a handful of states in the country that appropriate General Revenue Funds for the administration of their workers' compensation program. Most states fund their workers' compensation agencies through assessments of various sorts, usually on insurers and self-insured employers.

A joint business and labor panel created by the National Council of State Legislatures has encouraged the remaining states to consider the establishment of independent funding sources, and recommended that states levy assessments against premiums or benefits paid.

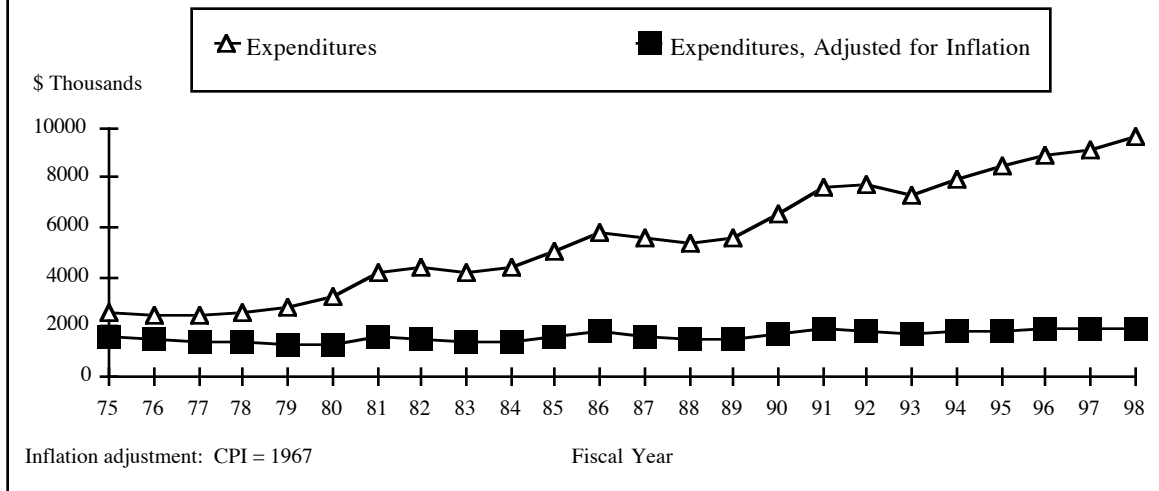
In a U.S. Department of Labor study, Illinois' budget per worker ranked 42nd out of 45 states for which information was available. As the graph below shows, assessment-funded state agencies have considerably more resources than GRF-funded states, and most GRF-funded states have more resources than does Illinois.¹



In 1989, the legislature committed additional funds to the Commission and the agency undertook a number of improvements. This progress slowed, however, when the state's financial problems in 1992-3 forced two sets of layoffs in two years and caused the Commission to cut services.

By any measure, the cost of administering Illinois' workers' compensation program is modest. Since 1975, the number of new cases filed each year has increased 71% while its expenditures (adjusted for inflation) increased 21%.

ILLINOIS INDUSTRIAL COMMISSION
EXPENDITURES
FY75-98



ILLINOIS INDUSTRIAL COMMISSION
EXPENDITURES
(In \$millions)

<u>Fiscal Year</u>	<u>Operating Expenditures*</u>	<u>Expenditures Adjusted for Inflation</u>	<u>Headcount At End of Year</u>	<u>New Claims Filed</u>
75	\$2,556.7	\$1,622.3	131	40,177
76	2,426.7	1,469.8	135	44,043
77	2,472.0	1,407.7	125	52,650
78	2,605.7	1,366.4	126	61,812
79	2,829.0	1,318.3	131	77,666
80	3,245.6	1,322.0	160	76,989
81	4,168.3	1,549.6	166	64,783
82	4,358.6	1,516.6	170	58,216
83	4,229.2	1,415.4	184	51,504
84	4,395.4	1,417.4	184	51,378
85	5,061.9	1,573.0	185	54,247
86	5,783.8	1,760.7	186	55,474
87	5,589.3	1,633.8	148	54,088
88	5,331.7	1,500.2	136	56,273
89	5,532.2	1,481.6	136	60,663
90	6,556.8	1,666.3	146	65,137
91	7,635.8	1,865.1	185	66,497
92	7,767.2	1,843.2	165	67,053
93	7,250.0	1,669.0	159	68,216
94	7,990.0	1,799.5	162	68,851
95	8,444.0	1,836.1	164	71,737
96	8,869.4	1,867.2	163	68,623
97	9,132.7	1,890.0	160	68,219
98	9,637.8	1,957.7	165	68,828

*Does not include the \$4.3 million multi-year appropriation made in FY90 for the design of new computer systems. CPI=1967

SPECIAL FUNDS

The Commission manages seven special trust funds that are independent of the General Revenue Fund.

BALANCES OF SPECIAL FUNDS AS OF JUNE 30, 1998

	<u>Starting Balance</u>	<u>Income Received</u>	<u>Expenditures</u>	<u>Adjustments</u>	<u>Ending Balance</u>
GROUP SELF-INSURERS INSOLVENCY FUND	\$321,555	\$152,329	0	0	\$473,884
RATE ADJUSTMENT FUND	(\$4,799,505)	\$7,764,090	\$8,412,674	(\$1,150)	(\$5,446,939)
SECOND INJURY FUND	\$476,975	\$1,005,201	\$1,107,334	0	\$374,842
SELF-INSURERS ADMINISTRATION FUND	\$302,310	\$377,962	\$270,617	0	\$409,655
SELF-INSURERS SECURITY FUND	\$1,946,760	\$213,521	\$1,922,104	0	\$238,176
TRANSCRIPT DEPOSIT FUND	\$17,186	\$16,100	\$16,695	\$35	\$16,626
WORKERS' COMPENSATION BENEFIT TRUST FUND	\$948,100	\$72,926	\$183	0	\$1,020,843

GROUP SELF-INSURERS INSOLVENCY FUND

The Group Self-Insurers Insolvency Fund was created in 1983 to pay benefits to employees of bankrupt group self-insurers. Employers in the group self-insurance pools pay 0.5% of their workers' compensation payments into the fund on January and July of each year.

If the available balance falls below \$1 million and the fund is unable to pay benefits due, the Director of Insurance may order a special assessment. If the available balance in the fund reaches \$2 million, assessments are waived. The fund has maintained a desirable balance, and no payments have ever been made.

Because the Illinois Department of Insurance regulates group self-insurers (the Commission regulates individual self-insurers), we have suggested that responsibility for this fund transfer to DOI. The Department of Insurance agrees with this proposal.

See Illinois Compiled Statutes, Chapter 820, Paragraph 305, Section 4a.

RATE ADJUSTMENT FUND

The Rate Adjustment Fund was created in 1975 to pay cost-of-living increases to roughly 1,500 individuals who are either permanently and totally disabled or the survivors of fatally injured workers. Individuals who receive an award or settlement for a permanent and total disability or death are eligible.

Self-insured employers and insurance companies pay assessments into the fund, from which benefits are distributed each quarter. Twice each year, self-insured employers and insurance companies pay an amount equal to 3/4 of 1% of all indemnity payments paid in a six-month period preceding the payment date. The assessment level was increased in 1996 and is reducing the debt level of the fund.

Benefits begin on July 15 of the second year after the award or settlement is entered by the Commission. Benefits are paid monthly.

Recipients are given an amount equal to the percentage increase in the statewide average weekly wage as certified by the Department of Employment Security. If there is a decrease in the statewide average weekly wage, there is no change in the compensation rate.

See Illinois Compiled Statutes, Chapter 820, Paragraph 305, Section 7.

SECOND INJURY FUND

The Second Injury Fund provides an incentive to employers to hire disabled workers, but Illinois' SIF is more narrowly constructed than most other states. If a worker who had previously incurred the complete loss of a member or the use of a member (one hand, arm, foot, leg, or eye) is injured on the job and suffers the complete loss of another member to the extent that he or she is permanently and totally disabled, the employer is liable only for the injury due to the second accident. The fund pays the amount necessary to provide the worker with a PTD benefit.

Approximately 160 individuals receive SIF benefits. In January and July each year, insurers and self-insured employers pay assessments equal to 1/8 of 1% of all compensation payments made during the previous six months.

See Illinois Compiled Statutes, Chapter 820, Paragraph 305, Sections 7-8.

SELF-INSURERS ADMINISTRATION FUND

The Self-Insurers Administration Fund was created in 1988 to pay the administrative costs of the Commission's self-insurance program. Private self-insured employers pay a fee of \$500 per entity when applying for or renewing the self-insurance privilege.

See Illinois Compiled Statutes, Chapter 820, Paragraph 305, Section 4a-6.1.

SELF-INSURERS SECURITY FUND

The Self-Insurers Security Fund was created in 1986 to pay benefits to employees of private self-insurers who went bankrupt after 1986. Self-insured employers pay assessments based on their indemnity payments, up to a maximum of 1.2% of indemnity benefits paid during the preceding year.

See Illinois Compiled Statutes, Chapter 820, Paragraph 305, Section 4a-5,6.

TRANSCRIPT DEPOSIT FUND

The Transcript Deposit Fund was created under the State Finance Act. When a case is appealed to the circuit court, the fund receives \$35 from the appealing party and pays this fee to Commission court reporters for preparing the files.

WORKERS' COMPENSATION BENEFIT TRUST FUND

Created under the State Finance Act, the Workers' Compensation Benefit Trust Fund pays benefits to employees of private self-insurers who went bankrupt before 1986. Benefits are paid from securities posted by the self-insurers; any unused funds are then returned to the bankrupt estate.

INSURANCE

The 288,000 private and public employers in Illinois are responsible for the payment of benefits to injured workers; employers must either purchase insurance or obtain the Commission's approval to self-insure. Employers that disobey the law enjoy an unfair competitive advantage over law-abiding companies, and can leave injured workers without compensation.

In FY98, we received over 600 letters and phone calls regarding employers that may not have workers' compensation insurance. We then searched databases for evidence of coverage; unable to find any, we wrote to 190 employers and asked for proof of insurance.

Thirteen noncomplying employers entered into binding settlements and paid penalties. In three cases where a settlement could not be reached, we held formal hearings. We are investigating the remaining cases, and will continue to ask employers for proof of insurance whenever it is in question.

INSURANCE

The workers' compensation insurance business in Illinois is healthy and highly competitive. In 1997, 396 carriers wrote workers' compensation policies in Illinois' diversified market, more than any other state.² Illinois insurers writing workers' compensation policies in 1997 experienced a 25% profit on premiums, or \$386 million in profits.³

Since 1983, Illinois has allowed insurance companies to set their own premium rates. This is often credited as a factor in keeping Illinois' costs below the national average. While Illinois carriers are free to set their own rates, the National Council on Compensation Insurance, a private organization, issues advisory rates.

After years of increases, the advisory rates have dropped significantly for the last five years, despite continuing inflation and a growing workforce.⁴ The NCCI reports that greater safety efforts have reduced both the number and severity of work-related accidents. As the following chart shows, rates are nearly back to 1989 levels; a premium of \$100 in 1989 would cost \$100.37 in 1999. After adjusting for inflation, the 1999 rate actually represents a 26% decrease since 1989.

ILLINOIS
NCCI ADVISORY INSURANCE RATES
COMPARED TO THE CONSUMER PRICE INDEX

Effective Date	-----NCCI RATES-----		-----CONSUMER PRICE INDEX-----	
	Percentage Change From Previous Year	Scale	Percentage Change From Previous Year	Scale
1/1/89		\$100.00		\$100.00
1/1/90	10.0%	110.00	4.6%	104.60
1/1/91	8.5%	119.35	6.2%	111.09
1/1/92	9.1%	130.21	3.0%	114.42
1/1/93	5.7%	137.63	3.0%	117.85
1/1/94	9.6%	150.85	2.7%	121.03
1/1/95	-6.8%	140.59	2.7%	124.30
1/1/96	-13.6%	121.47	2.6%	127.53
1/1/97	-10.1%	109.20	3.3%	131.74
1/1/98	-7.9%	100.57	1.7%	133.98
1/1/99	-0.2%	100.37	1.9%	136.53

CPI 1967=100

Employers that are unable to purchase workers' compensation insurance on the open market may buy it through the residual market. As conditions in workers' compensation have improved, the assigned risk pools have shrunk significantly, indicating the ease with which employers may obtain workers' compensation insurance. In 1997, only 7.2% of U.S. premiums were in the residual market; in 1993, 27.3% were. In Illinois, the proportion is even smaller: 4.3% in 1997, down from 12.6% in 1993.⁵

SELF-INSURANCE

Employers may insure themselves for their workers' compensation liabilities. Private employers may insure themselves individually or join a pool with other employers. Public employers may self-insure without obtaining approval. The Industrial Commission evaluates individual self-insurers, while the Illinois Department of Insurance evaluates group self-insurers.

As the cost of conventional workers' compensation insurance has fallen, employers have chosen to purchase traditional insurance plans, and the number of applications for self-insurance has fallen.

PARENT COMPANIES PARTICIPATING IN THE COMMISSION'S SELF-INSURANCE PROGRAM

<u>Date</u>	<u>Number of Parent Companies</u>
6/30/91	390
6/30/92	390
6/30/93	425
6/30/94	483
6/30/95	496
6/30/96	449
6/30/97	439
6/30/98	394

Over one-fourth of the benefits paid out each year come from self-insurers.⁶

PERCENT OF BENEFITS PAID BY SELF-INSURERS

	National average	28%		
	Illinois	27%		
			Neighboring States	Large Industrial States
Indiana	15%		California	33%
Iowa	19%		Florida	55%
Kentucky	33%		New York	22%
Michigan	43%		Ohio	19%
Missouri	50%		Pennsylvania	23%
Wisconsin	11%		Texas	9%
<i>Median</i>	26%		<i>Median</i>	23%

ADMINISTRATION

At the end of FY98, the Industrial Commission consisted of the chairman, five commissioners, 165 Commission employees, and 11 employees in the Self-Insurance Division.

CHAIRMAN'S OFFICE

John W. Hallock, Jr., Chairman Headcount: 7

Working in the Chairman's Office are Frank Capuzi, legislative liaison; Linda Freeman, administrative assistant; Annette Garcia-Strocchia, secretary; Robert M. Harris, executive assistant; Cathy Kaczanowski, insurance assistant; Kathryn Kelley, legal counsel; Joann Pellegrini, legislative assistant; and Shelton Wilson, legal assistant.

FISCAL OFFICE

Charles Kusar, Manager Headcount: 9

The Fiscal Office maintains the Commission's budget, manages the appropriations process, administers the Commission's seven trust funds, and handles payroll and purchasing.

HUMAN RESOURCES

Rebecca Loredoz Paz, Manager Headcount: 2

This office handles all personnel transactions and benefit programs.

JUDICIAL DIVISION

Headcount: 84

Arbitration Bertha Parker, Coordinator

Arbitrators conduct hearings, issue decisions, and approve settlements of cases. Fourteen arbitrators work in the Chicago office, while another 14 arbitrators travel to 33 downstate hearing sites. The support staff set schedules, conduct legal research, and provide clerical support.

Commission Greg Dollison, Coordinator

Two panels of three commissioners conduct hearings, issue decisions, and approve settlements of cases that have been appealed from the arbitration level. On each panel, one member represents business, one represents labor, and one is a public member.

The commissioners' staff attorneys analyze and summarize cases, and draft decisions and orders; the administrative assistants schedule cases, manage cases pending oral argument, and provide clerical support.

Court Reporting Marvin Goins, Supervisor

Court reporters record hearings and produce typewritten transcripts of Commission hearings.

MANAGEMENT INFORMATION SYSTEMS

Terry W. Spurlin, Manager Headcount: 11

The staff maintains the Commission's computer systems, assists computer users, and produces notices, call sheets, and other documents.

OPERATIONS DIVISION

Janice Montoya, Operations Manager/Assistant Secretary

Headcount: 50

Central Files

Walter Bennett, Supervisor

The staff maintains the case files, coordinates correspondence with the downstate arbitrators, and provides copies of case records to the public.

Data Entry

Lether Scott and Sharon Clarke, Supervisors

Employees enter data relating to cases, and type the decisions of arbitrators and commissioners.

Docket

Henriett Smith, Supervisor

Employees process all incoming claims, motions, and other case documents.

Emergency Hearings (19(b-1))

Kim Skibinski, Supervisor

This unit manages cases filed under Section 19(b-1) of the Act, which outlines the process by which emergency cases are to be handled within 180 days.

Information

Jeanie Thompson, Supervisor

Staff in four locations handled nearly 90,000 telephone calls in FY98. They explain procedures, distribute informational materials, and prepare summons for the circuit courts.

100 W. Randolph #8-200
Chicago, IL 60601
312/814-6611

701 S. Second Street
Springfield, IL 62704
217/785-7084

200 S. Wyman
Rockford, IL 61101
815/987-7292

101 S.W. Adams #240
Peoria, IL 61602
309/671-3019

Mail Room

Velma Ephraim, Supervisor

The Mail Room handles nearly one-half million pieces of mail each year.

Reception

Alice Thompson

The receptionist directs visitors and telephone calls to their proper destinations.

Review

Bessie Mims, Supervisor

The staff maintains files for cases on review and schedule oral arguments.

Transcript

Annis McMorris, Supervisor

The staff tracks transcripts throughout the hearing process.

RESEARCH AND EDUCATION

Susan Piha, Manager

Headcount: 2

The staff conducts research, handles communications, and manages training programs.

SELF-INSURANCE DIVISION

Maria Sarli-Dehlin, Manager

Headcount: 11

This division administers the self-insurance privilege and handles insolvencies of individual bankrupt self-insurers.

STATISTICS

Illinois law directs the Industrial Commission to compile information from employers' reports of accidents and publish the data each year. Due to a lack of resources, however, the Commission is unable to do so. After the legislature made a special appropriation in 1989, we designed an accident reporting system, but subsequent statewide financial problems prevented the Commission from receiving the funds to fully operate the system.

In response, we invited insurance companies and self-insured employers to send us the accident reports electronically. Electronic transmission is considerably less expensive than the labor-intensive data entry of paper forms. The International Association of Industrial Accident Boards and Commissions gave Illinois an award for being the first state to operate an electronic reporting system.

At present, we receive the *First Report of Injury* electronically for roughly one-tenth of accidents. We encourage more insurance companies and self-insurers to participate in the program.

Until reliable accident information is available, the Commission will continue to report information that is available from the case management system. There are about 400,000 work-related accidents in Illinois each year, while less than 70,000 claims are filed with the Commission; the statistics in this section refer only to those cases that are filed with the Commission.

ACCIDENT

Part of body injured. Relying on a random sample of 25,000 cases that were filed with the Commission, the following chart gives a general sense of the parts of the body that were injured.

	PART OF BODY INJURED BY FISCAL YEAR OF ACCIDENT			
	<u>FY98</u>	<u>FY97</u>	<u>FY96</u>	<u>FY95</u>
Head and neck				
Eyes	1%	1%	1%	1%
Head--other parts	2%	3%	3%	3%
Neck	4%	4%	4%	4%
Trunk				
Back	20%	19%	20%	20%
Shoulder	5%	5%	5%	5%
Not specified	2%	2%	2%	2%
Upper extremities				
Arm	8%	9%	9%	9%
Finger	6%	7%	7%	7%
Hand	12%	14%	14%	14%
Not specified	2%	2%	2%	2%
Lower extremities				
Foot	5%	6%	5%	5%
Knee	5%	6%	6%	5%
Leg	7%	7%	7%	7%
Toe	<1%	<1%	<1%	<1%
Not specified	1%	2%	1%	1%
Body systems	<1%	<1%	<1%	<1%
Multiple parts	19%	16%	15%	15%

Location of accident. Cases are assigned to the hearing site nearest the site of the accident. If the accident occurred outside of Illinois, the case is assigned to the hearing site closest to the petitioner's home; if the petitioner lives outside of Illinois, the case is set at the site most convenient to the parties.

Relying on a sample of 25,000 cases that were filed with the Commission, the following table groups the 1,200 cities and towns in Illinois by the hearing sites to which the claims were assigned, and gives a sense of where accidents occur.

LOCATION BY FISCAL YEAR OF ACCIDENT				
	<u>FY98</u>	<u>FY97</u>	<u>FY96</u>	<u>FY95</u>
Chicago	47%	44%	43%	43%
Downstate	53%	56%	57%	57%
Alton	1%	1%	1%	1%
Belleville	3%	2%	3%	3%
Benton	1%	1%	2%	2%
Bloomington	2%	2%	2%	2%
Carlinville	<1%	<1%	<1%	<1%
Carlyle	1%	1%	1%	1%
Clinton	<1%	<1%	1%	1%
Danville	1%	1%	1%	1%
Decatur	2%	2%	2%	2%
De Kalb	1%	1%	1%	1%
Galesburg	1%	1%	1%	1%
Geneva	4%	4%	4%	4%
Granite City	1%	1%	1%	1%
Jacksonville	1%	1%	1%	1%
Joliet	3%	3%	4%	3%
Kankakee	1%	1%	1%	1%
Kewanee	<1%	<1%	<1%	<1%
Lawrenceville	<1%	1%	1%	1%
Marion	1%	1%	1%	1%
Mattoon	2%	2%	2%	2%
Mt. Vernon	<1%	1%	1%	1%
Ottawa	1%	1%	1%	1%
Peoria	4%	4%	3%	3%
Quincy	1%	1%	1%	1%
Rock Falls	1%	1%	1%	1%
Rock Island	1%	1%	1%	1%
Rockford	4%	4%	4%	5%
Springfield	2%	2%	2%	2%
Taylorville	<1%	<1%	<1%	<1%
Urbana	1%	1%	1%	1%
Waukegan	4%	4%	3%	3%
Wheaton	6%	6%	5%	5%
Woodstock	1%	1%	1%	1%

Note: Given that this table uses the date of accident, the higher figure for Chicago in FY98 may reflect the greater ease of filing claims in Chicago, rather than an increase in accidents.

APPEAL RATES

As in most court systems, most of the cases closed by the Industrial Commission are settled. As would be expected, the more difficult cases tend to be the ones that go to trial. Fewer and fewer cases proceed on to the next level, as shown below.

APPEAL RATES

2,985 arbitration decisions issued in FY98

51% are appealed to the Commission

1,424 Commission decisions issued in FY98

28% are appealed to the circuit courts

350 circuit court opinions issued in CY97 (est.)

43% are appealed to the Appellate Court

110 Appellate Court opinions/orders issued in CY97

5% cases are appealed to the Supreme Court

1-2 Supreme Court opinions issued/year

Although roughly half of arbitration decisions are appealed, the Commission supports the arbitrator's decision more often than not. The results are particularly instructive when analyzed by the appealing party.

Of those cases appealed by the petitioner, the commissioners affirmed the arbitrator's decision 79% of the time. In 2% of the cases, they reduced the benefit. In 81% of these cases, in other words, the petitioner did not obtain an increased benefit.

Of the cases appealed by the respondent, commissioners affirmed 54% of the arbitrators' decisions and increased the benefit in another 6%: in 60% of the cases, therefore, respondents do not obtain a decreased benefit.

OUTCOME OF APPEALS REVIEW DECISIONS ISSUED IN FY98

Arbitration decision was appealed by:	Petitioner (Worker)	Respondent (Employer)	Both	Total
Affirmed	79%	54%	51%	66%
Reversed	6%	5%	4%	5%
Benefits increased	13%	6%	18%	11%
Benefits decreased	2%	35%	26%	18%

ATTORNEY INVOLVEMENT

Most employees and employers who have workers' compensation cases on file with the Industrial Commission retain legal counsel. In FY98, 84% of workers had attorneys when they filed their cases. While only 8% of the original settlement contracts (IC5s) approved had attorneys on file, attorneys were listed in 92% of arbitration decisions and 95% of review decisions.

If the employee obtains a lawyer, Illinois law governs the relationship. Generally the attorney's fee is limited to 20% of the amount recovered, unless additional fees are allowed by the Commission after a hearing. For more details, please refer to the *Handbook on Workers' Compensation and Occupational Diseases*.

AVERAGE WEEKLY WAGE

Claimants' wages averaged \$28,490 per year, 10% lower than the statewide average of \$31,788. Paid at 66 2/3% of wages, the average temporary total disability benefit would have been \$365 per week.⁷

	AVERAGE WEEKLY WAGE BY YEAR CLAIM FILED			
	<u>FY98</u>	<u>FY97</u>	<u>FY96</u>	<u>FY95</u>
Claimants' Average Weekly Wage	\$547.89	\$532.63	\$501.57	\$487.06
Statewide Average Weekly Wage as of 6/30	\$611.31	\$585.88	\$570.38	\$551.56

BENEFIT RATES

Unless otherwise noted, benefits are paid at 66 2/3% of the injured worker's gross average weekly wage (AWW) during the year preceding the accident or last exposure. Benefits are limited by the statewide average weekly wage (SAWW) in effect at the time of the injury or exposure. The Illinois Department of Employment Security publishes the SAWW every six months.

	WEEKLY BENEFIT LIMITS AS OF JUNE 30, 1998	
	<u>Minimum</u>	<u>Maximum</u>
TEMPORARY TOTAL DISABILITY		
Single	\$100.90	\$815.08
Married, no children	\$105.50	\$815.08
1 child under 18	\$108.30	\$815.08
2 children	\$113.40	\$815.08
3 children	\$117.40	\$815.08
4+ children	\$124.30	\$815.08

The minimum benefit is the worker's AWW or the amounts listed above, whichever is lower. The maximum benefit can be no more than 133 1/3% of the SAWW. Less than 10% of claimants are affected by either the minimum or maximum benefit levels.

PERMANENT PARTIAL DISABILITY		
Single	\$80.90	\$439.89
Married, no children	\$83.20	\$439.89
1 child under 18	\$86.10	\$439.89
2 children	\$88.90	\$439.89
3 children	\$91.80	\$439.89
4+ children	\$96.90	\$439.89

Benefits are paid at 60% of the worker's AWW. The minimum benefit is the worker's AWW or the amounts listed, whichever is lower. The maximum benefit can be no more than the published maximum rate. In cases of amputation or enucleation of an eye, the maximum is \$815.08.

PERMANENT TOTAL DISABILITY	\$305.66	\$815.08
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The minimum benefit cannot be less than 50% of the SAWW. The maximum benefit can be no more than 133 1/3% of the SAWW.

FATALITY	\$305.66	\$815.08
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The minimum benefit cannot be less than 50% of the SAWW. The maximum benefit can be no more than 133 1/3% of the SAWW. Benefits are paid for up to 20 years or \$250,000, whichever is greater.

CASES CLOSED

The Commission closed more cases in FY98 than ever before.

TOTAL CASES CLOSED ARBITRATION AND REVIEW LEVELS

	<u>FY98</u>	<u>%</u>	<u>FY97</u>	<u>%</u>	<u>FY96</u>	<u>%</u>	<u>FY95</u>	<u>%</u>
Dismissals	8,316	11%	7,650	11%	6,707	10%	8,192	12%
Settlements	64,589	86%	62,711	86%	61,712	87%	59,337	85%
Decisions	<u>2,307</u>	3%	<u>2,213</u>	3%	<u>2,437</u>	3%	<u>2,272</u>	3%
Total	<u>75,212</u>		<u>72,574</u>		<u>70,856</u>		<u>69,801</u>	
Percentage change		4%		2%		2%		6%

Arbitration. As in other court systems, most disputes at the Commission are resolved through settlement. Arbitrators often hold pretrials to narrow the issues in dispute and help the parties to reach agreement. At arbitration, a case is counted as closed if it was settled or dismissed, or if a decision was issued and no appeal was filed.⁸

CASES CLOSED AT ARBITRATION

	<u>FY98</u>	<u>%</u>	<u>FY97</u>	<u>%</u>	<u>FY96</u>	<u>%</u>	<u>FY95</u>	<u>%</u>
Dismissals:								
Voluntary	884		887		1,032		918	
Want of prosecution	<u>7,363</u>		<u>6,514</u>		<u>5,470</u>		<u>7,072</u>	
Total dismissals	8,247	11%	7,401	11%	6,502	10%	7,990	12%
Settlements:								
Original settlements	11,035		10,570		10,212		9,876	
Before arbitration dec.	51,399		50,536		49,999		48,250	
After arbitration dec.	<u>777</u>		<u>304</u>		<u>214</u>		<u>204</u>	
Total settlements	63,211	87%	61,410	88%	60,425	88%	58,330	86%
Decisions	1,193	2%	1,254	2%	1,368	2%	1,297	2%
Total closed	72,651		70,065		68,295		67,617	
Percentage change		4%		3%		1%		7%

Review. The backlog in review cases has been eliminated, fewer cases are pending, and cases are progressing smoothly.

CASES CLOSED AT REVIEW

	<u>FY98</u>	<u>%</u>	<u>FY97</u>	<u>%</u>	<u>FY96</u>	<u>%</u>	<u>FY95</u>	<u>%</u>
Dismissals at review	69	3%	249	10%	205	8%	202	9%
Settlements:								
Before arbitration decision	930		903		755		487	
After arbitration decision	265		269		309		326	
After review decision	<u>183</u>		<u>129</u>		<u>223</u>		<u>194</u>	
Total settlements	1,378	54%	1,301	52%	1,287	50%	1,007	46%
Review decisions	1,114	43%	959	38%	1,069	42%	975	45%
Total cases closed	2,561		2,509		2,561		2,184	
Percentage change		2%		(2%)		17%		(4%)

CASES OPENED

As in the rest of the country, Illinois has experienced a decline in the number of accidents, workers' compensation insurance rates, and the amount of benefits paid. This phenomenon is still being studied, but some experts attribute the changes to greater safety efforts. See the section on interstate comparisons for more information about these trends.

	CASES OPENED			
	<u>FY98</u>	<u>FY97</u>	<u>FY96</u>	<u>FY95</u>
New claims filed	57,724	57,525	58,315	61,812
Original settlements ⁹	<u>11,149</u>	<u>10,694</u>	<u>10,319</u>	<u>9,925</u>
Total new cases filed	68,873	68,219	68,634	71,737
Percentage change	1%	(1%)	(4%)	4%
Reinstated	1,896	1,682	1,736	2,031
Remanded to arbitrator	39	41	102	51
Remanded to commissioner	<u>53</u>	<u>91</u>	<u>71</u>	<u>86</u>
Total cases returned to caseload	1,988	1,814	1,909	2,168
Total additions to the caseload	70,861	70,033	70,543	73,905
Illinois employment*	5,729,575	5,627,333	5,532,492	5,430,833
Percentage change	2%	2%	2%	3%

*Source: Illinois Department of Employment Security. These figures represent the average annual nonagricultural nonfederal employment. (DES was unable to estimate agricultural employment; federal workers are covered under a federal workers' compensation program.)

CASES PENDING

After 12 years in which the Commission's caseload grew by 4,000 cases each year, in FY98 the caseload *declined* by over 4,000 cases. After reaching a peak of nearly 119,000 cases in FY95, the pending caseload is now roughly 113,000.

DURATION OF DISABILITY

After years of steady increases in the average duration of temporary total disability, durations peaked in FY94 and have declined since then.

	AVERAGE NUMBER OF WEEKS OF TTD IN CASES SETTLED OR DECIDED BY THE COMMISSION BY YEAR CASE CLOSED			
	<u>FY98</u>	<u>FY97</u>	<u>FY96</u>	<u>FY95</u>
Female	20.5	21.8	22.2	22.7
Male	22.2	23.0	23.7	24.7
40 years or under	19.8	20.7	21.4	21.9
Over 40 years old	24.3	25.5	26.1	27.7
Total	21.7	22.6	23.2	24.1

EXPEDITED CASES

In 1984, the legislature created a special process under Section 19(b-1) of the Act to expedite cases. If the injured worker is not receiving temporary total disability benefits or medical benefits, he or she may petition for an emergency hearing. Alternately, the worker may choose to file under 19(b) of the Act if he or she is not receiving temporary total disability benefits.

Over the years, there has been a clear shift from 19(b-1) petitions, which involve statutorily set deadlines, to 19(b) petitions, where the deadlines are not defined but expedited hearings are set.

PETITIONS FOR EXPEDITED HEARINGS BY YEAR MOTION FILED

	<u>FY98</u>	<u>FY97</u>	<u>FY96</u>	<u>FY95</u>
19(b) petition	7,785	7,507	7,735	7,157
19(b-1) petition	782	1,011	1,401	2,026

By law, the Commission is to resolve 19(b-1) cases through both the arbitration and review levels within 180 days, or 6 months. In FY98, on average, 19(b-1) cases were resolved in 62 days at the arbitration level and 93 days at the review level, for a total of 155 days. Statistics on individual turnaround times are provided to each arbitrator and commissioner.

FATAL INJURIES

The rate of work-related fatal injuries in the United States has dropped steadily and significantly. The fatal injury rate per 100,000 workers in 1997 was less than one-tenth the rate in 1937.¹⁰

Bureau of Labor Statistics study. The Industrial Commission provides information on fatal workers' compensation claims to the Illinois Department of Public Health, which has participated in the U.S. Bureau of Labor Statistics Census of Fatal Occupational Injuries since 1992. The CFOI methodology does not correspond exactly to workers' compensation criteria, but the figures provide a standard measure of fatal injuries (not illnesses) for the country.¹¹

LEADING CAUSES OF DEATHS IN ILLINOIS

	<u>1997</u>		<u>1996</u>		<u>1995</u>		<u>1994</u>	
	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>
Assault or violent act	51	21%	50	19%	43	17%	50	20%
Contact with objects/equip.	34	14%	46	18%	38	15%	42	17%
Exposure to harmful subst.	20	8%	30	11%	33	13%	32	13%
Fall	36	15%	34	13%	44	18%	40	16%
Fire or explosion	4	2%	7	3%	12	5%	4	2%
Transportation accident	93	39%	95	36%	78	31%	79	32%
Other	<u>2</u>	1%	<u>0</u>	0%	<u>1</u>	0%	<u>0</u>	0%
Total	240		262		249		247	

FATAL INJURIES BY INDUSTRY IN ILLINOIS

	<u>1997</u>		<u>1996</u>		<u>1995</u>		<u>1994</u>	
	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>
Agriculture	33	14%	28	11%	30	12%	43	17%
Construction	42	18%	56	21%	63	25%	48	19%
Government	28	12%	14	5%	19	8%	9	4%
Manufacturing	19	8%	32	12%	35	14%	25	10%
Mining	5	2%	3	1%	0	0%	4	2%
Services (incl. Finance)	37	15%	35	13%	28	11%	34	14%
Transportation	44	18%	52	20%	38	15%	43	17%
Wholesale and retail trade	30	12%	42	16%	32	12%	35	15%
Other	<u>2</u>	1%	<u>0</u>	0%	<u>4</u>	2%	<u>6</u>	2%
Total	240		262		249		247	

GENDER

Women constitute 46% of the work force in Illinois, but they file a smaller share of workers' compensation claims. The most dangerous industries--agriculture, construction, etc.--are still male-dominated. Over the last decade, the proportion of female claimants has increased steadily, from 22% of claimants in FY85 to 32% in FY98.

MEDICAL CARE

By law, the employer is required to pay for medical care that is reasonably required to cure or relieve the employee from the effects of a work-related injury or disease. The employer shall pay for all necessary first aid and emergency services, two treating physicians, surgeons, or hospitals of the employee's choice, and any additional medical care providers to whom the employee is referred by the two physicians, surgeons, or hospitals.

The employer shall also pay for necessary physical, mental, and vocational rehabilitation of the employee. The employee must cooperate in reasonable programs to assist in his or her recovery and return to work.

Balance billing is a practice by which medical providers try to obtain payment of any unpaid balances of medical bills from the injured worker. Workers may be pursued by collection agencies and their credit records may be damaged for bills that were never their responsibility.

Illinois is one of only a few states in the country that does not prohibit this activity. Individuals who experience such problems may contact the Consumer Services Division at the Illinois Department of Insurance (217/782-4515) for assistance.

Reliable information on medical benefits is not available from the Commission's current computer system. Some medical data from external sources appears in the chapter on interstate comparisons.

PENALTIES

Under Section 16 of the Act, the Commission may order the respondent to pay the petitioner's attorneys' fees if the respondent or its agent has unreasonably delayed benefits to an employee, intentionally underpaid an employee, engaged in frivolous defenses, or has otherwise treated an employee unfairly.

Under Section 19(k), the Commission may award the petitioner additional compensation equal to 50% of the amount of compensation payable at the time of the award if there was an unreasonable or vexatious delay of payment, or an intentional underpayment of compensation.

Under Section 19(l), the Commission may award the petitioner additional compensation of \$10 per day for every day that a weekly compensation benefit has been withheld without good and just cause, up to \$2,500.

CASES WITH PENALTIES AWARDED BY YEAR AWARDED

	<u>FY98</u>	<u>FY97</u>	<u>FY96</u>	<u>FY95</u>
19(k)	4	6	8	10
16 and 19(k)	26	31	35	30
19(l)	29	44	58	73
16 and 19(l)	3	2	2	1
19(k) and 19(l)	6	10	10	9
16, 19(k), and 19(l)	<u>64</u>	<u>41</u>	<u>73</u>	<u>44</u>
Total	<u>132</u>	<u>134</u>	<u>186</u>	<u>167</u>

POST-AWARD PETITIONS

Cases that were once closed by settlement or award may return to the Commission for additional hearings. Under Section 8(a) of the Act, an injured worker may petition the Commission to order payment for additional medical treatment. Under Section 19(h) of the Act, either party may petition if the injured worker's physical condition changes significantly within 30 months of an award or settlement.

CASES WITH POST-AWARD PETITIONS FILED BY YEAR PETITION FILED

	<u>FY98</u>	<u>FY97</u>	<u>FY96</u>	<u>FY95</u>
8(a)	94	101	114	87
19(h)	12	20	31	19
8(a) and 19(h)	<u>87</u>	<u>63</u>	<u>68</u>	<u>89</u>
Total	193	184	213	195

REHABILITATION

Rehabilitation plans are rarely used. We do not have solid data, but it is reported that cases involving rehabilitation are usually settled for a lump sum instead.

If an injury substantially impairs an employee's earning capacity, the employer may be required to pay for the physical, mental, and/or vocational rehabilitation of the employee. Before the Commission will order rehabilitation, there must be a reasonable and cost-effective plan that will likely lead to a job, increase the employee's earning capacity, and improve his or her job security.

According to Industrial Commission Rules (Section 7110.10), the employer must prepare a rehabilitation plan when it becomes clear that an injured worker will be unable to resume his or her previous duties, or when the period of temporary and total disability exceeds 120 continuous days, whichever comes first. The document must include a written assessment of the employee's medical condition and treatment, and an assessment of the rehabilitation that will be necessary to physically and economically restore the worker.

The plan should identify an occupation for which there is a stable job market in the employee's area and which the employee may reasonably train for and obtain. Although the employer is required to prepare a rehabilitation plan, either party may submit a plan for approval.

The employee must cooperate with the rehabilitation or risk termination of compensation benefits. If the employee has sufficient skills to obtain satisfactory employment without further training, or so lacks skills and educational abilities as to make employment unlikely, the Commission may find rehabilitation inappropriate. For more information, see National Tea Company v. Industrial Commission, 97 Ill.2d 424 (1983).

TURNAROUND TIME

In 1989, the legislature prohibited the introduction of new evidence at the review level. Since then, cases at arbitration have taken longer and cases at review have moved more quickly. On average, in FY98 arbitration decisions were issued 2.7 years from the date a claim was filed; review decisions were issued 1.0 years from the date the petition for review was filed.

In FY98, 86% of all resolutions occurred by settlement. In most of these cases, the parties reach a settlement without ever going to trial. The time involved in these prearbitration cases is almost wholly dependent on the parties, because they decide when they are ready to settle. On average, these cases were settled 1.8 years after the claims were filed.

This time period may represent the time necessary for an injured worker to become medically stationary and the parties to reach agreement. This is important to remember when considering the timeliness of the Commission's actions.

INTERSTATE COMPARISONS

BENEFITS

Workers' compensation costs in Illinois rank below the national average and the average for large industrial states. Whereas Illinois used to be higher than most of its neighbors, it is now in the middle of the pack. In addition, Illinois' total payments are growing at half the rate of its neighbors and other large industrial states. This data refers to 1995, the latest year for which information is available.¹²

AVERAGE BENEFITS PAID PER COVERED EMPLOYEE

	National average	\$413		
	Illinois	\$310		
Neighboring States			Large Industrial States	
Indiana	\$164		California	\$615
Iowa	\$193		Florida	\$534
Kentucky	\$391		New York	\$429
Michigan	\$428		Ohio	\$489
Missouri	\$351		Pennsylvania	\$579
Wisconsin	\$249		Texas	\$397
<i>Median</i>	<i>\$300</i>		<i>Median</i>	<i>\$512</i>

BENEFITS AS PERCENTAGE OF WAGES

	National average	1.51%		
	Illinois	1.04%		
Neighboring States			Large Industrial States	
Indiana	0.65%		California	2.05%
Iowa	0.86%		Florida	2.22%
Kentucky	1.69%		New York	1.24%
Michigan	1.41%		Ohio	1.84%
Missouri	1.37%		Pennsylvania	2.12%
Wisconsin	1.01%		Texas	1.47%
<i>Median</i>	<i>1.19%</i>		<i>Median</i>	<i>1.95%</i>

INCREASE IN TOTAL INDEMNITY (CASH) AND MEDICAL BENEFITS, 1986-1995

	National average	83%		
	Illinois	45%		
Neighboring States			Large Industrial States	
Indiana	111%		California	92%
Iowa	78%		Florida	157%
Kentucky	104%		New York	152%
Michigan	100%		Ohio	58%
Missouri	171%		Pennsylvania	142%
Wisconsin	86%		Texas	9%
<i>Median</i>	<i>102%</i>		<i>Median</i>	<i>117%</i>

TOTAL WORKERS' COMPENSATION BENEFIT PAYMENTS

In \$billions	<u>1995</u>	<u>1994</u>	<u>1993</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>	<u>1989</u>	<u>1988</u>
Illinois	\$1.4	\$1.6	\$1.7	\$1.8	\$1.7	\$1.6	\$1.4	\$1.3
% Change	(9%)	(5%)	(5%)	0%	9%	12%	12%	20%
U.S.	\$40.1	\$41.5	\$41.7	\$42.8	\$39.2	\$35.3	\$31.6	\$28.0
% Change	(3%)	(1%)	(2%)	9%	11%	12%	13%	13%

Nationwide, medical charges account for 52% of total workers' compensation costs; in Illinois, medical costs represent only 42% of total costs, and most of the cost growth is in indemnity benefits.¹³

When costs are broken down by type of benefits, Illinois generally costs more than neighboring states but less than other large industrial states.¹⁴

AVERAGE INDEMNITY COST PER CASE BY INJURY TYPE
POLICY YEAR 1994, UNLESS OTHERWISE NOTED

	Temporary <u>Total</u>	Permanent <u>Partial</u>	Permanent <u>Total</u>	<u>Fatal</u>
Illinois	\$3,513	\$18,940	\$199,091	\$167,124
Neighboring States				
Indiana	\$2,095	\$10,404	\$68,368	\$101,398
Iowa	\$1,704	\$16,740	\$376,730	\$157,566
Kentucky	\$2,810	\$23,197	\$238,960	\$184,511
Michigan	\$3,477	\$39,781	\$149,056	\$133,130
Missouri	\$2,784	\$11,644	\$277,236	\$185,213
Wisconsin	\$1,695	\$14,304	\$162,683	\$85,772
<i>Median</i>	\$2,440	\$15,522	\$200,822	\$145,348
Large Industrial States				
California	\$1,122	\$21,364	\$237,950	\$89,965
Florida	\$2,455	\$29,245	\$187,715	\$65,032
New York	\$3,387	\$48,059	\$345,150	\$204,232
Ohio	NA			
Pennsylvania	NA			
Texas (PY93)	\$3,689	\$16,518	\$114,510	\$348,397
<i>Median</i>	\$2,921	\$25,305	\$212,833	\$147,099

Generally, benefits are based on 66 2/3% of a worker's gross income. Because of tax brackets, limits on benefits, and other factors, states vary in the amount of after-tax income they replace. If benefits fall below 80% of the net wages earned before the injury, workers can be jeopardized; on the other hand, if benefits exceed previous wages, the program has created a disincentive to return to work. Among the states studied, Illinois has one of the higher rates of excess income replacement and one of the lower rates of low replacement.¹⁵

PERCENTAGE OF WORKERS
AT DIFFERENT NET INCOME REPLACEMENT RATES

	<u>Below 80%</u>	<u>80-100%</u>	<u>Over 100%</u>
Illinois	5%	78%	17%
Neighboring States			
Indiana	21%	78%	1%
Michigan	3%	92%	5%
Missouri	19%	76%	5%
Wisconsin	12%	83%	6%
Large Industrial States			
California	19%	74%	7%
Florida	21%	78%	1%
New York	16%	78%	6%
Ohio	6%	78%	16%
Pennsylvania	8%	59%	33%
Texas	3%	91%	6%

The maximum cash benefit under workers' compensation in Illinois is considerably higher than the maximum benefit provided by unemployment insurance. In addition, Illinois' maximums are considerably higher than those in other states.¹⁶

WORKERS' COMPENSATION AND UNEMPLOYMENT INSURANCE
MAXIMUM WEEKLY BENEFITS
AS OF 1/98

			<u>WC</u>	<u>UI</u>				
			Illinois	\$815	\$355			
Neighboring States			<u>WC</u>	<u>UI</u>	Large Industrial States			
			<u>WC</u> <td style="text-align: center;"><u>UI</u> <td style="text-align: center;"><u>WC</u> <td style="text-align: center;"><u>UI</u></td> <td colspan="2"></td> </td></td>	<u>UI</u> <td style="text-align: center;"><u>WC</u> <td style="text-align: center;"><u>UI</u></td> <td colspan="2"></td> </td>	<u>WC</u> <td style="text-align: center;"><u>UI</u></td> <td colspan="2"></td>	<u>UI</u>		
Indiana	\$448	\$236	California	\$490	\$230			
Iowa	\$873	\$293	Florida	\$494	\$275			
Kentucky	\$465	\$256	New York	\$400	\$300			
Michigan	\$553	\$300	Ohio	\$541	\$358			
Missouri	\$532	\$205	Pennsylvania	\$581	\$383			
Wisconsin	\$523	\$290	Texas	\$508	\$280			
<i>Median</i>	\$528	\$273	<i>Median</i>	\$501	\$290			

COMPLIANCE WITH 1972 RECOMMENDATIONS

Illinois has one of the higher rates of compliance with the recommendations issued by the 1972 National Commission on State Workmen's Compensation Laws.¹⁷

NUMBER OF 19 ESSENTIAL RECOMMENDATIONS MET

		National average	12.70		
		Illinois	15.00		
Neighboring States				Large Industrial States	
Indiana	11.50	California	11.00		
Iowa	15.50	Florida	12.00		
Kentucky	14.25	New York	10.75		
Michigan	9.75	Ohio	15.50		
Missouri	14.75	Pennsylvania	13.75		
Wisconsin	15.00	Texas	12.50		
<i>Median</i>	14.50	<i>Median</i>	12.25		

SAFETY

Employers' safety efforts may affect their workers' compensation costs more than a state's public policy. A well-known study found a six-fold variation in costs among states; that is, the state with the highest costs (Maine) spent six times that of the lowest-cost state (Indiana). Yet researchers found that within each of 29 different industries within one state (Michigan), some employers had 10 times the number of claims per 100 employees than others.

The researchers concluded that employers that engage in safety efforts, maintain an open management style, and take steps to prevent and manage disability are most likely to have low workers' compensation claims.¹⁸

Illinois has fewer total injuries per 100,000 workers than both neighbors and other large industrial states. For years, however, permanent partial disabilities have been significantly more frequent than in most other states.¹⁹

FREQUENCY OF INJURY
BY TYPE PER 100,000 WORKERS
POLICY YEAR 1994, UNLESS OTHERWISE NOTED

	Temporary <u>Total</u>	Medical <u>Only</u>	Permanent <u>Partial</u>	<u>Fatal</u>	Permanent <u>Total</u>	<u>Total Injuries</u>
Illinois	1,176	5,044	842	3	5	7,070
Neighboring States						
Indiana	1,292	8,669	337	4	1	10,302
Iowa	1,669	6,291	542	5	2	8,509
Kentucky	1,387	7,786	519	5	2	9,699
Michigan	1,651	8,084	371	6	2	10,114
Missouri	1,247	5,716	1,021	7	2	7,993
Wisconsin	2,228	8,335	541	3	2	11,109
<i>Median</i>	1,519	7,935	530	5	2	9,907
Large Industrial States						
California	1,476	5,679	1,045	6	7	8,213
Florida	1,173	5,319	676	5	16	7,189
New York	1,012	3,627	696	4	4	5,345
Ohio	NA					
Pennsylvania	NA					
Texas (PY93)	1,031	4,054	570	4	7	5,665
<i>Median</i>	1,102	4,687	686	5	7	6,427

¹ U.S. Department of Labor, *State Workers' Compensation Administrative Profiles*, October 1997; U.S. Chamber of Commerce, *1997 Analysis of Workers' Compensation Laws*. Averages were calculated from the 45 states for which information was available. In the six exclusive fund states, the state manages all liabilities for workers' compensation; in the 11 competitive fund states, employers may purchase insurance either through the state or on the private market; in the 28 private insurance states (six of which are GRF-funded), the state does not operate an insurance fund.

² *Best's Review P/C*, September 1998, page 96.

³ National Association of Insurance Commissioners, *Report on Profitability by Line by State, 1997*, page 50, November 1998.

⁴ NCCI filings with the Illinois Department of Insurance. Note that, in the past, the differential between the assigned risk plan and the voluntary market fluctuated. Since 1/1/90, the assigned risk plan has been set at 20% higher than the voluntary market. The assigned risk plan consists of approximately 300 high-risk companies that cannot obtain workers' compensation insurance on the open market, and represents about 10% of the Illinois w.c. insurance market. For more information, call the Illinois Department of Insurance (217/524-8361). For information about the assigned risk pool, see National Council on Compensation Insurance, *Annual Statistical Bulletin, 1996 edition*, Exhibit XIII.

⁵ National Council on Compensation Insurance, *Management Summary 1997*, pages 10 - 11.

⁶ *Research Bulletin: A Publication of the National Foundation for Unemployment Compensation and Workers' Compensation*, September 15, 1997, Table 5. (1995 data) Nationally, in 1995, 52.7% of benefits are paid by private insurance, 27.8% by self-insurers, and 19.5% by state funds.

⁷ When filing a claim, the worker lists his or her average weekly wage. The arbitrator or commissioner may decide the wage is different than the amount originally reported. In the past, our data entry staff entered the wage off the claim form, and did not correct the amount if it was changed. The staff now replaces the wage if appropriate. The figures in this report reflect the new practice, and are more accurate.

⁸ In FY95, a change was made in the way dismissals are counted. All dismissals are now counted as closing a case; if a case is reopened, it is counted in the number of cases added to the caseload (see Cases Opened).

⁹ In FY95, we changed our method of counting original settlement contracts. Most new cases are filed with the Commission on a claim form (IC1), and these cases are set on a three-month cycle of continuances. An original settlement (IC5) is filed directly, without a claim form. If an IC5 is given a case number but is never approved, it falls into limbo. Previously, we counted the total number of original contracts *filed* during a fiscal year, but if the parties do not bring in the contract, we cannot close the case, and the pending caseload is then overstated. To correct this problem, we now count only the number of original contracts *approved* during a fiscal year.

¹⁰ National Safety Council, *Accident Facts: 1997 Edition*, page 49. The NSC changed its methods significantly in 1970 and again in 1992, making comparisons difficult. In 1992, the NSC started using data from the U.S. Bureau of Labor Statistics Census of Fatal Occupational Injuries.

¹¹ *Census of Fatal Occupational Injuries: Illinois, 1997*, Illinois Department of Public Health. Those interested in more details may contact the Division of Epidemiologic Studies at IDPH at 217/785-1873.

¹² *Research Bulletin: A Publication of the National Foundation for Unemployment Compensation and Workers' Compensation*, September 15, 1997, Tables 1, 6, and 7. (1995 data)

¹³ Medical costs share: National Council on Compensation Insurance, *Annual Statistical Bulletin, 1996 editions*, Exhibit X. Cost growth: Workers' Compensation Research Institute, *Review, Regulate, or Reform? What Works to Control Workers' Compensation Medical Costs*, September 1994, p. 26; WCRI, *Cost Drivers in Six States*, 1992, pp. xx ff. Note: It is possible that the high rate of settlements in Illinois could cause the medical share to be underreported.

¹⁴ National Council on Compensation Insurance, *Annual Statistical Bulletin, 1997 and 1998 editions*, Exhibit XI. This information refers only to the experience of employers with insurance, not self-insurers. Ohio has an exclusive state fund and is therefore not included. The last year available for Pennsylvania was PY90, and it was excluded because the data is so old. The data for fatalities and PTDs come from small numbers of cases and should

be viewed with caution.

¹⁵ Workers' Compensation Research Institute, "Income Replacement in Maine," December 1996, and "Income Replacement in Indiana," December 1995. The WCRI indicates that most of the replacements over 100% in Illinois are due to high maximum benefits.

¹⁶ U.S. Chamber of Commerce, 1997 Analysis of Workers' Compensation Laws, Chart VI, and National Foundation for Unemployment Compensation and Workers' Compensation, *Highlights of State Unemployment Compensation Laws*, January 1997, Table 18. These figures reflect the maximum benefit levels as of January 1, 1997 and were rounded to the nearest dollar amount. To obtain the maximum benefit, a claimant must meet certain income and family requirements.

¹⁷ *John Burton's Workers' Compensation Monitor*, November/December 1992, page 6. The group issued 84 recommendations concerning the coverage of employees and diseases, income protection, medical care, worker safety, and program administration. They identified 19 of the 84 recommendations as essential to ensuring a minimum level of protection. Today, compliance levels range from 7.25 in Mississippi to 18.75 in New Hampshire. Illinois does not comply with the National Commission's recommendations 2.4 (Illinois exempts farm workers below a certain number of hours), 2.5 (Illinois exempts household workers and casual workers below a certain number of days), 2.6 (Illinois exempts some governmental employees (Chicago police and fire fighters)) and 2.7 (Illinois exempts certain classes of employees, such as those noted above).

¹⁸ Edward M. Welch, *Why Some Employers Have a Better Workers' Compensation Experience Than Others*, 1991, pp. 3-7.

¹⁹ National Council on Compensation Insurance, *Annual Statistical Bulletin*, 1996 and 1997 editions, Exhibit XII. This information refers only to the experience of employers with insurance, not self-insurers. Ohio has a monopolistic state fund and is therefore not included.