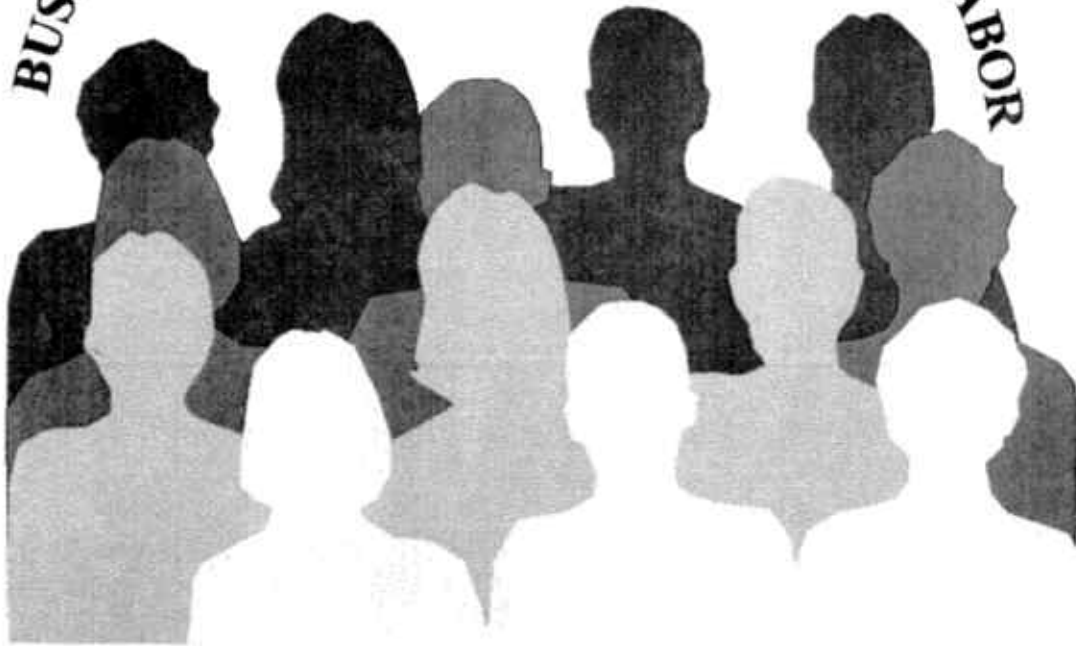


# ILLINOIS INDUSTRIAL COMMISSION FY95 ANNUAL REPORT

BUSINESS \* WORKERS' COMPENSATION \* LABOR



**ROBERT J. MALOOLY, CHAIRMAN**  
**JIM EDGAR, GOVERNOR**

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

Jim Edgar  
 Governor

Robert J. Malooly  
 Chairman

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

Workers' compensation costs in Illinois are falling. After years of double-digit increases, the trend has reversed in recent years, despite a larger workforce and continuing inflation. This is good news for employers and employees alike, because the savings appear to be due to improved safety efforts and early return-to-work programs. Everyone wins when accidents are prevented and injured workers get back to work.

Administratively, we continue to improve our operations. After an unusual number of vacancies and illnesses among arbitrators and commissioners last year, we were fully staffed in FY95 and we closed more cases than ever before. In addition, the number of administrative problems noted in the FY94-95 compliance audit were at an all-time low.

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

*Diane Dickett Smart*

Diane Dickett Smart, Commissioner

*Barry A. Ketter*

Barry A. Ketter, Commissioner

*Richard Gilgis*

Richard Gilgis, Commissioner

*Jacqueline A. Kinnaman*

Jacqueline A. Kinnaman, Commissioner

*John W. Hallock, Jr.*

John W. Hallock, Jr., Commissioner

*Robert J. Malooly*

Robert J. Malooly, Chairman

*Linzey D. Jones*

Linzey D. Jones, Commissioner

*Janice Montoya*

Janice Montoya, Assistant Secretary

ARBITRATORS AS OF JUNE 30, 1995:

Peter Akemann  
 Bernard Barasa  
 Ted Black, Jr.  
 Norman Brown  
 Angelo Caliendo  
 Donald Callahan  
 Alvin Cooke

John Dibble  
 Thomas Dillon  
 Joann Fratianni  
 Gilberto Galicia  
 Adolphus Green  
 Kathleen Hagan  
 Leo Hennessy

Douglas Holland  
 Milton James  
 David Kane  
 William Lambert  
 Robert Lazar  
 Virginia Long  
 Neva Neal

Valerie Peiler  
 Albert Preibis  
 Joseph Prieto  
 Joseph Reichart  
 Ray J. Rybacki  
 Calvin Tansor  
 Ruth White



# HIGHLIGHTS

- Workers' compensation costs are falling. The decline first appeared in 1993, when benefit costs dropped 5% from the previous year. More recently, the advisory rates for workers' compensation insurance decreased by 6.8% for 1995 and another 13.6% for 1996.
- In February 1995, the Structural Work Act was repealed. The act had allowed workers injured in construction-related accidents to seek relief both through the Commission and in court. Now, workers' only remedy is through the Commission.
- ◆ After a year of staff shortages, the Commission had a full complement of arbitrators and commissioners in FY95, and closed more cases than ever before.
- Illinois has established a system by which insurers and employers may submit reports of accidents electronically. Illinois was the first state in the country to operate an electronic reporting system and has more participants than any other state.
- The number of management problems, or audit exceptions, found in the FY94-95 compliance audit were the lowest level ever noted. The FY94-95 audit found seven exceptions, most of which require legislative action before they can be corrected. It should be noted that the efforts to reduce administrative problems occurred during years of serious budget constraints and without increases in staff.
- For the 9th year in a row, the Rate Adjustment Fund was unable to meet its obligations. The Commission charges insurance carriers and self-insurers the highest amount allowed by law, but it is not enough to cover the benefits due. The RAF pays cost-of-living adjustments to 1,500 individuals who are either permanently and totally disabled or are the survivors of fatally injured workers. Benefits are months behind and the fund is millions of dollars in debt. The problem will only worsen unless the law is changed.

## MISSION STATEMENT

The Industrial Commission was created by the Illinois Workers' Compensation and Occupational Diseases Acts to resolve disputes that occur between injured workers and their employers. Our mission is to provide financial protection to workers who are injured as a result of their employment and the dependents of those who die from a work-related injury or disease. To carry out this mission, 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 management commissioners serve on the board, while arbitrators elect one Chicago and one Downstate arbitrator.

Robert J. Malooly, Chairman  
Illinois Industrial Commission

Joseph Reichart  
Chicago arbitrator

Richard Gilgis  
Senior management commissioner

Ann Marie Walsh  
Attorney, Lord, Bissell & Brook

Robert Hanaford  
Attorney, Robert H. Hanaford, Ltd.

Ruth White  
Downstate arbitrator

Linzey Jones  
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.

Robert J. Malooly, Chairman  
Illinois Industrial Commission

Gerald J. Porento  
Asst. Gen. Counsel, Commonwealth Ed.

William K. Dwyer  
Attorney, Law/Claims Division, Amoco Corp.

James L. Sandner  
President, Brokers Risk Placement Serv.

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

Todd Shivers  
Attorney, Law Div., Ameritech Illinois

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.

Michael V. Hasten, Chairman  
Winston & Strawn

Jay Dee Shattuck  
Exec. VP, Mgmt. Assoc. of Illinois

Gregory Baise  
President, Illinois Manufacturers Assoc.

Barbara A. Sherman  
Attorney At Law

Ed L. Breen,  
Bus. Rep., Int'l. Assoc. of Machinists, #55

Lawrence J. Suffredin, Jr.  
Attorney At Law

Sally A. Jackson  
President, Illinois State Chamber of Commerce

Jim Sullivan  
Business Agent, International Union of  
Operating Engineers, Local 150

Donald A. Johnson  
President, Illinois State AFL-CIO

# OVERVIEW OF THE LAW

Workers' compensation laws were the first acts of social legislation passed in the United States, and they have always been deeply controversial. At the beginning of this century, some employers believed the assumption of liability for work-related injuries would destroy their competitiveness. Many workers, meanwhile, were heavily burdened with medical costs, disabilities, and the inability to make a living. The industrial 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 sure and 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 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 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. Many workers, meanwhile, were heavily burdened with medical costs, disabilities, and the inability to make a living, while employers faced uncertain awards if they lost their cases.

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 only on a state-by-state basis. Most of the early laws covered only hazardous occupations and were frequently challenged as unconstitutional. Maryland's 1902 law was the first, though it applied to death cases only and limited coverage. 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 1920 most states had some form of workers' compensation. The last state to pass a law was Mississippi in 1948. 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 under the Illinois Civil Administration Code. In 1957, the Commission separated from the Department of Labor and became a self-standing agency.

In Illinois, as in most states, workers' compensation is privately funded by insurance policies or by self-insurance. Awards are based on the worker's earnings, subject to certain limits, and are made regardless of need. The Commission operates two levels of hearings: arbitration and review. Cases may proceed to the circuit court, Illinois Appellate Court, and the Illinois Supreme Court.

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



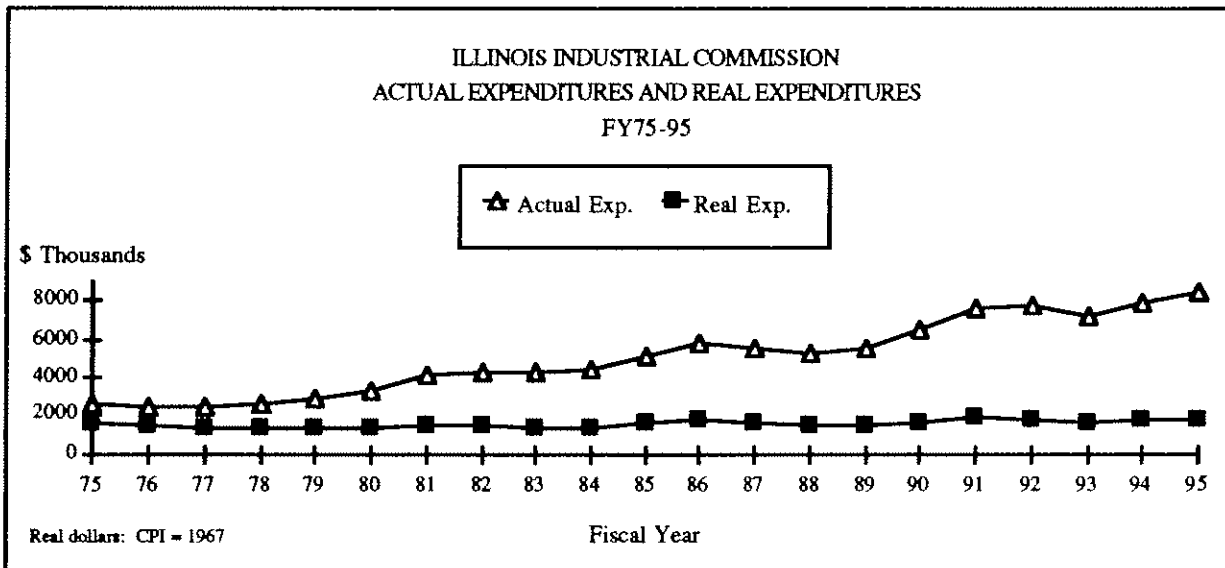


# FINANCES

Illinois is one of only six states in the country that appropriate General Revenue Funds for the administration of the workers' compensation program. The other 44 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 states to consider the establishment of independent funding sources and recommended that states levy assessments against premiums or benefits paid.

The Commission has always struggled for resources. 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. There have been some improvements since then, but it is probably safe to say that all parties are disappointed that the 1989 vision of the Commission has failed to materialize. On a per-covered-worker basis, Illinois still spends less on the administration of workers' compensation than nearly every other state.

Because of this lack of resources, the Commission continues to have a number of unmet statutory mandates: e.g., we make only minimal efforts to make sure employers have insurance, we do not publish statistics on work-related accidents. When the effects of inflation are factored in, it becomes clear that, despite a 79% increase in our workload over the last 20 years, the Commission's budget in real terms has remained nearly flat.

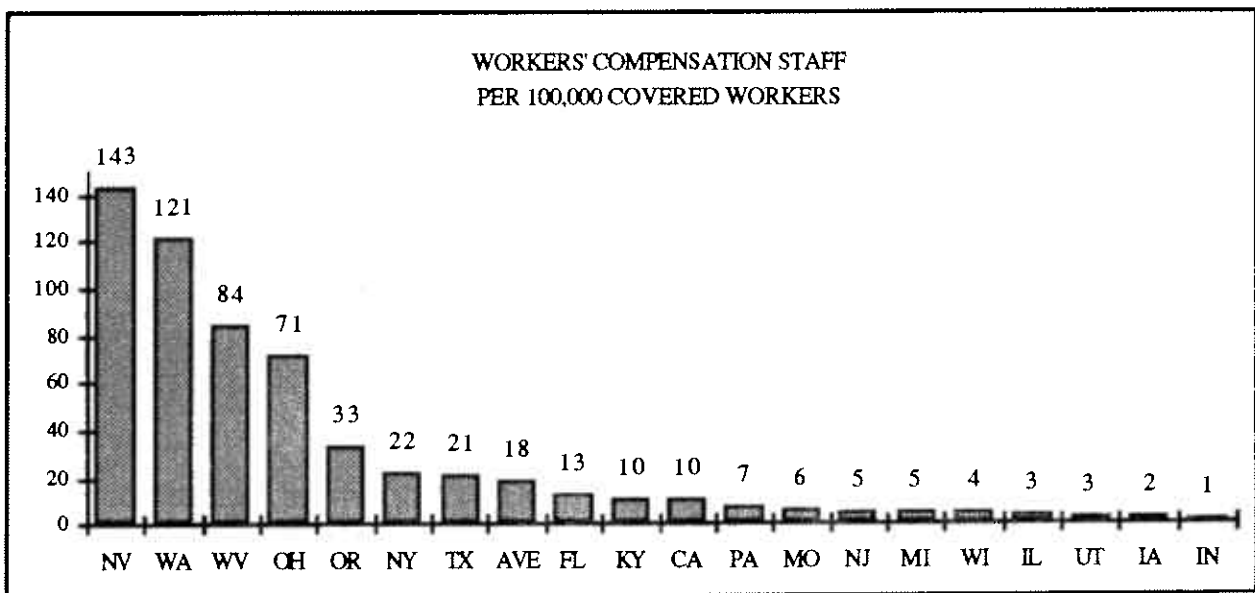
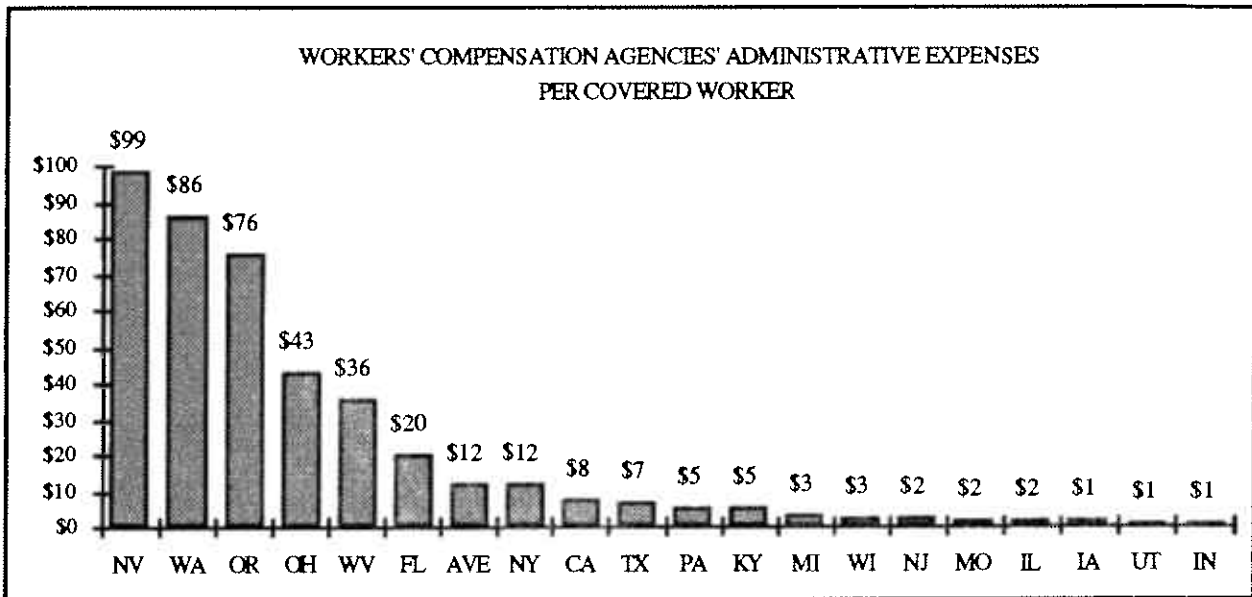


ILLINOIS INDUSTRIAL COMMISSION  
OPERATING EXPENDITURES AND HEADCOUNT  
(000s omitted)

Fiscal Year	Operating Expenditures*	Real (1967) Expenditures	Headcount At End of Year
75	\$2,556.7	\$1,622.3	131
80	3,245.6	1,322.0	160
85	5,061.9	1,573.0	185
90	6,550.9	1,666.3	146
95	8,444.4	1,836.1	164

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

The cost of administering Illinois' workers' compensation program is modest. In a recent study of agencies' resources, Illinois' budget per covered worker ranked 34th out of 37 states for which complete information was available. While states, on average, spend \$12 for every worker covered by the workers' compensation law, Illinois spends \$2; the average workers' compensation state agency has 18 employees for every 100,000 covered workers, while Illinois has three. These facts should be considered when evaluating the Commission's performance. <sup>1</sup>



The cost of resolving a dispute at the Commission is much lower than other state agencies. While the following figures are rough estimates based on information from the *Illinois Budget Book*, they do indicate large differences in administrative costs. <sup>2</sup>

**COST PER CASE CLOSED  
IN FY95**

Illinois Industrial Commission	\$125
Illinois Human Rights Commission	\$1,551
Illinois Department of Human Rights	\$1,602
Illinois Commerce Commission	\$18,674

## SPECIAL FUNDS

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

### SPECIAL FUNDS: BALANCES AS OF JUNE 30, 1995

	<u>Starting Balance</u>	<u>Income Received</u>	<u>Benefits Paid</u>	<u>Ending Balance</u>
GROUP SELF-INSURERS' INSOLVENCY FUND	\$136,861	\$81,415	\$0	\$218,276
RATE ADJUSTMENT FUND	(\$1,149,977)	\$5,341,112	\$6,456,447	(\$2,265,312)
SECOND INJURY FUND	\$235,586	\$1,106,513	\$1,057,617	\$284,482
SELF-INSURANCE ADMINISTRATION FUND	\$468,248	\$419,106	\$472,828	\$414,526
SELF-INSURANCE SECURITY FUND	\$5,081,699	\$1,125,214	\$601,813	\$5,605,100
TRANSCRIPT DEPOSIT FUND	\$20,301	\$15,015	\$7,350	\$27,966
WORKERS' COMPENSATION BENEFIT TRUST FUND	\$1,301,370	\$72,598	\$0	\$1,373,968

### GROUP SELF-INSURERS' INSOLVENCY FUND

The Group Self-Insurance Insolvency Fund was created in 1983 to pay benefits to employees of bankrupt group self-insurers. Employers 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 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. 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 1/2 of 1% of all indemnity payments paid in a six-month period preceding the payment date.

Individuals who receive an award or settlement for a permanent and total disability or a fatal injury are eligible. RAF benefits begin on July 15 of the second year after the award or settlement is entered by the Commission. 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. Benefits are paid quarterly on the 15th of January, April, July, and October.

Since 1983, the fund has had chronic financial problems because payments have exceeded the amount collected, and the liabilities of the fund are growing, averaging 10% for each of the last seven years. For the last several years, payments have been almost always late. Furthermore, the fund is getting deeper and deeper into debt. As of June 30, 1995, the fund owed over \$2 million; at the time this report was written, the debt had exceeded \$4 million.

The volatility in the fund--from excessive balances in 1980 to chronic shortfalls throughout the last 10 years--indicates that neither the assessment rate nor the control mechanism are adequate in their ability to maintain proper fund balances. Several short-term legislative measures have been enacted to get benefits to recipients, but the fund's inherent problem remains. This problem will continue until a more permanent solution is enacted. See Illinois Compiled Statutes, Chapter 820, Paragraph 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 work-related 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, 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, Paragraphs 7-8.

#### SELF-INSURANCE ADMINISTRATION FUND

The Self-Insurance 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 4a.

#### SELF-INSURANCE SECURITY FUND

The Self-Insurance 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 4a.

#### 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.

# ADMINISTRATION

At the end of FY95, the Industrial Commission consisted of the chairman, six commissioners, 164 Commission employees, and 11 employees in the Self-Insurance Division. This section reports each unit's contributions to the organization and the staff in the unit as of June 30, 1995.

ILLINOIS INDUSTRIAL COMMISSION STAFFING REPORT JUNE 30, 1995			
Judicial	Commissioners <sup>3</sup>	6	80
	Arbitrators	28	
	Court Reporters	28	
	Support Staff	24	
Operations	Manager's Office	2	52
	Central Files	9	
	Data Entry	13	
	Docket	2	
	Downstate Offices	3	
	Emergency Hearings (19(b-1))	2	
	Information	4	
	Mail Room	3	
	Review	3	
	Switchboard	1	
	Word Processing	10	
MIS	Manager's Office	3	11
	Computer Room/LAN Administration	3	
	Production Control	3	
	Systems and Programming	2	
Other	Chairman's Office	9	21
	Fiscal	8	
	Personnel	2	
	Research and Education	2	
Total			164
Self-Insurance <sup>4</sup>			11

## CHAIRMAN'S OFFICE

9 Staff

Robert J. Malooly, Chairman  
Nine staff members

Working in the Chairman's Office were Frank Capuzi, legislative liaison; Barbara Clemmons, secretary; Ed DeBartolo, assistant to the legislative liaison; Linda Freeman, secretary; Janice Hamilton, inspector general; Cathy Kaczanowski, MIS auditor; Kathryn Kelley, legal counsel; Paul Rink, associate counsel; and Gretchen Wolfe, executive assistant.

## FISCAL OFFICE

8 Staff

Charles Kusar, Chief Financial Officer  
Seven staff members

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

## JUDICIAL DIVISION

80 Staff

### *Arbitration Unit*

28 arbitrators  
Blas Olivares, Coordinator  
One administrative assistant, two paralegals

Arbitrators hear, decide, and approve settlements of cases. Fourteen arbitrators work in the Chicago office, while 14 arbitrators perform the same duties at the 33 downstate hearing sites. The arbitration support staff sets schedules, conducts legal research, operates a computerized case tracking system, and provides clerical support.

### *Commission Unit*

Six commissioners  
12 staff attorneys  
Greg Dollison, Coordinator of Commissioners' Administrative Assistants  
Six administrative assistants, one clerk

Two panels of three commissioners hear, decide, and approve settlements of cases that have been appealed from the arbitration level. On each panel, one member is a representative of business, one of 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 Unit*

Marvin Goins, Supervisor  
28 court reporters

Court reporters record hearings and produce typewritten transcripts of arbitration, review, self-insurance, and other hearings.

## MANAGEMENT INFORMATION SYSTEMS

11 Staff

Terry W. Spurlin, Manager  
Ian Green, Supervisor of Network Operations and Systems Development  
One procurement specialist

### *Computer Room/Local Area Network*

Two public service administrators, one information systems specialist

The Computer Room produces notices, call sheets, forms, reports, and other documents. The Local Area Network group manages the network that connects the computers throughout the Commission and allows users to access information.

### *Production Control*

Three data processing specialists

This unit maintains the calendars for hearings, updates cases, and sends notices.

*Systems and Programming*  
Two programmer/analysts

In addition to maintaining existing systems, this unit is developing several new computer systems.

OPERATIONS DIVISION

52 Staff

Janice Montoya, Operations Manager and Assistant Secretary of the Commission  
One administrative assistant (also serving as acting downstate coordinator)

The Operations Division is responsible for most of the administrative processes involved in resolving disputes. The main functions of each unit are described below.

*Central Files (aka Vault)*

Walter Bennett, Supervisor  
Eight clerks

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

*Decisions*

Lether Scott, Supervisor

The Decisions Unit consists of both the data entry and word processing sections.

*Data Entry*

Sharon Clarke, Supervisor  
11 office assistants

This group enters data from claims, decisions, settlements, etc., onto the case management system, thereby scheduling cases and allowing information to be disseminated throughout the Commission.

*Word Processing*

Brenda Carr, Supervisor  
Eight office coordinators, one clerk

This group types the decisions of arbitrators and commissioners, and prepares the documents to be mailed.

*Docket*

Annis McMorris, Supervisor  
One clerk

The Docket Unit processes all incoming claims, motions, and other case documents.

*Downstate Offices*

Maria Sarli-Dehlin, Acting Downstate Coordinator  
Three office assistants

In addition to the main Chicago office, the Industrial Commission maintains three offices downstate. These offices answered nearly 19,000 calls in FY95. They also accept claims and provide clerical support for the arbitrators in those areas. The staff also assists the Chicago office in data entry work.

Chicago office:

8th floor  
100 W. Randolph  
Chicago, IL 60601  
312/814-6611

Springfield office:

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

Rockford office:

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

Peoria office:

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

*Emergency Hearings (19(b-1))*  
Theodore Stephens, Supervisor  
One office associate

Section 19(b-1) of the Workers' Compensation Act outlines the process by which emergency cases are to be handled within 180 days. This unit tracks and manages the cases from the date a petition for emergency hearing is filed until the matter is resolved.

*Information*

Jeanie Thompson, Supervisor (on leave on 6/30/95; not included in headcount)  
Four staff members

Over 1,200 telephone calls are handled each week by the Information staff, who provide information on Commission procedures and the statutes. They also distribute forms and information packets, and prepare summons for the circuit courts.

*Mail Room*

Velma Ephraim, Supervisor  
Two clerks

The Mail Room handles nearly one-half million pieces of mail each year, responds to requests for handbooks, forms, etc., and maintains supplies.

*Review*

Bessie Mims, Supervisor  
Two clerks

This unit maintains files for cases on review, orders and tracks transcripts, and schedules oral arguments.

*Switchboard*

Alice Thompson

In addition to the calls placed to Information, the switchboard handles 1,000 calls each week.

PERSONNEL OFFICE 2 Staff

Rebecca Loreda Paz, Manager  
One personnel assistant

This office handles personnel transactions, benefit programs, the Employee Assistance Program, affirmative action, and compliance with the Americans with Disabilities Act.

RESEARCH AND EDUCATION 2 Staff

Susan Piha, Manager  
One statistician

This unit conducts research and operations analysis; handles communications; manages training programs for arbitrators, commissioners, managers, and staff; and coordinates quality efforts.

SELF-INSURANCE DIVISION 11 Staff

Janet Kirby, Executive Director  
Ten staff members

This division administers the self-insurance privilege and handles insolvencies of individual bankrupt self-insurers. The unit is funded separately and is not included in the Commission's headcount.



# INSURANCE

The 274,000 private and public employers in Illinois are responsible for the payment of benefits to eligible injured workers; they must either purchase insurance or obtain approval to insure themselves.

## INSURANCE

The workers' compensation insurance business in Illinois is healthy and highly competitive. In 1994, the latest year for which information is available, there were 331 carriers operating in Illinois, more than most other states. The market is diversified, with the company with the largest market share holding only 13% of the market.<sup>5</sup> Since 1983, Illinois has allowed insurance companies to set their own premium rates, which is often credited as a factor in keeping Illinois' costs below the national average.

One study indicated that, while Illinois has the fifth largest workforce in the country, the workers' compensation insurance business in Illinois is the third most profitable, generating \$318 million in profits in 1992.<sup>6</sup>

Another report noted that, while insurance companies nationwide realized an annual average total return on net worth of 8% per year for workers' compensation insurance from 1985-93, Illinois companies realized 16%.<sup>7</sup>

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 for 1995 and 1996 dropped significantly.<sup>8</sup>

### NCCI ADVISORY RATES FOR WORKERS' COMPENSATION INSURANCE IN ILLINOIS

#### Percentage Change From Previous Year

<u>Date</u>	<u>Voluntary Market</u>	<u>Assigned Risk Plan</u>
1/1/96	-13.6%	-13.6%
1/1/95	-6.8%	-6.8%
1/1/94	9.6%	9.6%
1/1/93	5.7%	5.7%
1/1/92	9.1%	9.1%
1/1/91	8.5%	8.5%

According to the NCCI, Illinois has a smaller assigned risk pool than most other states, indicating the relative ease with which employers are able to obtain workers' compensation insurance. Nationwide, in 1993, the average proportion of workers' compensation insurance in the assigned risk plan was 27.8%, while Illinois' share was only 12.6%.

Illinois' adjusted manual insurance rates are lower than the national average but higher than most neighboring states. The rates reflect the percentage of payroll spent on workers' compensation insurance by 44 classes of employers. <sup>9</sup>

AVERAGE ADJUSTED MANUAL RATES			
	National average		2.225%
	Illinois		2.019%
Neighboring States		Large Industrial States	
Indiana	0.836%	California	3.112%
Iowa	1.474%	Florida	3.464%
Kentucky	2.719%	New York	1.754%
Michigan	1.995%	Ohio	2.715%
Missouri	1.316%	Pennsylvania	2.082%
Wisconsin	1.538%	Texas	3.551%
<i>Median</i>	1.506%	<i>Median</i>	2.914%

In the 1980s, because of budget cuts, the Commission eliminated its program to ensure that employers meet their statutory obligation to obtain workers' compensation insurance. Each year, we receive hundreds of letters concerning employers who may not have workers' compensation insurance. We ask the employers to send us proof of their insurance, but if they do not comply, we do not pursue them. It is unfair for law-abiding employers to compete with those who fail to meet their responsibilities. The Commission is taking steps to reconstitute this program.

#### SELF-INSURANCE

The Self-Insurance Division at the Industrial Commission evaluates individual companies' financial status and approves eligible employers. As of June 30, 1995, there were 496 parent companies in the Commission's self-insurance program. These companies tend to be among the largest in the state: they represent less than 1% of Illinois employers, but approximately 15% of Illinois workers.

The Illinois Department of Insurance evaluates group self-insurers. Public employers may self-insure without obtaining approval. All together, self-insurers pay 27% of the benefits in Illinois. Self-insurance plays a larger role in Illinois than in most other states. <sup>10</sup>

PERCENT OF BENEFITS PAID BY SELF-INSURERS			
	National average		23%
	Illinois		27%
Neighboring States		Large Industrial States	
Indiana	12%	California	31%
Iowa	16%	Florida	38%
Kentucky	30%	New York	21%
Michigan	46%	Ohio	22%
Missouri	35%	Pennsylvania	21%
Wisconsin	13%	Texas	12%
<i>Median</i>	23%	<i>Median</i>	22%

# 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 has never operated a computer system for accident reports. 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, the Commission 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.

In FY95, we received roughly 30,000 electronic reports from insurance companies or self-insured employers, and we have more participants than any other state. In addition, the International Association of Industrial Accident Boards and Commissions gave us an award for being the first state to operate an electronic reporting system. We are encouraging 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. Information from external sources is also presented to supplement existing data. There are between 325,000-500,000 work-related accidents in Illinois each year, while roughly 70,000 claims are filed with the Commission; the statistics in this section refer only to those cases that are filed with the Commission. We do look forward to the time when we can publish full accident information and promote worker safety.

## APPEAL RATES

*Arbitration.* In the past, the Commission reported the appeal rate for non-emergency decisions only; beginning with this report, we include emergency decisions as well, which represented 15% of total decisions in FY95. The appeal rates have held relatively steady over the years.

	OUTCOME OF ARBITRATION DECISIONS			
	<u>FY95</u>	<u>FY94</u>	<u>FY93</u>	<u>FY92</u>
Total arbitration decisions issued	3,560	3,772	3,968	3,971
Percentage appealed	50%	49%	50%	48%
Percentage settled or returned to call	14%	16%	14%	13%
Percentage closing case	36%	35%	36%	39%

*Review.* In FY95, 20% of commissioners' decisions and appealable orders were appealed to the circuit courts.

## ATTORNEY INVOLVEMENT

Most employees and employers who have workers' compensation cases on file with the Industrial Commission retain legal counsel. In FY95, 86% of workers had attorneys when they filed their cases.

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 generally lag behind the statewide average weekly wage. On an annual basis, claimants' wages averaged \$25,864 per year, 10% lower than the statewide average of \$28,681 per year. Paid at 66 2/3% of wages, the average temporary total disability benefit would have been \$332 per week. <sup>11</sup>

### AVERAGE WEEKLY WAGE

<u>Year Claim Filed</u>	<u>Average Weekly Wage Of Claimants</u>	<u>Statewide Average Weekly Wage As of 6/30</u>
FY95	\$497.38	\$551.56
FY94	\$477.15	\$534.69
FY93	\$463.12	\$516.11
FY92	\$454.66	\$491.80
FY91	\$442.03	\$472.99
FY90	\$421.34	\$458.23

## BENEFIT RATES

Benefits are based on the injured worker's average weekly wage during the year preceding the accident or last exposure. The Illinois Department of Employment Security determines the statewide average weekly wage, which is used to set the minimum and maximum benefits for all injured workers.

### WEEKLY BENEFIT RATES AS OF JUNE 30, 1995

<u>Benefit</u>	<u>Minimum*</u>	<u>Maximum</u>
Temporary total disability		
Single	\$100.90	\$735.41
Married, no children	\$105.50	\$735.41
1 child under 18	\$108.30	\$735.41
2 children	\$113.40	\$735.41
3 children	\$117.40	\$735.41
4+ children	\$124.30	\$735.41
Permanent partial disability**		
Single	\$80.90	\$396.89
Married, no children	\$83.20	\$396.89
1 child under 18	\$86.10	\$396.89
2 children	\$88.90	\$396.89
3 children	\$91.80	\$396.89
4+ children	\$96.90	\$396.89
Permanent total disability	\$275.78	\$735.41
Fatality***	\$275.78	\$735.41

\* The minimum benefit is the worker's average weekly wage or the amounts listed above, whichever is lower.

\*\* In cases of amputation or enucleation of an eye, the maximum PPD rate is \$735.41.

\*\*\* Fatal benefits are paid for 20 years or \$250,000, whichever is greater.

## CASES CLOSED

Note: Because of rounding, percentages do not always add up to 100.

### TOTAL CASES CLOSED ARBITRATION AND REVIEW LEVELS

	<u>FY95</u>	<u>%</u>	<u>FY94</u>	<u>%</u>	<u>FY93</u>	<u>%</u>	<u>FY92</u>	<u>%</u>
Dismissals	8,192	12%	7,695	12%	5,725	9%	5,580	9%
Settlements	59,337	85%	55,625	85%	57,753	87%	55,409	87%
Decisions	<u>2,272</u>	<u>3%</u>	<u>2,422</u>	<u>4%</u>	<u>2,684</u>	<u>4%</u>	<u>3,028</u>	<u>5%</u>
Total	69,801	100%	65,742	101%	66,162	100%	64,017	101%
Percentage change	6%		(1%)		3%		6%	

*Arbitration.* In FY94, the Commission experienced an unusual number of illnesses and vacancies at arbitration. In FY95, with a full complement of arbitrators, the Commission closed more cases than ever before. As in most court systems, most disputes at the Commission are resolved through settlement. Arbitrators often hold pre-trials to help the parties narrow the issues in dispute, which helps the parties to reach agreement. Please note that, 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. <sup>12</sup>

### CASES CLOSED AT ARBITRATION

	<u>FY95</u>	<u>%</u>	<u>FY94</u>	<u>%</u>	<u>FY93</u>	<u>%</u>	<u>FY92</u>	<u>%</u>
Dismissals:								
Voluntary	918		883		969		1,008	
Want of prosecution	<u>7,072</u>		<u>6,509</u>		<u>4,544</u>		<u>4,486</u>	
Total dismissals	7,990	12%	7,392	12%	5,513	9%	5,494	9%
Settlements:								
Original	9,925		8,901		9,327		8,985	
Before arbitration	48,688		46,013		47,600		45,540	
After arbitration	<u>204</u>		<u>183</u>		<u>187</u>		<u>214</u>	
Total settlements	58,817	86%	55,097	86%	57,114	89%	54,739	89%
Decisions	1,297	<u>2%</u>	1,316	<u>2%</u>	1,429	<u>2%</u>	1,552	<u>3%</u>
Total closed	68,104	100%	63,805	100%	64,056	100%	61,785	101%
Percentage change	7%		(<1%)		4%		8%	

*Review.* In 1989, the Commission had a serious backlog of cases, and the legislature created an extra panel of commissioners during FY91-92 to resolve the old cases. Since then, fewer cases have been appealed, fewer cases are pending, and cases are progressing smoothly.

### CASES CLOSED AT REVIEW

	<u>FY95</u>	<u>%</u>	<u>FY94</u>	<u>%</u>	<u>FY93</u>	<u>%</u>	<u>FY92</u>	<u>%</u>
Dismissals at review	202	12%	303	16%	212	10%	86	4%
Settlements:								
After arbitration	326		350		407		423	
After review	<u>194</u>		<u>178</u>		<u>232</u>		<u>247</u>	
Total settlements	520	31%	528	27%	639	30%	670	30%
Review decisions	975	<u>57%</u>	1,106	<u>57%</u>	1,255	<u>60%</u>	1,476	<u>66%</u>
Total cases closed	1,697	100%	1,937	100%	2,106	100%	2,232	100%
Percentage change	(12%)		(8%)		(6%)		(31%)	

## CASES OPENED

After the workers' compensation program was expanded in 1975, the number of claims filed with the Commission increased rapidly. During the 1980s, there were several years of declining claims. The increases of the 1990s have been moderate, but generally they have exceeded the rate of employment growth. In FY95, 1.3% of Illinois workers filed a workers' compensation claim.

	CASES OPENED			
	<u>FY95</u>	<u>FY94</u>	<u>FY93</u>	<u>FY92</u>
New claims filed	61,812	59,756	58,430	57,957
Original settlements <sup>13</sup>	<u>9,925</u>	<u>9,095</u>	<u>9,786</u>	<u>9,096</u>
Total new cases filed	71,737	68,851	68,216	67,053
Percentage change	4%	1%	2%	1%
Reinstated	2,031	1,641	1,601	1,561
Remanded to arbitrator	51	66	70	92
Remanded to commissioner	<u>86</u>	<u>84</u>	<u>80</u>	<u>56</u>
Total cases returned to caseload	2,168	1,791	1,751	1,709
Total additions to the caseload	73,905	70,642	69,967	68,762
Illinois ave. civilian employment	5,710,000	5,621,000	5,536,000	5,461,000
Percentage change	2%	2%	1%	(1%)

## CASES PENDING

At the end of FY95, the caseload at the Commission stood at roughly 120,000 cases. Commission rules allow a case to be continued until it becomes three years old. The parties to a case may request a trial or offer a settlement at any time; if the parties do not act, the case is automatically continued for three years. They may have good reasons to defer resolution: they may need to wait until a worker has become medically stationary, or completed rehabilitation, or returned to work, for example. After three years, the case will be dismissed unless the parties show good cause to continue.

## COVERAGE OF EMPLOYEES

In most cases, an employee who is hired or injured in Illinois, or whose employment is localized in Illinois, is covered by the Illinois Workers' Compensation and Occupational Diseases Acts. The law does exempt certain farm workers, domestic workers, and commission-only sales representatives. The Social Security Administration has estimated that 86% of Illinois workers are covered by the act. See the chapter on interstate comparisons for more information.

## DURATION OF DISABILITY

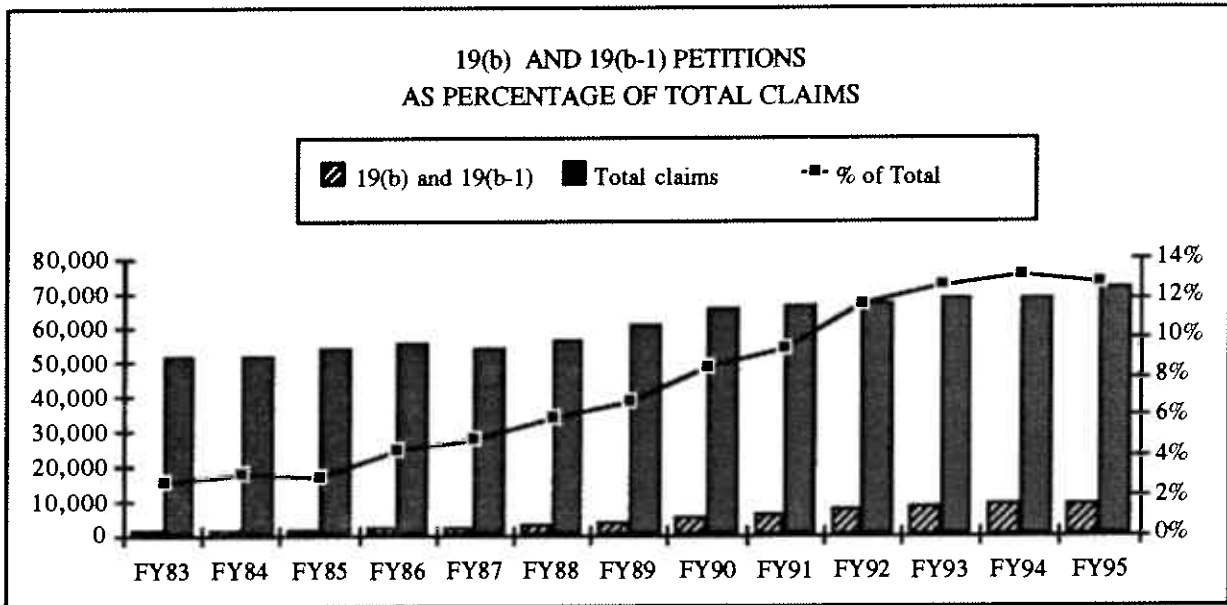
After years of steady increases in the average duration of temporary total disability, durations decreased in FY95.

### AVERAGE NUMBER OF WEEKS OF TTD IN CASES CLOSED BY THE COMMISSION

<u>Year</u> <u>Case Closed</u>	<u>Female</u>	<u>Male</u>	<u>Over 40</u>	<u>40 or</u> <u>Under</u>	<u>All</u>
FY85	18.9	17.8	21.2	16.5	18.0
FY90	21.1	21.6	25.6	19.3	21.5
FY94	22.9	25.2	27.8	22.5	24.5
FY95	22.7	24.7	27.7	21.9	24.1

## EXPEDITED CASES

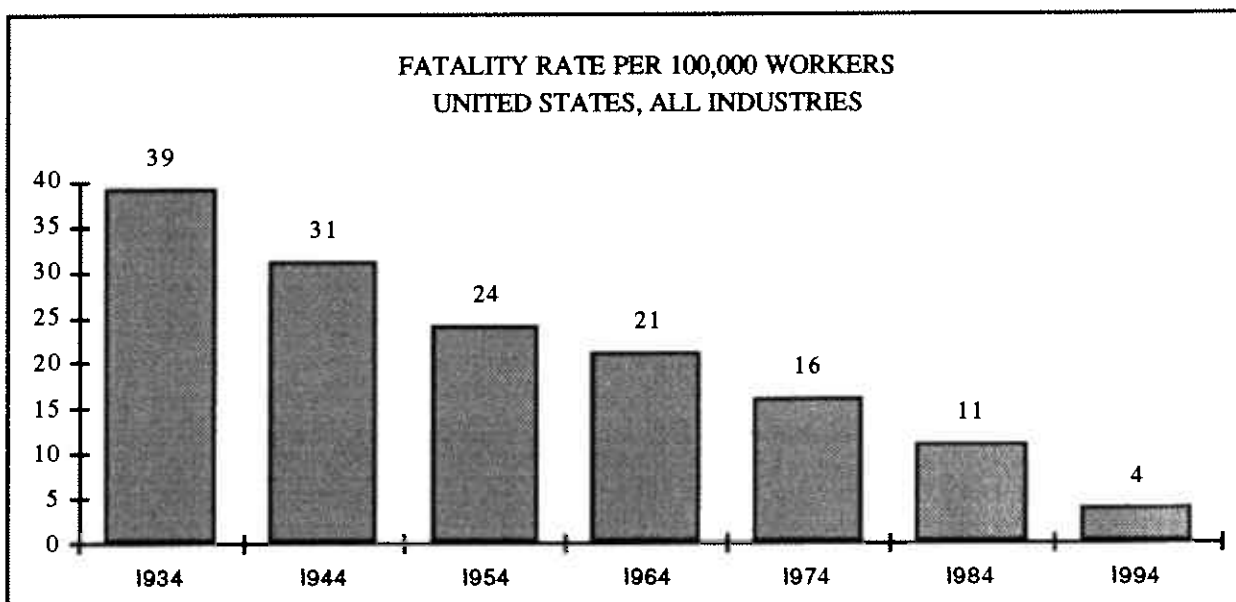
In 1984, the legislature created a special process under Section 19(b-1) of the act to expedite cases. In the last several years, there has been a clear movement away from 19(b-1) petitions, which involve statutorily set deadlines, to 19(b) petitions, where the times are not defined but expedited hearings are set. In FY95, 11.6% of all decisions were 19(b) decisions and 3.7% were 19(b-1) decisions. Overall, the proportion of the caseload filing these petitions has steadily increased.



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 FY95, on average, 19(b-1) cases were resolved in 3.4 months at the arbitration level and 3.3 months at the review level. Statistics on individual turnaround times have been provided to each arbitrator and commissioner to improve the timeliness of these decisions. We are also working to eliminate backlogs in the production of transcripts.

## FATALITIES

The rate of work-related deaths in the United States has dropped significantly.<sup>14</sup>



Fatalities in Illinois have shown a similar decline, although women's representation has grown.

FATAL CLAIMS FILED  
AT THE ILLINOIS INDUSTRIAL COMMISSION

<u>Year Filed</u>	<u>Fatal Claims Filed</u>	<u>% Female</u>	<u>% Male</u>	<u>Fatal Claims As Percentage of Total Claims Filed</u>
FY85	459	4%	96%	0.84%
FY90	424	7%	93%	0.65%
FY95	262	10%	90%	0.37%

*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. <sup>15</sup>

FATAL  
WORK-RELATED INJURIES  
REPORTED BY CFOI

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>% Male</u>	<u>% Due to Transportation</u>	<u>% Due to Violence</u>
U.S.	6,083	6,271	6,588	92%	42%	20%
Illinois	260	252	247	93%	32%	20%

LEADING CAUSES OF DEATHS  
IN ILLINOIS  
1994

Transportation accidents	32%
Assaults and violent acts	20%
Contact with objects & equipment	17%
Falls	16%
Exposure to harmful substances or environments	13%
Fires and explosions	2%

FATAL INJURIES  
BY INDUSTRY IN ILLINOIS  
1994

Construction	18%
Agriculture	17%
Transportation	16%
Wholesale and retail trade	15%
Services	11%
Manufacturing	10%
Government	8%
Other	5%



## GENDER

Women constitute approximately 45% 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. There has been a steady increase in the proportion of female claimants, however.

### CLAIMANTS BY GENDER

<u>Year Filed</u>	<u>Female</u>	<u>Male</u>
FY85	22%	78%
FY90	26%	74%
FY95	32%	68%

## 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 hounded by collection agencies and their credit records may be damaged for bills that were never their responsibility. Illinois is one of only six states in the country that does not prohibit this activity. The other states are Delaware, Idaho, North Carolina, Utah, and Vermont. Individuals who experience such problems may contact the Illinois Department of Insurance (217/785-1080) 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 19(k) of the Act, the Commission may award to the petitioner compensation equal to 50% of the amount payable at the time of the award if there was an unreasonable or vexatious delay of payment, or an intentional underpayment.

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

Over the years, there has been a small increase in penalties. In FY95, penalties were awarded in 1% of all arbitration decisions, 5% of review decisions and orders, and 7% of emergency (19(b) and 19(b-1)) decisions.

### PENALTIES AWARDED

<u>Year Awarded</u>	<u>19(k)</u>	<u>19(l)</u>	<u>19(k) &amp; 19(l)</u>	<u>Total Awards</u>	<u>% of All Decisions &amp; Orders</u>
FY85	20	54	26	100	1%
FY90	34	55	48	137	2%
FY95	41	72	59	172	3%

## 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 condition changes significantly within 30 months of an award or settlement. Over the years, there has been an increase in these petitions.

	POST-AWARD PETITIONS FILED			
	<u>19(h)</u>	<u>8(a)</u>	<u>19(h) &amp; 8(a)</u>	<u>Total</u>
FY85	46	43	57	146
FY90	31	57	87	175
FY95	19	87	88	194

## REHABILITATION

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 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.

## TURNAROUND TIME

In 1989, the legislature prohibited the introduction of new evidence at the review level. This seems to have affected the turnaround time of cases at both arbitration and review. Cases at arbitration have been extended and cases at review have moved more quickly. In FY95, arbitration decisions were issued, on average, 2.4 years from the date a claim was filed; review decisions were issued, on average, 1.3 years from the date the petition for review was filed.

In FY95, 85% 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 pre-arbitration cases is almost wholly dependent on the parties, because they decide when they are ready to settle. On average, these cases were settled 1.6 years after the claims were filed.

This time has held relatively steady for the last several years and 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 benefits cost more in Illinois than most neighboring states, but they are lower than the national average, and are growing at a slower rate. <sup>16</sup>

### AVERAGE BENEFITS PAID PER COVERED EMPLOYEE

National average		\$466	
Illinois		\$379	
Neighboring States		Large Industrial States	
Indiana	\$177	California	\$680
Iowa	\$212	Florida	\$391
Kentucky	\$385	New York	\$374
Michigan	\$418	Ohio	\$534
Missouri	\$332	Pennsylvania	\$569
Wisconsin	\$265	Texas	\$452
<i>Median</i>	<i>\$299</i>	<i>Median</i>	<i>\$493</i>

### BENEFITS AS PERCENTAGE OF WAGES

National average		1.80%	
Illinois		1.35%	
Neighboring States		Large Industrial States	
Indiana	0.74%	California	2.36%
Iowa	1.01%	Florida	1.71%
Kentucky	1.77%	New York	1.14%
Michigan	1.50%	Ohio	2.13%
Missouri	1.40%	Pennsylvania	2.22%
Wisconsin	1.15%	Texas	1.76%
<i>Median</i>	<i>1.28%</i>	<i>Median</i>	<i>1.95%</i>

### INCREASE IN TOTAL INDEMNITY AND MEDICAL BENEFITS, 1984-1993

National average		152%	
Illinois		102%	
Neighboring States		Large Industrial States	
Indiana	171%	California	187%
Iowa	101%	Florida	149%
Kentucky	136%	New York	176%
Michigan	96%	Ohio	87%
Missouri	236%	Pennsylvania	187%
Wisconsin	155%	Texas	64%
<i>Median</i>	<i>146%</i>	<i>Median</i>	<i>163%</i>

**WORKERS' COMPENSATION  
BENEFIT PAYMENTS**

(000s excluded)	<u>1993</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>	<u>1989</u>
Illinois	\$1,667,748	\$1,749,914	\$1,744,802	\$1,606,763	\$1,431,862
% Change	(5%)	0%	9%	12%	12%
U.S.	\$42,924,526	\$44,660,001	\$39,171,483	\$35,344,471	\$31,555,807
% Change	(4%)	14%	11%	12%	13%

**AVERAGE COST PER CASE  
BY INJURY TYPE <sup>17</sup>**

	<u>Fatal</u>	<u>Permanent Total</u>	<u>Permanent Partial</u>	<u>Temporary Total</u>	<u>Total Medical</u>
Illinois	\$152,587	\$264,725	\$19,980	\$3,037	\$2,181
Neighboring States					
Indiana	\$80,071	\$137,651	\$10,991	\$1,988	\$1,130
Iowa	\$175,753	\$207,319	\$15,391	\$1,633	\$1,635
Kentucky	\$190,695	\$92,490	\$24,868	\$2,033	\$3,038
Michigan	\$101,904	\$217,177	\$55,086	\$3,062	\$1,669
Missouri	\$117,338	\$182,032	\$11,602	\$2,025	\$1,637
Wisconsin	\$98,075	\$368,393	\$14,358	\$1,578	\$1,664
<i>Median</i>	\$109,621	\$194,676	\$14,875	\$2,007	\$1,651
Large Industrial States					
California	\$77,586	\$193,114	\$16,210	\$1,100	\$3,227
Florida	\$73,854	\$232,581	\$40,841	\$2,472	\$4,489
New York	\$251,497	\$276,768	\$26,953	\$4,016	\$2,380
Pennsylvania	\$261,792	\$360,109	\$64,934	\$3,842	\$2,618
Texas	\$151,174	\$93,366	\$15,375	\$6,415	\$3,515
<i>Median</i>	\$151,174	\$232,581	\$26,953	\$3,842	\$3,227

Actual benefits paid to Illinois workers are much less than the statutes would indicate. Illinois' statutory benefits are well above the national average, but the actual cost of benefits per 100,000 workers is below the national average. <sup>18</sup>

**BENEFITS PROVIDED BY STATUTE  
COMPARED TO ACTUAL BENEFITS PAID PER 100,000 WORKERS  
AS A PERCENTAGE OF THE U.S. AVERAGE**

	<u>Statute</u>	<u>Actual</u>		<u>Statute</u>	<u>Actual</u>
National average	100%	100%			
Illinois	157%	93%			
Neighboring States			Large Industrial States		
Indiana	64%	25%	California	44%	115%
Iowa	90%	53%	Florida	126%	169%
Kentucky	92%	86%	New York	100%	108%
Michigan	314%	112%	Ohio	93%	na
Missouri	na	na	Pennsylvania	98%	117%
Wisconsin	70%	45%	Texas	167%	114%
<i>Median</i>	90%	53%	<i>Median</i>	99%	115%

Generally, benefits are based on 66 2/3% of a worker's gross income. Because of changing tax brackets, limits on benefit amounts, 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. <sup>19</sup>

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%	5%
Large Industrial States			
California	19%	74%	7%
Florida	21%	78%	1%
New York	16%	78%	6%
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. <sup>20</sup>

MAXIMUM WEEKLY BENEFITS:  
WORKERS' COMPENSATION  
AND  
UNEMPLOYMENT INSURANCE

	<u>WC</u>	<u>UI</u>		<u>WC</u>	<u>UI</u>
Illinois	\$735	\$321	Large Industrial States		
Neighboring States					
Indiana	\$428	\$202	California	\$406	\$230
Iowa	\$817	\$265	Florida	\$444	\$250
Kentucky	\$416	\$232	New York	\$400	\$300
Michigan	\$499	\$293	Ohio	\$493	\$328
Missouri	\$476	\$175	Pennsylvania	\$509	\$348
Wisconsin	\$479	\$266	Texas	\$464	\$252
Median	\$478	\$249	Median	\$454	\$276

Nationwide, medical benefits account for 40% of total workers' compensation costs, and are growing at a faster rate than general medical services and workers' compensation cash benefits. In Illinois, however, medical costs represent 35% of total costs, and most of the cost growth is in indemnity benefits. <sup>21</sup>

## 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.<sup>22</sup>

### 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

## COVERAGE OF EMPLOYEES

In Illinois, fewer workers are covered by workers' compensation than in the nation as a whole, and its rate generally falls below that of most comparable states.<sup>23</sup>

### PERCENTAGE OF WORKERS COVERED BY WORKERS' COMPENSATION ACT

	National average	88%		
	Illinois	86%		
Neighboring States			Large Industrial States	
Indiana	81%		California	94%
Iowa	92%		Florida	81%
Kentucky	82%		New York	87%
Michigan	91%		Ohio	94%
Missouri	89%		Pennsylvania	94%
Wisconsin	99%		Texas	72%
<i>Median</i>	90%		<i>Median</i>	91%

## 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.<sup>24</sup>

Illinois has fewer total injuries per 100,000 workers than both neighbors and other large industrial states. Permanent partial disabilities are more frequent than in most other states, however. <sup>25</sup>

FREQUENCY OF INJURY BY TYPE  
PER 100,000 WORKERS

	<u>Fatal</u>	<u>Permanent Total</u>	<u>Permanent Partial</u>	<u>Temporary Total</u>	<u>Medical Only</u>	<u>Total Injuries</u>
Illinois	3	3	1,016	1,240	5,618	7,880
<b>Neighboring States</b>						
Indiana	3	1	387	1,427	9,283	11,101
Iowa	6	3	696	1,795	6,771	9,271
Kentucky	6	8	817	1,573	8,610	11,014
Michigan	5	3	438	1,730	8,470	10,646
Missouri	6	3	1,213	2,178	7,258	10,658
Wisconsin	3	3	731	2,688	8,744	12,169
<i>Median</i>	6	3	714	1,763	8,540	10,836
<b>Large Industrial States</b>						
California	7	4	2,089	2,118	7,207	11,426
Florida	3	22	511	1,052	5,923	7,511
New York	4	6	745	1,261	4,646	6,661
Pennsylvania	5	23	374	2,012	8,488	10,903
Texas	9	10	954	1,418	4,870	7,261
<i>Median</i>	5	10	754	1,418	5,923	7,511

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<sup>1</sup> U.S. Department of Labor, *State Workers' Compensation Profiles*, October 1994. The three highest and lowest states were charted, along with other states with which Illinois is often compared. The national average was calculated from the 37 states for which information was available.

<sup>2</sup> *Illinois State Budget: Fiscal Year 1995*.

<sup>3</sup> The chairman and commissioners are paid from a special account for state officials and are not included in the Commission's headcount.

<sup>4</sup> This unit is funded by self-insurers' assessments and is not included in the Commission's headcount.

<sup>5</sup> "1994 Market Share Report," Illinois Department of Insurance, February 13, 1995 report.

<sup>6</sup> Coalition for Consumer Rights, *The Declining Cost of Liability Insurance: Illinois and Other Industrial States, 1990-1993*, December 1, 1994, p. 3. National Association of Insurance Commissioners, *Report on Profitability, by Line, by State, 1992*.

<sup>7</sup> *Report on Profitability by Line by State*, National Association of Insurance Commissioners, as quoted in *Analysis of Workers' Compensation Experience in Tennessee, Other Jurisdictions and Countrywide*, AIS Risk Consultants, May 12, 1995, Schedule AIS-16, Sheet 2.

<sup>8</sup> NCCI filings with the Illinois Department of Insurance. Before 1991, the differential between the assigned risk plan and the voluntary market fluctuated. Rates were changed so that, 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 11% 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, 1995 edition*, Exhibit XIII.

<sup>9</sup> *John Burton's Workers' Compensation Monitor*, January/February 1992, page 5. (1989 data) Illinois ranks 22nd among the 47 states surveyed.

<sup>10</sup> *Research Bulletin: A Publication of the National Foundation for Unemployment Compensation and Workers' Compensation*, July 16, 1995, Table 5. (1993 data) Nationally, on average 51% of benefits are paid by private insurance, 23% by self-insurers, and 26% by state funds. Of Illinois' neighbors, only Michigan has a state fund from which 8% of benefits are paid. Illinois does not have a state fund.

<sup>11</sup> An error was discovered in the computer program that calculates claimants' average weekly wage. The figures for prior years have been changed from previous reports.

<sup>12</sup> 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).

<sup>13</sup> 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, and the cases are not set on the three-month cycle. If an IC5 is given a case number but is never approved, and never set on the three-month cycle, 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. Source of Illinois annual average civilian employment data: Illinois Dept. of Employment Security.

<sup>14</sup> National Safety Council, *Accident Facts: 1995 Edition*, page 49. The NSC changed its methods significantly in 1970 and again in 1992, making comparisons before and after those dates difficult. Beginning in 1992, the NSC starting using data from the U.S. Bureau of Labor Statistics Census of Fatal Occupational Injuries.

<sup>15</sup> *Census of Fatal Occupational Injuries: Illinois, 1994*, Illinois Department of Public Health; "National Census of Fatal Occupational Injuries, 1994," U.S. Department of Labor press release, August 3, 1995. Those interested in more details may contact the Division of Epidemiologic Studies at the Illinois Department of Public Health at 217/785-1873.



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<sup>16</sup> *Research Bulletin: A Publication of the National Foundation for Unemployment Compensation and Workers' Compensation*, July 16, 1995, Tables 1, 6, and 7. (1993 data)

<sup>17</sup> National Council on Compensation Insurance, *Annual Statistical Bulletin, 1995 edition*, Exhibit XI, pp 292-3. The time periods captured vary among the states, from 1990-92. 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.

<sup>18</sup> *John Burton's Workers' Compensation Monitor*, September/October 1993, Tables 3 and 4.

<sup>19</sup> Workers' Compensation Research Institute, "Income Replacement in Indiana," December 1995. The WCRI indicates that most of the replacements over 100% in Illinois were due to high maximum benefits. The National Commission recommended states replace 80% of net wages: *The Report of the National Commission on State Workmen's Compensation Laws*, July 1972, p. 18.

<sup>20</sup> U.S. Chamber of Commerce, 1995 Analysis of Workers' Compensation Laws, Chart VI, and National Foundation for Unemployment Compensation and Workers' Compensation, *Highlights of State Unemployment Compensation Laws*, Table 18. These figures reflect the maximum benefit levels as of January 1, 1995 and were rounded to the nearest dollar amount. To obtain the maximum benefit, a claimant must meet certain income and family requirements.

<sup>21</sup> Workers' Compensation Research Institute, *Review, Regulate, or Reform? What Works to Control Workers' Compensation Medical Costs*, September 1994, p. 26. *Illinois Closed Claim Study*, National Council on Compensation Insurance, September 1994, p. 33. Workers' Compensation Research Institute, *Cost Drivers in Six States, 1992*, pp. xx ff.

<sup>22</sup> *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).

<sup>23</sup> *John Burton's Workers' Compensation Monitor*, July/August 1992, Table 1.

<sup>24</sup> Edward M. Welch, *Why Some Employers Have a Better Workers' Compensation Experience Than Others*, 1991, pp. 3-7.

<sup>25</sup> National Council on Compensation Insurance, *Annual Statistical Bulletin, 1995 edition*, Exhibit XII, p. 296. The time periods captured vary among the states, from 1990-92. 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. Massachusetts was added in its place as another large industrial state.