

2012 Workers' Compensation Data Call Summary

Insurance Oversight Part A

INTRODUCTION:

Revisions to the Illinois Workers' Compensation Act (820 ILCS 305/29) in the fall of 2011 required the Department of Insurance (Department) to annually prepare and submit to the Governor, the Chairman of the Commission, the President of the Senate, the Speaker of the House of Representatives, the Minority Leader of the Senate, and the Minority Leader of the House of Representatives a written report detailing the state of the workers' compensation insurance market in Illinois.

Section 29.2 of the Workers Compensation Act, (Act) titled "Insurance Oversight" is organized into two distinct areas. Section 29.2(a) addresses issues and conditions primarily related to the overall market mechanisms. Section 29.2(b) of the Act addresses company specific details. In the interest of efficiency Section 29.2(a) and Section 29.2(b) were researched and reported on separately. A report summarizing the details of Section 29.2(b) was previously completed for the 2012 filing period. This report addresses Section 29.2(a). It is expected that future reports will address both sections in a single report.

As the initial report, it serves as a benchmark to begin analysis of the 2011 reform and its impact on the Illinois Workers' Compensation market. The survey period for the 2012 report is calendar year 2011. In order to address topics in Section 29.2(a) detailed information was requested and obtained from various regulatory bodies including the NAIC (National Association of Insurance Commissioners), NCCI (National Council on Compensation Insurance), and the Illinois Workers Compensation Commission. Sources for some information required by the Act are still being identified. A chart outlining the specific data to be requested, the source of the data and the findings is attached in Appendices A and B.

SUMMARY OF RESULTS:

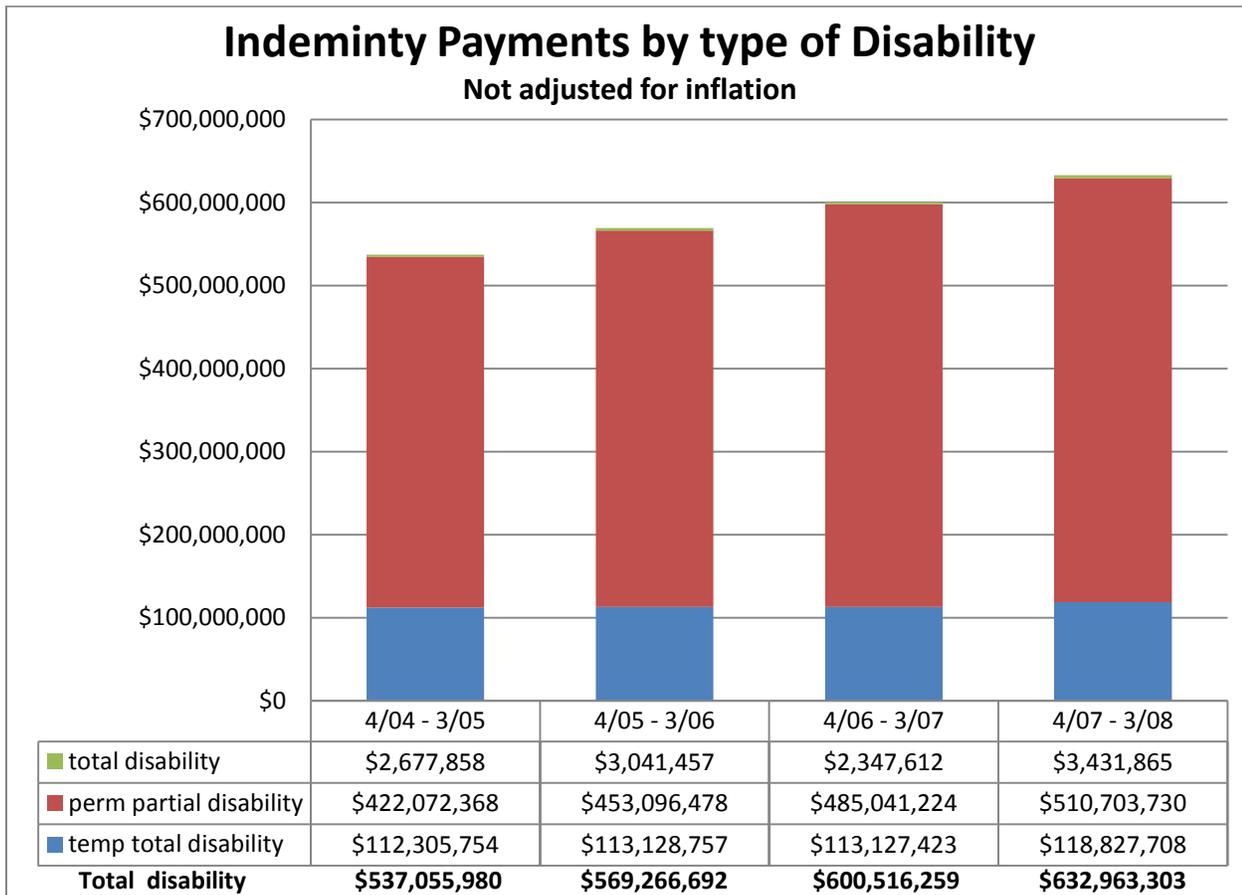
During 2011, 330 companies wrote workers' compensation insurance in Illinois. The combined written premium of these companies was \$2.4 billion. Nationally, Illinois ranks first in the number of insurance companies writing the workers' compensation line of business. Illinois is followed by Pennsylvania with 324 companies. Illinois ranks third in the amount of workers' compensation insurance written premium. Illinois' countrywide market share, defined by written premium, is 5.55%, behind California (17.96%) and New York (9.54%).

Companies that cannot obtain insurance through the voluntary insurance market can obtain coverage through the assigned risk market. There were a total of 21,428 assigned risk policies in force as of 12/31/2011. The assigned risk market share, defined as the percentage of assigned risk premium to voluntary market premium was 2.70%. The estimate of average voluntary manual rate for policies effective in 2011 is \$2.45. The estimated average assigned risk manual rate for policies effective in 2011 is \$4.72

NCCI reports indemnity payments paid in Illinois during 2010 were approximately \$868 million and medical payments were approximately \$786 million. Loss payment data for 2011 is not currently available.

NAIC indicates Illinois insurance companies experienced a loss (10.8%) in the Illinois Workers' Compensation line of business for 2010. This compares to a 1.2% profit experienced nationwide. Data for 2011 is not currently available. For 2011, NAIC indicates the loss ratio for workers' compensation insurers was 75.05% for Illinois business, compared to a loss ratio of 62.33% nationwide.

The following graph illustrates the amount of disability payments by type of disability. To compare year to year, payments are reported on a policy year basis as of a 30 month maturity. For example, a total of \$632,963,303 was paid in disability benefits for all policies issued between April 1, 2007 and March 31, 2008 as of September 30, 2010.



CONCLUSION:

This report is hereby submitted in response to Section 29.2(a) of the Workers Compensation Act for 2012. As indicated above, as the initial response to the requirements outlined in Section 29.2 the

Department was unable to prepare any historical trends or conclusions of the workers' compensation market. This data will be used in future reports for comparison purposes.

Please be assured that all possible efforts were taken to provide complete and meaningful results to the specific items outlined in the Act. As indicated above however, the Department was unable to identify any source or collection procedure that we felt would produce credible data for several of the topics within the Act. In response to these concerns, it is recommended that revisions to the Act be considered prior to future collection efforts.

Appendix A

Line #	2012: Data Definition	Data source:	Notes
1	Gross premiums collected by workers' compensation carriers in Illinois and the national rank of Illinois based on premium volume	NAIC:	2011: total written premium, line 16 – workers compensation in Illinois was \$2,418,364,537. Ranked 3rd (5.55% market share) behind CA (17.96%) and NY (9.54%).
2	The number of insurance companies actively engaged in Illinois in the workers' compensation insurance market, including both holding companies and subsidiaries or affiliates, and the national rank of Illinois based on number of competing insurers.	NAIC:	A total of 330 individual insurers had written premium in Illinois during 2011. At 330 companies, Illinois ranked first of all states. Pennsylvania ranked second with 324 different insurers with written premium in 2011.
3	The total number of insured participants in the Illinois workers' compensation assigned risk insurance pool, and the size of the assigned risk pool as a proportion of the total Illinois workers' compensation insurance market.	NCCI:	There were a total of 21,428 assigned risk policies effective as of 12/31/2011. The assigned risk market share; defined as the percentage of assigned risk premium to voluntary market premium was 2.70%.
4	The advisory organization premium rate for workers' compensation insurance in Illinois for the previous year.	NCCI	Estimated average voluntary manual rate for policies effective in 2011 was \$2.45.
5	The advisory organization prescribed assigned risk pool premium rate.	NCCI	The estimated average assigned risk manual rate for policies effective in 2011 is \$4.72
6	The total amount of indemnity payments made by workers' compensation insurers in Illinois.	NCCI	Indemnity payments paid in Illinois during 2010 were approximately \$868 million. Data for 2011 is not currently available.
7	The total amount of medical payments made by workers' compensation insurers in Illinois, and the national rank of Illinois based on average cost of medical claims per injured worker.	NCCI	Medical payments paid in Illinois during 2010 were approximately \$786 million. Data for 2011 is not currently available.
8	The gross profitability of workers compensation insurers in Illinois, and the national rank of Illinois based on profitability of workers' compensation insurers.	NAIC	NAIC indicates profit of (10.8%) in Illinois compared to a 1.2% profit margin country wide for 2010. Data for 2011 is not currently available.
9	The loss ratio of workers' compensation insurers in Illinois and the national rank of Illinois based on the loss ratio of workers' compensation insurers. For purposes of this loss ratio calculation, the denominator shall include all premiums and other fees collected by workers' compensation insurers and the numerator shall include the total amount paid by the insurer for care or compensation to injured workers.	NAIC	NAIC indicates a loss ratio of 75.05 for Illinois business compared to a loss ratio of 62.33% nationwide during 2011.

10a	The growth of total paid indemnity benefits by temporary total disability,	NCCI	See Appendix B
10b	The growth of total paid indemnity benefits by scheduled and non-scheduled permanent partial disability,	NCCI	See Appendix B
10c	The growth of total paid indemnity benefits by total disability.	NCCI	See Appendix B
11	The number of injured workers receiving wage loss differential awards and the average wage loss differential award payout.	Not available	At this time a credible source of or effective procedure to collect this data has not been identified by the Department.
12	Illinois rank, relative to other states, for: i) the maximum and minimum temporary total disability benefit level; ii) the maximum and minimum scheduled and non-scheduled permanent partial disability benefit level; iii) the maximum and minimum total disability benefit level; iv) the maximum and minimum death benefit level.	Not available	At this time a credible source of or effective procedure to collect this data has not been identified by the Department.
13	The aggregate growth of medical benefit payout by: a) non-hospital providers b) hospitals	Not available	At this time a credible source of or effective procedure to collect this data has not been identified by the Department.
14	The aggregate growth of medical utilization for the top 10 most common injuries to specific body parts by non-hospitals providers and hospitals.	Not available	NCCI has indicated that this data will be available for the 2013 collection period.
15	The percentage of insured workers filing claims at the Commission that are represented by an attorney	Not available	At this time a credible source of or effective procedure to collect this data has not been identified by the Department.
16	The total amount paid by injured workers for attorney representation.	Not available	At this time a credible source of or effective procedure to collect this data has not been identified by the Department.

Appendix B

Item 10a. Growth of total paid indemnity benefits by temporary total disability.

Policies Effective	Data Valued as of 18 months	Data Valued as of 30 months	Data Valued as of 42 months	Data Valued as of 54 months	Data Valued as of 66 months
4/1/08 - 3/31/09	80,349,807				
4/1/07 - 3/31/08	89,302,412	118,827,708			
4/1/06 - 3/31/07	86,831,397	113,127,423	125,747,688		
4/1/05 - 3/31/06	88,222,251	113,128,757	125,696,951	132,161,414	
4/1/04 - 3/31/05	87,079,200	112,305,754	123,755,369	129,157,354	132,301,589

Note: This is based on data for those carriers who submit NCCI **Unit Statistical Plan** data that has been deemed appropriate for ratemaking and excludes underground coal mine and federal classes. Information for individual policies is reported under NCCI's **Unit Statistical Plan** 6 months after the expiration date of each policy. This data is subsequently updated and reported at 12 month intervals for up to ten reports.

Item 10b. Growth of total paid indemnity benefits by scheduled and non-scheduled permanent partial disability.

Policies Effective	Data Valued as of 18 months	Data Valued as of 30 months	Data Valued as of 42 months	Data Valued as of 54 months	Data Valued as of 66 months
4/1/08 - 3/31/09	218,806,803				
4/1/07 - 3/31/08	231,905,244	510,903,730			
4/1/06 - 3/31/07	216,834,958	485,041,224	708,049,315		
4/1/05 - 3/31/06	202,796,141	453,096,478	657,795,538	797,717,122	
4/1/04 - 3/31/05	192,241,235	422,072,368	612,531,920	758,482,918	850,434,175

Note: This is based on data for those carriers who submit NCCI **Unit Statistical Plan** data that has been deemed appropriate for ratemaking and excludes underground coal mine and federal classes. Information for individual policies is reported under NCCI's **Unit Statistical Plan** 6 months after the expiration date of each policy. This data is subsequently updated and reported at 12 month intervals for up to ten reports.

As NCCI's **Unit Statistical Plan** data does not collect detail on whether a permanent partial claim is scheduled and non-scheduled, this summary accounts for all permanent partial disability claims, the combination of scheduled and non-scheduled.

Item 10c. Growth of total paid indemnity benefits by total disability.

Policies Effective	Data Valued as of 18 months	Data Valued as of 30 months	Data Valued as of 42 months	Data Valued as of 54 months	Data Valued as of 66 months
4/1/08 - 3/31/09	693,711				
4/1/07 - 3/31/08	840,805	3,431,865			
4/1/06 - 3/31/07	515,215	2,347,612	4,992,289		
4/1/05 - 3/31/06	1,326,222	3,041,457	5,497,239	9,727,922	
4/1/04 - 3/31/05	1,052,190	2,677,858	5,692,554	9,731,870	14,014,022

Note: This is based on data for those carriers who submit NCCI **Unit Statistical Plan** data that has been deemed appropriate for ratemaking and excludes underground coal mine and federal classes. Information for individual policies is reported under NCCI's **Unit Statistical Plan** 6 months after the expiration date of each policy. This data is subsequently updated and reported at 12 month intervals for up to ten reports.

This data reflects payments on permanent total disability claims only; payments for temporary total disability claims are displayed in item 10a.