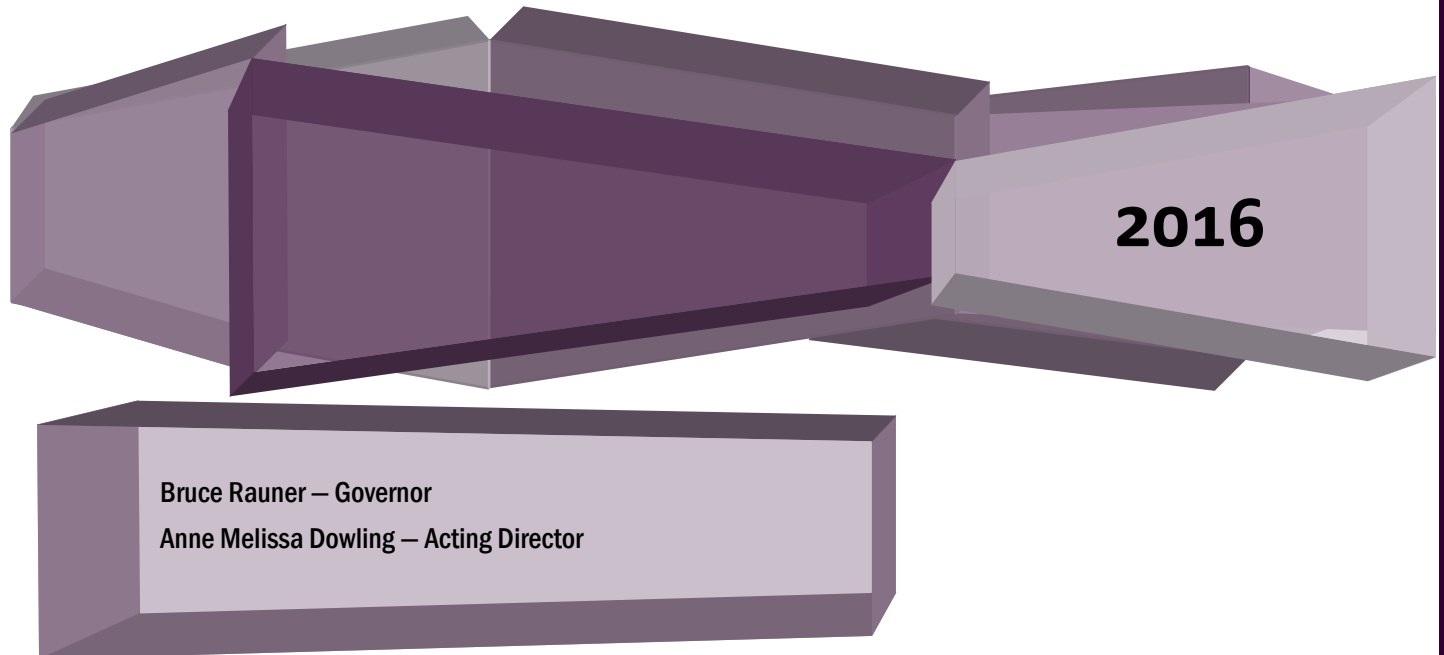




State of Illinois
Department of Insurance

Workers' Compensation Insurance Oversight Report



Introduction

The Illinois Workers' Compensation Act [820 ILCS 305/29] requires the Department of Insurance (the Department) to annually submit a written report detailing the state of the workers' compensation insurance market in Illinois 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.

Section 29.2 of the Workers' Compensation Act (the Act), titled "Insurance Oversight", is organized into two distinct areas. Section 29.2(a) addresses issues and conditions primarily related to the overall market, while Section 29.2(b) of the Act addresses claims specific information reported by individual companies to the Department. This report examines both aspects of the Illinois workers' compensation market.

Market Summary

A total of 332 insurance companies reported positive workers' compensation premium in Illinois during 2015. As in previous years, Illinois leads the nation in number of insurers writing workers' compensation in 2015. Pennsylvania ranked second with 328 companies, and Indiana and Tennessee ranked third and fourth with 322 and 321 companies, respectively.

Top 10 States by Company
(with Positive Direct Premium Written)

State	Number of Insurance Companies
Illinois	332
Pennsylvania	328
Indiana	322
Tennessee	321
Virginia	319
Georgia	313
North Carolina	310
Wisconsin	301
South Carolina	299
Michigan	294

Source: National Association of Insurance Commissioners (NAIC)

Top 10 States by Premium

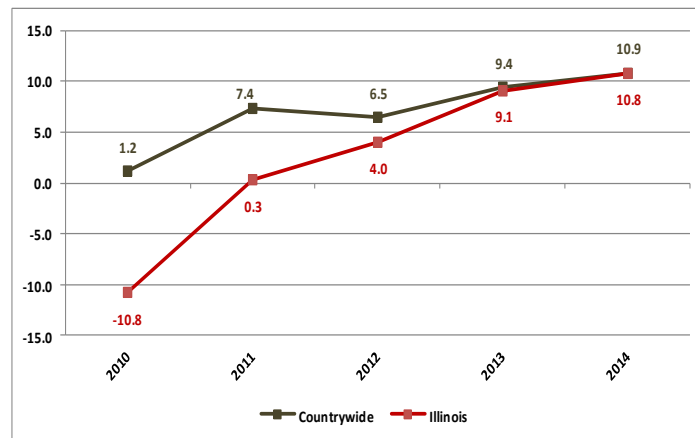
State	2015 Direct Written Premium	Market Share
California	\$12,334,022,301	21.5%
New York	\$5,523,560,392	9.6%
Illinois	\$2,826,687,406	4.9%
Texas	\$2,741,890,145	4.8%
Pennsylvania	\$2,724,969,623	4.7%
Florida	\$2,625,440,334	4.6%
New Jersey	\$2,434,551,512	4.2%
Wisconsin	\$1,941,026,816	3.4%
North Carolina	\$1,487,632,102	2.6%
Georgia	\$1,446,664,654	2.5%
Countrywide Total	\$57,440,645,742	

Source: National Association of Insurance Commissioners (NAIC)

Illinois insurance companies wrote a total of approximately \$2.83 billion in workers' compensation insurance premium during 2015. Illinois ranked third in premium at 4.9 percent of the countrywide market, behind California (21.5 percent) and New York (9.6 percent).

According to the National Association of Insurance Commissioners (NAIC), the workers' compensation market profits grew nationally during 2014. The profit within Illinois increased by 1.7 percent from 2013 to 2014 while the profit countrywide increased by 1.5 percent from 2013 to 2014. As the graph below indicates, the workers' compensation market profit within Illinois has demonstrated a significant increase since 2010, virtually matching the countrywide profit in 2013 and 2014.

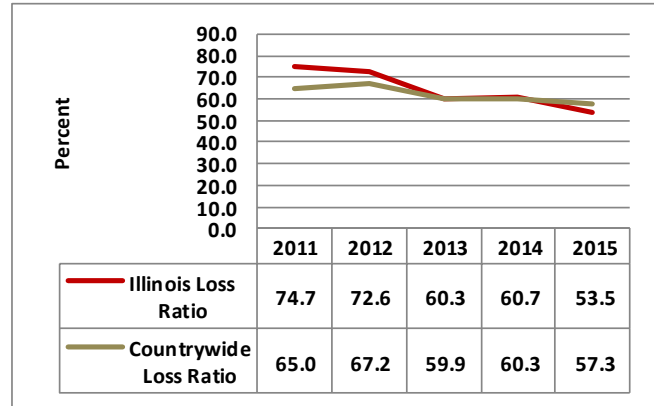
Workers' Compensation Profit by Year



Source: National Association of Insurance Commissioners (NAIC)

NAIC data reflected a favorable trend in the loss ratios for the workers' compensation market in Illinois. As shown in the graph, the loss ratio decreased by 7.2 percent during 2015 in Illinois. On a national basis, the loss ratio decreased by 3.0 percent during 2015.

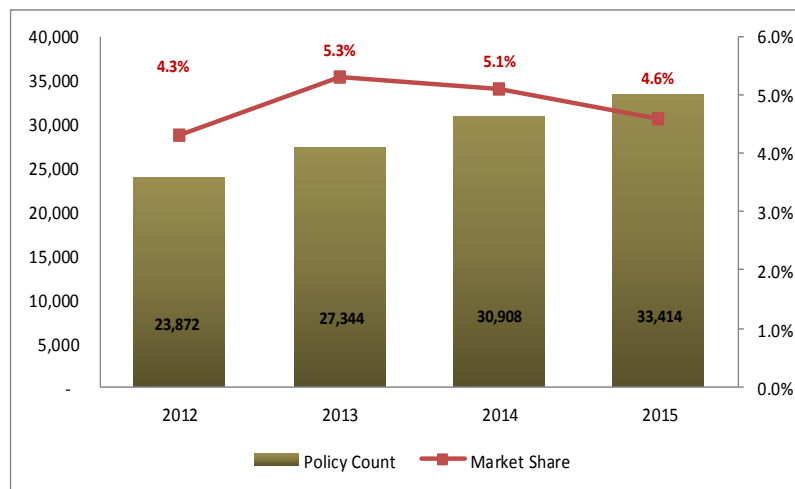
Workers' Compensation Loss Ratio in Illinois



Source: National Association of Insurance Commissioners (NAIC)

Employers that cannot obtain insurance through the voluntary insurance market may obtain coverage through the assigned risk market. According to the National Council on Compensation Insurance (NCCI), there were a total of 33,414 assigned risk policies in force as of December 31, 2015. The preliminary assigned risk market share, defined as the percentage of assigned risk premium to direct written premium, in calendar year 2015 was 4.6 percent. As seen below, the assigned risk market share has been decreasing since 2013 although the policy count continues to grow. This generally implicates an increase in lower premium policies in

Assigned Risk Market in Illinois

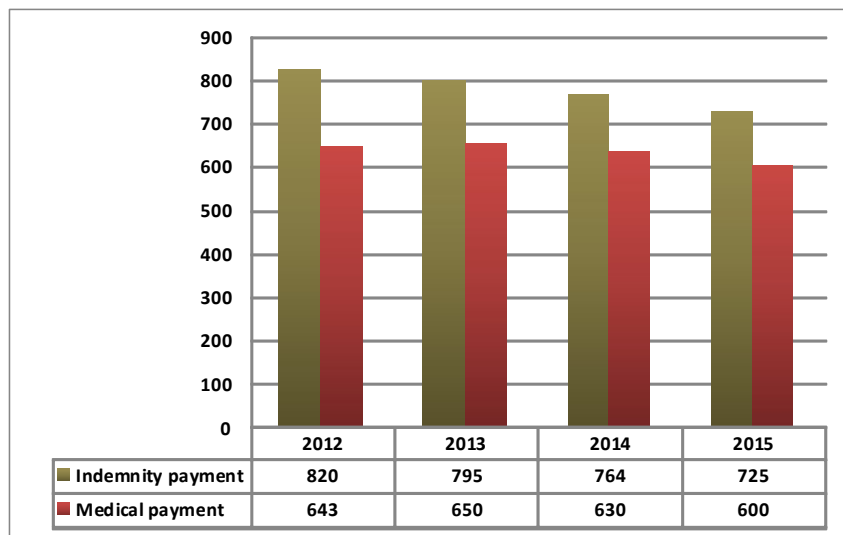


Source: National Council on Compensation Insurance (NCCI)

the assigned risk market. Larger policies are able to move from the assigned risk market to the volunteer market. The estimated average manual rate for policies effective in 2015 was \$2.02 for the voluntary market and \$4.39 for the assigned risk market. These estimates are calculated using a weighted average of the NCCI rates effective January 1, 2015, based on Illinois payroll. The latest available payroll weighting was based on policies effective between April 1, 2012, and March 31, 2013.

NCCI reports the total amount of indemnity payments made in Illinois during 2015 were approximately \$725 million, down nearly \$39 million from 2014. The amount of medical payments totaled approximately \$600 million during 2015, were down about \$30 million from 2014. This information is based on the NCCI Financial Call data from those carriers reporting to NCCI on policies effective in 2015 and prior, for transactions occurring through December 31, 2015. The information excludes data for large deductible policies; self-insured companies; underground coal mine and federal classes; excess policies; maritime and FELA classes for policies effective January 1, 2003, and subsequent; National Defense Projects Rating Plan; and Reinsurance assumed from another carrier.

Indemnity & Medical Payment Made in Illinois
(In Millions)



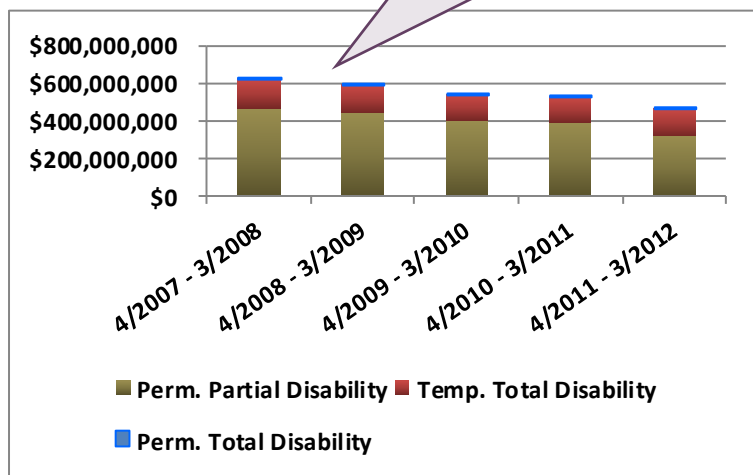
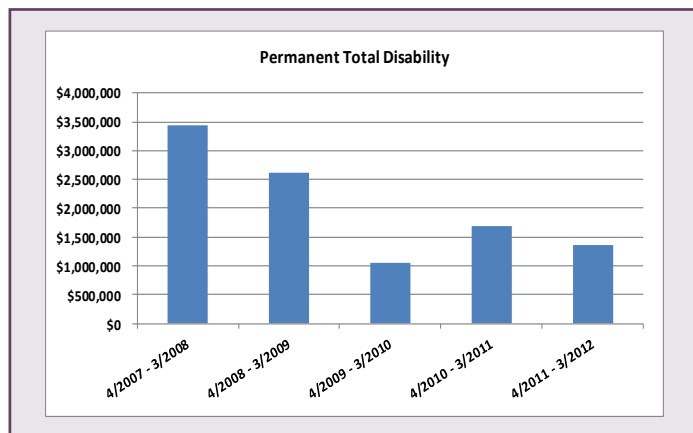
Source: National Council on Compensation Insurance (NCCI)

The following graph illustrates the amount of indemnity 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 \$469,416,910 was paid in indemnity benefits for all policies issued between April 1, 2011, and March 31, 2012, as of September 30, 2014.

Indemnity Payment at 30-Month Maturity

	4/2007 - 3/2008	4/2008 - 3/2009	4/2009 - 3/2010	4/2010 - 3/2011	4/2011 - 3/2012
Perm. Total Disability	3,431,865	2,622,053	1,043,335	1,685,189	1,360,858
Temp. Total Disability	161,304,785	147,028,783	132,754,480	138,021,121	150,381,153
Perm. Partial Disability	468,630,618	448,069,614	405,942,488	388,670,921	317,674,899
Totals:	633,367,268	597,720,450	539,740,303	528,377,231	469,416,910

Source: National Council on Compensation Insurance (NCCI)



Illinois Claims Summary

As mentioned previously, the Department collects claim specific data from workers' compensation insurers in Illinois. Of the 332 companies, six insurers with small premium volumes were granted an exemption from 2015 filing. The 2015 survey consisted of 25 different data elements as outlined in Section 29.2 of the Workers' Compensation Act. The experience period was January 1, 2015, through December 31, 2015. The following is a summary of this data.

- ◆ A total of 131,109 workers' compensation claims were opened during 2015 compared to 135,530 claims opened during 2014.
- ◆ Of the 131,109 total claims, companies indicated that 81,686 (62.3 percent) were medical-only claims.
- ◆ A comparison of 81,686 medical-only claims reported in 2015 to the 83,325 medical-only claims reported in 2014 indicates a decrease of 1.97 percent. Medical-only claims are defined as any request for recovery that was limited to medical expenses only.
- ◆ The companies reported a total of 12,122 contested claims during the survey period. The number exhibited an increase of 4.6 percent from 11,591 in 2014. Contested claims are defined as any claim in which resolution was delayed due to a dispute regarding policy language or in which litigation was involved.

Conclusion

The 2016 report is hereby submitted pursuant to Sections 29.2(a) and 29.2(b) of the Workers' Compensation Act. The Department notes that compared to results in 2014, the loss ratio in Illinois decreased by 7.2 percent, and profit within Illinois increased by 1.7 percent. The Illinois assigned risk market share continues to decrease since 2013. Both indemnity and medical payments in Illinois have been decreasing since 2012. The Department will continue to monitor the market for long-term trends of the overall workers' compensation market. It should be noted that both the Department and insurers continue to address issues

related to the collection of accurate information for several elements contained in this data call. All possible efforts have been taken to provide complete and meaningful results to the specific items outlined in the Act; however, the Department continues to have difficulties identifying any source or collection procedure capable of producing credible data for several of the topics within the Act.

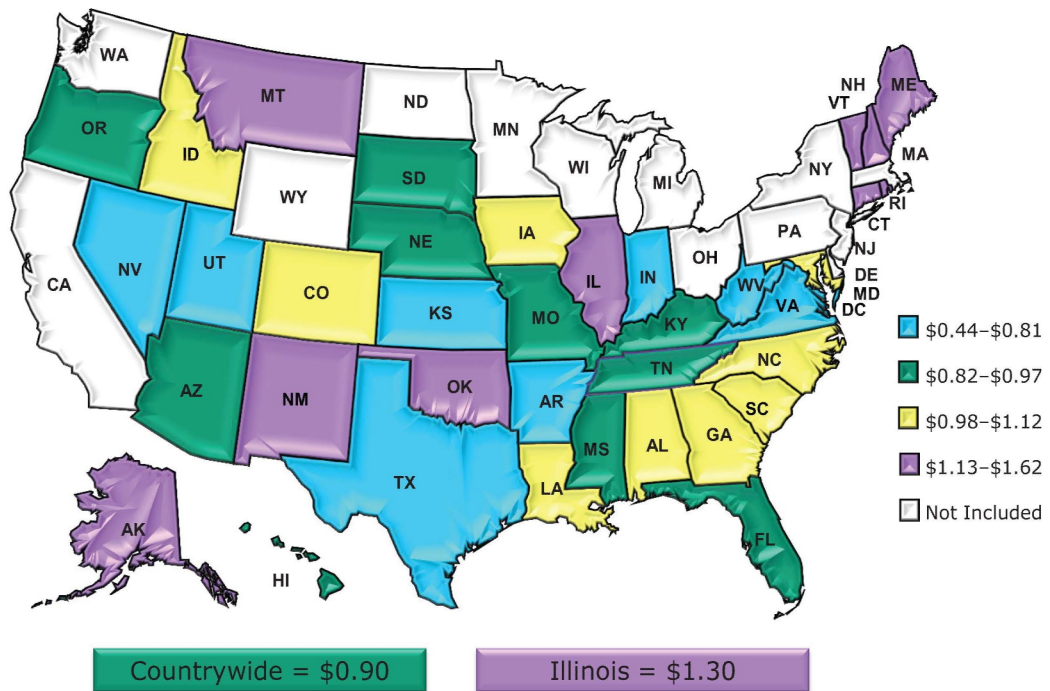
Appendix A The following table identifies and describes each data element included in the survey.

Data Field	Data Definition
Number of claims opened	A formal request for payment related to an event or situation that is covered under an in-force insurance policy received by the insurer during the survey period.
Number of reported medical only claims	The number of claims that are opened during the survey period in which recovery was limited to medical expenses only.
Number of contested claims	The number of claims that are opened during the survey period in which resolution was delayed due to a dispute regarding policy language or litigation was involved.
Number of claims for which the employee has attorney representation.	The number of claims that are opened during the survey period in which the insurer has received notice that the insured has retained legal counsel.
Number of claims with lost time and Number of claims for which temporary total disability was paid.	The number of claims that are opened during the survey period in which the insured incurred time off of less than 3 working days. The number of claims that are opened during the survey period in which the insured incurred time off of between 3 and 14 working days. The number of claims that are opened during the survey period in which the insured incurred time off of greater than 14 working days.
Number of claim adjusters employed to adjust workers' compensation claims.	The total number of man-hours allocated to adjust workers compensation claims received by the company during the survey period.
Number of claims for which temporary total disability was not paid within 14 days from the first full day off, regardless of reason.	The number of temporary total disability claims that are opened during the survey period in which temporary total disability benefits were not paid within 14 days from the first full day off, regardless of reason.
Number of medical bills paid 60 days or later from date of service and the average days paid on those paid after 60 days for the previous calendar year.	The total number of medical bills paid during the survey period where the time between the date of service and the date paid was greater than 60 days. and The average number of days for all claim payments identified above.
Number of claims in which in-house defense counsel participated, and total amount spent on in-house legal services.	The total number of claims in which internal defense counsel expenses were paid on, applied to, or associated with during the survey period. and The total amount of all internal defense costs associated with the above claims.

Number of claims in which outside defense counsel participated, and total amount paid to outside defense counsel.	The total number of claims in which external defense counsel expenses were paid on, applied to, or associated with during the survey period. and The total amount of all defense costs associated with the above claims.
Total amount billed to employers for bill review.	The total amount billed to employers for all medical bill review services provided by the insurer during the survey period. The total allocated expenses for bill review paid on behalf of employers for all medical bill review services during the survey period.
Total amount billed to employers for fee schedule savings.	The total amount of allocated expenses for all fee schedule review services provided by the insurer during the survey period.
Total amount charged to employers for any and all managed care fees.	The total amount of allocated expenses for all managed care fees provided by the insurer during the survey period.
Number of claims involving in-house medical nurse case management, and the total amount spent on in-house medical nurse case management.	The total number of claims in which internal medical nurse management expenses were applied to or associated with during the survey period, regardless of when the claim was opened. and The total amount of all internal nurse management expenses associated with the above claims.
Number of claims involving outside medical nurse case management, and the total amount paid for outside medical nurse case management.	The total number of claims in which external medical nurse management expenses were applied to or associated with during the survey period, regardless of when the claim was opened. and The total amount of all outside nurse management expenses associated with the above claims.
Total amount paid for Independent Medical exams.	The total amount paid for all independent medical exams by the insurer during the survey period.
Total amount spent on in-house Utilization Review for the previous calendar year.	The total amount of all internal Utilization Review expenses incurred by the insurer during the survey period.
Total amount paid for outside Utilization Review for the previous calendar year.	The total amount of all external Utilization Review expenses incurred by the insurer during the survey period.

Appendix B

Average Voluntary Pure Loss Cost Quartiles Using Illinois Payroll Distribution



Based on the latest NCCI approved rates and loss costs in the various states

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Appendix C

Illinois Request for Average Pure Loss Costs by Industry Group for all NCCI States

Based on Illinois Payroll Distribution

State	Eff Date	All Classes	Manufacturing	Contracting	Office & Clerical	Goods & Services	Miscellaneous
Alabama	3/1/2016	0.97	2.10	3.89	0.23	1.95	3.51
Alaska	1/1/2016	1.31	2.98	4.49	0.45	2.58	4.55
Arizona	1/1/2016	0.81	1.71	3.67	0.19	1.52	3.22
Arkansas	7/1/2016	0.49	1.06	2.17	0.11	0.85	2.08
Colorado	1/1/2016	0.96	2.13	3.76	0.20	1.92	3.73
Connecticut	1/1/2016	1.56	3.87	7.18	0.26	2.81	6.72
District of Columbia	11/1/2015	0.71	1.47	3.33	0.11	1.44	3.13
Florida	1/1/2016	0.87	2.17	4.12	0.19	1.70	2.94
Georgia	3/1/2016	1.07	2.30	5.54	0.18	2.07	3.96
Hawaii	1/1/2016	0.90	1.97	2.83	0.24	1.79	3.74
Idaho	1/1/2016	0.98	2.36	4.16	0.24	2.06	2.73
Illinois	1/1/2015	1.30	3.23	6.50	0.20	2.22	5.60
Indiana	1/1/2016	0.61	1.30	2.21	0.15	1.23	2.40
Iowa	1/1/2016	1.12	2.78	4.70	0.26	1.96	4.37
Kansas	1/1/2016	0.71	2.03	2.70	0.15	1.30	2.55
Kentucky	10/1/2015	0.79	1.67	3.58	0.18	1.47	3.11
Louisiana	5/1/2016	0.99	2.28	4.39	0.26	1.92	3.79
Maine	4/1/2016	1.15	2.51	4.79	0.29	2.04	4.57
Maryland	1/1/2016	1.01	2.37	4.59	0.16	1.81	4.74
Mississippi	3/1/2016	0.82	1.89	3.41	0.22	1.45	2.99
Missouri	1/1/2016	0.93	2.25	4.02	0.20	1.64	4.05
Montana	7/1/2016	1.29	3.01	5.61	0.39	2.39	4.18
Nebraska	2/1/2016	0.88	2.07	3.74	0.20	1.54	3.69
New Hampshire	1/1/2016	1.11	2.35	5.05	0.23	2.28	3.83
New Mexico	1/1/2016	1.06	2.28	3.77	0.32	1.86	4.19
Nevada	3/1/2016	0.73	1.59	2.71	0.23	1.19	3.22
North Carolina	4/1/2016	0.92	1.85	4.15	0.20	1.61	4.52
Oklahoma	1/1/2016	1.03	2.43	3.78	0.26	2.02	4.03
Oregon	1/1/2016	0.77	1.81	3.54	0.16	1.81	2.74
Rhode Island	8/1/2016	1.10	2.81	4.39	0.21	2.18	4.46
South Carolina	9/1/2016	1.04	2.30	4.64	0.23	1.85	4.21
South Dakota	7/1/2016	0.78	1.60	3.58	0.19	1.41	2.92
Tennessee	3/1/2016	0.81	1.90	3.66	0.17	1.43	3.36
Texas	7/1/2016	0.39	1.25	1.91	0.10	1.02	1.49
Utah	12/1/2015	0.63	1.28	2.85	0.13	1.16	2.83
Vermont	4/1/2016	1.32	3.08	5.09	0.29	2.46	5.65
Virginia	4/1/2016	0.74	1.55	3.27	0.13	1.44	3.47
West Virginia	11/1/2015	0.56	1.27	2.24	0.14	1.00	2.26

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