



State of Illinois  
Department of Insurance

# Workers' Compensation Insurance Oversight Report

**2017**

Bruce Rauner – Governor  
Jennifer Hammer – Director

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# Introduction

The Illinois Workers' Compensation Act [820 ILCS 305/29.2(a)] 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.

The data contained in this report from National Council on Compensation Insurance (NCCI) was provided to the Department as of September, 2017. The data contained in this report from the National Association of Insurance Commissioners (NAIC) was provided to the Department as of February, 2018. The 2016 data collected by the Department is based off of information submitted by the insurer in 2017.

## Market Summary

### Countrywide Market Overview

Illinois insurance companies wrote approximately \$2.73 billion in workers' compensation insurance premium during 2016. Illinois ranked second in number of insurance companies with 328 and ranked fourth in premium at 4.7 percent of the countrywide market.

#### Top 10 States by Company

(with Positive Direct Premium Written)

State	Number of Insurance Companies
Pennsylvania	332
Illinois	328
Tennessee	325
Virginia	323
Indiana	320
Georgia	314
North Carolina	307
Wisconsin	299
South Carolina	298
Iowa	297

Source: Data provided by NAIC

#### Top 10 States by Premium

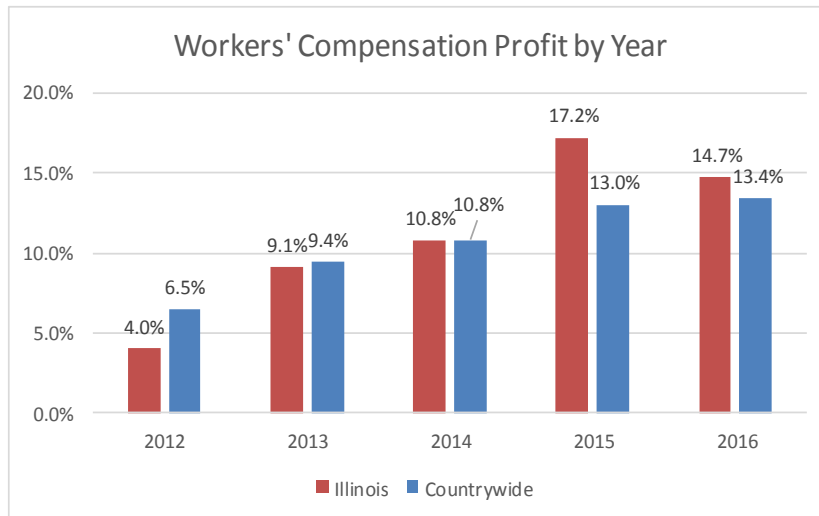
(with Positive Direct Premium Written)

State	2016 Direct Written Premium	Market Share
California	12,962,546,420	22.1%
New York	5,894,728,840	10.1%
Florida	2,771,463,093	4.7%
Illinois	2,731,888,818	4.7%
Pennsylvania	2,669,441,462	4.6%
New Jersey	2,495,397,621	4.3%
Texas	2,378,079,083	4.1%
Wisconsin	2,010,574,767	3.4%
Georgia	1,525,762,474	2.6%
North Carolina	1,493,972,737	2.5%
<b>Countrywide Total</b>	<b>58,626,659,792</b>	

Source: Data provided by NAIC

## Profitability

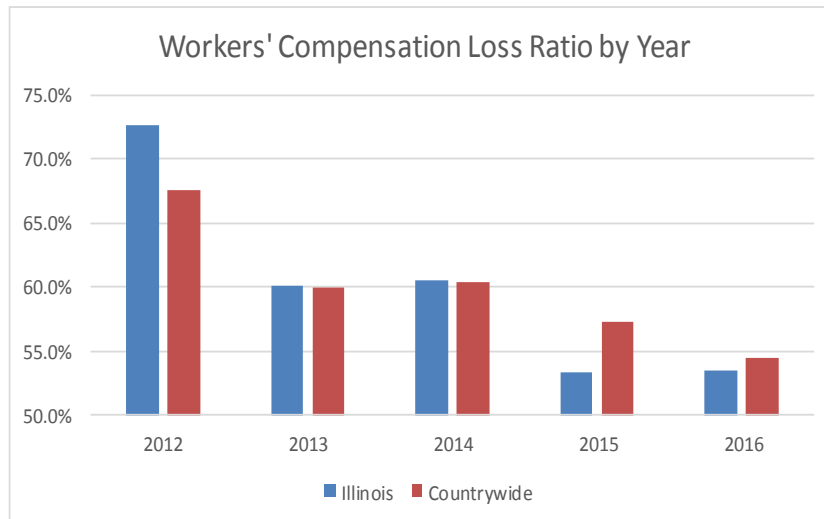
According to the NAIC, the workers' compensation market profits increased nationally by only 0.4 percent and profits within Illinois decreased by 2.5 percent from 2015 to 2016. Illinois ranked 26th countrywide based on profitability of workers' compensation insurers.



Source: Data provided by NAIC

## Loss Ratio

Generally, NAIC data indicates a favorable trend in the loss ratio for the workers' compensation market in Illinois since 2012, and the ratio remains below the national loss ratio for the last two years. Illinois ranked 29th countrywide based on loss ratio of workers' compensation insurers.

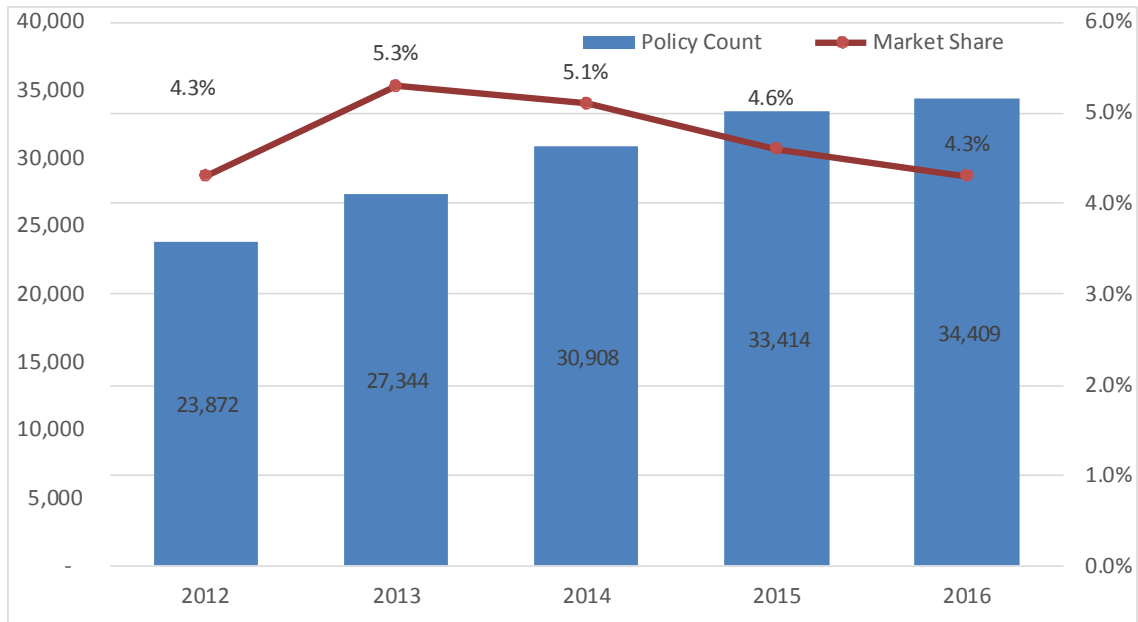


Source: Data provided by NAIC

### Assigned Risk Market in Illinois

Employers that cannot obtain insurance through the voluntary insurance market may obtain coverage through the assigned risk market. According to NCCI, the total number of assigned risk plan policies effective in 2016 was 34,409. The preliminary assigned risk market share, defined as the percentage of assigned risk premium to total direct written premium, was 4.3 percent in calendar year 2016.

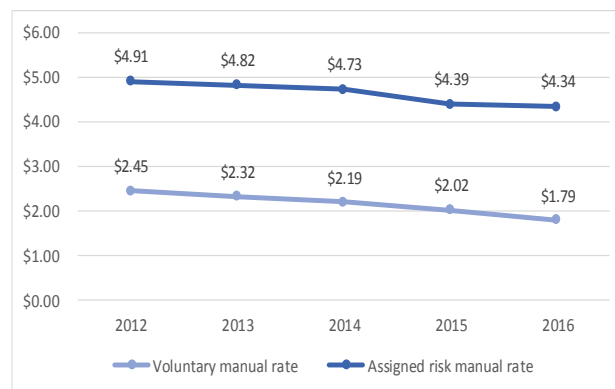
As seen below, the assigned risk market share has been decreasing since 2013, although the policy count continues to grow.



Source: Data provided by NCCI

### Premium Rate for Workers' Compensation

The estimated average manual rate for policies effective in 2016 was \$1.79 for the voluntary market and \$4.34 for the assigned risk market. These estimates are calculated using a weighted average of NCCI advisory rates effective January 1, 2017, based on Illinois payroll. The latest available payroll weighting was based on policies effective between April 1, 2013 and March 31, 2014.



Source: Data provided by NCCI

## Attorney Representation

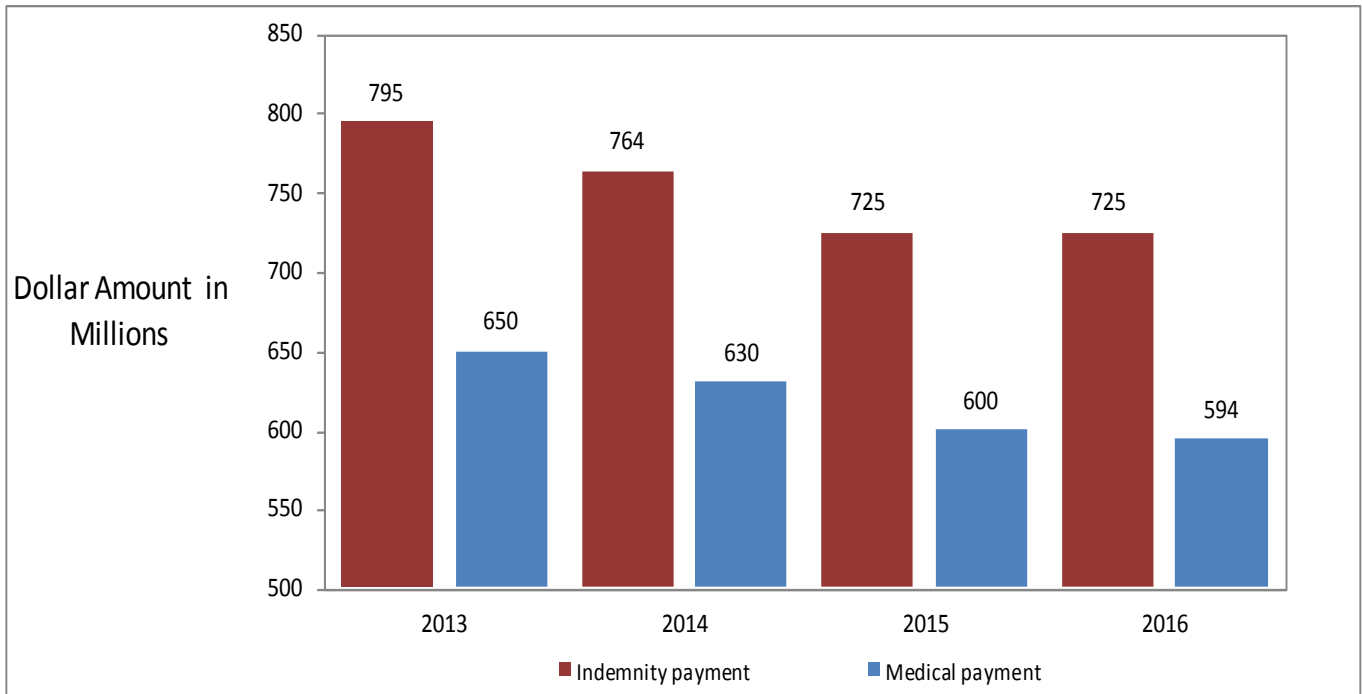
The percentage of injured workers filing claims at the Workers' Compensation Commission that are represented by an attorney and the total amount paid by injured workers for attorney representation is unavailable. This data cannot be collected, accurately calculated and analyzed for the overall market for the 2016 calendar year.

## Indemnity & Medical Payments

The total amount of indemnity payments made by workers' compensation insurers affiliated with NCCI was approximately \$725 million and the amount of medical payments made was approximately \$594 million. The Illinois national rank based on average cost of medical claims per injured worker is unavailable.

The following graph is based on the NCCI Financial Call data as reported by carriers reporting to NCCI on policies effective in 2016 and prior, for transactions occurring through December 31, 2016.

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.



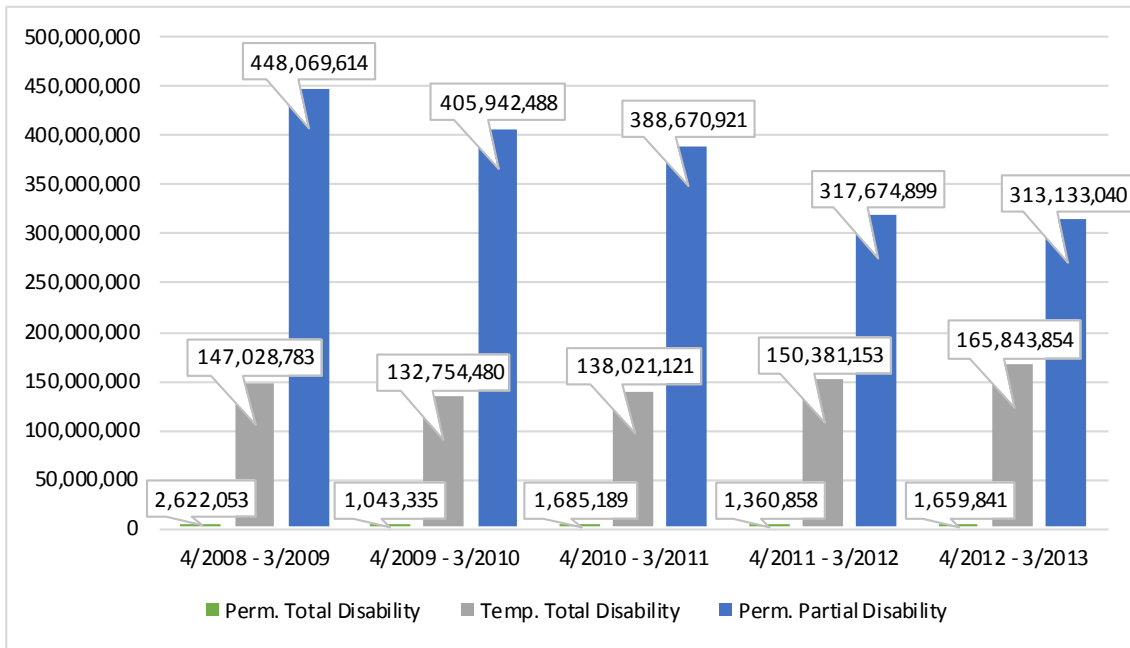
Source: Data provided by NCCI

## Indemnity Payments by Type of Disability

The chart and graph below illustrate the amount of indemnity payments by type of disability. Payments are reported on a policy-year basis as of a 30-month maturity. For example, a total of \$480,636,735 was paid in indemnity benefits for all policies issued between April 1, 2012, and March 31, 2013, as of September 30, 2015.

	4/2008 - 3/2009	4/2009 - 3/2010	4/2010 - 3/2011	4/2011 - 3/2012	4/2012-3/2013
Perm. Total Disability	2,622,053	1,043,335	1,685,189	1,360,858	1,659,841
Temp. Total Disability	147,028,783	132,754,480	138,021,121	150,381,153	165,843,854
Perm. Partial Disability	448,069,614	405,942,488	388,670,921	317,674,899	313,133,040
<b>Totals:</b>	<b>597,720,450</b>	<b>539,740,303</b>	<b>528,377,231</b>	<b>469,416,910</b>	<b>480,636,735</b>

Source: Data provided by NCCI



Source: Data provided by NCCI

## Wage Loss Differential

The number of injured workers receiving wage loss differential awards and the average wage loss differential award payout are unavailable. Additionally, Illinois' rank nationally for maximum and minimum temporary total disability benefit level, maximum and minimum scheduled and non-scheduled permanent partial disability benefit level, maximum and minimum total disability benefit level, and the maximum and minimum death benefit level are unavailable.

## Medical Benefit Payout by Hospital and Non-Hospital Providers

The following distribution is based on Service Year (SY) 2011 to 2015 data from the NCCI Medical Data Call.

Distribution of Medical Payments in Illinois					
Type of Service	SY 2011	SY 2012	SY 2013	SY 2014	SY 2015
Physician	50%	46%	46%	47%	46%
Hospital	28%	31%	30%	29%	29%
DME, Supplies, and Implants	8%	7%	7%	7%	7%
Ambulatory Surgical Centers	6%	7%	8%	7%	8%
Drugs	6%	7%	7%	8%	8%
Other	2%	2%	2%	2%	2%

Source: Chart provided by NCCI

## Aggregate Growth of Medical Utilization — Hospital and Non-Hospital

Hospital payments are those resulting from Hospital Outpatient, Hospital Inpatient, or Ambulatory Surgical Center Procedures. Non-Hospital payments are those resulting from procedures that are performed by a medical provider other than a hospital.

The charts on the following page are based on an analysis performed by NCCI on data received from the NCCI Medical Data Call for Illinois using claims with accident dates from January 1, 2015 through December 31, 2015, with the same service dates. NCCI aggregates the payments associated with each International Classification of Diseases (ICD) diagnosis codes for each claim. Any individual claim may contain multiple bills from various medical providers. Each of the medical providers may report up to two ICD diagnosis codes for each bill. The ICD code with the highest payments is then selected as the primary diagnosis code.



### Top Diagnosis Codes By Amount Paid - Illinois Hospital Accident Year 2015

Rank	Primary Diagnosis Code	Share of Hospital Payments	Average Paid Per Claim	Diagnosis Code Description
1	S43.429A	2.9%	\$12,482	Sprain of unspecified rotator cuff capsule, initial encounter
2	S62	2.4%	\$5,080	Fracture at wrist and hand level
3	M54.5	2.0%	\$2,084	Low back pain
4	Z51.89	1.7%	\$4,700	Encounter for other specified aftercare
5	S83.2	1.5%	\$7,187	Tear of meniscus, current injury
6	K40.90	1.5%	\$7,212	Unilateral inguinal hernia, without obstruction or gangrene, not specified as recurrent
7	S61.209A	1.5%	\$826	Unspecified open wound of unspecified finger without damage to nail, initial encounter
8	M51.2	1.3%	\$10,242	Other thoracic, thoracolumbar and lumbosacral intervertebral disc displacement
9	S68	1.2%	\$7,874	Traumatic amputation of wrist, hand and fingers
10	S52.509A	1.1%	\$8,473	Unspecified fracture of the lower end of unspecified radius, initial encounter for closed fracture

Source: Chart provided by NCCI

### Top Diagnosis Codes By Amount Paid - Illinois Non-Hospital Accident Year 2015

Rank	Primary Diagnosis Code	Share of Hospital Payments	Average Paid Per Claim	Diagnosis Code Description
1	M54.5	4.6%	\$2,697	Lower back pain
2	S43.429A	3.9%	\$13,693	Sprain of unspecified rotator cuff capsule, initial encounter
3	S62	2.1%	\$3,592	Fracture at wrist and hand level
4	S33.5XXA	2.1%	\$1,347	Sprain of ligaments of lumbar spine, initial encounter
5	M25.519	1.9%	\$2,635	Pain in unspecified shoulder
6	S83.2	1.8%	\$9,833	Tear of meniscus, current injury
7	M75	1.7%	\$8,893	Shoulder lesions
8	M51.2	1.3%	\$10,242	Other thoracic, thoracolumbar and lumbosacral intervertebral disc displacement
9	M25.569	1.5%	\$2,141	Pain in unspecified knee
10	M54.2	1.4%	\$2,908	Cervicalgia

Source: Chart provided by NCCI



<http://insurance.illinois.gov/>

**Springfield Office**

Illinois Department of Insurance  
320 W Washington Street  
Springfield, IL 62767

866-445-5364 Toll Free Consumer Line  
217-782-4515 Phone  
217-782-5020 Fax  
866-323-5321 TDD

**Chicago Office**

Illinois Department of Insurance  
122 S. Michigan Ave., 19th Floor  
Chicago, IL 60603

312-814-2420 Phone  
312-814-5416 Fax