



State of Illinois
Department of Insurance

Workers' Compensation Insurance Oversight Report

2018

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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 the National Council on Compensation Insurance (NCCI) was provided to the Department in June, 2018.

Market Summary

Countrywide Market Overview

Illinois insurance companies wrote over \$2.57 billion in workers' compensation insurance premium during 2017. Illinois and Pennsylvania ranked highest with 339 insurance companies actively engaged in the market. Illinois ranked fifth in premium with 4.4 percent of the countrywide market.

Top 10 States by Company

(with Positive Direct Premium Written)

State	Number of Insurance Companies
Pennsylvania	339
Illinois	339
Georgia	325
Virginia	324
Indiana	322
Tennessee	321
North Carolina	312
South Carolina	303
Texas	296
Iowa	296

Source: NAIC

Top 10 States by Premium

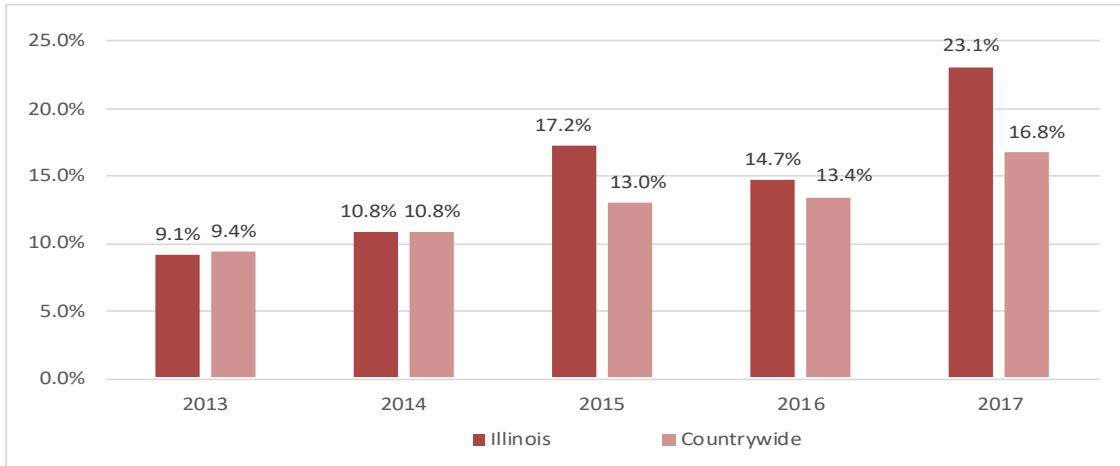
(with Positive Direct Premium Written)

State	Direct Written Premium	Market Share
California	12,770,456,379	21.9%
New York	5,948,934,295	10.2%
Florida	3,187,123,284	5.5%
Pennsylvania	2,616,075,950	4.5%
Illinois	2,570,754,191	4.4%
New Jersey	2,446,334,688	4.2%
Texas	2,345,047,632	4.0%
Wisconsin	1,967,550,602	3.4%
Georgia	1,604,189,255	2.8%
North Carolina	1,448,633,899	2.5%
Countrywide Total	58,246,653,153	

Source: NAIC

Profitability

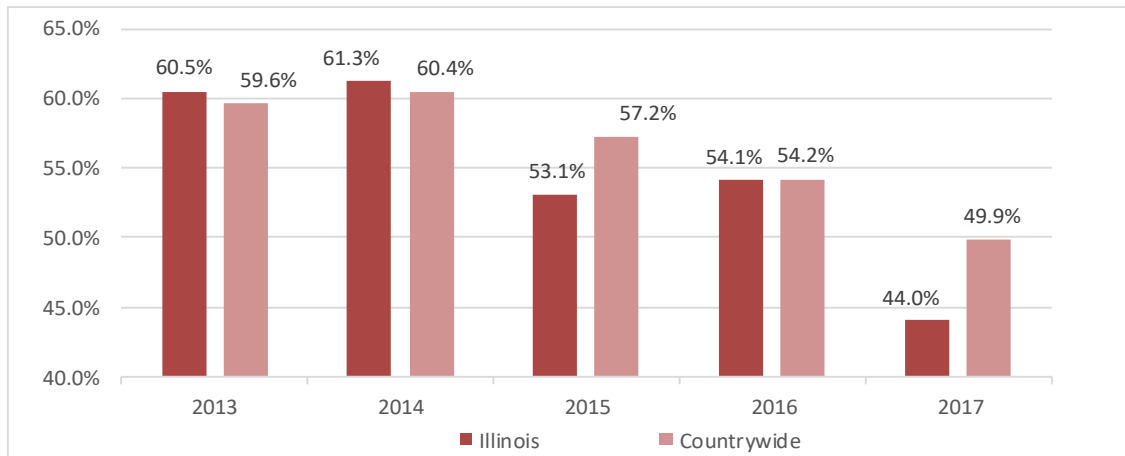
According to the NAIC, the workers' compensation market profits increased nationally by 3.4 percentage points and profits within Illinois increased by 8.4 percentage points from 2016 to 2017. Illinois ranked 17th countrywide based on profitability of workers' compensation insurers.



Source: NAIC Report on Profitability by Line by State in 2017

Loss Ratio

Generally, NAIC data indicates the loss ratio for the workers' compensation market in Illinois and countrywide is trending downward. The loss ratio in Illinois has been below the national loss ratio for the past three years. Illinois ranked 38th countrywide based on loss ratio of workers' compensation insurers. The loss ratios in the below chart reflect incurred losses divided by direct earned premiums, consistent with the loss ratios published in the NAIC Report on Profitability by Line by State. These values cannot be compared with values published in prior years' Oversight Reports, as prior reports excluded those companies without positive direct written premium from this calculation.

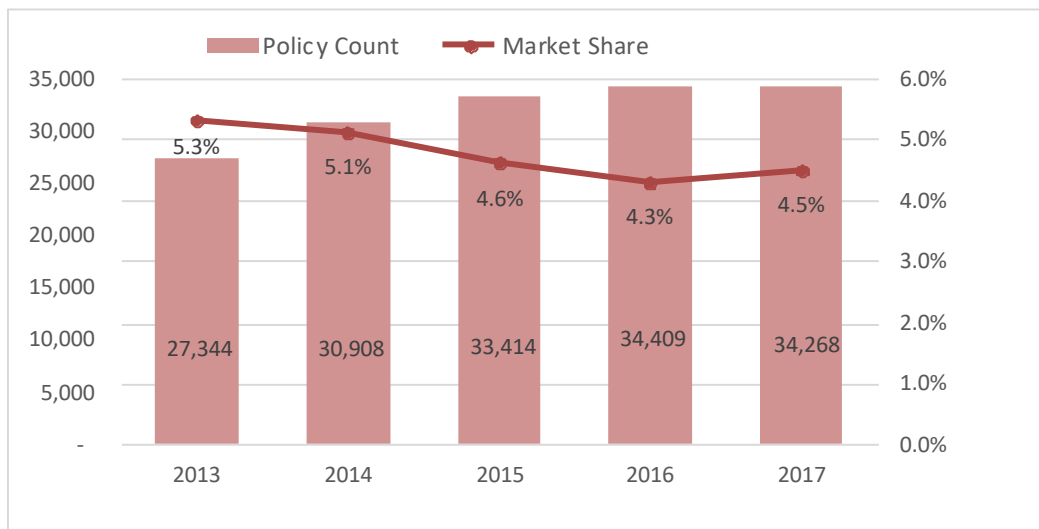


Source: NAIC Report on Profitability by Line by State in 2017

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 2017 was 34,268. The preliminary assigned risk market share, defined as the percentage of assigned risk premium to total direct written premium, was 4.5 percent in calendar year 2017.

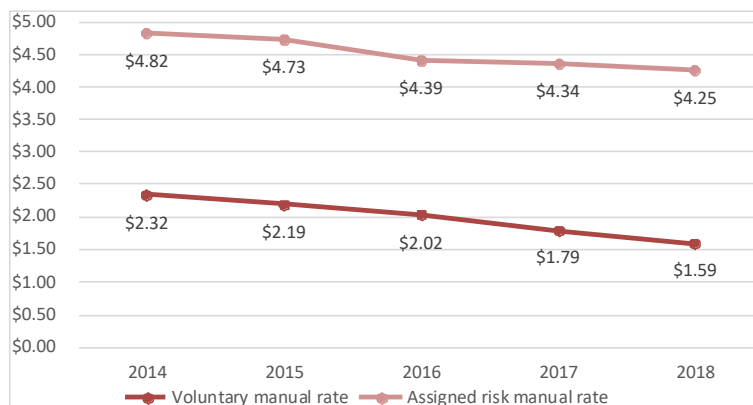
The assigned risk policy count decreased slightly in 2017 while the market share increased for the first time since 2013.



Source: Data provided by NCCI

Premium Rate for Workers' Compensation

The estimated average manual rate for policies effective in 2018 was \$1.59 for the voluntary market and \$4.25 for the assigned risk market. Both have been decreasing since 2013. These estimates are calculated using a weighted average of NCCI advisory rates effective January 1, 2018, based on Illinois payroll. The latest available payroll weighting was based on policies effective between April 1, 2014 and March 31, 2015.



Source: Data provided by NCCI

Attorney Representation

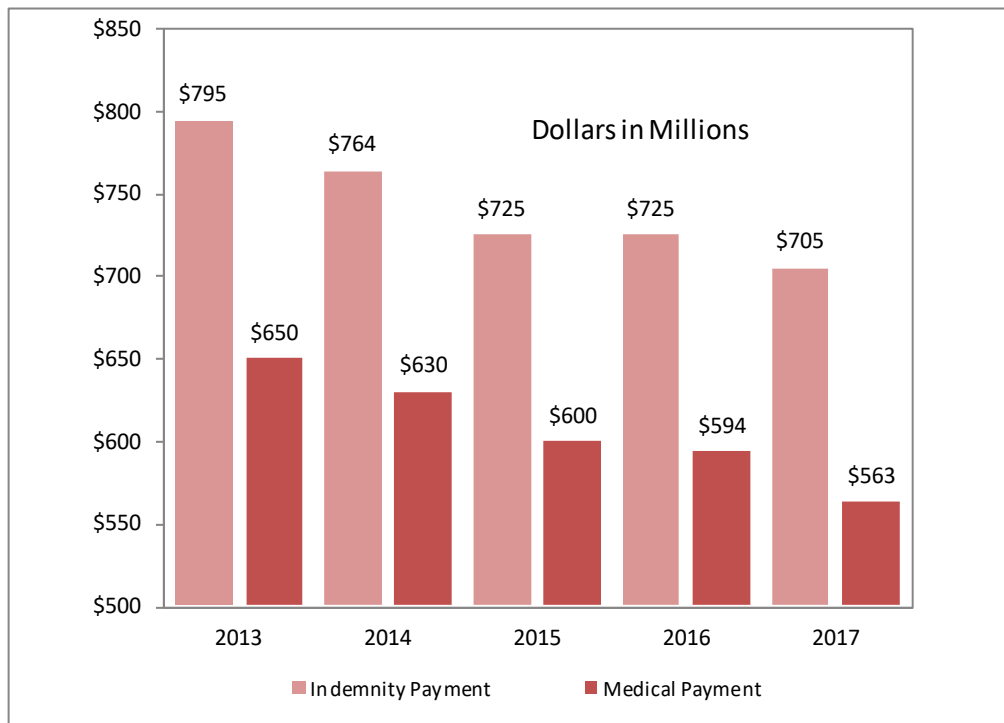
The percentage of injured workers filing claims at the Workers' Compensation Commission that are represented by an attorney and the total amount paid by injured workers for attorney representation is unavailable. This data cannot be collected, accurately calculated and analyzed for the overall market for the 2017 calendar year.

Indemnity & Medical Payments

The total amount of indemnity payments made by workers' compensation insurers affiliated with NCCI was approximately \$705 million and the amount of medical payments made was approximately \$563 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 2017 and prior, for transactions occurring through December 31, 2017.

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.



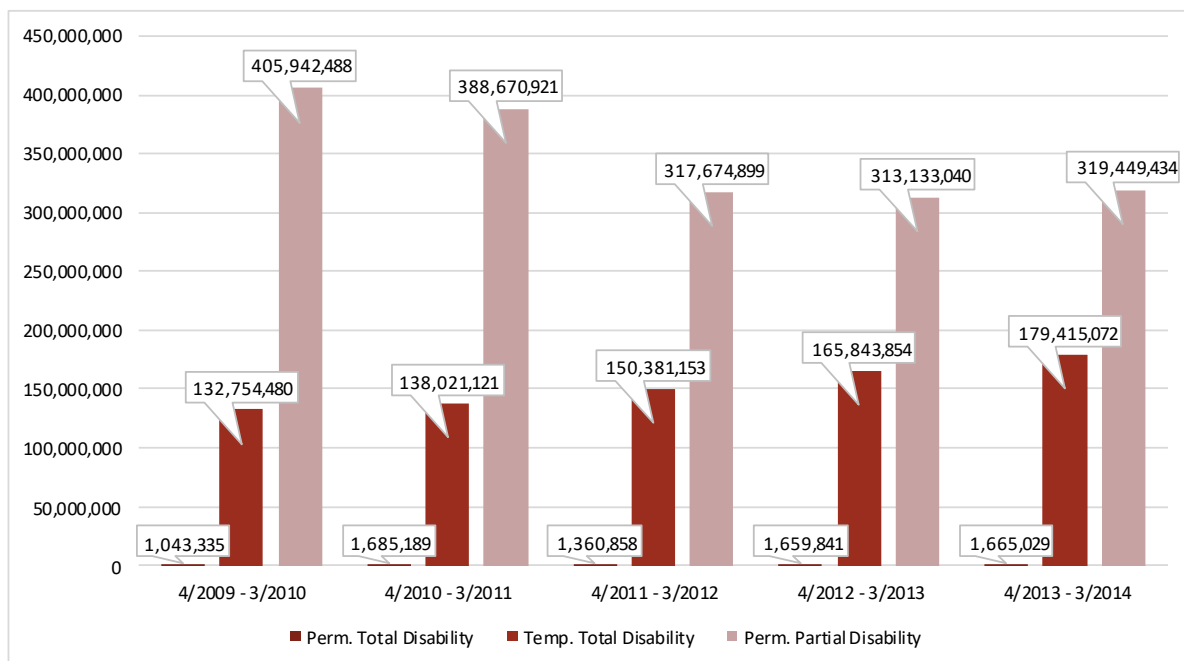
Source: Data provided by NCCI

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 \$500,529,535 was paid in indemnity benefits for all policies issued between April 1, 2013 and March 31, 2014, as of September 30, 2016.

	4/2009—3/2010	4/2010 - 3/2011	4/2011 - 3/2012	4/2012-3/2013	4/2013-3/2014
Perm. Total Disability	1,043,335	1,685,189	1,360,858	1,659,841	1,665,029
Temp. Total Disability	132,754,480	138,021,121	150,381,153	165,843,854	179,415,072
Perm. Partial Disability	405,942,488	388,670,921	317,674,899	313,133,040	319,449,434
Totals:	539,740,303	528,377,231	469,416,910	480,636,735	500,529,535

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) 2012 to 2016 data from the NCCI Medical Data Call:

Distribution of Medical Payments in Illinois					
Type of Service	SY 2012	SY 2013	SY 2014	SY 2015	SY 2016
Physician	46%	46%	47%	45%	47%
Hospital	31%	30%	29%	29%	28%
DME, Supplies, and Implants	7%	7%	7%	8%	7%
Ambulatory Surgical Centers	7%	8%	7%	8%	8%
Drugs	7%	7%	8%	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, 2016 through December 31, 2016, 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 2016

Rank	Primary Diagnosis Code	Share of Hospital Payments	Average Paid Per Claim	Diagnosis Code Description
1	M54.5	1.9%	\$2,035	Low back pain
2	K40.90	1.7%	\$7,802	Unilateral inguinal hernia, without obstruction or gangrene, not specified as recurrent
3	I10	1.3%	\$4,840	Essential (primary) hypertension
4	M25.511	1.2%	\$3,104	Pain in right shoulder
5	S27.1XXA	1.0%	\$710,221	Traumatic hemothorax, initial encounter
6	M25.512	0.9%	\$2,774	Pain in left shoulder
7	M75.121	0.9%	\$11,429	Complete rotator cuff tear or rupture of right shoulder, not specified as traumatic
8	M54.2	0.8%	\$2,503	Cervicalgia
9	S09.90XA	0.8%	\$2,032	Unspecified injury of head, initial encounter
10	T14.90	0.8%	\$3,285	Injury, unspecified

Source: Chart provided by NCCI

Top Diagnosis Codes By Amount Paid - Illinois Non-Hospital Accident Year 2016

Rank	Primary Diagnosis Code	Share of Hospital Payments	Average Paid Per Claim	Diagnosis Code Description
1	M54.5	4.2%	\$2,445	Lower back pain
2	S25.511	2.7%	\$4,407	Pain in right shoulder
3	S25.512	1.9%	\$3,674	Pain in left shoulder
4	S25.561	1.7%	\$3,340	Pain in right knee
5	M25.562	1.5%	\$3,408	Pain in left knee
6	M54.2	1.5%	\$2,888	Cervicalgia
7	T14.90	1.2%	\$2,111	Injury, unspecified
8	M75.121	1.2%	\$15,848	Complete rotator cuff tear or rupture of right shoulder, not specified as traumatic
9	M54.16	1.1%	\$5,220	Radiculopathy, lumbar region
10	M75.41	10.0%	\$10,737	Impingement syndrome of right shoulder

Source: Chart provided by NCCI



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

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