



State of Illinois
Department of Insurance

Workers' Compensation Insurance Oversight Report



JB PRITZKER
Governor

ROBERT H. MURIEL
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.

This report is based on calendar year 2018 data from the National Council on Compensation Insurance (NCCI) and the National Association of Insurance Commissioners (NAIC).

Market Summary

Countrywide Market Overview

Illinois insurance companies wrote over \$2.46 billion in workers' compensation insurance premium during 2018. Illinois ranked second with 345 insurance companies actively engaged in the market. Illinois ranked sixth in direct premium written with 4.3 percent of the countrywide market.

Top 10 States by Company

(with Positive Direct Premium Written)

State	Number of Insurance Companies
Pennsylvania	352
Illinois	345
Tennessee	340
Georgia	335
Indiana	334
Virginia	319
North Carolina	318
Michigan	311
Wisconsin	308
South Carolina	308

Source: NAIC

Top 10 States by Premium

(with Positive Direct Premium Written)

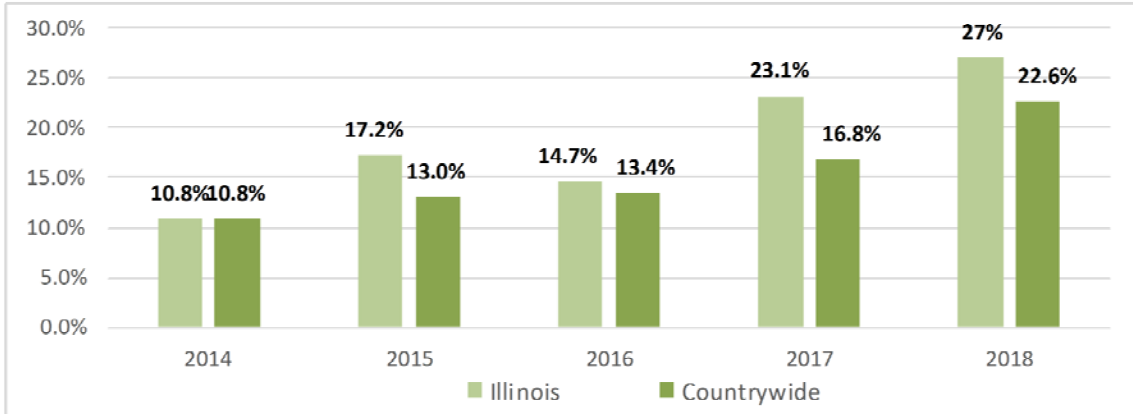
State	Direct Written Premium	Market Share
California	\$12,324,691,166	21.2%
New York	\$5,921,687,056	10.2%
Florida	\$3,142,977,833	5.4%
Pennsylvania	\$2,784,395,575	4.8%
Texas	\$2,521,054,013	4.3%
Illinois	\$2,468,755,511	4.3%
New Jersey	\$2,459,468,431	4.2%
Wisconsin	\$1,960,283,061	3.4%
Georgia	\$1,654,936,481	2.9%
North Carolina	\$1,430,565,579	2.5%
Countrywide Total*	\$58,020,910,035	

* Includes Canada and US Territories

Source: NAIC

Profitability

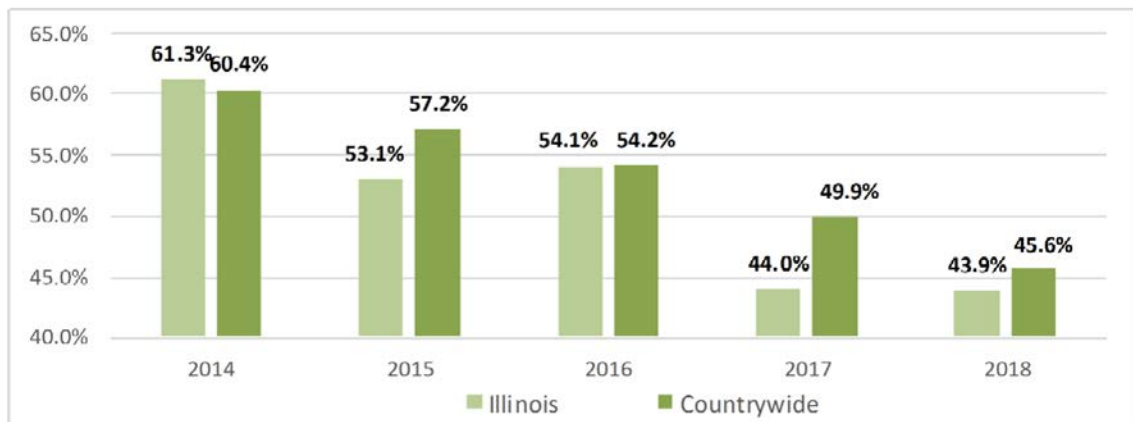
According to the NAIC, the workers' compensation market profits increased nationally by 5.8 percentage points and profits within Illinois increased by 3.9 percentage points from 2017 to 2018. Illinois ranked 18th countrywide based on profitability of workers' compensation insurers.



Source: NAIC Report on Profitability by Line by State in 2018

Loss Ratio

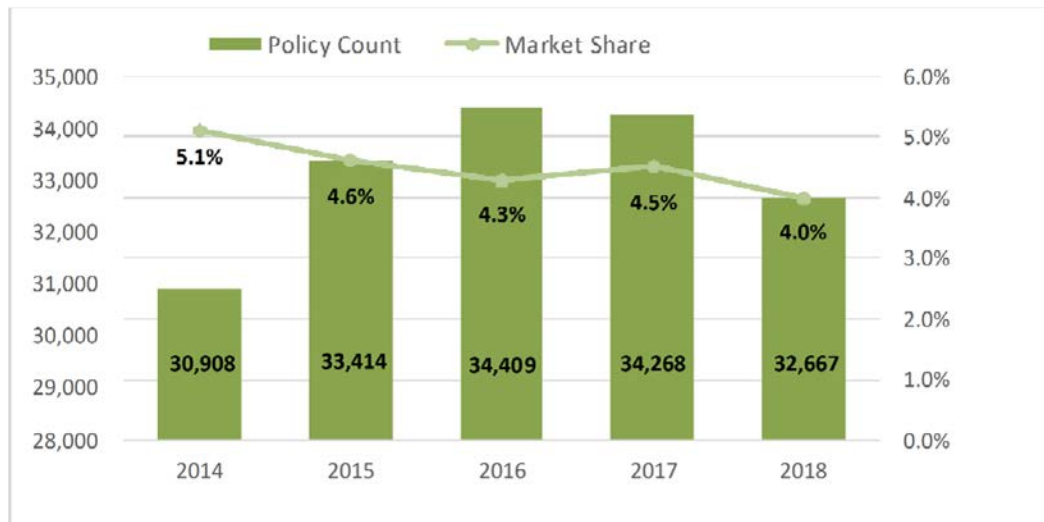
Generally, NAIC data indicates the loss ratio for the workers' compensation market in Illinois and countrywide is trending downward. The loss ratio in Illinois has been below the national loss ratio for the past four years. Illinois ranked 33rd countrywide based on loss ratio of workers' compensation insurers. The loss ratios reflect incurred losses divided by direct earned premiums.



Source: NAIC Report on Profitability by Line by State in 2018

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 2018 was 32,667. The preliminary assigned risk market share, defined as the percentage of assigned risk premium to total direct written premium, was 4.0 percent in calendar year 2018. Both the assigned risk policy count and market share decreased in 2018.



Source: NCCI

Premium Rate for Workers' Compensation

The estimated average manual rate for policies effective in 2019 is \$1.37 for the voluntary market and \$3.65 for the assigned risk market. Both rates have decreased over the past 5 years. These estimates are calculated using a weighted average of NCCI rates effective in 2019, based on Illinois payroll. The latest available payroll weighting was based on policies effective between April 1, 2015 and March 31, 2016.



Source: NCCI

Attorney Representation

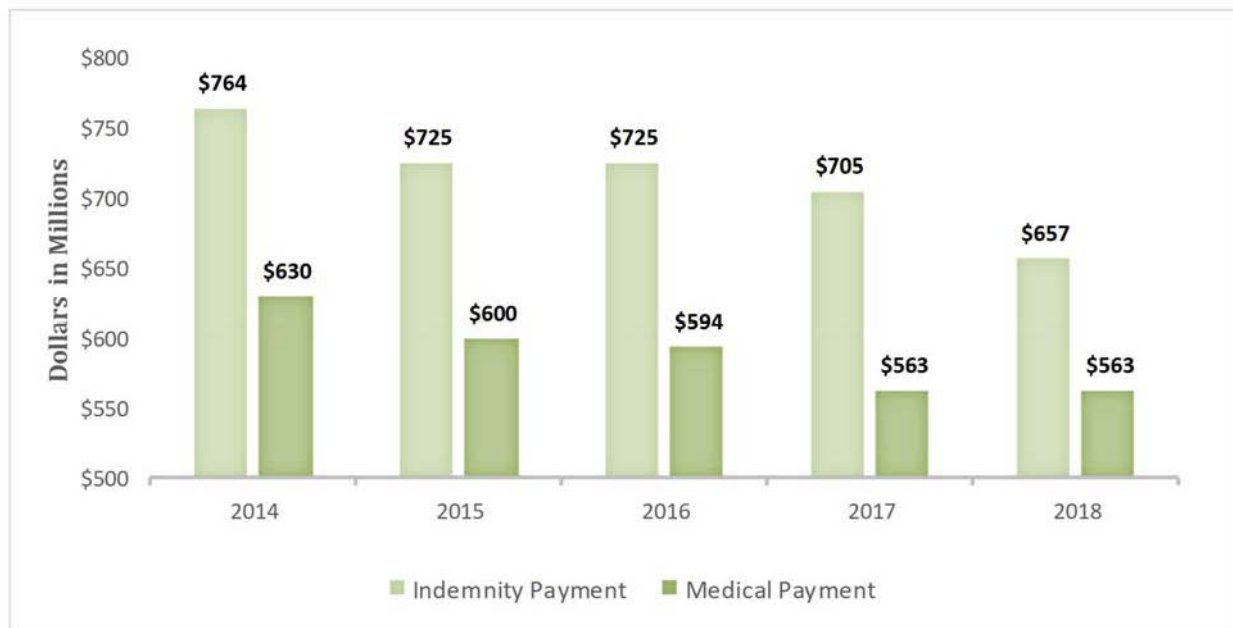
The percentage of injured workers filing claims at the Workers' Compensation Commission that are represented by an attorney and the total amount paid by injured workers for attorney representation is unavailable. This data cannot be collected, accurately calculated and analyzed for the overall market for the 2018 calendar year.

Indemnity & Medical Payments

The total amount of indemnity payments made by workers' compensation insurers affiliated with NCCI was approximately \$657 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 2018 and prior, for transactions occurring through December 31, 2018.

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.



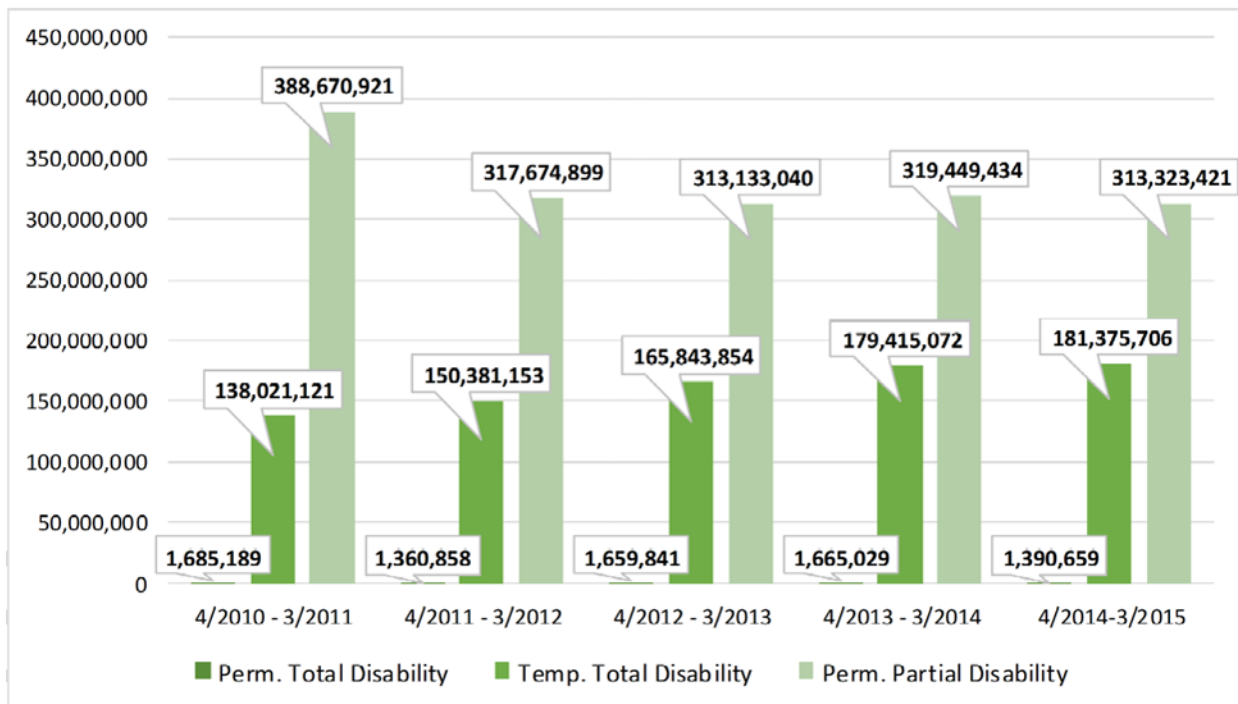
Source: NCCI

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 \$496,089,786 was paid in indemnity benefits for all policies issued between April 1, 2014 and March 31, 2015, as of September 30, 2017.

	4/2010 - 3/2011	4/2011 - 3/2012	4/2012-3/2013	4/2013-3/2014	4/2014-3/2015
Perm. Total Disability	1,685,189	1,360,858	1,659,841	1,665,029	1,390,659
Temp. Total Disability	138,021,121	150,381,153	165,843,854	179,415,072	181,375,706
Perm. Partial Disability	388,670,921	317,674,899	313,133,040	319,449,434	313,323,421
Totals:	528,377,231	469,416,910	480,636,735	500,529,535	496,089,786

Source: 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 2013 to 2017 data from the NCCI Medical Data Call.

Distribution of Medical Payments in Illinois					
Service	Service Year 2013	Service Year 2014	Service Year 2015	Service Year 2016	Service Year 2017
Physician	46%	47%	45%	45%	44%
Hospital	30%	29%	29%	29%	29%
DME, Supplies, and Implants	7%	7%	8%	8%	8%
Ambulatory Surgical Centers	8%	7%	8%	8%	9%
Drugs	7%	8%	8%	8%	8%
Other	2%	2%	2%	2%	2%

Source: 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, 2017 through December 31, 2017, 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 2017

Rank	Primary Diagnosis Code	Share of Hospital Payments	Average Paid Per Claim	Diagnosis Code Description
1	M54.5	2.0%	\$2,069	Low back pain
2	K40.90	1.4%	\$7,710	Unilateral inguinal hernia, without obstruction or gangrene, not specified
3	M25.511	1.1%	\$2,998	Pain in right shoulder
4	S12.690A	1.1%	\$761,591	Other displaced fracture of seventh cervical vertebra, initial encounter for
5	S46.011A	1.0%	\$13,271	Strain of muscle(s) and tendon(s) of the rotator cuff of right shoulder,
6	M54.2	0.9%	\$2,882	Cervicalgia
7	S09.90XA	0.9%	\$2,333	Unspecified injury of head, initial encounter
8	M25.512	0.9%	\$2,885	Pain in left shoulder
9	M75.121	0.9%	\$12,148	Complete rotator cuff tear or rupture of right shoulder, not specified as
10	M75.41	0.8%	\$8,509	Impingement syndrome of right shoulder

Source: NCCI

Top Diagnosis Codes By Amount Paid - Illinois Non-Hospital Accident Year 2017

Rank	Primary Diagnosis Code	Share of Hospital Payments	Average Paid Per Claim	Diagnosis Code Description
1	M54.5	4.7%	\$2,754	Low back pain
2	M25.511	2.7%	\$4,141	Pain in right shoulder
3	M25.512	2.0%	\$3,971	Pain in left shoulder
4	M54.2	1.6%	\$3,086	Cervicalgia
5	M25.561	1.5%	\$2,872	Pain in right knee
6	M25.562	1.5%	\$3,198	Pain in left knee
7	M54.16	1.2%	\$5,405	Radiculopathy, lumbar region
8	M75.41	1.1%	\$10,432	Impingement syndrome of right shoulder
9	M75.121	1.1%	\$14,384	Complete rotator cuff tear or rupture of right shoulder, not specified as
10	S46.011A	1.0%	\$11,387	Strain of muscle(s) and tendon(s) of the rotator cuff of right shoulder, initial

Source: 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