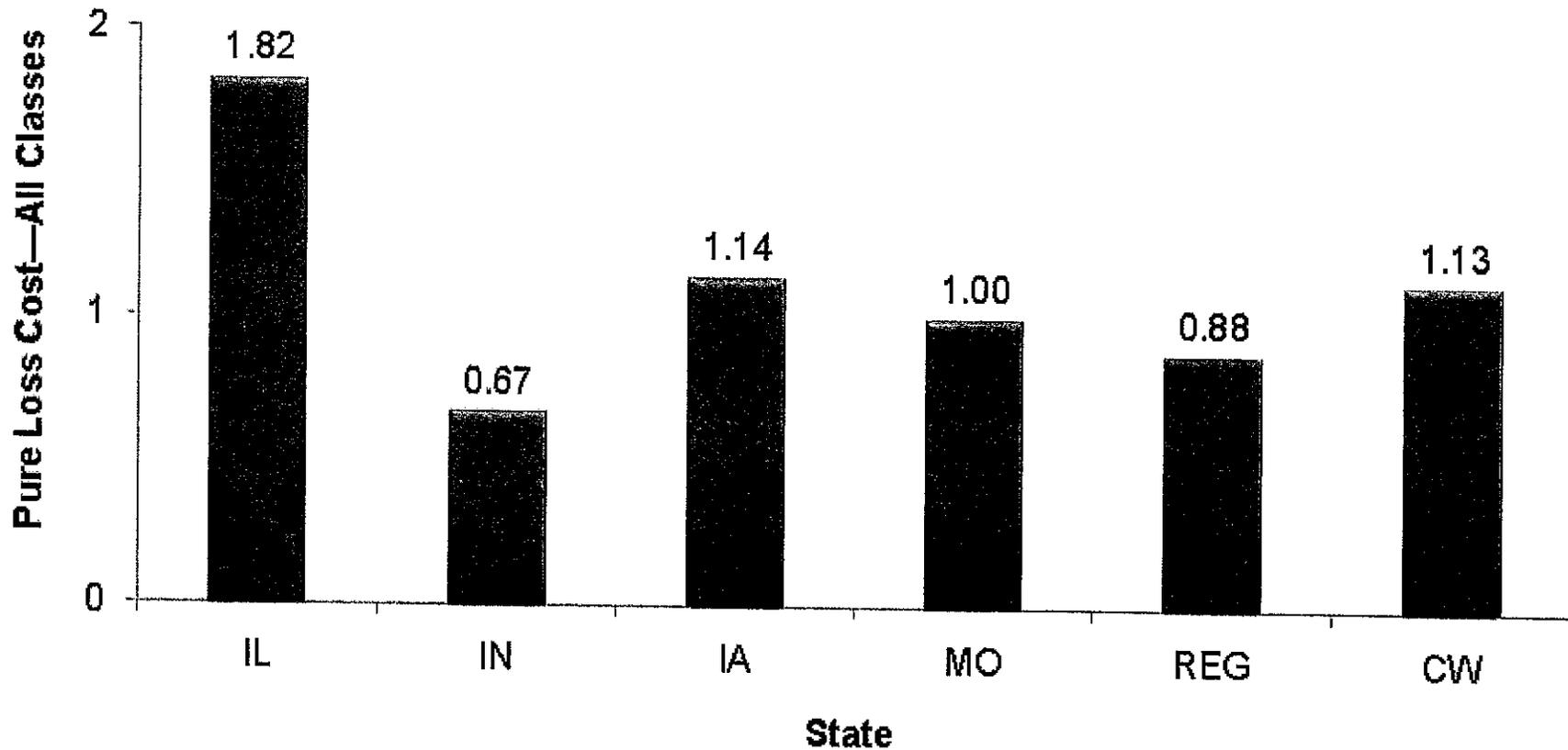
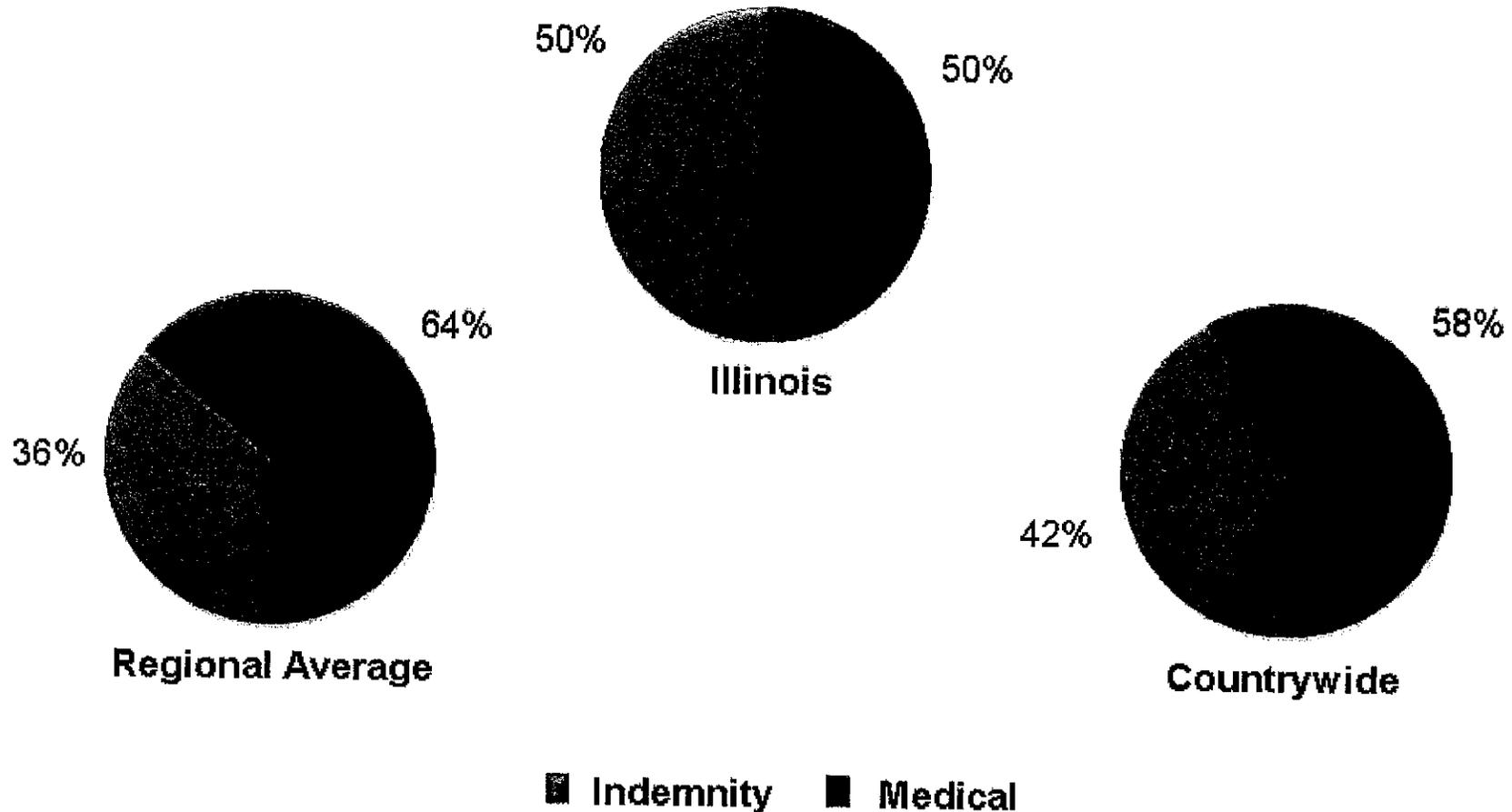


Current Average Voluntary Pure Loss Costs per Hundred of Payroll



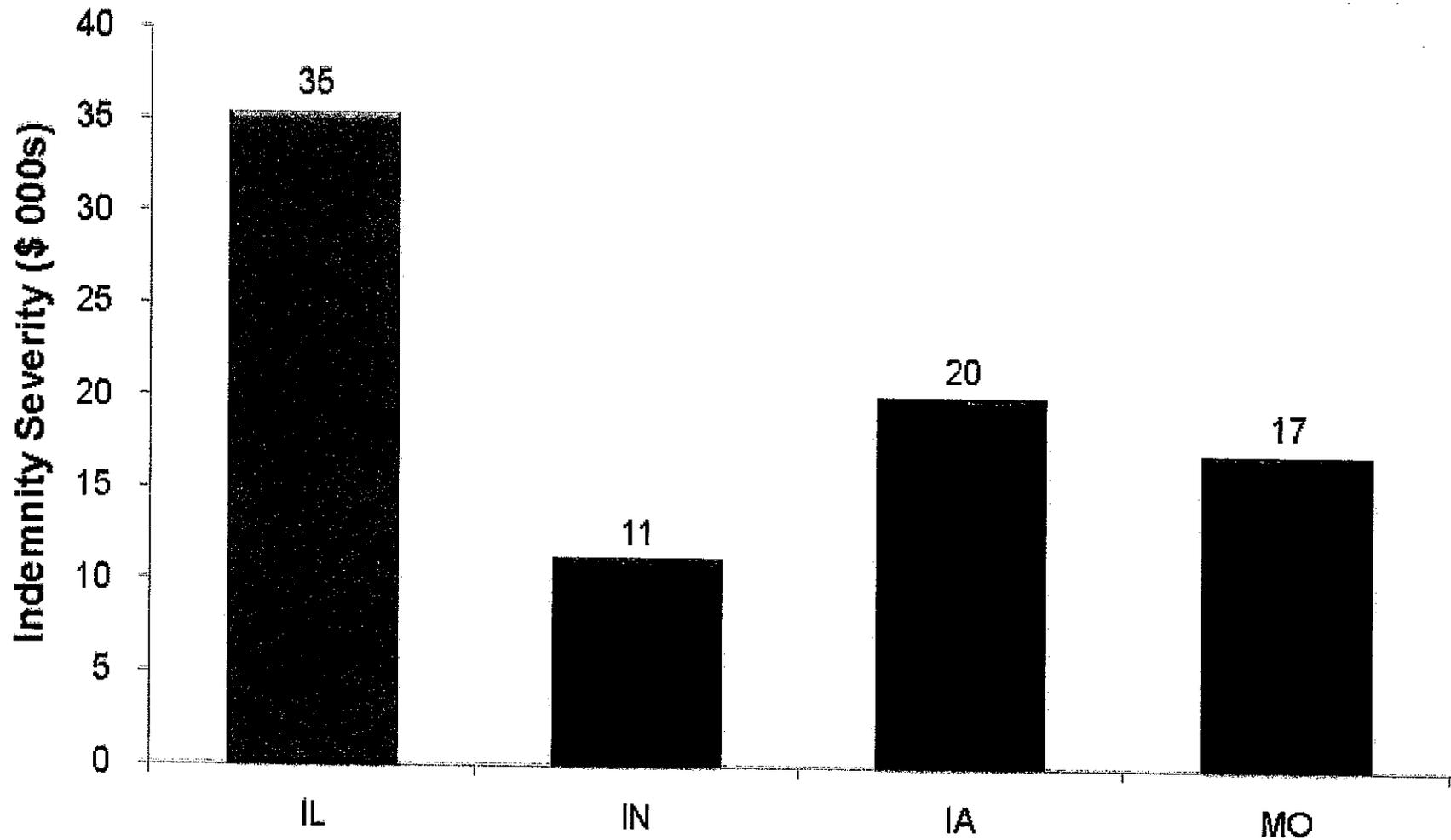
Based on the latest NCCI approved rates and loss costs in the various states.

Indemnity Benefits Constitute Half of Total Benefit Costs in Illinois



Regional states are Indiana, Iowa, and Missouri.

Indemnity Average Claim Severity in the Region



Based on NCCI's financial data for lost-time claims.
*IL is based on unlimited data.

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State by State Comparison AMA/Direct Care/Benefit Cap

State	AMA State	Direct Care	TTD ¹ Maximum Weeks
<i>IL</i>	N	N	none
<i>IN</i>	Y	Y	500
<i>IA</i>	Y	Y	none
<i>MO</i> ²	N	Y	400
<i>CA</i>	Y	Y	104
<i>TX</i>	Y	N	104

¹Temporary Total Disability

²In Missouri, a physician renders an impairment rating for the evaluation of permanent disability, very similar to the American Medical Association (AMA) guidelines.

Indemnity Claim Comparisons

Illinois vs. Indiana

Scenario 1: Present Settlement Value

- **Injury Type:** Back Injury - Herniated Disc with Surgical Intervention
- **Work Status:** The duration of disability is one year with the employee returning to work with their current employer and has not returned to work elsewhere.
- **Weekly Wage:** 40 hour work week, \$30.00 per hour or \$1,200.00 per week

BENEFIT COST ANALYSIS

	<i>Illinois</i>	<i>Indiana</i>	<i>Difference</i>	<i>Variance</i>
Temporary Disability Benefits	\$41,184.00	\$33,800.00	\$7,384.00	21.85%
Permanent Disability Benefits	\$58,163.00	\$14,000.00	\$44,163.00	315.45%
Total Disability Benefits	\$99,347.00	\$47,800.00	\$51,547.00	107.84%
Medical Benefits	\$120,000.00	\$98,000.00	\$22,000.00	22.45%
Total Benefits	\$219,347.00	\$145,800.00	\$73,547.00	50.44%

While both portions of the claim in this scenario are higher in the state of Illinois versus Indiana, the significant difference in indemnity demonstrates the unbalance between a state utilizing no oversight and one that has oversight using the AMA Guidelines in evaluating the degree of permanent disability. Listed below are the actual calculations used to determine the permanency portion of the disability benefits reflected above.

• **Illinois Benefit:** 17.50% Man as a Whole (17.50% X 500 Weeks = 87.50 Weeks X \$664.72 (State Maximum Rate¹) = \$58,163.00

• **Indiana Benefit:** 10.00% Person as a Whole (10.00% X 100 Degrees/ Weeks = 10 Degrees. 10 Degrees X \$1,400.00¹ per Degree = \$14,000.00

¹The degree valuations and state maximum rates are published annually by each individual state.

Indemnity Claim Comparisons

Illinois vs. Indiana

Scenario 2:

- Injury Type: Back Injury - Herniated Disc with Surgical Intervention
- Work Status: The employee is assigned permanent restrictions and not returning to work with their current employer.
- Weekly Wage: 40 hour work week, \$30.00 per hour or \$1,200.00 per week

BENEFIT COST ANALYSIS

	<i>Illinois</i>	<i>Indiana</i>	<i>Difference</i>	<i>Variance</i>
Temporary Disability Benefits	\$41,184.00	\$33,800.00	\$7,384.00	21.85%
Permanent Disability Benefits	\$83,090.00	\$14,000.00	\$69,090.00	493.50%
Total Disability Benefits	\$124,274.00	\$47,800.00	\$76,474.00	159.99%
Medical Benefits	\$120,000.00	\$98,000.00	\$22,000.00	22.45%
Total Benefits	\$244,274.00	\$145,800.00	\$98,474.00	67.54%

This scenario shows the increase in the permanent disability benefits and does not reflect any increase in temporary or medical benefits necessary to continue to pay additional benefits. In Illinois, temporary disability would continue, however, in Indiana, temporary disability can end if permanent restrictions are assigned. Listed below are the actual calculations used to determine the permanency portion of the disability benefits reflected above.

•**Illinois Benefit:** 25.00% Man as a Whole (25.00% X 500 Weeks = 125 Weeks X \$664.72 (State Maximum Rate¹) = \$83,090.00

•**Indiana Benefit:** 10.00% Person as a Whole (10.00% X 100 Degrees/ Weeks = 10 Degrees. 10 Degrees X \$1,400.00¹ per Degree = \$14,000.00

¹The degree valuations and state maximum rates are published annually by each individual state.

Indemnity Claim Comparison

Illinois vs. Indiana

Scenario 3 – Wage Differential – Illinois Only:

- Injury Type: Back Injury - Herniated Disc with Surgical Intervention
- Work Status: This 45 year old male, employee, off work for one year, is assigned permanent restrictions and not returning to work with their current employer, but has secured a new job making \$20.00 per hour, thus creating a difference in wages.
- Weekly Wage: 1st job 40 hour work week, \$30.00 per hour or \$1,200.00 per week, 2nd job \$20.00 per hour, \$800.00 per week. Hourly difference is \$10.00 with weekly wage differential of \$400.00.

Used in Illinois only, the wage differential, technically called an 8(d)1, is a permanent disability benefit that can be awarded for wages and is in addition to any permanent disability awarded for the injury. The permanent disability benefit in this scenario is the difference between the weekly wage from the first job and the subsequent job, which is then used to calculate the lifetime wage difference for the claim. This difference in this case is \$400.00 per week. Since Disability benefits are calculated at 66 2/3 of the average weekly in Illinois, the weekly differential disability benefit would be \$266.67, or \$400.00 times 66 2/3. The annual difference is now computed by multiplying the \$266.67 times 52 weeks, for a total annual wage difference of \$13,866.84. The Life Expectancy¹ of the individual and the present cash value (PCV)¹ factor of the permanent disability now become important factors. Based on current market conditions, a fair PCV of 4% was used and would generate a total wage differential of \$255,305.16 based on the annual wage difference of \$13,866.84 and the factors applied to it for PCV.

¹These factors are published by Lawyers & Judges Publishing Company, Inc 2010 and used nationally.

Additional Areas for Consideration When Analyzing Workers' Compensation Reform

- Medical Provider Networks
- Capping Occupational Therapy and Chiropractic visits.
- Injuries resulting from intoxication/impairment
- Apportionment