

# WORKERS' COMPENSATION 1997 ANNUAL REPORT

A total of \$144.7 million was paid in workers' compensation payments during calendar year 1997. This is an increase of 3.67% when compared to 1996's total of \$139.6 million. Total payments in 1996 increased 7.00% over 1995 payments. Total payments had declined by a total of 8.31% for the period of 1993 through 1995. The decrease -2.36%, -3.00% and -2.95% in 1993, 1994 and 1995, respectively.

Insurance Companies reported payments of \$110.6 million in 1997 compared to \$110.1 in 1996, a 0.49% increase which is considerably lower than the 6.86% increase reported in 1996. Insurance Companies had reported a 12.82% decrease in total payments for the three years from 1993 through 1995. The percent of decrease reported was -2.96% in 1993, -3.92% in 1994 and -5.94% in 1995.

In 1997, Self-Insured Employers reported total workers' compensation payments of \$34.1 million, up from \$29.5 million in 1996, a 15.49% increase. This was the second largest increase in payments reported by Self-Insured Employers since annual reporting was started in 1988. The total amount of payments reported by Self-Insured Employers has increased each year since 1989.

Since 1989, the first full year of annual reporting, Insurers have paid a combined total of \$1.2 billion in workers' compensation payments. During this time period Insurance Companies reported total payments of \$979.0 million or 81.53%, while Self-Insured Employers paid \$221.6 million, or 18.46% and Uninsured Employers reported payments of \$90 thousand, or 0.01%.

Insurance Companies in 1989, reported 84.35% of total compensation payments and Self-Insured Employers paid 15.64%. In 1997, Insurance Company payments had dropped to 76.46% of all payments and Self-Insured Employers were up to 23.53%. The number of self-insured employers remained fairly constant during this period. Payments reported by Uninsured Employers have remained at approximately .01%.

## **MEDICAL PAYMENTS**

Except for 1995, medical payments have increased each year since 1989. In 1997, medical payments increased 7.84% compared to 1996. Insurance Companies increased the amount of medical payments paid by 5.61% in 1997, while Self-Insured Employers increased medical payments by 16.44%. Total medical payments were \$67.7 million in 1997, compared to \$62.8 million in 1996, \$57.7 million in 1995, \$62.2 million in 1994, and \$60.0 million in 1993.

### Insurance

Companies reported medical payments of \$52.6 million in 1997, up \$49.8 million 1996. Self-Insurers reported \$15.1 million in 1997 up from \$12.9 million in 1996. Uninsured Employers reported \$2,500 in medical payments in 1997, up from \$2,100 in 1996, and no medical payments in 1995. As a percent of total payments, medical payments were 46.76% in 1997, up from 44.95% in 1996, 44.24% in 1995, 46.28% in 1994, 43.33% in 1993, 41.79% in 1992 and 43.41% in 1991.

**Table I** Annual Report cases by Type of Cases

Calendar Year	1997	1996	1995	1994
No Time Loss	17,053	16,635	16,033	16,235
Time Loss	17,403	17,557	17,050	17,616
Fatality	209	217	211	232
Jurisdictional	75	146	60	114

Although the total amount of medical payments increased in 1997, the number of claims with medical payments decreased.

On the 1997 annual reports, insurers reported medical payments on 13,942 claims, compared to 14,095 in 1996, 14,165 in 1995, 14,108 in 1994 and 14,116 in 1993. The number of medical only payments (no other type of payments reported on the claim) were 10,108 in 1997 compared to 10,004 in 1996, 11,402 in 1995, 12,236 in 1994 and 12,017 in 1993.

### **INDEMNITY PAYMENTS**

1997 total indemnity payments (**TTD, TPD, PPI, and PTD**) decreased 1.87% compared to 1996. Total indemnity payments were \$51.8 million in 1997, compared to \$52.8 million in 1996, \$51.2 million in 1995, \$48.9 million in 1994, \$52.9 million in 1993 and a high of \$57.0 million in 1992. TTD payments as a percent of total indemnity payments have increased from 50.84% in 1989 to 54.37% in 1997. PPI has decreased from 43.00% in 1989 to 35.72% in 1997. The decrease in PPI payments would be reflective of the changes made in 1988 to the Workers' Compensation Act. As a percent of total indemnity payments, PTD payments have increased 3.58% from 1989 through 1997. TPD payments as a percent of total indemnity payments have remained constant at approximately 2.0% each year.

TTD payments increased 4.01% in 1997 compared to 1996. TTD payments were \$28.2 million in 1997, \$27.1 million in 1996, and \$25.2 million in 1995. PTD payments were \$4.3 million in 1997 and

**Table II** Notices, Applications and Controversions from Annual Reports

Year	1996	1995	1994	1993
Notices	25,135	26,125	26,664	29,862
Applications	530	608	605	646
Total Received	25,665	26,733	27,269	30,508
Controversions	3,445	3,656	5,665	4,572
% Controverted	13.42%	13.68%	20.77%	14.99%
# Claims on AR	34,676	33,354	34,197	33,647
Average Cost per Claim	4,025.66	3,911.42	3,939.95	4,122.06

1996, up from \$3.5 million in 1995. Both PPI and TPD decreased in 1997 compared to 1996. PPI decreased 9.92% in 1997 and TPD decreased 7.82%.

**ATTORNEY FEES**

Fees paid to attorneys were basically the same in 1997 and 1996, increasing only 0.23% in 1997. Employer attorney fees increased by 1.13% in 1997 compared to 1996 while employee attorney fees decreased by 2.31%. Employer attorney fees were approximately \$5.8 million in both 1997 and 1996. Employee attorney fees were \$2.0 million in 1997 and \$2.1 million in 1996. For the fifth straight year litigation costs continued to decrease, dropping 13.05% in 1997. Litigation costs hit a high in 1992 of \$1.7 million and have been on the decline since, decreasing to \$963,094 in 1997.

**REEMPLOYMENT BENEFITS**

Reemployment Benefits payments increased 24.78% in 1997 after increasing 32.81% in 1996 compared to 1995. The largest increase in reemployment payments was 041(k) wages. Insurers paid a total of \$8.6 million in reemployment benefits in 1997, compared to \$6.9 million in 1996, and \$5.2 million in 1995. 1996 was the first year that insurers reported their fees for rehabilitation specialists to monitor employees through completion of reemployment plans and fees for rehabilitation specialists to complete eligibility evaluations. Reemployment fees and costs are therefore not comparable with prior years. As a percent of total Reemployment payments the Reemployment costs categories break down as follows:

<u>1997</u>	<u>1996</u>	
69.4%	66.9%	041(k) wages;
11.8%	12.3%	Evaluation costs;
7.7%	8.7%	Plan costs;
7.8%	7.2%	Reemployment fees; and
3.3%	5.0%	Monitoring Fees

**ANALYSIS OF CLAIMS**

During Calendar Year 1997, the Workers' Compensation Division established 29,618 cases, compared to 29,382 in 1996, 29,740 in 1995 and 29,925 in 1994. The percentage increase was 0.80% in 1997 compared to a -1.20% in 1996 and -0.62% in 1995. Of the cases reported to the Division in 1997, 9,955 were Time Loss cases, 19,289 were No-Time Loss, 37 were fatalities and 337 were Jurisdictional. This compares to 9,645 Time Loss cases, 19,475 No-Time Loss cases, 31 fatalities and 206 jurisdictional cases in 1996. These figures are based on the Reports of Injury, Applications and medical reports filed on injuries that occurred in 1997 and 1996.

The Annual Reports filed by insurers in 1997 showed a total of 34,771 claims, up from 34,676 claims in 1996, 33,354 in 1995, 34,197 in 1994 and 33,617 in 1993. In 1997, insurers reported payments on 17,053 No-Time Loss claims up from 16,635 in 1996; 17,403 Time Loss claims down from 17,557 in 1996; 209 Fatalities down from 217 in 1996; and 75 Jurisdictional claims down from 146 in 1996.

Table III shows the number of claims reported on the annual reports by year of injury for 1997, 1996 and 1995. The top twenty insurers paid 79.12%, or \$114.5 million of the total workers'

compensation payments in 1997, compared to 80.12%, or \$111.8 million in 1996, 79.7%, or \$104.0 million in 1995 and 78.18% or \$105.1 million, in 1994. The top five insurers paid 50.90% of the total payments in 1997, compared to 55.0% in 1996, and 54.1% in 1995. The top private insurer in 1997 were Alaska National at \$22.2 million up from \$21.3 million in 1996, Industrial Indemnity 1997 at \$20.6 million up from \$19.5 million in 1996, Cigna at \$12.6 million down from \$13.1 million in 1996, Employers of Wausau at \$9.3 million down from \$12.4 million in 1996 and rounding out the top five was the State of Alaska at \$9.0 million down from \$10.5 million in 1996. Of the top twenty insurers in 1997, seven were self-insured em-ployers.

The Division of Insurance indicates the workers' compensation insurance premium rate overall change was a decrease of 8.3% effective January 1, 1998. The overall rate decreased 10.0% in 1997, and 7.1% in 1996, after increasing 2.6% and 2.4% in 1995 and 1994, respectively. As of this August 13, 1998, I was unable to obtain the estimated overall rate change for 1999.

**Table III** 1997, 1996 and 1995 CLAIMS BY YEAR OF INJURY

Year	1997	1996	1995
1997	20,617		
1996	8,386	20,586	
1995	2,052	8,332	20,438
1994	980	2,073	7,893
1993	493	917	1741
1992	301	518	806
1991	229	364	479
1988-90	447	852	670
1982-87	518	586	562
1981 and prior	315	327	765

Based on Department of Labor, Research and Analysis Section, total employment in 1997 was estimated at approximately 268,300, up from 263,600 in 1996. Excluding federal employment of 17,300 (they are not covered by workers' compensation insurance) that would amount to 251,000 covered employees in 1997. Looking at the number of time-loss claims established by the Workers' Compensation Division for each calendar year, we could determine a claims rate per 100 employees.

There were 9,955 time-loss claims filed with the Workers' Compensation Division in 1997. Dividing the 251,000 covered employees by 100 and then dividing the number of time-loss claims by the result, we come up with a claims rate of 4.0 claims per 100 employees in 1997. The number of claims per 100 covered employees since 1990 is set out in Table IV.

**Table IV** Employment and Time-loss Claims  
1990 - 1996

Year	Employment	Time-loss	Claims Rates	Fatal Cases
1990	219,100	11,604	5.3	37
1991	223,900	11,244	5.0	41
1992	227,600	9,895	4.3	38
1993	232,900	9,398	4.0	37
1994	240,600	10,135	4.2	35
1995	244,400	9,853	4.0	26
1996	245,900	9,645	3.9	31
1997	251,000	9,955	4.0	37