



Department of Labor and
Workforce Development
DIVISION OF WORKERS'
COMPENSATION
Web: <http://labor.state.ak.us/wc>

STATE OF ALASKA DIVISION OF WORKERS' COMPENSATION

2016 ANNUAL REPORT



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MONITORING: This section of the report provides information from the prior calendar year.

Under Alaska Statute 23.30.155(m), each insurer, providing workers' compensation coverage in Alaska or their adjuster must file an annual report with the Alaska Compensation Board providing number of claims filed, the type of claims filed, total dollars spent on medical, lost wages compensation, death benefits, rehabilitation costs and claim litigation costs. The annual report requirement also applies to uninsured employer and self-insured employers. Along with the annual report, each insurer, adjuster, uninsured employer, or self insured employer must submit payment of their Second Injury Fund (SIF) contribution and their Workers' Compensation Fund fee. These fees fund reimbursements from the SIF and help support the Division's operations.

- This report covers activity from January 1, 2016 to December 31, 2016.
- This report contains restated annual report values for 2014 and 2015.
- The historical data for the estimated statewide average monthly employment for 2003 to 2016 was restated.

Claims Data

July 22, 2013, the Division of Workers' Compensation adopted and implemented electronic reporting of workers' compensation first reports of injury (FROI) and subsequent reports of injury (SROI) – commonly referred to as compensation reports. Electronic reporting is done via EDI transmission, using the Claims 3.0 reporting standards promulgated by the International Association of Industrial Accident Boards and Commissions (IAIABC). The State of Alaska has contracted with Insurance Services Office, Inc. (ISO) to manage its FROI/SROI reporting.

Challenges identified this year and/or ones that continue from previous years:

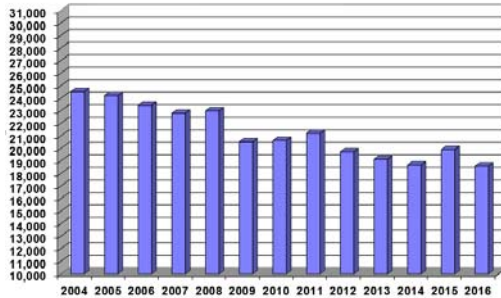
- Release of 3.0 requires annual report values with cumulative totals from claim inception to reporting calendar year end.
- Under the new EDI standard, certain fields are classified as "required", that is, necessary for a claim to be processed but not necessary to complete the a report.
- Data variances reported by trading partners may occur.



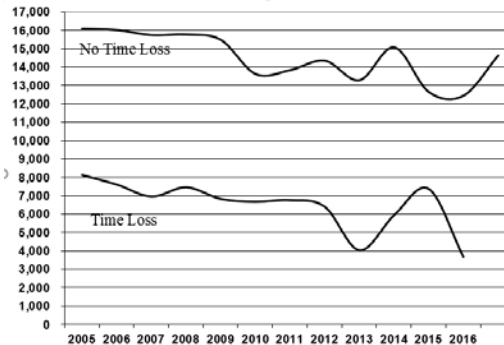
2016 ANNUAL REPORT

Analysis of Workers' Compensation Claims Data

Total Injury Notices Received



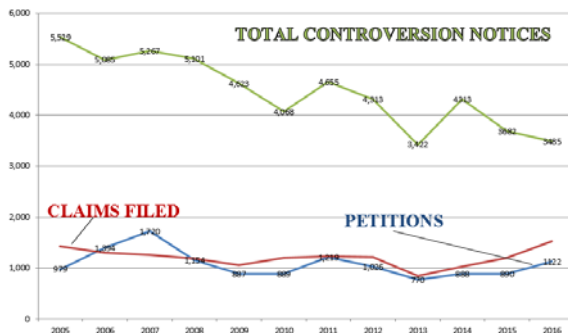
In 2016, the number of reports of injury and occupational illness submitted to the Workers' Compensation Division decreased 6.6%, to 18,555 from 19,909 in 2015 compared to 18,686 reports in 2014.



Of the case files set up by the Division in 2016:

- No-time-loss cases: 14,633 cases, 79%
- Time-loss cases: 3,688 cases, 20%
- Notification only cases: 4,277 cases,
- Fatalities: 23 cases, 0.1%
- Jurisdictional claims: 211 cases, 1.1%

CLAIMS & PETITIONS



In 2016, the number of claims filed increased 27.8%, from 1,200 to 1,533.

The number of petitions filed increased 26.1%, from 890 to 1,122 in 2016.

The total number of controversion notices filed decreased 5.4%, from 3,682 to 3,485 and the total number of cases controverted in 2016 decreased 2.5%, from 2,645 cases to 2,579 cases.



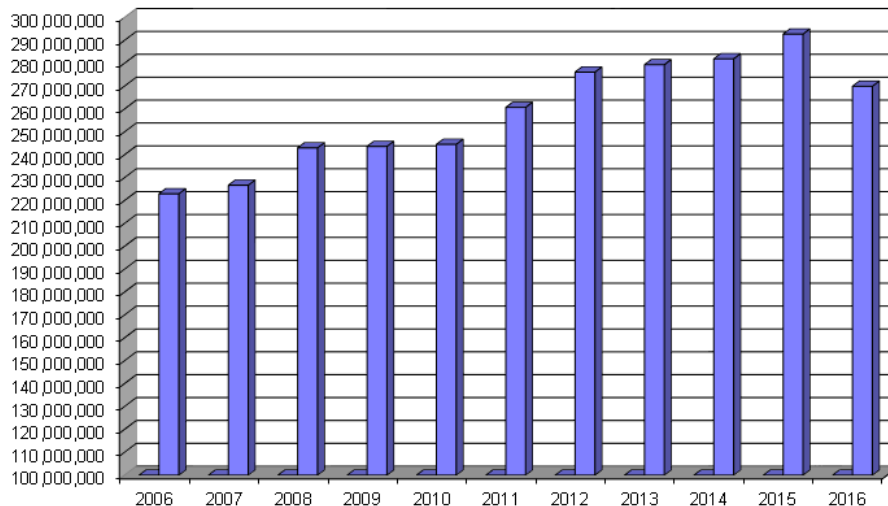
2016 ANNUAL REPORT

Total Compensation Payments

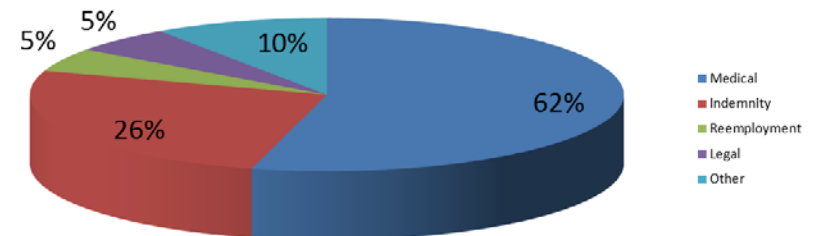
A total of \$269.9 million was paid in workers' compensation benefits during calendar year 2016. This is a decrease of 7.8% from \$292.8 million in 2015.

Of this amount, \$202.8 was paid by market-insured employers (75%), and \$67.2 million was paid by self-insured employers (25%).

Total Compensation Payments



Benefit Distribution





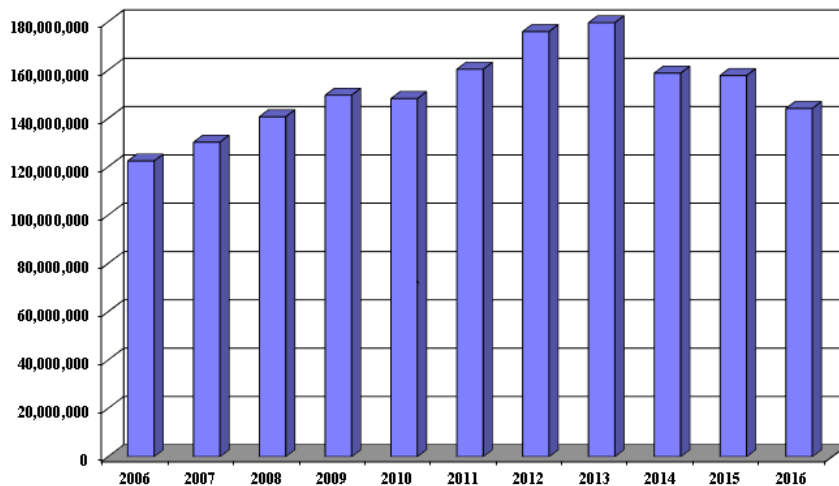
2016 ANNUAL REPORT

Medical Benefits

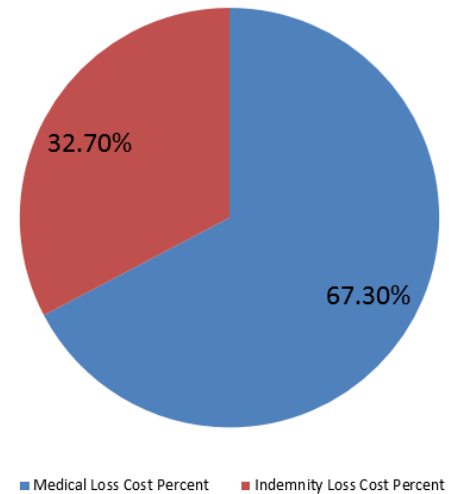
In 2016, medical benefits totaled \$144.2 million, down 8.63% from \$157.8 million in 2015.

Medical benefits were 53.4% of total benefits paid and 67.3% of loss costs in 2016, compared to 66.7% of total benefits paid and 70.2% of loss costs in 2015.

Medical Payments



Loss Cost Distribution





2016 ANNUAL REPORT

Indemnity Benefits

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DIVISION OF WORKERS'
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For calendar year 2016 indemnity benefits (TTD, TPD, PPI, PTD & Death Benefits) totaled \$69.2 million, down 3.5% from \$66.9 million in 2015 and \$62.1 million in 2014.

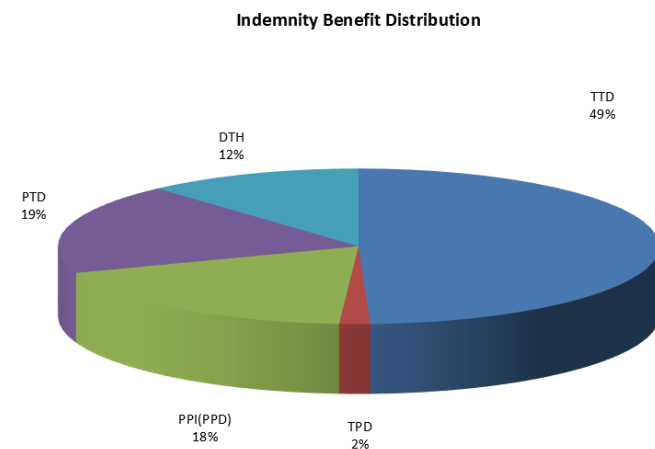
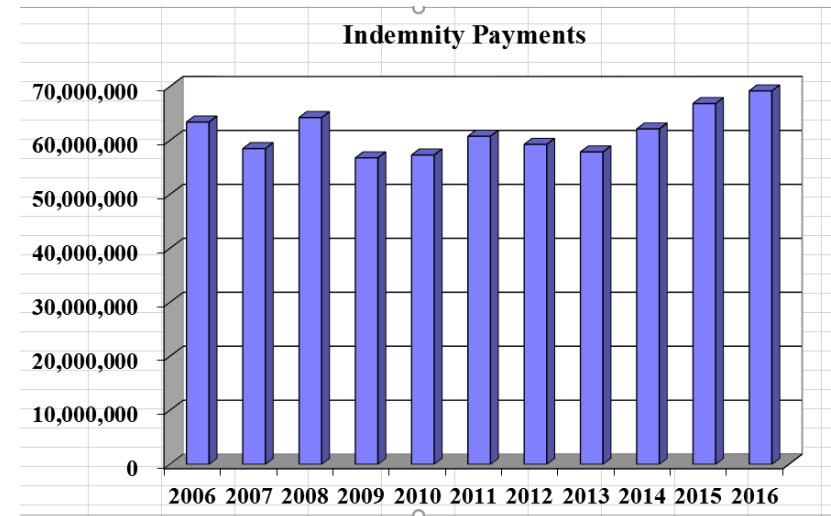
TTD benefits decreased 2.9%, from \$35.2 million in 2015 to \$34.2 million in 2016.

TPD benefits increased 18.2%, from \$966 thousand in 2015 to \$1.1 million in 2016.

PPI benefits decreased 8.2%, from \$13.9 million in 2015 to \$12.7 million in 2016.

PTD benefits increased 5.9% from \$12.3 million in 2015 to \$13 million in 2016.

Death benefits increased 80%, from \$4.5 million in 2015 to \$8.0 million in 2016.





2016 ANNUAL REPORT

Legal Costs

Department of Labor and
Workforce Development
DIVISION OF WORKERS'
COMPENSATION
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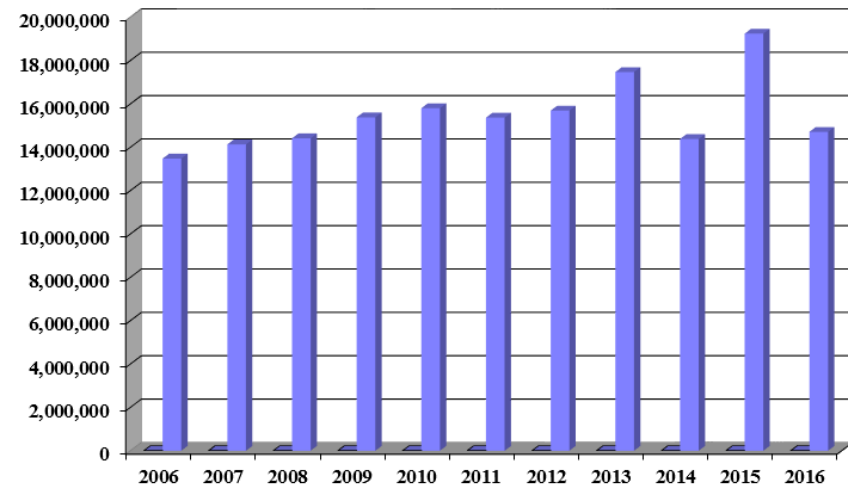
Total legal expenses decreased 23.6% from \$19.2 million in 2015 to \$14.7 million in 2016.

Employee attorney fees decreased 7.2% from \$5.8 million in 2015 to \$5.4 million in 2016.

Employer attorney fees decreased 28.41% from \$12.2 million in 2015 to \$8.7 million in 2016.

Litigation costs decreased 51.55% from \$1.3 million in 2015 to \$619 thousand in 2016.

Legal Payments





2016 ANNUAL REPORT

Reemployment Benefits

Department of Labor and
Workforce Development
DIVISION OF WORKERS'
COMPENSATION
Web: <http://labor.state.ak.us/wc>

Total reemployment benefit payments decreased 16.7% in 2016, from \$15.9 million in 2015 to \$13.2 million; \$14.4 million reported in 2014.

Compensation paid while under rehabilitation 041(k) benefits decreased 39.2%, from \$7.4 million in 2015 to \$4.9 million in 2016.

Employee evaluation costs increased 3%, from \$2.2 million in 2015 to \$2.3 million in 2016; \$4.5 million reported in 2014.

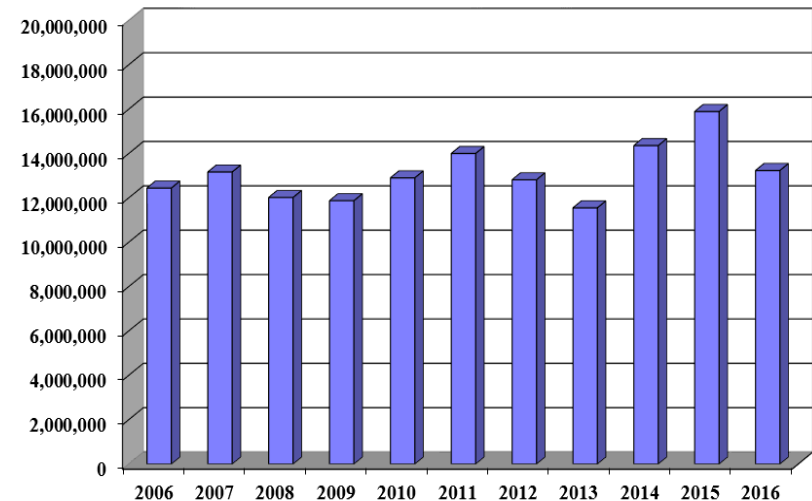
IAIABC Claims 3.0 did not offer option to break out costs for rehabilitation specialist fees and plan monitoring fees, this report reflects the combined totals and comparisons to prior years.

Rehabilitation specialist fees/plan monitoring fees decreased 26.5%, from \$1.3 million in 2015 to \$955 thousand in 2016.

Plan development costs decreased 3.52%, from \$1.69 million in 2015 to \$1.63 million in 2016. Plan costs reported in 2014 was \$1.6 million.

Rehabilitation 041(g) benefits increased 17% from \$3.3 million in 2015 to \$3.9 million in 2016.

Rehab Payments



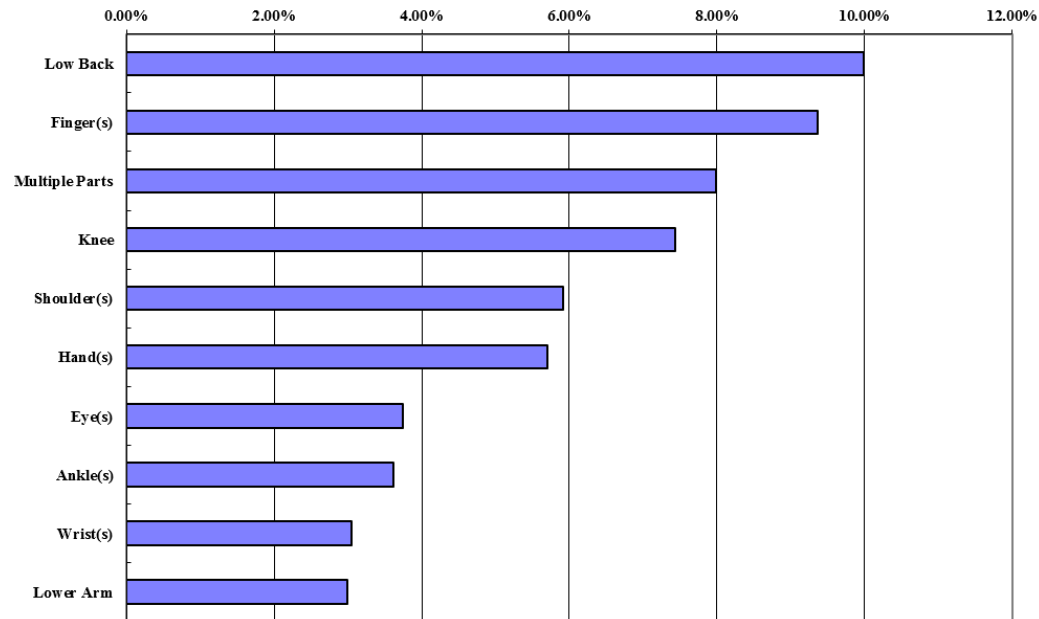


2016 ANNUAL REPORT

Top Injuries by Body Part Injured

Department of Labor and
Workforce Development
DIVISION OF WORKERS'
COMPENSATION
Web: <http://labor.state.ak.us/wc>

Body Part Injured



2016		
Body Part Injure	Cases	%
Low Back	1856	9.98%
Finger(s)	1740	9.36%
Multiple Parts	1486	7.99%
Knee	1382	7.43%
Shoulder(s)	1100	5.92%
Hand(s)	1059	5.70%
Eye(s)	697	3.75%
Ankle(s)	672	3.62%
Wrist(s)	567	3.05%
Lower Arm	557	3.00%

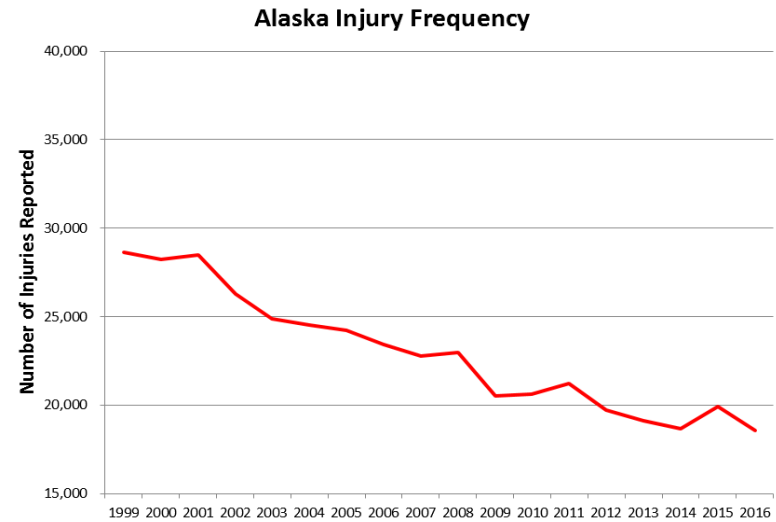


2016 ANNUAL REPORT

Alaska Injury Frequency

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DIVISION OF WORKERS'
COMPENSATION
Web: <http://labor.state.ak.us/wc>

Based on Department of Labor & Workforce Development, Research and Analysis Section data of estimated statewide average monthly employment, employment decreased 1.79% from 331,712 in 2015 to 326,281 in 2016. Excluding 15,190 federal employees, the number of workers covered under the Alaska Workers' Compensation Act in 2016 was approximately 311,091 compared to 316,757 in 2015.

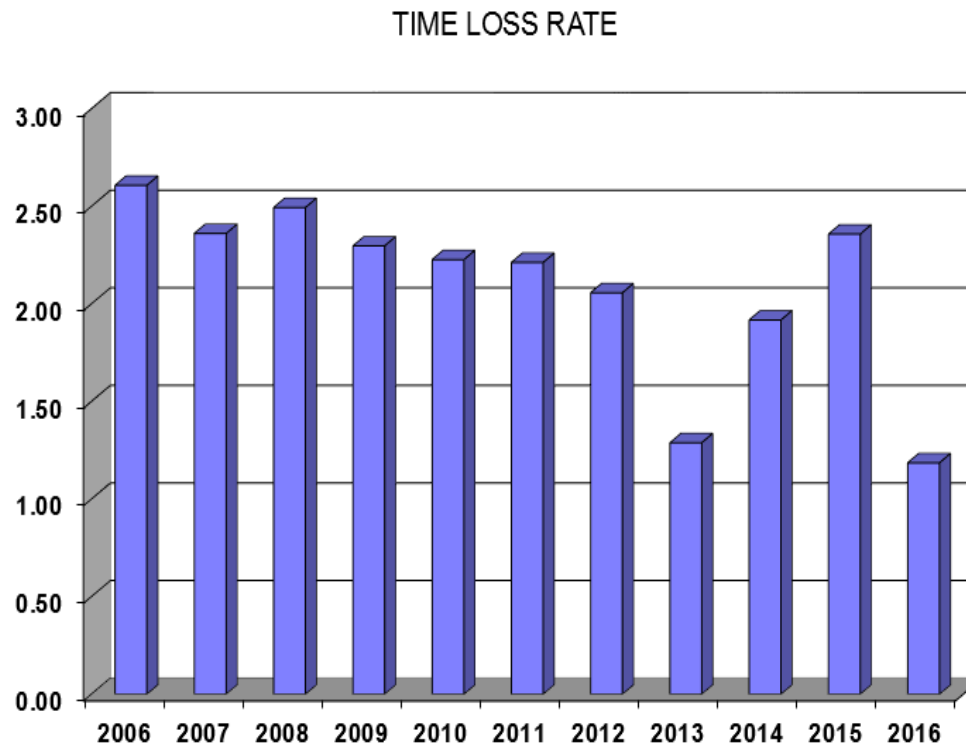




2016 ANNUAL REPORT

Time Loss Rate

Using the number of time-loss claims established by the Workers' Compensation Division, the time loss rate per 100 employees in 2016 was 1.16, down 49.6% from a time loss rate of 2.36 in 2015.

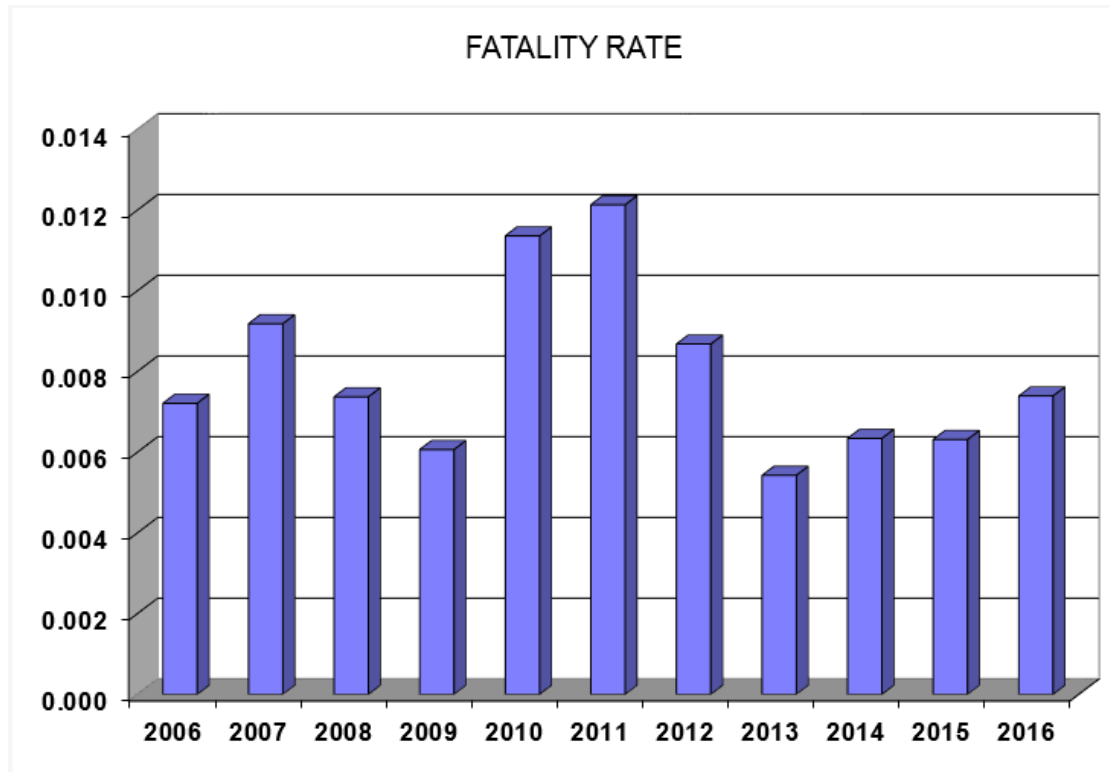




2016 ANNUAL REPORT

Fatality Rate

There were 23 fatalities reported in 2016, up 4.5% from 22 in 2015. Using the number of fatalities established by the Workers' Compensation Division, the fatality rate per 100 employees in 2016 was .0074 compared to .006 in 2015.





2016 ANNUAL REPORT

Total Benefits Paid by Top Twenty Insurers/Self-Insured Employers

Total benefits paid in 2016 is \$26.9 million, of this amount, \$202.8 million was paid by market-insured employers (75%), and \$67.2 million was paid by self-insured employers (25%).

The top twenty insurers/self-insured employers paid \$186.8 million, or 69.2% of total workers' compensation benefits paid in 2016. This compares to \$205.7 million or 70.2% in 2015.

2016	Total Benefits Paid in 2016
ALASKA NATIONAL INS CO	42,148,298
ALASKA, STATE OF	22,417,406
ALASKA TIMBER INS EXCHANGE	11,901,465
COMMERCE AND INDUSTRY INS CO	11,447,973
AMERICAN ZURICH INS CO	8,886,130
ZURICH AMERICAN INS CO	8,457,302
LIBERTY NORTHWEST INSURANCE CO	8,081,239
ANCHORAGE, MUNICIPALITY OF	8,063,014
LIBERTY INSURANCE CORP	7,417,939
NEW HAMPSHIRE INSURANCE CO	6,972,698
ACE AMERICAN INSURANCE COMPANY	6,692,085
REPUBLIC INDEMNITY CO OF AMERICA	5,879,415
AMERICAN INTERSTATE INSURANCE CO	5,476,581
INS CO OF THE STATE PA	5,311,921
ARCTIC SLOPE REGIONAL CORP	5,157,470
INDEMNITY INS CO OF NORTH AMERICA	5,065,333
ALASKA MUNICIPAL LEAGUE JOINT INSURANCE ASSOC	4,967,166
BERKSHIRE HATHAWAY HOMESTATE INSURANCE COMPANY	4,408,095
TRAVELERS PROPERTY CASUALTY CO OF AMERICA	4,005,618
PROVIDENCE HEALTH SYSTEM - WASHINGTON	4,031,901
	186,789,048
*Total Benefits Paid by all insurers in 2016 =	\$269,942,452

2015	Total Benefits Paid in 2015
ALASKA NATIONAL INS CO	45,826,369
ALASKA, STATE OF	22,890,026
COMMERCE AND INDUSTRY INS CO	12,333,850
LIBERTY NORTHWEST INSURANCE CO	11,445,972
ACE AMERICAN INSURANCE COMPANY	9,297,873
LIBERTY INSURANCE CORP	9,295,633
ARCTIC SLOPE REGIONAL CORP	8,844,185
REPUBLIC INDEMNITY CO OF AMERICA	8,363,027
AMERICAN ZURICH INSURANCE CO	8,238,400
AMERICAN INTERSTATE INSURANCE CO	7,883,737
ALASKA INS GUARANTY ASSN	7,645,927
BERKSHIRE HATHAWAY HOMESTATE INSURANCE CO	7,639,988
NEW HAMPSHIRE INSURANCE CO	7,471,395
ACE INDEMNITY INSURANCE CO	7,405,442
INDEMNITY INS CO OF NORTH AMERICA	5,673,277
ZURICH AMERICAN INS CO	5,595,681
ANCHORAGE SCHOOL DISTRICT	5,484,385
ANCHORAGE, MUNICIPALITY OF	5,334,670
UMIALIK INSURANCE CO	4,736,857
LM INS CORP	4,251,392
	205,658,086
*Total Benefits Paid by all insurers in 2015 =	\$292,768,124



2016 ANNUAL REPORT

Total Benefits Paid by Top Five Insurers/Self-Insured Employers

The top five insurers/self-insured employers paid \$96.8 million, or 35.8% of total workers' compensation benefits paid in 2016.

ALASKA NATIONAL INS CO	\$42.1
STATE OF ALASKA	\$22.4
ALASKA TIMBER INS EX	\$11.9
COMMERCE & INDUSTRY	\$11.4
AMERICAN ZURICH	\$8.9



2016 ANNUAL REPORT

Direct Written Premium

Direct written premium has decreased by 4.85% based on the Division of Insurance annual reports covering workers' compensation activity.

Calendar Year	Direct Written Premium (000s)
2016	\$268,052
2015	\$281,738
2014	\$279,615

The Division of Insurance 2016 Annual report reflects:

For the period January 1, 2015 through December 31, 2017, the servicing carriers for the Workers' Compensation Assigned Risk Plan are Alaska National Insurance Company, LM Insurance Corporation, Riverport Insurance Company, and Travelers Property Casualty Company of America. American Interstate Insurance Company is a direct assignment carrier.

For 2015, the 7,942 assigned risk policies made up 52.2% of all workers' compensation policies. The \$34.8 million in premium was approximately 13.9% of total workers' compensation premium. Of the 7,942 assigned risk policies, 5,099 had premiums of less than \$2,500.



2016 ANNUAL REPORT

Top Five Insurers by Market Share

Department of Labor and
Workforce Development
DIVISION OF WORKERS'
COMPENSATION
Web: <http://labor.state.ak.us/wc>

Five companies wrote 50% of the policies in 2016, representing \$143.3 million:

1. Alaska National Insurance Co. had 31.4% of the market share, \$84.3 mil.
2. Republic Indemnity Co. of America had 5.2% of the market share, \$13.9 mil.
3. Liberty Northwest Ins. Corp. had 5.2% of the market share, 13.8 mil.
4. Zurich American Ins. Co. had 4.3% of the market share, 11.6 mil.
5. American Interstate Ins. Co. had 4% of the market share, 10.5 mil.



2016 ANNUAL REPORT

Active Self-Insured Employers

There were 24 active self-insured employers in 2016

ACTIVE SELF INSUREDS	
Self-Insured	Date 1st Self-Insured
Alaska Air Group Inc	5/1/1980
Alaska Railroad Corp	7/1/1996
Alyeska Pipeline Service Co.	7/1/1983
Anchorage School District	6/1/2004
Arctic Slope Regional Corp	6/1/2005
Bristol Bay Area Health Corporation	2/1/2005
CH2M Hill (formerly Veco)Corporation	4/1/2005
Chevron Corporation (CVX)	5/12/1999
Chugach Electric Assn. Inc	1/1/2014
City & Borough of Juneau	4/1/2004
Costco Wholesale (COST)	9/3/1999
Fairbanks North Star Borough & SD	7/1/1977
Federal Express Corp. (FDX)	10/10/1990
Fred Meyer, Inc. (Kroger) (KR)	10/1/1996
General Communication Inc (GNCMA)	12/31/2005
Harnish Group	5/1/2005
Kenai Peninsula Borough & SD	2/16/1992
Mat-Su Borough	8/15/2008
Mat-Su School District	7/1/1994
Municipality of Anchorage	1/1/2004
Nabors Alaska Drilling, Inc. (NBR) - subsidiary of Nabors Industries LTD	1/1/1987
Providence Health System - WA	4/1/1995
State of Alaska	11/24/2003
University of Alaska	2/1/2004
Total Active Self-Insured = 24	24

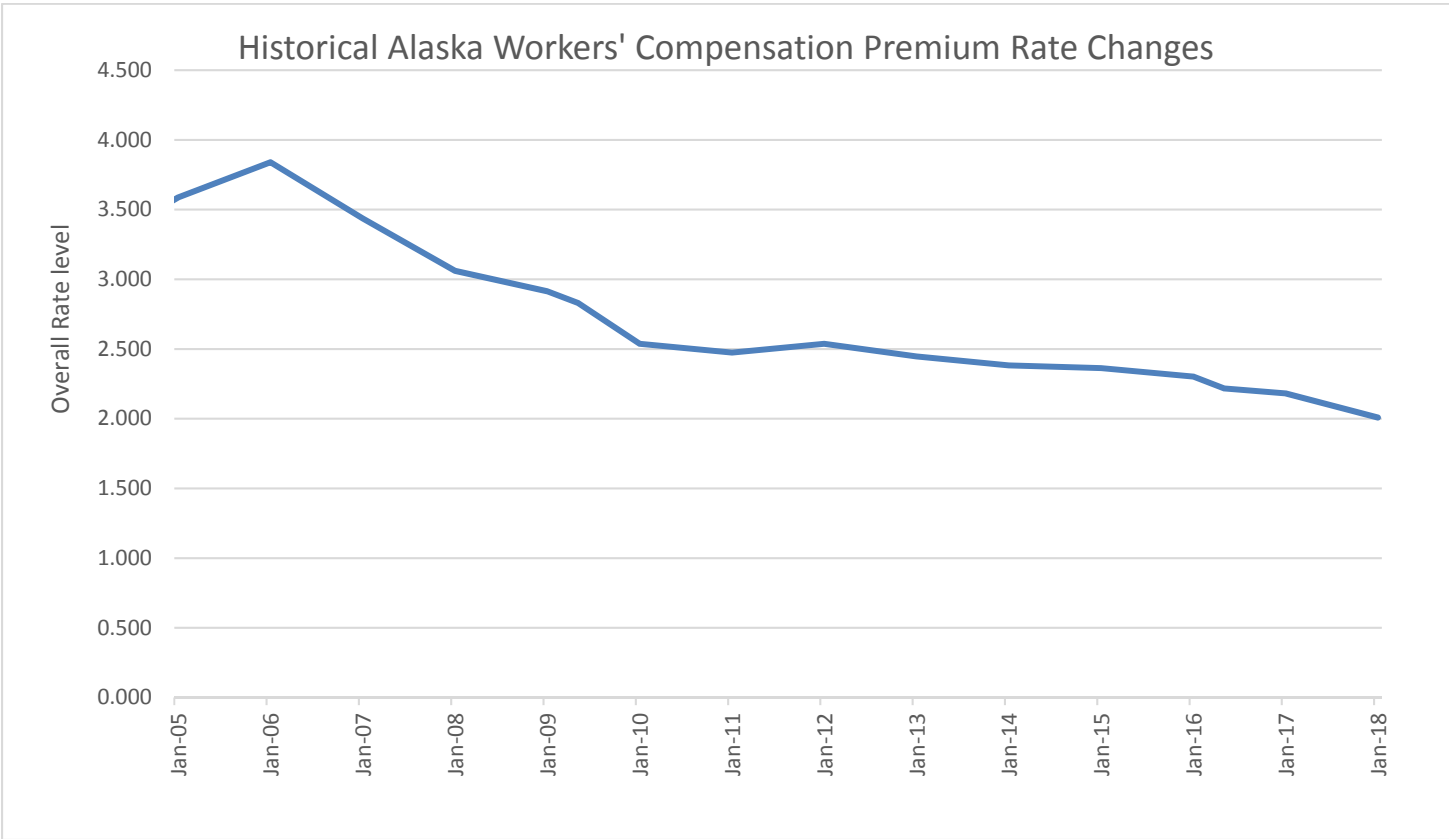


Workers' Compensation Premium Rate Ranking

Courtesy of the Oregon Department of Consumer and Business Services

2016 Ranking	2014 Ranking	State	Index Rate	Percent of study median	Effective Date	Percent of 2014 study median
1	1	California	3.24	176%	January 1, 2016	188%
2	3	New Jersey	2.92	158%	January 1, 2016	152%
3	4	New York	2.83	154%	October 1, 2015	148%
5	2	Connecticut	2.74	149%	January 1, 2016	155%
5	5	Alaska	2.74	149%	January 1, 2016	145%
6	9	Delaware	2.32	126%	December 1, 2015	125%
8	6	Oklahoma	2.23	121%	January 1, 2016	137%
8	7	Illinois	2.23	121%	January 1, 2015	127%
9	20	Rhode Island	2.20	119%	August 1, 2014	107%
10	10	Louisiana	2.11	115%	January 1, 2016	120%
11	11	Montana	2.10	114%	July 1, 2015	119%
12	23	Wisconsin	2.06	112%	October 1, 2015	104%
14	8	Vermont	2.02	110%	April 1, 2015	125%
14	13	Maine	2.02	110%	April 1, 2015	116%
15	17	Washington	1.97	107%	January 1, 2016	108%
17	27	Hawaii	1.96	107%	January 1, 2016	100%
17	12	New Hampshire	1.96	106%	January 1, 2016	118%
18	17	South Carolina	1.94	105%	September 1, 2015	108%
20	21	Missouri	1.92	104%	January 1, 2016	107%
20	20	New Mexico	1.92	104%	January 1, 2016	108%
22	20	Minnesota	1.91	104%	January 1, 2016	107%
22	27	North Carolina	1.91	103%	April 1, 2015	100%
23	31	Wyoming	1.87	101%	January 1, 2016	95%
24	24	Iowa	1.86	101%	January 1, 2016	101%
25	29	Alabama	1.85	100%	March 1, 2015	97%

Division of Insurance's Historical WC Premium Rate Changes



Medical Services Review Committee Fee Schedule Cost Reduction Examples

This table provides a comparison of fees for selected procedure codes often used in Alaska workers' compensation claims. The CPT codes used here are standardized Current Procedural Terminology published by the American Medical Association. In a number of claims, the professional component and the technical component have been added together to get one fee for the listed service.

Selected Fee Schedule Allowances by CPT Code as of January 1, 2015

CPT 29881 - Arthroscopy	CPT 63030 - Lumbar Laminotomy	CPT 64721 - Neurolysis at Carpal Tunnel	CPT 72131 - CT Scan, Lumbar without Contrast			CPT 72148 - MRI, Lumbar without Contrast			CPT 99213 - Office Visit, Established Patient, Expanded Exam	CPT 99284 - Emergency Care, Initial Visit, Detailed History
			Professional Component	Technical Component	Global	Professional Component	Technical Component	Global		
\$5,158.02	\$10,391.15	\$5,187.82	\$360.36	\$1,441.90	\$1,802.26	\$424.88	\$2,842.95	\$3,267.83	\$169.98	\$595.78

Selected Fee Schedule Allowances by CPT Code as of January 1, 2018

CPT 29881 - Arthroscopy	CPT 63030 - Lumbar Laminotomy	CPT 64721 - Neurolysis at Carpal Tunnel	CPT 72131 - CT Scan, Lumbar without Contrast			CPT 72148 - MRI, Lumbar without Contrast			CPT 99213 - Office Visit, Established Patient, Expanded Exam	CPT 99284 - Emergency Care, Initial Visit, Detailed History
			Professional Component	Technical Component	Global (professional & technical)	Professional Component	Technical Component	Global (professional & technical)		
\$3,402.98	\$6,068.36	\$2,659.13	\$402.89	\$841.33	\$1,244.22	\$597.00	\$977.09	\$1,574.09	\$211.51	\$367.59
-34%	-42%	-49%	12%	-42%	-31%	41%	-66%	-52%	24%	-38%