



WORKERS' COMPENSATION ANNUAL REPORT

FISCAL YEAR 2014



Montana Department of
LABOR & INDUSTRY

WORKERS' COMPENSATION ANNUAL REPORT

FISCAL YEAR 2014

Published by

MONTANA DEPARTMENT OF LABOR & INDUSTRY
Employment Relations Division
Workers' Compensation Claims Assistance Bureau
PO Box 8011, Helena, MT 59604

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COMMISSIONER'S INTRODUCTION

Governor Steve Bullock:

Each year the staff and management at the Employment Relations Division (ERD) compile data from all reported injuries in Montana and use that information to develop a report for decision makers. The goal, using the knowledge from this report, is the continued improvement of the workers' compensation system in Montana. This report provides a detailed view of Montana's workers' compensation statistics and trends, as well as an overview of system activities and Departmental programs. It is my privilege to present the Fiscal Year (FY) 2014 Workers' Compensation Annual Report to you and the citizens of Montana.

The Labor-Management Advisory Council (LMAC) provided the workers' compensation system with solid leadership and a thoughtful approach to legislation presented during the session. Chaired by Lt. Governor Angela McLean, the leaders of labor and management reviewed a variety of bills both prior to and during the 2015 Montana Legislature, ultimately providing support for five bills. One of the significant accomplishments of the LMAC was their detailed review of the funding shortage at ERD created from the change in claims dollars paid resulting from the HB 334 reforms. These shortages would have resulted in significant issues for ERD in their administering the statutory functions of the Workers' Compensation Act. The LMAC's leadership and bi-partisan support was critical in successfully addressing this important issue.

National Council on Compensation Insurance (NCCI) recently reported to Montana stakeholders that loss cost rate level changes for Montana for FY 2016 would be -4.8% based on Montana's experience. According to NCCI, the cumulative change in lost costs from 2007-2015 was -45.2%. This cumulative change includes the 2011 reforms from HB 334 and the direct impact to employers is lower premiums for workers' compensation.

The Oregon Premium Ranking Summary, released in October 2014, shows Montana's position continues to improve from #8 in 2012 to #11 in 2014. This improvement is significant given Montana's #1 ranking in 2010 for highest costs in the nation. More importantly, Montana's costs, at 119% of the median, are at the lowest level historically compared to other states since at least 1994.

Although the cost of claims is trending downwards, NCCI says that claim frequency continues to be the primary cost driver in the Montana system. According to the Bureau of Labor Statistics (BLS), the injury and illness incidence rate for Montana in CY 2013 was 142% higher than the national average. So, there is still much work that can be accomplished to improve our system including more partnership outreach to employers statewide, so we can further educate workers about their on-the-job safety.

There is so much more to share about our workers' compensation system than I can provide you in this brief introduction. I trust that you will find the enclosed report valuable in developing a deeper understanding of the trends and activities taking place in Montana's workers' compensation system. The increasingly positive results that come from the collaborative efforts of all stakeholders are a benefit to all of Montana's workforce.



Sincerely,

A handwritten signature in blue ink that reads "Pam Bucy".

Pam Bucy, Commissioner



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WORKERS' COMPENSATION HIGHLIGHTS

Montana and other states across the nation monitor workers' compensation medical costs, injury and illness rates, system efficiency, safety awareness, and other aspects of the system, in an effort to reduce costs to employers, provide the best and appropriate care to injured workers, and reduce or eliminate work place injuries.

This report will provide the reader with an in-depth assessment of Montana's workers' compensation system, including system updates, claims and benefits characteristics, dispute resolution outcomes, and Department programs and their functions.

Selected workers' compensation claim highlights for FY14 include:

- Reported claims increased 2.8%, to 25,713 claims;
- The BLS injury and illness incidence rate for Montana decreased 6.0% from FY12 to FY13, although Montana's FY13 rate was still 142% of the national average;
- The most frequent causes of injury were Strains (31%) and Falls, Slips, and Trips (24%);
- The most frequent natures of injury were Sprains and Ruptures (42%) and Cuts and Abrasions (20%);
- Upper Extremities (31%) and the Back (18%) were the most frequent body parts injured;
- Total benefits paid decreased 5.6% from FY13 to FY14. Medical benefits decreased 6.1%, the first year-to-year decrease since at least FY97. Indemnity benefits paid decreased 4.7%, continuing their downward trend that began in FY11;
- Medical benefits comprised 64% of payments on FY14 indemnity claims;
- Temporary disability paid duration (1-year maturity) increased slightly, from 14.2 weeks for FY12 injuries to 14.5 weeks for FY13 injuries; and
- In FY14, there were 382 settlements of medical benefits for best interest. Since FY11, 76% of the settlements were in the amount of \$30,000 or less.

Selected Employment Relations Division activities for FY14 include:

- Twenty-four Independent Medical Reviews were performed by the Department's medical director in FY14, with 83% requested by the insurer.
- Organized the annual Governor's Conference on Workers' Compensation and Occupational Safety and Health in Big Sky, attended by 329 stakeholders.
- Staff made presentations on workers' compensation, safety and stay at work/return to work at 15 Assistance for Business Clinics across the state and SafetyFests in Helena (340 attendees), Missoula (695 attendees) and Miles City (175 attendees);
- Provided staff support and research for the Labor-Management Advisory Council (LMAC);
- Published the "FY13 Workers' Compensation Annual Report" and "Workers' Compensation Key Indicators" documents;
- Published the research document, "Industry and Occupation in the Behavioral Risk Factor Surveillance System (BRFSS)";
- Staff actively participated in the International Association of Industrial Accident Boards and Commissions (IAIABC) through membership in working committees, including: EDI Council, EDI Claims, Research & Standards, Medical Issues, Regulations and Disability Management; and
- Staff actively participated in National Institute for Occupational Safety and Health (NIOSH) and Council of State and Territorial Epidemiologists (CSTE) health surveillance committees.

SECTION 1

2015 MONTANA LEGISLATIVE SUMMARY

- **HOUSE BILLS**
- **SENATE BILLS**

HOUSE BILLS

Several bills relating to workers' compensation were introduced during the 2015 Montana Legislative session. The bills passed into law are summarized below.

House Bill 90

The Department's workers' compensation housekeeping bill includes changes to medical fee schedules, requires written notice to injured workers, provides clarification of paid time off and makes changes to the Subsequent Injury Fund assessment calculation.

Medical fee schedules, which previously were updated three times each year, will now be updated once annually. This creates better efficiency and reduces confusion. Insurance carriers will be required to provide a 14 day written notice advising the injured worker of any changes in the claims examiner who is handling the claim. Since many employers have moved away from providing sick leave and vacation leave to just providing paid time off (PTO), the statute now clarifies that PTO will be treated like vacation in that it does not affect the injured worker's eligibility for temporary disability benefits. Due to funding shortages in the Subsequent Injury Fund (SIF) and the need to reduce the lag time from which reimbursements are made to insurance carriers from the fund and assessments are received from employers to replenish the fund, changes were made to look back to March 31 of the current calendar year for the SIF assessment instead of the prior fiscal year.

Effective: July 1, 2015

Amends: 39-71-107, 39-71-704, 39-71-736, 39-71-915

House Bill 95

Generally revises the public adjuster laws.

A public adjuster is an adjuster employed by and representing the interest of the insured, not the insurance company, whereas an adjuster is a person who is an employee or independent contractor of an insurer (insurance company), who investigates and negotiates settlement of claims on behalf of the insurer. This legislation clarifies that the licensure laws in Montana also apply to public adjusters. It creates standards of conduct, requires continuing education and provides for penalties. This bill only impacts workers' compensation claims examiners who are required to be licensed by the Insurance Commissioner.

Effective: March 30, 2015

Amends: 33-1-402, 33-2-708, 33-17-102, 33-17-301, 33-17-1001, 33-17-1002, 33-17-1004, 33-17-1202, 33-17-1203, and 33-17-1205

House Bill 503

Provides for a requirement for insurance carriers to submit loss information to the policyholder upon request.

Upon request by the employer or the employer's designated insurance producer, where the insurer currently insures or has insured the employer in the immediately preceding five years, the insurer shall provide loss information for the period requested within 10 calendar days, including all claim data for the employer's claims; payment data on the employer's closed claims; and payment data and loss reserve amounts on the employer's open claims. The information is confidential insurance information and may not be disclosed for any other purpose without the express written consent of the insurer.

Effective: April 23, 2015

Amends: 39-71-606

House Bill 538

Allowing a Montana (MT) employer to obtain coverage from North Dakota (ND) for its MT workers solely working in ND.

An employee of a MT employer who is employed to work solely in ND, and whose employer is required to have ND workers' compensation coverage, is not considered an employee in MT for MT workers' compensation purposes. "Work solely in ND" means the employee does not perform job duties in MT. Travel that is commuting to and from a job site in ND from a MT location does not constitute performing job duties in MT even if the employer pays for the costs of travel or if the worker is paid for the travel time. The MT insurer may require proof of the ND coverage and records of work in ND. The Department will develop a verification of employment form for use in MT.

Effective: July 1, 2015 and terminates June 30, 2019

Amends: 39-71-401

SENATE BILLS

Senate Bill 4

Authorizing appointment of substitute workers' compensation judges during vacancy.

Requires the Chief Justice of the MT Supreme Court to select a substitute Workers' Compensation Court judge within 30 days of receipt of the notice of a vacancy and before the vacancy is permanently filled. If a temporary vacancy occurs due to a disability that precludes the judge from carrying out the duties for more than 60 days, a substitute judge must be appointed by the Chief Justice. The substitute may not serve longer than 90 days.

Effective: October 1, 2015

Amends: 39-71-2901

Senate Bill 7

Revising the Prescription Drug Registry.

Raises the nonrefundable fee to persons authorized to prescribe, dispense, or distribute controlled substances to a maximum of \$30. The fees are used to defray the costs of maintaining the prescription drug registry and terminate on June 30, 2017.

Effective: July 1, 2015 and terminates June 30, 2017

Amends: 37-7-1511

Senate Bill 123

Moves the primary regulatory authority of the Montana State Fund (MSF) from the Legislature to the Commissioner of Securities and Insurance (CSI).

Provides general regulatory authority of the MSF by the CSI for financial, rates, and policyholder complaints. Subjects the ratemaking authority of MSF's board of directors to the same review as private sector carriers doing business in Montana. Creates a risk-based capital mechanism to alert the CSI to potential instability and provides for rehabilitation authority to the CSI. Prevents the CSI from dissolving or suspending the license of MSF. The Department of Labor & Industry continues to perform regulatory functions in the Workers' Compensation Act.

Effective Date: January 1, 2016 and applies to rates effective on or after July 1, 2016 for new and renewal policies.

Amends 2-4-101, 17-1-102, 17-2-110, 33-1-102, 33-2-1902, 33-16-303, 33-16-1002, 33-16-1008, 33-16-1021, 33-16-1033, 33-16-1035, 39-71-2312, 39-71-2315, 39-71-2316, 39-71-2323, 39-71-2330, 29-71-2332, 39-71-2351, 39-71-2361, and 39-71-2363

Senate Bill 258

Revises the definition of employer with regard to certain religious organizations to exclude agricultural production if it is performed on the property of the religious organization.

This bill redefines the definition of an employer to mean a religious organization receiving remuneration from nonmembers for manufacturing or construction activities

conducted by its members on or off the property owned or leased by the religious organization; or agricultural labor and services performed off the property owned or leased by the religious organization. The definition of an employer and the definition of an employee for religious organizations is intended to implement administrative purposes of this chapter and not to be interpreted to create an employment relationship in any other context.

Effective Date: October 1, 2015

Amends: 39-71-117, 39-71-118

Senate Bill 259

Increases the workers' compensation assessment cap from up to 3% of benefits paid in the preceding year to up to 4% of benefits paid in the preceding year and creates a safety assessment with a cap of up to 2%.

Stabilizes the funding for the Department's statutory requirements of administering the workers' compensation and safety related functions. The previous assessment of up to 3% of paid benefits was in place since 1999 and is increased to up to 4% of paid benefits. This increase is necessary because the 3% assessment cap became insufficient for the Department's current and future budget needs due to the reduction in paid claims resulting from HB 334 from 2011. To provide funding for safety services, a separate occupational and safety administration assessment was created and capped at up to 2% of benefits paid in the preceding year.

Effective Date: July 1, 2015 and July 1, 2016 for safety assessment

Amends 39-71-201, 38-71-435, 39-71-1050, 50-71-113, 50-71-119, 50-72-106, and 50-73-107

Senate Bill 347

Provides for workers' compensation coverage for volunteer emergency medical technicians, nontransporting medical units, and certain ambulance services.

This bill allows EMTs and volunteer firefighters not attached to a local government or fire department to purchase workers' compensation coverage from a Montana Plan 1, Plan 2 or Plan 3 carrier.

Effective Date: July 1, 2015

Amends: 39-71-118

Senate Bill 379

Requires MSF to submit a report on its budget to the Economic Affairs Interim Committee (EAIC).

The MSF must annually provide a report on its budget, as approved by MSF board of directors, to the EAIC.

Effective Date: April 27, 2015

Amends 5-5-223

SECTION 2

MONTANA WORKERS' COMPENSATION SYSTEM

- **DECLARATION OF PUBLIC POLICY**
- **LABOR-MANAGEMENT ADVISORY COUNCIL**
- **INSURANCE COVERAGE REQUIREMENTS**
- **LIFE OF A CLAIM**
- **WORKERS' COMPENSATION MARKET**

DECLARATION OF PUBLIC POLICY

It is an objective of the Montana workers' compensation system to provide, without regard to fault, wage loss and medical benefits to a worker suffering from a work-related injury or disease. Wage loss benefits are not intended to make an injured worker whole, but are intended to assist a worker at a reasonable cost to the employer. Within that limitation, the wage loss benefit should bear a reasonable relationship to actual wages lost as a result of a work-related injury or disease.

It is the intent of the legislature to assert that a conclusive presumption exists which recognizes that a holder of a current, valid independent contractor exemption certificate issued by the Department is an independent contractor if the person is working under the independent contractor exemption certificate. The holder of an independent contractor exemption certificate waives the rights, benefits, and obligations of workers' compensation unless the person elects personal coverage under one of Montana's workers' compensation three options for insurance.

A worker's removal from the workforce because of a work-related injury or disease has a negative impact on the worker, the worker's family, the employer, and the general public. Therefore, an objective of the workers' compensation system is to return a worker to work as soon as possible after the worker has suffered a work-related injury or disease.

Montana's workers' compensation and occupational disease insurance system is intended to be primarily self-administering. Claimants should be able to speedily obtain benefits, and employers should be able to provide coverage at reasonably constant rates. To meet these objectives, the system must be designed to minimize reliance upon lawyers and the courts to obtain benefits and interpret liabilities.

Title 39, chapter 71, MCA must be construed according to its terms and not liberally in favor of any party.

The legislature's intent regarding stress claims, often referred to as mental-mental claims and mental-physical claims, is not to provide for compensation under Montana's workers' compensation and occupational disease laws. The legislature recognizes that these claims are difficult to objectively verify and that the claims have a potential to place an

economic burden on the workers' compensation and occupational disease system. The legislature also recognizes that there are other states that do not provide compensation for various categories of stress claims and that stress claims have presented economic problems for certain other jurisdictions. In addition, not all injuries are compensable under the present system, and it is within the legislature's authority to define the limits of the workers' compensation and occupational disease system.

(§39-71-105, MCA)

LABOR-MANAGEMENT ADVISORY COUNCIL

The Labor-Management Advisory Council (LMAC), commissioned by the Department of Labor and Industry in June 2013, provides a structure for an organized discussion of workers' compensation policy and monitors the effectiveness of existing reforms. The LMAC gathers information, furnishes advice, and makes recommendations on workers' compensation to the Commissioner in order to improve the workers' compensation system in Montana.

At the request of Governor Steve Bullock, Lt. Governor Angela McLean chairs the LMAC. The LMAC consists of 10 voting members and a subcommittee of five nonvoting members.

The five employer representatives on the LMAC are:

- Bill Dahlgren (Sun Mountain Sports)
- Annette Hoffman (St. Vincent's Healthcare)
- Marvin Jordan (Montana Contractors Compensation Fund)
- Bob Worthington (Montana Self-Insurers Association)
- Lance Zanto (State of Montana Workers' Compensation Management Bureau)

The five labor representatives are:

- Doug Buman (Laborers' International Union of North America)
- Chris Cavazos (Montana AFL-CIO)
- Don Judge (Injured Workers Resource Council)
- Jim Larson (Teamsters Local 190)
- Al Smith (Montana Trial Lawyers Association)

The LMAC subcommittee members are:

- Bob Olsen (Montana Hospital Association)
- Jean Branscum (Montana Medical Association)
- Kevin Braun (Montana State Fund)
- Bonnie Lyytinen-Hale (Rehabilitation Association of Montana)
- Jacqueline Lenmark (American Insurance Association)

The LMAC's activities in 2014 focused on evaluating system needs and improvements and creating legislative proposals for the 2015 Legislature. The work of the LMAC Safety Committee, composed of representatives from the Montana University System, the Office of Public Instruction, Montana State Fund, and the Montana Chamber of Commerce, resulted in proposing enabling legislation for a state-based OSHA program. In addition, the LMAC discussed the impact of reduced claims and benefits on the funding mechanism for state-administered services and drafted changes for legislative approval.

The LMAC supported five bills during the 2015 Legislature, three of which passed. HB 90 made several system changes, including decreasing medical fee schedule updates from three times per year to one each year. SB 4 authorized the appointment of substitute workers' compensation judges during a vacancy. SB 259 increased the workers' compensation assessment cap from up to 3% of benefits paid in the preceding year to up to 4% and created a separate occupational health and safety administration assessment with a cap at up to 2%. The LMAC held weekly teleconference meetings during the session.

LMAC meetings are open to the public and public comment is encouraged. For more information on the council, visit: <http://www.mtlmac.com>.

INSURANCE COVERAGE REQUIREMENTS

If you are an employer or an employee, the Workers' Compensation and Occupational Disease Acts apply. An employer who has an employee in service under any appointment or contract of hire, expressed or implied, oral or written, must elect to be bound by the provisions of compensation Plan 1 (self-insured), Plan 2 (private insured), or Plan 3 (Montana State Fund).

This information is intended to be descriptive. It is not all inclusive, nor is it intended to be used for legal determination of the mandatory coverage requirements. Please contact The Employment Relations Division at 406-444-0564, or your workers' compensation insurer, concerning coverage requirements and/or excluded or exempted employments.

EXCLUSIONS

The Workers Compensation Act may exclude from the definition of employee the services listed below:

- Volunteers
- Volunteers at recreational facilities receiving no compensation other than meals, lodging, or the use of the recreational facilities
- Licensed foster parents providing care for no more than 6 foster children without wage compensation
- Farm-owner occasionally assisting his or her neighboring farmers

(§39-71-118, MCA)

EMPLOYMENTS EXEMPTED

The Workers' Compensation Act may not apply to the employments listed below:

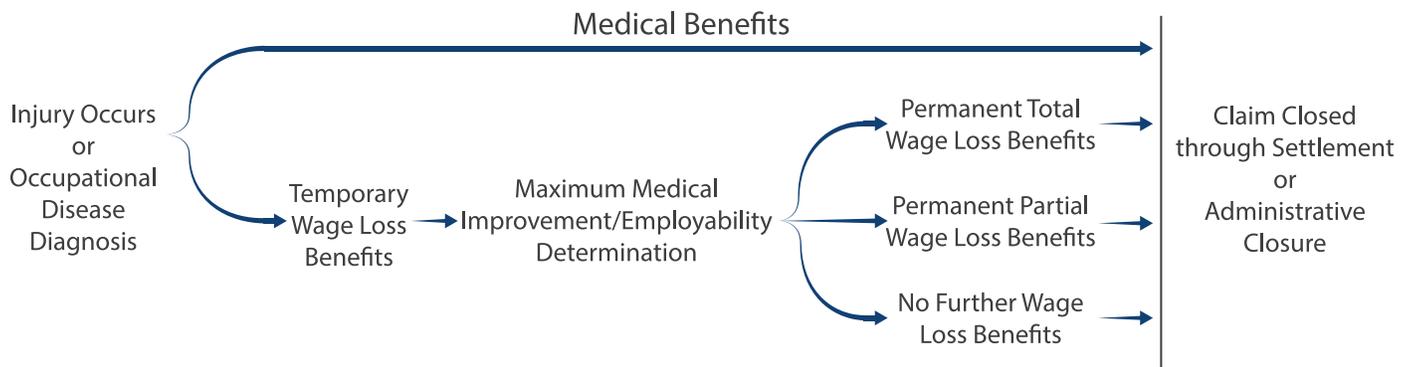
- Household or domestic employment;
- Casual employment;
- Dependent member of an employer's family for whom an exemption may be claimed by the employer under the Federal Internal Revenue Code;
- Sole proprietors, working members of a partnership, working members of a limited liability partnership, or working members of a member-managed limited liability company;
- Real estate, securities or insurance salesperson paid solely by commission without a guarantee of minimum earnings;
- A direct seller;
- Employment for which a rule of liability for injury, occupational disease, or death is provided under the laws of the United States;

- A person performing services in return for aid or sustenance only, except employment of search and rescue volunteers;
- Employment with a railroad engaged in interstate commerce, except railroad construction work;
- An official, including a timer, referee, umpire or judge, at a school amateur athletic event;
- A person performing services as a newspaper carrier or freelance correspondent if acknowledged in writing that the services are not covered;
- Cosmetologist's services and barber's services;
- A person who is employed by an enrolled tribal member or an association, business, corporation, or other entity that is at least 51% owned by an enrolled tribal member or members, whose business is conducted solely within the reservation;
- A jockey who is performing under a license issued by the Board of Horse Racing, from the time the jockey reports to the scale room prior to a race, through the time weighed out, and has acknowledged in writing that the jockey is not covered while performing services as a jockey ;
- Trainer, assistant trainer, exercise person or pony person who is providing services under the Board of Horse Racing while on the grounds of a licensed race meet;
- An employer's spouse;
- A petroleum land professional;
- An officer of a quasi-public or a private corporation or manager of a manager-managed limited liability company;
- A person who is an officer or a manager of a ditch company;
- Service performed by an ordained, commissioned or licensed minister of a church;
- Providers of companionship services or respite care, if a family member or legal guardian employs the person providing care;
- A person performing services of an intrastate or interstate common or contract motor carrier when hired by an individual or entity who meet the definition of a broker or freight forwarder;
- A person who is not an employee or worker in Montana;
- Independent contractors who maintain a current, valid, independent contractor exemption certificate from the Department;
- An athlete employed by or on a team or sports club engaged in a contact sport; and
- A musician performing under a written contract.

(§39-71-401, MCA)

LIFE OF A CLAIM

EXHIBIT 2.1
Highlights of a Compensable Wage Loss Claim



Workplace injuries and illnesses do happen and when a Montana employee files a workers' compensation claim, the process that is followed and the actions taken are directed by statute and administrative rule. Medical and indemnity (or wage loss) benefits due an injured worker are determined by the statutes in effect at the time of injury. The key requirements and benefits of a recent, typical Montana workers' compensation claim are generally described below. The benefits payable on a claim depend on the specific facts of each claim, and the statutes in effect on the date of injury.

REPORTING REQUIREMENTS

When an injury occurs, the injured worker or their authorized representative has 30 days from the date of injury to notify the employer or the insurer (§39-71-603, MCA).

The employer then has 6 days from the date of notification of an accident, injury or occupational disease to report the injury to the insurer or the DLI (§39-71-307, MCA).

The claimant or the claimant's representative has 12 months from the date of injury to file a claim, (§39-71-601(1), MCA), or 12 months from the date the claimant knew or should have known of an occupational disease (§39-71-601(3), MCA).

The claim filing time can be extended up to an additional 24 months if it can be proven that the worker was somehow prevented from filing the claim because of something the employer or the insurer said or did, or if the injury was latent or the worker lacked knowledge of disability (§39-71-601(2), MCA).

The signed claim form or First Report of Injury and Occupational Disease (FROI) (form ERD-991) can be submitted to the employer or sent directly to the insurer or the DLI (§39-71-601(1), MCA).

The insurer shall accept or deny a claim within 30 days of receipt of a signed claim for compensation by the claimant, the employer or the claimant's representative. If the claim is denied, the worker is notified in writing of the denial (§39-71-606, MCA).

If further investigation is needed before the insurer accepts liability and the 30 day limitation for a decision on compensability is due to expire, the insurer may pay wage loss and/or medical benefits without such payment being an indication of admission of liability or waiver of any right of defense (§39-71-608 and §39-71-615, MCA).

MEDICAL BENEFITS

For dates of loss prior to July 1, 2011, in addition to using an emergency room or urgent care center, the claimant has the right to select the first treating physician (within the treating physician definition). The insurer must then approve changes of treating physicians. The insurer has the right to deny payment for any unauthorized medical referrals and treatments (§39-71-1101, MCA, and ARM 24.29.1510).

For dates of loss July 1, 2011 and thereafter, the claimant may choose the treating physician for initial treatment. Any time after acceptance of liability the insurer may designate a different treating physician (within the treating physician definition) or approve claimant's choice of the treating physician. The designated treating physician agrees to be responsible for coordination of care, timely workability determinations, treatment under the Utilization and Treatment Guidelines (U&T Guidelines) or prior authorization from the insurer, and referral to other health care providers.

Medical providers bill the insurer directly. Payment is made according to a fee schedule (§39-71-704(2) and (3), MCA). The medical provider must accept the fee

scheduled reimbursement as payment in full, and the claimant is not responsible for any balance.

The insurer is responsible for reasonable primary medical services, for conditions that are a direct result of the compensable injury or Occupational Disease (OD). An insurer is not responsible for treatment or services outside the U&T Guidelines, unless authorized by the insurer prior to the treatment or procedure (§39-71-704(1) and (3), MCA).

For dates of loss prior to July 1, 2011, the claimant is responsible for payment of: (1) unauthorized treatment, (2) medical care not related to the injury, (3) medical services if treatment is not received for 60 months, (4) secondary medical services and palliative or maintenance care unless specifically covered, and (5) medical procedures specifically excluded (§39-71-704, MCA and ARM 24.29.1401).

For dates of loss of July 1, 2011 and thereafter, the claimant is responsible for payment of: (1) medical care not related to the injury, (2) medical services provided 60 months or more after the date of injury or diagnosis of an OD unless medical benefits are reopened, or the claimant is deemed permanently totally disabled, (3) secondary medical services and palliative or maintenance care unless specifically covered, and (4) medical procedures specifically excluded (§39-71-704, §39-71-717, MCA, and ARM 24.29.1401).

For dates of loss prior to July 1, 2011, medical benefits terminate when not used for a period of 60 consecutive months. The insurer may not be required to furnish palliative or maintenance care after the claimant has achieved maximum medical improvement (MMI) (§39-71-704, MCA).

For dates of loss July 1, 2011 and thereafter, medical benefits terminate 60 months after the date of injury or the date of diagnosis of an OD, unless the claimant is deemed permanently totally disabled, or the medical benefits are reopened. A worker may request reopening of terminated benefits within 5 years of termination. The insurer may not be required to furnish palliative or maintenance care after the claimant has achieved MMI (§39-71-704 and §39-71-717, MCA).

INDEMNITY OR WAGE LOSS BENEFITS

The first 4 days or 32 hours (whichever is less) of total wage loss is not compensable. For dates of injury after July 1, 2011, if the worker is totally disabled and unable to work in any capacity for 21 days or longer, compensation must be paid retroactively to

the first day of total wage loss. A claimant cannot use sick leave and receive wage loss benefits at the same time (§39-71-736, MCA). Temporary Total Disability (TTD) benefits are based on 66 2/3% of the claimant's average weekly gross wages, subject to a maximum of the state's average weekly wage, and are paid bi-weekly until the claimant returns to work or has reached Maximum Medical Improvement (MMI) (§39-71-701 and §39-71-740, MCA).

If prior to attaining MMI and due to medical restrictions, the claimant returns to work at less than the wages received at the time of injury, they may be entitled to Temporary Partial Disability (TPD) benefits. TPD is paid until the claimant returns to work without a wage-loss or reaches MMI (§39-71-712, MCA).

If after reaching MMI, the claimant has a residual impairment greater than zero and a wage loss, the insurer is required to pay out the Permanent Partial Disability (PPD) liability bi-weekly, unless the claimant requests a lump sum payment (§39-71-703 and §39-71-741, MCA).

PPD benefits may be payable, based on extent of the impairment, the claimant's age, and education, wage-loss and work capacity restrictions. The benefit amount is determined by the specifics of each individual case, and the statutory language in effect on the date of injury (§39-71-703, MCA).

If the worker is precluded from returning to the job they held at the time of injury and suffers an actual wage loss or has an impairment of 15% or greater, the worker is eligible for vocational rehabilitation services.

In these situations, the insurer designates a vocational rehabilitation provider and vocational rehabilitation services are provided to the claimant as soon as possible. If a rehabilitation plan is established which indicates some type of retraining, the claimant may be eligible to receive monies for tuition, fees, books and other reasonable and necessary retraining expenses. The worker may also receive bi-weekly benefit payments based on the TTD rate (§39-71-1006, MCA). Financial assistance may also be available for reasonable travel and relocation for training and job-related expenses, subject to a maximum amount of \$4,000 (§39-71-1025, MCA).

If the claimant is deemed to be Permanently Totally Disabled (PTD), benefits can continue until the claimant reaches retirement age (§39-71-710, MCA).

WORKERS' COMPENSATION MARKET

Montana employers have three options for securing workers' compensation coverage for their employees. Employers that meet the Department's financial requirements may opt to become self-insured (Plan 1), either individually or by joining with other employers in their industry to form a self-insured group. Employers may also obtain coverage with private insurance companies (Plan 2) in the voluntary market. Finally, employers can insure through Montana State Fund (Plan 3). Montana State Fund's role as the guaranteed market provides assurance that all Montana employers can provide workers' compensation insurance coverage for their employees.

During CY14, Montana had 25 individual self-insured employers, 3 private groups with 112 member employers, and 5 public groups with 417 member employers. In 2014, there were 202 private carriers that reported premiums to the Department. That compares to 208 private carriers in 2013.

Since self-insured employers typically do not report premium, there is not an "apples to apples" means by which to compare all three Plans' share of the Montana workers' compensation market. The reported payroll for self-insured employers has increased 7.9% since CY09. (CY13 is the most recent calendar year for which payroll data are available.)

The premium for private insurers and Montana State Fund is compared in Exhibits 2.3 and 2.4 on the next page. The total premium reported for calendar year 2014 by both Plans increased 2.6% from 2013. Montana State Fund reported premium increased 3.3% in 2014, which is the second increase in reported premium for Montana State Fund since 2007.

EXHIBIT 2.2
Gross Annual Payroll - Self Insured
By Calendar Year



EXHIBIT 2.3
Premium Market Share – Private Insured and State Fund
By Calendar Year and Plan

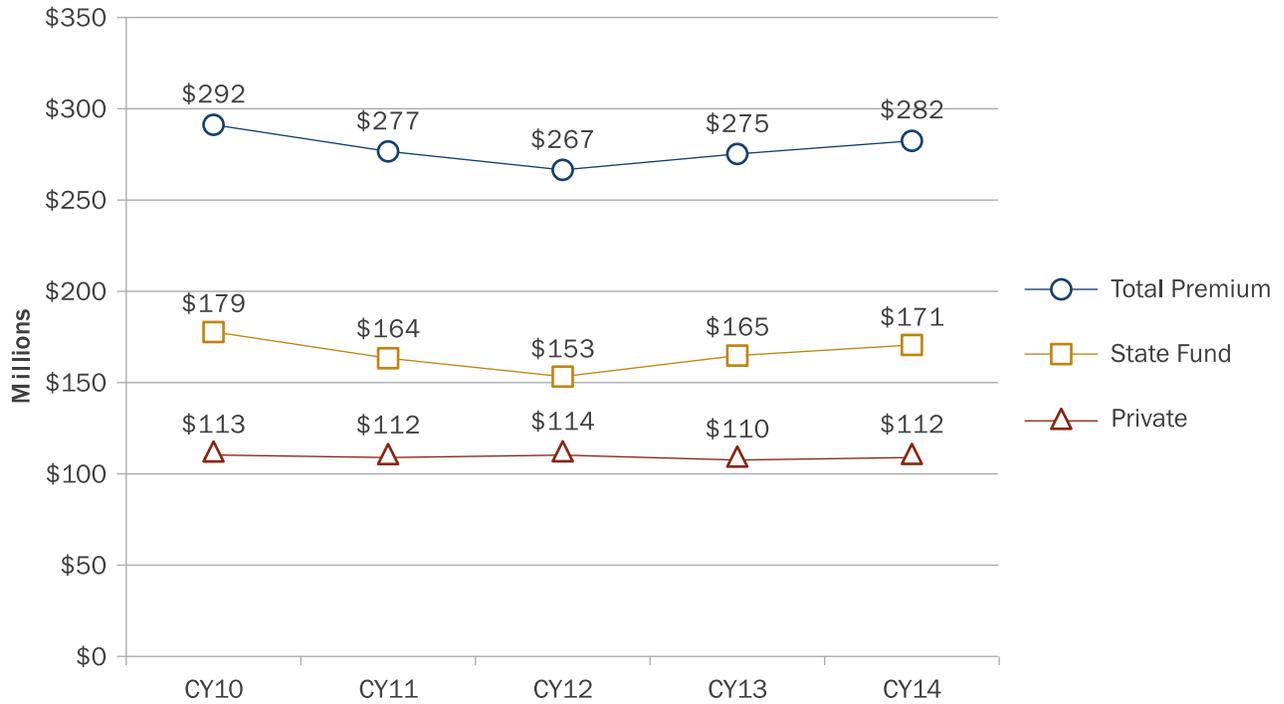


EXHIBIT 2.4
Premium Market Share – Private Insured and State Fund
By Calendar Year and Plan

	CY10		CY11		CY12		CY13		CY14	
	Amount	%								
Private	\$113,028,190	39%	\$112,318,868	41%	\$113,744,533	43%	\$109,737,052	40%	\$111,583,813	40%
State Fund	\$178,563,513	61%	\$164,389,649	59%	\$153,423,174	57%	\$165,398,283	60%	\$170,881,461	60%
Total Premium	\$291,591,703	100%	\$276,708,517	100%	\$267,167,707	100%	\$275,135,335	100%	\$282,465,274	100%

SECTION 3

CLAIM STATISTICS

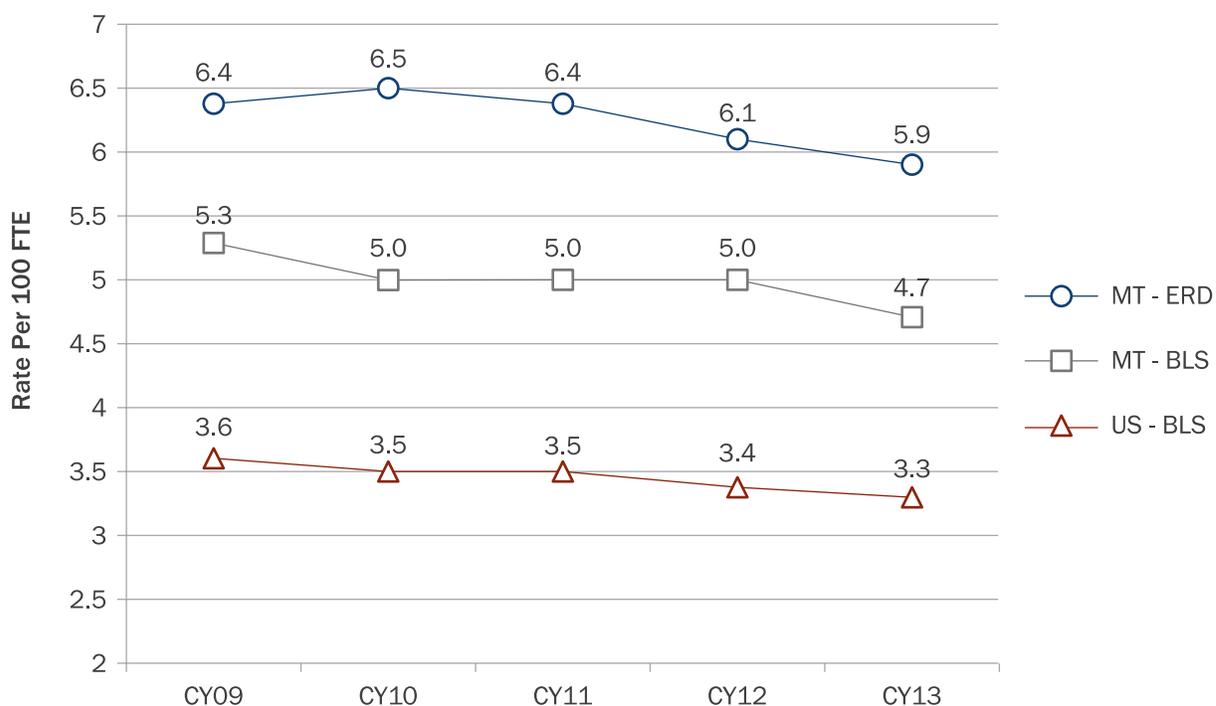
- **INCIDENCE RATES**
- **CLAIM INCIDENCE RATES BY COUNTY**
- **CLAIMS BY PLAN TYPE**
- **INJURED WORKER CHARACTERISTICS**
- **INSURER DENIAL OF CLAIMS**

INCIDENCE RATES

The Bureau of Labor Statistics (BLS) calculates national and Montana incidence rates based on the annual Survey of Occupational Injuries and Illnesses. ERD calculates incidence rates from a census of claim counts, based on First Reports of Injury reported to ERD.

Montana's incidence rates, as calculated by both BLS and ERD, remain significantly higher than the BLS calculated national average. The BLS incidence rate for Montana in CY13 was 142% of the national average. On positive notes, the BLS incidence rate for Montana decreased 6.0 percent from CY12 to CY13 and the ERD calculated claim incidence rate decreased 3.3 percent from CY12 to CY13, the third consecutive year of decrease.

EXHIBIT 3.1
Injury and Illness Incidence Rates – CY09 to CY13
By Calendar Year



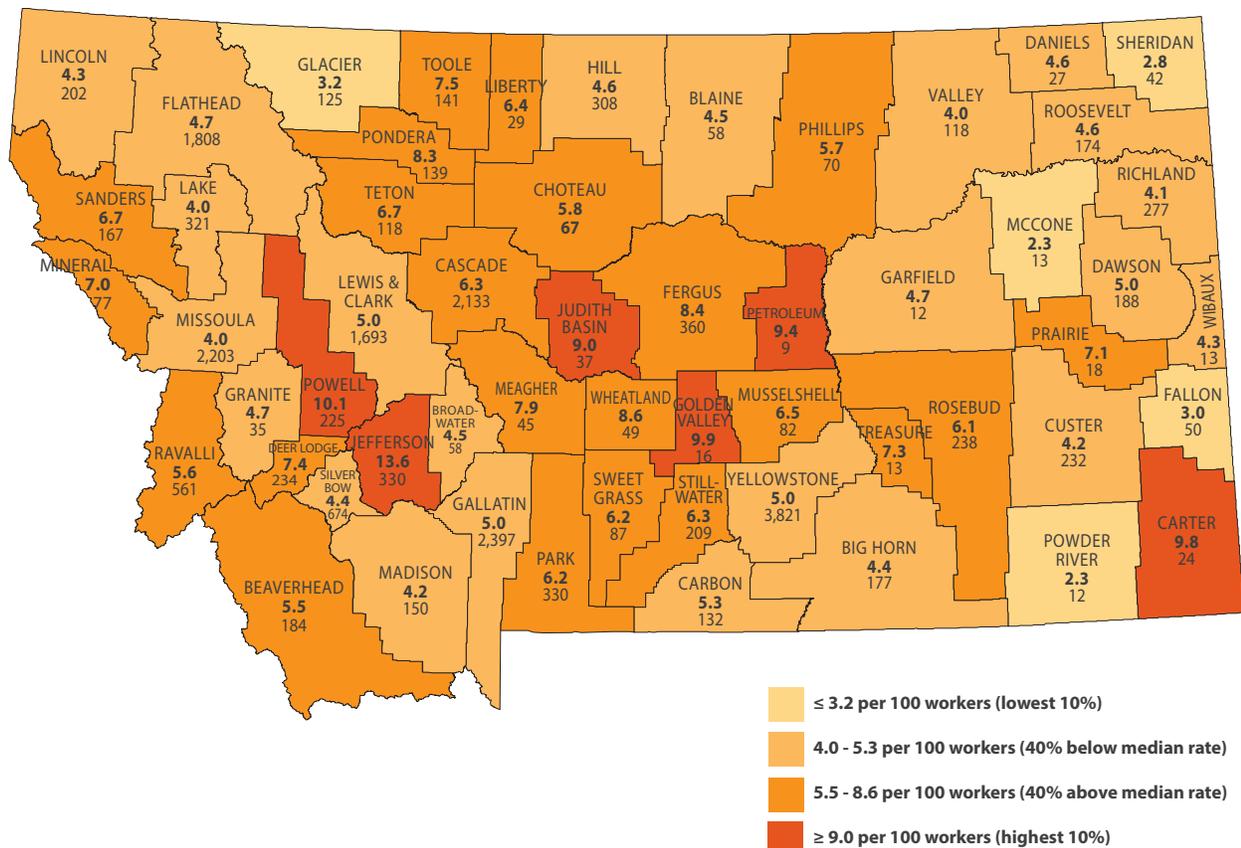
CLAIM INCIDENCE RATES BY COUNTY

County-level claim incidence rates were calculated by dividing the number of reported claims in each county by the number of employees in the county. Injury location is not always reported so the number of reported claims per county may be underestimated. The state-level rate was calculated using all reported claims in Montana. Employment data is from the Quarterly Census of Employment and Wages report from the Bureau of Labor Statistics.

Some limitations of employment data are that it does not include federal employees, military, self-employed, or small farms (fewer than 11 employees).

The state incidence rate was 6.1 per 100 employees in FY14, a slight increase from FY13. The incidence rate decreased in a majority (33) of counties.

EXHIBIT 3.2
Claim Incidence Rate and Number of Claims – FY14
By County



CLAIMS BY PLAN TYPE

EXHIBIT 3.3
Reported Claims
By Plan Type and Fiscal Year of Injury

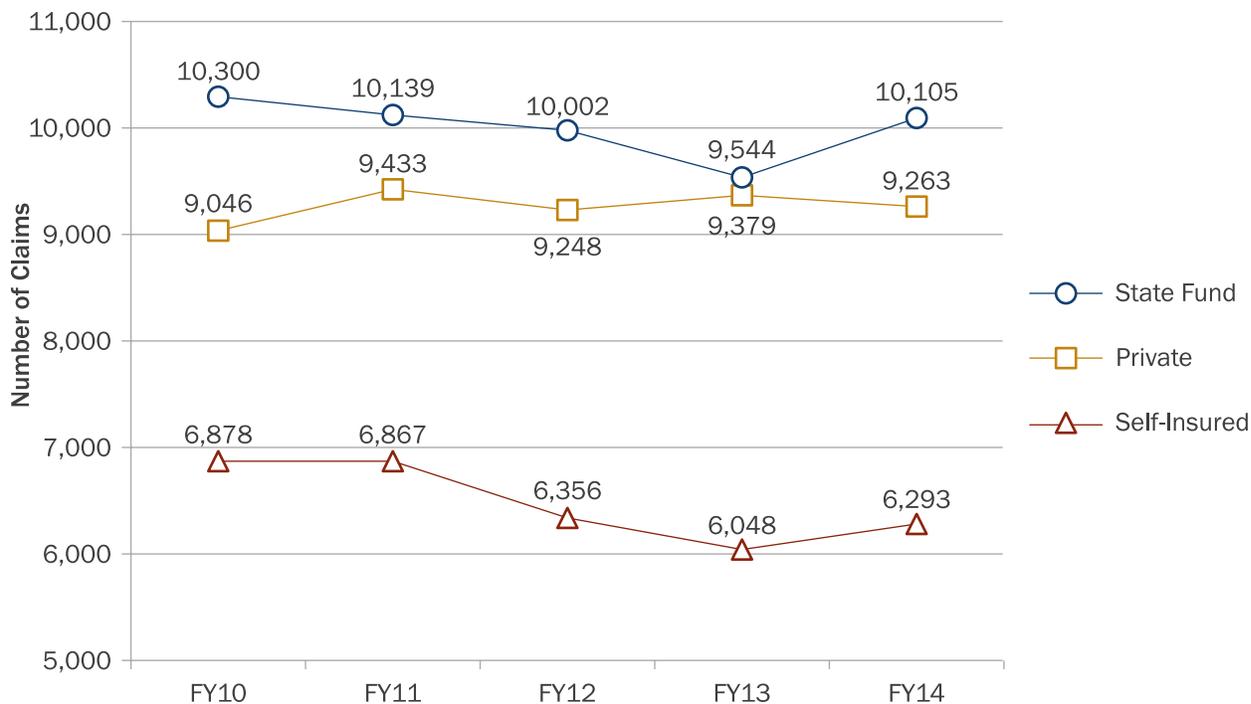


EXHIBIT 3.4
Reported Claims
By Plan Type and Fiscal Year of Injury

Plan Type	FY10		FY11		FY12		FY13		FY14	
	Count	%								
Self-Insured	6,878	26%	6,867	26%	6,356	25%	6,048	24%	6,293	24%
Private	9,046	34%	9,433	36%	9,248	36%	9,379	37%	9,263	36%
State Fund	10,300	39%	10,139	38%	10,002	39%	9,544	38%	10,105	39%
UEF ¹	61	0%	42	0%	49	0%	34	0%	40	0%
NOC ²	16	0%	14	0%	14	0%	19	0%	12	0%
Total	26,301	100%	26,495	100%	25,669	100%	25,024	100%	25,713	100%

¹UEF-Uninsured Employers' Fund

²NOC-Not otherwise classified

INJURED WORKER CHARACTERISTICS

EXHIBIT 3.5
Reported Claims
By Claimant Age at Time of Injury and Fiscal Year of Injury

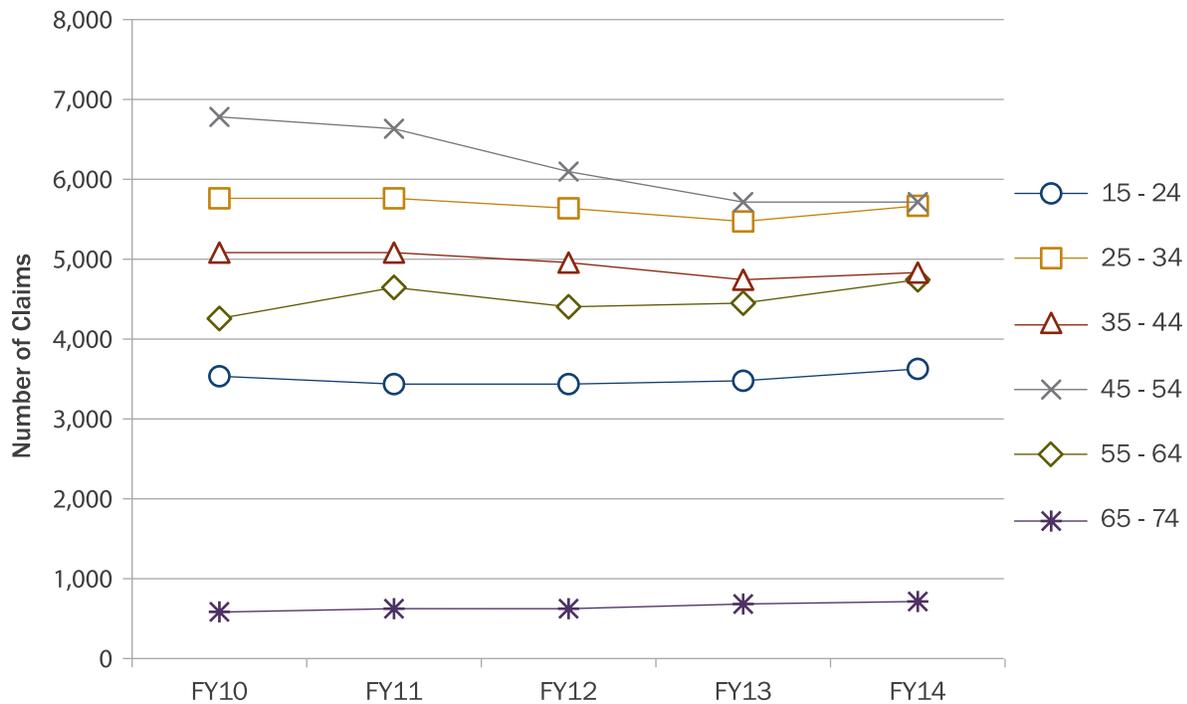
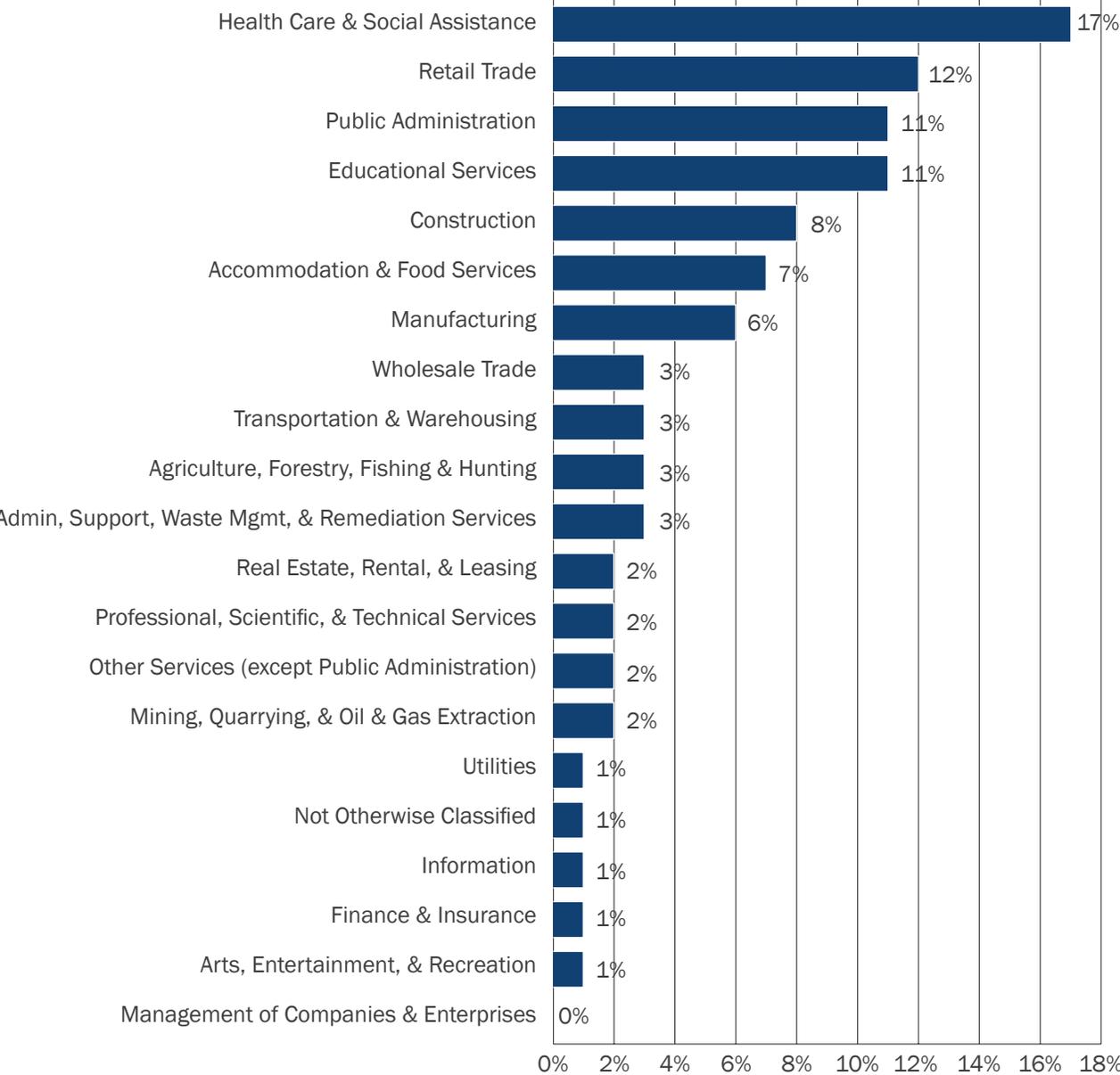


EXHIBIT 3.6
Reported Claims
By Claimant Age at Time of Injury and Fiscal Year of Injury

Age Group	FY10		FY11		FY12		FY13		FY14	
	Count	%								
15 to 24	3,539	13%	3,449	13%	3,458	13%	3,470	14%	3,626	14%
25 to 34	5,767	22%	5,745	22%	5,657	22%	5,479	22%	5,654	22%
35 to 44	5,098	19%	5,065	19%	5,012	20%	4,767	19%	4,826	19%
45 to 54	6,775	26%	6,652	25%	6,112	24%	5,722	23%	5,728	22%
55 to 64	4,248	16%	4,669	18%	4,404	17%	4,476	18%	4,760	19%
65 to 74	590	2%	610	2%	607	2%	687	3%	725	3%
NOC ³	284	1%	305	1%	419	2%	423	2%	394	2%
Total	26,301	100%	26,495	100%	25,669	100%	25,024	100%	25,713	100%

³NOC – Not otherwise classified

EXHIBIT 3.7
Reported Claims – FY14
By Industry



INJURED WORKER CHARACTERISTICS

EXHIBIT 3.8
Reported Claims
By Industry and Fiscal Year of Injury

Industry	FY10		FY11		FY12		FY13		FY14	
	Count	%								
Health Care & Social Assistance	4,570	17%	4,472	17%	4,093	16%	4,099	16%	4,485	17%
Retail Trade	3,430	13%	3,327	13%	3,105	12%	3,149	13%	3,139	12%
Public Administration	3,127	12%	3,027	11%	3,036	12%	2,885	12%	2,942	11%
Educational Services	2,917	11%	3,146	12%	2,746	11%	2,669	11%	2,870	11%
Construction	1,881	7%	1,799	7%	1,855	7%	1,803	7%	1,989	8%
Accommodation & Food Services	1,859	7%	1,864	7%	1,872	7%	1,963	8%	1,864	7%
Manufacturing	1,596	6%	1,599	6%	1,764	7%	1,661	7%	1,520	6%
Wholesale Trade	845	3%	918	3%	938	4%	928	4%	895	3%
Admin, Support, Waste Mgmt, & Remediation Services	1,022	4%	1,019	4%	1,007	4%	861	3%	872	3%
Transportation & Warehousing	643	2%	776	3%	744	3%	708	3%	855	3%
Agriculture, Forestry, Fishing & Hunting	885	3%	798	3%	786	3%	744	3%	770	3%
Mining, Quarrying, & Oil & Gas Extraction	659	3%	672	3%	784	3%	692	3%	620	2%
Other Services (except Public Administration)	489	2%	552	2%	557	2%	548	2%	545	2%
Real Estate, Rental, & Leasing	279	1%	523	2%	505	2%	497	2%	535	2%
Professional, Scientific, & Technical Services	429	2%	498	2%	491	2%	500	2%	451	2%
Arts, Entertainment, & Recreation	377	1%	359	1%	313	1%	348	1%	320	1%
Finance & Insurance	310	1%	314	1%	243	1%	215	1%	265	1%
Information	270	1%	244	1%	239	1%	224	1%	210	1%
Utilities	280	1%	264	1%	241	1%	215	1%	193	1%
Management of Companies & Enterprises	20	0%	26	0%	45	0%	40	0%	42	0%
Not Otherwise Classified	413	2%	298	1%	305	1%	275	1%	331	1%
Total	26,301	100%	26,495	100%	25,669	100%	25,024	100%	25,713	100%

EXHIBIT 3.9
Reported Claims – FY14
By Cause of Injury

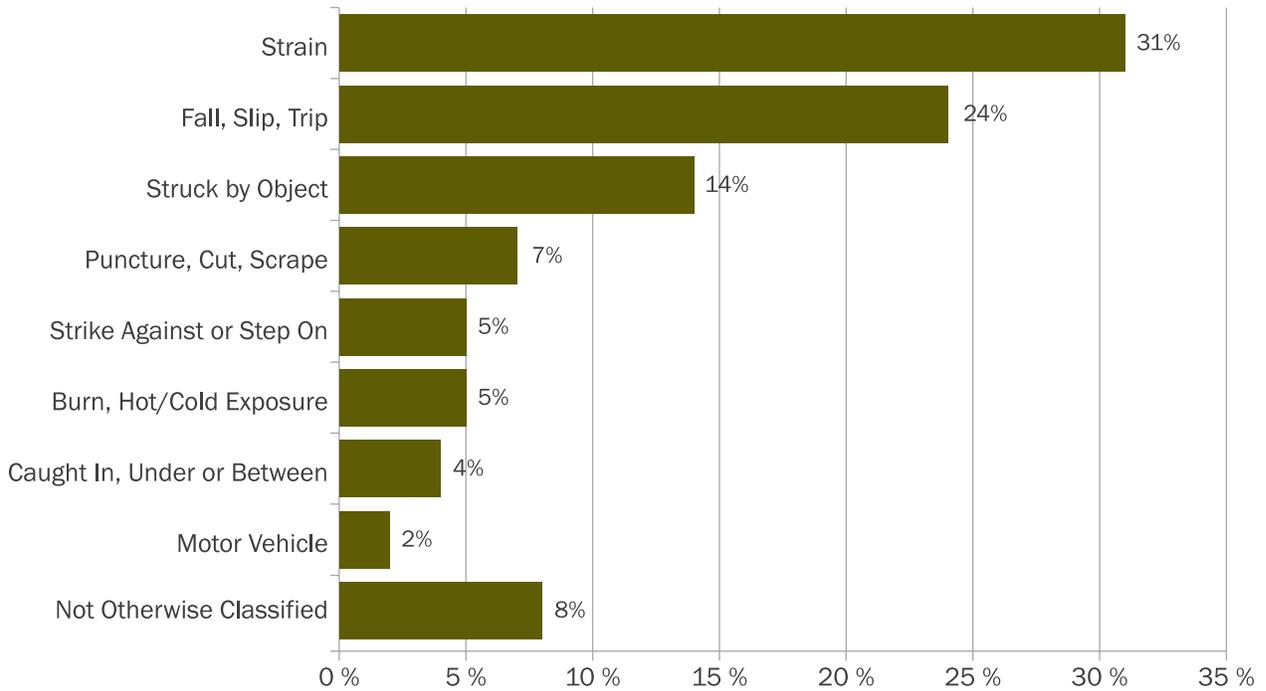


EXHIBIT 3.10
Reported Claims
By Cause of Injury and Fiscal Year of Injury

Cause of Injury	FY10		FY11		FY12		FY13		FY14	
	Count	%								
Strain	9,129	35%	8,556	32%	8,549	33%	8,146	33%	7,884	31%
Fall, Slip, Trip	5,896	22%	6,620	25%	5,236	20%	5,345	21%	6,264	24%
Struck by Object	3,683	14%	3,708	14%	3,920	15%	3,647	15%	3,724	14%
Puncture, Cut, Scrape	1,822	7%	1,723	7%	1,880	7%	1,865	7%	1,732	7%
Strike Against or Step On	1,338	5%	1,345	5%	1,328	5%	1,336	5%	1,351	5%
Burn, Hot/Cold Exposure	1,011	4%	1,097	4%	1,158	5%	1,313	5%	1,295	5%
Caught in, under or between	1,049	4%	1,021	4%	1,053	4%	938	4%	914	4%
Motor Vehicle	537	2%	527	2%	519	2%	516	2%	546	2%
Not Otherwise Classified	1,836	7%	1,898	7%	2,026	8%	1,918	8%	2,003	8%
Total	26,301	100%	26,495	100%	25,669	100%	25,024	100%	25,713	100%

INJURED WORKER CHARACTERISTICS

EXHIBIT 3.11 Reported Claims – FY14 By Industry and Cause of Injury

Cause of Injury										
Industry	Burn, Hot/Cold Exposure	Caught In, Under or Between	Fall, Slip, Trip	Motor Vehicle	Puncture, Cut, Scrape	Strain	Strike Against or Step On	Struck By Object	NOC	Total
Health Care & Social Assistance	240	103	1,034	47	386	1,461	171	574	469	4,485
Retail Trade	128	134	591	37	259	1,112	188	443	247	3,139
Public Administration	166	89	752	94	120	865	163	432	261	2,942
Educational Services	74	51	1,153	29	182	582	135	540	124	2,870
Construction	73	84	379	42	116	667	139	326	163	1,989
Accommodation & Food Services	152	51	492	22	302	485	101	145	114	1,864
Manufacturing	89	105	222	17	75	551	78	215	168	1,520
Wholesale Trade	86	36	177	17	60	289	35	122	73	895
Admin, Support, Waste Mgmt, & Remediation Services	76	27	191	30	35	303	61	96	53	872
Transportation & Warehousing	29	38	247	50	19	291	37	89	55	855
Agriculture, Forestry, Fishing & Hunting	28	61	189	43	10	172	54	173	40	770
Mining, Quarrying, & Oil & Gas Extraction	37	48	96	24	12	215	25	110	53	620
Other Services (except Public Administration)	30	21	117	14	38	179	33	63	50	545
Real Estate, Rental, & Leasing	14	9	130	14	29	189	37	98	15	535
Professional, Scientific, & Technical Services	20	10	101	12	13	126	26	123	20	451
Arts, Entertainment, & Recreation	18	13	85	8	22	98	20	41	15	320
Finance & Insurance	6	9	125	5	8	76	13	12	11	265
Information	3	4	69	14	12	63	8	29	8	210
Utilities	17	10	43	8	18	49	5	34	9	193
Management of Companies & Enterprises	0	0	15	5	1	15	1	4	1	42
Not Otherwise Classified	9	11	56	14	15	96	21	55	54	331
Grand Total	1,295	914	6,264	546	1,732	7,884	1,351	3,724	2,003	25,713

EXHIBIT 3.12
Reported Claims – FY14
By Nature of Injury

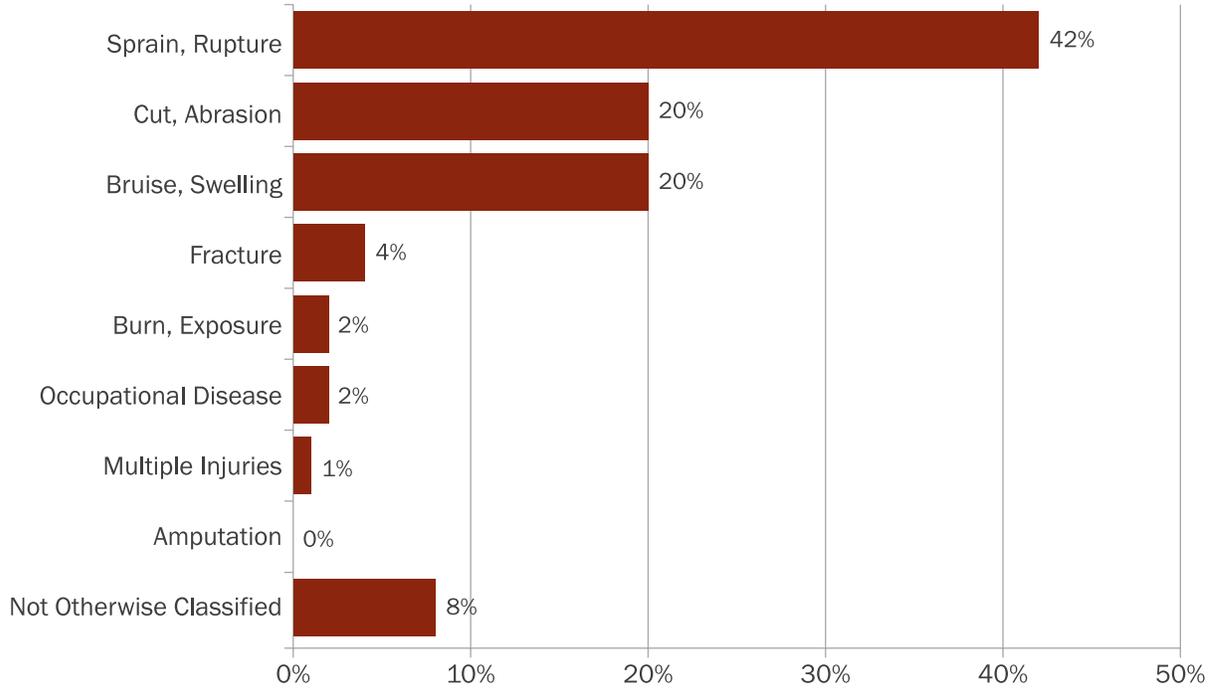


EXHIBIT 3.13
Reported Claims
By Nature of Injury and Fiscal Year of Injury

Nature of Injury	FY10		FY11		FY12		FY13		FY14	
	Count	%								
Sprain, Rupture	11,644	44%	11,643	44%	10,872	42%	10,823	43%	10,906	42%
Cut, Abrasion	5,103	19%	4,947	19%	5,326	21%	5,171	21%	5,194	20%
Bruise, Swelling	5,036	19%	5,085	19%	4,827	19%	4,585	18%	5,090	20%
Fracture	1,036	4%	1,099	4%	1,093	4%	992	4%	1,004	4%
Burn, Exposure	637	2%	603	2%	590	2%	646	3%	599	2%
Occupational Disease	610	2%	755	3%	619	2%	584	2%	584	2%
Multiple Injuries	191	1%	148	1%	120	0%	148	1%	189	1%
Amputation	77	0%	53	0%	40	0%	49	0%	56	0%
Not Otherwise Classified	1,967	7%	2,162	8%	2,182	9%	2,026	8%	2,091	8%
Total	26,301	100%	26,495	100%	25,669	100%	25,024	100%	25,713	100%

INJURED WORKER CHARACTERISTICS

EXHIBIT 3.14
Reported Claims - FY14
By Part of Body

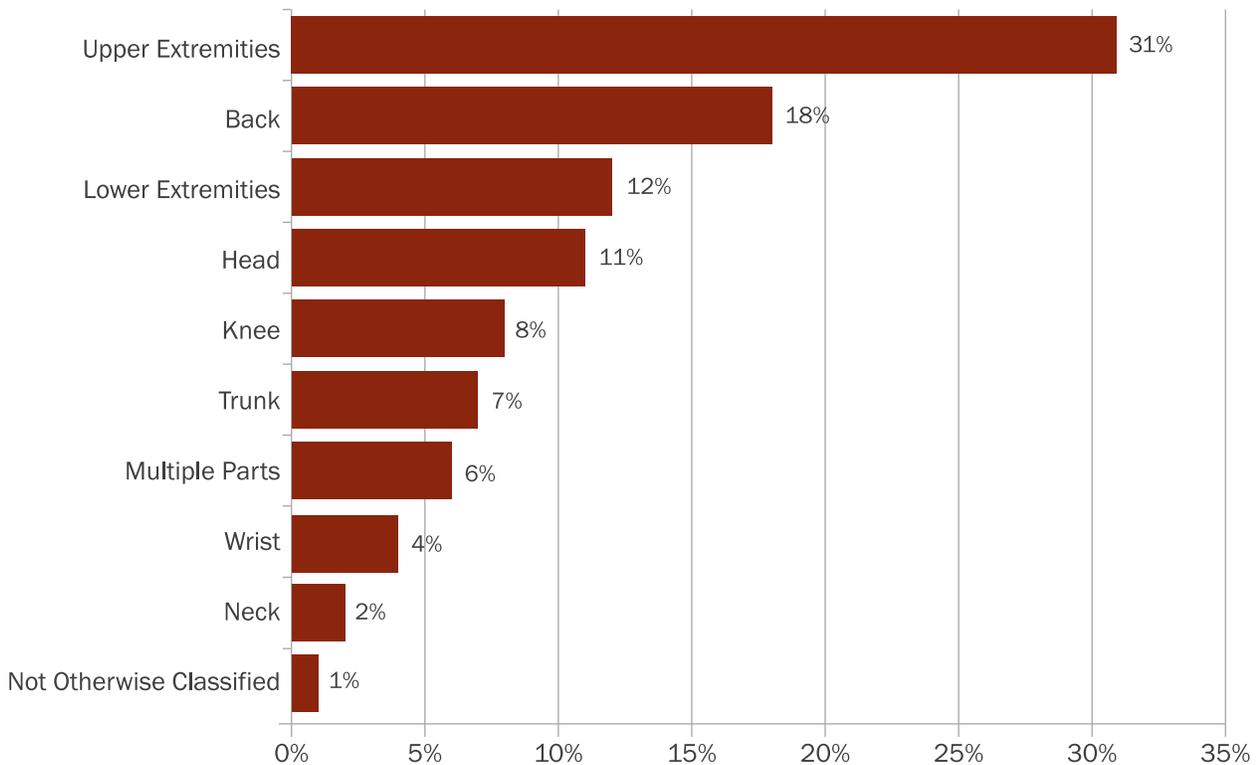


EXHIBIT 3.15
Reported Claims
By Part of Body and Fiscal Year of Injury

Part of Body	FY10		FY11		FY12		FY13		FY14	
	Count	%								
Upper Extremities	8,087	31%	8,121	31%	8,173	32%	8,018	32%	7,979	31%
Back	4,927	19%	4,801	18%	4,579	18%	4,433	18%	4,514	18%
Lower Extremities	2,960	11%	3,006	11%	2,942	11%	2,836	11%	3,013	12%
Head	2,844	11%	2,882	11%	2,837	11%	2,731	11%	2,887	11%
Knee	2,257	9%	2,277	9%	2,105	8%	2,119	8%	2,142	8%
Trunk	1,714	7%	1,726	7%	1,724	7%	1,688	7%	1,768	7%
Multiple Parts	1,518	6%	1,657	6%	1,253	5%	1,299	5%	1,438	6%
Wrist	1,145	4%	1,130	4%	1,170	5%	1,111	4%	1,124	4%
Neck	553	2%	613	2%	585	2%	585	2%	583	2%
Not Otherwise Classified	296	1%	282	1%	301	1%	204	1%	265	1%
Total	26,301	100%	26,495	100%	25,669	100%	25,024	100%	25,713	100%

INSURER DENIAL OF CLAIMS

EXHIBIT 3.16
Insurer Denial of Claims
By Fiscal Year of Injury

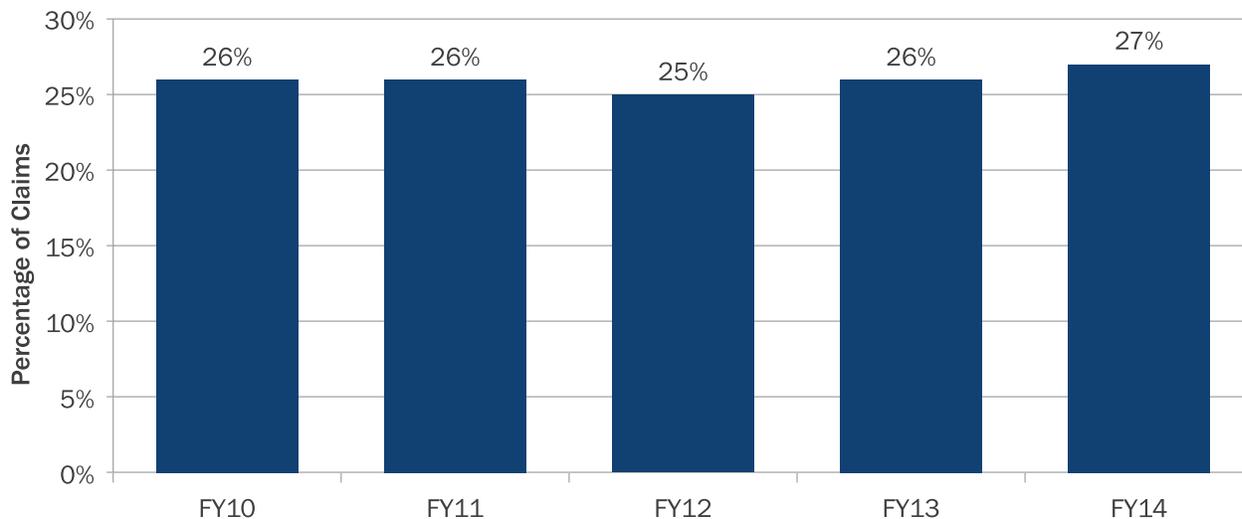


EXHIBIT 3.17
Insurer Denial of Claims
By Reason of Denial and Fiscal Year of Injury

Reason for Claim Denial		FY10	FY11	FY12	FY13	FY14
Coverage Issue	Corporate officer rejected	1	0	1	2	1
	Elects no coverage	3	1	1	0	0
	Independent Contractor issue	0	1	1	0	1
	Question which insurer liable	3	4	5	6	2
	No coverage	30	31	40	39	73
Definition of Injury	Heart attack - not caused by accident	8	2	2	1	0
	Does not meet definition of injury	439	347	315	234	229
	Does not meet definition of Occupational Disease	52	51	43	39	33
	Stress - not compensable	12	17	8	15	13
Insufficient Information	Incomplete or missing information necessary to accept liability	39	94	115	35	68
Late Claim Filing	Injury	159	236	145	199	167
	Occupational Disease	0	0	0	0	0
No Employer Notice	No 30-day notice to employer or insurer	151	111	124	122	133
Not in Course & Scope	Not in course and scope of employment	469	523	516	437	442
No Objective Medical	No objective medical findings to substantiate injury	5,023	5,012	4,814	5,153	5,347
Other/Not Otherwise Classified		334	419	219	151	210
Total		6,723	6,849	6,349	6,433	6,719

SECTION 4

BENEFITS

- **TOTAL BENEFITS**
- **INSURER MISCELLANEOUS EXPENSES**
- **BENEFIT DISTRIBUTION**
- **TEMPORARY DISABILITY PAID DURATION**
- **SETTLEMENT DOLLARS**
- **SETTLEMENT OF MEDICAL BENEFITS FOR BEST INTEREST**
- **INJURED WORKER ATTORNEY FEES**
- **INSURER LEGAL EXPENSES**

TOTAL BENEFITS

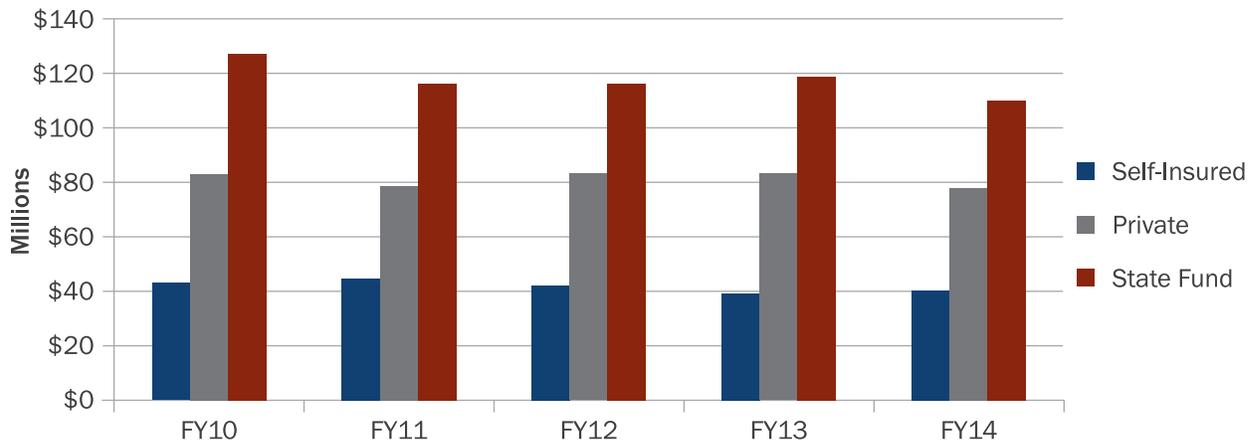
The total benefits paid for each fiscal year are compiled from the total dollars that insurers report paid in that year for medical and indemnity benefits, regardless of the original date of injury. This data is compiled from quarterly expenditure reports submitted to the Department by workers' compensation insurers or by claim administrators on the insurers' behalf.

The share of total benefits paid between the three Plans remained stable, although total benefits paid decreased 5.6% from FY13 to FY14. Total medical

payments decreased 6.1% from FY13 to FY14. This is significant in that quarterly expenditure reports since 1997 have not shown any other instance of a year-to-year decrease in medical payments. Indemnity benefits have decreased every year since FY10, decreasing 4.7% from FY13 to FY14.

Please note that prior years' benefit totals may have been updated since the publication of previous annual reports due to the receipt of amended quarterly expenditure reports.

EXHIBIT 4.1
Total Benefits Paid¹
By Plan Type and Fiscal Year of Payment



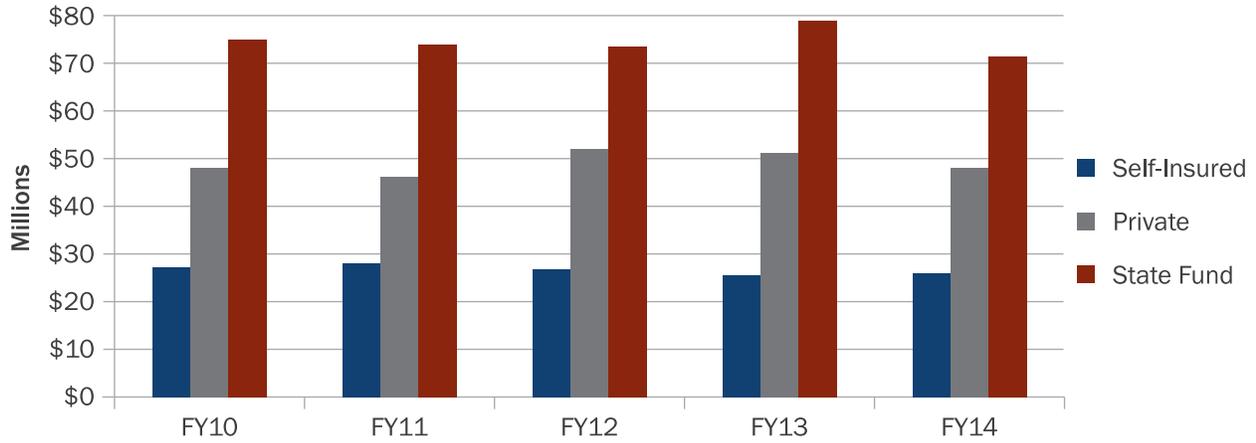
¹Total benefits paid represent indemnity and medical (including medical in excess of \$200,000) from DLI quarterly expenditure reports.

EXHIBIT 4.2
Total Benefits Paid
By Plan Type and Fiscal Year of Payment

Plan Type	FY10		FY11		FY12		FY13		FY14	
	Amount	%								
Self-Insured	\$42,481,215	17%	\$43,680,403	18%	\$41,062,063	17%	\$38,585,311	16%	\$39,072,836	17%
Private	\$82,556,884	33%	\$77,955,422	33%	\$82,784,689	35%	\$82,517,779	35%	\$76,983,400	34%
State Fund	\$126,405,068	50%	\$115,345,118	49%	\$115,037,148	48%	\$117,694,452	49%	\$109,289,961	48%
Total	\$251,443,167	100%	\$236,980,943	100%	\$238,883,900	100%	\$238,797,542	100%	\$225,346,197	100%

TOTAL BENEFITS

EXHIBIT 4.3
Medical Payments²
By Plan Type and Fiscal Year of Payment



²Total includes medical in excess of \$200,000, from DLI quarterly expenditure reports.

EXHIBIT 4.4
Medical Payments
By Plan Type and Fiscal Year of Payment

Plan Type	FY10		FY11		FY12		FY13		FY14	
	Amount	%								
Self-Insured	\$26,808,418	18%	\$27,627,722	19%	\$26,422,994	18%	\$25,105,588	16%	\$25,762,018	18%
Private	\$47,638,514	32%	\$45,653,623	31%	\$51,538,641	34%	\$50,653,724	33%	\$47,611,486	33%
State Fund	\$74,791,306	50%	\$73,910,420	50%	\$73,234,300	48%	\$78,502,158	51%	\$71,421,450	49%
Total	\$149,238,238	100%	\$147,191,765	100%	\$151,195,935	100%	\$154,261,470	100%	\$144,794,954	100%

EXHIBIT 4.5
Indemnity Payments
By Plan Type and Fiscal Year of Payment

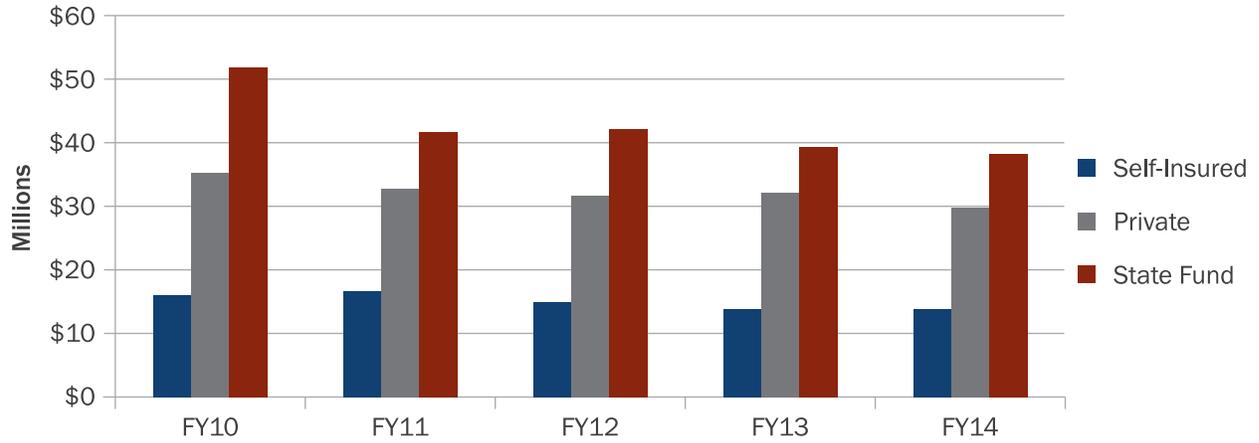


EXHIBIT 4.6
Indemnity Payments
By Plan Type and Fiscal Year of Payment

Plan Type	FY10		FY11		FY12		FY13		FY14	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Self-Insured	\$15,672,797	15%	\$16,052,682	18%	\$14,639,070	17%	\$13,479,723	16%	\$13,310,818	17%
Private	\$34,918,371	34%	\$32,301,799	36%	\$31,246,048	36%	\$31,864,055	38%	\$29,371,914	36%
State Fund	\$51,613,762	51%	\$41,434,698	46%	\$41,802,848	47%	\$39,192,294	46%	\$37,868,511	47%
Total	\$102,204,930	100%	\$89,789,179	100%	\$87,687,966	100%	\$84,536,072	100%	\$80,551,243	100%

INSURER MISCELLANEOUS EXPENSES

Miscellaneous expenses are reported to the Department as a part of the quarterly expenditure reports submitted by workers' compensation insurers or by claim administrators on the insurers' behalf. Miscellaneous expenses are costs incurred on a claim by an insurer other than medical and indemnity benefits. These costs include, but are not limited to:

- rehabilitation services provided by a licensed rehabilitation provider or the department of health and human services;
- rehabilitation expenses, such as books and tuition;
- auxiliary rehabilitation benefits, such as relocation expenses;
- administrative costs for processing of claims, such as the costs of investigation or adjusting the claim;
- independent medical examinations requested by the insurer where the purpose of the examination is not for the diagnosis or treatment of the claimant's condition;
- matching payments to a catastrophically injured worker's family; and
- various other miscellaneous costs that do not constitute an indemnity or medical benefit provided to the claimant or beneficiary.

EXHIBIT 4.7
Insurer Miscellaneous Expenses
By Plan Type and Fiscal Year

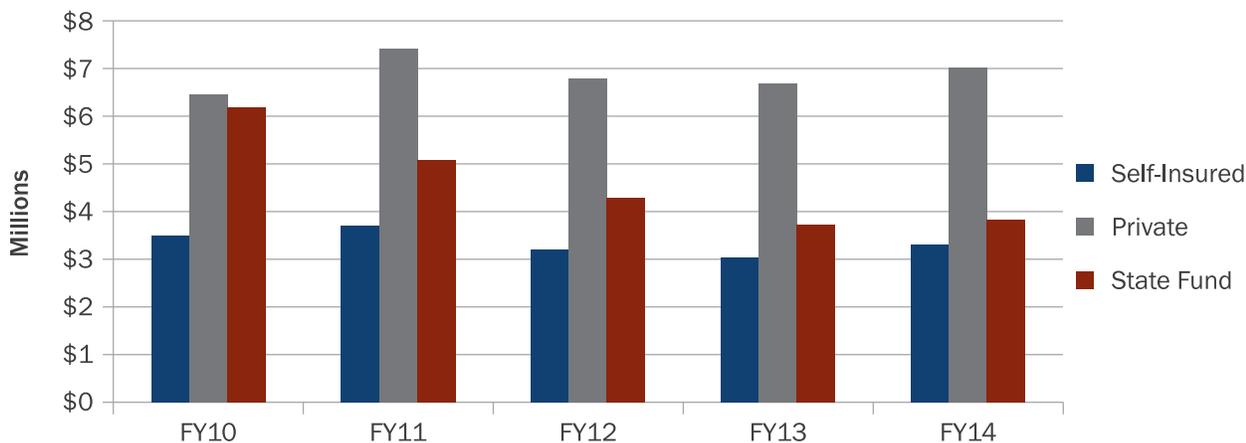


EXHIBIT 4.8
Insurer Miscellaneous Expenses
By Plan Type and Fiscal Year

Plan Type	FY10		FY11		FY12		FY13		FY14	
	Amount	%								
Self-Insured	\$3,467,398	22%	\$3,700,578	23%	\$3,188,877	22%	\$3,036,694	23%	\$3,317,717	23%
Private	\$6,445,380	40%	\$7,452,139	46%	\$6,807,376	48%	\$6,689,774	50%	\$7,007,139	50%
State Fund	\$6,172,023	38%	\$5,108,382	31%	\$4,284,226	30%	\$3,724,473	28%	\$3,817,460	27%
Total	\$16,084,801	100%	\$16,261,099	100%	\$14,280,479	100%	\$13,450,941	100%	\$14,142,316	100%

BENEFIT DISTRIBUTION

Exhibits 4.9 through 4.14 show various breakdowns of benefits paid on indemnity claims, using data from Subsequent Reports of Injury (SROIs) received by the Department.

EXHIBIT 4.9
Total Benefits Paid on Indemnity Claims
By Benefit Type and Fiscal Year of Injury

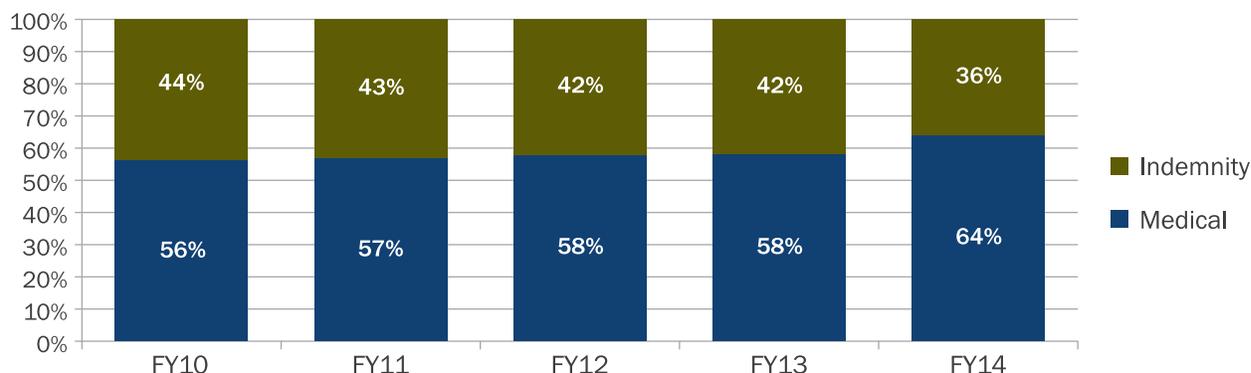
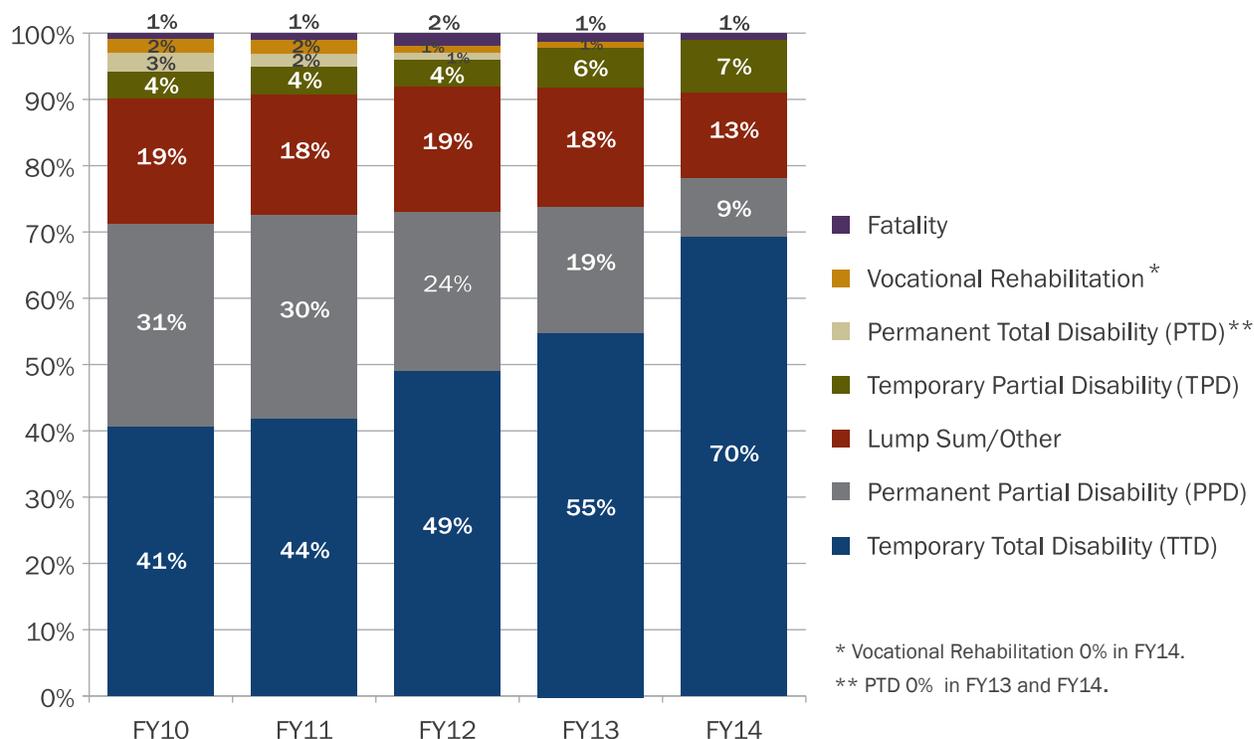


EXHIBIT 4.10
Indemnity Benefits Paid³
By Benefit Type and Fiscal Year of Injury



³Benefit breakdowns change as claims mature. For example, the percentage of PPD benefits will increase over time since they normally occur later in the life of a claim. Conversely, TTD benefits usually occur earlier in the life of a claim.

BENEFIT DISTRIBUTION

EXHIBIT 4.11
Medical Dollars on Indemnity Claims
By Type of Medical Provider and Fiscal Year of Injury

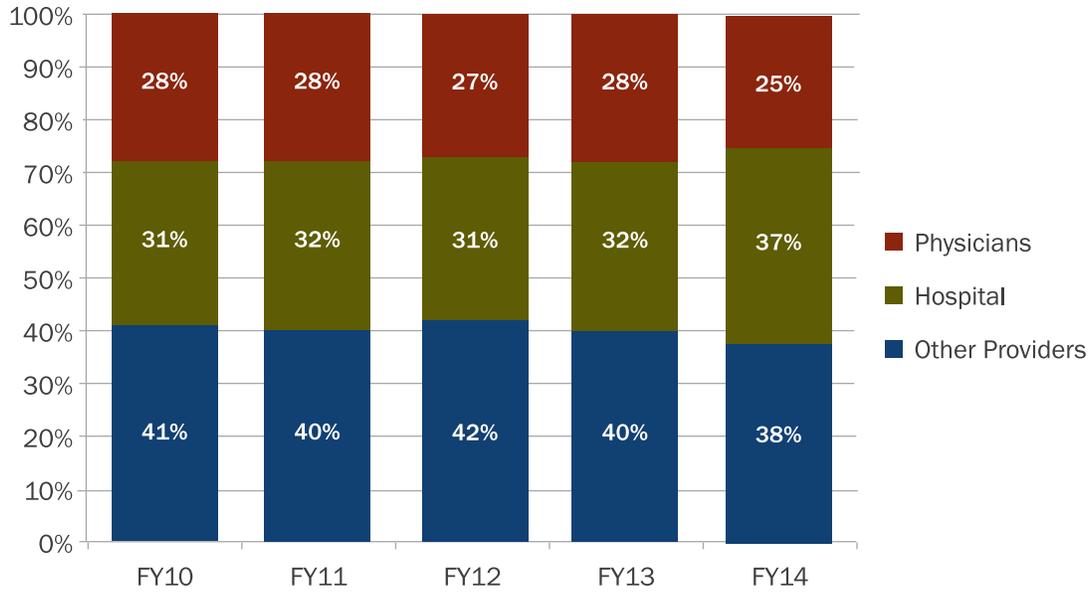
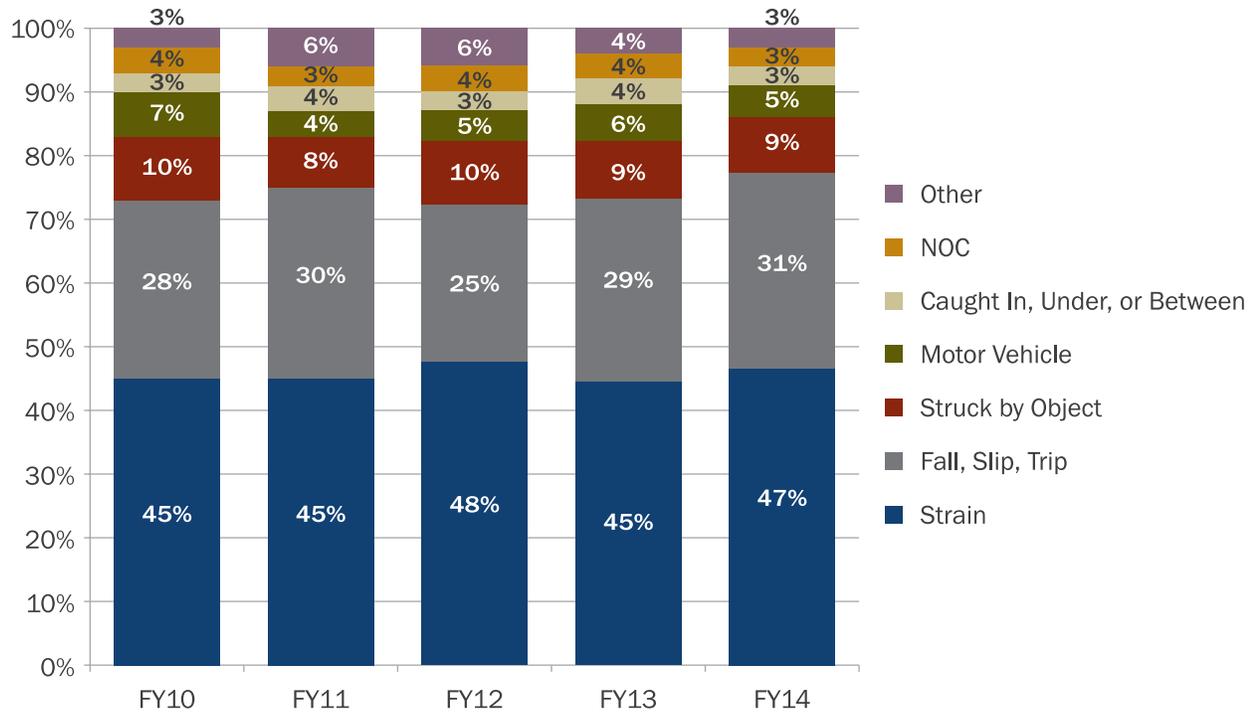
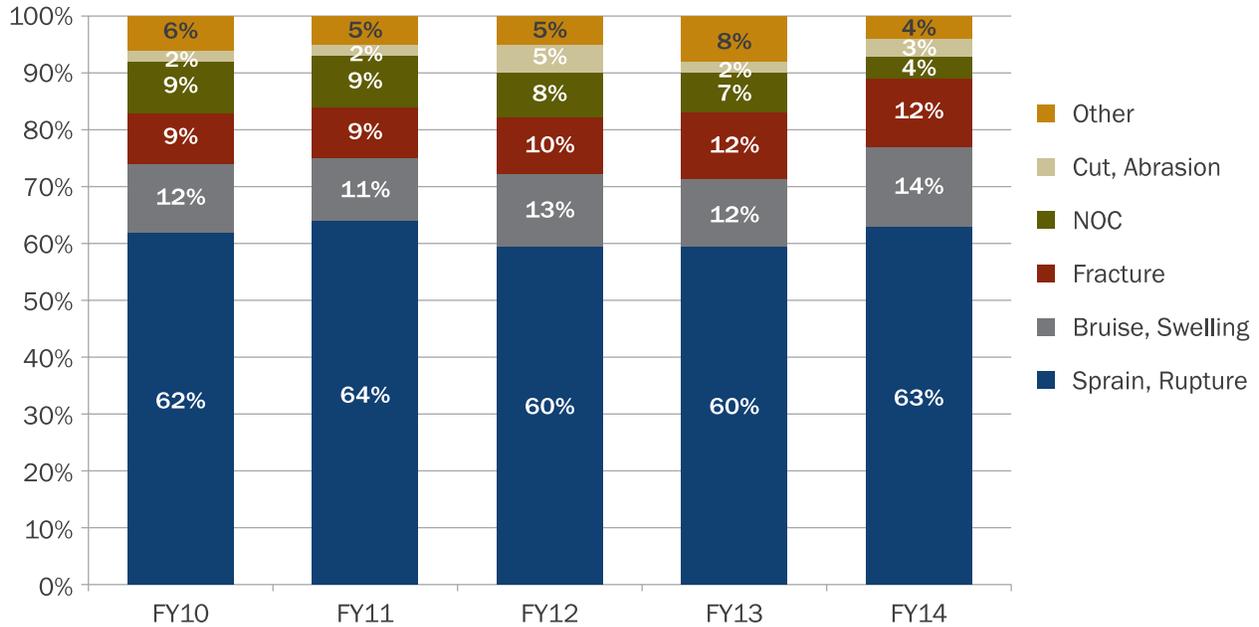


EXHIBIT 4.12
Total Benefits Paid on Indemnity Claims⁴
By Cause of Injury and Fiscal Year of Injury



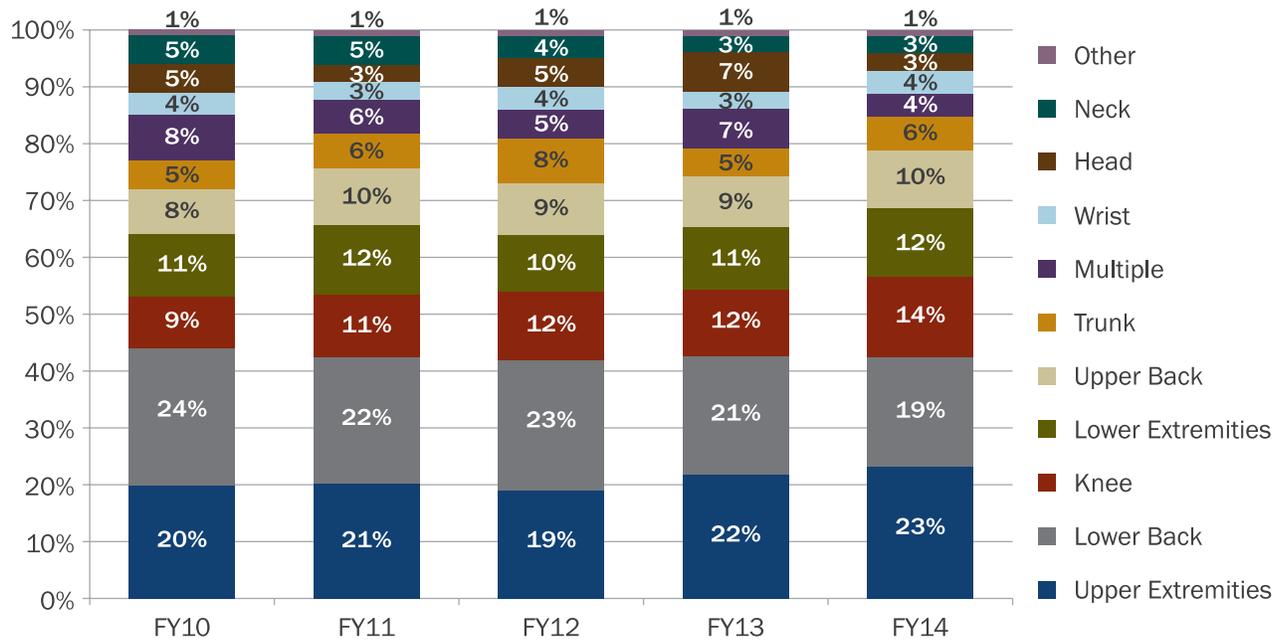
⁴Other includes Strike against or Step on; Burn, Hot/Cold Exposure; and Puncture, Cut, Scrape

EXHIBIT 4.13
Total Benefits Paid on Indemnity Claims⁵
By Nature of Injury and Fiscal Year of Injury



⁵Other includes Amputation; Burn, Exposure; Occupational Disease; and Multiple Injuries

EXHIBIT 4.14
Total Benefits Paid on Indemnity Claims⁶
By Part of Body and Fiscal Year of Injury



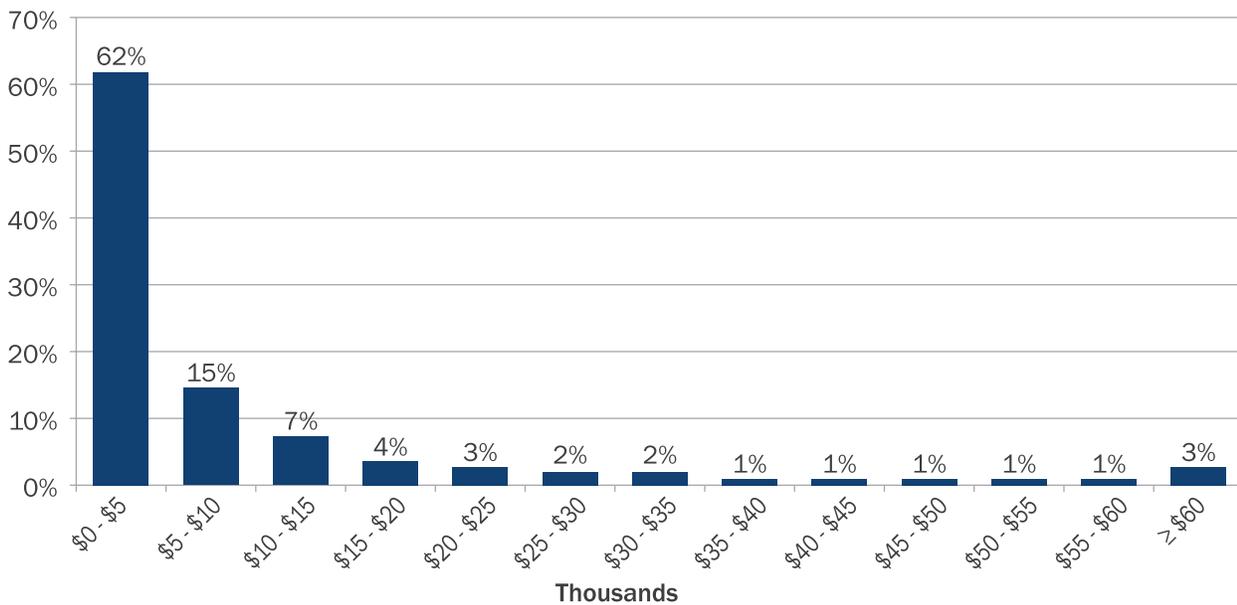
⁶Part of Body as reported on the First Report of Injury.

BENEFIT DISTRIBUTION

The benefit distributions displayed as histograms in Exhibits 4.15 and 4.16 represent the proportion of claims that fall into different benefit dollar ranges. For wage loss claims with dates of injury from FY10 to FY14, most wage loss benefits (88%) were \$20,000 or less. Most medical benefits (79%) were \$20,000 or less.

Exhibits 4.17 to 4.22 show information on wage loss and vocational rehabilitation benefits paid to injured workers or their beneficiaries, displaying data on the number of claims and costs of developing wage loss claims. The benefits paid include both bi-weekly and lump sum payments. These 'benefit triangles' are described in more detail in the Appendix.

EXHIBIT 4.15
Distribution of Wage Loss Benefits Paid – FY10 to FY14¹



¹Total does not sum to 100% due to rounding.

EXHIBIT 4.16
Distribution of Medical Benefits Paid – FY10 to FY14

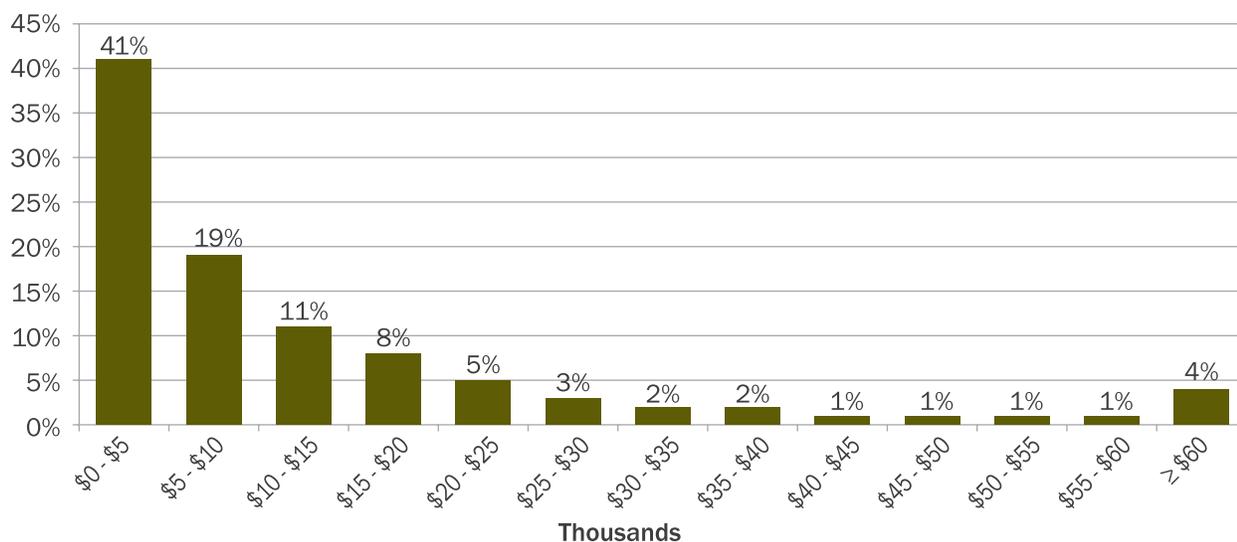


EXHIBIT 4.17

Total Wage Loss Benefits: TTD, TPD, PTD, PPD

Injury Year	Category	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
2007	Claims	4,443	1,614	818	424	252	142	96	66
	Average Yearly Benefits	\$6,713	\$12,484	\$17,073	\$15,919	\$16,181	\$11,898	\$10,917	\$9,946
	Average Total Benefits	\$6,713	\$22,764	\$39,925	\$54,231	\$61,927	\$68,373	\$77,860	\$81,280
	Percent	60%	22%	11%	6%	3%	2%	1%	1%
2008	Claims	4,699	1,706	774	410	211	130	84	
	Average Yearly Benefits	\$6,286	\$15,442	\$16,335	\$16,704	\$15,008	\$15,943	\$10,756	
	Average Total Benefits	\$6,286	\$25,501	\$38,813	\$52,718	\$62,800	\$76,568	\$88,575	
	Percent	61%	22%	10%	5%	3%	2%	1%	
2009	Claims	4,152	1,644	684	322	170	85		
	Average Yearly Benefits	\$7,377	\$14,378	\$15,550	\$13,474	\$18,038	\$13,751		
	Average Total Benefits	\$7,377	\$24,926	\$38,601	\$49,409	\$66,216	\$74,191		
	Percent	59%	23%	10%	5%	2%	1%		
2010	Claims	4,010	1,528	593	281	155			
	Average Yearly Benefits	\$6,434	\$11,893	\$13,276	\$14,299	\$11,055			
	Average Total Benefits	\$6,434	\$21,145	\$34,859	\$50,447	\$56,742			
	Percent	58%	22%	9%	4%	2%			
2011	Claims	3,958	1,525	501	208				
	Average Yearly Benefits	\$7,102	\$11,394	\$15,173	\$55,847				
	Average Total Benefits	\$7,102	\$22,191	\$38,060	\$102,136				
	Percent	59%	23%	7%	3%				
2012	Claims	3,618	957	393					
	Average Yearly Benefits	\$6,098	\$14,727	\$14,217					
	Average Total Benefits	\$6,098	\$26,137	\$39,780					
	Percent	70%	19%	8%					
2013	Claims	3,426	844						
	Average Yearly Benefits	\$6,467	\$13,803						
	Average Total Benefits	\$6,467	\$26,033						
	Percent	72%	18%						
2014	Claims	3,215							
	Average Yearly Benefits	\$5,364							
	Average Total Benefits	\$5,364							
	Percent	100%							

BENEFIT DISTRIBUTION

EXHIBIT 4.18

Wage Loss Benefits: Temporary Total Disability (TTD)

Injury Year	Category	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
2007	Claims	4,140	1,035	478	236	133	73	52	30
	Average Yearly Benefits	\$5,335	\$8,525	\$8,876	\$8,499	\$8,364	\$9,058	\$8,569	\$6,414
	Average Total Benefits	\$5,335	\$18,866	\$28,915	\$35,890	\$43,164	\$49,339	\$58,987	\$54,216
	Percent	94%	24%	11%	5%	3%	2%	1%	1%
2008	Claims	4,311	1,067	438	236	120	68	43	
	Average Yearly Benefits	\$5,096	\$8,664	\$8,768	\$8,833	\$11,380	\$10,632	\$7,811	
	Average Total Benefits	\$5,096	\$19,052	\$27,689	\$36,375	\$45,672	\$59,620	\$62,078	
	Percent	95%	23%	10%	5%	3%	1%	1%	
2009	Claims	3,688	890	376	170	81	38		
	Average Yearly Benefits	\$5,861	\$9,929	\$10,097	\$7,858	\$10,387	\$10,322		
	Average Total Benefits	\$5,861	\$22,179	\$32,630	\$36,756	\$49,661	\$50,368		
	Percent	95%	23%	10%	4%	2%	1%		
2010	Claims	3,437	797	318	156	80			
	Average Yearly Benefits	\$5,110	\$8,781	\$8,828	\$9,254	\$7,577			
	Average Total Benefits	\$5,110	\$18,875	\$29,736	\$37,476	\$42,590			
	Percent	95%	22%	9%	4%	2%			
2011	Claims	3,407	814	289	100				
	Average Yearly Benefits	\$5,479	\$8,822	\$9,667	\$8,694				
	Average Total Benefits	\$5,479	\$19,629	\$32,551	\$44,905				
	Percent	96%	23%	8%	3%				
2012	Claims	3,426	730	248					
	Average Yearly Benefits	\$5,206	\$8,864	\$8,549					
	Average Total Benefits	\$5,206	\$19,952	\$31,144					
	Percent	96%	21%	7%					
2013	Claims	3,206	662						
	Average Yearly Benefits	\$5,475	\$8,841						
	Average Total Benefits	\$5,475	\$20,806						
	Percent	97%	20%						
2014	Claims	3,044							
	Average Yearly Benefits	\$4,674							
	Average Total Benefits	\$4,674							
	Percent	100%							

EXHIBIT 4.19

Wage Loss Benefits: Temporary Partial Disability (TPD)

Injury Year	Category	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
2007	Claims	919	202	64	26	18	7	6	3
	Average Yearly Benefits	\$2,169	\$2,851	\$2,672	\$2,915	\$2,941	\$459	\$988	\$844
	Average Total Benefits	\$2,169	\$5,533	\$6,857	\$7,623	\$12,016	\$4,159	\$4,060	\$1,221
	Percent	89%	20%	6%	3%	2%	1%	1%	0%
2008	Claims	970	188	50	27	18	9	4	
	Average Yearly Benefits	\$2,034	\$2,466	\$3,369	\$3,987	\$4,305	\$1,673	\$1,675	
	Average Total Benefits	\$2,034	\$5,337	\$7,239	\$10,998	\$14,683	\$6,649	\$5,639	
	Percent	91%	18%	5%	3%	2%	1%	0%	
2009	Claims	876	185	60	26	12	4		
	Average Yearly Benefits	\$2,165	\$3,429	\$3,606	\$2,797	\$3,510	\$2,671		
	Average Total Benefits	\$2,165	\$6,900	\$9,768	\$13,983	\$12,982	\$8,344		
	Percent	91%	19%	6%	3%	1%	0%		
2010	Claims	883	190	54	29	7			
	Average Yearly Benefits	\$2,351	\$2,782	\$2,494	\$2,250	\$1,502			
	Average Total Benefits	\$2,351	\$5,942	\$6,548	\$5,948	\$9,330			
	Percent	92%	20%	6%	3%	1%			
2011	Claims	855	169	37	12				
	Average Yearly Benefits	\$2,239	\$3,200	\$1,750	\$1,413				
	Average Total Benefits	\$2,239	\$6,210	\$6,771	\$9,302				
	Percent	93%	18%	4%	1%				
2012	Claims	781	146	28					
	Average Yearly Benefits	\$2,068	\$3,477	\$3,197					
	Average Total Benefits	\$2,068	\$6,382	\$8,465					
	Percent	92%	17%	3%					
2013	Claims	840	123						
	Average Yearly Benefits	\$2,477	\$3,346						
	Average Total Benefits	\$2,477	\$7,812						
	Percent	95%	14%						
2014	Claims	786							
	Average Yearly Benefits	\$2,004							
	Average Total Benefits	\$2,004							
	Percent	100%							

BENEFIT DISTRIBUTION

EXHIBIT 4.20

Wage Loss Benefits: Permanent Total Disability (PTD)

Injury Year	Category	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
2007	Claims	3	15	26	29	28	22	17	16
	Average Yearly Benefits	\$38,989	\$10,262	\$92,540	\$46,008	\$48,816	\$18,607	\$11,628	\$10,183
	Average Total Benefits	\$38,989	\$11,383	\$97,495	\$56,616	\$68,319	\$55,230	\$59,716	\$66,284
	Percent	5%	27%	46%	52%	50%	39%	30%	29%
2008	Claims	6	29	25	27	23	23	17	
	Average Yearly Benefits	\$6,260	\$62,863	\$43,177	\$33,981	\$28,657	\$24,583	\$12,786	
	Average Total Benefits	\$6,260	\$63,826	\$50,948	\$49,809	\$57,012	\$63,668	\$74,549	
	Percent	11%	53%	45%	49%	42%	42%	31%	
2009	Claims	5	9	17	17	20	17		
	Average Yearly Benefits	\$38,459	\$101,590	\$19,710	\$23,588	\$41,928	\$12,135		
	Average Total Benefits	\$38,459	\$102,406	\$22,958	\$34,284	\$56,371	\$40,103		
	Percent	13%	23%	44%	44%	51%	44%		
2010	Claims	3	13	19	21	17			
	Average Yearly Benefits	\$3,613	\$29,830	\$34,462	\$22,653	\$24,554			
	Average Total Benefits	\$3,613	\$30,182	\$35,874	\$33,467	\$49,408			
	Percent	9%	37%	54%	60%	49%			
2011	Claims	3	9	20	11				
	Average Yearly Benefits	\$11,093	\$26,511	\$45,445	\$21,204				
	Average Total Benefits	\$11,093	\$30,209	\$50,067	\$37,111				
	Percent	13%	38%	83%	46%				
2012	Claims	2	11	8					
	Average Yearly Benefits	\$45	\$24,015	\$8,506					
	Average Total Benefits	\$45	\$24,015	\$13,766					
	Percent	13%	69%	50%					
2013	Claims	2	2						
	Average Yearly Benefits	\$3,480	\$35,912						
	Average Total Benefits	\$3,480	\$38,609						
	Percent	50%	50%						
2014	Claims	0							
	Average Yearly Benefits	\$0							
	Average Total Benefits	\$0							
	Percent	100%							

EXHIBIT 4.21
Wage Loss Benefits: Permanent Partial Disability (PPD)

Injury Year	Category	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
2007	Claims	754	1,001	574	291	163	85	52	28
	Average Yearly Benefits	\$7,466	\$10,587	\$12,450	\$11,457	\$9,481	\$7,244	\$7,670	\$10,266
	Average Total Benefits	\$7,466	\$12,547	\$19,107	\$22,788	\$23,363	\$23,710	\$23,659	\$25,992
	Percent	40%	54%	31%	16%	9%	5%	3%	2%
2008	Claims	873	1,167	566	274	116	63	33	
	Average Yearly Benefits	\$6,369	\$12,693	\$13,348	\$13,646	\$9,176	\$12,208	\$10,155	
	Average Total Benefits	\$6,369	\$14,455	\$20,098	\$26,712	\$24,908	\$25,363	\$34,137	
	Percent	42%	56%	27%	13%	6%	3%	2%	
2009	Claims	1,086	1,216	512	227	111	41		
	Average Yearly Benefits	\$6,377	\$10,898	\$12,281	\$11,141	\$10,565	\$13,058		
	Average Total Benefits	\$6,377	\$12,608	\$18,189	\$21,769	\$22,610	\$24,864		
	Percent	49%	55%	23%	10%	5%	2%		
2010	Claims	1,238	1,109	415	174	79			
	Average Yearly Benefits	\$4,968	\$9,246	\$10,070	\$11,684	\$8,589			
	Average Total Benefits	\$4,968	\$10,779	\$15,097	\$21,901	\$22,997			
	Percent	55%	49%	19%	8%	4%			
2011	Claims	1,221	1,088	345	136				
	Average Yearly Benefits	\$6,139	\$8,653	\$11,114	\$77,180				
	Average Total Benefits	\$6,139	\$11,582	\$15,010	\$101,721				
	Percent	55%	49%	16%	6%				
2012	Claims	322	413	212					
	Average Yearly Benefits	\$8,111	\$16,570	\$15,607					
	Average Total Benefits	\$8,111	\$18,166	\$22,379					
	Percent	45%	57%	29%					
2013	Claims	245	318						
	Average Yearly Benefits	\$10,273	\$16,531						
	Average Total Benefits	\$10,273	\$18,039						
	Percent	47%	61%						
2014	Claims	131							
	Average Yearly Benefits	\$10,882							
	Average Total Benefits	\$10,882							
	Percent	100%							

BENEFIT DISTRIBUTION

EXHIBIT 4.22
Vocational Rehabilitation Benefits

Injury Year	Category	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
2007	Claims	535	553	210	50	21	11	2	1
	Average Yearly Benefits	\$3,159	\$3,662	\$4,527	\$6,633	\$7,028	\$9,899	\$2,471	\$6,448
	Average Total Benefits	\$3,159	\$4,484	\$7,035	\$13,479	\$15,033	\$24,488	\$6,682	\$6,448
	Percent	62%	64%	24%	6%	2%	1%	0%	0%
2008	Claims	610	587	118	39	17	6	8	
	Average Yearly Benefits	\$2,626	\$4,084	\$5,518	\$7,286	\$6,645	\$5,848	\$9,254	
	Average Total Benefits	\$2,626	\$4,836	\$8,125	\$12,993	\$17,235	\$14,732	\$19,732	
	Percent	70%	67%	14%	4%	2%	1%	1%	
2009	Claims	464	234	67	37	19	7		
	Average Yearly Benefits	\$2,888	\$4,305	\$7,446	\$12,730	\$10,686	\$10,005		
	Average Total Benefits	\$2,888	\$5,429	\$9,790	\$18,167	\$26,448	\$33,090		
	Percent	92%	46%	13%	7%	4%	1%		
2010	Claims	82	91	49	20	12			
	Average Yearly Benefits	\$2,563	\$5,415	\$6,315	\$8,357	\$7,012			
	Average Total Benefits	\$2,563	\$5,852	\$9,255	\$17,879	\$21,571			
	Percent	46%	51%	27%	11%	7%			
2011	Claims	39	86	26	15				
	Average Yearly Benefits	\$4,032	\$5,016	\$11,044	\$9,108				
	Average Total Benefits	\$4,032	\$5,277	\$14,165	\$19,694				
	Percent	27%	59%	18%	10%				
2012	Claims	27	68	35					
	Average Yearly Benefits	\$3,722	\$6,478	\$14,860					
	Average Total Benefits	\$3,722	\$6,888	\$18,804					
	Percent	24%	61%	31%					
2013	Claims	30	42						
	Average Yearly Benefits	\$4,589	\$4,767						
	Average Total Benefits	\$4,589	\$4,876						
	Percent	39%	55%						
2014	Claims	11							
	Average Yearly Benefits	\$3,973							
	Average Total Benefits	\$3,973							
	Percent	100%							

TEMPORARY DISABILITY PAID DURATION

Disability duration is an important measure of how quickly injured workers return to work. Claims with Temporary Total Disability (TTD) or Temporary Partial Disability (TPD) or both were considered to calculate the average paid disability duration of injured workers in Montana.

We calculated the paid disability duration as the total TTD payments plus TPD payments on each claim divided by the reported weekly benefit rate for each claim. The weekly benefit rate value was chosen by the following rules:

If TTD WBR (weekly benefit rate) was available; TTD WBR was used for both TTD and TPD;

If TTD WBR was not available, TPD WBR was used for both TTD and TPD;

If neither TTD WBR nor TPD WBR was available, cases were excluded.

Extremely high (>\$672) or low weekly benefit rate (<\$60) values were excluded from the analysis due to data quality concerns. For 1-year maturity, the longest maturity cannot be beyond 52 weeks and the longest 3-year maturity was capped at 157 weeks.

EXHIBIT 4.23
Temporary Disability Paid Duration – 1 Year Maturity
By Plan Type and Fiscal Year of Injury

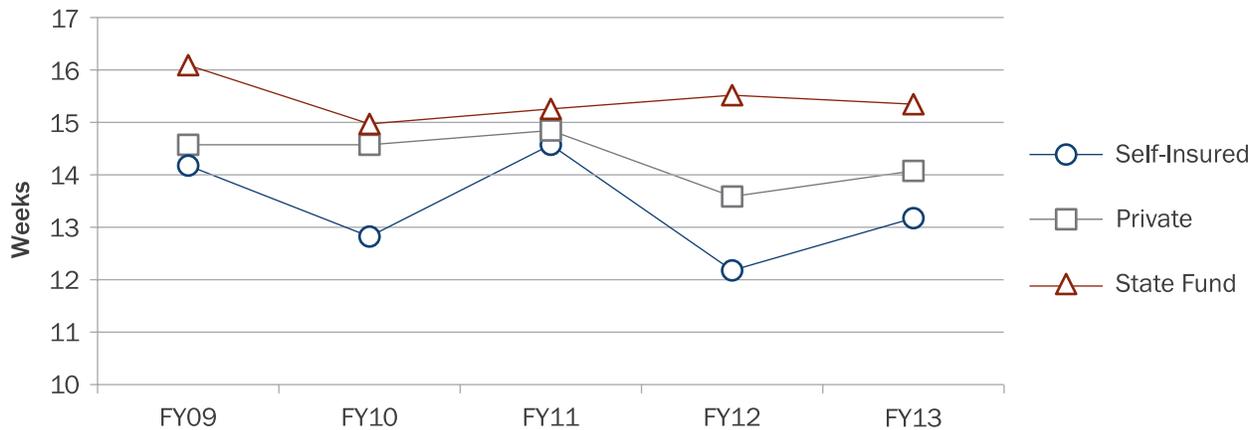


EXHIBIT 4.24
Temporary Disability Paid Duration (weeks) – 1 Year Maturity
By Plan Type and Fiscal Year of Injury

Plan Type	FY09	FY10	FY11	FY12	FY13
Self-Insured	14.2	12.8	14.6	12.2	13.2
Private	14.6	14.6	14.9	13.6	14.1
State Fund	16.1	15.0	15.3	15.5	15.4
All Plans	15.3	14.5	15.0	14.2	14.5

TEMPORARY DISABILITY PAID DURATION

EXHIBIT 4.25
Temporary Disability Paid Duration – 3 Year Maturity
By Plan Type and Fiscal Year of Injury

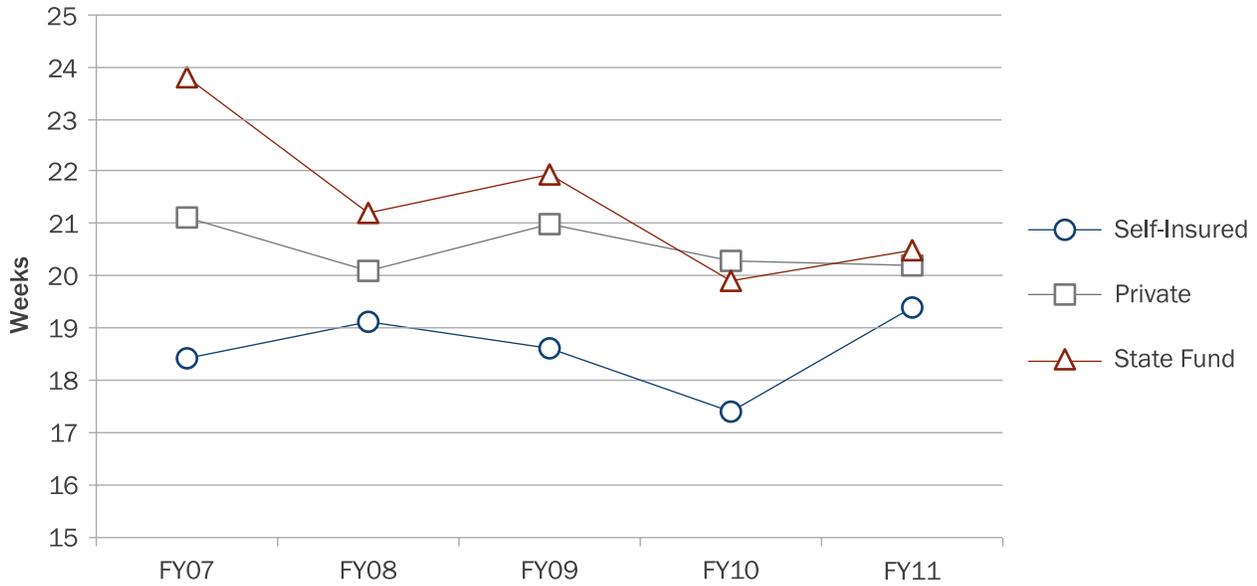
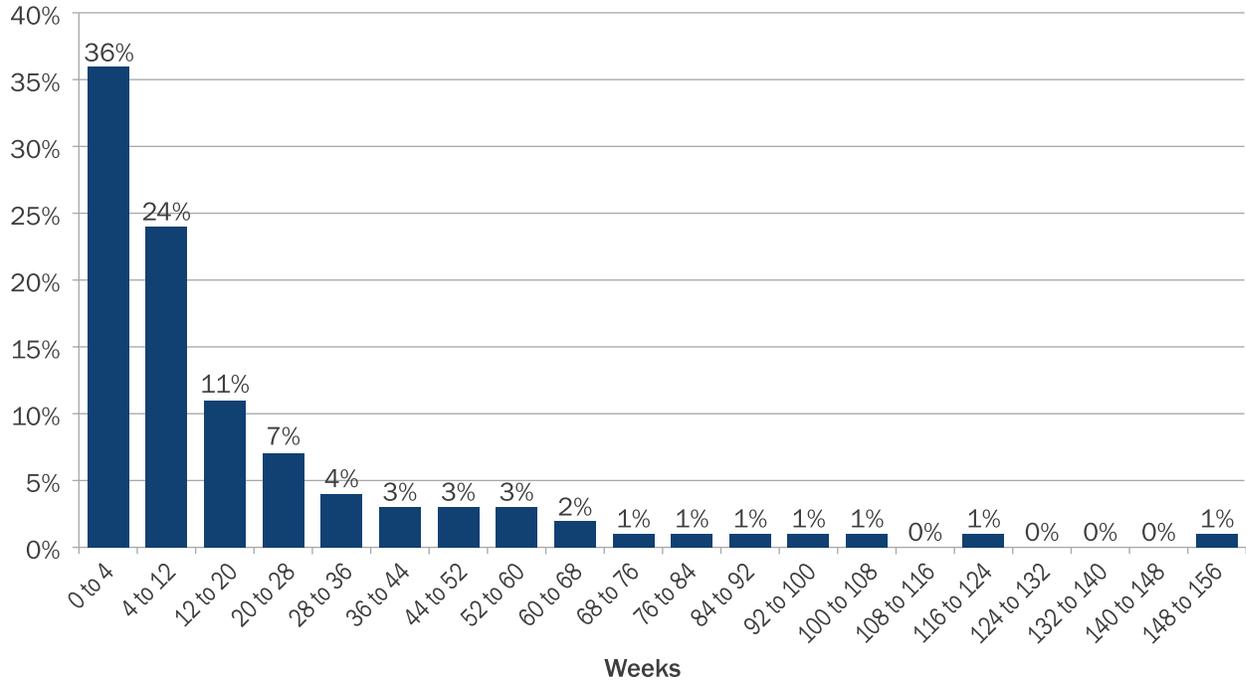


EXHIBIT 4.26
Temporary Disability Paid Duration (weeks) – 3 Year Maturity
By Plan Type and Fiscal Year of Injury

Plan Type	FY07	FY08	FY09	FY10	FY11
Self-Insured	18.4	19.1	18.6	17.4	19.4
Private	21.1	20.1	21.0	20.3	20.2
State Fund	23.8	21.2	21.9	19.9	20.4
All Plans	22.0	20.5	21.1	19.7	20.1

EXHIBIT 4.27
Distribution of Temporary Disability Paid Duration – 3-Year Maturity
By Weeks



SETTLEMENT DOLLARS

Settlements are lump sum payments of the claimant’s workers’ compensation indemnity and/or medical benefits. Benefits are usually paid in periodic payments designed to sustain an injured worker over an extended period of time. Settlements can occur when the claimant and the insurer agree that benefits will be converted to a lump sum payment. If the claimant has more than one claim, a settlement may settle more than one of those claims. Included in the dollar amount of the settlement is the

money specified for settlement of medical benefits under “Best Interest”, as specified in Exhibits 4.32, 4.33 and 4.34. Settlements are subject to approval by ERD.

The average settlement amounts, by fiscal year of injury, are displayed below in Exhibits 4.28 and 4.29, including both injury and occupational disease settlements.

EXHIBIT 4.28
Average Settlement Amount
By Fiscal Year of Injury

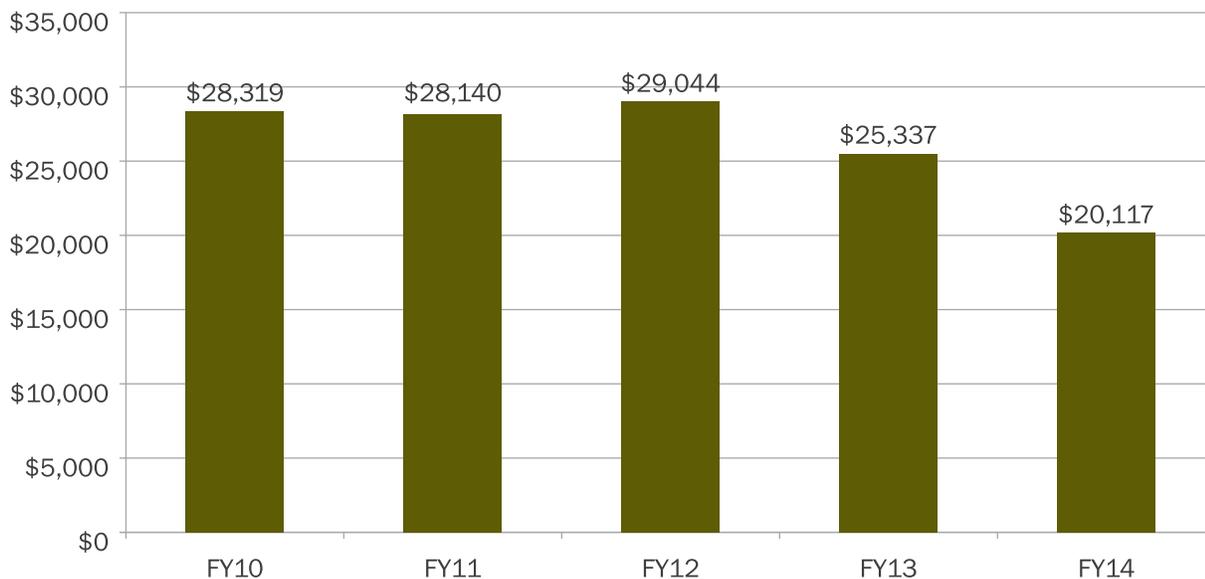


EXHIBIT 4.29
Settlement Amounts for Claims Settled
By Plan Type and Fiscal Year of Injury

Plan Type	FY10		FY11		FY12		FY13		FY14	
	Amount	Count	Amount	Count	Amount	Count	Amount	Count	Amount	Count
Self-Insured	\$5,302,408	151	\$4,001,459	114	\$2,588,832	104	\$1,962,880	76	\$725,167	37
Private	\$13,788,908	535	\$14,275,262	498	\$12,027,058	455	\$9,784,659	402	\$3,151,163	155
State Fund	\$16,222,949	559	\$15,320,105	581	\$16,752,224	520	\$10,949,156	414	\$5,766,379	289
UEF	\$141,339	7	\$30,500	2	\$261,268	10	\$80,886	7	\$154,200	6
Total	\$35,455,604	1,252	\$33,627,326	1,195	\$31,629,382	1,089	\$22,777,581	899	\$9,796,909	487

Exhibits 4.30 and 4.31 are new in this year’s Annual Report. Whereas Exhibits 4.28 and 4.29 on the previous page show information related to settlements by fiscal year of injury, the following two exhibits

show settlement information by the fiscal year of the settlement decision. This provides an indicator of actual activity in the system as it occurs.

EXHIBIT 4.30
Average Settlement Amount
By Fiscal Year of Decision

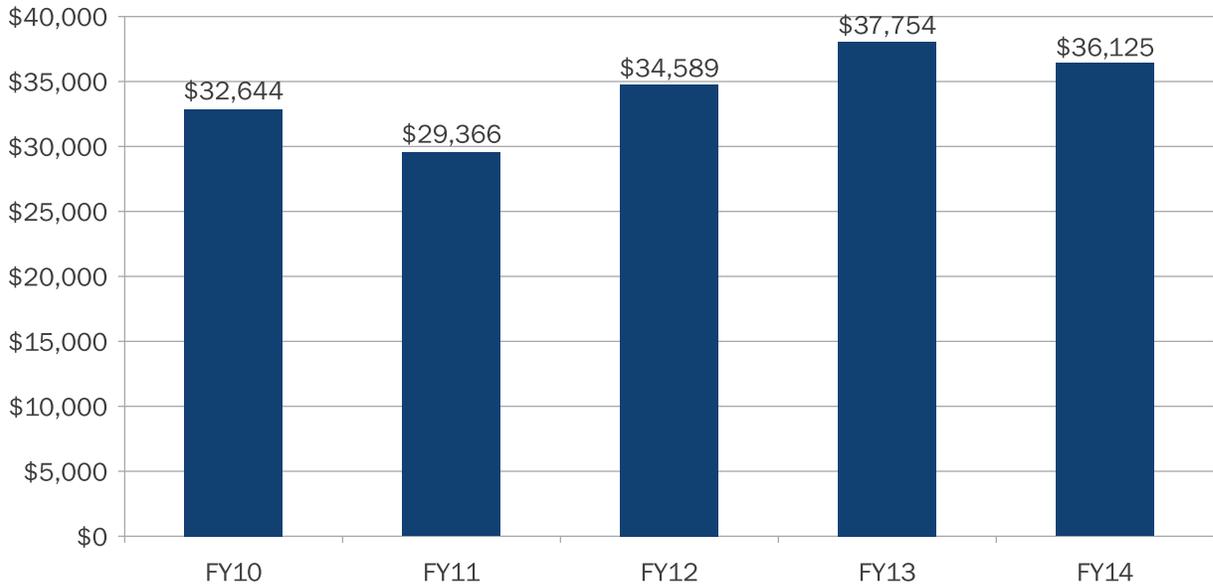


EXHIBIT 4.31
Settlement Amounts for Claims Settled
By Plan Type and Fiscal Year of Decision

Plan Type	FY10		FY11		FY12		FY13		FY14	
	Amount	Count								
Self-Insured	\$5,008,632	188	\$6,453,244	235	\$6,630,823	224	\$5,305,175	155	\$8,310,162	181
Private	\$14,862,497	538	\$18,037,096	596	\$22,624,927	708	\$26,167,059	709	\$24,172,581	689
State Fund	\$29,293,623	776	\$23,048,529	789	\$27,851,630	713	\$26,799,636	686	\$24,865,375	721
UEF	\$30,412	5	\$209,600	6	\$68,815	8	\$587,132	9	\$595,846	13
Total	\$49,195,164	1,507	\$47,748,469	1,626	\$57,176,195	1,653	\$58,859,002	1,559	\$57,943,964	1,604

SETTLEMENT OF MEDICAL BENEFITS FOR BEST INTEREST

In March 2011, the Montana Legislature passed a law that allowed for undisputed future medical benefits to be settled on an accepted claim, if the claimant has reached maximum medical improvement, regardless of the date of injury. Petitions for settlement of medical benefits for “best interest” require a rationale for the settlement, a statement of why it’s in the best interest of the parties to settle the medical benefits, and a signed acknowledgment from the injured worker.

number of settlements approved for each payer type. Exhibit 4.33 illustrates the total medical dollars settled by payer, for those settlements (92%) where we could determine the settlement amount allocated for medical. Exhibit 4.34 shows the dollar amounts in ranges settled by all payers. Most claims (83%) were settled for \$30,000 or less.

The following three exhibits show medical settlements for best interest since the law went into effect in April 2011, by fiscal year of injury. Exhibit 4.32 shows the

EXHIBIT 4.32
Number of Settlements for Best Interest
By Plan Type and Fiscal Year of Decision

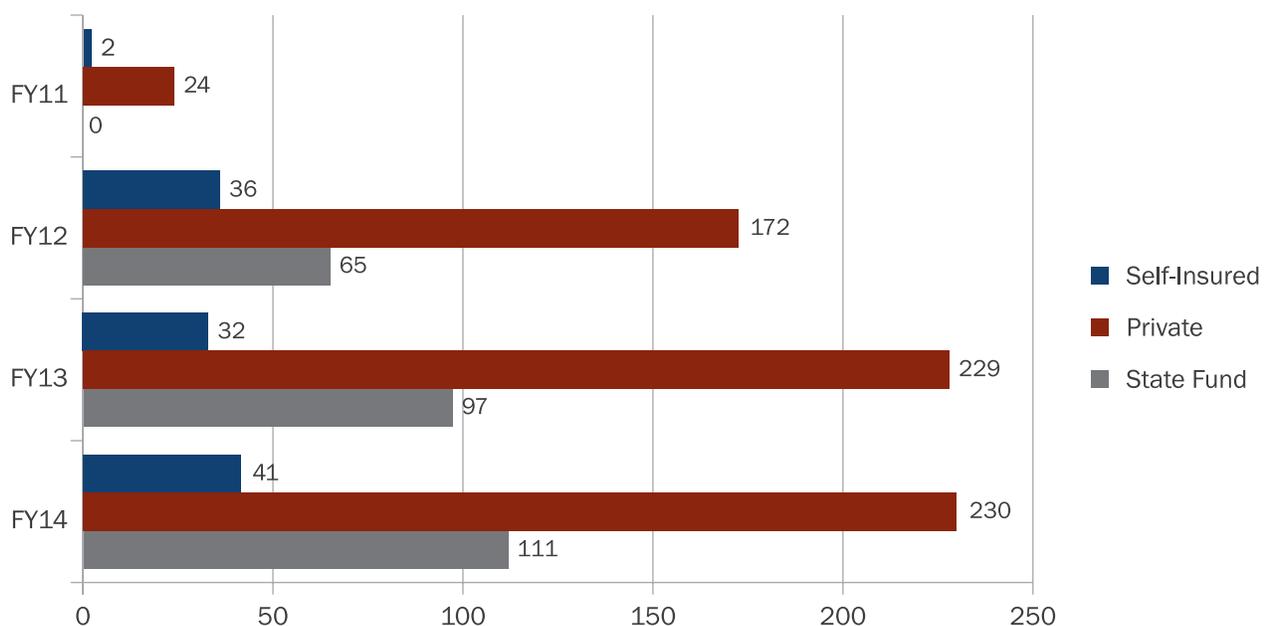


EXHIBIT 4.33
Total Settlement Amounts for Claims Settled for Best Interest
By Plan Type and Fiscal Year of Decision

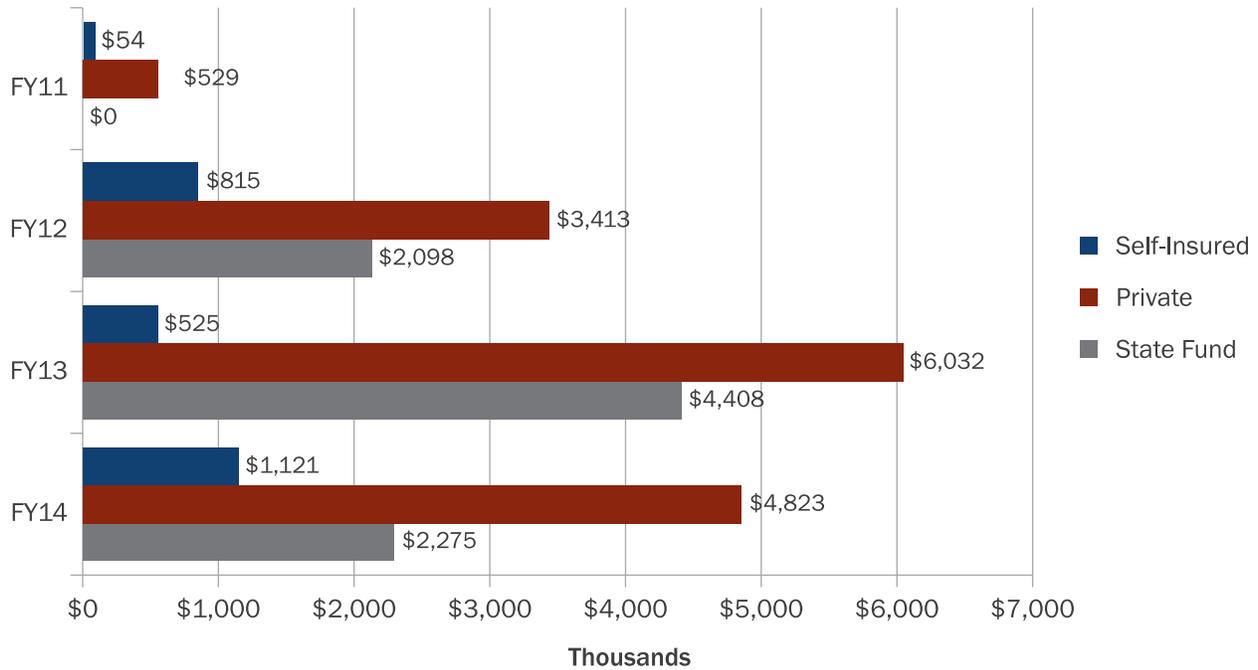
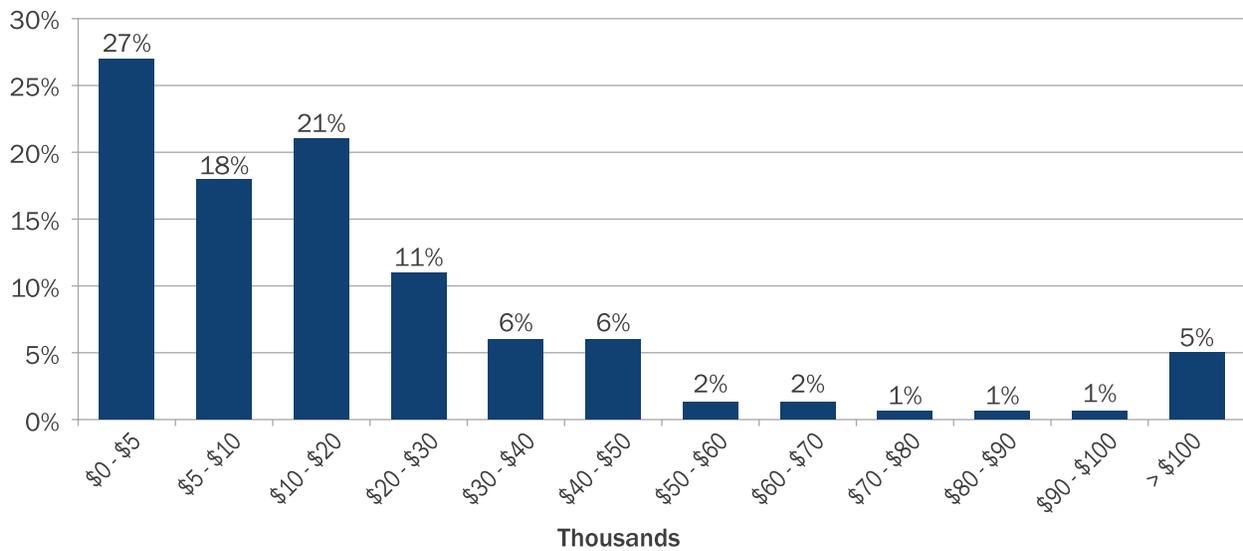


EXHIBIT 4.34
Settlement Distribution for Claims Settled for Best Interest
FY11 to FY14



INJURED WORKER ATTORNEY FEES

Montana statute requires claimants' attorneys to submit a Legal Fee Report at regular intervals throughout the life of a claim (§39-71-613, MCA). The Legal Fee Report provides the amount of attorney fees received by attorneys, including attorney fees from workers' compensation settlements. Maximum legal fees are set by rule and regulated by the department (ARM 24.29.3802).

Average and total attorney legal fees, by plan type and fiscal year of injury, are shown in Exhibits 4.35 and 4.36.

EXHIBIT 4.35
Average Attorney Legal Fees
By Fiscal Year of Injury

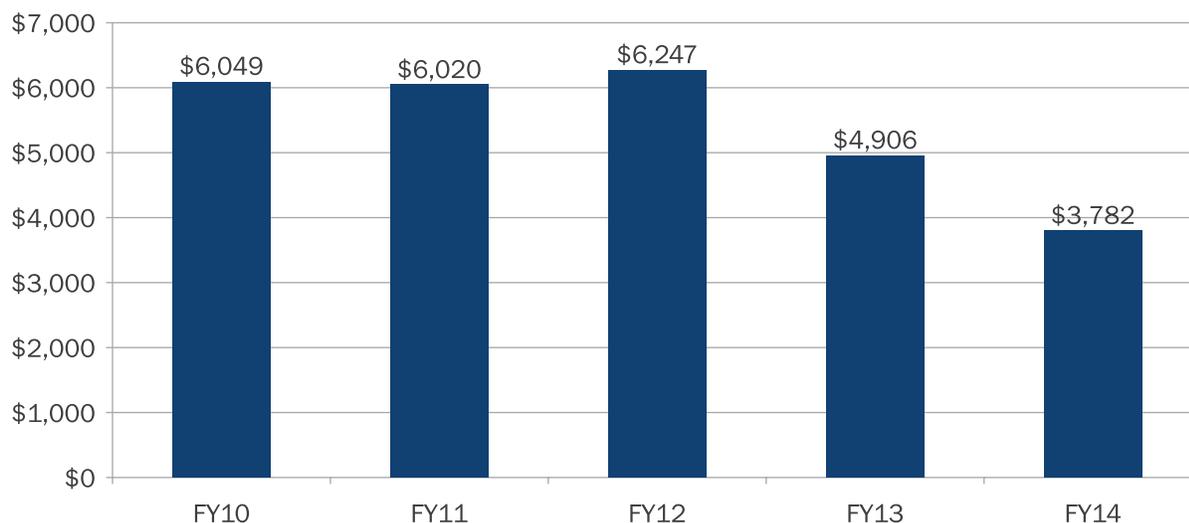


EXHIBIT 4.36
Total Attorney Legal Fees
By Plan Type and Fiscal Year of Injury

Plan Type	FY10		FY11		FY12		FY13		FY14	
	Amount	Count	Amount	Count	Amount	Count	Amount	Count	Amount	Count
Self-Insured	\$440,124	92	\$594,907	80	\$255,547	69	\$217,791	51	\$51,076	17
Private	\$1,580,287	255	\$1,555,109	268	\$1,345,340	245	\$1,082,975	221	\$395,536	96
State Fund	\$1,539,140	239	\$1,472,215	257	\$1,976,954	258	\$958,548	186	\$454,802	129
UEF	\$3,412	3	\$49,948	5	\$20,684	4	\$2,405	3	\$36,582	6
Total	\$3,562,963	589	\$3,672,179	610	\$3,598,525	576	\$2,261,719	461	\$937,995	248

Legal cost reports are required to be submitted by attorneys on every six-month anniversary of the date of injury, as long as they are representing a claimant. Average and total attorney legal fees, by the fiscal year that the legal cost report is received, are shown in Exhibits 4.37 and 4.38.

EXHIBIT 4.37
Average Attorney Fees per Claim
By Fiscal Year of Reporting

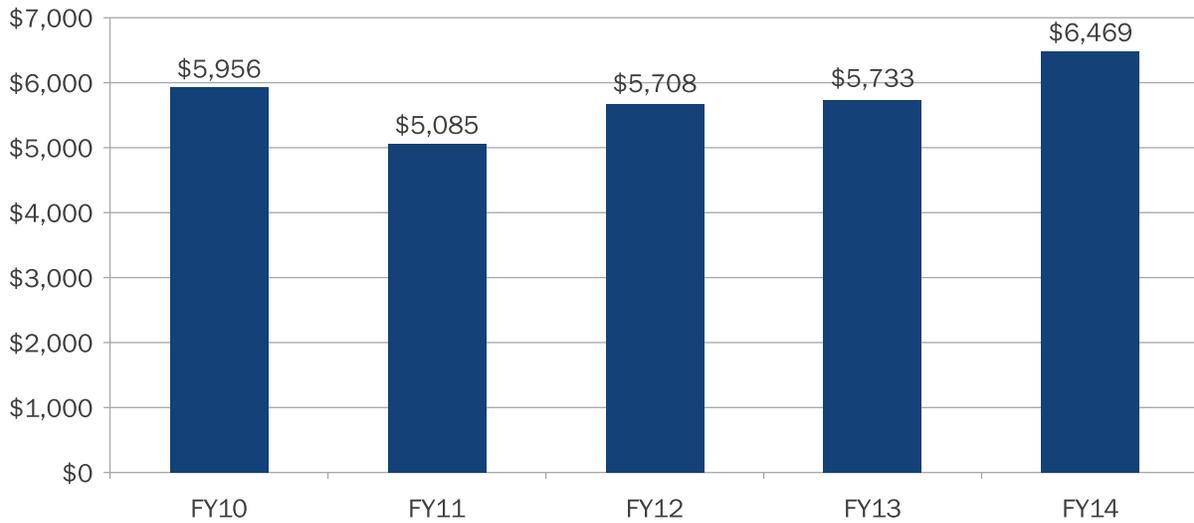


EXHIBIT 4.38
Total Attorney Legal Fees
By Plan Type & Fiscal Year of Reporting

Plan Type	FY10		FY11		FY12		FY13		FY14	
	Amount	Count	Amount	Count	Amount	Count	Amount	Count	Amount	Count
Self-Insured	\$470,305	84	\$679,257	147	\$778,379	244	\$638,260	128	\$929,777	154
Private	\$1,312,061	270	\$1,961,388	409	\$2,679,021	427	\$2,405,983	392	\$2,796,164	461
State Fund	\$2,304,045	340	\$2,360,630	426	\$2,697,341	410	\$2,260,039	400	\$3,242,477	465
UEF/NOC	\$100,527	9	\$47,759	11	\$66,603	9	\$21,669	9	\$76,641	9
Total	\$4,186,938	703	\$5,049,034	993	\$6,221,345	1,090	\$5,325,950	929	\$7,045,059	1,089

INJURED WORKER ATTORNEY FEES

The department also collects legal fee information on approved workers' compensation settlements. The table below represents fees claimed in the fiscal year of the approved settlement, regardless of the fiscal year in which the injury or occupational disease

occurred. Exhibit 4.39 shows that approximately 61% of all settlements in FY14 involved attorneys, and the average fee in proportion to the settlement amount was 15%.

EXHIBIT 4.39
Attorney Fees from Claimant Settlements
By Fiscal Year of Settlement

	FY10	FY11	FY12	FY13	FY14
Number of Settlement Petitions Processed	1,758	1,841	1,833	1,734	1,756
Claims Settled with Attorney Representation	969	1,056	1,118	1,042	1,079
Percent Claimants Represented by Attorney	55%	57%	61%	60%	61%
Total Settlement Amount with Attorney Involvement	\$38,316,715	\$38,371,213	\$45,812,648	\$48,155,701	\$46,825,423
Total Attorney Fees	\$6,101,284	\$5,017,784	\$6,130,082	\$6,122,653	\$7,243,037
Average Fee/Settlement Percentage	16%	13%	13%	13%	15%

INSURER LEGAL EXPENSES

Montana administrative rule requires insurance companies to report legal fees and costs associated with each indemnity claim (ARM 24.29.4335 & 24.29.4336). These costs are reported

to ERD on the subsequent report of injury at regular intervals throughout the life of a claim.

Insurer legal expenses are represented in exhibits 4.40 through 4.43.

EXHIBIT 4.40
Average Insurer Legal Expenses per Claim
By Fiscal Year of Injury



EXHIBIT 4.41
Total Insurer Legal Expenses
By Plan Type and Fiscal Year of Injury

Plan Type	FY10		FY11		FY12		FY13		FY14	
	Amount	Count	Amount	Count	Amount	Count	Amount	Count	Amount	Count
Self-Insured	\$663,885	120	\$469,850	93	\$407,192	90	\$397,996	76	\$135,062	51
Private	\$1,041,060	312	\$1,003,571	279	\$857,950	254	\$655,878	246	\$327,925	129
State Fund	\$534,634	220	\$541,539	231	\$483,747	179	\$353,331	154	\$280,612	127
Total	\$2,239,580	652	\$2,014,960	603	\$1,748,889	523	\$1,407,205	476	\$743,600	307

INSURER LEGAL EXPENSES

EXHIBIT 4.42
Average Insurer Legal Expenses per Claim
By Fiscal Year of Payment

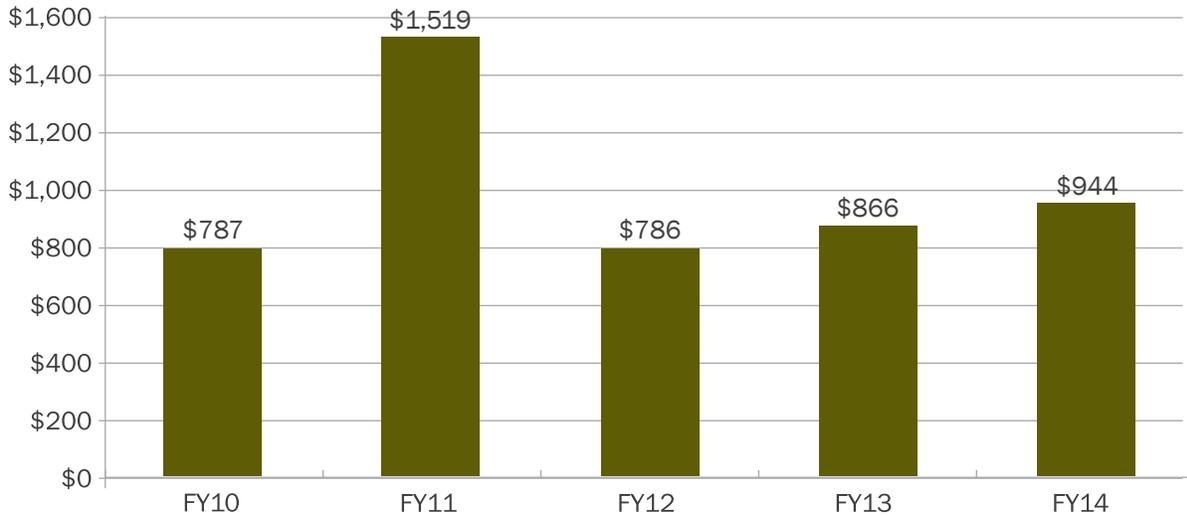


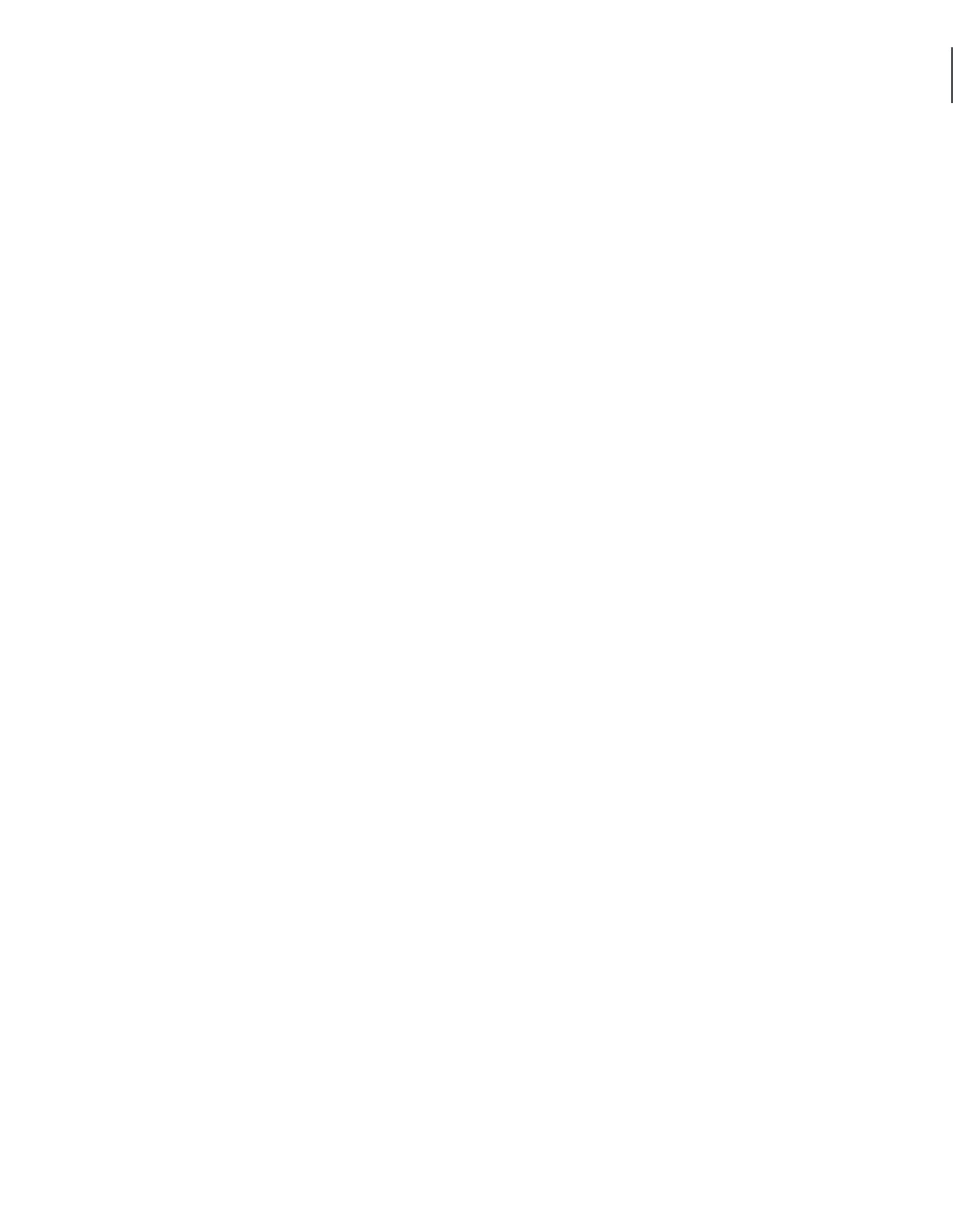
EXHIBIT 4.43
Total Insurer Legal Expenses
By Plan Type and Fiscal Year of Payment

Plan Type	FY10		FY11		FY12		FY13		FY14	
	Amount	Count								
Self-Insured	\$708,420	577	\$831,833	653	\$676,509	588	\$886,074	694	\$741,388	557
Private	\$963,615	943	\$2,133,291	1,151	\$1,069,416	1,154	\$1,388,891	1,101	\$1,271,960	1,012
State Fund	\$769,821	1,584	\$2,335,967	1,687	\$867,014	1,583	\$627,168	1,556	\$855,553	1,471
Total	\$2,441,857	3,104	\$5,301,090	3,491	\$2,612,940	3,325	\$2,902,133	3,351	\$2,868,901	3,040

SECTION 5

DISPUTE RESOLUTION

- **MEDIATION**
- **CONTESTED CASE HEARINGS**
- **WORKERS' COMPENSATION COURT**
- **SIGNIFICANT WORKERS' COMPENSATION CASES**
- **SUPREME COURT DECISIONS ON WORKERS' COMPENSATION**



MEDIATION

The Workers' Compensation Mediation Unit of ERD administers a mandatory process for resolving disputes concerning benefits for both occupational injury and disease claims. The mediation process is confidential, non-binding and informal. The mediator facilitates the exchange of information between the parties and assists with solutions aimed at resolving the dispute. Conferences are usually by telephone, but can be held in person in Helena upon request. Often more than one conference is held in order to resolve the disputes on a claim.

When resolved at the Mediation level, all parties benefit as the litigation costs on a claim are reduced for the insurer and the employer, and the injured

worker is able to find resolution more quickly than if he/she had to proceed to the Workers' Compensation Court (WCC). In addition, the costs in time and money for the WCC are also reduced by eliminating cases from the court's docket. If disputes are not resolved at Mediation, the parties may proceed to the WCC.

In FY14, the Mediation Unit received and processed 1,263 petitions, which involved 1,383 claims. A petition is a request for mediation and may include multiple claims, multiple issues and/or multiple insurers.

EXHIBIT 5.1
Claims in Mediation
By Plan Type and Fiscal Year of Receipt

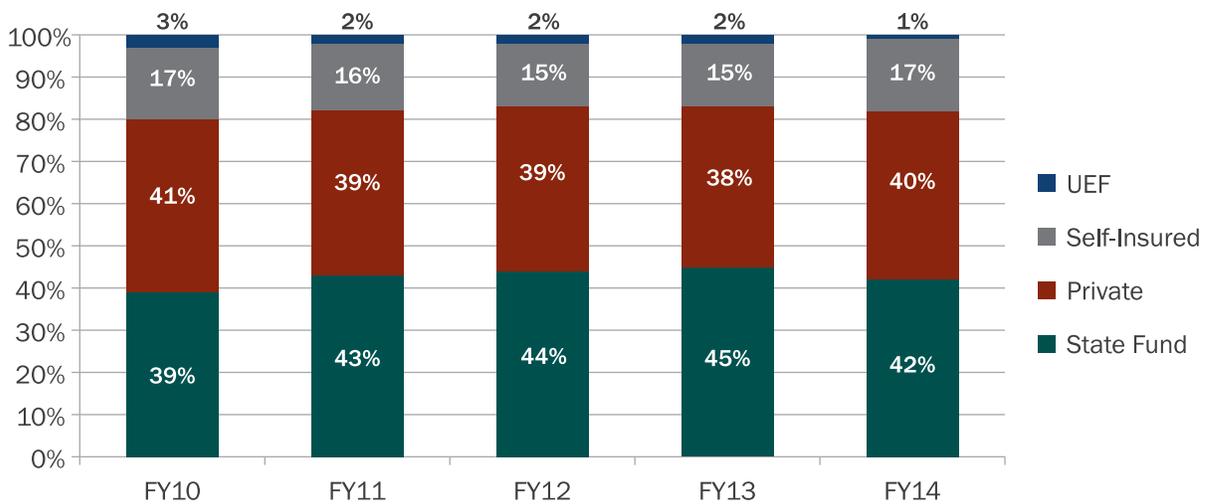


EXHIBIT 5.2
Claims in Mediation
By Plan Type and Fiscal Year of Receipt

Plan Type	FY10		FY11		FY12		FY13		FY14	
	Count	%								
Self-Insured	253	17%	245	16%	226	15%	200	15%	234	17%
Private	628	41%	602	39%	602	39%	497	38%	553	40%
State Fund	599	39%	665	43%	679	44%	598	45%	581	42%
UEF	39	3%	34	2%	24	2%	22	2%	15	1%
Total⁴	1,519	100%	1,546	100%	1,531	100%	1,317	100%	1,383	100%

⁴Total counts represent the number of claims, not the number of petitions.

MEDIATION

For the past five fiscal years, the mediation process maintained an average resolution rate of 80%. For the same five year period, the average completion time (from receipt of Petition to written Recommendation) is 34 days for mediations not rescheduled or pended (for additional activity by one or more of the parties), 21 days earlier than allowed by Administrative Rule.

EXHIBIT 5.3
Percent of Mediation Petitions Resolved
By Fiscal Year of Receipt

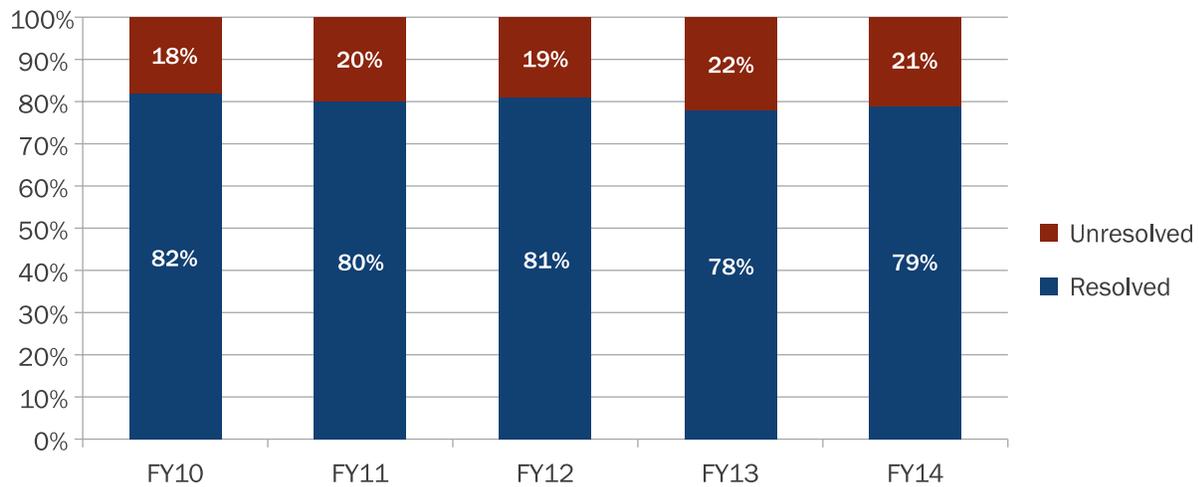


EXHIBIT 5.4
Mediation Petitions
By Fiscal Year of Receipt

Petitions	FY10		FY11		FY12		FY13		FY14	
	Count	%								
Pending ²	0	0%	1	0%	3	0%	14	1%	106	8%
Closed	1,379	100%	1,373	100%	1,372	100%	1,199	99%	1,157	92%
Total Received	1,379	100%	1,374	100%	1,375	100%	1,213	100%	1,263	100%
Resolved	1,132	82%	1,093	80%	1,106	81%	937	78%	909	79%
Unresolved	247	18%	280	20%	266	19%	262	22%	248	21%
Total Closed	1,379	100%	1,373	100%	1,372	100%	1,199	100%	1,157	100%

²Eventual outcome of pending petitions will affect percent resolved.

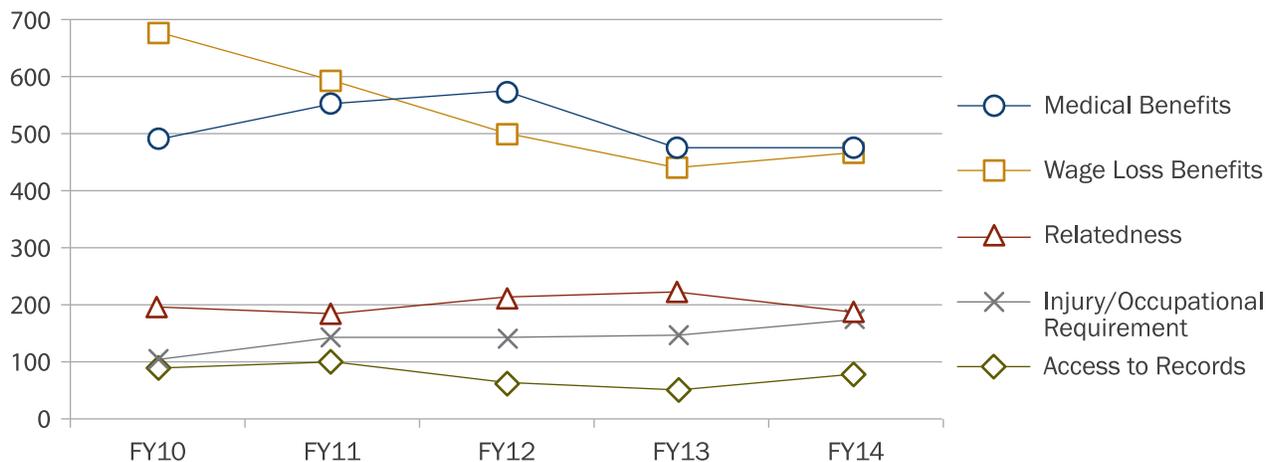
Disputes brought to mediation cover the entire spectrum of workers' compensation benefit issues. Most often the dispute is between an insurer or insurers and an injured worker. Disputes also occur between the Uninsured Employers' Fund and either the injured worker or the employer. New in this year's

Annual Report are exhibits 5.5 and 5.6, showing mediations by benefit issue. The detailed subjects included in each category are described in the Appendix under "Mediation Benefit Issues".

EXHIBIT 5.5
Mediation Petitions
By Benefit Issue and Fiscal Year of Receipt

	FY10	FY11	FY12	FY13	FY14
Medical Benefits	489	554	576	475	476
Wage Loss Benefits	675	596	501	444	468
Relatedness	190	183	209	222	186
Injury/Occupational Requirement	100	140	139	142	170
Access to Records	85	98	62	47	78
Notice/Filing Time	89	78	90	62	61
Course & Scope	76	57	43	63	54
Employment/Insurance Coverage	50	49	37	40	37
Rehab Benefits	44	36	31	22	29
Calculation of Wages	32	35	41	30	25
Other	139	152	163	129	102
Total	1,969	1,978	1,892	1,676	1,686

EXHIBIT 5.6
Mediation Petitions
By Top 5 Benefit Issues and Fiscal Year of Receipt



CONTESTED CASE HEARINGS

The DLI Office of Administrative Hearings (OAH) holds contested case hearings, including appeals of Department Orders. For workers' compensation purposes, these appeals most typically include uninsured employer's penalty determinations and entitlement to benefits from the Subsequent Injury

Fund or Silicosis Fund. In FY14, OAH received three new requests for contested case hearings. One was an uninsured employer case, one involved extraterritorial coverage and the other was related to the SAW/RTW assistance program.

EXHIBIT 5.7
Petitions Received by the Office of Administrative Hearings
By Plan Type and Fiscal Year

Plan Type	FY10		FY11		FY12		FY13		FY14	
	Count	%								
Self-Insured	0	0%	0	0%	0	0%	0	0%	1	33%
Private	0	0%	0	0%	0	0%	0	0%	0	0%
State Fund	1	34%	1	33%	0	0%	0	0%	0	0%
UEF	1	33%	2	67%	0	0%	1	50%	1	33%
Other	1	33%	0	0%	0	0%	1	50%	1	33%
Total	3	100%	3	100%	0	100%	2	100%	3	100%

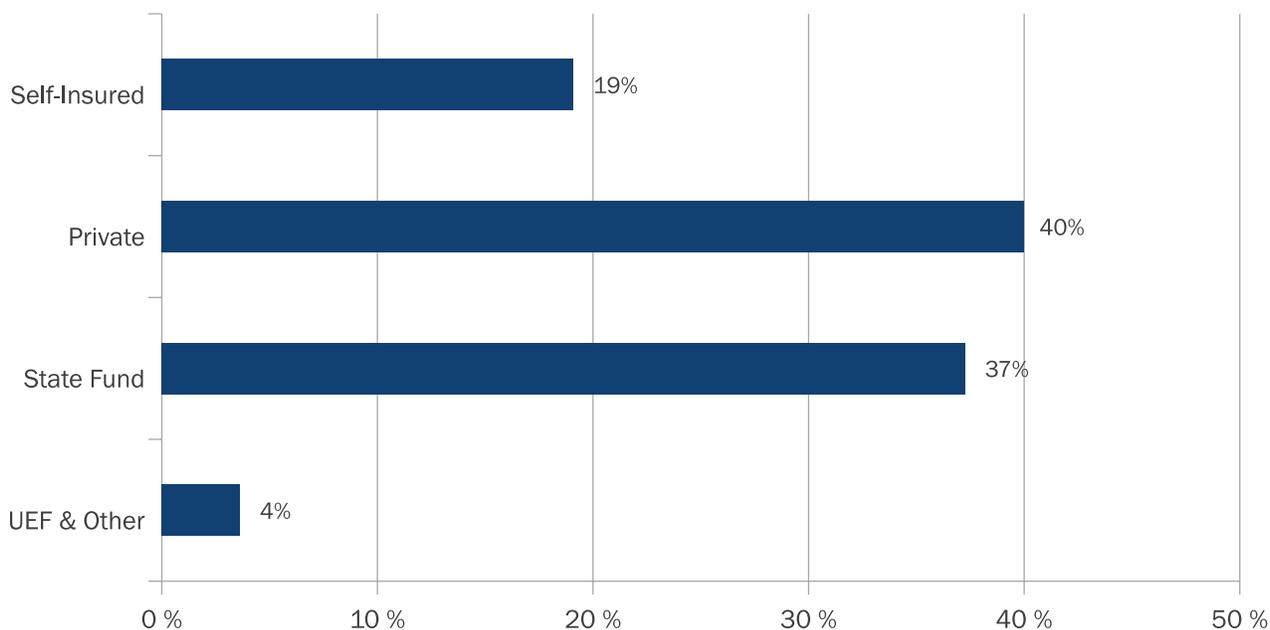
WORKERS' COMPENSATION COURT

The Workers' Compensation Court (WCC) resolves disputes between workers injured as a result of occupational injuries or diseases, and insurers or employers. The court has original jurisdiction over benefit issues arising under the Workers' Compensation Act. For an injury occurring after July 1, 1987, disputes must first be mediated through the ERD Mediation Unit. The court's exclusive jurisdiction also extends to disputes involving independent contractor exemptions under both the Workers'

Compensation and Unemployment Insurance Acts, civil penalties for theft of workers' compensation benefits, and the two-year return to work preference specified in section 39-71-317(2), MCA.

Further information on the Workers' Compensation Court can be found on their website: <http://www.wcc.dli.mt.gov/wcourthome.asp>.

EXHIBIT 5.8
Percent of Petitions Received by the WCC – FY14
By Case Type³



³The Workers' Compensation Act provides for three separate "plans", i.e. Self-Insured, Private Insured, and Montana State Fund. The court breaks down its case types further for statistical purposes, i.e. Self-Insured, Private Insured, Montana State Fund, Subsequent Injury Fund, Uninsured Employers' Fund, Independent Contractor Central Unit (ICCU), and Department of Labor and Industry (DLI).

WORKERS' COMPENSATION COURT

EXHIBIT 5.9

Petitions Received by the WCC
By Case Type⁴ and Fiscal Year of Receipt

Case Type	FY10		FY11		FY12		FY13		FY14	
	Count	%								
Self-Insured	22	10%	12	5%	8	4%	26	12%	39	19%
Private	112	49%	103	44%	97	47%	99	45%	82	40%
State Fund	78	34%	103	44%	92	44%	83	38%	76	37%
UEF & Other	17	7%	15	6%	10	5%	10	5%	9	4%
Total	229	100%	233	100%	207	100%	218	100%	206	100%

⁴Petitions may involve more than one case type.

EXHIBIT 5.10

Decisions by the WCC
By Fiscal Year of Receipt

Decisions	FY10	FY11	FY12	FY13	FY14
Decisions	181	167	170	199	174
Substantive Orders	26	28	13	40	34
Orders on Cost	6	3	4	7	4
Bench Rulings without Written Decisions	0	1	0	0	0
Attorney Fee Orders	3	1	0	5	1
Phone Conference Resulting in Disposition	0	0	0	0	0
Orders on Appeal	1	0	0	3	1
Subtotal	217	200	187	254	214
Petitions Dismissed by Agreement	46	41	42	40	52
Total	263	241	229	294	266

EXHIBIT 5.11

Full and Final Compromise Settlements by the WCC
By Case Type and Fiscal Year of Receipt

Case Type	FY10	FY11	FY12	FY13	FY14
Self-Insured	5	2	4	1	3
Private	9	4	4	3	11
State Fund	8	2	5	6	7
UEF	0	0	0	0	0
Total	22	8	13	10	21

SIGNIFICANT WORKERS' COMPENSATION CASES

Case summaries are taken from the Workers' Compensation Court website: <http://wcc.dli.mt.gov>.

IN THE WORKERS' COMPENSATION COURT OF THE STATE OF MONTANA:

DIANNE DVORAK vs. MONTANA STATE FUND 2014 MTWCC 11

Summary: In 2006, Petitioner sought medical treatment for neck and shoulder pain which she attributed to her job duties. Her symptoms were managed with the use of a prescription pain reliever until they worsened in late 2010. In 2011, her treating physician referred her to a specialist and she subsequently filed an occupational disease claim. Respondent contends that the claim was untimely filed under § 39-71-601(3), MCA, and that Petitioner should have known in 2006 that she suffered from an occupational disease. Petitioner contends that she did not know she had an occupational disease until her treating physician told her.

Held: The facts of this case indicate that neither Petitioner nor her treating physician gave any consideration to her symptoms beyond refilling her prescription for several years after she first complained of these symptoms. The Court concluded that she knew or should have known that she suffered from an occupational disease on the day that her treating physician first took her off work and referred her to a specialist for further evaluation.

NICK NEWLON vs. TECK AMERICAN INC (FORMERLY COMINCO)

2014 MTWCC 12 APPEALED TO MONTANA SUPREME COURT – 01/06/15

Summary: In 1996, Petitioner settled numerous workers' compensation claims against his previous employer with the understanding that he would retain lifetime medical benefits for his left-knee and back conditions. Petitioner did not obtain any treatment for his knee from 2000 until 2007. When Petitioner resumed treatment, Respondent paid until 2011, when it asserted a defense under § 39-71-704(1)(d), MCA, alleging that it was relieved of further liability

because Petitioner had not used his medical benefits for more than 60 consecutive months. Petitioner contends that his medical benefits for his knee condition remain open from a claim which predated the addition of the 60-month limitation to the statute, or alternatively, that Respondent is equitably estopped from asserting the 60-month rule in this case. Respondent argues that Petitioner's current knee problems are due to his current employment, or alternatively, that Petitioner's claim is barred by a statute of repose, a statute of limitations, estoppel, or laches.

Held: Petitioner's claim is properly considered under the 1991 WCA, which contains a 60-month provision. However, Respondent is equitably estopped from asserting a defense under § 39-71-704(1)(d), MCA. Respondent has not proven that Petitioner's current knee condition is due to a superseding intervening cause. Respondent has not proven that Petitioner's claim is barred by a statute of repose, statute of limitations, estoppel, or laches. Petitioner is entitled to his costs.

APRIL DAVIDSON vs. BENEFIS 2014 MTWCC 18

Summary: Petitioner argued that her preexisting lower extremity impairment combined with her industrial injury resulted in an actual wage loss, entitling her to PPD benefits. Respondent countered that Petitioner resigned her CNA position, and that her preexisting permanent impairment was unrelated to her industrial accident, giving her no right to PPD benefits.

Held: Section 39-71-703(1), MCA (2009), did not require that a permanent impairment be a direct result of the industrial injury. Petitioner was forced to resign because she could not return to her time-of-injury job due to a combination of her preexisting permanent impairment and her industrial injury. Therefore, Petitioner had an actual wage loss under the pre-2011 PPD statutes, entitling her to PPD benefits.

SIGNIFICANT WORKERS' COMPENSATION CASES

DAVID LARSON vs. MONTANA STATE FUND 2015 MTWCC 1

Summary: Petitioner moves to dismiss this case without prejudice. He claims that while he currently suffers from an occupational disease, he is not seeking any benefits and argues that this Court does not have subject matter jurisdiction over initial compensability disputes in occupational disease claims. If this Court has jurisdiction, Petitioner alternatively asks that this case be placed in “administrative closure” until such time as he seeks occupational disease benefits. Respondent opposes Petitioner’s motion.

Held: Petitioner’s motion is denied. Under the plain language of § 39-71-2905(1), MCA (2007), this Court has subject matter jurisdiction regarding disputes over the initial compensability of an occupational disease claim under the grant of “exclusive jurisdiction” to decide disputes under the Workers’ Compensation Act and because such disputes concern benefits. This Court does not have the authority to place a case in abeyance indefinitely over an objection.

DEELYNN OLSON vs. MONTANA STATE FUND 2015 MTWCC 2

Summary: Petitioner suffered injuries in a car accident which occurred while he was traveling to his jobsite in a co-worker’s personal vehicle prior to the start of his shift. Petitioner argues that he was in the course and scope of his employment because the payment he received as “subsistence ‘in lieu of any travel allowance per day worked’” is reimbursement for travel within the meaning of § 39-71-407(4)(a)(i), MCA, and therefore, this case falls under an exception to the going and coming rule. Petitioner also argues that the payment he received was not designated as an “incentive to work at a particular jobsite” within the meaning of § 39-71-407(4) (b), MCA.

Held: Petitioner was in the course and scope of his employment at the time of the accident. The Montana Supreme Court has held that a payment designated in a union contract as “subsistence per day worked in lieu of any travel time or travel allowance” is travel pay. Thus, an employee who receives such pay is within the course and scope of his employment while traveling to work. This case does not fall under § 39-71-407(4) (b), MCA, because the collective bargaining agreement did not “designate” Petitioner’s payment as an “incentive to work at a particular jobsite.”

SUPREME COURT DECISIONS ON WORKERS' COMPENSATION

ESTATE OF EDWIN MOREAU V TRANSPORTATION INSURANCE CO DA 14-0277

Summary: Mr. Moreau died of asbestos-related lung cancer in 2009. In 2013 The Estate and Transportation Insurance Co. entered into a settlement agreement whereby Transportation would pay Moreau's medical expense or reimburse others who had already paid them. One of those other payers was The Libby Medical Plan. The Plan was established and funded by Mr. Moreau's employer, W. R. Grace, to pay medical care expenses of employees due to asbestos exposure. Both The Plan and W. R. Grace refused to accept any reimbursement for \$95,000 of medical expenses paid on Moreau's behalf. The Estate demanded Transportation either pay the money to them or to a charity. Transportation refused, and filed with the Workers' Compensation Court. The WCC concluded it lacked jurisdiction under § 39-71-2905, MCA, because The Estate lacked standing.

Held: WCC reversed and remanded. The Estate had standing and was entitled to have its petition determined on its merits.

MALCOMSON V LIBERTY NORTHWEST DA 13-0610

Summary: Liberty accepted Malcomson's 2007 claim, and paid benefits. When Malcomson withdrew her consent to allow Liberty and its agents ex parte communications with her medical care providers, Liberty terminated benefits, claiming withdrawal of consent violated §§ 39-71-604 and 50-16-52, MCA (2007). WCC held § 39-71-604(3), MCA, violated Malcomson's constitutional right of privacy. In addition, the court held that it lacked jurisdiction to determine the constitutionality of § 50-16-527(5), MCA.

Held: Affirmed. Medical records are quintessentially private and deserve the utmost Constitutional protection. Montana's right of informational privacy at a minimum encompasses the sanctity of one's medical records. A worker's consent to medical release does not mean the worker loses all privacy interest in how that information is circulated or to whom. The right to control circulation of private information would be lost if the individual does not know what healthcare information is being circulated or to whom. § 39-71-604(3), MCA is unconstitutional

because it violates claimants' constitutional right of privacy. A narrowly crafted release authorizing insurer to have contact with healthcare providers solely for administrative purposes would not violate a claimant's right of privacy.

GOBLE AND GERBER V MONTANA STATE FUND DA 13-0286

Summary: Claimants were receiving permanent partial disability benefits on their individually accepted claims, when each was incarcerated for more than 30 days for unrelated reasons. The WCC held under §39-71-744, MCA they were ineligible to receive benefits during their incarceration.

Held: Affirmed. An incarcerated claimant has removed himself from the job force by committing a crime. His lost wages are attributable to the crime and not the injury. § 39-71-744 is not arbitrary and serves the legitimate governmental purpose of Montana's WCA, to provide wage-loss benefits which bear a reasonable relationship to actual wages lost and to return a worker to work as soon as possible.

SECTION 6

DEPARTMENT ADMINISTERED PROGRAMS

- **WORKERS' COMPENSATION SYSTEM ADMINISTRATION**
- **ORGANIZATIONAL CHARTS**
- **WORKERS' COMPENSATION ASSESSMENTS AS EXPENDED**
- **SUBSEQUENT INJURY FUND**
- **UNINSURED EMPLOYERS' FUND**
- **CONSTRUCTION CONTRACTOR REGISTRATION**
- **INDEPENDENT CONTRACTOR EXEMPTION CERTIFICATES**
- **PROFESSIONAL EMPLOYER ORGANIZATIONS**
- **SAFETY & HEALTH**
- **STAY AT WORK/RETURN TO WORK**
- **CLAIMS EXAMINER CERTIFICATION**
- **INDEPENDENT MEDICAL REVIEWS**

WORKERS' COMPENSATION SYSTEM ADMINISTRATION

Employment Relations Division (ERD) provides a wide variety of services and regulations related to workers' compensation and occupational safety and health.

WORKERS' COMPENSATION REGULATIONS BUREAU

The **Carrier Compliance Unit** regulates private workers' compensation carriers (Plan 2) and issues and enforces licenses for Professional Employer Organizations (PEO). The unit also processes and monitors extra-territorial reciprocal agreements with Washington, Oregon, Idaho, Wyoming, Utah, North and South Dakota. The unit processes Subsequent Injury Fund (SIF) applications and reimburses insurers for eligible SIF expenses.

The **Construction Contractor Registration Unit** ensures construction businesses with employees register and are in compliance with workers' compensation requirements. The unit publicizes and educates the public about the contractor registration program.

The **Independent Contractor Central Unit (ICCU)** educates the public and enforces compliance with the Workers' Compensation Act with regards to independent contractors through community outreach opportunities, onsite visits, and community wide 'sweeps'. ICCU issues independent contractor exemption certificates (ICEC), investigates working relationships and issues decisions on employment status for the Department of Revenue, Labor Standards, Unemployment Insurance, Human Rights and Uninsured Employers' Fund.

The **Self-Insurance Unit** approves and regulates qualified private and public employers to be self-insured for the purposes of workers' compensation coverage for their employees.

The **Uninsured Employers' Fund Unit** enforces coverage requirements for all employers, pays benefits to injured workers whose employers did not have workers' compensation coverage, and manages the fund from which benefits are paid.

WORKERS' COMPENSATION CLAIMS ASSISTANCE BUREAU

The **Claims Assistance Unit** works closely with insurers and adjusting companies handling workers' compensation claims to ensure compliance with workers' compensation statutes and administrative

rules. The unit assists injured workers to better understand the workers' compensation system, answers their questions, serves as a liaison between the injured worker and their insurer or adjusting company, and regulates attorney fees. The unit administers the Claims Examiner Certification process, which includes an examination, a two year certification and renewal process, continuing education credits and instructor certification. The unit also administers the Stay at Work/Return to Work (SAW/RTW) program, which works with injured workers, employers, insurers and health care providers to expedite the process of returning an injured worker to work as soon as possible. In situations where the insurer cannot be identified or is not providing assistance, the program will provide the assistance.

The **Data Management Unit** is responsible for the collection, data quality and maintenance of workers' compensation claim and injury information. The unit uses the claim data and other information sources to complete a comprehensive annual report on workers' compensation for the Governor and the legislature, along with performing varied research on the workers' compensation system and related topics. Unit staff work directly with insurers and third party administrators to ensure compliance with Montana claim reporting requirements and adherence to national standards.

The **Mediation Unit** is responsible for the statutorily required process to resolve workers' compensation benefit disputes, mitigating the need for filing with the Workers' Compensation Court (WCC). Parties in dispute meet with impartial mediators in a confidential, nonbinding conference to seek resolution. Conference results range from complete resolution/agreement between the parties to negotiated settlement of the claim. If the process is not successful in resolving the issues, a written recommendation is provided and the parties are free to pursue the matter at the WCC.

The **Medical Regulations Unit** is the primary liaison for the Department with providers, claims examiners and insurers who have questions, need assistance or require direction on all issues relating to the medical regulation of workers' compensation claims, including medical fee schedules, utilization and treatment guidelines, and timely payments. The unit maintains and updates medical fee schedules for providers and payers and ensures access through a web based delivery system. The unit has a Medical Director,

WORKERS' COMPENSATION SYSTEM ADMINISTRATION

who is responsible for the maintenance, annual updates, distribution and training of the Montana Utilization and Treatment Guidelines. The Medical Director also performs independent medical reviews for denied services. The unit certifies injured workers for the Subsequent Injury Fund (SIF), applies the fee schedules to medical expenses, makes decisions on requested SIF settlements as needed, manages the SIF fund balance, and authorizes payments for eligible SIF expenses.

SAFETY & HEALTH BUREAU

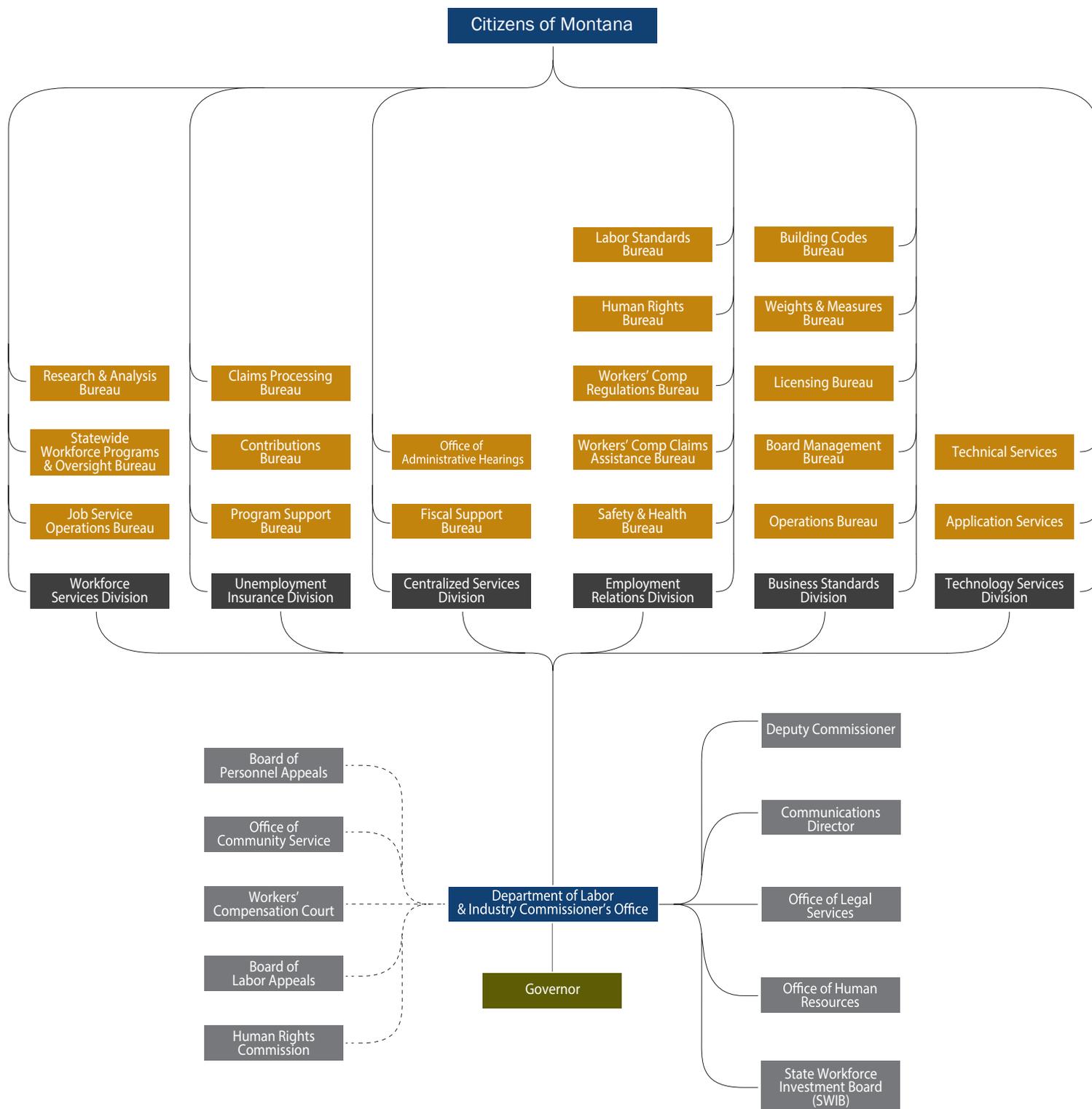
The **Safety & Health Unit** conducts inspections of public employers and performs on-site consultations for private employers throughout the state. Following an inspection or consultation, the unit provides occupational safety and health training to both public and private employers.

The **Compliance Unit** is responsible for workplace safety and health compliance in underground and surface coal mines. They conduct mine safety inspections and assist mine operators in safety training plan development. The unit also inspects sand and gravel operations.

The **Outreach and Education Unit** conducts presentations on the Montana Safety Culture Act and employer safety to business related organizations across the state. Young worker focused Occupational Safety and Health Administration (OSHA) 10-hour courses are presented at high schools, colleges and youth organizations. The unit also conducts SafetyFests, which provide free occupational safety and health training to workers and employers, through events held around the state.

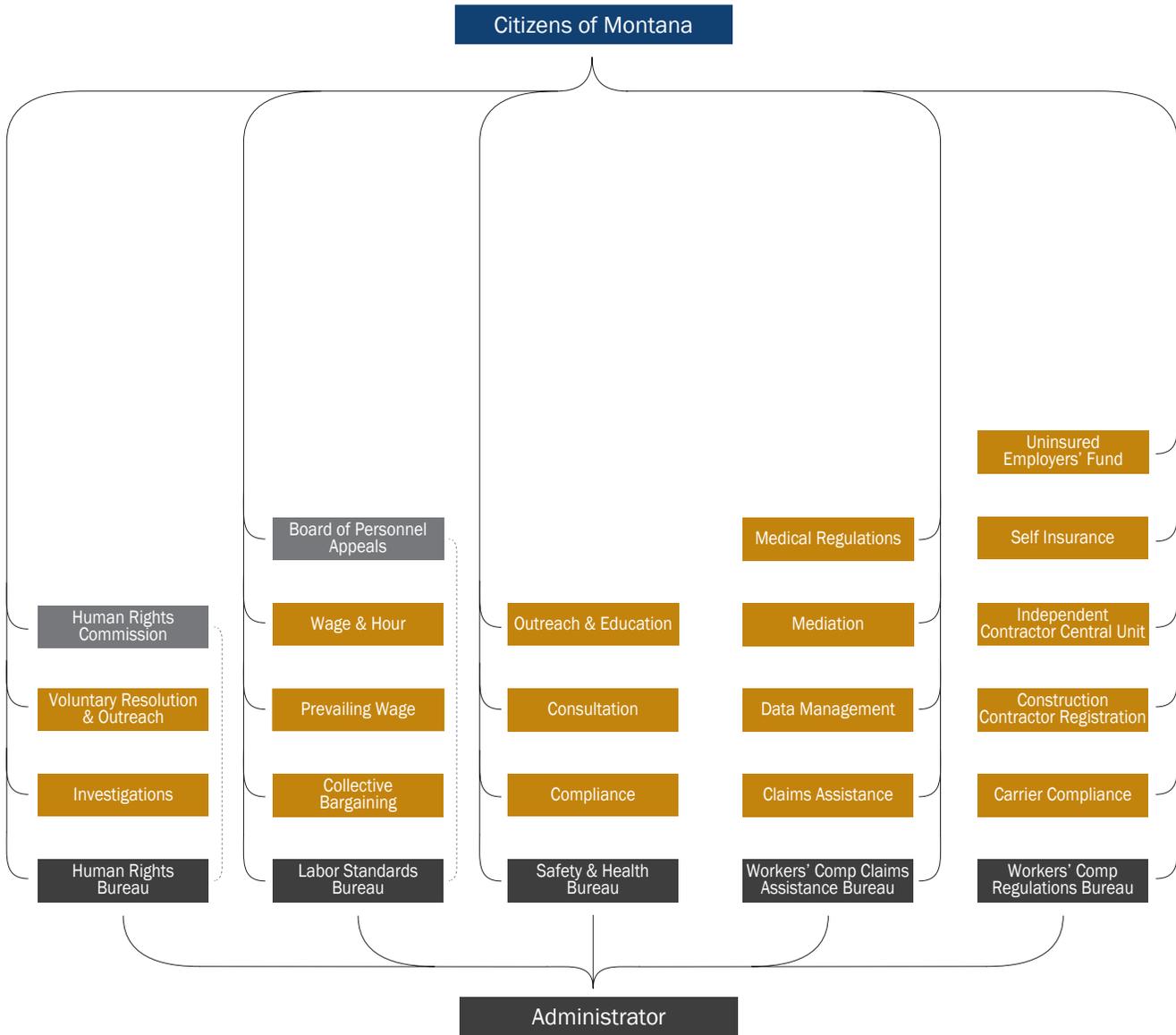
ORGANIZATIONAL CHARTS

EXHIBIT 6.1
Montana Department of Labor & Industry



ORGANIZATIONAL CHARTS

EXHIBIT 6.2
Employment Relations Division



WORKERS' COMPENSATION ASSESSMENTS AS EXPENDED

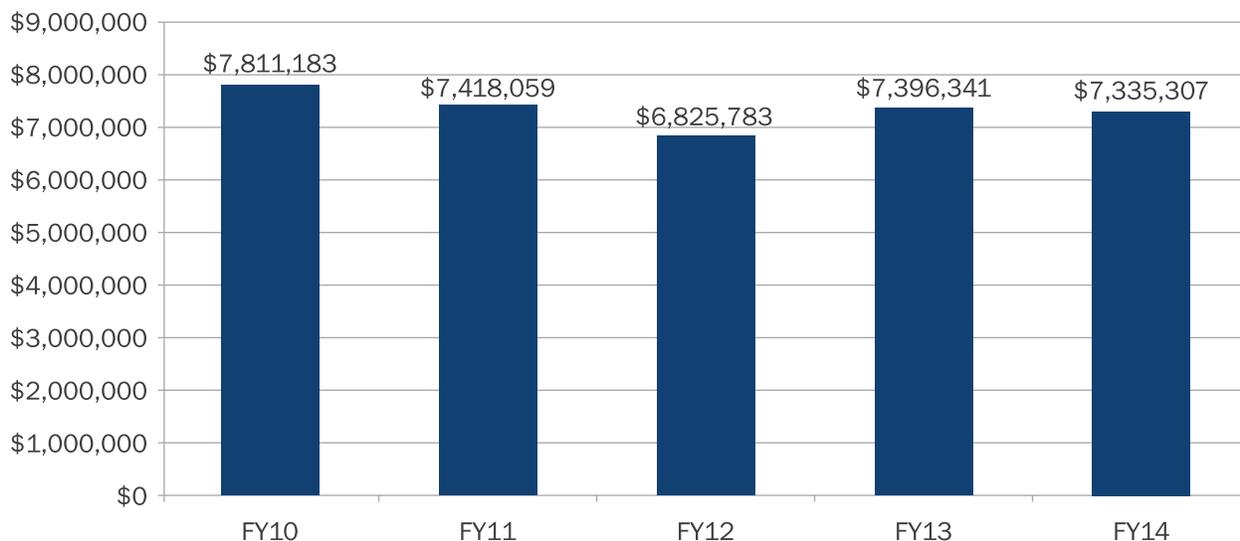
The administration of the Workers' Compensation Act and the various occupational safety laws is funded by an assessment to employers who self-insure and a surcharge paid by employers who are insured by private insurance companies and the Montana State Fund. Section 39-71-201, MCA, requires the administration assessment to be up to three percent of benefits paid during the preceding calendar year for injuries and occupational diseases covered under the Workers' Compensation Act, without regard to the application of any deductible, whether the employer or the insurer pays the losses. Benefits included in the calculation are: (1) compensation benefits paid and (2) medical benefits paid (except payments in excess of \$200,000 per occurrence, which are exempt from the assessment).

DLI functions funded by the administration assessments:

- Legal functions of the Workers' Compensation Court, Office of Administrative Hearings and Office of Legal Services;

- A portion of the Research & Analysis Bureau in the Workforce Services Division;
- Administration of the Employment Relations Division, including the workers' compensation database;
- Claims management, data analysis, mediation, medical regulations, and administration functions of the Claims Assistance Bureau;
- Self-insurance, carrier compliance, Professional Employer Organizations (except for a small portion funded by application fees), Managed Care Organizations and other administration functions of the Workers' Compensation Regulations Bureau; and
- Occupational safety statistics, public facility inspections, OSHA on-site consultation grant match, mining inspection, MSHA mine training grant match and safety culture functions of the Safety & Health Bureau.

EXHIBIT 6.3
Workers' Compensation Assessments as Expended¹
By Fiscal Year of Expenditure



¹A revised reporting method was used to display amounts spent in each fiscal year. Previously reported amounts for FY10 to FY13 were changed to be consistent with current reporting. Prior year adjustments made in the natural course of accounting may also change the totals slightly from year to year.

SUBSEQUENT INJURY FUND

The purpose of the Subsequent Injury Fund (SIF) is to assist individuals with a permanent impairment that may create an obstacle to employment, by offering a financial incentive to employers to hire SIF-certified individuals. Many states have similar funds, sometimes referred to as second injury funds. Montana's program is funded through an annual assessment on Montana self-insured employers and a surcharge on premium paid for private insured and Montana State Fund policyholders.

The assessment and surcharge rates, set by the Employment Relations Division annually, are based on the total amount of paid losses reimbursed by SIF in the preceding calendar year, plus the expenses of administration, less other income earned. Covered employers share in the reimbursement of SIF based on the percentage of the compensation and medical benefits paid in Montana by their insurers in the preceding calendar year.

The SIF program reduces the liability of the employer (if self-insured) or insurer by placing a limit of 104 weeks on the amount an employer (if self-insured), or the employer's insurer, will have to pay for medical and wage loss benefits in the event a worker who is SIF-certified becomes injured or re-injured on the job. When the 104 weeks is reached, SIF may assume liability for the claim. The benefit to an insured employer is that since the insurer's liability is limited to 104 weeks on the claim, it can favorably impact the employer's modification factor, which in turn can keep premiums lower than would otherwise be the case without SIF. For a self-insured employer, it provides a direct recovery of expenses paid for a workers'

compensation claim. If a certified worker does become injured on the job, the worker remains entitled to all benefits due under the Workers' Compensation Act.

STATUS UPDATE

The SIF program certified 536 workers from FY10 to FY14. It is notable that there was a significant decline in the number of workers applying for certification to the program during this period. The program experienced an average annual decline of 24.5% in the applications received since FY10. However, even with exits of certified workers due to retirement and other factors, the total number of certified workers increased 6.5%, from 4,551 in FY10 to 4,849 in FY14. Although an increase in SIF certifications is one indicator that payments from the fund will increase over time, it is not the only indicator.

Payments, which are generally increasing, have fluctuated significantly from year-to-year, from a low of \$348,029 in FY10 to a high of \$1,217,191 in FY13. Two important factors influencing that fluctuation are: 1) the increase in the number of settlements seeking SIF concurrence and 2) the lag in the time from when reimbursements are made and assessments are received to replenish the fund balance. To address the latter issue, the Department proposed to change the look back date from the prior calendar year to March 31 of the current year when calculating the assessment. This change will better align the reimbursements paid to carriers with the assessment income received. The provision was included in House Bill 90 in the 2015 legislative session and will take effect July 1, 2015.

EXHIBIT 6.4
SIF Payments and Dollars Assessed
By Plan Type and Fiscal Year

Plan Type	FY10		FY11		FY12		FY13		FY14	
	Payments	Assessment	Payments	Assessment	Payments	Assessment	Payments	Assessment	Payments	Assessment
Self-Insured	\$73,584	\$121,149	\$110,219	\$172,394	\$110,196	\$59,781	\$375,991	\$82,383	\$31,989	\$127,827
Private	\$175,272	\$200,713	\$115,125	\$357,840	\$153,050	\$147,592	\$278,648	\$65,624	\$208,983	\$365,669
State Fund	\$99,173	\$313,037	\$190,009	\$464,691	\$456,430	\$283,554	\$562,552	\$131,510	\$449,561	\$448,232
Total	\$348,029	\$634,899	\$415,353	\$994,925	\$719,676	\$490,927	\$1,217,191	\$279,517	\$690,533	\$941,728

EXHIBIT 6.5
SIF Certified Workers
By Fiscal Year

	FY10	FY11	FY12	FY13	FY14
Applications	323	198	138	102	105
Approvals	212	116	82	71	55
Certified Workers	4,551	4,730	4,812	4,917	4,849

UNINSURED EMPLOYERS' FUND

The primary roles of the Uninsured Employers' Fund (UEF) are to provide medical and indemnity benefits to employees injured on the job while working for an uninsured employer and to ensure that employers comply with Montana's workers' compensation laws.

The UEF is self-funded. Two forms of revenue are collected from uninsured employers:

- 1) **Penalties.** UEF levies and collects penalties for the time that the employer was legally required to have a workers' compensation policy until they are in compliance. Penalties can be double the insurance premium that would have been paid by the employer, or \$200, whichever is greater. Penalties levied by UEF are based on the cost of the policy that should have been in place during the uninsured period, based on the company's industry code.
- 2) **Recoupment of benefits paid.** The UEF endeavors to collect from uninsured employers all medical and indemnity benefits paid by UEF on behalf of injured employees.

STATUS UPDATE

Revenues collected in a fiscal year do not necessarily reflect the penalties or claims costs being assessed for that fiscal year. Revenue includes both current and prior year debts that were successfully collected during the fiscal year. Revenues have declined because ERD has improved its ability to identify uninsured employers while bringing them into compliance sooner. This has reduced the penalties imposed, while expenses have remained about the same.

Indemnity benefits paid by the UEF to injured employees who worked for uninsured employers increased 16% from FY13. Medical expenses paid to these claimants increased by 138%, due in part to one large claim from 2011 that pre-dated the \$100,000 medical cap, but was paid in FY14. In the 2011 session, the Legislature limited medical expenses to a maximum of \$100,000 per claim, beginning with dates of injury on July 1, 2012.

The UEF processed 62 new claims (all dates of injury) in FY14. Forty claims were received with dates of injury in FY14, compared to 32 claims in FY13, a 25% increase.

EXHIBIT 6.6
Uninsured Employers' Fund - Financial Activity
By Fiscal Year of Payment

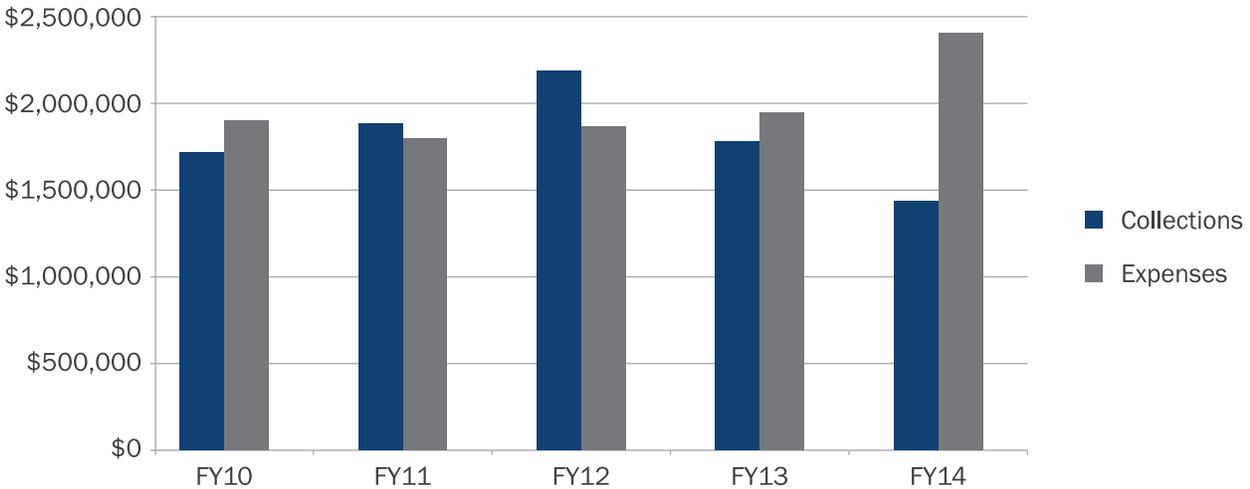


EXHIBIT 6.7
Uninsured Employers' Fund - Financial Activity
By Fiscal Year of Payment

	FY10	FY11	FY12	FY13	FY14
Collections	\$1,710,987	\$1,888,138	\$2,193,687	\$1,787,554	\$1,430,236
Expenses	\$1,897,882	\$1,805,804	\$1,873,743	\$1,958,522	\$2,400,458

EXHIBIT 6.8
UEF Medical and Indemnity Payments
By Fiscal Year of Payment

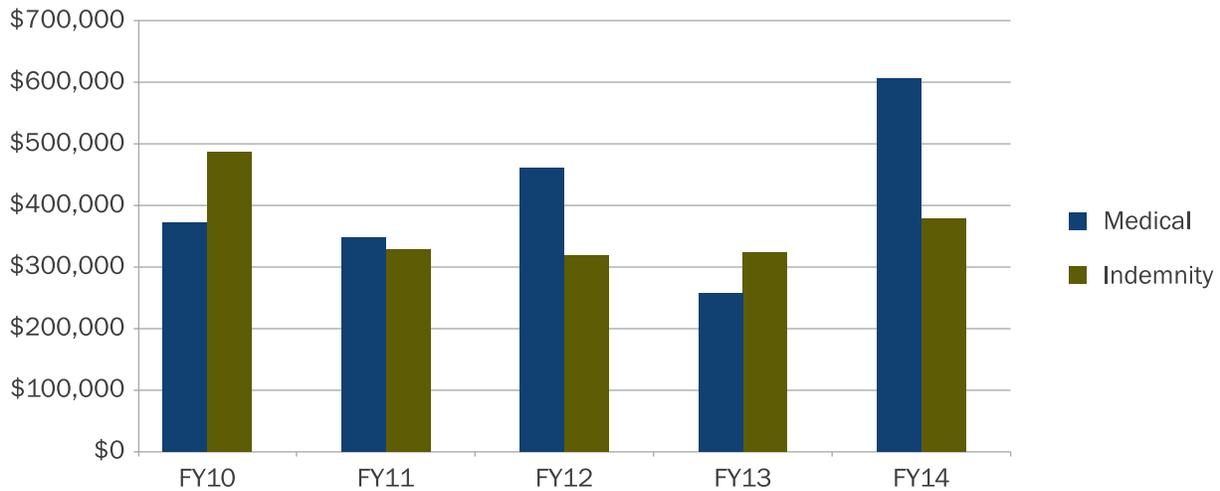


EXHIBIT 6.9
UEF Medical and Indemnity Payments
By Fiscal Year of Payment

	FY10	FY11	FY12	FY13	FY14
Medical	\$369,617	\$347,370	\$461,800	\$254,668	\$606,952
Indemnity	\$485,124	\$326,599	\$313,826	\$321,557	\$372,898
Total	\$854,741	\$673,969	\$775,626	\$576,225	\$979,850

CONSTRUCTION CONTRACTOR REGISTRATION

The Construction Contractor Registration (CR) program facilitates the registration of construction contractors working in Montana. All construction contractors working in Montana that have employees, or are a corporation or manager-managed limited liability company doing construction work in Montana, are required by law to register. Hiring a registered construction contractor does not guarantee quality assurance, nor does it mean they are licensed, bonded, or tested.

The program serves three primary purposes:

- 1) Verify the contractor has complied with the workers' compensation insurance laws;
- 2) Prevent the liability of a workplace injury from moving upward from one contractor to another; and
- 3) Level the playing field by assuring all construction contractors with employees have a Montana workers' compensation insurance policy.

The CR program works cooperatively with representatives of the building industry and the public to provide education about the registration program and the hiring of building construction contractors.

The education program is accomplished through seminars, presentations, news articles, multi-media campaigns, conferences, and community fairs and shows. During outreach, contact has been made with over 120,000 people throughout the state.

STATUS UPDATE

There were 9,759 active contractors in FY14 and 5,919 CR applications were received during the year. Registered contractors with employees numbered 4,128, while 5,133 registered contractors did not have employees. Contractors without employees are not required to have a workers' compensation policy. Montana's workers' compensation law does not allow coverage from other state's workers' compensation plans in the construction industry. An out-of-state company only bidding jobs in Montana, may ask for a "Bid Only" registration. There were 498 "Bid Only" contractors in FY14, compared to 598 in FY13. Out-of-state construction contractors must have a workers' compensation policy specific to Montana. Construction companies with "Bid Only" certificates must modify their registration before they can start working in Montana.

Four penalties, up to a maximum of \$500, were issued in FY14. Examples of violations include: performing work as a construction contractor without being registered; performing work as a construction contractor when the construction contractor's registration is suspended; transferring a valid registration to an unregistered construction contractor; or allowing an unregistered construction contractor to work under a registration issued to another construction contractor.

The website www.mtcontractor.com provides more information on construction contractor registration in Montana.

EXHIBIT 6.10
Registered Construction Contractor Applications
By Fiscal Year

	FY10	FY11	FY12	FY13	FY14
Applications Received	6,295	5,155	6,019	4,953	5,919
Active Contractors	11,087	10,126	9,546	9,940	9,759
Bid Only Contractors	314	491	693	598	498
Contractors with Employees	4,789	4,461	6,154	4,713	4,128

INDEPENDENT CONTRACTOR EXEMPTION CERTIFICATES

An Independent Contractor Exemption Certificate (ICEC) allows the owner of a business, sole proprietor, working partner of a partnership, working partner of a limited liability partnership, a working member of a member-managed limited liability company (LLC), or a working manager of a manager-managed LLC (in the construction industry) to exempt themselves from workers' compensation coverage by applying for and receiving an ICEC for the specific occupation in which they want to work as an independent contractor. A manager of a manager-managed LLC (not in the construction industry) and a corporate officer of a corporation with more than 20% of the shares in the corporation or 20% ownership in the LLC may apply for an ICEC.

ICECs are issued through the Independent Contractor Central Unit. It is the intent of the program to assure only those individuals who are truly established in a business will receive an ICEC and those who hire them can rely on the certificate as conclusive proof the worker is an independent contractor. The ICEC is valid for two years unless it is revoked, denied, or suspended.

Certificates may be suspended if control is exerted over the worker by the hiring agent enough to destroy the independent contractor relationship. They may also be revoked if a certificate holder fails to cooperate with the Department.

STATUS UPDATE

During FY14, 248 investigations took place across the state either affirming independent contractor relationships or requiring workers' compensation policies. The Department revoked 30 exemption certificates in FY14 compared to 27 in FY13, for failure to cooperate with Department's investigation.

One goal of the program is to educate the public of the rights and responsibilities of being an independent contractor or hiring one. This is accomplished through seminars, presentations, home show participation, news articles, multi-media campaigns, conferences, county fairs, and as a last resort, penalty enforcement. During outreach, contact has been made with over 120,000 people throughout the state.

Three penalties were issued in FY14. Both the worker and those that hire them may be penalized.

The number of active ICECs for FY14 was 17,865. The Department received 9,865 applications during FY14, of which 9,586 were approved, 223 denied, 17 pending, 19 canceled, and 30 revoked. Failure to provide a complete application was the primary reason for the denials and pending applications. Over half (60%) of the total applications received in FY14 were from the Construction industry. Administrative and Support and Waste Management and Remediation Services accounted for 11%, Transportation and Warehousing 8%, Professional, Scientific and Technical Services 5%, Miscellaneous Industries (1% or less) 4%, Agricultural & Forestry 4%, Arts, Entertainment and Recreation 3%, Other Services 3%, and Health Care and Social Assistance 2%.

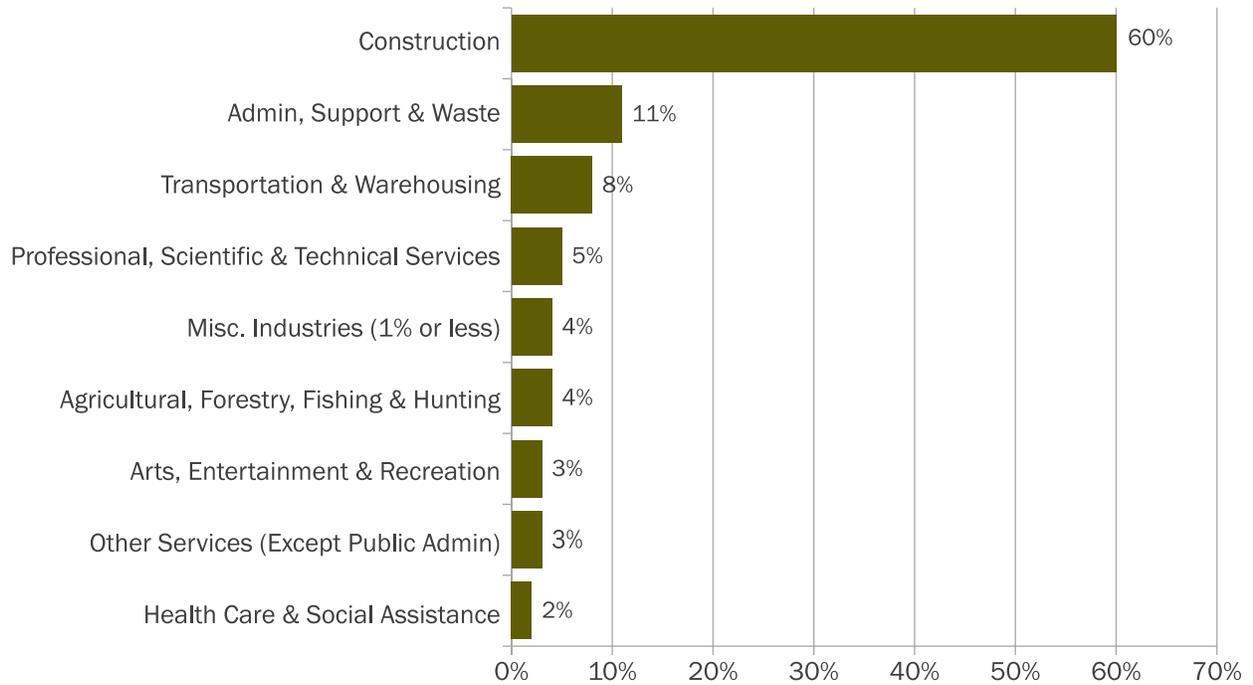
The website www.mtcontractor.com provides more information on independent contractors in Montana.

INDEPENDENT CONTRACTOR EXEMPTION CERTIFICATES

EXHIBIT 6.11
Independent Contractor Exemptions
By Fiscal Year

	FY10	FY11	FY12	FY13	FY14
Applications Received	9,385	8,658	9,587	8,947	9,865
Active ICEC's	17,120	17,505	17,689	17,805	17,865

EXHIBIT 6.12
Independent Contractor Exemptions Applications – FY14
By Industry



PROFESSIONAL EMPLOYER ORGANIZATIONS

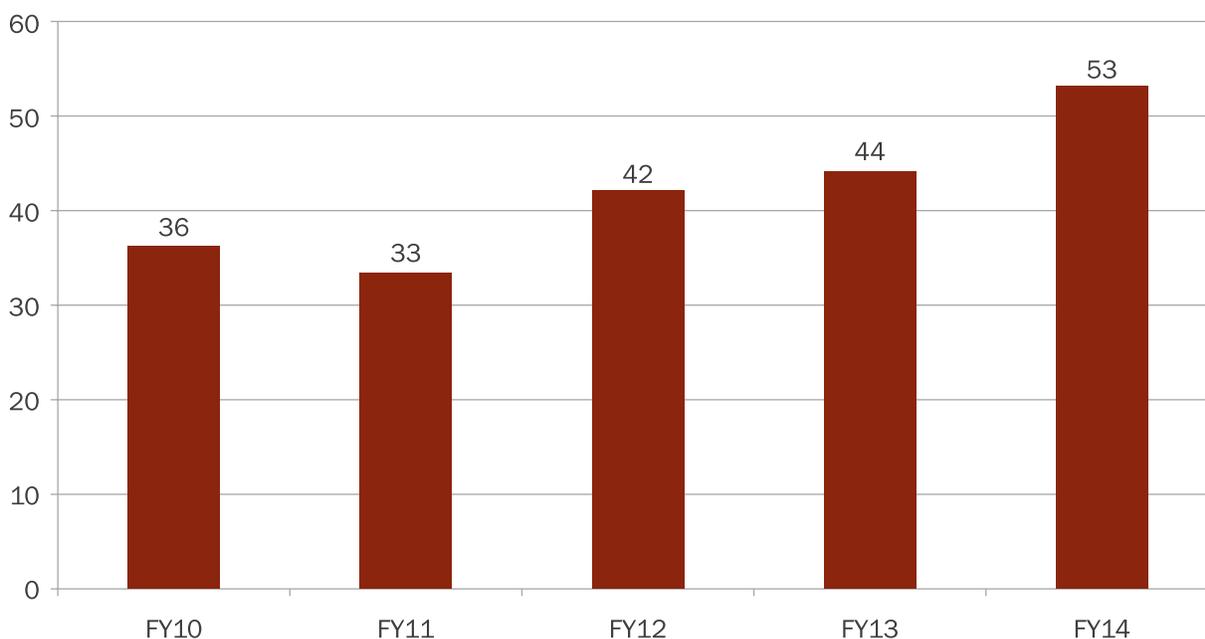
A Professional Employer Organization (PEO) is a business which contracts its employment services to other businesses, referred to as employers or members of the PEO. As the employer of record, a PEO becomes legally responsible for the hiring, firing, payment, insurance, taxation and regulation of all the employees subject to the agreement between the PEO and the employers.

PEOs are required to be licensed by the Department of Labor and Industry. The legislature recognizes that there is a public need for professional employer services and finds it necessary in the interest of public health, safety, and welfare to establish standards for

the operation, regulation, and licensing of professional employer organizations and groups in this state.

In FY14, the Department of Labor and Industry licensed 53 PEO's, a 20% increase from the 44 licensed in FY13. The number of active PEO Employers increased from 451 in FY13 to 505 in FY14, a 12% increase. The number of leased employees increased from 3,399 in FY13 to 3,678 in FY14, an 8% increase.

EXHIBIT 6.13
Licensed Professional Employer Organizations
By Fiscal Year



PROFESSIONAL EMPLOYER ORGANIZATIONS

EXHIBIT 6.14
Number of Active PEO Employers
By Fiscal Year

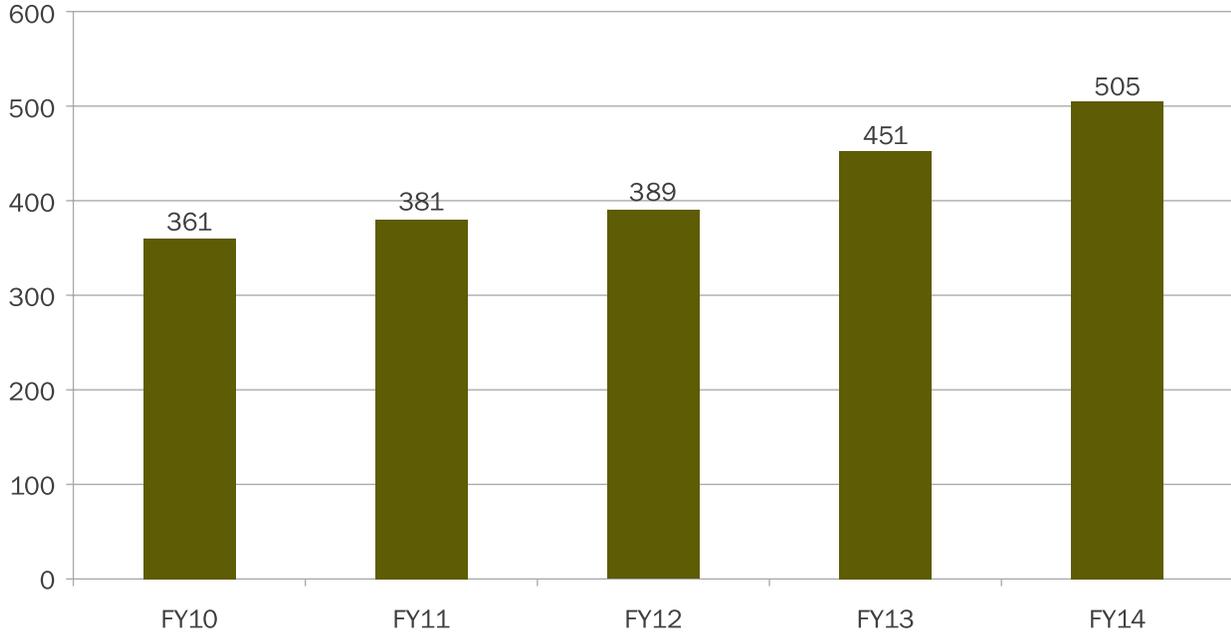
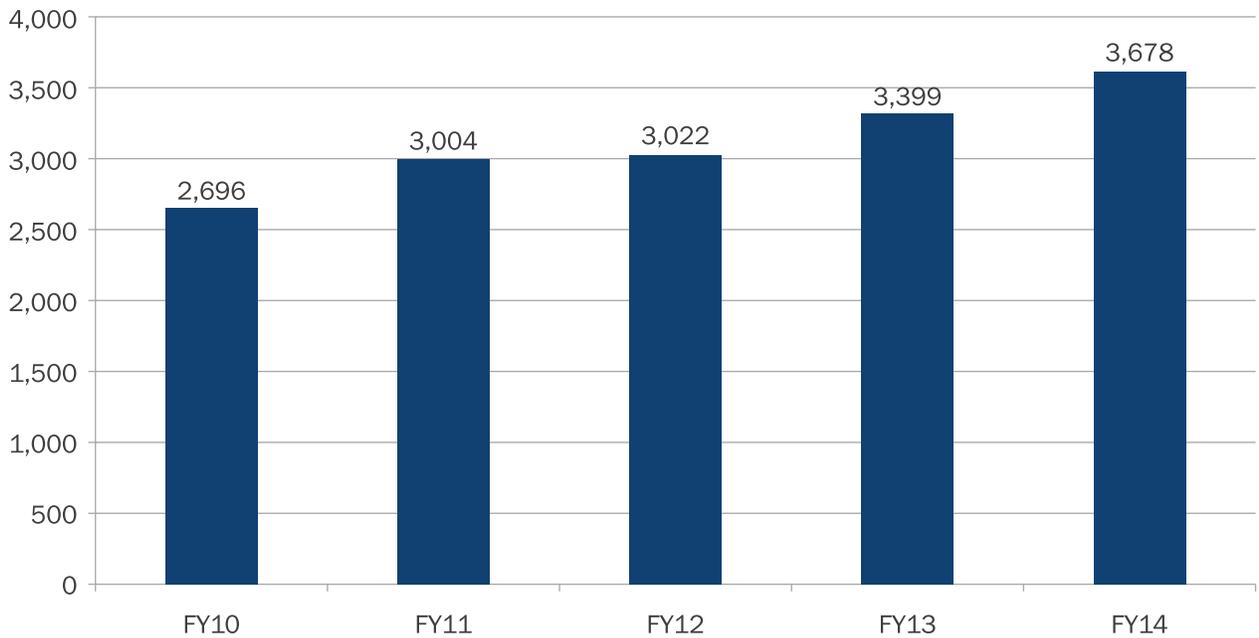


EXHIBIT 6.15
Leased Employees - Average Quarterly Count
By Fiscal Year



SAFETY & HEALTH

The purpose of the Safety and Health Bureau (SHB) is to raise the level of awareness of Montana employers and employees about workplace safety and health through inspection, consultation, technical assistance and training.

CONSULTATION

The SHB helps identify workplace safety and health hazards before they become accidents by offering safety consultations and providing industrial hygiene

services. SHB staff train employers and employees in safe work practices and help setup effective safety and health programs. In FY2014, the SHB had four safety consultants and four industrial hygienists. In the exhibits below, 'visits' are hazard investigations and 'interventions' involve education.

EXHIBIT 6.16
Public Employer Consultation Activities - FY14

State Government	19
County Government	9
City Government	6
College/Public Schools	6
Accident Investigations	4
Total Visits	44
Interventions	89
Total	130

EXHIBIT 6.17
Private Employer Consultation Activities - Federal FY14 (10/1/13 - 9/30/14)

Number of Employees covered	21,928
Number of Hazards Identified in work place	767
Total Visits	218
Interventions	145
Total	363

SAFETY & HEALTH

OUTREACH AND EDUCATION

Montana's workplace injury, illness and fatality frequency rates are consistently above the national average. The Outreach and Education unit was created to assist employers in decreasing these rates through education and training. The section has two emphasis areas: 1) employers and 2) employees.

Montana's workers are at high risk for workplace injury, illness and death, but overall, young workers are the most at-risk. To facilitate change, the SHB provides free Occupational Safety and Health Administration (OSHA) 10-hour training to high schools, colleges, and youth-related organizations across Montana. SHB held 42 classes for 769 students in FY14.

The SHB also conducts general outreach and safety education through SafetyFestMT. In FY14, SHB conducted SafetyFest training events in the following communities:

Helena

- 340 attendees
- 36 Classes
- 28 Instructors (17 SHB Staff)

Missoula

- 695 attendees
- 47 Classes
- 41 Instructors (17 SHB Staff)

Miles City

- 175 attendees
- 27 Classes
- 20 Instructors (11 SHB Staff)

Ready for Work: Safety & Career Fair

- 25 attendees
- 2 Classes: OSHA 10-hour Construction & OSHA 10-hour General Industry
- 12 Employers

MINE SAFETY

The SHB, under the Montana Coal Mine Safety Act (§50-73-101, MCA), is responsible for workplace safety and health compliance in underground and surface coal mines. They conduct mine safety inspections and assist mine operators in safety training plan development. The SHB also inspects sand and gravel operations, under 50-72-101, MCA. The SHB partners with contractors to ensure Mine Safety and Health Administration (MSHA) compliance and works with multiple county, state and federal agencies to assist in accident investigations and safety. Under a grant from MSHA, the Bureau provides CPR training and certification, new miner training, annual refresher courses, as well as mine foreman training and certification at the employer's request.

In FY14, SHB conducted:

- 12 Coal Mining Inspections
- 100 Sand & Gravel Inspections
- 121 Training Sessions (Metal/NonMetal/Coal)
- 2,331 Workers Trained (Metal/NonMetal/Coal)
- 5 Coal Mine Foreman Training Sessions
- 27 Coal Mine Foreman Trained

MONTANA SAFETY CULTURE ACT

The Montana Safety Culture Act enacted by the 1993 Montana State Legislature encourages workers and employers to come together to create and implement a workplace safety philosophy. It is the intent of the act to raise workplace safety to a preeminent position in the minds of all Montana's workers and employers. It is the responsibility of employers to participate in the development and implementation of safety programs that will meet the specific needs of their workplace.

The SHB helps employers establish or strengthen a safety program appropriate to their business and employees' needs by incorporating the Montana Safety Culture Act.

STAY AT WORK/RETURN TO WORK

The 2011 Legislature directed Stay at Work/Return to Work (SAW/RTW) assistance be made available to injured workers upon request (§39-71-1041, MCA). The goal of the assistance is to minimize disruption caused by a work-related injury or disease by assisting the worker to return to the same position with the same employer or a modified position with the same employer as soon as possible after an injury or occupational disease occurs.

The SAW/RTW Assistance Program outreach included training through two SafetyFestMT and 11 Assistance to Business Clinic events. Five provider trainings were conducted, reaching 35 providers.

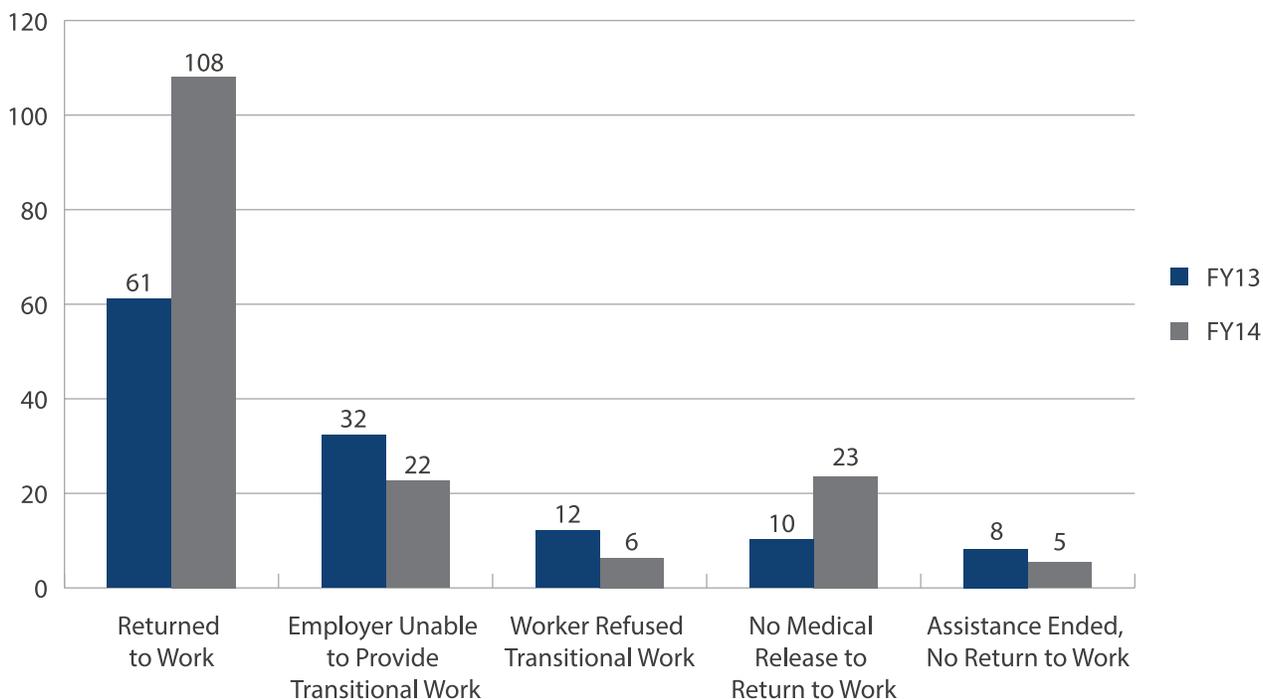
Since the program's implementation on July 1, 2012, 455 injured workers requested assistance by contacting their workers' compensation insurer (as

reported) or the Department. SAW/RTW assistance was requested by 291 workers and the known outcomes for those workers are:

- 169 injured workers returned to work with time of injury employer
- 54 employers determined they could not provide transitional employment
- 18 injured workers refused transitional work
- 33 injured workers could not get a medical release to return to work
- 13 requests for assistance ended without a return to work

Outcomes for these requests are represented in Exhibit 6.18.

EXHIBIT 6.18
Stay at Work/Return to Work Program Outcomes
By Fiscal Year



CLAIMS EXAMINER CERTIFICATION

The 2009 Legislative Session passed the voluntary Claims Examiner Certification process (§39-71-320, MCA). The purpose of this legislation was to establish standards for the voluntary certification of workers' compensation claims examiners handling

workers' compensation claims in the State of Montana. It provides minimum qualifications, an examination, a two-year certification and renewal process, continuing education requirements, and standards for the qualifications of instructors.

EXHIBIT 6.19 Claims Examiner Certification Activities By Fiscal Year

	FY11	FY12	FY13	FY14
Total Examiners Certified as of FY End	*	*	124	136
New Examiners Certified	89	8	10	14
Examiners that took the Examination	3	8	10	14
Examiners that met the Waiver Requirements	86	0	0	0
Courses Approved	15	32	48	50

*No data available.

INDEPENDENT MEDICAL REVIEWS

An Independent Medical Review (IMR) is an informal, alternative dispute resolution process when a medical service is denied for one of the following reasons:

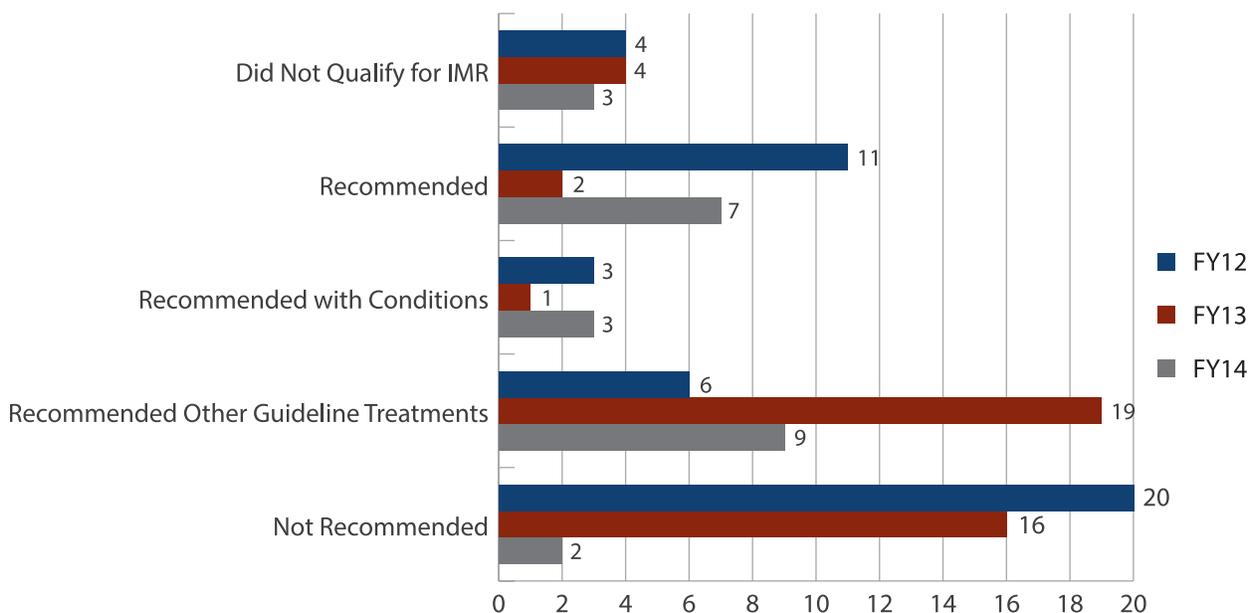
- 1) treatment was not specifically addressed or recommended by the Montana Guidelines;
- 2) treatment was requested after Maximum Medical Improvement (MMI);
- 3) treatment went beyond the duration and frequency limits set out in the Guidelines; or
- 4) the Guidelines require prior authorization.

IMRs may be requested by the physician, injured worker, insurer or injured worker representative. The majority of requests are received from insurers – 83% in FY14. The Department’s medical director

reviews requests and issues decisions. IMRs apply to medical services provided on or after July 1, 2011 and decisions are not binding on the parties.

One-hundred-ten IMRs were completed from FY12 through FY14. The number of IMRs dropped from 42 in FY13 to 24 in FY14, a 43% decrease. The decrease could be related to increased knowledge of Montana’s Guidelines by insurers and claim administrators. An example of “Recommended with Conditions” could be that a claimant needs to complete smoking cessation prior to surgery.

EXHIBIT 6.20
Total Independent Medical Reviews
By Resolution and Fiscal Year



INDEPENDENT MEDICAL REVIEWS

EXHIBIT 6.21
Total Independent Medical Reviews
By Resolution and Fiscal Year

Independent Medical Reviews	FY12		FY13		FY14	
	Count	Percent	Count	Percent	Count	Percent
Not Recommended	20	45%	16	38%	2	8%
Recommended Other Guideline Treatments	6	14%	19	45%	9	38%
Recommended with Conditions	3	7%	1	2%	3	13%
Recommended	11	25%	2	5%	7	29%
Did Not Qualify for IMR	4	9%	4	10%	3	13%
Totals	44	100%	42	100%	24	100%

EXHIBIT 6.22
Independent Medical Reviews
By Type of Requestor and Fiscal Year

Requestor	FY12		FY13		FY14	
	Count	Percent	Count	Percent	Count	Percent
Insurer	36	82%	33	79%	20	83%
Physician Provider	4	9%	6	14%	4	17%
Injured Worker	1	2%	2	5%	0	0%
Injured Worker Representative	3	7%	1	2%	0	0%
Totals	44	100%	42	100%	24	100%

SECTION 7

APPENDICES

- DEFINITIONS
- DATA SOURCES
- RESOURCES

DEFINITIONS

Benefit Triangles: Benefit triangles display the claim counts, average yearly benefits, average total benefits, and percentages of claims receiving benefits for the specified fiscal year of injury. Year one shows statistics for claims with benefits paid during their first year after the date of injury, while years two through eight provide statistics for claims as they move beyond their injury years or as new claims come in over time.

Depending on the type of claim and benefit reporting issues, a claim may not be reported or receive benefits until two or more years after the date of injury or illness. These charts, then, should not be construed to represent the duration of claims.

Calendar Year: The year beginning January 1st and ending December 31st.

Cause of Injury Code: The code that corresponds to the cause of injury or occupational disease. Maintained by the Workers' Compensation Insurance Organizations (WCIO), the cause of injury major groupings are:

Burn, Hot/Cold exposures – Contact With: Chemicals, hot objects or substances, temperature extremes, fire or flame, steam or hot fluid, dust, gases, fumes or vapors, welding operation, radiation, contact with, cold objects or substances, abnormal air pressure, or electrical current.

Caught In, Under or Between: Machine or machinery, object handled, caught in, under or between, or collapsing materials (slides of earth).

Fall, Slip, Trip: From different level (elevation), from ladder or scaffolding, from liquid or grease spills, into openings, on same level, slip or trip did not fall, fall slip or trip, on ice or snow, or on stairs.

Motor Vehicle: Crash of water vehicle, crash of rail vehicle, collision or sideswipe with another vehicle, collision with a fixed object, crash of airplane, vehicle upset, or motor vehicle.

Puncture, Cut, Scrape: Broken glass, hand tool, utensil; not powered, object being lifted or handled, powered hand tool, appliance, or cut, puncture, scrape.

Strain: Continual noise, twisting, jumping or leaping, holding or carrying, lifting, pushing or pulling, reaching, using tool or machinery, strain or injury, welding or throwing, or repetitive motion.

Striking Against or Step On: Moving part of machine, object being lifted or handled, sanding, scraping, cleaning operation, stationary object, stepping on sharp object, or striking against or stepping on.

Struck By Object: Fellow worker, patient or other person, falling or flying object, hand tool or machine in use, motor vehicle, moving parts of machine, object being lifted or handled, object handled by others, struck or injured, animal or insect, or explosion or flare back.

Miscellaneous Causes: Absorption, ingestion, or inhalation, foreign matter (body) in eye(s), natural disasters, and person in act of a crime, other than physical cause of injury, mold, terrorism, cumulative, gunshot, or other miscellaneous.

Employment Relations Division (ERD): ERD is part of the Department of Labor & Industry. The Division provides a wide variety of service and regulation related to the employer – employee relationship. This includes issues involving workers' compensation coverage and claims, human rights claims, workplace safety and health, wage and hour claims, prevailing wage claims, and public sector collective bargaining.

Extra-Territorial Reciprocal Agreement: A formal agreement between two states which allows employers temporarily doing business away from their home state to utilize their workers' compensation coverage in the other state, without needing to purchase additional coverage. When an agreement is in effect with another state, it allows for employers with workers from that state to work in Montana on a temporary basis without purchasing Montana coverage. It in turn allows Montana employers with workers to temporarily do business in the other state without purchasing that state's required coverage. The ERD Workers' Compensation Regulations Bureau oversees extra-territorial reciprocal agreements with Washington, Oregon, Idaho, Wyoming, Utah, and North & South Dakota.

DEFINITIONS

Fiscal Year: The State of Montana's fiscal year begins July 1st and ends June 30th of the following year. (Example: 07/01/12 - 06/30/13 = FY13)

First Report of Injury and Occupational Disease (FROI): The initial report designed to notify parties of the occurrence of an injury or occupational disease. The FROI contains basic claim information about the worker, accident, employer and insurer. It is completed and submitted to ERD by employees, employers or insurers. The Annual Report includes information on all injuries and occupational diseases reported to ERD; however, all injuries and occupational diseases that occurred in Montana may not have been reported.

Indemnity Benefits: Any payment made directly to the worker (or the worker's beneficiaries), other than a medical benefit. The term includes payments made pursuant to a reservation of rights, or in settlement of a dispute over initial compensability of the claim. The term does not include expense reimbursements for items such as meals, travel or lodging. ARM 24.29.4303 (4)

Independent Medical Review (IMR): A physician, injured worker, insurer or injured worker representative may request an IMR by the Department's medical director for medical treatment denied by the insurer, prior to mediation under 39-71-2401, MCA. The medical director will review the medical records of the injured worker and other information relevant to the denial and issue a recommendation. The medical director is the specific individual designated by the Department to serve as the medical director with respect to a given set of disputed treatments or procedures. The medical director's review and recommendation is an informal alternative dispute resolution process without administrative or judicial authority and is not binding on the parties.

Industry: The North American Industry Classification System (NAICS) is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy. NAICS codes are grouped into different industrial divisions. The following is a list of examples of each division:

Accommodation and Food Services: This sector is comprised of establishments providing customers with lodging and/or preparing meals, snacks, and beverages for immediate consumption. The sector includes both establishments because the two activities are often combined at the same establishment.

Administrative and Support and Waste Management and Remediation Services: This sector is comprised of establishments performing routine support activities for the day-to-day operations of other organizations. These essential activities are often undertaken in-house by establishments in many sectors of the economy. The establishments in this sector specialize in one or more of these support activities and provide these services to clients in a variety of industries and, in some cases, to households. Activities performed include: office administration, hiring and placing of personnel, document preparation and similar clerical services, solicitation, collection, security and surveillance services, cleaning, and waste disposal services.

Agriculture, Forestry, Fishing and Hunting: This sector is comprised of establishments primarily engaged in growing crops, raising animals, harvesting timber, and harvesting fish and other animals from a farm, ranch, or their natural habitats.

Arts, Entertainment, and Recreation: This sector includes a wide range of establishments that operate facilities or provide services to meet varied cultural, entertainment, and recreational interests of their patrons. This sector comprises (1) establishments that are involved in producing, promoting, or participating in live performances, events, or exhibits intended for public viewing; (2) establishments that preserve and exhibit objects and sites of historical, cultural, or educational interest; and (3) establishments that operate facilities or provide services that enable patrons to participate in recreational activities or pursue amusement, hobby, and leisure-time interests.

Construction: This sector is comprised of establishments primarily engaged in the construction of buildings or engineering projects (e.g., highways and utility systems). Establishments primarily engaged in the preparation of sites for new construction and establishments primarily engaged

in subdividing and for sale as building sites also are included in this sector.

Educational Services: This sector is comprised of establishments that provide instruction and training in a wide variety of subjects. This instruction and training is provided by specialized establishments, such as schools, colleges, universities, and training centers. These establishments may be privately owned and operated for profit or not for profit, or they may be publicly owned and operated. They may also offer food and/or accommodation services to their students.

Finance and Insurance: This sector is comprised of establishments primarily engaged in financial transactions (transactions involving the creation, liquidation, or change in ownership of financial assets) and/or in facilitating financial transactions.

Health Care and Social Assistance: This sector is comprised of establishments providing health care and social assistance for individuals. The sector includes both health care and social assistance because it is sometimes difficult to distinguish between the boundaries of these two activities. The industries in this sector are arranged on a continuum starting with those establishments providing medical care exclusively, continuing with those providing health care and social assistance, and finally finishing with those providing only social assistance. The services provided by establishments in this sector are delivered by trained professionals. All industries in the sector share this commonality of process, namely, labor inputs of health practitioners or social workers with the requisite expertise. Many of the industries in the sector are defined based on the educational degree held by the practitioners included in the industry.

Information: This sector is comprised of establishments engaged in the following processes: (1) producing and distributing information and cultural products, (2) providing the means to transmit or distribute these products as well as data or communications, and (3) processing data.

Management of Companies and Enterprises: This sector is comprised of (1) establishments that hold the securities of (or other equity interests in) companies and enterprises for the purpose of owning a controlling interest or influencing management decisions or (2) establishments

(except government establishments) that administer, oversee, and manage establishments of the company or enterprise and that normally undertake the strategic or organizational planning and decision making role of the company or enterprise. Establishments that administer, oversee, and manage may hold the securities of the company or enterprise.

Manufacturing: This sector is comprised of establishments engaged in the mechanical, physical, or chemical transformation of materials, substances, or components into new products. The assembling of component parts of manufactured products is considered manufacturing, except in cases where the activity is appropriately classified Construction.

Mining, Quarrying, and Oil and Gas Extraction: This sector is comprised of establishments that extract naturally occurring mineral solids, such as coal and ores; liquid minerals, such as crude petroleum; and gases, such as natural gas. The term mining is used in the broad sense to include quarrying, well operations, beneficiating (e.g., crushing, screening, washing, and flotation), and other preparation customarily performed at the mine site, or as a part of mining activity.

Other Services (except Public Administration): This sector is comprised of services not specifically provided for elsewhere in the classification system. Establishments in this sector are primarily engaged in activities such as equipment and machinery repairing, promoting or administering religious activities, grant making, advocacy, and providing dry-cleaning and laundry services, personal care services, death care services, pet care services, photofinishing services, temporary parking services, and dating services.

Professional, Scientific, and Technical Services: This sector is comprised of establishments that specialize in performing professional, scientific, and technical activities for others. These activities require a high degree of expertise and training. The establishments in this sector specialize according to expertise and provide these services to clients in a variety of industries and, in some cases, to households. Activities performed include: legal advice and representation; accounting, bookkeeping, and payroll services; architectural, engineering, and specialized design services;

DEFINITIONS

computer services; consulting services; research services; advertising services; photographic services; translation and interpretation services; veterinary services; and other professional, scientific, and technical services.

Public Administration: This sector consists of establishments of federal, state, and local government agencies that administer, oversee, and manage public programs and have executive, legislative, or judicial authority over other institutions within a given area. These agencies also set policy, create laws, adjudicate civil and criminal legal cases, provide for public safety and for national defense. In general, government establishments in the Public Administration sector oversee governmental programs and activities that are not performed by private establishments. Establishments in this sector typically are engaged in the organization and financing of the production of public goods and services, most of which are provided for free or at prices that are not economically significant.

Real Estate and Rental and Leasing: This sector is comprised of establishments primarily engaged in renting, leasing, or otherwise allowing the use of tangible or intangible assets, and establishments providing related services. The major portion of this sector comprises establishments that rent, lease, or otherwise allow the use of their own assets by others. The assets may be tangible, as is the case of real estate and equipment, or intangible, as is the case with patents and trademarks.

Retail Trade: This sector is comprised of establishments engaged in retailing merchandise, generally without transformation, and rendering services incidental to the sale of merchandise.

Transportation and Warehousing: This sector includes industries providing transportation of passengers and cargo, warehousing and storage for goods, scenic and sightseeing transportation, and support activities related to modes of transportation. Establishments in these industries use transportation equipment or transportation related facilities as a productive asset. The type of equipment depends on the mode of transportation. The modes of transportation are air, rail, water, road, and pipeline.

Utilities: This sector is comprised of establishments engaged in the provision of the following utility services: electric power, natural gas, steam supply, water supply, and sewage removal. Within this sector, the specific activities associated with the utility services provided vary by utility: electric power includes generation, transmission, and distribution; natural gas includes distribution; steam supply includes provision and/or distribution; water supply includes treatment and distribution; and sewage removal includes collection, treatment, and disposal of waste through sewer systems and sewage treatment facilities.

Wholesale Trade: This sector is comprised of establishments engaged in wholesaling merchandise, generally without transformation, and rendering services incidental to the sale of merchandise. The merchandise described in this sector includes the outputs of agriculture, mining, manufacturing, and certain information industries, such as publishing.

International Association of Industrial Accident Boards and Commissions (IAIABC): The IAIABC is a not-for-profit trade association representing government agencies charged with the administration of workers' compensation systems throughout the United States, Canada, and other nations and territories. The IAIABC represents workers' compensation professionals, medical providers, insurers, and corporate agencies with 60 jurisdictions and over 150 associate corporate members. Working groups standardize reporting of workers' compensation data. Standards have been developed for communicating data electronically through Electronic Data Interchange (EDI).

Mediation Benefit Issues: Disputes are identified by detailed subjects or issues. Multiple issues may be identified for a single dispute. The issues are categorized as follows.

Medical Benefits: Includes medical treatment, domiciliary care entitlement, travel expenses, choice of treating physician, re-authorization of medical services, chiropractic treatment, co-payments, medical benefit rates, and miscellaneous medical issues.

Wage Loss Benefits: Includes TTD, TPD, PPD, and PTD benefits.

Relatedness: Includes issues of aggravation, subsequent injury, heart attack, psychological conditions, and others.

Injury/Occupational Requirement: Disputes concerning whether a medical condition meets the legal definition of injury and occupational disease; disputes over whether a medical condition arises within the course and scope of employment.

Access to Records: Disputes or delays in obtaining claim file records and/or related medical records.

Notice/Filing Time: Includes disputes over statutory notice to employer and timely filing of the claim.

Course & Scope: Center on whether or not the injured worker was within the performance of his/her employment at the time of the event; and if the injury or OD arose out of that employment. There are many varied scenarios within this category.

Employment/Insurance Coverage: Consist of disputes over employment, coverage, and responsible insurer.

Rehab Benefits: Disputes over retraining benefits and assistance with job placement, for all dates of injury.

Calculation of Wages: Disputes involving non-monetary compensation, concurrent wages, and appropriate wage periods. (Wages are used for calculation of compensation rates.)

Other: Includes a variety of less frequently disputed issues, the most common of which are other refusal or delay, lump sum payment disputes, death benefits, and reopening settlements.

Medical Benefits: Payments for hospitals, physicians, health care providers, prescriptions, and other medical care costs associated with a claim for benefits.

Montana Code Annotated (MCA): The definitive guide to Montana laws, consisting of the Constitution, codes and statutes. The MCA is normally published each odd numbered year incorporating changes made by the Legislative session of that year.

Nature of Injury Code: The code that corresponds to the nature of the injury or occupational disease. Maintained by WCIO, the nature of injury major groupings are:

All Other Claims, Not Otherwise Classified (NOC): Includes asphyxiation, loss of circulation, infection, concussion, heart problems, vision loss, hearing loss, poisoning, fainting, no physical or psychological injuries; includes all records where nature code was reported as “unclassified”, the code was not reported on the First Report of Injury, or the code could not be converted to IAIABC codes.

Amputation: Includes loss of a limb that involves bone, loss of part of an organ, enucleation or severance of a body part.

Bruise or Swelling: Includes contusions, broken blood vessels and inflammation.

Burn or Exposure: Includes electrical shocks, chemical burns, temperature extremes, freezing, sunburns, heat stroke and lightning.

Cut or Abrasion: Includes slivers, lodged small objects, open wounds, scrapes and needle sticks.

Fracture: Includes any breaking of a bone.

Multiple Injuries: Involves more than one Nature of Injury Code.

Occupational Disease: Includes repetitive motion, loss of hearing or sight, respiratory conditions, poisoning, mental disorders, radiation, heart disease, cancer, AIDS, carpal tunnel and any disease resulting from work related experiences.

Sprain or Rupture: Includes strains, dislocations, hernias, organ ruptures and trauma to joints or muscles.

Other Benefit Codes: Codes that identify the type of other benefits paid to date or recovered for an injury or occupational disease. The following are IAIABC definitions for the codes used in this report:

Hospital Costs Paid to Date: Sum of costs of both inpatient and outpatient services.

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Other Medical Paid to Date: Sum of medical costs to other providers not included in payments to physicians or hospital costs, i.e. laboratory tests, prescriptions.

Pharmaceutical Paid to Date: Sum of medication payments.

Total Payments to Physicians Paid to Date: Sum of services paid to physicians.

Part of Body Code: The code which corresponds to the part of body to which the employee sustained injury or occupational disease. Maintained by WCIO, the code definitions for part of body major groups are:

All Other Claims, NOC: Includes all records where the part of body code was reported as “unclassified”, the code was not reported on the First Report of Injury, or the code could not be converted to IAIABC codes.

Back: Includes the upper and lower back, disc, or lumbar and sacral vertebrae.

Head: Includes multiple head injuries, skull, brain, ears, eyes, nose, teeth, mouth, soft tissue or facial bones.

Knee: Includes the patella (kneecap) and supporting ligaments.

Lower Extremities: Includes multiple lower extremities, hip, upper leg, lower leg, ankle, foot and toe.

Multiple Body Parts: Includes artificial appliances, multiple body parts or body systems.

Neck: Includes multiple neck injuries, vertebrae, disc, spinal cord, larynx, soft tissue or trachea.

Trunk: Includes multiple trunk injuries, disc, chest, sacrum and coccyx, pelvis, spinal cord, internal organs, heart, lungs, abdomen (including groin) and buttocks.

Upper Extremities: Includes multiple upper extremities, upper arm, elbow, lower arm, fingers, thumb and shoulders.

Wrist: Includes hand and wrist or just wrist injuries.

Occupational Disease: Harm or damage caused by work-related events that occur on more than a single day or work shift. It includes acute chronic illnesses or diseases caused by inhalation, absorption, ingestion or overuse syndrome.

Occupational Injury: Internal or external physical harm to the body that is established by objective medical findings, caused by a specific work accident on a single day or during a single work shift.

Permanent Partial Disability (PPD): Permanent impairment resulting from an injury or occupational disease, after achieving maximum medical improvement, that impairs the worker’s ability to work and causes an actual wage loss. PPD benefits are calculated using 66 2/3% of the wages received at the time of injury, not to exceed one-half the state’s average weekly wage at the time of injury. Maximum length for PPD benefits is determined by the date of injury.

Permanent Total Disability (PTD): A physical condition resulting from an injury or occupational disease, after achieving maximum medical improvement, in which the worker has no reasonable prospect of physically performing regular employment. PTD benefits are calculated using 66 2/3% of the wages received at the time of injury, not to exceed the state’s average weekly wage at the time of injury. The injured worker may receive cost of living increases.

Plan Type: The type of workers’ compensation insurance coverage chosen by an employer. There are three different types of insurance plans:

Plan 1: Self-insurance provided by employers who have sufficient financial strength to cover potential workers’ compensation claims. If an injury occurs, a self-insured employer will pay the expenses and benefits.

Plan 2: Insurance coverage provided by a private insurance company.

Plan 3: Insurance coverage provided by Montana State Fund.

Professional Employer Organizations (PEO): Professional Employer Organizations provide human resource services for small to medium size businesses. Examples of services provided by PEO’s

are staffing, securing unemployment and workers' compensation insurance, and handling payroll taxes and medical benefits. PEO's must be authorized by ERD prior to contracting with any client employers.

Subsequent Report of Injury (SROI): The SROI is completed for each individual claim with indemnity benefits and is submitted to ERD by adjusters or insurers on every six-month anniversary of the date of injury, until the claim is closed or additional compensation or medical payments are not anticipated. The form includes claimant identification information, status of the claim, type of benefits paid and benefits payment amounts. The Annual Report includes data reported to ERD on injury and occupational disease indemnity claims. SROIs may not have been submitted to ERD for all indemnity claims.

Temporary Partial Disability (TPD): A physical condition resulting from an injury or occupational disease, prior to achieving maximum medical improvement, that causes a partial loss of wages. TPD benefits are the difference between the injured worker's actual weekly wage and the actual weekly wage earned during the injured worker's temporary partial disability. They are subject to a maximum of 40 hours per week and capped at the injured worker's Temporary Total Disability rate.

Temporary Total Disability (TTD): A physical condition resulting from an injury or occupational disease, prior to achieving maximum medical improvement that causes a total loss of wages. TTD benefits are calculated using 66 2/3% of the wages received at the time of injury, not to exceed the state's average weekly wage at the time of injury.

Uninsured Employers' Fund (UEF): Enforces workers' compensation coverage requirements for all employers, and pays benefits to injured workers whose employers do not have coverage.

Utilization and Treatment Guidelines (Montana Guidelines): The DLI was required by statute to implement guidelines for workers' compensation medical treatments. The Montana Guidelines are based on the existing Colorado Workers' Compensation Medical Treatment Guidelines, supplemented with the ACOEM Guidelines, for use in Montana. The purpose of the Montana Guidelines is to assist injured workers in receiving prompt and

appropriate care, assist injured workers in stay-at-work/return-to-work options, assist clinicians in making decisions for specific conditions, and help insurers make reimbursement determinations. Montana Guidelines are enforceable for payment purposes. The DLI recognizes that acceptable medical practice may include deviations from the guidelines and that the Montana Guidelines are not relevant as evidence of a provider's legal standard of professional care.

The Montana Guidelines are applicable to all medical services provided on or after July 1, 2011 and establish a presumption of compensability for injuries and occupational diseases occurring on or after July 1, 2007. For those injuries or occupational diseases occurring on or before June 30, 2007, treatment in accordance with the Montana Guidelines constitutes reasonable primary or secondary medical treatment.

Vocational Rehabilitation Benefits: Benefits paid to the injured worker at the worker's TTD rate. The benefits are paid for the period specified in the job placement or retraining plan, not to exceed 104 weeks. The plan is prepared by the rehabilitation provider and agreed to by the insurer and injured worker.

Wage Loss Benefits: TTD, TPD, PTB, and PPD benefits paid to the injured worker.

Workers' Compensation Insurance Organizations (WCIO): A voluntary association of statutorily authorized or licensed rating, advisory or data service organizations that collect workers compensation insurance information in one or more states. The WCIO is composed of the managers of the various boards and jurisdictions. The purpose of the WCIO is to provide a forum for the exchange of information about workers' compensation insurance.

DATA SOURCES

Department of Labor and Industry

Workers' Compensation Claims Assistance Bureau;
Workers' Compensation Regulations Bureau;
Safety and Health Bureau; and
Hearings Bureau

Quarterly Expenditure Reports

Totals of compensation, medical, and miscellaneous expenses reported to the DLI by carriers.

Quarterly Census of Employment and Wages, Bureau of Labor Statistics, US Department of Labor

Regulatory Costs and Industrial Accident Rehabilitation Trust Fund Expenses

Costs obtained from the State's Accounting, Budgeting, and Human Resource System (SABHRS).

Unemployment Insurance Tax System for Leased Employees

Workers' Compensation Court

Workers' Compensation Database (WCAN)

Employers, insurers, claimants, attorneys, medical providers and other parties of the workers' compensation community in Montana provide data for the system. ERD maintains the database.

The data is as accurate as reported to the Employment Relations Division and does not include reserves. Payment data on individual medical-only claims is not reported to ERD. Counts and totals may change over time due to updated reports and data clean-up efforts. Federal workers' claims are not represented in this report.

RESOURCES

WEBSITE

This report, previous reports, and other special reports are available on the Internet at the following web site: <http://erd.dli.mt.gov/work-comp-claims/data-management/data-management-publications>. To request a copy of the Annual Report, Attorney Fee Supplement, or special studies, please contact Loraine Hovland by phone: 406-444-6517 or e-mail: lhovland@mt.gov

SUGGESTIONS

If you have suggestions or comments about this annual report, please share them with us through the online survey or contact David Elenbaas by phone: 406-444-6527 or e-mail: daelenbaas@mt.gov

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