

QUARTERLY ACTIVITY REPORT

July 1 - September 30, 2001

Ched Jennings, Commissioner
KY Department of Workers' Claims



The Commissioner Welcomes...

...We have a system of adjusters, attorneys and judges...we're going to facilitate that system...My goal is to go to a system that is very fair and facilitates the processing of the claims...

Adequate staffing is a key component in facilitating the claims adjudication process. Committed to expediting the delivery of benefits to Kentucky's injured workers and their families, the Commissioner is pleased to announce the recent re-appointments and welcome new staff to the Department of Workers' Claims.

Donna H. Terry, Irene Steen, J. Landon Overfield and John B. Coleman were re-appointed as Administrative Law Judges to four-year terms by Governor Patton in September 2001.

Bonnie S. Kittinger of Lexington and Richard M. Joiner of Madisonville joined the department as Administrative Law Judges, filling unexpired terms ending in July of 2004.

Judge Kittinger was previously an arbitrator with DWC. Judge Joiner was a staff attorney for the Uninsured Employers Fund before entering private practice in Madisonville in 1977.

In addition to the Administrative Law Judge staff, the Department of Workers' Claims has hired Rex L. Hunt to serve as the agency's General Counsel.

Mr. Hunt most recently held the position of Deputy Secretary of the Finance and Administration Cabinet. He has also served the Commonwealth as staff attorney, litigation supervisor and general counsel for the Labor Cabinet.

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Quarterly



Statistics

QUARTERLY ACTIVITY

Lost Time First Reports of Injury	9,733	Re-openings (medical)	86
Claims Assigned	1,432	Re-openings (overruled)	23
Pre-litigations	964	Re-openings (sustained)	94
Awards	252		
Agreements	967	Appeals to:	
Dismissals	183	Workers' Compensation Board	165
		Circuit Court of Appeals	58
		Kentucky Supreme Court	22

Lost time First Reports of Injury reported during this period represent an increase of several hundred over last quarter. Increases were reflected within each standard industrial classification, with the exceptions of Finance/Insurance/Real Estate and Services. The most significant increase was in construction; a rise of 171 injuries.

Also noted as increases over those reported last quarter were Agreements (up 252 this quarter) and the number of appeals to the Workers' Compensation Board; an increase of 31.

All other categories of statistics usually reported on this page remained similar to those of the previous quarter.

Distribution by Body Part (top ten)

First Reports Of Injury

Lower Back	2048
Multiple Body Parts	1194
Knee	810
Shoulders	540
Fingers	512
Wrist	443
Hand	432
Ankle	363
Abdomen/Groin	353



Claims

Lower Back	390
Multiple Body Parts and Body Systems	244
Knee	95
Shoulders	77
Wrist	74
Disc	46
Multiple Upper Extremities	39
Foot	31
Ears	30
Lower Arm	30

Quarterly

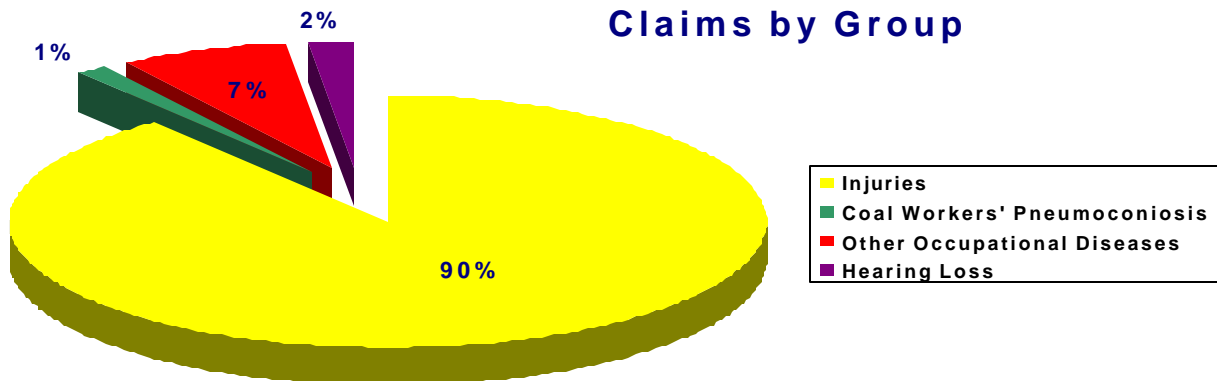


Statistics

DISTRIBUTION OF FIRST REPORTS OF INJURY BY CAUSE

Strains/Sprains	3,645	Absorption or Ingestion	121
Fall or Slip	2,052	Foreign Body in Eye	131
Struck or Injured By	1,071	Animal or Insect	80
Cut, Puncture or Scrape	465	Cumulative Injury	57
Repetitive Motion	395	Robbery or Criminal Assault	27
Motor Vehicle	400	Contact with Electrical Current	21
Caught In or Between	400	Explosion/Flareback	4
Striking Against or Stepping On	365	Rubbed or Abraded By	2
Burns/Scalds	242	Other	255
		Total	9,733

Distribution of Claims by Group



DISTRIBUTION OF CLAIMS BY INDUSTRY

Agriculture/Forestry/Fishing	11	Retail Trade	161
Mining	214	Finance/ Insurance/ Real Estate	21
Construction	143	Services	273
Manufacturing	375	Public Administration	45
Transportation/Communication/ Public Utilities	118	Wholesale Trade	51
		Not Classified	20
		Total	1,432

Division of Security and Compliance

Self-Insurance

The Self-Insurance Branch of the Department of Workers' Claims focused on numerous issues surrounding the demise of Frontier Insurance Company and on determining the known liability for AEI. With the substitution by Manalapan Mining of alternative surety, AEI remains the only current or former self-insured employer continuing to operate utilizing surety bonds underwritten by Frontier Insurance Company.

DWC, in cooperation with AEI, moved to increase the amount and quality of surety held to cover the self-insured exposure of AEI while working to achieve an ultimate resolution addressing all issues. Complicating the effort, Frontier Insurance Company was placed into rehabilitation by the New York Department of Insurance on August 24, 2001. Frontier's license to operate in the Commonwealth of KY was immediately suspended by Commissioner of Insurance Miller on August 27, 2001. DWC, along with numerous other state agencies, continues to monitor the situation with Frontier Insurance Company.

AIK-Comp and KACo -- As required by KRS 342.347, the second round of examinations were initiated in 2001, with the exams of AIK-Comp, the fund formerly known as Associated Industries of Kentucky Self-Insurance Fund and KACo. An examiner from the Department of Insurance, in conjunction with an auditor from DWC, completed the field work with reports pending. Initial reports indicate significant improvement from the prior audits.

Coverage

The proof of coverage system continues to steadily improve its overall quality and efficiency. The staff is approximately one-

third the size of pre-EDI levels and processes more than three times the number of records. DWC realizes that the carriers have invested much to achieve this success and the department is committed to ensuring a continuation of successful reporting.

Electronic Transmission of Proof of Coverage Quarterly Statistics:

- Mass rejections of erroneous data represented only 5% of the total submissions.
- 81% of all transactions submitted were accepted into the database.
- KEMI led the way with an acceptance rate of 95%.

Enforcement

The following data represents the citation and collection activity during this quarter:

- The Department of Workers' Claims collected \$76,389 in penalties
- Citations to employers for noncompliance totaled 127
- Total investigations for this quarter equaled 2,948
- Rejection notices totaled 1,731

Administrative Law Judges

During this quarter, the Administrative Law Judges held 1,548 benefit review conferences, presiding over settlement negotiations, ruling on evidentiary disputes and identifying contested issues. The judges also held 739 formal hearings, issued 455 opinions and issued 39 decisions in claims on remand from the Workers' Compensation Board, the Court of Appeals and the Supreme Court of Kentucky.

Division of Ombudsmen and Workers' Compensation Specialists Services

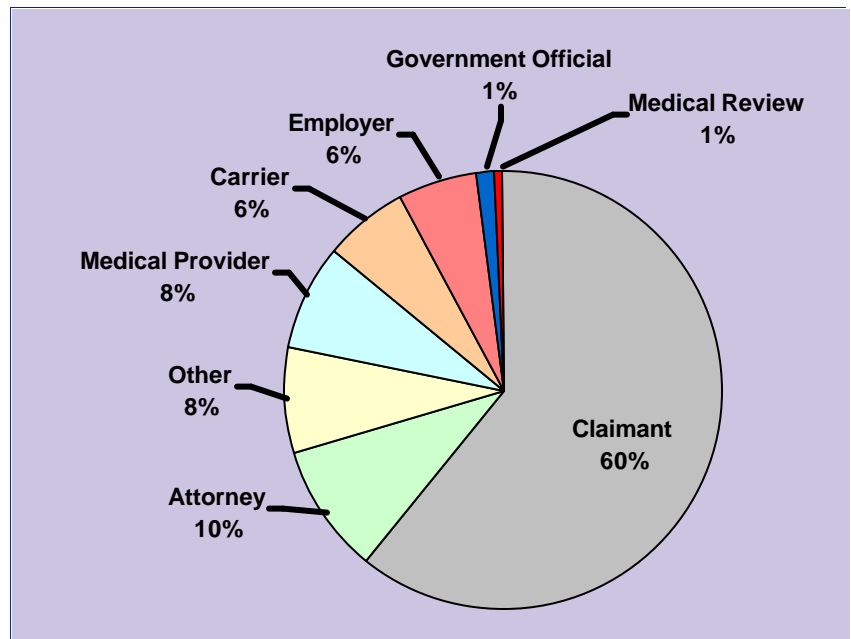
Sources of Requests for Assistance

Workers' compensation specialists and ombudsmen received over 3900 requests for assistance during this reporting period.

The most common requests related to rights and procedures (2339), questions on the status of a claim (569) and requests for forms (451).

The sources of these requests are noted in the chart .

Also, there were 315 requests for mediation, with mediation completed successfully in 196 cases.



Medical Evaluations

There were 37 medical evaluations scheduled at the University of Kentucky and 35 scheduled at the University of Louisville from July to September. Most medical evaluations at both facilities involved injuries (a total of 32) and hearing loss claims (a total of 20).

During this same time period, DWC received 40 completed medical evaluation reports from UK and 46 from U of L.



This agency does not discriminate on the basis of race, color, national origin, religion, age or disability in employment or provision of services.

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