

To: Governor's Workers' Compensation Advisory Council

From: James E. Marsh, Director, Division of Labor and Management  
South Dakota Department of Labor

Date: July 17, 2009

Re: 2009 Division Report on the State Workers' Compensation System

This report is prepared for submission at the July 29, 2009, meeting of the Workers' Compensation Advisory Council.

The State Division of Insurance has announced average base rates for the voluntary insurance market will increase by 3.5 percent for the period from July 1, 2009, to June 30, 2010, and assigned-risk rates will remain the same. Our rates remain competitive with those of neighboring states and nationwide.

The National Council on Compensation Insurance (NCCI) reports the frequency of South Dakota claims continues to decrease, though the severity of those claims, particularly the cost of medical treatment, continues to rise. This has been the trend for the last several years. From those reports, it appears claims are dropping in major part because of the increasing age and experience of South Dakota's workforce. This downward trend is accelerated in economic downturns, because less experienced workers are more likely to be laid off. Medical costs are taking an increasingly large share of benefit payments, increasing from 43 percent of overall benefit payments in 1987 to 72 percent of payments in 2007.

The 2009 Legislature passed the provision recommended by the Council to increase the maximum burial reimbursement from \$5,000 to \$7,500 without a single dissenting vote. The law change was effective July 1, 2009.

Respectfully submitted,

  
James E. Marsh  
Director