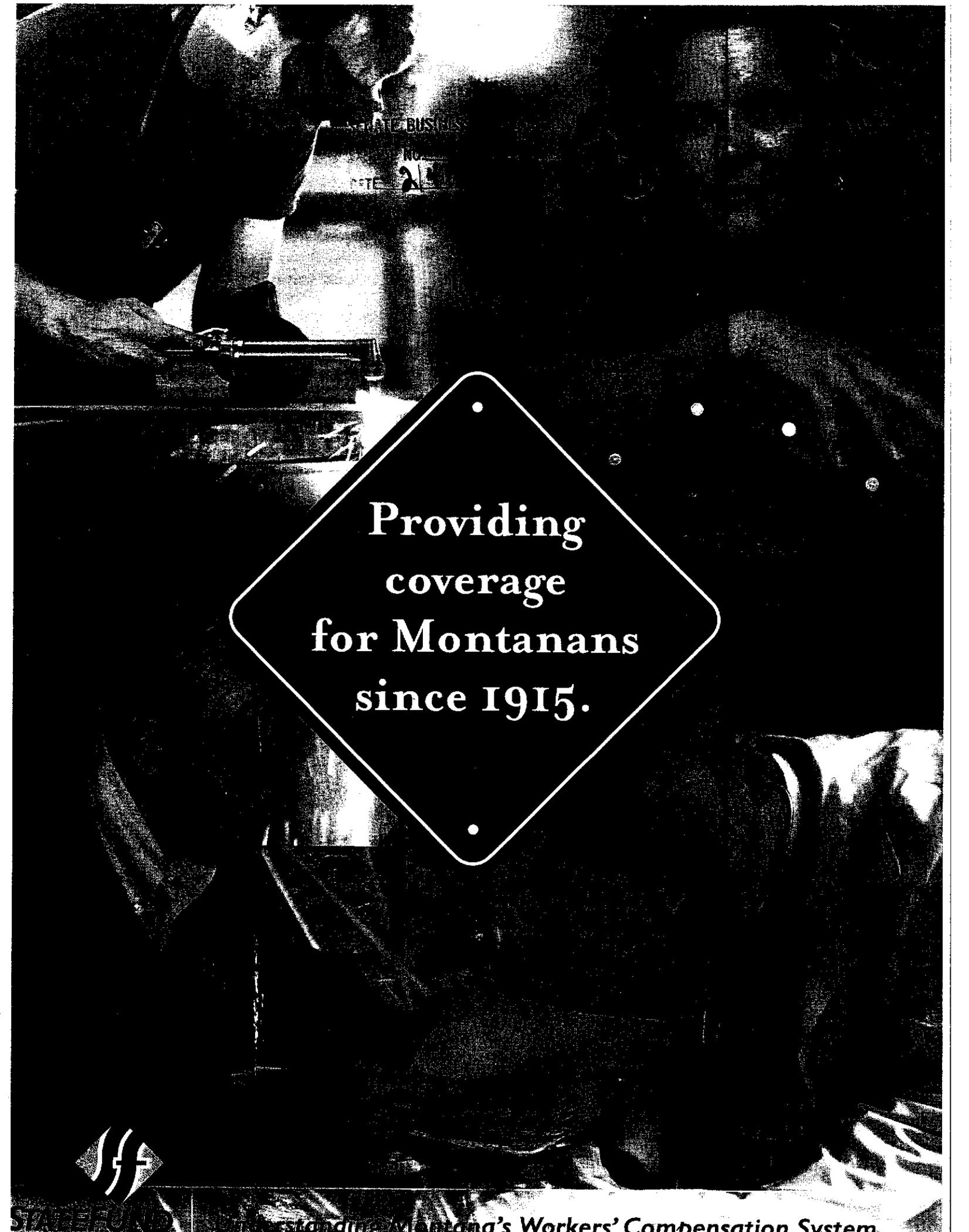


Montana State Legislature

Exhibit Number: ||

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Standard Montana's Workers' Compensation System

Glossary of Workers' Compensation Terms

Average Weekly Wage: A term generally used in workers' compensation laws. It is the basis for determining weekly benefits under such laws.

Class Codes: A system of insurance risk classification based on industrial or occupational categories, supported by the National Council on Compensation Insurance and in use in about 40 states, including Montana.

Exclusive Remedy: The premise on which the Workers' Compensation system is based: workers gave up the right to sue the employer in exchange for wage loss and medical benefits as provided under state law.

Experience Modification Factor: An adjustment to modified Manual Premium, calculated by an advisory organization (also known as rating bureaus) such as NCCI, based on historic loss and payroll data of a particular insured.

Impairment: A medical term that is sometimes confused with disability. Impairment is what is physically impaired with an individual and is a means where the medical care provider assigns a numerical rating for whatever type of bodily function has been impaired.

Incurred Losses: The total for both the reserve and paid amounts for claims.

Indemnity Benefits: Wage loss or other benefits paid to an injured employee, excluding medical benefits.

Independent Medical Examination (IME): An examination by a physician in order to obtain an evaluation of the employee's physical condition or the cause of the injury or disability.

Manual Premium: Workers' Compensation premium calculated by multiplying payrolls by appropriate rates, before application of Experience Modifier, Schedule Rating, Premium Discount, or other premium programs.

Maximum Medical Improvement Status (MMI): A term used by medical providers to indicate when a patient has attained a point in the healing process where further material improvement would not be reasonably expected from primary medical treatment.

Medical Only Claims (MO): Claims with only medical bills and no indemnity benefits owed or paid.

National Council on Compensation Insurance (NCCI): An association of workers' compensation insurers that serves as the workers' compensation rating organization in about two-thirds of the states. The group establishes standards for use in ratemaking, develops policy forms, collects statistics, and provides statistical support and services. NCCI is a private organization, not connected with government.

New Fund: Claims occurring on or after July 1, 1990 and the responsibility of Montana State Fund.

Occupational Disease (OD): An employment-related medical condition that is caused by events occurring on more than a single day or work shift.

Old Fund: Claims occurring before July 1, 1990 and the responsibility of the state.

Permanent Partial Disability (PPD): A physical condition in which a worker, after reaching maximum medical healing, has a permanent impairment established by objective medical findings; is able to return to work in some capacity but the permanent impairment impedes the worker's ability to work; and has an actual wage loss as a result of the injury.

Permanent Total Disability (PTD): A physical condition resulting from injury after a worker reaches maximum medical healing, in which a worker does not have a reasonable prospect of physically performing regular employment. Regular employment means work on a recurring basis performed for remuneration in a trade, business, profession, or other occupation in this state. Lack of immediate job openings is not a factor to be considered in determining if a worker is permanently totally disabled.

Rehabilitation Benefits: Benefits provided to an injured employee including bi-weekly compensation benefits, tuition, fees, books, retraining expenses and travel and relocation expenses.

Reserves: The estimated value of payout expected over the life of a claim.

Social Security Disability Benefits (SSDI): SSDI benefits are payable to disabled individuals through the Social Security Administration.

Surplus: A contingent liability fund that is intended to assure that the insurer will be able to fulfill its obligations to policyholders and injured employees. When an insurer reports a surplus, they are not talking about unneeded or excess funds.

Temporary Partial Disability (TPD): A physical condition resulting from an injury, in which a worker, prior to maximum healing is temporarily unable to return to the position held at the time of injury because of a medically determined physical restriction; returns to work in a modified or alternative employment; and suffers a partial wage loss.

Temporary Total Disability (TTD): A physical condition resulting from an injury that results in total loss of wages and exists until the injured worker reaches maximum medical healing.



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