CWCI California Workers' Compensation Institute

BULLETIN

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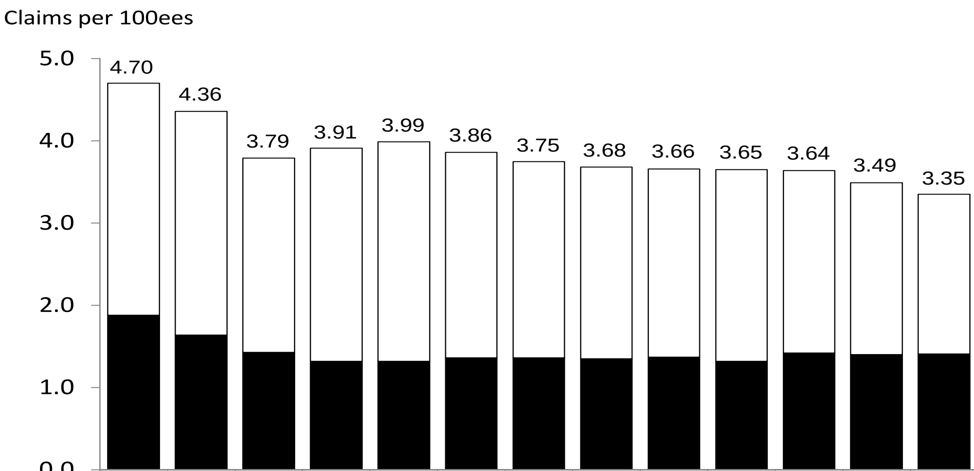
Overall claim frequency among California workers' compensation private self-insured employers fell 4 percent last year compared to 2014, as indemnity claim frequency was flat, but medical-only claim frequency declined 7.2 percent according to a California Workers' Compensation Institute (CWCI) review of data released by the state Office of Self-Insurance Plans (OSIP).

The OSIP initial summary of private self-insured data, issued June 8, offers an initial look at California private, self-insured claims experience for cases reported in 2015. The summary includes medical-only and indemnity claim counts, as well as the total paid and incurred amounts on those claims, through December 2015. The new report summarizes the experience of private self-insured employers who covered nearly 2.26 million employees last year (vs. 2.19 covered employees in the first report for 2014 claims). Wages and salaries for those private self-insured employees totaled nearly $95.1 billion in 2015, or 5.8 percent more than the $89.9 billion noted for self-insured employees in the 2014 first report. California's private self-insured employers reported a total of 75,684 claims in 2015, which was down by 743 claims (or 1 percent) from the number recorded in the 2014 first report. That translates to a claim frequency of 3.35 claims (1.94 medical-only + 1.41 indemnity) per 100 employees, vs. 3.49 claims per 100 employees in 2014 (2.09 medical-only + 1.40 indemnity).

California Private Self-Insured Claim Frequency
# of Claims per 100 Employees
Initial Reports, CY 2003 – 2015 Claims



	03	04	05	06	07	08	09	10	11	12	13	14	15
□ Med-Only Claims	2.82	2.72	2.36	2.59	2.67	2.50	2.39	2.33	2.29	2.33	2.22	2.09	1.94
■ Indemnity Claims	1.88	1.64	1.43	1.32	1.32	1.36	1.36	1.35	1.37	1.32	1.42	1.40	1.41

Source: OSIP 2003 –2015 Summaries of Private Self-Insured Claims Experience

In comparing initial data reported each year since 2003 the Institute found that as with insured claims, the steep decline in total claim frequency among private self-insureds occurred as the 2002-2004 legislative reforms were implemented, but after 2005, claim frequency among these employers leveled off until the med-only claims rate began to decline in 2013 – the first year after SB 863 was enacted.

Paid loss data in the summary show aggregate loss payments on the 2015 claims through the end of the year totaled $195.4 million -- just $1.3 million (0.6 percent) more than the comparable payout for 2014 claims, but $14.5 million (8.0 percent) more than what was paid on 2013 claims at the same level of development, as the increase in paid indemnity more than offset the reduction in paid medical. At the same time, the total amount incurred (paid benefits plus reserves for future payments) on the 2015 private self-insured claims increased to $595 million, up about $5 million (.08 percent) from the initial incurred reported for 2014 claims, and up $14.7 million (2.5 percent) from the initial incurred reported for 2013 claims, with that increase also completely due to the growth in incurred indemnity, as incurred medical at the first report level fell to a 9-year low in 2015.

CALIFORNIA WC PAID & INCURRED LOSSES: PRIVATE SELF-INSURED CLAIMS

2003 – 2015 Experience @ 1st Report

		TOTAL PAID ($ millions)		AVG PAID/CLAIM			TOTAL INCURRED ($ millions)		AVG INCURRED/CLAIM		
YEAR	# OF CLAIMS	INDEM	MEDICAL	INDEM	MEDICAL	TOTAL	INDEM	MEDICAL	INDEM	MEDICAL	TOTAL
'03	116,238	$ 108.0	$168.7	$ 929	$1,452	$2,381	$365.6	$494.2	$3,145	$4,252	$7,397
'04	113,085	$ 91.6	$124.7	$ 810	$1,103	$1,913	$301.0	$402.3	$2,662	$3,557	$6,219
'05	106,569	$ 78.6	$105.8	$ 737	$ 993	$1,730	$227.8	$367.7	$2,138	$3,450	$5,588
'06	104,965	$ 76.7	$113.7	$ 731	$1,084	$1,815	$214.0	$385,5	$2,039	$3,672	$5,711
'07	91,679	$ 69.8	$102.0	$ 761	$1,102	$1,863	$192.1	$357.7	$2,095	$3,902	$5,997
'08	91,715	$ 73.7	$117.7	$ 804	$1,283	$2,087	$202.7	$380.6	$2,211	$4,149	$6,360
'09	81,473	$ 69.3	$114.2	$ 850	$1,402	$2,252	$202.8	$377.2	$2,489	$4,630	$7,119
'10	79,075	$ 79.6	$116.8	$1,007	$1,478	$2,485	$208.1	$386.7	$2,632	$4,890	$7,522
'11	77,386	$ 76.1	$116.1	$ 983	$1,500	$2,483	$216.7	$402.9	$2,800	$5,206	$8,006
'12	77,557	$ 76.2	$110.0	$ 983	$1,418	$2,401	$209.8	$384.8	$2,705	$4,962	$7,667
'13	76,015	$ 76.7	$104.2	$1,009	$1,371	$2,380	$204.3	$376.2	$2,688	$4,949	$7,637
'14	76,427	$ 82.7	$111.4	$1,082	$1,458	$2,540	$212.4	$377.9	$2,779	$4,944	$7,723
'15	75,684	$ 86.2	$109.2	$1,138	$1,444	$2,582	$222.4	$372.8	$2,938	$4,927	$7,865

Source: CWCI Analysis of OSIP 2003-2015 Summaries

The OSIP summary also provides more developed (second, third, fourth and fifth report) data on claims from earlier years. Comparing those results to data from prior OSIP summaries shows that even with the sharp drop in private self-insured claim volume and relatively stable claim frequency since 2005, increased claim severity has pushed private self-insured paid and incurred losses well above the post- SB 899 lows. For example, the most developed data in the latest OSIP summary (5th reports, which reflect the amounts that were reported for 2011 claims 48 to 60 months after they were first reported) show that even though there were 29,467 fewer private self-insured claims in 2011 than there were in 2005 (a 27.5 percent reduction in claim volume), total paid losses at this valuation point were $125 million higher on the 2011 claims because average paid indemnity was up 58 percent and average paid medical was up 62 percent. Likewise, the total incurred amount at the fifth report level was $132.6 million more on the 2011 claims than on the 2005 claims, as the average incurred indemnity was 58 percent higher and the average incurred medical was 52 percent higher.

The OSIP summaries of private self-insured employers' claims experience for calendar year 2015 and for prior years are posted at www.dir.ca.gov/osip/StatewideTotals.html. Summaries are also available for public self-insured employers, though that data is reported on a fiscal year basis, so the latest public self-insured data reflects claims and losses report through June 2015 rather than through December.

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