California Workers' Compensation Institute
1333 Broadway, Suite 510, Oakland CA 94612
(510) 251-9470

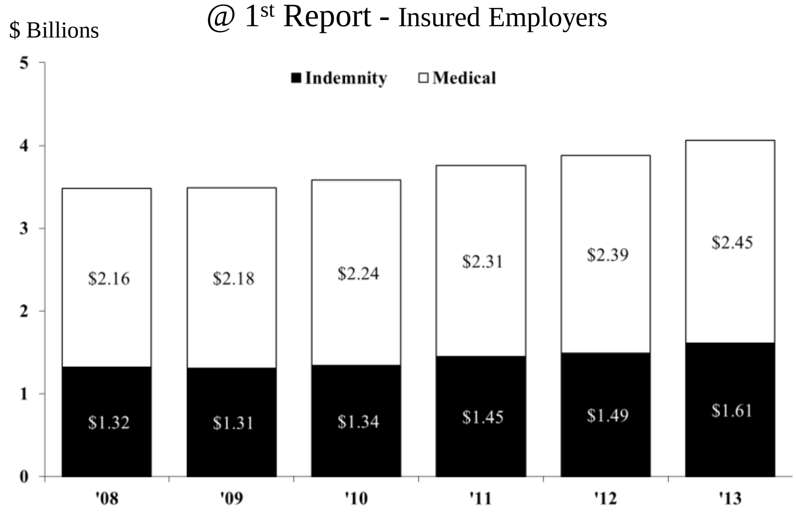
BULLETIN

No. 16-14 September 23, 2016

First reports on insured claims against California workers' compensation policies written in 2013 show continued growth in insured payroll and claim volume, as well as in total incurred costs, which increased for the fifth year in a row. These increases were led by a $125 million jump in incurred indemnity -- $102 million of which reflected increases in incurred indemnity on temporary disability (TD) claims.

First report data, which is compiled by the California Workers' Compensation Insurance Rating Bureau (WCIRB) 18 months after policy inception, provides an initial snapshot of insured losses for a given policy year (PY). The first report claim results for PY 2013, released last week, showed 353,759 insured claims, 10,188 more than in PY 2012 (+3.0%). With the increase in the number of claims, total incurred claim costs (amounts paid for indemnity and medical benefits, plus reserves for future payments) rose for the fifth year in a row, increasing to just under $4.1 billion -- up nearly $191 million (+4.9%) from the PY 2012 first reports. Most of that increase came from incurred indemnity, which rose $124.9 million (+8.4%) to more than $1.61 billion, though incurred medical was up as well, increasing nearly $66 million (+2.7%) to about $2.45 billion. Overall, incurred medical accounted for 60.3% of insurers' PY 2013 incurred costs at first report, while incurred indemnity accounted for 39.7%.

PY '08 – '13 Calif. WC Total Incurred Costs @ 1st Report - Insured Employers



Source: WCIRB - Policy-year 1st Reports

The volume of claims by claim type in the PY 2013 first reports shows a 13.6% reduction in the number of major PD cases (PD rated over 25%) compared to the PY 2012 first report total, which pushed the total incurred costs of major PPD claims down by $25.5 million (-6.6%) to $504.4 million, even though the average incurred cost on these claims increased by 8.1% to $163,991. In contrast, the minor PD claim count rose 3.1%, which combined with a 1.0% increase in the average incurred cost of these claims (to $42,353) drove the total amount incurred for these claims up 4.1% to nearly $1.66 billion. The PY 2013 first reports also indicated an 8.3% increase in the number of temporary disability (TD) claims, so with the average incurred per TD claim up 6.3%, the net effect was a 15% increase in the total incurred costs for TD claims which rose to $1.5 billion. The number of med-only cases also increased, rising 1.3%, which combined with a 3.9% increase in their average incurred pushed the total incurred for med-only claims up $13 million (+5.3%) to $265.7 million.

Claim Type	# of Claims		% Change	% of PY '13 1st Report Claims	Total Incurred Costs		% Change	% of PY '13 1st Report Incurred Costs
	PY '12 1st Reports	PY '13 1st Reports	PY '12 – PY '13		PY '12 1st Reports	PY '13 1st Reports		
Death	213	228	+7.0%	< 0.1%	$ 53,284,733	$ 48,982,595	- 8.1%	1.2%
PTD	29	19	- 34.5%	< .01%	$ 121,516,439	$ 74,635,271	- 38.6%	1.8%
PPD	41,532	42,241	+ 1.7%	11.9%	$ 2,133,085,498	$ 2,163,175,009	+ 1.4%	53.2%
Major PPD	3,559	3,076	- 13.6%	< 0.9%	$ 539,958,090	$ 504,435,658	- 6.6%	12.4%
Minor PPD	37,973	39,165	+ 3.1%	11.1%	$ 1,593,127,408	$ 1,658,739,351	+ 4.1%	40.8%
TD	79,317	85,866	+ 8.3%	24.3%	$ 1,318,173,860	$ 1,516,510,546	+ 15.0%	37.3%
Med-Only	222,480	225,405	+ 1.3%	63.7%	$ 252,415,505	$ 265,730,633	+ 5.3%	6.5%
Total	343,571	353,759	+ 3.0%	100.0%	$ 3,878,476,035	$ 4,069,034,054	+ 4.9%	100.0%

Permanent total disability (100% PD) and death cases continued to account for less than 1/10 of 1 percent of all claims at first report, and while the number of death claims in the 2013 first reports was up 7% to 228, the PTD claim count fell 34.5% to 19 cases. Though there were 15 more deaths recorded in the 2013 first reports, the average cost of an insured death claim at first report fell 14.1% to $214,836, so the total incurred cost for death claims was just under $49 million, 8.1% lower than in the PY 2012 first reports. Meanwhile, there were 10 fewer PTD claims in the 2013 first reports (-34.5%), and the average incurred cost of a PTD claim fell 6.3% to $3.93 million, so the total incurred costs for PTD cases at first report fell by $46.9 million to $74.6 million.

The summary of PY 2013 statistics shows insured payroll totaled $554.2 billion, up 6.0% from PY 2012, while total claim volume was up about 3.0%. The increase in the number of claims filed at first report, the change in the mix of claims, and the 1.9% increase in the average incurred cost for all claims ($11,289 in the PY 2012 first reports vs. $11,502 in PY 2013 first reports) combined to produce the net year-to-year increase of nearly $191 million in total incurred costs.

Segregating the first report total incurred medical and indemnity losses by claim type shows that the increase in the incurred cost of temporary disability claims was the biggest single cost driver. Total incurred indemnity on TD claims rose by $102 million to $643.3 million in the 2013 first reports, while total incurred medical on the TD claims climbed to $872.9 million, up $95.8 million from the PY 2012 first report total. These increases in incurred losses on TD claims more than offset the reduced amounts incurred in the first reports on relatively low volume death claims, permanent total disability claims and major PD claims. Minor PD claims also contributed to the increase in the total incurred, as incurred indemnity on minor PD claims jumped by $46.7 million in the PY 2013 first reports, while total incurred medical on these claims increased by $18.9 million.

More PY 2013 first report data, along with more developed data from 2nd through 10th reports for earlier policy years, are included in the WCIRB *Summary of Policy Year Statistics – 2016 Release*. The report is posted online at www.wcirb.com/research-and-analysis/reports.

BY/