California Workers' Compensation Institute

1333 Broadway, Suite 510, Oakland CA 94612
(510) 251-9470

BULLETIN

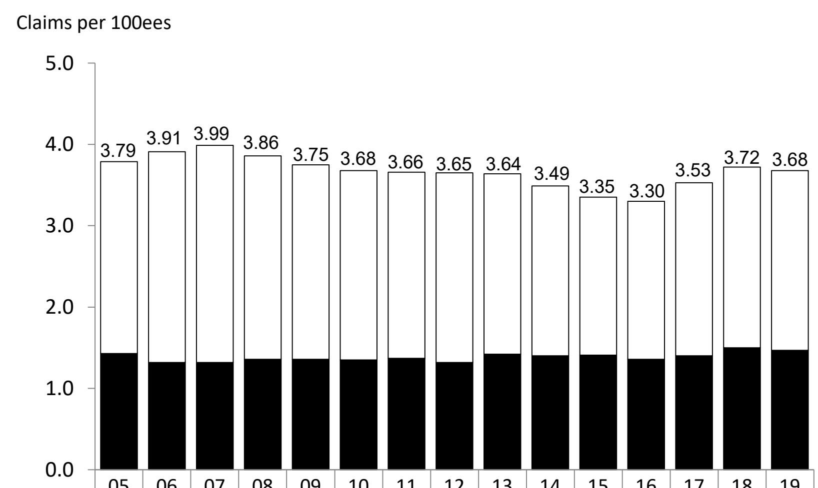
No. 20-08 July 13, 2020

The number of job injury claims reported by California private self-insured employers increased last year, but that growth was outpaced by the increase in the covered workforce, so workers' compensation claim frequency in the private self-insured sector showed a marginal decline as the incidence of both indemnity and medical-only claims edged down from the 2018 levels according to CWCI's review of the latest data released by the state Office of Self-Insurance Plans (OSIP).

OSIP's initial summary of calendar year 2019 claims data reported by private self-insured employers provides an initial glimpse of California private, self-insured claims experience for medical-only and indemnity claims reported during the 12-month period spanning January 1 through December 31, 2019. The summary includes data on the number of claims, the total paid and incurred losses (total paid plus reserves for future payments) on those claims, the number of employees covered by the private self-insured employers, and their total wages and salaries. The summary also updates private self-insured results for claims reported for each of the prior four years (calendar years 2015 through 2018). The 2019 summary, which was posted June 29, encompasses reports submitted by private self-insured employers who covered 2.33 million employees last year (up from 2.26 million in 2018), with wages and salaries for those employees totaling more than $122.1 billion, or 8.3 percent more than the total from the 2018 first report.

In 2019, private self-insured employers recorded 85,852 claims in their initial reports, or 1,979 (2.4 percent) more than were noted in the 2018 first report summary. The 2019 claim total represented the fourth consecutive year in which the raw claim count for private self-insured employers increased as California's pre-pandemic economic boom drove statewide employment up to record levels last year. Despite the 4-year uptrend in claim counts, a review of the initial reports submitted by private self-insureds over the past 15 years shows that private, self-insured claim volume last year was still 19.4 percent below the level noted in 2005, reflecting the effects of the recession, shifts in the job market, as well as the impact of the workers' compensation reforms of 2002-2004 and 2012.

California Private Self-Insured Claim Frequency
# of Claims per 100 Employees
Initial Reports, CY 2005 – 2019 Claims



	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19
□ Med-Only Claims	2.36	2.59	2.67	2.50	2.39	2.33	2.29	2.33	2.22	2.09	1.94	1.94	2.13	2.22	2.21
■ Indemnity Claims	1.43	1.32	1.32	1.36	1.36	1.35	1.37	1.32	1.42	1.40	1.41	1.36	1.40	1.50	1.47

Source: OSIP 2005 –2019 Summaries of Private Self-Insured Claims Experience

To account for the effect of year-to-year fluctuations in the number of covered employees on claim volume, CWCI used the OSIP first report data for calendar years 2005 through 2019 to determine claim frequency rates (number of claims per 100 employees) for each of those years. The overall rates are shown in the chart to the right, along with the medical-only and indemnity claim frequency rates. Total claim frequency among private self-insured employers increased from 2005 to 2007 as the rising incidence of medical-only claims offset a decline in indemnity claim frequency, but that was followed by a gradual downtrend that lasted nearly a decade, driven primarily by reductions in the medical-only rate, as indemnity claim frequency remained within a narrow range during that period. In 2012, SB 863 was enacted, after which medical-only claim frequency began to trend down, falling from 2.33 to 1.94 claims per 100 employees between 2012 and 2016, while indemnity claim frequency rose in 2013, then leveled off through 2015, producing a net decline of 9.6 percent in the overall claims rate for the first three years after SB 863 took effect. In 2016, the private self-insured claim rate ticked down slightly as indemnity claim frequency dipped, while in 2017 and 2018, both medical-only and indemnity claim frequency increased, driving total claim frequency up from 3.30 to 3.72 claims per 100 workers – the highest level since 2009. The 2019 data show both med-only and indemnity claim frequencies edged down slightly last year, so total private self-insured claim frequency showed only a marginal decline, falling from 3.72 to 3.68 claims per 100 employees.

The 2019 summary shows paid losses on 2019 claims through the fourth quarter totaled $252.8 million – $14.3 million (6.0 percent) more than the comparable amount paid for 2018 claims, which was the combined effect of a $9.0 million (8.8 percent) increase in total indemnity payments and a $5.2 million (3.8 percent) increase in total medical payments at the first report level. At the same time, total incurred losses (paid benefits plus reserves for future payments) at the first report level rose to $694.4 million, up $35.4 million (5.4 percent) from the initial incurred reported for 2018 claims, as incurred indemnity at the first report was up by $21.3 million (8.7 percent) from the 2018 level and incurred medical was up by $14.1 million (3.4 percent). Looking back over the past 15 years shows that the sharp fluctuations in claim volume have had a major effect on private self-insureds' total paid and incurred losses, with the declining number of claims through 2015 helping to offset increases in average paid and incurred losses. Since 2015, however, steady growth in the number of claims and increases in average paid and incurred losses have propelled total paid and incurred losses to 15-year highs. Given the sharp drop in employment due to the pandemic, as well as uncertainty over how long it will last and how long it will take for the economy to recover, the results for 2020 will likely be dramatically different.

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

2005 – 2019 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
2005	106,569	$ 78.6	$105.8	$ 737	$ 993	$1,730	$227.8	$367.7	$2,138	$3,450	$5,588
2006	104,965	$ 76.7	$113.7	$ 731	$1,084	$1,815	$214.0	$385,5	$2,039	$3,672	$5,711
2007	91,679	$ 69.8	$102.0	$ 761	$1,102	$1,863	$192.1	$357.7	$2,095	$3,902	$5,997
2008	91,715	$ 73.7	$117.7	$ 804	$1,283	$2,087	$202.7	$380.6	$2,211	$4,149	$6,360
2009	81,473	$ 69.3	$114.2	$ 850	$1,402	$2,252	$202.8	$377.2	$2,489	$4,630	$7,119
2010	79,075	$ 79.6	$116.8	$1,007	$1,478	$2,485	$208.1	$386.7	$2,632	$4,890	$7,522
2011	77,386	$ 76.1	$116.1	$ 983	$1,500	$2,483	$216.7	$402.9	$2,800	$5,206	$8,006
2012	77,557	$ 76.2	$110.0	$ 983	$1,418	$2,401	$209.8	$384.8	$2,705	$4,962	$7,667
2013	76,015	$ 76.7	$104.2	$1,009	$1,371	$2,380	$204.3	$376.2	$2,688	$4,949	$7,637
2014	76,427	$ 82.7	$111.4	$1,082	$1,458	$2,540	$212.4	$377.9	$2,779	$4,944	$7,723
2015	75,684	$ 86.2	$109.2	$1,138	$1,444	$2,582	$222.4	$372.8	$2,938	$4,927	$7,865
2016	78,404	$ 89.3	$116.6	$1,139	$1,487	$2,626	$231.9	$388.1	$2,957	$4,950	$7,907
2017	79,655	$ 90.4	$128.3	$1,135	$1,611	$2,746	$230.2	$400.8	$2,889	$5,032	$7,921
2018	83,873	$102.5	$136.1	$1,222	$1,622	$2,844	$244.3	$414.7	$2,913	$4,944	$7,857
2019	85,852	$111.5	$141.3	$1,299	$1,645	$2,944	$265.6	$428.8	$3,093	$4,995	$8,088

Source: CWCI Analysis of OSIP 2005-2019 Summaries

OSIP's summaries of private self-insured employers' claims experience for calendar year 2019 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 2019 rather than through December. CWCI's analysis of public self-insured data was released in December 2019 and is available to members and subscribers in Bulletin 19-13.

BY/