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BULLETIN

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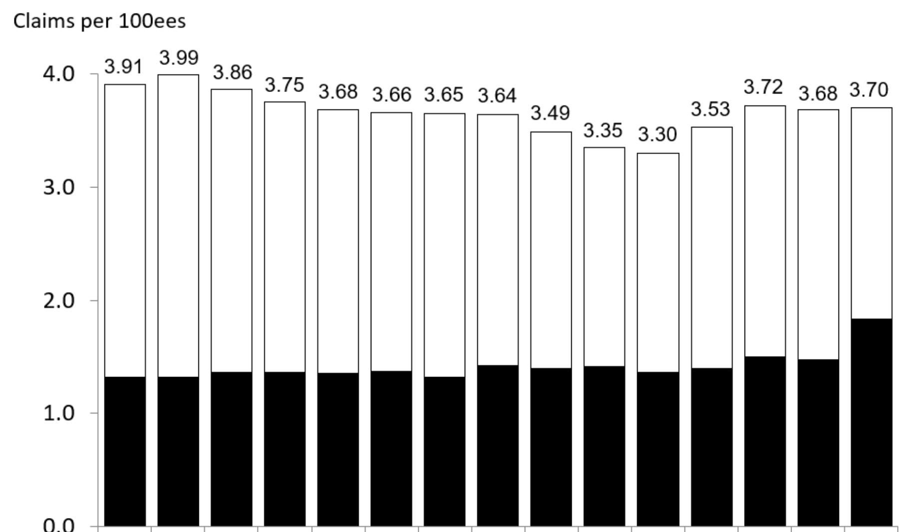
CWCI's review of initial data compiled by the state Office of Self-Insurance Plans (OSIP) on California's private self-insured employers' 2020 workers' compensation claims experience shows that despite the pandemic, the total number of private self-insured claims edged up slightly last year, while sharp increases in indemnity claim frequency and the average indemnity per claim drove up total paid and incurred indemnity in the private self-insured sector.

OSIP's annual summary of private self-insured data, released July 8, provides the first snapshot of California private, self-insured claims experience for cases reported in 2020, including data on claim volume, paid and incurred losses (total paid plus reserves for future payments) through the end of last year, 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 calendar years 2016 through 2019. The 2020 data in the summary reflects the experience of private self-insured employers who covered 2.34 million California employees last year (vs. 2.33 million in the 2019 initial report), with wages and salaries for those employees totaling $126.4 billion, up $4.3 billion (3.5 percent) from 2019. It is notable that the number of covered employees in the private self-insured sector held steady while unemployment soared during the pandemic, though many of the large, private self-insured employers fit into the "essential worker" category (*e.g.*, major retail, health care, utilities, delivery services) where workers were less impacted than the insured work force by furloughs, layoffs, and remote work.

In its initial report for 2020, OSIP shows that the private self-insured employers reported 86,503 claims, or 651 (0.8 percent) more than in the 2019 first report, making 2020 the fifth year in a row that private self-insured employers' raw claim count increased. The number of self-insured employees has fluctuated over the past 15 years, so to account for the effect of these fluctuations on claim volume, CWCI used the OSIP first report data for calendar years 2006 through 2020 to calculate claim frequency rates (number of claims per 100 employees) for each year. The overall rates are shown in the chart to the right, with medical-only and indemnity claim frequency rates for each year noted in the table below the chart.

California Private Self-Insured Claim Frequency # of Claims per 100 Employees
Initial Reports, CY 2006 – 2020 Claims



	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20
□ Med-Only Claims	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	1.87
■ Indemnity Claims	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	1.83

Source: OSIP 2006 –2020 Summaries of Private Self-Insured Claims Experience

The total claim count of 86,503 private self-insured claims reported in 2020 translates to an overall frequency rate of 3.70 claims per 100 employees, nearly matching the overall frequency rates from 2018 and 2019. The more startling result, however, is the shift in the claim distribution between medical-only and indemnity claims. Not only did the increase in the incidence of indemnity claims per 100 employees (from 1.47 in 2019 to 1.83 in 2020) more than offset the decrease in the medical-only claim rate (which fell from 2.21 to 1.87), the indemnity claim frequency also rose to the highest level of the 15-year period, while the medical-only claim frequency fell to a 15-year low. As a result, indemnity claims accounted for nearly half of the private self-insured's total claim frequency in 2020.

Paid losses on the 2020 private self-insured claims through the fourth quarter totaled $252.8 million, $15.6 million (6.3 percent) more than the comparable figure for 2019, as total paid indemnity increased by $25.1 million (22.5 percent) while total paid medical fell by $9.5 million (6.7 percent) at the first report level. Although CWCI previously found that initial medical care for injured workers was not materially delayed by the pandemic, a number of factors may have contributed to the decline in paid medical within the first year of injury and the big jump in paid indemnity (almost all of which would be temporary disability), including delays in subsequent treatment and longer TD periods as payers and providers put off elective procedures and injured workers hesitated to seek care beyond telehealth as COVID-19 was surging; an increased likelihood of work restrictions in the COVID environment; and a reduction in the number of medical facilities available for procedures such as surgeries. Meanwhile, total incurred losses (paid benefits plus reserves for future payments) at the first report level climbed to $742.4 million, up $48.0 million (8.4 percent) from the initial incurred amount reported for 2019 claims, as incurred indemnity at the first report rose by $40.2 million (6.9 percent) from the 2019 level and incurred medical rose by $7.8 million (1.8 percent). Over the past 15 years, private self-insureds' total paid and incurred losses have tended to fluctuate along with changes in overall claim volume, but in 2020 total claim volume rose less than 1 percent, so during the pandemic year it was the shift in the mix of claims toward more expensive indemnity claims that fueled the increases in both paid and incurred losses as the number of med-only claims declined by 17.7 percent while indemnity claim volume soared by 24.5 percent, driving paid and incurred losses to 15-year highs.

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

2006 – 2020 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
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
2020	86,503	$136.6	$131.8	$1,579	$1,523	$3,103	$305.8	$436.6	$3,535	$5,048	$8,583

Source: CWCI Analysis of OSIP 2006-2020 Summaries

OSIP's summaries of private self-insured employers' claims experience for calendar year 2020 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 2020 rather than through December. CWCI's analysis of public self-insured data was released in December 2020 and is available to members and subscribers in Bulletin 20-22.

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