



2015 Annual Issues Symposium

Report Lag and Claim Severity

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Introduction

- Effective claim management can only begin when a claim is reported
- We reviewed whether a delay in claim reporting corresponds to higher claim cost

The Hartford Study

- Earlier study by The Hartford*
 - After the day of the accident, average claim cost rose as the delay in reporting increased
 - Based on Hartford data
 - Published in 2000
- NCCI's recent study gives similar but slightly different results

*Glen-Roberts Pitruzzello, "The High Cost of Delays—Findings on a Lag-Time Study", *Issues Report*, NCCI, 2000

Findings From NCCI's New Study

- Median cost of claims is lowest for claims reported after the day of the accident, and within two weeks after an accident
- There is variation in this pattern by nature of injury
- Claims appear to be more complex and difficult to settle as the delay in reporting increases

Source: NCCI's Detailed Claim Information Data for Report Years 2010 and 2011 case incurred losses valued as of 18 months after report date; not developed to ultimate

Data for This Study

- Detailed Claim Information (DCI)
 - Sample of lost-time claims
 - Industrywide data from 44 states*
- Fatal and Permanent Total excluded
- Occupational disease and cumulative injury excluded
- Report Years 2010 and 2011
- Valued as of 18 months after report date

*AL, AK, AZ, AR, CO, CT, DC, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO, MT, NE, NV, NH, NJ, NM, NY, NC, OK, OR, PA, RI, SC, SD, TN, UT, VT, VA, WV, and WI

Claim Cost

- In this presentation, *claim cost* is case incurred loss valued 18 months after report date
- Case incurred loss includes all claim payments and the case reserve
- Loss adjustment expense is not included
- Development factors are not applied to the reported claim costs; in particular, claim costs shown are not estimates of ultimate claim costs
- Results of these analyses are similar if case incurred losses valued as of 30 months after the report date are used

Report Lag Categories

Report Date—Accident Date		
Category	Beginning	Ending
No Lag	---	0 days
Week 1	1 day	7 days
Week 2	8 days	14 days
Week 3	15 days	21 days
Week 4	22 days	28 days
After Week 4	29 days	---

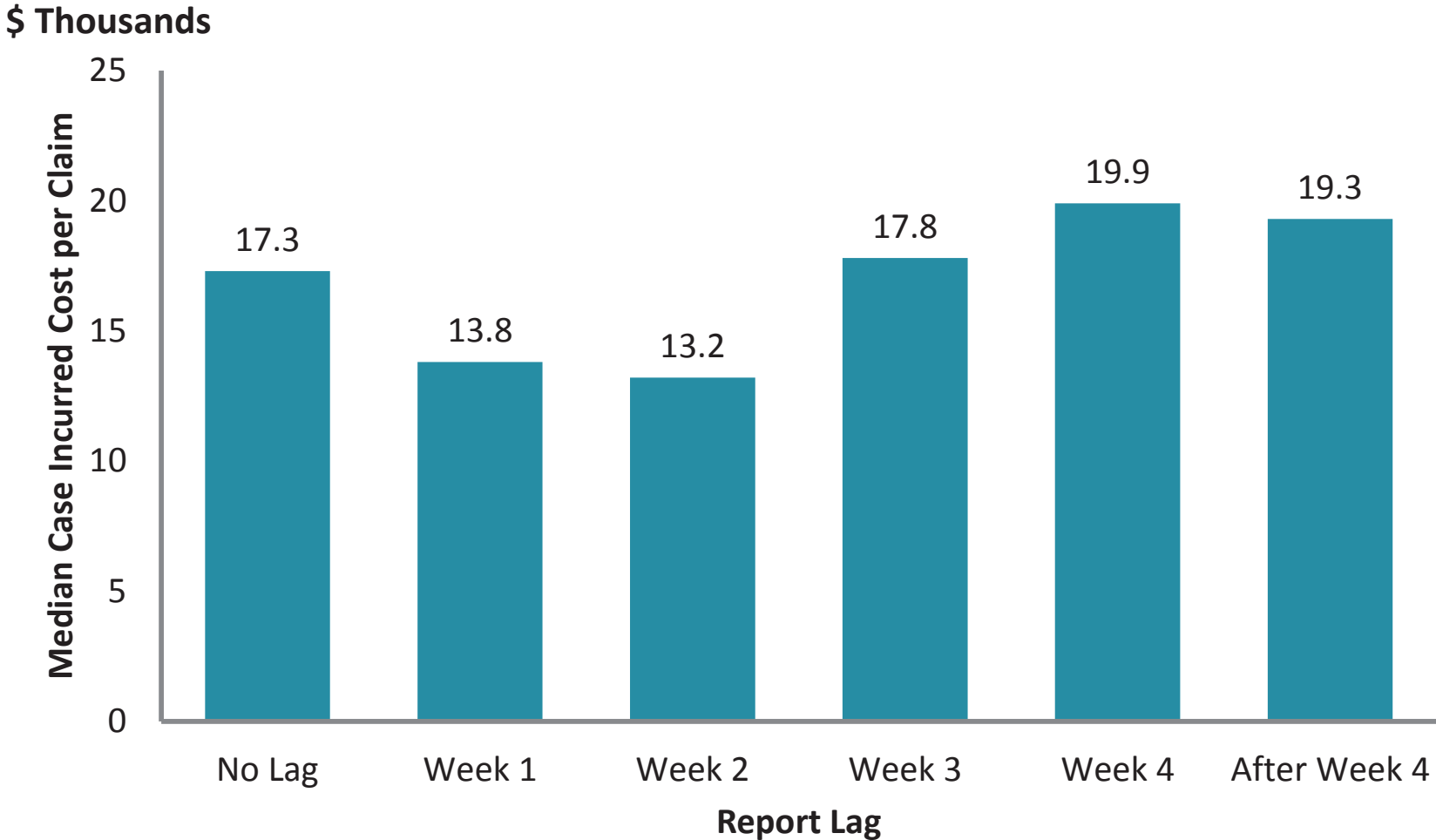
- An accident that occurs on May 15 and is reported on May 23 is assigned to the “Week 2” category since $5/23 - 5/15 = 8$ days
- A claim reported the day of the accident is a “No Lag” claim

Overall Claim Costs

- Median cost per claim for claims reported on the day of injury is 25% more than the median cost for claims reported in Week 1
- Lowest median cost per claim is for claims reported in Weeks 1 and 2
- Median cost rises for claims reported in Weeks 3 and 4

Source: NCCI's Detailed Claim Information Data for Report Years 2010 and 2011 case incurred losses valued as of 18 months after report date; not developed to ultimate

Lowest Median Cost Is for Claims Reported During the Two Weeks Following the Day of the Accident



Source: NCCI's Detailed Claim Information data for Report Years 2010 and 2011 case incurred losses valued as of 18 months after report date; not developed to ultimate

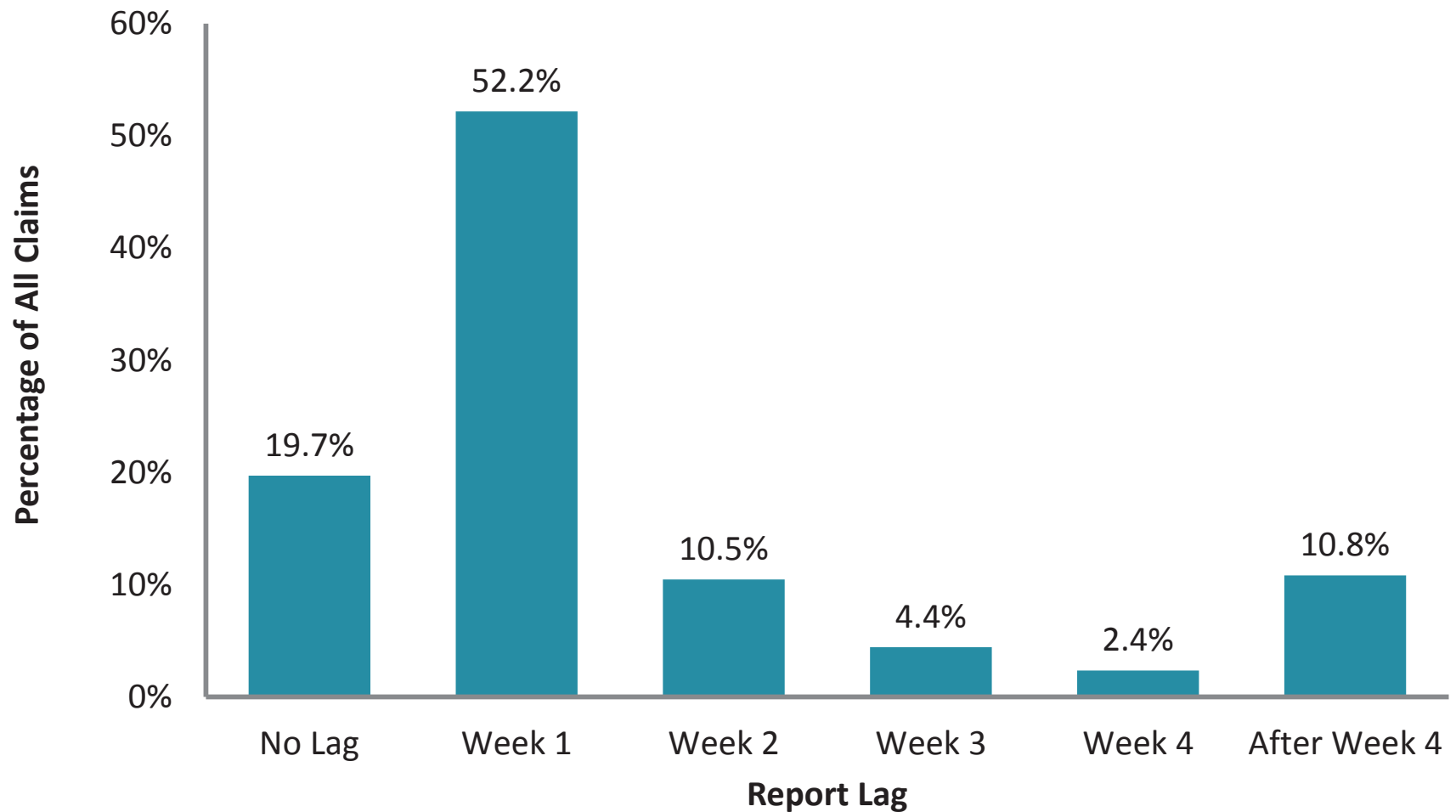


Report Lag Distribution

- More than 70% of lost-time claims are reported in the first week
- Almost 20% of lost-time claims are reported the day of the accident

Source: NCCI's Detailed Claim Information data for Report Years 2010 and 2011 case incurred losses valued as of 18 months after report date; not developed to ultimate

More Than 80% of Lost-Time Claims Are Reported Within Two Weeks



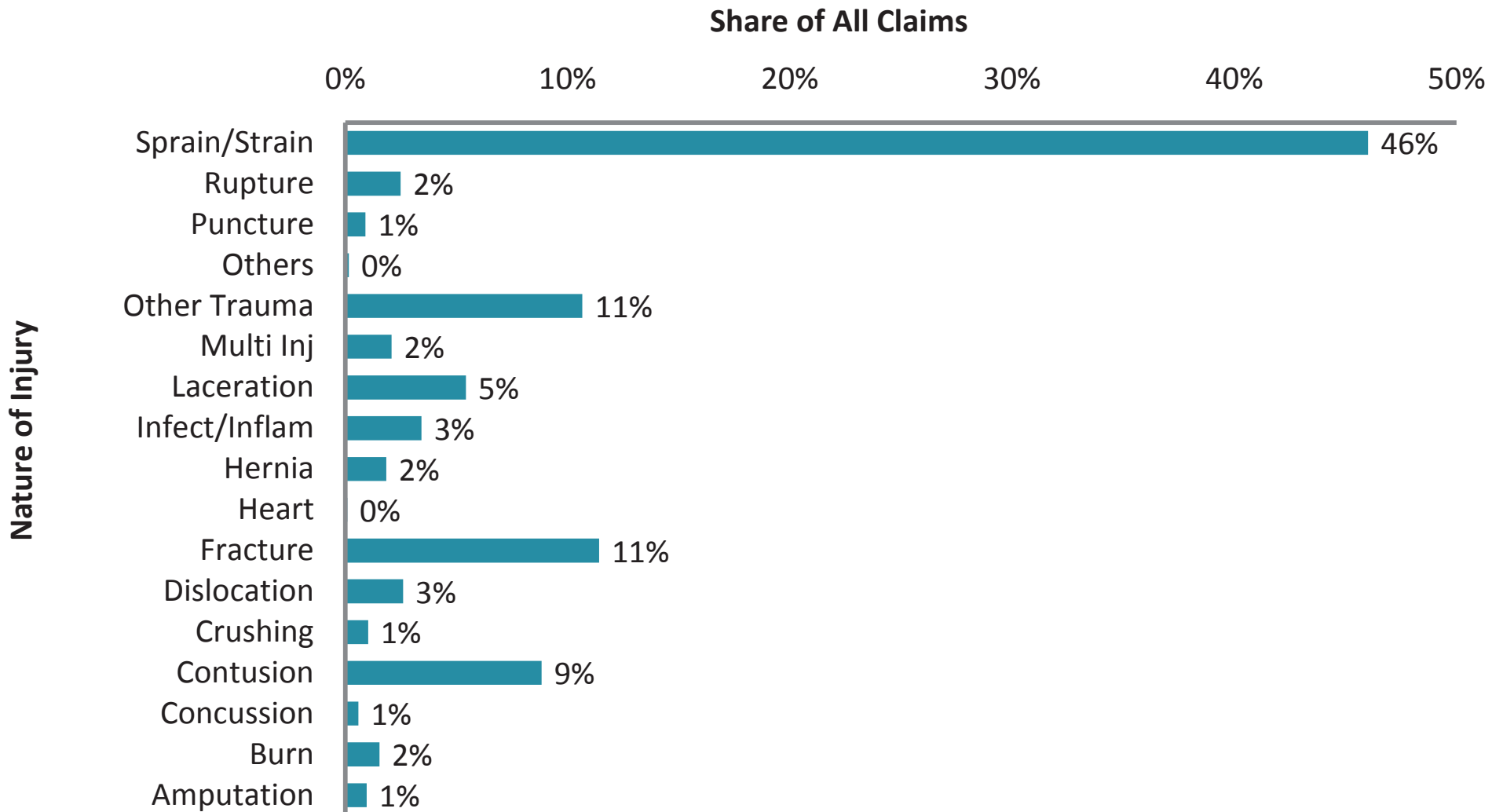
Source: NCCI's Detailed Claim Information data for Report Years 2010 and 2011 case incurred losses valued as of 18 months after report date; not developed to ultimate

Nature of Injury

- Some of the most common workplace injuries
 - Sprains and Strains (46%)
 - Fractures (11%)
 - Contusions (9%)
 - Lacerations (5%)
- More than 70% of lost-time claims are for these injuries

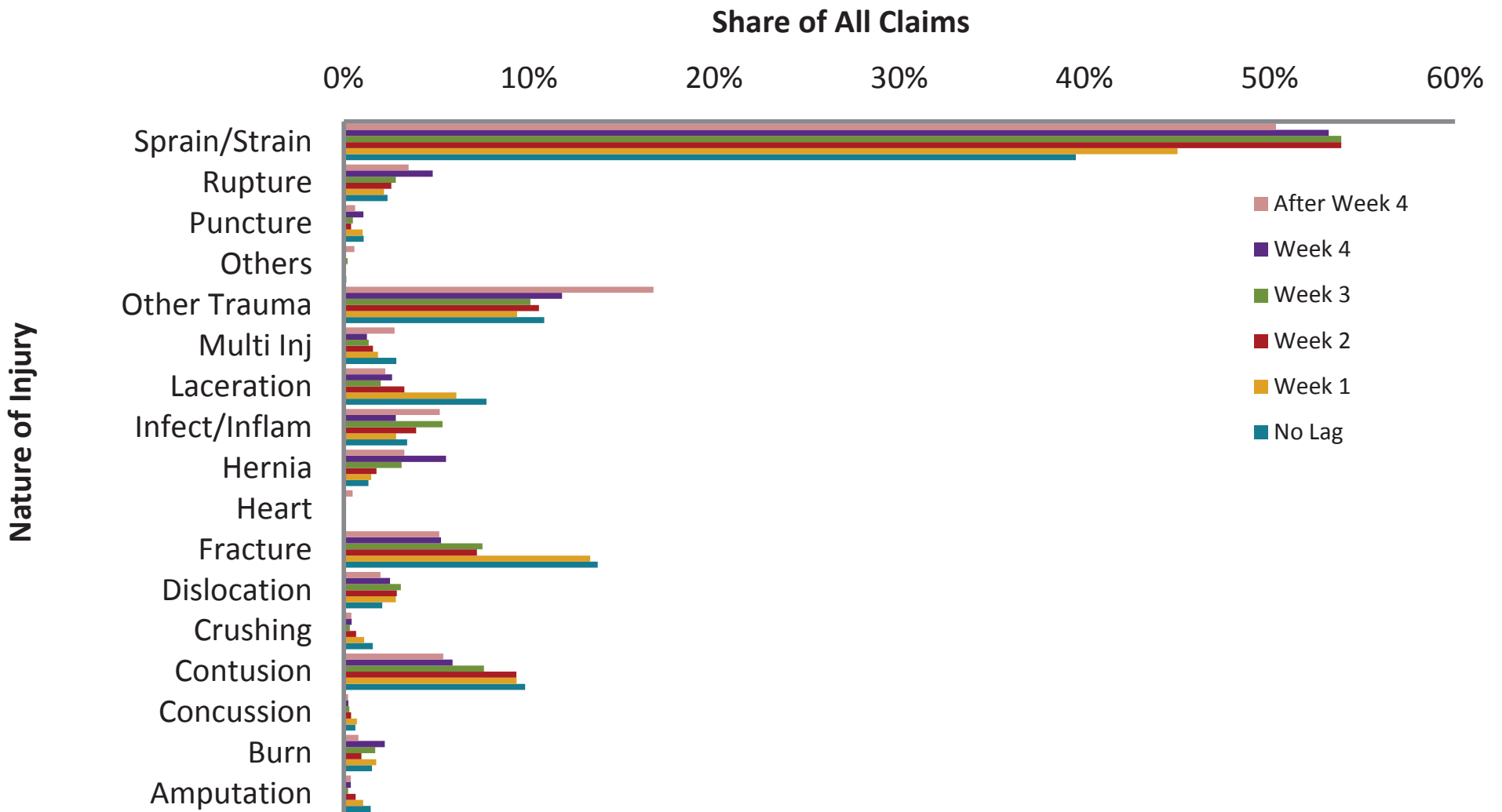
Source: NCCI's Detailed Claim Information data for Report Years 2010 and 2011 case incurred losses valued as of 18 months after report date; not developed to ultimate

Sprains and Strains Are Almost Half of Lost-Time Claims



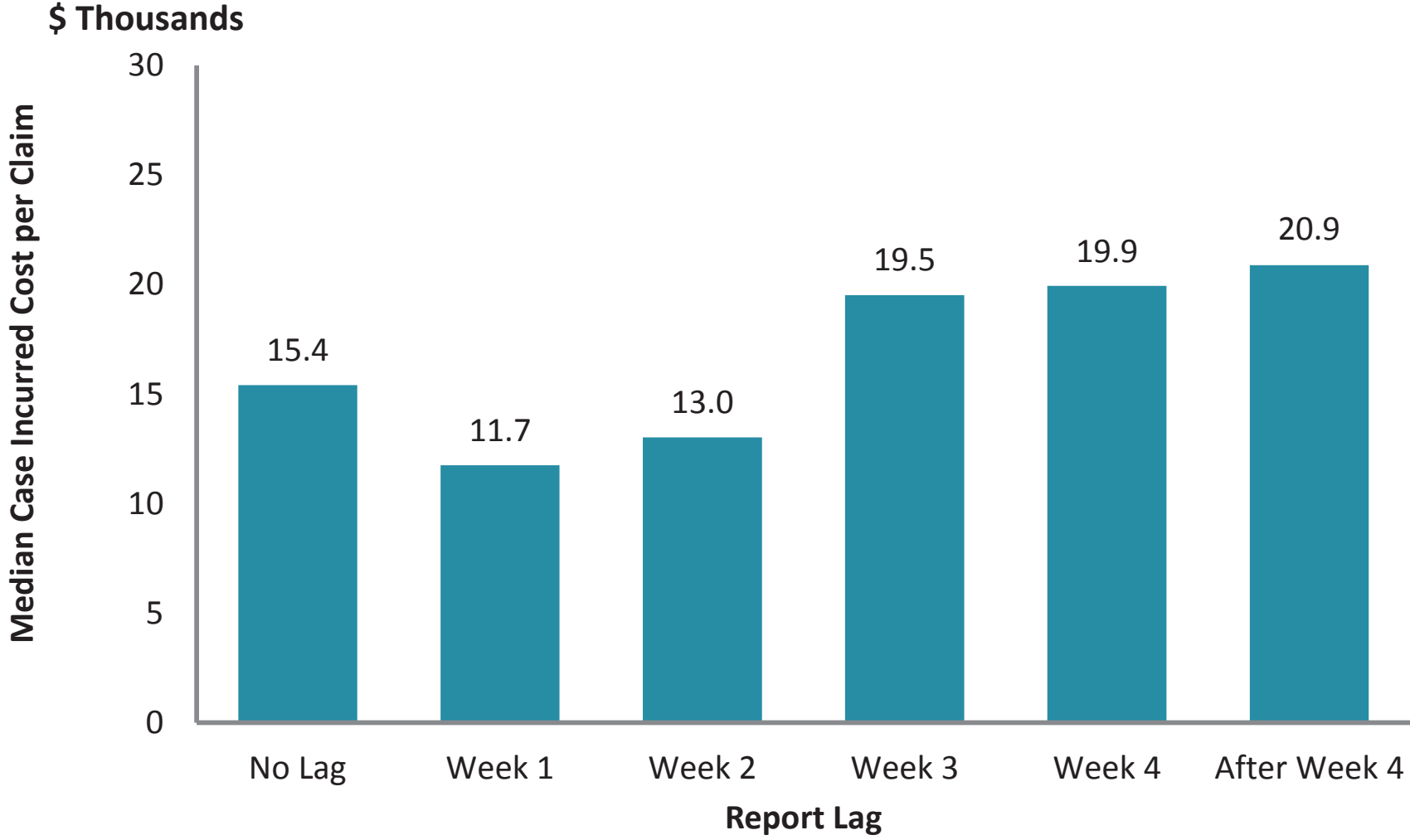
Source: NCCI's Detailed Claim Information data for Report Years 2010 and 2011 case incurred losses valued as of 18 months after report date; not developed to ultimate

Distribution of Natures of Injury Does Not Vary Much by Report Lag



Source: NCCI's Detailed Claim Information data for Report Years 2010 and 2011 case incurred losses valued as of 18 months after report date; not developed to ultimate

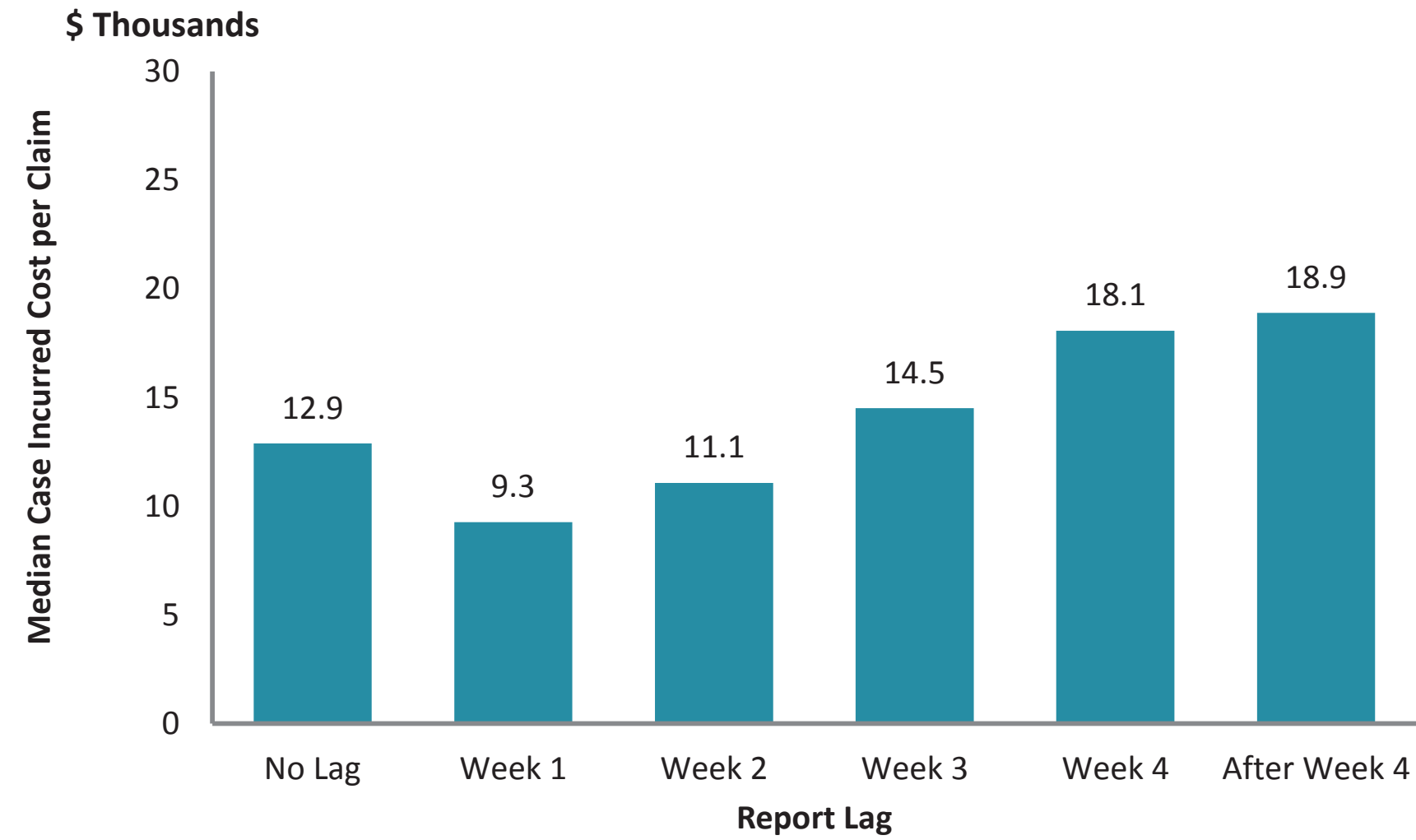
For Sprains and Strains the Lowest Median Cost Is for Claims Reported in Week 1



Source: NCCI's Detailed Claim Information data for Report Years 2010 and 2011 case incurred losses valued as of 18 months after report date; not developed to ultimate



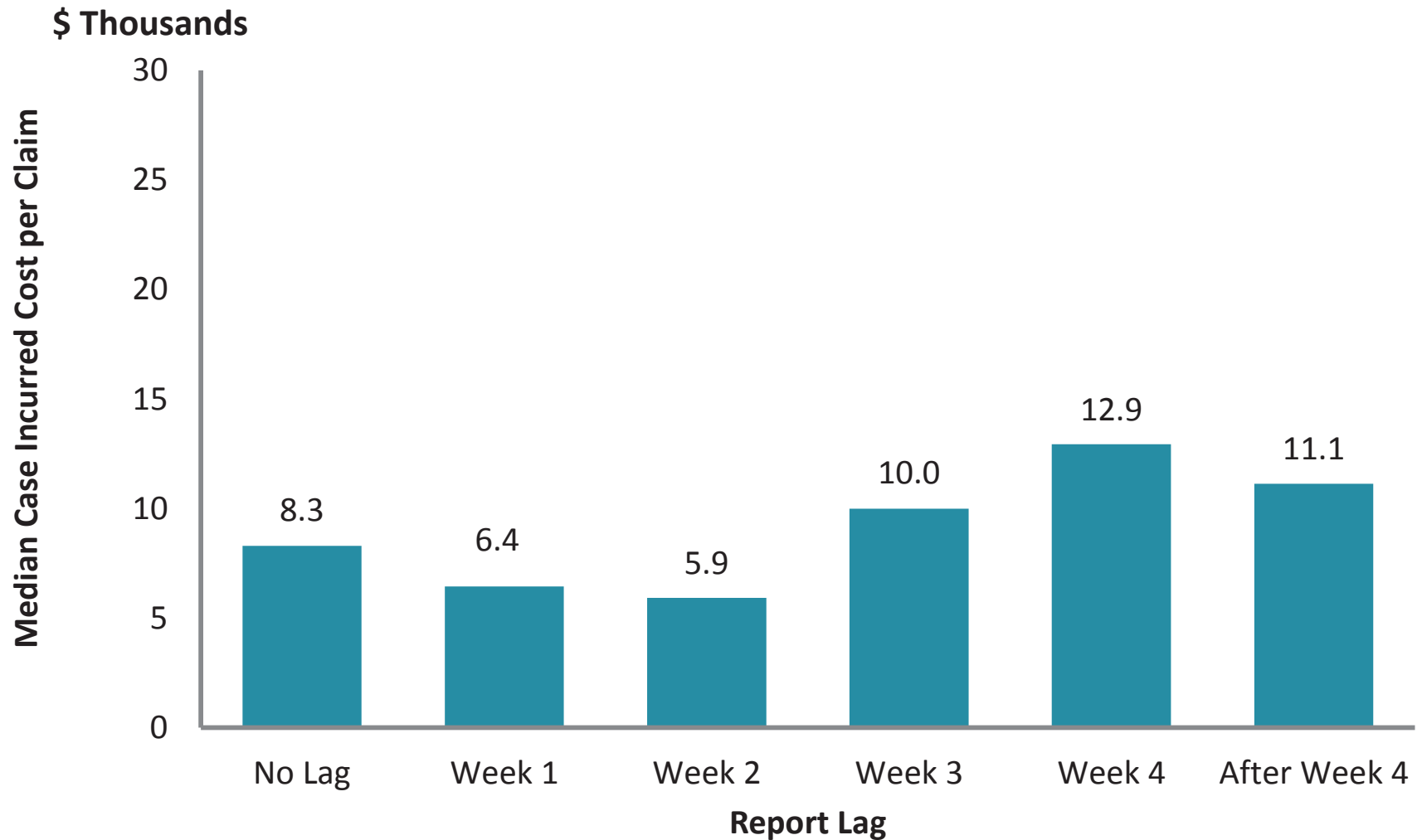
For Contusions the Lowest Median Cost Is for Claims Reported in Week 1



Source: NCCI's Detailed Claim Information data for Report Years 2010 and 2011 case incurred losses valued as of 18 months after report date; not developed to ultimate

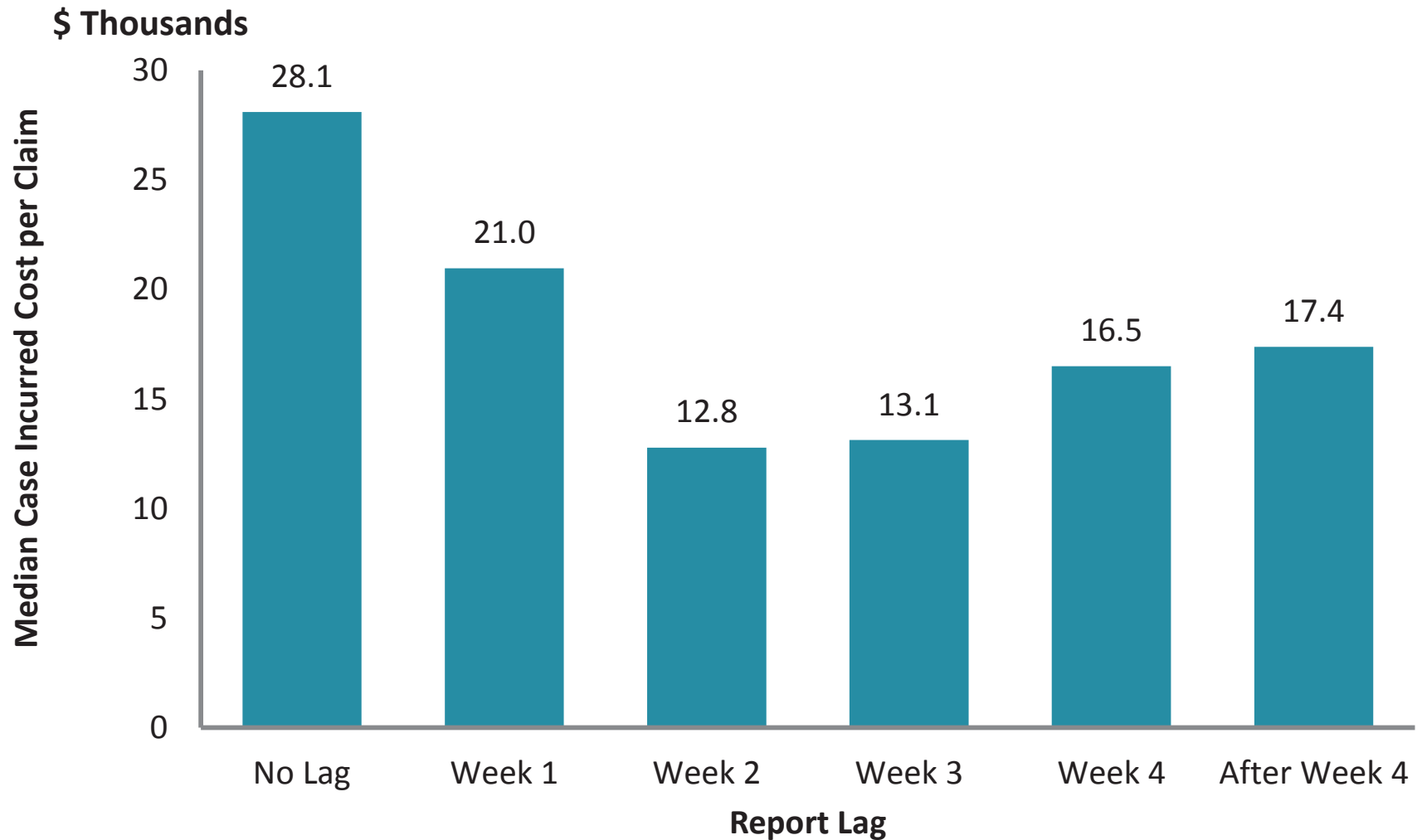


For Lacerations the Lowest Median Cost Is for Claims Reported in Week 2



Source: NCCI's Detailed Claim Information data for Report Years 2010 and 2011 case incurred losses valued as of 18 months after report date; not developed to ultimate

For Fractures the Lowest Median Cost Is for Claims Reported in Week 2



Source: NCCI's Detailed Claim Information data for Report Years 2010 and 2011 case incurred losses valued as of 18 months after report date; not developed to ultimate

Nature of Injury

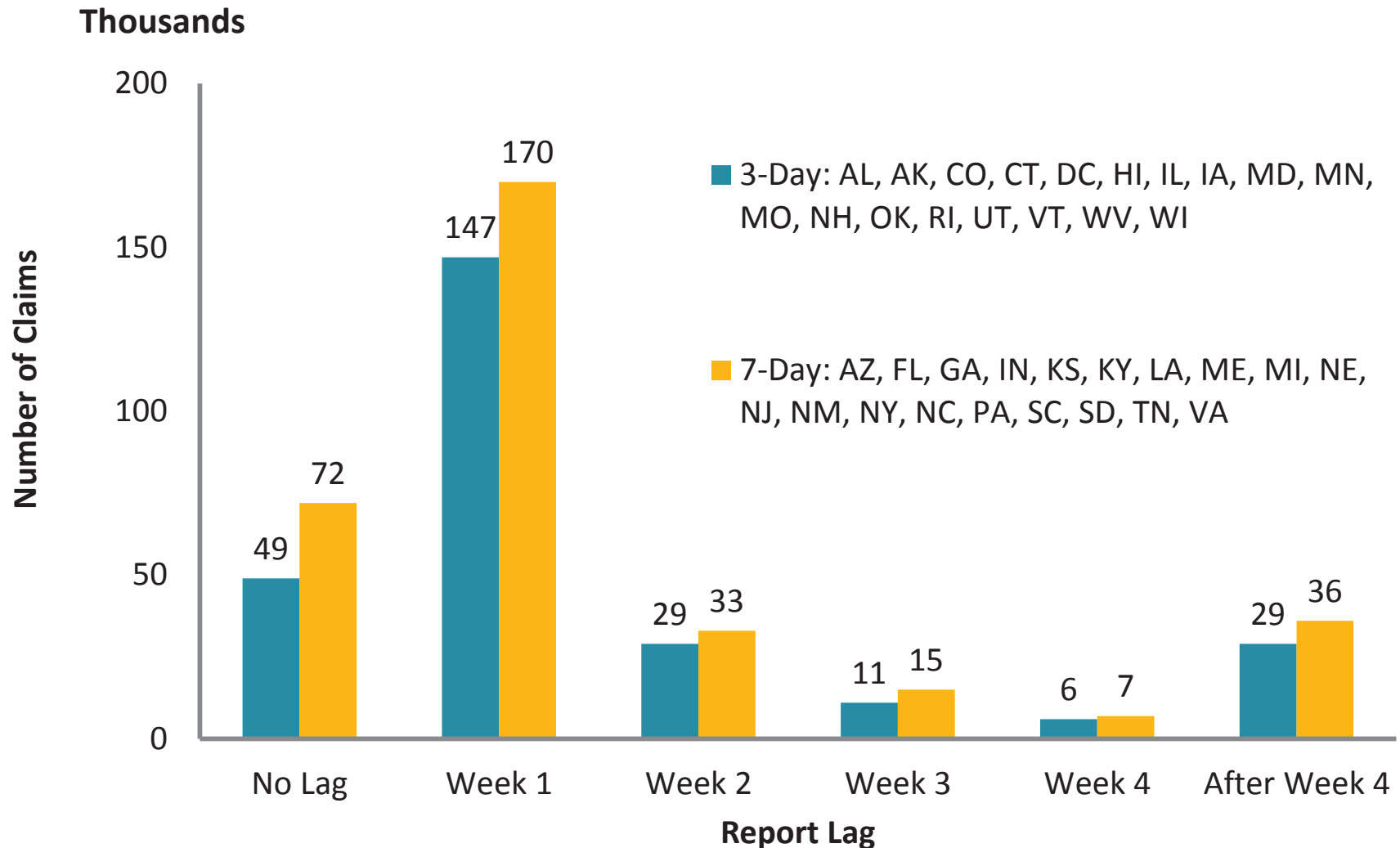
- For most Natures of Injury reviewed, claims reported in Weeks 1 and 2 have lower median costs than claims reported in other periods
- Fractures are an exception—Weeks 2 and 3 have the lowest median costs

Source: NCCI's Detailed Claim Information data for Report Years 2010 and 2011 case incurred losses valued as of 18 months after report date; not developed to ultimate

Impact of Waiting Period

- A waiting period is the time between the accident date and when indemnity benefits begin
- Most of the 44 states included in this study use a 3- or 7-day waiting period
 - 3-day—18 states
 - 7-day—19 states
 - Other—7 states
- We looked at whether the length of the waiting period correlated with report lag

Waiting Period Does Not Appear to Affect Report Lag



Source: NCCI's Detailed Claim Information data for Report Years 2010 and 2011 case incurred losses valued as of 18 months after report date; not developed to ultimate

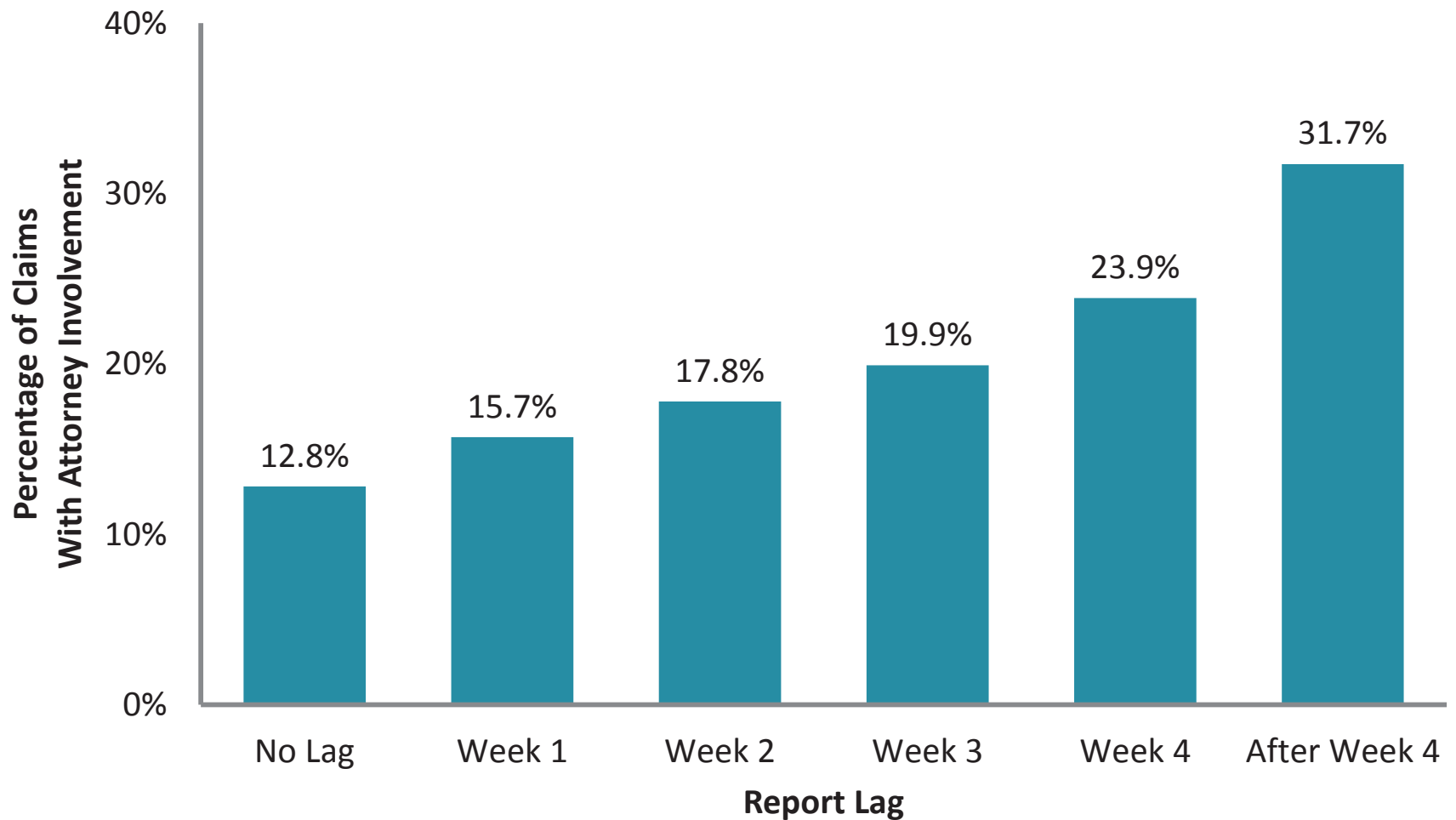
Claims Reported After Week 2 Appear to Be More Complicated to Settle

Claims reported after Week 2

- Involve claimant attorneys more often
- Are more likely to include lump-sum amounts
- Are less likely to be closed within 18 months of the report date

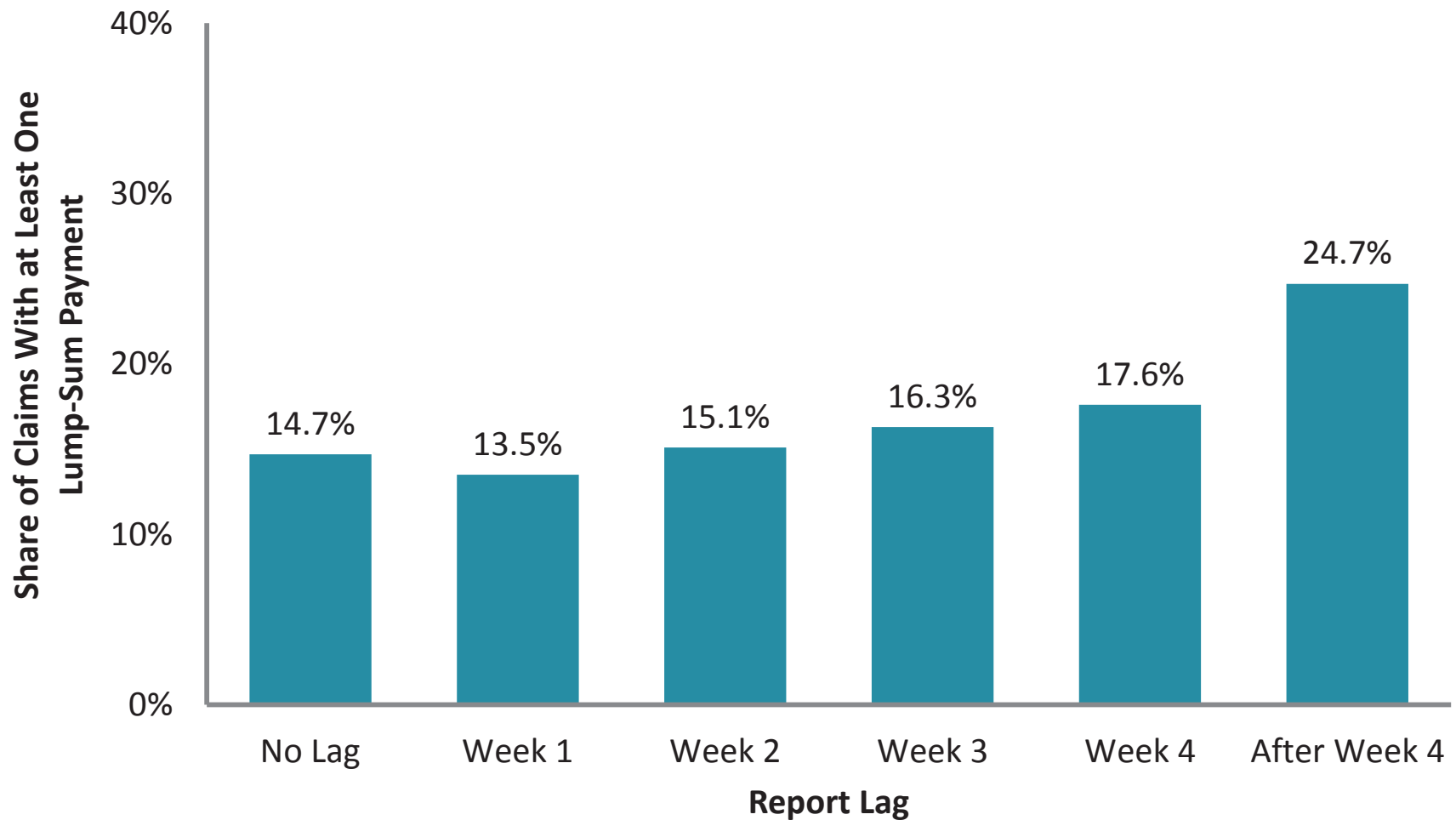
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Claimant Attorney Involvement Increases as Reporting Lag Increases



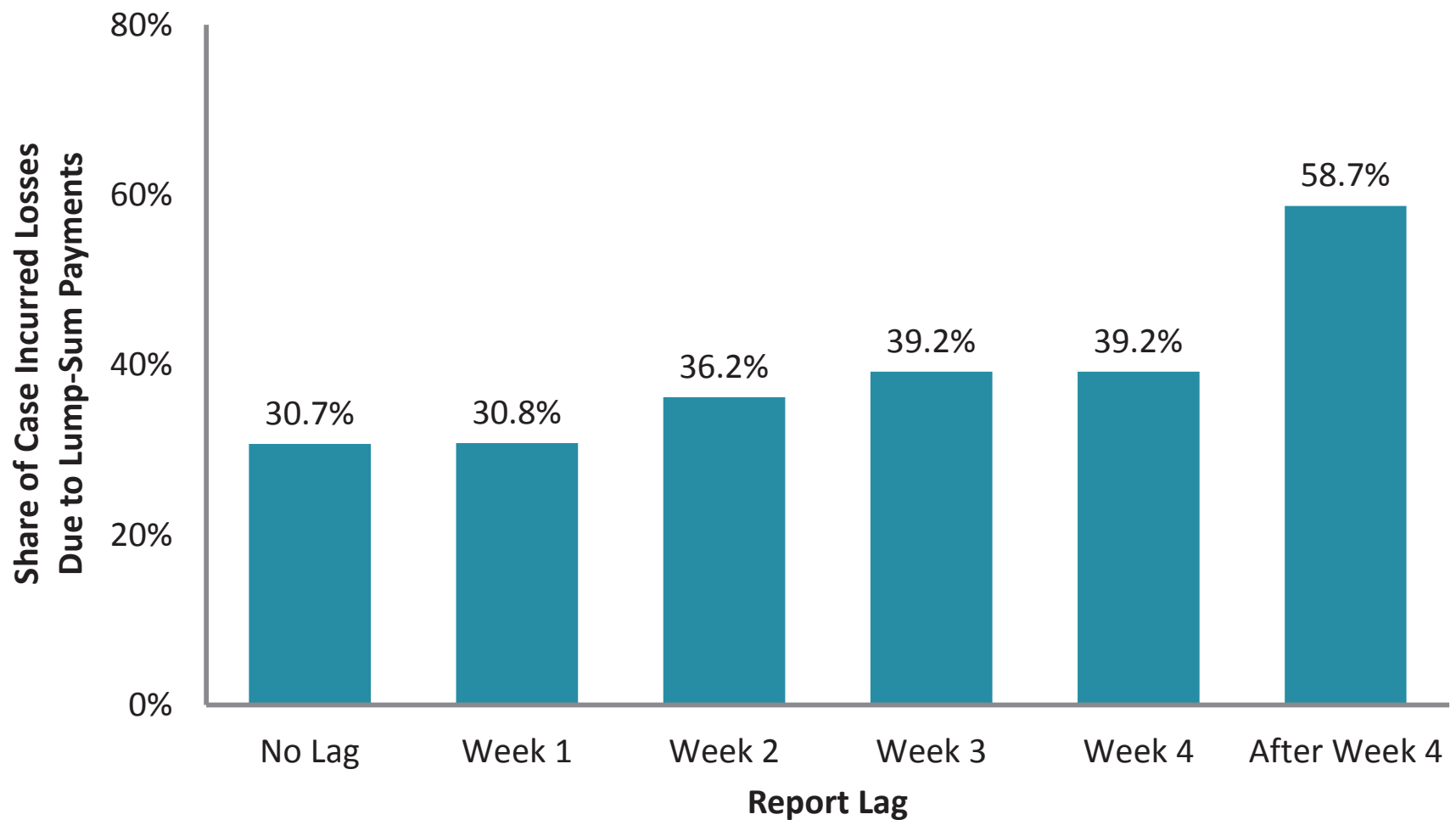
Source: NCCI's Detailed Claim Information data for Report Years 2010 and 2011 case incurred losses valued as of 18 months after report date; not developed to ultimate

Use of Lump-Sum Payments Increases as Reporting Lag Increases



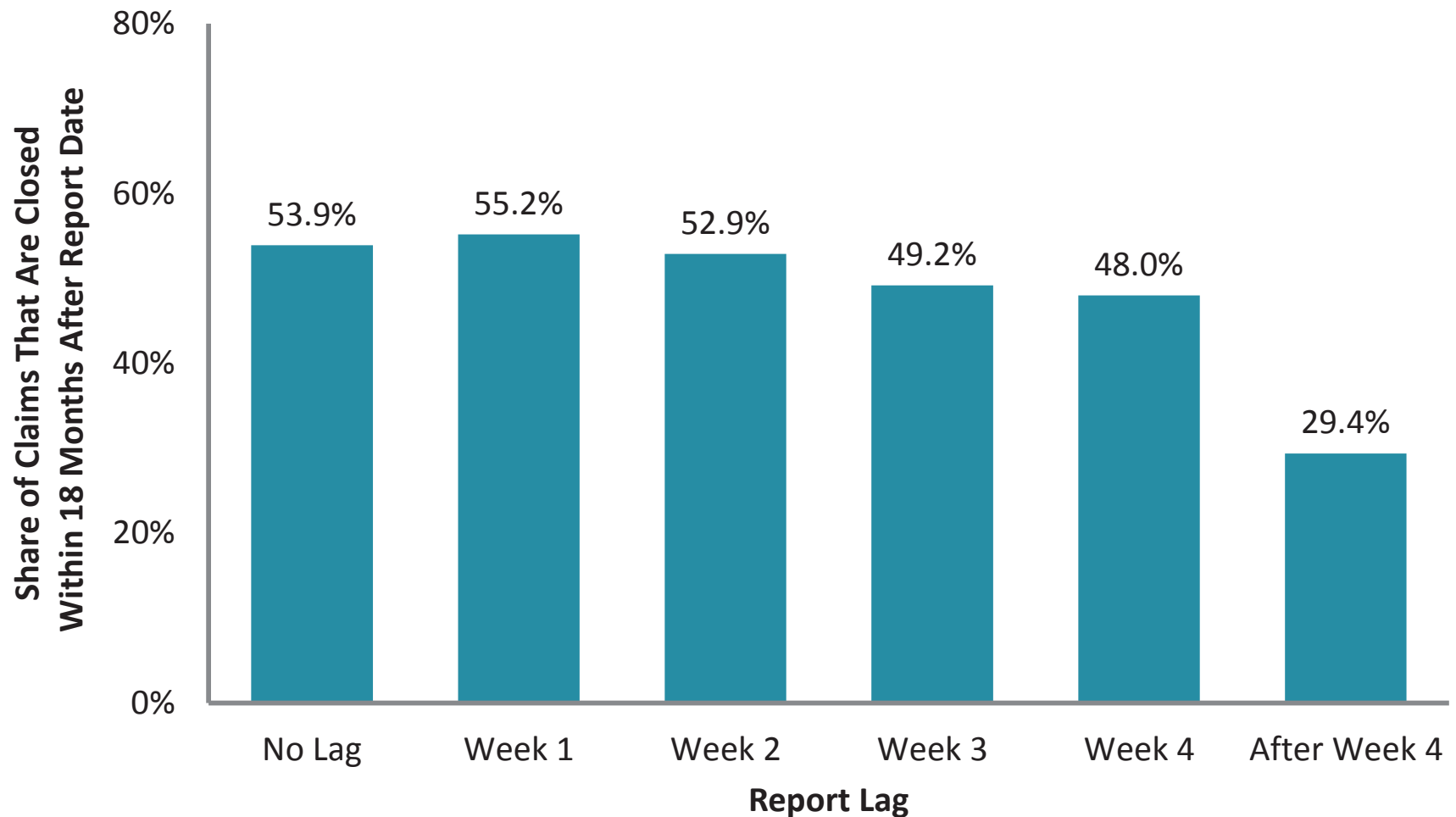
Source: NCCI's Detailed Claim Information data for Report Years 2010 and 2011 case incurred losses valued as of 18 months after report date; not developed to ultimate

Lump-Sum Payment Share Increases as Reporting Lag Increases



Source: NCCI's Detailed Claim Information data for Report Years 2010 and 2011 case incurred losses valued as of 18 months after report date; not developed to ultimate

Claims Are Less Likely to Be Closed Within 18 Months When There Is a Delay in Reporting the Accident



Source: NCCI's Detailed Claim Information data for Report Years 2010 and 2011 case incurred losses valued as of 18 months after report date; not developed to ultimate

Summary

- Median cost of claims is lowest for claims reported after the date of injury—either in Week 1 or Week 2, depending on the nature of injury
- Claims appear to be more complex and difficult to settle as the delay in reporting increases
- The full research paper is on **ncci.com**, and a shorter version is in the 2015 NCCI *Issues Report*