

WORK COMP INDUSTRY OVERVIEW
By Gary Sorenson, CEA, CLCS, PLCS, President,
Insurance Brokers of Minnesota, Inc.

Rates are increasing. Why?

Quick Fact:

The workers' compensation industry has averaged a combined ratio of 109 over the last 10 years — with only one year below 100 during that 10-year period.

Bottom line the industry is losing money.

Quick Fact:

The fatality rate for workers 65 and older is five times that of workers age 25 to 34.

Quick Fact:

In 1994, there were no states where the percent of obese adults was more than 20%. By 2010, all 50 states had obesity rates of 20% or more. There are now 12 states where the rate is 30% or higher.

Quick Fact:

Medical-only claim cost averages increased from \$19,953 to \$27,573 between 2004 and 2010. During that same period, medical severity increased a cumulative 46.6%, while rates decreased by 26.2%.

Quick Fact:

Workers' comp claims frequency increased 3% in 2010 — the first time since 1997. Prior to that, claim frequency had been declining at an average rate of 4.3% per year since 1990, with the only other increases occurring in 1994 and 1997. It remains to be seen if this trend will continue.

Medical Costs vs. Average Workers' Comp Bureau Rate/Loss Cost Changes

Quick Fact:

While jobs have been added for the last 25 consecutive months, national unemployment continues to remain high at 8.3% (as of February 2012) and is projected to remain this way throughout the year. Meanwhile, underemployment also remains high at 14.9%. The larger issue at hand is the difference between unemployment and underemployment. This discrepancy averaged 3.8 points from 2000 to 2008, while from 2009 to present it has increased significantly — at an average of 7 points. **This increased gap means that there are significantly fewer quality jobs for claimants to go back to — thus claims durations are longer and overall claim costs are higher.**

Quick Facts:

The average annual growth in workers' comp medical severity from 2002 through 2009 was more than 6%.

All facts were from A.M.Best Company.

Next issue I will provide details on the New Work Comp Split Point change coming in 2013.

At insurance Brokers of MN, Inc. we are beginning a new certification to help us and our clients better understand all aspects of workers' compensation laws and regulations. Our goal is to improve our clients' experience modification factors with the state of Minnesota and drive their worker compensation expenses down through a proactive approach.

"Certified Work Comp Advisor"