

November 2022

Drivers of California Claim Duration

Report

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Report Summary

Average indemnity claim duration is significantly higher in California than in other states. It takes 7 years to close 90% of claims in California compared to 3 years for the median state ([page 3](#)).

Longer California claim duration is driven by four “Duration Drivers”:

California has a higher share of permanent partial disability (PPD) claims, with more than twice as many PPD claims per 100,000 employees compared to the median state. PPD claims close significantly slower than claims with temporary disability only ([page 4](#)).

California has a significantly higher share of cumulative trauma (CT) claims, with a proportion multiples higher than other states. CT claims are more complex, involve more legal disputes, and tend to remain open longer than specific injury claims ([page 5](#)).

California has a higher share of claims that involve medical-legal reports. 15% of PPD claims have four or more medical-legal reports and one-half of these claims are still open after 5 years compared to about one-tenth for PPD claims without medical-legal ([page 6](#)).

California claim duration differs regionally across the state. Claims in the Los Angeles Basin have longer duration as the region has more PPD and CT claims ([page 7](#)).

Claim closing rates increased steadily following the reforms of Senate Bill No. 863 ([page 3](#)), particularly for PPD claims of lower wage workers ([page 9](#)).

Claim closing rates declined during the pandemic in 2020 and were relatively flat in 2021. Claim closing rates are beginning to pick up again in 2022 but California remains an outlier compared to other states ([page 3](#)).

Chart 1: Percent of Indemnity Claims Open at 60 Months

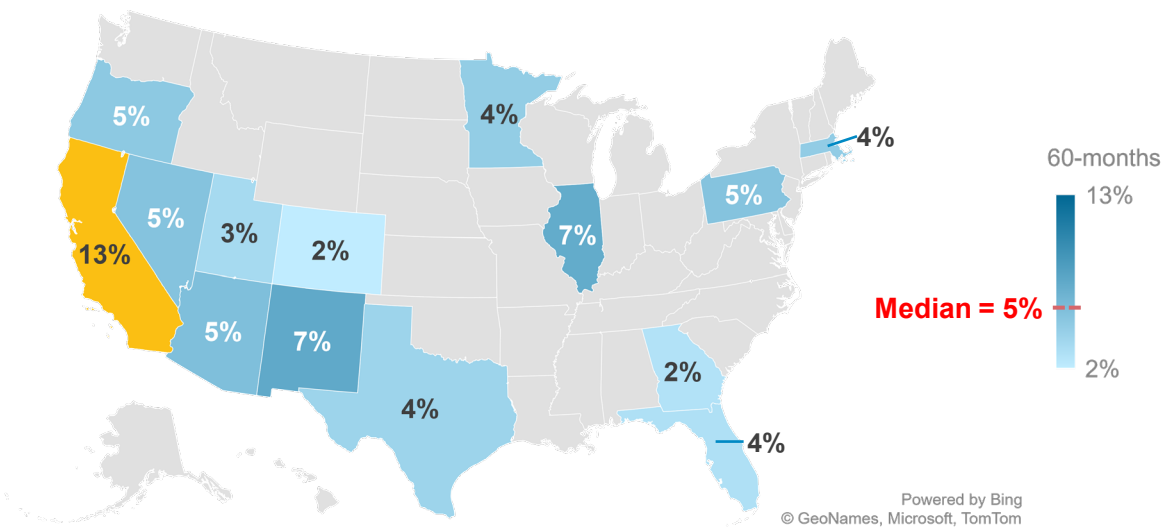


Chart 2: Percent of Indemnity Claims Unreported at 12 Months

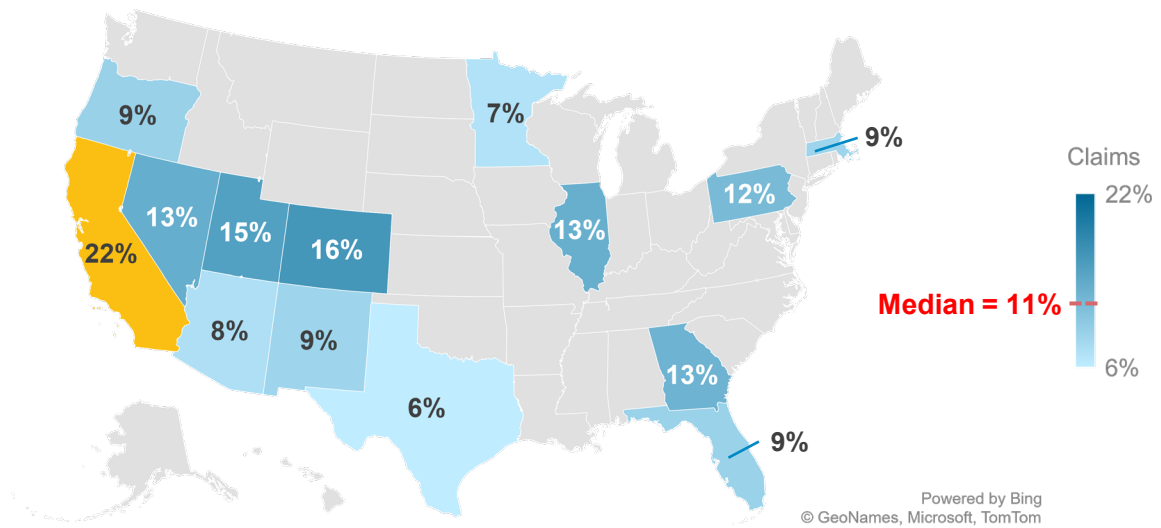
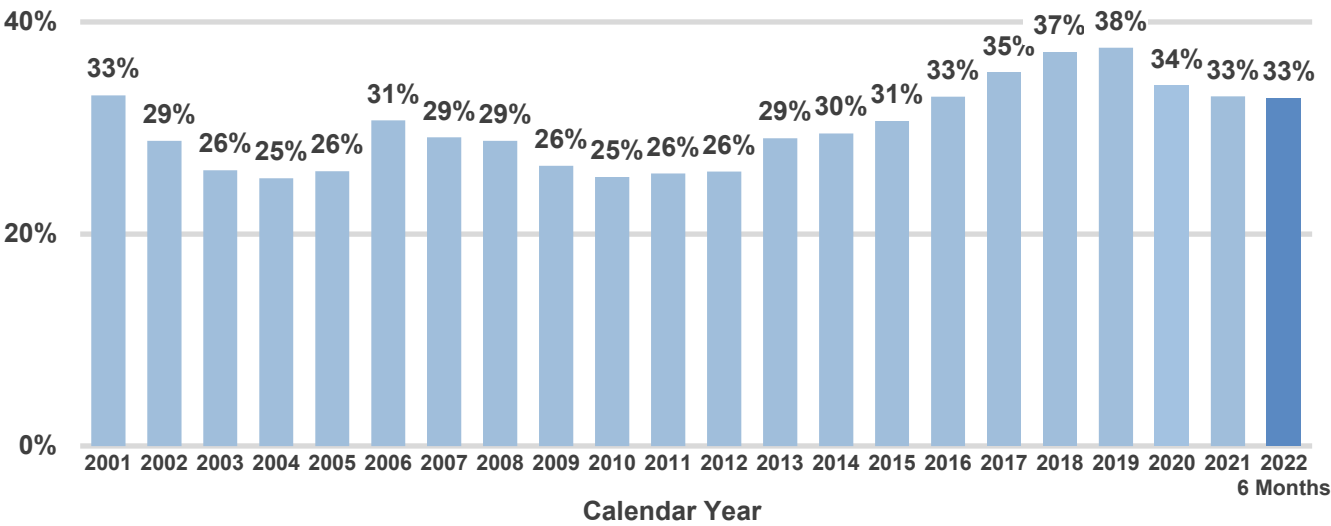


Chart 3: Percent of Open Indemnity Claims Closed During Next Year



Insights California Claim Duration and Comparison

- California indemnity claims are on average open significantly longer than in other states. The proportion of claims open at 60 months is more than twice the comparison state median (Chart 1) and the proportion open at 36 months is more than three times the comparison state median ([Appendix](#)).
- It takes longer to report and recognize indemnity claims in California. After one year, 22% of California indemnity claims are unreported which is double the comparison state median (Chart 2). Late reported claims typically close slower and many involve cumulative trauma injury.
- California claim duration improved significantly following the implementation of Senate Bill No. 863 in 2013. The incremental percent of open indemnity claims closed in the next year is almost 50% higher in 2019 compared to 2012 (Chart 3). Claim duration declined significantly in 2020 during the pandemic and economic slowdown but has since plateaued in 2022.

Chart 1 & 2 Source: California figures are from WCIRB aggregate financial data calls. Individual state summaries were provided by NCCI, the Minnesota Workers' Compensation Insurers Association, the Workers' Compensation Rating and Inspection Bureau of Massachusetts, and the Pennsylvania Compensation Rating Bureau.
Chart 3 Source: WCIRB aggregate financial data. 2022 is based on data as of June 30, 2022 compared to June 30, 2021.

Chart 4: Permanent Partial Disability Claims per 100,000 Employees

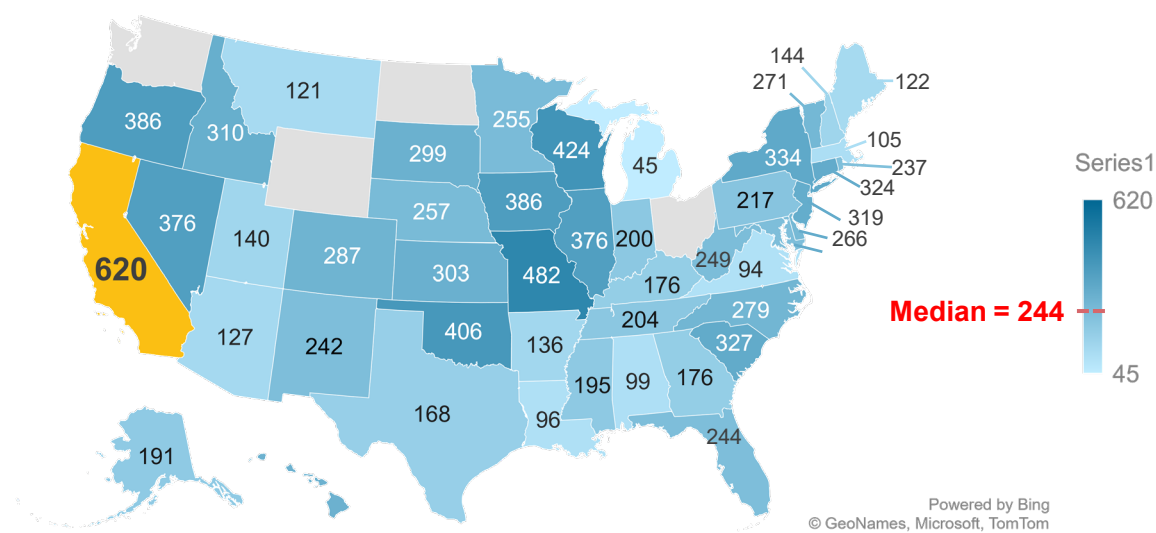


Chart 6: Claim Closing Rates by Injury Type

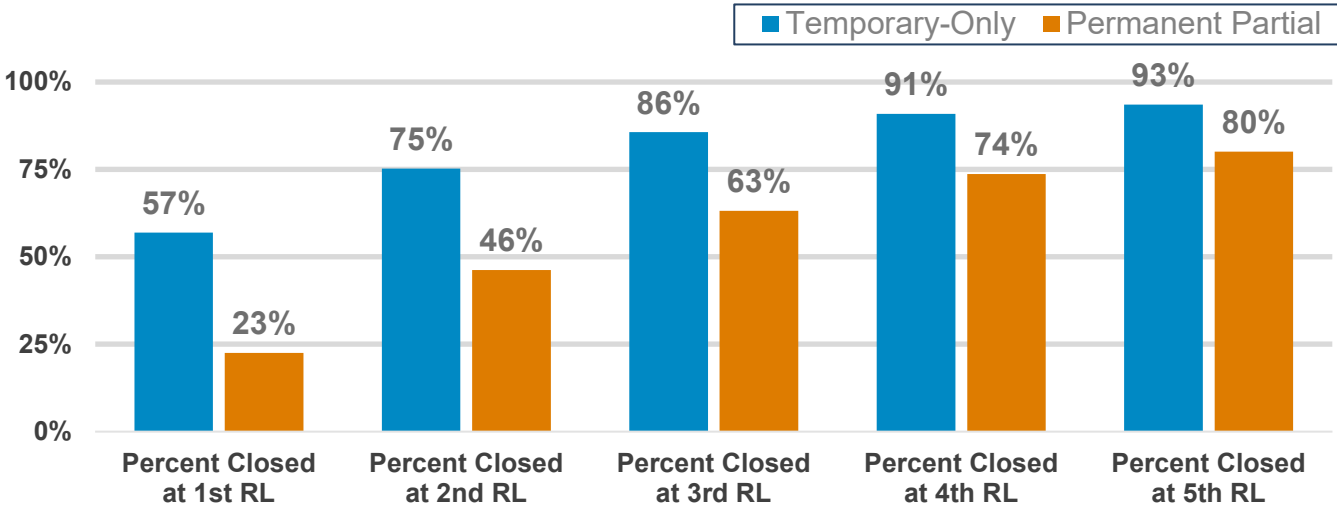
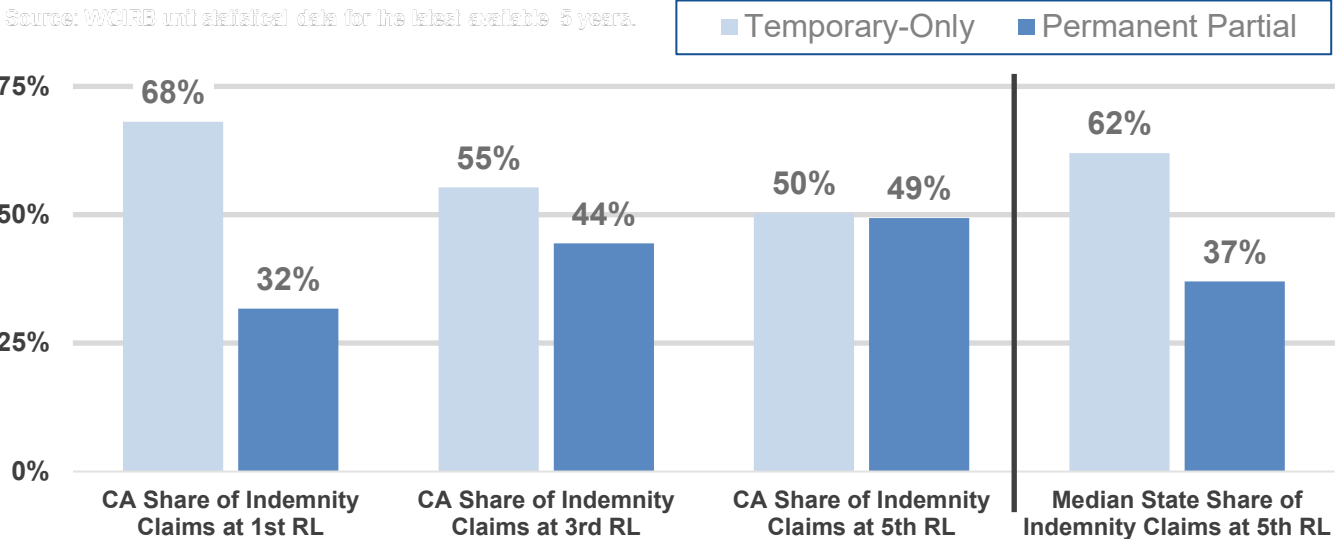


Chart 5: Distribution of Indemnity Claims by Injury Type



Insights Duration Driver #2: Permanent Partial Disability Claims

- Permanent partial disability (PPD) claims are more complex, more frequently litigated, and typically have longer duration than claims with only temporary disability benefits. California exhibits a much higher PPD claim frequency compared to other states. The frequency of PPD claims per 100,000 employees in California is 2.5 times the countrywide median (Chart 4).
- The share of indemnity claims with PPD shifts from approximately one-third at first report level (approximately 18 months) to one-half at fifth report level (approximately 66 months). By comparison, the share of PPD claims for the median state is only 37% at the fifth report level (Chart 5).
- PPD claims close significantly slower compared to claims with only temporary disability at all reporting levels. At the first report level, the PPD claims closing rate is less than half of that for temporary-only claims. As the claims mature, although the gap narrows, the PPD claims closing rate is still 13% less than that for temporary-only claims at the fifth report level (Chart 6).

Chart 4 Source: WCIRB unit statistical data and 2022 NCCI Annual Statistical Bulletin for policy year 2018 at 1st report level.
Chart 5 Source: WCIRB unit statistical data for the latest available 5 years and 2022 NCCI Annual Statistical Bulletin based on policy year 2014 at 5th report level.
Chart 6 Source: WCIRB unit statistical data for the latest available 5 years.

Chart 7: Indemnity Claim Shares by Nature of Injury

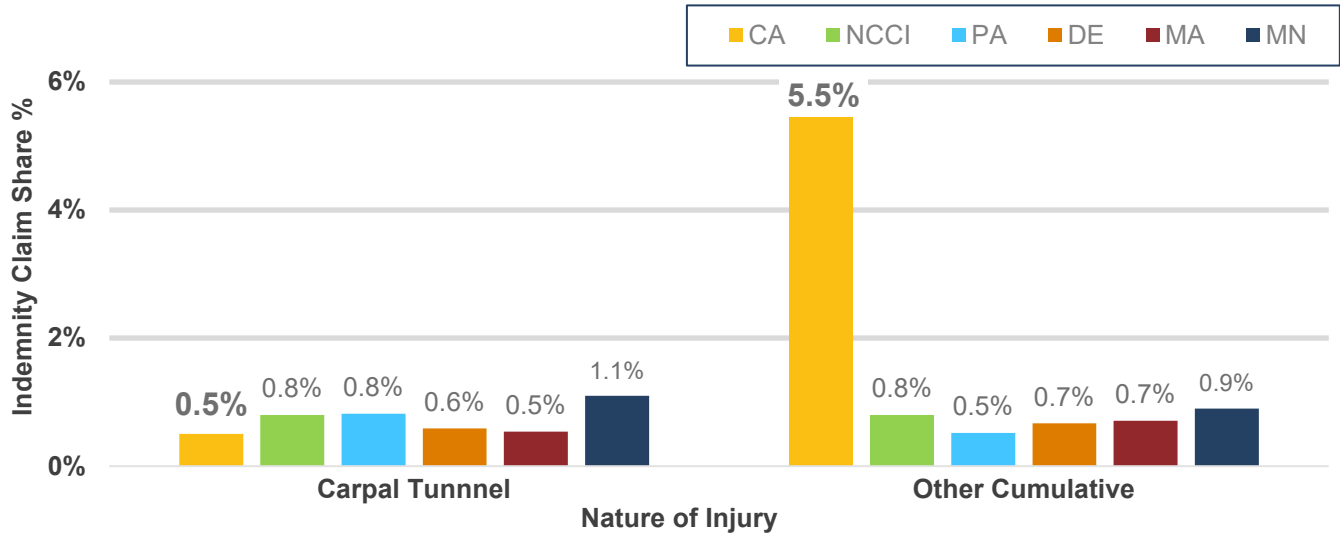


Chart 8: Indemnity Claim Settlement Ratios at 1st Report Level by Claim Type

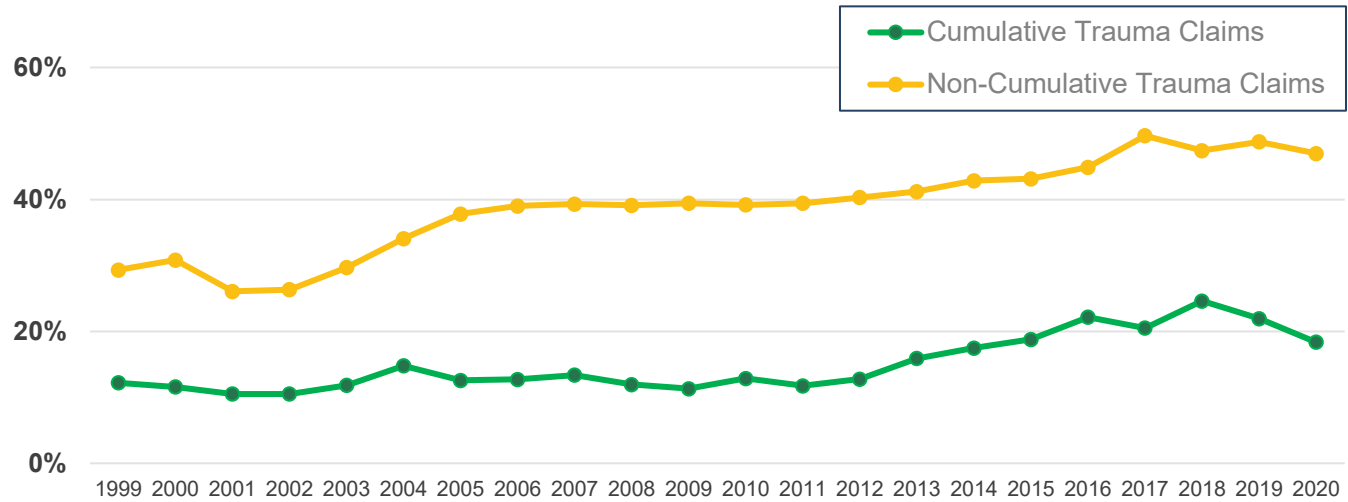
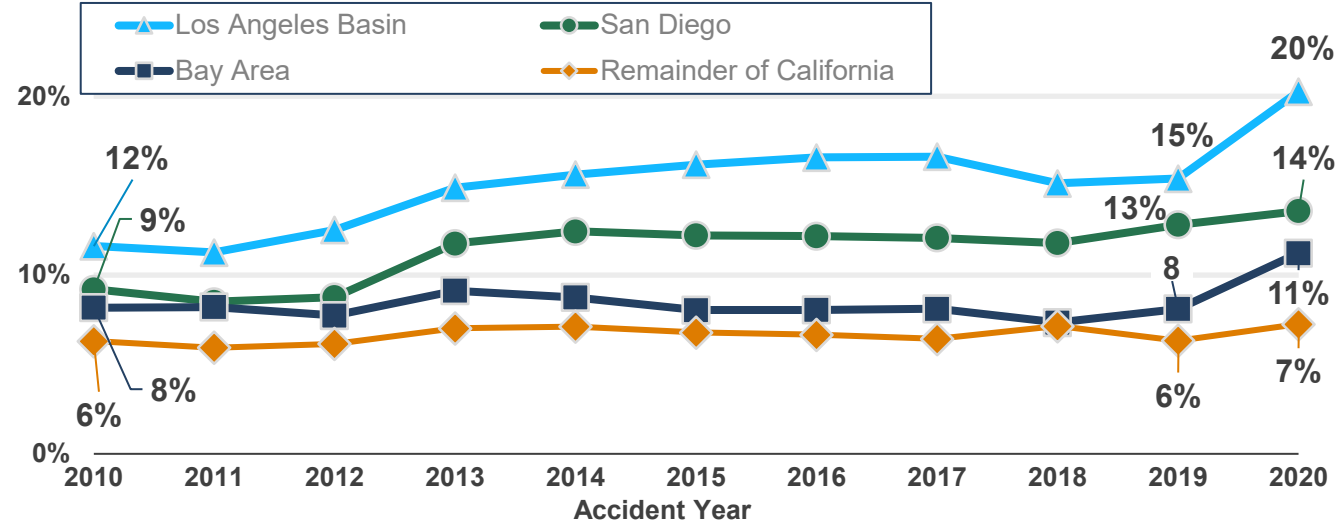


Chart 9: Percent of Cumulative Trauma Claims by Region



Insights Duration Driver #2: Cumulative Trauma Claims

- Like PPD claims, claims involving a cumulative trauma (CT) injury are typically more complex, more frequently litigated, and have longer durations than non-CT claims. Compared to other workers' compensation systems, California's share of Carpal Tunnel indemnity claims are similar to other states. However, when comparing other cumulative natures of injury, California's share is over five times that for other states at the second report level (Chart 7). These differences may be even larger at later maturities as CT claims are often filed later than non-CT claims.
- CT claims settle much slower than non-CT claims. At first report level, the settlement rate for CT indemnity claims averaged below 15% between 2006 to 2011 compared to around 40% for non-CT claims. Although claim settlement rates have been increasing since 2011, the gap between CT claims and non-CT claims remains, with about 20% of CT claims on average settled at first report level since 2017 compared to around 50% for non-CT claims (Chart 8).
- CT claim rates differ significantly between different regions of California. The Los Angeles Basin and San Diego areas consistently have higher CT claim rates than the rest of the state. All regions saw increases during the pandemic in 2020, which in part contributed to the slower overall claim settlement rates during this period (Chart 9).

Chart 7 Source: California figures are from WCIRB unit statistical data at 2nd report level. Individual state summaries were provided by NCCI, the Minnesota Workers' Compensation Insurers Association, the Workers' Compensation Rating and Inspection Bureau of Massachusetts, and the Pennsylvania Compensation Rating Bureau. Data includes accident years 2017 and 2019.
Charts 8 and 9 Source: WCIRB unit statistical data, excluding COVID-19 claims.

Chart 10: Percent of Claims with Medical-Legal Expenses at 36 Months

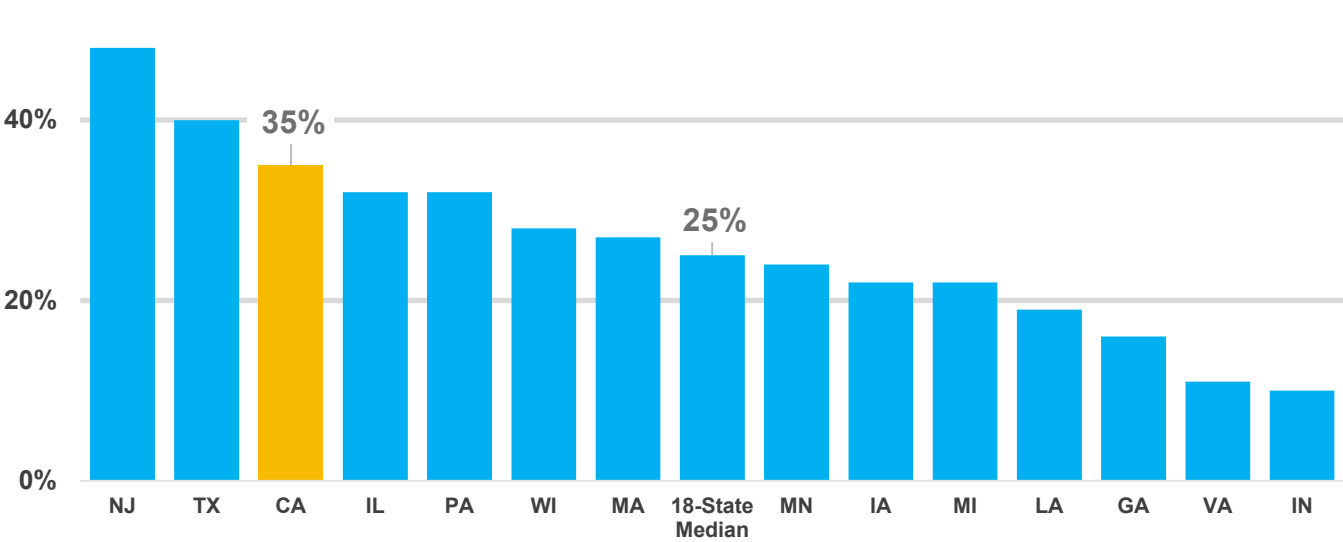


Chart 12: Permanent Partial Claim Closing Rates by Medical-Legal Status

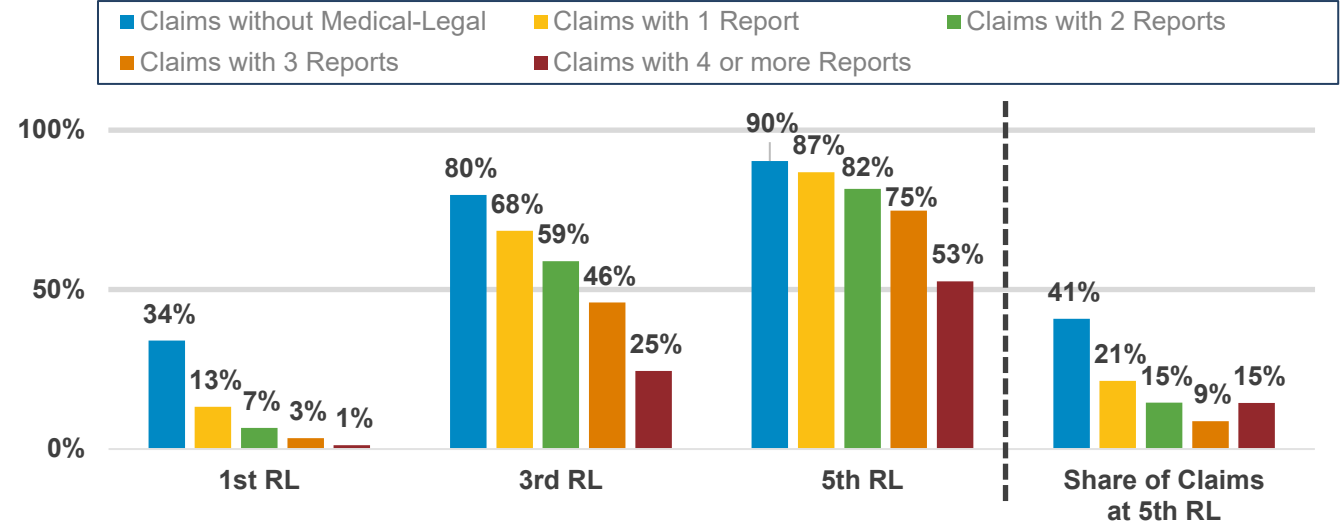
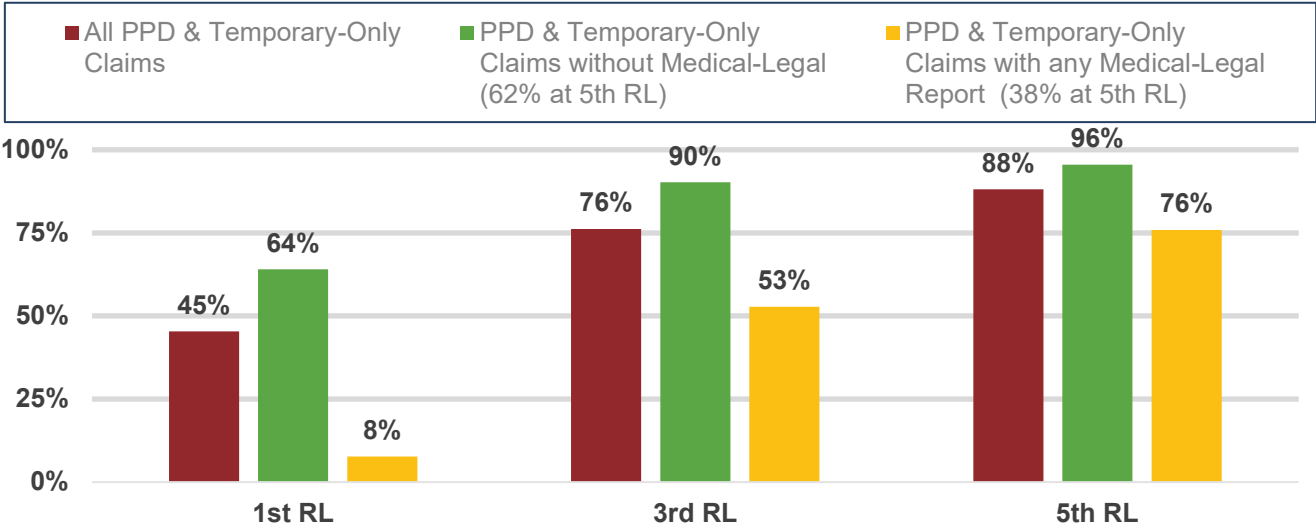


Chart 11: Claim Closing Rates by Medical-Legal Status



Insights Duration Driver #3: Medical-Legal

- The medical-legal process can be complex and time consuming and lead to longer claim durations. The percentage of claims with medical-legal expenses in California at 36 months is 10 points higher than the countrywide median (Chart 10). In addition, the average medical-legal expense per indemnity claim for California is significantly higher than in other states ([Appendix](#)).
- Claims involving medical-legal expenses on average close significantly slower than claims without medical-legal expenses, with a 56-point differential at first report level and a 20-point differential at fifth report level (Chart 11). However, medical-legal expenses typically occur only on PPD claims which are more complex and are more frequently litigated.
- When comparing PPD claims only, the claims without a medical-legal report have significantly higher closing rates compared to those with medical-legal reports. Of the claims with medical-legal reports, those with more reports have much lower closing rates, with almost half of the PPD claims with four or more medical-legal reports still open at the fifth report level (approximately 66 months) (Chart 12). Temporary-only claims show a similar pattern, though medical-legal reports on a temporary-only claim are fairly rare ([Appendix](#)).

Chart 10 Source: WCRI CompScope Benchmarks for California, 22nd Edition. Includes claims for accident year 2017/2018 evaluated in March 2021.
Charts 11 and 12 Source: WCIRB unit statistical data and medical transaction data for the most recent three available years.

Chart 13: Temporary-Only Claim Closing Rates by Region

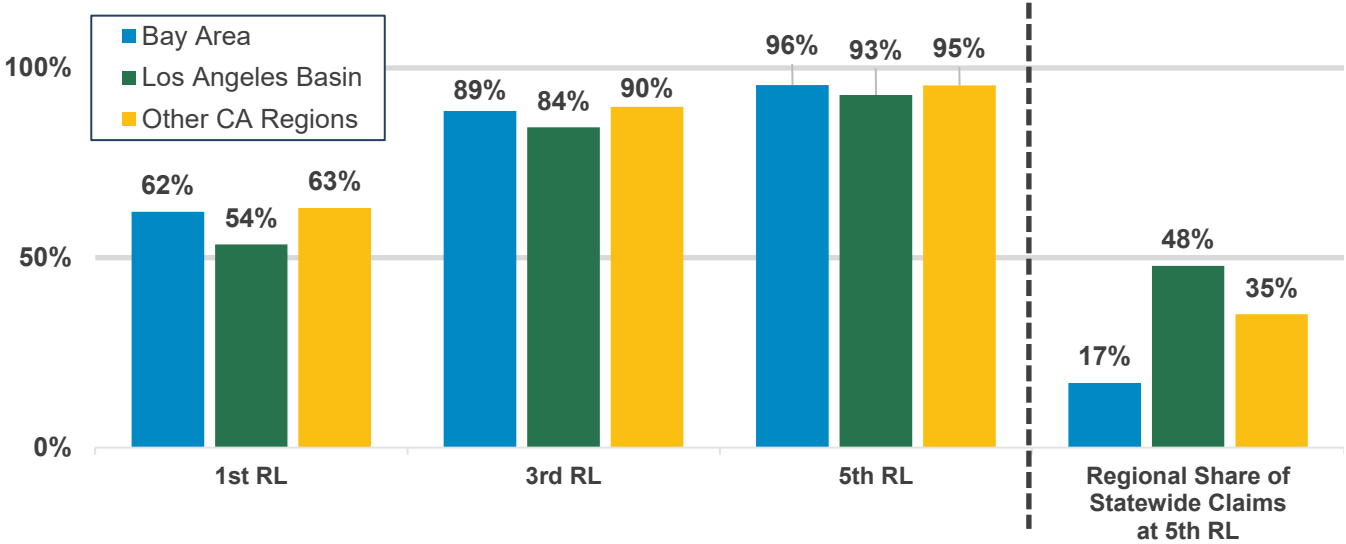


Chart 14: Permanent Partial Claim Closing Rates by Region

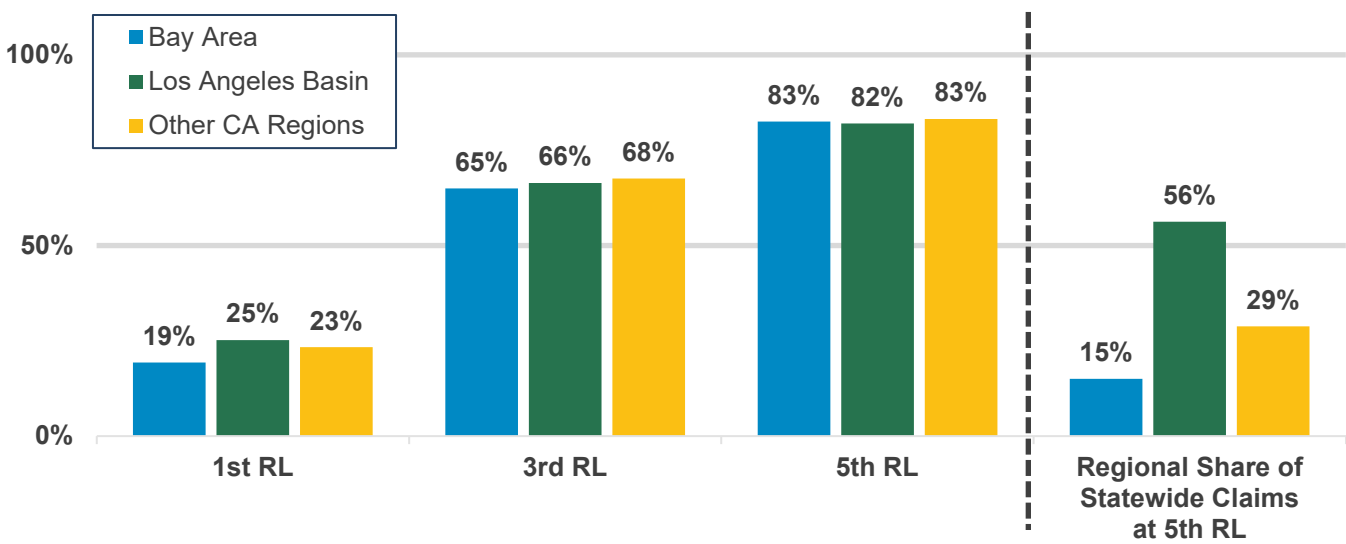
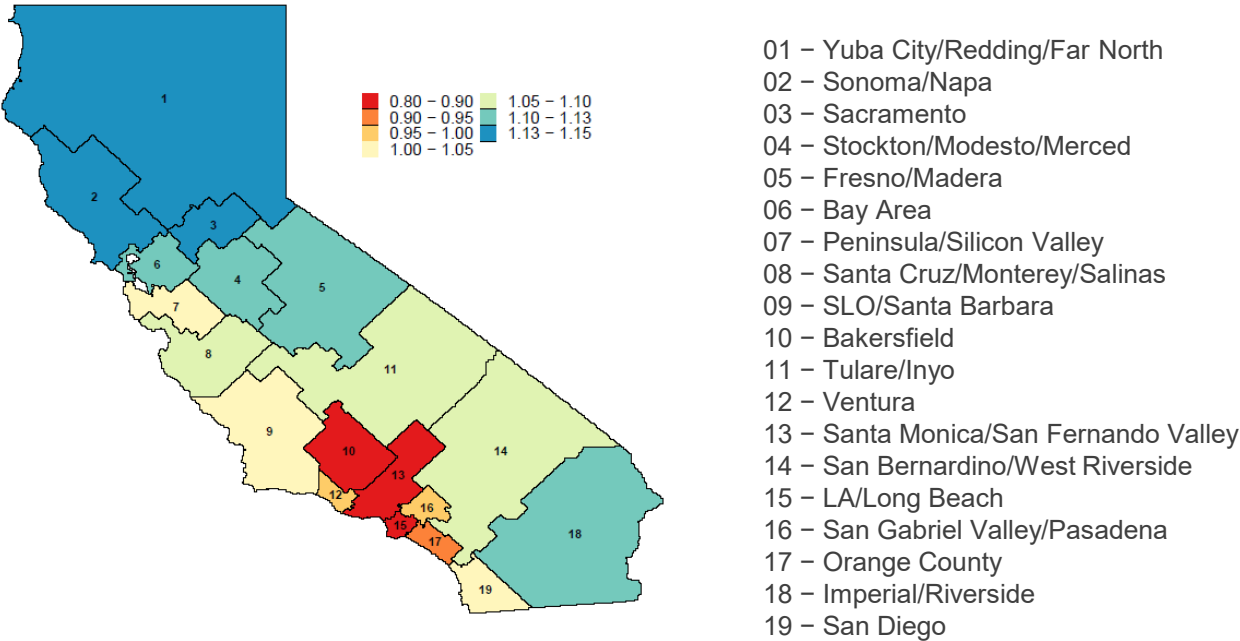


Chart 15: Indemnity Claim Closing Rates at 1st RL Relative to Statewide



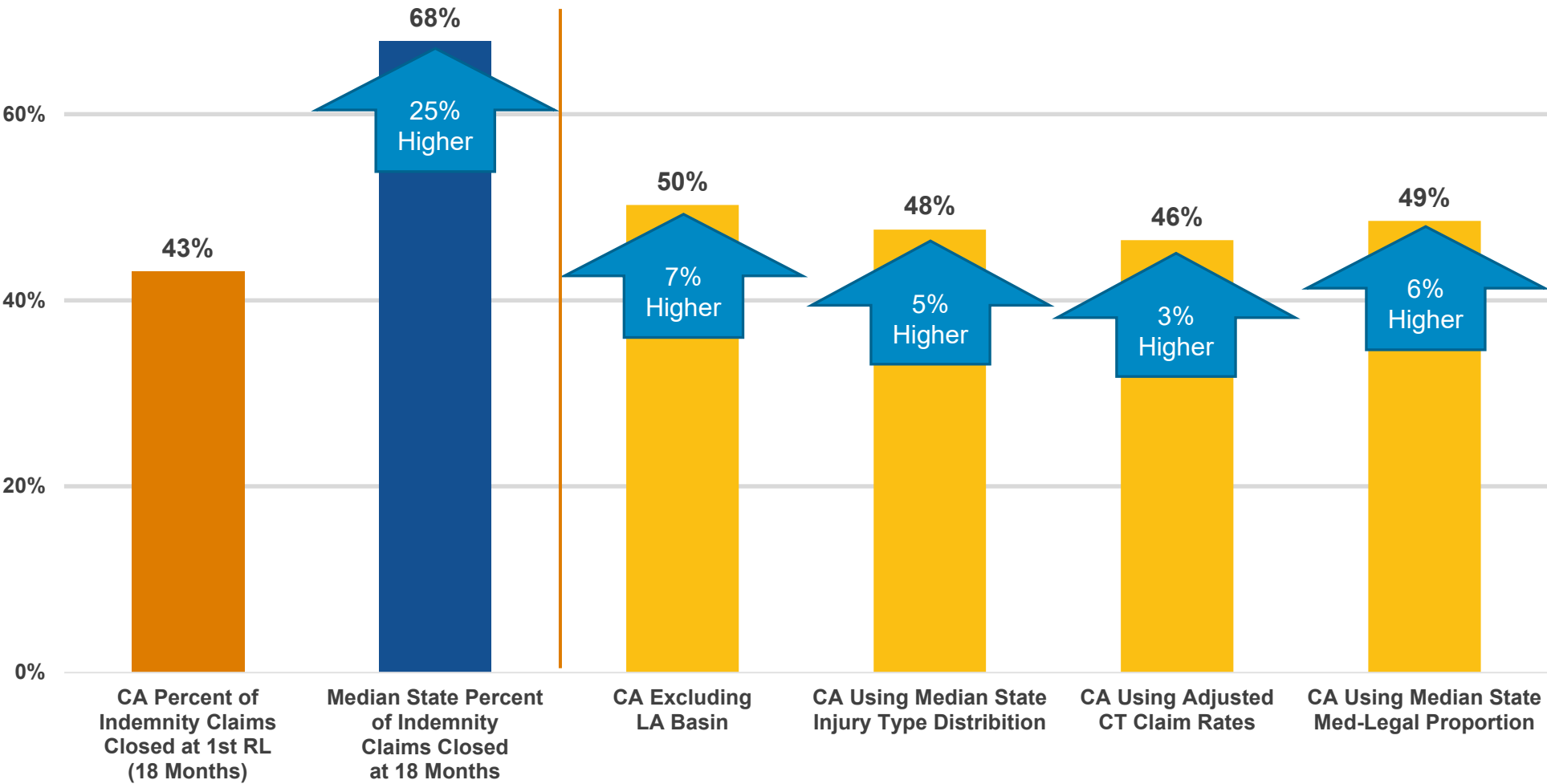
Insights Duration Driver #4: Region

- Regional differences within California also drive the longer claim duration in California. Temporary-only claims in the Los Angeles Basin on average close slower than in other parts of the state (Chart 13). Although the closing rates for PPD claims are generally similar across California regions (Chart 14), the Los Angeles Basin has a significantly higher share of PPD claims (56%) compared to its share of temporary-only claims (48%).
- Largely due to its higher share of PPD claims, the Los Angeles and surrounding areas have relatively lower indemnity claim closing rates compared to the rest of the state, while claim closing rates in the far north areas are relatively higher (Chart 15).

Charts 13 and 14 Source: WCIRB unit statistical data for the latest three available accident years.

Chart 15 Source: WCIRB unit statistical data and geo coded data.

Chart 16: Estimated Impact of the “Duration Drivers”



Insights

Impact of the “Duration Drivers”

- The percentage of claims closed for California is 43% at the first report level, which is 25% lower than the median state. Each of the four “Duration Drivers” contribute to the overall longer claim duration in California (Chart 16).
- When adjusting for differences in these factors from the estimated level underlying the “median state” workers’ compensation system, average California claim closing rates at first report level are 3 to 6 points higher. The most significant factor is the greater prevalence of medical-legal services in California.
- The impact of many of these factors overlap. For example, there is a greater share of CT claims and PPD claims in the Los Angeles Basin. These estimates may also understate the true impact as they are based on interstate comparisons at relatively earlier maturities. Given the longer claim duration in California, the differences from other states may be even greater as the claims mature.
- Many of these factors correlate with higher rates of claims involving attorney representation, disputes, and frictional costs, which go together with longer claim duration in California (see [Friction in the California Compensation System](#) for more information).

Chart 16 Source: WCIRB unit statistical data and NCCI Annual Statistical Bulletin

Chart 17: Indemnity Claim Closing Rates at 1st Report Level by Industry

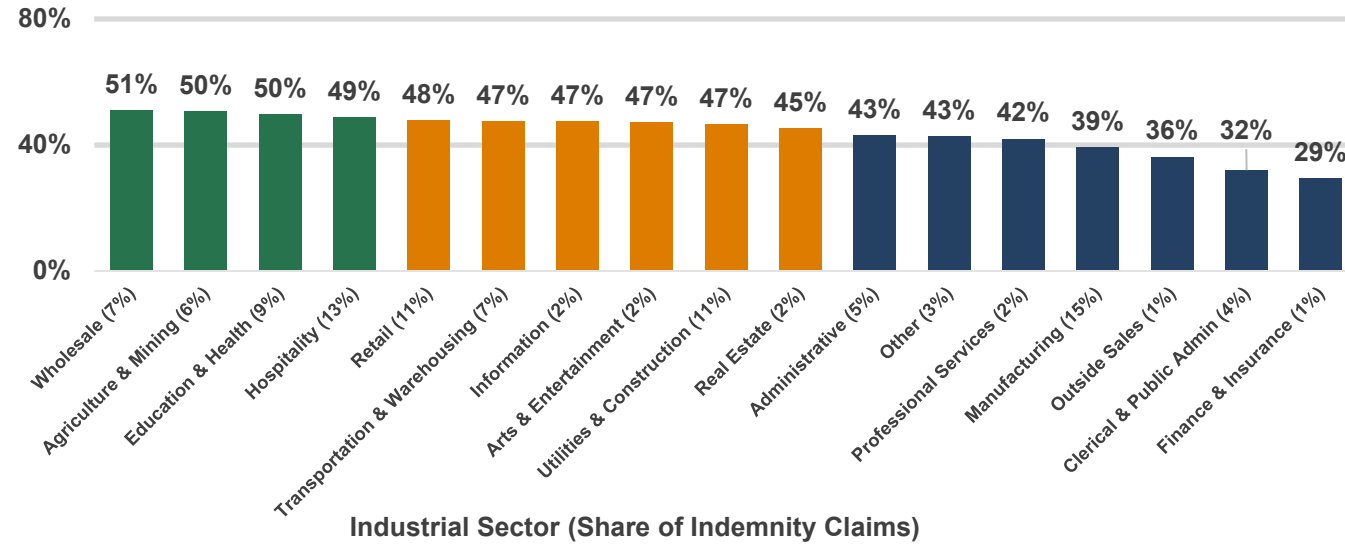


Chart 18: Permanent Partial Claim Closing Rates by Wage Level – 1st Report Level

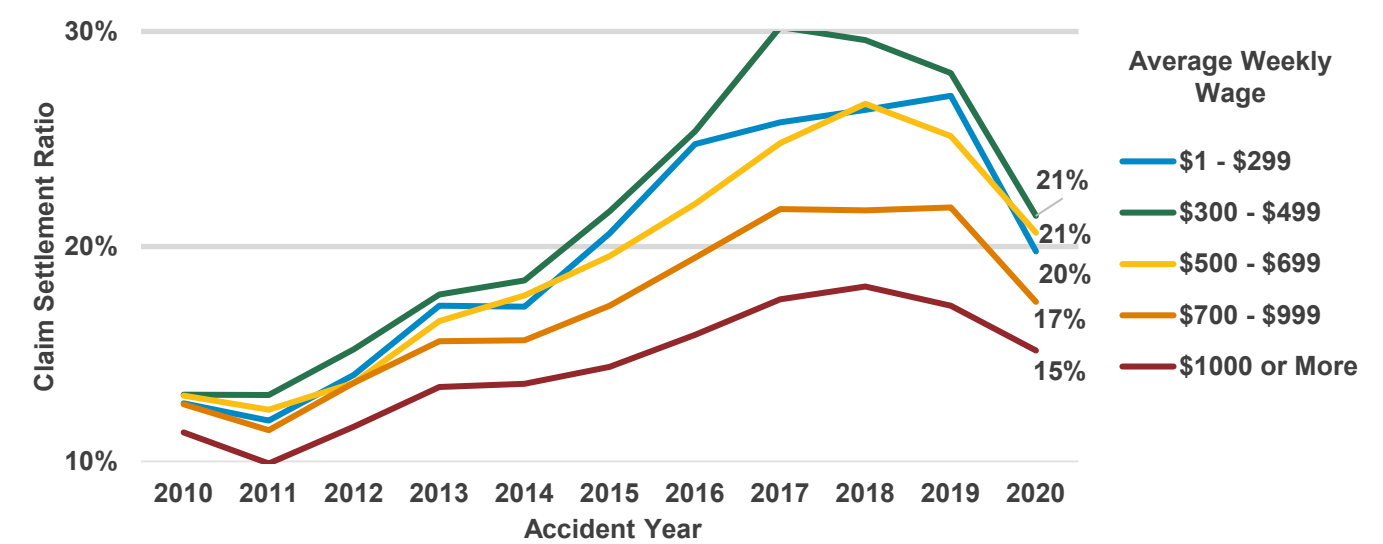
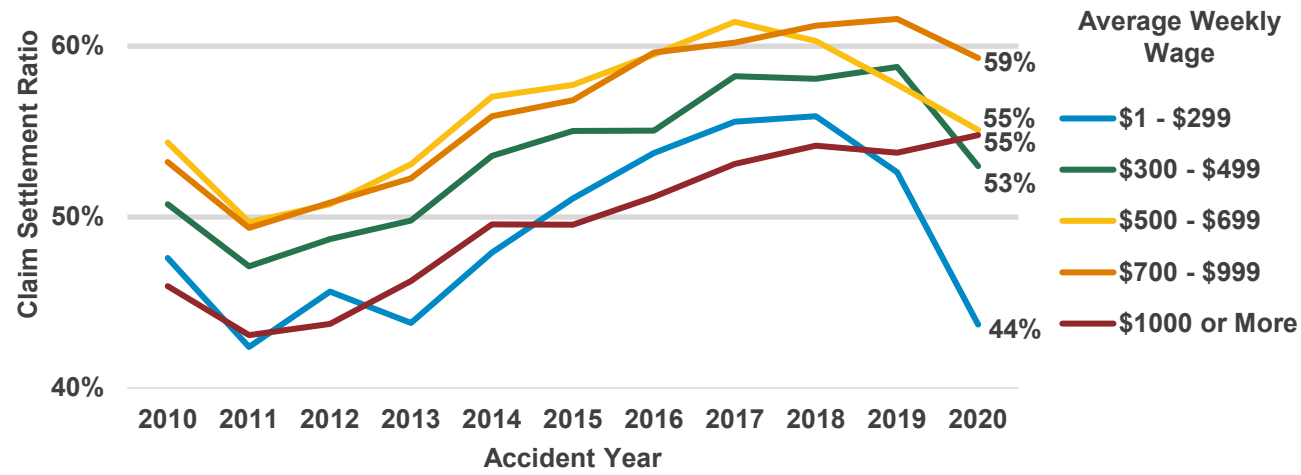


Chart 19: Temporary-Only Claim Closing Rates by Wage Level – 1st Report Level



Insights Industry and Wage Level Characteristics

- Indemnity claim closing rates tend to vary by only a few percentage points between most industries. The industries with the lowest closing rates of Finance & Insurance, Clerical & Public Administration, and Outside Sales tend to have lower claim frequency (Chart 17). When industries are grouped by similar average indemnity claim closing rates, the employment distribution by industry in California is very similar to the national average, suggesting industrial mix is not a significant factor driving longer claim duration in California ([Appendix](#)).
- PPD claims tend to close slower for higher wage employees, particularly recently (Chart 18). This trend remains for later report levels ([Appendix](#)). Across recent accident years, PPD claim closing rates have improved over time for lower-wage employee claims, but there has not been as significant an improvement for higher-wage employee claims.
- Temporary-only claims tend to close slower for employees with the highest and lowest average weekly wage (Chart 19). This trend is less clear at later report levels, when the vast majority of temporary-only claims are closed ([Appendix](#)).

Chart 20: Average Weeks of Temporary Disability at 36 Months

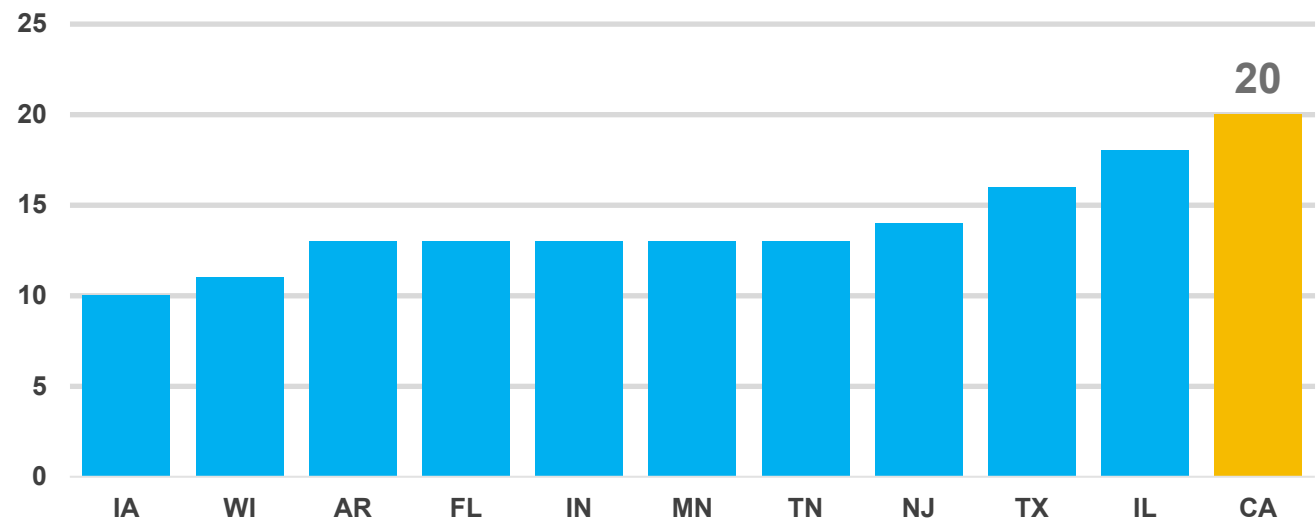


Chart 21: Temporary Disability Benefit Caps for 2022

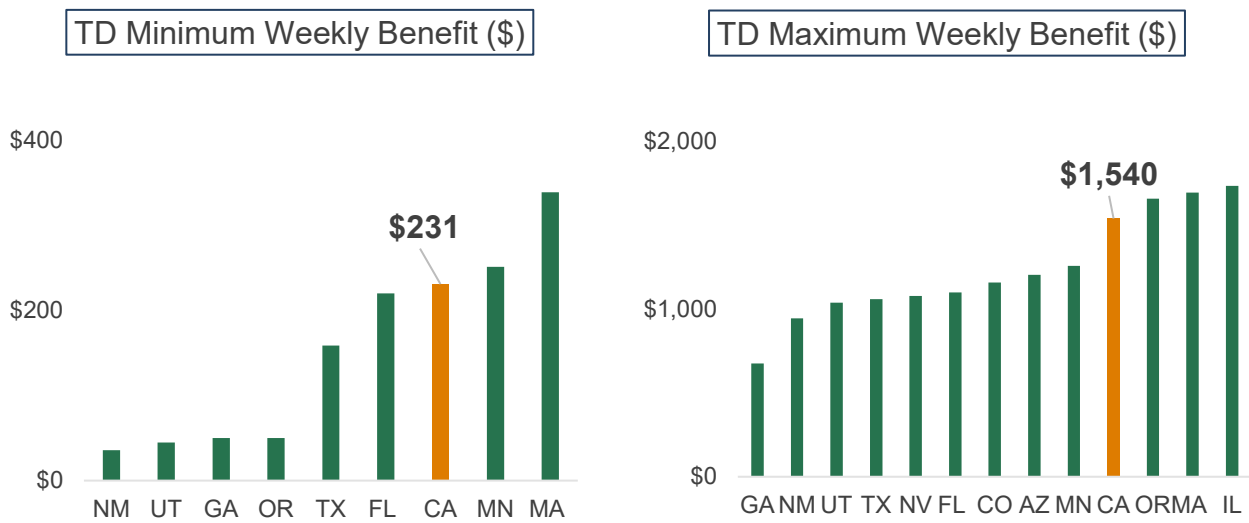
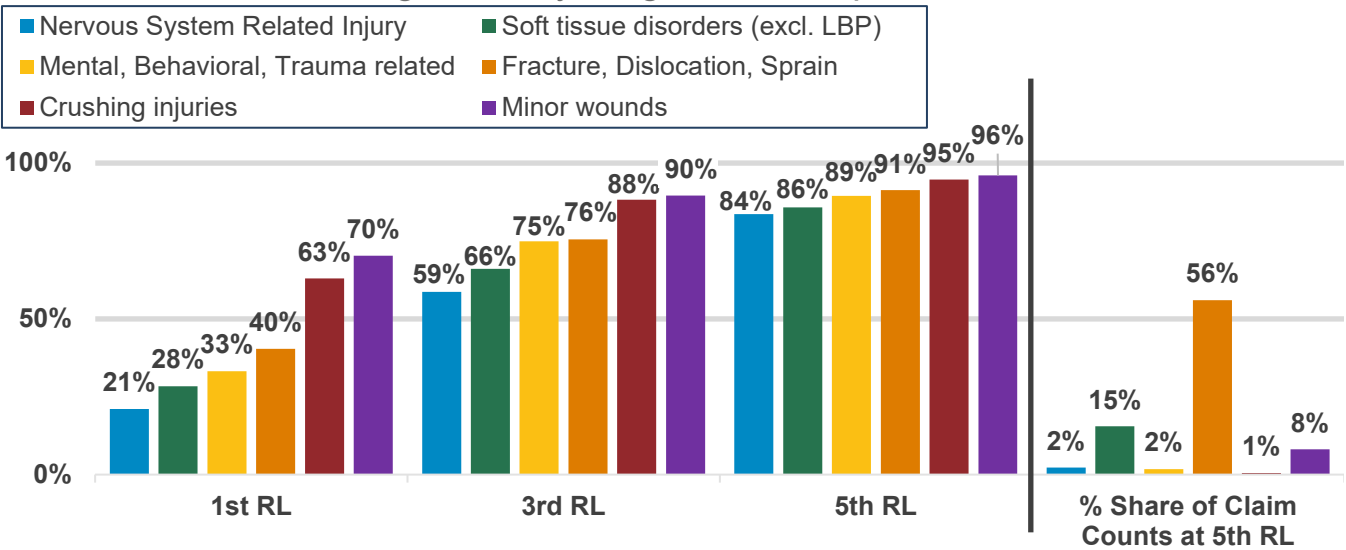


Chart 22: Claim Closing Rates by Diagnostic Groups



Insights Benefit and Treatment Characteristics

- California has a longer temporary disability duration compared to other states, which leads to claims staying open longer. Compared to other states with a similar PPD benefit system, California has the longest average duration of temporary disability at 36 months, which is about 50% higher than the comparison state median (Chart 20).
- Although weekly minimum and maximum temporary disability benefit caps in California are generally higher than in most other states (Chart 21), California also has a higher average weekly wage compared to most states. The weekly benefit minimums and maximums in California are likely not a significant driver of longer claim duration.
- Claim closing rates differ significantly by injury diagnosis, particularly at first report level (Chart 22). The lowest claim closing rates are for nervous system-related injuries and soft tissue disorders, which may be more challenging to diagnose and treat compared to other injuries.

Chart 20 Source: WCRI CompScope Benchmarks for California, 22nd Edition. Includes claims for accident year 2017/2018 evaluated in March 2021. Only states that have a PPD benefit system similar to California are included.
Chart 21 Source: NCCI Annual Statistical Bulletin.
Chart 22 Source: WCIRB unit statistical data and medical transaction data for accident year 2014.

Chart 23: Average Incurred Indemnity per PPD Claim at 5th Report Level

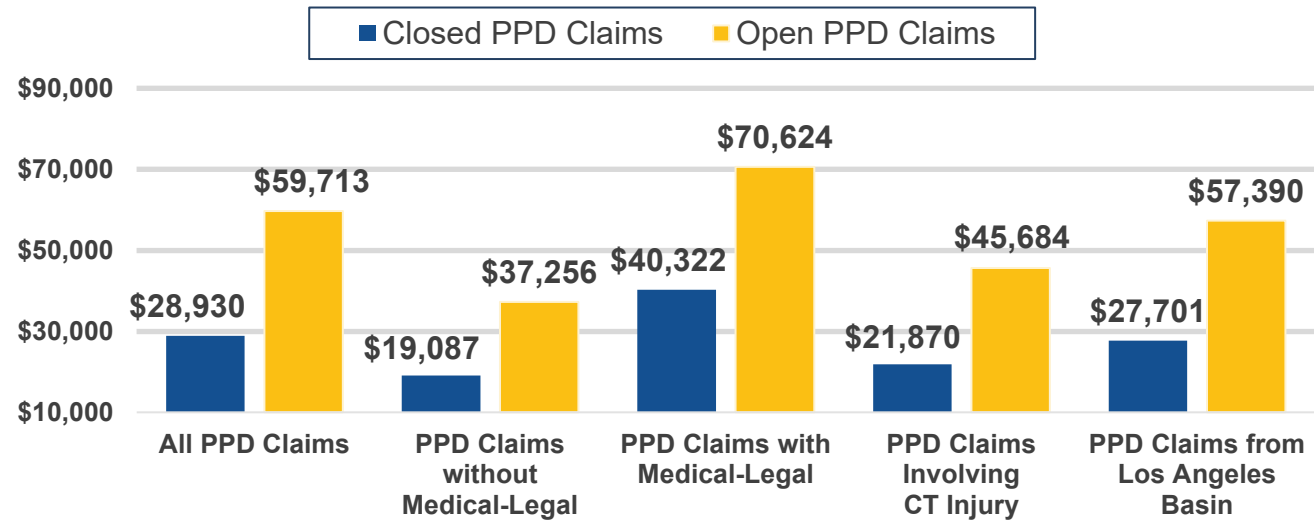


Chart 24: Average Incurred Medical per PPD Claim at 5th Report Level

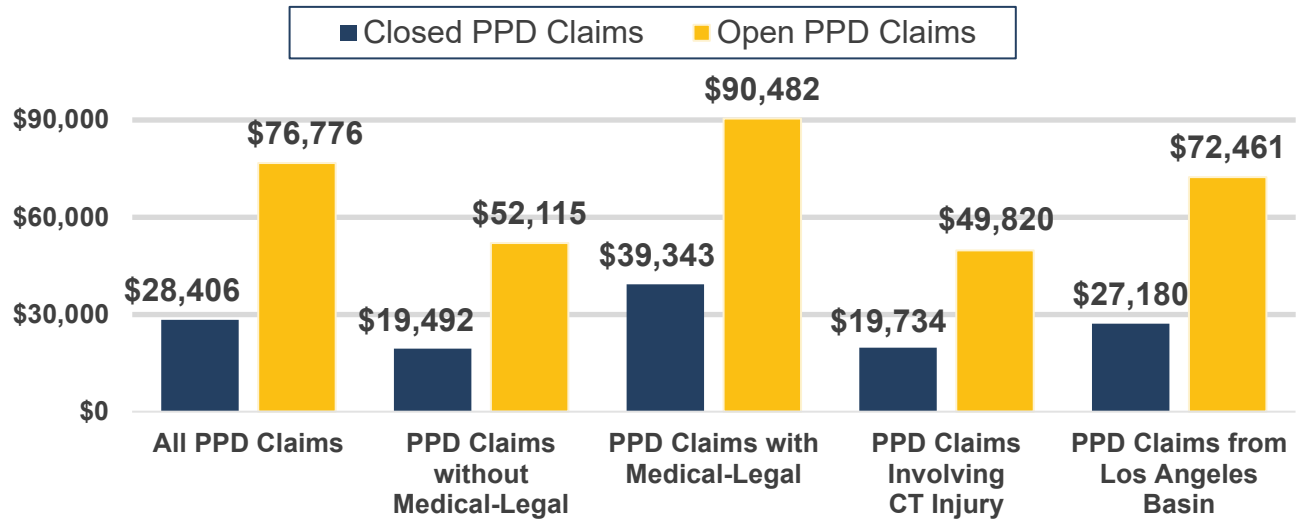
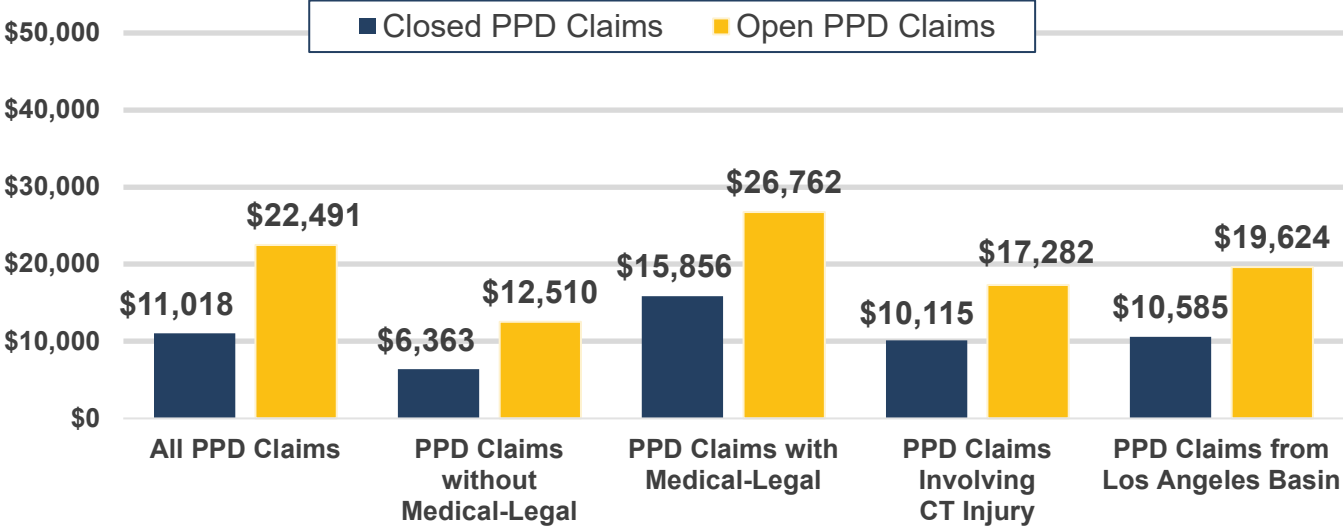


Chart 25: Average Paid ALAE per PPD Claim at 5th Report Level

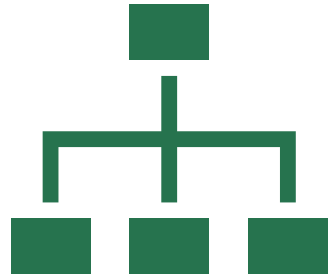


Insights Claim Severity Comparison

- PPD claims that are still open after five years have significantly higher indemnity, medical, and allocated loss adjustment expense (ALAE) costs than claims that close earlier (Charts 23, 24 and 25).
- PPD claims with medical-legal expenses have almost double the indemnity, medical, and ALAE costs of PPD claims without medical-legal (Charts 23, 24 and 25). Open PPD claims with medical-legal expenses are the highest cost claims in this comparison.
- The average indemnity, medical, and paid ALAE costs of PPD claims in the Los Angeles Basin are not very different from the rest of the state for both open and closed claims. Higher claim severities in the LA Basin are driven more by the larger share of PPD claims in this region ([see Page 7](#)).

Charts 23 to 25 Source: WCIRB unit statistical data for accident years 2013 to 2015.

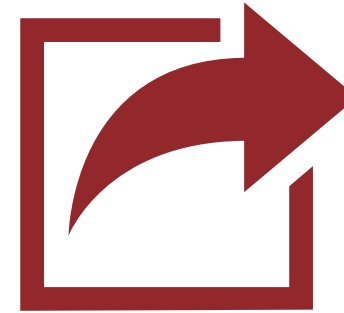
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Unless otherwise noted, the information in this report is based on the reported experience of insured employers only and may or may not be indicative of the experience of the state as a whole including self-insured employers.



WCIRB estimates were based on information available at the time of this study. If subsequent information becomes available that changes the basis of our assumptions, these estimates would of course be affected.



The amounts and ratios shown represent statewide totals based on the amounts reported by insurers writing workers' compensation insurance in California. The results for any individual insurer can differ significantly from the statewide average. An individual insurer's results are related to its underwriting book of business, claims and reserving practices, as well as the nature of its reinsurance arrangements.

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