

Manager/Supervisor Risk Management
#17– 1/5/12

TOPIC: WORKERS' COMPENSATION – CLAIM FREQUENCY

There is a risk management adage that states: “frequency breeds severity.” When you experience a lot of little injuries sooner or later your luck will run out, and one of them will be serious. The hand cut, instead of needing a band aid, results in microsurgery to repair nerve damage. The road worker who tosses a chunk of asphalt into a truck blows a disc instead of pulling a muscle. The seemingly small common injury becomes a serious and costly claim, and only hindsight reveals which one it will be.

YCPARMIA's numbers:

- YCPARMIA members have, at any given time, about 4,000 employees and volunteers.
- Over the last ten years we have averaged 484 injuries per year, or 12% of our workforce.
- The great majority of these claims, 70%, are small, costing someplace between \$0 and \$1,000.
- At the other extreme we average over 5 claims a year that incur more than \$100K each.
- Many claims linger: our oldest open claim is from an injury on February 27, 1981.
- We have 36 open claims, due to life time medical benefits, with injuries that occurred before 2000.

As stated above, 70% of our files incur costs of less than \$1,000, but over the last five years the average incurred cost per injury is over \$5,100. This reflects the Law of Small Numbers – with a relatively small number of files – our recent yearly average of 484 – a few really expensive files can disproportionately drive up the average. In any given year those five \$100K+ files represent between 25% to 50% of our total annual incurred costs. When we knock the most expensive 10% of our files (less than 50 files a year) out of the equation the average drops substantially. Over the last five years the bottom 90% of our claims had an average incurred cost of \$600 per injury (this number is greatly impacted by the 22% of our claims that had no cost).

When the injured worker's supervisor signs the Employer's First Report of Occupational Injury or Illness they should remember:

- There is a 70% chance that the claim will cost less than \$1,000,
- There is more than a 1% chance that it will cost over \$100,000,
- There is about an 11% chance that the claim will cost over our average of \$5,100,
- There is a 22% chance that the claim will not cost anything (no treatment and no lost time), and
- That the small, common claim will still have an average cost of \$600.

The obvious conclusion is that we need to avoid those 5 catastrophic injuries, or better still avoid the injuries that annually represent the most expensive 10%. Unfortunately we never know which ones they will be – there are no patterns or trends. This brings us back to “frequency breeds severity.” Our only effective approach to avoid the serious injuries is to avoid all injuries. Intolerance for workplace injuries is the standard that private industry follows, and one that the public sector needs to consider.

Next topic: Workers' Compensation – initial forms