

9. What are the ten most frequent lost time conditions in workers' compensation and what workers' comp cases account for the most lost days?*

Most frequent Worker's Compensation Conditions

Description	Percentage of total cases
1. Sprains and strains	43.9%
2. Abrasion or other superficial injury	12.4%
3. Open wound	9.8%
4. Bruising of the wrist and hand	9.5%
5. Multiple cuts to an upper limb with complication	7.4%
6. Fractures	6.2%
7. Life-threatening injury to an unspecified site	2.8%
8. Ill-defined sprains and strains	2.6%
9. Sprains and strains of the back	2.2%
10. Rheumatism, excluding back	1.7%

Worker's Compensation cases resulting in the most lost workdays

Description	Percentage of total days lost
1. Sprains and strains	43.9%
2. Fractures	19.5%
3. Carpal Tunnel Syndrome	7.6%
4. Dislocation	7.0%
5. Hernia of the abdominal cavity	6.8%
6. Open wound	6.5%
7. Bruising of the wrist and hand	6.4%
8. Abrasion or other superficial injury	6.2%
9. Multiple cuts to an upper limb with complication	5.0%
10. Injury to an unspecified site	3.3%

* Statistics obtained from OSHA and provided by Work Loss Data Institute

10. What is the longest open workers' comp claim in America?

The Ohio Bureau of Workers' Compensation continues to make widow's payments on an injury sustained in 1924 by the widow's deceased husband. The oldest claim with benefits currently being paid directly to an injured worker occurred April 1926 in Oregon. The male worker was 16 years old on the date of injury. While employed as a helper he sustained a head injury. His claim initially closed with about six months of time loss and no permanent disability. He was eventually awarded permanent total disability benefits in 1950 due to seizures attributable to the head injury. His original bi-weekly compensation rate was \$41.60. His monthly benefit amount today is \$1,743.60. His benefits are paid by SAIF, which as been providing workers' compensation insurance in Oregon since 1913.

Answers to Ten Intriguing Questions about Workers' Compensation



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Work Loss Data Institute

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1. What is the average cost of a workers' compensation claim, and how has the average cost been trending?

\$10,992 is the average total cost of claims for injuries that occurred in 1996. (Due to the length of many claims, this is the most recent year for which reliable total costs are available.) This figure was derived from reports from 39 states by the National Council on Compensation Insurance, the premier data and statistical service for the workers' compensation industry. In recent years the average cost has been rising moderately.

2. What are the most dangerous occupations in America?

According to the Bureau of Labor Statistics, the jobs with the greatest risk of fatality include: fisherman (21.3 times riskier than all jobs), timber cutters (20.6), airline pilots (19.9), structural metal workers (13.1) and taxi cab drivers (9.5).

The jobs with the highest risks of losing time from work due to injury are: nurses and orderlies, truck drivers and laborers (both construction and non-construction).

3. What are the risks of American workers incurring a lasting injury?

Every year, there are seven work-related injuries or illnesses per 100 full-time-equivalent workers. For every 100 injuries or illnesses, some 30 result in the loss of time at work, 20 receive indemnity (wage replacement) benefits, and two result in lengthy or lifetime significant loss of earning capacity. A tiny fraction result in death. Diseases of a long term, chronic nature such as scoliosis and asbestosis may not be reflected in these figures.

4. What are the most widely endorsed goals for workers' compensation among employers, insurers and medical providers?

Virtually all participants in the workers' compensation system endorse the following goals: minimize lost workdays; restore an injured worker's health and productivity; minimize the frequency of injuries; and minimize cost of the system.

5. What are the ten most costly workers comp states? The ten least costly?

In order to compare states fairly it is important to compare apples with apples. The Ronkonkoma, NY, firm of Actuarial and Technical Solutions has created a hypothetical manufacturing firm of 60 manufacturing sector codes representing 70% of the nation's manufacturing payroll. It calculates the net insurance costs of this hypothetical firm as of the first day of each year for 45 states. (Five with exclusive state funds, namely North Dakota, Ohio, Washington, West Virginia and Wyoming, are not included.)

Since 1992, when the firm began its annual monitoring of insurance costs, the national average comparative insurance cost has declined from \$5.10 to \$3.21 per \$100 of payroll.

As of 1/1/00, the ten highest and lowest cost states were the following (an asterisk indicates that the state was on the highest ten list in 1992; a double asterisk means it was on the lowest ten list in 1992):

Highest cost states
(in descending order)

Florida*
California*
Oklahoma
Rhode Island*
Texas*
New Hampshire
Louisiana
Delaware
New York*
Alabama

Lowest cost states
(in ascending order)

Utah**
Arizona
Virginia**
Oregon
Indiana**
Maryland**
South Carolina**
North Carolina**
South Dakota**
New Mexico

Note: variances of insurance costs within states are often greater than variances among states, due to differences in loss experience among same-state employers.

6. How do workers' compensation insurers make a profit?

The classic business model for workers' compensation insurers is to break even or incur a modest loss on an operating basis. For every \$100 of premium revenue, a workers' compensation insurer expects to spend about \$70 in claims costs – mostly indemnity benefits to claimants and medical payments. Another \$30 is typically expected in administrative costs, such as commissions to brokers, incentive dividends to insureds, and claims handling. In recent years due mainly to price competition, the "incurred loss ratio" (losses and administrative expenses as a percentage of premium revenue) has been well over 100%, resulting in operating losses.

However, after taking into account investment income, an insurer can be quite profitable with a 100% combined loss ratio and break even if the ratio is 125% or higher. The principal source of investable funds is premium revenue that has been expensed as claims obligations but held for payment in the future. Another source is retained profits from prior years. During the 1990s, workers' compensation insurers became increasingly dependent on investment income to achieve profits.

7. Why and how do workers' compensation laws differ among states?

The American workers' compensation system, which arose in the early decades of the 20th Century, is state-run with the exception of federally run programs for federal employees, maritime and railroad workers. Although state programs are similar in overall design they differ in many details.

Two guides to the state programs are the Analysis of Workers' Compensation Laws, published by the U.S. Chamber of Commerce, 800-638-6582, and the Survey of Workers' Compensation Laws, published by the Alliance of American Insurers, 630-724-2115.

8. What does the phrase "arising out of and in the course of employment" mean?

This phrase helps to define what injuries are covered by workers' compensation. We asked Gary Lee, an expert in claims, for an explanation. Assume that Henry works for Honey-Fried Chicken. While at work and trying to steal money from a coworker's purse, he is caught by the purse's owner who bashes him over the head with a large metal pot giving Henry a concussion. Henry makes a workers' compensation claim.

Is this an "accident"? Yes, Henry did not intend to get hit in the head.

Did this accident arise out of Henry's employment? Yes, it occurred on the premises during business hours and involved a co-worker, so we can say it "arose out of his employment".

Did this occur "during the course of Henry's employment? No, for Henry was involved in a substantial deviation from his employment duties, namely, stealing money from a co-worker. Henry tried to argue that he was looking for a cigarette lighter only and was not trying to steal anything. If believed, his explanation would have caused the claim to turn in Henry's favor. "In the course of" is broad enough to include getting a light, being injured on break, at lunch, etc. But it would not extend to outright felonious conduct. Henry's mistake was found in his hand. While recovering on the floor, he still had the co-worker's cash grasped in his palm.