



Frequency And Costs Of Lump-Sum Settlements In WC Claims

CAS Casualty Loss Reserve Seminar
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 **WCRI**
Workers Compensation
Research Institute


Key Findings On Lump-Sum Settlement Frequency And Costs In WC Claims

- State variation in frequency and amount of lump-sum settlements reflects benefit structure and other factors
 - States with wage-loss benefit systems tended to have a lower % of claims with settlements, but higher settlement amounts
 - Settlements occurred earlier in some states, later in others
- Increase in % of claims with lump-sum settlements in many states 2002–2013; decreases or little change in settlement amounts after 2009
- Legislation impacting income benefits may result in change in frequency, timing, and amount of settlements
 - Example: North Carolina

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Factors That Influence Lump-Sum Settlement Frequency And Costs In WC Claims

- Type of benefit system: PPD, Wage-Loss, Combination
- Permanent Partial Disability (PPD) Benefits
 - Benefit basis: impairment, disability, loss of earning capacity
 - Maximum weekly PPD benefit amount
 - Number of weeks of benefits paid
 - How determined: complexity/subjectivity of process
- Limitations on lump-sum settlements, for example, no settlement of obligation for future medical benefits
- Process and speed of negotiated or adjudicated settlement

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Larger Share Of Settlements Greater Than \$50,000 In Wage-Loss States Compared With PPD States

Percentage Distribution Of Lump-Sum Settlements

Settlement Amount	11 PPD State Avg.	5 Wage-Loss State Avg.	GA*	NC*
≤ \$10,000	41%	22%	21%	28%
> \$10,000 But ≤ \$20,000	26%	19%	19%	24%
> \$20,000 But ≤ \$50,000	21%	27%	30%	25%
> \$50,000 But ≤ \$100,000	8%	20%	21%	12%
> \$100,000 But ≤ \$200,000	3%	11%	8%	8%
> \$200,000	1%	2%	1%	2%

* Wage-Loss And PPD

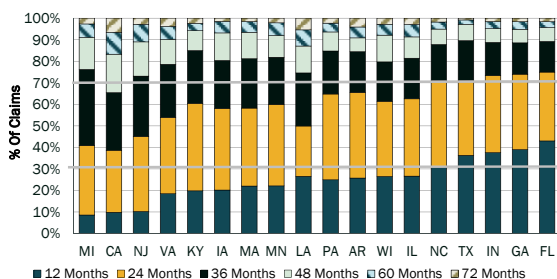
2013/16 Claims With > 7 Days Of Lost Time With Lump-Sum Settlements, Adjusted For Injury/Industry Mix And Wages. Percentages shown may not total 100 because of rounding.

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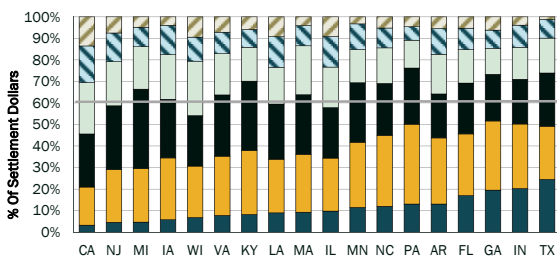
Timing Of Settlements Varies Across States: Earlier In NC, TX, IN, GA, FL, And Later In MI, CA, NJ



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Of 2010 Settlement Payments At 72 Months: 60% Of Dollars Paid Out By 36 Months In Most States



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Factors That Influence Trends In Lump-Sum Settlement Frequency And Costs In WC Claims

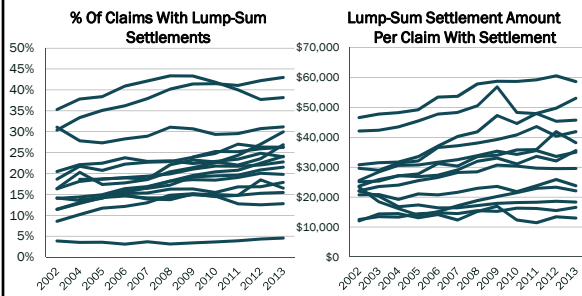
- Legislation addressing income benefit payments
 - Increases or decreases in benefit amounts, length of benefit payments, or changes in eligibility requirements
 - Change in the way PPD benefit amounts are determined, such factors to be considered
- Change in speed of dispute resolution or settlement approval
- Change in factors that influence workers, payors, and attorneys to seek settlements
 - Economic conditions (recession/recovery)
 - Business decisions
 - Intervening interests, such as Medicare

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Increases In % Claims With Settlements And Settlement Amounts In Many States, 2002-2013



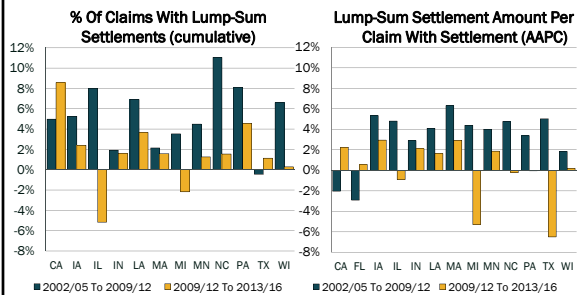
Trends In Lump-Sum Settlement Metrics, Claims With > 7 Days Of Lost Time At 36 Months Of Experience, Not Adjusted For Injury/Industry Mix And Wages

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In Many States, Different Trends In % And Amount Of Settlements 2009-2013 Than In Prior Years



AAPC: Annual average percentage change. Trends In Lump-Sum Settlement Metrics, Claims With > 7 Days Of Lost Time At 36 Months Of Experience, Not Adjusted For Injury/Industry Mix And Wages

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North Carolina House Bill 709 (2011) Impacted Income Benefits: Too Early To See Full Effect

- Established 500-week cap on temporary total disability (TTD) benefits from date of disability (provision for extended benefits) – **previously was no limit**
- Established 500-week cap on temporary partial disability (TPD) benefits beginning at first TPD payment, less any TTD
- Specified a more precise and narrower definition of “suitable employment”
- Sought to improve worker access to vocational rehabilitation (VR) services

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Likely Or Possible Expectation Of Changes Following North Carolina House Bill 709 (2011)

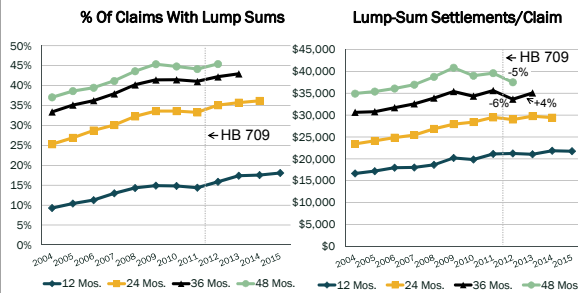
- Decreases in:
 - Indemnity benefits
 - Temporary disability duration
 - **Settlement amounts**
 - **Earlier settlements**
- Increase in defense attorney involvement and payments
- Increase in medical-legal frequency and expenses
- Increase in use and cost of VR services

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Recent North Carolina Trends In % Lump-Sum Claims And Amounts May Relate To HB 709



Claims With > 7 Days Of Lost Time With Lump-Sum Settlements, Adjusted For Injury/Industry Mix And Wages

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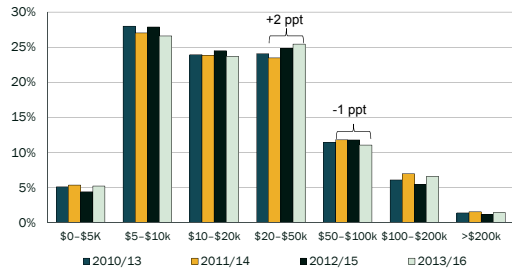


Small Increase In NC % Settlements At Earlier Maturities: Change In Settlement Behavior?

North Carolina	2010 Claims (before HB 709)	2012 Claims (after HB 709)	2014 Claims
12 Months	15%	16%	18%
24 Months	34%	35%	36%
36 Months	41%	42%	n/a
48 Months	45%	45%	n/a
60 Months	46%	n/a	n/a

Claims With > 7 Days Of Lost Time With Lump-Sum Settlements, Adjusted For Injury/Industry Mix And Wages

Slight Changes In % Of Lump Sums By Amount Category After HB 709 (2011) In North Carolina



ppt: Percentage points. Claims With > 7 Days Of Lost Time With Lump-Sum Settlements, Adjusted For Injury/Industry Mix And Wages

Thank You!

- For comments/questions about the findings:

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