



Minnesota
Workers' Compensation
Insurers Association

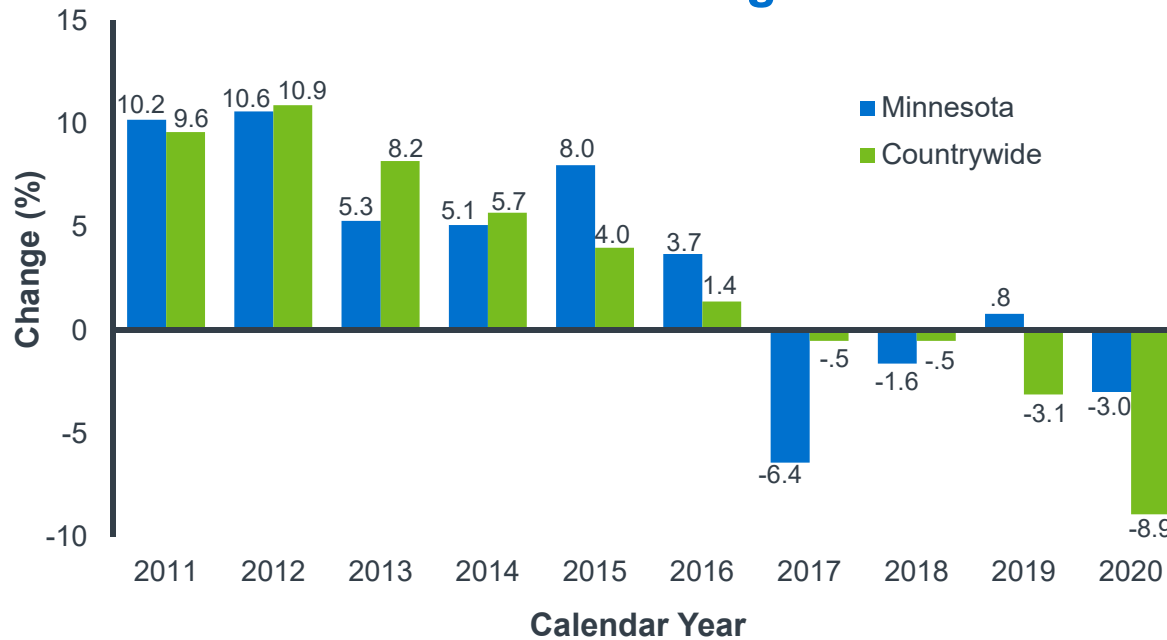


Minnesota Workers' Compensation

**State of the Market
2021**



Minnesota and Countrywide Premium Changes



A.M. Best's Market Share Reports/One Year Premiums and Loss Study, based on DWP



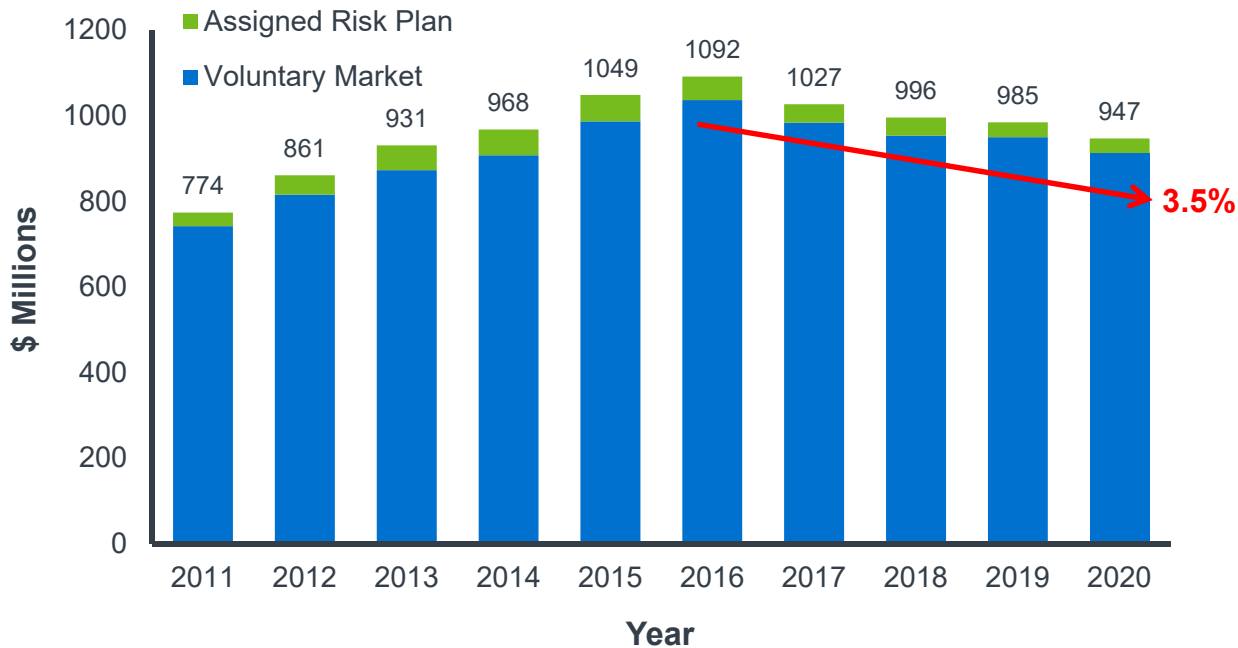
Comments

- Unlike last year, **Minnesota** saw a decrease in direct written premium in 2020. The change was mild compared to the decline seen in the industry **countrywide**.

Minnesota

- The average insurer rates decreased in 2020.
- There was a modest increase in payroll, but was substantially less than the payroll growth seen in recent years.

Premium Volume



Direct Earned Premium AM Best State of the Line Report



Comments

- The **voluntary market** calendar year 2020 earned premium was 3.9% lower than 2019 earned premium.
- The premium earned in the **voluntary market** has **decreased by an annual average of 3.5%** since the peak in 2016.

Assigned Risk Plan Premium



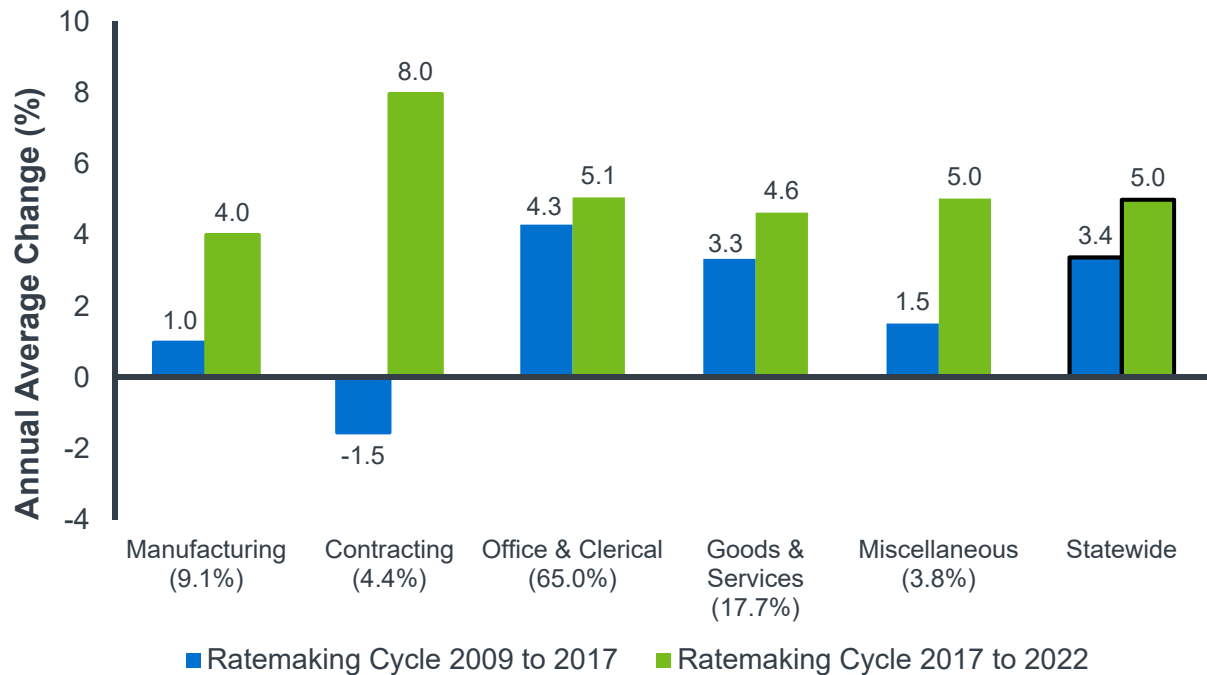
Actuarial Advisors', Inc Final Reserve Report, Net Earned Premium



Comments

- 2020 market share is consistent with calendar year 2019, maintaining the lowest level seen in a decade.
- Assigned Risk premium peaked in 2015 and has decreased by 46% over the last 5 years.

Industry Group Payroll Changes



Payroll over latest five Policy Years obtained from Minnesota Unit Statistical Plan Data

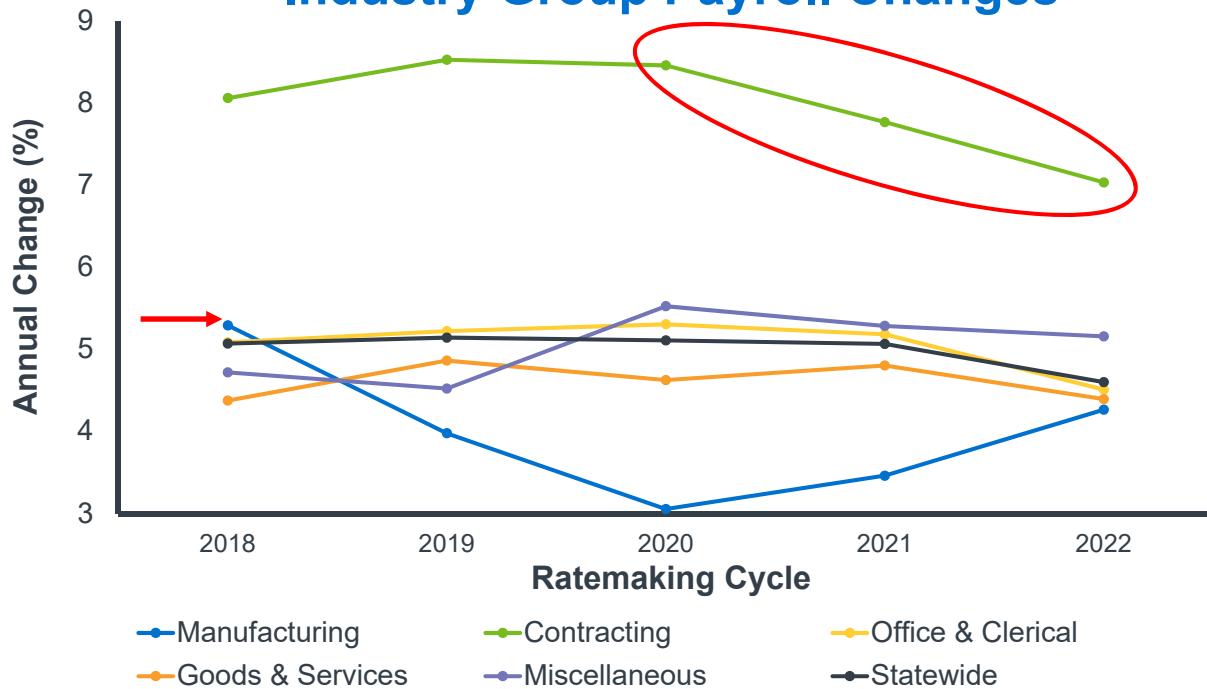


Comments

Since 2017

- Payroll growth averaged 5% statewide.
- At 4.4% of PY 2018 payroll, Contracting is increasing much faster than the statewide average.

Industry Group Payroll Changes



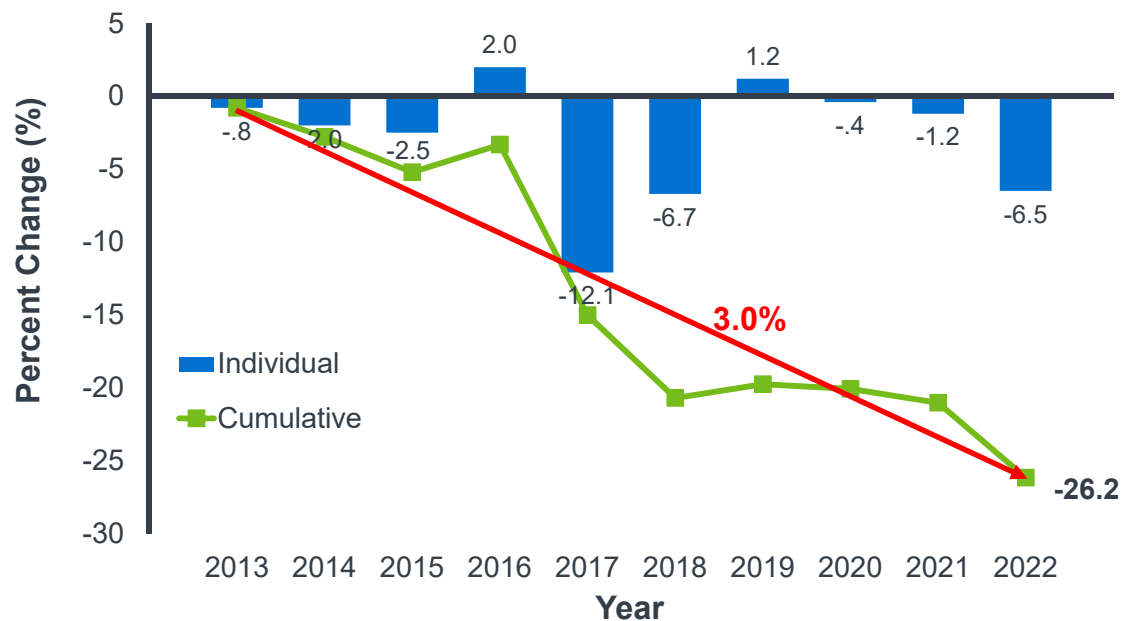
Payroll over latest five Policy Years obtained from Minnesota Unit Statistical Plan Data



Comments

- Contracting payroll growth has slowed slightly in recent ratemaking cycles, though still faster than other industries.
- Manufacturing was the second fastest growing industry group in the 2018 ratemaking cycle, but has been the slowest growing group since.

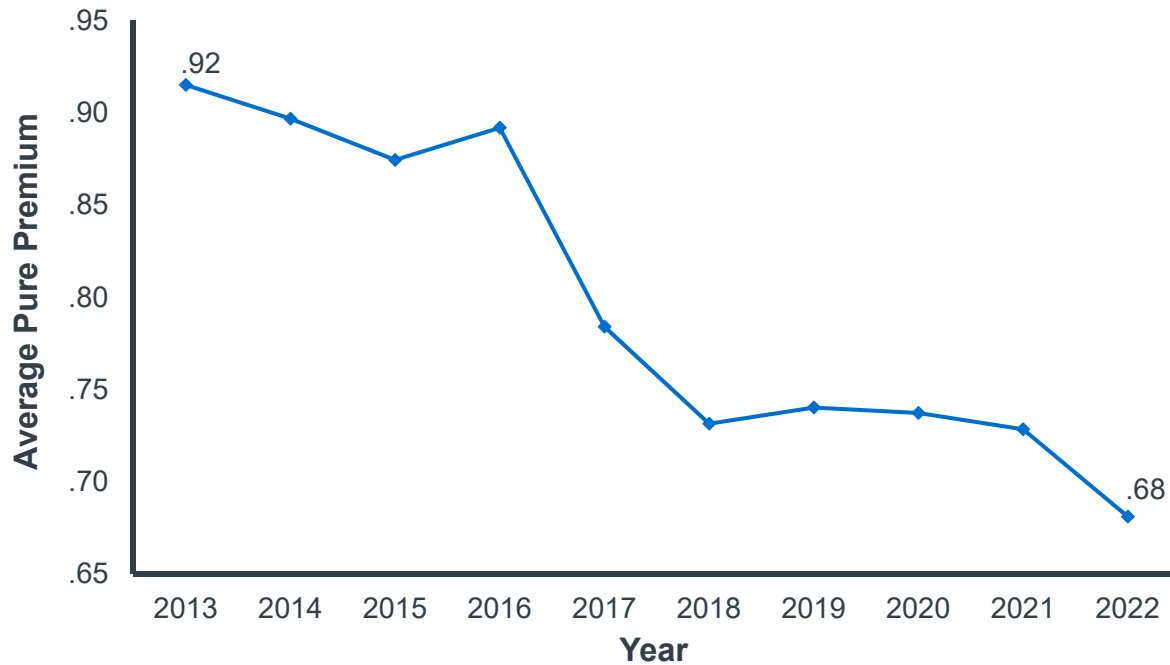
Pure Premium Base Rate Changes



Comments

- The 2022 Ratemaking Report reflects a 6.5% decrease in pure premium base rates on average.
- All industry groups saw a decrease, except Office and Clerical which had a small increase of 0.8%.
- Since 2012, pure premium base rates have **decreased at an annual average rate of 3%**.
- **Cumulatively**, pure premium base rates are 26.2% below the 2012 level.

Statewide Average Pure Premium Rate



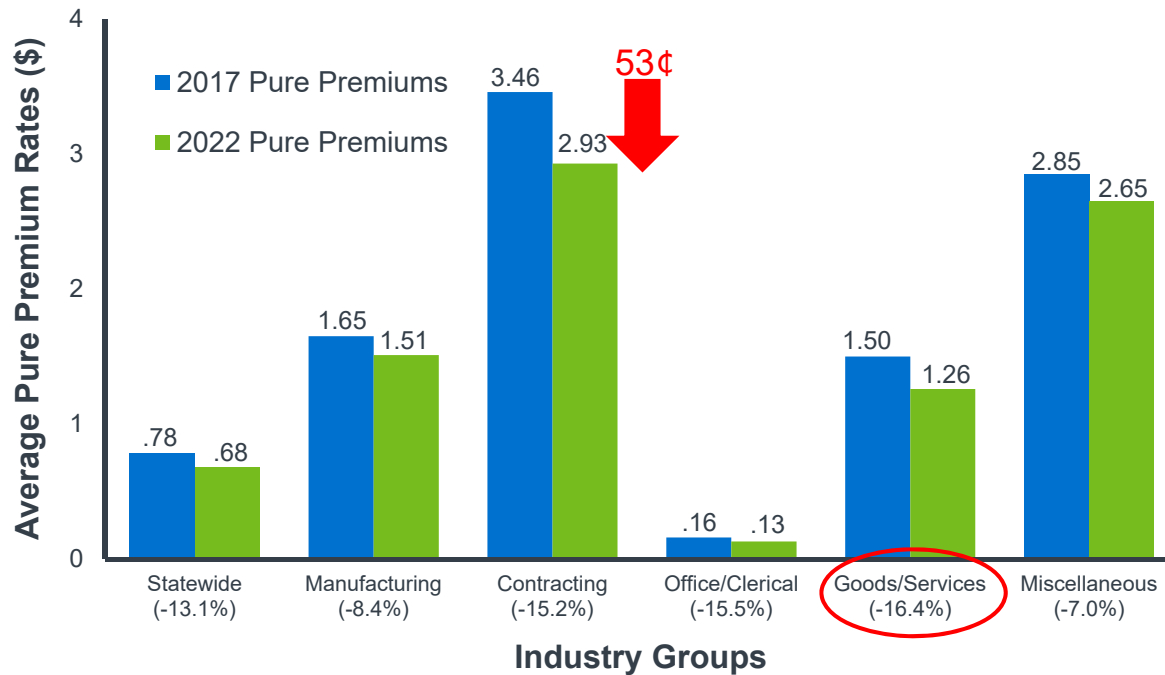
Unit Statistical Data used in the 2013-2022 Ratemaking Reports



Comments

- The statewide average pure premium rate dropped by 26% during this same ten year time period.
- In the last five years, statewide average pure premiums decreased 13%.

Industry Group Average Pure Premiums



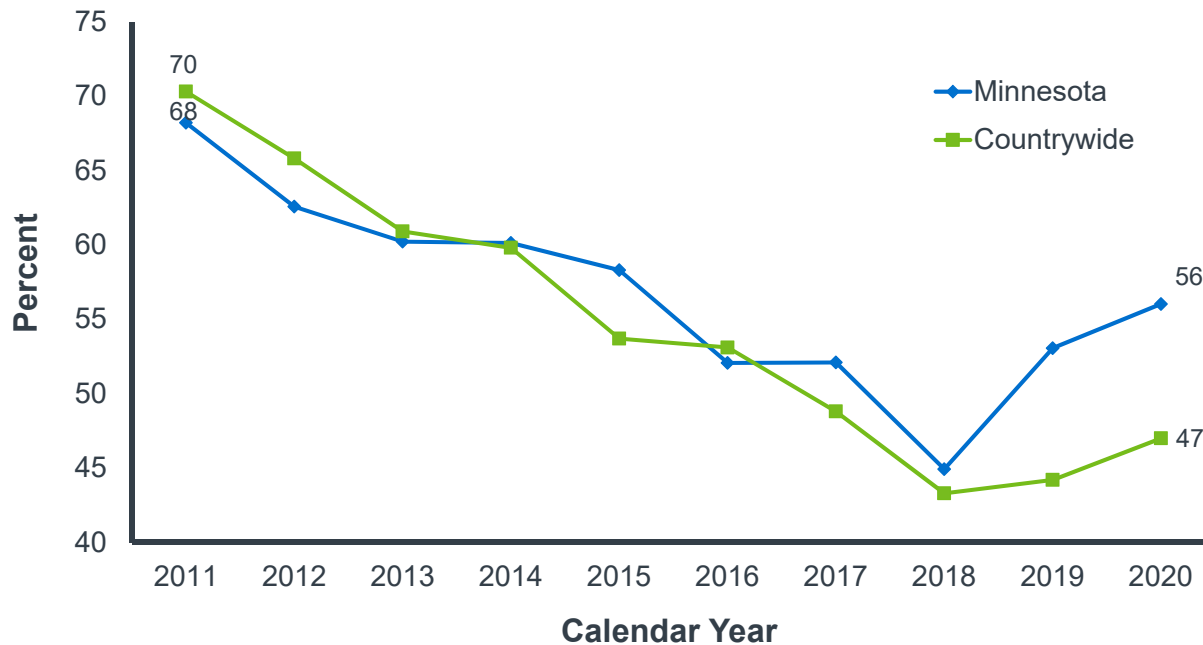
MWCIA Unit Statistical data used for 2017 and 2022 Ratemaking Reports



Comments

- Goods & Services has the largest pure premium decline in the last 5 years at **16.4%**.
- Contracting has seen the largest magnitude decrease at **53 cents**.

Loss Ratios



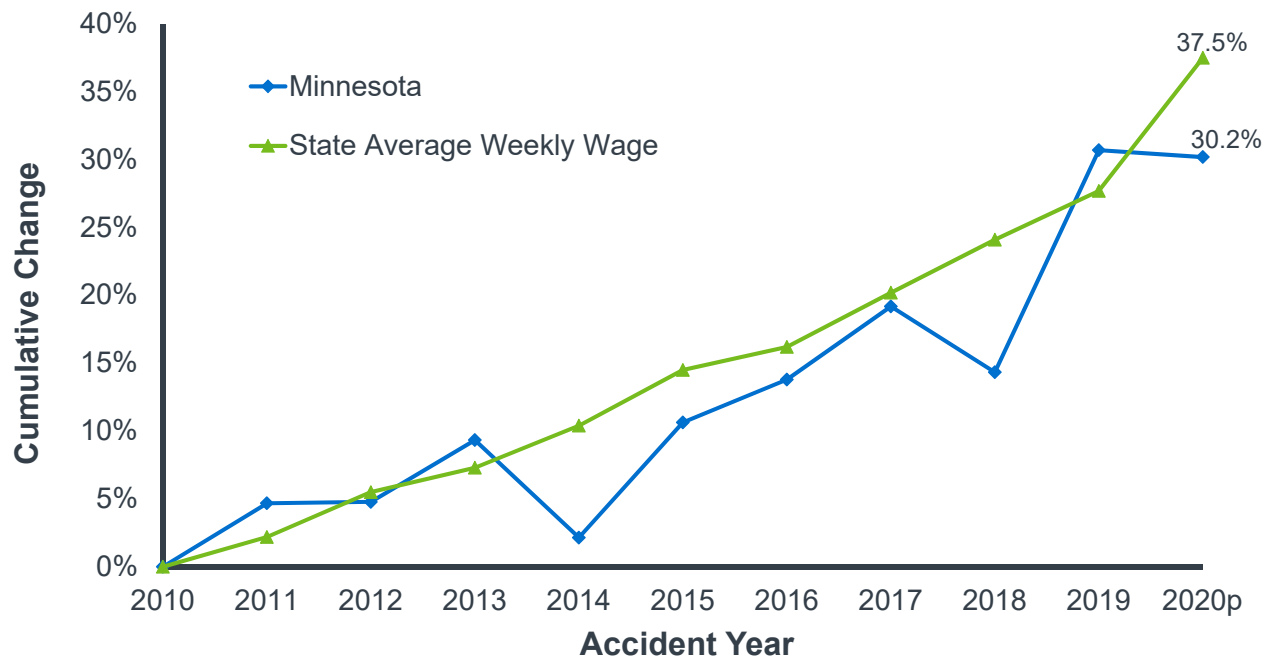
Loss Ratios cited from the AM Best State of the Line Report



Comments

- Both **Minnesota** and the **countrywide** workers' compensation industry saw loss ratios increase by 3% in 2020.
- Previous charts show that premiums, the denominator of the loss ratio, decreased slightly. A premium decrease would drive the ratio up.
- Subsequent charts will look at the numerator, losses, to dig into the loss ratio increase.

Indemnity Severity Changes



Minnesota series from MWCIA Financial data
 State Average Weekly Wage from Minnesota Department of Labor and Industry
 Excluding COVID-19 Claims



Comments

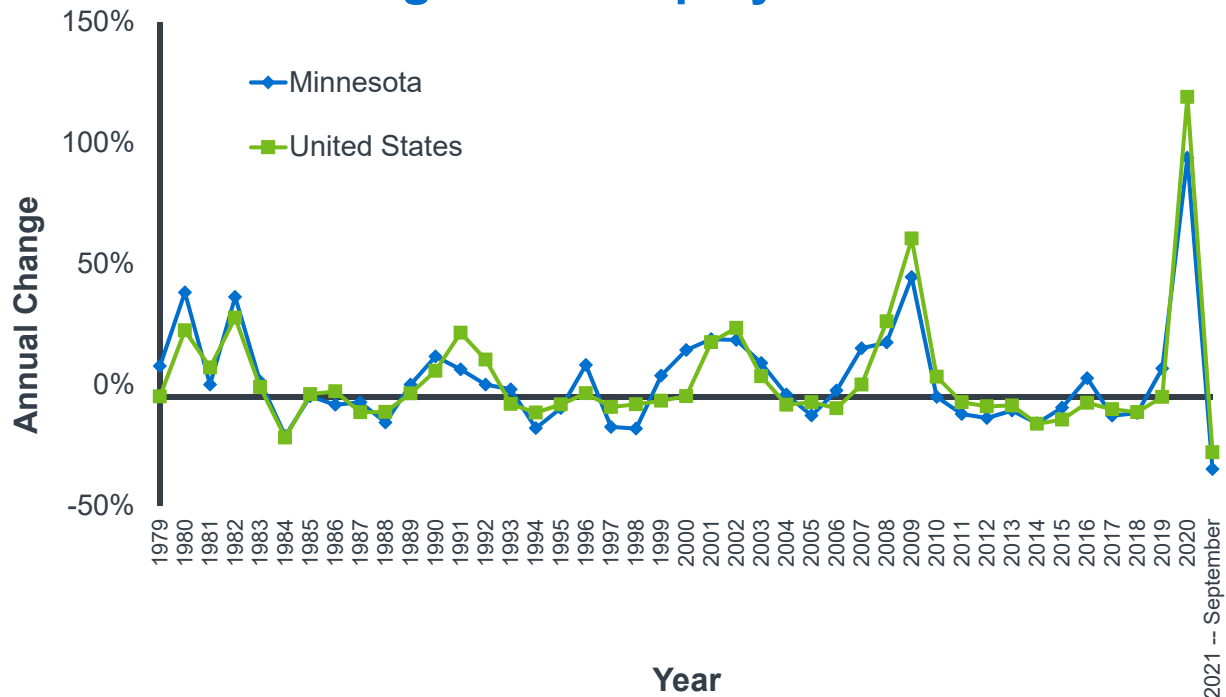
Average Indemnity Severity

- The average indemnity severity in 2020 is nearly the same as 2019 with a small half-percent decrease.
- Note, this number excludes COVID-19 claims.

State Average Weekly Wage

- The SAWW was increasing steadily until 2019, but jumped 7.7% in 2020.
- This is an effect of the pandemic. Subsequent charts will dig into this.

Change in Unemployment Rate



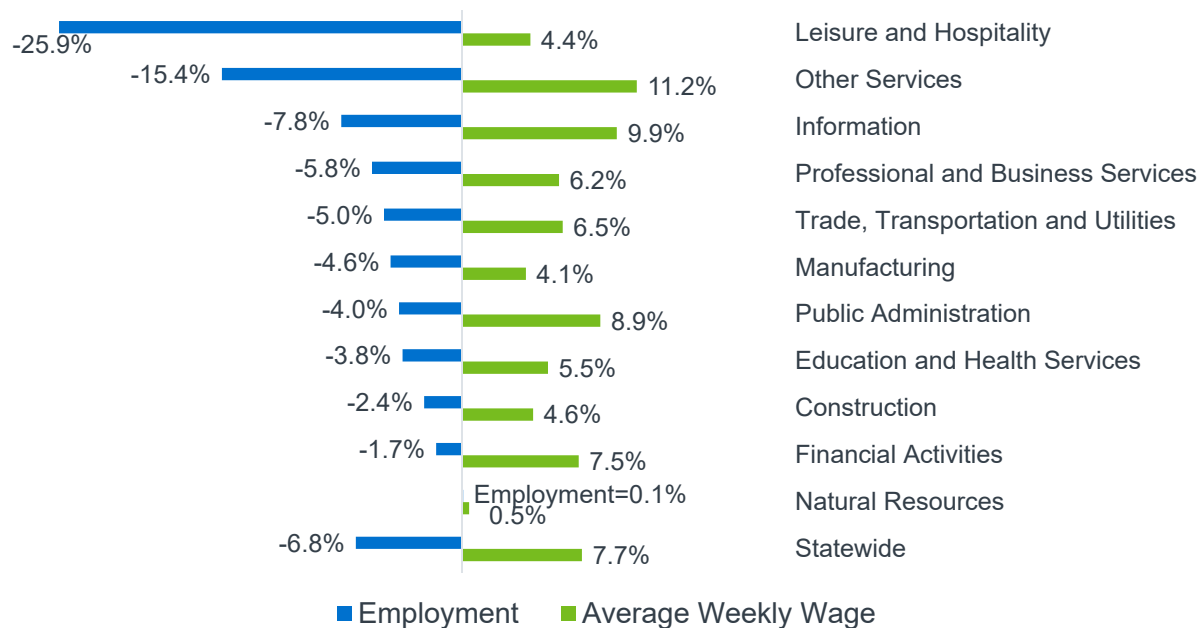
Local Area Unemployment Statistics (LAUS) and Minnesota Department of Employment and Economic Development



Comments

- Minnesota's unemployment rate nearly doubled in 2020.
- Minnesota is recovering faster than the **countrywide** rebound.
- The unemployment rate in Minnesota is approximately the same as in early 2020.
- Labor force participation in Minnesota increased each month in 2021 through July. The rate fell slightly in August and September.

2019-2020 Employment and Wage Changes



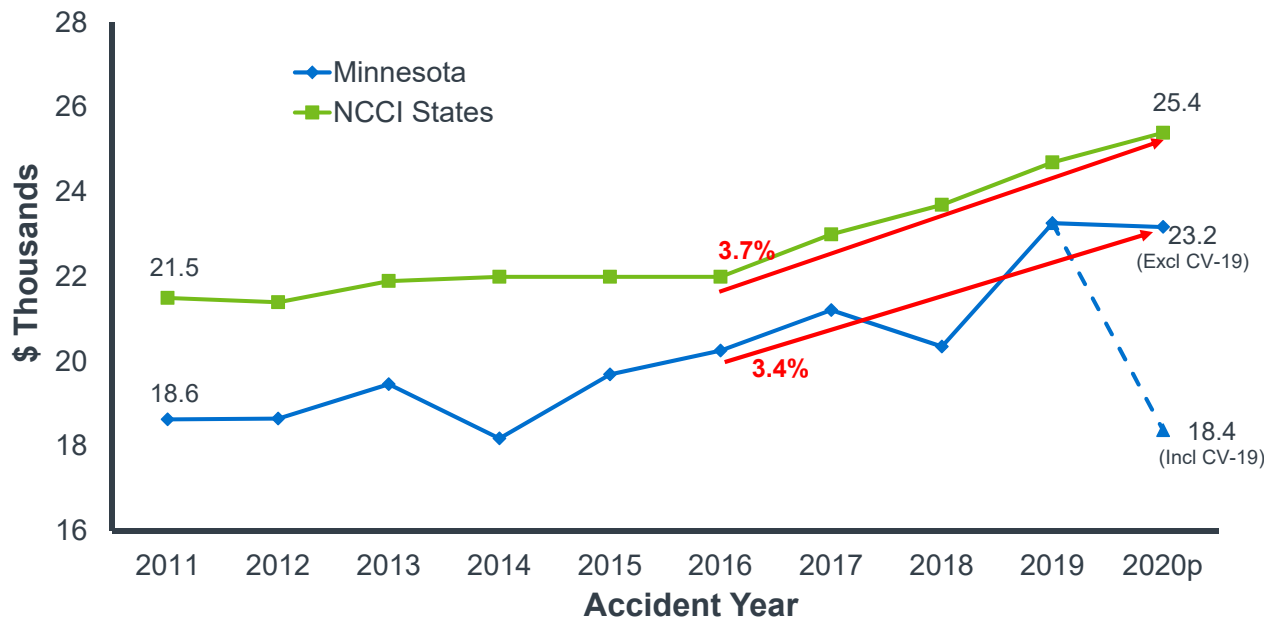
Quarterly Census of Employment and Wage data from Minnesota Department of Employment and Economic Development



Comments

- The increase in the SAWW can be explained by where these employment losses occurred.
- Minnesota experienced more **employment declines** in lower wage positions, driving the **average salary** up from the change in workforce composition.
- This is broadly seen across groups, with the exception of Natural Resources that was minutely affected on both metrics.
- Not surprisingly, Leisure and Hospitality faced the largest decline in employment.

Indemnity Severity



Countrywide series from NCCI AIS State of the Market
 Minnesota series from MWCI Financial data
 Excludes COVID-19 claims



Comments

- Indemnity severity growth for **NCCI states averaged 3.7%** per year since 2016, where we see an uptick in the average.
- Similarly, **Minnesota has increased an average of 3.4%** per year since 2016, but remained nearly flat in 2020 with the average indemnity severity decreasing by \$91.
- Incorporating COVID-19 claims drags the average down to just below the 2011 level.

Lost-Time Medical Severity Changes



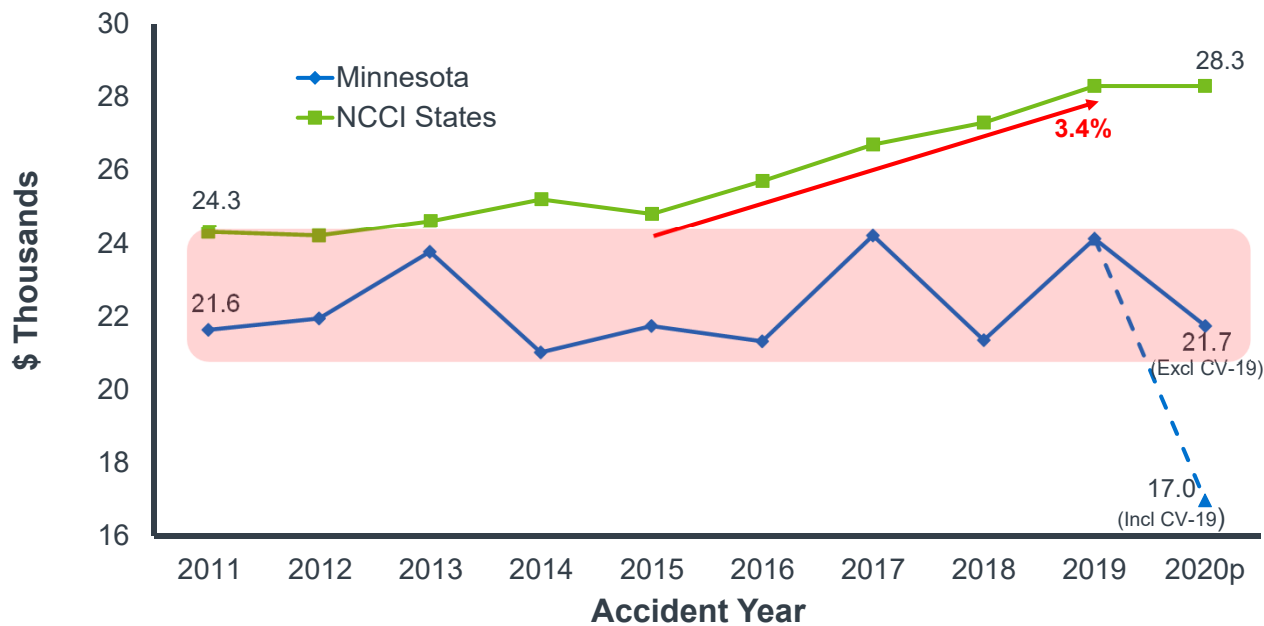
Minnesota series from MWCIA Financial data
 Countrywide Chain-Weighted Personal Health Care (CW-PHC) Price Index from Centers for Medicare & Medicaid Services
 Excludes COVID-19 claims



Comments

- Though volatile, the average medical claim severity in lost-time claims wobbles around the Chain-Weighted Personal Healthcare Price Index, with the average severity falling in 2020.
- Since 2010, the index grew an average of 1.5% per year.
- Lost-time medical severity averaged growth of half a percent per year.

Lost-time Medical Severity



Countrywide series from NCCI AIS State of the Market
 Minnesota series from MWCI Financial data
 Excludes COVID-19 claims



Comments

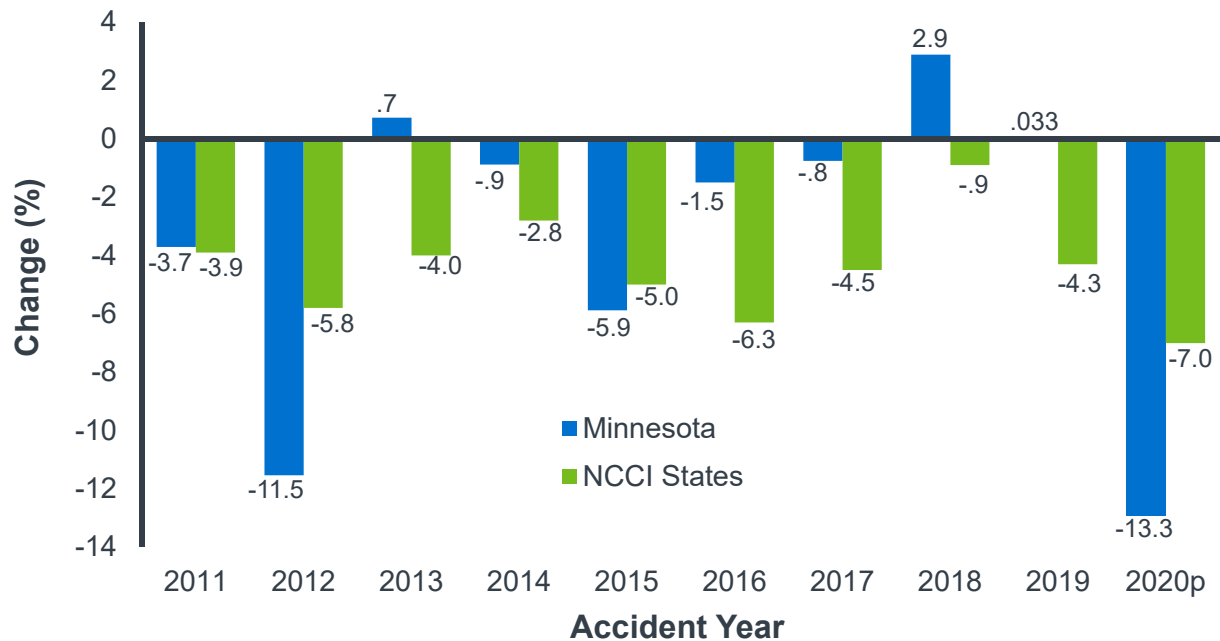
NCCI States

- The averages for NCCI states remained fairly stable from 2011 to 2015.
- From 2015 to 2019, NCCI average lost-time medical severities increased an average of 3.4%.
- The average for NCCI states remained flat in 2020.

Minnesota

- Minnesota average lost-time medical severities have been nearly flat across the time period, fluctuating between 21 and 24 thousand dollars over the decade.
- Once again, incorporating COVID-19 claims plummets the average. This is largely due to many COVID-19 lost-time claims not having corresponding medical payments. This will be discussed in the COVID-19 section.

Annual Frequency Changes



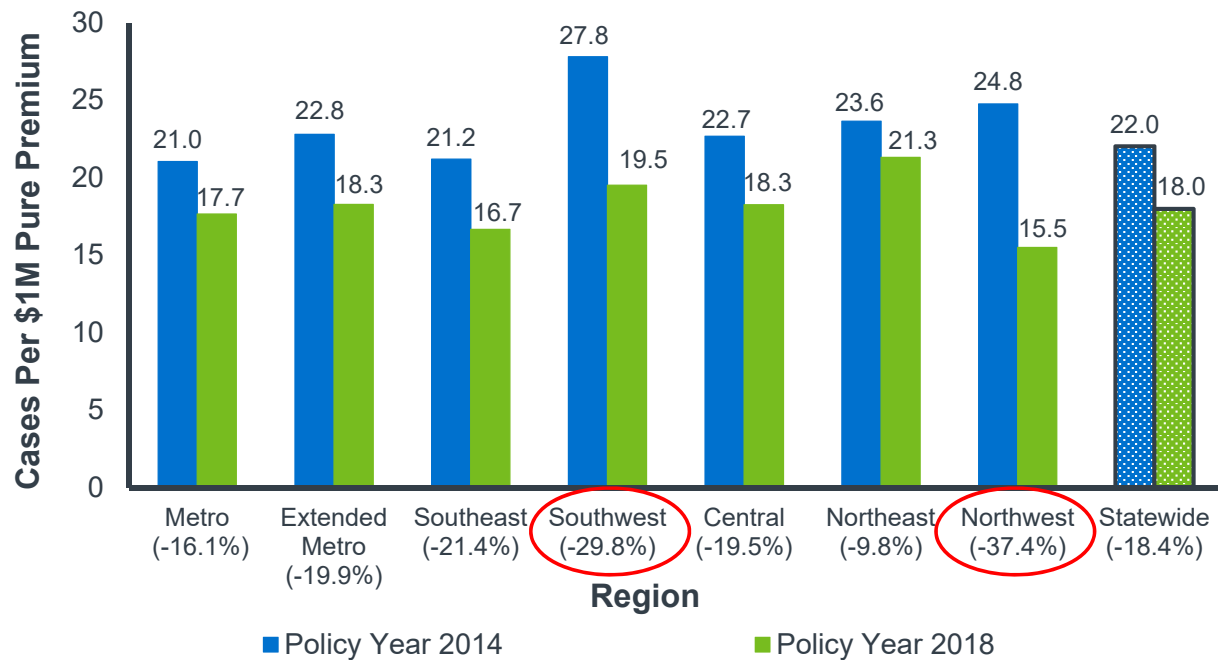
NCCI states series presented at the 2021 Annual Issues Symposium
 Minnesota series from MWCIA Financial data
 Excludes COVID-19 cases



Comments

- Here pandemic impacts are seen in the data; Lost-time frequency declined 13% in **Minnesota** in 2020.
- Minnesota** saw a steeper change than **NCCI states**.
- The change in frequency during 2020 is the largest decline of the decade for both **Minnesota** and **NCCI states**.

Regional Frequency



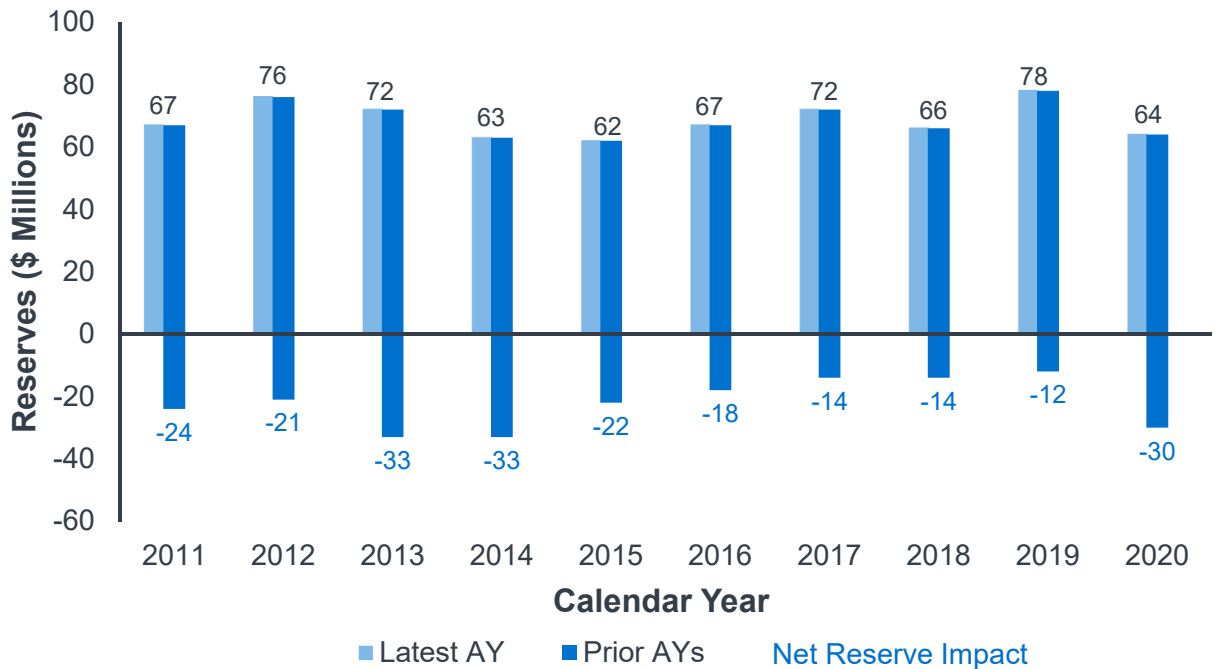
Minnesota Unit Statistical Plan Data



Comments

- Cases per \$1M of pure premium show frequency decreases across all regions in Minnesota.
- The **two Western regions** experienced the largest declines. These areas far exceed the statewide average decline of 18.4% since policy year 2014.

Indemnity Case Reserve Changes



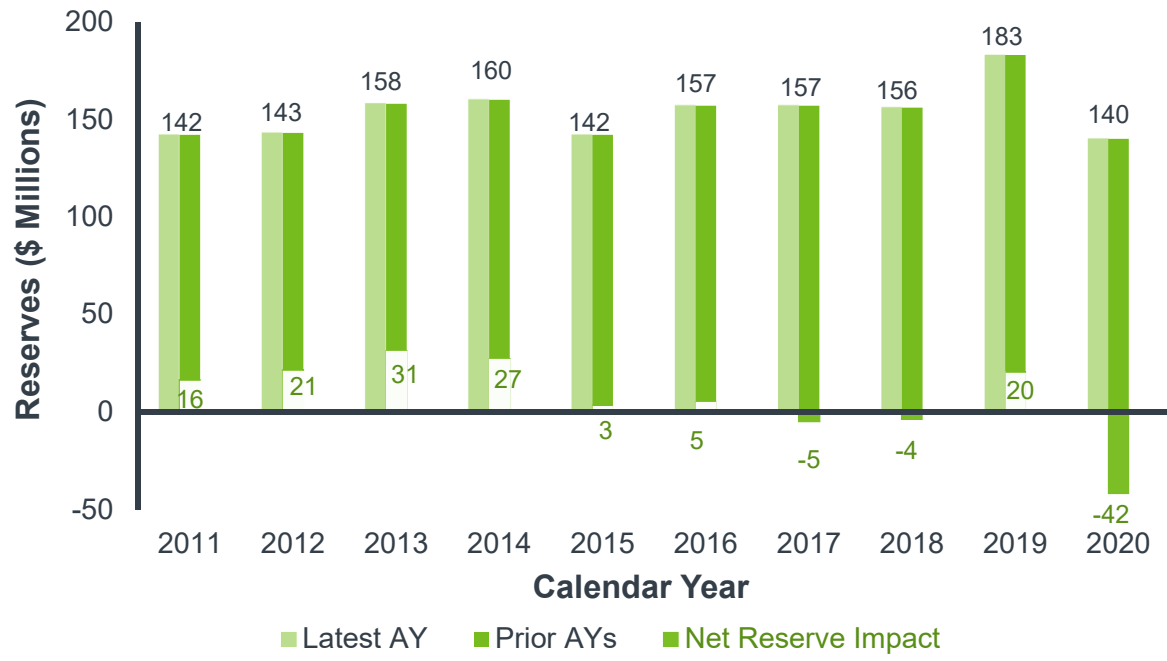
Case reserves based on MWCIA Financial data



Comments

- The reserves posted for the latest accident year are the lowest in the last five years.
- Takedowns of reserves on prior accident years were the largest in the last five years.
- The net indemnity reserve activity in 2020 is similar to what was seen in 2014.

Medical Case Reserve Changes



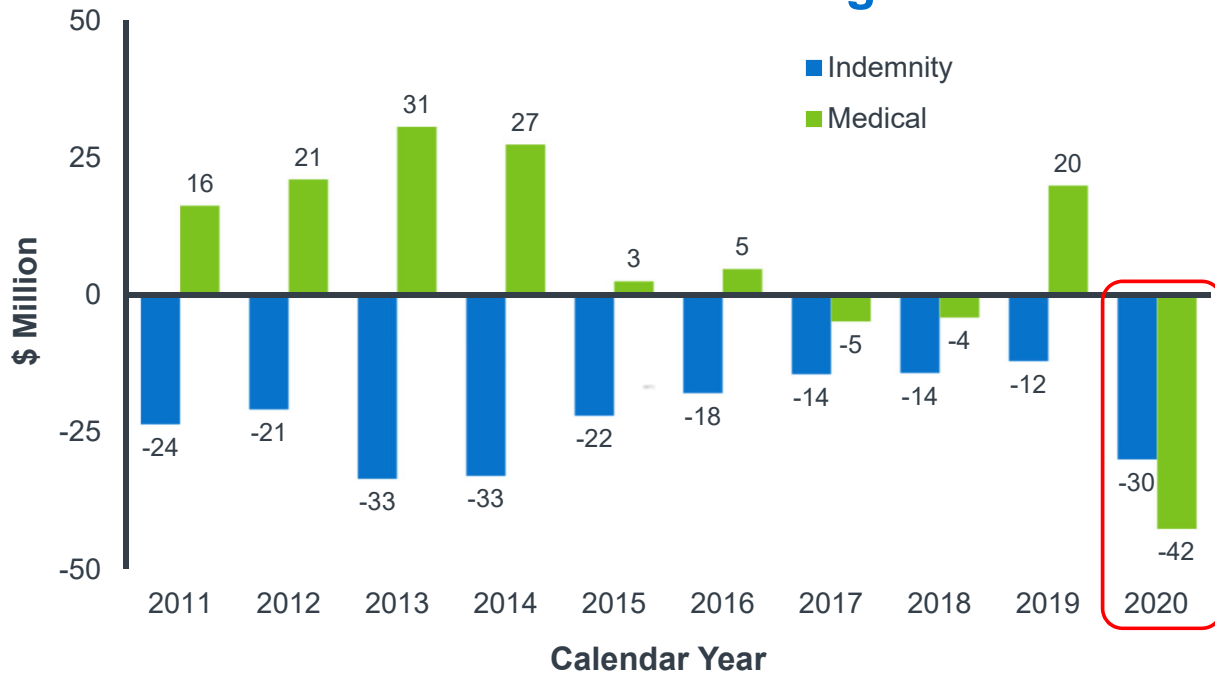
Case reserves based on MWCIA Financial data



Comments

- Medical reserves for the **latest accident year** are the lowest seen in the last decade.
- The change of medical reserves on **prior accident years** is the greatest takedown of the last decade.
- The net change is a net reserve decrease of \$42M, much larger than typically seen.

Case Reserve Changes



Case reserves based on MWCIA Financial data



Comments

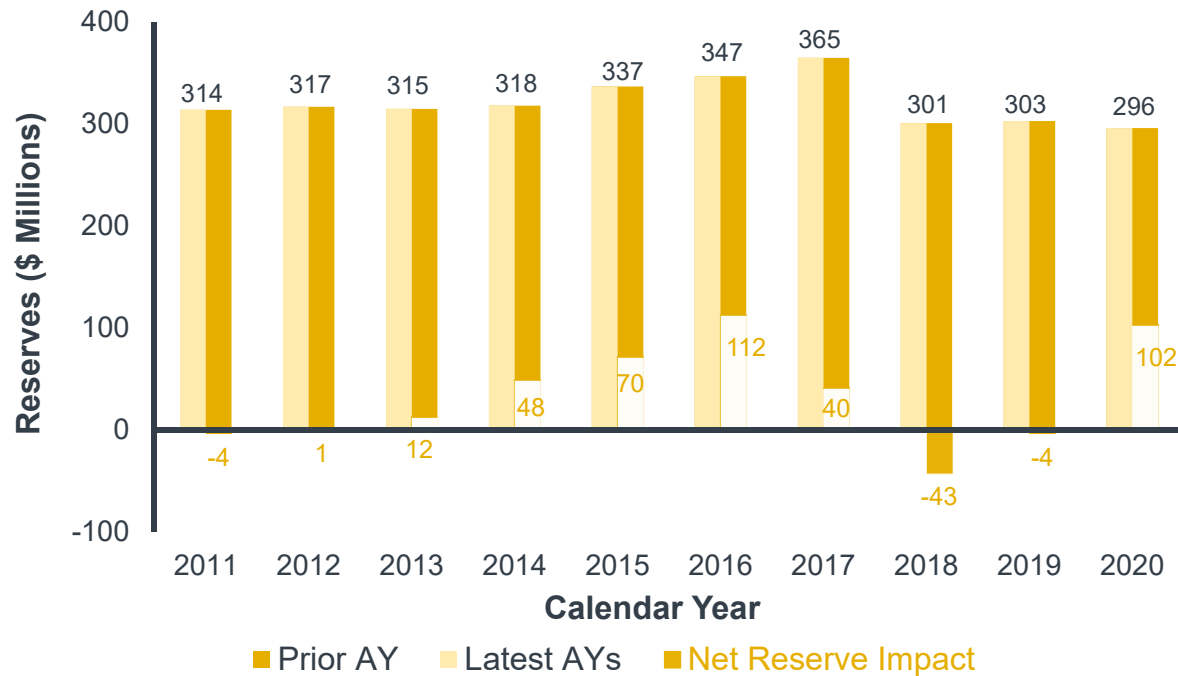
- Summarizing the change in case reserves, the net reserve change was a \$72 million decrease.
- This is the largest decrease seen in the net reserve change in 29 years.

This loss information is puzzling, given the loss ratio increase. The metrics showed:

- loss frequency decreased
- severities remained stable or decreased
- indemnity and medical case reserves decreased

What is going on with the loss ratio?

IBNR Plus Bulk Reserve Changes



Case reserves based on MWCIA Financial data



Comments

...IBNR and Bulk Reserves

- IBNR and Bulk Reserves contributes to the loss ratio increase seen in Minnesota.
- The net increase in IBNR and Bulk reserves in 2020 exceeds the net indemnity and medical reserves released.
- The net increase is suspected to reflect uncertainty around the pandemic.

Key Takeaways

Stable Assigned Risk Plan

IBNR & Bulk Reserves

Average Pure Premium Declines

SAWW Increase

Pandemic Impacts



Comments

- Assigned risk premiums decreased and market share remained constant.
- The IBNR and Bulk Reserves net increase drove the 3% loss ratio increase in Minnesota.
- Average pure premiums declines are seen across all industry groups.
- The SAWW increase is driven by employment mix changes.
- Pandemic impacts are starting to be visible.

COVID-19 Minnesota Statistics

This next section will discuss:

1. Pandemic considerations for the 2022 Ratemaking Report.
2. COVID-19 specific metrics



2022 Ratemaking Report

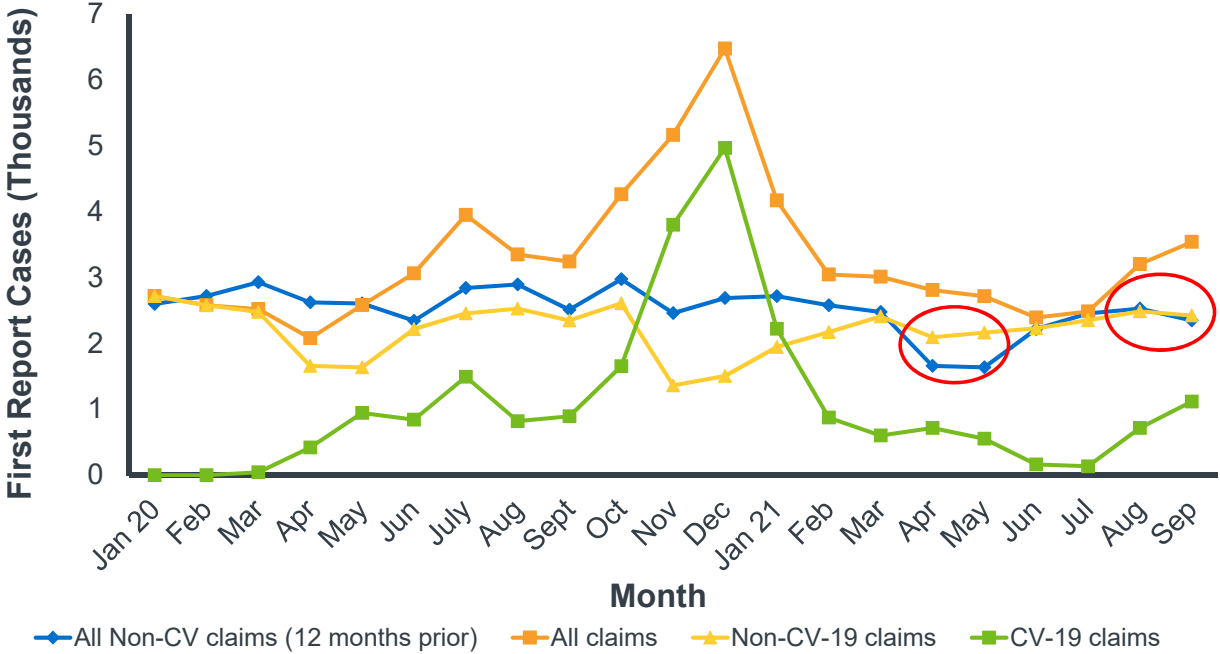
- **Experience Indication**
 - Based on PY 17&18 and AY 18&19
 - Same time periods as the 2021 Report
- **Split Trend Period**
 - 4/1/2019 – 3/31/2020
 - Full Selected Trend
 - 4/1/2020 – 1/1/2023
 - Half Selected Trend



Comments

- The 2022 Ratemaking Report contemplated the pandemic in two ways:
 1. The experience indication used in ratemaking for 2022 was developed from Policy Years 2017 and 2018 and Accident Years 2018 and 2019. This is the same period as the 2021 Ratemaking report and also pre-pandemic. Experience during the pandemic is not expected to be predictive of the future.
 2. Once again, a split trend period was used to account for uncertainty and differences during the trend period. The first period is pre-pandemic. The second period represents the pandemic era and recovery. Half of the pre-pandemic trend was selected during the second period to represent some recovery but also reflect the uncertainty around timing.

Monthly Claim Filings



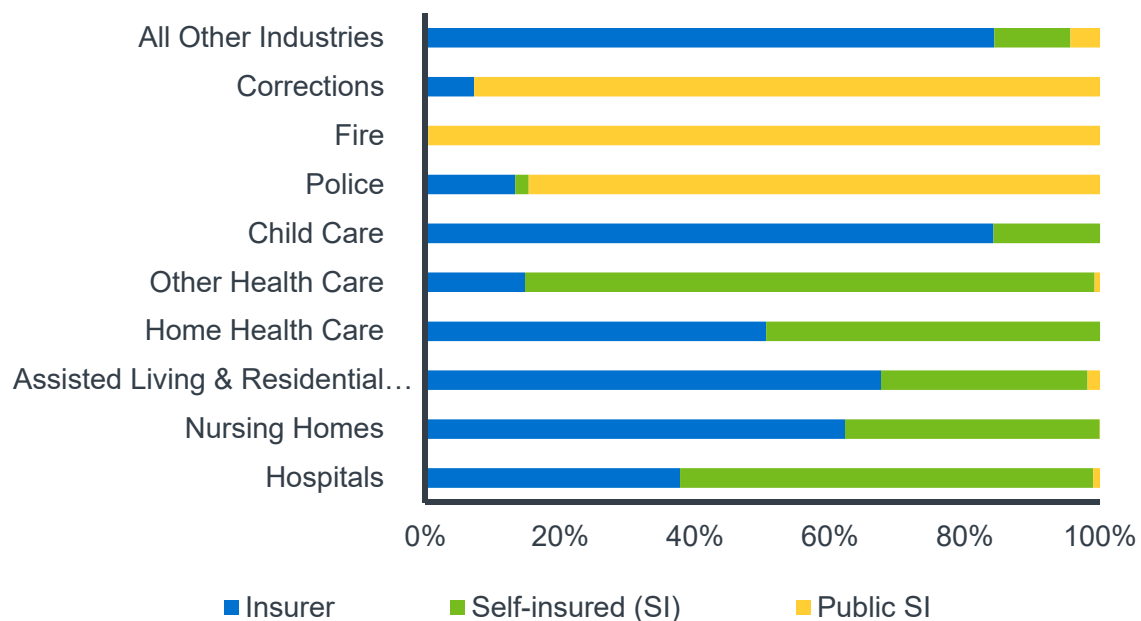
First Report of Injury database Minnesota Department of Labor and Industry



Comments

- First report of injury data from the DLI shows **Non-COVID claims** fell compared the **same month the previous year**, with the **exception** of April and May 2021.
- Recently, non-COVID claims have **rebounded** to the levels seen a year prior.
- COVID claims** follow the infection waves seen in Minnesota.
 - COVID claims** made up the majority of claims reported November through January, coinciding with winter surge here in Minnesota.
 - Recently, there is an uptick in COVID-19 claims because of the Delta surge.

Percentage of COVID-19 Cases Filed with Private Insurers Versus Self-Insureds



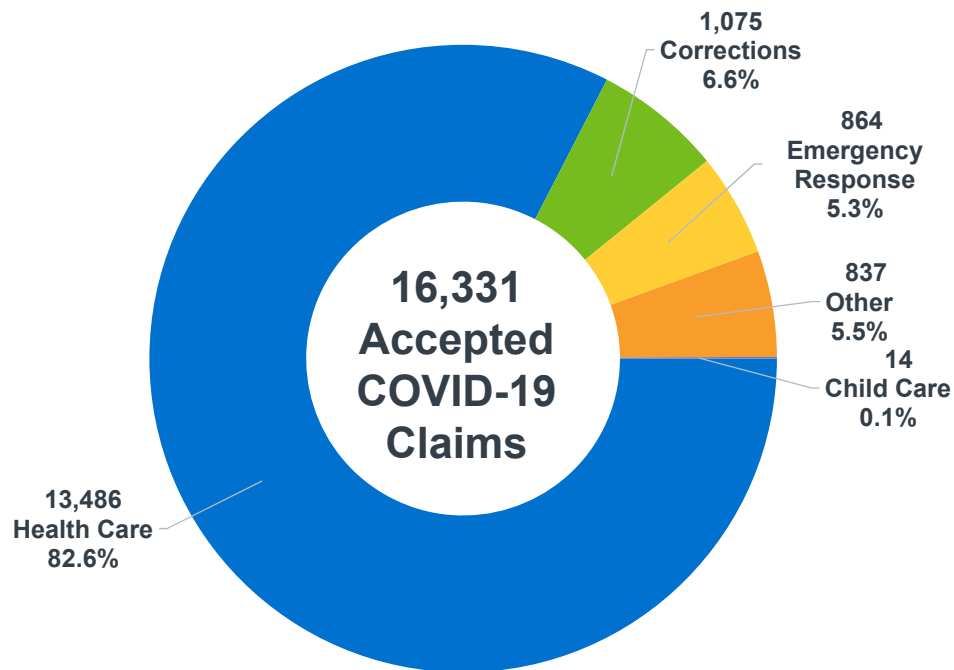
First Report of Injury data from Minnesota Department of Labor and Industry



Comments

- Overall, 46% of claims with insured type listed are from the **privately-insured market**.
- 40% of claims from presumptive industries are in the **privately-insured market**.
- The proportion of **privately-insured cases** filed vary greatly between industries.

Distribution of Accepted COVID-19 Claims



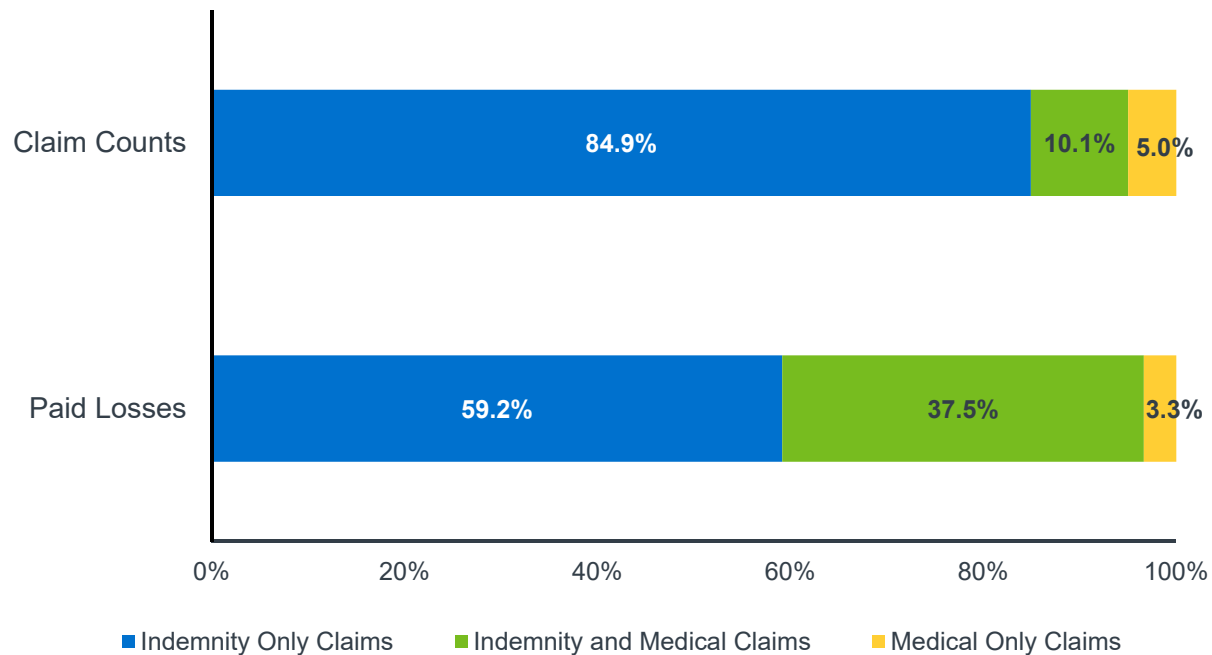
First Report of Injury data from Minnesota Department of Labor and Industry



Comments

- Data from the Department of Labor and Industry shows that three-quarters of filed claims were accepted.
- The presumption legislation impacted acceptance rates.
 - 84% of claims under a presumptive industry and/or occupation were accepted.
 - 26% of claims arising from a non-presumptive industry and/or occupation claims were accepted.

Closed COVID-19 Claims



Source: MWCIA Financial Data Valued as of 12/31/2020



Comments

- Interestingly, an unusual type of workers' compensation claim cropped up in the COVID-19 claim data: **indemnity-only claims**.
- These are thought to reflect mild COVID-19 illnesses that did not require medical care but did require a quarantine period.
- MWCIA's financial data shows that nearly 85% of closed claims were **indemnity-only**, which made up 59% of the losses paid.
- As more complex claims close, it will be interesting to monitor how these distributions change.

Thank You!

Please visit

www.mwcia.org



Comments

- To learn more about COVID-19 claims in Minnesota, please see the paper on our website:
 - [COVID-19 and Privately-Insured Workers' Compensation in Minnesota](#)
- Please view the [State of the Market Report](#) on our website.
- Follow MWCIA on social media to receive updates on workers' compensation news:

