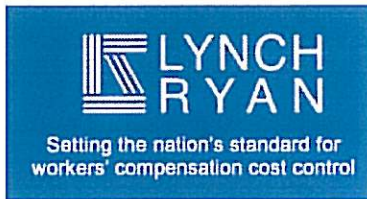


Lag Time: The Cost of Late Reporting

- Claims reported within two weeks after occurring are 18% more costly than those reported in the first week.
- Claims reported in the third and fourth week after occurring, have average settlement values approximately 30% greater than those reported in the first week.
- Claims reported between the fourth and fifth week after occurring, have average settlement values 45% higher than those reported in the first week.

Workers' Comp Insider



Lynch Ryan's weblog about workers' compensation, risk management, business

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January 15, 2004 Posted by Tom Lynch at 9:30 PM

The Cost of Lag Time

One of workers' compensation's overarching principles was driven home to me today when a colleague asked me a question. He had attended a marketing meeting at a New England insurance carrier's headquarters. During the meeting, a carrier representative passed out a one-page memo addressing the benefits of timely reporting of injuries. The carrier's memo asserted that prompt reporting, on its own, could lower the cost of claims by as much as 47%.

My colleague asked the carrier representatives where this assertion came from. Strangely, they had no idea. It seemed to be like a tribal myth, just passed around from person to person with no attribution. So, he asked me.

I really have no idea where this particular carrier got its data, but I do know that in the summer of 2000, Glen-Roberts Pitruzzello, ACAS, an actuary and pricing analyst with The Hartford Financial Services Group, wrote the definitive study on prompt reporting for the National Council on Compensation Insurance's (NCCI) Summer Issues Report. As accessing the [link](#) will show, the study is still available online from NCCI.

His findings, which involved analyses of 53,000 claims, are more than compelling. Here are some of them:

1. Injuries reported within 2 weeks are 18% more expensive than those reported within 1 week. And it gets progressively worse as time goes by. For example, injuries reported between the 4th and 5th week following an injury are 45% more expensive.
2. The biggest finding involves back injuries, which, as a group, are 35% more expensive if not reported within the first week.
3. Soft tissue strains and sprains are 13% more expensive if not reported within one week; carpal tunnel injuries, in which onset is admittedly difficult to pinpoint, are 11% more expensive with late reporting.
4. Litigation is another area impacted by late reporting. Twenty-two percent of injuries reported within 10 days are litigated; 47%, when the reports arrive more than 31 days following the injury.

Although prompt reporting is only one of a number of management best practices to lowering workers' compensation costs, it's an important one. It's one of those overarching principles. Moreover, we've found that well-managed companies are more likely to report injuries promptly than less well-managed organizations.

Nonetheless, one has to ask, "If prompt reporting saves so much money, why don't more employers do it?" Well, 20 years experience with more than 4,000 companies suggests the following answer to me: They don't know any better. They've never been taught. That's shameful.