



AHLA RISK MANAGEMENT
COMMITTEE

ANNUAL LOSS COST SURVEY 2021

BEECHER  CARLSON

**AHLA**
Allied Member

FOREWORD FROM BEECHER CARLSON

This is the 26th year Beecher Carlson has prepared the loss cost study for the American Hotel & Lodging Association (AHLA). Beecher Carlson is proud to be an Allied member of AHLA, assisting its members with benchmarking their Workers' Compensation loss experience.

BACKGROUND

- » **Lines Covered** Workers' Compensation
Segmented by: All States, California, and New York

 - » **Periods** January 1, 2021 – June 30, 2021
2015 thru 2020 are on CY (1/1 – 12/31) basis, as of 6/30/2021

 - » **Timeline** The initial data request was filed in June 2021. All data was collated by November 2021 for presentation to the AHLA Risk Management Committee in December 2021.

 - » **Data Shared** Workers' Compensation loss information including allocated loss adjustment expense was provided. Workers' Compensation indemnity loss refers to all loss and expense on any claim with an indemnity payment as determined by Beecher Carlson.
- All average rates and claim cost amounts are based on unlimited per-occurrence losses.
- Aggregate exposure (payroll) information is also collected to calculate by-year rates.
- The results in this report are aggregated and anonymized.
- » **2021 Comment** The 2021 study reviews nine key performance indicators (KPIs) for indemnity and total claims. For comparison purposes, results also isolate the first 6-months of 2020 due to the pandemic's impact on exposures and rates.

 - » **Limitations** Beecher Carlson reviewed the data submitted by the participants for reasonableness. We do not take responsibility for the accuracy of the data submitted.

KEY FACTS

100+

YEARS AHLA HAS
SERVED THE
INDUSTRY

26

YEARS BEECHER
CARLSON HAS
PREPARED THE STUDY

\$13.1B

2021 PAYROLL OF
COMPANIES
PARTICIPATING IN
THE STUDY

EXECUTIVE SUMMARY

AH&LA 2021 Workers' Compensation Study - Example

Jan 1 thru June 30 2021 current vs Jan 1 thru June 30 2020 prior

KPIs	Current Study Participant/Benchmark	Prior Study Participant/Benchmark	Current Benchmark Low : Hi	Limited Service (Current/Prior)	Full Service (Current/Prior)
1. Indemnity Frequency per \$M's	0.195 / 0.101	0.156 / 0.122	0.064 : 0.307	0.107 / 0.193	0.100 / 0.118
2. Incurred Indemnity Rate/\$100 Payroll	0.448 / 0.170	0.276 / 0.244	0.091 : 0.631	0.140 / 0.386	0.173 / 0.236
3. Indemnity Closing Percentage	13.93% / 18.02%	25.13% / 20.14%	7.69% : 36.46%	7.84% / 18.60%	18.94% / 20.27%
4. Average Incurred Indemnity	22,681 / 16,848	18,178 / 20,475	11,748 : 33,080	12,980 / 19,722	17,197 / 20,537
5. Average Lost Work Days	50 / 41	68 / 55	38 : 62	59 / NA	40 / 55
6. Frequency All Claim (Non zero) per \$M's	0.908 / 0.336	0.784 / 0.440	0.202 : 1.820	0.370 / 0.806	0.333 / 0.419
7. Total Incurred Rate/\$100 Payroll	0.592 / 0.211	0.388 / 0.283	0.107 : 0.971	0.186 / 0.466	0.213 / 0.273
8. Average Incurred	6,793 / 6,301	5,032 / 6,439	5,318 : 7,373	5,087 / 5,571	6,408 / 6,520
9. Average Lag (days)	4.37 / 4.54	3.38 / 3.15	1.72 : 6.55	6.40 / 1.00	4.37 / 3.22

- » **Benchmarking** As shown above, the study compiles and displays KPI results of the participant against the benchmark (aggregate). The Prior Study results are also shown for year-over-year comparison. We also summarize results for “Limited Service” and “Full Service”; however, 93% of payroll is for Full Service (previously, Upscale and Luxury).

The above results are shown for years 2014-15 thru Current for each state segmentation (All, CA, and NY).

- » **2021 Frequency** The table below shows benchmark results for each KPI from the 2019, 2020, and 2021 studies for the first six months of each year. It's clear that 2021 frequency looks much more like 2020 than it did 2019 (and for previous years). We believe this outcome has much to do with composition shifts in business and claims reporting during the pandemic.

- » **2021 Severity and Loss Rate** 2021 Severity also resembles 2020 severity, which is higher than seen in 2019 and previous periods. Fewer small claims may be the driver for the difference. Overall, the reduced frequency is the dominant driver in reducing loss costs for 2020 and now 2021. Whether this is the new normal is something that should be considered when evaluating future rates

AH&LA 2021 Workers' Compensation Study - Summary of Current Results vs Prior Results

KPIs	2021 Study Benchmark	2020 Study Benchmark	2019 Study Benchmark	Current Benchmark Low : Hi
1. Indemnity Frequency per \$M's	0.101	0.122	0.264	0.064 : 0.307
2. Incurred Indemnity Rate/\$100 Payroll	0.170	0.244	0.354	0.091 : 0.631
3. Indemnity Closing Percentage	18.02%	20.14%	22.64%	7.69% : 36.46%
4. Average Incurred Indemnity	16,848	20,475	13,417	11,748 : 33,080
5. Average Lost Work Days	41	55	41	38 : 62
6. Frequency All Claim (Non zero) per \$M's	0.336	0.440	0.911	0.202 : 1.820
7. Total Incurred Rate/\$100 Payroll	0.211	0.283	0.461	0.107 : 0.971
8. Average Incurred	6,301	6,439	5,063	5,318 : 7,373
9. Average Lag (days)	4.54	3.15	4.32	1.72 : 6.55

APPENDIX – DEFINITIONS

SEVERITY

In short, severity is the average cost of a claim. The drivers of severity are both internal to a company (e.g. claim procedures, claim mitigation, claim settlement procedures) and external to a company (e.g. benefit level changes, medical inflation, wage inflation, systemic fraud, settlement costs). Consequently, these drivers can be viewed as being outside management control. This article addresses severity and its drivers in more detail to assess the controllability of claim development.

FREQUENCY

In short, frequency is how often claims occur. The drivers of frequency are mostly workplace environment-based safety procedures, training, automation of procedures, and increases in technologies among others. A lot of these drivers are internal to a company and can be controlled by internal functions such as appropriate bonus structures, premium and loss allocation systems, and management oversight.

EXPOSURE BASE

Exposure base is the basis on which premium is determined. For Workers' Compensation, this is payroll.

BEECHER CARLSON CONTACTS



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SURVEY 2021

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