Minnesota Workers’ Compensation
State of the Market
Minnesota’s workers’ compensation insured market is notably robust. Premiums continue to grow, the assigned risk plan is depopulating, and loss ratios have improved significantly during the economic recovery, especially since the shift in the underwriting cycle over five years ago. As growth in both medical and indemnity claim severity remain modest, significant reductions in lost-time claim frequency and permanency have contributed to recent loss cost reductions. Decreasing utilization of hospital facilities has been beneficial, and increases in claim settlements have also been a factor leading to decreases in statewide net case reserves. In the future, the effects of medical benefit trends will continue to be central to monitoring the health of the market.
Following Five Years of Decreases, Premium Has Grown Over 50% Since 2010

Source: A.M. Best's Market Share Reports/One Year Premiums and Loss Study
The Assigned Risk Market Shares in the Latest Two Years Show Signs of Depopulation

Source: Actuarial Advisors
Seven Carriers Have Remained Among the Top Ten Writers for the Past Five Years

Source: A.M. Best's Market Share Reports/One Year Premiums and Loss Study
Contracting Payroll Picked Up Sharply in the Latest Ratemaking Cycle with Steady Increases Continuing in All Other Industries

Source: Unit Statistical data
Both Minnesota and Countrywide Loss Ratios Have Improved Over 20% since 2010

Source: A.M. Best's Market Share Reports/One Year Premiums and Loss Study
The Average Pure Premium Rate Has Decreased Nearly 25% over the Last Ten Years

Source: MWCIA Ratemaking Reports
The Distribution of Loss Cost Multipliers (LCMs) Remained Roughly the Same in the Latest Year

Source: Minnesota Department of Commerce
All Industry Groups' Average Pure Premiums Have Experienced Significant Decreases Over the Last Five Years

Source: Unit Statistical data used in the 2013 and 2018 Ratemaking Reports
Office and Clerical Classes Generate Two-Thirds of Minnesota Workers' Compensation Exposure

Source: Unit Statistical data, Policy Year 2014 at First Report
Claim Closure Rates Have Increased in Recent Years

<table>
<thead>
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<th>Report Level</th>
<th>Valuation Year 2012</th>
<th>Valuation Year 2016</th>
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</table>

Source: MWCIA Financial Call Data
Carriers Have Been Settling More Lost-Time Claims at Earlier Reports

Valuation Year 2012
Valuation Year 2016

Source: MWCIA Financial Call Data
Lost-Time Claim Frequencies Have Declined by an Annual Average of 2.8%

Case Frequency Decreased by Over 20% Statewide, Consistent with Most of the Regions within Minnesota

Source: Unit Statistical data at latest report
In Spite of Annual Decreases Averaging Nearly 5%, Low Back Claims Continue to be Most Prevalent

![Bar Chart]

Source: Unit Statistical Data, First Report, Policy Years 2004-2014
Annual Average Change estimated from Policy Years 2004-2014
With Average Annual Decreases of More Than 2.5%,
Strains/Sprains Remain Among the Most Common Natures of Injury

Strain (6,054 cases) Fracture (1,481 cases) Contusion (1,442 cases) Sprain (1,203 cases) All Other (988 cases)

Nature of Injury (PY 2014 Cases)

Source: Unit Statistical Data, First Report, Policy Years 2004-2014
Annual Average Change estimated from Policy Years 2004-2014
Lost-Time Cases Caused by Lifting, Pushing, or Pulling Decreased Faster Than Cases Caused by Falls, Slips, or Trips

<table>
<thead>
<tr>
<th>Cause of Injury</th>
<th>Annual Average Change</th>
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<tbody>
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<td>Strain or Injury by Lifting (2,225 cases)</td>
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<tr>
<td>Strain or Injury (1,293 cases)</td>
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<tr>
<td>Fall, Slip, or Trip (880 cases)</td>
<td>-0.018</td>
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<tr>
<td>Strain or Injury by Pushing or Pulling (794 cases)</td>
<td>-0.046</td>
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<tr>
<td>Fall, Slip, or Trip on Same Level (784 cases)</td>
<td>-0.001</td>
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</tbody>
</table>

Source: Unit Statistical Data, First Report, Policy Years 2004-2014
Annual Average Change estimated from Policy Years 2004-2014
Minnesota's Lost-Time Medical Paid Plus Case Reserve Severities Have Generally Remained below the NCCI States

Source: MWCIA Financial Call data valued as of 12/31/2016, Losses and Claim Counts Developed to Ultimate Report
The Share of Medical Payment Dollars to Hospital Inpatient Providers Has Decreased Over 6%

Claims Arising over 10/1/2008 - 9/30/2009 as of 3/31/2010

- Physician: 30.7%
- Chiropractor: 1.8%
- Physical/Occupational Therapist: 5.8%
- *Other Nonhospital Providers: 5.2%
- Hospital Inpatient: 24.8%
- Hospital Outpatient: 29.9%
- Unclassified Provider: 1.8%

Claims Arising over 10/1/2013 - 9/30/2014 as of 3/31/2015

- Physician: 35.4%
- Chiropractor: 1.7%
- Physical/Occupational Therapist: 6.2%
- *Other Nonhospital Providers: 5.4%
- Hospital Inpatient: 18.3%
- Hospital Outpatient: 32.4%
- Unclassified Provider: .5%

Source: WCRI Compscope Medical Benchmarks, 12th and 17th Editions
Claims with More than 7 Days of Lost Time
*Other Nonhospital Providers - Physicians' Assistants, Nurses, Counselors, Medical Equipment Suppliers
Declines in Inpatient Surgical Episodes Have Led to Decreases in Claims with Inpatient Care

WCRI CompScope™ Medical Benchmarks for Minnesota, 17th Edition
Claims With > 7 Days Of Lost Time At 12 Months Of Experience, Not Adjusted For Injury/Industry Mix
In Addition to a Decrease in Overall Surgery Rates, An Increase in ASC Services Led to Decreases in Hospital Outpatient Claims

WCRI CompScope™ Medical Benchmarks for Minnesota, 17th Edition
Claims With > 7 Days Of Lost Time At 12 Months Of Experience, Not Adjusted For Injury/Industry Mix
The Share of Indemnity Losses Has Shifted from Permanent to Temporary Disabilities by About 6%

Source: Unit Statistical data
The Share of Medical Losses Has Shifted from Permanent to Less Severe Injuries by 6%

Source: Unit Statistical data
Net Indemnity Case Reserve Releases from Prior Accident Years Continue to Outstrip Establishment of Current Year Reserves

Calendar Year

Source: MWCIA Financial Call data
Net Medical Case Reserve Releases from Prior Accident Years Continue to Be Offset by Establishment of Current Year Reserves

Source: MWCIA Financial Call data
Total Statewide Case Reserves Have Dropped $48 Million Since 2010

Source: MWCIA Financial Call data