Workers Compensation Unpaid Losses & ALAE Executive Summary

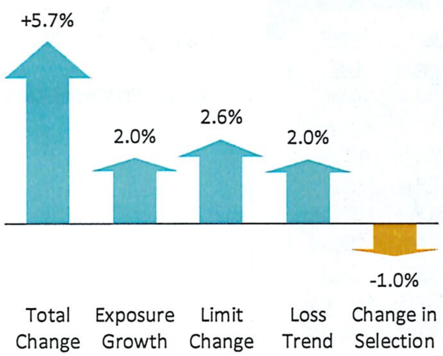
OLIVER WYMAN

City of Chandler
Data evaluated as of June 30, 2021

Unpaid Losses & ALAE as of 6/30/21:
$10,458,761

Unpaid Losses & ALAE as of 6/30/20:
$8,795,715

2020/2021 Ultimate Losses & ALAE as of 6/30/20
$2,555,000



2021/2022 Ultimate Losses & ALAE as of 6/30/21
$2,700,000

Scope of Analysis

- Estimated unpaid losses and allocated loss adjustment expense (ALAE) as of June 30, 2021 for accidents occurring between January 1, 2003 and June 30, 2021 at an actuarial central estimate and various probability levels
- Projected ultimate losses and ALAE for policy period July 1, 2021 – 2022 at an actuarial central estimate and various probability levels

Important Assumptions

- All estimates are limited to the City's self-insured retentions, which increased from $500,000 to $600,000 per-occurrence effective 7/1/12, to $1M for police / fire effective 7/1/15, to $1.25M for police / fire effective 7/1/18, to $750,000 / $2.25M effective 7/1/20 and to $1M / $3M effective 7/1/21.

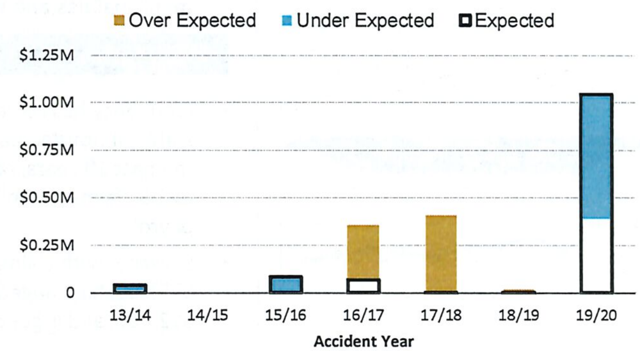
Key Findings

- The unpaid estimate has increased by approximately $1.7M due to the experience in 7/1/20-21 policy year, which already has seven claims exceeding $75k, including a police officer COVID claim with $1.1M in case reserves.
- The forecast for 21/22 is up 5.7% from the prior forecast due to increases in payroll and the retained limits.

Actual vs. Expected Results

Reported Losses & ALAE 6/30/20 to 6/30/21		
Actual	**Expected**	**AvE**
$1,465,601	$1,049,346	$416,255

Ultimate Losses & ALAE 6/30/20 to 6/30/21		
Prior	**Current**	**Change**
$34,617,455	$35,594,116	$976,661



- Actual versus Expected results reflect changes in the claims from 6/30/20 to 6/30/21.

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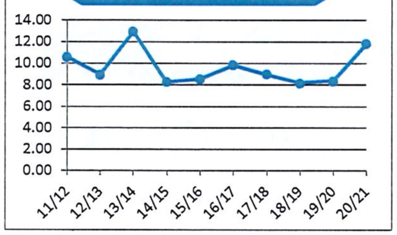
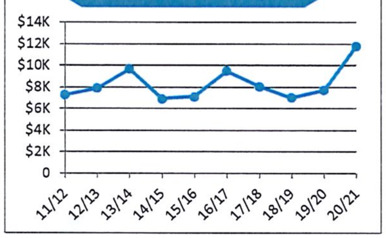
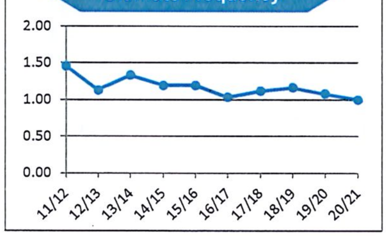
Ultimate Loss Cost



Ultimate Severity



Ultimate Frequency



Trend Assumptions

- The selected frequency trend is -0.5%.
- The selected severity trend is 2.5%.
- The selected loss cost trend is 2.0%.
- The loss cost and severity trends are adjusted to the current benefit level.
- The loss cost and severity trends are shown at a per occurrence retention of $75,000.
- The combination of negative frequency trend and rising severity is not uncommon amongst municipalities and WC in general.

Key Findings

- Frequency has remained relatively stable, if not decreasing slightly, over the past 10 years, ranging from 1.0 to 1.5 claims per million dollars of payroll.
- Severity, with claims limited to $75,000, has ranged from $7,000 to $12,000, and is generally increasing.
- The loss cost, with claims limited to $75,000, has ranged from $8 to $13 per thousand dollars of payroll.

Reconciliation of Reserves

Beginning of Period Unpaid Losses as of 6/30/20	$8,795,715
Plus Estimated Ultimate Losses for 7/1/20 - 6/30/21	$3,515,000
Plus Change in Ultimate Losses through 6/30/21	$16,661
Less Actual Payments (6/30/20-6/30/21)	$1,868,615
End of Period Unpaid Losses as of 6/30/21	$10,458,761

Claim Changes Since Prior Report

Claimant	Date of Loss	Current Status	Current Incurred	Prior Incurred	Incurred Change	Current Paid
CN-21-005148	12/27/2020	O	$1,106,036	$0	$1,106,036	$23,802
CN-18-005439	3/6/2018	O	$627,354	$192,181	$435,173	$183,359
CN-17-005633	4/20/2017	O	$533,992	$149,744	$384,248	$155,289
CN-03-0500013	2/12/2003	O	$759,016	$536,033	$222,984	$530,981
CN-21-005129	12/7/2020	O	$184,857	$0	$184,857	$158,588
CN-21-005153	12/29/2020	O	$145,605	$0	$145,605	$12,140
CN-08-0500047	9/13/2007	O	$125,775	$1,593	$124,183	$5,813
CN-13-005205	3/19/2013	O	$329,972	$209,557	$120,415	$207,415
CN-21-005190	3/11/2021	O	$107,351	$0	$107,351	$58,669

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