

Claims Reporting Times Can Impact Average Cost

When a claim occurs on your jobsite, a million things may run through your mind — is everyone okay? What went wrong? How did this happen?

Among these initial thoughts and to-dos should be to report this claim to your insurance carrier as soon as possible. There are key benefits to reporting your claim in a timely manner, including potential cost savings.

Below is sample data from Amerisure Programs Workers' Compensation Security Guard & Alarm Installation accounts. The average cost of a claim nearly doubles when the lag time goes from 0-3 days to 4-13 days, and more than doubles when it goes from 0-3 to 14. When claim costs rise, typically future premiums do as well.

Lag Time (Time to Report Claim)	Incurred Loss & Allocated Loss Adjustment Expenses	Average Cost
0-3 Days	\$144,314	\$3,356.13
4-13 Days	\$339,858	\$6,663.88
14+ Days	\$399,506	\$7,990.11

This information is based on a sample of claims made with Amerisure and based on claimed losses for Workers' Compensation benefits and does not represent a guarantee.

An Industry-Wide Issue

These longer lag time results are not unique to Amerisure's policyholders. In fact, The Hartford conducted a study on Workers' Compensation claims that found the median cost of claims reported one day after the incident are significantly lower than claims that are reported two weeks after the incident. Liberty Mutual conducted a similar study in which they found that claims reported one week after the incident were predicted to pay out at a much higher cost — that is, claims costs were more expensive for the policyholder.

How Longer Lead Times Equal Higher Costs

There are several reasons why waiting longer to report a claim can lead to higher costs for policyholders. A delay in reporting time can lead to a higher likelihood of:

- Attorney involvement
- Greater use of lump-sum payments
- Lower claim closure rates

Businesses will benefit from timely claim reporting. Among the financial advantages of reporting a claim in a timely manner, low lag time is also an indicator that a business is handling its claims efficiently and effectively.

Sources:

[Liberty Mutual 2020 "Workers' Compensation Claim Reporting Lag Study"](#)

[NCCI "The Relationship Between Accident Report Lag and Claim Cost in Workers Compensation Insurance"](#)