



BULLETIN

COSTS OF LAGTIME IN REPORTING INJURY OCCURRENCES

There are two ways for an insured to lower the losses that drive their premium rate other than drop the program; (1) improve the injury prevention and risk management programs; and (2) promptly report to K&K the injuries that do occur.

The trouble with #2 is that many insureds fear that faithful reporting of every injury occurrence will increase their premium. With K&K, that is not the case. Premium rates come from the costs of the occurrences, not the number reported. In fact, over a third of all injury reports from sports and recreational businesses being insured are closed without payment.

There are two principle reasons why costs can go down from prompt reporting of all patron injury occurrences: (1) It allows for patterns of injury to be revealed for improved risk management efforts; (2) It gives claims handlers needed information to get on top of the situation before time erodes the facts.

Costs per claim, based on lagtime between the occurrence and the first awareness of it at K&K's Claims Department, show dramatically how the briefer the lagtime in reporting, the lower the costs of claims is apt to be -- even without having prevented any of the occurrences. One can expect to have a high average cost per claim reported within 30 days, because any major injury will be well known and reported. It is after the first month where savings can be seen by improving current practices.

Across a sampling of six major books of business representative of K&K's niche business, the average cost per claim reported between 7-12 months after occurrence was about 90% higher than those with a lagtime of 1-3 months. Worse, for those learned of by K&K Claims at least a year after occurrence (typically from the claimant's attorney), the cost per claim averaged about 275% more than those with a lagtime of 1-3 months.

Insureds should organize and train staff to report immediately any patron injury of apparent significance or which resulted in a disgruntled patron.

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