



## Executive Summary of the 2017 AON Report and 2016 CNA Claim Reports

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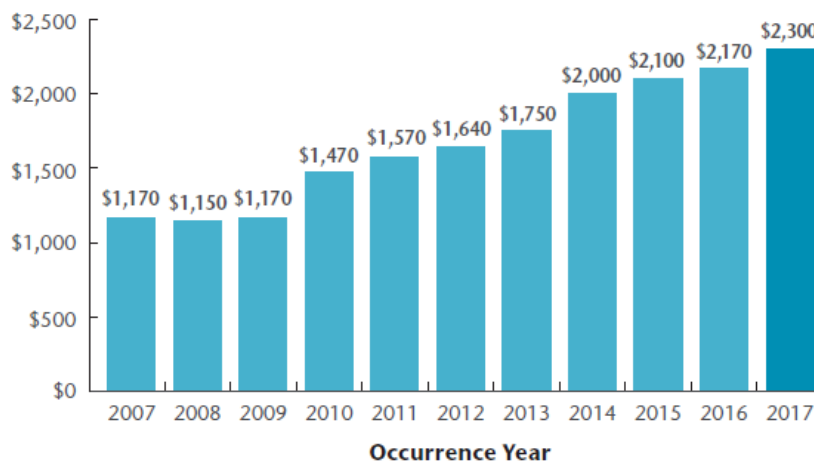
- The frequency and severity of claims for Senior Living Communities are the primary factors that affect insurance costs. Claims typically make up 60-70 percent of an insurance company’s costs, with their overhead and expenses making up the other 30-40 percent.
- The average loss rate for a Long-Term Care provider in the U.S. is \$2,300 per bed, meaning that if you broke the average claims an organization has down by the number of beds, each bed would average \$2,300 in claims each year. The trend is a six percent increase, with the projected 2018 loss rate being \$2,450.
- Assuming a 30 percent expense ratio, the premium an insurance company would have to collect on each bed to break even would be \$3,285 on average.
- Average claim frequency is 1.03 claims each year per 100 beds, with the trend being a two percent increase, and the projection for 2018 being 1.05.

LTC Estimates and Annual Trends for Losses Limited to \$1 Million per Occurrence

	Projected 2018 estimate	Annual trend
Overall claim frequency*	1.05	2.00%
Indemnity claim frequency*	0.77	2.00%
Severity	\$232,000	4.00%
Loss rate**	\$2,450	6.00%

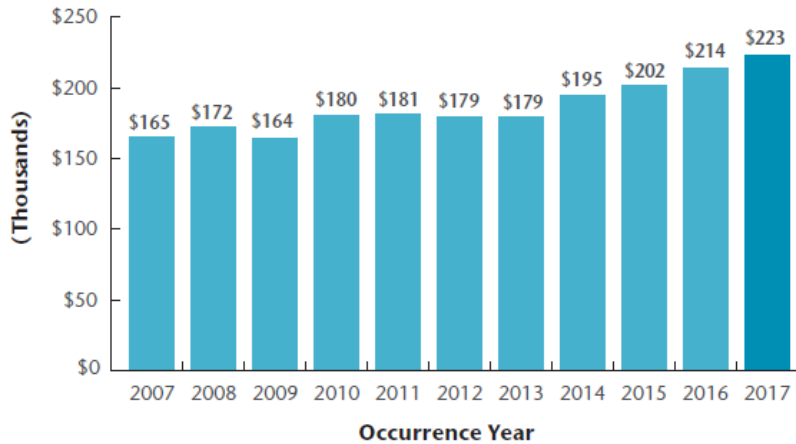
\*number of claims per 100 occupied beds  
 \*\*liability cost per occupied bed

Loss Rate per Occupied Bed Limited to \$1M Occurrence



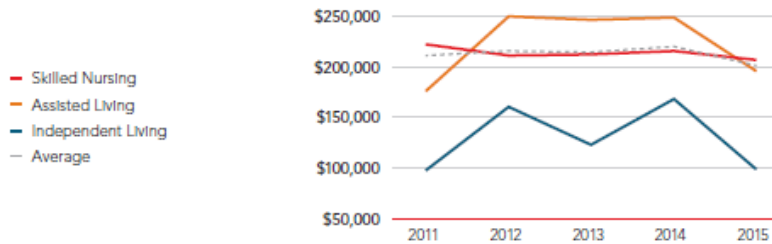
- The average settlement of a liability claim in 2017 is projected to be \$223,000, based on the AON study, and was \$211,709 in 2015 based on the CNA study.

**Claim Severity Limited to \$1M per Occurrence**



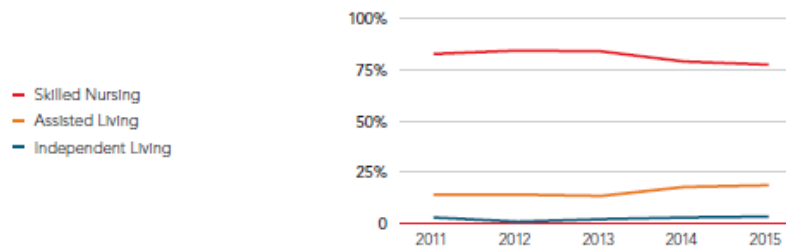
- The average overall total claims closed for Assisted Living from 2011-2015 was \$221,496, whereas Skilled Nursing claims closed for \$212,766.

**6** Average Total Paid for Closed Claims over Time by Bed Type, 2011-2015



- Skilled Nursing beds made up 45 percent of the beds insured by CNA and over 80 percent of the number of closed claims, while Assisted Living made up 30 percent of the beds and only 16 percent of the number of claims.

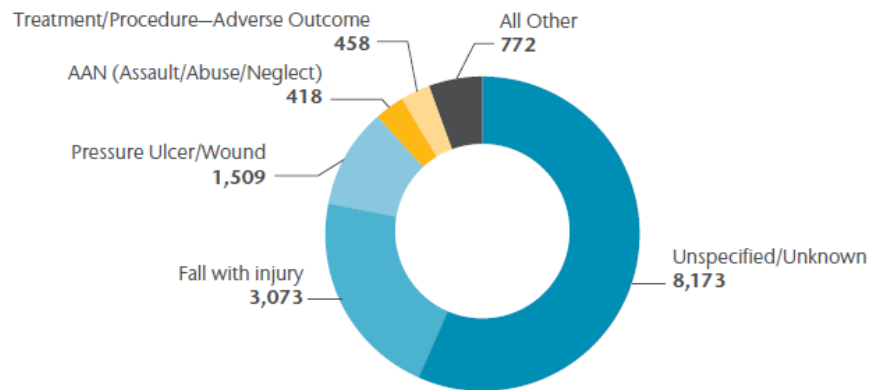
**5** Frequency of Closed Claims over Time by Bed Type, 2011-2015



- Resident falls make up most claims for both AON and CNA, and Elopements are the most expensive claims, albeit extremely rare.

The most common identified claim description is Fall with Injury, which accounts for 49% of claims with descriptions, and the top four identified claim descriptions accounted for 88% of all identified claim descriptions.

### Injury Type Closed Claim Counts



The average size of a closed claim varies by claim type. Pressure Ulcer/ Wound claims have the highest average claim cost. Within the All Other category, only Elopement had a higher per claim cost, at about \$262,000, but the incidence of Elopement was extremely low with only 34 claims out of the total 6,230 claims with coded claim descriptions.

### Closed Claim Average Claim Size





**7** Frequency of Closed Claims by Allegation

Resident fall	42.7%
Pressure ulcers	18.6%
Improper care (excluding falls)	14.7%
Failure to monitor (excluding falls)	6.1%
Resident abuse	4.2%
Delay in seeking medical treatment	3.2%
Medication error	1.9%
Failure to follow physician order	1.8%
Elopement	1.8%
Unsafe environment (excluding falls)	1.5%
Failure to inform physician	1.3%
Violation of resident rights	0.8%
Failure to move resident to higher level of care	0.7%
Failure to treat	0.3%
Improper placement for financial gain	0.1%
Failure to diagnose	0.1%
Lack of informed consent	0.1%
<b>Total</b>	<b>100.0%</b>

**8** Average Total Paid for Closed Claims by Allegation

Elopement	\$325,561
Failure to follow physician order	\$323,325
Delay in seeking medical treatment	\$245,783
Pressure ulcers	\$232,398
Failure to inform physician	\$231,321
Improper care (excluding falls)	\$228,531
Failure to treat	\$226,564
Resident abuse	\$226,393
Failure to monitor (excluding falls)	\$221,421
Resident fall	\$186,589
Failure to move resident to higher level of care	\$181,879
Violation of resident rights	\$177,911
Medication error	\$168,916
Unsafe environment (excluding falls)	\$166,172
Improper placement for financial gain	\$164,675
Failure to diagnose	\$126,751
Lack of informed consent	\$56,053
<b>Overall average total paid</b>	<b>\$211,709</b>



**10** Average Total Paid for Closed Claims by Injury

Coma	\$264,499
Loss of limb/amputation	\$261,693
Death	\$253,304
Sexual assault	\$246,785
Back Injury	\$235,752
Emotional distress	\$218,358
Head Injury	\$197,814
Pressure ulcer	\$187,696
Loss of organ/organ function	\$187,060
Infection	\$180,519
Burn	\$174,549
Muscle and ligaments	\$166,906
Fracture(s)	\$159,918
Skin tear	\$149,823
Pain and suffering	\$137,839
Cerebral vascular accident (CVA)	\$109,431
Dehydration/lack of nutrition	\$103,871
Laceration	\$87,673
Contusion/bruise/swelling/edema	\$68,857
Teeth/dentures	\$25,511
Sprain	\$20,000
<b>Overall average total paid</b>	<b>\$211,709</b>

For more information, please refer to the full reports: [2017 AON Report](#) and [2016 CNA Report](#)