

Actuarial Committee

Meeting Agenda

Date	Time	Location	Staff Contact
June 17, 2016	9:30 AM	WCIRB California 1221 Broadway, Suite 900 Oakland, CA	David M. Bellusci
1221 Broadway, Suite 900 • Oakland, CA 94612 • 415.777.0777 • Fax 415.778.7007 • www.wcirb.com • wcirb@wcirb.com			

Released: June 9, 2016

To Members of the Actuarial Committee, WCIRB Members and All Interested Parties:

I. Approval of Minutes

Meetings held on March 22, 2016 and April 5, 2016

II. Working Group Meeting Summaries

- A. Working Group on the Reporting of Small Medical-Only Claims Meeting held on March 14, 2016
- B. Claims Working Group Meeting held on March 23, 2016
- C. Medical Analytics Working Group Meeting held on May 25, 2016

III. Unfinished Business

- A. AC99-05-02: Annual Report on Paid Costs
- B. AC16-03-04: Special Call for Terrorism Premium Information

IV. New Business

- A. AC16-06-01: 3/31/2016 Experience – Review of Methodologies
- B. AC16-06-02: 1/1/2017 Regulatory Filing – Experience Rating Plan Values
- C. AC16-06-03: Review of M CCP Projection Methodology
- D. AC16-06-04: Study of Pharmaceutical Dispensing
- E. AC16-06-05: Update on Medical Severity Trends by Component

V. Matters Arising at Time of Meeting

VI. Next Meeting Date: August 3, 2016

VII. Adjournment

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Working Group on the Reporting of Small Medical Only Claims

Meeting Summary

To: Participants of the Working Group on the Reporting of Small Medical Only Claims
Date: April 1, 2016

RE: Summary of March 14, 2016 Meeting

Insurer Meeting Participants Were Reminded of the Antitrust Notice

As members of the Workers' Compensation Insurance Rating Bureau of California (WCIRB), you are bound, when involved in meetings or other activities of the WCIRB, to limit your actions (and discussions other than social ones) to matters relating to the business of the WCIRB. Matters that do not relate directly to WCIRB business should be avoided. Members should particularly avoid discussions or conduct that could be construed as intended to affect competition (or access to markets). Thus, as members, you should not discuss or pursue the business interests of individual insurers or others, including, in particular, the plans of individual members involving, or the possibility or desirability of (a) raising, lowering, or stabilizing prices (premiums or commissions); (b) doing business or refusing to do business with particular, or classes of, insurers, reinsurers, agents, brokers, or insureds, or in particular locales; or (c) potential actions that would affect the availability of products or service either generally or in specific markets or locales.

Discussion Topics

At the meeting, WCIRB staff summarized the Working Group discussion of the February 23, 2015 meeting where it was noted that:

- The varied definitions and reporting requirements related to first aid claims create significant confusion around the issue.
- With the confusion as to differing requirements and definitions related to first aid and the financial impact of reflecting small medical only claims in the experience modification computation, the underreporting of small medical only claims is believed to be widespread.
- There are claims in which the initial treatment of the workplace injury was handled as first aid and not reported to the insurer that later required significant further medical treatment, some of which might have been mitigated had the insurer been able to manage the claim from the start.
- To ensure an injured worker's access to benefits, maximize an insurer's ability to manage the cost of a claim from its inception and promote fairness among system participants, changes to promote the timely reporting of all workplace injuries should be considered.
- Physician reporting requirements as well as many employers' desire to treat workplace injuries as first aid creates significant challenges to physicians related to reporting, billing and subsequent medical treatment activity.

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The Working Group was reminded that at the February 23, 2015 meeting, WCIRB staff agreed to review the feasibility of (a) clarifying WCIRB claim reporting requirements with respect to first aid claims, (b) use of the Oregon plan related to the reporting of first aid claims in California and (c) changes to the experience rating plan to eliminate a specified amount of each claim from the experience modification computation. The discussion of each of these analyses was summarized as follows:

Clarification of Insurance Commissioner's Regulatory Reporting Requirements

Staff summarized proposed changes to the Insurance Commissioner's regulatory reporting requirements for small medical only claims or first aid claims. The Working Group was advised that these changes were intended to clarify the insurer claim reporting requirements to be consistent with what has been communicated through a series of WCIRB Bulletins issued in consultation with the California Department of Insurance (CDI).

While several Working Group members suggested the clarification would help insurers and producers encourage the reporting of all claims on which costs were incurred, it was also suggested that the impact would likely be limited as employers are not generally aware of these insurer claim reporting requirements. Several Working Group members noted the challenges for insurers to report costs on claims that they did not pay or do not know about. Several Working Group members also noted that statutory or Department of Industrial Relations (DIR) regulatory changes related to employer claim reporting requirements and the definition of first aid claims may be more effective in encouraging claim reporting since those changes would have a more direct impact on employers. WCIRB staff agreed to contact the DIR Director to discuss these issues and the observations of the Working Group.

A Working Group member suggested it might be appropriate to defer proposing any change to the Insurance Commissioner's insurer claim reporting requirements until such time as any potential changes to the Experience Rating Plan to address this issue are implemented. Other Members indicated that since it may be several years for any experience rating plan change to be implemented and the changes to the Commissioner's reporting requirements are only intended to clarify current requirements, these clarifying changes should be proposed as soon as practical.

Staff advised the Working Group that their feedback will be shared with the WCIRB's Classification and Rating (C & R) Committee at its next meeting.

Review of Oregon Plan

The Working Group was advised that the Oregon Claim Reimbursement Program, which was adopted in 1987, permits the employer to choose to pay compensation for medical services of a non-disabling claim when the amount of the claim does not exceed the maximum amount established annually by the Director of the Oregon Department of Consumer and Business Services. Under the Program, the reimbursed amounts of these claims are not charged to the employer in any way, including in experience rating. Before each policy year, insurers are required to send a notice advising an employer of their right to reimburse insurer-paid medical expenses up to the maximum amount.

The Working Group was advised that staff was not recommending adoption of a similar reimbursement program in California. Staff noted that the program would require statutory changes and involve a complex procedure. The Oregon Administrative Rules cover when an employer is enrolled in the Program, how an employer elects to reimburse the insurer for a specific claim and how an insurer reports a claim when an employer elects to reimburse all or part of the costs including when a non-disabling claim becomes a disabling claim. In addition to the complexity involved, staff noted that the Program does not

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adjust the experience rating plan for differences in whether an employer chooses the option of reimbursing the insurer for the cost of these small claims. In this way, two identical employers with the same likelihood of incurring the same future claim costs would have a very different experience modification depending on whether the employer chooses to reimburse insurer-paid medical expenses up to the specified maximum amounts. These differences would be counter to the goals of experience rating, which include adjusting future premium charges based on differences in an employer's historical record of incurring workplace injuries. Given the issues involved, several Working Group members observed that they did not believe the Program was used on a widespread basis in Oregon. There was a consensus among the Working Group members that California should not pursue a reimbursement program similar to Oregon's.

Potential Changes to the Experience Rating Plan

Staff presented their analysis of the feasibility of modifying the experience rating formula to eliminate a specified amount of each claim from the experience modification computation. As discussed at the meeting of February 23, 2015, staff reviewed the impact of eliminating either the first \$250, \$500 or \$1,000 of loss on each reported claim in the experience modification computation and assessed the impact on actuarial accuracy, indicated loss-free credits and potential dislocation.

The Working Group was advised that, by eliminating either the first \$500 or \$1,000 of each claim, a significant portion of all claims would be eliminated from the experience rating computation.¹ Additionally, staff noted there was a significant loss of predictive accuracy, a typical increase of between 2 and 4 percentage points in the indicated loss free experience modification and fairly significant changes in many employers' experience modifications. Given these impacts, staff did not recommend pursuing a change that would eliminate either the first \$500 or \$1,000 from each claim.

The Working Group was also advised that the impact of eliminating the first \$250 of each claim from the experience modification computation was more modest. Specifically, staff noted that only 15% of claims would be eliminated from the experience modification calculation based on eliminating the first \$250 of each claim, the impact on the predictive accuracy of the plan and the typical employer's experience modification was much more modest than the other alternatives' elimination amounts and the typical loss-free experience modification would increase by only one percentage point under the \$250 alternative.

The Working Group discussed the proposal to eliminate \$250 on each claim from the experience modification computation at length. Several Working Group members indicated that they believed clearly eliminating the experience rating impact of small claims below \$250 could significantly impact employer reporting of these small claims. Others suggested the \$250 threshold should cover most claims meeting the statutory definition of first aid, which allows for one doctor visit and potentially one follow-up visit, given current fee schedule levels.

A Working Group member expressed concern about changing the experience rating formula in a way that could impact many employers' experience modifications without a good estimate of the magnitude of the underreporting issue and the likely increase in the number of reported claims following implementation of the change. While acknowledging the concern, staff noted the difficulty of quantifying the number of claims that are not being reported and that there was a consensus of the Working Group members at the February 23, 2015 meeting that the underreporting of small claims was widespread and impacted injured workers, employers, insurers and providers. Staff also indicated that they would attempt to quantify the

¹ 36% of all claims at \$500 and 54% at \$1,000.

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potential impact of increased claim reporting and adjust experience rating values accordingly to the extent this alternative approach is further pursued.

Staff advised the Working Group that their feedback will be shared with the WCIRB's C & R and Actuarial Committees at upcoming meetings.

Staff expressed their appreciation for the Working Group's input throughout this process.

Claims Working Group

Meeting Summary

To: Participants of the Claims Working Group
Date: April 18, 2016

RE: Summary of March 23, 2016 Meeting

Insurer Meeting Participants Were Reminded of the Antitrust Notice

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Discussion Topics

At the meeting, the following topics were discussed.

1. First Quarter 2016 Review of Diagnostics

The meeting materials included the WCIRB's standard set of diagnostics that are reviewed by the Actuarial Committee and the Claims Working Group on a semi-annual basis. Among the diagnostics discussed by the Working Group were the following:

- a. The percentage of permanent disability claims with legal representation increased significantly in both Northern and Southern California for both accident years 2012 and 2013. A Working Group member suggested that the increase in Northern California could in part be due to increases in the Central Valley and requested to see representation rates at a more refined geographic level. Staff agreed to summarize the changes at a more refined geographic level.
- b. Division of Workers' Compensation (DWC) compromise and release (C&R) decisions increased as a share of total decisions to 58% in 2014 from 51% in 2012. A Working Group member suggested that the increase in C&R decisions could be linked to more workers having health insurance under the Affordable Care Act (ACA). Workers with health insurance are less dependent on workers' compensation for medical treatment and therefore more

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willing to accept settlements. Staff agreed to review differences in settlement rates by industries with workers that would be more impacted by the ACA.

- c. The total number of liens filed in 2015 was almost twice the number filed in 2014. Several Working Group members suggested that they weren't experiencing such sharp increases in lien volumes in 2015 and suggested that the DWC be contacted to confirm that there were no data issues or definitional differences in how liens were being counted in the database. The Working Group also requested that staff review the distribution of lien sizes to see if there was any change in 2015. Staff indicated they would consider re-issuing the lien survey in 2016 to obtain lien settlement information. A member noted that if the lien survey is to be issued, information on "pre-lien" payment disputes should also be obtained.
- d. The WCIRB Permanent Disability Claim Survey data shows that the percent of claims with a Medicare Set-aside (MSA) increases significantly with claimant age, while the percent of claims resolved by C&R decisions decreases with age. The Working Group commented that the cost of MSAs increase significantly for older workers. Also, the Working Group suggested that the lower percentage of compromise and release settlements for older workers was not surprising inasmuch as many older injured workers are less likely to settle their future medical.
- e. The number of DWC expedited hearings decreased slightly in 2015, but remained much higher than pre-2013 levels. The Working Group noted that when an Independent Medical Review decision is not received within 30 days of Maximus receiving the supporting documents the applicant may be able to pursue an expedited hearing. The Working Group also noted that until there is more judicial clarification of this issue, the count of expedited hearing on medical treatment issues is likely to remain high. A Working Group member also suggested that staff contact the DWC to assess whether information can be obtained segregating the expedited hearing counts on medical treatment issues from those on other issues.
- f. The percent of permanent disability claims that are open at second report level has decreased from 72% in 2007 to 62% in 2012, while the percent of temporary disability claims (without permanent disability) open at second report level has increased from 22% in 2007 to 31% in 2012. The Working Group noted that the largest increases in the percent of temporary disability claims being open was from 2008 to 2010, which could be explained by the economic downturn.

2. Analysis of Changes in Indemnity Claim Frequency

The Working Group reviewed the results of the WCIRB's Analysis of Changes in Indemnity Claim Frequency – January 2016 Update Report. Among the principal findings noted were:

- a. Recent increases continue to be somewhat unique to California.
- b. The proportion of cumulative injury claims continue to increase sharply.
- c. Staff advised the Working Group that the WCIRB's 2015 cumulative injury claim survey continued to support the results of the 2014 survey. The survey results showed (1) increases in the proportion of cumulative injury claims involving multiple insurers or attorney involvement, (2) decreases in the proportion of cumulative injury claims involving psychiatric

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injury or sleep disorder, (3) the majority cumulative injury claims are initially denied by insurers, (4) a significant number of cumulative injury claims are filed post-termination and (5) the lag between injury date and reporting date for cumulative injury claims has increased.

- d. Increases in claim frequency since 2010 continue to be concentrated in the Los Angeles area, while the remainder of California has generally followed national patterns. The Los Angeles area also showed significantly higher proportions of cumulative injury claims and claims involving multiple body parts and these proportions have continued to increase.

3. SB 863 Cost Monitoring and Emerging Trends

The Working Group reviewed the WCIRB's most recent evaluation of the cost impact of SB 863. The Working Group was advised that the most recent WCIRB's SB 863 Cost Monitoring Report, which was published in November of 2015, reflected the recommendations discussed at the November 3, 2015 joint Claims Working Group and Actuarial Committee meeting.

4. Potential Study on Medicare Set-Asides

Based on questions raised at the July 28, 2015 Claims Working Group meeting, staff presented a potential study on the cost of Medicare Set-Asides (MSAs). This study would expand beyond the results presented to the Working Group based on the WCIRB Permanent Disability Survey and enable a fuller understanding of the frequency in which MSAs are used as well as development trend differences for C&R claims compared to stipulated award claims.

The Working Group was advised that the first phase of the study will query the WCIRB's unit statistical database to identify incurred medical and indemnity development on stipulated and C&R claims by each Accident Year since 2002. The goal of this study is to assess how the medical development of claims in which future medical is not resolved differs from C&R claims in which future medical is resolved.

The Working Group was advised that staff expects that the initial findings from the first phase of the study will be available for discussion at the July meeting. At that meeting, the Working Group can discuss whether a special survey of C&R claims is warranted to assess the frequency and characteristics of MSAs.

5. Legislative, Regulatory and Judicial Update

The Working Group reviewed the updates to legislative, regulatory and judicial actions included in the meeting materials.

The Working Group discussed the published decision in King v. CompPartners issued by the Fourth District Court of Appeal, Division 2, on January 5, 2016. At issue is whether an injured worker can file a lawsuit in tort against a utilization review organization after the utilization review organization doctors determined that a medication was not medically necessary and the injured worker suffered from seizures after being taken off of that medication by his treating physician. The trial court granted the utilization review organizations' demurrer without leave to amend, essentially stating that there was no cause of action that the injured worker could bring in tort against the utilization review organization. The Court of Appeal reversed the trial court's decision by granting the injured worker leave to amend their claim to allege that the utilization review physician failed to provide a warning regarding the effects of discontinuing the medication abruptly and the extent which the utilization review physicians owed a duty of care to the injured

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worker because there is a doctor-patient relationship. A Working Group member mentioned that this creates an exception to the doctrine that workers' compensation is the exclusive remedy available to employees against employers for injuries sustained in the course and scope of employment and could cause a chilling effect on the utilization review process. Various stakeholders have requested that the decision be depublished and the decision is also being appealed to the California Supreme Court.

As part of this discussion, a Working Group member also mentioned a related tort suit. Electronic Waveform Lab v. EK Health Services is a civil action filed by a medical product manufacturer (Waveform) against a utilization review provider (EK Health). The allegation is that EK Health defamed Waveform's product by denying patients the ability to use the product based on utilization review decisions. An anti-SLAPP (Strategic Lawsuit Against Public Policy) motion was filed arguing that the actions taken by the insurer and the utilization review organization are protected activity as part of various workers' compensation claims before the Workers' Compensation Appeals Board. The trial court and the appeals court denied the anti-SLAPP motion and the case is pending.

Medical Analytics Working Group

Meeting Summary

To: Participants of the Medical Analytics Working Group
Date: June 8, 2016

RE: Summary of May 25, 2016 Meeting

Insurer Meeting Participants Were Reminded of the Antitrust Notice

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Discussion Topics

At the meeting, the following topics were discussed:

A. Pharmaceutical Dispensing Study

WCIRB staff presented preliminary results of its study of pharmaceutical dispensing in the California Workers' Compensation system. This study, which was conducted in response to requests from Medical Analytics Working Group participants, analyzed data from \$500 million in drug transaction payments collected in the WCIRB's Medical Data Call (MDC) database during a 42-month period between July 2012 and December 2015.

The study addressed these questions:

(1) What are the overall drug payment trends by major drug category?

Findings indicated that opiate analgesics remained the most frequent drug category with a consistent level of approximately 22% of payments. While overall payments per claim for pharmaceuticals have been declining, payment shares for non-opiate analgesics and behavioral health drugs increased during this period, while the share of dermatological applications and stomach discomfort drugs declined. Musculoskeletal drugs consistently received approximately 8% of all drug payments during the study period. Bulk chemicals used as bases for compounds increased from 5% to 7% during this period.

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(2) How do dispensing sites differ for the major drug categories?

- (a) Over the 42-month study period, the dispensing of opiate analgesics, declined by 20% in provider offices, while showing a corresponding increase in retail pharmacies.
- (b) Non-opiate analgesics received significantly higher levels of reimbursement when dispensed in compounded form at both retail pharmacies and provider offices.
- (c) Payment shares for dermatological applications (such as patches) have increased by 20% in retail pharmacies over the study period, while provider offices experienced a corresponding decline.
- (d) Provider offices dispense the majority of stomach discomfort drugs at a payment per script level 60% higher than retail pharmacies.
- (e) Provider offices dispense the majority of stomach discomfort drugs at a payment per script level 40% higher than retail pharmacies.
- (f) Nearly 80% of behavioral health drugs are dispensed in retail pharmacies at a payment per script level 33% higher than provider offices.
- (g) Provider offices dispense the majority of musculoskeletal drugs at a payment per script level 20% higher than retail pharmacies.

(3) What are the patterns of compound drug dispensing?

Compound drugs account for \$118 million, or approximately 20% of all drug payments during the study period. The study analyzed payment information from approximately 4,500 retail pharmacy compound dispensers and approximately 2,600 provider office compound dispensers. A total of about 55% of all compound payments are generated in retail pharmacies and 45% are generated by provider offices.

Compounding in pharmacies involves specialized mixtures comprised of multiple active and inactive chemical ingredients and creams used as a base. Powdered forms of pills which are dispensed as tablets or capsules elsewhere (including opiates, non-opiate analgesics and stomach drugs) are mixed into the base. Compound dispensing in provider offices involves the prescribing of prepacked mixtures of many of the same ingredients dispensed in pharmacies.

WCIRB staff discussed how it identified compounding bills, which involved locating the same bill number containing charges for base chemicals and powdered forms of standard drugs on the same invoice. The Working Group discussed whether all the charge components of the bill likely were related to the compound. Several members suggested that in their experience, in most instances, that was the case.

The overall share of drug payments for compounds at retail pharmacies remained at 12% over the study period. These data reflect a decline in the number of scripts offset by a paid unit price increase of 76%. For the entire 42-month period, pharmacies were paid a level 119% higher than non-compounds.

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The overall share of drug payments for compounds at provider offices declined from 12% to 6% over the study period despite a unit price increase of 20% for paid compounds. Although the gap was not as great as it was with retail pharmacies, compound payments were 23% higher than non-compounds dispensed in provider offices.

One member pointed out that the recent decline in compound dispensing in provider offices may be attributable to independent medical review and suggested that the WCIRB analyze changes in the proportion of submitted compounding bills that were rejected for payment.

On a statewide basis, 62% of all compounds were dispensed in Los Angeles County, compared to 47% of all medical payments in that county. For the remainder of the Los Angeles Basin, including Orange, Ventura, Imperial, Riverside and San Bernardino Counties, the share of compound dispensing (20%) was 3% higher than this region's overall medical share. For the 18% of compounding generated in the remainder of the state, each region recorded levels of compound dispensing lower than shares of overall workers' compensation medical spending.

(4) Do dispensing patterns differ for generic and brand drugs?

The share of generic drugs dispensed in both provider offices and retail pharmacies has gradually risen to approximately 60% of all drug payments. Brand drugs with generic equivalents account for approximately 10% of all drug payments at both sites. Brand drugs with no generic equivalents consistently represented approximately 30% of total drug payments during the study period and are reimbursed at much higher cost levels than generics.

There were no major differences between retail pharmacies and provider offices in the patterns of generic versus brand drug dispensing.

(5) Are dispensing sites paid different amounts for therapeutically equivalent drugs?

WCIRB staff grouped drug data into the fifteen most frequently paid categories representing general therapeutic equivalents. When analyzing payment levels for the five major opiate analgesics, provider offices received payments 19% higher than retail pharmacies. When analyzing payment levels for the three major stomach discomfort drugs, provider offices received payments 29% higher than retail pharmacies.

When analyzing drugs in other generally therapeutically equivalent categories, such as behavioral health and musculoskeletal drugs, as well as non-opiate analgesics, there were no material differences in payment levels between retail pharmacies and provider offices.

Given that each generally therapeutically equivalent category contains thousands of variations in strength, units and dosage forms, it was necessary to carry out an additional analysis of specific therapeutically equivalent drugs. When the most common opiate analgesics and stomach discomfort drugs are examined as unique pill types, provider offices generally dispensed drugs with the highest unit prices in the specific drug category.

B. Cumulative Trauma (CT) Study

Alex Swedlow of the California Workers' Compensation Institute (CWCI) summarized the latest available information from the joint CWCI/WCIRB study of cumulative trauma claims. Using WCIRB unit statistical data from policy years 2000 through 2013 for a select group of insurers, the CWCI has identified 78,000 claims matched to its own medical transaction database. The latest information indicated that the most common diagnoses included multiple body parts and stress and the disproportionate share of the claims

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are from the Los Angeles Basin. The CWCI showed that approximately 21,000 CT claims (28%) involve “companion claims” featuring the same injured worker, date of injury, dates of service, attorney name and employer name. A total of 96% of “companion” claims had attorney involvement.

When comparing closed indemnity claims, CT claims were awarded amounts 42% higher than non-CT claims. The presence of a “companion” claim, helped make the award level roughly equivalent to CT claims without “companions.” The CWCI and WCIRB will update these findings at the next Working Group meeting.

C. Medicare Set Aside Study

In response to a request from the Claims Working Group, WCIRB is developing a study of Medicare Set-Asides (MSA). This research will build on WCIRB’s Permanent Disability Claims Survey data which evaluates claims at fairly early maturities and may understate the overall frequency of MSAs. The goal is to determine the extent to which California insurers have used MSAs on claims settled via Compromise and Release (C & R). In addition, WCIRB staff will compare C & R claims with and without MSAs to a matched set of similar claims which were settled via stipulated awards. The results will identify the frequency of MSAs and estimate the value of these arrangements compared to settlements via stipulation. Staff intends to begin this work in 2016 and report on progress at the next Working Group meeting.

D. Current Research by Other Organizations

The CWCI presented summary data from its May 2016 study entitled “Trends in The Use of Opioids in California’s Workers’ Compensation System.” This study showed results consistent with those from the WCIRB indicating that opiates account for approximately 24% of all drug payments and bulk chemicals used for the bases of compounds accounted for 6%. Over a ten-year period, opiates grew from 18% of total drug payments in 2005 to a high point of 31% in the years 2009 through 2011 and declined to 24% in 2014. During that same period, payments for bulk chemicals used in compounds increased by more than 1000% to 6% in 2014.

In addition, the Working Group discussed (a) the January 2016 Workers Compensation Research Institute study entitled “Physician Dispensing of High Priced New Drug Strengths and Formulation.” This study, which helped inspire the WCIRB’s drug dispensing study, suggested that California’s unit price controls on drugs are being evaded by some workers’ compensation physicians; and (b) the NCCI’s January 2016 study entitled “Time From Injury to Treatment in Workers Compensation: Setting a Baseline to Monitor the Affordable Care Act.” This research, applying a similar model used by the WCIRB in its 2014 and 2015 studies, showed similar findings to California.

E. Ongoing Research Studies

(1) Impact of the Affordable Care Act (ACA) on California Workers’ Compensation

Given that ACA may place a burden on primary care providers that serves to limit the access of injured workers to medical care, the WCIRB will continue its ongoing efforts to document the intervals between injury and treatment. In particular, WCIRB staff will identify any changes to the baseline levels of access to initial treatment disclosed in the WCIRB’s 2014 and 2015 studies on this subject. This research is important because of recent claims by Covered California that the number of employed enrollees has increased from the level of prior years. A Working Group member also emphasized the importance of reviewing the potential impact of the ACA on industries for which the employer mandate under ACA will likely have a significant impact.

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(2) Senate Bill No. 863 (SB 863) Reforms

(a) Resource-Based Relative Value Scale (RBRVS)

In the fourth quarter of 2016, WCIRB staff will update its ongoing monitoring of payments via the physician fee schedule which has been governed by the RBRVS since January 2014. Given that the conversion factors have changed in January of each year of the four year phase-in of the new schedule, the WCIRB will collect and analyze first half 2016 data to compare trends to prior years. Staff will pay particular attention to the persistence of the post-2014 trend for greater payment shares to be devoted to primary care providers rather than specialists.

(b) Ambulatory Surgical Centers (ASC)

Initial WCIRB studies (with the CWCI) in 2014 and 2015 indicated a 26% reduction in cost per episode for ASCs. Given that California ASC reimbursements are now tied to Centers for Medicare and Medicaid Services (Medicare) rates, WCIRB staff will monitor payment trends for ASCs through mid-year 2016 to determine if the initial savings have eroded.

(c) New Fee Schedules

SB 863 authorized new schedules for copy services, home health services and interpreters. The copy service fee schedule went into effect in July 2015 and the WCIRB intends to track initial results by the third quarter of 2016. Home health and interpreter schedules are still in the administrative review process. The potential impact of the new schedules on cost levels will be evaluated by the WCIRB once they are promulgated.

(d) Independent Medical Review (IMR)

WCIRB staff has collected data on IMRs since 2013 and will present updated information through June, 2016 at the next Medical Analytics Working Group meeting.

F. Industry Benchmarking Summaries

(a) Annual Aggregate Industry Report

WCIRB staff showed its prior industry aggregate medical cost reports describing overall Calendar Year 2014 results by Medical Provider type, Place of Service, Medical and Pharmaceutical procedures and fastest growing procedures. The WCIRB will release its annual report for Calendar Year 2015 in the third quarter of 2016. This report will compare Calendar Year 2015 and Calendar Year 2014 and enable insurers to compare their own medical results to the prior year results.

(b) Enhancements to Quarterly Insurer Benchmark Reports

WCIRB staff described some enhancements to the quarterly benchmark reports to be effective starting with 2016 transaction data. All reports will include a line for unclassifiable transactions. Report One (Provider Type) will include a designation for providers "not otherwise classified." Report Two (Place of Service) will include an indicator for Nursing Facilities. Report Three (Procedure Type) will include data for copy services.

G. Adjournment

The Working Group was adjourned with a plan to convene its next meeting in late September or early October 2016.

Item AC99-05-02
Annual Report on Paid Costs

Section 11759.1 of the California Insurance Code requires the WCIRB to summarize various insurer premium, loss, and expense information from each calendar year and submit a report to the Governor and Legislature by June of the following year. A draft summary of the WCIRB's report for calendar year 2015 will be presented at the meeting.

Item AC16-03-04 Special Call for Terrorism Premium Information

Section 111 of the Terrorism Risk Insurance Program Reauthorization Act (TRIPRA) of 2015 authorizes the Secretary of the Treasury, beginning in 2016, to collect data on terrorism exposure from insurers. The Federal Insurance Office (FIO) of the United States Department of the Treasury issued a request on March 4, 2016 for data and information pursuant to Section 111. Insurers were asked to voluntarily provide calendar year 2015 data related to TRIPRA for all lines of insurance, including workers' compensation insurance, which the FIO intends to use in connection with a report due to Congress by June 30, 2016. Reporting for the 2016 FIO Data Collection was voluntary and the deadline was April 30, 2016.

On May 2, 2016, in consultation with the FIO and as authorized by the California Department of Insurance (CDI), the WCIRB provided the FIO, on a confidential basis, aggregated information regarding the WCIRB's estimate of the total California statewide insured employer workers' compensation reported payroll and direct earned premium for calendar year 2015 for the North American Industry Classification System (NAICS) sectors and California geographical regions specified in the 2016 FIO Data Collection request. Members were advised that the reporting of this information by the WCIRB does not take the place of insurers' reporting requirements and was being provided only as a supplement to the California workers' compensation policy information to be voluntarily submitted by insurers. (Bulletin 2016-08 advising the Members as to the information being provided to the FIO is attached.)

While the Federal Government was finalizing its data reporting requirements, the National Association of Insurance Commissioners (NAIC) was also developing reporting requirements related to terrorism data. The NAIC requested insurer-specific workers' compensation data related to terrorism from 11 states including California. This data request from the NAIC was made to each data collection organization in the affected states on behalf of their member insurers.

To provide the NAIC with the required information for California, the WCIRB, in consultation with the CDI, issued a Special Call for Terrorism Information on March 4, 2016. (WCIRB Bulletin No. 2016-05 describing the Special Call is attached.) The information collected through this call, in conjunction with the information that the WCIRB already collects in accordance with the *California Workers' Compensation Uniform Statistical Reporting Plan—1995*, allowed the WCIRB, as directed by the CDI, to provide the NAIC the required policy count, payroll and terrorism premium information by payroll size interval by insurer both for policies with a specific charge for terrorism as well as those without a specific charge. The WCIRB provided the required information to the NAIC on a confidential basis on May 25, 2016.¹

¹ The information the WCIRB provided to the NAIC for California was consistent with the information provided by the NCCI for the remaining 10 states in the initial 11 state NAIC request.

WCIRB Bulletin

Bulletin No. 2016-08

April 29, 2016

1221 Broadway, Suite 900 • Oakland, CA 94612 • 415.777.0777 • Fax 415.778.7007 • www.wcirb.com • wcirb@wcirb.com

Terrorism Risk Insurance Program Reauthorization Act of 2015 (TRIPRA) Department of the Treasury 2016 Data Collection

The Federal Insurance Office (FIO) of the United States Department of the Treasury issued a request on March 4, 2016 for data and information pursuant to Section 111 of the Terrorism Risk Insurance Program Reauthorization Act of 2015 (TRIPRA). Insurers were asked to voluntarily provide calendar year 2015 data related to the effectiveness of TRIPRA for all lines of insurance, including workers' compensation insurance, which the FIO intends to use in connection with a report due to Congress by June 30, 2016. Reporting for the 2016 Data Collection is voluntary and the deadline is April 30, 2016. Additional information regarding the data collection can be found at <https://www.tripsection111data.com/>.

In consultation with FIO and as authorized by the California Department of Insurance, the WCIRB is providing supplemental aggregate information regarding the WCIRB's estimate of the total California statewide insured employer workers' compensation reported payroll and direct earned premium for calendar year 2015 for the North American Industry Classification System (NAICS) sectors and California geographical regions specified in the 2016 Data Collection request. The reporting of this information by the WCIRB does not take the place of insurers reporting requirements and is being provided only as a supplement to the California workers' compensation policy information to be voluntarily submitted by insurers.

Please note that the WCIRB also issued a special data call to insurers in order to respond to the request for workers' compensation terrorism premium information by the National Association of Insurance Commissioners (NAIC) made to the Data Collection Organizations and plans to submit a report to the NAIC in May 2016. See WCIRB Bulletin No. 2016-05, WCIRB Special Call for Terrorism Premium, for additional information.

Questions regarding the WCIRB terrorism-related information being provided to either FIO or the NAIC can be directed to WCIRB Customer Service at customerservice@wcirb.com or 888.CA.WCIRB.



WCIRB Bulletin

Bulletin No. 2016-05

March 4, 2016

1221 Broadway, Suite 900 • Oakland, CA 94612 • 415.777.0777 • Fax 415.778.7007 • www.wcirb.com • wcirb@wcirb.com

WCIRB Special Call for Terrorism Premium

Section 111 of the Terrorism Risk Insurance Program Reauthorization Act (TRIPRA) of 2015 authorizes the Secretary of the Treasury, beginning in 2016, to collect data on terrorism exposure from insurers. While the Secretary has not yet finalized the data reporting requirements, the National Association of Insurance Commissioners (NAIC) has requested insurer-specific workers' compensation data related to terrorism from 11 states, including California. This data request from the NAIC has been made to each Data Collection Organization in the affected states on behalf of their member insurers.

In California, the advisory pure premium rates approved by the Insurance Commissioner do not reflect a provision for terrorism losses. In addition, while some insurers' workers' compensation rate filings with the California Department of Insurance (CDI) reflect a specific premium charge for terrorism, the WCIRB does not require the reporting of specific premium adjustments related to individual insurer filed rating plans. Consequently, to provide the NAIC the required information for California, the WCIRB, in consultation with the CDI, has developed a Special Call for terrorism information. The information collected through this call, in conjunction with the information the WCIRB already collects in accordance with the *California Workers' Compensation Uniform Statistical Reporting Plan—1995*, will allow the WCIRB to provide the NAIC the required policy count, payroll and terrorism premium information by payroll size interval by insurer both for policies with a specific charge for terrorism as well as those without a specific charge. The WCIRB is requesting that the Special Call be completed for policies incepting in 2012 and 2013.

For illustrative purposes, attached is a sample copy of the Special Call for 2013 policies. Electronic versions for 2012 and 2013 policies of the actual call are being provided to the individual in each insurer's organization responsible for submitting aggregate financial data calls to the WCIRB. The information requested in the Special Call is required to be submitted to the WCIRB no later than **April 18, 2016**.



Special Call for Direct California Workers' Compensation Terrorism Information for Policies Incepting in 2013

Due Date: April 18, 2016

Note: This sample form is for illustration only. Actual form will be issued in Excel file format.

- For each insurer listed below, indicate whether a charge for terrorism exposure pursuant to the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA) was applied for all, some or none of its workers' compensation insurance policies incepting in 2013. A charge for terrorism exposure may refer to a separate premium charge for TRIPRA terrorism exposure such as one that is derived based on a percentage of the total policy premium or total policy payroll (e.g., Statistical Code 9740 premium) and/or a documented component of the insurer's manual rates in your company's California workers' compensation rate filing that is specific to TRIPRA terrorism exposure.

Individual Insurer within Reporting Group (WCIRB will prepopulate insurer list in this column)	Terrorism Charge Applied to: (The radio buttons below will be dropdown boxes in the actual form)
	<input type="radio"/> All Policies <input type="radio"/> Some Policies <input type="radio"/> No Policies
	<input type="radio"/> All Policies <input type="radio"/> Some Policies <input type="radio"/> No Policies
	<input type="radio"/> All Policies <input type="radio"/> Some Policies <input type="radio"/> No Policies
	<input type="radio"/> All Policies <input type="radio"/> Some Policies <input type="radio"/> No Policies

If the answer is **"No Policies"** for every insurer listed above, no additional information should be reported for questions 2 to 5 below. Please submit this form including the completed contact information on the bottom of the form no later than April 18, 2016.

Otherwise, please provide the information requested in questions 2 to 5 below for the insurers listed above and then submit this form including the completed contact information on the bottom of the form no later than April 18, 2016.

	(A) 2013 Policies for Which a Specific Premium Charge for Terrorism Applies	(B) 2013 Policies (If Any) for Which a Specific Premium Charge for Terrorism Does Not Apply
2. Total Policy Count For All Policies Incepting in 2013	-----	-----
3. Total Reported Payroll For All Policies Incepting in 2013	-----	-----
4. Total Premium Charge for Terrorism For All Policies Incepting in 2013	-----	-----XXXXXXXXX-----

- For all individual insurers listed in question 1 above for which a terrorism charge was applied to some but not all of the policies incepting in 2013, please provide a list (in the tab "Policy List for Question 5" of this form or as a separate Excel file or text file in comma-delimited or similar format) of the policies incepting in 2013

Special Call for Direct California Workers' Compensation Terrorism Information for Policies Incepting in 2013

Due Date: April 18, 2016

written by these insurers for which the terrorism charge **did not apply** by providing the following for each such policy: i) Insurer Name and WCIRB Insurer Code (exactly as listed in question 1), ii) Policy Number, and iii) Policy Inception Date. The policy number should be the policy number as reported on unit statistical reports in accordance with the *California Workers' Compensation Uniform Statistical Reporting Plan – 1995*, including any prefixes or suffixes.

Name (Please print or type)	Title
Company	Date Filed
Mailing Address	
Email	
Telephone No.	Fax No.

Instructions

Special Call for Direct California Workers' Compensation Terrorism Information

For Policies Incepting in 2013

- A. Information reported in this call must be in accordance with the following:
- 1) Include premium and payroll experience from:
 - Deductible policies on a gross (first dollar) basis
 - Standard workers' compensation policies
 - Minimum premium policies
 - 2) Exclude experience from:
 - Ceded reinsurance
 - Reinsurance assumed
 - Excess insurance
 - USL&H insurance
 - Private residence employee insurance
 - National Defense Project insurance
- B. For the purpose of this special call, a charge for terrorism exposure pursuant to the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA) may refer to a separate premium charge for TRIPRA terrorism exposure such as one that is derived based on a percentage of the total policy premium or total policy payroll (e.g., Statistical Code 9740 premium) and/or a documented component of the insurer's manual rates in your company's California workers' compensation rate filing that is specifically for covering TRIPRA terrorism exposure.
- C. For question 1, the reporting group/insurer must designate for each individual insurer in the reporting group whether a terrorism charge applies to (a) all, (b) none, or (c) some but not all of the policies incepting in 2013 written by that insurer.
- D. For reporting groups/insurers that include a charge for terrorism, the **Policy Count** information reported in question 2 should include the count of all policies incepting in 2013 with California exposure (as described in Paragraph A above) that are required to be reported to the WCIRB in accordance with Part 4, of the *California Workers' Compensation Uniform Statistical Reporting Plan – 1995* (USRP). The count of policies should be segregated between those to which a charge for terrorism applies and those, if any, for which no such charge applies and, in total, should correspond to the total reported policy counts for all the insurer's unit statistical reports for policies incepting in 2013.
- E. For reporting groups/insurers that include a charge for terrorism, the **Total Reported Payroll** information reported in question 3 should include the total workers' compensation exposure of all policies incepting in 2013 with California exposure (as described in Paragraph A above) that are required to be reported to the WCIRB in accordance with Part 4 of the USRP. The total payroll reported should be segregated between the payroll on policies for which a provision for terrorism applies and the payroll for those, if any, for which no such charge applies and, in total, should correspond to the total reported payroll for all the insurer's unit statistical reports for policies incepting in 2013.
- F. For insurers that include a charge for terrorism in its rates filed with the CDI, the **Total Premium Charge for Terrorism** information reported in question 4 should reflect only the portion of the total workers' compensation premium corresponding to the terrorism provision.

Instructions
Special Call for Direct California Workers' Compensation Terrorism
Information

For Policies Incepting in 2013

- G. For each individual insurer in the reporting group for which a terrorism charge is applied to some but not all of its policies incepting in 2013, a listing of policies incepting in 2013 for which the terrorism charge **does not apply** must be provided. The policy numbers provided on the listing should be consistent with those reported on unit statistical reports in accordance with Part 4 of the USRP, including any prefixes or suffixes.

If you have any questions about this special call, please send an email to the WCIRB Actuarial Department at actuarial@wcirb.com.

Item AC16-06-01 3/31/2016 Experience – Review of Methodologies

Staff has prepared a preliminary analysis of statewide experience through March 31, 2016, which is included in Exhibits 1 through 8. This information reflects insurers writing almost 100% of the market based on 2015 premium levels. The methodologies used were generally consistent with those reflected in the July 1, 2016 Pure Premium Rate Filing, and include the changes to the loss development tail projection adopted by the Committee at the April 5, 2016 meeting.¹ Wage and loss levels were projected to January 1, 2018—the approximate midpoint of experience on policies incepting in 2017, and premiums were adjusted to the industry average filed pure premium rate level as of January 1, 2016.

As shown on Exhibit 8, the projected policy year 2017 loss to the industry average filed pure premium ratio based on March 31, 2016 experience is 0.638. (The projected loss to pure premium ratio for policies incepting between July 1, 2016 and December 31, 2016 reflected in the July 1, 2016 Pure Premium Rate Filing based on December 31, 2015 experience was 0.659.)

Additional supplemental information is included in Exhibits 9 through 12.

¹ See Item AC16-03-03 of the April 5, 2016 meeting.

**California Workers' Compensation
Accident Year Experience as of March 31, 2016**

<u>Year</u>	<u>Earned Premium</u>	<u>Paid Indemnity</u>	<u>Indemnity Reserves</u>	<u>Paid Medical**</u>	<u>Medical Reserves</u>	<u>IBNR*</u>	<u>Total Incurred**</u>	<u>Loss Ratio*</u>
1985	2,873,069,049	1,277,140,739	5,032,815	981,096,371	26,328,943	19,018,215	2,308,617,083	0.804
1986	3,508,220,885	1,380,550,001	7,026,016	1,126,259,024	41,516,625	61,557,545	2,616,909,211	0.746
1987	4,374,633,116	1,502,886,161	7,553,772	1,321,116,826	52,166,810	34,904,298	2,918,627,867	0.667
1988	5,173,024,985	1,699,488,088	8,354,382	1,524,172,633	54,274,768	48,898,819	3,335,188,690	0.645
1989	5,676,279,371	1,935,506,623	9,827,644	1,777,523,920	71,434,620	51,267,051	3,845,559,858	0.677
1990	5,705,868,231	2,255,832,375	10,018,634	2,025,449,577	68,420,420	69,393,339	4,429,114,345	0.776
1991	5,872,566,346	2,472,989,689	20,724,368	2,176,215,986	83,345,399	73,263,096	4,826,538,538	0.822
1992	5,692,939,950	1,972,376,981	17,886,778	1,733,678,062	81,096,000	73,531,210	3,878,569,031	0.681
1993	5,942,544,967	1,689,092,715	18,159,495	1,482,898,299	107,934,454	64,399,619	3,362,484,582	0.566
1994	5,034,832,088	1,619,619,213	25,783,368	1,436,391,703	125,339,316	65,552,725	3,272,686,325	0.650
1995	3,790,123,513	1,751,867,434	38,277,880	1,570,737,383	153,862,526	76,275,606	3,591,020,829	0.947
1996	3,748,266,525	1,936,553,663	45,123,058	1,669,079,561	153,542,212	87,285,569	3,891,584,063	1.038
1997	3,928,295,572	2,297,791,213	57,944,985	1,964,853,262	188,210,942	139,055,651	4,647,856,053	1.183
1998	4,333,678,943	2,744,454,788	70,386,131	2,562,006,062	294,878,668	229,815,261	5,901,540,910	1.362
1999	4,551,891,247	3,023,345,268	76,334,548	2,931,227,047	297,118,418	316,763,054	6,644,788,335	1.460
2000	5,923,847,825	3,381,130,722	104,091,283	3,455,602,764	359,947,403	456,392,455	7,757,164,627	1.309
2001	10,112,328,817	4,746,221,320	163,025,340	5,151,468,248	580,138,890	718,216,873	11,359,070,671	1.123
2002	13,432,883,148	4,677,878,338	147,584,979	5,279,280,795	527,504,012	1,029,314,306	11,661,562,430	0.868
2003	19,477,785,340	4,418,164,305	221,455,611	4,824,221,943	560,784,608	1,408,308,966	11,432,935,433	0.587
2004	23,104,564,373	3,102,325,806	196,190,109	3,847,164,024	498,445,070	1,494,095,055	9,138,220,064	0.396
2005	21,406,773,529	2,422,094,587	169,394,431	3,431,934,995	466,922,925	1,241,263,795	7,731,610,733	0.361
2006	17,266,579,534	2,489,978,804	194,929,228	3,513,469,536	509,035,189	924,990,072	7,632,402,829	0.442
2007	13,306,159,616	2,582,936,740	239,280,996	3,718,967,530	588,655,645	988,576,223	8,118,417,134	0.610
2008	10,840,255,465	2,619,910,858	257,822,958	3,695,361,123	603,901,830	810,431,662	7,987,428,431	0.737
2009	9,017,907,435	2,448,405,053	281,862,004	3,470,710,831	616,025,077	773,418,031	7,590,420,996	0.842
2010	9,529,589,971	2,405,554,790	311,683,541	3,445,153,719	641,632,572	968,585,576	7,772,610,198	0.816
2011	10,292,096,107	2,255,817,028	387,553,062	2,963,648,472	785,444,119	1,484,063,250	7,876,525,931	0.765
2012	11,908,578,021	2,115,034,319	480,308,727	2,672,248,321	851,240,249	1,942,538,370	8,061,369,986	0.677
2013	14,331,334,726	1,848,672,734	621,757,418	2,226,299,241	1,016,610,194	3,117,326,518	8,830,666,105	0.616
2014	16,082,002,182	1,320,766,964	832,848,137	1,628,640,085	1,221,676,709	4,694,313,101	9,698,244,996	0.603
2015	17,077,493,885	578,551,201	852,499,927	870,974,939	1,405,414,650	6,203,405,884	9,910,846,601	0.580
2016*	4,391,746,610	16,658,366	97,797,481	26,554,008	221,595,906	1,958,123,318	2,320,729,079	0.528

* Shown for informational purposes only

** Paid medical for accident years 2011 and subsequent exclude the paid cost of medical cost containment programs (MCCP).
Paid medical for accident years 2010 and prior include paid MCCP costs.

Source: WCIRB quarterly experience calls

Incurred Indemnity Loss Development Factors

Accident Year	27/15	39/27	51/39	63/51	75/63	87/75	99/87	Age-to-Age (in months)										159/147	171/159	183/171	195/183
1991																					1.003
1992																			1.002	1.001	
1993																			1.002	1.000	1.002
1994																			1.002	0.999	0.999
1995																			1.002	1.001	1.002
1996																			1.002	0.999	1.002
1997																			1.002	1.001	1.001
1998																			1.002	1.000	1.003
1999																			1.002	1.004	1.000
2000																			1.002	1.003	1.002
2001																			1.002	1.002	1.002
2002																			1.002	1.003	1.001
2003																			1.002	1.002	1.001
2004																			1.002	1.003	1.002
2005																			1.002	1.002	1.002
2006																			1.002	1.003	1.002
2007																			1.002	1.002	1.002
2008																			1.002	1.003	1.002
2009																			1.002	1.002	1.002
2010																			1.002	1.003	1.002
2011																			1.002	1.002	1.002
2012																			1.002	1.003	1.002
2013																			1.002	1.002	1.002
2014																			1.002	1.003	1.002

Selected (a)
Cumulative

(a) Selections are latest year for the 15-to-27 month through 99-to-111 month factors and three-year average for the subsequent age-to-age factors

Incurred Indemnity Loss Development Factors (Continued)

Accident Year	Age-to-Age (in months)															
	<u>207/195</u>	<u>219/207</u>	<u>231/219</u>	<u>243/231</u>	<u>255/243</u>	<u>267/255</u>	<u>279/267</u>	<u>291/279</u>	<u>303/291</u>	<u>315/303</u>	<u>327/315</u>	<u>339/327</u>	<u>351/339</u>	<u>363/351</u>	<u>375/363</u>	<u>ULT/375Inc (b)</u>
1981										1.000	1.001	1.002	0.999			
1982									1.001	1.001	1.001	1.000	1.002			
1983								1.000	1.001	1.000	1.000	1.001	1.001	1.001	1.001	
1984							1.001	1.000	1.000	1.001	1.001	1.000	1.001	1.001	0.999	
1985						1.001	1.000	1.000	1.000	1.001	1.001	1.001	1.001	1.000	1.000	
1986					0.999	1.000	1.000	1.001	1.000	1.002	1.002	1.001	1.000	1.000		
1987				1.000	0.999	1.000	1.000	1.000	1.002	1.001	1.000	1.000	1.001			
1988			1.001	1.000	1.001	1.000	1.002	1.002	1.001	1.000	1.000	1.000				
1989		1.001	1.000	1.000	1.001	1.001	1.001	1.000	1.000	1.000	1.001					
1990	1.001	1.000	1.001	1.000	1.000	1.001	1.000	1.000	1.000	1.000						
1991	1.000	1.001	1.001	1.000	1.000	1.000	1.001	1.000	1.000	1.000						
1992	1.000	1.000	1.001	1.001	1.001	1.001	1.000	1.000	1.000							
1993	0.999	1.000	1.001	1.001	1.001	1.001	1.000	1.000								
1994	1.001	1.001	1.002	1.001	1.001	1.001	1.000									
1995	1.001	1.002	0.999	0.999	1.001											
1996	1.001	1.002	1.001	1.000												
1997	1.001	1.000	1.000													
1998	1.001	1.002														
1999	1.001															
Selected (a)	1.001	1.001	1.000	1.000	1.001	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.001	1.000	1.000	
Cumulative	1.011	1.010	1.009	1.009	1.009	1.008	1.007	1.007	1.007	1.007	1.007	1.006	1.006	1.005	1.005	1.005

(b) The ULT/375Inc tail factor was calculated based on an inverse power curve fit to a six-year average of the 111-to-123 through 339-to-351 factors and extrapolated to 80 development years.

Incurred Medical Loss Development Factors

Accident Year	27/15	39/27	51/39	63/51	75/63	87/75	99/87	111/99	123/111	135/123	147/135	159/147	171/159	183/171	195/183
1991															1.011
1992													1.007	1.004	1.012
1993												1.013	1.006	1.019	1.013
1994												1.027	1.027	1.008	1.021
1995												1.020	1.015	1.016	1.005
1996												1.020	1.015	1.010	1.012
1997												1.018	1.009	1.010	1.005
1998												1.010	1.010	1.013	1.007
1999												1.014	1.009	1.012	1.003
2000												1.017	1.012	1.005	0.998
2001												1.018	1.006	0.997	
2002												1.007	0.998		
2003												1.001			
2004												1.004			
2005												1.005			
2006												1.008			
2007												1.009			
2008												1.009			
2009												1.004			
2010												1.004			
2011												1.004			
2012												1.004			
2013												1.004			
2014												1.004			
Selected (a)	1.352	1.131	1.085	1.060	1.036	1.025	1.021	1.015	1.017	1.011	1.009	1.009	1.005	1.005	1.003
Cumulative	2.174	1.608	1.421	1.310	1.236	1.193	1.164	1.140	1.123	1.104	1.093	1.083	1.074	1.068	1.063

(a) Selections are latest year for the 15-to-27 month through 99-to-111 month factors and three-year average for the subsequent age-to-age factors.

(b) Incurred medical loss development factors include the paid cost of medical cost containment programs.

Incurred Medical Loss Development Factors (Continued)

Accident Year	207/195	219/207	231/219	243/231	255/243	267/255	279/267	291/279	303/291	315/303	327/315	339/327	351/339	363/351	375/363	ULT/375Inc (c)
1981										1.000	1.001	1.003	1.001			
1982									1.002	1.007	1.011	1.002	1.005			
1983							1.008		1.004	1.004	1.003	1.003	1.005	1.003	1.003	
1984						1.003	1.001		1.004	1.002	1.004	1.003	1.000	1.004	0.999	
1985						1.005	1.001		1.002	1.004	1.004	1.003	1.004	1.000	0.999	
1986					1.001	1.005	1.003		1.006	1.005	1.005	1.004	1.002	1.001		
1987				1.003	1.001	1.005	1.010		0.999	1.006	1.003	1.003	1.001			
1988			1.005	1.002	1.006	1.005	1.005		1.005	1.002	1.003	1.002	1.001			
1989		1.003	1.006	1.005	1.008	1.005	1.006		1.000	1.002	0.999					
1990	1.003	1.003	1.006	1.008	1.005	1.003	1.002		0.997	1.001						
1991	1.005	1.007	1.006	1.005	1.002	1.004	1.001		1.001							
1992	1.006	1.009	1.001	1.003	1.005	1.003	0.999									
1993	1.008	1.005	1.013	1.013	1.001	1.001	0.999									
1994	1.011	1.011	1.005	1.006	1.004	1.001										
1995	1.010	1.012	0.996	1.007	1.000											
1996	1.008	1.007	1.003	1.000												
1997	1.004	1.000	0.995													
1998	1.012	0.999														
1999	1.000															

Selected (a)
Cumulative

Selected (a)	1.005	1.002	0.998	1.004	1.002	1.001	1.001	1.002	0.999	1.002	1.002	1.003	1.002	1.002	1.000	
Cumulative	1.061	1.055	1.053	1.055	1.050	1.049	1.047	1.046	1.044	1.045	1.043	1.041	1.037	1.035	1.033	1.033

(c) The ULT/375Inc tail factor was calculated based on an inverse power curve fit to a six-year average of the 111-to-123 through 339-to-351 factors and extrapolated to 80 development years.

Paid Indemnity Loss Development Factors

Accident Year	27/15	39/27	51/39	63/51	75/63	87/75	99/87	111/99	123/111	135/123	147/135	159/147	171/159	183/171	195/183
1991															1.004
1992													1.004	1.004	1.003
1993												1.008	1.006	1.005	1.004
1994											1.010	1.008	1.007	1.006	1.004
1995										1.013	1.011	1.009	1.007	1.006	1.005
1996									1.017	1.015	1.011	1.007	1.007	1.006	1.005
1997								1.025	1.018	1.016	1.009	1.009	1.008	1.007	1.006
1998							1.033	1.021	1.018	1.014	1.010	1.009	1.008	1.006	1.006
1999						1.046	1.030	1.022	1.015	1.012	1.010	1.009	1.007	1.007	1.004
2000					1.070	1.045	1.030	1.022	1.016	1.014	1.011	1.011	1.008	1.007	
2001				1.111	1.065	1.043	1.028	1.019	1.018	1.014	1.012	1.009	1.007	1.007	
2002			1.206	1.109	1.064	1.039	1.029	1.025	1.022	1.020	1.015	1.010	1.007	1.007	
2003		1.426	1.191	1.102	1.067	1.045	1.041	1.034	1.026	1.018	1.014				
2004	2.138	1.410	1.200	1.104	1.073	1.057	1.048	1.037	1.025	1.019					
2005	2.211	1.423	1.197	1.121	1.085	1.062	1.045	1.032	1.026						
2006	2.243	1.436	1.211	1.127	1.085	1.061	1.042	1.032							
2007	2.279	1.468	1.234	1.132	1.083	1.054	1.040								
2008	2.369	1.499	1.238	1.135	1.084	1.056									
2009	2.399	1.505	1.240	1.129	1.081										
2010	2.433	1.481	1.227	1.129											
2011	2.424	1.477	1.220												
2012	2.385	1.492													
2013	2.456														
2014															
Selected (a)	2.456	1.492	1.220	1.129	1.081	1.056	1.040	1.032	1.026	1.019	1.014	1.010	1.007	1.007	1.005
Cumulative Unadjusted for Impact of SB 863	7.016	2.857	1.915	1.569	1.390	1.286	1.218	1.171	1.135	1.106	1.086	1.071	1.060	1.053	1.046
Cumulative Adjusted for Impact of SB 863 (b)	7.469	3.041	1.938	1.561	1.383	---	---	---	---	---	---	---	---	---	---

- (a) Selections are latest year for the 15-to-27 month through 99-to-111 month factors and three-year average for the subsequent age-to-age factors.
 (b) The 27-to-ultimate factor for accident year 2014, the 39-to-ultimate factor for accident year 2013, the 51-to-ultimate factor for accident year 2012, and the 63-to-ultimate factor for accident year 2011 have been adjusted by 6.5%, 1.2%, -0.5%, and -0.5% respectively, for the impacts of SB 863 on indemnity loss development. (See *Impact of Senate Bill No. 863 on Loss Development Patterns*, WCIRB, August 13, 2013.)

Paid Indemnity Loss Development Factors (Continued)

Accident Year	207/185	219/207	231/219	243/231	255/243	267/255	279/267	291/279	303/291	315/303	327/315	339/327	351/339	363/351	375/363	375Inc/375Pd (c)	UL T/375Inc (d)
1981										1.002	1.002	1.003	1.000			1.007	
1982								1.001	1.003	1.002	1.002	1.001	1.001			1.005	
1983									1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.005	
1984							1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.000	1.006	
1985						1.001	1.001	1.001	1.001	1.001	1.001	1.002	1.001	1.001	1.001	1.004	
1986					1.001	1.001	1.001	1.002	1.001	1.001	1.001	1.001	1.001	1.001		1.004	
1987				1.001	1.001	1.001	1.001	1.001	1.001	1.002	1.001	1.001	1.001	1.001			
1988			1.001	1.002	1.001	1.001	1.002	1.002	1.001	1.001	1.001	1.001	1.001				
1989		1.002	1.002	1.001	1.001	1.001	1.002	1.001	1.001	1.001	1.001						
1990	1.002	1.002	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001							
1991	1.003	1.002	1.002	1.001	1.001	1.002	1.001	1.001	1.001	1.001							
1992	1.003	1.001	1.002	1.002	1.002	1.002	1.001	1.001									
1993	1.002	1.002	1.003	1.002	1.002	1.002	1.001										
1994	1.003	1.004	1.002	1.003	1.003	1.002											
1995	1.004	1.005	1.004	1.003	1.002												
1996	1.004	1.005	1.004	1.003													
1997	1.005	1.004	1.003	1.003													
1998	1.006	1.005															
1999	1.005																
Selected (a)	1.005	1.005	1.004	1.003	1.002	1.002	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.005	
Cumulative	1.040	1.035	1.030	1.026	1.023	1.021	1.018	1.017	1.016	1.015	1.014	1.013	1.012	1.011	1.010		1.005

(c) Three-year averages of the 375Inc/375Pd factors are selected.

(d) The UL T/375Inc tail factor was calculated based on an inverse power curve fit to a six-year average of the 111-to-123 through 339-to-351 factors and extrapolated to 80 development years.

Paid Medical Loss Development Factors

Unadjusted (a) Accident Year	27/15	39/27	51/39	63/51	75/63	87/75	99/87	111/99	123/111	135/123	147/135	159/147	171/159	183/171	195/183
1991														1.010	1.009
1992													1.013	1.017	1.017
1993												1.015	1.016	1.012	1.012
1994											1.020	1.023	1.019	1.018	1.017
1995										1.026	1.025	1.023	1.022	1.014	1.014
1996									1.032	1.028	1.025	1.020	1.019	1.014	1.014
1997								1.037	1.033	1.032	1.027	1.021	1.017	1.019	1.018
1998							1.042	1.031	1.035	1.030	1.025	1.020	1.016	1.018	1.018
1999						1.051	1.039	1.037	1.033	1.026	1.022	1.020	1.021	1.016	1.012
2000					1.071	1.068	1.046	1.037	1.033	1.024	1.022	1.026	1.019	1.016	
2001				1.099	1.100	1.070	1.053	1.043	1.027	1.024	1.026	1.018	1.015		
2002			1.154	1.165	1.121	1.086	1.066	1.047	1.039	1.031	1.025				
2003		1.298	1.292	1.193	1.123	1.091	1.063	1.051	1.037	1.029	1.022				
2004	1.727	1.342	1.352	1.203	1.120	1.092	1.079	1.051	1.038						
2005	1.773	1.851	1.359	1.221	1.150	1.095	1.067								
2006	1.826	1.385	1.402	1.237	1.133	1.087									
2007	1.876	1.957	1.387	1.209											
2008	1.926	1.969	1.382												
2009	1.957														
2010	1.969														
2011	1.932														
2012	1.939														
2013															
2014															

Adjusted (b) Accident Year	27/15	39/27	51/39	63/51	75/63	87/75	99/87	111/99	123/111	135/123	147/135	159/147	171/159	183/171	195/183
1998														1.019	1.019
1999													1.023	1.017	1.013
2000												1.028	1.020	1.017	
2001											1.027	1.019	1.016		
2002										1.035	1.027	1.019			
2003									1.043	1.033	1.023				
2004									1.039	1.030					
2005						1.082	1.054	1.054	1.043						
2006					1.103	1.071	1.050								
2007				1.157	1.100	1.065									
2008			1.248	1.140	1.090										
2009		1.419	1.226	1.135											
2010		2.003	1.399	1.212											
2011		1.943	1.382												
2012		1.933													
2013															
2014															
Selected (c)	1.933	1.382	1.212	1.135	1.090	1.065	1.050	1.040	1.038	1.033	1.026	1.022	1.020	1.018	1.017
Cumulative	6.662	3.446	2.494	2.058	1.813	1.663	1.562	1.487	1.430	1.377	1.334	1.300	1.272	1.248	1.226

- (a) Paid medical loss development factors include the paid cost of medical cost containment programs.
- (b) These factors are adjusted for the following impacts: (i) reduction of historical outstanding medical losses paid prior to January 1, 2013 by the estimated 4.4% cost savings due to applicable SB 863 provisions; (ii) adjustment to historical outstanding medical losses paid prior to January 1, 2014 by an estimated 1.8% decrease in costs, losses paid prior to January 1, 2015 by an estimated 0.6% increase in costs, and losses paid prior to January 1, 2016 by an estimated 0.8% increase in costs due to RBRVS.
- (c) Selections are latest year for the 15-to-27 month through 99-to-111 month factors and three-year average for the subsequent age-to-age factors.

Paid Medical Loss Development Factors (Continued)

Unadjusted (a) Accident Year	Age-to-Age (in months)											
	207/195	219/207	231/219	243/231	255/243	267/255	279/267	291/279	303/291	315/303	327/315	339/327
1981										1.006	1.005	1.005
1982									1.007	1.007	1.010	1.005
1983								1.004	1.004	1.004	1.005	1.005
1984							1.004	1.003	1.003	1.003	1.004	1.004
1985						1.005	1.006	1.004	1.004	1.003	1.004	1.004
1986					1.004	1.004	1.004	1.005	1.005	1.005	1.005	1.005
1987						1.005	1.005	1.005	1.005	1.005	1.006	1.005
1988						1.005	1.005	1.005	1.005	1.005	1.004	1.003
1989		1.005	1.006	1.006	1.005	1.005	1.006	1.006	1.006	1.005	1.005	1.003
1990	1.006	1.005	1.005	1.005	1.005	1.006	1.004	1.004	1.004	1.003		
1991	1.008	1.006	1.006	1.006	1.005	1.006	1.005	1.005	1.004			
1992	1.010	1.007	1.007	1.000	1.007	1.007	1.005	1.005				
1993	1.011	1.011	1.011	1.009	1.013	1.010	1.008					
1994	1.013	1.009	1.009	1.012	1.010	1.008						
1995	1.013	1.012	1.016	1.013	1.011							
1996	1.014	1.014	1.014	1.010								
1997	1.015	1.013	1.010									
1998	1.017	1.013										
1999	1.014											

Adjusted (b) Accident Year	Age-to-Age (in months)											
	207/195	219/207	231/219	243/231	255/243	267/255	279/267	291/279	303/291	315/303	327/315	339/327
1981												
1982												
1983												
1984												
1985												
1986												
1987												
1988												
1989												
1990												
1991												
1992												
1993												
1994												
1995												
1996												
1997												
1998												
1999												

Selected (c) Cumulative	Age-to-Age (in months)											
	207/195	219/207	231/219	243/231	255/243	267/255	279/267	291/279	303/291	315/303	327/315	339/327
1981												
1982												
1983												
1984												
1985												
1986												
1987												
1988												
1989												
1990												
1991												
1992												
1993												
1994												
1995												
1996												
1997												
1998												
1999												

(d) Six-year averages of the 375Inc/375Pd factors are selected.
(e) The ULT/375Inc tail factor was calculated based on an inverse power curve fit to a six-year average of the 111-to-123 through 339-to-351 factors and extrapolated to 80 development years.

Selected Indemnity Development Factors - Paid to Age 219, Incurred from Age 219 to Ultimate

Accident Year	Age-to-Age (in months)															219Inc/219Pd (c)
	27/15	39/27	51/39	63/51	75/63	87/75	99/87	111/99	123/111	135/123	147/135	159/147	171/159	183/171	195/183	
1991															1.004	219/207
1992															1.003	1.002
1993															1.003	1.001
1994															1.004	1.002
1995															1.003	1.004
1996															1.004	1.005
1997															1.004	1.005
1998															1.005	1.004
1999															1.006	1.005
2000															1.006	1.006
2001															1.004	1.007
2002															1.007	1.007
2003															1.007	1.007
2004															1.007	1.007
2005															1.007	1.007
2006															1.007	1.007
2007															1.007	1.007
2008															1.007	1.007
2009															1.007	1.007
2010															1.007	1.007
2011															1.007	1.007
2012															1.007	1.007
2013															1.007	1.007
2014															1.007	1.007
Selected (a)	2.456	1.492	1.220	1.129	1.081	1.056	1.040	1.032	1.026	1.019	1.014	1.010	1.007	1.007	1.005	1.028
Cumulative Unadjusted for Impact of SB 863	7.065	2.877	1.928	1.580	1.400	1.295	1.226	1.179	1.142	1.114	1.093	1.078	1.068	1.060	1.053	1.042
Cumulative Adjusted for Impact of SB 863 (b)	7.521	3.062	1.951	1.572	1.393	---	---	---	---	---	---	---	---	---	---	---

- (a) Selections are latest year for the 15-to-27 month through 99-to-111 month factors and three-year average for the subsequent age-to-age factors. Paid development factors are selected to age 219, where an incurred-to-paid ratio is chosen, and subsequently, incurred loss development factors are selected until ultimate.
- (b) The 27-to-ultimate factor for accident year 2014, the 39-to-ultimate factor for accident year 2013, the 51-to-ultimate factor for accident year 2012, and the 63-to-ultimate factor for accident year 2011 have been adjusted by 6.5%, 1.2%, -0.5%, and -0.5% respectively, for the impacts of SB 863 on indemnity loss development.
- (c) A three-year average of the 219Inc/219Pd factor is selected.

Selected Indemnity Development Factors - Paid to Age 219, Incurred from Age 219 to Ultimate (Continued)

Accident Year	231/219	243/231	255/243	267/255	279/267	291/279	303/291	315/303	327/315	339/327	351/339	363/351	375/363	ULT/375Inc (d)
1981								1.000	1.001	1.002	0.999			
1982							1.001	1.001	1.001	1.000	1.002			
1983						1.000	1.001	1.000	1.000	1.001	1.001	1.001	1.001	
1984					1.001	1.000	1.000	1.001	1.001	1.000	1.001	1.001	0.999	
1985				1.001	1.000	1.000	1.000	1.001	1.001	1.001	1.001	1.000	1.000	
1986			0.999	1.000	1.000	1.001	1.000	1.002	1.002	1.001	1.000	1.000		
1987		1.000	0.999	1.000	1.000	1.000	1.002	1.001	1.000	1.000	1.001			
1988	1.001	1.000	1.001	1.000	1.002	1.002	1.001	1.000	1.000	1.000				
1989	1.000	1.000	1.001	1.001	1.001	1.000	1.000	1.000	1.001					
1990	1.001	1.000	1.000	1.001	1.000	1.000	1.000	1.000						
1991	1.001	1.000	1.000	1.000	1.001	1.000	1.000							
1992	1.001	1.001	1.001	1.001	1.000	1.000								
1993	1.001	1.001	1.001	1.001	1.000									
1994	1.002	1.001	1.001	1.000										
1995	0.999	0.999	1.001											
1996	1.001	1.000												
1997	1.000													
Selected (a)	1.000	1.000	1.001	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.001	1.000	1.000	
Cumulative	1.009	1.009	1.009	1.008	1.007	1.007	1.007	1.007	1.007	1.006	1.006	1.005	1.005	1.005

(d) The ULT/375Inc tail factor was calculated based on an inverse power curve fit to a six-year average of the 111-to-123 through 339-to-351 factors and extrapolated to 80 development years.

Selected Medical Development Factors - Paid to Age 219, Incurred from Age 219 to Ultimate

Unadjusted (a) Accident Year	Age-to-Age (in months)															
	27/15	39/27	51/39	63/51	75/63	87/75	99/87	111/99	123/111	135/123	147/135	159/147	171/159	183/171	195/183	207/195
1991															1.009	1.008
1992														1.010	1.017	1.010
1993													1.013	1.013	1.012	1.011
1994												1.018	1.015	1.016	1.012	1.009
1995											1.020	1.023	1.019	1.018	1.017	1.013
1996										1.026	1.025	1.023	1.022	1.014	1.014	1.014
1997									1.032	1.028	1.025	1.020	1.019	1.014	1.014	1.015
1998								1.037	1.033	1.032	1.027	1.021	1.017	1.019	1.018	1.017
1999							1.042	1.039	1.037	1.035	1.030	1.020	1.016	1.018	1.018	1.014
2000						1.051	1.046	1.043	1.041	1.037	1.033	1.026	1.021	1.016	1.012	
2001					1.071	1.068	1.066	1.063	1.061	1.057	1.051	1.045	1.039	1.031	1.026	1.016
2002				1.099	1.100	1.099	1.096	1.093	1.089	1.085	1.081	1.076	1.071	1.066	1.061	1.056
2003			1.154	1.165	1.171	1.168	1.165	1.162	1.158	1.154	1.150	1.146	1.142	1.138	1.134	1.130
2004		1.298	1.292	1.293	1.295	1.296	1.297	1.298	1.299	1.300	1.301	1.302	1.303	1.304	1.305	1.306
2005		1.727	1.342	1.165	1.121	1.086	1.066	1.047	1.031	1.015	1.000	0.984	0.968	0.952	0.936	0.920
2006		1.773	1.352	1.195	1.126	1.085	1.063	1.051	1.037	1.023	1.009	0.995	0.981	0.967	0.953	0.939
2007		1.851	1.352	1.203	1.120	1.092	1.079	1.051	1.038	1.025	1.012	0.999	0.986	0.973	0.960	0.947
2008		1.826	1.359	1.208	1.134	1.098	1.067	1.047	1.032	1.018	1.004	0.990	0.976	0.962	0.948	0.934
2009		1.876	1.385	1.221	1.150	1.095	1.062									
2010		1.926	1.402	1.237	1.133	1.087										
2011		1.957	1.401	1.217	1.131											
2012		1.969	1.387	1.209												
2013		1.932	1.382													
2014		1.939														

Adjusted (b) Accident Year	Age-to-Age (in months)															
	27/15	39/27	51/39	63/51	75/63	87/75	99/87	111/99	123/111	135/123	147/135	159/147	171/159	183/171	195/183	207/195
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2014																

Selected (c) Cumulative	Age-to-Age (in months)															
	27/15	39/27	51/39	63/51	75/63	87/75	99/87	111/99	123/111	135/123	147/135	159/147	171/159	183/171	195/183	207/195
1996																
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- (a) Paid medical loss development factors include the paid cost of medical cost containment programs.
 (b) These factors are adjusted for the following impacts: (i) reduction of historical outstanding medical losses paid prior to January 1, 2013 by the estimated 4.4% cost savings due to applicable SB 863 provisions; (ii) adjustment to historical outstanding medical losses paid prior to January 1, 2014 by an estimated 1.8% decrease in costs, losses paid prior to January 1, 2015 by an estimated 0.6% increase in costs, and losses paid prior to January 1, 2016 by an estimated 0.8% increase in costs due to RBRVS.
 (c) Selections are latest year for the 15-to-27 month through 99-to-111 month factors and three-year average for the subsequent age-to-age factors. Paid development factors are selected to age 219, where an incurred-to-paid ratio is chosen, and subsequently, incurred loss development factors are selected until ultimate.
 (d) A three-year average of the 219nc/219pd factor is selected.

Selected Medical Development Factors - Paid to Age 219, Incurred from Age 219 to Ultimate (Continued)

Accident Year	Age-to-Age (in months)													
	<u>231/219</u>	<u>243/231</u>	<u>255/243</u>	<u>267/255</u>	<u>279/267</u>	<u>291/279</u>	<u>303/291</u>	<u>315/303</u>	<u>327/315</u>	<u>339/327</u>	<u>351/339</u>	<u>363/351</u>	<u>375/363</u>	<u>ULT/375Inc (e)</u>
1983													1.003	
1984												1.004	0.999	
1985											1.004	1.000	0.999	
1986										1.004	1.002	1.001		
1987									1.005	1.003	1.001			
1988								1.002	1.003	1.002				
1989							1.000	1.002	0.999					
1990						1.004	0.997	1.001						
1991					1.001	1.003	1.001							
1992					1.003	0.999								
1993			1.001	1.001	0.999									
1994		1.006	1.004	1.000										
1995	0.996	1.007	1.000											
1996	1.003	1.000												
1997	0.995													
Selected (c)	0.998	1.004	1.002	1.001	1.001	1.002	0.999	1.002	1.002	1.003	1.002	1.002	1.000	
Cumulative	1.053	1.055	1.050	1.049	1.047	1.046	1.044	1.045	1.043	1.041	1.037	1.035	1.033	1.033

(e) The ULT/375Inc tail factor was calculated based on an inverse power curve fit to a six-year average of the 111-to-123 through 339-to-351 factors and extrapolated to 80 development years.

**Developed Indemnity Loss Ratios Using Selected Loss Development Factors
Based on Experience as of March 31, 2016**

Accident Year	(1) Paid or Incurred Loss Ratio (a)	Development Factors			Projected Ultimate Loss Ratio (5) = (1) x (4)
		(2) Annual (b)	Cumulative		
			(3) Unadjusted for Impact of SB 863 (b)	(4) Adjusted for Impact of SB 863 (b)	
1985	0.446	1.000	1.005	1.005	0.449
1986	0.396	1.000	1.005	1.005	0.397
1987	0.345	1.000	1.005	1.005	0.347
1988	0.330	1.001	1.006	1.006	0.332
1989	0.343	1.000	1.006	1.006	0.345
1990	0.397	1.000	1.007	1.007	0.400
1991	0.425	1.000	1.007	1.007	0.427
1992	0.350	1.000	1.007	1.007	0.352
1993	0.287	1.000	1.007	1.007	0.289
1994	0.327	1.000	1.007	1.007	0.329
1995	0.472	1.001	1.008	1.008	0.476
1996	0.529	1.001	1.009	1.009	0.533
1997	0.600	1.000	1.009	1.009	0.605
1998	0.650	1.000	1.009	1.009	0.655
1999	0.664	1.005	1.042	1.042	0.692
2000	0.571	1.005	1.047	1.047	0.598
2001	0.469	1.005	1.053	1.053	0.494
2002	0.348	1.007	1.060	1.060	0.369
2003	0.227	1.007	1.068	1.068	0.242
2004	0.134	1.010	1.078	1.078	0.145
2005	0.113	1.014	1.093	1.093	0.124
2006	0.144	1.019	1.114	1.114	0.161
2007	0.194	1.026	1.142	1.142	0.222
2008	0.242	1.032	1.179	1.179	0.285
2009	0.272	1.040	1.226	1.226	0.333
2010	0.252	1.056	1.295	1.295	0.327
2011	0.219	1.081	1.400	1.393	0.305
2012	0.178	1.129	1.580	1.572	0.279
2013	0.129	1.220	1.928	1.951	0.252
2014	0.082	1.492	2.877	3.062	0.252
2015	0.034	2.456	7.065	7.521	0.255

- (a) Based on Exhibit 1. To reflect the selected loss development methodology, reported loss ratios displayed prior to 1999 are on an incurred basis. Subsequent reported loss ratios are on a paid basis.
- (b) See Exhibit 2.5.

**Developed Medical Loss Ratios Using Selected Loss Development Factors
With Adjustment for SB 863
Based on Experience as of March 31, 2016**

	(1)	(2)	(3)	(4)	(5)	(6)
	Adjusted for SB 863					
Accident	Unadjusted	Adjusted	Development Factors		Adjusted	Projected
Year	Paid or Incurred	Paid or Incurred	Annual (c)	Cumulative	Developed	Ultimate
	<u>Loss Ratio (a)</u>	<u>Loss Ratio (b)</u>			<u>Loss Ratio (d)</u>	<u>Loss Ratio</u>
					(2) x (4)	(1) + ((5) - (2))
1985	0.351	0.351	1.001	1.033	0.362	0.362
1986	0.333	0.333	1.000	1.033	0.344	0.344
1987	0.314	0.314	1.002	1.035	0.325	0.325
1988	0.305	0.305	1.002	1.037	0.317	0.317
1989	0.326	0.326	1.003	1.041	0.339	0.339
1990	0.367	0.367	1.002	1.043	0.383	0.383
1991	0.385	0.385	1.002	1.045	0.402	0.402
1992	0.319	0.319	0.999	1.044	0.333	0.333
1993	0.268	0.268	1.002	1.046	0.280	0.280
1994	0.310	0.310	1.001	1.047	0.325	0.325
1995	0.455	0.455	1.001	1.049	0.477	0.477
1996	0.486	0.486	1.002	1.050	0.511	0.511
1997	0.548	0.548	1.004	1.055	0.578	0.578
1998	0.659	0.659	0.998	1.053	0.694	0.694
1999	0.644	0.615	1.014	1.189	0.731	0.760
2000	0.583	0.557	1.016	1.208	0.673	0.699
2001	0.509	0.487	1.017	1.229	0.598	0.621
2002	0.393	0.375	1.018	1.250	0.470	0.487
2003	0.248	0.237	1.020	1.275	0.302	0.313
2004	0.167	0.159	1.022	1.303	0.208	0.215
2005	0.160	0.154	1.026	1.337	0.205	0.212
2006	0.203	0.195	1.033	1.380	0.269	0.278
2007	0.279	0.269	1.038	1.433	0.385	0.396
2008	0.341	0.328	1.040	1.490	0.489	0.502
2009	0.385	0.372	1.050	1.565	0.582	0.595
2010	0.362	0.352	1.065	1.667	0.586	0.596
2011	0.288	0.282	1.090	1.817	0.513	0.519
2012	0.224	0.223	1.135	2.062	0.460	0.461
2013	0.155	0.156	1.212	2.499	0.391	0.390
2014	0.101	0.102	1.382	3.454	0.353	0.352
2015	0.051	0.051	1.933	6.676	0.342	0.342

- (a) Based on Exhibit 1. Paid MCCP costs are excluded from accident years 2011 and subsequent. To reflect the selected loss development methodology, reported loss ratios displayed prior to 1999 are on an incurred basis. Subsequent reported loss ratios are on a paid basis.
- (b) Based on experience evaluated as of March 31, 2016. Reflects an adjustment for SB 863 of -4.4% applied to payments made before January 1, 2013, and adjustments for RBRVS of -1.8% applied to payments made before January 1, 2014, 0.6% applied to payments made before January 1, 2015, and 0.8% applied to payments made before January 1, 2016. No adjustments are applied to the incurred loss ratios.
- (c) Based on Exhibit 2.6. Reflects an adjustment for SB 863 of -4.4% applied to payments made before January 1, 2013, and adjustments for RBRVS of -1.8% applied to payments made before January 1, 2014, 0.6% applied to payments made before January 1, 2015, and 0.8% applied to payments made before January 1, 2016.
- (d) The developed medical loss ratios shown were derived based on an adjustment to reflect an adjustment for SB 863 and RBRVS. They are only for purposes of projecting future medical loss ratios and do not reflect true estimates of ultimate loss ratios for those accident years.

Indemnity Benefit Level Factors					
Accident Year	(1) Annual Benefit Change Prior to Frequency Adjustments (a)	(2) Frequency Adjustments (a)	(3) Annual Impact on Indemnity Benefits Due to Wage Inflation (b)	(4) Annual Cost Impact on Indemnity (c)	(5) Composite Indemnity Adjustment Factor (d)
1985	0.0	0.0	2.0	2.0	1.449
1986	0.0	0.0	1.6	1.6	1.426
1987	0.0	0.0	1.9	1.9	1.399
1988	0.0	0.0	1.5	1.5	1.379
1989	0.0	0.0	1.5	1.5	1.358
1990	2.3	19.9	1.7	24.7	1.089
1991	4.9	14.8	0.8	21.4	0.897
1992	1.8	-8.3	1.6	-5.2	0.946
1993	0.2	-18.1	0.4	-17.6	1.148
1994	-5.1	0.2	0.6	-4.3	1.200
1995	6.3	0.6	1.0	8.0	1.111
1996	5.3	0.4	1.2	7.0	1.038
1997	9.7	0.2	1.6	11.7	0.930
1998	6.5	0.0	1.8	8.4	0.858
1999	5.7	0.0	2.1	7.9	0.795
2000	3.9	0.0	3.1	7.1	0.742
2001	-0.3	0.0	0.2	-0.1	0.743
2002	-0.7	0.0	0.2	-0.5	0.762 (e)
2003	7.3	0.0	1.1	8.5	0.762 (e)
2004	-6.0	-13.7	1.6	-17.6	1.050 (e)
2005	-31.6	-15.3	1.1	-41.5	1.425
2006	5.6	-5.7	1.6	1.2	1.409
2007	1.6	0.0	1.6	3.2	1.365
2008	4.8	0.6	0.7	6.2	1.285
2009	0.4	1.4	0.2	2.0	1.260
2010	0.4	0.0	1.0	1.4	1.243
2011	0.0	0.0	1.6	1.6	1.229 (f)
2012	0.3	0.0	2.1	2.4	1.200 (f)
2013	-0.6	-0.3	0.4	-0.5	1.200
2014	7.0	1.5	1.7	10.4	1.087
2015	0.3	0.0	2.2	2.5	1.061
2016	0.3	0.0	2.0	2.3	
2017	0.2	0.0	2.3	2.5	
1/1/2018	0.1 (Annual 0.2)	0.0	1.0 (Annual 2.0)	1.1	

- (a) Based on WCIRB evaluations of the average impact of legislative changes on the cost of indemnity benefits. These annual changes in benefits reflect the WCIRB's retrospective estimates of the cost impact of recent legislation, including SB 863 as reflected in emerging post-reform costs. The annual cost impacts have been segregated between claim severity and claim frequency impacts.
- (b) These impacts are based on the weekly wages of injured workers and the legislatively scheduled benefits for that year.
- (c) $\{ [\text{Column (1)} / 100 + 1.0] \times [\text{Column (2)} / 100 + 1.0] \times [\text{Column (3)} / 100 + 1.0] - 1.0 \} \times 100$.
- (d) These factors represent the combined impact of the annual benefit changes on claim severity shown in Column (1), claim frequencies shown in Column (2) and wage inflation impact on benefits shown in Column (3), adjusted to the 1/1/2018 level.
- (e) On-level factors for accident years 2002, 2003 and 2004 adjust the portion of permanent disability claims that are estimated to not be subject to the January 1, 2005 PDRS (95% for accident year 2002, 75% for accident year 2003 and 40% for accident year 2004) to the January 1, 2005 PDRS level, and adjust for the corresponding utilization impacts on all 2002, 2003 and 2004 indemnity claims.
- (f) On-level factors for accident years 2011 and 2012 adjust the portion of indemnity losses not impacted by the adjustments to outstanding indemnity claims for the impact of SB 863 (see Exhibit 2.5).

Annual Medical Cost Level Change - Non-Legislative

Accident Year	(1) Proportion of Medical Subject to Fee Schedule (a)	(2) Proportion of Medical Not Subject to Fee Schedule (a)	(3) Impact of Fee Schedule Change on Total Medical (b)	(4) Change in Medical CPI (c)	(5) Impact of CPI Change on Total Medical (d)	(6) Annual Non-Legislative Cost Impact on Total Medical (e)
1985	0.665	0.335	2.3%	6.5%	2.2%	4.5%
1986	0.604	0.396	0.0%	9.1%	3.0%	3.0%
1987	0.610	0.390	0.9%	7.4%	2.9%	3.8%
1988	0.649	0.351	0.8%	7.7%	3.0%	3.8%
1989	0.647	0.353	0.0%	8.6%	3.0%	3.0%
1990	0.661	0.339	0.0%	10.4%	3.7%	3.7%
1991	0.631	0.369	0.0%	10.6%	3.6%	3.6%
1992	0.628	0.372	0.0%	8.1%	3.0%	3.0%
1993	0.565	0.435	0.0%	7.3%	2.7%	2.7%
1994	0.691	0.309	-3.6%	4.3%	1.3% (i)	-2.3%
1995	0.681	0.319	0.0%	3.0%	0.9%	0.9%
1996	0.663	0.337	0.0%	3.0%	1.0%	1.0%
1997	0.643	0.357	0.0%	2.2%	0.7%	0.7%
1998	0.658	0.342	0.0%	2.2%	0.8%	0.8%
1999	0.728	0.272	1.6%	3.3%	0.9% (ii)	2.5%
2000	0.715	0.285	0.5%	4.3%	1.2%	1.7%
2001	0.722	0.278	1.5%	4.8%	1.4%	2.9%
2002	0.635	0.365	0.6%	5.1%	1.4%	2.0%
2003	0.786	0.214	0.0%	4.8%	1.4% (iii)	1.4%
2004	0.952	0.048	0.0%	5.0%	0.0% (iv),(v)	0.0%
2005	0.936	0.064	0.0%	4.8%	0.0% (v)	0.0%
2006	0.926	0.074	0.0%	4.1%	0.3%	0.3%
2007	0.923	0.077	1.4%	5.3%	0.4%	1.8%
2008	0.896	0.104	-0.1%	4.2%	0.3%	0.2%
2009	0.894	0.106	0.0%	3.6%	0.4%	0.4%
2010	0.895	0.105	0.0%	2.8%	0.3%	0.3%
2011	0.969	0.031	0.0%	3.2%	0.3%	0.3%
2012	0.969	0.031	0.0%	2.7%	0.1%	0.1%
2013	0.938	0.062	0.0%	2.6%	0.1%	0.1%
2014	0.929	0.071	0.6%	4.2%	0.3%	0.9%
2015	0.929	0.071	0.1%	3.1%	0.2%	0.3%
2016	0.929	0.071	0.2%	4.3%	0.3%	0.5%
2017	0.929	0.071	0.1%	2.1%	0.1%	0.2%
1/1/2018	0.929	0.071	0.0% (Annual 0.0%)	1.0% (Annual 2.1%)	0.1%	0.1%

- (a) From a Special Carrier Study through 1990. Based on WCIRB's Aggregate Indemnity and Medical Costs Calls for years 1991 through 2012. Based on WCIRB medical transaction data from 2013 onwards. Accident years 2011 and subsequent do not include MCCP costs.
- (b) Based on the WCIRB's evaluation of the cost impact of changes in the medical fee schedules. Includes the 1/1/2014 changes to the physician fee schedule to a resource-based relative value scale (RBRVS) except for the proportion reflected in loss development (See Exhibit 2.4).
- (c) Based on a component of the Consumer Price Index. Projections furnished by the California Department of Finance.
- (d) Adjusted CPI on workers' compensation medical costs that are not subject to fee schedules. The current year impact is the weighted average of 0% and Column (4), with Columns (1) and (2) from prior years as weights. (i) 1993's non-fee proportion is reduced by 13.8% due to the new medical-legal fee schedule enacted in 1994. (ii) 1998's non-fee proportion is reduced by 7.7% due to the Inpatient Hospital Fee Schedule (IHFS) effective 4/1/1999. (iii) 2002's non-fee proportion is reduced by 7.6% due to the new pharmaceutical fee schedule effective 1/1/2003. (iv) 2003's non-fee proportion is reduced by 17.2% due to the outpatient fee schedule effective 1/1/2004. (v) Given the anticipated impact of legislative reform, a 0% inflation rate has been assumed for 2004 and 2005.
- (e) Column (6) = Column (3) + Column (5).

Annual Medical Cost Level Change - Legislative

Accident Year	(1) Annual Legislative Cost Impact on Medical Severity(a)	(2) Annual Legislative Cost Impact on Medical Due to Frequency Changes(b)	(3) Annual Total Legislative Cost Impact on Medical(c)
1985	0.0%	0.0%	0.0%
1986	0.0%	0.0%	0.0%
1987	0.0%	0.0%	0.0%
1988	0.0%	0.0%	0.0%
1989	0.0%	0.0%	0.0%
1990	-0.7%	19.9%	19.1%
1991	-1.6%	14.7%	12.9%
1992	0.5%	-8.4%	-7.9%
1993	-0.7%	-18.1%	-18.7%
1994	-2.6%	0.3%	-2.3%
1995	0.0%	0.5%	0.5%
1996	0.0%	0.4%	0.4%
1997	0.0%	0.2%	0.2%
1998	12.6%	0.0%	12.6%
1999	12.6%	0.0%	12.6%
2000	7.0%	0.0%	7.0%
2001	6.6%	0.0%	6.6%
2002	-5.6%	0.0%	-5.6%
2003	-6.0%	0.0%	-6.0%
2004	-24.4%	-12.5%	-33.9%
2005	0.0%	-13.9%	-13.9%
2006	0.1%	-5.2%	-5.1%
2007	0.1%	0.0%	0.1%
2008	0.2%	0.3%	0.5%
2009	0.0%	1.0%	1.0%
2010	0.0%	0.0%	0.0%
2011	0.0%	0.0%	0.0%
2012	-1.0%	0.0%	-1.0%
2013	-1.0%	-0.2%	-1.2%
2014	-3.0%	1.3%	-1.7%
2015	0.0%	0.0%	0.0%
2016	0.0%	0.0%	0.0%
2017	0.0%	0.0%	0.0%
1/1/2018	0.0%	0.0%	0.0%

(a) These annual cost impacts reflect the WCIRB's retrospective estimates of the cost impact of legislation based on WCIRB cost monitoring results. These factors do not include the estimated - 4.4% impact of 1/1/2013 medical provisions in SB 863, which was reflected in loss development projections.

(b) This reflects the annual percentage impact on medical costs due to changes in the frequency of indemnity claims as a result of benefit changes.

(c) $[\text{Column (1)} + 1.0] \times [\text{Column (2)} + 1.0] - 1.0$

Total Medical Cost Level Factors

Accident Year	(1) Annual Non-Legislative Cost Impact on Medical (a)	(2) Annual Legislative Cost Impact on Medical(b)	(3) Total Annual Cost Impact on Medical(c)	(4) Composite Medical On-level Factor(d)
1985	4.5%	0.0%	4.5%	1.035
1986	3.0%	0.0%	3.0%	1.005
1987	3.8%	0.0%	3.8%	0.969
1988	3.8%	0.0%	3.8%	0.933
1989	3.0%	0.0%	3.0%	0.906
1990	3.7%	19.1%	23.5%	0.734
1991	3.6%	12.9%	16.9%	0.627
1992	3.0%	-7.9%	-5.2%	0.662
1993	2.7%	-18.7%	-16.5%	0.792
1994	-2.3%	-2.3%	-4.6%	0.830
1995	0.9%	0.5%	1.4%	0.819
1996	1.0%	0.4%	1.4%	0.807
1997	0.7%	0.2%	0.9%	0.800
1998	0.8%	12.6%	13.5%	0.705
1999	2.5%	12.6%	15.4%	0.611
2000	1.7%	7.0%	8.8%	0.561
2001	2.9%	6.6%	9.7%	0.512
2002	2.0%	-5.6%	-3.7%	0.531
2003	1.4%	-6.0%	-4.7%	0.558
2004	0.0%	-33.9%	-33.9%	0.843
2005	0.0%	-13.9%	-13.9%	0.979
2006	0.3%	-5.1%	-4.8%	1.028
2007	1.8%	0.1%	1.9%	1.009
2008	0.2%	0.5%	0.7%	1.002
2009	0.4%	1.0%	1.4%	0.988
2010	0.3%	0.0%	0.3%	0.985
2011	0.3%	0.0%	0.3%	0.982
2012	0.1%	-1.0%	-0.9%	0.991
2013	0.1%	-1.2%	-1.1%	1.002
2014	0.9%	-1.7%	-0.9%	1.017 (e)
2015	0.3%	0.0%	0.3%	1.015 (e)
2016	0.5%	0.0%	0.5%	
2017	0.2%	0.0%	0.2%	
1/1/2018	0.1%	0.0%	0.1%	

(a) See Exhibit 4.2, Column (6).

(b) See Exhibit 4.3, Column (3).

(c) Column (3) = [1.0 + Column (1)] x [1.0 + Column (2)] - 1.0.

(d) These factors adjust the annual impact shown in Column (3) to the 1/1/2018 level.

(e) The on-level factors for accident years 2014 and 2015 include the estimated impact of the January 1, 2014 physician fee schedule for the service years 2016 and subsequent.

Annual Wage Level Changes

<u>Year</u>	<u>Annual Wage Level Change</u>	<u>Factor to a 1/1/2018 Wage Level</u>
1985	5.7	3.165
1986	4.7	3.023
1987	5.6	2.863
1988	4.4	2.742
1989	4.3	2.629
1990	5.0	2.504
1991	2.3	2.448
1992	4.7	2.338
1993	1.2	2.310
1994	1.8	2.269
1995	2.9	2.205
1996	3.4	2.133
1997	4.7	2.037
1998	5.2	1.936
1999	6.2	1.823
2000	9.0	1.673
2001	0.6	1.663
2002	0.5	1.655
2003	3.3	1.602
2004	4.7	1.530
2005	3.1	1.484
2006	4.6	1.419
2007	4.5	1.357
2008	2.1	1.330
2009	0.5	1.323
2010	3.0	1.284
2011	3.1	1.246
2012	4.1	1.197
2013	0.7	1.188
2014	3.2	1.152
2015	4.3	1.104
Projected:		
2016	3.8	
2017	4.4	
1/1/2018	1.9	(Annual = 3.8)

Source: California average annual wage level changes for 1985 to 2018 derived from information published by the UCLA Anderson School of Business as of April 2016.

Premium Adjustment Factors

	(1)	(2a)	(2b)	(2c)	(3)	(4)	(5)	(6)	(7)
Calendar Year	Factor to a 1/1/2018 Wage Level (a)	Ratio of Industry Average Charged Rates to Advisory Pure Premium Rates (b)	Factor to Industry Average Filed Pure Premium Rate Level as of January 1, 2016 (c)	Factor to Adjust Insurer Premium to an Industry Average Filed Pure Premium Rate Level as of January 1, 2016 (d)	Adjustment to Remove Surcharge Premium (e)	Average Experience Modification (f)	Off-Balance Correction in Advisory January 1, 2016 Pure Premium Rates	Factor to Adjust for Impact of Premium Resulting from Audits (g)	Composite Premium Adjustment Factor (h)
1985	3.165	---	---	1.068	0.991	0.984	1.028	---	3.313
1986	3.023	---	---	0.976	0.991	0.983	1.028	---	2.893
1987	2.863	---	---	0.858	0.992	0.983	1.028	---	2.411
1988	2.742	---	---	0.767	0.993	0.963	1.028	---	2.111
1989	2.629	---	---	0.755	0.993	0.945	1.028	---	2.030
1990	2.504	---	---	0.737	0.991	0.942	1.028	---	1.888
1991	2.448	---	---	0.682	0.987	0.939	1.028	---	1.707
1992	2.338	---	---	0.655	0.982	0.940	1.028	---	1.555
1993	2.310	---	---	0.646	0.981	0.949	1.028	---	1.501
1994	2.269	---	---	0.740	0.986	0.948	1.028	---	1.699
1995	2.205	---	---	1.001	0.995	0.958	1.028	---	2.232
1996	2.133	1.023	1.064	1.040	1.000	0.935	1.028	---	2.308
1997	2.037	0.989	1.062	1.074	1.000	0.949	1.028	---	2.242
1998	1.936	0.965	1.106	1.146	1.000	0.959	1.028	---	2.251
1999	1.823	0.972	1.118	1.150	1.000	0.954	1.028	---	2.139
2000	1.673	1.005	1.013	1.008	1.000	0.970	1.028	---	1.691
2001	1.663	1.030	0.892	0.866	1.000	0.969	1.028	---	1.446
2002	1.655	1.157	0.799	0.691	1.000	0.991	1.028	---	1.122
2003	1.602	1.266	0.654	0.517	1.000	1.005	1.028	---	0.801
2004	1.530	1.396	0.665	0.476	1.000	0.981	1.028	---	0.723
2005	1.484	1.470	0.800	0.544	1.000	0.982	1.028	---	0.800
2006	1.419	1.447	1.031	0.713	1.000	0.956	1.028	---	1.029
2007	1.357	1.493	1.405	0.941	1.000	0.931	1.028	0.985	1.315
2008	1.330	1.426	1.672	1.173	1.000	0.946	1.028	0.991	1.589
2009	1.323	1.366	1.648	1.206	1.000	0.937	1.028	1.034	1.713
2010	1.284	1.383	1.615	1.168	1.000	0.941	1.028	1.005	1.558
2011	1.246	1.402	1.613	1.150	1.000	0.982	1.028	---	1.420
2012	1.197	1.225	1.330	1.086	1.000	1.000	1.028	---	1.264
2013	1.188	1.139	1.071	0.940	1.000	0.983	1.028	---	1.106
2014	1.152	1.127	0.987	0.876	1.000	0.962	1.028	---	1.020
2015	1.104	1.109	0.959	0.865	1.000	0.954	1.028	---	0.974

- (a) See Exhibit 5.1.
- (b) Based on WCIRB calendar year experience calls. The industry average charged rates reflect most rating plan adjustments but do not reflect the application of deductible credits or retrospective rating plan adjustments.
- (c) Reflects (1) advisory pure premium rate level changes to bring premium to the advisory January 1, 2016 pure premium rate level and (2) an additional adjustment factor, which is the ratio of the average advisory January 1, 2016 pure premium rate (\$2.42) to the industry average filed pure premium rate as of January 1, 2016 (\$2.57).
- (d) (2b) ÷ (2a). This column adjusts premiums at the industry average charged rate level to the industry average filed pure premium rate level as of January 1, 2016.
- (e) Based on unit statistical data.
- (f) Based on average promulgated experience modifications. Calendar years 1996 through 2000 include adjustments for the impacts of AB 1913 and SB 1217 (1998).
- (g) Based on a comparison of premium reported on a calendar year basis to premium reported on an estimated ultimate policy year basis over the course of two accident years. The factor is applied only for calendar years 2007 to 2010, during which reported premiums were impacted by recessionary economic forces.
- (h) $(1) \times (2c) \times (3) \times (6) \div [(4) \times (5)]$ for calendar years 2007 to 2010. $(1) \times (2c) \times (3) \div [(4) \times (5)]$ for all other calendar years.

2015 Accident Year Indemnity Claim Frequency Model
As of PY 2013 Preliminary 1st Set & December 2015 UCLA

AY	Annual %	Annual Log Differences						
	Changes Intra-	Intra-Class Indemnity Frequency				AY+1		CalOSHA
	Class Ind Freq	per \$M Exposure at PY 2015 Level			Benefit Level	Cumulative Injury Index	Economic Variables (1st Prin. Comp.)	Dummy Variable
Total	Total	Cumulative	Non-cum.					
1979	0.5%	0.005	-0.053	0.007	0.000	-0.060	0.134	0.000
1980	-6.5%	-0.068	-0.132	-0.066	0.033	-0.066	-0.079	0.000
1981	-3.5%	-0.036	-0.028	-0.036	0.000	0.008	-0.078	0.000
1982	-1.6%	-0.016	0.153	-0.022	0.352	0.175	-0.292	0.000
1983	6.2%	0.060	0.214	0.054	0.081	0.160	0.029	0.000
1984	9.5%	0.091	0.235	0.084	0.000	0.151	0.221	0.000
1985	2.0%	0.020	0.138	0.014	0.000	0.124	0.080	0.000
1986	-2.4%	-0.024	0.039	-0.028	0.000	0.067	0.077	0.000
1987	1.5%	0.015	0.053	0.013	0.000	0.041	0.150	0.000
1988	0.7%	0.007	0.104	0.000	0.000	0.104	0.088	0.000
1989	2.5%	0.024	0.212	0.009	0.046	0.203	0.045	0.000
1990	9.0%	0.087	0.337	0.061	0.071	0.276	-0.120	0.000
1991	0.3%	0.003	0.166	-0.018	0.023	0.184	-0.291	0.000
1992	-11.1%	-0.118	-0.272	-0.098	0.013	-0.174	-0.185	0.068
1993	-14.9%	-0.162	-0.240	-0.153	-0.057	-0.088	-0.022	0.464
1994	-12.8%	-0.136	-0.462	-0.107	0.061	-0.355	0.106	0.173
1995	-4.6%	-0.048	-0.016	-0.050	0.053	0.034	0.092	0.295
1996	-6.8%	-0.070	-0.136	-0.065	0.096	-0.071	0.074	0.000
1997	-3.3%	-0.033	-0.023	-0.034	0.066	0.011	0.137	0.000
1998	-3.8%	-0.038	-0.040	-0.038	0.058	-0.002	0.078	0.000
1999	1.5%	0.014	0.100	0.008	0.040	0.092	0.127	0.000
2000	4.0%	0.039	0.071	0.037	-0.003	0.034	0.066	0.000
2001	-6.9%	-0.071	-0.017	-0.076	-0.007	0.059	-0.100	0.000
2002	-2.8%	-0.028	0.002	-0.031	0.060	0.033	-0.197	0.000
2003	-3.1%	-0.032	-0.008	-0.034	-0.065	0.026	-0.022	0.000
2004	-16.8%	-0.184	-0.211	-0.181	-0.398	-0.030	0.098	0.000
2005	-13.6%	-0.146	-0.298	-0.133	0.051	-0.165	0.143	0.000
2006	-5.7%	-0.058	-0.049	-0.059	0.016	0.009	0.090	0.000
2007	-1.6%	-0.016	0.021	-0.019	0.049	0.040	-0.095	0.000
2008	-2.7%	-0.027	0.038	-0.032	0.006	0.071	-0.320	0.000
2009	-0.1%	-0.001	0.169	-0.017	0.066	0.186	-0.414	0.000
2010	9.0%	0.086	0.133	0.081	0.012	0.052	-0.077	0.000
2011	1.3%	0.013	0.036	0.010	0.003	0.026	0.048	0.000
2012	4.8%	0.047	0.113	0.039	-0.008	0.074	0.125	0.000
2013	1.3%	0.013	0.186	-0.010	0.071	0.195	0.156	0.000
2014*	1.2%	0.012	0.155	-0.021	0.003	0.176	0.156	0.000
2015	-0.1%	-0.001	-0.001	-0.001	0.003	0.000	0.194	0.000
2016	-0.3%	-0.003	-0.003	-0.003	0.003	0.000	0.174	0.000
2017	-1.2%	-0.012	-0.012	-0.012	0.003	0.000	0.077	0.000
2018	-1.6%	-0.017	-0.017	-0.017	0.003	0.000	0.029	0.000

Y = Hazardousness-Adjusted Noncumulative Indemnity Claim Frequency

Constant	-0.020			
Std Err of Y Est	0.042			
R Squared	0.563			
No. of Observations	36			
Degrees of Freedom	31			
X Coefficient(s)		0.176	0.270	0.096
Std Err of Coef.		0.077	0.064	0.048
				-0.141
				0.081

Notes:

Indemnity Benefit Level variable is leading. The benefit level change for AY 2004 is related to the AY 2003 change in non-cumulative frequency.

The Indemnity Benefit Level change for Ogilvie & Almaraz / Guzman in 2009-2010 is not leading.

The Indemnity Benefit Level variable excludes indemnity benefit utilization, and changes in the death and permanent total benefits.

The Indemnity Benefit Level variable has been revised due to on-leveling reassessments. See Actuarial Committee item AC09-03-03.

For 1993 on, cumulative claims include both cumulative trauma and occupational disease claims. See March 19, 2014 Actuarial Committee Agenda Item III.

Economic variables are historical through 2014; December 2015 UCLA Anderson Forecasts for 2015 on.

Regression is over AY 1979 through AY 2014. AY 2015 through AY 2018 are projections.

The constant term, -0.020, consists of measured offsets that recognize annual changes in real benefit levels relative to nominal benefit levels and long-term economic growth. Without these offsets, the indemnity benefit level and economic variables would project frequency to increase without bound.

*AY 2014 is preliminary and change is based on a comparison of 2014 accidents on 2013 policies to 2013 accidents on 2012 policies.

**Projection of Indemnity Severity Trends by Accident Year
Based on Experience as of March 31, 2016**

Accident Year	(1) Estimated Ultimate Severity	(2) Annual % Change	(3) Indemnity Adjustment Factor(a)	(4) Ultimate On-level Severity (1) x (3)	(5) Annual % Change
1990	9,991	---	1.751	17,490	---
1991	10,937	9.5%	1.656	18,106	3.5%
1992	11,025	0.8%	1.601	17,647	-2.5%
1993	11,997	8.8%	1.591	19,088	8.2%
1994	12,962	8.0%	1.667	21,602	13.2%
1995	14,556	12.3%	1.552	22,595	4.6%
1996	16,310	12.0%	1.457	23,758	5.1%
1997	19,424	19.1%	1.307	25,387	6.9%
1998	21,224	9.3%	1.206	25,586	0.8%
1999	23,373	10.1%	1.117	26,109	2.0%
2000	24,825	6.2%	1.043	25,887	-0.9%
2001	27,264	9.8%	1.044	28,459	9.9%
2002	26,408	-3.1%	1.072	28,301	-0.6%
2003	25,926	-1.8%	1.071	27,761	-1.9%
2004	21,152	-18.4%	1.273	26,935	-3.0%
2005	19,082	-9.8%	1.464	27,939	3.7%
2006	20,883	9.4%	1.365	28,498	2.0%
2007	22,748	8.9%	1.322	30,073	5.5%
2008	25,134	10.5%	1.253	31,485	4.7%
2009	26,182	4.2%	1.245	32,602	3.5%
2010	25,966	-0.8%	1.228	31,885	-2.2%
2011	25,646	-1.2%	1.215	31,152	-2.3%
2012	25,547	-0.4%	1.186	30,303	-2.7%
2013	26,091	2.1%	1.183	30,858	1.8%
2014	28,293	8.4%	1.087	30,755	-0.3%
2015	29,474	4.2%	1.061	31,259	1.6%
(6) Estimated Annual Exponential Trend Based on 2005 to 2015:					0.7%
(7) Estimated Annual Exponential Trend Based on 2010 to 2015:					-0.3%
Selected Indemnity Severity Trend:					0.0%

(a) These adjustment factors are based on Exhibit 4.1, excluding the impact of frequency.

Source: WCIRB experience calls

**Projection of Medical Severity Trends by Accident Year
Based on Experience as of March 31, 2016**

Accident Year	(1) Estimated Ultimate Severity(a)	(2) Annual % Change	(3) Medical Adjustment Factor(b)	(4) Ultimate On-level Severity (1) x (3)	(5) Annual % Change
1990	8,948	---	1.099	9,834	---
1991	9,633	7.7%	1.079	10,390	5.7%
1992	9,669	0.4%	1.042	10,079	-3.0%
1993	10,787	11.6%	1.024	11,047	9.6%
1994	11,937	10.7%	1.077	12,854	16.4%
1995	13,658	14.4%	1.068	14,591	13.5%
1996	14,652	7.3%	1.057	15,494	6.2%
1997	17,567	19.9%	1.050	18,454	19.1%
1998	21,385	21.7%	0.926	19,809	7.3%
1999	24,461	14.4%	0.803	19,644	-0.8%
2000	27,746	13.4%	0.738	20,489	4.3%
2001	32,985	18.9%	0.674	22,232	8.5%
2002	33,583	1.8%	0.700	23,519	5.8%
2003	32,119	-4.4%	0.736	23,634	0.5%
2004	29,849	-7.1%	0.975	29,097	23.1%
2005	30,914	3.6%	0.977	30,189	3.8%
2006	34,148	10.5%	0.974	33,260	10.2%
2007	38,511	12.8%	0.958	36,900	10.9%
2008	42,101	9.3%	0.957	40,281	9.2%
2009	44,683	6.1%	0.957	42,744	6.1%
2010	45,296	1.4%	0.958	43,408	1.6%
2011	41,642 (c)	---	0.962	40,040 (c)	---
2012	40,302	-3.2%	0.978	39,402	-1.6%
2013	38,605	-4.2%	0.992	38,303	-2.8%
2014	37,693	-2.4%	1.020	38,429	0.3%
2015	37,651	-0.1%	1.016	38,243	-0.5%

Selected Medical Severity Trend: 2.5%

- (a) Estimated ultimate severities for all accident years are derived by dividing ultimate medical losses on indemnity claims by ultimate indemnity claim counts. The estimated ultimate
- (b) These adjustment factors are based on Exhibit 4.4, excluding the impact of frequency, and including the impact of SB 863 provisions applicable to outstanding medical losses.
- (c) Severities for accident years 2011 and subsequent do not reflect the cost of medical cost containment programs (MCCP). Severities for accident years 2010 and prior do reflect MCCP costs.

Source: WCIRB experience calls

**Projection of Medical Severity Trends by Accident Year
Adjusted to Remove the Cost of Medical Cost Containment Programs (MCCP)
Based on Experience as of March 31, 2016**

(1) Accident Year	MCCP Included			MCCP Removed Based on WCIRB Aggregate Calendar Year Data Calls (b)		
	(2) Estimated Ultimate Severity (a)	(3) Annual % Change	(4) Ultimate On-Level Severity (c)	(5) Annual % Change	(6) Estimated Ultimate Severity (a)	(7) Annual % Change
	(8) Ultimate On-Level Severity (c)	(9) Annual % Change	(10) Ultimate On-Level Severity (c)	(11) Annual % Change	(12) Estimated Ultimate Severity (a)	(13) Annual % Change
2005	30,914	---	30,189	---	29,188	---
2006	34,148	10.5%	33,260	10.2%	31,902	9.3%
2007	38,511	12.8%	36,900	10.9%	35,825	12.3%
2008	42,101	9.3%	40,281	9.2%	38,286	6.9%
2009	44,683	6.1%	42,744	6.1%	40,811	6.6%
2010	45,296	1.4%	43,408	1.6%	41,331	1.3%
2011	45,807	1.1%	44,045	1.5%	41,642	0.8%
2012	44,403	-3.1%	43,412	-1.4%	40,302	-3.2%
2013	42,791	-3.6%	42,456	-2.2%	38,605	-4.2%
2014	42,008	-1.8%	42,828	0.9%	37,693	-2.4%
2015	41,918	-0.2%	42,576	-0.6%	37,651	-0.1%

Estimated Annual Exponential
Trend Based on 2005 to 2015:
Trend Based on 2010 to 2015:

2.6%
-0.9%

Selected Medical Severity Trend:

2.5%

- (a) Estimated ultimate severities for all accident years were derived by dividing ultimate medical losses on indemnity claims by ultimate indemnity claim counts.
- (b) Adjustments to accident years 2005 through 2010 based on WCIRB's Annual Calls for Direct California Workers' Compensation Aggregate Indemnity and Medical Costs.
- (c) Ultimate severities are on-leveled based on adjustment factors shown on Exhibit 4.4, excluding the impact of frequency.

Source: WCIRB experience calls

**Projected On-Level Accident Year
Indemnity Loss to Industry Average Filed Pure Premium Ratios
Based on Experience as of March 31, 2016**

Accident Year	(1) Developed Indemnity Loss Ratio(a)	(2) Composite Indemnity Adjustment Factor(b)	(3) Composite Premium Adjustment Factor(c)	(4) On-Level Indemnity to Industry Average Filed Pure Premium Ratio (1)×(2)÷(3)
1985	0.449	1.449	3.313	0.196
1986	0.397	1.426	2.893	0.196
1987	0.347	1.399	2.411	0.201
1988	0.332	1.379	2.111	0.217
1989	0.345	1.358	2.030	0.231
1990	0.400	1.089	1.888	0.231
1991	0.427	0.897	1.707	0.225
1992	0.352	0.946	1.555	0.214
1993	0.289	1.148	1.501	0.221
1994	0.329	1.200	1.699	0.232
1995	0.476	1.111	2.232	0.237
1996	0.533	1.038	2.308	0.240
1997	0.605	0.930	2.242	0.251
1998	0.655	0.858	2.251	0.250
1999	0.692	0.795	2.139	0.257
2000	0.598	0.742	1.691	0.262
2001	0.494	0.743	1.446	0.254
2002	0.369	0.762	1.122	0.251
2003	0.242	0.762	0.801	0.230
2004	0.145	1.050	0.723	0.210
2005	0.124	1.425	0.800	0.220
2006	0.161	1.409	1.029	0.220
2007	0.222	1.365	1.315	0.230
2008	0.285	1.285	1.589	0.231
2009	0.333	1.260	1.713	0.245
2010	0.327	1.243	1.558	0.261
2011	0.305	1.229	1.420	0.264
2012	0.279	1.200	1.264	0.265
2013	0.252	1.200	1.106	0.273
2014	0.252	1.087	1.020	0.268
2015	0.255	1.061	0.974	0.278
				Projections (d)
2016				0.271
2017				0.268
1/1/2018				0.266

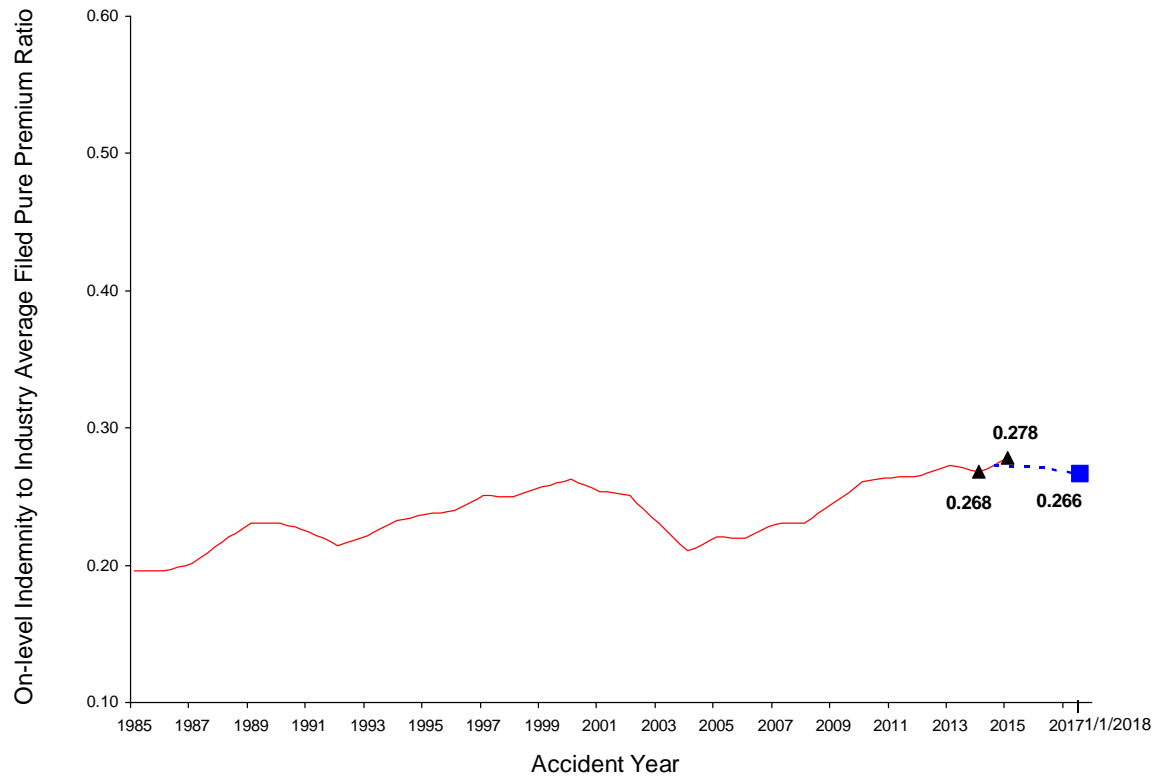
(a) See Exhibit 3.1.

(b) See Exhibit 4.1.

(c) See Exhibit 5.2.

(d) These on-level ratios were projected based on an estimated annual indemnity severity trend from Exhibit 6.2, the actual frequency trend for accident year 2015 from Exhibit 12, and projected frequency trends for accident years 2016, 2017, and 2018 from Exhibit 6.1; these trends were then separately applied to the 2014 and 2015 on-level ratios.

**On-Level Indemnity Loss to Industry Average Filed Pure Premium Ratios
Using March 31, 2016 Valuations**



- ▲— On-level indemnity to industry average filed pure premium ratios (see Exhibit 7.1).
- - The 1/1/2018 indemnity to industry average filed pure premium ratio was calculated based on separate frequency and severity trends applied to the 2014 and 2015 years.

**Projected On-Level Accident Year
Medical Loss to Industry Average Filed Pure Premium Ratios
Based on Experience as of March 31, 2016**

Accident Year	(1) Developed Medical Loss Ratio(a)	(2) Composite Medical On-Level Factor(b)	(3) Composite Premium Adjustment Factor(c)	(4) On-Level Medical to Industry Average Filed Pure Premium Ratio (1)x(2)÷(3)
1985	0.362	1.035	3.313	0.113
1986	0.344	1.005	2.893	0.120
1987	0.325	0.969	2.411	0.131
1988	0.317	0.933	2.111	0.140
1989	0.339	0.906	2.030	0.151
1990	0.383	0.734	1.888	0.149
1991	0.402	0.627	1.707	0.148
1992	0.333	0.662	1.555	0.142
1993	0.280	0.792	1.501	0.148
1994	0.325	0.830	1.699	0.159
1995	0.477	0.819	2.232	0.175
1996	0.511	0.807	2.308	0.179
1997	0.578	0.800	2.242	0.206
1998	0.694	0.705	2.251	0.217
1999	0.731	0.611	2.139	0.209
2000	0.673	0.561	1.691	0.223
2001	0.598	0.512	1.446	0.212
2002	0.470	0.531	1.122	0.222
2003	0.302	0.558	0.801	0.210
2004	0.208	0.843	0.723	0.242
2005	0.205	0.979	0.800	0.251
2006	0.269	1.028	1.029	0.269
2007	0.385	1.009	1.315	0.295
2008	0.489	1.002	1.589	0.309
2009	0.582	0.988	1.713	0.336
2010	0.586	0.985	1.558	0.370
2011	0.513	0.982	1.420	0.355
2012	0.460	0.991	1.264	0.361
2013	0.391	1.002	1.106	0.354
2014	0.353	1.017	1.020	0.352
2015	0.342	1.015	0.974	0.357
				Projections (d)
2016				0.366
2017				0.371
1/1/2018				0.372

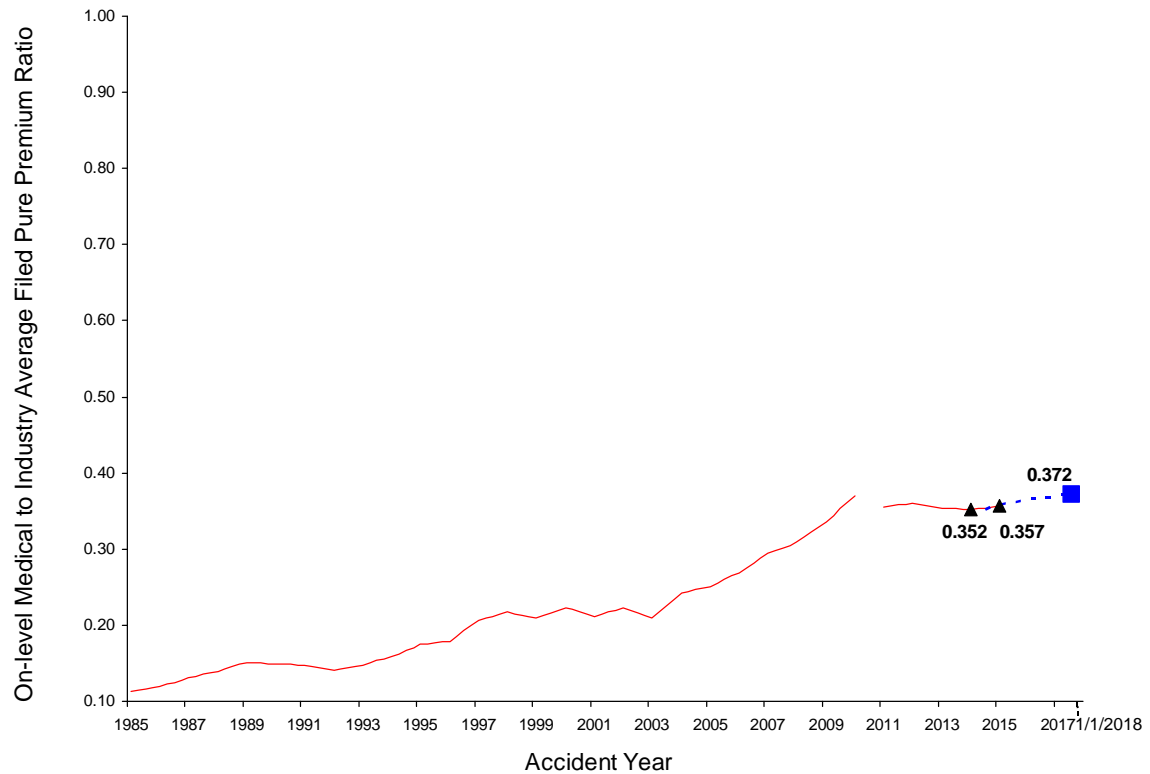
(a) See Exhibit 3.2. Medical loss ratios for accident years 2011 and subsequent do not reflect the cost of medical cost containment programs (MCCP). Ratios for accident years 2010 and prior do reflect MCCP costs.

(b) See Exhibit 4.4.

(c) See Exhibit 5.2.

(d) These on-level ratios were projected based on an estimated annual indemnity severity trend from Exhibit 6.4, the actual frequency trend for accident year 2015 from Exhibit 12, and projected frequency trends for accident years 2016, 2017, and 2018 from Exhibit 6.1; these trends were then separately applied to the 2014 and 2015 on-level ratios.

**On-Level Medical Loss to Industry Average Filed Pure Premium Ratios
Using March 31, 2016 Valuations**



- ▲ — On-level medical to industry average filed pure premium ratios (see Exhibit 7.3).
- - - The 1/1/2018 medical to industry average filed pure premium ratio was calculated based on separate frequency and severity trends applied to the 2014 and 2015 years.

**Indicated Loss to Industry Average Filed Pure Premium Ratios
For Policies with Effective Dates between January 1, 2017 and December 31, 2017
Based on Experience as of March 31, 2016**

	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
1. Projected Loss to Industry Average Filed Pure Premium Ratio (See Exhibits 7.1 and 7.3)	0.266	0.372	0.638

Quarterly Incurred Indemnity Loss Development Factors
Through March 31, 2016

Age in Months	Accident Year																	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
6/3									2.417	2.724	2.785	3.031	3.116	3.052	3.238	3.344	3.303	3.209
9/6									1.656	1.776	1.820	1.848	1.904	2.001	1.966	1.940	1.960	1.948
12/9									1.448	1.511	1.510	1.530	1.564	1.632	1.587	1.585	1.570	1.577
15/12	1.229	1.260	1.268	1.250	1.257	1.238	1.180	1.149	1.189	1.234	1.248	1.293	1.306	1.306	1.303	1.301	1.301	1.312
18/15	1.172	1.202	1.188	1.184	1.206	1.167	1.101	1.103	1.140	1.158	1.182	1.194	1.197	1.195	1.206	1.178	1.190	
21/18	1.145	1.140	1.150	1.148	1.153	1.127	1.066	1.096	1.117	1.128	1.139	1.153	1.140	1.146	1.141	1.141	1.132	
24/21	1.126	1.112	1.121	1.111	1.117	1.094	1.045	1.082	1.098	1.106	1.106	1.114	1.119	1.117	1.111	1.104	1.114	
27/24	1.074	1.096	1.093	1.100	1.094	1.073	1.045	1.070	1.082	1.081	1.088	1.089	1.091	1.085	1.087	1.081	1.082	
30/27	1.078	1.069	1.074	1.082	1.064	1.051	1.040	1.054	1.057	1.072	1.075	1.075	1.080	1.071	1.068	1.067		
33/30	1.045	1.058	1.048	1.062	1.047	1.032	1.036	1.042	1.049	1.053	1.059	1.052	1.064	1.053	1.060	1.047		
36/33	1.043	1.046	1.039	1.046	1.035	1.020	1.029	1.033	1.039	1.043	1.051	1.049	1.049	1.043	1.041	1.043		
39/36	1.038	1.041	1.035	1.038	1.028	1.017	1.027	1.029	1.031	1.033	1.040	1.039	1.039	1.041	1.035	1.031		
42/39	1.027	1.028	1.034	1.030	1.023	1.018	1.020	1.020	1.031	1.033	1.036	1.038	1.035	1.032	1.028			
45/42	1.024	1.026	1.026	1.020	1.009	1.019	1.018	1.024	1.026	1.028	1.030	1.035	1.027	1.033	1.022			
48/45	1.025	1.020	1.022	1.013	1.008	1.013	1.013	1.021	1.019	1.021	1.024	1.024	1.026	1.023	1.023			
51/48	1.022	1.017	1.018	1.015	1.010	1.016	1.010	1.018	1.021	1.018	1.022	1.023	1.021	1.018	1.017			
54/51	1.019	1.018	1.013	1.009	1.007	1.017	1.009	1.017	1.021	1.020	1.021	1.020	1.020	1.016				
57/54	1.014	1.017	1.012	1.006	1.008	1.011	1.011	1.018	1.017	1.014	1.018	1.017	1.015	1.014				
60/57	1.013	1.014	1.007	1.005	1.008	1.009	1.011	1.013	1.019	1.016	1.013	1.015	1.012	1.013				
63/60	1.012	1.012	1.007	1.007	1.008	1.008	1.010	1.014	1.013	1.015	1.011	1.014	1.014	1.009				
66/63	1.014	1.009	1.005	1.006	1.011	1.008	1.010	1.013	1.016	1.014	1.015	1.013	1.013					
69/66	1.010	1.007	1.003	1.005	1.008	1.007	1.011	1.012	1.011	1.010	1.009	1.012	1.007					
72/69	1.009	1.006	1.005	1.005	1.005	1.009	1.009	1.013	1.011	1.009	1.009	1.009	1.010					
75/72	1.006	1.004	1.004	1.005	1.003	1.005	1.007	1.010	1.011	1.010	1.010	1.008	1.007					
78/75	1.007	1.004	1.003	1.007	1.005	1.006	1.006	1.012	1.009	1.010	1.006	1.006						
81/78	1.005	1.002	1.003	1.004	1.004	1.005	1.006	1.010	1.009	1.007	1.007	1.006						
84/81	1.003	1.003	1.005	1.003	1.006	1.006	1.007	1.008	1.005	1.009	1.006	1.004						
87/84	1.003	1.003	1.002	1.003	1.004	1.002	1.007	1.010	1.007	1.004	1.005	1.006						
90/87	1.001	1.003	1.003	1.003	1.003	1.004	1.008	1.008	1.008	1.008	1.004							
93/90	1.001	1.002	1.004	1.003	1.002	1.005	1.006	1.008	1.006	1.007	1.006							
96/93	1.002	1.003	1.001	1.004	1.002	1.006	1.006	1.003	1.002	1.003	1.004							

Source: WCIRB accident year experience calls

Quarterly Incurred Medical Loss Development Factors *
Through March 31, 2016

Age in Months	Accident Year																	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
6/3									2.584	2.662	2.782	2.892	2.992	2.757	2.889	2.878	2.956	2.895
9/6									1.650	1.744	1.717	1.807	1.800	1.827	1.846	1.833	1.853	1.897
12/9									1.453	1.443	1.466	1.454	1.488	1.521	1.493	1.509	1.491	1.460
15/12	1.144	1.168	1.201	1.207	1.203	1.197	1.132	1.145	1.138	1.182	1.167	1.199	1.206	1.228	1.221	1.215	1.208	1.214
18/15	1.093	1.116	1.123	1.144	1.151	1.126	1.086	1.087	1.103	1.106	1.126	1.135	1.129	1.141	1.142	1.124	1.122	
21/18	1.078	1.086	1.101	1.122	1.116	1.093	1.055	1.061	1.073	1.081	1.090	1.097	1.101	1.103	1.090	1.092	1.083	
24/21	1.074	1.072	1.080	1.083	1.082	1.060	1.040	1.052	1.070	1.074	1.067	1.074	1.080	1.080	1.070	1.068	1.059	
27/24	1.044	1.061	1.070	1.080	1.075	1.042	1.034	1.048	1.055	1.058	1.053	1.071	1.066	1.072	1.060	1.052	1.049	
30/27	1.044	1.052	1.058	1.070	1.051	1.038	1.039	1.049	1.046	1.054	1.057	1.048	1.063	1.052	1.049	1.041		
33/30	1.035	1.047	1.051	1.059	1.035	1.018	1.032	1.030	1.041	1.045	1.045	1.051	1.055	1.045	1.047	1.034		
36/33	1.037	1.042	1.035	1.040	1.029	1.016	1.024	1.034	1.042	1.033	1.042	1.040	1.041	1.037	1.030	1.028		
39/36	1.029	1.032	1.034	1.037	1.018	1.012	1.028	1.025	1.027	1.029	1.033	1.031	1.040	1.039	1.029	1.023		
42/39	1.025	1.031	1.036	1.026	1.019	1.013	1.017	1.020	1.025	1.035	1.036	1.037	1.037	1.031	1.023			
45/42	1.025	1.033	1.032	1.023	1.012	1.019	1.033	1.021	1.025	1.029	1.026	1.030	1.028	1.027	1.023			
48/45	1.028	1.023	1.026	1.017	1.008	1.013	1.025	1.018	1.022	1.025	1.029	1.034	1.022	1.023	1.021			
51/48	1.019	1.020	1.024	1.014	1.009	1.013	1.018	1.015	1.020	1.021	1.021	1.026	1.024	1.019	1.015			
54/51	1.025	1.027	1.017	1.016	1.010	1.012	1.021	1.019	1.022	1.022	1.027	1.023	1.019	1.018				
57/54	1.027	1.024	1.014	1.007	1.011	1.017	1.020	1.018	1.019	1.019	1.023	1.020	1.017	1.018				
60/57	1.021	1.021	1.015	1.009	1.008	1.014	1.020	1.019	1.018	1.017	1.019	1.016	1.015	1.013				
63/60	1.014	1.020	1.013	1.012	1.008	1.016	1.015	1.021	1.015	1.018	1.016	1.020	1.015	1.010				
66/63	1.023	1.016	1.010	1.012	1.015	1.013	1.015	1.022	1.019	1.018	1.017	1.015	1.010					
69/66	1.025	1.013	1.006	1.008	1.016	1.018	1.015	1.023	1.017	1.017	1.015	1.014	1.010					
72/69	1.020	1.009	1.007	1.009	1.015	1.010	1.014	1.015	1.013	1.014	1.012	1.011	1.009					
75/72	1.015	1.008	1.006	1.008	1.010	1.009	1.012	1.012	1.011	1.018	1.013	1.008	1.006					
78/75	1.012	1.012	1.008	1.012	1.010	1.011	1.018	1.013	1.012	1.012	1.010	1.008						
81/78	1.006	1.006	1.006	1.009	1.010	1.014	1.018	1.017	1.016	1.009	1.009	1.006						
84/81	1.008	1.006	1.009	1.014	1.009	1.007	1.012	1.011	1.008	1.010	1.008	1.007						
87/84	1.005	1.008	1.008	1.010	1.009	1.010	1.012	1.014	1.012	1.008	1.007	1.004						
90/87	1.002	1.005	1.008	1.008	1.009	1.012	1.009	1.009	1.013	1.008	1.006							
93/90	1.006	1.007	1.015	1.009	1.011	1.010	1.011	1.012	1.009	1.009	1.007							
96/93	1.007	1.007	1.010	1.012	1.008	1.010	1.011	1.009	1.005	1.006	1.005							

Source: WCIRB accident year experience calls

* Incurred medical loss development factors include the paid cost of medical cost containment programs

Quarterly Paid Indemnity Loss Development Factors
Through March 31, 2016

Age in Months	Accident Year																	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
6/3									4.376	4.495	4.553	4.807	4.911	4.722	4.854	5.099	5.076	5.056
9/6									2.259	2.375	2.377	2.398	2.452	2.432	2.484	2.462	2.462	2.484
12/9									1.812	1.834	1.810	1.825	1.861	1.869	1.877	1.866	1.879	1.910
15/12	1.499	1.536	1.538	1.552	1.550	1.516	1.491	1.456	1.482	1.488	1.481	1.507	1.532	1.539	1.506	1.539	1.540	1.557
18/15	1.380	1.399	1.395	1.401	1.403	1.379	1.331	1.306	1.306	1.327	1.332	1.343	1.355	1.361	1.361	1.353	1.364	
21/18	1.323	1.298	1.303	1.303	1.311	1.297	1.241	1.217	1.233	1.235	1.243	1.259	1.257	1.261	1.261	1.263	1.267	
24/21	1.259	1.257	1.256	1.258	1.260	1.244	1.183	1.181	1.195	1.191	1.194	1.206	1.209	1.215	1.213	1.204	1.215	
27/24	1.186	1.199	1.203	1.200	1.205	1.186	1.140	1.142	1.151	1.149	1.153	1.162	1.165	1.168	1.164	1.159	1.170	
30/27	1.157	1.161	1.165	1.175	1.172	1.161	1.122	1.117	1.126	1.129	1.130	1.141	1.141	1.137	1.134	1.141		
33/30	1.118	1.125	1.130	1.142	1.136	1.123	1.097	1.096	1.100	1.101	1.108	1.114	1.116	1.112	1.111	1.111		
36/33	1.102	1.103	1.103	1.115	1.111	1.097	1.085	1.081	1.080	1.084	1.092	1.094	1.098	1.091	1.091	1.096		
39/36	1.074	1.081	1.081	1.092	1.087	1.072	1.070	1.066	1.064	1.067	1.074	1.078	1.077	1.073	1.075	1.075		
42/39	1.067	1.071	1.077	1.080	1.073	1.063	1.059	1.058	1.058	1.062	1.067	1.067	1.071	1.070	1.065			
45/42	1.057	1.054	1.063	1.064	1.056	1.049	1.047	1.049	1.047	1.051	1.058	1.059	1.057	1.055	1.054			
48/45	1.049	1.050	1.055	1.053	1.046	1.044	1.041	1.044	1.043	1.047	1.049	1.051	1.050	1.048	1.048			
51/48	1.039	1.038	1.043	1.044	1.036	1.035	1.033	1.036	1.036	1.037	1.042	1.042	1.043	1.039	1.038			
54/51	1.035	1.038	1.036	1.037	1.034	1.035	1.030	1.028	1.035	1.036	1.038	1.041	1.038	1.036				
57/54	1.029	1.033	1.037	1.030	1.028	1.026	1.025	1.028	1.030	1.032	1.033	1.033	1.032	1.033				
60/57	1.025	1.030	1.027	1.026	1.024	1.024	1.024	1.024	1.028	1.029	1.029	1.032	1.027	1.030				
63/60	1.023	1.026	1.024	1.021	1.022	1.019	1.019	1.021	1.023	1.025	1.025	1.024	1.026	1.025				
66/63	1.023	1.023	1.023	1.021	1.019	1.019	1.019	1.020	1.025	1.025	1.025	1.025	1.023					
69/66	1.019	1.021	1.020	1.017	1.016	1.017	1.016	1.021	1.020	1.020	1.020	1.022	1.020					
72/69	1.018	1.016	1.018	1.016	1.016	1.015	1.017	1.015	1.020	1.019	1.019	1.019	1.018					
75/72	1.015	1.016	1.015	1.014	1.012	1.012	1.013	1.015	1.019	1.018	1.016	1.016	1.017					
78/75	1.014	1.014	1.012	1.013	1.012	1.011	1.012	1.015	1.017	1.016	1.015	1.016						
81/78	1.013	1.013	1.011	1.012	1.011	1.010	1.012	1.015	1.015	1.016	1.015	1.015						
84/81	1.011	1.011	1.013	1.010	1.010	1.009	1.011	1.013	1.015	1.014	1.013	1.012						
87/84	1.012	1.010	1.008	1.010	1.009	1.008	1.009	1.012	1.014	1.013	1.010	1.012						
90/87	1.008	1.009	1.010	1.009	1.008	1.008	1.011	1.012	1.013	1.012	1.011							
93/90	1.009	1.009	1.008	1.008	1.007	1.008	1.012	1.011	1.011	1.012	1.011							
96/93	1.008	1.009	1.006	1.007	1.007	1.007	1.008	1.011	1.011	1.008	1.009							

Source: WCIRB accident year experience calls

Quarterly Paid Medical Loss Development Factors *
Through March 31, 2016

Age in Months	Accident Year																	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
6/3									5.308	5.615	6.579	6.101	6.048	5.854	5.942	6.232	5.646	5.716
9/6									2.348	2.381	2.348	2.375	2.361	2.327	2.395	2.490	2.424	2.305
12/9									1.716	1.765	1.731	1.723	1.756	1.746	1.762	1.740	1.752	1.712
15/12	1.453	1.490	1.514	1.547	1.554	1.510	1.437	1.423	1.429	1.444	1.413	1.429	1.445	1.472	1.449	1.441	1.459	1.453
18/15	1.241	1.267	1.286	1.310	1.330	1.295	1.243	1.230	1.227	1.259	1.243	1.259	1.268	1.282	1.284	1.263	1.268	
21/18	1.164	1.168	1.192	1.219	1.211	1.179	1.153	1.151	1.163	1.173	1.170	1.178	1.182	1.187	1.189	1.192	1.192	
24/21	1.132	1.124	1.149	1.159	1.154	1.125	1.115	1.118	1.127	1.133	1.132	1.137	1.144	1.153	1.151	1.147	1.144	
27/24	1.096	1.108	1.121	1.128	1.123	1.093	1.090	1.093	1.106	1.107	1.110	1.112	1.119	1.120	1.120	1.120	1.120	
30/27	1.077	1.088	1.101	1.108	1.103	1.077	1.084	1.087	1.097	1.100	1.100	1.106	1.107	1.111	1.106	1.109		
33/30	1.065	1.072	1.086	1.089	1.077	1.063	1.071	1.065	1.081	1.083	1.086	1.092	1.094	1.093	1.091	1.089		
36/33	1.055	1.066	1.069	1.076	1.061	1.055	1.062	1.062	1.071	1.072	1.072	1.077	1.083	1.082	1.076	1.078		
39/36	1.051	1.059	1.060	1.061	1.049	1.044	1.053	1.056	1.057	1.059	1.061	1.066	1.071	1.066	1.068	1.063		
42/39	1.044	1.049	1.055	1.054	1.041	1.044	1.049	1.054	1.055	1.058	1.059	1.061	1.068	1.063	1.060			
45/42	1.039	1.045	1.047	1.044	1.036	1.037	1.040	1.047	1.048	1.049	1.054	1.053	1.056	1.056	1.052			
48/45	1.035	1.039	1.044	1.037	1.032	1.035	1.037	1.043	1.043	1.046	1.047	1.050	1.051	1.046	1.045			
51/48	1.030	1.035	1.037	1.034	1.031	1.030	1.033	1.037	1.036	1.036	1.039	1.041	1.043	1.040	1.038			
54/51	1.031	1.036	1.032	1.027	1.030	1.029	1.034	1.034	1.035	1.035	1.036	1.042	1.038	1.035				
57/54	1.026	1.030	1.027	1.024	1.024	1.024	1.029	1.031	1.034	1.031	1.033	1.038	1.034	1.034				
60/57	1.026	1.028	1.026	1.021	1.023	1.026	1.028	1.029	1.028	1.032	1.032	1.035	1.030	1.030				
63/60	1.023	1.025	1.022	1.019	1.019	1.020	1.024	1.024	1.024	1.024	1.027	1.027	1.026	1.026				
66/63	1.026	1.021	1.020	1.020	1.018	1.021	1.023	1.024	1.026	1.026	1.029	1.029	1.024					
69/66	1.021	1.022	1.019	1.018	1.016	1.019	1.021	1.023	1.023	1.021	1.024	1.024	1.022					
72/69	1.022	1.018	1.016	1.017	1.018	1.016	1.021	1.021	1.022	1.022	1.023	1.021	1.020					
75/72	1.017	1.016	1.014	1.015	1.015	1.014	1.018	1.020	1.019	1.019	1.018	1.018	1.018					
78/75	1.018	1.015	1.014	1.015	1.016	1.015	1.016	1.018	1.017	1.022	1.019	1.018						
81/78	1.015	1.014	1.013	1.014	1.013	1.014	1.018	1.018	1.015	1.019	1.018	1.015						
84/81	1.013	1.012	1.013	1.012	1.012	1.013	1.016	1.016	1.015	1.018	1.015	1.015						
87/84	1.013	1.011	1.010	1.012	1.012	1.012	1.014	1.013	1.015	1.017	1.013	1.013						
90/87	1.013	1.012	1.011	1.013	1.012	1.013	1.015	1.013	1.015	1.013	1.013							
93/90	1.011	1.010	1.011	1.012	1.011	1.013	1.013	1.012	1.014	1.014	1.013							
96/93	1.010	1.010	1.008	1.010	1.010	1.009	1.013	1.015	1.016	1.011	1.011							

Source: WCIRB accident year experience calls

* Paid medical loss development factors include the paid cost of medical cost containment programs

Reported Indemnity Claim Count Development

Accident	Development															
Year	3-15	15-27	27-39	39-51	51-63	63-75	75-87	87-99	99-111	111-123	123-135	135-147	147-159	159-171	171-183	183-195
1989																
1990																
1991																
1992																1.001
1993															1.000	1.000
1994														1.000	1.000	1.000
1995													1.000	1.000	1.001	1.001
1996												1.001	1.001	1.000	1.000	1.000
1997											1.000	1.000	1.000	1.000	1.000	1.000
1998										1.000	1.000	1.000	1.000	1.000	1.000	1.000
1999									1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2000								1.000	1.000	1.000	1.000	1.000	1.000	1.001	1.000	0.999
2001							0.999	0.999	0.999	1.000	1.000	1.000	1.000	1.000	1.000	
2002						1.000	1.000	0.999	0.999	0.999	1.000	1.000	1.000	1.000		
2003					1.000	0.998	0.999	0.999	0.999	1.000	1.000	1.000	0.999			
2004				1.000	0.999	0.999	0.999	0.998	1.000	0.999	1.000	0.999				
2005			1.004	1.001	1.001	1.000	1.000	1.000	1.000	1.000	0.999					
2006		1.022	1.006	1.004	1.001	1.000	1.001	1.000	1.001	0.999						
2007	6.456	1.037	1.012	1.005	1.003	1.002	1.000	1.000	1.001							
2008	6.157	1.060	1.018	1.009	1.004	1.003	1.002	1.001								
2009	7.002	1.082	1.023	1.008	1.005	1.003	1.002									
2010	7.392	1.090	1.022	1.010	1.006	1.003										
2011	7.539	1.101	1.026	1.011	1.006											
2012	7.676	1.119	1.027	1.011												
2013	8.079	1.102	1.027													
2014	7.818	1.110														
2015	8.047															

Latest Year																
<u>Age-to-Age</u>																
8.047	1.110	1.027	1.011	1.006	1.003	1.002	1.001	1.001	0.999	0.999	0.999	0.999	1.000	1.000	0.999	
<u>Age-to-Ultimate</u>																
9.312	1.157	1.043	1.015	1.004	0.998	0.995	0.994	0.993	0.992	0.993	0.994	0.995	0.995	0.996	0.996	

Notes All figures in each accident year contain information from the same combination of insurers, all of whom submitted complete data for all evaluations for that accident year. Therefore, each accident year may contain a different mix of insurers (ranging from 75% to 100% of the total California workers' compensation insured market measured using 2015 earned premium levels).

Quarterly Reported Indemnity Claim Count Development Factors

Accident Year	Development														
	<u>3-6</u>	<u>6-9</u>	<u>9-12</u>	<u>12-15</u>	<u>15-18</u>	<u>18-21</u>	<u>21-24</u>	<u>24-27</u>	<u>27-30</u>	<u>30-33</u>	<u>33-36</u>	<u>36-39</u>	<u>39-42</u>	<u>42-45</u>	<u>45-48</u>
2007	2.562	1.703	1.361	1.087	1.018	1.009	1.004	1.005	1.004	1.002	1.003	1.002	1.002	1.002	1.001
2008	2.541	1.652	1.340	1.095	1.026	1.015	1.010	1.009	1.007	1.004	1.003	1.003	1.002	1.003	1.002
2009	2.693	1.683	1.388	1.113	1.037	1.021	1.012	1.010	1.007	1.007	1.005	1.004	1.003	1.003	1.002
2010	2.713	1.716	1.408	1.128	1.039	1.022	1.016	1.011	1.008	1.006	1.005	1.003	1.004	1.003	1.001
2011	2.703	1.738	1.421	1.129	1.042	1.027	1.019	1.010	1.011	1.006	1.005	1.004	1.004	1.003	1.002
2012	2.757	1.742	1.420	1.126	1.053	1.029	1.019	1.013	1.010	1.007	1.004	1.005	1.004	1.003	1.003
2013	2.847	1.747	1.426	1.140	1.044	1.027	1.016	1.012	1.011	1.007	1.005	1.004			
2014	2.775	1.734	1.429	1.137	1.048	1.026	1.019	1.013							
2015	2.843	1.743	1.422	1.142											

Reported Indemnity Claim Settlement Ratios

Accident Year	Evaluated as of (in months):																
	3	15	27	39	51	63	75	87	99	111	123	135	147	159	171	183	195
1989																	
1990																	
1991																	99.2%
1992																99.0%	99.1%
1993															98.7%	98.8%	98.9%
1994														98.1%	98.4%	98.7%	98.8%
1995													97.5%	97.8%	98.2%	98.4%	98.5%
1996												96.9%	97.3%	97.7%	98.0%	98.2%	98.4%
1997											96.1%	96.7%	97.2%	97.6%	97.8%	98.1%	98.3%
1998										94.7%	95.5%	96.3%	96.8%	97.2%	97.5%	97.8%	98.1%
1999									92.9%	94.3%	95.3%	96.1%	96.6%	97.0%	97.3%	97.7%	97.9%
2000								90.1%	92.2%	93.7%	94.8%	95.6%	96.2%	96.7%	97.2%	97.6%	97.8%
2001							85.1%	88.5%	90.8%	92.6%	93.7%	94.7%	95.4%	96.2%	96.7%	97.1%	
2002						80.5%	85.4%	88.7%	91.1%	92.7%	94.0%	95.0%	96.0%	96.6%	97.1%		
2003					72.9%	80.4%	85.5%	88.8%	90.9%	92.6%	94.0%	95.3%	96.0%	96.6%			
2004				63.6%	74.6%	81.5%	85.6%	88.5%	90.8%	92.6%	94.4%	95.4%	96.2%				
2005			52.4%	66.3%	76.4%	82.2%	86.1%	89.0%	91.2%	93.4%	94.7%	95.7%					
2006		35.0%	54.0%	67.7%	76.4%	82.5%	86.2%	89.2%	91.9%	93.6%	94.8%						
2007	5.7%	35.1%	53.1%	66.2%	75.3%	81.2%	85.5%	89.4%	91.8%	93.6%							
2008	5.7%	34.7%	51.5%	64.6%	74.0%	80.7%	86.0%	89.6%	92.2%								
2009	5.8%	33.4%	49.7%	63.0%	73.0%	80.7%	85.7%	89.6%									
2010	5.7%	33.8%	50.4%	63.8%	74.9%	82.1%	87.3%										
2011	7.3%	34.1%	50.9%	65.3%	76.0%	83.3%											
2012	7.2%	34.2%	51.9%	66.8%	77.4%												
2013	8.6%	33.5%	53.0%	68.2%													
2014	6.6%	34.0%	54.3%														
2015	7.5%	34.8%															
2016	7.3%																

Notes All figures in each accident year contain information from the same combination of insurers, all of whom submitted complete data for all evaluations for that accident year. Therefore, each accident year may contain a different mix of insurers (ranging from 75% to 100% of the total California workers' compensation insured market measured using 2015 earned premium levels).

Estimated Ultimate Indemnity Claim Settlement Ratios

Accident Year	Evaluated as of (in months):																
	3	15	27	39	51	63	75	87	99	111	123	135	147	159	171	183	195
1989																	
1990																	
1991																	99.0%
1992																98.9%	99.0%
1993															98.5%	98.7%	98.8%
1994														97.9%	98.2%	98.5%	98.6%
1995													97.2%	97.6%	97.9%	98.3%	98.5%
1996												96.8%	97.2%	97.7%	98.0%	98.3%	98.5%
1997											96.1%	96.7%	97.3%	97.6%	97.9%	98.2%	98.4%
1998										94.8%	95.7%	96.4%	96.9%	97.4%	97.7%	98.0%	98.3%
1999									93.1%	94.6%	95.5%	96.3%	96.8%	97.3%	97.6%	98.1%	98.3%
2000								90.5%	92.5%	94.0%	95.1%	95.9%	96.5%	97.0%	97.6%	98.0%	98.2%
2001							85.6%	89.0%	91.3%	93.0%	94.1%	95.1%	95.8%	96.6%	97.1%	97.5%	
2002						81.1%	86.1%	89.4%	91.7%	93.2%	94.5%	95.4%	96.4%	97.0%	97.5%		
2003					73.8%	81.4%	86.4%	89.6%	91.6%	93.2%	94.6%	95.8%	96.5%	97.0%			
2004				64.3%	75.4%	82.4%	86.5%	89.3%	91.4%	93.2%	95.0%	96.0%	96.7%				
2005			52.5%	66.6%	76.9%	82.7%	86.7%	89.6%	91.8%	94.0%	95.4%	96.3%					
2006		34.1%	53.8%	67.8%	76.8%	83.0%	86.8%	89.8%	92.6%	94.4%	95.5%						
2007	0.8%	33.3%	52.3%	66.0%	75.5%	81.6%	86.1%	90.1%	92.5%	94.4%							
2008	0.9%	31.8%	50.1%	63.9%	73.8%	80.8%	86.4%	90.2%	92.9%								
2009	0.7%	29.8%	48.0%	62.2%	72.7%	80.8%	86.1%	90.2%									
2010	0.7%	29.9%	48.6%	62.9%	74.6%	82.2%	87.7%										
2011	0.8%	29.7%	48.8%	64.3%	75.7%	83.5%											
2012	0.8%	29.4%	49.8%	65.8%	77.1%												
2013	0.9%	29.1%	50.8%	67.2%													
2014	0.7%	29.4%	52.1%														
2015	0.8%	30.0%															
2016	0.8%																

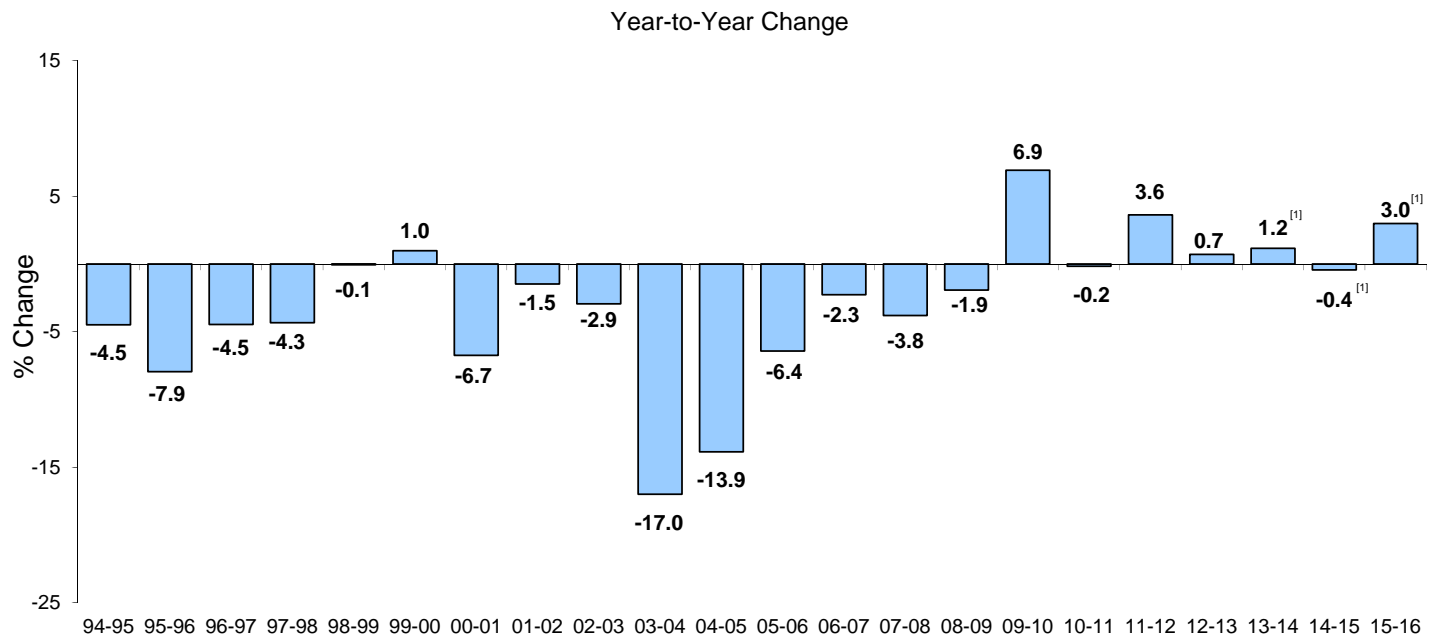
Notes All figures in each accident year contain information from the same combination of insurers, all of whom submitted complete data for all evaluations for that accident year. Therefore, each accident year may contain a different mix of insurers (ranging from 75% to 100% of the total California workers' compensation insured market measured using 2015 earned premium levels).

Quarterly Ultimate Settlement Ratios

Accident	Evaluated as of (in months):															
<u>Year</u>	<u>3</u>	<u>6</u>	<u>9</u>	<u>12</u>	<u>15</u>	<u>18</u>	<u>21</u>	<u>24</u>	<u>27</u>	<u>30</u>	<u>33</u>	<u>36</u>	<u>39</u>	<u>42</u>	<u>45</u>	<u>48</u>
2007	0.8%	5.4%	13.5%	23.9%	33.4%	39.9%	44.4%	48.7%	52.3%	56.1%	59.4%	63.2%	66.0%	68.6%	71.2%	73.6%
2008	0.9%	5.5%	13.4%	23.2%	31.8%	38.1%	42.5%	46.4%	50.1%	53.8%	57.4%	61.0%	63.9%	66.7%	69.4%	71.8%
2009	0.7%	4.8%	12.3%	21.5%	29.8%	35.8%	40.3%	44.3%	48.0%	51.8%	55.6%	59.2%	62.2%	65.3%	67.9%	70.5%
2010	0.7%	4.8%	11.9%	21.2%	29.9%	36.0%	40.4%	44.8%	48.6%	52.6%	56.2%	59.8%	62.9%	66.3%	69.4%	72.2%
2011	0.8%	5.1%	12.0%	21.3%	29.7%	35.9%	40.5%	44.9%	48.8%	53.1%	57.0%	61.0%	64.3%	67.4%	70.5%	73.3%
2012	0.8%	5.0%	12.1%	21.1%	29.4%	35.9%	40.8%	45.7%	49.8%	54.1%	58.4%	62.3%	65.8%	69.0%	72.0%	74.8%
2013	0.9%	5.0%	11.5%	20.6%	29.1%	35.7%	41.1%	46.1%	50.8%	55.4%	59.6%	63.6%	67.2%			
2014	0.7%	4.7%	11.5%	20.5%	29.4%	36.3%	42.1%	47.3%	52.1%							
2015	0.8%	4.7%	11.9%	20.9%	30.0%											
2016	0.8%															

Accident	Quarterly Incremental Change														
<u>Year</u>	<u>3-6</u>	<u>6-9</u>	<u>9-12</u>	<u>12-15</u>	<u>15-18</u>	<u>18-21</u>	<u>21-24</u>	<u>24-27</u>	<u>27-30</u>	<u>30-33</u>	<u>33-36</u>	<u>36-39</u>	<u>39-42</u>	<u>42-45</u>	<u>45-48</u>
2007	4.5%	8.1%	10.5%	9.4%	6.5%	4.5%	4.3%	3.6%	3.9%	3.2%	3.8%	2.8%	2.6%	2.5%	2.4%
2008	4.7%	7.9%	9.8%	8.6%	6.3%	4.4%	4.0%	3.7%	3.7%	3.6%	3.5%	3.0%	2.8%	2.7%	2.4%
2009	4.0%	7.6%	9.1%	8.3%	6.1%	4.4%	4.1%	3.7%	3.8%	3.8%	3.6%	3.0%	3.1%	2.6%	2.6%
2010	4.1%	7.1%	9.3%	8.7%	6.1%	4.4%	4.4%	3.9%	4.0%	3.6%	3.6%	3.2%	3.3%	3.1%	2.9%
2011	4.3%	6.8%	9.3%	8.4%	6.2%	4.6%	4.4%	3.9%	4.3%	3.9%	4.0%	3.3%	3.1%	3.1%	2.8%
2012	4.2%	7.1%	9.1%	8.2%	6.5%	4.9%	4.9%	4.2%	4.3%	4.3%	3.9%	3.5%	3.2%	2.9%	2.8%
2013	4.1%	6.5%	9.1%	8.5%	6.6%	5.4%	5.0%	4.7%	4.5%	4.2%	4.0%	3.6%			
2014	3.9%	6.8%	9.0%	8.9%	6.9%	5.8%	5.2%	4.8%							
2015	3.9%	7.2%	9.0%	9.2%											

California Workers' Compensation Estimated Indemnity Claim Frequency by Accident Year



^[1] The 2013-2014 estimate is based on partial year unit statistical data. The 2014-2015 and 2015-2016 estimates are based on comparison of claim counts based on WCIRB accident year experience as of March 31, 2016 relative to the estimated change in statewide employment. Prior years are based on unit statistical data.

Item AC16-06-02 1/1/2017 Regulatory Filing – Experience Rating Plan Values

In the decision on the January 1, 2016 Regulatory Filing, the California Insurance Commissioner approved the WCIRB's proposed changes to the *California Workers' Compensation Experience Rating Plan—1995* (ERP), effective January 1, 2017, to facilitate moving the experience rating primary/excess loss split point from \$7,000 to a split point that varies by the size of the employer (Primary Threshold). This change applies to new and renewal policies as of the first anniversary rating date of a risk on or after January 1, 2017. In the January 1, 2016 Regulatory Filing, the WCIRB indicated that the actual rating plan values to be used in the ERP formula for experience modifications to be issued in 2017 would be developed based on the most current available experience and included in the January 1, 2017 Regulatory Filing to be submitted in June of 2016.

A summary of the rating values to be proposed in the January 1, 2017 Regulatory Filing including the factors used to generate proposed policy year 2017 expected loss rates as well as the indicated 2017 experience rating off-balance will be presented at the meeting.

Item AC16-06-03 Review of M CCP Projection Methodology

Beginning with policies incepting on July 1, 2010, the cost of medical cost containment programs (M CCP) has been reported to the WCIRB as a component of allocated loss adjustment expenses (ALAE) rather than as a component of medical losses. In the last several pure premium rate filings, M CCP costs have been projected as a separate component of ALAE using a methodology similar to that used for ALAE excluding M CCP costs.¹ Inasmuch as several years of M CCP data reported in ALAE are now available, staff has reviewed the methodology to project M CCP costs to determine if any enhancements should be recommended.

Development

The WCIRB's current methodology develops paid M CCP costs based on the selected paid medical loss development factors. Medical loss development has been selected rather than ALAE development since (a) M CCP costs on policies incepting prior to July 1, 2010 are reported in medical losses and are unable to be separated from other medical costs and (b) it has been assumed that M CCP costs will develop more similar to medical losses than to ALAE. For consistency, all paid M CCP including that reported in ALAE has been reflected in paid medical loss development for the last several years.

Exhibit 1.1 shows paid age-to-age factors for M CCP costs compared to paid medical losses and paid ALAE excluding M CCP costs for accident years for which M CCP costs can be completely separated (2012 and later). Exhibit 1.2 shows age-to-age factors on a quarterly basis. M CCP does appear to develop more similar to medical losses than to other ALAE at early maturities. However, paid M CCP development does appear to be significantly lower than both paid medical loss development and paid ALAE development after 24 months, likely indicating that the majority of M CCP costs are paid much earlier than medical costs. As a result, staff recommends basing projected paid M CCP development on the actual paid M CCP development for the periods which it can be completely separated (through 48 months as of December 31, 2015). In addition, staff recommends no longer including paid M CCP development in the paid medical loss development factors for these same periods, but continuing to reflect paid M CCP development in paid medical loss development for the accident years for which it cannot be completely separated from other medical costs (2011 and prior).

As discussed above, paid M CCP costs are unable to be completely separated from paid medical losses for accident years 2011 and prior. Also, as shown on Exhibit 1.1, paid M CCP development from 24-36 months and 36-48 months is approximately 20% lower than that for paid medical losses at the same maturity. Given the nature of M CCP costs, staff believes it is reasonable to assume this differential will be consistent or greater at later maturities. As a result, staff recommends to continue to base the M CCP tail on medical loss development but reflect it at 80% of the selected medical tail development. This adjustment can be reviewed at later maturities as additional paid M CCP data becomes available. Additionally, staff will review the adjustment in light of the new procedures related to the reporting of independent medical review and independent bill review that were adopted effective on these reports paid after January 1, 2016.

Exhibit 2.1 shows the statewide projected ultimate M CCP by accident year as of December 31, 2015 based on the current and staff's recommended approach. Exhibit 2.2 shows this information for private insurers only.

¹ M CCP costs for 2014 and 2015 also include the cost of independent medical reviews (IMR) and independent bill reviews (IBR). Effective on IMRs and IBRs paid after January 1, 2016, the cost of these reports will no longer be included as part of M CCP.

Trend

The WCIRB's current methodology for trending projected ultimate M CCP costs to the period of the proposed pure premium rate level is similar to that used for ALAE excluding M CCP and is based on applying separate frequency and severity trends. Staff recommends to continue basing the frequency projections on the same projections used for ALAE excluding M CCP, which are based on the actual indemnity claim frequency change for the most recent completed accident year and the WCIRB's indemnity claim frequency model for subsequent years.

The selected M CCP severity projection is currently based on the average change in calendar year M CCP paid per open indemnity claim (see Exhibit 3). As shown on Exhibit 2, the WCIRB can currently project ultimate M CCP per indemnity claim for accident years 2011 through 2015. As a result, staff recommends basing the projected M CCP severity trend on the approximate average of the rates of growth in (a) calendar year M CCP paid per open indemnity claim and (b) projected ultimate accident year M CCP per indemnity claim, which is similar to the approach currently used for ALAE excluding M CCP costs.

Annual Development Factors - Paid M CCP, Paid Medical, Paid ALAE excluding M CCP

Paid M CCP Development				Paid Medical Development			
Accident	Age-to-Age Development			Accident	Age-to-Age Development		
<u>Year</u>	<u>12-24</u>	<u>24-36</u>	<u>36-48</u>	<u>Year</u>	<u>12-24</u>	<u>24-36</u>	<u>36-48</u>
2012	2.492	1.349	1.189	2012	2.552	1.455	1.243
2013	2.429	1.381		2013	2.484	1.457	
2014	2.560			2014	2.525		
Average	2.494	1.365	1.189	Average	2.520	1.456	1.243

Paid ALAE Development (excluding M CCP)				Ratio of Paid M CCP to Paid Medical Development (M CCP DF - 1.0) / (Medical DF - 1.0)			
Accident	Age-to-Age Development			Accident	Age-to-Age Development		
<u>Year</u>	<u>12-24</u>	<u>24-36</u>	<u>36-48</u>	<u>Year</u>	<u>12-24</u>	<u>24-36</u>	<u>36-48</u>
2012	4.322	1.729	1.337	2012	0.961	0.767	0.776
2013	4.385	1.695		2013	0.963	0.833	
2014	4.258			2014	1.023		
Average	4.321	1.712	1.337	Average	0.982	0.800	0.776

Source: WCIRB quarterly calls for experience. Paid ALAE development is for private insurers only.

Quarterly Development Factors - Paid M CCP, Paid Medical, Paid ALAE excluding M CCP

Paid M CCP Development					Paid Medical Development				
Age in Months	Accident Year				Age in Months	Accident Year			
	2012	2013	2014	2015		2012	2013	2014	2015
3 - 6	5.634	5.835	6.040	5.699	3 - 6	5.942	6.232	5.646	5.716
6 - 9	2.377	2.423	2.396	2.485	6 - 9	2.395	2.490	2.424	2.308
9 - 12	1.761	1.770	1.769	1.768	9 - 12	1.762	1.740	1.752	1.714
12 - 15	1.474	1.429	1.454		12 - 15	1.449	1.441	1.459	
15 - 18	1.279	1.263	1.300		15 - 18	1.284	1.263	1.268	
18 - 21	1.171	1.185	1.194		18 - 21	1.189	1.192	1.192	
21 - 24	1.130	1.138	1.134		21 - 24	1.151	1.147	1.145	
24 - 27	1.096	1.106			24 - 27	1.120	1.120		
27 - 30	1.087	1.092			27 - 30	1.106	1.109		
30 - 33	1.070	1.076			30 - 33	1.091	1.089		
33 - 36	1.058	1.063			33 - 36	1.076	1.078		
36 - 39	1.054				36 - 39	1.068			
39 - 42	1.044				39 - 42	1.060			
42 - 45	1.041				42 - 45	1.052			
45 - 48	1.038				45 - 48	1.045			

Paid ALAE Development (excluding M CCP)

Age in Months	Accident Year			
	2012	2013	2014	2015
3 - 6	8.694	8.529	6.311	9.828
6 - 9	3.214	3.060	3.136	3.170
9 - 12	2.113	2.134	2.139	2.147
12 - 15	1.714	1.771	1.740	
15 - 18	1.510	1.490	1.485	
18 - 21	1.338	1.346	1.328	
21 - 24	1.248	1.235	1.241	
24 - 27	1.198	1.189		
27 - 30	1.159	1.156		
30 - 33	1.130	1.122		
33 - 36	1.102	1.100		
36 - 39	1.092			
39 - 42	1.081			
42 - 45	1.071			
45 - 48	1.058			

**Ratio of Paid M CCP to Paid Medical Development
(M CCP DF - 1.0) / (Medical DF - 1.0)**

Age in Months	Accident Year			
	2012	2013	2014	2015
3 - 6	0.938	0.924	1.085	0.996
6 - 9	0.987	0.955	0.980	1.136
9 - 12	0.999	1.040	1.023	1.075
12 - 15	1.056	0.973	0.989	
15 - 18	0.983	1.001	1.121	
18 - 21	0.903	0.965	1.008	
21 - 24	0.862	0.940	0.926	
24 - 27	0.804	0.882		
27 - 30	0.824	0.842		
30 - 33	0.769	0.849		
33 - 36	0.765	0.811		
36 - 39	0.789			
39 - 42	0.727			
42 - 45	0.787			
45 - 48	0.854			

Source: WCIRB quarterly calls for experience. Paid ALAE development is for private insurers only.

Projected Ultimate MCCP per Indemnity Claim - Statewide

A. Development based on Paid Medical:

<u>Year</u>	<u>Paid MCCP @ 12/31/15 (in \$000) (1)</u>	<u>Cumulative Development Factors (2)</u>	<u>Estimated Ultimate MCCP (3)=(1)x(2)</u>	<u>Indemnity Claim Counts @ 12/31/15 (4)</u>	<u>Cumulative Count Development Factors (5)</u>	<u>Estimated Ultimate Ind. Counts (6)=(4)x(5)</u>	<u>Est. Ultimate MCCP Per Indemnity Claim (7)=(3)/(6) x 1000</u>	<u>Annual change</u>
2011	292,489	1.878	549,360	122,462	1.011	123,834	4,436	---
2012	265,398	2.162	573,746	129,254	1.019	131,722	4,356	-1.8%
2013	230,941	2.696	622,573	135,394	1.034	139,972	4,448	2.1%
2014	168,879	3.930	663,778	135,264	1.069	144,634	4,589	3.2%
2015	68,429	9.889	676,707	111,799	1.332	148,906	4,545	-1.0%
Average trend 2011 - 2015:								1.0%

B. Development based on Paid MCCP and 100% of Paid Medical Tail:

<u>Year</u>	<u>Paid MCCP @ 12/31/15 (in \$000) (1)</u>	<u>Cumulative Development Factors (2)</u>	<u>Estimated Ultimate MCCP (3)=(1)x(2)</u>	<u>Indemnity Claim Counts @ 12/31/15 (4)</u>	<u>Cumulative Count Development Factors (5)</u>	<u>Estimated Ultimate Ind. Counts (6)=(4)x(5)</u>	<u>Est. Ultimate MCCP Per Indemnity Claim (7)=(3)/(6) x 1000</u>	<u>Annual change</u>
2011	292,489	1.878	549,360	122,462	1.011	123,834	4,436	---
2012	265,398	2.162	573,746	129,254	1.019	131,722	4,356	-1.8%
2013	230,941	2.569	593,396	135,394	1.034	139,972	4,239	-2.7%
2014	168,879	3.548	599,143	135,264	1.069	144,634	4,142	-2.3%
2015	68,429	9.082	621,481	111,799	1.332	148,906	4,174	0.8%
Average trend 2011 - 2015:								-1.7%

C. Development based on Paid MCCP and 80% of Paid Medical Tail:

<u>Year</u>	<u>Paid MCCP @ 12/31/15 (in \$000) (1)</u>	<u>Cumulative Development Factors (2)</u>	<u>Estimated Ultimate MCCP (3)=(1)x(2)</u>	<u>Indemnity Claim Counts @ 12/31/15 (4)</u>	<u>Cumulative Count Development Factors (5)</u>	<u>Estimated Ultimate Ind. Counts (6)=(4)x(5)</u>	<u>Est. Ultimate MCCP Per Indemnity Claim (7)=(3)/(6) x 1000</u>	<u>Annual change</u>
2011	292,489	1.703	497,986	122,462	1.011	123,834	4,021	---
2012	265,398	1.929	512,077	129,254	1.019	131,722	3,888	-3.3%
2013	230,941	2.293	529,614	135,394	1.034	139,972	3,784	-2.7%
2014	168,879	3.166	534,743	135,264	1.069	144,634	3,697	-2.3%
2015	68,429	8.106	554,681	111,799	1.332	148,906	3,725	0.8%
Average trend 2011 - 2015:								-2.0%

Projected Ultimate M CCP per Indemnity Claim - Private Insurers

A. Development based on Paid Medical:

<u>Year</u>	<u>Paid MCCP @ 12/31/15 (in \$000)</u> (1)	<u>Cumulative Development Factors</u> (2)	<u>Estimated Ultimate MCCP</u> (3)=(1)x(2)	<u>Indemnity Claim Counts @ 12/31/15</u> (4)	<u>Cumulative Count Development Factors</u> (5)	<u>Estimated Ultimate Ind. Counts</u> (6)=(4)x(5)	<u>Est. Ultimate MCCP Per Indemnity Claim</u> (7)=(3)/(6) x 1000	<u>Annual change</u>
2011	282,621	1.834	518,327	114,587	1.018	116,631	4,444	---
2012	258,983	2.113	547,232	122,624	1.027	125,885	4,347	-2.2%
2013	224,649	2.635	591,949	127,176	1.043	132,591	4,464	2.7%
2014	162,291	3.852	625,145	124,335	1.082	134,517	4,647	4.1%
2015	66,099	9.779	646,379	101,545	1.368	138,883	4,654	0.1%
Average trend 2011 - 2015:								1.6%

B. Development based on Paid MCCP and 100% of Paid Medical Tail:

<u>Year</u>	<u>Paid MCCP @ 12/31/15 (in \$000)</u> (1)	<u>Cumulative Development Factors</u> (2)	<u>Estimated Ultimate MCCP</u> (3)=(1)x(2)	<u>Indemnity Claim Counts @ 12/31/15</u> (4)	<u>Cumulative Count Development Factors</u> (5)	<u>Estimated Ultimate Ind. Counts</u> (6)=(4)x(5)	<u>Est. Ultimate MCCP Per Indemnity Claim</u> (7)=(3)/(6) x 1000	<u>Annual change</u>
2011	282,621	1.834	518,327	114,587	1.018	116,631	4,444	---
2012	258,983	2.113	547,232	122,624	1.027	125,885	4,347	-2.2%
2013	224,649	2.509	563,575	127,176	1.043	132,591	4,250	-2.2%
2014	162,291	3.456	560,824	124,335	1.082	134,517	4,169	-1.9%
2015	66,099	8.793	581,215	101,545	1.368	138,883	4,185	0.4%
Average trend 2011 - 2015:								-1.6%

C. Development based on Paid MCCP and 80% of Paid Medical Tail:

<u>Year</u>	<u>Paid MCCP @ 12/31/15 (in \$000)</u> (1)	<u>Cumulative Development Factors</u> (2)	<u>Estimated Ultimate MCCP</u> (3)=(1)x(2)	<u>Indemnity Claim Counts @ 12/31/15</u> (4)	<u>Cumulative Count Development Factors^[2]</u> (5)	<u>Estimated Ultimate Ind. Counts</u> (6)=(4)x(5)	<u>Est. Ultimate MCCP Per Indemnity Claim</u> (7)=(3)/(6) x 1000	<u>Annual change</u>
2011	282,621	1.667	471,186	114,587	1.018	116,631	4,040	---
2012	258,983	1.890	489,582	122,624	1.027	125,885	3,889	-3.7%
2013	224,649	2.244	504,203	127,176	1.043	132,591	3,803	-2.2%
2014	162,291	3.092	501,743	124,335	1.082	134,517	3,730	-1.9%
2015	66,099	7.867	519,986	101,545	1.368	138,883	3,744	0.4%
Average trend 2011 - 2015:								-1.9%

Paid MCCP per Indemnity Claims Inventory^[1]

<u>Calendar Year</u>	<u>Private Insurers</u>		<u>Statewide</u>	
2005	\$469	---	---	---
2006	\$559	19.2%	---	---
2007	\$631	12.8%	\$433	---
2008	\$953	51.1%	\$673	55.4%
2009	\$830	-13.0%	\$665	-1.2%
2010	\$888	7.0%	\$733	10.2%
2011	\$931	4.8%	\$786	7.1%
2012	\$983	5.6%	\$841	7.1%
2013	\$1,022	4.1%	\$901	7.1%
2014	\$1,028	0.5%	\$918	2.0%
<u>Estimated Annual Exponential Trend Based on:</u>				
2005-2014		8.5%		---
R ²		0.787		---
2009-2014		4.5%		6.8%
R ²		0.955		0.973
Selected:		4.5%		

^[1] Indemnity claims inventory is the sum of indemnity claims open as of January 1 of Year N and newly-reported indemnity claims between January 1 of year N and December 31 of year N.

Source: WCIRB expense calls, aggregate indemnity and medical cost calls and quarterly calls for experience

Item AC16-06-04
Study of Pharmaceutical Dispensing

At the recommendation of the Medical Analytics Working Group, staff has undertaken a study of pharmaceutical dispensing patterns in California. A summary of the key findings of the report, which is anticipated to be published later this month, will be presented at the meeting.

Item AC16-06-05 Update on Medical Severity Trends by Component

At the November 4, 2015 meeting, the Committee reviewed a summary of changes in paid per transaction and paid transactions per claim in six-month calendar period intervals by medical component.¹ The medical cost summary reflected information from the WCIRB's medical transaction database through June 30, 2015.

An update to that analysis with information through December 31, 2015 will be presented at the meeting.

¹ See the WCIRB's report, *Impact of SB 863 on California Workers' Compensation Medical Costs through June 30, 2015*, published December 10, 2015.