

# Actuarial Committee

## Meeting Agenda



Date	Time	Location	Staff Contact
September 2, 2015	9:30 AM	WCIRB California 1221 Broadway, Suite 900 Oakland, CA	David M. Bellusci
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Released: August 26, 2015

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

**I. Approval of Minutes**

None

**II. Working Group Meeting Summaries**

Claims Working Group Meeting held July 28, 2015

Actuarial Research Working Group Meeting held August 4, 2015

**III. New Business**

A. AC15-09-01: 6/30/2015 Experience – Review of Methodologies

**IV. Matters Arising at Time of Meeting**

**V. Next Meeting Date:** November 4, 2015

**VI. Adjournment**

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**Claims Working Group**

# Meeting Summary

To: Participants of the Claims Working Group  
Date: August 10, 2015  
From: Ryan Purcell

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**RE: Summary of July 28, 2015 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. Third Quarter 2015 Review of Diagnostics**

The Working Group reviewed the third quarter 2015 diagnostics. The Working Group noted the following:

- a. The share of total claims that are medical only has continued to decrease in policy year 2012. A Group member suggested the decrease could be in part related to underreporting of first aid claims.
- b. The open share of permanent partial claims has continued to decrease, while the open share of temporary only claims has continued to increase. It was noted that the speed-up in settlement of permanent partial claims may be attributable to applicant attorneys attempting to resolve older permanent partial claims in order to focus on newer claims with the higher Senate Bill No. 863 (SB 863) benefits, reduced lien activity and quicker resolution of medical disputes through independent medical review (IMR).
- c. The Group noted that temporary disability duration continues to increase. A member suggested that workers with lower wages may have longer temporary disability duration. Staff agreed to review the relationship between duration of temporary disability benefits and wage level.



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- d. In reviewing the proportion of indemnity claims that involve permanent disability benefits, a member asked staff to review the correlation between measures of economic growth and the percentage of indemnity claims that involve permanent partial benefits.
- e. The number of liens filed increased significantly in the first and second quarter of 2015 as compared to 2014. The Group noted that in January 2015 the 18-month statute of limitations began to effect older claims, and that this could be causing the increase over 2014.
- f. The number of expedited hearings remained high in the first quarter of 2015, despite the Appeals Board en banc opinion *Dubon II*, which was expected to reduce the number of expedited hearings. It was noted that when an IMR decision is not received in the allotted 45 days the applicant may be able to pursue an expedited hearing.
- g. The percentage of indemnity claims with over \$1 Million total incurred has increased slightly over the past three years, but when total incurred is adjusted for inflation the percentage remained flat or decreased slightly. A member suggested that there could be an increase in life pensions due to SB 863 permanent disability changes and that these may be less than \$1 Million total incurred. Staff agreed to summarize the percentage of claims over \$500,000 total incurred for the Group at the next meeting.
- h. The number of medical legal reports per permanent disability claim decreased in policy years 2011 and 2012, but the cost per report increased. A member noted that supplemental reports often involve significant cost and asked if staff could examine the relationship between the number of reports and the cost of each report on a given claim.
- i. The percentage of permanent disability claims that had a Medicare Set-Aside (MSA) has continued to increase. Given the limitations of the data currently collected on MSAs and concerns that with an aging workforce and the duration claims are open in California MSAs could be a significantly increasing cost component, staff agreed to review internal data on MSAs and present findings to the Group to determine if an external survey on MSAs is appropriate.
- j. In discussing the impact of MSA on cost levels, staff agreed to compare development on claims closed through a stipulated award to those closed through compromise and release, to assess if the stipulated award claims showed significantly higher development due to the exposure to future medical costs.
- k. The percentage of non-cumulative indemnity claims with "multiple body parts" has remained flat for the past three years. It was noted that SB 863 may give less incentive to list multiple body parts on a permanent disability claim since some add-ons no longer generate higher permanent disability awards. Staff said that it would review changes in part of body codes later this year when it receives updated data from the State Disability Evaluation Unit (DEU).

## 2. Long-Term Medical Loss Development

The meeting materials included the WCIRB's recently published report on long-term loss development. Staff summarized the analysis of California medical treatment patterns over time. The Working Group was advised that the database was divided into seven cohorts from 0 to 30 years after injury. The data revealed that claims lasting more than three years exhibited a marked increase in drug usage, especially narcotics. This pattern was sustained through 30 years after injury. Additionally, after six years, primary diagnoses shift to chronic problems of aging rather than the acute diagnoses primarily related to the original injury. Complications from medical care appear to gradually increase as claims stay open. Reflecting the aging workforce, more than one third of recent claims are incurred by workers over age 50. These older workers appear to stay on claims longer than their younger counterparts.

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The Group noted that the NCCI states showed similar increases in drug use in claims that lasted more than three years. A Group member also noted that California workers compensation laws have a different standard for intractable pain than some NCCI states.

### 3. 2015 Update to Medical Transaction Data Analysis

The Working Group was reminded that over the last several years, the WCIRB has contracted with the California Workers' Compensation Institute (CWCI) to analyze medical severity trends based on medical transaction data.

Alex Swedlow, President of the CWCI, presented a summary of CWCI medical transaction data through December 31, 2014. The following observations were made:

1. Early indicators for accident year 2014 suggest that the overall medical severity on indemnity claims is declining.
2. Pharmaceutical costs continue to be the quickest rising component of total medical costs.
3. The average cost per prescription for both sole source and multi-source prescriptions increased at a double-digit rate in 2014.
4. Medical cost containment costs per claim continue to increase. In 2014, the cost of utilization review made up 55% of total medical cost containment costs.
5. The average adjusted average level of temporary disability payments continues to increase.
6. The utilization of medical provider networks continues to increase.

### 4. SB 863 Cost Monitoring

Staff provided the Working Group with updated SB 863 cost monitoring estimates for copy services fees and updated cost monitoring results for the impact of the Resource Based Relative Value Scale (BRVS) on Physician Fees.

Staff advised the Working Group that a new fee schedule for copy services took effect on July 1, 2015. The new fee schedule sets the price of copy services at the average of the cost for applicants and defendants fees for copy services before the fee schedule based on the Berkeley Research Group Study. Staff noted that because the fee schedule uses the historical average price of copy services, and because copy services make up a small share of total costs, the WCIRB's Actuarial Committee was not recommending a pure premium rate adjustment for the impact of the new copy service fee schedule. Staff provided the Working Group with updated cost monitoring results on the impact of RBRVS on Physician Fees. Staff noted that costs associated with Special Services and Reports decreased much more than projected and that the total indicated actual change based on data as of December, 2014, was a 4.1% decrease. Staff noted that this was lower than the initial estimate of a 2.4% increase.

### 5. Legislative, Regulatory & Judicial Update

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

The Working Group discussed that a notice of proposed rulemaking has been issued for the Chronic Pain Medical Treatment Guidelines and a public hearing has been scheduled for September 1, 2015. The Working Group also discussed that informal comment period for the Home Health Care Fee Schedule has concluded and that formal rulemaking should begin in the

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next few months. It was suggested that the WCIRB closely monitor the Home Health Care Fee Schedule as the new schedule may have a significant cost impact. It was also mentioned that formal rulemaking for the Interpreter Fee Schedule will likely begin next month and that updates to the Workers' Compensation Qualified Medical Examiner (QME) and the Employee Benefit Notices regulations are under review with the Office of Administrative Law.

The Working Group also discussed the recent panel decision of *Silva v. LSG Sky Chefs* which held that qualifying injured workers are entitled to one supplemental job displacement benefit voucher for each injury, which in this case was a specific and a cumulative trauma injury with overlapping body parts. It was mentioned that common practice is for the amount of permanent disability to be aggregated to calculate the value of a single voucher.

The Working Group also discussed the recent Supreme Court decision in *South Coast Framing v. WCAB* which held that the causation standard for workers' compensation is whether the industrial injury is a contributing cause to the injury or death and it was mentioned that the decision is consistent with current law.

It was recommended that the Working Group monitor the case of *City of Jackson v. WCAB (Rice)* currently pending review before the Third District Court of Appeal. In that case, the issue on appeal is whether the WCAB erred in rejecting the apportionment opinion of the panel QME who found that 49% of the injured worker's neck disability was caused by genetic predisposition to degenerative disc disease as demonstrated by his father's medical history.

The Working Group also discussed the 2014 Significant Panel Decision *Patterson v. The Oaks Farm*. The case held that the provision of a nurse case manager is a form of medical treatment, that an employer cannot unilaterally cease to provide nurse case manager services when there is no evidence of a change in circumstances showing that the services are no longer reasonably required, that the use of an expedited hearing to address the medical treatment issue was expressly authorized by the Labor Code and that it is not necessary for an injured worker to obtain a Request for Authorization to challenge the unilateral termination of the services of a nurse case manager. It was mentioned that it has been argued that this case is applicable when any type of chronic care is being provided. The case of *McCool v. Monterey Bay Medical* was cited, however, as one case in which the WCAB panel held that the *Patterson* case did not apply. The case involved a prescription for medication and the WCAB panel held that in this case, unlike in *Patterson*, the defendant did not unilaterally terminate the medications on its own initiative but rather submitted the prescription to utilization review and that recurring prescriptions are not the sort of ongoing medical care that was unilaterally terminated in *Patterson*. It was recommended that the Working Group monitor cases involving this issue.

Finally, it was noted that the *Stevens v. WCAB* case involving the constitutionality of independent medical review (IMR) was scheduled for oral arguments before the First District Court of Appeal on September 30, 2015. It was mentioned that there is also the case of *Ramirez v. The State of California Department of Health Services* also challenging the constitutionality of IMR pending in the Third District Court of Appeal.

**Actuarial Research Working Group**

# Meeting Summary

To: Participants of the Actuarial Research Working Group  
From: Ward Brooks  
Date: August 11, 2015

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**RE: Summary of August 4, 2015 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. Study of Geographical Differences**

The Group was reminded that at its July 25, 2014 meeting, staff presented proof of concept work in developing refined estimates of regional claim frequency differentials by using select data available from the WCIRB's medical data call (MDC) to provide geographic information about claim location and information from Hoover's/Dun & Bradstreet (Hoover's) to provide geographic information about employers' exposures. The results of this proof of concept work were promising and staff was directed to continue to study geographical differences in 2015, with the goal of completing a first comprehensive study of geographical differences in 2015.

The Group was informed that there were four major phases of the study—the linking of the three data sets; the geolocation of exposures and claims; the identification of optimal geographic units of analysis; and the analysis of geographical differences.

The Group was informed that the phase of linking of the three major datasets—the WCIRB's Unit Statistical Report (USR) data with MDC and Hoover's data, was complete. Staff described the development of this triple-linked dataset. To link WCIRB USR data with Hoover's, staff used available Federal Employer Identification Numbers, names and addresses. Staff supplemented names and addresses in USR with those available in the WCIRB's policy and inspection report data. A Group member suggested also using information available from the WCIRB's Test Audit Program and staff agreed to explore this source as well. To enhance the reliability of the linkages, staff also matched Hoover's data to the Division of Workers' Compensation's published Self-Insurance Rosters.

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The USR data being matched includes policies incepting between July 1, 2012 through June 30, 2013. The Hoover's data was as of January 5, 2015. Given that the data are not contemporaneous, a material share of data is unmatchable. These include companies newly founded after the time period covered by the USR data and companies in the USR data set that went out of business before the timing of the Hoover's data set. The share of USR exposures unambiguously linked to Hoover's was very high and staff discussed several efforts in progress to further enhance the linkage success rates.

Staff discussed the linkage of USR and MDC data. The linkage of these datasets was more straightforward as both data sets were reported to the WCIRB and staff already had considerable experience linking the two data sets. Insurers representing approximately 90% of exposures for the study period participated in MDC. For participating insurers, the success rate in linking USR and MDC claims was very high, approximately 85%.

For the second phase of the study—the geolocation of exposures and claims—the Group was informed that staff had developed regional wage differentials from Occupational Employment Survey data. These differentials were used to avoid capturing regional wage differences in measures of regional frequency or other exposure-based measures. The Hoover's data provides the number of employees and the latitude and longitude coordinates for each employer's location(s). The Group was informed that staff allocated USR exposures to locations in proportion the number of employees at each location while simultaneously adjusting for regional wage differentials. The end result was that exposures *after adjustment* for regional wage differences were distributed in proportion to the number of employees at each location.

Staff discussed anticipated enhancements to this allocation of exposures. The Group was informed that staff was developing a WCIRB classification-to-North American Industrial Classification System (NAICS) correlation matrix. If an employer had both agricultural and manufacturing exposures, for example, and the Hoover's data indicated agricultural operations at one location and manufacturing operations at the other, exposures would be allocated accordingly. The Group was informed that staff was exploring other ways to enhance the allocation of exposures to locations. Allocations might vary, for example, depending on the number of employees at the location if average salaries were higher at locations with large numbers of workers or if the location was a headquarters.

The Group was informed that a certain share of employees were field staff—not necessarily located at an employer's location(s). The WCIRB's Hoover's record was used to demonstrate this. Approximately 25% of the WCIRB's staff are distributed throughout the state and do not work at a fixed location. To the extent that this phenomenon was random, staff did not expect distortions in relativity measures among regions. The Group was informed that staff was studying this issue but for the results reviewed at the meeting, field staff exposures were allocated to known employers' locations.

The Group was informed that staff's approach to using MDC information to geolocate claims was substantially the same as for the 2014 proof of concept work. Based on findings for single location employers, for which the employer's location was known, the Group was informed that staff had evaluated the reliability of data features to geolocate claims. Staff had segregated the MDC data into features based on their reliability to geolocate claims. Features that did not reliably geolocate claims were not used. If the MDC observations for a claim were only those determined not to reliably geolocate, then the claim was not geolocated. For claims for which reliable MDC information was available, the latitude/longitude coordinates for each claim's geographical "center of medical service" was calculated. Each claim was then assigned to the employer location nearest this center of medical service.



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The Group was informed that not all insurers participate in MDC. Further, for participating insurers, not all claims observed in USR will be observed in MDC. A claim must be medically active and its payments submitted to MDC to be observable in MDC. Some payments, such as payments made directly to injured workers, are typically not observed in MDC.

The Group discussed the potential for data that was not geolocated to bias results. Staff informed the Group that USR data not in the triple-linked dataset would be segregated to understand how it was similar or different from the successfully triple-linked and geolocated data. A Group member suggested that differences in the geographic distribution of risks by size might bias results if larger risks have better loss control and tend to be concentrated in certain geographic areas. Staff noted that subsets by size of risk (not size at a given location) could be evaluated to test for these effects.

A Group member suggested that staff consider sharing its findings on several specific risks with those risks' insurers to help validate the data. Staff agreed to consider this.

The Group was informed that, given the propensity for some industries to be regionally concentrated, the data was normalized to make it suitable for geographic analysis. Expected frequencies and severities were developed by industrial groups. The reasonableness of these expected frequencies and severities by industrial groups was tested by comparison to single location policies regional relativities, for which expectations at a classification level were available. The relativities were then further normalized within industrial groups to facilitate comparison among industries.

Staff discussed findings to date in developing appropriate geographic units of analysis. The Group was informed that staff had completed work on the identification of geographic units based on targets for which regional differences were being measured. Staff expressed concern in identifying regions based on the targeted measures, which might change over time, and discussed alternative approaches that were being explored that were more independent of the targeted measures. In particular, staff was developing metrics to measure the degree of association among employers geographically—a market area analysis. The Group reviewed staff's initial findings using this approach. Staff informed the Group that staff was still evaluating credible claim volumes and other parameters for this analysis. The Group was informed that once candidate regions were developed, that these would be brought to the Group for its feedback.

## Item AC15-09-01 6/30/2015 Experience – Review of Methodologies

At the August 6, 2015 meeting, the Committee reviewed statewide experience through March 31, 2015 and approved a series of loss development and trending methodologies for the purposes of the WCIRB's January 1, 2016 Pure Premium Rate Filing. On August 19, 2015, the WCIRB submitted its filing to the California Department of Insurance. In the filing, the WCIRB advised that we "will be reviewing experience through June 30, 2015 when it is received. If the experience through June 30, 2015 produces indications that are significantly different from those based on experience through March 31, 2015, the WCIRB may amend the pure premium rate recommendations contained in this filing."

Staff has prepared a preliminary analysis of statewide experience through June 30, 2015, which is included in Exhibits 1 through 8. This information reflects insurers writing almost 100% of the market based on 2014 premium levels. The methodologies used were consistent with those reflected in the January 1, 2016 Pure Premium Rate Filing. Wage and loss levels were projected to January 1, 2017—the approximate midpoint of experience on policies incepting in 2016, and premiums were adjusted to the industry average filed pure premium rate level as of July 1, 2015.

As shown on Exhibit 8, the projected policy year 2016 loss to the industry average filed pure premium ratio based on June 30, 2015 experience is 0.677. (The comparable ratio projected based on March 31, 2015 experience as reflected in the January 1, 2016 Pure Premium Rate Filing is 0.685.)

Additional supplemental information is included in Exhibits 9 through 12.

**California Workers' Compensation  
Accident Year Experience as of June 30, 2015**

<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	2,873,984,238	1,276,522,717	5,388,375	979,279,498	28,426,099	18,231,940	2,307,848,629	0.803
1986	3,508,744,892	1,380,046,334	7,739,879	1,123,096,927	44,906,575	58,215,276	2,614,004,991	0.745
1987	4,376,140,468	1,501,289,734	8,348,373	1,318,235,039	52,558,322	29,590,053	2,910,021,521	0.665
1988	5,173,350,919	1,698,408,747	9,406,390	1,520,276,484	56,594,870	39,833,441	3,324,519,932	0.643
1989	5,676,458,564	1,933,180,405	10,009,867	1,772,221,429	79,097,607	47,628,327	3,842,137,635	0.677
1990	5,703,468,318	2,253,745,001	11,464,190	2,019,814,057	71,432,589	73,955,060	4,430,410,897	0.777
1991	5,868,920,074	2,470,857,908	22,676,450	2,170,261,983	86,222,586	67,918,078	4,817,937,005	0.821
1992	5,689,580,095	1,969,891,748	19,493,201	1,727,246,593	89,532,194	66,216,808	3,872,380,544	0.681
1993	5,941,431,679	1,687,579,681	19,520,222	1,473,337,785	119,962,416	51,281,951	3,351,682,055	0.564
1994	5,033,459,487	1,618,381,349	27,260,581	1,432,425,297	131,025,614	52,408,046	3,261,500,887	0.648
1995	3,792,952,534	1,750,179,751	41,421,450	1,559,900,055	167,332,121	65,082,077	3,583,915,454	0.945
1996	3,750,217,191	1,932,903,359	48,749,379	1,657,579,133	167,029,211	80,789,767	3,887,050,849	1.036
1997	3,931,957,502	2,295,450,853	61,212,010	1,955,198,924	211,021,633	130,814,370	4,653,697,790	1.184
1998	4,339,876,448	2,740,651,945	77,055,708	2,545,741,936	319,352,385	200,245,104	5,883,047,078	1.356
1999	4,561,189,532	3,023,090,155	86,251,094	2,912,273,351	329,005,440	315,932,675	6,666,552,715	1.462
2000	5,942,814,347	3,387,105,579	108,916,711	3,442,457,853	398,813,248	475,484,617	7,812,778,008	1.315
2001	10,142,392,671	4,739,340,595	181,657,351	5,109,263,043	654,980,080	757,343,611	11,442,584,680	1.128
2002	13,470,955,515	4,666,994,689	165,454,287	5,235,765,763	600,658,753	1,138,875,988	11,807,749,480	0.877
2003	19,540,169,991	4,397,381,073	244,885,565	4,775,045,847	621,237,405	1,480,672,675	11,519,222,565	0.590
2004	23,142,148,361	3,073,711,896	214,059,218	3,791,467,915	549,458,175	1,524,292,640	9,152,989,844	0.396
2005	21,427,657,848	2,390,519,976	196,154,714	3,365,413,997	521,214,513	1,237,661,920	7,710,965,120	0.360
2006	17,275,391,120	2,444,285,027	230,108,279	3,437,419,022	572,144,314	981,592,648	7,665,549,290	0.444
2007	13,321,227,094	2,526,139,936	274,598,869	3,624,784,053	646,168,268	1,052,444,448	8,124,135,574	0.610
2008	10,885,548,062	2,559,736,023	292,566,524	3,594,231,000	669,394,178	909,190,177	8,025,117,902	0.737
2009	9,039,801,056	2,364,393,020	334,968,462	3,339,044,303	696,555,445	833,975,484	7,568,936,714	0.837
2010	9,551,985,163	2,289,757,876	378,520,581	3,269,851,851	741,883,893	1,285,463,935	7,965,478,136	0.834
2011	10,321,419,083	2,082,920,996	483,150,819	2,726,642,423	911,281,318	1,532,101,083	7,736,096,639	0.750
2012	11,964,286,668	1,858,112,842	598,808,858	2,352,857,447	1,008,322,831	2,301,107,460	8,119,209,438	0.679
2013	14,379,701,731	1,426,470,582	788,973,634	1,793,409,284	1,240,083,957	3,840,080,942	9,089,018,399	0.632
2014	16,244,347,257	739,484,508	857,544,624	1,073,438,579	1,355,010,191	5,825,154,144	9,850,632,046	0.606
2015	8,294,248,303	78,564,673	277,701,294	154,014,179	539,274,242	3,450,505,528	4,500,059,916	0.543

\* 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	30/18	42/30	54/42	66/54	78/66	90/78	Age-to-Age (in months)										186/174	198/186
							102/90	114/102	126/114	138/126	150/138	162/150	174/162					
1990																	1.001	
1991																1.000	1.003	
1992													1.001			1.002	1.001	
1993												1.000	1.002			1.000	1.001	
1994												1.001	1.001			1.001	0.999	
1995										1.001		1.000	1.003			1.002	1.000	
1996									1.003	1.003		1.001	1.000			1.000	1.002	
1997									1.005	1.005		1.002	1.002			1.002	1.000	
1998									1.005	1.004		1.001	1.004			1.000	1.002	
1999							1.005	1.007	1.007	1.002		1.003	1.004			1.001	1.001	
2000						1.015	1.008	1.006	1.005	1.005		1.002	1.004			1.001		
2001				1.024	1.022	1.014	1.013	1.006	1.008	1.008		1.004	1.002			1.002		
2002			1.034	1.035	1.022	1.017	1.010	1.010	1.008	1.007		1.002	1.004					
2003		1.091	1.066	1.037	1.028	1.016	1.020	1.017	1.010	1.008		1.005						
2004	1.212	1.117	1.051	1.044	1.032	1.029	1.021	1.015	1.014	1.005								
2005	1.336	1.129	1.083	1.059	1.047	1.035	1.020	1.013	1.009									
2006	1.402	1.158	1.089	1.067	1.044	1.029	1.020	1.008										
2007	1.446	1.171	1.090	1.060	1.040	1.028	1.017											
2008	1.472	1.200	1.100	1.057	1.034	1.022												
2009	1.504	1.190	1.106	1.059	1.035													
2010	1.502	1.199	1.096	1.055														
2011	1.487	1.180	1.092															
2012	1.471	1.175																
2013	1.454																	
Selected (a)	1.454	1.175	1.092	1.055	1.035	1.022	1.017	1.008	1.011	1.007	1.004	1.003	1.003	1.001		1.001		
Cumulative	2.220	1.527	1.300	1.190	1.128	1.090	1.067	1.049	1.040	1.029	1.022	1.018	1.015	1.011		1.010		

(a) Selections are latest year for the 18-to-30 month through 102-to-114 month factors and three-year average for the subsequent age-to-age factors.

**Incurred Indemnity Loss Development Factors (Continued)**

Accident Year	210/198	222/210	234/222	246/234	258/246	270/258	282/270	294/282	306/294	318/306	330/318	342/330	354/342	366/354	ULT/366Inc (b)
1980										1.001	1.000	0.998	1.000		1.003
1981									1.002	1.000	1.001	1.001	1.000		1.001
1982								1.000	1.004	0.998	1.001	1.000	1.002		1.002
1983							1.000	1.000	1.000	0.999	1.001	1.001	1.001	1.000	1.001
1984						1.000	1.000	1.000	1.000	1.001	1.001	1.000	1.001	1.001	1.002
1985					1.000	1.001	1.000	1.000	1.001	1.000	1.001	1.001	1.001	1.000	1.001
1986				1.001	0.999	1.001	1.000	1.001	1.000	1.002	1.002	1.000	0.999		
1987			1.001	1.000	0.999	1.000	1.001	1.000	1.002	1.001	1.000	1.001			
1988		1.001	1.001	1.000	1.000	1.000	1.002	1.002	1.000	1.000	1.000				
1989	1.002	1.001	1.000	1.001	1.000	1.001	1.000	1.000	1.000	1.000					
1990	1.001	1.000	1.001	1.000	1.000	1.001	1.000	1.001	1.000						
1991	1.000	1.001	1.000	1.000	1.000	1.000	1.000	1.001							
1992	0.999	1.000	1.001	1.001	1.001	1.001	1.000								
1993	0.999	1.000	1.001	1.001	1.002	1.000									
1994	1.001	1.002	1.002	1.001	1.000										
1995	1.002	1.002	0.999	1.000											
1996	1.001	1.002	1.000												
1997	1.001	1.000													
1998	1.001														

Selected (a)  
Cumulative

1.001  
1.009

1.001  
1.008

1.001  
1.007

1.001  
1.007

1.001  
1.007

1.001  
1.007

1.001  
1.007

1.001  
1.007

1.001  
1.007

1.001  
1.007

- (b) To adjust for non-repeating asbestosis claim patterns in older accident years, these factors are reflected at 20% of the reported ULT/366Inc factors. The original factors were 1.013, 1.004, 1.009, 1.004, 1.009, and 1.004, respectively.
- (c) Six-year average of the ULT/366Inc factors is selected.

**Incurred Medical Loss Development Factors**

Accident Year	30/18	42/30	54/42	66/54	78/66	90/78	Age-to-Age (in months) (b)										186/174	198/186
							102/90	114/102	126/114	138/126	150/138	162/150	174/162					
1990																	1.007	1.003
1991																	1.010	1.010
1992																	1.005	1.011
1993																	1.016	1.011
1994																	1.009	1.018
1995																	1.012	1.005
1996																	1.017	1.008
1997																	1.008	1.006
1998																	1.010	1.008
1999																	1.010	1.002
2000																	1.011	1.002
2001																	1.010	1.003
2002																	1.002	
2003																		
2004																		
2005																		
2006																		
2007																		
2008																		
2009																		
2010																		
2011																		
2012																		
2013																		
Selected (a)	1.275	1.134	1.090	1.058	1.042	1.030	1.025	1.013	1.021	1.013	1.010	1.013	1.008	1.008	1.008	1.005		
Cumulative	2.183	1.712	1.510	1.385	1.309	1.256	1.220	1.190	1.175	1.151	1.136	1.124	1.110	1.101	1.092	1.092		

(a) Selections are latest year for the 18-to-30 month through 102-to-114 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	210/198	222/210	234/222	246/234	258/246	270/258	282/270	294/282	306/294	318/306	330/318	342/330	354/342	366/354	ULT/366Inc (d)
1980															1.075
1981															1.037
1982								0.999	1.003	1.000	1.001	1.003	1.002		1.060
1983							1.001	1.007	1.006	1.007	1.009	1.002	1.009		1.030
1984						1.004	1.002	1.004	1.001	1.001	1.003	1.004	1.004	1.002	1.038
1985				1.004	1.003	0.998	0.998	1.004	1.002	1.003	1.004	1.001	1.002	1.003	1.009
1986				1.001	1.006	1.003	1.003	1.006	1.007	1.005	1.004	1.003	1.004	0.999	
1987				0.999	1.002	1.004	1.010	1.001	1.004	1.003	1.004	1.004	1.001		
1988		1.003	1.005	1.003	1.004	1.005	1.003	1.005	1.003	1.003	1.003	1.001			
1989	0.995	1.006	1.008	1.006	1.006	1.006	1.006	1.005	1.000	1.002					
1990	1.002	1.005	1.005	1.007	1.005	1.003	1.003	0.999	1.000						
1991	1.005	1.007	1.005	1.004	1.002	1.004	1.001	1.002							
1992	1.007	1.007	0.997	1.007	1.004	1.004	1.002								
1993	1.009	1.004	1.013	1.011	1.002	1.000									
1994	1.010	1.012	1.005	1.006	1.003										
1995	1.012	1.002	1.007	1.002											
1996	1.006	1.008	1.001												
1997	1.003	0.998													
1998	1.008														
Selected (a)	1.006	1.003	1.004	1.006	1.003	1.003	1.002	1.002	1.001	1.003	1.004	1.003	1.002	1.001	
Cumulative	1.086	1.080	1.077	1.073	1.066	1.063	1.060	1.058	1.056	1.055	1.052	1.048	1.045	1.043	1.042 (c)

(c) Six-year average of the UL T/366Inc factors is selected.

(d) UL T/366Inc factors have been adjusted for the effects of medical inflation.

**Paid Indemnity Loss Development Factors**

Accident Year	30/18	42/30	54/42	66/54	78/66	90/78	Age-to-Age (in months)										198/186
							102/90	114/102	126/114	138/126	150/138	162/150	174/162	186/174			
1990																1.002	
1991															1.003	1.004	
1992													1.005	1.004	1.004	1.003	
1993												1.004	1.004	1.004	1.004	1.003	
1994											1.008	1.008	1.006	1.004	1.003		
1995											1.008	1.008	1.007	1.005	1.003		
1996										1.011	1.009	1.008	1.007	1.004	1.005		
1997								1.023	1.018	1.012	1.010	1.007	1.007	1.006	1.005		
1998							1.031	1.023	1.016	1.014	1.009	1.009	1.008	1.007	1.005		
1999							1.030	1.020	1.017	1.012	1.010	1.008	1.008	1.008	1.005		
2000							1.027	1.021	1.014	1.011	1.010	1.008	1.008	1.006	1.005		
2001							1.028	1.020	1.016	1.013	1.012	1.009	1.008	1.008			
2002				1.102			1.025	1.018	1.017	1.014	1.009	1.009					
2003				1.184			1.056	1.035	1.025	1.022	1.018						
2004				1.174			1.060	1.044	1.032	1.023							
2005	1.879	1.405		1.091			1.044	1.035	1.023	1.017							
2006	1.832	1.337		1.167			1.068	1.054	1.047	1.033							
2007	1.910	1.337	1.171	1.110			1.077	1.059	1.042	1.027							
2008	1.909	1.351	1.182	1.114			1.076	1.056	1.038								
2009	1.933	1.386	1.200	1.118			1.072	1.049									
2010	2.012	1.402	1.207	1.118			1.075										
2011	2.020	1.414	1.201	1.114													
2012	2.035	1.394	1.190														
2013	2.019	1.389															
	2.016																

Selected (a)

Cumulative Unadjusted for

Impact of SB 863

Cumulative Adjusted for

Impact of SB 863 (b)

2.016	1.389	1.190	1.114	1.075	1.049	1.038	1.027	1.023	1.016	1.012	1.009	1.008	1.006	1.005
4.990	2.475	1.782	1.497	1.344	1.250	1.192	1.148	1.118	1.093	1.076	1.063	1.054	1.046	1.039
5.389	2.517	1.773	1.490	--	--	--	--	--	--	--	--	--	--	--

- (a) Selections are latest year for the 18-to-30 month through 102-to-114 month factors and three-year average for the subsequent age-to-age factors.  
 (b) The 18-to-ultimate factor for accident year 2014, the 30-to-ultimate factor for accident year 2013, the 42-to-ultimate factor for accident year 2012, and the 54-to-ultimate factor for accident year 2011 have been adjusted by 8.0%, 1.7%, -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	Age-to-Age (in months)														
	210/198	222/210	234/222	246/234	258/246	270/258	282/270	294/282	306/294	318/306	330/318	342/330	354/342	366/354	UL T/366Inc (c)
1980										1.001	1.000	1.001	1.001	1.007	1.003
1981									1.002	1.002	1.001	1.002	1.001	1.007	1.001
1982								1.002	1.003	1.001	1.001	1.002	1.001	1.005	1.002
1983							1.002	1.001	1.001	1.001	1.001	1.001	1.001	1.006	1.001
1984						1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.002
1985					1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.002	1.001	1.001	1.001
1986				1.001	1.001	1.001	1.001	1.001	1.001	1.002	1.001	1.001	1.001	1.004	1.001
1987			1.002	1.001	1.001	1.001	1.001	1.001	1.002	1.001	1.001	1.001	1.001		
1988		1.002	1.002	1.001	1.001	1.001	1.002	1.002	1.001	1.001	1.001	1.001			
1989	1.005	1.002	1.001	1.001	1.001	1.001	1.002	1.001	1.001	1.001					
1990	1.002	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001						
1991	1.002	1.002	1.001	1.002	1.001	1.002	1.001	1.001							
1992	1.002	1.002	1.001	1.002	1.002	1.001	1.001								
1993	1.002	1.003	1.003	1.002	1.002	1.001									
1994	1.004	1.004	1.003	1.003	1.003										
1995	1.005	1.004	1.004	1.002											
1996	1.004	1.004													
1997	1.004	1.004													
1998	1.006														
Selected (a) Cumulative	1.005	1.004	1.004	1.002	1.003	1.002	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	
	1.034	1.029	1.025	1.022	1.019	1.016	1.015	1.014	1.013	1.012	1.011	1.010	1.008	1.007	1.002(d)

(c) To adjust for non-repeating asbestosis claim patterns in older accident years, these factors are reflected at 20% of the reported UL T/366Inc factors. The original factors were 1.013, 1.004, 1.009, 1.004, 1.009, and 1.004, respectively.

(d) A six-year average of the UL T/366Inc and a three-year average of the 366Inc/366Pd factors are selected.

**Paid Medical Loss Development Factors**

Accident Year	Unadjusted (a)															Age-to-Age (in months)														
	30/18	42/30	54/42	66/54	78/66	90/78	102/90	114/102	126/114	138/126	150/138	162/150	174/162	186/174	198/186															
1990																														
1991																														
1992																														
1993																														
1994																														
1995																														
1996																														
1997																														
1998																														
1999																														
2000																														
2001																														
2002																														
2003																														
2004	1.521	1.259	1.150	1.108	1.079	1.064	1.044	1.038	1.037	1.029																				
2005	1.530	1.254	1.171	1.112	1.084	1.058	1.053	1.046	1.036																					
2006	1.585	1.291	1.172	1.116	1.078	1.061	1.053	1.038																						
2007	1.618	1.300	1.177	1.112	1.085	1.069	1.047																							
2008	1.616	1.308	1.183	1.124	1.088	1.060																								
2009	1.648	1.328	1.199	1.135	1.083																									
2010	1.678	1.353	1.202	1.119																										
2011	1.699	1.340	1.190																											
2012	1.697	1.329																												
2013	1.698																													

Accident Year	Adjusted (b)															Age-to-Age (in months)														
	30/18	42/30	54/42	66/54	78/66	90/78	102/90	114/102	126/114	138/126	150/138	162/150	174/162	186/174	198/186															
1997																														
1998																														
1999																														
2000																														
2001																														
2002																														
2003																														
2004																														
2005																														
2006																														
2007																														
2008																														
2009																														
2010																														
2011	1.716	1.356	1.198																											
2012	1.721	1.338																												
2013	1.702																													
Selected (c)	1.702	1.338	1.198	1.124	1.087	1.063	1.050	1.040	1.036	1.029	1.023	1.022	1.019	1.017	1.016															
Cumulative	5.482	3.221	2.407	2.009	1.788	1.645	1.547	1.473	1.417	1.368	1.329	1.300	1.272	1.247	1.227															

- (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 4.9% cost savings due to applicable SB 863 provisions; (ii) adjustment to historical outstanding medical losses paid prior to January 1, 2014 by an estimated 1.5% decrease in costs, and losses paid prior to January 1, 2015 by an estimated 0.6% increase in costs due to RBRVS.
- (c) Selections are latest year for the 18-to-30 month through 102-to-114 month factors and three-year average for the subsequent age-to-age factors.

## Paid Medical Loss Development Factors (Continued)

[illegible]

(d) Six-year averages of the UL T/366Inc and 366Inc/366Pd factors are selected.

(e) ULT/366Inc factors have been adjusted for the effects of medical inflation.

**Selected Indemnity Development Factors - Paid to Age 210, Incurred from Age 210 to Ultimate**

Accident Year	Age-to-Age (in months)																
	30/18	42/30	54/42	66/54	78/66	90/78	102/90	114/102	126/114	138/126	150/138	162/150	174/162	186/174	198/186	210/198	210Inc/210Pd (c)
1990															1.002	1.002	1.011
1991														1.003	1.004	1.002	1.016
1992													1.005	1.004	1.003	1.002	1.018
1993												1.004	1.004	1.004	1.003	1.002	1.020
1994											1.008	1.008	1.006	1.004	1.003	1.004	1.024
1995										1.011	1.009	1.008	1.007	1.005	1.003	1.005	1.034
1996									1.018	1.012	1.011	1.008	1.007	1.004	1.005	1.004	1.032
1997							1.023	1.023	1.016	1.014	1.010	1.007	1.007	1.006	1.005	1.004	1.031
1998						1.031	1.023	1.020	1.018	1.014	1.009	1.009	1.008	1.007	1.005	1.004	1.029
1999						1.044	1.030	1.027	1.020	1.017	1.010	1.008	1.008	1.006	1.005	1.006	
2000					1.067	1.043	1.027	1.021	1.014	1.011	1.010	1.008	1.008	1.006			
2001				1.102	1.062	1.041	1.028	1.020	1.016	1.013	1.012	1.009	1.008				
2002			1.184	1.096	1.058	1.039	1.025	1.018	1.017	1.014	1.009	1.009					
2003		1.405	1.174	1.091	1.056	1.035	1.028	1.025	1.022	1.018	1.014						
2004	1.879	1.348	1.160	1.090	1.060	1.044	1.040	1.032	1.023	1.017	1.014						
2005	1.832	1.337	1.167	1.095	1.068	1.054	1.047	1.033	1.023								
2006	1.910	1.337	1.171	1.110	1.077	1.059	1.042	1.027									
2007	1.909	1.351	1.182	1.114	1.076	1.056	1.038										
2008	1.933	1.386	1.200	1.118	1.072	1.049											
2009	2.012	1.402	1.207	1.118	1.075												
2010	2.020	1.414	1.201	1.114													
2011	2.035	1.394	1.190														
2012	2.019	1.389															
2013	2.016																
Selected (a)	2.016	1.389	1.190	1.114	1.075	1.049	1.038	1.027	1.023	1.016	1.012	1.009	1.008	1.006	1.005	1.005	1.031
Cumulative Unadjusted for Impact of SB 863	5.038	2.499	1.799	1.512	1.357	1.262	1.204	1.159	1.129	1.104	1.086	1.074	1.064	1.056	1.049	1.044	
Cumulative Adjusted for Impact of SB 863 (b)	5.441	2.541	1.790	1.504													

**Selected Indemnity Development Factors - Paid to Age 210, Incurred from Age 210 to Ultimate (Continued)**

Accident Year	<u>222/210</u>	<u>234/222</u>	<u>246/234</u>	<u>258/246</u>	<u>270/258</u>	<u>282/270</u>	<u>294/282</u>	<u>306/294</u>	<u>318/306</u>	<u>330/318</u>	<u>342/330</u>	<u>354/342</u>	<u>366/354</u>	<u>ULT/366Inc (d)</u>
1980									1.001	1.000	0.998	1.000		1.003
1981								1.002	1.000	1.001	1.001	1.000		1.001
1982							1.000	1.004	0.998	1.001	1.000	1.002		1.002
1983						1.000	1.000	1.000	0.999	1.001	1.001	1.001	1.000	1.001
1984					1.000	1.000	1.000	1.000	1.001	1.001	1.000	1.001	1.001	1.002
1985				1.000	1.001	1.000	1.000	1.001	1.000	1.001	1.001	1.001	1.000	1.001
1986			1.001	0.999	1.001	1.000	1.001	1.000	1.002	1.002	1.000	0.999		1.001
1987		1.001	1.000	0.999	1.000	1.000	1.001	1.000	1.002	1.001	1.000			
1988	1.001	1.001	1.000	1.000	1.000	1.002	1.002	1.000	1.000	1.000				
1989	1.001	1.000	1.001	1.000	1.001	1.000	1.000	1.000	1.000					
1990	1.000	1.001	1.000	1.000	1.001	1.000	1.001	1.000	1.001					
1991	1.001	1.000	1.000	1.000	1.000	1.000	1.001	1.000						
1992	1.000	1.001	1.001	1.001	1.001	1.001	1.001							
1993	1.000	1.001	1.001	1.002	1.000									
1994	1.002	1.002	1.001	1.000										
1995	1.002	0.999	1.000											
1996	1.002	1.000												
1997	1.000													
Selected (a)	1.001	1.000	1.001	1.001	1.000	1.000	1.001	1.000	1.000	1.001	1.001	1.000	1.000	
Cumulative	1.008	1.007	1.007	1.006	1.005	1.005	1.005	1.004	1.004	1.004	1.003	1.002	1.002	1.002 (e)

(d) To adjust for non-repeating asbestosis claim patterns in older accident years, these factors are reflected at 20% of the reported ULT/366Inc factors. The original factors were 1.013, 1.004, 1.009, 1.004, 1.009, and 1.004, respectively.

(e) A six-year average of the ULT/366Inc factors is selected.

Selected Medical Development Factors - Paid to Age 210, Incurred from Age 210 to Ultimate

Accident Year	Age-to-Age (in months)														
	Unadjusted (a)	30/18	42/30	54/42	66/54	78/66	90/78	102/90	114/102	126/114	138/126	150/138	162/150	174/162	186/174
1990															
1991															
1992															
1993															
1994															
1995															
1996															
1997															
1998															
1999															
2000															
2001															
2002															
2003															
2004															
2005															
2006															
2007															
2008															
2009															
2010															
2011															
2012															
2013															

Accident Year	Age-to-Age (in months)														
	Adjusted (b)	30/18	42/30	54/42	66/54	78/66	90/78	102/90	114/102	126/114	138/126	150/138	162/150	174/162	186/174
1996															
1997															
1998															
1999															
2000															
2001															
2002															
2003															
2004															
2005															
2006															
2007															
2008															
2009															
2010															
2011															
2012															
2013															

Selected (c)	Age-to-Age (in months)														
	Cumulative	30/18	42/30	54/42	66/54	78/66	90/78	102/90	114/102	126/114	138/126	150/138	162/150	174/162	186/174
1996															
1997															
1998															
1999															
2000															
2001															
2002															
2003															
2004															
2005															
2006															
2007															
2008															
2009															
2010															
2011															
2012															
2013															

- (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 4.9% cost savings due to applicable SB 863 provisions; (ii) adjustment to historical outstanding medical losses paid prior to January 1, 2014 by an estimated 1.5% decrease in costs, and losses paid prior to January 1, 2015 by an estimated 0.6% increase in costs due to RBRVS.
- (c) Selections are latest year for the 18-to-30 month through 102-to-114 month factors and three-year average for the subsequent age-to-age factors. Paid development factors are selected to age 210, 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 210Inc/210Pd factor is selected.

**Selected Medical Development Factors - Paid to Age 210, Incurred from Age 210 to Ultimate (Continued)**

Accident Year	<u>222/210</u>	<u>234/222</u>	<u>246/234</u>	<u>258/246</u>	<u>270/258</u>	<u>282/270</u>	<u>294/282</u>	<u>306/294</u>	<u>318/306</u>	<u>330/318</u>	<u>342/330</u>	<u>354/342</u>	<u>366/354</u>	<u>UL T/366Inc (f)</u>
1980														1.075
1981														1.037
1982														1.060
1983													1.002	1.030
1984												1.002	1.003	1.038
1985											1.003	1.004	0.999	1.009
1986										1.004	1.004	1.001		
1987									1.003	1.004	1.001			
1988								1.003	1.003	1.003				
1989							1.005	1.000	1.002					
1990						1.003	0.999	1.000						
1991					1.004	1.001	1.002							
1992				1.004	1.004	1.002								
1993			1.011	1.002	1.000									
1994		1.005	1.006	1.003										
1995	1.002	1.007	1.002											
1996	1.008	1.001												
1997	0.998													
Selected (c)	1.003	1.004	1.006	1.003	1.003	1.002	1.002	1.001	1.003	1.004	1.003	1.002	1.001	
Cumulative	1.080	1.077	1.073	1.066	1.063	1.060	1.058	1.056	1.055	1.052	1.048	1.045	1.043	1.042 (e)

(e) Six-year average of the UL T/366Inc factors is selected.

(f) UL T/366Inc factors have been adjusted for the effects of medical inflation.

**Developed Indemnity Loss Ratios Using Selected Loss Development Factors  
Based on Experience as of June 30, 2015**

Accident Year	Development Factors				(5) Projected Ultimate Loss Ratio  (1) x (4)
	(1) Paid or Incurred Loss Ratio(a)	(2)  Annual(b)	Cumulative		
			(3) Unadjusted for Impact of SB 863(b)	(4) Adjusted for Impact of SB 863(b)	
1985	0.446	1.001	1.002	1.002	0.447
1986	0.396	1.000	1.002	1.002	0.396
1987	0.345	1.000	1.002	1.002	0.346
1988	0.330	1.001	1.003	1.003	0.331
1989	0.342	1.001	1.004	1.004	0.344
1990	0.397	1.000	1.004	1.004	0.399
1991	0.425	1.000	1.004	1.004	0.427
1992	0.350	1.001	1.005	1.005	0.351
1993	0.287	1.000	1.005	1.005	0.289
1994	0.327	1.000	1.005	1.005	0.329
1995	0.472	1.001	1.006	1.006	0.475
1996	0.528	1.001	1.007	1.007	0.532
1997	0.599	1.000	1.007	1.007	0.604
1998	0.649	1.001	1.008	1.008	0.655
1999	0.663	1.005	1.044	1.044	0.692
2000	0.570	1.005	1.049	1.049	0.598
2001	0.467	1.006	1.056	1.056	0.493
2002	0.346	1.008	1.064	1.064	0.369
2003	0.225	1.009	1.074	1.074	0.242
2004	0.133	1.012	1.086	1.086	0.144
2005	0.112	1.016	1.104	1.104	0.123
2006	0.141	1.023	1.129	1.129	0.160
2007	0.190	1.027	1.159	1.159	0.220
2008	0.235	1.038	1.204	1.204	0.283
2009	0.262	1.049	1.262	1.262	0.330
2010	0.240	1.075	1.357	1.357	0.325
2011	0.202	1.114	1.512	1.504	0.304
2012	0.155	1.190	1.799	1.790	0.278
2013	0.099	1.389	2.499	2.541	0.252
2014	0.046	2.016	5.038	5.441	0.248

- (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 June 30, 2015**

	(1)	(2)	(3)	(4)	(5)	(6)
			Adjusted for SB 863			
Accident Year	Unadjusted	Adjusted	Development Factors		Adjusted	Projected
	Paid or Incurred	Paid or Incurred			Developed	Ultimate
	<u>Loss Ratio(a)</u>	<u>Loss Ratio(b)</u>	<u>Annual(c)</u>	<u>Cumulative</u>	<u>Loss Ratio(d)</u>	<u>Loss Ratio</u>
					(2) x (4)	(1) + ((5) - (2))
1985	0.351	0.351	1.001	1.042	0.365	0.365
1986	0.333	0.333	1.001	1.043	0.347	0.347
1987	0.313	0.313	1.002	1.045	0.327	0.327
1988	0.305	0.305	1.003	1.048	0.319	0.319
1989	0.326	0.326	1.004	1.052	0.343	0.343
1990	0.367	0.367	1.003	1.055	0.387	0.387
1991	0.384	0.384	1.001	1.056	0.406	0.406
1992	0.319	0.319	1.002	1.058	0.338	0.338
1993	0.268	0.268	1.002	1.060	0.284	0.284
1994	0.311	0.311	1.003	1.063	0.330	0.330
1995	0.455	0.455	1.003	1.066	0.485	0.485
1996	0.487	0.487	1.006	1.073	0.522	0.522
1997	0.551	0.551	1.004	1.077	0.594	0.594
1998	0.660	0.660	1.003	1.080	0.713	0.713
1999	0.638	0.603	1.016	1.233	0.743	0.779
2000	0.579	0.547	1.016	1.252	0.685	0.717
2001	0.504	0.476	1.017	1.274	0.606	0.634
2002	0.389	0.367	1.019	1.298	0.477	0.498
2003	0.244	0.231	1.022	1.327	0.307	0.320
2004	0.164	0.155	1.023	1.357	0.210	0.219
2005	0.157	0.149	1.029	1.397	0.208	0.216
2006	0.199	0.189	1.036	1.446	0.273	0.283
2007	0.272	0.258	1.040	1.504	0.389	0.402
2008	0.330	0.314	1.050	1.579	0.496	0.512
2009	0.369	0.353	1.063	1.679	0.593	0.609
2010	0.342	0.329	1.087	1.825	0.601	0.614
2011	0.264	0.256	1.124	2.051	0.526	0.534
2012	0.197	0.194	1.198	2.458	0.476	0.479
2013	0.125	0.125	1.338	3.288	0.410	0.410
2014	0.066	0.066	1.702	5.597	0.371	0.371

- (a) Based on Exhibit 1. Paid MCCC 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 June 30, 2015. Reflects an adjustment for SB 863 of -4.9% applied to payments made before January 1, 2013, and adjustments for RBRVS of -1.5% applied to payments made before January 1, 2014, and 0.6% applied to payments made before January 1, 2015. No adjustments are applied to the incurred loss ratios.
- (c) Based on Exhibit 2.6. Reflects an adjustment for SB 863 of -4.9% applied to payments made before January 1, 2013, and adjustments for RBRVS of -1.5% applied to payments made before January 1, 2014, and 0.6% applied to payments made before January 1, 2015.
- (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	1.403
1986	0.0	0.0	1.6	1.6	1.381
1987	0.0	0.0	1.9	1.9	1.355
1988	0.0	0.0	1.5	1.5	1.335
1989	0.0	0.0	1.5	1.5	1.316
1990	2.3	19.9	1.7	24.7	1.055
1991	4.9	14.8	0.8	21.4	0.869
1992	1.8	-8.3	1.6	-5.2	0.916
1993	0.2	-18.1	0.4	-17.6	1.112
1994	-5.1	0.2	0.6	-4.3	1.162
1995	6.3	0.6	1.0	8.0	1.076
1996	5.3	0.4	1.2	7.0	1.006
1997	9.7	0.2	1.6	11.7	0.901
1998	6.5	0.0	1.8	8.4	0.831
1999	5.7	0.0	2.1	7.9	0.770
2000	3.9	0.0	3.1	7.1	0.719
2001	-0.3	0.0	0.2	-0.1	0.719
2002	-0.7	0.0	0.2	-0.5	0.738 (e)
2003	7.3	0.0	1.1	8.5	0.738 (e)
2004	-6.0	-13.7	1.7	-17.5	1.016 (e)
2005	-31.6	-15.3	1.1	-41.5	1.379
2006	5.6	-5.7	1.6	1.2	1.363
2007	1.6	0.0	1.6	3.2	1.320
2008	4.8	0.6	0.7	6.2	1.244
2009	0.4	1.4	0.2	2.0	1.219
2010	0.4	0.0	1.0	1.4	1.202
2011	0.0	0.0	1.6	1.6	1.189 (f)
2012	0.3	0.0	1.9	2.2	1.164 (f)
2013	-0.6	-0.3	0.4	-0.5	1.164
2014	7.0	1.5	1.4	10.1	1.057
2015	0.3	0.0	1.5	1.8	
2016	0.3	0.0	2.3	2.6	
1/1/2017	0.1 (Annual 0.2)	0.0	1.1 (Annual 2.3)	1.2	

- (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 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 1/1/2017 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	1.1%	4.2%	0.3%	1.4%
2015	0.929	0.071	0.2%	2.7%	0.2%	0.4%
2016	0.929	0.071	0.2%	1.9%	0.1%	0.3%
1/1/2017	0.929	0.071	0.0% (Annual 0.1%)	1.0% (Annual 2.0%)	0.1%	0.1%

- (a) Based on a Special Carrier Study through 1990. Based on WCIRB's Aggregate Indemnity and Medical Costs Calls for 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 basis (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; WCIRB selections based on the average of the Los Angeles and San Francisco areas.
- (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 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 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	0.0%	0.0%	0.0%
2013	0.0%	-0.2%	-0.2%
2014	0.0%	1.3%	1.3%
2015	0.0%	0.0%	0.0%
2016	0.0%	0.0%	0.0%
1/1/2017	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 -4.9% 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%	1.091
1986	3.0%	0.0%	3.0%	1.060
1987	3.8%	0.0%	3.8%	1.021
1988	3.8%	0.0%	3.8%	0.983
1989	3.0%	0.0%	3.0%	0.955
1990	3.7%	19.1%	23.5%	0.773
1991	3.6%	12.9%	16.9%	0.661
1992	3.0%	-7.9%	-5.2%	0.697
1993	2.7%	-18.7%	-16.5%	0.835
1994	-2.3%	-2.3%	-4.6%	0.875
1995	0.9%	0.5%	1.4%	0.863
1996	1.0%	0.4%	1.4%	0.851
1997	0.7%	0.2%	0.9%	0.843
1998	0.8%	12.6%	13.5%	0.743
1999	2.5%	12.6%	15.4%	0.644
2000	1.7%	7.0%	8.8%	0.592
2001	2.9%	6.6%	9.7%	0.539
2002	2.0%	-5.6%	-3.7%	0.560
2003	1.4%	-6.0%	-4.7%	0.588
2004	0.0%	-33.9%	-33.9%	0.888
2005	0.0%	-13.9%	-13.9%	1.032
2006	0.3%	-5.1%	-4.8%	1.084
2007	1.8%	0.1%	1.9%	1.064
2008	0.2%	0.5%	0.7%	1.056
2009	0.4%	1.0%	1.4%	1.042
2010	0.3%	0.0%	0.3%	1.039
2011	0.3%	0.0%	0.3%	1.035
2012	0.1%	0.0%	0.1%	1.034
2013	0.1%	-0.2%	-0.1%	1.035
2014	1.4%	1.3%	2.7%	1.019 (e)
2015	0.4%	0.0%	0.4%	
2016	0.3%	0.0%	0.3%	
1/1/2017	0.1%	0.0%	0.1%	

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

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

(c)  $\text{Column (3)} = [1.0 + \text{Column (1)}] \times [1.0 + \text{Column (2)}] - 1.0$ .

(d) These factors adjust the annual impact shown in Column (3) to the 1/1/2017 level.

(e) The on-level factor for accident year 2014 includes 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 1/1/2017 Wage Level</u>
1985	5.7	2.998
1986	4.7	2.864
1987	5.6	2.712
1988	4.4	2.598
1989	4.3	2.491
1990	5.0	2.372
1991	2.3	2.319
1992	4.7	2.215
1993	1.2	2.188
1994	1.8	2.150
1995	2.9	2.089
1996	3.4	2.020
1997	4.7	1.930
1998	5.2	1.834
1999	6.2	1.727
2000	9.0	1.585
2001	0.6	1.575
2002	0.6	1.566
2003	3.3	1.516
2004	4.8	1.446
2005	3.2	1.401
2006	4.7	1.338
2007	4.5	1.281
2008	2.1	1.255
2009	0.6	1.247
2010	3.0	1.211
2011	3.1	1.174
2012	3.6	1.133
2013	0.6	1.127
2014	2.7	1.097
Projected:		
2015	2.8	1.067
2016	4.4	1.022
1/1/2017	2.2 (Annual = 4.5)	

Source: California average annual wage level changes for 1985 to 2017 derived from information published by the UCLA Anderson School of Business as of June 2015.

Premium Adjustment Factors

	(1)	(2a)	(2b)	(2c)	(3)	(4)	(5)	(6)	(7)
Calendar Year	Factor to a 1/1/2017 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 July 1, 2015 (c)	Factor to Adjust Insurer Premium to an Industry Average Filed Pure Premium Rate Level as of July 1, 2015 (d)	Adjustment to Remove Surcharge Premium (e)	Average Experience Modification (f)	Off-Balance Correction in Advisory January 1, 2015 Pure Premium Rates	Factor to Adjust for Impact of Premium Resulting from Audits (g)	Composite Premium Adjustment Factor (h)
1985	2.998	---	---	1.106	0.991	0.984	1.030	---	3.241
1986	2.864	---	---	1.010	0.991	0.983	1.030	---	2.831
1987	2.712	---	---	0.888	0.992	0.983	1.030	---	2.359
1988	2.598	---	---	0.794	0.993	0.963	1.030	---	2.065
1989	2.491	---	---	0.782	0.993	0.945	1.030	---	1.986
1990	2.372	---	---	0.762	0.991	0.942	1.030	---	1.847
1991	2.319	---	---	0.706	0.987	0.939	1.030	---	1.670
1992	2.215	---	---	0.677	0.982	0.940	1.030	---	1.522
1993	2.188	---	---	0.669	0.981	0.949	1.030	---	1.468
1994	2.150	---	---	0.766	0.986	0.948	1.030	---	1.663
1995	2.089	---	---	1.037	0.995	0.958	1.030	---	2.183
1996	2.020	1.024	1.101	1.075	1.000	0.935	1.030	---	2.256
1997	1.930	0.989	1.099	1.111	1.000	0.949	1.030	---	2.194
1998	1.834	0.965	1.144	1.185	1.000	0.959	1.030	---	2.201
1999	1.727	0.971	1.157	1.192	1.000	0.954	1.030	---	2.094
2000	1.585	1.003	1.049	1.046	1.000	0.970	1.030	---	1.659
2001	1.575	1.030	0.924	0.897	1.000	0.969	1.030	---	1.416
2002	1.566	1.157	0.827	0.715	1.000	0.991	1.030	---	1.096
2003	1.516	1.266	0.677	0.535	1.000	1.005	1.030	---	0.783
2004	1.446	1.396	0.688	0.493	1.000	0.981	1.030	---	0.705
2005	1.401	1.470	0.828	0.563	1.000	0.982	1.030	---	0.780
2006	1.338	1.447	1.067	0.737	1.000	0.956	1.030	---	1.002
2007	1.281	1.493	1.454	0.974	1.000	0.931	1.030	0.985	1.281
2008	1.255	1.427	1.730	1.212	1.000	0.946	1.030	0.991	1.547
2009	1.247	1.366	1.705	1.248	1.000	0.937	1.030	1.034	1.668
2010	1.211	1.383	1.672	1.209	1.000	0.941	1.030	1.005	1.518
2011	1.174	1.403	1.670	1.190	1.000	0.982	1.030	---	1.382
2012	1.133	1.227	1.377	1.122	1.000	1.000	1.030	---	1.235
2013	1.127	1.140	1.109	0.973	1.000	0.983	1.030	---	1.083
2014	1.097	1.132	1.021	0.902	1.000	0.962	1.030	---	0.999

- (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 July 1, 2015 pure premium rate level and (2) an additional adjustment factor, which is the ratio of the average advisory July 1, 2015 pure premium rate (\$2.47) to the industry average filed pure premium rate as of July 1, 2015 (\$2.66).
- (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 July 1, 2015.
- (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.

**2014 Accident Year Indemnity Claim Frequency Model**  
**As of PY 2012 1st Set & June 2015 UCLA**

AY	Annual %	Annual Log Differences						
	Changes Intra-	Intra-Class Indemnity Frequency			AY+1		Economic	CalOSHA
	Class Ind Freq	per \$M Exposure at PY 2015 Level			Indemnity	Cumulative	Variables	Dummy
	Total	Total	Cumulative	Non-cum.	Benefit Level	Injury Index	(1st Prin. Comp.)	Variable
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	0.078	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	-0.119	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	-2.6%	-0.027	0.039	-0.032	0.006	0.071	-0.320	0.000
2009	0.0%	0.000	0.165	-0.016	0.066	0.181	-0.414	0.000
2010	9.0%	0.086	0.139	0.080	0.012	0.059	-0.077	0.000
2011	1.1%	0.011	0.023	0.010	0.003	0.013	0.049	0.000
2012	4.5%	0.044	0.087	0.039	-0.008	0.048	0.125	0.000
2013*	1.0%	0.010	0.190	-0.017	0.071	0.207	0.156	0.000
2014	-0.3%	-0.003	-0.003	-0.003	0.003	0.000	0.156	0.000
2015	0.1%	0.001	0.001	0.001	0.003	0.000	0.197	0.000
2016	-0.1%	-0.001	-0.001	-0.001	0.003	0.000	0.175	0.000
2017	-1.4%	-0.014	-0.014	-0.014	0.003	0.000	0.052	0.000

**Y = Hazardousness-Adjusted Noncumulative Indemnity Claim Frequency**

Constant	-0.020			
Std Err of Y Est	0.043			
R Squared	0.568			
No. of Observations	35			
Degrees of Freedom	30			
X Coefficient(s)	0.172	0.279	0.104	-0.142
Std Err of Coef.	0.078	0.066	0.049	0.082

**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 v. City and County of San Francisco and Almaraz v. Environmental Recovery Services / Guzman v. Milpitas Unified School District 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 Item AC09-03-03 of the Agenda from the March 16, 2009 Actuarial Committee Meeting.
- 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; June 2015 UCLA Anderson Forecasts for 2015 on.
- Regression is over AY 1979 through AY 2013. AY 2014 through AY 2017 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 2013 change is based on a comparison of 2013 accidents on 2012 policies to 2012 accidents on 2011 policies.



**Projection of Indemnity Severity Trends by Accident Year  
Based on Experience as of June 30, 2015**

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	9,967	---	1.695	16,897	---
1991	10,912	9.5%	1.603	17,497	3.6%
1992	11,001	0.8%	1.550	17,053	-2.5%
1993	11,970	8.8%	1.541	18,445	8.2%
1994	12,933	8.1%	1.614	20,876	13.2%
1995	14,526	12.3%	1.503	21,838	4.6%
1996	16,240	11.8%	1.411	22,911	4.9%
1997	19,343	19.1%	1.266	24,485	6.9%
1998	21,133	9.3%	1.168	24,674	0.8%
1999	23,269	10.1%	1.082	25,173	2.0%
2000	24,713	6.2%	1.010	24,958	-0.9%
2001	27,096	9.6%	1.011	27,393	9.8%
2002	26,253	-3.1%	1.038	27,249	-0.5%
2003	25,736	-2.0%	1.037	26,688	-2.1%
2004	20,957	-18.6%	1.232	25,821	-3.2%
2005	18,874	-9.9%	1.417	26,737	3.5%
2006	20,689	9.6%	1.320	27,317	2.2%
2007	22,373	8.1%	1.279	28,618	4.8%
2008	24,761	10.7%	1.212	30,011	4.9%
2009	25,771	4.1%	1.205	31,049	3.5%
2010	25,582	-0.7%	1.188	30,394	-2.1%
2011	25,214	-1.4%	1.175	29,633	-2.5%
2012	25,176	-0.1%	1.150	28,950	-2.3%
2013	25,781	2.4%	1.147	29,560	2.1%
2014	27,766	7.7%	1.057	29,346	-0.7%
(6) Estimated Annual Exponential Trend Based on 2005 to 2013:					1.1%
(7) Estimated Annual Exponential Trend Based on 2008 to 2013:					-0.9%
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 June 30, 2015**

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	9,019	---	1.148	10,351	---
1991	9,700	7.6%	1.126	10,926	5.6%
1992	9,789	0.9%	1.089	10,660	-2.4%
1993	10,916	11.5%	1.070	11,682	9.6%
1994	12,111	10.9%	1.126	13,631	16.7%
1995	13,881	14.6%	1.117	15,502	13.7%
1996	14,942	7.6%	1.106	16,521	6.6%
1997	17,994	20.4%	1.099	19,769	19.7%
1998	21,898	21.7%	0.969	21,218	7.3%
1999	24,925	13.8%	0.840	20,936	-1.3%
2000	28,297	13.5%	0.772	21,859	4.4%
2001	33,480	18.3%	0.705	23,605	8.0%
2002	34,151	2.0%	0.733	25,026	6.0%
2003	32,681	-4.3%	0.770	25,167	0.6%
2004	30,307	-7.3%	1.020	30,921	22.9%
2005	31,331	3.4%	1.022	32,029	3.6%
2006	34,728	10.8%	1.020	35,417	10.6%
2007	38,894	12.0%	1.003	39,028	10.2%
2008	42,694	9.8%	1.002	42,797	9.7%
2009	45,435	6.4%	1.003	45,560	6.5%
2010	46,259	1.8%	1.005	46,497	2.1%
2011	42,427 (c)	---	1.009	42,814 (c)	---
2012	41,512	-2.2%	1.017	42,206	-1.4%
2013	40,163	-3.2%	1.022	41,050	-2.7%
2014	39,657	-1.3%	1.020	40,438	-1.5%

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 medical severities were derived from the projected ultimate loss ratios shown in Exhibit 3.2, column (6).
- (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 June 30, 2015**

(1) Accident Year	No Adjustment for MCCP			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
	Severity (a)	% Change	Severity (c)	% Change	Severity (a)	% Change	Severity (c)	% Change
2005	31,331	---	32,029	---	29,518	---	30,176	---
2006	34,728	10.8%	35,417	10.6%	32,374	9.7%	33,016	9.4%
2007	38,894	12.0%	39,028	10.2%	36,103	11.5%	36,227	9.7%
2008	42,694	9.8%	42,797	9.7%	38,741	7.3%	38,835	7.2%
2009	45,435	6.4%	45,560	6.5%	41,409	6.9%	41,523	6.9%
2010	46,259	1.8%	46,497	2.1%	42,118	1.7%	42,334	2.0%
2011	46,772	1.1%	47,199	1.5%	42,427	0.7%	42,814	1.1%
2012	45,871	-1.9%	46,638	-1.2%	41,512	-2.2%	42,206	-1.4%
2013	44,727	-2.5%	45,714	-2.0%	40,163	-3.2%	41,050	-2.7%
2014	44,308	-0.9%	45,181	-1.2%	39,657	-1.3%	40,438	-1.5%

Estimated Annual Exponential  
Trend Based on 2005 to 2013: 4.6%  
Trend Based on 2008 to 2013: 1.2%

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) 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 June 30, 2015**

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	0.447	1.403	3.241	0.193
1986	0.396	1.381	2.831	0.193
1987	0.346	1.355	2.359	0.199
1988	0.331	1.335	2.065	0.214
1989	0.344	1.316	1.986	0.228
1990	0.399	1.055	1.847	0.228
1991	0.427	0.869	1.670	0.222
1992	0.351	0.916	1.522	0.211
1993	0.289	1.112	1.468	0.219
1994	0.329	1.162	1.663	0.230
1995	0.475	1.076	2.183	0.234
1996	0.532	1.006	2.256	0.237
1997	0.604	0.901	2.194	0.248
1998	0.655	0.831	2.201	0.247
1999	0.692	0.770	2.094	0.254
2000	0.598	0.719	1.659	0.259
2001	0.493	0.719	1.416	0.251
2002	0.369	0.738	1.096	0.248
2003	0.242	0.738	0.783	0.228
2004	0.144	1.016	0.705	0.208
2005	0.123	1.379	0.780	0.218
2006	0.160	1.363	1.002	0.217
2007	0.220	1.320	1.281	0.227
2008	0.283	1.244	1.547	0.228
2009	0.330	1.219	1.668	0.241
2010	0.325	1.202	1.518	0.258
2011	0.304	1.189	1.382	0.261
2012	0.278	1.164	1.235	0.262
2013	0.252	1.164	1.083	0.271
2014	0.248	1.057	0.999	0.262
				Projections (d)
2015				0.267
2016				0.267
1/1/2017				0.265

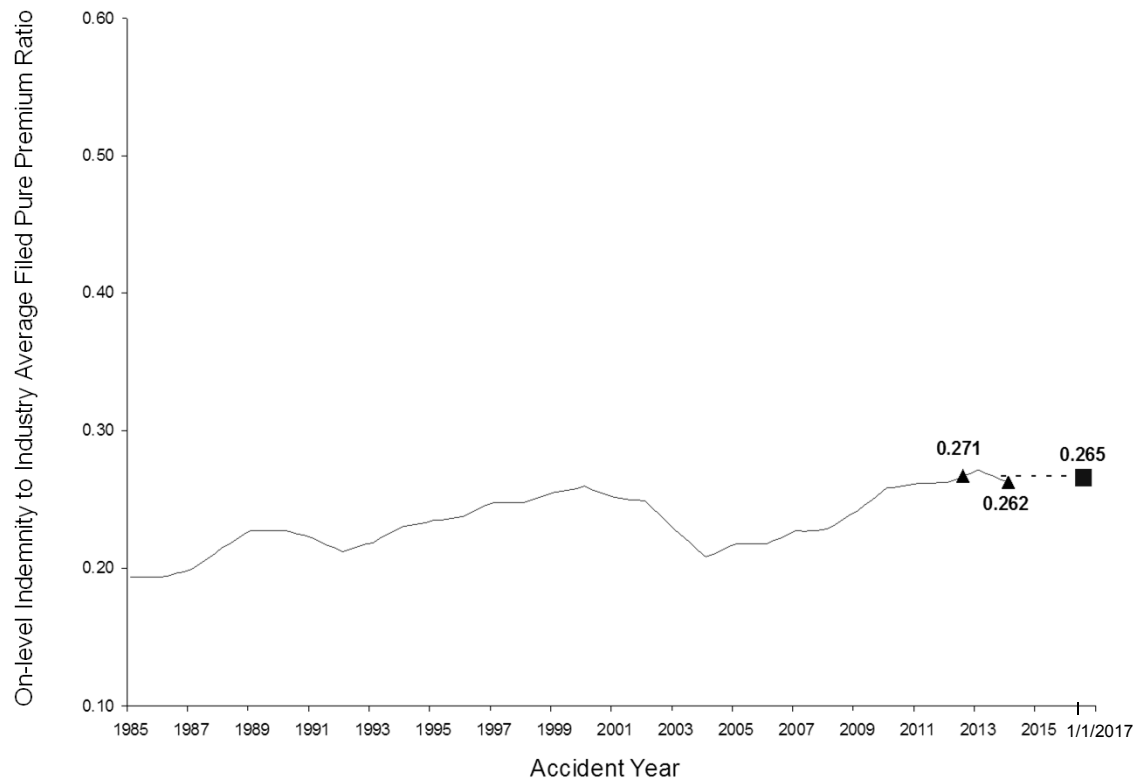
(a) See Exhibit 3.1.

(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 2014 from Exhibit 12, and projected frequency trends for accident years 2015, 2016, and 2017 from Exhibit 6.1; these trends were then separately applied to the 2013 and 2014 on-level ratios.

**On-Level Indemnity Loss to Industry Average Filed Pure Premium Ratios  
Using June 30, 2015 Valuations**



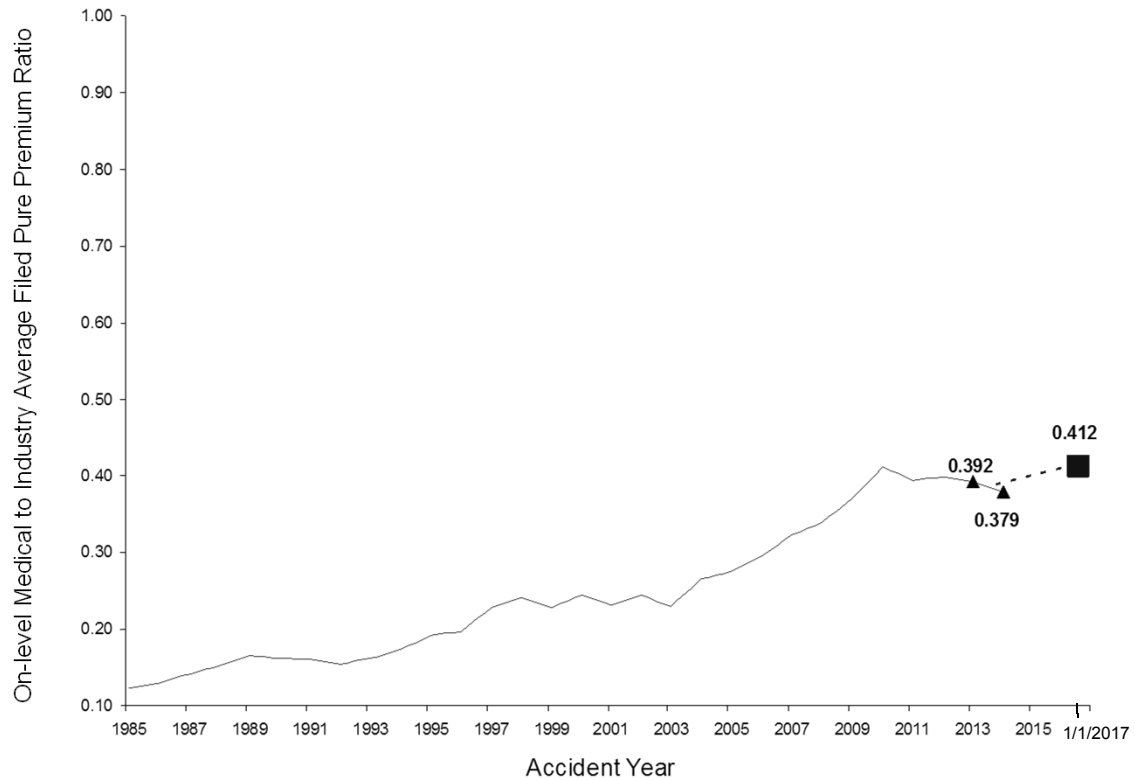
- ▲— On-level indemnity to industry average filed pure premium ratios (see Exhibit 7.1).
- The 1/1/2017 indemnity to industry average filed pure premium ratio was calculated based on separate frequency and severity trends applied to the 2013 and 2014 years.

**Projected On-Level Accident Year  
Medical Loss to Industry Average Filed Pure Premium Ratios  
Based on Experience as of June 30, 2015**

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)×(2)÷(3)
1985	0.365	1.091	3.241	0.123
1986	0.347	1.060	2.831	0.130
1987	0.327	1.021	2.359	0.142
1988	0.319	0.983	2.065	0.152
1989	0.343	0.955	1.986	0.165
1990	0.387	0.773	1.847	0.162
1991	0.406	0.661	1.670	0.161
1992	0.338	0.697	1.522	0.155
1993	0.284	0.835	1.468	0.162
1994	0.330	0.875	1.663	0.174
1995	0.485	0.863	2.183	0.192
1996	0.522	0.851	2.256	0.197
1997	0.594	0.843	2.194	0.228
1998	0.713	0.743	2.201	0.241
1999	0.743	0.644	2.094	0.229
2000	0.685	0.592	1.659	0.244
2001	0.606	0.539	1.416	0.231
2002	0.477	0.560	1.096	0.244
2003	0.307	0.588	0.783	0.230
2004	0.210	0.888	0.705	0.265
2005	0.208	1.032	0.780	0.275
2006	0.273	1.084	1.002	0.295
2007	0.389	1.064	1.281	0.323
2008	0.496	1.056	1.547	0.339
2009	0.593	1.042	1.668	0.370
2010	0.601	1.039	1.518	0.411
2011	0.526	1.035	1.382	0.394
2012	0.476	1.034	1.235	0.399
2013	0.410	1.035	1.083	0.392
2014	0.371	1.019	0.999	0.379
				Projections (d)
2015				0.400
2016				0.410
1/1/2017				0.412

- (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 medical severity trend from Exhibit 6.4, the actual frequency trend for accident year 2014 from Exhibit 12, and projected frequency trends for accident years 2015, 2016, and 2017 from Exhibit 6.1; these trends were then separately applied to the 2013 and 2014 on-level ratios.

**On-Level Medical Loss to Industry Average Filed Pure Premium Ratios  
Using June 30, 2015 Valuations**



- ▲— On-level medical to industry average filed pure premium ratios (see Exhibit 7.3).
- The 1/1/2017 medical to industry average filed pure premium ratio was calculated based on separate frequency and severity trends applied to the 2013 and 2014 years.

**Indicated Loss to Industry Average Filed Pure Premium Ratios  
For Policies with Effective Dates between January 1, 2016 and December 31, 2016  
Based on Experience as of June 30, 2015**

	<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)	0.265	0.412	0.677



Quarterly Incurred Indemnity Loss Development Factors  
Through June 30, 2015

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	
12/9									1.448	1.511	1.510	1.530	1.564	1.632	1.587	1.585	1.570	
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	
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		
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		
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		
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	1.067	1.068		
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			
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			
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			
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	1.029			
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				
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				
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				
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					
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					
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					
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						
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						
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						
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							
84/81	1.003	1.003	1.005	1.003	1.006	1.006	1.007	1.008	1.005	1.009	1.006							
87/84	1.003	1.003	1.002	1.003	1.004	1.002	1.007	1.010	1.007	1.004	1.005							
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								
96/93	1.002	1.003	1.001	1.004	1.002	1.006	1.006	1.003	1.002	1.003								

Source: WCIRB accident year experience calls

Quarterly Incurred Medical Loss Development Factors \*  
Through June 30, 2015

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	2.875	2.956	2.894
9/6									1.650	1.744	1.717	1.807	1.800	1.827	1.846	1.832	1.853	
12/9									1.453	1.443	1.466	1.454	1.488	1.521	1.493	1.511	1.491	
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	1.227	1.221	1.215	1.208	
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		
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		
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		
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			
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	1.042	1.037	1.030			
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			
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	1.024			
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				
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				
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				
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					
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					
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					
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	1.009					
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						
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						
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						
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							
84/81	1.008	1.006	1.009	1.014	1.009	1.007	1.012	1.011	1.008	1.010	1.008							
87/84	1.005	1.008	1.008	1.010	1.009	1.010	1.012	1.014	1.012	1.008	1.007							
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								
96/93	1.007	1.007	1.010	1.012	1.008	1.010	1.011	1.010	1.005	1.006								

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 June 30, 2015

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	5.078	5.049
9/6									2.259	2.375	2.377	2.398	2.452	2.432	2.484	2.462	2.462	
12/9									1.812	1.834	1.810	1.825	1.861	1.869	1.877	1.866	1.879	
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	1.539	
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		
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		
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		
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	1.142		
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			
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			
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			
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	1.066			
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				
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				
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				
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	1.037				
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					
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					
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					
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						
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						
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						
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							
84/81	1.011	1.011	1.013	1.010	1.010	1.009	1.011	1.013	1.015	1.014	1.013							
87/84	1.012	1.010	1.008	1.010	1.009	1.008	1.009	1.012	1.014	1.013	1.010							
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								
96/93	1.008	1.009	1.006	1.007	1.007	1.007	1.008	1.011	1.011	1.008								

Source: WCIRB accident year experience calls

Quarterly Paid Medical Loss Development Factors \*  
Through June 30, 2015

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	6.201	5.646	5.694
9/6									2.348	2.381	2.348	2.375	2.361	2.327	2.395	2.489	2.424	
12/9									1.716	1.765	1.731	1.723	1.756	1.746	1.763	1.748	1.752	
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	1.471	1.449	1.441	1.459	
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	1.269	
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		
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		
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		
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			
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			
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			
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				
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				
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				
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	1.036				
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					
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					
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					
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						
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						
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						
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							
84/81	1.013	1.012	1.013	1.012	1.012	1.013	1.016	1.016	1.015	1.018	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							
90/87	1.013	1.012	1.011	1.013	1.012	1.013	1.015	1.013	1.015	1.013	1.012							
93/90	1.011	1.010	1.011	1.012	1.011	1.013	1.013	1.012	1.014	1.014								
96/93	1.010	1.010	1.008	1.010	1.010	1.009	1.013	1.015	1.016	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 Year	Development															
	18-30	30-42	42-54	54-66	66-78	78-90	90-102	102-114	114-126	126-138	138-150	150-162	162-174	174-186	186-198	198-210
1990																1.000
1991															1.000	1.000
1992														1.000	1.001	1.000
1993													1.000	1.000	1.000	1.000
1994												1.001	1.000	1.000	1.000	1.000
1995											1.001	1.000	1.000	1.001	1.000	1.000
1996										1.001	1.001	1.001	1.000	1.000	1.000	1.000
1997									1.001	1.000	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	1.000	1.000
1999							1.001	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	1.000	1.000	1.000		
2001					1.001	0.999	0.999	0.999	1.000	1.000	1.000	1.000	1.000			
2002				1.001	1.000	1.000	0.999	0.999	0.999	1.000	1.000	1.000				
2003			1.001	0.999	0.998	0.999	0.999	0.999	0.999	1.000	1.000					
2004		1.002	0.999	0.999	1.000	0.999	0.998	0.999	1.000	1.000						
2005	1.017	1.002	1.000	1.002	1.000	1.000	1.000	1.000	1.000							
2006	1.015	1.008	1.003	1.001	1.000	1.001	1.000	1.000								
2007	1.023	1.009	1.004	1.003	1.002	1.000	1.000									
2008	1.040	1.013	1.008	1.003	1.002	1.001										
2009	1.051	1.019	1.008	1.004	1.002											
2010	1.058	1.018	1.008	1.005												
2011	1.068	1.019	1.010													
2012	1.072	1.020														
2013	1.066															
Latest Year																
<u>Age-to-Age</u>	1.066	1.020	1.010	1.005	1.002	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
<u>Age-to-Ultimate</u>	1.109	1.040	1.020	1.010	1.005	1.003	1.001	1.001	1.001	1.000	1.001	1.001	1.001	1.001	1.001	1.001

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 76% to 99% of the total California workers' compensation insured market measured using 2014 earned premium levels).

**Quarterly Reported Indemnity Claim Count Development Factors**

Accident <u>Year</u>	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	2.563	1.704	1.361	1.087	1.018	1.009	1.004	1.005	1.004	1.003	1.003	1.002	1.002	1.002	1.001
2008	2.537	1.653	1.340	1.095	1.025	1.015	1.010	1.009	1.007	1.004	1.003	1.003	1.002	1.003	1.002
2009	2.694	1.682	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	2.716	1.716	1.407	1.127	1.039	1.022	1.016	1.011	1.008	1.006	1.005	1.003	1.004	1.003	1.001
2011	2.702	1.737	1.421	1.129	1.043	1.027	1.019	1.010	1.011	1.006	1.005	1.004	1.004	1.003	1.002
2012	2.751	1.742	1.421	1.125	1.053	1.029	1.019	1.013	1.010	1.007	1.004	1.005	1.004		
2013	2.844	1.746	1.425	1.139	1.044	1.027	1.016	1.011	1.010						
2014	2.772	1.733	1.427	1.135	1.047										
2015	2.830														

Reported Indemnity Claim Settlement Ratios

Accident	Evaluated as of (in months):																
Year	6	18	30	42	54	66	78	90	102	114	126	138	150	162	174	186	198
1990																	99.3%
1991																99.1%	99.2%
1992															98.9%	99.1%	99.2%
1993														98.6%	98.7%	98.9%	99.0%
1994													98.0%	98.2%	98.5%	98.7%	98.8%
1995												97.3%	97.6%	97.9%	98.3%	98.4%	98.6%
1996											96.6%	97.0%	97.4%	97.8%	98.1%	98.3%	98.5%
1997										95.7%	96.3%	96.9%	97.3%	97.7%	97.9%	98.1%	98.3%
1998									93.7%	94.9%	95.8%	96.5%	96.9%	97.3%	97.6%	97.9%	98.1%
1999								91.5%	93.3%	94.6%	95.5%	96.2%	96.7%	97.1%	97.4%	97.8%	98.0%
2000							88.0%	90.7%	92.6%	94.0%	95.0%	95.8%	96.3%	96.8%	97.3%	97.6%	
2001						81.5%	86.0%	89.2%	91.4%	92.9%	94.0%	94.9%	95.7%	96.3%	96.8%		
2002					74.7%	81.9%	86.5%	89.5%	91.5%	93.0%	94.3%	95.3%	96.1%	96.7%			
2003				64.3%	75.2%	82.1%	86.6%	89.4%	91.4%	93.1%	94.5%	95.5%	96.1%				
2004			53.0%	66.8%	76.9%	82.9%	86.4%	89.2%	91.3%	93.2%	94.7%	95.6%					
2005		40.8%	56.0%	69.5%	78.2%	83.3%	87.0%	89.7%	91.9%	93.7%	95.0%						
2006	13.5%	41.3%	57.6%	70.1%	78.2%	83.6%	87.3%	90.2%	92.6%	94.2%							
2007	14.2%	41.2%	56.7%	68.8%	77.1%	82.5%	86.6%	90.1%	92.3%								
2008	14.4%	40.4%	54.9%	67.3%	76.0%	82.2%	87.1%	90.3%									
2009	13.9%	38.7%	53.2%	65.9%	75.1%	82.0%	86.8%										
2010	14.7%	39.1%	54.1%	66.9%	76.9%	83.4%											
2011	16.4%	39.6%	54.7%	68.1%	78.0%												
2012	16.2%	39.8%	55.8%	69.8%													
2013	16.3%	39.4%	57.1%														
2014	15.3%	40.1%															
2015	15.5%																

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 76% to 99% of the total California workers' compensation insured market measured using 2014 earned premium levels).

Estimated Ultimate Indemnity Claim Settlement Ratios

Accident	Evaluated as of (in months):																
Year	6	18	30	42	54	66	78	90	102	114	126	138	150	162	174	186	198
1990																	99.3%
1991																99.0%	99.0%
1992															98.8%	98.9%	99.1%
1993														98.3%	98.5%	98.7%	98.9%
1994													97.6%	98.0%	98.2%	98.5%	98.7%
1995												96.9%	97.2%	97.6%	98.0%	98.3%	98.5%
1996											96.2%	96.7%	97.2%	97.7%	97.9%	98.2%	98.4%
1997										95.3%	96.0%	96.7%	97.2%	97.5%	97.8%	98.0%	98.2%
1998									93.5%	94.7%	95.6%	96.3%	96.8%	97.2%	97.5%	97.8%	98.1%
1999								91.3%	93.1%	94.5%	95.4%	96.1%	96.6%	97.0%	97.4%	97.7%	97.9%
2000							87.9%	90.7%	92.5%	93.9%	94.9%	95.6%	96.2%	96.7%	97.2%	97.6%	
2001						81.6%	86.2%	89.3%	91.4%	92.8%	93.9%	94.8%	95.6%	96.2%	96.7%		
2002					74.8%	82.1%	86.7%	89.7%	91.6%	93.1%	94.2%	95.3%	96.1%	96.6%			
2003				64.6%	75.6%	82.5%	86.9%	89.6%	91.5%	93.1%	94.4%	95.4%	96.1%				
2004			53.2%	67.1%	77.2%	83.1%	86.7%	89.3%	91.4%	93.2%	94.6%	95.6%					
2005		39.9%	55.7%	69.3%	78.0%	83.2%	86.9%	89.6%	91.8%	93.6%	94.9%						
2006	5.4%	40.2%	56.8%	69.7%	77.9%	83.4%	87.1%	90.1%	92.5%	94.1%							
2007	5.3%	39.5%	55.6%	68.0%	76.7%	82.2%	86.5%	90.0%	92.2%								
2008	5.4%	37.7%	53.3%	66.2%	75.3%	81.8%	86.8%	90.2%									
2009	4.7%	35.6%	51.3%	64.8%	74.4%	81.6%	86.5%										
2010	4.7%	35.7%	52.2%	65.8%	76.2%	83.0%											
2011	5.1%	35.6%	52.7%	66.8%	77.2%												
2012	5.0%	35.6%	53.7%	68.4%													
2013	5.0%	35.5%	54.9%														
2014	4.7%	36.1%															
2015	4.7%																

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 76% to 99% of the total California workers' compensation insured market measured using 2014 earned premium levels).

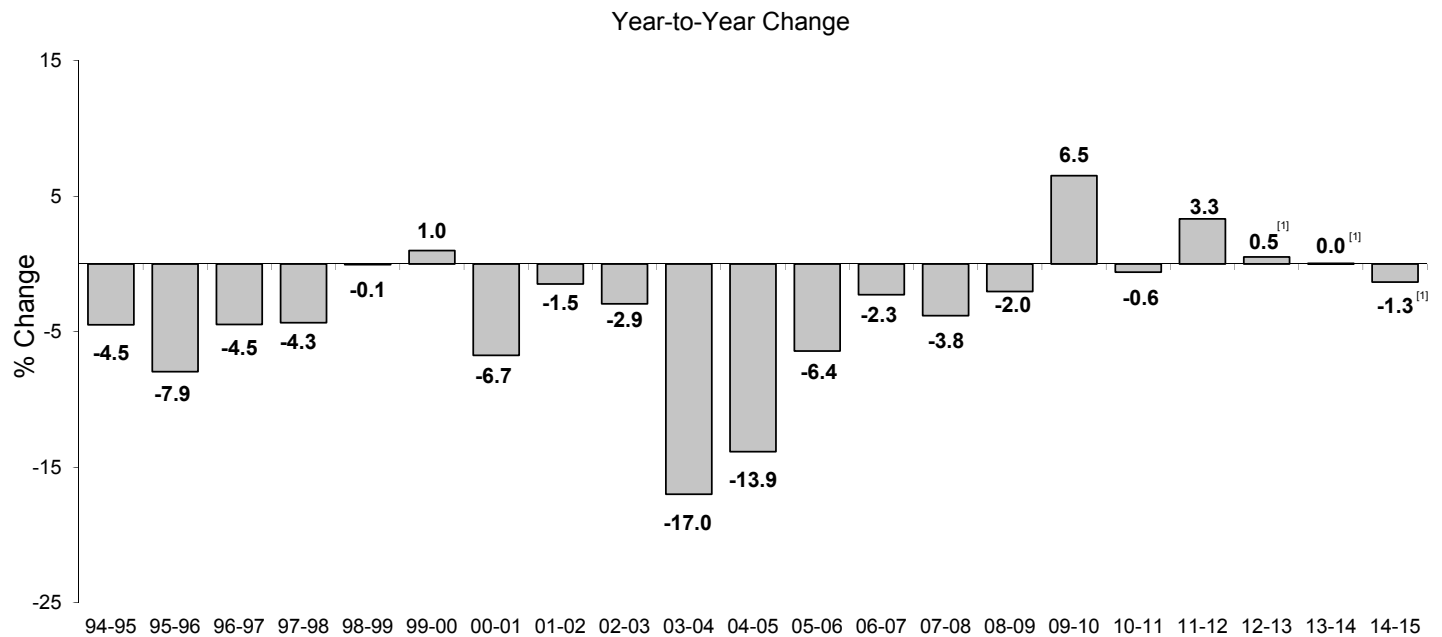


**Quarterly Ultimate Settlement Ratios**

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%	5.3%	13.3%	23.7%	33.0%	39.5%	44.0%	48.3%	51.8%	55.7%	58.8%	62.6%	65.4%	68.0%	70.5%	72.9%
2008	0.8%	5.5%	13.3%	23.0%	31.6%	37.8%	42.1%	46.0%	49.7%	53.4%	56.9%	60.4%	63.4%	66.2%	68.8%	71.2%
2009	0.7%	4.7%	12.2%	21.3%	29.5%	35.6%	39.9%	44.0%	47.6%	51.3%	55.1%	58.7%	61.7%	64.8%	67.4%	69.9%
2010	0.7%	4.7%	11.8%	21.0%	29.7%	35.7%	40.1%	44.4%	48.2%	52.2%	55.7%	59.3%	62.4%	65.8%	68.8%	71.6%
2011	0.8%	5.1%	11.9%	21.2%	29.6%	35.6%	40.2%	44.6%	48.4%	52.7%	56.5%	60.5%	63.8%	66.8%	69.8%	72.6%
2012	0.8%	5.0%	12.0%	21.0%	29.2%	35.6%	40.4%	45.3%	49.4%	53.7%	57.9%	61.7%	65.2%	68.4%		
2013	0.9%	5.0%	11.5%	20.5%	29.0%	35.5%	40.9%	45.8%	50.4%	54.9%						
2014	0.7%	4.7%	11.5%	20.5%	29.4%	36.1%										
2015	0.8%	4.7%														

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%	8.0%	10.4%	9.3%	6.5%	4.5%	4.3%	3.6%	3.8%	3.2%	3.8%	2.8%	2.6%	2.5%	2.4%
2008	4.6%	7.8%	9.7%	8.6%	6.2%	4.3%	3.9%	3.7%	3.7%	3.5%	3.5%	2.9%	2.8%	2.6%	2.4%
2009	4.0%	7.5%	9.1%	8.3%	6.0%	4.4%	4.0%	3.6%	3.7%	3.8%	3.6%	3.0%	3.1%	2.6%	2.6%
2010	4.1%	7.1%	9.2%	8.6%	6.0%	4.4%	4.3%	3.8%	4.0%	3.6%	3.5%	3.2%	3.3%	3.0%	2.9%
2011	4.3%	6.8%	9.3%	8.4%	6.1%	4.5%	4.4%	3.8%	4.3%	3.9%	4.0%	3.3%	3.0%	3.1%	2.8%
2012	4.2%	7.0%	9.0%	8.2%	6.5%	4.8%	4.8%	4.1%	4.3%	4.2%	3.8%	3.4%	3.2%		
2013	4.0%	6.5%	9.0%	8.5%	6.5%	5.4%	4.9%	4.6%	4.5%						
2014	4.0%	6.8%	9.0%	8.8%	6.8%										
2015	3.9%														

**California Workers' Compensation  
Estimated Indemnity Claim Frequency by Accident Year**



<sup>[1]</sup> The 2012-2013 estimate is based on partial year unit statistical data. The 2013-2014 and 2014-2015 estimates are based on comparison of claim counts based on WCIRB accident year experience as of June 30, 2015 relative to the estimated change in statewide employment. Prior years are based on unit statistical data.