

WCIRB Actuarial Committee Meeting

April 11, 2024

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4. AC24-03-01: First Quarter 2024 Review of Diagnostics
5. AC24-03-02: 12/31/2023 Experience Review (includes AC24-04-02)
6. AC24-04-01: 9/1/2024 Filing – Loss Adjustment Expense Experience Review

01

Update on Medical Severity Trends by Component



Summary of the Medical Severity Trends through 2023

As February 7, 2024

Comparing medical payments in 2023 with those in 2022:

- Payments for all medical services per claim increased by 1%
 - Paid per medical transaction: +4%
 - Number of medical transactions per claim: -3%
- Service types with a slight increase or similar cost level:
 - Physician services: 0%
 - Outpatient: +1%
 - Medical-legal: +2%
- Service types with a decrease in the paid per claim:
 - Inpatient care: -9%
 - Pharmaceuticals: -12%
- Service types with a large increase in the paid per claim:
 - HCPCS: +11%, driven by an increase in both the paid per transaction (+7%) and number of transactions per claim (+4%)

02

Impact of Economic Slowdown on Pure Premium Rate Indications



Introduction

- Summary of March 21 Meeting
- Performance Analysis of Wage Forecast Series
- Discussion of Forecast Wage Change for 2024

Summary of Staff Recommendations from March 21 Meeting

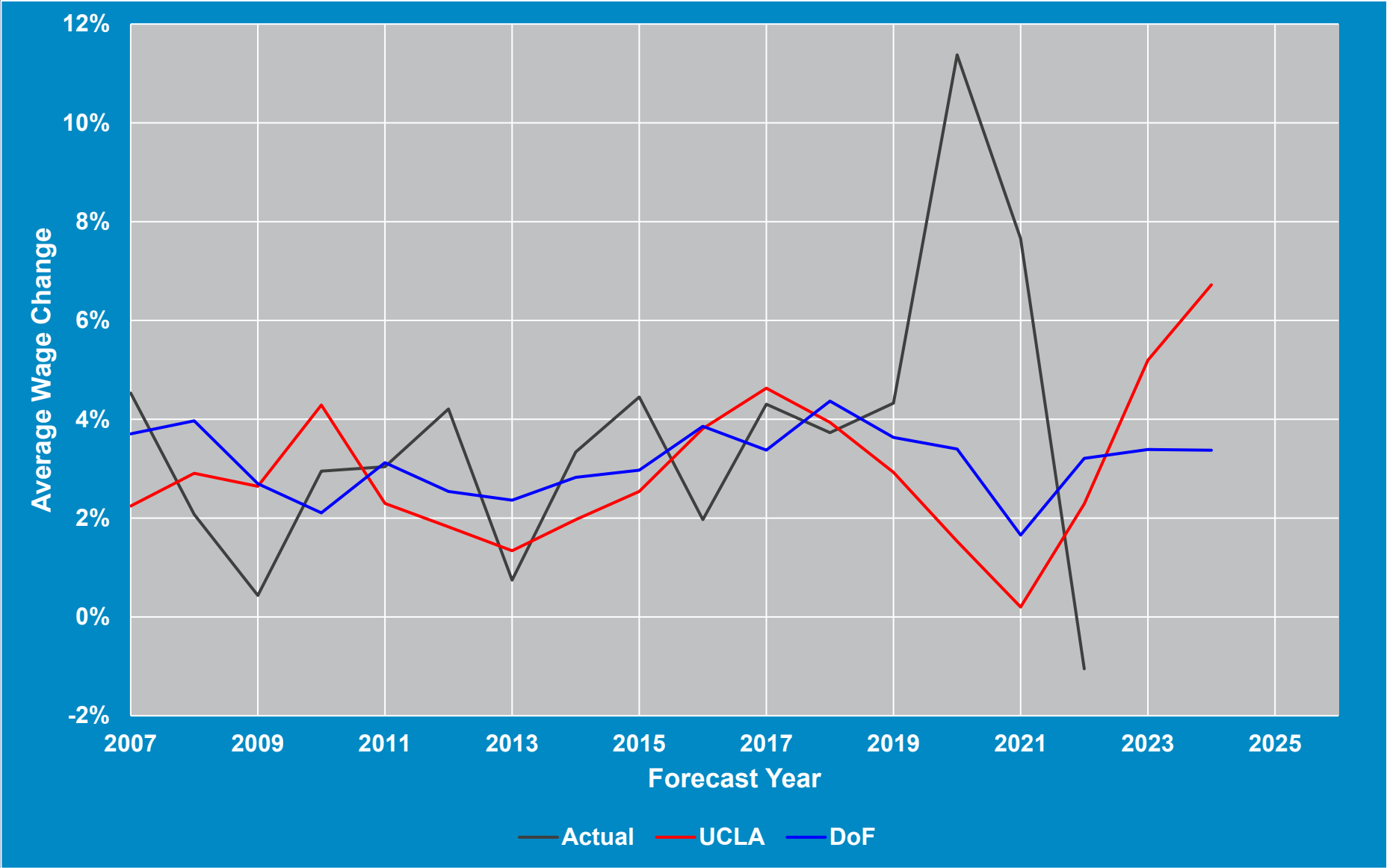
Item	Recommendation	Change from Prior Filing
Source of Unadjusted Wage Change (excluding 2022)	Measured value for historic years. Average of UCLA and DoF forecasts for future years.	No change.
Source of 2022 Wage Change	Average of CES Hourly and CES Weekly Wage Series.	CES Weekly Series used in lieu of historic measured value.
Wage Level Adjustment	Measured adjustment based on ACS survey data applied to 2020 and 2021.	No change.
Industry Mix Adjustment	Apply to historic years when adjustment is greater than 0.3%. No adjustment to forecast years or most recent historic year.	Specific cutoff for use in historic years. No adjustment to most recent historic year.

- Other: Payroll maximum for select classifications increased 3.4% from \$154,700 to \$159,900

Wage Forecast Retrospective Analysis

- For several years, the WCIRB has used an average of wage forecasts from UCLA and Department of Finance
- With the current September 1 filing schedule, the most current available forecasts are:
 - UCLA: March of the filing year
 - DoF: November of the prior year
- For use in the rate filing, forecasts are needed for three unobserved years
- Staff has measured the performance of the two forecasts for each of the three forecast years individually, as well as the cumulative three-year forecast using error, absolute error, and squared error
 - Squared error was primarily used to compare forecasts
- The performance of the two forecasts is very similar
 - The DoF forecast slightly outperforms the UCLA forecast for a one year forecast horizon
 - The UCLA forecast outperforms with two or three year forecast horizons, as well as the cumulative forecast
 - The results are consistent if years 2020-2022 are omitted from the comparison

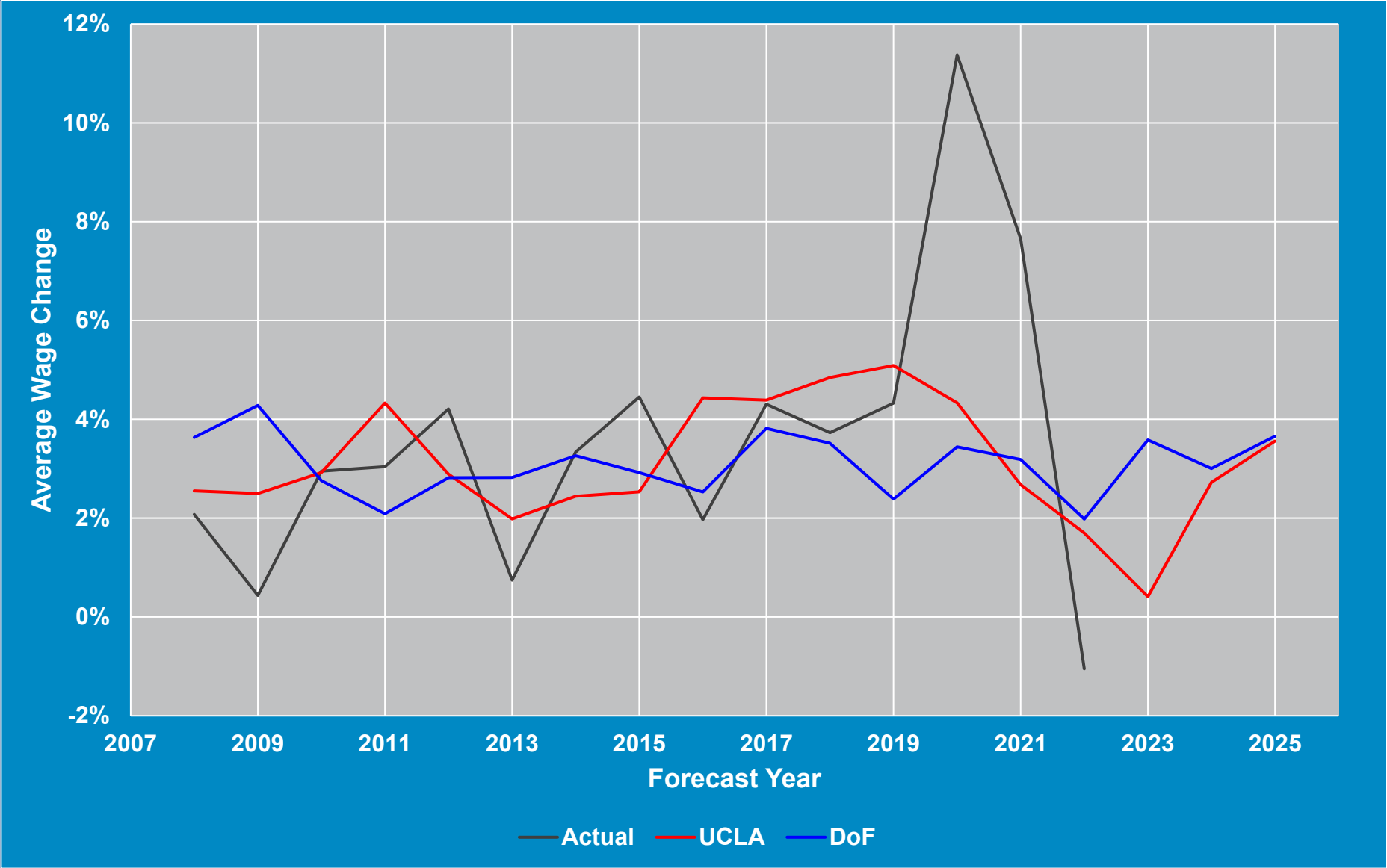
One Year Wage Forecasts



	2007 – 2022		
	UCLA	DoF	50/50
Mean Error	-1.0%	-0.5%	-0.8%
Mean Abs Error	2.4%	2.1%	2.2%
RMSE	3.5%	3.0%	3.2%
Best Estimate	6	8	2
Worst Estimate	9	7	0

	2007 – 2019		
	UCLA	DoF	50/50
Mean Error	-0.2%	0.1%	-0.1%
Mean Abs Error	1.3%	1.2%	1.2%
RMSE	1.5%	1.3%	1.3%
Best Estimate	5	6	2
Worst Estimate	7	6	0

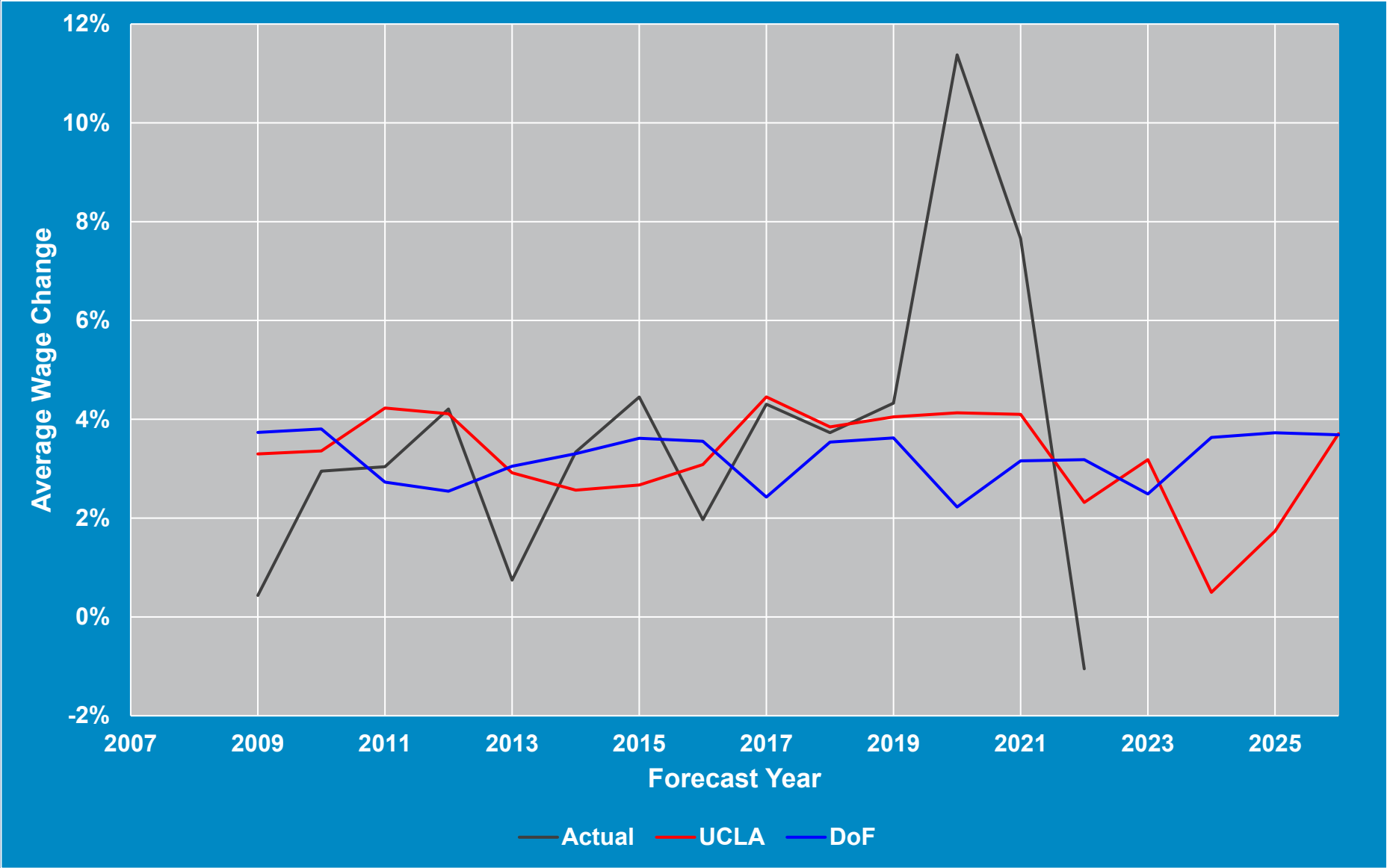
Two Year Wage Forecasts



	2008 – 2022		
	UCLA	DoF	50/50
Mean Error	-0.3%	-0.5%	-0.4%
Mean Abs Error	1.9%	2.0%	1.8%
RMSE	2.6%	2.9%	2.7%
Best Estimate	8	5	2
Worst Estimate	6	9	0

	2008 – 2019		
	UCLA	DoF	50/50
Mean Error	0.4%	0.1%	0.3%
Mean Abs Error	1.1%	1.2%	1.0%
RMSE	1.3%	1.6%	1.3%
Best Estimate	6	4	2
Worst Estimate	5	7	0

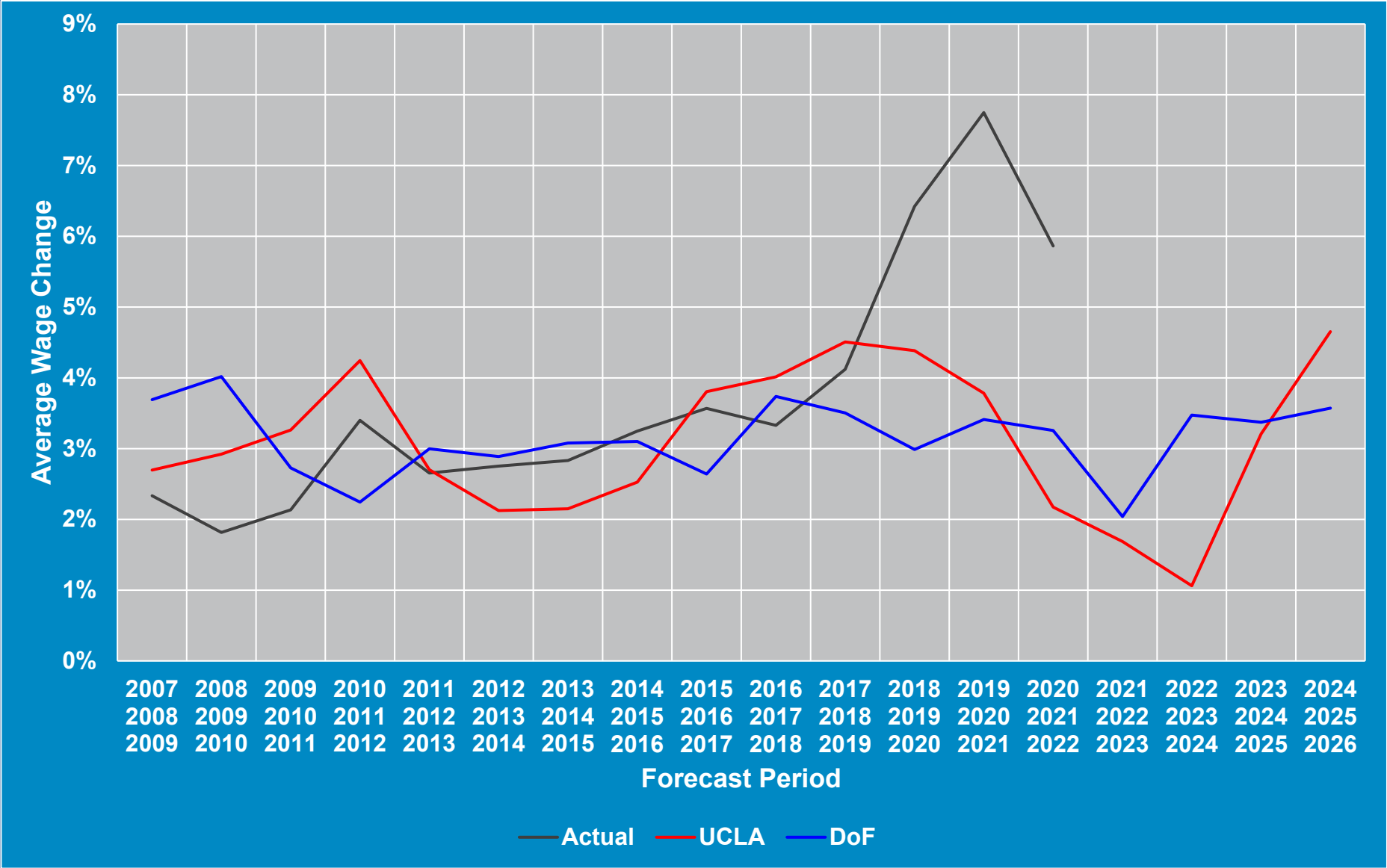
Three Year Wage Forecasts



	2009 – 2022		
	UCLA	DoF	50/50
Mean Error	-0.2%	-0.5%	-0.3%
Mean Abs Error	1.8%	2.3%	2.0%
RMSE	2.6%	3.3%	2.9%
Best Estimate	10	3	1
Worst Estimate	3	11	0

	2009 – 2019		
	UCLA	DoF	50/50
Mean Error	0.5%	0.2%	0.3%
Mean Abs Error	1.0%	1.2%	1.1%
RMSE	1.3%	1.6%	1.4%
Best Estimate	7	3	1
Worst Estimate	3	8	0

Annualized Cumulative Wage Forecasts



	2007 – 2022		
	UCLA	DoF	50/50
Mean Error	-0.5%	-0.6%	-0.5%
Mean Abs Error	1.2%	1.3%	1.1%
RMSE	1.7%	1.8%	1.7%
Best Estimate	6	5	3
Worst Estimate	6	8	0

	2007 – 2019		
	UCLA	DoF	50/50
Mean Error	0.3%	0.2%	0.2%
Mean Abs Error	0.6%	0.7%	0.5%
RMSE	0.7%	1.0%	0.7%
Best Estimate	4	4	3
Worst Estimate	5	6	0

Average Wage Forecasts

- Current forecasts of average wage changes are from March 2024 UCLA and November 2023 Department of Finance
- The averages of these wage forecasts are:

Source	2024	2025	2026
Average	5.1%	3.7%	3.7%
UCLA	6.7%	3.6%	3.7%
DoF	3.4%	3.7%	3.7%

- Staff contacted UCLA regarding the large 2024 wage change forecast
- In response, forecast economists noted:
 - Their expectation is for average wage growth to outpace inflation by 3.5 to 4%, driven by
 - Continuing labor shortages
 - Minimum wage increases
 - Indirect effects, as employers must now compete with higher paying restaurant chains
 - The state GDP growth forecast is relatively low, but they note that this growth is for a full employment economy
 - They anticipate increases in GDP demand, which will be constrained by labor supply
 - This will generate greater than average wage increases

Selected and Recommended Average Wage Changes

	Filing	2020	2021	2022	2023	2024	2025	2026
Unadjusted	9/1/2021	9.6%	0.9%	1.8%	2.8%			
	9/1/2022	11.4%	8.0%	2.7%	2.0%	2.0%		
	9/1/2023	11.3%	7.7%	2.2%	4.3%	2.9%	2.7%	
	9/1/2024	11.4%	7.7%	3.4%	3.2%	5.1%	3.7%	3.7%
Industry Mix	9/1/2021	-1.9%	0.4%					
	9/1/2022	-1.8%	0.3%	0.5%	-0.3%	-0.1%		
	9/1/2023	-1.9%	0.5%	0.5%				
	9/1/2024	-1.8%	0.5%	0.4%				
Wage Level	9/1/2021	-4.3%	1.4%	1.0%	0.4%			
	9/1/2022	-3.9%	-1.8%	1.6%	1.1%	0.5%		
	9/1/2023	-3.9%	-1.8%					
	9/1/2024	-3.9%	-1.8%					
Adjusted	9/1/2021	2.9%	2.8%	2.9%	3.2%			
	9/1/2022	5.1%	6.3%	4.9%	2.8%	2.5%		
	9/1/2023	4.9%	6.3%	2.7%	4.3%	2.9%	2.7%	
	9/1/2024	5.1%	6.3%	3.8%	3.2%	5.1%	3.7%	3.7%

03

Retrospective Evaluation of 2021 Fee Schedule Changes



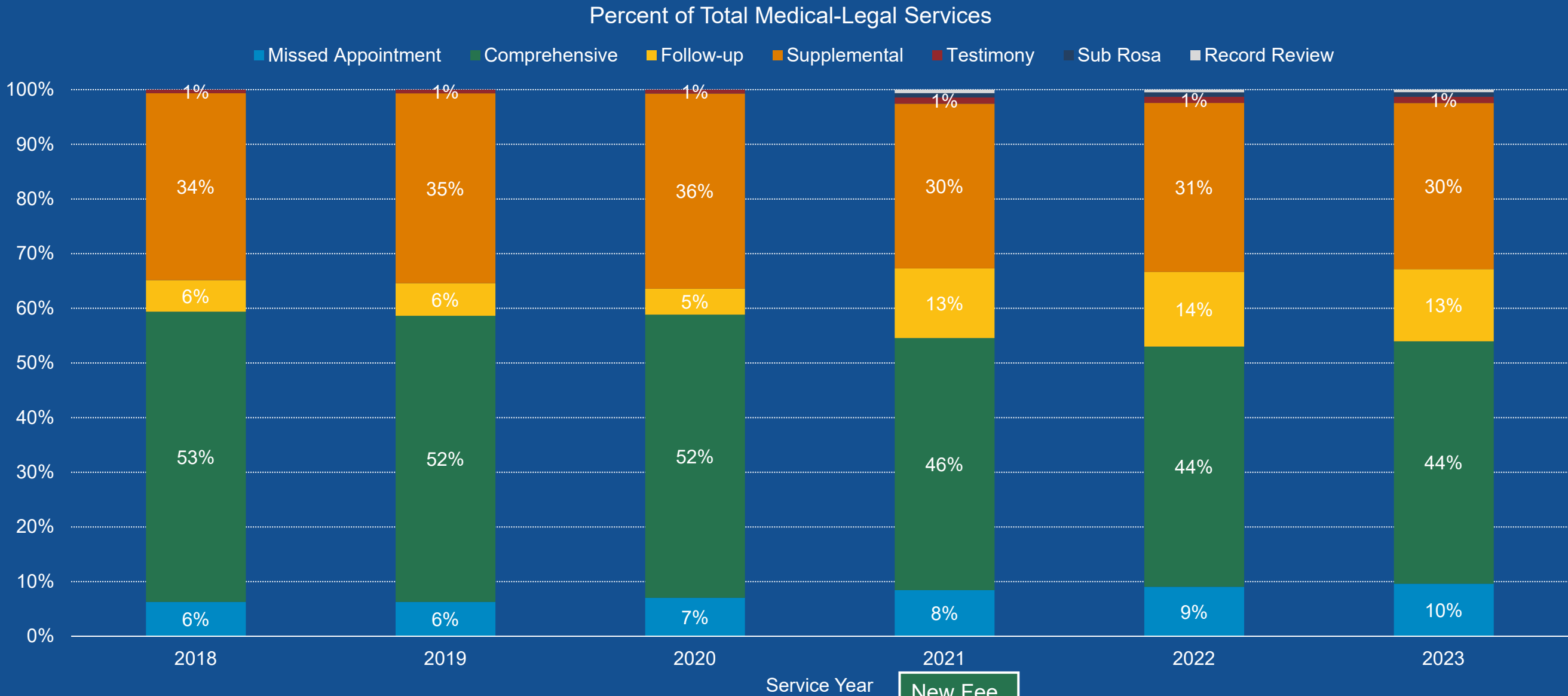
Background on New Medical-Legal Fee Schedule

- The Division of Workers’ Compensation (DWC) adopted significant changes to the Medical-Legal (ML) Fee Schedule effective April 1, 2021.
- The new ML Fee Schedule is intended to increase the reimbursement allowance for medical-legal reports while eliminating complexity factor overlays onto reimbursement allowances.
- The WCIRB has conducted several cost impact evaluations of the new ML Fee Schedule since April 2021 (see below).
- Staff has reviewed available data of 2021 through 2023 to update the retrospective evaluation of the cost impact of the new ML Fee Schedule.

Time and Type of Evaluation	Key Findings	Inclusion in the Filing
April 2021, Prospective	Estimated +22% to the medical-legal costs	September 1, 2021 Pure Premium Rate Filing
April 2022, Retrospective	+39% in the average ML payment per claim in 2021 compared to 2019, driven by record review	September 1, 2022 Pure Premium Rate Filing
April 2023, Retrospective	+50% in the average ML payment per claim in 2022 compared to 2019, driven by record review and a higher number of ML services per claim	September 1, 2023 Pure Premium Rate Filing

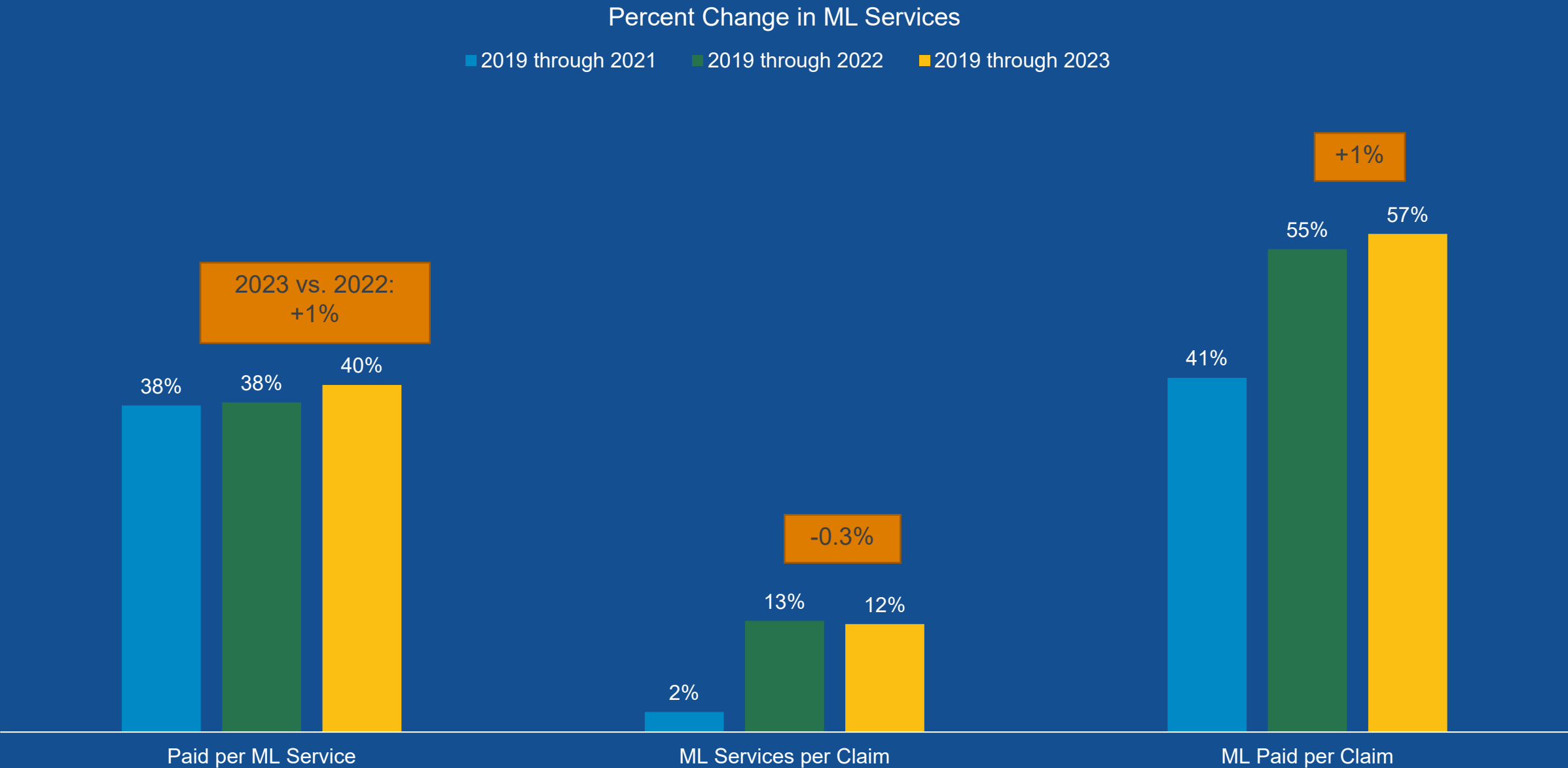
Distribution of Medical-Legal (ML) Services (Q2 through Q4)

As of February 7, 2024



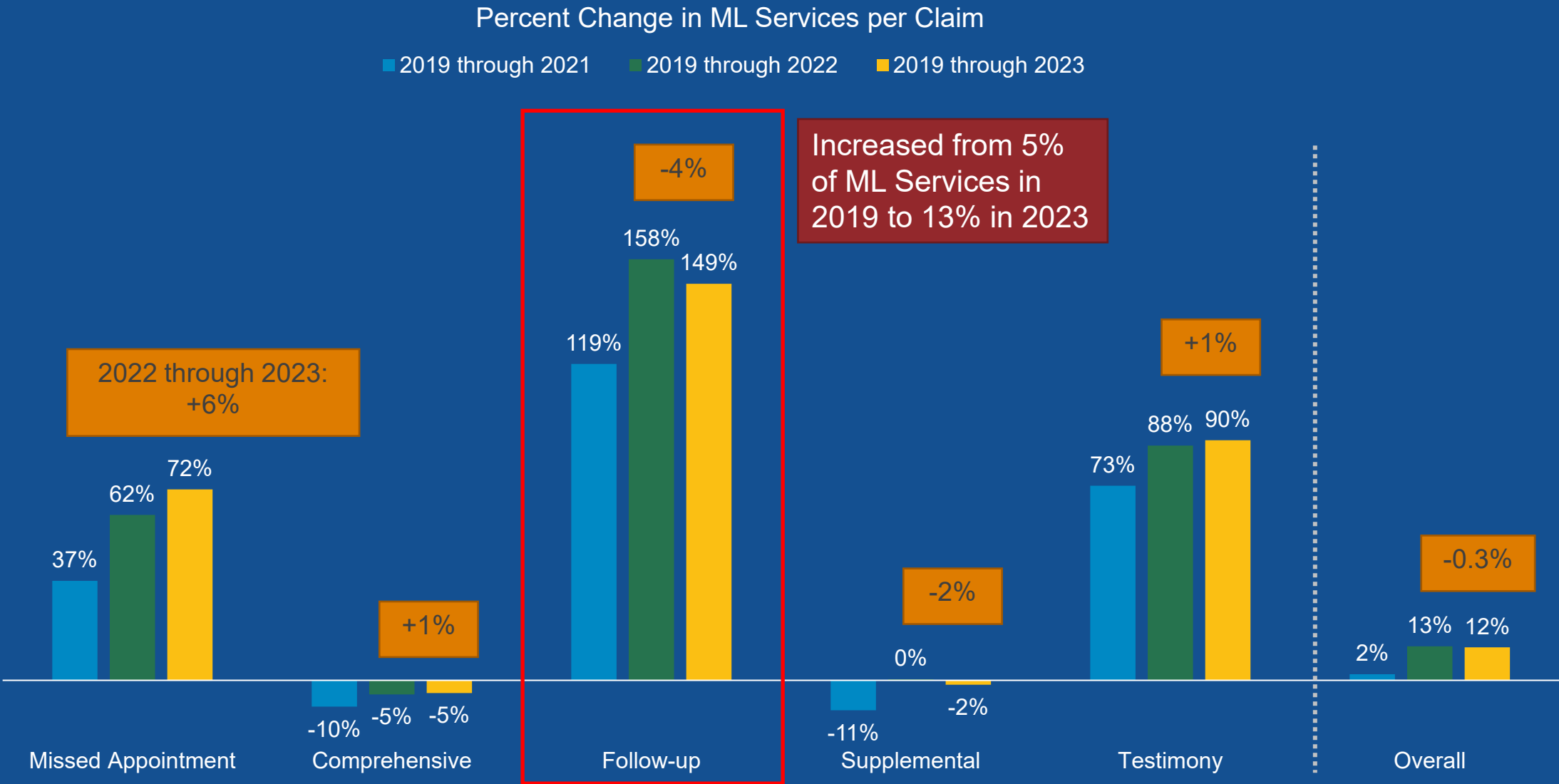
Changes in Payments and Utilization of Medical-Legal (ML) Services (Q2 through Q4)

As of February 7, 2024



Percent Change in Number of ML Services per Claim by Types of ML Service (2019 through 2023)

As of February 7, 2024



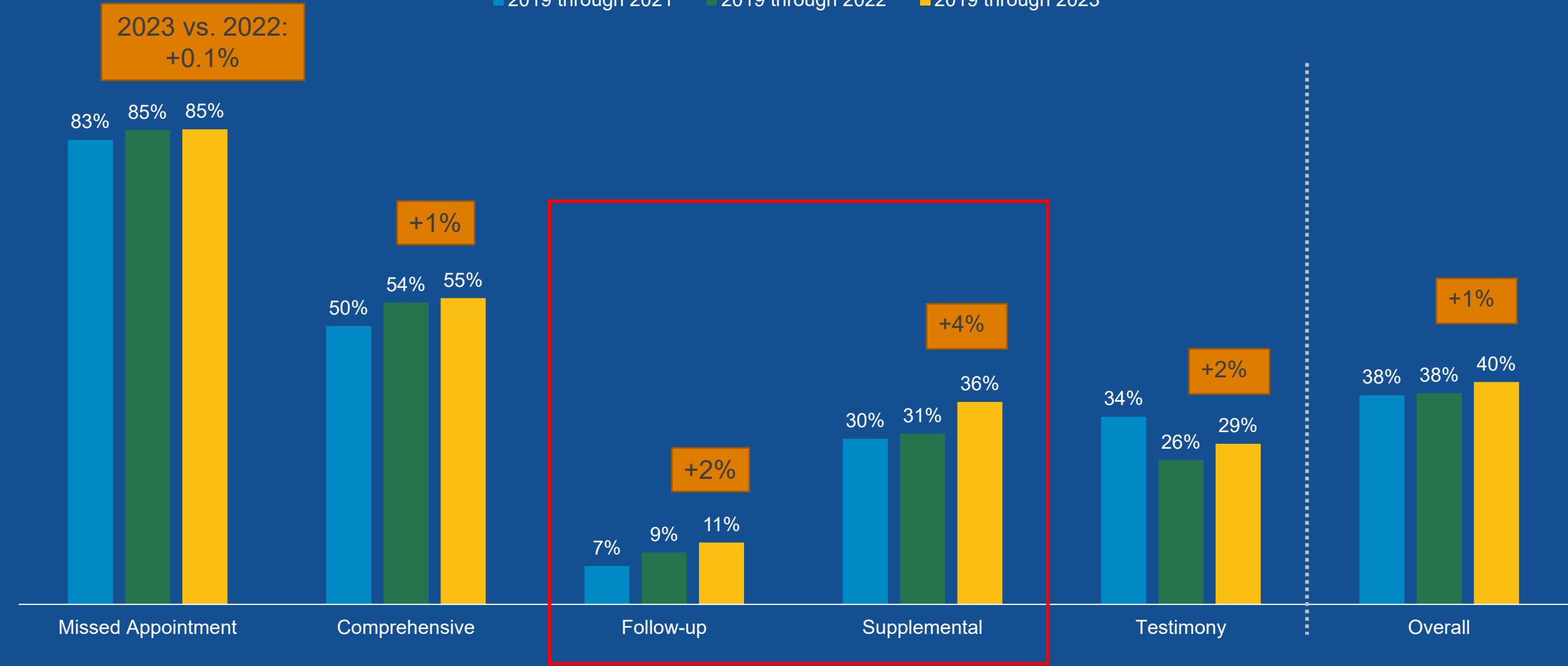
Note: The number in the orange textbox represents the percentage change from 2022 through 2023.
Source: WCIRB medical transaction data (COVID-19 claims excluded)

Changes in Paid per ML Service by Types of ML Service (2019 through 2023)

As of February 7, 2024

Percent Change in Paid per ML Service

■ 2019 through 2021 ■ 2019 through 2022 ■ 2019 through 2023

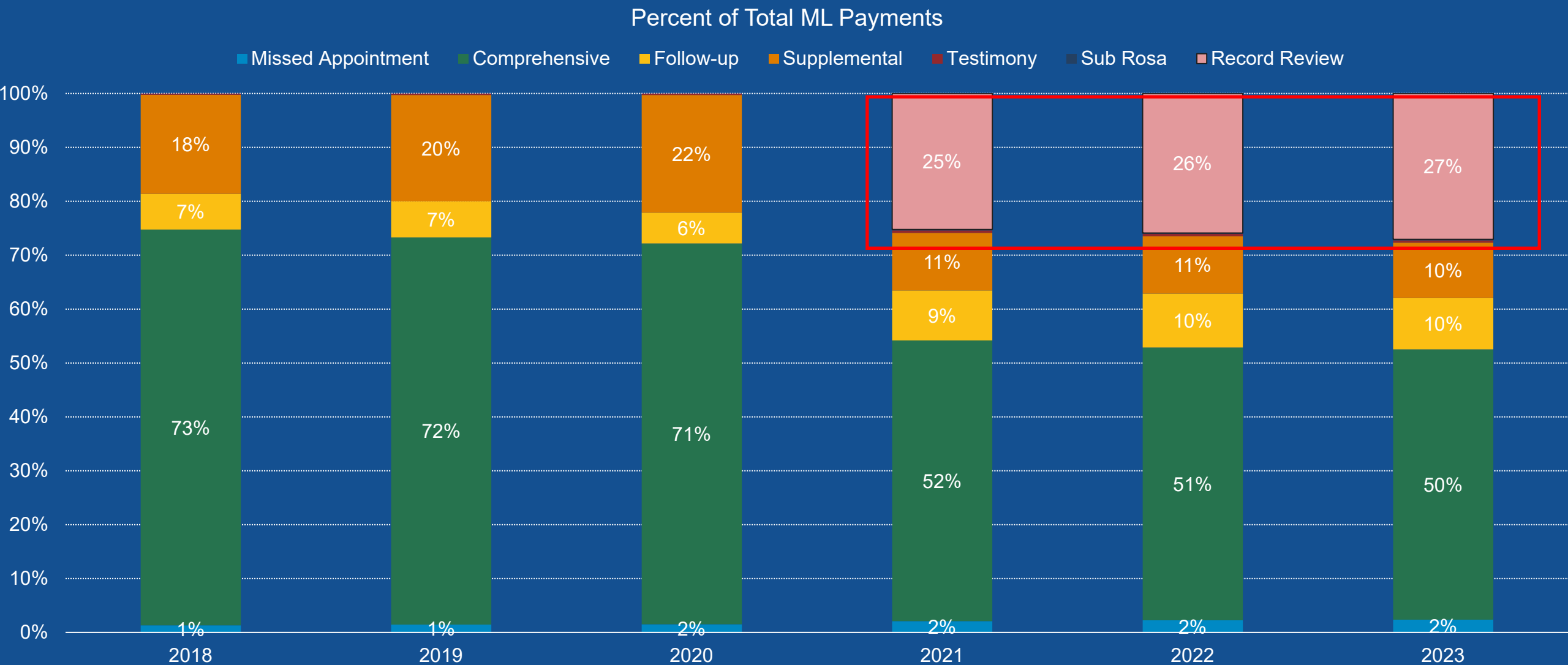


* Payments for record review of additional pages were included in the payments for ML services. The number in the orange textbox represents the percentage change from 2022 through 2023.
Source: WCIRB medical transaction data (COVID-19 claims excluded)

Distribution of Payments for ML Services (Q2 through Q4)

(8.3% of payments for all 2022 medical services)

As of February 7, 2024

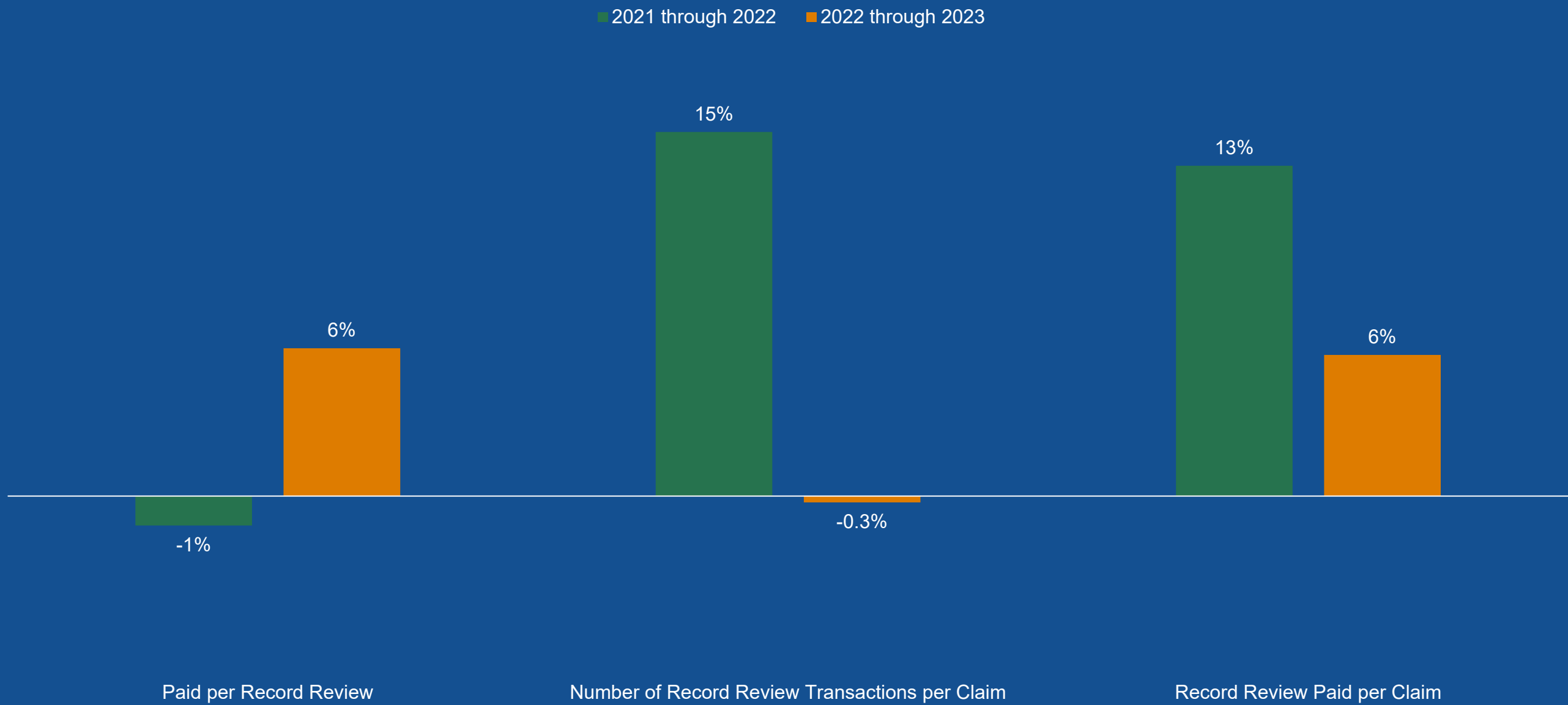


Service Year

New Fee Schedule Effective 4/1/2021

Cost of Record Review of Additional Pages

As of February 7, 2024



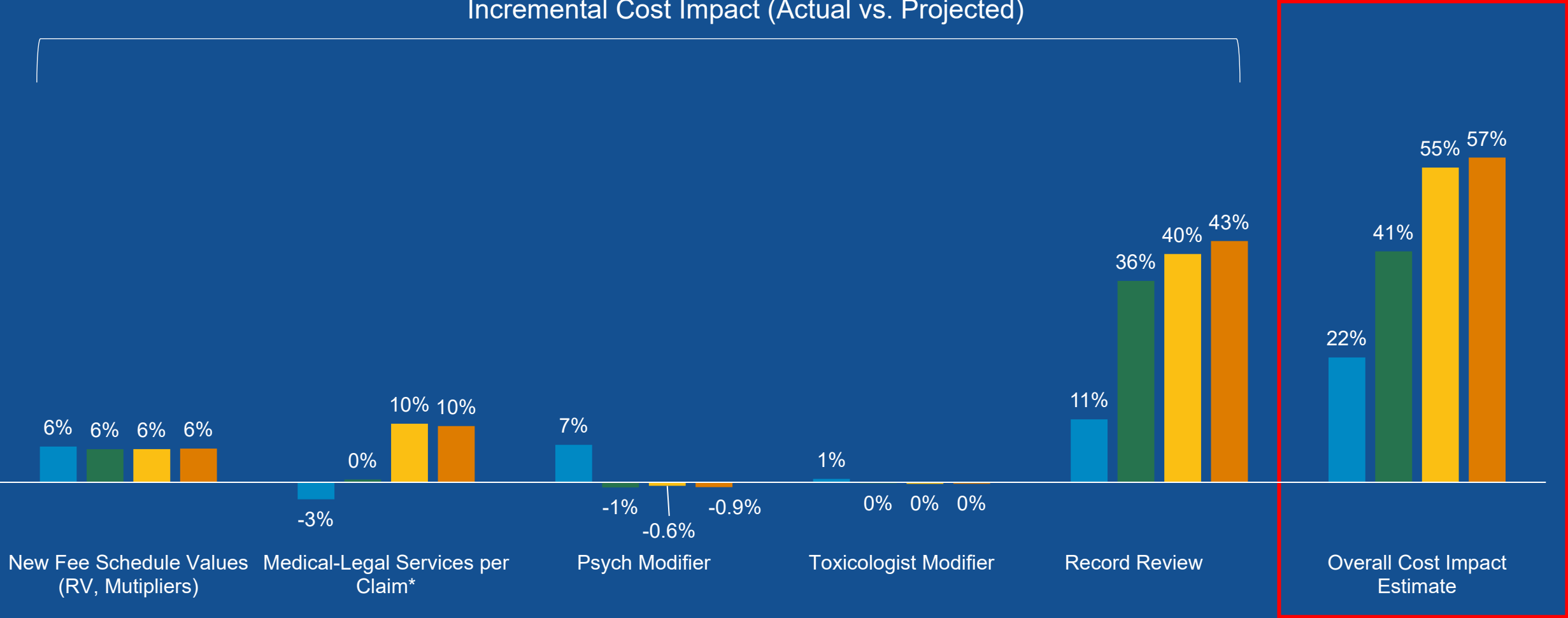
Comparison of Actual and Projected Cost Impact of New Medical-Legal Fee Schedule

As of February 7, 2024

Comparison of Percentage Change in Actual Paid per Claim and in Estimated Paid per Claim

■ Projected 2021 to Actual 2019 ■ Actual 2021 to Actual 2019 ■ Actual 2022 to Actual 2019 ■ Actual 2023 to Actual 2019

Incremental Cost Impact (Actual vs. Projected)



*The 2021 projection has an assumption of a lower frequency for supplemental ML evaluations.
Source: WCIRB medical transaction data (COVID-19 claims excluded)

Summary of Key Preliminary Findings

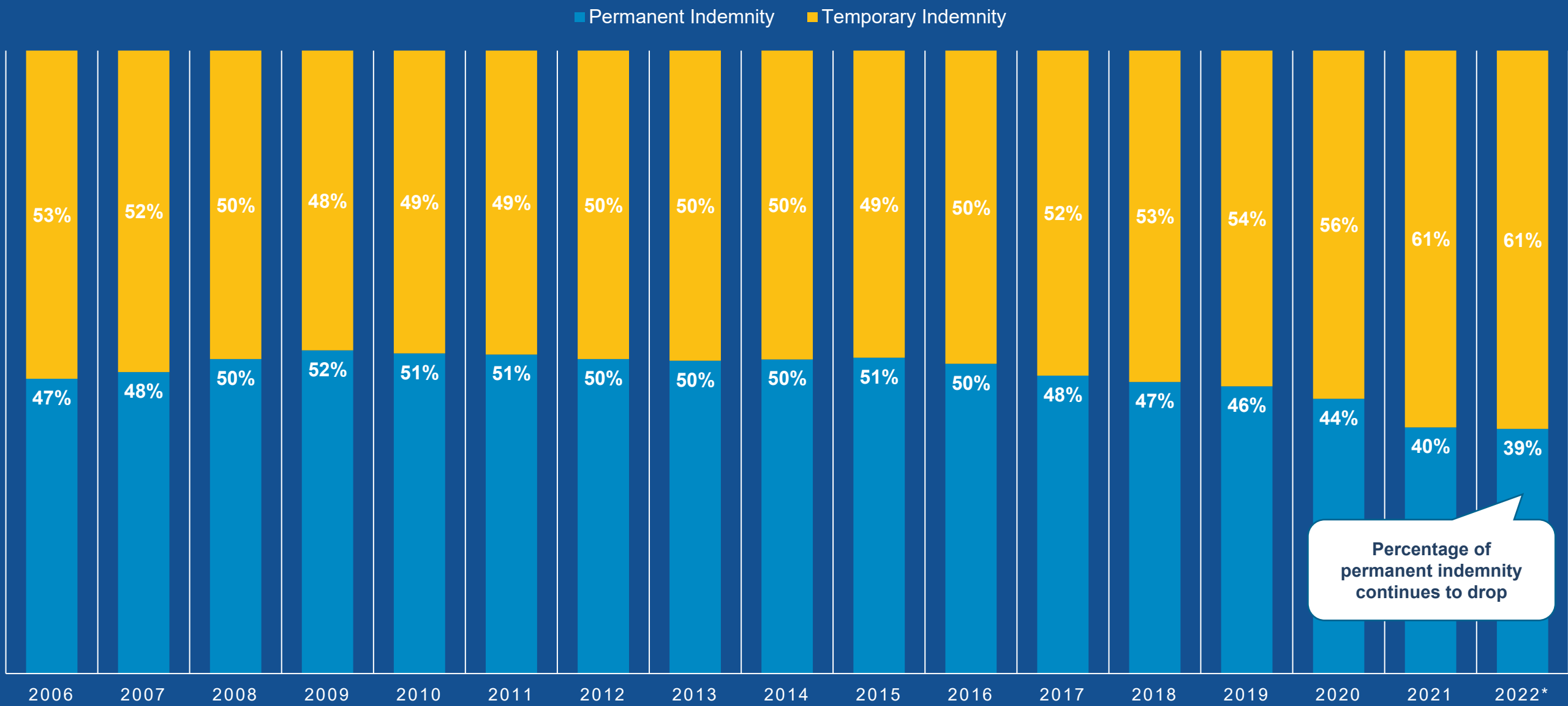
- During the third year (2023) of the new ML Fee Schedule, ML payment per claim remained consist as that in 2022:
 - 1% higher than 2022, 57% higher than 2019
- Record review continued to be a key cost driver
 - 27% of all ML payments in 2023, similar to 2021 and 2022
 - Paid per record review increased by 6% in 2023 compared to 2022
- Including record review, paid per ML service in 2023 remained at a high level similar to 2022
 - 1% higher than 2022, 40% higher than 2019
- Number of ML services per claim started to increase in 2022 and remained consistent in 2023
 - 0.3% lower than 2022, 12% higher than 2019
 - The increase is concentrated in follow-up evaluations

04

First Quarter 2024 Review of Diagnostics

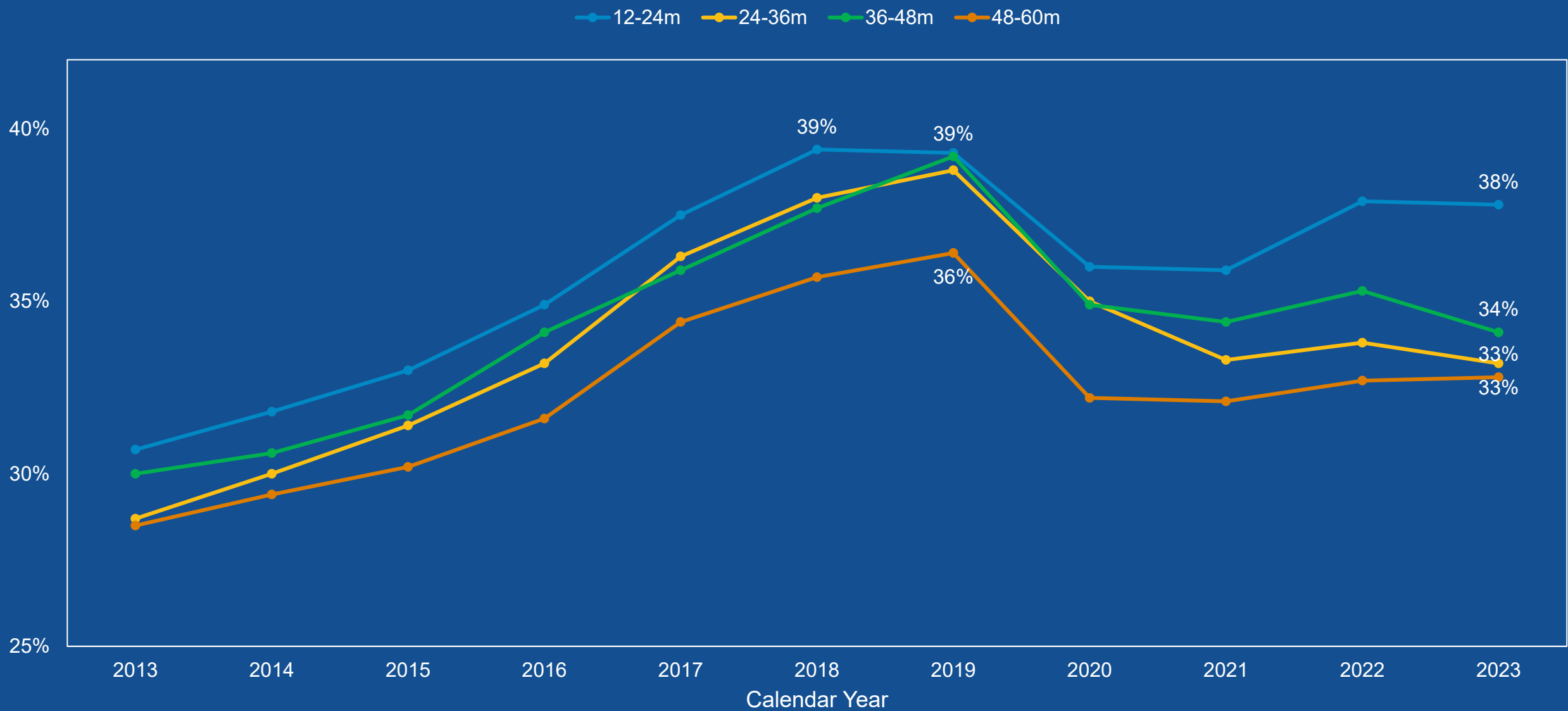


Distribution of Estimated Ultimate Number of Indemnity Claims by Injury Type (Exhibit M4)

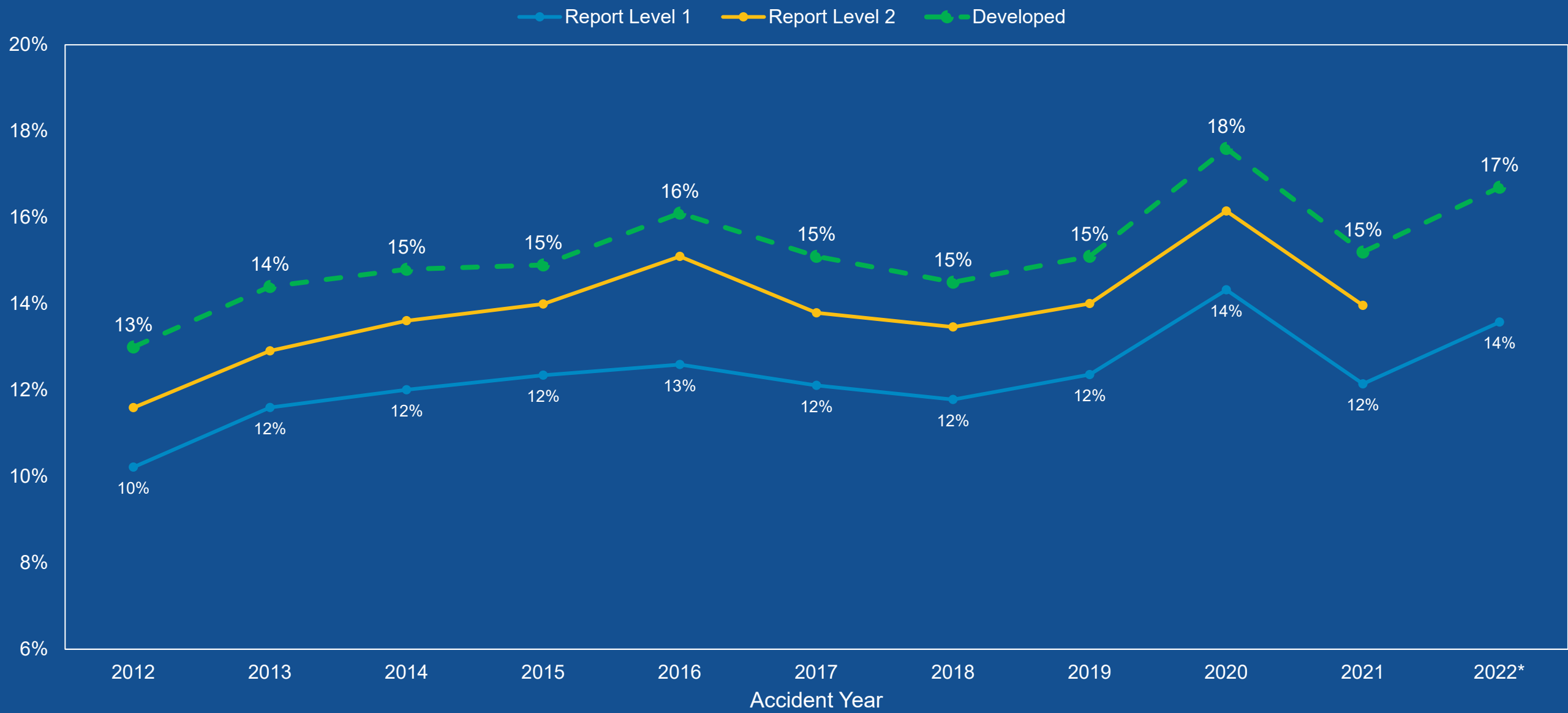


* Accident year 2022 experience is partial in that it only reflects experience from policy year 2021
Source: WCIRB Unit Statistical Data, excluding COVID-19 claims

Ratio of Incremental Closed Indemnity Claims to Prior Open Indemnity Claims (Exhibit C3.1)



Cumulative Injury Share of Total Indemnity Claim Count (Exhibit C15)

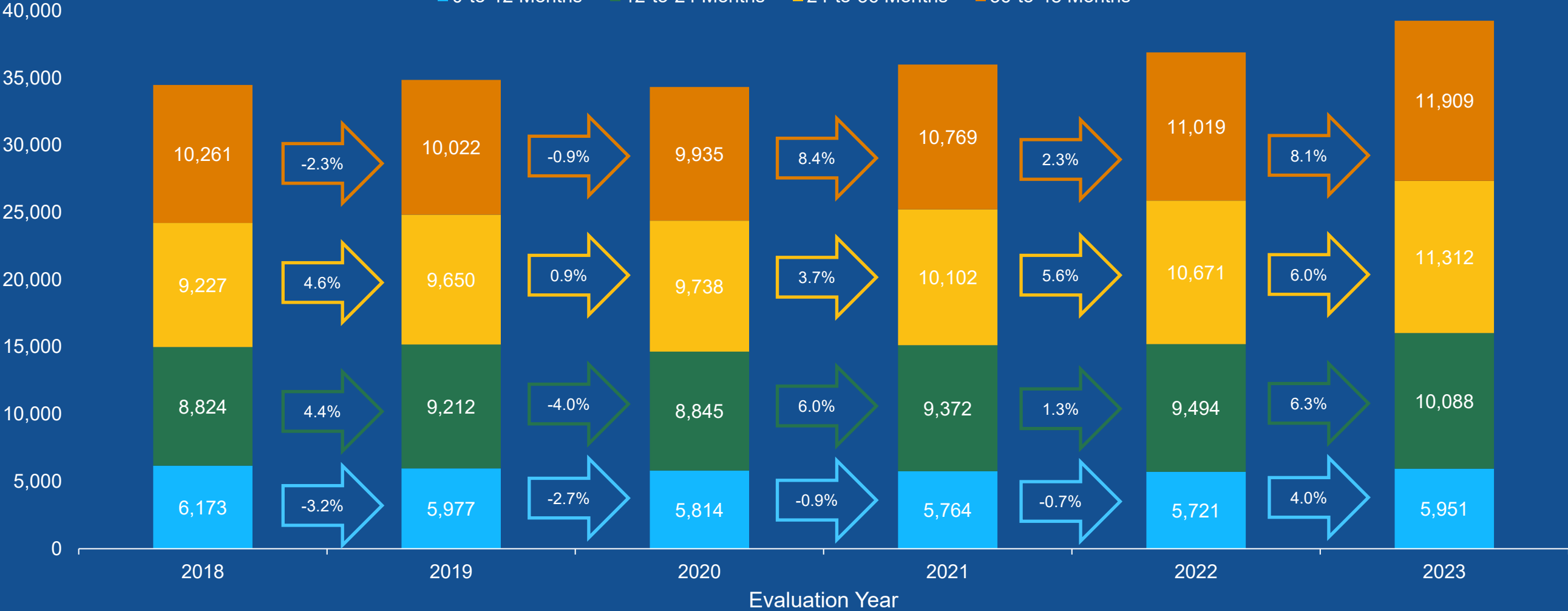


*Accident year 2022 is based on preliminary partial data
Cumulative injury claims include occupational disease
Source: WCIRB Unit Statistical Data, excluding COVID-19 claims

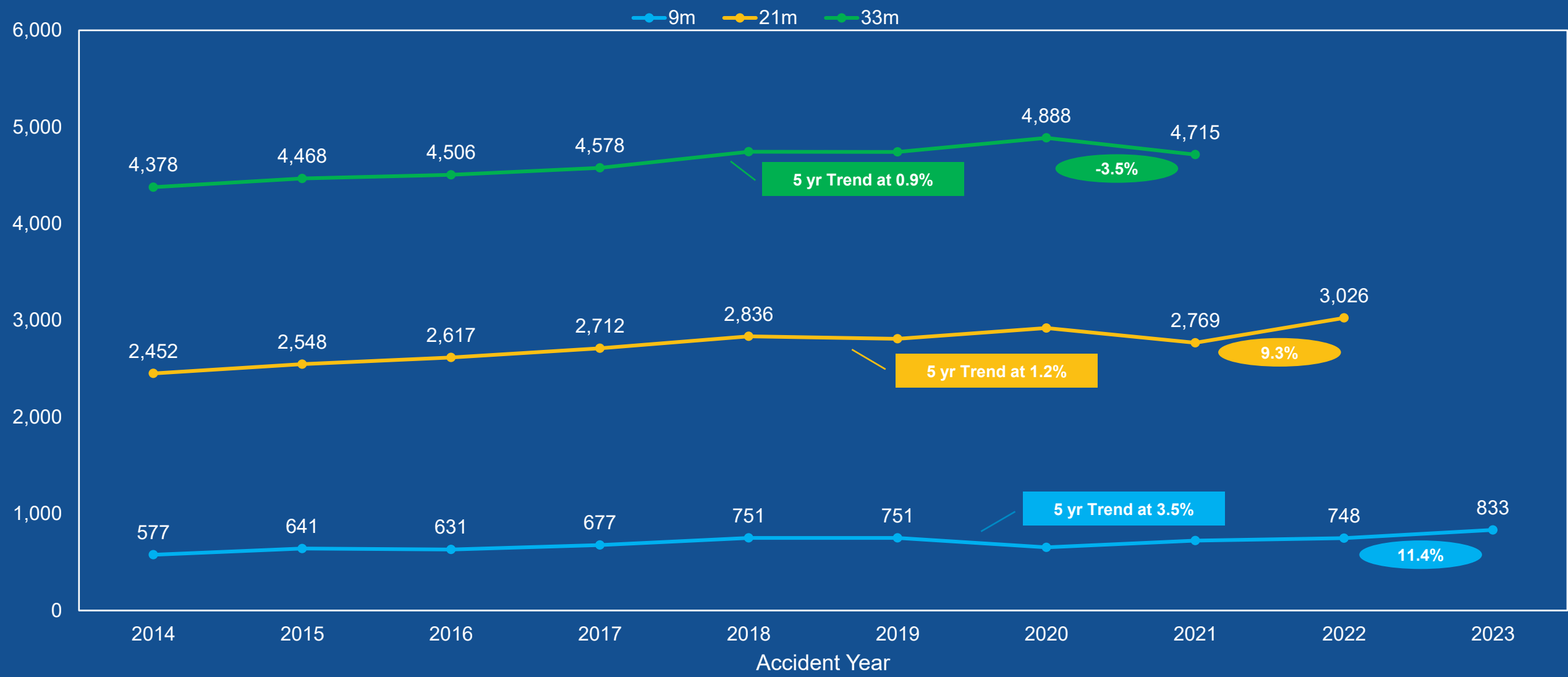
Severity – Incremental Paid Medical per Open Indemnity Claim During the Development Period (Exhibit S7)

Average Paid Medical per Open Indemnity Claim during the Development Period

0-to-12 Months 12-to-24 Months 24-to-36 Months 36-to-48 Months



Average Paid ALAE per Reported Indemnity Claim (Exhibit E5)



05

12/31/2023
Experience Review



Updated Summary of 12/31/2023 Experience

- Approximately 100% of market included
- Updates from 3/21/2024 meeting review:
 - Additional insurer data submissions and revisions
 - Updated indemnity on-level adjustments based on actual unit statistical data
 - Includes March 2024 UCLA data in projected premium on-level and frequency trend
 - Frequency model projections based on full constant and CII time series forecast
 - Reflects 2.0% annual on-level medical severity trend
- Projected loss ratio using 4/11/2024 Agenda preliminary methodologies is 0.752
 - Compares to 0.756 reviewed at 3/21/2024 meeting

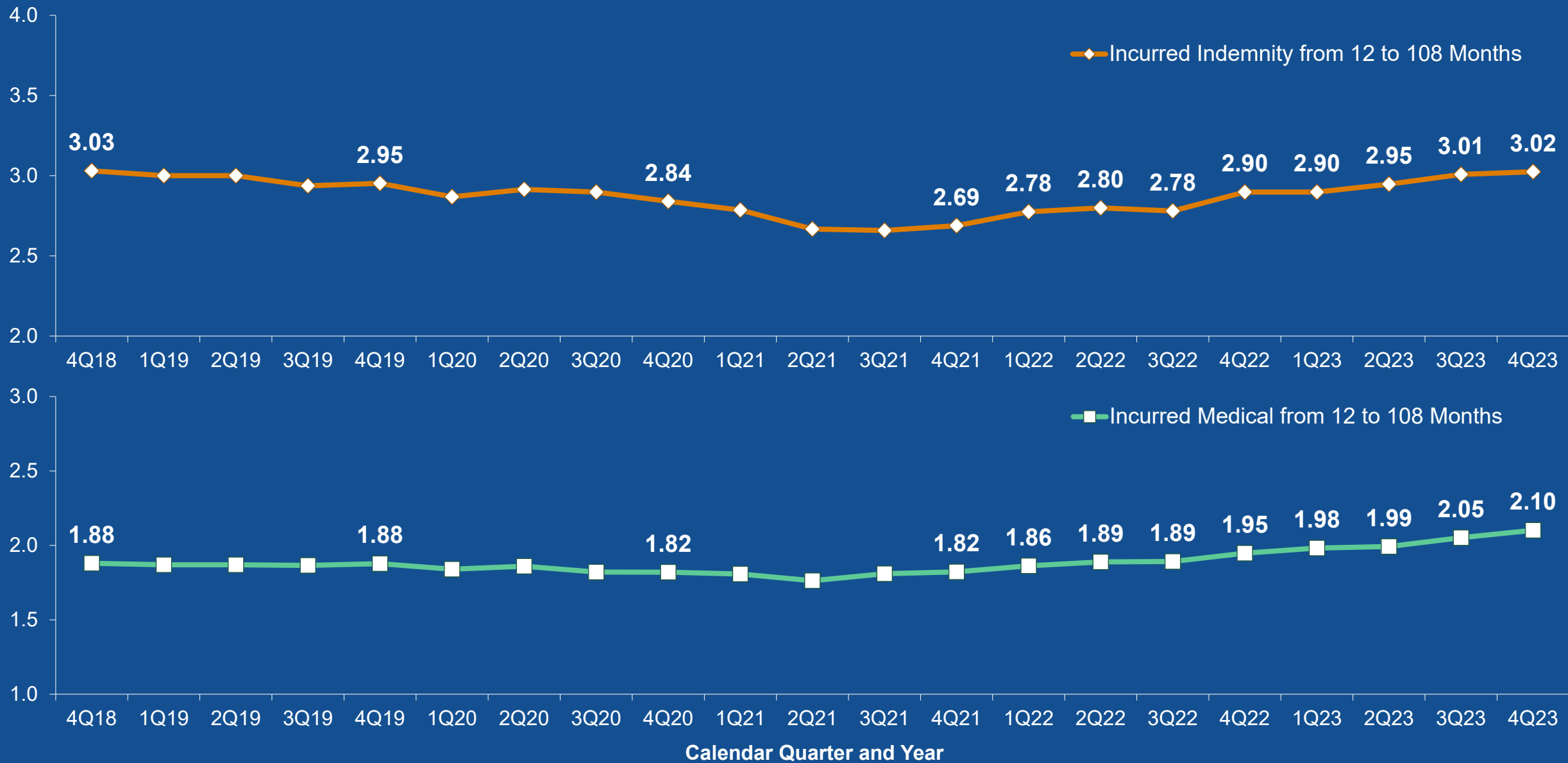
Approximate Percentage Point Change in Loss Ratio Projection

As of December 31, 2023

Factor	Change from 9/1/2023 Filing	Change from 3/21/2024 Agenda
Loss Development Projection	2.0	N/A
Loss Development Methodology (Claim Settlement Rate Adj.)	-0.5	N/A
Updated Wage Level Forecasts	-1.0	0.0
Refined Frequency Model (Full Constant and CII Forecast)	-0.5	-0.5
Updated Frequency Trends (Data Updates)	0.0	-0.5
Updated Medical Severity Trend	0.5	0.5
Use of AY 2023 in Trend	-3.0	N/A
Trend to 9/1/2024 Policy Period	-0.5	N/A
Total to 3/21/2024 Agenda	-3.0	-0.5

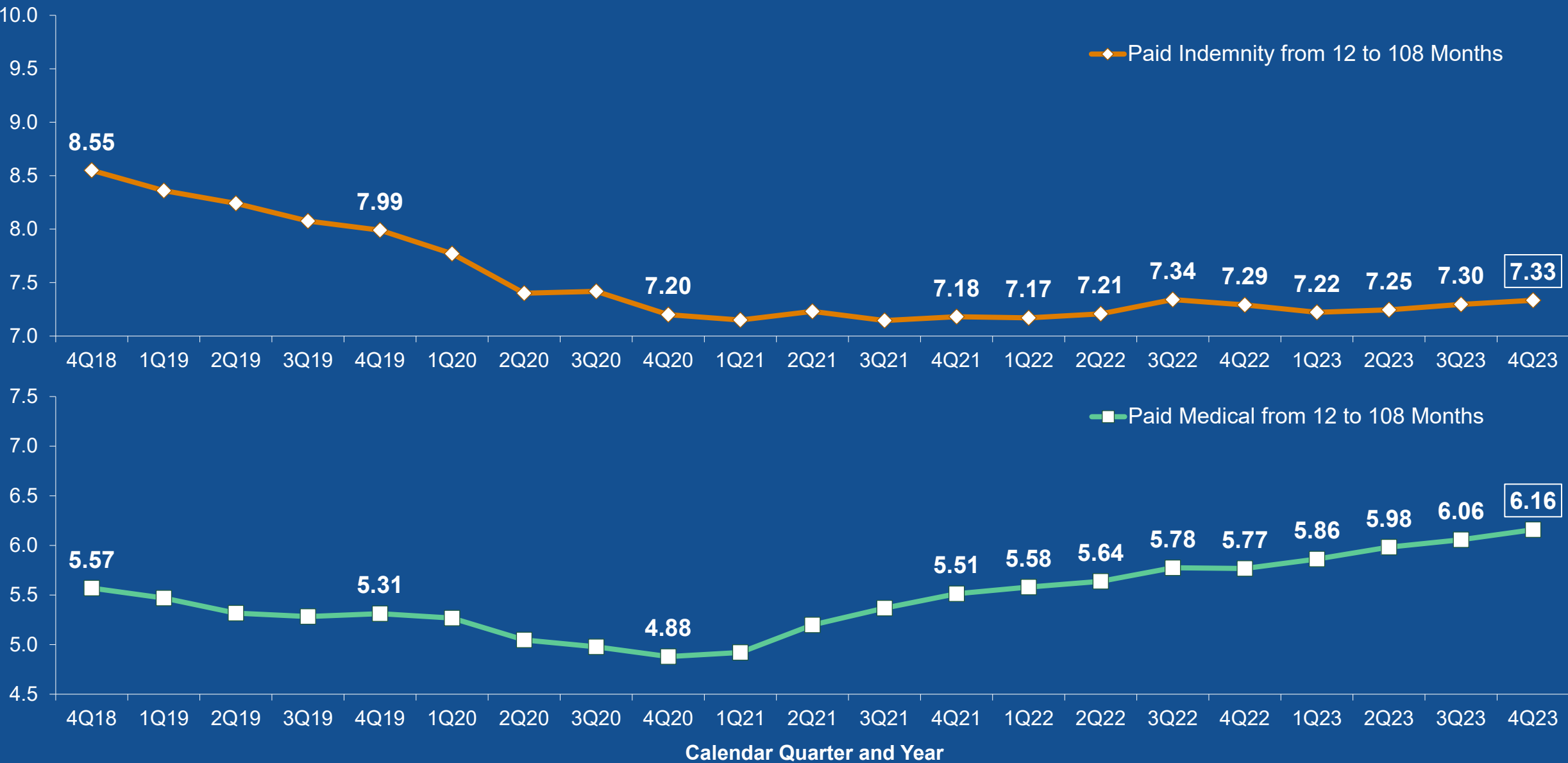
Cumulative Incurred Development from 12 to 108 Months

As of December 31, 2023



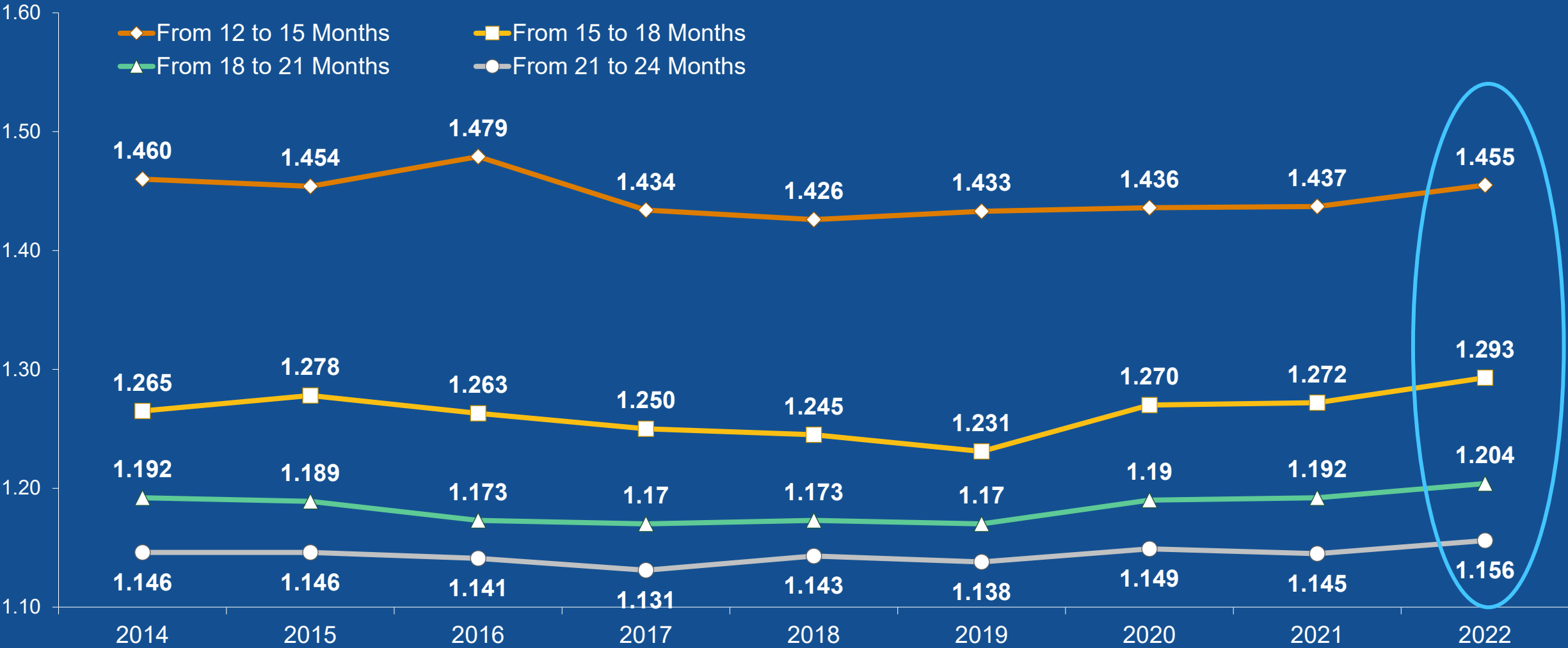
Cumulative Paid Development from 12 to 108 Months

As of December 31, 2023



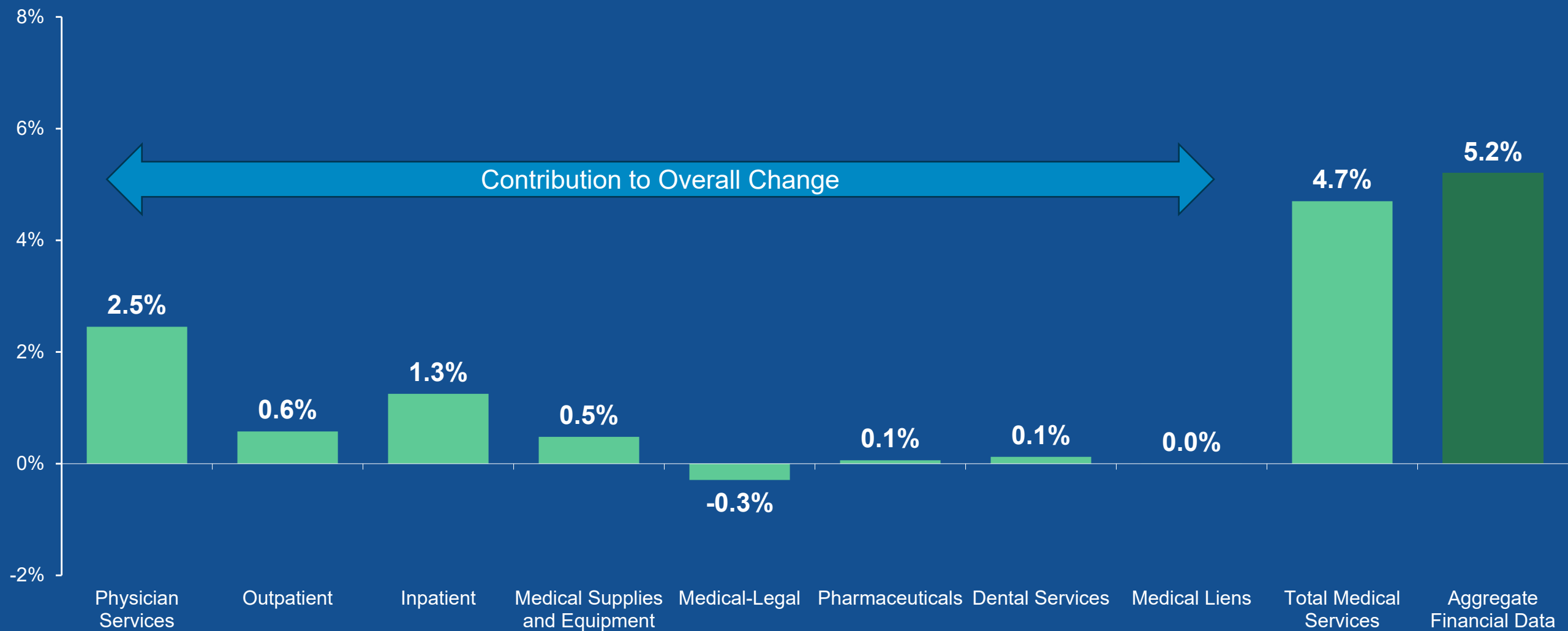
Paid Medical Development (Exhibit 9.4)

As of December 31, 2023



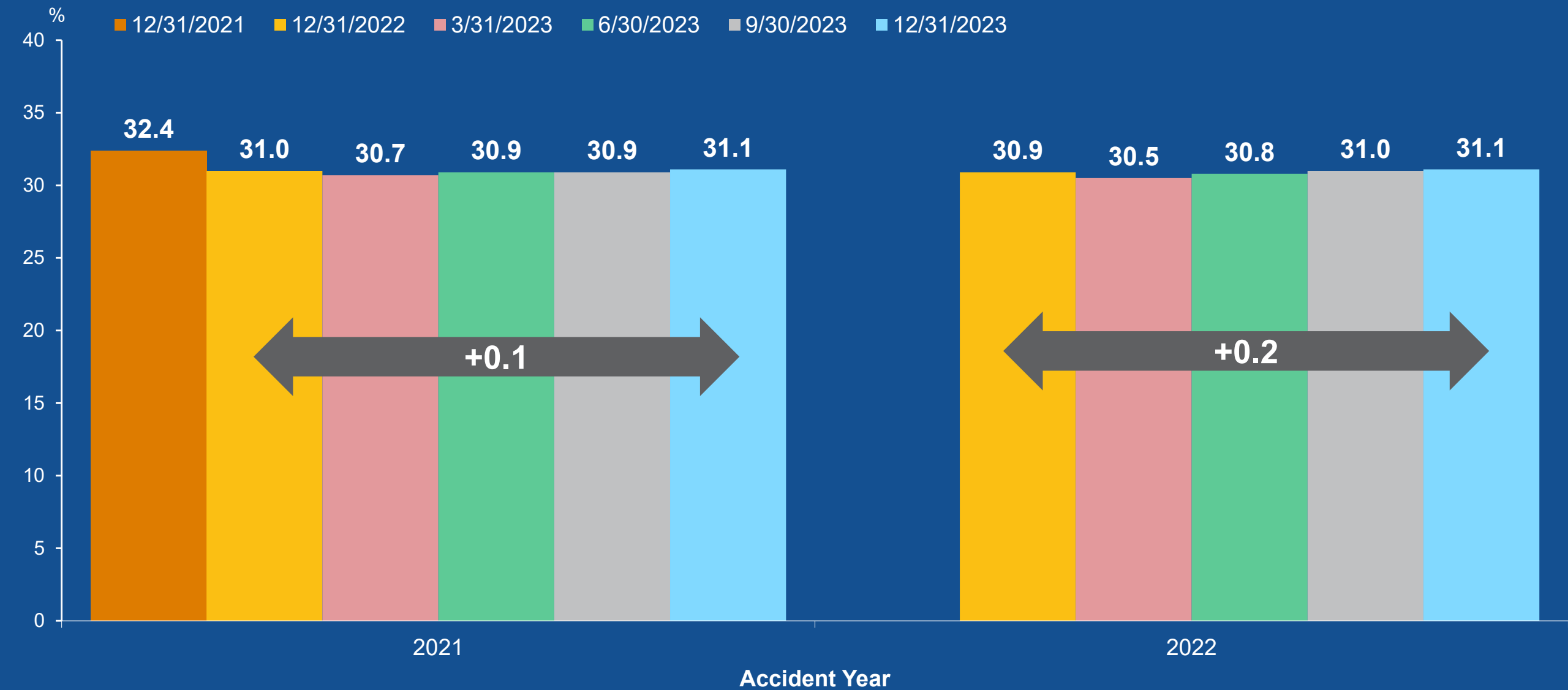
Distribution of Change in 12-to-24 Month Paid Development for AY 2022

As of December 31, 2023



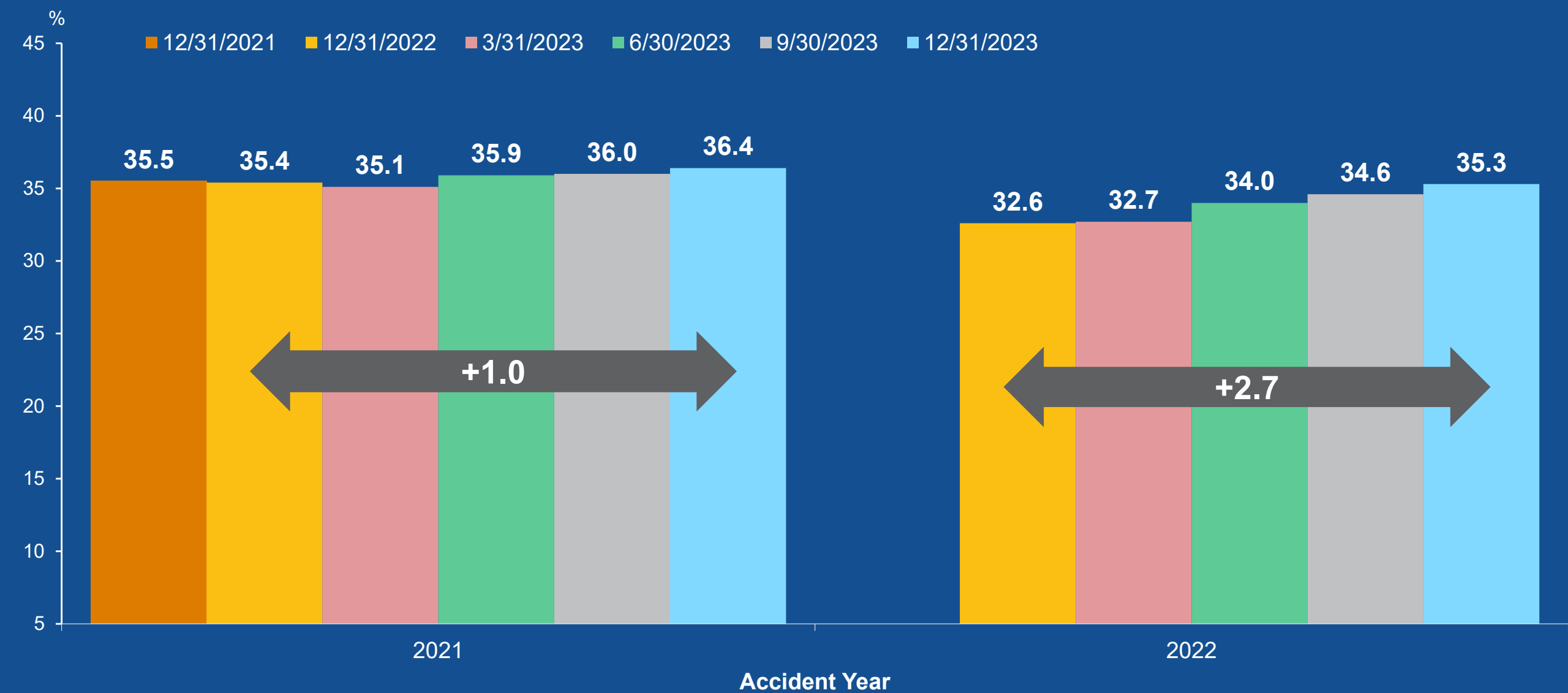
Developed Indemnity Loss Ratios (Exhibit 3.1)

As of December 31, 2023



Developed Medical Loss Ratios (Exhibit 3.2)

As of December 31, 2023



Note: All loss ratios are adjusted to the loss development methodology reflected in the Actuarial Committee Agenda and may not be comparable to the actual loss ratios projected at that time.
Source: WCIRB Aggregate Financial Data, excluding COVID-19 claims for accident years 2020 to 2022

Alternative Loss Development Methodologies (Item AC24-04-02)

Incurred Methods

- Unadjusted Incurred Projections
 - Best with stable case reserve levels and incurred patterns
 - Can be distorted by changing reserve levels, reforms and claim settlement rate changes
 - ★ Incurred development more volatile and cyclical than paid development, particularly at later maturities
 - ★ Difficult to impute reform and claim settlement adjustments
 - ★ Recent retrospective study showed latest year incurred development as accurate as adjusted paid method for early maturities but less accurate and more volatile in the later maturities
 - ★ Unadjusted incurred projections continue to be well below paid projections
- Latest Year Hybrid Incurred with Paid Tail
 - Latest year incurred development converted to paid at 120 months with adjusted paid after 120 months
 - ★ Uses incurred development where it was accurate in retrospective study but avoids anomalous incurred tail
- Incurred Adjusted for Changes in Case Reserve Levels
 - Best with clear evidence of changing case reserve levels
 - ★ Method can be very volatile with constantly shifting reserve levels (3-year average is used)

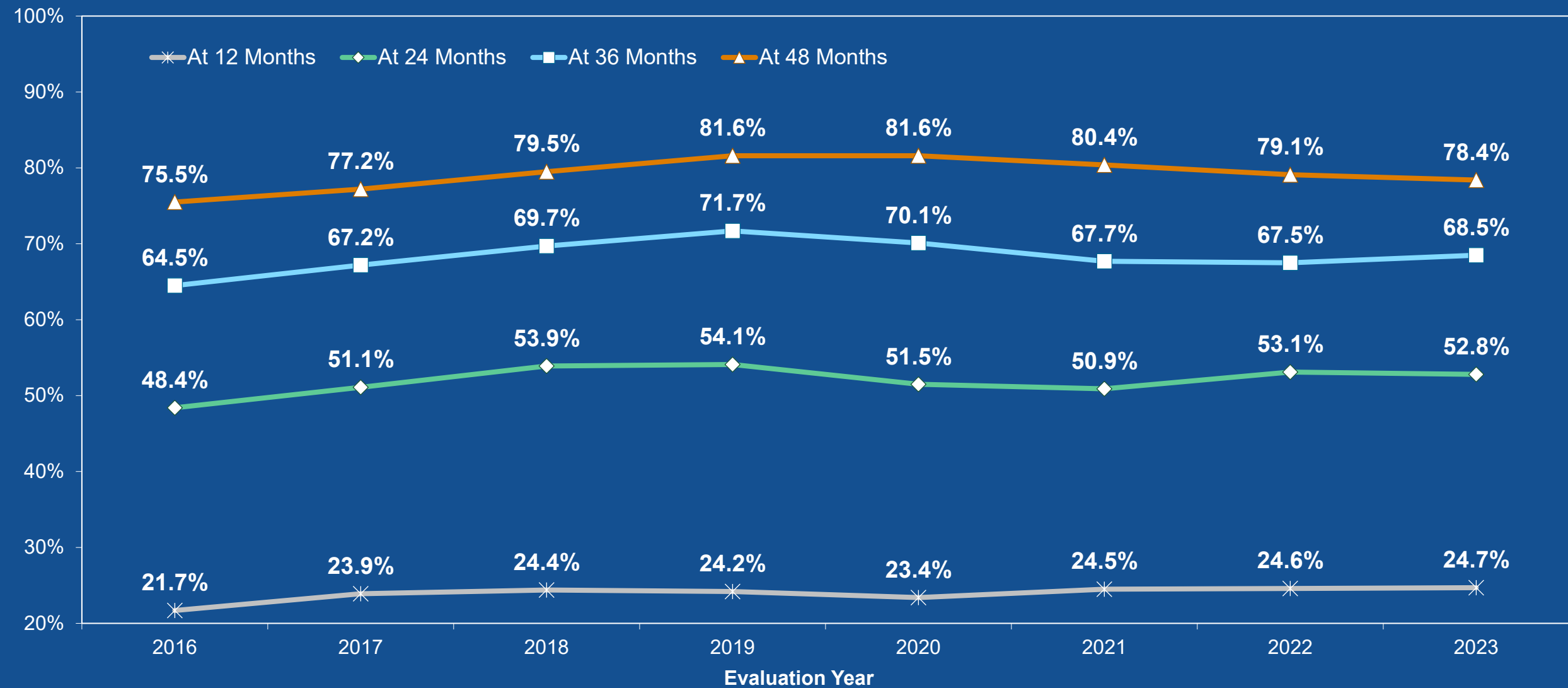
Alternative Loss Development Methodologies (Item AC24-04-02)

Paid Methods

- Unadjusted Paid Projections
 - Best with stable payment patterns
 - Can be distorted by changing settlement rates or reforms
 - ★ More stable than incurred development particularly for later maturity medical development
- Reform-Adjusted Paid
 - Best with clear evidence of reform impact on payment patterns
 - ★ Recent retrospective study showed adjusted paid method more accurate than unadjusted method
 - ★ Adjustments include pharmaceutical cost changes and 2021 medical fee schedule changes
- Claim Settlement Rate-Adjusted Paid
 - Best with clear evidence of changes in claim settlement rates affecting loss development
 - Improved projection during periods of significant settlement rate change
 - ★ Claim settlement rate changes are currently modest

Estimated Ultimate Indemnity Claim Settlement Ratios (Exhibit 11.2)

As of December 31, 2023



Early Period Retrospective Analysis – Medical Results

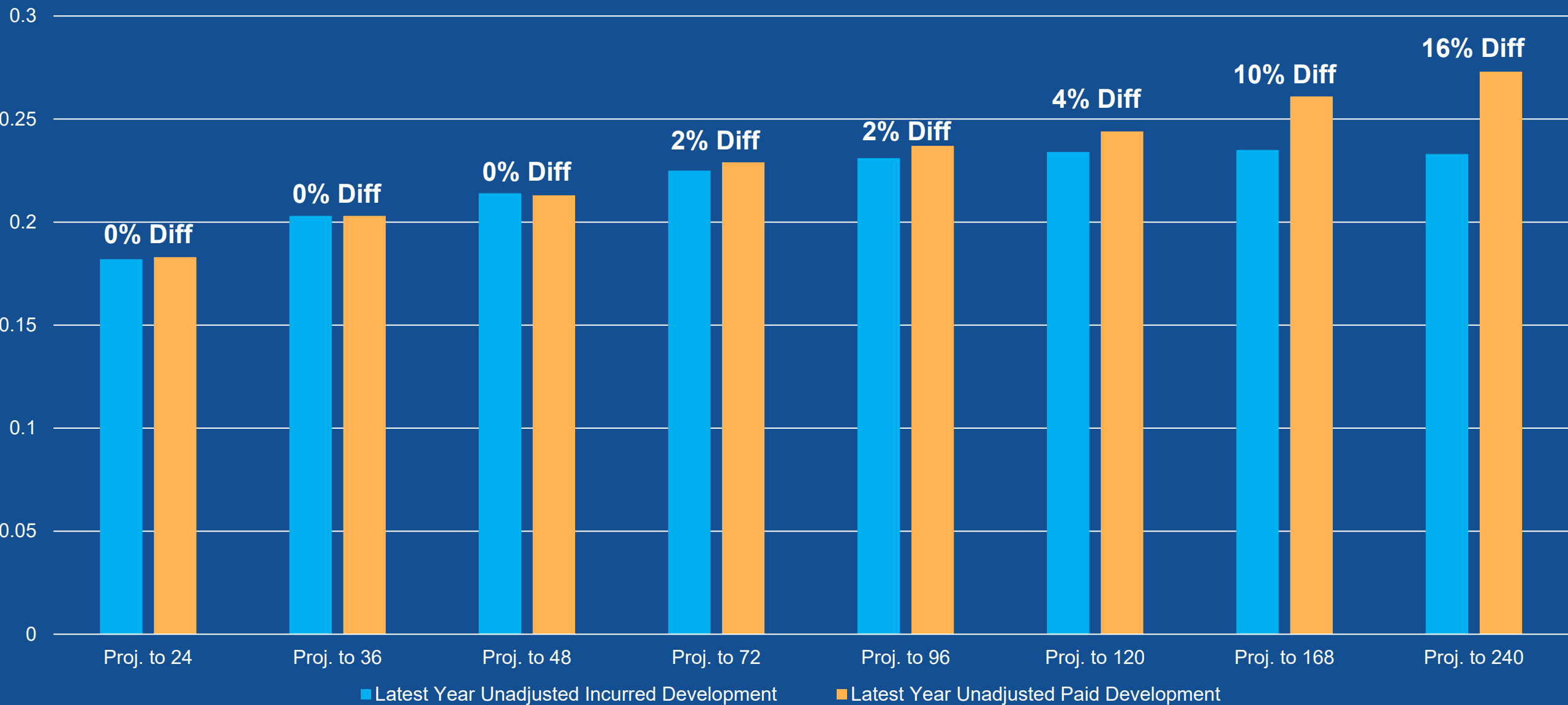
Data as of December 31, 2022

	Medical rMSE by Development Month Age								
Development Methods	12 - 24	24 - 36	36 - 48	48 - 60	60 - 72	72 - 84	84 - 96	96 - 108	12-108m Avg
Latest Year Incurred	0.015	0.013	0.016	0.012	0.009	0.009	0.008	0.004	0.011
3-Year Avg. Incurred	0.031	0.024	0.025	0.020	0.014	0.014	0.012	0.007	0.020
5-Year Excl. Hi-Lo Incurred	0.046	0.037	0.034	0.028	0.021	0.019	0.016	0.010	0.029
Latest Year Paid	0.016	0.020	0.019	0.016	0.013	0.011	0.010	0.010	0.015
3-Year Avg. Paid	0.025	0.025	0.024	0.023	0.019	0.015	0.014	0.013	0.020
5-Year Excl. Hi-Lo Paid	0.031	0.027	0.027	0.028	0.023	0.018	0.016	0.014	0.024
Latest Yr Paid Adj Reform	0.017	0.017	0.019	0.014	0.013	0.009	0.013	0.012	0.014
Latest Yr Paid Adj Settlement*	0.017	0.015	0.013	0.011	0.009	0.008			0.013

	Medical rMSE by Accident Year						
Development Methods	2014	2015	2016	2017	2018	2019	2014-2019 Avg
Latest Year Incurred	0.015	0.013	0.014	0.015	0.005	0.008	0.012
3-Year Avg. Incurred	0.030	0.025	0.022	0.023	0.015	0.005	0.021
5-Year Excl. Hi-Lo Incurred	0.036	0.036	0.034	0.033	0.026	0.011	0.031
Latest Year Paid	0.013	0.015	0.020	0.022	0.005	0.022	0.017
3-Year Avg. Paid	0.016	0.019	0.024	0.033	0.023	0.020	0.023
5-Year Excl. Hi-Lo Paid	0.015	0.021	0.030	0.040	0.035	0.018	0.028
Latest Yr Paid Adj Reform	0.015	0.014	0.017	0.017	0.007	0.024	0.016
Latest Yr Paid Adj Settlement*	0.011	0.012	0.015	0.018	0.005	0.018	0.014

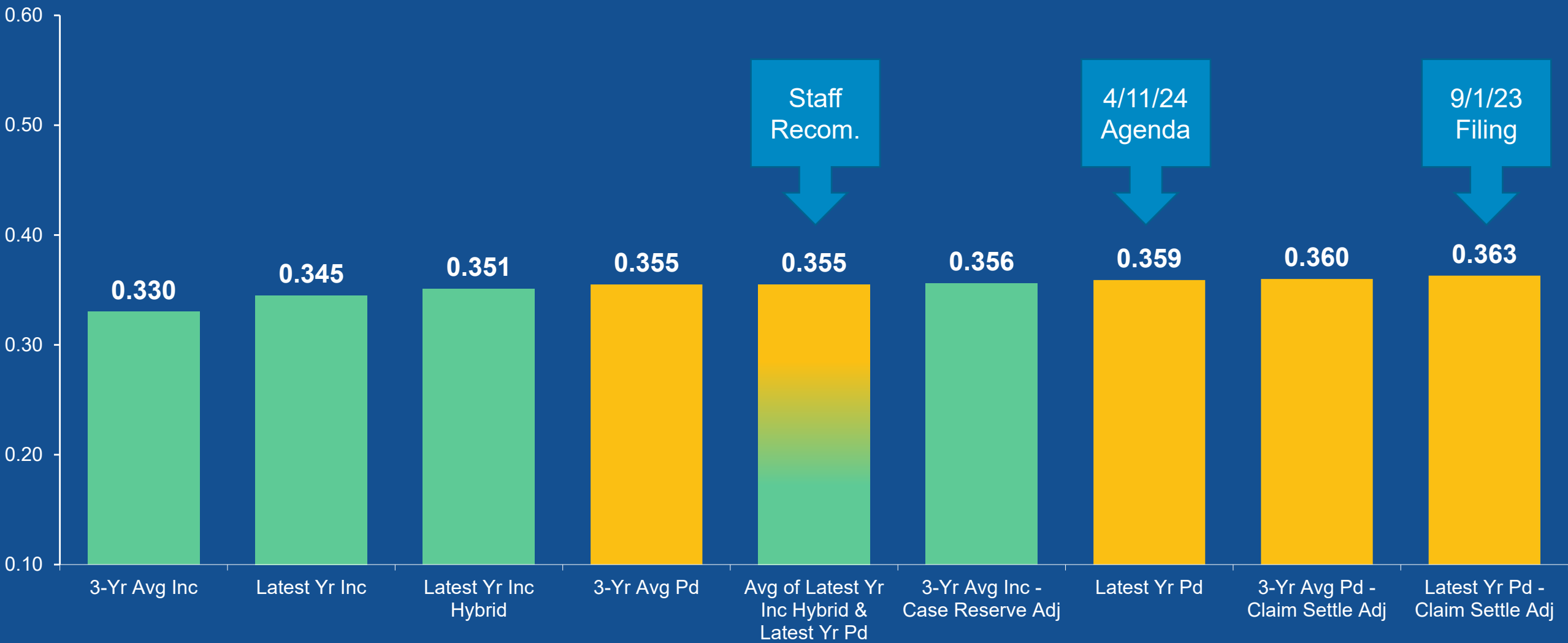
Difference Between Paid and Incurred Loss Ratio Projections – Medical AY 2018

Data as of December 31, 2022



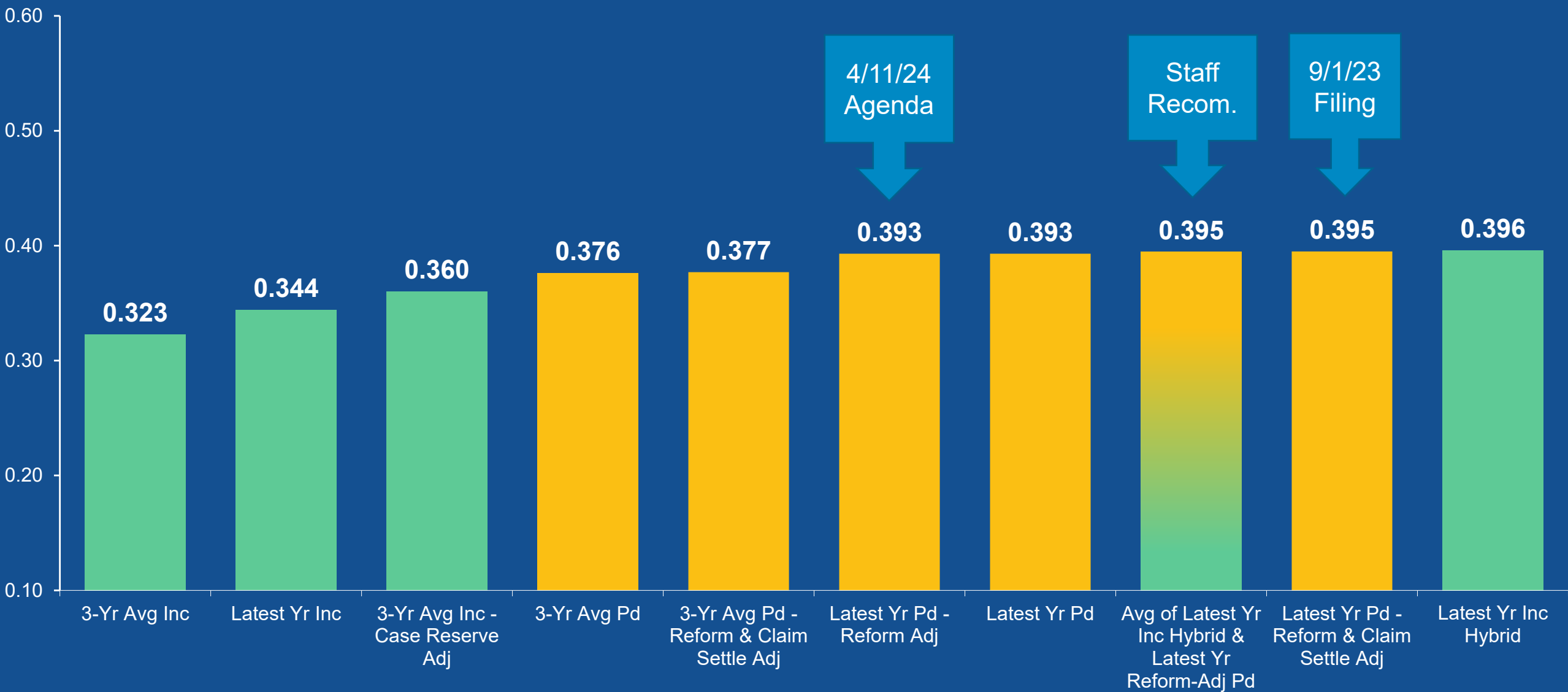
Projected Indemnity On-Level Loss Ratios under Alternative Development Methods

As of December 31, 2023



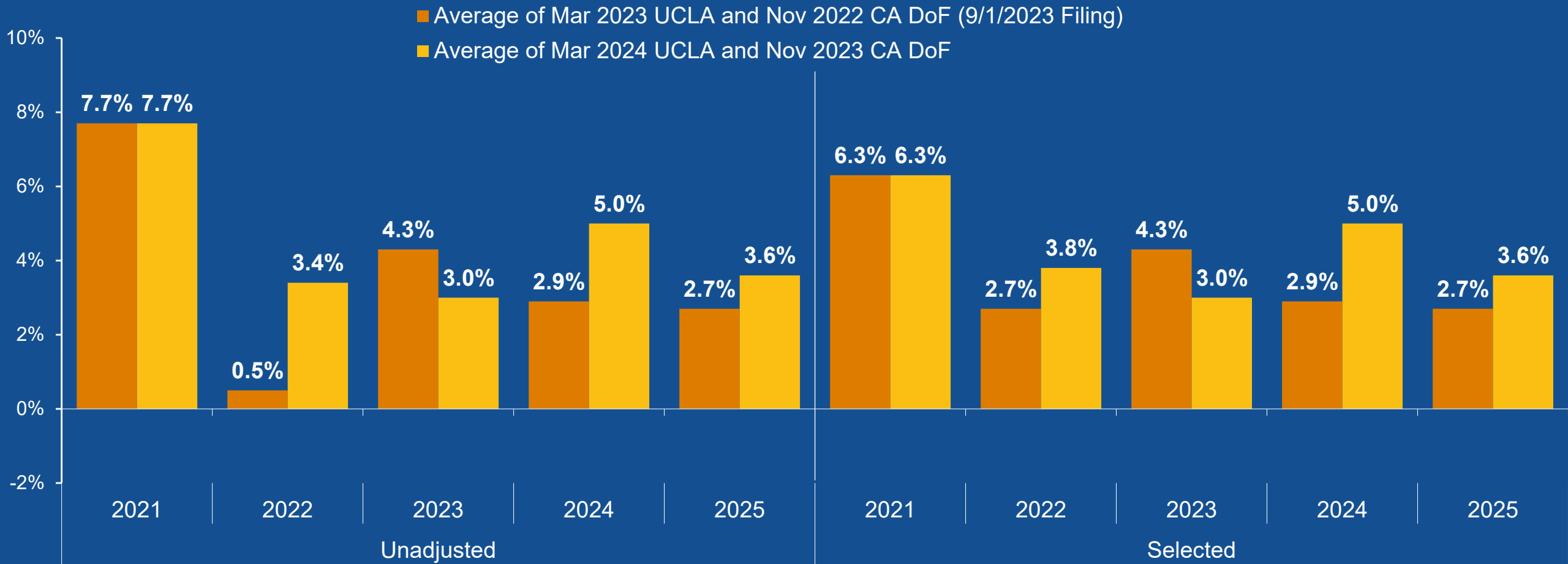
Projected Medical On-Level Loss Ratios under Alternative Development Methods

As of December 31, 2023



Average Wage Level Change Forecast (Exhibit 5.1)

As of December 2023



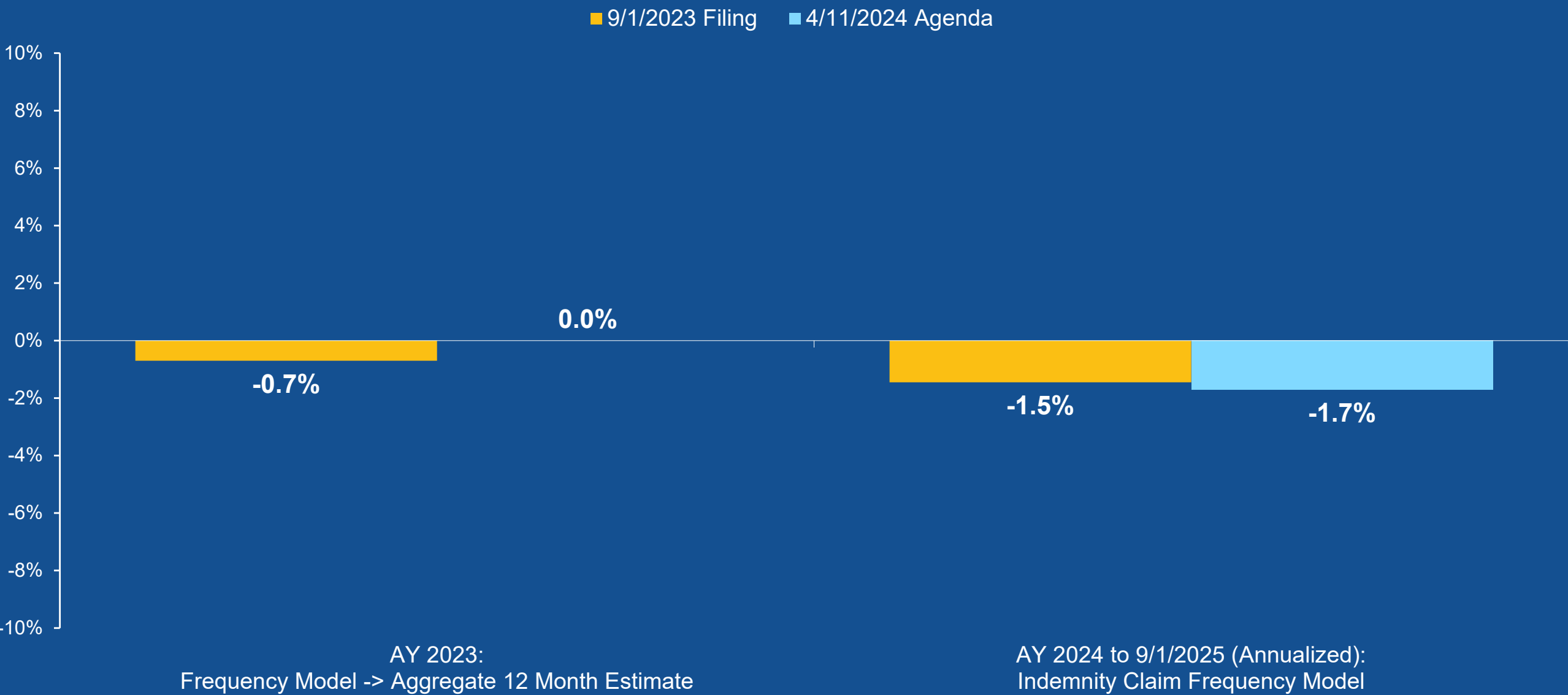
Average Annual Adjusted Wage Change Projection from 2021:

9/1/2023 Filing: 3.3%

Updated Forecast: 3.9%

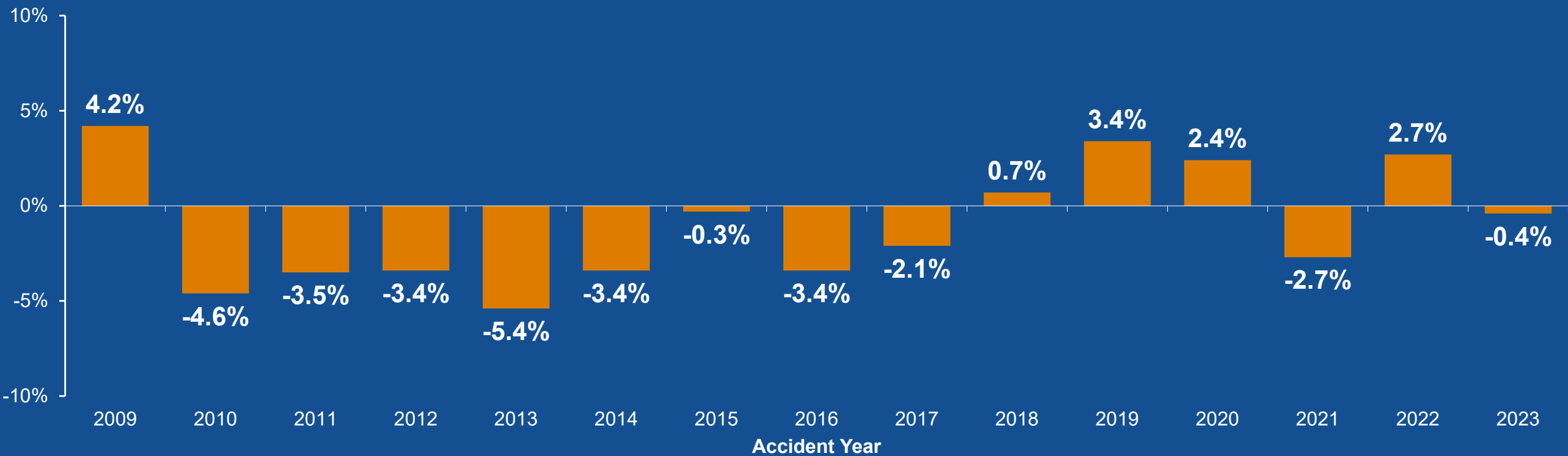
Estimated Intra-Class Indemnity Claim Frequency Changes (Exhibits 6.1 and 12)

As of December 31, 2023



Projected Changes in On-Level Indemnity Severity (Exhibit 6.2)

As of December 31, 2023



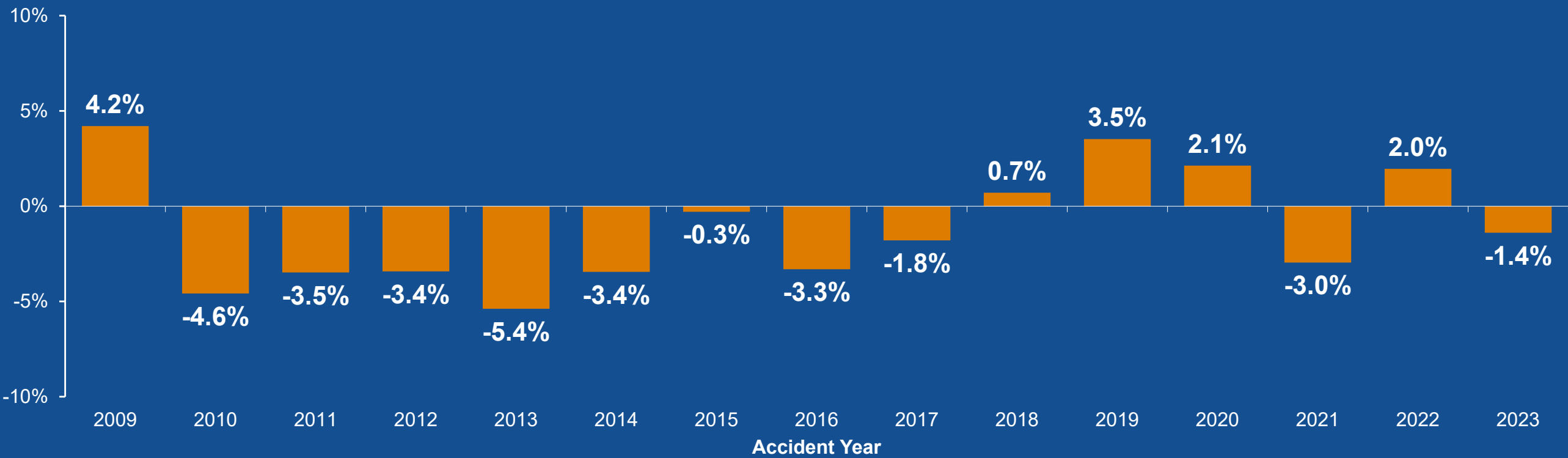
Annual Exponential Trend Based on:

- 1990 to 2023: 0.7%
- 2005 to 2023: -1.1%
- 2019 to 2023: 0.4%

4/11/2024 Agenda Selected: 1.0%

Projected Changes in On-Level Indemnity Severity Using Average of Hybrid Incurred and Adjusted Paid Methods

As of December 31, 2023



Annual Exponential Trend Based on:

1990 to 2023: 0.7%

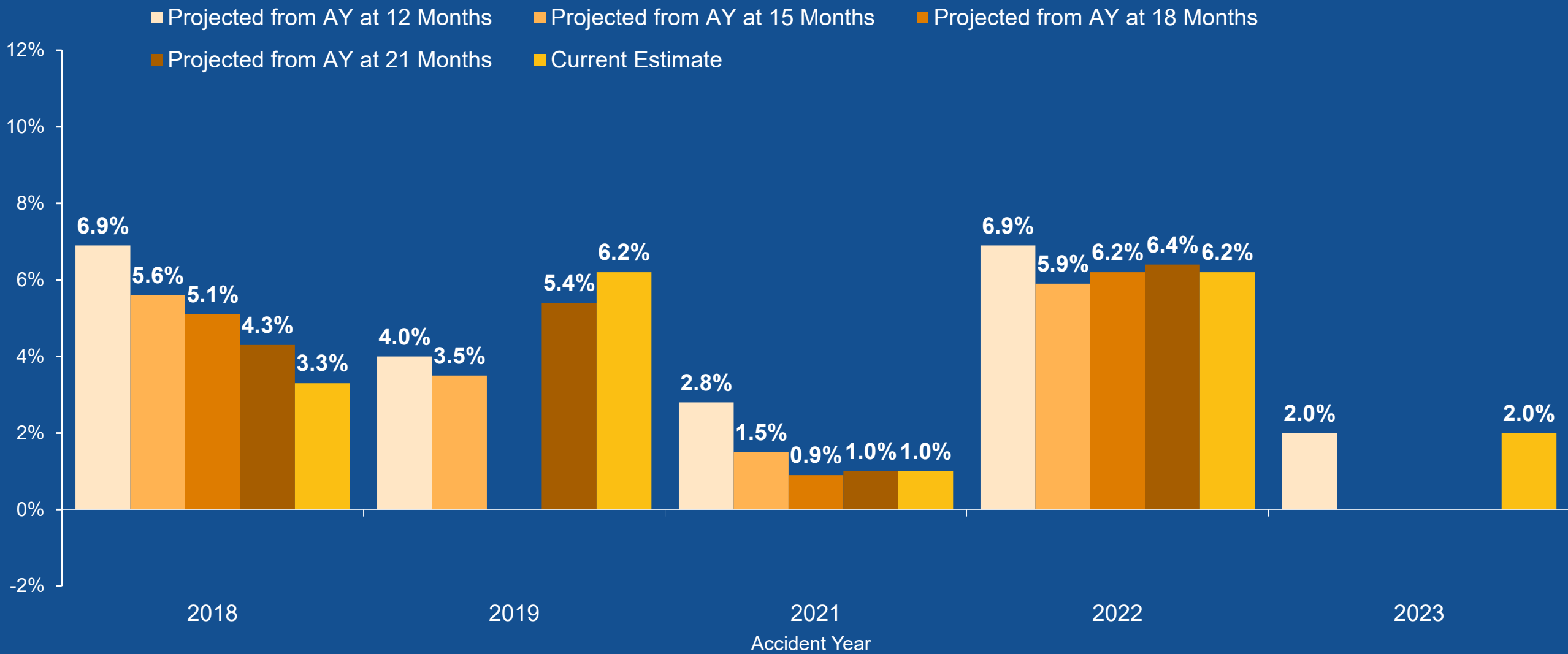
2005 to 2023: -1.1%

2019 to 2023: -0.2%

4/11/2024 Agenda Selected: 1.0%

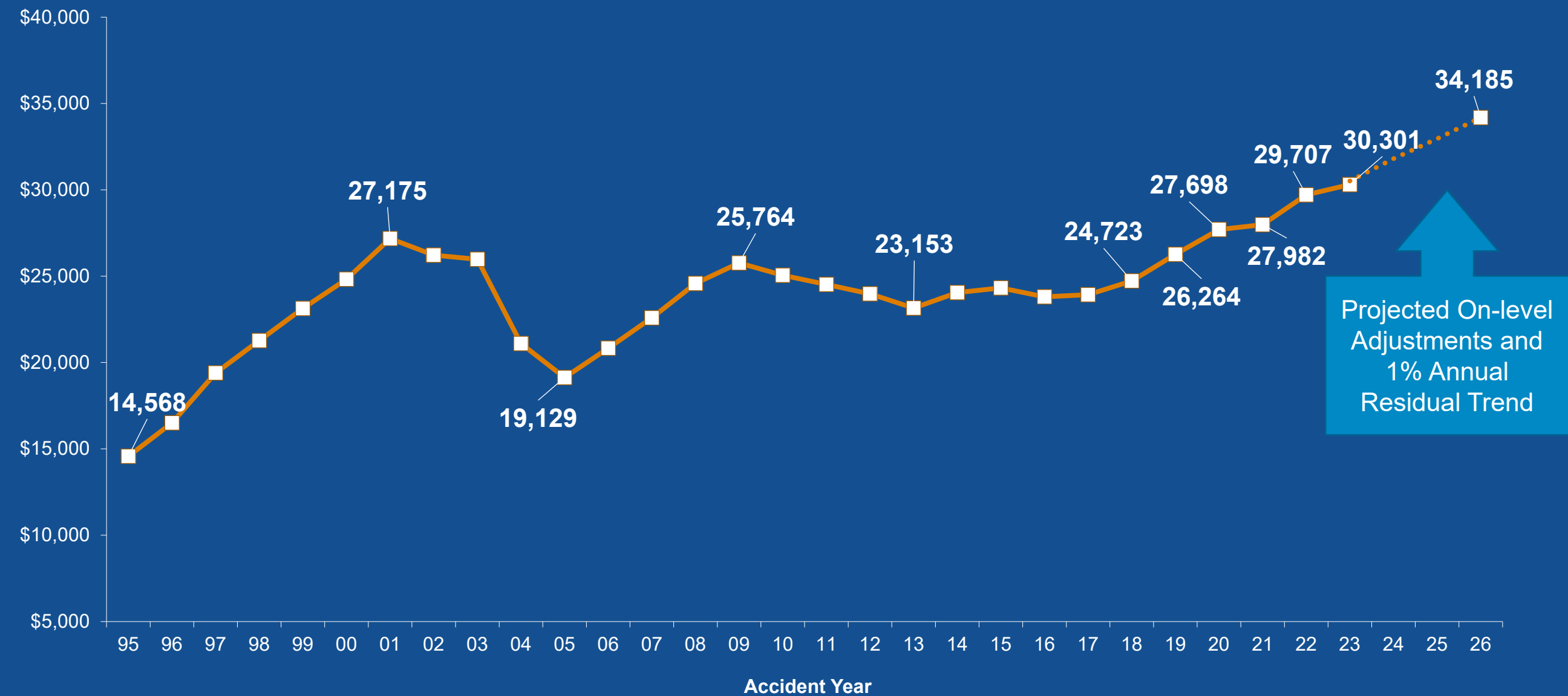
Indemnity Severity Changes Projected from Early Evaluations Compared to Current

As of December 31, 2023



Ultimate Indemnity per Indemnity Claim

As of December 31, 2023

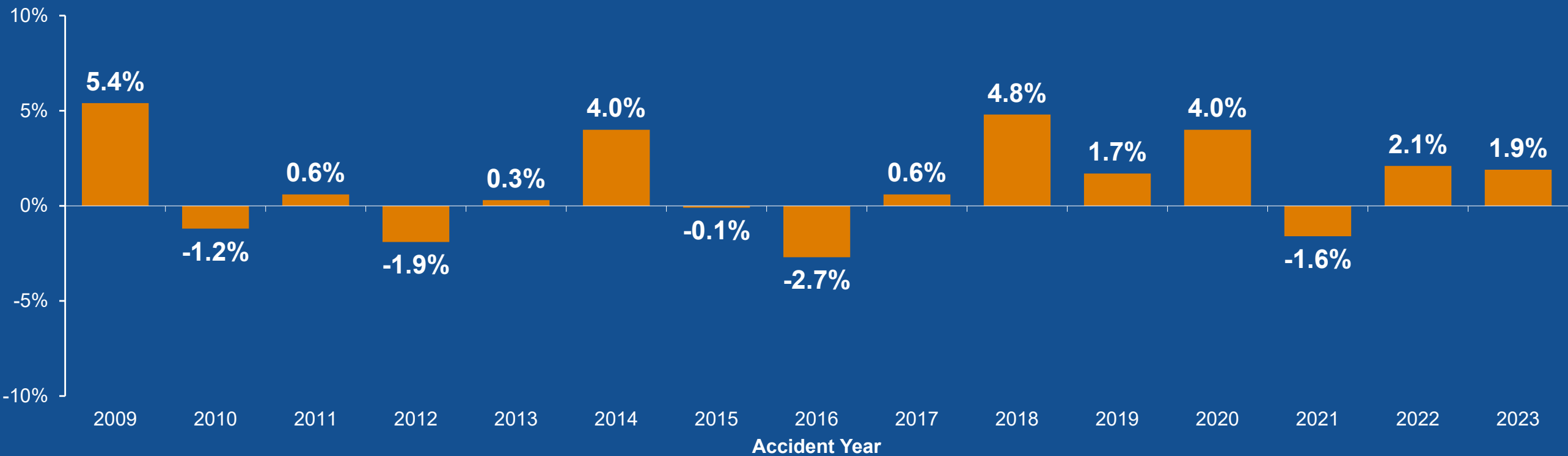


Review of Recent Medical Fee Schedule Changes

Fee Schedule	Effective Date	Update Type	Impact to Fee Schedule	Share of Total Medical Services	Impact on Total Medical Services
Inpatient	11/1/2023	Regular inflation update	2.9% to 3.3%	7.4%	0.2%
DMEPOS	1/1/2024	Regular inflation update	0.3%	12.0%	< 0.1%
Path/Lab	1/1/2024	Regular inflation update	0.2%	0.1%	< 0.1%
Ambulance	1/1/2024	Regular inflation update	2.6%	0.6%	< 0.1%
Physician	2/15/2024	Regular inflation update	1.1%	48.3%	0.5%
Outpatient/ASC	2/15/2024	Regular inflation update	11.0%	11.3%	1.2%
Others*	N/A	None	N/A	21.3%	N/A
Total				100%	1.9%

Projected Changes in On-Level Medical Severity (Exhibit 6.4)

As of December 31, 2023



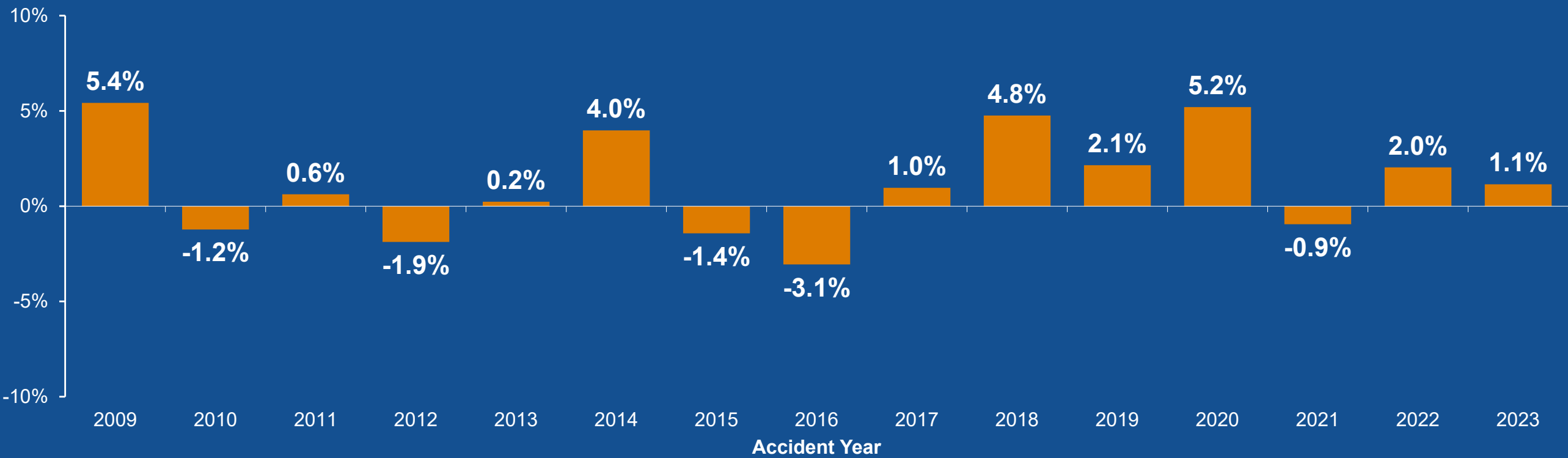
Annual Exponential Trend Based on:

- 1990 to 2023 (including MCCP): 4.5%
- 2005 to 2023: 1.4%
- 2019 to 2023: 1.3%

4/11/2024 Agenda Selected: 2.0%

Projected Changes in On-Level Medical Severity Using Average of Hybrid Incurred and Adjusted Paid Methods

As of December 31, 2023



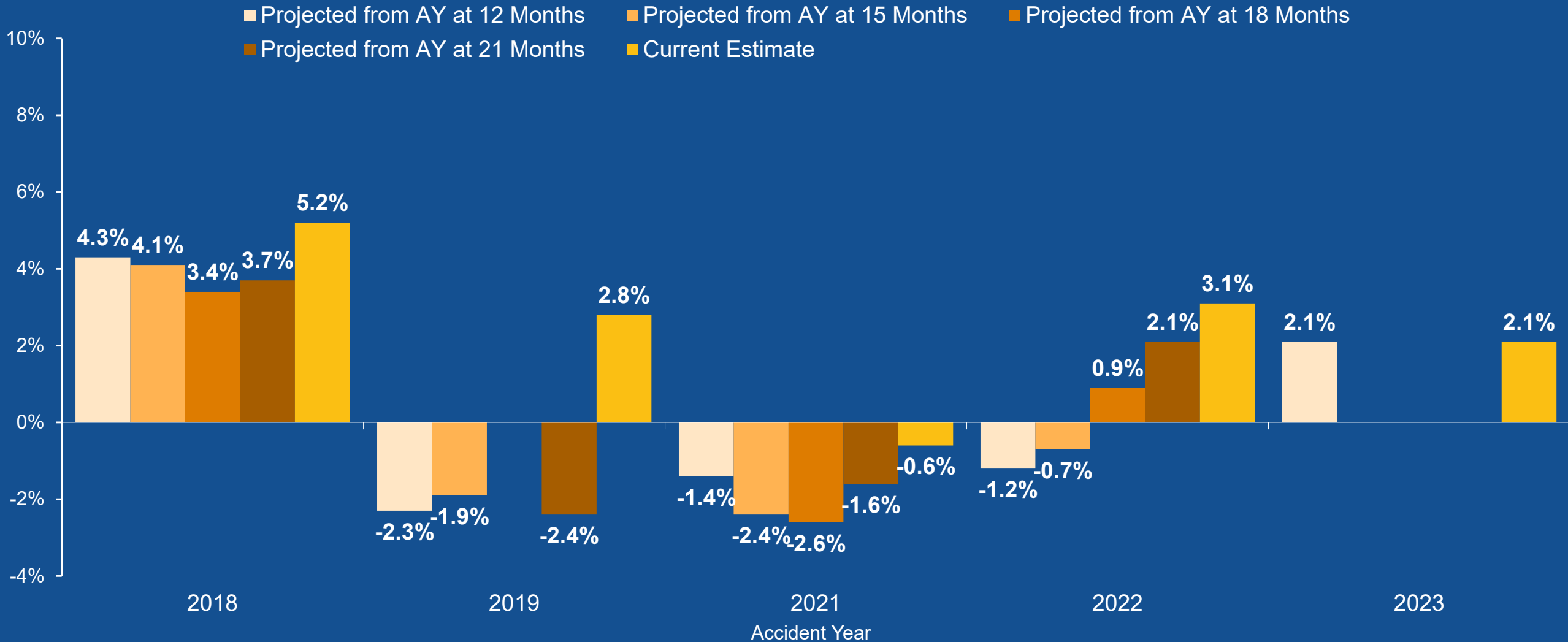
Annual Exponential Trend Based on:

- 1990 to 2023 (including MCCP): 4.5%
- 2005 to 2023: 1.4%
- 2019 to 2023: 1.6%

4/11/2024 Agenda Selected: 2.0%

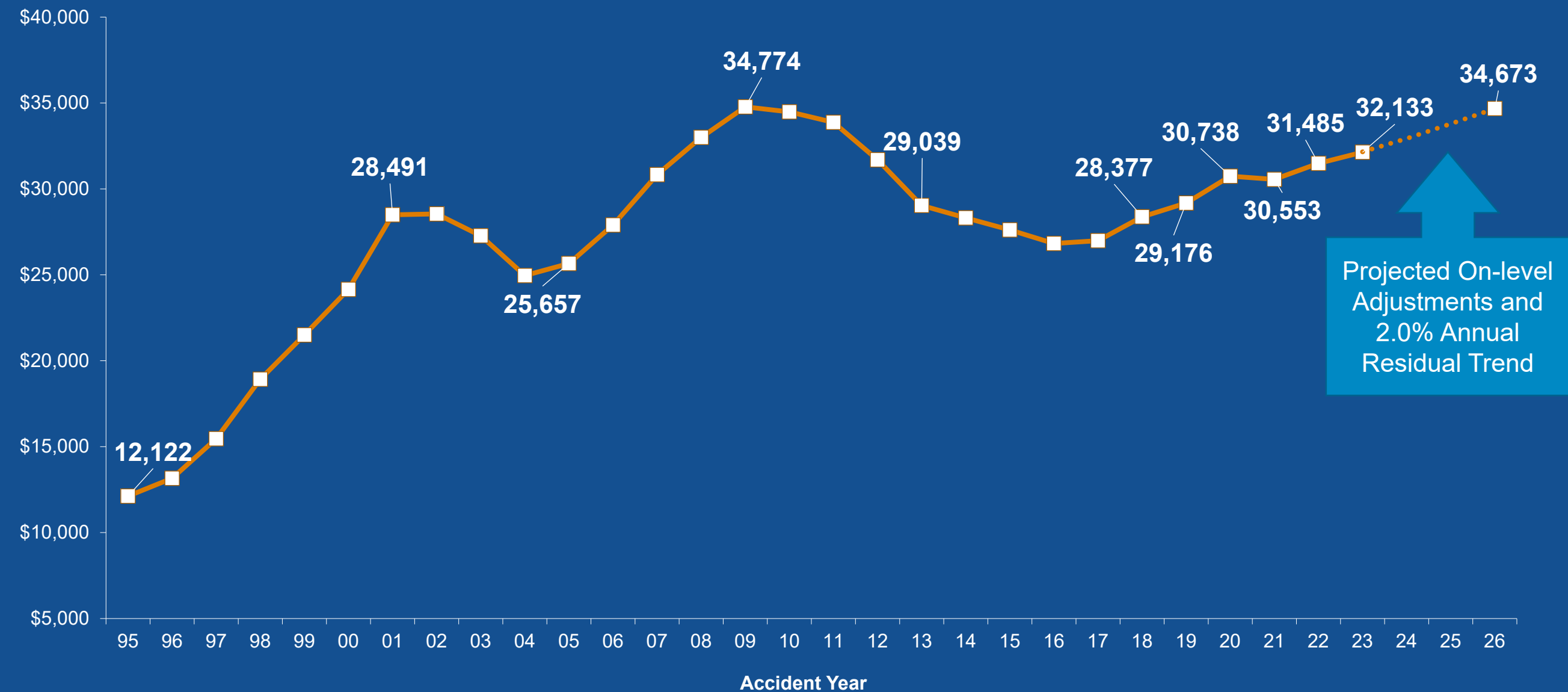
Medical Severity Changes Projected from Early Evaluations Compared to Current

As of December 31, 2023



Ultimate Medical per Indemnity Claim

As of December 31, 2023



Alternative Trending Methodologies (Item AC24-04-02)

- Separate Frequency & Severity Trends Projections
 - Best during periods when loss ratios are volatile
 - ★ Frequency and severity are affected by differing underlying forces
 - ★ Allows for separate assumptions and judgment about future trends since
 - Performed better during reform transition periods than during post-reform periods
 - Performed well in most recent study of trending methods
- Loss Ratio Trend Projections
 - Best during periods with stable loss ratio trends or when frequency and severity are highly correlated
 - Generally not as accurate as frequency & severity method in most recent trending study
 - ★ Projections are similar to separate frequency and severity trending methods with biggest differences on which years to rely on for rates of growth

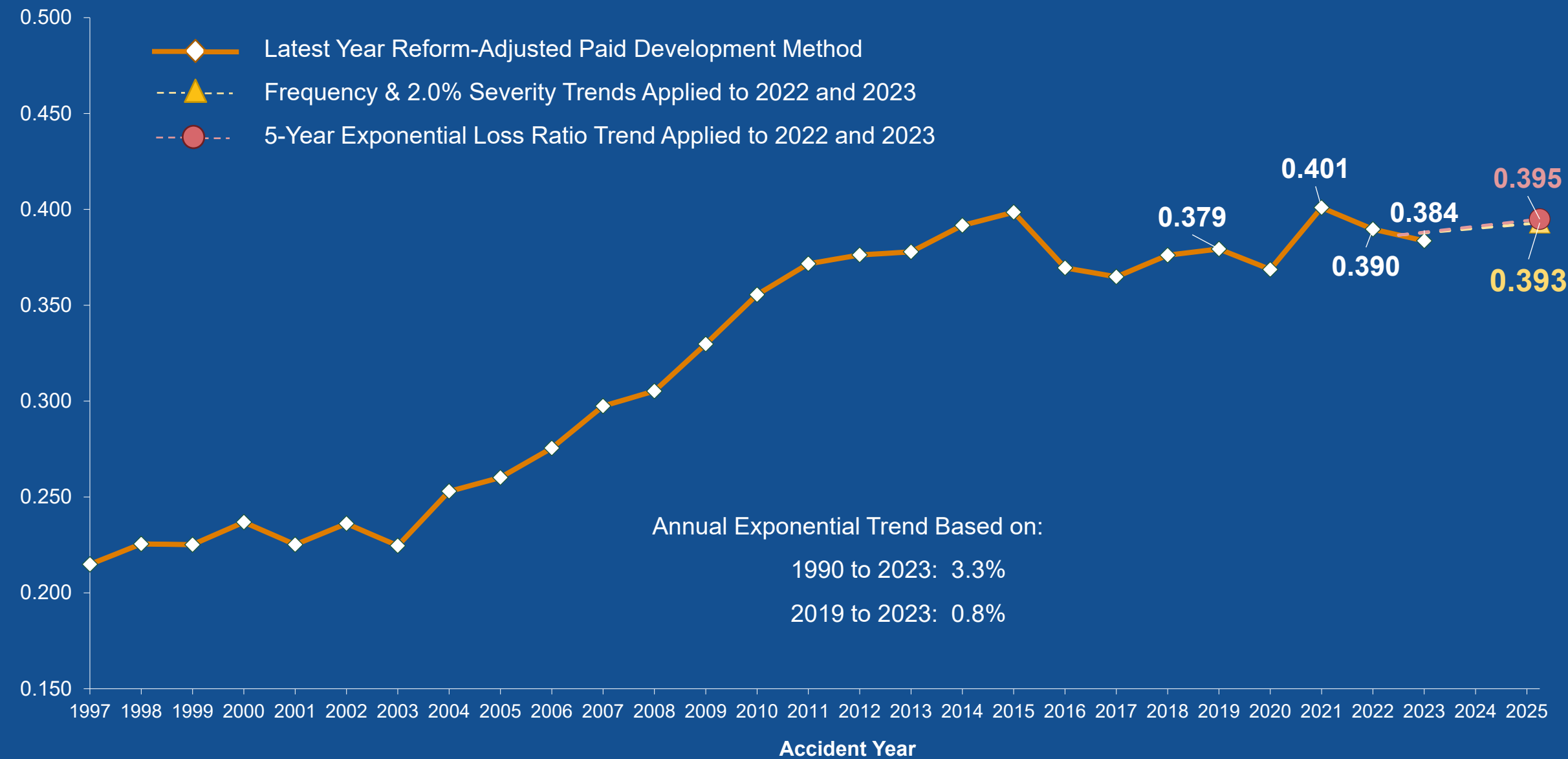
Projected On-Level Indemnity Loss Ratios (Exhibit 7.1)

As of December 31, 2023



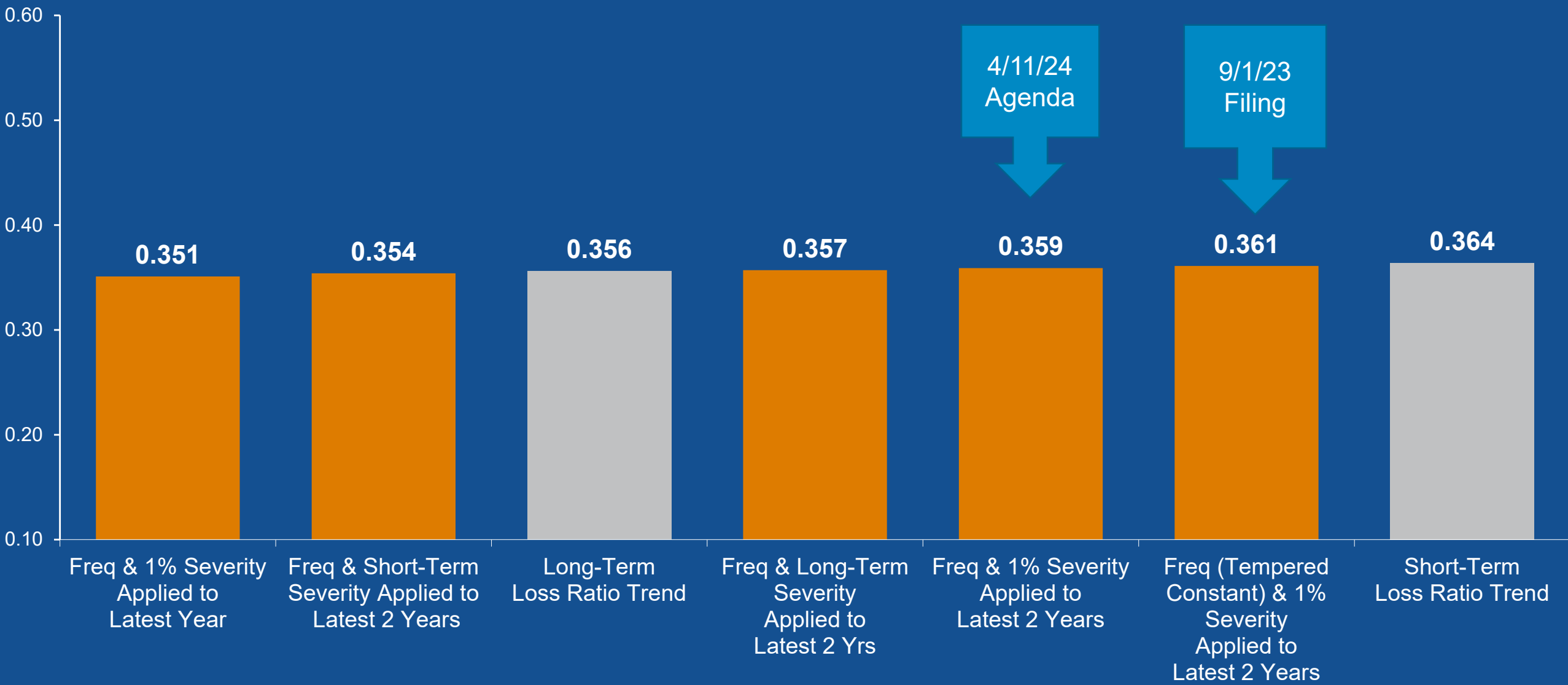
Projected On-Level Medical Loss Ratios (Exhibit 7.3)

As of December 31, 2023



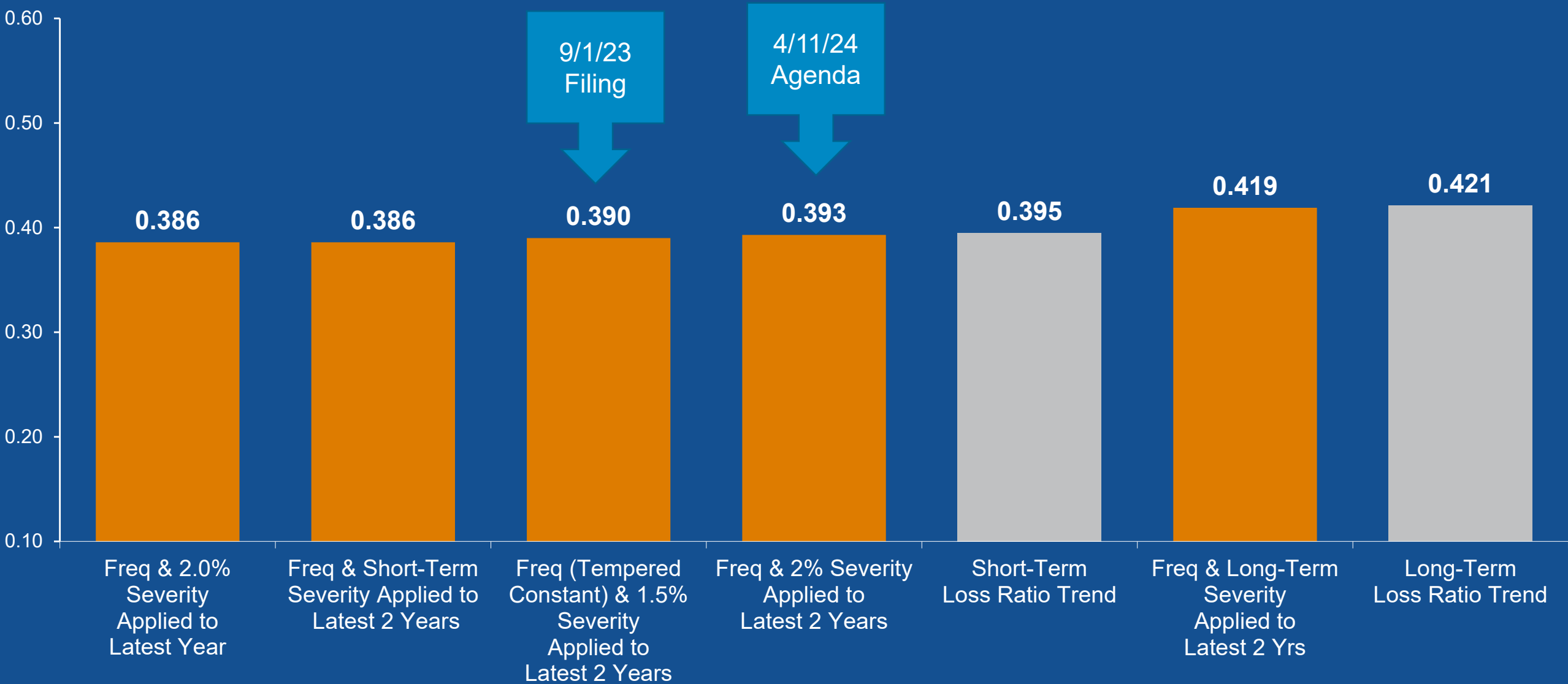
Projected On-Level Indemnity Loss Ratios under Alternative Trending Methods

As of December 31, 2023



Projected On-Level Medical Loss Ratios under Alternative Trending Methods

As of December 31, 2023



06

9/1/2024 Filing – Loss Adjustment Expense Experience Review

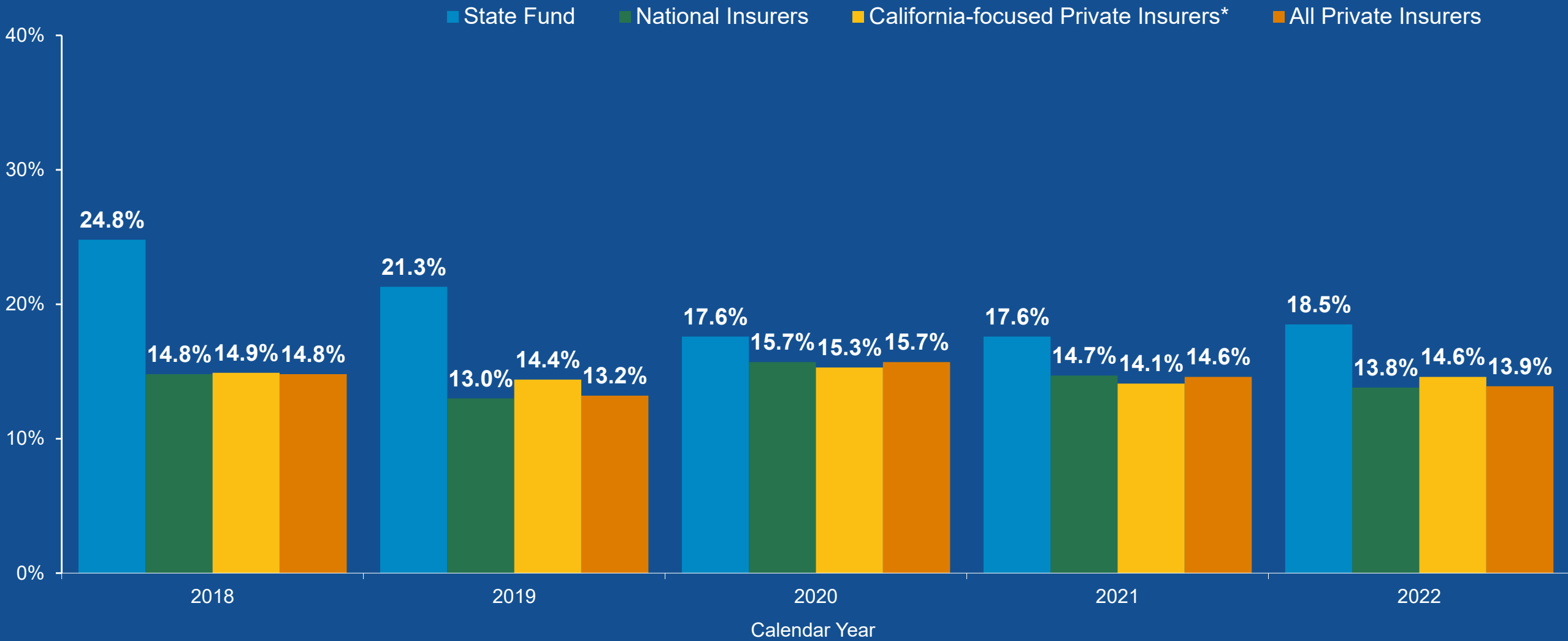


Summary of Preliminary ULAE Projection

- CY 2020 to 2022 ULAE includes COVID-19 claims
 - Unable to separate ULAE on COVID-19 claims from other ULAE amounts
 - CY 2023 ULAE not yet available
- ULAE projection methodologies generally consistent with 9/1/2023 Filing
 - Average of open count-based method projection and recent CY ULAE to loss ratios
 - Projections of open claim counts exclude COVID-19 claims
 - Average of latest two CY (2021 and 2022) ULAE is used
- ULAE projection preliminary as projected ratios are impacted by frequency, wage and loss projections

Ratios of Paid ULAE to Paid Losses (Exhibit 1)

As of December 31, 2022



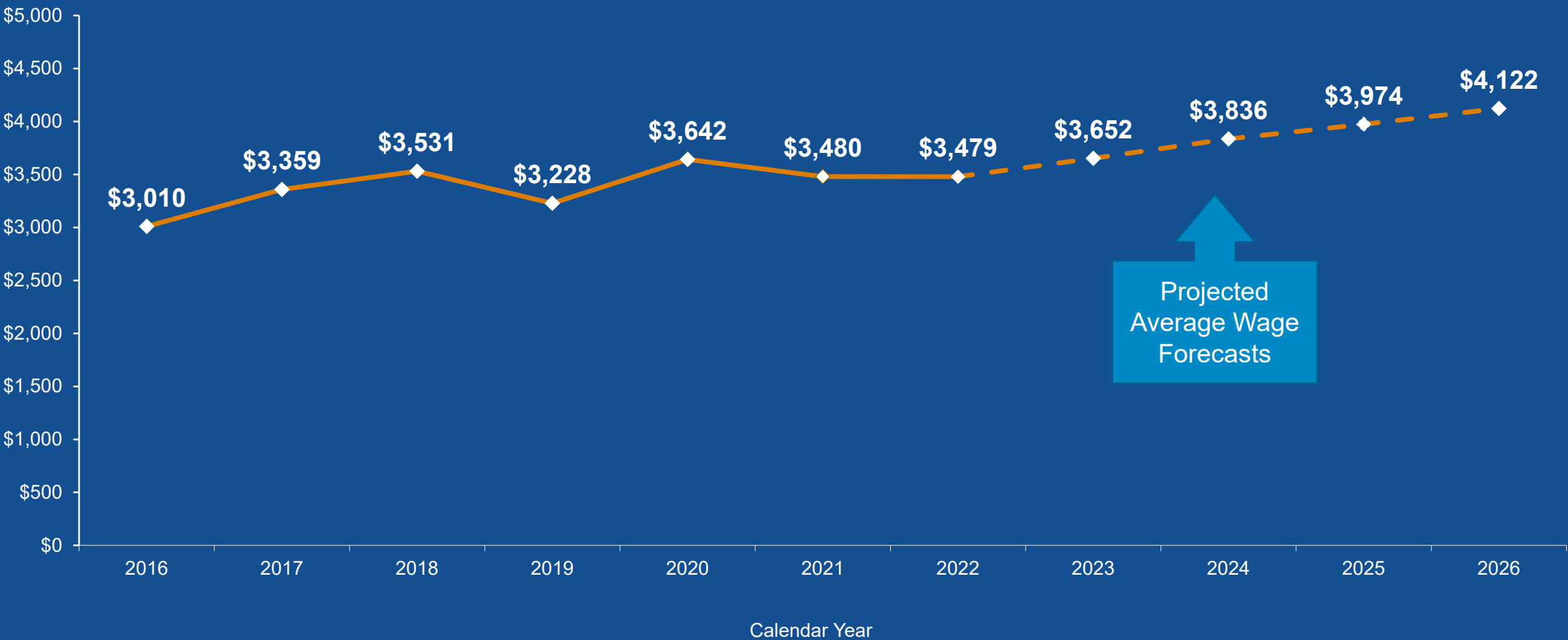
ULAE Projection Methodology

Open Indemnity Claim Count-Based Projection

- Open Indemnity Claims at Beginning of Calendar Year
 - Projected using WCIRB frequency forecasts and recent reporting and closure patterns
 - Open claims by AY projected using latest incremental claim settlement pattern
 - Frequency forecasts consistent with those used for loss projection
 - COVID-19 claims excluded for this calendar year-based method
- Calendar Year Paid ULAE per Open Indemnity Claim
 - Data based on private insurers only
 - COVID-19 claims included as COVID-19 ULAE cannot be separated from other ULAE
 - Future values projected using selected wage level changes
- Projected 9/1/2024 to 8/31/2025 Policy Inception Period ULAE
 - Trend to future CY based on average of CYs 2021 and 2022
 - (# of open indemnity claims) X (paid ULAE per open indemnity claim)
 - Use weighted average of CYs in 9/1 policy period (6%/72%/22%)
 - Paid ULAE per open claim projected out 3 years to approx. average ULAE payment date on claims
 - Premium used to compute projected losses excludes COVID-19 premium charges to be consistent with claim counts used

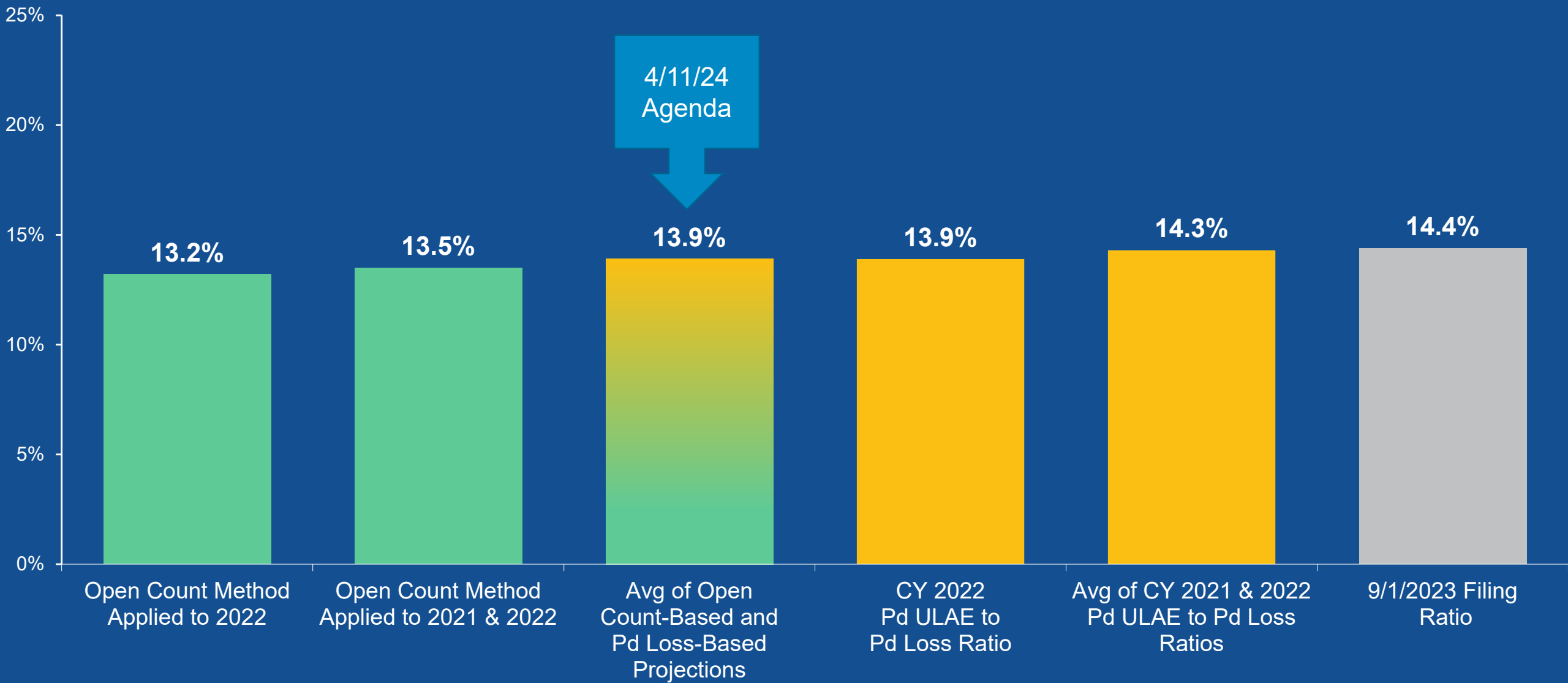
Paid ULAE per Open Indemnity Claim – Private Insurers (Exhibit 3.5)

As of December 31, 2022



Projections of ULAE to Loss

As of December 31, 2022

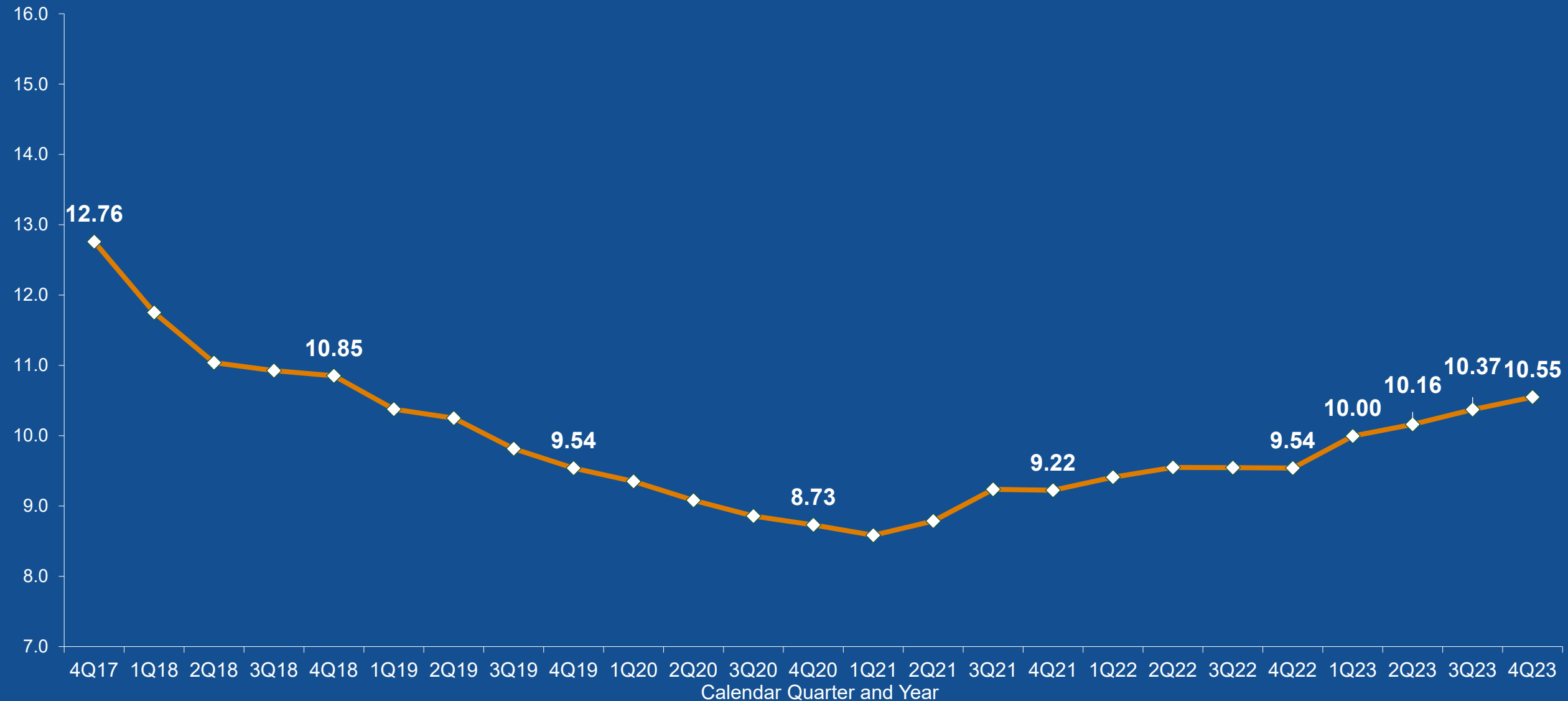


Summary of Preliminary ALAE and MCCP Projections

- Data is through December 31, 2023 with COVID-19 claims and paid ALAE excluded
 - COVID-19 claims are excluded from AY 2023 since this method trends from the claim counts directly
- Methodology is generally consistent with 9/1/2023 Filing
- Development is projected based on the latest year
 - No adjustment for changes in claim settlement rates since current changes are modest
- Projection based on frequency and severity trends applied to accident years 2022 and 2023
- Adjustment to ALAE for the impact of SB 1160 updated with latest ALAE payment pattern
- ALAE and MCCP projections preliminary as projected ratios are impacted by frequency and loss projections

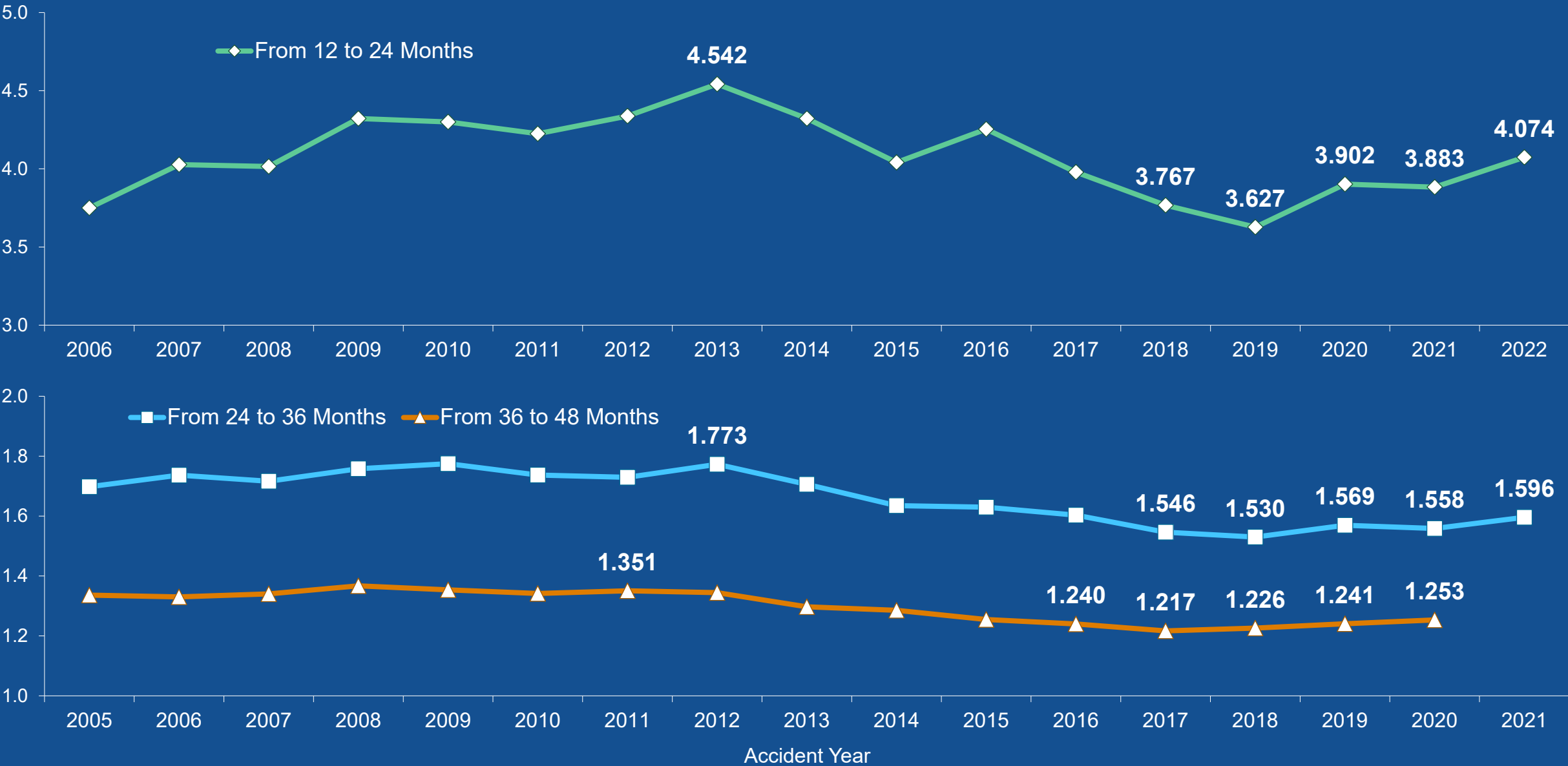
Cumulative Paid ALAE Development from 12 to 90 Months

As of December 31, 2023



Paid ALAE Development – Private Insurers (Exhibit 8.1)

As of December 31, 2023

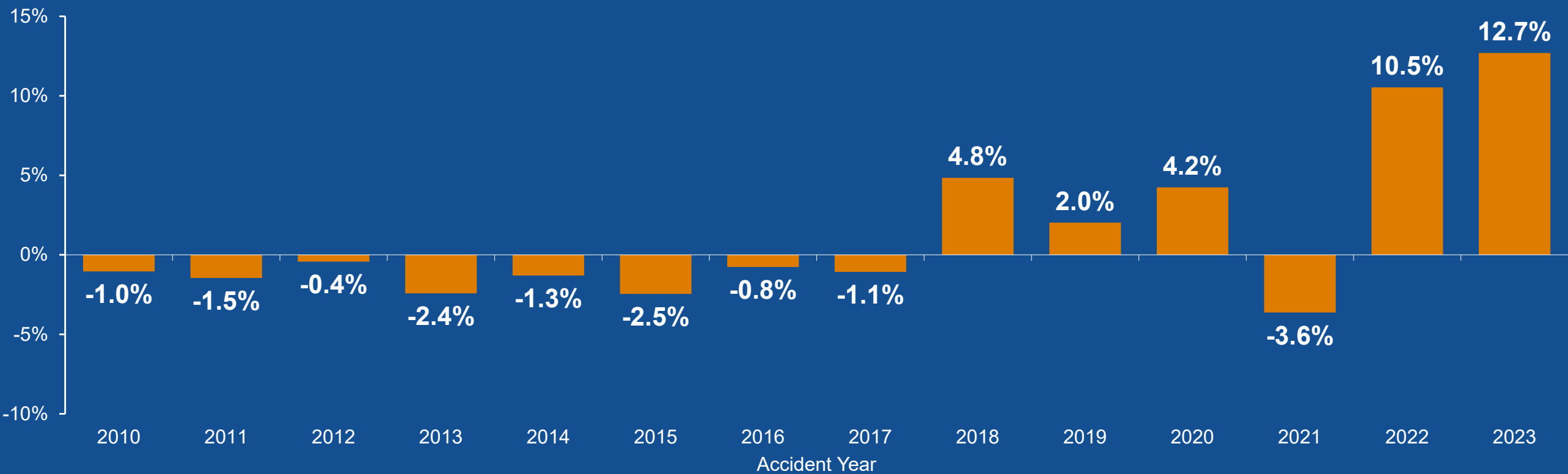


ALAE Projection Methodology

- Accident Year Ultimate Indemnity Claim Counts
 - Latest year development
 - Projected using same frequency forecasts as loss projection
- Accident Year Ultimate ALAE per Indemnity Claim
 - Data based on private insurers only
 - Latest year development with inverse power curve tail
 - Projected using average of ultimate ALAE per indemnity claim and incremental paid ALAE per open indemnity claim for both long-term and short-term periods
- Projected 9/1/2024 Filing ALAE
 - (Projected # of ultimate indemnity claims) X (projected ultimate ALAE per indemnity claim)
 - Projection from AY 2022 and 2023
 - Premium used to compute projected losses excludes COVID-19 premium charges to be consistent with claim counts used
 - Initial projected ratio reduced for lien savings from SB 1160 & AB 1244 not yet significantly reflected in emerging ALAE costs
 - Full impact is -11.2% based on 70% reduction in lien filings
 - Tempered by 88% based on impact already emerging

Projected Changes in Ultimate ALAE Severity for Private Insurers (Exhibit 6)

As of December 31, 2023



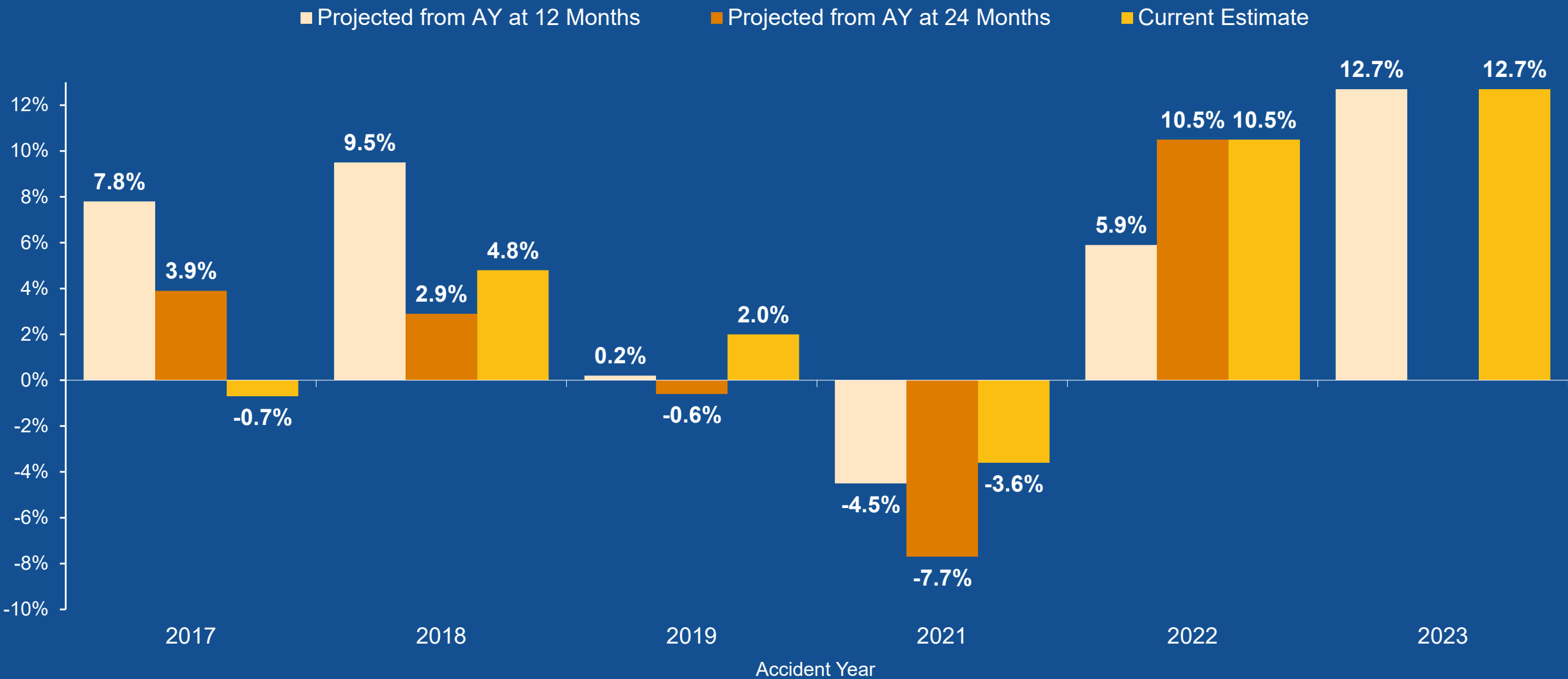
Annual Exponential Trend Based on:

2009 to 2023: 0.6%

2019 to 2023: 5.3%

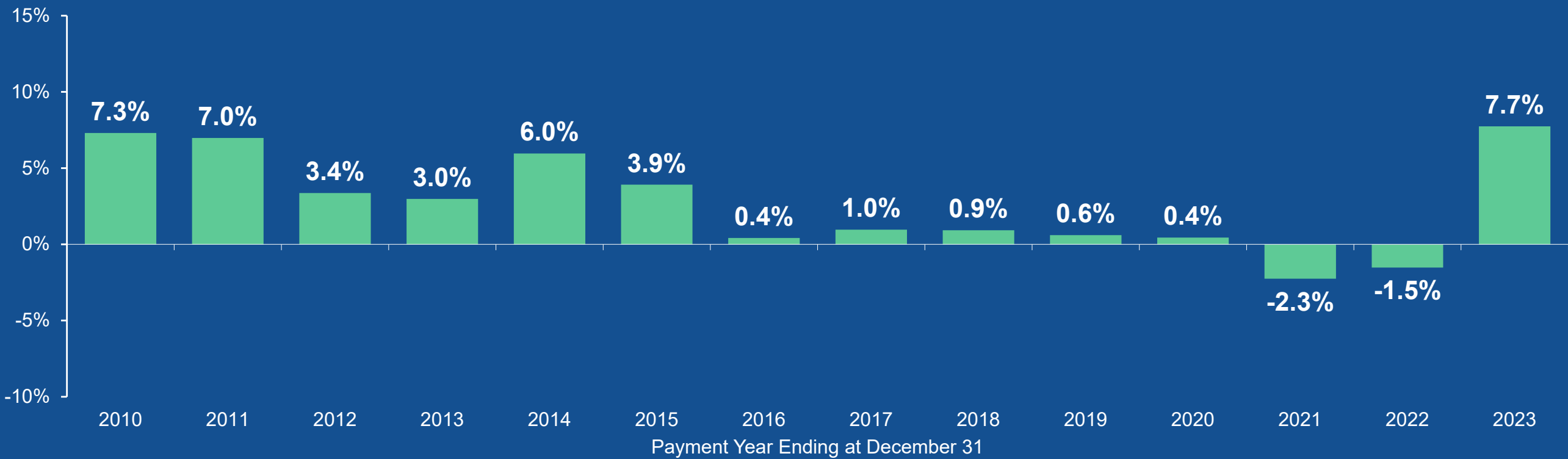
ALAE Severity Changes Projected from Early Evaluations Compared to Current

As of December 31, 2023



Change in Incremental Paid ALAE per Open Indemnity Claim for Private Insurers (Exhibit 7)

As of December 31, 2023



Annual Exponential Trend Based on:

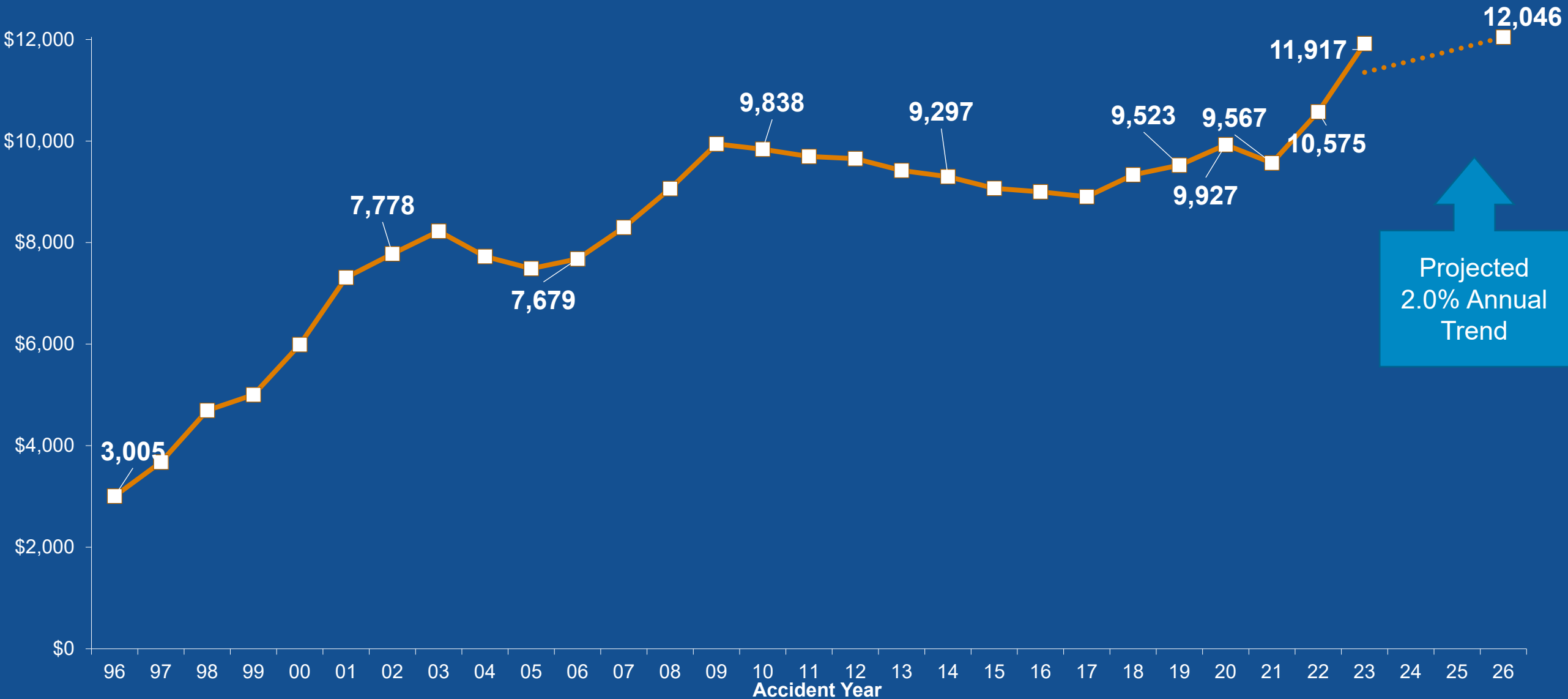
2009 to 2023: 2.1%

2019 to 2023: 0.4%

4/11/2024 Agenda Selected ALAE Severity Trend: 2.0%

Ultimate ALAE per Indemnity Claim for Private Insurers

As of December 31, 2023



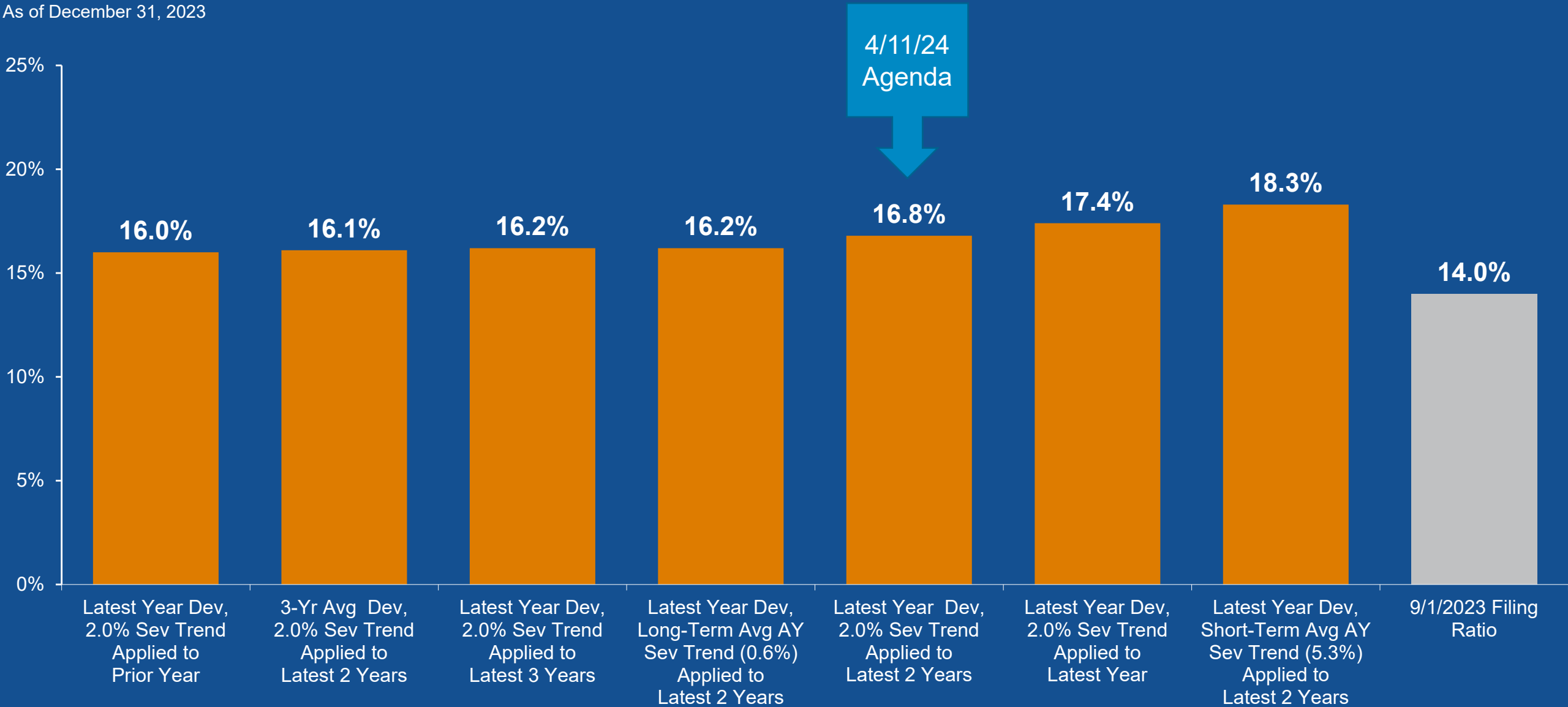
Adjustment for SB 1160 & AB 1244 Lien Reforms in ALAE

As of December 31, 2023

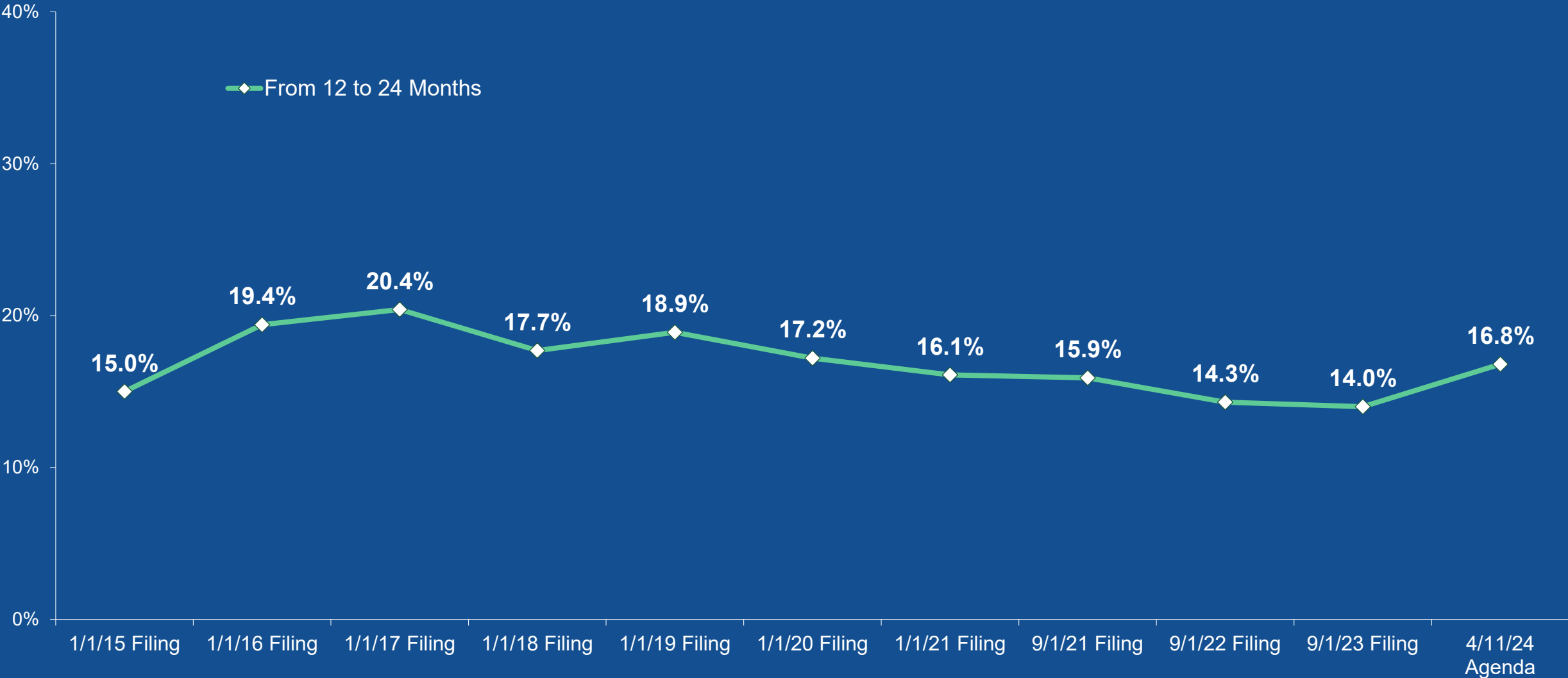
AY & Age	Estimated % of 168 Mon. ALAE Paid	Estimate Reflected in 9/1/2023 Filing
2018 (72 Months)	86%	—
2017 (84 Months)	90%	—
Average	88%	84%
Tempered Adjustment to ALAE (-11.2% Full)	-1.3%	-1.8%

Projections of ALAE (Excluding MCCP) to Loss

As of December 31, 2023

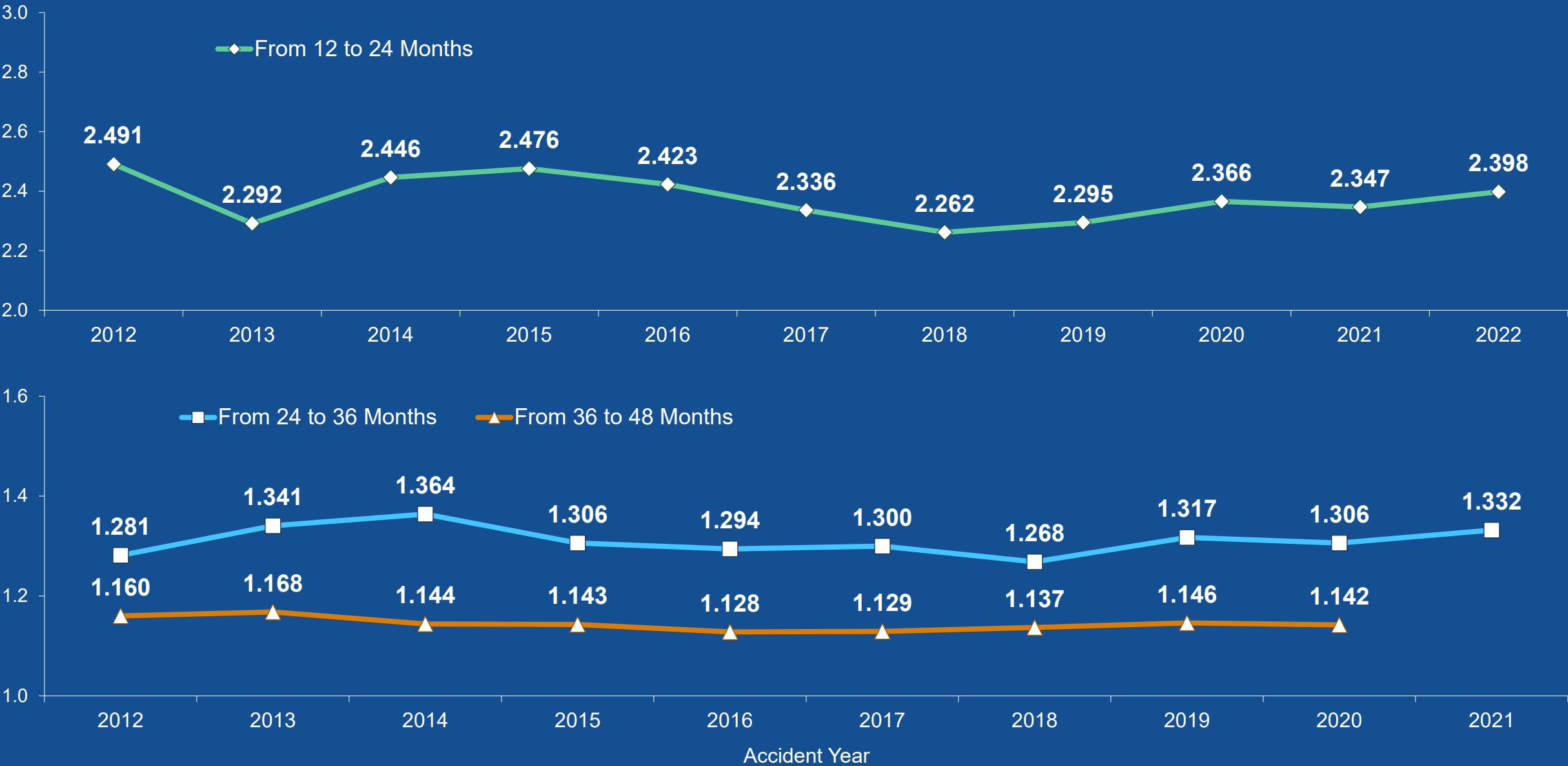


WCIRB Projected ALAE to Loss Ratios



Paid MCCP Development (Exhibit 16.2)

As of December 31, 2023

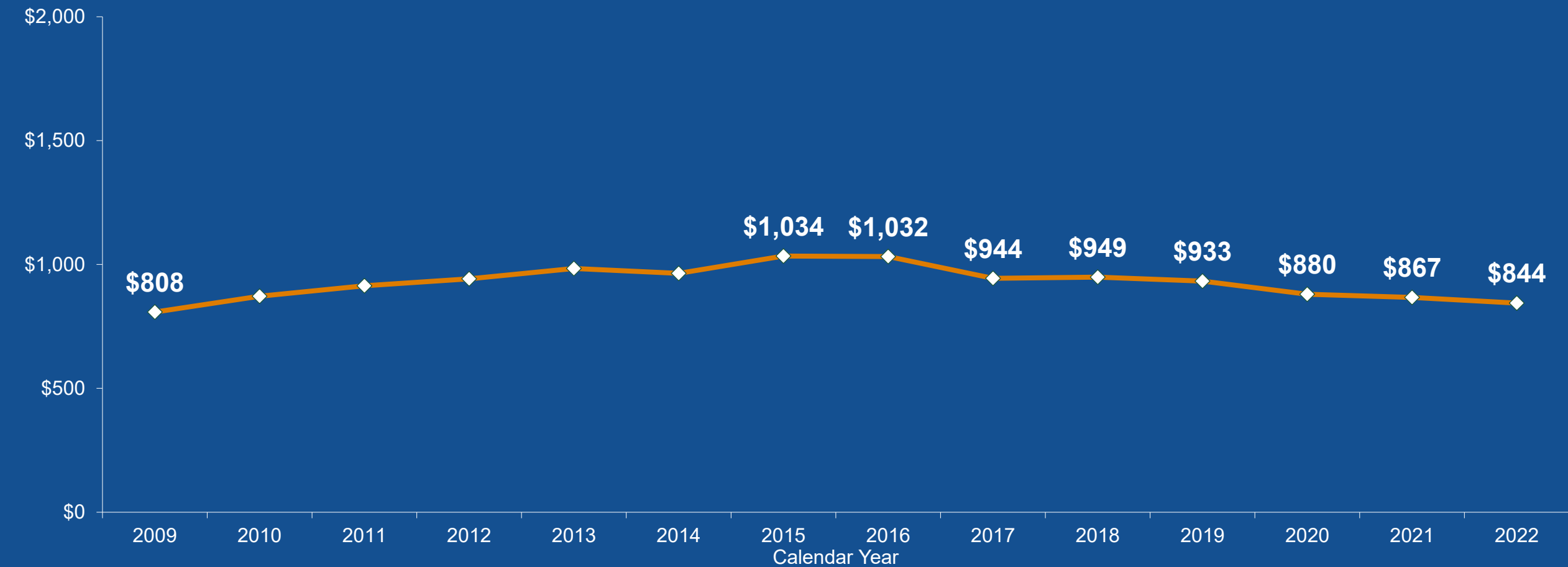


MCCP Projection Methodology

- MCCP methodology based on that for ALAE
 - Statewide data used
 - Development based on the latest paid MCCP through 144 months and paid medical after 144 months
 - Severity trend based on average changes in CY MCCP per open claim and ultimate AY MCCP per indemnity claim
 - Trend applied to 2022 and 2023

Calendar Year Paid MCCP per Indemnity Claims Inventory (Exhibit 15)

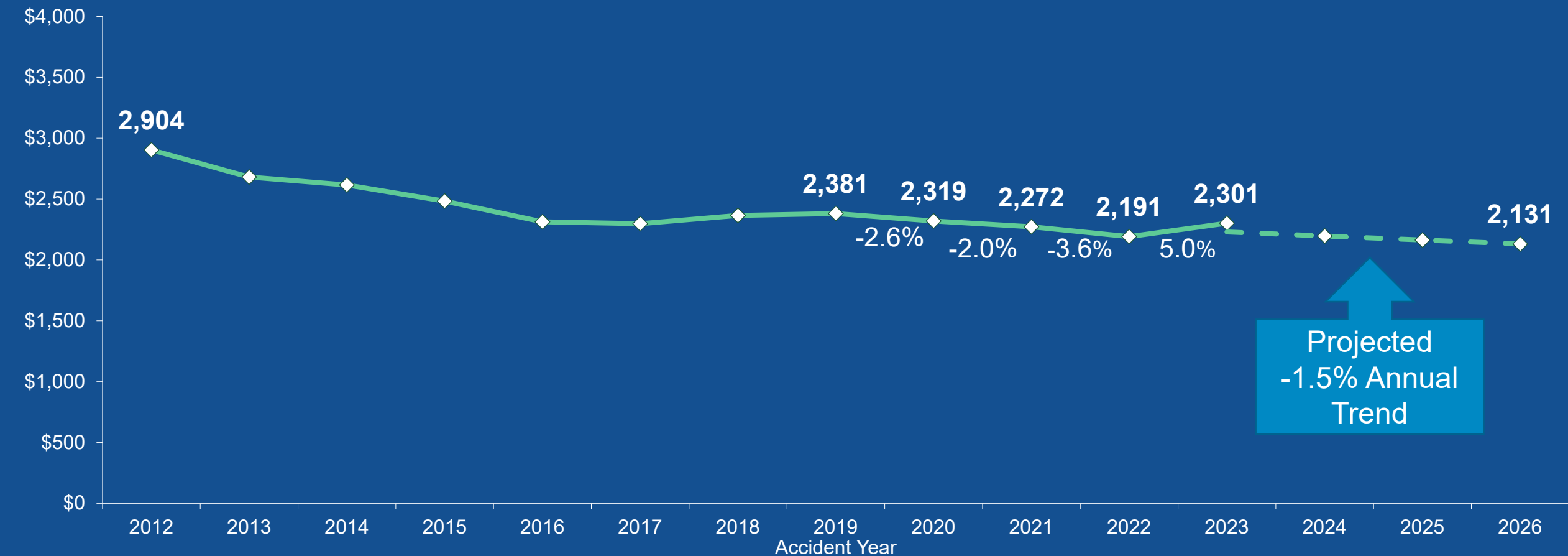
As of December 31, 2022



Annual Exponential Trend Based on:
2012 to 2022: -1.5%

Projected Ultimate MCCP per Indemnity Claim (Exhibit 14)

As of December 31, 2023



Projected
-1.5% Annual
Trend

Annual Exponential Trend Based on:

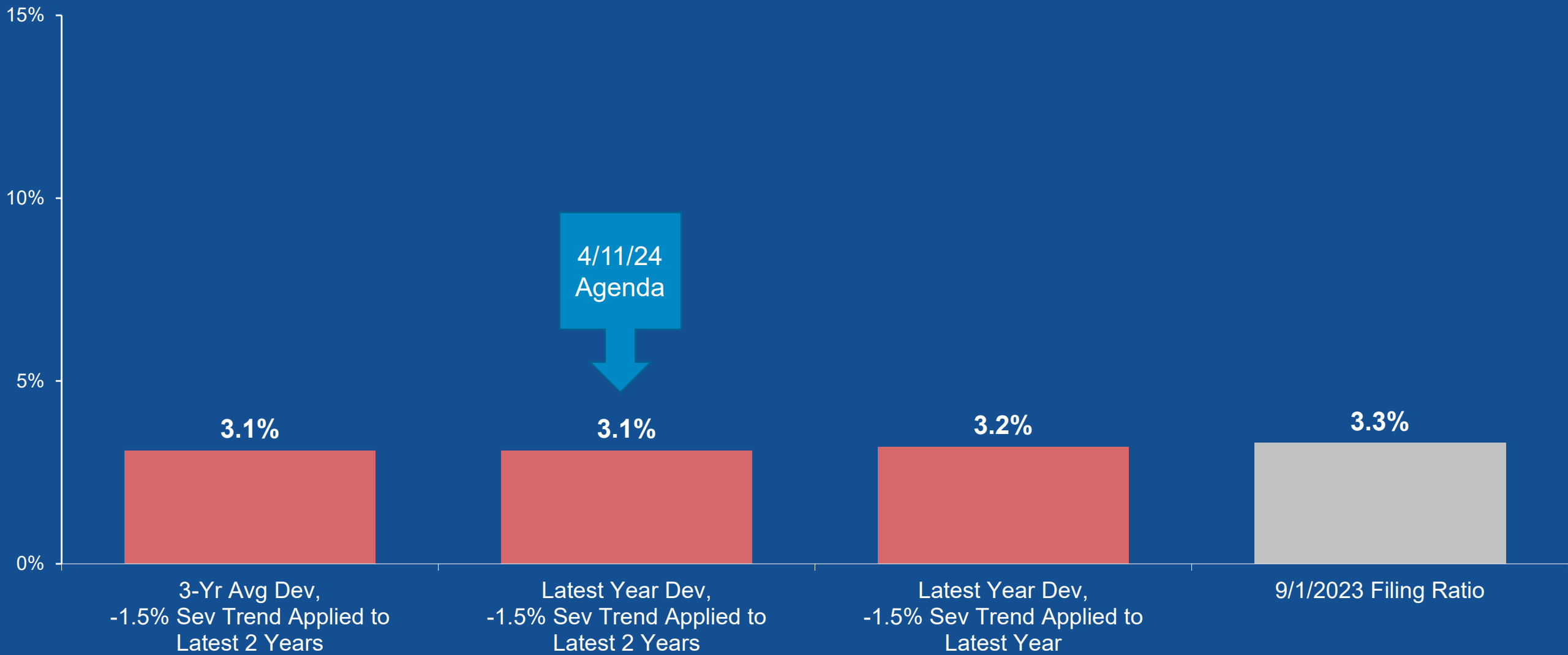
2012 to 2023: -1.9%

2019 to 2023: -1.2%

4/11/2024 Agenda Selected MCCP Severity Trend: -1.5%

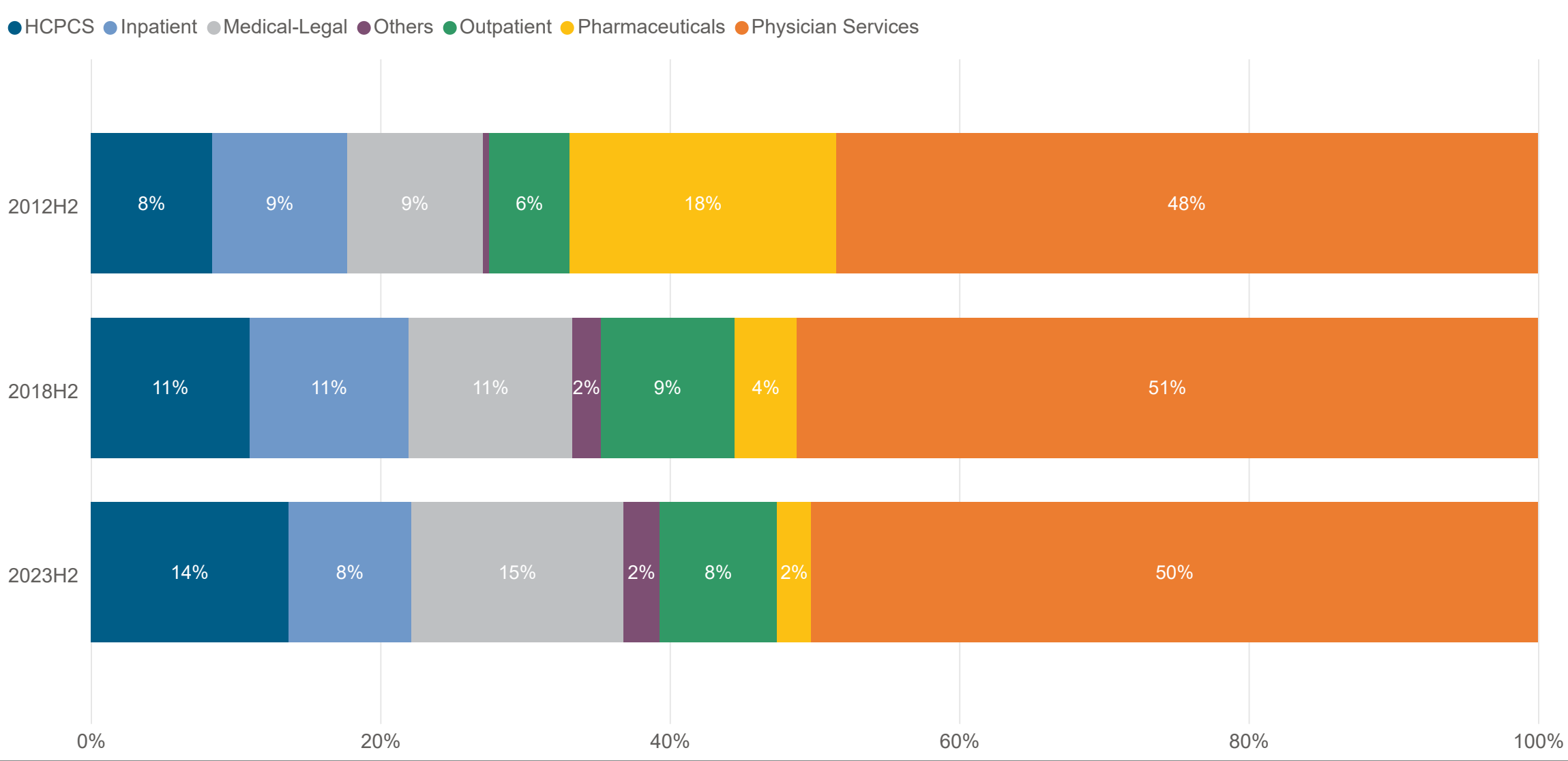
Projections of MCCP Costs to Loss

As of December 31, 2023



Share of Total Medical Payments by Service Type

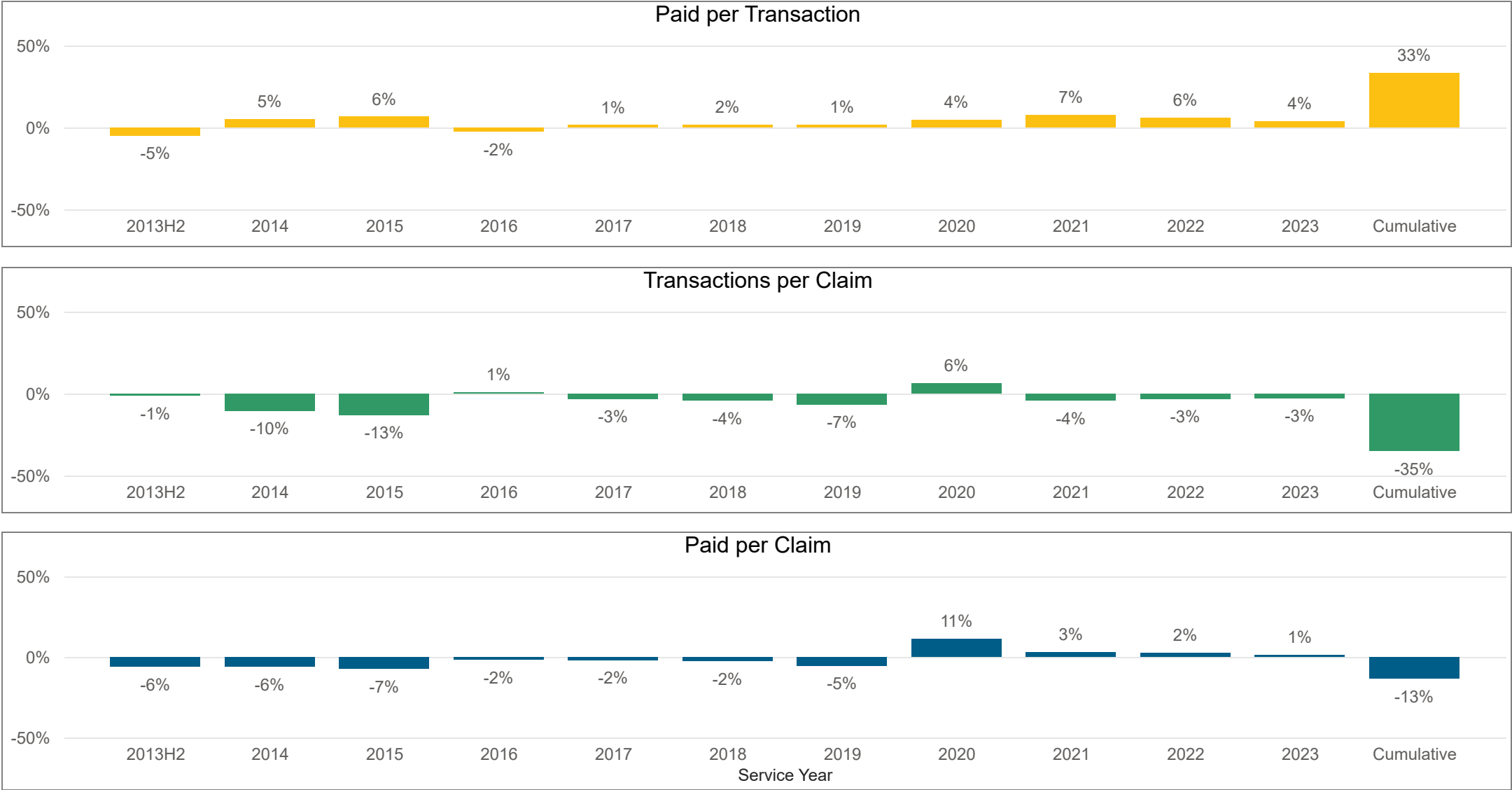
As of February 7, 2024



* HCPCS stands for Healthcare Common Procedure Coding System. HCPCS codes primarily include ambulance services, durable medical equipment, prosthetics, orthotics, and supplies used outside a physician’s office, home health services, and interpreter services.
Source: WCIRB medical transaction data collected beginning in the third quarter of 2012.

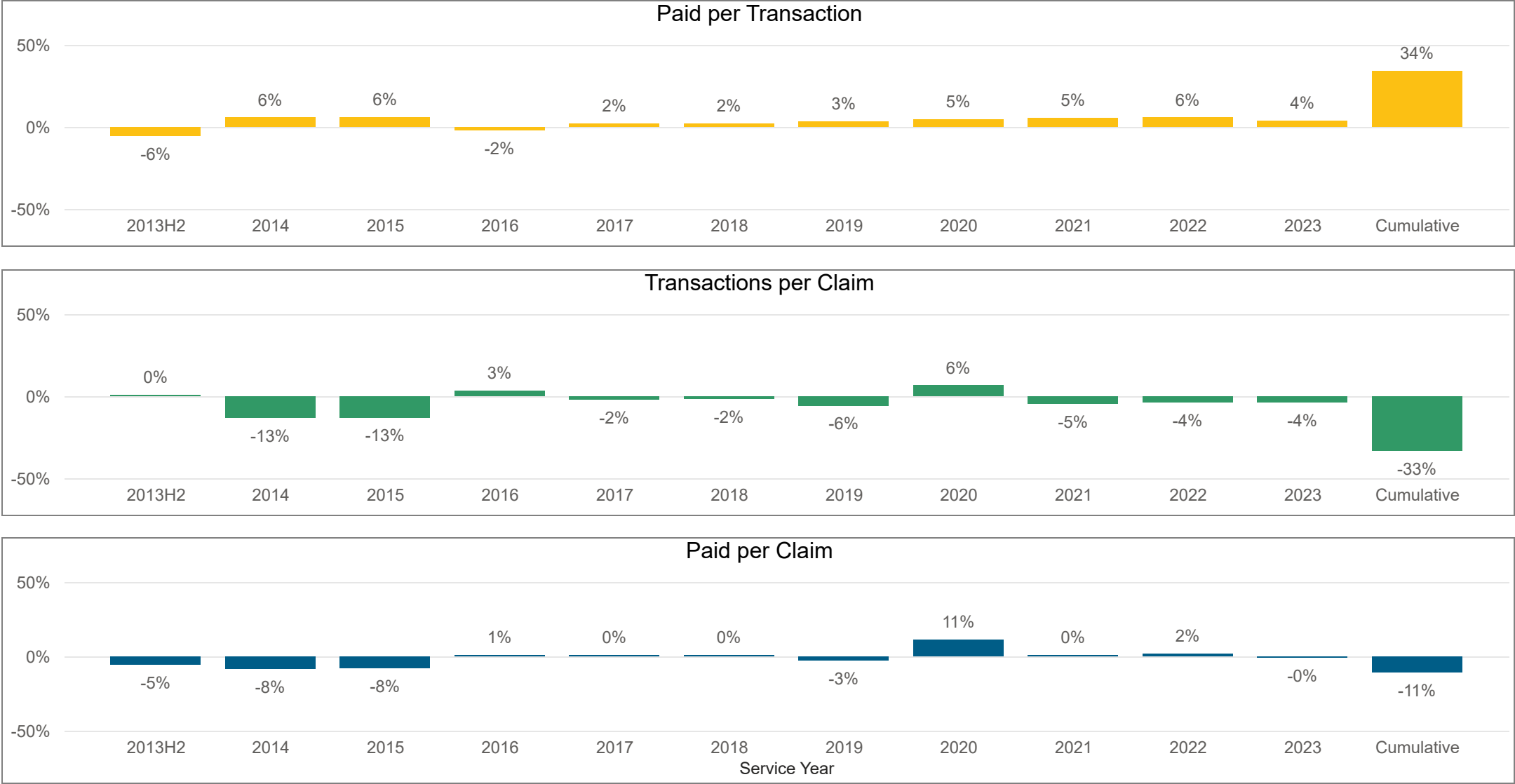
% Change in All Medical Services Cost per Claim

As of February 7, 2024



% Change in *Physician Services* Cost per Claim (49% of All Medical Payments*)

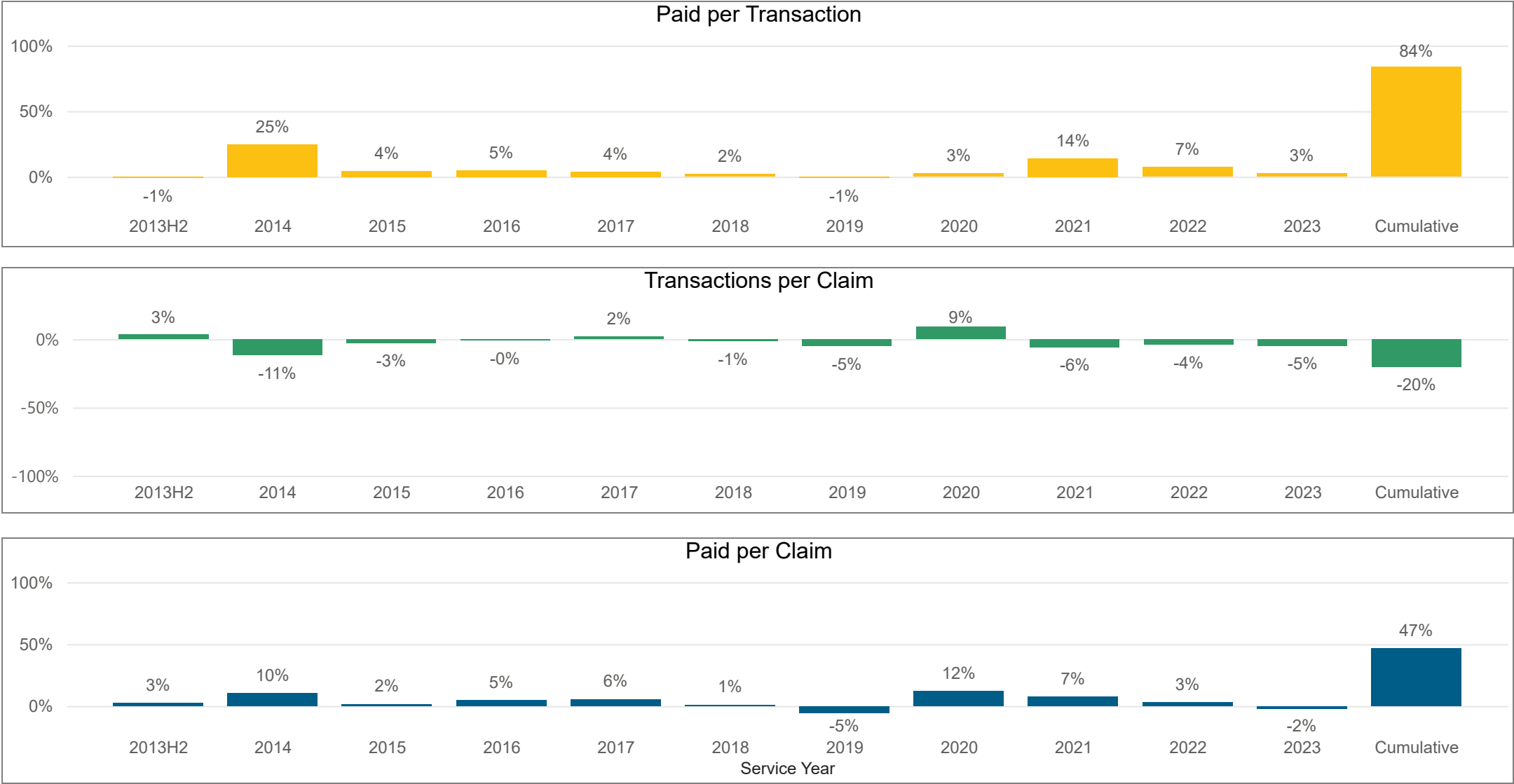
As of February 7, 2024



* All medical payments are defined as the total Paid Amount (excluding Liens) in Service Year 2023 in the WCIRB medical transaction data. This definition applies to all subsequent slides.
Source: WCIRB medical transaction data collected beginning in the third quarter of 2012.

% Change in *Evaluation & Management* Cost per Claim (Subcategory of *Physician Services*, 20% of All Medical Payments)

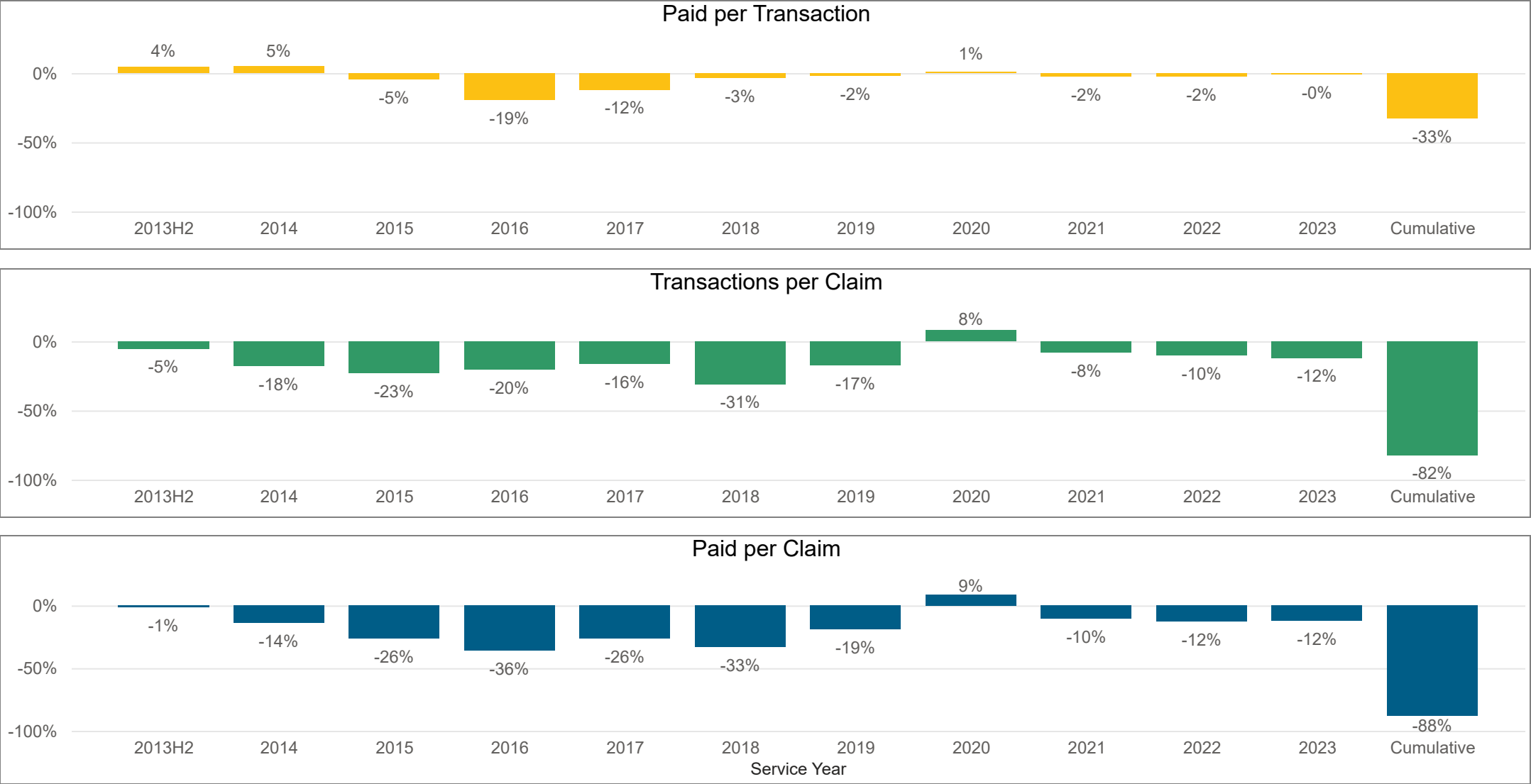
As of February 7, 2024



Source: WCIRB medical transaction data collected beginning in the third quarter of 2012.

% Change in *Pharmaceutical* Cost per Claim (2.3% of All Medical Payments)

As of February 7, 2024

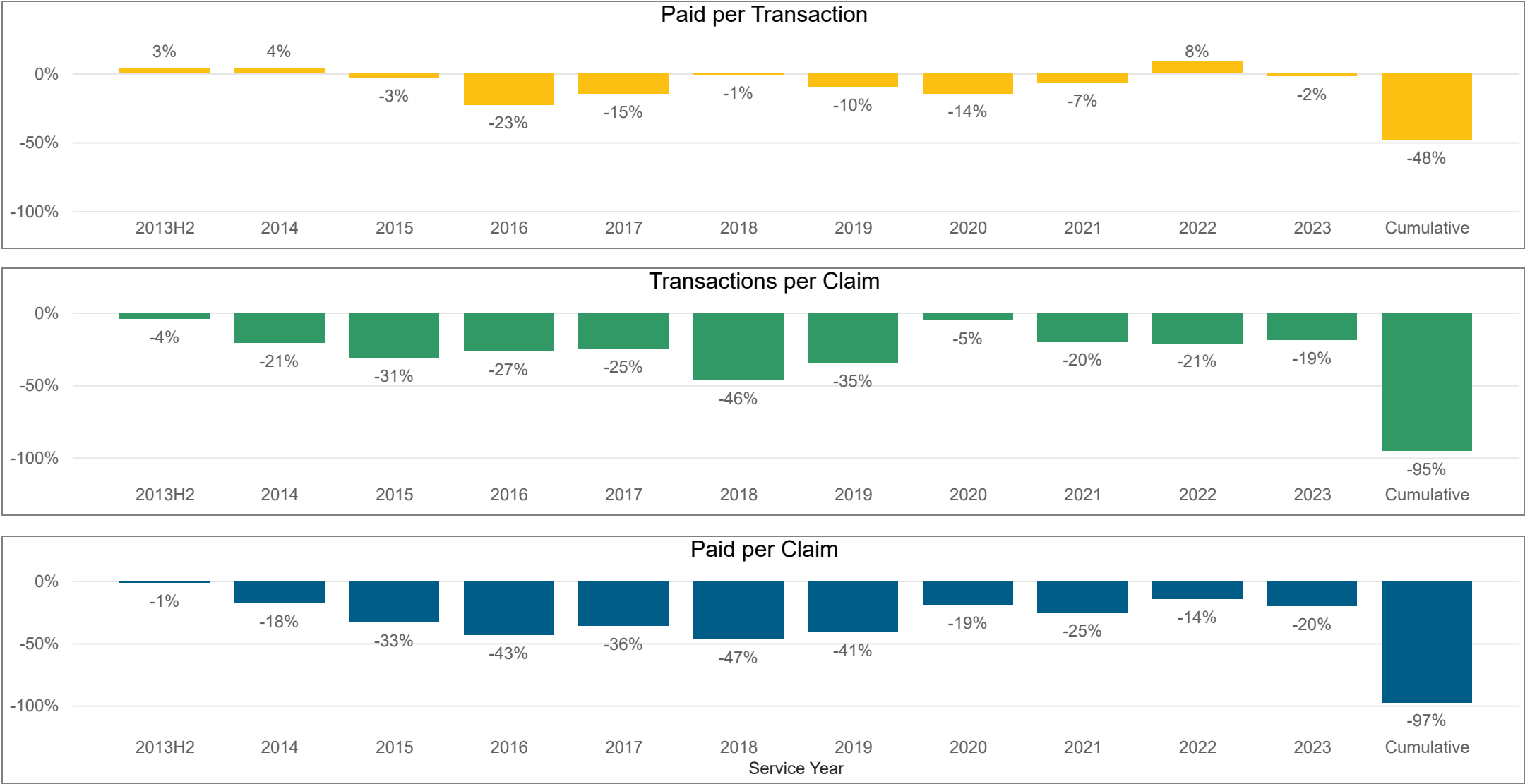


In 2012H2, Pharmaceutical represented 18% of all medical payments.

In 2023H2, Pharmaceutical represented 2% of all medical payments.

% Change in Opioid Cost per Claim (0.1% of All Medical Payments)

As of February 7, 2024

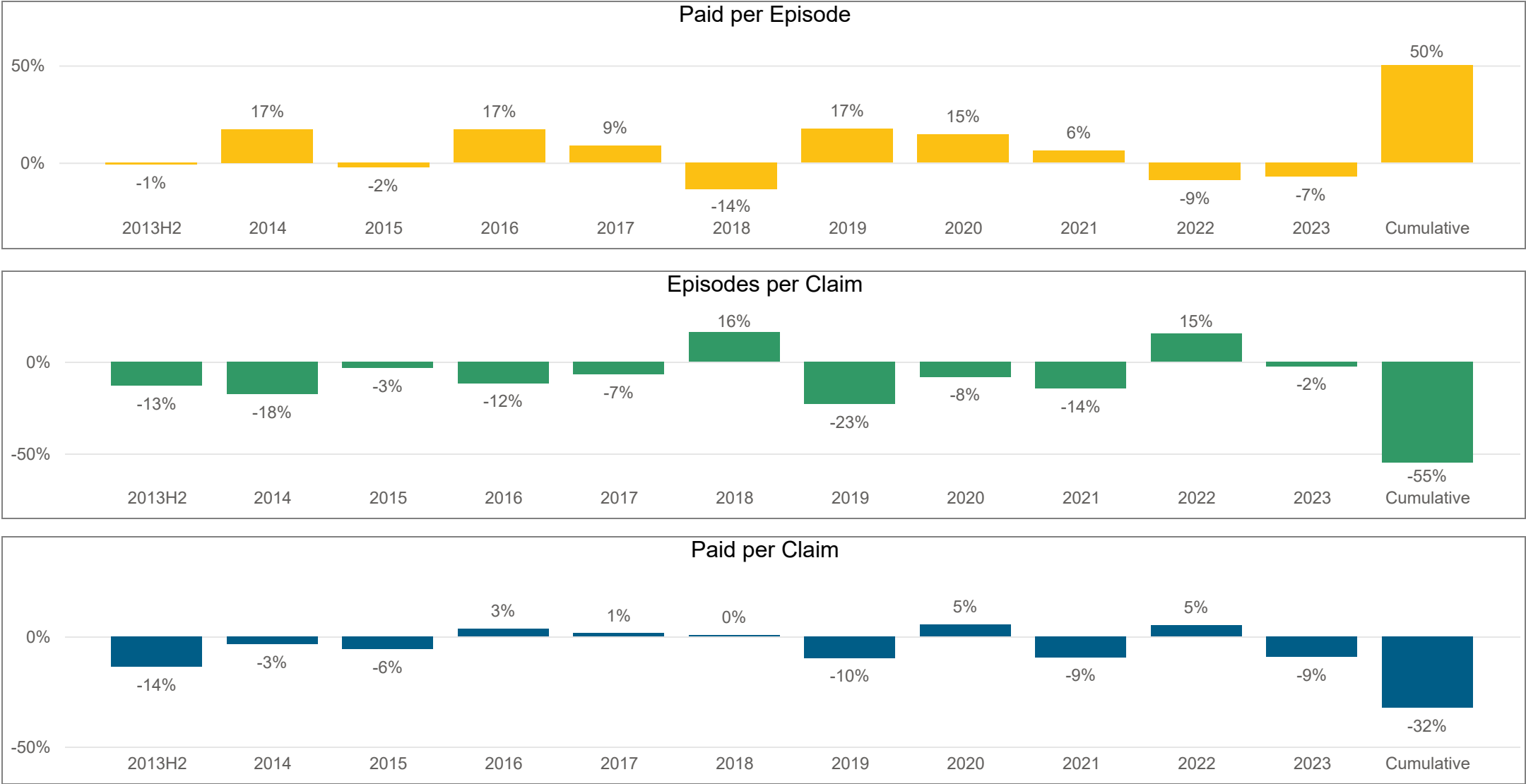


In 2012H2, Opioids represented 5.3% of all medical payments.

In 2023H2, Opioids represented 0.1% of all medical payments.

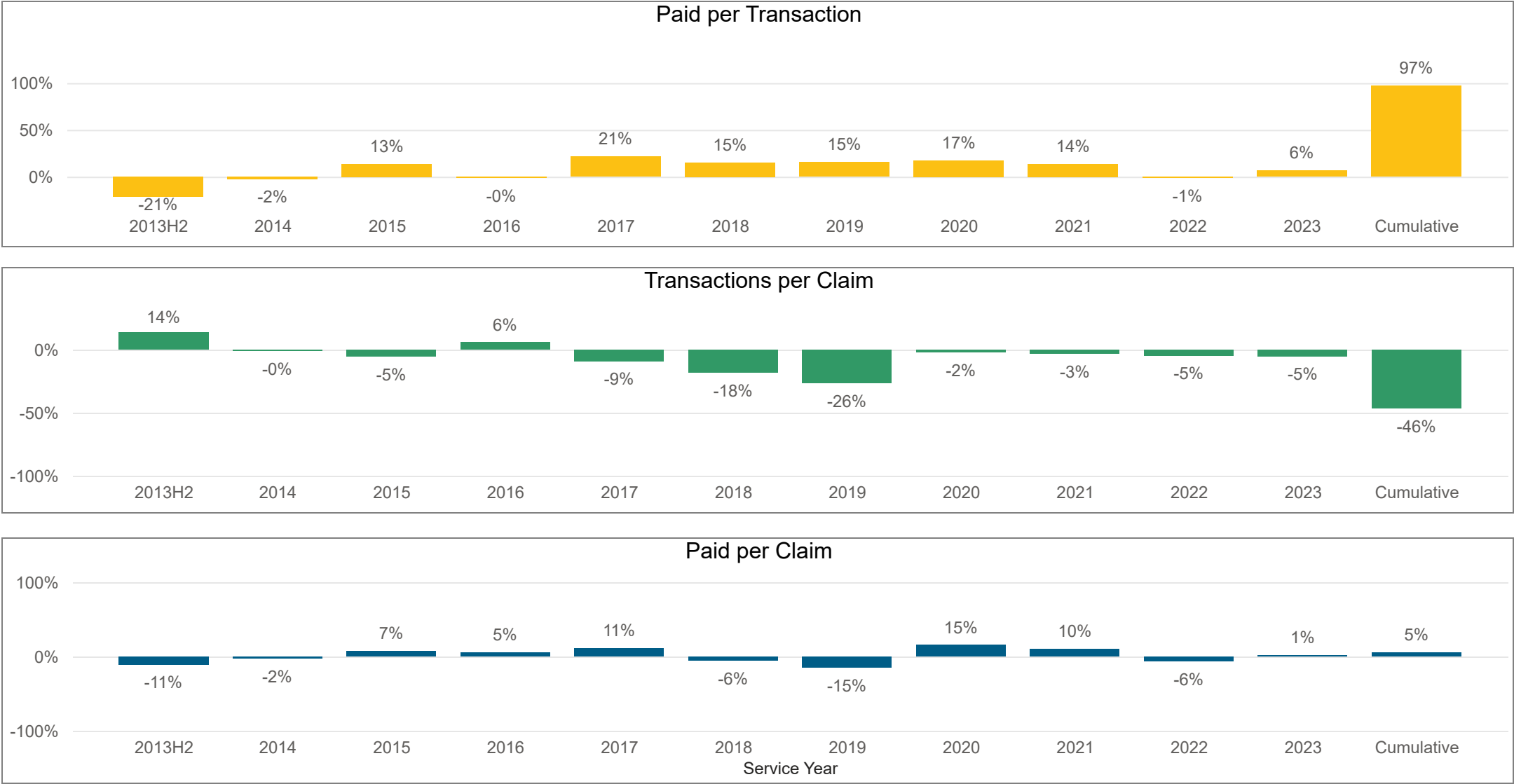
% Change in *Inpatient* Cost per Claim (episode-based) (9% of All Medical Payments)

As of February 7, 2024



% Change in *Outpatient* Cost per Claim (9% of All Medical Payments)

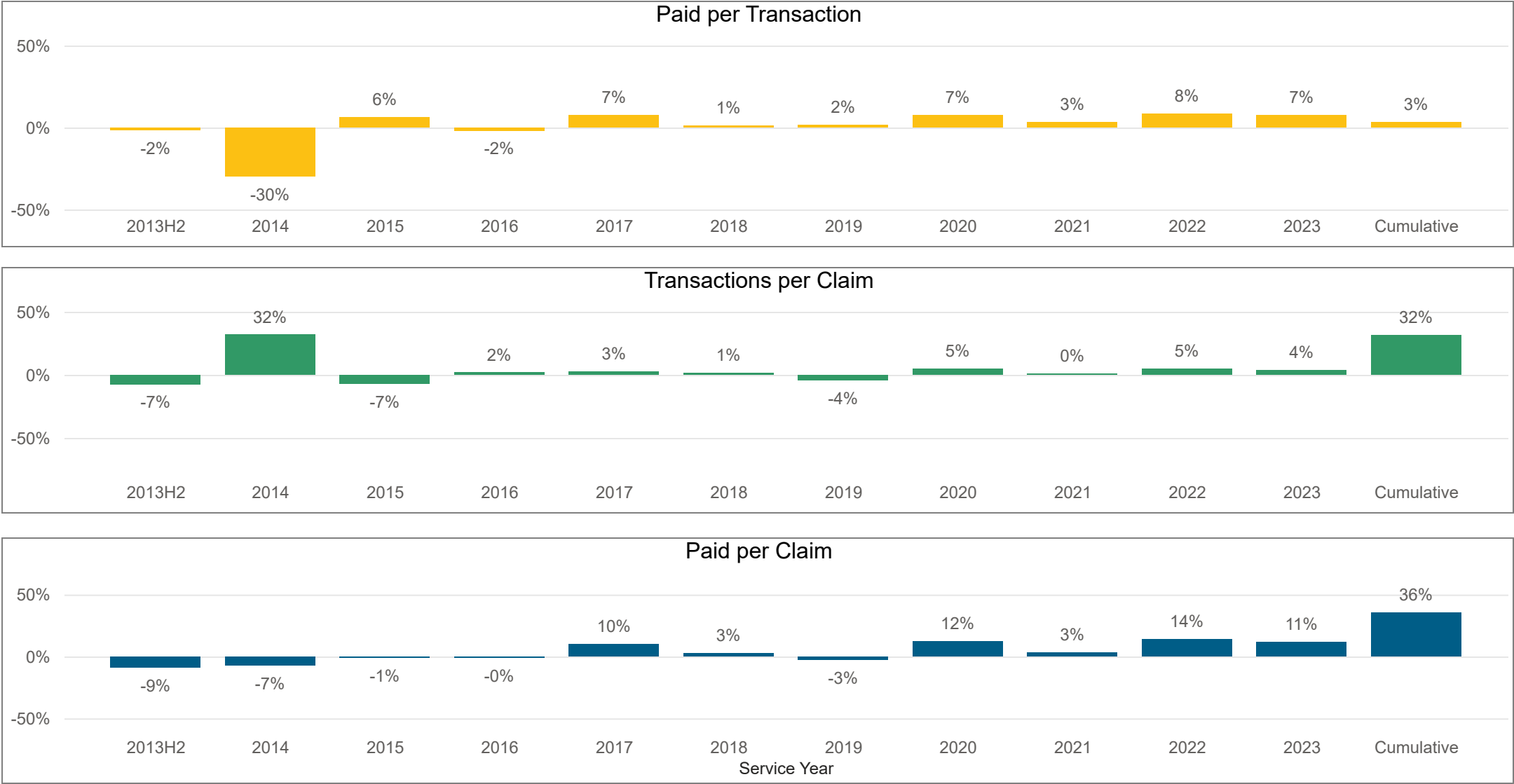
As of February 7, 2024



Source: WCIRB medical transaction data collected beginning in the third quarter of 2012.

% Change in HCPCS Cost per Claim (13% of All Medical Payments)

As of February 7, 2024



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