

WCIRB Research Forum

The 1/1/2021 Pure Premium Rate Filing

September 2, 2020

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Table of Contents

1. January 1, 2021 Pure Premium Rate Filing - Summary
2. Review of March 31, 2020 Experience
3. COVID-19 Claim Cost Projection
4. Questions and Answers
5. WCIRB Resources

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01

January 1, 2021 Pure Premium Rate Filing - Summary



January 1, 2021 Pure Premium Rate Filing - Summary

Key Considerations
Pre-Pandemic Development & Claim Settlement Trends Moderating
Impact of Economic Slowdown
Severity Growth Projections
COVID-19 Claim Cost Projection

Recommended Methodologies Generally Consistent with 1/1/2020 Filing

**1/1/2021 Indicated
Average Pure
Premium Rate:**

\$1.56

(\$1.50 excluding COVID-19
claim projection)

**1/1/2020 Indicated
Average Pure
Premium Rate:**

\$1.55

(reflects 6/30/2019
experience)

**1/1/2020 Average
Approved Pure
Premium Rate:**

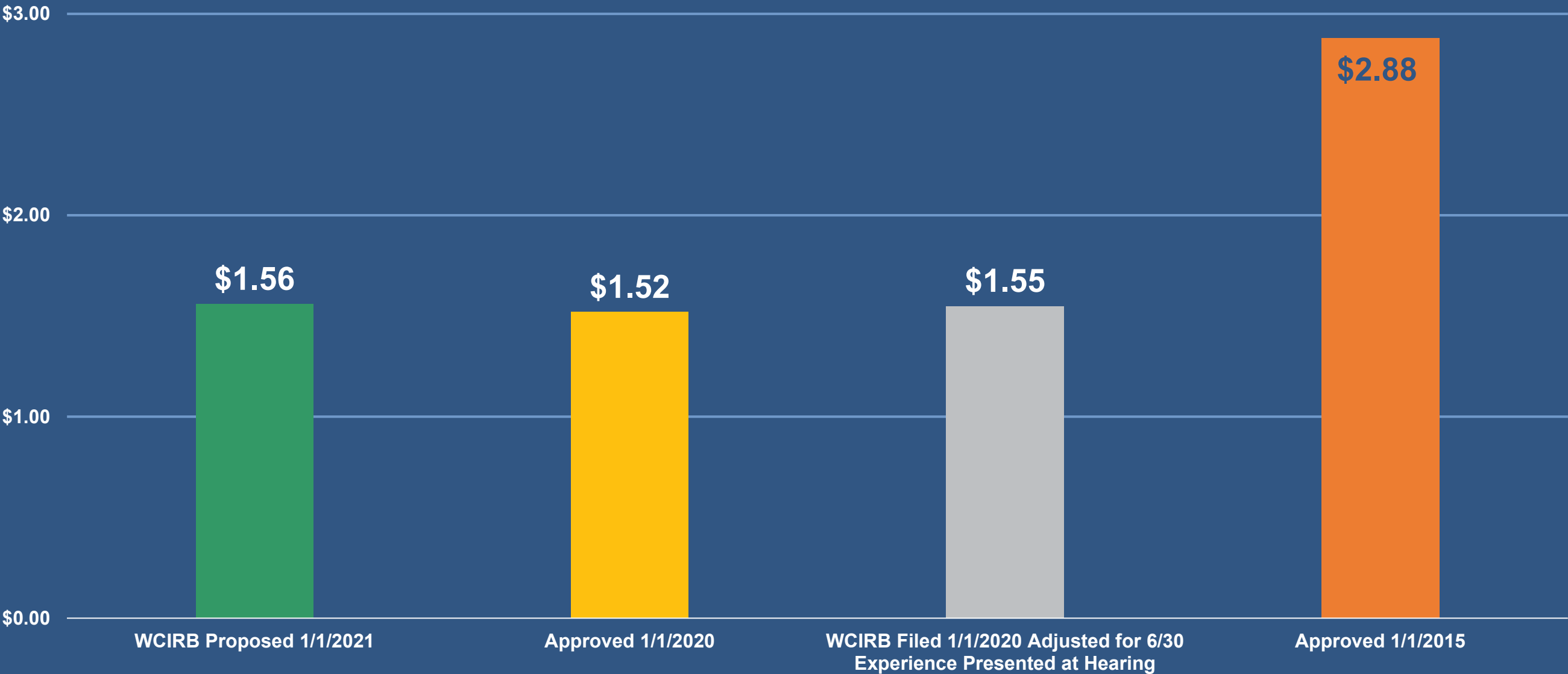
\$1.52

Re-evaluate in September based on Updated Data

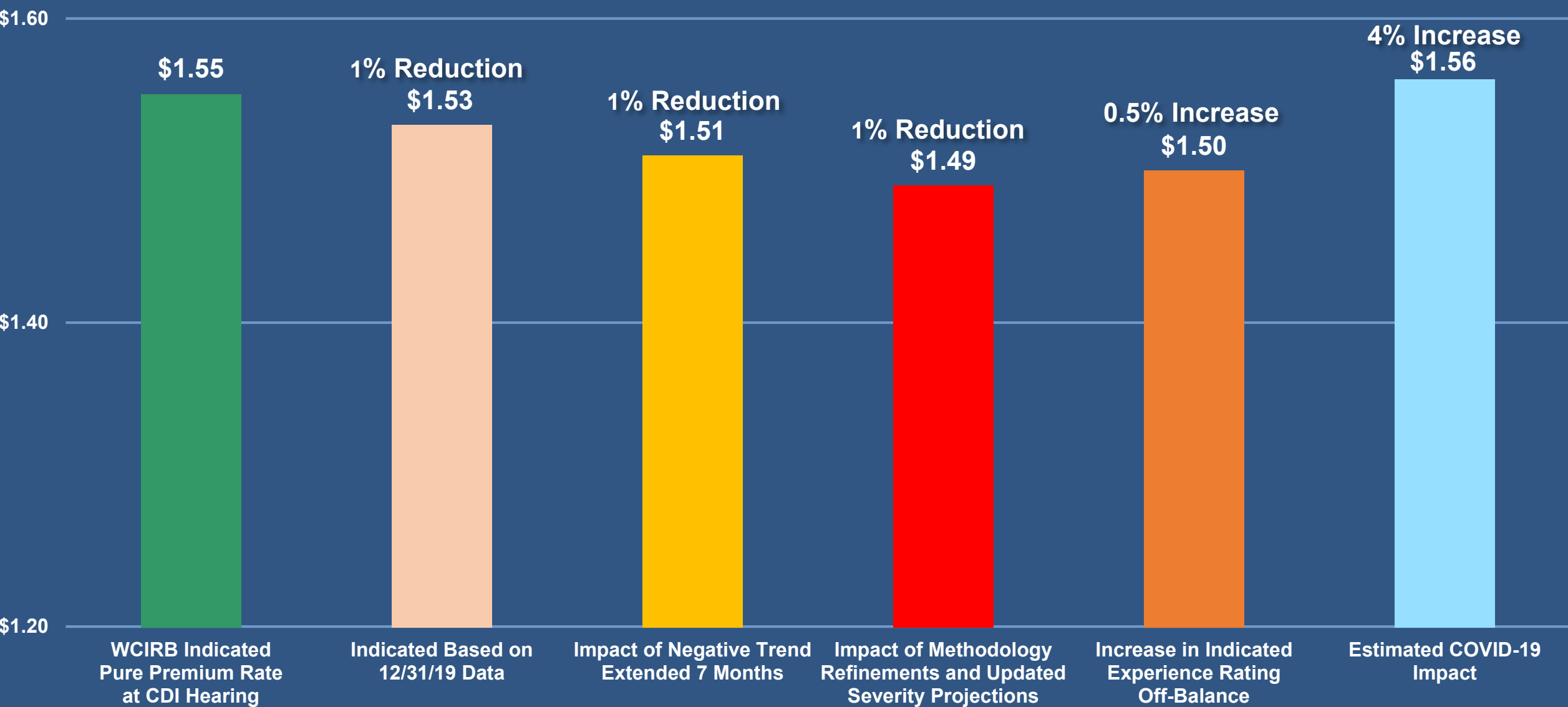
**1/1/2021 Indicated
Advisory Pure
Premium Rate Change:**

+2.6%

Average Pure Premium Rates per \$100 of Payroll



Drivers of January 1, 2021 Advisory Pure Premium Rate Increase



02

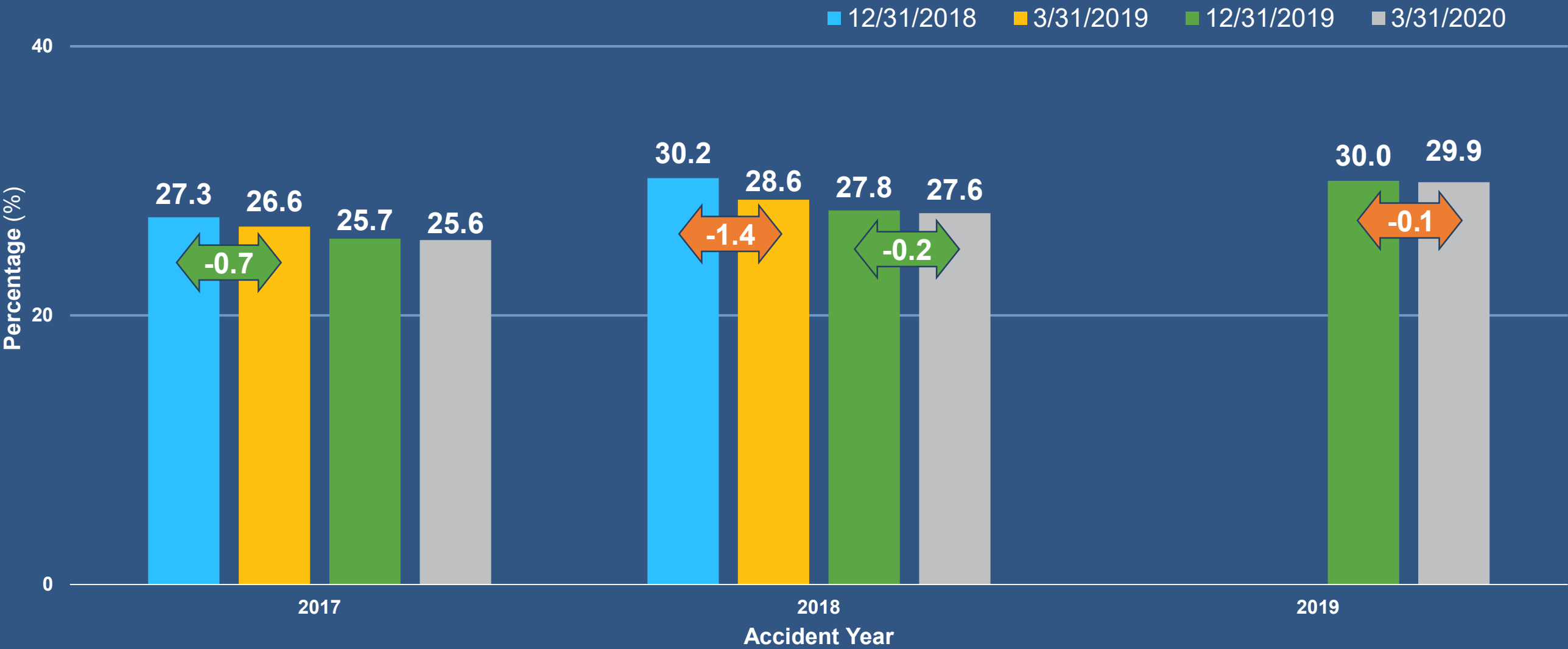
Review of March 31, 2020 Experience



Projected Medical Loss Development

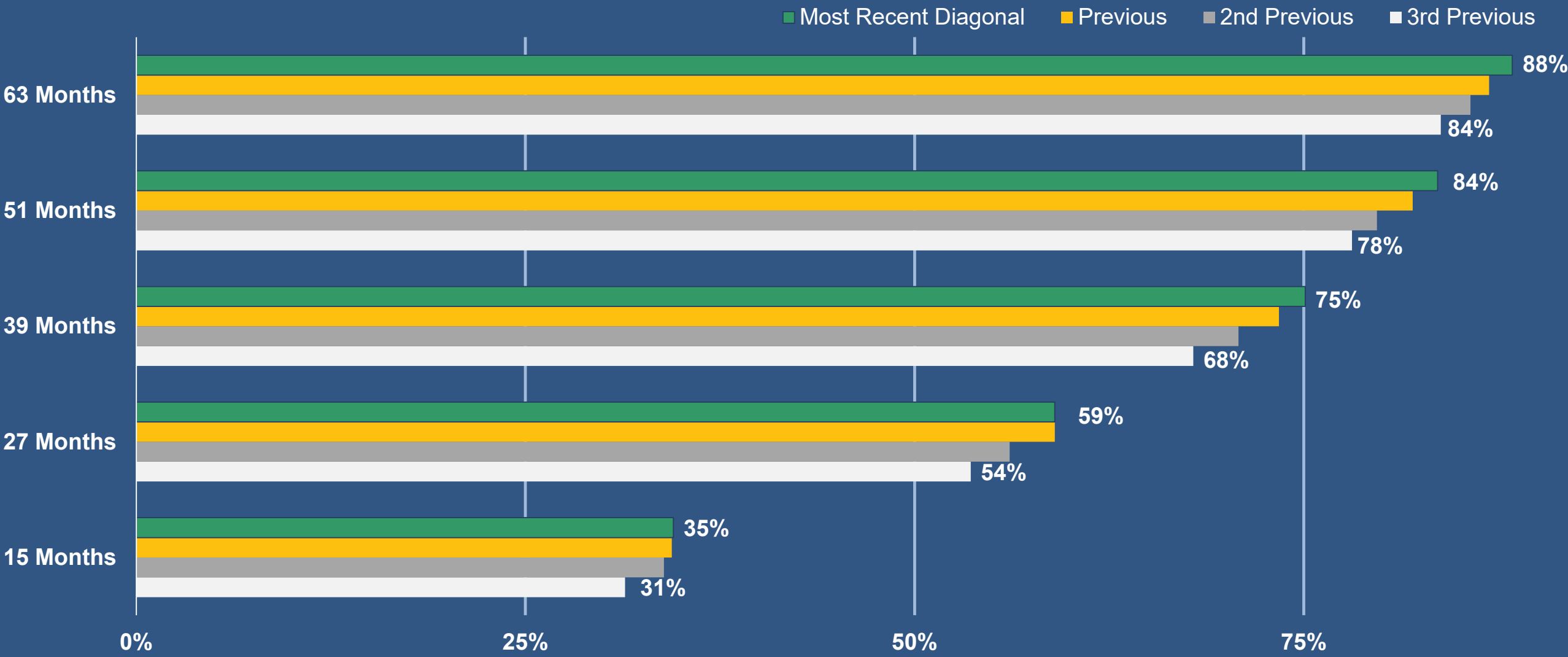
As of March 31, 2020

Estimated Ultimate Medical Losses at Quarterly Evaluations



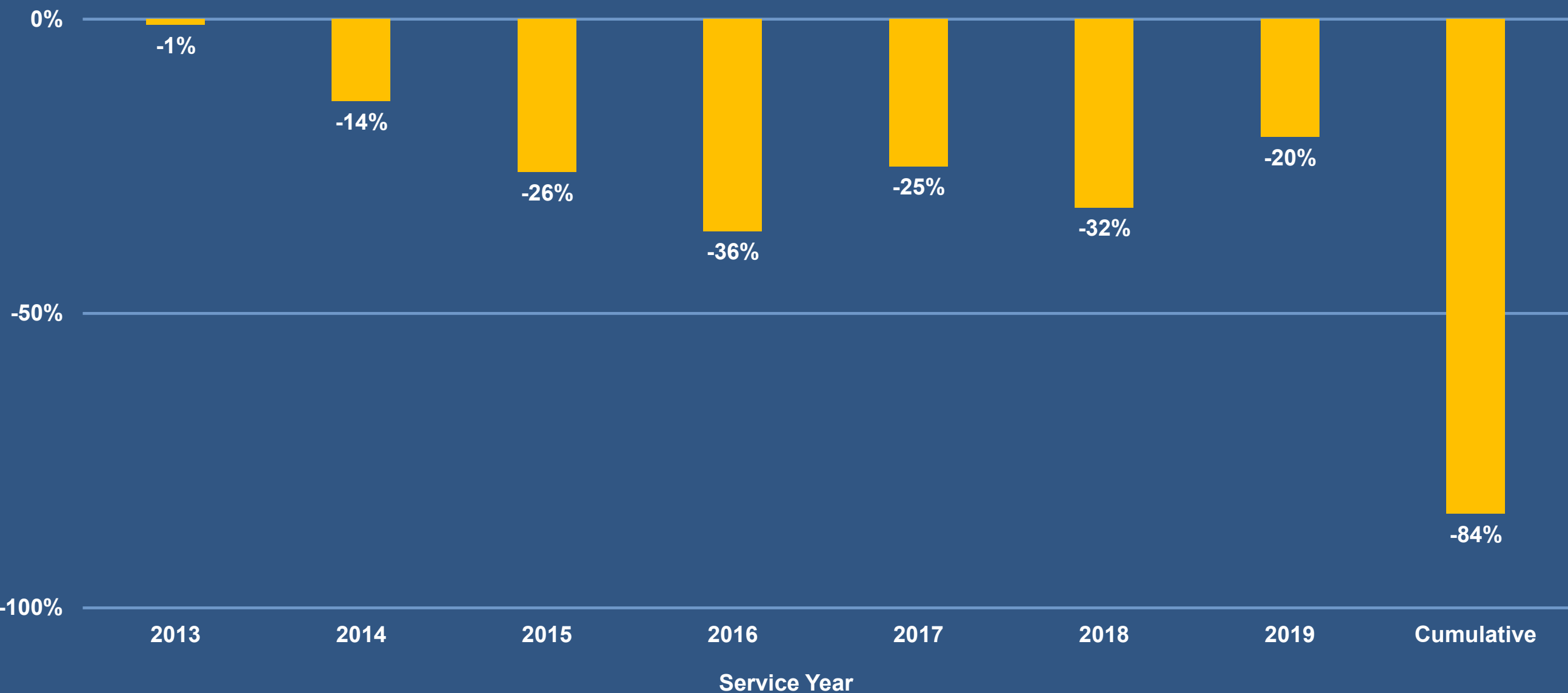
Claim Settlement Rates

Closed Indemnity Claims as a % of Estimated Ultimate Claim Count



Change in Pharmaceutical Costs Per Claim by Service Year

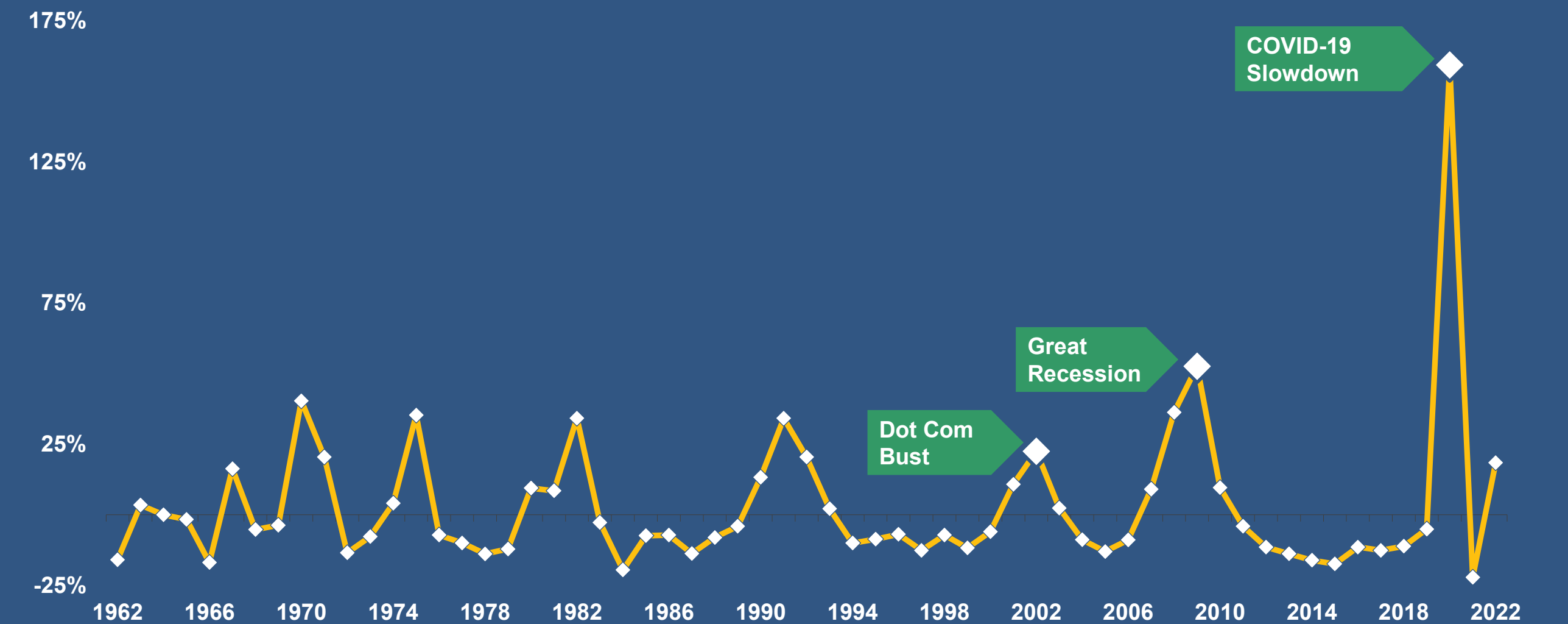
Change in Pharmaceutical Costs Per Claim by Service Year



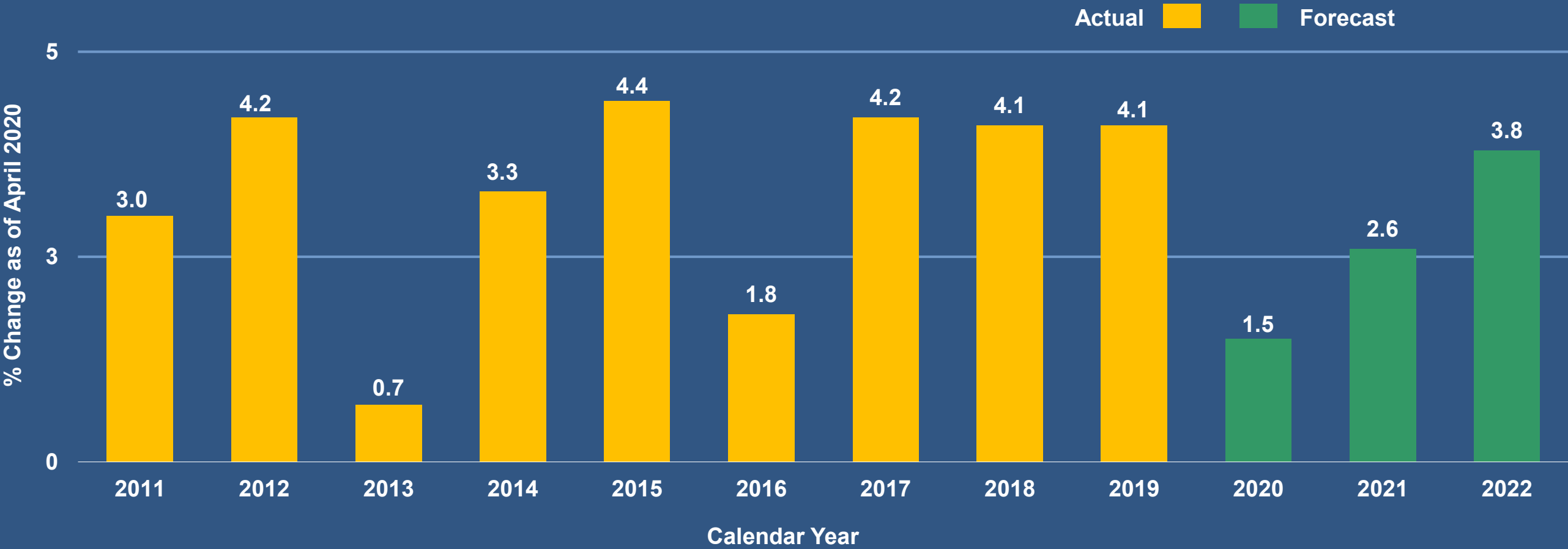
Source: WCIRB medical transaction data.

Impact of Economic Slowdown

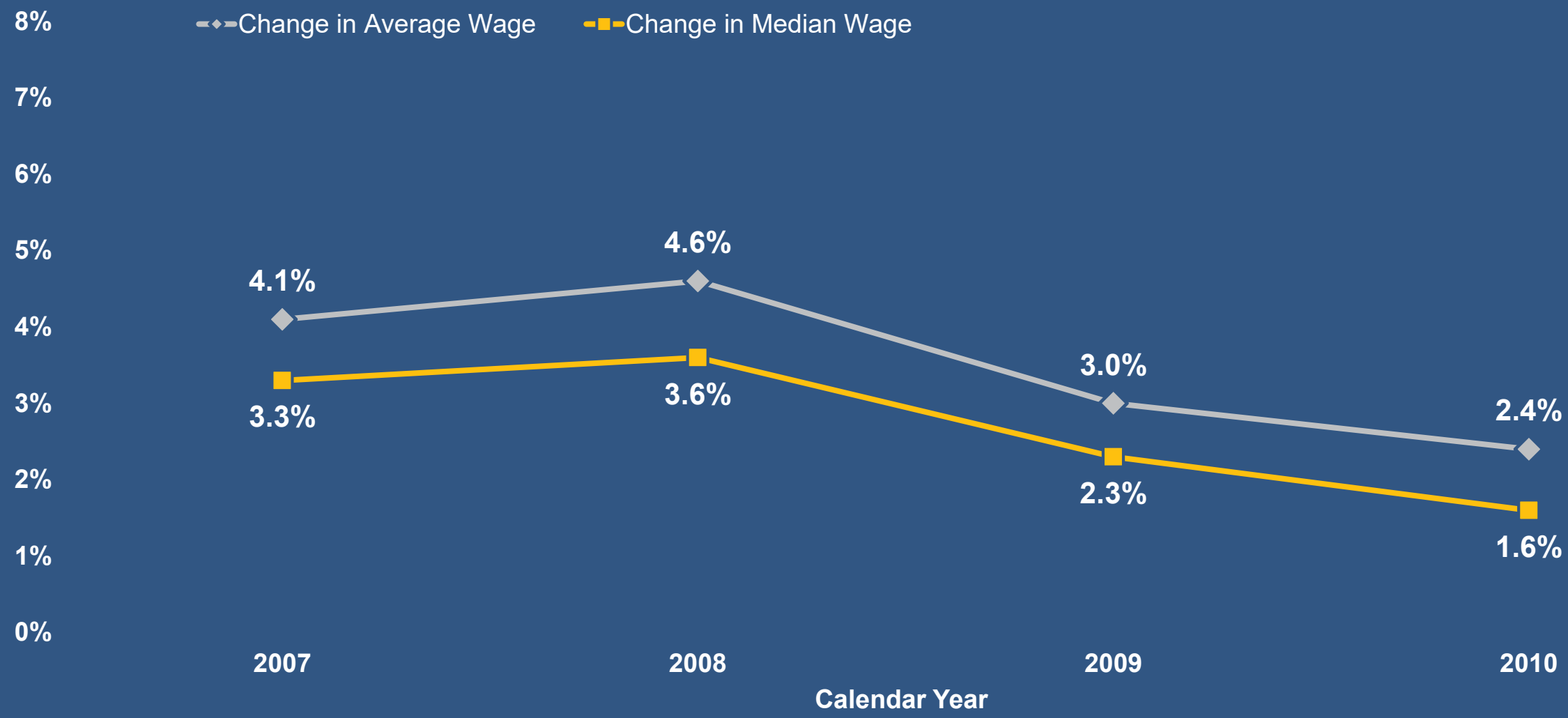
Annual Change in California Unemployment Rate



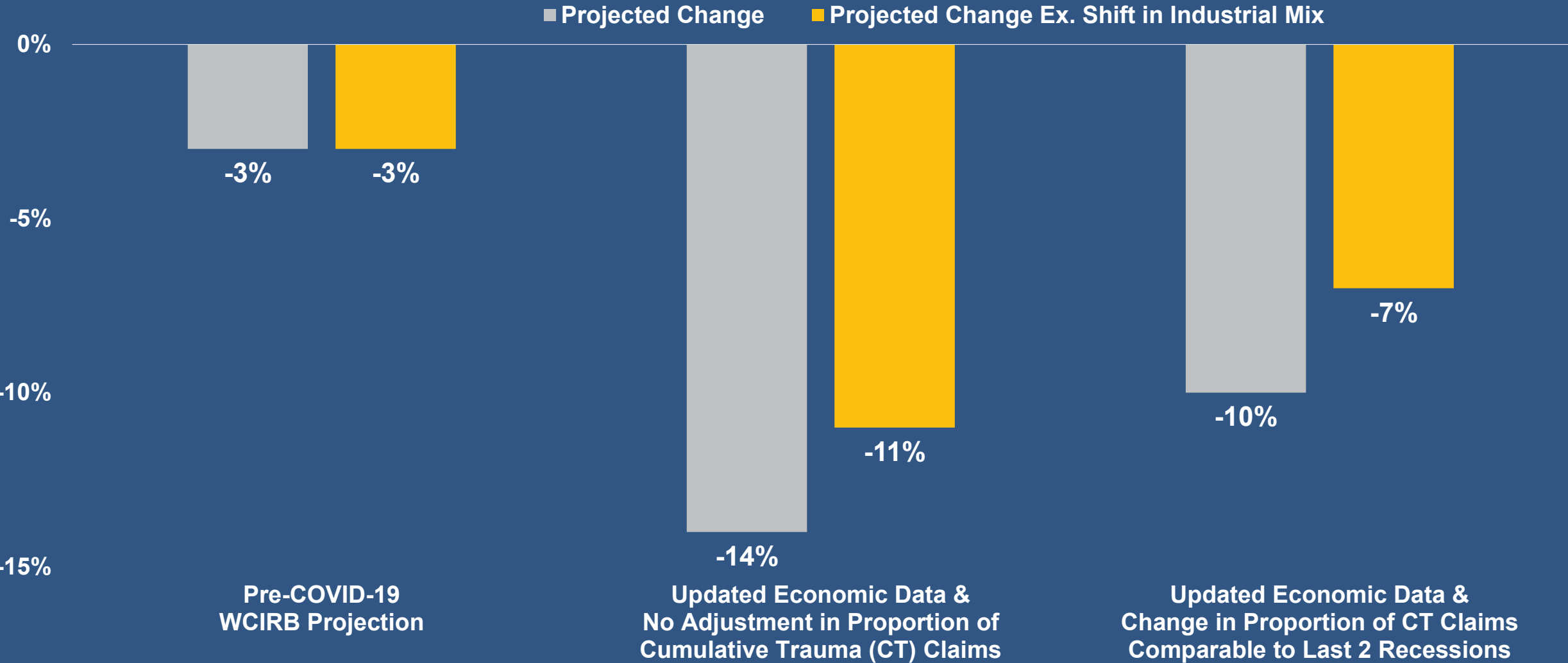
Historical and Forecast Wage Growth



Change in Average and Median Wage during Great Recession

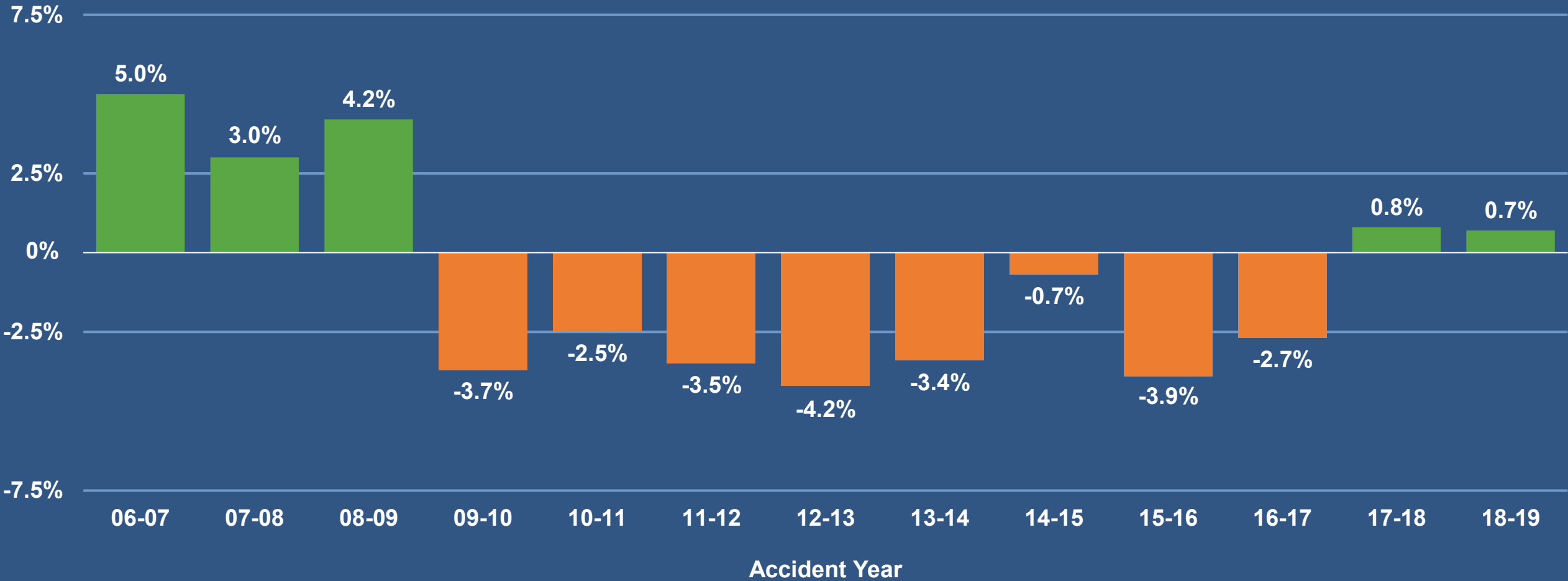


Indemnity Claim Frequency – Alternative Accident Year 2020 Projections



Projected Changes in On-Level Indemnity Severity

As of March 31, 2020



Annual Exponential Trend Based on:

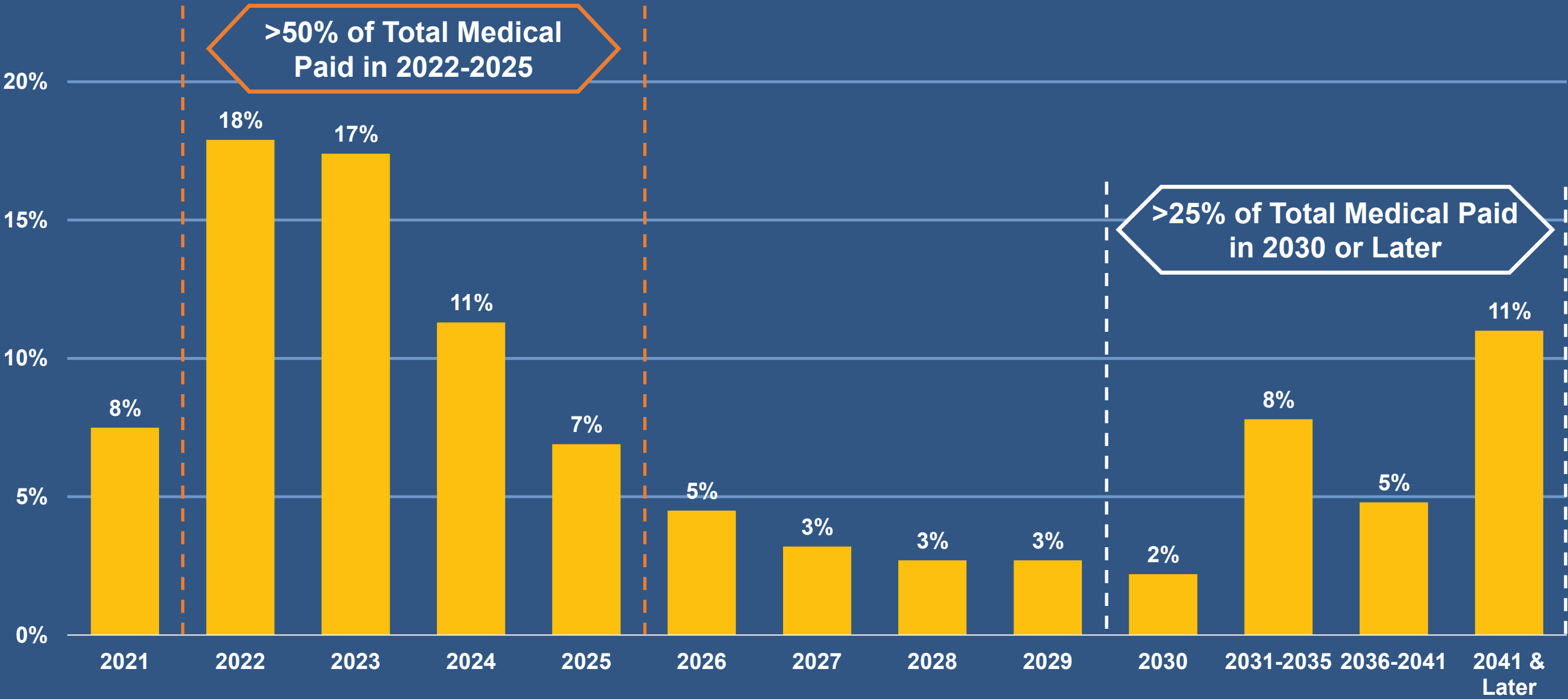
+1.1%
1990 to 2019

-1.4%
2005 to 2019

+1.0%
WCIRB Selected

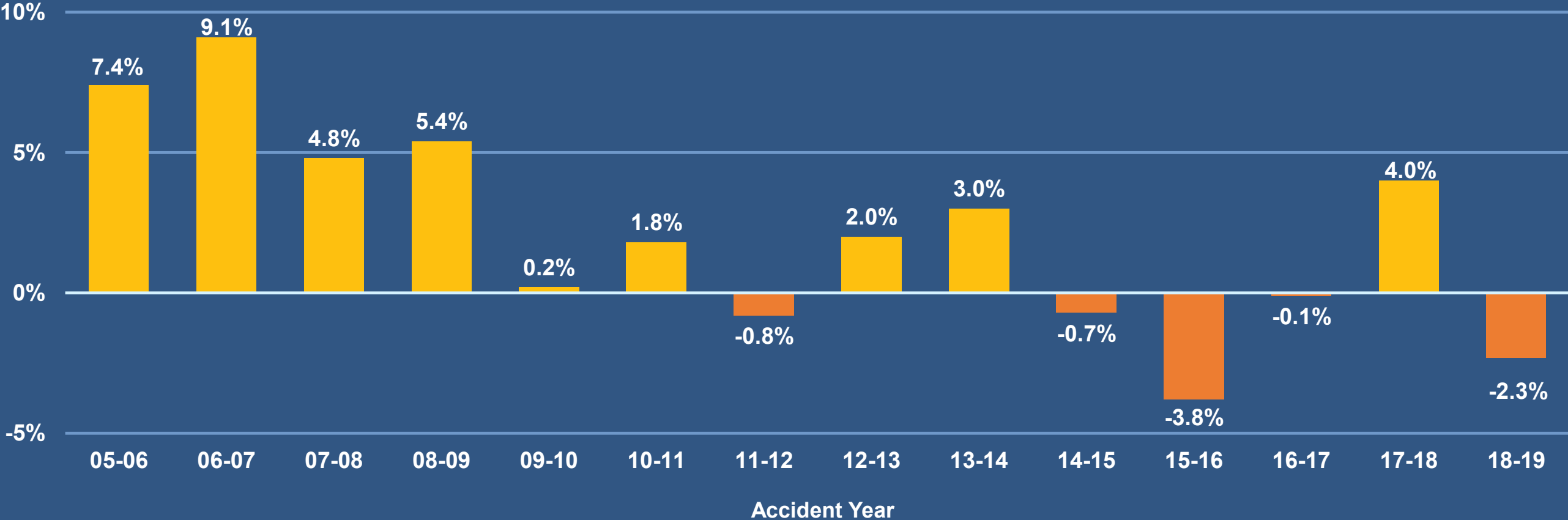
Policy Year 2021 – Estimated Medical Paid by Year

As of December 31, 2019



Projected Changes in On-Level Medical Severity

As of March 31, 2020



Annual Exponential Trend Based on:

-0.1%
2015 to 2019

+1.6%
2005 to 2019

+5.5%
1990 to 2019
(Incl. MCCP)

+2.5%
WCIRB Selected

03

COVID-19 Claim Cost Projection



COVID-19 Claim Cost Projection

Estimated AY 2020 Statewide COVID-19 Deaths

Projected statewide deaths up to Nov 1 based on the latest published projections from IHME and MIT-YYG and extended to end of 2020

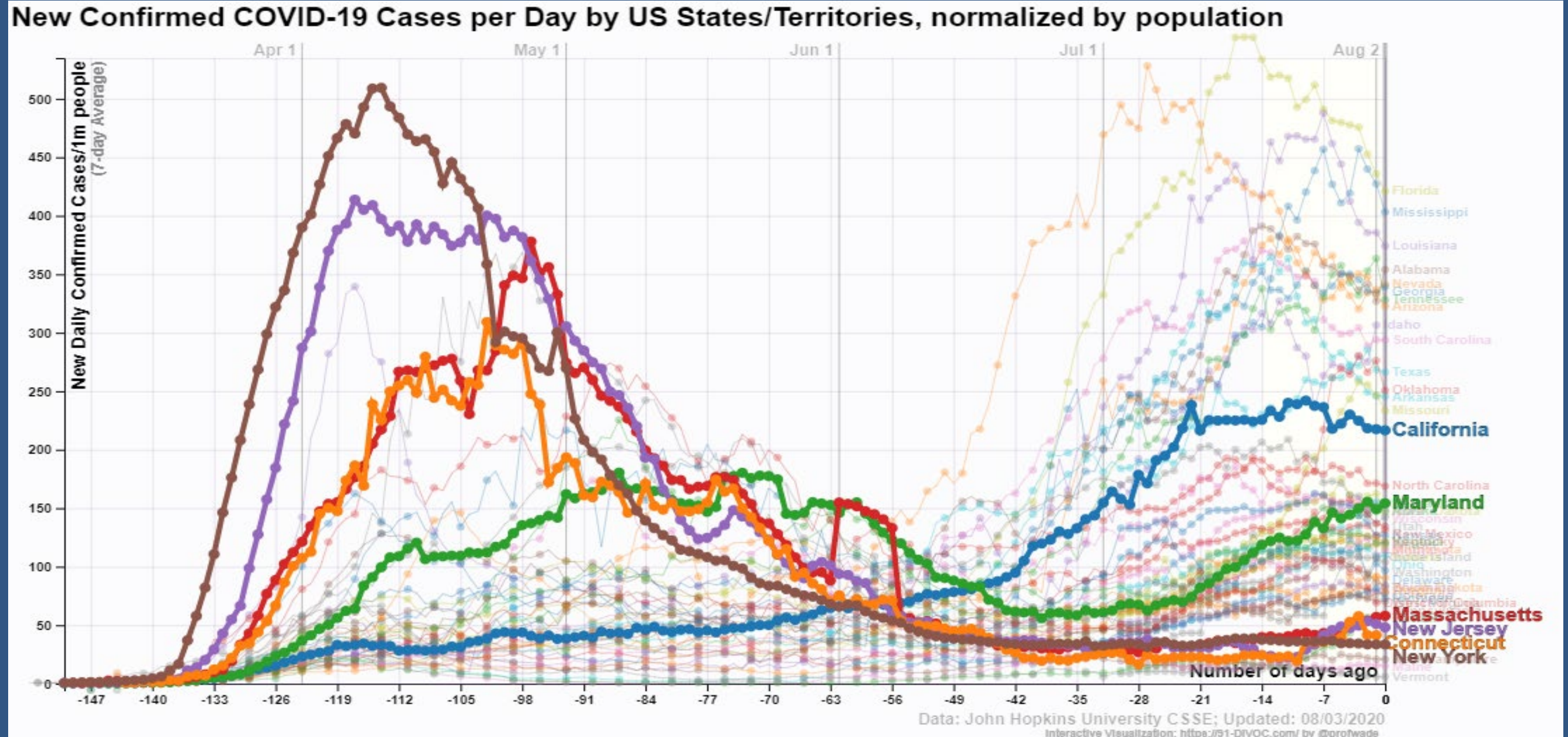
Applied the forecasted incremental change from Oct to Nov to last two months of 2020 assuming a potential winter wave

Adjusted to the working-age population (18-69 years) based on the CDPH's age distribution of deaths

	7/1/2020	8/1/2020	9/1/2020	10/1/2020	11/1/2020	12/1/2020	12/31/2020
Ca DPH (Actual)	6,090	9,356					
Avg. of MIT-YYG and IHME Projections (as of 8/3/2020)			12,531	15,158	17,602		
Incremental Monthly Change				2,628	2,444	2,444	2,444
Estimated statewide COVID-19 deaths						20,046	22,490
Estimated COVID-19 deaths for the working age population (18-69 years)							7,790

COVID-19 Claim Cost Projection

Basis of Estimated AY 2020 Statewide COVID-19 Hospitalizations



COVID-19 Claims Cost Projections

Current vs. Projected COVID-19 Deaths and Hospitalizations

Staff's Recommendation: using MA's cumulative hospitalization rate to project California's statewide hospitalizations

California Working Age Population (18-69 years)	Current (end of July/Early Aug)	Projected to 2020 Year End	% Change between Aug and Dec 2020
Total Deaths	3,230	7,790	+141%
Total Hospitalizations (incl. deaths)	19,017	48,953	+157%
Mortality per 100k	12	29	+141%
Total Hospitalizations per 100k (incl. deaths)	71	183	+157%
Mortality in the Hospital (deaths / total hospitalized)	17%	15.9%	-7%

COVID-19 Claim Cost Projection

COVID-19 WC Claims vs. COVID-19 Cases for the Working Age Population

Key Assumptions:

- Approximately 10% of claims filed are denied
- About 50% of mild claims will be filed
- Approximately 83% of California Infections (CDC 8/2/2020) are of the working age population (18-69 yrs)

Mild Cases (18-69 yrs) =
Total Cases (18-69 yrs) - Total
Hospitalizations (incl. Deaths) (18-69 yrs)



50% of Mild Cases + Total
Hospitalizations (incl. Deaths)



22,261 COVID-19 Claims Filed in WCIS
(as of July 23, DWC)

/

165,688 COVID-19 Cases (18-69 yrs) likely to
File a WC Claim (as of July 25)
= 13.4%

Adjusting for approx. 10% claim denial rate:
= **12%**

COVID-19 Claim Cost Projections

Estimate Relativity for AY 2021 COVID-19 Claims Compared to AY 2020

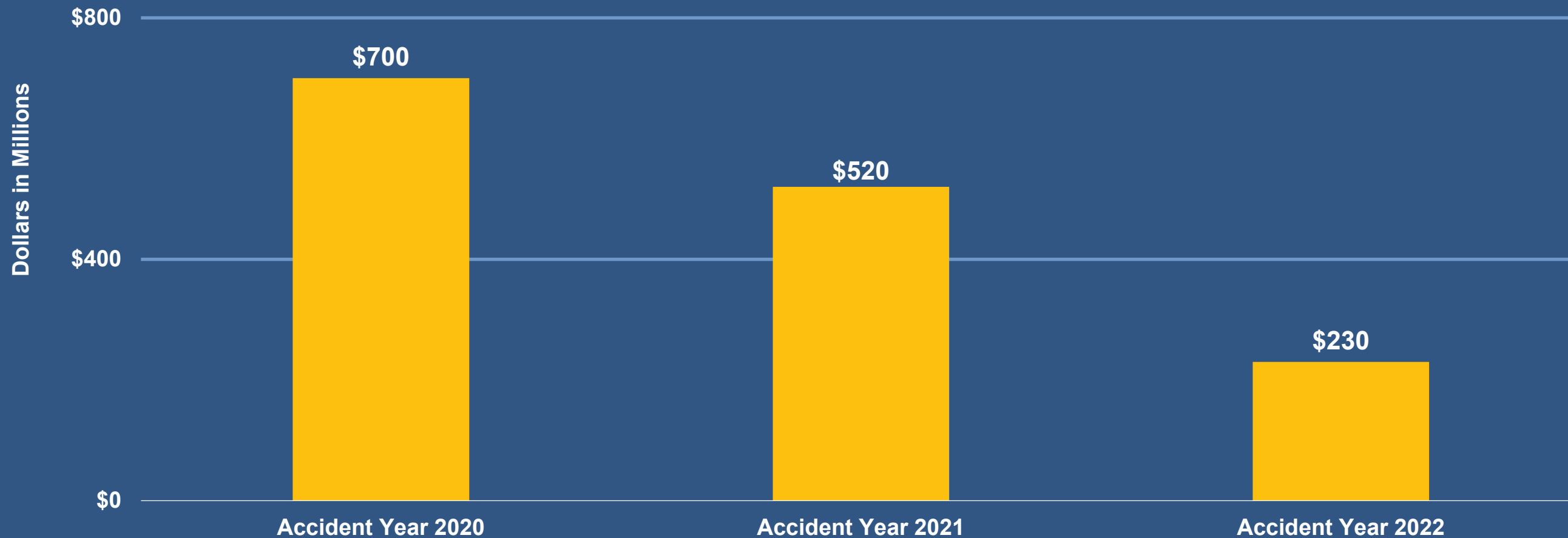
Published forecasts for COVID-19 in 2021 indicate 2021 is not significantly better or worse than 2020

- More infection waves beyond 2020 and likely continue until July 2022 based on mathematical modeling
- Outbreaks likely last 18-24 months and won't halt until >60% of the population is immune based on review of past global pandemics
- Similar number of hospitalizations in 2021 compared to 2020 not unreasonable (based on a Health Affairs article)
- A worst-case scenario analysis in U.K. by the U.K. Academy of Medical Sciences
 - Hospital deaths during Jan/Feb 2021 more than doubled that of spring 2020
- Yet no study accounted for the potential impact of a vaccine or existing/new treatments

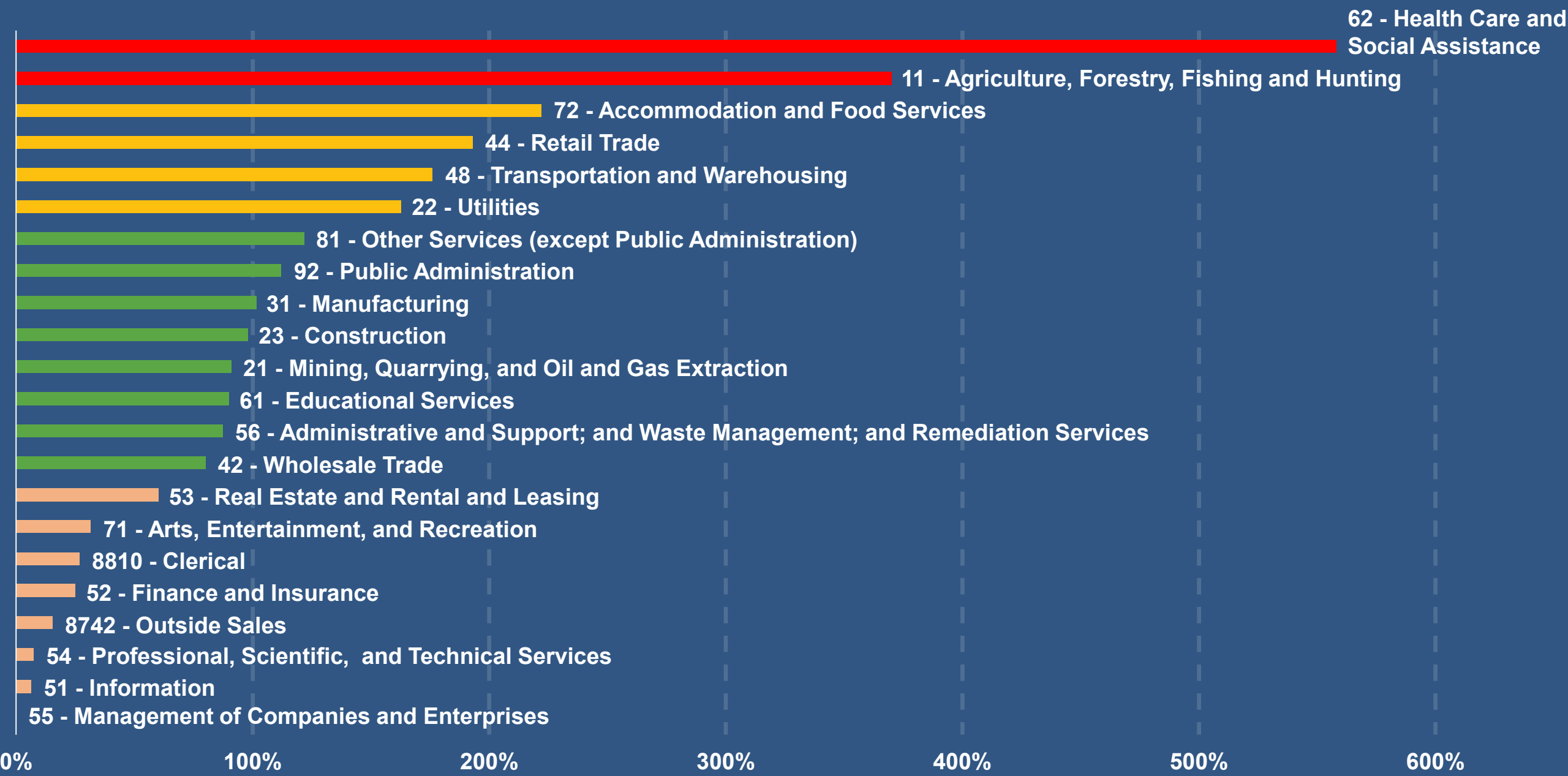
National and local public health experts anticipate repeated waves in the future

Potential for ongoing treatments and vaccines to reduce COVID-19 risk in 2021 and 2022

WCIRB Projected Cost of COVID-19 Claims for Insured System



Ratio of COVID-19 Claims to Payroll Relative to Statewide Average

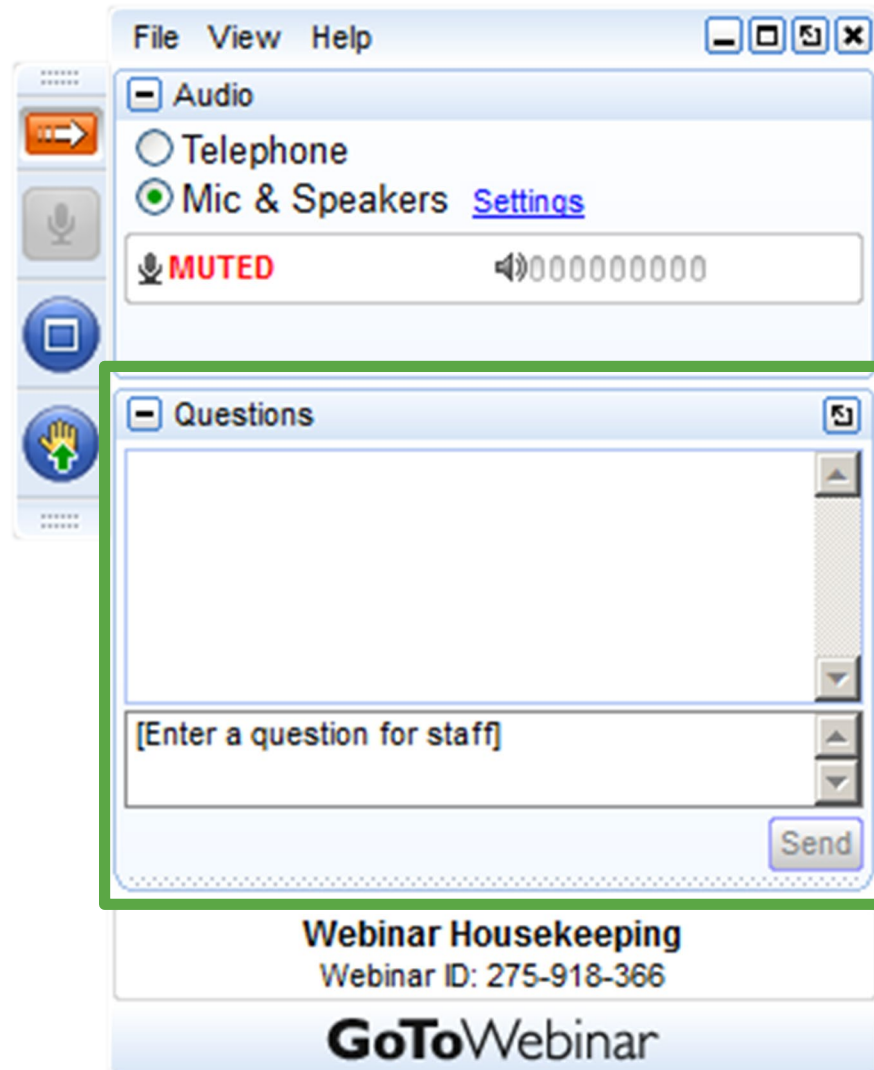


04

Questions and Answers



Questions



Asking a Question

You may submit questions using the Questions panel. Time permitting, we may be able to answer your question during the webinar; otherwise, we will respond offline.

05

WCIRB Resources



More Resources at WCIRB.com



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Latest News

→ WCIRB Evaluates Governor’s COVID-19 Executive Order Impact on Workers’ Compensation Costs

→ WCIRB COVID-19 Resources in One Place

→ Bulletin 2020-09 Coronavirus Disease – 2019 (COVID-19) Claim Reporting Requirements

→ WCIRB Responds to the COVID-19 Crisis

→ WCIRB Continues to Provide Services During California Shelter-in-Place Order

Research

→ Evaluation of Cost Impact of Governor Newsom’s Executive Order on Rebuttable Presumption for California COVID-19 Workers’ Compensation Claims

→ Cost Evaluation of Potential Conclusive COVID-19 Presumption in California Workers’ Compensation

Webinars

→ Register Now: WCIRB Evaluation Executive

Rules and Regulatory Changes

→ WCIRB Submits Special Regulatory Filing

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