

January 1, 2021 Pure Premium Rate Filing Review of June 30, 2020 Experience Governing Committee Meeting

September 9, 2020

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1/1/2021 Pure Premium Rate Filing

Summary of Governing Committee August 12, 2020 Review

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

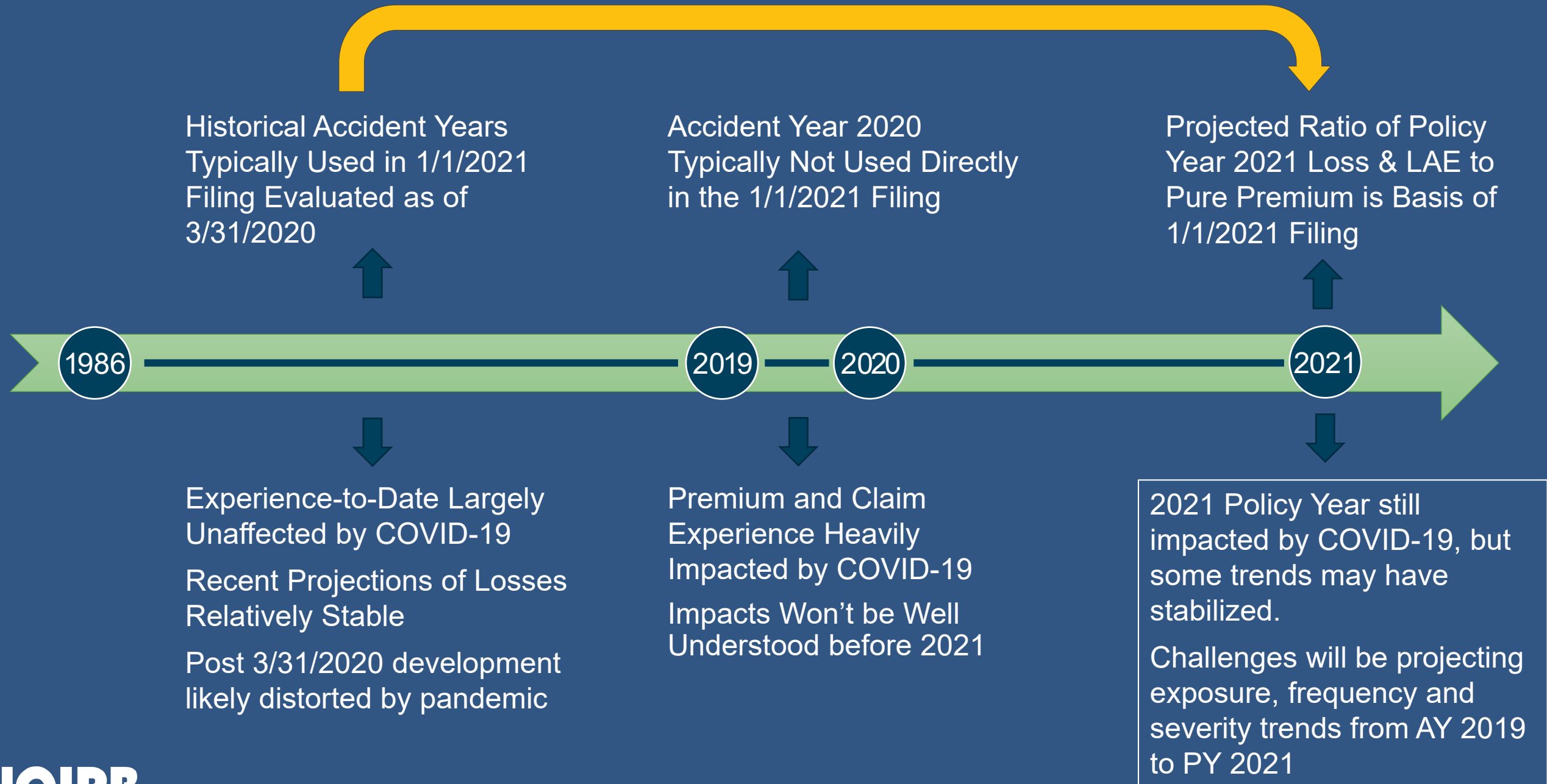
- Recommended Methodologies Generally Consistent with 1/1/2020 Filing
- Includes Adjustments to Long-Term Loss Development and ALAE Development for Claim Settlement Acceleration
- 1/1/2021 Indicated Average Pure Premium Rate: \$1.56 (\$1.50 excluding COVID-19 claim projection)
- 1/1/2020 Average Approved Pure Premium Rate: \$1.52
- 1/1/2021 Indicated Advisory Pure Premium Rate Change: +2.6%
- Filing Submitted to Commissioner on 8/26/2020
- Filing Subject to Amendment Based on WCIRB Review of 6/30/2020 Experience, Updated COVID-19 Information & Potential New COVID-19 Legislation

Governing Committee Review of June 30 Experience

Process & History

- WCIRB Annual Filings Generally Reflect March 31 Experience
 - Filing reflects comprehensive multi-month actuarial analysis of range of methodologies and data
 - June 30 experience becomes available by the time of the CDI Hearing
 - WCIRB Committees review June 30 experience prior to submission to CDI
 - Filing amended if major change in experience or due to legislation/regulation/judicial activity
- Recent History
 - 1/1/2020 Filing: no amended filing: 1% improvement in experience (CDI reflected June 30 experience in decision)
 - 1/1/2019 Filing: no amended filing: 1% improvement in experience (CDI reflected June 30 experience in decision)
 - 1/1/2018 Filing: amended (-2.5%) based on improving experience
 - 1/1/2017 Filing: amended (-1.8%) based on improving experience & SB 1160
 - 1/1/2016 Filing: no amended filing: 1% improvement in experience (CDI reflected June 30 experience in decision)
 - 1/1/2015 Filing: amended (-4%) based on improving experience
 - 1/1/2014 Filing: original filing based on June 30 experience later amended to reflect RBRVS cost impact (+1.8%)
 - 1/1/2013 Filing: amended to reflect SB 863
 - 1/1/2012 Filing: no amended filing: 1% deterioration in experience

January 1, 2021 Pure Premium Rate Filing

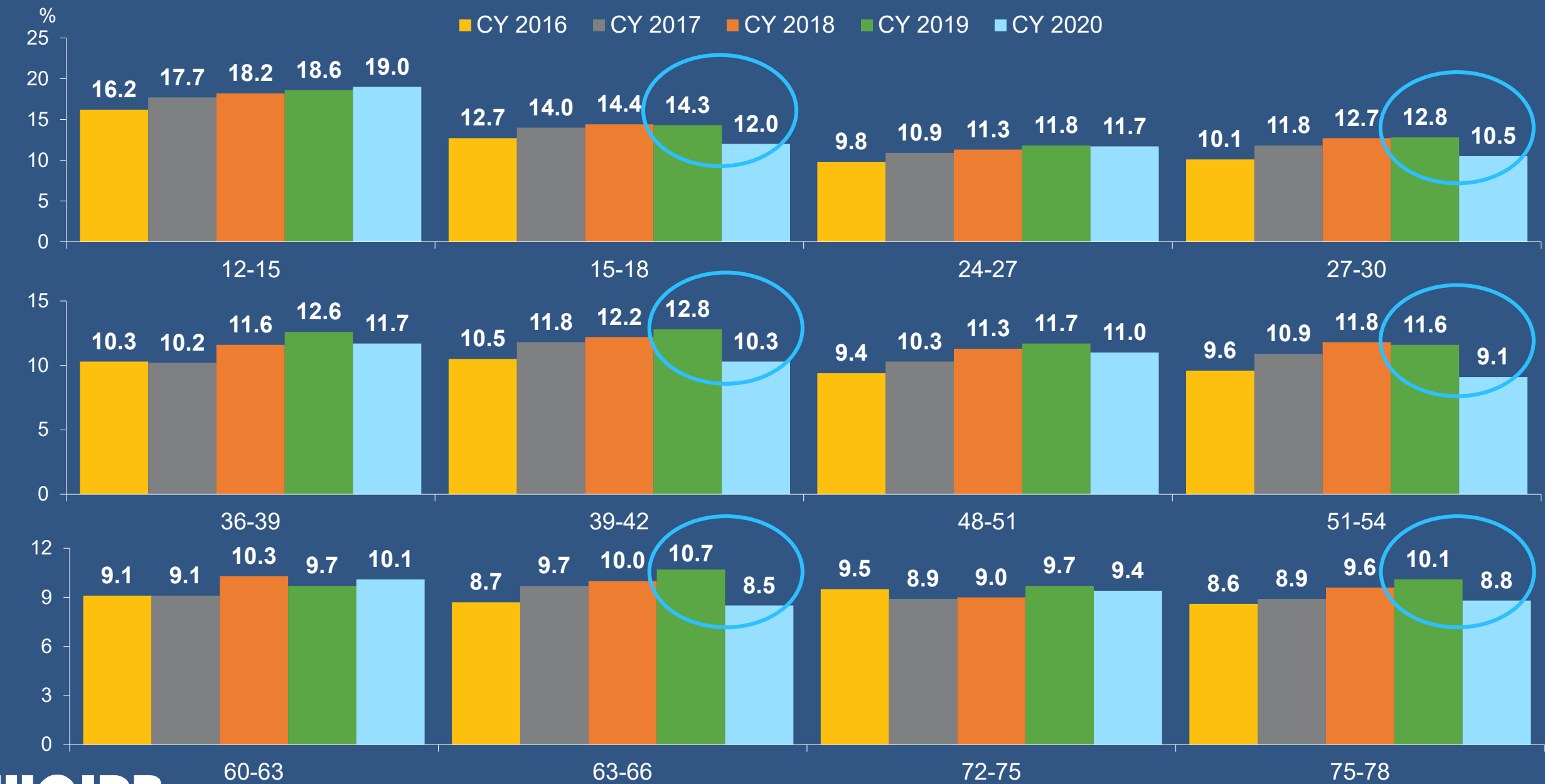


Summary of Actuarial Committee Review of 6/30/2020 Experience

- No recommended overall pure premium rate adjustments due to June 30 experience, Senate Bill No. 1159 and updated COVID-19 information (unanimous Actuarial Committee vote)
- Recommended adjustment to COVID-19 additive amounts by class based on updated COVID-19 information (Actuarial Committee vote: 8 in favor, 1 opposed)
- Loss Development
 - Settlement rates drop sharply in second quarter
 - Paid development slows in second quarter
- Trend
 - No updated economic or wage forecasts
 - 2020 claim counts dropping sharply
 - Indicators of increasing 2020 indemnity severity
- COVID-19 Claim Costs
 - Updated overall estimate consistent with 1/1/2021 Filing projection
 - Additional data suggests additional refinement in COVID-19 additive amounts by classification

Incremental Closed Indemnity Claims Compared to Prior Open Claims

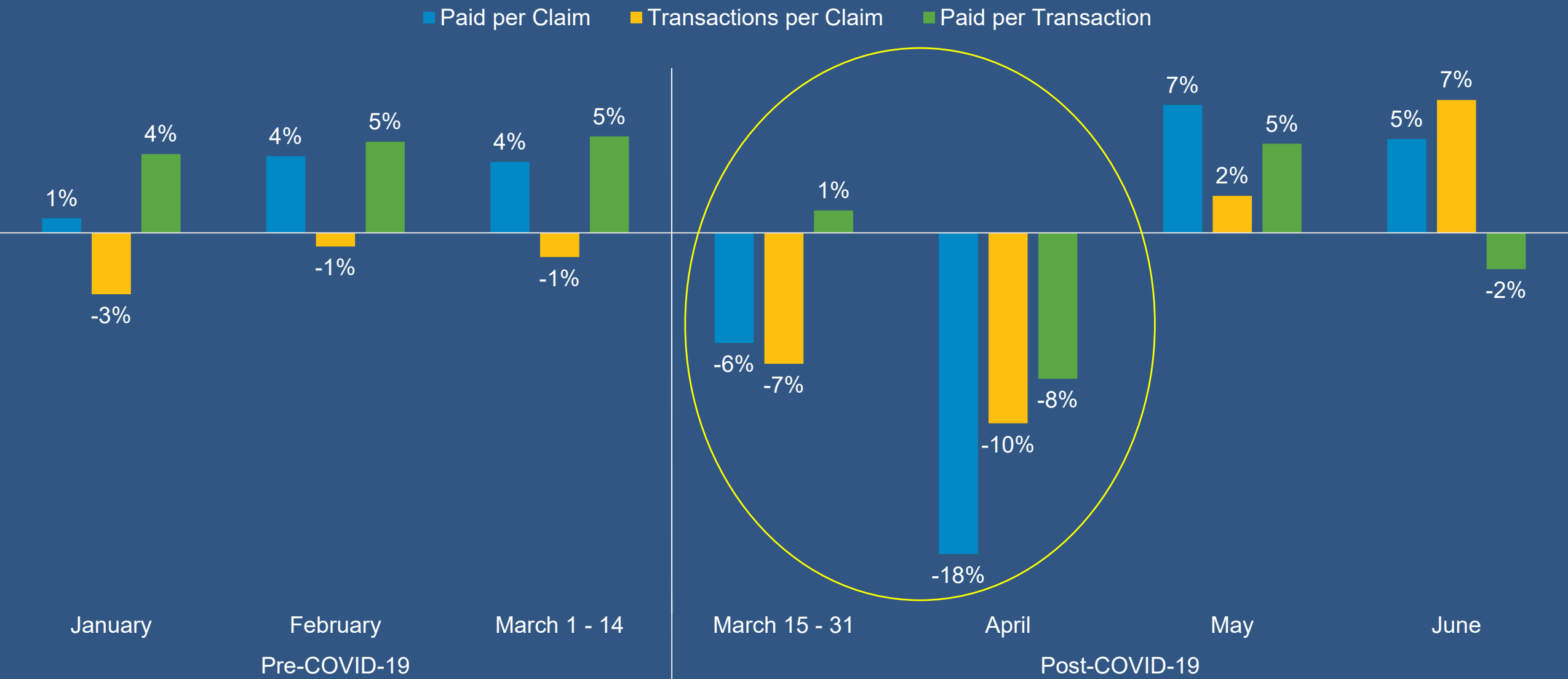
As of June 30, 2020



Percent Changes in Overall Medical Treatment Patterns and Costs

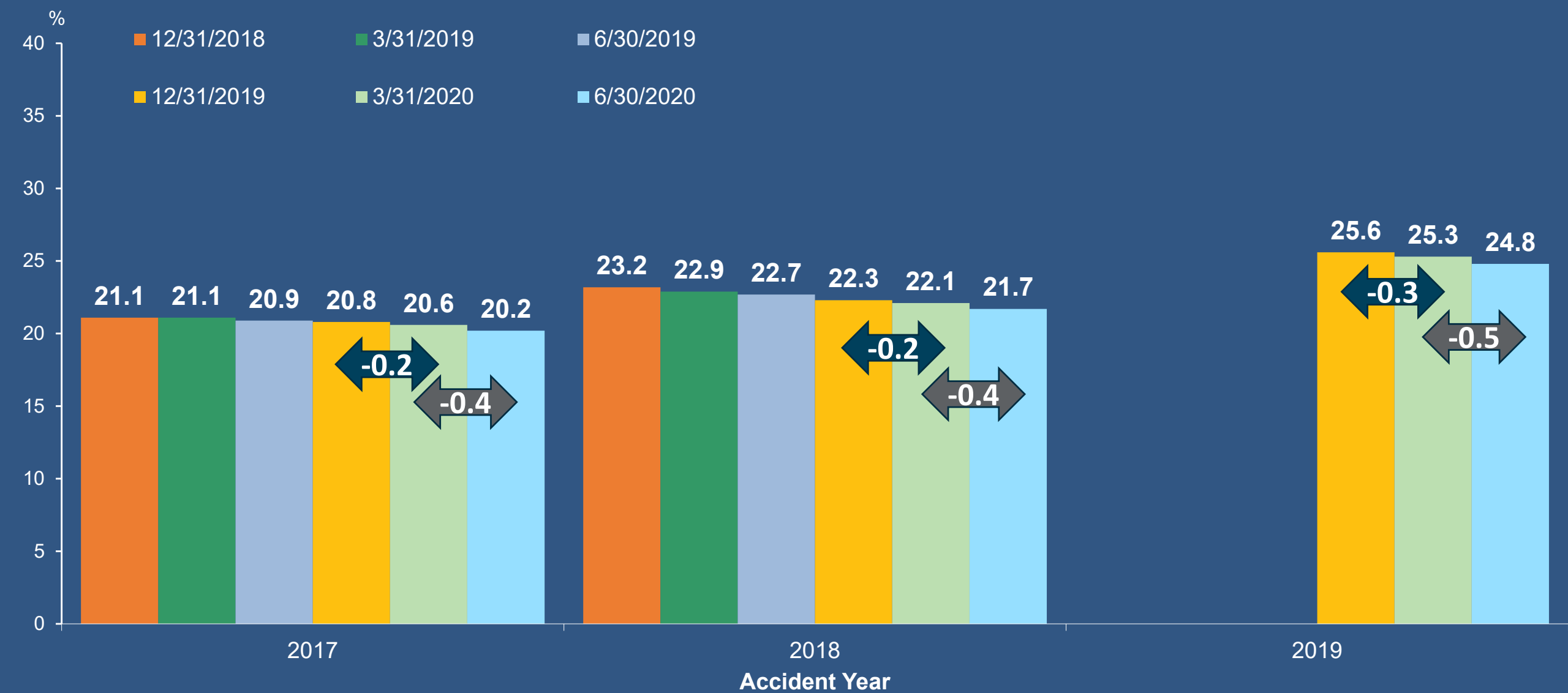
As of August 31, 2020

Pre- and Post-COVID-19 Periods in 2020 vs. Same Period in 2019



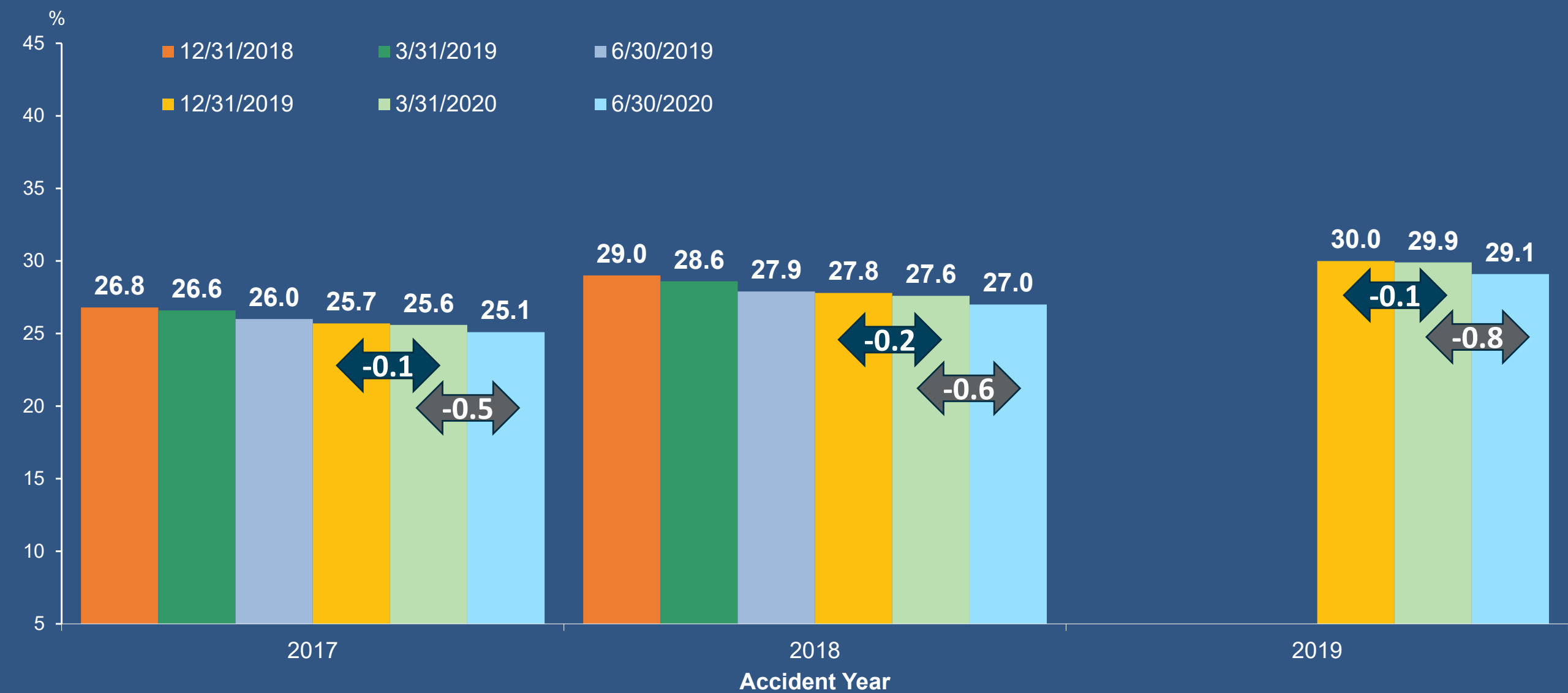
Developed Indemnity Loss Ratios

As of June 30, 2020



Developed Medical Loss Ratios

As of June 30, 2020



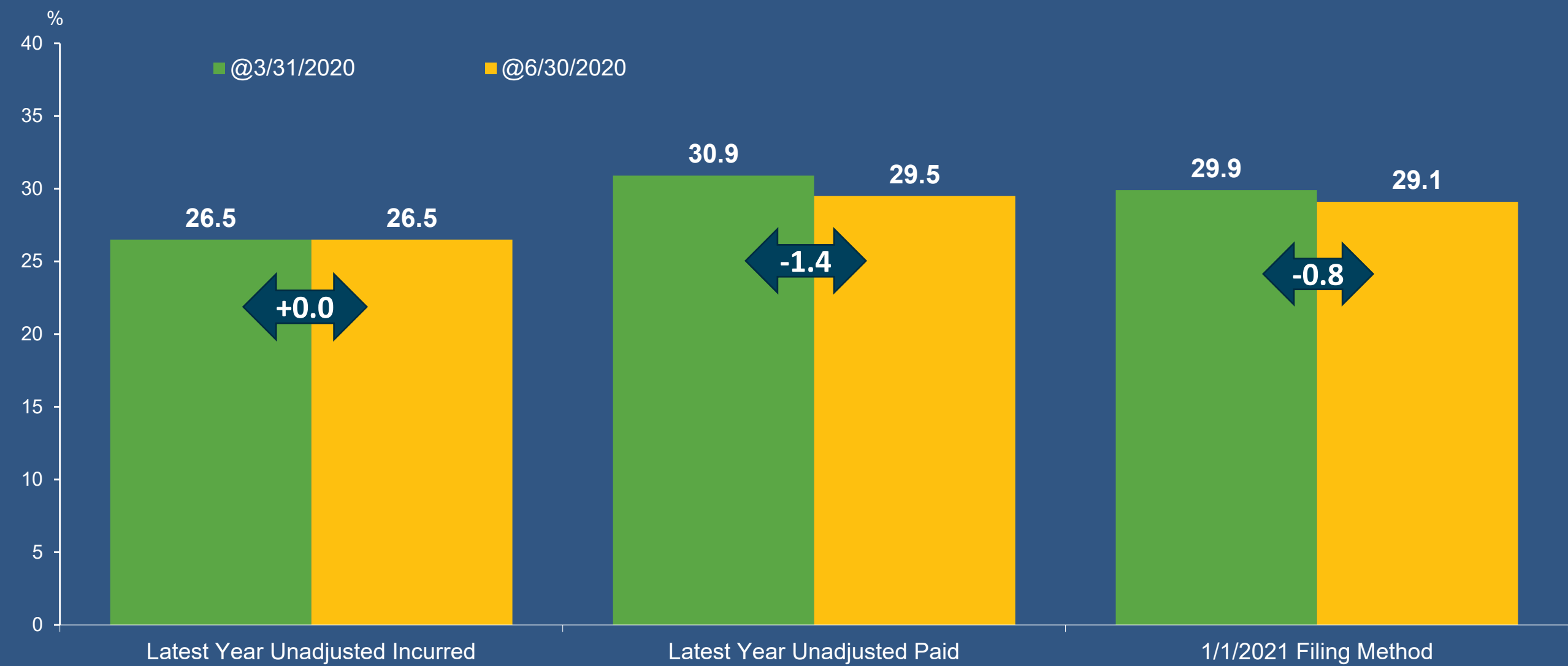
Developed AY 2019 Indemnity Loss Ratios under Different Methods

As of June 30, 2020



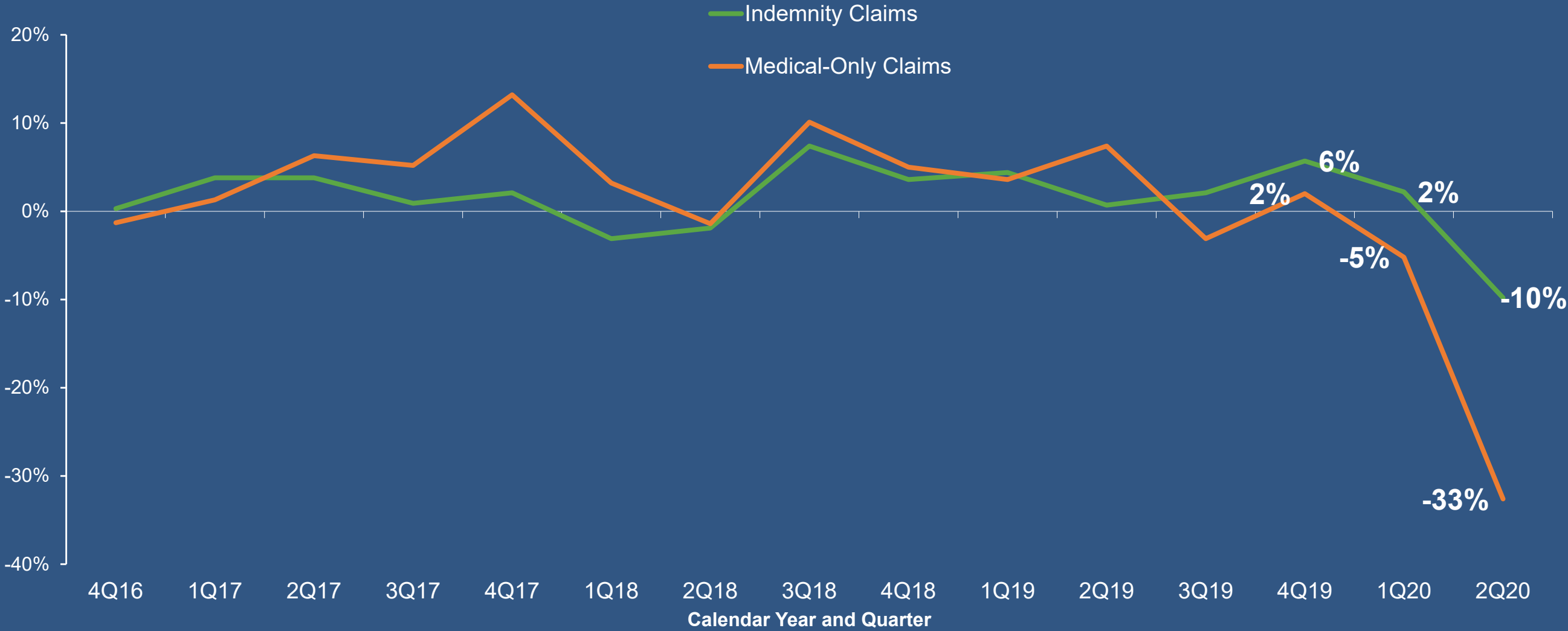
Developed AY 2019 Medical Loss Ratios under Different Methods

As of June 30, 2020



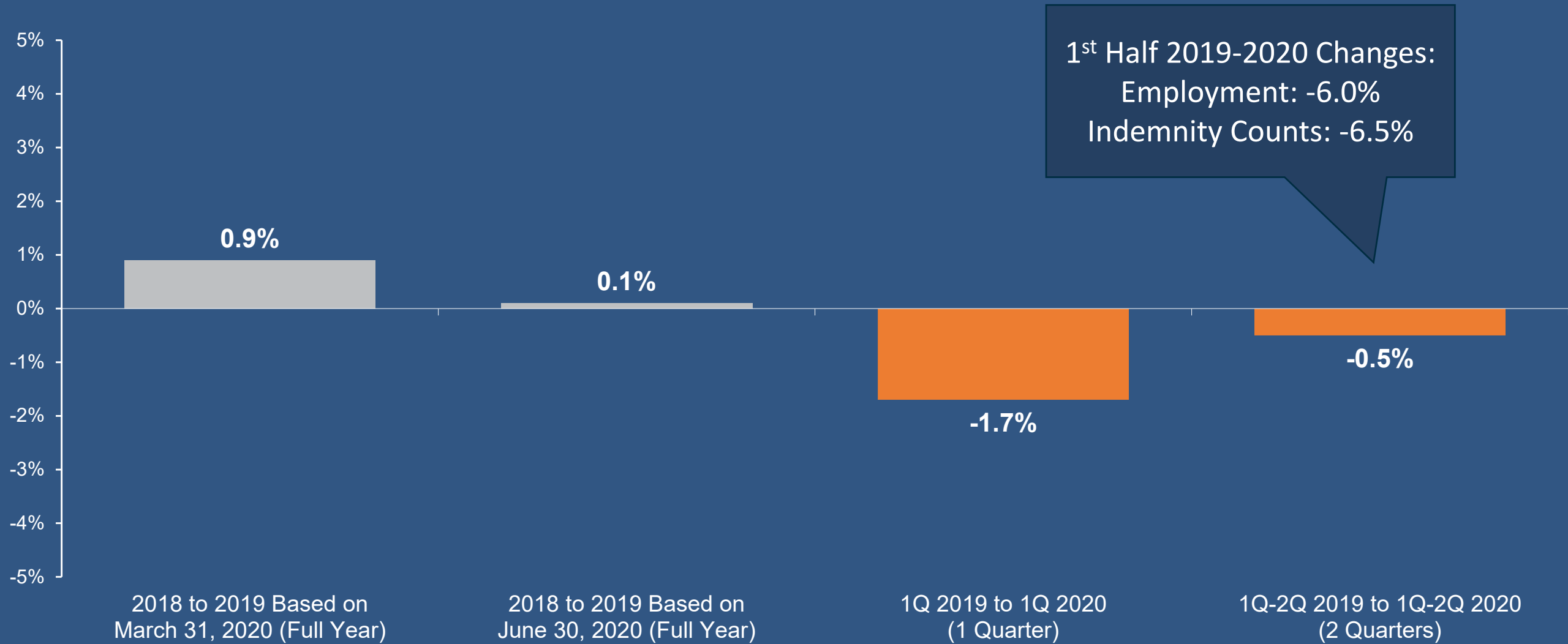
Change in Incremental Reported Claims from Same Quarter in Prior Year

As of June 30, 2020



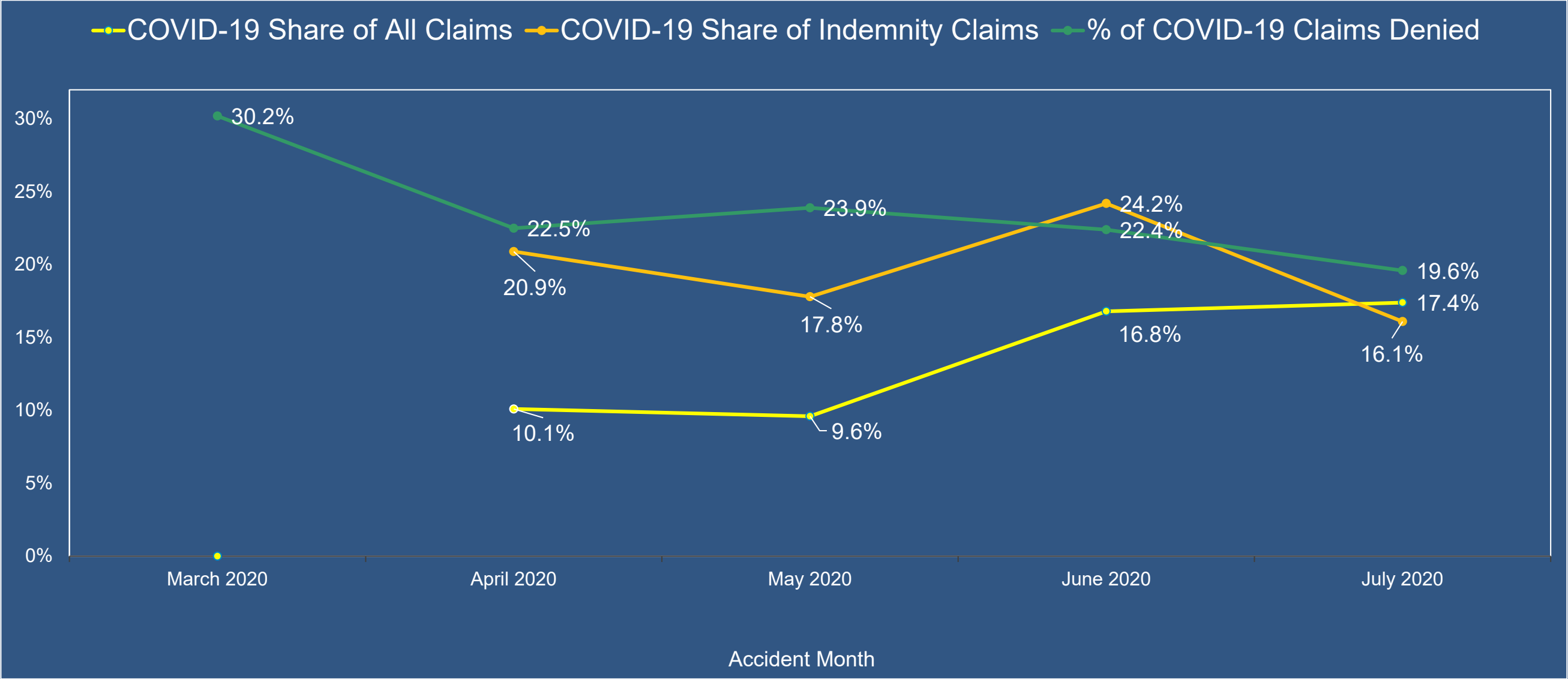
Estimated Changes in Indemnity Claim Frequency

As of June 30, 2020

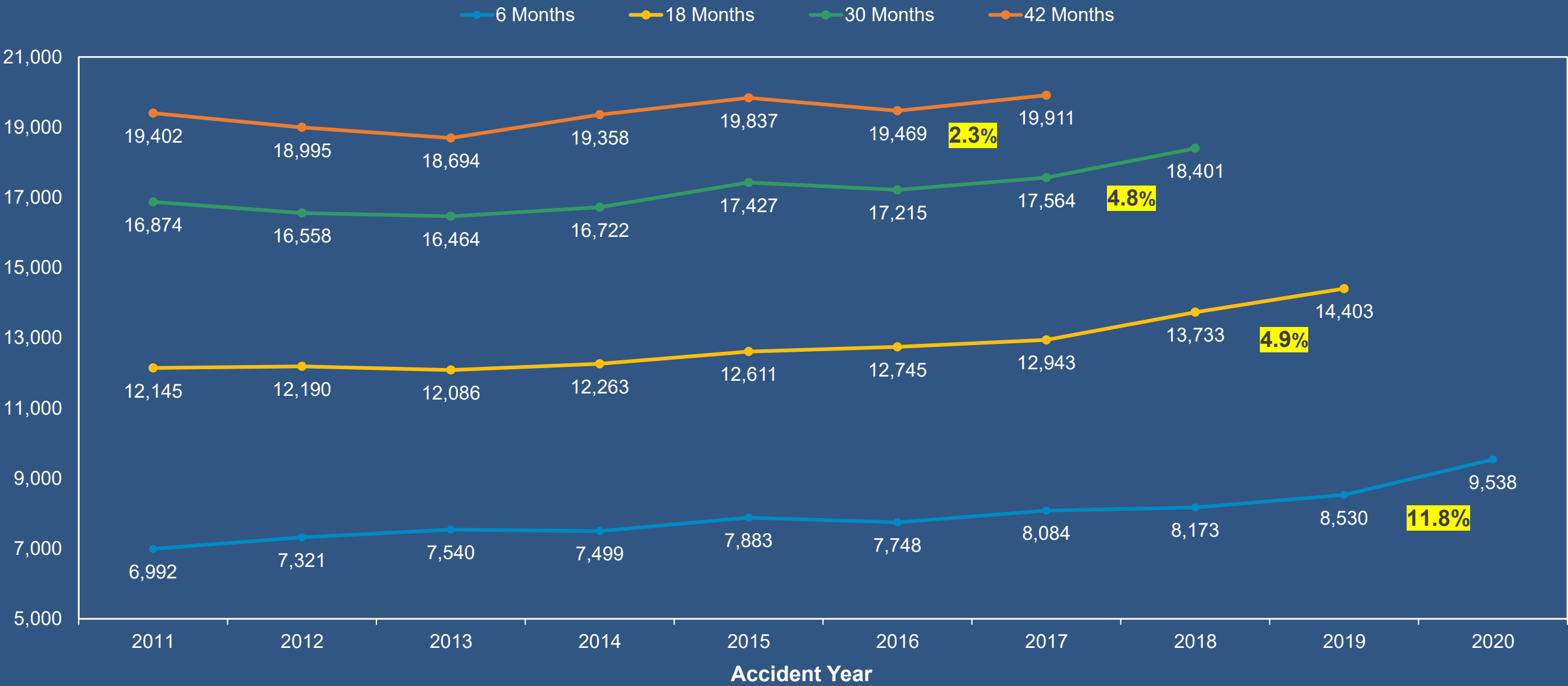


COVID-19 Share of Claims and Denial Rates

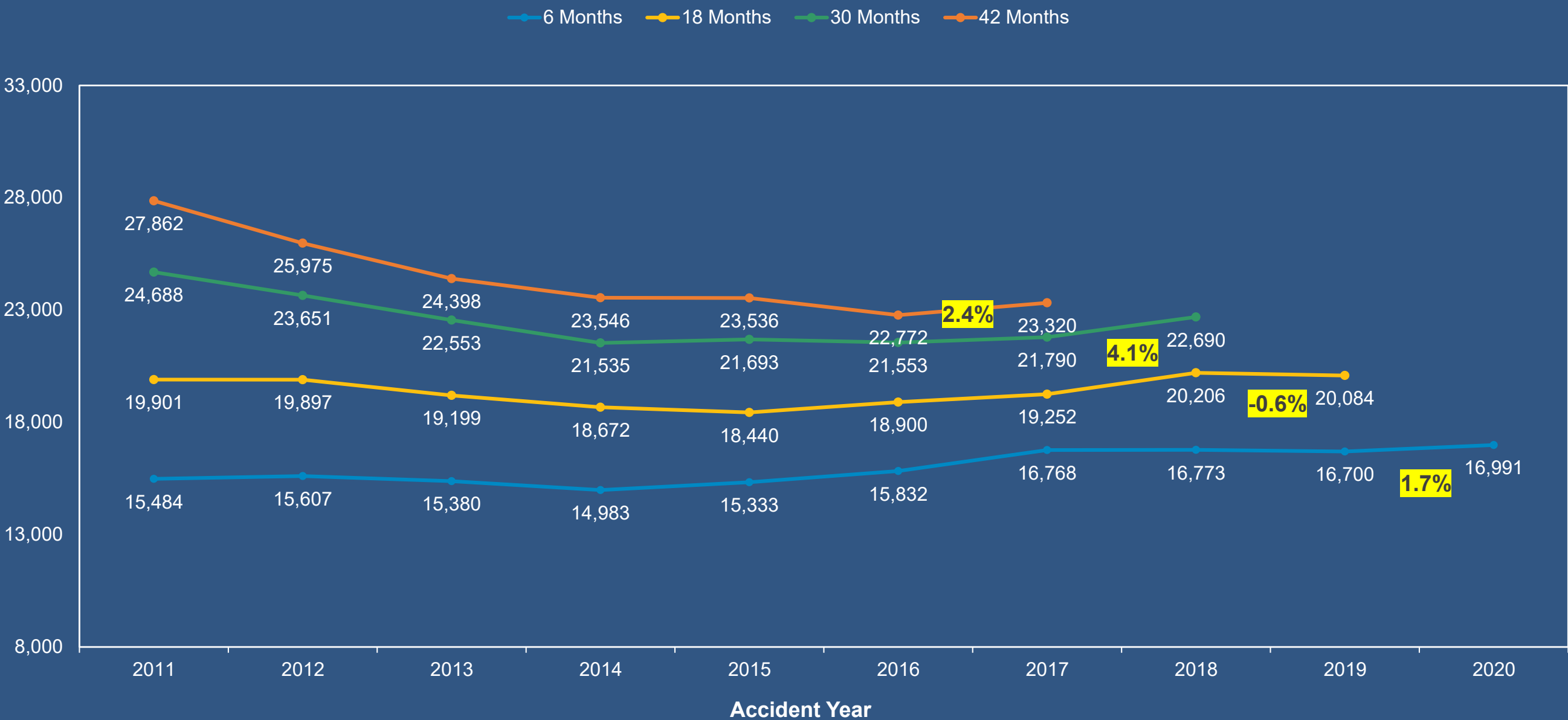
As of August 31, 2020



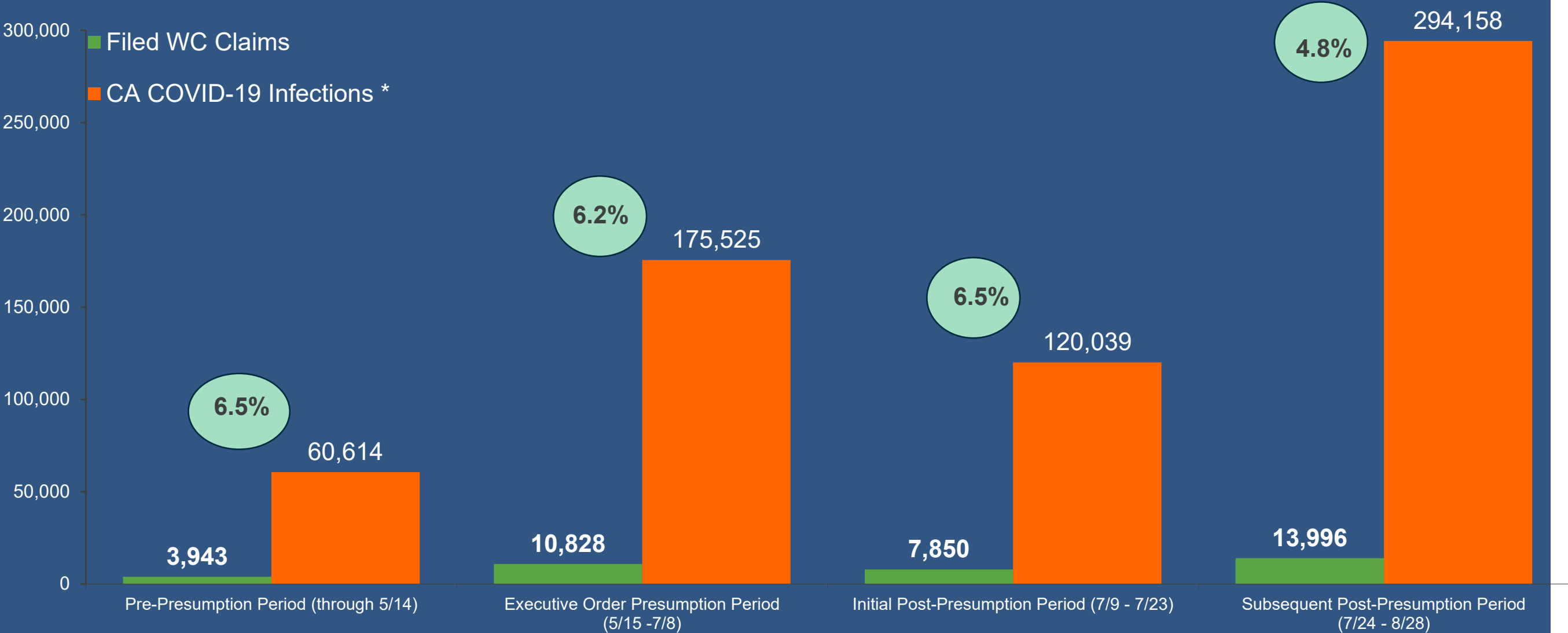
Incurred Indemnity per Indemnity Claim



Incurred Medical Loss per Indemnity Claim



Filed WC Claims Compared to California COVID-19 Infections



* Infection counts reflect data 7 days prior to the DWC claim counts to reflect the typical delays in workers' compensation claim filings.

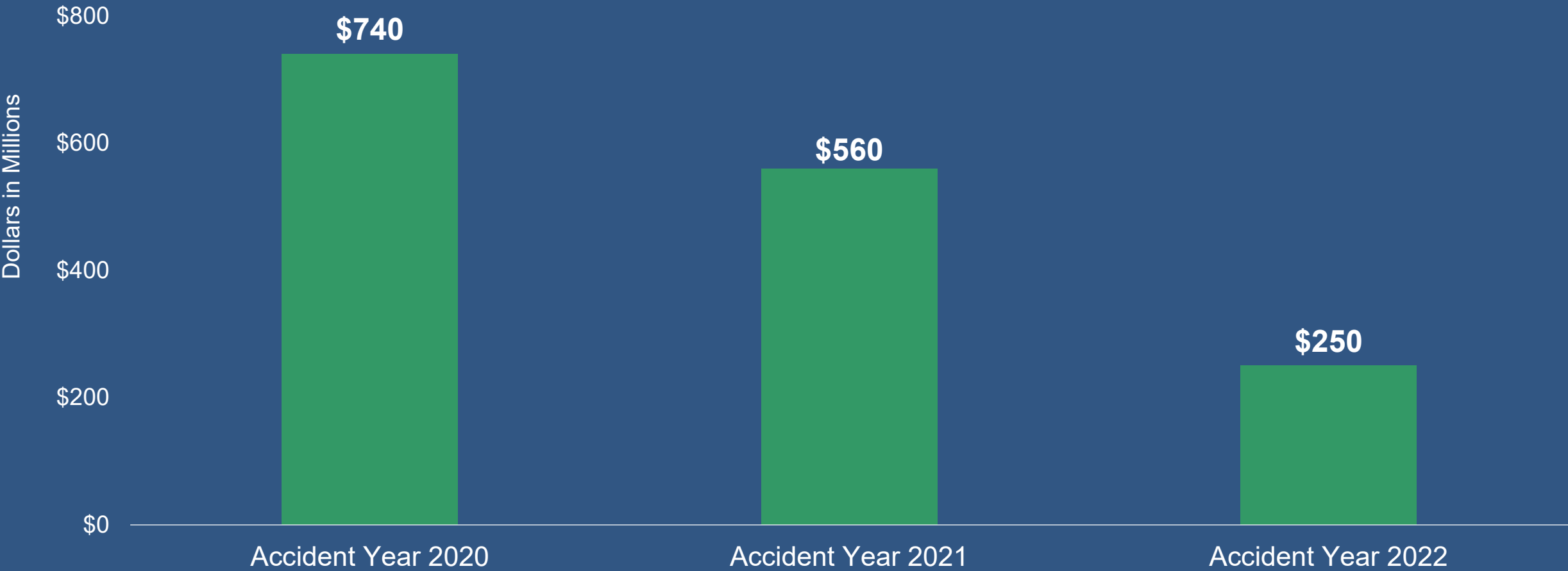
Report-to-Date vs. Projected AY 2020 Working-Age COVID-19 Deaths and Hospitalizations

	Report-to-Date (End of August)*	Projected to 2020 Year-End (Mid-Range Estimate)	Projected % Change between September and December 2020		
			Low	Mid	High
Total Deaths	4,776	8,377	+62%	+75%	+89%
Total Hospitalizations (incl. deaths)	27,908	51,150	+75%	+83%	+113%
Mortality per 100,000	18	31	+62%	+75%	+89%
Total Hospitalizations per 100,000 (incl. deaths)	104	191	+75%	+83%	+113%
Hospital Mortality (deaths/total hospitalized)	17%	16%	-8%	-4%	-11%

Updated Computation of Conversion Factor - COVID-19 Claims Filed vs. California COVID-19 Cases for the Working Age Population

1)	Adjusted Total COVID-19 Infections Age 18-69 as of August 2020 ¹ :	469,500
2)	Total COVID-19 Hospitalizations (Including Deaths) Age 18-69 as of August 2020 ² :	26,700
3)	Total COVID-19 Mild Cases Age 18-69: (1) - (2)	443,000
4)	COVID-19 Infections Excluding 50% of Mild Cases Age 18-69: (2) + (3) x 50%	248,100
5)	Total COVID-19 Workers' Compensation Claims Filed as of August 2020 ³ :	36,700
6)	Estimated Proportion of Claims Denied and Upheld:	15%
7)	Workers' Compensation Claim Conversion Factor: (5) / (4) x {1.0 - (6)}	12.5%

COVID-19 Projected Loss & LAE



1/1/2021-8/31/2021 Policy Period COVID-19 Provisions

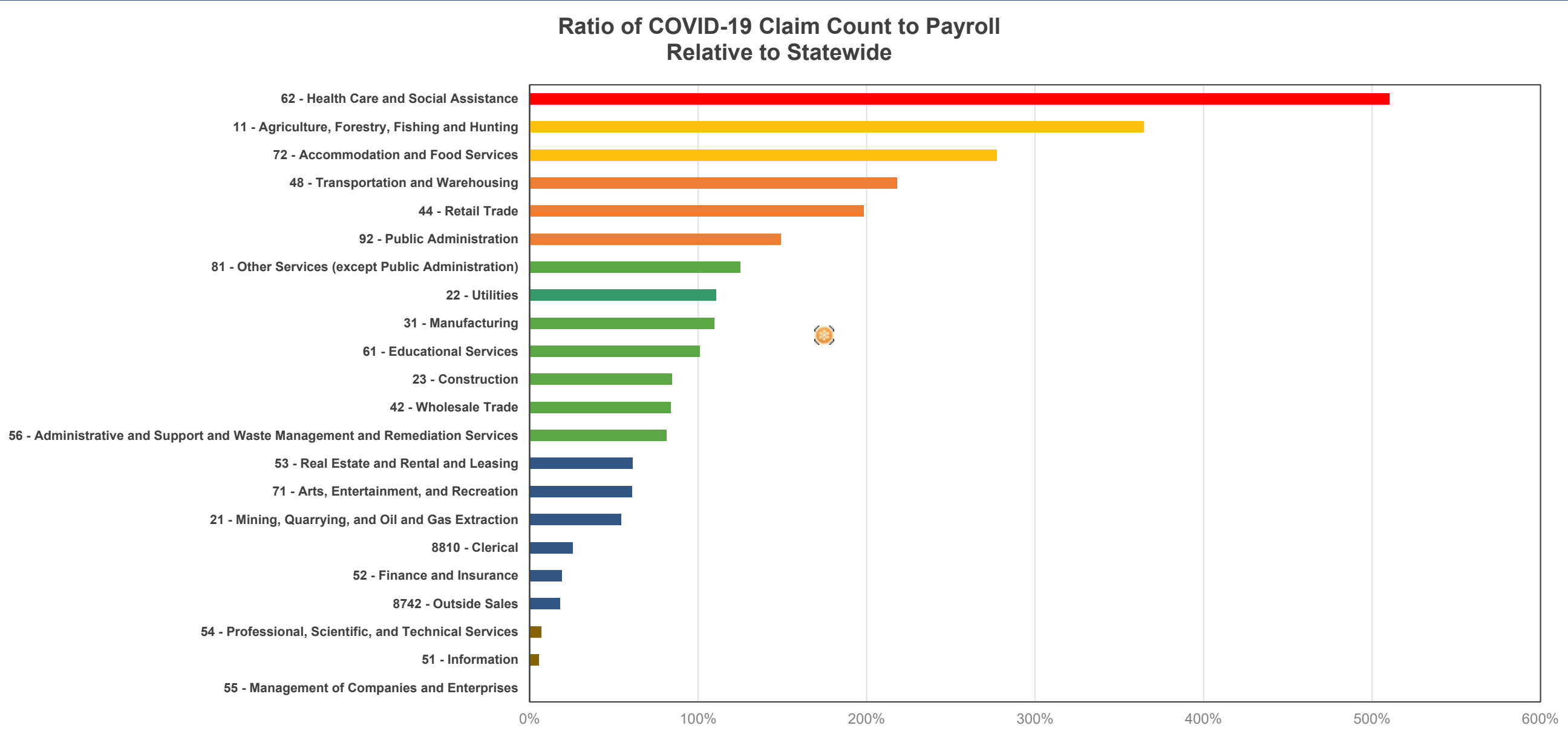
Range of Estimates	Death Projection (updated as of 8/31)	Hospitalization Projection	Relativity in 2021	Relativity in 2022	Final Provision
Low	MIT-YYG	75% increase between August and year end	50%	25%	2.6%
Mid	Average of MIT-YYG and IHME (universal masks)	MA's hospitalization rate (8/31)	75%	33%	4.1%
High	IHME (universal masks)	Average of MA and MD's hospitalization rate (8/31)	90%	50%	5.8%

Conversion factor is 12.5% for all scenarios.

1/1/2021 Filing: COVID-19 Provisions

- Updated 9/8/2020 Evaluation: Overall COVID-19 Cost Impact: +4.1% (+3.8% in 1/1/2021 Filing) or \$0.06 per \$100 of payroll
- Application of Factor to Classification Advisory Pure Premium Rates
 - COVID-19 exposures not proportionate to other workers' compensation exposures
 - Recommend application of additive amounts rather than multiplicative factors
 - Significant variation in COVID-19 claim rates by industry
- Differences in Application of COVID-19 Application in Advisory Pure Premium Rates and Experience Rating
 - 2021 classification advisory pure premium rate intended to reflect estimated cost of losses and loss adjustment expenses (LAE) on 2021 policies
 - Without COVID-19 consideration pure premium rates would understate cost of losses and LAE
 - A uniform loading would understate the cost in some classifications and overstate the cost in others
 - X-Mods are intended to reflect differences in an employer's estimated future overall cost level compared to the average expected for their classification based on their historical claim history
 - COVID-19 is a unique exposure not contemplated when 2020 experience rating values were developed
 - Occurrence or non-occurrence of 2020 COVID-19 claims not considered highly predictive of an employer's overall likelihood of claims in 2022, 2023 and 2024 compared to classification average

Industry COVID-19 Claim Count to Payroll Relativities



Market Share and COVID-19 Claim Count to Payroll Relativities

Group	Exposure Share	Non-COVID Pure Premium Share	Observed Relativity	Selected Relativity	Selected Ratio of COVID to Non-COVID Pure Premium
6	3.1%	5.1%	510%	400%	9.5%
5	5.8%	14.0%	300%	300%	5.0%
4	11.1%	19.4%	203%	200%	4.6%
3	20.1%	46.6%	99%	100%	1.7%
2	41.5%	11.1%	27%	50%	7.4%
1	18.4%	3.8%	7%	17%	3.2%

Exposures by class are unadjusted for 2020 changes in employment.

Within Industry COVID-19 Count to Payroll Relativities

NAICS 62 – Health Care and Social Assistance

NAICS 62 Sub-Group	Relativity
Physicians, Dentists, and Day Care	44%
Other NAICS 62 Classifications	150%

Exposures by class are unadjusted for 2020 changes in employment.

COVID-19 Grouping and Pure Premium Rate by Industry

Industry	Group	COVID-19 PPR
55 - Management of Companies and Enterprises	1	0.01
51 - Information	1	0.01
54 - Professional, Scientific, and Technical Services	1	0.01
8742 - Outside Sales	2	0.03
52 - Finance and Insurance	2	0.03
8810 - Clerical	2	0.03
21 - Mining, Quarrying, and Oil and Gas Extraction	2	0.03
71 - Arts, Entertainment, and Recreation	2	0.03
53 - Real Estate and Rental and Leasing	2	0.03
56 - Administrative and Support and Waste Management and Remediation Services	3	0.06
42 - Wholesale Trade	3	0.06
23 - Construction	3	0.06
61 - Educational Services	3	0.06
31 - Manufacturing	3	0.06
22 - Utilities	3	0.06
81 - Other Services (except Public Administration)	3	0.06
92 - Public Administration	4	0.12
44 - Retail Trade	4	0.12
48 - Transportation and Warehousing	4	0.12
Physicians, Dentists, and Day Care	4	0.12
72 - Accommodation and Food Services	5	0.18
11 - Agriculture, Forestry, Fishing and Hunting	5	0.18
62 - Health Care and Social Assistance excluding Physicians, Dentists, and Day Care	6	0.24

Actuarial Committee Recommended Proposed 2021 Pure Premium Rates – Sample Classifications

Sample Classifications	2020 Pure Premium Rate (PPRate)	Indicated 2021 PPRate (ex-COVID)	1/1/21 Filing Proposed PPRate (incl. COVID)	1/1/21 Filing Percent Change	AC Rec. 1/1/21 PPRate (incl. COVID)	AC Rec. 1/1/21 Percent Change
0040 Vineyards	\$3.71	\$3.49	\$3.73	+0.5%	\$3.67	-1.1%
0044 Cotton Farms	\$3.12	\$3.85	\$4.09	+31.1.%	\$4.03	+29.2%
8803 Auditors, Consultants	\$0.12	\$0.14	\$0.16	+33.3%	\$0.15	+25.0%
8810 Clerical	\$0.23	\$0.22	\$0.24	+4.3%	\$0.25	+8.7%
8829 Nursing Facilities	\$3.69	\$3.45	\$3.60	-2.4%	\$3.60	-2.4%
8834 Physicians	\$0.74	\$0.72	\$0.96	+29.7%	\$0.84	+13.5%
8839 Dentists	\$0.77	\$0.74	\$0.98	+27.3%	\$0.86	+11.7%
8859 Software Developers	\$0.06	\$0.04	\$0.06	0.0%	\$0.05	-16.7%
9043 Hospitals	\$1.35	\$1.36	\$1.60	+18.5%	\$1.60	+18.5%
9059 Day Care Centers	\$2.15	\$2.29	\$2.53	+17.8%	\$2.41	+12.1%
9079 Restaurants	\$2.89	\$2.90	\$3.02	+ 4.5%	\$3.08	+6.6%

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