

Actuarial Committee

Meeting Agenda

Date	Time	Location	Staff Contact
February 16, 2021	9:00 AM	WCIRB Webinar Teleconference	David M. Bellusci
1221 Broadway, Suite 900 • Oakland, CA 94612 • 415.777.0777 • Fax 415.778.7007 • www.wcirb.com • wcirb@wcirb.com			

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I. Approval of Minutes

Meetings held on December 8, 2021 and December 11, 2021

II. Working Group Meeting Summaries

None

III. New Business

A. AC21-02-01: 9/1/2021 Regulatory Filing – Experience Rating Plan Values

B. AC21-02-02: Pandemic Impact on 2020 Development

IV. Matters Arising at Time of Meeting

V. Next Meeting Date: March 16, 2021

VI. Adjournment

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Item AC21-02-01

9/1/2021 Regulatory Filing – Experience Rating Plan Values

An analysis of the indicated experience rating off-balance factor and the factors used to generate proposed expected loss rates for September 1, 2021 to August 31, 2022 policies will be presented at the meeting. The methodology to produce the indicated experience rating off-balance factor and expected loss rates, as reflected in the last several regulatory filings, is summarized below and includes any changes recommended by staff to produce these values for September 1, 2021 to August 31, 2022 policies in lieu of January 1 to December 31 policy periods.

Off-balance Factor

The calculation of the indicated off-balance factor is initially based on the average modification and average credibility assigned to the experience of all experience rated employers for the most recent three policy years (2018 through 2020 for the indicated off-balance factor for September 1, 2021 to August 31, 2022 policies). This information is based on the WCIRB's experience modification records and reflects the actual modifications issued for each of those policy years. Based on this information, the ratio of actual to expected losses for experience rated employers in each of these years is estimated. This ratio is then adjusted by (a) the off-balance factor that was used to adjust each year's expected loss rates, (b) the adjustment that was made to the expected loss rates to produce the target off-balance factor for that year (if applicable), (c) the adjustment that was made to each historical year's expected loss rates to reflect the impact of California Insurance Code Section 11751.9 corrections based on closed claim values that are significantly below the values of the claims that were used in an experience modification computation, and (d) the hindsight correction factor for the expected losses for each of these policy years, which is intended to adjust for any difference in projected expected loss rates and the level of losses that actually underlies a year's experience modifications.¹ Staff is not recommending any changes to this approach for the September 1, 2021 Regulatory Filing values.

The ratios, after adjustment as described above, represent the estimated ratios of actual to expected losses for experience rated employers in which the total actual losses for all employers equal the total expected losses for the experience period. The projected ratio of actual to expected losses for experience rated employers is selected as the average of the latest three years' ratios adjusted as described above. The projected average credibility for experience rated employers is selected as the average credibility for the most recent completed policy year of experience (policy year 2020 for the September 1, 2021 Regulatory Filing).

The computation of the indicated off-balance factor is based on the projected ratio of actual to expected losses and the projected average credibility computed as described above as well as the ratio of experience rated premium to total premium. This ratio is based on a comparison of the premiums at the advisory pure premium rate level for experience rated employers with those for all employers including employers who are not experience rated based on the most recent three policy years of experience (policy years 2016 through 2018 for the September 1, 2021 Regulatory Filing). The computation of the indicated off-balance factor is derived from the relationship of the off-balance factor as the reciprocal of the average modification over all risks.² (The off-balance factor reflected in the January 1, 2021 advisory pure premium rates and expected loss rates is 1.019.)

¹ The hindsight correction factor for each year is computed as the ratio of the statewide weighted average of the promulgated expected loss rates (adjusted to remove that year's off-balance factor and its related adjustment, if any, and the adjustment to reflect the impact of California Insurance Code Section 11751.9 rerates) to the hindsight weighted average statewide ratio of losses (excluding first \$250 and limited to \$175,000) to payroll for the policy years and report levels reflected in that year's experience modifications.

² That is $OBF = 1 / (\text{Avg. Mod All Risks})$, where $\text{Avg. Mod All Risks} = (\text{Avg. Mod Rated Risks} \times \text{Premium Share of Rated Risks}) + (1.0 \times \text{Premium Share of Non-rated Risks})$, and where the formula for the average modification for rated risks is as follows: $\text{Avg. Mod Rated Risks} = [(\text{Avg. Ratio of Actual to Expected}) \times (1 / OBF) \times (\text{Avg. Credibility})] + [1.0 \times (1 - \text{Avg. Credibility})]$.

Expected Loss Rates

The expected loss rates represent the average losses per \$100 of payroll by classification estimated to be reflected in experience rating calculations for policies incepting between September 1, 2021 and August 31, 2022. They are computed by comparing the average limited loss to payroll ratio included for each classification as computed in the WCIRB's proposed September 1, 2021 classification relativities with the average level of losses per \$100 of payroll anticipated to be used in September 1, 2021 to August 31, 2022 experience modification calculations.

The WCIRB's methodology to determine classification expected loss rates uses adjustment factors based on the experience of classifications grouped in accordance with the North American Industry Classification System (NAICS). The average adjustment factors on a statewide, all classifications combined basis are first computed to ensure that the factors computed by NAICS sector groupings balance to the statewide, all classifications combined expected loss rate level. These factors begin with the calculation of the average indicated ratio of limited losses to \$100 of payroll based on the total statewide payroll generated on the most recent two "policy years" used in the WCIRB's classification relativities analysis (2017 and 2018)³ and the indicated limited loss to payroll ratios for each classification, segregated between the indemnity and medical components.

Next, the estimated average ratio of losses to \$100 of payroll for the time period and maturity level to be reflected in September 1, 2021 to August 31, 2022 experience modifications is computed. For the September 1, 2021 Regulatory Filing, this generally reflects policies incepting between September 1, 2017 and August 31, 2018 at third unit statistical report level, policies incepting between September 1, 2018 and August 31, 2019 at second unit statistical report level, and policies incepting between September 1, 2019 and August 31, 2020 at first unit statistical report level. For the September 1, 2021 Regulatory Filing, staff recommends that these ratios be determined as follows (this approach is generally consistent with that reflected in the last several regulatory filings, with adjustments made based on the new policy effective dates and available unit statistical data):

- The average expected ratios of indemnity and medical losses per \$100 of payroll for September 1, 2017 to August 31, 2018 policies are determined by developing the first unit statistical report level ratios from these policies to third unit statistical report level. The development factors used to develop this experience are based on the most recently available accident year experience converted to a basis for September 1, 2017 to August 31, 2018 policies.⁴
- The average expected ratios of indemnity and medical losses per \$100 of payroll for September 1, 2018 to August 31, 2019 policies are determined in a similar way, by developing available data at first unit statistical report level (18 months from policy inception) to second unit statistical report level (30 months from policy inception). For the average expected ratios for September 1, 2018 to August 31, 2019, data from policies incepting between April 1, 2018 and March 31, 2019 are used and trended forward five months to reflect the period of experience underlying September 1, 2018 to August 31, 2019 policies.⁵ The development factors used to develop this experience are based on the most recently available accident year experience converted to a basis for September 1, 2018 to August 31, 2019 policies.⁶

³ In the classification relativities proposed to be effective September 1, 2021, "policy year" refers to policies incepting between October 1 of the prior year and September 30 of the year. For example, "policy year" 2018 refers to policies incepting between October 1, 2017 and September 30, 2018.

⁴ For development from 18 to 21 months, a weighted average based on 25% weight applied to accident year 2018 development and 75% weight applied to accident year 2019 development is used. For development from 21 to 33 months, accident year 2018 development is used. For development from 33 to 42 months, accident year 2017 development is used.

⁵ The trend factors used are based on changes in accident year indemnity and medical loss ratios reflected in the January 1, 2021 Pure Premium Rate Filing, converted to a September 1 to August 31 policy period using a standard actuarial parallelogram approach.

⁶ For development from 18 to 21 months, accident year 2019 development is used. For development from 21 to 30 months, accident year 2018 development is used.

- The average expected ratios of indemnity and medical losses per \$100 of payroll for September 1, 2019 to August 31, 2020 policies are estimated from the prior year's ratios, adjusted for the change in the average accident year loss ratios estimated in the January 1, 2021 Pure Premium Rate Filing—with the premiums adjusted to a common basis but with the impact of projected wage inflation removed—and converted to a September 1 to August 31 policy period basis using a standard actuarial parallelogram approach.

The average of the expected loss to payroll ratios for each of the three years of the experience rating period computed as described above are adjusted by three additional factors: (1) the selected experience rating off-balance correction factor to be reflected in September 1, 2021 to August 31, 2022 expected loss rates, (2) the factor to reflect the individual loss limitation of \$175,000 and the elimination of the first \$250 of each claim in the experience rating calculation,⁷ and (3) the factor to reflect the estimated average impact of experience modification revisions resulting from Insurance Code Section 11751.9 rerates. The product of these factors represent the average adjustments across all NAICS Sector groupings to produce the average indicated September 1, 2021 to August 31, 2022 expected loss rates when applied to the statewide indicated limited loss to payroll ratios from the September 1, 2021 classification relativity analysis.

The computation of the adjustment factors for each of the NAICS Sector groupings is analogous to that described above on a statewide, all classifications combined basis, with the following exceptions:

1. The estimated first report level ratios of indemnity and medical losses per \$100 of payroll for September 1, 2017 to August 31, 2018 policies and September 1, 2018 to August 31, 2019 policies for each NAICS Sector grouping are developed to third and second report levels, respectively, based on the latest available year incurred development factor derived from unit statistical data for that NAICS Sector grouping.
2. The estimated first report level ratios of indemnity and medical losses per \$100 of payroll for September 1, 2019 to August 31, 2020 policies for each NAICS Sector grouping are computed by adjusting the first report level ratios of indemnity and medical loss to payroll for September 1, 2018 to August 31, 2019 policies for that NAICS Sector grouping by the annual change in the first report level ratios of indemnity and medical loss to payroll for that NAICS Sector grouping from the latest available unit statistical data,⁸ with individual claims limited to \$500,000.
3. An additional factor is applied to adjust the indemnity and medical expected loss rate factors computed at the NAICS Sector grouping level to balance to the statewide, all classifications combined expected loss rate factors.
4. The indicated September 1, 2021 change in a classification's expected loss rate relativity to the statewide average expected loss rate from the prior year's expected loss rate relativity is limited to 15%. The cost of redistributing the impact of the capped classifications' net expected losses above the 15% limitation is distributed among the remaining uncapped classifications.

The factors by NAICS Sector grouping, computed as described above, are applied to the indicated limited loss to payroll ratios for indemnity and medical that are computed in the September 1, 2021 classification relativity analysis. Each indemnity and medical loss to payroll ratio is adjusted by the appropriate factor based on the NAICS Sector grouping to which that classification is assigned. The adjusted indemnity and medical ratios for each classification are then added together to generate the expected loss rate for that classification proposed to be effective September 1, 2021 with each classification's expected loss rate change in relativity limited to a 15% change from the classification's relativity underlying the January 1, 2021 expected loss rates.

⁷ This factor is based on utilizing the latest available unit statistical data and de-trending the \$175,000 and \$250 loss limits from the average level underlying the data used to compute September 1, 2021 to August 31, 2022 experience modifications to the average level of the latest available unit statistical data.

⁸ September 1, 2016 to August 31, 2017 policies compared to September 1, 2017 to August 31, 2018 policies.

Item AC21-02-02

Pandemic Impact on 2020 Development

As discussed at recent Committee meetings, the COVID-19 pandemic and resulting stay-at-home orders may be significantly distorting the second quarter 2020 and later experience due to delayed claims activity. As a result, paid loss development from this period may not be appropriate to project future loss development. Staff conducted an initial review of second and third quarter 2020 development and potential approaches to adjust for the impact of the pandemic on the loss development projection.

Comparison of Paid and Incurred Development in 2020

Exhibits 1 through 3 compare quarterly changes in incremental paid and incurred development by calendar year. Exhibit 1 compares changes over the most recent two to six accident years. Exhibit 2 compares changes over the next five (7th through 11th) accident years. Exhibit 3 compares changes over the next ten (12th through 21st) accident years. The most recent accident year has been excluded to remove the impact of accident year 2020, which is more directly impacted by COVID-19 claims and the economic slowdown compared to the development on prior accident years (accident year 2020 development is discussed separately below).

Exhibits 1.1 and 1.2 show changes in incremental indemnity and medical losses, respectively, over the 2nd through 6th least mature accident years. The change in both incremental paid indemnity and incremental paid medical in the second quarter of 2020 was somewhat lower than the prior two calendar years, while the change in incremental case reserves in the second quarter was somewhat higher than the significant decreases experienced in the prior two calendar years. In the third quarter of 2020, changes in these measures were more comparable to prior calendar years. The changes in incremental payments and case reserves generally offset each other, so the change in incremental incurred indemnity and medical in calendar year 2020 were more comparable to the prior two calendar years. This suggests that incurred development may be less distorted by the pandemic than paid development over this period.

As shown in Exhibits 2.1 and 2.2 for the 7th through 11th accident years, these relationships were more modest but generally similar to the less mature accident year period. However, for medical as shown in Exhibit 2.2, medical case reserves in the second quarter of 2020 declined at a slightly greater rate than in the past, resulting in lower incurred development compared to prior calendar years. As shown in Exhibits 3.1 and 3.2 for the 12th through 21st accident years, changes in these measures were very modest and comparable to prior calendar periods and do not appear to be significantly distorted by the pandemic.

Given the longstanding preference for paid loss development that have been discussed at prior Committee meetings and in prior pure premium rate filings, staff is not recommending using incurred development to correct for the recent distortions related to the pandemic. However, the observation that the slower payments in the second quarter of 2020 did not significantly impact incurred development at earlier maturities suggests that paid development for these accident years may at some point “catch up” to the pre-pandemic development pattern.

Analysis of Medical Transaction Data

Staff reviewed medical transaction data from 2020 to determine if the medical treatment pattern on older accident year claims shifted significantly during the pandemic. Exhibit 4 shows, for all medical services paid, the change in quarterly payments compared to the same quarter of the prior year. Exhibit 4 shows this information both on an all accident year basis and on a basis excluding the most recent accident year (to exclude the impact of accident year 2020). In the first quarter of 2020, medical payments changed at a rate generally consistent with recent trends. In the second and third quarters of 2020, medical payments declined significantly. When including accident year 2020, this was mostly driven by a decline in the number of claims receiving payments, which includes the sharp declines in new claim filings in 2020.

during the stay-at-home period. After removing the most recent accident year, changes in the volume of claims receiving payments were comparable to prior periods. As a result, it does not appear that there was a significant shift toward fewer open claims receiving services during this period and the decreases were more driven by a decline in the number of transactions per claim.

Exhibit 5.1 shows the distribution of medical service payments by service type by calendar quarter, the first nine months of the calendar year, and the full calendar year. Exhibit 5.2 shows similar information but with the most recent accident year excluded. There does not appear to be a significant shift in the types of medical services paid in the second and third quarters of 2020 relative to recent trends. For example, payments for physician services continued to grow as a share of all payments in the second and third quarters of 2020 but this was consistent with the first quarter and has been part of a multi-year trend. Although the share of payments for inpatient services dropped in the second quarter of 2020, they were relatively flat when comparing the first nine months of 2020 to 2019. The share of payments for pharmaceutical services increased in the second quarter of 2020 but remain an overall small amount of total medical services paid.

Exhibit 6 shows the distribution of payments from the first nine months of the calendar year by medical service category and development period. The distributions of medical services within a development period for 2020 are generally comparable to prior calendar periods. For claims aged 1 to 3 years, the share of payments for outpatient services declined modestly in 2020, which may suggest some deferral or substitution of some of these services. For claims aged 4 to 10 years, the share of lien payments declined in 2020. Some of this may be related to a continued impact of recent lien reforms.

In general, this review suggests there is no evidence of significant distortions in the 2020 development of 2019 and prior accident years that differ significantly by medical service category or accident year maturity. As a result, staff does not recommend an adjustment to loss development that considers these factors.

Review of Claim Settlement Rate Adjustments

For the last several years, indemnity claim settlement rates had been increasing steadily. In the quarters shortly before the onset of the pandemic, claim settlement rates had been flattening, particularly for accident years 2018 and 2019. Exhibit 7 shows estimated ultimate claim settlement rates by quarter. As shown in the lower section of Exhibit 7, incremental claim settlement rates for accident years 2019 and prior during the second quarter of 2020 are significantly lower than the prior year while incremental claim settlement rates during the third quarter of 2020 are moderately lower than the prior year. Cumulatively, estimated ultimate claim settlement rates for accident years 2018 and 2019 at 33 and 21 months, respectively, are lower than the prior year.

The WCIRB has for some time reflected the impact of significant claim settlement changes on the loss development projection using the “Berquist-Sherman” approach. The Berquist-Sherman approach adjusts loss development to a common claim settlement rate and mitigates the impact of lump sum claim settlements that may over project (in the case of a claim settlement rate increase) or under project (in the case of a claim settlement rate decrease) future loss development. Since the January 1, 2017 Pure Premium Rate Filing, the WCIRB has reflected the Berquist-Sherman approach in the loss development projection to address recent claim settlement rate increases. Beginning with the January 1, 2021 Pure Premium Rate Filing, the WCIRB has also reflected an adjustment to longer-term loss development for the impact of claim settlement rate changes.

Staff performed sensitivity testing of the Berquist-Sherman adjustment and the adjustment to the loss development tail. The results of the sensitivity tests are shown in Exhibit 8. For the Berquist-Sherman adjustment to indemnity age-to-age factors, the change in claim settlement rate scales approximately with the difference with the unadjusted age-to-age factor. For medical age-to-age factors, the impact is less due to the additional complexity of handling medical-only claims and partial medical payments in the

adjustment. For the adjustment to tail development, given that this adjustment compares recent claim settlement rates with those from several decades ago, year-to-year fluctuation in the projected claim settlement rate does not have a material impact on the adjustment. Even in the extreme cases reviewed, the adjustment to the tail factor is modest compared to other factors impacting loss development.

The sharp turnaround in claim settlement rates in the second and third quarters of 2020 is likely a significant factor contributing to the lower paid development experienced in that period since fewer settlements were occurring. As shown in Exhibit 8, the adjusted development for September 30, 2020 experience through 45 months is comparable to the change in quarterly development experienced in the second quarter of 2020 (see Exhibit 9.1). As a result, the Berquist-Sherman adjustment may substantially adjust for this decline in projecting future loss development.

Potential Adjustments for Development in 2020

The shift in loss development in the second and third quarters of 2020 may substantially skew annual loss development factors and projected losses. The annual age-to-age development factors as of September 30, 2020 include both pre- and post-pandemic loss experience. Staff reviewed potential approaches to adjust loss development for these shifts, including replacing the pandemic-affected quarters with the experience of the same quarter in the prior calendar year.

Exhibits 9.1 to 9.3 show potential adjustments to the annual development factors by replacing post-pandemic development with analogous pre-pandemic development. The annual loss development factors are a product of the quarterly factors; thus, dividing by the post-pandemic quarterly factors and multiplying by the pre-pandemic factors would remove the impact of the pandemic period in the annual factors. Staff performed these adjustments using multiple scenarios: replacing the second quarter paid and incurred 2020 loss development with second quarter 2019 development, replacing both second and third quarter 2020 loss development with second and third quarter 2019 development, and using the 2020 development as reported but averaging it with the prior calendar year.

Exhibit 9.3 shows the cumulative effect of these adjustments compared to the unadjusted annual loss development factors. Staff examined adjustments to the September 30, 2020 annual development factor through 105 months of age, which is oldest period in which the latest year annual development factor is selected in the WCIRB's methodology (after which a three-year average is selected). The adjusted cumulative development factors use the 117-to-ultimate factor from the analysis presented at the December 8, 2020 meeting for the purpose of a consistent comparison.

As shown in Exhibit 9.3, adjusting for the second quarter of loss experience results in a moderate change to the projection; further adjusting for the third quarter deepens the change incrementally. The most modest difference comes from the average of the latest two calendar years which gives some weight to the post-pandemic development pattern. A comparison of the unadjusted prior and latest diagonals serves as a control to assess the relative magnitude of the changes. Given the distortions in loss experience in the second quarter of 2020, staff believes the adjustment to replace second quarter 2020 development with second quarter 2019 development reasonably adjusts for this issue along with the Berquist-Sherman adjustments for changing claim settlement rates. Staff will review these potential adjustments in conjunction with the Berquist-Sherman adjustments to ensure that adjustments for the second quarter 2020 development are not double-counted. Staff will also revisit this issue once the fourth quarter 2020 loss development becomes available at the March 16, 2021 Committee meeting.

Potential Impact on Future Development Patterns

Delays in medical treatment could lead to higher development later, either through increased temporary disability duration or the need for additional medical services. In October 2020, the WCIRB published a study that showed a relationship between delays in the first medical service provided and higher indemnity and medical incurred losses later. However, this study focused on the initial medical services and the impact of delays in medical services on established claims is unclear. In addition, as noted in the

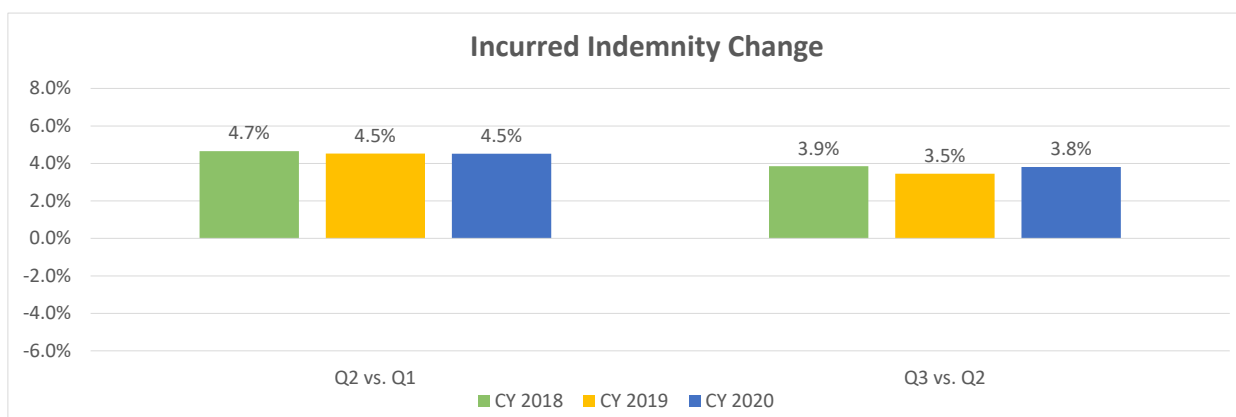
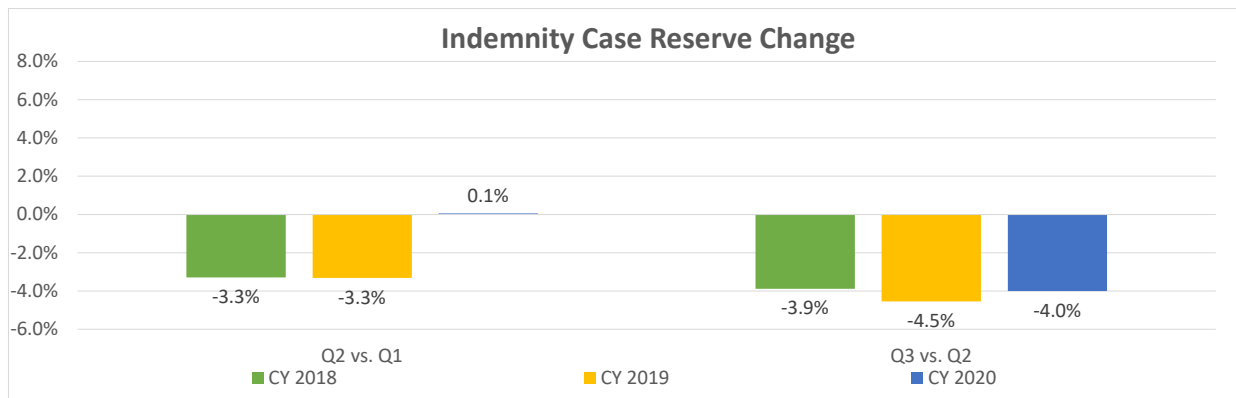
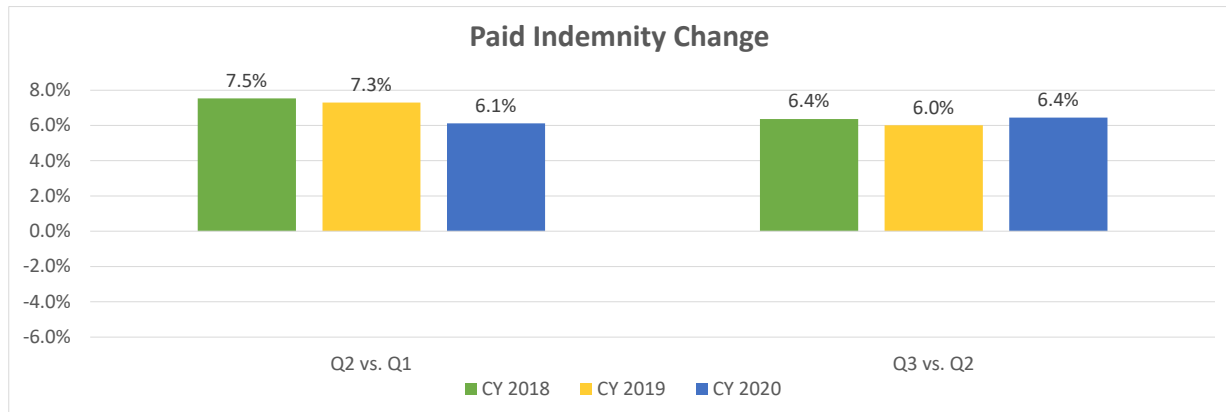
study, the data reviewed was prior to the COVID-19 pandemic and delays during the pandemic may result in different outcomes.

Staff believes that the declining payments in 2020 are substantially adjusted for in the claim settlement rate adjustments and potential adjustments to mitigate the impact of the quarterly loss development factors for the second and third quarters of 2020, as discussed above. Although there may be some future development impact of delays on established claims, this has not been fully studied nor is there a data-driven approach available to make an adjustment to loss development. As a result, staff believes an additional adjustment to future development patterns for the impact of the pandemic is premature at this time.

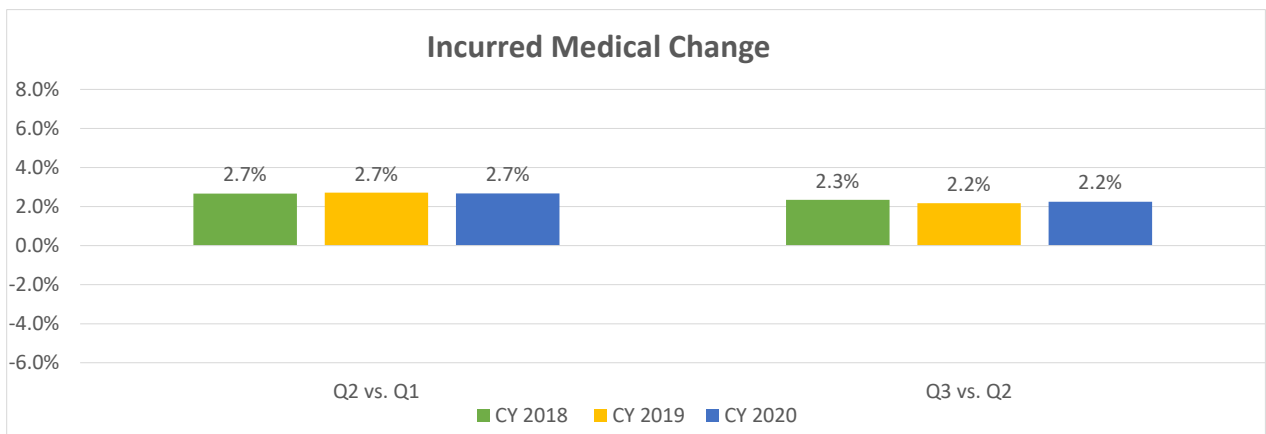
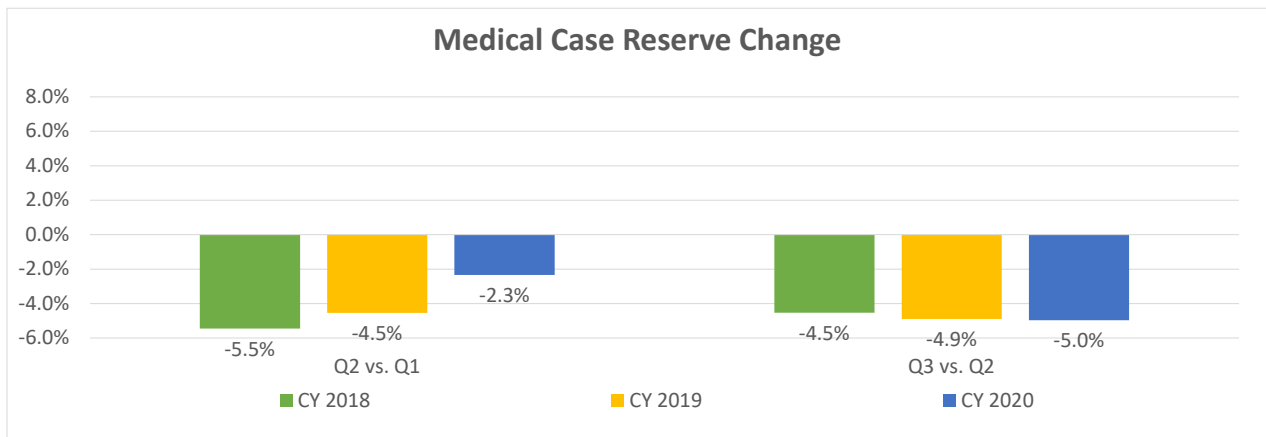
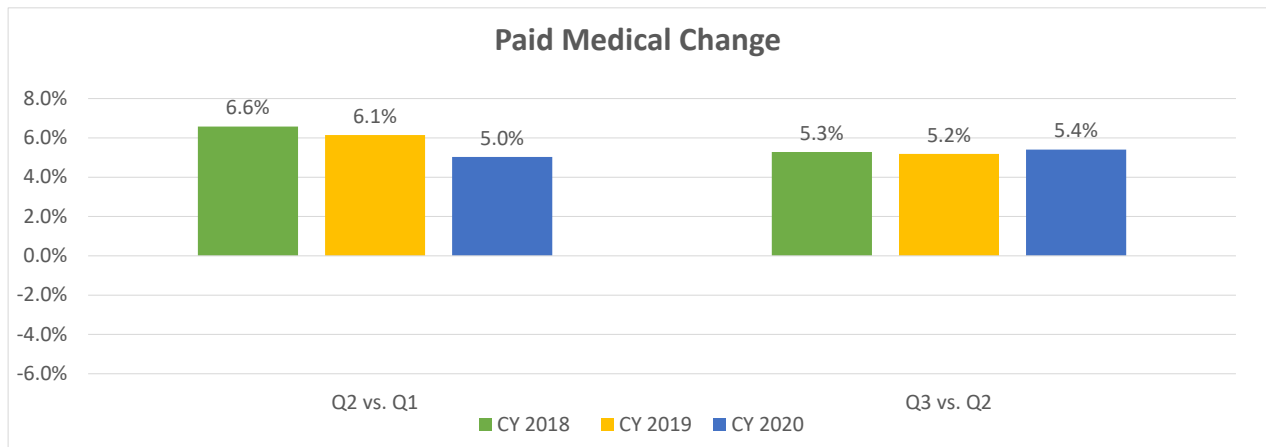
Impact on Accident Year 2020 Development

Accident year 2020 is more significantly and directly impacted by the pandemic compared to older accident years. Accident year 2020 includes COVID-19 claims and the impact of the stay-at-home period and economic slowdown on the number and timing of claim filings. In addition, accident year 2020 would include claims with delays in initial medical treatment, which may more significantly impact later claim development compared to delays for claims with established treatment. Staff will discuss the issues related to accident year 2020 development at the meeting. For COVID-19 claim costs, staff will review the number and costs of these claims separately with the Committee at the March 16, 2021 meeting once the supplemental data call data on these claims as of December 31, 2020 becomes available.

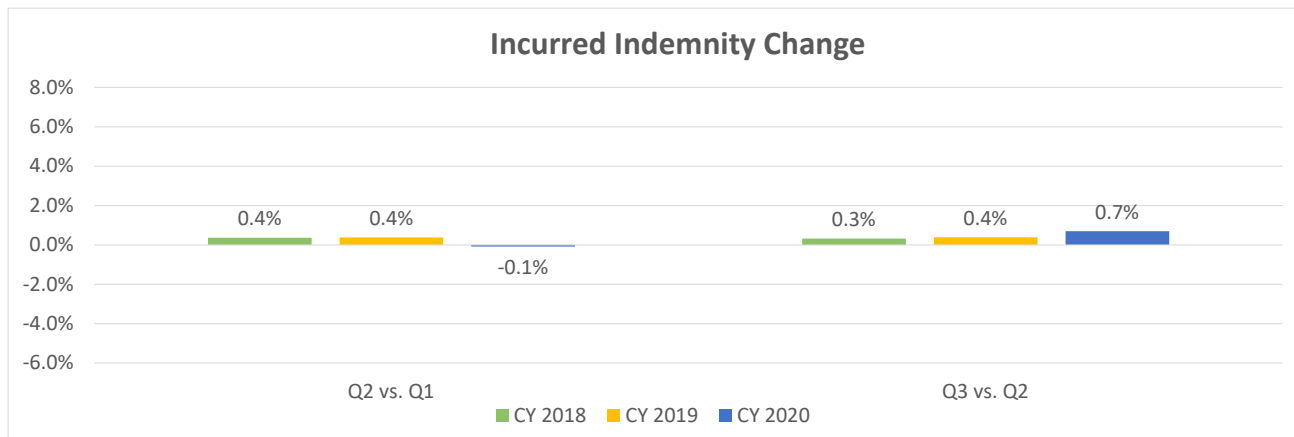
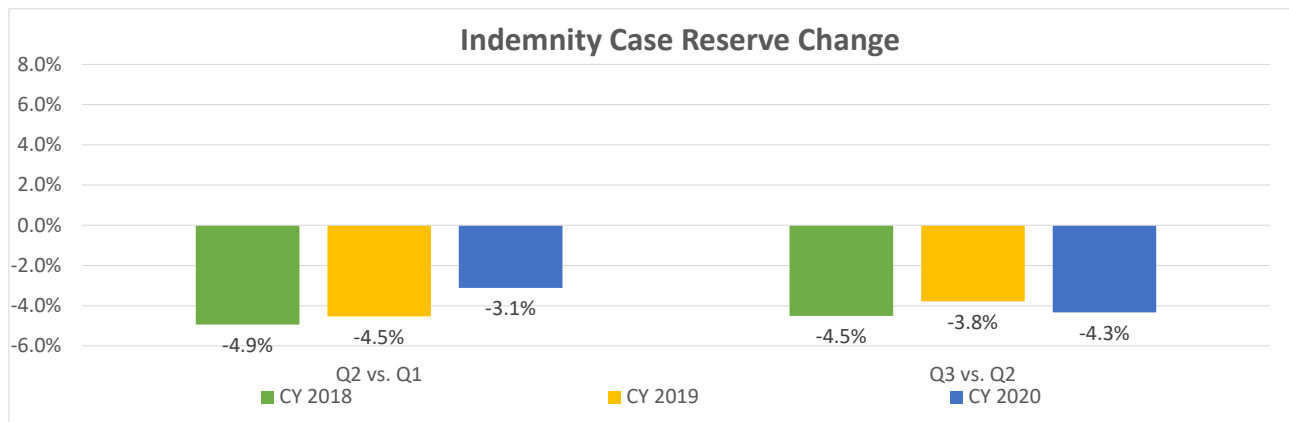
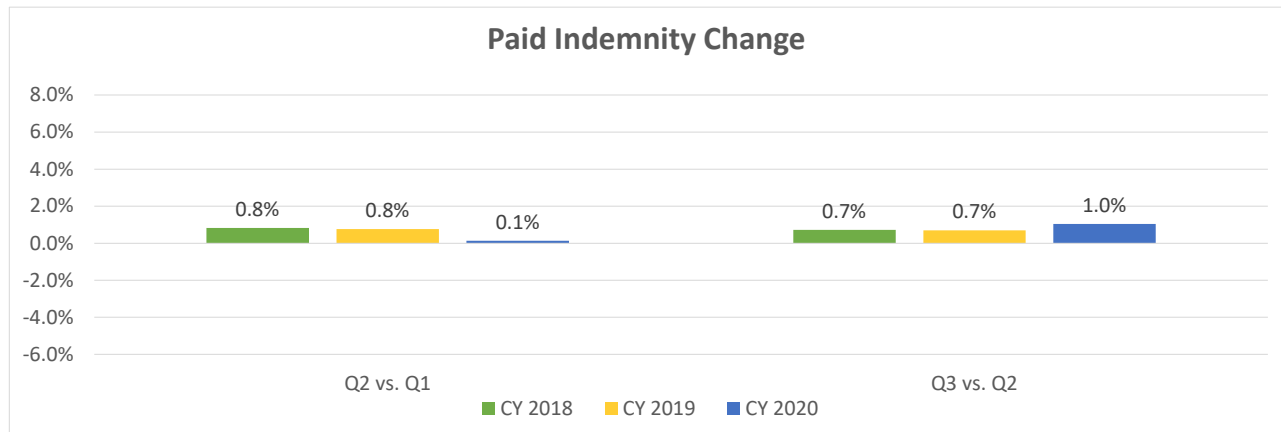
Quarterly Loss Change for the 2nd through 6th Least Mature Accident Years



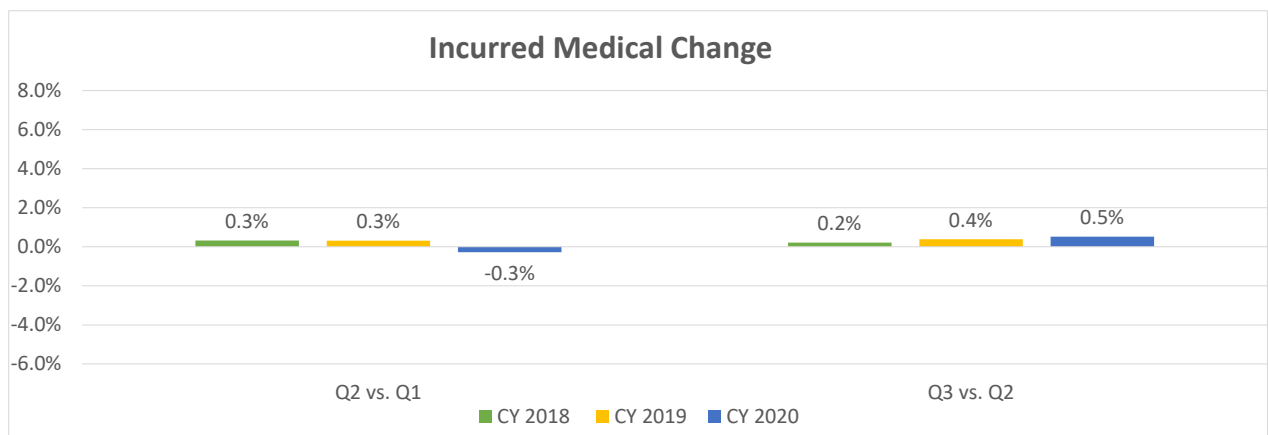
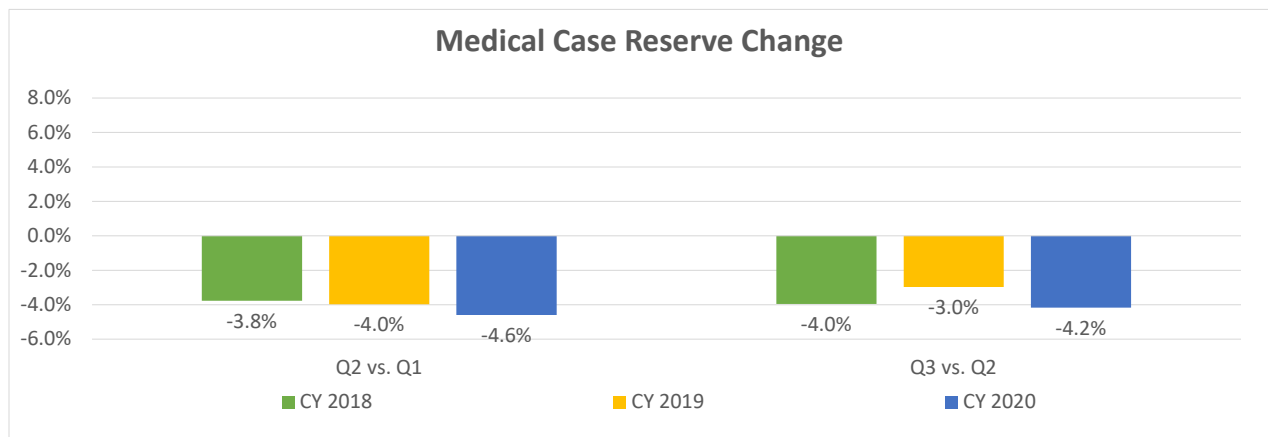
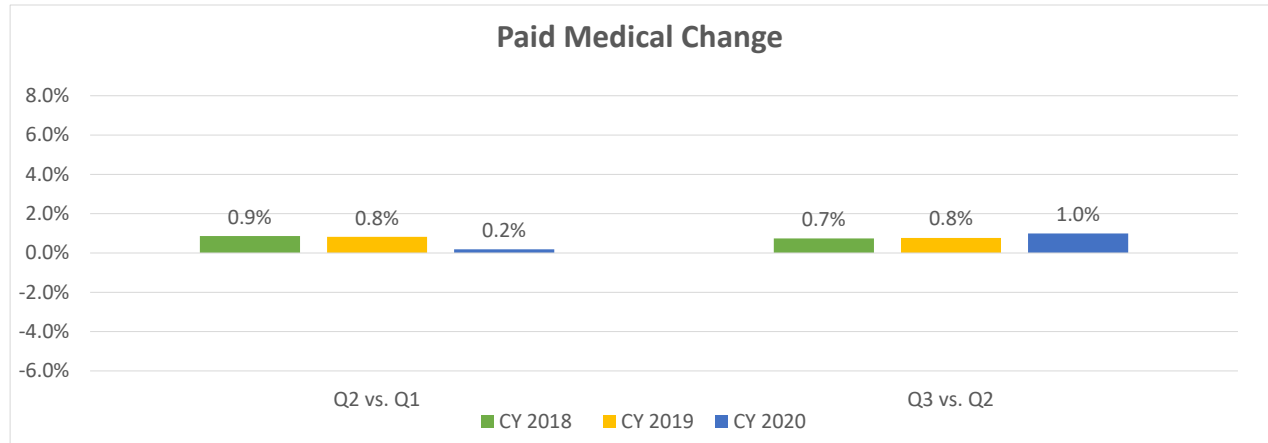
Quarterly Loss Change for the 2nd through 6th Least Mature Accident Years



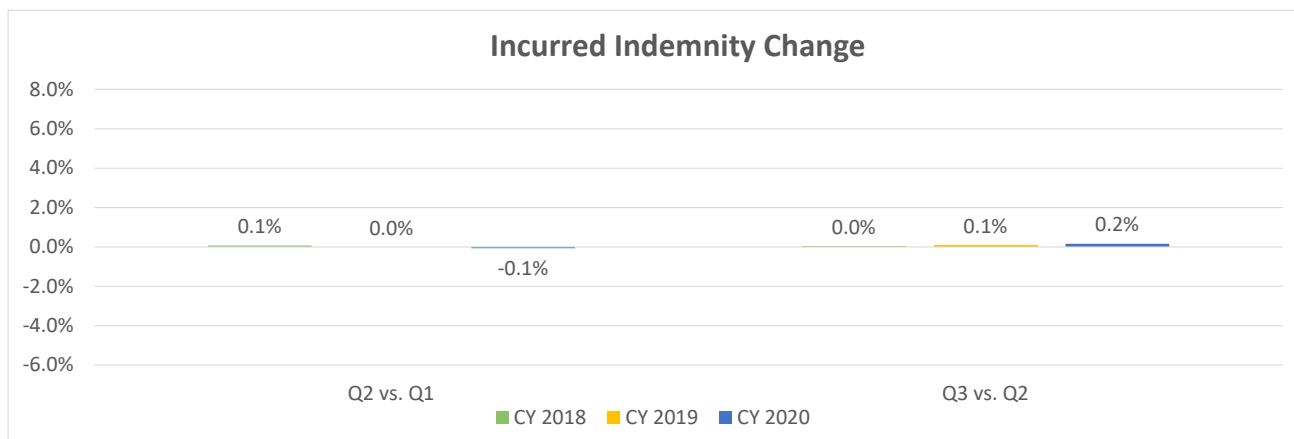
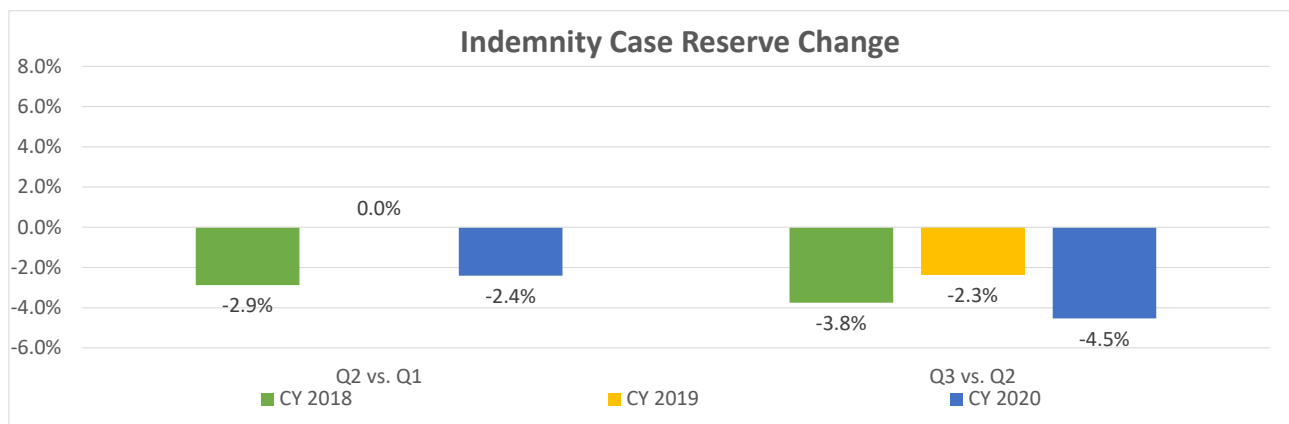
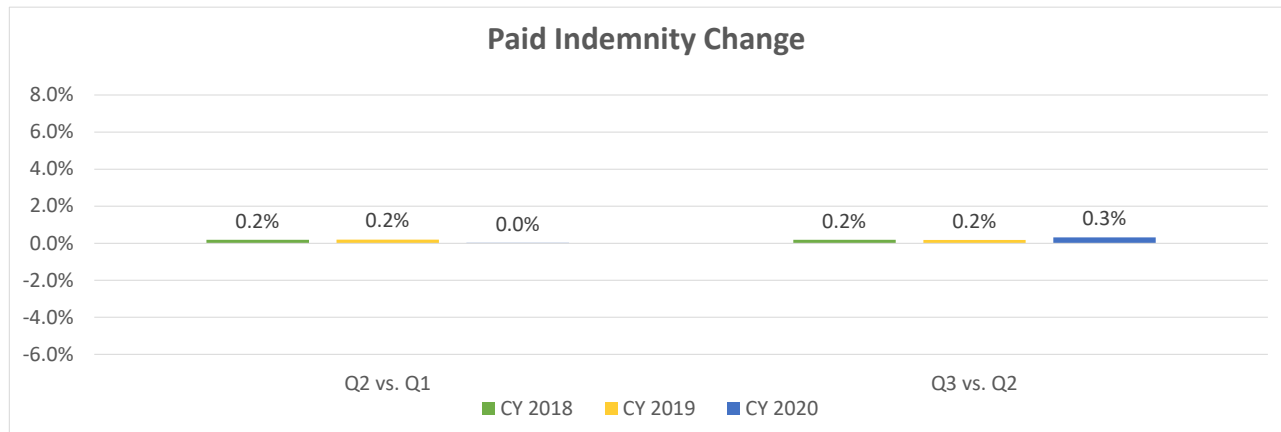
Quarterly Loss Change for the 7th through 11th Least Mature Accident Years



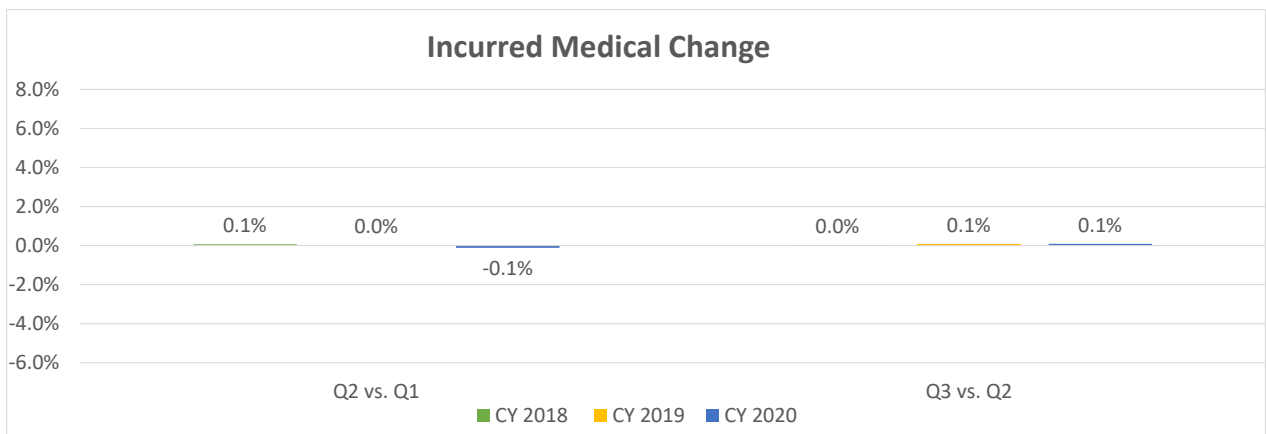
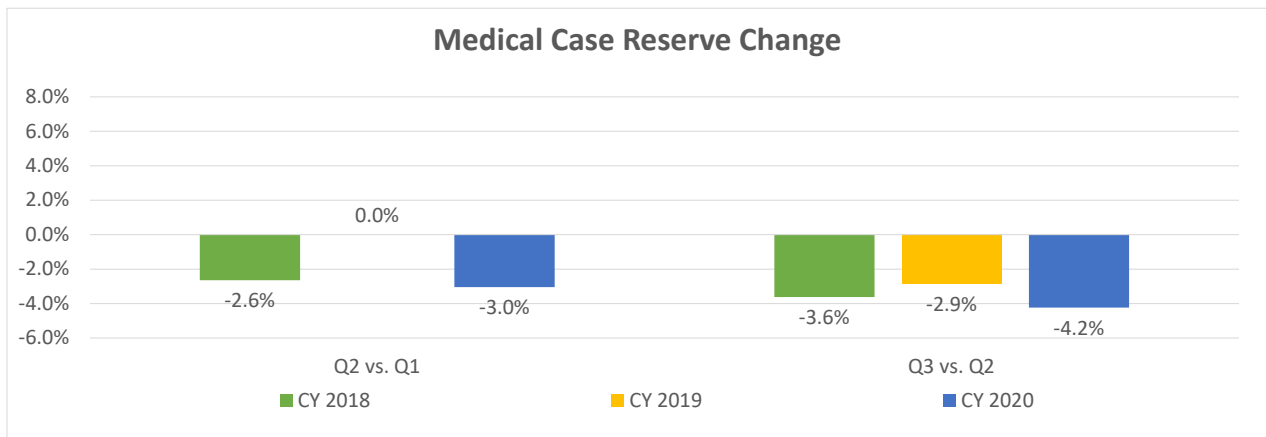
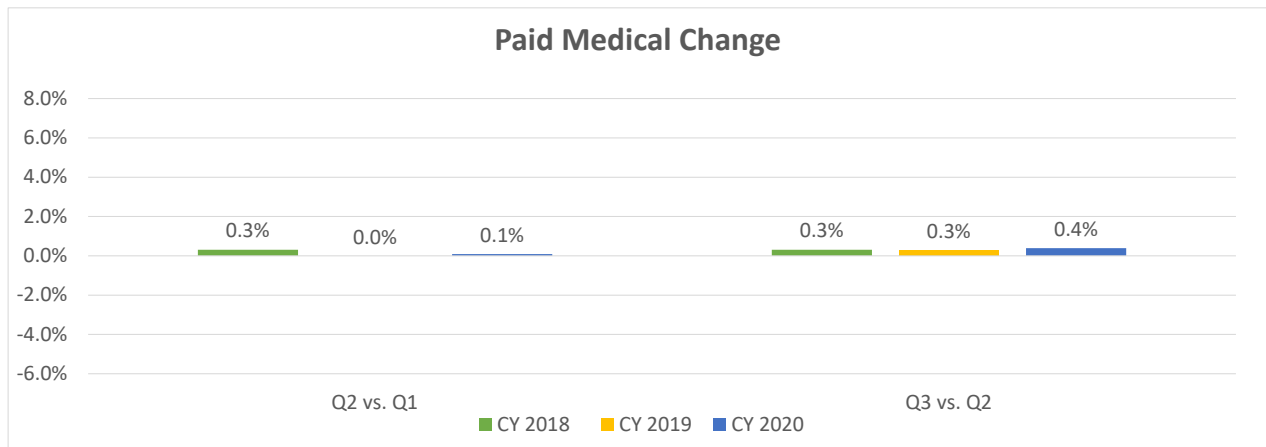
Quarterly Loss Change for the 7th through 11th Least Mature Accident Years



Quarterly Loss Change for the 12th through 21th Least Mature Accident Years



Quarterly Loss Change for the 12th through 21th Least Mature Accident Years



Calendar Quarter Medical Payments (\$000)

All Accident Years					Excluding Latest Accident Year				
<u>Cal. Qtr.</u>	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>	<u>Cal. Qtr.</u>	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>
2015	524,748	516,993	533,895	497,896	2015	498,544	418,178	387,189	327,739
2016	508,391	509,214	535,464	515,026	2016	478,965	409,373	375,388	325,145
2017	499,907	523,572	494,729	497,432	2017	463,944	405,563	334,288	300,122
2018	501,018	511,598	499,011	476,370	2018	463,632	388,443	324,797	276,748
2019	481,514	473,159	484,360	467,618	2019	442,769	357,942	317,902	265,775
2020	471,809	405,591	428,827		2020	432,810	312,425	288,082	
						<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>
2015-16	-3.1%	-1.5%	0.3%	3.4%	2015-16	-3.9%	-2.1%	-3.0%	-0.8%
2016-17	-1.7%	2.8%	-7.6%	-3.4%	2016-17	-3.1%	-0.9%	-10.9%	-7.7%
2017-18	0.2%	-2.3%	0.9%	-4.2%	2017-18	-0.1%	-4.2%	-2.8%	-7.8%
2018-19	-3.9%	-7.5%	-2.9%	-1.8%	2018-19	-4.5%	-7.9%	-2.1%	-4.0%
2019-20	-2.0%	-14.3%	-11.5%		2019-20	-2.2%	-12.7%	-9.4%	

Number of Claim Counts with Medical Payments

All Accident Years					Excluding Latest Accident Year				
<u>Cal. Qtr.</u>	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>	<u>Cal. Qtr.</u>	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>
2015	300,423	306,177	310,169	301,445	2015	266,200	218,411	185,418	160,262
2016	303,169	310,077	320,130	313,933	2016	268,965	219,169	189,858	164,469
2017	303,975	304,587	309,816	306,585	2017	266,018	210,661	178,551	154,550
2018	299,915	301,766	304,993	299,214	2018	260,022	203,829	169,283	145,603
2019	288,711	291,512	294,309	295,295	2019	249,772	195,346	161,035	140,243
2020	284,591	260,684	251,640		2020	244,902	188,435	152,116	
2015-16	0.9%	1.3%	3.2%	4.1%	2015-16	1.0%	0.3%	2.4%	2.6%
2016-17	0.3%	-1.8%	-3.2%	-2.3%	2016-17	-1.1%	-3.9%	-6.0%	-6.0%
2017-18	-1.3%	-0.9%	-1.6%	-2.4%	2017-18	-2.3%	-3.2%	-5.2%	-5.8%
2018-19	-3.7%	-3.4%	-3.5%	-1.3%	2018-19	-3.9%	-4.2%	-4.9%	-3.7%
2019-20	-1.4%	-10.6%	-14.5%		2019-20	-1.9%	-3.5%	-5.5%	

Number of Transactions (000) with Medical Payments

All Accident Years					Excluding Latest Accident Year				
<u>Cal. Qtr.</u>	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>	<u>Cal. Qtr.</u>	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>
2015	4,012	4,014	4,005	3,734	2015	3,665	2,843	2,321	1,870
2016	3,920	3,888	4,120	3,980	2016	3,543	2,662	2,292	1,904
2017	3,850	3,910	3,898	3,916	2017	3,447	2,630	2,121	1,803
2018	3,764	3,872	3,744	3,678	2018	3,334	2,512	1,934	1,609
2019	3,540	3,564	3,670	3,536	2019	3,129	2,323	1,915	1,541
2020	3,404	3,076	3,057		2020	2,984	2,103	1,716	
2015-16	-2.3%	-3.1%	2.9%	6.6%	2015-16	-3.3%	-6.4%	-1.3%	1.8%
2016-17	-1.8%	0.6%	-5.4%	-1.6%	2016-17	-2.7%	-1.2%	-7.5%	-5.3%
2017-18	-2.2%	-1.0%	-3.9%	-6.1%	2017-18	-3.3%	-4.5%	-8.8%	-10.7%
2018-19	-6.0%	-8.0%	-2.0%	-3.9%	2018-19	-6.2%	-7.5%	-1.0%	-4.2%
2019-20	-3.8%	-13.7%	-16.7%		2019-20	-4.6%	-9.5%	-10.4%	

Source: WCIRB medical transaction data.

Share of Total Medical Payments by Service Type

First Quarter of Calendar Year							Second Quarter of Calendar Year					
Service Type	2015	2016	2017	2018	2019	2020	2015	2016	2017	2018	2019	2020
Physicians	41.1%	42.4%	44.0%	44.5%	45.5%	48.5%	43.5%	42.9%	43.7%	46.2%	47.2%	50.0%
Medical Legal	11.0%	12.5%	11.7%	10.5%	10.8%	11.1%	11.1%	12.9%	10.9%	10.3%	11.0%	10.7%
Outpatient	10.1%	10.7%	11.5%	12.3%	13.1%	11.6%	9.2%	12.1%	12.2%	11.8%	12.0%	11.1%
HCPCS	7.7%	7.8%	9.3%	9.6%	9.8%	10.1%	8.2%	7.8%	9.3%	9.8%	10.0%	10.6%
Inpatient	11.8%	9.4%	9.5%	11.8%	11.1%	10.4%	9.4%	9.7%	10.9%	10.8%	10.5%	9.4%
Medical Lien	6.0%	7.1%	7.1%	5.9%	5.1%	4.3%	6.9%	6.6%	6.2%	6.2%	5.3%	3.9%
Pharmaceutical	11.7%	9.3%	6.1%	4.6%	3.6%	3.0%	11.2%	7.2%	6.0%	4.0%	3.2%	3.6%
Dental	0.6%	0.7%	0.8%	0.8%	0.9%	1.0%	0.6%	0.7%	0.8%	0.9%	0.9%	0.7%
All Services	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Third Quarter of Calendar Year							Fourth Quarter of Calendar Year				
Service Type	2015	2016	2017	2018	2019	2020	2015	2016	2017	2018	2019
Physicians	42.6%	44.0%	45.4%	46.7%	47.9%	48.3%	42.4%	43.8%	45.9%	46.9%	49.4%
Medical Legal	11.3%	12.7%	10.7%	10.5%	11.3%	10.8%	11.4%	11.7%	10.3%	10.8%	11.0%
Outpatient	10.4%	11.9%	12.3%	11.7%	10.4%	12.1%	11.2%	11.5%	11.9%	12.1%	10.9%
HCPCS	8.1%	7.8%	9.6%	10.3%	10.4%	10.2%	8.1%	8.8%	9.5%	10.4%	10.3%
Inpatient	9.6%	9.2%	10.2%	10.7%	10.9%	10.6%	8.8%	9.8%	10.7%	10.2%	10.0%
Medical Lien	6.6%	7.1%	5.6%	5.8%	5.1%	3.9%	7.2%	7.1%	5.7%	5.2%	4.4%
Pharmaceutical	10.7%	6.3%	5.5%	3.7%	3.1%	3.2%	10.2%	6.6%	5.2%	3.5%	3.1%
Dental	0.6%	0.9%	0.7%	0.7%	0.9%	0.9%	0.7%	0.8%	0.8%	1.0%	0.9%
All Services	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

9-Months of Calendar Year							Calendar Year					
Service Type	2015	2016	2017	2018	2019	2020	2015	2016	2017	2018	2019	2020
Physicians	42.4%	43.1%	44.3%	45.8%	46.8%	48.9%	42.4%	43.3%	44.7%	46.0%	47.5%	
Medical Legal	11.1%	12.7%	11.1%	10.4%	11.1%	10.9%	11.2%	12.4%	10.9%	10.5%	11.0%	
Outpatient	9.9%	11.6%	12.0%	11.9%	11.8%	11.6%	10.2%	11.6%	12.0%	12.0%	11.6%	
HCPCS	8.0%	7.8%	9.4%	9.9%	10.0%	10.3%	8.0%	8.1%	9.4%	10.0%	10.1%	
Inpatient	10.3%	9.5%	10.2%	11.1%	10.8%	10.2%	9.9%	9.5%	10.3%	10.9%	10.6%	
Medical Lien	6.5%	6.9%	6.3%	6.0%	5.2%	4.0%	6.7%	7.0%	6.2%	5.8%	5.0%	
Pharmaceutical	11.2%	7.6%	5.9%	4.1%	3.3%	3.2%	11.0%	7.4%	5.7%	4.0%	3.3%	
Dental	0.6%	0.8%	0.8%	0.8%	0.9%	0.9%	0.6%	0.8%	0.8%	0.8%	0.9%	
All Services	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	

Source: WCIRB medical transaction data.

Share of Total Medical Payments by Service Type
Excluding Latest Accident Year

First Quarter of Calendar Year							Second Quarter of Calendar Year					
Service Type	2015	2016	2017	2018	2019	2020	2015	2016	2017	2018	2019	2020
Physicians	37.7%	38.2%	38.9%	39.4%	40.1%	42.9%	30.9%	29.8%	29.0%	30.0%	31.3%	34.7%
Medical Legal	11.0%	12.5%	11.7%	10.5%	10.8%	11.1%	11.1%	12.9%	10.8%	10.2%	10.9%	10.7%
Outpatient	9.6%	10.3%	10.9%	11.5%	12.2%	11.0%	7.3%	9.9%	9.7%	9.3%	9.1%	8.8%
HCPCS	7.4%	7.4%	8.9%	9.1%	9.2%	9.5%	6.9%	6.5%	7.8%	8.0%	8.2%	8.8%
Inpatient	11.3%	9.0%	8.7%	10.8%	10.0%	9.2%	6.9%	7.5%	7.7%	7.6%	7.1%	6.3%
Medical Lien	6.0%	7.1%	7.1%	5.9%	5.1%	4.3%	6.9%	6.6%	6.2%	6.2%	5.3%	3.9%
Pharmaceutical	11.5%	9.1%	5.8%	4.5%	3.5%	2.9%	10.5%	6.7%	5.5%	3.7%	3.0%	3.3%
Dental	0.6%	0.7%	0.8%	0.8%	0.9%	1.0%	0.5%	0.6%	0.6%	0.7%	0.7%	0.6%
All Services	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Third Quarter of Calendar Year							Fourth Quarter of Calendar Year					
Service Type	2015	2016	2017	2018	2019	2020	2015	2016	2017	2018	2019	
Physicians	25.0%	24.7%	25.1%	24.3%	25.8%	27.9%	20.8%	20.7%	21.1%	21.0%	21.7%	
Medical Legal	11.1%	12.3%	10.4%	10.1%	11.0%	10.5%	10.7%	10.7%	9.4%	9.8%	9.9%	
Outpatient	7.3%	8.2%	8.0%	7.2%	6.9%	8.2%	7.1%	6.9%	6.8%	6.2%	6.0%	
HCPCS	6.1%	5.8%	7.0%	7.5%	7.6%	7.6%	5.6%	6.1%	6.5%	6.9%	6.6%	
Inpatient	6.3%	5.7%	6.1%	6.4%	5.8%	5.5%	5.1%	5.7%	6.0%	5.4%	5.1%	
Medical Lien	6.6%	7.1%	5.6%	5.8%	5.1%	3.9%	7.2%	7.1%	5.7%	5.2%	4.4%	
Pharmaceutical	9.6%	5.5%	4.8%	3.3%	2.7%	2.8%	8.9%	5.5%	4.4%	3.0%	2.6%	
Dental	0.5%	0.7%	0.5%	0.5%	0.6%	0.7%	0.5%	0.5%	0.5%	0.6%	0.6%	
All Services	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
9-Months of Calendar Year							Calendar Year					
Service Type	2015	2016	2017	2018	2019	2020	2015	2016	2017	2018	2019	2020
Physicians	37.6%	37.8%	39.1%	40.1%	41.7%	44.8%	36.4%	36.8%	38.3%	39.3%	41.0%	
Medical Legal	13.4%	15.4%	13.9%	13.2%	14.0%	13.6%	14.0%	15.7%	14.2%	13.9%	14.7%	
Outpatient	9.7%	11.6%	12.0%	12.0%	12.1%	11.9%	9.9%	11.5%	11.8%	11.8%	11.8%	
HCPCS	8.2%	8.1%	10.0%	10.6%	10.7%	11.0%	8.3%	8.4%	10.1%	10.8%	10.9%	
Inpatient	9.9%	9.0%	9.5%	10.6%	9.8%	8.9%	9.5%	9.0%	9.6%	10.4%	9.7%	
Medical Lien	7.8%	8.5%	7.9%	7.7%	6.7%	5.1%	8.5%	9.1%	8.2%	7.9%	6.9%	
Pharmaceutical	12.7%	8.7%	6.8%	4.9%	4.0%	3.8%	12.9%	8.7%	6.9%	5.0%	4.1%	
Dental	0.6%	0.8%	0.8%	0.9%	1.0%	1.0%	0.7%	0.8%	0.8%	0.9%	1.0%	
All Services	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	

Source: WCIRB medical transaction data.

Share of Total Medical Payments by Age and Service Type - 9 Months

Development Age in Years	Pharmaceuticals						Physician Services - All					
	2015	2016	2017	2018	2019	2020	2015	2016	2017	2018	2019	2020
21+	28.5%	22.8%	18.7%	15.7%	13.6%	12.4%	19.8%	19.0%	20.0%	21.0%	22.7%	22.6%
11 to 20	26.2%	19.8%	15.5%	13.1%	11.6%	11.9%	22.3%	25.5%	25.0%	26.0%	26.4%	28.2%
6 to 10	16.6%	12.1%	9.6%	6.9%	6.0%	5.6%	25.6%	26.1%	26.7%	27.4%	28.9%	31.7%
4 to 5	11.0%	7.5%	6.1%	4.4%	3.0%	3.1%	31.1%	30.5%	32.0%	33.4%	35.6%	39.0%
3	9.7%	6.0%	4.9%	3.0%	2.3%	2.6%	40.2%	38.9%	41.0%	43.0%	44.5%	44.8%
2	6.4%	4.0%	3.0%	1.8%	1.4%	1.5%	55.4%	53.7%	54.6%	54.2%	54.3%	57.2%
1	3.9%	2.9%	2.3%	1.3%	1.1%	1.2%	65.2%	66.3%	64.3%	65.7%	64.7%	64.4%
All Years	11.2%	7.6%	5.9%	4.1%	3.3%	3.2%	42.4%	43.1%	44.3%	45.8%	46.8%	48.9%

Development Age in Years	Hospital Services - Outpatient						Hospital Services - Inpatient					
	2015	2016	2017	2018	2019	2020	2015	2016	2017	2018	2019	2020
21+	16.7%	19.4%	17.0%	17.3%	18.6%	19.8%	13.2%	13.0%	16.0%	15.7%	13.9%	14.8%
11 to 20	12.0%	14.5%	15.5%	13.6%	14.8%	15.3%	11.8%	12.0%	12.3%	13.6%	11.4%	9.4%
6 to 10	9.0%	9.6%	8.7%	9.1%	8.7%	9.2%	9.5%	8.6%	9.8%	9.8%	10.0%	10.0%
4 to 5	7.6%	8.1%	8.9%	9.0%	9.6%	10.6%	9.2%	7.4%	8.0%	9.7%	9.1%	7.5%
3	7.9%	10.6%	11.4%	10.9%	10.7%	10.2%	9.0%	7.7%	8.9%	8.5%	7.1%	7.8%
2	11.1%	13.7%	14.1%	14.5%	13.9%	12.6%	9.9%	9.6%	9.1%	11.2%	10.6%	9.1%
1	10.6%	11.3%	12.1%	11.5%	10.9%	10.6%	12.2%	11.4%	12.9%	12.8%	14.2%	15.0%
All Years	9.9%	11.6%	12.0%	11.9%	11.8%	11.6%	10.3%	9.5%	10.2%	11.1%	10.8%	10.2%

Development Age in Years	Medical Supplies and Equipment						Dental					
	2015	2016	2017	2018	2019	2020	2015	2016	2017	2018	2019	2020
21+	16.6%	19.1%	23.6%	24.9%	24.8%	24.2%	1.2%	1.3%	1.5%	1.3%	1.7%	1.5%
11 to 20	13.9%	12.7%	17.9%	18.9%	19.2%	19.0%	1.3%	2.1%	2.0%	1.7%	1.8%	1.7%
6 to 10	7.8%	7.9%	10.1%	10.6%	10.0%	10.7%	0.6%	0.6%	0.6%	0.6%	0.7%	0.9%
4 to 5	6.1%	6.1%	7.3%	7.9%	9.2%	9.5%	0.3%	0.4%	0.4%	0.7%	0.7%	0.7%
3	7.0%	6.9%	7.9%	9.6%	8.8%	9.6%	0.3%	0.7%	0.5%	0.6%	0.7%	1.1%
2	7.4%	7.4%	8.8%	8.5%	9.0%	9.4%	0.8%	0.8%	0.8%	0.9%	1.0%	0.9%
1	7.1%	6.8%	7.3%	7.6%	7.7%	7.7%	0.5%	0.6%	0.5%	0.5%	0.7%	0.5%
All Years	8.0%	7.8%	9.4%	9.9%	10.0%	10.3%	0.6%	0.8%	0.8%	0.8%	0.9%	0.9%

Development Age in Years	Med-Legal						Liens					
	2015	2016	2017	2018	2019	2020	2015	2016	2017	2018	2019	2020
21+	3.0%	2.8%	2.6%	2.5%	2.9%	2.5%	0.9%	2.6%	0.6%	1.6%	1.8%	2.3%
11 to 20	7.1%	7.7%	7.1%	7.2%	7.7%	7.4%	5.5%	5.7%	4.8%	5.9%	7.1%	7.2%
6 to 10	16.0%	18.8%	17.2%	15.9%	16.6%	16.8%	14.9%	16.3%	17.2%	19.7%	19.1%	15.2%
4 to 5	20.1%	21.6%	18.7%	18.2%	20.0%	20.3%	14.7%	18.5%	18.6%	16.8%	12.7%	9.3%
3	18.6%	22.3%	20.4%	20.4%	22.1%	20.5%	7.2%	6.8%	5.0%	4.0%	3.7%	3.5%
2	7.8%	9.9%	9.1%	8.7%	9.3%	8.8%	1.2%	0.9%	0.5%	0.3%	0.5%	0.5%
1	0.4%	0.7%	0.5%	0.6%	0.6%	0.6%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
All Years	11.1%	12.7%	11.1%	10.4%	11.1%	10.9%	6.5%	6.9%	6.3%	6.0%	5.2%	4.0%

Source: WCIRB medical transaction data

Quarterly Ultimate Settlement Ratios

Accident	Evaluated as of (in months):															
Year	3	6	9	12	15	18	21	24	27	30	33	36	39	42	45	48
2011	0.8%	5.1%	12.0%	21.3%	29.7%	35.9%	40.3%	44.7%	48.6%	52.9%	56.8%	60.8%	64.1%	67.1%	70.2%	72.9%
2012	0.8%	5.1%	12.1%	21.2%	29.5%	35.9%	40.8%	45.6%	49.8%	54.1%	58.3%	62.2%	65.6%	68.8%	71.7%	74.4%
2013	0.9%	5.1%	11.8%	21.0%	29.4%	36.0%	41.4%	46.4%	51.0%	55.5%	59.6%	63.6%	67.1%	70.5%	73.4%	76.2%
2014	0.8%	4.8%	11.8%	20.8%	29.6%	36.4%	42.1%	47.3%	52.0%	56.5%	60.8%	64.8%	68.2%	71.7%	74.6%	77.5%
2015	0.8%	4.8%	12.2%	21.2%	30.4%	37.8%	43.5%	48.8%	53.9%	59.0%	63.4%	67.5%	71.1%	74.4%	77.4%	80.0%
2016	0.8%	5.1%	12.3%	21.9%	31.7%	39.5%	45.5%	51.3%	56.3%	61.5%	65.9%	70.1%	73.7%	76.9%	79.3%	81.6%
2017	0.9%	5.6%	13.5%	24.2%	34.2%	42.1%	48.3%	54.2%	59.1%	64.0%	68.1%	71.9%	75.1%	77.4%	79.7%	
2018	1.0%	5.8%	13.9%	24.6%	34.7%	42.6%	48.6%	54.1%	59.0%	62.9%	66.6%					
2019	1.0%	5.9%	13.7%	24.6%	34.5%	41.2%	46.8%									
2020	1.0%	6.5%	14.9%													

Accident	Quarterly Incremental Change														
Year	3-6	6-9	9-12	12-15	15-18	18-21	21-24	24-27	27-30	30-33	33-36	36-39	39-42	42-45	45-48
2011	4.3%	6.9%	9.3%	8.5%	6.1%	4.5%	4.3%	3.9%	4.4%	3.9%	4.0%	3.3%	3.1%	3.0%	2.7%
2012	4.2%	7.1%	9.1%	8.3%	6.4%	4.8%	4.9%	4.1%	4.3%	4.2%	3.9%	3.4%	3.2%	3.0%	2.7%
2013	4.2%	6.7%	9.1%	8.4%	6.6%	5.4%	5.0%	4.6%	4.5%	4.1%	3.9%	3.6%	3.4%	2.9%	2.8%
2014	4.1%	6.9%	9.1%	8.8%	6.7%	5.8%	5.1%	4.8%	4.5%	4.3%	4.0%	3.4%	3.5%	2.9%	2.8%
2015	4.0%	7.4%	9.0%	9.3%	7.4%	5.7%	5.3%	5.1%	5.1%	4.4%	4.1%	3.6%	3.4%	3.0%	2.6%
2016	4.2%	7.3%	9.6%	9.8%	7.8%	6.0%	5.8%	5.0%	5.2%	4.3%	4.3%	3.6%	3.2%	2.3%	2.4%
2017	4.8%	7.8%	10.7%	10.0%	7.9%	6.2%	5.9%	5.0%	4.9%	4.1%	3.8%	3.2%	2.3%	2.3%	
2018	4.9%	8.1%	10.7%	10.1%	7.9%	6.0%	5.5%	4.9%	3.9%	3.7%					
2019	4.9%	7.9%	10.8%	9.9%	6.7%	5.6%									
2020	5.5%	8.4%													

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 85% to 100% of the total California workers' compensation insured market measured using 2019 earned premium levels).

Source: WCIRB quarterly calls for experience

Sensitivity Testing of Claim Settlement Rate Adjustments

Berquist-Sherman Adjustment to Paid Age-to-Age Factors

	Age	Claim Settlement Rate Change	Indemnity		Medical	
			Age-to-Age Factor	Diff. from Unadjusted	Age-to-Age Factor	Diff. from Unadjusted
No Change (Unadjusted)	21-to-33	0.0%	1.709	0.0%	1.478	0.0%
3Q 2019 Actual Change	21-to-33	0.3%	1.706	-0.2%	1.477	-0.1%
3Q 2020 Actual Change	21-to-33	-1.6%	1.733	1.4%	1.486	0.5%
14-year Max. Increase	21-to-33	2.8%	1.675	-2.0%	1.463	-1.0%
14-year Max. Decrease	21-to-33	-2.2%	1.741	1.9%	1.489	0.7%
5 Point Increase	21-to-33	5.0%	1.640	-4.0%	1.447	-2.1%
5 Point Decrease	21-to-33	-5.0%	1.774	3.8%	1.498	1.4%
No Change (Unadjusted)	33-to-45	0.0%	1.263	0.0%	1.215	0.0%
3Q 2019 Actual Change	33-to-45	2.5%	1.237	-2.1%	1.200	-1.2%
3Q 2020 Actual Change	33-to-45	-1.4%	1.285	1.7%	1.228	1.1%
14-year Max. Increase	33-to-45	2.6%	1.236	-2.1%	1.199	-1.3%
14-year Max. Decrease	33-to-45	-2.0%	1.293	2.4%	1.232	1.4%
5 Point Increase	33-to-45	5.0%	1.207	-4.4%	1.181	-2.8%
5 Point Decrease	33-to-45	-5.0%	1.331	5.4%	1.252	3.0%

Adjustment to Loss Development Paid Tail Factor

	Age	Avg. Ratio of Proj. Open Claim Rate to Historical Open Claim Rate	Indemnity		Medical	
			Age-to-Age Factor	Diff. from Unadjusted	Age-to-Age Factor	Diff. from Unadjusted
No Change (Unadjusted)	273-to-393	1.00	1.013	0.0%	1.051	0.0%
3Q 2019 Projection	273-to-393	0.41	1.010	-0.3%	1.038	-1.2%
3Q 2020 Projection	273-to-393	0.35	1.009	-0.4%	1.037	-1.3%
Extreme High	273-to-393	2.00	1.018	0.5%	1.072	2.0%
Extreme Low	273-to-393	0.10	1.008	-0.5%	1.032	-1.8%

Source: WCIRB aggregate financial data

**Relativity of Historical Loss Development
to Current Loss Development
Using Data Through September 30, 2020**

(1)		(2)	(3)		(4)	(5)		(6)	(7)	
Quarterly Development Factors (2Q)			Quarterly Development Factors (3Q)			Quarterly Multiplicative Factors			Semi-Annual Mult. Factors	
Age in Months	2Q20 Development	2Q19 Development	Age in Months	3Q20 Development	3Q19 Development	Age in Months	Relative Difference in 2Q19 from 2Q20 (2) / (1)	Relative Difference in 3Q19 from 3Q20 (4) / (3)	Age in Months	Relative Difference in 2Q19 & 3Q19 from 2Q20 & 3Q20 (5) x (6)
<u>Incurred Indemnity</u>										
18/15	1.189	1.183	21/18	1.128	1.123	18/15	0.995	0.995	21/15	0.990
30/27	1.066	1.059	33/30	1.045	1.047	30/27	0.993	1.002	33/27	0.995
42/39	1.028	1.026	45/42	1.016	1.021	42/39	0.998	1.005	45/39	1.003
54/51	1.015	1.013	57/54	1.009	1.011	54/51	0.998	1.002	57/51	1.000
66/63	1.007	1.008	69/66	1.007	1.006	66/63	1.000	0.999	69/63	1.000
78/75	1.005	1.006	81/78	1.003	1.005	78/75	1.001	1.002	81/75	1.003
90/87	1.004	1.004	93/90	1.003	1.004	90/87	1.001	1.001	93/87	1.002
102/99	1.006	1.002	105/102	1.003	1.003	102/99	0.997	1.000	105/99	0.997
114/111	1.000	1.004	117/114	1.004	1.003	114/111	1.003	0.999	117/111	1.002
<u>Incurred Medical</u>										
18/15	1.231	1.245	21/18	1.060	1.064	18/15	1.011	1.003	21/15	1.014
30/27	1.083	1.092	33/30	1.024	1.029	30/27	1.008	1.005	33/27	1.013
42/39	1.040	1.048	45/42	1.009	1.011	42/39	1.008	1.002	45/39	1.010
54/51	1.023	1.029	57/54	1.006	1.007	54/51	1.006	1.000	57/51	1.006
66/63	1.015	1.018	69/66	1.003	1.008	66/63	1.003	1.005	69/63	1.008
78/75	1.011	1.013	81/78	1.002	1.004	78/75	1.002	1.002	81/75	1.005
90/87	1.008	1.009	93/90	1.000	1.004	90/87	1.001	1.004	93/87	1.005
102/99	1.005	1.008	105/102	1.001	1.002	102/99	1.003	1.001	105/99	1.004
114/111	1.004	1.006	117/114	1.002	1.002	114/111	1.002	1.000	117/111	1.002
<u>Paid Indemnity</u>										
18/15	1.341	1.353	21/18	1.258	1.248	18/15	1.009	0.992	21/15	1.001
30/27	1.116	1.131	33/30	1.103	1.105	30/27	1.013	1.002	33/27	1.016
42/39	1.050	1.059	45/42	1.044	1.045	42/39	1.008	1.002	45/39	1.010
54/51	1.024	1.031	57/54	1.024	1.025	54/51	1.007	1.001	57/51	1.008
66/63	1.014	1.018	69/66	1.013	1.014	66/63	1.005	1.001	69/63	1.006
78/75	1.009	1.011	81/78	1.008	1.010	78/75	1.002	1.001	81/75	1.004
90/87	1.007	1.009	93/90	1.007	1.008	90/87	1.002	1.000	93/87	1.002
102/99	1.005	1.007	105/102	1.007	1.006	102/99	1.002	0.998	105/99	1.000
114/111	1.004	1.006	117/114	1.005	1.006	114/111	1.002	1.001	117/111	1.003
<u>Paid Medical</u>										
18/15	1.231	1.245	21/18	1.170	1.173	18/15	1.011	1.003	21/15	1.014
30/27	1.083	1.092	33/30	1.078	1.077	30/27	1.008	0.999	33/27	1.007
42/39	1.040	1.048	45/42	1.039	1.042	42/39	1.008	1.002	45/39	1.010
54/51	1.023	1.029	57/54	1.023	1.025	54/51	1.006	1.002	57/51	1.008
66/63	1.015	1.018	69/66	1.014	1.016	66/63	1.003	1.002	69/63	1.006
78/75	1.011	1.013	81/78	1.009	1.011	78/75	1.002	1.001	81/75	1.004
90/87	1.008	1.009	93/90	1.006	1.010	90/87	1.001	1.004	93/87	1.005
102/99	1.005	1.008	105/102	1.006	1.006	102/99	1.003	1.000	105/99	1.003
114/111	1.004	1.006	117/114	1.004	1.006	114/111	1.002	1.002	117/111	1.004

Note:

1. Source: WCIRB aggregate financial data.

**Annual Loss Development Factors
Adjustments and Scenarios
Using Data Through September 30, 2020**

	(8)	(9)		(10)	(11)	(12)
	Annual Age-to-Age Development Factors			Adjusted Annual Age-to-Age Development Factors (Note 2)		
Age in Months	3Q20 LDFs	3Q19 LDFs	Age in Months	Using 2Q19 LDFs (5) x (8)	Using 2Q19-3Q19 LDFs (7) x (8)	Average of Current and Prior Avg[(8),(9)]
<u>Incurred Indemnity</u>						
21/9	2.774	2.721	21/9	2.760	2.747	2.748
33/21	1.316	1.315	33/21	1.307	1.309	1.316
45/33	1.114	1.116	45/33	1.112	1.117	1.115
57/45	1.057	1.057	57/45	1.055	1.057	1.057
69/57	1.029	1.035	69/57	1.029	1.029	1.032
81/69	1.017	1.024	81/69	1.018	1.020	1.021
93/81	1.013	1.020	93/81	1.014	1.015	1.017
105/93	1.014	1.012	105/93	1.011	1.011	1.013
117/105	1.009	1.012	117/105	1.012	1.011	1.011
<u>Incurred Medical</u>						
21/9	2.028	2.026	21/9	2.050	2.057	2.027
33/21	1.141	1.147	33/21	1.150	1.156	1.144
45/33	1.063	1.054	45/33	1.071	1.074	1.059
57/45	1.039	1.033	57/45	1.045	1.045	1.036
69/57	1.020	1.032	69/57	1.023	1.028	1.026
81/69	1.012	1.018	81/69	1.014	1.017	1.015
93/81	1.005	1.015	93/81	1.006	1.010	1.010
105/93	1.007	1.009	105/93	1.010	1.011	1.008
117/105	1.003	1.011	117/105	1.005	1.005	1.007
<u>Paid Indemnity</u>						
21/9	3.705	3.577	21/9	3.738	3.709	3.641
33/21	1.478	1.480	33/21	1.498	1.501	1.479
45/33	1.215	1.232	45/33	1.225	1.227	1.224
57/45	1.120	1.135	57/45	1.127	1.129	1.128
69/57	1.072	1.085	69/57	1.077	1.078	1.079
81/69	1.054	1.057	81/69	1.056	1.058	1.056
93/81	1.036	1.047	93/81	1.038	1.038	1.042
105/93	1.031	1.034	105/93	1.033	1.031	1.033
117/105	1.021	1.027	117/105	1.023	1.024	1.024
<u>Paid Medical</u>						
21/9	3.705	3.577	21/9	3.746	3.756	3.641
33/21	1.478	1.480	33/21	1.490	1.489	1.479
45/33	1.215	1.232	45/33	1.225	1.227	1.224
57/45	1.120	1.135	57/45	1.126	1.129	1.128
69/57	1.072	1.085	69/57	1.076	1.078	1.079
81/69	1.054	1.057	81/69	1.056	1.058	1.056
93/81	1.036	1.047	93/81	1.037	1.041	1.042
105/93	1.031	1.034	105/93	1.034	1.034	1.033
117/105	1.021	1.027	117/105	1.023	1.025	1.024

Notes:

1. Source: WCIRB aggregate financial data.
2. The post-pandemic quarterly experience is removed by dividing from the annual LDFs, then the appropriate quarterly LDFs are multiplied to adjust the annual LDFs.

**Projected Cumulative Development Factors
and Impact of Implementing Historical Development Patterns
Using Data through September 30, 2020**

	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
	Cumulative Development Factors Using:					Comparison to Current CDF			
Age to Ultimate	Latest Diagonal (Note 2)	Prior Diagonal (9) x [117-Ult]	2Q19 Incremental LDFs (10) x [117-Ult]	2Q19-3Q19 Incremental LDFs (11) x [117-Ult]	Average of Current and Prior (12) x [117-Ult]	Prior Diagonal (14) / (13) -1	2Q19 Incremental LDFs (15) / (13) -1	2Q19-3Q19 Incremental LDFs (16) / (13) -1	Average of Current and Prior (17) / (13) -1
<u>Incurring Indemnity</u>									
21-Ult	1.693	1.730	1.677	1.695	1.711	2.2%	-0.9%	0.1%	1.1%
33-Ult	1.286	1.315	1.284	1.294	1.301	2.3%	-0.2%	0.6%	1.1%
45-Ult	1.155	1.179	1.154	1.159	1.167	2.1%	0.0%	0.3%	1.0%
57-Ult	1.092	1.115	1.095	1.096	1.104	2.1%	0.2%	0.3%	1.0%
69-Ult	1.062	1.077	1.063	1.065	1.069	1.5%	0.2%	0.4%	0.7%
81-Ult	1.044	1.052	1.044	1.045	1.048	0.8%	0.0%	0.1%	0.4%
93-Ult	1.030	1.031	1.030	1.029	1.031	0.1%	0.0%	-0.1%	0.0%
105-Ult	1.016	1.019	1.019	1.018	1.018	0.3%	0.3%	0.2%	0.1%
117-Ult	1.007								
<u>Incurring Medical</u>									
21-Ult	1.328	1.366	1.374	1.401	1.347	2.9%	3.5%	5.5%	1.4%
33-Ult	1.164	1.191	1.194	1.212	1.177	2.3%	2.6%	4.1%	1.2%
45-Ult	1.095	1.130	1.115	1.129	1.112	3.2%	1.8%	3.1%	1.6%
57-Ult	1.054	1.094	1.067	1.080	1.074	3.8%	1.2%	2.5%	1.9%
69-Ult	1.033	1.060	1.042	1.050	1.046	2.6%	0.9%	1.7%	1.3%
81-Ult	1.021	1.041	1.028	1.033	1.031	2.0%	0.7%	1.2%	1.0%
93-Ult	1.016	1.026	1.021	1.022	1.021	1.0%	0.5%	0.7%	0.5%
105-Ult	1.009	1.017	1.011	1.011	1.013	0.8%	0.2%	0.2%	0.4%
117-Ult	1.006								
<u>Paid Indemnity</u>									
21-Ult	3.190	3.397	3.323	3.348	3.292	6.5%	4.2%	4.9%	3.2%
33-Ult	2.158	2.295	2.219	2.230	2.226	6.3%	2.8%	3.3%	3.1%
45-Ult	1.776	1.863	1.811	1.818	1.819	4.9%	1.9%	2.3%	2.4%
57-Ult	1.586	1.641	1.606	1.610	1.613	3.5%	1.3%	1.5%	1.7%
69-Ult	1.480	1.513	1.492	1.493	1.496	2.2%	0.8%	0.9%	1.1%
81-Ult	1.404	1.431	1.412	1.411	1.417	2.0%	0.6%	0.5%	1.0%
93-Ult	1.355	1.367	1.360	1.359	1.361	0.9%	0.4%	0.3%	0.4%
105-Ult	1.314	1.322	1.317	1.318	1.318	0.6%	0.2%	0.3%	0.3%
117-Ult	1.287								
<u>Paid Medical</u>									
21-Ult	3.190	3.397	3.300	3.344	3.292	6.5%	3.5%	4.8%	3.2%
33-Ult	2.158	2.295	2.215	2.246	2.226	6.3%	2.6%	4.0%	3.1%
45-Ult	1.776	1.863	1.808	1.830	1.819	4.9%	1.8%	3.0%	2.4%
57-Ult	1.586	1.641	1.606	1.620	1.613	3.5%	1.2%	2.2%	1.7%
69-Ult	1.480	1.513	1.493	1.503	1.496	2.2%	0.9%	1.6%	1.1%
81-Ult	1.404	1.431	1.413	1.420	1.417	2.0%	0.7%	1.2%	1.0%
93-Ult	1.355	1.367	1.362	1.365	1.361	0.9%	0.5%	0.7%	0.4%
105-Ult	1.314	1.322	1.317	1.320	1.318	0.6%	0.2%	0.4%	0.3%
117-Ult	1.287								

Notes:

1. Source: WCIRB aggregate financial data.
2. Source: Exhibits 2.2.1 through 2.4.2 of AC20-12-01.