

WCIRB Actuarial Committee Meeting

September 14, 2021

Agenda

1. Actuarial Research Working Group Meeting Summary
2. AC21-03-03: Review of COVID-19 Claim Diagnostics
3. AC21-09-01: Third Quarter 2021 Review of Diagnostics
4. AC21-09-02: 6/30/2021 Experience Review
5. AC21-09-03: Wage Inflation Analysis
6. AC21-09-04: Study of California Frictional Costs

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Actuarial Research Working Group Meeting Summary



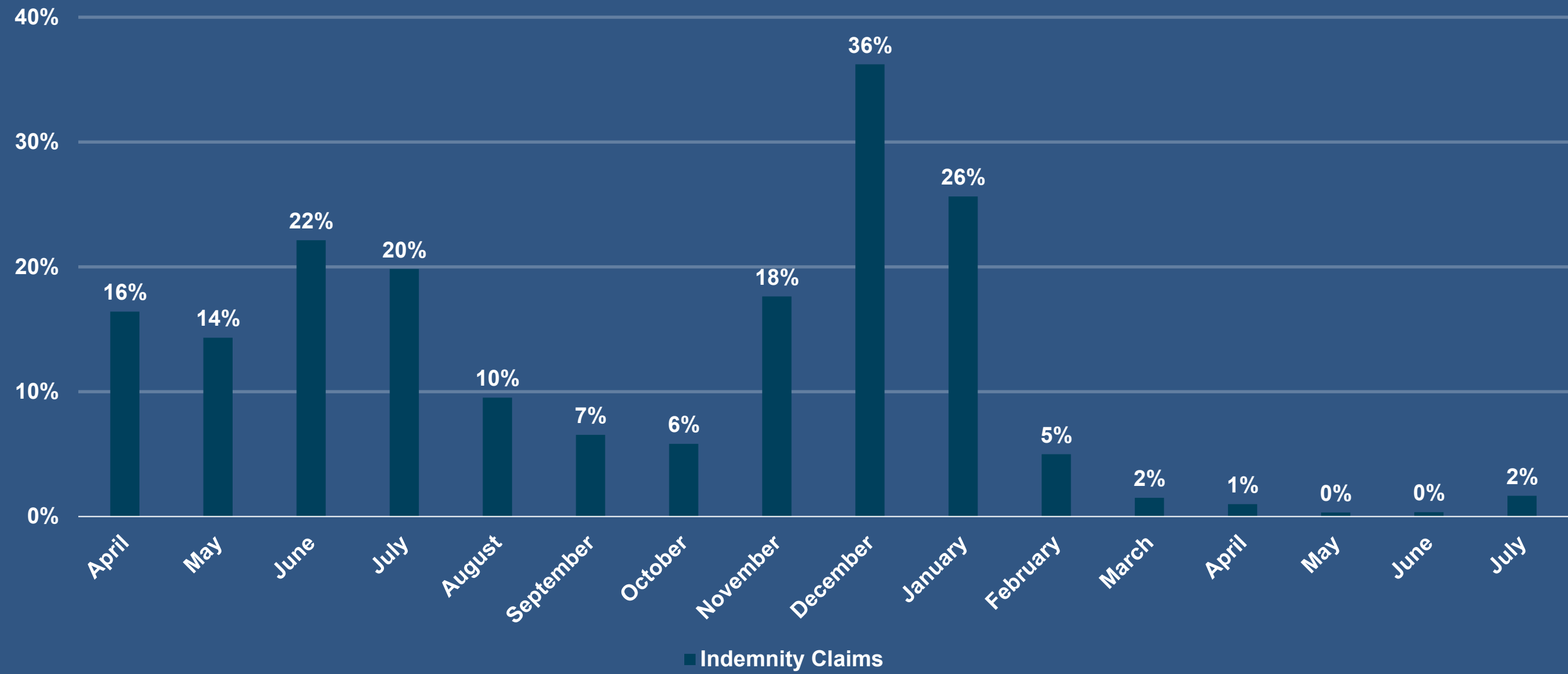
02

Review of COVID-19 Claim Diagnostics



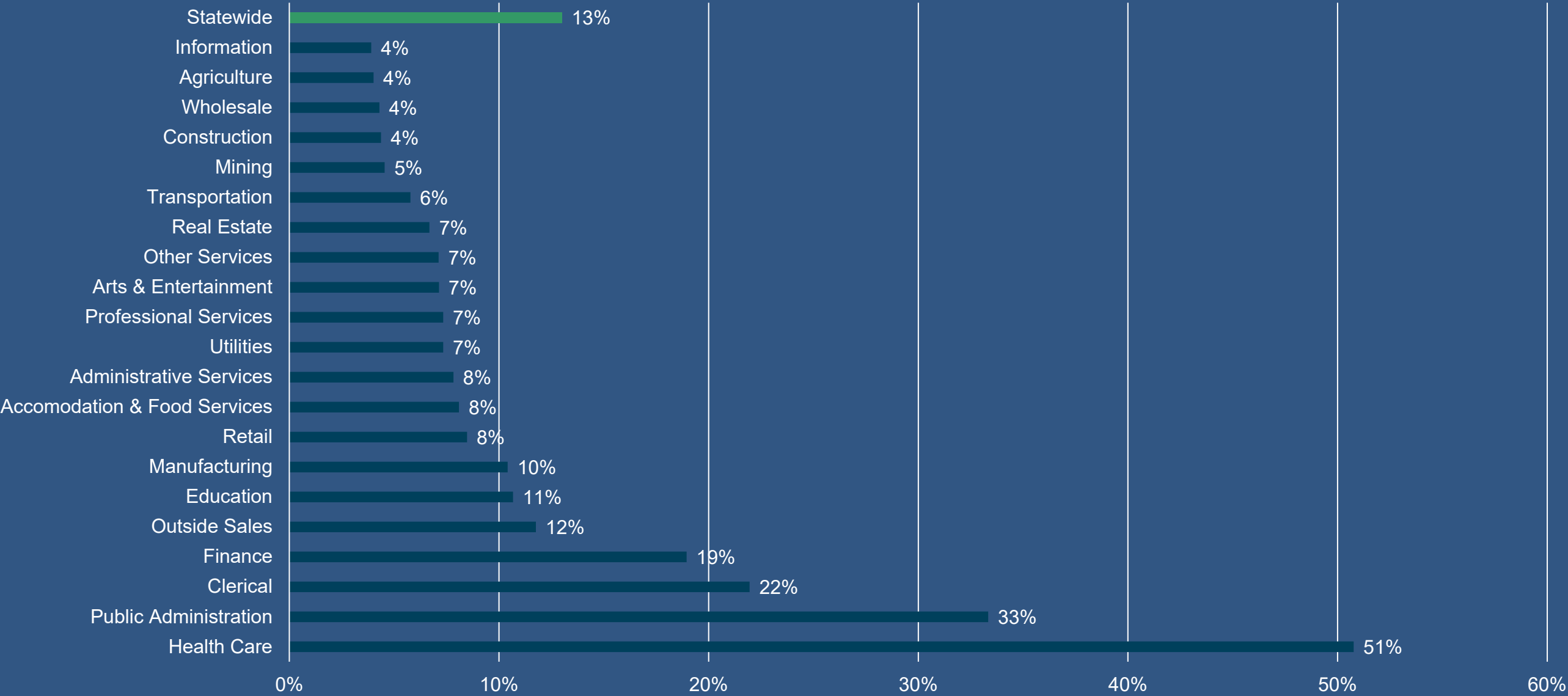
Reported COVID-19 Claims by Accident Month as a Share of Indemnity Claims

As of September 1, 2021



Share of Indemnity Claims due to COVID-19 by Industry

As of September 1, 2021



Industry Distribution of COVID-19 Indemnity Claims by Accident Quarter

As of September 1, 2021

Industry Code	Industry	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2
62	Health Care	52%	57%	54%	57%	56%
31	Manufacturing	11%	7%	9%	9%	13%
44	Retail	6%	5%	7%	6%	6%
8810	Clerical	5%	3%	6%	8%	5%
72	Accommodation & Food Services	4%	6%	4%	4%	2%
56	Administrative Services	3%	4%	1%	1%	0%
48	Transportation	3%	5%	5%	2%	2%
23	Construction	3%	3%	3%	4%	6%
11	Agriculture	3%	2%	0%	1%	1%
42	Wholesale	3%	2%	3%	2%	3%
81	Other Services	2%	1%	1%	0%	0%
71	Arts & Entertainment	1%	0%	0%	0%	0%
8742	Outside Sales	1%	1%	1%	1%	0%
53	Real Estate	1%	1%	1%	1%	1%
92	Public Administration	1%	0%	1%	1%	3%
54	Professional Services	0%	1%	1%	1%	0%
61	Education	0%	1%	1%	1%	2%
52	Finance	0%	0%	1%	0%	0%
51	Information	0%	0%	1%	0%	0%
0	Unknown	0%	0%	0%	0%	0%
21	Mining	0%	0%	0%	0%	0%
22	Utilities	0%	0%	0%	0%	0%

Comparison of Incurred Medical and Indemnity Severity on COVID-19 and Non-COVID-19 Claims (AY 2020)

As of June 30, 2021

Avg per Total Claim	COVID-19	Non-COVID-19
Incurred Medical	\$6,781	\$7,775
Incurred Indemnity	\$5,697	\$5,800

Avg per Indemnity Claim	COVID-19	Non-COVID-19
Incurred Medical	\$9,864	\$19,876
Incurred Indemnity	\$8,287	\$14,828

Distribution of COVID-19 Claim Types Relative to Non-COVID-19 Claims based on Incurred Loss

As of September 1, 2021

Claim Types	Non-COVID-19	COVID-19
Indemnity-Only	1%	48%
Indemnity/Medical	39%	30%
Medical-Only	61%	22%
Share of Indemnity Claims that are Indemnity-Only	2%	61%

Comparison of Incurred Medical and Indemnity Severity on COVID-19 and Non-COVID-19 Claims by Claim Type

As of September 1, 2021

Incurred Indemnity Severity	COVID-19		Non-COVID-19	
	Closed	Open	Closed	Open
Indemnity-Only	\$1,906	\$33,103	\$4,118	\$51,120
Indemnity/Medical	\$3,760	\$33,823	\$3,717	\$21,898

Incurred Medical Severity	COVID-19		Non-COVID-19	
	Closed	Open	Closed	Open
Indemnity/Medical	\$3,682	\$48,588	\$3,737	\$27,493
Medical-Only	\$515	\$6,534	\$1,011	\$7,617

Comparison of Incurred Medical Severity on COVID-19 and Non-COVID-19 Claims Adjusted for the Share of Indemnity-Only Claims

As of June 30, 2021

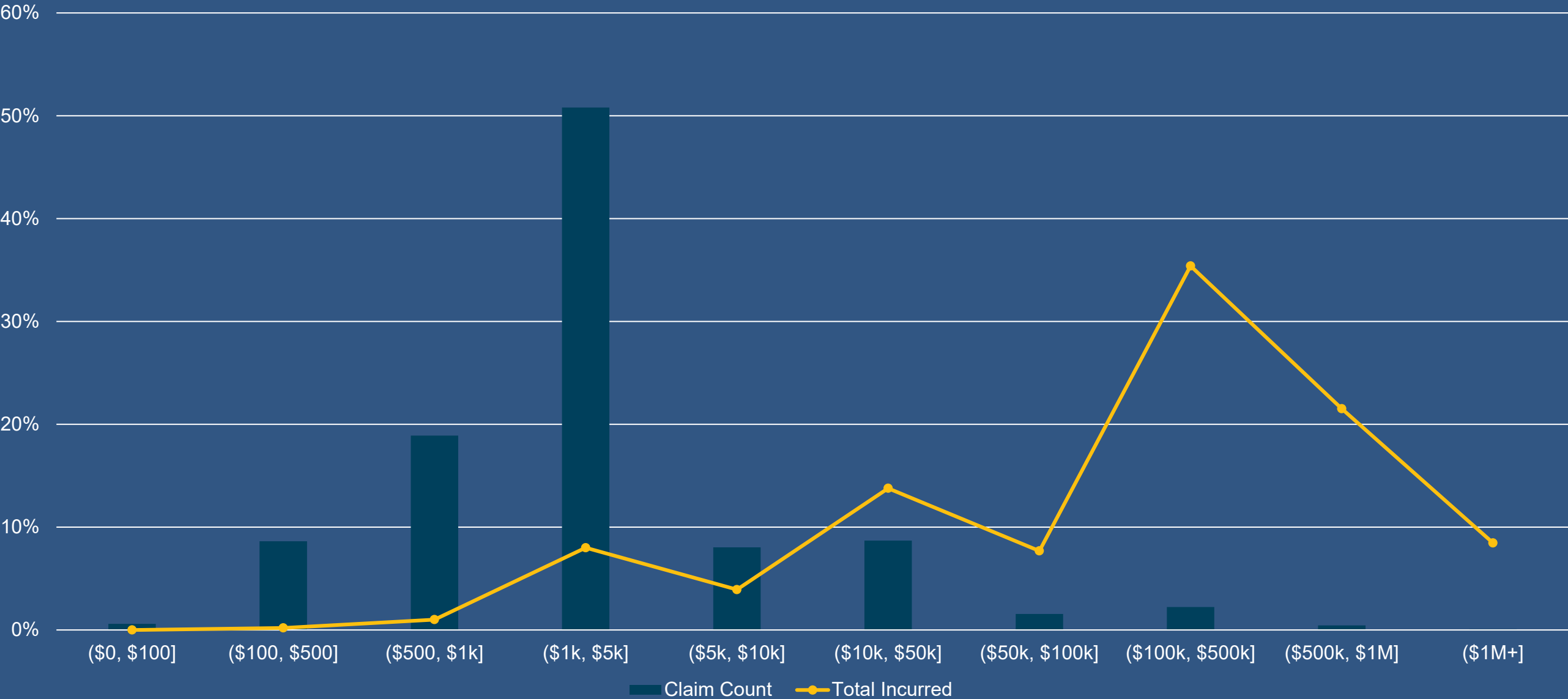
Avg per Indemnity Claim	COVID	Non-COVID
Incurred Medical	\$9,864	\$19,876

After Indemnity-Only Adjustment:

Avg per Indemnity Claim with Incurred Medical	COVID	Non-COVID
Incurred Medical	\$25,543	\$20,194

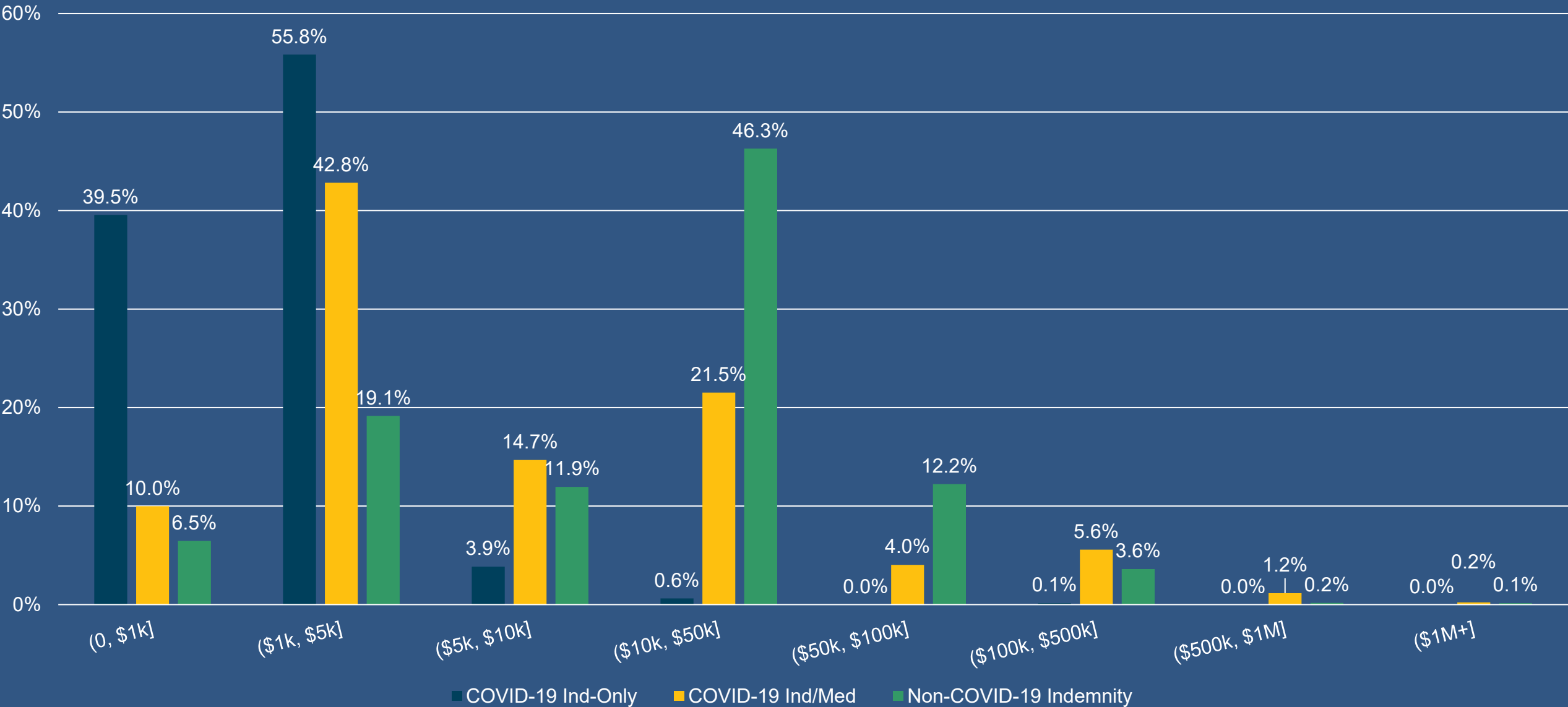
Size Distribution of Incurred Losses on COVID-19 Indemnity Claims

As of September 1, 2021



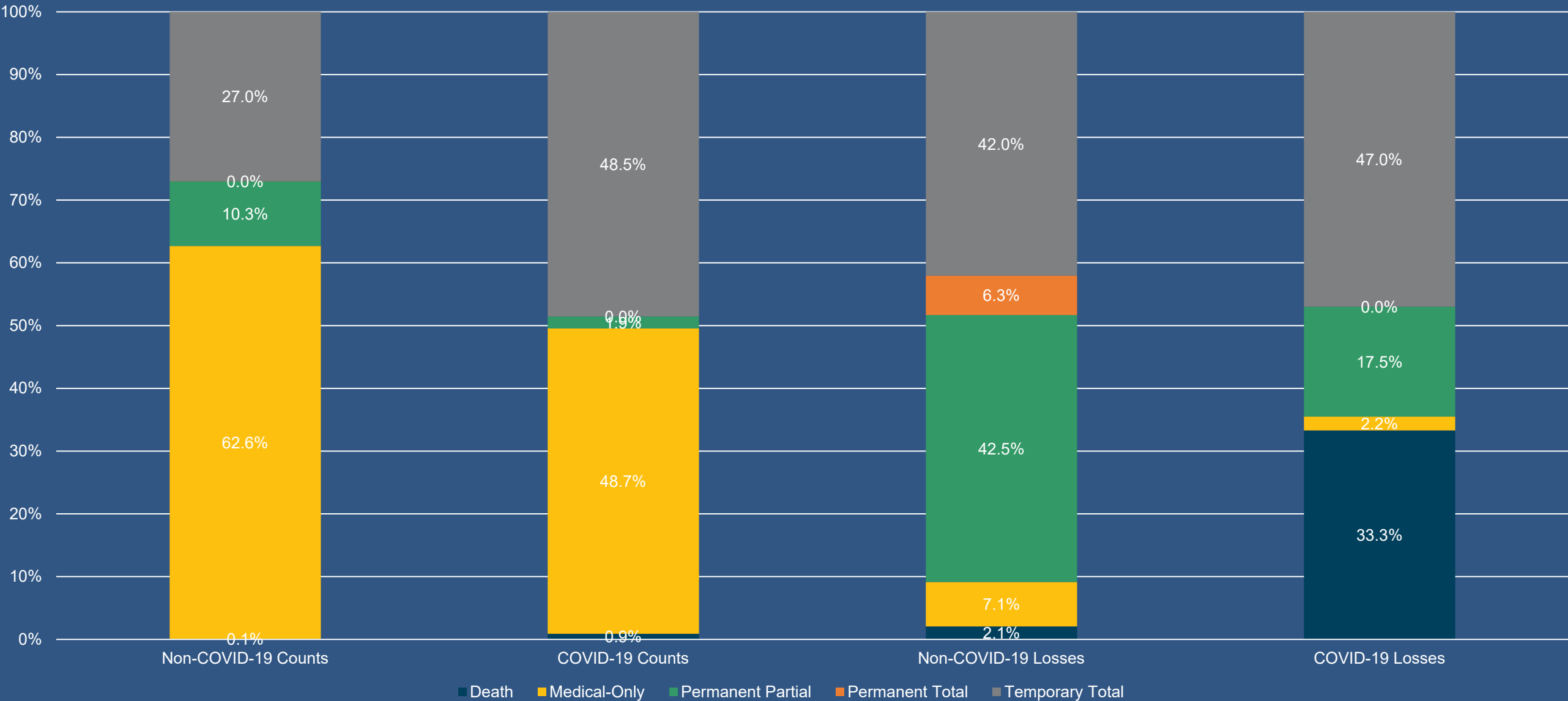
Distribution of COVID-19 Indemnity Claim Counts by Incurred Loss Size

As of September 1, 2021



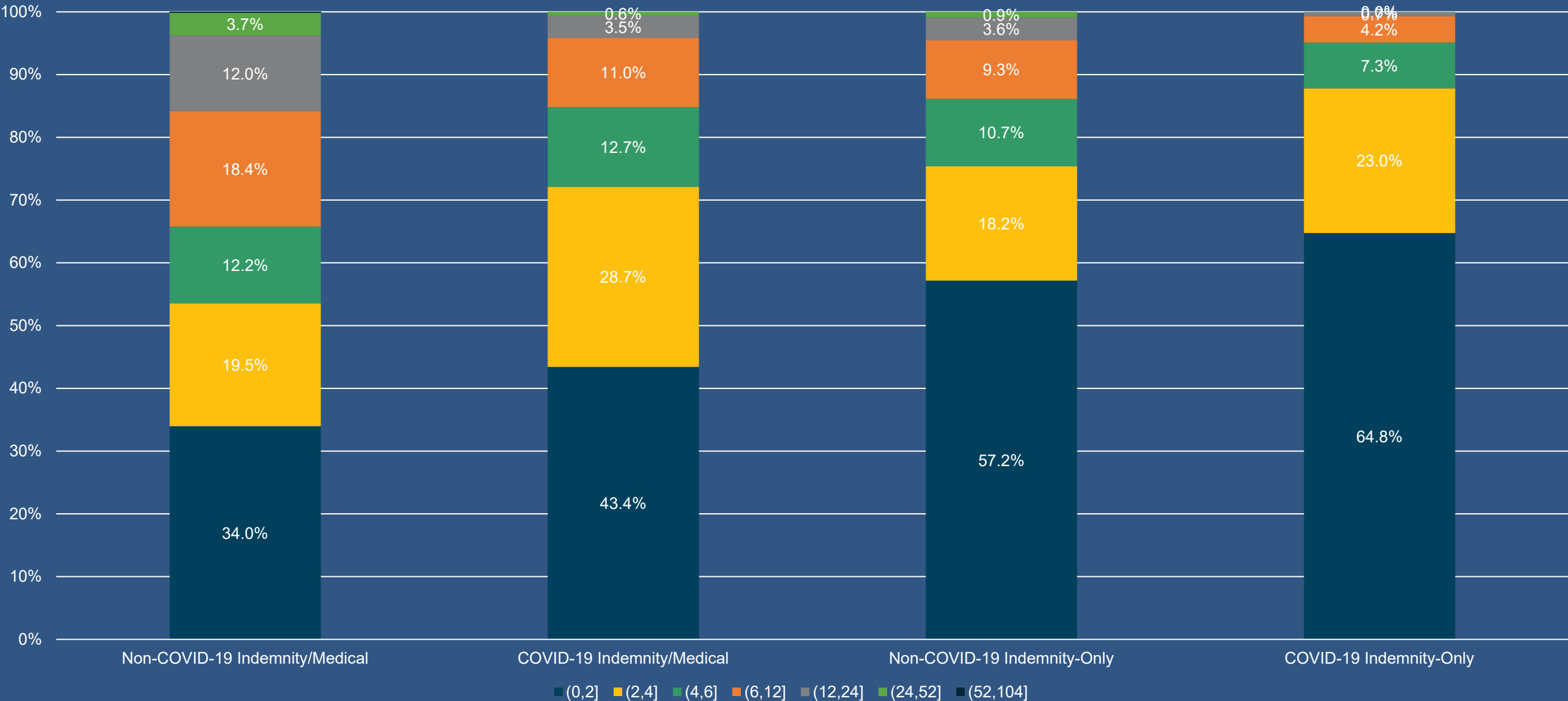
Comparison of Claim Counts and Incurred Loss by Injury Type

As of September 1, 2021



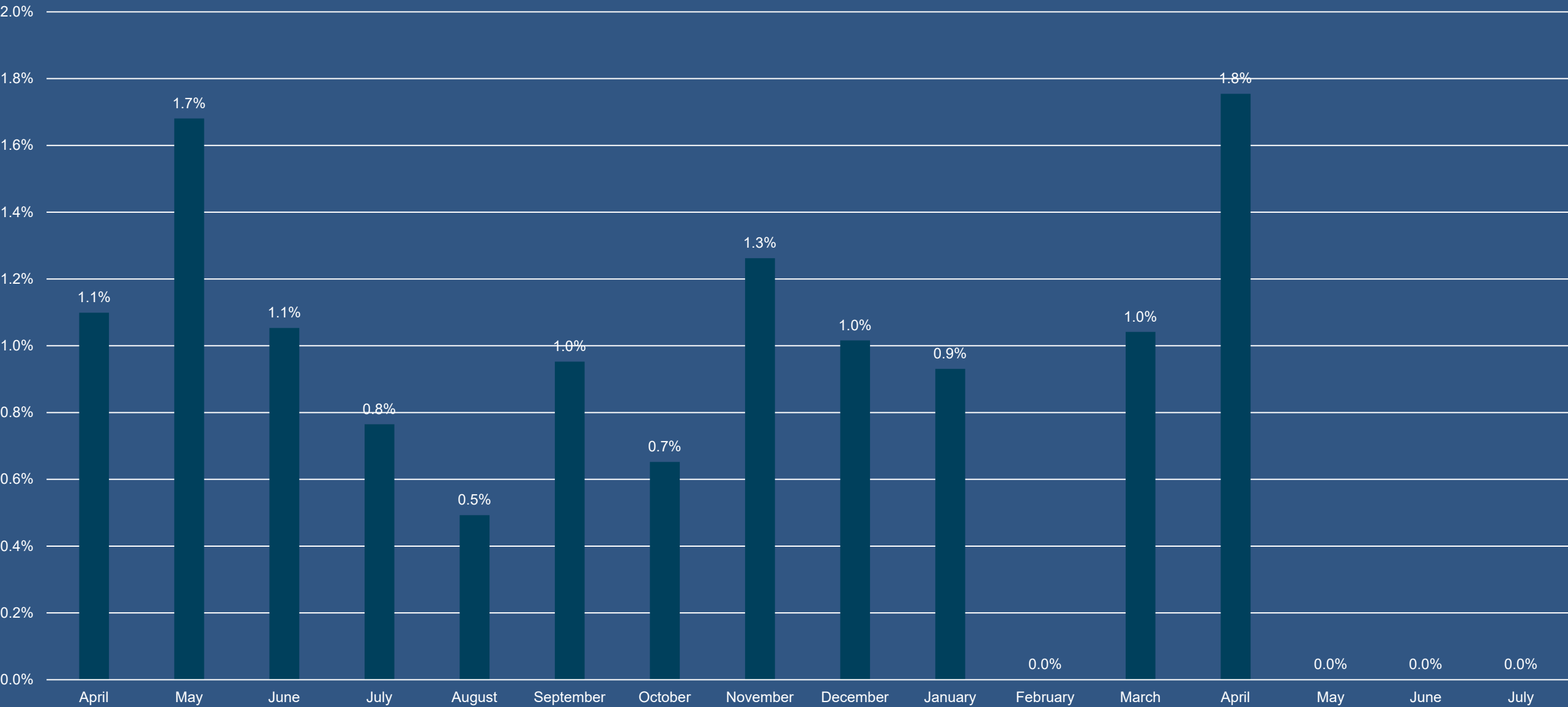
Distribution of Weeks of Paid TD for COVID-19 and Non-COVID-19 Indemnity Claims from AY 2020

As of September 1, 2021



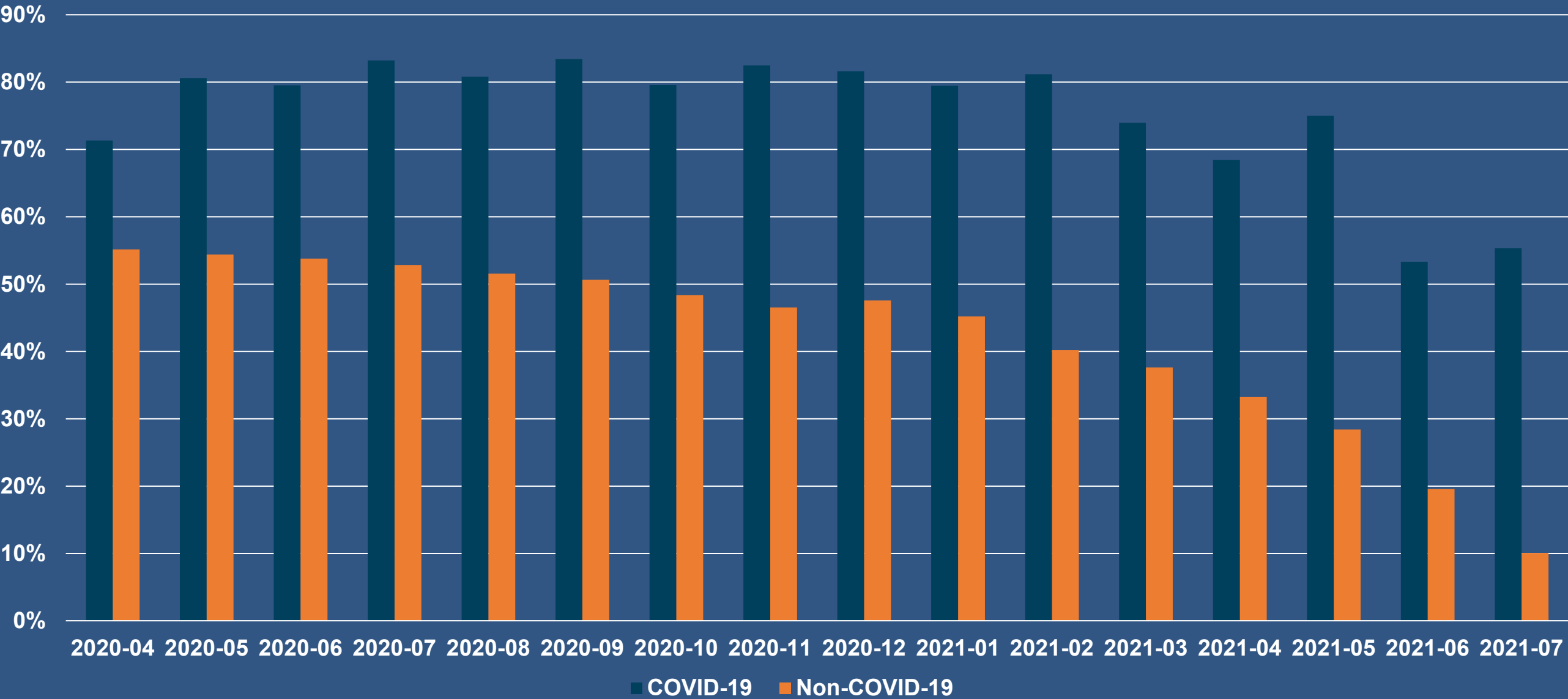
Share of COVID-19 Claims with an Employee Date of Death by Accident Month

As of September 1, 2021



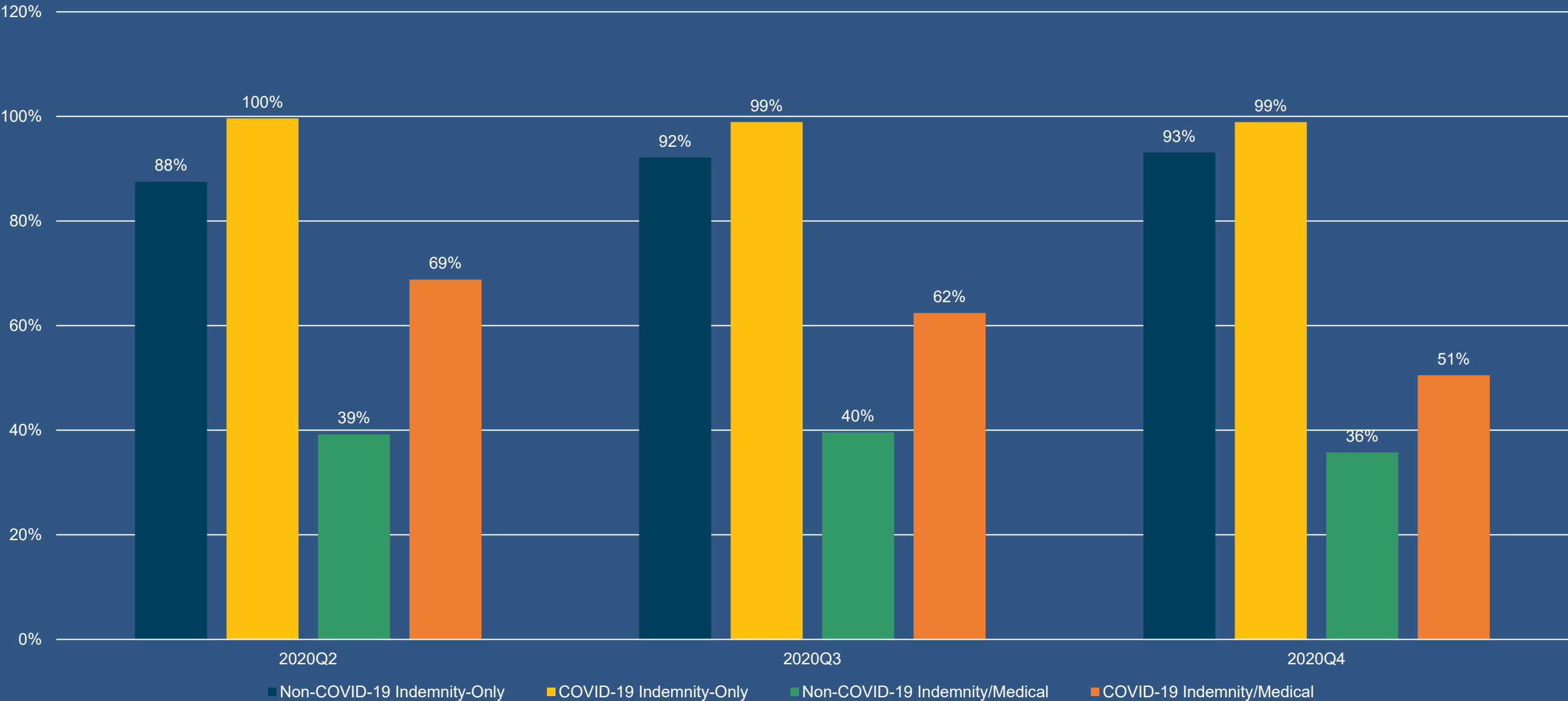
Indemnity Claim Closing Rate by Accident Month in FROI/SROI Data — COVID-19 vs. Non-COVID-19 Claims

As of September 1, 2021



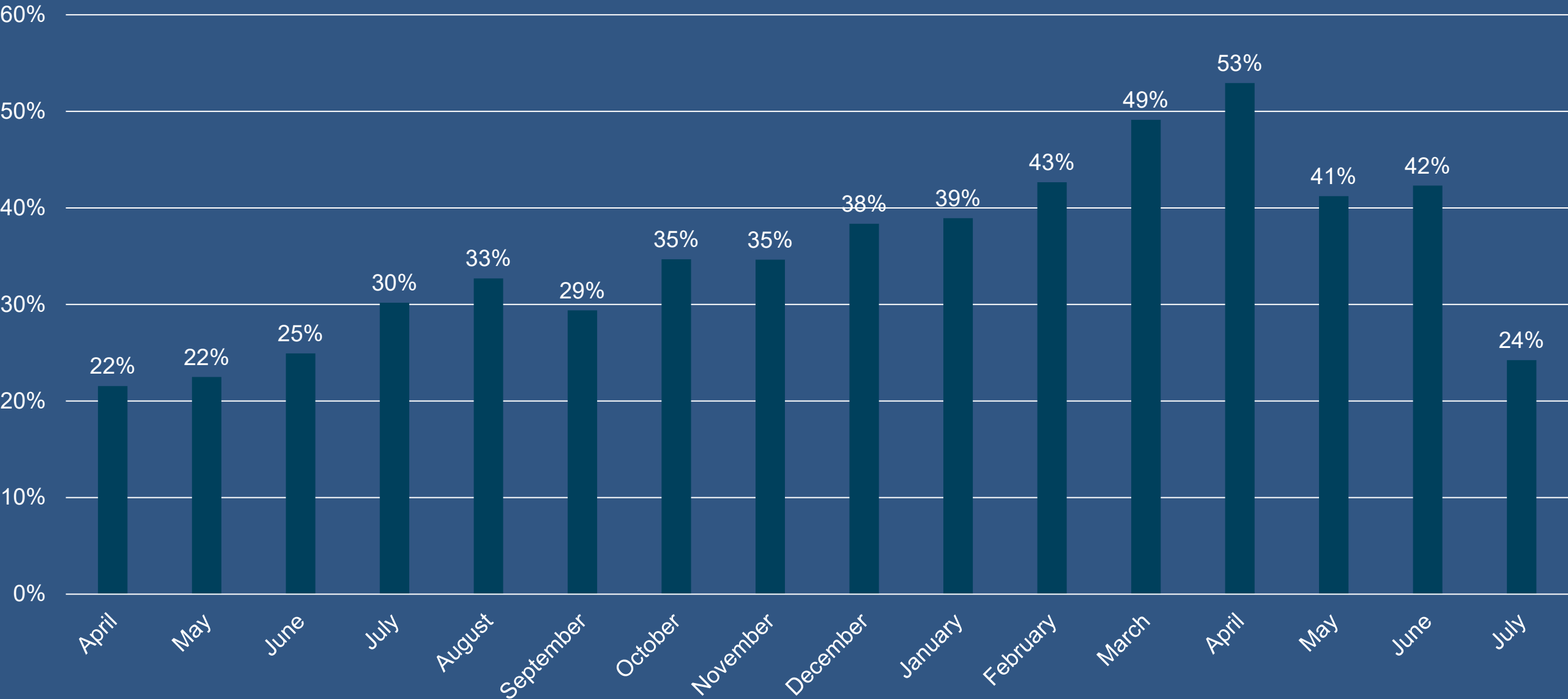
USR Claim Closing Rates for Indemnity Claims

As of September 1, 2021



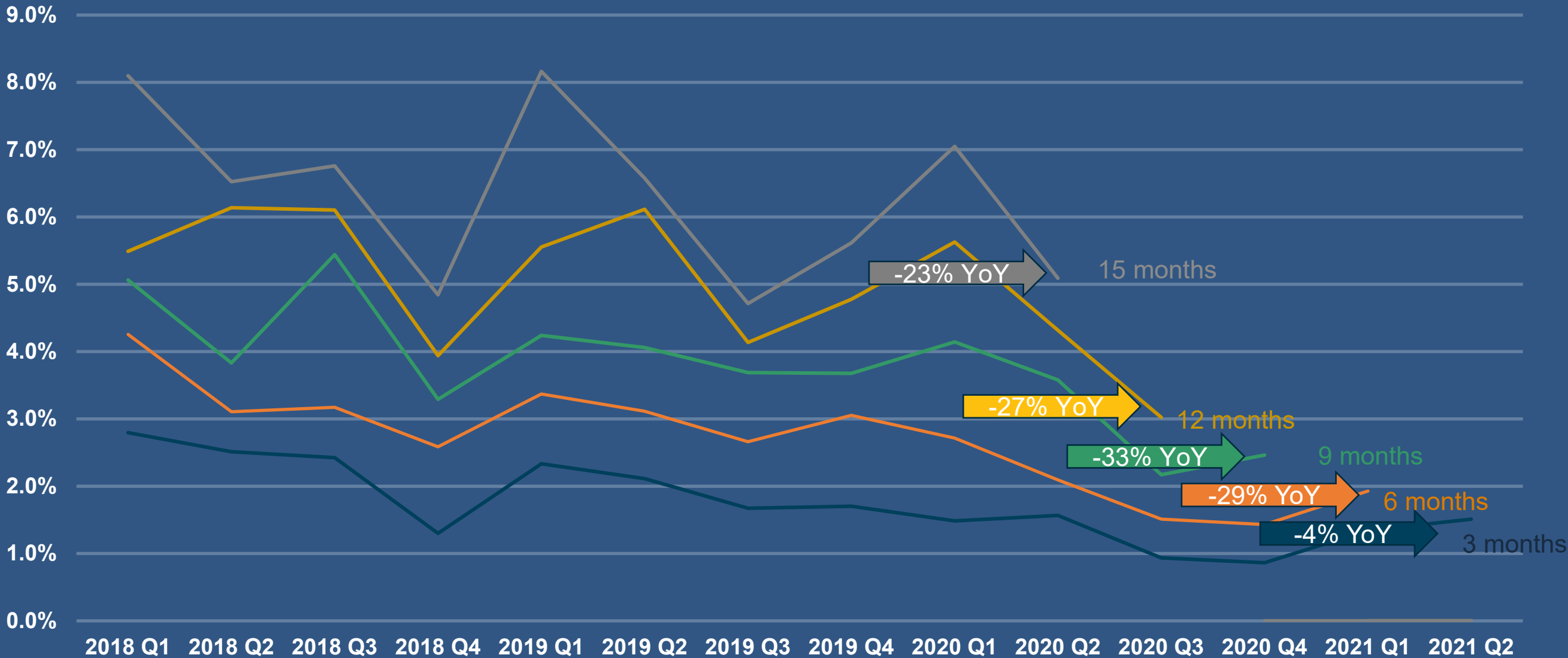
Denial Rates by Accident Month for COVID-19 Claims

As of September 1, 2021



CT Indemnity Claims Reported as a Share of Indemnity Claims Reported by AQ

As of September 1, 2021



03

Third Quarter 2021 Review of Diagnostics



Percentage of Claims Closed by Region (Exhibit M5)

Injury Type

Permanent Partial

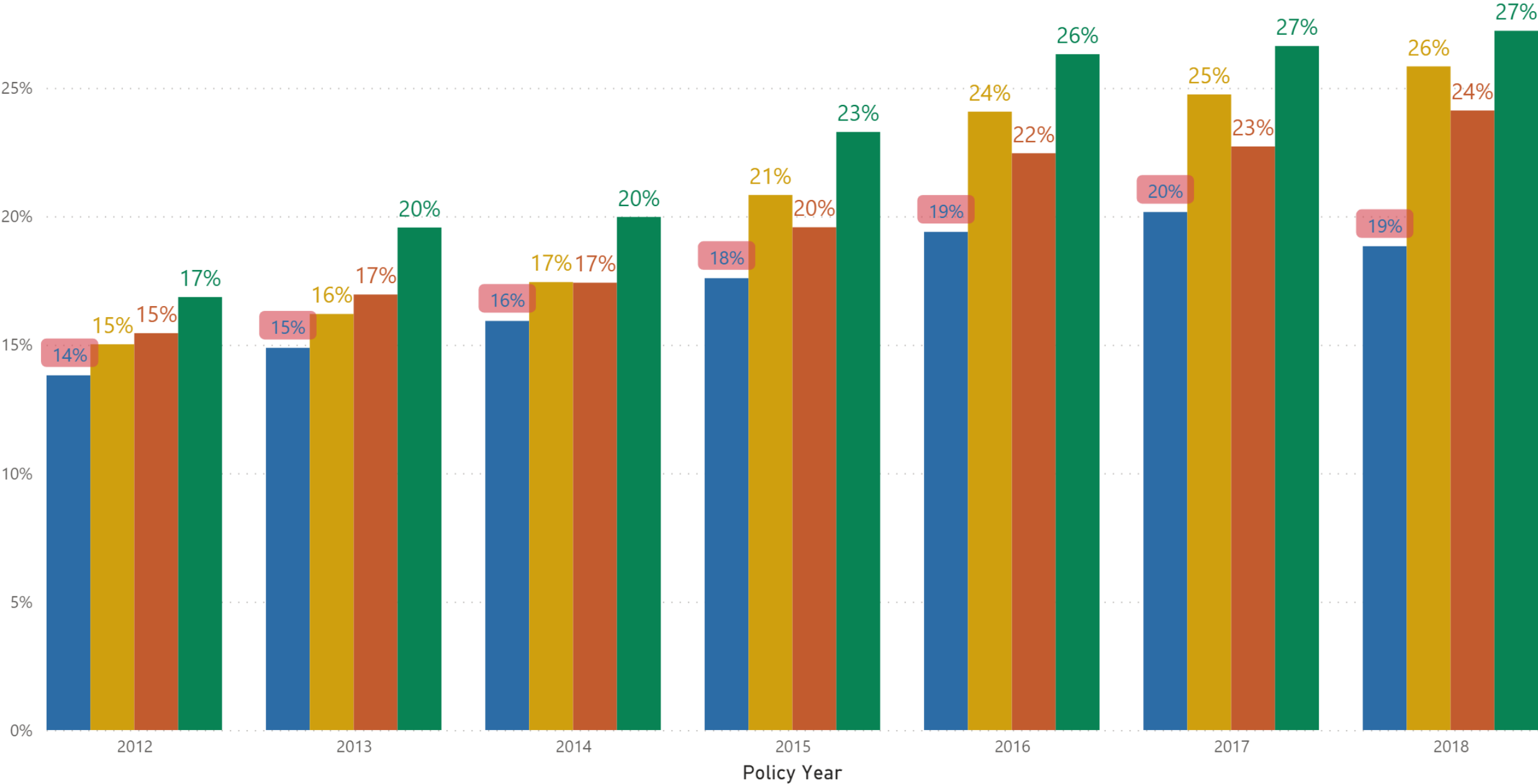
Temporary

RL

1

2

Region Bay Area Los Angeles Remainder of CA San Diego



Average Severity of Compromise & Release and Stipulated Award Settlements (Exhibit M6)

Category

- Average Incurred
- Average Indemnity
- Average Medical

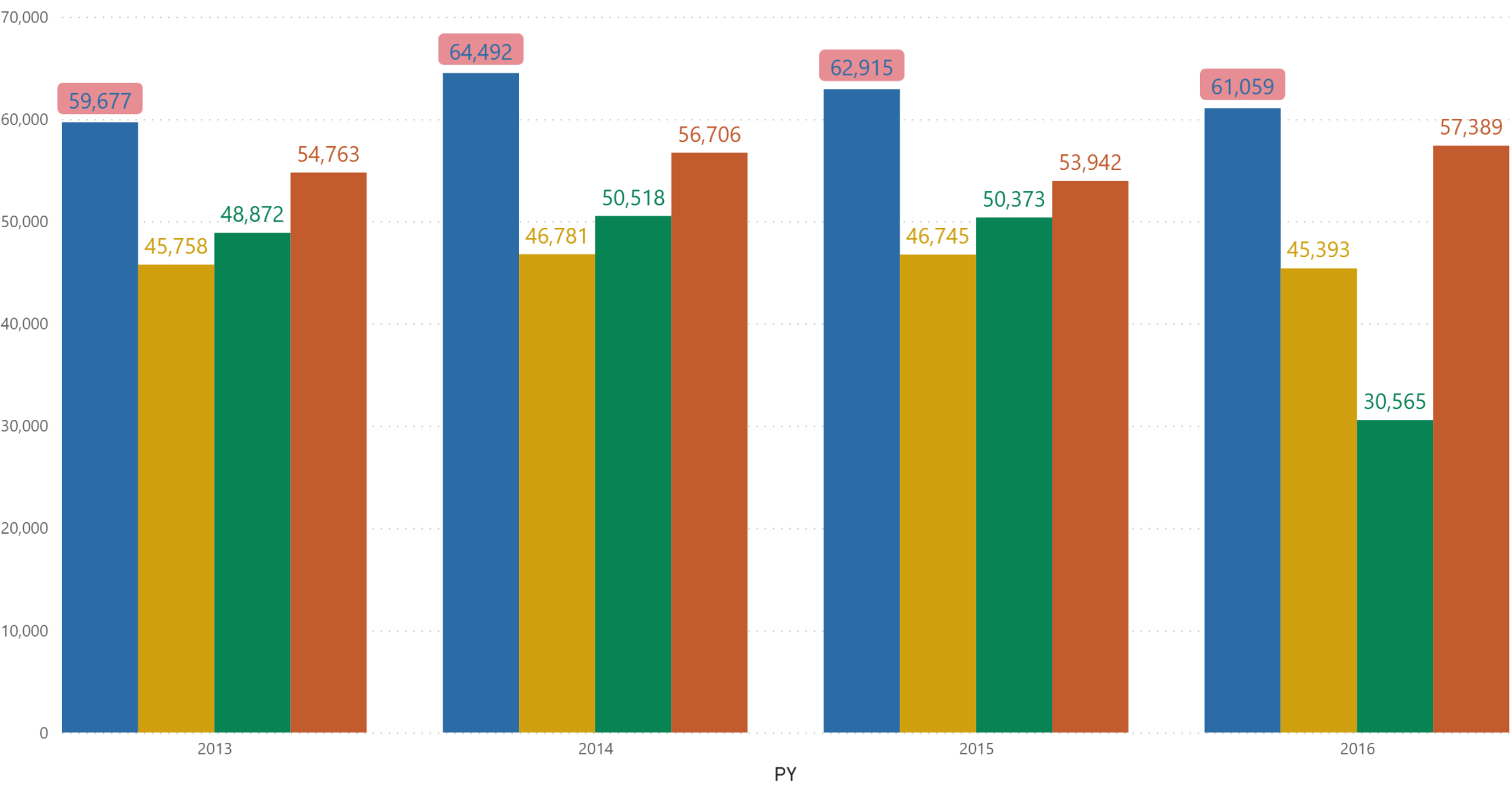
Geographic Region

- 1. Bay Area
- 2. Los Angeles
- 3. San Diego
- 4. Other
- 5. All Regions

Claim

- 1. Compromise & Release
- 2. Stipulated Award
- 3. Total/Average

Geographic Region ● 1. Bay Area ● 2. Los Angeles ● 3. San Diego ● 4. Other



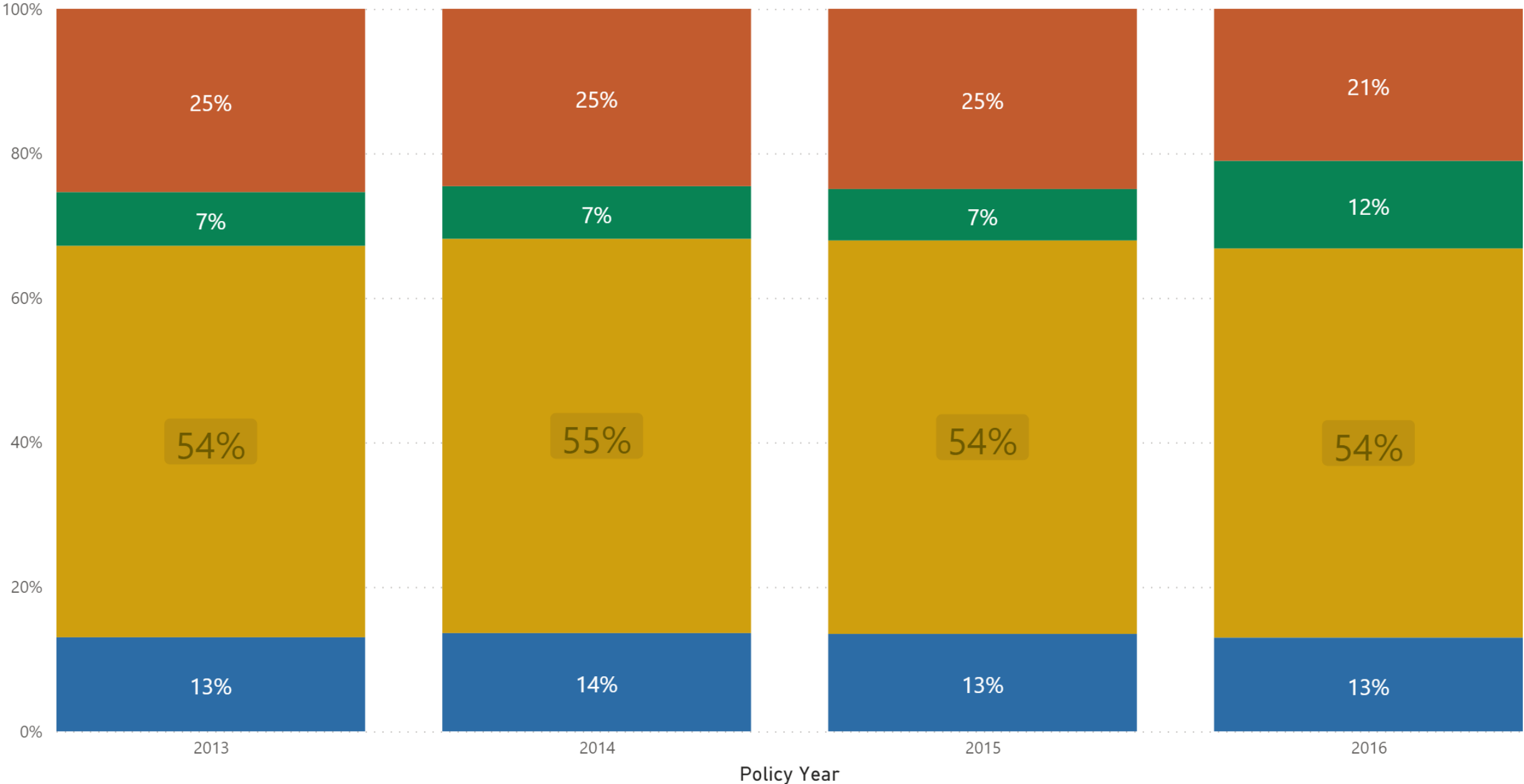
Percentage of Claim Count of Compromise & Release (Exhibit M6)

Claim

- 1. Compromise & Release
- 2. Stipulated Award
- 3. Total/Average

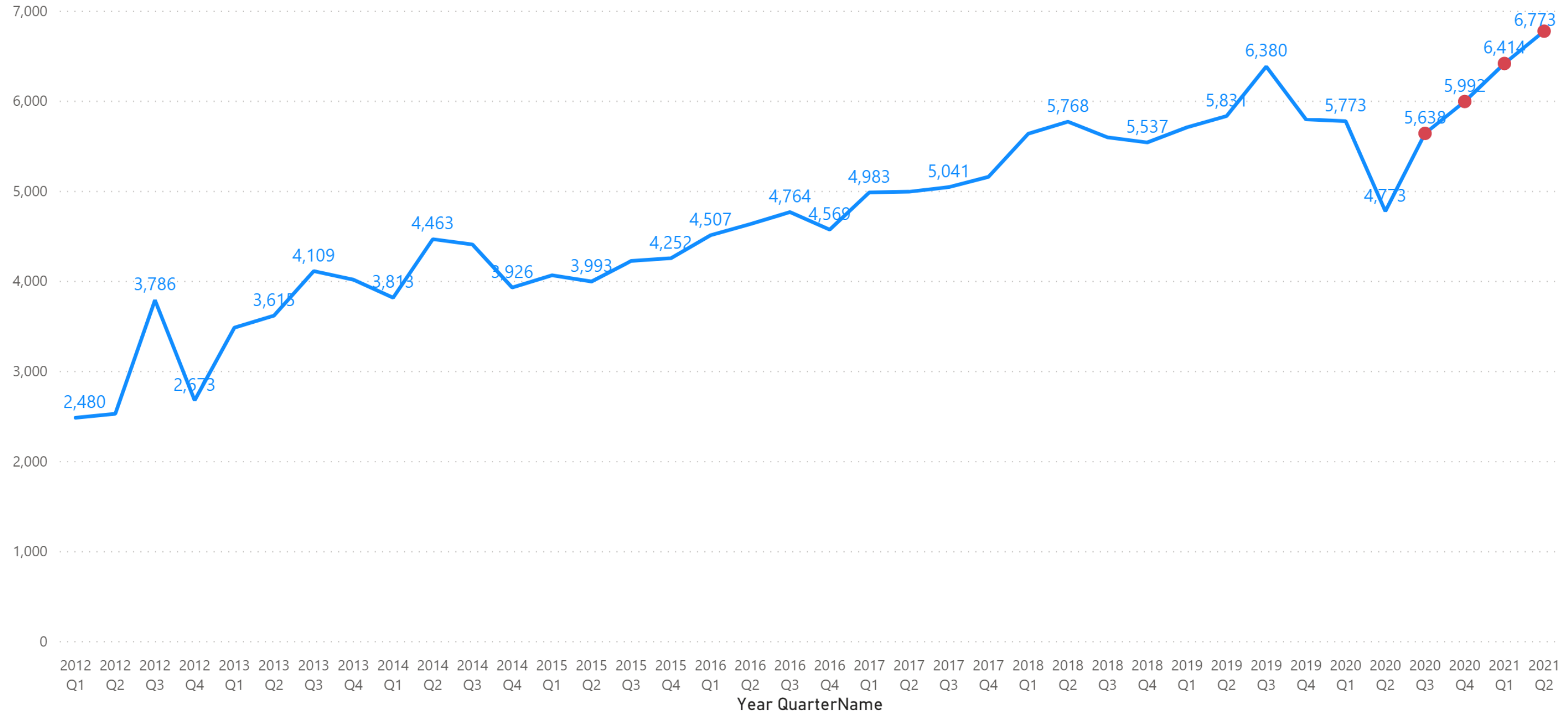
Geographic Region

- 1. Bay Area
- 2. Los Angeles
- 3. San Diego
- 4. Other



Quarterly Expedited Hearings (Exhibit M8.1- Updated)

Group ● Expedited Hearing



Filed Lien Counts (Exhibit M9.2)

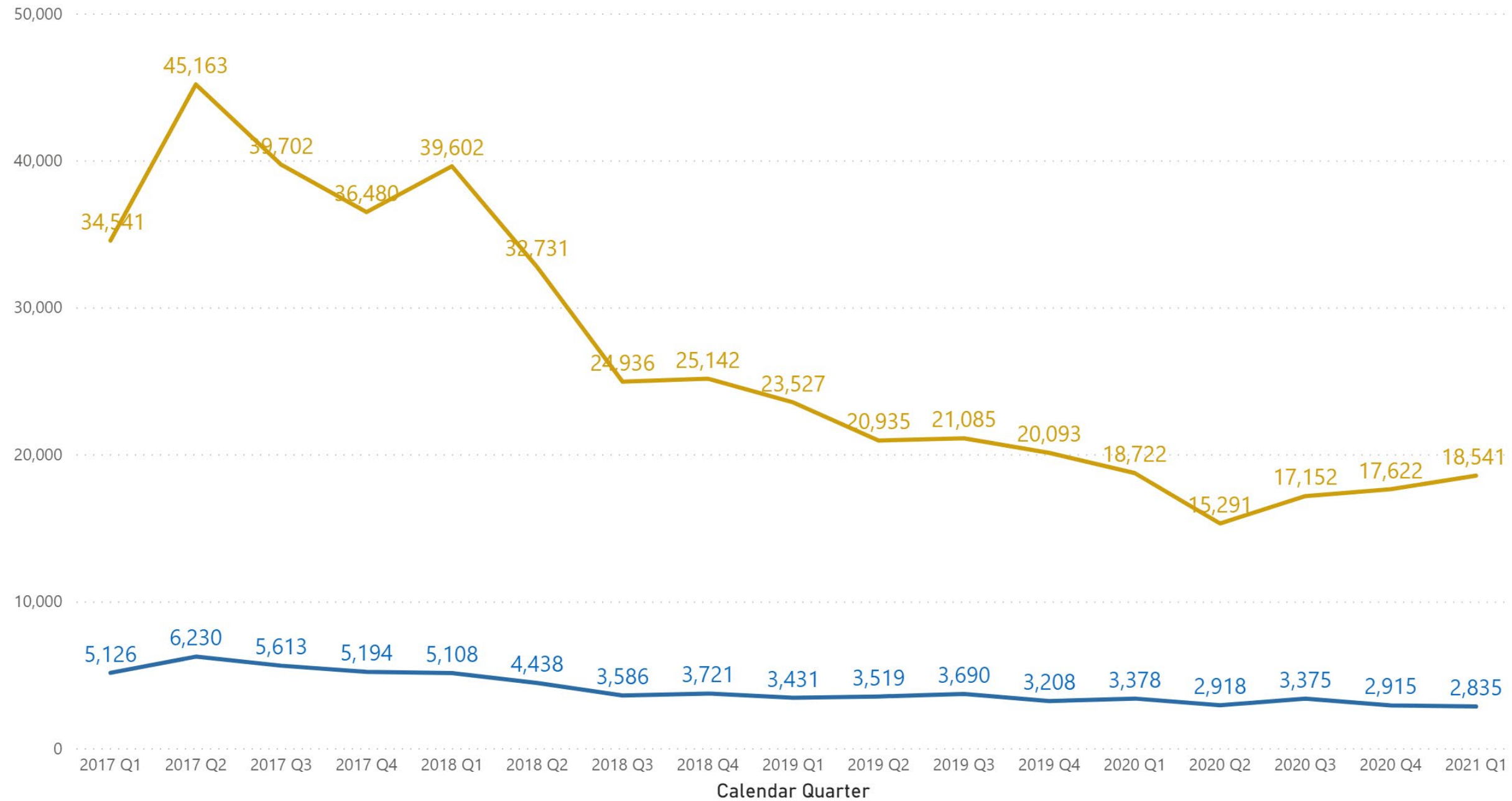
Group

Multiple selections

2017

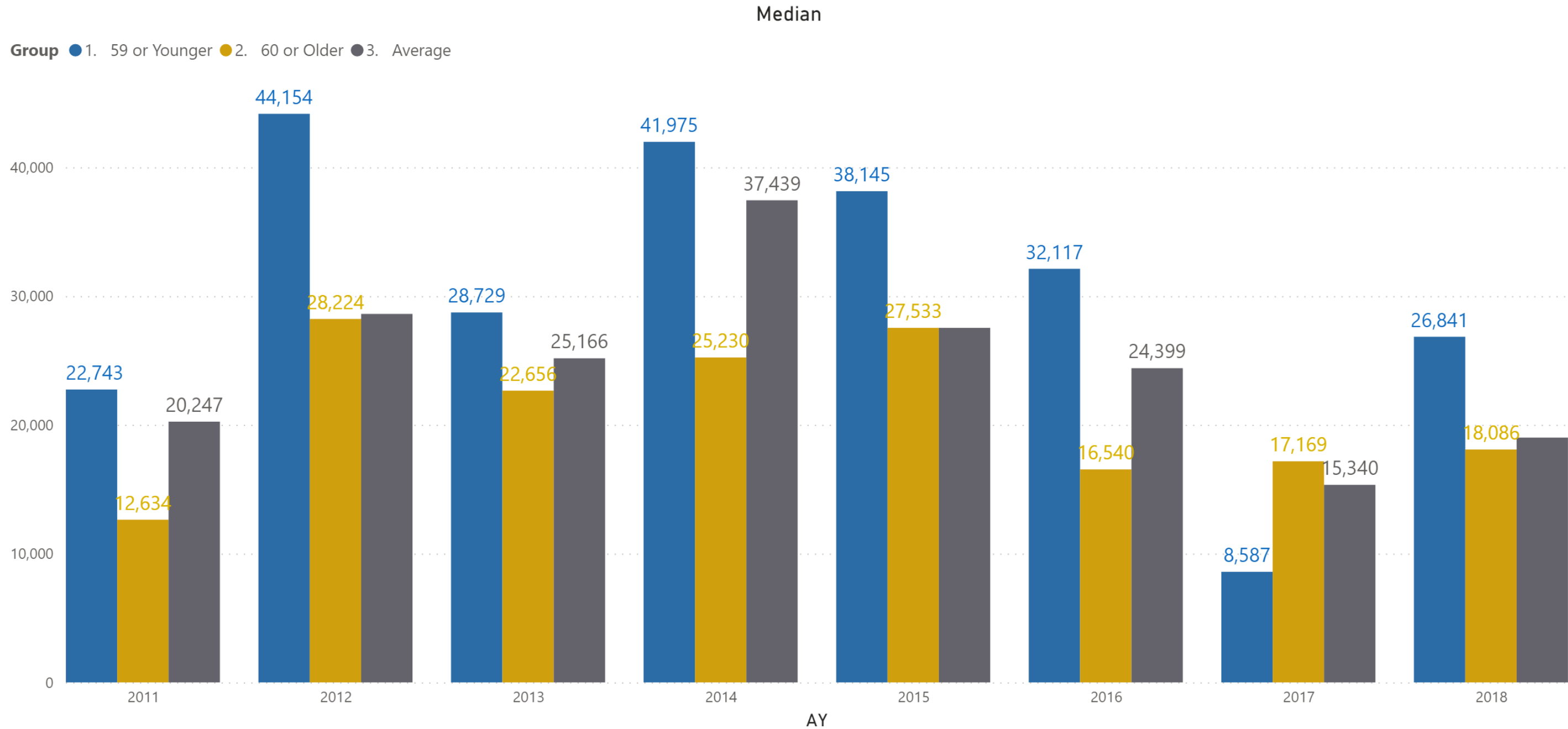
2021

Group ● Los Angeles/LA Basin ● Other than Los Angeles/LA Basin



Medicare Set-Aside by Age Interval (Exhibit M10)

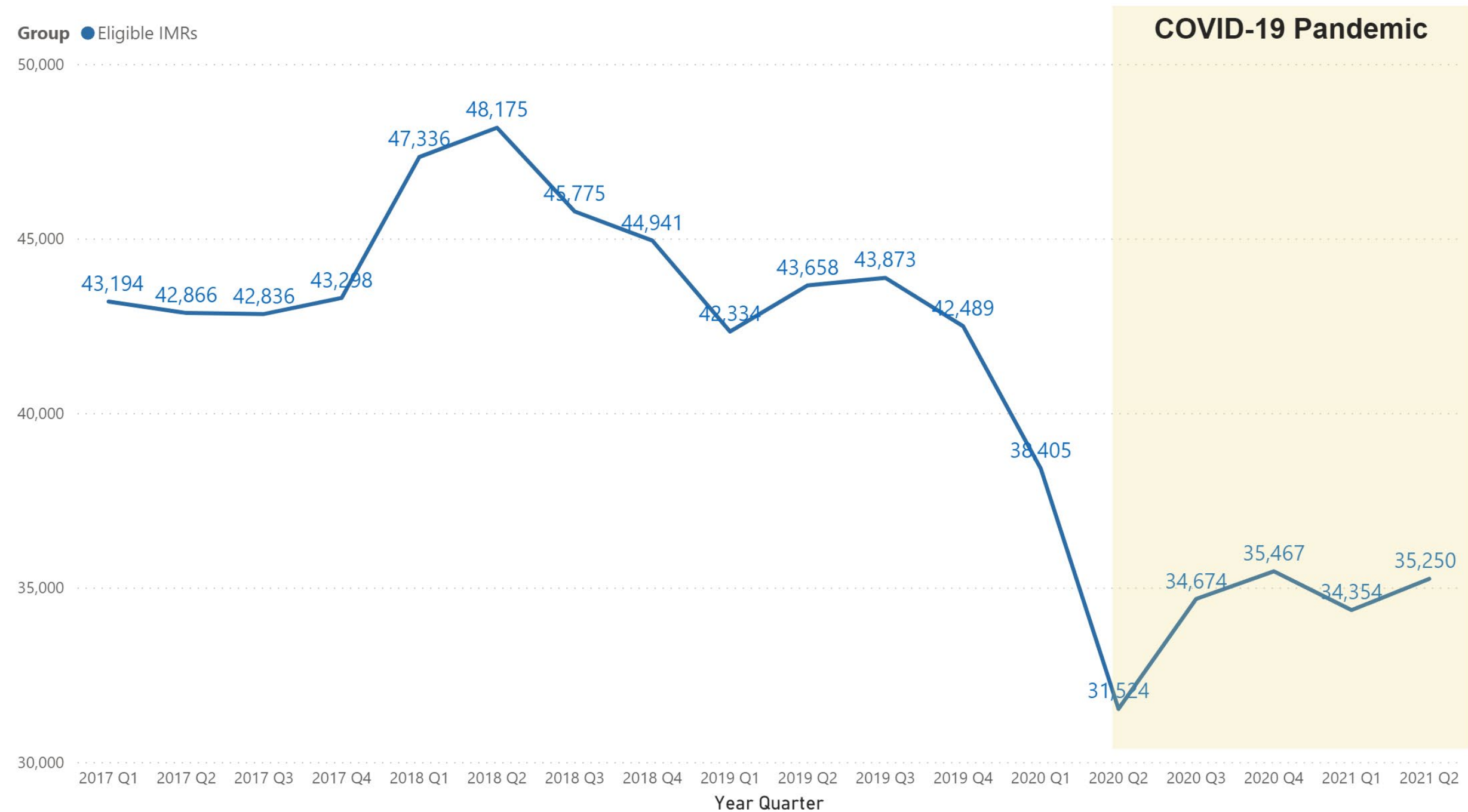
Survey Level
■ First Survey Level
□ Second Survey Level



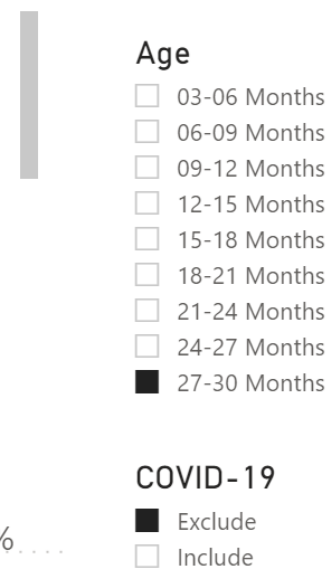
Independent Medical Review (Exhibit M14)

Group

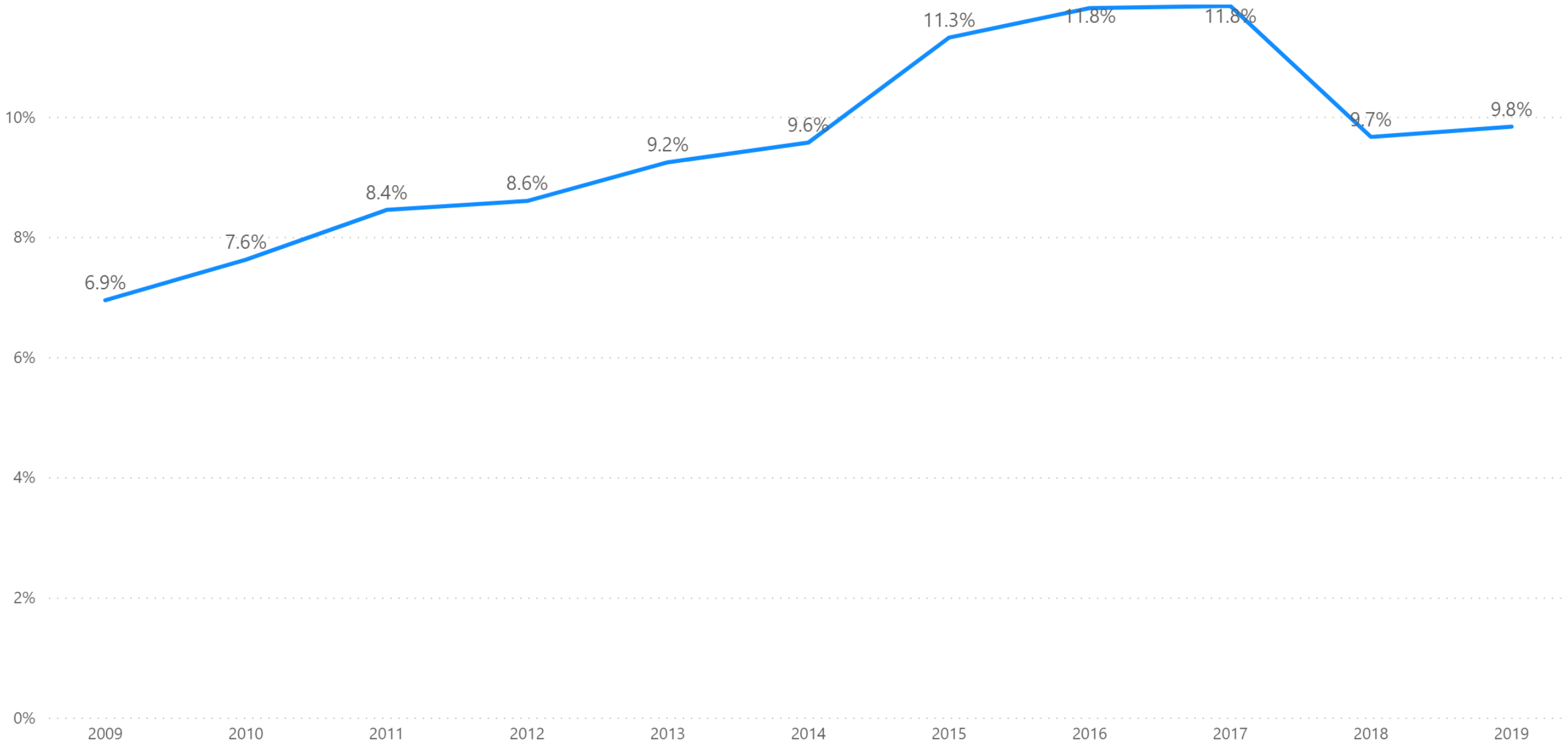
- Eligible IMRs
- IMRs Filed



Ratio of Incremental Closed Indemnity Claims to Prior Open Indemnity Claims (Exhibit C3.2) Preliminary Analysis



Age ● 27-30 Months

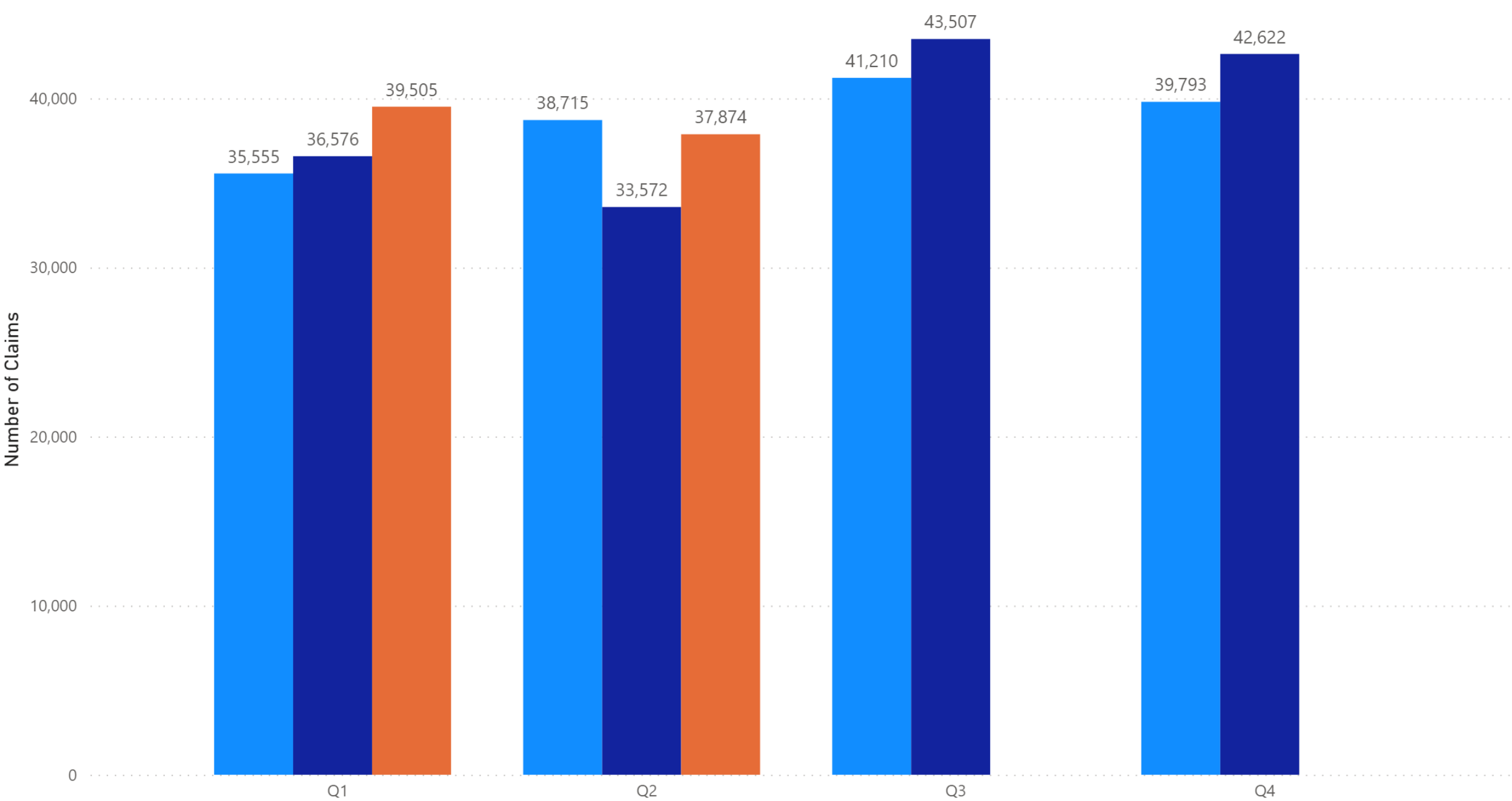


Incremental Indemnity Claim Counts and Medical-Only Claim Counts (Exhibit C11)

Year
Multiple selecti... ▾

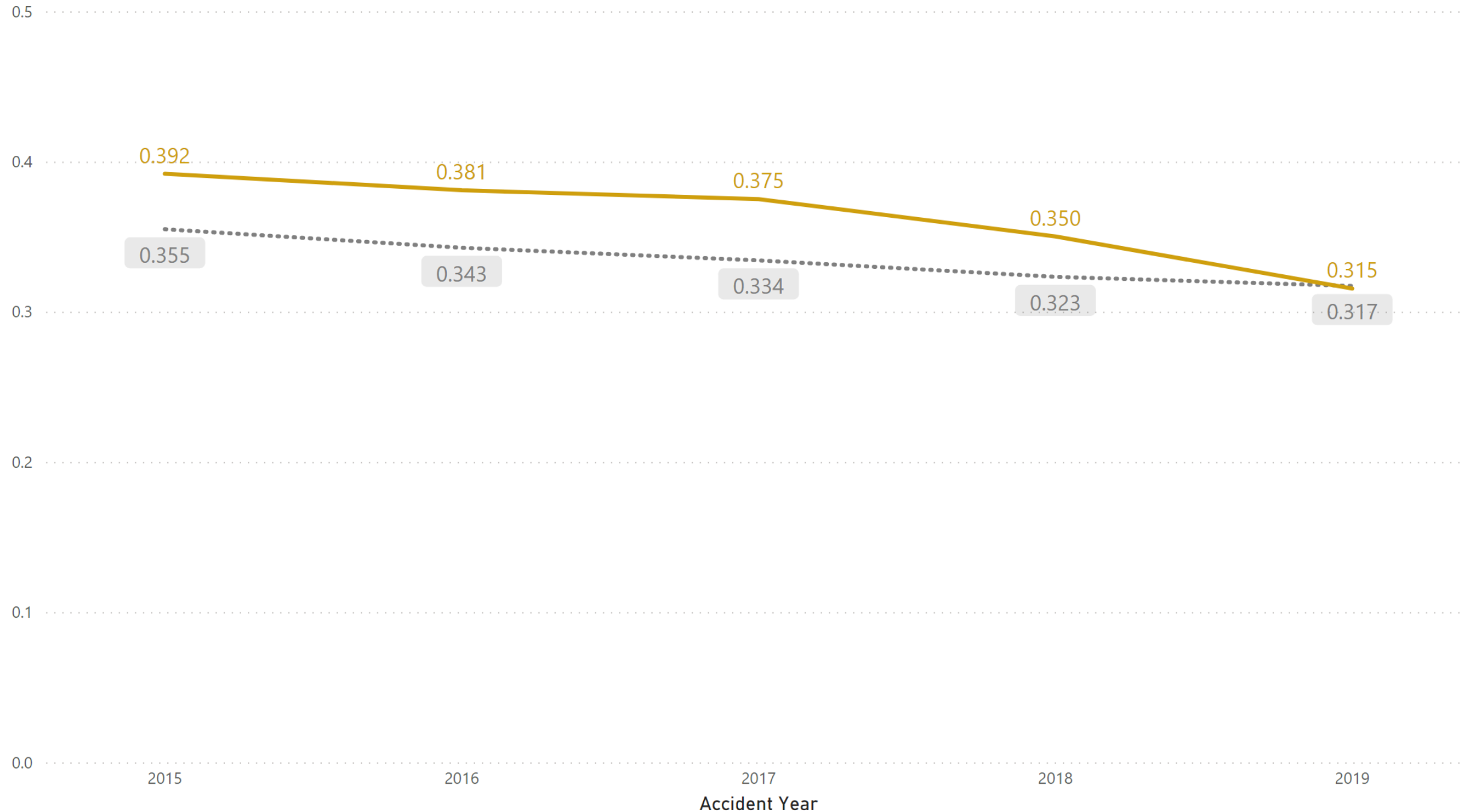
Year 2019 2020 2021

Type of Claim
Indemnity
Medical-Only



Ratio of Permanent Disability Claims to Indemnity Claims (Exhibit C17)

Region ● All Regions ● Los Angeles/LA Basin



Accident Year

2015

2019

Region

□ All Other

■ All Regions

□ Bay Area

■ Los Angeles/LA Basin

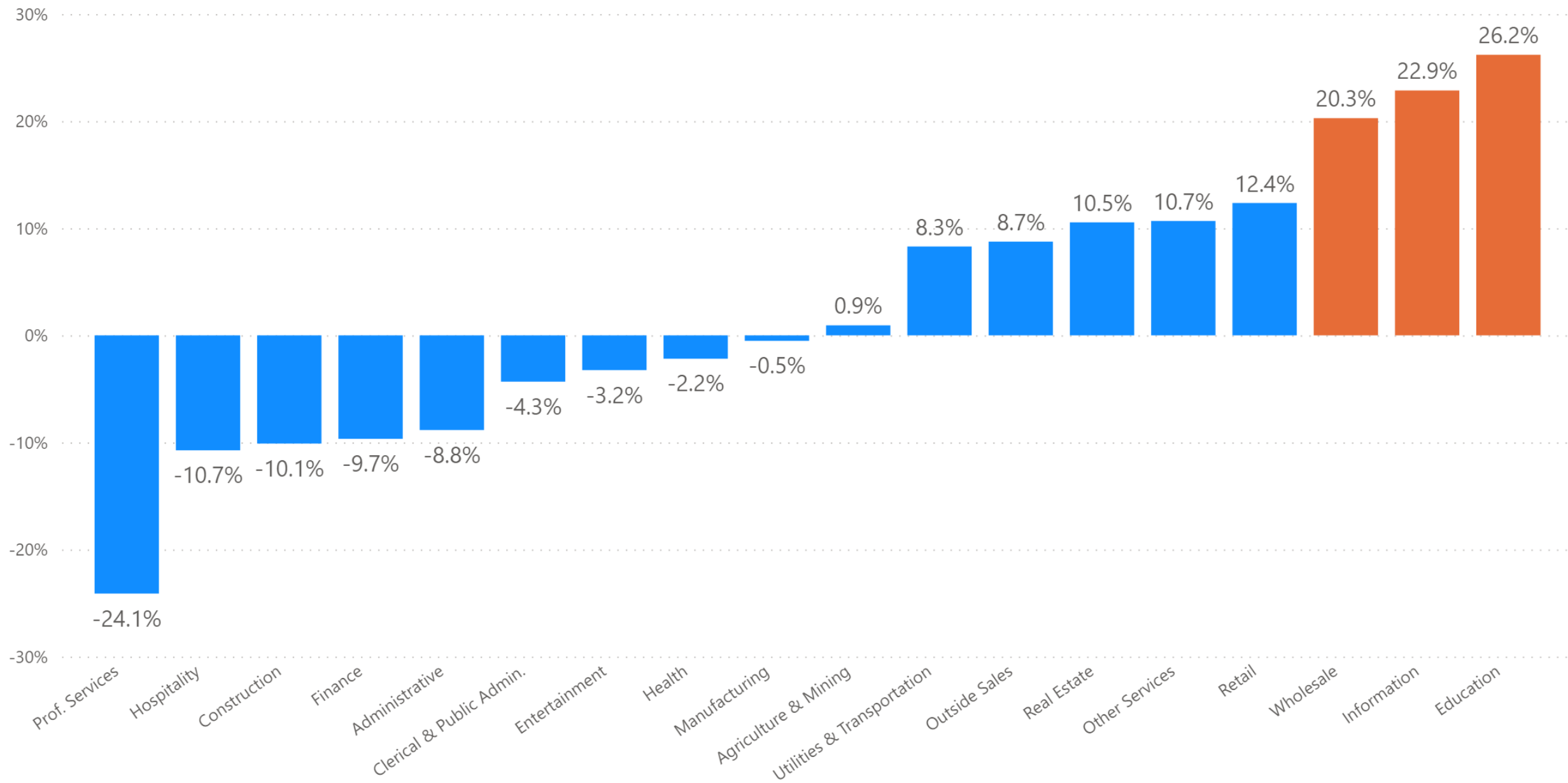
□ San Diego

Category

□ Cumulative Injury Cla...

■ Permanent Disability ...

Indemnity Frequency Relativities Change 2014 vs. 2019 (Exhibit C20)



NAICS Name

- Administrative
- Agriculture & ...
- AY total Frequ...
- Clerical & Publ...
- Construction
- Education
- Entertainment
- Finance
- Health
- Hospitality
- Information
- Manufacturing
- Other Services
- Outside Sales

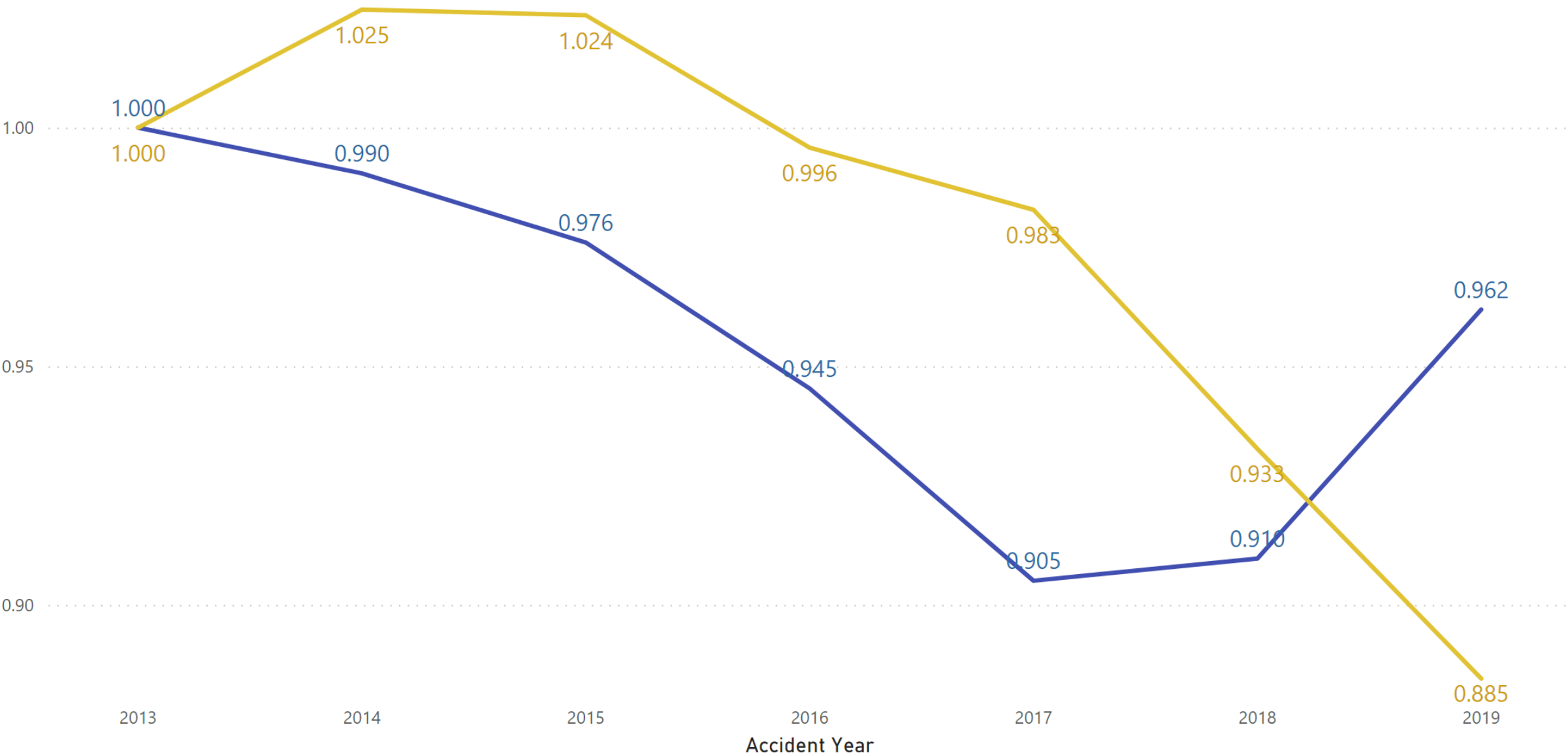
Indemnity Frequency Change Index (Exhibit C21.1)

20132019

Region Bay Area Los Angeles

Region

Multiple selections

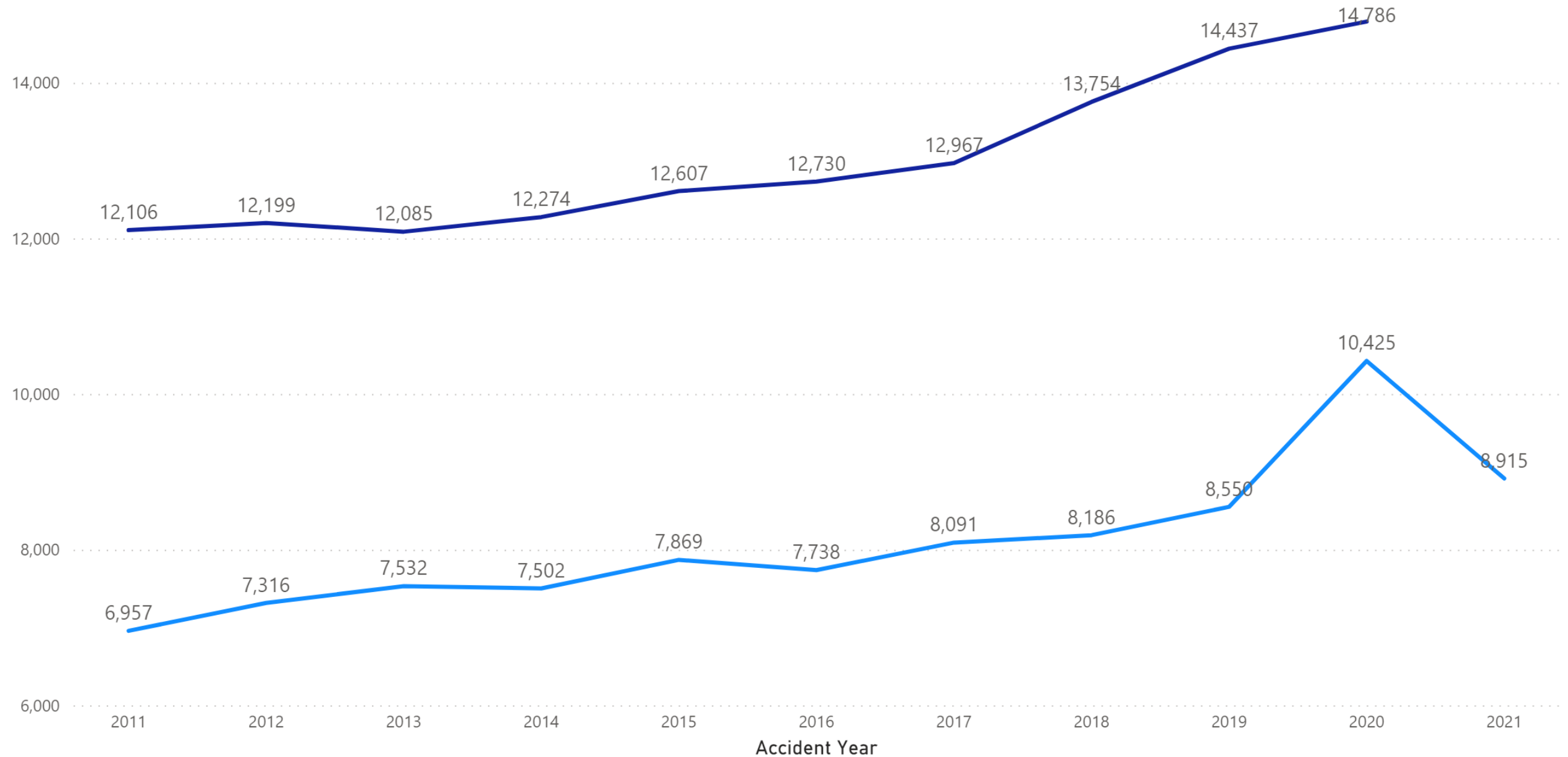


Severity - Average Incurred Indemnity Loss per Reported Indemnity Claim (Exhibit S2.1 Updated)

Age

- 06 Months
- 18 Months
- 30 Months
- 42 Months
- 54 Months

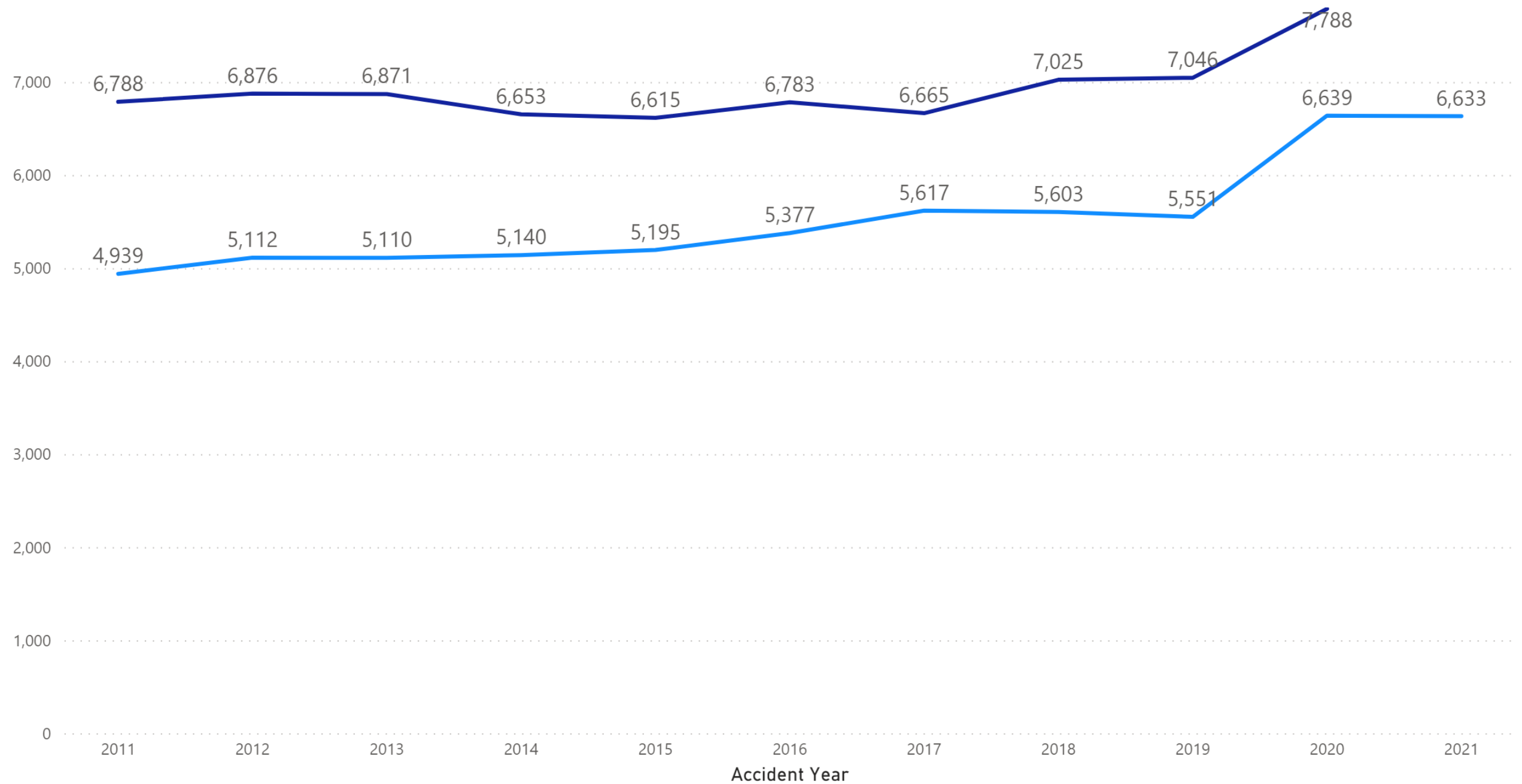
Age ● 06 Months ● 18 Months



Severity - Average Incurred Medical Loss per Reported Claim (Exhibit S2.2 Updated)

Age ● 06 Months ● 18 Months

Age
■ 06 Months
■ 18 Months
□ 30 Months
□ 42 Months
□ 54 Months

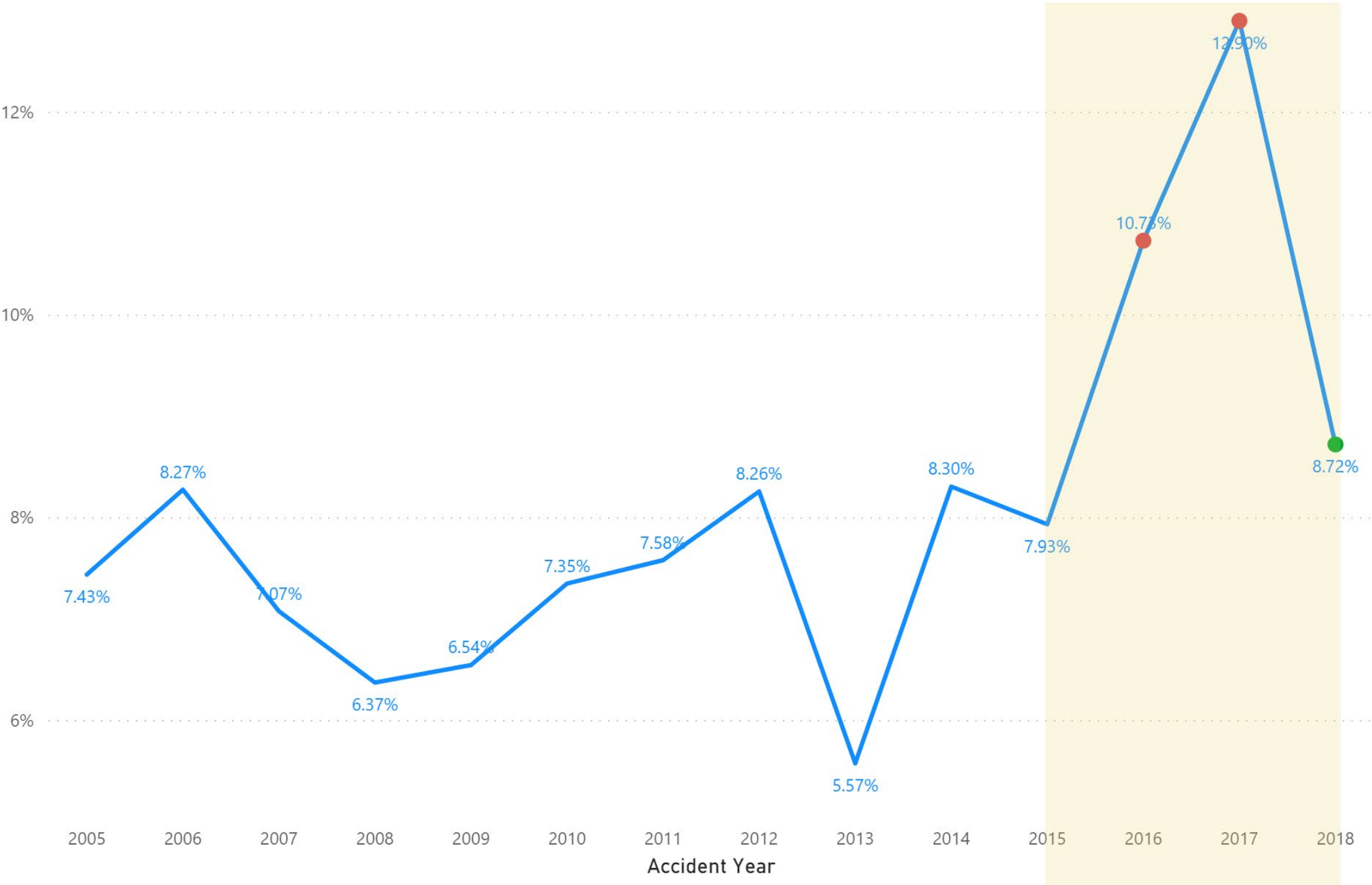


Large Claims (Exhibit S16.3)

Category
■ % of Medical Incurred on Claims in Excess of \$1M
□ Number of Claims in Excess of \$1M

Report Level
■ 1
□ 2
□ 3

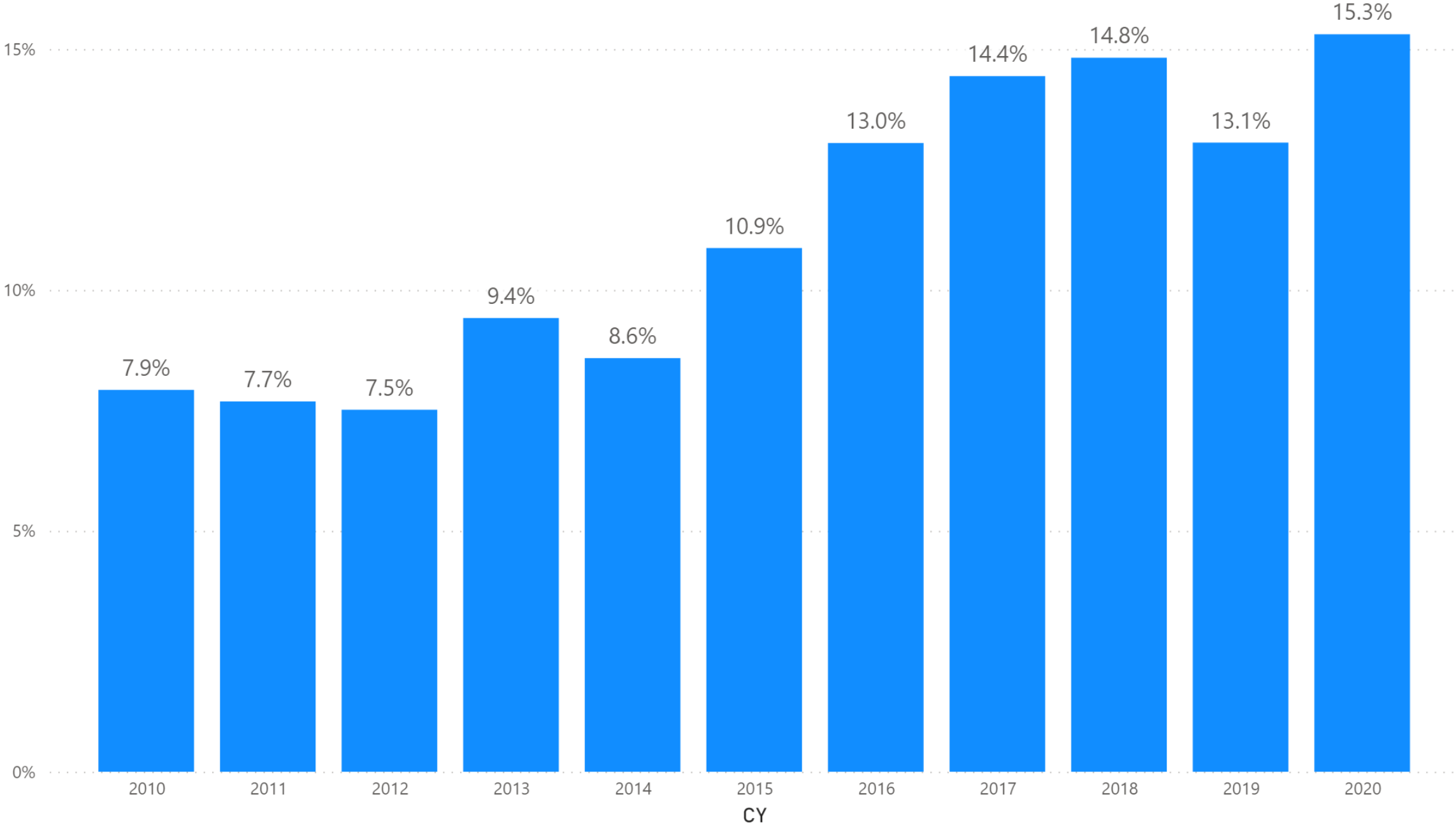
Report Level ● 1



Summary of Paid LAE Ratio by Insurer Type (Exhibit E1)

Insurer Type ● 5. Private Insurers

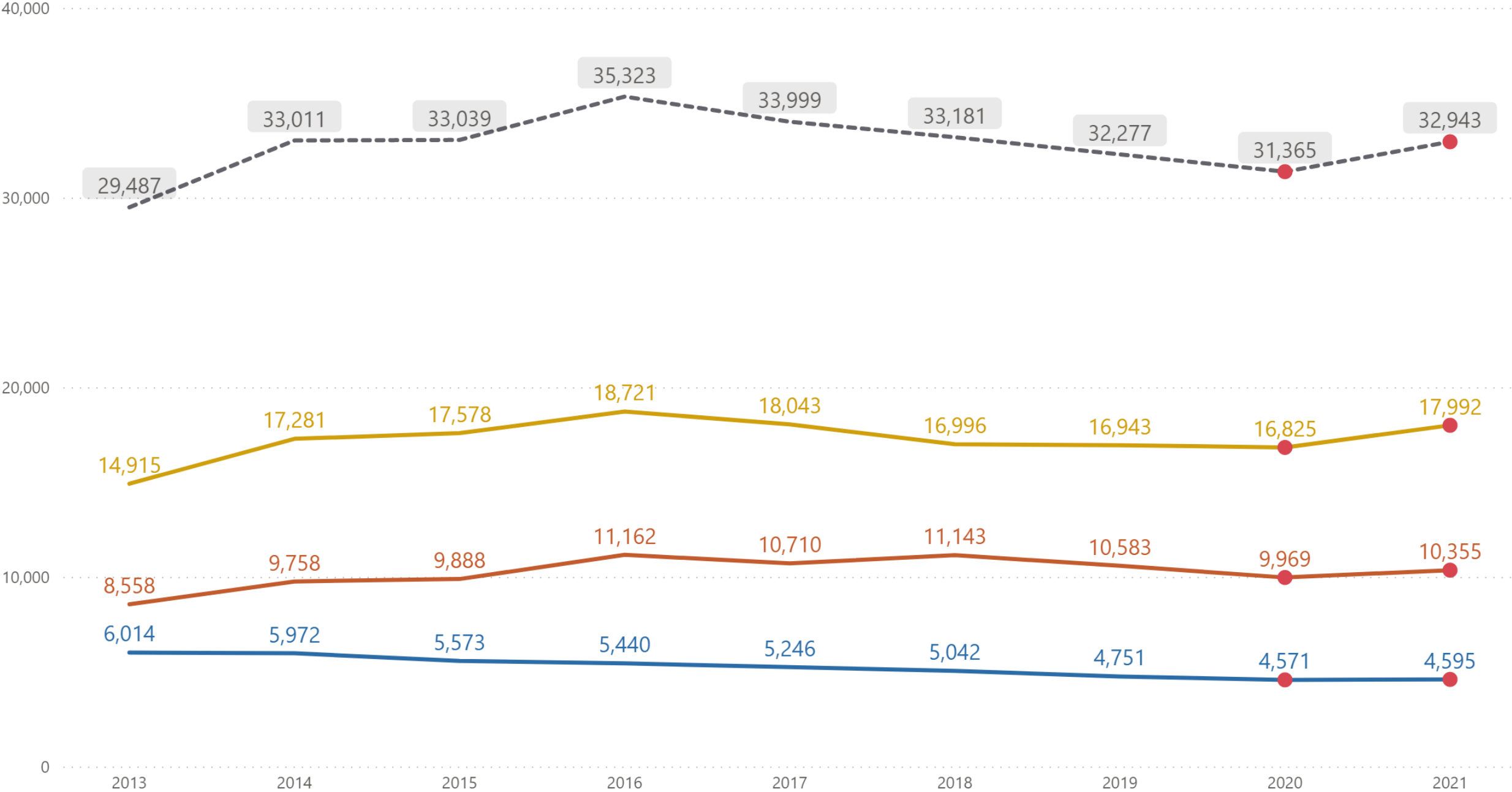
- Category
- 1. Paid ALAE to Paid Loss Ratios
 - 2. Paid ULAE to Paid Loss Ratios
 - 3. Paid LAE to Paid Loss Ratios
- Insurer Type
- 1. State Fund
 - 2. CA Private Insurers
 - 3. National
 - 4. Statewide
 - 5. Private Insurers



Number of Medical-Legal Reports (Exhibit E13.1)

Region ● 1. Bay Area ● 2. Los Angeles ● 3. Other ● 4. All Regions

Region
1. Bay Area
2. Los Angeles
3. Other
4. All Regions

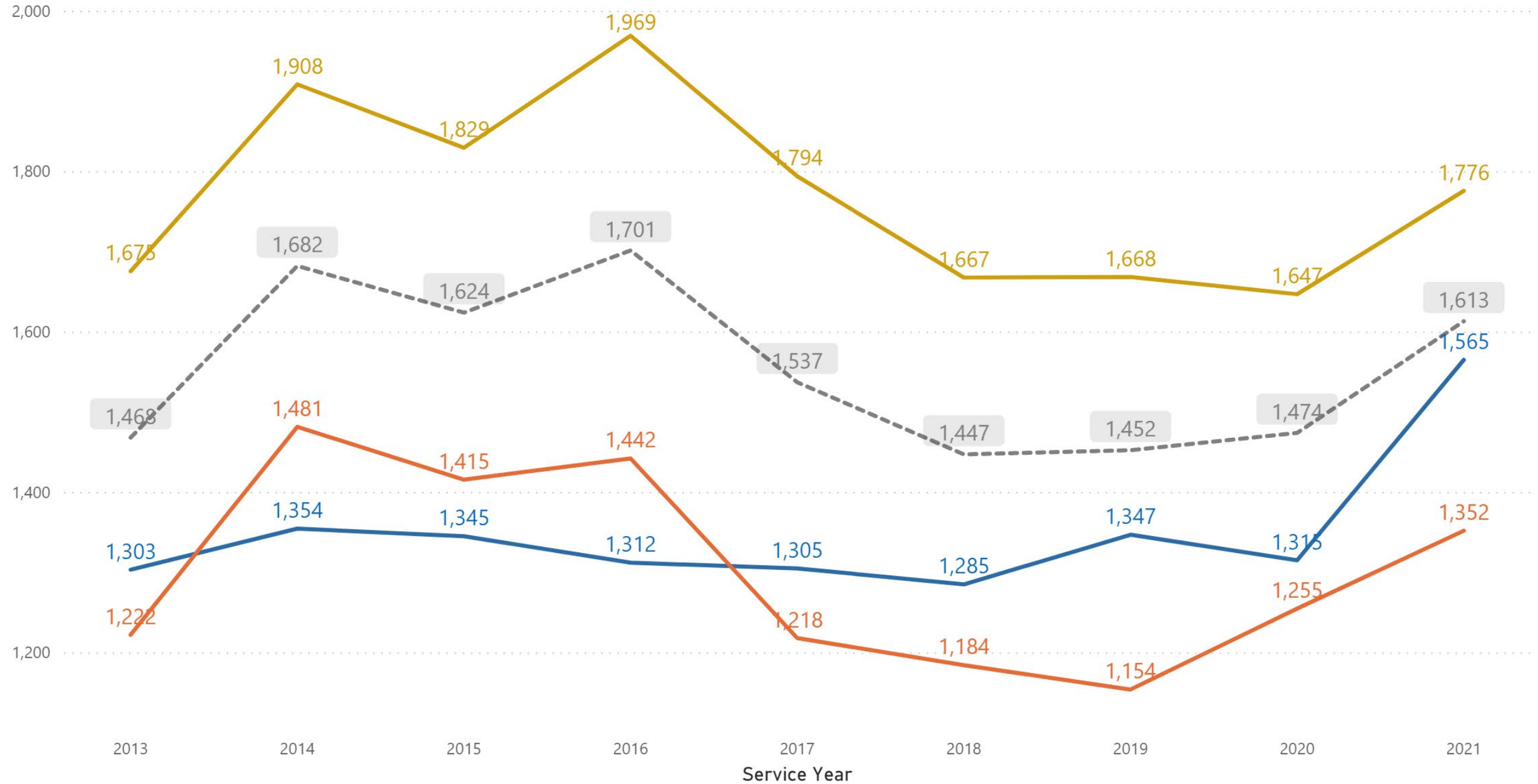


Medical-Legal Payment per Report (Exhibit E13.3)

Region

- 1. Bay Area
- 2. Los Angeles
- 3. Other
- 4. All Regions

Region ● 1. Bay Area ● 2. Los Angeles ● 3. Other ● 4. All Regions



04

6/30/2021
Experience
Review



CDI Decision on 9/1/2021 Filing

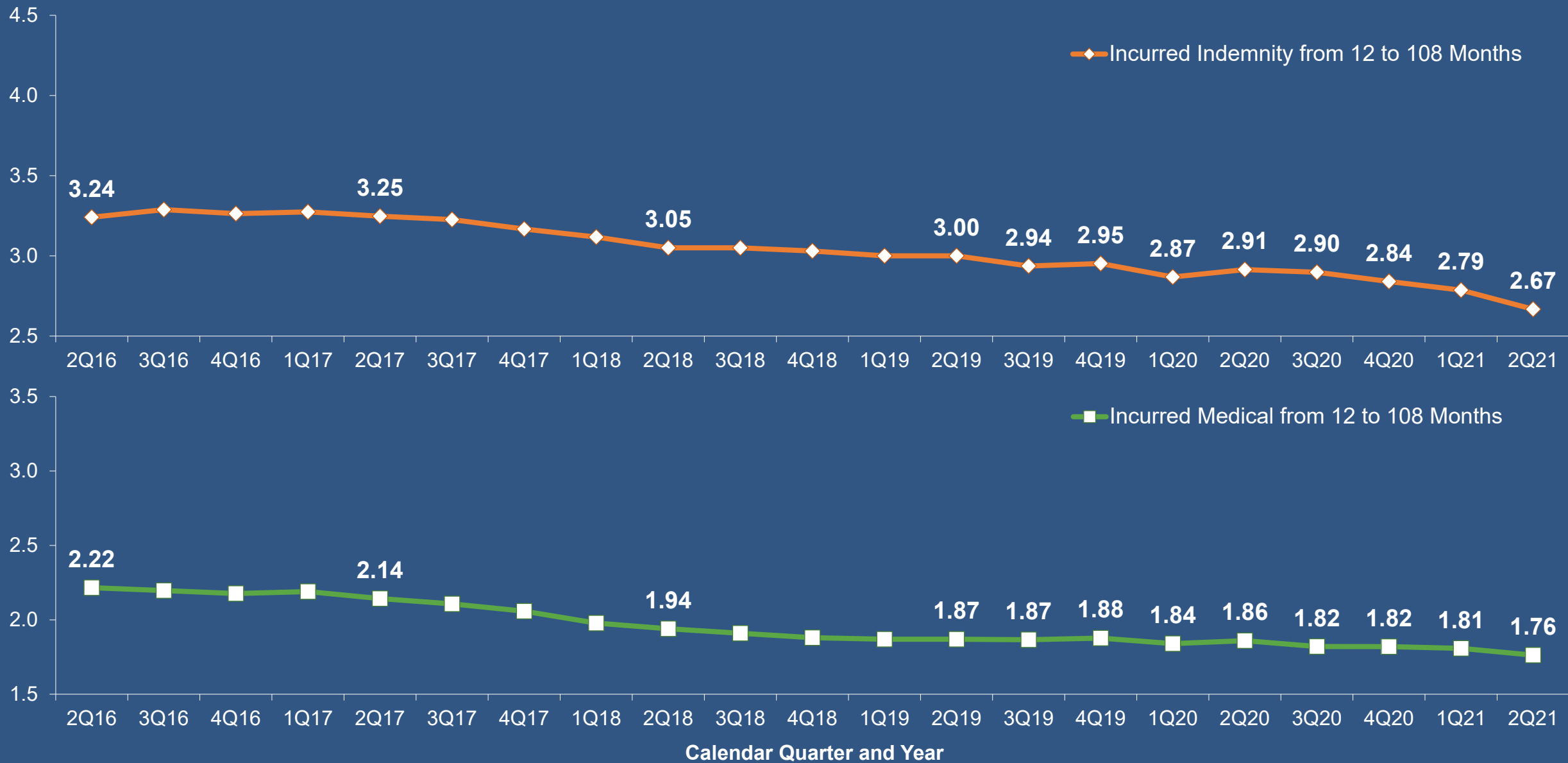
- CDI Decision resulted in 3.4% decrease in average PPR level (compared to 2.7% increase proposed)
- CDI methodology differences from WCIRB filing:
 - Some weight given to incurred loss development projection for medical
 - Lower frequency projection for AY 2020 – blend of frequency model and preliminary actual estimate
 - Modestly lower indemnity, ALAE and MCCP severity trend projections

Summary of 6/30/2021 Experience (Excluding COVID-19)

- 98% of market included
- Insights:
 - Paid loss development starting to increase
 - Claim settlement rates flattening
 - 1H 2021 non-COVID-19 claim frequency up over 1H 2020
 - A number of COVID-19 claims being closed with no payment in 2Q 2021
- Projection methodologies are consistent with 9/1/2021 Filing
- Projected loss ratio for 9/1/2021 to 8/31/2022 policies is 0.607
 - 1 point higher than 9/1/2021 Filing projection of 0.596
 - Primarily driven by increased loss development in 2Q 2021 (~1 point)
 - Small increases from updated indemnity on-leveling, wage forecasts and frequency trends

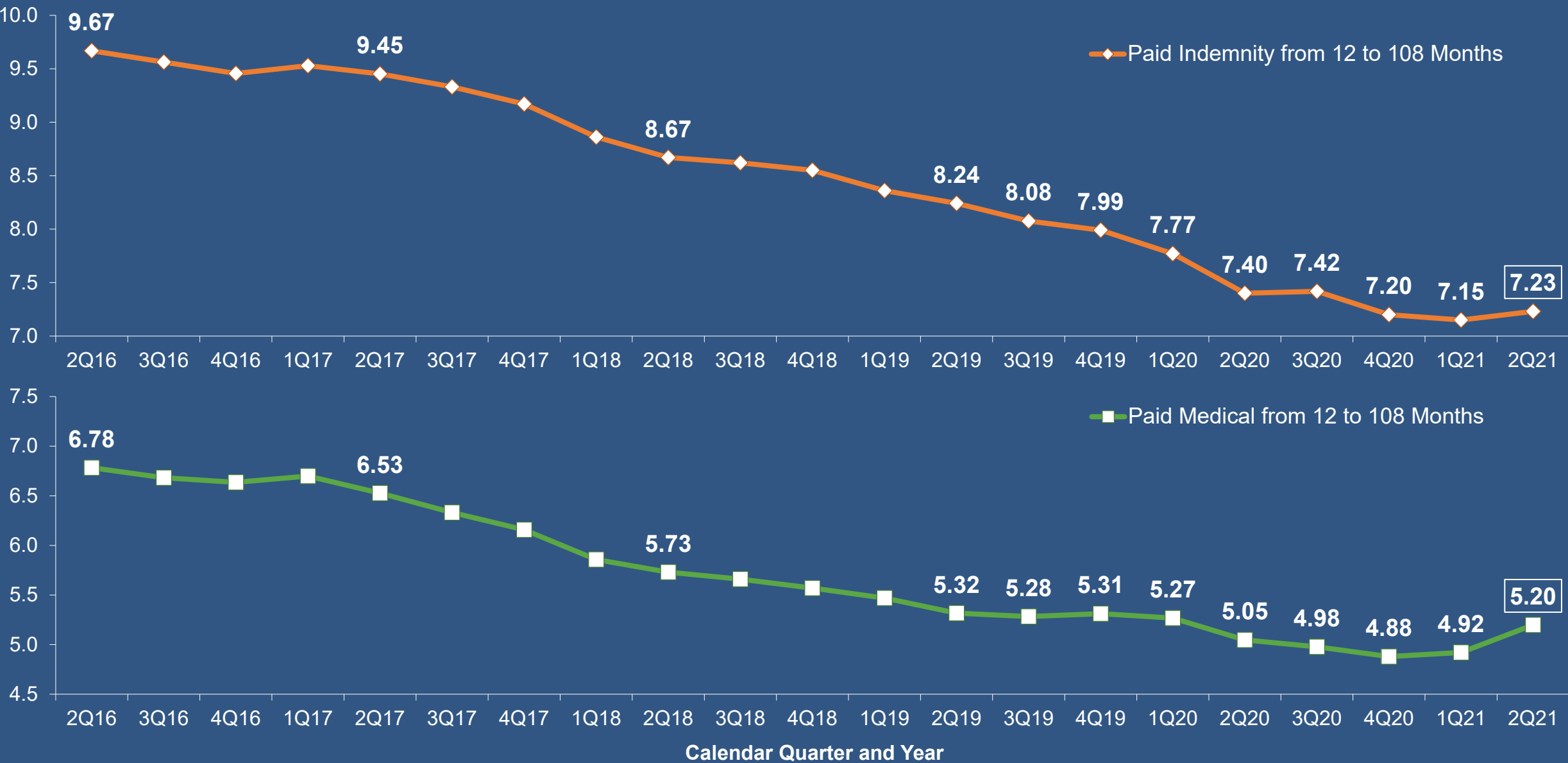
Cumulative Incurred Development from 12 to 108 Months

As of June 30, 2021



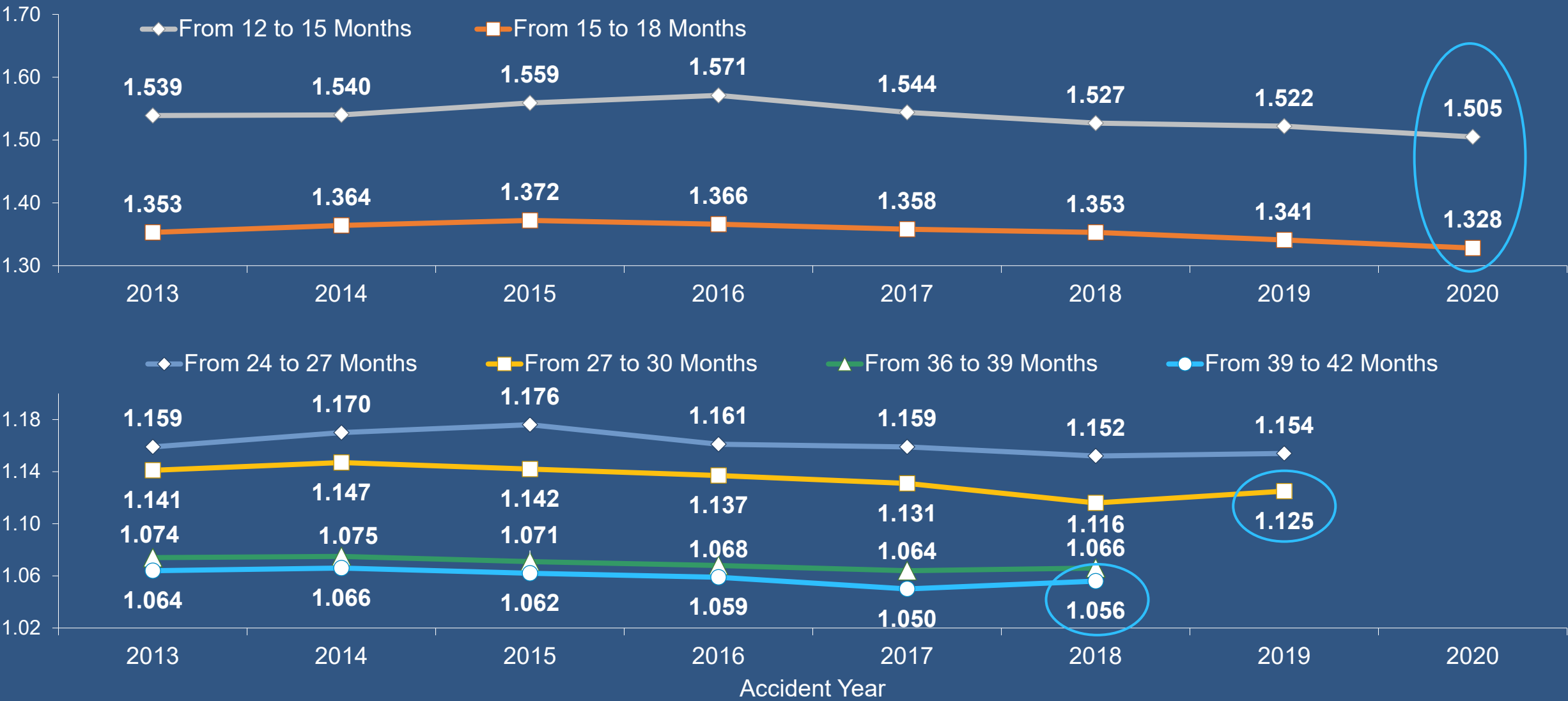
Cumulative Paid Development from 12 to 108 Months

As of June 30, 2021



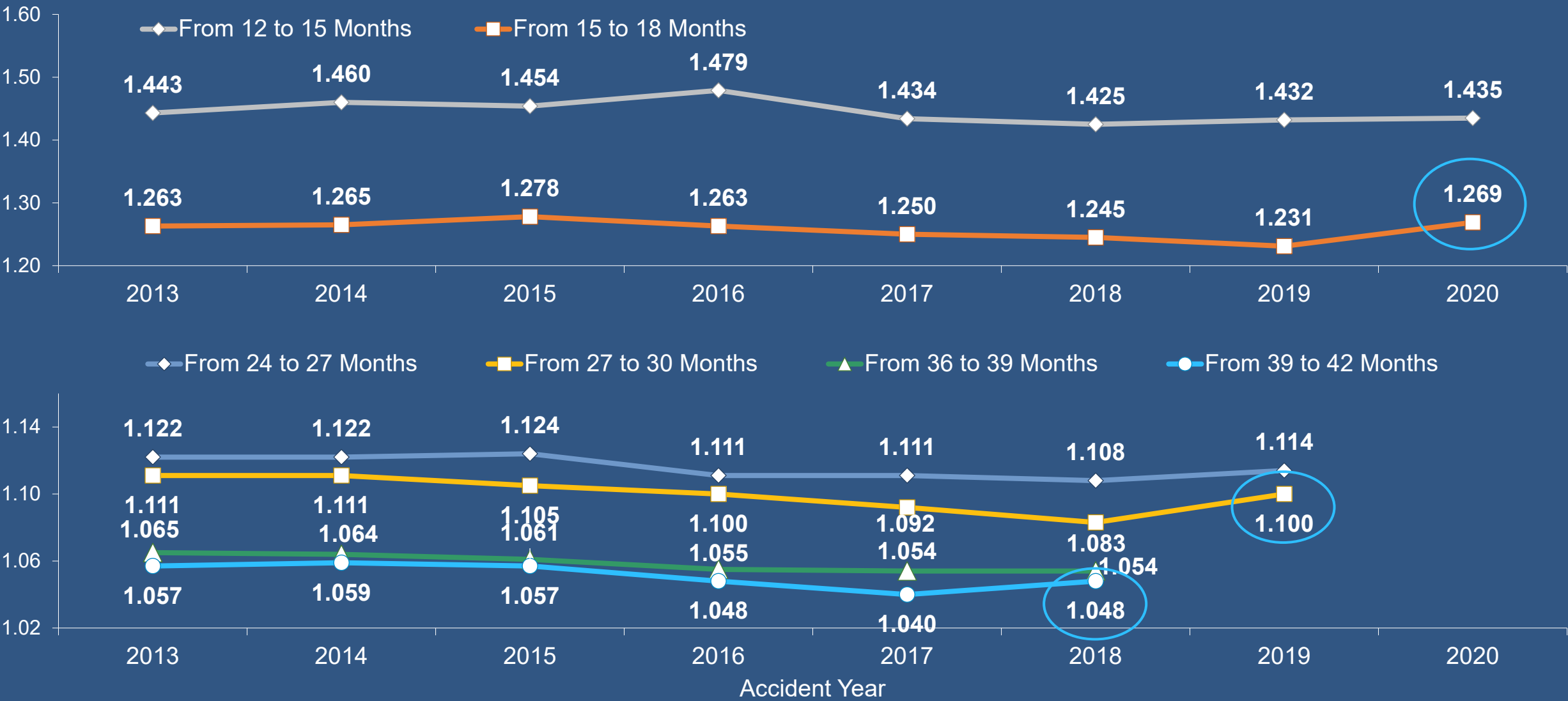
Quarterly Paid Indemnity Development (Exhibit 9.3)

As of June 30, 2021



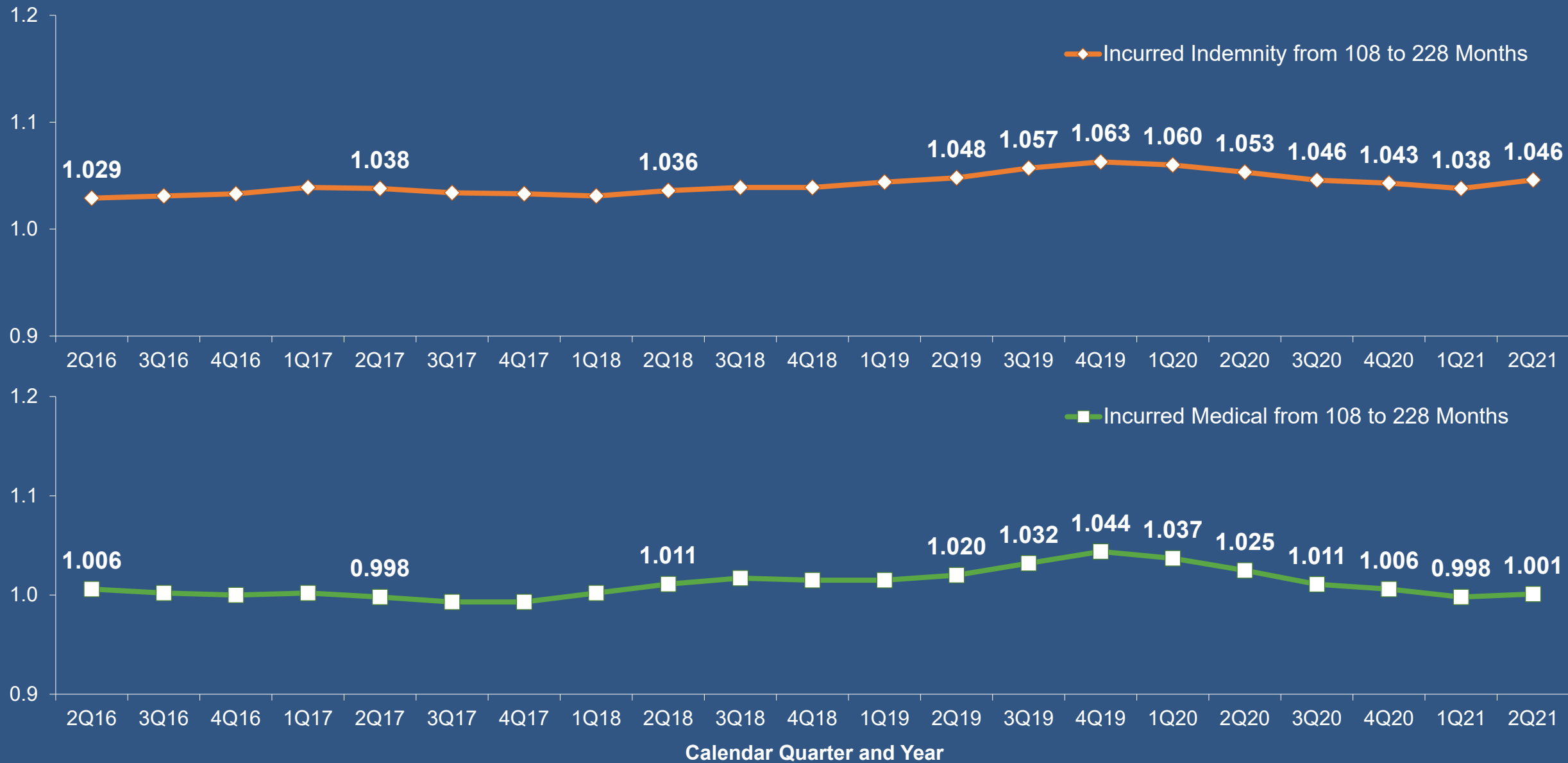
Quarterly Paid Medical Development (Exhibit 9.4)

As of June 30, 2021



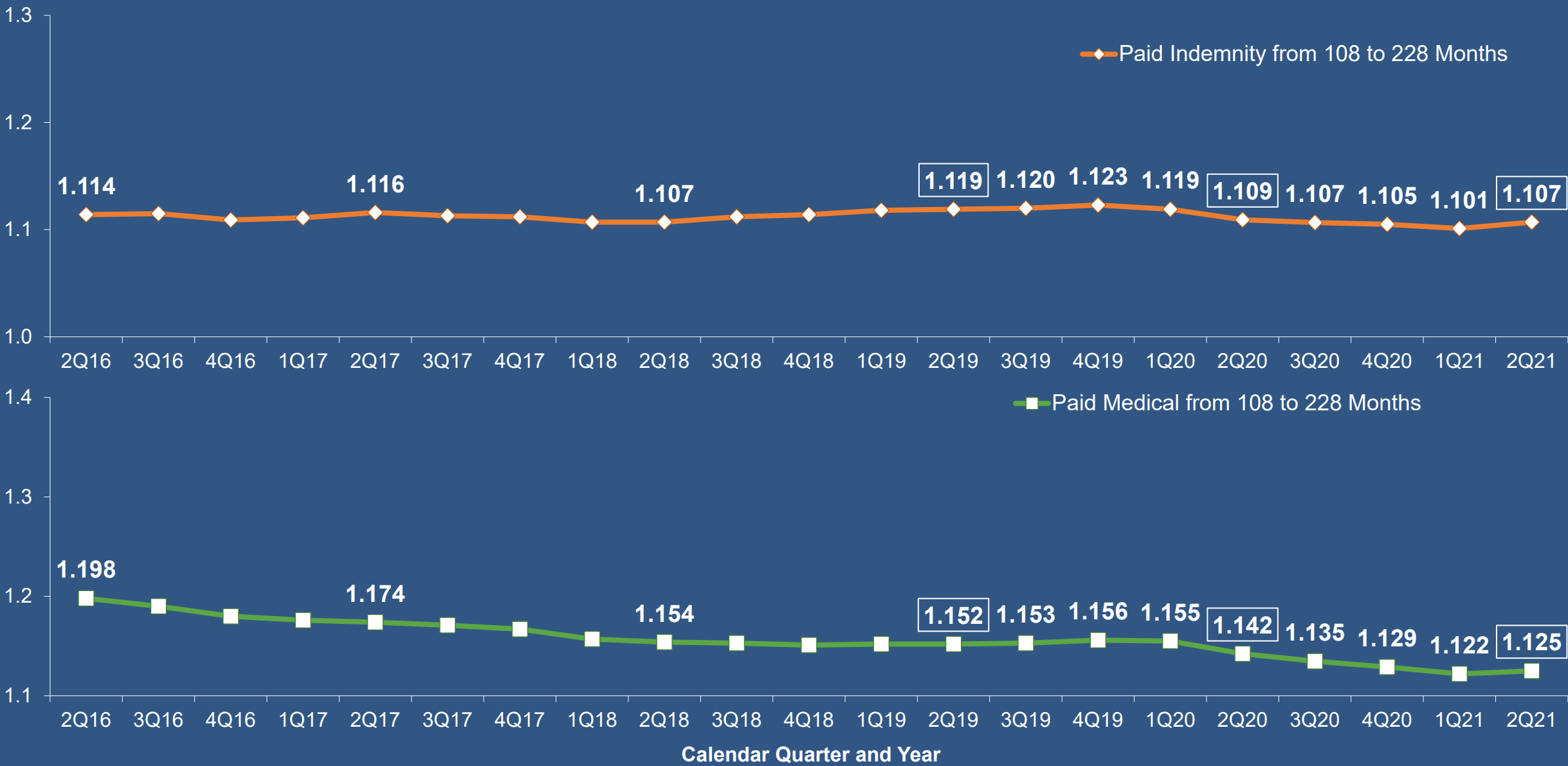
Cumulative Incurred Development from 108 to 228 Months

As of June 30, 2021



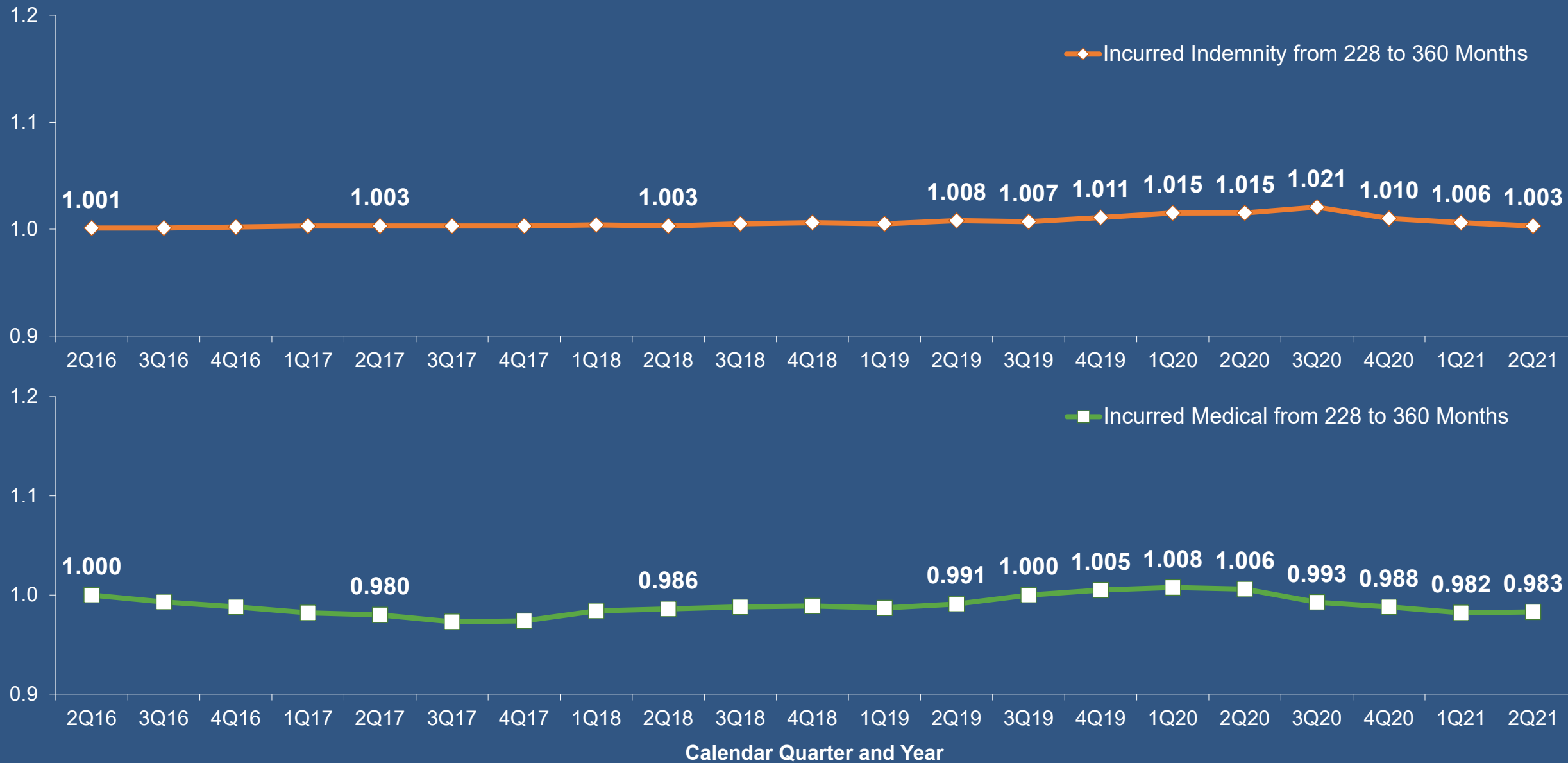
Cumulative Paid Development from 108 to 228 Months

As of June 30, 2021



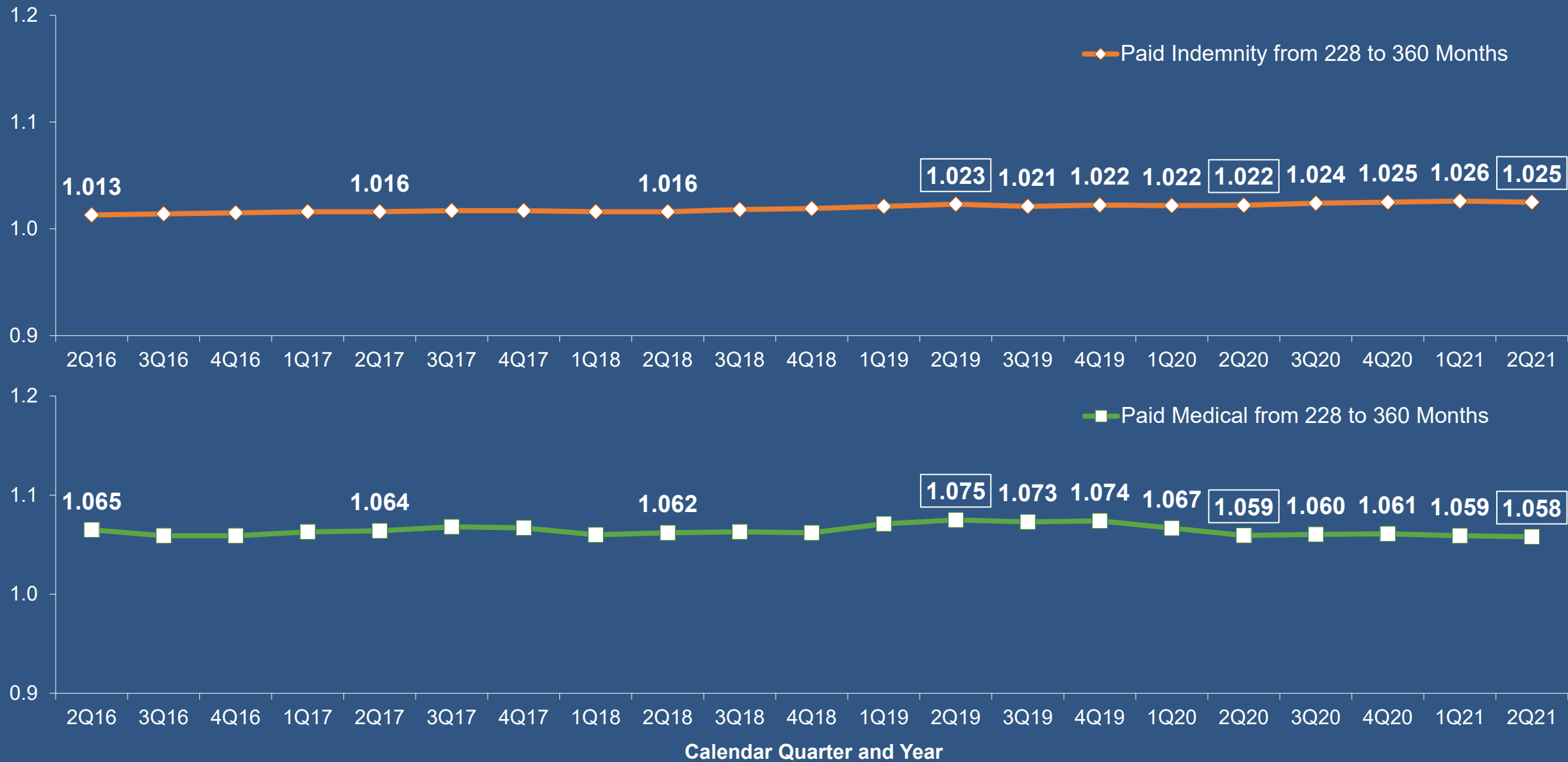
Cumulative Incurred Development from 228 to 360 Months

As of June 30, 2021



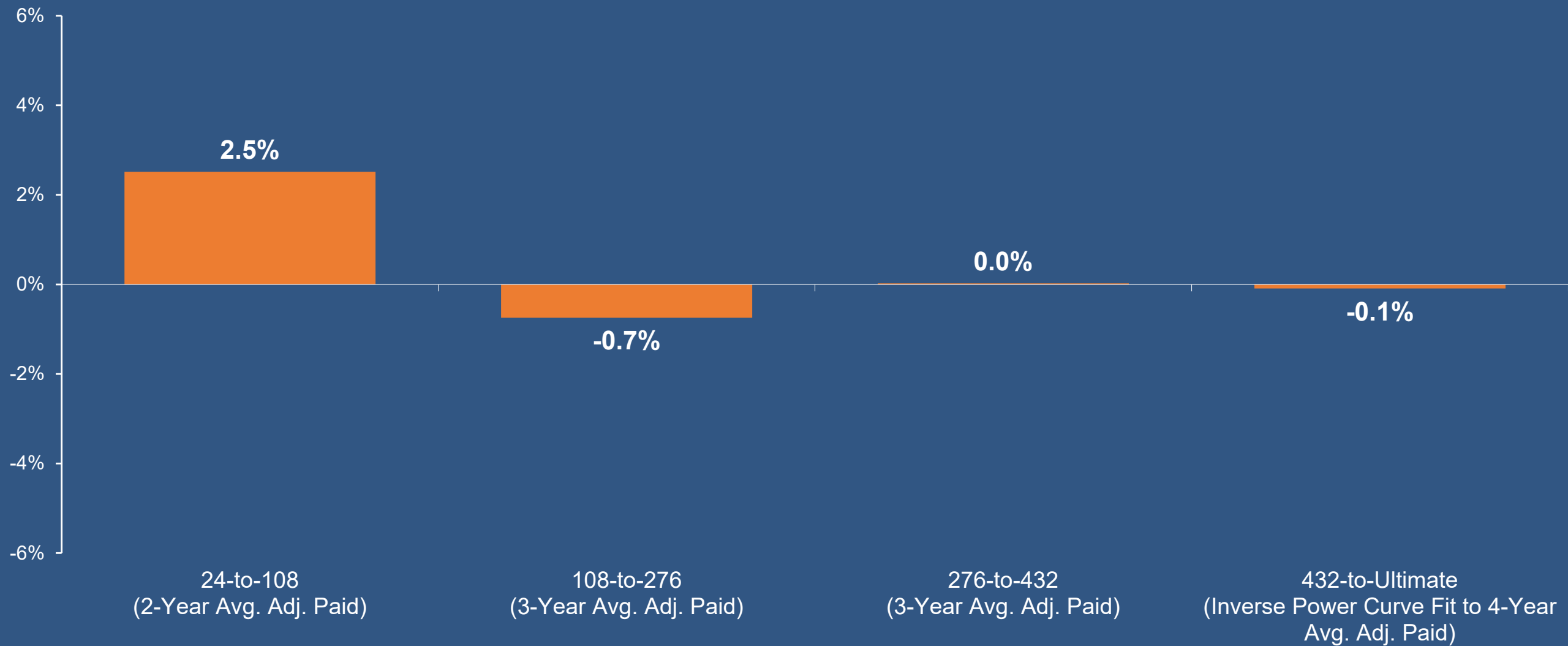
Cumulative Paid Development from 228 to 360 Months

As of June 30, 2021



Change in Projected Medical Development Factor for AY 2019

12/31/2020 to 6/30/2021 Experience

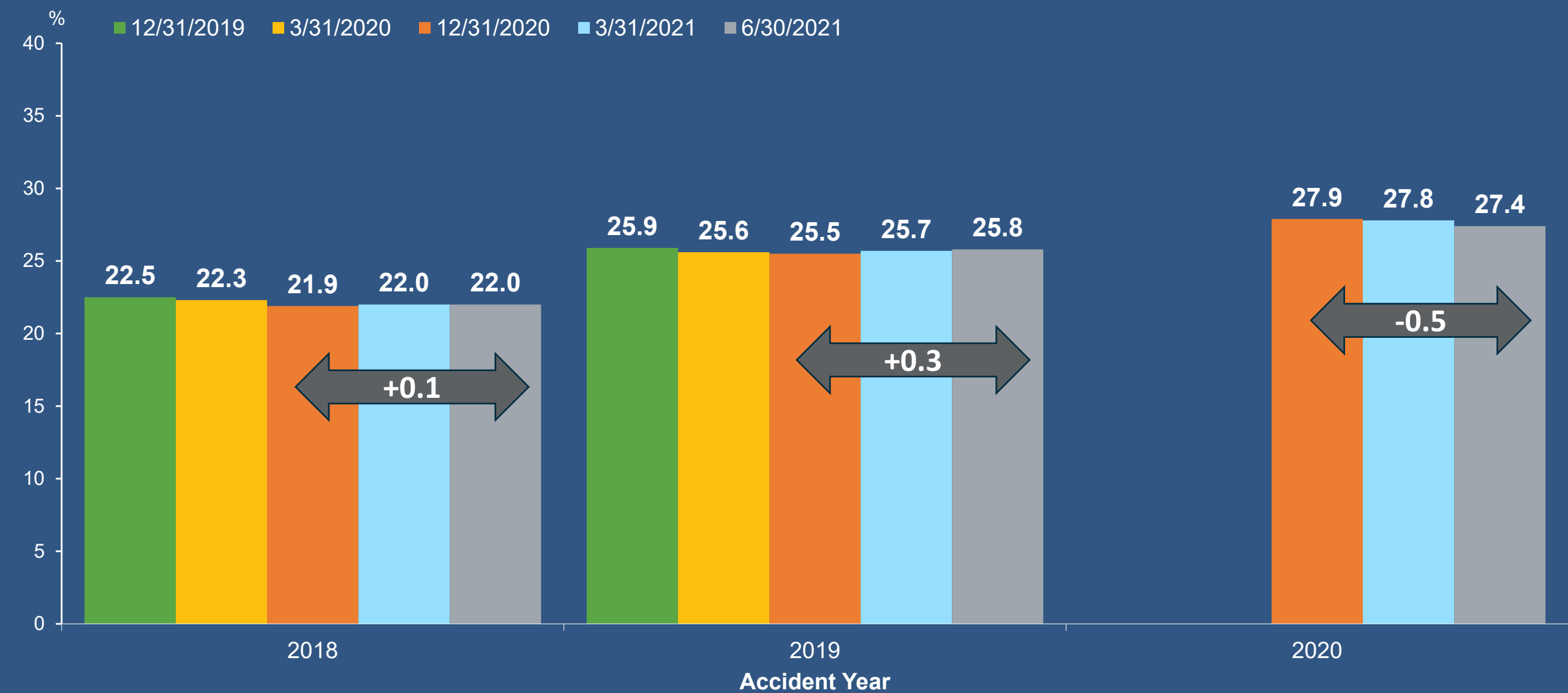


Impact of New Medical Fee Schedules on Development

- OMFS changes to E&M services effective 3/1/2021
 - WCIRB prospective estimate: 2.4% increase in medical costs
- New Medical-Legal Fee Schedule effective 4/1/2021
 - WCIRB prospective estimate: 1.4% increase in medical costs
- Medical payments through 6/30/2021 include impact of new fee schedules
- Staff to review potential adjustments to loss development for 12/7/2021 meeting
- Staff to re-evaluate estimated impacts of new schedule in Q1 2022

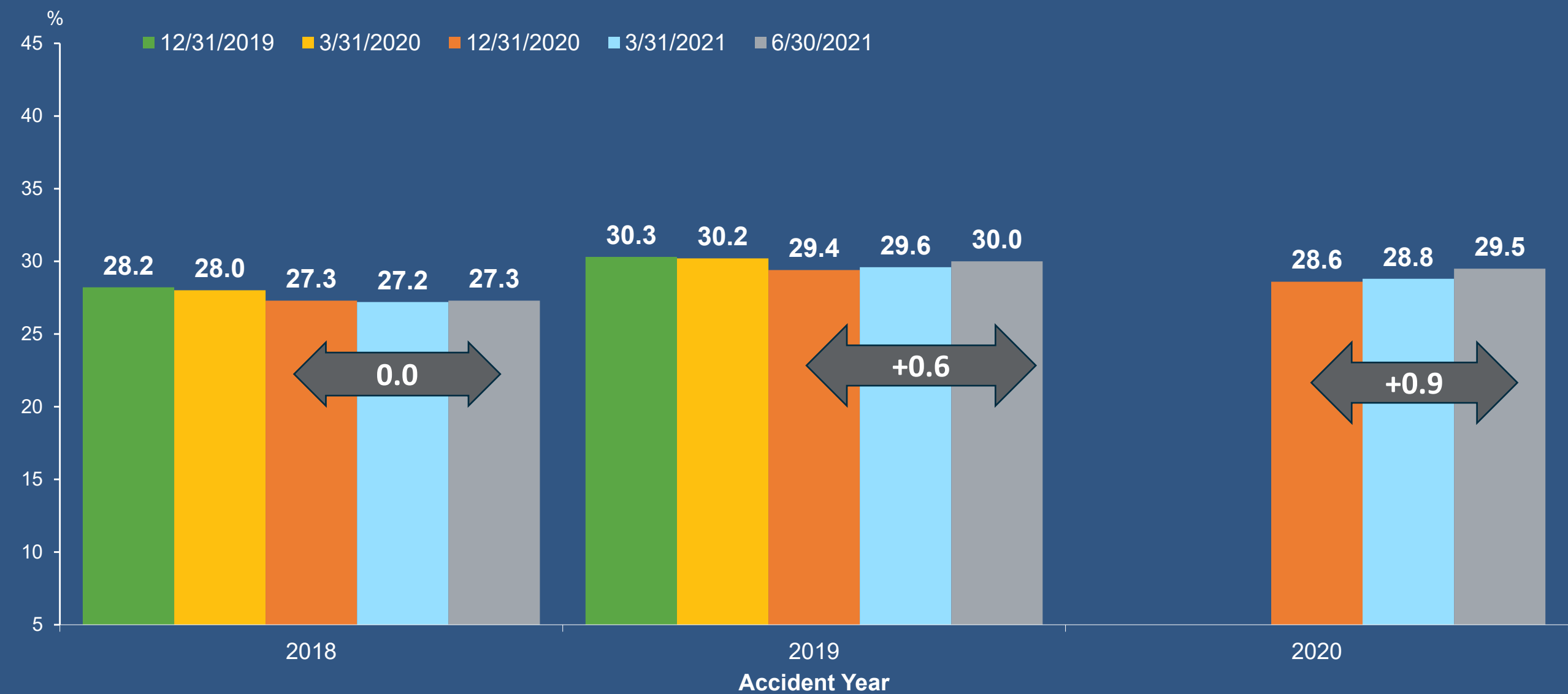
Developed Indemnity Loss Ratios (Exhibit 3.1)

As of June 30, 2021



Developed Medical Loss Ratios (Exhibit 3.2)

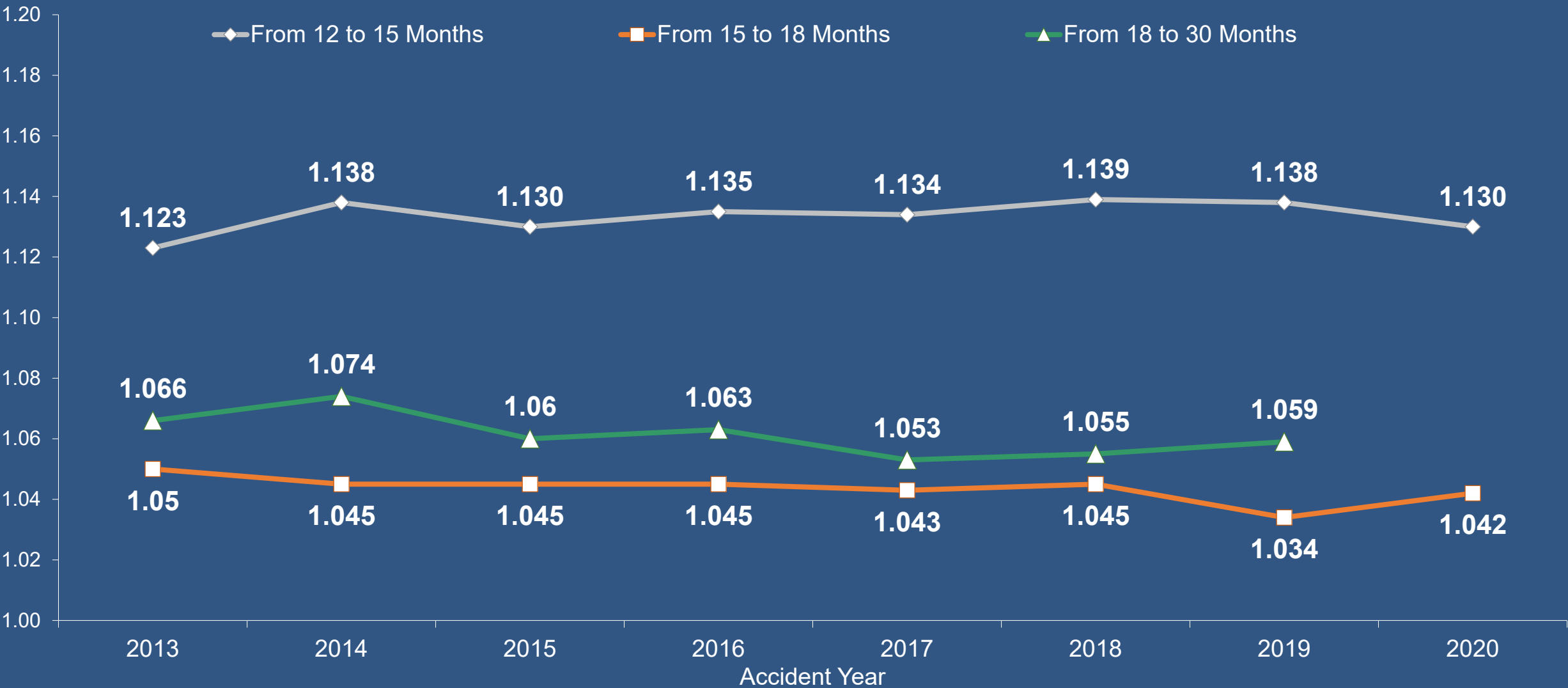
As of June 30, 2021



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

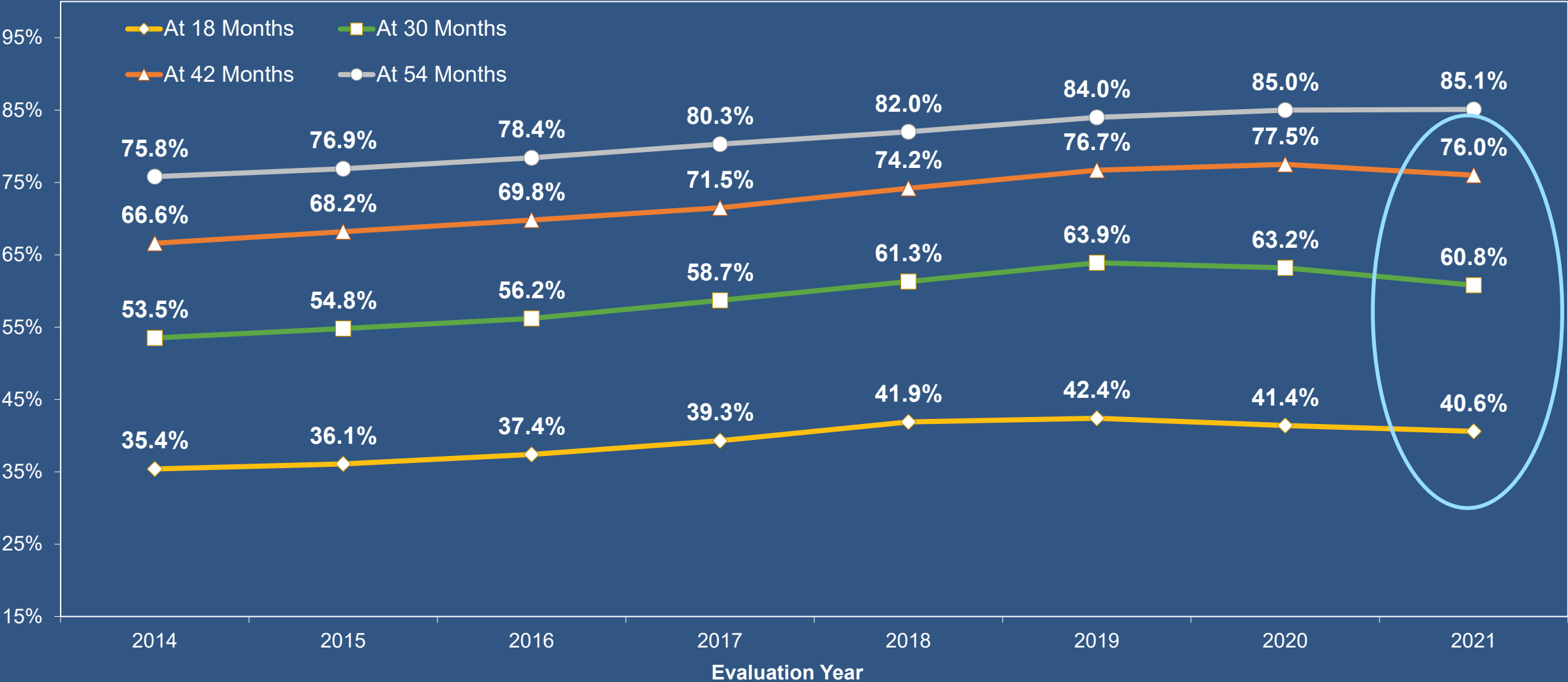
Indemnity Claim Count Development (Exhibits 10.1 and 10.2)

As of June 30, 2021



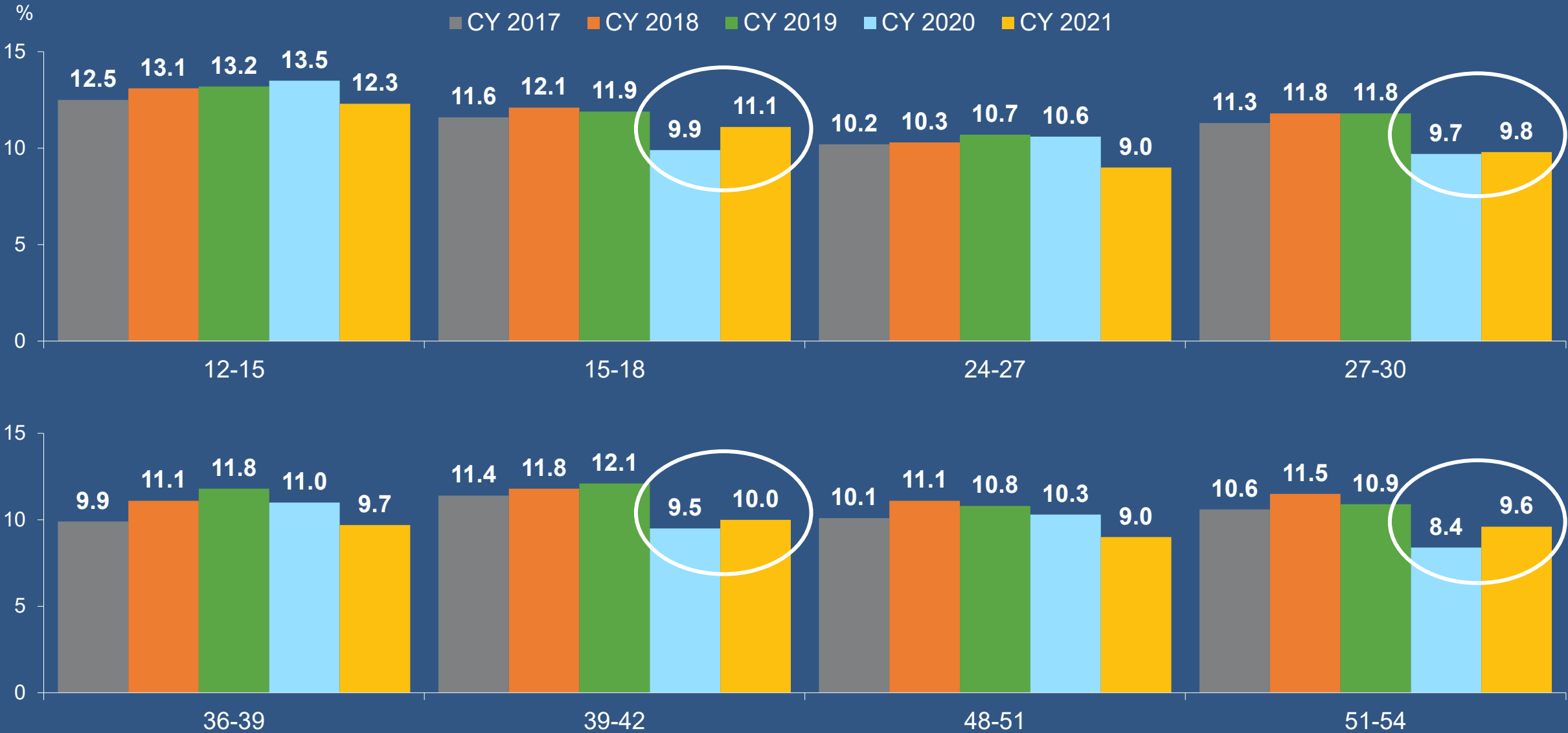
Estimated Ultimate Indemnity Claim Settlement Ratios (Exhibit 11.2)

As of June 30, 2021



Incremental Closed Indemnity Claims Compared to Estimated Prior Open Claims

As of June 30, 2021



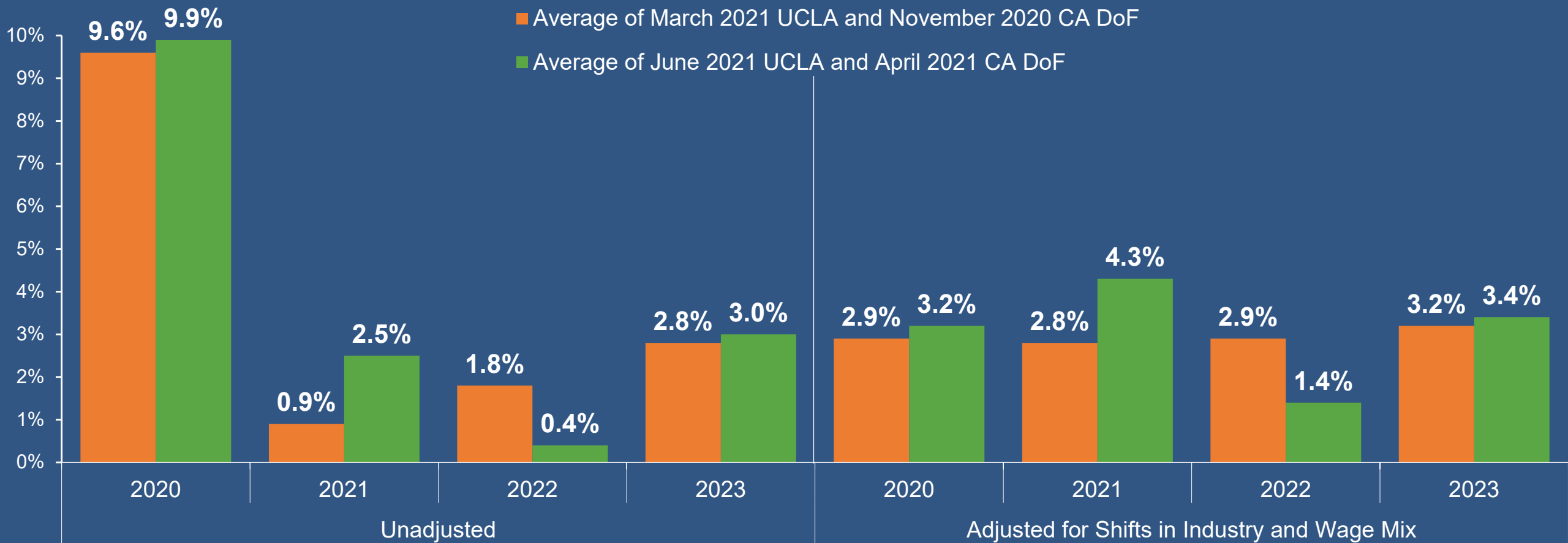
Adjustments to Indemnity Benefits for Increase in TD Maximum

- TD and PT weekly minimum and maximum benefits increased each year by DWC by California statute
- Increases are based on change in SAWW for employees covered by unemployment insurance for the 12 months ending March 31 of the prior year
- Typical increases result in approximately 0.4% increase in indemnity costs
- Benefits effective 1/1/2022 will be based on SAWW for March 31, 2021 compared to March 31, 2020
 - Change in SAWW measure as of December 31, 2020 is 11.5% (9/1/2021 Filing was based on 7.9%)
- Staff updated indemnity on-level adjustments based on the anticipated SAWW changes

Accident Year	9/1/2021 Filing Adjustment	Updated Adjustment
2022	0.7%	1.0%
2023	0.0%	0.0%

Average Annual Wage Level Change Forecast (Exhibit 5.1)

As of June 2021



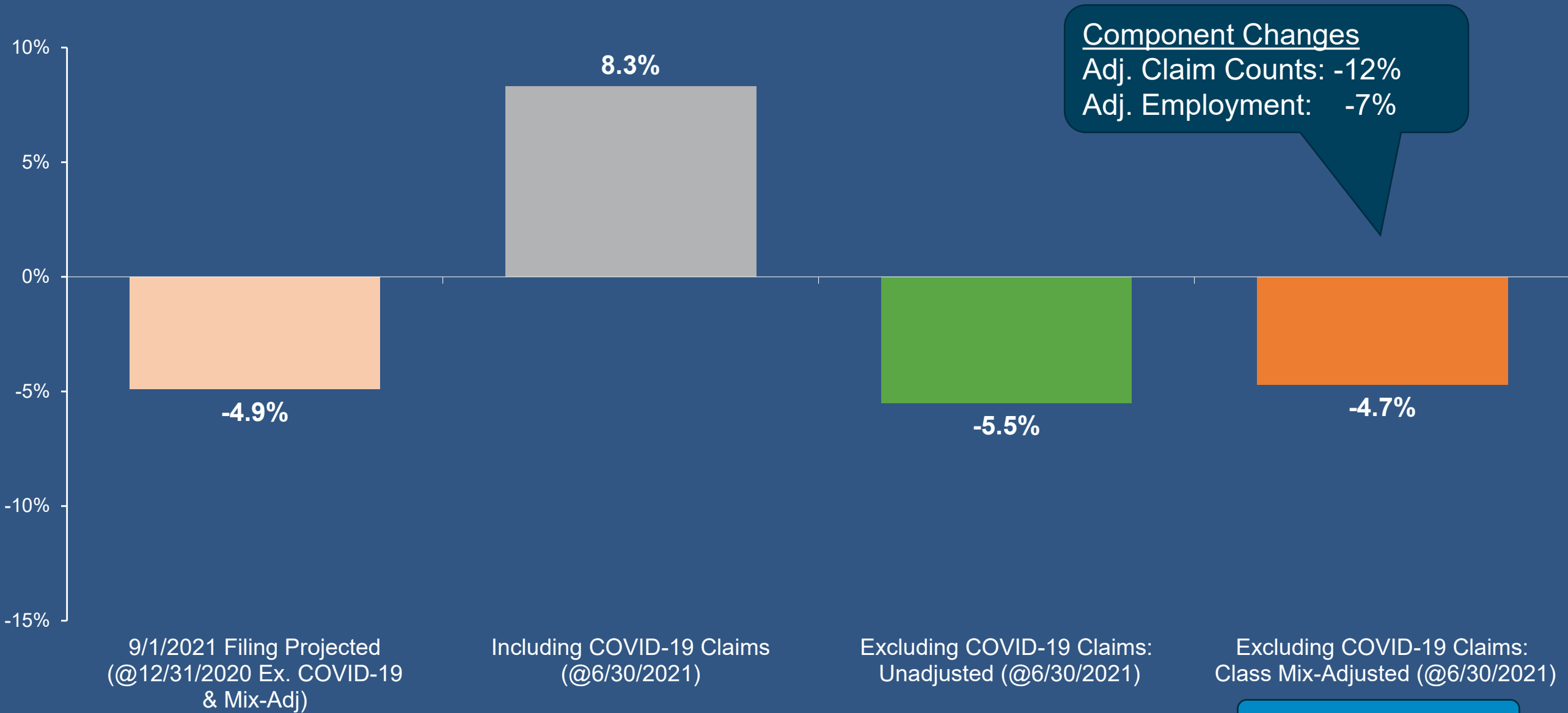
Average Annual Wage Change Projection from 2019:

9/1/2021 Filing: 2.9%

6/22/2021 Agenda: 3.0%

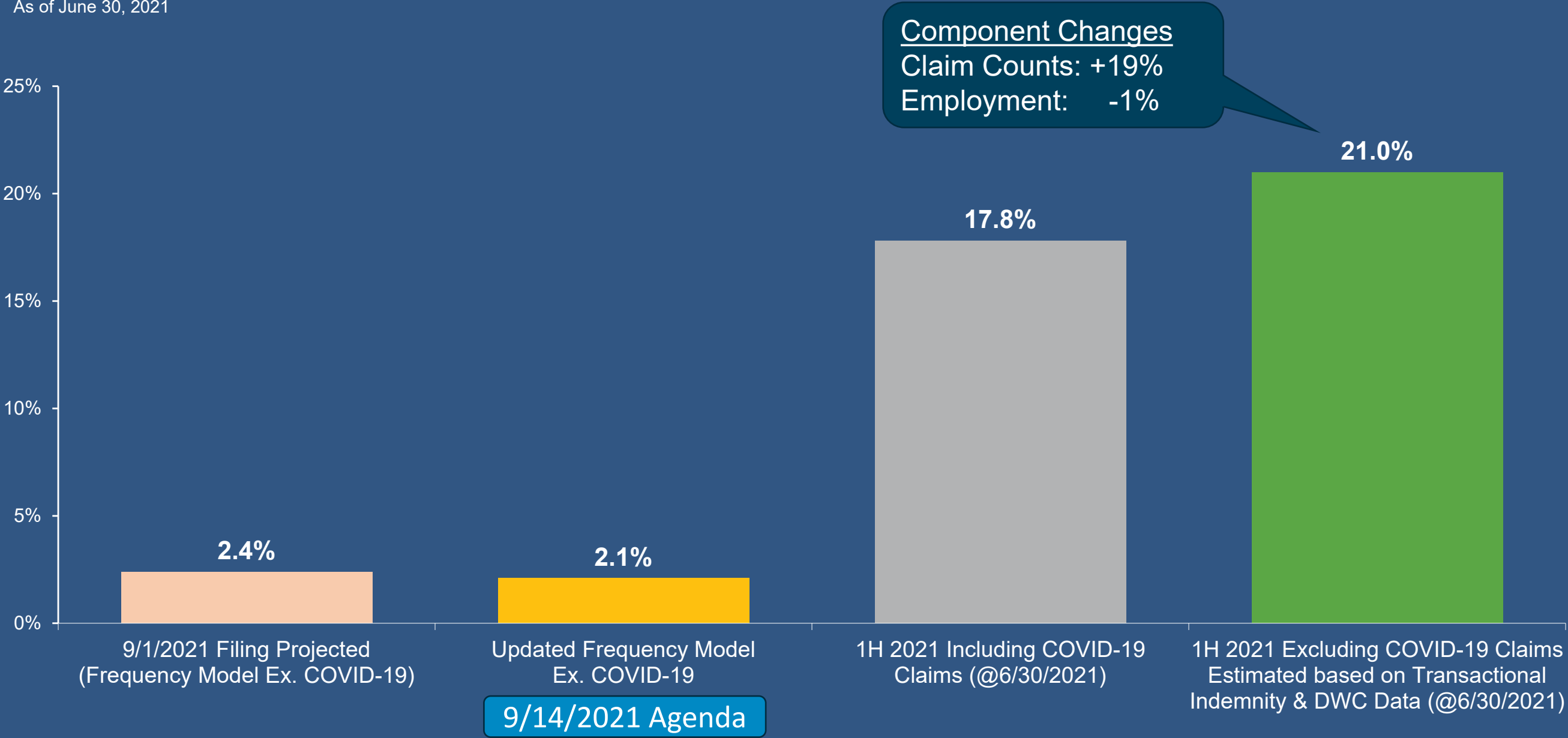
Estimated Accident Year 2020 Indemnity Claim Frequency Changes

As of June 30, 2021



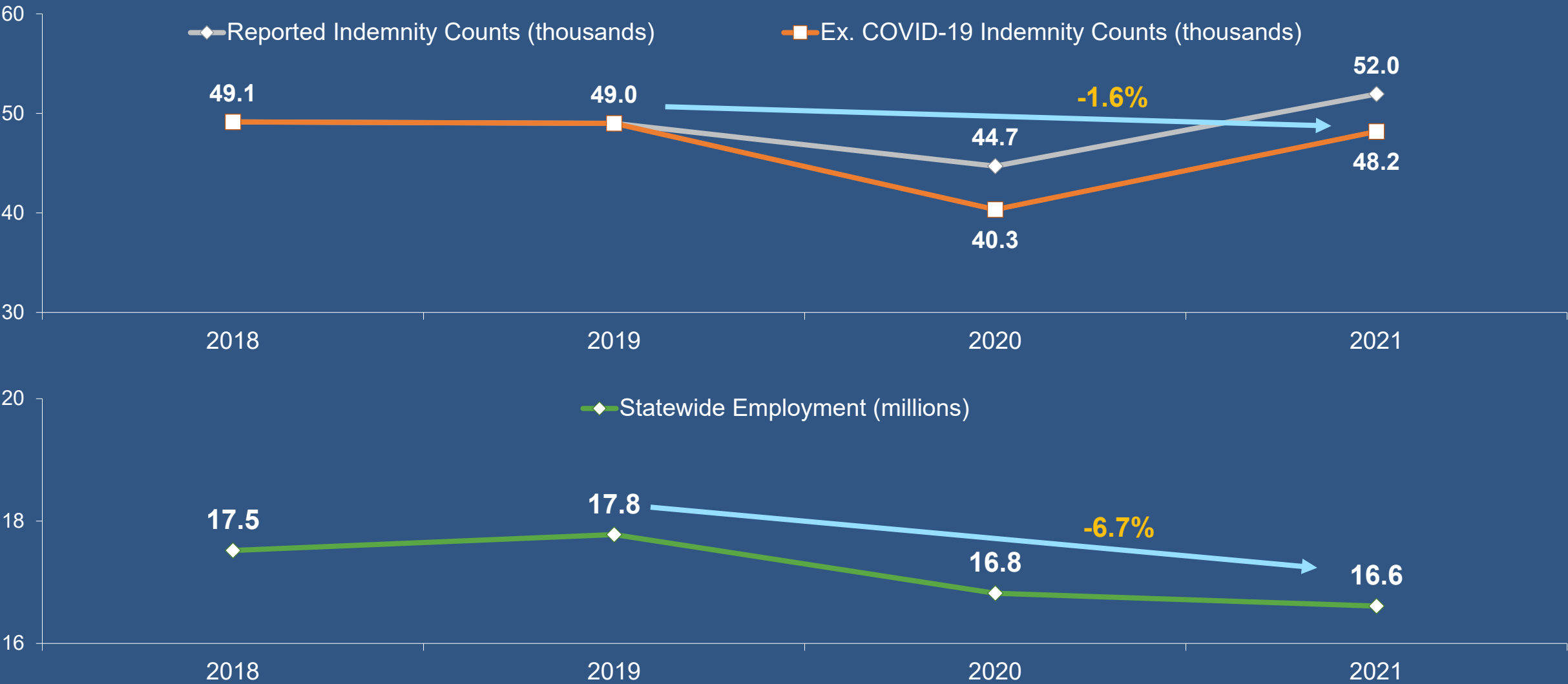
Estimated Accident Year 2021 Indemnity Claim Frequency Changes

As of June 30, 2021



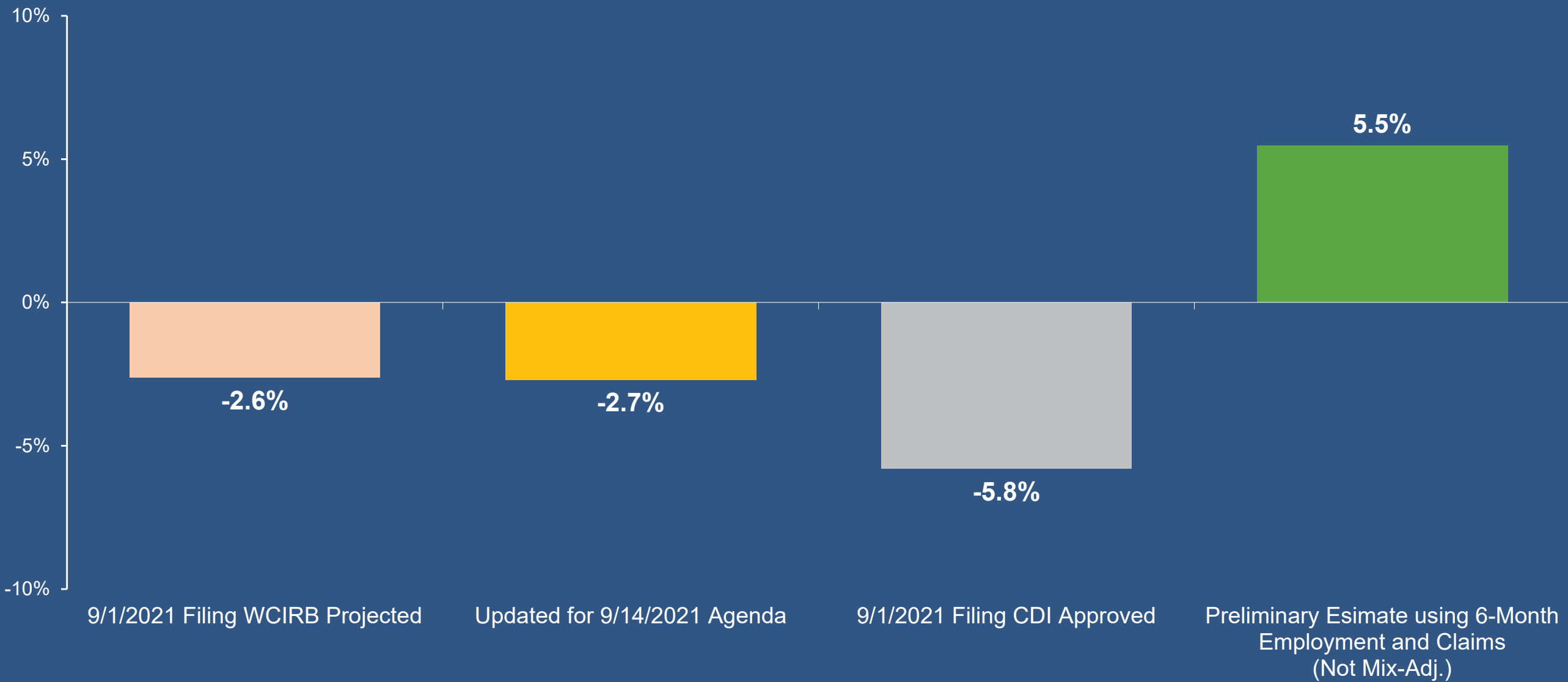
Changes in 6-Month Indemnity Claim Counts and Employment Levels

As of June 30, 2021



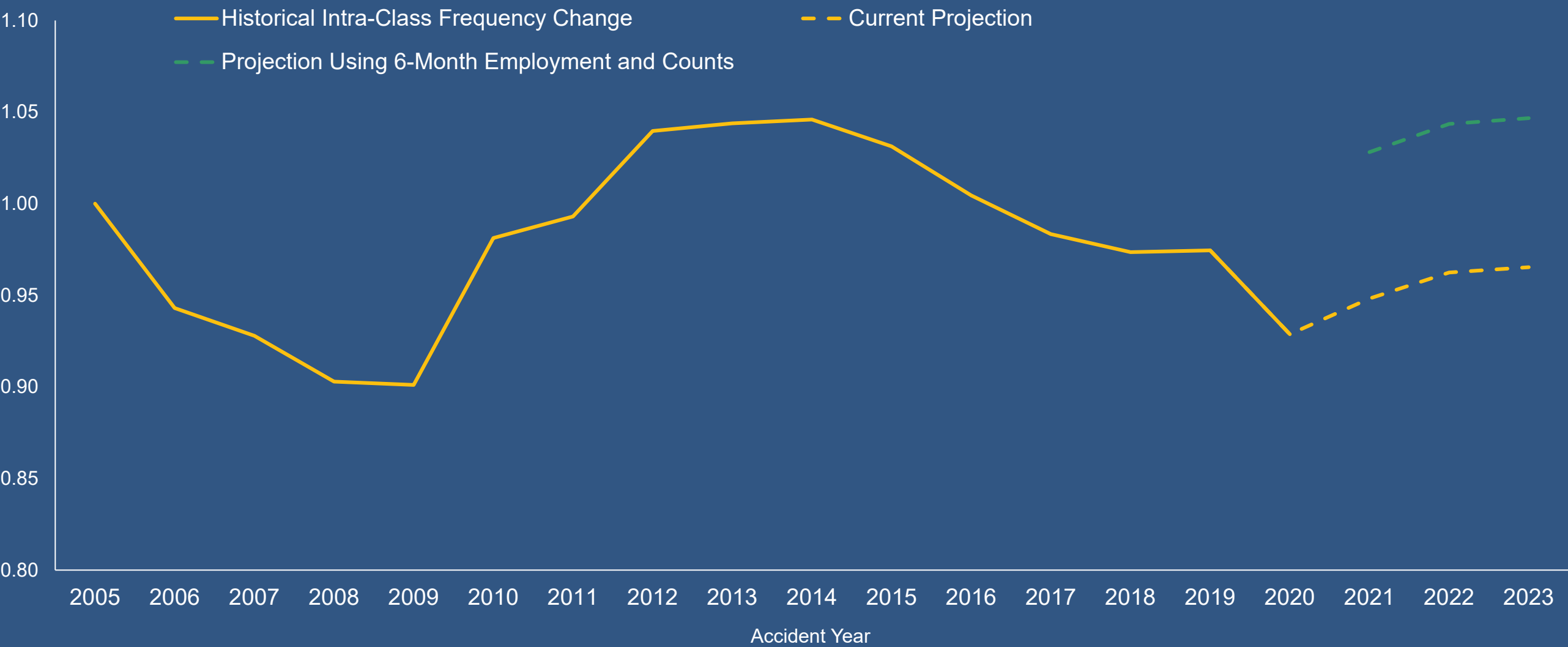
Estimated 2019 to 2021 Indemnity Claim Frequency Changes Excluding COVID-19 Claims

As of June 30, 2021



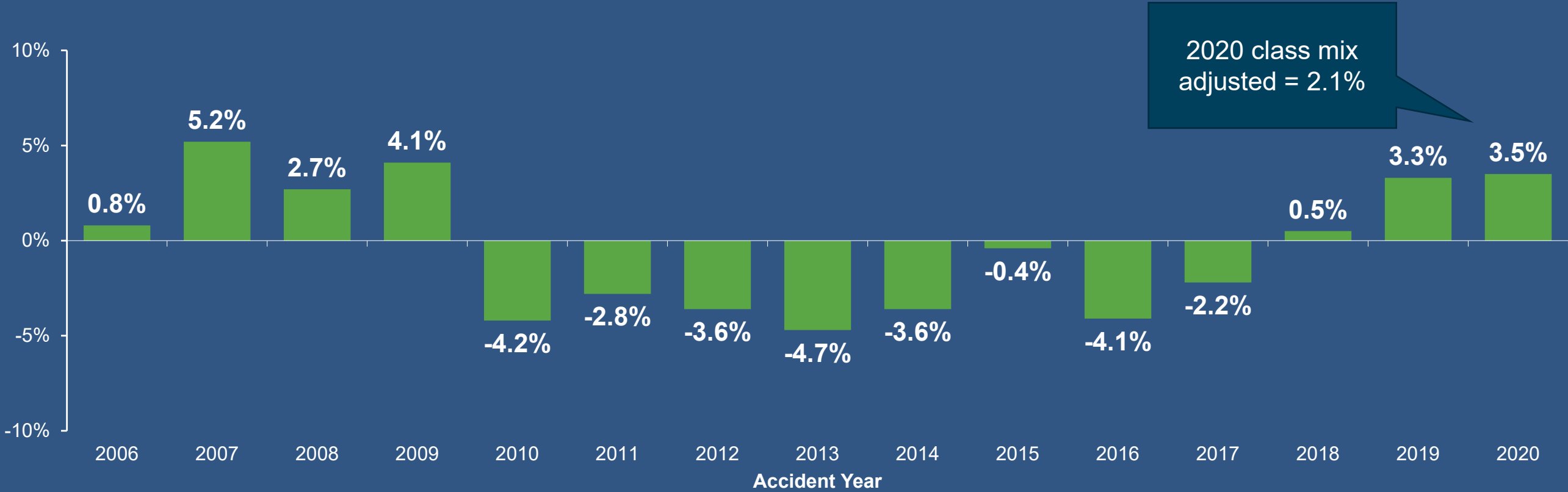
Indemnity Claim Frequency Indexed to 2005

As of June 30, 2021



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

As of June 30, 2021



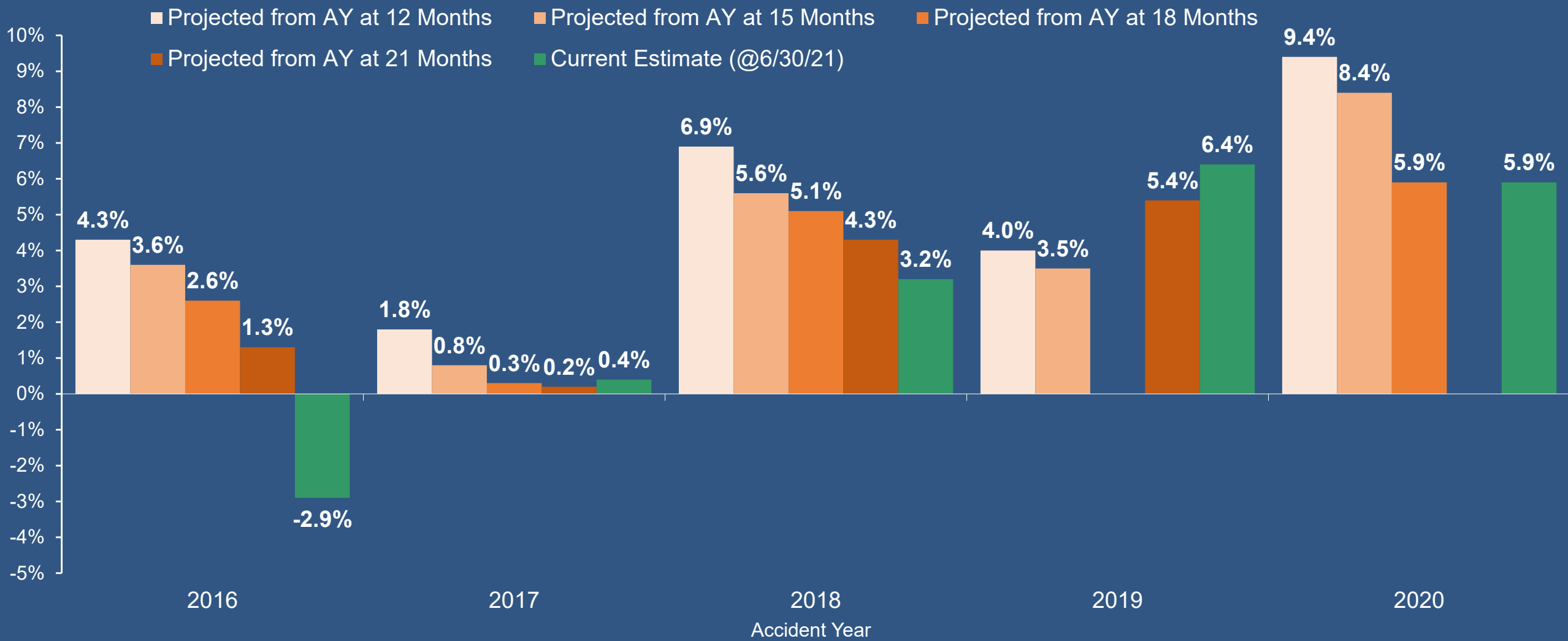
Annual Exponential Trend Based on:

- 1990 to 2020: 1.0%
- 2005 to 2019: -1.5%
- 2015 to 2019: -0.7%

9/1/2021 Filing Selected: 1.0%

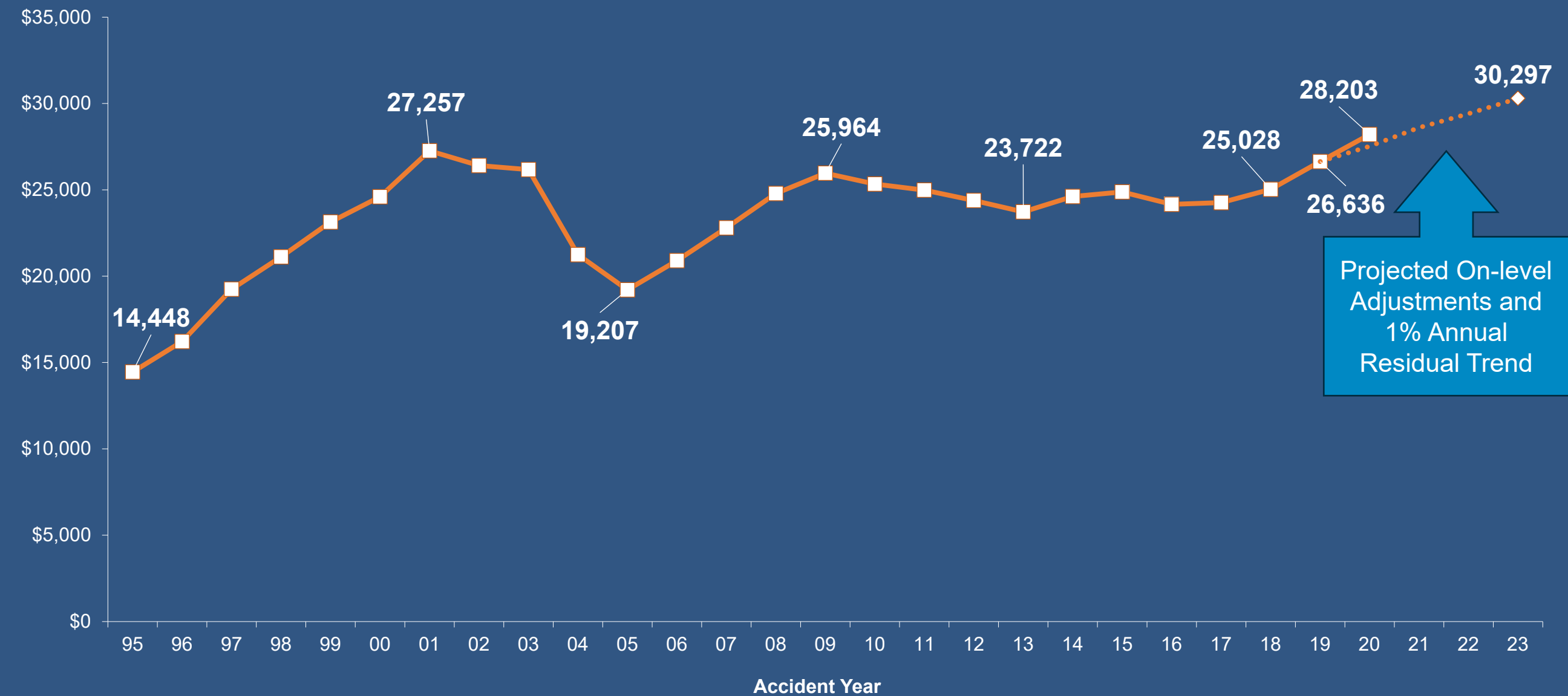
Indemnity Severity Changes Projected from Early Evaluations Compared to Current

As of June 30, 2021



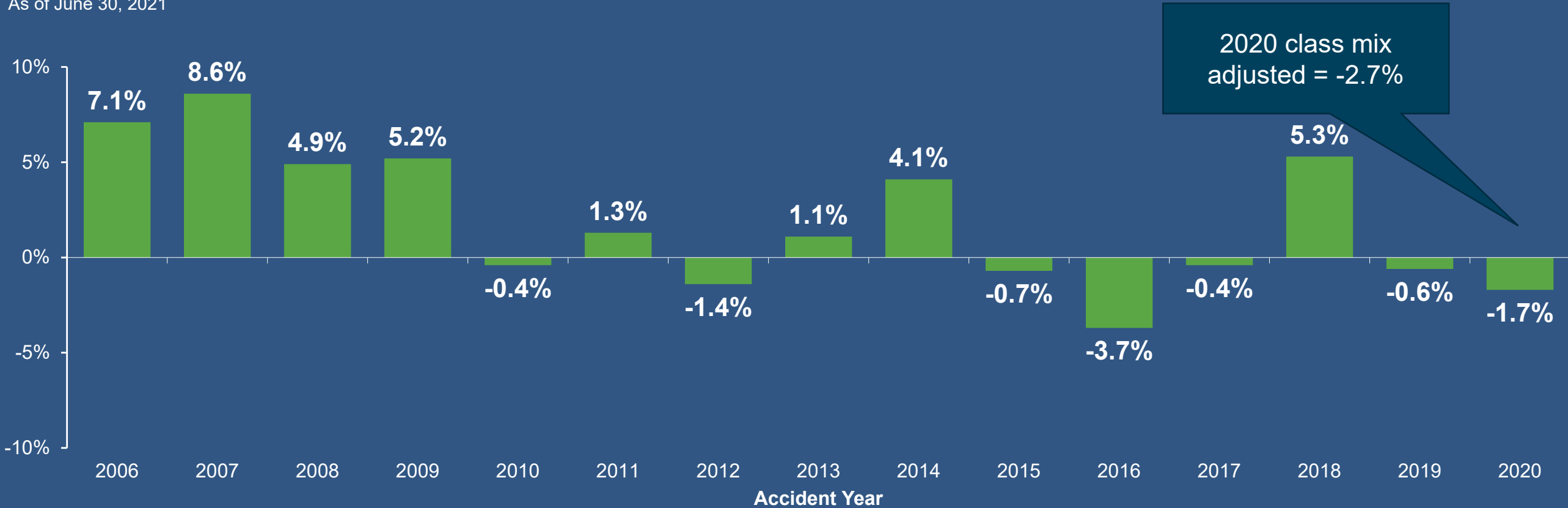
Ultimate Indemnity per Indemnity Claim

As of June 30, 2021



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

As of June 30, 2021



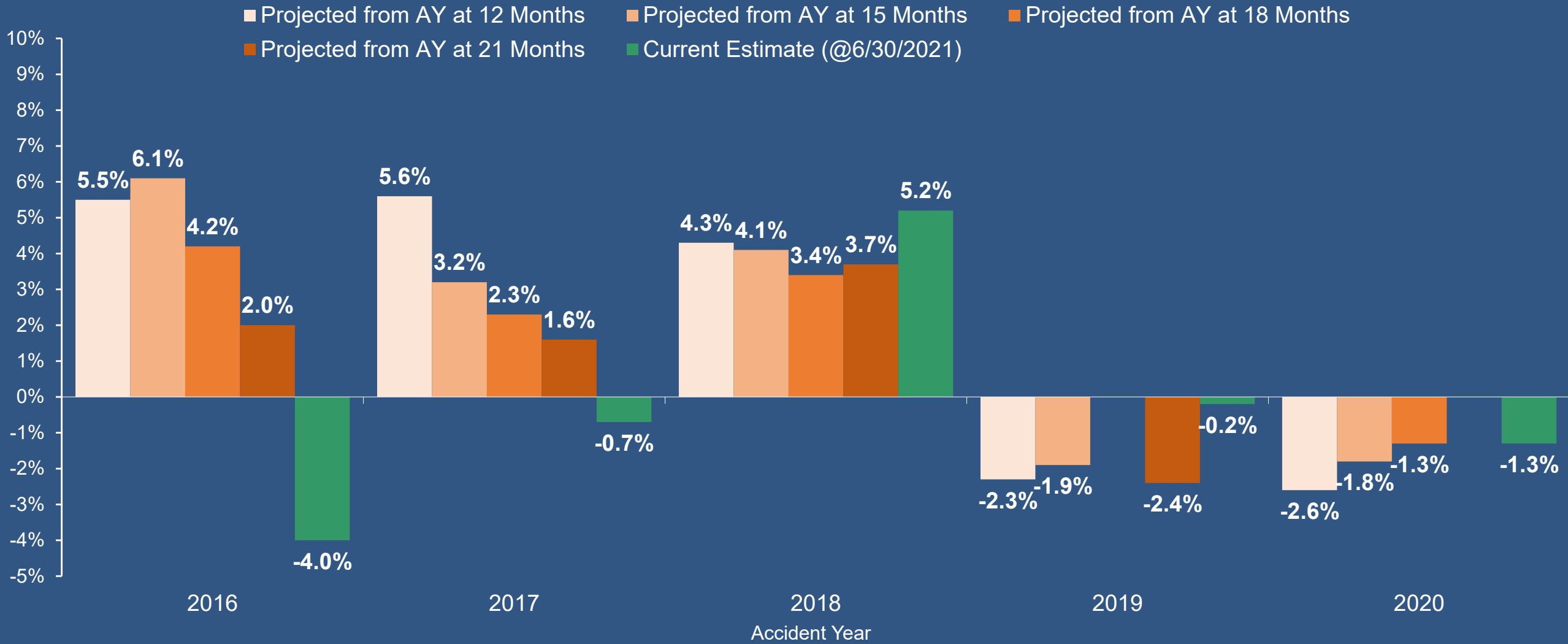
Annual Exponential Trend Based on:

- 1990 to 2020 (including MCCP): 5.2%
- 2005 to 2019: 1.6%
- 2015 to 2019: 0.6%

9/1/2021 Agenda Selected: 1.0%

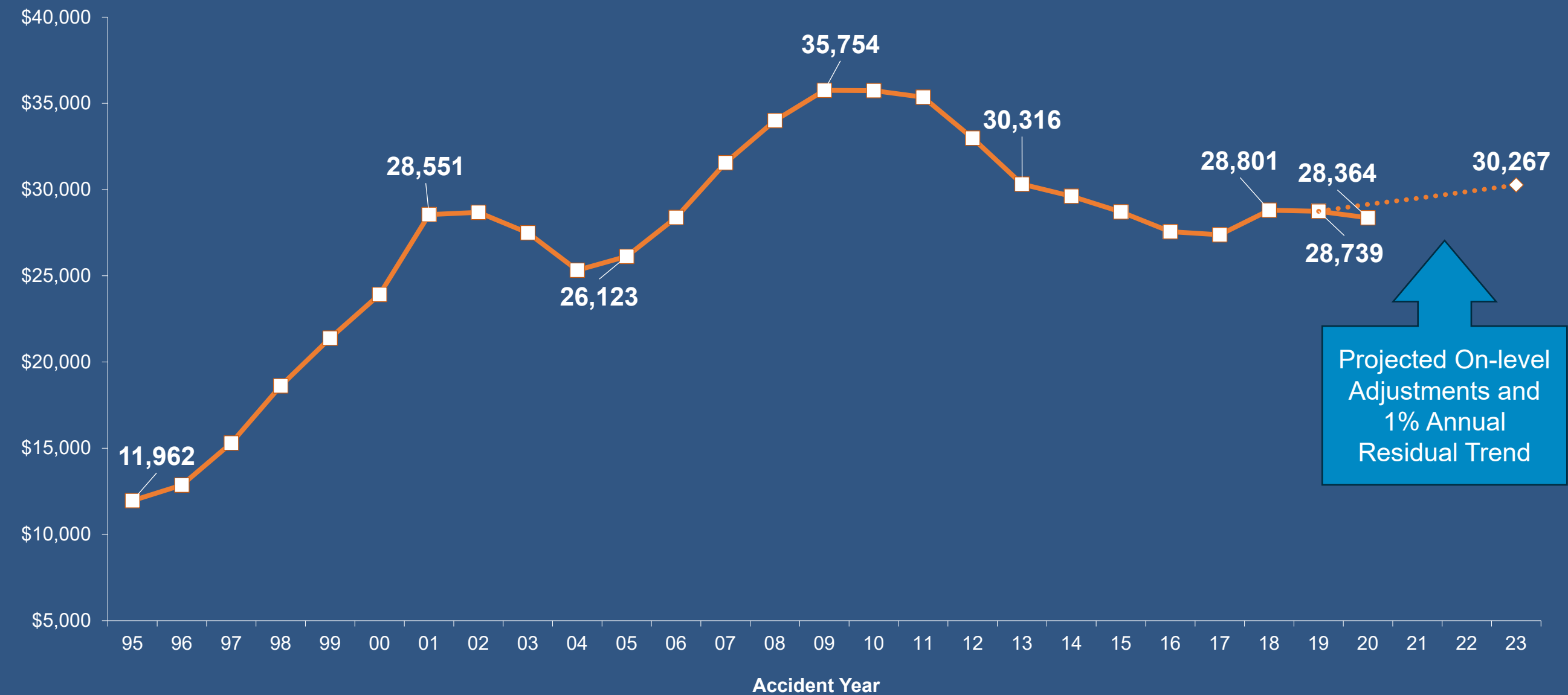
Medical Severity Changes Projected from Early Evaluations Compared to Current

As of June 30, 2021



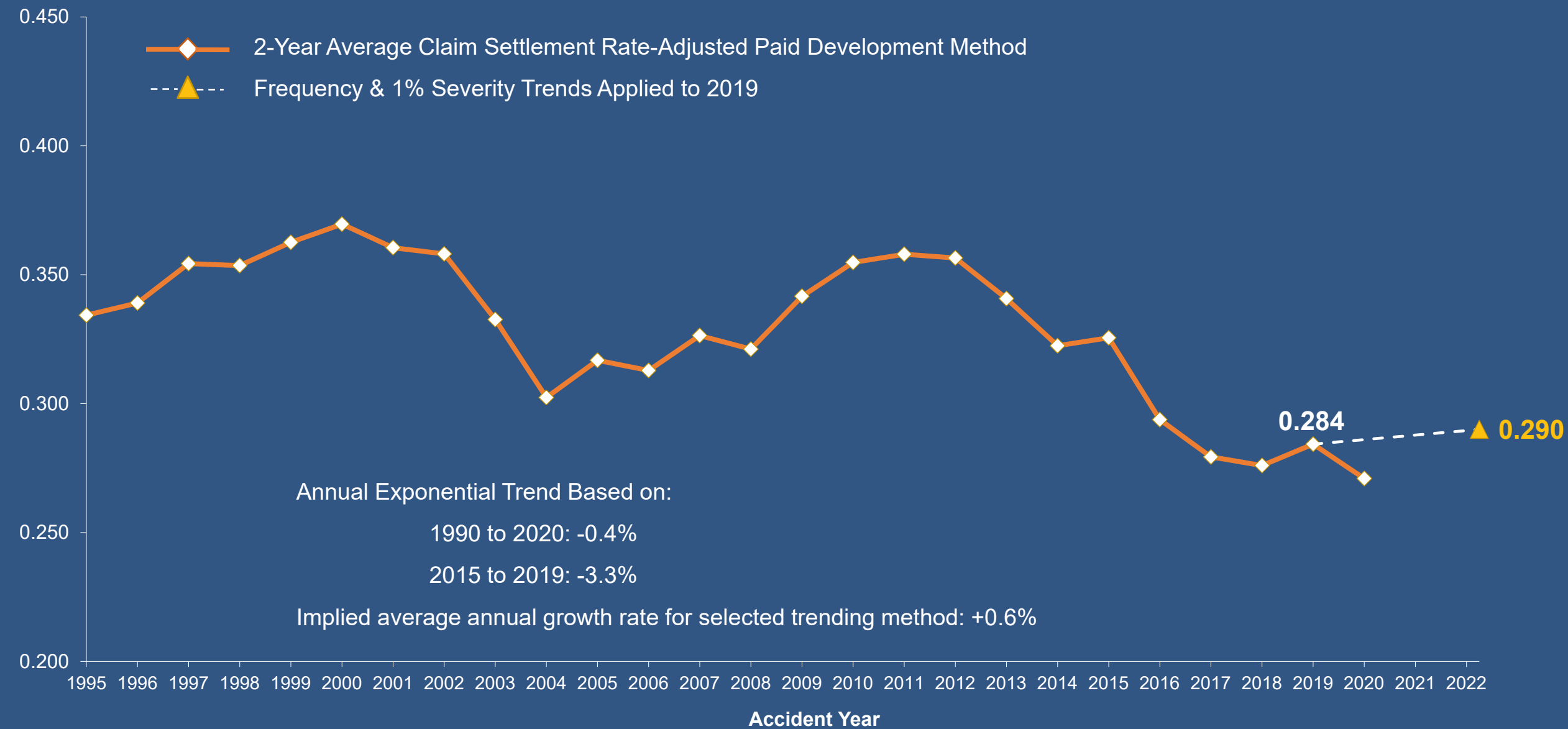
Ultimate Medical per Indemnity Claim

As of June 30, 2021



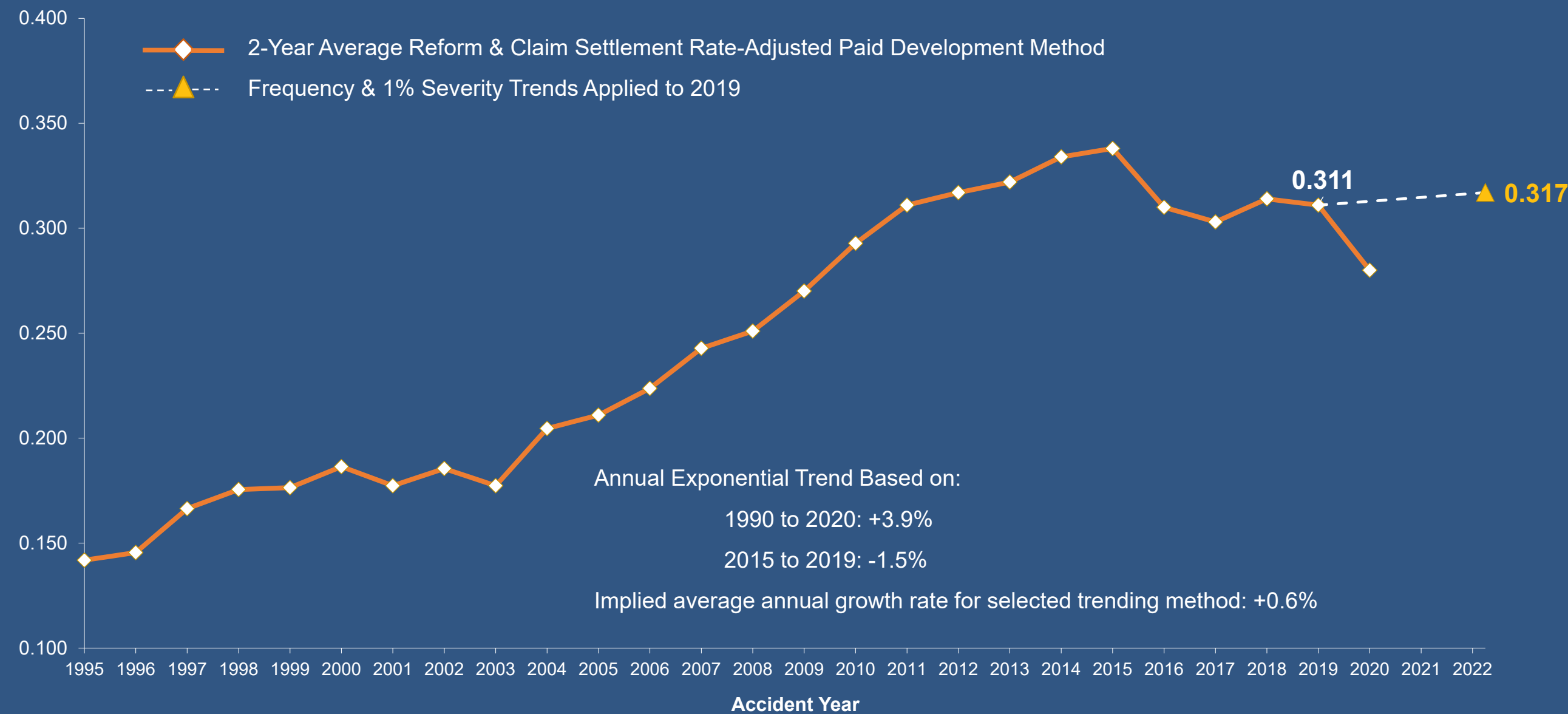
Projected On-Level Indemnity Loss Ratios (Exhibit 7.1)

As of June 30, 2021



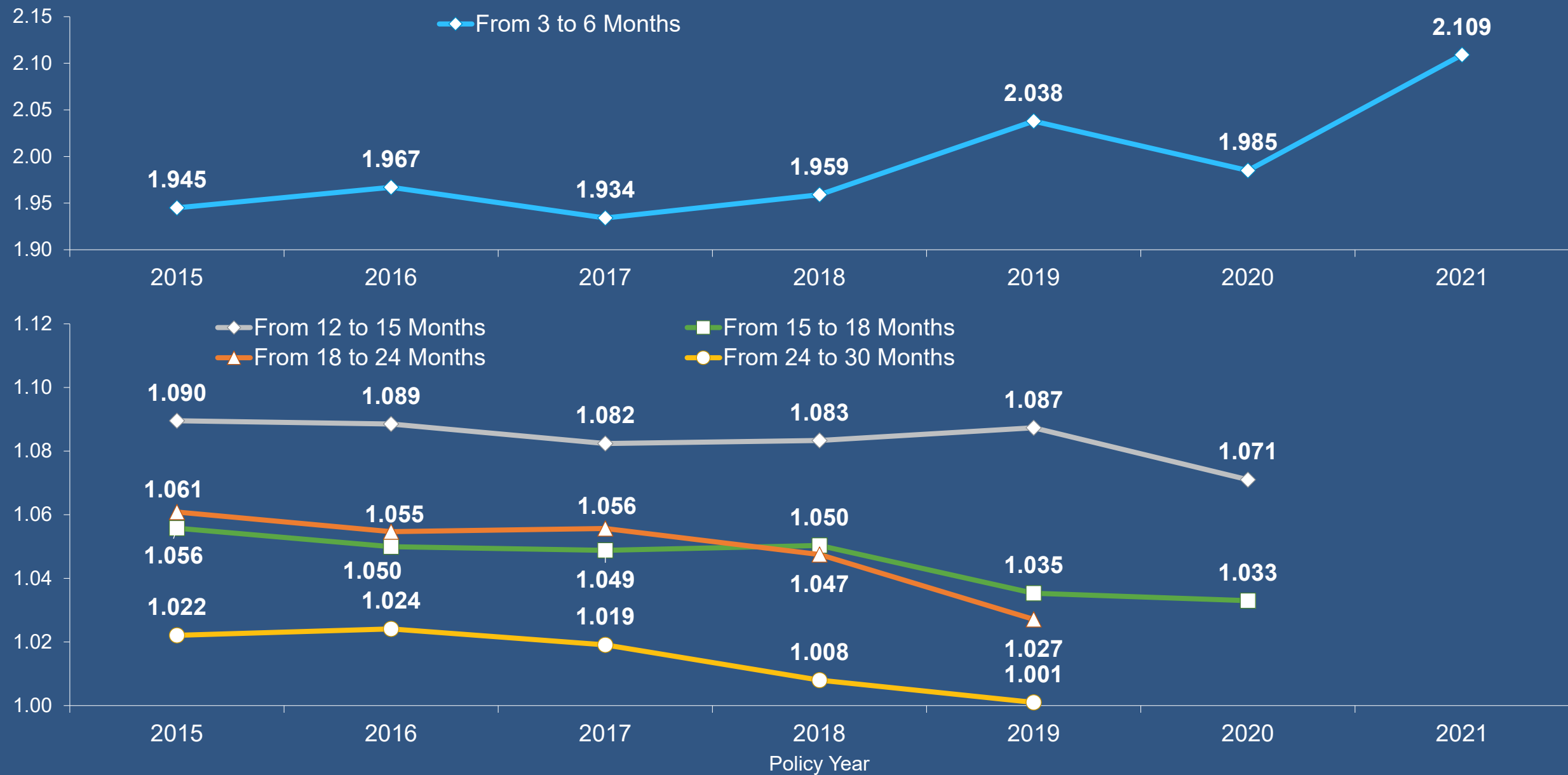
Projected On-Level Medical Loss Ratios (Exhibit 7.3)

As of June 30, 2021



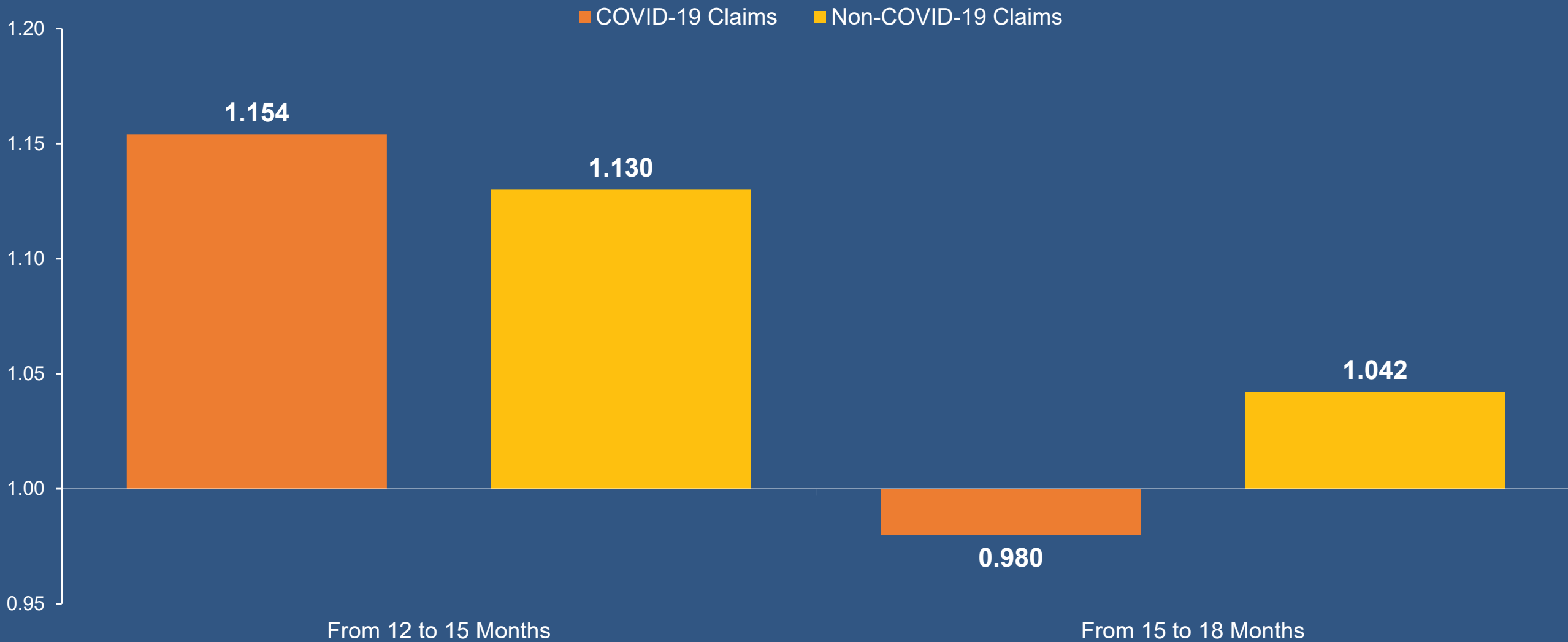
Written Premium Development

As of June 30, 2021



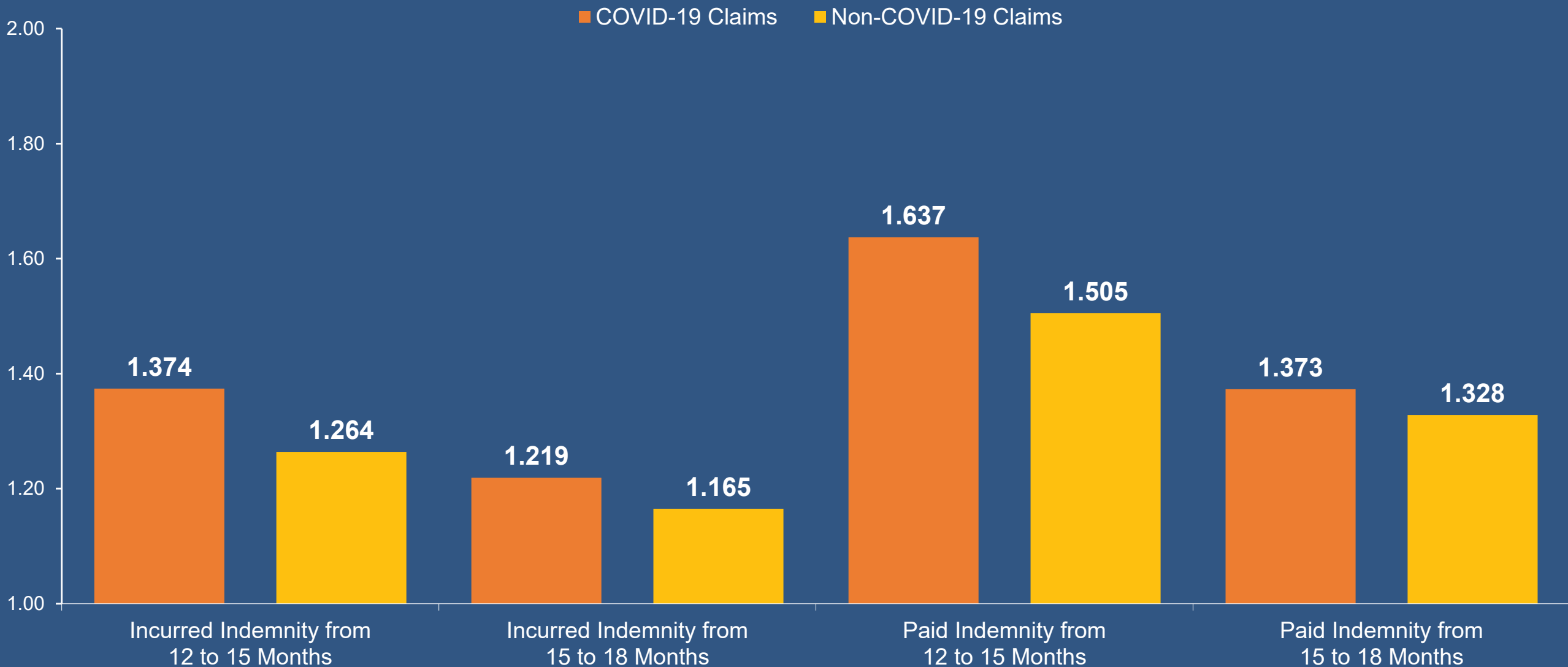
COVID-19 Claims – AY 2020 Indemnity Count Development

As of June 30, 2021



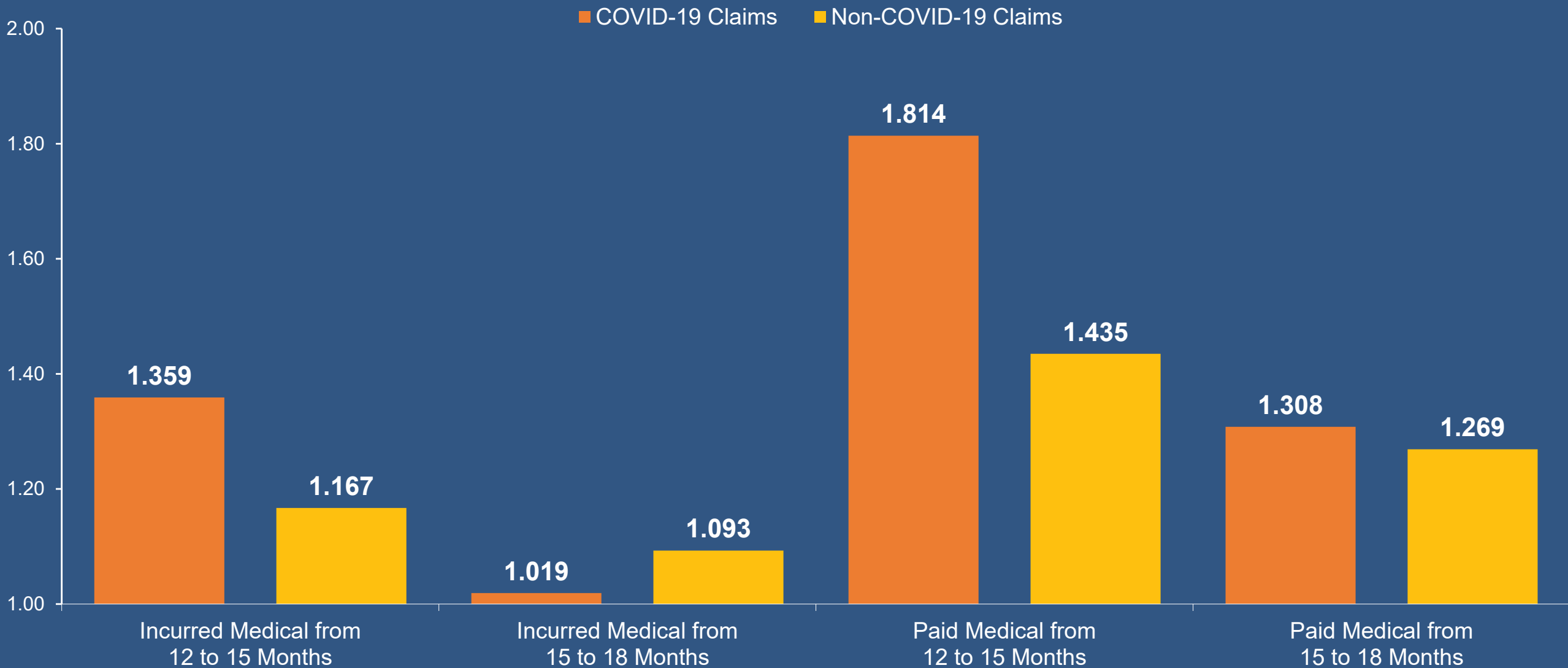
COVID-19 Claims – AY 2020 Indemnity Development

As of June 30, 2021



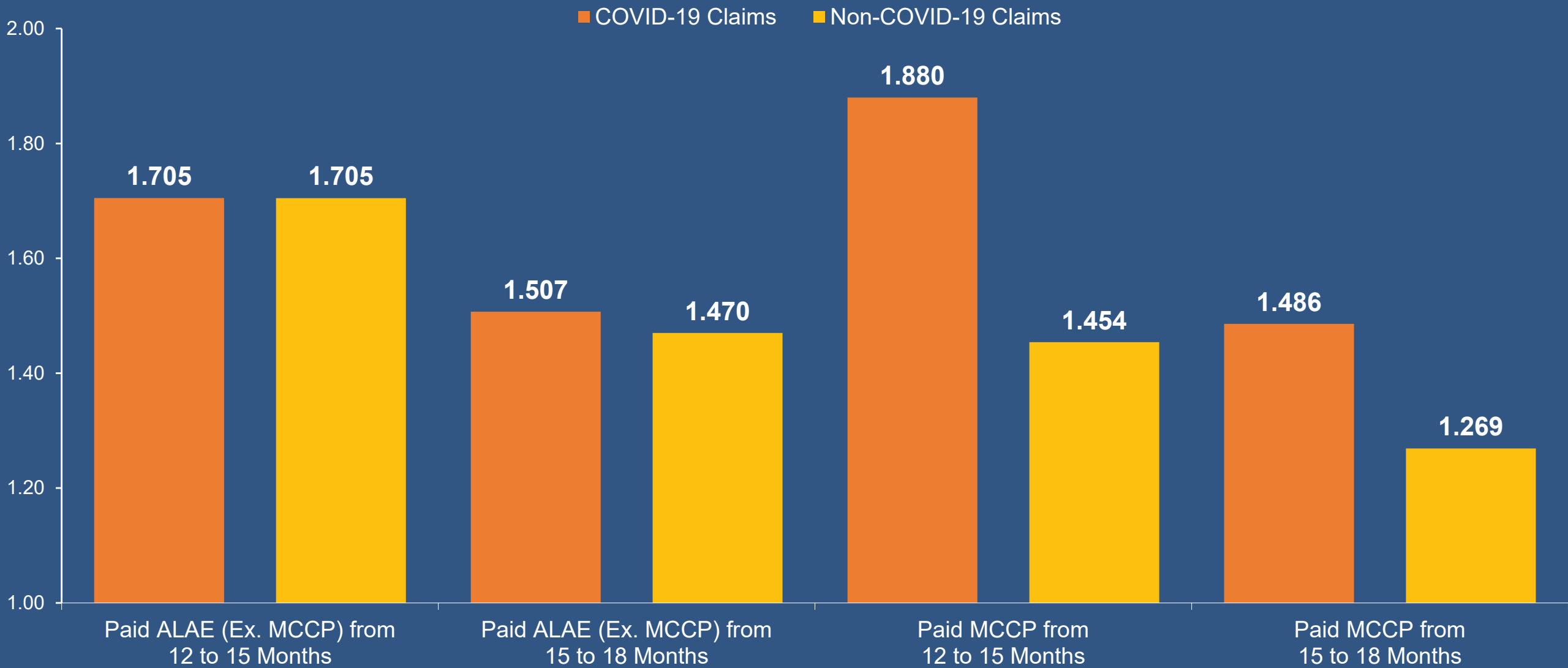
COVID-19 Claims – AY 2020 Medical Development

As of June 30, 2021



COVID-19 Claims – AY 2020 ALAE Development

As of June 30, 2021



9/1/2022 Filing Loss Projection Methodology Considerations

- Loss Development
 - Impact of new fee schedules on paid medical development
 - AY 2020 and 2021 – will they develop differently than 2019 and prior?
- On-leveling
 - Impact of new fee schedules
 - Adjustments to wage inflation for shifts in mix, injured worker vs. insured wages
 - Premium development and new effective date of advisory PPRs
- Loss Trends
 - Impact of economic recovery on 2021 and later frequency trends
 - Appropriate indemnity and medical on-level severity trends
 - Use of AY 2019, 2020 and 2021 in trending projection

05

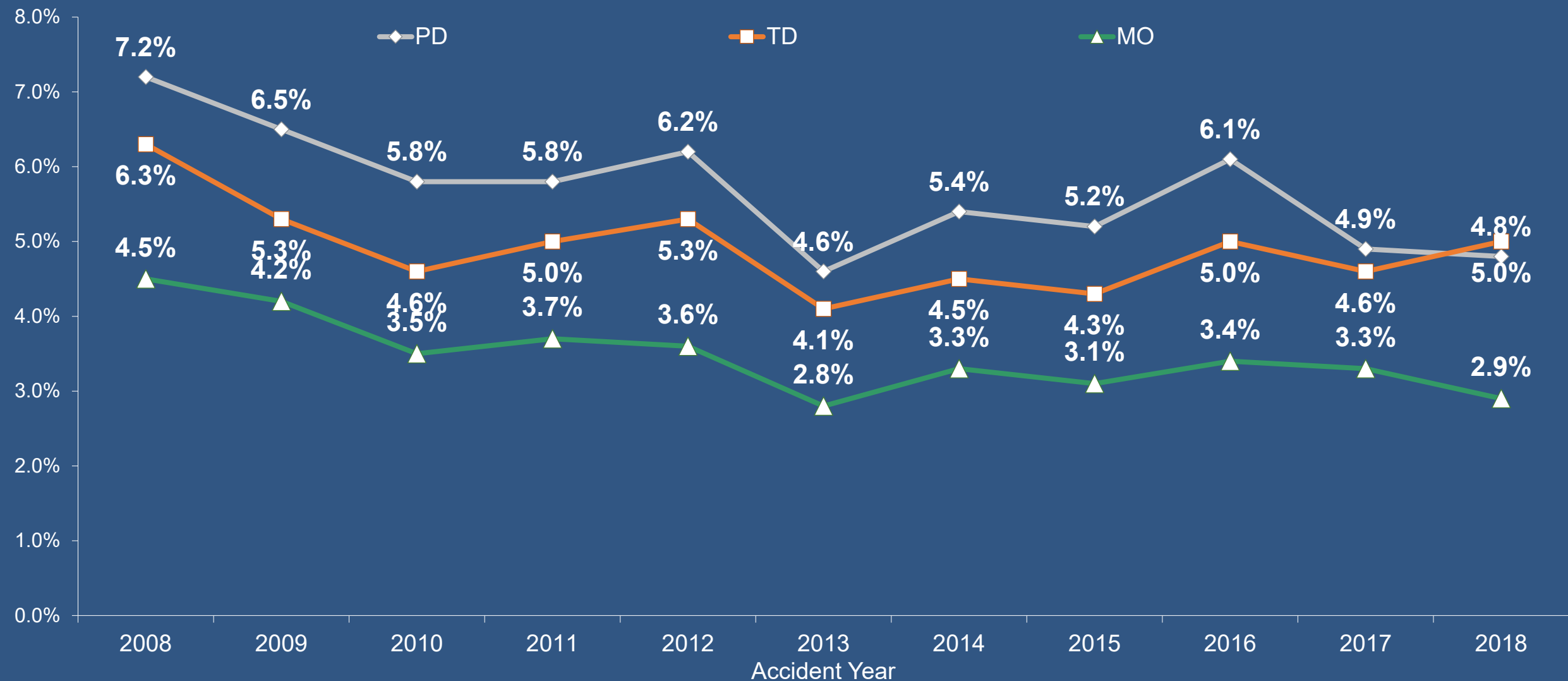
Wage Inflation Analysis



Background and Methodology

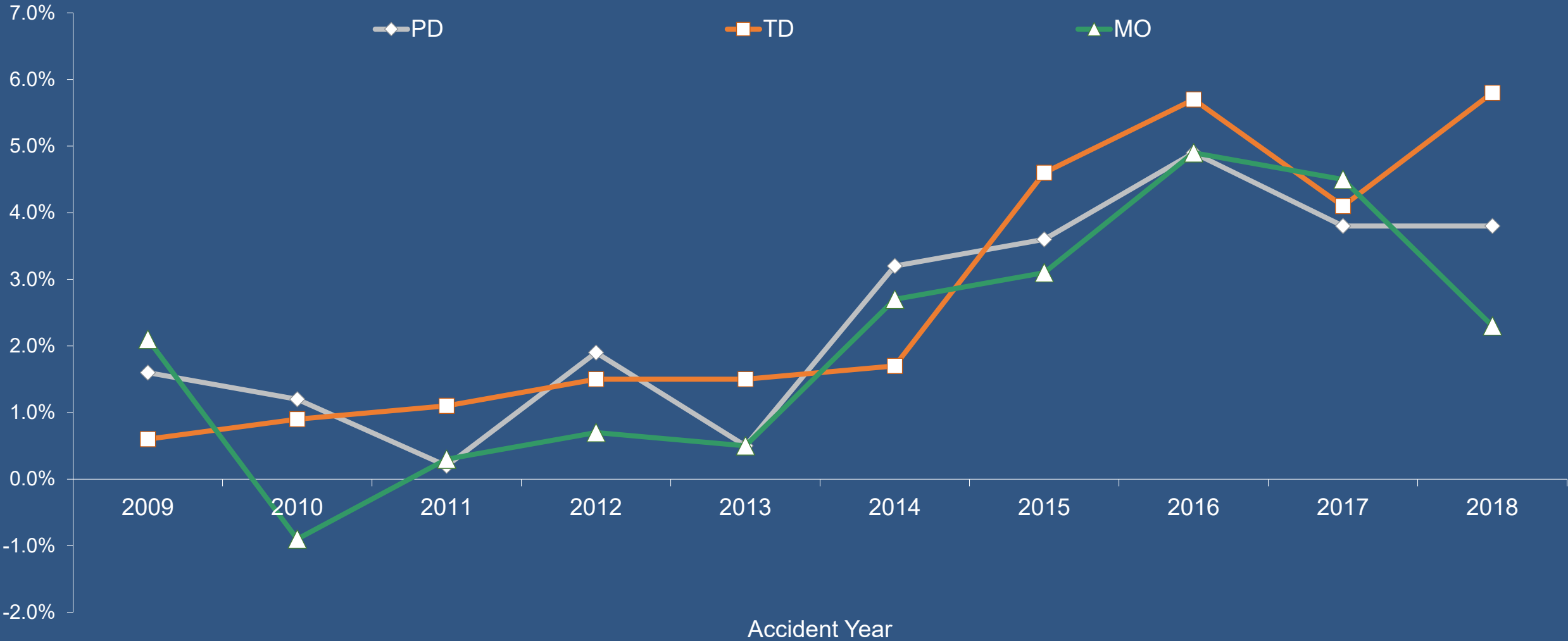
- Changes in workers' wages affect both future premium and future indemnity benefits
- Typically rely on wage forecasts of general inflation to project both
- Potential Challenges:
 - WC Exposure excludes some components typically reported in wages
 - TD and PD benefits are capped
- Relied on American Community Survey (ACS) for population wage measures as well as capped wages for indemnity benefits and Unit Statistical Report (USR) data for injured worker wage information to model these series
- To investigate inflation for future indemnity benefits, wages are capped at the level which would yield the maximum temporary disability benefit

Share of USR Claim Records with an AWW Which Would Yield Maximum TD Benefits by Injury Type

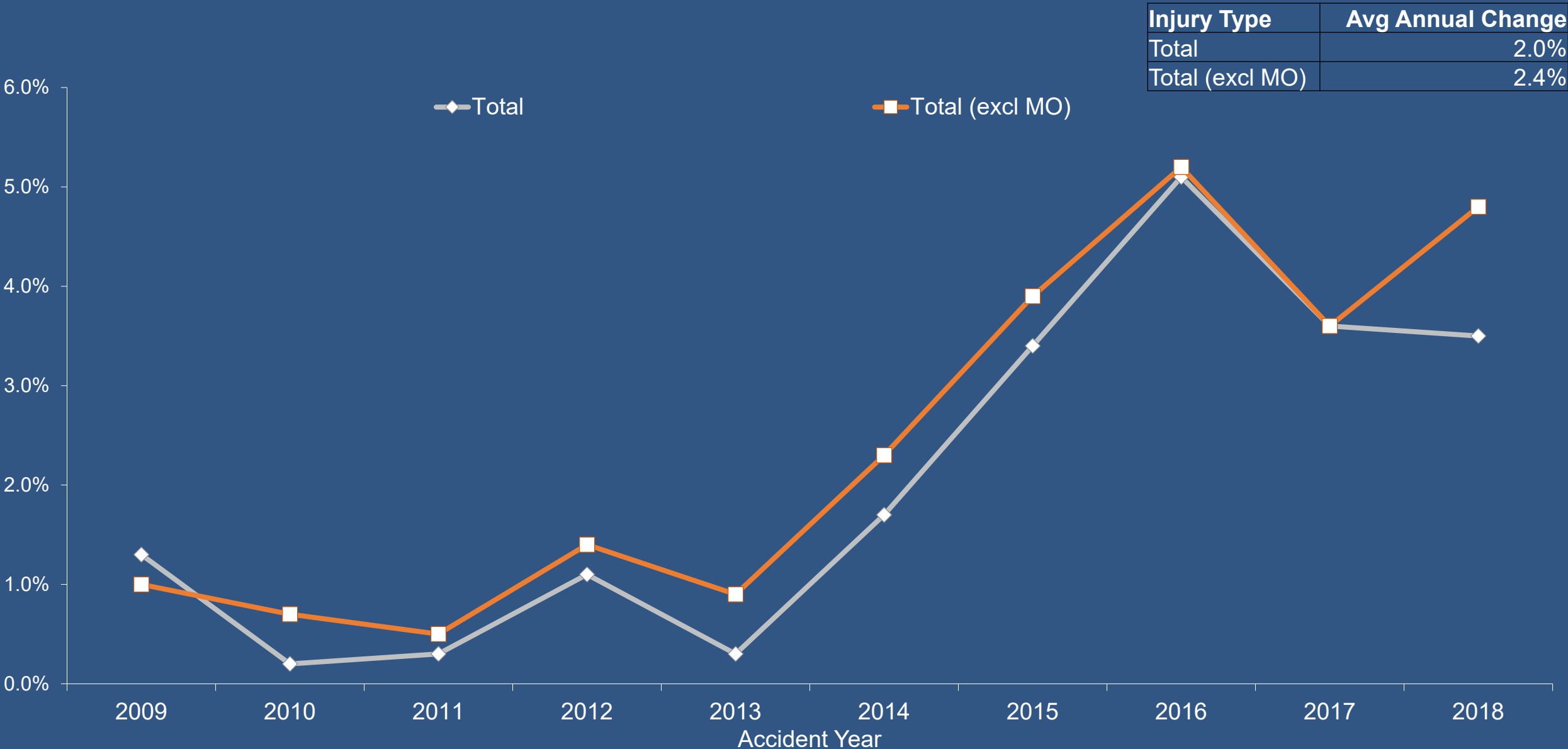


Change in USR AWW by Injury Type

Injury Type	Avg Annual Change
PD	2.5%
TD	2.7%
MO	2.0%

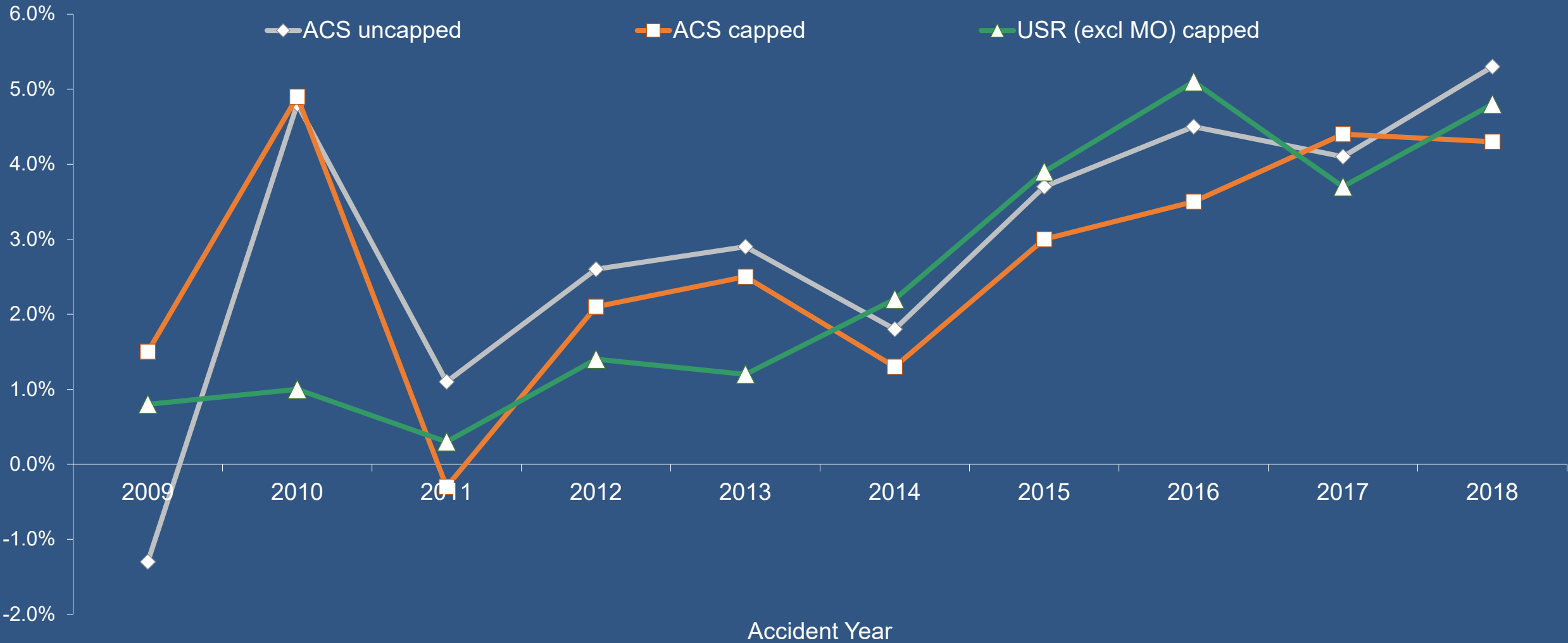


Change in USR AWW With and Without Medical-Only Claims

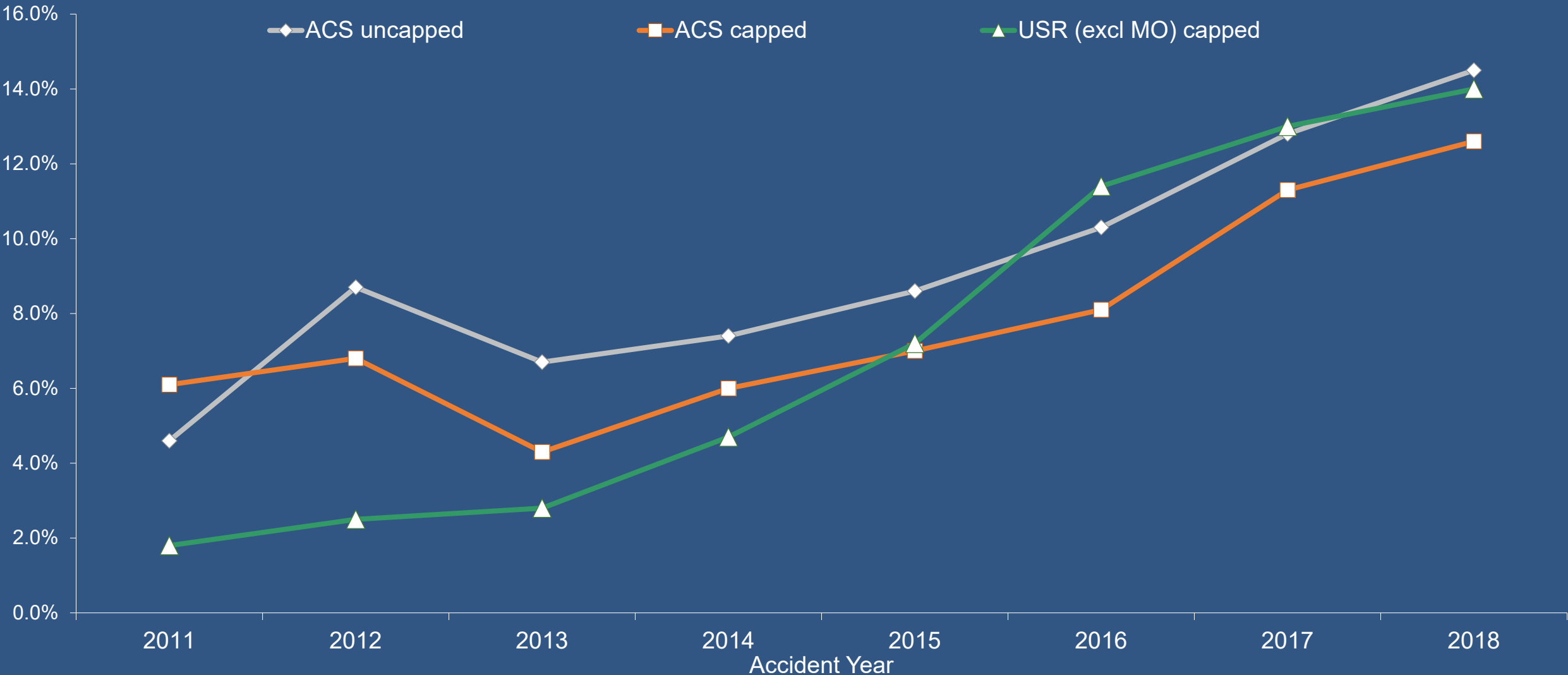


Comparison of Wage Inflation in ACS and USR

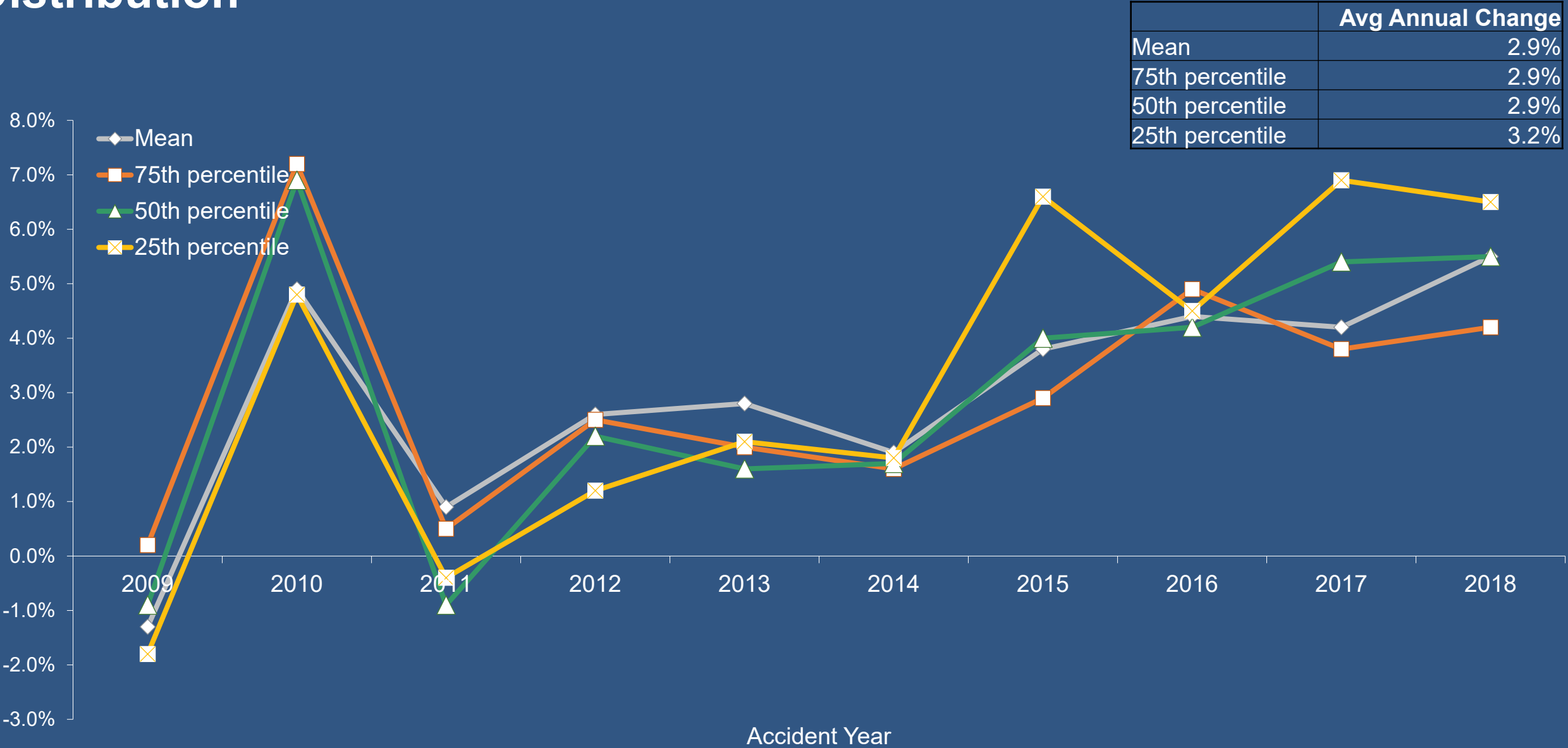
	Avg Annual Change
ACS uncapped	2.9%
ACS capped	2.7%
USR (excl MO) capped	2.4%



Comparison of Wage Inflation in ACS and USR on a Rolling 3-Year Basis



ACS Wage Inflation after WC Exclusions at Selected Points of the Wage Distribution



Findings and Recommendations

- As AWW is not always reported on medical-only claims, recommend analyzing USR wage data excluding medical-only claims
- Capping wages for temporary disability benefits affects a relatively small share of indemnity claims
- Wage inflation in USR AWWs has been similar by injury type
- Inflation in ACS wages capped at the level which yields maximum benefits has consistently been slightly lower than uncapped inflation in ACS wages in recent years
- Inflation in USR wages was lower than inflation in ACS wages during the Great Recession and has been higher in recent years
- Inflation in ACS wages has been slightly different at various points in the wage distribution. It was lower for workers at the 25th percentile early in the study period but higher in the most recent years.
- Staff should continue to investigate the possibility of adjusting wage forecasts to better predict changes in premium and in indemnity benefits

06





Study of California Frictional Costs



Study Questions

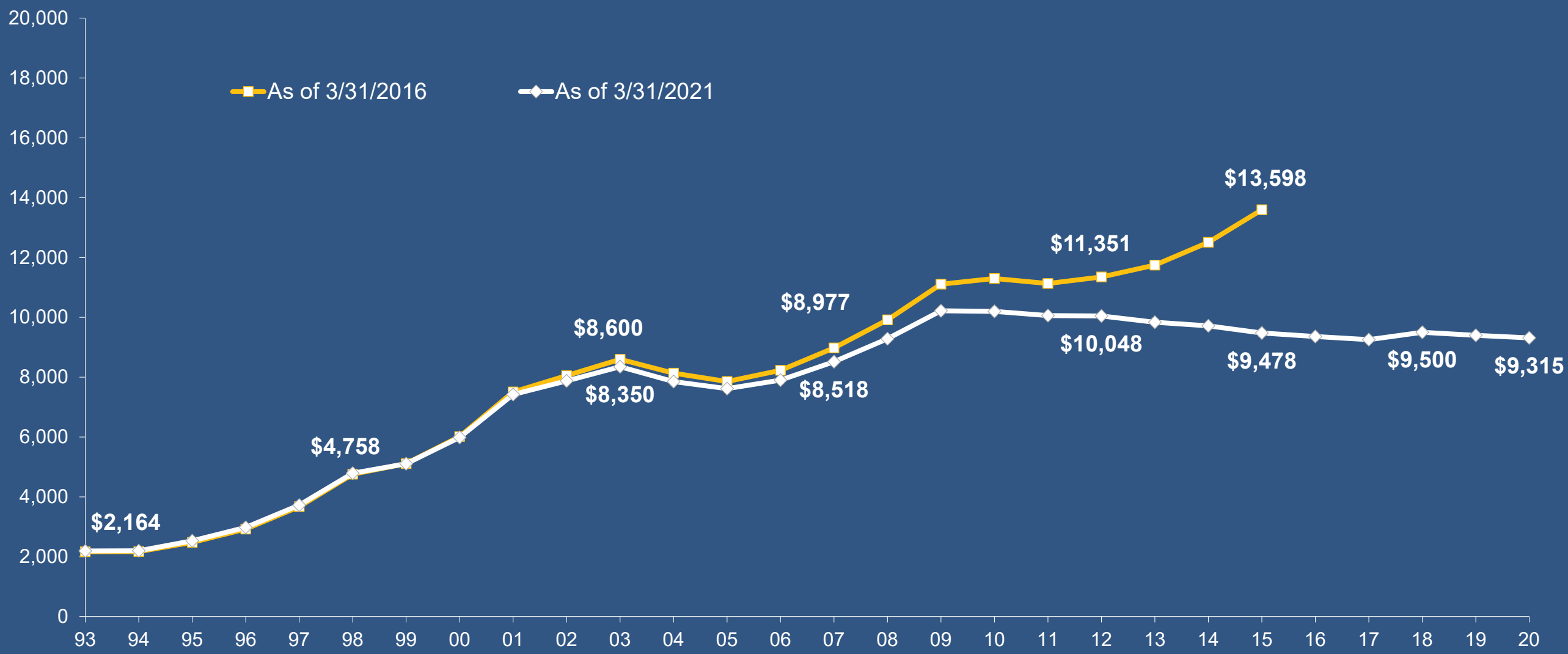
- Why are California workers' compensation frictional costs high compared to other systems?
- What is driving recent trends in frictional costs?
- What impact do the high California frictional costs have on other system components?

CA Compared to Other Systems – Cost to Deliver \$1 of Benefits

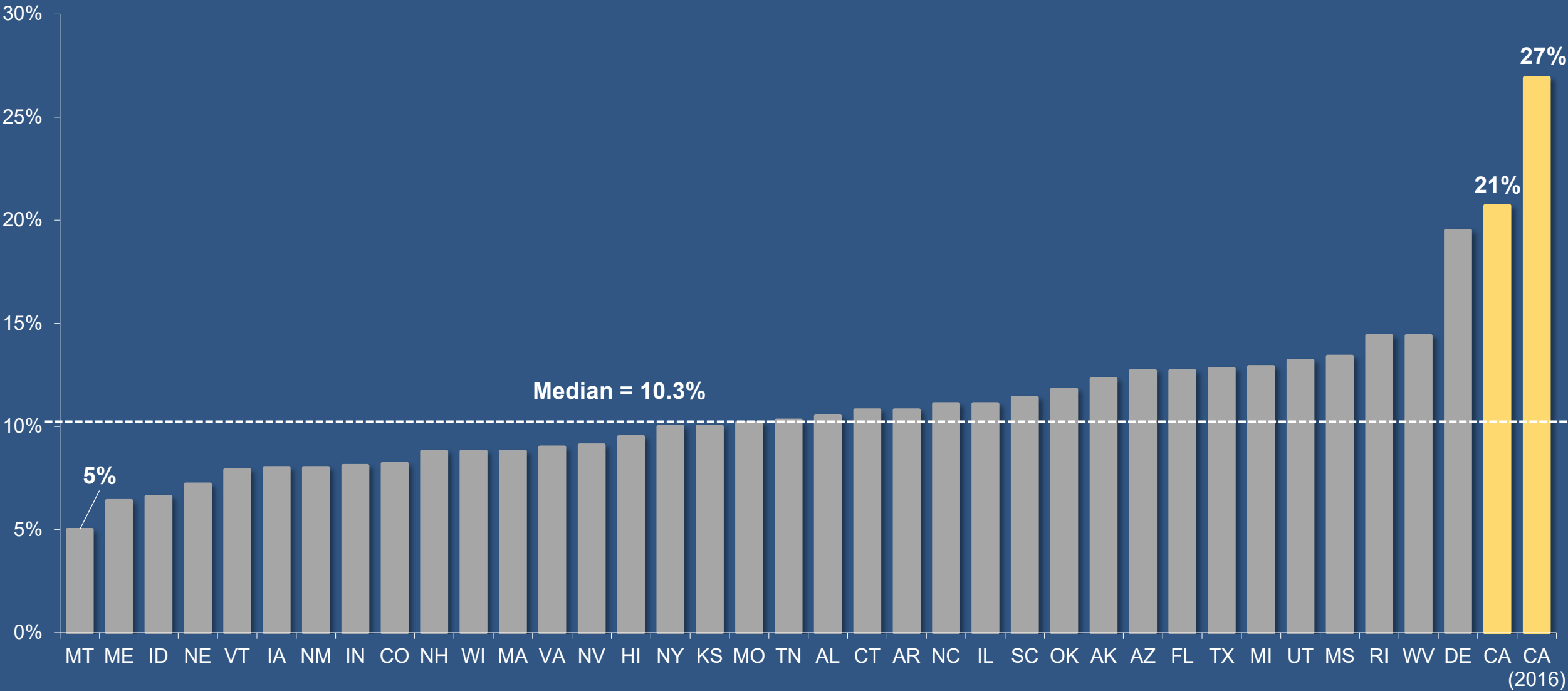
Medicare		\$0.02
Private Group Health Insurance		\$0.18
Workers' Compensation Median State		\$0.25
California Workers' Compensation		\$0.48

Sources: Workers' compensation figures are from WCIRB aggregate financial data calls and the 2021 NCCI Annual Statistical Bulletin; Medicare figures are from the Centers for Medicare and Medicaid Services 2018 Medicare Trustees Report; Private group health insurance figures are estimated from a number of published studies on group health administrative costs

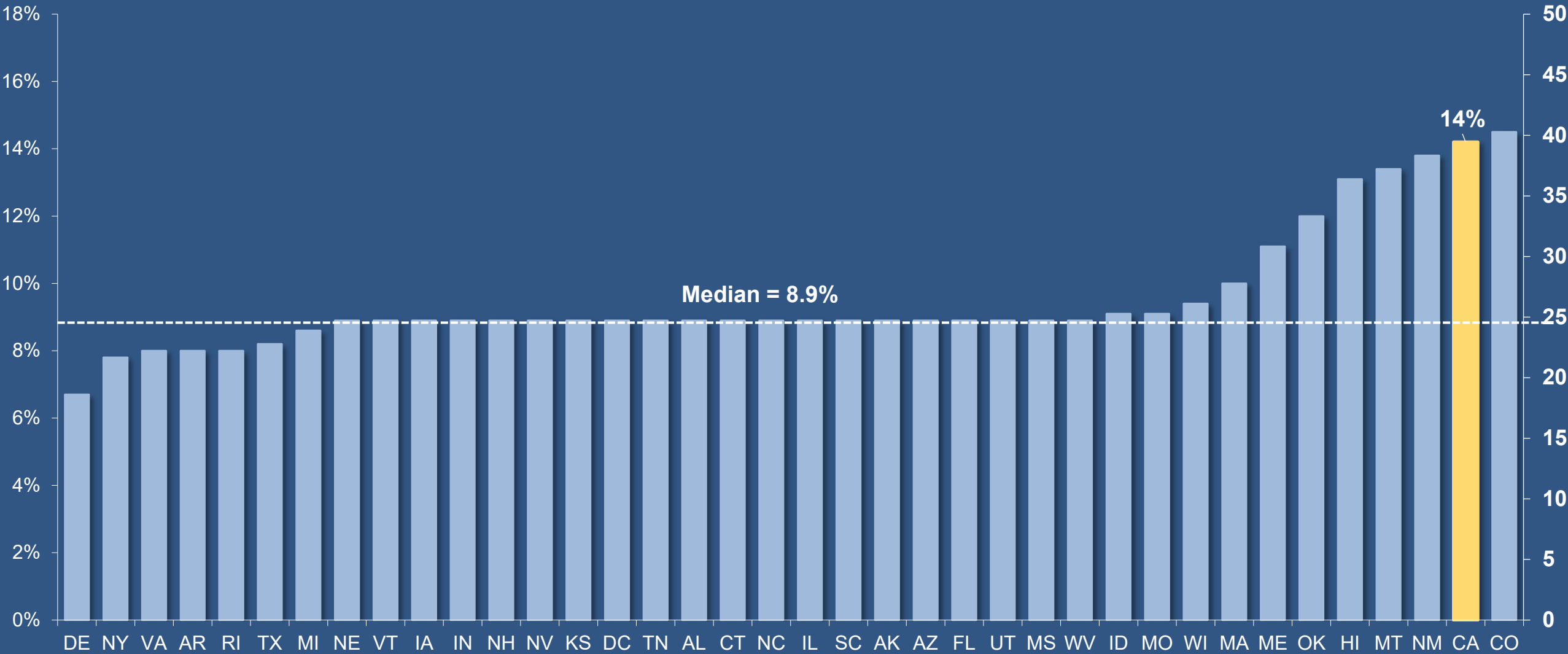
Recent Trends – Estimated Ultimate ALAE (Excl. MCCP) per Indemnity Claim for Private Insurers



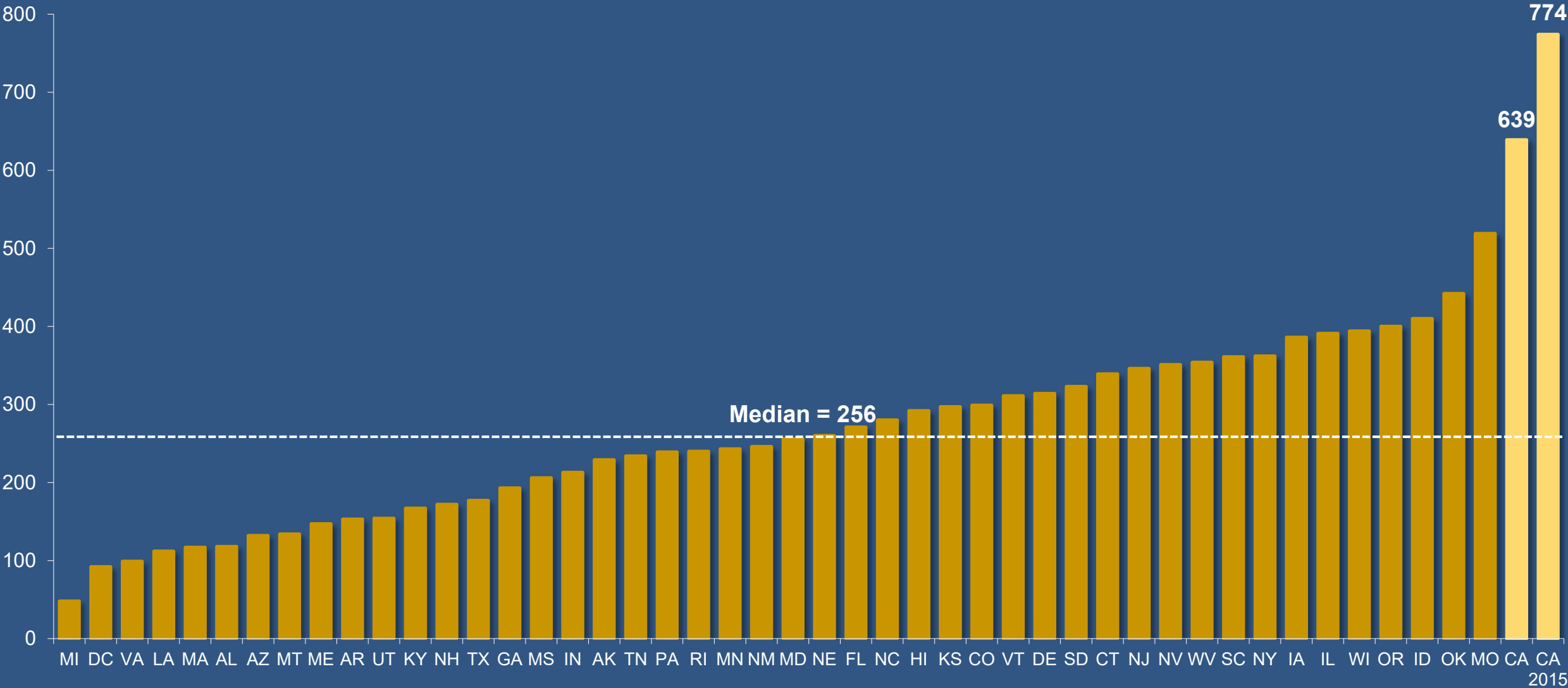
Ratios of ALAE (DCC) to Losses by State



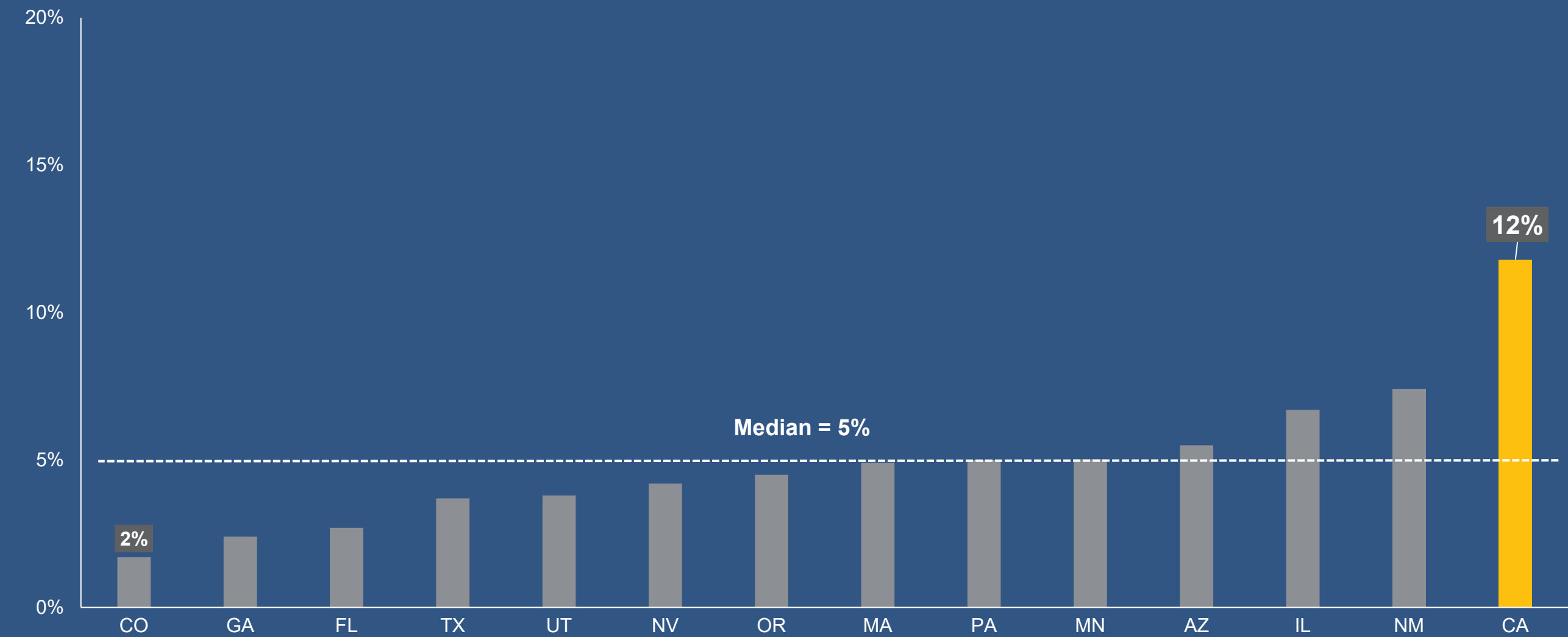
Ratios of ULAE (AOE) to Losses by State



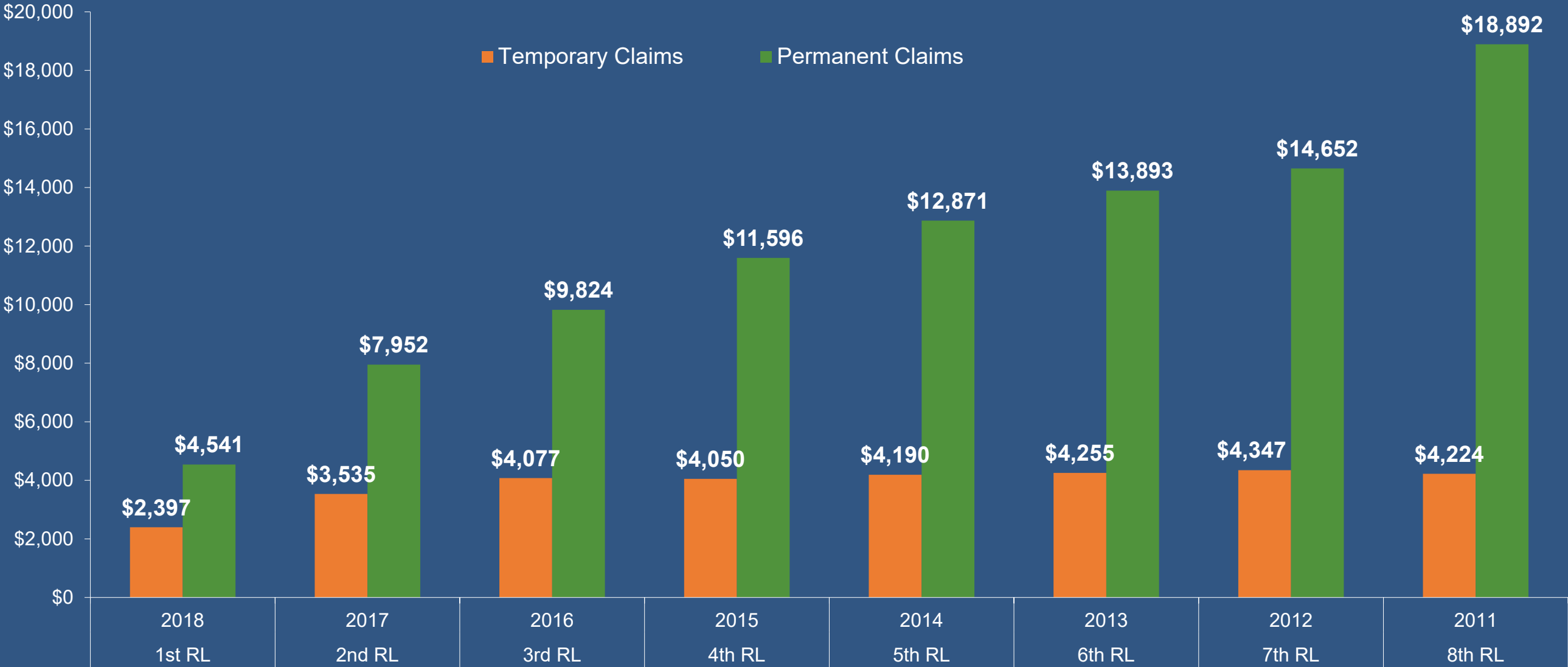
Permanent Disability Claims per 100,000 Employees by State



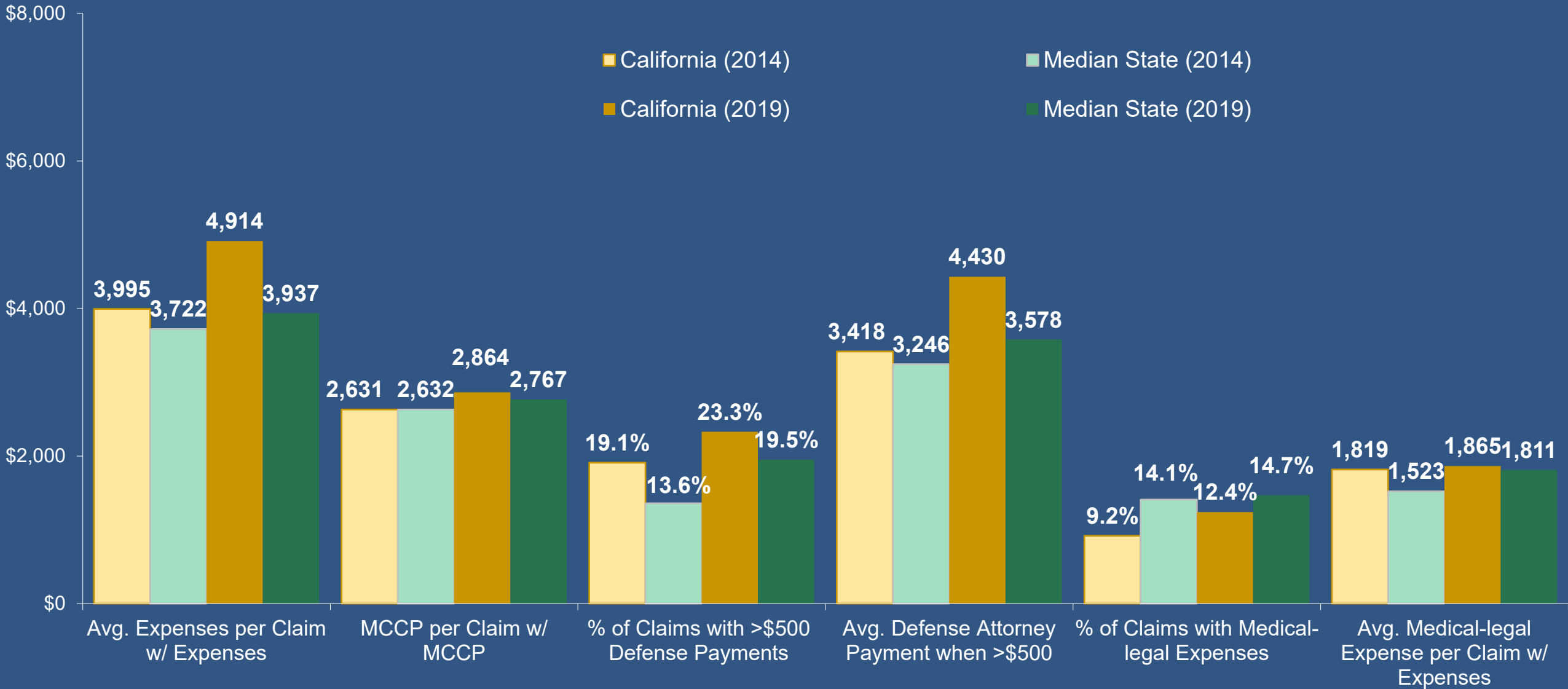
Percent of Indemnity Claims Open at 60 Months



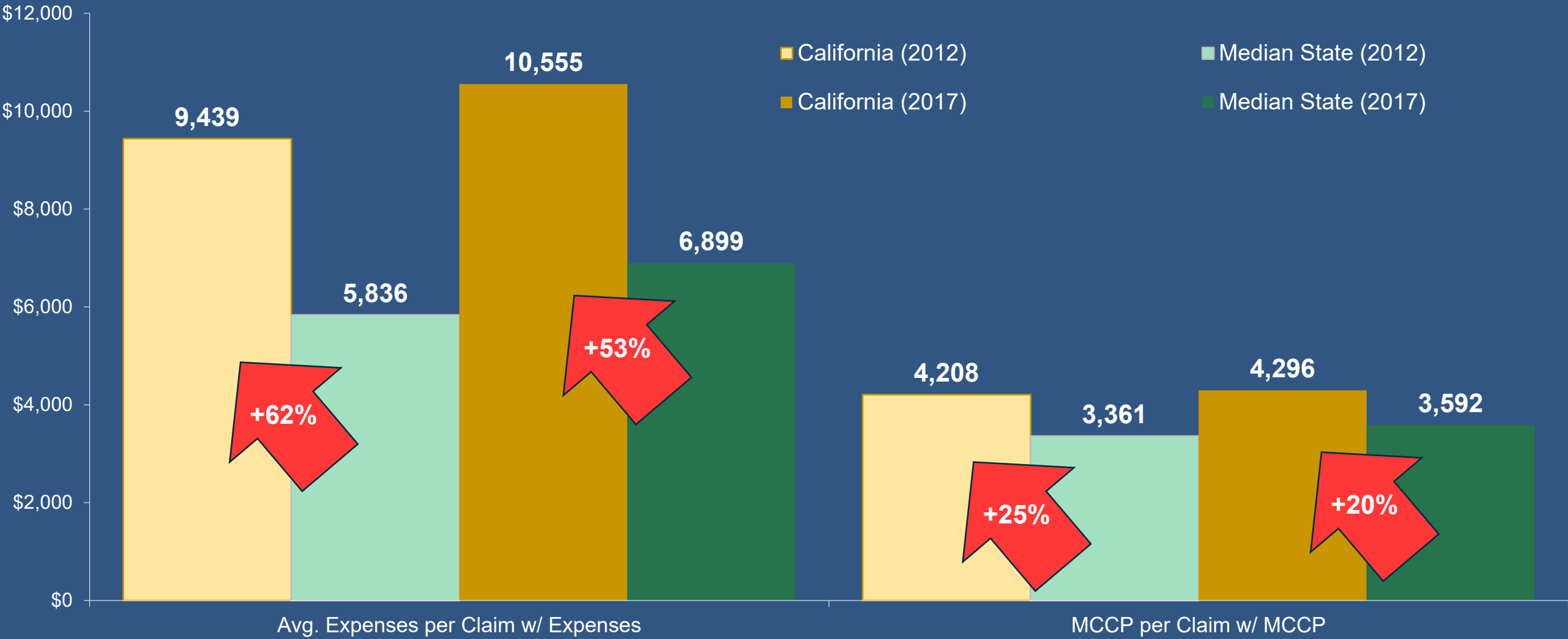
Average Paid ALAE per Claim by Injury Type



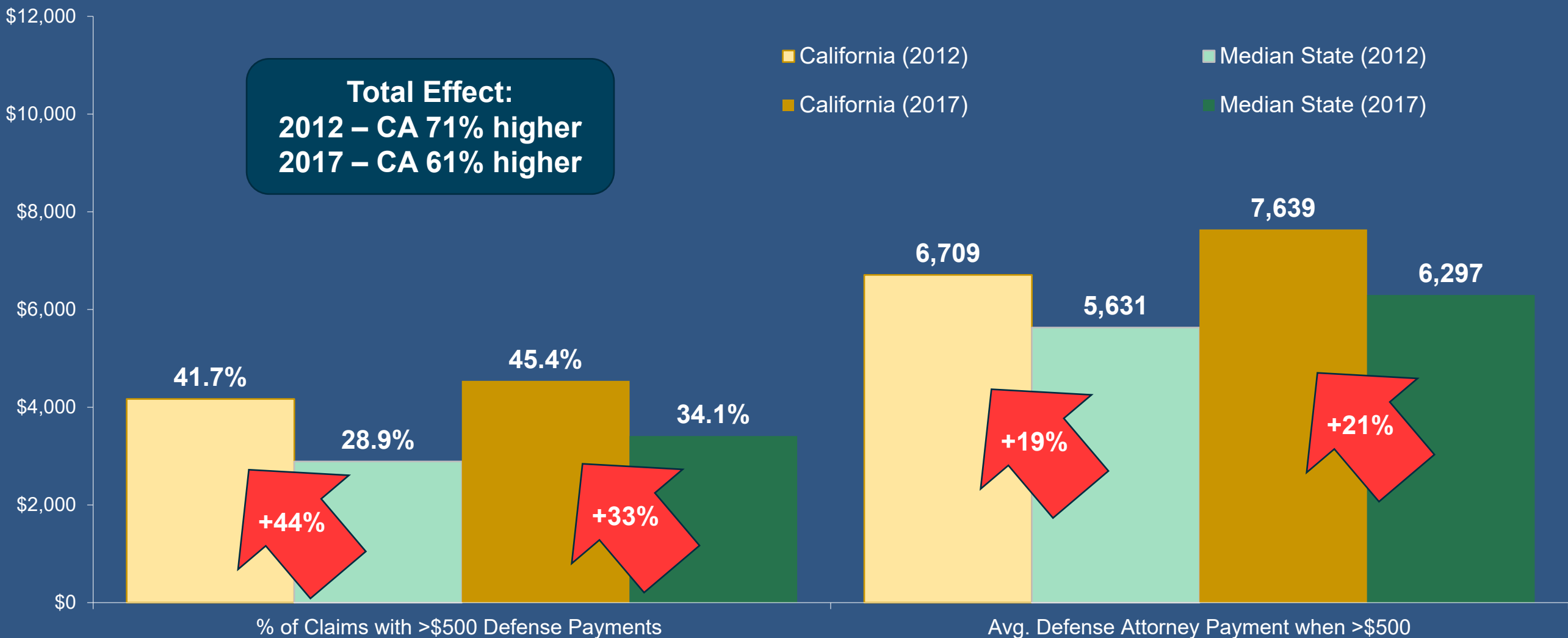
Comparisons of California Benefit Delivery Costs (12 Months)



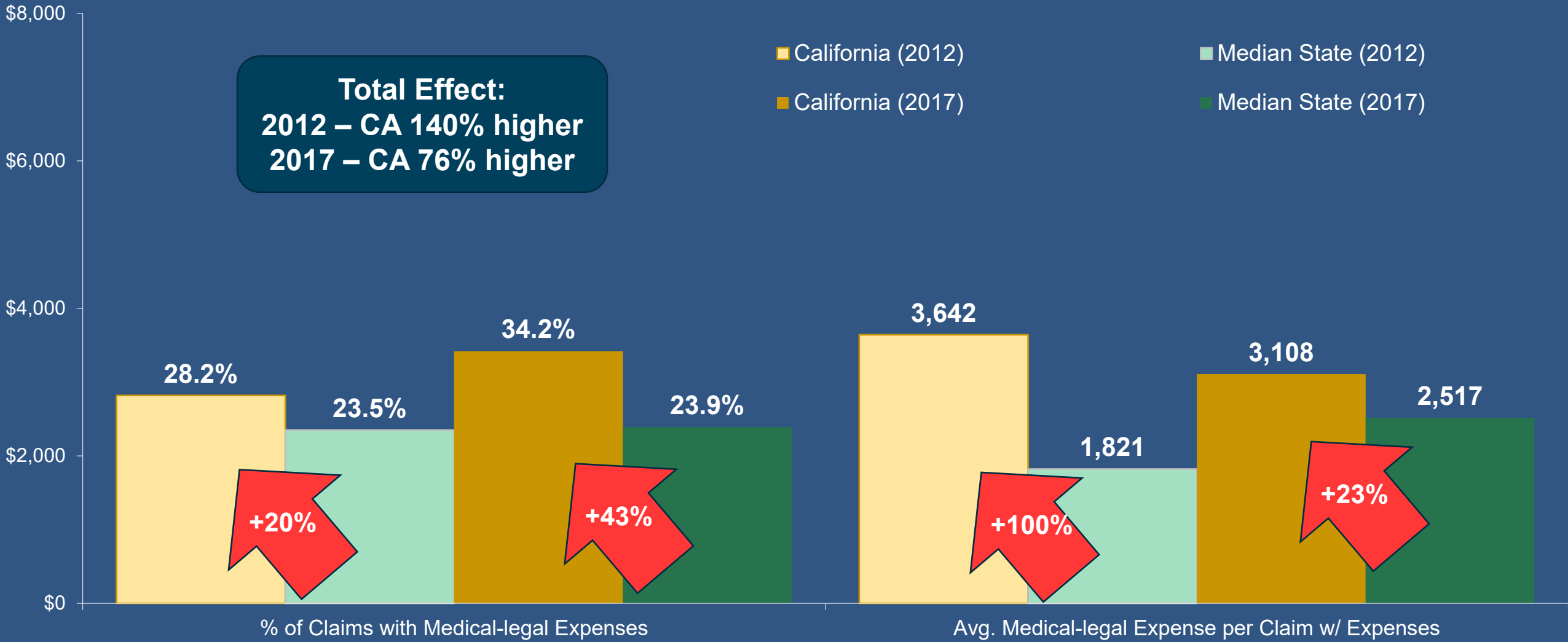
Comparisons of California Benefit Delivery Costs at 36 Months



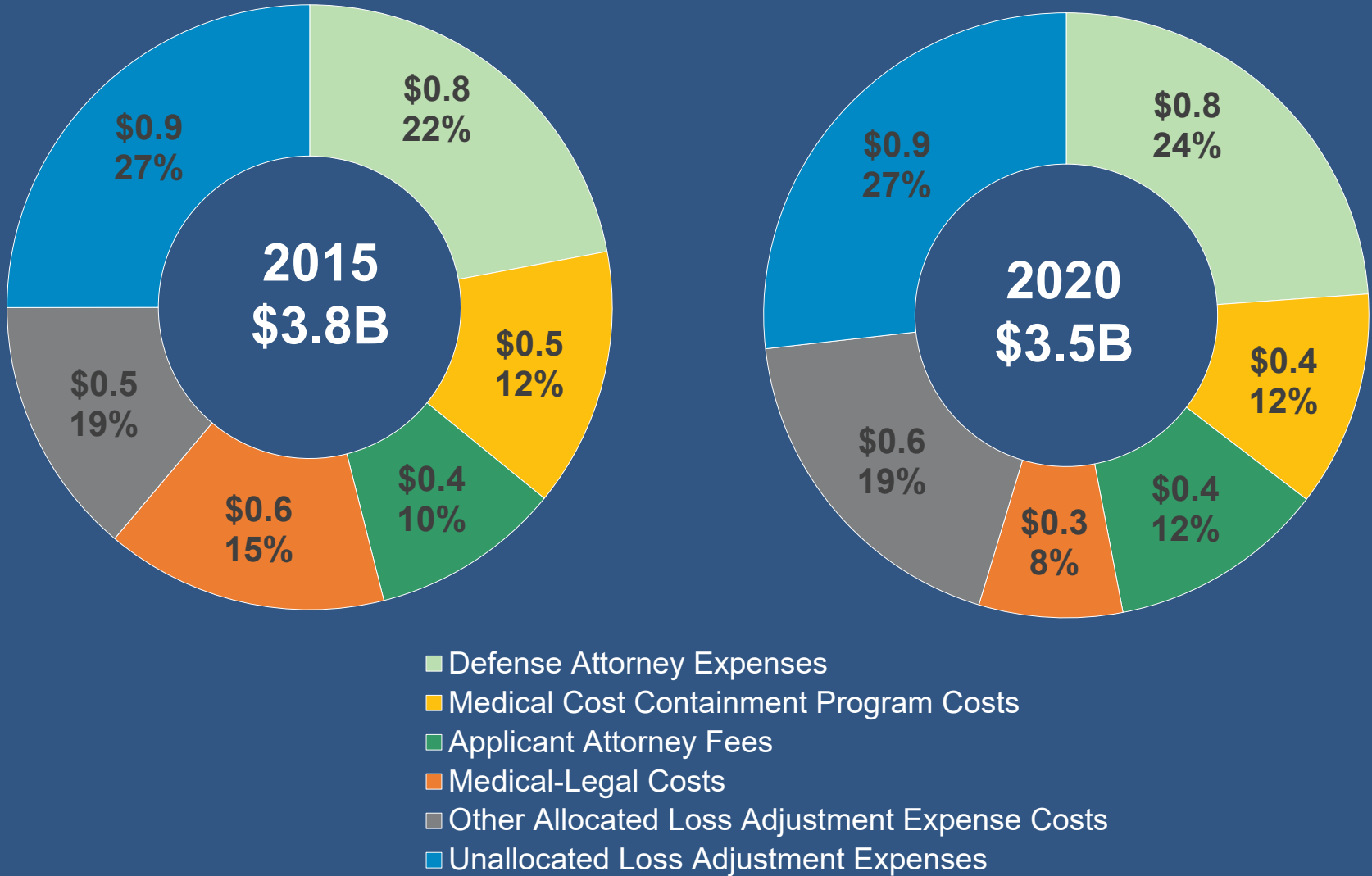
Comparisons of California Defense Costs at 36 Months



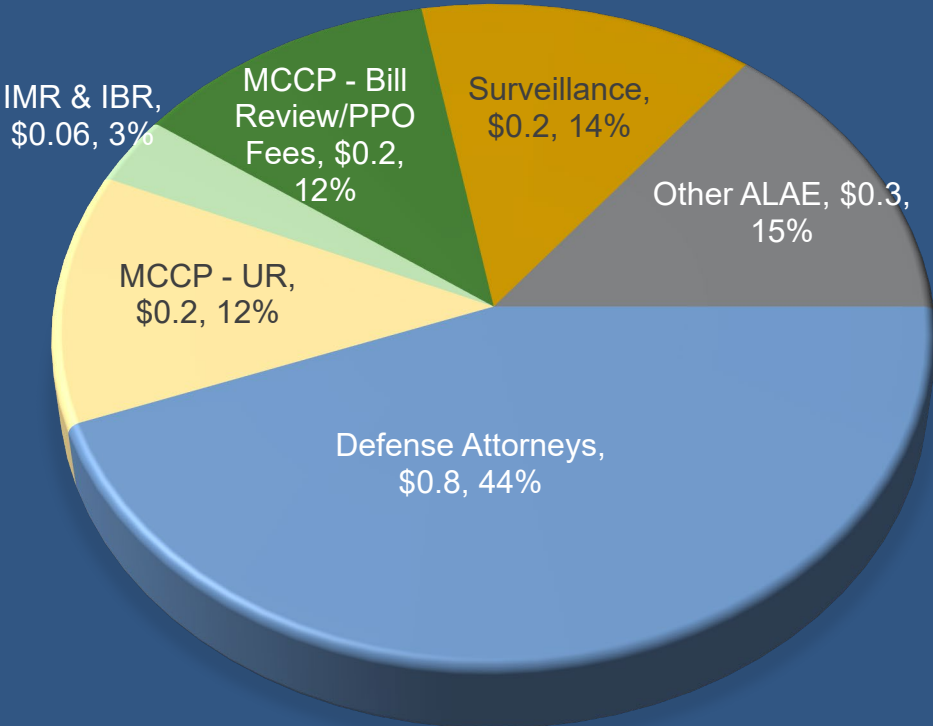
Comparisons of California Medical-Legal Costs at 36 Months



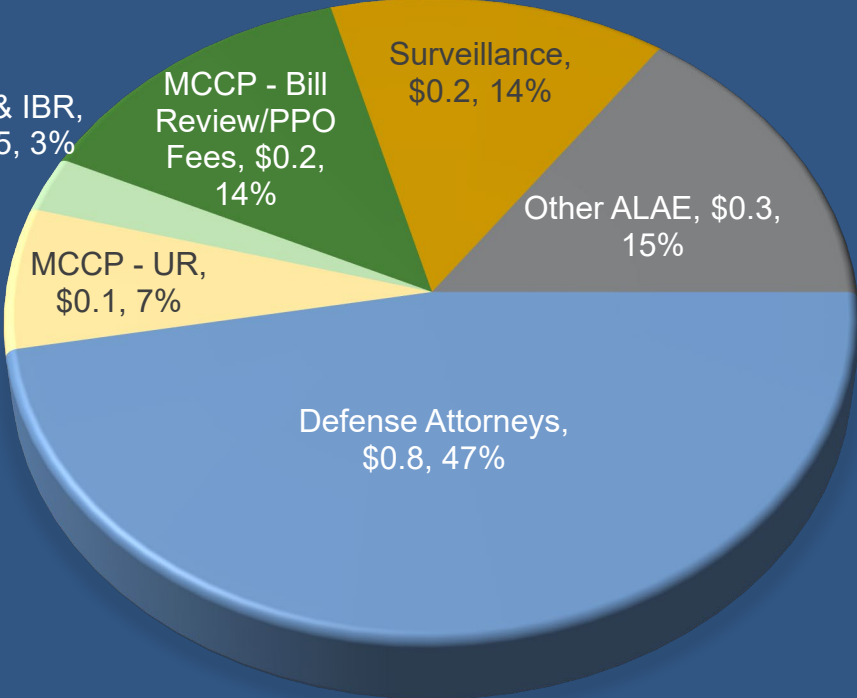
Distribution of Paid Frictional Costs (in Billions)



Distribution of Calendar Year Paid ALAE Costs (in Billions)



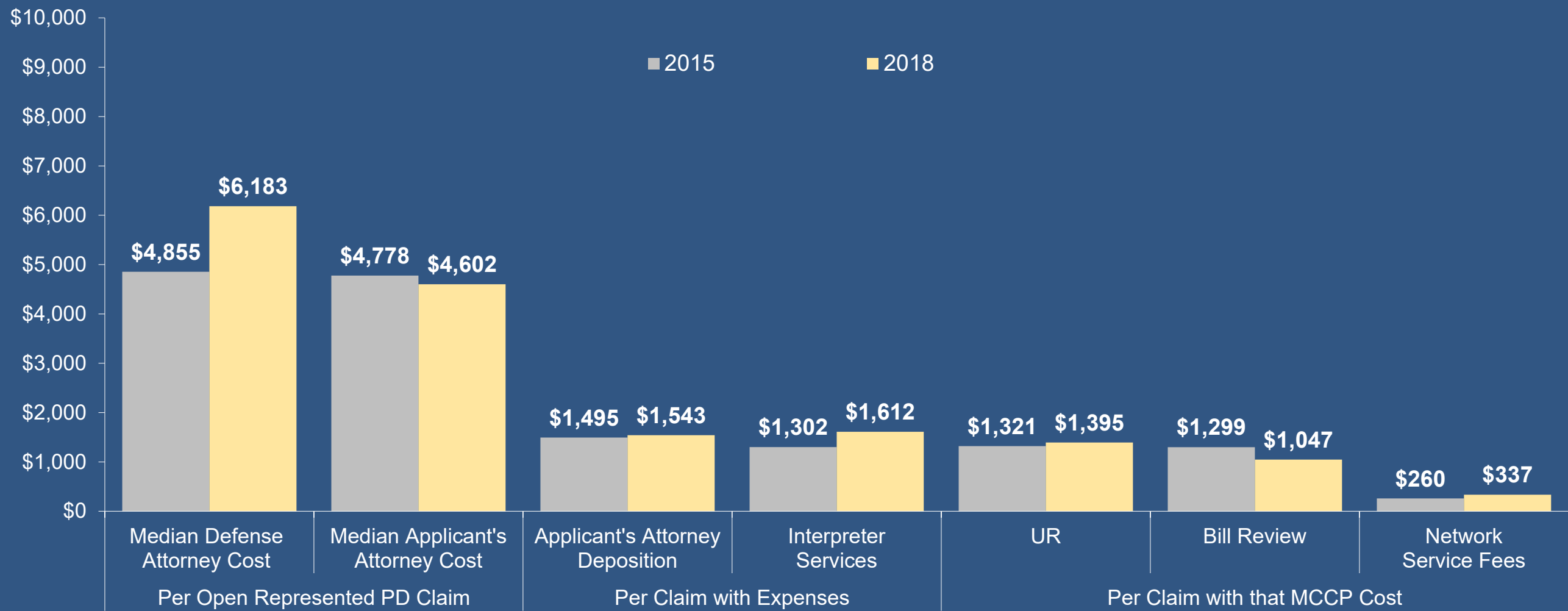
2015 (\$1.84B)



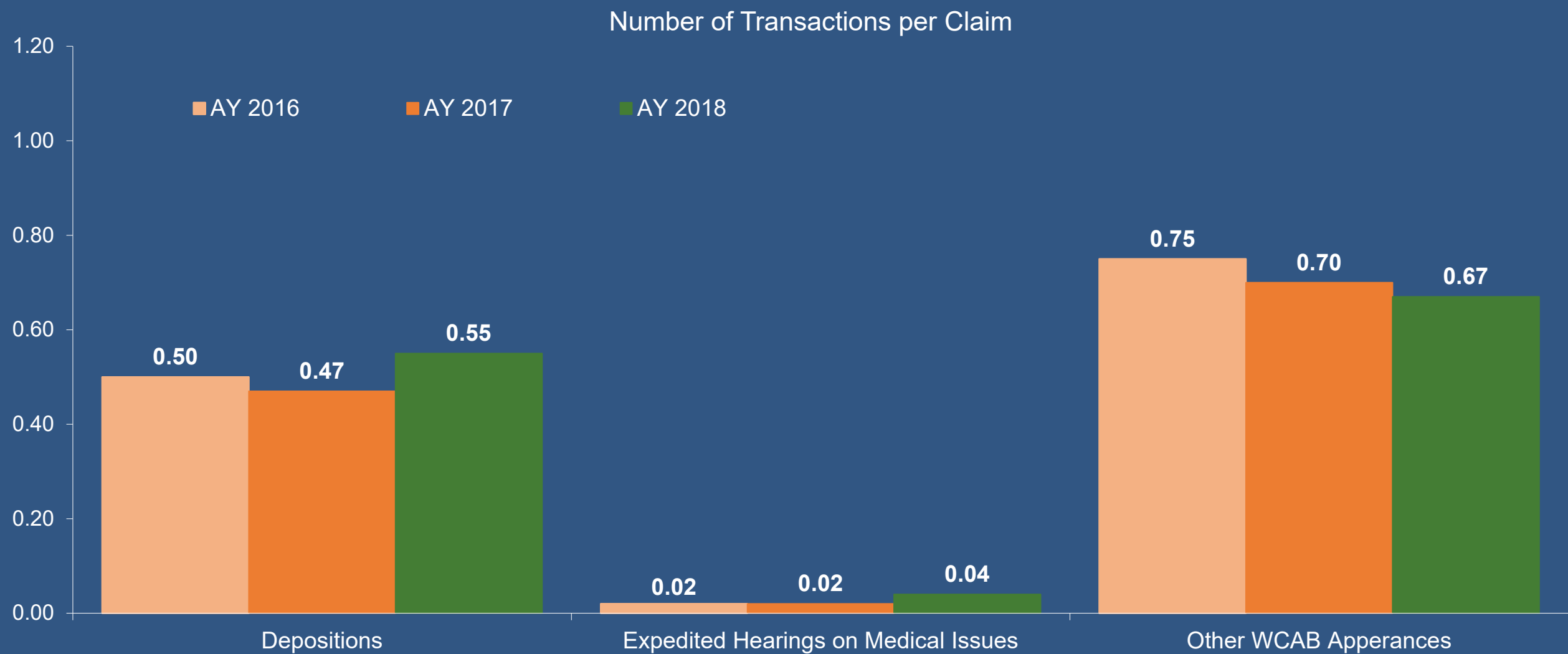
2020 (\$1.76B)

Source: WCIRB aggregate financial data calls and CWCI information on the cost of medical cost containment programs. ALAE amounts shown include all medical cost containment program costs including those reported in medical losses.

PD Claims Survey – Average Costs per ALAE Transaction

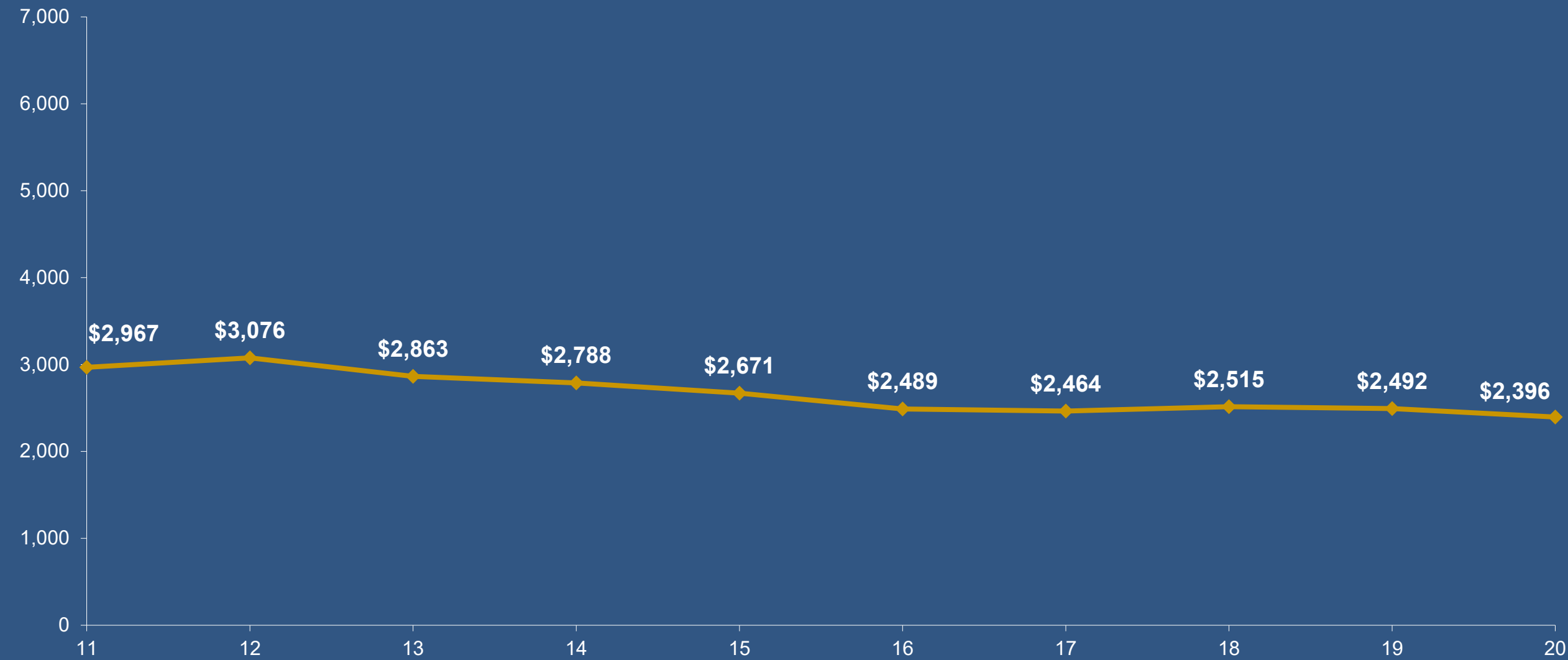


PD Claims Survey – ALAE Component Frequency



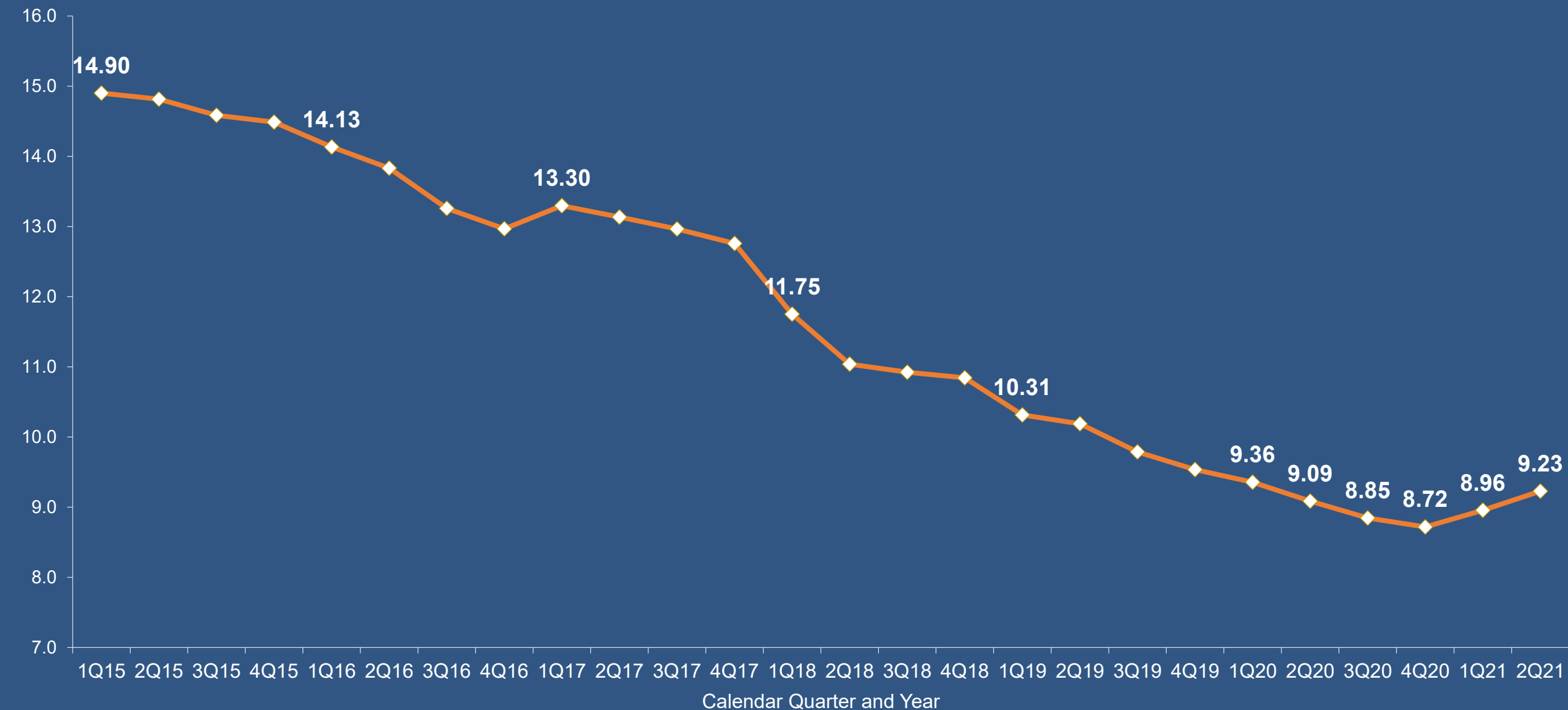
Estimated Ultimate MCCP per Indemnity Claim – Statewide

As of March 31, 2021

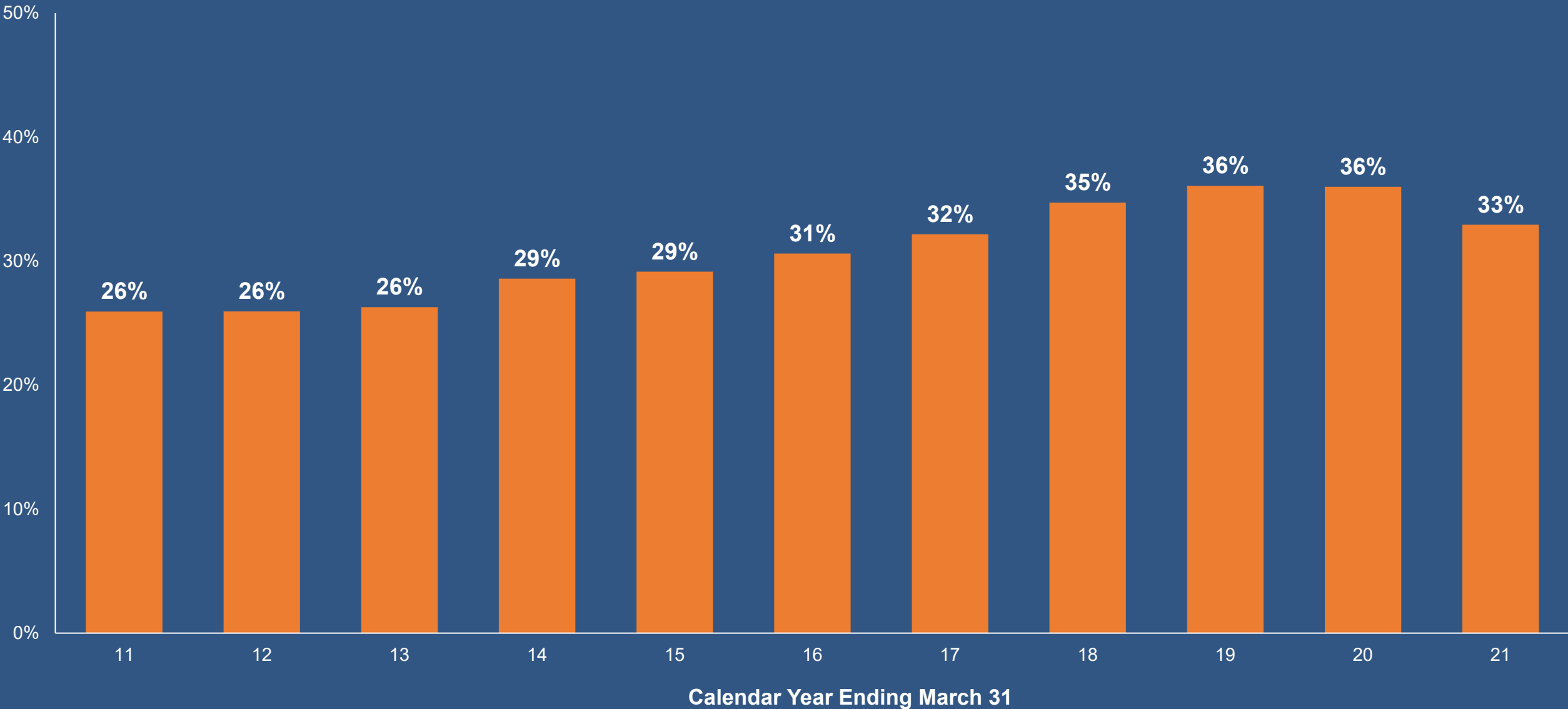


Cumulative Paid ALAE Development from 12 to 90 Months

As of June 30, 2021



Percentage of Open Indemnity Claims Closed in Next Year

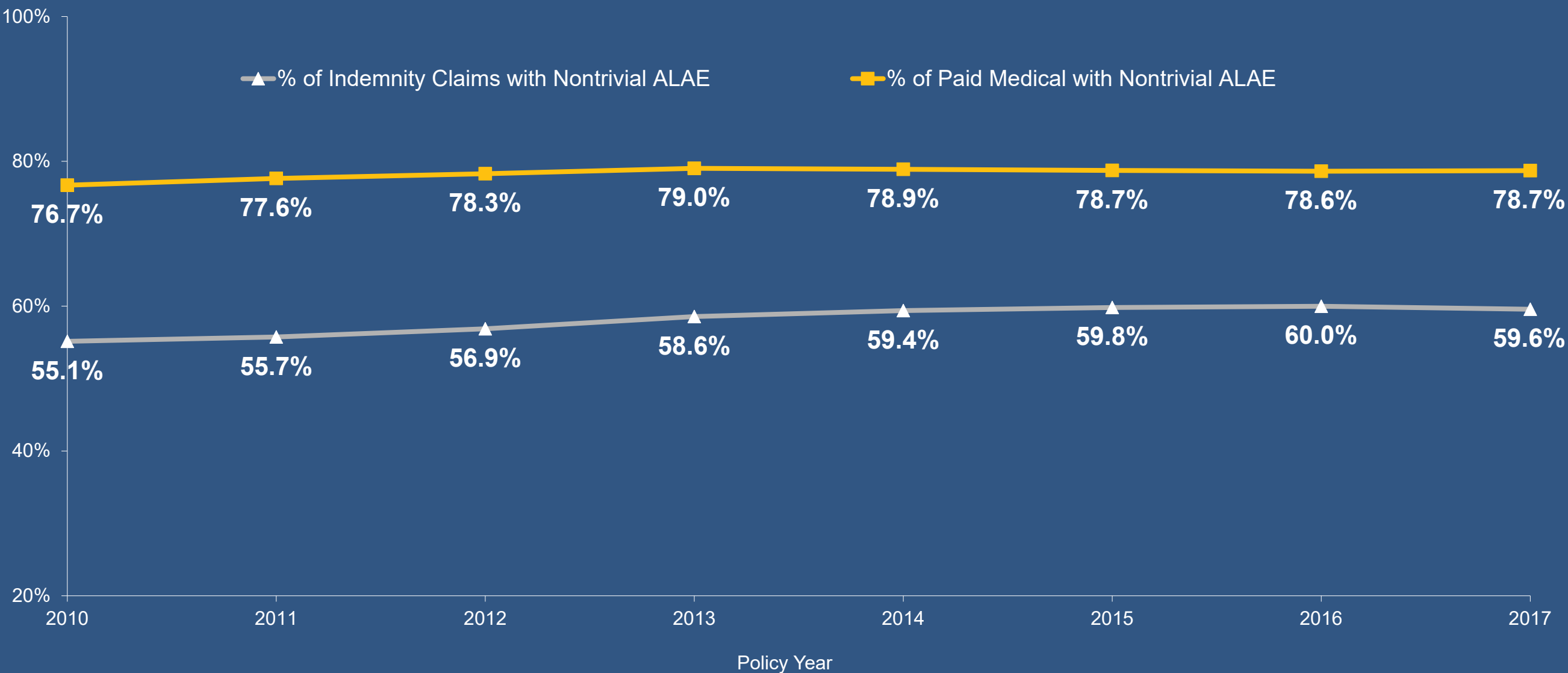


Comparison of Claims with “Nontrivial” ALAE Costs

- Goal: Compare characteristics of claims with “nontrivial” ALAE (i.e., claims with friction) with other claims based on USR paid ALAE
 - “Nontrivial ALAE” = Paid ALAE > \$1,000
 - “Low ALAE” = Paid ALAE > \$0 and up to \$1,000
 - “No ALAE” = Paid ALAE = \$0
- No indexing applied since majority of ALAE under \$1,000 is MCCP and average MCCP costs have been flat to declining for last several years
 - ALAE excluding MCCP has also been flat, further suggesting no indexing is appropriate
- Other split points to categorize claims with more significant ALAE costs are being reviewed

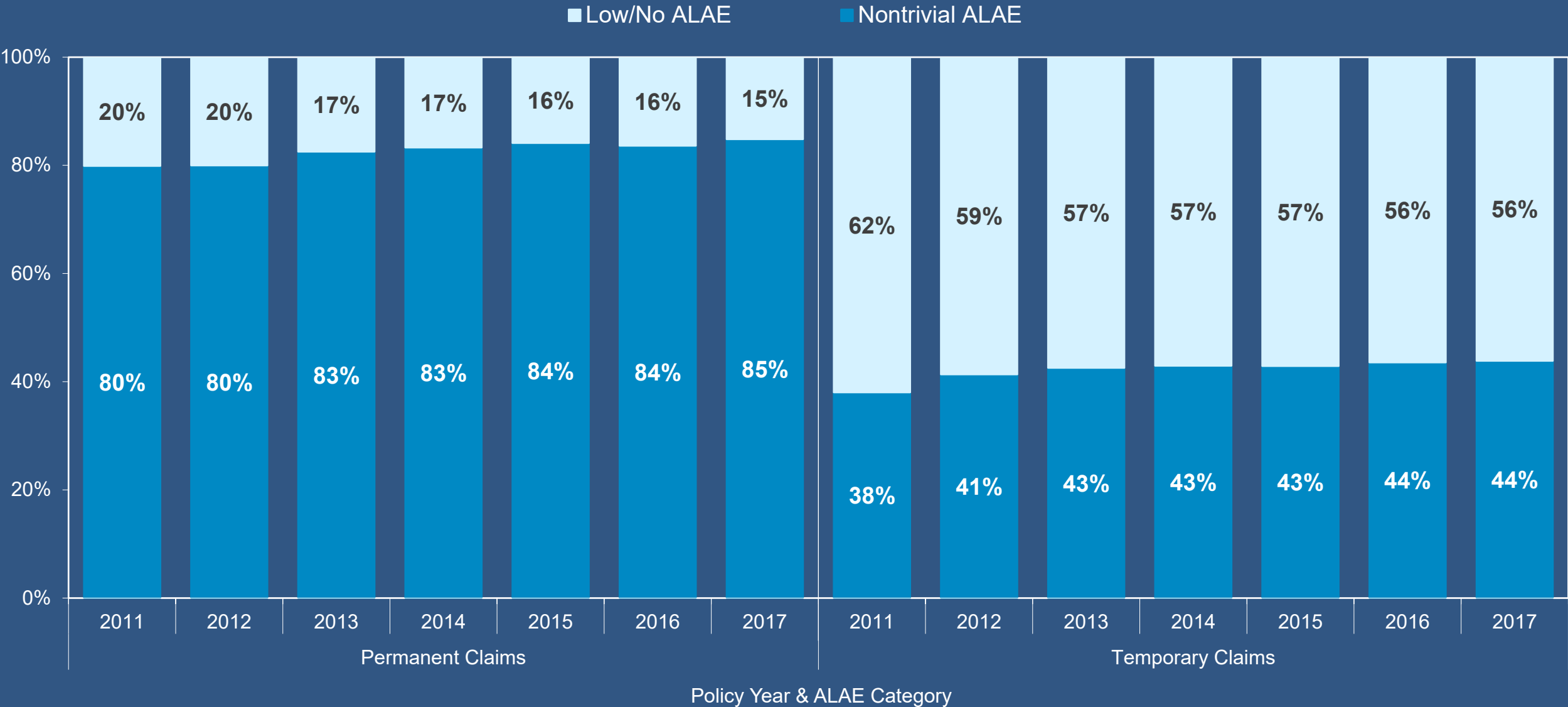
Distribution of Indemnity Claims with Nontrivial ALAE

USR 2nd Report Level

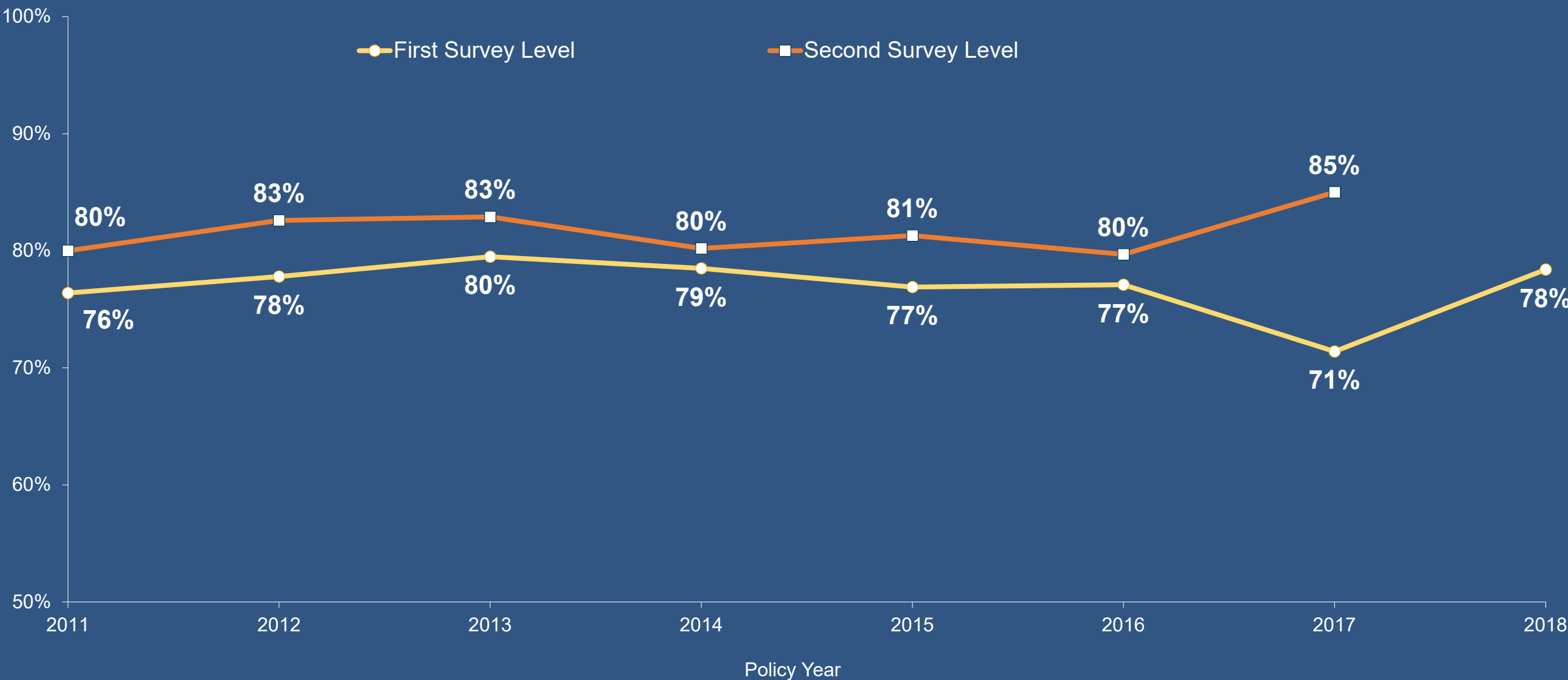


Distribution of Indemnity Claims by ALAE Category within Injury Type

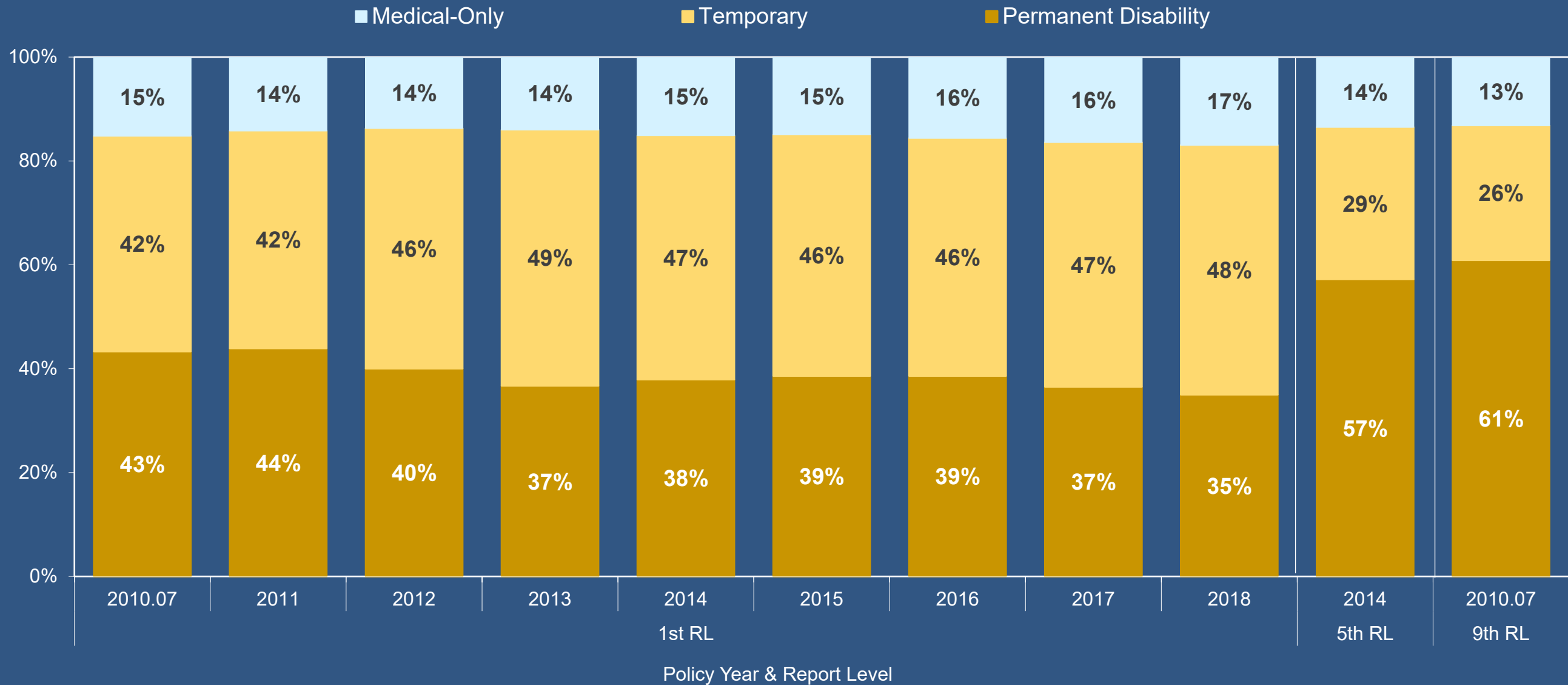
USR 2nd Report Level



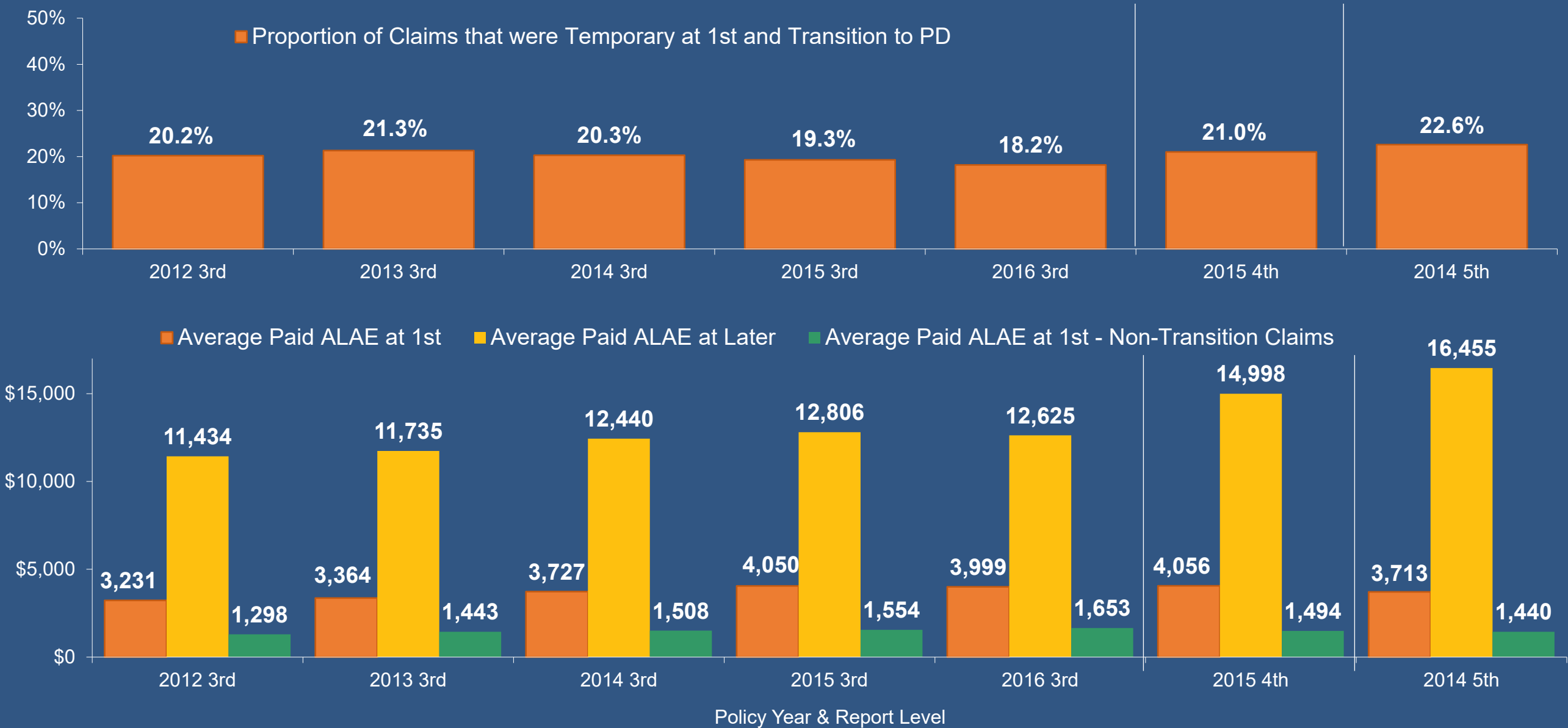
Rates of Representation on PD Claims from Survey Data



Distribution of Nontrivial ALAE Claims by Injury Type

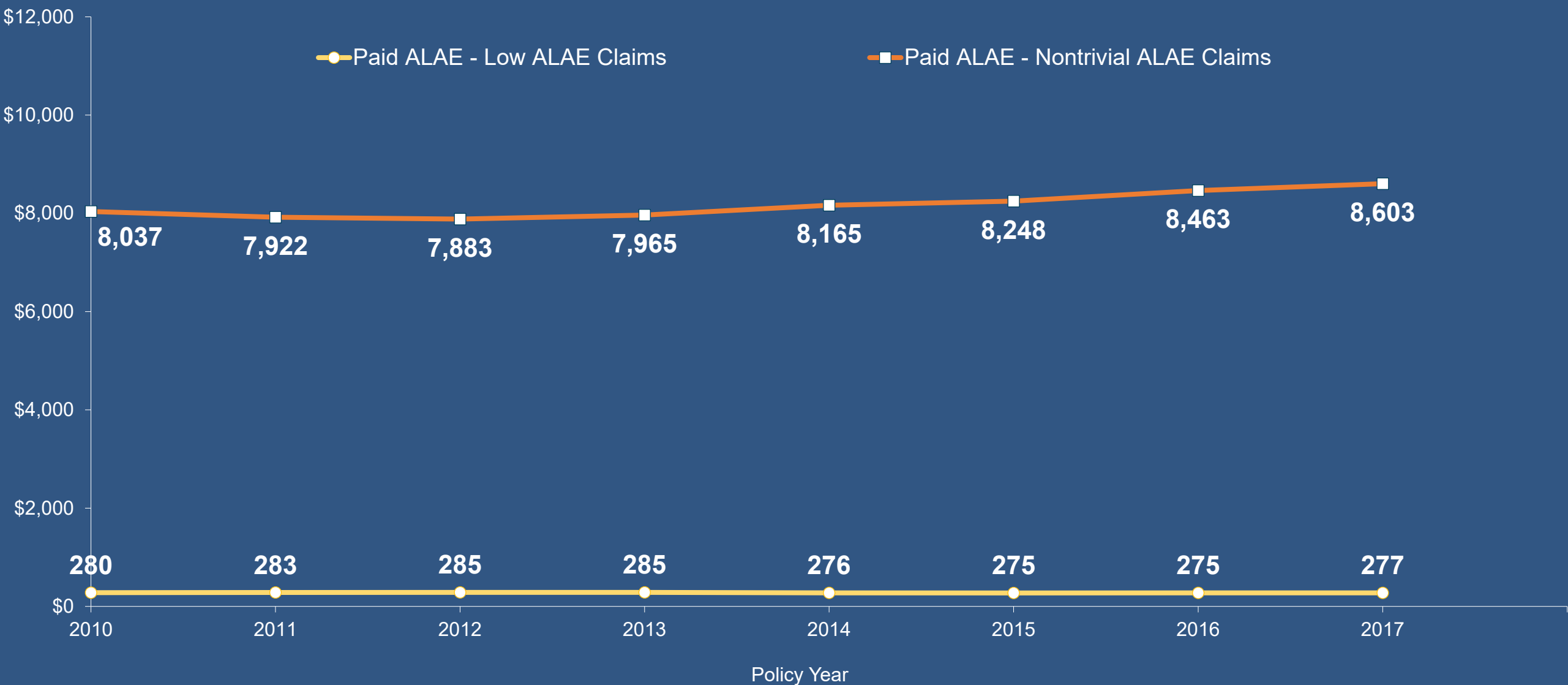


Claims that Transition from Temporary to PD



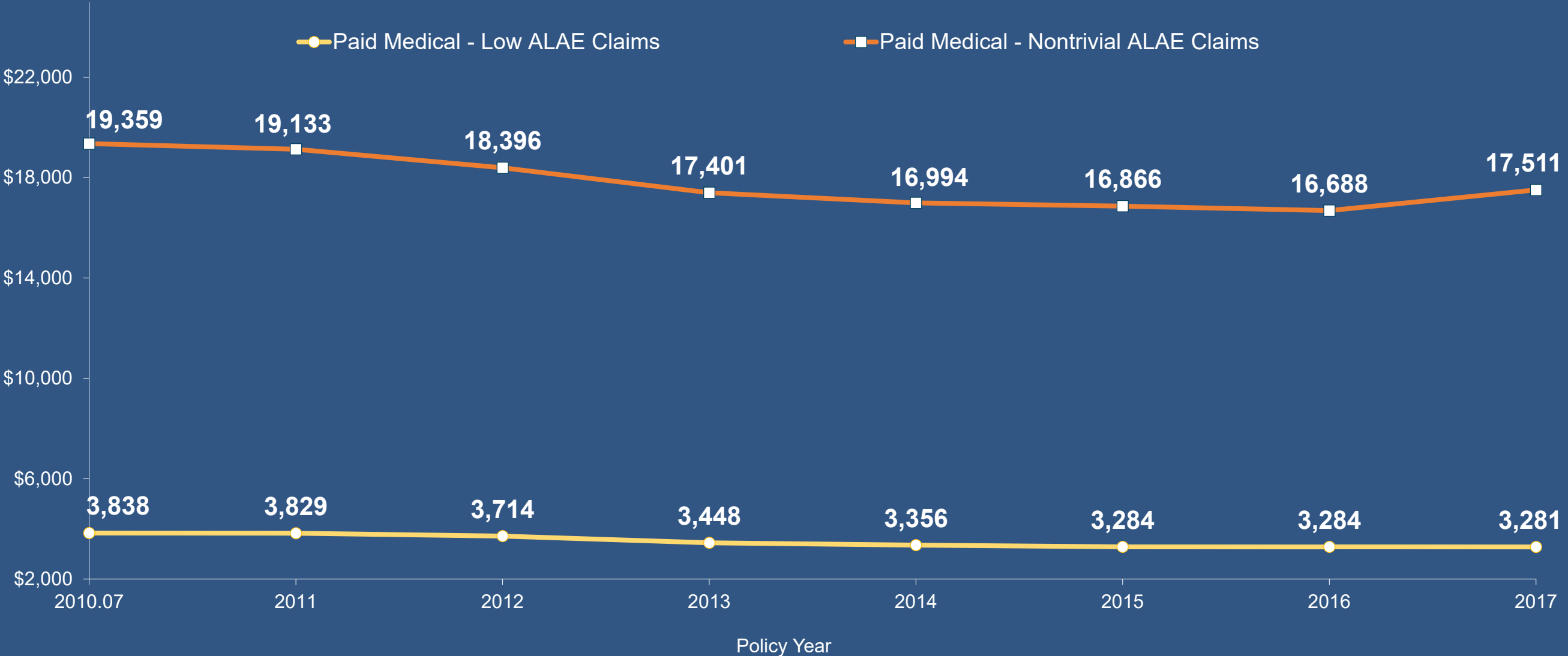
Paid ALAE Severity by ALAE Category

USR 2nd Report Level



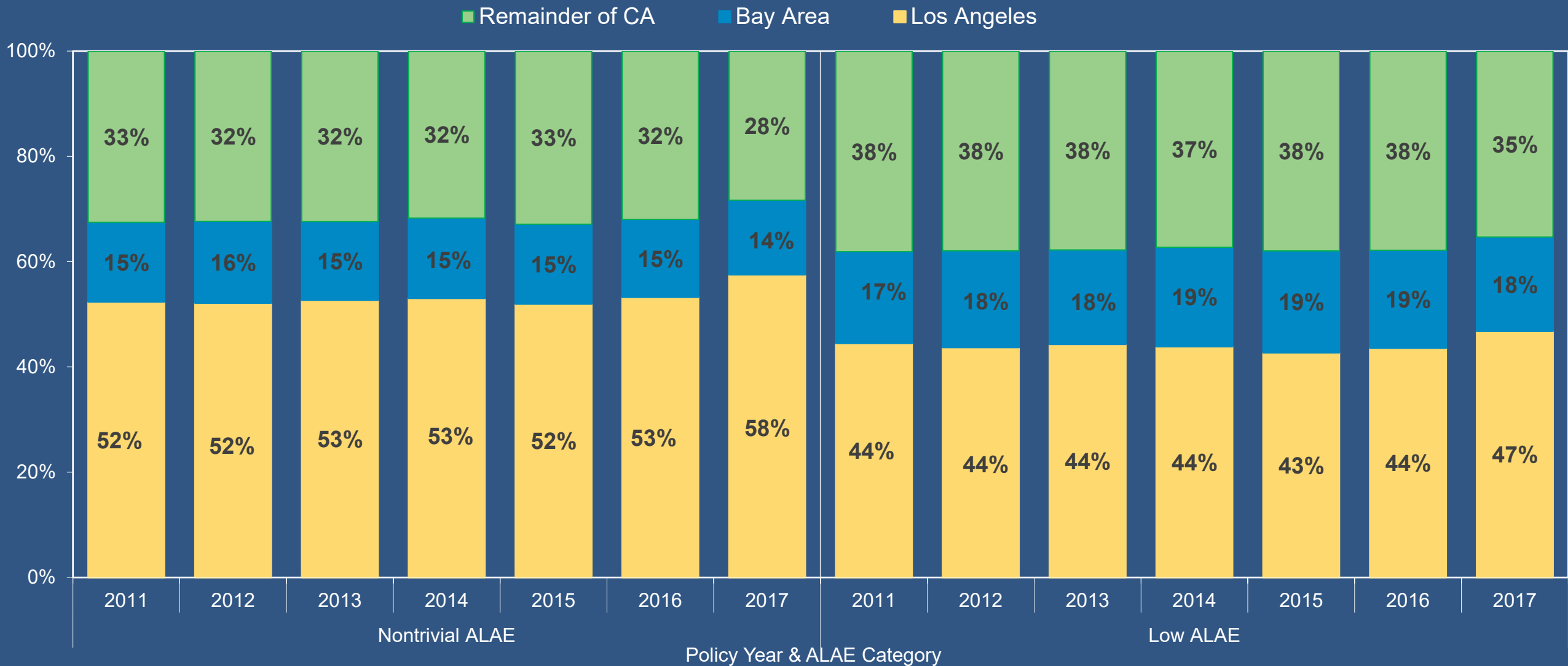
Paid Medical Severity by ALAE Category

USR 2nd Report Level



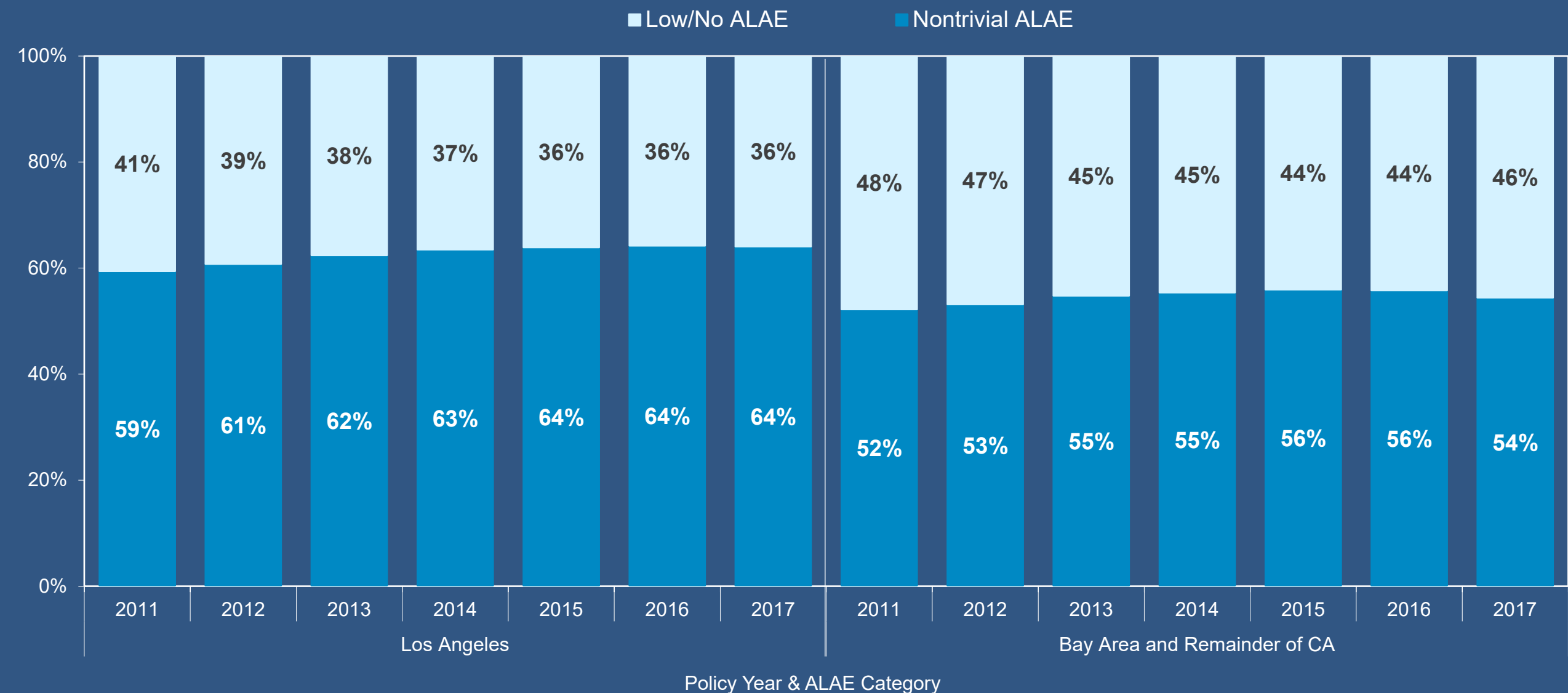
Distribution of Indemnity Claims by Region within ALAE Category

USR 2nd Report Level

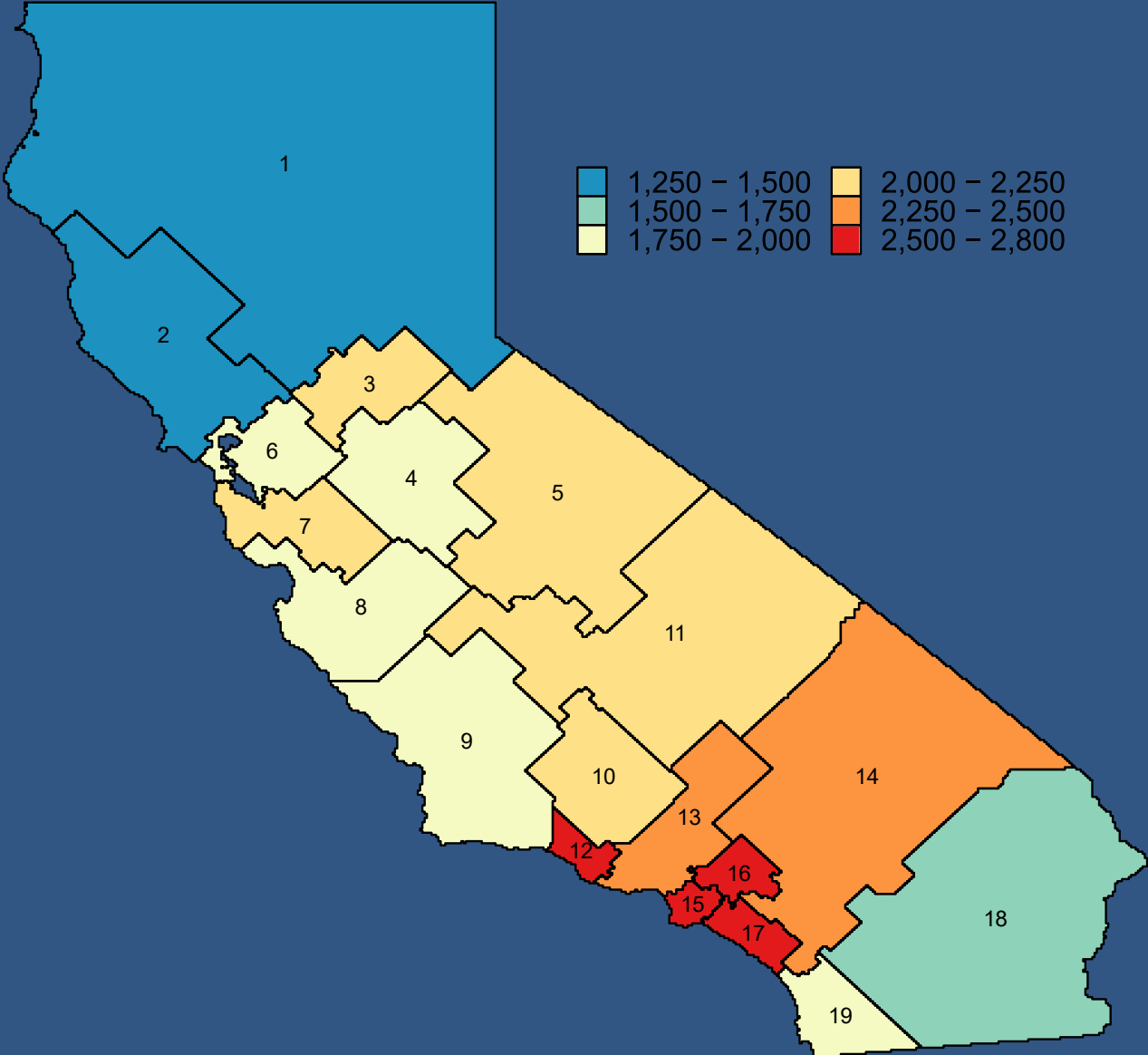


Distribution of Indemnity Claims by ALAE Category within Region

USR 2nd Report Level

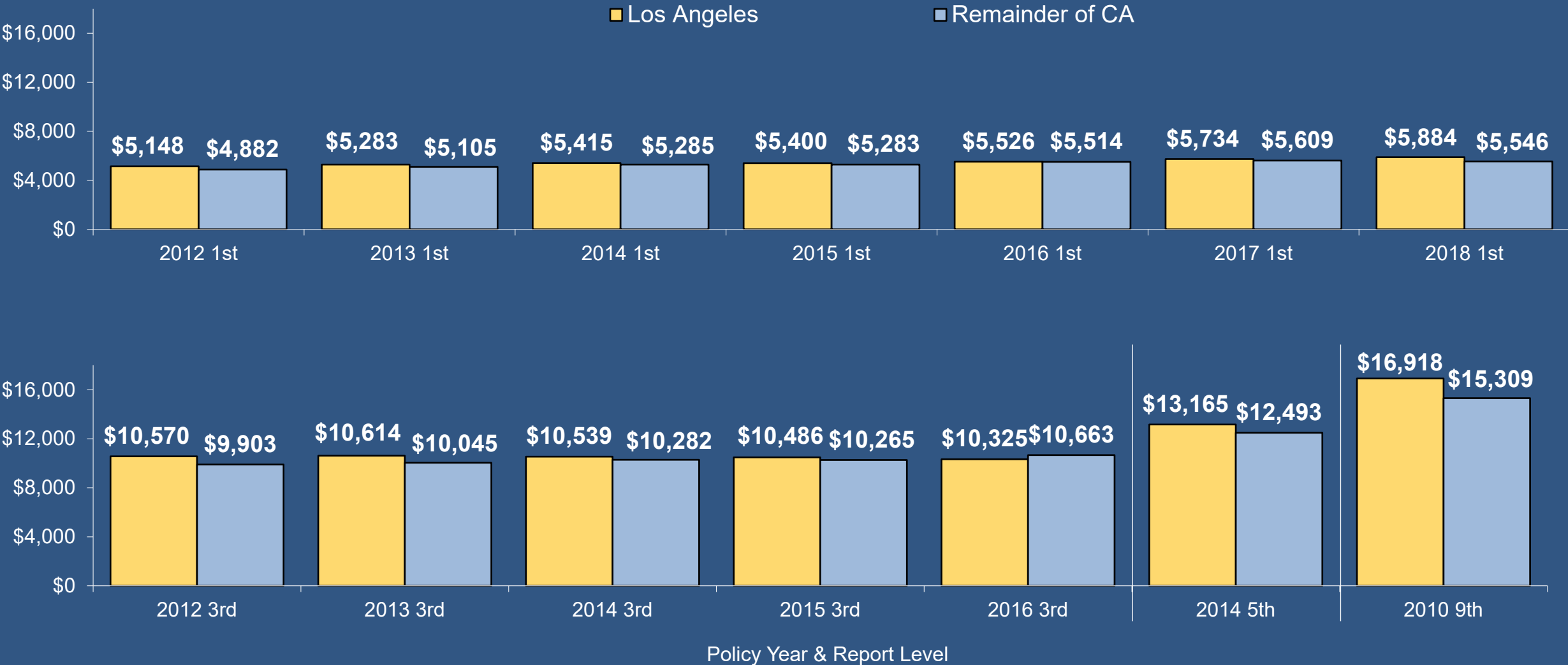


Median Paid ALAE on PD Claims by Region

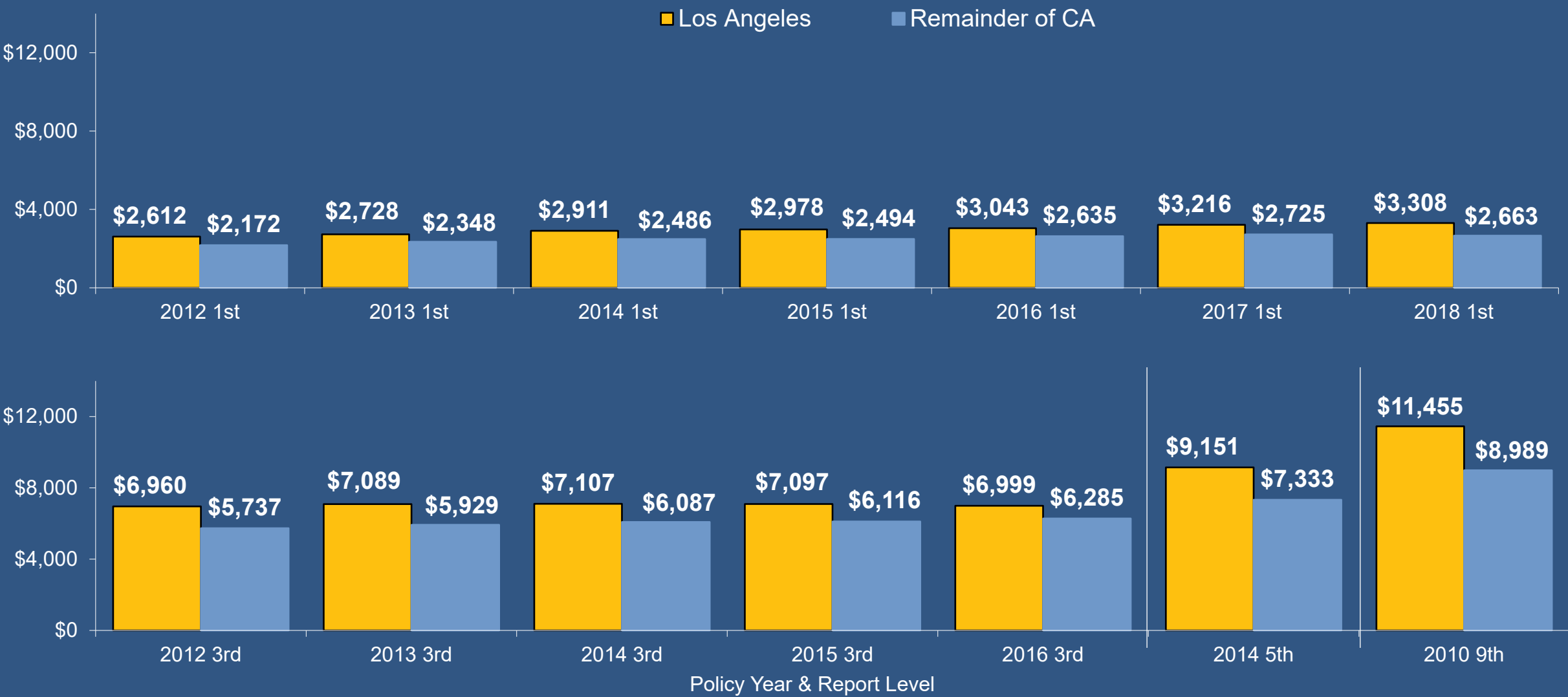


- 01 – Yuba City/Redding/Far North
- 02 – Sonoma/Napa
- 03 – Sacramento
- 04 – Stockton/Modesto/Merced
- 05 – Fresno/Madera
- 06 – Bay Area
- 07 – Peninsula/Silicon Valley
- 08 – Santa Cruz/Monterey/Salinas
- 09 – SLO/Santa Barbara
- 10 – Bakersfield
- 11 – Tulare/Inyo
- 12 – Ventura
- 13 – Santa Monica/San Fernando Valley
- 14 – San Bernardino/West Riverside
- 15 – LA/Long Beach
- 16 – San Gabriel Valley/Pasadena
- 17 – Orange County
- 18 – Imperial/Riverside
- 19 – San Diego

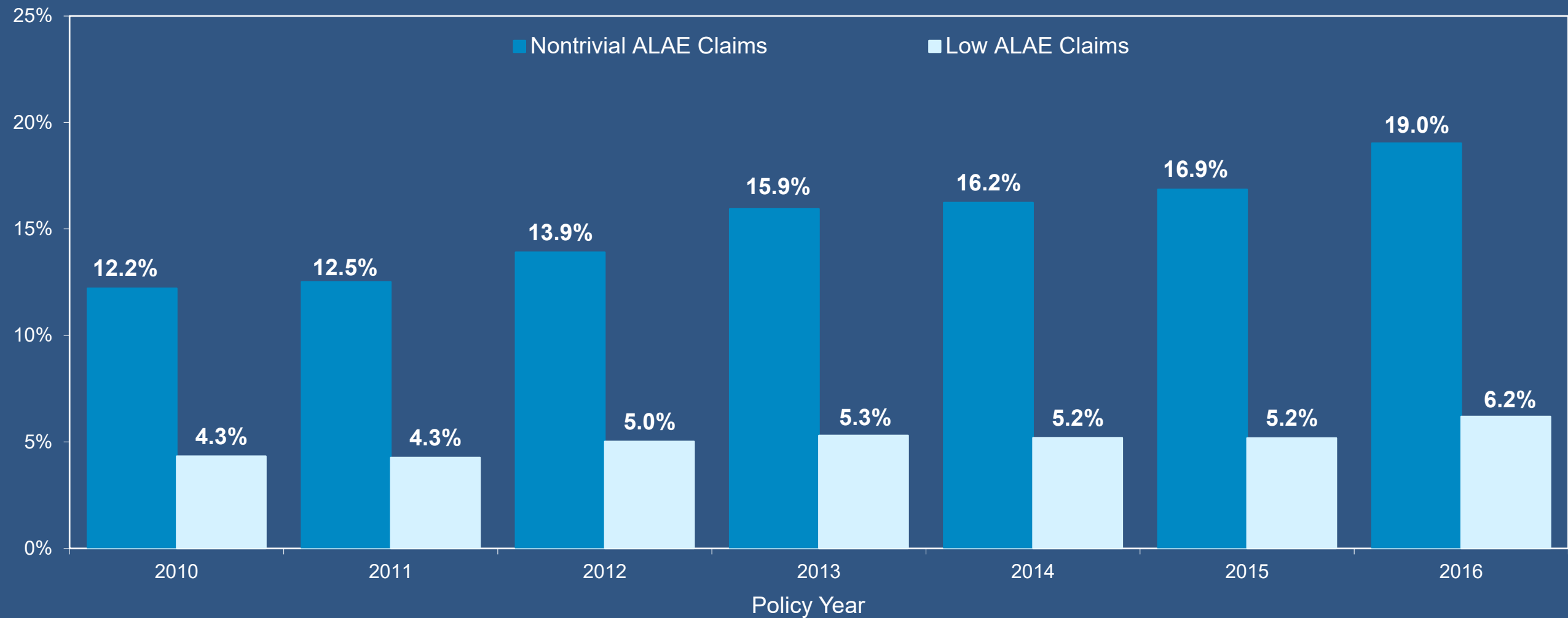
Average ALAE Costs by Region – Nontrivial ALAE Claims



Average ALAE Costs by Region – All Indemnity Claims

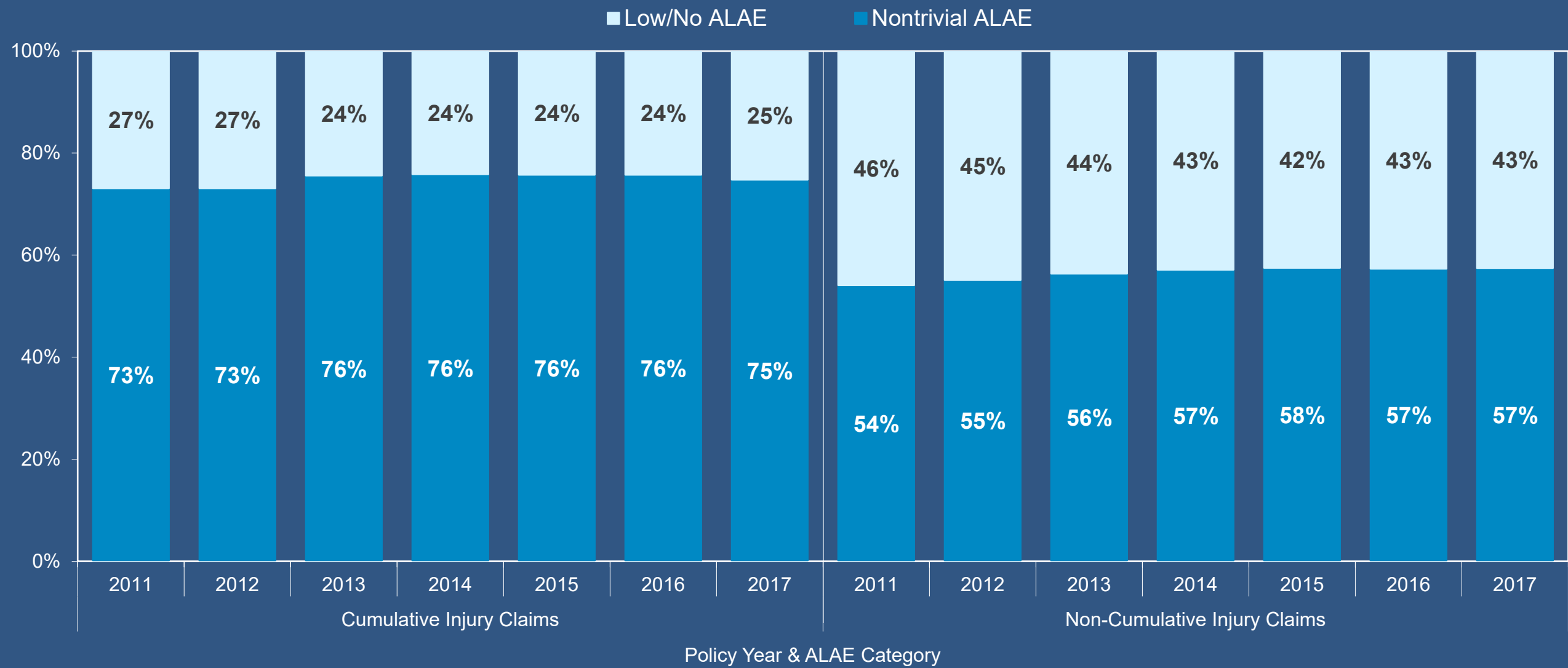


Percentage of Claims Involving Cumulative Injury within ALAE Category USR 3rd Report Level

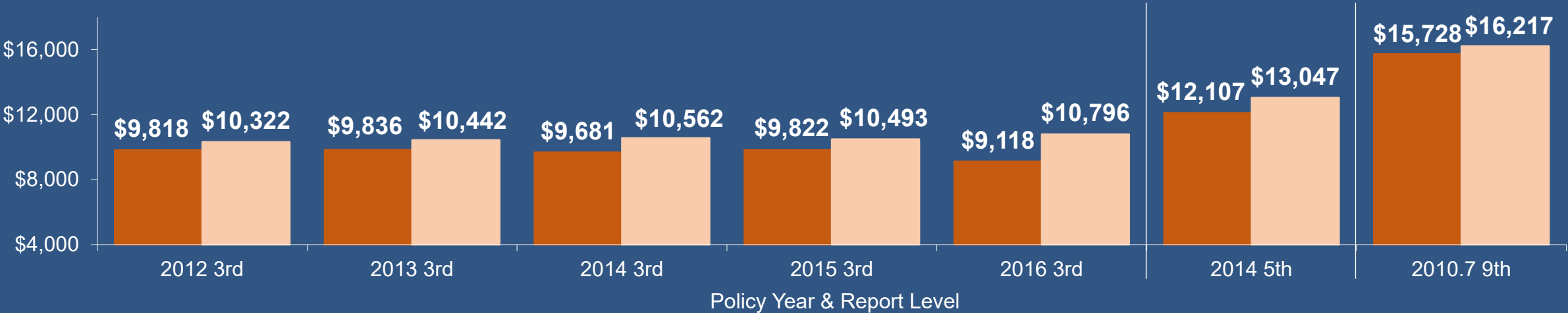
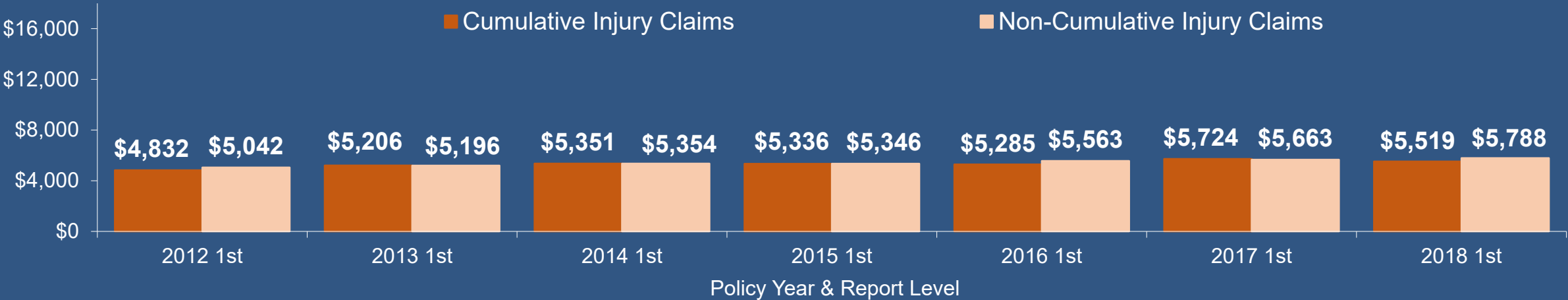


Distribution of Indemnity Claims by ALAE Category within Claim Type

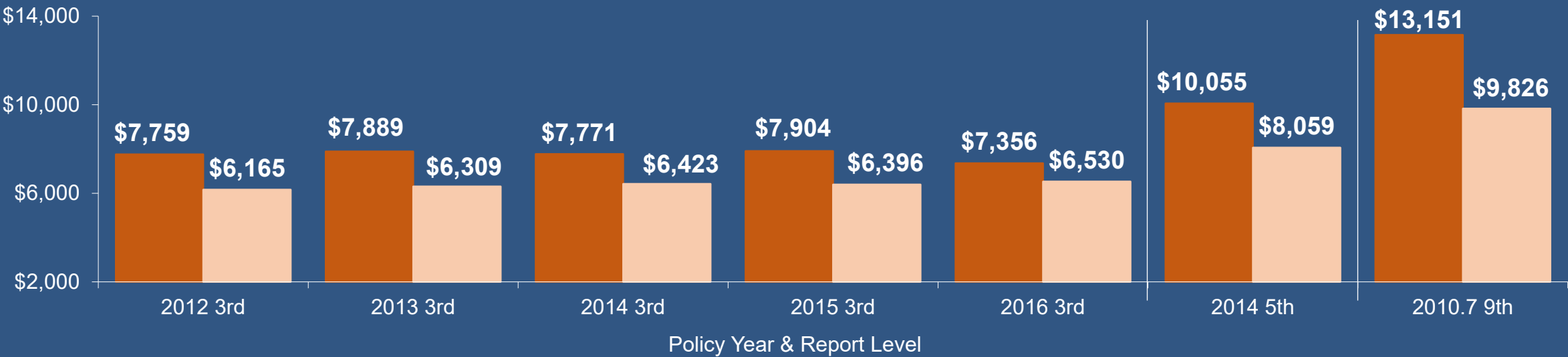
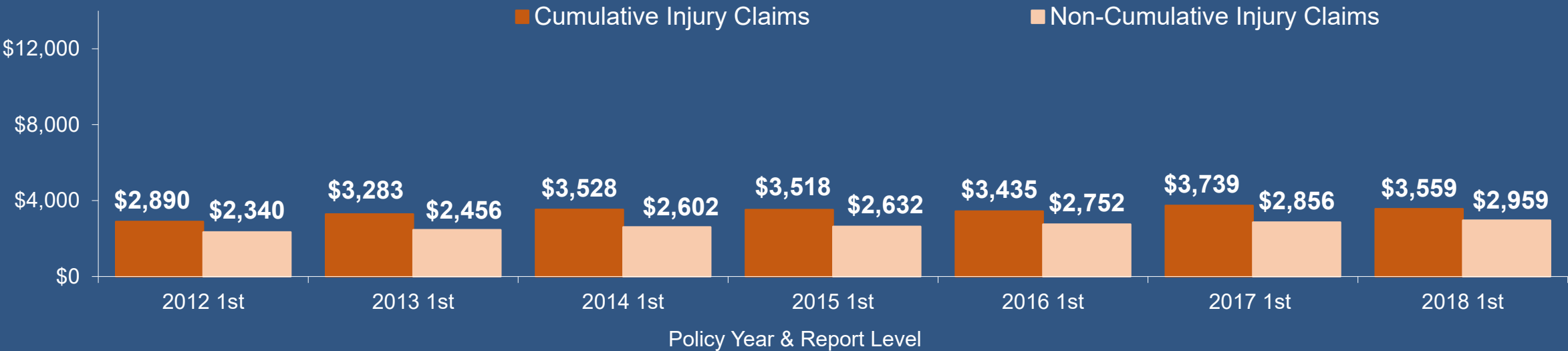
USR 2nd Report Level



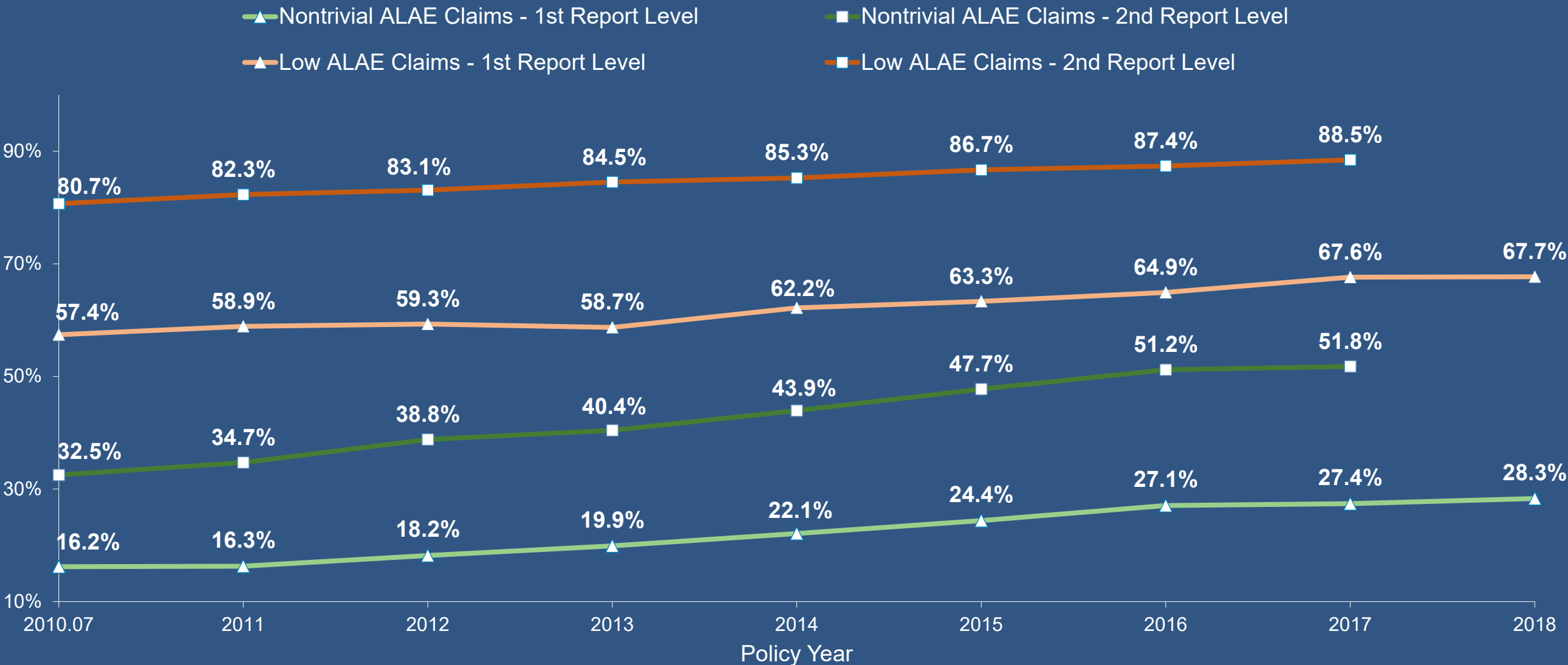
Average ALAE Costs by Claim Type – Nontrivial ALAE Claims



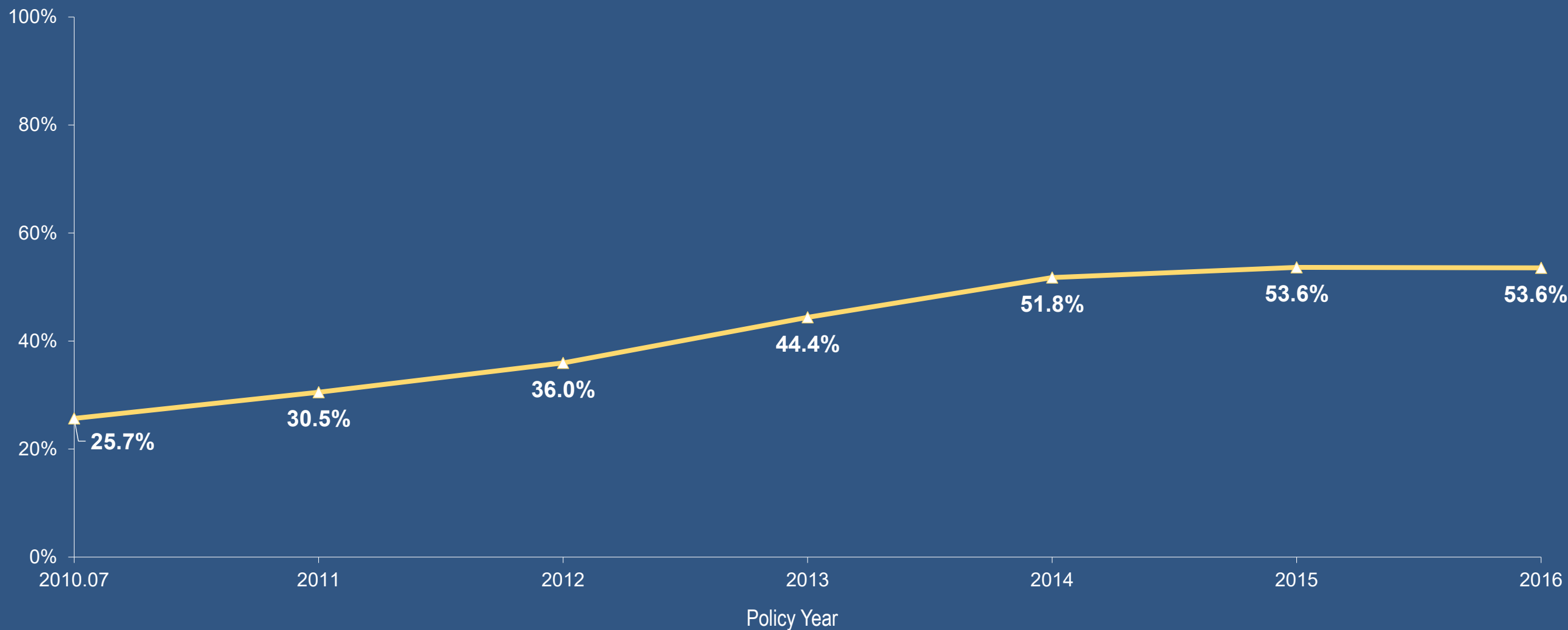
Average ALAE Costs by Claim Type – All Indemnity Claims



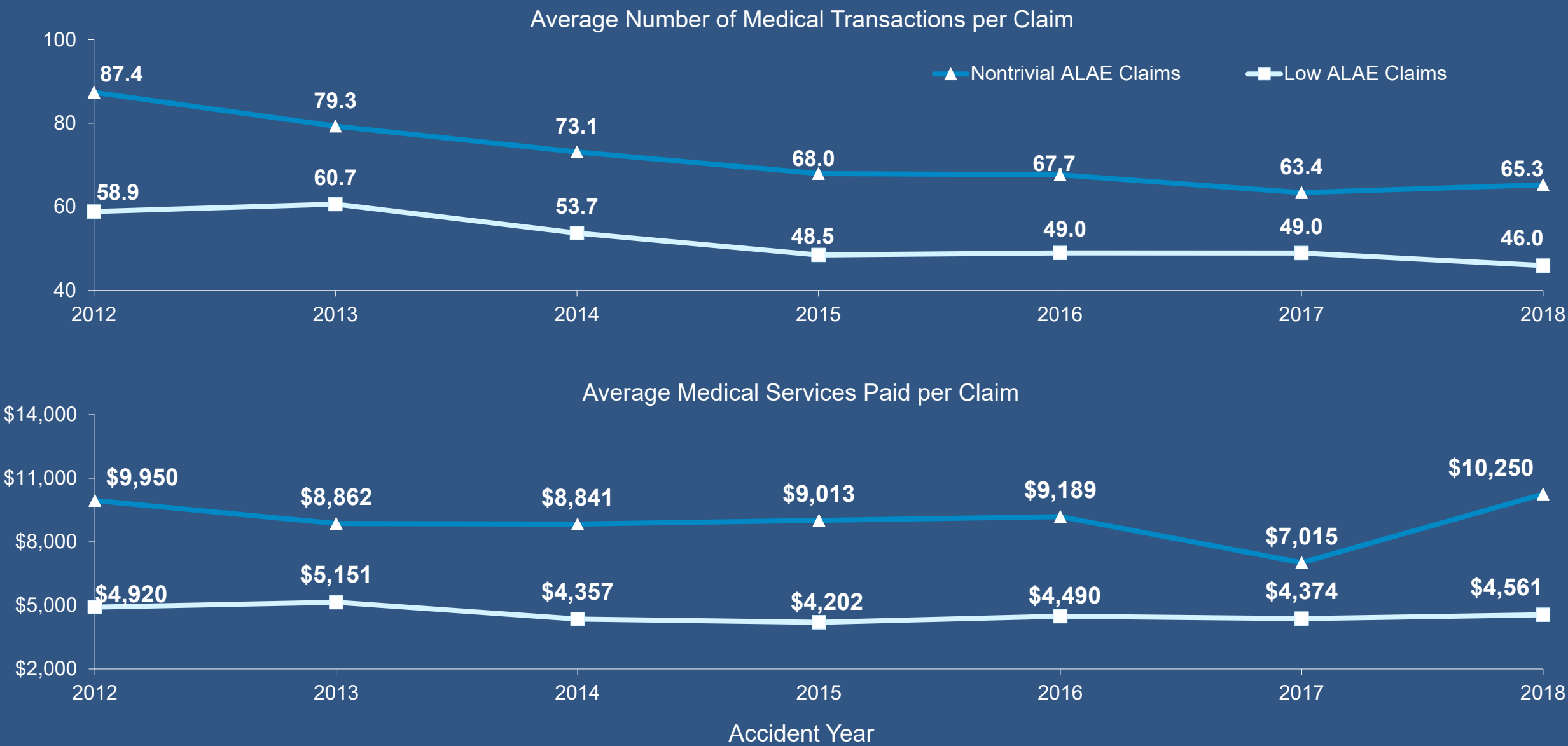
Indemnity Claim Closing Rates



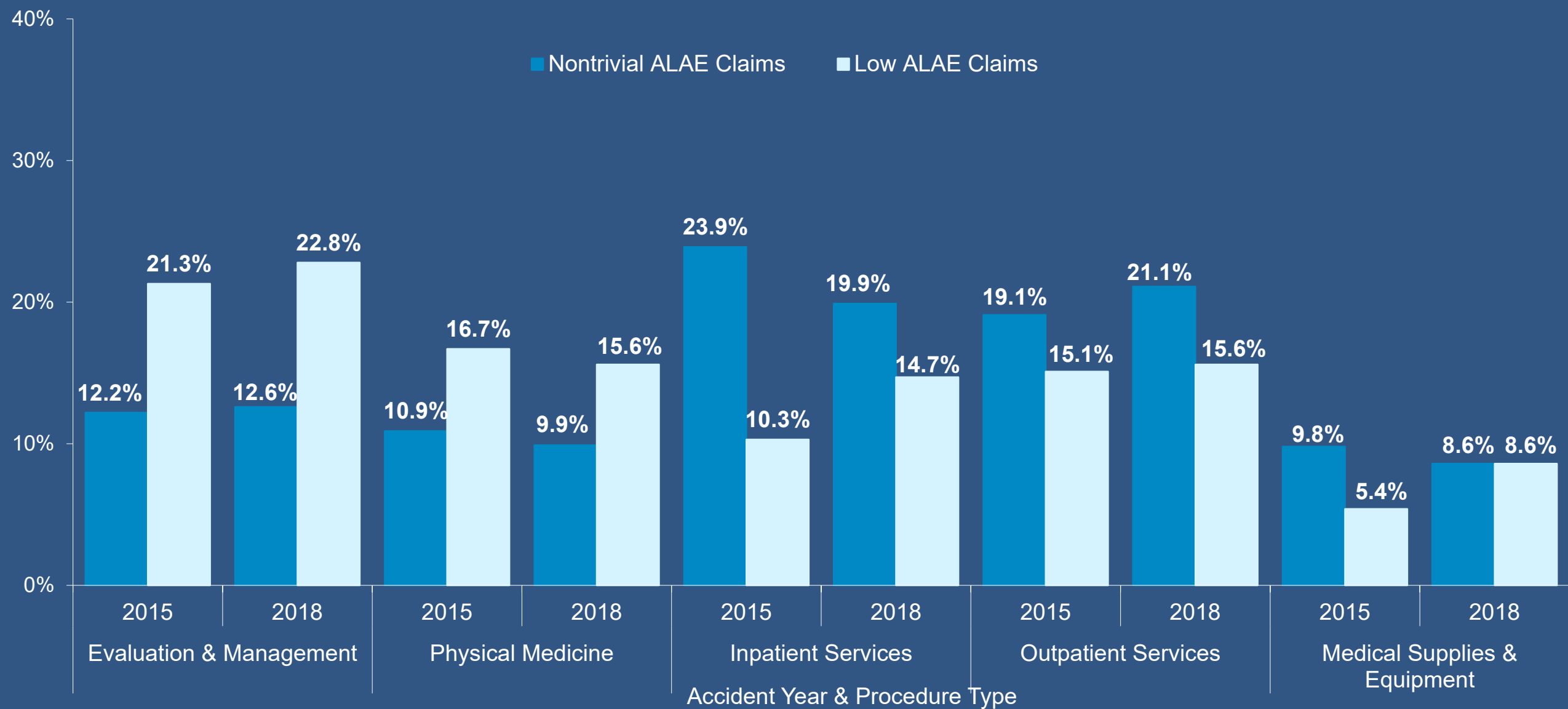
Percentage of Closed PD Claims with Nontrivial ALAE Settled by C&R USR 3rd Report Level



Medical Transactions by ALAE Category for PD Claims



Distribution of Paid Medical by Procedure Type for PD Claims



Impact of Higher Paid ALAE Pair Matching Study – Framework

- Question: How does paid ALAE impact other system components?
- Goal: Compare similar groups of claims that differ by amount of paid ALAE
- Matching variables:
 - Accident Year, Region
 - Gender, Age, Industry
 - Injury Type, Cause of Injury, Primary Diagnosis Group
- Control variable: Paid ALAE > or < a Threshold
 - Several thresholds reviewed (\$1K to \$15K), best matching results at around \$10,000
- Filtered by injury type (all indemnity claims, PPD claims) and open at USR 2nd
- Outcome measures:
 - Paid and incurred indemnity and medical
 - Open/closed status at later RL
 - Average PD rating

Summary of Friction in the CA System

- California frictional costs declining, but still the highest of any WC system and much higher than other benefit systems
- CA differences from other states much greater at later maturities
- CA high friction driven by high volume of PD claims, CT claims and longer claim duration
- CA high friction continues to be focused in LA Basin
- High ALAE costs driven by frequency of “nontrivial” ALAE claims in LA and involving CT
 - Average ALAE on “nontrivial” claims fairly flat within categories
- Post-SB 863 increases in claim settlements likely driving lower ALAE development and flat severity trend
 - Signs of ALAE turning upward in first and second quarters of 2021
- Final report on CA frictional costs to be released in November

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