

WCIRB Quarterly Experience Report

As of September 30, 2021

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Chart 1

- Written premium for 2020 is \$1.9 billion or 12% below that for 2019 and is the lowest since 2012.
- Written premium for the first nine months of 2021 is 3% below that for the first nine months of 2020 (which includes some pre-pandemic data).
- The WCIRB estimates written premium for the full calendar year of 2021 to be consistent with 2020.

Written Premium | Gross of Deductible Credits

As of September 30, 2021

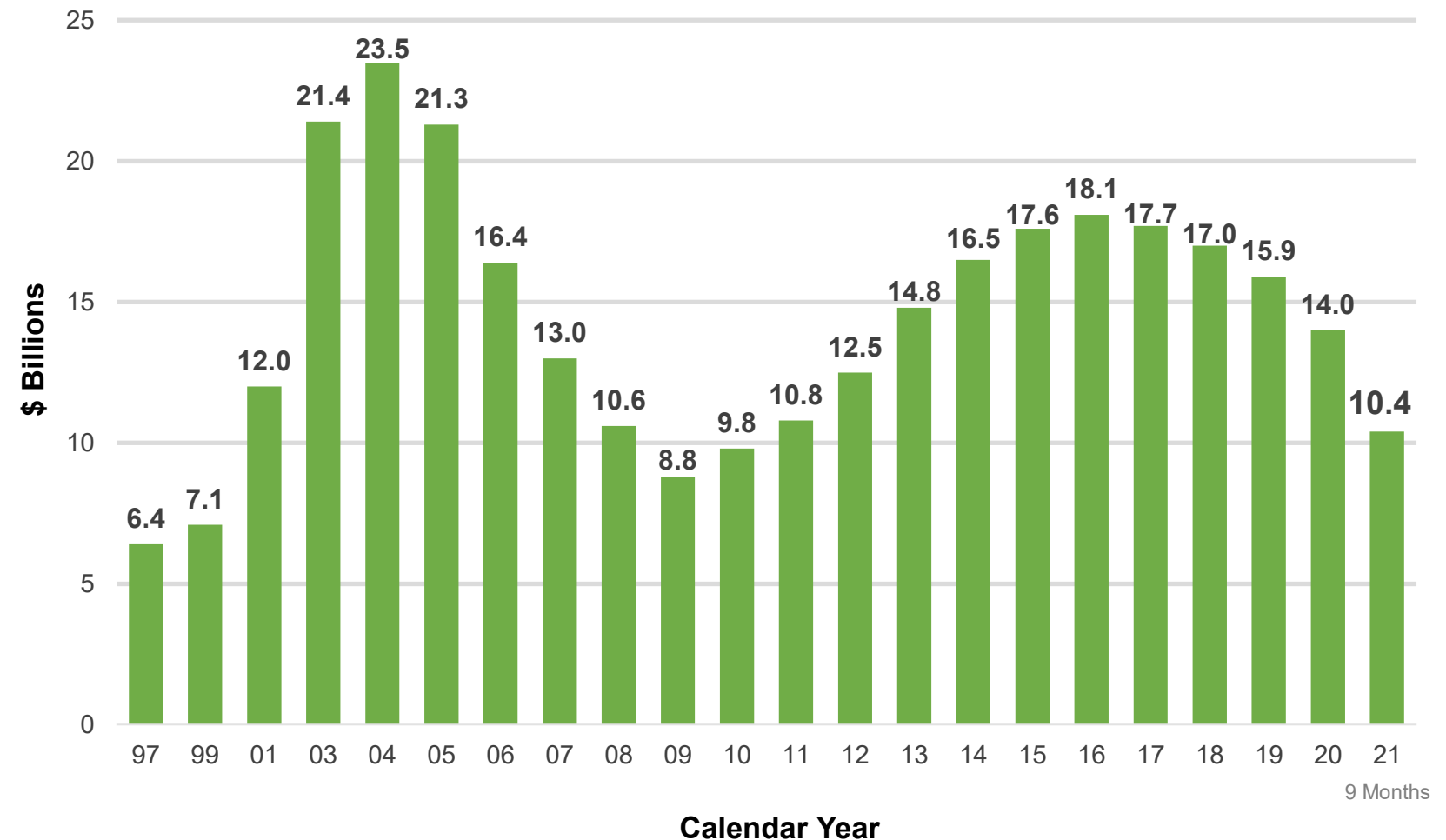




Chart 2

- The average charged rate for the first nine months of 2021 is 6% below the rate for 2020 and is the lowest in decades.
- Since 2015, the Insurance Commissioner has approved eleven consecutive advisory pure premium rate decreases totaling over 50%.

Industry Average Charged Rates

As of September 30, 2021

Chart 3:

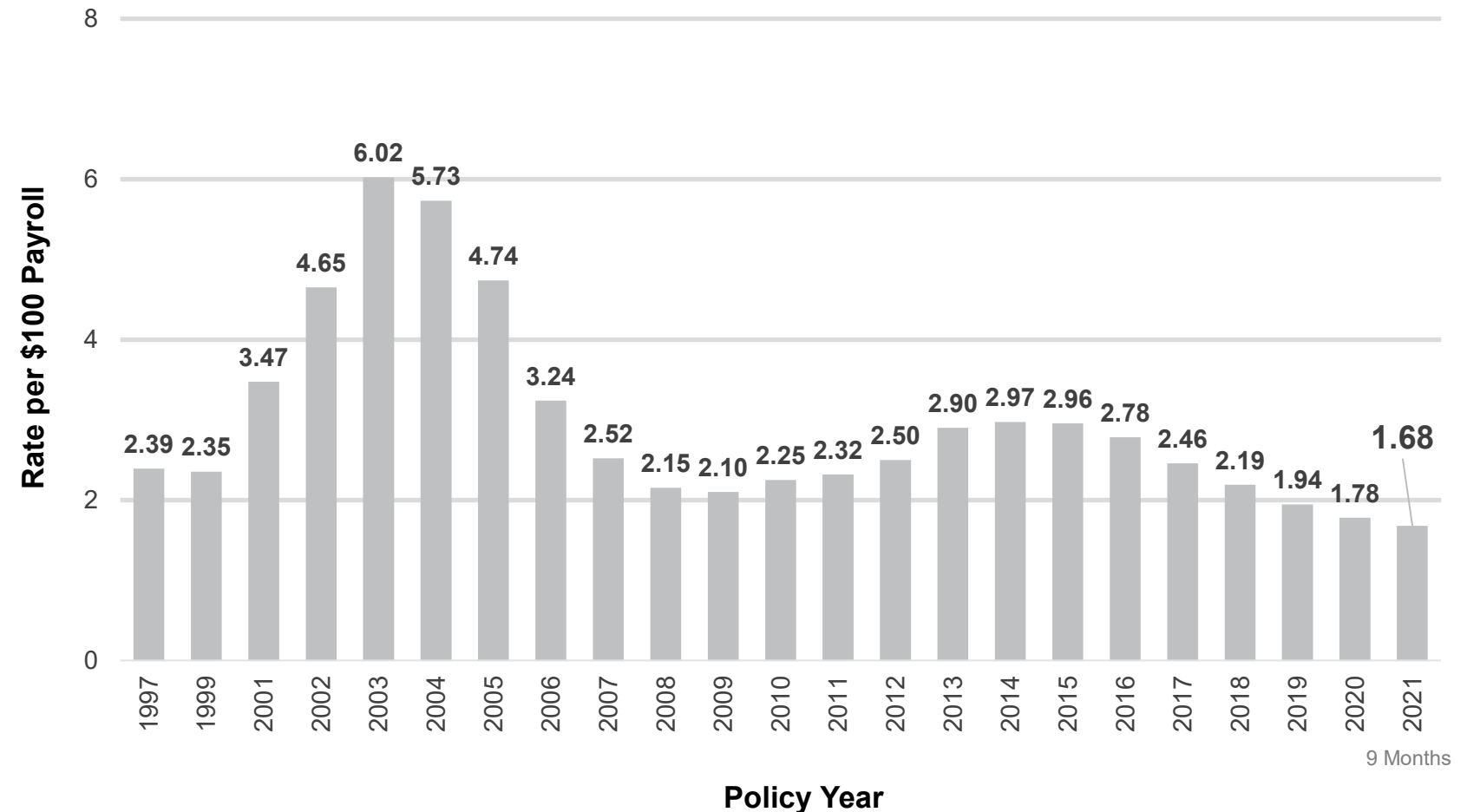




Chart 3

- The projected loss ratio for 2020, including COVID-19 claims, is 6 points above that for 2019.
- The projected loss ratio for accident year 2020, excluding COVID-19 claims, is 2 points higher than that for 2019.
- The projected loss ratio for September 1, 2021 and later policies based on September 30, 2021 experience is 0.5 points higher than that projected based on December 31, 2020 experience in the WCIRB's September 1, 2021 Pure Premium Rate Filing.

Ultimate Accident Year Loss Ratios

As of September 30, 2021

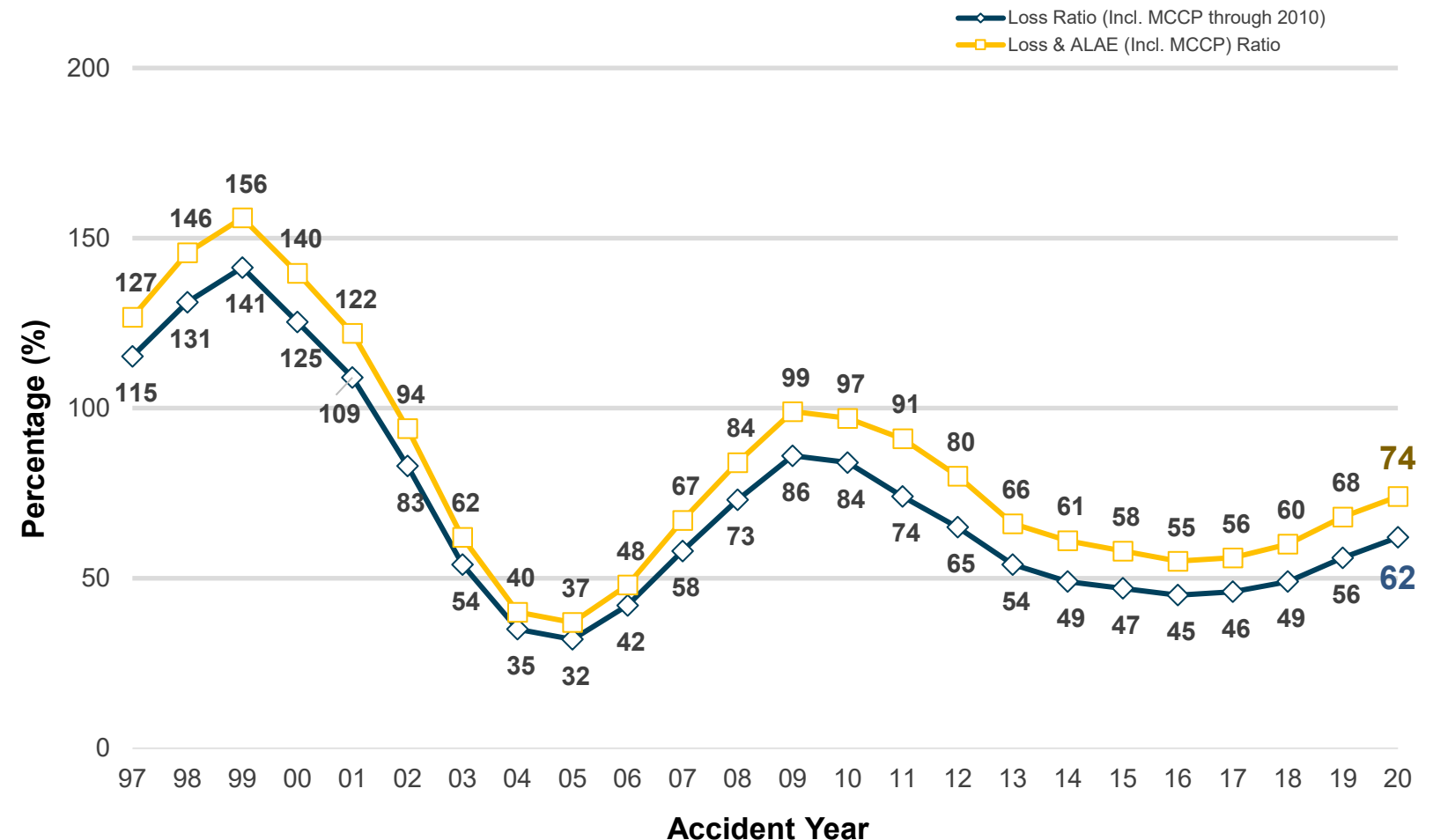




Chart 4

- The projected combined ratio for 2020, including COVID-19 claims, is 8 points higher than 2019 and 25 points higher than the low point in 2016.
- Excluding COVID-19 claims, the projected combined ratio for 2020 is 99% which is more comparable to the 2019 ratio.

Projected Accident Year Combined Ratios

As of September 30, 2021

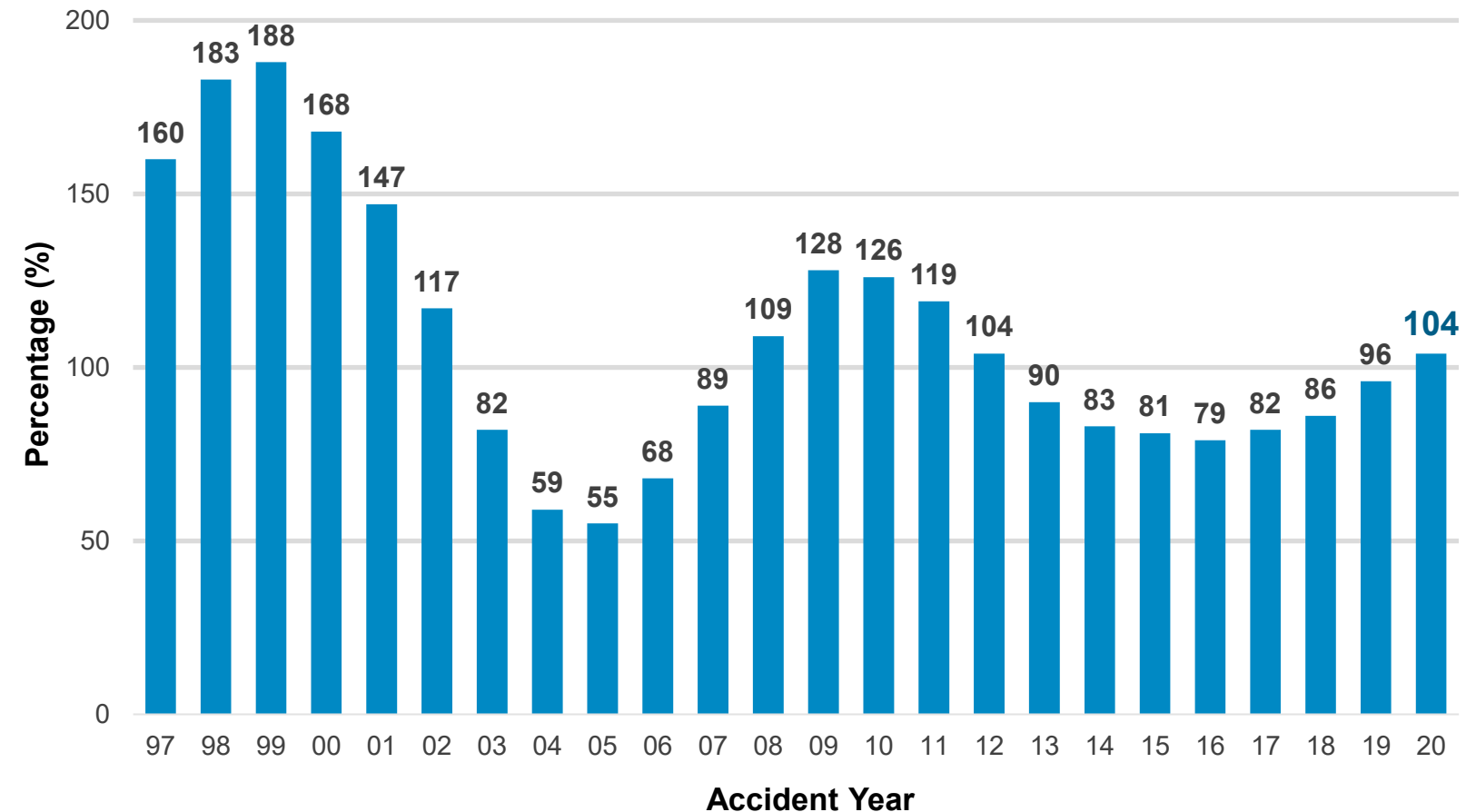




Chart 5

- Indemnity claims had been settling quicker through 2019, largely driven by the reforms of SB 863 and SB 1160.
- Average claim closing rates declined sharply beginning in the second quarter of 2020 as a result of the pandemic and have continued to decline through the first nine months of 2021.

Percent of Open Indemnity Claims Closed in Next Year

As of September 30, 2021

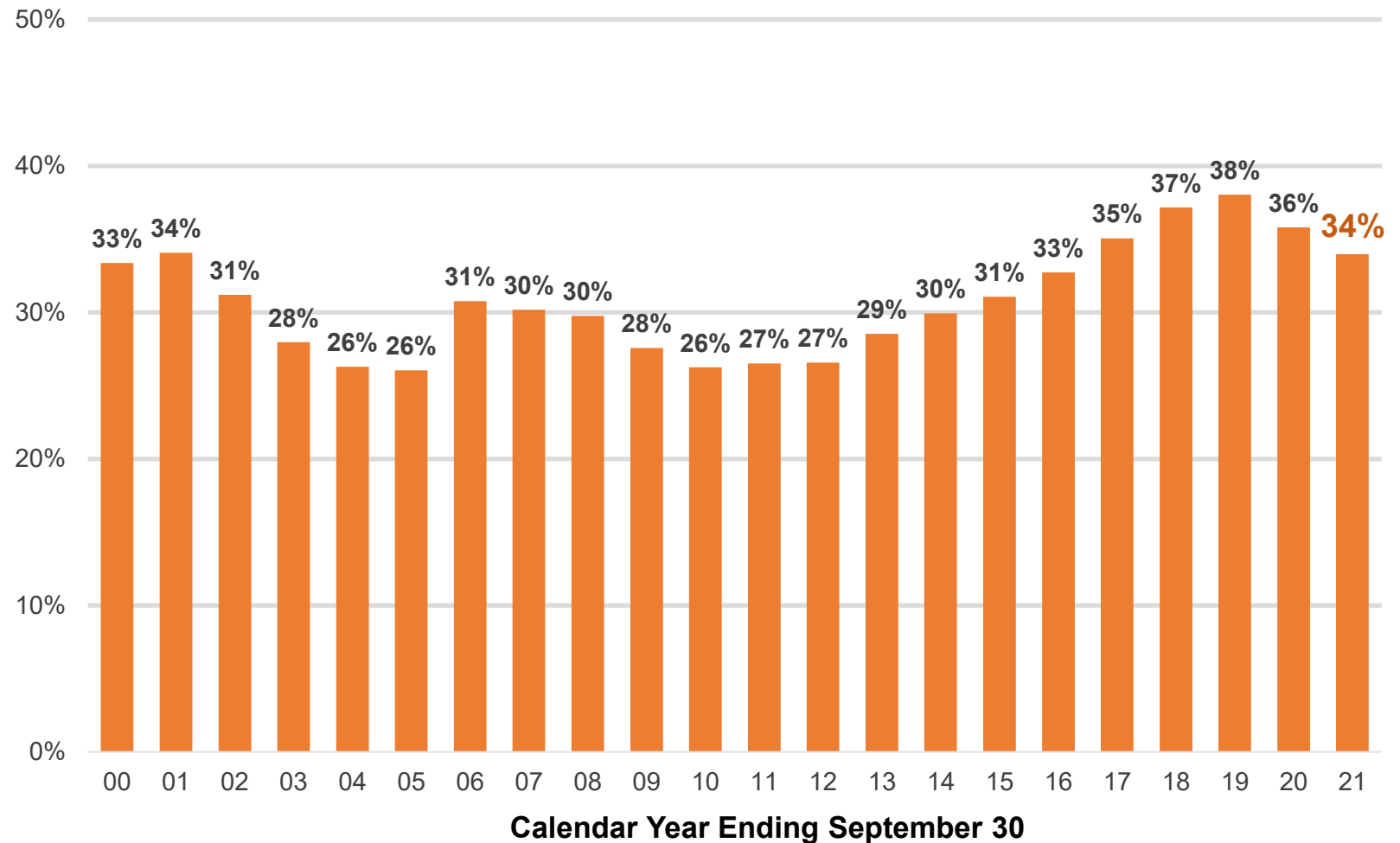




Chart 6

- The sharp decrease in 2020 claim frequency, excluding COVID-19 claims, is likely driven by the sharp downturn in the economy caused by the pandemic and stay-at-home orders.
- Including COVID-19 claims, indemnity claim frequency for 2020 is 8% above 2019.
- Early estimates for accident year 2021 claim frequency based on nine months of experience show it is well above the frequency for the first nine months of 2020 and approximately 4% above the first nine months of 2019.

Change in Indemnity Claim Frequency

As of September 30, 2021

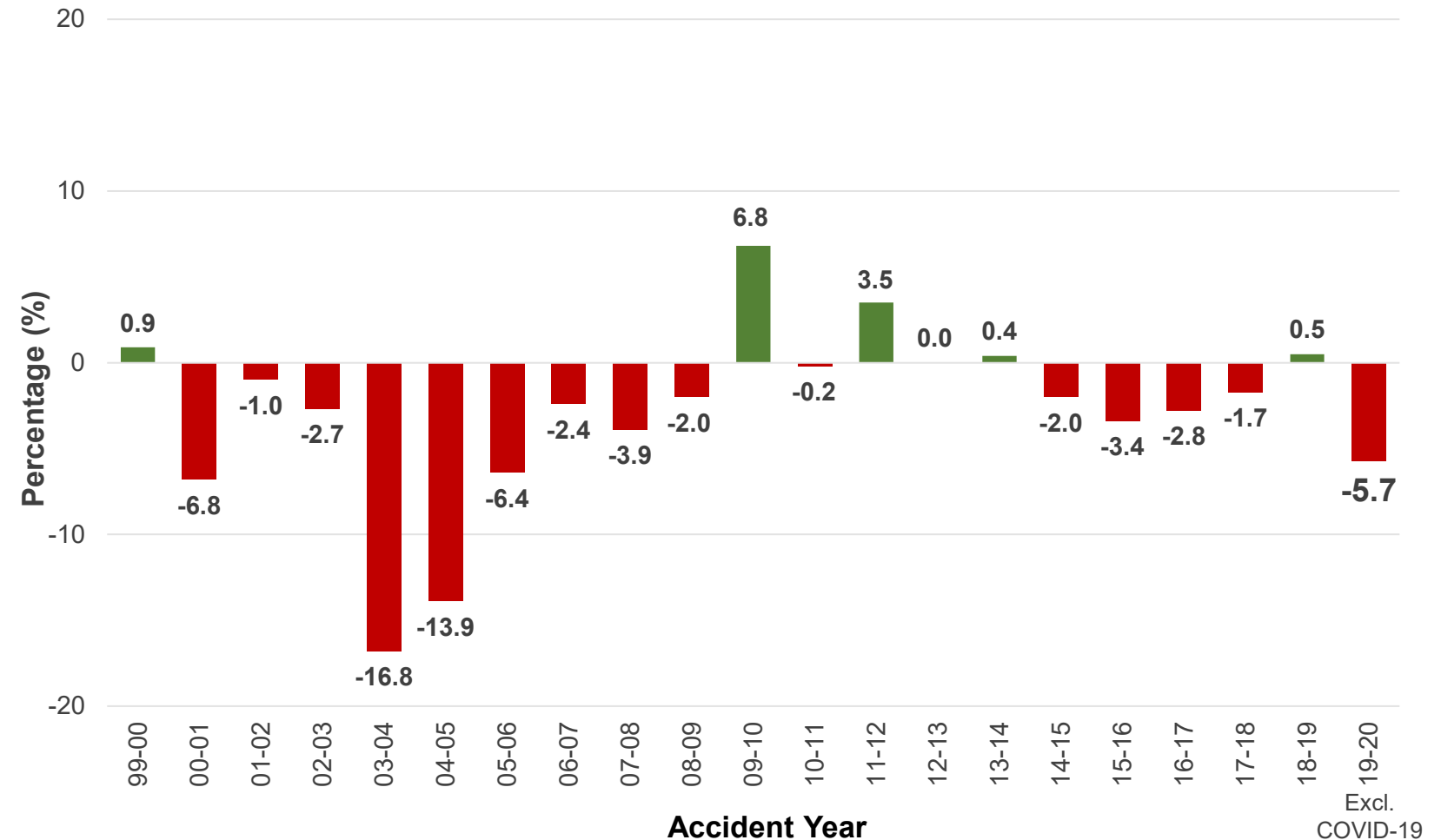




Chart 7

- Reported indemnity claims and medical-only claims decreased significantly in the second quarter of 2020 with the onset of the pandemic.
- Growth in reported indemnity claims starting in the third quarter of 2020 can be attributed to the gradual reopening of the economy and thousands of COVID-19 claims being filed.

Change in Incremental Claim Counts

As of September 30, 2021

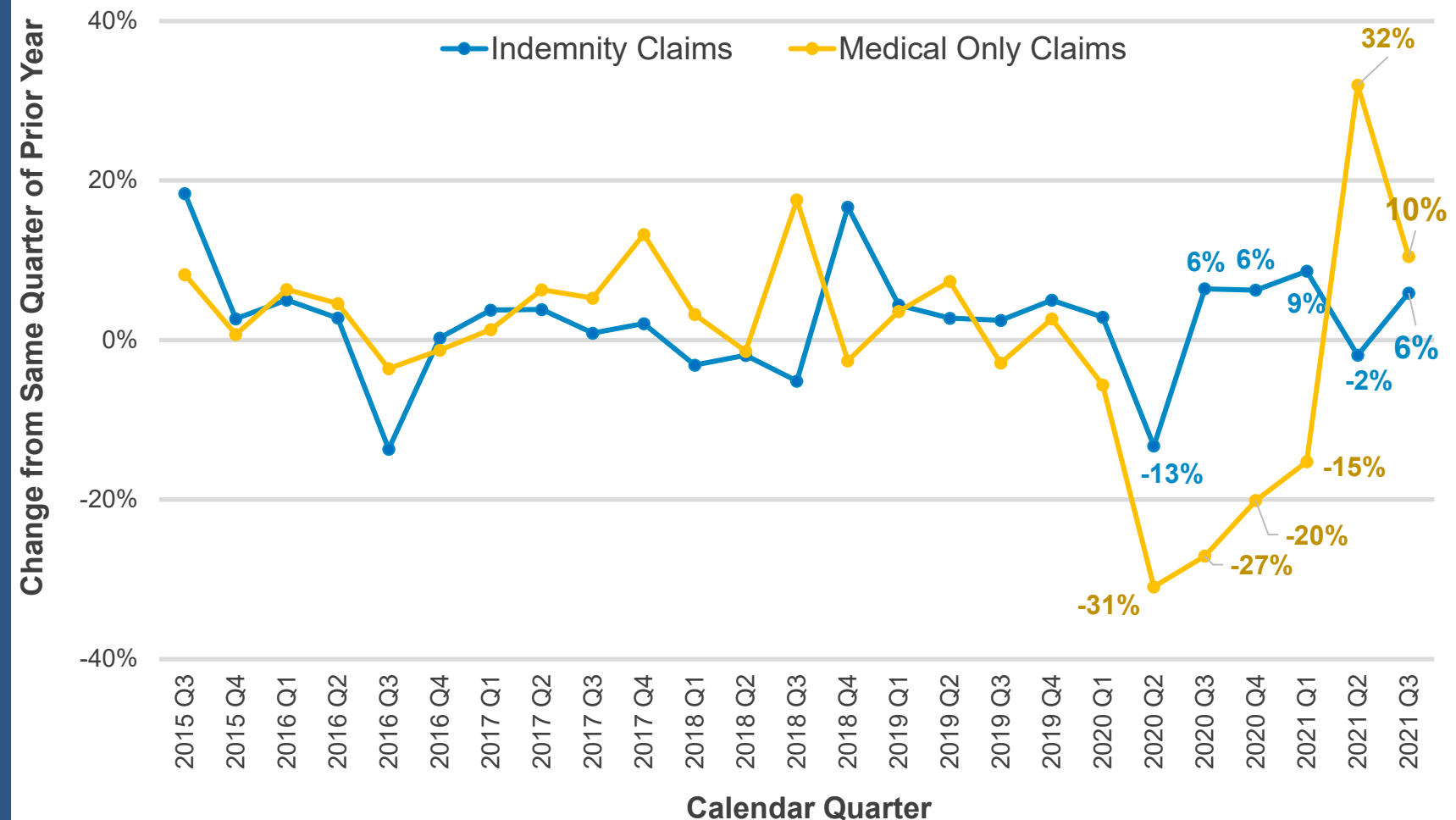




Chart 8

- Cumulative trauma (CT) claim rates increased through 2016 to be 80% above the 2005 level.
- CT claim rates in 2019 are generally consistent with the high level in 2016.
- Early estimates from transactional data for accident year 2020 suggest CT claim rates have not increased in 2020.

Cumulative Trauma Claims per 100 Indemnity Claims

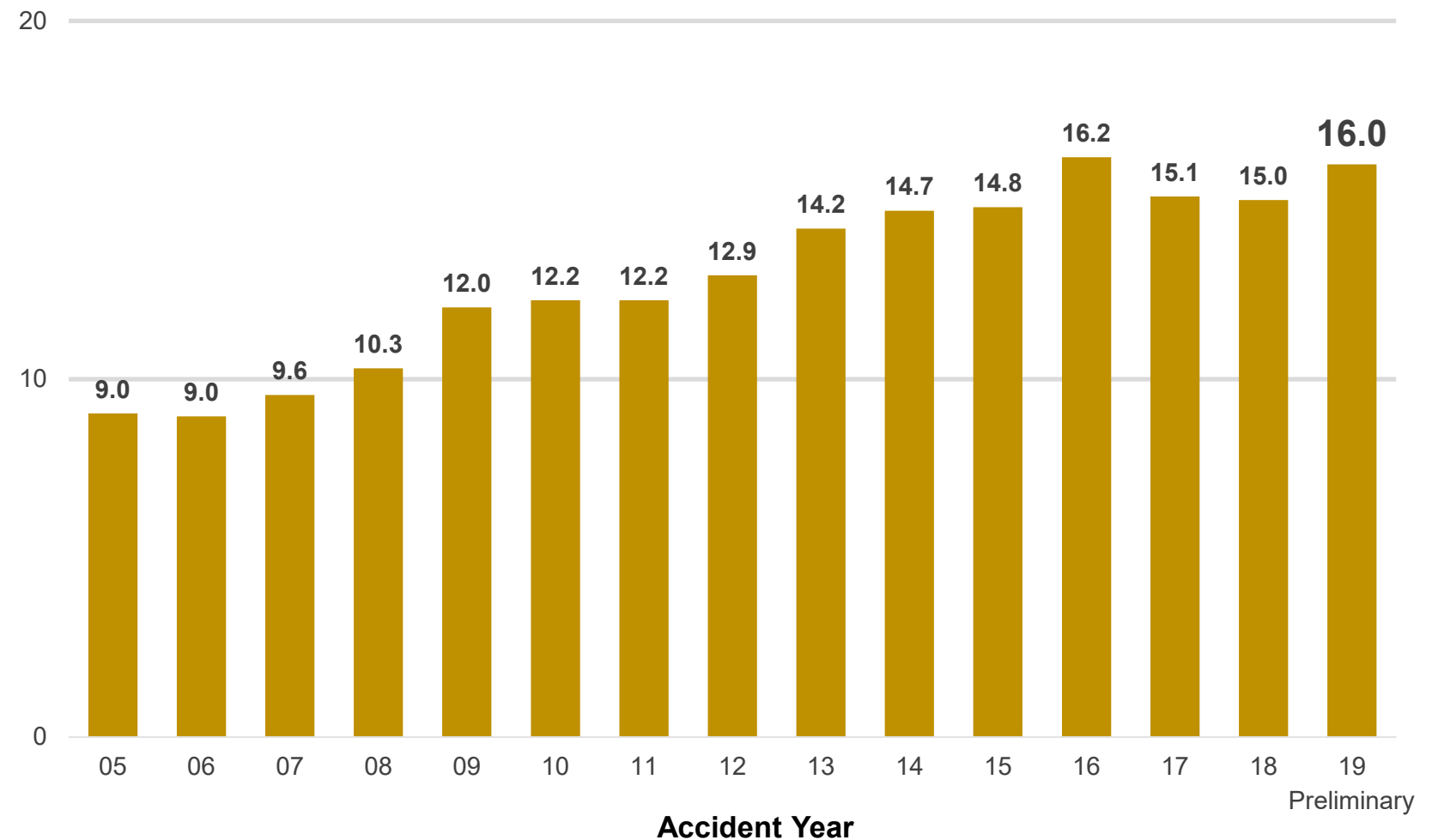


Chart 9

- Projected total claim severity for 2020, excluding COVID-19 claims, is 2% higher than that for 2019 and 9% above 2017.
- Since 2013, the change in total claim severity has been relatively modest.

Ultimate Total Loss and ALAE Severities

As of September 30, 2021

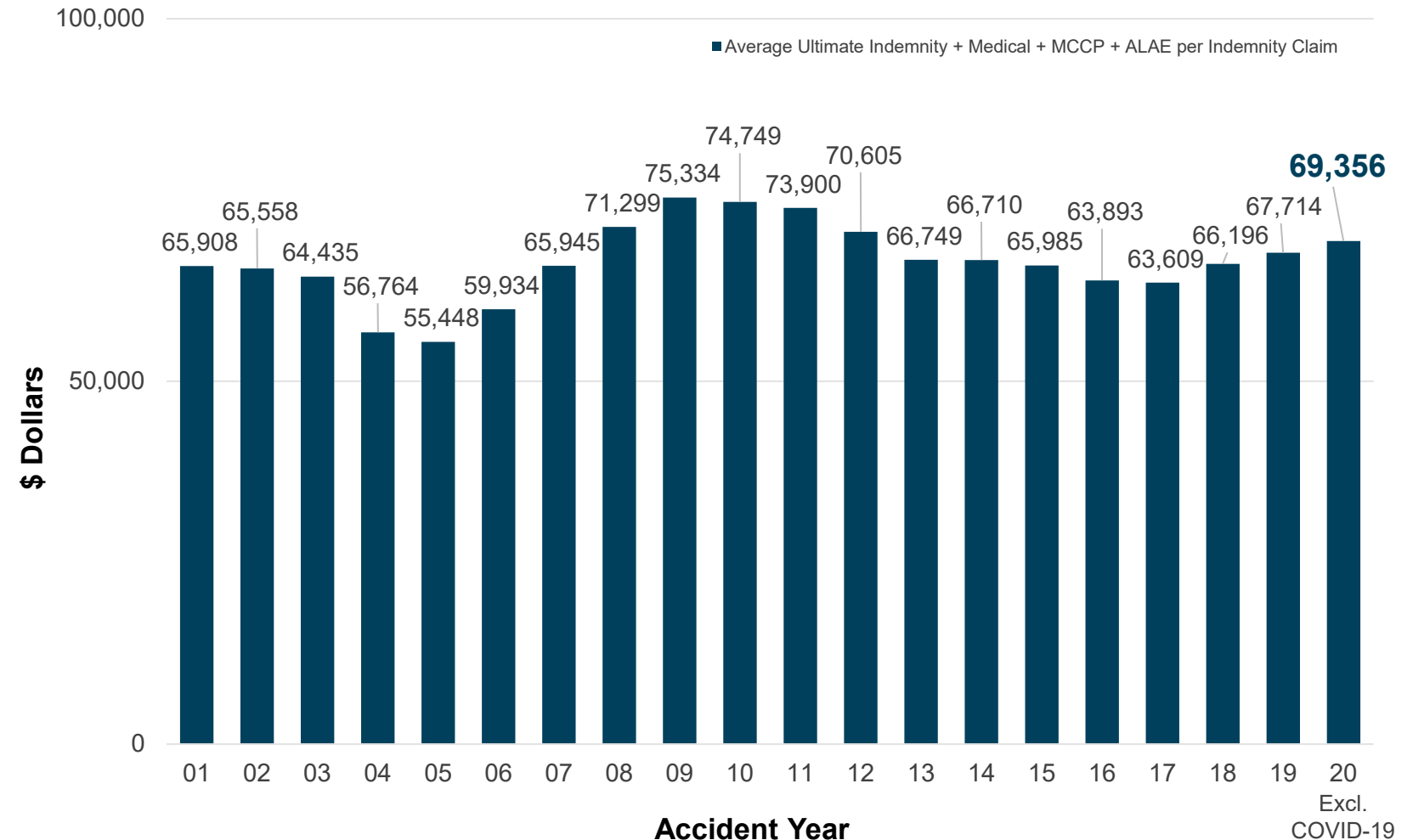




Chart 10

- Following several years of flat indemnity severities, the projected indemnity severity for 2020 is 6% higher than 2019 and 16% higher than 2017.
- Data for the first nine months of 2021 suggest a further increase in indemnity severity.

Ultimate Indemnity Severities

As of September 30, 2021

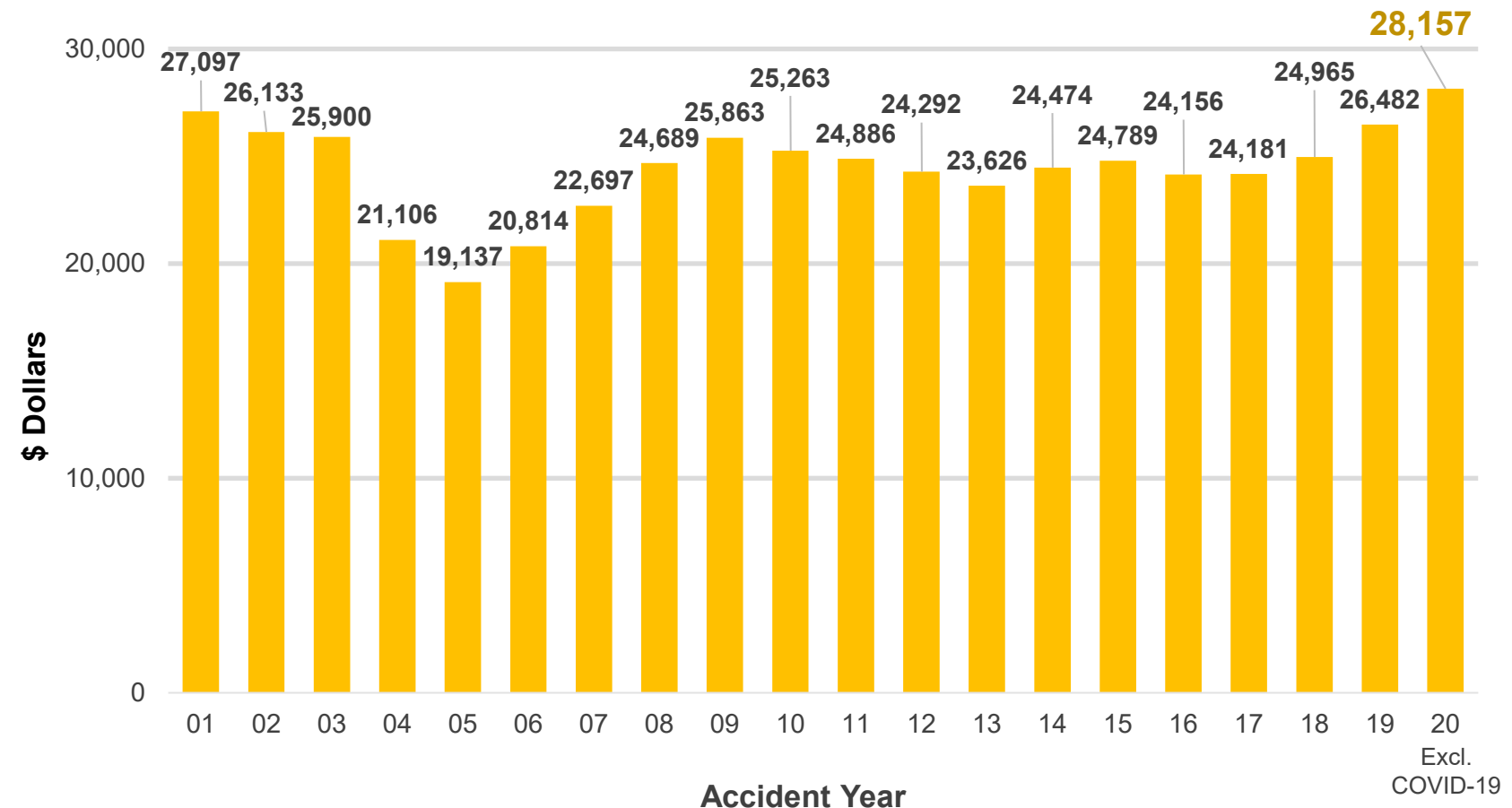




Chart 11

- After declining for several years, the projected medical severity for 2020 is 1% higher than 2019 and 7% higher than 2017.
- Some of the recent growth in medical severities may be attributable to claims staying open longer since the start of the pandemic and increases to medical fee schedule reimbursements effective in early 2021.
- Data for the first nine months of 2021 suggest a continued modest increase in medical severity.

Ultimate Medical Severities

As of September 30, 2021

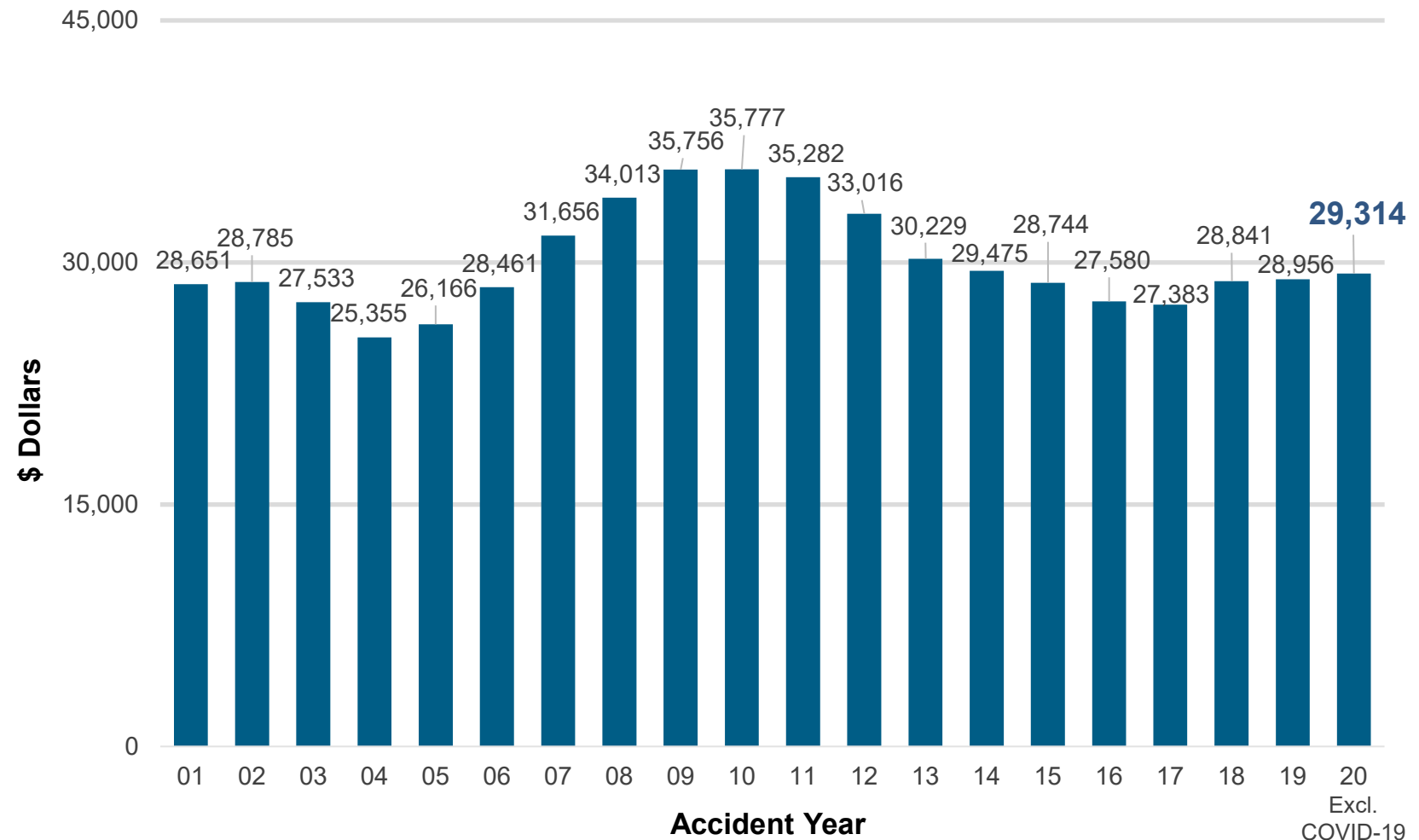




Chart 12

- ALAE severities have been flat from 2009 through 2020.
- As with average indemnity and medical costs, the projected ALAE severities may be impacted by the slowdown of the claims process during the pandemic period likely leading to future ALAE development on open claims.

Ultimate ALAE (excl. MCCP) Severities

As of December 31, 2020

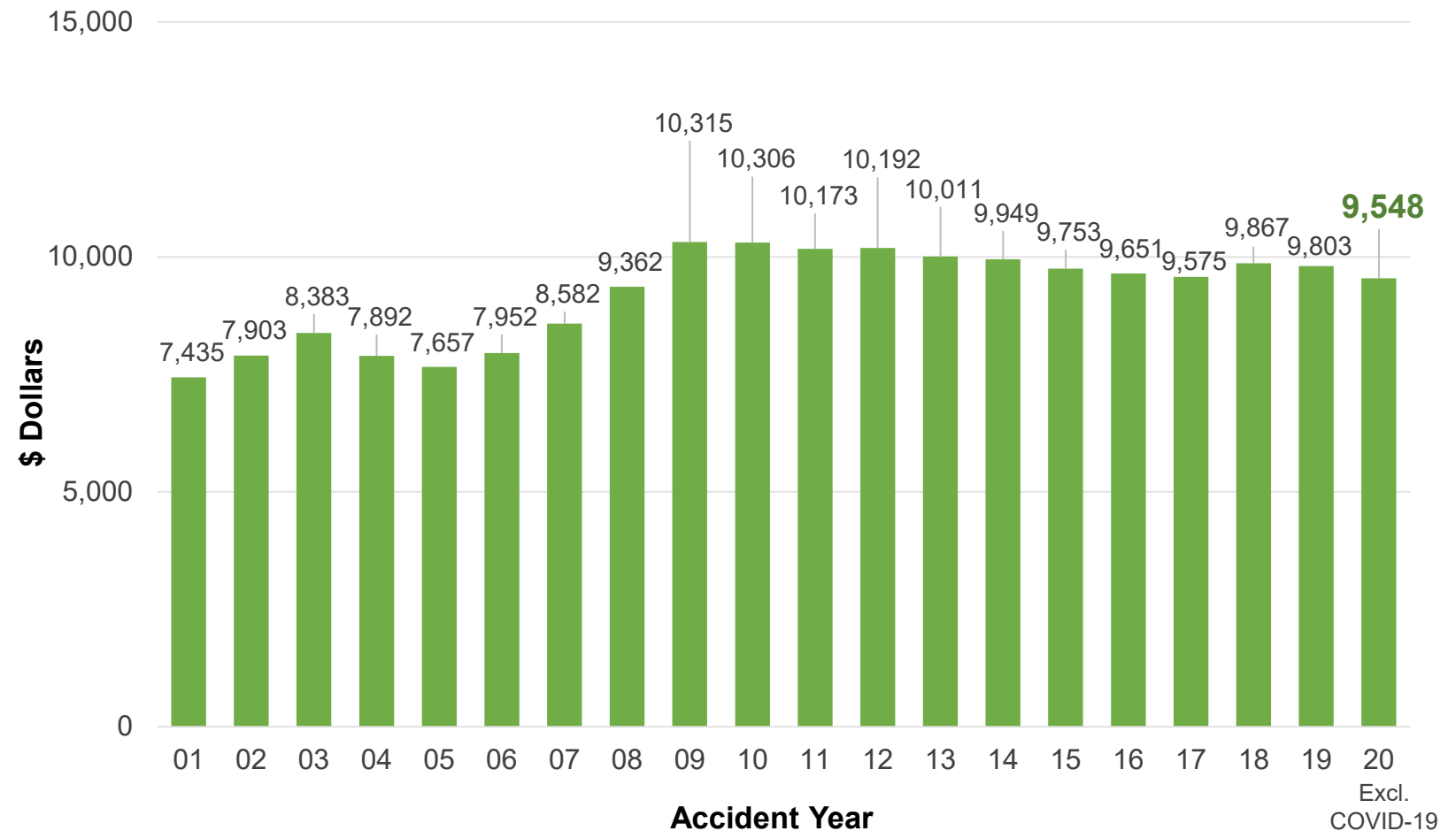


Chart 13

- Average MCCP costs have generally declined over the last several years as average medical costs have moderated.

Ultimate Medical Cost Containment Program (MCCP) Severities

As of December 31, 2020

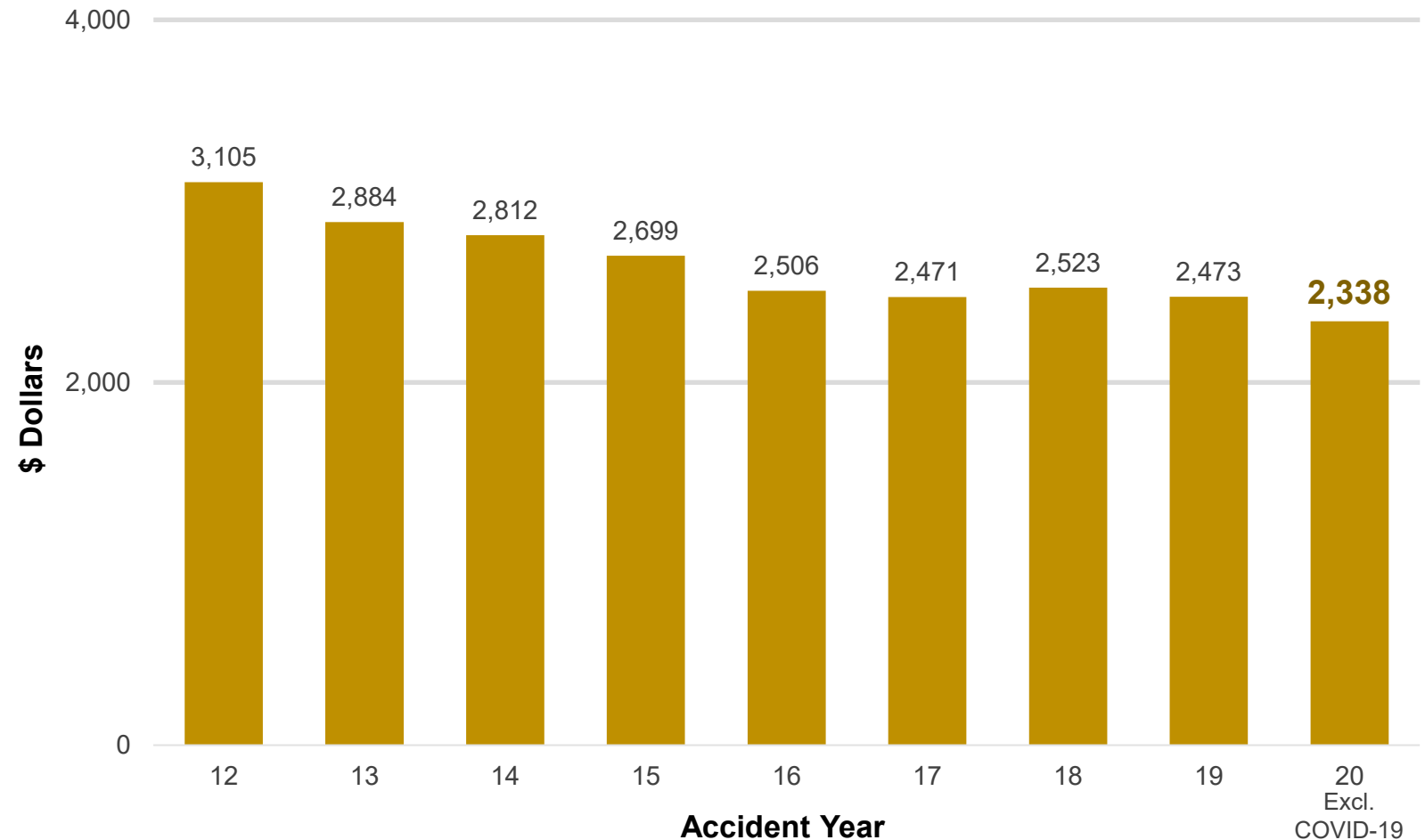




Chart 14

- Medical service costs per claim decreased by 27% from 2012 through 2019, driven by decreases in the number of transactions per claim.
- Medical service costs per claim increased significantly in 2020 due to a reduction in the number of smaller medical-only claims being filed during the pandemic period.

Change in Medical Service Cost Levels

As of July 7, 2021

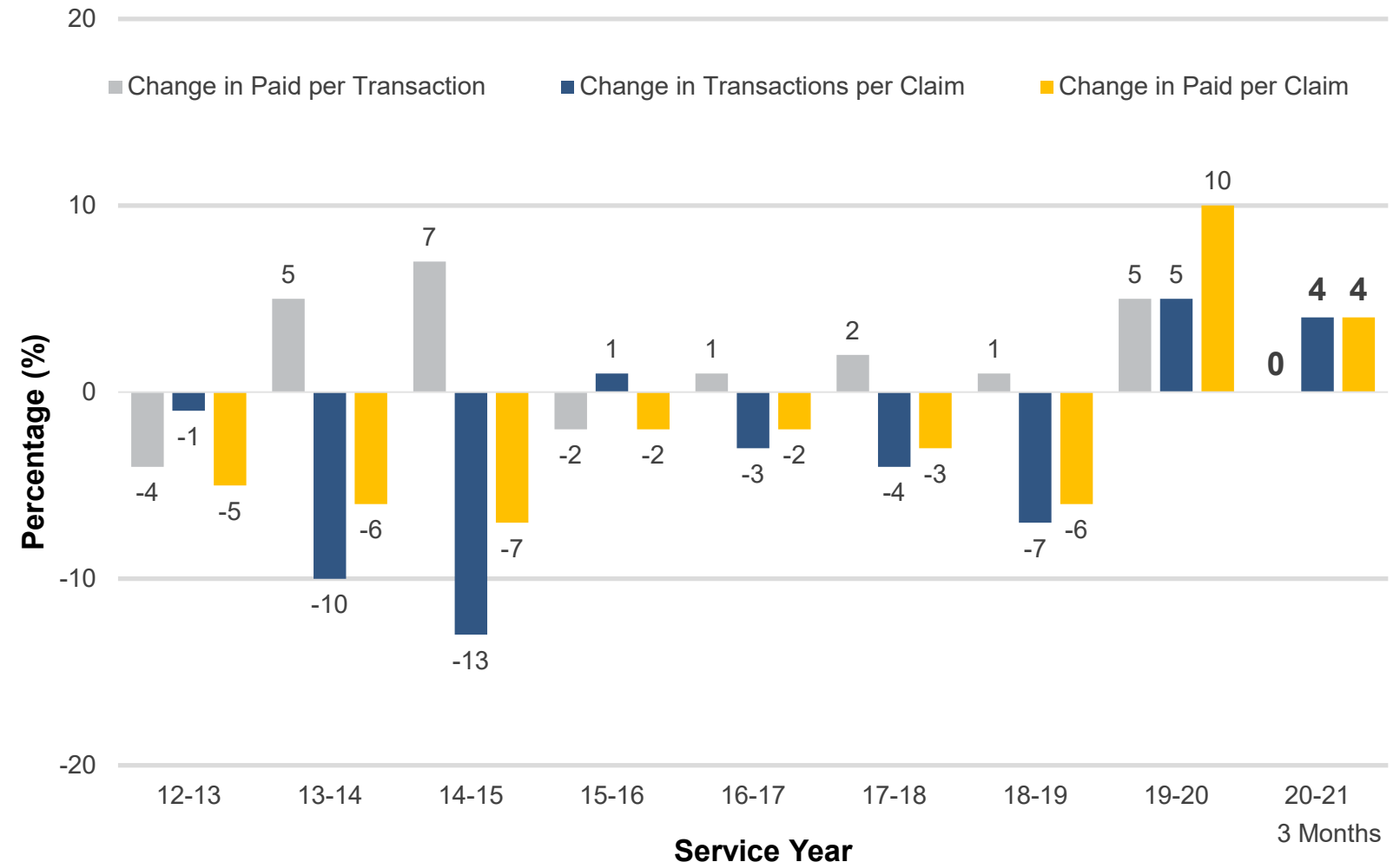


Chart 15

- Pharmaceutical costs per claim decreased by 84% from 2012 through 2019.
- Pharmaceutical costs per claim increased in 2020 and the first quarter of 2021 but remain well below the 2018 and prior levels.

Change in Pharmaceutical Cost Levels

As of July 7, 2021

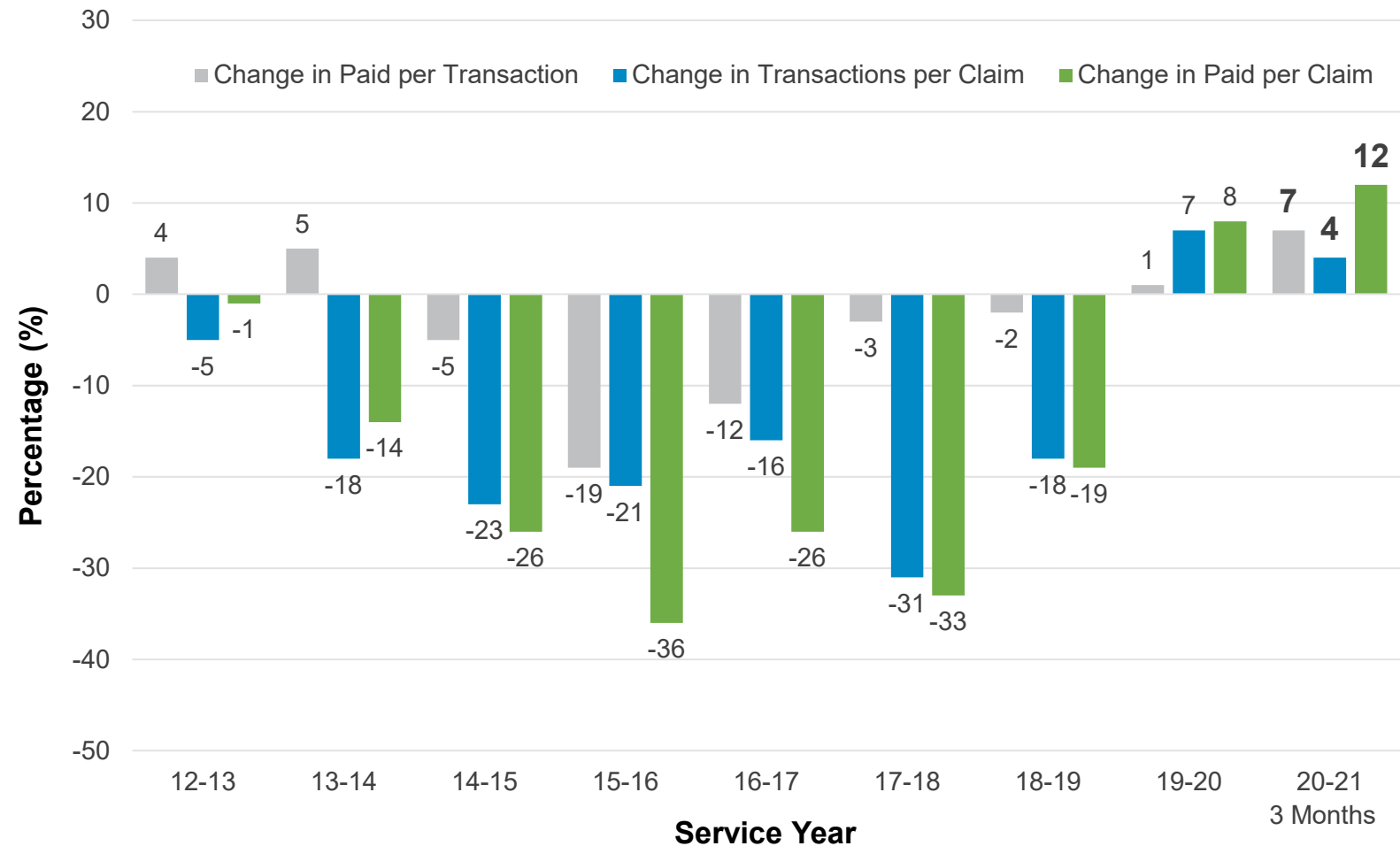




Chart 16

- Ratios of ALAE to loss increased significantly from 2011 to 2015 in part due to increased cumulative trauma claim filings and the transition to SB 863.
- From 2015 to 2020, these ratios have been generally consistent.

Ratios of Paid ALAE to Paid Losses

As of September 30, 2021

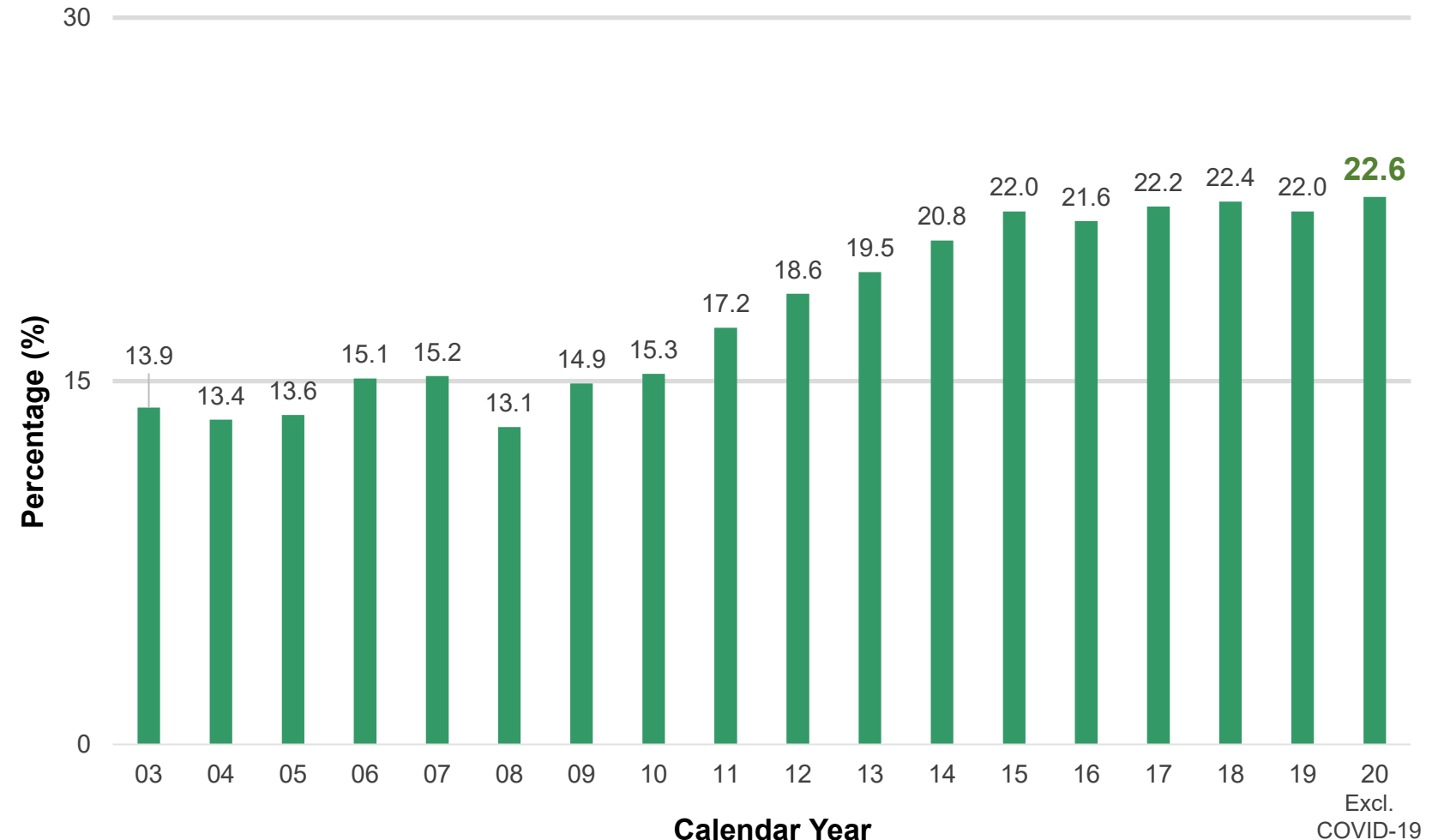


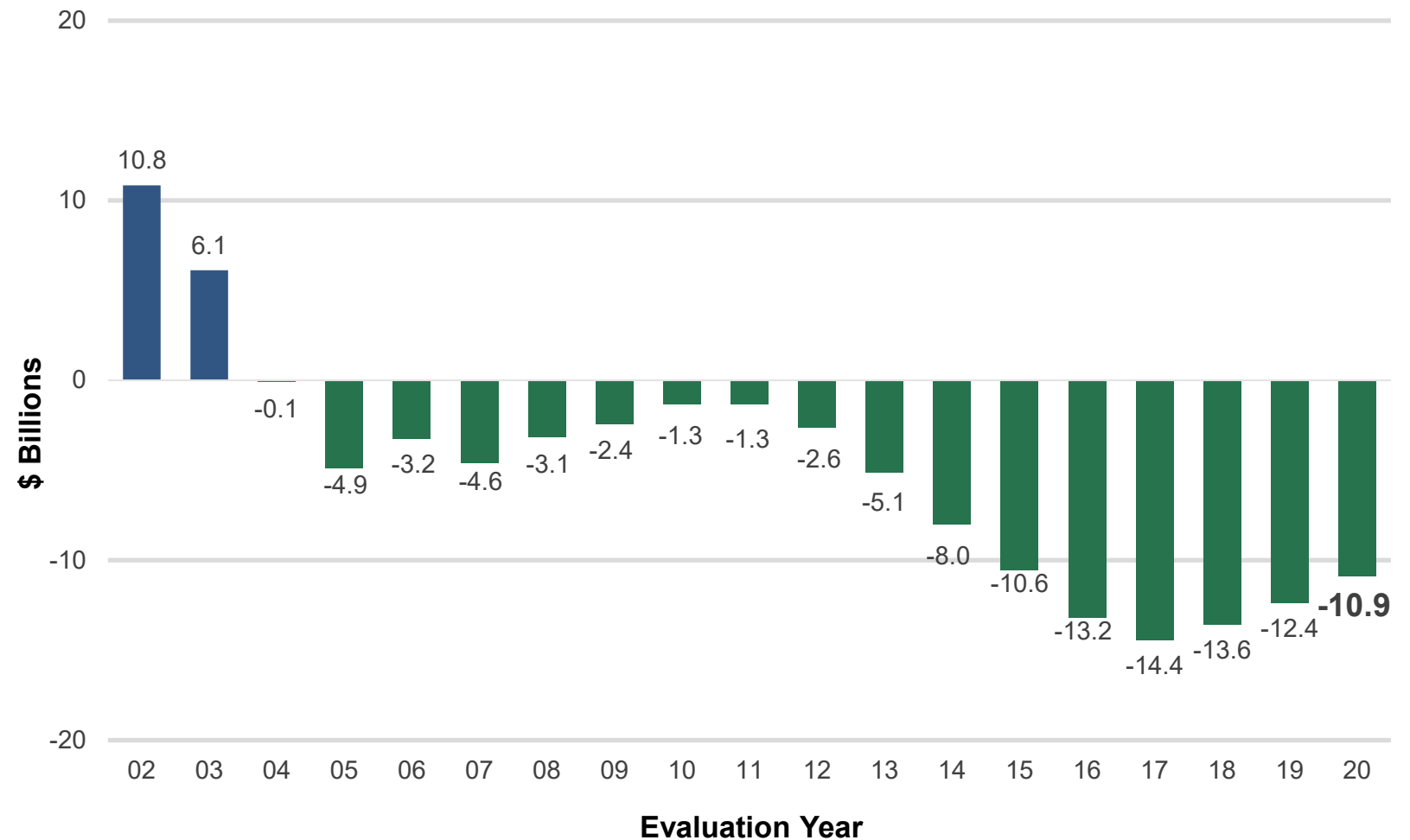


Chart 17

- Projected total statewide ultimate losses for 2004 through 2020 evaluations are below the amounts reported by insurers.

Projected Ultimate Losses Less Reported Losses

As of September 30, 2021





General Notes

- This report reflects a compilation of individual insurer submissions of accident year and calendar year premium and loss data to the WCIRB. While the individual insurer data submissions are regularly checked for consistency and comparability with other data submitted by the insurer as well as with data submitted by other insurers, the source information underlying each insurer's data submission is not verified by the WCIRB.
- Some of the figures and ratios shown are based on WCIRB actuarial projections of future claim payments using information reported by insurers through September 30, 2021. Although the actuarial methodologies and assumptions upon which these projections are predicated are periodically reviewed by the WCIRB's Actuarial Committee, the actual costs that will ultimately emerge could differ from the amounts projected. Many of these projections will be updated regularly by the WCIRB as more mature information on these claims is reported in subsequent quarters.
- The amounts and ratios shown represent statewide totals based on the amounts reported by insurers writing workers' compensation insurance in California. The results for any individual insurer can differ significantly from the statewide average. An individual insurer's results are related to its underwriting book of business, claims and reserving practices, as well as the nature of its reinsurance arrangements.
- Beginning with claims incurred on policies incepting on or after July 1, 2010, the cost of medical cost containment programs (MCCP) is reported to the WCIRB as allocated loss adjustment expense (ALAE) rather than as medical loss. As a result, some portions of MCCP costs for accident years 2010 and 2011 have been reported as medical loss and some portions have been reported as ALAE. For consistency, the amounts and ratios shown in these exhibits are adjusted to either include or exclude MCCP costs for all years shown to the extent possible.
- Thousands of claims arising out a diagnosis of COVID-19 have been filed for accident year 2020. The amounts and ratios for accident year 2020 shown in these exhibits generally include COVID-19 claims unless otherwise specified. For other exhibits, COVID-19 claims are excluded based on the WCIRB's aggregate financial data calls to facilitate consistency of comparison with pre-pandemic years.



More Info

Chart 1: Written Premium



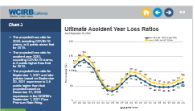
- Source: WCIRB aggregate financial data calls.
- Written premium is gross of deductible credits.

Chart 2: Industry Average Charged Rates



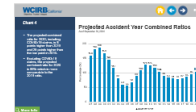
- Rates are based on WCIRB unit statistical data through 2018 and estimated based on aggregate financial data calls for 2019 and later.
- Rates are per \$100 of payroll.
- Rates are averages over policies incepting in the year (January 1 to December 31).
- For consistency of comparison to prior years, average charged rates for 2020 and the first nine months of 2021 exclude the impact of new maximum payroll limitations effective for five classifications beginning in 2020.

Chart 3: Ultimate Accident Year Loss Ratios



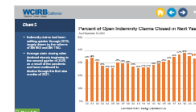
- Ratios are projected based on WCIRB aggregate financial data call data as of September 30, 2021.
- MCCP costs are included in loss ratios for accident years 2010 and prior.
- MCCP costs are included in loss and ALAE ratios for all years shown.
- COVID-19 claims are included in the projections for accident year 2020.

Chart 4: Projected Accident Year Combined Ratios



- Ratios are projected based on WCIRB aggregate financial data call data as of September 30, 2021.
- Combined ratios include losses, loss adjustment expenses, and other insurer expenses.
- COVID-19 claims are included in the projections for accident year 2020.

Chart 5: Percent of Open Indemnity Claims Closed in Next Year



- Source: WCIRB aggregate financial data call data as of September 30, 2021.
- Figures represent the number of indemnity claims aged between 21 to 105 months closed during the year as a ratio of the number of estimated ultimate claims open or not yet reported as of September 30 of the prior year.

Chart 6: Change in Indemnity Claim Frequency



- Frequency is based on indemnity claim counts per exposure adjusted for wage level changes based on WCIRB unit statistical data through accident year 2019, and changes in reported indemnity claim counts compared to changes in statewide employment based on WCIRB aggregate financial data call data for accident year 2020.
- COVID-19 claims are excluded from accident year 2020.



More Info (...continued)

Chart 7: Change in Incremental Claim Counts



- Source: WCIRB aggregate financial data call data as of September 30, 2021.
- Figures represent the percent change in newly reported indemnity or medical-only claim counts in the quarter from the comparable amount for the same quarter of the prior calendar year.

Chart 8: Cumulative Trauma Claims per 100 Indemnity Claims



- Source: WCIRB unit statistical data. Claim counts are developed to an estimated ultimate level.
- Accident year 2019 data is preliminary.

Chart 9: Ultimate Loss & ALAE Severities



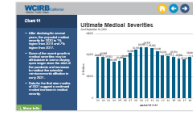
- Severities are projected based on WCIRB aggregate financial data call data as of September 30, 2021.
- Includes data for indemnity claims only.
- COVID-19 claims are excluded from accident year 2020.

Chart 10: Ultimate Indemnity Severities



- Severities are projected based on WCIRB aggregate financial data call data as of September 30, 2021.
- COVID-19 claims are excluded from accident year 2020.

Chart 11: Ultimate Medical Severities



- Severities are projected based on WCIRB aggregate financial data call data as of September 30, 2021.
- Includes data for indemnity claims only.
- MCCP costs are excluded from all years for consistency of comparison.
- COVID-19 claims are excluded from accident year 2020.

Chart 12: Ultimate ALAE (excl. MCCP) Severities

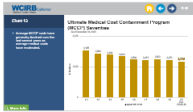


- Severities are projected based on WCIRB aggregate financial data call data as of December 31, 2020.
- Includes data for indemnity claims only.
- MCCP costs are excluded from all years for consistency of comparison.
- COVID-19 claims are excluded from accident year 2020.



More Info (...continued)

Chart 13: Ultimate Medical Cost Containment Program (MCCP) Severities



- Severities are projected based on WCIRB aggregate financial data call data as of December 31, 2020.
- Includes data for indemnity claims only.
- COVID-19 claims are excluded from accident year 2020.

Chart 14: Change in Medical Service Cost Levels



- Source: WCIRB medical transaction data as of July 7, 2021.
- Costs from COVID-19 claims are included in the 2020 and first quarter of 2021 periods.

Chart 15: Change in Pharmaceutical Cost Levels



- Source: WCIRB medical transaction data as of July 7, 2021.
- Costs from COVID-19 claims are included in the 2020 and first quarter of 2021 periods.

Chart 16: Ratios of Paid ALAE to Paid Losses



- Source: WCIRB aggregate financial data calls.
- MCCP costs paid on policies incepting prior to July 1, 2010 are considered loss and costs paid on policies incepting after July 1, 2010 are considered ALAE.
- COVID-19 claims are excluded from accident year 2020.

Chart 17: Projected Ultimate Losses Less Reported Losses



- Insurer-reported losses include insurers' estimates of incurred but not reported (IBNR) losses that may, in part, reflect allocations of IBNR losses to line of business, state, and accident year, and are on a basis that does not reflect anticipated reinsurance recoveries or employer-paid deductibles. As a result, the amounts shown do not necessarily equate to specific estimates of the adequacy of insurers' reserves for unpaid losses.
- Projected ultimate losses are based on WCIRB aggregate financial data call data as of September 30, 2021.
- COVID-19 claims are included for accident year 2020.



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