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WCIRB Actuarial Committee Meeting

April 14, 2022

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Table of Contents/Agenda

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01

Update on Medical Severity Trends by Component

Summary of Medical Severity Trends through 2021

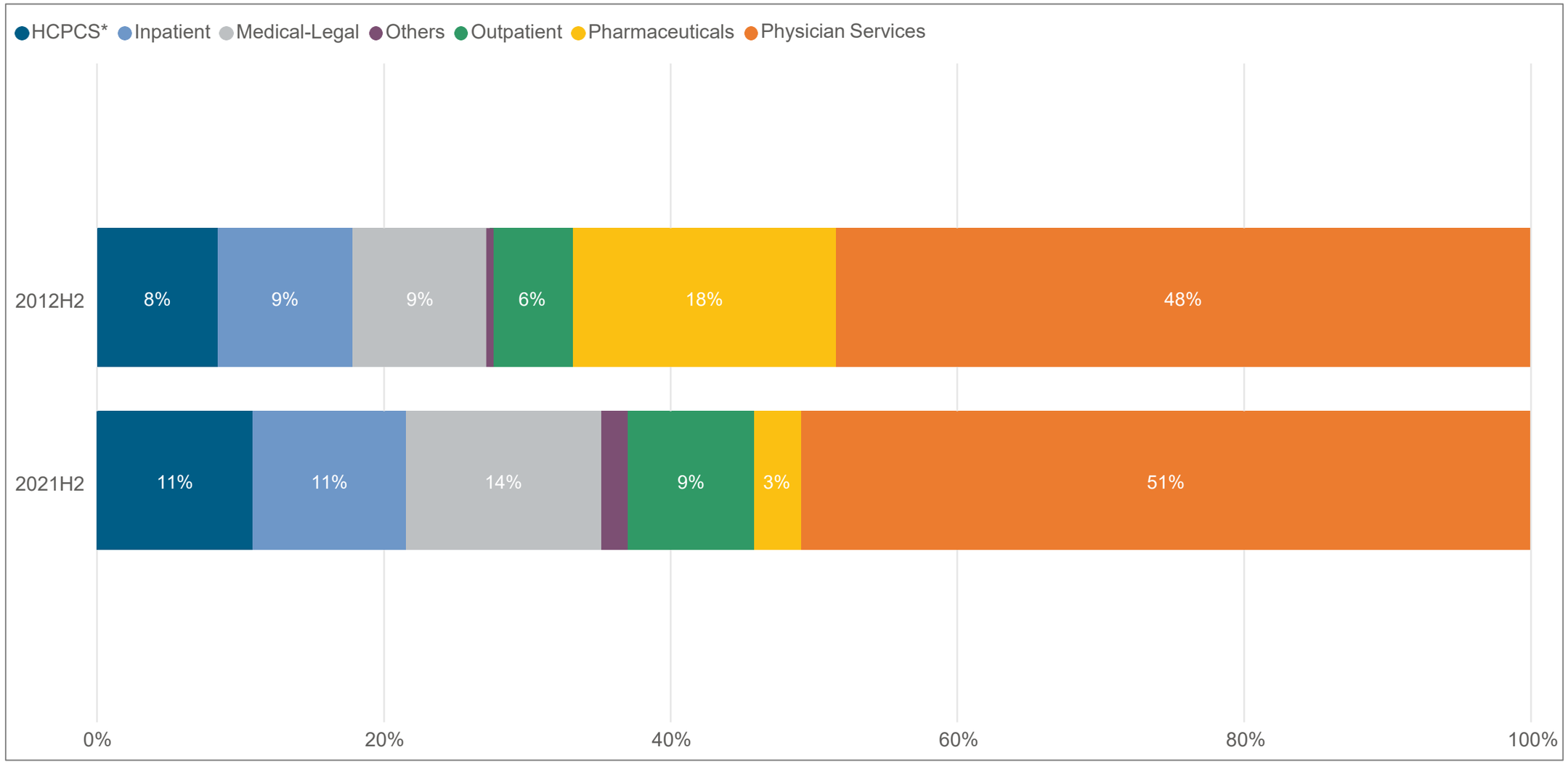
As of February 28, 2022

- **Data Source**
  - Based on medical transaction data through 2021 (2021Q4 data preliminary, based on 2/3 of the market)
  - COVID-19 claims were excluded

- **Key Findings**
  - Overall medical severity per claim: +11% in 2020 and +6% in 2021
    - Increase in 2020 mostly driven by a shift in claim mix related to the pandemic
    - Increase in 2021 mostly driven by the 2021 fee schedule changes (medical-legal and E/M office visits)
  - Number of telemedicine services per claim dropped slightly (-14%) in 2021 from the peak (>+4300%) in 2020
  - Pharmaceutical paid per claim declined in 2021 (-10%) after a temporary increase (+8%) in the pharma costs in 2020

Share of Total Medical Payments by Service Type

As of February 28, 2022



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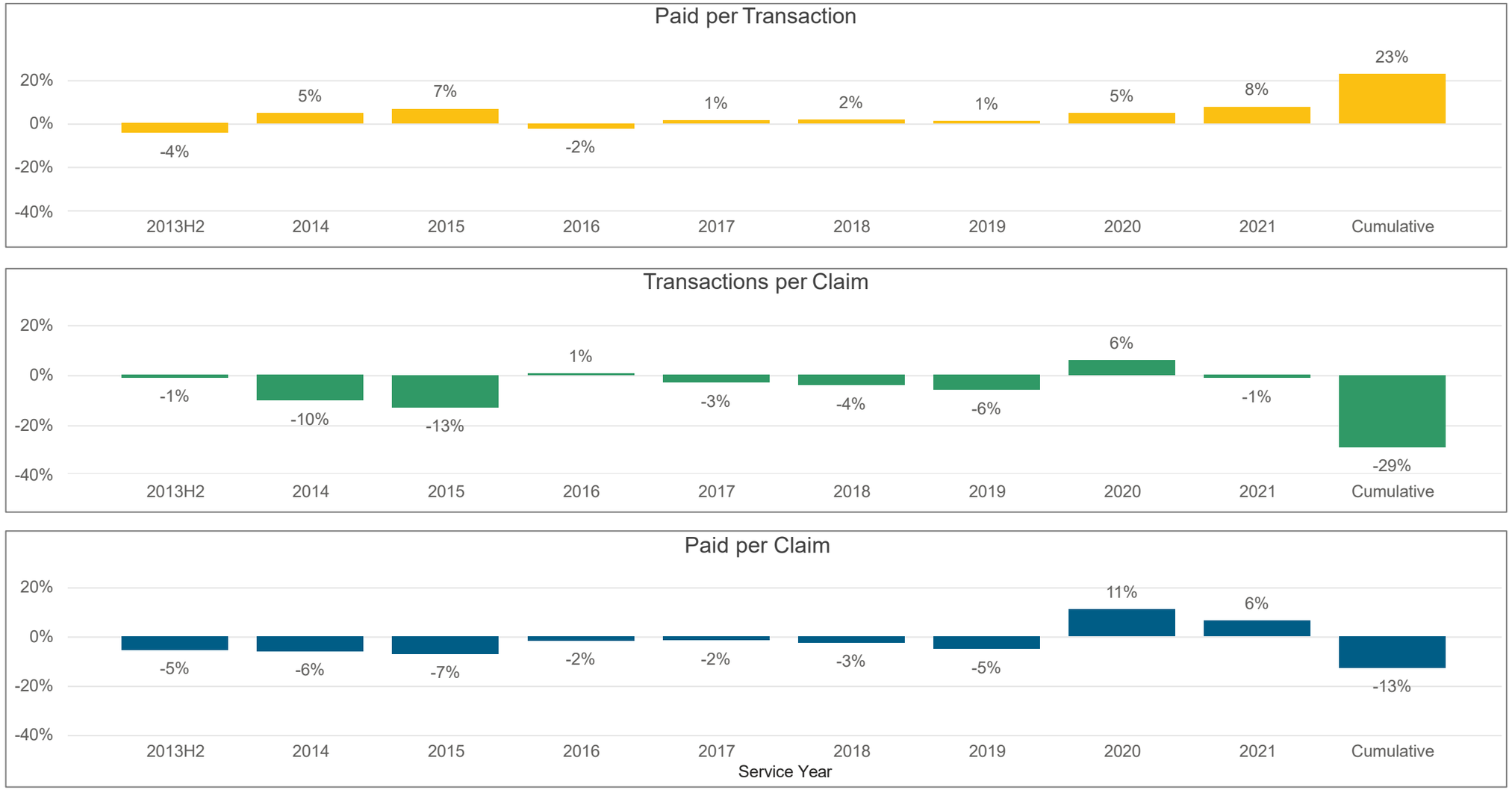
* HCPCS stands for Healthcare Common Procedure Coding System. HCPCS codes primarily include ambulance services, durable medical equipment, prosthetics, orthotics, and supplies used outside a physician's office, home health services, and interpreter services.

Source: WCIRB medical transaction data collected beginning in the third quarter of 2012. COVID-19 claims were excluded from the analysis.

% Change in *All Medical Services* Cost per Claim

As of February 28, 2022



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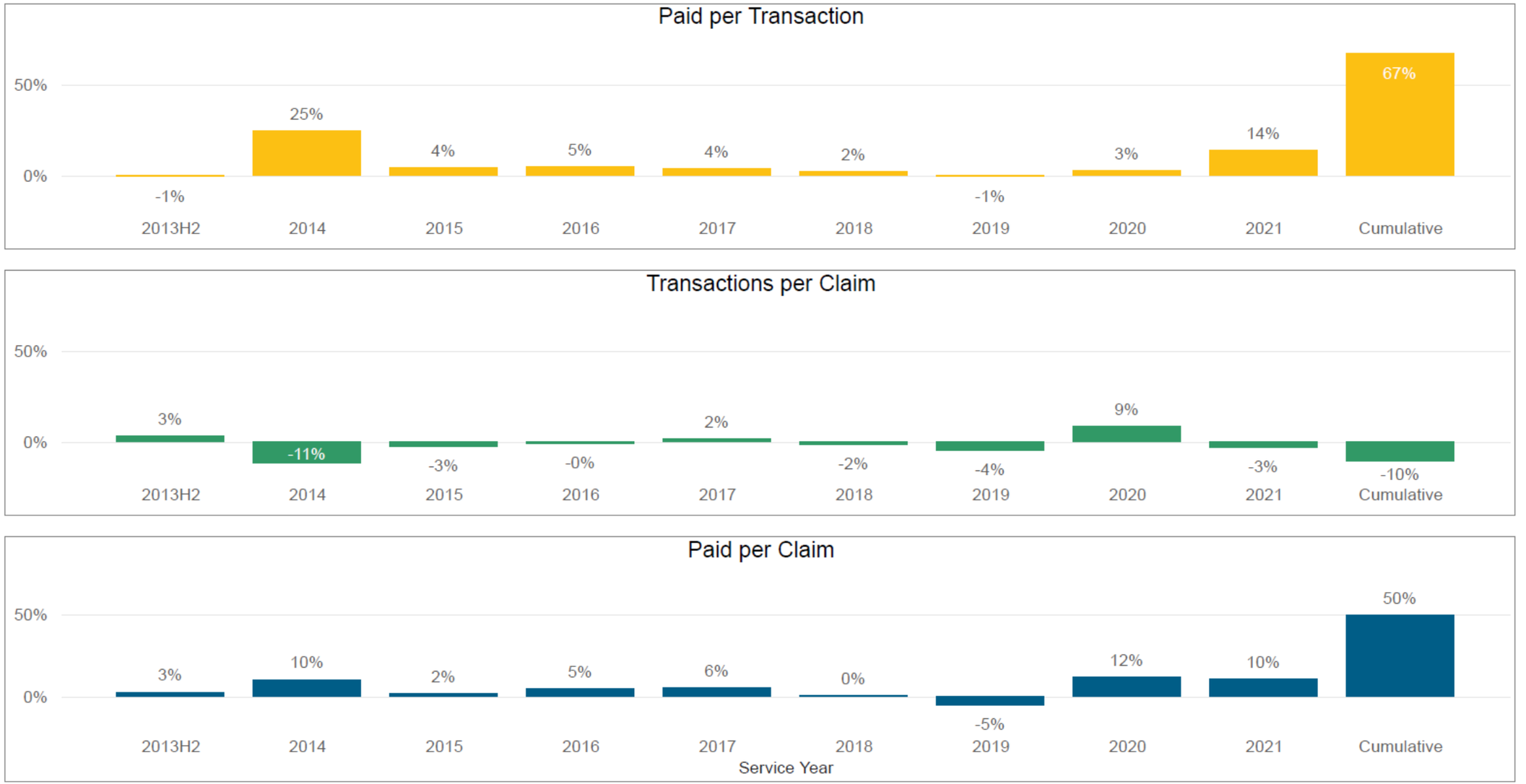
Source: WCIRB medical transaction data collected beginning in the third quarter of 2012. COVID-19 claims were excluded from the analysis and the exclusion applies to all subsequent slides.

% Change in *Evaluation & Management* Cost per Claim (20% of All Medical Payments)

As of February 28, 2022



Source: WCIRB medical transaction data collected beginning in the third quarter of 2012.

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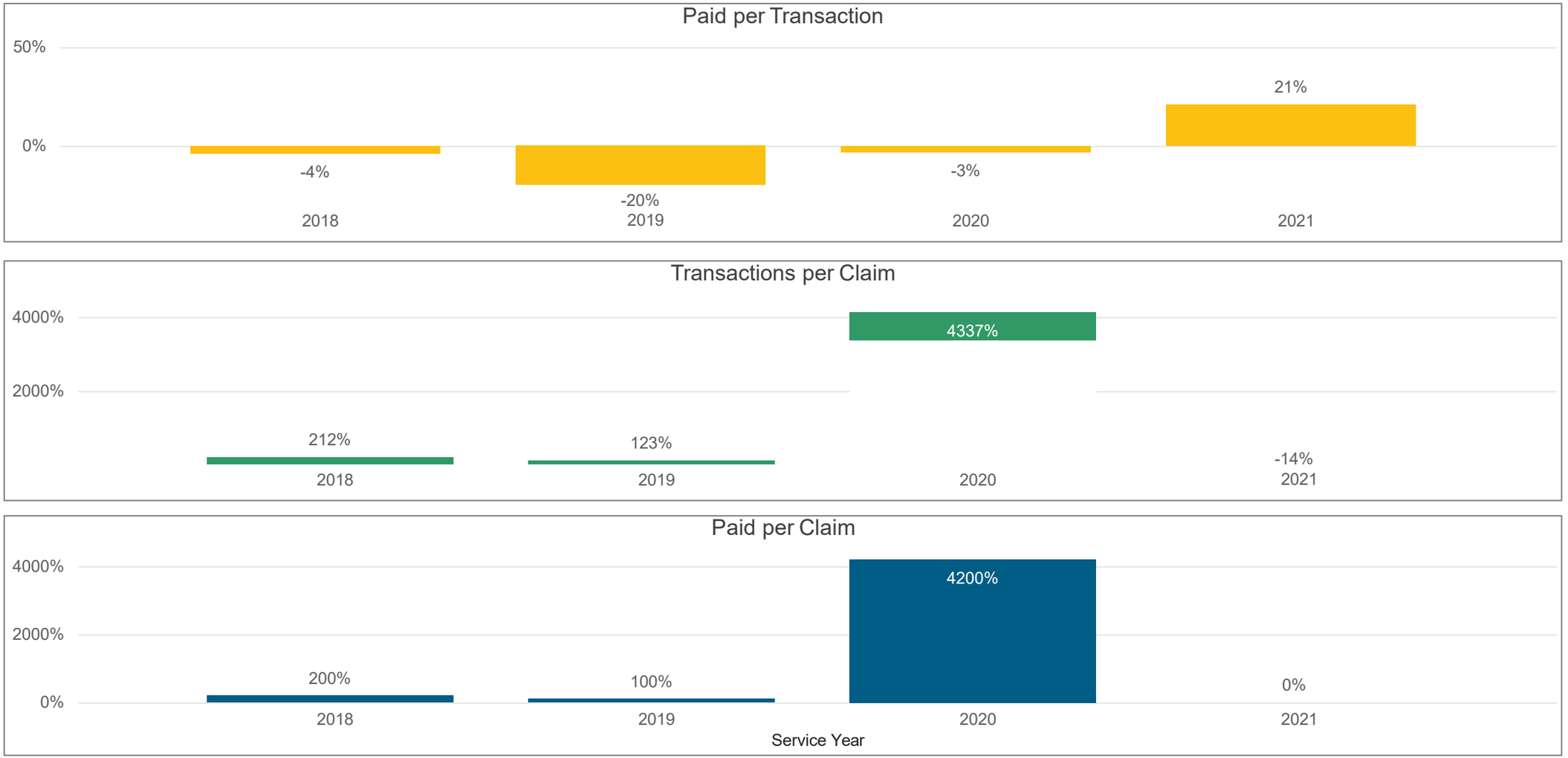
% Change in *Telemedicine* Cost per Claim (1.7% of All Medical Payments)

As of February 28, 2022



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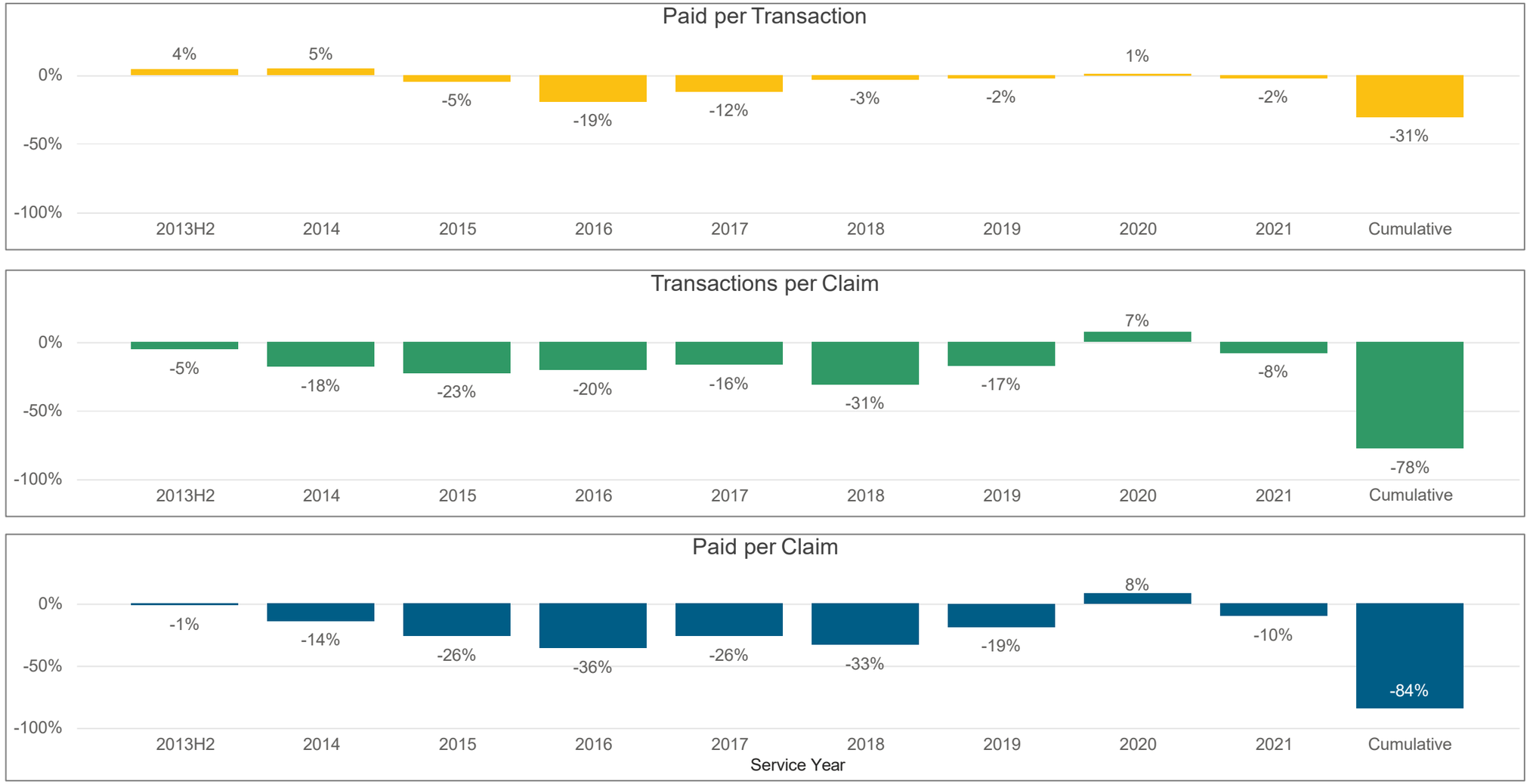
Note: For telemedicine services after March 1, 2020, only services from CMS list of telehealth services are included pursuant to the DWC rules.

Source: WCIRB medical transaction data collected beginning in the third quarter of 2012.

% Change in *Pharmaceutical* Cost per Claim (3.1% of All Medical Payments)

As of February 28, 2022



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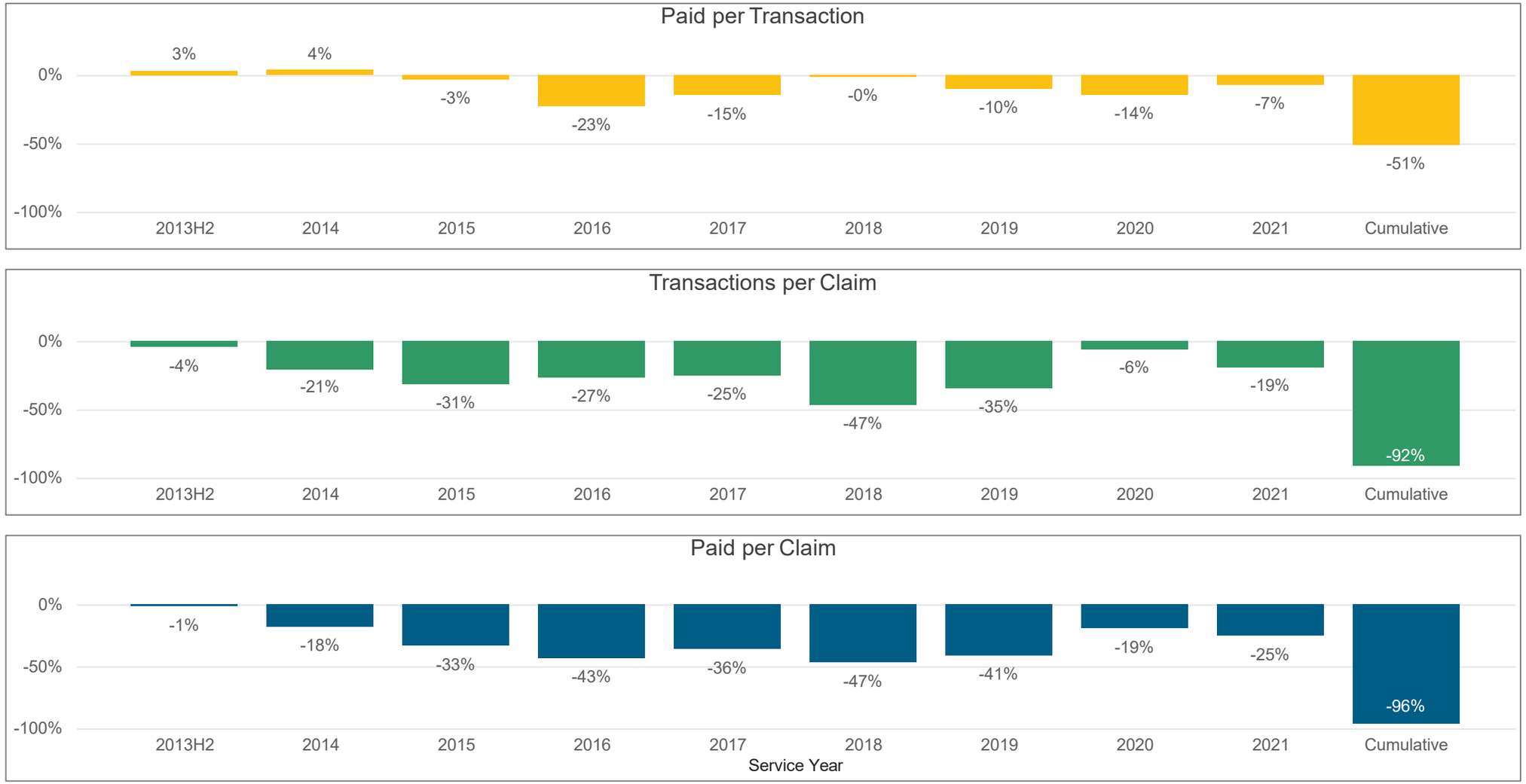
Source: WCIRB medical transaction data collected beginning in the third quarter of 2012.

% Change in *Opioid* Cost per Claim (0.2% of All Medical Payments)

As of February 28, 2022



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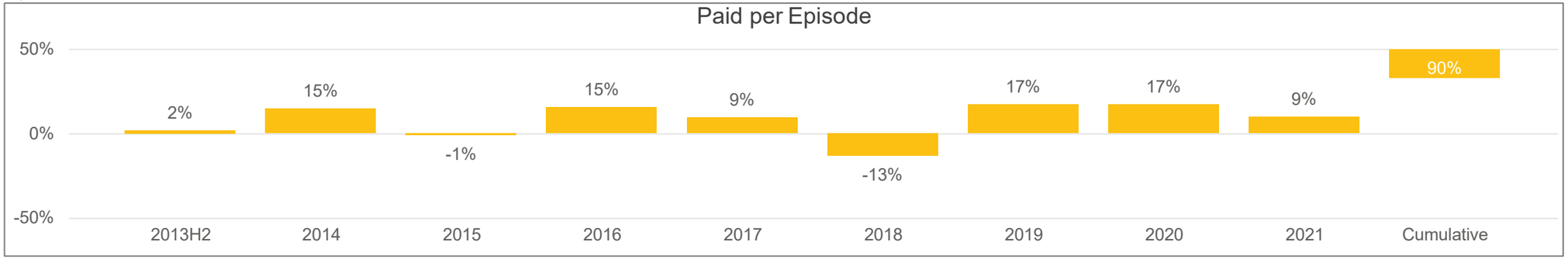
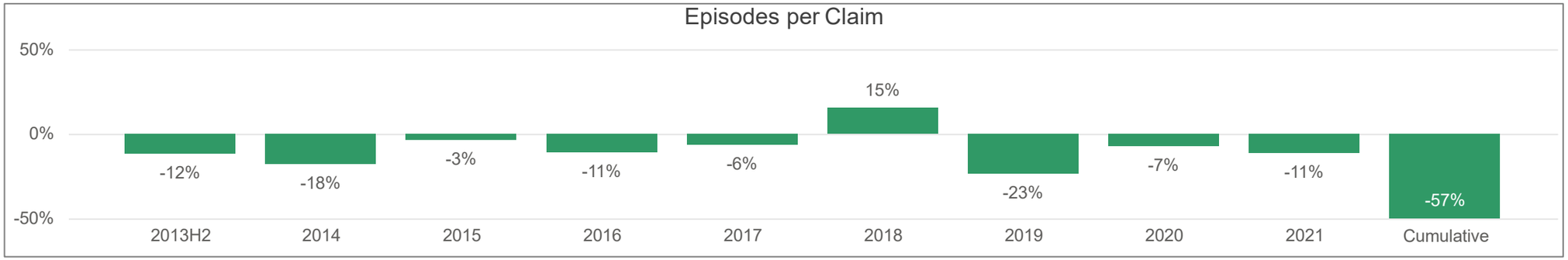
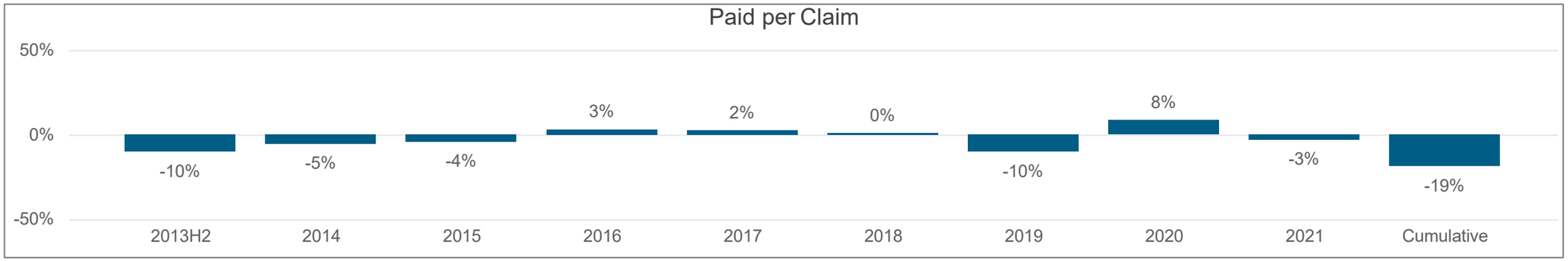
Source: WCIRB medical transaction data collected beginning in the third quarter of 2012.

% Change in *Inpatient* Cost per Claim (episode-based) (11% of All Medical Payments)

As of February 28, 2022







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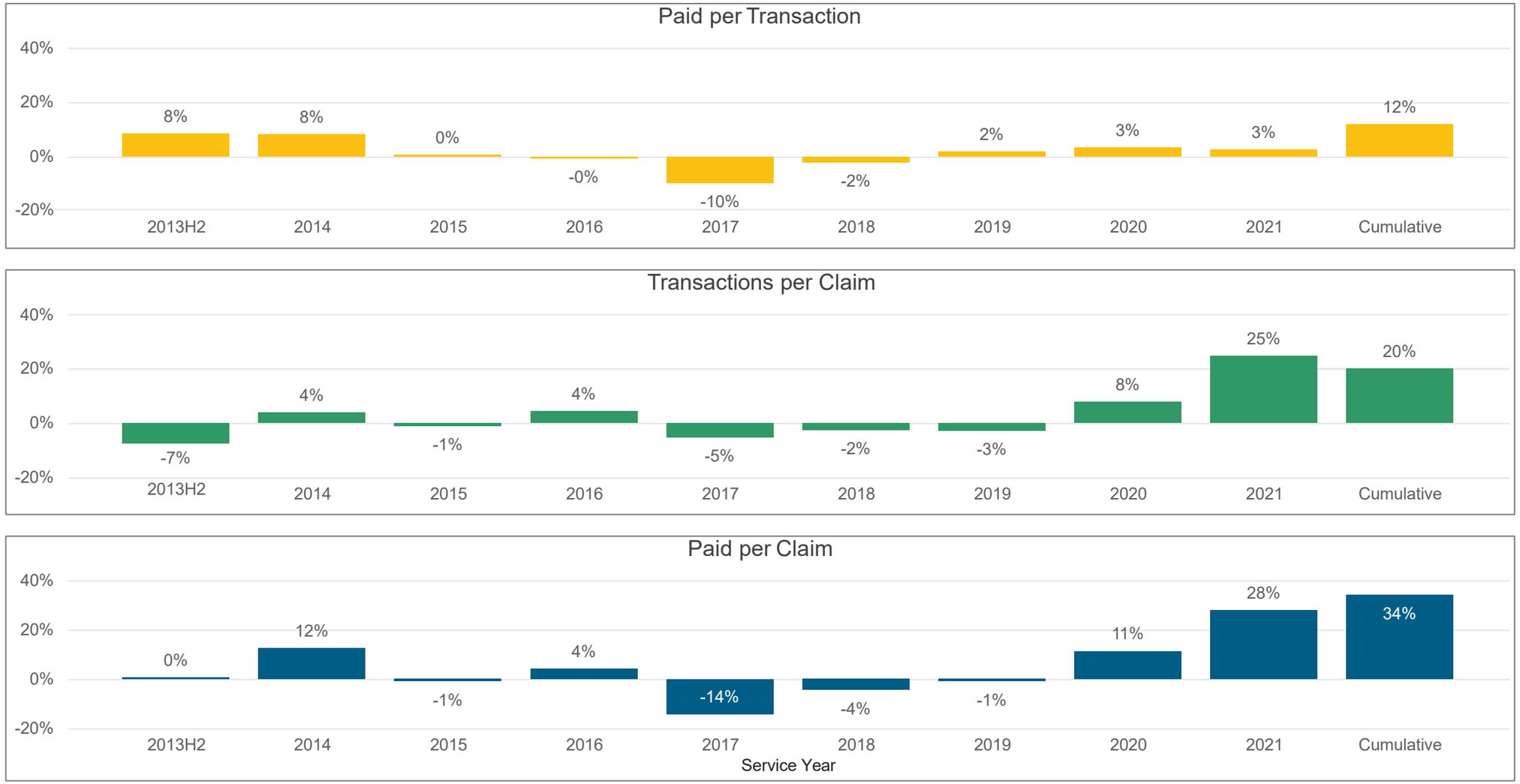
Source: WCIRB medical transaction data collected beginning in the third quarter of 2012.

% Change in *Medical-Legal* Cost per Claim (14% of All Medical Payments)

As of February 28, 2022



Source: WCIRB medical transaction data collected beginning in the third quarter of 2012.

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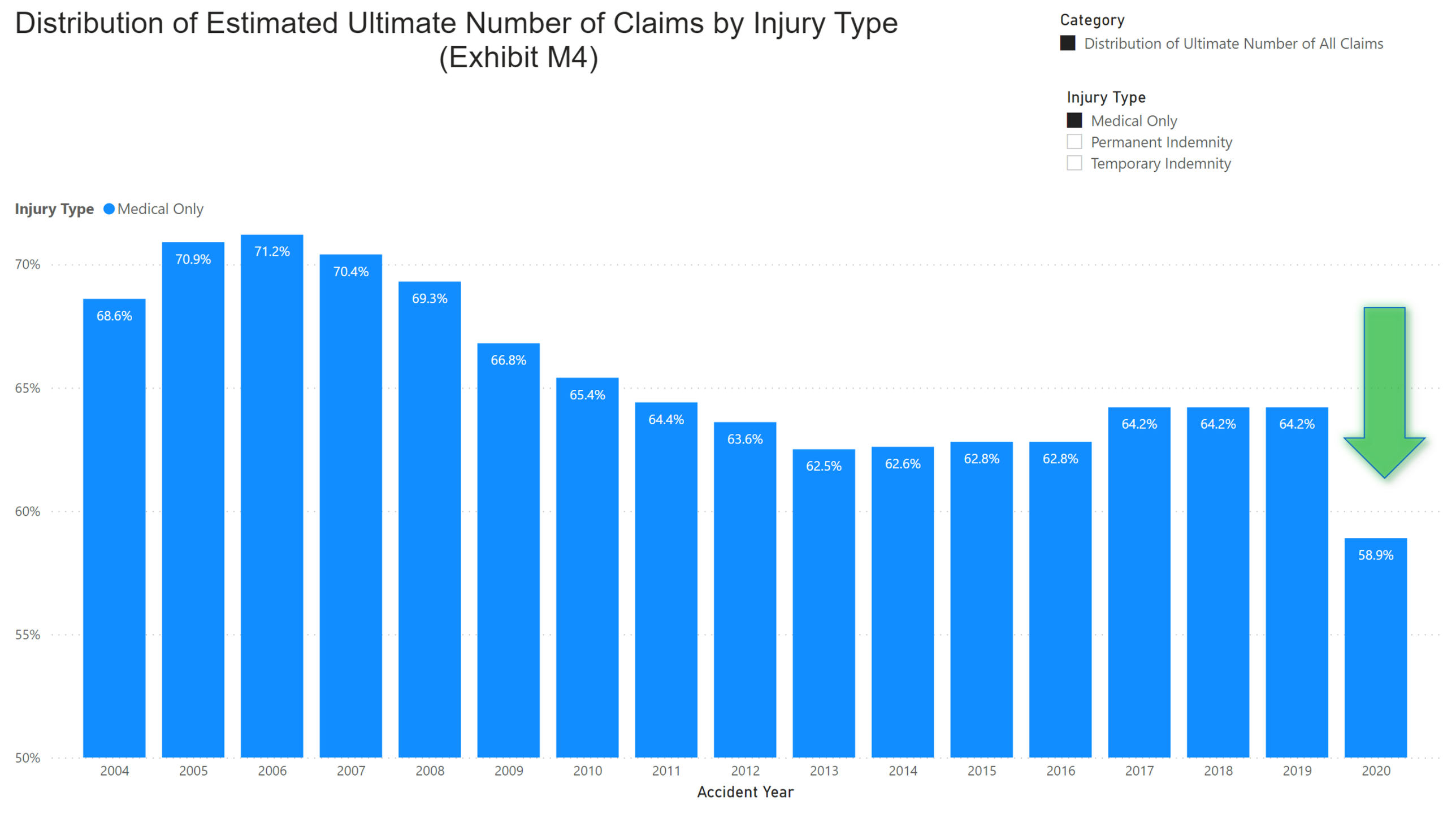
02

First Quarter 2022 Review of Diagnostics

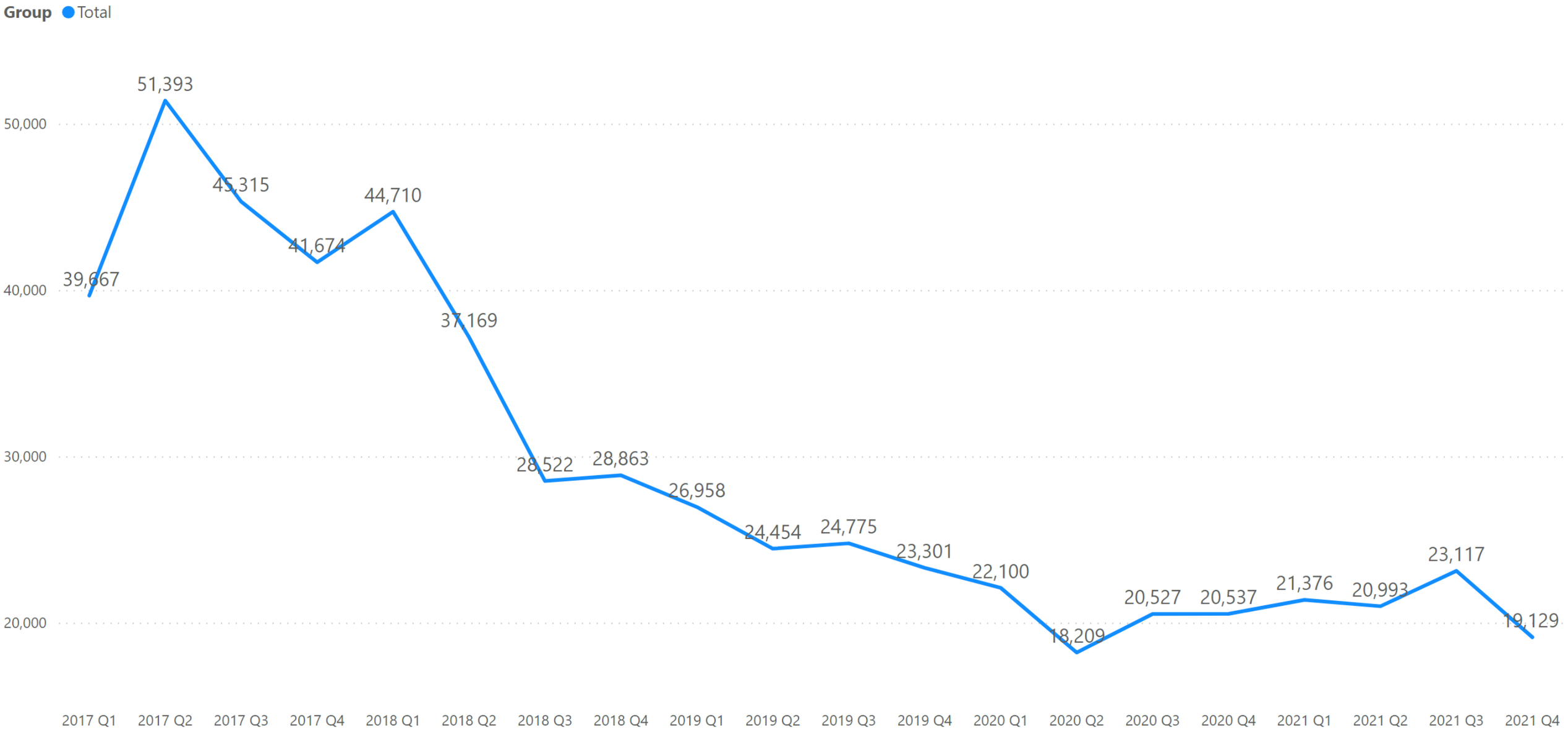
Distribution of Estimated Ultimate Number of Claims by Injury Type (Exhibit M4)



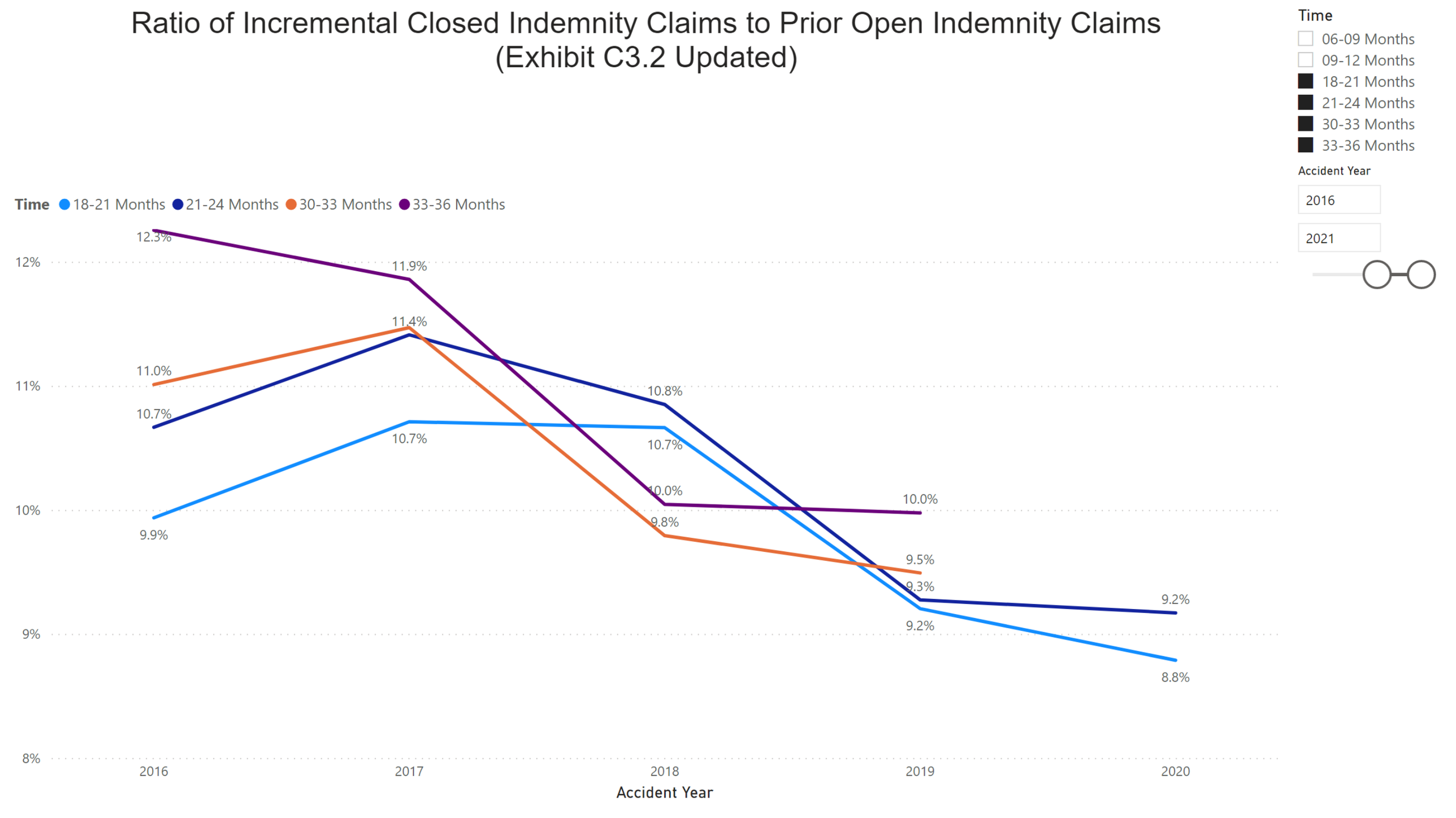
Filed Lien Counts
(Exhibit M9.2)

Group
Total

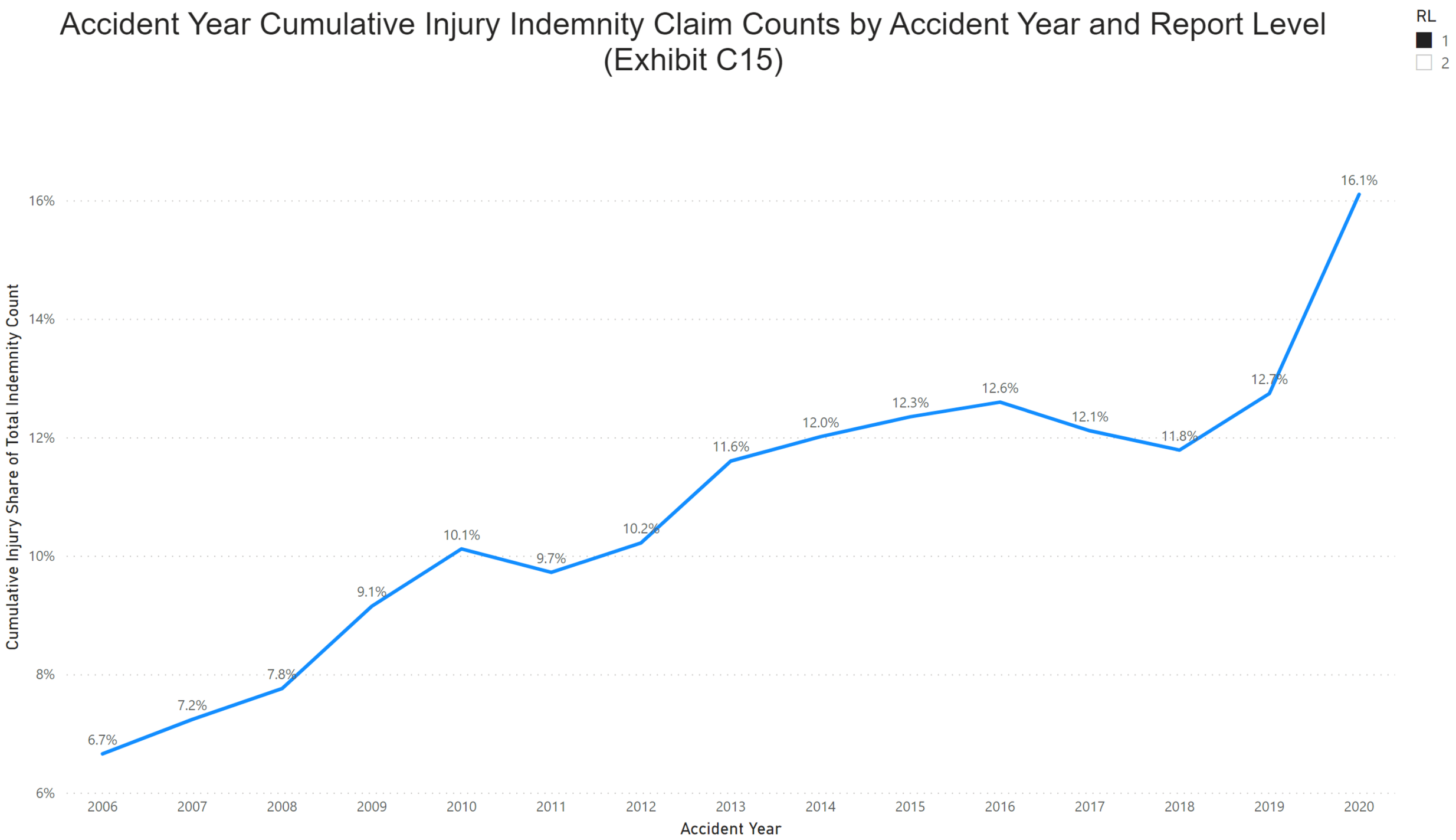
2017 2021



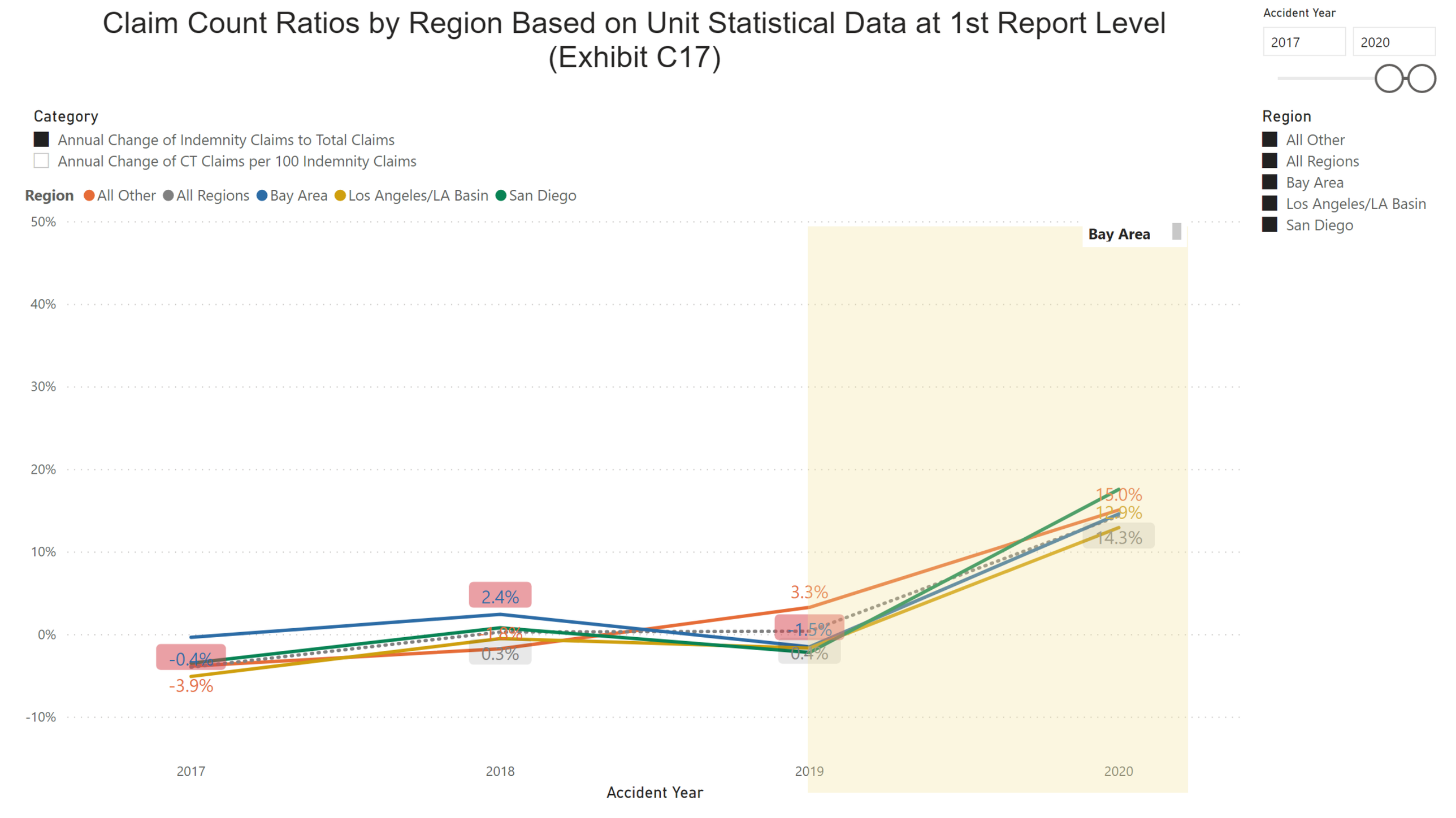
Ratio of Incremental Closed Indemnity Claims to Prior Open Indemnity Claims (Exhibit C3.2 Updated)



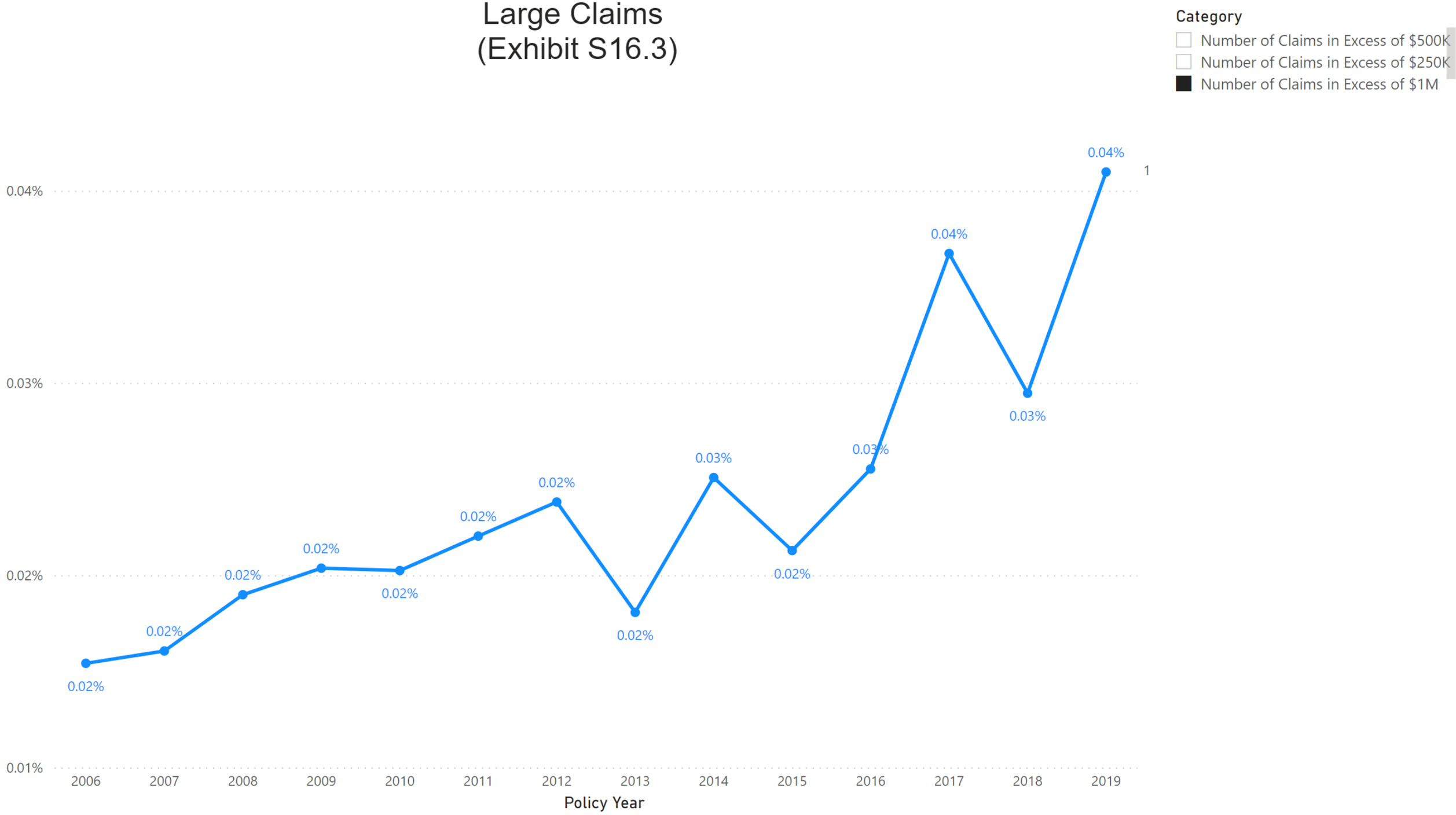
Accident Year Cumulative Injury Indemnity Claim Counts by Accident Year and Report Level (Exhibit C15)



Claim Count Ratios by Region Based on Unit Statistical Data at 1st Report Level (Exhibit C17)



Large Claims
(Exhibit S16.3)



03

Retrospective Evaluation of 2021 Medical Fee Schedule Changes

Background on 2021 Official Medical Fee Schedule (OMFS) Adjustments to Evaluation and Management Services

- The Division of Workers' Compensation (DWC) adopted changes to reimbursement allowance made by the Centers for Medicare & Medicaid Services (CMS) for Evaluation/Management (E/M) services effective March 1, 2021.

- In April 2021, the WCIRB conducted a prospective evaluation of the cost impact of increased reimbursement allowance for E/M office/outpatient visit services and estimated an increase of 15%* to the E/M office visit costs. The cost impact was reflected in the September 1, 2021 Advisory Pure Premium Rate Filing.

- The WCIRB has conducted a retrospective evaluation of the cost impact of the changes to the E/M service reimbursement allowance based on actual post-schedule change payment patterns.

*Net of inflation
Source: WCIRB September 1, 2021 Pure Premium Rate Filing.

Data Source and Summary of Key Preliminary Findings

As of February 28, 2022

Data Source

- Based on WCIRB medical transaction data for service years 2019 to 2021
  - Focused on E/M office visit services between March and December for each service year
  - COVID-19 claims were excluded

Key Preliminary Findings

- Average paid per E/M office visit transaction increased by 10%* in 2021 compared to 2019, slightly lower than the projected increase of 15%
- Mix of E/M office services remained similar in 2021 compared to 2019, but the network discounting appeared to be larger in 2021
- Number of E/M office visits per claim increased by 4% in 2021, likely not related to the March 1, 2021 fee schedule update

* Net of inflation
Source: WCIRB medical transaction data (COVID-19 claims excluded)

E/M Office Visit Services – Percent Change in Paid per Transaction

2021 Compared to 2019 (March – December)

As of February 28, 2022

E/M Office Visit code	Description	Share of E/M Transactions in 2021	Share of E/M Payments in 2021	% Change in Paid Per Transaction (2021 vs. 2019)
99202	New sf 15-29 min	1%	0%	-1%
99203	New low 30-44 min	7%	7%	6%
99204	New mod 45-59 min	8%	11%	6%
99205	New hi 60-74 min	2%	3%	12%
99211	Established minimal prob	0%	0%	-10%
99212	Established sf 10-19 min	3%	1%	23%
99213	Established low 20-29 min	35%	26%	22%
99214	Established mod 30-39 min	32%	32%	17%
99215	Established hi 40-54 min	4%	6%	23%
99202-99215	All 9 Codes Combined	91%	86%	**15%***

Lower than Projected Change of +20%*

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* Including inflation.
Source: WCIRB medical transaction data (COVID-19 claims excluded)

Actual Cost Increases in the E/M Office Visit Services

2021 Compared to 2019 (March – December)

As of February 28, 2022

E/M Office Visit (99202-99205, 99211-99215)	Actual 2019	Actual 2020	Actual 2021	Actual 2021 vs. Actual 2019
Paid per Transaction	$124	$125	$143	**15%**
Average Network Discounting	12%	13%	15%	-
Transactions per 100 Claims (likely not related to the fee schedule update)	338	346	351	4%
Paid per Claim	$419	$432	$504	20%

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Source: WCIRB medical transaction data (COVID-19 claims excluded)

Cost Impact of the 2021 Fee Schedule Changes to the E/M Office Visit Services – Preliminary Finding

2021 Compared to 2019 and 2020 (March – December)

As of February 28, 2022

E/M Office Visit (99202-99205, 99211-99215)	Projected 2021 (compared to **2019** payment)	Actual 2021 (compared to **2019** payment)	Actual 2021 (compared to **2020** payment)
Percentage Change in Paid per Transaction	20%	15%	15%
Removing Typical Annual Inflationary Change **	2.5% * 2 years	2.5% * 2 years	2.5% * 1 year
Cost Impact Estimate	**15%**	**10%**	**12.5%**

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** Inflationary change is calculated based on the yearly change in base maximum fee values of the nine E/M office/outpatient visit codes.
Source: WCIRB medical transaction data (COVID-19 claims excluded)

Background on New Medical-Legal Fee Schedule

- The Division of Workers' Compensation (DWC) adopted significant changes to the Medical-Legal (ML) Fee Schedule effective April 1, 2021.
- The new ML Fee Schedule is intended to increase the reimbursement allowance for medical-legal reports while eliminating complexity factor overlay onto reimbursement allowances.
- In April 2021, the WCIRB conducted a prospective evaluation of the cost impact of new ML Fee Schedule and estimated an increase of 22% to medical-legal costs. The cost impact was reflected in the September 1, 2021 Advisory Pure Premium Rate Filing.
- The WCIRB has conducted a retrospective cost impact evaluation of the new ML Fee Schedule based on the actual payments in 2021.

Source: California Code of Regulations Section 9793-9795.
WCIRB September 1, 2021 Pure Premium Rate Filing.

April 1, 2021 ML Fee Schedule – Summary of Key Changes

- Increases fees for relative value (RV) from $12.5 to $16.25
- Adds a reimbursement allowance for missed appointments
- Changes to modifiers
    - Agreed Medical Evaluator (AME), interpreter, psychologist/psychiatrist, toxicologist and oncologist ML services
- Replaces the time component in the ML evaluation codes (old ML101, ML104 and ML106) with a separate record review procedure code for complexity factor
- Adds a ML code for sub rosa recordings review

Pre-4/1/21 ML Code	New ML Code	Procedure Description
ML100	ML200	**Missed Appointment** for a Comprehensive or Follow-Up Medical-Legal Evaluation
ML102	ML201	**Comprehensive** Medical-Legal Evaluation
ML103		
ML104		
ML101	ML202	**Follow-up** Medical-Legal Evaluation
ML106	ML203	Fees for **Supplemental** Medical-legal Evaluations
ML105	ML204	Fees for Medical-Legal **Testimony**
	ML205	Fees for Review of **Sub Rosa** Recordings
	MLPRR	**Record Review (applicable to ML200-ML203)**

Source: California Code of Regulations Section 9793-9795.

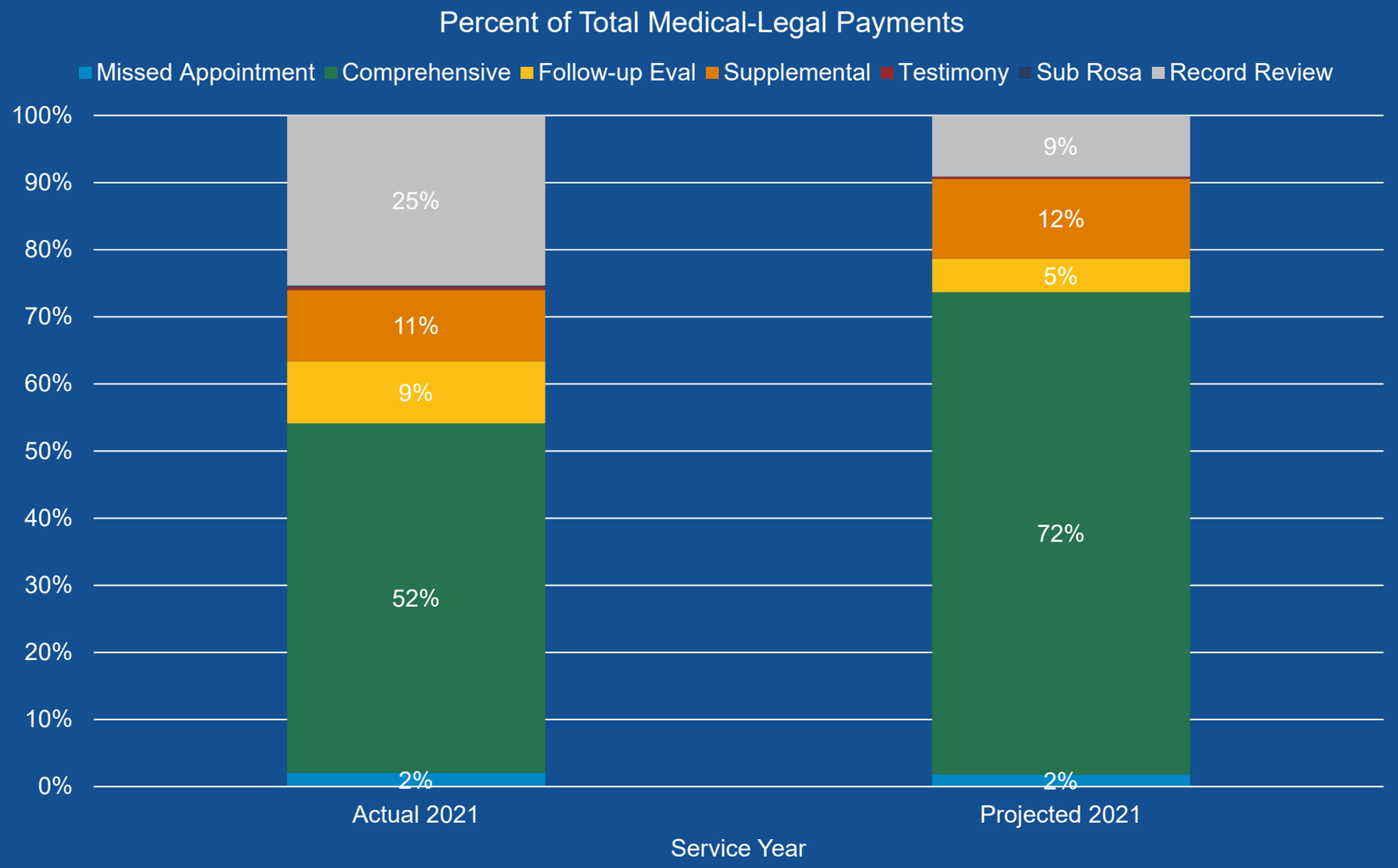
Data Source and Summary of Key Preliminary Findings

- **Data Source**
  - Based on the WCIRB medical transaction data from service year 2018 through 2021
  - Compared ML services provided from Q2 through Q4 of 2021 to those in 2019
  - COVID-19 claims were excluded

- **Key Preliminary Findings**
  - Under the new ML Fee Schedule, ML payment per claim in 2021 was 39% higher than in 2019. The actual cost impact is higher than the projected (+22%).
    - Record review appears to be a key cost driver (25% of 2021 ML payments, higher than projected 9%)
  - Including record review, paid per ML service increased by 38% in 2021 compared to those in 2019
  - Overall, number of ML services per claim remained the same in 2021
    - Number of follow-up evaluations per claim increased significantly, while the number of comprehensive and supplemental evaluations decreased

Projected vs. Actual Distribution of Payments for Medical-Legal Services (Q2 through Q4)

As of February 28, 2022



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Source: WCIRB medical transaction data (COVID-19 claims excluded)

Projected vs. Actual Record Reviews for Additional Pages* (2021Q2 through Q4)

As of February 28, 2022

	Share of ML Services with Additional Pages for Record Review	Average Number of Additional Pages	Average Paid For Record Review
Missed Appointment	6%	688	$2,063
Comprehensive	42%	583	$1,750
Follow-up Eval	23%	424	$1,273
Supplemental	29%	421	$1,262
Record Review Only (2% of all record review)	N/A	507	$1,520
Overall	32%	526	$1,577

Lower than projected 62%

5X higher than projected $263

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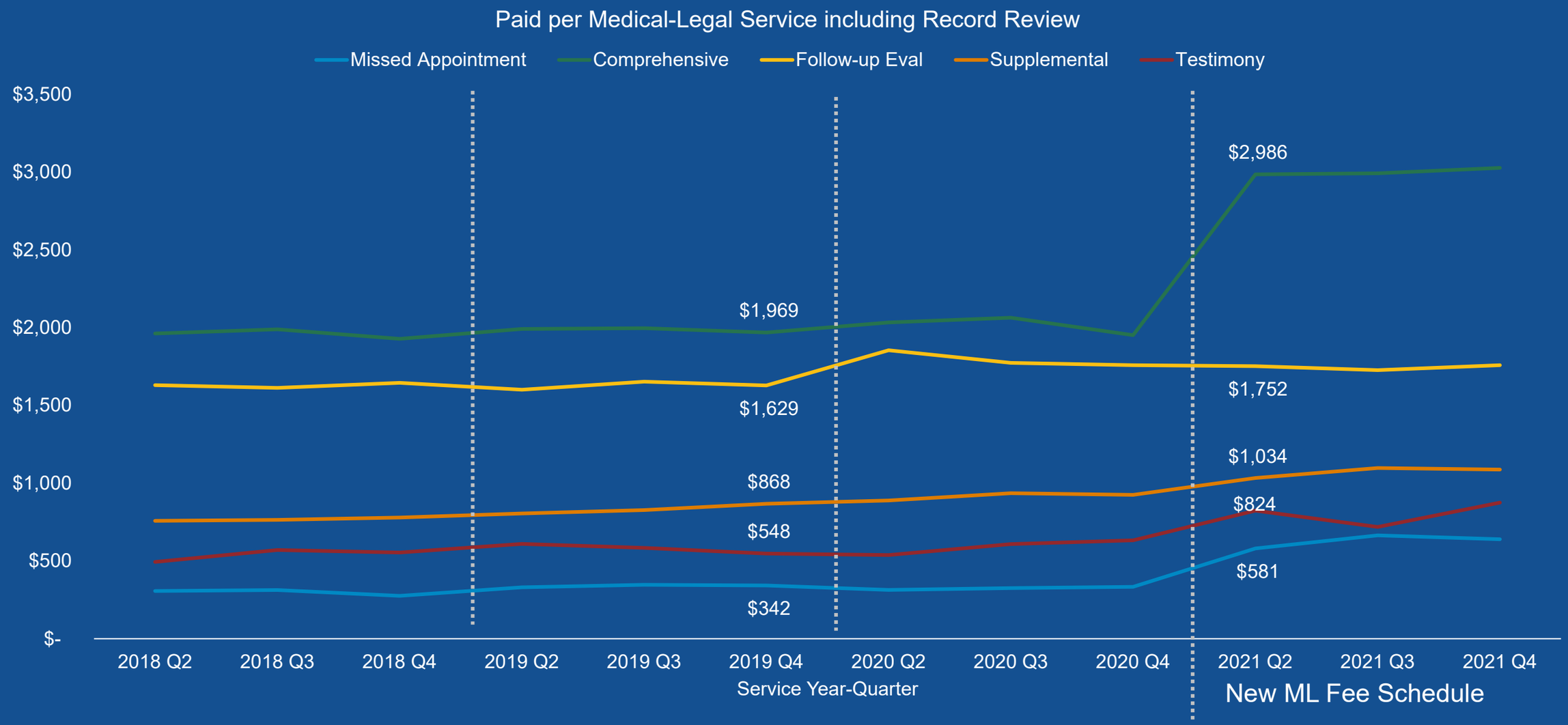
Source: WCIRB medical transaction data (COVID-19 claims excluded)
Note: *Additional pages= Paid Amount divided by $3

Quarterly Trend of Average Payment for Medical-Legal Services including Record Review

As of February 28, 2022



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Source: WCIRB medical transaction data (COVID-19 claims excluded)

Comparison of ML Services in 2021 to Those in 2019 (Q2 through Q4) – Preliminary Findings

As of February 28, 2022

ML Service	Mix of ML Services in 2021	Actual 2021 Compared to Actual 2019		
		% Change in Paid per ML Service*	% Change in ML Services* per Claim	% Change in ML Paid per Claim
Missed Appointment	8%	+85%	+34%	+147%
Comprehensive	46%	+51%	-11%	+33%
Follow-up Eval	13%	+ 7%	+117%	+133%
Supplemental	30%	+30%	-14%	+12%
Testimony	1%	+36%	+69%	+130%
Overall	100%	+38%	0%	+39%

Higher than Projected Change of +22%

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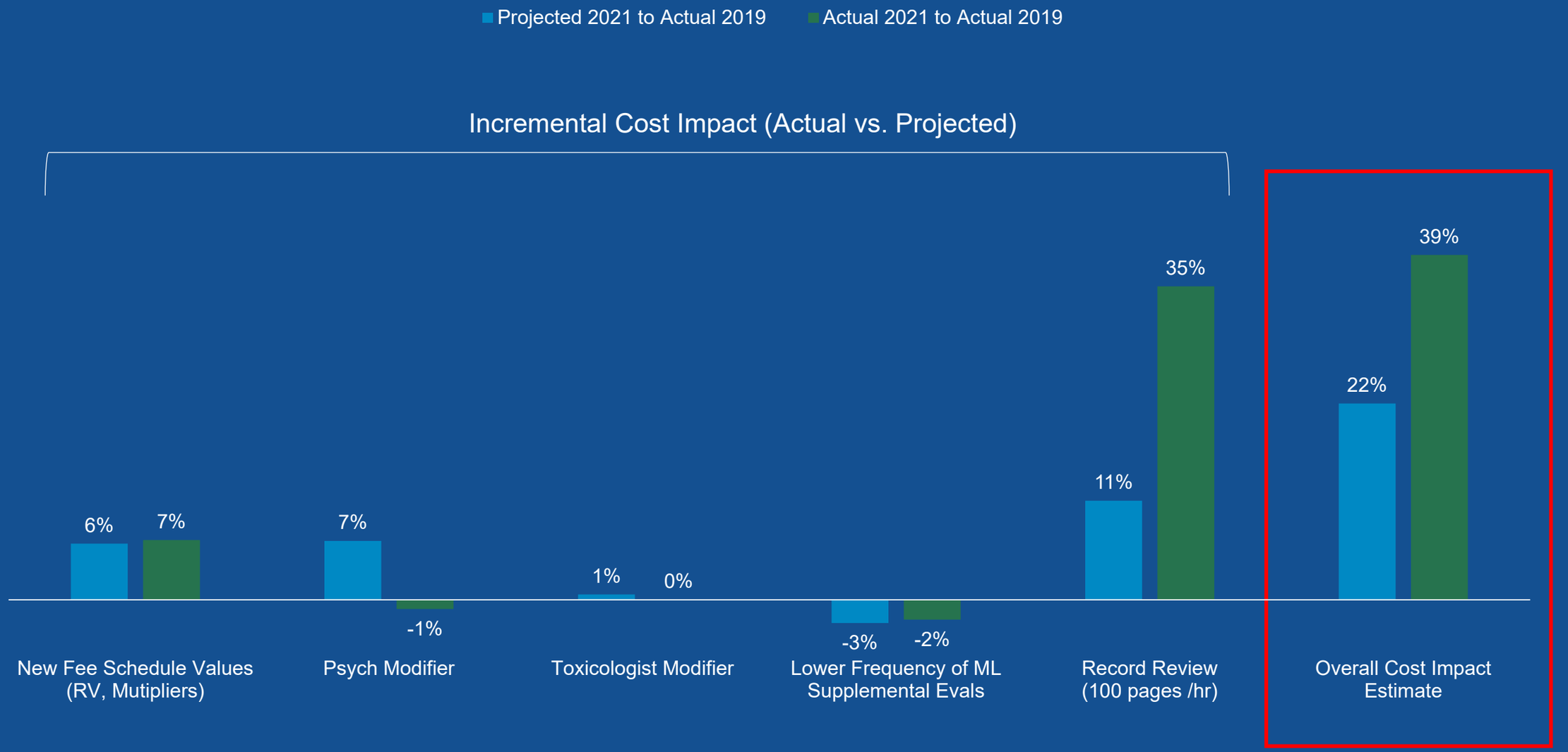
* Payments for record review of additional pages were included in ML services.
Source: WCIRB medical transaction data (COVID-19 claims excluded)

Comparison of Actual and Projected Cost Impact of New Medical-Legal Fee Schedule – Preliminary Findings

Comparison of Percentage Change in Actual Paid per Claim and in Estimated Paid per Claim



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Source: WCIRB medical transaction data (COVID-19 claims excluded)

04

12/31/2021 Experience Review

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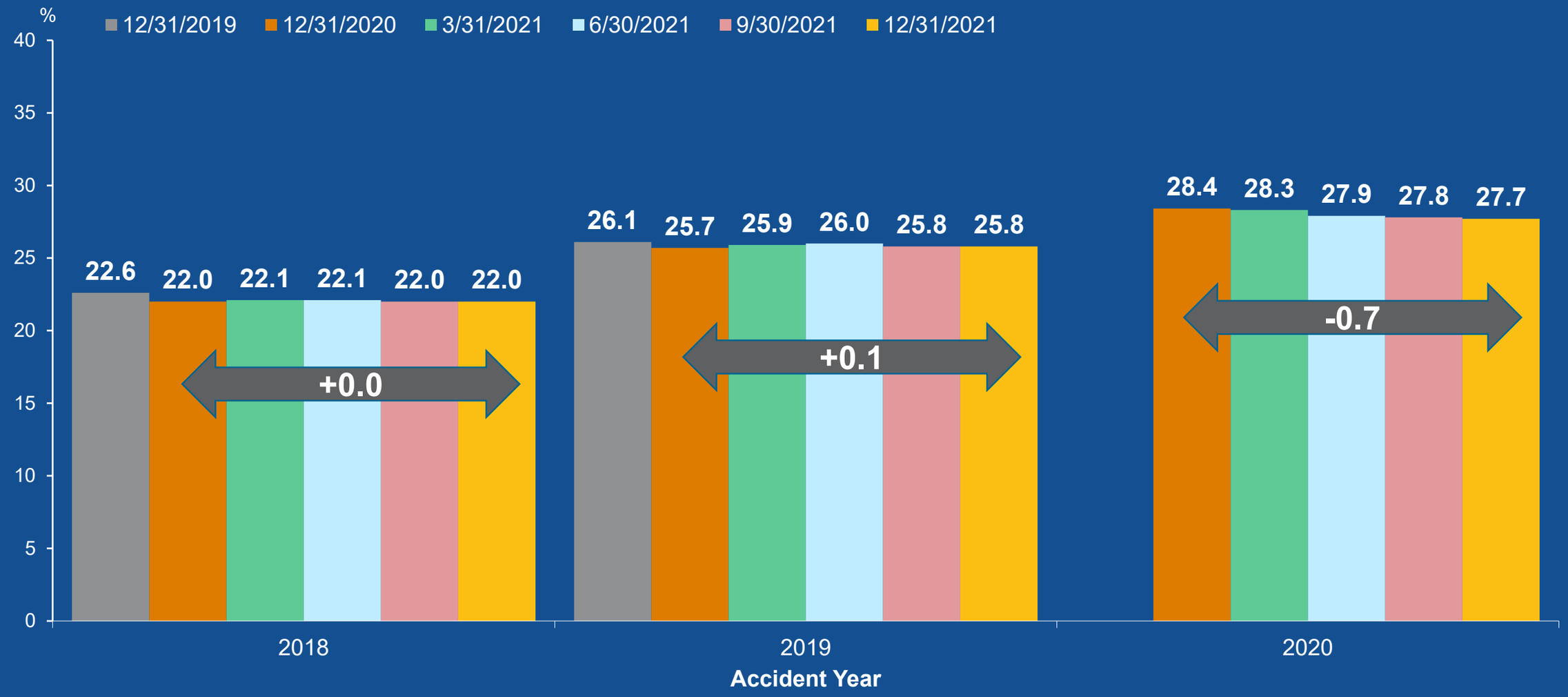
Updated Summary of 12/31/2021 Experience (Excluding COVID-19)

- 100% of market included
- Updates from 3/21/2021 meeting review:
  - Additional insurer data submissions and revisions
  - Loss development primarily based on latest year paid adjusted for changes in claim settlement rates and reforms
  - Adjustment to medical development for 2021 fee schedule changes updated based on retrospective evaluation
  - Projected adjustment to weekly TD maximum updated to reflect projected wage changes
  - Projected changes in average wages adjusted based on 3/21/2021 discussion
  - Projected frequency trends adjusted based on 3/21/2021 discussion
  - Projected loss ratio is trended from AY 2019 and 2021
- Projected loss ratio using 4/14/22 Agenda preliminary methodologies is 0.568
  - Decrease from 9/1/21 Filing (0.596) primarily driven by frequency projections and wage forecasts
- Updated loss ratio based on staff recommendations of 0.606 is slightly above 9/1/21 Filing projection

Developed Indemnity Loss Ratios (Exhibit 3.1)

As of December 31, 2021



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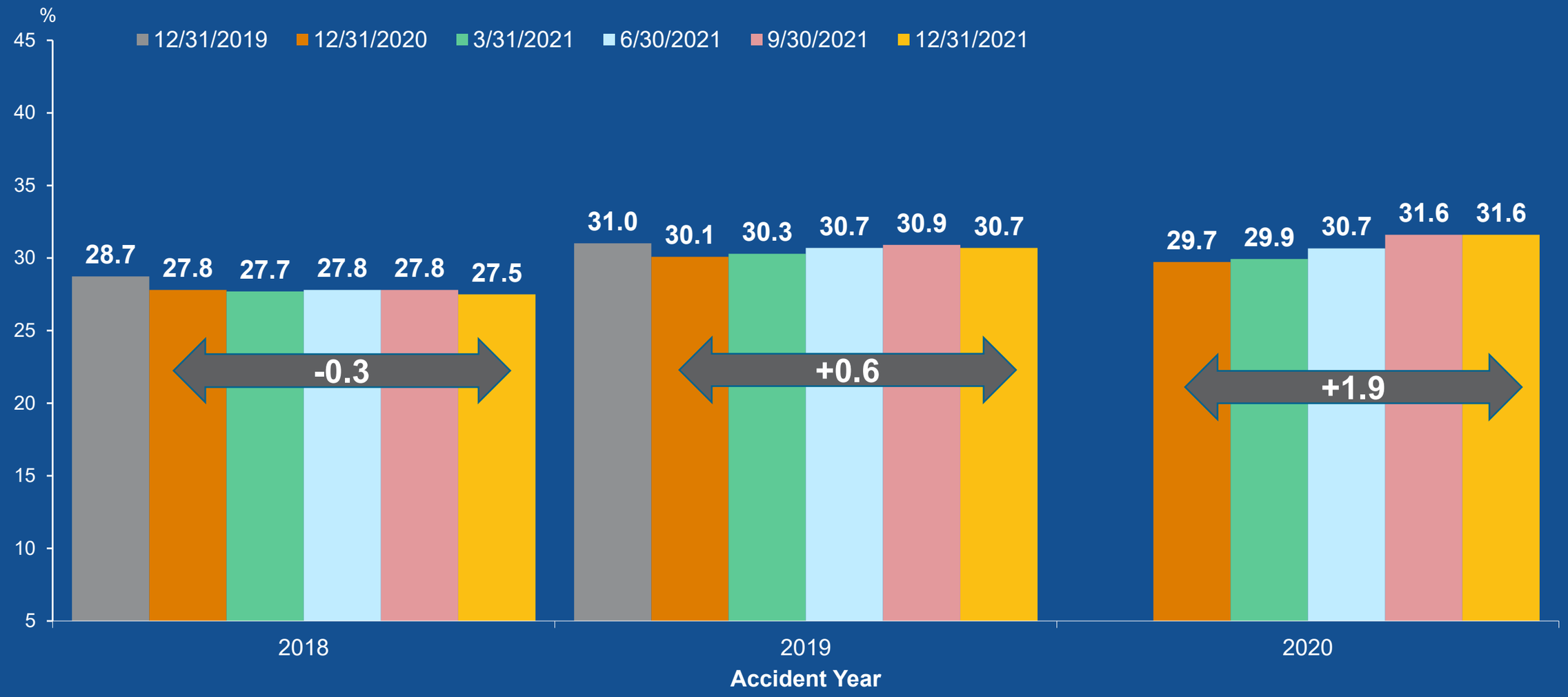
Note: All loss ratios are adjusted to the loss development methodology reflected in the Actuarial Committee Agenda and may not be comparable to the actual loss ratios projected at that time.
Source: WCIRB aggregate financial data excluding COVID-19 claims

Developed Medical Loss Ratios (Exhibit 3.2)

As of December 31, 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

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Alternative Loss Development Methodologies (Item AC22-04-02)
Incurred Methods

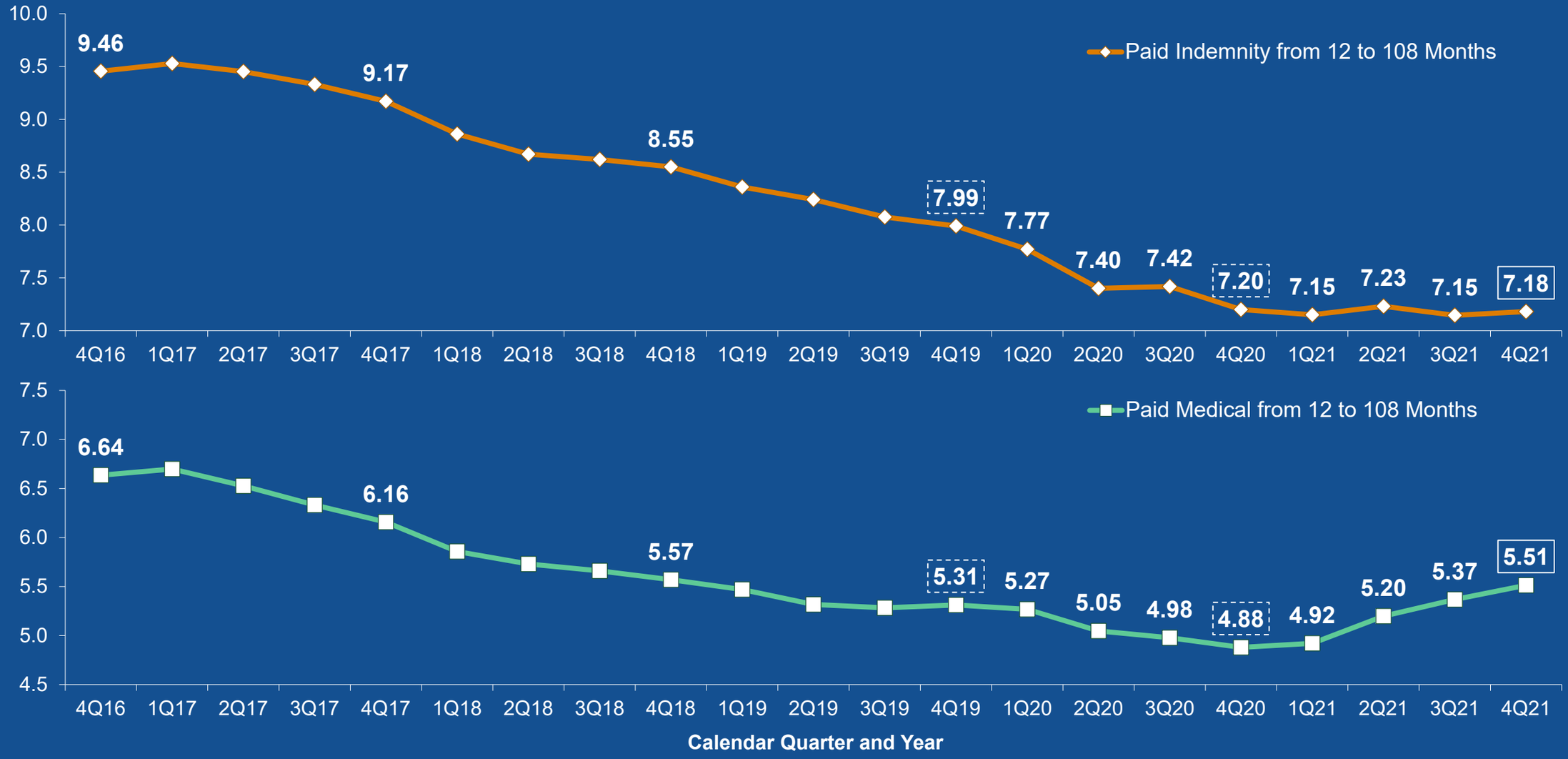
- Unadjusted Incurred Projections
  - Best with stable case reserve levels and incurred patterns
  - Can be distorted by changing reserve levels
  - ★ Incurred development more volatile and cyclical than paid development
  - ★ Performed poorly during transition periods
  - Greater variability across insurers than paid method
  - ★ Difficult to impute reform adjustments
  - Treatment of MCCP in medical reserves unknown
  - ★ Incurred projections continue to be well below paid projections
- Incurred Adjusted for Changes in Case Reserve Levels
  - Best with clear evidence of changing case reserve levels
  - Unclear how to impute reform impacts
  - Recent updates reduced reliance on assumptions and improved accuracy of adjustment
  - ★ Method can be very volatile with constantly shifting reserve levels (3-year average is used)
  - ★ Pandemic volatility in claim activity may result in additional volatility in this approach

Alternative Loss Development Methodologies (Item AC22-04-02)
Paid Methods

- Unadjusted Paid Projections
  - Best with stable payment patterns
  - Can be distorted by changing settlement rates or reforms
  - ★ Generally outperformed unadjusted incurred during transition periods
  - Less variability in paid patterns across insurers than in incurred patterns
  - ★ Recent changes in paid development likely related to reforms and claim settlement changes
- Reform-Adjusted Paid
  - Best with clear evidence of reform impact on payment patterns
  - ★ Adjustments for SB 1160 (liens) and pharmaceutical cost changes reviewed in December 2021
  - ★ Adjustments for 2021 medical fee schedule changes account for date-of-service nature of changes
- Claim Settlement Rate-Adjusted Paid
  - Best with clear evidence of changes in claim settlement rates affecting loss development
  - ★ Improved projection during periods of significant settlement rate change
  - ★ Claim settlement rates declined during pandemic slowdown but have been moderating

Cumulative Paid Development from 12 to 108 Months

As of December 31, 2021



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Source: WCIRB aggregate financial data

Medical Age-to-Age Factors Indexed to 1990

108 to 120 Months

As of December 31, 2021

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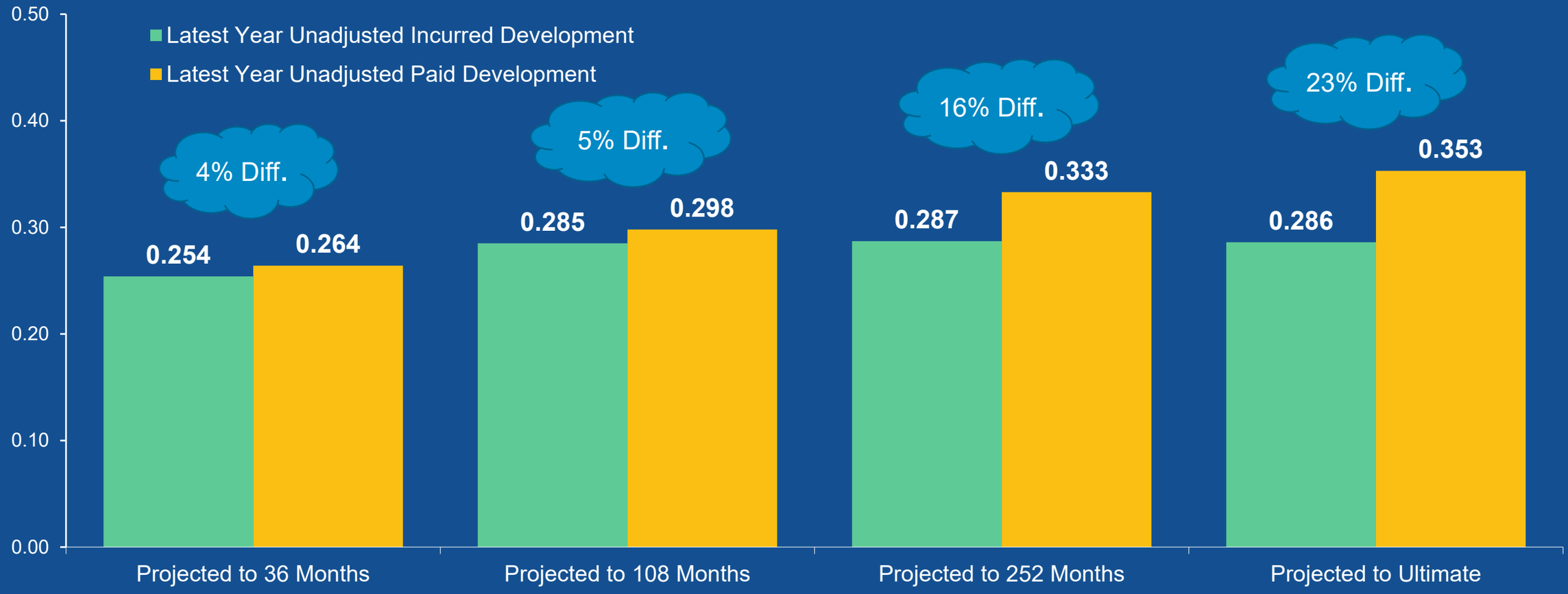
Source: WCIRB aggregate financial data

Comparison of Paid and Incurred Projections for AY 2021 Medical

As of December 31, 2021



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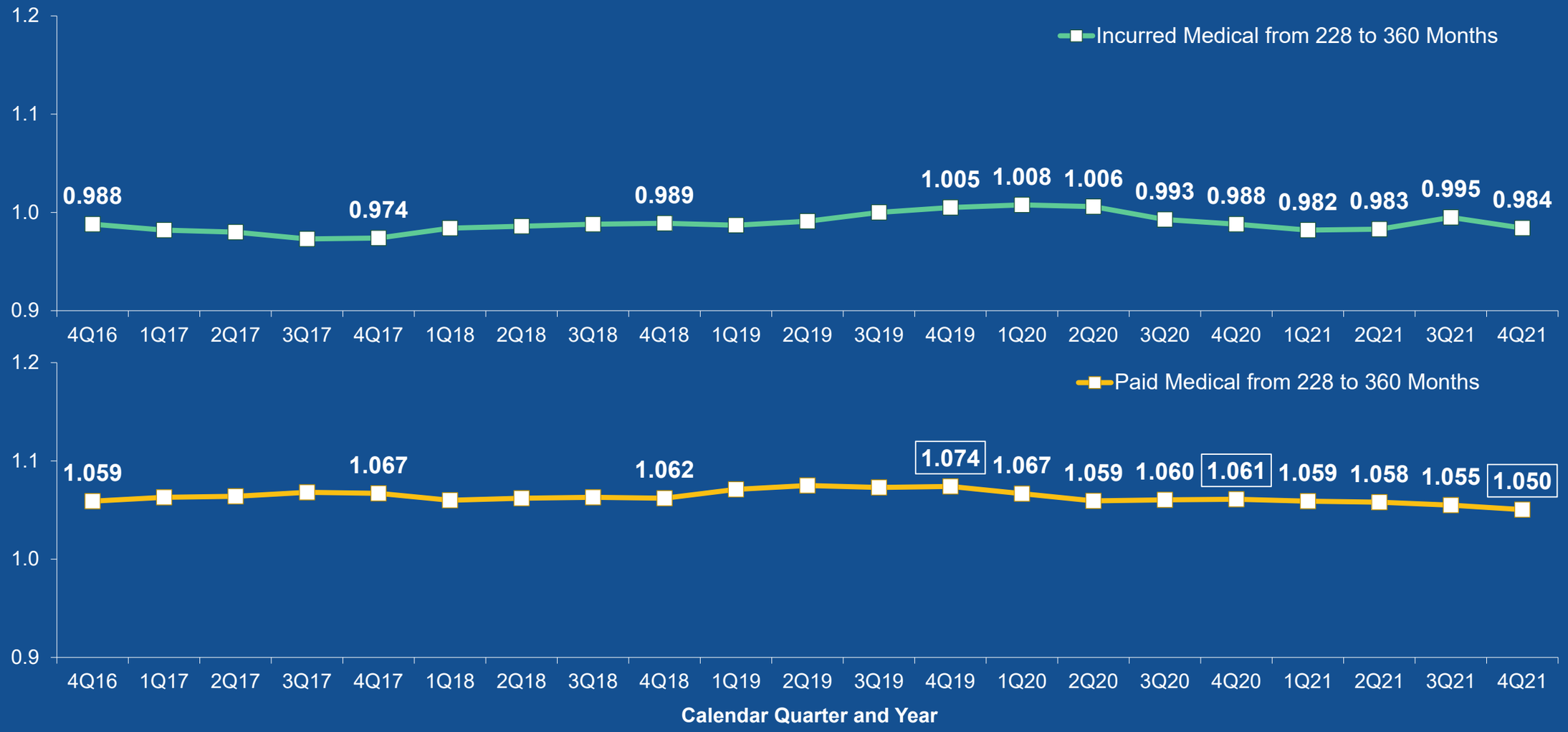
Source: WCIRB aggregate financial data. Paid projections are converted to an incurred basis using the incurred to paid ratio at the later maturity.

Cumulative Medical Development from 228 to 360 Months

As of December 31, 2021



WCIRB California™
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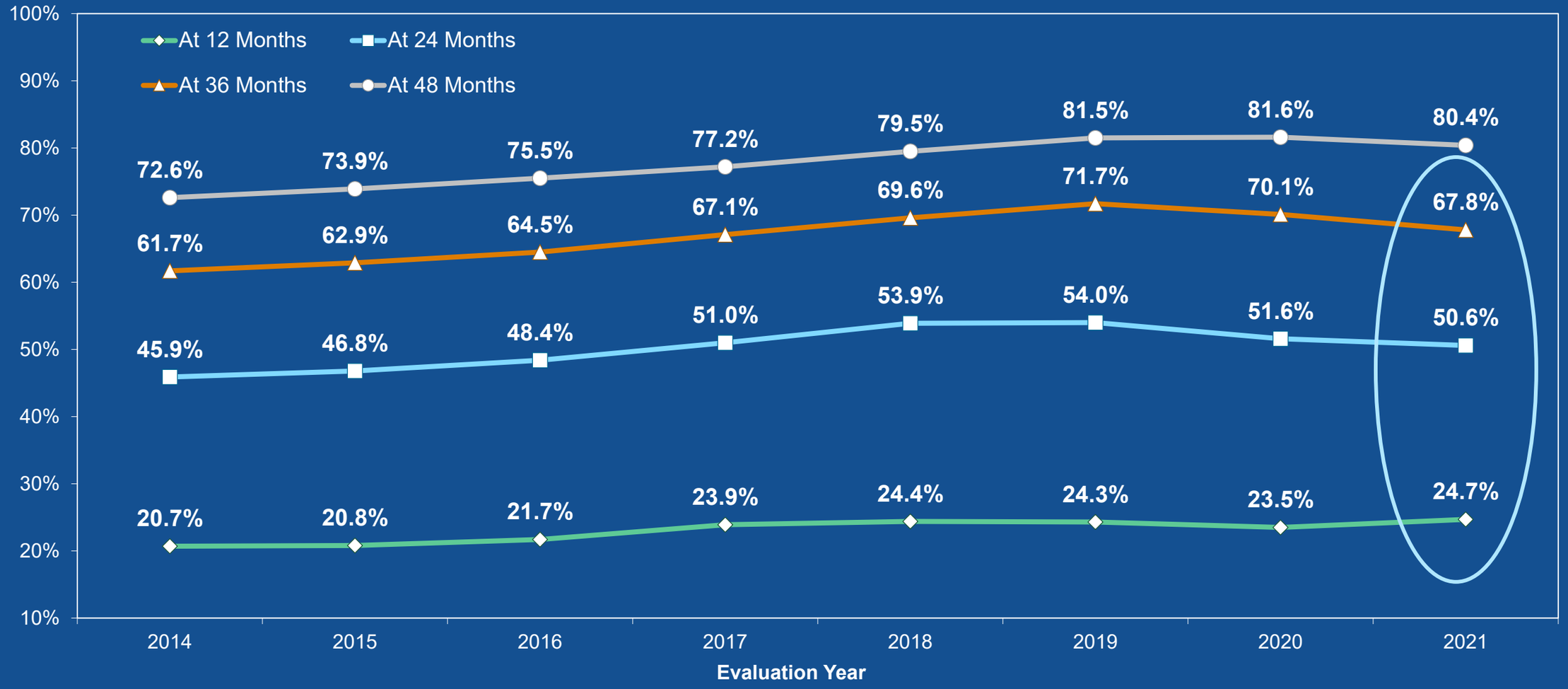
Source: WCIRB aggregate financial data

Estimated Ultimate Indemnity Claim Settlement Ratios (Exhibit 11.2)

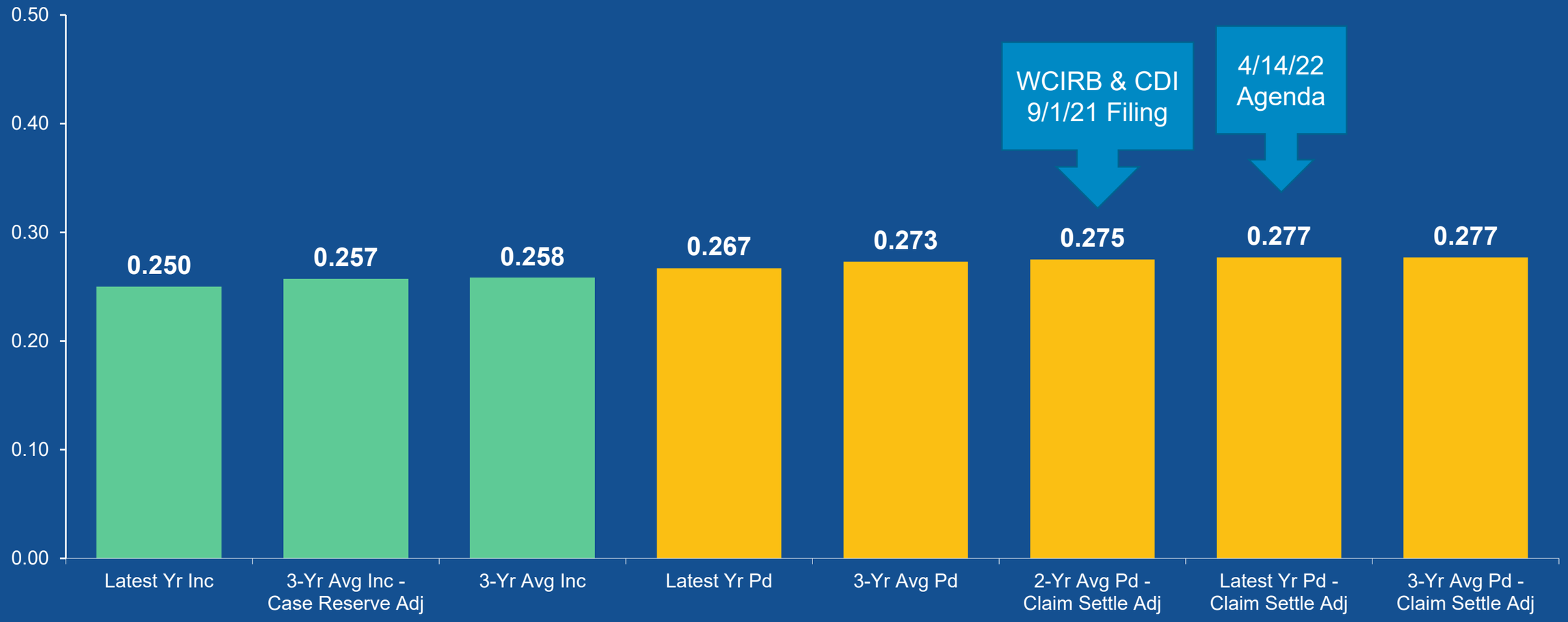
As of December 31, 2021



Source: WCIRB aggregate financial data and projections excluding COVID-19 claims

Projected Indemnity On-Level Loss Ratios under Alternative Development Methods

As of December 31, 2021

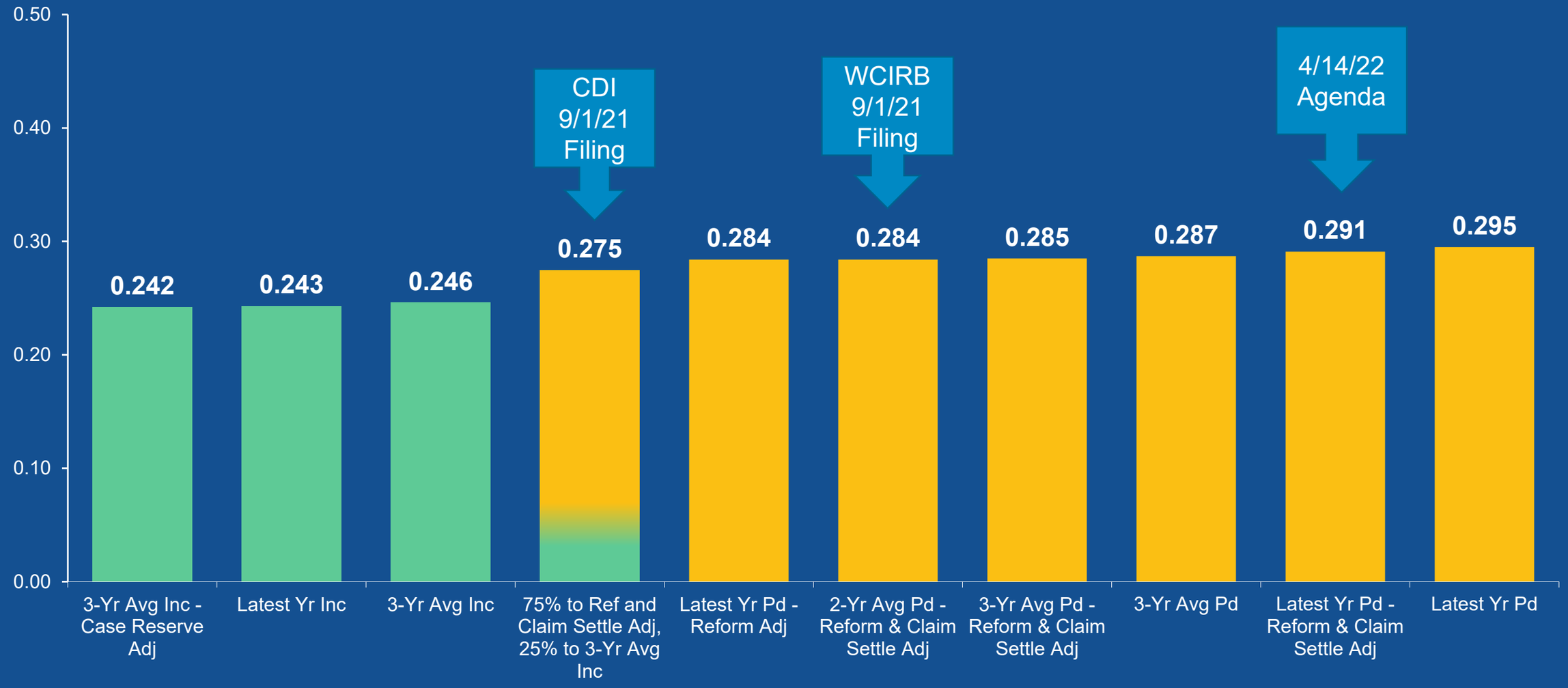


WCIRB California™
Objective. Trusted. Integral.

Source: WCIRB aggregate financial data and projections. Each projection uses the trending methodology reflected in the Agenda.

Projected Medical On-Level Loss Ratios under Alternative Development Methods

As of December 31, 2021



WCIRB California™
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Source: WCIRB aggregate financial data and projections. Each projection uses the trending methodology reflected in the Agenda.

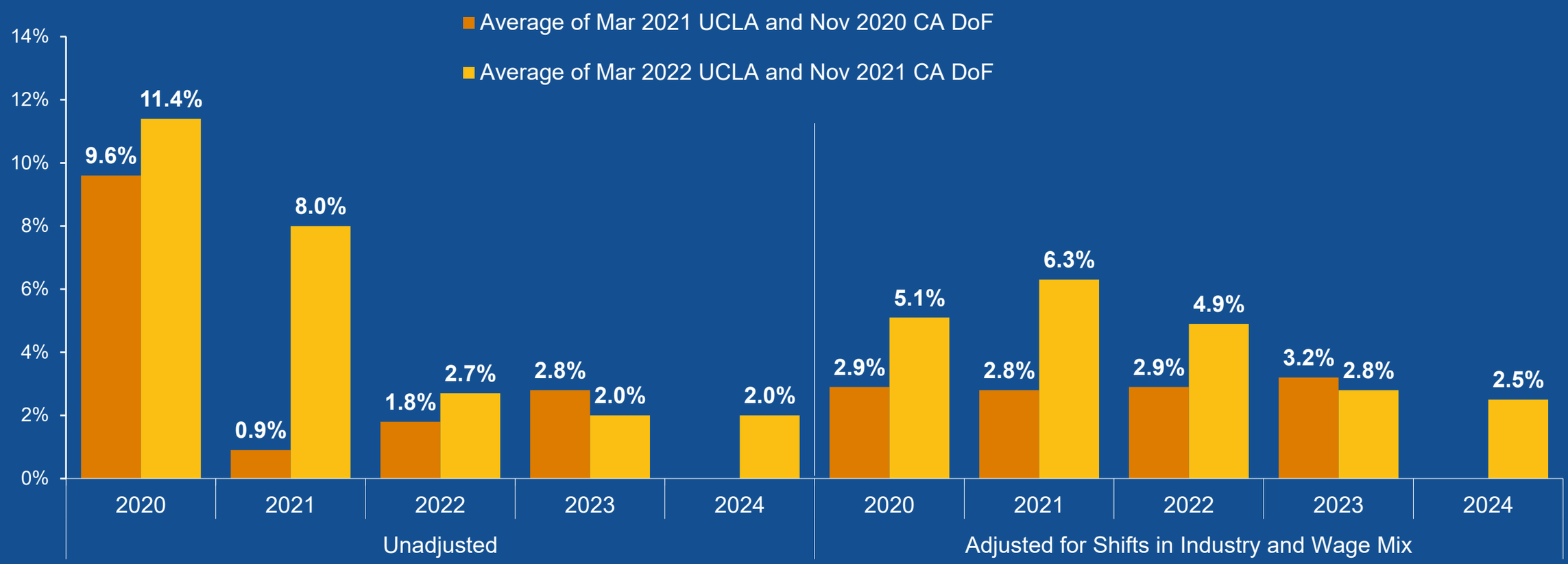
Review of Medical Fee Schedule Changes

- At 12/5/2019 meeting, the Committee recommended staff review updates to medical fee schedules adopted by the DWC for any significant changes impacting medical costs
- Staff has conducted initial review of fee schedule updates published by DWC through March 2022
- Staff compared change in average medical cost after updating fee schedule
- No unusual changes significantly impacting medical severities discovered from updates reviewed

Fee Schedule	Effective Date	Update Type	Impact on Medical Services
Inpatient	12/1/2021	Regular inflation update	0.4%
DMEPOS	1/1/2022	Regular inflation update	0.1%
Path/Lab	1/1/2022	Regular inflation update	< 0.1%
Physician	1/1/2022	Regular inflation update	0.5%
Outpatient	3/1/2022	Regular inflation update	0.4%

Average Wage Level Change Forecast (Exhibit 5.1)

As of March 2022



Average Annual Adjusted Wage Change Projection from 2019:

9/1/2021 Filing: 2.9%

4/14/2022 Agenda: 4.7%

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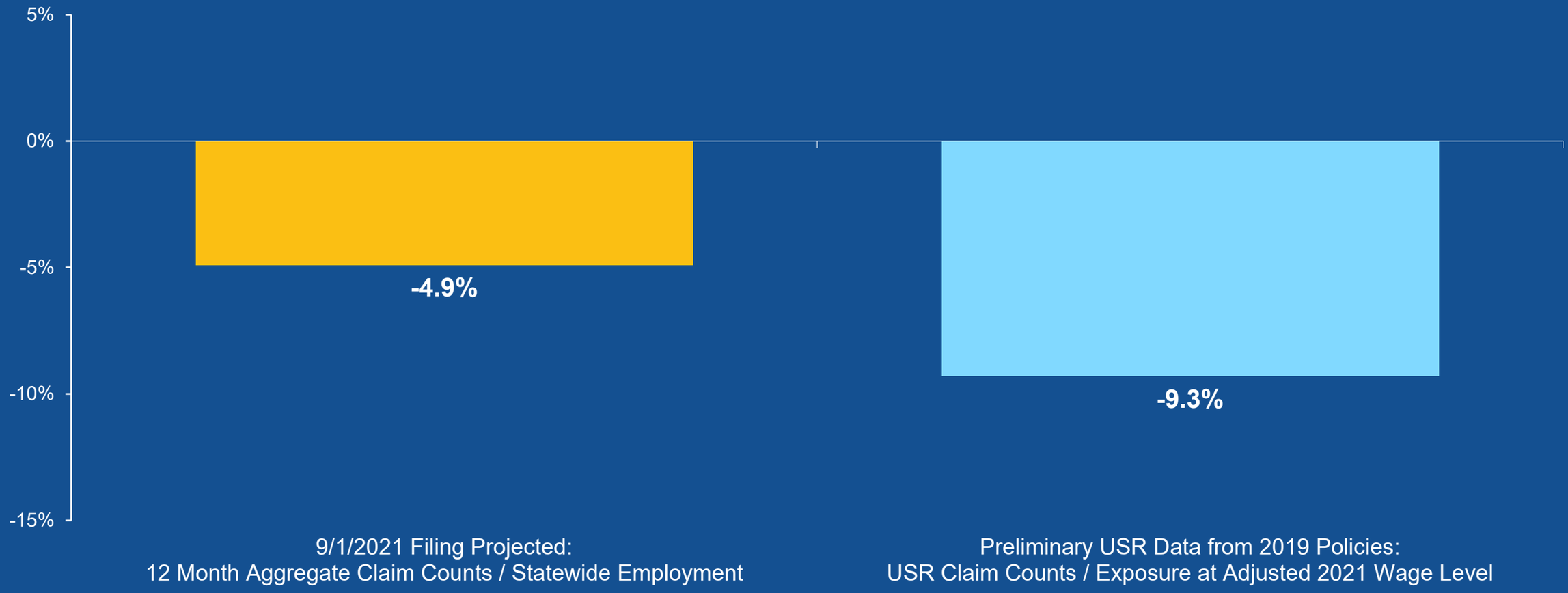
Source: UCLA Anderson School of Business and California Department of Finance Forecasts

Estimated Accident Year 2020 Intra-Class Indemnity Claim Frequency Changes Excluding COVID-19 Claims (Exhibit 12 Updated)

As of December 31, 2021



WCIRB California™
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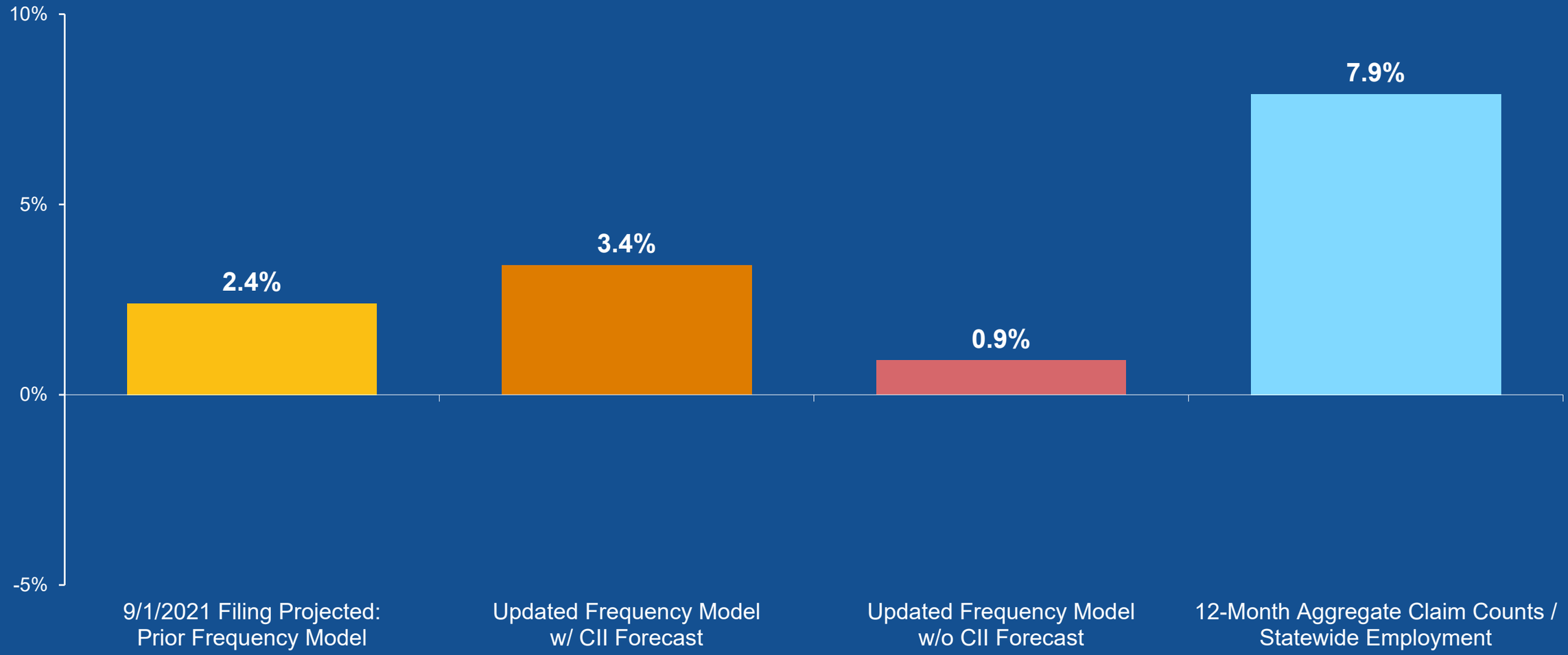
Source: WCIRB aggregate financial data, unit statistical data, and UCLA Anderson Forecast

Estimated Accident Year 2021 Intra-Class Indemnity Claim Frequency Changes Excluding COVID-19 Claims (Exhibits 6.1 and 12 Updated)

As of December 31, 2021



WCIRB California™
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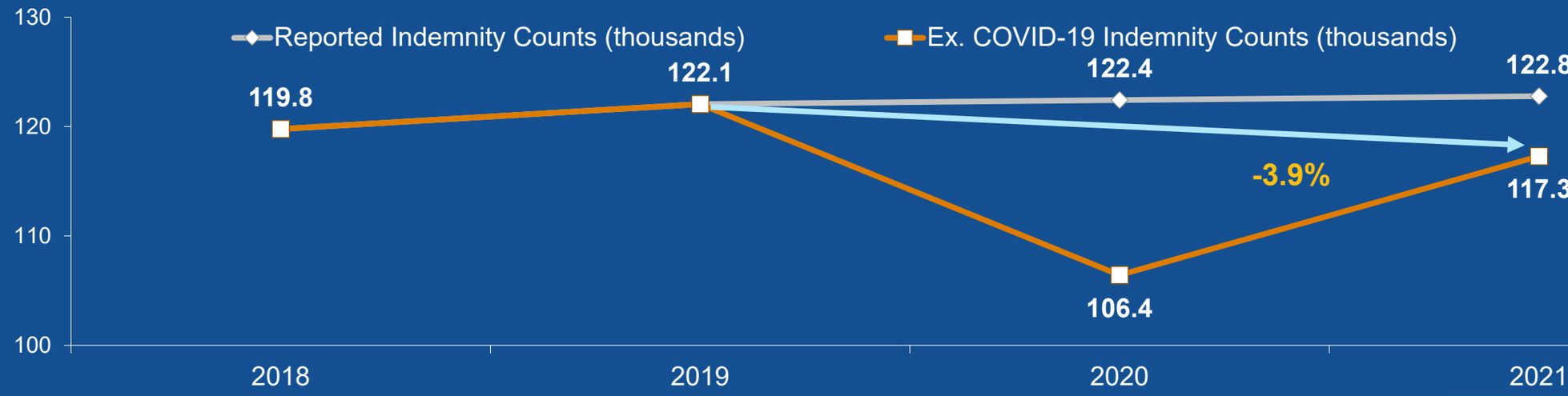
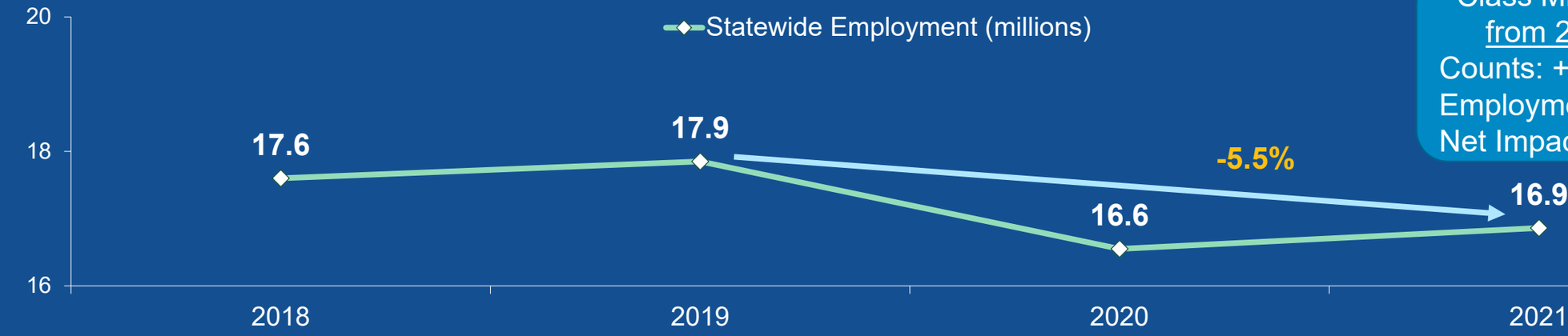
Source: WCIRB aggregate financial data, unit statistical data, and UCLA Anderson Forecast

Changes in 12-Month Indemnity Claim Counts and Employment Levels

As of December 31, 2021





Class Mix Adjustments from 2019 to 2021
Counts: +2.3%
Employment: +1.5%
Net Impact: +0.8%

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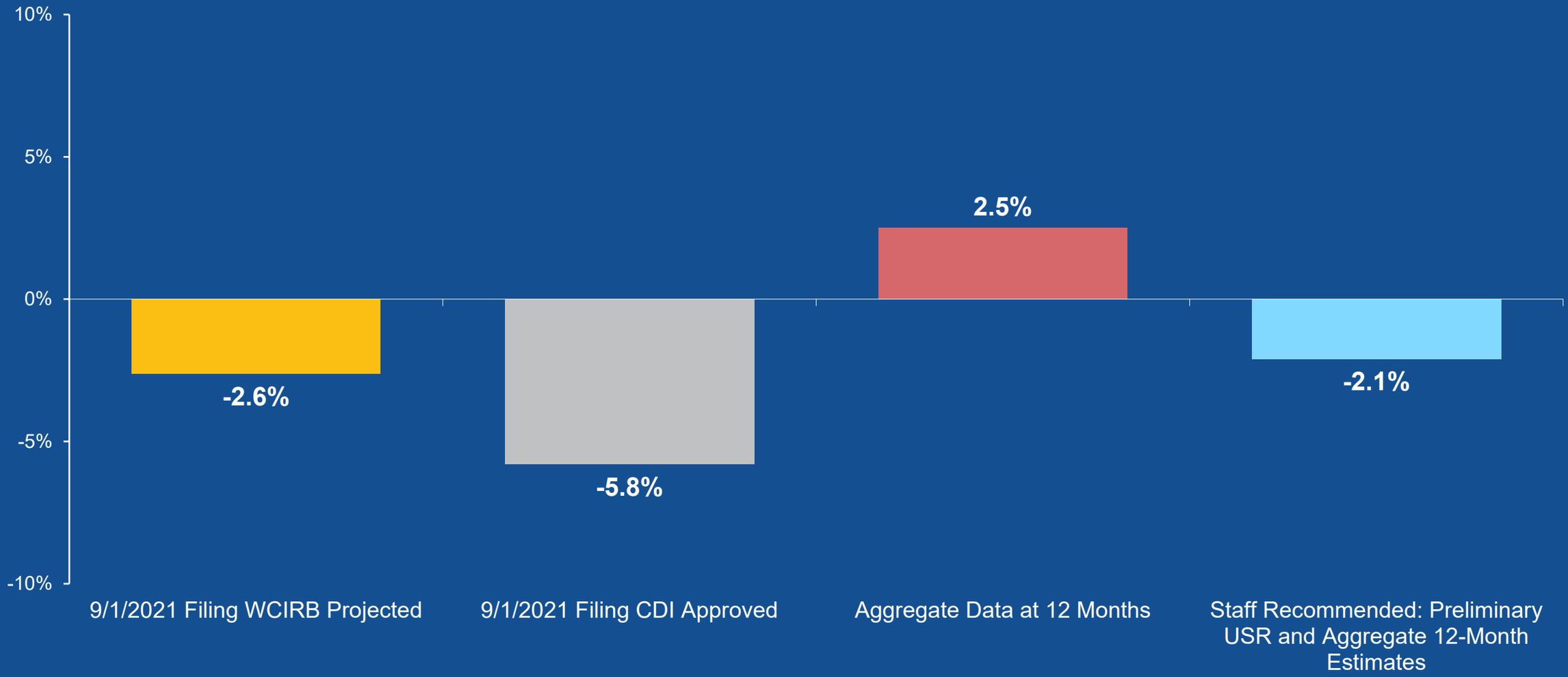
Source: WCIRB aggregate financial data and UCLA Anderson Forecast. Employment totals are adjusted to a common insurer mix level.

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

As of December 31, 2021



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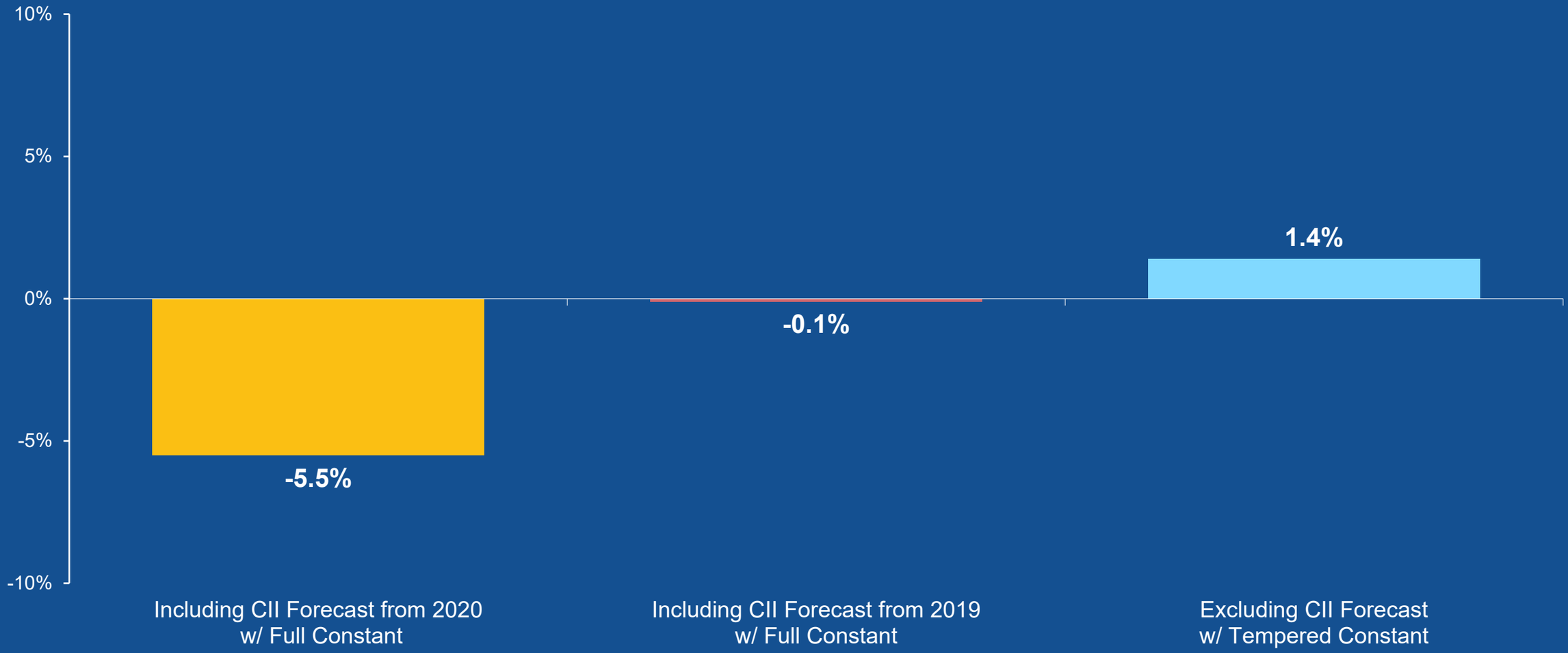
Source: WCIRB aggregate financial data, unit statistical data, and UCLA Anderson Forecast

Estimated 2021 to 9/1/2023 Intra-Class Indemnity Claim Frequency Projections Excluding COVID-19 Claims

As of December 31, 2021



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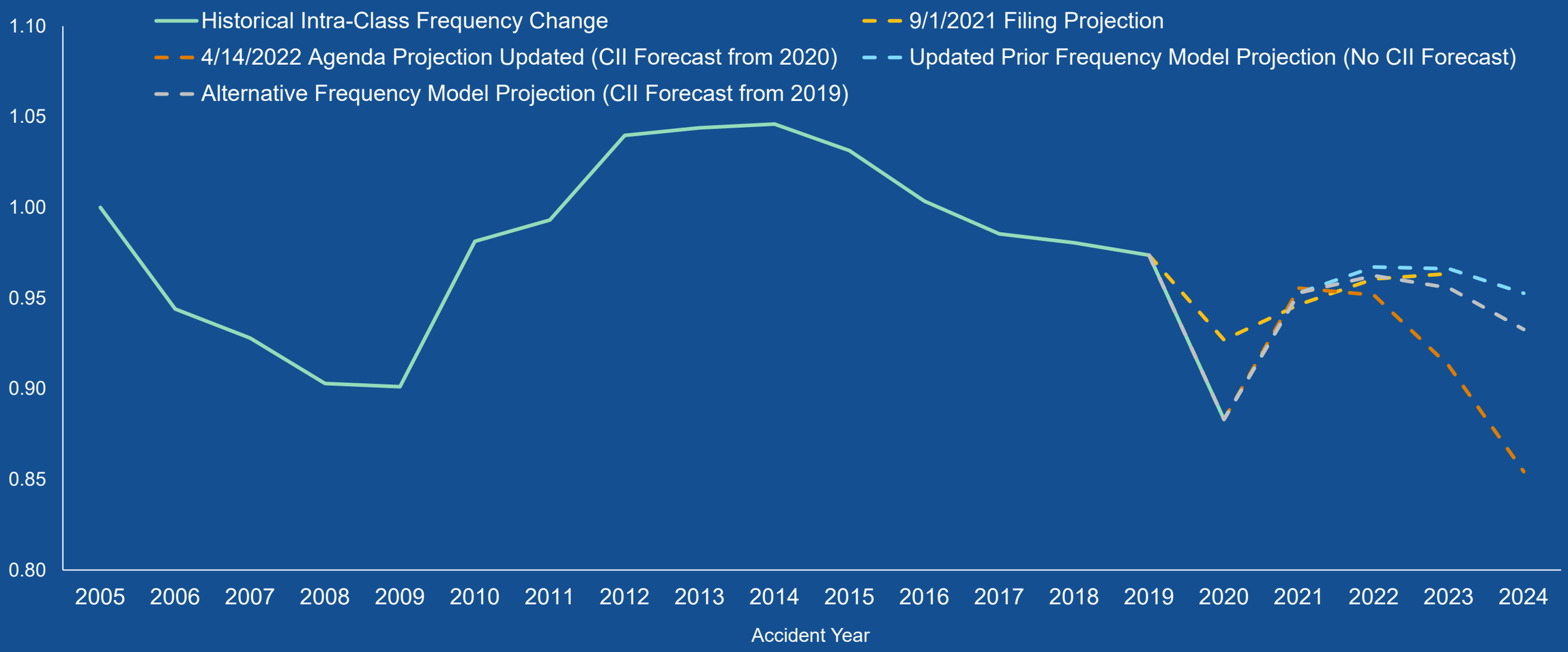
Source: WCIRB unit statistical data and UCLA Anderson Forecast

Indemnity Claim Frequency Indexed to 2005

As of December 31, 2021



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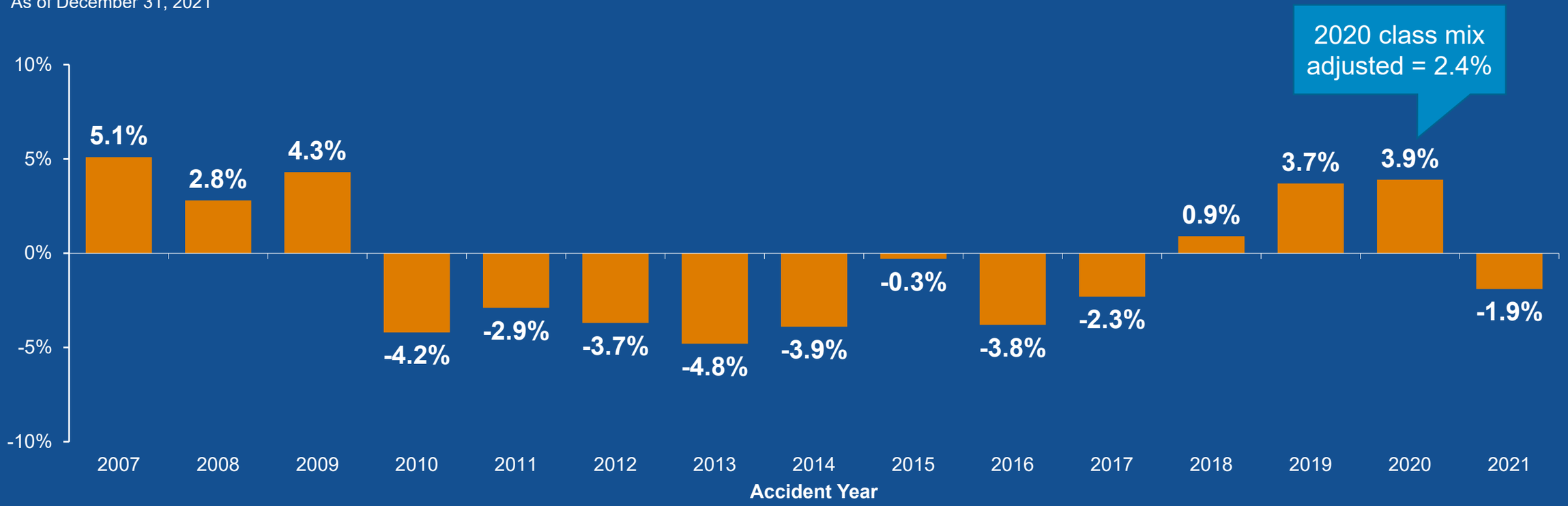
Source: WCIRB unit statistical data and Indemnity Claim Frequency Model

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

As of December 31, 2021



Annual Exponential Trend Based on:

1990 to 2021: 0.9%

2005 to 2021: -1.2%

2017 to 2021: 2.1%

Agenda Selected: 1.0%

WCIRB California™
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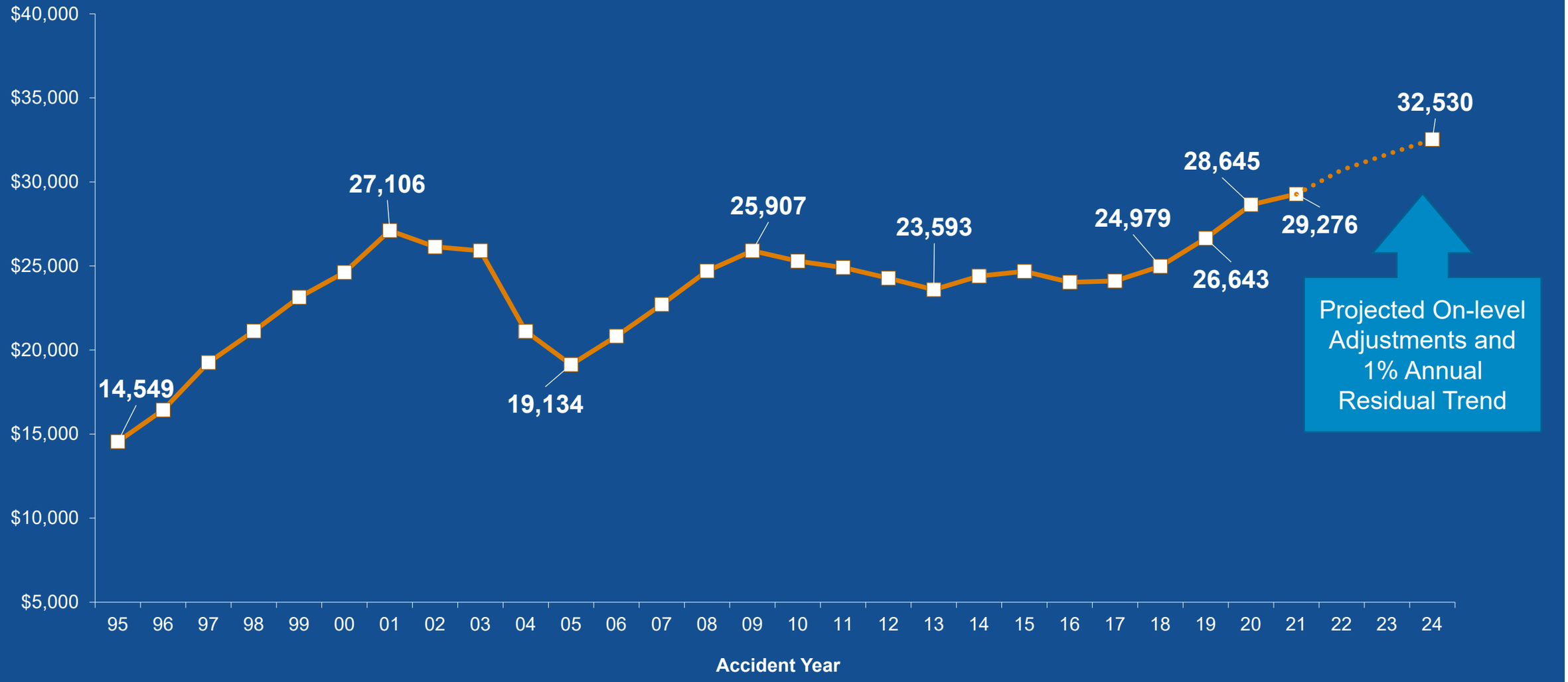
Source: WCIRB aggregate financial data excluding COVID-19 claims and projections

Ultimate Indemnity per Indemnity Claim

As of December 31, 2021



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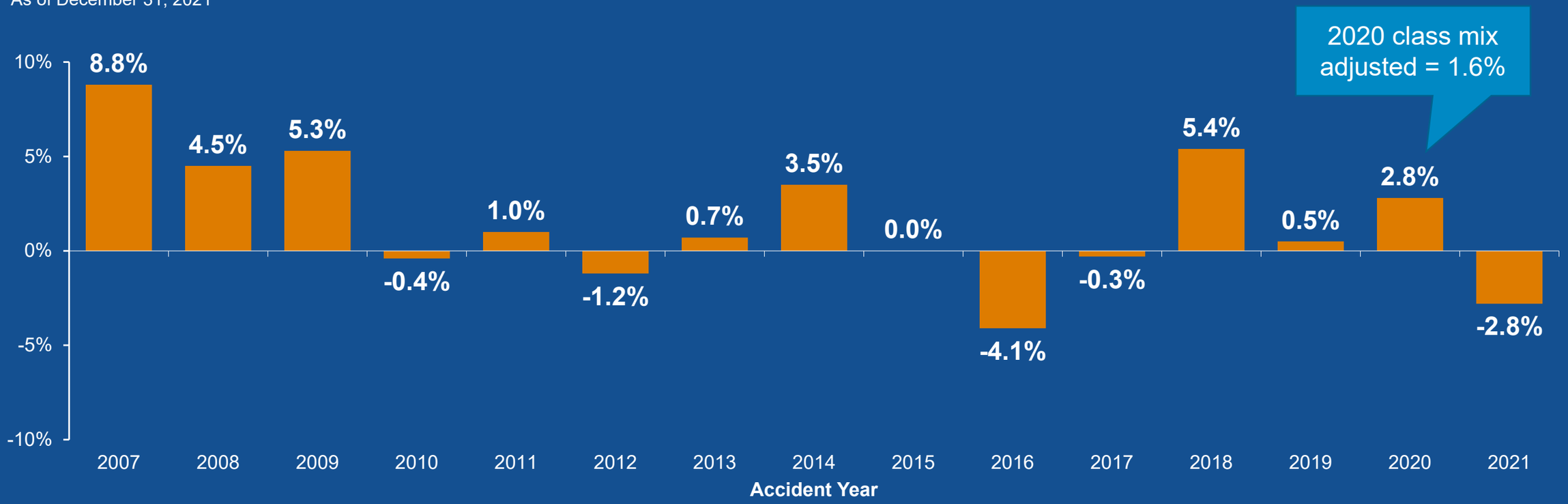
Objective. Trusted. Integral.

Source: WCIRB aggregate financial data excluding COVID-19 claims and projections

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

As of December 31, 2021



Annual Exponential Trend Based on:

1990 to 2021 (including MCCP): 4.9%

2005 to 2021: 1.4%

2017 to 2021: 1.5%

Agenda Selected: 1.0%

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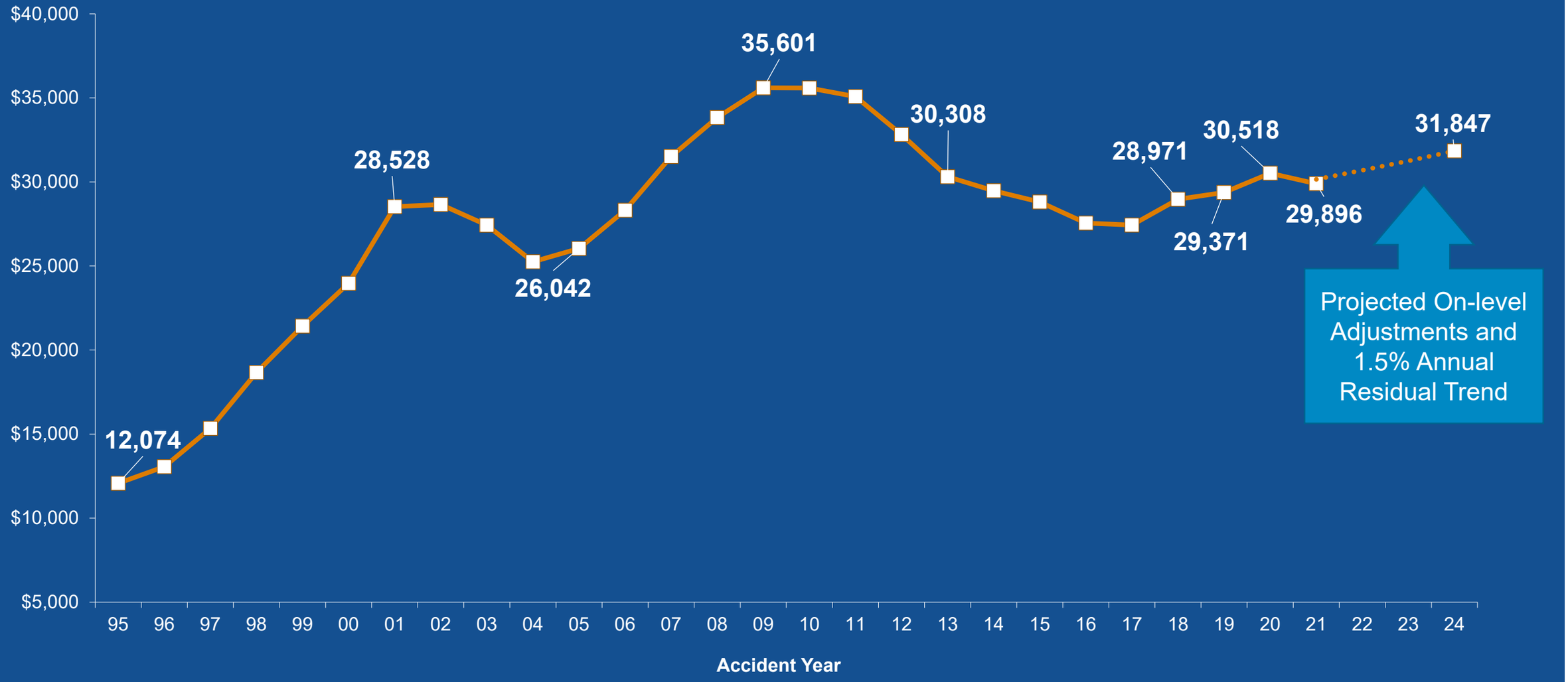
Source: WCIRB aggregate financial data excluding COVID-19 claims and projections. MCCP costs are excluded from accident years 2011 and prior.

Ultimate Medical per Indemnity Claim

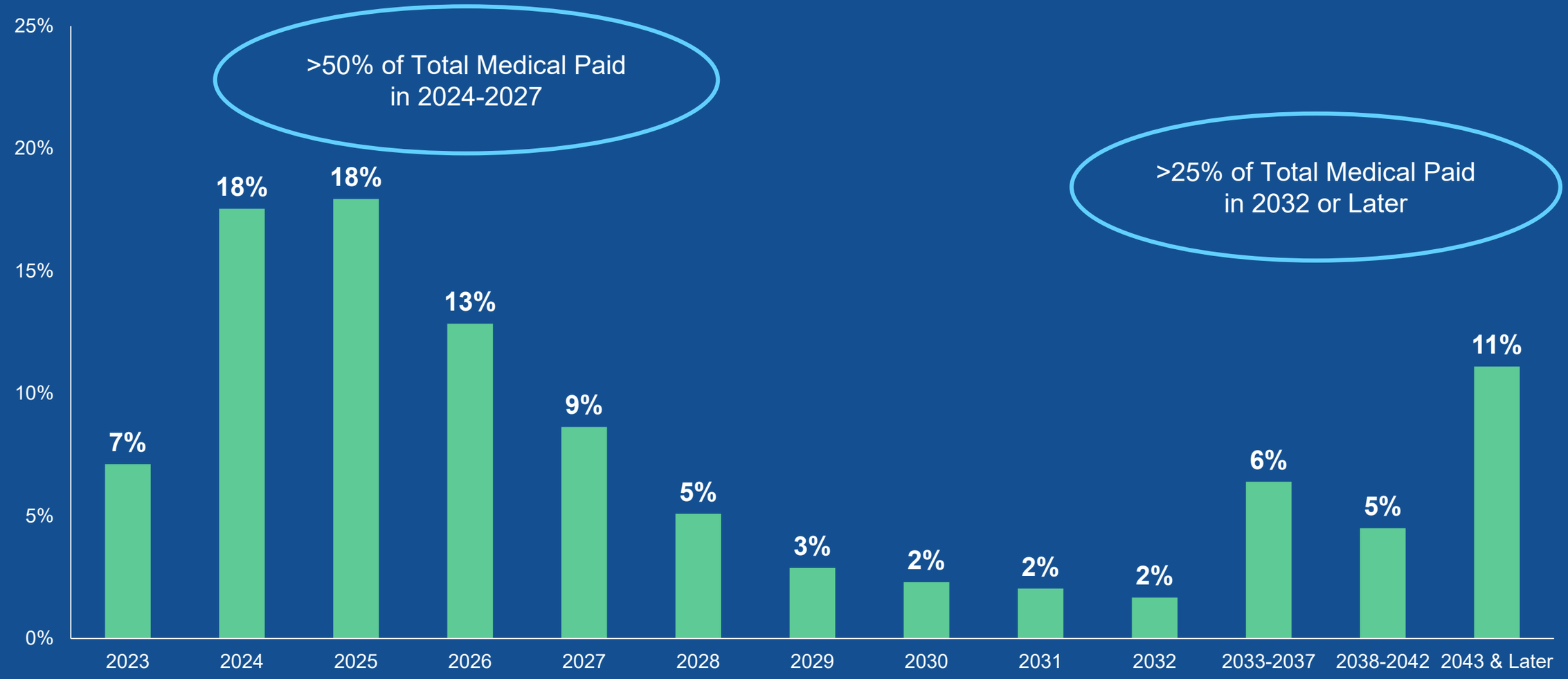
As of December 31, 2021



Source: WCIRB aggregate financial data excluding COVID-19 claims and projections.

Policy Year 2023 – Estimated Medical Paid by Year

As of December 31, 2021



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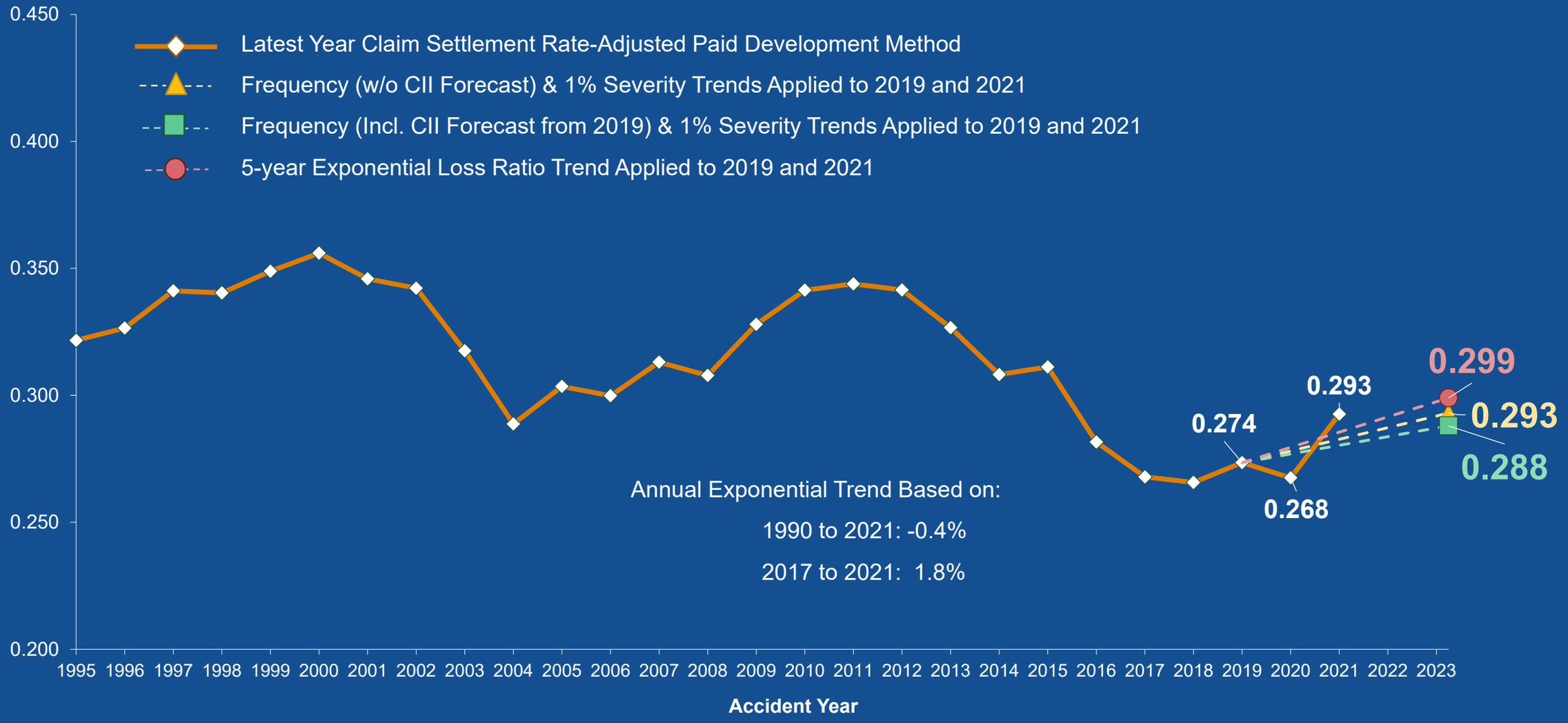
Source: WCIRB aggregate financial data and projections of paid medical

Alternative Trending Methodologies (Item AC22-04-02)

- Separate Frequency & Severity Trends Projections
  - Best during periods when loss ratios are volatile
  - ★ Frequency and severity are affected by differing underlying forces
  - ★ Allows for separate assumptions and judgment about future trends
  - ★ Assumes frequency & severity not highly correlated
  - Performed well during 2002-2004 reform and SB 863 transition periods but not post-reform periods
  - Performed well in most recent study of trending methods
- Loss Ratio Trend Projections
  - Best during periods with stable loss ratio trends or when frequency and severity are highly correlated
  - Rely on accurate on-leveling adjustments
  - Performed well during post-2002 to 2004 reform period
  - ★ Did not perform well during 2002 to 2004 reform and SB 863 transition periods when trends change
  - Generally not as accurate as frequency & severity method in most recent trending study
  - Recent trends have moderated with SB 863 & SB 1160 reforms
  - ★ Unclear whether current loss ratio trends will continue into post-COVID-19 environment

Projected On-Level Indemnity Loss Ratios

As of December 31, 2021

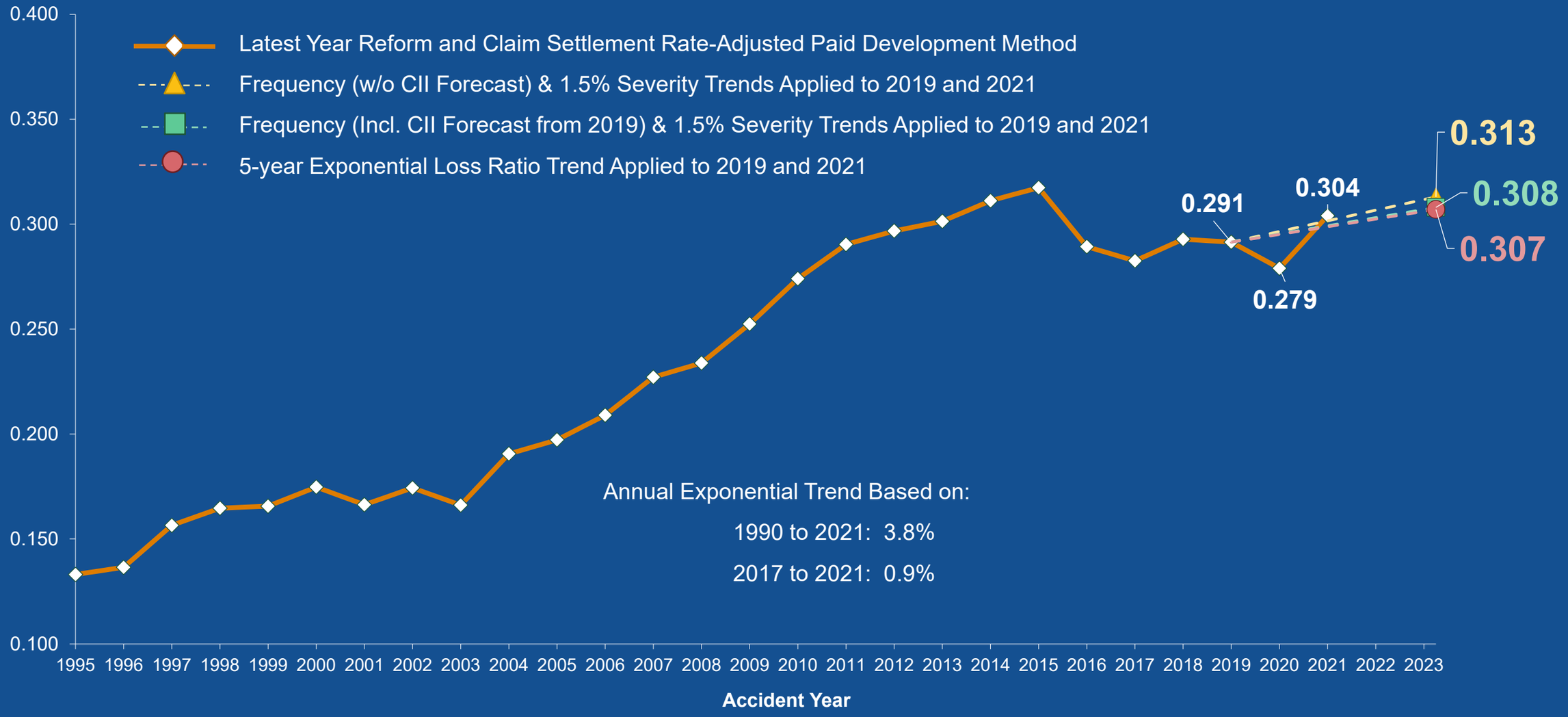


WCIRB California™
Objective. Trusted. Integral.

Source: WCIRB aggregate financial data excluding COVID-19 claims and projections

Projected On-Level Medical Loss Ratios

As of December 31, 2021



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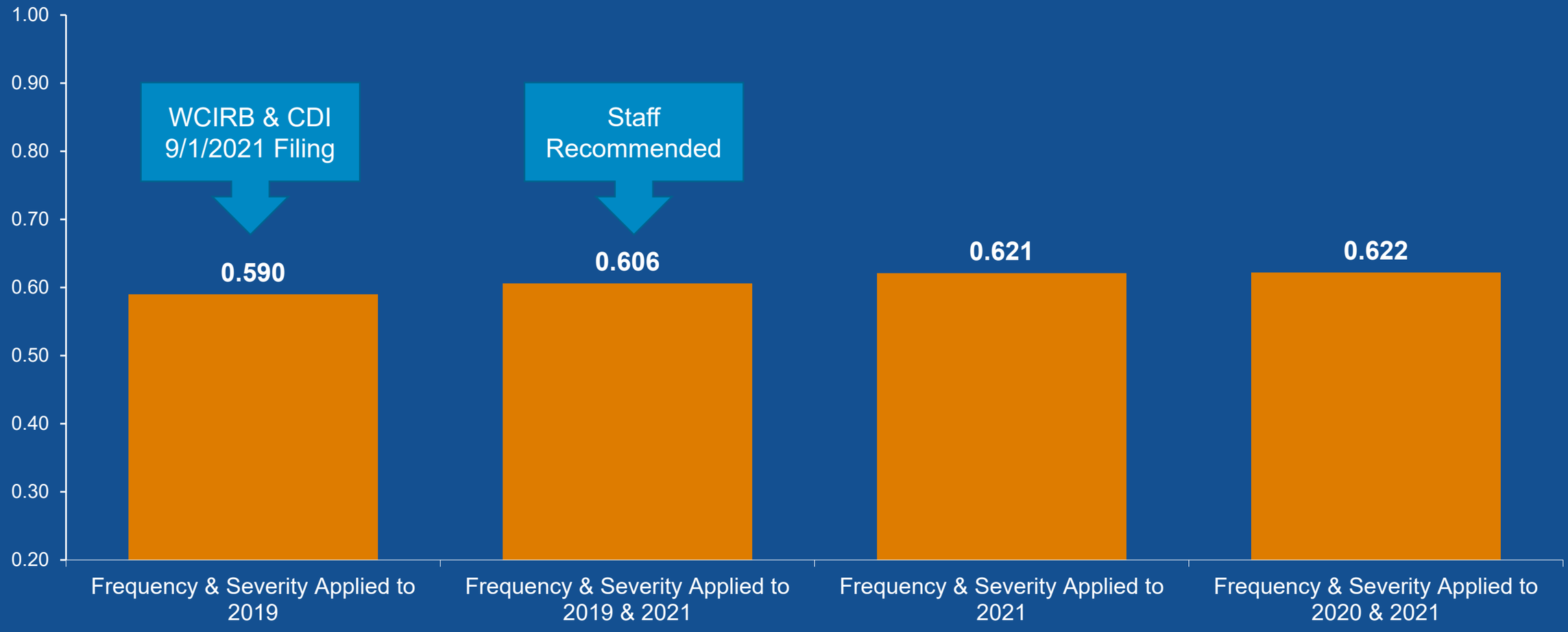
Source: WCIRB aggregate financial data excluding COVID-19 claims and projections

Projected On-Level Total Loss Ratios under Alternative Trending Methods – Years Used

As of December 31, 2021



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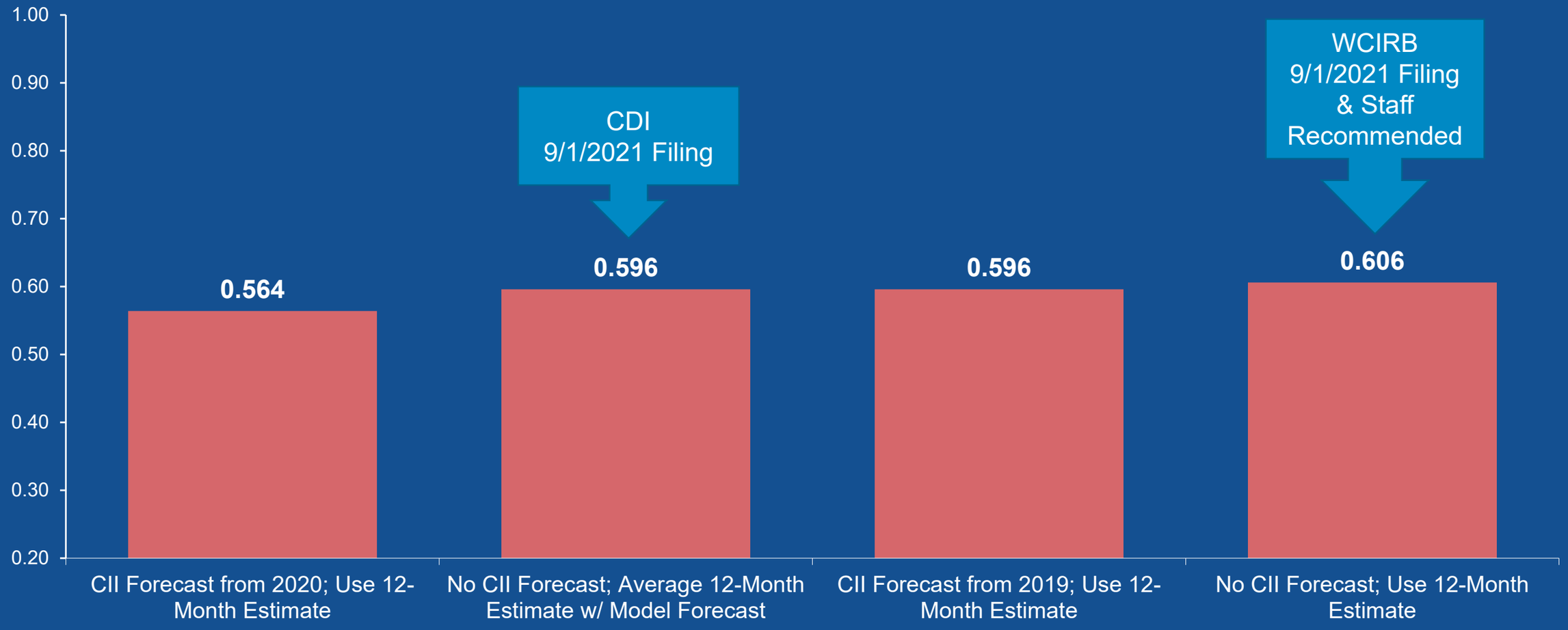
Source: WCIRB aggregate financial data and projections. Each projection uses the loss development methodology reflected in the Agenda.

Projected On-Level Total Loss Ratios under Alternative Trending Methods – Frequency Projections

As of December 31, 2021



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Source: WCIRB aggregate financial data and projections. Each projection uses the loss development methodology reflected in the Agenda.

Projected On-Level Total Loss Ratios under Alternative Trending Methods – Severity Projections

As of December 31, 2021

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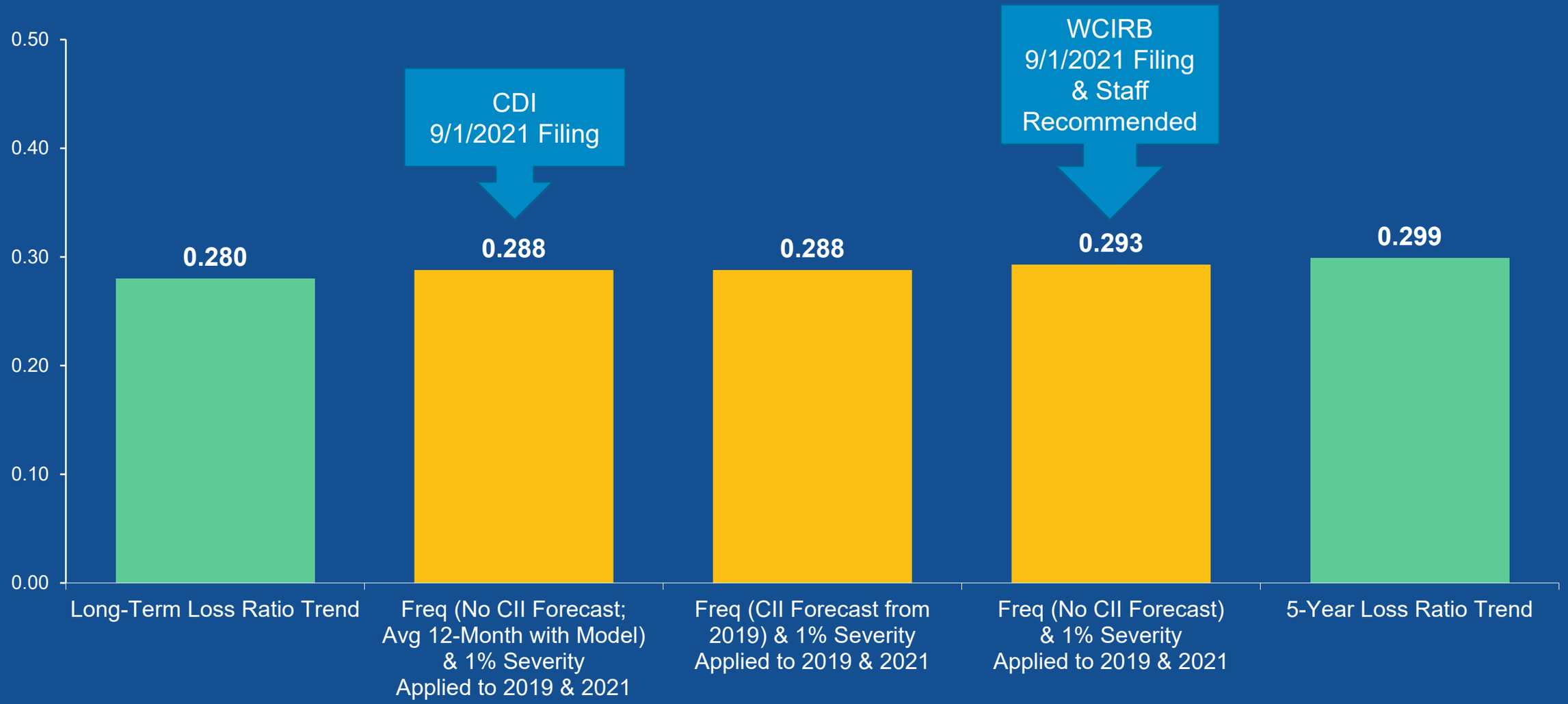
Source: WCIRB aggregate financial data and projections. Each projection uses the loss development methodology reflected in the Agenda.

Projected On-Level Indemnity Loss Ratios under Alternative Trending Methods

As of December 31, 2021



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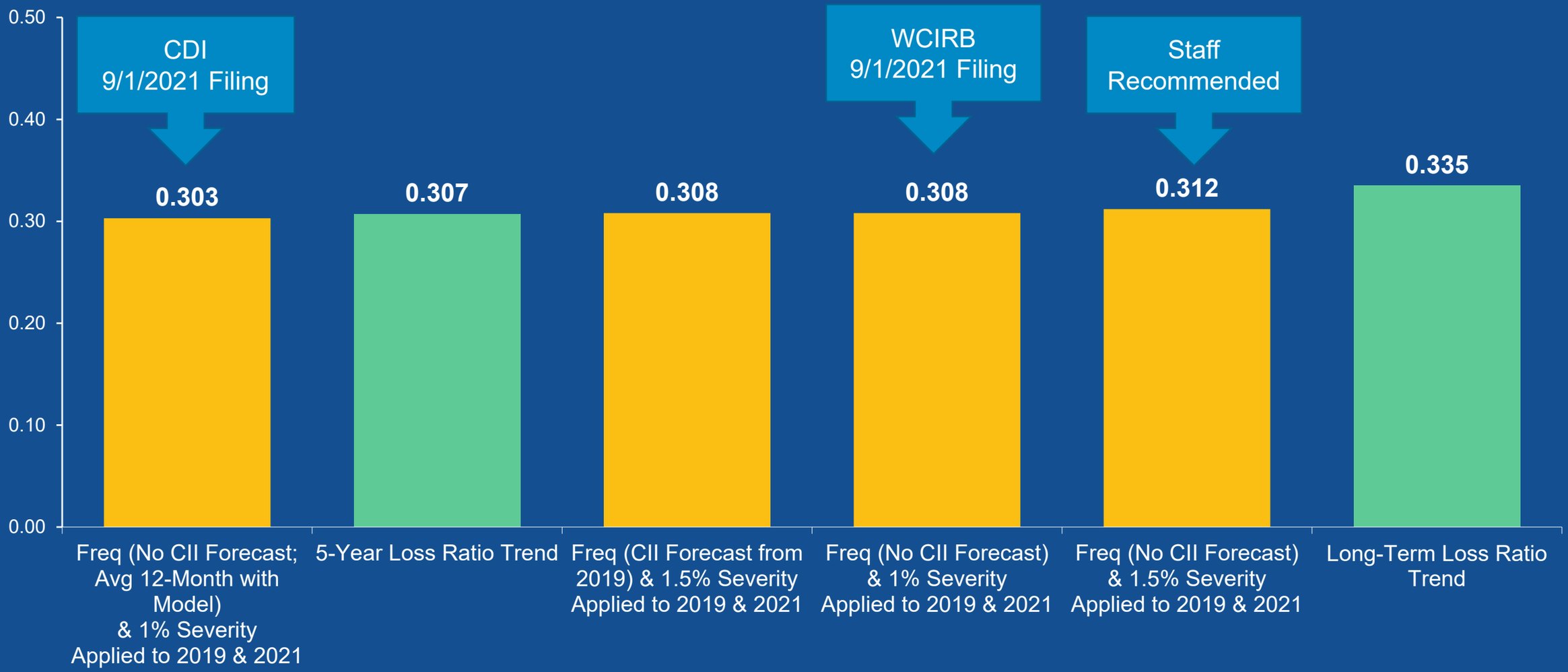
Source: WCIRB aggregate financial data and projections. Each projection uses the loss development methodology reflected in the Agenda.

Projected On-Level Medical Loss Ratios under Alternative Trending Methods

As of December 31, 2021



WCIRB California™
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Source: WCIRB aggregate financial data and projections. Each projection uses the loss development methodology reflected in the Agenda.

05

9/1/2022 Filing – COVID-19 Claim Cost Projection

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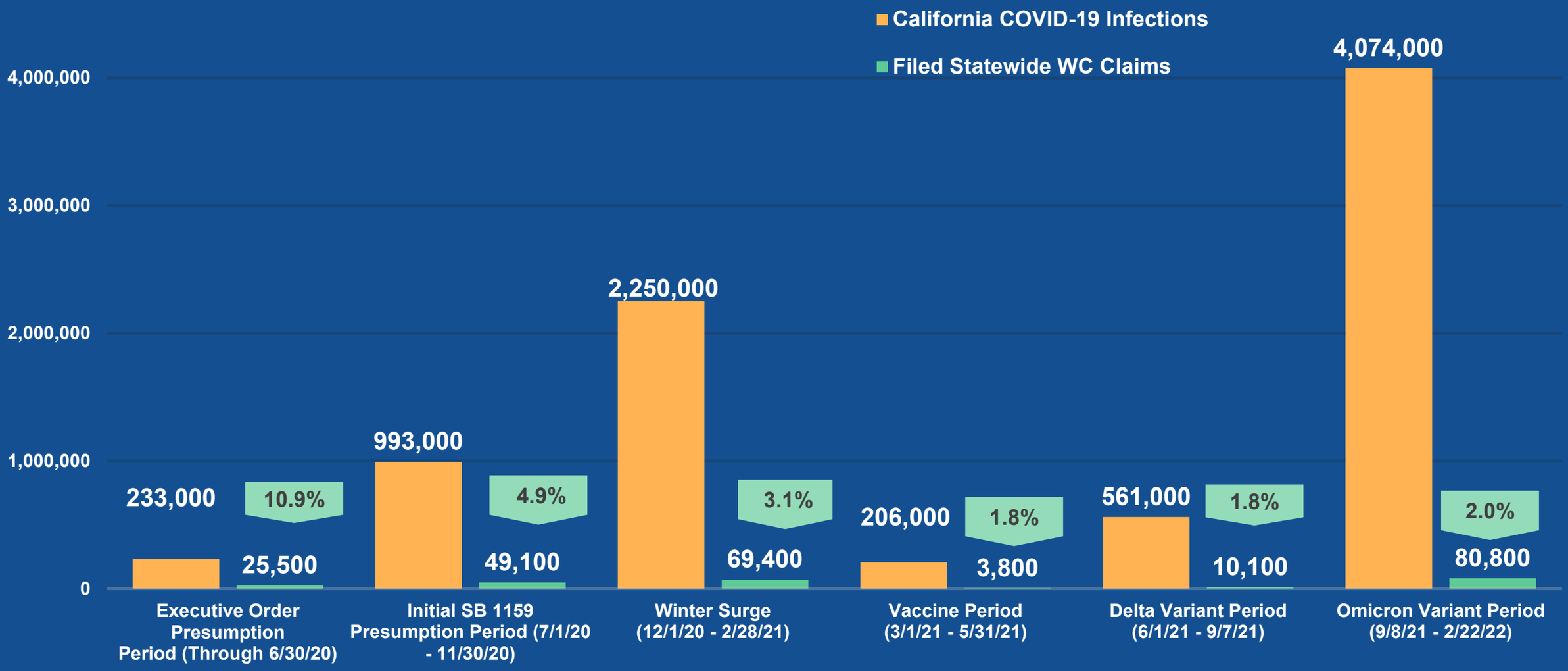
COVID-19 Workers' Compensation Claims Relative to Statewide Infections



Source: Division of Workers' Compensation and California Department of Public Health.

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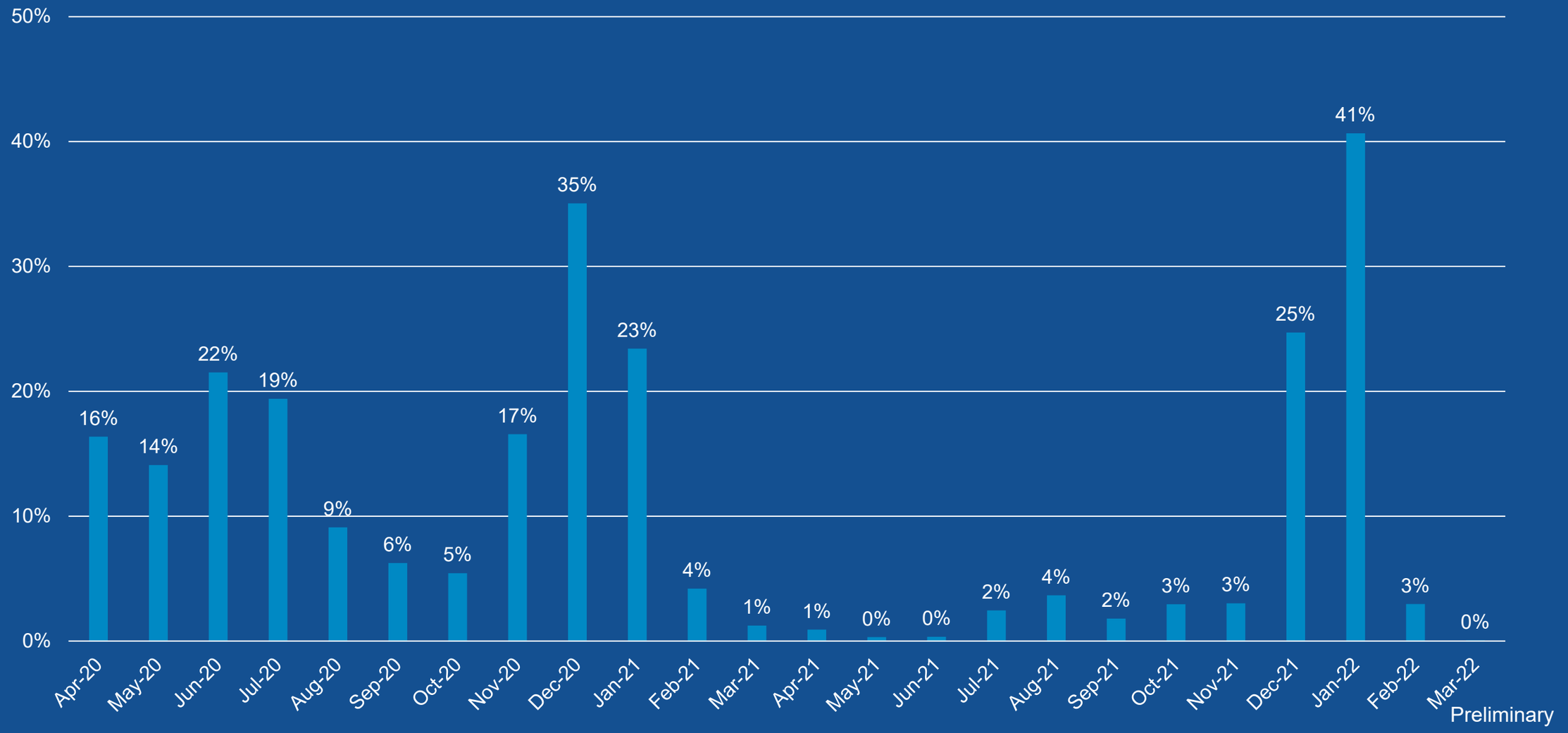
9/1/2022 Filing – COVID-19 Claim Cost Projection

COVID-19 Share of Indemnity Claims

As of April 7, 2022



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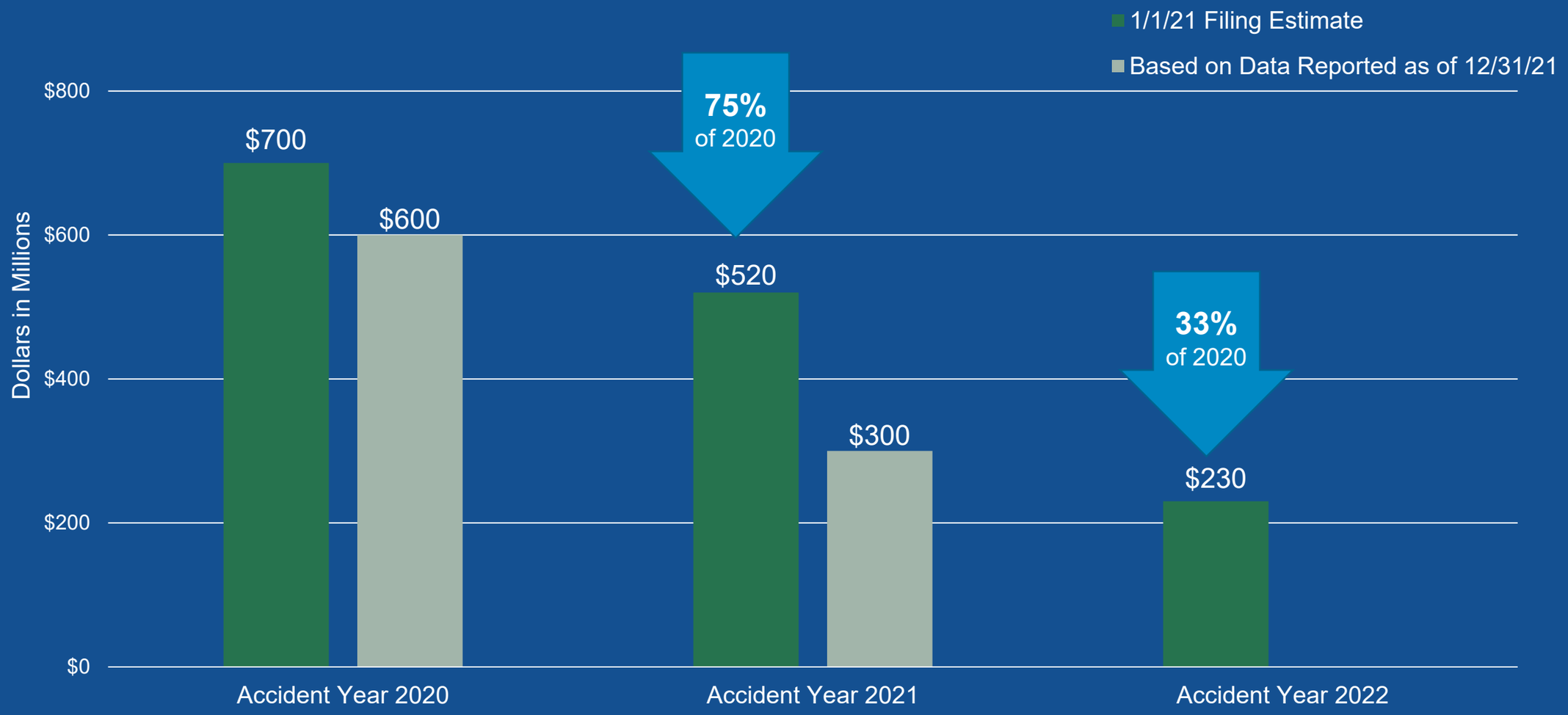
Source: SROI records from WCIRB indemnity transaction data with MTC dates through March 31, 2022

Projected Cost of COVID-19 Claims 1/1/21 Filing Vs Estimated Actual — Insured Employers Only



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Source: January 1, 2021 Pure Premium Rate Filing and WCIRB aggregate financial data calls.

Summary of Leading Published COVID-19 Forecasts

As of April 8, 2022

- Overall, expect fewer deaths from COVID-19 in 2022 than in each of the two previous years mostly due to greater population immunity

Source	Projection for U.S.	Projection for California	Ratio of Projected to Actual in California
Institute of Health Metrics and Evaluation (IHME)	52K deaths (March through July 2022)	4,500 deaths (March through July 2022)	38% of actual deaths in the same period in 2021*
The Rockefeller Foundation (intermediate scenario)	30K to 100K deaths (next 12 months)	3,600 to 12K deaths (next 12 months)	11% to 35% of actual deaths in the preceding 12 months**

- **Key Considerations**
  - New variants
  - Greater population immunity due to vaccination, booster and infections
  - Higher level of immunity among healthcare and frontline workers
  - Changes in mitigation measures and work from home → changes in COVID-19 exposure
  - Long COVID
  - COVID-19 therapeutics

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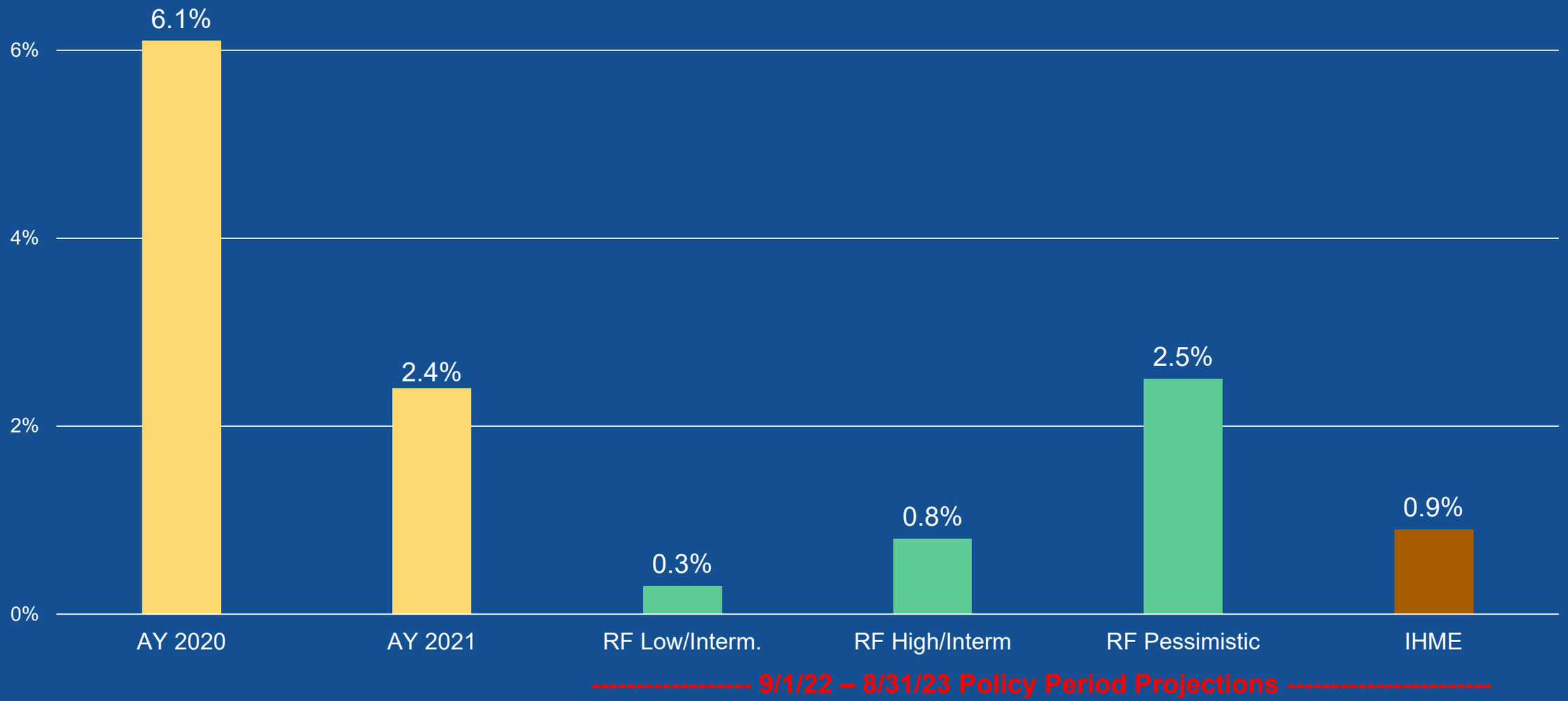
* The ratio was comparing the IHME's projected deaths from March through July of 2022 in California to the actual deaths from March through July of 2021 in California.
** The ratio was comparing the projected deaths by Rockefeller Foundation from March 2022 through March 2023 in California to the actual deaths from March 2021 through March 2022 in California.
Source: Rockefeller Foundation's Report: https://www.rockefellerfoundation.org/report/getting-to-and-sustaining-the-next-normal-a-roadmap-for-living-with-covid/; IHME's projections: https://covid19.healthdata.org/united-states-of-america?view=cumulative-deaths&tab=trend

Estimated Cost of COVID-19 Claims as % of Total Losses & LAE



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Source: WCIRB aggregate financial data calls and forecasts based in 2022 Rockefeller Foundation (RF) and Institute for Health Metrics and Evaluation (IHME). The model's projected COVID-19 fatalities are converted to California Workers' Compensation COVID-19 claim costs based on the relationship of those two measures in 2021.

06

9/1/2022 Filing – Loss Adjustment Expense Experience Review

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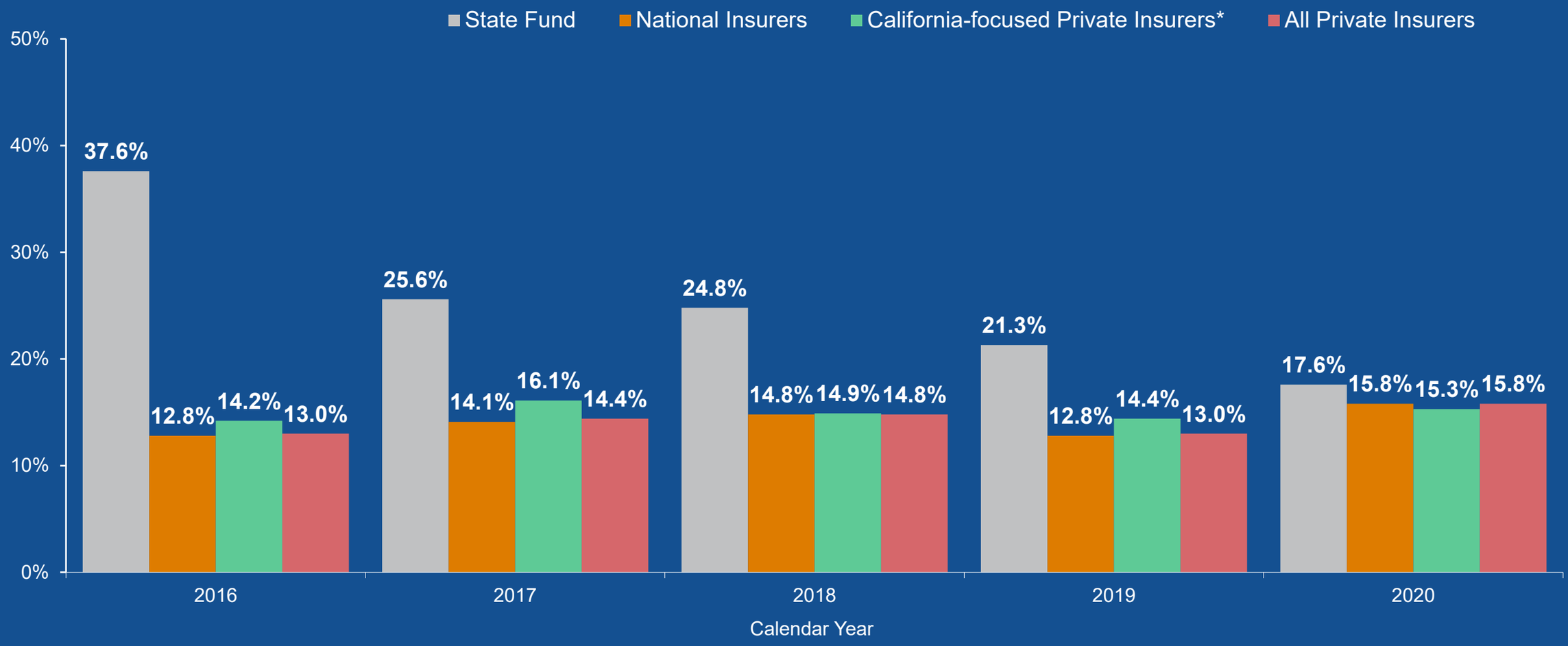
Summary of Preliminary ULAE Projection

- ULAE projection excludes COVID-19 claims
- CY 2020 ULAE is not used
  - May be distorted by pandemic
  - Unable to separate ULAE on COVID-19 claims from other ULAE amounts
- ULAE projection methodologies consistent with 9/1/2021 Filing
  - Average of open count-based method projection and recent CY ULAE to loss ratios
  - Average of CY 2018 and 2019 ULAE is used
  - ULAE projection preliminary as projected ratios are impacted by frequency and loss projections

Ratios of Paid ULAE to Paid Losses (Exhibit 1)

As of December 31, 2020



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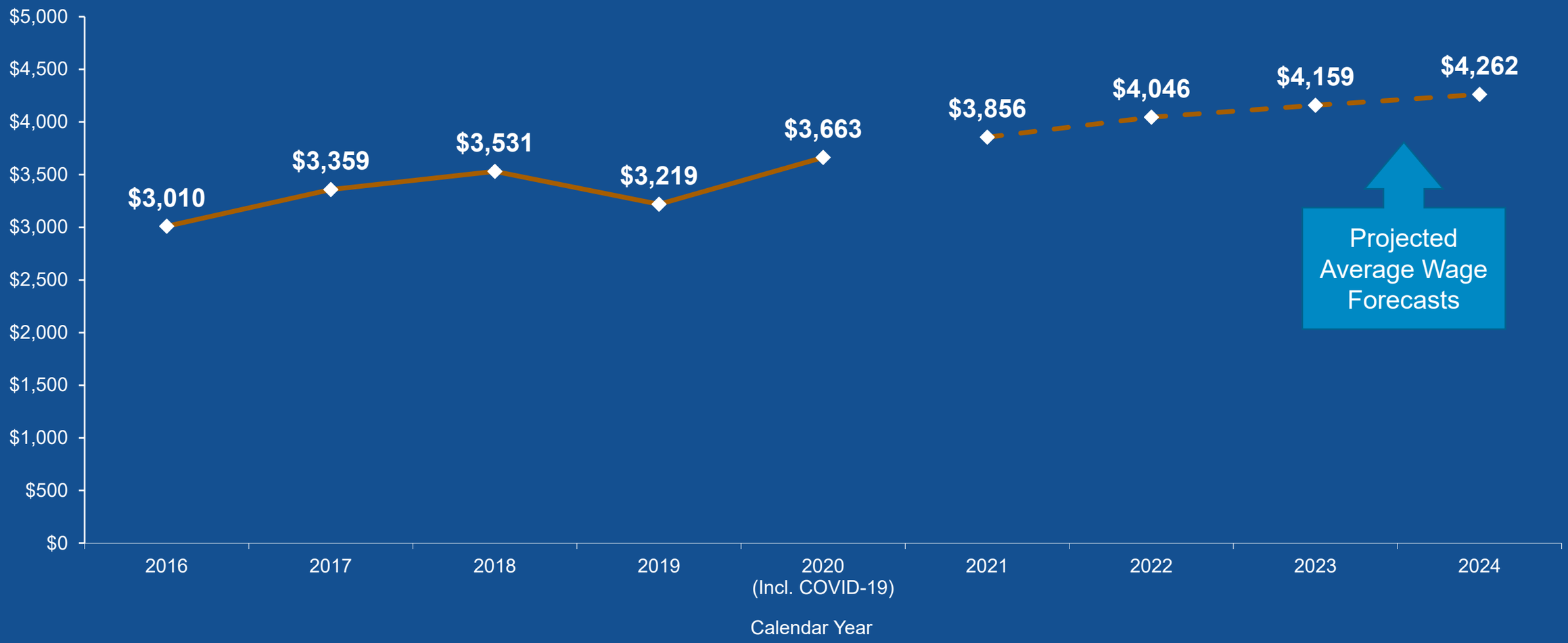
Source: WCIRB aggregate financial data, COVID-19 claims are included
*California-focused Private Insurers are insurers with at least 80% of their workers' compensation writings in California.

ULAE Projection Methodology
Open Indemnity Claim Count-based Projection

- Open Indemnity Claims at Beginning of Calendar Year
  - Projected using WCIRB frequency forecasts and recent reporting and closure patterns
  - Open claims by AY projected using latest incremental claim settlement pattern
  - Frequency forecasts consistent with those used for loss projection
  - COVID-19 claims excluded
- Calendar Year Paid ULAE per Open Indemnity Claim
  - Data based on private insurers only
  - Future values projected using selected wage level changes
- Projected 9/1/2022 to 8/31/2023 Policy Inception Period ULAE
  - Trend to future CY based on average of CYs 2018 & 2019
  - (# of open indemnity claims) X (paid ULAE per open indemnity claim)
  - Use weighted average of CY in policy period (6%/72%/22% to 2022/2023/2024)
  - Paid ULAE per open claim projected out 3 years to approx. average ULAE payment date on claims

Paid ULAE per Open Indemnity Claim – Private Insurers (Exhibit 3.5)

As of December 31, 2020



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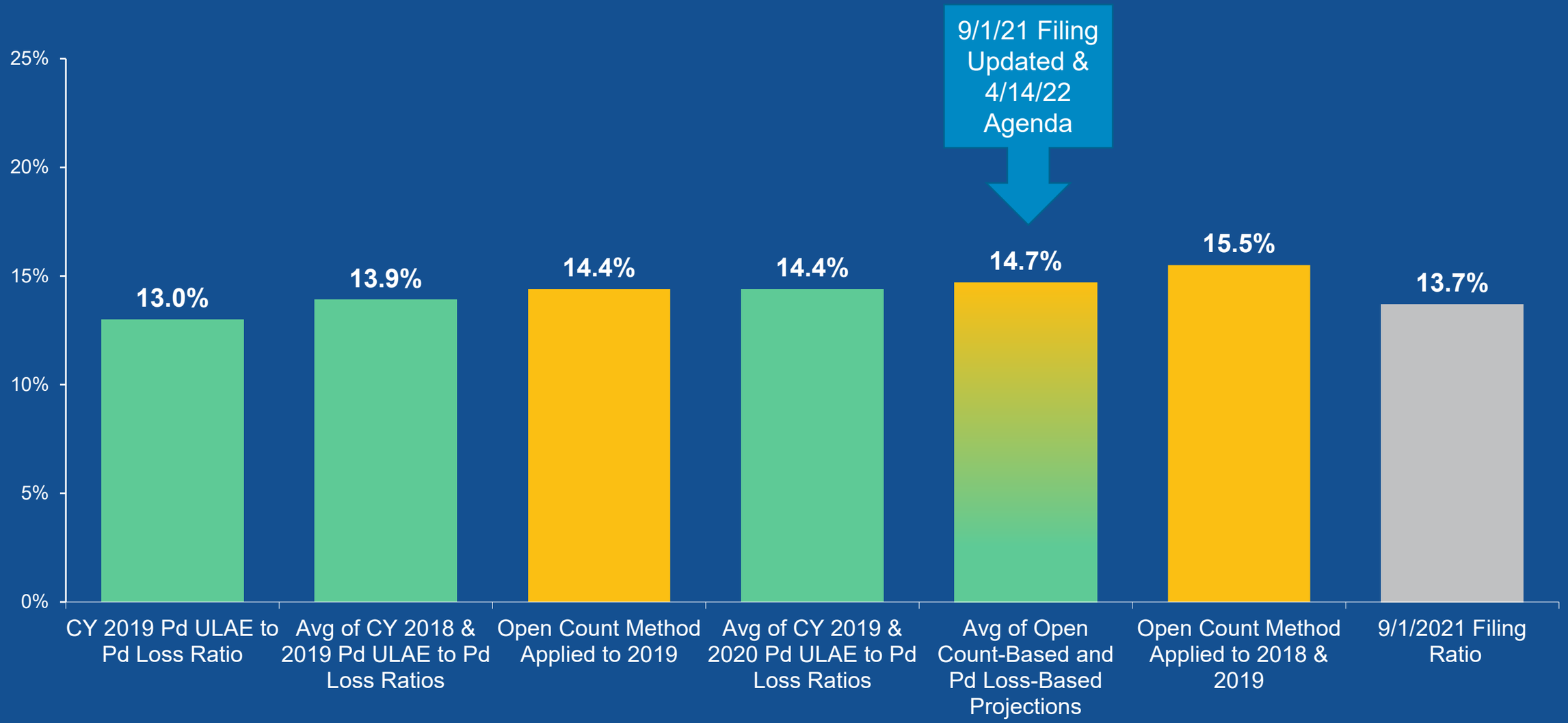
Source: WCIRB aggregate financial data. Projections based on applying California average annual wage level changes based on UCLA and CA Department of Finance Forecasts to the paid ULAE per open claim from 2018 and 2019.

Projections of ULAE to Loss

As of December 31, 2020



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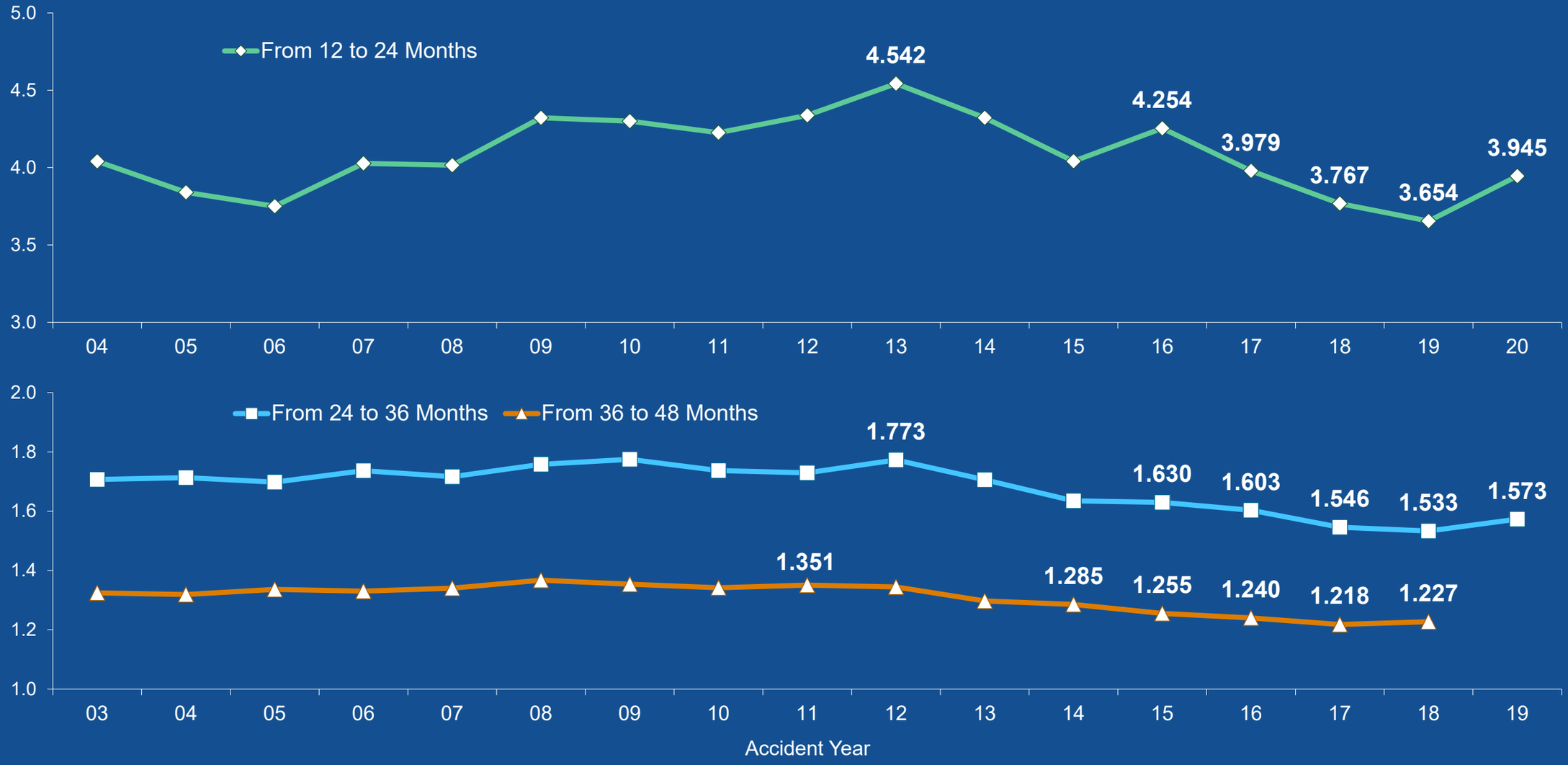
Source: WCIRB aggregate financial data and projections. The ULAE to loss projection included in the 9/1/21 Filing was 13.7%.

Summary of Preliminary ALAE and MCCP Projections

- Data is through December 31, 2021 with COVID-19 claims excluded
- Methodology is generally consistent with 9/1/2021 Filing
- Development is projected based on the latest year
  - ALAE development includes adjustment for changes to claim settlement rates
- Projection based on frequency and severity trends applied to accident years 2019 and 2021
- Adjustment to ALAE for the impact of SB 1160 updated with latest ALAE payment pattern
- ALAE and MCCP projections preliminary as projected ratios are impacted by frequency and loss projections

Paid ALAE Development – Private Insurers (Exhibit 8.1)

As of December 31, 2021



WCIRB California™
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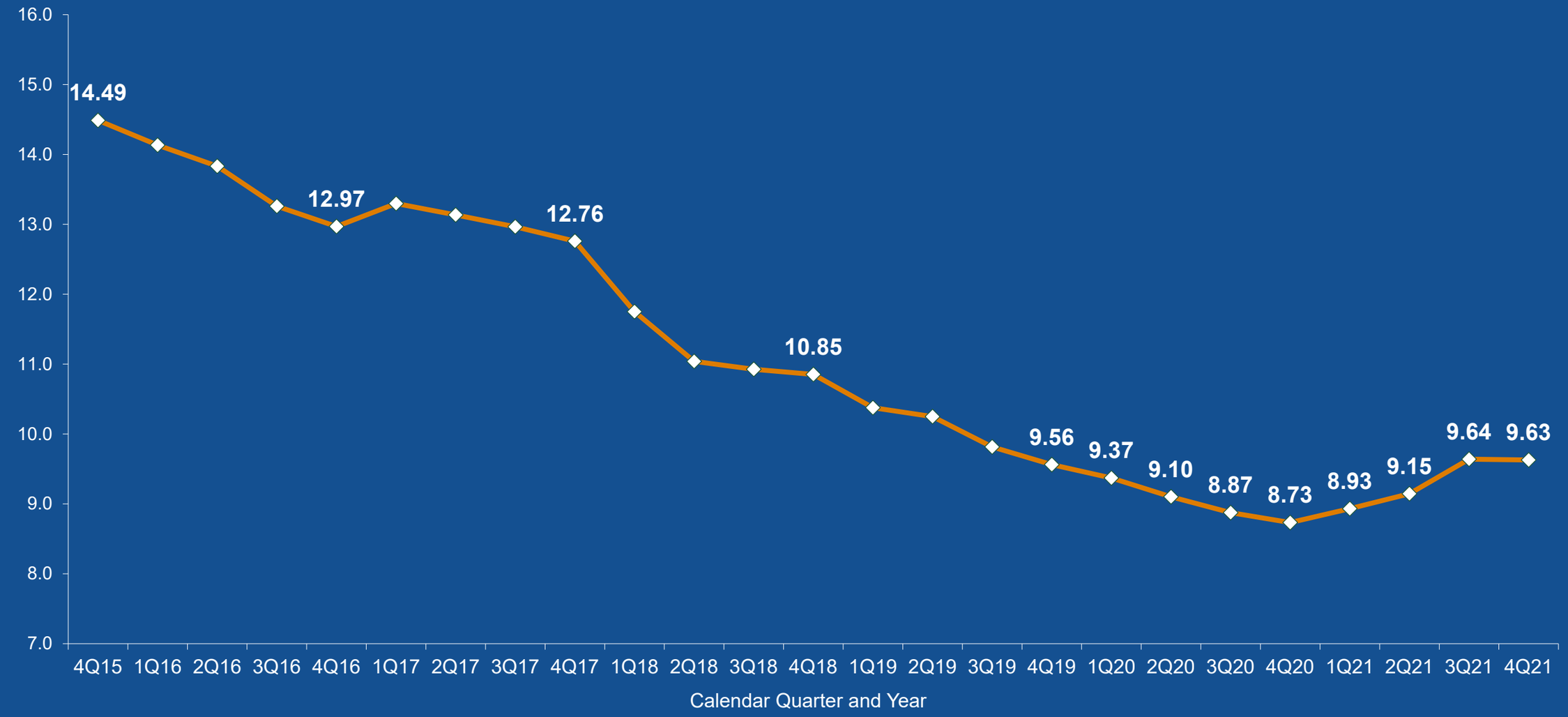
Source: WCIRB aggregate financial data excluding COVID-19 claims. Excludes medical cost containment program costs and includes costs for independent medical review and independent bill review for all years.

Cumulative Paid ALAE Development from 12 to 90 Months

As of December 31, 2021



WCIRB California™
Objective. Trusted. Integral.

Source: WCIRB aggregate financial data excluding COVID-19 claims. MCCP is excluded.

ALAE Projection Methodology

- Accident Year Ultimate Indemnity Claim Counts
  - Latest year development
  - Projected using same frequency forecasts as loss projection
- Accident Year Ultimate ALAE per Indemnity Claim
  - Data based on private insurers only
  - Latest year development with adjustment for changes in claim settlement rates and inverse power curve tail
  - Projected using average of ultimate ALAE per indemnity claim and incremental paid ALAE per open indemnity claim for both long-term and short-term periods
- Projected 9/1/2022 to 8/31/2023 Policy Inception Period ALAE
  - (Projected # of ultimate indemnity claims) X (projected ultimate ALAE per indemnity claim)
  - Projection from AY 2019 and 2021
  - Initial projected ratio reduced for lien savings from SB 1160 & AB 1244 not yet significantly reflected in emerging ALAE costs
    - Full impact is -11.2% based on 70% reduction in lien filings
    - Tempered by 75% based on impact already emerging

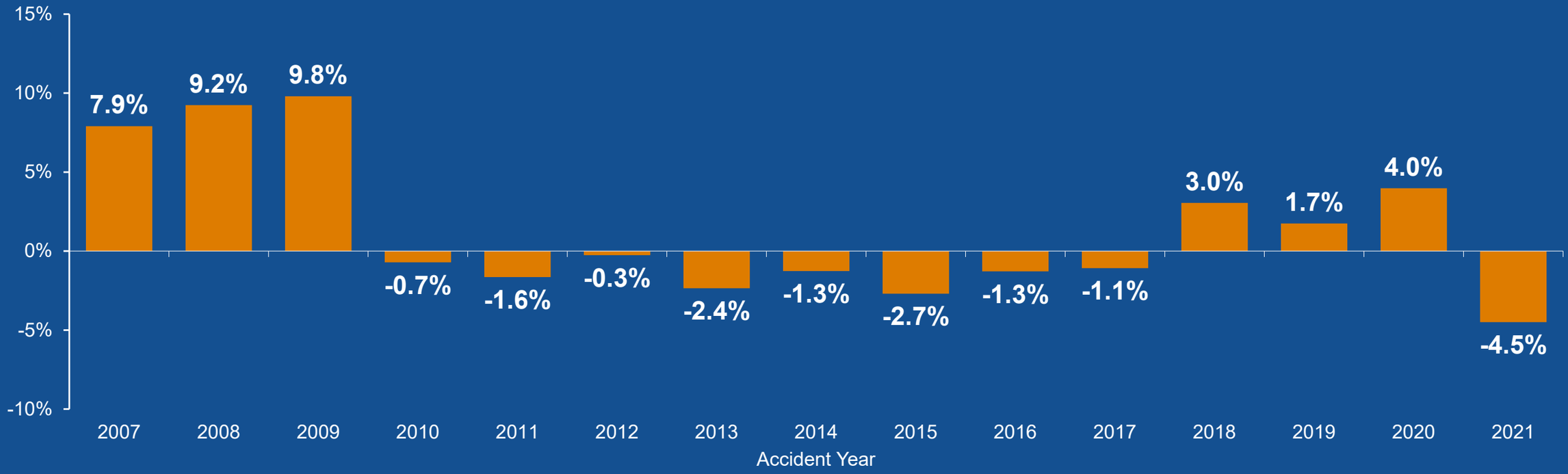
Adjustment to ALAE Development for Claim Settlement Rate Changes

Age (AY @12/31/21)	(1) Age-to-Age Adjustment	As of 12/31/2021		
		(2) Settlement Rate Point Change	(3) Unadjusted Age-to-Age Factor	(4) Adjusted Age-to-Age Factor
72 (2016)	-1.1%	0.3	1.044	N/A
60 (2017)	-0.5%	0.1	1.069	N/A
48 (2018)	-0.4%	-1.2	1.114	N/A
36 (2019)	-0.6%	-2.3	1.227	**1.245**
24 (2020)	-0.9%	-1.2	1.573	N/A
12 (2021)	-3.4%	1.1	3.945	N/A

(1) Adjustment per 1 point of claim settlement rate change, from 2019 and 2020 studies, adjusted to 12/31 evaluations
(2), (3) based on WCIRB aggregate financial data
(4) = [(1) x (2) + 1.0] x (3) if (2) is greater than 1.5 in absolute value

Projected Changes in Ultimate ALAE Severity for Private Insurers (Exhibit 6)

As of December 31, 2021



Annual Exponential Trend Based on:

2008 to 2021: -0.4%

2017 to 2021: 1.4%

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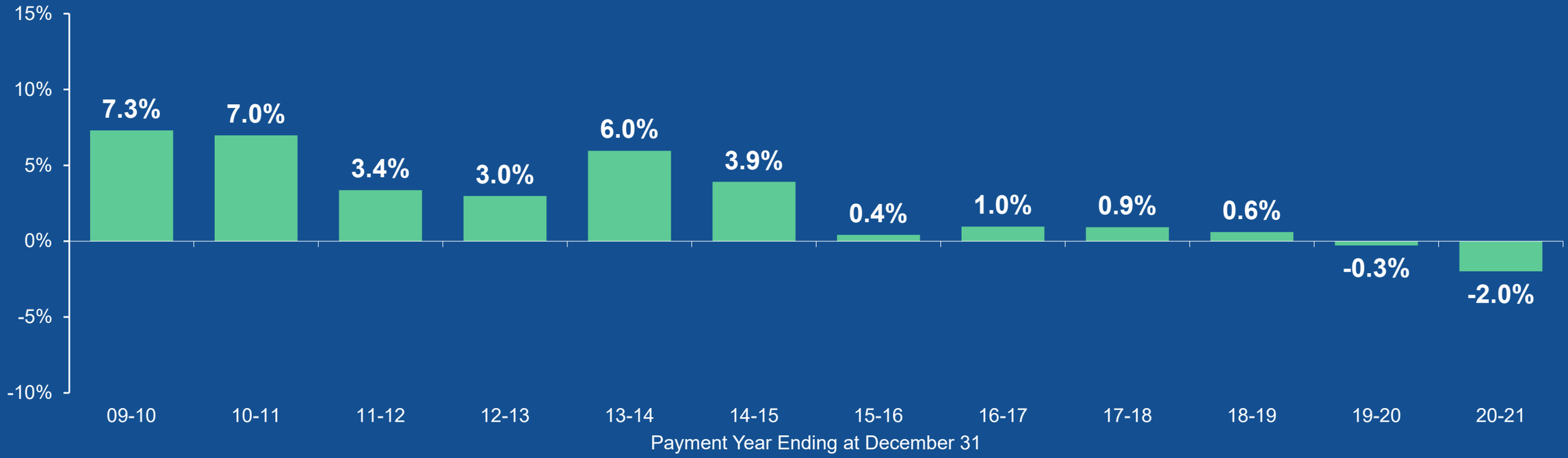
Source: WCIRB aggregate financial data excluding COVID-19 claims and projections. Excludes MCCP costs.

Change in Incremental Paid ALAE per Open Indemnity Claim for Private Insurers (Exhibit 7)

As of December 31, 2021



Annual Exponential Trend Based on:

2008 to 2021: 2.9%

2017 to 2021: -0.1%

4/14/2022 Agenda Selected ALAE Severity Trend: 1.0%

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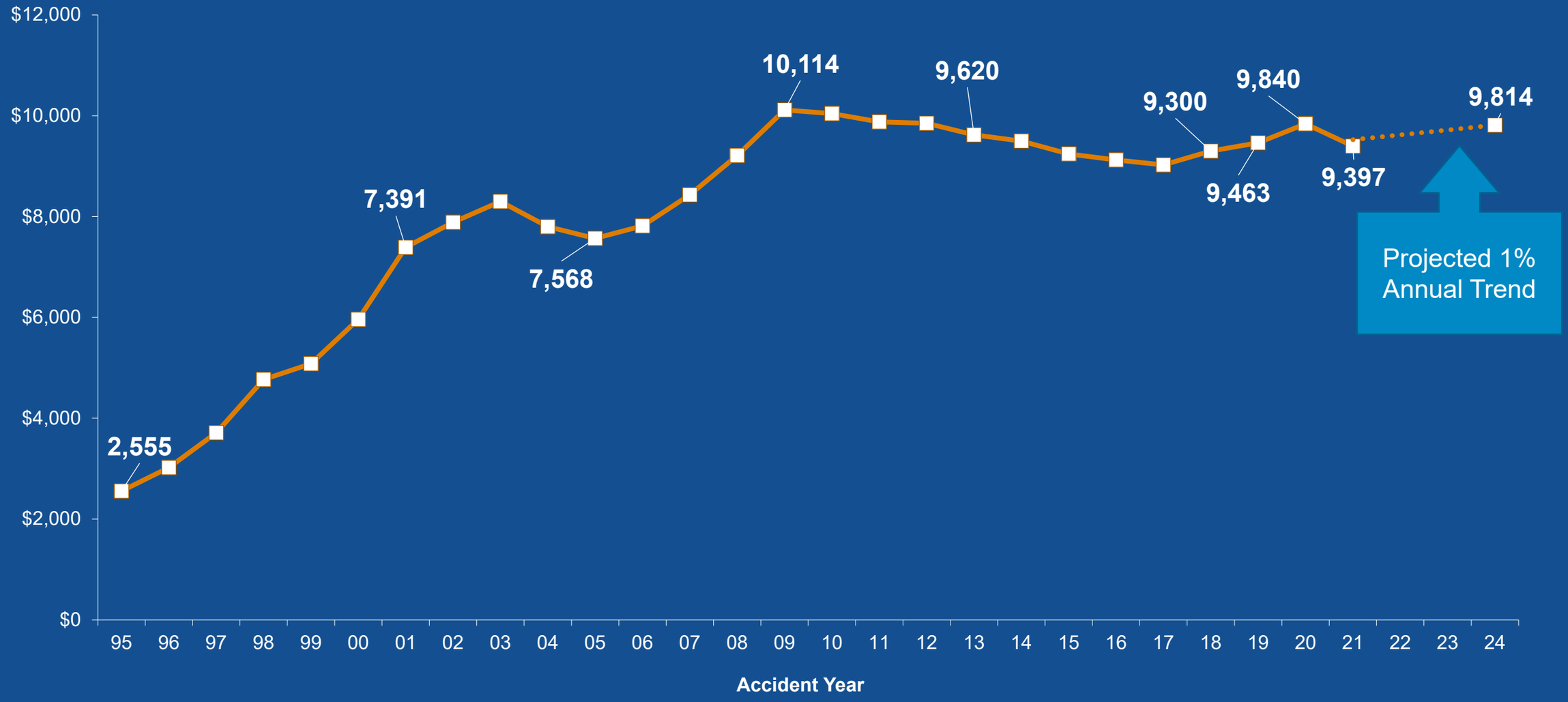
Source: WCIRB aggregate financial data excluding COVID-19 claims and projections. Excludes MCCP costs.

Ultimate ALAE per Indemnity Claim for Private Insurers

As of December 31, 2021



Source: WCIRB aggregate financial data excluding COVID-19 claims and projections.

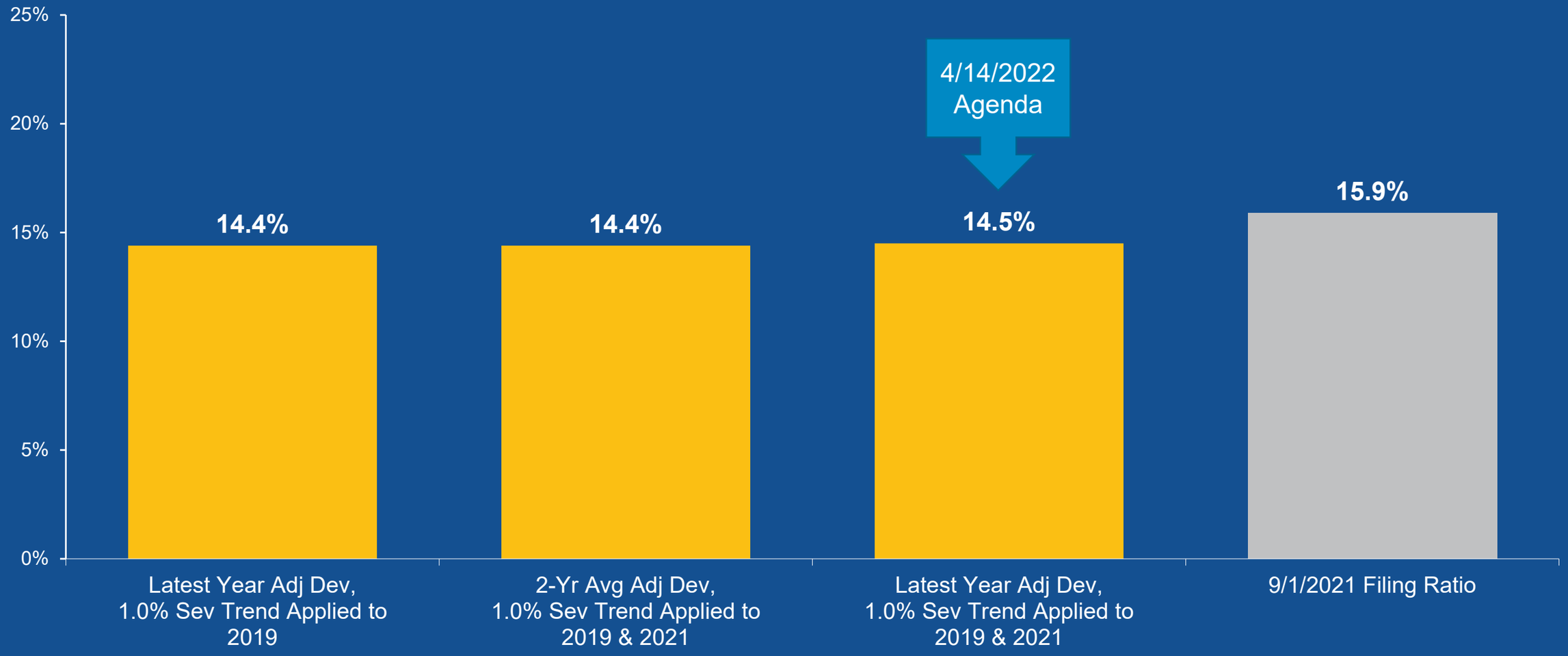
Adjustment for SB 1160 & AB 1244 Lien Reforms in ALAE

As of December 31, 2021

AY & Age	Estimated % of 168 Mon. ALAE Paid	Estimate Reflected in 9/1/2021 Filing (70% Reduction)
2018 (48 Months)	73%	---
2017 (60 Months)	81%	---
Average	77%	---
Selected Tempering	75%	60%
Tempered Adjustment to ALAE (-11.2% Full)	**-2.8%**	**-4.5%**

Projections of ALAE (Excluding MCCP) to Loss

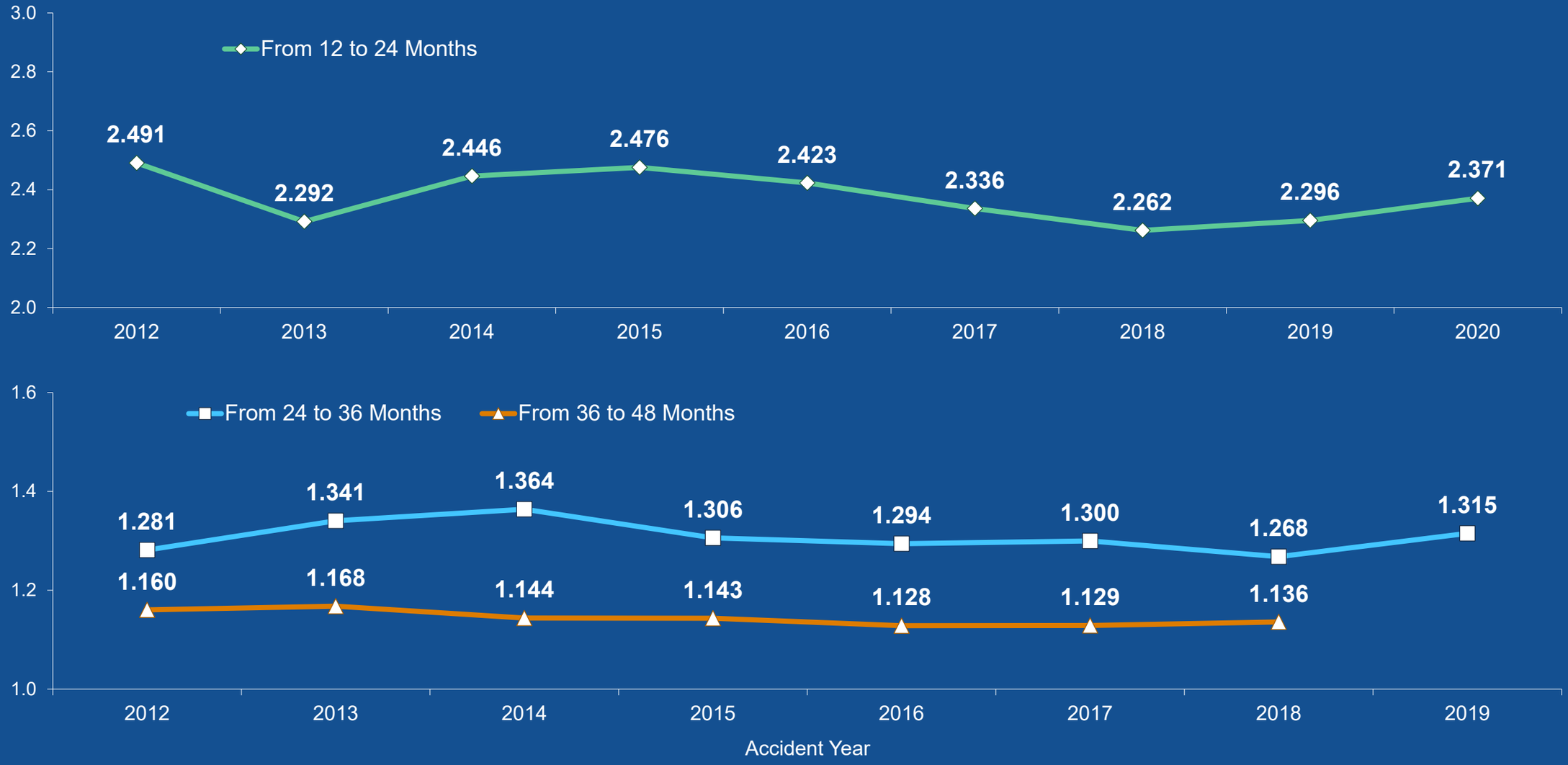
As of December 31, 2021



Source: WCIRB aggregate financial data and projections. All projections include adjustment for SB 1160 reforms to liens.

Paid MCCP Development (Exhibit 14.2)

As of December 31, 2021



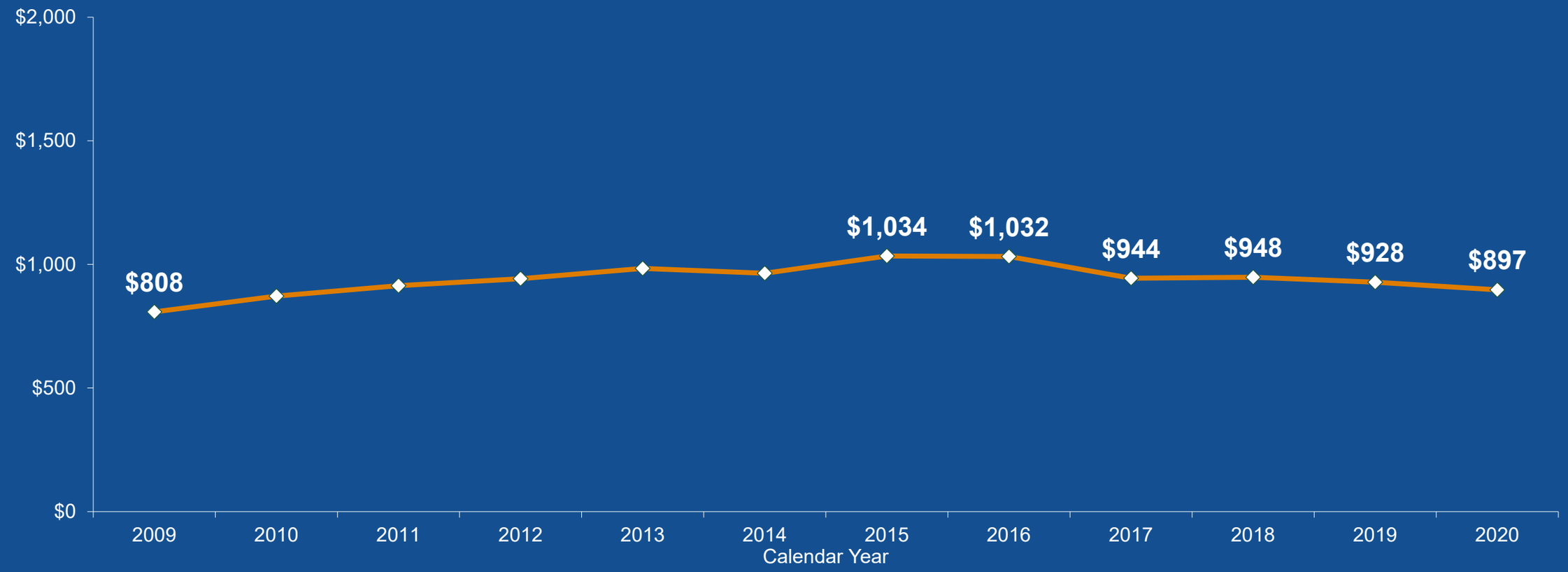
Source: WCIRB aggregate financial data excluding COVID-19 claims. Excludes the cost of IMR and IBR from all years.

MCCP Projection Methodology

- MCCP methodology based on that for ALAE
  - Statewide data used
  - Development based on the latest paid MCCP through 120 months and paid medical after 120 months
  - Trend based on average changes in CY MCCP per open claim and ultimate AY MCCP per indemnity claim
  - Trend applied to 2019 and 2021

Calendar Year Paid MCCP per Indemnity Claims Inventory (Exhibit 13)

As of December 31, 2020



Annual Exponential Trend Based on:

2009 to 2020: 0.8%

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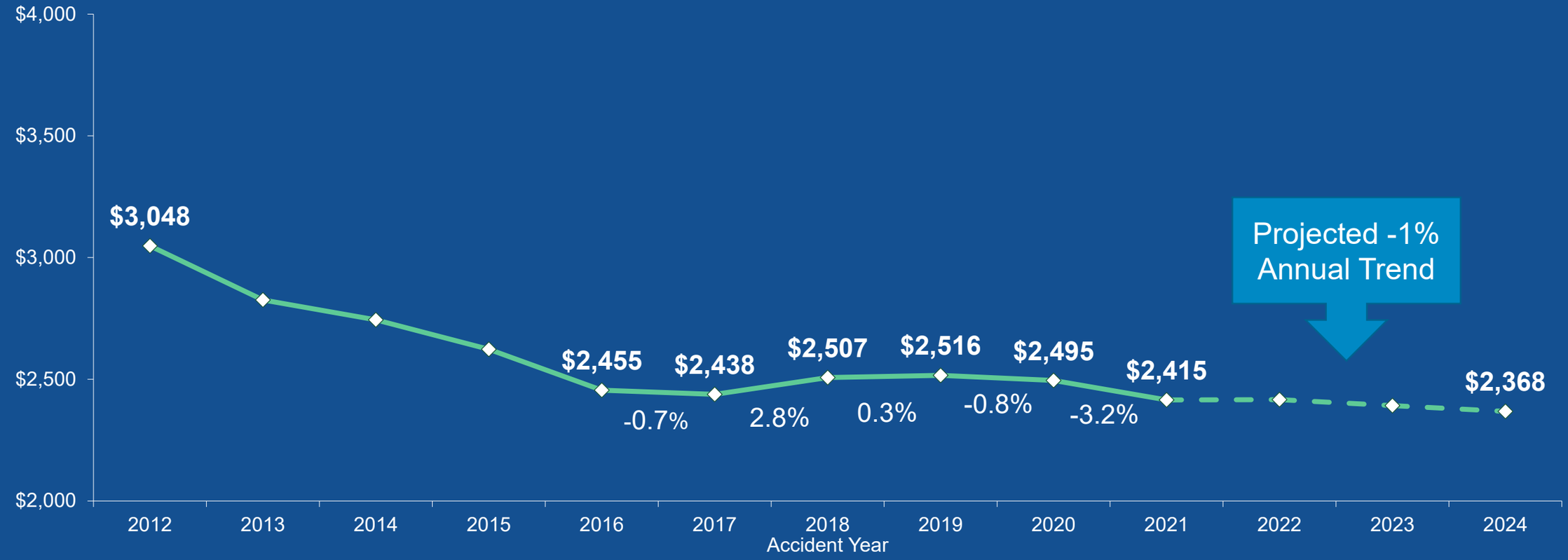
Source: WCIRB aggregate financial data excluding COVID-19 claims. Excludes the cost of IMR and IBR from all years.

Projected Ultimate MCCP per Indemnity Claim (Exhibit 12)

As of December 31, 2021



Annual Exponential Trend Based on:

2012 to 2021: -2.1%

2017 to 2021: -0.2%

4/14/2022 Agenda Selected MCCP Severity Trend: -1.0%

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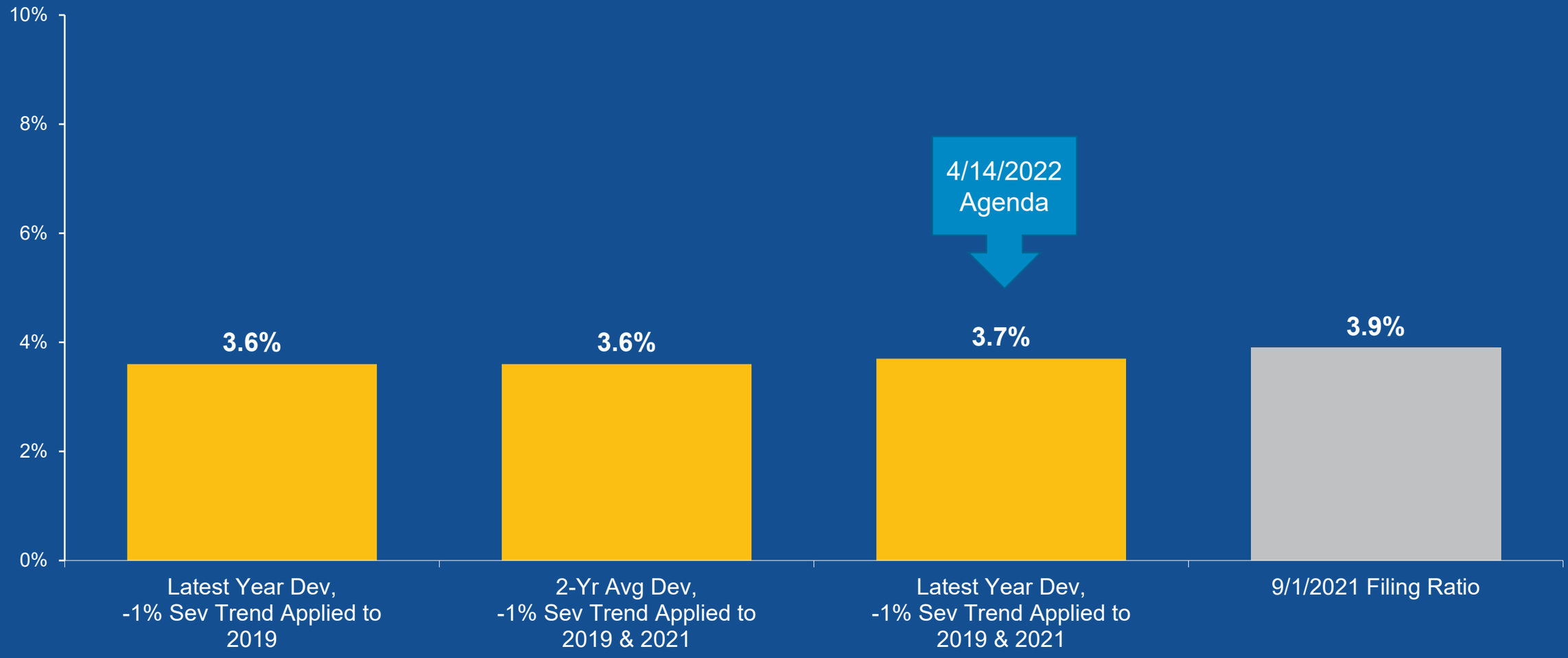
Source: WCIRB aggregate financial data excluding COVID-19 claims and projections. Excludes the cost of IMR and IBR from all years.

Projections of MCCP to Loss

As of December 31, 2021



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Source: WCIRB aggregate financial data and projections. All projections include adjustment for SB 1160 reforms to liens

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