

WCIRB Quarterly Experience Report

As of September 30, 2022

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Chart 1

Written premium declined sharply beginning in the second quarter of 2020 due to the economic downturn resulting from the pandemic.

The modest decrease in written premium for 2021 is driven by continued insurer rate decreases offsetting growth in employer payroll.

Despite continued declines in insurer rates, written premium for the first three quarters of 2022 is 15% above that for the same period of 2021. Much of the increase is being driven by higher employee wage levels and the continued economic recovery.

Written Premium | Gross of Deductible Credits

As of September 30, 2022

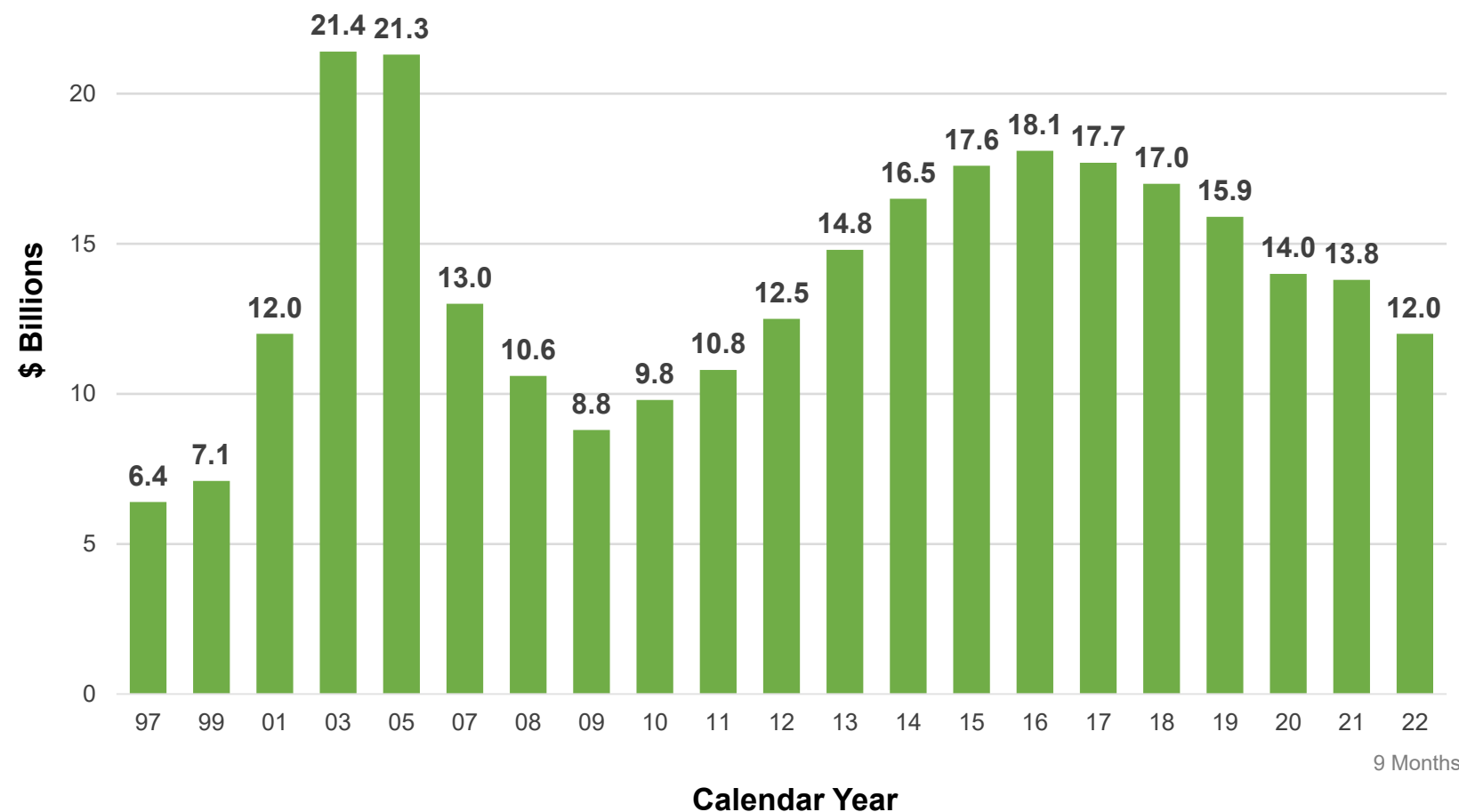




Chart 2

Premium on policies incepting in the first nine months 2022 is 7% higher than premium on policies incepting in the first nine months of 2021, driven by increases in employer payroll during the post-pandemic economic recovery.

The larger share of the increase in calendar year 2022 written premium comes from adjustments to premiums incepting in prior years. This is largely due to a lower amount of premium adjustments in calendar year 2021, as the pandemic resulted in a relative increase in return premiums coming from insurer audits.

9 Month Written Premium by Calendar Year and Policy Year

As of September 30, 2022

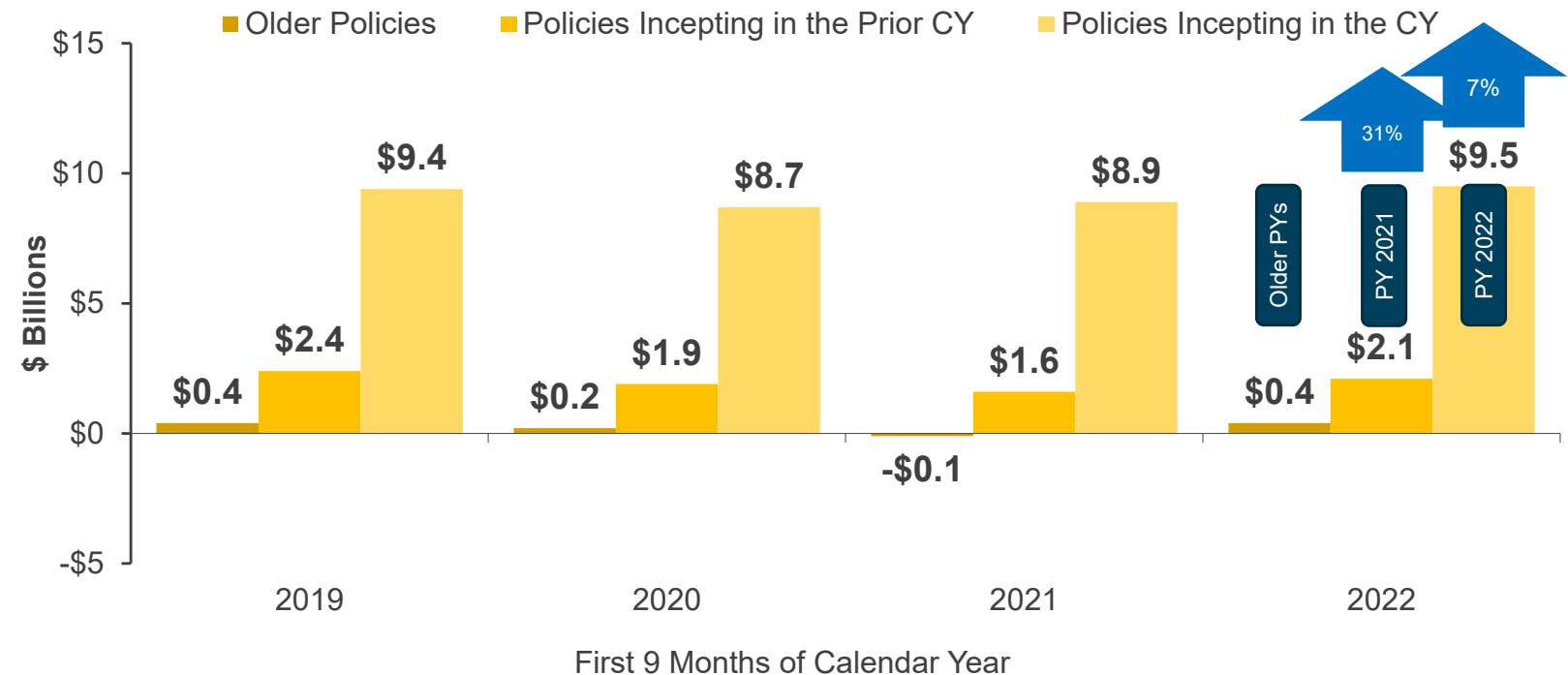




Chart 3

The average charged rate for the first three quarters of 2022 is 7% below 2021 and the lowest in decades.

Average insurer rate declines have moderated in the last two years.

The average of the approved September 1, 2022 advisory pure premium rates was unchanged from the average of the existing rates. This follows a period of 11 consecutive advisory pure premium rate decreases which totaled over 50%.

Industry Average Charged Rates

As of September 30, 2022

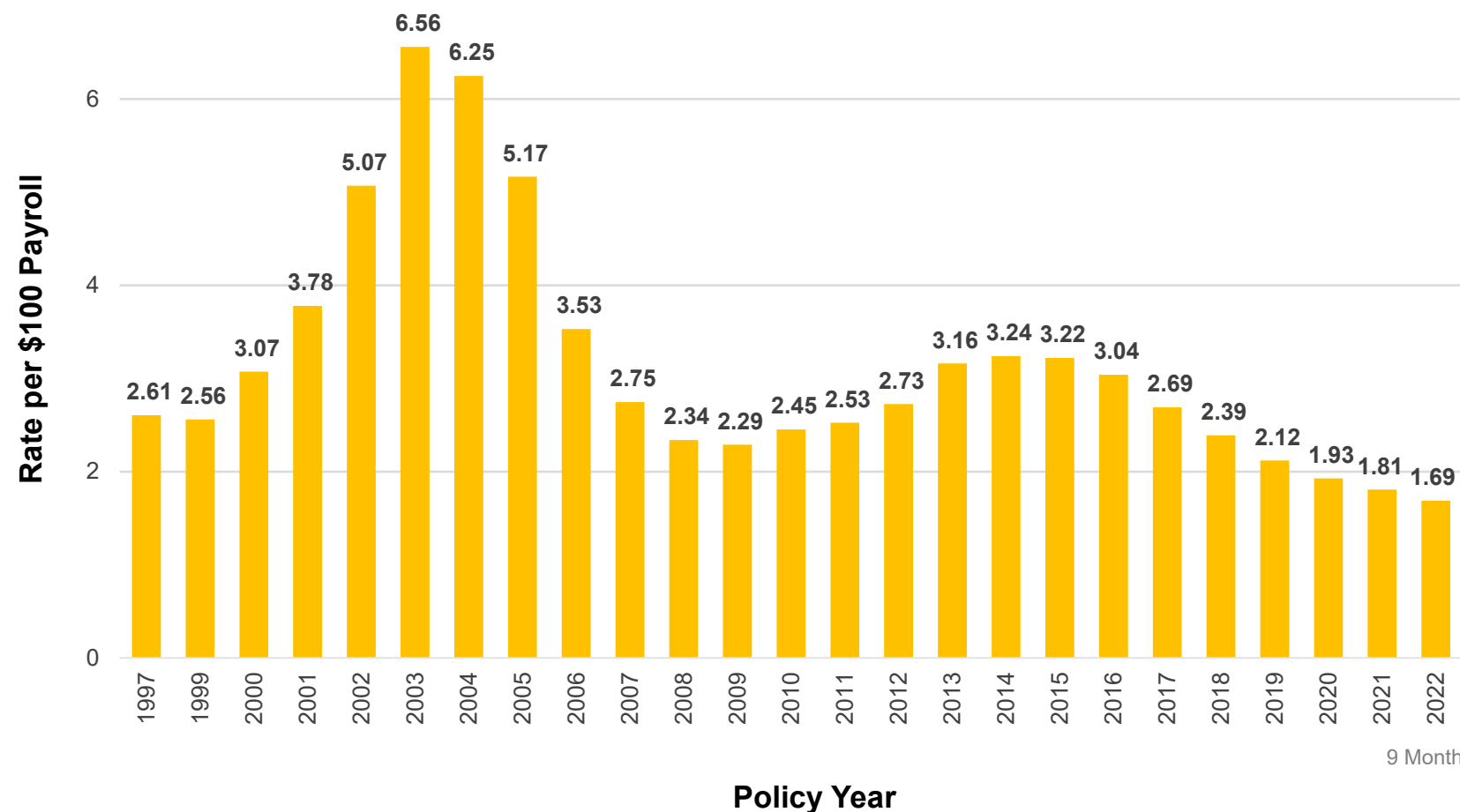




Chart 4

The projected loss ratio for 2021, including the cost of COVID-19 claims, is 6 points above that for 2020 and 13 points above that for 2019.

Projected loss ratios have been growing steadily since 2016, mostly due to declining insurer rate levels and modest increases in average claim severity.

Ultimate Accident Year Loss Ratios

As of September 30, 2022

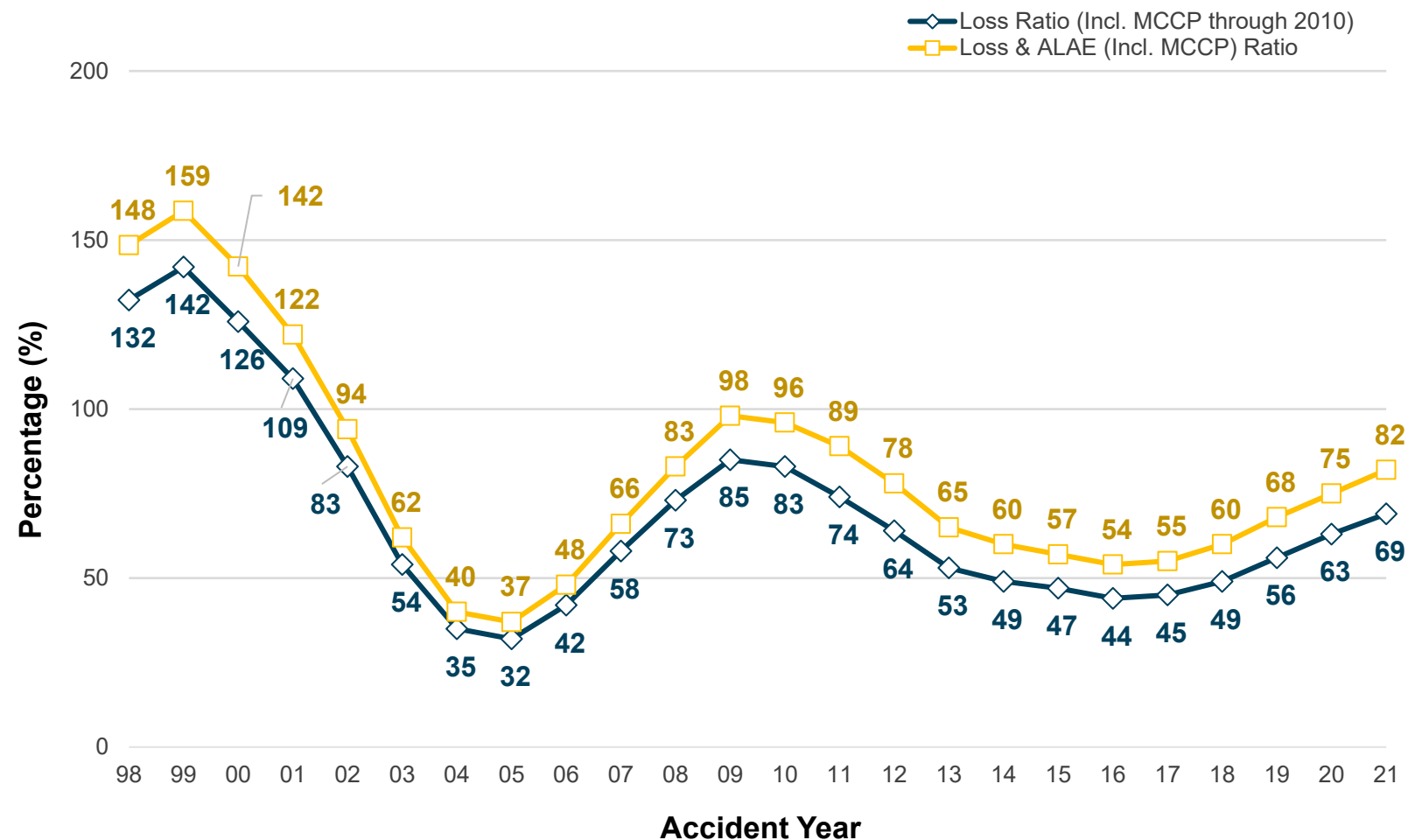




Chart 5

The projected combined ratio for 2021, including COVID-19 claims, is 8 points higher than in 2020 and 35 points higher than the low point in 2016.

Excluding COVID-19 claims, the projected combined ratio for 2021 is 111% and the projected ratio for 2020 is 101%, which are still higher than those of recent prior years.

Combined ratios have been growing in California due to insurer rate decreases and modest growth in average claim severities.

Projected Accident Year Combined Ratios

As of September 30, 2022

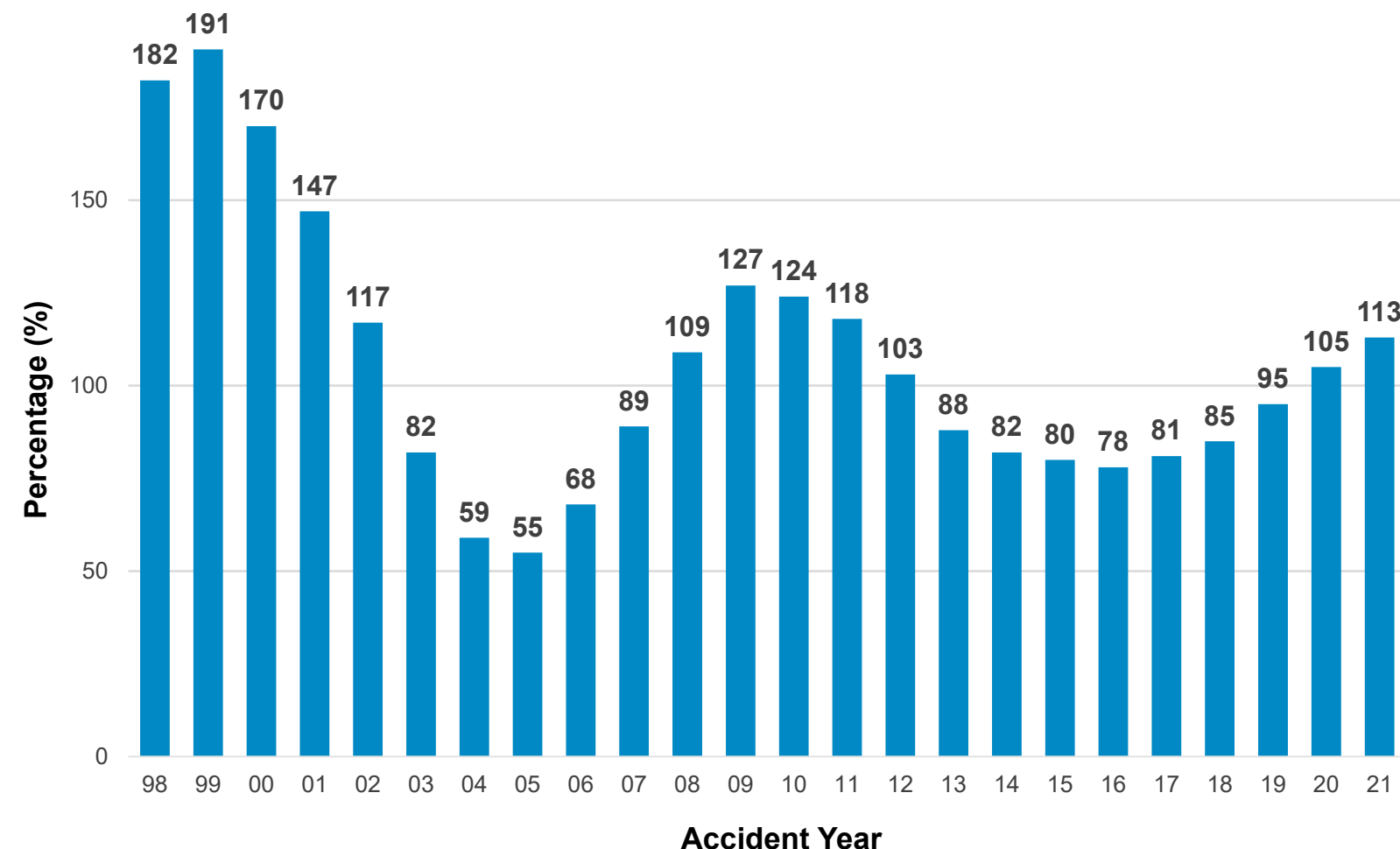




Chart 6

Indemnity claims had been settling quicker through the first quarter of 2020, primarily driven by the reforms of SB 863 and SB 1160.

Average claim closing rates declined sharply beginning in the second quarter of 2020 due to the pandemic.

After bottoming in 2021, average claim closing rates are beginning to increase in 2022 but remain below the pre-pandemic high.

Percent of Open Indemnity Claims Closed in Next Year

As of September 30, 2022

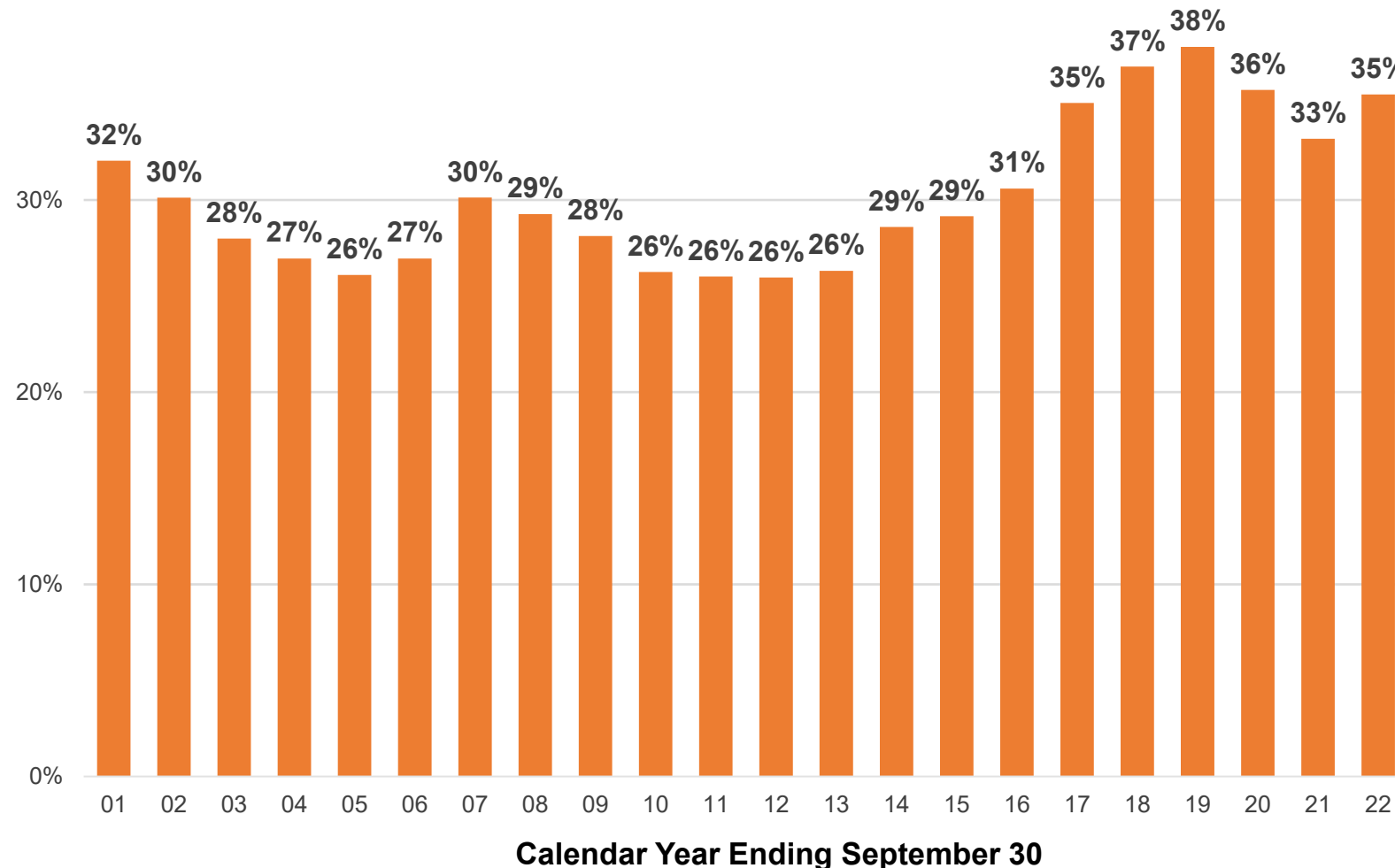




Chart 7

The sharp changes in claim frequency in 2020 and 2021, excluding COVID-19 claims, were driven by the pandemic-related economic downturn in 2020 and subsequent recovery in 2021.

The change in non-COVID-19 claim frequency from 2019 to 2021 is -5%, which is more comparable to the modest declines in frequency during the immediate pre-pandemic period.

Claim frequency for the first nine months of 2022 is comparable to 2021.

Change in Indemnity Claim Frequency

As of September 30, 2022

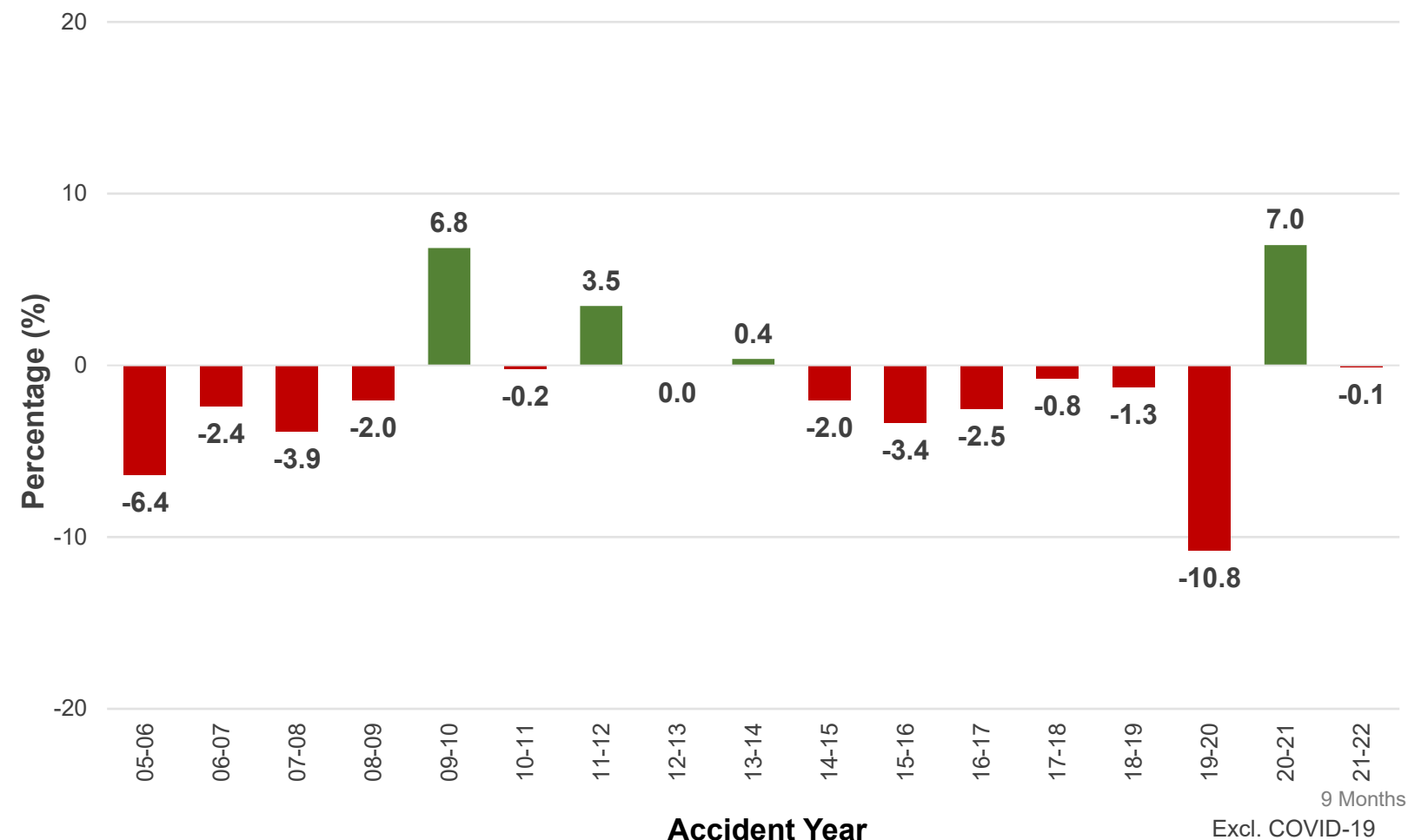


Chart 8

A significant surge in the share of COVID-19 claims occurred in December 2021 and January 2022, driven by the Omicron variant.

COVID-19 indemnity claim frequency dropped significantly following the January 2022 surge but modestly increased through July during the recent surge of infections in California.

COVID-19 Share of Indemnity Claims

As of September 7, 2022

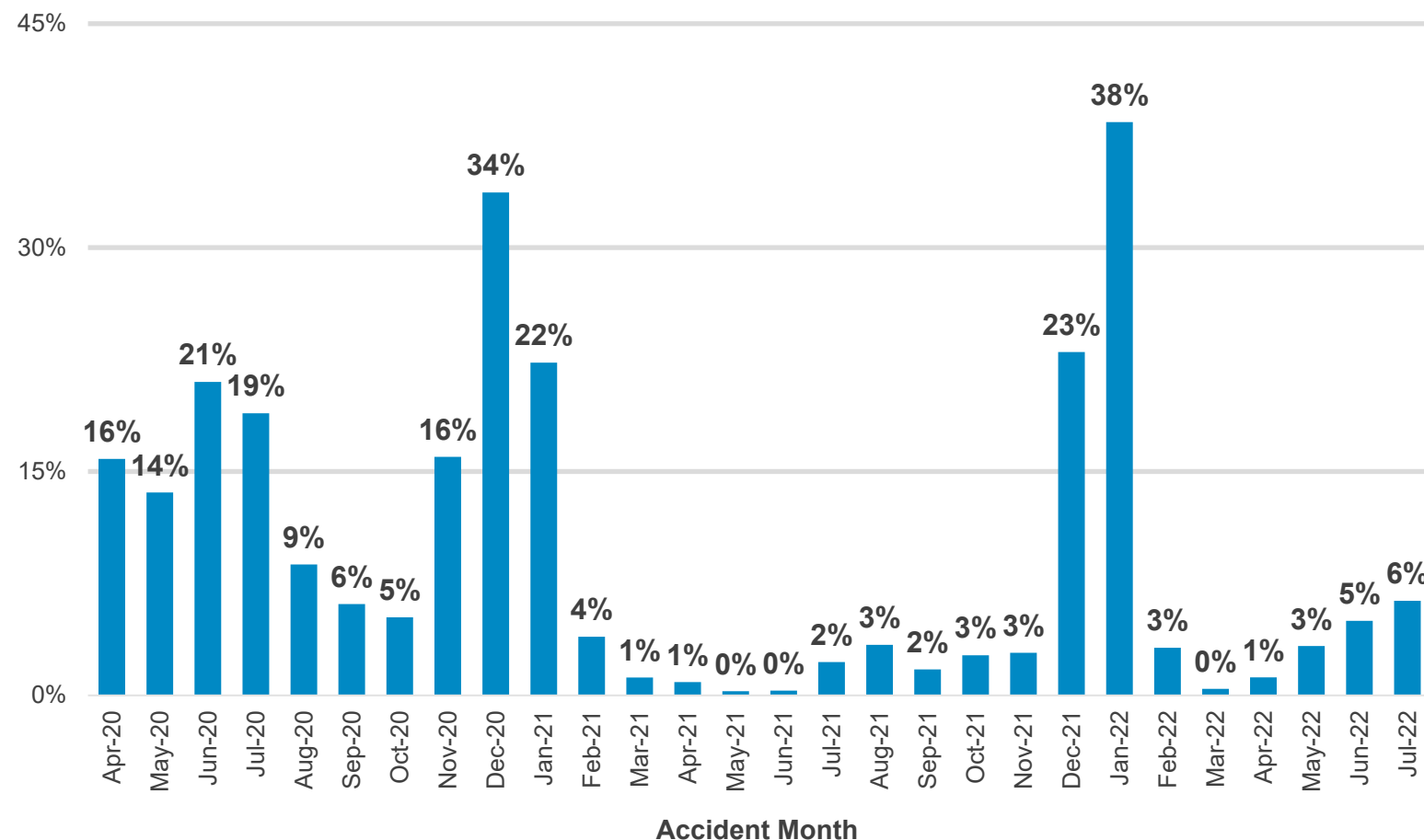




Chart 9

Projected total indemnity claim severity for 2021, excluding COVID-19 claims, is 1% below 2020 but 13% above 2017.

Early estimates of accident year 2022 claim severity suggest another modest change for 2022.

Ultimate Total Loss and ALAE Severities

As of September 30, 2022

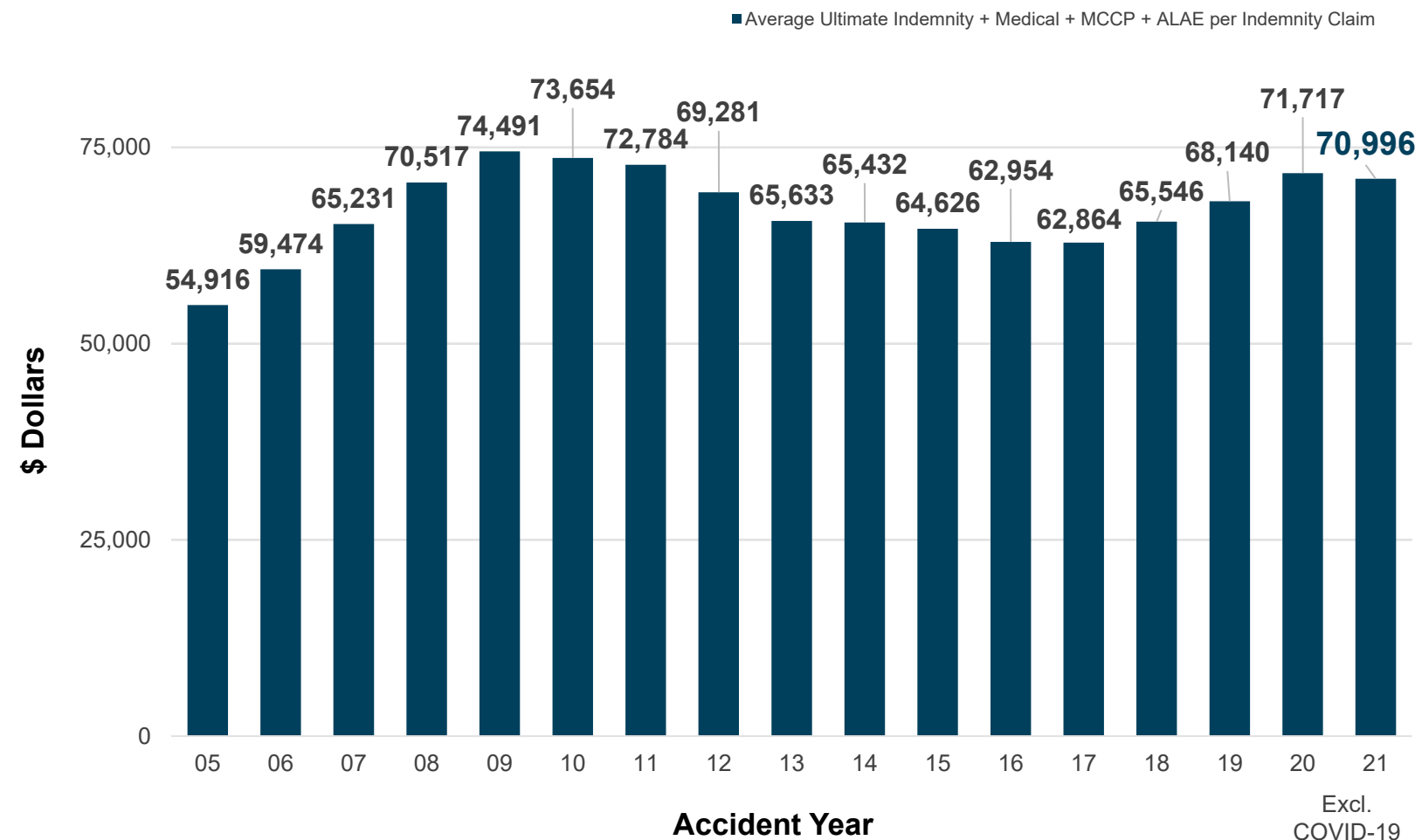


Chart 10

Following several years of flat indemnity severities, the projected indemnity severity for 2021 is 1% higher than 2020 and 19% higher than 2017.

Recent growth in indemnity claim severities has been in part driven by higher-than-typical average wage inflation over the last two years.

Ultimate Indemnity Severities

As of September 30, 2022

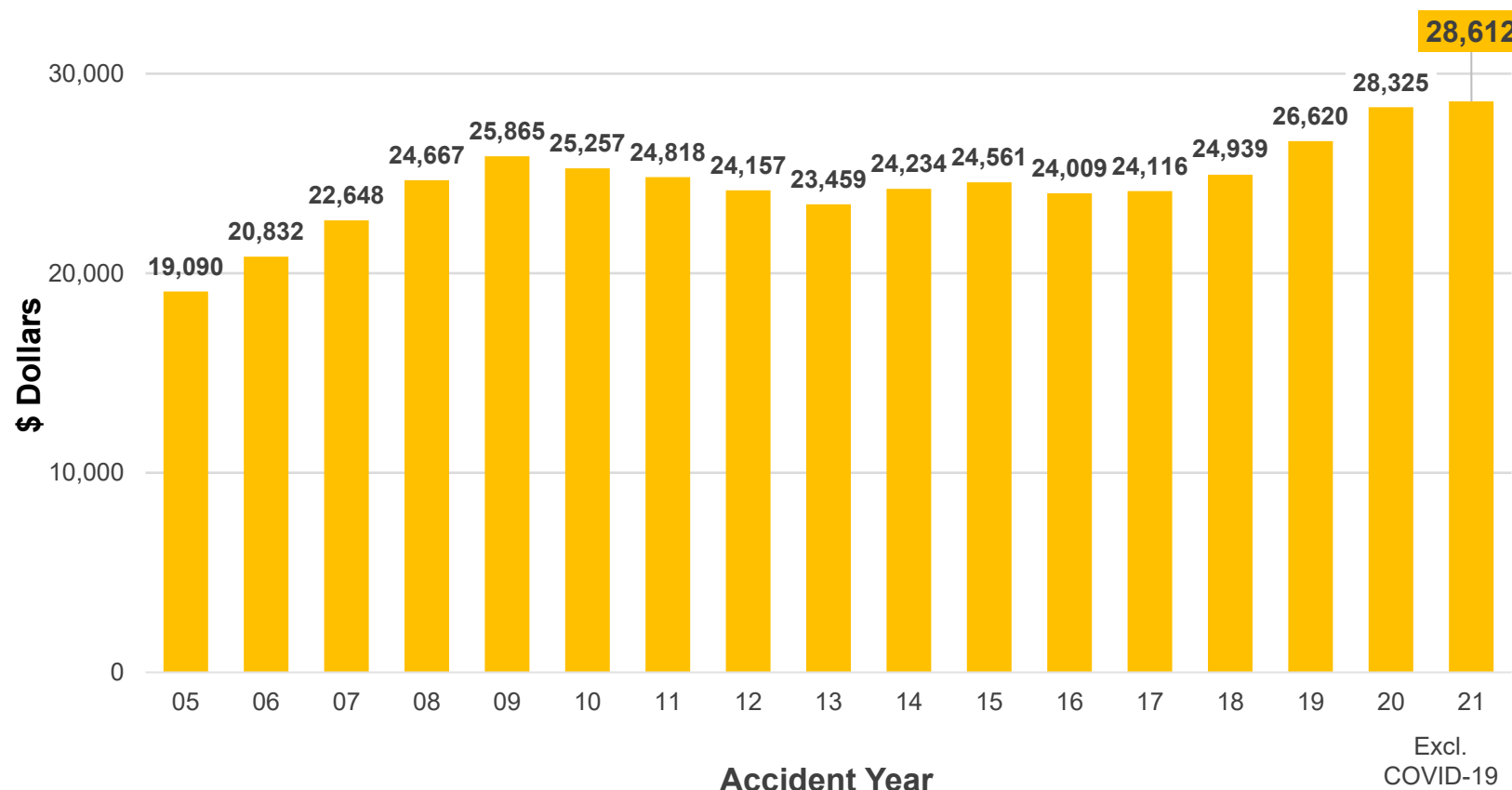


Chart 11

The projected medical severity for 2021 is 2% lower than 2020 but 12% 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.

Changes in 2020 and 2021 are in part driven by shifts in the distribution of the size of claims, with smaller claims not being filed as frequently in the 2020 pandemic period but returning in 2021.

Ultimate Medical Severities

As of September 30, 2022

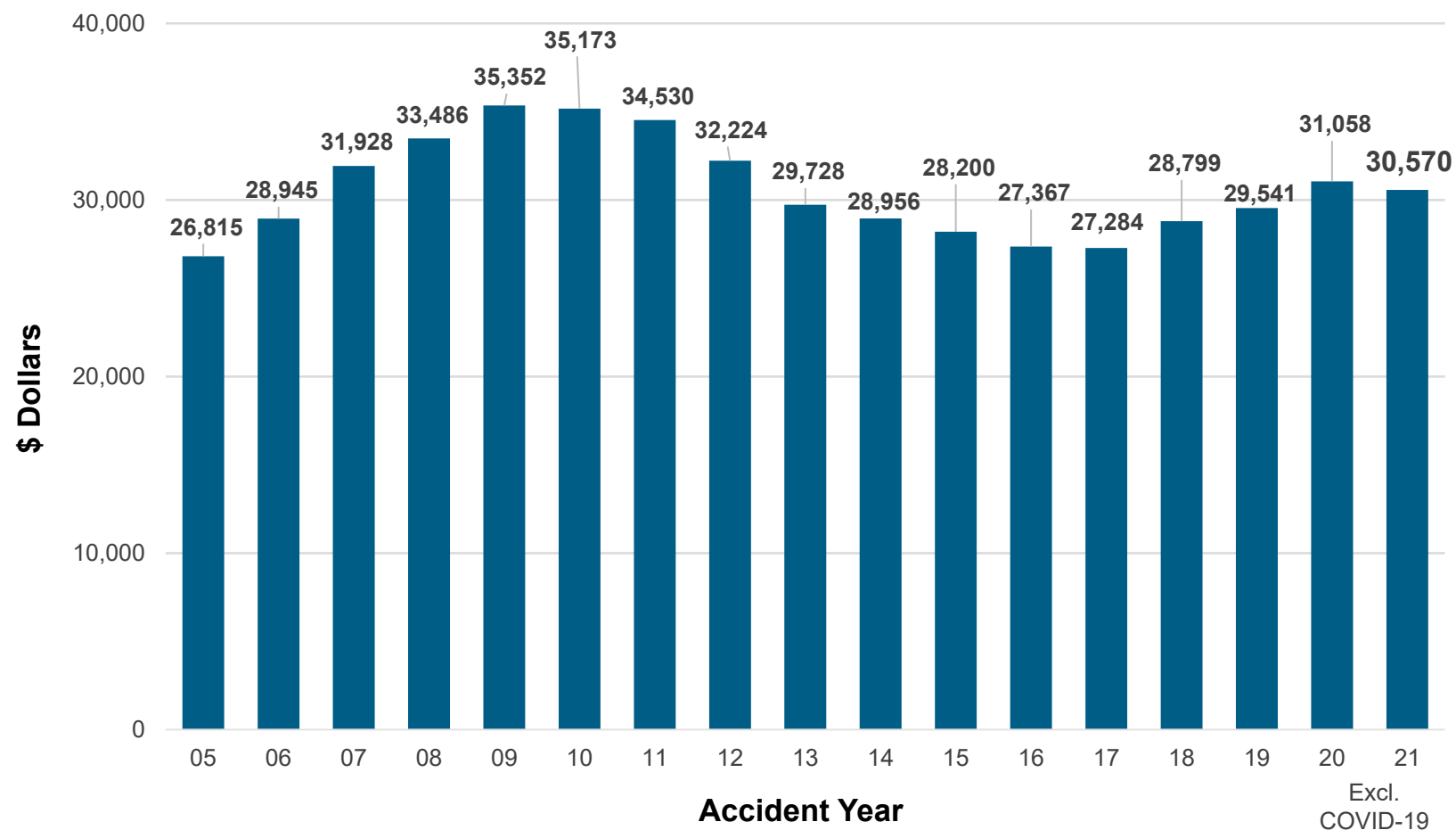




Chart 12

ALAE severities have been generally flat from 2009 through 2021.

Ultimate ALAE (excl. MCCP) Severities in (000s)

As of December 31, 2021

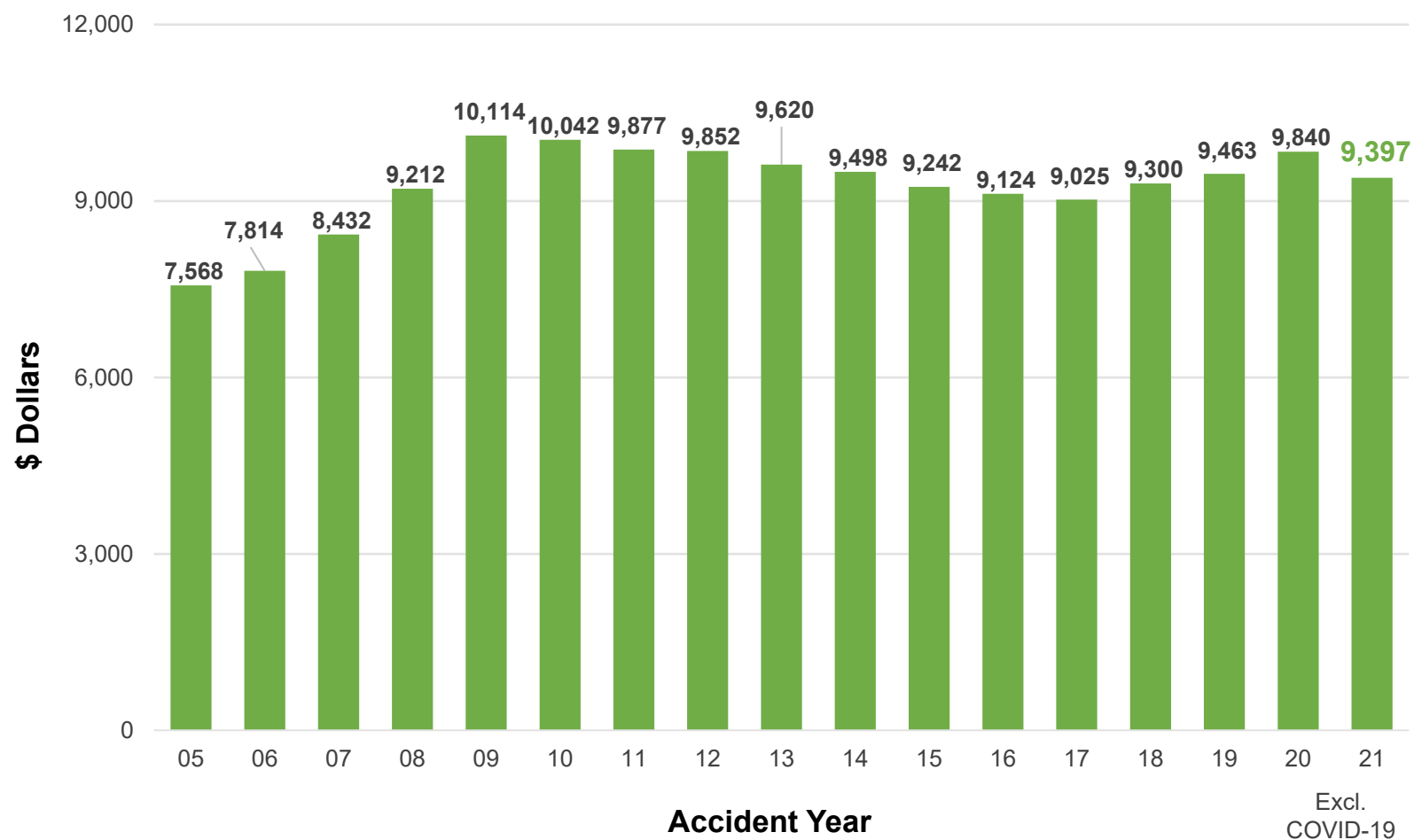


Chart 13

Average MCCP costs per claim have generally been consistent since 2016 as the post-reform declines in average medical costs have moderated.

Ultimate Medical Cost Containment Program (MCCP) Severities

As of December 31, 2021

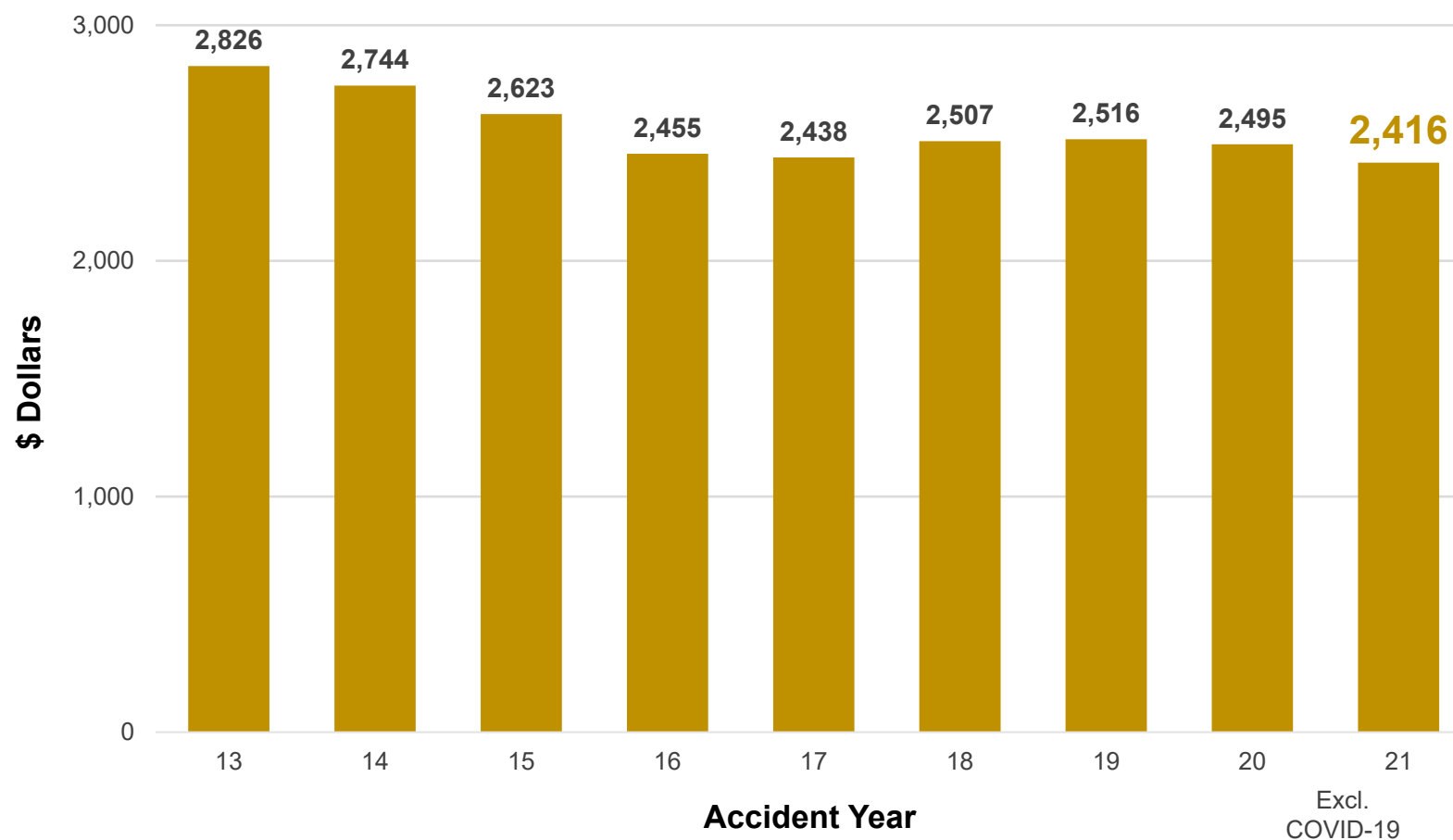




Chart 14

Medical service costs per claim increased significantly in 2020 due to a reduction in the number of smaller medical-only claims filed during the pandemic.

Medical service costs per claim increased by 3% in 2021, driven by an increase in the average paid per medical service transaction. Some of this growth is attributable to increases in fee schedule reimbursements for evaluation and management and medical-legal services effective in early 2021.

Change in Medical Service Cost Levels

As of June 30, 2022

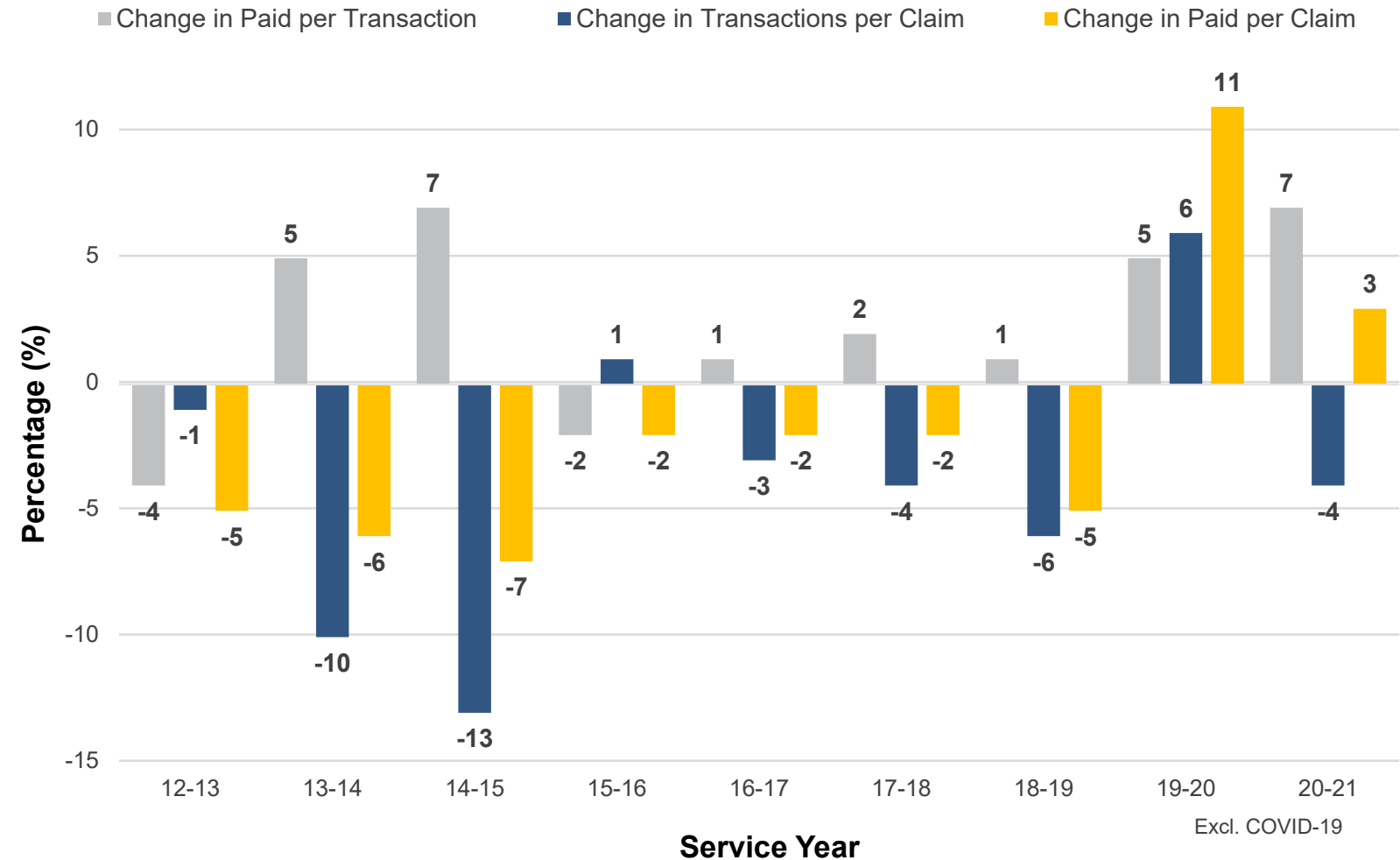


Chart 15

Pharmaceutical costs per claim decreased by 84% from 2012 through 2021.

After increasing during the early pandemic period in 2020, average pharmaceutical costs per claim declined by 9% in 2021.

Change in Pharmaceutical Cost Levels

As of June 30, 2022

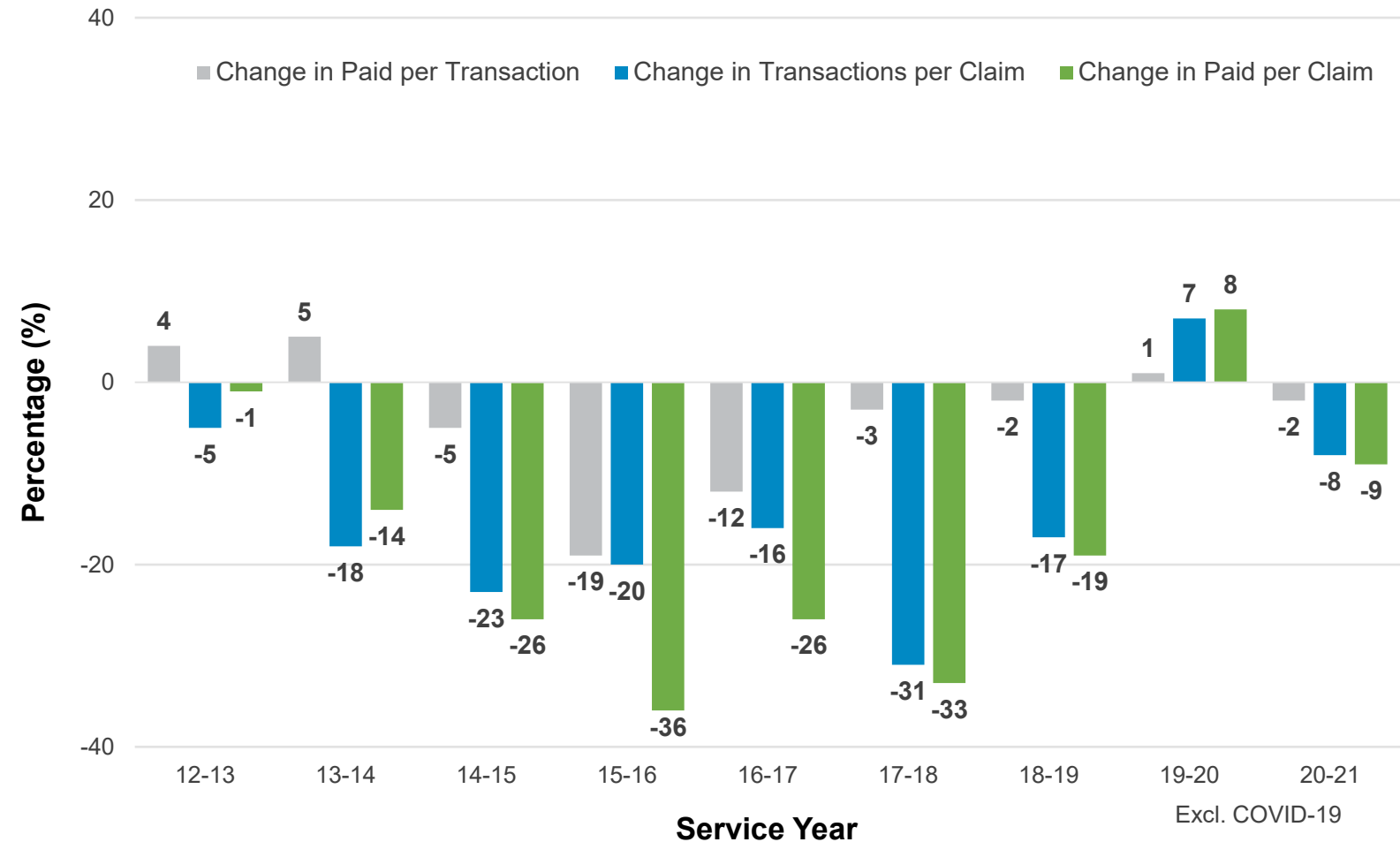


Chart 16

Ratios of ALAE to loss increased significantly from 2011 to 2015 in part due to increased CT claim filings and the transition to SB 863.

From 2015 to 2021, these ratios have generally been consistent.

Ratios of Paid ALAE to Paid Losses

As of September 30, 2022

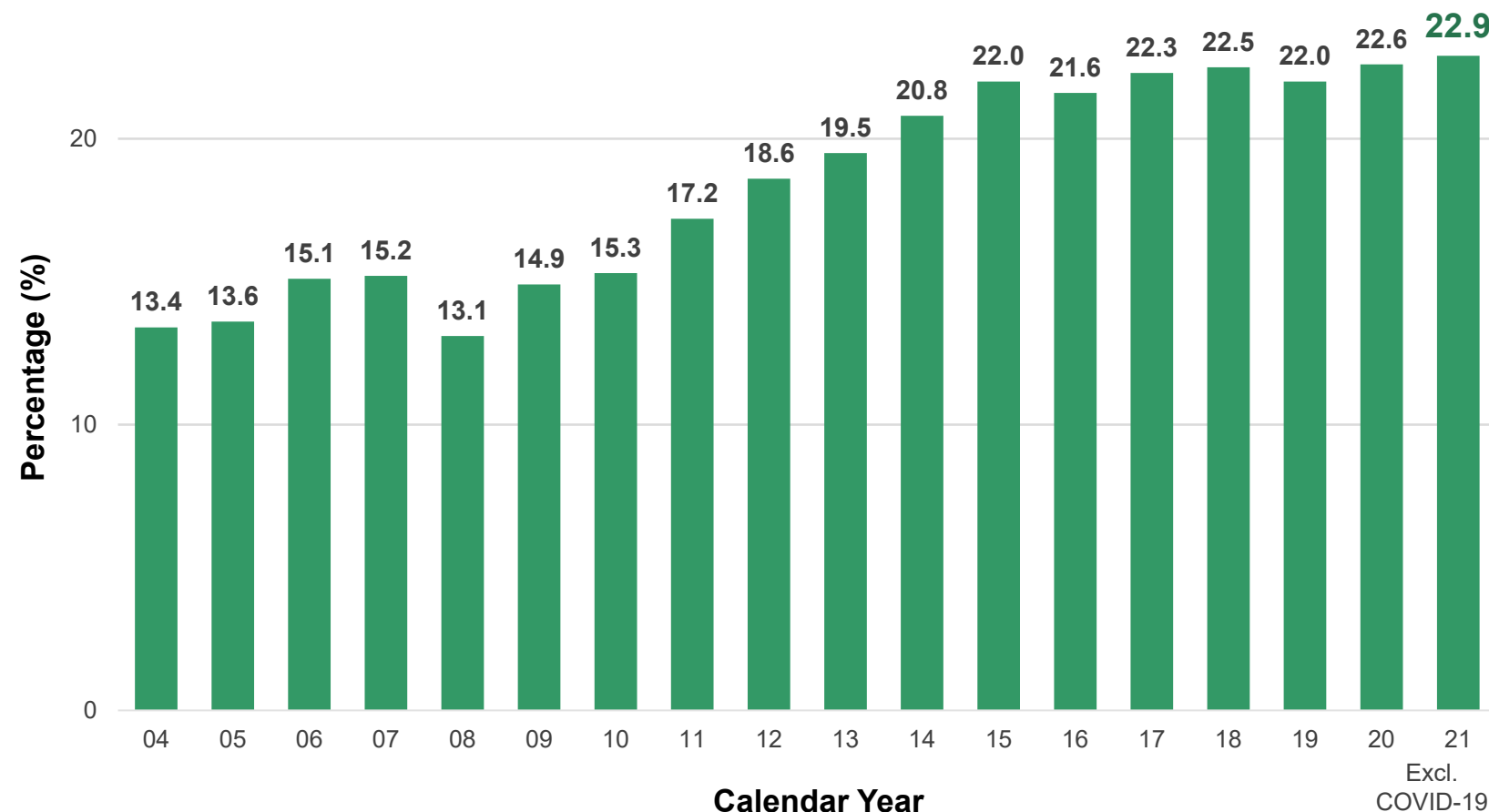
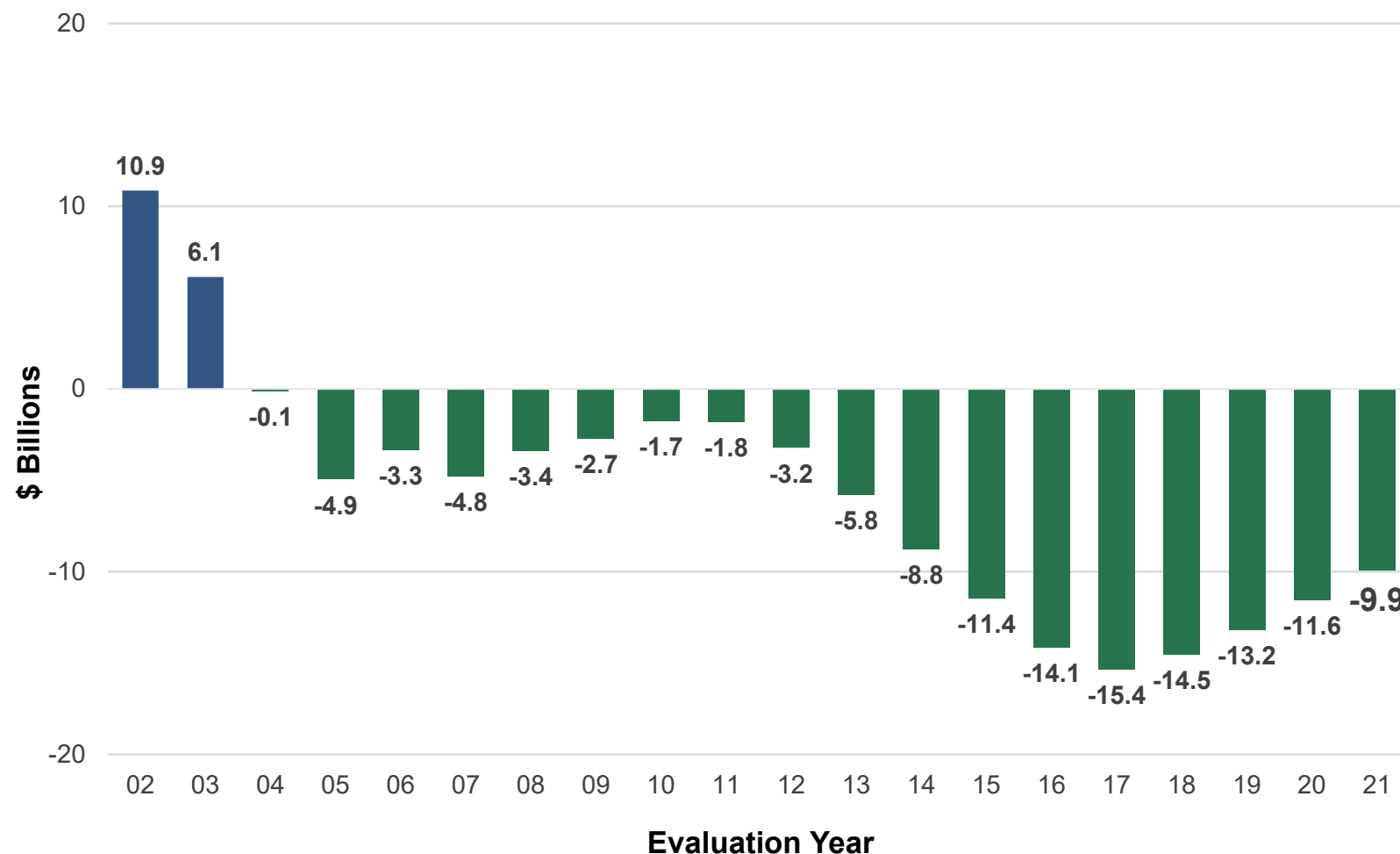


Chart 17

Projected total statewide ultimate losses for 2005 through 2021 evaluations are below insurers' reported amounts.

Projected Ultimate Losses Less Reported Losses

As of September 30, 2022





General Notes and Limitations

- The information presented reflects a compilation of individual insurer submissions of information 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 WCIRB can make no warranty with respect to the information provided by third parties.
- Unless otherwise noted, the information in this report is based on the reported experience of insured employers only and may or may not be indicative of the experience of the state as a whole including self-insured employers.
- WCIRB estimates are based on information and projections as of September 30, 2022. If subsequent information becomes available that changes the basis of our assumptions, these estimates would of course be affected.
- 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.
- Some of the information presented herein may be based on data from only a partial time period or at an initial preliminary evaluation. Once more complete and mature information becomes available, estimates could differ.
- 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 of a diagnosis of COVID-19 have been filed for accident years 2020 and 2021. The amounts and ratios for accident years 2020 and 2021 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: 9 Month Written Premium by Calendar Year and Policy Year



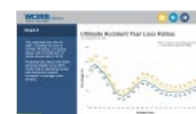
- Source: WCIRB aggregate financial data calls.
- Written premium is gross of deductible credits.

Chart 3: Industry Average Charged Rates



- Rates are based on WCIRB unit statistical data through 2019 and estimated based on aggregate financial data calls for 2020 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, all rates include an adjustment for classification payroll limitations adopted effective January 1, 2020 and September 1, 2022.

Chart 4: Ultimate Accident Year Loss Ratios



- Ratios are projected based on WCIRB aggregate financial data call data as of September 30, 2022.
- 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 years 2020 and 2021.

Chart 5: Projected Accident Year Combined Ratios



- Ratios are projected based on WCIRB aggregate financial data call data as of September 30, 2022.
- Combined ratios include losses, loss-adjustment expenses and other insurer expenses.
- COVID-19 claims are included in the projections for accident years 2020 and 2021.

Chart 6: Percent of Open Indemnity Claims Closed in Next Year



- Source: WCIRB aggregate financial data call data as of September 30, 2022.
- 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.

More Info (...continued)

Chart 7: 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 2020 and changes in reported indemnity claim counts compared to changes in statewide employment based on WCIRB aggregate financial data call data for accident years 2021 and 2022.
- COVID-19 claims are excluded from accident years 2020 through 2022.

Chart 8: COVID-19 Share of Indemnity Claims



- Source: WCIRB indemnity transaction data through September 7, 2022. Excludes denied claims.
- Represents indemnity claims for the accident month that have been reported by September 7, 2022.

Chart 9: Ultimate Loss & ALAE Severities



- Severities are projected based on WCIRB aggregate financial data call data as of September 30, 2022.
- Includes data for indemnity claims only.
- COVID-19 claims are excluded from accident years 2020 and 2021.

Chart 10: Ultimate Indemnity Severities



- Severities are projected based on WCIRB aggregate financial data call data as of September 30, 2022.
- COVID-19 claims are excluded from accident years 2020 and 2021.

Chart 11: Ultimate Medical Severities



- Severities are projected based on WCIRB aggregate financial data call data as of September 30, 2022.
- Includes data for indemnity claims only.
- MCCP costs are excluded from all years for consistency of comparison.
- COVID-19 claims are excluded from accident years 2020 and 2021.

Chart 12: Ultimate ALAE (excl. MCCP) Severities



- Severities are projected based on WCIRB aggregate financial data call data as of December 31, 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 years 2020 and 2021. reported as of September 30 of the prior year.

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, 2021.
- Includes data for indemnity claims only.
- COVID-19 claims are excluded from accident years 2020 and 2021.

Chart 14: Change in Medical Service Cost Levels



- Source: WCIRB medical transaction data as of June 30, 2022.
- Costs from COVID-19 claims are excluded from the 2020 and 2021 periods.

Chart 15: Change in Pharmaceutical Cost Levels



- Source: WCIRB medical transaction data as of June 30, 2022.
- Costs from COVID-19 claims are excluded from the 2020 and 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 years 2020 and 2021.

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, 2022.
- COVID-19 claims are included in the projections for accident years 2020 and 2021.



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