

**WCIRB** California™  
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# WCIRB Quarterly Experience Report

As of March 31, 2024



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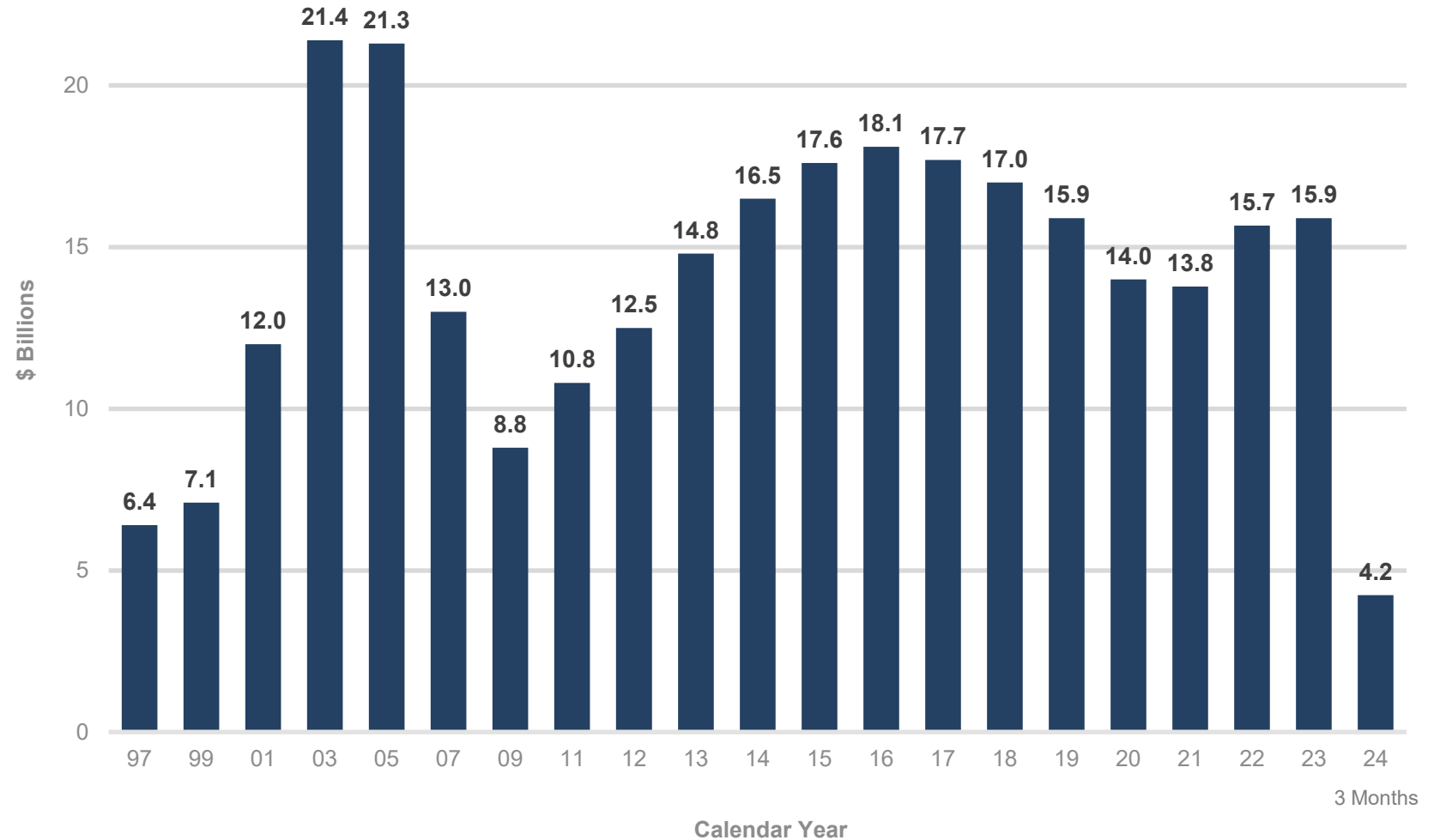
## Chart 1

Written premium in 2023 is slightly above 2022. Payroll growth exceeded the impact of continued moderate insurer rate decreases, resulting in modest premium growth.

Written premium for the first quarter of 2024 is 3% lower than the first quarter of 2023.

# Written Premium – Gross of Deductible Credits

As of March 31, 2024



## Chart 2

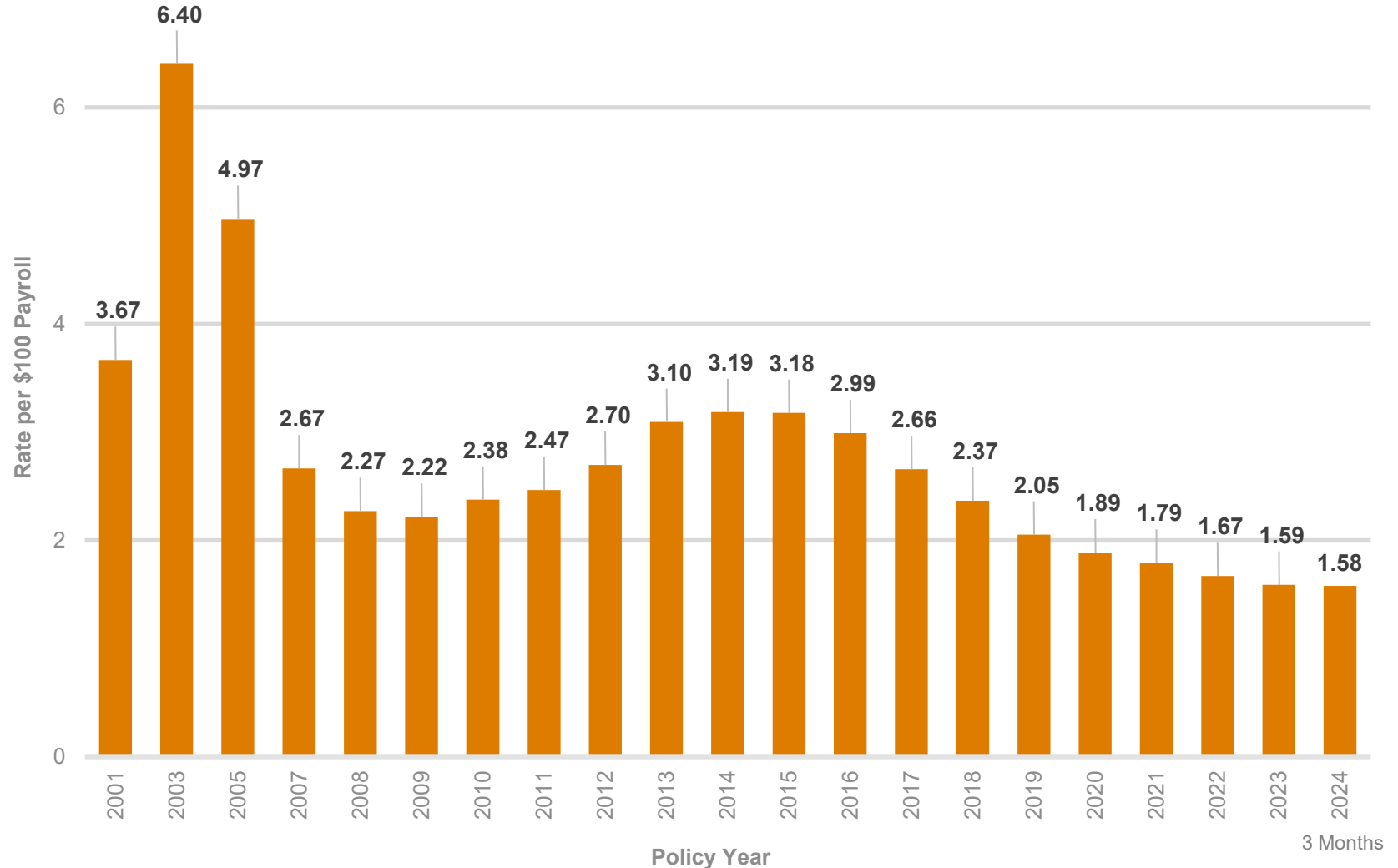
The average charged rate for 2023 continues to decrease; it is 5% lower than 2022 and the lowest in decades. The estimated average charged rate for the first three months of 2024 is 1% lower than 2023.

Over the long term, declining claim frequency and increasing wage levels have offset rising medical costs and increases in indemnity benefits, resulting in decreases in average charged rates.

The WCIRB proposed a 0.9% advisory pure premium rate increase for September 1, 2024.

# Industry Average Charged Rates

As of March 31, 2024



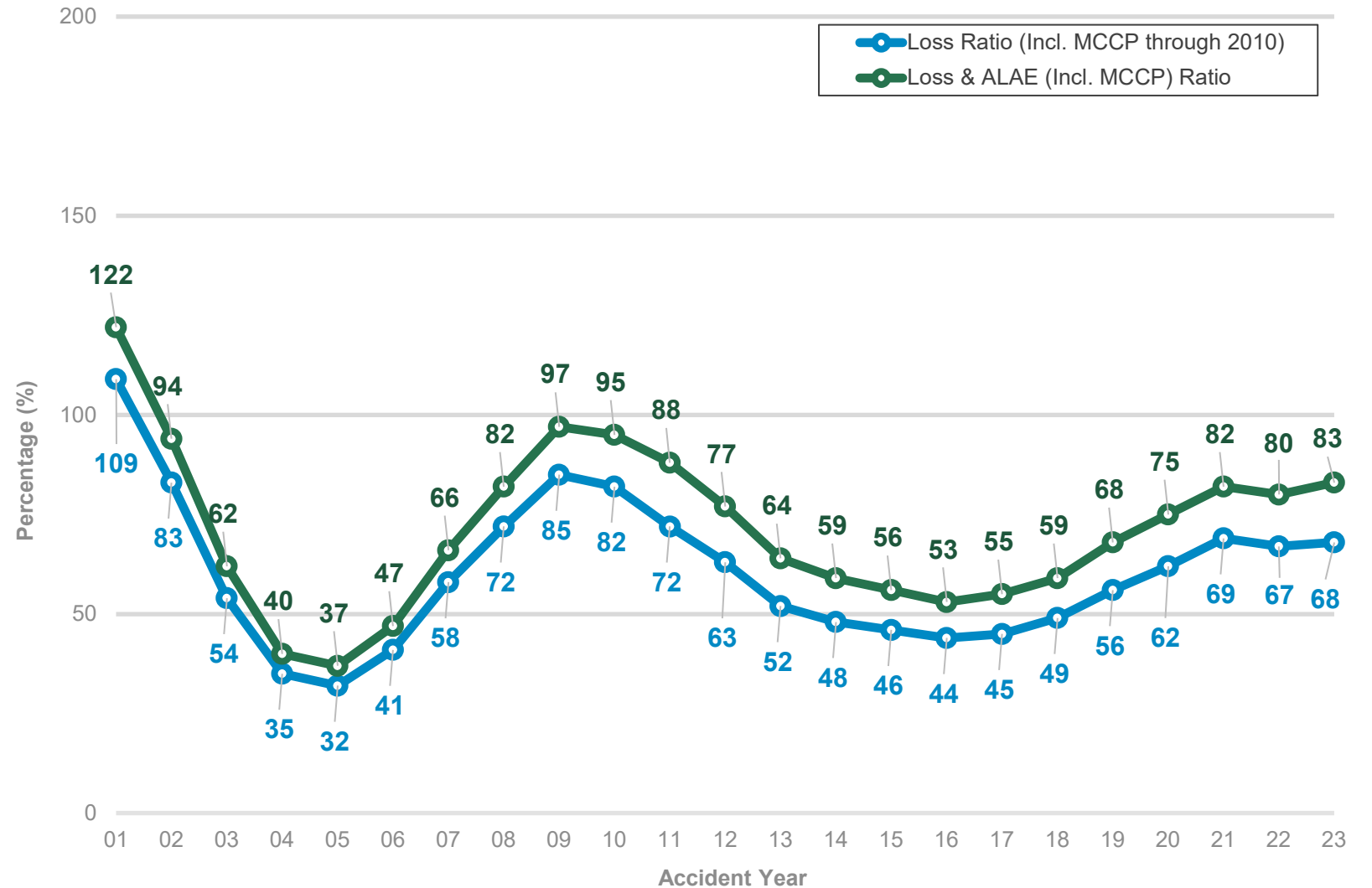
### Chart 3

After five consecutive increases, the projected loss ratio, including the cost of COVID-19 claims, dropped 2 points in accident year 2022, driven by a significant increase in premium due to higher payrolls and very modest changes in claim frequency and severity.

The accident year 2023 loss ratio is 1 point higher than 2022, driven by the declining impact of COVID-19 claims and increasing severity trends.

## Ultimate Accident Year Loss Ratios

As of March 31, 2024



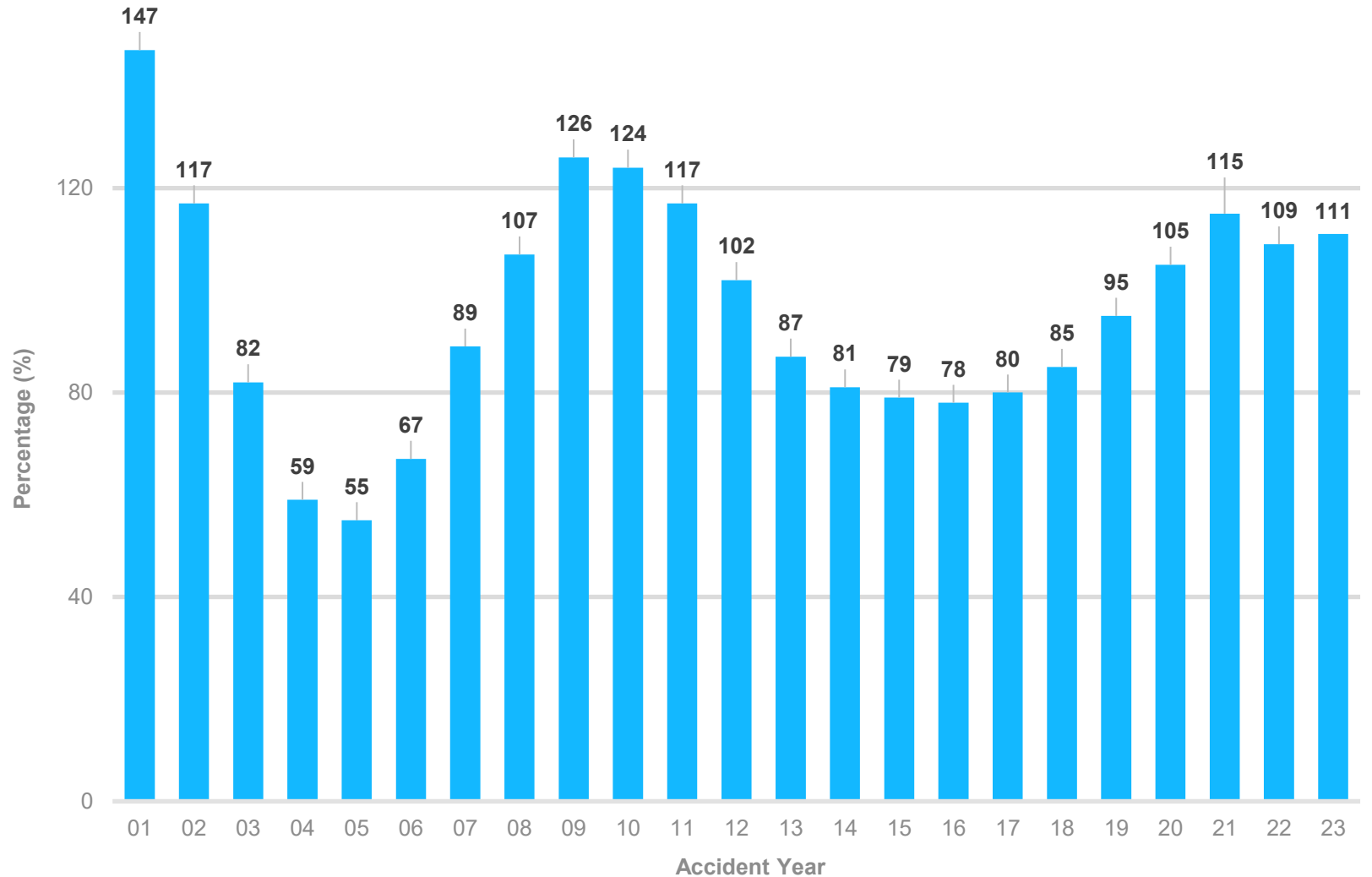
## Chart 4

Following five consecutive increases, the projected combined ratio for accident year 2022, including COVID-19 claims, is 6 points lower than in 2021. The decline in 2022 was driven by a lower loss ratio and a lower other expense ratio.

The combined ratio increased 2 points in 2023, driven by increases in average claim severities offsetting premium increases.

# Projected Accident Year Combined Ratios

As of March 31, 2024



## Chart 5

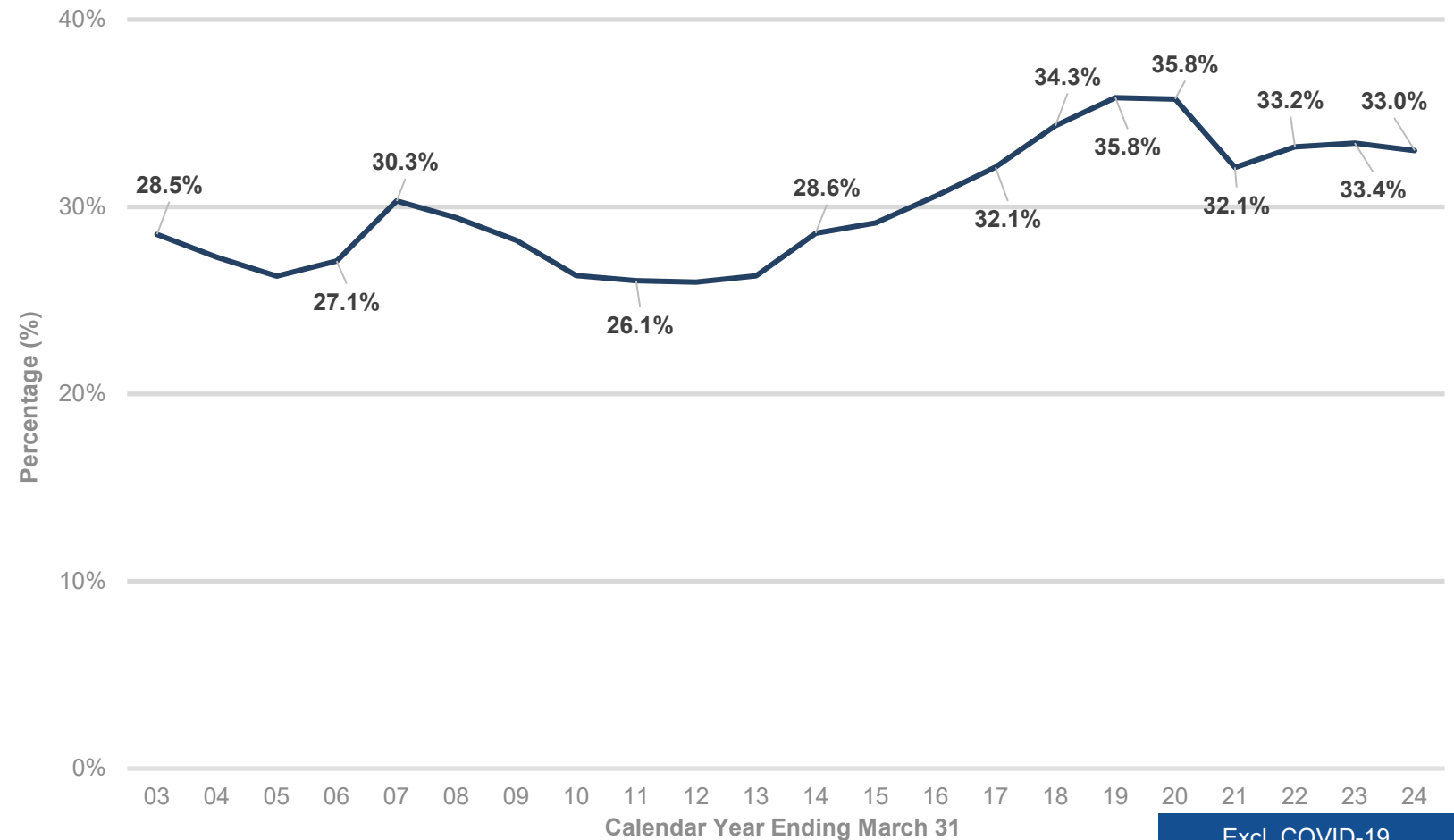
Indemnity claims had been settling more quickly through the first quarter of 2020, primarily driven by the reforms of Senate Bill No. 863 (SB 863) and Senate Bill No. 1160 (SB 1160).

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

Average claim closing rates are flat in 2022 to 2024 and remain below the pre-pandemic level.

# Percent of Open Indemnity Claims Closed in Next Year

As of March 31, 2024



Excl. COVID-19

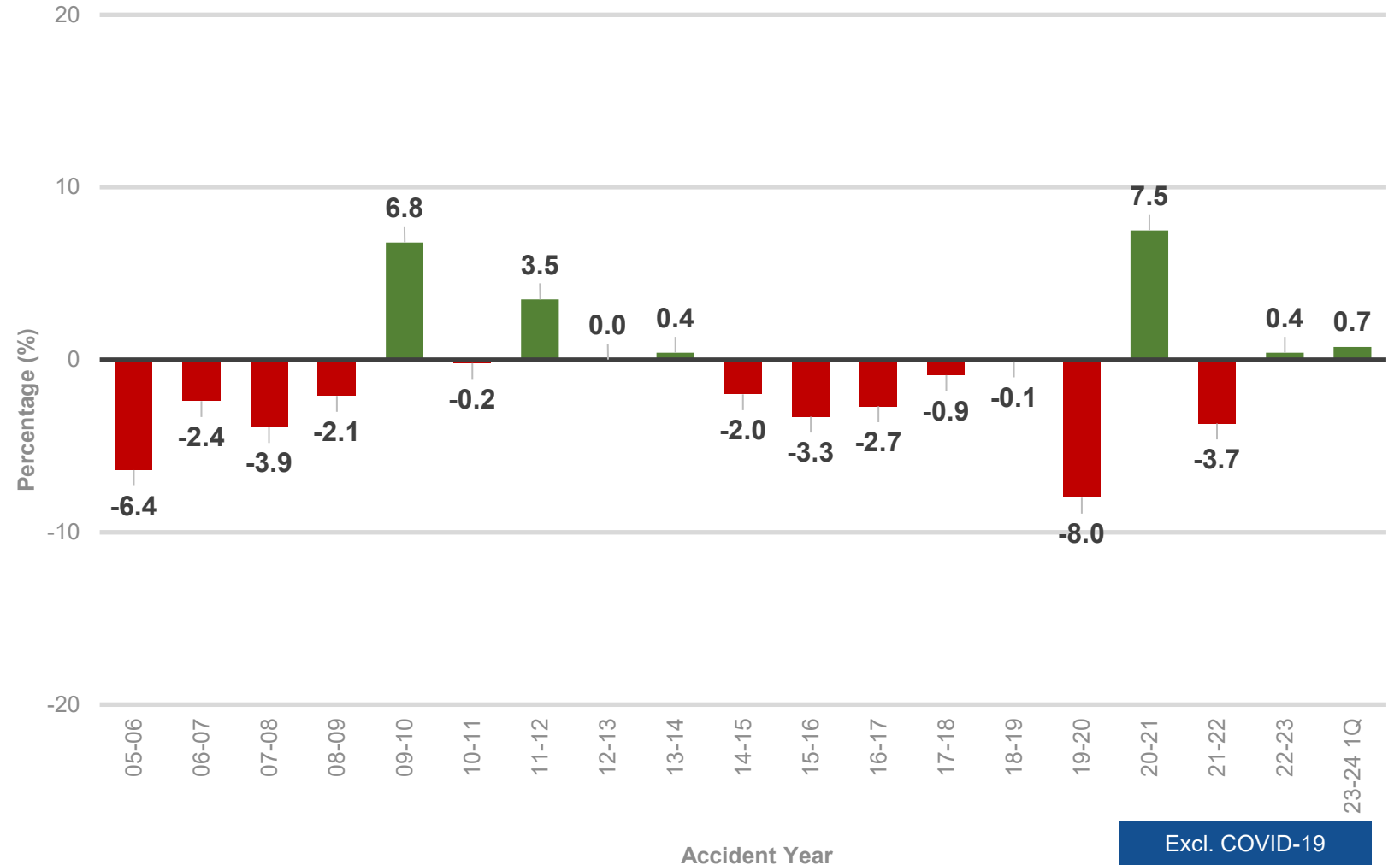
## Chart 6

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

The frequency changes in 2022, 2023 and the first quarter of 2024 are more comparable to the modest frequency changes during the pre-pandemic period.

# Change in Indemnity Claim Frequency

As of March 31, 2024





## Chart 7

Projected severity on indemnity claims for 2023 is 3% higher than 2022 and 21% above 2017.

The average severity in 2023 is the highest it has been in more than a decade, since before the SB 863 reforms.

# Ultimate Total Loss and ALAE Severities

As of March 31, 2024



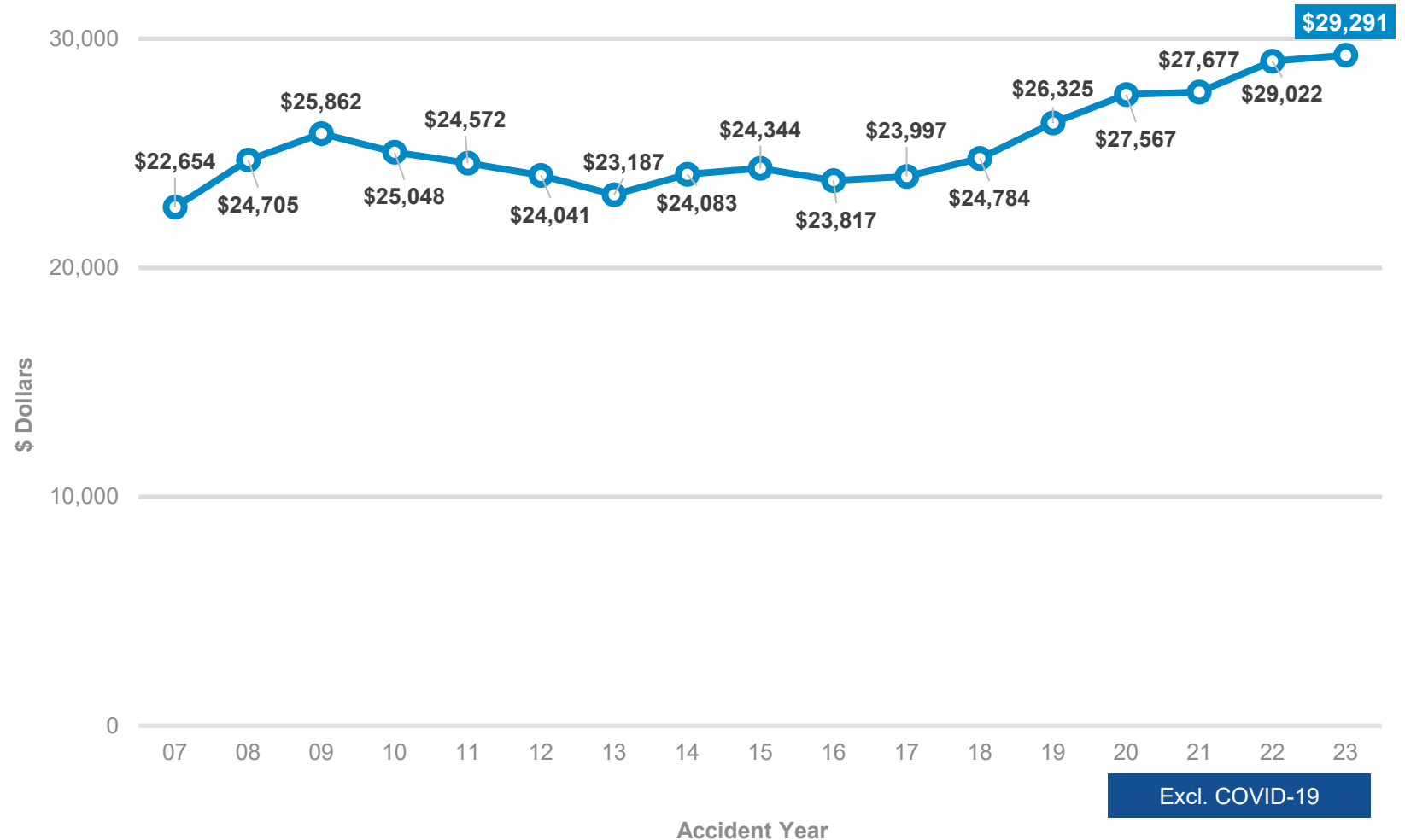
## Chart 8

Following several years of modest changes, indemnity severity has increased steadily since 2017. Accident year 2023 indemnity severity is 1% higher than 2022 and 22% higher than 2017.

Recent growth in indemnity claim severities has been in part driven by higher-than-typical average wage inflation since the onset of the pandemic.

# Ultimate Indemnity Severities

As of March 31, 2024



## Chart 9

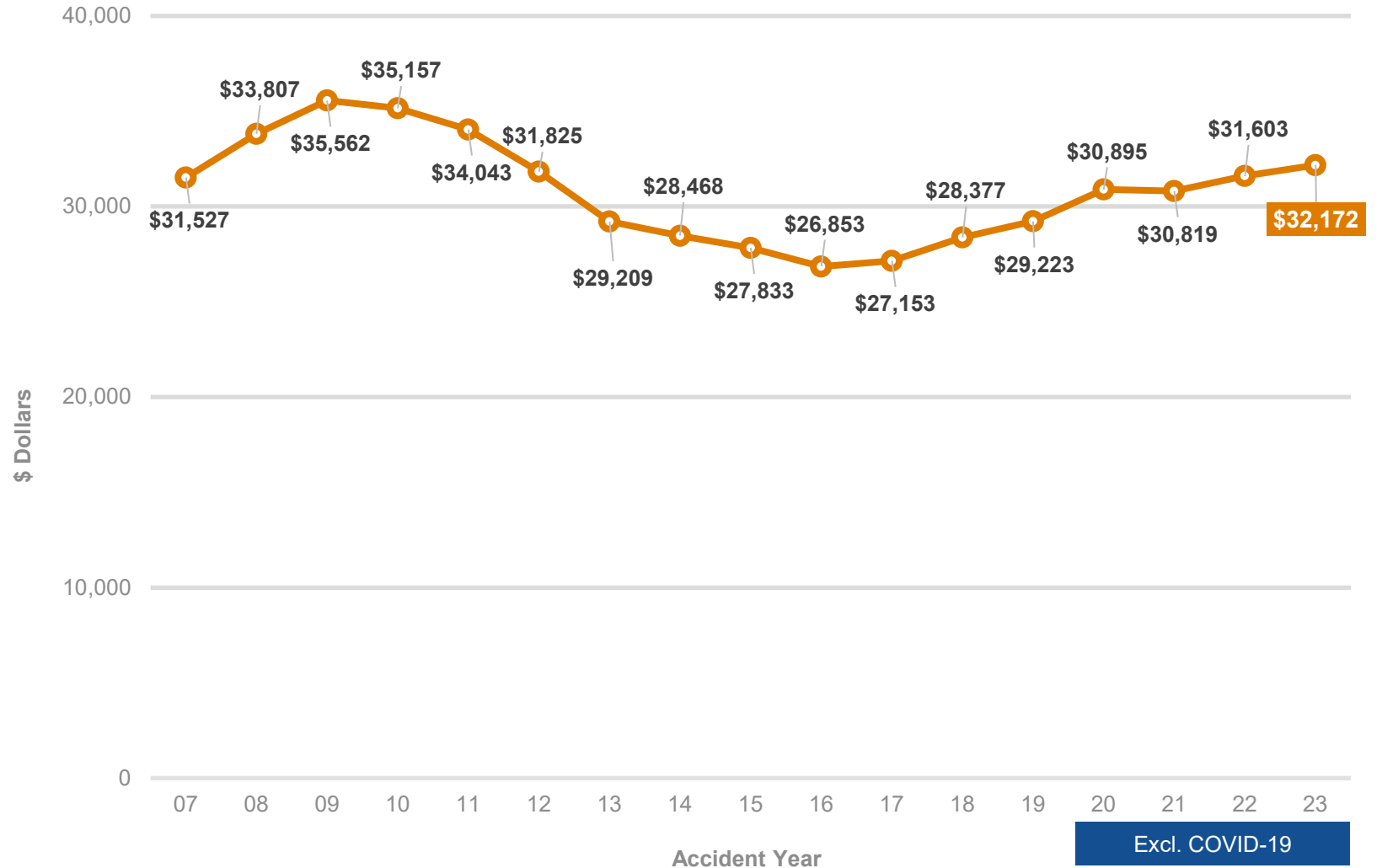
The projected medical severity for 2023 is 2% higher than 2022 and 18% higher than 2017.

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.

The moderately increasing medical severities in 2022 and 2023 are driven by both inflationary increases in medical fee schedules and claim settlement rates remaining lower than the pre-pandemic level.

# Ultimate Medical Severities

As of March 31, 2024



## Chart 10

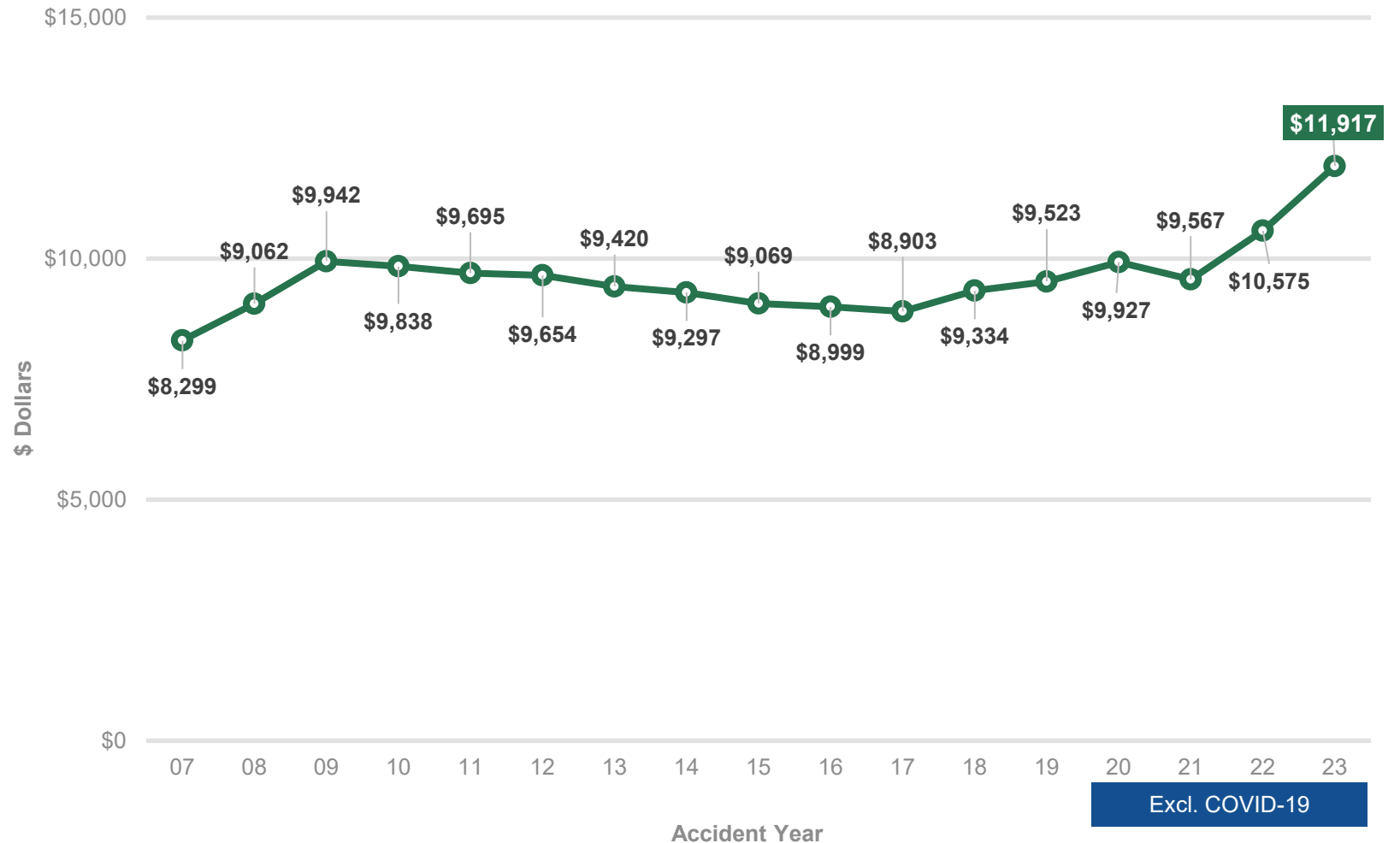
Allocated loss adjustment expense (ALAE) severity has been generally flat from 2009 through 2019 with slight volatility in recent years.

The relatively flat ALAE severity trend through 2022 is driven by reduced frictional costs following the SB 863 and SB 1160 reforms, offset by increasing shares of cumulative trauma claims, which tend to have higher frictional costs.

The 13% increase in 2023 ALAE severity is driven by a slower settlement rate and increased post-pandemic Workers' Compensation Appeals Board involvement.

# Ultimate ALAE (excl. MCCP) Severities

As of December 31, 2023



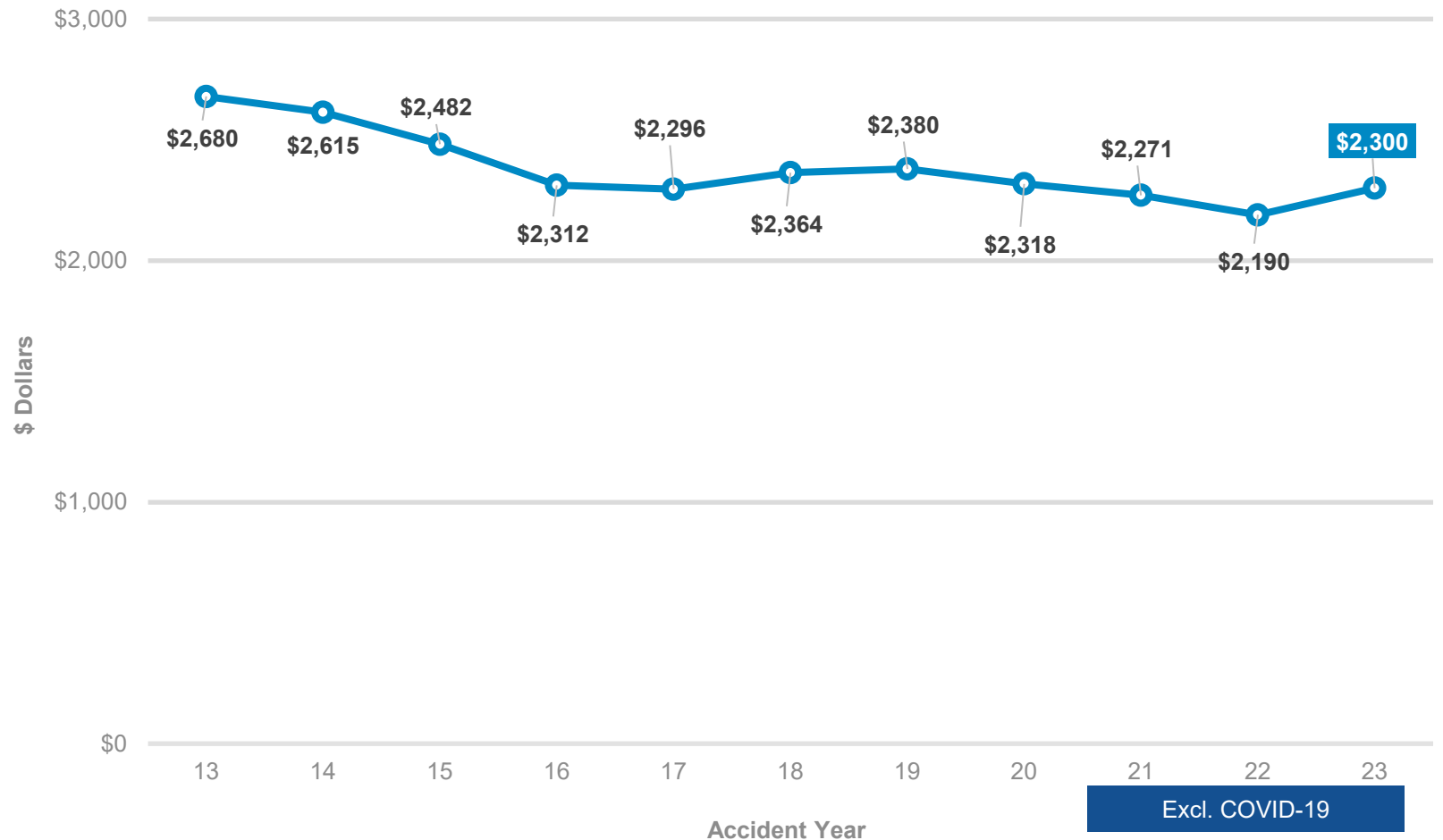
## Chart 11

Average MCCP costs per claim have decreased by 14% since 2013, corresponding with the decline in average medical costs following the SB 863 reforms.

Although MCCP costs increased modestly in 2023, MCCP cost levels have been generally declining over the last several years.

# Ultimate Medical Cost Containment Program (MCCP) Severities

As of December 31, 2023



## Chart 12

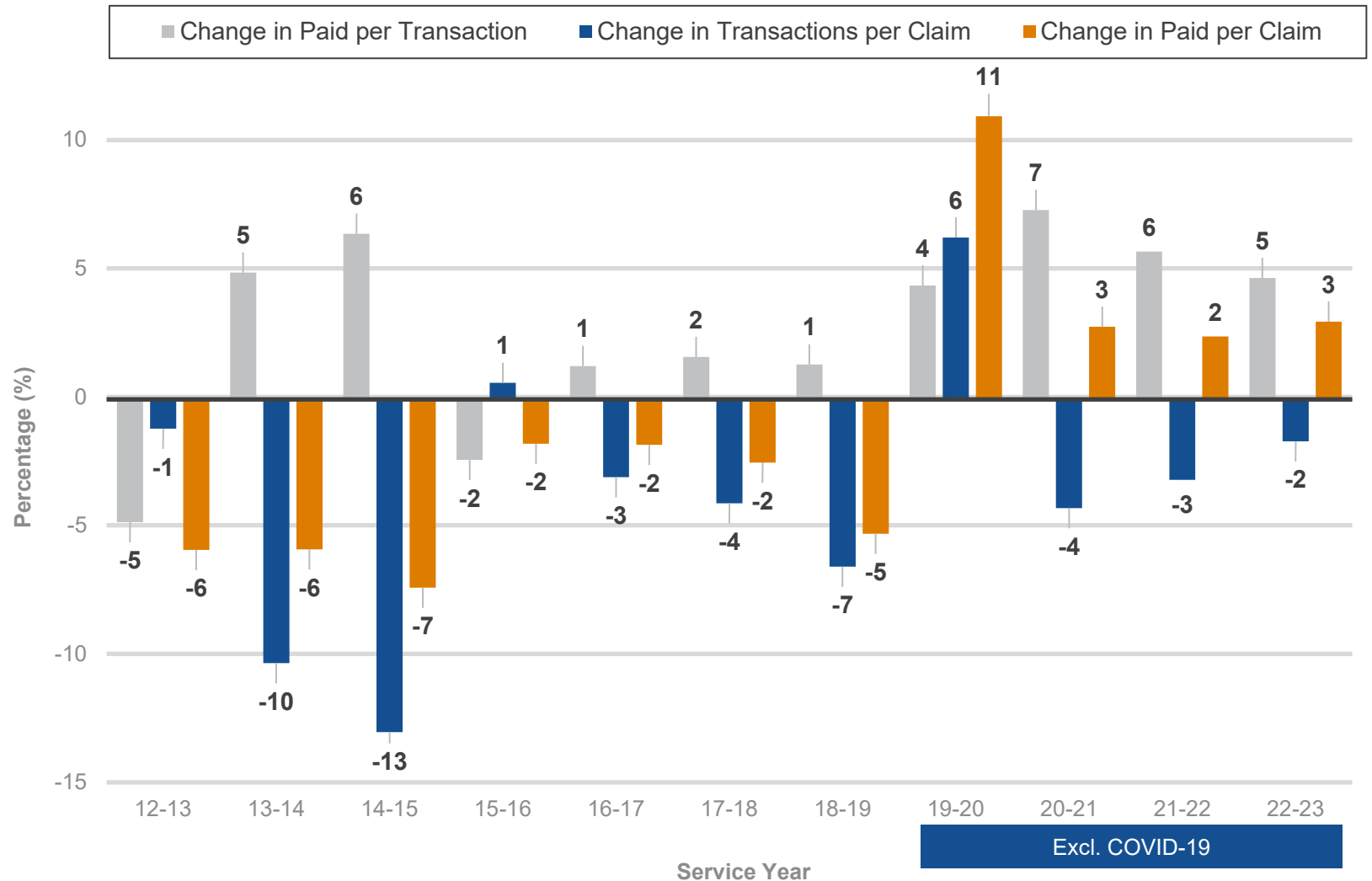
Some of the growth in paid medical services per claim in 2021 and 2022 is attributable to higher fee schedule reimbursement levels for evaluation and management and medical-legal services effective in early 2021.

Paid per transaction increased in service years 2022 and 2023 driven by inflationary increases to medical fee schedules.

The decline in the number of transactions per claim in 2023 is similar to 2022 and the pre-pandemic pattern.

# Change in Medical Service Cost Levels

As of April 7, 2024



## Chart 13

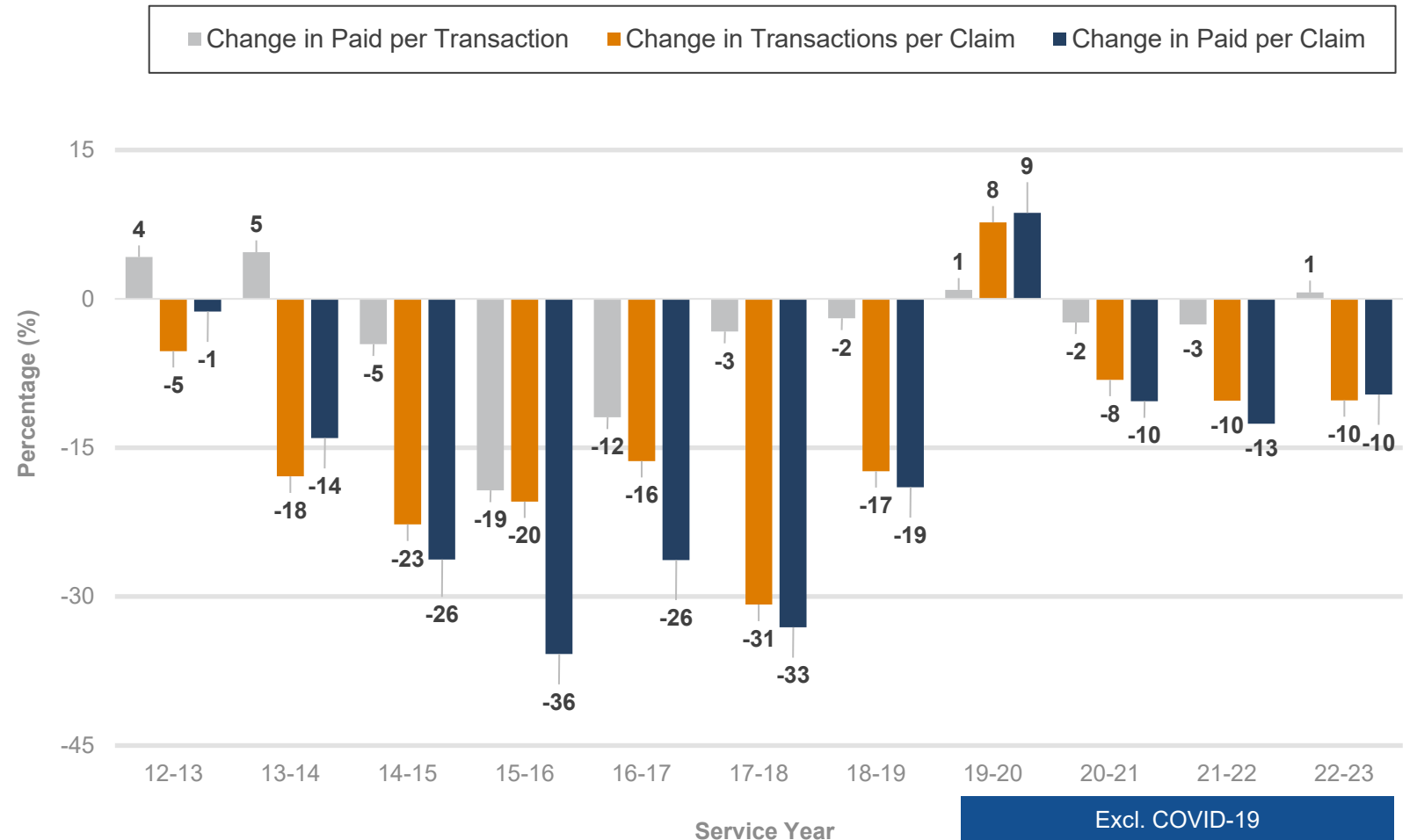
Pharmaceutical costs per claim decreased by 88% from 2012 through 2023, driven by:

- Independent medical review
- Reduced spinal surgeries
- Reduced opioid use
- Federal pricing guidelines for generics
- New drug formulary

After increasing during the early pandemic period in 2020, average pharmaceutical costs per claim reverted to the pre-pandemic trend in 2021 and declined another 10% in 2023.

# Change in Pharmaceutical Cost Levels

As of April 7, 2024



## Chart 14

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.

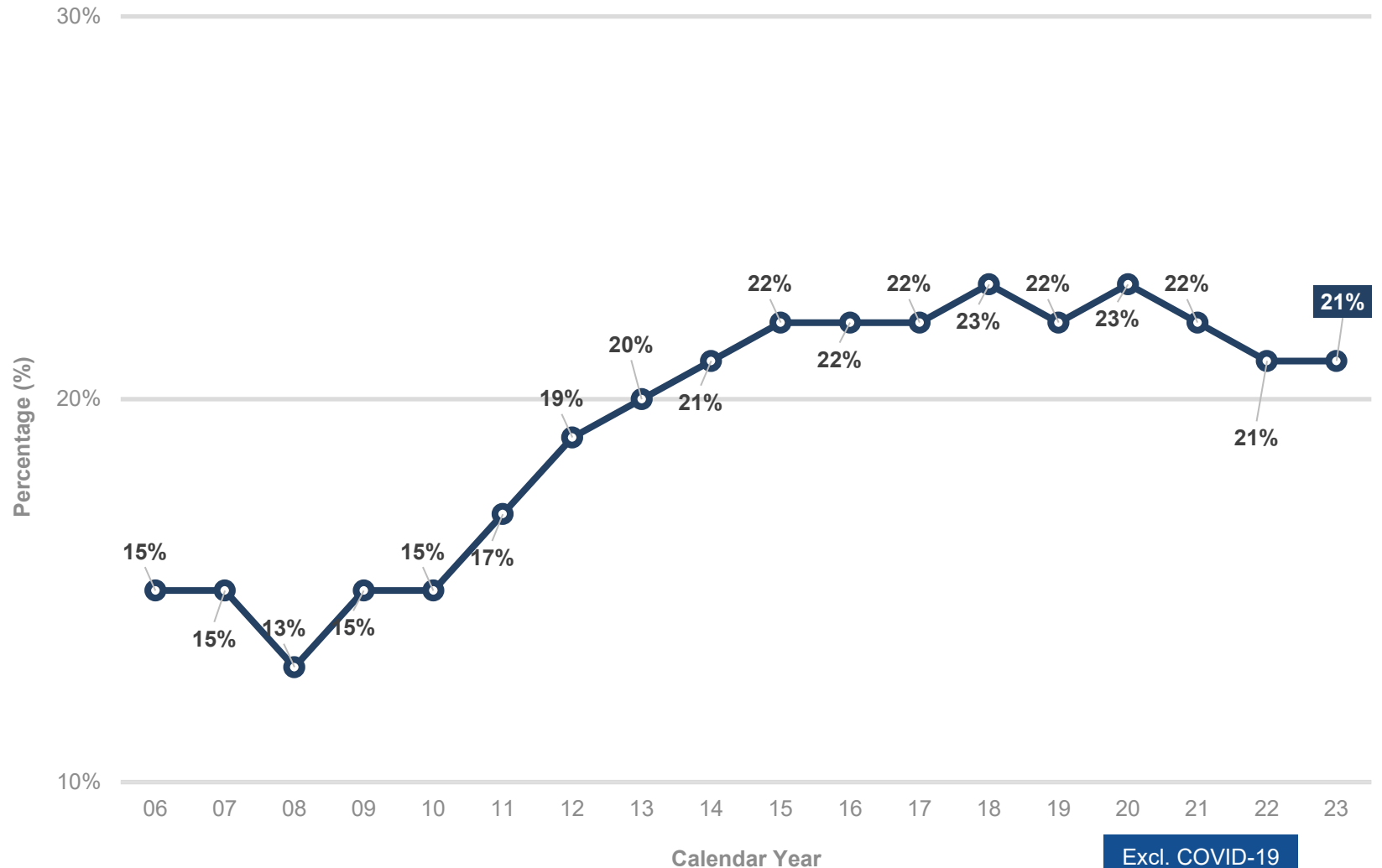
From 2015 to 2021, these ratios have generally been consistent.

The ratio of ALAE to loss declined modestly in 2021 and 2022, and then increased by less than 1% in 2023.

Increases in ALAE costs in calendar year 2023 were offset by increasing indemnity and medical costs.

# Ratios of Paid ALAE to Paid Losses

As of December 31, 2023





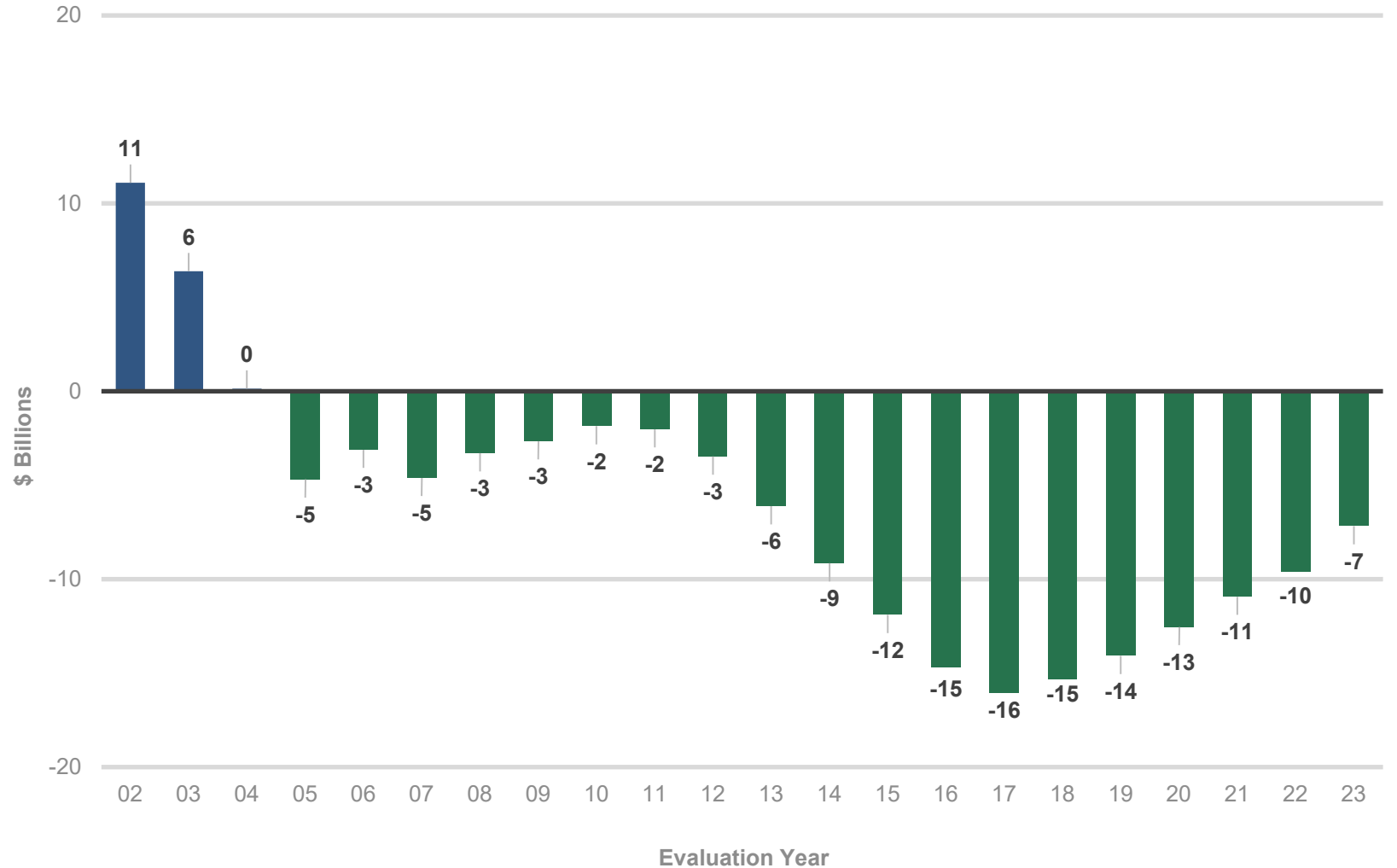
## Chart 15

Projected total statewide ultimate losses for 2005 through 2023 evaluations are below insurers' reported amounts.

The difference between WCIRB projected losses and reported insurer losses decreased by more than half from 2017 to 2023.

# Projected Ultimate Losses Less Reported Losses

As of March 31, 2024



## 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 March 31, 2024. 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 MCCP is reported to the WCIRB as 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.
- To produce a complete picture of the workers' compensation insurance system, the amounts and ratios for accident years 2020 and later shown in these exhibits generally include COVID-19 claims unless otherwise specified. For other exhibits, COVID-19 claims are excluded from particular accident years based on the WCIRB's aggregate financial data calls to facilitate consistency of comparison with pre-pandemic years.

# More Info

## Chart 1: Written Premium – Gross of Deductible Credits



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

## Chart 2: Industry Average Charged Rates



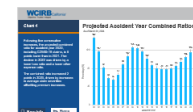
- Rates are based on WCIRB unit statistical data through 2022 and estimated based on aggregate financial data calls for 2023 and later.
- Rates are per \$100 of payroll.
- Rates are averages over policies incepting in the year (January 1 to December 31).
- For consistency of comparison, all rates include an adjustment for classification payroll limitations effective January 1, 2020, September 1, 2022 and September 1, 2024.

## Chart 3: Ultimate Accident Year Loss Ratios



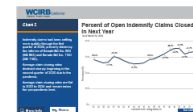
- Ratios are projected based on WCIRB aggregate financial data call data as of March 31, 2024.
- MCCP costs are included in loss ratios for accident years 2010 and prior.
- MCCP costs are included in loss and ALAE ratios for all years shown.
- COVID-19 claims are included in the projections for accident years 2020 and forward.

## Chart 4: Projected Accident Year Combined Ratios



- Ratios are projected based on WCIRB aggregate financial data call data as of March 31, 2024.
- Combined ratios include losses, loss-adjustment expenses and other insurer expenses.
- COVID-19 claims are included in the projections for accident years 2020 and forward.

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



- Source: WCIRB aggregate financial data call data as of March 31, 2024.
- Figures represent the number of indemnity claims aged between 15 to 99 months closed during the year as a ratio of the number of estimated ultimate claims open or not yet reported as of March 31 of the prior year.

## More Info (...continued)

### 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 2022 and changes in reported indemnity claim counts compared to changes in statewide employment based on WCIRB aggregate financial data call data for accident years 2023 and 2024.
- COVID-19 claims are excluded from accident years 2020 and forward.

### Chart 7: Ultimate Total Loss and ALAE Severities



- Severities are projected based on WCIRB aggregate financial data call data as of March 31, 2024.
- Includes data for indemnity claims only.
- COVID-19 claims are excluded from accident years 2020 and forward.

### Chart 8: Ultimate Indemnity Severities



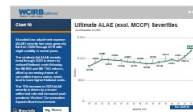
- Severities are projected based on WCIRB aggregate financial data call data as of March 31, 2024.
- COVID-19 claims are excluded from accident years 2020 and forward.

### Chart 9: Ultimate Medical Severities



- Severities are projected based on WCIRB aggregate financial data call data as of March 31, 2024.
- 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 forward.

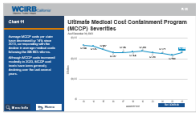
### Chart 10: Ultimate ALAE (excl. MCCP) Severities



- Severities are projected based on WCIRB aggregate financial data call data as of December 31, 2023.
- 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 forward.

## More Info (...continued)

### Chart 11: Ultimate Medical Cost Containment Program (MCCP) Severities



- Severities are projected based on WCIRB aggregate financial data call data as of December 31, 2023.
- Includes data for indemnity claims only.
- COVID-19 claims are excluded from accident years 2020 and forward.

### Chart 12: Change in Medical Service Cost Levels



- Source: WCIRB medical transaction data as of April 7, 2024.
- Costs from COVID-19 claims are excluded from service years 2020 and forward.

### Chart 13: Change in Pharmaceutical Cost Levels



- Source: WCIRB medical transaction data as of April 7, 2024.
- Costs from COVID-19 claims are excluded from service years 2020 and forward.

### Chart 14: 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 to 2022.

### Chart 15: 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 March 31, 2024.
- COVID-19 claims are included in the projections for accident years 2020 and forward.

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Report release date: 7/30/2024

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