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2024
State of the System

The Workers' Compensation Insurance Rating Bureau of California Report on California's Workers' Compensation System

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Premium and Rates Stabilizing

The California workers' compensation system has been relatively stable in the post-pandemic era. Premium levels increased by 1% in 2023 and are forecast to increase modestly in 2024 (Chart 1). Decreases in average insurer charged rates are moderating, with the average rate for the first quarter of 2024 only slightly below that for 2023 (Chart 6).

Claim Frequency Returning to Pre-Pandemic Levels

Non-COVID-19 indemnity claim frequency changes in 2022 and 2023 are modest and consistent with pre-pandemic trends (Chart 9). The share of indemnity claims involving permanent disability (PD) has declined (Chart 16), but there are signs that the share of indemnity claims involving cumulative trauma (CT) is increasing (Chart 14). COVID-19 claims continue to represent a declining share of indemnity claims and incurred losses as the pandemic becomes endemic (Chart 18).

Claim Severity on the Rise

Average indemnity costs continue to increase (Chart 19), primarily driven by increasing average wage levels (Chart 3). Average medical costs are also increasing (Chart 22), driven by claims remaining open longer post-pandemic (Chart 35) and inflationary updates to medical fee schedules (Chart 28). Average allocated loss adjustment expense (ALAE) costs rose sharply in 2022 and 2023 (Chart 38), driven by increased litigation across the state (Chart 41).

Claim Duration Longer than Average

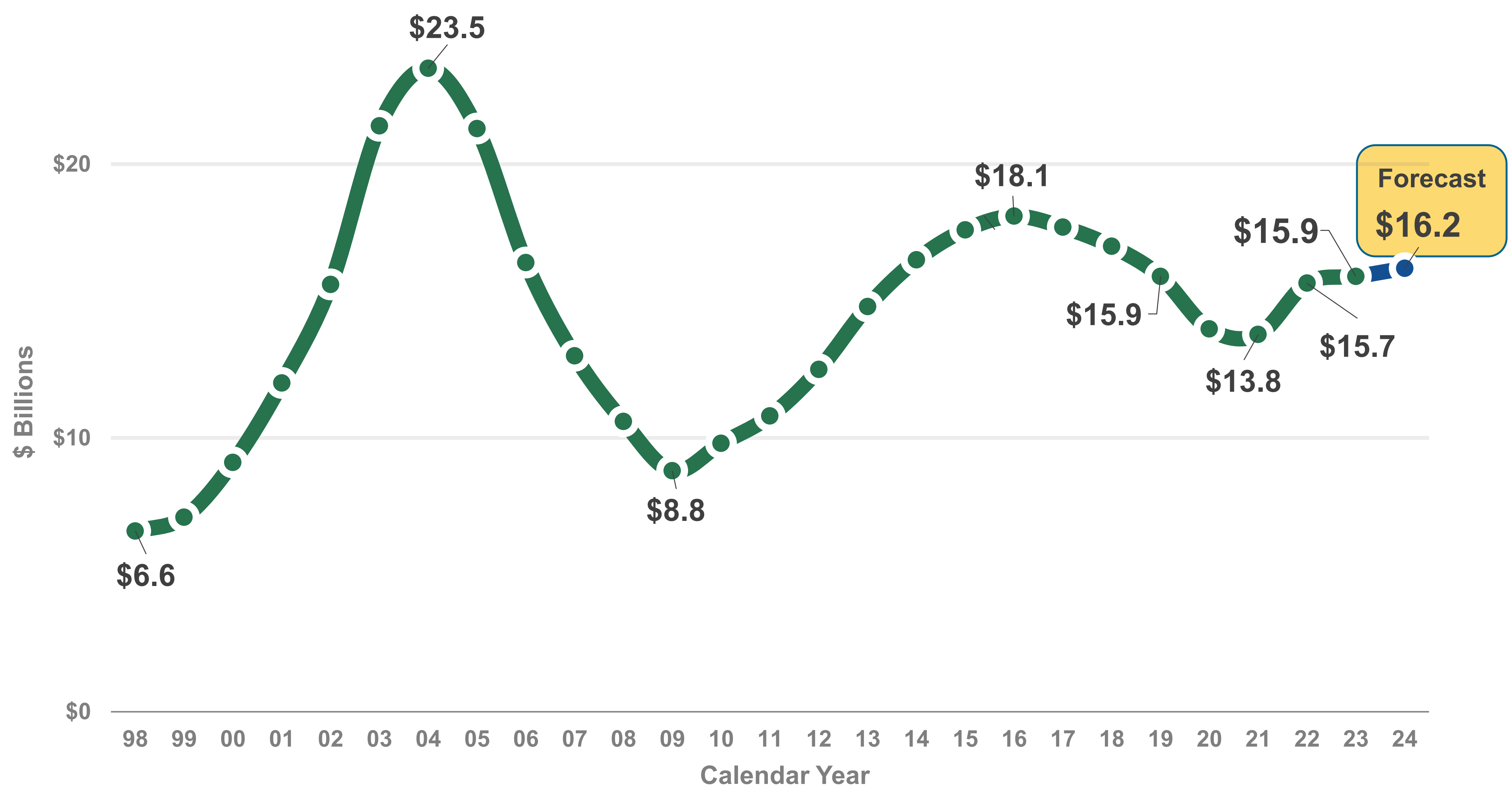
California continues to experience longer average claim duration compared to other states (Chart 34), driven by slower claim reporting (Chart 33) and higher frictional costs (Chart 36), particularly medical-legal (ML) costs (Chart 43).

Combined Ratio Above 110%

The projected accident year combined ratio increased by 2 points to 111% in 2023, the fourth consecutive year of a combined ratio above 100% (Chart 50). Combined ratios in California continue to be above those for the rest of the country (Chart 51).

01 Premium and Rates

Chart 1: Reported Written Premium

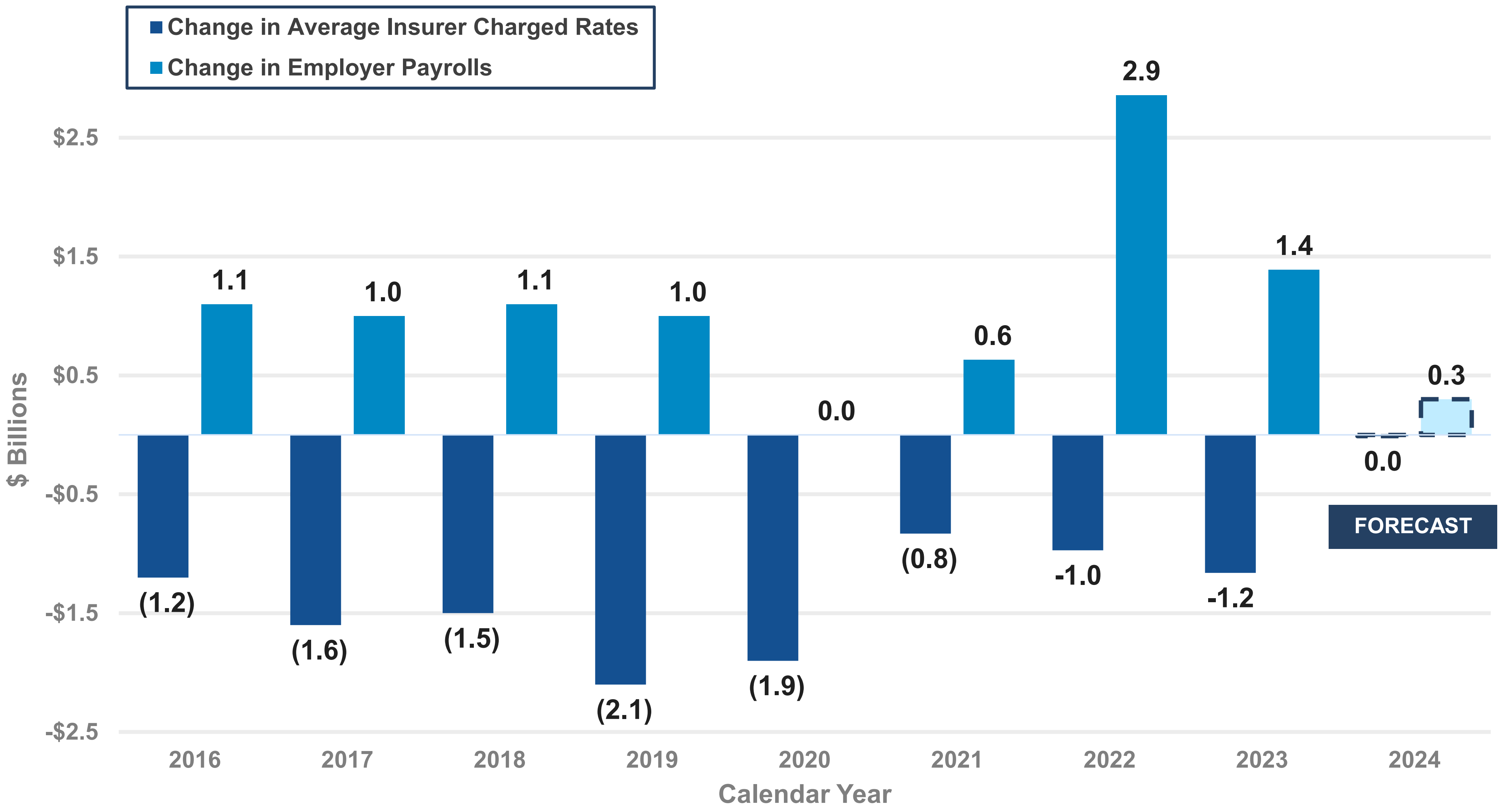


Following a sharp drop during the pandemic, written premium recovered to the pre-pandemic level in 2023.

Written premium is forecast to increase modestly in 2024, driven by continued economic expansion (Chart 2).

More Info and Source Data

Chart 2: Drivers of Written Premium Changes



From 2016 through the pandemic in 2020, insurer rate decreases (Chart 6) more than offset the impact of the expanding economy, resulting in premium declines.

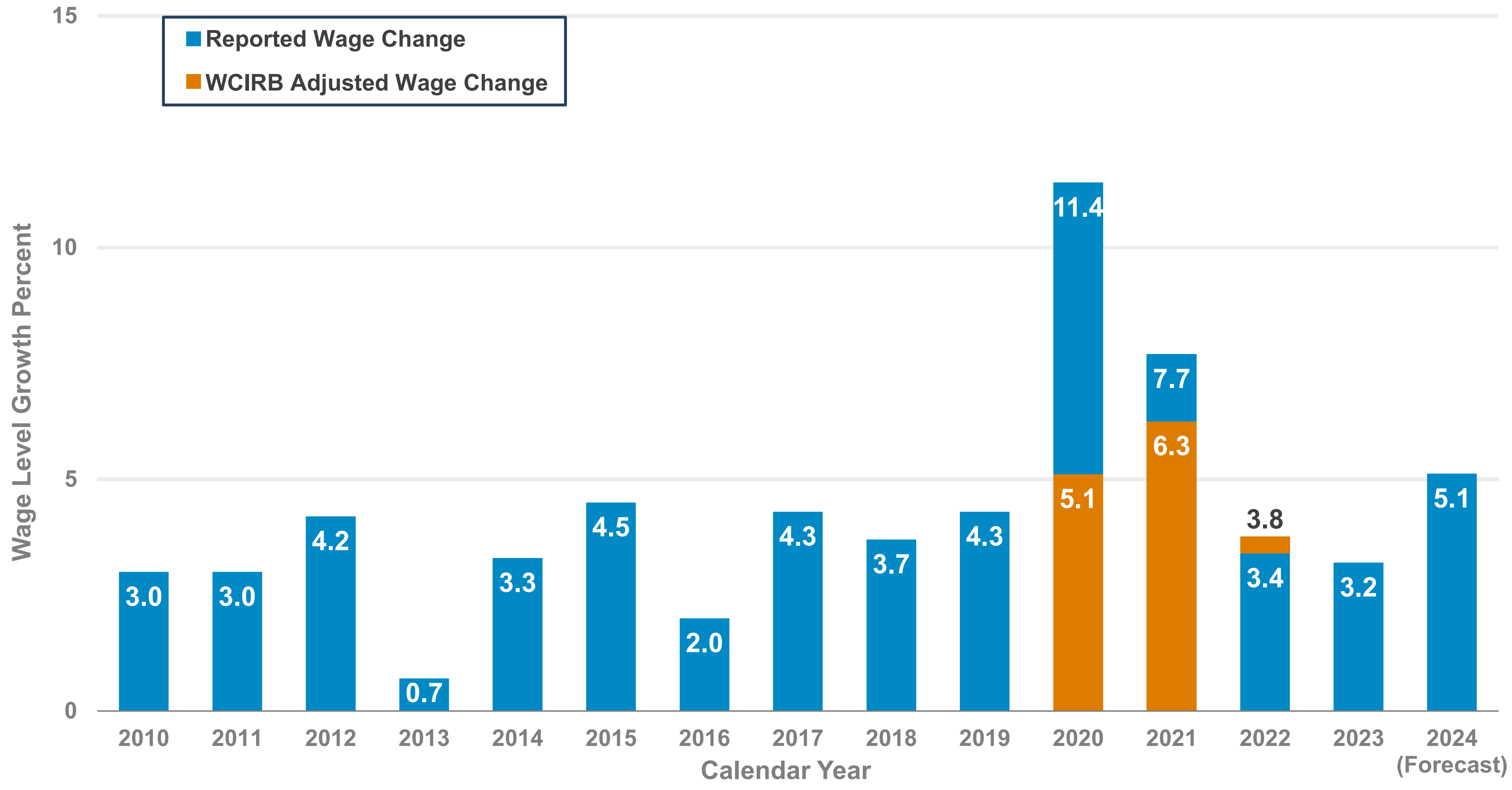
In 2022 and 2023, payroll growth exceeded the impact of continued moderate insurer rate decreases, resulting in premium growth.

Forecast continued growth in employer payrolls in 2024 is estimated to result in a modest premium increase.

More Info and Source Data

Note: Class mix is contemplated in the average charged rates, while the impact of audits is considered in the employer payrolls.

Chart 3: Changes in the California Average Wage



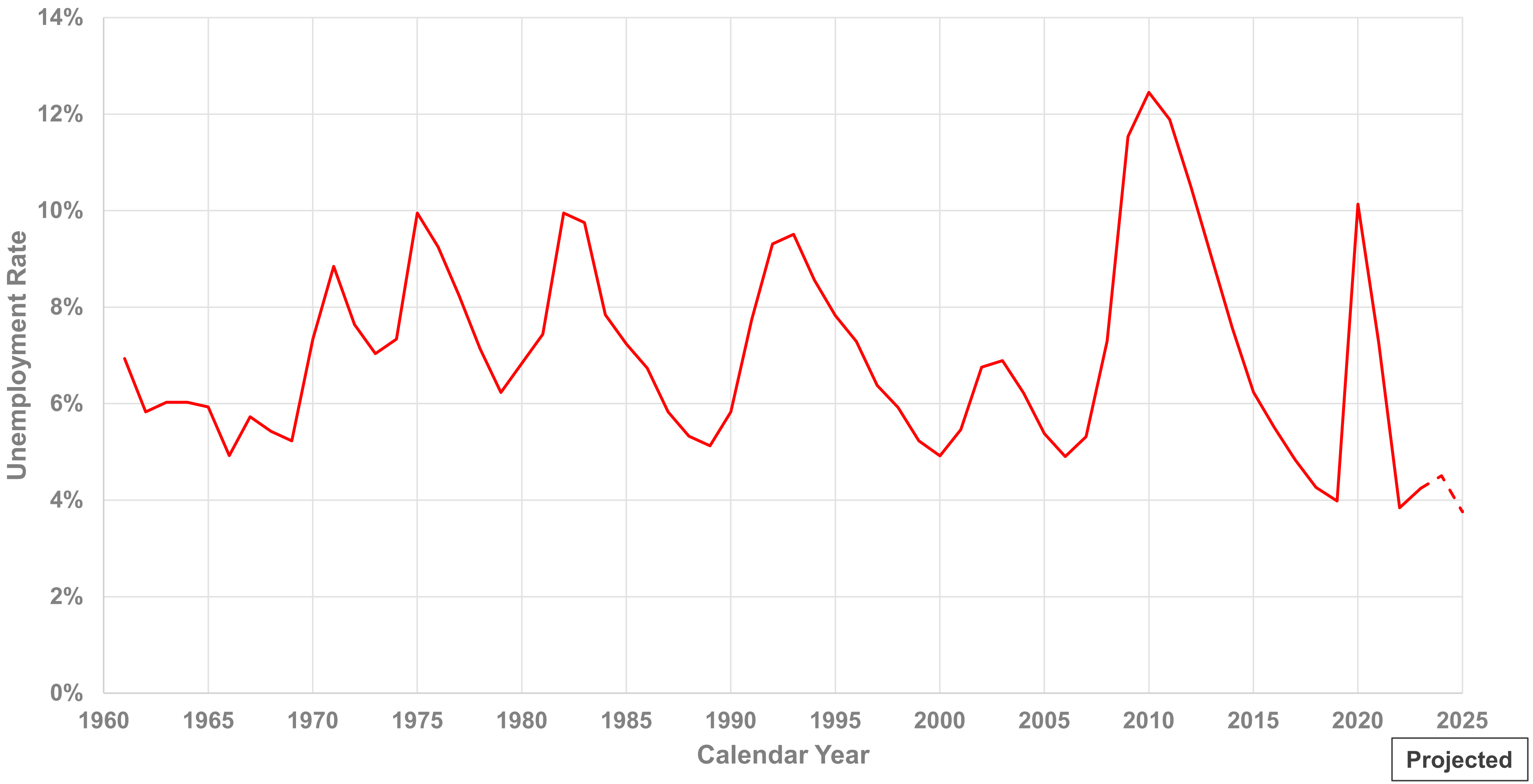
Until the pandemic, average wage growth from 2010 to 2019 was fairly steady at about 2% to 4% per year.

Reported average wages increased significantly during the pandemic, partially driven by employment declines in many low-wage industries and for lower-wage workers within other industries. This drove reported average wages artificially upward in 2020 and 2021 and downward in 2022 with the return of some of these lower-wage workers.

Average wage changes are forecast to be more consistent with the pre-pandemic pattern from 2023 onward.

More Info and Source Data

Chart 4: Annual California Unemployment Rate



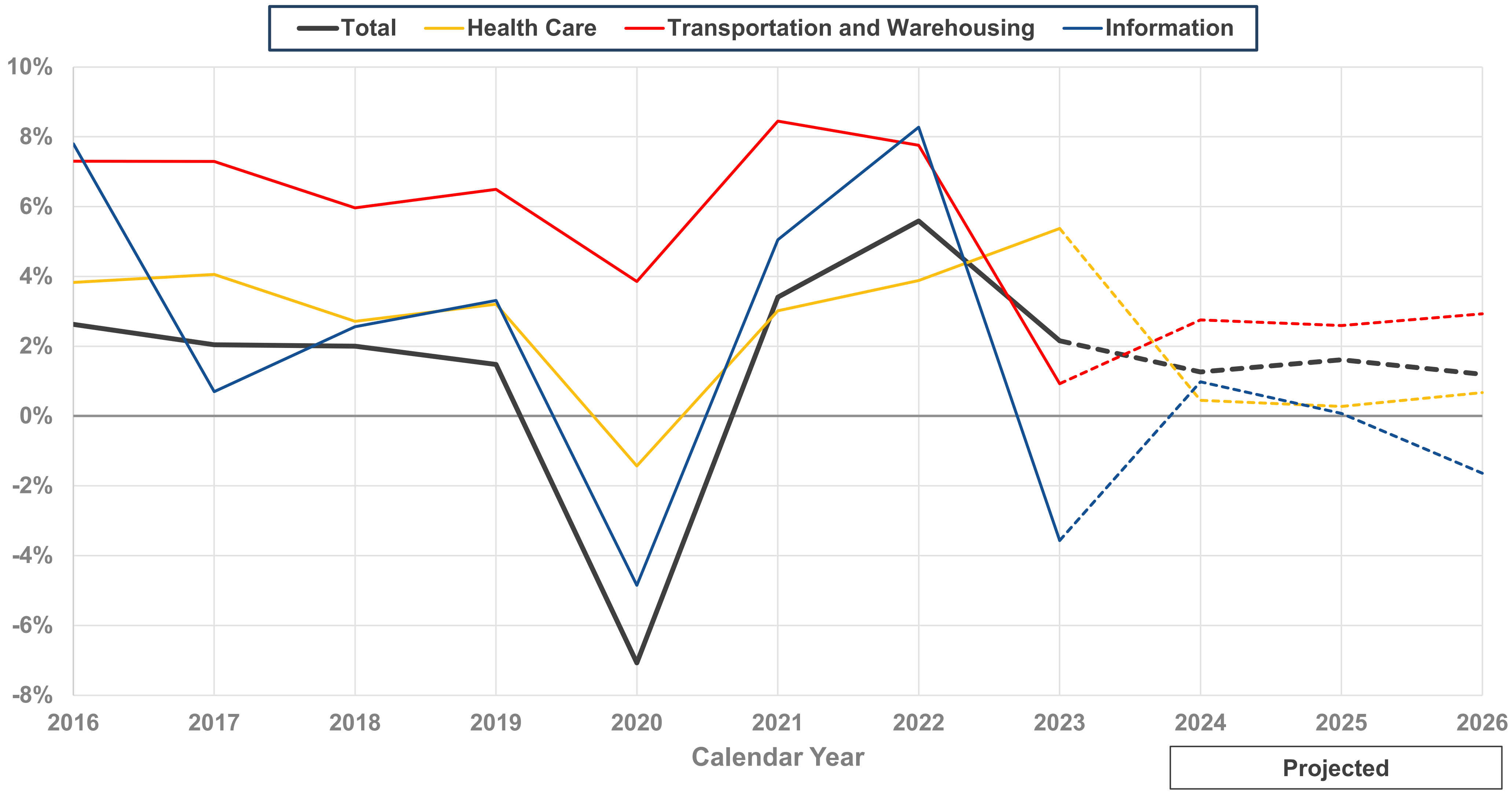
Unemployment is forecast to increase slightly in 2024 and then decrease slightly, remaining at historically low levels.

WCIRB research has found that increases in unemployment are correlated with decreases in indemnity claim frequency.

Given projected changes to the unemployment rate are small, they would also have a small impact on changes in indemnity claim frequency.

More Info and Source Data

Chart 5: Change in Employment for Select Industries



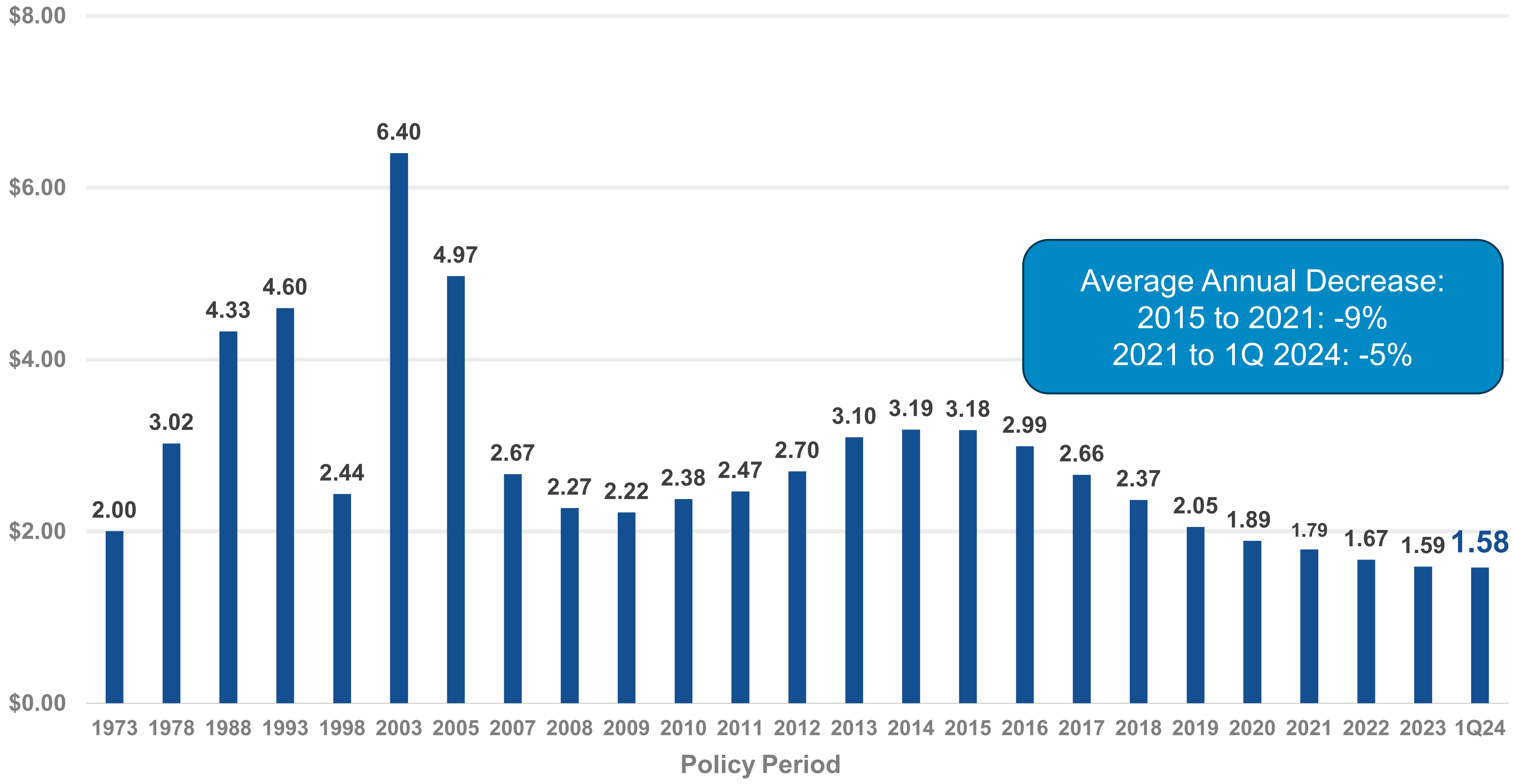
After a small decrease in 2020, Health Care employment rebounded in 2021 and is projected to grow modestly through 2026.

Employment in Transportation and Warehousing grew faster than the rest of the state from 2016 through 2022 and is forecast to continue growing strongly.

Employment in Information has been volatile, with stronger-than-average recoveries in 2021 and 2022, followed by an employment decline in 2023. Forecasts for 2024 to 2026 are close to zero.

More Info and Source Data

Chart 6: Average Charged Rate per $100 of Payroll

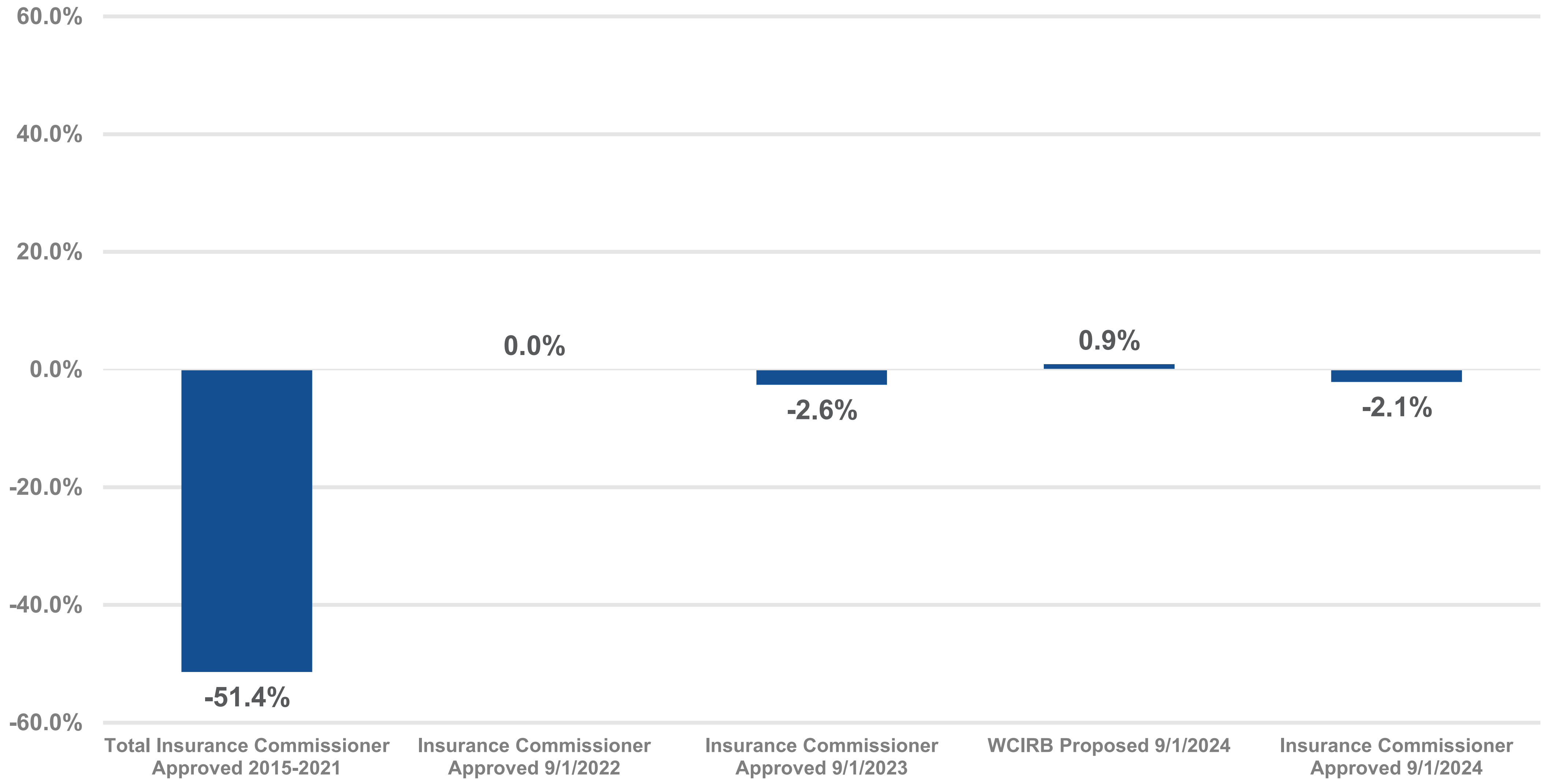


Following the implementation of Senate Bill (SB) 863 in 2013, insurer charged rates have declined steadily. This decline has moderated over time, with the average charged rate for the first quarter of 2024 only slightly below that for 2023.

Current charged rates are at the lowest level in more than 50 years, as over the long term, declining claim frequency and increasing wage levels have offset rising medical costs and increases in indemnity benefits.

More Info and Source Data

Chart 7: Advisory Pure Premium Rate Changes



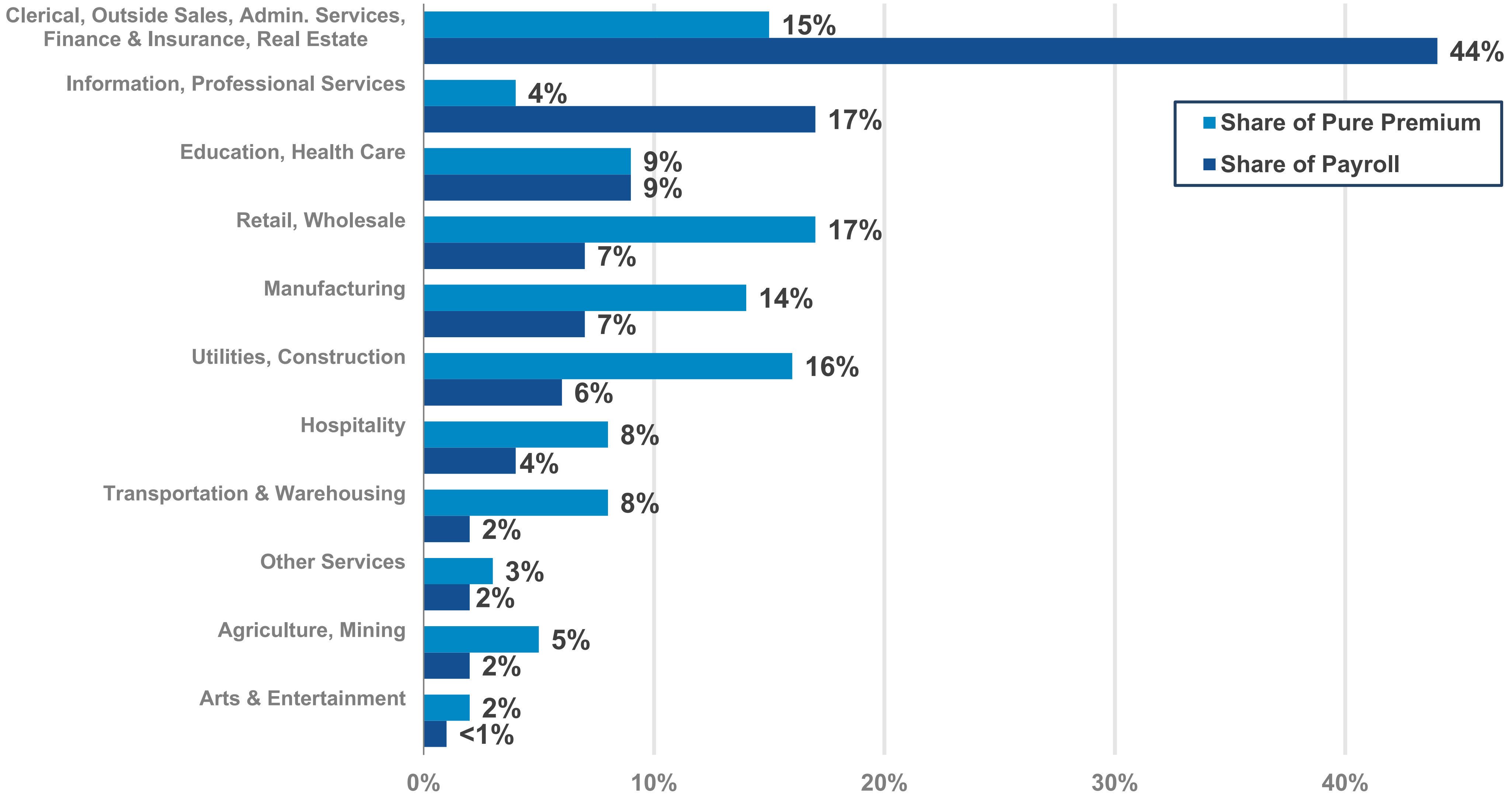
The California Insurance Commissioner approved 11 consecutive advisory pure premium rate decreases from 2015 to 2021, with a decrease totaling over 50%.

Recent WCIRB proposed and Insurance Commissioner approved advisory pure premium rate changes have been modest.

In the WCIRB's most recent filing, the WCIRB proposed an average increase of 0.9% in advisory pure premium rates, while the Insurance Commissioner approved an average decrease of 2.1%.

More Info and Source Data

Chart 8: Pure Premium and Insured Payroll by Industry



With California's diverse economy, no industry grouping generates more than 17% of statewide advisory pure premium.

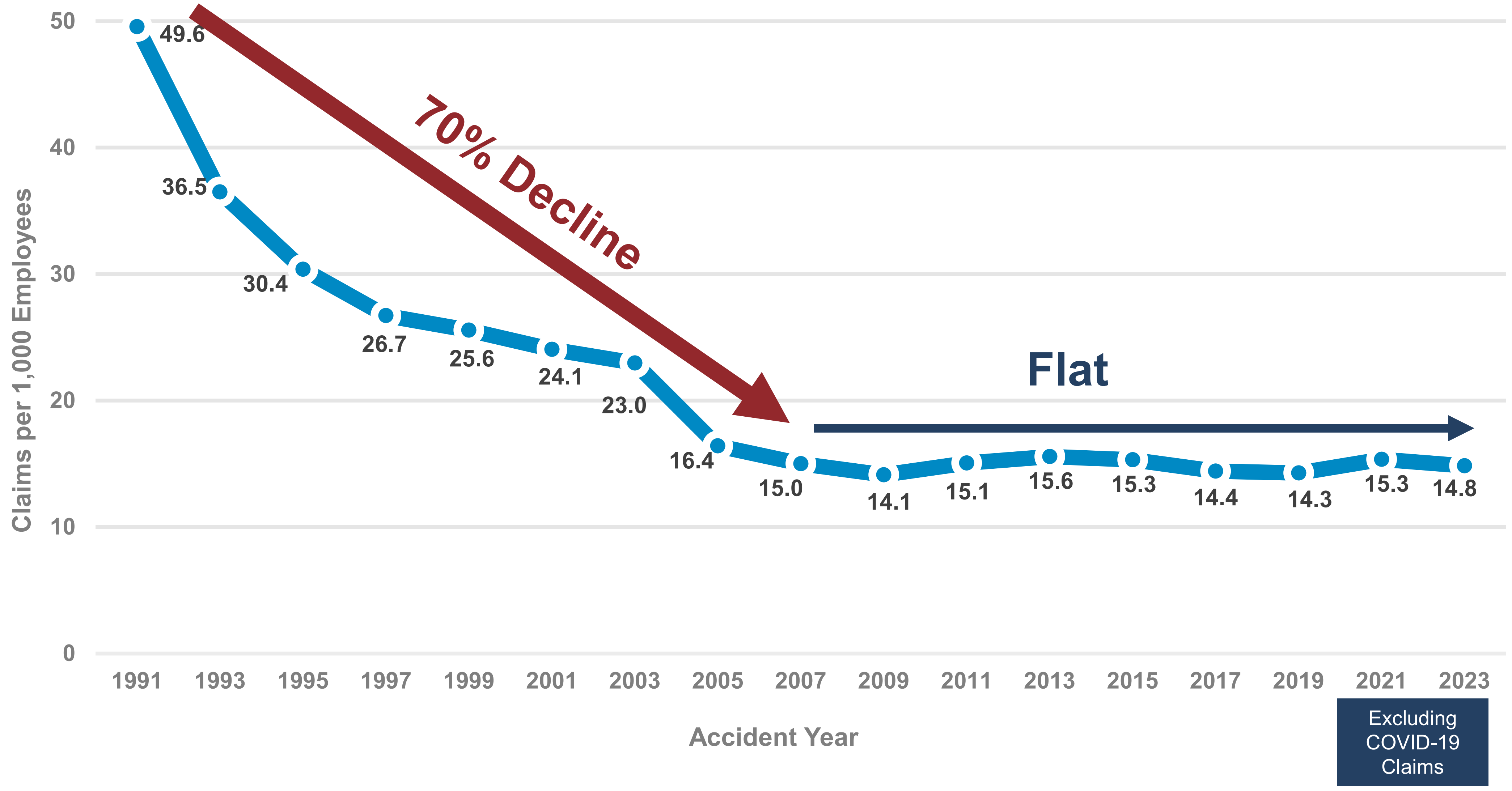
"White collar" type industries comprise a majority of statewide payroll but a relatively small share of pure premium.

The Utilities and Construction industries comprise only 6% of statewide payroll but almost triple the share of pure premium, as rates for these industries are higher.

More Info and Source Data

02
Claim Frequency

Chart 9: Indemnity Claims per 1,000 Employees



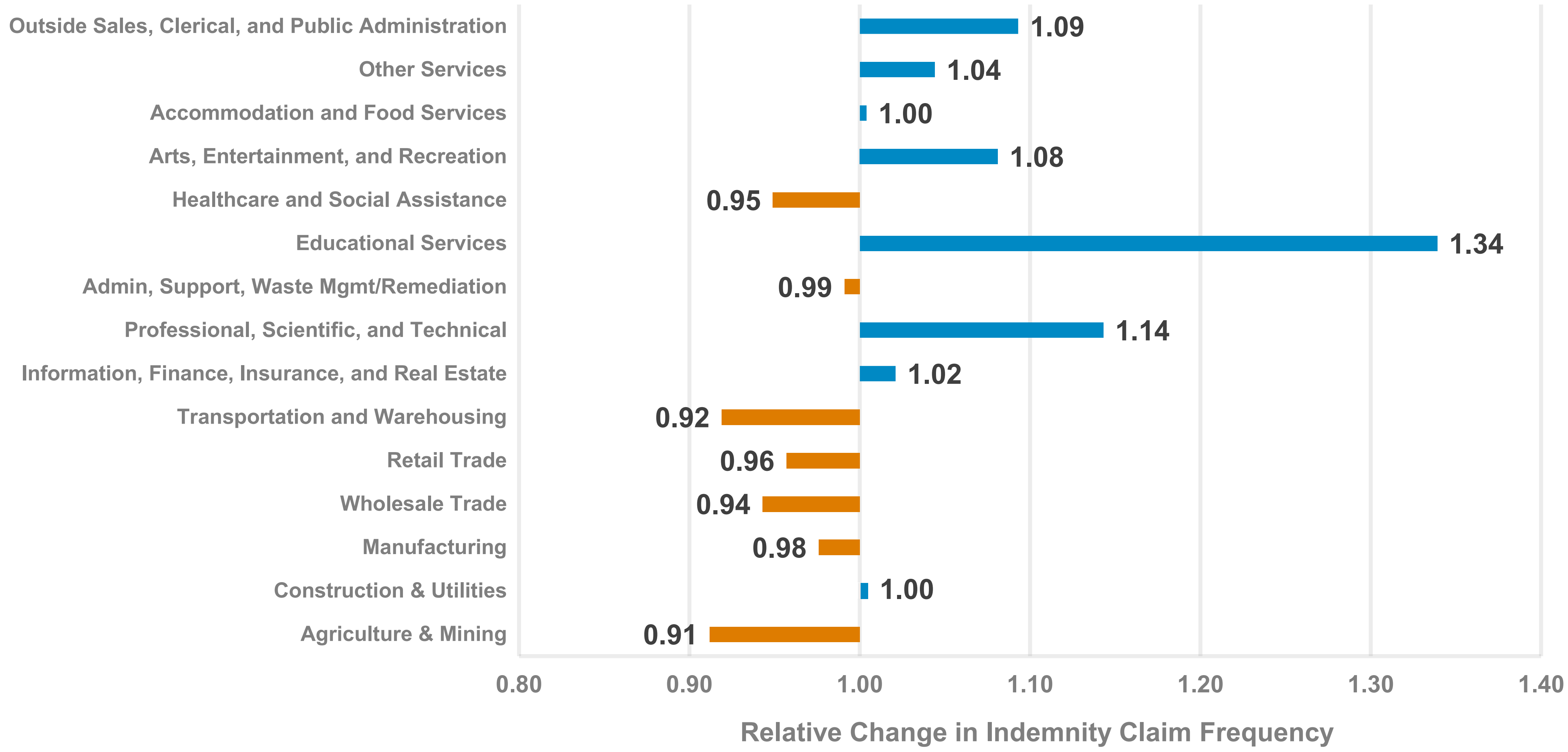
Claim frequency declined for decades in California due to factors such as a shift toward a more service-based economy, increased mechanization and improved workplace safety efforts.

Prior to the pandemic, indemnity claim frequency had been relatively flat due in part to increases in CT claims (**Chart 14**) offsetting the typical rate of decline.

Claim frequency in 2022 and 2023 is consistent with the pre-pandemic period of modest changes in indemnity claim frequency.

More Info and Source Data

Chart 10: Relative Change in Indemnity Claim Frequency by Industry in 2022

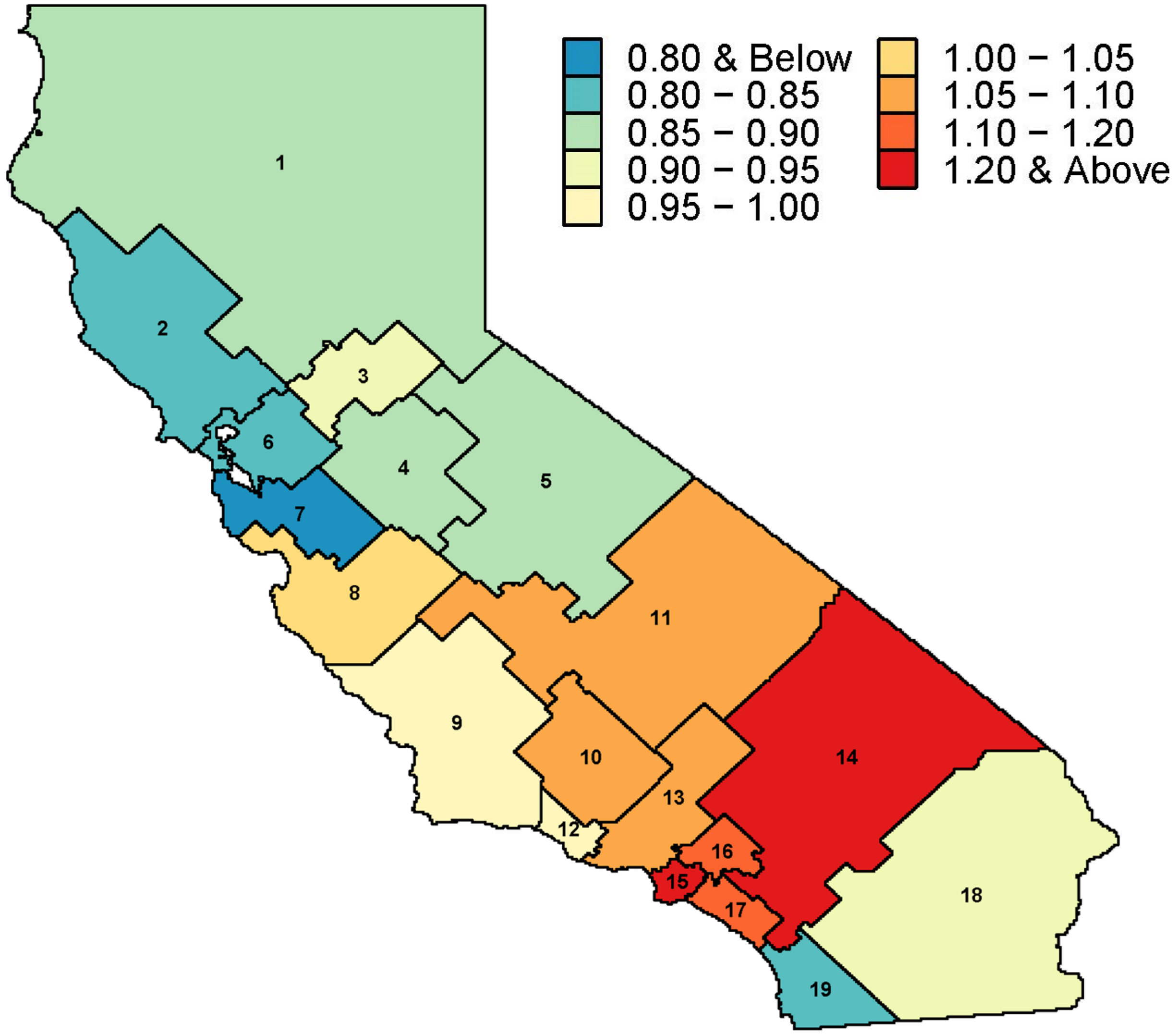


While the overall change in indemnity claim frequency was generally flat in 2022 (**Chart 9**), the change differed significantly by industry.

The biggest relative increases were often in industries that returned to mostly in-person work after the initial pandemic period or where employment grew throughout the year.

More Info and Source Data

Chart 11: Regional Differences in Indemnity Claim Frequency



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

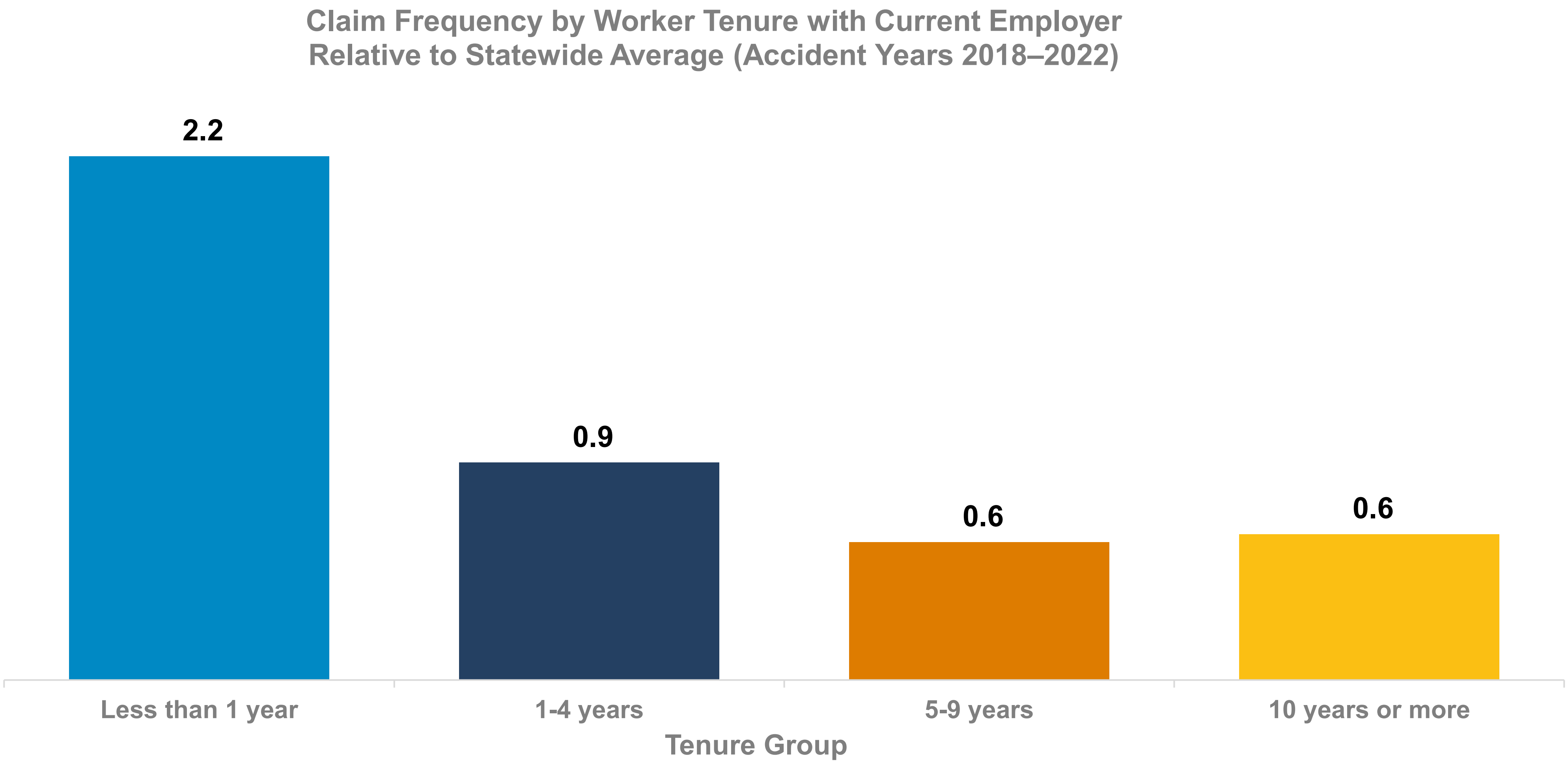
There are significant differences in policy year 2021 frequency rates across California, even after adjusting for regional differences in industrial mix and wage levels.

The Los Angeles (LA)/Long Beach region has the highest claim frequency, about one-quarter above the statewide average, while the Peninsula/Silicon Valley region has the lowest frequency, more than one-quarter below the statewide average.

Among the factors driving higher claim frequency in Southern California is a higher proportion of CT claims (**Chart 15**) and litigated claims (**Chart 41**).

More Info and Source Data

Chart 12: Differences in Relative Claim Frequency by Tenure Group

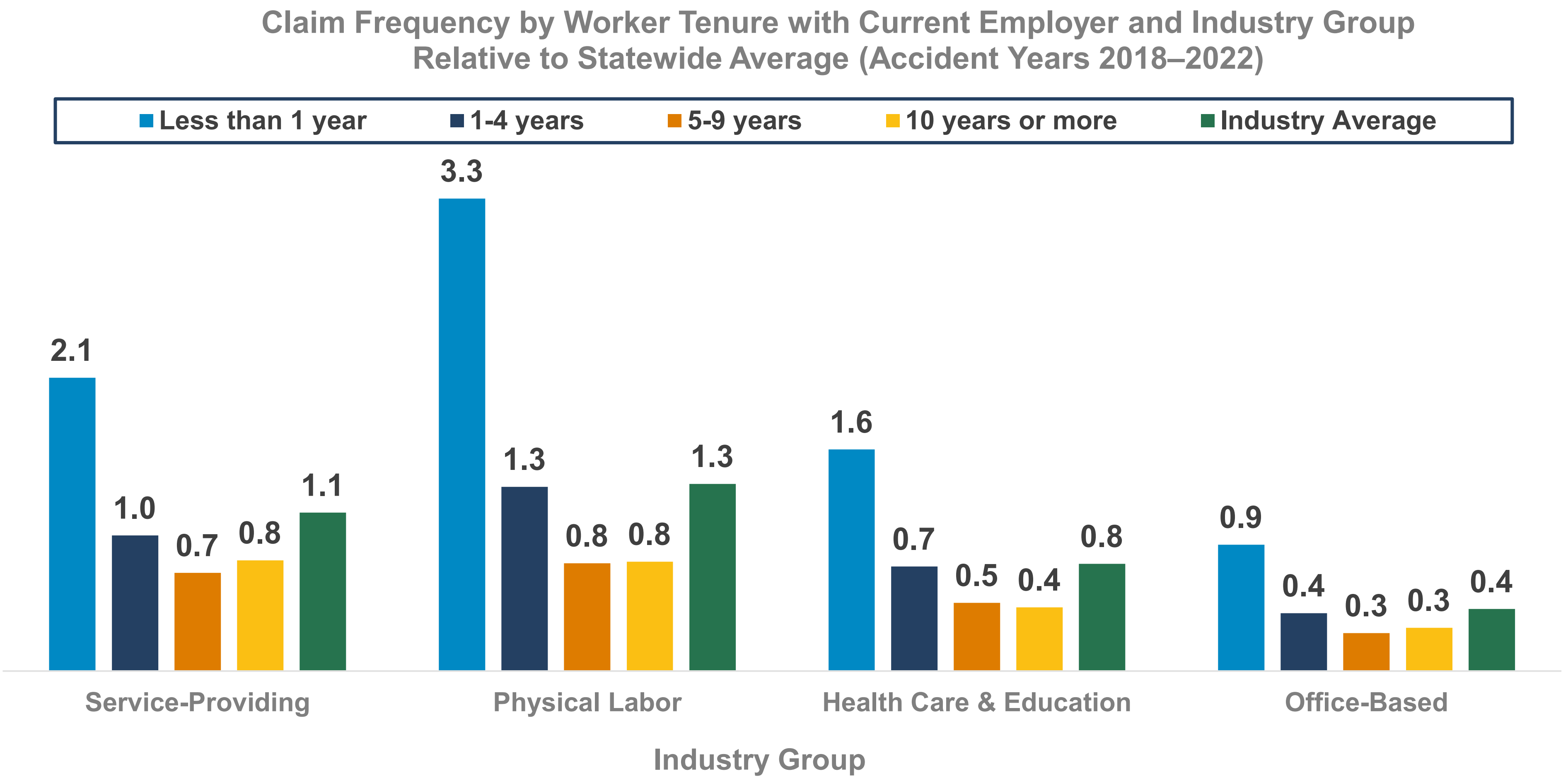


Workers with less than one year of tenure at their current employer are more than twice as likely to have a claim relative to the statewide average, while workers in other tenure groups have a lower-than-average likelihood of having a claim.

The difference in relative claim frequency by tenure group reflects a higher risk of work-related injuries among those with the shortest tenure. Conversely, those with tenure of five years or more had a significantly lower injury risk, potentially driven by more on-the-job experience and safety training. The pattern is consistent with published research.

More Info and Source Data

Chart 13: Differences in Relative Claim Frequency by Tenure Group and Industry Group



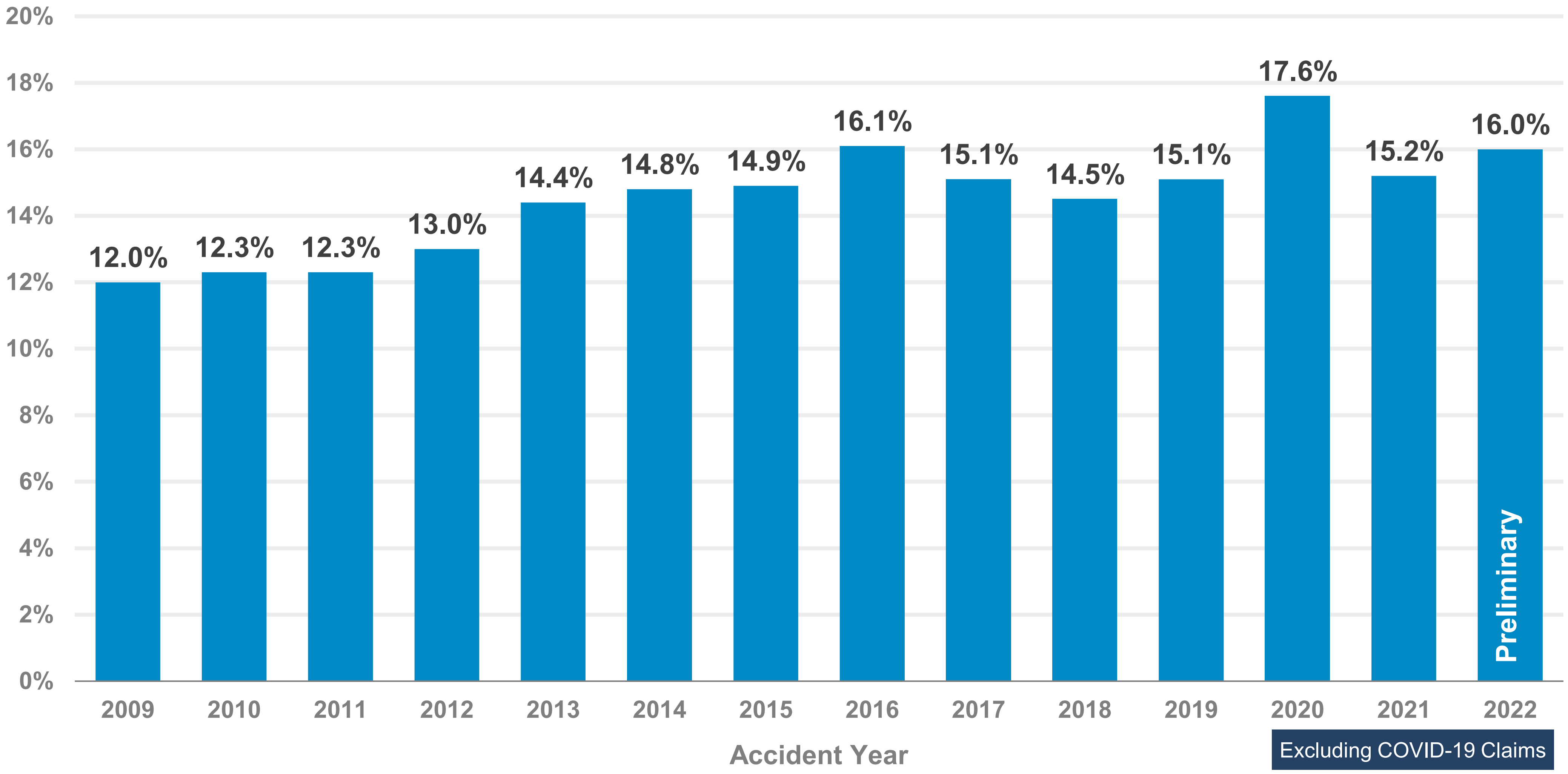
The higher likelihood of having a claim among workers with less than one year of tenure is largest in physical labor and service-providing industries, mostly related to the higher overall hazardousness of these industries.

Those in Physical Labor industries are more than three times as likely to have a claim, the highest across all industries.

Workers in Health Care & Education and Office-Based industries have overall lower claim frequencies but also show a higher likelihood of a claim for the less-than-1-year tenure group.

More Info and Source Data

Chart 14: Percent of Indemnity Claims Involving Cumulative Trauma



CT claim rates increased gradually through 2014 but remained relatively steady up until the pandemic.

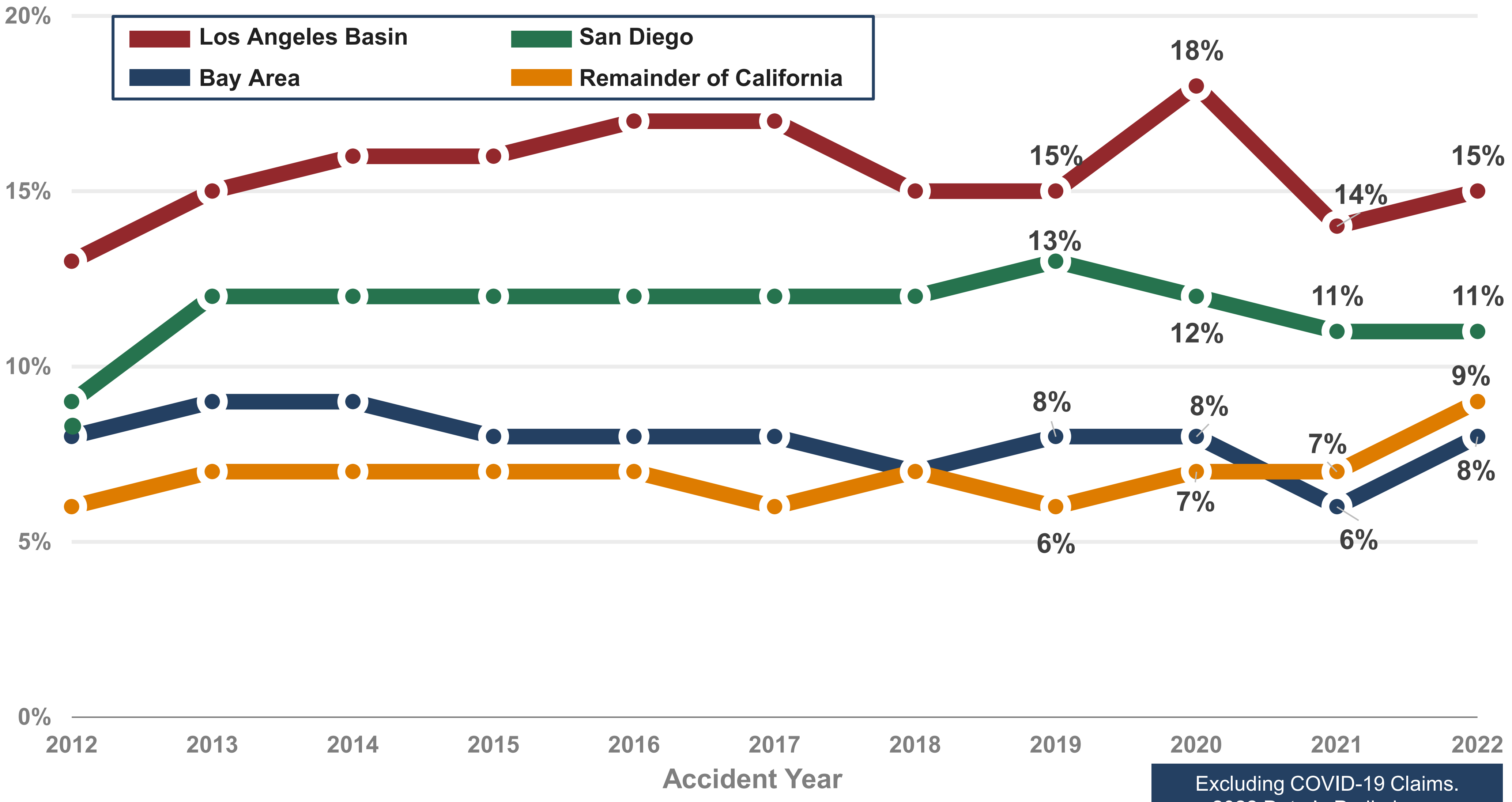
After pandemic-related volatility in 2020, the CT claim rate returned to approximately the pre-pandemic level in 2021.

The preliminary accident year 2022 CT claim rate suggests CT claim rates may be on the rise again.

CT claims are often reported later than other types of claims, and approximately 40% are filed following termination of the employee.

More Info and Source Data

Chart 15: Percent of Cumulative Trauma Claims by Region



Excluding COVID-19 Claims.
2022 Data Is Preliminary.

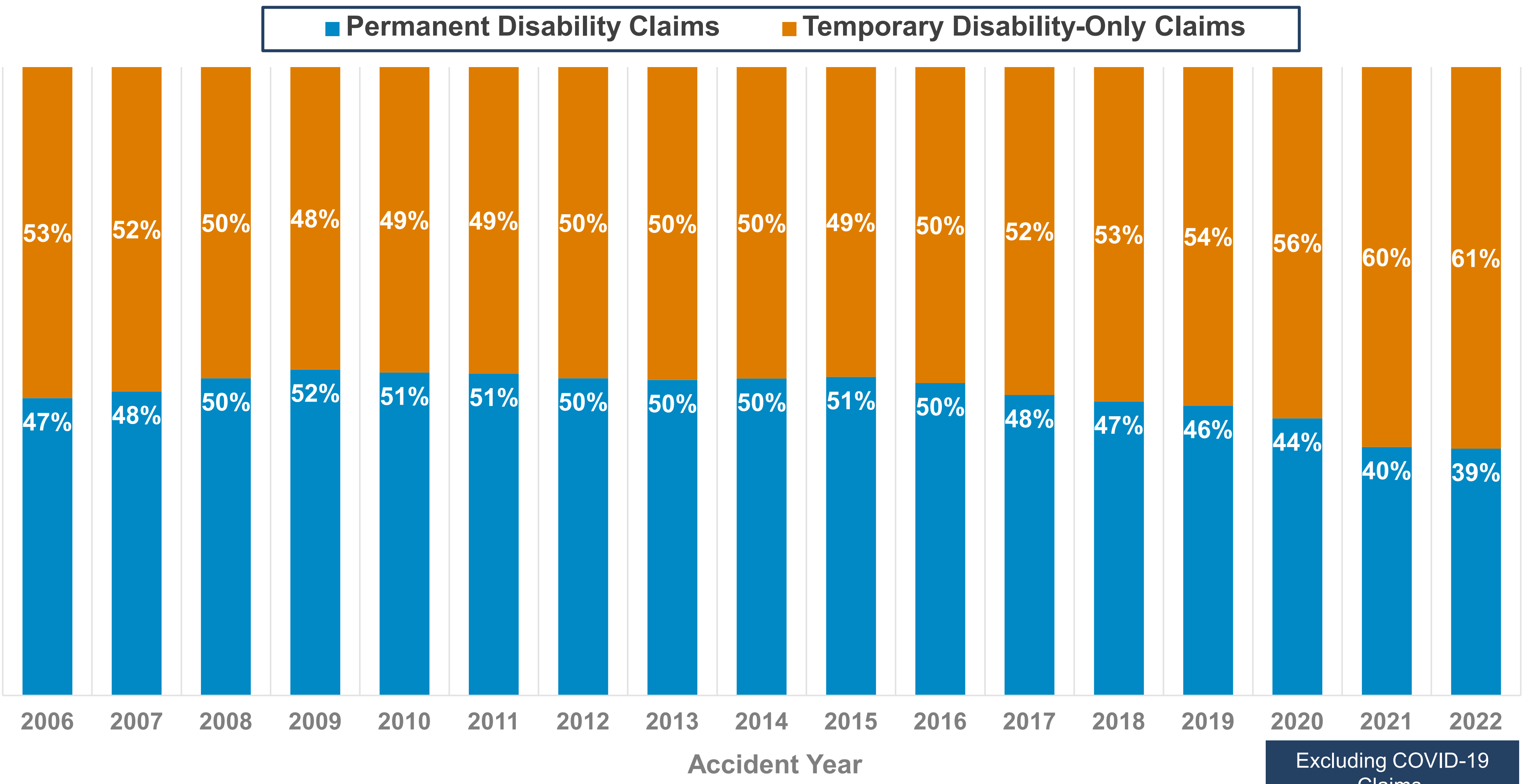
CT claim rates differ significantly by region, with the LA Basin and San Diego regions having a relatively larger share of CT claims than other parts of the state.

From 2012 through 2019, the vast majority of the increase in CT claims came from the LA Basin and San Diego regions.

The recent increase in CT claims in the preliminary accident year 2022 appears to be similar across most regions of the state.

More Info and Source Data

Chart 16: Distribution of Indemnity Claims by Injury Type



Excluding COVID-19 Claims.
2022 Data Is Preliminary.

Since 2016, the share of indemnity claims involving PD has declined steadily.

Although the share of PD claims is showing signs of stabilizing in 2022, it is more than 10 points below the 2015 level.

Some of the potential drivers in the shift in the mix of injury types may be shifts in the injury type distribution during the pandemic or an increase in the frequency of smaller temporary disability-only claims.

More Info and Source Data

Chart 17: Permanent Partial Disability Claims per 100,000 Employees

Permanent Partial Disability (PPD) Claims per 100,000 Employees

531

36

California

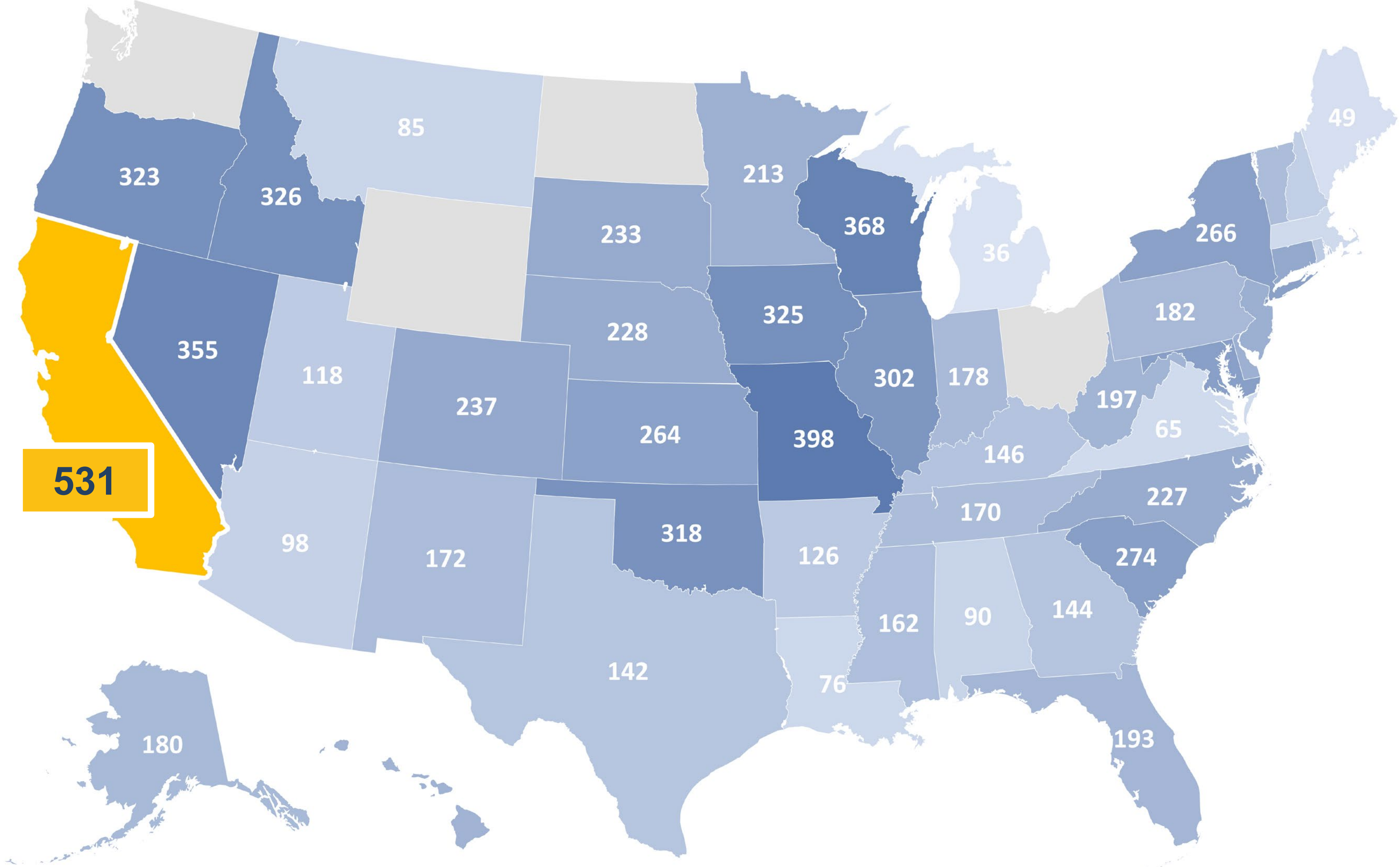
531

PPD Claims per 100,000 Employees

Median

193

PPD Claims per 100,000 Employees



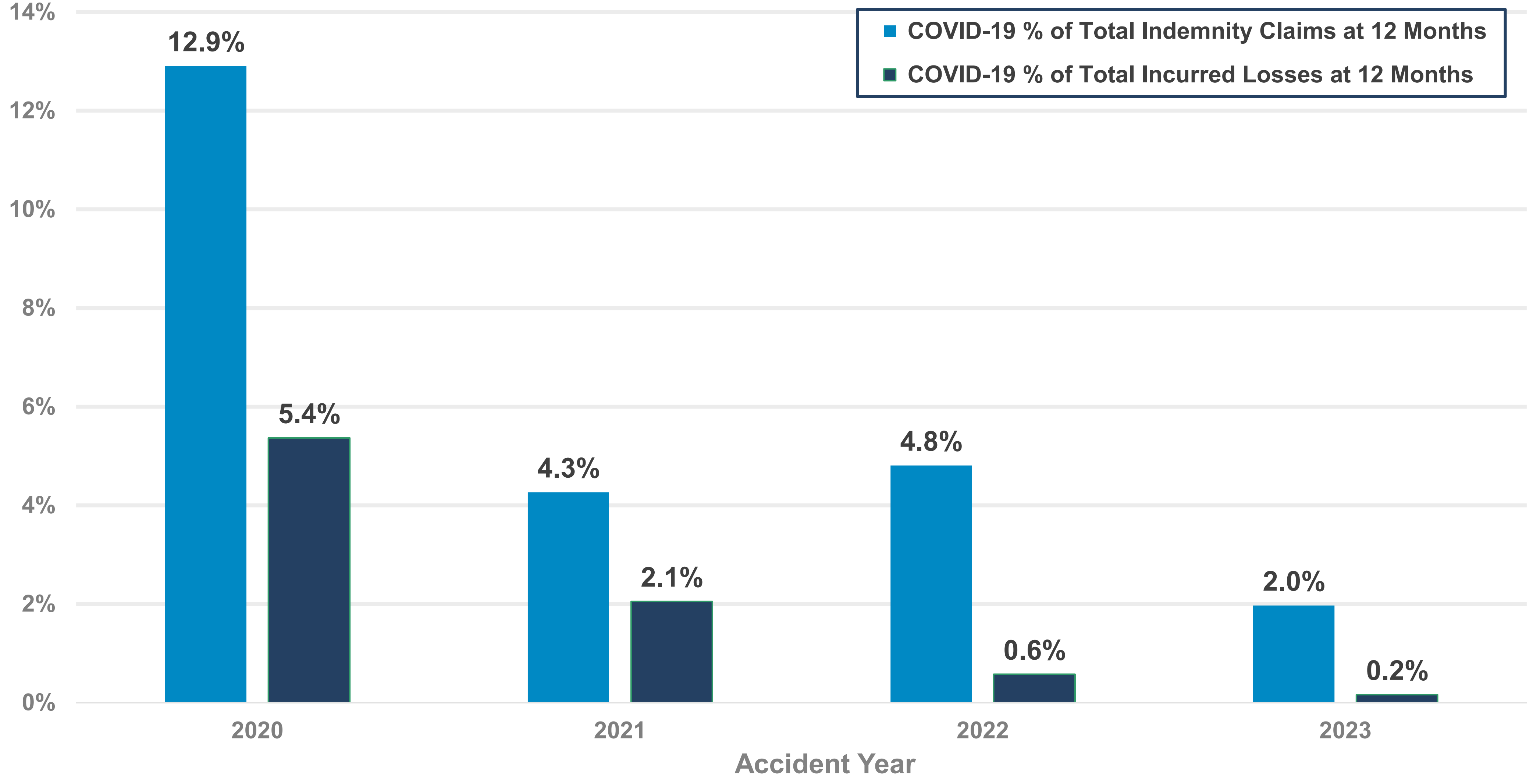
California has by far the highest permanent partial disability (PPD) claim frequency in the country, almost three times the countrywide median.

California's high frequency of PPD claims is not driven by a more hazardous industrial mix or the number of very severe injuries, which are comparable to those from other lower-frequency states.

PPD claim frequency is significantly higher in the LA Basin area than in the rest of the state.

More Info and Source Data

Chart 18: Share of COVID-19 Indemnity Claims and Incurred Losses



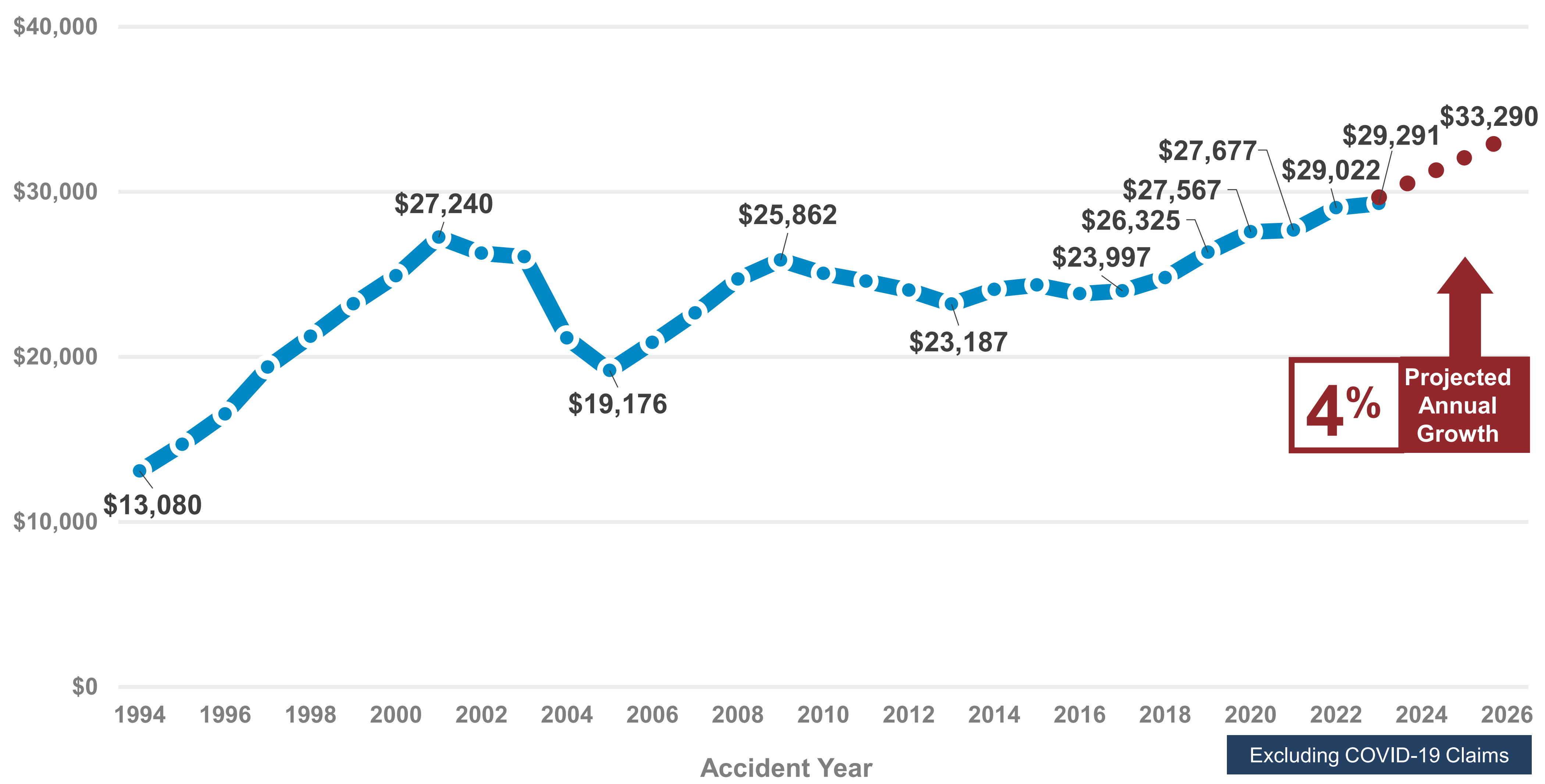
The share of projected losses and loss adjustment expenses (LAE) for COVID-19 claims has declined each year, as the share of COVID-19 claims has declined, and the relative average cost of a COVID-19 claim has also decreased (Chart 30).

The COVID-19 share of losses is expected to decrease further in 2024 as COVID-19 has reached an endemic state.

More Info and Source Data

03
Claim Severity

Chart 19: Average Indemnity Cost per Indemnity Claim



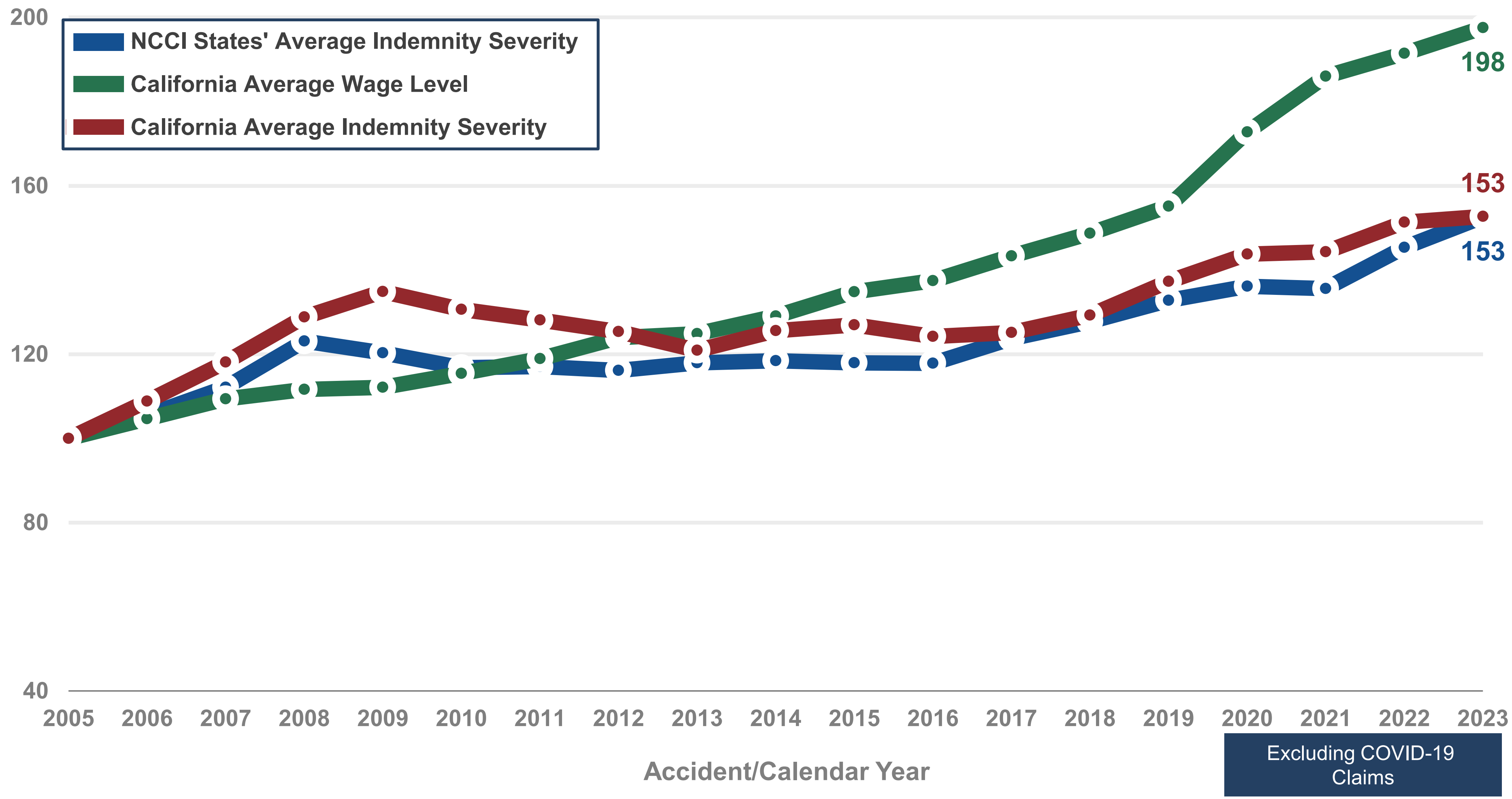
Average indemnity costs per claim were generally flat from 2009 to 2017, driven by the Great Recession and then the SB 863 reforms, which reduced the duration of temporary disability and accelerated claim settlement rates.

From 2018 to 2023, average indemnity costs have increased as wage levels increased (**Chart 3**) and claim settlement rates were plateauing (**Chart 35**).

The WCIRB projects a steady increase in average indemnity costs through 2026, primarily driven by continued increases in average wages.

More Info and Source Data

Chart 20: Indemnity Cost Level Indexed to 2005



Since 2005, changes in average indemnity costs for California and National Council on Compensation Insurance (NCCI) states have been fairly consistent.

Since 2013, wages have grown faster than indemnity benefit costs on average in California.

This gap increased during the pandemic period, partially due to artificially higher average wage growth during the pandemic (**Chart 3**).

More Info and Source Data

Chart 21: Indemnity Cost per Indemnity Claim by State

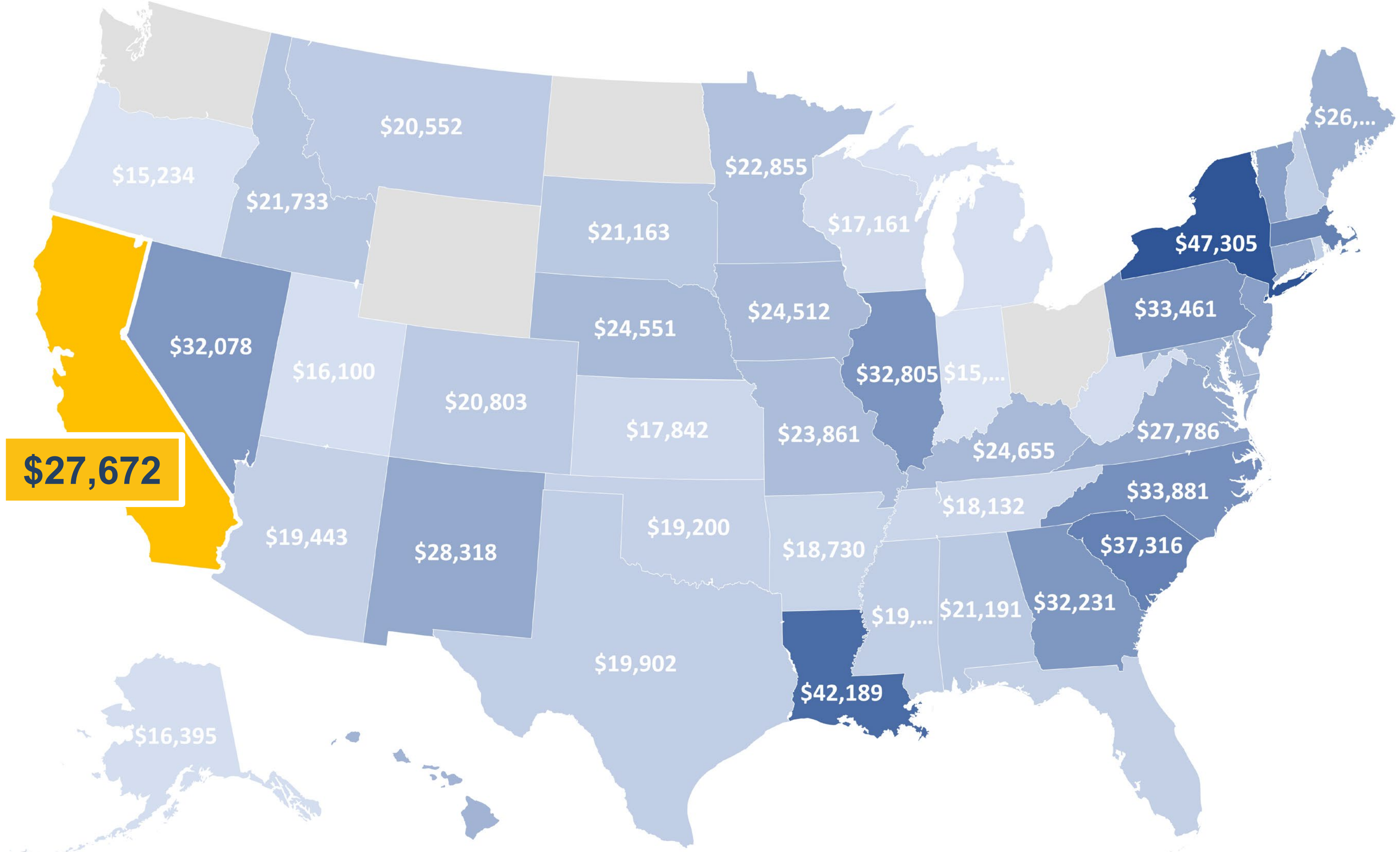
$47,305

$15,234

Median
$23,861

California Comparison

16%
Above Median

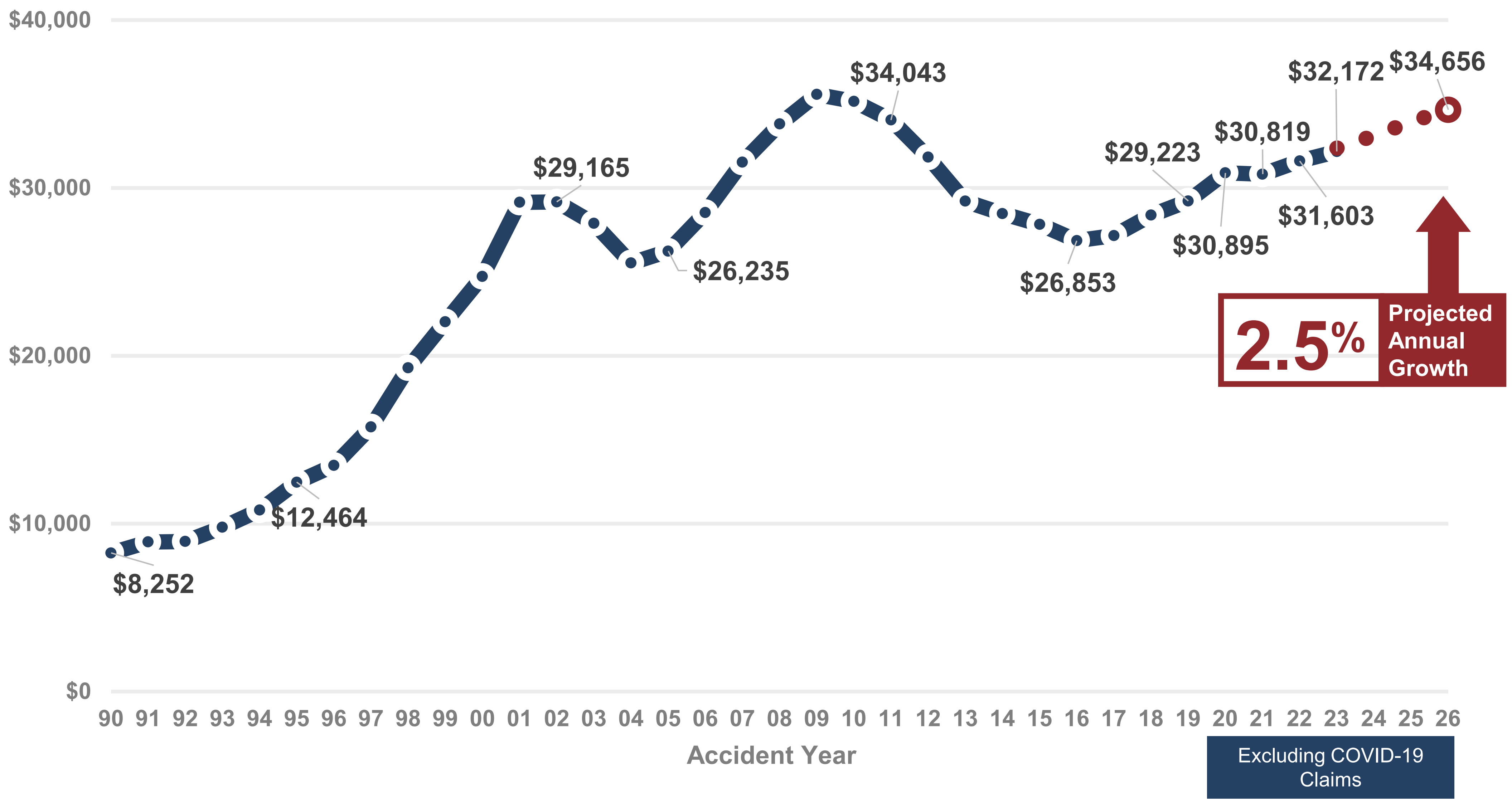


Average indemnity costs in California are more consistent with other states compared to other system components but are still 16% above the countrywide median.

Higher-than-average indemnity costs in California are largely driven by the high proportion of indemnity claims involving PD (Chart 17) and higher wage levels.

More Info and Source Data

Chart 22: Average Medical Cost per Indemnity Claim



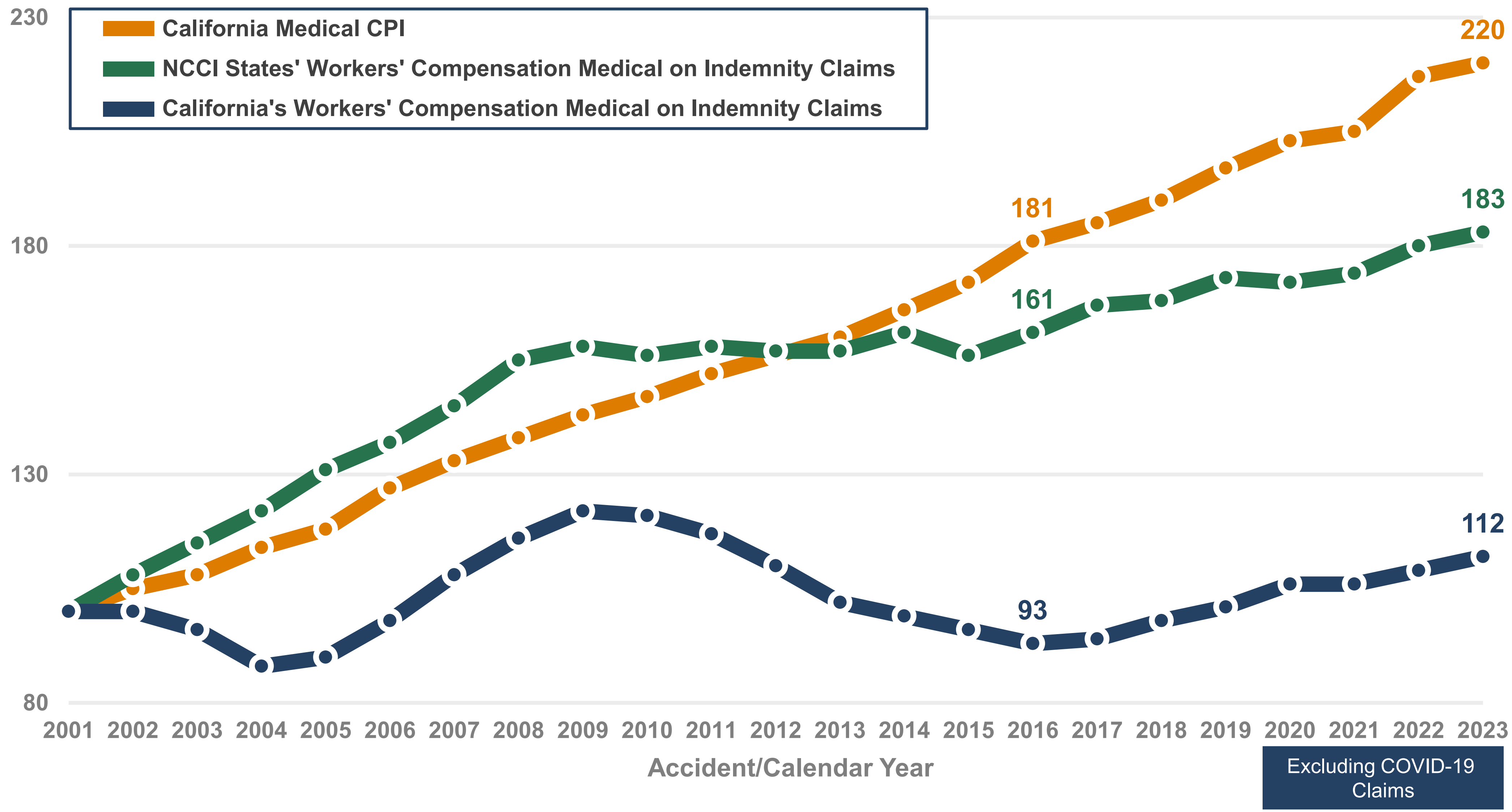
Following a declining period driven primarily by reforms, average medical costs have grown steadily since 2016, primarily driven by updates to medical fee schedules tied to Medicare values.

Despite high general cost inflation following the pandemic, average medical costs have grown modestly due to modest growth in the Medicare values on which most medical fee schedules are based.

The WCIRB projects modest increases in average medical costs through 2026 comparable to the post-2016 rate of growth.

More Info and Source Data

Chart 23: Medical Cost Level Indexed to 2001

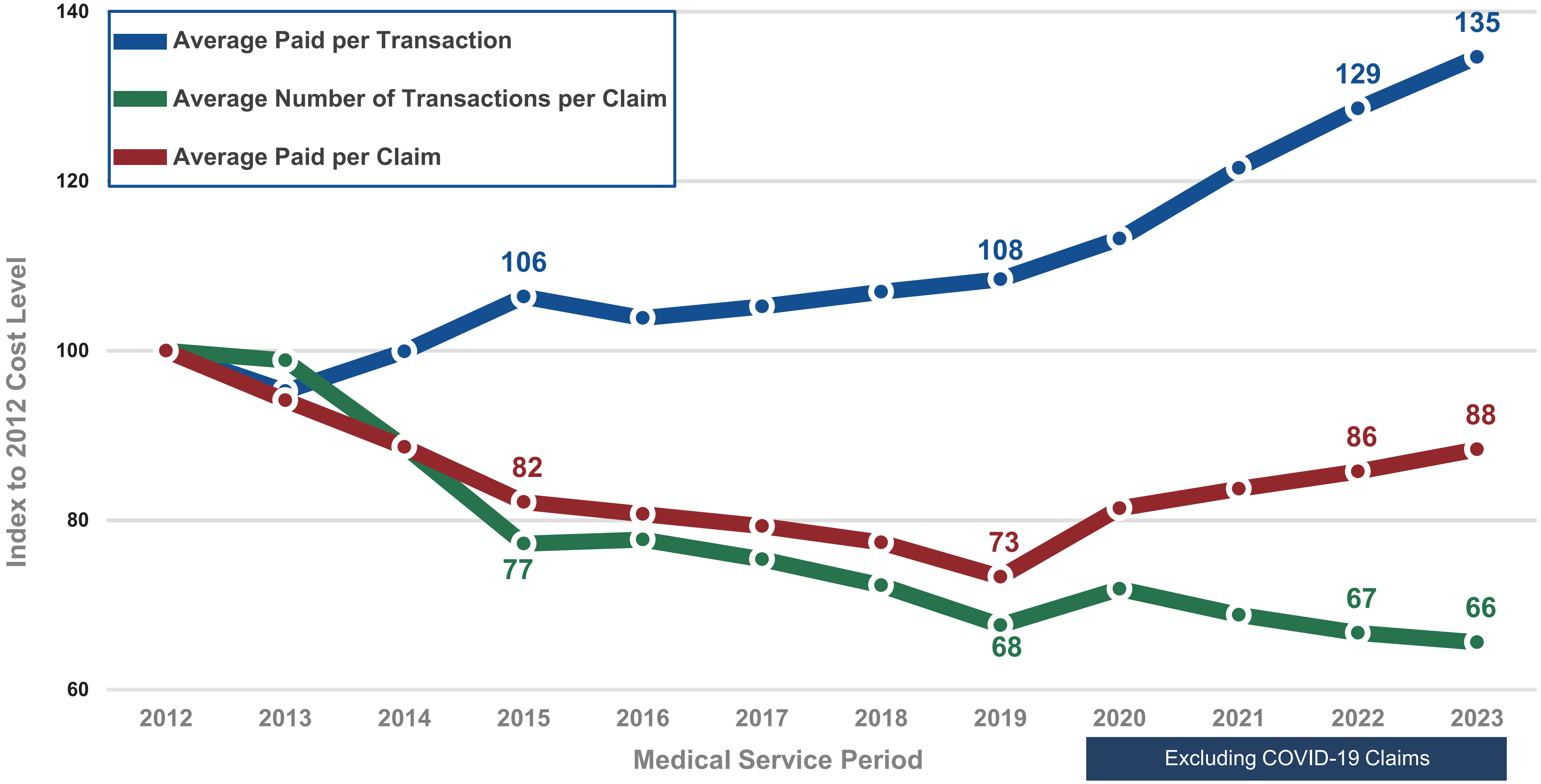


Due to reforms such as SB 899 (2004) and SB 863 (2012), the average medical per indemnity claim in 2023 is only modestly higher than the 2001 level, while average medical costs in other systems have grown sharply.

Since 2017, growth in medical costs for California is comparable to that for the NCCI states. Growth in the California Medical Consumer Price Index (CPI) during this period has been much higher, in part due to rising general inflation after the pandemic.

More Info and Source Data

Chart 24: Medical Service Cost Level Indexed to 2012



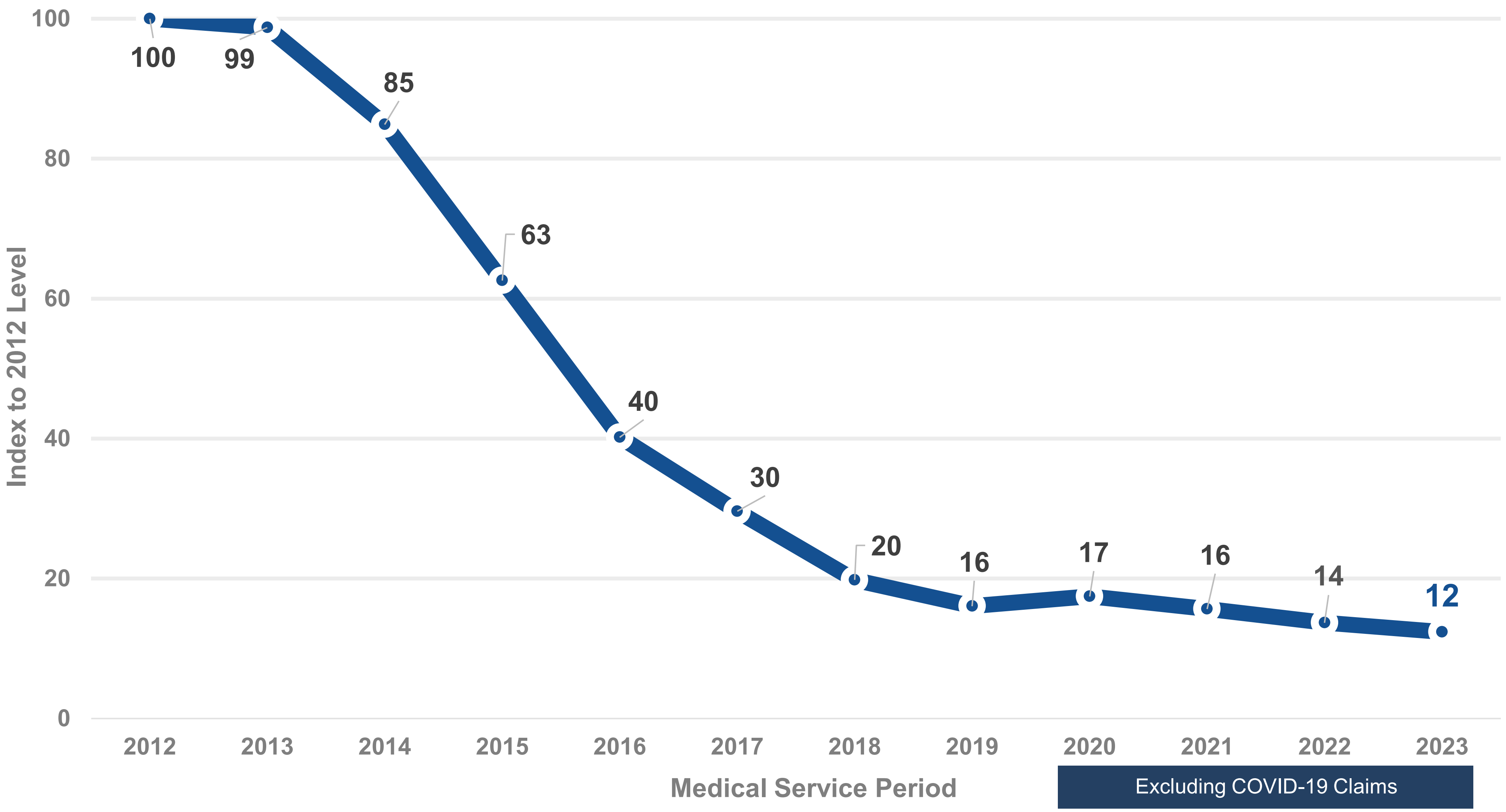
Average medical paid per transaction has increased steadily since 2021, driven by the medical fee schedule changes in 2021 that increased the reimbursement level for ML services and office visits and regular inflation updates in medical fee schedule values tied to Medicare, particularly for durable medical equipment in the Healthcare Common Procedure Coding System (HCPCS) category (Chart 26).

The number of medical service transactions per claim has decreased by 34% since 2012, largely attributable to SB 863, a decrease in the number of hospitalizations and less utilization of pharmaceuticals (Chart 25).

Medical paid per claim began to trend upward in 2020, initially driven by the impacts of the pandemic on claims and then by the medical fee schedule changes and regular updates after 2020.

More Info and Source Data

Chart 25: Pharmaceutical Cost Level Indexed to 2012



Despite a slight increase in 2020, pharmaceutical costs per claim returned to the pre-pandemic level in 2021 and further declined in 2022 and 2023.

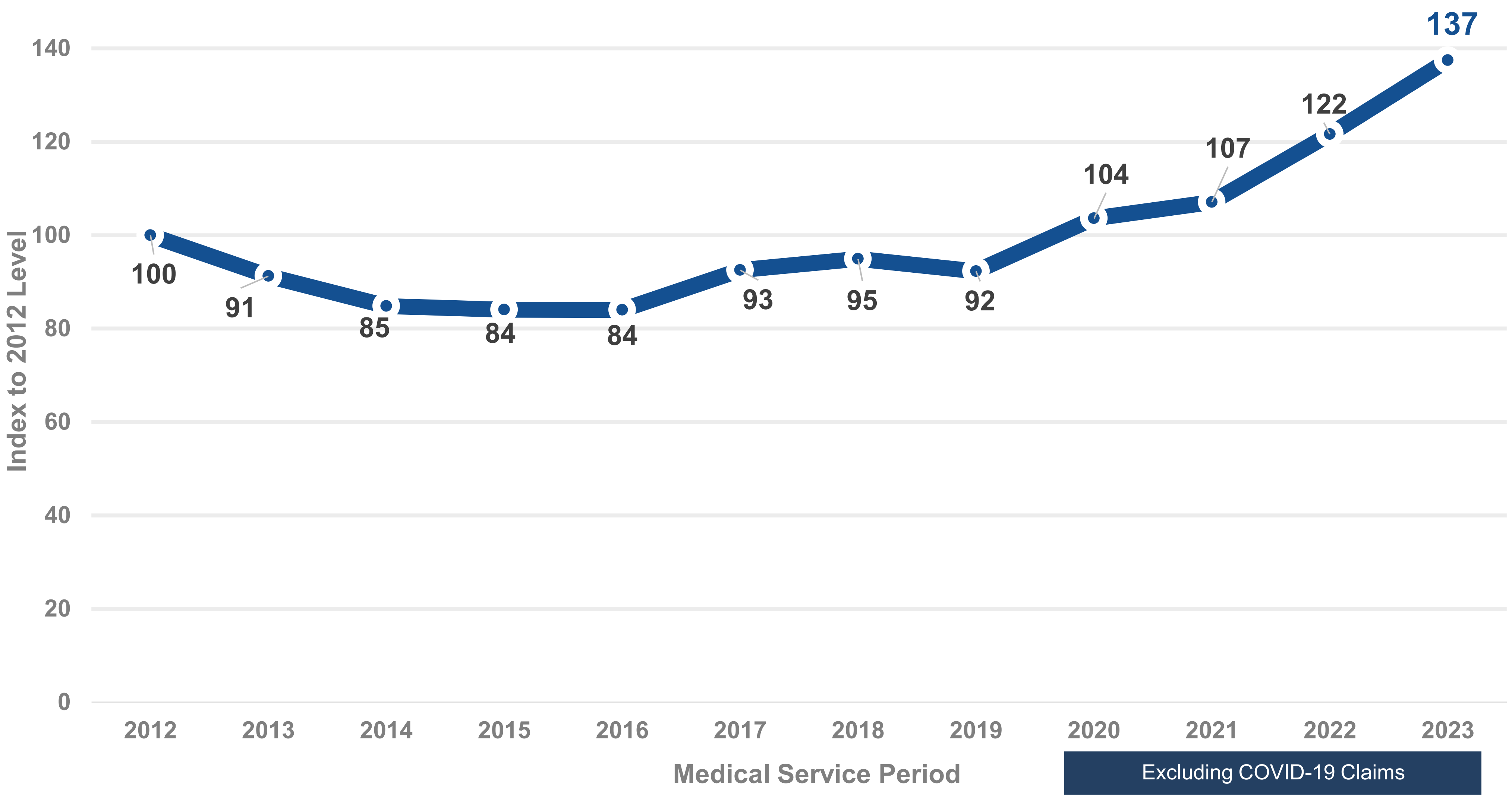
Key factors driving the 88% overall decrease in pharmaceutical costs per claim since 2012 include:

- Independent medical review
- Reduced spinal surgeries
- National trends toward reduced opioid use
- Changes in federal pricing guidelines for generics
- The new drug formulary

Amendments to the Pharmaceutical Fee Schedule are currently going through the Division of Workers' Compensation (DWC) rulemaking process and will likely become effective soon.

More Info and Source Data

Chart 26: HCPCS Cost Level Indexed to 2012



Average paid for HCPCS services per claim was relatively stable before 2020, with modest fluctuations driven by shifts in service mix and a moderate increase in the average cost and use of home health services.

After an initial cost increase in 2020 mostly due to the pandemic, HCPCS costs per claim continued to increase through 2023, primarily driven by:

- Large increases in the inflationary adjustments in the fee schedule for durable medical equipment and supplies tied to the Medicare values in 2022 and 2023
- Increasing costs for home health services
- Increasing use of interpreter services

More Info and Source Data

Chart 27: Medical Cost per Indemnity Claim by State

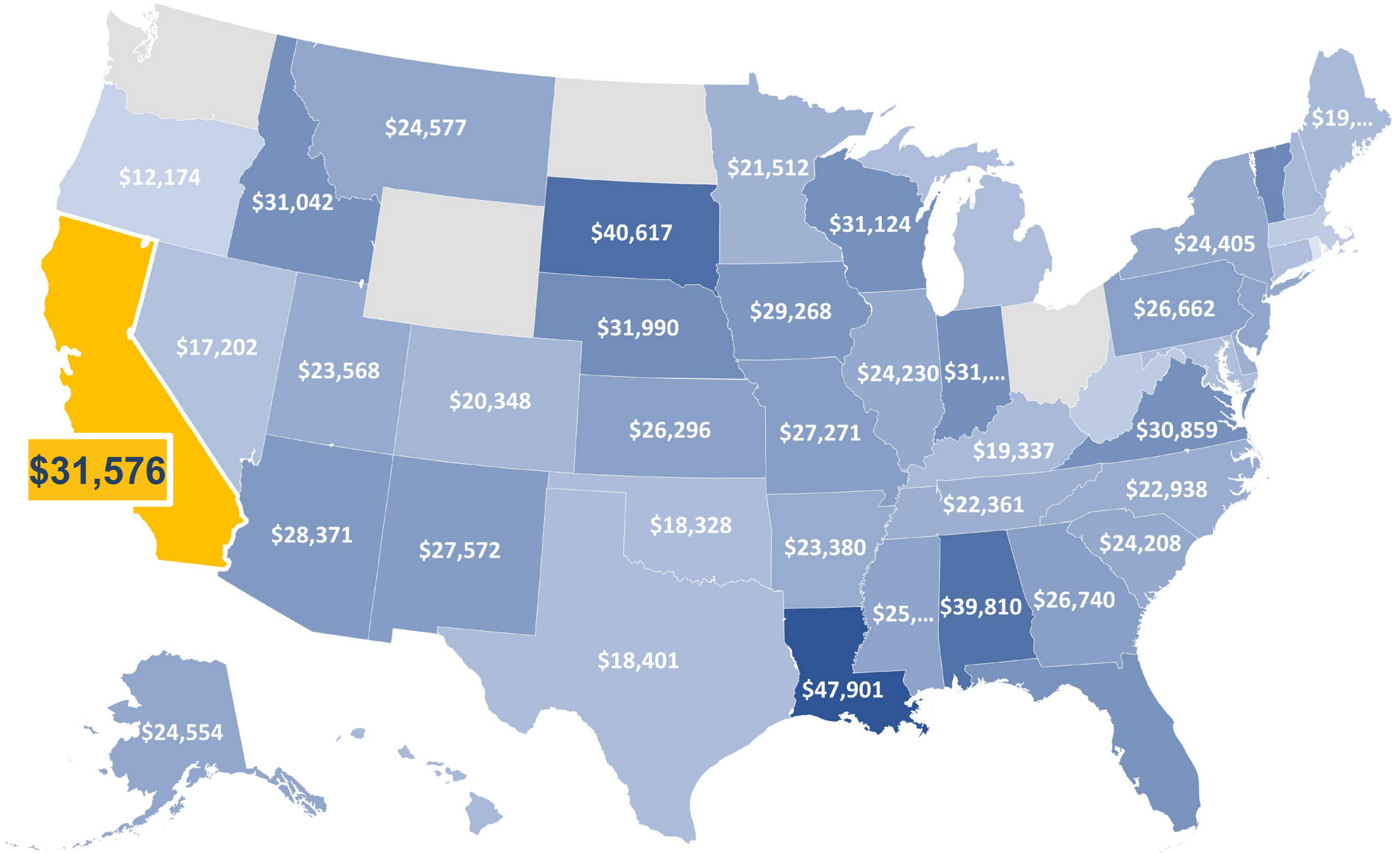
$47,901

$7,671

Median
$24,230

California Comparison

30%
Above Median

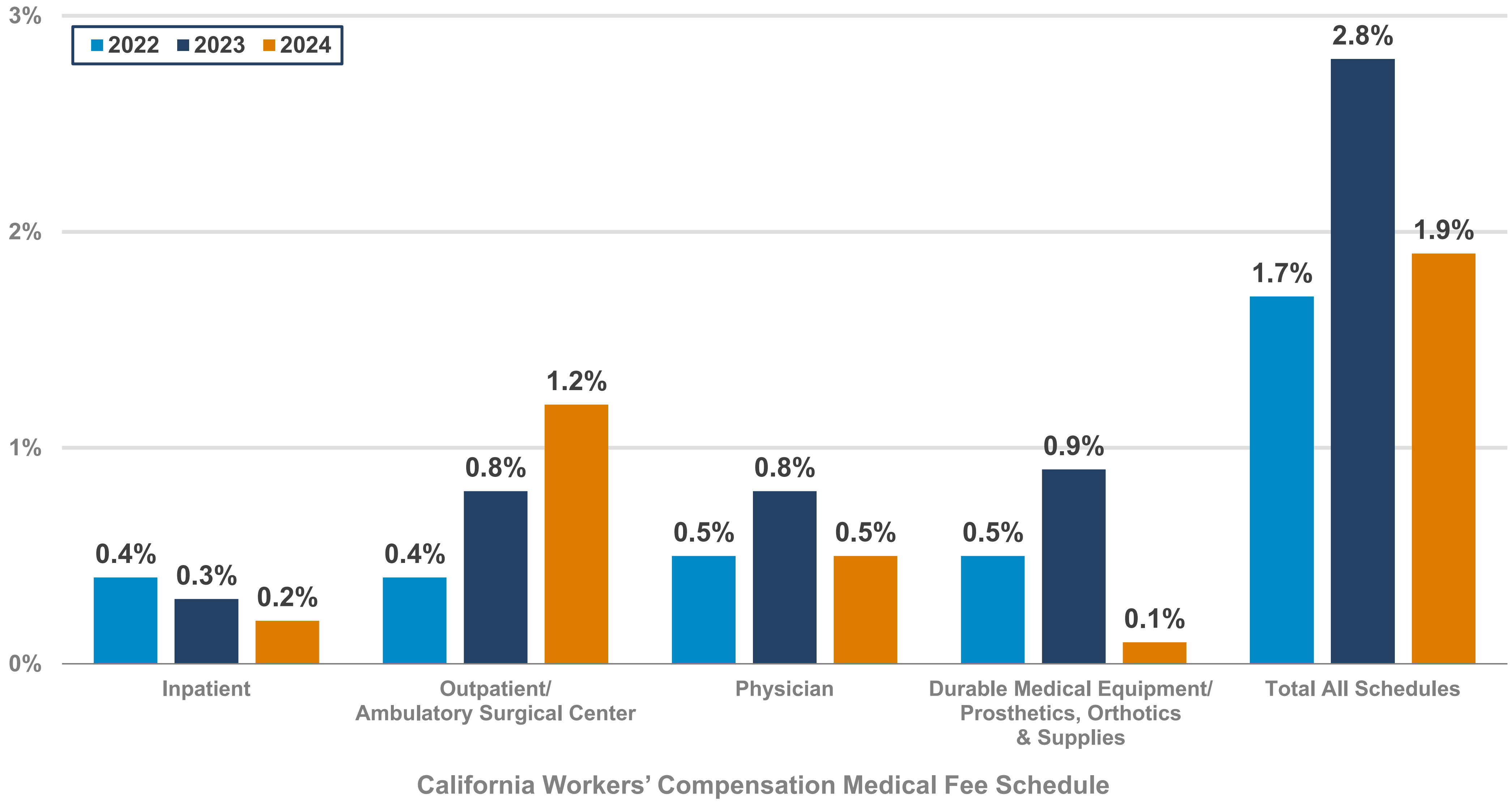


A decade ago, California was among the states with the highest average medical costs per claim.

Even with a flatter medical cost pattern in California and continued medical inflation in other states (Chart 23), California's average medical per indemnity claim is still 30% above the median state.

More Info and Source Data

Chart 28: Cost Impact of Medical Fee Schedule Updates



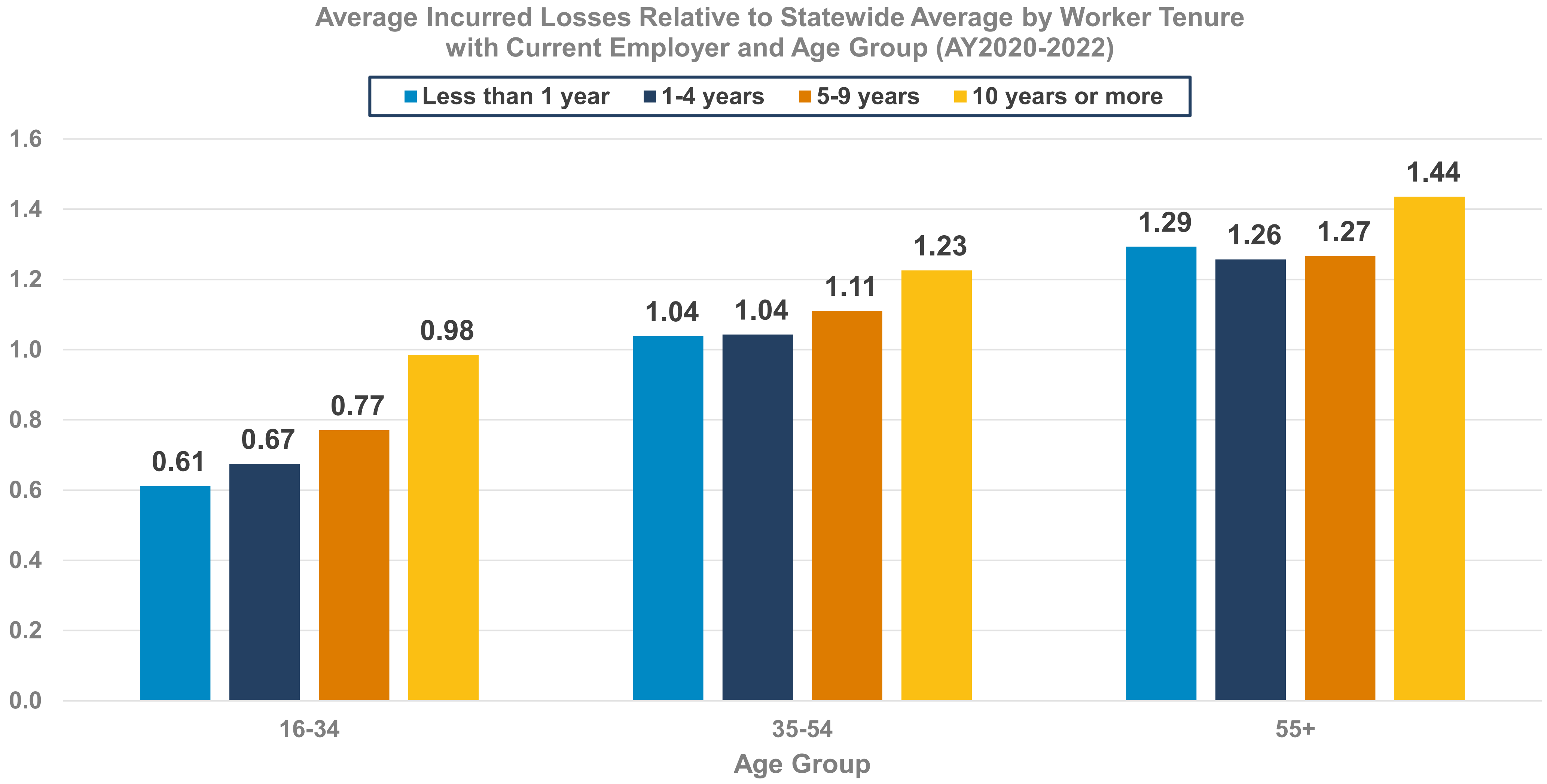
The typical updates to medical fee schedules based on updated Medicare values have a modest impact on average medical costs.

With rising inflation, Medicare values increased at higher rates in 2022. This resulted in higher-than-average increases to California medical fee schedules, which became effective mostly in 2023.

Inflation reduced to more typical levels in 2023. This resulted in more modest increases in medical fee schedule values for 2024.

More Info and Source Data

Chart 29: Average Incurred Losses Relative to Statewide Average by Tenure Group

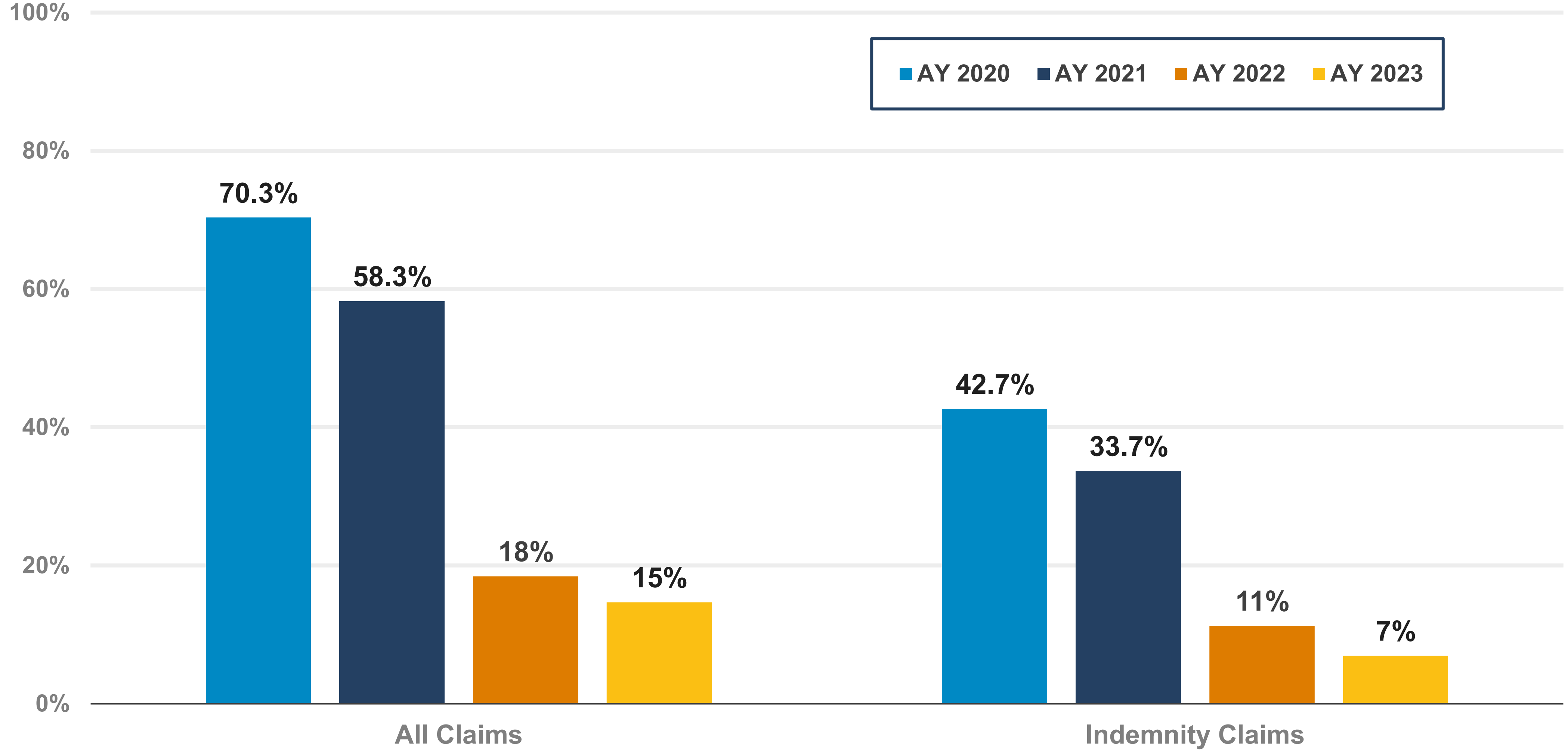


Indemnity claims from higher tenure workers tend to have higher average incurred losses on average. This pattern is generally consistent by age group. The pattern is partly driven by the share of claims involving PD by tenure group.

Despite having the lowest average incurred losses in each tenure group, injured workers aged 16 to 34 have the strongest differentials between incurred losses and tenure. This is largely driven by greater differentials in this age group between tenure and the share of claims involving PD benefits as well as differences in average wage levels.

More Info and Source Data

Chart 30: Ratio of COVID-19 to Non-COVID-19 Average Claim Severity



COVID-19 claims on average cost less than non-COVID-19 claims.

The relative average cost of a COVID-19 claim was much higher during the earlier years of the pandemic. Vaccination and immunization rates among workers as well as improved treatments for COVID-19 have lowered the average COVID-19 indemnity claim severity significantly in 2022 and 2023.

More Info and Source Data

04
Claim Duration

Chart 31: Percent of Ultimate Medical Cost Paid at 3 Years

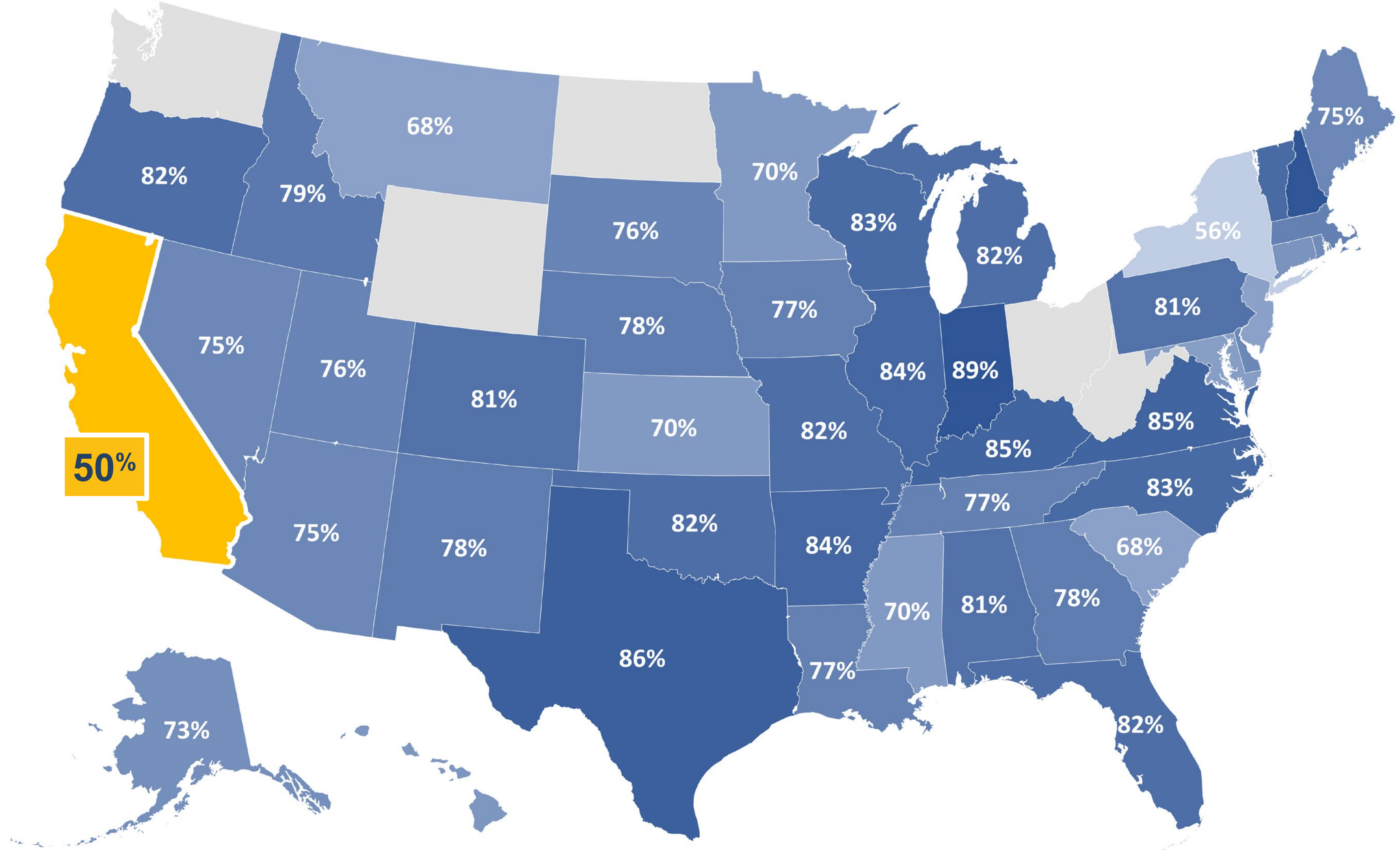
89%

50%

Median
78%

California 12/31/2012
38%

California 12/31/2023
50%



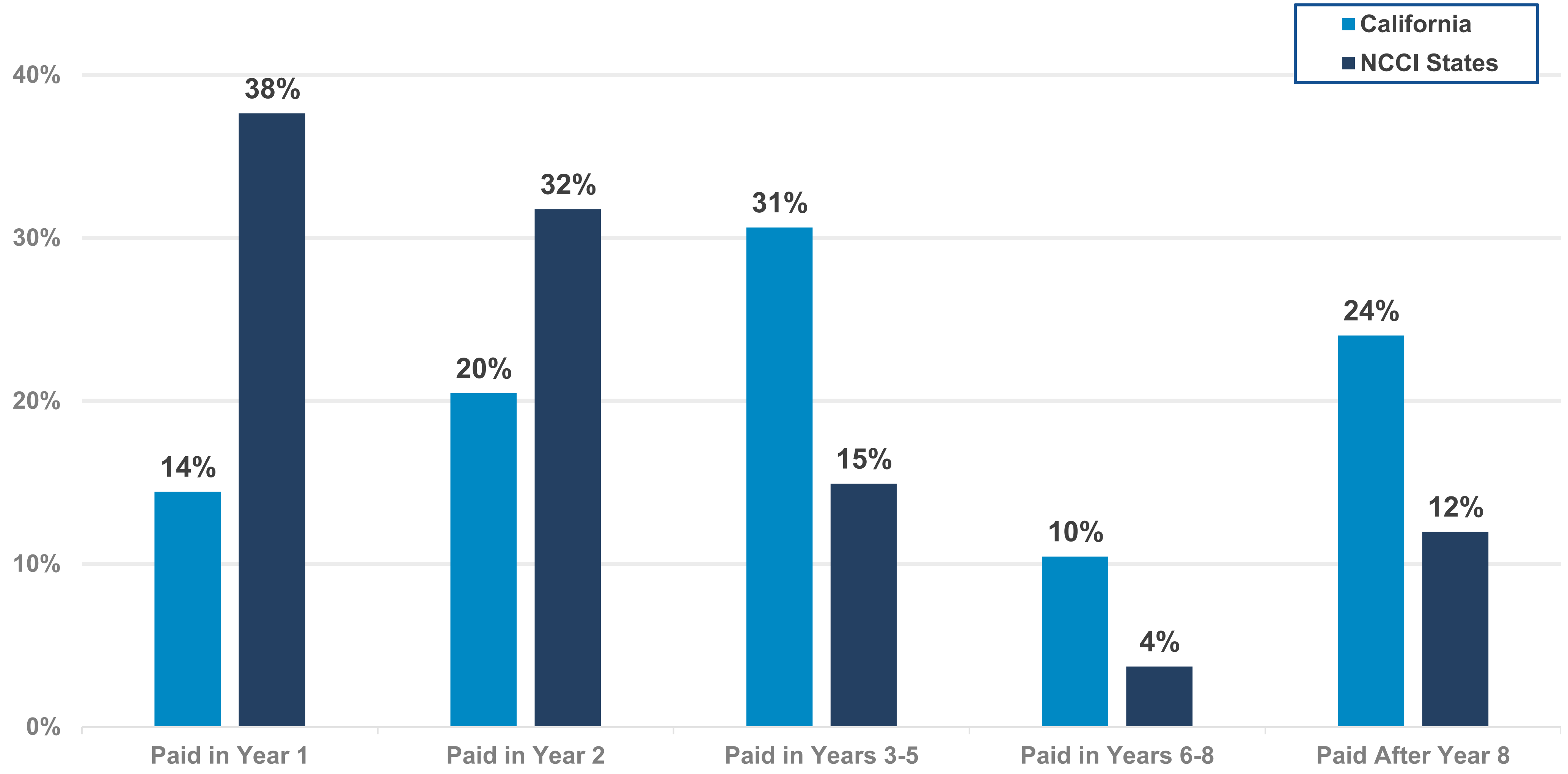
The percentage of ultimate medical paid at three years increased from 38% in 2012 to 50% in 2023, driven largely by the SB 863 reforms and increasing claim settlement rates.

California still has longer duration of medical payments compared to the rest of the country, driven by:

- The time it takes to report claims (Chart 33)
- The length of time claims stay open (Chart 34)
- A high proportion of PD claims (Chart 17) and CT claims (Chart 14)
- High frictional costs (Chart 36)

More Info and Source Data

Chart 32: Percent of Medical Losses Paid by Year



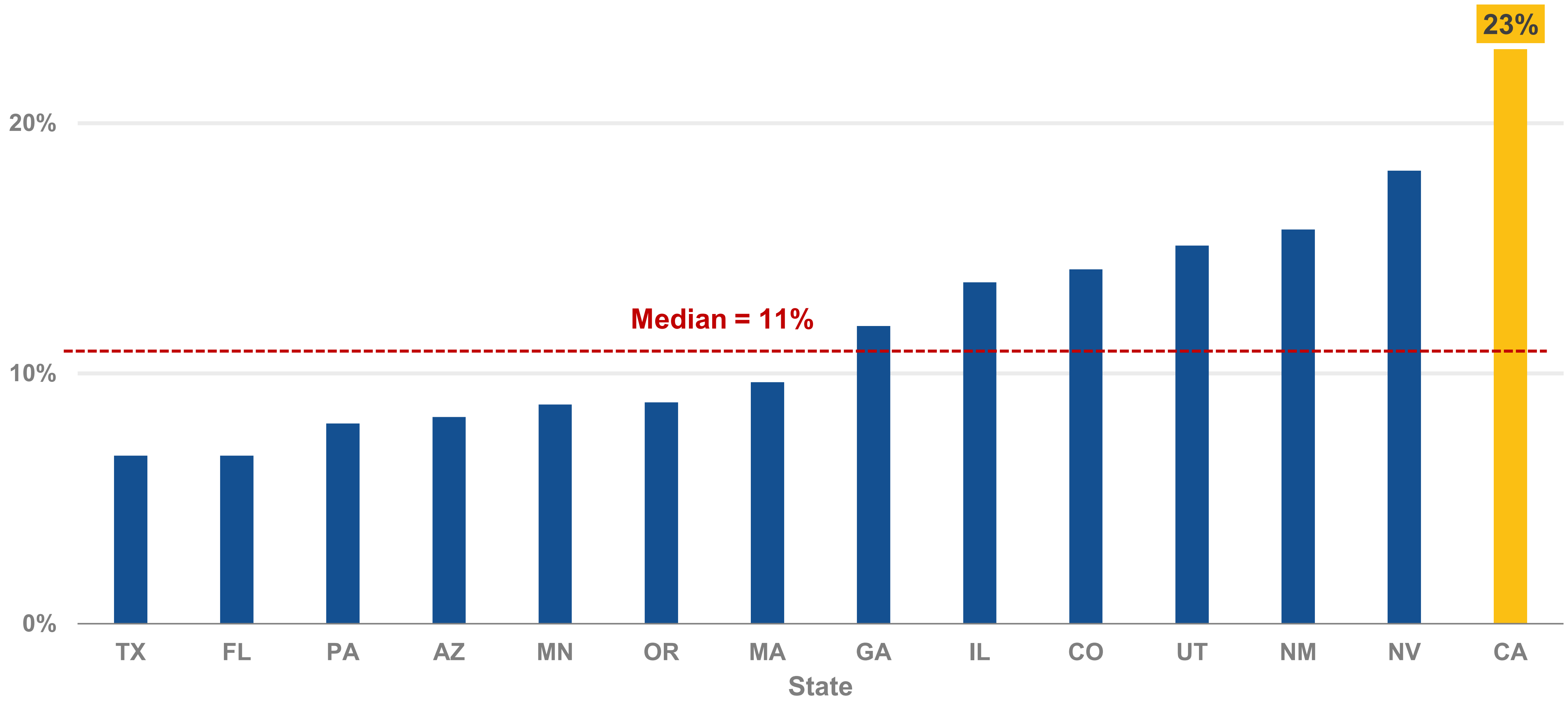
More than two-thirds of all medical losses are paid in the first two years from the year of injury in NCCI states, compared to one-third in California.

34% of medical losses in California are unpaid after five years, compared to 16% for NCCI states.

The slower payment rate of medical losses in California is in part driven by a slower reporting of indemnity claims (**Chart 33**) and a slower claim settlement process (**Chart 34**).

More Info and Source Data

Chart 33: Percent of Indemnity Claims Unreported at 12 Months

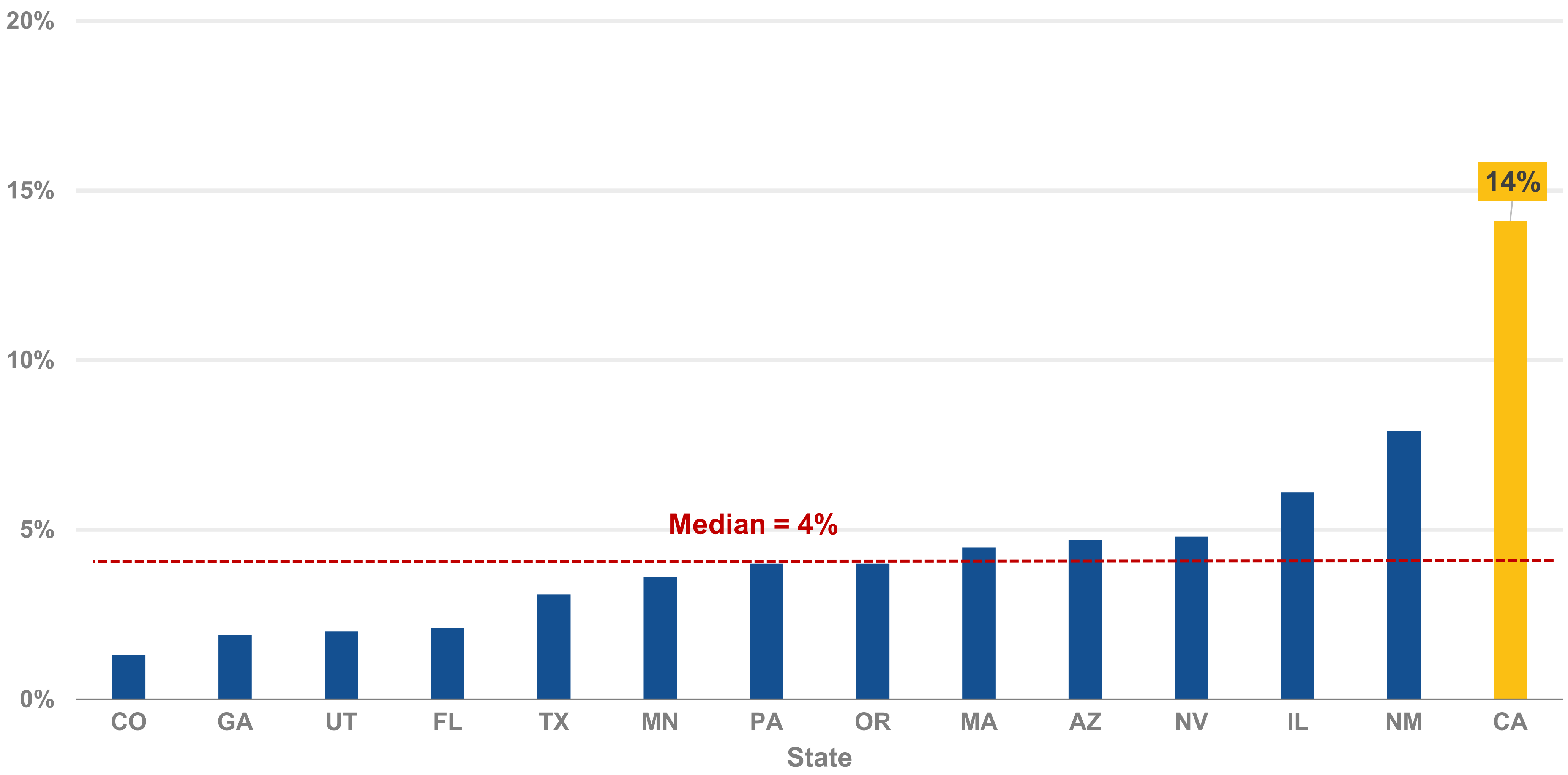


California has a slower pattern of indemnity claim reporting, with the percent of claims unreported at 12 months over double the comparison state median.

A large proportion of the late-reported claims in California involve CT injuries (**Chart 14**), many of which are filed following the employee's termination.

More Info and Source Data

Chart 34: Percent of Indemnity Claims Open at 60 Months



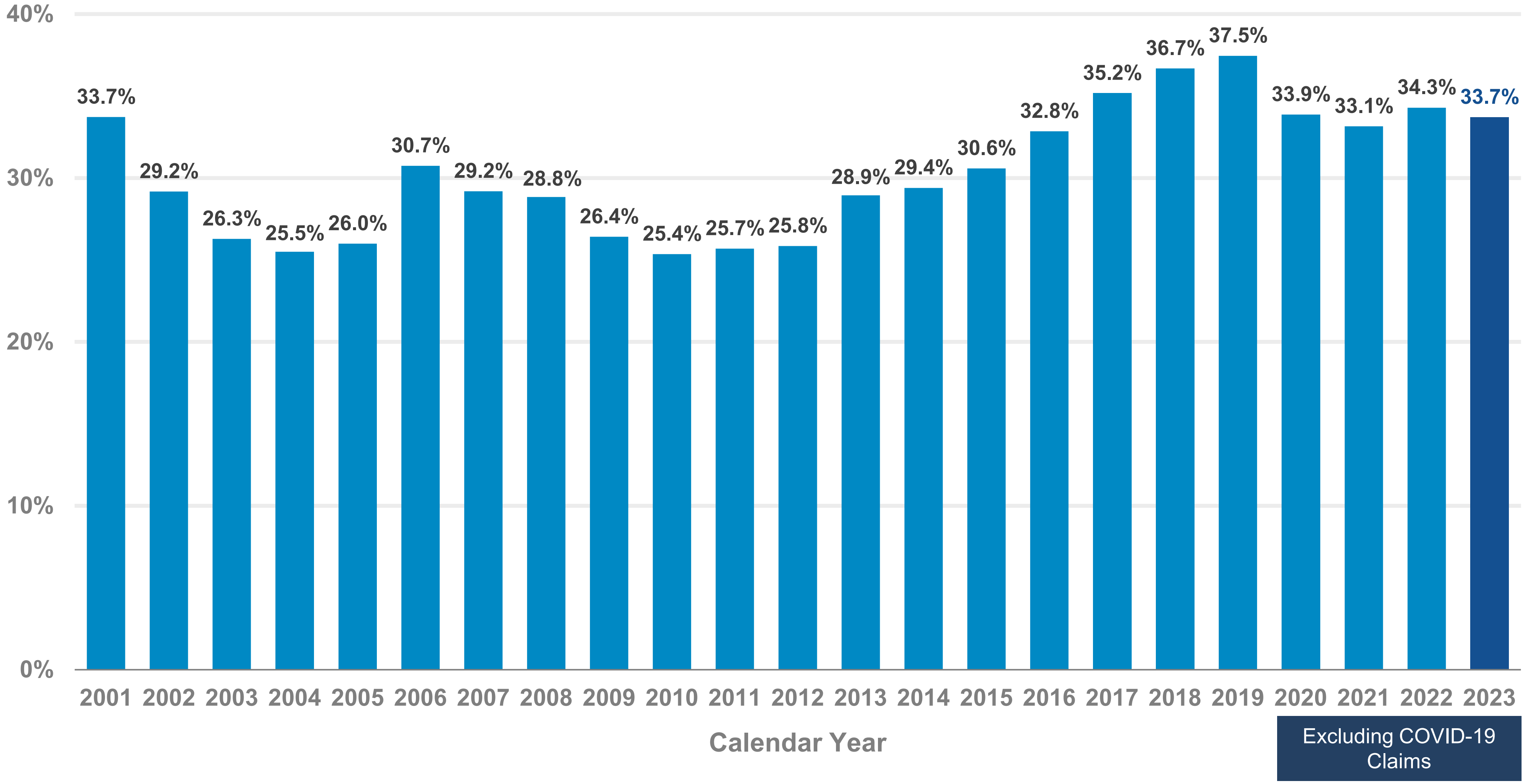
The percent of California indemnity claims open at 60 months is more than three times the comparison state median, despite a post-SB 863 increase in claim closure rates in California.

The slower rate of claim closure in California is due to:

- A high proportion of CT claims filed, which settle slower than other claims (**Chart 14**)
- Medical lien filings (**Chart 44**)
- Higher rates of PD claim frequency (**Chart 17**)

More Info and Source Data

Chart 35: Percent of Open Indemnity Claims Closed During Next Year



From 2012 to 2019, indemnity claim closing rates increased, in part attributable to SB 863 provisions related to liens, independent medical review, independent bill review, reduced opioid use and a reduced number of spinal surgeries.

In 2020, average indemnity claim closing rates declined sharply as the COVID-19 pandemic and stay-at-home orders slowed the claims process.

Average claim closing rates have flattened in 2022 and 2023 but remain below the pre-pandemic level.

More Info and Source Data

05 Frictional Costs

Chart 36: Cost to Deliver $1 of Benefits

Medicare
$0.01

Workers' Compensation Median State
$0.26

Private Group Health Insurance
$0.11

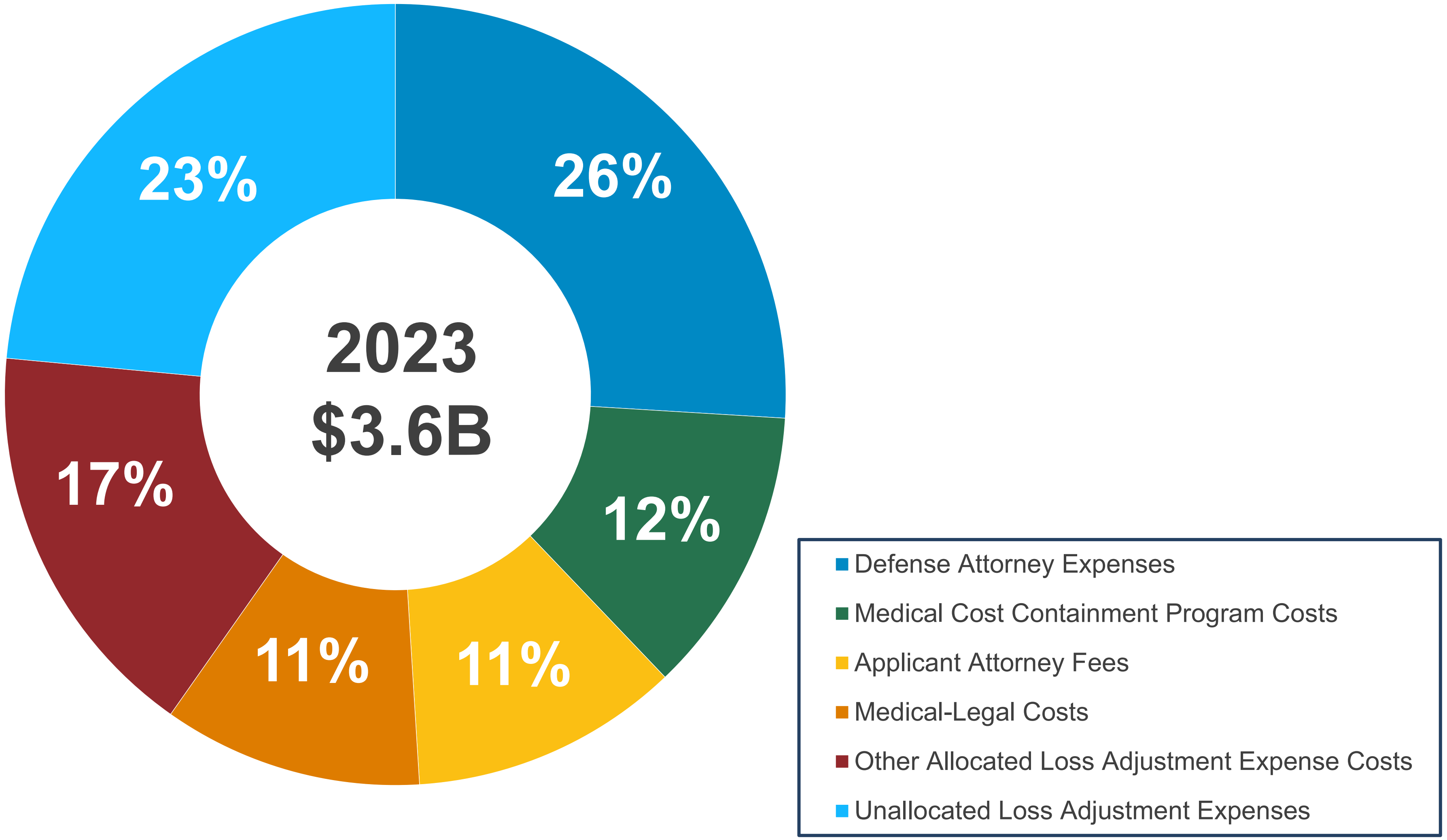
California Workers' Compensation
$0.49

California claims' administrative costs are multiples higher than other medical benefit systems such as Medicare and the average for private group health insurance.

Although there have been some reductions in average claims administrative costs in California in recent years, the cost to provide $1 of benefits in California remains almost double that of the median state workers' compensation system.

More Info and Source Data →

Chart 37: Distribution of 2023 Paid Frictional Costs

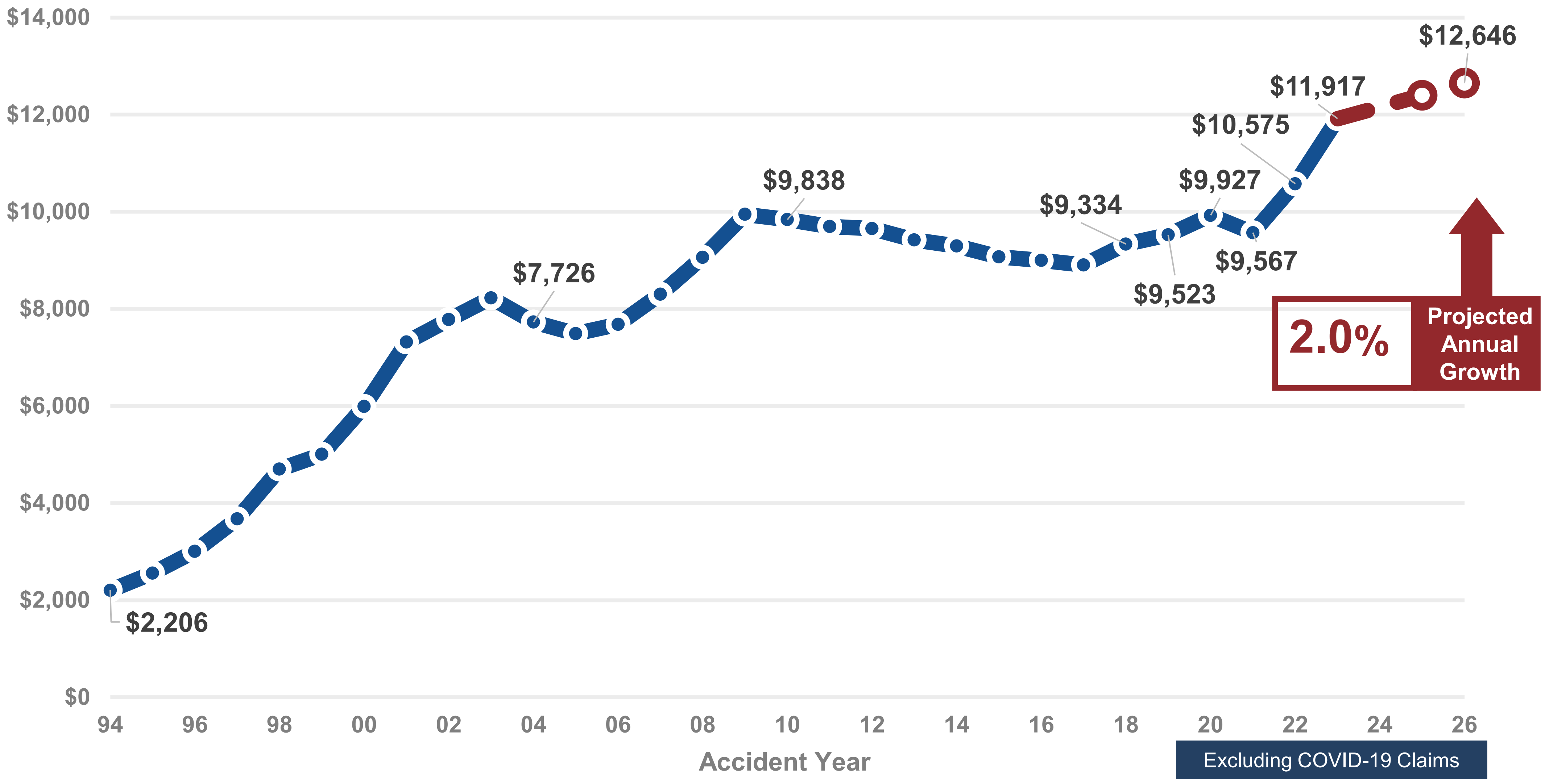


The majority of frictional costs paid are for the handling of claims and the resolving of claim disputes.

The distribution of frictional costs paid in 2023 is generally consistent with recent years.

More Info and Source Data

Chart 38: Average Allocated Loss Adjustment Expenses per Indemnity Claim

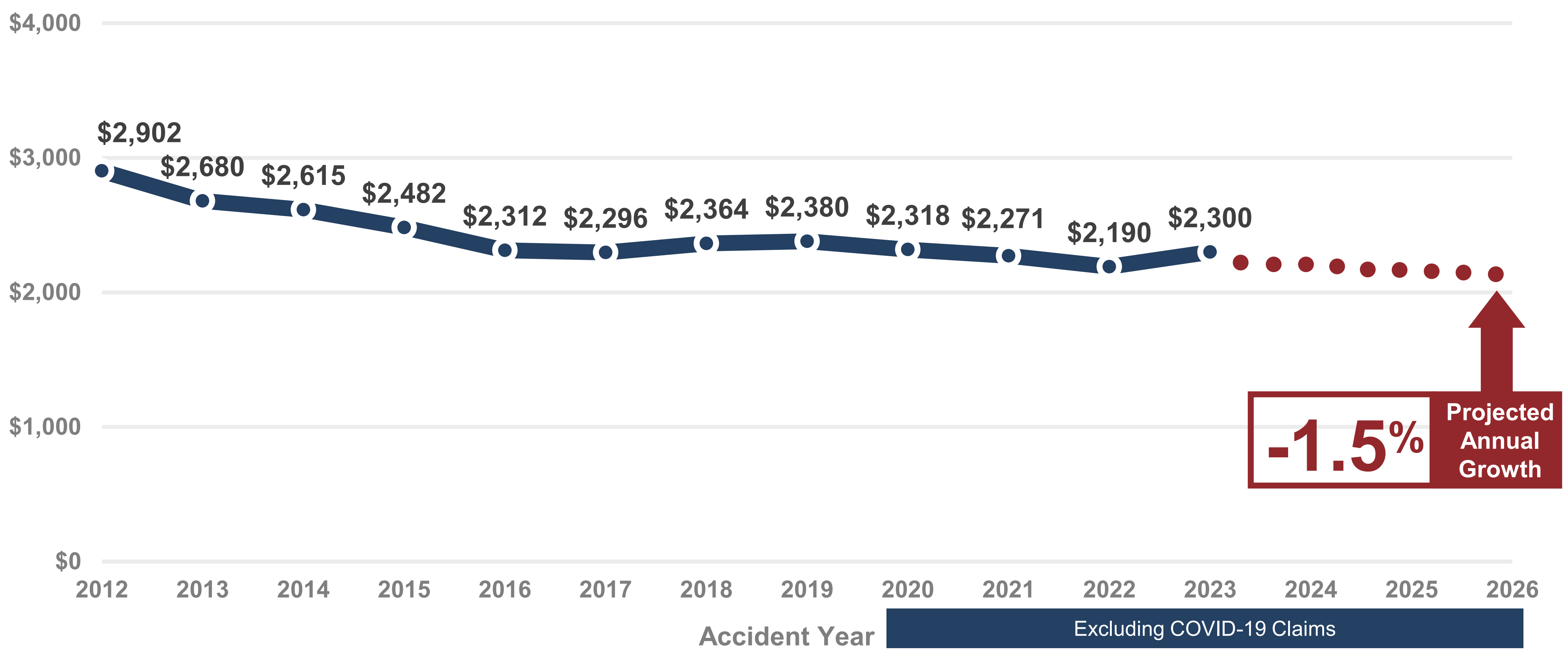


Average ALAE costs increased significantly in 2022 and 2023, driven by claims remaining open longer and more disputes on claims across the state. This follows a relatively stable period of average ALAE costs, kept low by the SB 863 reforms and increasing claim settlement rates.

It is unclear whether average ALAE costs will remain at the high level or continue to grow consistently. As a result, the WCIRB projects modest increases in average ALAE costs through 2026, generally consistent with the pre-pandemic trend.

More Info and Source Data

Chart 39: Average Medical Cost Containment Program Cost per Indemnity Claim



Although recent medical costs have been increasing (Chart 22), average medical cost containment program (MCCP) costs per claim have been relatively stable since 2016.

The WCIRB projects a modest decline in average MCCP costs through 2026 generally consistent with the trend over the last 10 years.

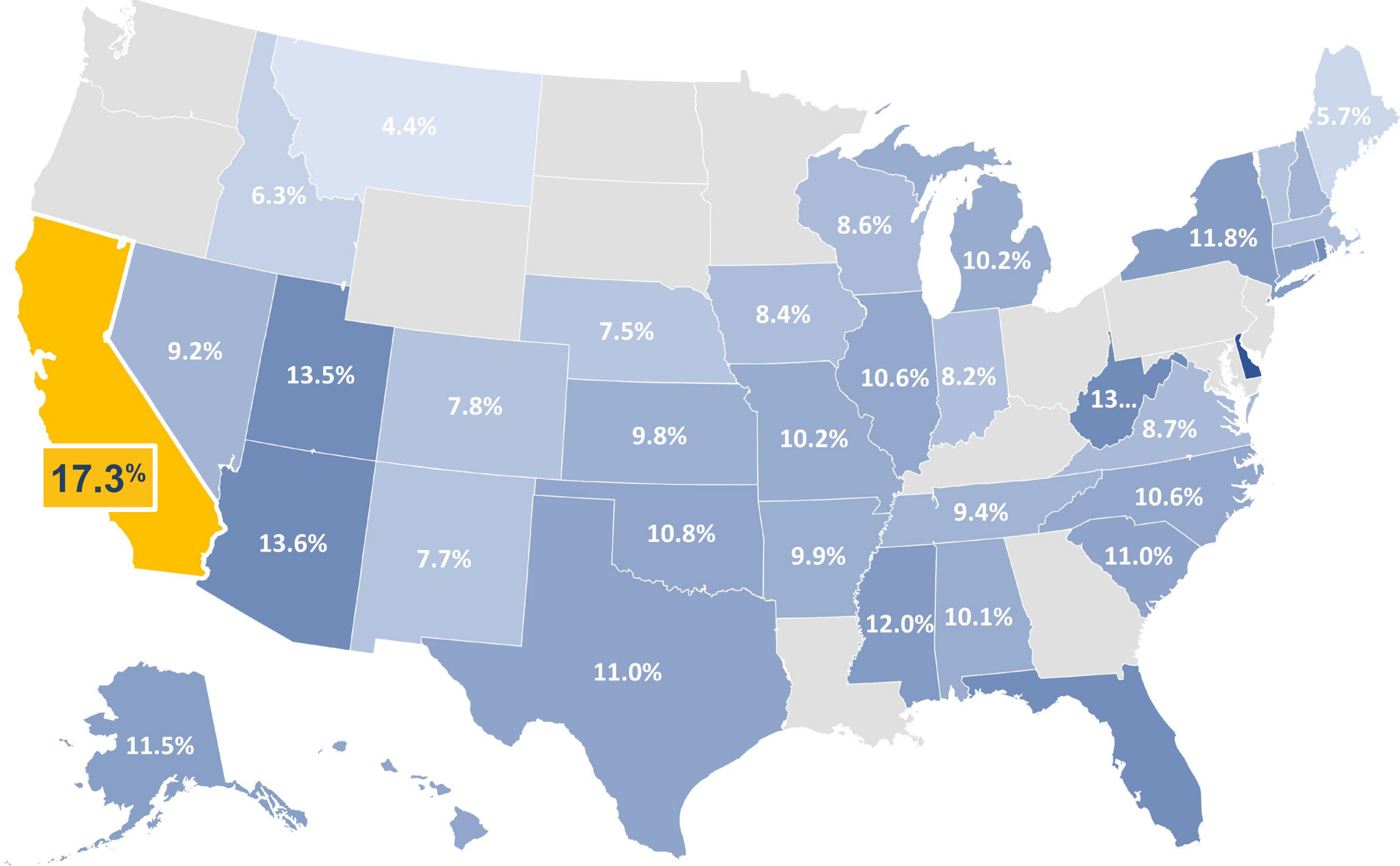
More Info and Source Data

Chart 40: Ratios of Allocated Loss Adjustment Expenses to Losses

19%

4%

Median
10.2%



California's ratio of ALAE to losses is the second highest in the country and 70% higher than the countrywide median.

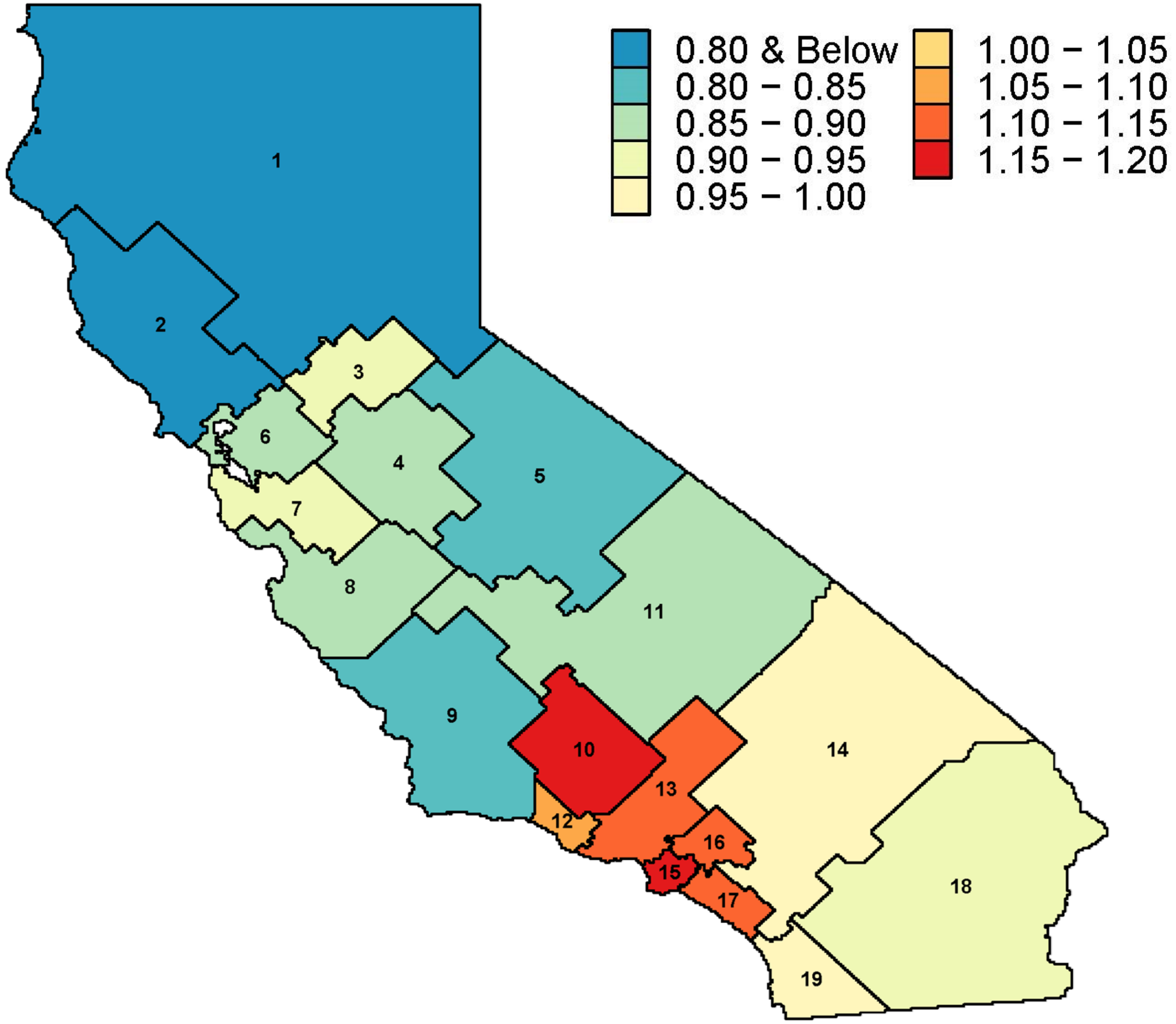
Drivers of high California expenses:

- High proportion of PD claims (Chart 17) and CT claims (Chart 14)
- High rates of legal representation on claims
- Longer duration of claims (Chart 34)
- Higher costs in Southern California regions (Chart 41)

More Info and Source Data

WCIRB California
Objective. Trusted. Integral.

Chart 41: Share of Litigated Indemnity Claims Relative to Statewide



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

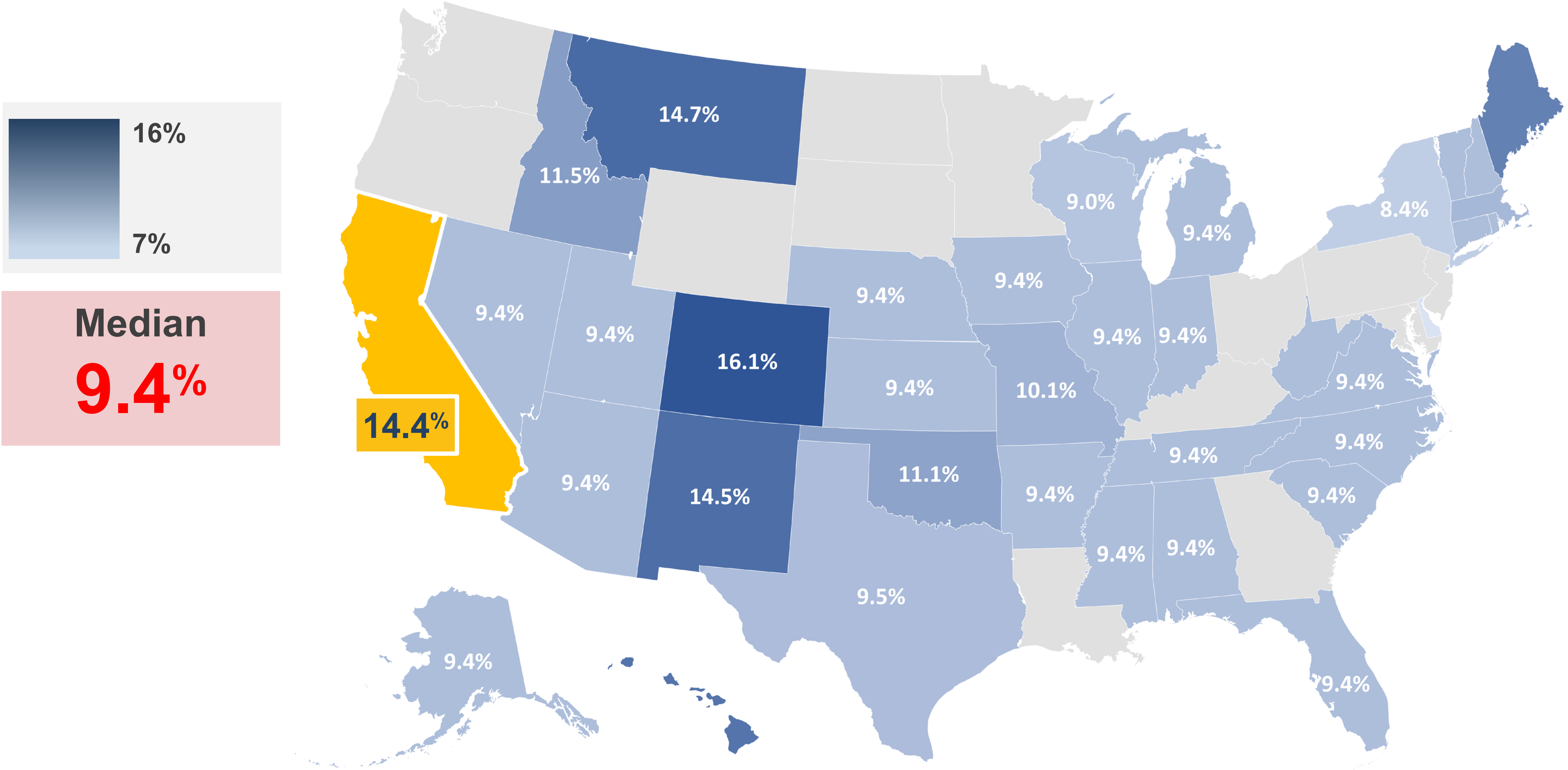
Litigation rates vary significantly throughout the state. This drives patterns of ALAE costs by region as well as overall costs.

The LA/Long Beach and Bakersfield regions had the highest share of litigated indemnity claims, more than 15% above the statewide average.

The Yuba City/Redding/Far North and Sonoma/Napa regions had the lowest shares of litigated indemnity claims, more than 20% below average.

More Info and Source Data →

Chart 42: Ratios of Unallocated Loss Adjustment Expenses to Losses



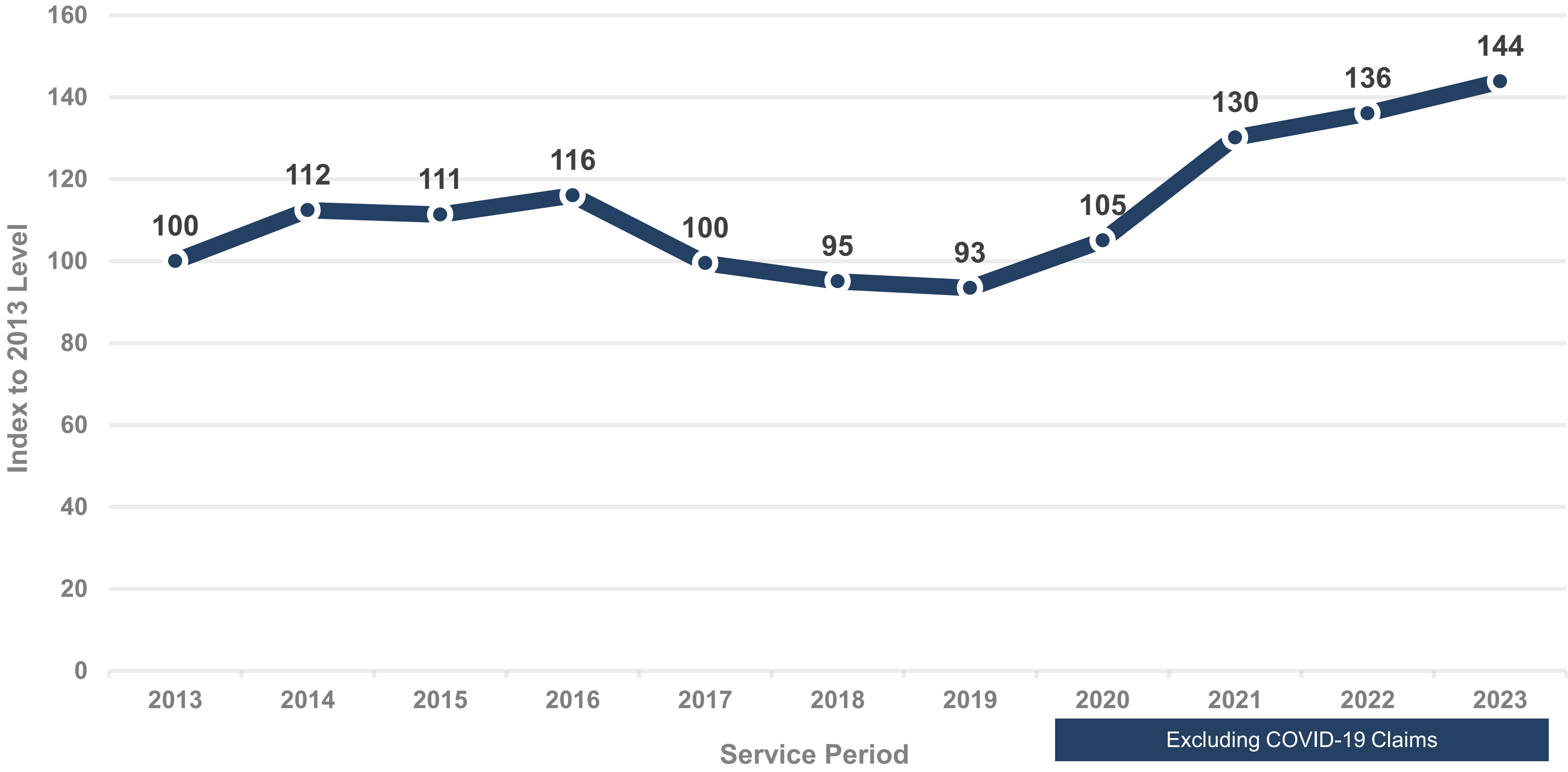
California has among the highest ratios of unallocated loss adjustment expenses (ULAE) to loss in the country, with a ratio over 50% higher than the median state.

California claims are typically more complex to handle as they are open longer and more often involve complex issues such as PD and CT.

California also has higher wages and cost-of-living expenses than most other states, which also impact ULAE costs.

More Info and Source Data

Chart 43: Medical-Legal Cost Level Indexed to 2013



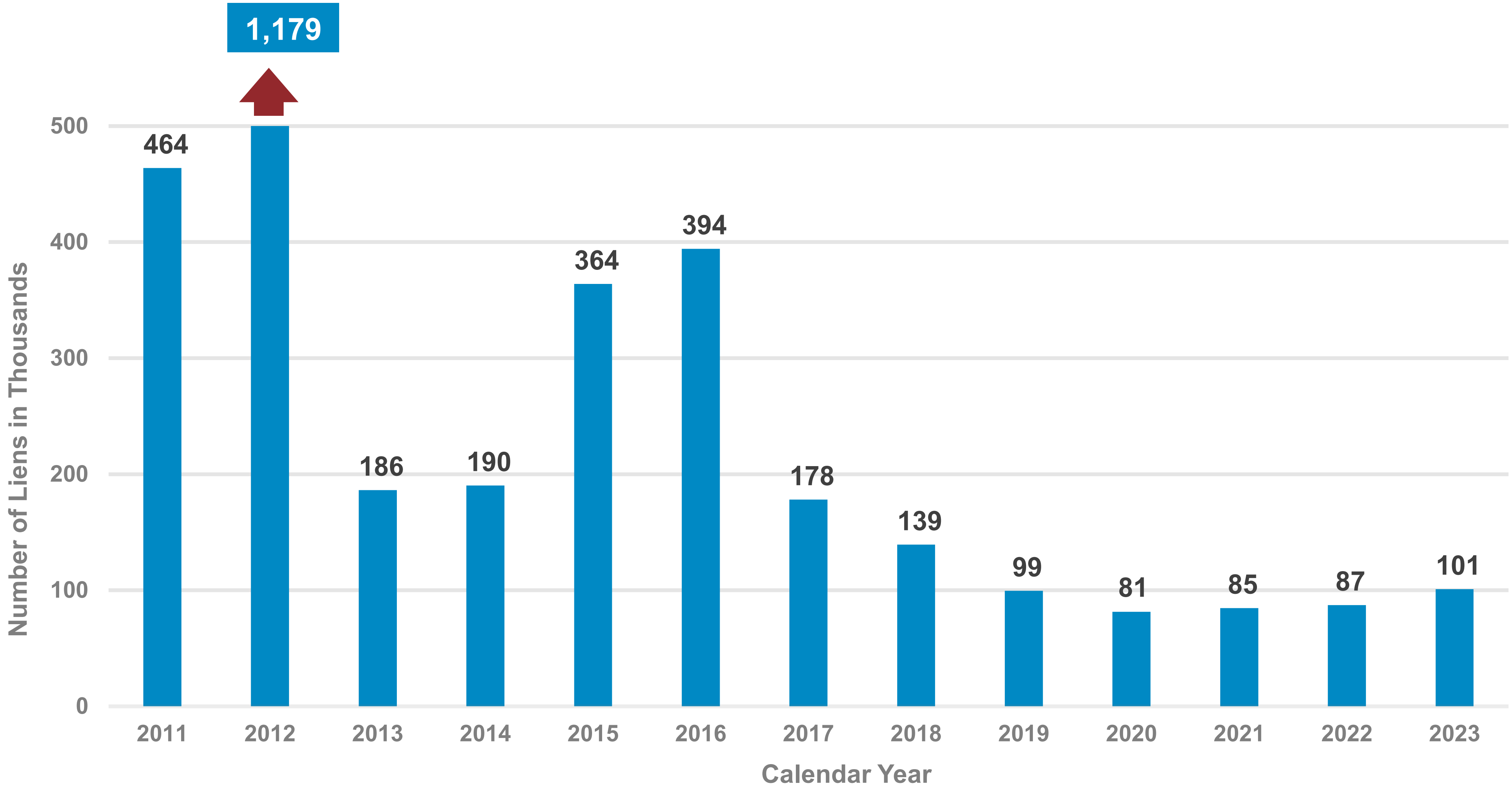
Average paid for ML services per claim increased significantly in 2021 when the new Medical-Legal Fee Schedule became effective in April 2021, which increased the reimbursement allowance for most ML services.

The record review costs of additional pages have been a driver for the higher average ML payments since 2021. In addition, the number of ML services per claim increased in 2022, which further drove up the ML costs.

A higher frequency of ML reports has been identified as a driver of the longer claim duration in California (Chart 34).

More Info and Source Data

Chart 44: Number of Lien Filings



Following the implementation of lien-related reform provisions from SB 863 (in 2013) and SB 1160 and Assembly Bill (AB) 1244 (in 2017), the number of lien filings dropped significantly.

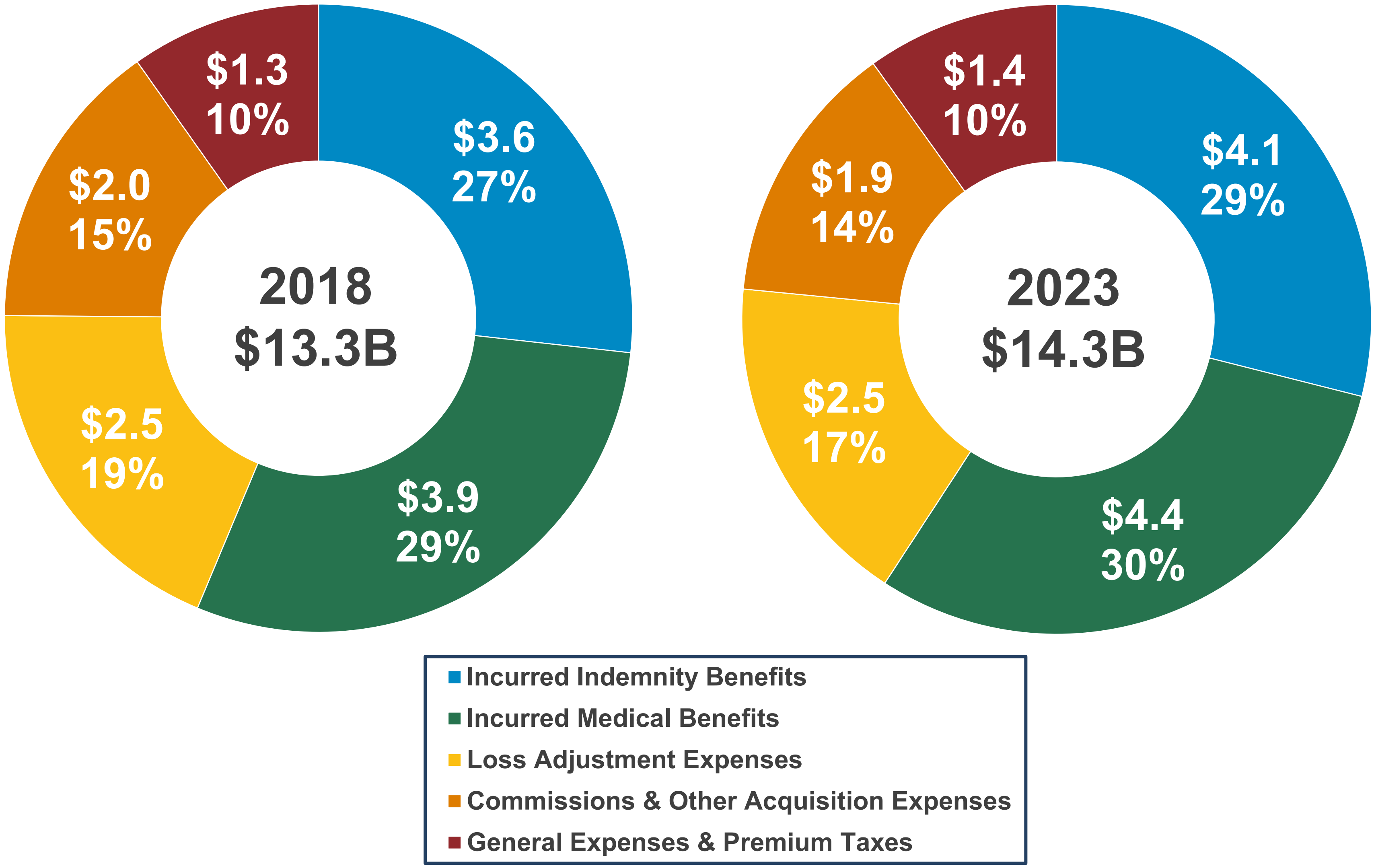
The annual number of liens filed has increased slightly since 2020 but is still almost 80% below the pre-SB 1160 and AB 1244 level.

Although lien filings in California are significantly lower than the pre-SB 863 level, they are virtually nonexistent in most other workers' compensation systems.

More Info and Source Data

06
Claim Cost Distributions

Chart 45: Distribution of Insured System Costs

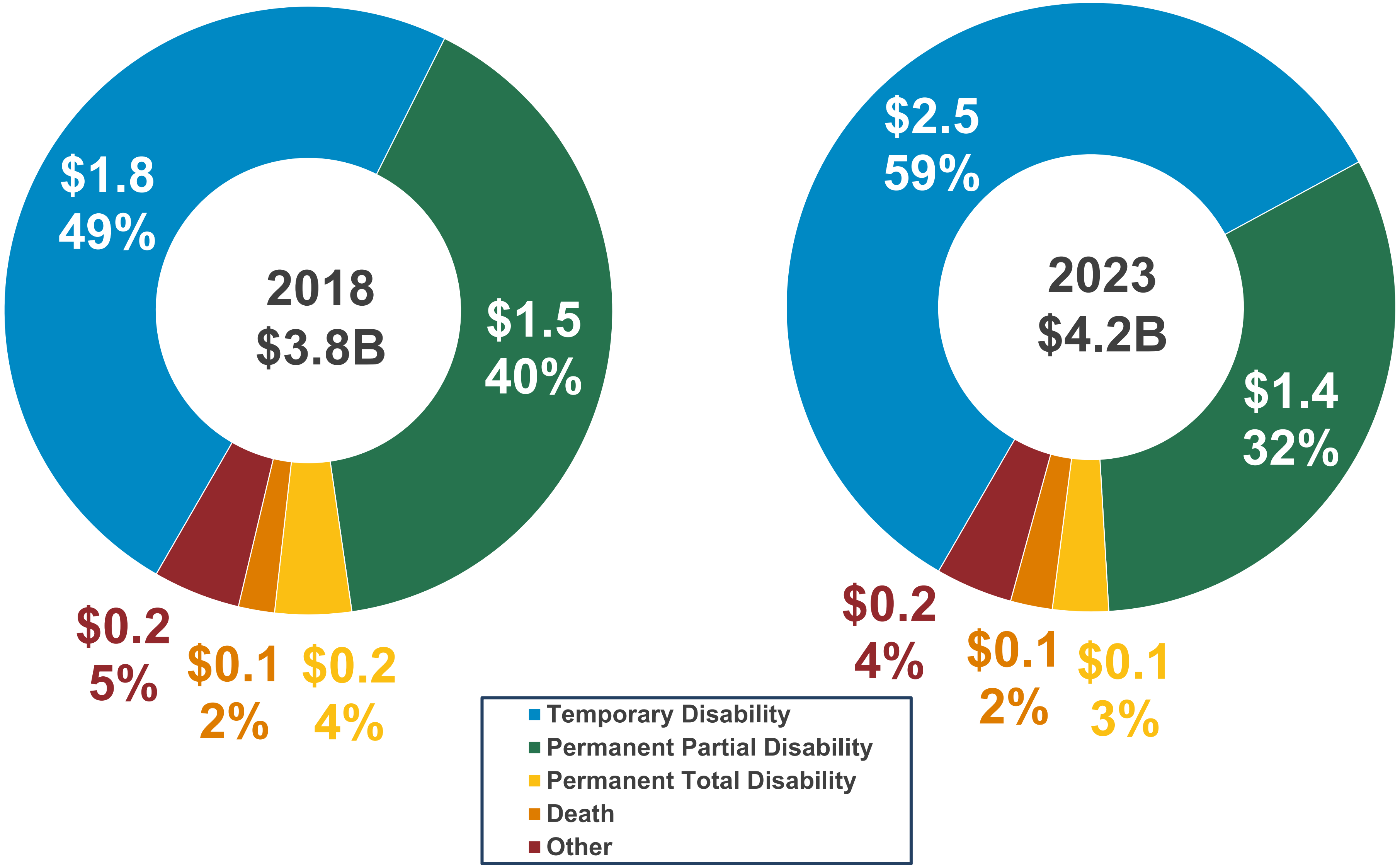


Although total insured system costs have increased by about $1 billion in the last five years, the distribution of system costs has been relatively consistent.

The share of insured system costs for indemnity and medical benefits has increased modestly over the last five years.

More Info and Source Data

Chart 46: Distribution of Paid Indemnity Benefits



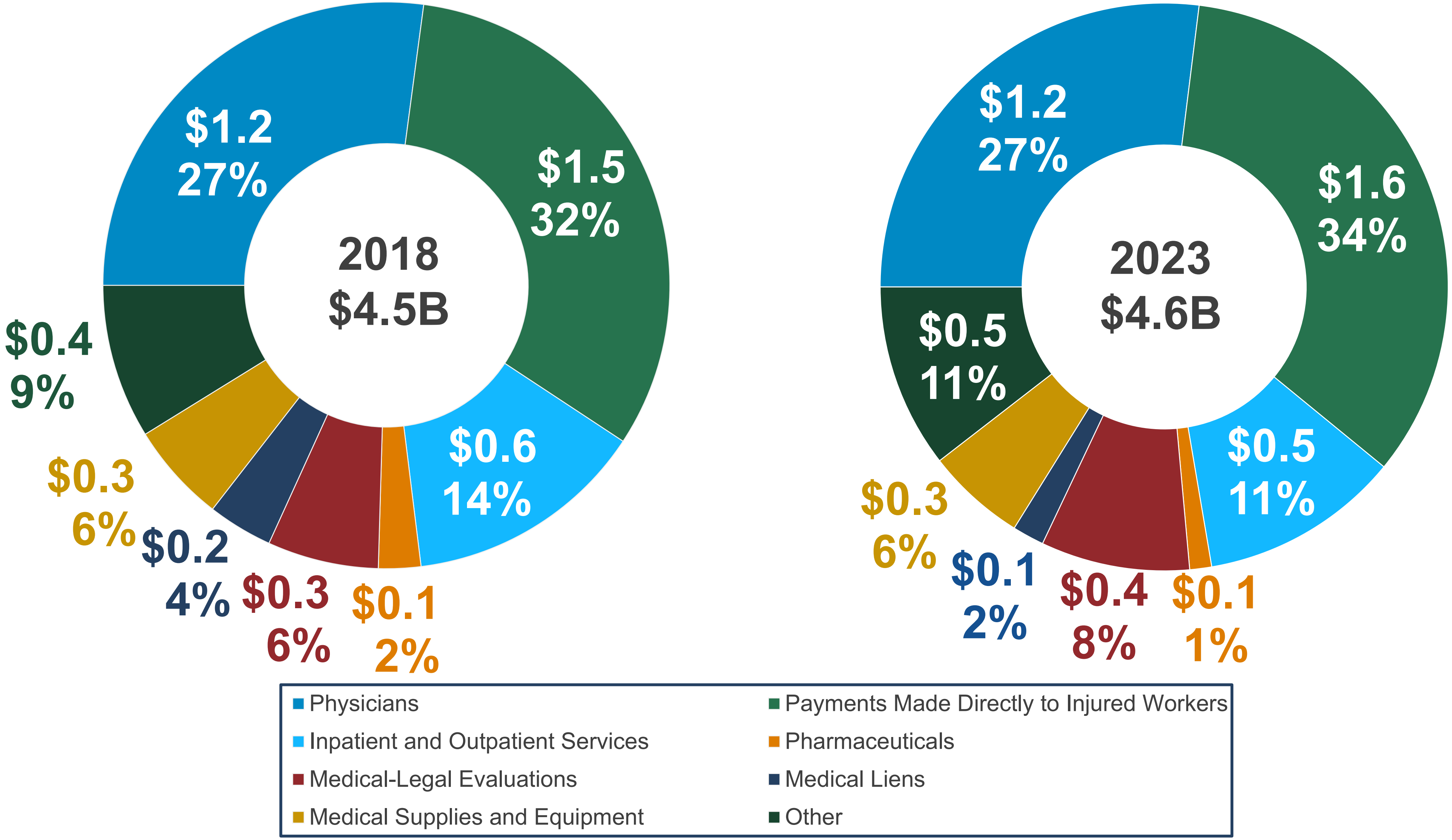
Temporary disability and PPD benefits comprise approximately 90% of indemnity benefits.

There has been a dramatic shift in the share of indemnity benefits toward a higher share of temporary disability and a lower share of PPD payments. The primary driver is a shift in the share of indemnity claims receiving only temporary benefits, as opposed to a shift in the average cost of these claims.

In addition, unlike most other types of indemnity benefits, there are no annual cost-of-living adjustments to PPD benefits.

More Info and Source Data

Chart 47: Distribution of Paid Medical Benefits



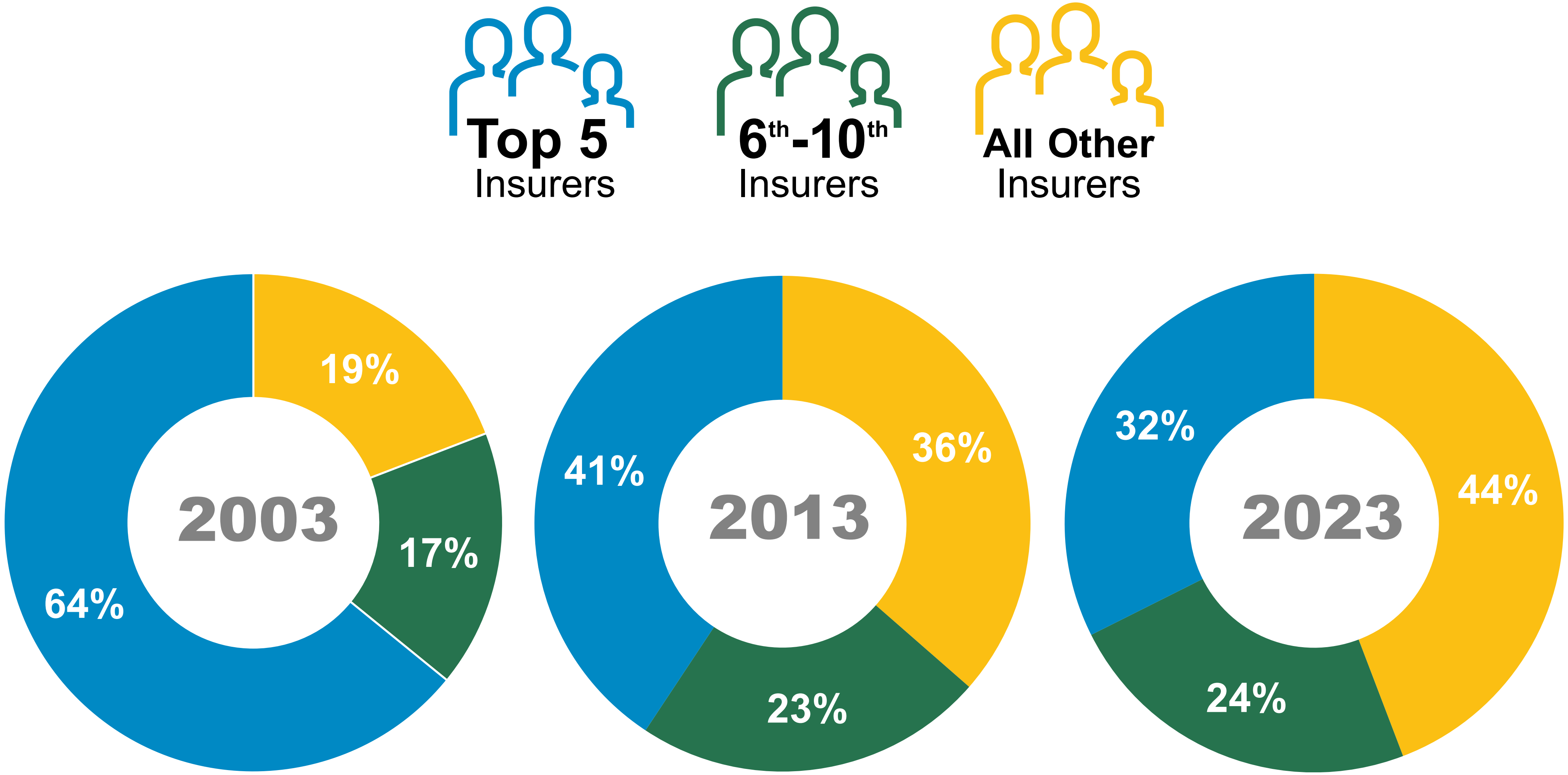
The share of medical payments for pharmaceuticals and medical liens decreased by half over the last five years.

Payments for ML evaluations increased over the last five years, driven by the updated Medical-Legal Fee Schedule that became effective in 2021 (**Chart 43**).

More Info and Source Data

07 Industry Results

Chart 48: Market Concentration Ratios

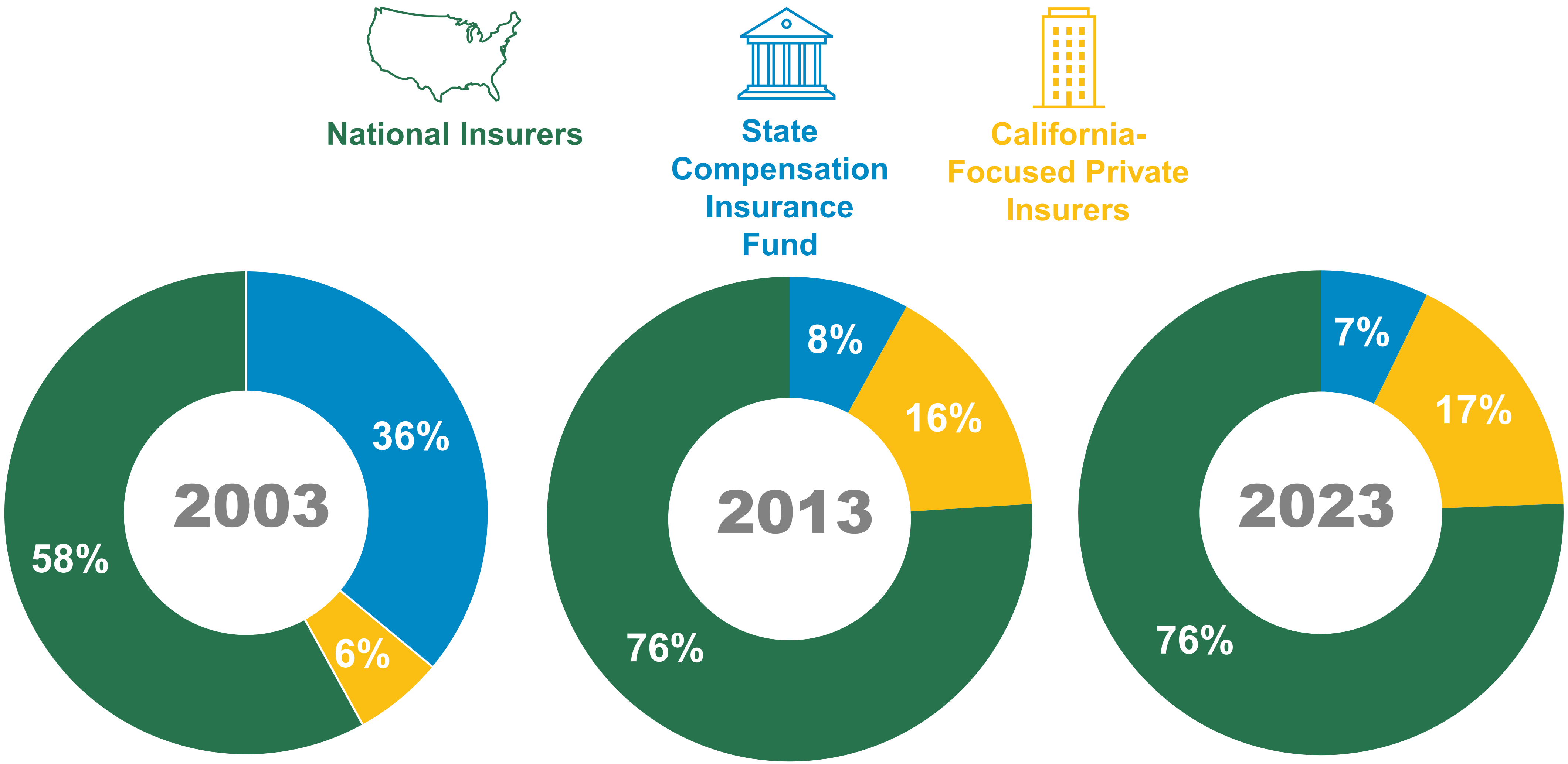


The concentration of the California workers' compensation market peaked in the early 2000s, as the largest 10 insurers controlled over 80% of the market.

The market has become less concentrated over time. In 2023, the ratios are the lowest in decades, as the largest 10 insurers controlled less than 60% of the market.

More Info and Source Data

Chart 49: Market Share by Type of Insurer

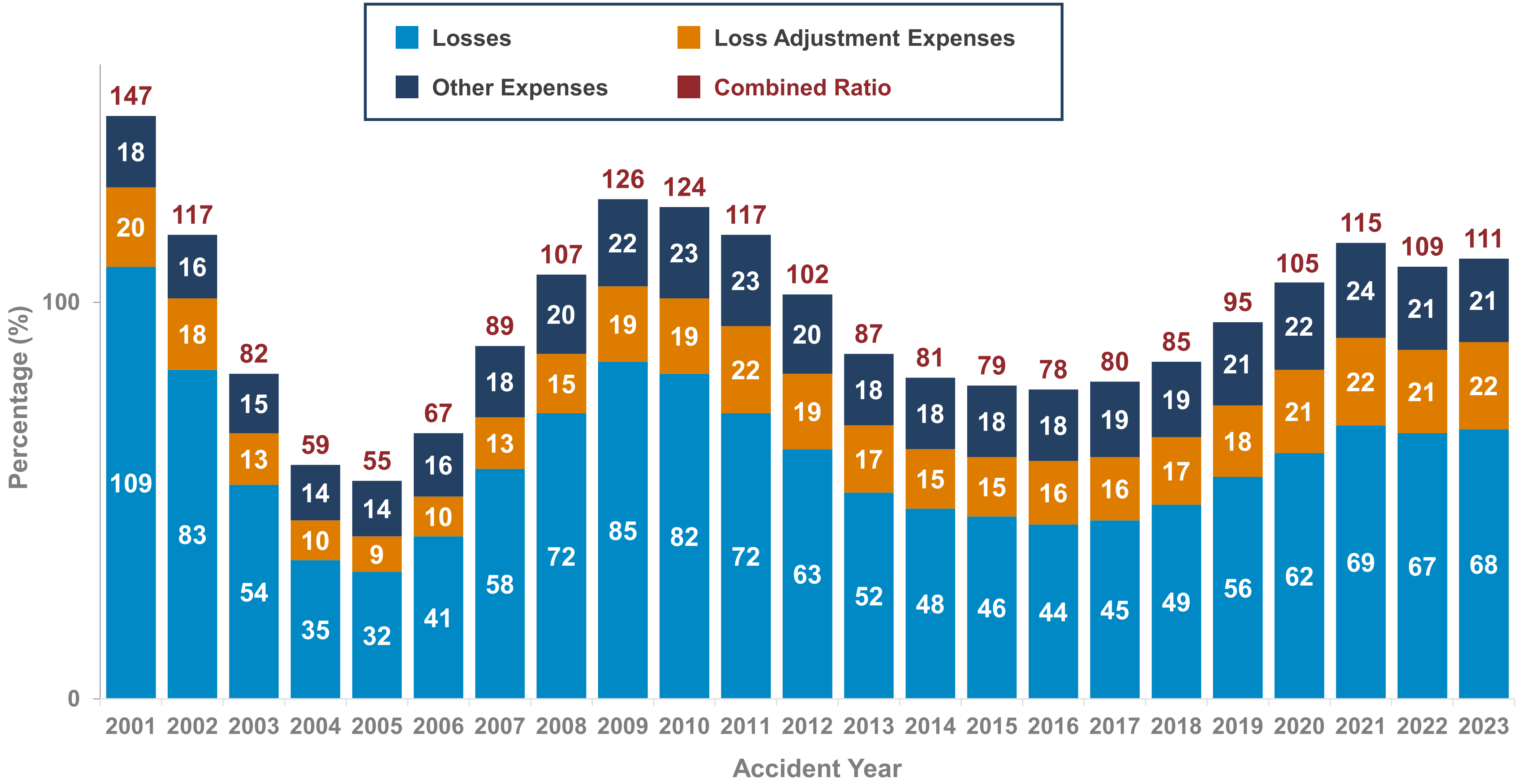


The share of private insurers that focus most of their workers' compensation business in California has been relatively consistent over the last decade.

The State Compensation Insurance Fund market share has also been relatively stable over the last decade.

More Info and Source Data

Chart 50: Projected Combined Loss and Expense Ratios



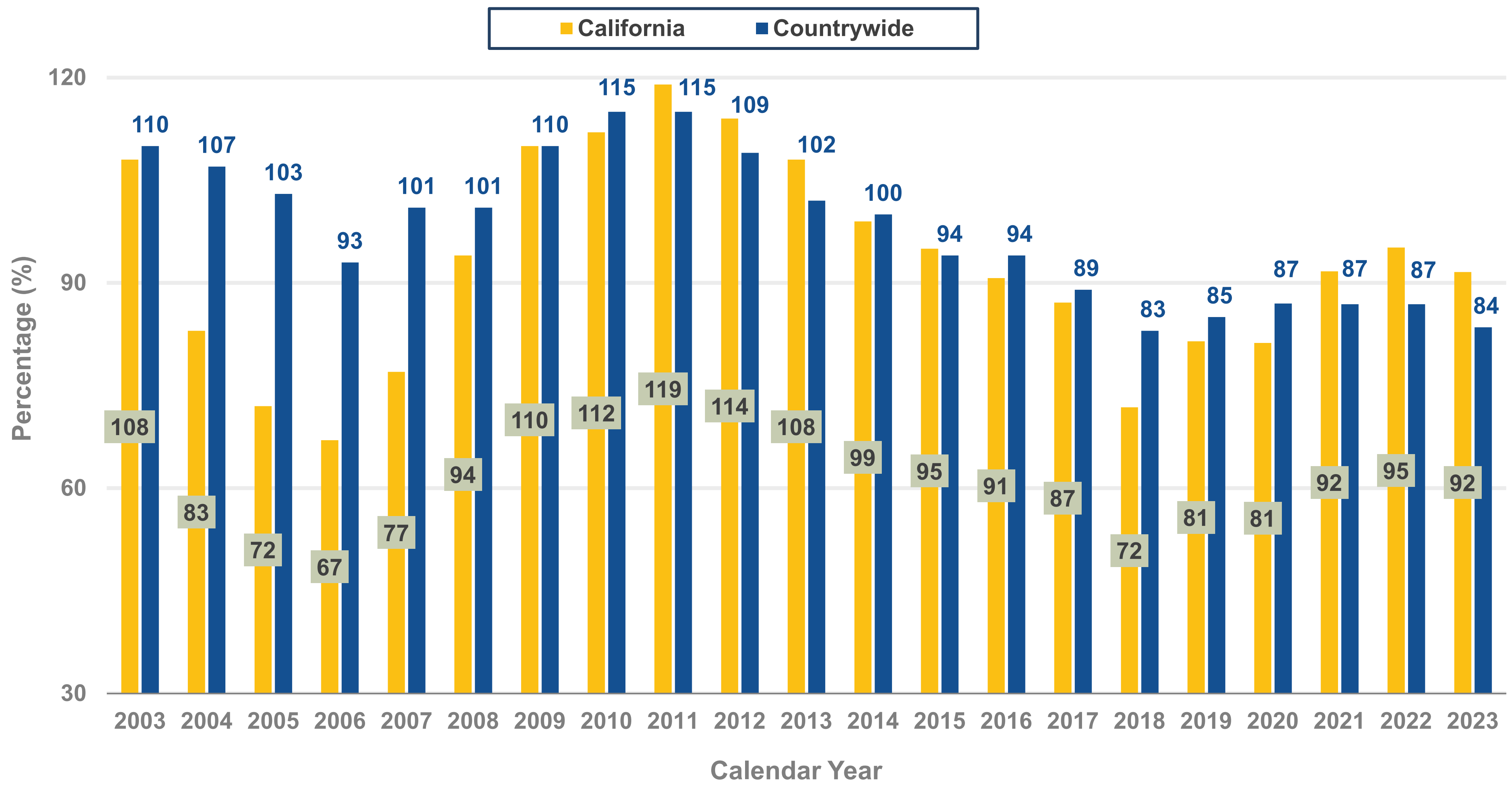
Prior to the pandemic, combined ratios were increasing, primarily due to lower premium levels (Chart 1) driven by lower insurer charged rates (Chart 6).

The combined ratios have been above 100% since 2020. In 2020 and 2021, these were driven in part by COVID-19 claims (Chart 18) and volatile changes in premium levels and claim frequency during the pandemic.

After decreasing modestly in 2022, the combined ratio increased slightly in 2023. This is driven by increases in average claim severities (Chart 22) (Chart 38) offsetting premium increases.

More Info and Source Data

Chart 51: Private Insurer Reported Combined Ratios

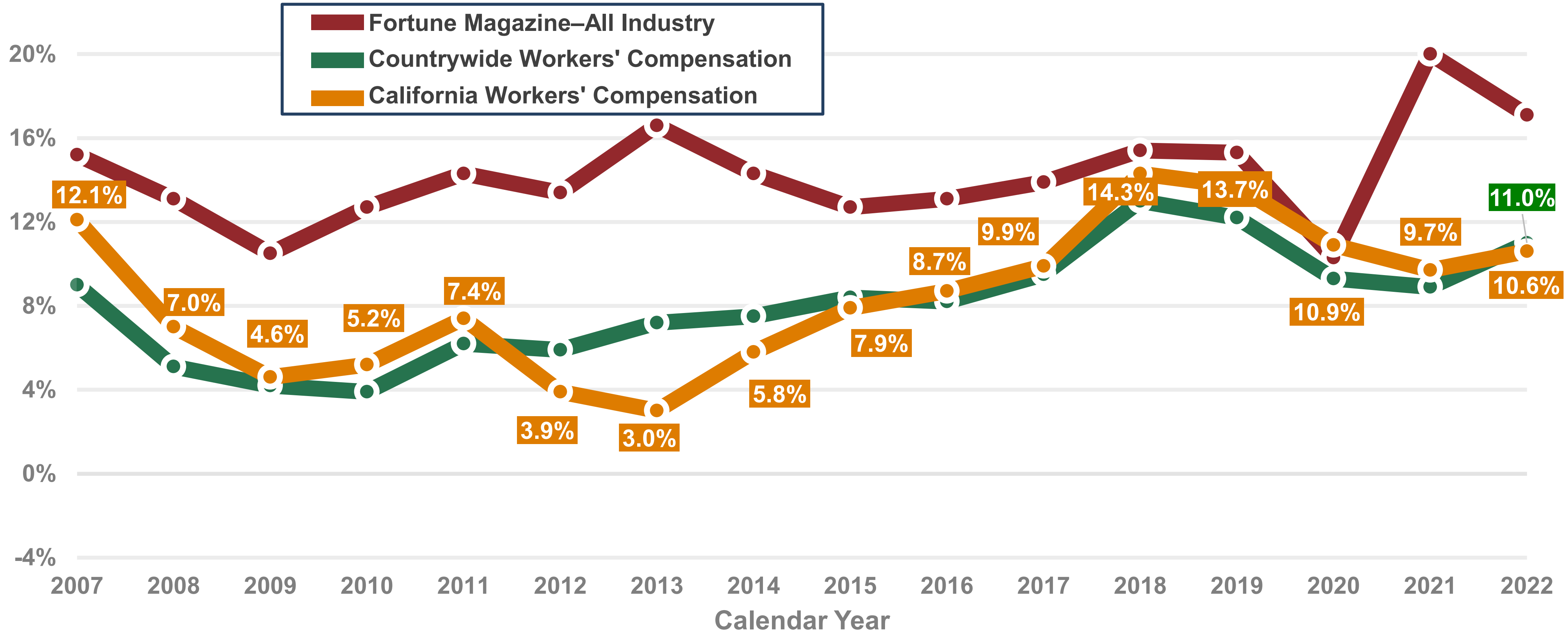


California private insurer reported combined ratios have been volatile over the long term.

The California reported combined ratio has generally been lower than countrywide in the past two decades but has been higher than countrywide for the most recent three calendar years.

More Info and Source Data

Chart 52: Average Return on Net Worth



Over the long term, average California workers' compensation returns have been generally comparable to the countrywide average for workers' compensation but well below the Fortune magazine all-industry average.

2022 is the first year in recent history where the California workers' compensation average return on net worth is lower than the countrywide workers' compensation average return on net worth.

More Info and Source Data

10-Year Average Returns:

Fortune Magazine All Industry	Total Countrywide Workers' Compensation	California Workers' Compensation
14.9%	9.5%	9.5%

08
More Info and Source Data

More Info and Source Data

Chart 1: Reported Written Premium

- Total premium from workers' compensation policies in California
- Does not reflect premium credits for policies that include deductibles (i.e., data is on a "first-dollar" basis)

Source Data

- WCIRB aggregate financial data calls
- 2024 premium forecast is primarily based on first quarter 2024 premium reported to the WCIRB and projected changes in statewide employment and wage levels for the remainder of 2024

Chart 2: Drivers of Written Premium Changes

- Annual California premium growth attributed to changes in average insurer rates and economic expansion or contraction as reflected in changes in employer payrolls
- Changes in premium are impacted by several other factors such as changes in the mix of industries (which is generally reflected in the changes in average insurer rates), the change in the average experience modification, more or less premium captured in audits of older policies and transitions in and out of self-insurance
- In particular, changes in written premium in 2020 through 2022 may be more driven by shifts in the industrial mix or premium audits than in typical years, given the sharp downturn in the economy in 2020 and subsequent recovery

Source Data

- WCIRB aggregate financial data calls and published California annual wage information published by the University of California, Los Angeles (UCLA) Anderson School of Business
- Premiums are based on written premium gross of any deductible credits

External Web Link

The detailed data underlying these charts is available in Excel format by CLICKING HERE.

Chart 3: Changes in the California Average Wage

- The change in the statewide average wage each year based on published economic data
- The forecast values are based on forecasts by UCLA Anderson School of Business and the California Department of Finance
- WCIRB adjusted wage changes are projections intended to remove the distortions in the average wage created by shifts in industrial mix and in employment by wage level within industry in 2020 through 2022

Source Data

- UCLA published economic data and forecasts as of March 2024 and California Department of Finance forecasts as of April 2024
- WCIRB adjusted wage changes are based on UCLA forecasts, American Community Survey and Current Population Survey Extracts as published by the Economic Policy Institute

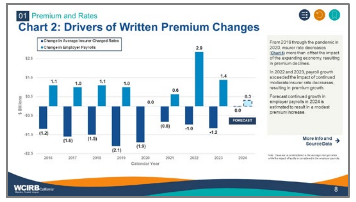
Chart 4: Annual California Unemployment Rate

- The statewide unemployment rate each year based on published economic data
- The forecast values are based on forecasts by UCLA Anderson School of Business

Source Data

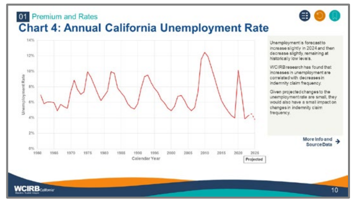
- UCLA published economic data and forecasts as of March 2024

Return to Chart 1



Return to Chart 2

Return to Chart 3



Return to Chart 4

More Info and Source Data

Chart 5: Change in Employment for Select Industries

- Changes in the statewide employment figures each year based on published economic data
- The forecast values are based on forecasts by UCLA Anderson School of Business

Source Data

- UCLA published economic data and forecasts as of March 2024

Chart 6: Average Charged Rate per $100 of Payroll

- Average rates per $100 of payroll charged by insurers in California
- Shows the average cost of workers' compensation insurance paid by California employers
- Differs from advisory pure premium rates approved by the California Insurance Commissioner, which are advisory and only reflect the estimated cost of losses and loss adjustment expenses
- Data is categorized by the year the policies incepted

Source Data

- WCIRB unit statistical data (through 2022) and aggregate financial data calls
- The average rate for 2024 is based on the first quarter only
- Average rates are based on the classification mix for that policy year through 2021 and the latest available classification mix for 2022 and later
- For consistency of comparison, all average rates are restated to include the impact of maximum payroll limitations applicable to classifications as of September 1, 2023

Chart 7: Advisory Pure Premium Rate Changes

- The WCIRB's annual pure premium rate filing includes a proposed change in advisory pure premium rates for consideration by the California Department of Insurance
- The California Department of Insurance reviews the WCIRB's proposal, and the Insurance Commissioner issues a decision that may approve or modify the WCIRB's filing
- The Insurance Commissioner's approved pure premium rates are advisory only, and insurers may, but are not required to, use them in their own rate filings

Source Data

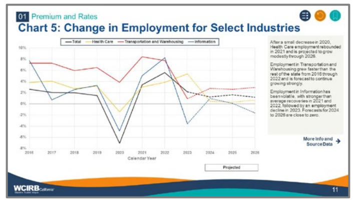
- WCIRB pure premium rate filings and California Department of Insurance decisions

Chart 8: Pure Premium and Insured Payroll by Industry

- Total proportion of premium (based on the Insurance Commissioner's approved advisory pure premium rates) and insured payroll attributed to each industrial sector
- Shows the concentration of insured employer payrolls by industry
- Shows the relationship between payroll and advisory pure premium by industry
- Several classifications have recently become subject to maximum payroll limitations for the reporting of exposure that will decrease their industry shares of insured payroll but will not impact pure premium

Source Data

- WCIRB unit statistical data for policy year 2021
- Industries are based on WCIRB classifications mapped to the North American Industry Classification System (NAICS) sectors



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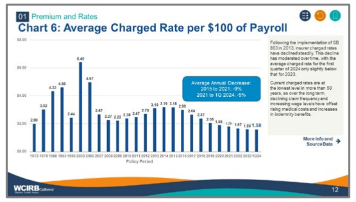

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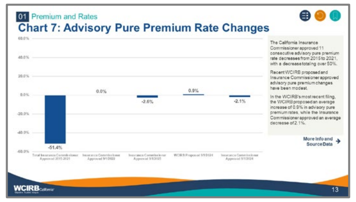

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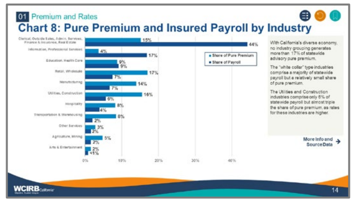


Return to Chart 8

More Info and Source Data

Chart 9: Indemnity Claims per 1,000 Employees

- Estimated number of workers' compensation indemnity claims filed in California per 1,000 employees
- Shows trends in the frequency of workers' compensation injuries
- Changes in claim frequency can be driven by changes in the mix of industries in California, mechanization within industries, workplace safety practices, indemnity benefit levels and the overall state of the California economy
- Data is categorized by the year the injury occurred (accident year)

Source Data

- WCIRB unit statistical data (through 2022) and aggregate financial data calls (2023)
- COVID-19 claims are excluded from accident years 2020 and later

Chart 10: Relative Change in Indemnity Claim Frequency by Industry in 2022

- Accident year 2022 change in indemnity claim frequency per estimated full-time employee equivalent
- Full-time employee equivalent is determined using reported payroll and average wages by classification
- Accident year 2022 frequency on 2021 policies is compared to accident year 2021 frequency on 2020 policies

Source Data

- WCIRB unit statistical data developed to fifth report level
- Industries are based on WCIRB classifications mapped to the NAICS sectors

Chart 11: Regional Differences in Indemnity Claim Frequency

- Heat map of California regions showing indemnity claim frequency levels relative to the statewide average frequency
- Shows which regions in California have higher or lower claim frequency rates when compared to the state as a whole
- The mix of industries and average wage levels can significantly impact claim frequency rates, so the data is adjusted to remove these differences across regions to show the figures on a comparable basis

Source Data

- WCIRB unit statistical data for policy year 2021 at first report level, excluding COVID-19 claims
- Region information obtained by linking WCIRB policy and unit statistical data with Dun and Bradstreet Hoovers location information as well as WCIRB medical transaction data
- For more information on the study of regional cost differences within California, see the **2023 WCIRB Geo Study**

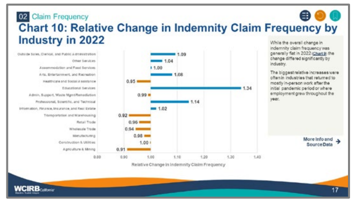
Chart 12: Differences in Relative Claim Frequency by Tenure Group

- Claim frequency for each tenure group is calculated as the claim count per 10,000 California workers in the insured system
- The relative claim frequency of each tenure group is calculated as claim frequency of each tenure group relative to the statewide average
- Tenure groups are based on the length of time the worker has been with their current employer
- The methodology for estimating claim frequency by tenure group is also detailed in the Research Methods section of the WCIRB report *Impacts of Employee Tenure on Workers' Compensation Claim Frequency in California*

Source Data

- See **Impacts of Employee Tenure on Workers' Compensation Claim Frequency in California**
- Data is for accident years 2018 to 2022 and excludes COVID-19 claims

Return to Chart 9



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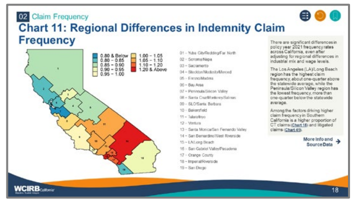

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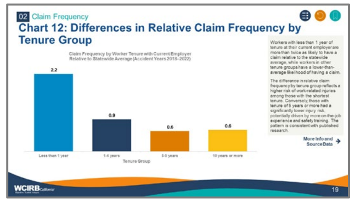


Return to Chart 12

More Info and Source Data

Chart 13: Differences in Relative Claim Frequency by Tenure Group and Industry Group

- Industry groups are based on the NAICS
- The Service-Providing industry group includes the retail, wholesale, hospitality, transportation and warehousing, utilities, arts and entertainment sectors
- The Physical Labor industry group includes the construction, manufacturing, agriculture and mining sectors
- The Office-Based industry group includes the real estate, professional services, information, finance and insurance sectors
- The Health Care & Education industry group includes the health care and social assistance as well as education sectors
- For each industry group, claim frequency for each tenure group is calculated as the claim count per 10,000 California workers in the insured system
- The relative claim frequency of each tenure group and of each industry group shown in the chart is calculated as the claim frequency in the corresponding group relative to the statewide average
- The methodology for estimating claim frequency by tenure group for each industry group is also described in the Research Methods section of the WCIRB report *Impacts of Employee Tenure on Workers' Compensation Claim Frequency in California*

Source Data

- See **Impacts of Employee Tenure on Workers' Compensation Claim Frequency in California**
- Data is for accident years 2018 to 2022 and excludes COVID-19 claims

Chart 14: Percent of Indemnity Claims Involving Cumulative Trauma

- Proportion of total indemnity claims that involve a CT injury
- Data is categorized by the accident year in which the claim was assigned

Source Data

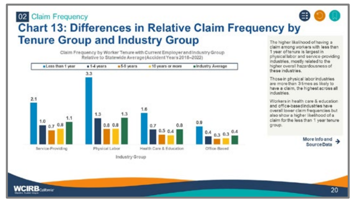
- WCIRB unit statistical data developed to an estimated ultimate claim level
- CT also includes occupational disease claims but excludes COVID-19 claims
- Data is for indemnity claims only and excludes COVID-19 claims
- Data for accident year 2022 is preliminary

Chart 15: Percent Cumulative Trauma Claims by Region

- Proportion of total indemnity claims within regions of California that involve a CT injury
- The data is shown for early reported CT claims; since CT claims are often late reported, the regional differences may be even greater when including late-reported claims

Source Data

- WCIRB unit statistical data at first unit statistical report level
- Regions are based on the address reported on the California workers' compensation policy
- CT also includes occupational disease claims but excludes COVID-19 claims
- Data is for indemnity claims only and excludes COVID-19 claims
- Data for accident year 2022 is preliminary



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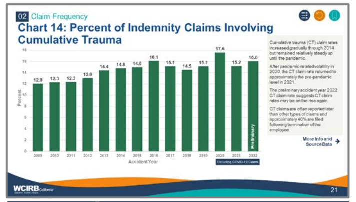

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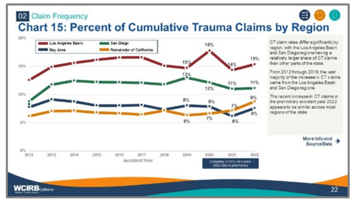


Return to Chart 15

More Info and Source Data

Chart 16: Distribution of Indemnity Claims by Injury Type

- The proportion of indemnity claims that involve PD compared to the proportion that only include temporary disability
- PD includes PPD, permanent total disability and death claims

Source Data

- WCIRB unit statistical data developed to an estimated ultimate cost level
- Data excludes COVID-19 claims
- Data for accident year 2022 is preliminary

Chart 17: Permanent Partial Disability Claims per 100,000 Employees

- Comparison of California PPD claim frequency per 100,000 employees to that of other states
- Approximately half of all indemnity claims in California involve some form of PD
- Claims involving PD generate the vast majority of costs in the workers' compensation system
- PPD in California is determined based on the American Medical Association (AMA) Guides 5th Edition
- Other states that utilize the AMA Guides 5th Edition do not have a significantly higher rate of PD claims

Source Data

- 2024 NCCI Annual Statistical Bulletin for policy year 2020 and WCIRB unit statistical data

Chart 18: Share of COVID-19 Indemnity Claims and Incurred Losses

- The proportion of total indemnity claims and total incurred losses that come from claims arising out of a diagnosis of COVID-19

Source Data

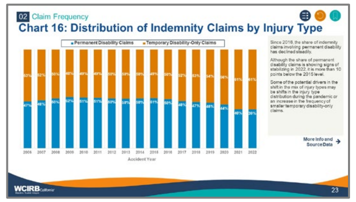
- WCIRB aggregate financial data calls
- Data is based on the accident year evaluated at 12 months maturity

Chart 19: Average Indemnity Cost per Indemnity Claim

- Average cost of indemnity benefits per indemnity claim
- Changes in indemnity cost per claim can be driven by changes in statutory benefit levels, changes in average weekly wage levels on which a large proportion of indemnity benefits are predicated, and changes in the duration of claims and changes in the mix of the types of indemnity benefits (such as temporary disability or PD benefits)

Source Data

- WCIRB aggregate financial data calls as of March 31, 2024, excluding COVID-19 claims
- Values are developed to a final or ultimate cost basis by the WCIRB
- Projections through 2026 are based on the WCIRB's September 1, 2024 Pure Premium Rate Filing methodologies



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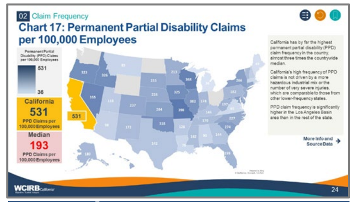

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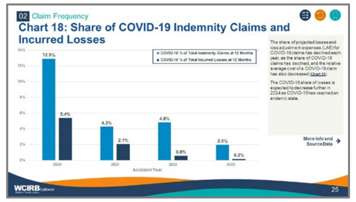

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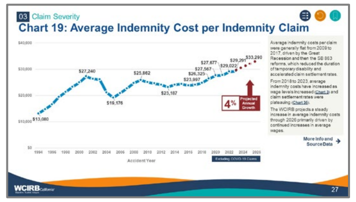

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More Info and Source Data

Chart 20: Indemnity Cost Level Indexed to 2005

- California average indemnity costs indexed to the 2005 level compared to the composite estimate for NCCI states
- California average indemnity costs are also compared to the growth in average annual wages earned by California employees
- Data is categorized by year of injury for the California and NCCI state data and calendar year for the average wage data

Source Data

- WCIRB aggregate financial data calls as of March 31, 2024, excluding COVID-19 claims, developed to a final or ultimate cost basis by the WCIRB
- NCCI 2024 State of the Line Guide for NCCI state data, excluding COVID-19 claims through July 1, 2023 (2023 is preliminary)
- Bureau of Labor Statistics for average wage data

Chart 21: Indemnity Cost per Indemnity Claim by State

- Comparison of California average indemnity cost per indemnity claim to that of other states

Source Data

- 2024 NCCI Annual Statistical Bulletin based on policy year 2020 at first report level developed to a final or ultimate cost basis

Chart 22: Average Medical Cost per Indemnity Claim

- Average cost of medical benefits per indemnity claim by accident year
- Changes in medical costs per claim can be driven by changes in reimbursement rates from California medical fee schedules, legislative reforms impacting the medical benefit delivery system, and changes in the utilization of medical services and overall medical cost inflation

Source Data

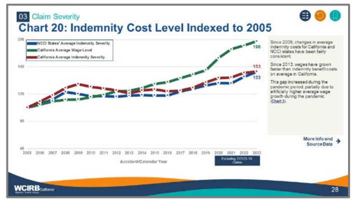
- WCIRB aggregate financial data calls as of March 31, 2024, excluding COVID-19 claims
- Data excludes the cost of medical-only claims and, for consistency of comparison, excludes the cost of medical cost containment programs for accident years 2011 and prior
- Values are developed to a final or ultimate cost basis by the WCIRB
- Projections through 2026 are based on the WCIRB's September 1, 2024 Pure Premium Rate Filing methodologies

Chart 23: Medical Cost Level Indexed to 2001

- The average medical cost indexed to the 2001 level for workers' compensation systems and for the medical component of the CPI
- Data is categorized by year of injury for the California and NCCI state data and calendar year for the medical CPI data

Source Data

- WCIRB aggregate financial data calls as of March 31, 2024, excluding the cost of medical-only claims and COVID-19 claims, developed to a final or ultimate cost basis by the WCIRB
- NCCI 2024 State of the Line Guide for NCCI state data, excluding COVID-19 claims through July 1, 2023 (2023 is preliminary)
- California Medical CPI data is from the California Department of Finance based on the average for the San Francisco and LA regions



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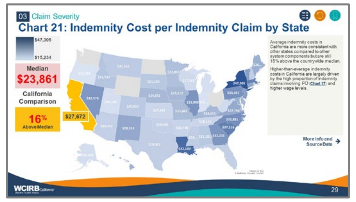

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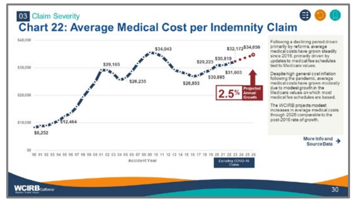

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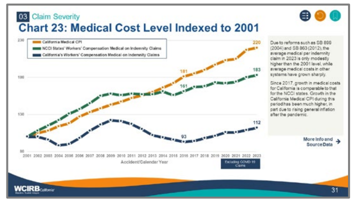

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More Info and Source Data

Chart 24: Medical Service Cost Level Indexed to 2012

- Changes in the average paid per medical service transaction, the average number of medical service transactions per claim and the average total paid for medical services per claim indexed to the 2012 level
- Data is categorized by the period in which the medical service was provided

Source Data

- WCIRB medical transaction data as of April 7, 2024
- COVID-19 claims are excluded from accident years 2020 and forward

Chart 25: Pharmaceutical Cost Level Indexed to 2012

- Changes in the average total paid for pharmaceuticals per claim indexed to the 2012 level
- Data is categorized by the period in which the medical service was provided

Source Data

- WCIRB medical transaction data as of April 7, 2024
- COVID-19 claims are excluded from accident years 2020 and forward

Chart 26: HCPCS Cost Level Indexed to 2012

- HCPCS stands for Healthcare Common Procedure Coding System and includes the Level II codes. HCPCS Level II codes primarily include ambulance services, durable medical equipment, prosthetics, orthotics and supplies used outside a physician's office, home health services and interpreter services.
- Changes in the average total paid for HCPCS per claim indexed to the 2012 level
- Data is categorized by the period in which the medical service was provided

Source Data

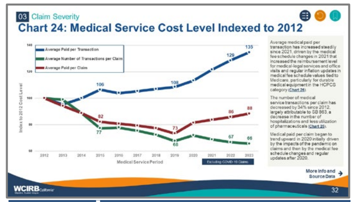
- WCIRB medical transaction data as of April 7, 2024
- COVID-19 claims are excluded from accident years 2020 and forward

Chart 27: Medical Cost per Indemnity Claim by State

- Comparison of California average medical cost per indemnity claim to that of other states

Source Data

- 2024 NCCI Annual Statistical Bulletin based on policy year 2020 at first report level developed to a final or ultimate cost basis



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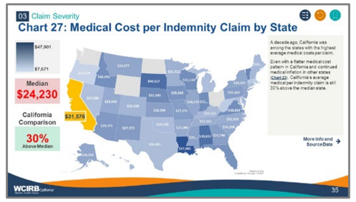

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More Info and Source Data

Chart 28: Cost Impact of Medical Fee Schedule Updates

- The WCIRB's estimated impact of fee schedule changes adopted by the DWC by fee schedule component
- Reflects the estimated impact of fee schedule changes adopted effective in 2022, 2023 and 2024 on the overall medical cost level
- Does not reflect the impact of negotiated discounts from the fee schedule level that impact the actual medical payments
- The impact of inflation typically lags by a year in California workers' compensation medical costs as the inflationary indices are initially used by Medicare in setting medical values and then later adopted by the DWC
- The impact of inflationary periods on general costs may differ from that on California workers' compensation medical costs as the cost of most workers' compensation medical services are set by fee schedules

Source Data

- WCIRB medical transaction data and medical fee schedules adopted by the California DWC

Chart 29: Average Incurred Losses Relative to Statewide Average by Tenure Group

- Compares the average incurred losses in each tenure group within each age group to the statewide average incurred losses.
- The average incurred losses at statewide and in each age and tenure group include incurred medical and indemnity losses at first report level and are limited to $500,000 per claim
- Tenure groups are based on the length of time the worker has been with their current employer

Source Data

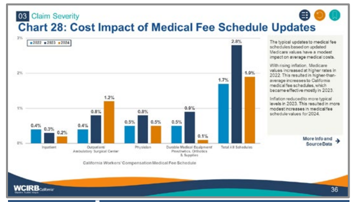
- See **Impacts of Employee Tenure on Workers' Compensation Claim Frequency in California**
- Data is for accident years 2020 to 2022 and excludes COVID-19 claims

Chart 30: Ratio of COVID-19 to Non-COVID-19 Average Claim Severity

- Shows the average cost of a claim arising out of a diagnosis of COVID-19 relative to the average cost of a non COVID-19 claim

Source Data

- WCIRB aggregate financial data
- Accident years are evaluated at 12 months maturity
- Data is based on the insured system only



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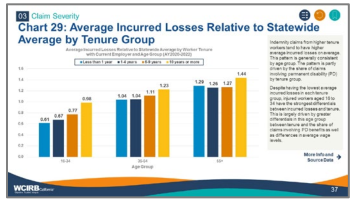

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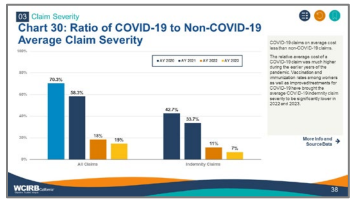

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More Info and Source Data

Chart 31: Percent of Ultimate Medical Cost Paid at 3 Years

- Comparison of the estimated percentage of ultimate medical costs paid within three years to that of other states
- High numbers represent states that pay medical costs faster while low numbers represent states that pay medical costs slower
- Two California estimates are shown, one estimate projected as of December 31, 2012 and one estimate projected as of December 31, 2023

Source Data

- 2024 NCCI Annual Statistical Bulletin based on the average of the two most recent development years and WCIRB aggregate financial data calls

Chart 32: Percent of Medical Losses Paid by Year

- Comparison of the estimated percentage of ultimate medical costs paid in each year to that for the composite of NCCI states
- Workers' compensation claims can remain open and receive medical treatment for several years after the injury occurs
- Pharmaceuticals and medical liens are more often paid several years after the year the injury occurs, while physician services are more often paid earlier

Source Data

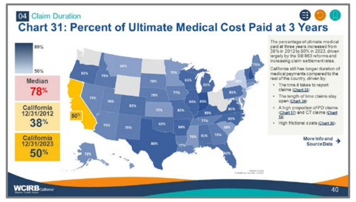
- 2024 NCCI Annual Statistical Bulletin based on the average of the two most recent development years and WCIRB aggregate financial data calls

Chart 33: Percent of Indemnity Claims Unreported at 12 Months

- Comparison of the California percentage of the estimated total number of indemnity claims that have not yet been reported by the end of the first 12 months of the year of injury to that of other states
- Workers' compensation indemnity claims can sometimes be reported much later after the time of the injury for a variety of reasons

Source Data

- California figures are from WCIRB aggregate financial data calls
- Individual state summaries were provided by the NCCI, Minnesota Workers' Compensation Insurers Association, Workers' Compensation Rating and Inspection Bureau of Massachusetts and Pennsylvania Compensation Rating Bureau
- For more comparisons of California claim duration to other states, see the WCIRB's report on **Drivers of California Claim Duration**



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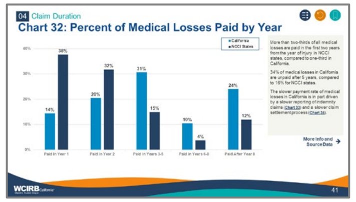

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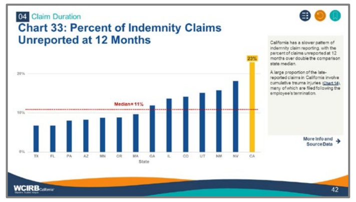

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More Info and Source Data

Chart 34: Percent of Indemnity Claims Open at 60 Months

- Comparison of the California percentage of the reported number of indemnity claims that are still open at 60 months (or 5 years) from the beginning of the year of injury to that of other states
- Workers' compensation claims remain open while statutory indemnity benefits are paid and medical treatment is provided to injured workers
- Other factors that may keep claims open include the existence of unsettled medical liens or unresolved disputes regarding medical treatment or the extent of permanent disability

Source Data

- California figures are from WCIRB aggregate financial data calls
- Individual state summaries were provided by the NCCI, Minnesota Workers' Compensation Insurers Association, Workers' Compensation Rating and Inspection Bureau of Massachusetts and Pennsylvania Compensation Rating Bureau
- For more comparisons of California claim duration to other states, see the WCIRB's report on **Drivers of California Claim Duration**

Chart 35: Percent of Open Indemnity Claims Closed During Next Year

- Ratio of the number of indemnity claims closed during a calendar year to the number of indemnity claims open at the beginning of the year
- Higher closing rates indicate claims have been moving quicker through the system, reducing future costs

Source Data

- WCIRB aggregate financial data calls excluding COVID-19 claims
- For more information on California claim duration, see the WCIRB's report on **Drivers of California Claim Duration**

Chart 36: Cost to Deliver $1 of Benefits

- Compares the cost in California to deliver $1 of benefits measured as loss adjustment expense costs and other related claims administrative costs to claims administrative costs in other systems that provide medical benefits
- California claims administrative costs include ALAE, ULAE, ML costs, applicant attorney fees and the cost of MCCP

Source Data

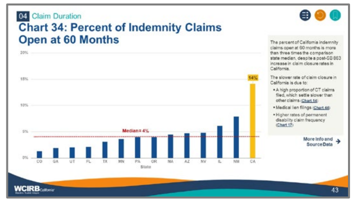
- Workers' compensation figures are from WCIRB aggregate financial data calls and the 2024 NCCI Annual Statistical Bulletin
- Medicare figures are from the Centers for Medicare and Medicaid Services (CMS) 2021 Medicare Trustees Report
- Private group health insurance figures are from the National Health Expenditure report from CMS
- For more comparisons of California frictional costs to other states, see the WCIRB's report on **Friction in the California Compensation System**

Chart 37: Distribution of 2023 Paid Frictional Costs

- Distribution of the major categories of frictional costs including allocated loss adjustment expenses, ULAE, applicant attorney fees, MCCP costs and ML costs paid in 2023
- ALAE are the costs associated with defending workers' compensation claims when there are disputes (defense attorney expenses and other ALAE costs) and managing the cost of medical treatment (medical cost containment)
- ULAE are the costs associated with insurer claims staff in administering workers' compensation claims
- Applicant attorney fees are shown as frictional costs but are reported in indemnity benefits as they are typically based on a portion of the PD award provided to the claimant
- ML costs are shown as frictional costs but are reported in medical benefits

Source Data

- WCIRB aggregate financial data calls and medical transaction data
- For more information on California frictional costs, see the WCIRB's report on **Friction in the California Compensation System**



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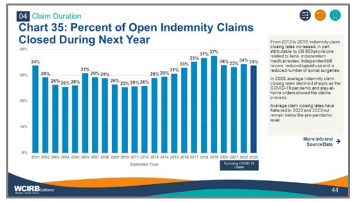

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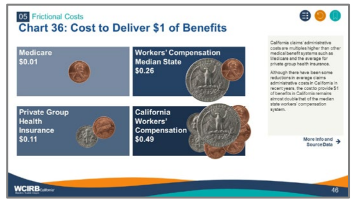

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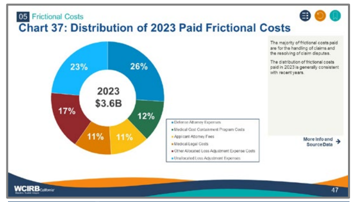

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More Info and Source Data

Chart 38: Average Allocated Loss Adjustment Expenses per Indemnity Claim

- Average cost of loss adjustment expenses that can be allocated to a particular claim (ALAE)
- ALAE costs include the cost of attorney and other legal expenses in defending claims, the cost of MCCP, the cost of independent medical review and independent medical bill review and other court-related expenses
- Legal expenses arise on claims during disputes over medical treatment or the extent of PD, in the course of handling liens filed on claims and during the process of settling claims

Source Data

- WCIRB aggregate financial data calls as of December 31, 2023 for private insurers, excluding COVID-19 claims
- Values are developed to a final or ultimate cost basis by the WCIRB
- Figures exclude the cost of MCCP for consistency of comparison
- Projections through 2026 are based on the WCIRB's September 1, 2024 Pure Premium Rate Filing methodologies

Chart 39: Average Medical Cost Containment Program Cost per Indemnity Claim

- Average cost of MCCP costs per indemnity claim
- MCCP costs include the cost of utilization review, bill review and medical provider network fees
- Although used to help manage the cost of medical treatment, MCCP costs are reported as ALAE to the WCIRB since they are not a direct benefit to injured workers

Source Data

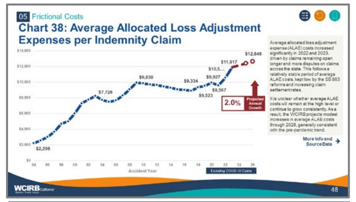
- WCIRB aggregate financial data calls as of December 31, 2023, excluding COVID-19 claims
- Values are developed to a final or ultimate cost basis by the WCIRB
- Projections through 2026 are based on the WCIRB's September 1, 2024 Pure Premium Rate Filing methodologies

Chart 40: Ratios of Allocated Loss Adjustment Expenses to Losses

- Comparison of the ratio of ALAE to losses for California to that of other states
- ALAE includes the cost of attorney and other legal expenses in defending claims, the cost of MCCP and other court-related expenses

Source Data

- 2024 NCCI Annual Statistical Bulletin



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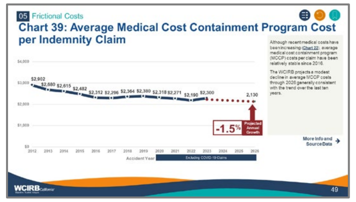

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More Info and Source Data

Chart 41: Share of Litigated Indemnity Claims Relative to Statewide

- Heat map of shares of indemnity claims that are estimated to be litigated for California regions relative to the statewide average
- Claims are estimated to be litigated if they include a date of litigation or if the paid ALAE is greater than $1,000.

Source Data

- WCIRB unit statistical data for policy year 2021 at first report level
- Region information obtained by linking WCIRB policy and unit statistical data with Dun and Bradstreet Hoovers location information as well as WCIRB medical transaction data
- WCIRB indemnity transaction data for policy year 2021 claims
- For more information on the study of regional cost differences within California, see the **2023 WCIRB Geo Study**

Chart 42: Ratios of Unallocated Loss Adjustment Expenses to Losses

- Comparison of the ratio of ULAE to losses for California to that of other states
- ULAE are the costs associated with insurer claims staff in administering workers' compensation claims

Source Data

- 2024 NCCI Annual Statistical Bulletin

Chart 43: Medical-Legal Cost Level Indexed to 2013

- Changes in the average total paid for ML services per claim indexed to the 2013 level
- Data is categorized by the period in which the medical service was provided

Source Data

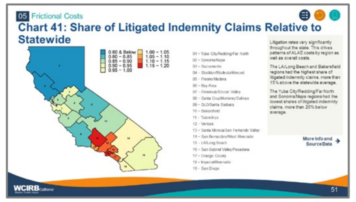
- WCIRB medical transaction data as of April 7, 2024
- COVID-19 claims are excluded from accident years 2020 and forward

Chart 44: Number of Lien Filings

- Shows the total number of liens filed by calendar year based on the date the lien was filed
- California's workers' compensation law allows certain claims for payment for services or benefits provided to or on behalf of injured workers to be filed as a lien against an injured employee's claim for workers' compensation benefits
- Most liens filed are for medical services provided
- SB 863 included a number of provisions related to liens that became effective in 2013, including a lien filing fee and a statute of limitations on lien filings
- SB 1160 and AB 1244 provided additional reforms to lien filings, including restrictions on the ability to reassign liens to third parties, a requirement that every lien be filed with a declaration under penalty of perjury and a stay on liens filed by providers indicted for fraud

Source Data

- California DWC Electronic Adjudication Management System



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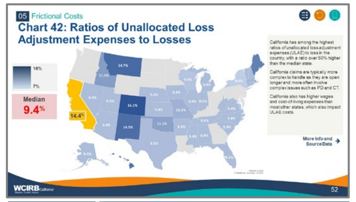

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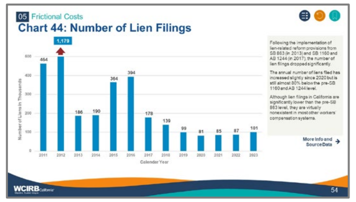

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More Info and Source Data

Chart 45: Distribution of Insured System Costs

- Distribution of total California workers' compensation insured system costs incurred in 2018 and 2023 by cost component
- Shows the major cost categories funded by the workers' compensation insurance premiums paid by California employers
- Data shown in billions of dollars as well as the percentage of the total system costs for that year

Source Data

- WCIRB aggregate financial data calls
- Changes in total insurer reserves by calendar year have been apportioned to indemnity and medical benefits based on the distribution of indemnity and medical payments during the calendar year

Chart 46: Distribution of Paid Indemnity Benefits

- Distribution of indemnity benefits paid in 2018 and 2023 by type of benefit
- Indemnity benefits are provided to injured workers or, in the case of fatal injuries, to their dependents to partially compensate for lost wages, with additional benefits provided if a worker suffers a PD
- Indemnity benefits by type generally depend on the extent of the injury to the injured worker, the injured worker's pre-injury weekly wage and statutorily defined benefit levels

Source Data

- WCIRB aggregate financial data calls

Chart 47: Distribution of Paid Medical Benefits

- Distribution of medical benefits paid in 2018 and 2023 by type of medical service
- Includes information on a variety of medical treatments that are provided to injured workers, including physician visits, prescription medications, ML evaluations and surgeries

Source Data

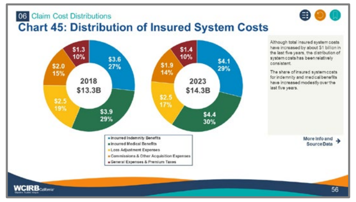
- WCIRB aggregate financial data calls and medical transaction data
- Figures exclude MCCP payments (which are included as a portion of loss adjustment expenses)

Chart 48: Market Concentration Ratios

- Shows the proportion of California premium written by the largest 5 insurers in the state, the 6th through 10th largest insurers and the remaining insurers collectively
- A highly concentrated market in which the largest insurers write the vast majority of the premium is generally less competitive than a market with lower concentration

Source Data

- WCIRB aggregate financial data calls
- Insurers are grouped at the National Association of Insurance Commissioners (NAIC) group level
- Data is based on calendar year written premium gross of deductible credits



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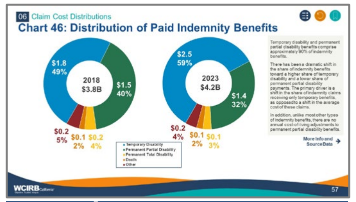

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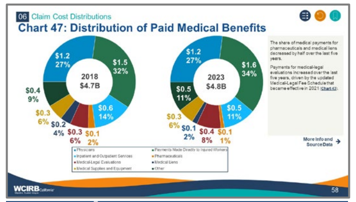

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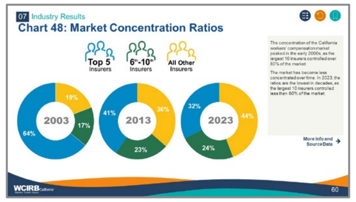

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More Info and Source Data

Chart 49: Market Share by Type of Insurer

- Shows the proportion of California premium written by State Compensation Insurance Fund, private insurers that write 80% or more of their workers' compensation business in California (i.e., California-Focused Private Insurers) and private insurers that write more than 20% of their workers' compensation business in other states (i.e., National Insurers)
- A market in which insurers focused in California write a large share of the workers' compensation business is one sign of a healthy market

Source Data

- WCIRB aggregate financial data calls
- California-Focused Private Insurers are private insurers that write 80% or more of their national workers' compensation business in California
- Data is based on calendar year written premium gross of deductible credits

Chart 50: Projected Combined Loss and Expense Ratios

- Ratios of WCIRB projected losses and expenses to insurer premium by accident year
- Combined ratios are a commonly used measure to evaluate the profitability of insurers from an underwriting perspective
- Due to investment income earned on collected premiums as claims are paid out over many years, insurers can generate a profit with a combined ratio above 100%, assuming a favorable investment climate

Source Data

- WCIRB projections based on aggregate financial data calls as of March 31, 2024
- COVID-19 claims are included in these ratios

Chart 51: Private Insurer Reported Combined Ratios

- Comparison of the reported ratio of losses and expenses to insurer premium for private insurers writing workers' compensation business in California to the countrywide average for private insurers by calendar year
- These ratios differ from those shown on Chart 50 in that they are for private insurers only and are based on changes in reported losses during the calendar year on all claims regardless of when the claim occurred

Source Data

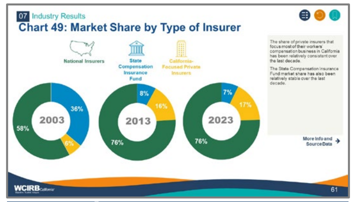
- California ratios are based on WCIRB aggregate financial data calls
- Countrywide estimate is based on the NCCI 2024 State of the Line Guide computed based on Annual Statement data (the 2023 estimate is preliminary)
- Excludes the impact of State Compensation Insurance Fund and other state funds
- COVID-19 claims are included in these ratios

Chart 52: Average Return on Net Worth

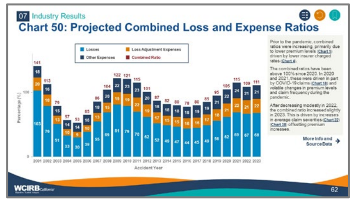
- Summary of total return on net worth for California workers' compensation compared to countrywide workers' compensation and the Fortune magazine all-industry average
- Reflects the impact of investment income, federal income taxes and insurer profits, as reported by the NAIC, that are not included in insurer combined ratios

Source Data

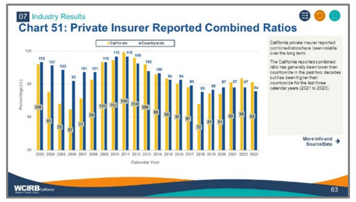
- NAIC Report on Profitability
- The NAIC estimates the total return to the industry after reflecting premiums, losses and expenses as well as allocations of an insurer's total investment income, federal income taxes and policyholder surplus to California workers' compensation



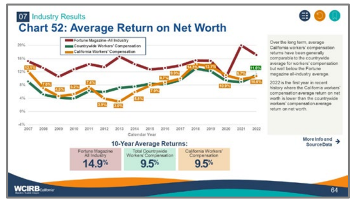
Return to Chart 49



Return to Chart 50



Return to Chart 51



Return to Chart 52

Conditions and Limitations

This 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 were based on information available at the time of this report. 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.

The information presented herein may have relied upon publicly available sources of information. While in such circumstances, we deemed the sources credible for the purposes we used the information, we did not independently validate the underlying information.

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.

Some of the cost information presented herein may have been estimated based on data reported representing less than 100 percent of the insured market. While this has been deemed a credible source of information, estimates based on the entire insured market can differ.

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