

# WCIRB Quarterly Experience Report

As of September 30, 2024

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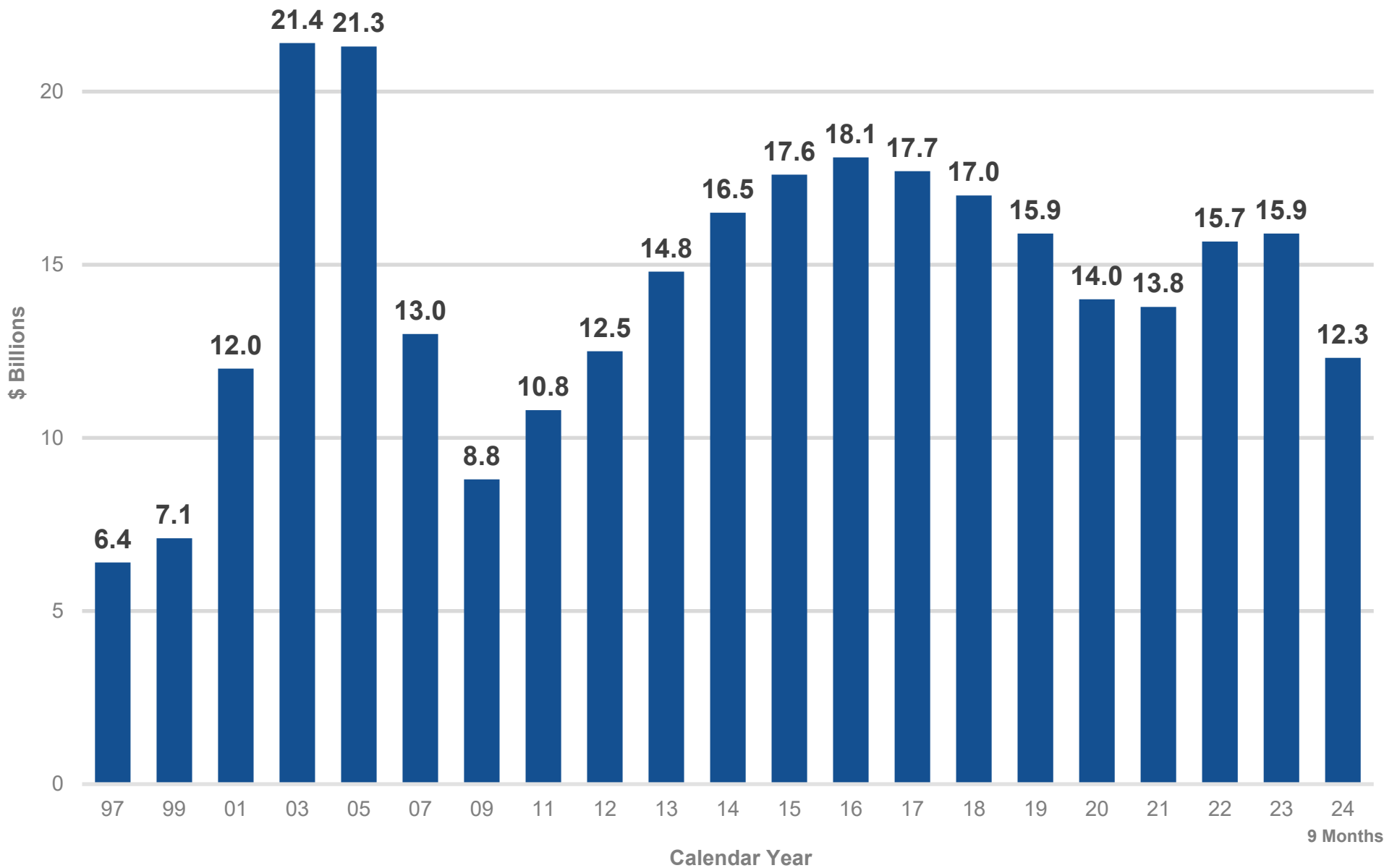
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# Written Premium – Gross of Deductible Credits



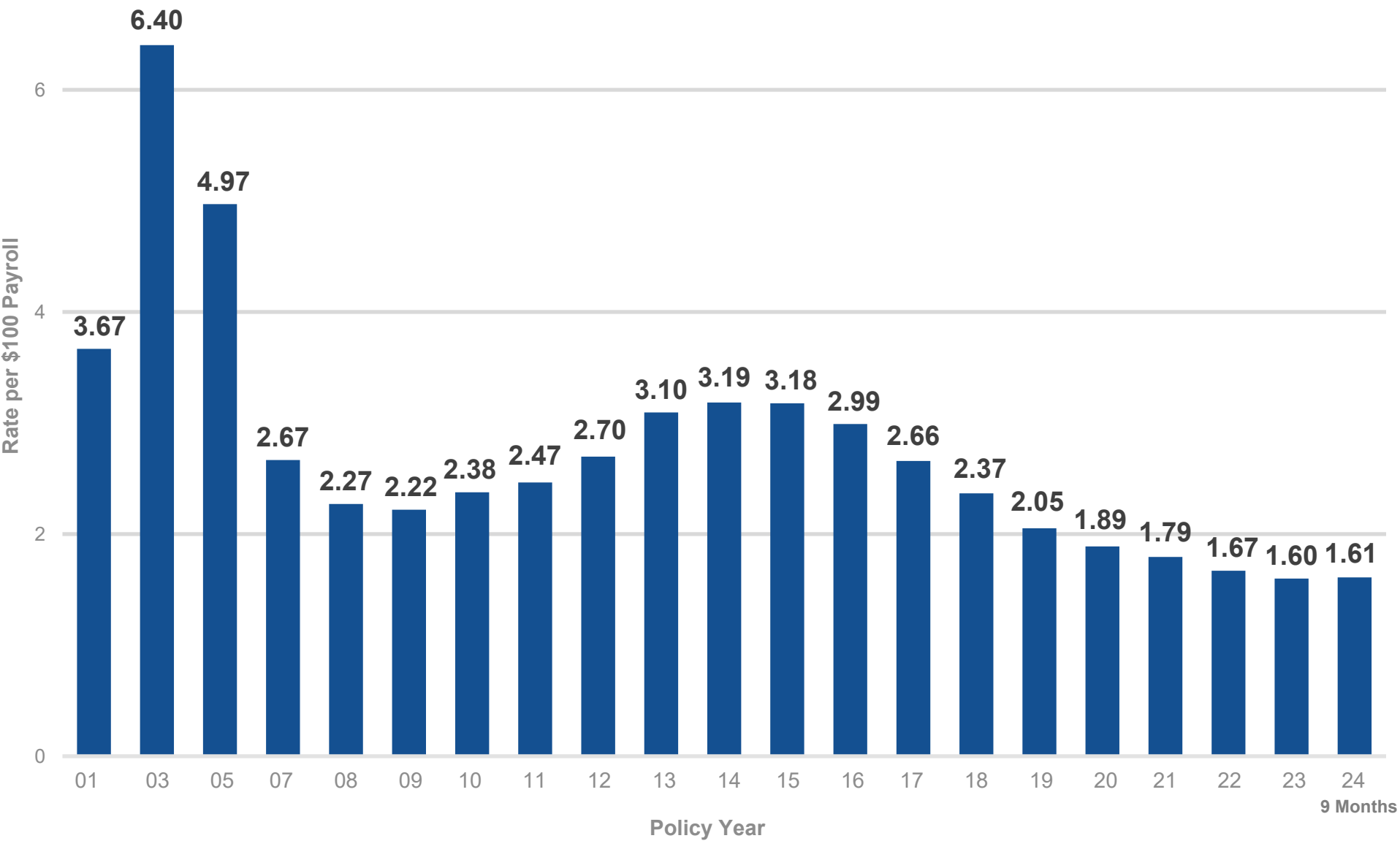
## CHART 1

As of September 30, 2024

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 nine months of 2024 is 1% higher than the first nine months of 2023.

# Industry Average Charged Rates



## CHART 2

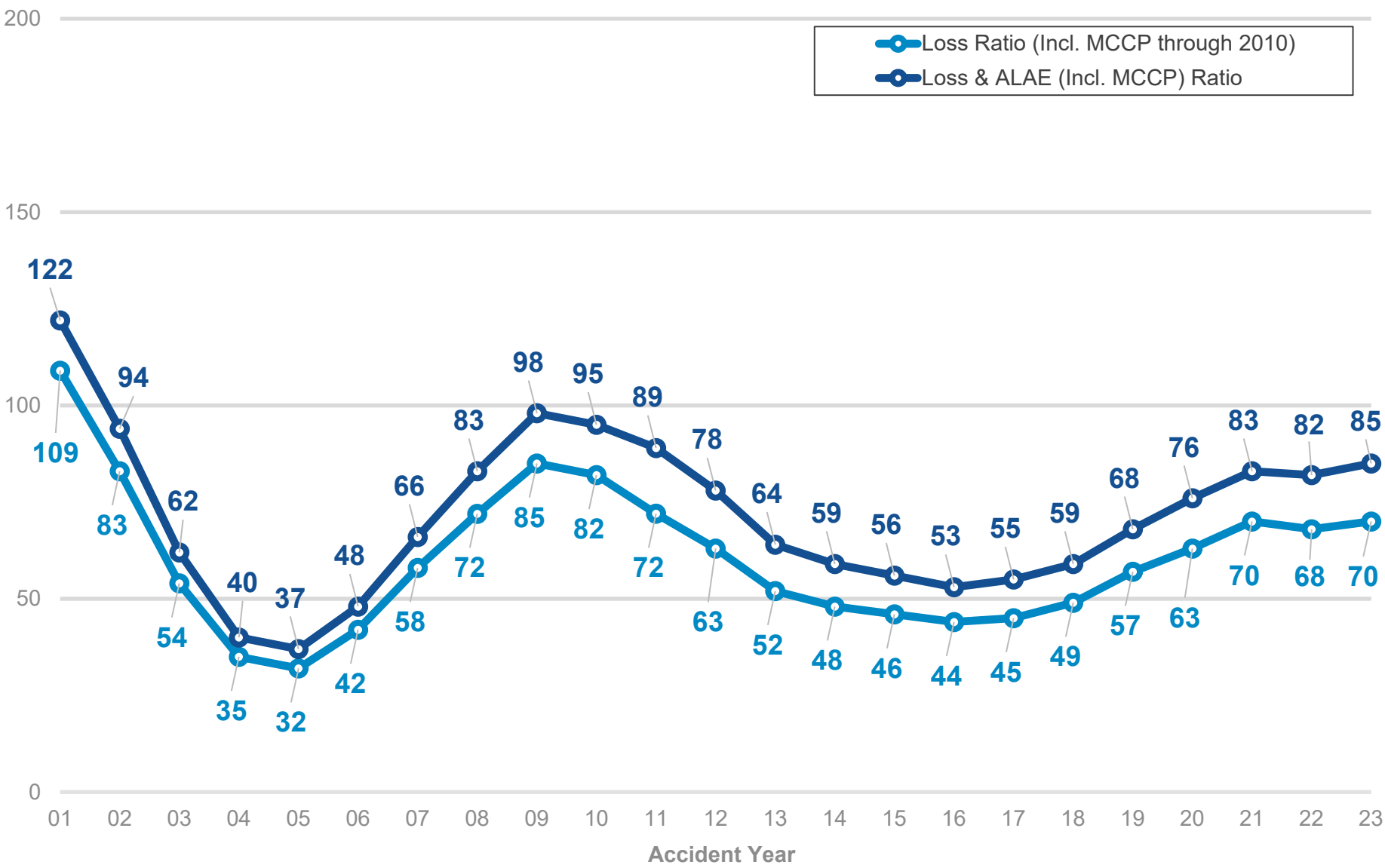
As of September 30, 2024

Prior to 2024, the average charged rate had been declining steadily, reaching a historical low in 2023. The preliminary average charged rate for 2024 (based on nine months) is 1% higher than 2023, suggesting the recent rate declines are flattening.

In the September 1, 2024 Pure Premium Rate Filing, the WCIRB proposed an average 0.9% increase in advisory pure premium rates. In the Filing Decision, the Insurance Commissioner approved an average 2.1% decrease in advisory pure premium rates.



# Ultimate Accident Year Loss Ratios



## CHART 3

As of September 30, 2024

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

The declining impact of COVID-19 claims and increasing severity trends result in a modest increase in accident year 2023.

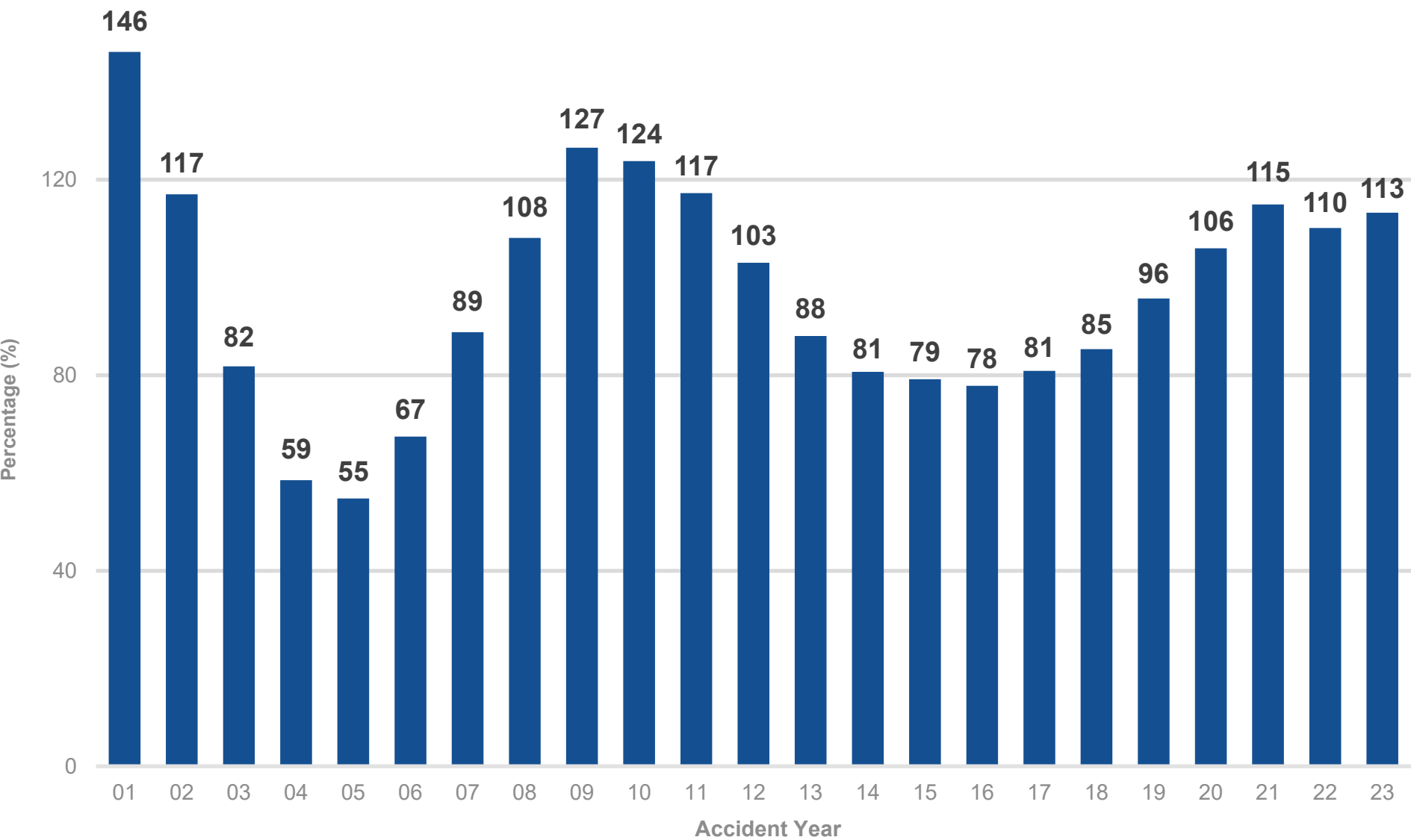
# Projected Accident Year Combined Ratios

## CHART 4

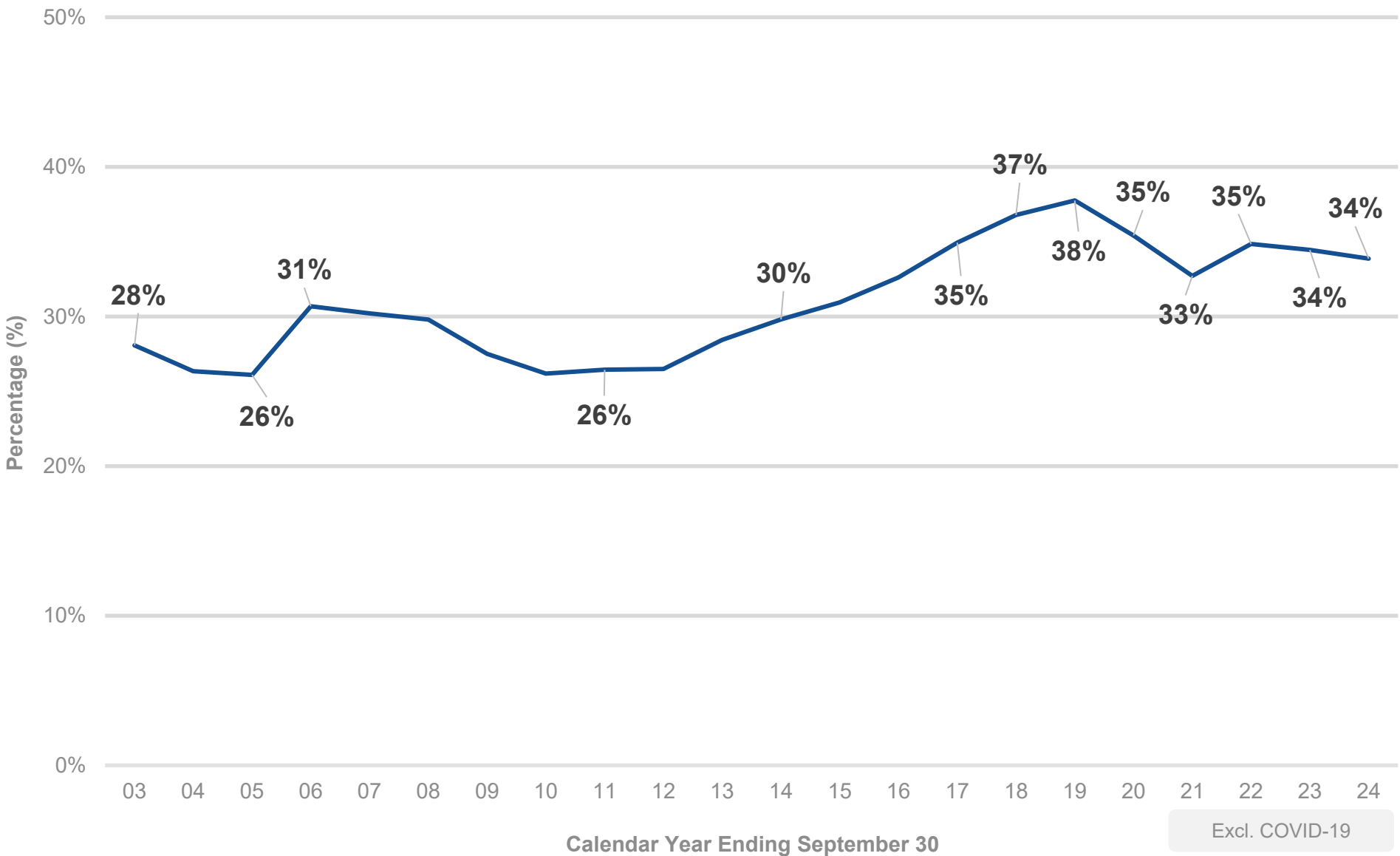
As of September 30, 2024

Following five consecutive increases, the projected combined ratio, including COVID-19 claims, has changed modestly since accident year 2021.

The five-point decline from 2021 to 2022 was driven by a lower loss ratio and a lower other expense ratio. The combined ratio increased three points in 2023, driven by increases in average claim severities thereby offsetting premium increases.



# Percent of Open Indemnity Claims Closed in Next Year



## CHART 5

As of September 30, 2024

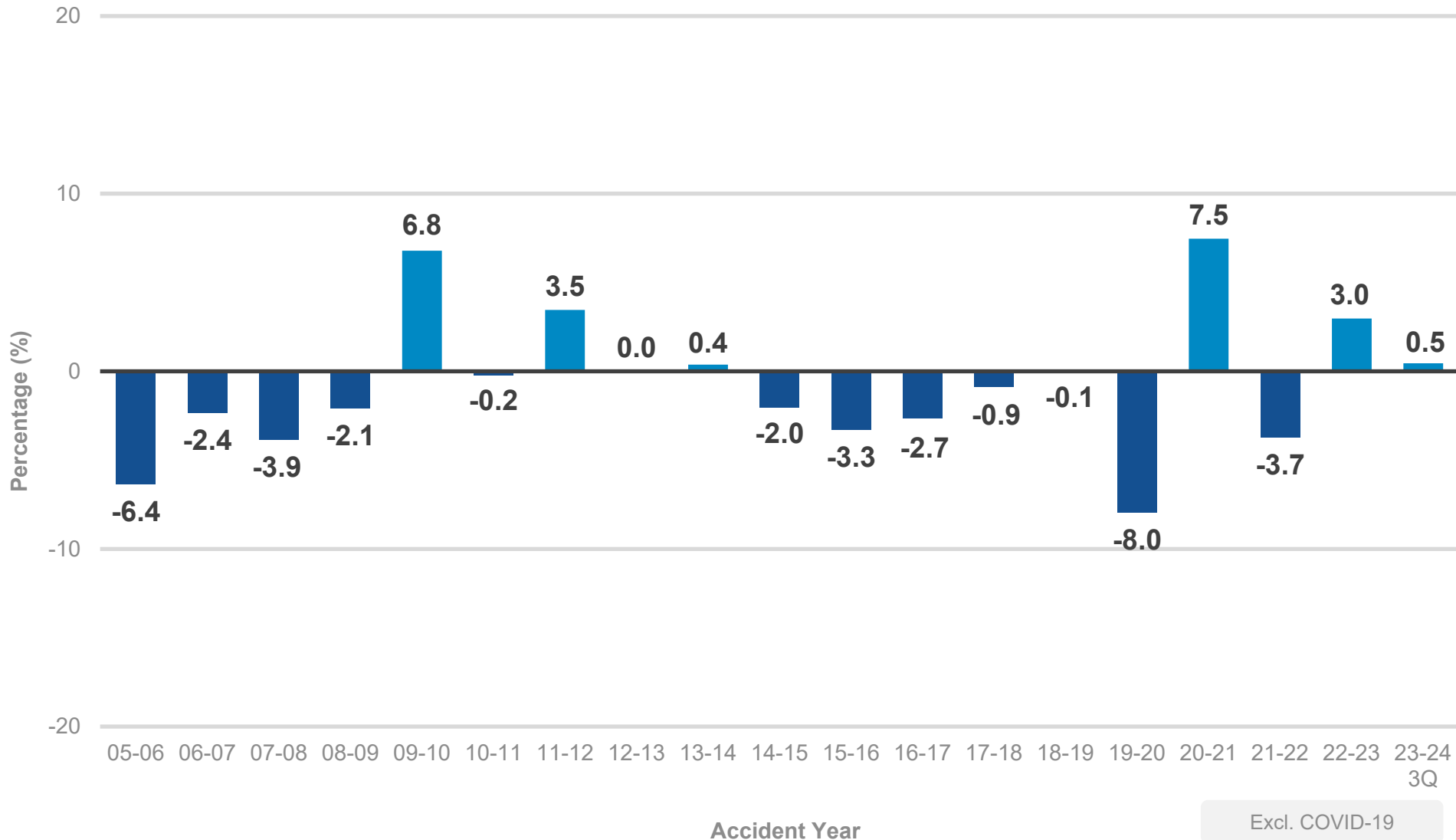
Indemnity claims had been settling more quickly through the second quarter of 2020, primarily driven by the reforms of Senate Bill No. 863 (SB 863) and Senate Bill No. 1160 (SB 1160).

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

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



## Change in Indemnity Claim Frequency



## CHART 6

As of September 30, 2024

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 nine months of 2024 are more comparable to the modest frequency changes during the pre-pandemic period.

The estimated frequency change for accident year 2023 is higher than what was estimated in prior quarters due to an increase in later-reported indemnity claims.



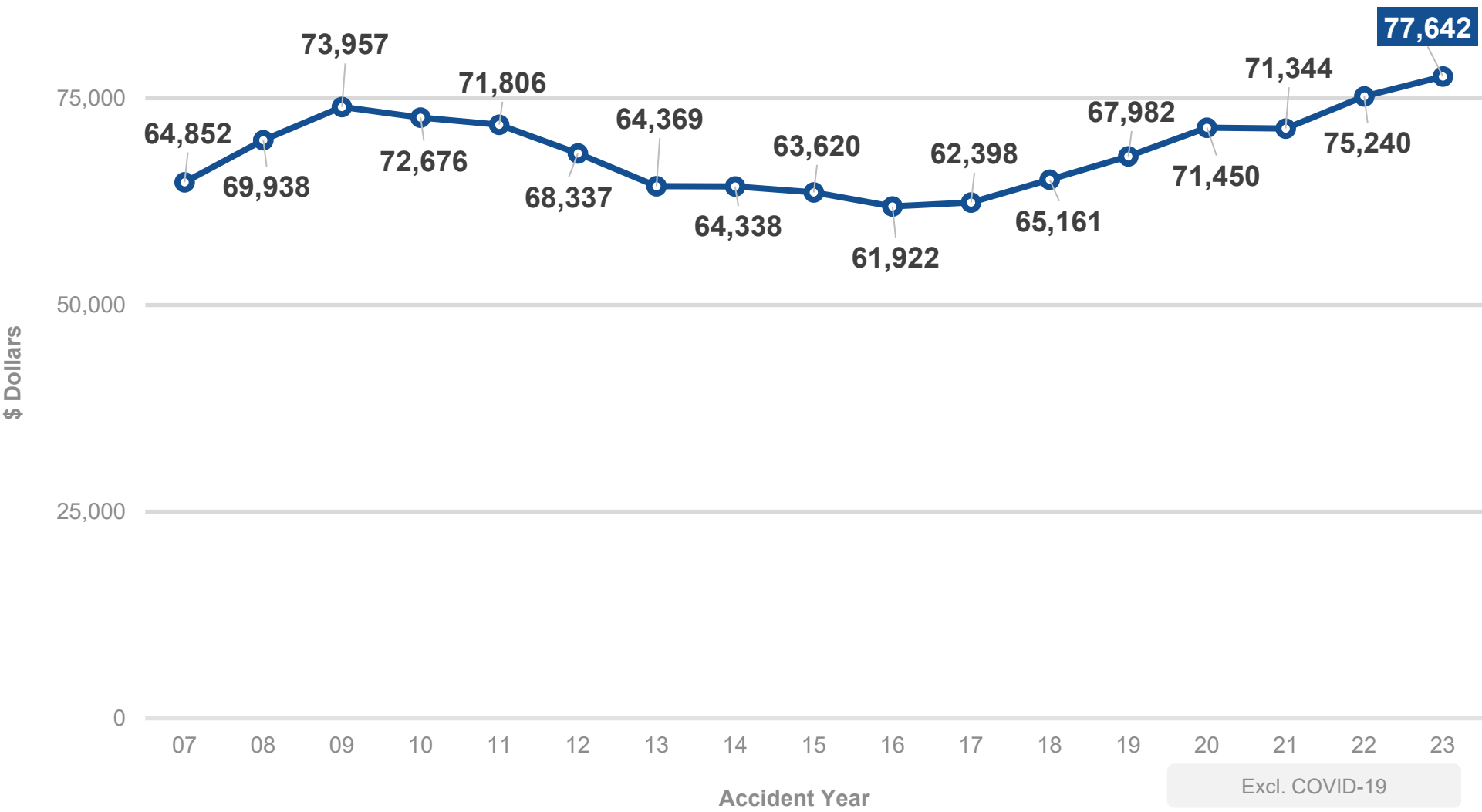
# Ultimate Total Loss and ALAE Severities

CHART 7

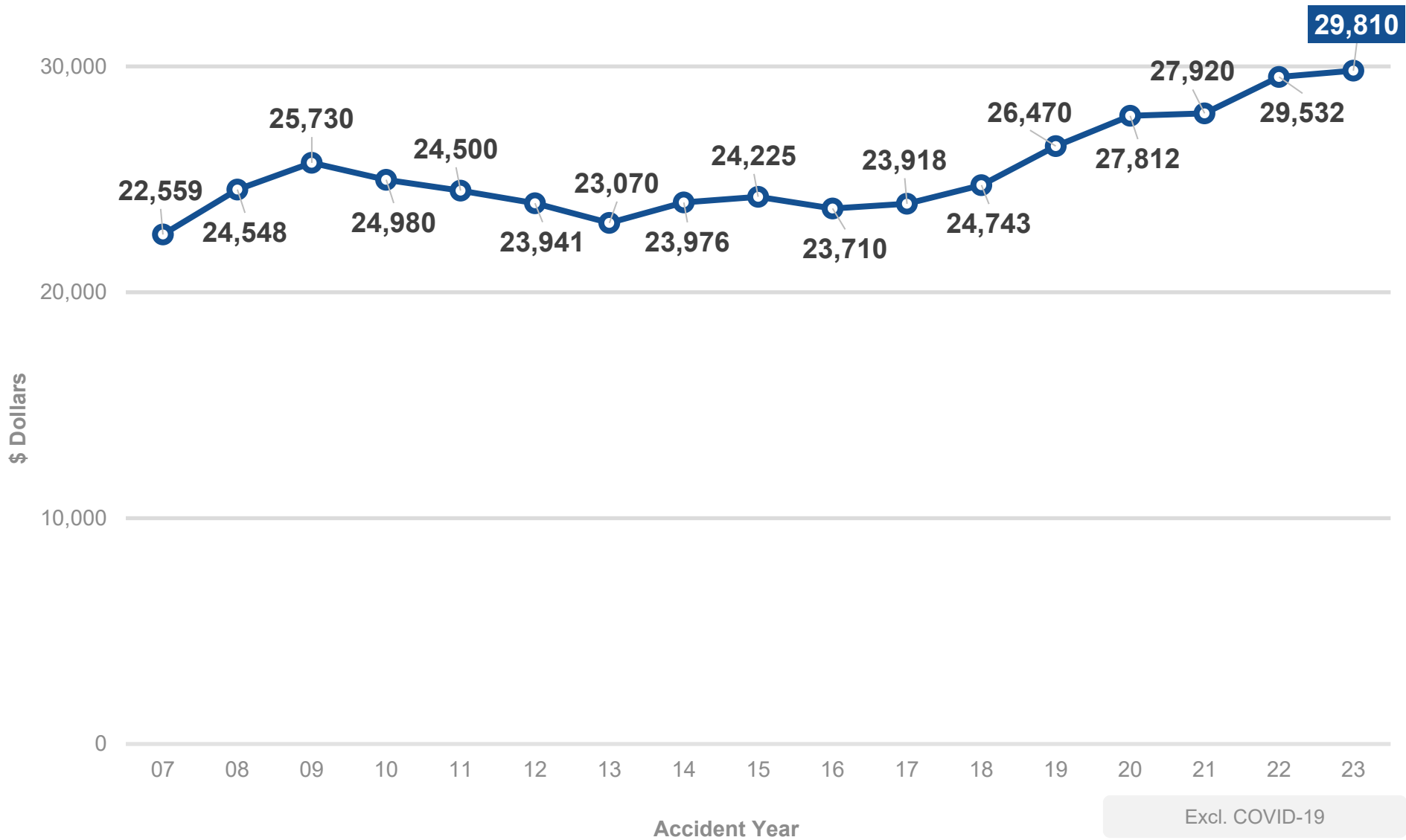
As of September 30, 2024

Projected severity on indemnity claims for 2023 is 3% higher than 2022 and 25% above 2016.

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



# Ultimate Indemnity Severities



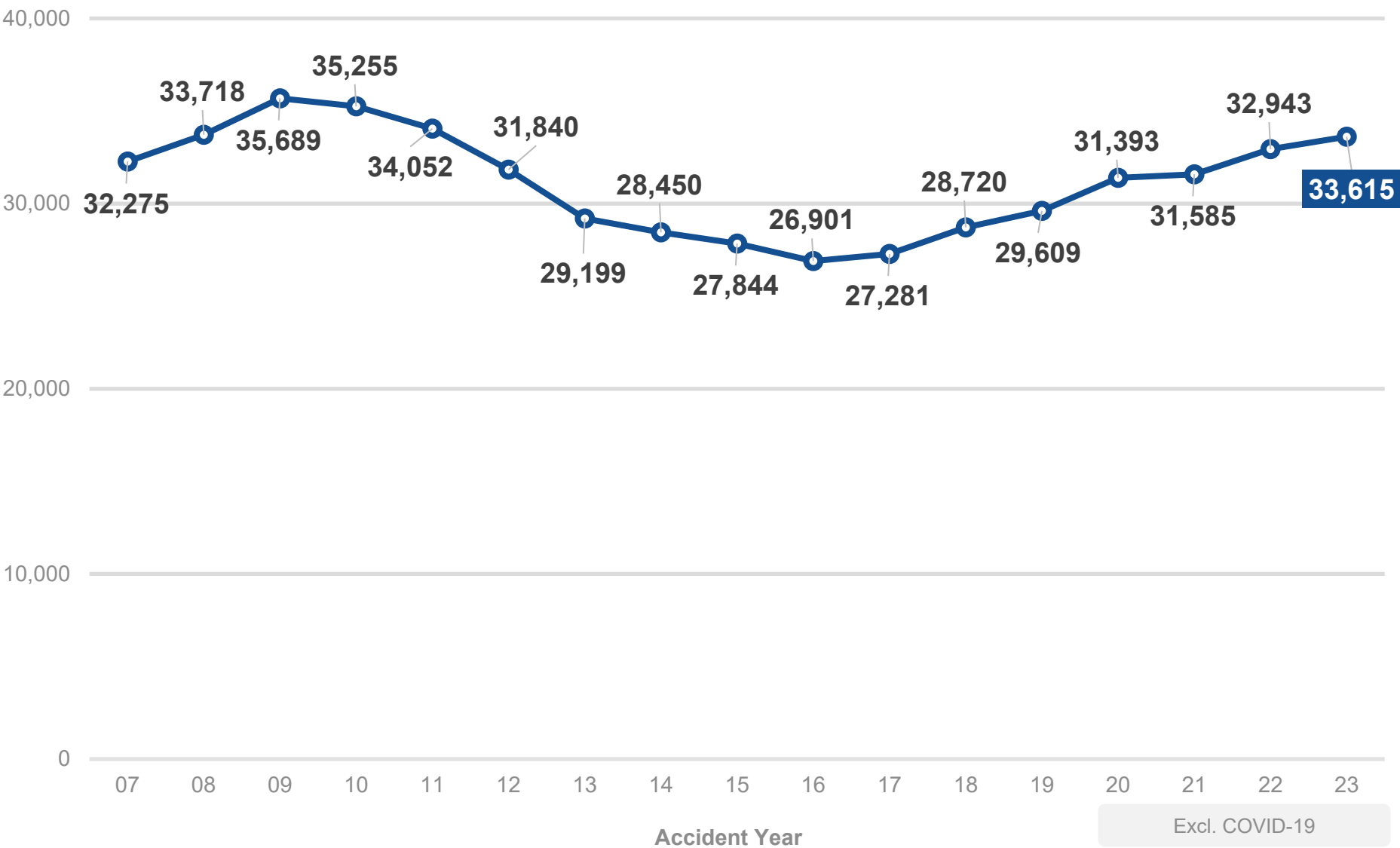
## CHART 8

As of September 30, 2024

Following a period of steadily increasing indemnity severity from 2017 to 2022, the accident year 2023 indemnity severity change was fairly flat, increasing by less than 1%. Cumulatively, accident year 2023 indemnity severity is 26% higher than 2016.

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

# Ultimate Medical Severities



## CHART 9

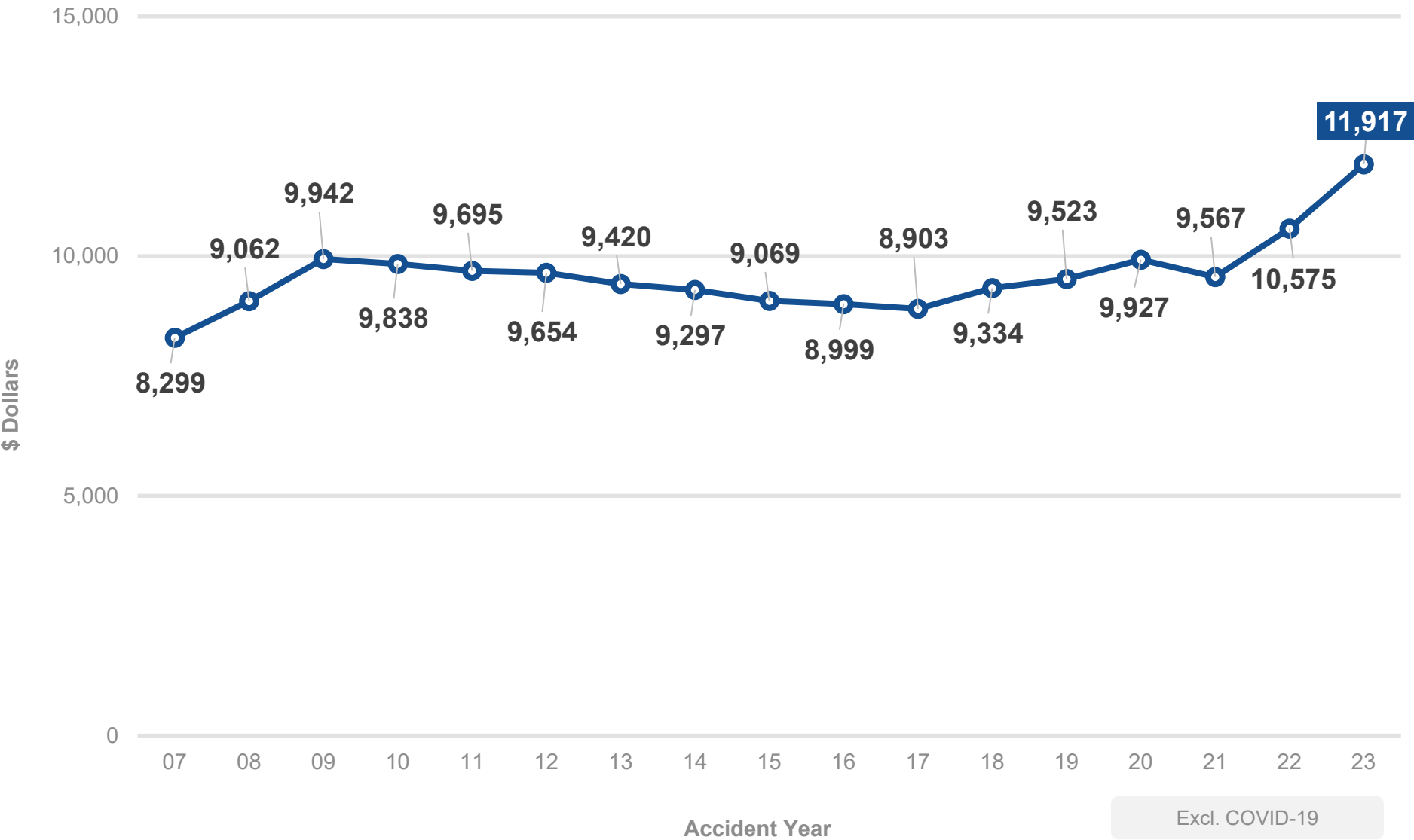
As of September 30, 2024

The projected medical severity for 2023 is 2% higher than 2022 and 25% higher than 2016.

Recent growth in medical severities may be attributed 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 ALAE (excl. MCCP) Severities



## CHART 10

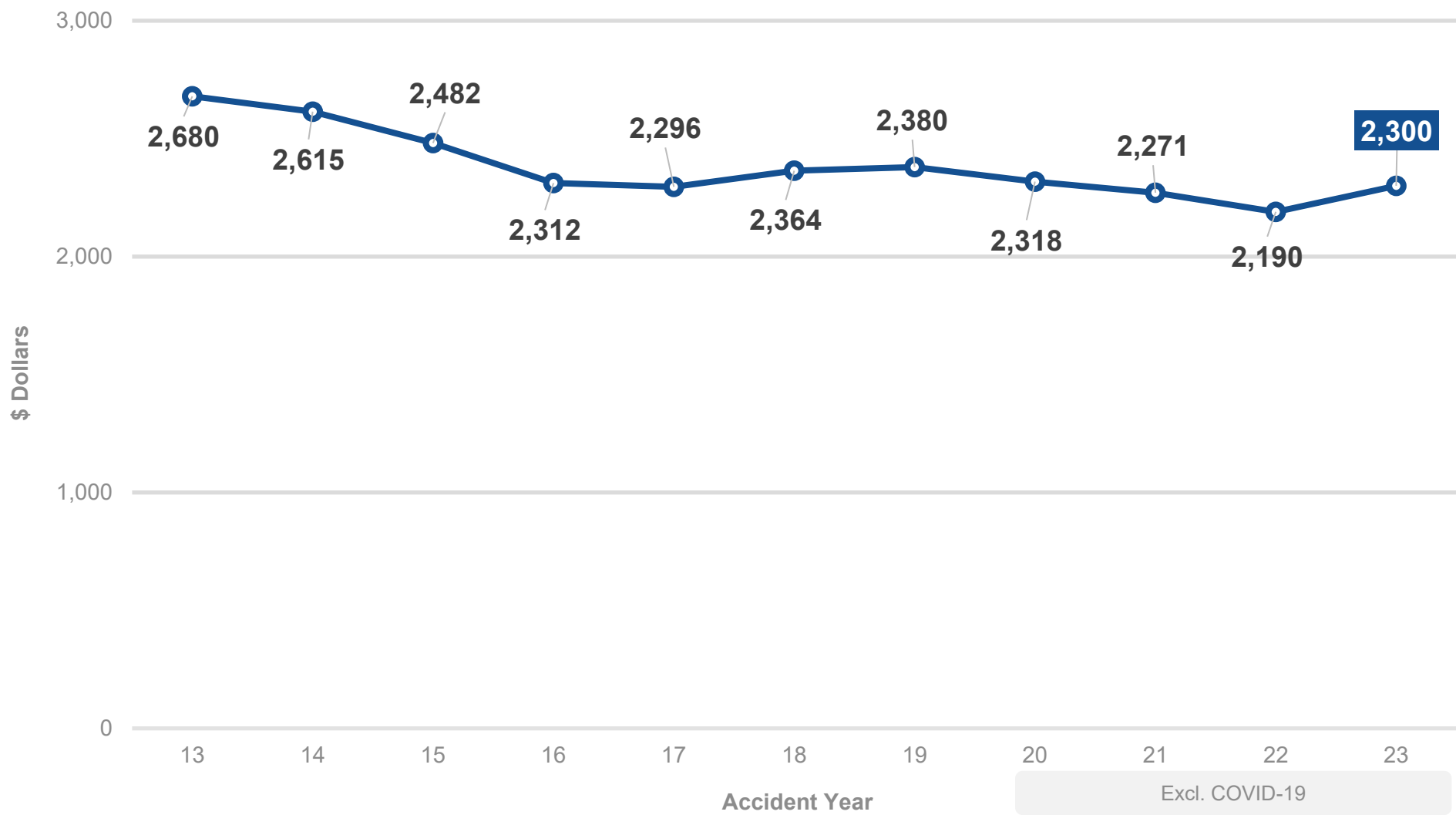
As of December 31, 2023

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

Following a very flat period of ALAE severity, driven by SB 863 and SB 1160 reforms, ALAE severities increased significantly in 2022 and 2023.

ALAE severity increased by 13% in 2023, in part driven by a slower settlement rate and increased post-pandemic defense costs.

# Ultimate Medical Cost Containment Program (MCCP) Severities



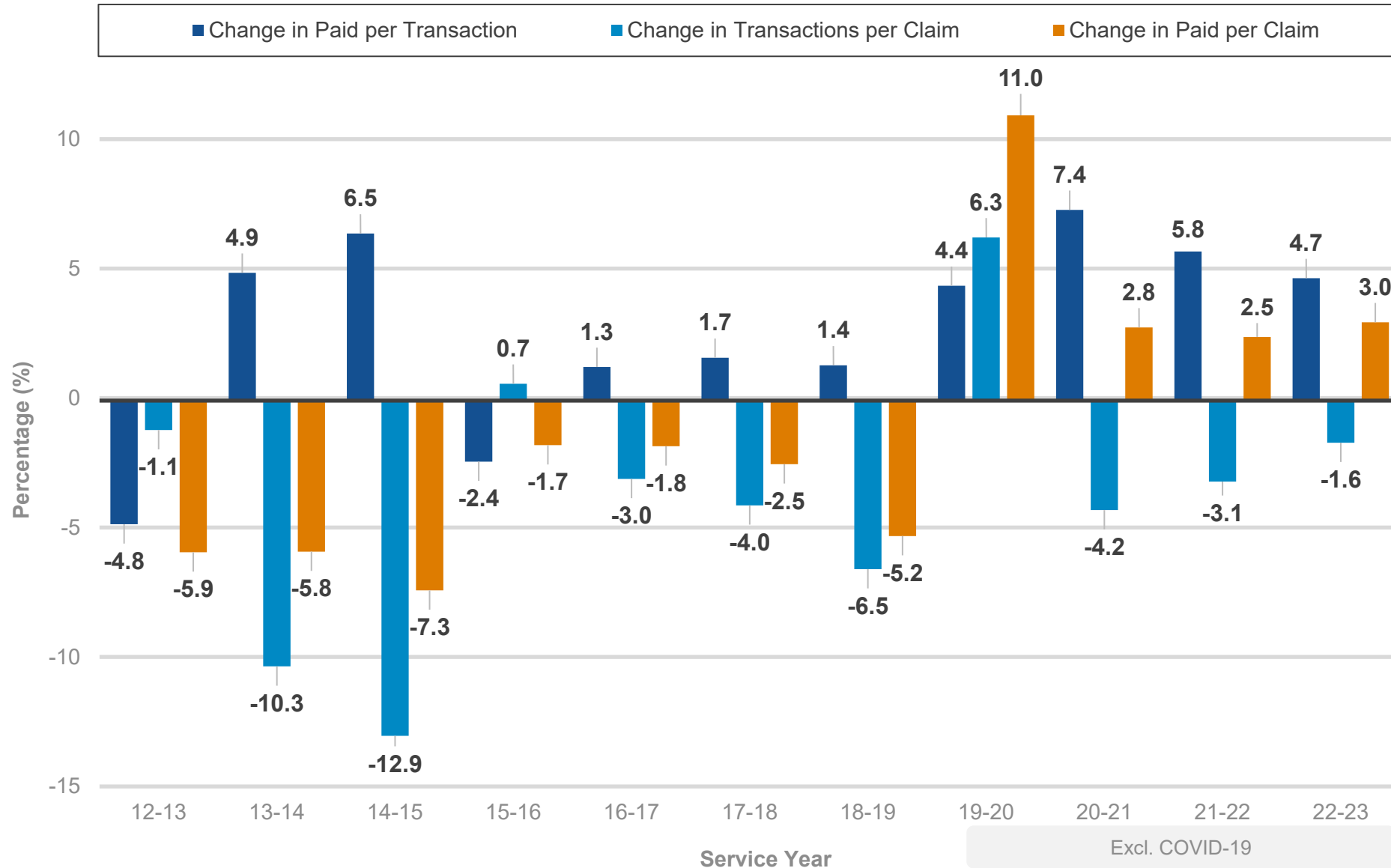
## CHART 11

As of December 31, 2023

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.

# Change in Medical Service Cost Levels



## CHART 12

As of April 7, 2024

Some of the growth in paid medical services per claim in 2021 and 2022 is attributed 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 Pharmaceutical Cost Levels

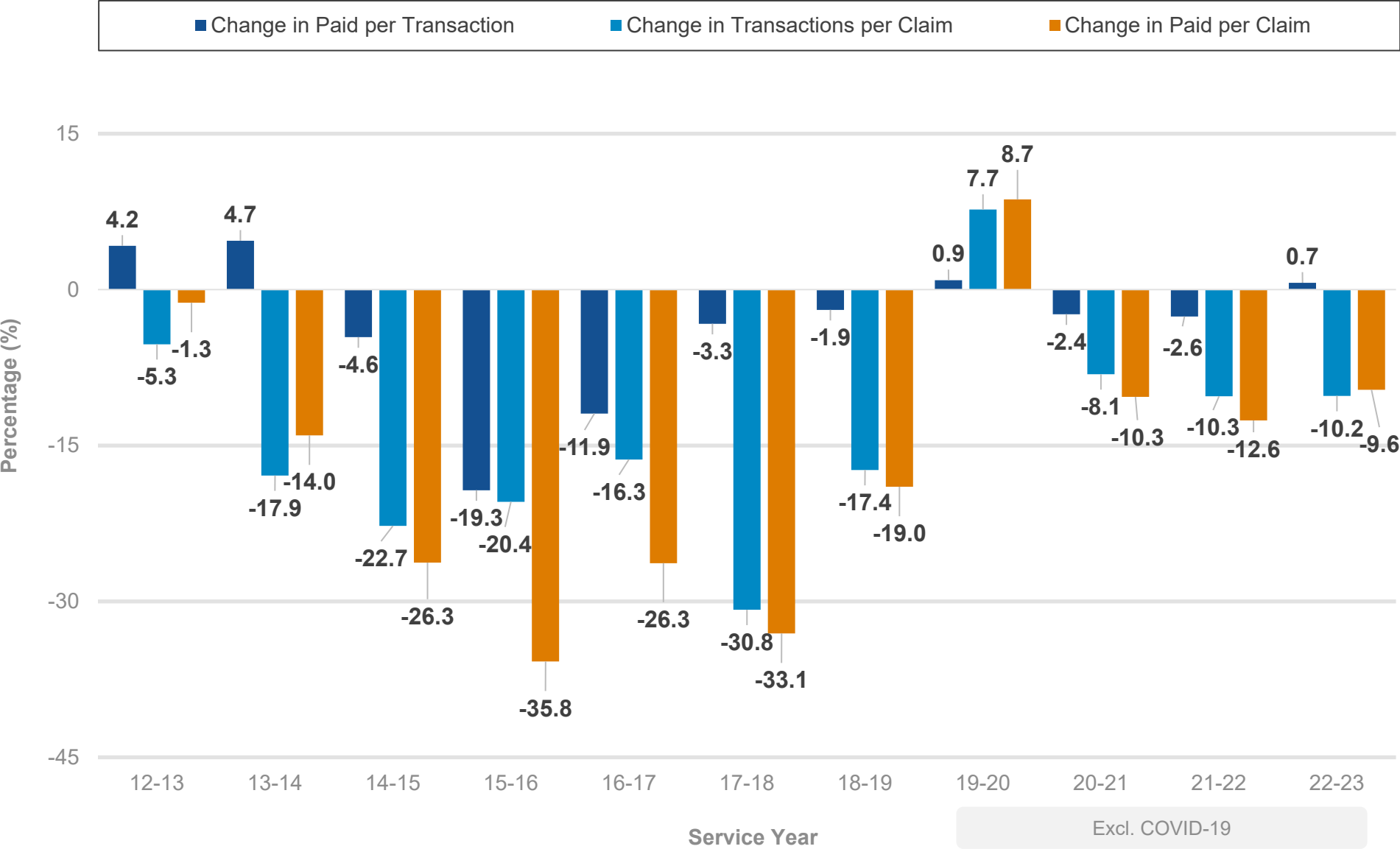
CHART 13

As of April 7, 2024

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.



# Ratios of Paid ALAE to Paid Losses

CHART 14

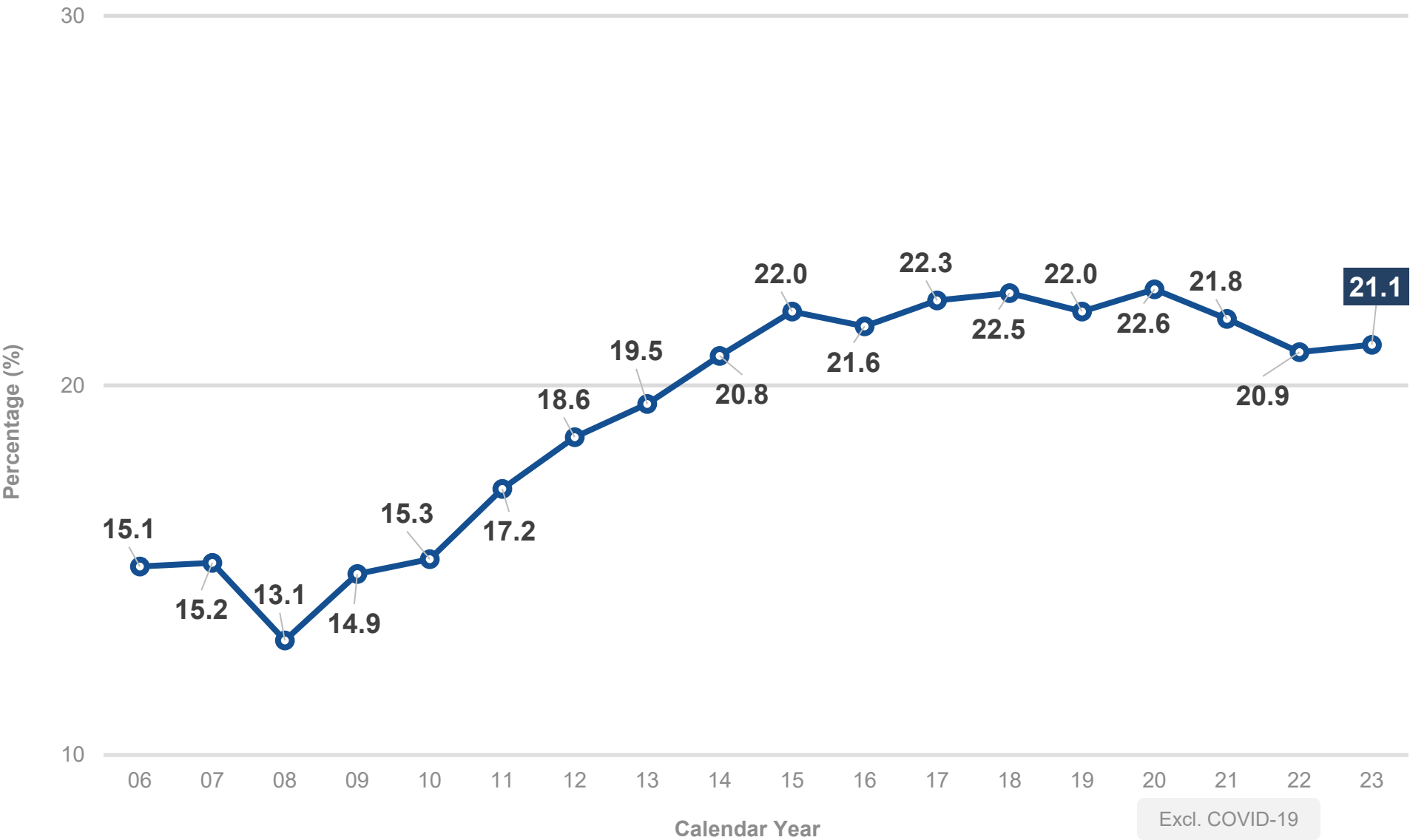
As of December 31, 2023

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.

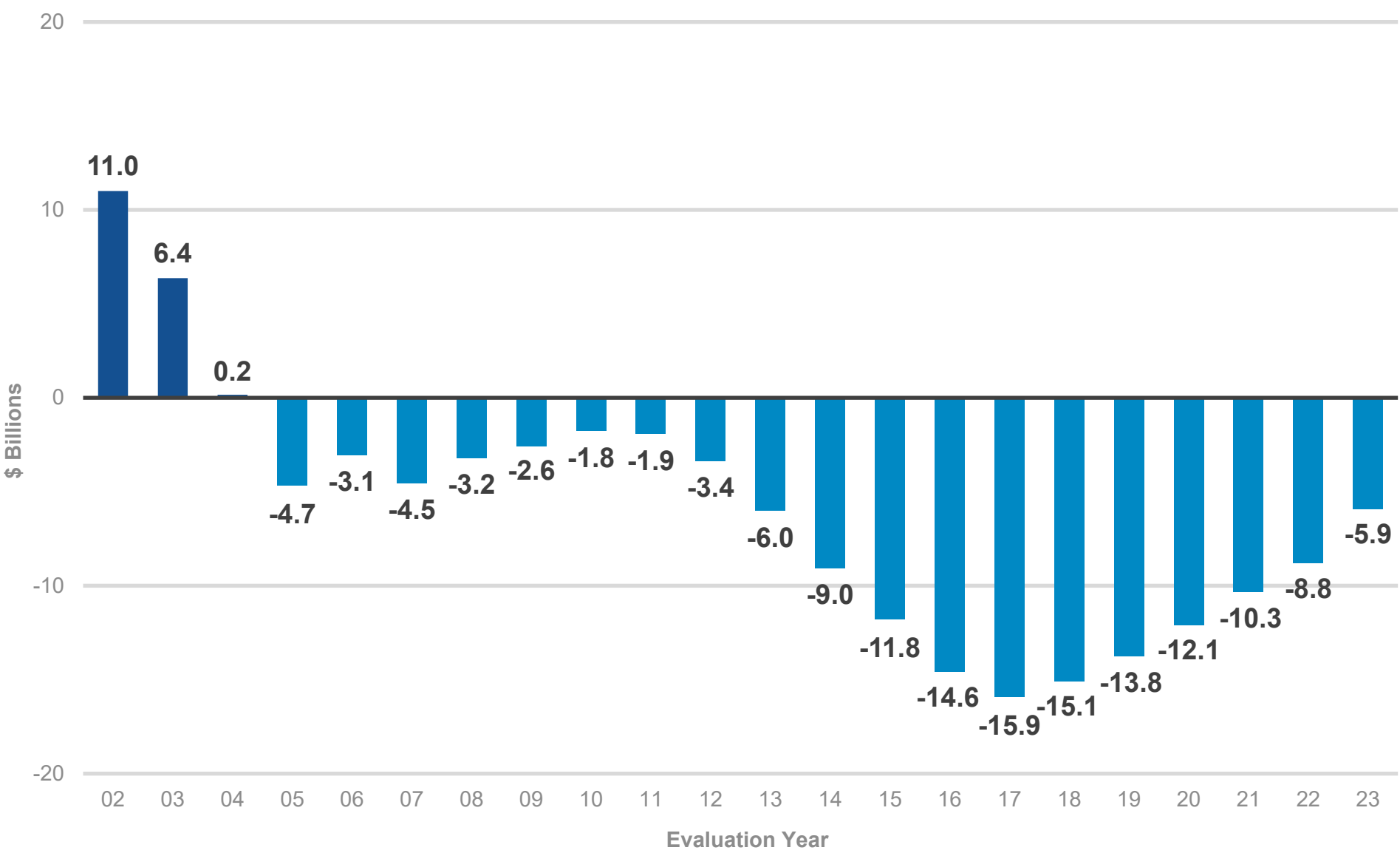
The ratio of ALAE to loss declined modestly in 2021 and 2022 and then increased by less than 1% in 2023.

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





# Projected Ultimate Losses Less Reported Losses



## CHART 15

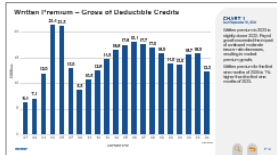
As of September 30, 2024

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 roughly two-thirds from 2017 to 2023.

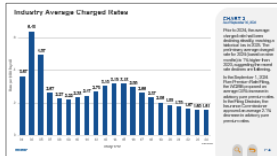
# More Info

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



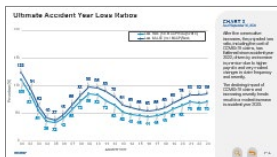
- Source: WCIRB aggregate financial data calls.
- Written premium is gross of deductible credits.

**Chart 2: Industry Average Charged Rates**



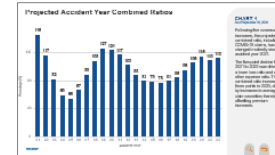
- Rates are based on WCIRB unit statistical data through 2021 and estimated based on aggregate financial data calls for 2022 and later.
- Rates are per \$100 of payroll.
- Rates are averages over policies incepting in the year (January 1 to December 31).
- For consistency of comparison, all rates include an adjustment for classification payroll limitations effective January 1, 2020, September 1, 2022 and September 1, 2024.

**Chart 3: Ultimate Accident Year Loss Ratios**



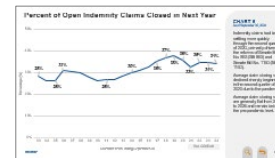
- Ratios are projected based on WCIRB aggregate financial data as of September 30, 2024.
- MCCP costs are included in loss ratios for accident years 2010 and prior.
- MCCP costs are included in loss and ALAE ratios for all years shown.
- COVID-19 claims are included in the projections for accident years 2020 and forward.

**Chart 4: Projected Accident Year Combined Ratios**



- Ratios are projected based on WCIRB aggregate financial data as of September 30, 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.

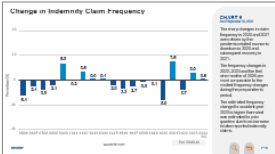
**Chart 5: Percent of Open Indemnity Claims Closed in Next Year**



- Source: WCIRB aggregate financial data as of September 30, 2024.
- Figures represent the number of indemnity claims aged between 21 to 105 months closed during the year as a ratio of the number of estimated ultimate claims open or not yet reported as of September 30 of the prior year.
- COVID-19 claims are excluded from accident years 2021 and forward.

## More Info (...continued)

### Chart 6: Change in Indemnity Claim Frequency



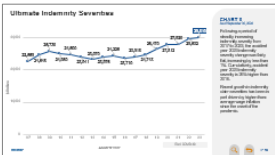
- Frequency is based on indemnity claim counts per exposure adjusted for wage level changes based on WCIRB unit statistical data through accident year 2022 and changes in reported indemnity claim counts compared to changes in statewide employment based on WCIRB aggregate financial data for accident years 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 as of September 30, 2024.
- Includes data for indemnity claims only.
- COVID-19 claims are excluded from accident years 2020 and forward.

### Chart 8: Ultimate Indemnity Severities



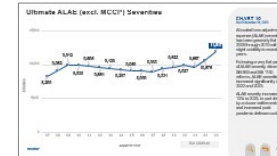
- Severities are projected based on WCIRB aggregate financial data as of September 30, 2024.
- COVID-19 claims are excluded from accident years 2020 and forward.

### Chart 9: Ultimate Medical Severities



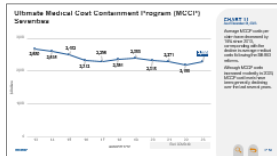
- Severities are projected based on WCIRB aggregate financial data as of September 30, 2024.
- Includes data for indemnity claims only.
- MCCP costs are excluded from all years for consistency of comparison.
- COVID-19 claims are excluded from accident years 2020 and forward.

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



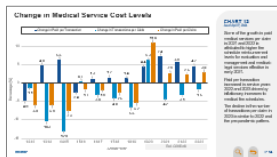
- Severities are projected based on WCIRB aggregate financial data as of December 31, 2023.
- Includes data for indemnity claims only.
- MCCP costs are excluded from all years for consistency of comparison.
- COVID-19 claims are excluded from accident years 2020 and forward.

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



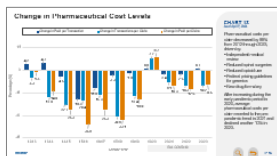
- Severities are projected based on WCIRB aggregate financial data as of December 31, 2023.
- Includes data for indemnity claims only.
- COVID-19 claims are excluded from accident years 2020 and forward.

## 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



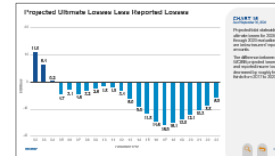
- Source: WCIRB medical transaction data as of April 7, 2024.
- Costs from COVID-19 claims are excluded from service years 2020 and forward.

## 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 as of September 30, 2024.
- COVID-19 claims are included in the projections for accident years 2020 and forward.

# General Notes and Limitations



The information presented reflects a compilation of individual insurer submissions of information to the WCIRB. While the individual insurer data submissions are regularly checked for consistency and comparability with other data submitted by the insurer as well as with data submitted by other insurers, the WCIRB can make no warranty with respect to the information provided by third parties.



Unless otherwise noted, the information in this report is based on the reported experience of insured employers only and may or may not be indicative of the experience of the state as a whole including self-insured employers.



WCIRB estimates are based on information and projections as of September 30, 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 medical cost containment programs (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.

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