

# Actuarial Committee

## Meeting Minutes

Date	Time	Location	Staff Contact
April 10, 2025	9:30 AM	Microsoft Teams Webinar	Tony Milano
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### Members

Joel Clark  
Nina Gau  
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Matt Jahnke  
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Kate Smith  
Bryan Ware  
Chris Westermeyer

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Accident Fund Group, Inc.  
Public Members of Governing Committee  
Republic Indemnity Company of America  
CopperPoint Insurance Companies  
Liberty Mutual Group  
Berkshire Hathaway Homestate Companies  
Zurich American Insurance  
State Compensation Insurance Fund  
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### California Department of Insurance

Yvonne Hauscarriague  
Margaret Hosel  
Giovanni Muzzarelli  
Mitra Sanandajifar  
Garen Sargsyan  
Serina Wu

### WCIRB

Laura Carstensen  
Andrea Coleman  
Tony Milano  
Katrina Terasaki  
James Xia  
Julia Zhang

\* \* \* \* \*

After a reminder of the antitrust restrictions, the meeting of the Actuarial Committee was called to order at 9:30 AM with Executive Vice President and Chief Actuary Tony Milano presiding.

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## **Item AC16-06-05**

### **Update on Medical Severity Trends by Component**

Staff summarized additional analyses as well as information and feedback provided by the Medical Analytics Working Group and Claims Working Group on the update on medical severity trends by component, initially reviewed at the March 20, 2025 meeting.

The Committee was advised that the medical cost increase in 2024 was generally holding up after incorporating data through January 2025. Staff noted that while more mature data moderated the cost increases in physical medicine and rehabilitation services and inpatient care, the cost increase in medical-legal services, home health care and interpreter services in 2024 remained consistent with the trends observed through January 2025.

The Committee was advised of the working group feedback on the following cost-driving services:

1. Physical medical and rehabilitation services: Regarding the unlisted procedure code 97799 (Unlisted Physical Medicine/Rehabilitation Service or Procedure), which was the primary driver of the significant increase in cost per claim in this category in 2024, the Claims Working Group and Medical Analytics Working Group suggested that functional restoration programs (FRPs) may be contributing to the increased use of this code. The working groups shared that FRPs typically involve multiple specialists and providers and tend to concentrate in Northern California. Consistent with the working group feedback, staff found in the medical transaction data that approximately two-thirds of medical payments to 97799 were made to providers in Northern California. In response to a Committee member's suggestion at the March 20, 2025 meeting, staff found little evidence that the increased use of code 97799 reflected a substitution for other services.
2. Medical-legal: Regarding the significant increase in number of medical-legal services per claim in 2024, the Claims Working Group shared that a growing number of claims with multiple medical-legal evaluations may be contributing to the trend. These evaluations can include different supplemental evaluations for different body parts or psychiatric conditions in addition to physical injuries. These often require multiple specialists, such as orthopedic surgeons, psychiatrists or chiropractors. These patterns could be related to the recent rise in CT claims. Regarding the additional record review costs, the working groups shared that older workers and whole body evaluations tend to involve longer medical records to review. In response to a Committee member's question about regional patterns, staff shared that the cost patterns of medical-legal services are very similar between Northern and Southern California in recent years.
3. Inpatient care: The Committee was advised that the increase in the number of episodes per claim in 2024 was mostly driven by Southern California, while the increase in the paid per episode was mostly driven by Northern California.
4. Interpreter services: The Committee was advised that the Claims Working Group shared anecdotal evidence suggesting a shift in the use of external interpreters. The Medical Analytics Working Group shared that changes in the certification requirements for medical interpreters may have contributed to the increasing rate for interpreter services. Regarding regional patterns, staff shared that the increase in paid per transaction in 2024 was similar between Northern and Southern California, while the increase in number of interpreter transactions per claim was mostly driven by Northern California.

5. Home health care: The Committee was advised that the Medical Analytics Working Group suggested that in addition to the impact of an aging workforce, shortage in the availability of nurses and comorbidities among injured workers as potential contributors to the rise in the cost of skilled nursing at home.

Lastly, the Committee was advised that the working groups did not express any concerns with staff's recommendation to not make any special ratemaking adjustment based on the July 2025 update to the Pharmaceutical Fee Schedule.

### **Item AC24-12-03**

#### **Study of Recent Increases in ALAE Costs**

The Committee was reminded that, at the December 10, 2024 meeting, staff presented a summary of preliminary findings on the driving factors underlying rising allocated loss adjustment expense (ALAE) costs per indemnity claim in accident years 2022 and 2023. Staff noted that the recent increases were driven by rising actual paid ALAE and the increases were experienced across multiple California regions.

Staff summarized the findings comparing claims at different ALAE paid thresholds by various claim characteristics from WCIRB Unit Statistical Report (USR) data. Staff noted that there was an increased proportion of indemnity claims that were cumulative injury claims, and an increased proportion of closed indemnity claims that were settled by compromise and release—both of which have higher ALAE costs and can drive the increasing ALAE trend. A Committee member noted that a growing share of compromise and release claims could mitigate increases in ALAE costs long-term. Staff also summarized ALAE costs by region and noted that ALAE severity for claims outside of Los Angeles rose to be closer to Los Angeles cost levels.

Staff summarized findings from data provided by the Division of Workers' Compensation (DWC) Electronic Adjudication Management System (EAMS). Staff noted that injured workers outside of the Los Angeles area are increasingly using Los Angeles-based law firms in lieu of law firms in the same region as the employer. Similarly, an increasing share of Workers' Compensation Appeals Board (WCAB) hearings are being held in the Los Angeles area compared to within the region of the employer. Staff noted that these shifts were likely facilitated by a statewide transition to more fully remote hearings. During the discussion, a Committee member requested the distribution of DWC cases by region for more recent years to assess whether this trend is accelerating (see Attachment 1). Staff noted that the trend continued in recent years, but at a lower rate. Additionally, staff noted that the proportion of case hearings has increasingly become fully remote during the pandemic period and continued during the post-pandemic period.

After the discussion, the Committee accepted staff's analysis.

### **Attachment 1 Footnotes**

Notes:

Document Date refers to the date in which the DWC received the hearing application in EAMS.

Distributions sum across the row.

Data includes information from all statewide cases, including from self-insured employers.

Excludes data with invalid or missing employer zip codes.

Source: Electronic Adjudication Management System (EAMS) case detail information from the DWC.

**Share of DWC Cases by WCAB Office Location and Employer Location**

Document Date: 2018

<u>Employer Location</u>	<u>WCAB Office Location</u>					
	<u>Bay Area</u>	<u>Northern CA</u>	<u>Central CA</u>	<u>LA Area</u>	<u>Van Nuys</u>	<u>San Diego</u>
Bay Area	75.7%	13.3%	4.0%	5.0%	1.7%	0.3%
Northern CA	6.8%	81.1%	1.9%	7.1%	2.6%	0.4%
Central CA	2.9%	22.1%	48.3%	19.3%	7.0%	0.4%
LA Area	0.6%	0.3%	0.5%	75.1%	22.3%	1.3%
San Diego	0.6%	0.5%	0.6%	17.2%	2.7%	78.4%

Document Date: 2019

<u>Employer Location</u>	<u>WCAB Office Location</u>					
	<u>Bay Area</u>	<u>Northern CA</u>	<u>Central CA</u>	<u>LA Area</u>	<u>Van Nuys</u>	<u>San Diego</u>
Bay Area	74.3%	13.8%	3.8%	5.6%	2.2%	0.4%
Northern CA	6.1%	81.9%	2.3%	7.1%	2.4%	0.2%
Central CA	3.0%	22.0%	48.5%	19.7%	6.3%	0.5%
LA Area	0.8%	0.4%	0.4%	74.6%	22.5%	1.4%
San Diego	1.2%	0.7%	0.7%	18.4%	2.9%	76.3%

Document Date: 2020

<u>Employer Location</u>	<u>WCAB Office Location</u>					
	<u>Bay Area</u>	<u>Northern CA</u>	<u>Central CA</u>	<u>LA Area</u>	<u>Van Nuys</u>	<u>San Diego</u>
Bay Area	72.3%	15.9%	3.7%	5.4%	2.4%	0.4%
Northern CA	8.2%	79.2%	2.0%	7.4%	2.7%	0.4%
Central CA	3.8%	20.0%	49.5%	19.9%	6.5%	0.3%
LA Area	0.6%	0.4%	0.5%	74.7%	22.6%	1.2%
San Diego	1.2%	0.5%	0.7%	19.1%	4.1%	74.4%

Document Date: 2021

<u>Employer Location</u>	<u>WCAB Office Location</u>					
	<u>Bay Area</u>	<u>Northern CA</u>	<u>Central CA</u>	<u>LA Area</u>	<u>Van Nuys</u>	<u>San Diego</u>
Bay Area	70.0%	15.2%	3.8%	7.1%	3.5%	0.3%
Northern CA	8.6%	75.1%	2.3%	9.4%	4.2%	0.5%
Central CA	4.5%	18.1%	45.3%	22.2%	9.6%	0.3%
LA Area	0.6%	0.4%	0.4%	71.3%	26.1%	1.2%
San Diego	0.8%	0.5%	0.4%	19.3%	4.7%	74.2%

**Share of DWC Cases by WCAB Office Location and Employer Location**

Document Date: 2022

<u>Employer Location</u>	<u>WCAB Office Location</u>					
	<u>Bay Area</u>	<u>Northern CA</u>	<u>Central CA</u>	<u>LA Area</u>	<u>Van Nuys</u>	<u>San Diego</u>
Bay Area	66.4%	16.1%	4.0%	7.9%	5.2%	0.3%
Northern CA	9.1%	71.9%	1.3%	11.2%	6.0%	0.4%
Central CA	3.8%	17.6%	43.4%	23.7%	11.1%	0.4%
LA Area	0.6%	0.4%	0.5%	70.3%	27.0%	1.2%
San Diego	1.5%	0.7%	0.8%	21.2%	6.9%	69.0%

Document Date: 2023

<u>Employer Location</u>	<u>WCAB Office Location</u>					
	<u>Bay Area</u>	<u>Northern CA</u>	<u>Central CA</u>	<u>LA Area</u>	<u>Van Nuys</u>	<u>San Diego</u>
Bay Area	61.5%	16.6%	3.8%	10.9%	6.9%	0.4%
Northern CA	7.6%	71.1%	2.3%	10.4%	8.3%	0.4%
Central CA	4.3%	19.4%	40.3%	23.6%	12.0%	0.4%
LA Area	0.7%	0.4%	0.5%	67.7%	29.1%	1.6%
San Diego	1.8%	0.9%	0.6%	20.3%	7.3%	69.1%

Document Date: 2024

<u>Employer Location</u>	<u>WCAB Office Location</u>					
	<u>Bay Area</u>	<u>Northern CA</u>	<u>Central CA</u>	<u>LA Area</u>	<u>Van Nuys</u>	<u>San Diego</u>
Bay Area	59.7%	16.6%	5.9%	10.3%	7.2%	0.4%
Northern CA	7.7%	71.7%	1.1%	11.0%	7.8%	0.6%
Central CA	4.1%	17.2%	41.2%	25.5%	11.5%	0.5%
LA Area	0.6%	0.5%	0.6%	68.4%	28.1%	1.8%
San Diego	2.0%	1.2%	0.8%	19.9%	8.0%	68.2%



**Share of DWC Cases by Employer Location and Law Firm Region**

Document Date: 2018

Employer Location	Law Firm Location				
	Bay Area	Northern CA	Central CA	LA Area	San Diego
Bay Area	70.0%	6.2%	4.3%	19.2%	0.4%
Northern CA	8.1%	54.0%	7.0%	30.4%	0.5%
Central CA	5.4%	4.3%	39.1%	51.0%	0.2%
LA Area	0.4%	0.2%	0.4%	98.1%	0.9%
San Diego	0.5%	0.0%	0.7%	33.6%	65.2%

Document Date: 2019

Employer Location	Law Firm Location				
	Bay Area	Northern CA	Central CA	LA Area	San Diego
Bay Area	65.8%	5.7%	3.4%	24.7%	0.4%
Northern CA	8.2%	56.9%	5.1%	29.7%	0.2%
Central CA	6.3%	4.3%	39.2%	49.9%	0.3%
LA Area	0.4%	0.2%	0.4%	97.9%	1.0%
San Diego	0.7%	0.3%	0.3%	36.7%	62.0%

Document Date: 2020

Employer Location	Law Firm Location				
	Bay Area	Northern CA	Central CA	LA Area	San Diego
Bay Area	62.7%	7.0%	3.6%	26.4%	0.3%
Northern CA	8.8%	57.1%	5.2%	28.4%	0.4%
Central CA	7.6%	3.7%	38.2%	50.2%	0.2%
LA Area	0.3%	0.2%	0.4%	98.2%	0.8%
San Diego	0.6%	0.2%	0.4%	41.9%	56.9%

Document Date: 2021

Employer Location	Law Firm Location				
	Bay Area	Northern CA	Central CA	LA Area	San Diego
Bay Area	59.0%	6.9%	3.7%	30.2%	0.2%
Northern CA	8.2%	52.8%	5.3%	33.4%	0.2%
Central CA	5.7%	3.9%	36.1%	54.0%	0.3%
LA Area	0.3%	0.4%	0.3%	98.3%	0.8%
San Diego	0.3%	0.5%	0.3%	41.5%	57.4%

**Share of DWC Cases by Employer Location and Law Firm Region**

Document Date: 2022

Employer Location	Law Firm Location				
	Bay Area	Northern CA	Central CA	LA Area	San Diego
Bay Area	57.5%	5.7%	3.8%	32.7%	0.2%
Northern CA	9.0%	49.9%	3.3%	37.5%	0.3%
Central CA	5.1%	3.8%	33.8%	56.8%	0.5%
LA Area	0.5%	0.3%	0.5%	97.8%	0.9%
San Diego	0.7%	0.7%	0.4%	44.0%	54.3%

Document Date: 2023

Employer Location	Law Firm Location				
	Bay Area	Northern CA	Central CA	LA Area	San Diego
Bay Area	48.6%	5.4%	5.9%	39.5%	0.6%
Northern CA	8.1%	44.4%	6.8%	40.2%	0.4%
Central CA	5.8%	3.1%	34.0%	56.6%	0.5%
LA Area	0.6%	0.4%	1.0%	96.8%	1.2%
San Diego	0.8%	0.5%	2.0%	41.0%	55.8%

Document Date: 2024

Employer Location	Law Firm Location				
	Bay Area	Northern CA	Central CA	LA Area	San Diego
Bay Area	48.3%	6.3%	5.4%	39.8%	0.2%
Northern CA	11.2%	45.3%	6.0%	37.3%	0.2%
Central CA	6.6%	2.7%	36.3%	54.1%	0.4%
LA Area	0.7%	0.4%	1.0%	96.6%	1.3%
San Diego	1.0%	1.0%	1.7%	45.5%	50.7%

## **Item AC25-03-01**

### **First Quarter 2025 Review of Diagnostics**

Staff summarized some of the diagnostic exhibits that were reviewed with the Committee at the March 20, 2025 meeting. Staff noted that the total number of liens filed per quarter has been generally increasing since 2022. Based on feedback from the Claims Working Group, this could be driven by an increase in liens for interpreter and copy services.

Staff noted recent accident year indemnity claim settlement patterns continue to be flat. Feedback from the Claims Working Group suggests that the increase in litigation makes it more difficult to close claims quickly.

Staff noted that the share of indemnity claims involving cumulative trauma (CT) injury increased for 2022 and significantly for the preliminary accident year 2023. The increase in CT claims in 2022 and 2023 was experienced across all major California regions. Feedback from the Claims Working Group suggests continued acceleration in 2024 and that some of the drivers include statewide virtual hearings, attorney-driven claims, filing of multiple CT claims and multiple medical-legal reports.

## **Item AC25-03-02**

### **12/31/2024 Experience Review**

The Agenda included an updated analysis of December 31, 2024 experience, which was first reviewed at the March 20, 2025 meeting. The Committee was advised that the updated analysis reflected updated data and methodology refinements from the analysis reviewed at the March 20, 2025 meeting based in part on the discussions from that meeting.

The Committee reviewed loss development and the alternative loss development projections included in the Agenda (Item AC25-04-02). Staff reminded the Committee that, during the most recent retrospective review of loss development, the latest-year adjusted paid method and latest-year unadjusted incurred method were among the most accurate of the methods reviewed through 108 months. However, the review showed the incurred loss development tail continues to be volatile after 120 months. Staff noted that the “hybrid” incurred method addresses staff’s concerns with using the incurred development tail. Staff recommended to base loss development for the September 1, 2025 Pure Premium Rate Filing on the average of the latest-year reform-adjusted paid method and the latest-year hybrid incurred method (which uses unadjusted incurred development through 120 months and adjusted paid development after 120 months), consistent with the method used in the prior filing.

After the discussion, a motion was made and seconded to base the loss development projection on the method reflected in the Agenda to compute the indicated September 1, 2025 average advisory pure premium rate level. The motion passed with nine in favor and one abstention. (The Actuary representing the Public Members of the Governing Committee who abstained the motion recommended the unadjusted latest-year incurred method rather than the hybrid method to be weighted with the adjusted paid method.)

Staff summarized the wage and claim frequency projections included in the Agenda, which are based on the approaches discussed at the March 20, 2025 meeting. The Committee noted some concerns with economic uncertainty given the recent actions related to tariffs, but that the average wage projections included in the Agenda were generally reasonable.

The Committee noted that the projected annual on-level indemnity severity trend of 0.5% reflected in the Agenda is consistent with the post-2017 average rate of growth. Although a Committee member noted that a 0% on-level indemnity severity trend may be appropriate given the most recent two years of flat on-level indemnity severities, the majority of the Committee agreed that balancing the short-term trend with more longer-term growth was appropriate. The Committee was reminded that wage growth and increases in the temporary disability benefit maximum have been the primary drivers of recent indemnity severity growth.

The Committee noted that the average annual on-level medical severity trend of 3.5% reflected in the Agenda balances the post-2017 rate of growth with shorter-term higher average rates of growth. Although the Committee agreed that this selected trend balances short-term and long-term averages, there is concern over continued escalated medical severity growth given the increase in accident year 2024.

The Committee noted that the projected indemnity and medical loss ratios reflected in the Agenda were based on applying the projected frequency and average on-level severity trends to accident years 2023 and 2024. The Committee discussed the alternative trending projections included in the Agenda (Item AC25-04-02). It was noted that the alternative methods reviewed differed generally by the number of years used to select the rates of growth. After discussion, a motion was made and seconded to base the indemnity trend projection on the method reflected in the Agenda to compute the indicated September 1, 2025 average advisory pure premium rate level. A second motion was made and seconded to base the medical trend projection on the method reflected in the Agenda to compute the indicated September 1, 2025 average advisory pure premium rate level. These motions passed unanimously.

## **Item AC25-04-01**

### **9/1/2024 Filing – Loss Adjustment Expense Experience Review**

The Committee reviewed the analysis of ULAE experience included in the Agenda, which reflected ULAE experience through calendar year 2023 and frequency, wage level, and loss projections based on December 31, 2024 experience as reflected in Agenda Item AC25-03-02. The Committee noted that the ULAE projection in the Agenda was based on the average of the open claim count-based methodology and recent calendar year paid ULAE to paid loss ratios for private insurers based on calendar years 2022 and 2023. A motion was made and seconded to use the ULAE projection methodology as presented in the Agenda to project the September 1, 2025 advisory pure premium rate level. The motion passed unanimously.

The Committee next reviewed the analysis of ALAE experience through December 31, 2024 included in the Agenda. The Committee was reminded of the methodology to adjust the ALAE to loss ratio for the impact of the Senate Bill No. 1160 reforms related to lien filings and agreed with staff's recommendation to remove this adjustment given that the reforms were enacted a number of years ago. The Committee noted that changes in ALAE severities are much higher for the most recent three accident years compared to the prior period of very flat ALAE severity growth. The indicated 5.0% average annual ALAE severity trend based on the average of long-term and short-term average rates of growth is higher than that reflected in the September 1, 2024 Pure Premium Rate Filing but much lower than the growth for accident years 2022, 2023 and 2024, which are all over 7% per year. The Committee discussed the challenges in projecting an average ALAE severity trend given the recent sharp growth in ALAE severities following a very flat period. After discussion, a motion was made and seconded to use the ALAE projection methodology recommended by staff to project the September 1, 2025 advisory pure premium rate level. The motion passed with nine in favor and one opposed. (The Committee member who opposed the motion recommended a somewhat higher ALAE severity trend given the recent sharp growth.)

The Committee next reviewed the analysis of medical cost containment program (MCCP) cost experience through December 31, 2024 included in the Agenda. Staff noted that the projection methodology for MCCP costs is very similar to that for ALAE excluding MCCP costs. Staff also noted that average MCCP cost growth has been increasing over the past two years, in line with average medical growth. A motion was made and seconded to use the MCCP cost projection methodology as presented in the Agenda to project the September 1, 2025 advisory pure premium rate level. The motion passed unanimously.

**Item AC25-04-02**

**9/1/2025 Filing – Review of Alternative Loss Projection Methodologies**

The Agenda included a number of alternative loss development and trending methodologies that had been reflected in prior WCIRB pure premium rate filings or discussed at prior Actuarial Committee meetings.

The Committee reviewed summaries of the alternative loss projection methodologies during the discussion of loss development and trending methodologies in the context of its review of December 31, 2024 experience. (See Minutes for Item AC25-03-02.)

The meeting was adjourned at 12:45 PM.

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Note to Committee Members: These Minutes, as written, have not been approved. Please refer to the Minutes of the meeting scheduled for June 24, 2025 for approval and/or modification.