

**WCIRB**California®  
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# WCIRB Quarterly Experience Report

As of March 31, 2018

[Enter Report](#)





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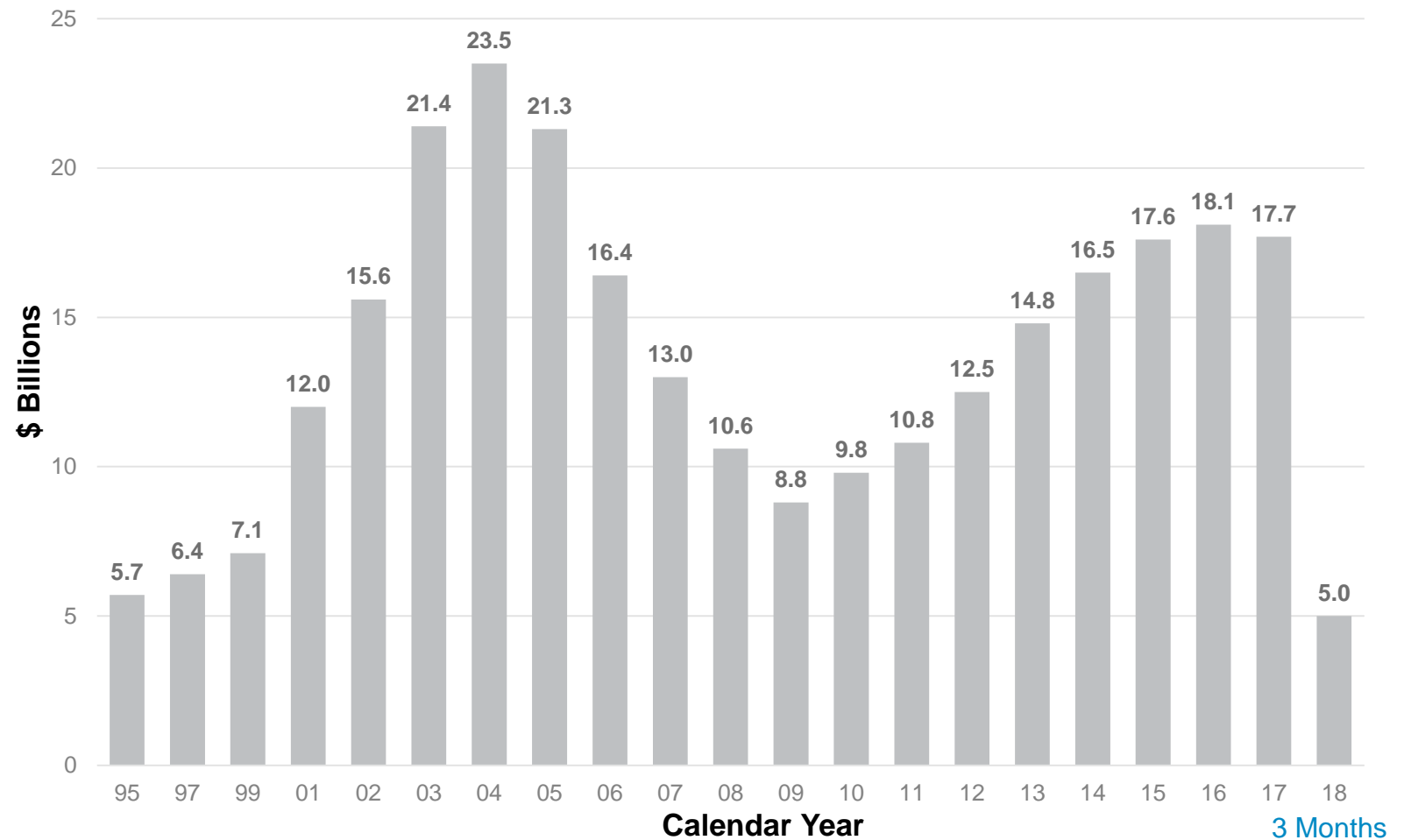


## Chart 1

- Written premium for 2017 is 2% below that for 2016.
- The decrease in 2017 following 7 consecutive years of increases is primarily driven by decreases in insurer charged rates.
- Written premium for the first 3 months of 2018 is consistent with the same period for 2017.

# Written Premium | Gross of Deductible Credits

As of March 31, 2018



More Info

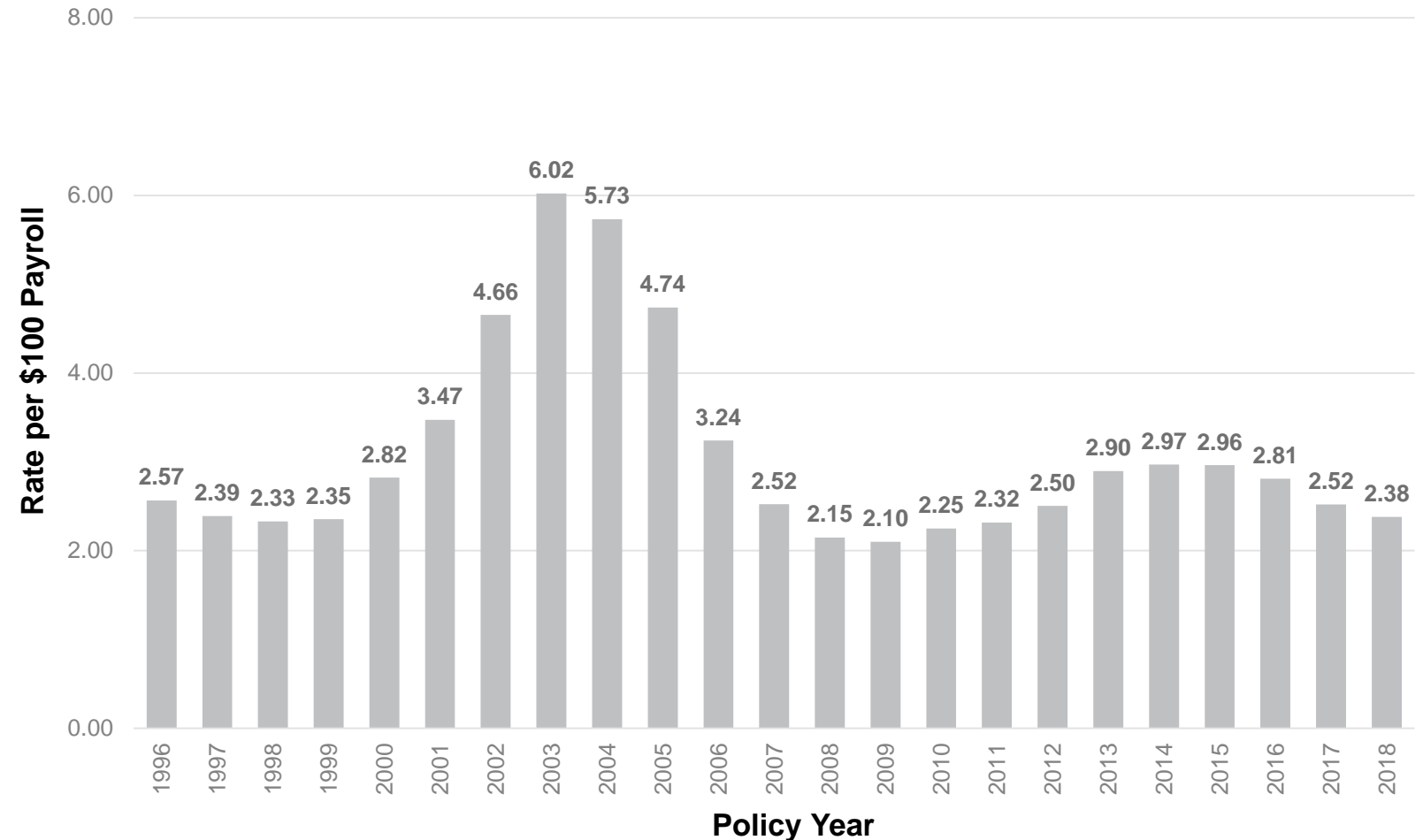


## Chart 2

- Average charged rates for the first 3 months of 2018 are 6% below those for 2017 and 20% below the peak in 2014.
- The July 1, 2018 approved advisory pure premium rates are on average 37% below those for January 1, 2015.

# Industry Average Charged Rates

As of March 31, 2018



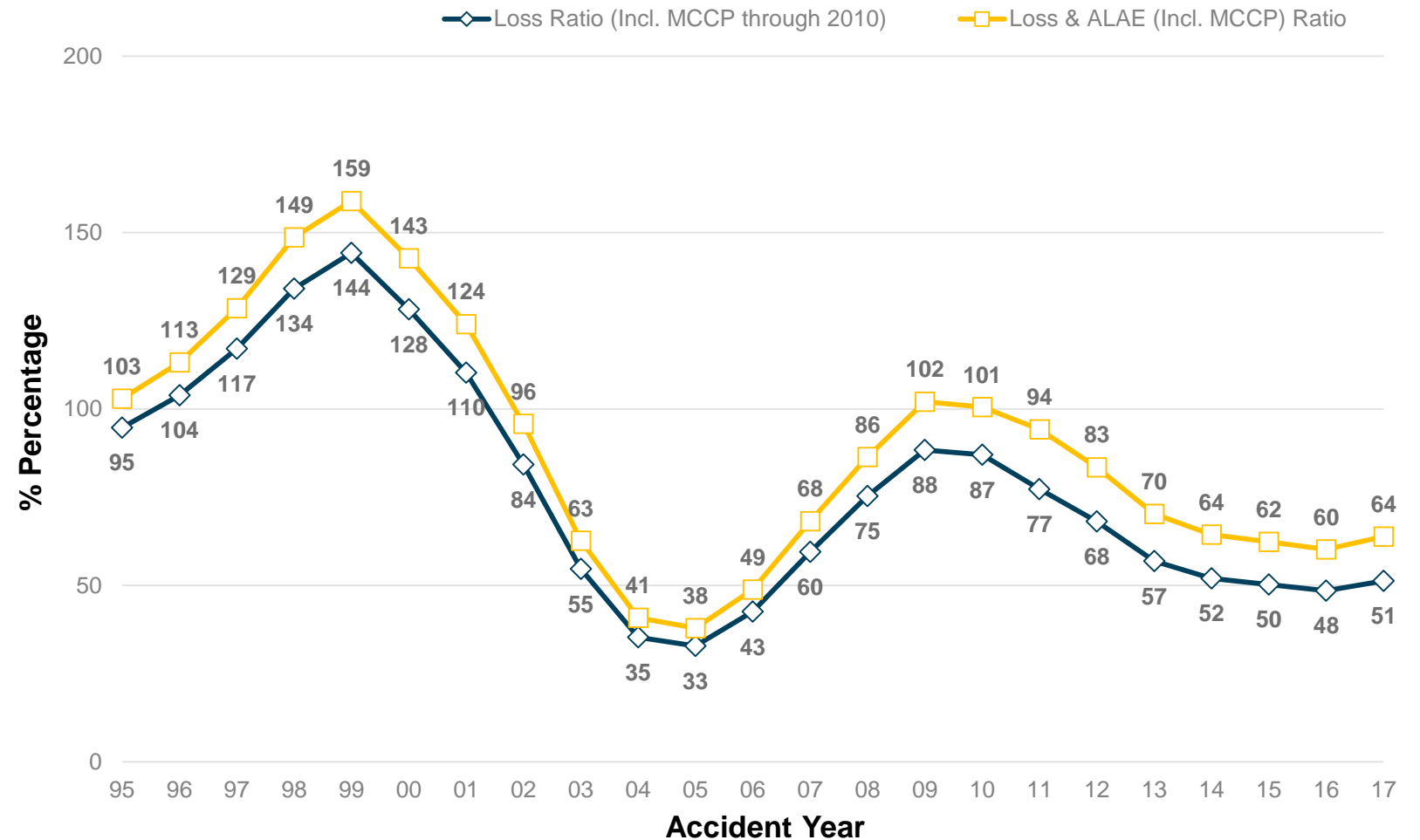


### Chart 3

- The projected loss ratio for 2017 is 4 points above that for 2016, driven by higher medical severities for 2017 and lower premium rates.
- Despite the increase in 2017, projections for other years are below those projected in prior quarters as a result of favorable loss development continuing to emerge.

## Ultimate Accident Year Loss Ratios

As of March 31, 2018





## Chart 4

- The projected combined ratio for 2017 is 5 points higher than 2016 as premium levels have lowered while average claim severities increased moderately.
- Despite the recent increase, combined ratios for 2014 to 2017 remain the lowest since the 2004 through 2006 period.

# Projected Accident Year Combined Ratios

As of March 31, 2018



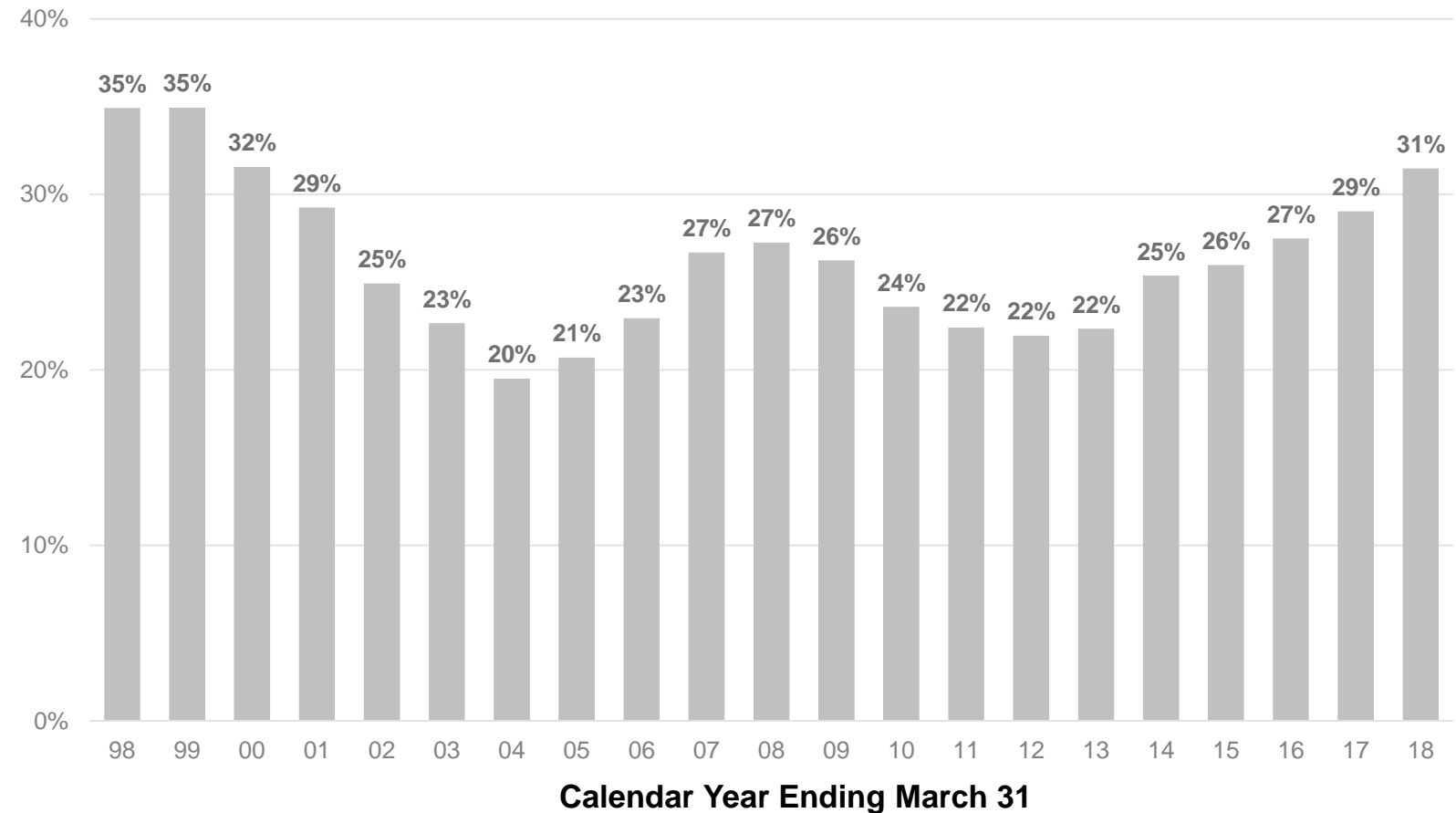


## Chart 5

- Indemnity claims continue to settle quicker, steadily improving over the last 5 years.
- The ratio for 2018 represents a 17-year high.

## Percent of Open Indemnity Claims Closed in Next Year

As of March 31, 2018



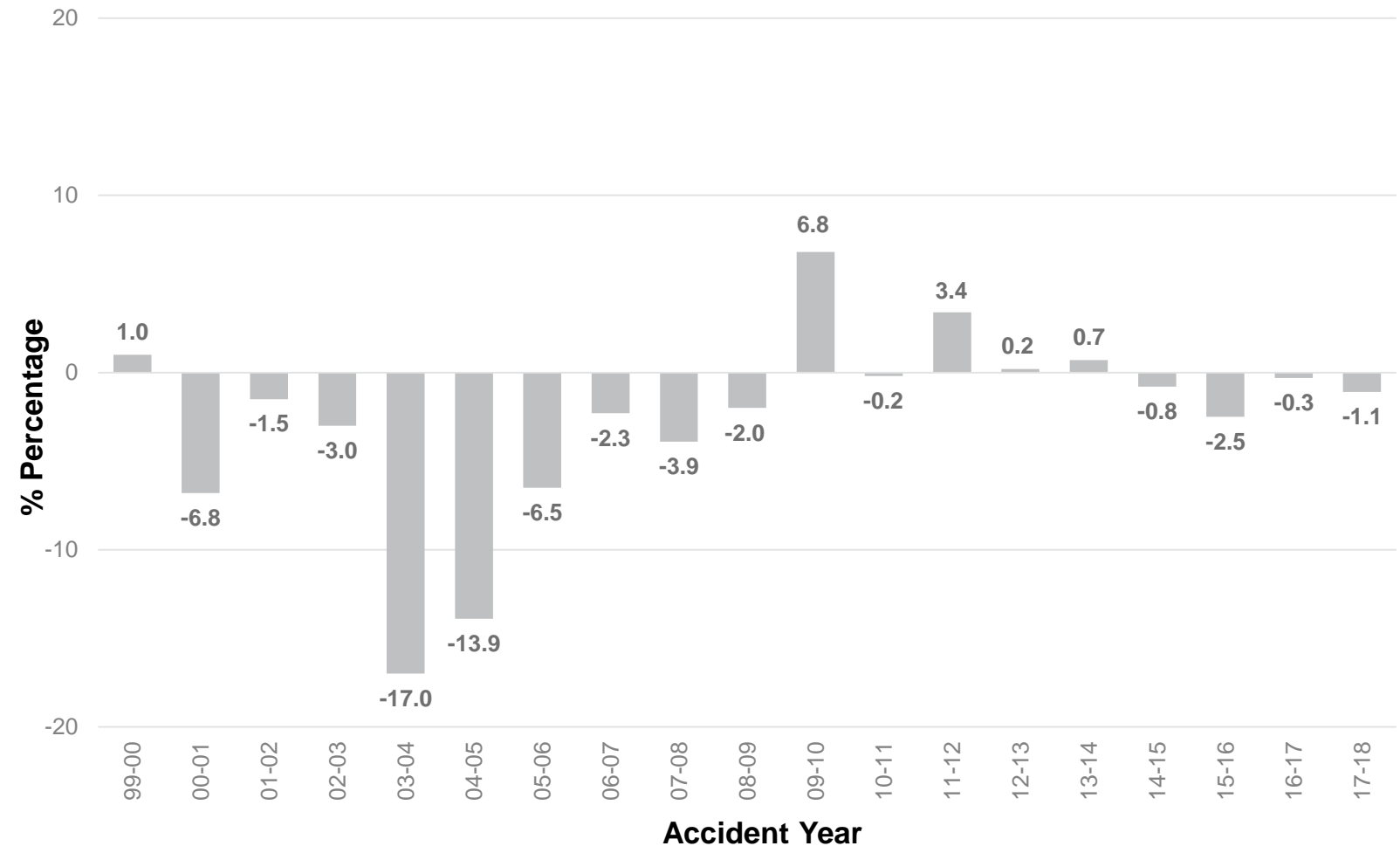


## Chart 6

- Claim frequency increased by 11% from 2009 to 2014, but has decreased by 5% from 2014 through the first 3 months of 2018.
- Frequency increases since 2011 have largely been attributed to increases in cumulative injury claims and claims from the Los Angeles Basin area.

# Change in Indemnity Claim Frequency

As of March 31, 2018



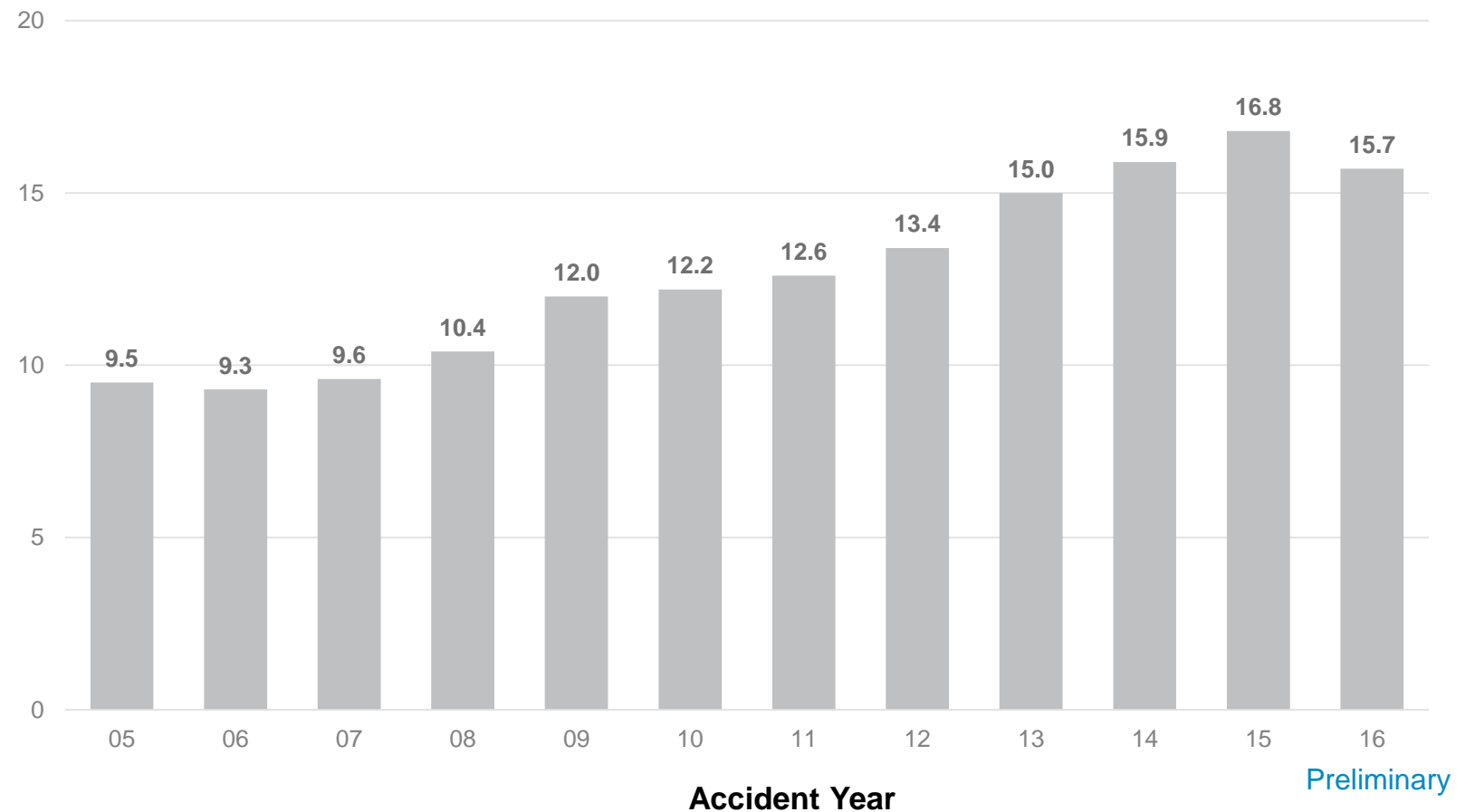




## Chart 7

- Cumulative trauma (CT) claim rates continue to be at high levels in 2016 and the ratio of CT claims to all indemnity claims has increased by over 65% since 2005.
- The sharp increase in CT claims since 2012 is in the Los Angeles and San Diego areas, as CT claims in other regions of CA have decreased.
- The WCIRB will be publishing a study of CT claim patterns later this year.

## Cumulative Trauma Claims per 100 Indemnity Claims



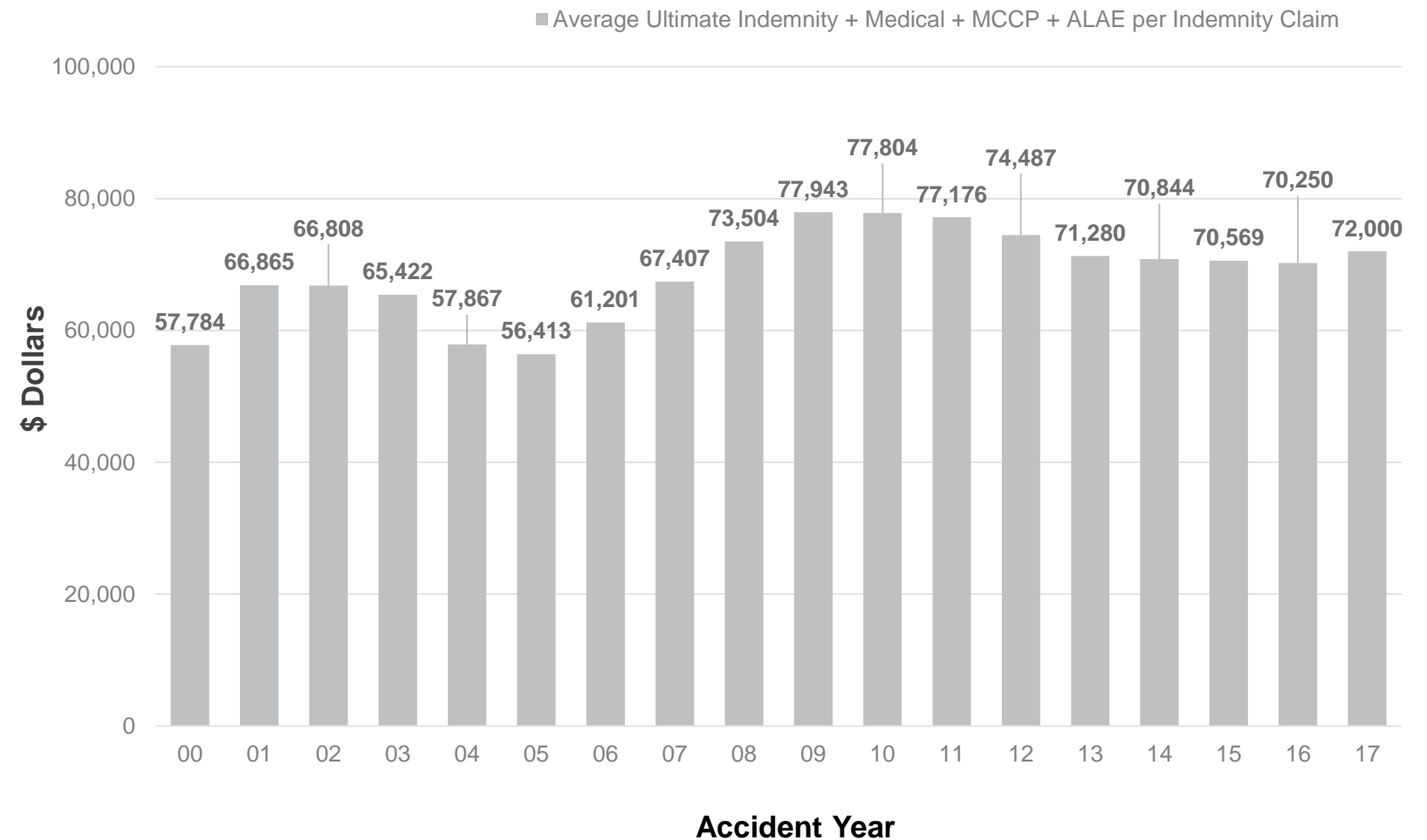


## Chart 8

- Projected claim severity for 2017 is 2.5% higher than that for 2016, following several years of relatively flat severities.
- Severity growth over the last several years has been relatively modest as increases in average indemnity and ALAE costs have been in part offset by declines in average medical costs.

# Ultimate Total Loss and ALAE Severities

As of March 31, 2018



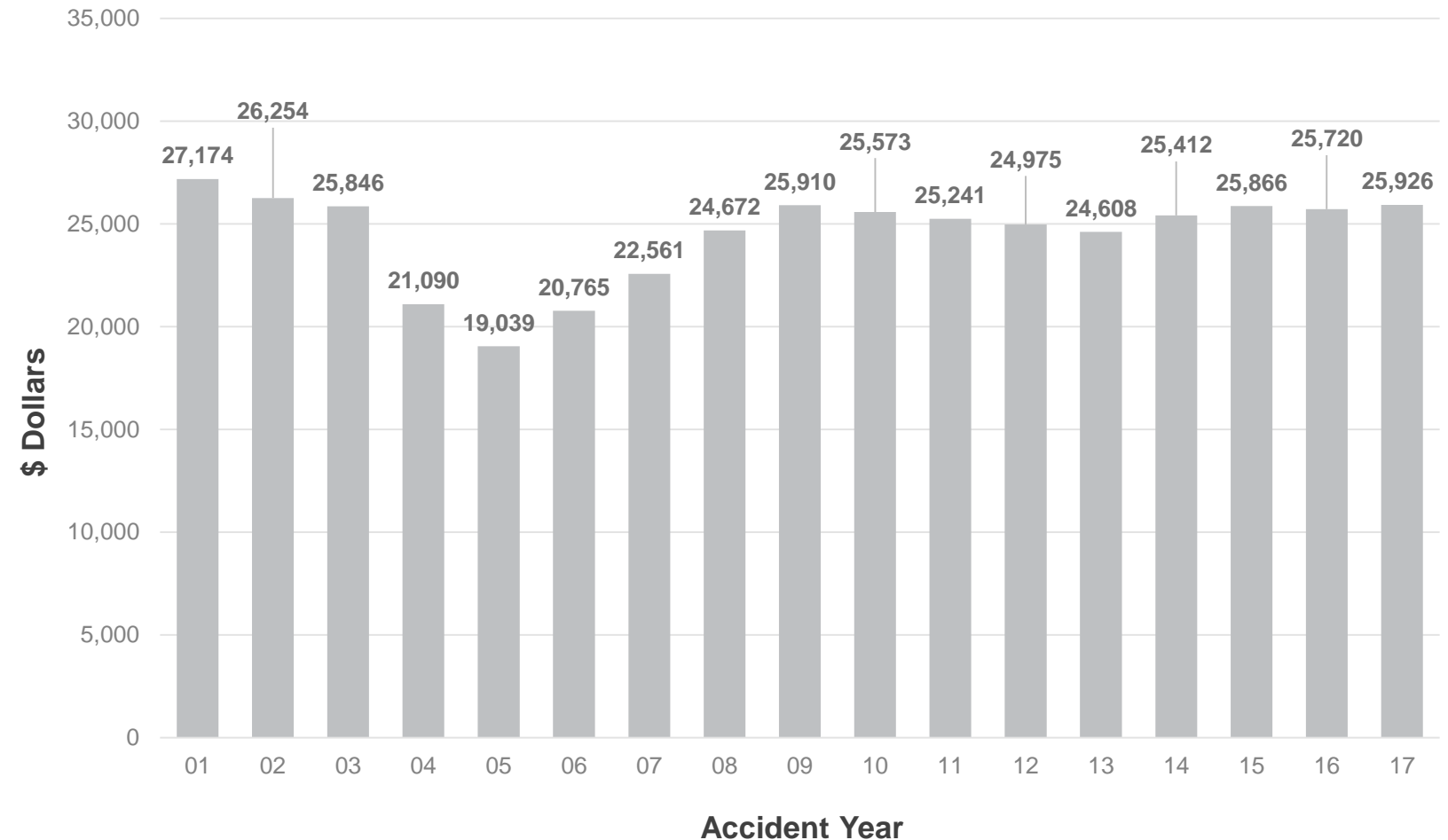


## Chart 9

- Indemnity severity increases in 2014 are largely attributable to SB 863 increases to PD benefits.
- Indemnity severity growth since 2014 has been relatively modest and generally consistent with wage inflation.

# Ultimate Indemnity Severities

As of March 31, 2018



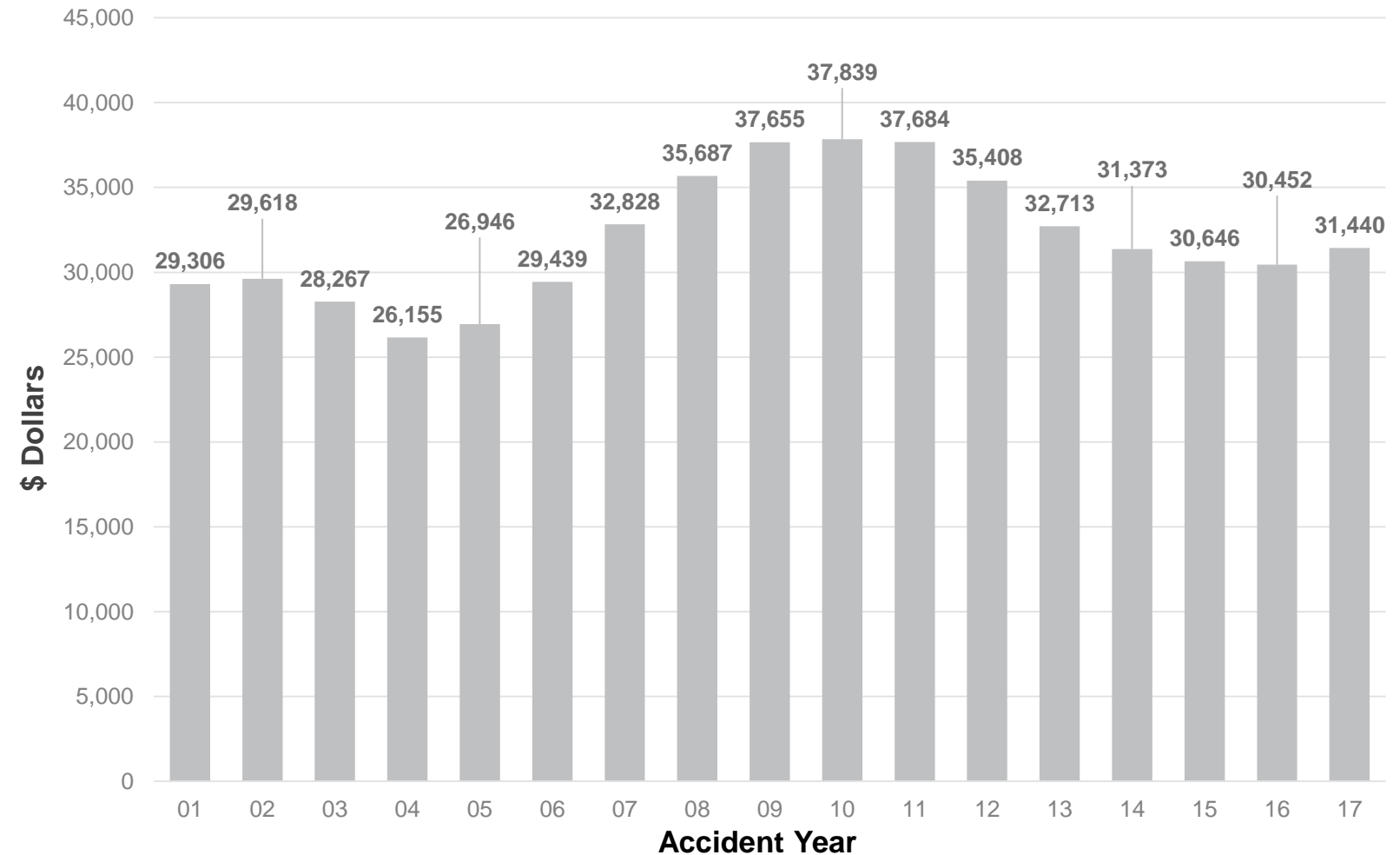


## Chart 10

- Decreases in medical severities from 2011 to 2015 were driven by the medical cost savings arising from SB 863.
- It is unclear whether the projected 2017 medical severity increase of 3% will develop downward like other recent years or if it represents a return the more typical rates of post-reform medical inflation.

# Ultimate Medical Severities

As of March 31, 2018



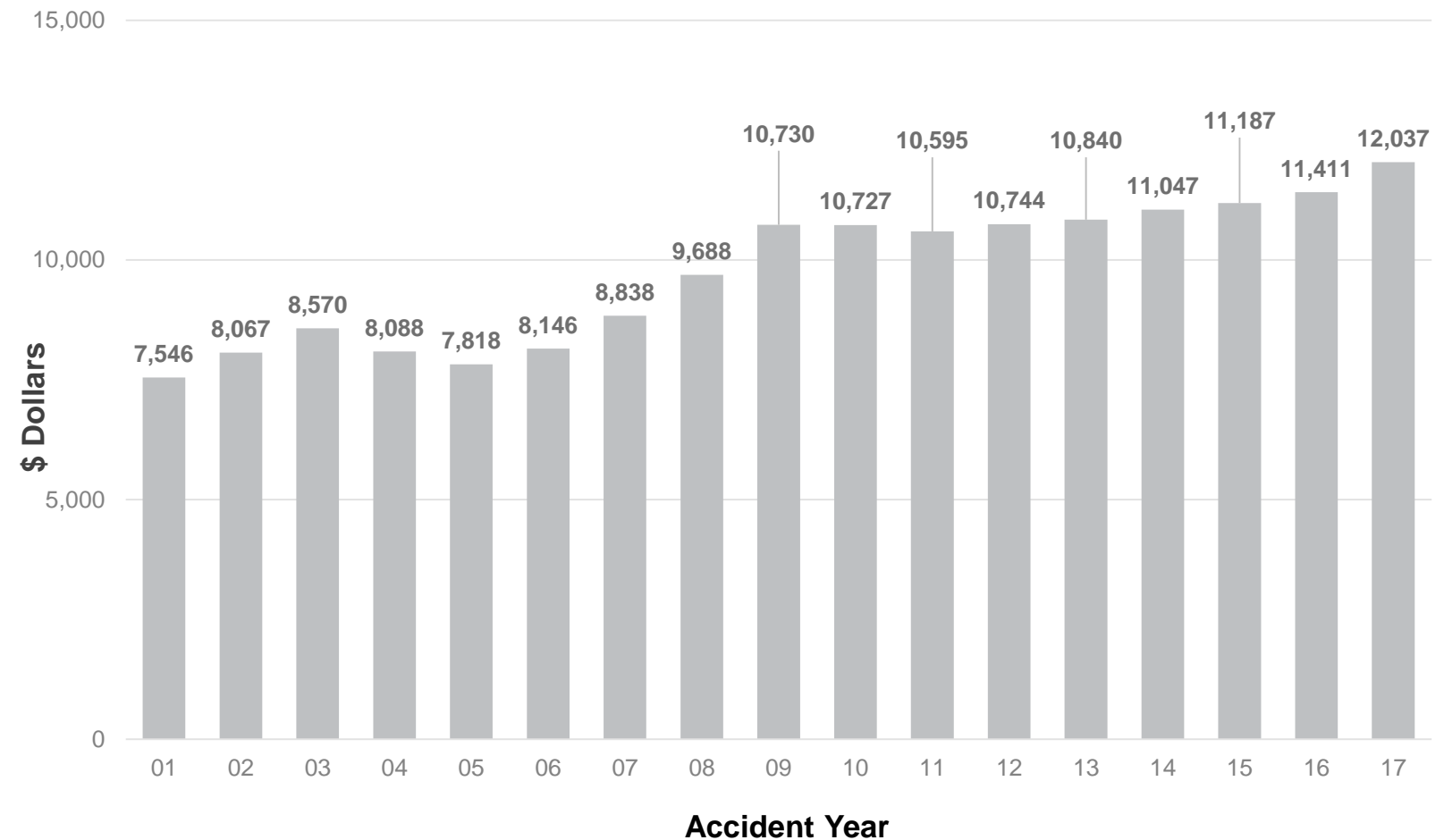


## Chart 11

- Projected ALAE severity for 2017 is 5% higher than that for 2016 and 14% higher than that for 2011.
- Average ALAE costs have tended to rise shortly after the implementation of reforms, even during periods where medical costs have declined.

# Ultimate ALAE (excl. MCCP) Severities

As of March 31, 2018



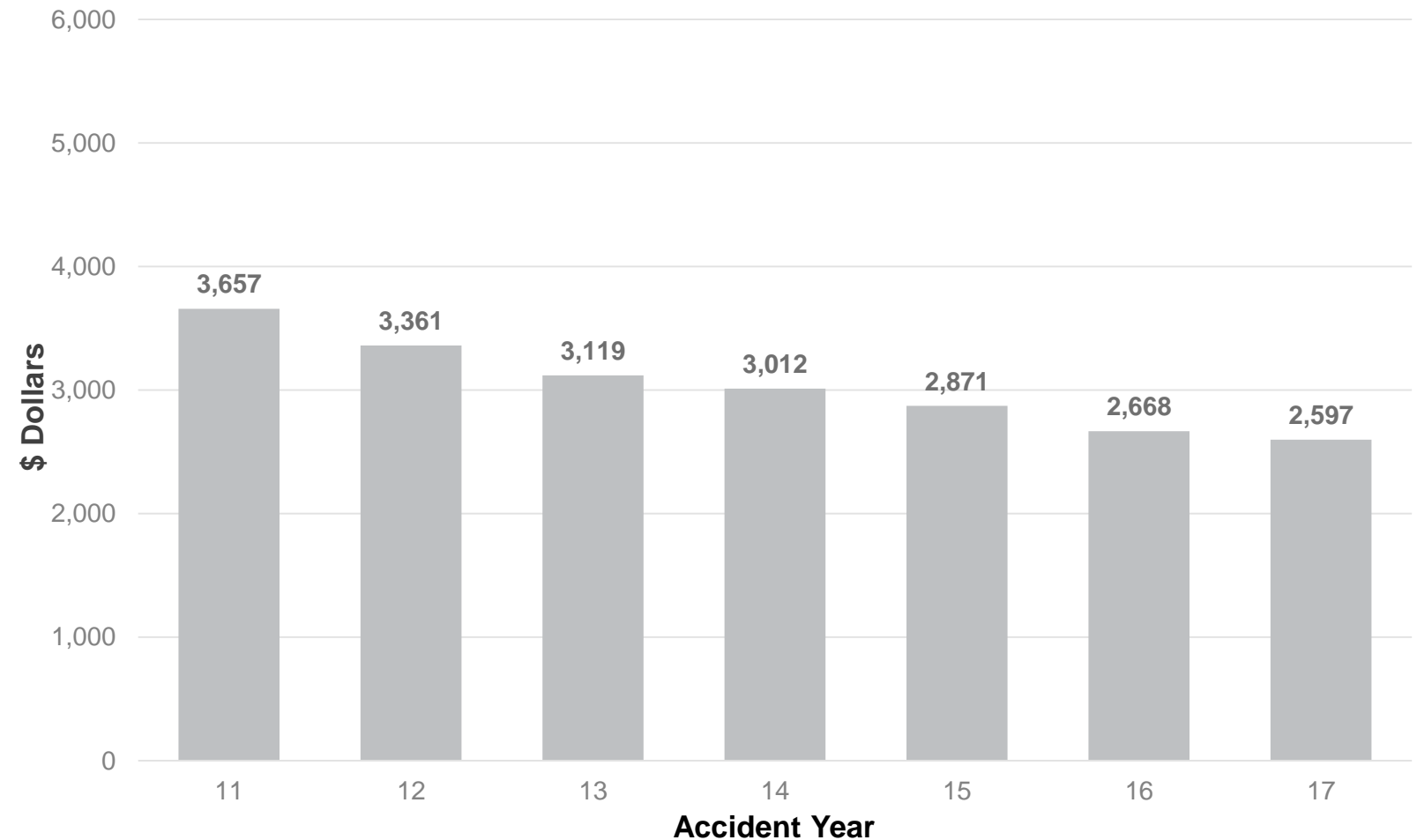


## Chart 12

- Projected MCCCP severity for 2017 is 3% below that for 2016 and 29% below that for 2011.
- Average MCCCP costs have declined in recent years as average medical costs have moderated and claim settlement rates have accelerated.

## Ultimate Medical Cost Containment (MCCCP) Severities

As of March 31, 2018



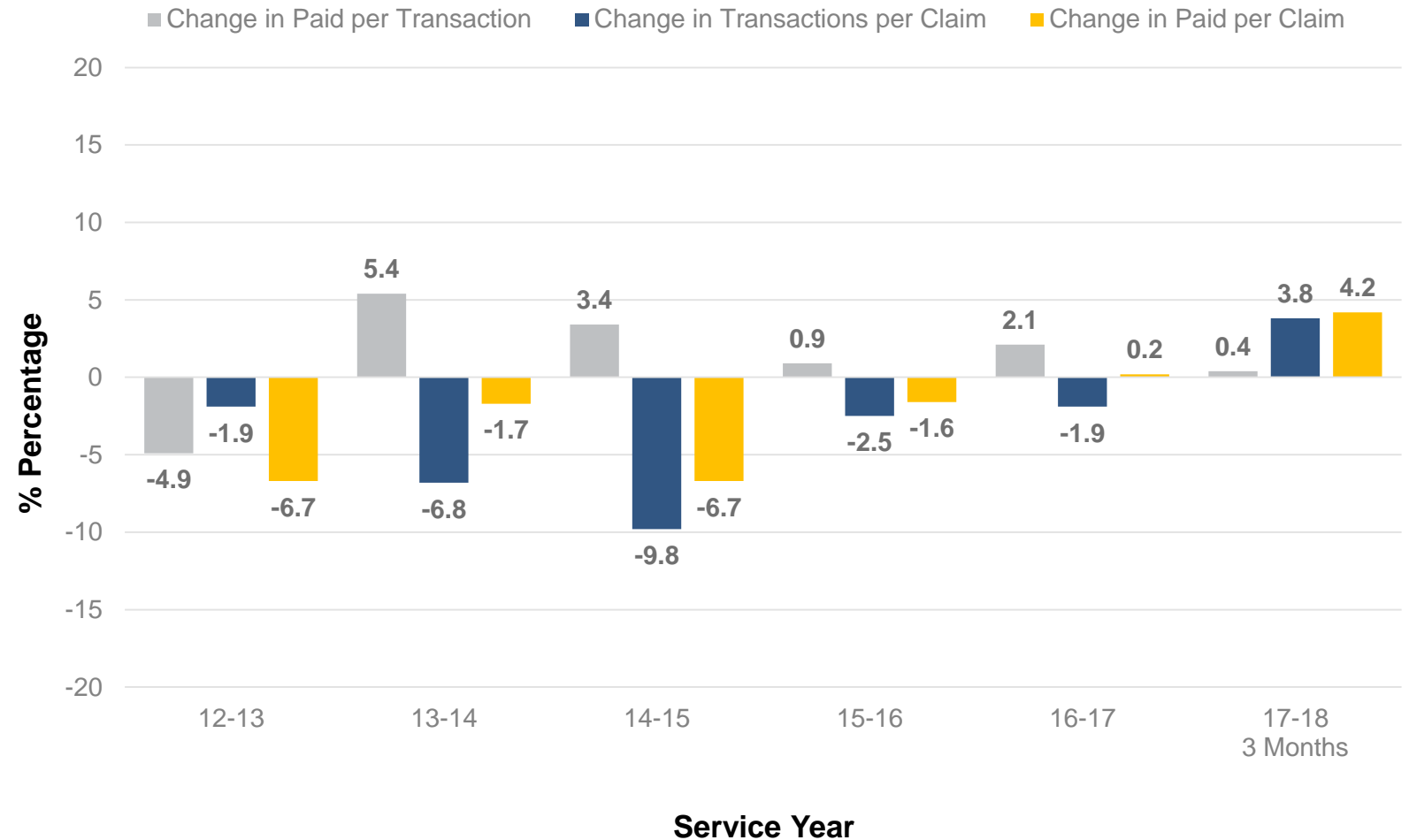


## Chart 13

- Medical service costs per claim decreased 16% from 2012 to 2016, primarily driven by a 20% decrease in the number of transactions per claim.
- Overall medical cost levels were relatively flat in 2017, but show a moderate increase through the first 3 months of 2018.

# Change in Medical Service Cost Levels

As of March 31, 2018



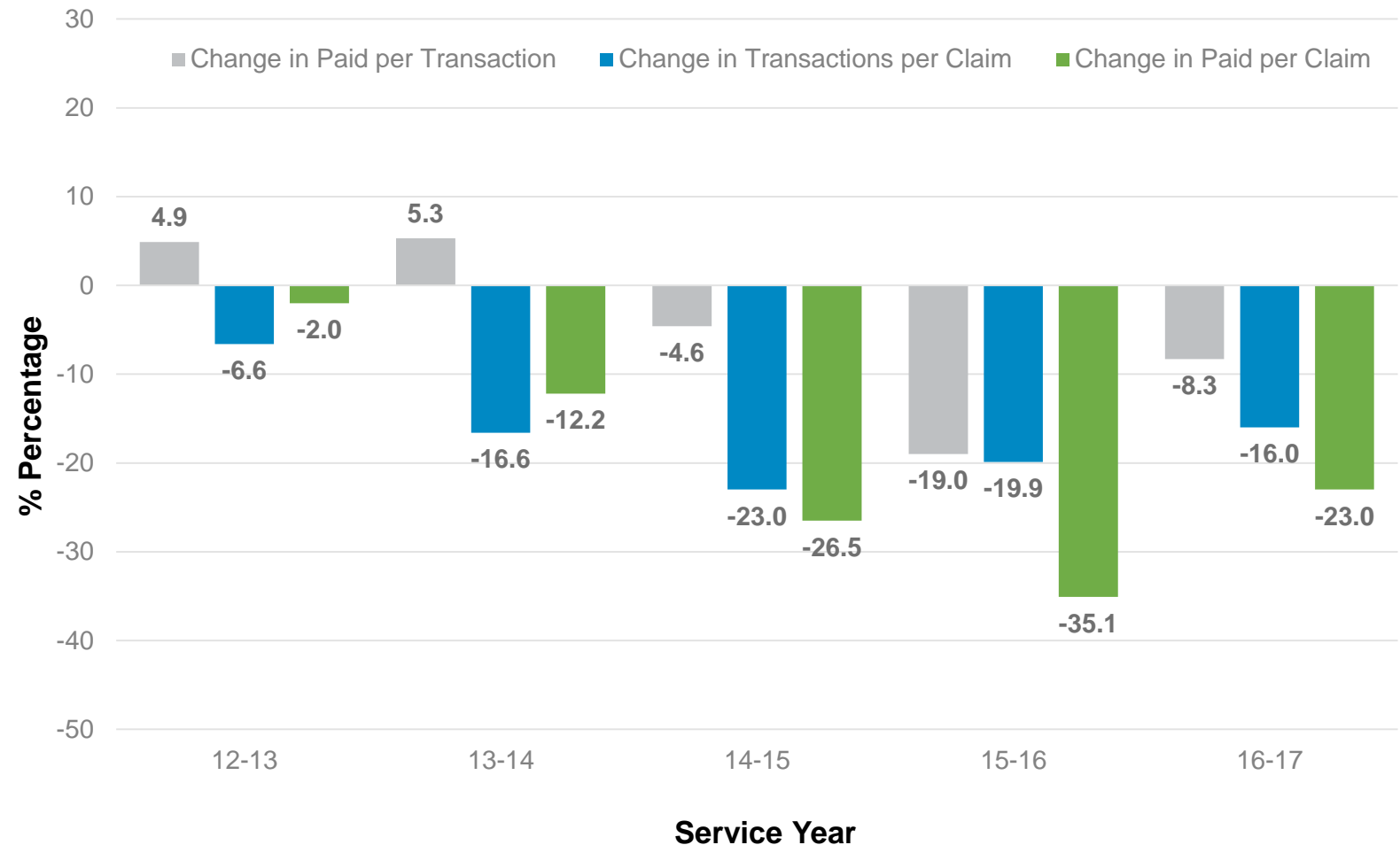


## Chart 14

- Pharmaceutical costs per claim decreased 70% from 2012 to 2017.
- These reductions have been driven by SB 863's IMR & IBR, reduced utilization of opioids, and changes to Medi-Cal reimbursement rates.
- The new drug formulary effective in 2018 is expected to further reduce pharmaceutical cost levels.

# Change in Pharmaceutical Cost Levels

As of March 31, 2018





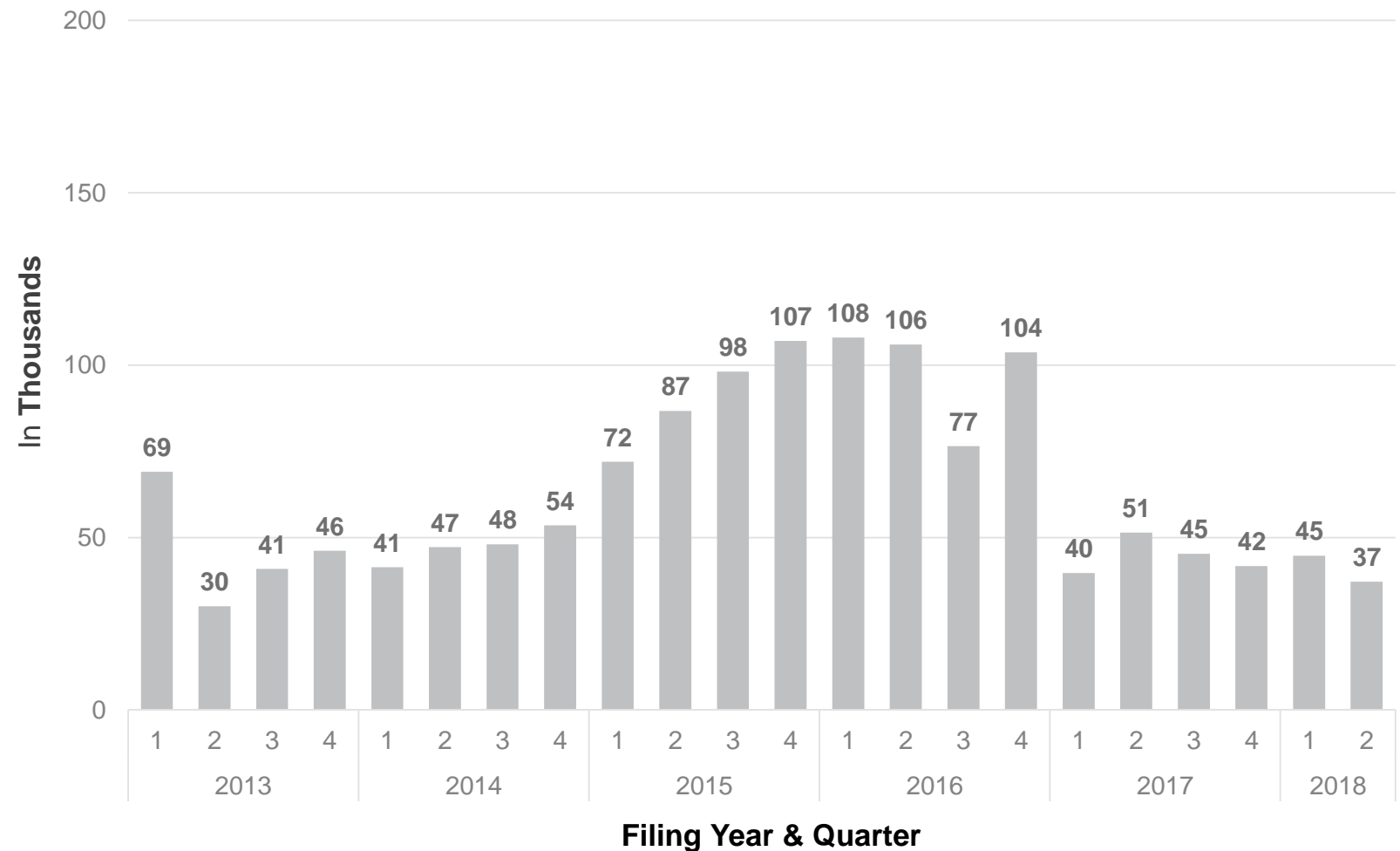


## Chart 15

- SB 1160 and AB 1244 made changes to lien filings effective 1/1/2017.
- Some of the lien activity in the fourth quarter of 2016 through the first quarter of 2017 may be impacted by the transition to the reforms.
- The number of liens filed since the first quarter of 2017 are 40% below pre-SB 1160 and AB 1244 levels.

## Number of Liens Filed

As of June 30, 2018



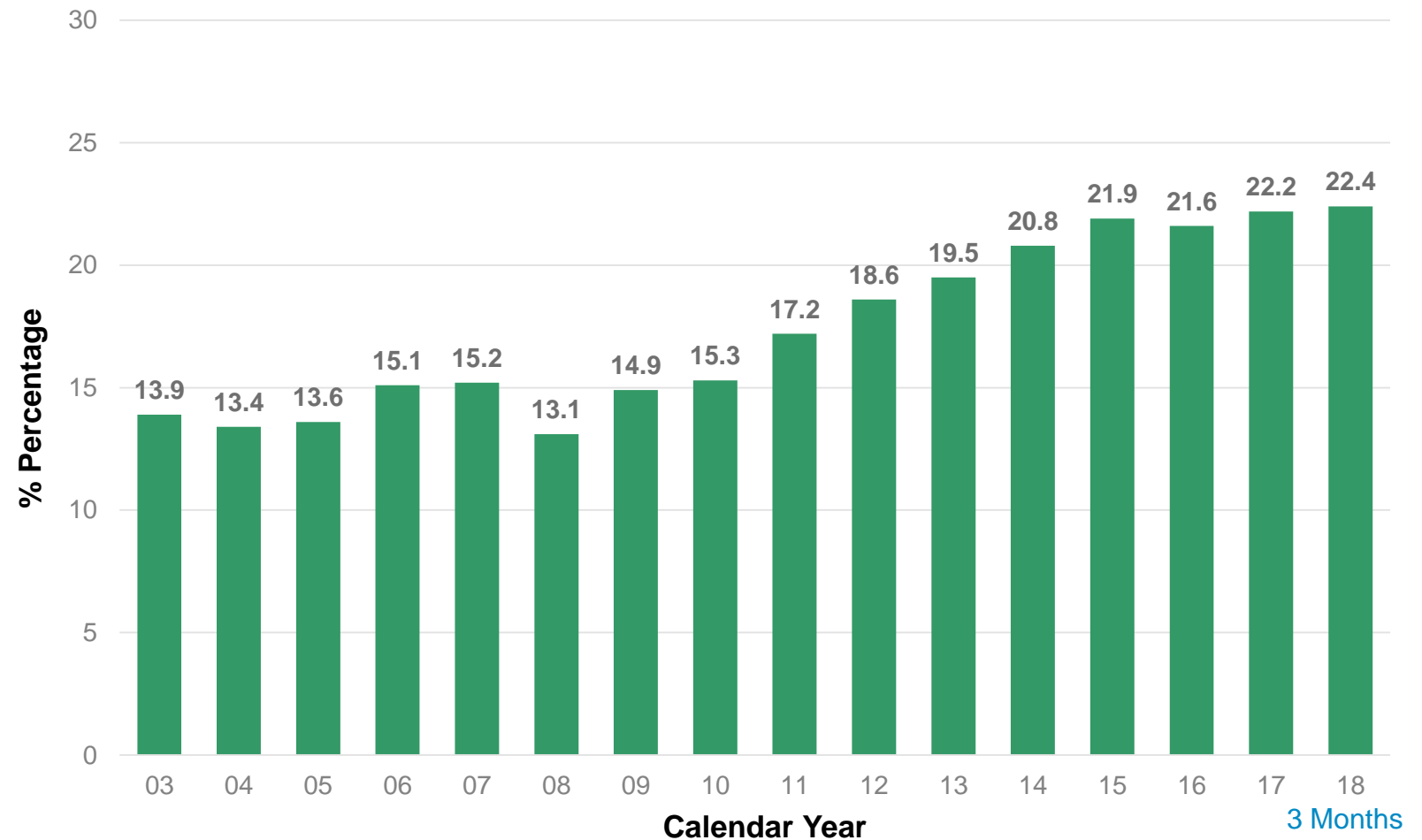


## Chart 16

- Ratios of ALAE to loss increased significantly from 2011 to 2015 in part due to increased cumulative injury claim filings and the transition to SB 863.
- From 2015 through the first 3 months of 2018, these ratios have been generally consistent as savings from recent reforms have not materialized in ALAE costs.

# Ratios of Paid ALAE to Paid Losses

As of March 31, 2018



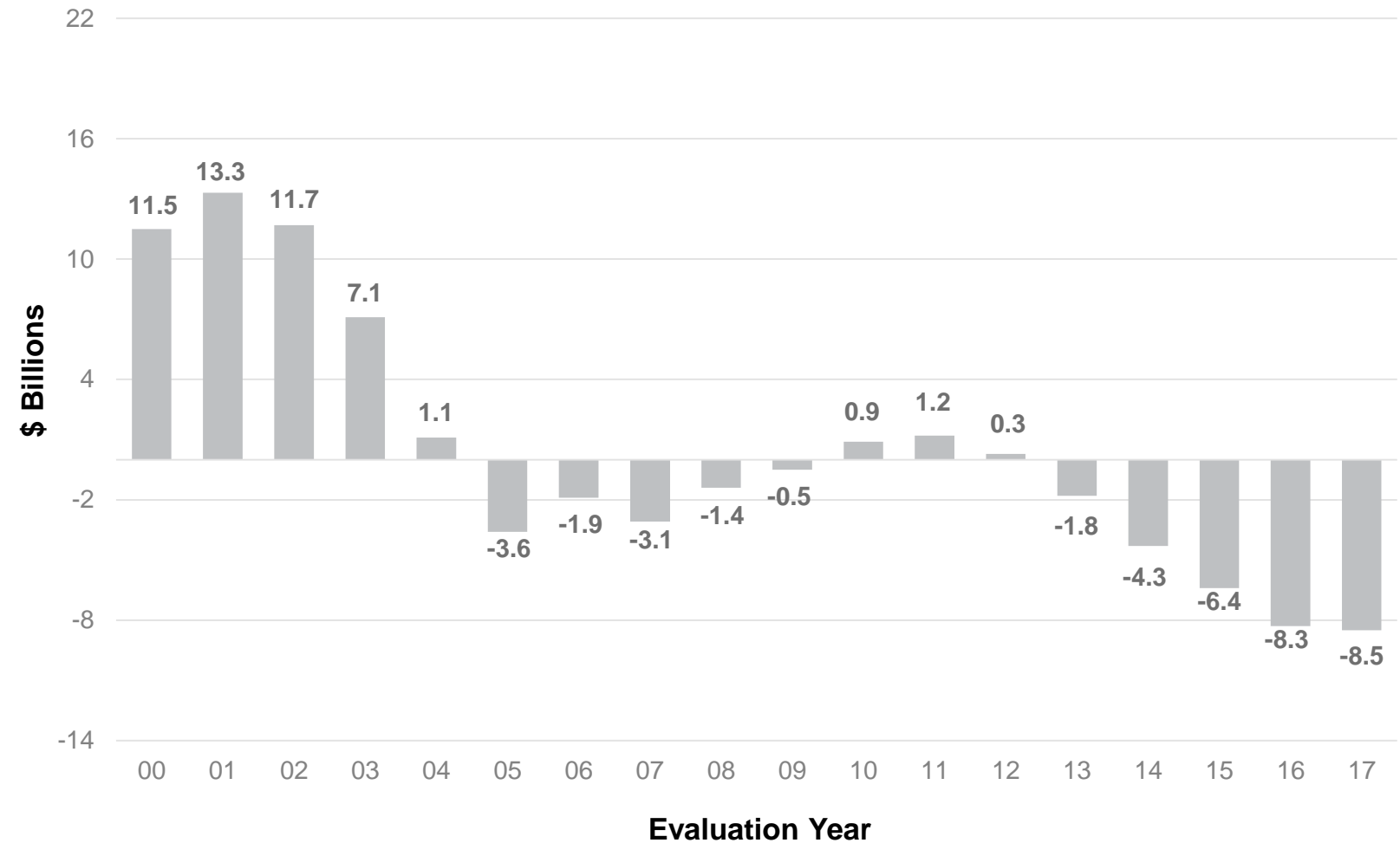


## Chart 17

- Projected total statewide ultimate losses for 2013 through 2017 evaluations are below the amounts reported by insurers.

# Projected Ultimate Losses Less Reported Losses

As of March 31, 2018





## General Notes

- This report reflects a compilation of individual insurer submissions of accident year and calendar year premium and loss data 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 source information underlying each insurer's data submission is not verified by the WCIRB.
- Some of the figures and ratios shown are based on WCIRB actuarial projections of future claim payments using information reported by insurers through March 31, 2018. Although the actuarial methodologies and assumptions upon which these projections are predicated are periodically reviewed by the WCIRB's Actuarial Committee, the actual costs that will ultimately emerge could differ from the amounts projected. Many of these projections will be updated regularly by the WCIRB as more mature information on these claims is reported in subsequent quarters.
- 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.
- Beginning with claims incurred on policies incepting on or after July 1, 2010, the cost of medical cost containment programs (MCCP) is reported to the WCIRB as allocated loss adjustment expense (ALAE) rather than as medical loss. As a result, some portion of MCCP costs for accident years 2010 and 2011 has been reported as medical loss and some portion has 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.



## More Info

### [Chart 1: Written Premium](#)

- 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 2015 and estimated based on aggregate financial data calls for 2016 and later.
- Rates are per \$100 of payroll.
- Rates are averages over policies incepting in the year (December 1 to December 31).

### [Chart 3: Ultimate Accident Year Loss Ratios](#)

- Ratios are projected based on WCIRB aggregate financial data call data as of March 31, 2018.
- 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.

### [Chart 4: Projected Accident Year Combined Ratios](#)

- Ratios are projected based on WCIRB aggregate financial data call data as of March 31, 2018.
- Combined ratios include losses, loss adjustment expenses, and other insurer expenses.

### [Chart 5: Percent of Open Indemnity Claims Closed in Next Year](#)

- Source: WCIRB aggregate financial data call data as of March 31, 2018.
- Figures represent the number of indemnity claims aged between 12 to 96 months closed during the year as a ratio of the number of claims open as of March 31 of the prior year.

### [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 2016, and changes in reported indemnity claim counts compared to changes in statewide employment based on WCIRB aggregate financial data call data for accident year 2017 and the first quarter of 2018.

### [Chart 7: Cumulative Trauma Claims per 100 Indemnity Claims](#)

- Source: WCIRB unit statistical data based on partial accident years. Claim counts are developed to an estimated ultimate level.
- Accident year 2016 data is preliminary.

### [Chart 8: Ultimate Loss & ALAE Severities](#)

- Severities are projected based on WCIRB aggregate financial data call data as of March 31, 2018.
- Includes data for indemnity claims only.



## More Info (...continued)

### [Chart 9: Ultimate Indemnity Severities](#)

- Severities are projected based on WCIRB aggregate financial data call data as of March 31, 2018.

### [Chart 10: Ultimate Medical Severities](#)

- Severities are projected based on WCIRB aggregate financial data call data as of March 31, 2018.
- Includes data for indemnity claims only. MCCP costs have been excluded from all years for consistency of comparison.

### [Chart 11: Ultimate ALAE \(excl. MCCP\) Severities](#)

- Severities are projected based on WCIRB aggregate financial data call data as of March 31, 2018.
- Includes data for indemnity claims only. MCCP costs are excluded from all years for consistency of comparison.

### [Chart 12: Ultimate Medical Cost Containment \(MCCP\) Severities](#)

- Severities are projected based on WCIRB aggregate financial data call data as of March 31, 2018.
- Includes data for indemnity claims only.

### [Chart 13: Change in Medical Service Cost Levels](#)

- Source: WCIRB Medical Data Call data as of March 31, 2018.

### [Chart 14: Change in Pharmaceutical Cost Levels](#)

- Source: WCIRB Medical Data Call data as of March 31, 2018.

### [Chart 15: Number of Liens Filed](#)

- Source: the Division of Workers' Compensation.

### [Chart 16: Ratios of Paid ALAE to Paid Losses](#)

- Source: WCIRB aggregate financial data calls.
- MCCP costs paid on policies incepting prior to July 1, 2010 are considered loss and costs paid on policies incepting after July 1, 2010 are considered ALAE.

### [Chart 17: Projected Ultimate Losses Less Reported Losses](#)

- Insurer-reported losses include insurers' estimates of incurred but not reported (IBNR) losses that may, in part, reflect allocations of IBNR losses to line of business, state, and accident year, and are on a basis that does not reflect anticipated reinsurance recoveries or employer-paid deductibles. As a result, the amounts shown do not necessarily equate to specific estimates of the adequacy of insurers' reserves for unpaid losses.
- Projected ultimate losses are based on WCIRB aggregate financial data call data as of March 31, 2018.



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