

# September 1, 2022 Pure Premium Rate Filing WCIRB Executive Summary

June 14, 2022

California Department of Insurance Public Hearing

# Presentation Summary

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# 01

## Opening Remarks





# 02

## Executive Summary

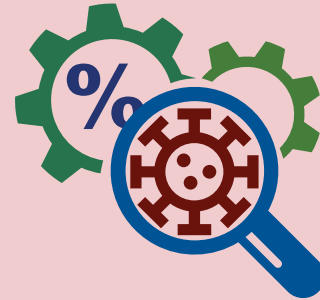


# Executive Summary

## Key Considerations



**Reform Impacts  
Waning**



**2020 Experience  
Distorted by  
Pandemic**



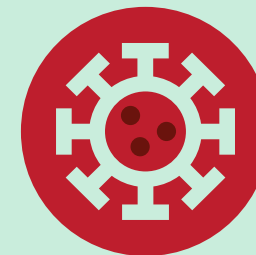
**Significant Wage  
Level Growth in  
2020 and 2021**



**Sharp Increase  
2021 Claim  
Frequency**



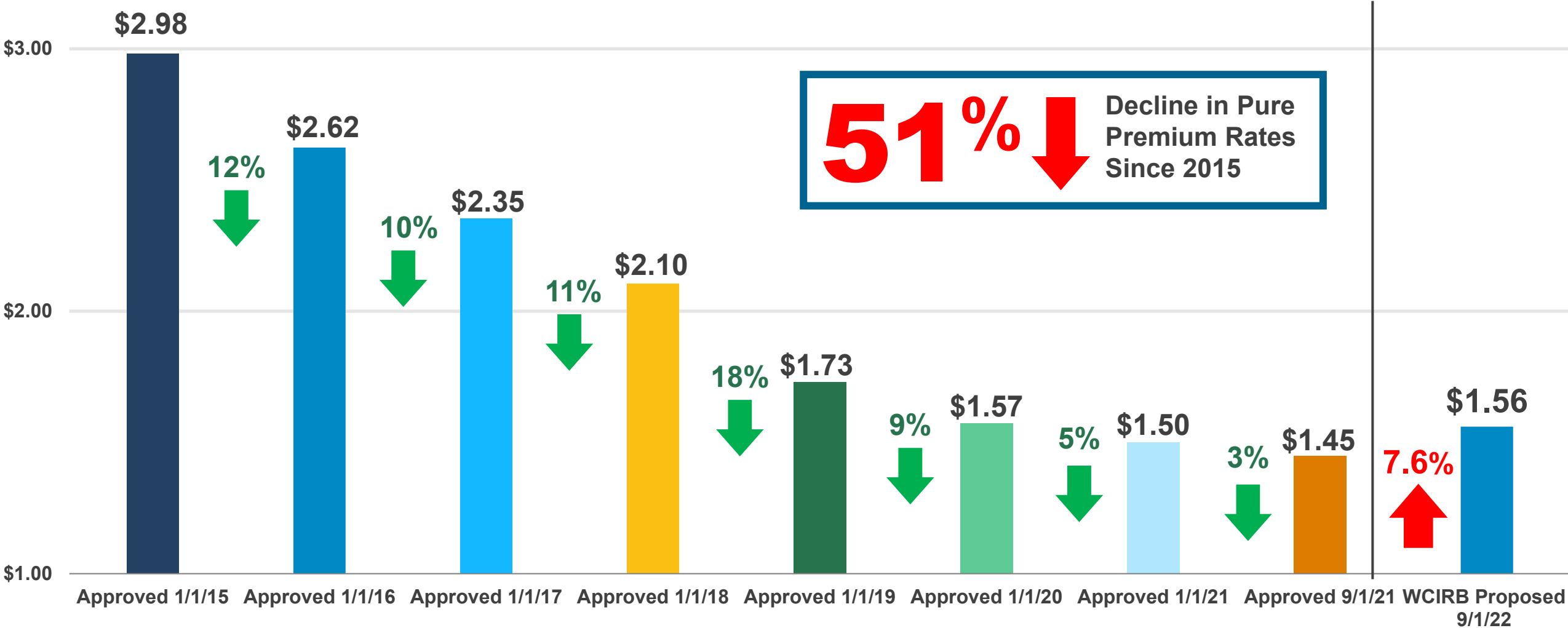
**Medical Inflation  
Post-Reform  
Gradually Rising**



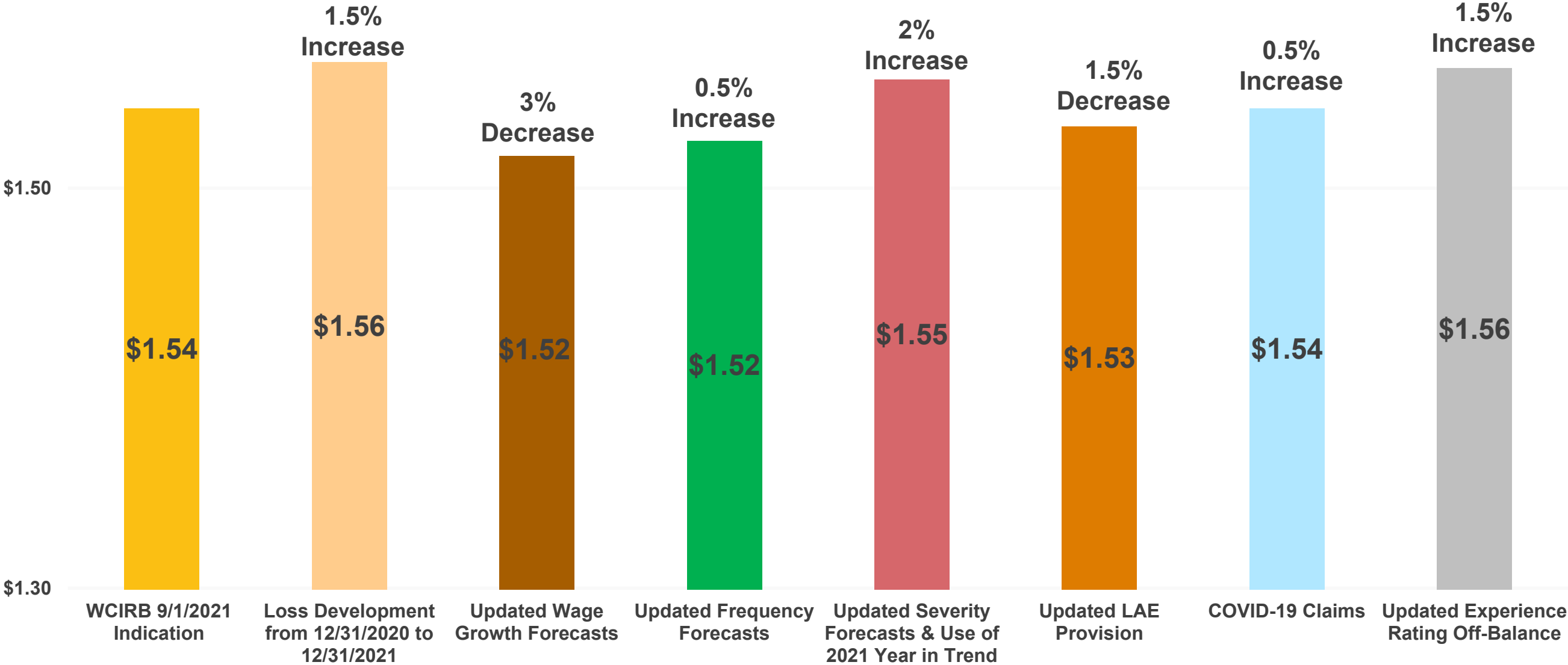
**COVID-19  
Becoming  
Endemic**

# Declining Average Advisory Pure Premium Rates – Moderating Trends

Rate per \$100 of payroll



# Drivers of Change in Indicated Average Advisory Pure Premium Rate 9/1/2021 to 9/1/2022





# 03

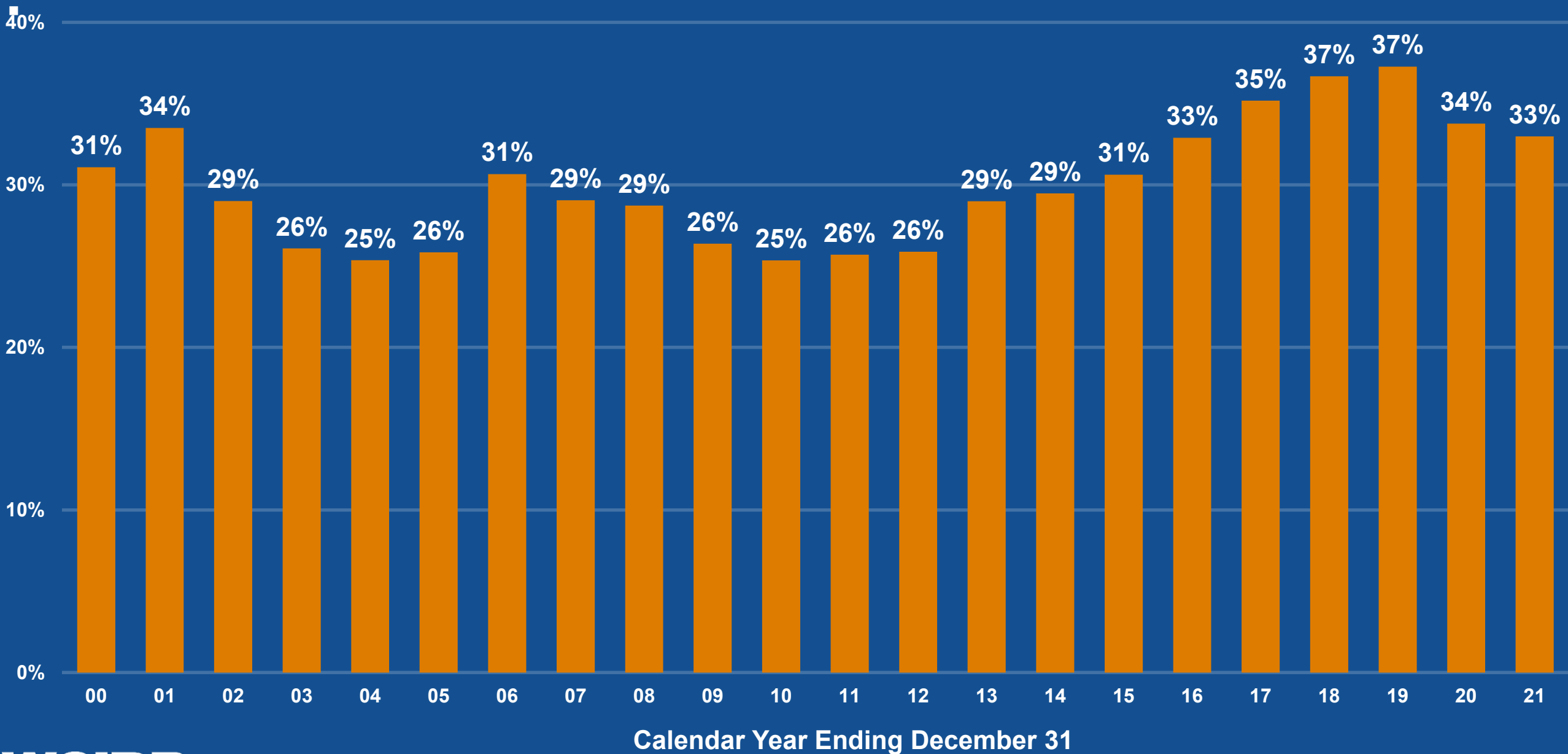
## Key Underlying Assumptions





# Percent of Open Indemnity Claims Closed in Next Year

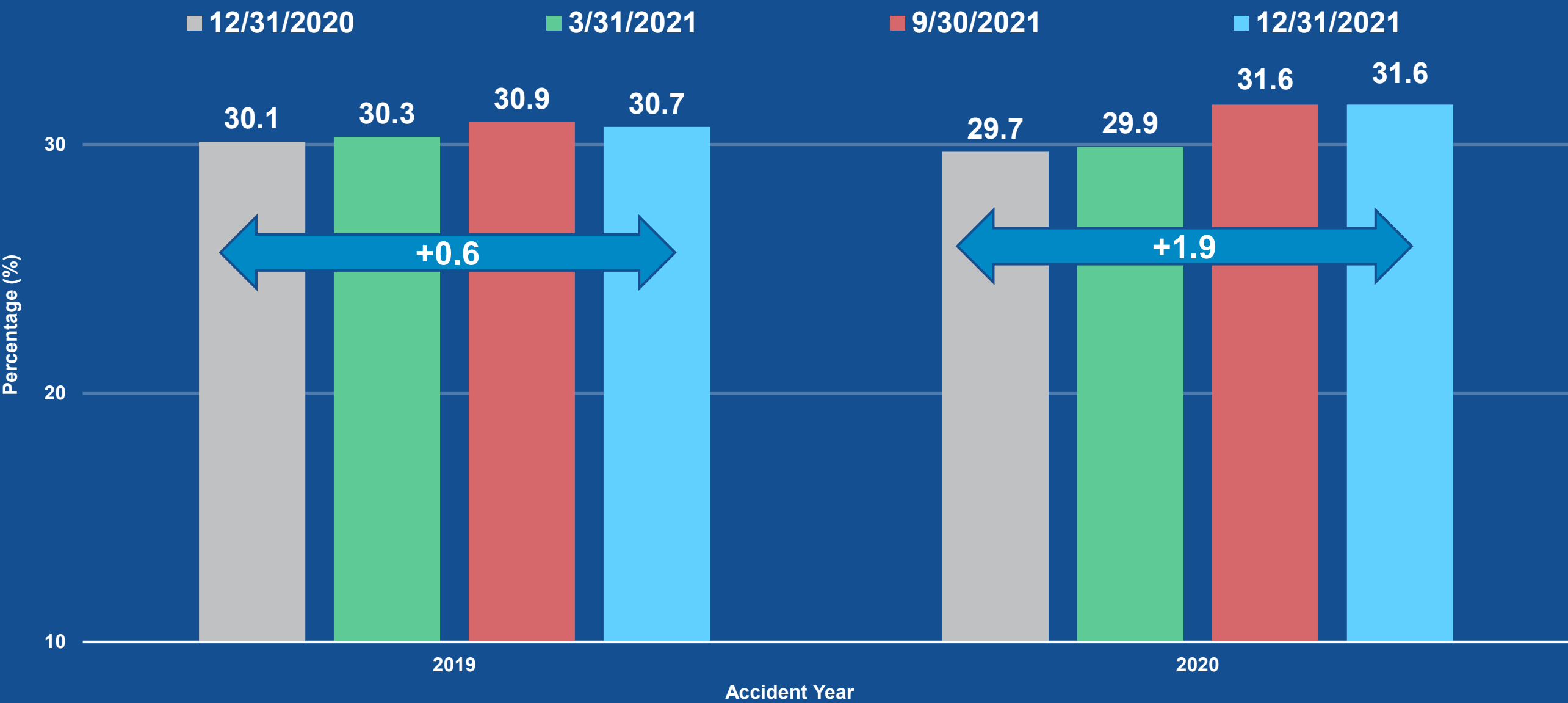
As of December 31, 2021



# Emerging Medical Loss Development

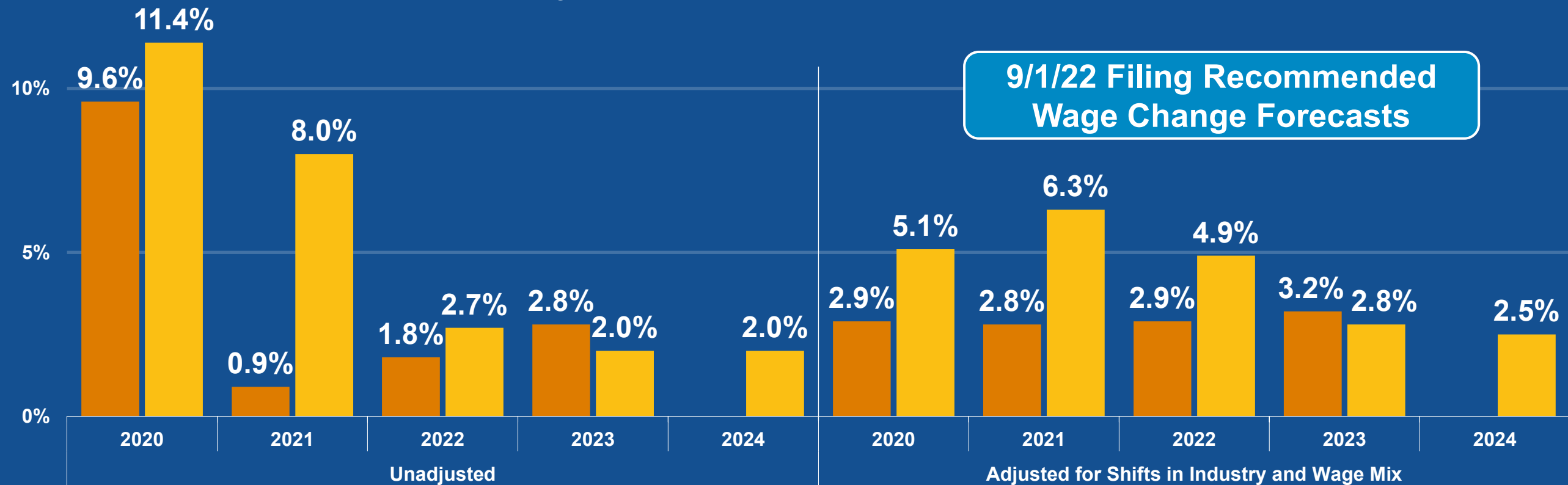
## Estimated Ultimate Medical Loss Ratios at Quarterly Evaluations

As of December 31, 2021



# Average Wage Level Change Forecast

- Average of Mar 2021 UCLA and Nov 2020 CA DoF
- Average of Mar 2022 UCLA and Nov 2021 CA DoF



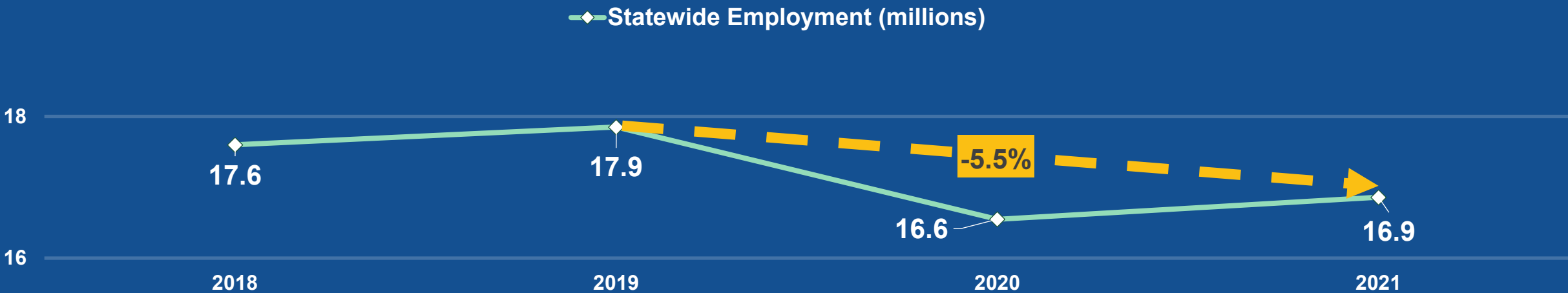
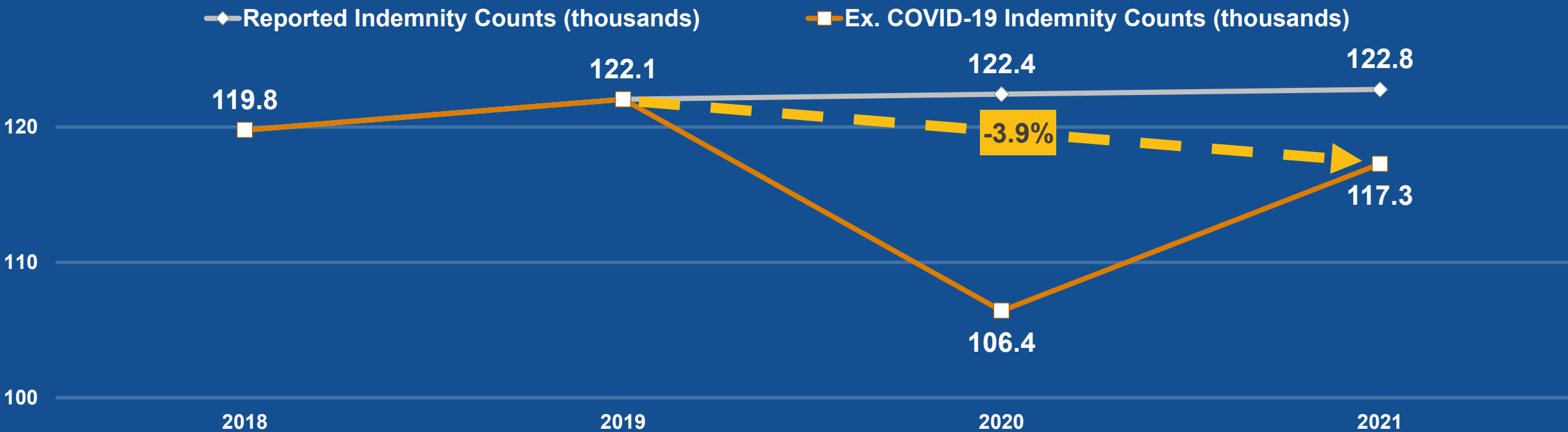
Average Annual Adjusted Wage Change Projection from 2019:

9/1/2021 Filing: **2.9%**      9/1/2022 Filing: **4.7%**

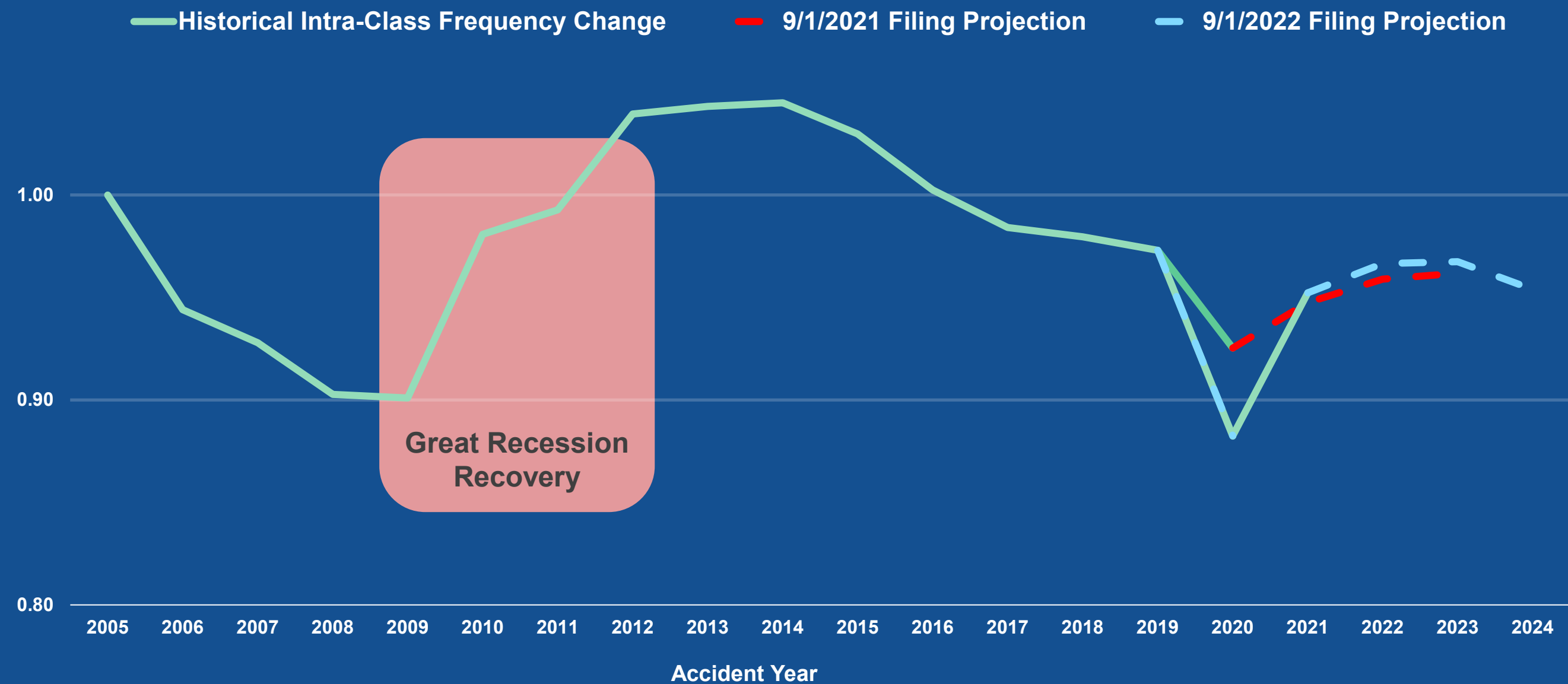


# Changes in 12-Month Indemnity Claim Counts and Employment Levels

As of December 31, 2021

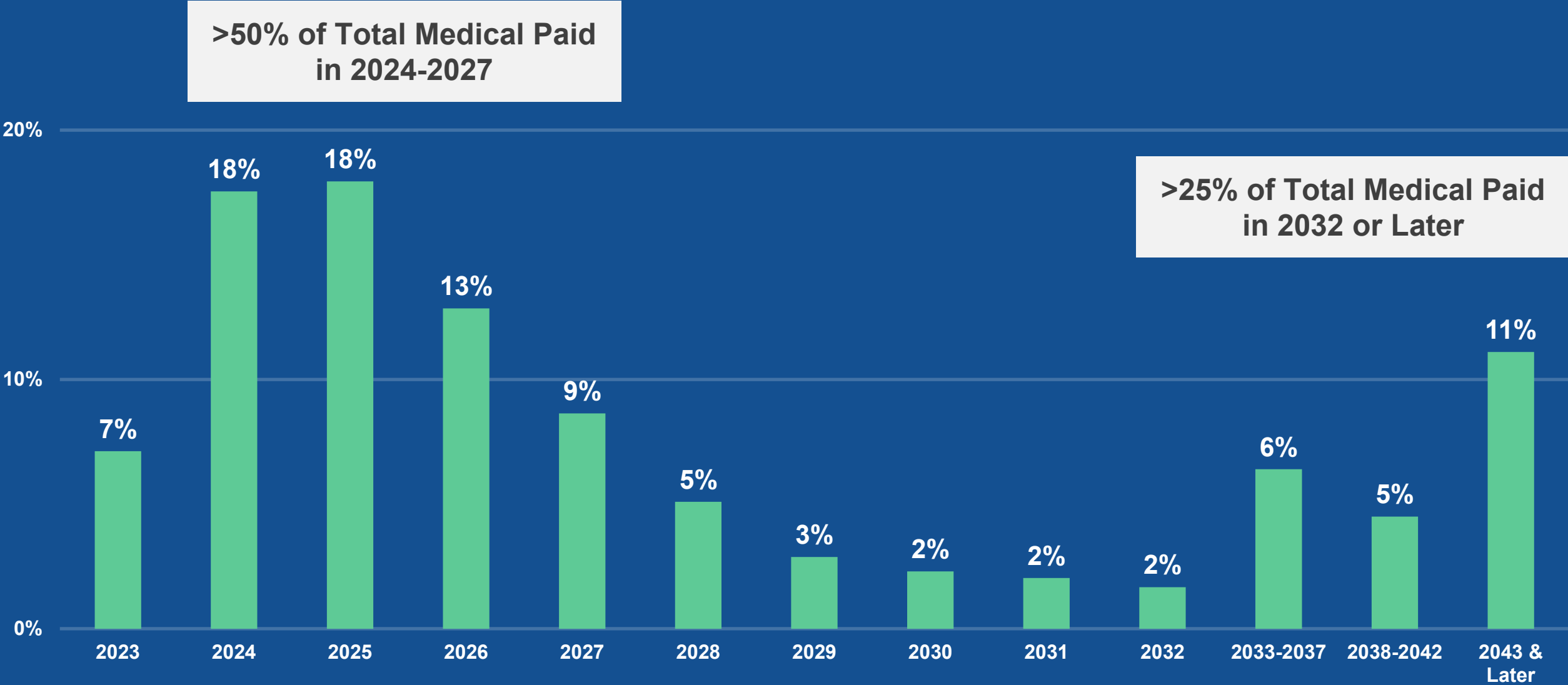


# Indemnity Claim Frequency – Indexed to 2005



# Policy Year 2023 – Estimated Medical Paid by Year

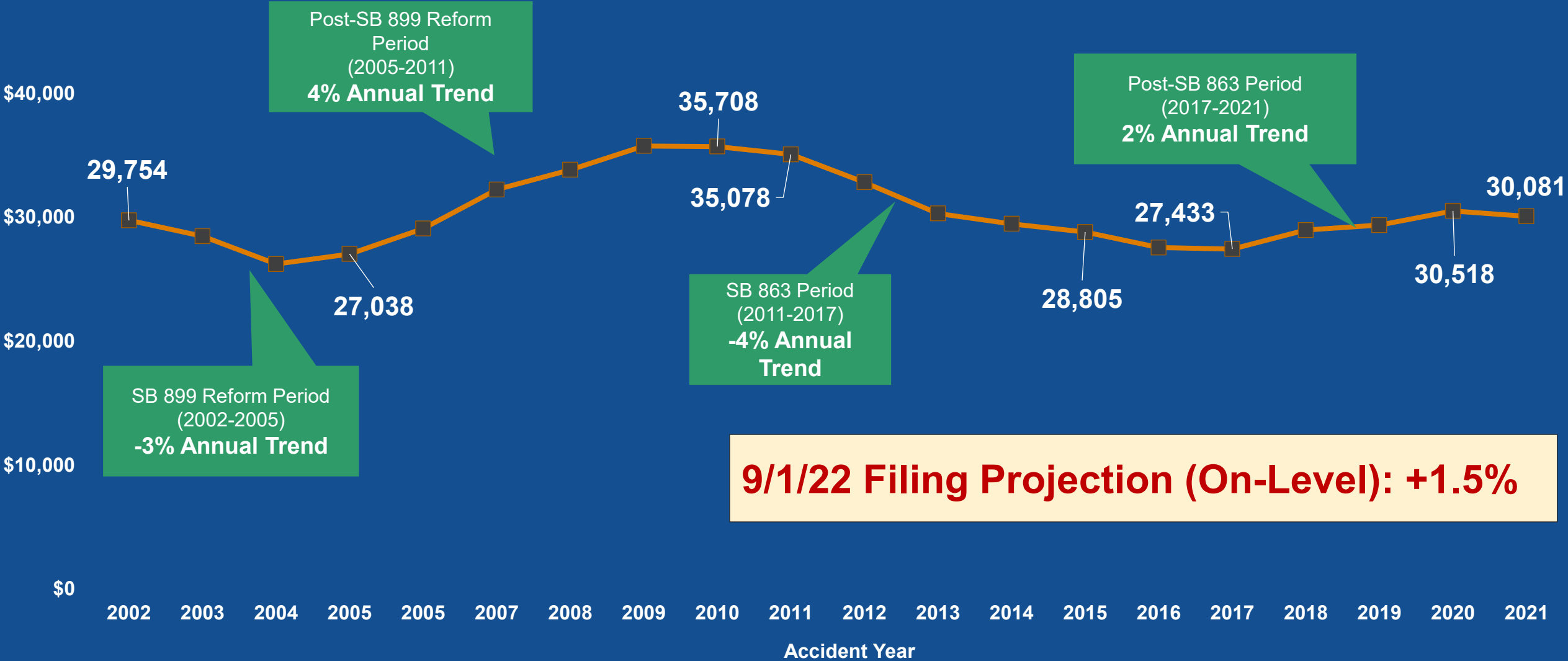
As of December 31, 2021





# Average Medical Claim Severity by Accident Year

As of December 31, 2021



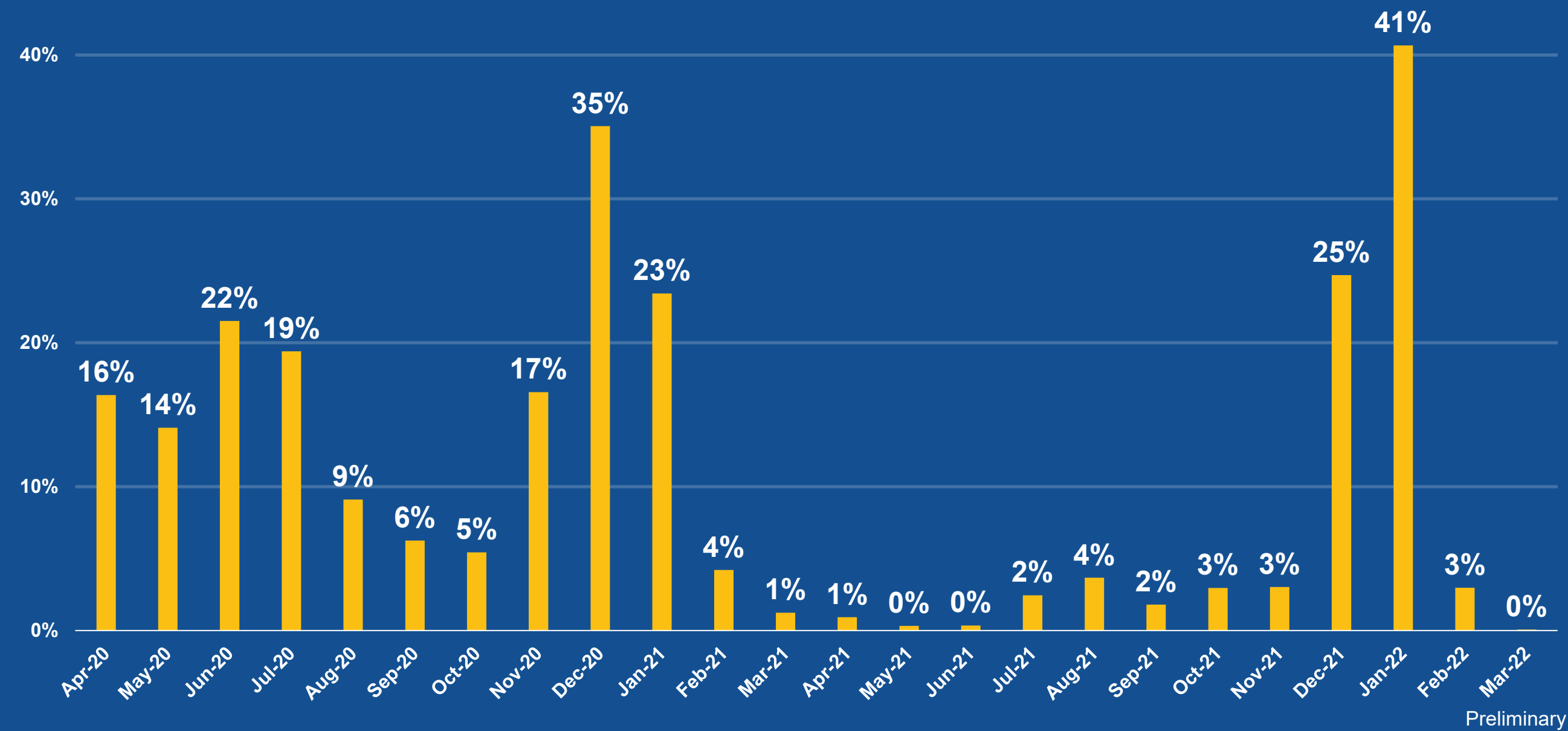
# 04

## COVID-19 Claim Cost Projection




# COVID-19 Share of Indemnity Claims

As of April 7, 2022

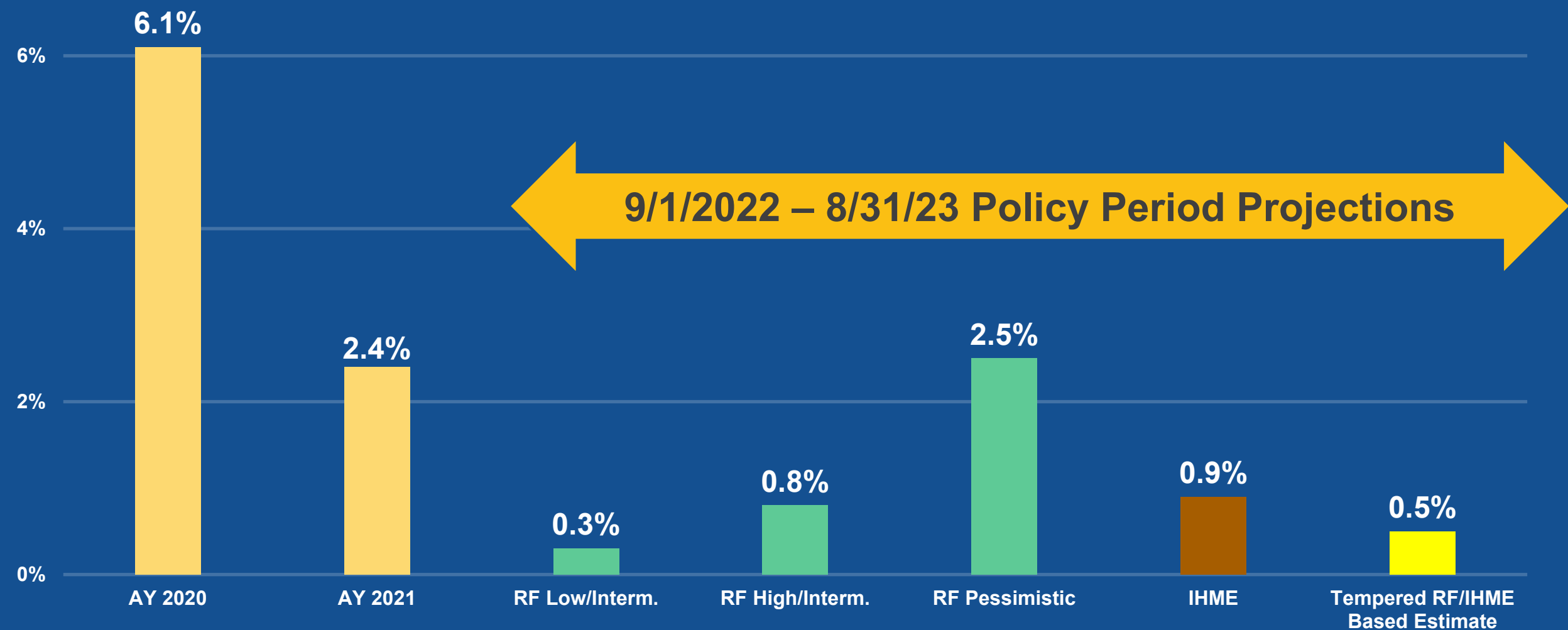




# COVID-19 Claim Cost Projections – Considerations

- 
- Infectious disease experts indicate that the pandemic is transitioning to an endemic phase
  - Infections expected to continue into the foreseeable future
  - Limited availability of forecasts of future COVID-19 rates
  - Two forecasts of future COVID-19 rates identified
    - Rockefeller Foundation Report
    - Institute for Health Metrics and Evaluation (IHME)
  - **Key Considerations:**
    - New variants
    - Greater population immunity due to vaccinations, boosters and infections
    - Higher level of immunity among healthcare and frontline workers
    - Changes in mitigation measures and work from home
    - Changes in COVID-19 exposure
    - Long COVID
    - COVID-19 therapeutics

# Estimated Cost of COVID-19 Claims as Percentage of Total Losses & LAE





# 05

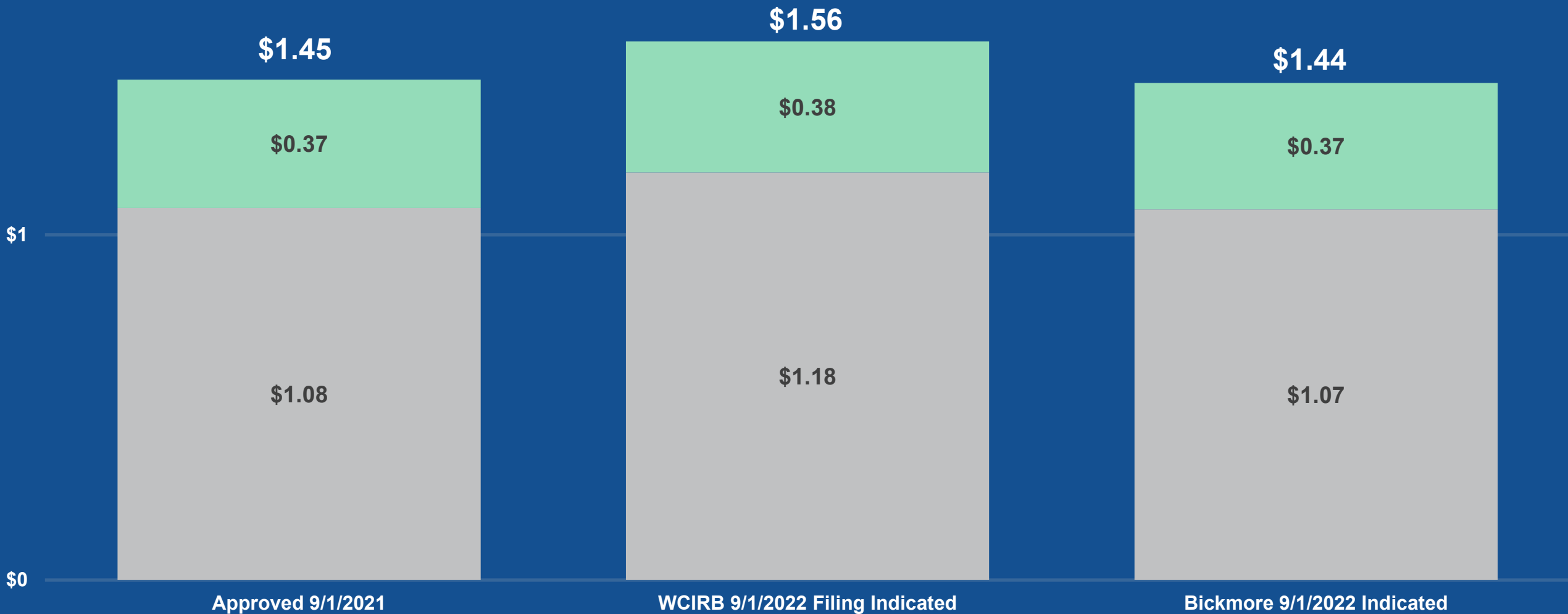
## Advisory Pure Premium Rate Comparison





# Average Advisory Pure Premium Rates per \$100 of Payroll

■ Loss Adjustment Expenses ■ Losses



# Questions? Comments?



**Dave Bellusci**  
Executive Vice President  
and Chief Actuary



**Bill Mudge**  
President and CEO



**Tony Milano**  
Vice President Actuarial Services

