

2023 State of the System

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

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Premium Levels Increasing

The California workers' compensation system has continued to move forward into the post-pandemic era. Driven by the economic recovery from the pandemic-related downturn, premium levels increased by 14% in 2022 ([Chart 1](#)). With flattening insurer charged rates ([Chart 4](#)) and continued economic expansion, premium is forecast to be above the pre-pandemic level in 2023.

Claim Frequency Returning to Pre-Pandemic Levels

Claim frequency is generally returning to pre-pandemic levels. The frequency of non-COVID-19 indemnity claims was relatively flat in 2022, following sharp changes in 2020 and 2021 related to the pandemic ([Chart 9](#)). The share of indemnity claims involving cumulative trauma (CT) in 2021 is consistent with the pre-pandemic level after a sharp increase in 2020 ([Chart 14](#)). After the Omicron surge in the winter of 2021, the share of COVID-19 claims and costs declined and has been stable for the majority of 2022 through early 2023 ([Chart 27](#)).



Increasing Wage Levels Drive Increases in Indemnity Claim Costs

Average indemnity claim costs continue to increase ([Chart 17](#)), primarily driven by increasing average wage levels ([Chart 3](#)). Average medical claim costs remain relatively flat ([Chart 20](#)), driven by continued declines in the utilization of medical services ([Chart 22](#)) offset by rising medical inflation ([Chart 26](#)). Medical-legal costs continue to increase following implementation of the April 1, 2021 Medical-Legal Fee Schedule ([Chart 24](#)).

Claim Duration Longer than Average

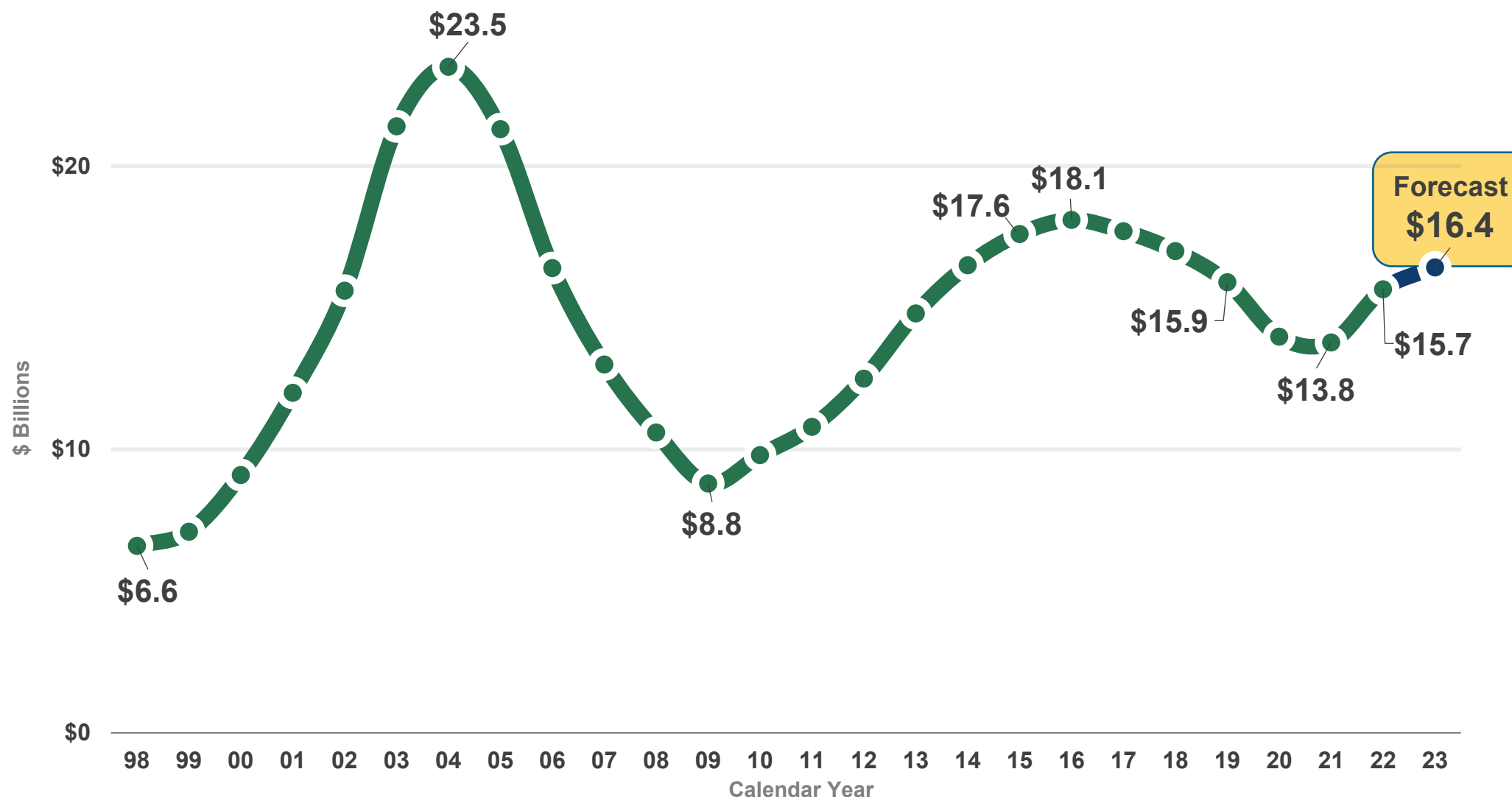
California continues to experience longer average claim duration compared to other states ([Chart 33](#)), driven by a slower claim reporting ([Chart 32](#)), lower settlement rates and higher frictional costs ([Chart 35](#)).

Combined Ratio Decreased

With increasing premium levels and relatively stable claim frequency and severity trends, the accident year combined ratio decreased by 7 points to 105% in 2022 ([Chart 48](#)).

01 Premium and Rates

Chart 1: Reported Written Premium



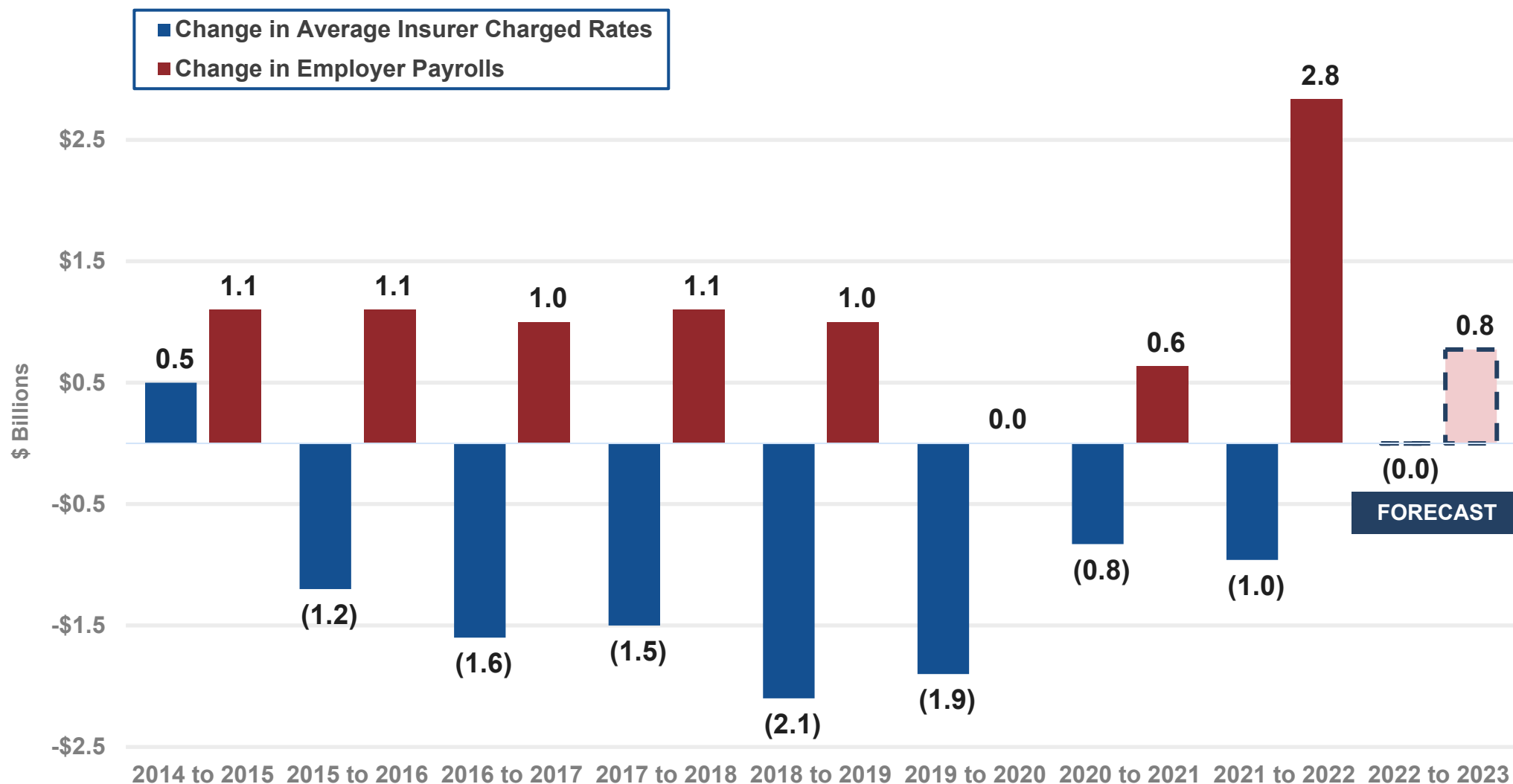
With the rapid economic downturn brought on by the COVID-19 pandemic combined with continued insurer rate decreases, premium reached a nine-year low in 2021.

Written premium increased by 14% in 2022, driven by the economic recovery, but has not yet reached the pre-pandemic level.

Written premium continued to increase in the first quarter of 2023 and is forecast to increase moderately for the full year.

[More Info and Source Data](#) →

Chart 2: Drivers of Written Premium Changes



From 2016 through the pandemic in 2020, insurer rate decreases ([Chart 4](#)) more than offset the impact of the expanding economy, resulting in premium declines.

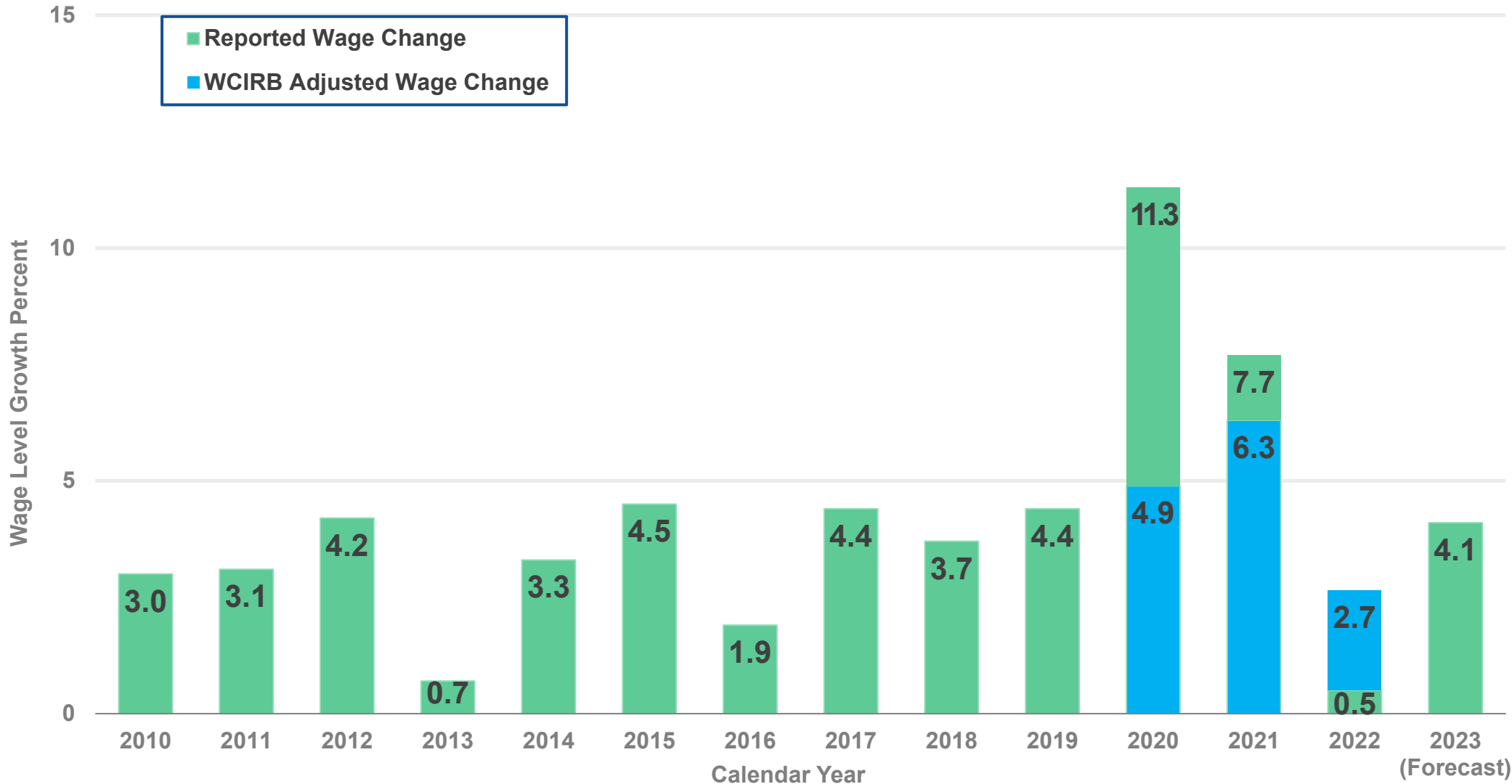
In 2022, payroll growth from the economic recovery exceeded the impact of continued moderate insurer rate decreases, resulting in significant premium growth.

Forecast continued growth in employer payrolls in 2023 is estimated to result in a moderate 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



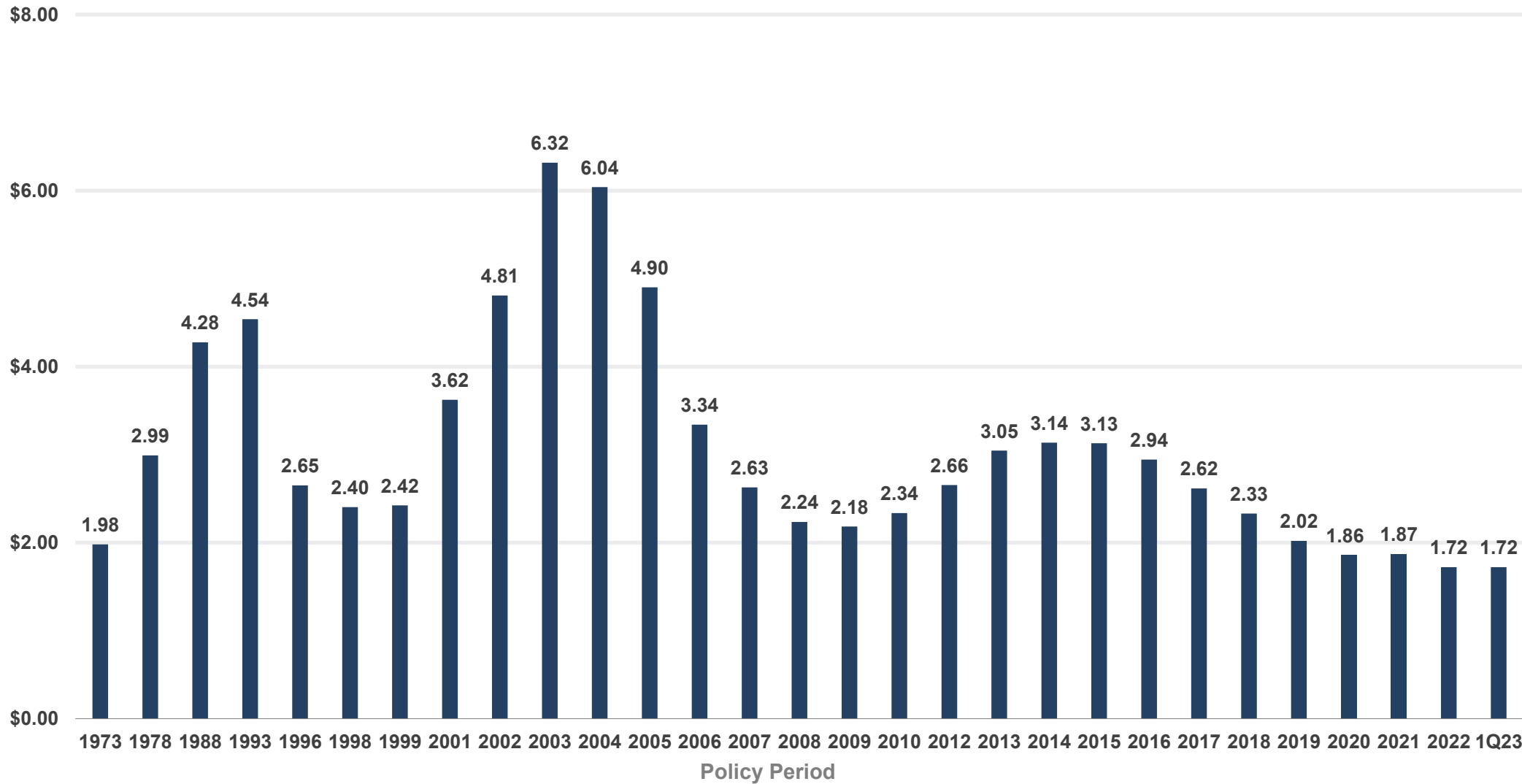
Until the pandemic, average wage growth from 2010 to 2019 was fairly steady at about 2% to 4% per year.

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 in 2023.

[More Info and Source Data](#) →

Chart 4: Average Charged Rate per \$100 of Payroll



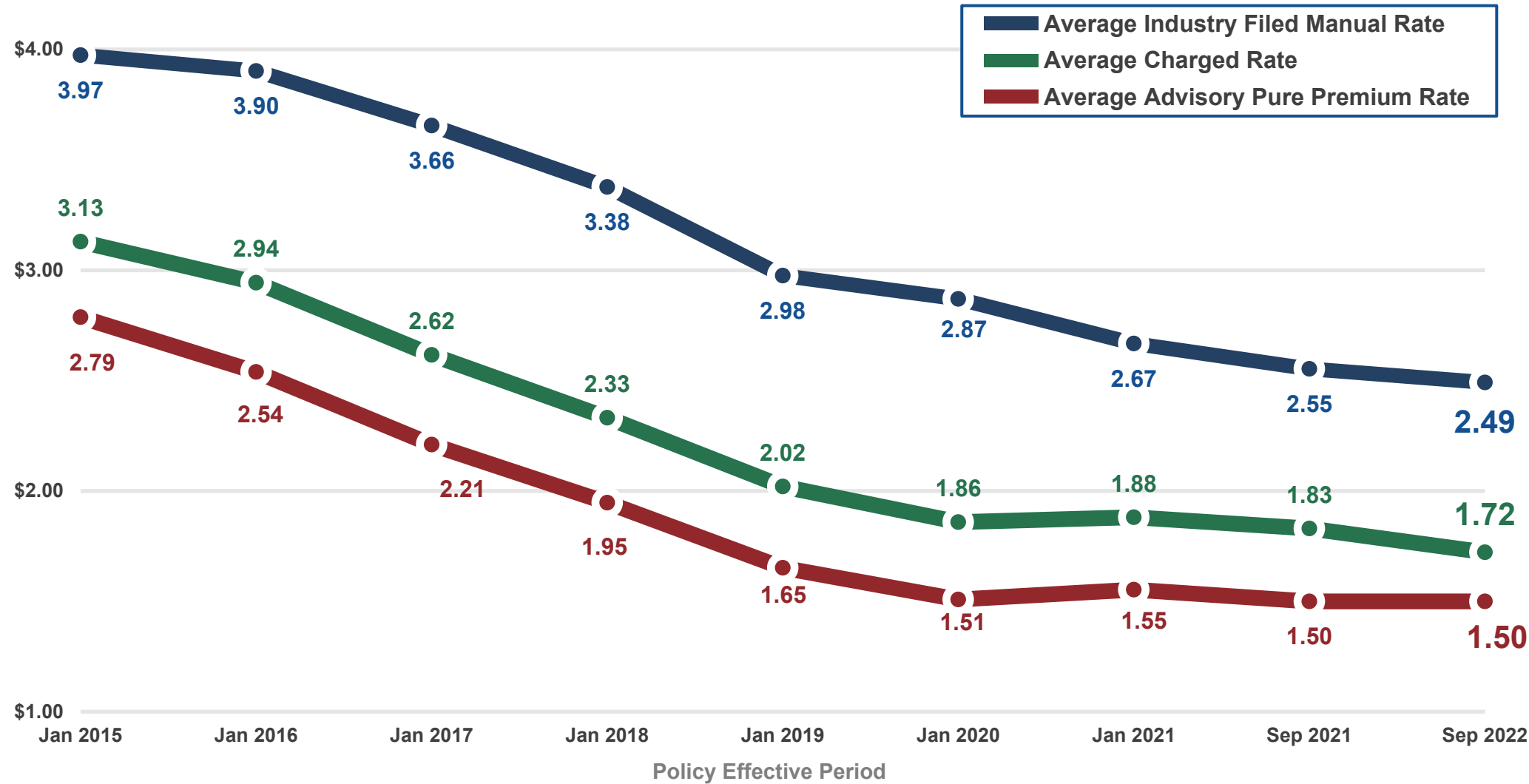
Following the implementation of SB 863 in 2013, insurer charged rates declined by 40% from 2014 to 2020.

Declines in charged rates have recently moderated, decreasing by 8% from 2020 to 2022 and remaining flat in the first quarter of 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 5: Changes in Average Rates Since 2015

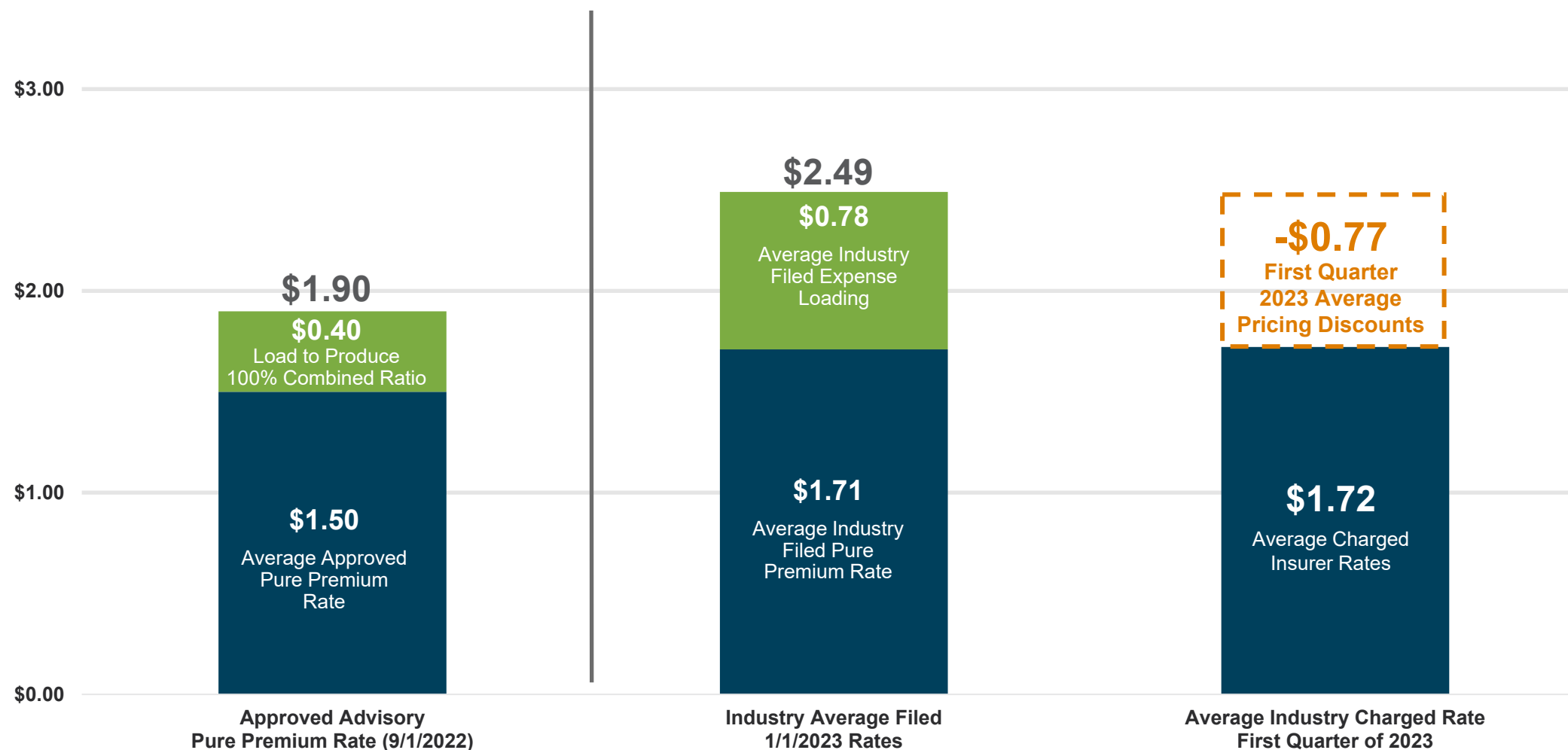


Declines in average charged rates have followed the Insurance Commissioner's approved decreases in advisory pure premium rates.

Average insurer manual rates are significantly above the rates charged to employers, indicating that insurers are, on average, applying significant pricing discounts to their filed rates ([Chart 6](#)).

More Info and
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Chart 6: January 2023 Rate Components

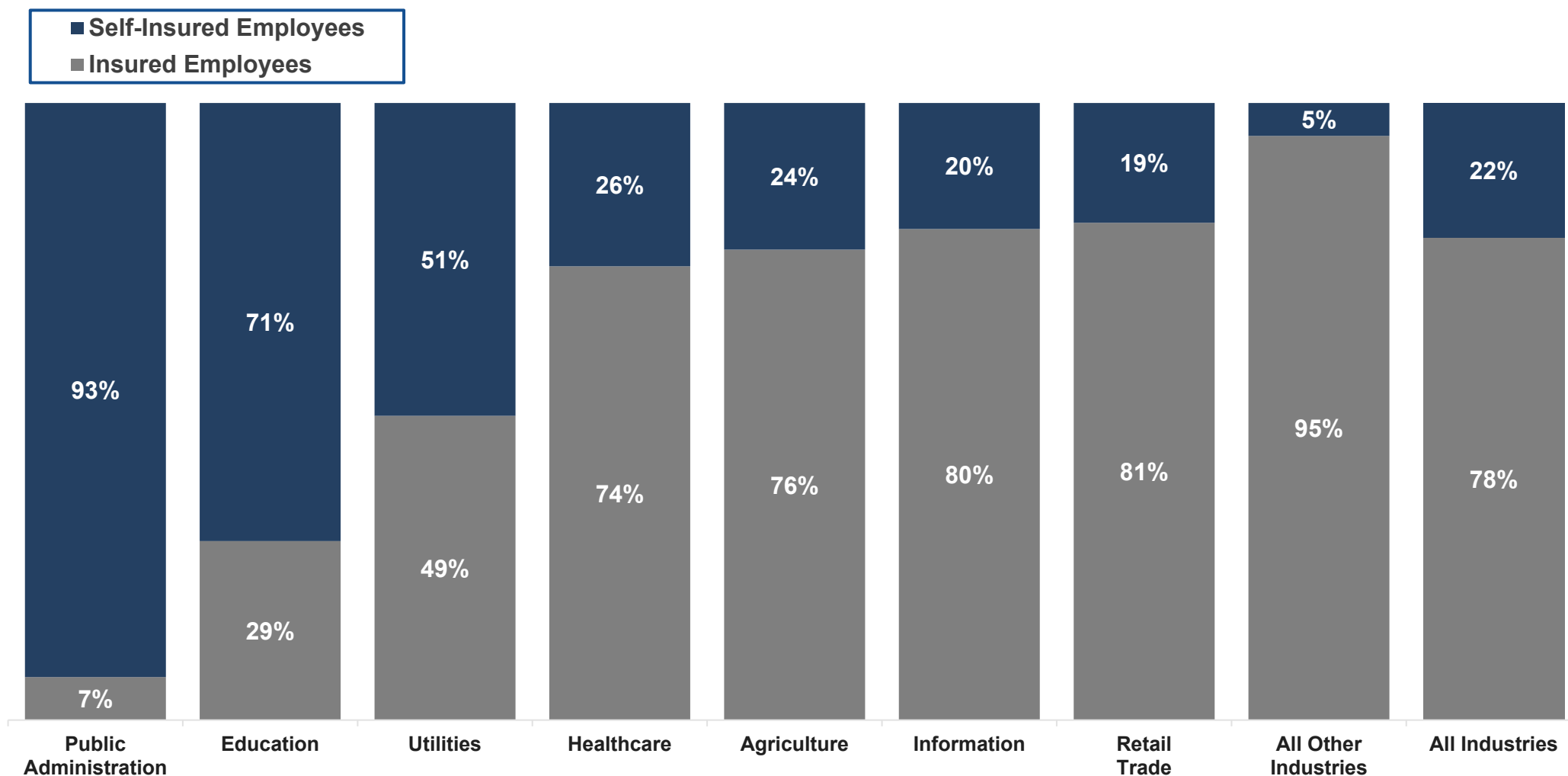


Advisory pure premium rates, after loading for other expenses to approximate a 100% combined ratio, are higher than the average rates ultimately charged to employers, which include pricing discounts.

Average industry pricing discounts from filed rates, including the net impact of schedule rating, are about 30%.

More Info and Source Data →

Chart 7: Share of Self-Insurance by Industry



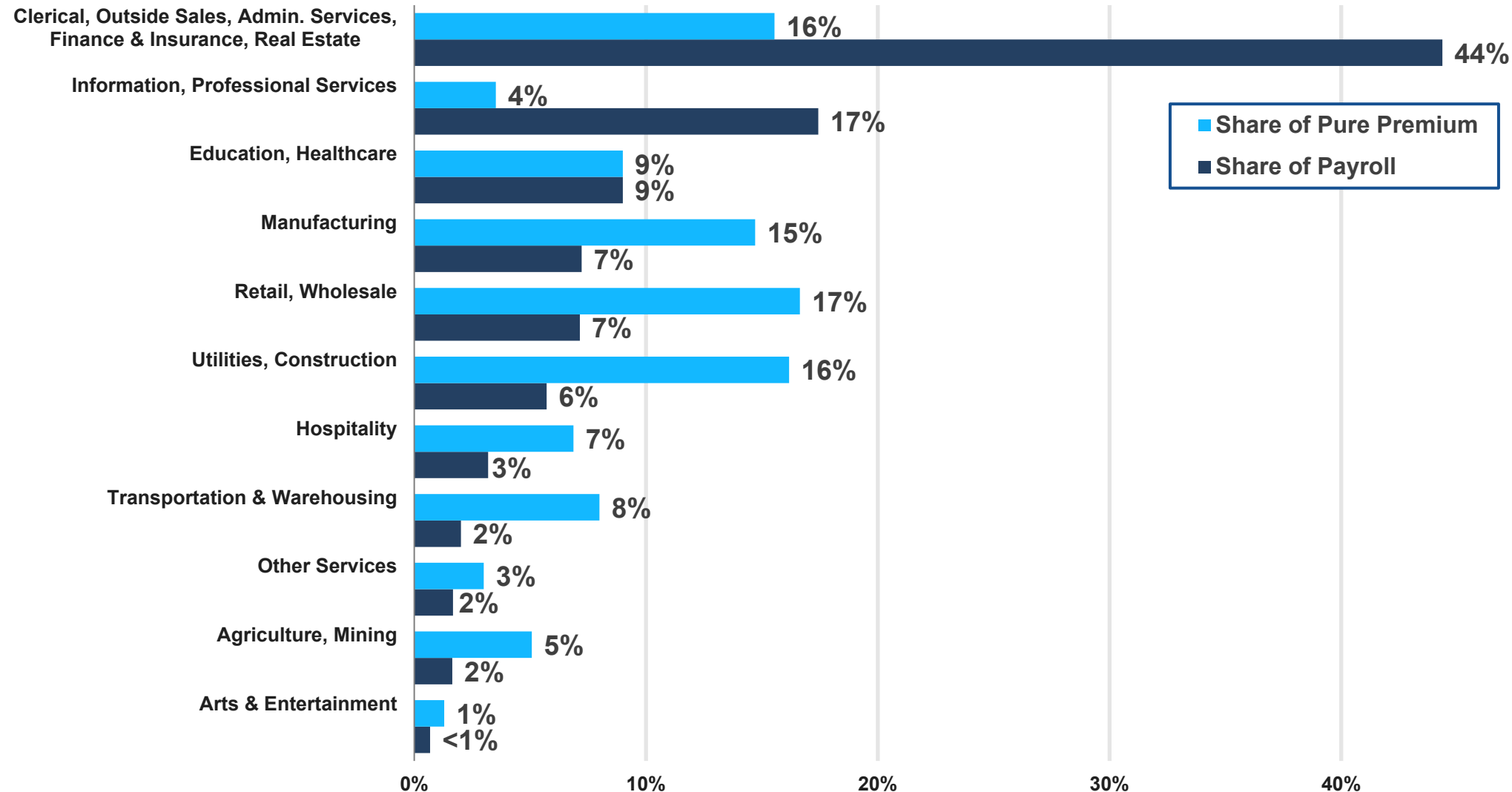
Estimated shares of self-insurance vary widely by industry and are relatively low in most industries.

The Public Administration and Education industries account for the majority of all self-insured employment in California.

Self-insured shares of employment by industry showed little change over the past year.

**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.

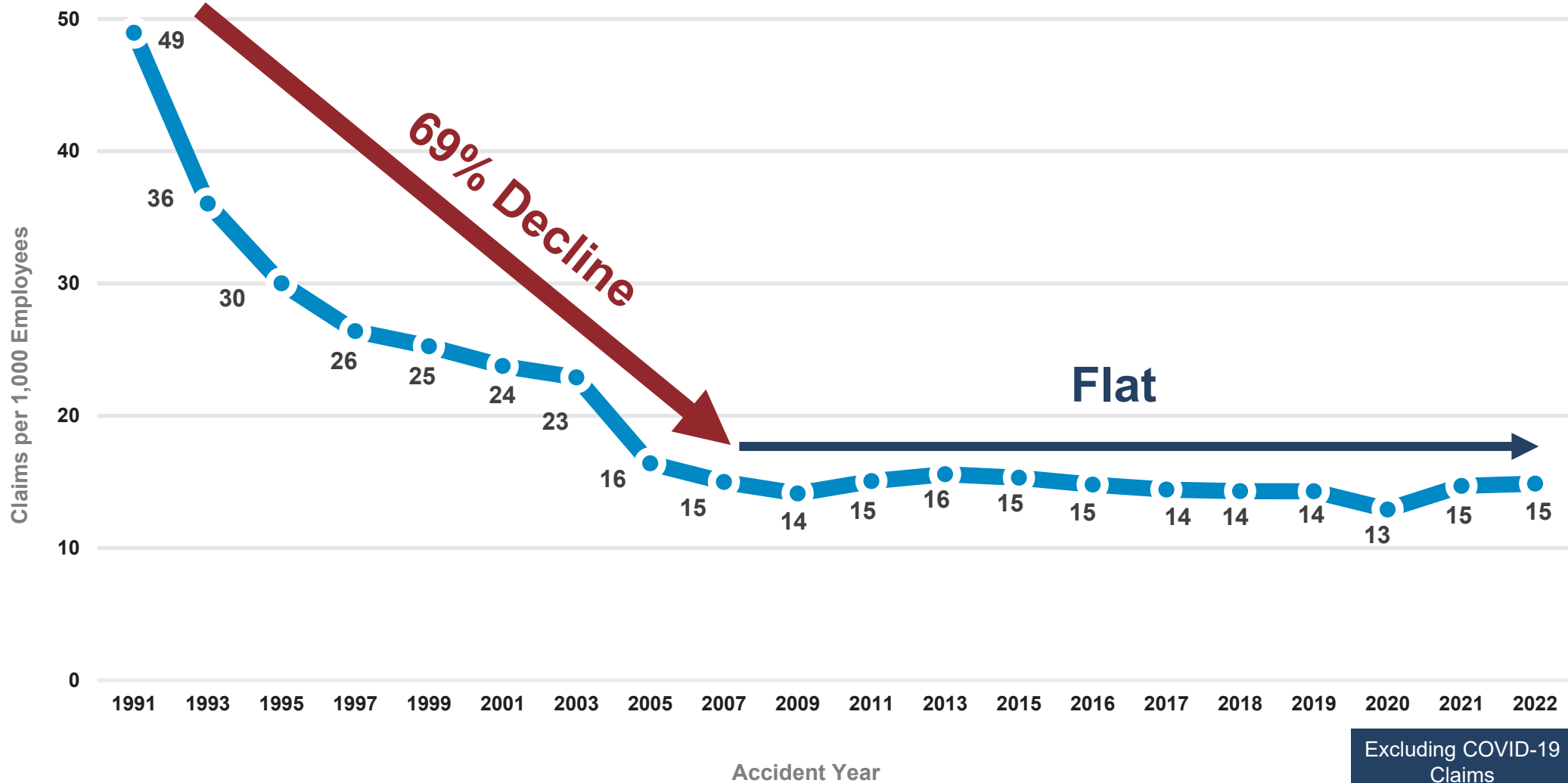
The "white collar" type industries comprise a majority of statewide payroll but a relatively small share of pure premium.

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



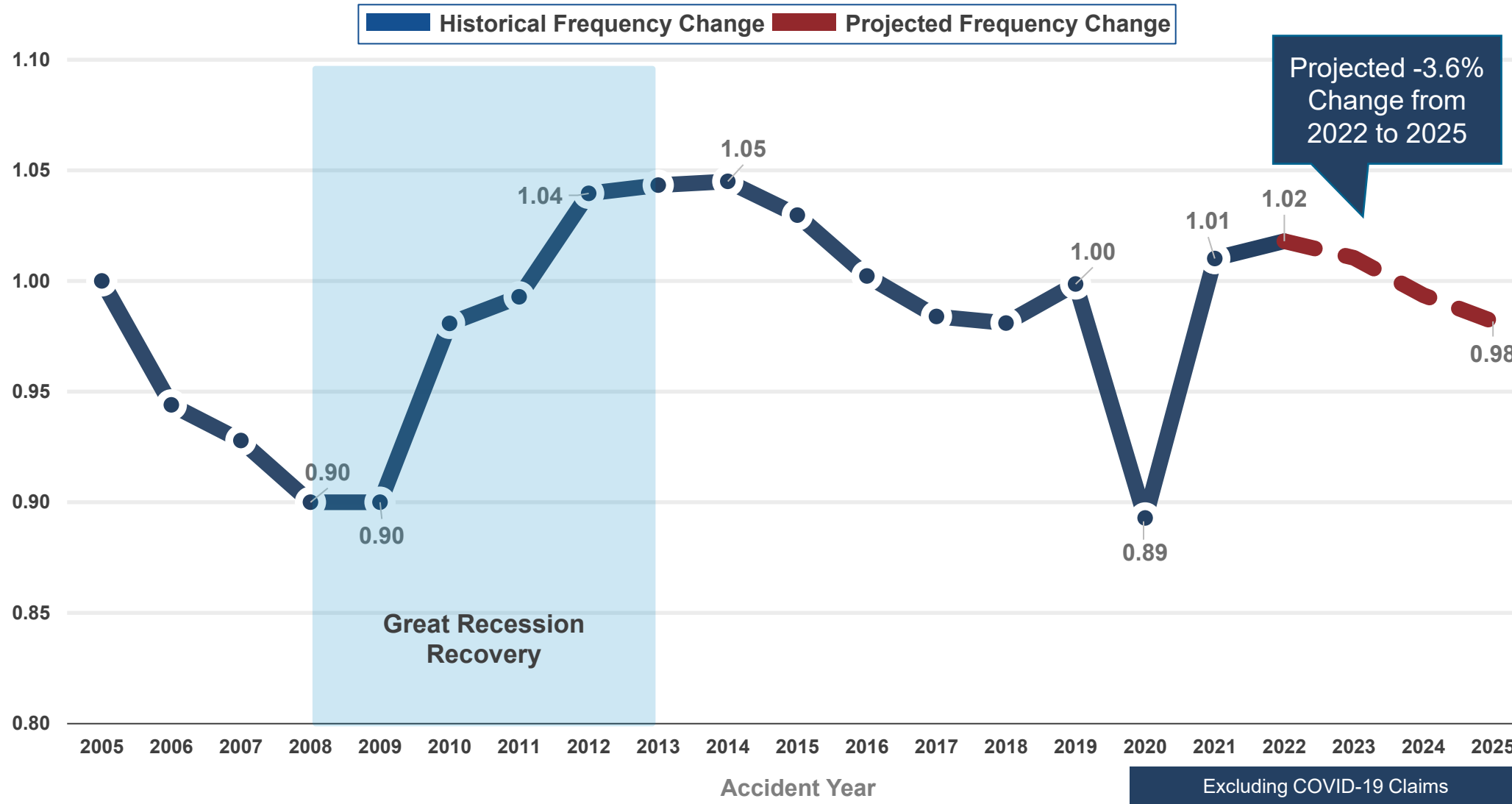
Claim frequency declined for decades in California due to factors such as a shift toward a more service-based economy, increased mechanization and improved workplace safety efforts.

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

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

[More Info and Source Data](#) →

Chart 10: Indemnity Claim Frequency Indexed to 2005



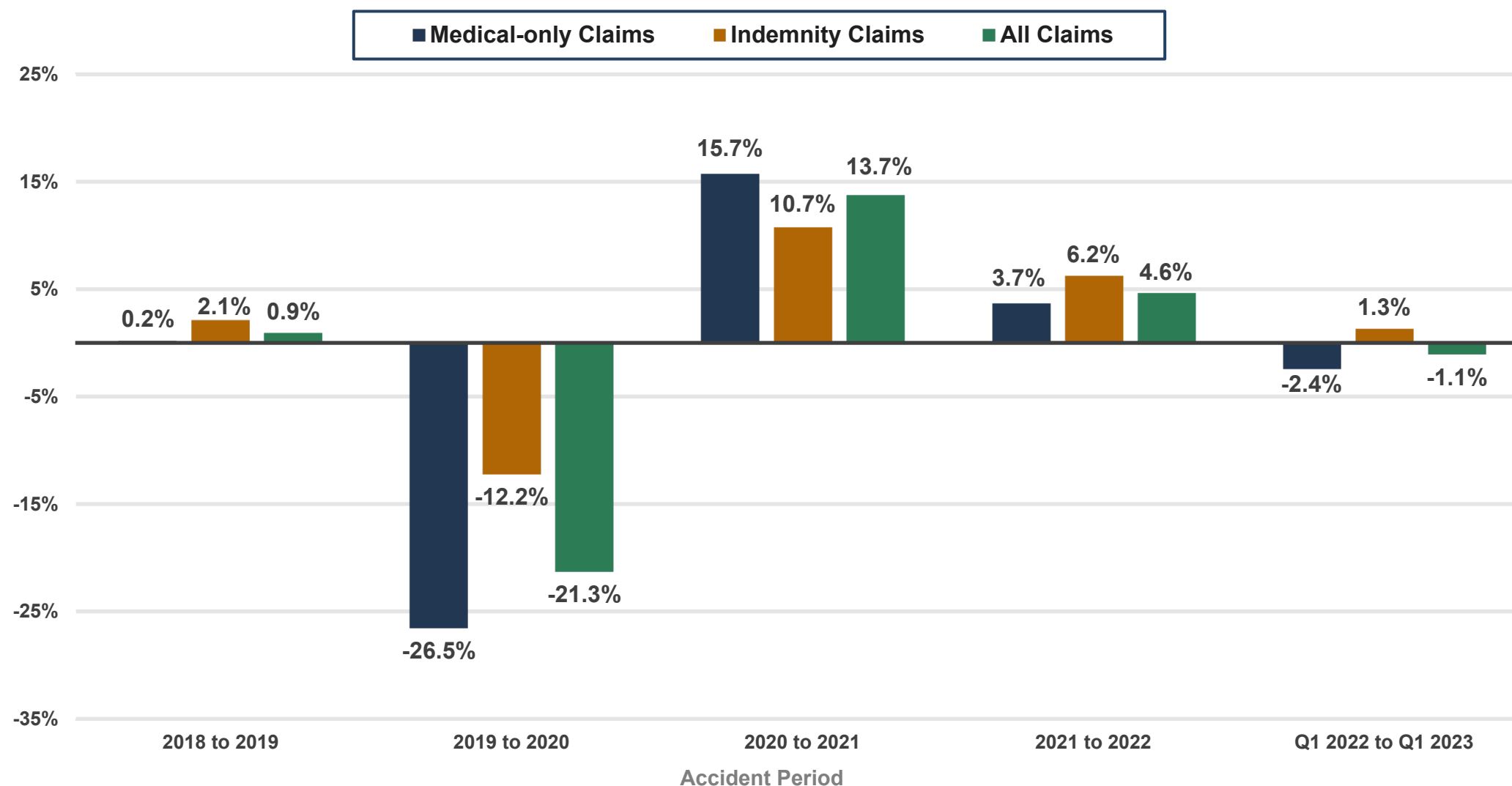
During the recovery from the Great Recession from 2010 to 2012, indemnity claim frequency increased by over 15%.

The sharp and sudden slowdown in the economy in 2020 resulted in a sharp decrease in the frequency of non-COVID-19 indemnity claims, which rebounded during the recovery in 2021 and 2022 to exceed the pre-pandemic level.

The WCIRB forecasts an average annual decrease in claim frequency of about 1% from 2022 to 2025, in line with the pre-pandemic rate of decline.

[More Info and Source Data](#) ➔

Chart 11: Percent Change in Non-COVID-19 Claims Filed



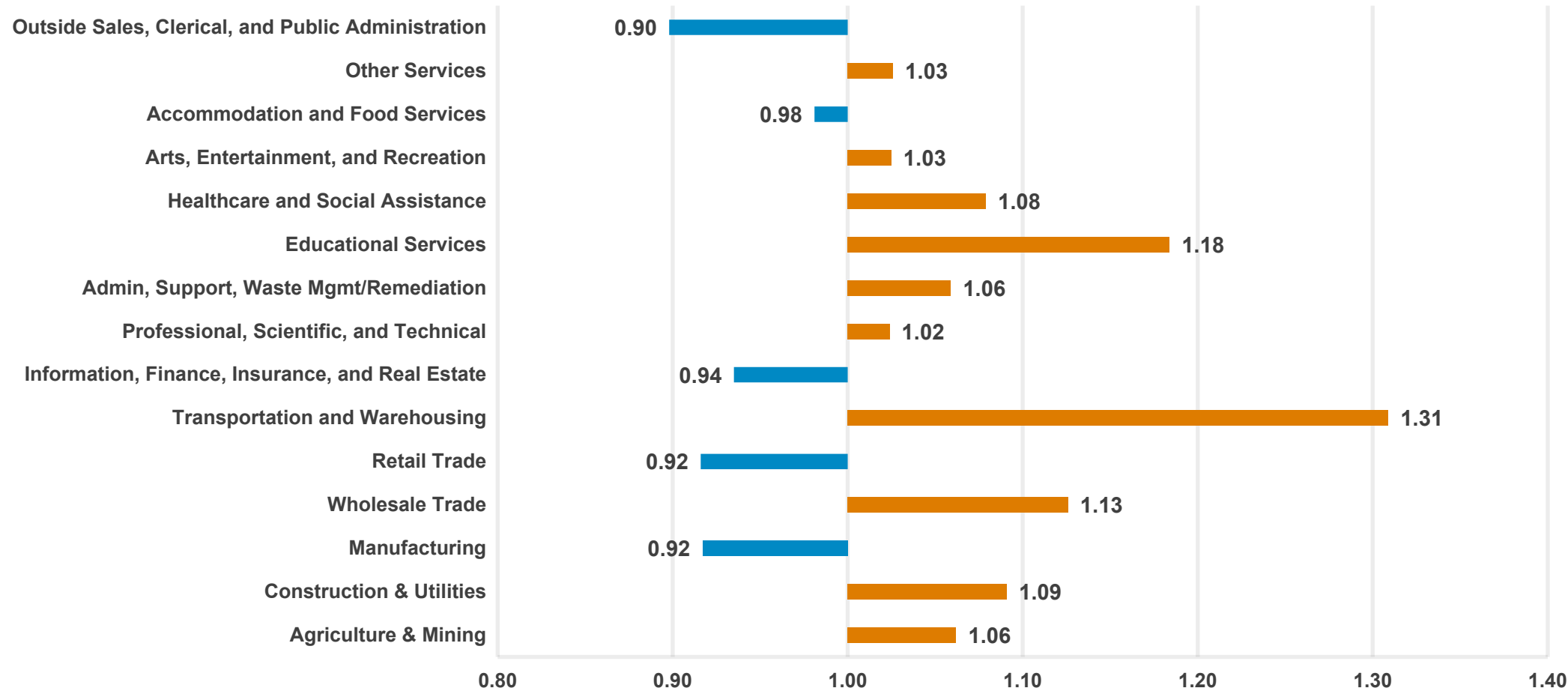
Non-COVID-19 medical-only claims declined at twice the rate of indemnity claims in 2020 but also rebounded in 2021 at a greater rate.

The number of non-COVID-19 claims continued to increase in 2022 corresponding with the economic recovery.

The first quarter of 2023 claim activity suggests that the change in non-COVID-19 claims is beginning to stabilize.

[More Info and Source Data](#) →

Chart 12: Relative Change in Non-COVID-19 Indemnity Claim Frequency by Industry in 2021

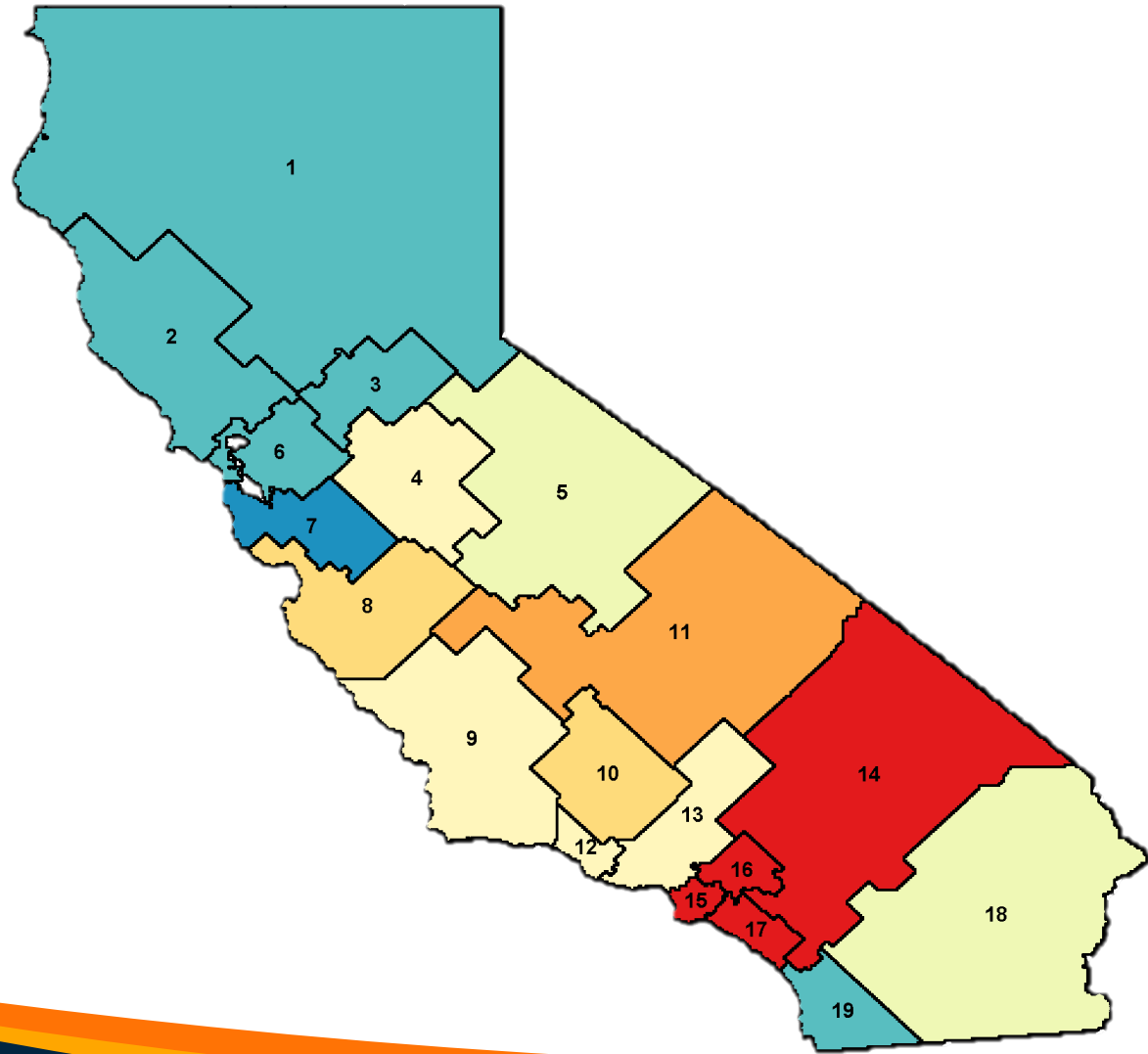


In 2021, although there was an overall increase in indemnity claim frequency ([Chart 10](#)), the change differed significantly by industry.

The biggest 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 13: Regional Differences in Non-COVID-19 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

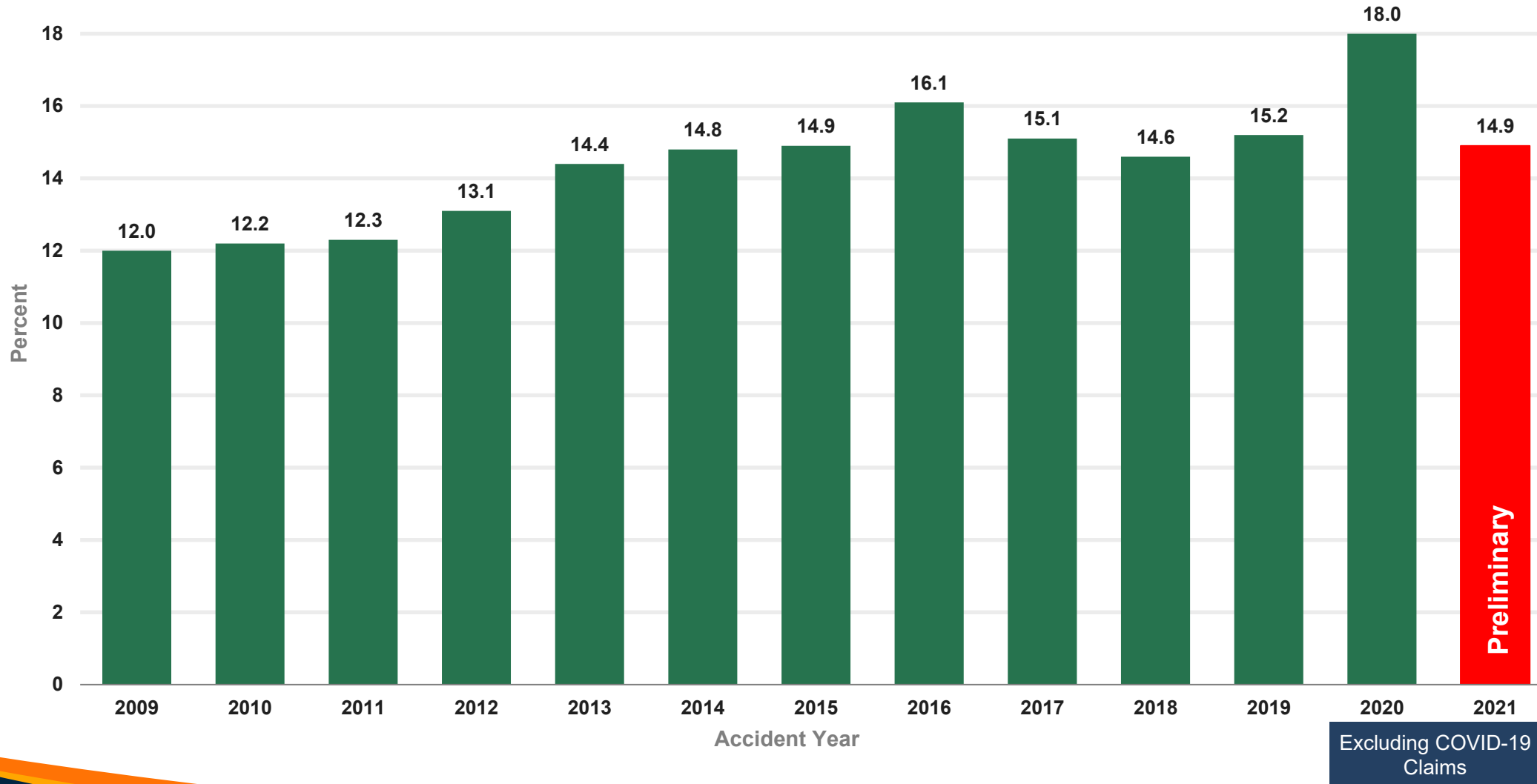
There are significant differences in frequency rates across California, even after adjusting for regional differences in industrial mix and wage levels for the 2020 policy year.

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

**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.

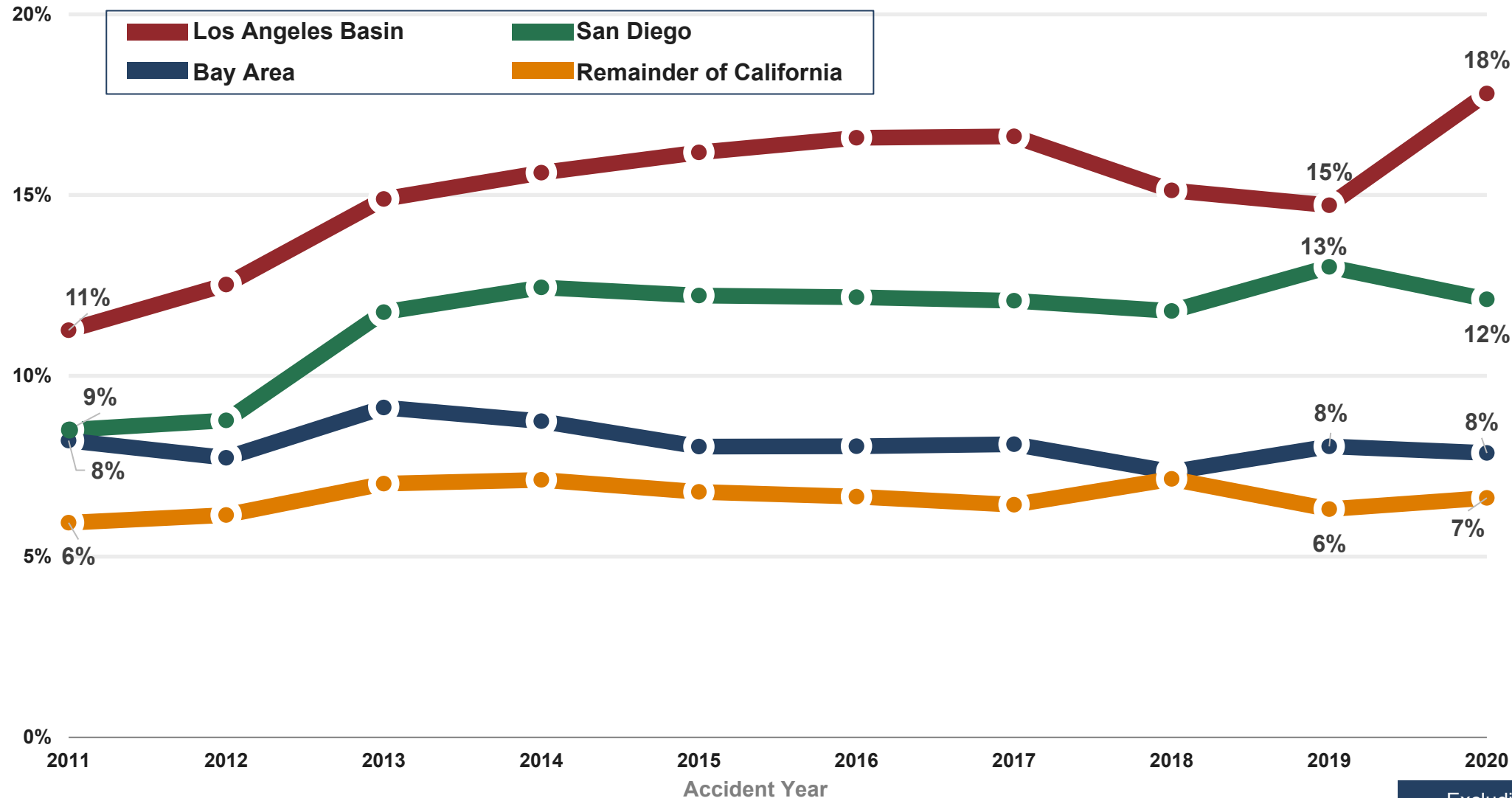
The sharp increase in the CT claim rate in 2020 is likely related to the economic slowdown resulting from the pandemic and the reduction in the number of smaller non-CT claims filed in 2020.

In 2021, the CT claim rate returned to approximately the pre-pandemic level.

The vast majority of CT claims are in the LA Basin and San Diego, and approximately 40% are filed following termination of the employee.

**More Info and
Source Data** →

Chart 15: Percent of Cumulative Trauma Claims by Region



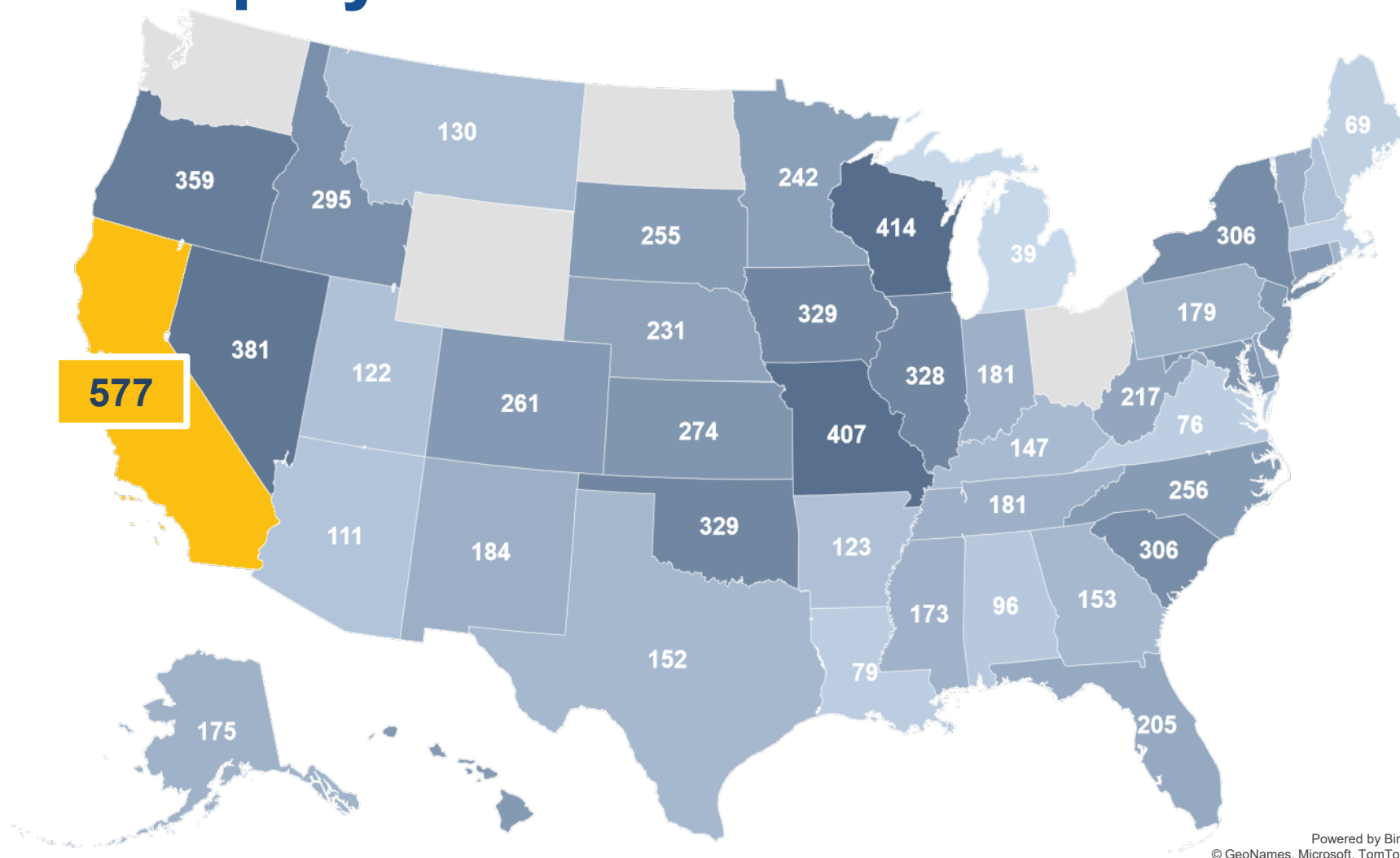
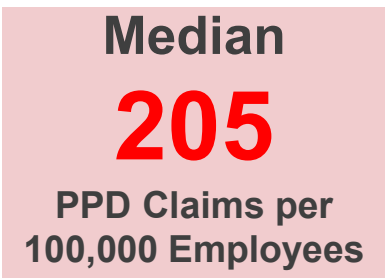
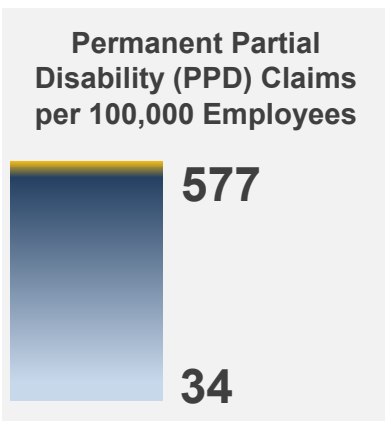
From 2012 through 2019, the vast majority of the increase in CT claims came from the Los Angeles Basin and San Diego areas.

In 2020, the percentage of CT claims increased significantly in the Los Angeles Basin region. However, this is expected to come down in 2021 as the overall percentage of CT claims in 2021 is closer to the pre-pandemic level ([Chart 14](#)).

More Info and
Source Data →

Excluding
COVID-19 Claims

Chart 16: Permanent Partial Disability 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.

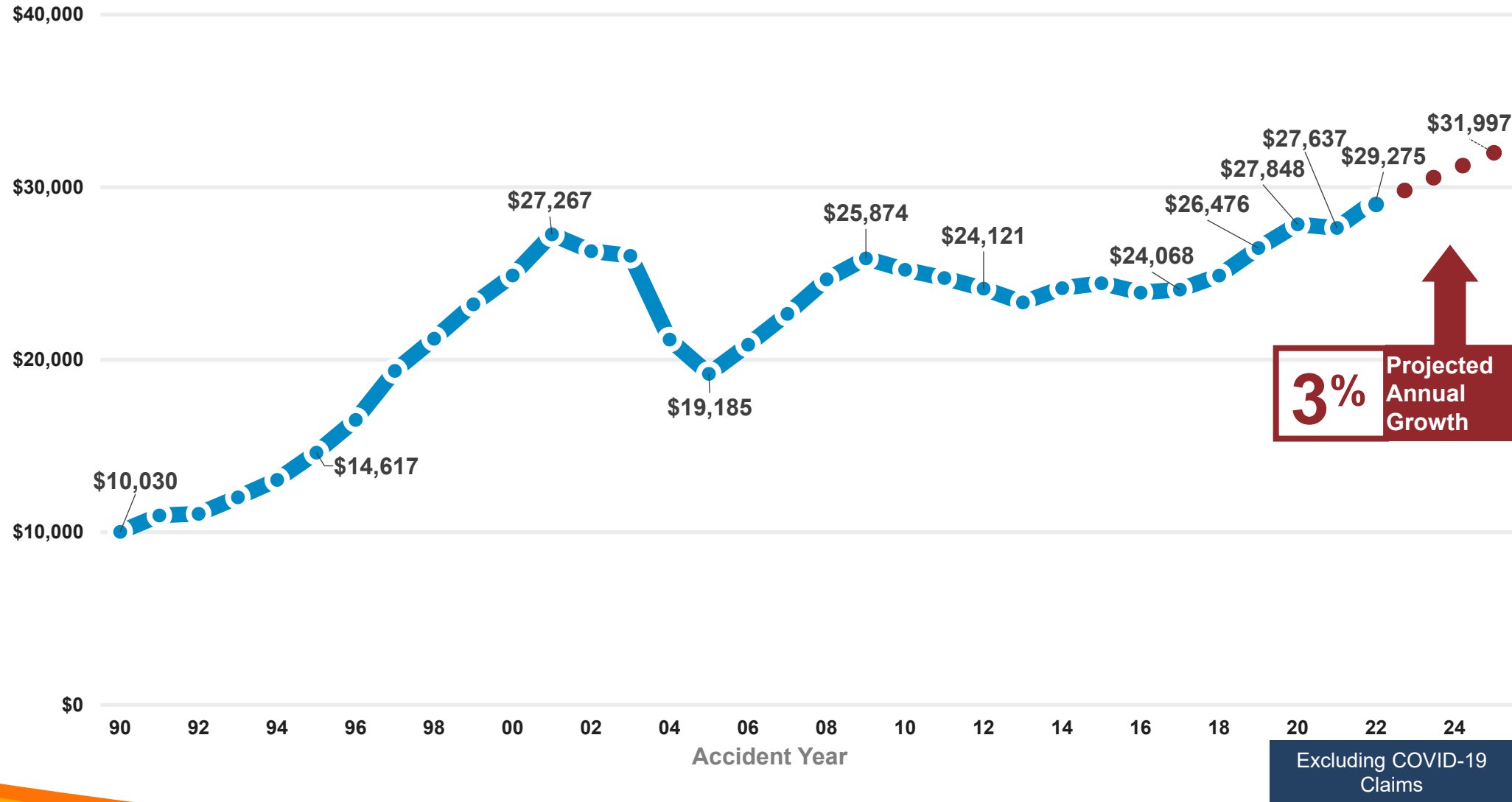
California's high frequency of PPD claims is not driven by a more hazardous industrial mix or the number of very severe injuries, which are comparable to those from other lower-frequency states.

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

More Info and Source Data →

03 Claim Severity

Chart 17: Average Indemnity Cost per Indemnity Claim



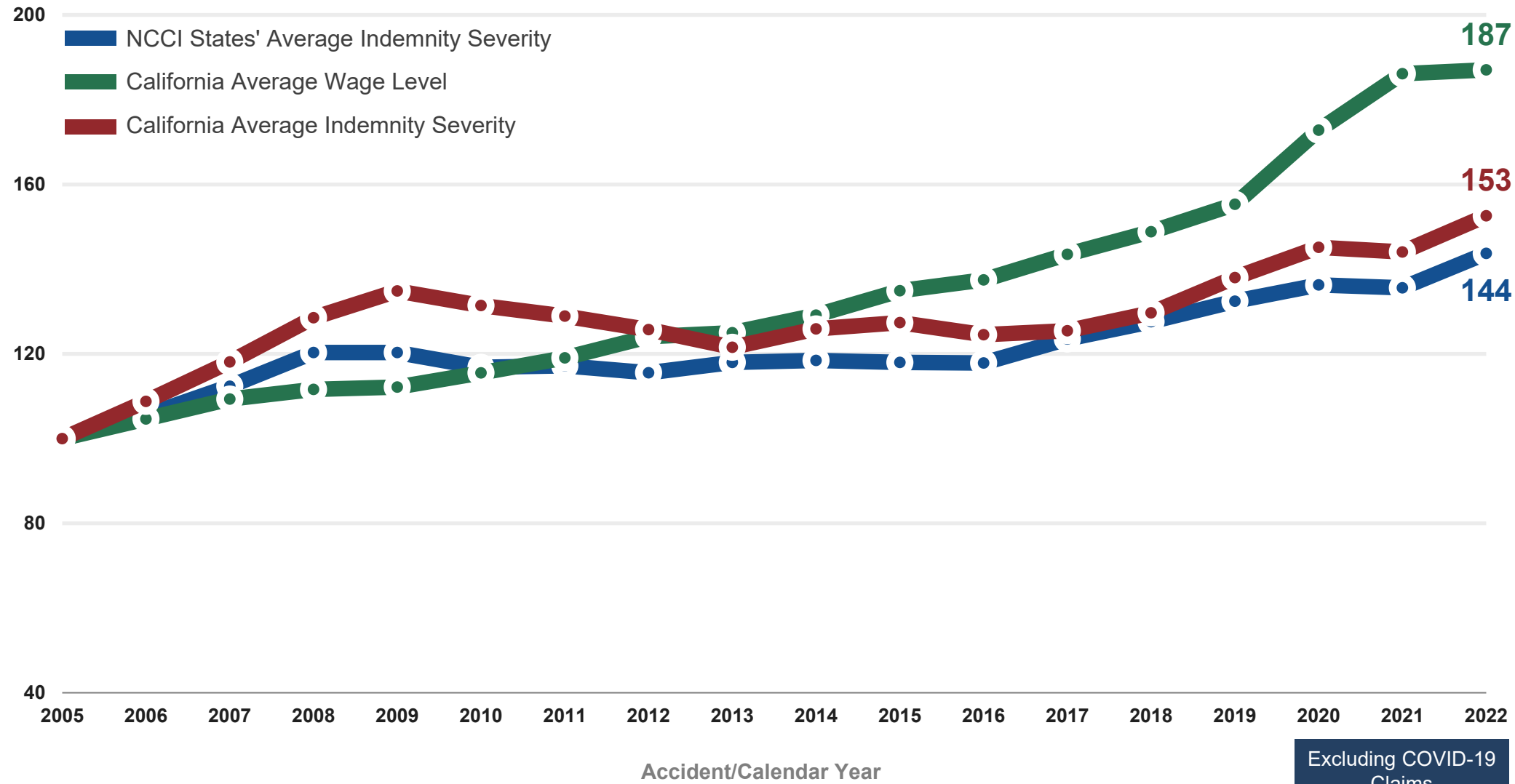
Average indemnity costs per claim were generally flat from 2009 to 2017, driven by SB 863 reforms reducing the duration of temporary disability and acceleration in the rate claims were settling.

From 2018 to 2022, average indemnity costs increased as wage levels increased ([Chart 3](#)) and claim settlement rates were plateauing ([Chart 34](#)).

The WCIRB projects a steady increase in average indemnity costs through 2025 primarily driven by continued increases in average wages.

[More Info and Source Data](#) →

Chart 18: Indemnity Cost Level Indexed to 2005

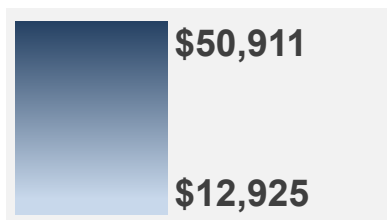


Since 2005, changes in average indemnity costs for California and NCCI states have been fairly consistent.

Since 2013, the cumulative growth in California average wages has surpassed that of average indemnity costs, which have been much flatter. 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 19: Indemnity Cost per Indemnity Claim by State

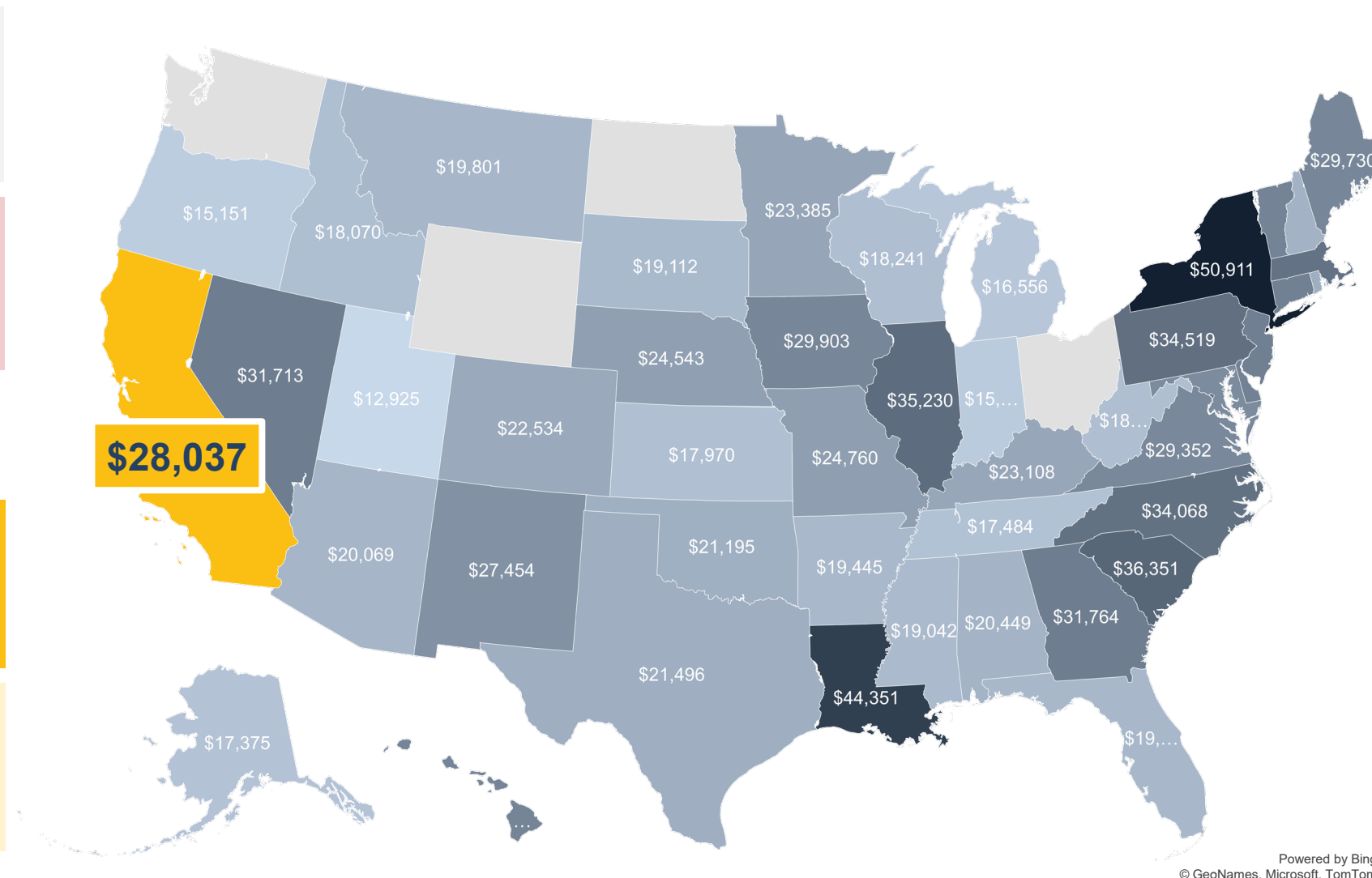


Median
\$23,385

California Comparison

Current:
15%
Above Median

5 Years Ago:
37%
Above Median



Average indemnity costs in California are more consistent with other states compared to other system components but are still about 20% above the countrywide median.

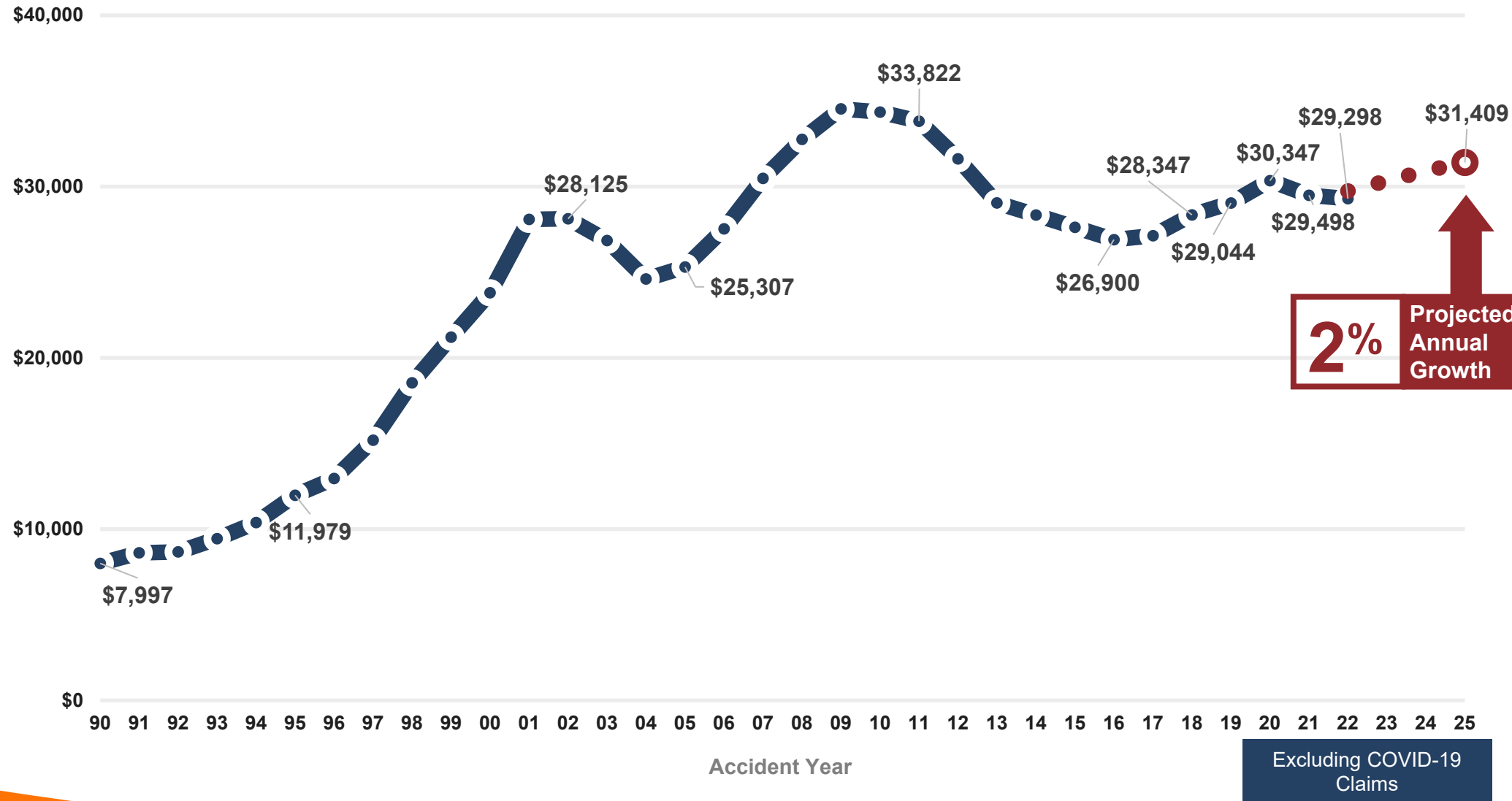
Higher-than-average indemnity costs in California are largely driven by the high proportion of indemnity claims involving permanent disability ([Chart 16](#)) and higher wage levels.

Over the last five years, driven by a period of modest indemnity cost growth ([Chart 18](#)), California average indemnity costs have moved closer to the median state.

More Info and Source Data →

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Chart 20: Average Medical Cost per Indemnity Claim



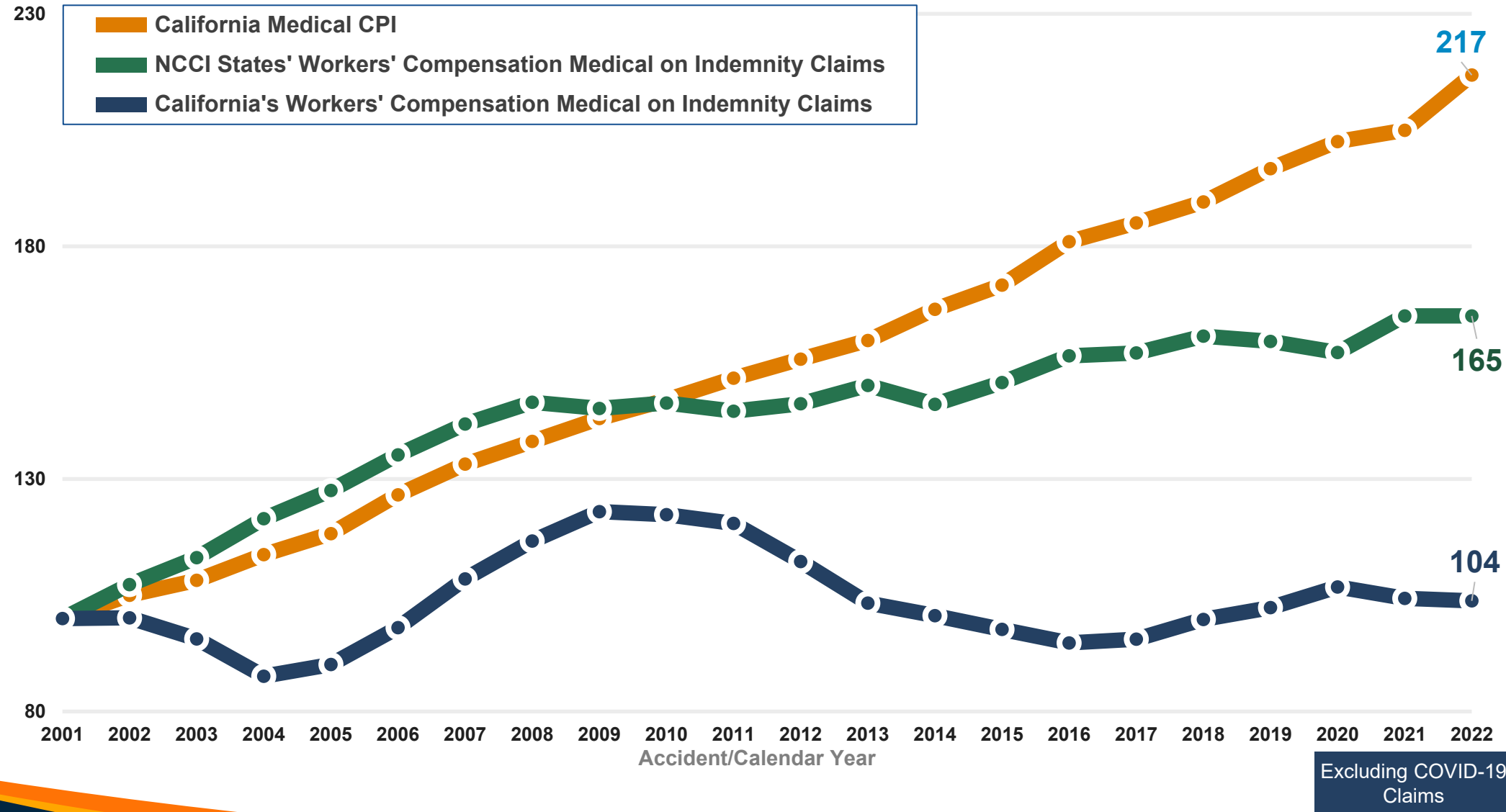
From 2011 to 2016, average medical costs declined, driven by reforms, reduced pharmaceutical costs and efforts to reduce medical provider fraud.

Average medical costs since 2016 have on average increased modestly compared to other post-reform periods during which medical cost inflation was higher.

The WCIRB projects modest increases in average medical costs through 2025 comparable to the 2017 to 2019 (pre-pandemic) rate of growth.

[More Info and Source Data](#) →

Chart 21: Medical Cost Level Indexed to 2001

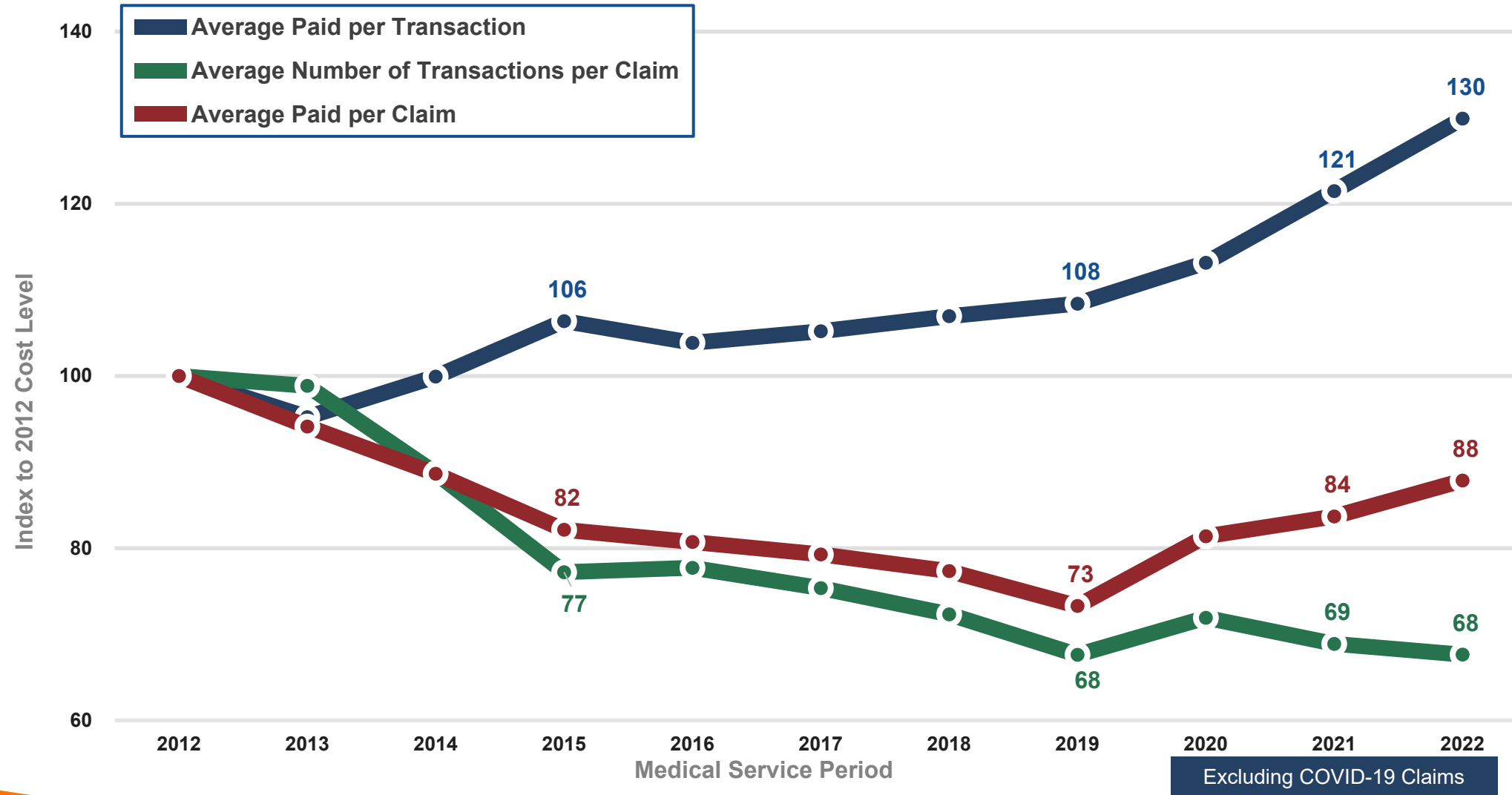


Due to reforms such as SB 899 (2004) and SB 863 (2012), the average medical per indemnity claim in 2022 is generally consistent with the 2001 level, while average medical costs in other systems have grown sharply.

The California medical Consumer Price Index (CPI) grew sharply in 2022 while average workers' compensation medical costs were flat as most workers' compensation medical costs are tied to fee schedules. However, California medical fee schedule values are estimated to increase in the future, corresponding to increases in the Medicare values on which they are based ([Chart 26](#)).

[More Info and Source Data](#) ➔

Chart 22: Medical Service Cost Level Indexed to 2012



Average medical paid per transaction increased significantly in 2021 and 2022, mostly driven by higher levels of reimbursement allowance set by the updated fee schedules for medical-legal services ([Chart 26](#)) and office visits as well as regular updates to medical fee schedules tied to Medicare values.

The number of medical service transactions per claim decreased by 32% since 2012, largely attributable to SB 863 and declining pharmaceutical costs ([Chart 23](#)).

Medical paid per claim began to trend upward in 2020, driven initially by the impacts of the pandemic on claims and then by the medical fee schedule changes in 2021.


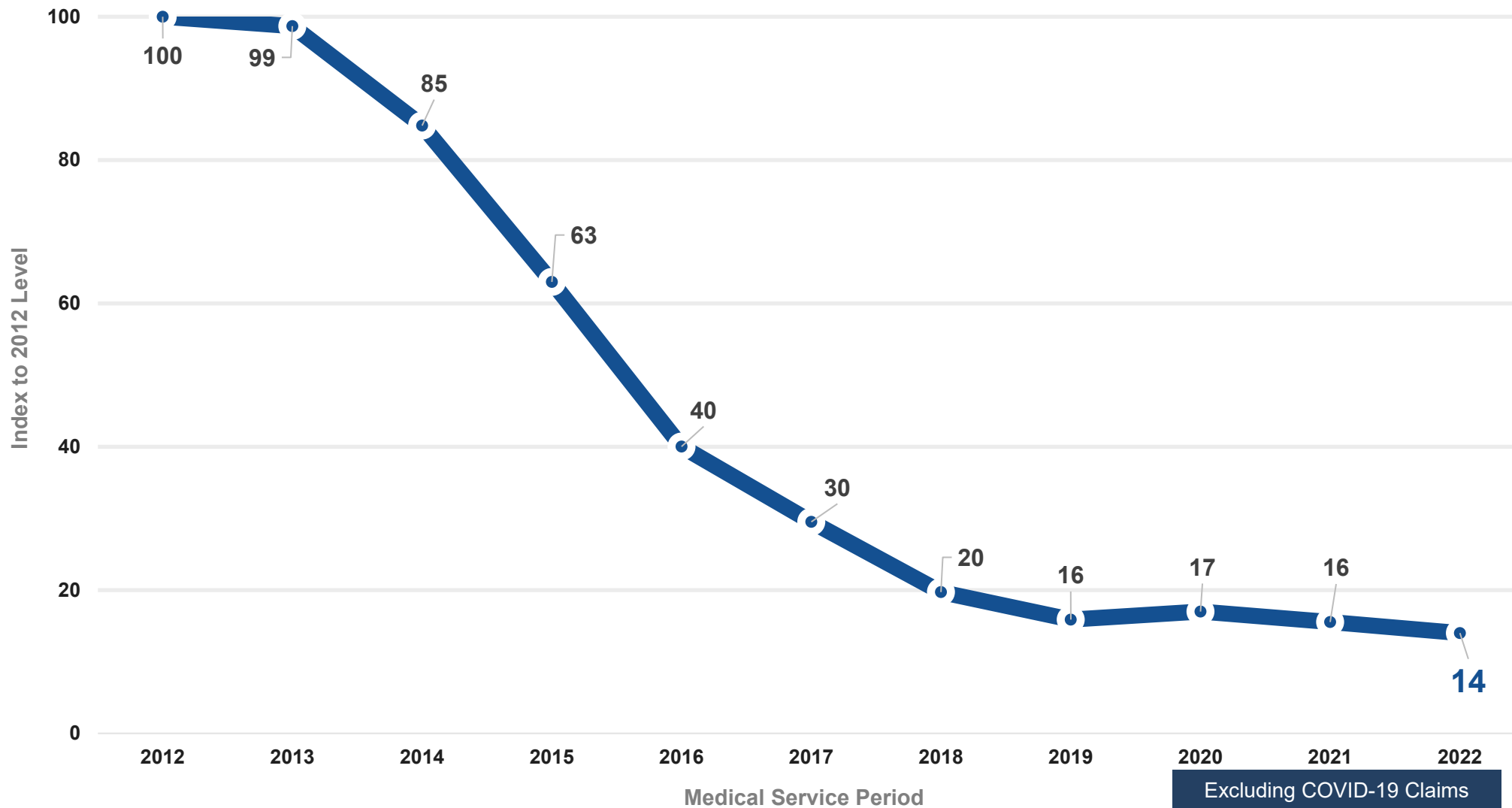
More Info and
Source Data 

Chart 23: Pharmaceutical Cost Level Indexed to 2012



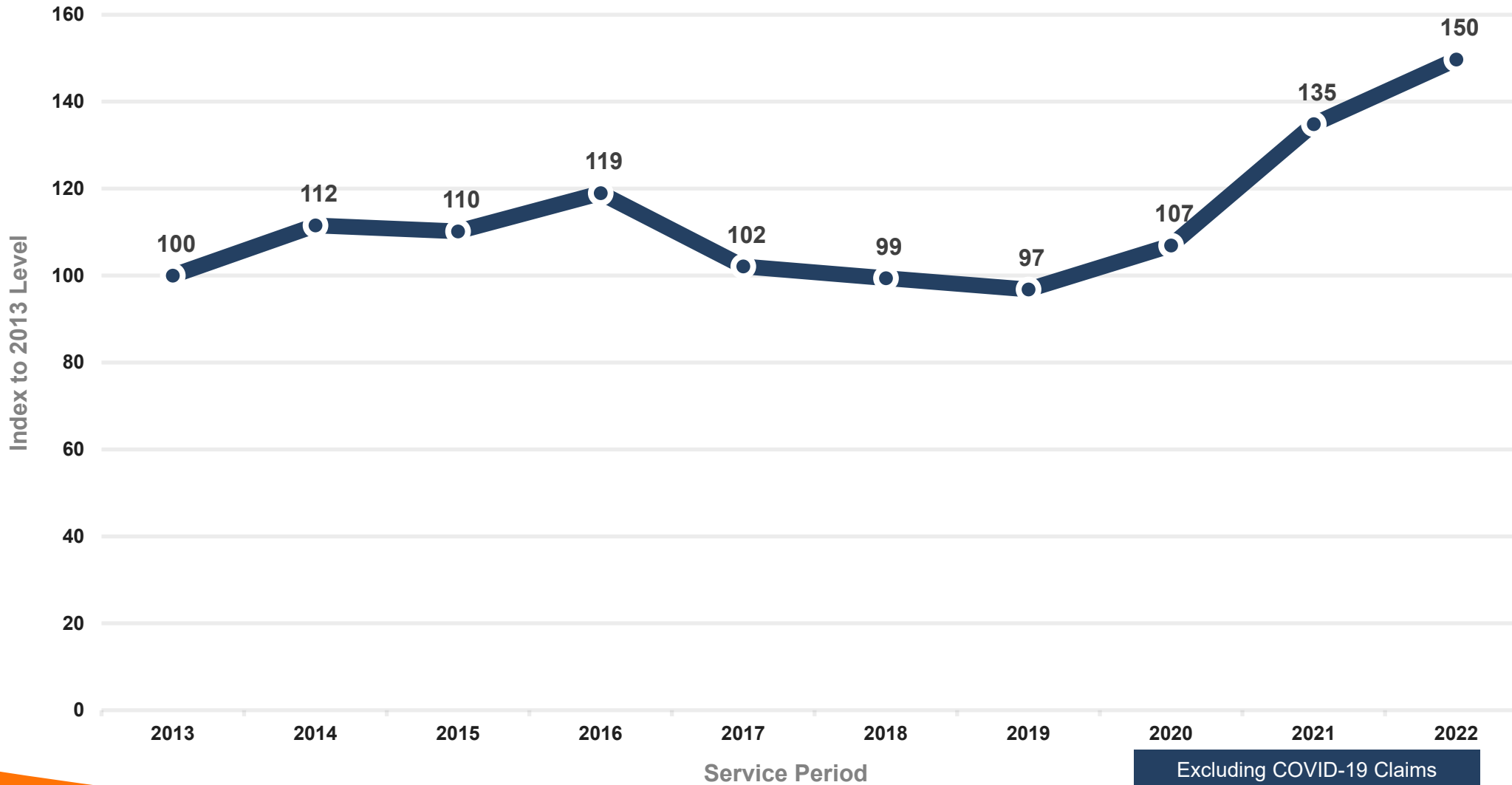
Despite a slight increase in 2020, pharmaceutical costs per claim returned to the pre-pandemic level in 2021 and further declined in 2022.

Key factors driving the 86% 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

More Info and Source Data →

Chart 24: Medical-Legal Cost Level Indexed to 2013



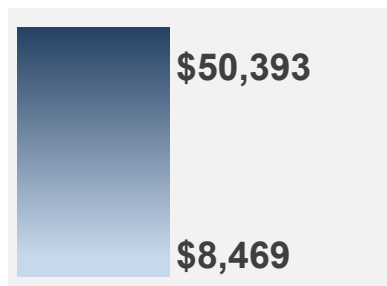
Average paid for medical-legal (ML) services per claim increased significantly in 2021 when the new Medical-Legal Fee Schedule became effective in April 2021. The new fee schedule increased the reimbursement allowance for most ML services.

The record review costs of additional pages are a driver for the higher average ML payments in both 2021 and 2022.

In addition, the number of ML services per claim increased in 2022, which further drove up the ML costs.

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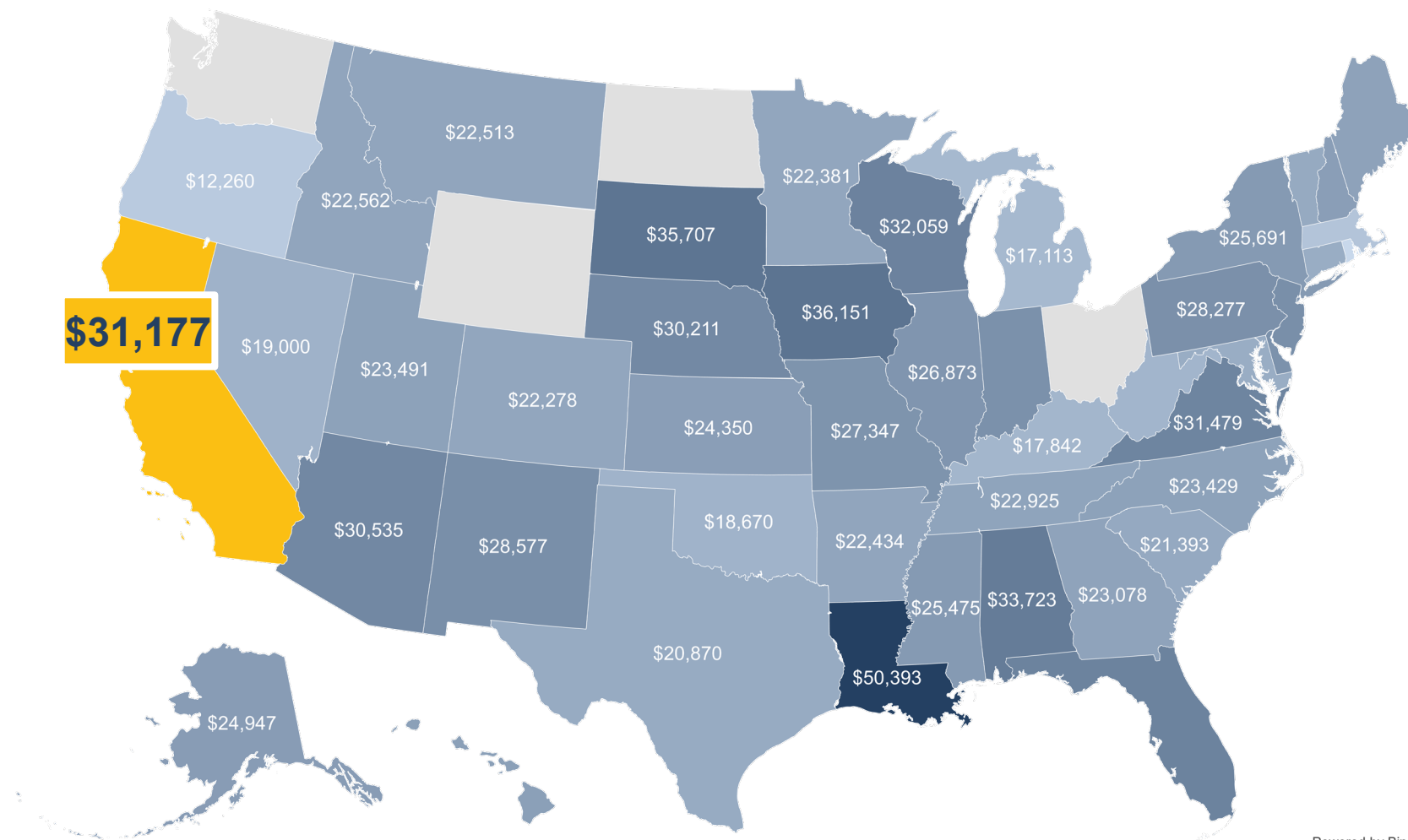
Chart 25: Medical Cost per Indemnity Claim by State



Median
\$23,491

California
Comparison

Current:
33%
Above Median

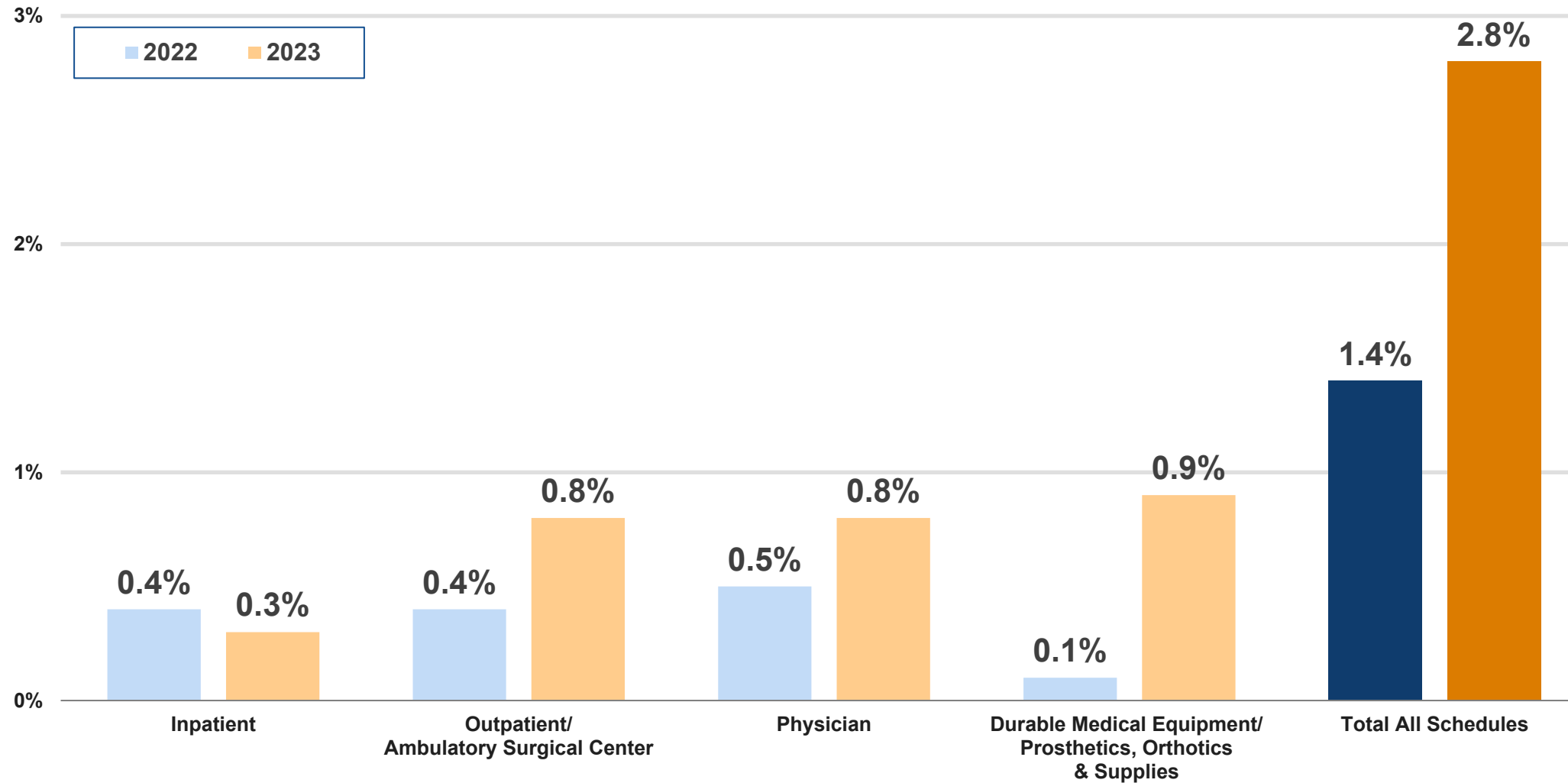


A decade ago, California was among the states with the highest average medical costs per claim.

Even with recent medical cost reductions in California and continued medical inflation in other states [\(Chart 21\)](#), California's average medical per indemnity claim is still 33% above the median state.

More Info and Source Data →

Chart 26: Cost Impact of 2023 Medical Fee Schedules



California Workers' Compensation Medical Fee Schedule

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

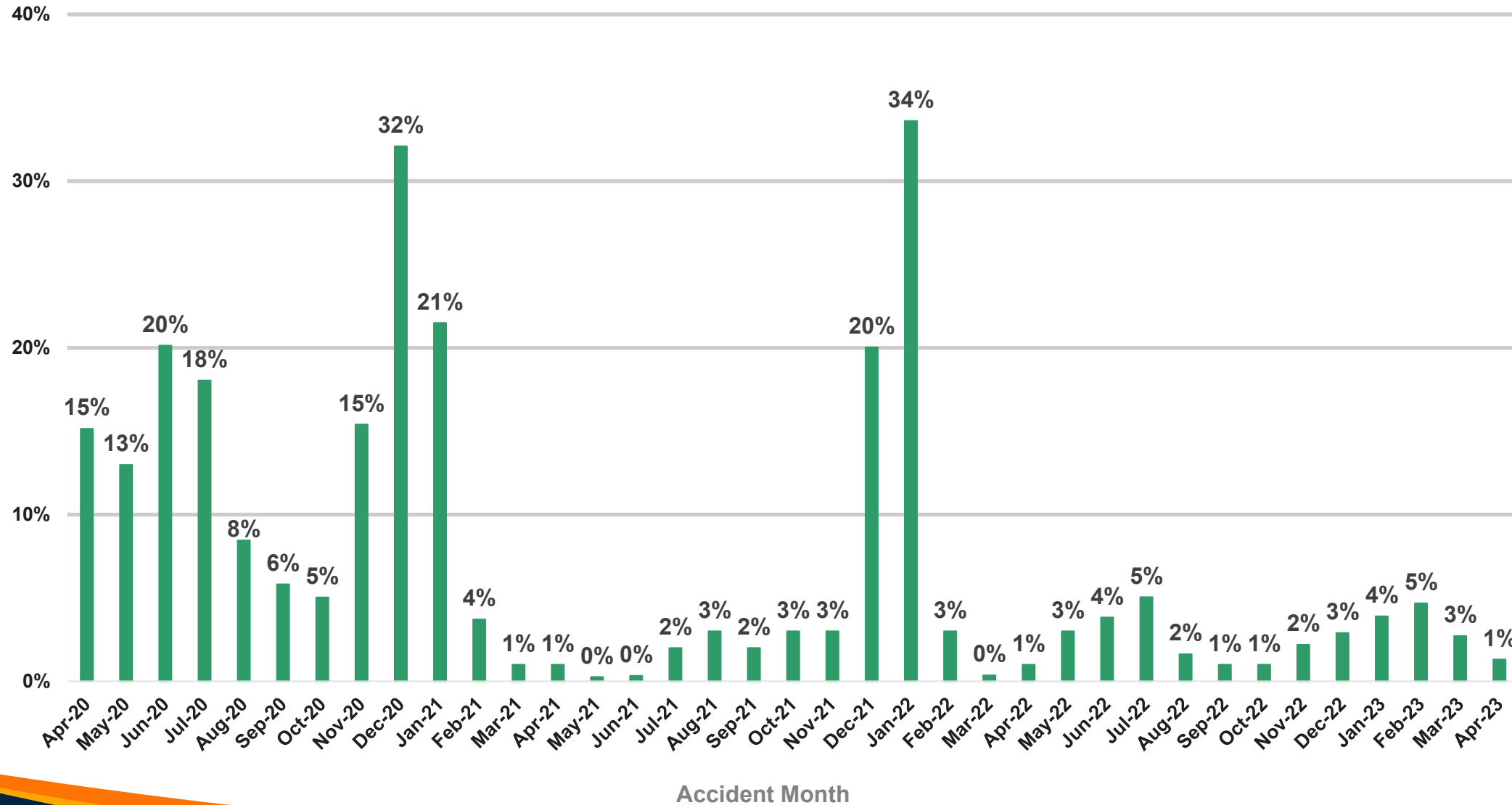
With rising inflation across the country, Medicare values increased at higher rates in 2022. This resulted in higher-than-average increases to California medical fee schedules, which became effective mostly in 2023.

Overall, the WCIRB estimates approximately double the typical impact (2.8% versus 1.4%) on average medical costs in 2023 from these fee schedule updates.

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04 COVID-19 Pandemic

Chart 27: COVID-19 Share of Indemnity Claims



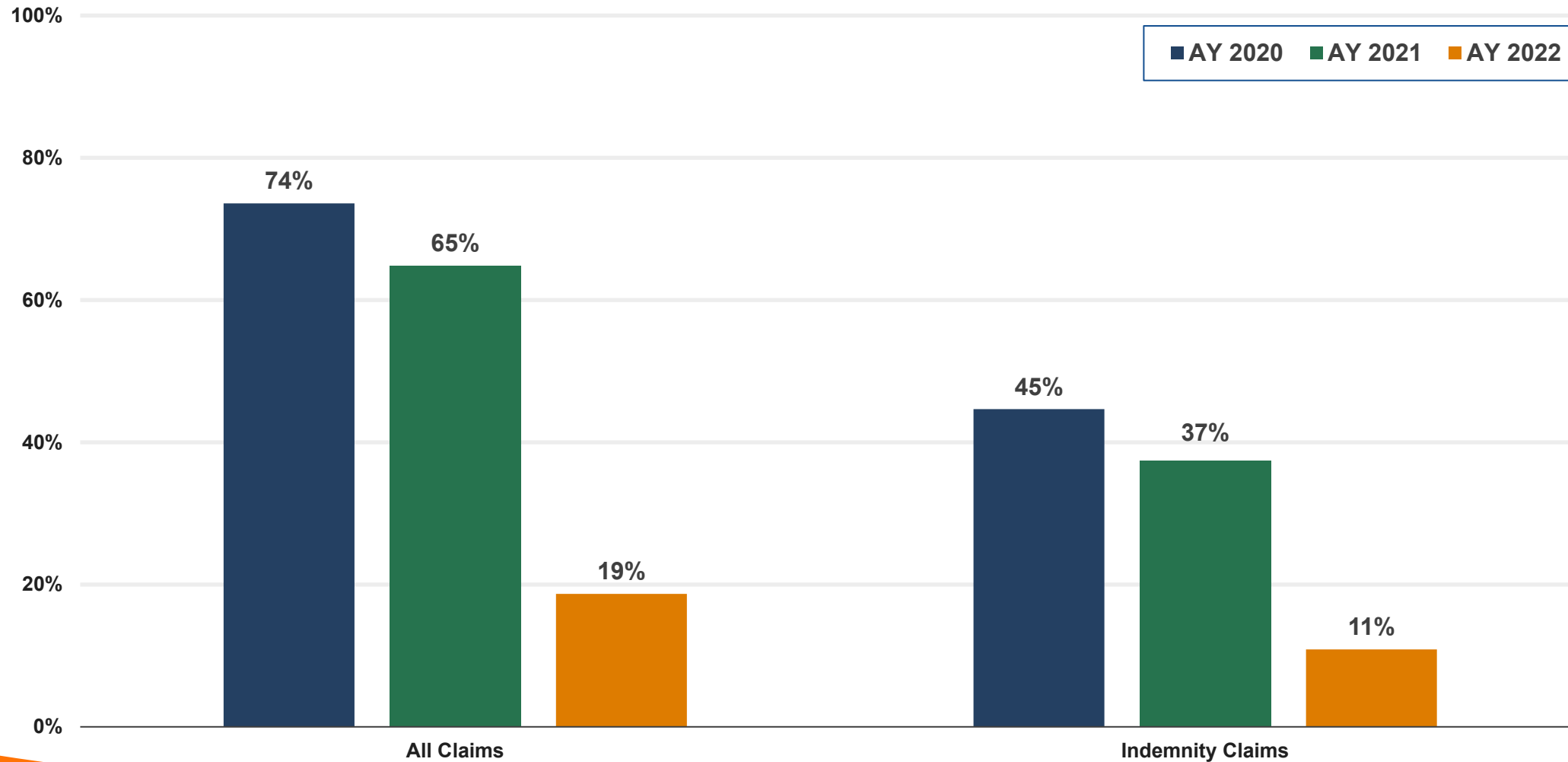
The COVID-19 share of indemnity claims peaked during the winter surges of 2020-2021 and 2021-2022.

Since February 2022, the COVID-19 share of indemnity claims has been relatively low, with only a small increase during the winter of 2022-2023.

In recent months, COVID-19 claims have represented about 3% of reported indemnity claims.

[More Info and Source Data](#) ➔

Chart 28: Ratio of COVID-19 to Non-COVID-19 Average Claim Severity

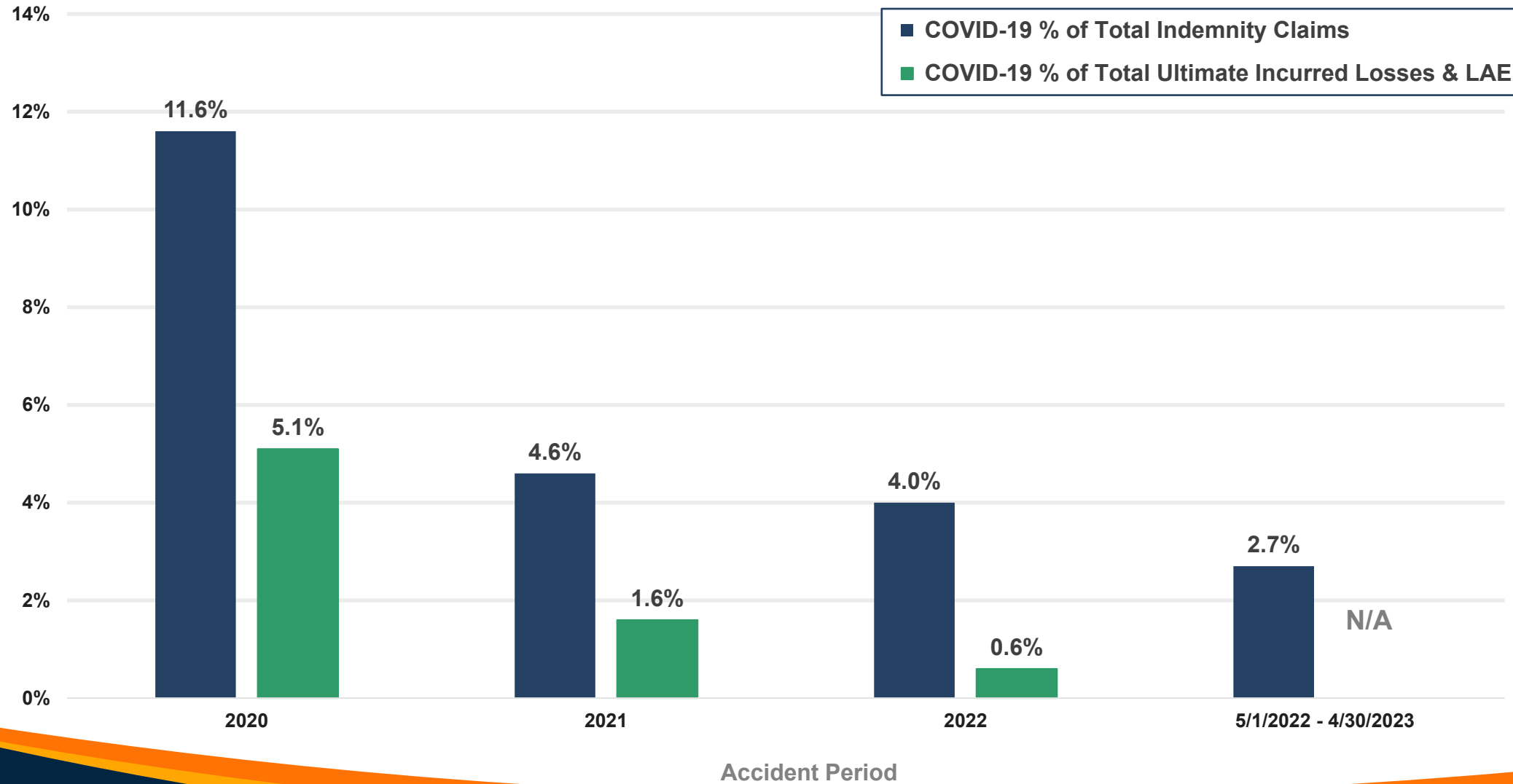


COVID-19 claims on average cost less than non-COVID-19 claims.

The relative average cost of a COVID-19 claim during the earlier years of the pandemic was much higher. Vaccination and immunization rates among workers as well as improved treatments for COVID-19 have brought the average COVID-19 indemnity claim severity to be almost one-tenth of the non-COVID-19 indemnity claim severity in 2022.

**More Info and
Source Data** →

Chart 29: Estimated Share of COVID-19 Indemnity Claims and Ultimate Losses & LAE



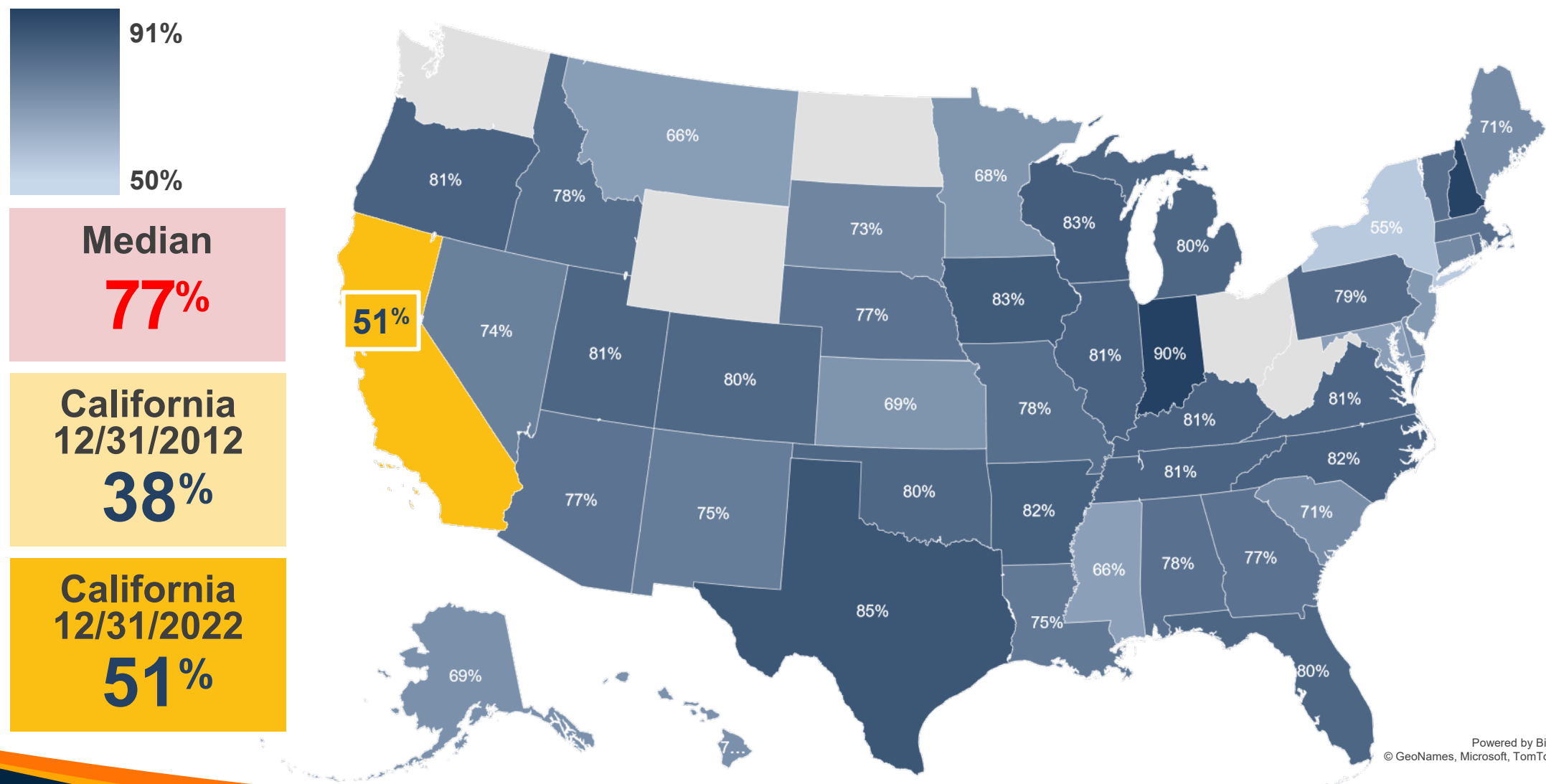
The share of projected losses and loss adjustment expenses (LAE) for COVID-19 claims has declined each year, as the share of COVID-19 claims has declined [\(Chart 27\)](#) and the relative average cost of a COVID-19 claim has also decreased [\(Chart 28\)](#).

With the COVID-19 share of indemnity claims expected to decrease further in 2023, the WCIRB did not reflect a separate provision for COVID-19 claim costs in the September 1, 2023 Pure Premium Rate Filing.

[More Info and Source Data](#) →

05 Claim Duration

Chart 30: Percent of Ultimate Medical Cost Paid at 3 Years



The percentage of ultimate medical paid at three years increased from 38% in 2012 to 51% in 2022, driven largely by the SB 863 reforms.

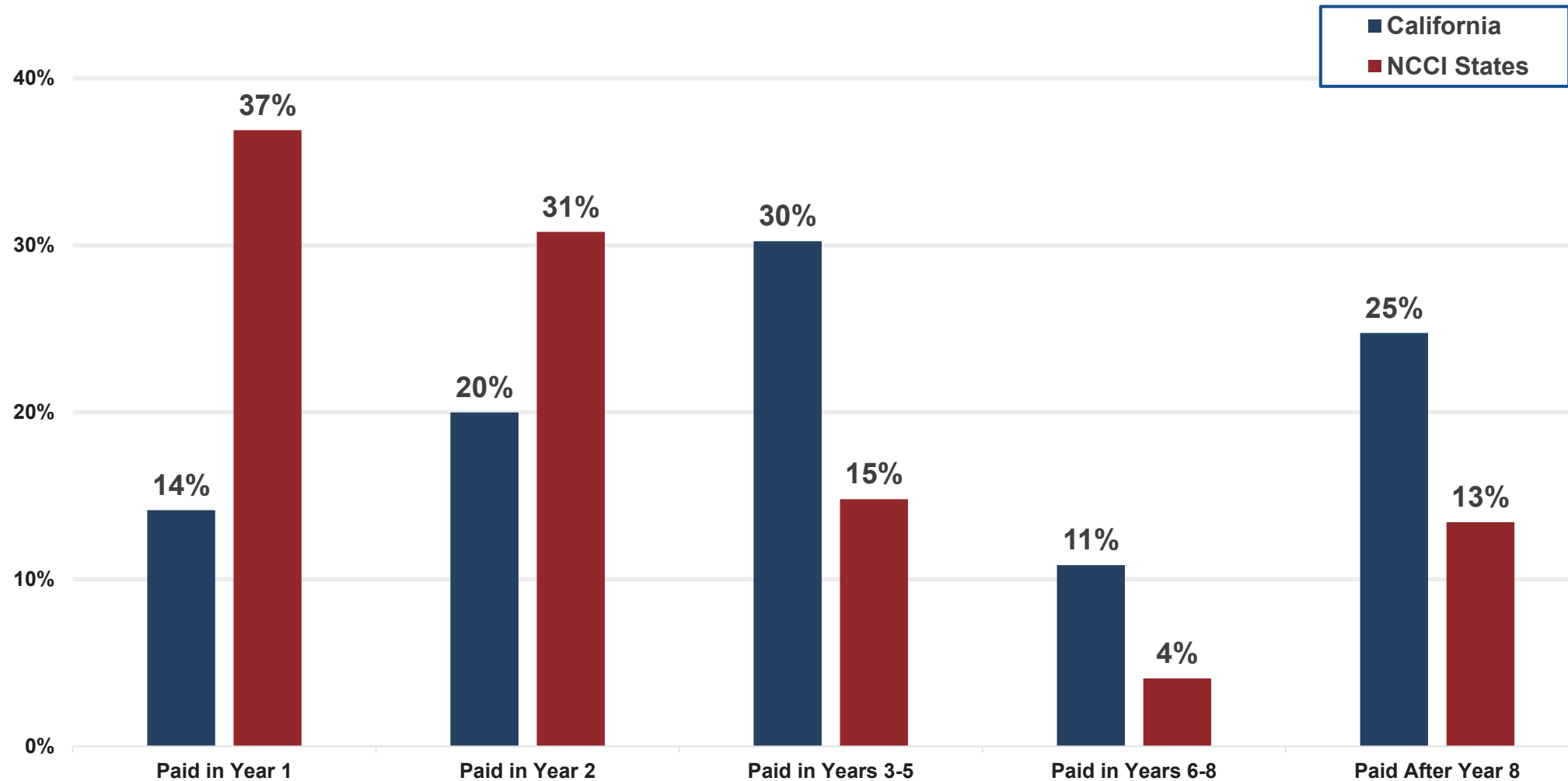
California still has longer duration of medical payments compared to the rest of the country, driven by:

- The time it takes to report claims ([Chart 32](#))
- The length of time claims stay open ([Chart 33](#))
- A high proportion of permanent disability claims ([Chart 16](#)) and cumulative trauma claims ([Chart 14](#))
- High frictional costs ([Chart 35](#))

More Info and
Source Data →

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Chart 31: Percent of Medical Losses Paid by Year



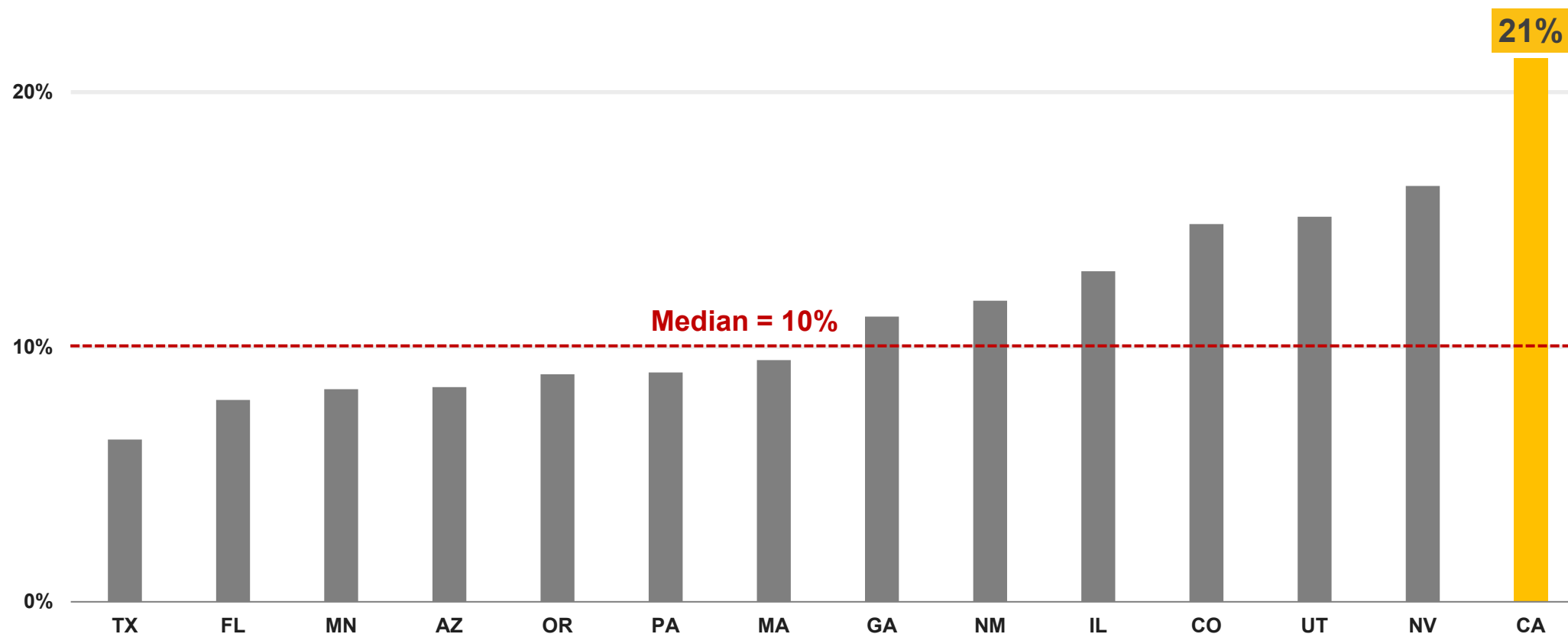
More than two-thirds of all medical losses are paid in the first two years from the year of injury in NCCI states, compared to one-third in California.

36% of medical losses in California are paid after 5 years, compared to 17% for NCCI states.

The slower payment rate of medical losses in California is in part driven by a slower reporting of indemnity claims ([Chart 32](#)) and a slower claim settlement process ([Chart 33](#)).

More Info and
Source Data →

Chart 32: Percent of Indemnity Claims Unreported at 12 Months

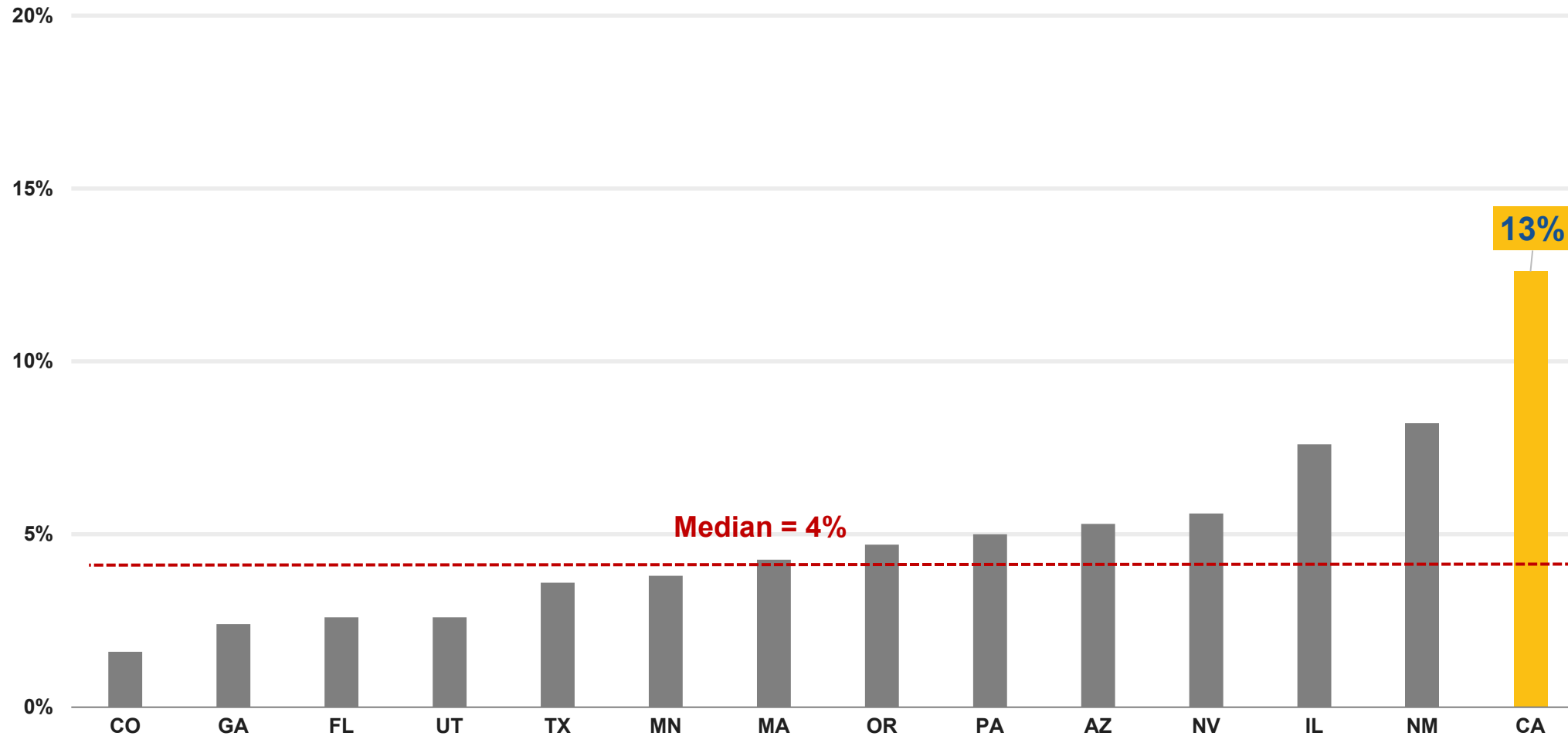


California has a slower pattern of indemnity claim reporting, with the percent of claims unreported at 12 months over twice the comparison state median.

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 33: Percent of Indemnity Claims Open at 60 Months



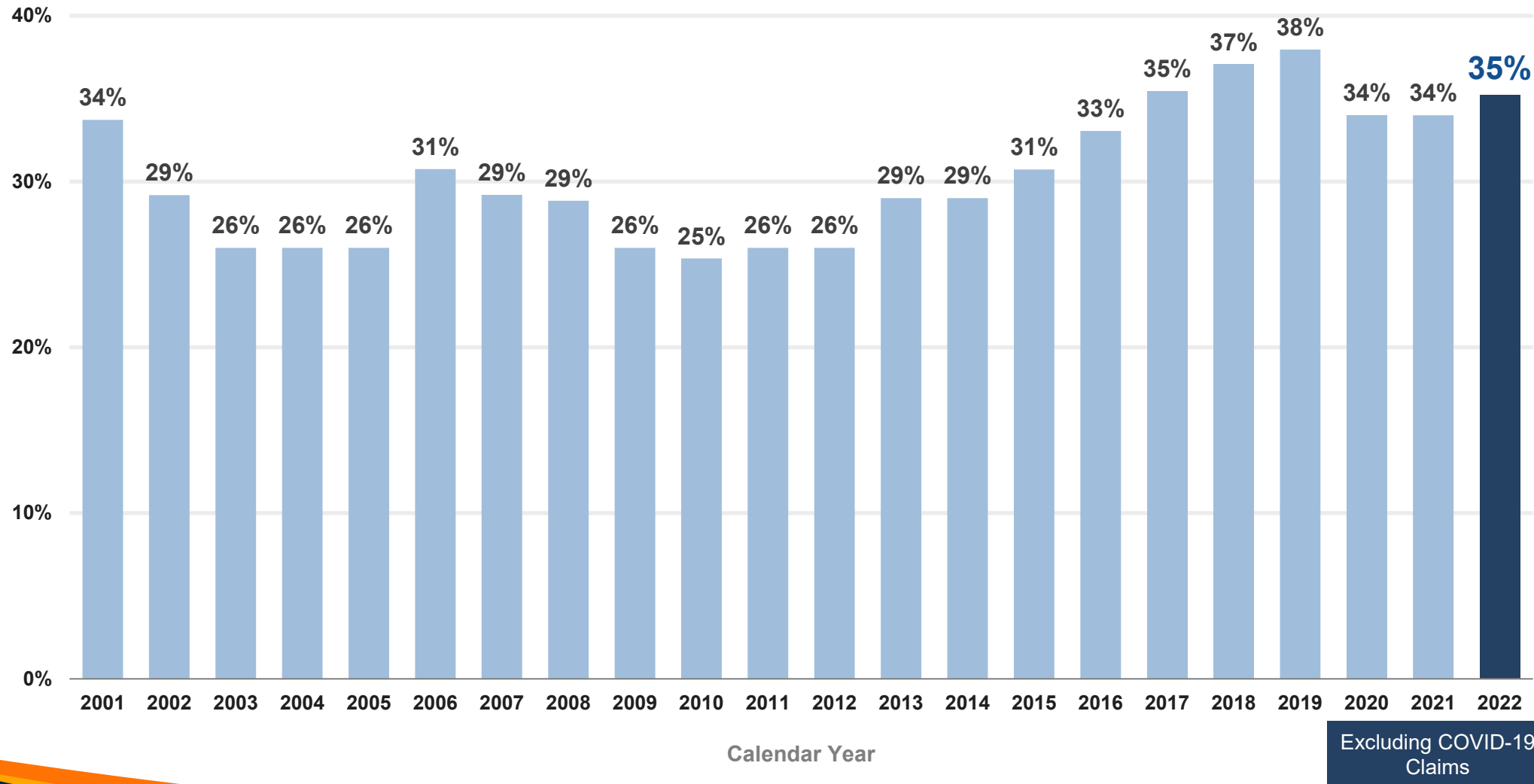
The percent of California indemnity claims open at 60 months is approximately three times the comparison state median, despite a post-SB 863 increase in claim closure rates in California.

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 42](#))
- Higher rates of permanent disability claim frequency ([Chart 16](#))
- Greater complexity in handling and settling claims

More Info and Source Data →

Chart 34: 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.

Claim closing rates in 2021 and 2022 have stabilized but remain below the pre-pandemic high.

[More Info and Source Data](#) →

06 Frictional Costs

Chart 35: Cost to Deliver \$1 of Benefits

Medicare
\$0.02



Workers' Compensation
Median State
\$0.25



Private Group
Health
Insurance
\$0.19



California
Workers'
Compensation
\$0.46

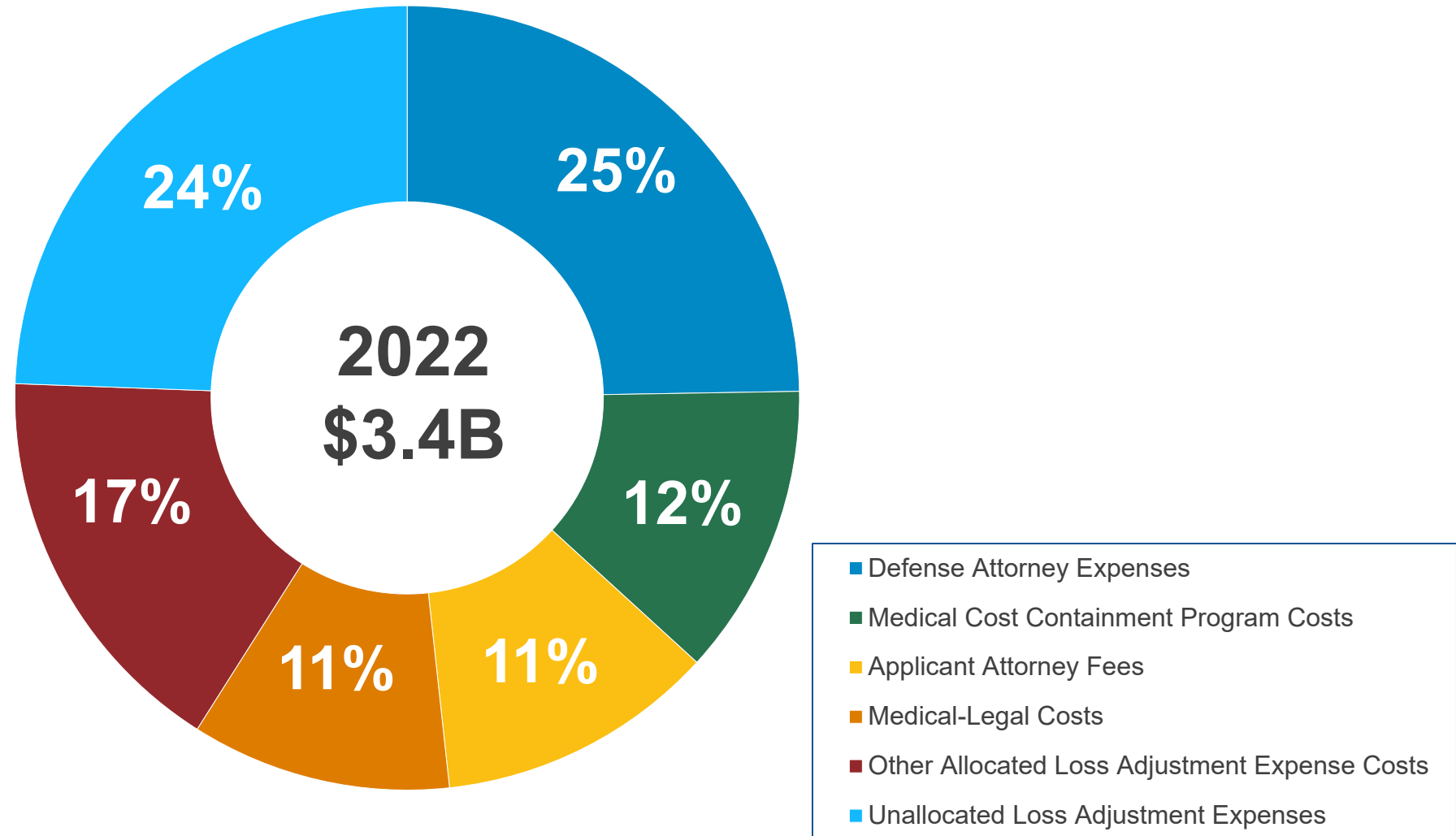


California claims' administrative costs are multiples higher than other medical benefit systems such as Medicare and the average for private group health insurance.

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 36: Distribution of 2022 Paid Frictional Costs

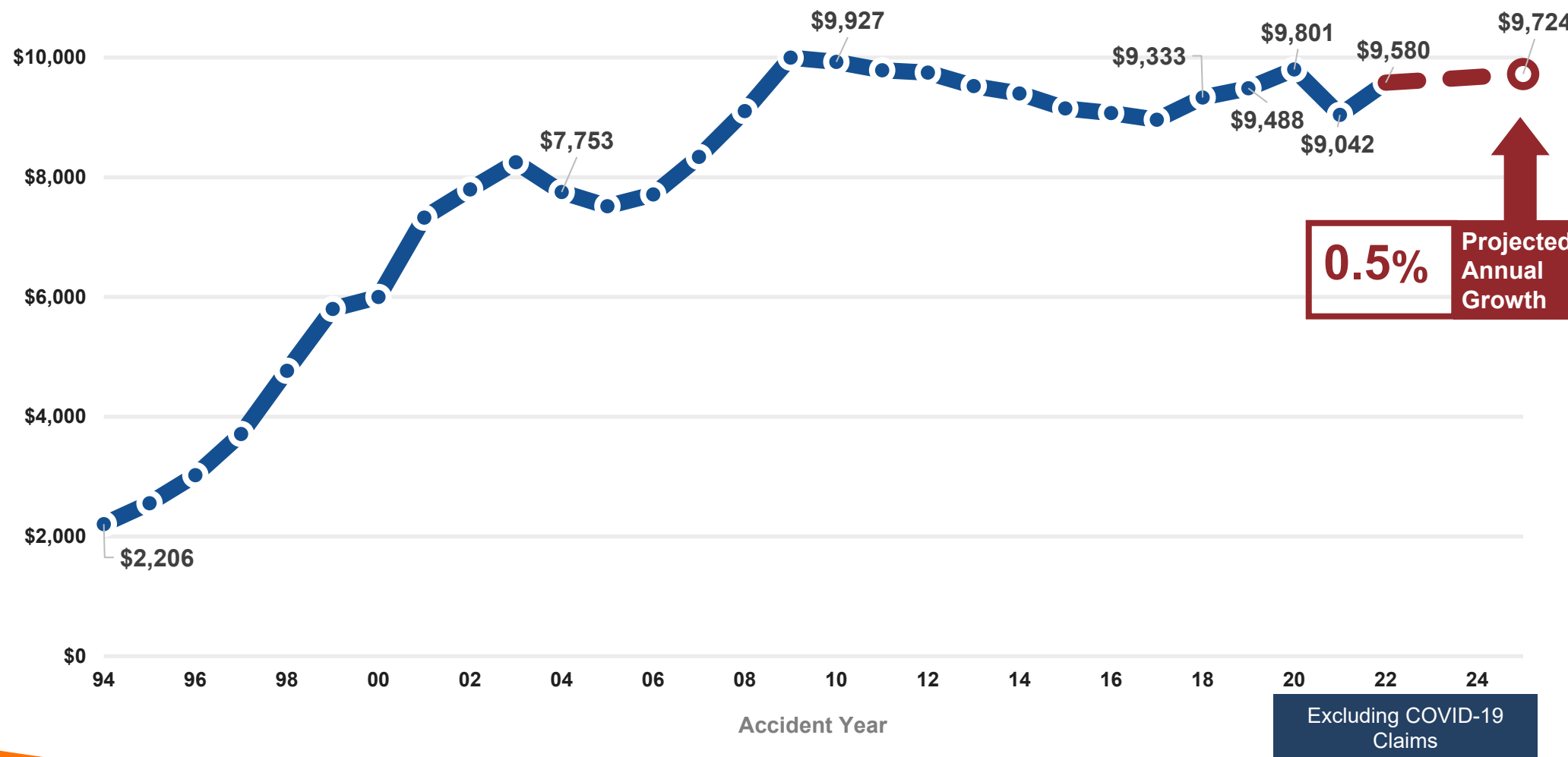


The majority of frictional costs paid are for the handling of claims and the resolving of claim disputes.

The distribution of frictional costs paid in 2022 is generally consistent with recent years.

**More Info and
Source Data** →

Chart 37: Average Allocated Loss Adjustment Expenses per Indemnity Claim



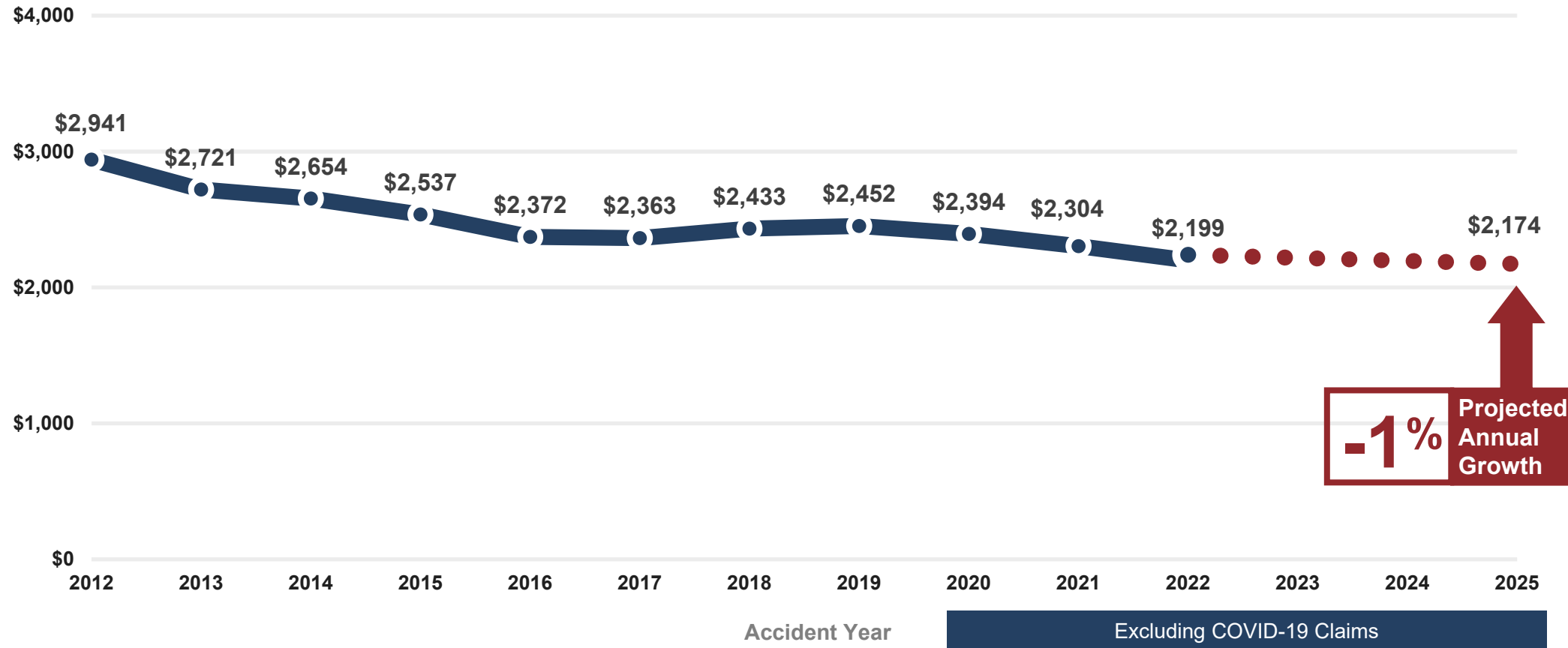
After increasing significantly through 2009, average allocated loss adjustment expense (ALAE) costs declined modestly from 2009 to 2017, driven by the SB 863 reforms and an acceleration in claim settlement rates reducing the duration of indemnity claims.

Average ALAE costs have generally increased modestly since 2017, with some volatility during the pandemic period.

The WCIRB projects modest increases in average ALAE costs through 2025, generally consistent with the post-2017 trend.

[More Info and Source Data](#) →

Chart 38: Average Medical Cost Containment Program Cost per Indemnity Claim

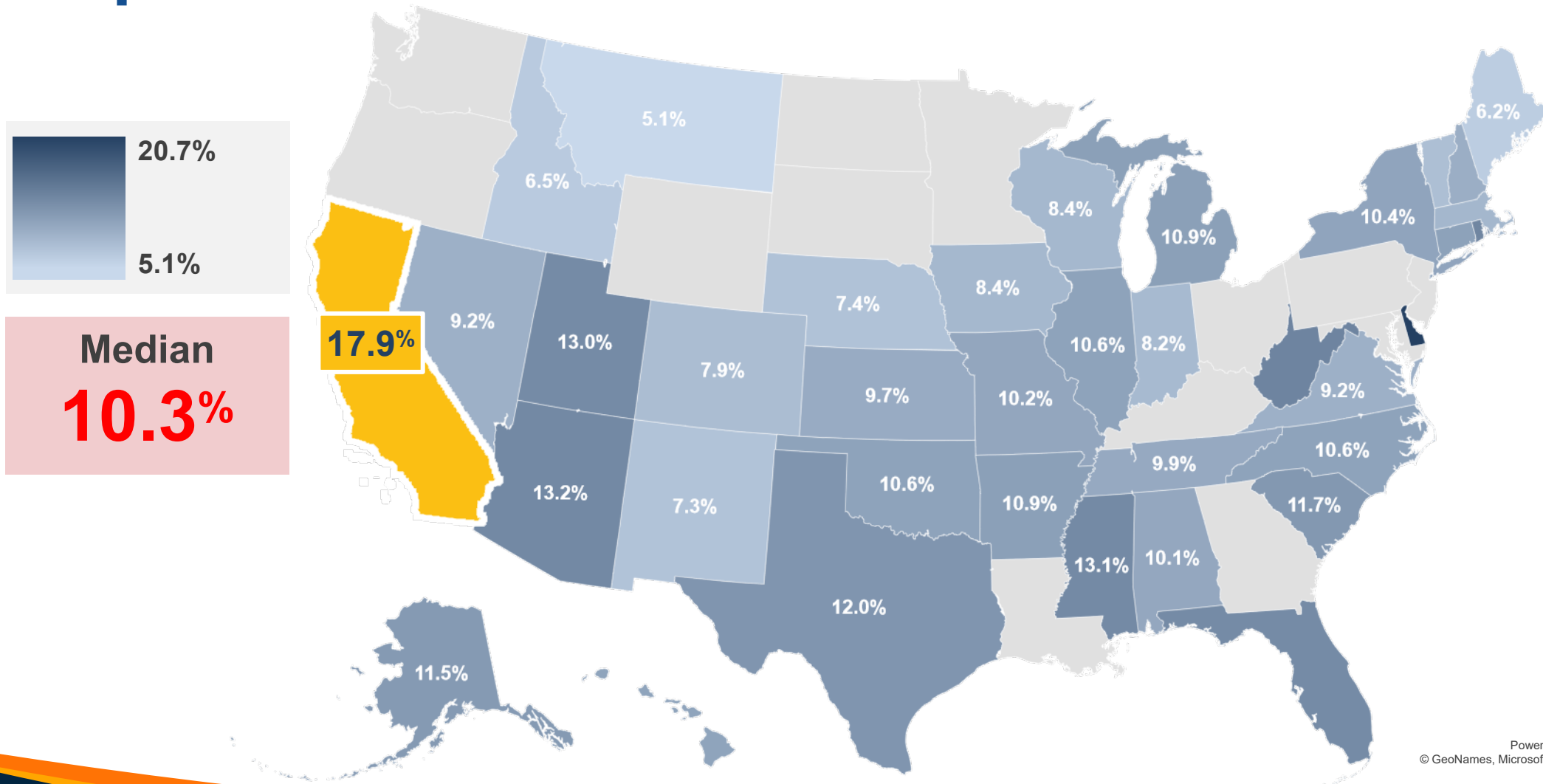


As medical costs declined ([Chart 24](#)), average medical cost containment program (MCCP) costs per claim have also generally decreased since 2012.

The WCIRB projects a modest decline in average MCCP costs through 2025.

[More Info and Source Data](#) →

Chart 39: Ratios of Allocated Loss Adjustment Expenses to Losses



Despite recent flat average ALAE costs per claim ([Chart 37](#)), California's ratio of ALAE to losses is the second highest in the country and 70% higher than the countrywide median.

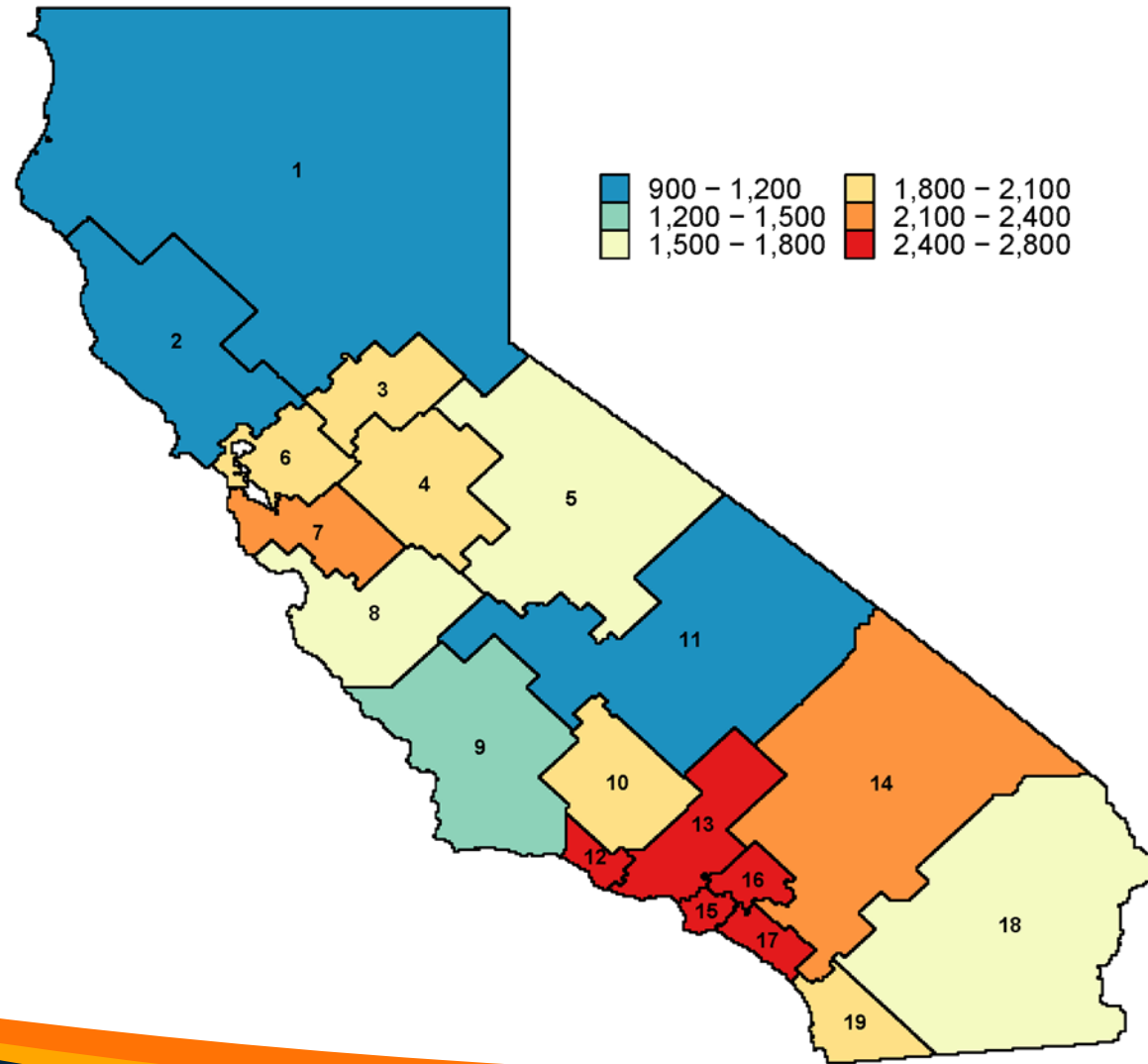
Drivers of high California expenses:

- High proportion of permanent disability claims ([Chart 16](#)) and cumulative trauma claims ([Chart 14](#))
- High rates of legal representation on claims
- Longer duration of claims ([Chart 33](#))
- Higher costs in Southern California regions ([Chart 40](#))

More Info and Source Data →

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Chart 40: Median Paid ALAE on Permanent Disability Claims by Region



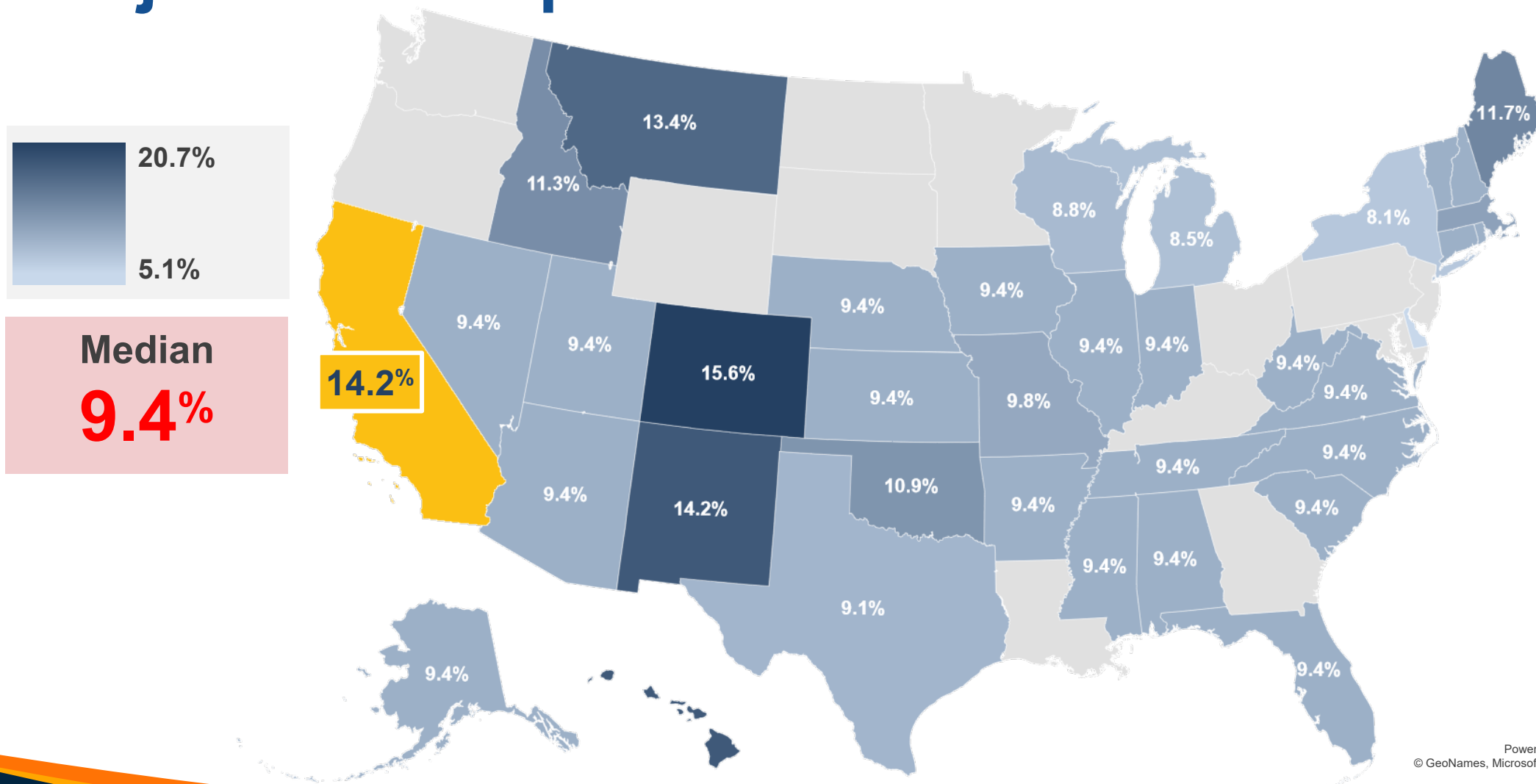
- 01 – Yuba City/Redding/Far North
- 02 – Sonoma/Napa
- 03 – Sacramento
- 04 – Stockton/Modesto/Merced
- 05 – Fresno/Madera
- 06 – Bay Area
- 07 – Peninsula/Silicon Valley
- 08 – Santa Cruz/Monterey/Salinas
- 09 – SLO/Santa Barbara
- 10 – Bakersfield
- 11 – Tulare/Inyo
- 12 – Ventura
- 13 – Santa Monica/San 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

Paid ALAE is significantly higher in the LA Basin regions for the 2020 policy year.

The lowest paid ALAE tends to be in the more rural areas of California.

More Info and Source Data →

Chart 41: Ratios of Unallocated Loss Adjustment Expenses to Losses



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

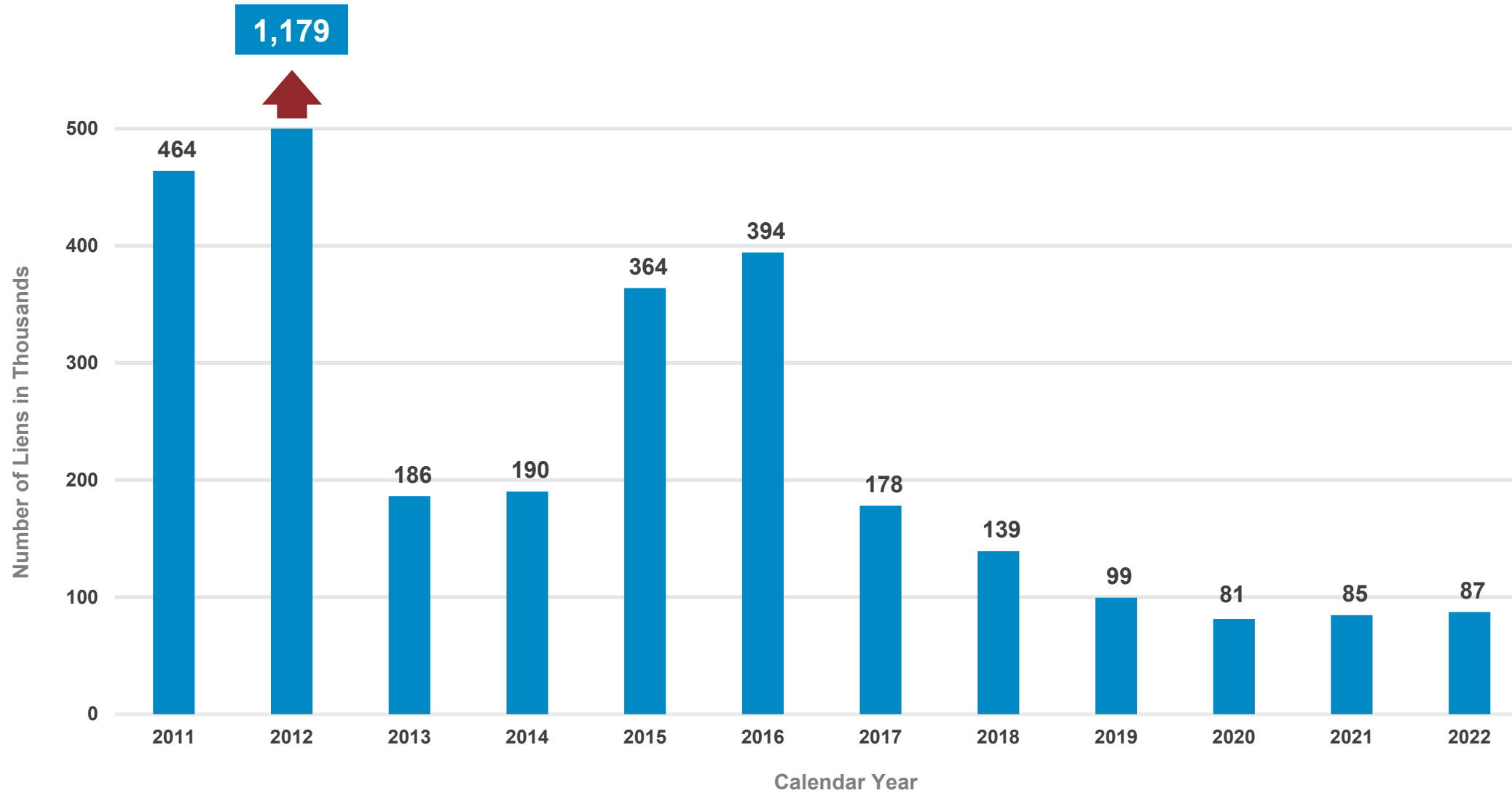
California claims are typically more complex to handle as they are open longer and more often involve complex issues such as permanent disability and cumulative trauma.

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

[More Info and Source Data](#) →

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Chart 42: Number of Lien Filings



Following the implementation of reforms related to lien filings of SB 863 (in 2013) and SB 1160 and AB 1244 (in 2017), the number of lien filings dropped significantly.

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

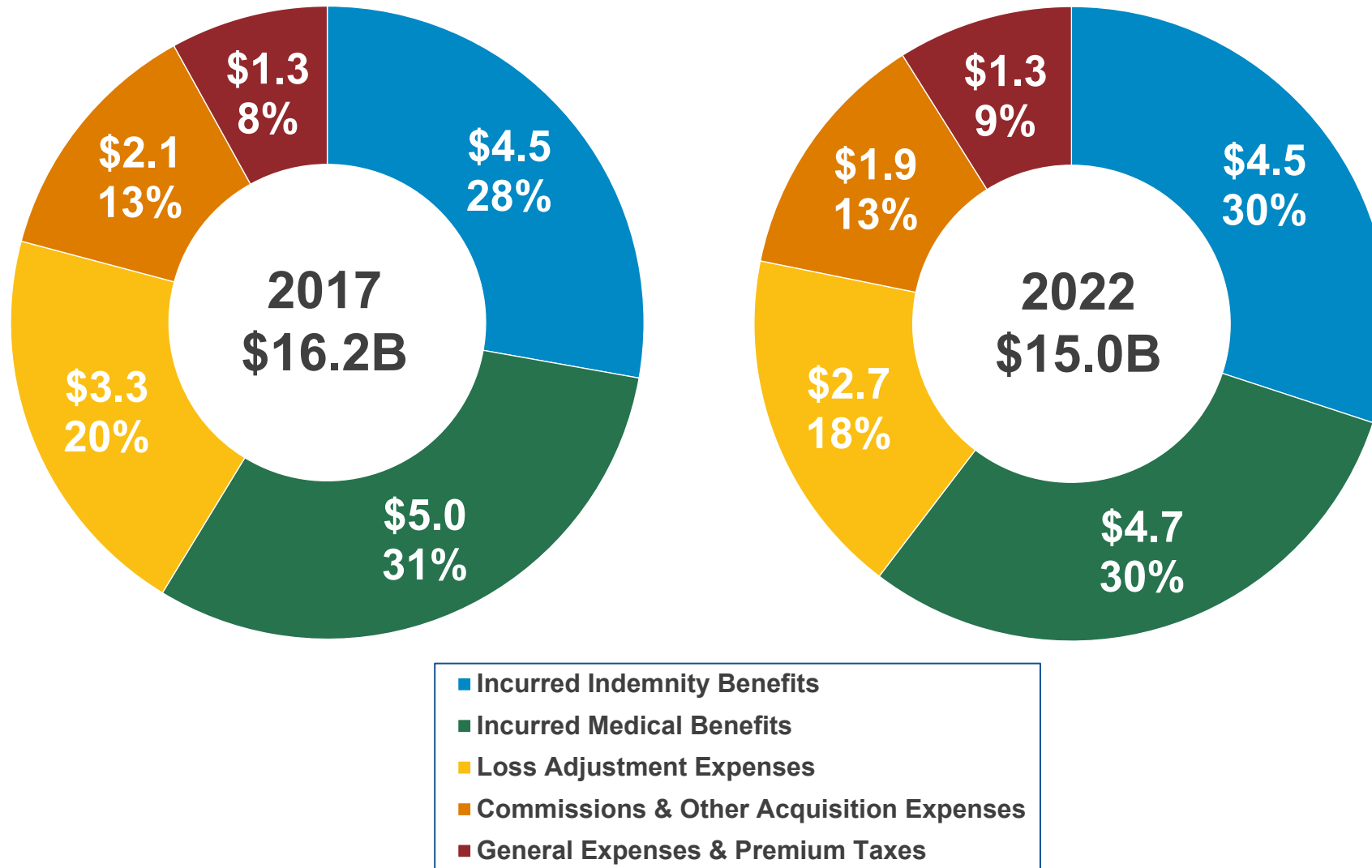
Although lien filings in California are at a historical low, they are virtually nonexistent in most other workers' compensation systems.

**More Info and
Source Data** →



07 Claim Cost Distributions

Chart 43: Distribution of Insured System Costs

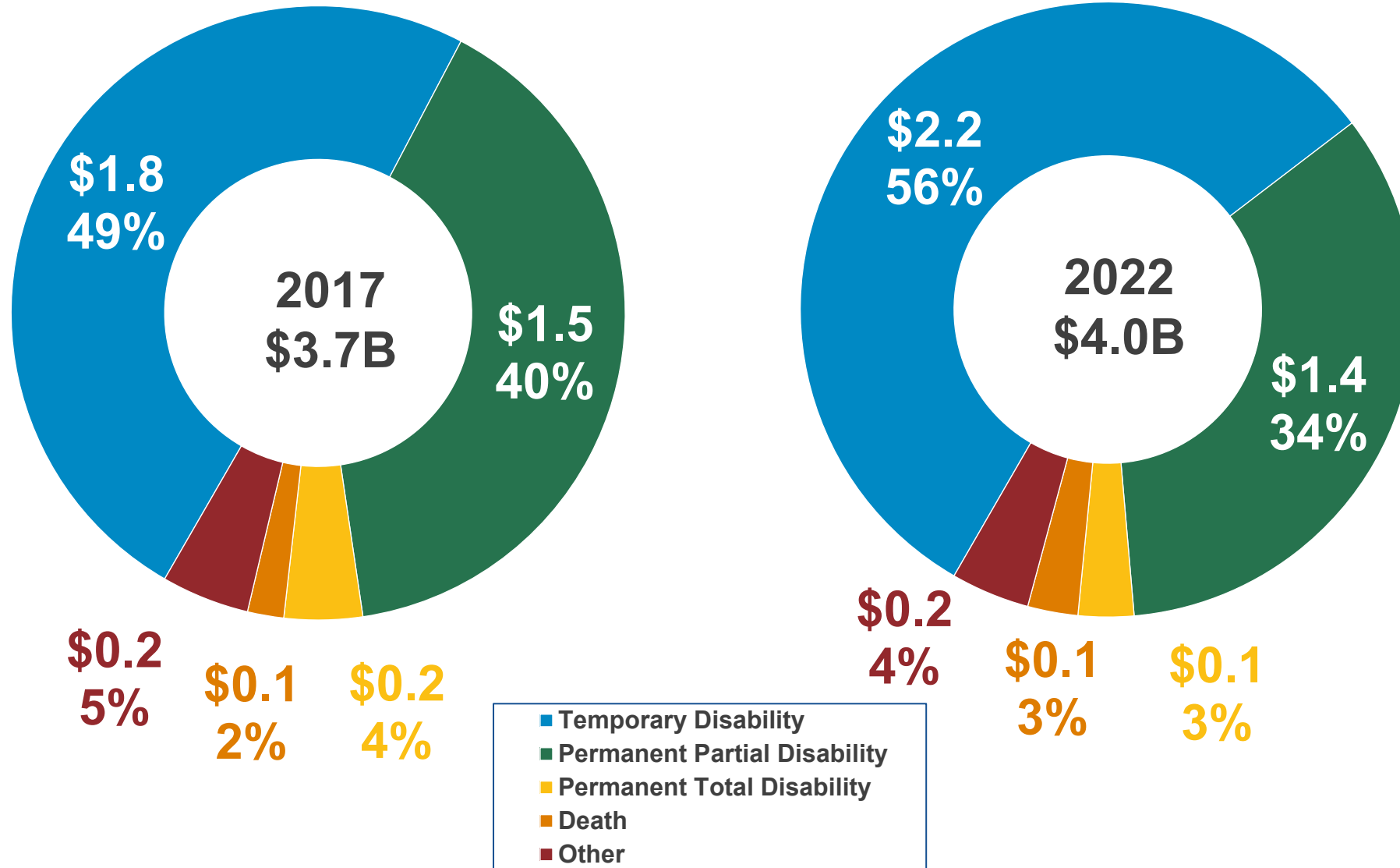


Although total insured system costs have declined by over \$1 billion in the last five years, the proportion of system costs among types has been relatively consistent.

The share of insured system costs for indemnity benefits and loss adjustment expenses has increased modestly over the last five years while the proportion for medical benefits has declined modestly.

[More Info and Source Data](#) →

Chart 44: Distribution of Paid Indemnity Benefits

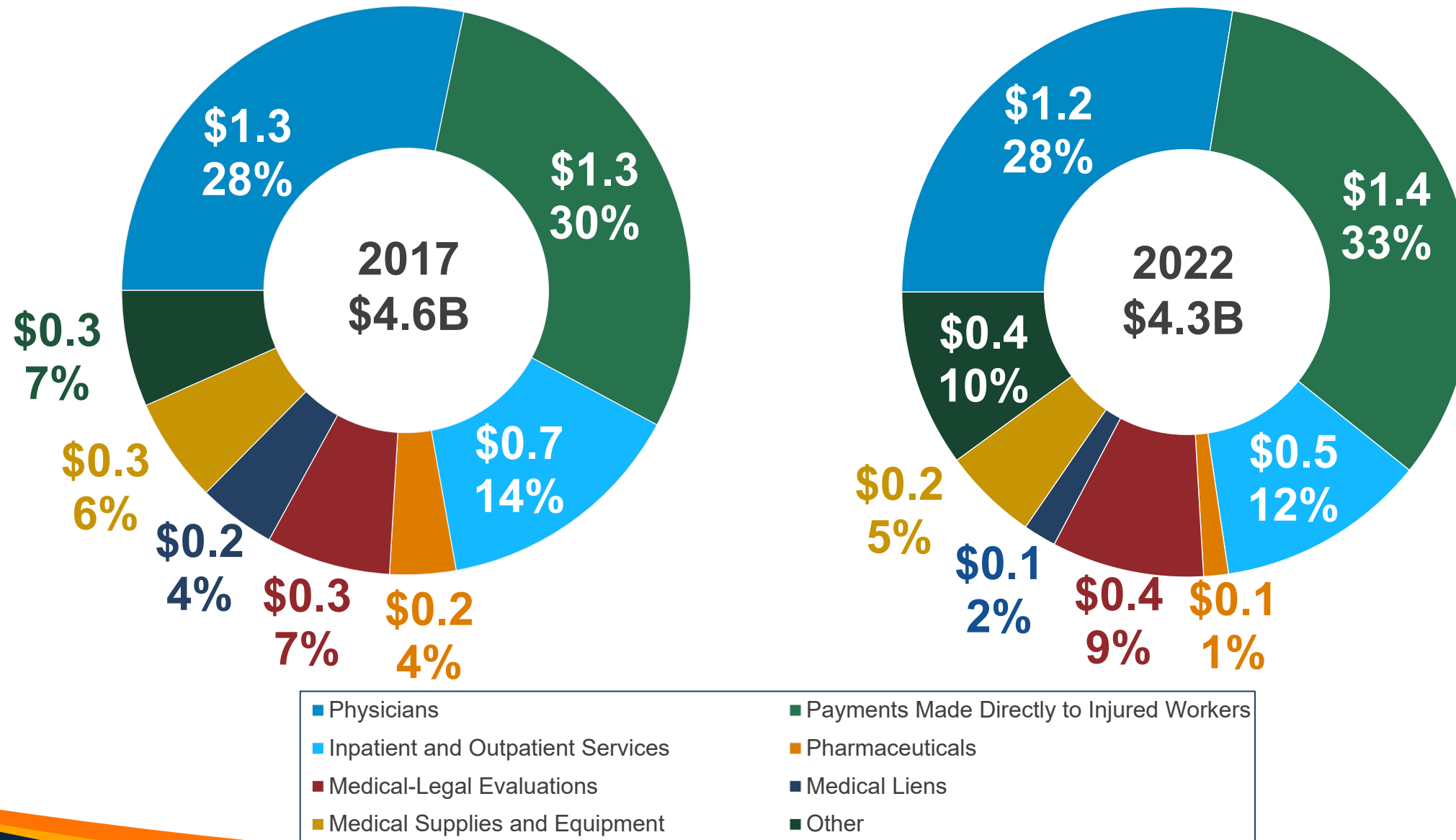


Temporary disability and permanent partial disability benefits comprise approximately 90% of indemnity benefits.

The share of indemnity benefits for permanent partial disability decreased over the last five years as the share of indemnity claims involving permanent partial disability has declined. In addition, unlike most other types of indemnity benefits, there are no annual cost-of-living adjustments to permanent partial disability benefits.

[More Info and Source Data](#) →

Chart 45: Distribution of Paid Medical Benefits



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

Payments made directly to injured workers, which are primarily for future medical services, increased as a share of paid medical due in part to accelerations in claim settlement rates [\(Chart 34\)](#).

Payments for medical-legal evaluations increased over the last five years, driven by the updated Medical-Legal Fee Schedule that became effective in 2021 [\(Chart 24\)](#).

More Info and Source Data →



08 Industry Results

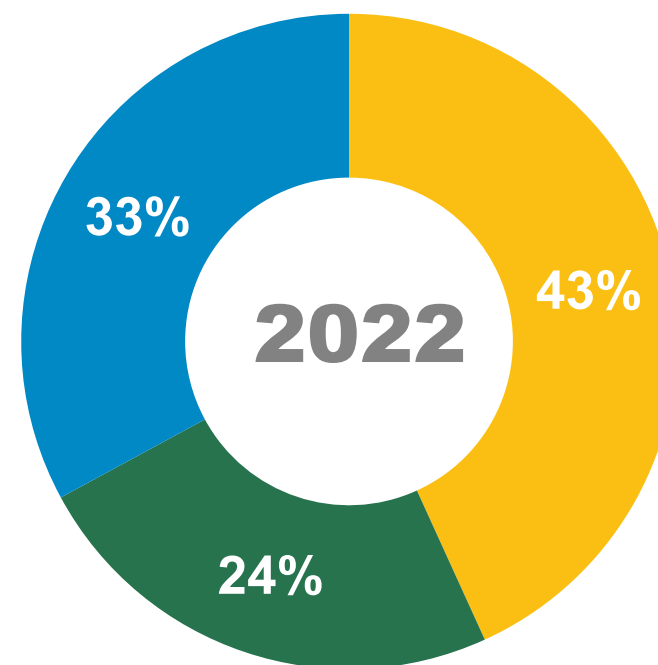
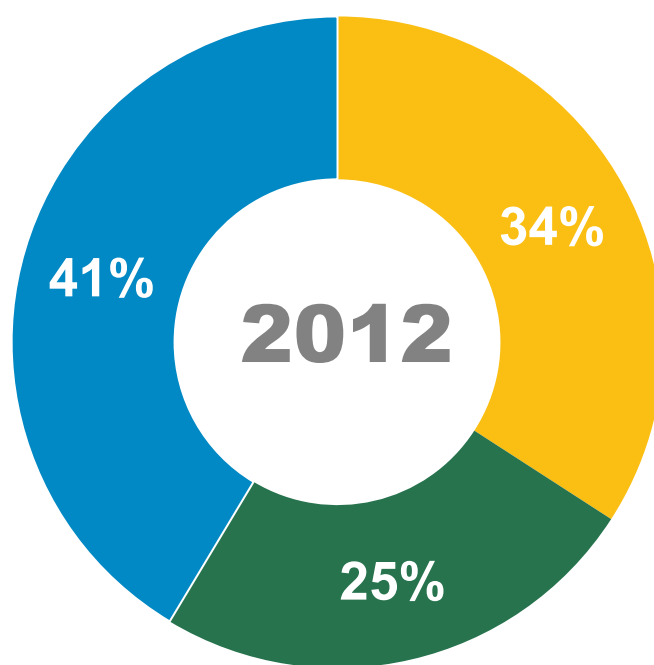
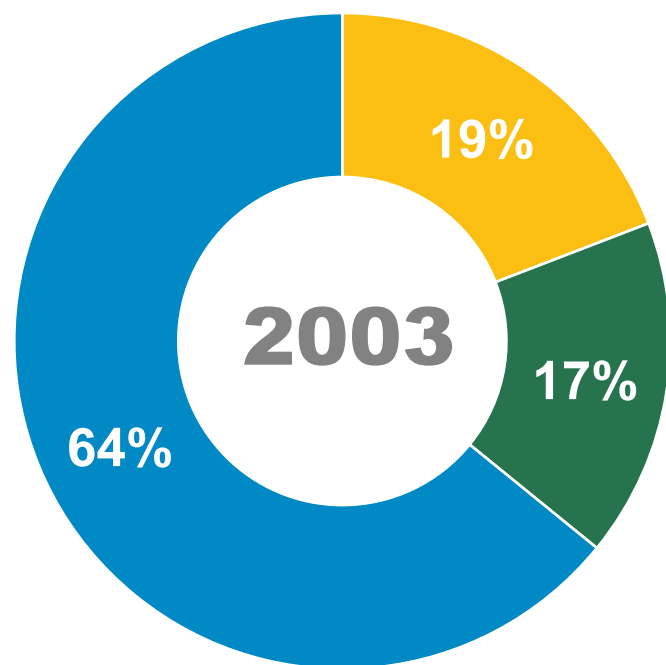


Chart 46: Market Concentration Ratios


Top 5
Insurers


6th-10th
Insurers


All Other
Insurers



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

Market concentration ratios in 2022 are the lowest in decades, as the largest 10 insurers controlled less than 60% of the market.

More Info and
Source Data →

Chart 47: Market Share by Type of Insurer



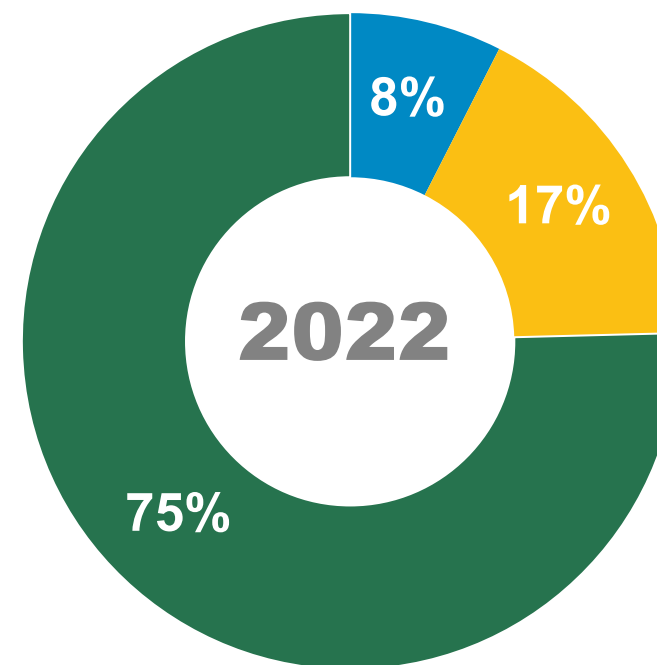
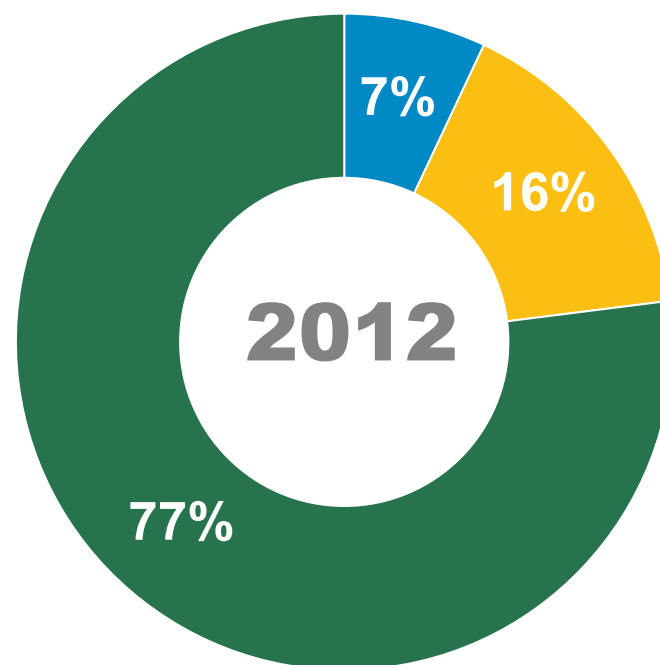
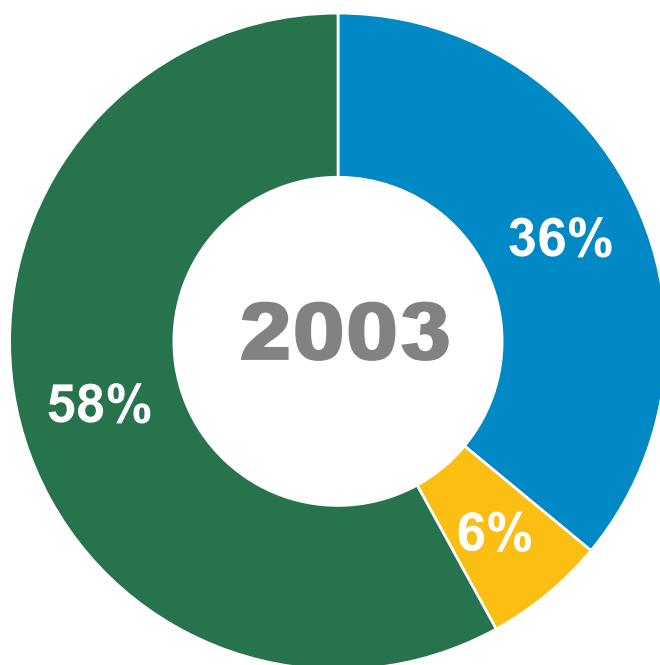
National Insurers



State
Compensation
Insurance
Fund



California-
Focused Private
Insurers

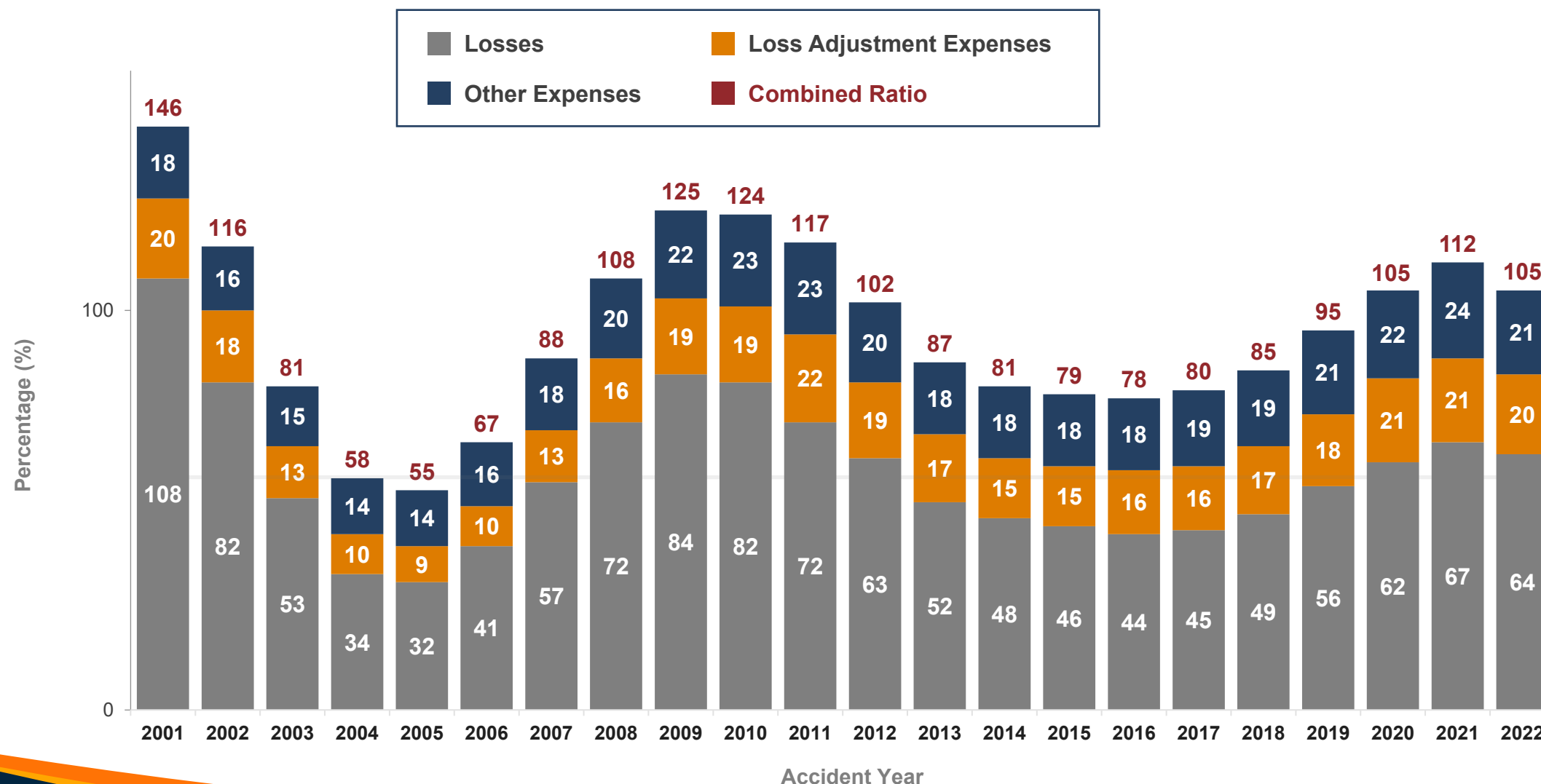


The share of private insurers that focus most of their workers' compensation business in California has been relatively consistent over the last 10 years.

The State Compensation Insurance Fund market share has also been relatively stable over the last 10 years.

More Info and Source Data →

Chart 48: Projected Combined Loss and Expense Ratios



Combined ratios in California have historically been volatile.

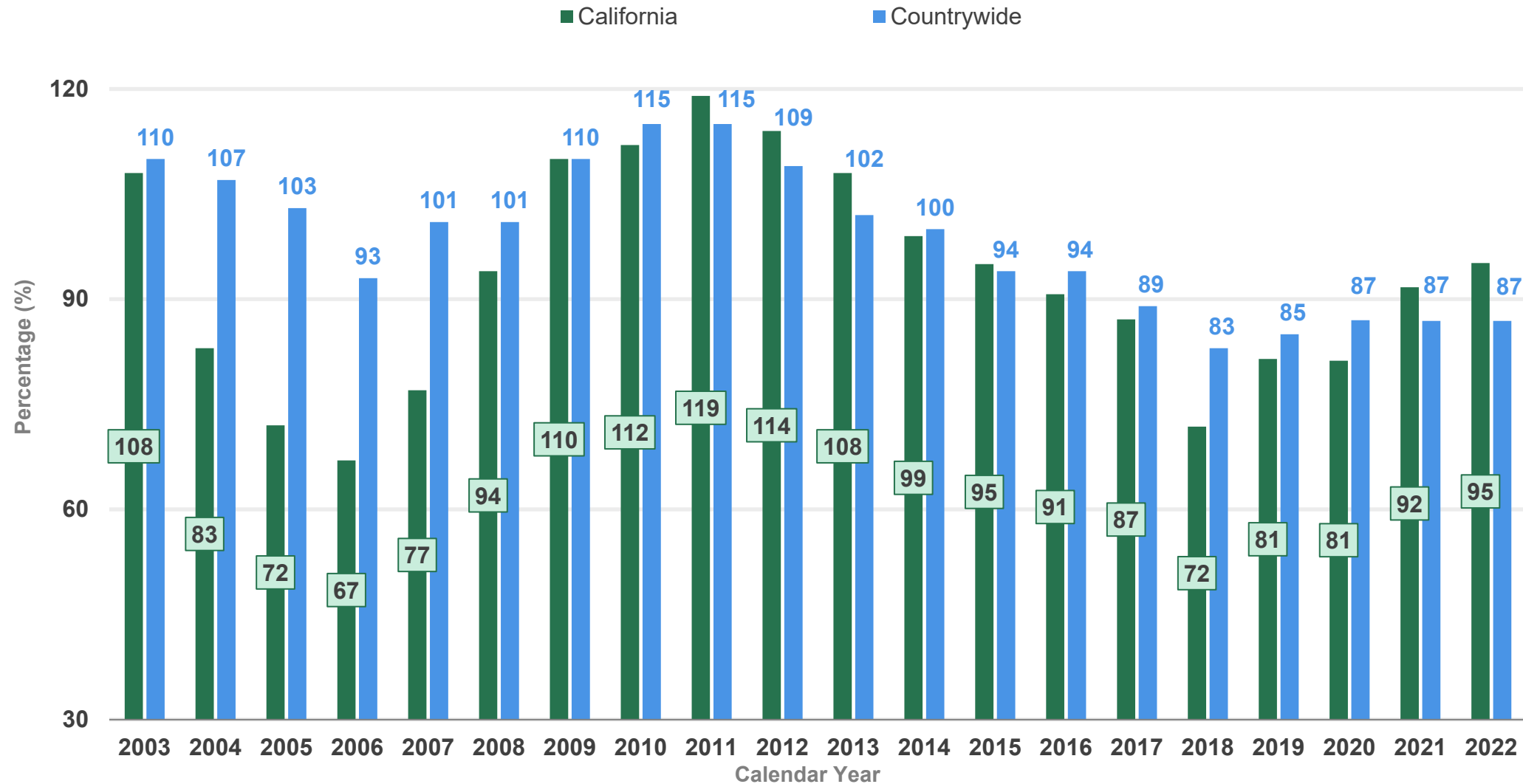
Combined ratios have increased since 2017 primarily due to lower premium levels ([Chart 1](#)) driven by lower insurer charged rates ([Chart 4](#)).

The combined ratios for 2020 to 2022 are above 100%, driven in part by COVID-19 claims ([Chart 27](#)), lower insurer rates and higher claim frequency in 2021 and 2022 ([Chart 10](#)).

The combined ratio decreased by 7 points in 2022 as premium levels rebounded after the pandemic and expense ratios declined.

[More Info and Source Data](#) ➔

Chart 49: Private Insurer Reported Combined Ratios

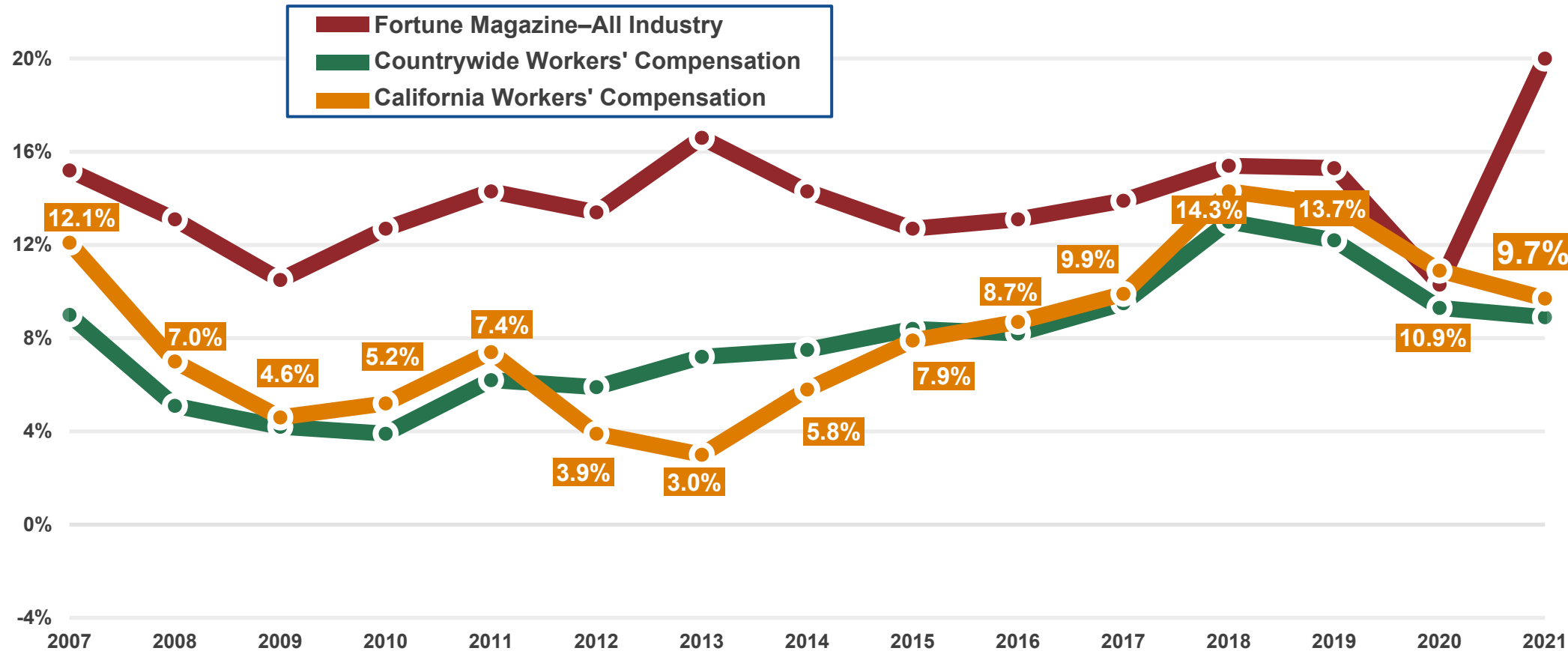


California private insurer reported combined ratios have been relatively volatile over the long term.

Following five years of California private insurer combined ratios that were below the countrywide ratios, the California reported combined ratio surpassed the countrywide ratio in calendar years 2021 and 2022.

More Info and
Source Data →

Chart 50: 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.

2021 is the sixth consecutive year that the California workers' compensation average return on net worth surpassed 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
14.5%	9.0%	8.8%

09 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
- 2023 premium forecast is primarily based on first quarter 2023 premium reported to the WCIRB and projected changes in statewide employment and wage levels for the remainder of 2023

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 (which is generally reflected in the changes in employer payrolls) 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 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 (in Excel format) is also available on the [WCIRB's website](#) or 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 (see Section B, Appendix B of the [WCIRB's September 1, 2023 Pure Premium Rate Filing](#))



Source Data

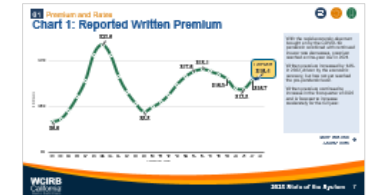
- UCLA published economic data and forecasts as of March 2023 and California Department of Finance forecasts as of April 2023
- WCIRB adjusted wage changes are based on UCLA forecasts, American Community Survey and Current Population Survey Extracts as published by the Economic Policy Institute

Chart 4: Average Charged Rate per \$100 of Payroll

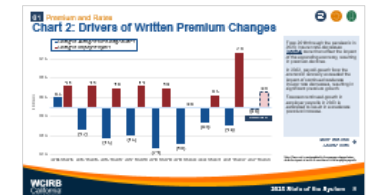
- Average rates per \$100 of payroll charged by insurers in California
- Shows the average cost of workers' compensation insurance paid by California employers
- Differs from advisory pure premium rates approved by the California Insurance Commissioner, which are advisory and only reflect the estimated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

Source Data

- WCIRB unit statistical data (through 2020) and aggregate financial data calls
- The average rate for 2023 is based on the first quarter only
- Average rates are based on the classification mix for that policy year through 2020 and the latest available classification mix for 2021 and later
- For consistency of comparison, all average rates are restated to include the impact of maximum payroll limitations applied to five classifications beginning in 2020 and seven classifications beginning September 1, 2022



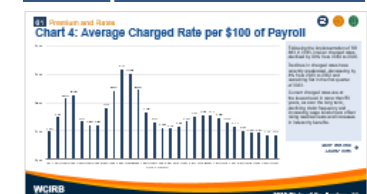
 [Return to Chart 1](#)



 [Return to Chart 2](#)



 [Return to Chart 3](#)



 [Return to Chart 4](#)

More Info and Source Data



Chart 5: Changes in Average Rates Since 2015

- Rates shown are per \$100 of payroll and are gross of deductible credits
- Advisory pure premium rates are based on those approved by the Insurance Commissioner and only include the cost of losses and loss adjustment expenses
- Industry filed manual rates include provisions for losses and loss adjustment expenses as well as provisions for insurer general expenses, acquisition expenses, taxes and fees and any profit provisions
- Average charged rates are based on the premium actually charged to employers and include the impact of schedule credits and other premium adjustment plans

Source Data

- WCIRB unit statistical data and aggregate financial data calls and insurer rate filings with the California Department of Insurance
- Average advisory pure premium rates and charged rates are based on the classification mix for that policy year through 2020 and the latest available classification mix for 2021 and later
- For consistency of comparison, all average rates are restated to include the impact of maximum payroll limitations applied to five classifications beginning in 2020 and seven classifications beginning September 1, 2022

Chart 6: January 2023 Rate Components

- Rates shown are per \$100 of payroll and are gross of deductible credits
- Advisory pure premium rates are based on those approved by the Insurance Commissioner and only include the cost of losses and loss adjustment expenses
- Industry filed manual rates include provision for the losses and loss adjustment expenses as well as provisions for insurer general expenses, acquisition expenses, taxes and fees and any profit provisions
- Average charged rates are based on the premium charged to employers and include the impact of schedule credits and other premium adjustment plans

Source Data

- WCIRB aggregate financial data calls and insurer rate filings with the California Department of Insurance
- The average approved advisory pure premium rate is adjusted to a “full” rate basis using an expense ratio of 21% of premium, which approximates a 100% combined ratio

Chart 7: Share of Self-Insurance by Industry

- Estimated share of self-insured employees by industry
- Most California employers are insured for their workers’ compensation claims; some larger employers elect to self-insure their losses through the California Department of Industrial Relations

Source Data

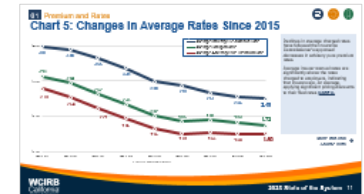
- Self-insured employer rosters from the California Department of Industrial Relations Office of Self-Insured Plans
- Dun and Bradstreet Hoovers employer database

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 2020
- Industries are based on WCIRB classifications mapped to the North American Industry Classification System (NAICS) sectors



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 2021) and aggregate financial data calls (2022)
- COVID-19 claims are excluded from accident years 2020 and later

Chart 10: Indemnity Claim Frequency Indexed to 2005

- Changes in indemnity claim frequency relative to the indemnity claim frequency in 2005
- WCIRB models show that claim frequency, on average, is expected to decline modestly from year to year, though that may not be true during periods of significant economic growth or large benefit changes

Source Data

- Historical data is based on WCIRB unit statistical data (through 2021) and aggregate financial data calls (2022)
- Accident year 2022 is preliminary
- Forecasts are based on the WCIRB's econometric indemnity claim frequency model, which measures changes in claim frequency based on changes in indemnity benefit levels, the California economy and other factors
- COVID-19 claims are excluded from accident years 2020 and later

Chart 11: Percent Change in Non-COVID-19 Claims Filed

- Change in the number of claims filed in the accident period (year or quarter) compared to the same period from the prior year
- These changes are based on the number of claims filed and do not include changes in workers' compensation exposures (i.e., insured payroll or number of employees), which will also impact the number of claims filed in a given year

Source Data

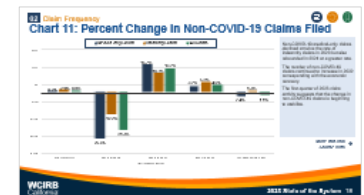
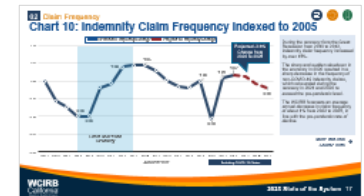
- WCIRB aggregate financial data calls, excluding COVID-19 claims, through March 31, 2023

Chart 12: Relative Change in Non-COVID-19 Indemnity Claim Frequency by Industry in 2021

- Accident year 2021 change in non-COVID-19 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 2021 frequency on 2020 policies are compared to accident year 2020 frequency on 2019 policies

Source Data

- WCIRB unit statistical data developed to fifth report level
- Industries are based on WCIRB classifications mapped to the North American Industry Classification System (NAICS) sectors. Some similar industries are combined to show overall change



More Info and Source Data



Chart 13: Regional Differences in Non-COVID-19 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 2020 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
- For more information on the study of regional cost differences within California, see the [2022 WCIRB Geo Study](#)

Chart 14: Percent of Indemnity Claims Involving Cumulative Trauma

- Proportion of total indemnity claims that involve a cumulative trauma 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
- Cumulative trauma also includes occupational disease claims but excludes COVID-19 claims
- For more information on cumulative trauma claim trends, see the WCIRB's report on [Medical Characteristics of Cumulative Trauma Claims](#)

Chart 15: Percent Cumulative Trauma Claims by Region

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

Source Data

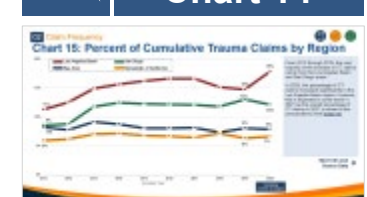
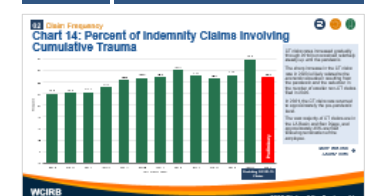
- WCIRB unit statistical data at first unit statistical report level
- Regions are based on the address reported on the California workers' compensation policy
- Cumulative trauma also includes occupational disease claims but excludes COVID-19 claims

Chart 16: Permanent Partial Disability Claims per 100,000 Employees

- Comparison of California permanent partial disability claim frequency per 100,000 employees to that of other states
- Approximately half of all indemnity claims in California involve some form of permanent disability
- Claims involving permanent disability generate the vast majority of costs in the workers' compensation system
- Permanent partial disability 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 permanent disability claims

Source Data

- 2023 NCCI Annual Statistical Bulletin for policy year 2019 and WCIRB unit statistical data



More Info and Source Data

Chart 17: 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, changes in the duration of claims and changes in the mix of the types of indemnity benefits (such as temporary disability or permanent disability benefits)

Source Data

- WCIRB aggregate financial data calls as of March 31, 2023 excluding COVID-19 claims
- Values are developed to a final or ultimate cost basis by the WCIRB
- Projections through 2025 are based on the WCIRB's September 1, 2023 Pure Premium Rate Filing methodologies

Chart 18: 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, 2023 excluding COVID-19 claims, developed to a final or ultimate cost basis by the WCIRB
- NCCI 2023 State of the Line Guide for NCCI state data (2022 is preliminary)
- Bureau of Labor Statistics for average wage data

Chart 19: Indemnity Cost per Indemnity Claim by State

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

Source Data

- 2023 NCCI Annual Statistical Bulletin based on policy year 2019 at 1st report level developed to a final or ultimate cost basis

Chart 20: 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, changes in the utilization of medical services and overall medical cost inflation

Source Data

- WCIRB aggregate financial data calls as of March 31, 2023 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 2025 are based on the WCIRB's September 1, 2023 Pure Premium Rate Filing methodologies



More Info and Source Data

Chart 21: 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 Consumer Price Index (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, 2023 excluding the cost of medical-only claims and COVID-19 claims, developed to a final or ultimate cost basis by the WCIRB
- NCCI 2023 State of the Line Guide for NCCI state data (2022 is preliminary)
- California Medical CPI data is from the California Department of Finance based on the average for the San Francisco and Los Angeles regions

Chart 22: 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, 2023
- COVID-19 claims are excluded from accident years 2020 and forward

Chart 23: 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 performed

Source Data

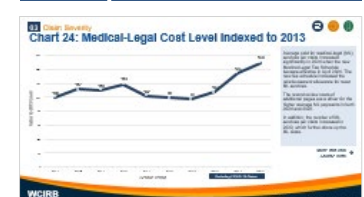
- WCIRB medical transaction data as of April 7, 2023
- COVID-19 claims are excluded from accident years 2020 and forward

Chart 24: Medical-Legal Cost Level Indexed to 2013

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

Source Data

- WCIRB medical transaction data as of April 7, 2023
- COVID-19 claims are excluded from accident years 2020 and forward



More Info and Source Data

Chart 25: Medical Cost per Indemnity Claim by State

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

Source Data

- 2023 NCCI Annual Statistical Bulletin based on policy year 2019 at 1st report level developed to a final or ultimate cost basis

Chart 26: Cost Impact of 2023 Medical Fee Schedules

- The WCIRB's estimated impact of fee schedule changes adopted by the Division of Workers' Compensation (DWC) by fee schedule component
- Reflects the estimated impact of fee schedule changes adopted effective in 2022 to those effective in 2023 on the overall medical cost level
- Does not reflect the impact of negotiated discounts from the fee schedule level which impact the actual medical payments

Source Data

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

Chart 27: COVID-19 Share of Indemnity Claims

- Shows the number of COVID-19 claims relative to the total number of indemnity claims filed by accident month
- COVID-19 claims are reported with Nature of Injury Code 83 or Cause of Injury Code 83.

Source Data

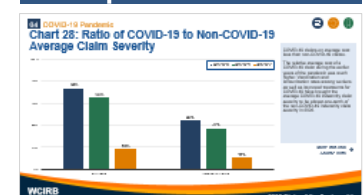
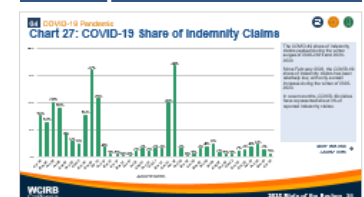
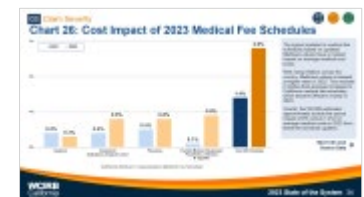
- WCIRB indemnity transaction data
- Data is based on the insured system only and excludes denied claims

Chart 28: Ratio of COVID-19 to Non-COVID-19 Average Claim Severity

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

Source Data

- WCIRB aggregate financial data as of March 31, 2023
- Data is based on the insured system only



More Info and Source Data

Chart 29: Estimated Share of COVID-19 Indemnity Claims and Ultimate Losses & LAE

- Shows the number of COVID-19 indemnity claims and projected total cost of COVID-19 claims relative to that for the entire insured system measured by total losses and loss adjustment expenses (LAE)
- Data is by the period in which the claims occurred

Source Data

- WCIRB aggregate financial data as of March 31, 2023 and WCIRB projections
- Data is based on the insured system only

Chart 30: 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, 2022

Source Data

- 2022 NCCI Annual Statistical Bulletin based on the average of the two most recent development years and WCIRB aggregate financial data calls

Chart 31: 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

- 2023 NCCI Annual Statistical Bulletin based on the average of the two most recent development years and WCIRB aggregate financial data calls

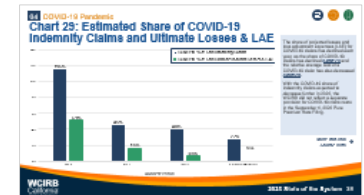
Chart 32: Percent of Indemnity Claims Unreported at 12 Months

- 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

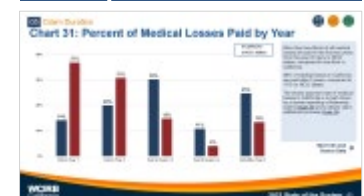
- For more comparisons of California claim duration to other states, see the WCIRB's report on [Drivers of California Claim Duration](#)



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More Info and Source Data

Chart 33: 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 34: 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
- For more information on California claim duration, see the WCIRB's report on [Drivers of California Claim Duration](#)

Chart 35: 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 allocated loss adjustment expenses, unallocated loss adjustment expenses, medical-legal costs, applicant attorney fees and the cost of medical cost containment programs

Source Data

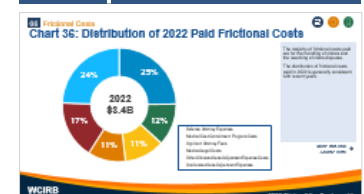
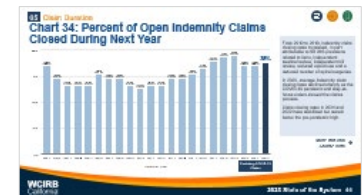
- Workers' compensation figures are from WCIRB aggregate financial data calls and the 2023 NCCI Annual Statistical Bulletin
- Medicare figures are from the Centers for Medicare and Medicaid Services 2021 Medicare Trustees Report
- Private group health insurance figures are estimated from a number of published studies on group health administrative costs
- For more comparisons of California frictional costs to other states, see the WCIRB's report on [Friction in the California Compensation System](#)

Chart 36: Distribution of 2022 Paid Frictional Costs

- Distribution of the major categories of frictional costs including allocated loss adjustment expenses, unallocated loss adjustment expenses, applicant attorney fees, medical cost containment program costs and medical-legal costs paid in 2022
- 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 permanent disability award provided to the claimant
- Medical-legal 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](#)



More Info and Source Data

Chart 37: 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 medical cost containment programs, 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 permanent disability, 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, 2022 for private insurers writing workers' compensation business in California, excluding COVID-19 claims
- Values are developed to a final or ultimate cost basis by the WCIRB
- Figures exclude the cost of medical cost containment programs for consistency of comparison
- Projections through 2025 are based on the WCIRB's September 1, 2023 Pure Premium Rate Filing methodologies
- For more information on ALAE trends, see the WCIRB's report on [Friction in the California Compensation System](#)



Chart 38: Average Medical Cost Containment Program Cost per Indemnity Claim

- Average cost of medical cost containment program (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 considered ALAE by the WCIRB since they are not a direct benefit to injured workers

Source Data

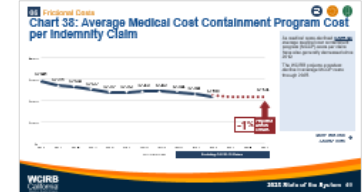
- WCIRB aggregate financial data calls as of December 31, 2022 excluding COVID-19 claims
- Values are developed to a final or ultimate cost basis by the WCIRB
- Projections through 2025 are based on the WCIRB's September 1, 2023 Pure Premium Rate Filing methodologies

Chart 39: 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 medical cost containment programs and other court-related expenses

Source Data

- 2023 NCCI Annual Statistical Bulletin



More Info and Source Data

Chart 40: Median Paid ALAE on Permanent Disability Claims by Region

- Heat map of median paid ALAE on permanent disability claims for California regions

Source Data

- WCIRB unit statistical data for policy year 2020 at 1st 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
- For more information on the study of regional cost differences within California, see the [2022 WCIRB Geo Study](#)



Chart 41: Ratios of Unallocated Loss Adjustment Expenses to Losses

- Comparison of the ratio of ULAE to losses for California to that of other states
- ULAE includes the cost of insurer claim staff to administer claims and other claims-related expenses that cannot be allocated to a particular claim
- ULAE is significantly correlated with the length of time claims remain open

Source Data

- 2023 NCCI Annual Statistical Bulletin

Chart 42: Number of Lien Filings

- Shows the total number of liens filed by calendar year based on the date the lien was filed
- 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 Division of Workers' Compensation Electronic Adjudication Management System

Chart 43: Distribution of Insured System Costs

- Distribution of total California workers' compensation insured system costs incurred in 2017 and 2022 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



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Chart 44: Distribution of Paid Indemnity Benefits

- Distribution of indemnity benefits paid in 2017 and 2022 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 permanent disability
- 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 45: Distribution of Paid Medical Benefits

- Distribution of medical benefits paid in 2017 and 2022 by type of medical service
- Includes information on a variety of medical treatments that are provided to injured workers, including physician visits, prescription medications, medical-legal evaluations and surgeries

Source Data

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

Chart 46: 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

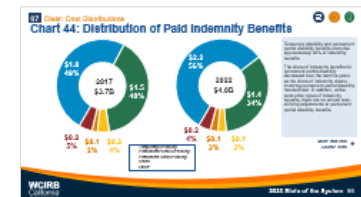
- WCIRB aggregate financial data calls
- Insurers are grouped at the National Association of Insurance Commissioners (NAIC) group level

Chart 47: Market Share by Type of Insurer

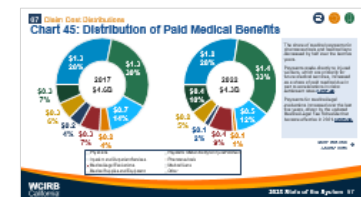
- Shows the proportion of California premium written by State Compensation Insurance Fund, private insurers that write 80% or more of their workers' compensation business in California (i.e., California-Focused Private Insurers) and private insurers that write more than 20% of their workers' compensation 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



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More Info and Source Data

Chart 48: 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
- Industry combined ratios significantly over 110% could, over a sustained period, threaten the competitive viability of the insurance market

Source Data

- WCIRB projections based on aggregate financial data calls as of March 31, 2023
- COVID-19 claims are included for accident years 2020 and later

Chart 49: 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 48 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

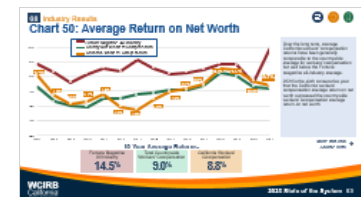
- California ratios are based on WCIRB aggregate financial data calls
- Countrywide estimate is based on the NCCI 2023 State of the Line Guide computed based on Annual Statement data (the 2022 estimate is preliminary)
- Excludes the impact of State Compensation Insurance Fund and other state funds
- COVID-19 claims are included for 2020 and later

Chart 50: 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 National Association of Insurance Commissioners (NAIC), that are not included in insurer combined ratios

Source Data

- NAIC Report on Profitability in 2021
- 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





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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