

January 1, 2021 Pure Premium Rate Filing WCIRB Executive Summary

October 5, 2020

California Department of Insurance Public Hearing

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California Department of Insurance Public Hearing WCIRB January 1, 2021 Pure Premium Rate Filing

Presentation Agenda

-  Opening Remarks
-  1/1/2021 Pure Premium Rate Filing – Executive Summary
-  1/1/2021 Pure Premium Rate Filing – Non-COVID-19 Claim Cost Projection
-  1/1/2021 Pure Premium Rate Filing – COVID-19 Claim Cost Projection
-  Advisory Pure Premium Rate Comparison

January 1, 2021 Pure Premium Rate Filing

Key considerations



Pre-Pandemic Development & Claim Settlement



Impact of Economic Slowdown



Severity Growth Projections



COVID-19 Claim Cost Projection

\$1.56

1/1/2021 Indicated Average Pure Premium Rate:
(\$1.50 excluding COVID-19 claim projection)

\$1.52

1/1/2020 Average Approved Pure Premium Rate:

+2.6%

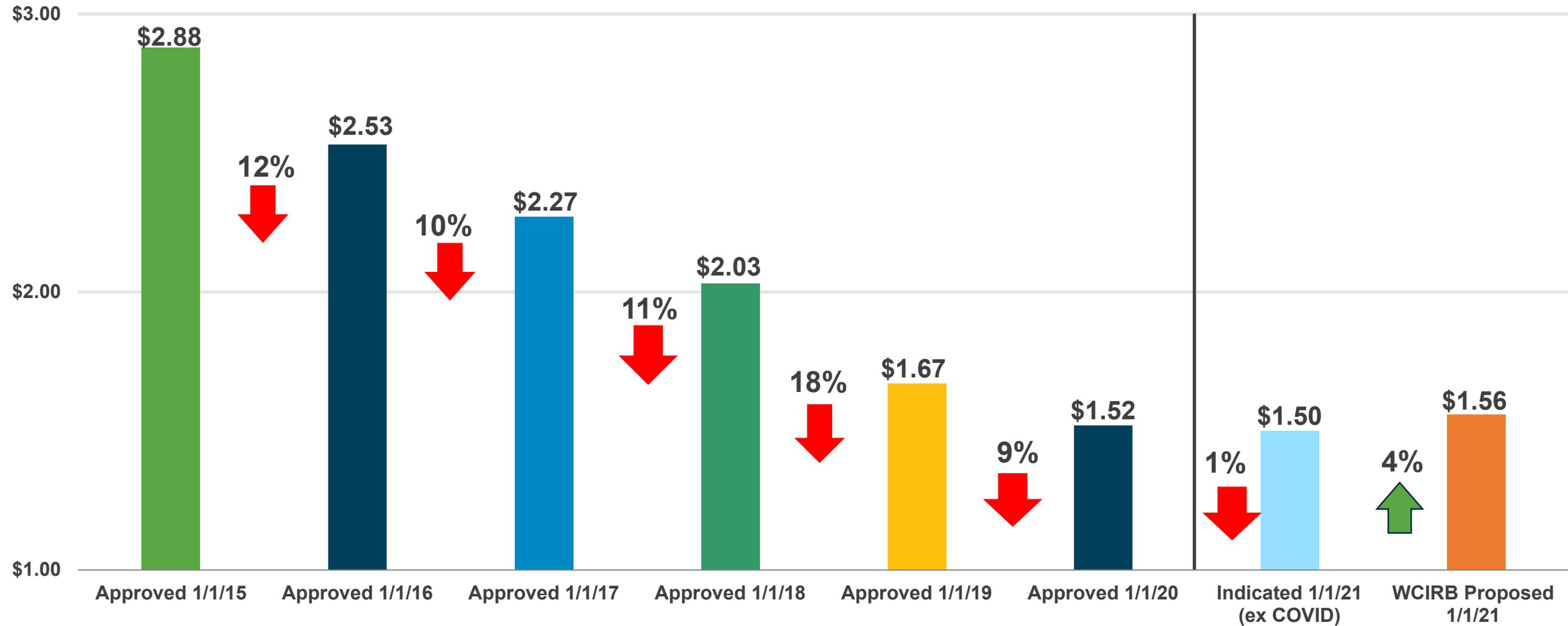
1/1/2021 Indicated Advisory Pure Premium Rate Change:

- Recommended Methodologies Generally Consistent with 1/1/2020 Filing
- Reflects March 31, 2020 Loss Experience
- June 30 Experience Significantly Distorted by Pandemic and Stay-at-Home Orders
- COVID-19 Projection Re-Evaluated Post-SB 1159
 - Overall Estimated COVID-19 Impact Unchanged
 - Proposed Classification Pure Premium Rate Adjustments Refined in Amended Filing

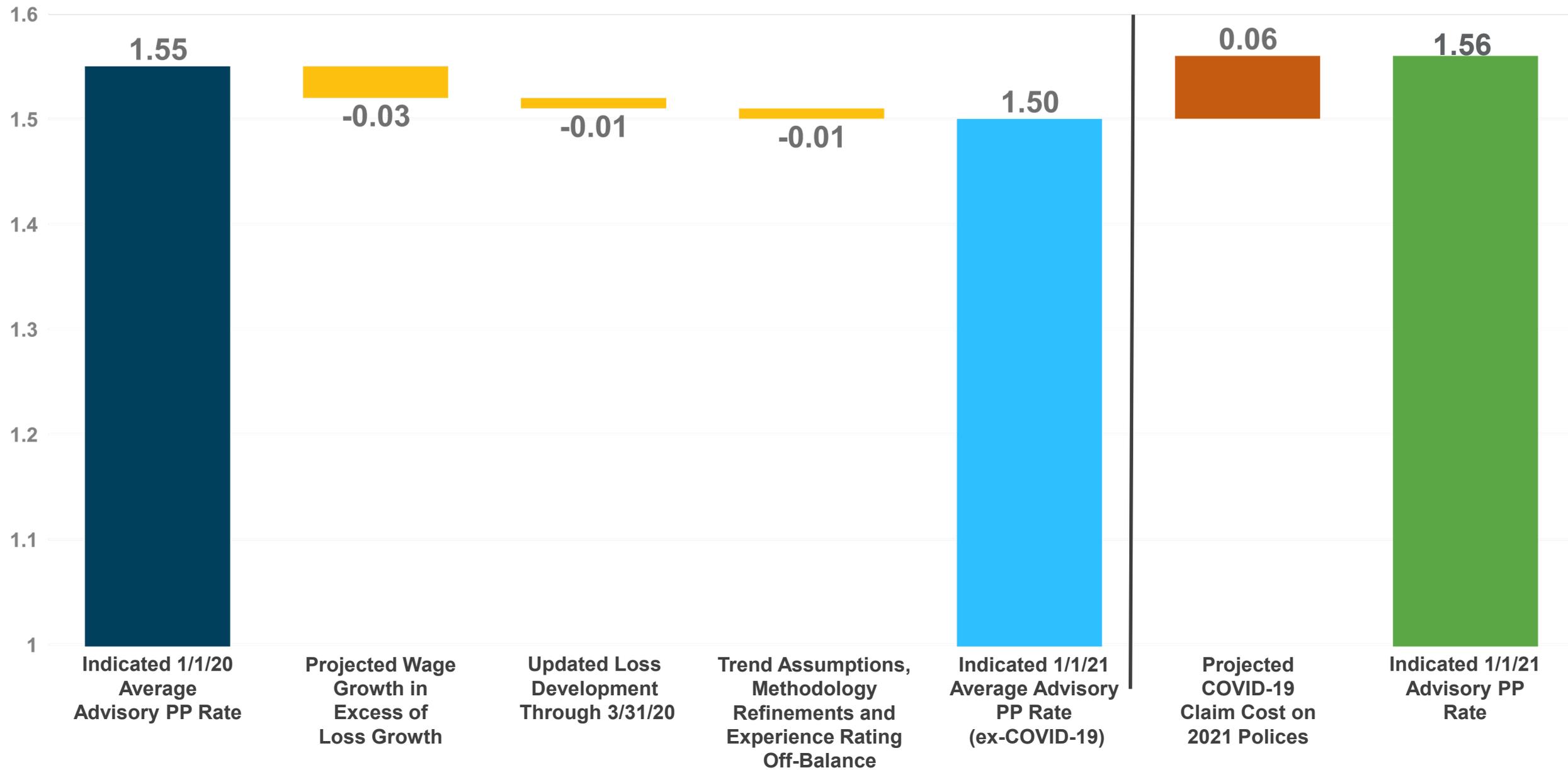
Declining Average Advisory Pure Premium Rates – Moderating Trends

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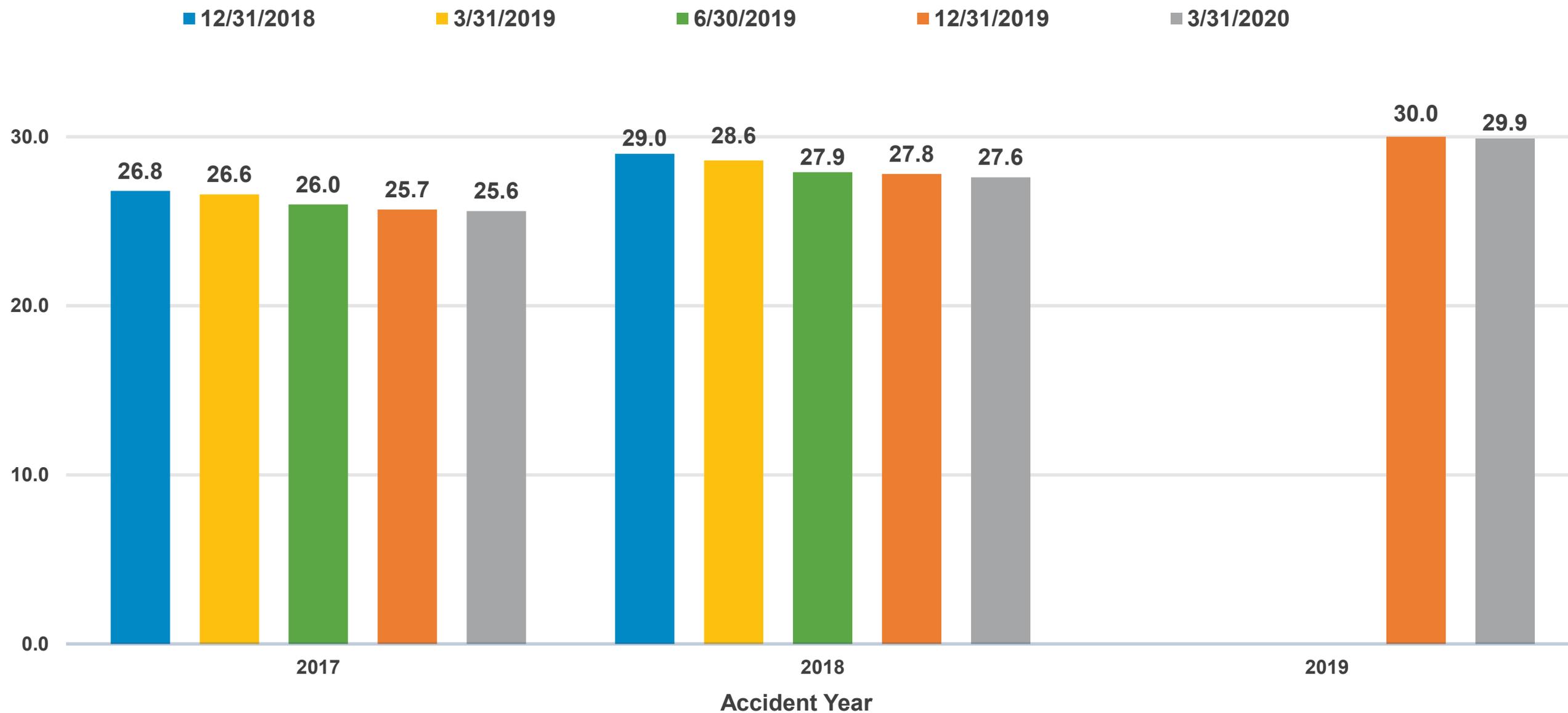
Rate per \$100 of payroll



Principal Drivers of Indicated January 1, 2021 Pure Premium Rate Change



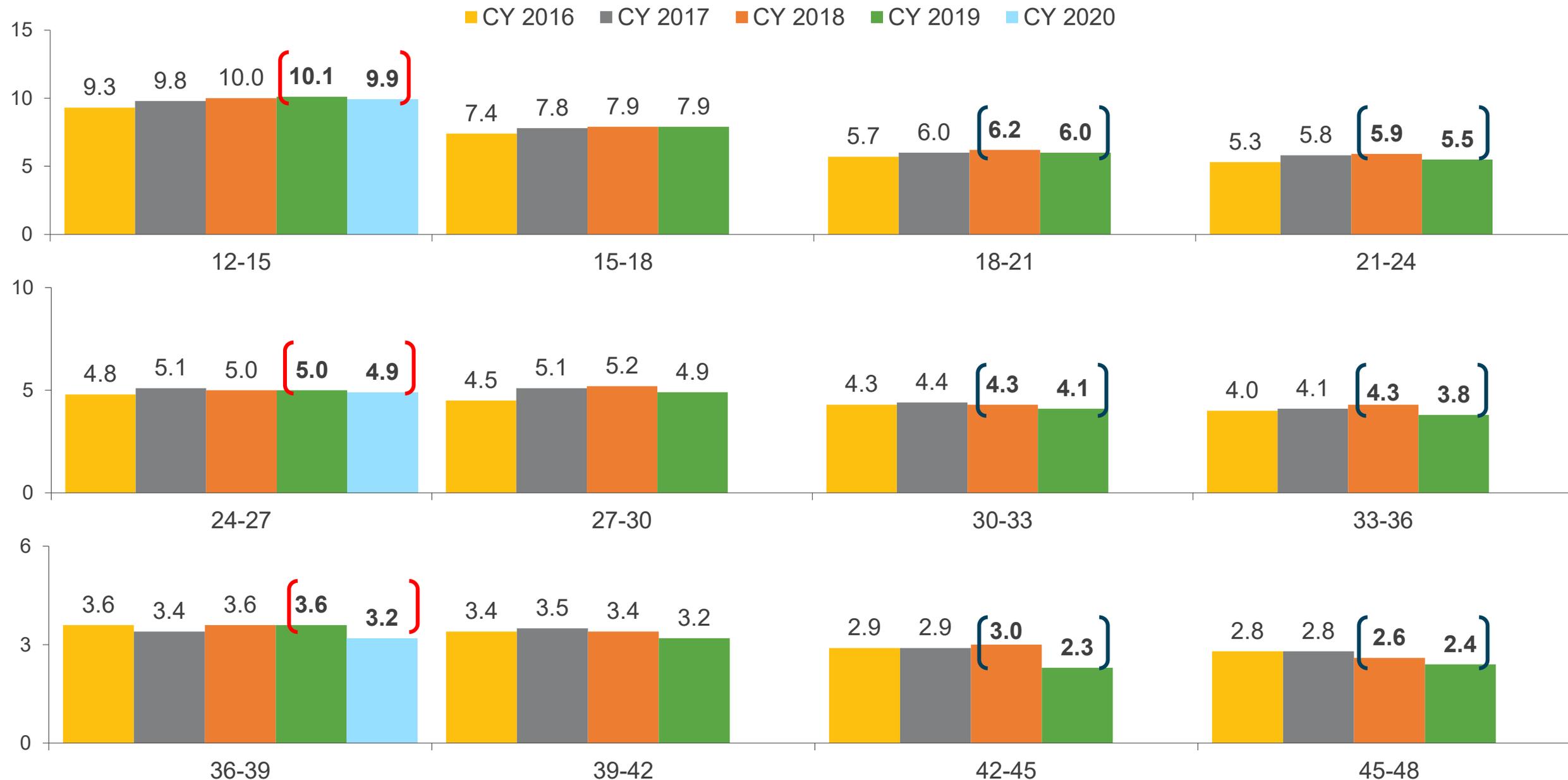
Loss Development Trends Moderating Projected Ultimate Medical Loss Ratios



Claims Settlement Rate Increases Moderating

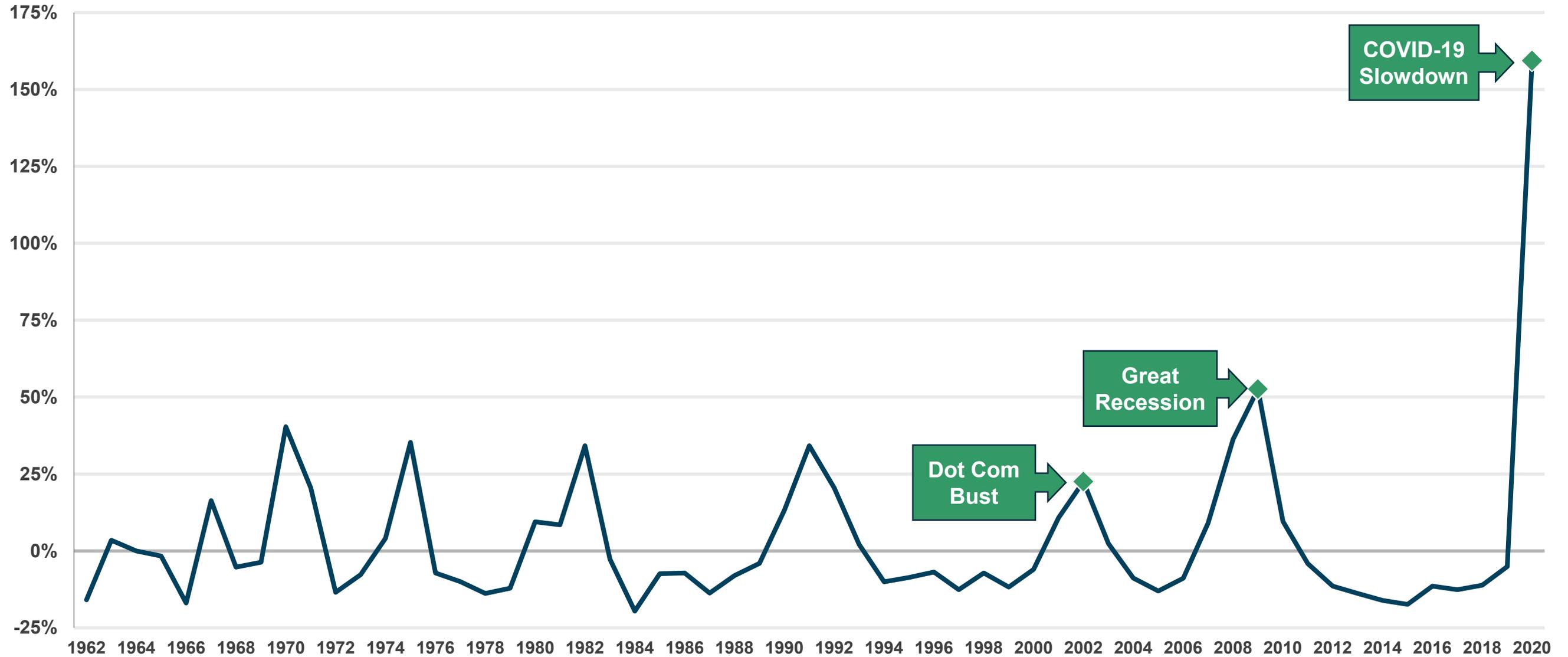
Quarterly Incremental Claim Settlement Rates

As of March 31, 2020



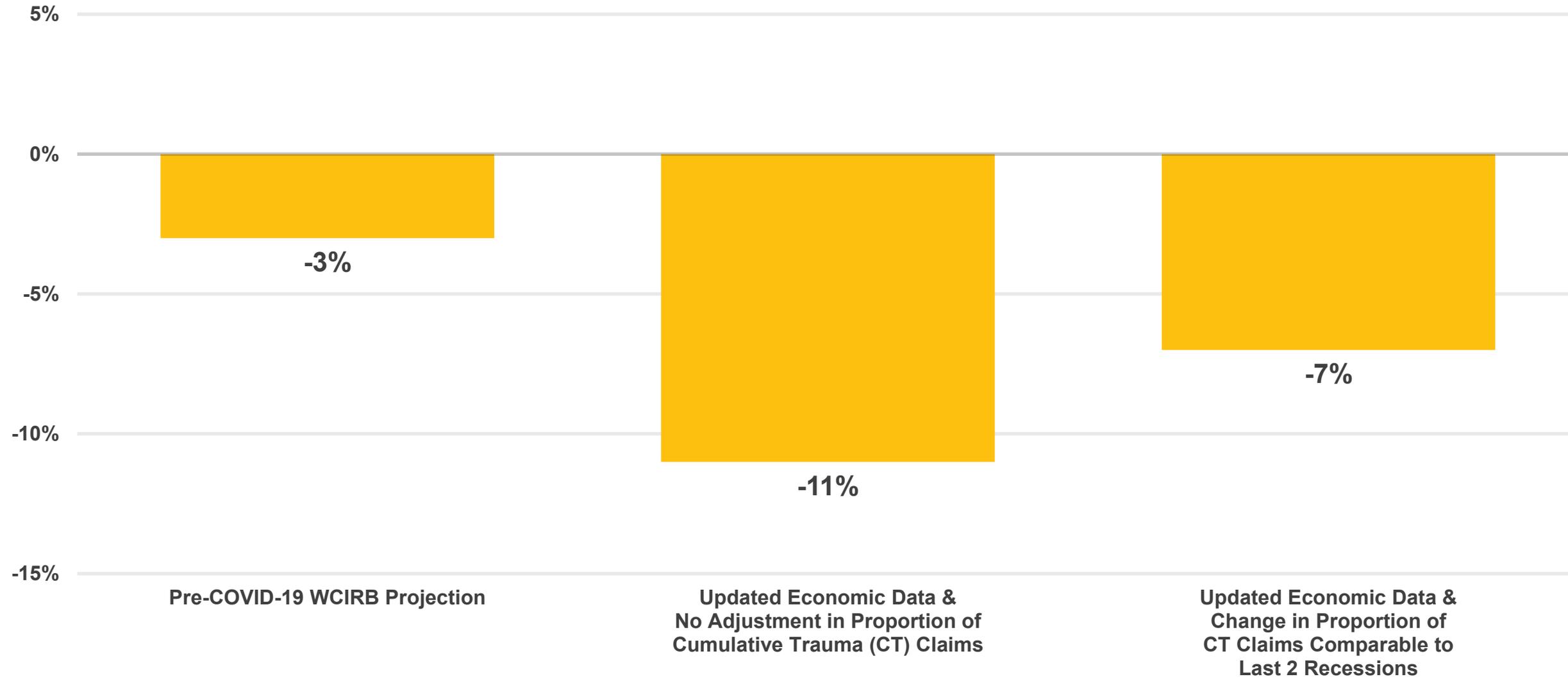
Impact of Economic Slowdown

Annual Change In California Unemployment Rate



Impact of Economic Slowdown

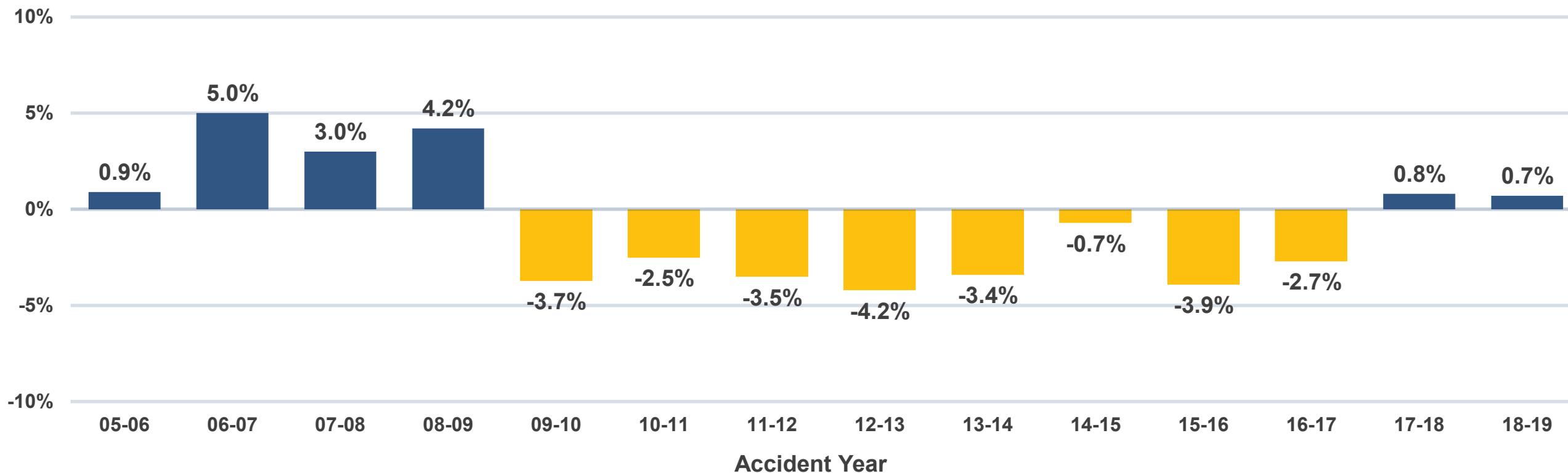
Accident Year 2020 Indemnity Claim Frequency Projections (ex. COVID-19)



Severity Growth Projections

Projected Changes in On-Level Indemnity Severity

As of March 31, 2020



Annual Exponential Trend Based on:

+1.1%
1990 to 2019

-1.4%
2005 to 2019

-1.2%
2015 to 2019

+1.0%
WCIRB Selected

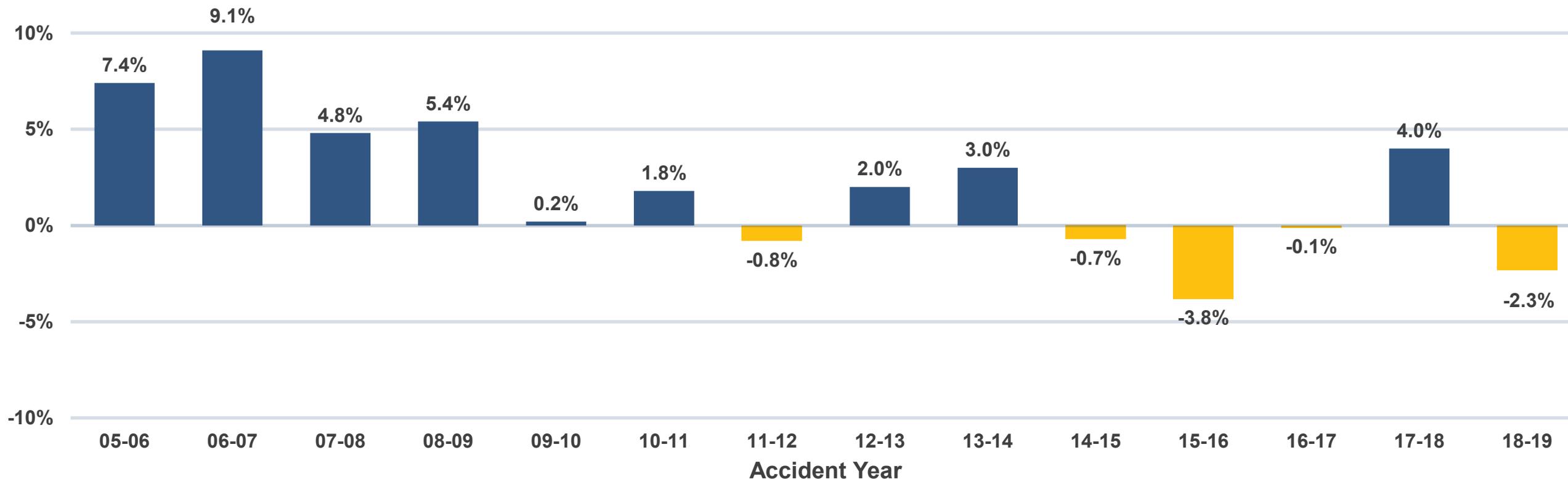
Considerations

- Impact of economic slowdown on return to work
- Delays in medical treatment during pandemic
- Reduction in filing of smaller claims during slowdown
- Recent severity growth

Severity Growth Projections

Projected Changes in On-Level Medical Severity

As of March 31, 2020



Annual Exponential Trend Based on:

+5.5%
1990 to 2019
(Incl. MCCP)

-1.6%
2005 to 2019

-0.1%
2015 to 2019

+2.5%
WCIRB Selected

Considerations

- Impact of economic slowdown on return to work
- Delays in medical treatment during pandemic
- Growth in very large claims
- Reduction in filing of smaller claims during slowdown

COVID-19 Claim Cost Projection

Projected 2020 COVID-19 Deaths and Hospitalizations – September Re-Evaluation

California Working Age Population (18-69 years)	Reported-to-Date (end of August)	Projected to 2020 Year-End (mid-range estimate)	Projected % Growth through Year-End
Total Deaths	4,776	8,377	+75%
Total Hospitalizations (including deaths)	27,908	51,150	+83%
Mortality per 100k	18	31	+75%
Total Hospitalizations per 100k (including deaths)	104	191	+83%
Mortality in the Hospital (deaths / total hospitalized)	17%	16%	-4%

COVID-19 Claim Cost Projection

Senate Bill No. 1159



SB 1159 passed the Legislature on August 31

Includes presumption for COVID-19 claims somewhat similar to Governor's May 6 Executive Order



Presumption applies for **health care workers** and **first responders**

For all other employers, presumption applies if there is an "outbreak" of:



4 or more employees with COVID-19 (<100 employees)

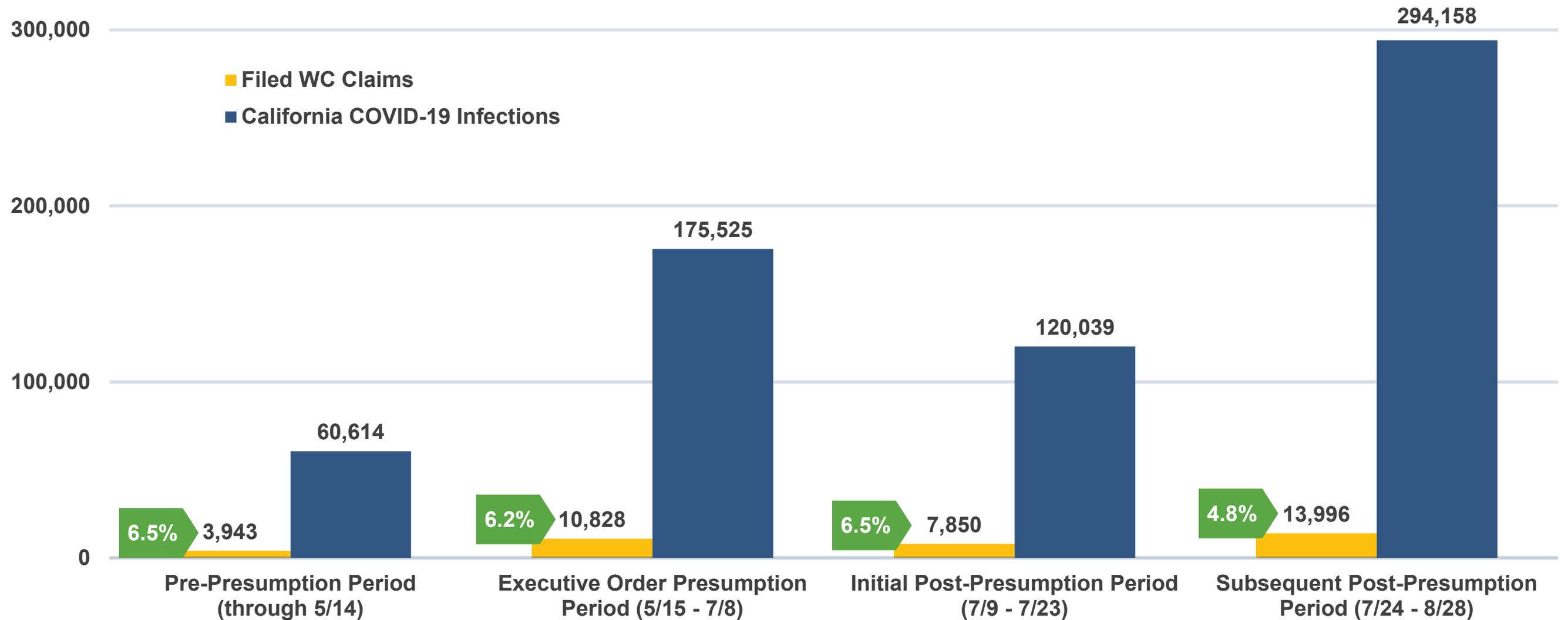
4% or more of workers with COVID-19 (>100 employees)



Claims for COVID-19 may still be filed without a presumption

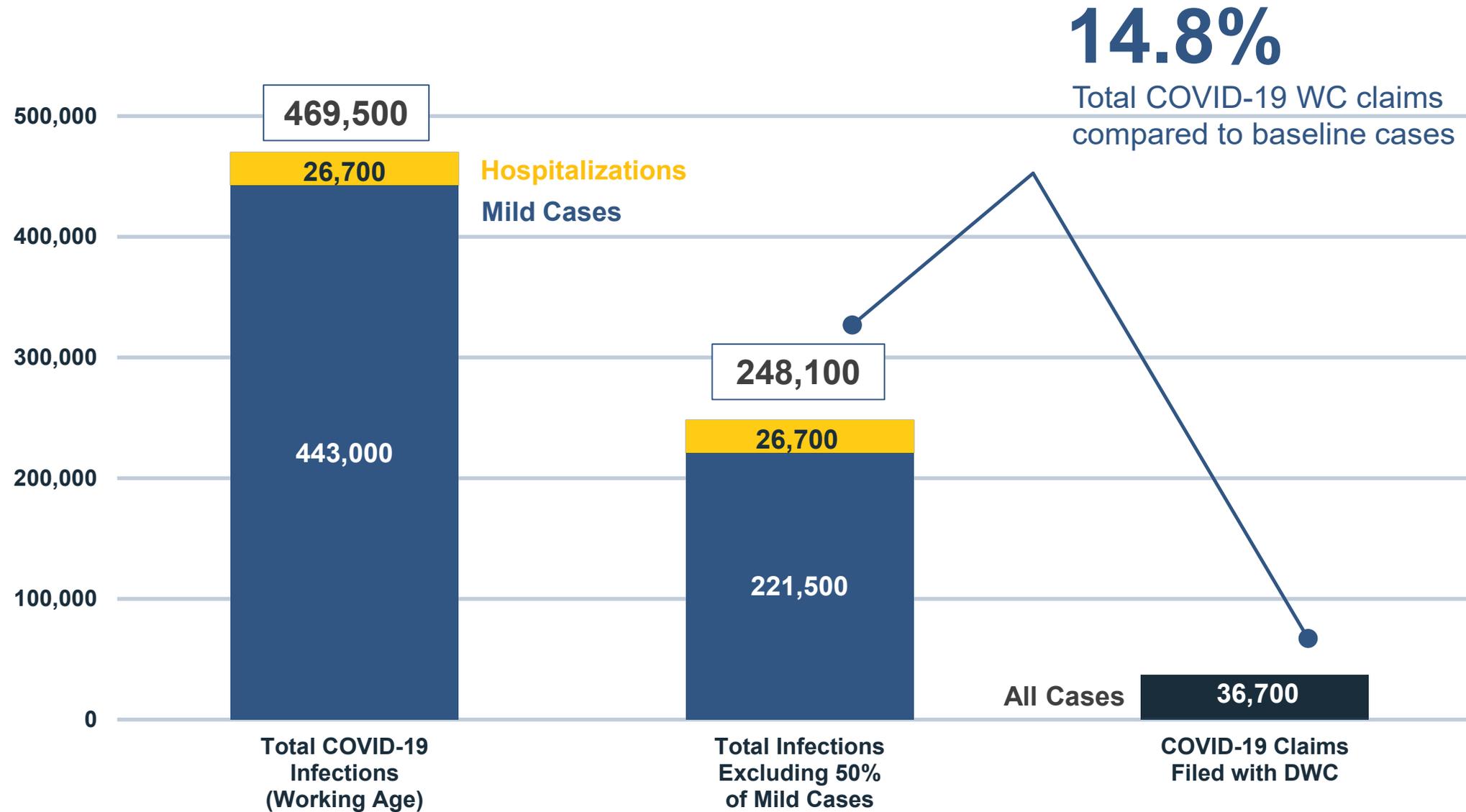
COVID-19 Claim Cost Projection

Filed Workers' Compensation Claims Relative to California COVID-19 Infections



COVID-19 Claim Cost Projection

Estimated Proportion of Workers' Compensation Claims Filed – September Re-Evaluation



15%

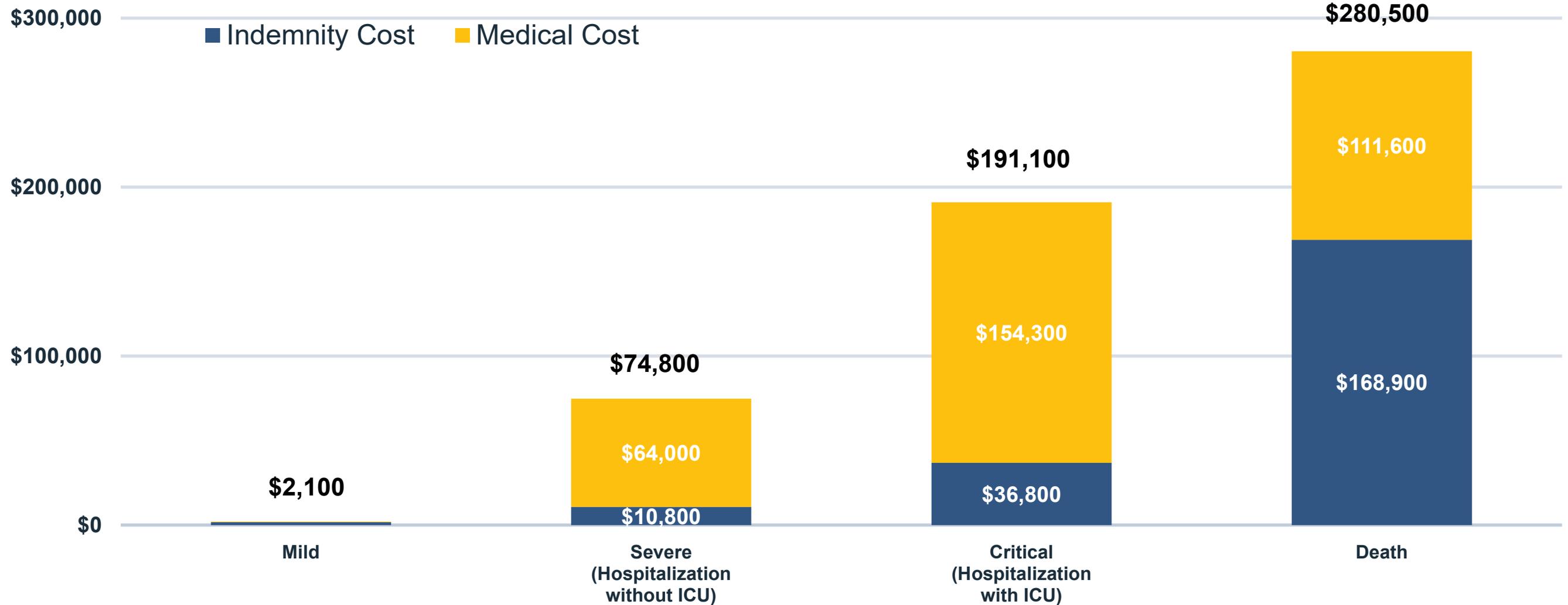
Estimated share of claims denied and upheld

12.5%

Estimated conversion factor of working age COVID-19 cases to accepted WC claims

COVID-19 Claim Cost Projection

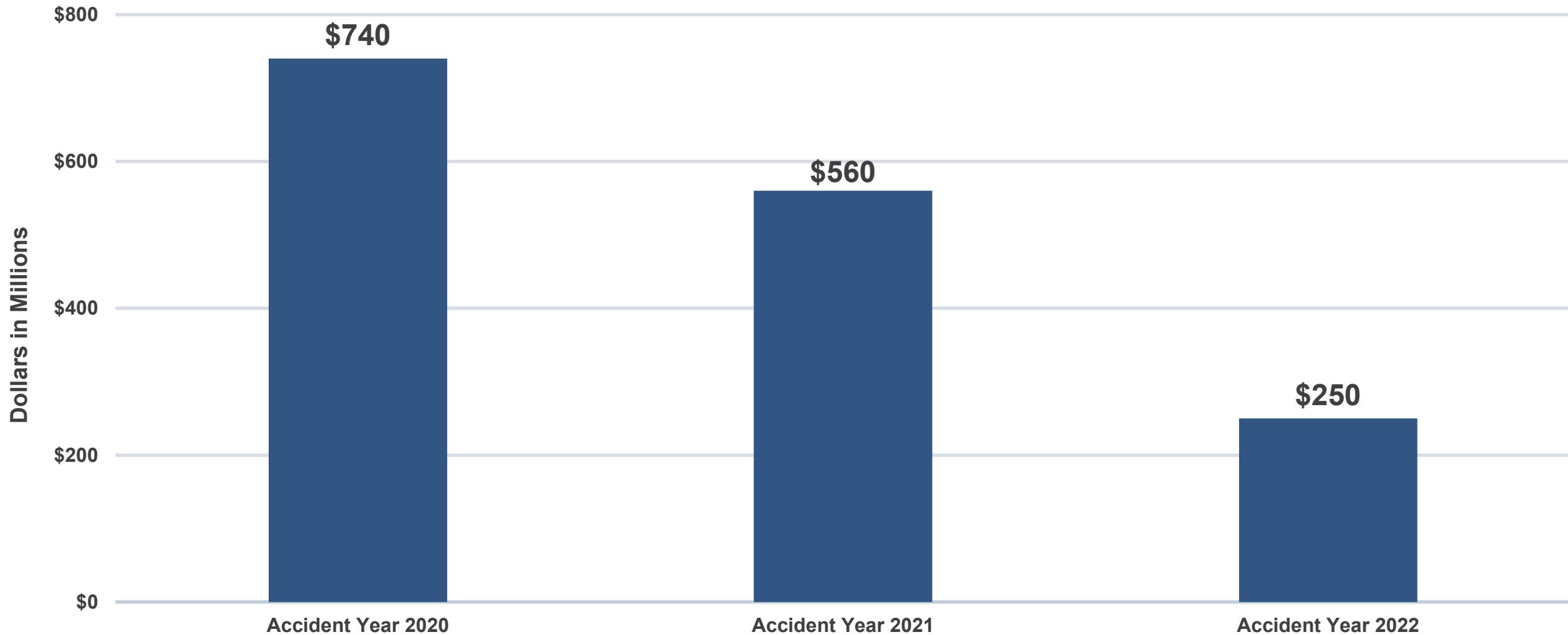
Estimated Average Cost of COVID-19 Claim by Type of Claim



COVID-19 Claim Cost Projection

Projected COVID-19 Losses and LAE by Accident Year – September Re-Evaluation

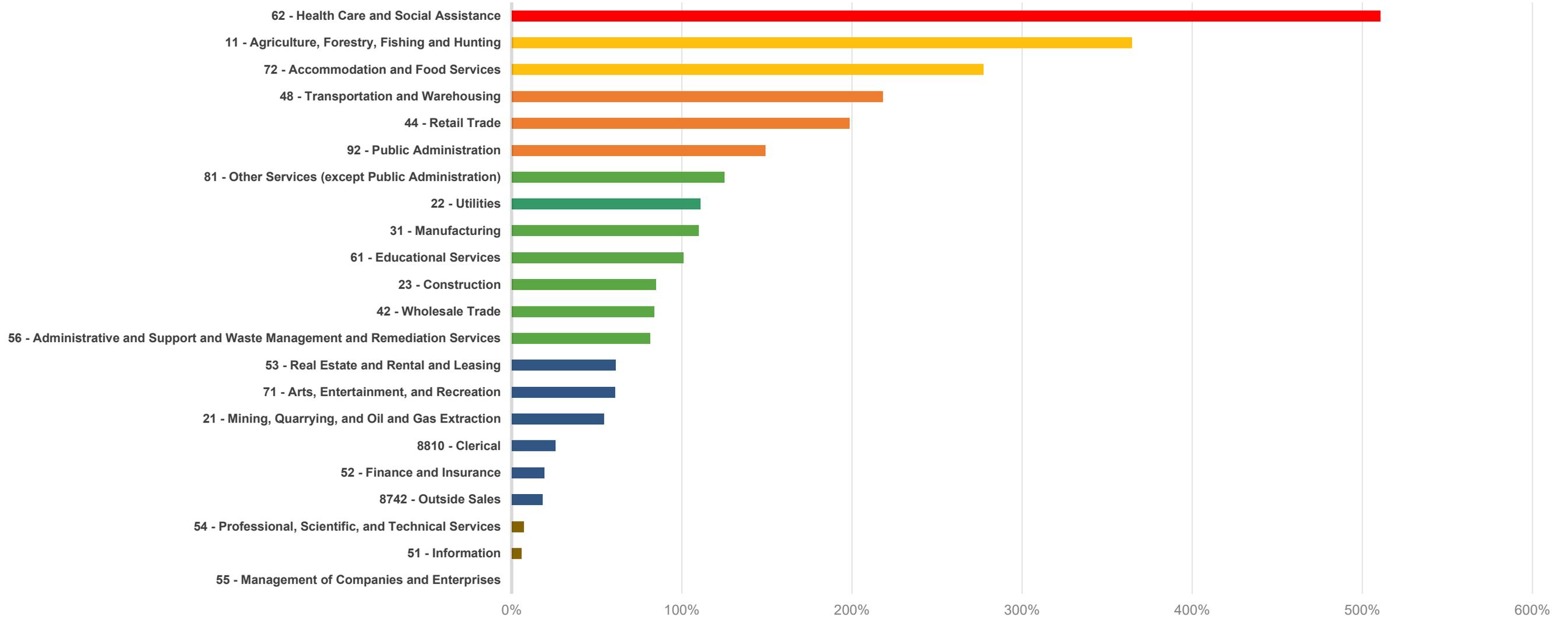
Overall Estimated Impact of COVID-19 Claims on 1/1/2021 – 8/31/2021 Policies: 4%, or \$0.06 per \$100 of Payroll



COVID-19 Claim Cost Projection

Industry COVID-19 Claim Count to Payroll Relativities – September Re-Evaluation

Ratio of COVID-19 Claim Count to Payroll Relative to Statewide

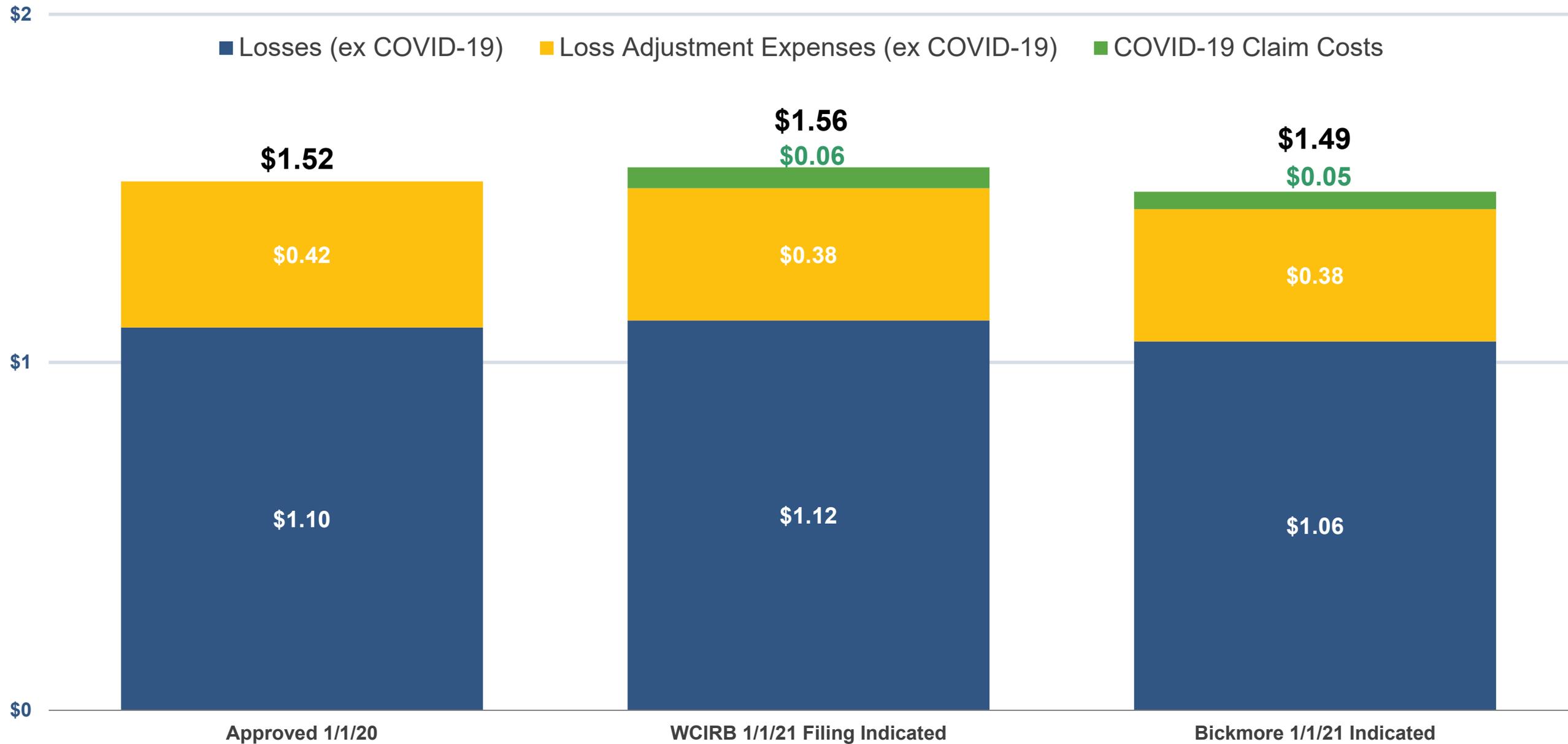


COVID-19 Claim Cost Projection

Market Share and COVID-19 Claim Count to Payroll Relativities

Group	Exposure Share	Non-COVID Pure Premium Share	Observed Relativity	Selected Relativity	Proposed 2021 Addition to Advisory Pure Premium Rates
6	3.1%	5.1%	510%	400%	\$0.24
5	5.8%	14.0%	300%	300%	\$0.18
4	11.1%	19.4%	203%	200%	\$0.12
3	20.1%	46.6%	99%	100%	\$0.06
2	41.5%	11.1%	27%	50%	\$0.03
1	18.4%	3.8%	7%	17%	\$0.01

Indicated Average Advisory Pure Premium Rates



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