

WCIRB Quarterly Experience Report

As of December 31, 2021

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Chart 1

Written premium for 2021 is \$0.3 billion or 2% below that for 2020 and \$2.2 billion or 14% below that for 2019.

Written premium declined sharply beginning in the second quarter of 2020 due to the economic downturn resulting from the pandemic.

The modest decrease in written premium for 2021 is driven by continued insurer rate decreases offsetting growth in employer payroll.

Written Premium | Gross of Deductible Credits

As of December 31, 2021

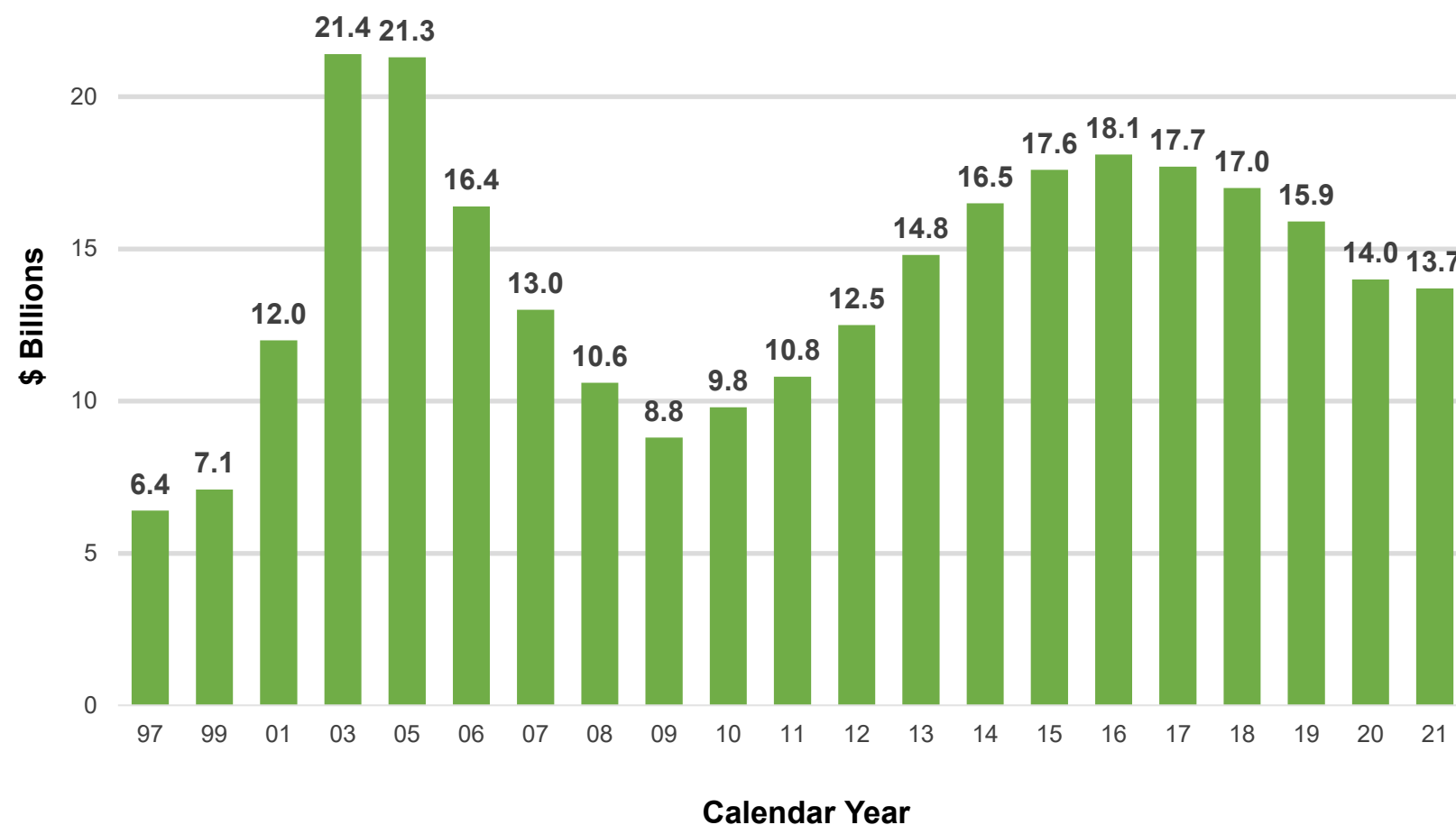


Chart 2

The average charged rate for 2021 is 7% below the rate for 2020 and is the lowest in decades.

Since 2015, the Insurance Commissioner has approved 11 consecutive advisory pure premium rate decreases totaling over 50%.

The WCIRB has proposed a 7.6% increase in advisory pure premium rates to be effective September 1, 2022.

Industry Average Charged Rates

As of December 31, 2021

Chart 3:

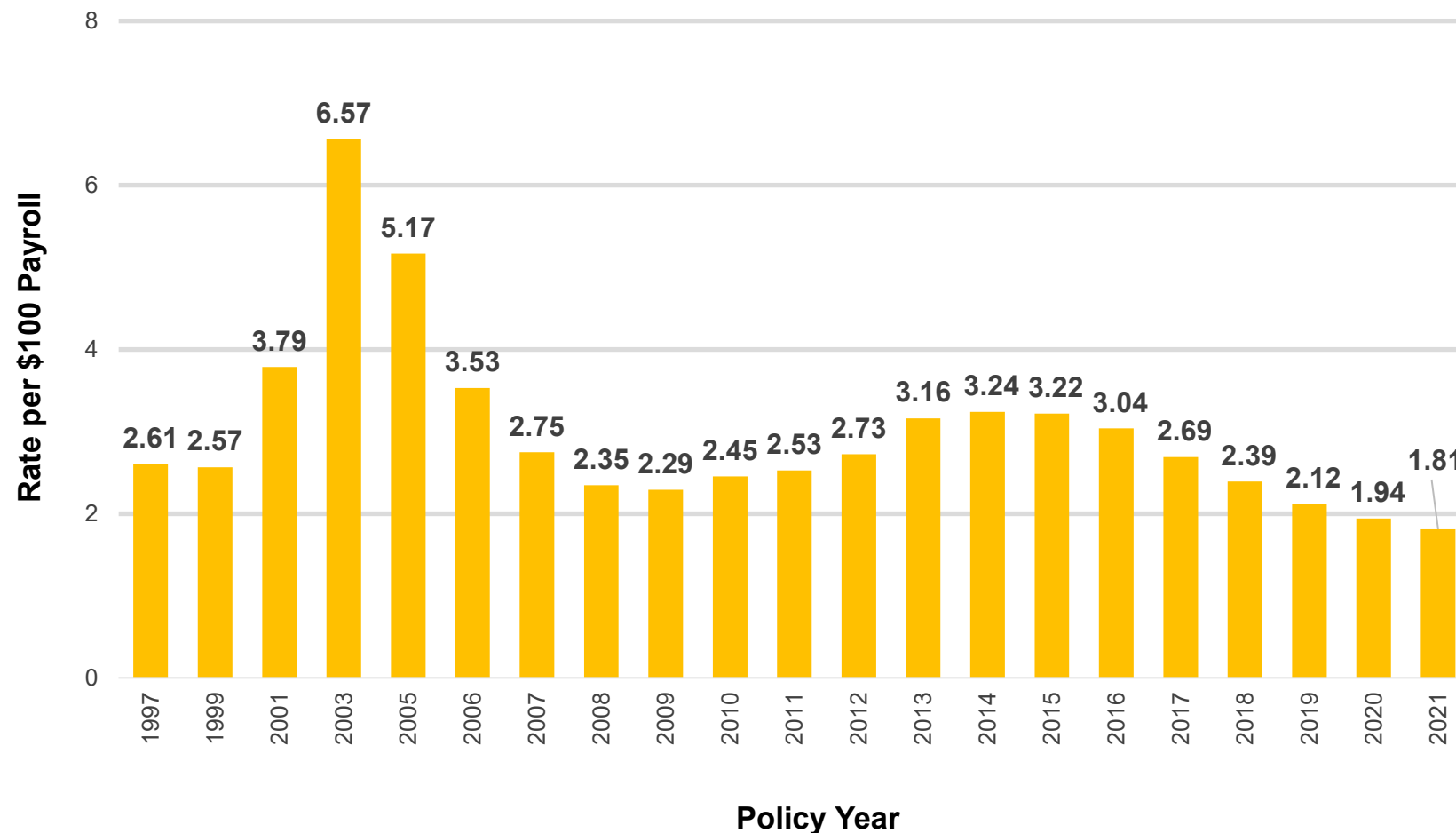




Chart 3

The projected loss ratio for 2021, including COVID-19 claims, is 6 points above that for 2020.

Projected loss ratios have been growing steadily since 2016.

Excluding COVID-19 claims, the projected loss ratio for 2021 is 11 points above that for 2019 and 23 points above that for 2016.

Ultimate Accident Year Loss Ratios

As of December 31, 2021

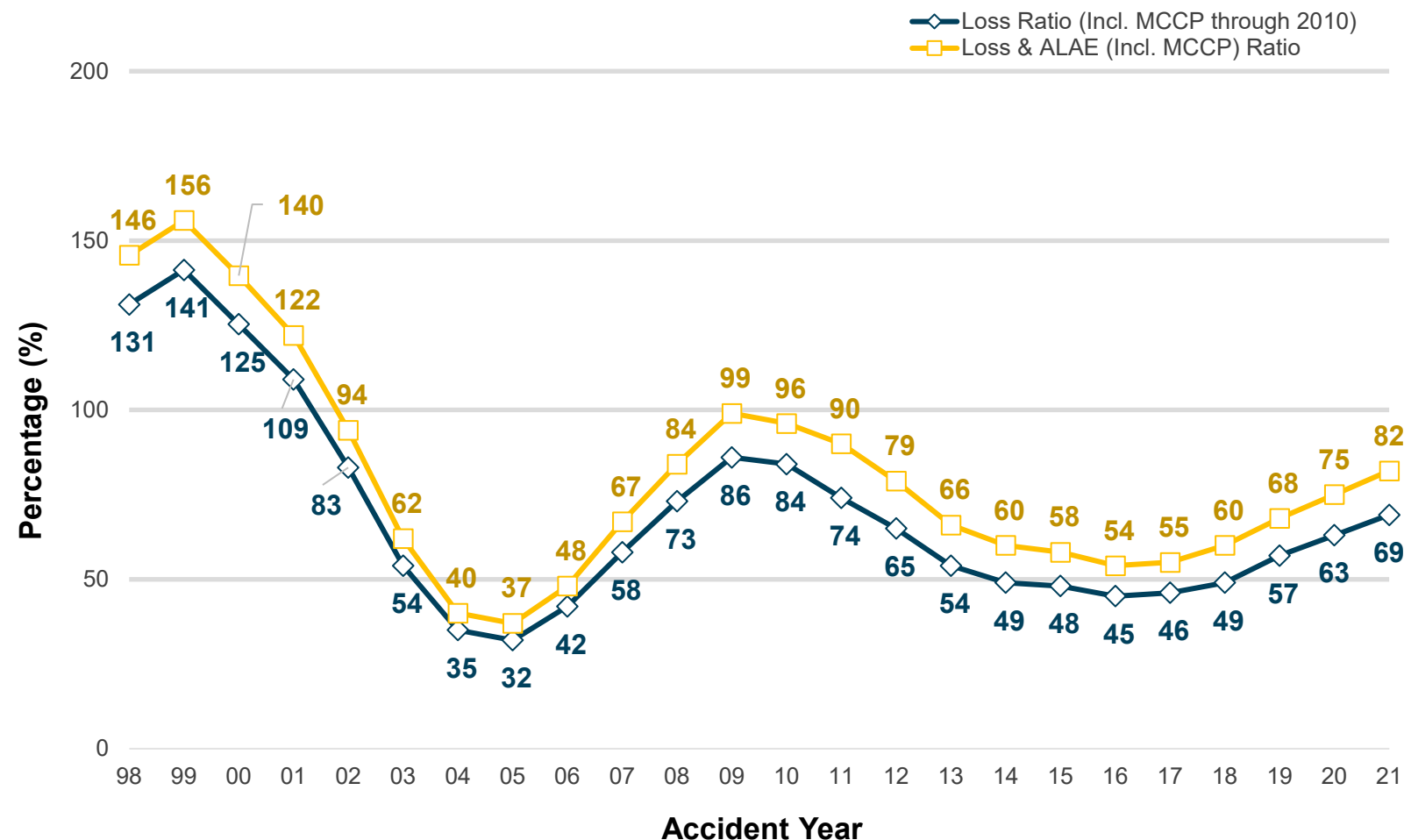




Chart 4

The projected combined ratio for 2021, including COVID-19 claims, is 7 points higher than in 2020 and 33 points higher than the low point in 2016.

Excluding COVID-19 claims, the projected combined ratio for 2021 is 111% and the projected ratio for 2020 is 100%, which are still higher than recent prior years.

Combined ratios have been growing in California due to insurer rate decreases and modest growth in average claim severities.

Projected Accident Year Combined Ratios

As of December 31, 2021

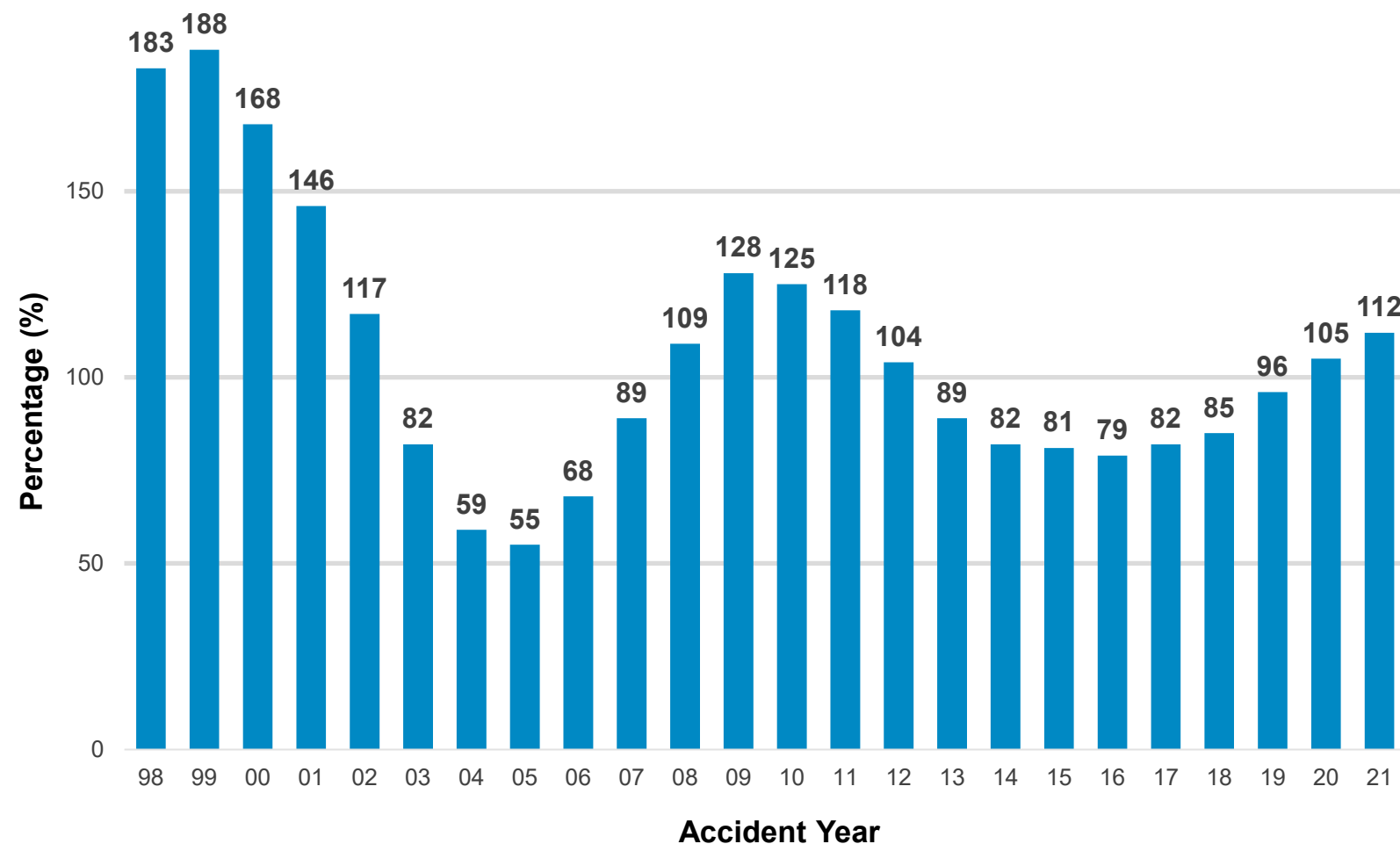




Chart 5

Indemnity claims had been settling quicker through 2019, primarily driven by the reforms of SB 863 and SB 1160.

Average claim closing rates declined sharply beginning in the second quarter of 2020 due to the pandemic.

Average claim closing rates have started to plateau in 2021 but remain lower than the immediate pre-pandemic period.

Percent of Open Indemnity Claims Closed in Next Year

As of December 31, 2021

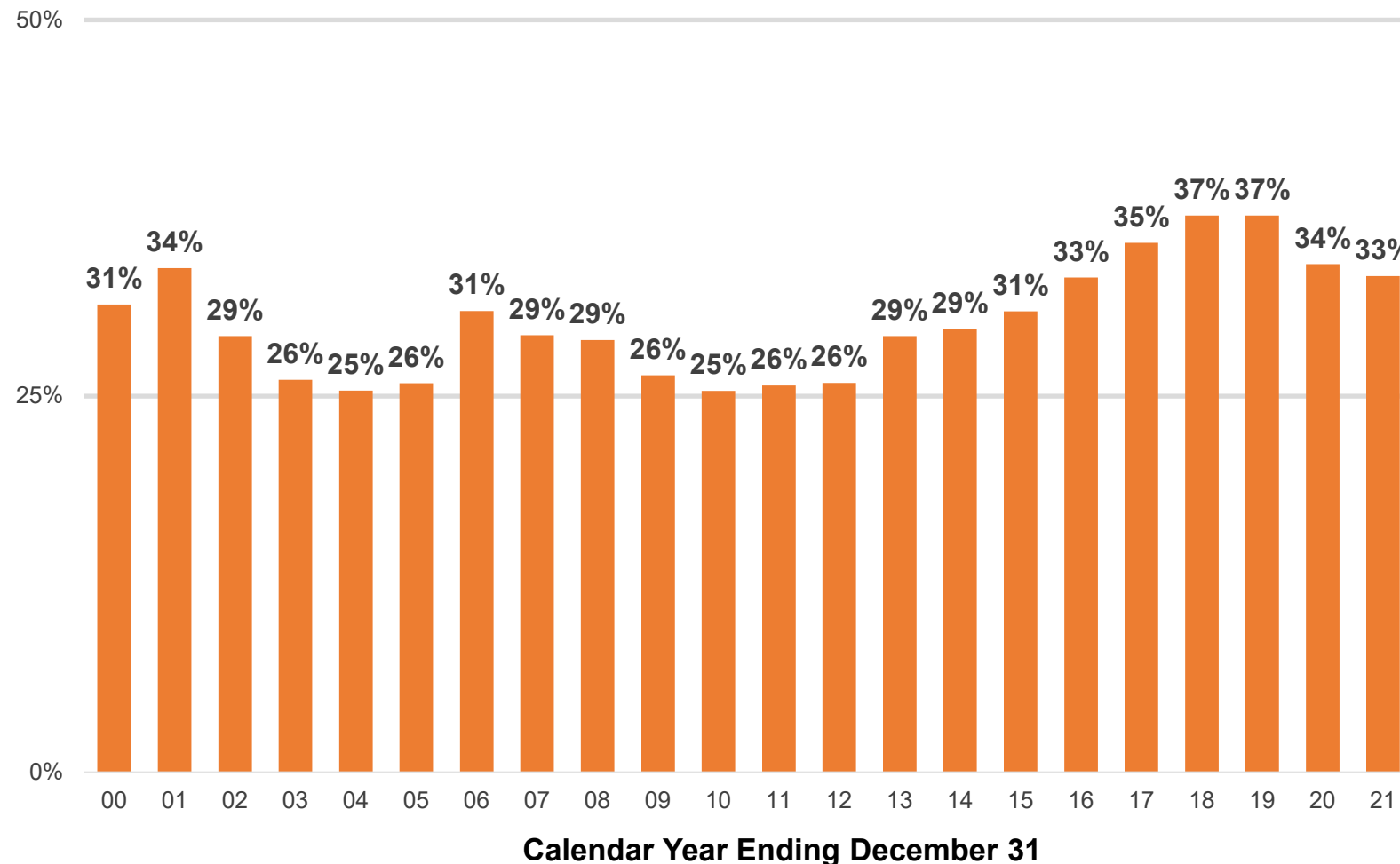




Chart 6

The sharp decrease in 2020 claim frequency, excluding COVID-19 claims, was driven by the sharp economic downturn caused by the pandemic and stay-at-home orders.

Non-COVID-19 claim frequency increased sharply in 2021 during the economic recovery.

The change in non-COVID-19 claim frequency from 2019 to 2021 is -5%, which is more comparable to the modest declines in frequency during the immediate pre-pandemic period.

Change in Indemnity Claim Frequency

As of December 31, 2021

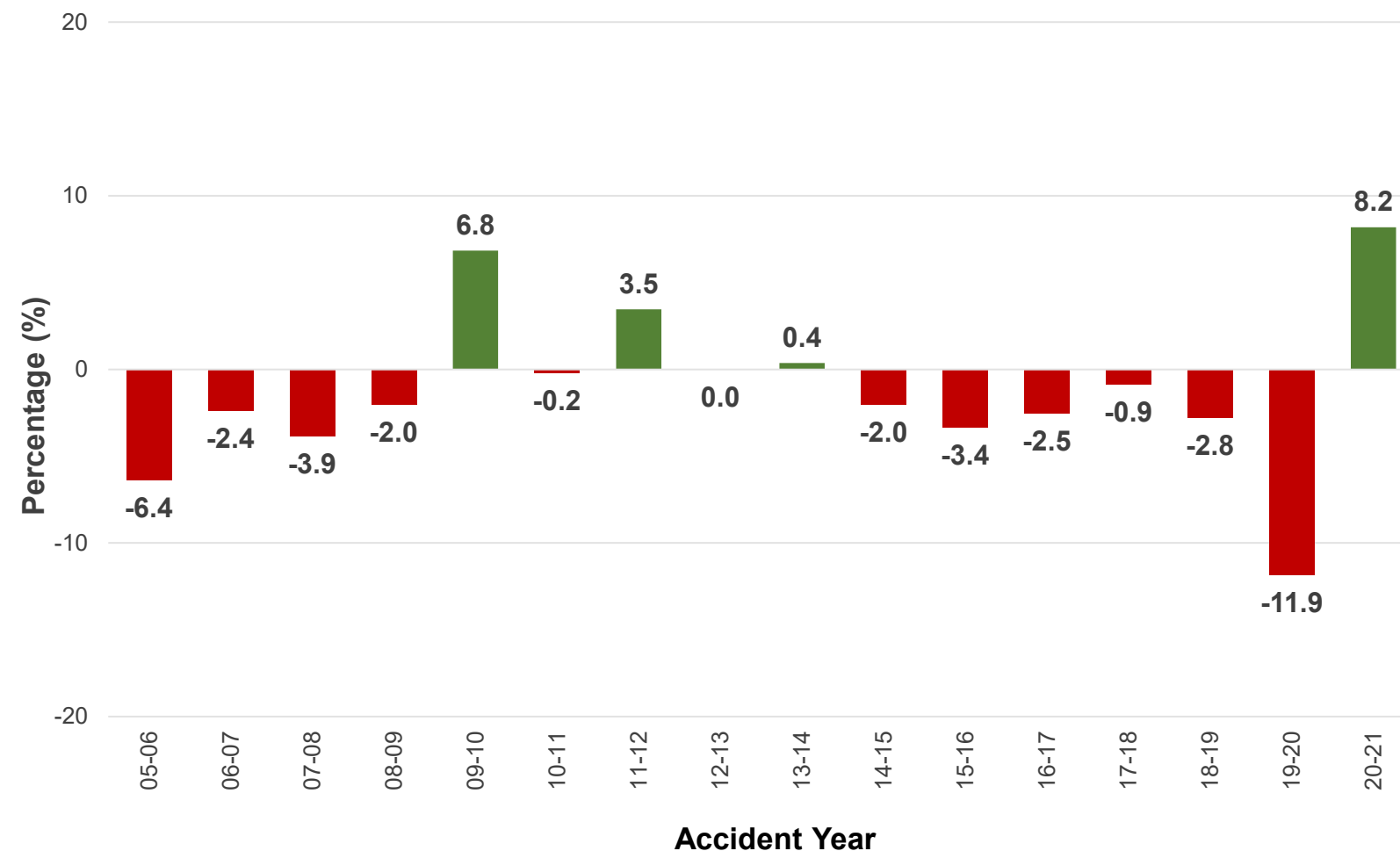




Chart 7

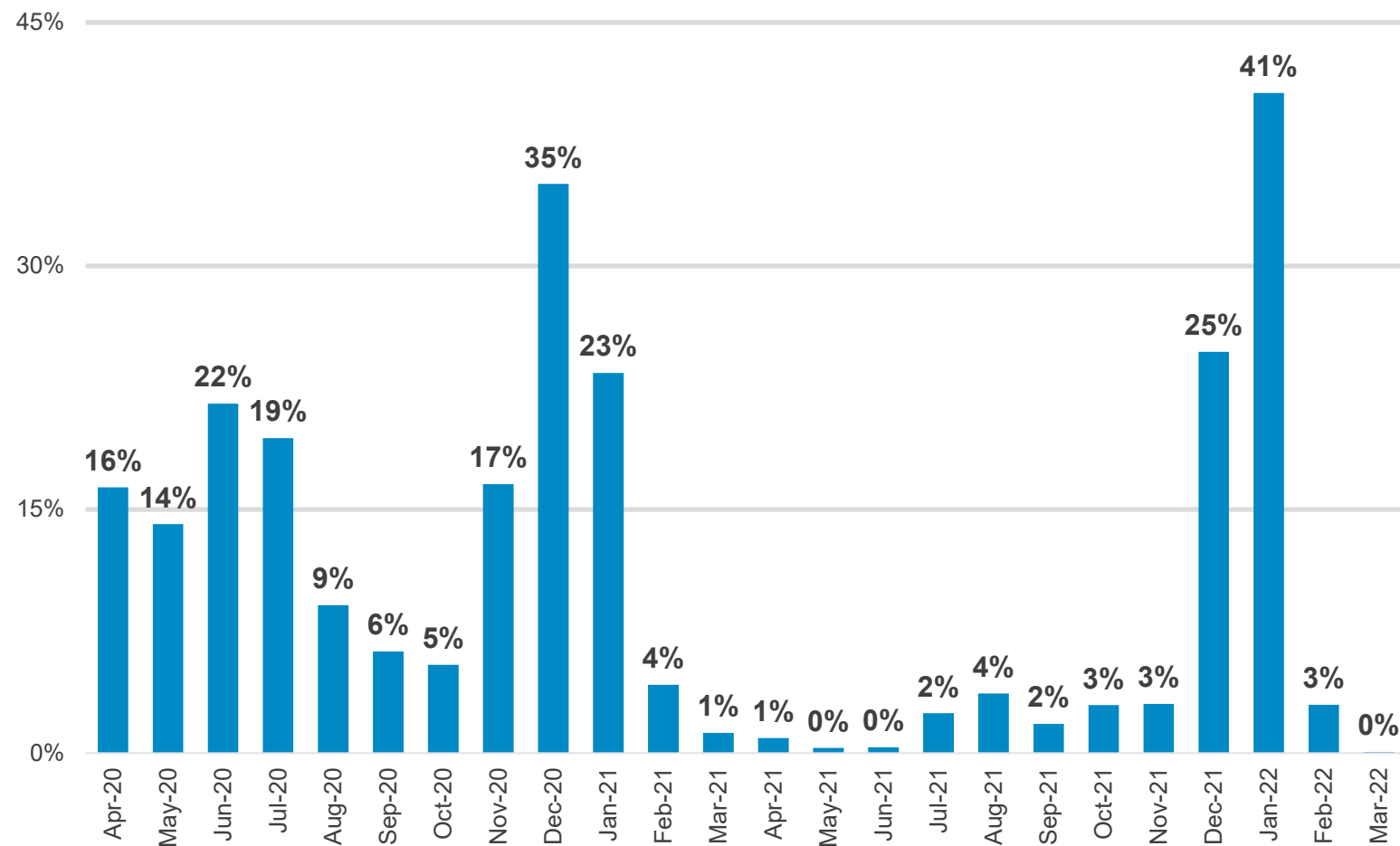
The share of indemnity claims arising from a COVID-19 diagnosis spiked during the “winter surge” in 2020.

COVID-19 claims dropped sharply as the vaccines became widely available in the spring of 2021 and remained relatively low during the Delta variant period in the summer of 2021.

A significant surge in the share of COVID-19 claims occurred in December 2021 and January 2022, driven by the Omicron variant.

COVID-19 Share of Indemnity Claims

As of April 7, 2022



Prelim.



Chart 8

Cumulative trauma (CT) claim rates increased through 2016 to be 80% above the 2005 level.

CT claim rates were relatively consistent from 2016 through 2019.

Preliminary data shows a sharp increase in CT claim rates in 2020, likely driven by shifts in claim patterns during the pandemic period.

Cumulative Trauma Claims per 100 Indemnity Claims

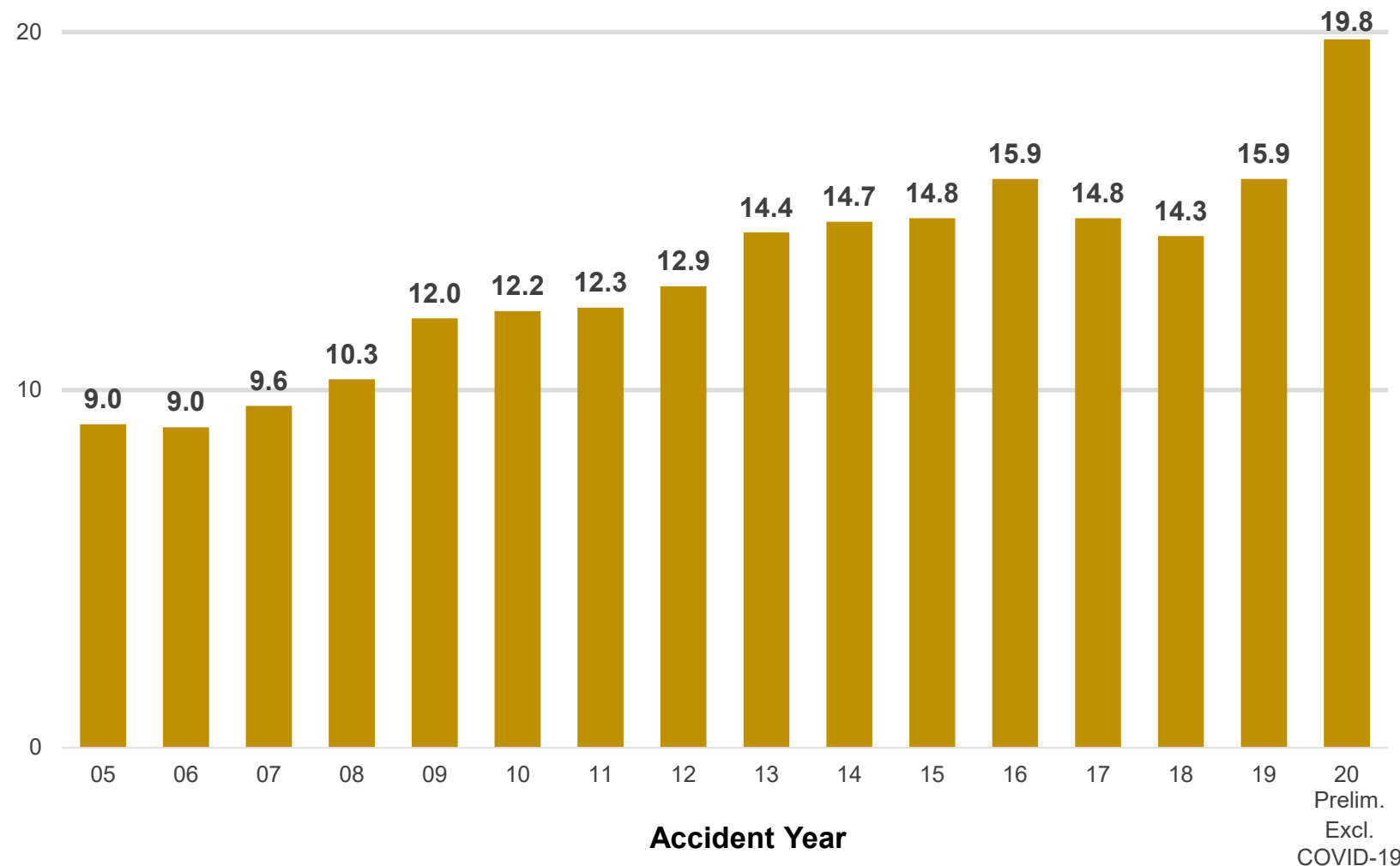




Chart 9

Projected total claim severity for 2021, excluding COVID-19 claims, is consistent with 2020 but 13% above 2017.

Ultimate Total Loss and ALAE Severities

As of December 31, 2021

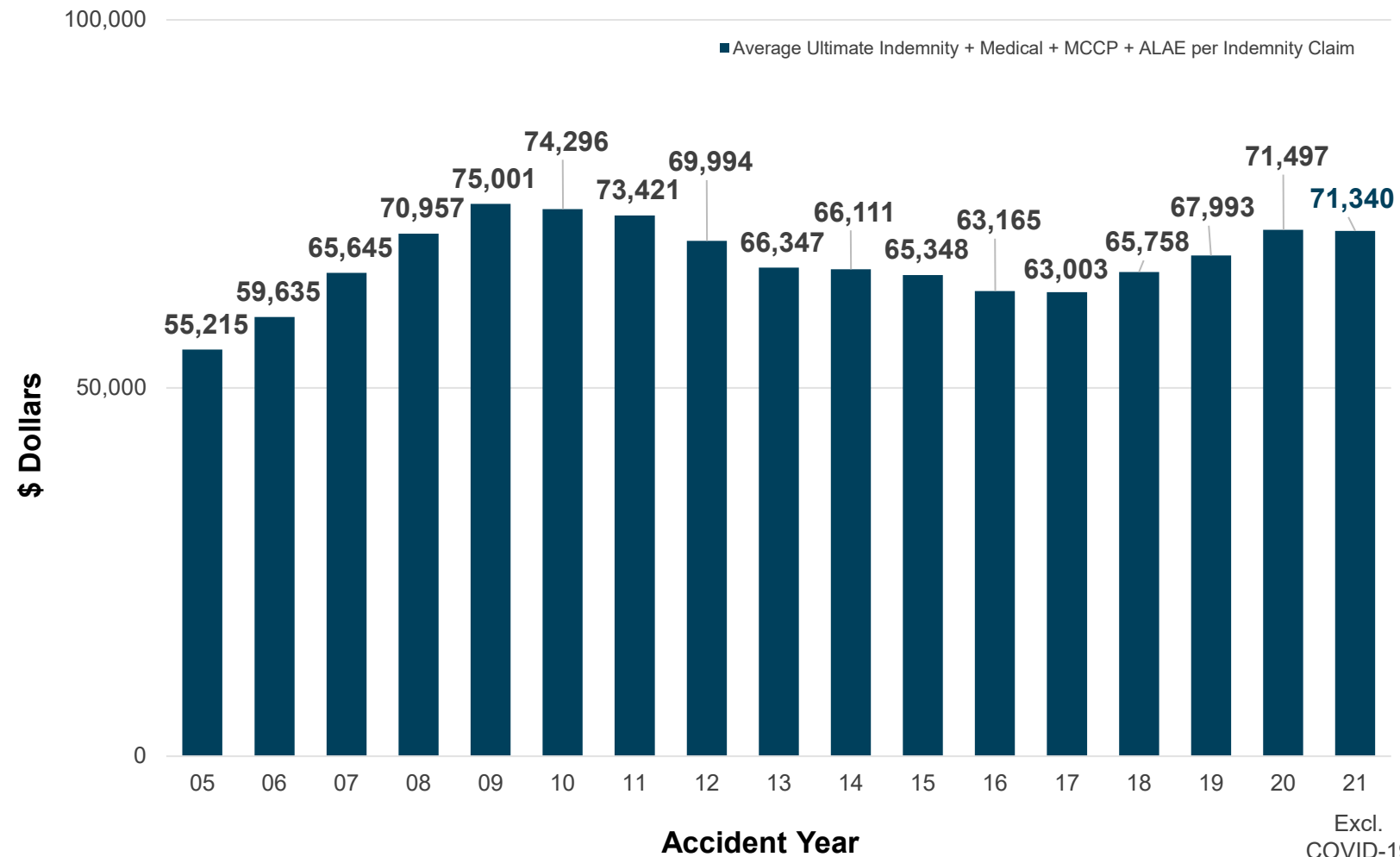




Chart 10

Following several years of flat indemnity severities, the projected indemnity severity for 2021 is 3% higher than 2020 and 22% higher than 2017.

Recent growth in indemnity claim severities has been in part driven by higher-than-typical average wage inflation over the last two years.

Ultimate Indemnity Severities

As of December 31, 2021

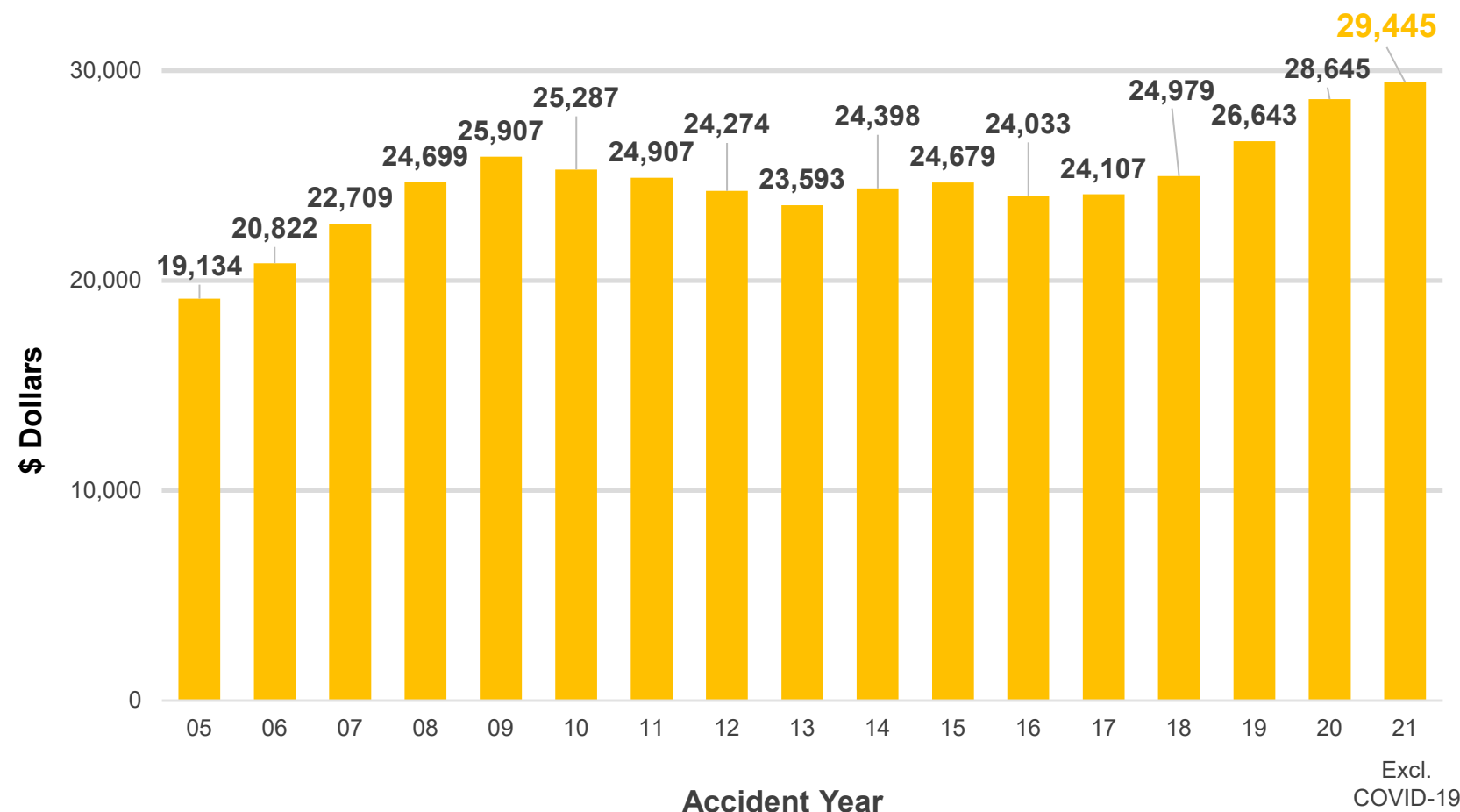


Chart 11

Before 2017, average medical costs declined for several years, driven by reforms and accelerated rate claims closing.

The projected medical severity for 2021 is modestly lower than 2020 and 10% higher than 2017.

Some of the recent growth in medical severities may be attributable to claims staying open longer since the start of the pandemic and increases to medical fee schedule reimbursements effective in early 2021.

Ultimate Medical Severities

As of December 31, 2021

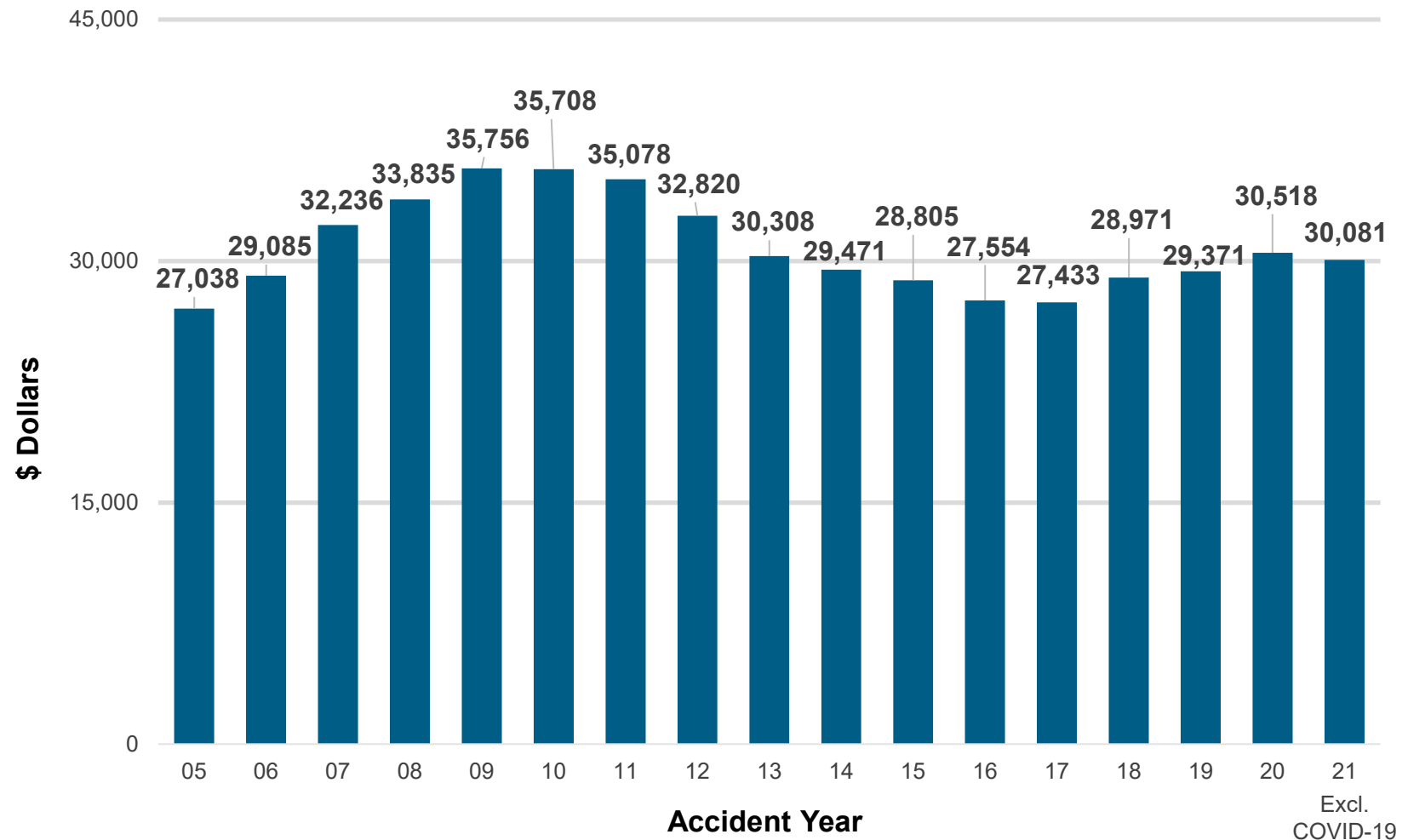




Chart 12

ALAE severities have been generally flat from 2009 through 2021.

Ultimate ALAE (excl. MCCP) Severities

As of December 31, 2021





Chart 13

Average MCCP costs have generally been consistent since 2016 as the post-reform declines in average medical costs have moderated.

Ultimate Medical Cost Containment Program (MCCP) Severities

As of December 31, 2021

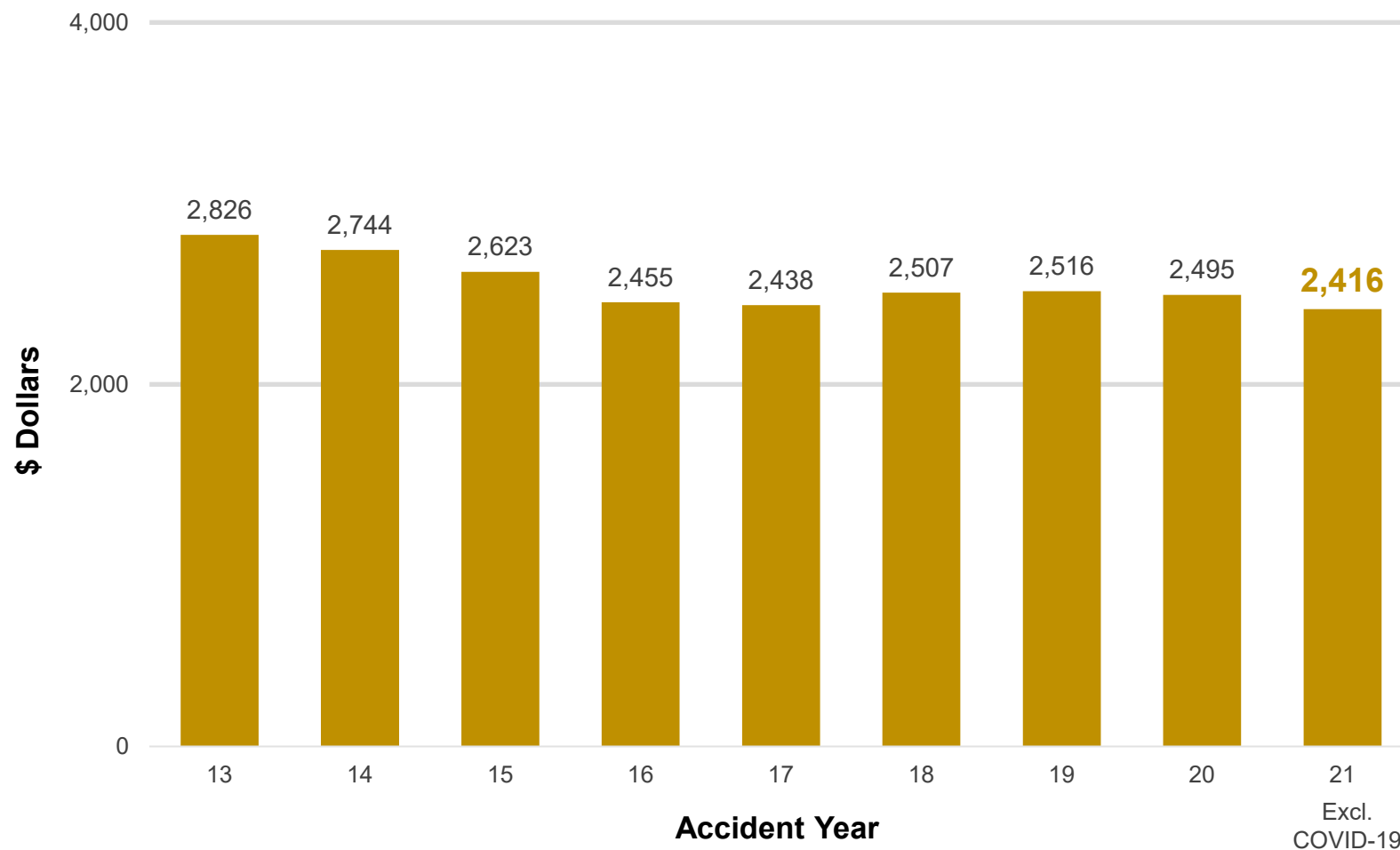




Chart 14

Medical service costs per claim increased significantly in 2020 due to a reduction in the number of smaller medical-only claims filed during the pandemic.

Medical service costs per claim increased by 6% in 2021, driven by an increase in the average paid per medical service transaction. Some of this growth is attributable to increases in fee schedule reimbursements for evaluation and management and medical-legal services effective in early 2021.

Change in Medical Service Cost Levels

As of February 28, 2022

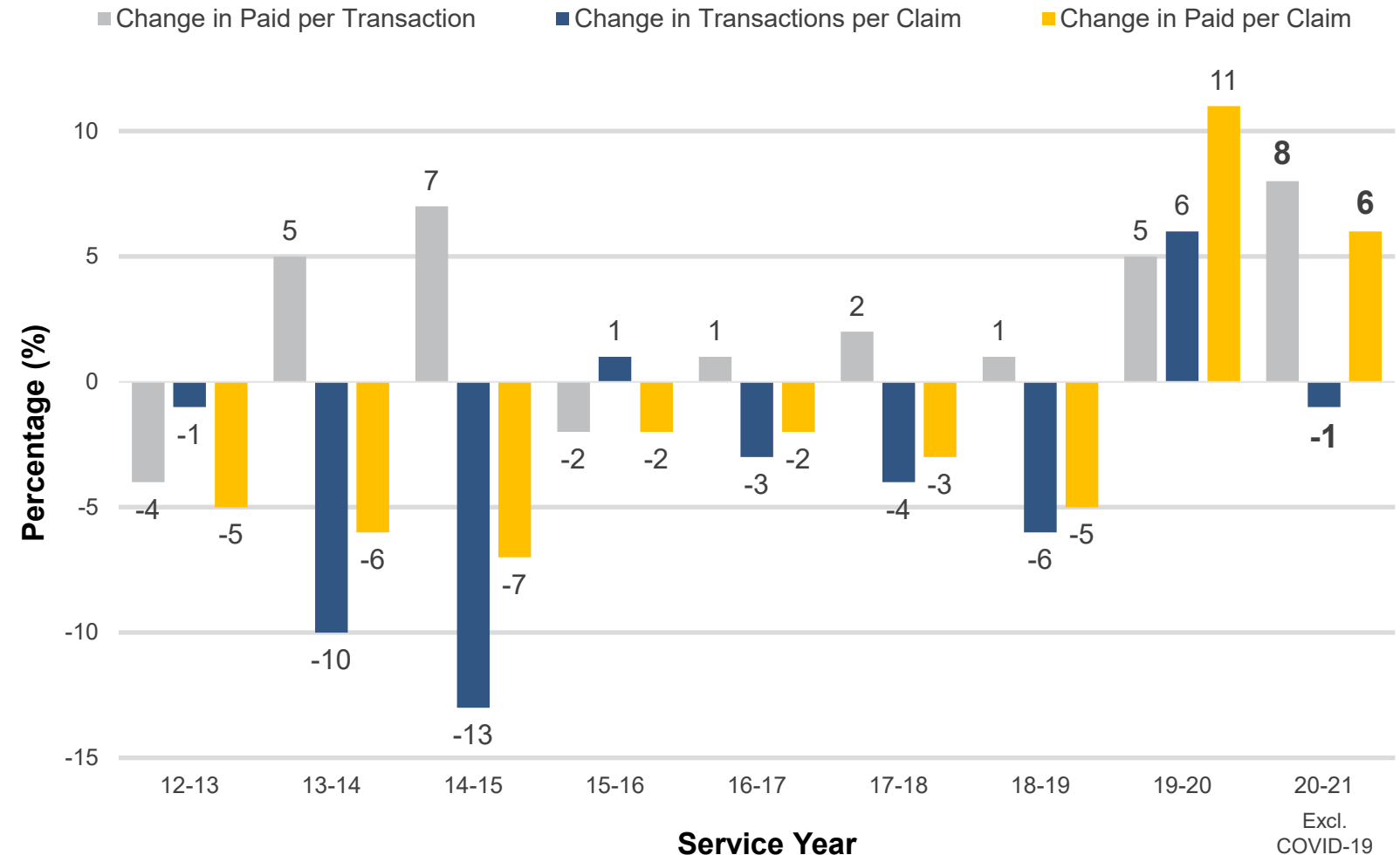


Chart 15

Pharmaceutical costs per claim decreased by 84% from 2012 through 2019.

After increasing during the early pandemic period in 2020, average pharmaceutical costs per claim declined by 10% in 2021.

Change in Pharmaceutical Cost Levels

As of February 28, 2022

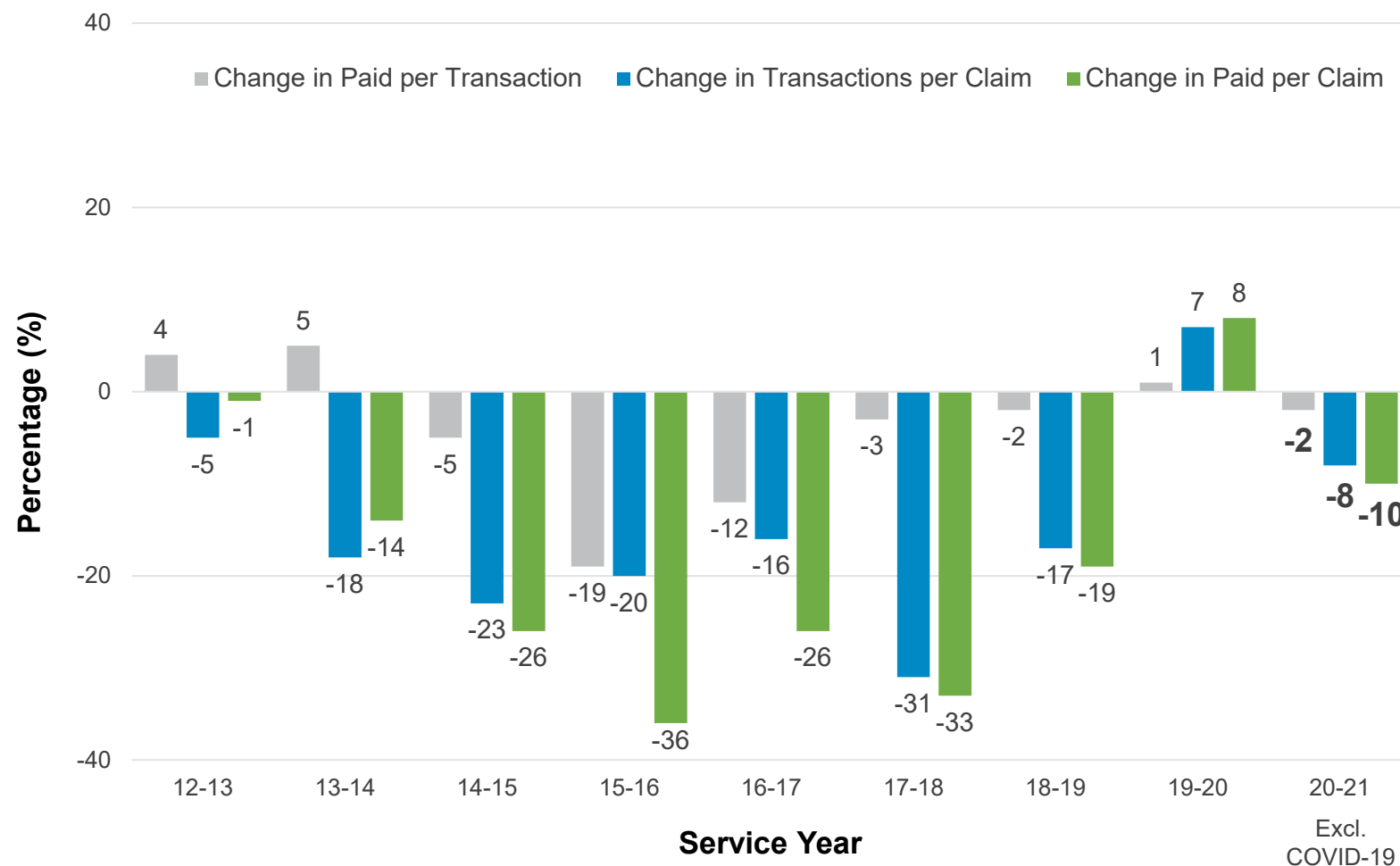




Chart 16

Ratios of ALAE to loss increased significantly from 2011 to 2015 in part due to increased CT claim filings and the transition to SB 863.

From 2015 to 2021, these ratios have generally been consistent.

Ratios of Paid ALAE to Paid Losses

As of December 31, 2021

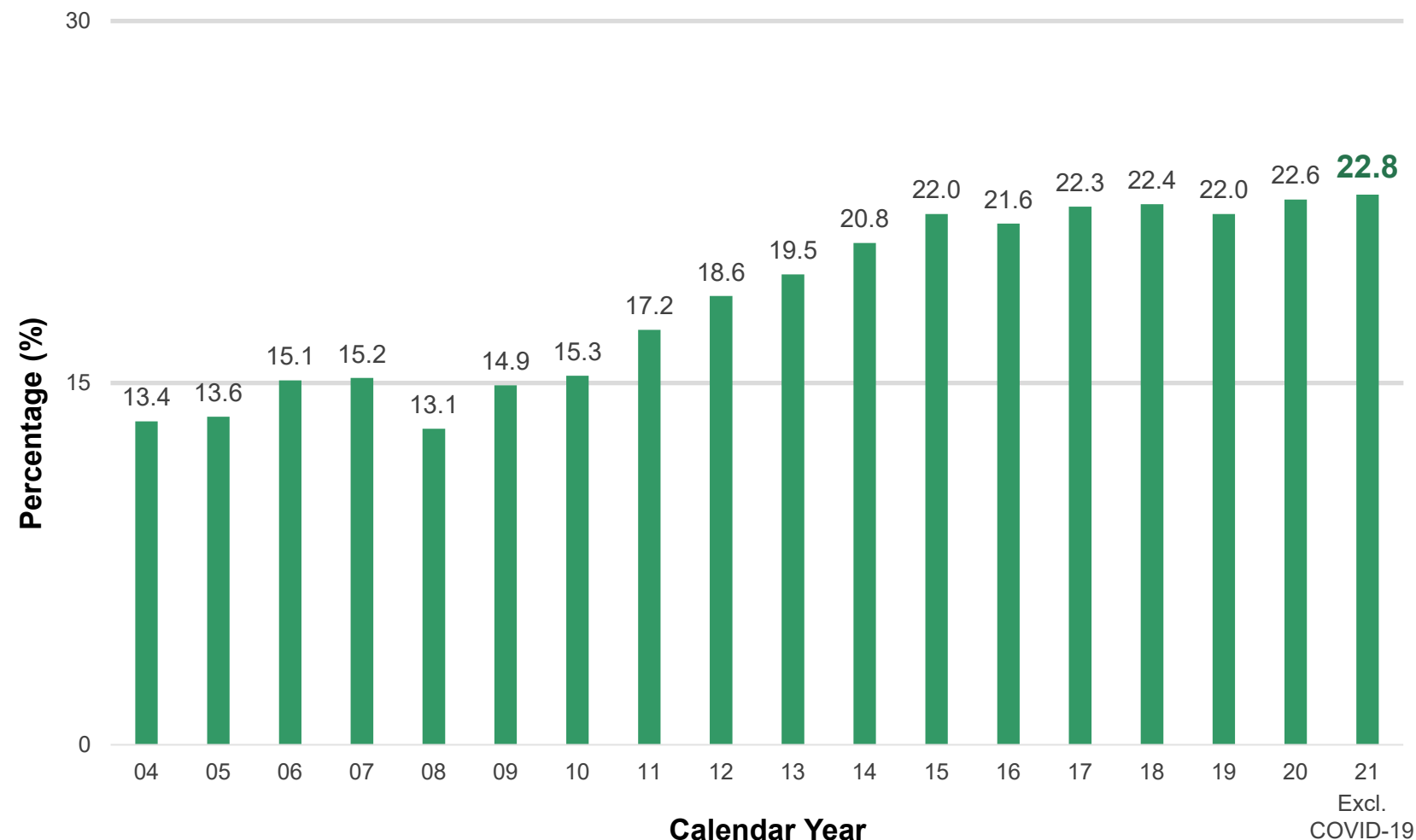
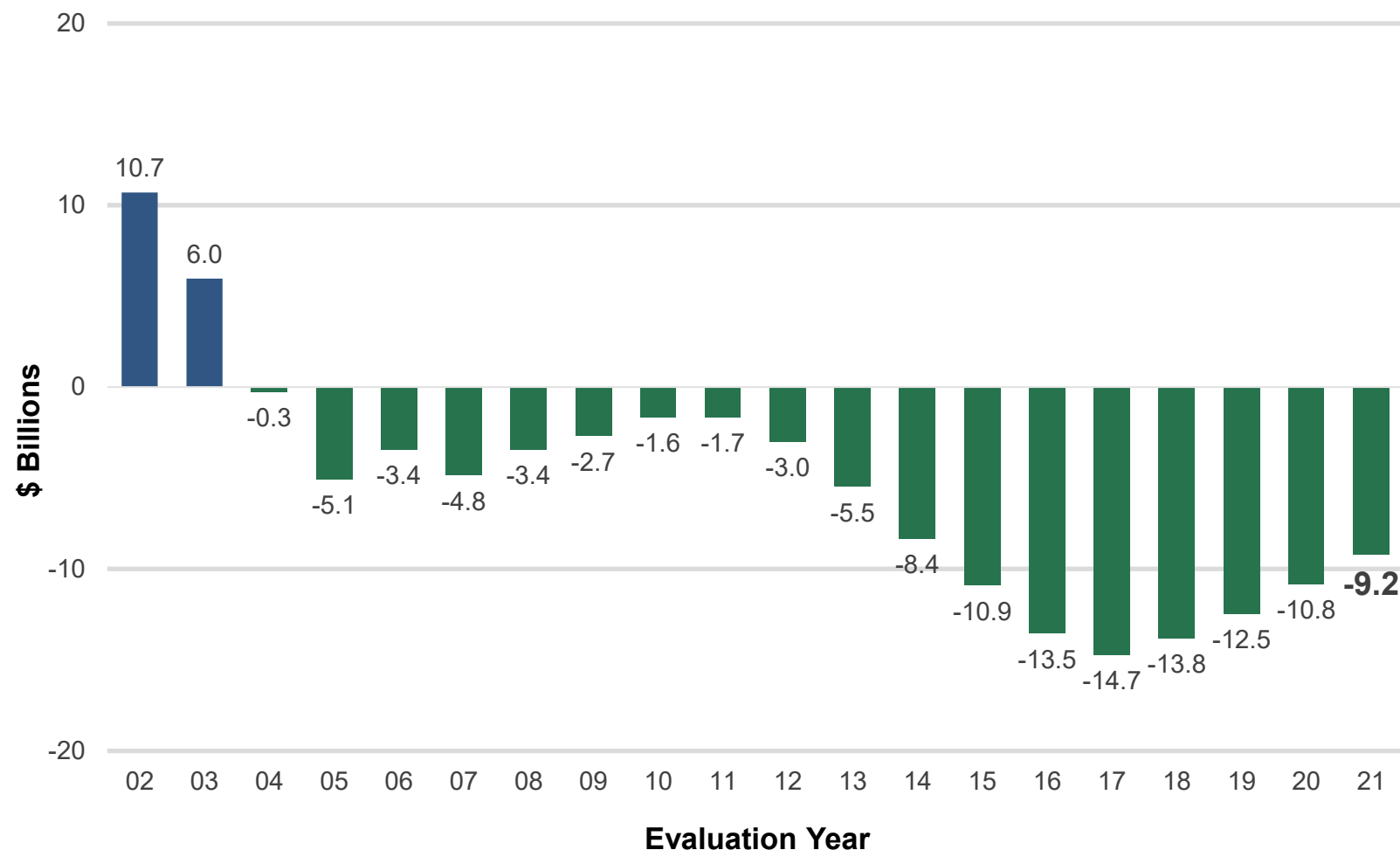


Chart 17

Projected total statewide ultimate losses for 2004 through 2021 evaluations are below insurers' reported amounts.

Projected Ultimate Losses Less Reported Losses

As of December 31, 2021





General Notes

- This report reflects a compilation of individual insurer submissions of accident year and calendar year premium and loss data to the WCIRB. While the individual insurer data submissions are regularly checked for consistency and comparability with other data submitted by the insurer as well as with data submitted by other insurers, the source information underlying each insurer's data submission is not verified by the WCIRB.
- Some of the figures and ratios shown are based on WCIRB actuarial projections of future claim payments using information reported by insurers through December 31, 2021. Although the actuarial methodologies and assumptions upon which these projections are predicated are periodically reviewed by the WCIRB's Actuarial Committee, the actual costs that will ultimately emerge could differ from the amounts projected. Many of these projections will be updated regularly by the WCIRB as more mature information on these claims is reported in subsequent quarters.
- The amounts and ratios shown represent statewide totals based on the amounts reported by insurers writing workers' compensation insurance in California. The results for any individual insurer can differ significantly from the statewide average. An individual insurer's results are related to its underwriting book of business, claims and reserving practices, as well as the nature of its reinsurance arrangements.
- Beginning with claims incurred on policies incepting on or after July 1, 2010, the cost of medical cost containment programs (MCCP) is reported to the WCIRB as allocated loss adjustment expense (ALAE) rather than as medical loss. As a result, some portions of MCCP costs for accident years 2010 and 2011 have been reported as medical loss and some portions have been reported as ALAE. For consistency, the amounts and ratios shown in these exhibits are adjusted to either include or exclude MCCP costs for all years shown to the extent possible.
- Thousands of claims arising out of a diagnosis of COVID-19 have been filed for accident years 2020 and 2021. The amounts and ratios for accident years 2020 and 2021 shown in these exhibits generally include COVID-19 claims unless otherwise specified. For other exhibits, COVID-19 claims are excluded based on the WCIRB's aggregate financial data calls to facilitate consistency of comparison with pre-pandemic years.



More Info

Chart 1: Written Premium



- Source: WCIRB aggregate financial data calls.
- Written premium is gross of deductible credits.

Chart 2: Industry Average Charged Rates



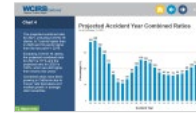
- Rates are based on WCIRB unit statistical data through 2018 and estimated based on aggregate financial data calls for 2019 and later.
- Rates are per \$100 of payroll.
- Rates are averages over policies incepting in the year (January 1 to December 31).
- For consistency of comparison, all rates include an adjustment for classification payroll limitations adopted effective January 1, 2020 and proposed to be effective September 1, 2022.

Chart 3: Ultimate Accident Year Loss Ratios



- Ratios are projected based on WCIRB aggregate financial data call data as of December 31, 2021.
- MCCP costs are included in loss ratios for accident years 2010 and prior.
- MCCP costs are included in loss and ALAE ratios for all years shown.
- COVID-19 claims are included in the projections for accident years 2020 and 2021.

Chart 4: Projected Accident Year Combined Ratios



- Ratios are projected based on WCIRB aggregate financial data call data as of December 31, 2021.
- Combined ratios include losses, loss-adjustment expenses and other insurer expenses.
- COVID-19 claims are included in the projections for accident years 2020 and 2021.

Chart 5: Percent of Open Indemnity Claims Closed in Next Year



- Source: WCIRB aggregate financial data call data as of December 31, 2021.
- Figures represent the number of indemnity claims aged between 12 to 96 months closed during the year as a ratio of the number of estimated ultimate claims open or not yet reported as of December 31 of the prior year.

Chart 6: Change in Indemnity Claim Frequency



- Frequency is based on indemnity claim counts per exposure adjusted for wage level changes based on WCIRB unit statistical data through the accident year 2020 and changes in reported indemnity claim counts compared to changes in statewide employment based on WCIRB aggregate financial data call data for the accident year 2021.
- COVID-19 claims are excluded from accident years 2020 and 2021.

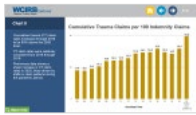
More Info (...continued)

Chart 7: COVID-19 Share of Indemnity Claims



- Source: WCIRB indemnity transaction data through March 31, 2022. Excludes denied claims.

Chart 8: Cumulative Trauma Claims per 100 Indemnity Claims



- Source: WCIRB unit statistical data. Claim counts are developed to an estimated ultimate level.
- Accident year 2020 data is preliminary.
- COVID-19 claims are excluded from accident year 2020.

Chart 9: Ultimate Loss & ALAE Severities



- Severities are projected based on WCIRB aggregate financial data call data as of December 31, 2021.
- Includes data for indemnity claims only.
- COVID-19 claims are excluded from accident years 2020 and 2021.

Chart 10: Ultimate Indemnity Severities



- Severities are projected based on WCIRB aggregate financial data call data as of December 31, 2021.
- COVID-19 claims are excluded from accident years 2020 and 2021.

Chart 11: Ultimate Medical Severities



- Severities are projected based on WCIRB aggregate financial data call data as of December 31, 2021.
- Includes data for indemnity claims only.
- MCCP costs are excluded from all years for consistency of comparison.
- COVID-19 claims are excluded from accident years 2020 and 2021.

Chart 12: Ultimate ALAE (excl. MCCP) Severities



- Severities are projected based on WCIRB aggregate financial data call data as of December 31, 2021.
- Includes data for indemnity claims only.
- MCCP costs are excluded from all years for consistency of comparison.
- COVID-19 claims are excluded from accident years 2020 and 2021.



More Info (...continued)

Chart 13: Ultimate Medical Cost Containment Program (MCCP) Severities



- Severities are projected based on WCIRB aggregate financial data call data as of December 31, 2021.
- Includes data for indemnity claims only.
- COVID-19 claims are excluded from accident years 2020 and 2021.

Chart 14: Change in Medical Service Cost Levels



- Source: WCIRB medical transaction data as of February 28, 2022.
- Costs from COVID-19 claims are excluded from the 2020 and 2021 periods.

Chart 15: Change in Pharmaceutical Cost Levels



- Source: WCIRB medical transaction data as of February 28, 2022.
- Costs from COVID-19 claims are excluded from the 2020 and 2021 periods.

Chart 16: Ratios of Paid ALAE to Paid Losses



- Source: WCIRB aggregate financial data calls.
- MCCP costs paid on policies incepting prior to July 1, 2010 are considered loss, and costs paid on policies incepting after July 1, 2010 are considered ALAE.
- COVID-19 claims are excluded from accident years 2020 and 2021.

Chart 17: Projected Ultimate Losses Less Reported Losses



- Insurer-reported losses include insurers' estimates of incurred but not reported (IBNR) losses that may, in part, reflect allocations of IBNR losses to line of business, state, and accident year, and are on a basis that does not reflect anticipated reinsurance recoveries or employer-paid deductibles. As a result, the amounts shown do not necessarily equate to specific estimates of the adequacy of insurers' reserves for unpaid losses.
- Projected ultimate losses are based on WCIRB aggregate financial data call data as of December 31, 2021.
- COVID-19 claims are included in the projections for accident years 2020 and 2021.



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1901 Harrison Street, 17th Floor
Oakland, CA 94612
888.CA.WCIRB