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2022
State of the System

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

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Workers' Compensation Insurance
Rating Bureau of California
1901 Harrison Street, 17th Floor
Oakland, CA 94612
888.CA.WCIRB (888.229.2472)

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Report Summary

2022 State of the System

Since the outbreak of the pandemic, more than 270,000 California workers' compensation COVID-19 claims have been filed (**Chart 5**). The pandemic has also dramatically impacted the California economy. In 2020 and 2021, high levels of wage inflation affected premiums and indemnity benefits (**Chart 15**), and while there was economic recovery in 2021, it was very uneven by wage level (**Chart 3**) and industry sector (**Chart 4**).

The frequency of non-COVID-19 indemnity claims rose sharply in 2021 (**Chart 22**). The share of indemnity claims involving cumulative trauma is also rising (**Chart 26**).

Premium levels dropped sharply in 2020 due to continued rate decreases and the pandemic-related economic slowdown. In 2021, premium levels were relatively flat. Premiums are forecast to increase in 2022 with economic recovery and the impact of insurer rate decreases moderating (**Chart 13**).

The insurance market remains stable and non-concentrated (**Chart 55**). Insurer charged rates continue to decrease and are at a 50-year low (**Chart 16**).

Average indemnity claim costs are rising (**Chart 30**), while average medical claim costs remain relatively flat (**Chart 33**). Pharmaceutical costs are plateauing after a period of sharp decline (**Chart 37**), while medical-legal costs are increasing following implementation of the new medical-legal fee schedule (**Chart 38**).

With declining premium rates, increasing claim frequency and an influx of COVID-19 claims, the projected combined ratio for accident year 2021 of 112% is the highest in a decade (**Chart 57**).

01 COVID-19 Pandemic

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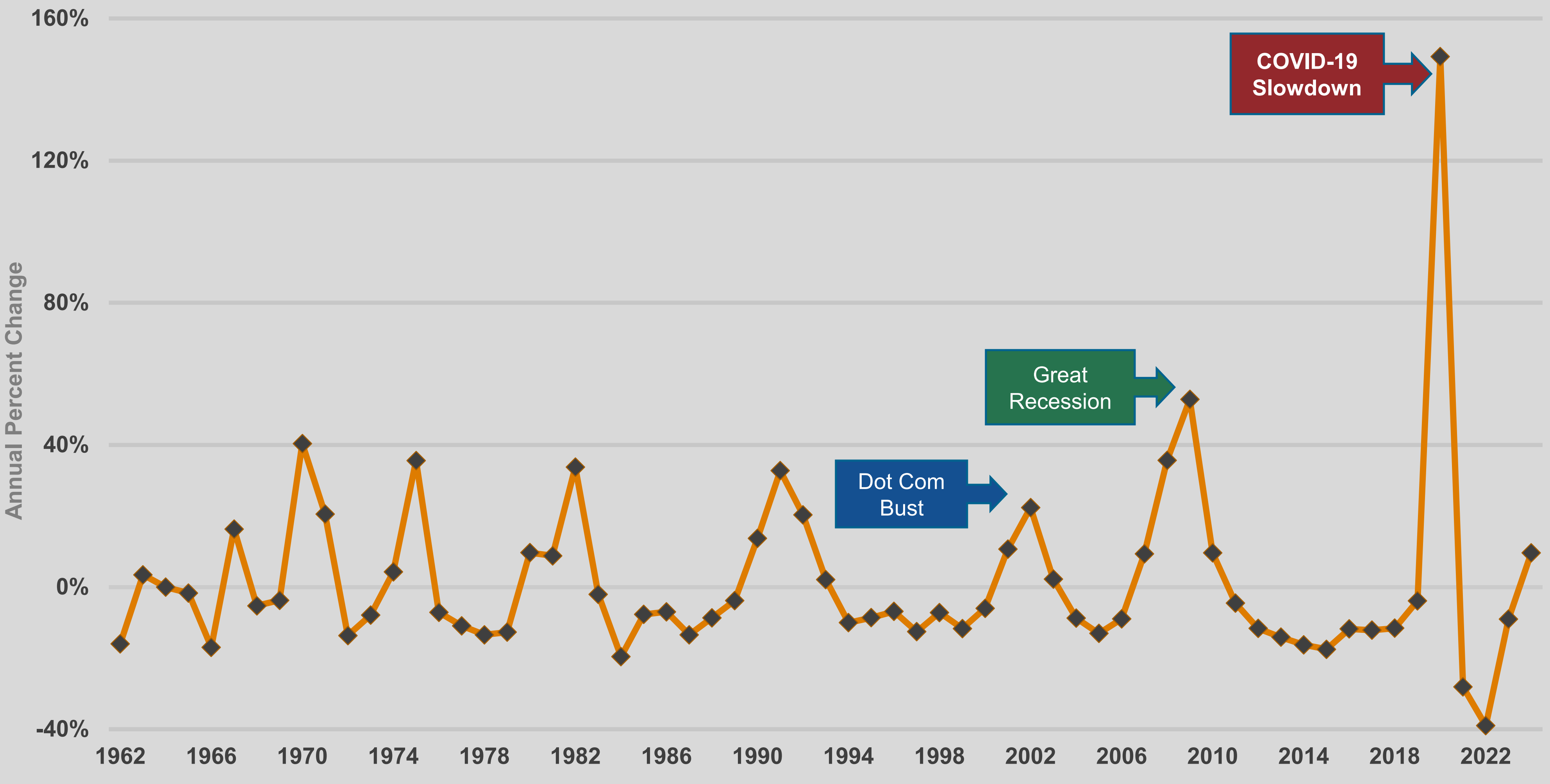
01

COVID-19 Pandemic

Chart 1: Change in California Unemployment Rate

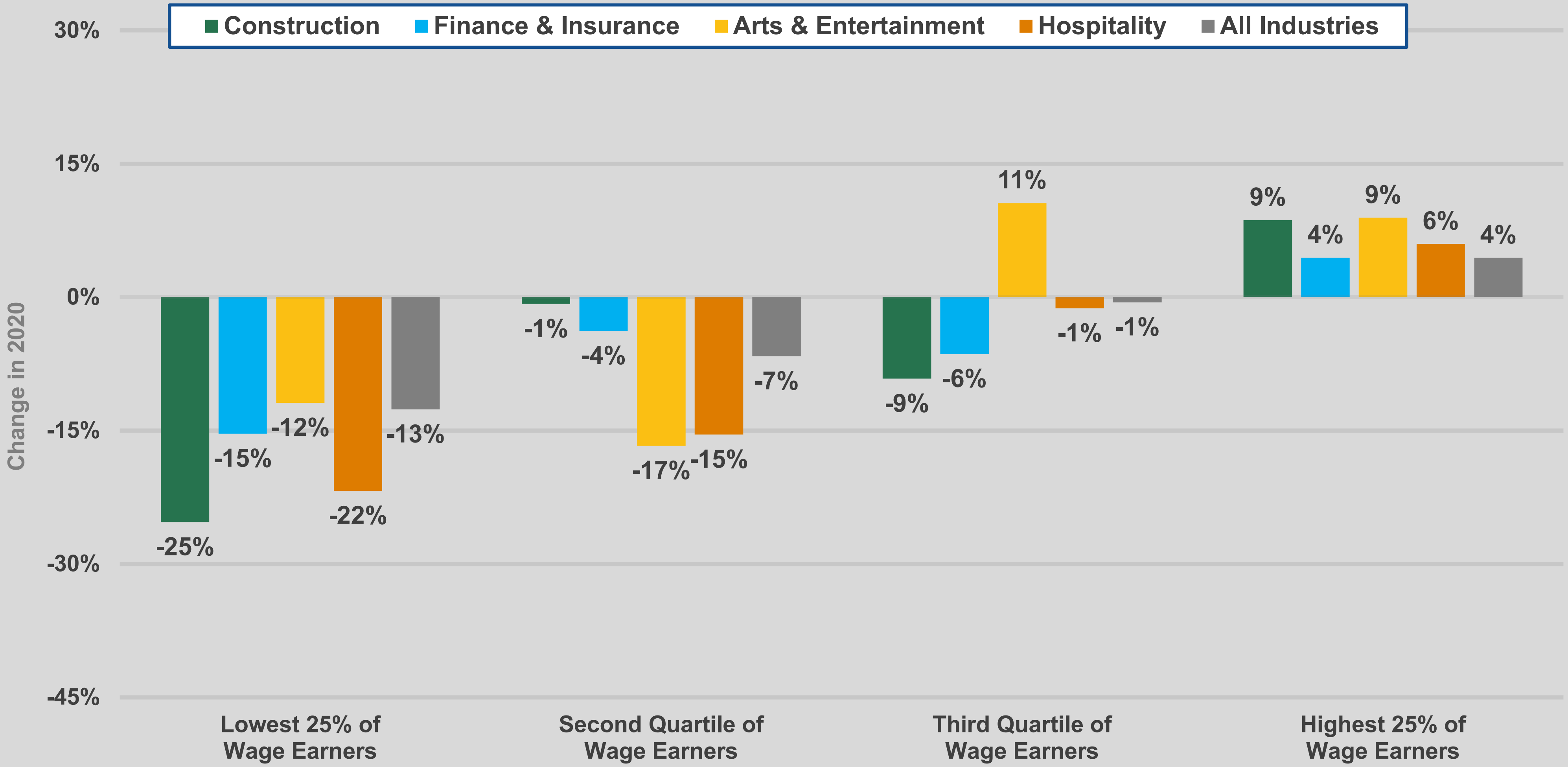


Insights & Recent Trends

- The COVID-19 economic slowdown resulted in the largest and most sudden increase in the unemployment rate in decades. In 2020, California unemployment increased from 4.1% to 16.1% in just 3 months, while during the Great Recession it took 3 years for the unemployment rate to rise from 4.9% to its peak of 12.9%.
- The sudden employment drop in 2020 significantly impacted workers' compensation exposure, claim filings and activity on existing claims.
- Economists are forecasting the unemployment rate to decline for 2022 and 2023.

More Info

Chart 2: California Employment Change by Wage Level in 2020

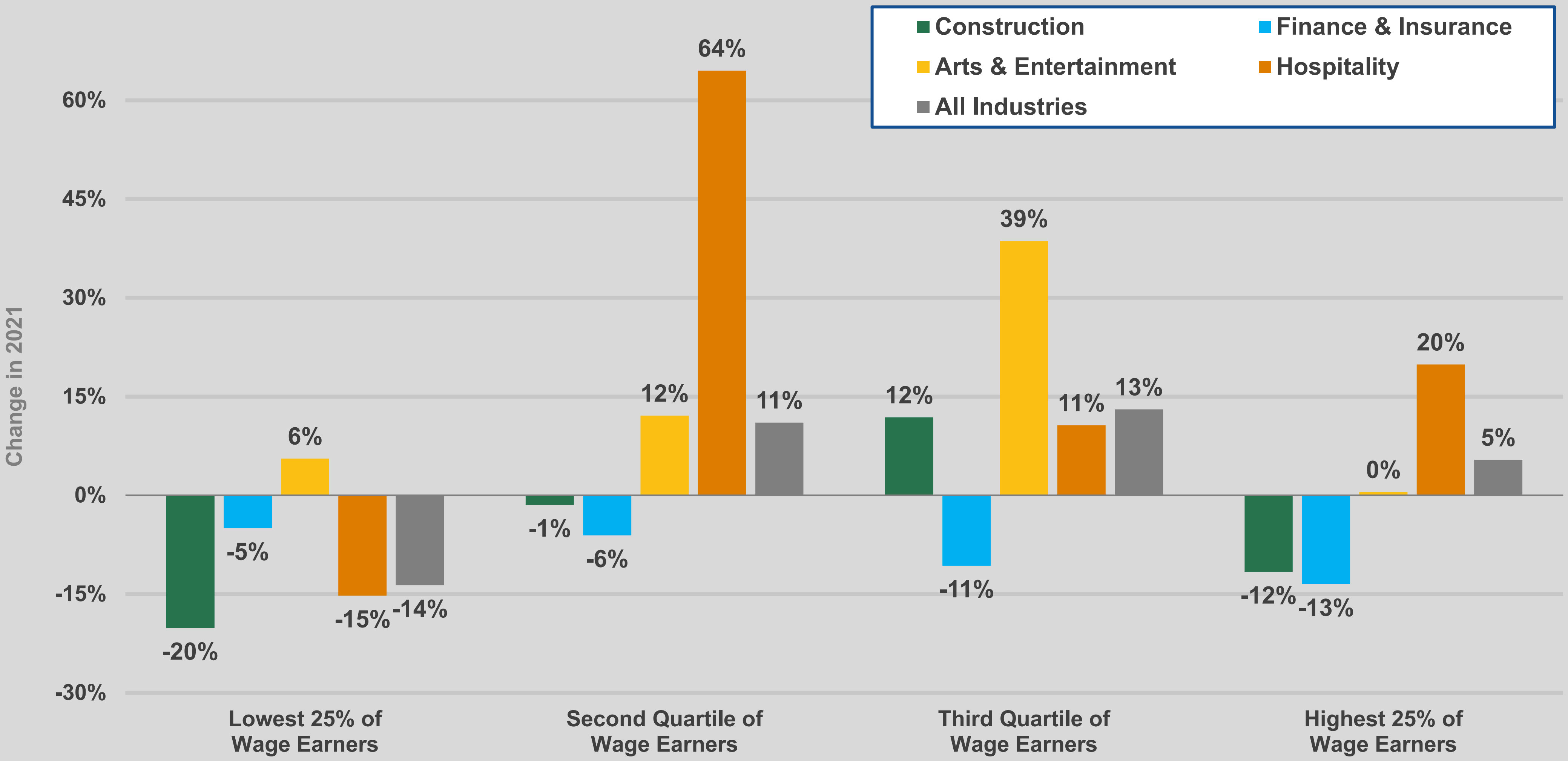


Insights & Recent Trends

- Across most industries, employment losses in 2020 were greatest for the lowest wage earners.
- In many industries, there were employment gains in the highest 25% of wage earners in 2020.
- Many industries experienced drops in employment across all but the highest wage level category.
- The disproportionate changes in employment by wage level pushed measures of average wages in 2020 artificially upward (Chart 15).

More Info

Chart 3: California Employment Change by Wage Level in 2021



Insights & Recent Trends

- In 2021, low wage employment was expected to return. However, across most industries, employment losses in the lowest wage quartile continued in 2021.
- The Hospitality industry experienced a dramatic increase in wage earners in the second quartile as new and returning workers were able to enter the labor market at higher wage levels.
- The continued disproportionate changes in employment by wage level pushed measures of average wages in 2021 artificially upward, though to a lesser extent than in 2020 (Chart 15).

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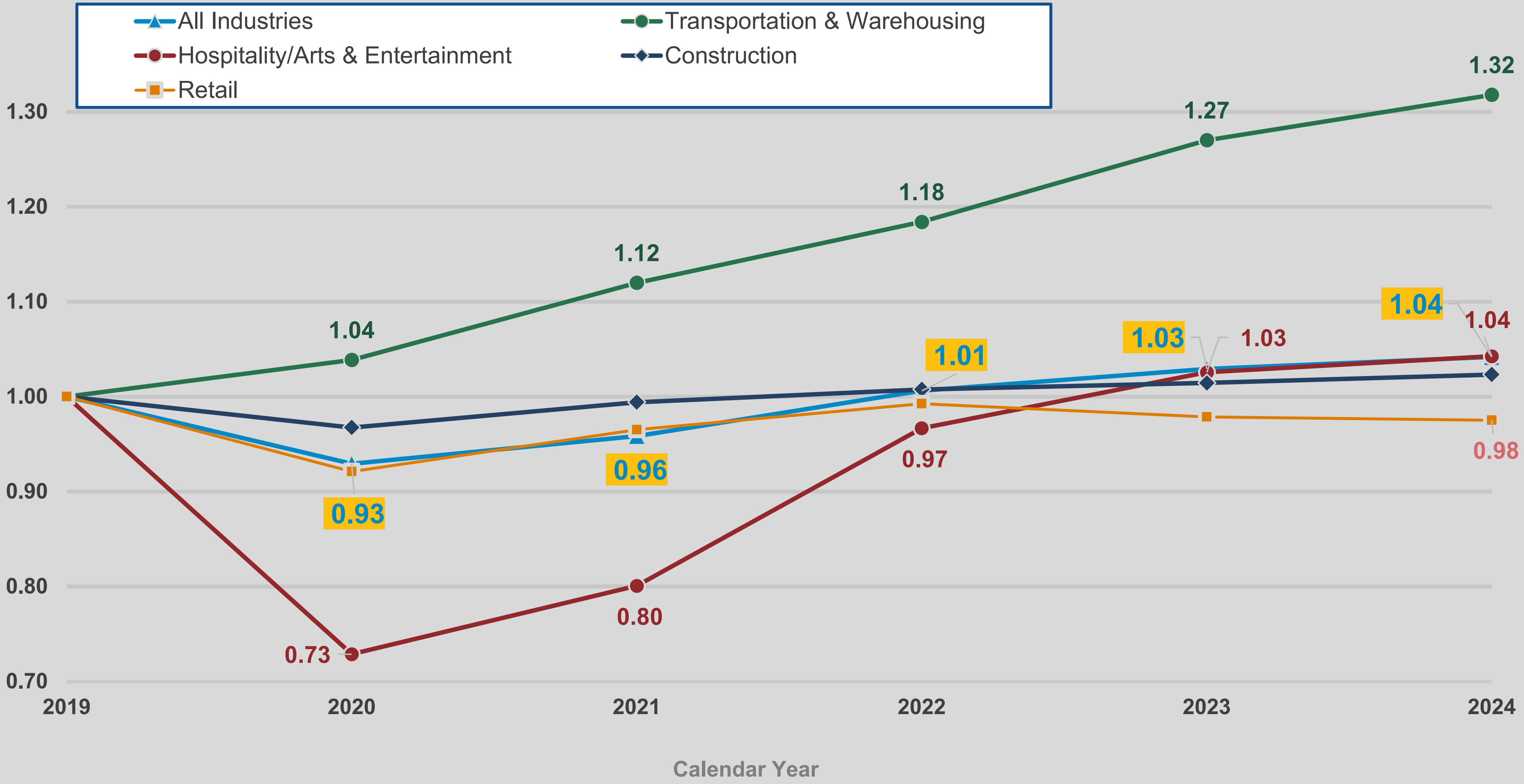
Chart 4: California Employment Change Forecasts Indexed to 2019



Insights & Recent Trends

- Economists are forecasting total California employment to reach the pre-pandemic level by 2022.
- The Hospitality and Arts & Entertainment industries, which experienced the greatest 2020 employment declines, are forecast to reach the pre-pandemic employment level by 2023.
- Employment in the Retail industry is forecast to remain below 2019 levels through 2024 due to industry trends not directly related to the pandemic.
- Some industries, such as Transportation & Warehousing, are forecast to grow at a greater rate than the rest of the state.

More Info

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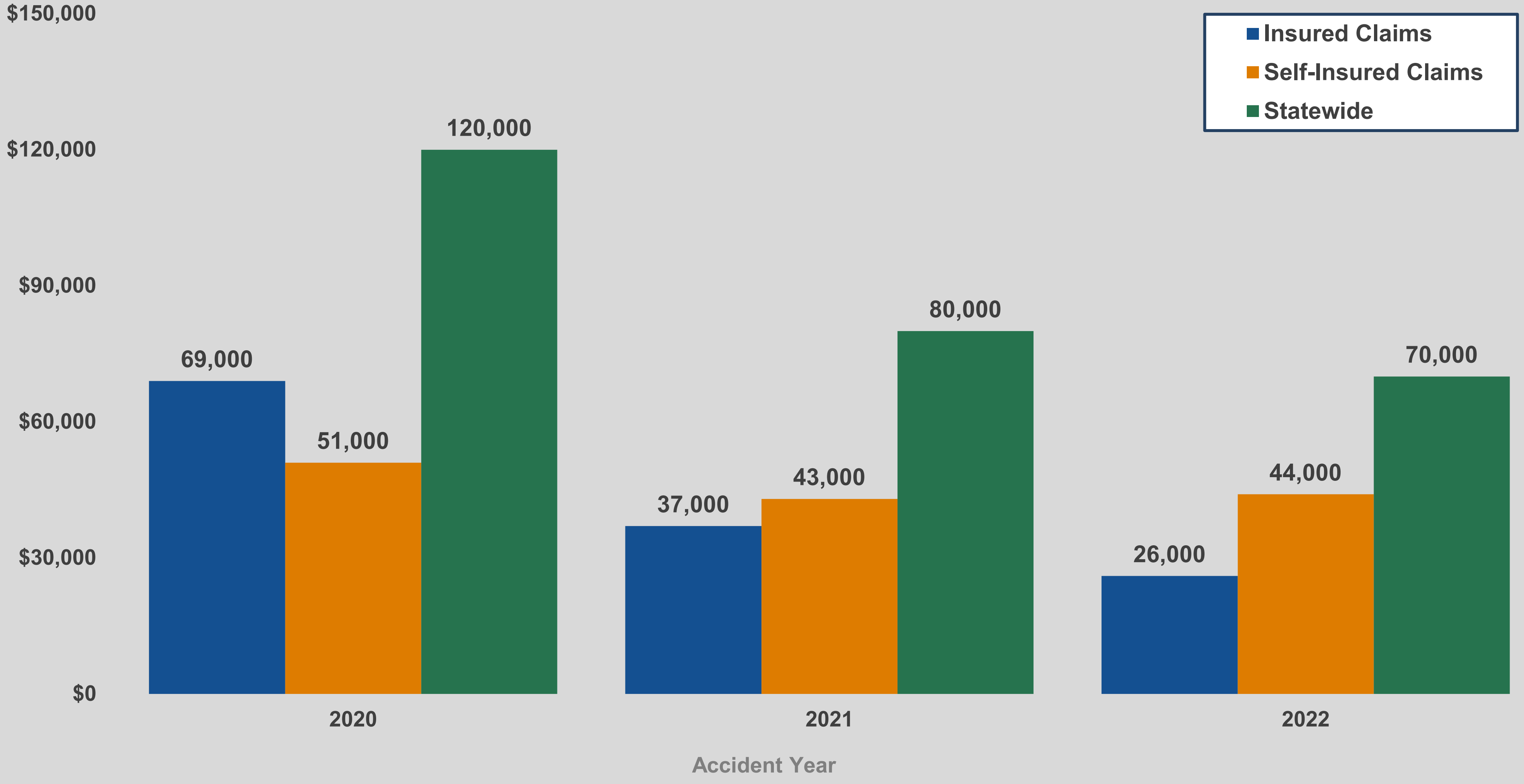
Chart 5: Filed COVID-19 Workers' Compensation Claims

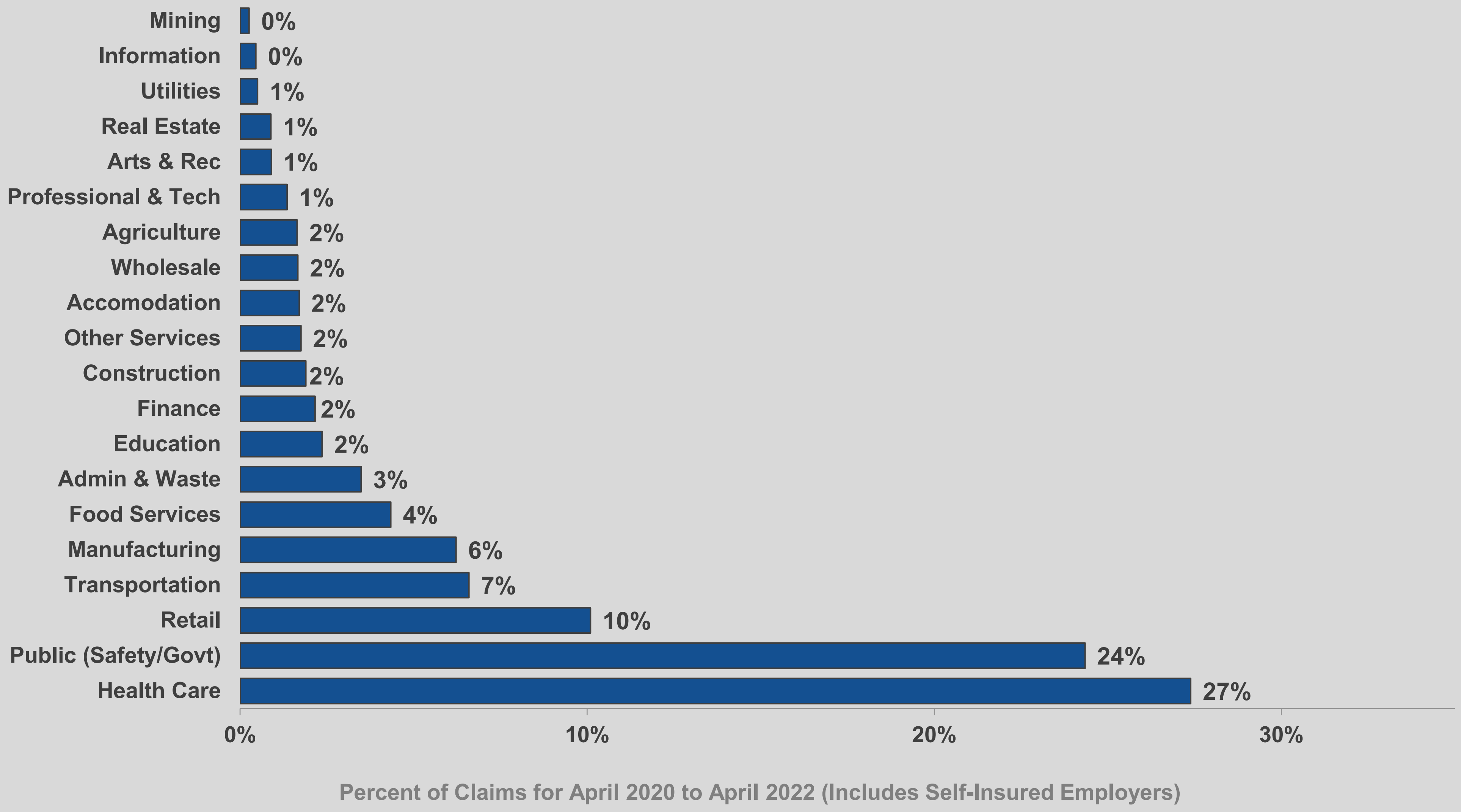


Insights & Recent Trends

- As of June 2022, more than 270,000 COVID-19 workers' compensation claims have been filed in California.
- Approximately one-half of all the COVID-19 claims filed in California have been filed by employees of self-insured employers. Historically, for non-COVID-19 claims the ratio of self-insured claims has been closer to one-third.
- Most of the claims filed thus far in 2022 were filed early in the year when the Omicron variant resulted in a significant infection wave in California.

More Info

Chart 6: Distribution of COVID-19 Claims by Industry



Insights & Recent Trends

- From April 2020 to April 2022, over one-quarter of COVID-19 claims from all employers in California were filed by Health Care workers. Public Administration, which includes first responders, has the second highest share.
- Industries with relatively low shares of COVID-19 claims include those with many employees working at home such as Information as well as those with some employees continuing to work at the employer's facility or in the field such as Agriculture, Mining, Construction and Wholesale.

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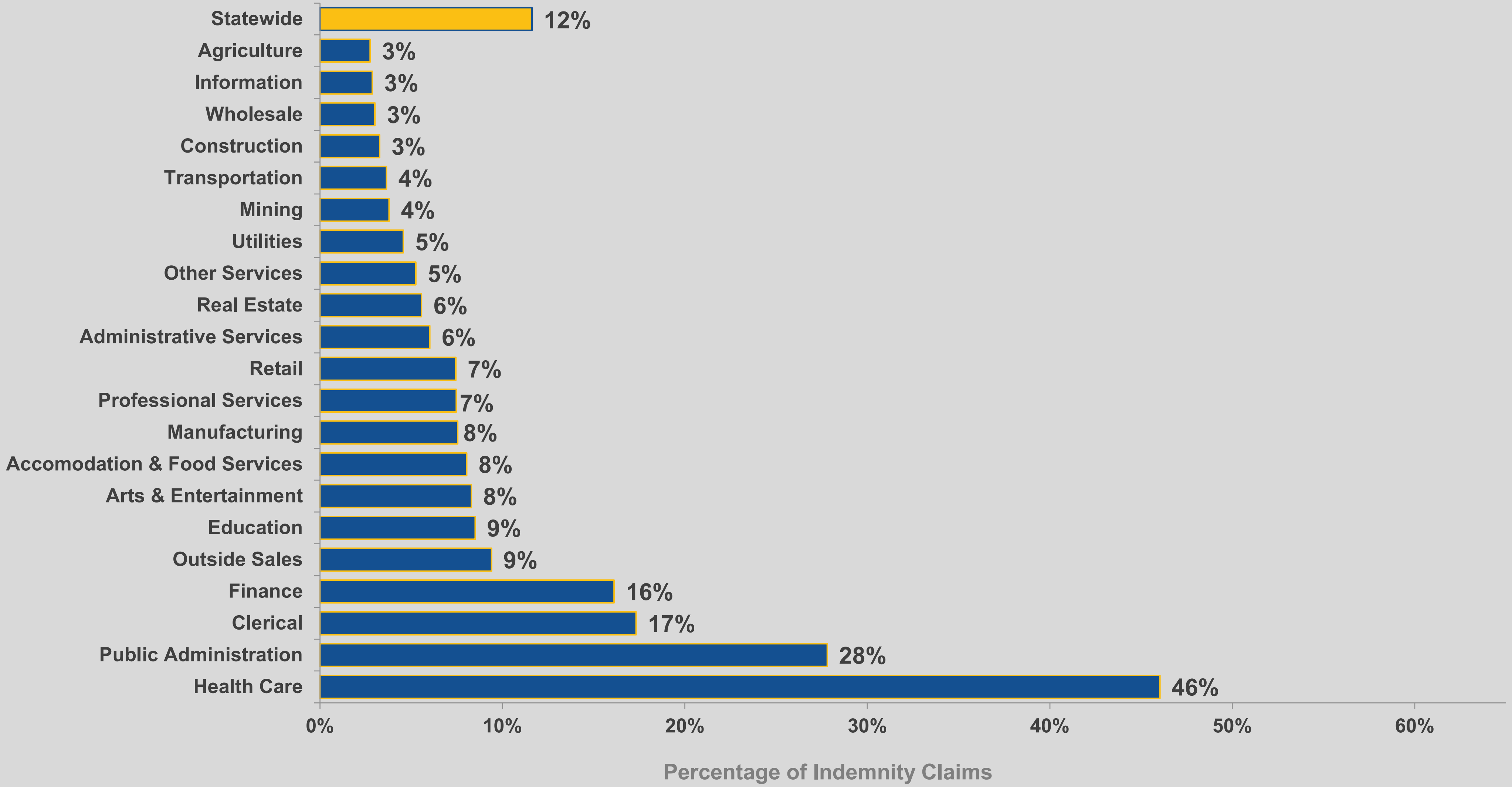
01

COVID-19 Pandemic

Chart 7: COVID-19 Claims as a Percent of Indemnity Claims for Insured Employers

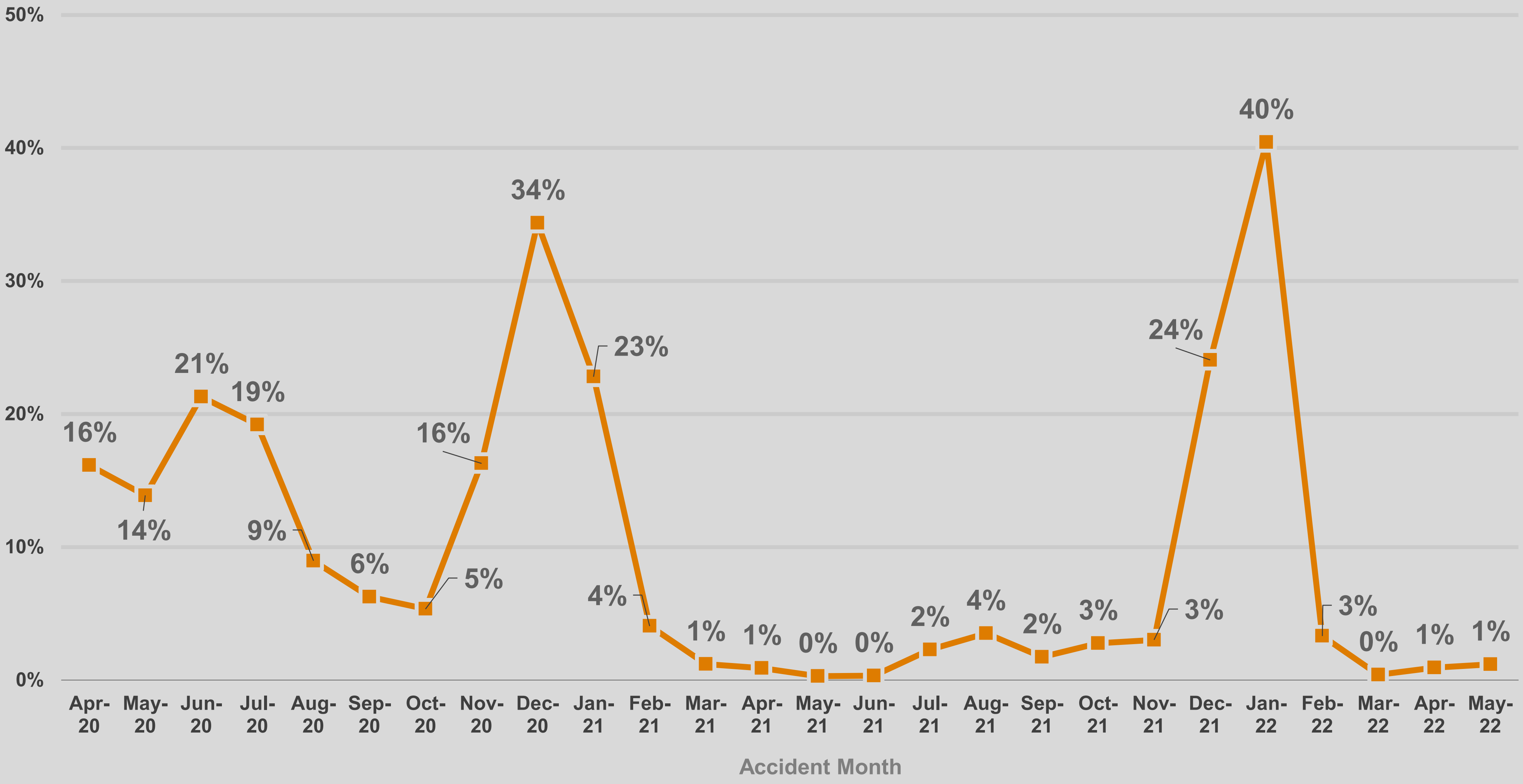


Insights & Recent Trends

- From April 2020 to April 2022, one in eight indemnity claims filed in the insured system was due to COVID-19.
- Almost one-half of indemnity claims filed by Health Care workers over the last two years were for COVID-19.
- Industries with relatively low proportions of COVID-19 claims include those with many employees working at home such as Information as well as those that had some employees continuing to work at the employer's facility or in the field such as Agriculture, Construction, Wholesale and Transportation.

More Info

Chart 8: COVID-19 Claims as a Percent of Indemnity Claims Over Time



Insights & Recent Trends

- Following the winter surge of 2020 and the rollout of the vaccines, the number of COVID-19 claim filings from employees of insured employers was relatively low in the spring of 2021 before rising later in the year.
- COVID-19 claims as a percent of all indemnity claims peaked in January 2022 during the Omicron surge, which topped the prior peak in December 2020 during the first winter surge.
- Following the surge of claims related to the Omicron variant, COVID-19 indemnity claim frequency has been modest.

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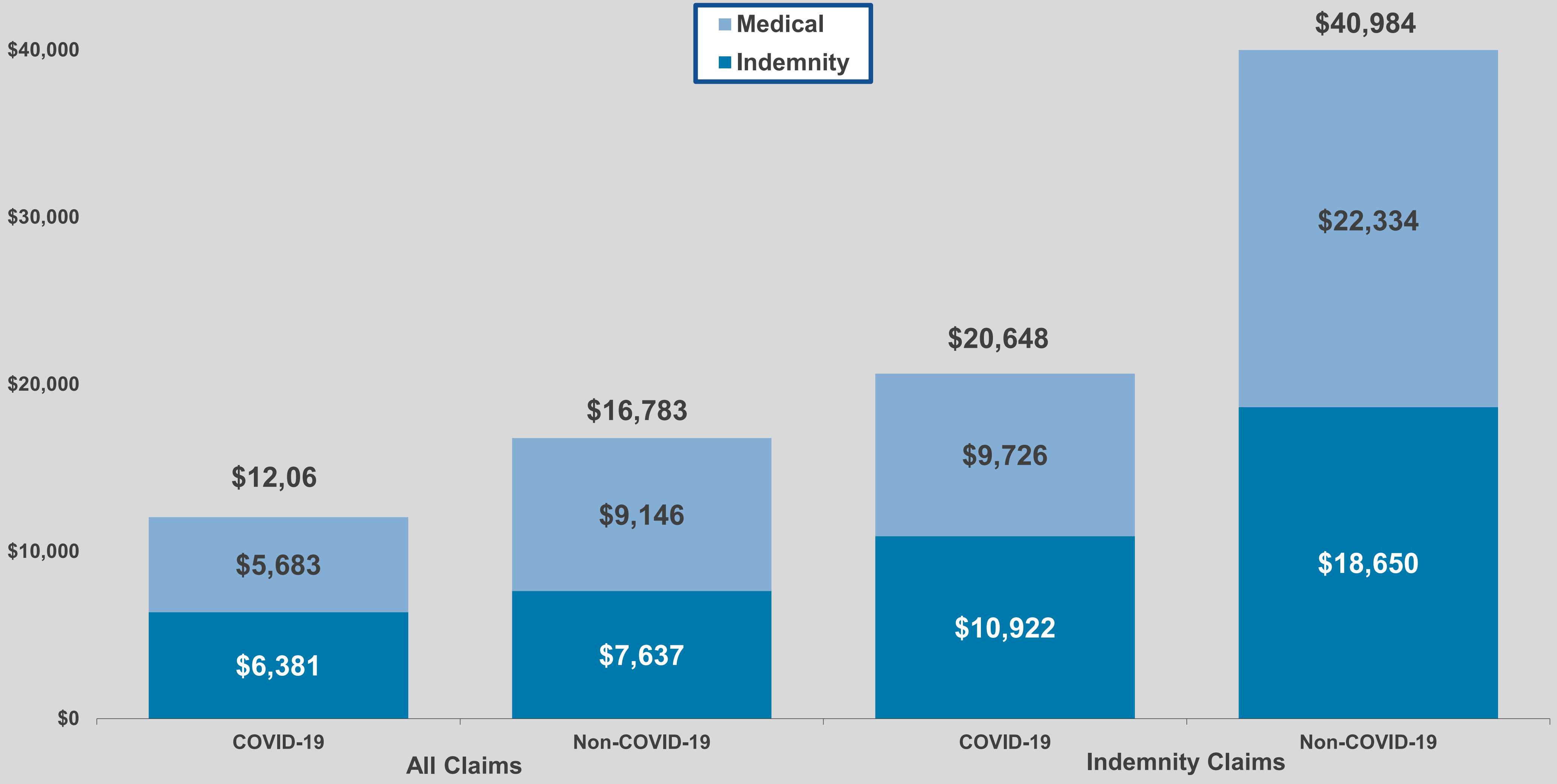
Chart 9: COVID-19 Incurred Claim Severities for Accident Year 2020

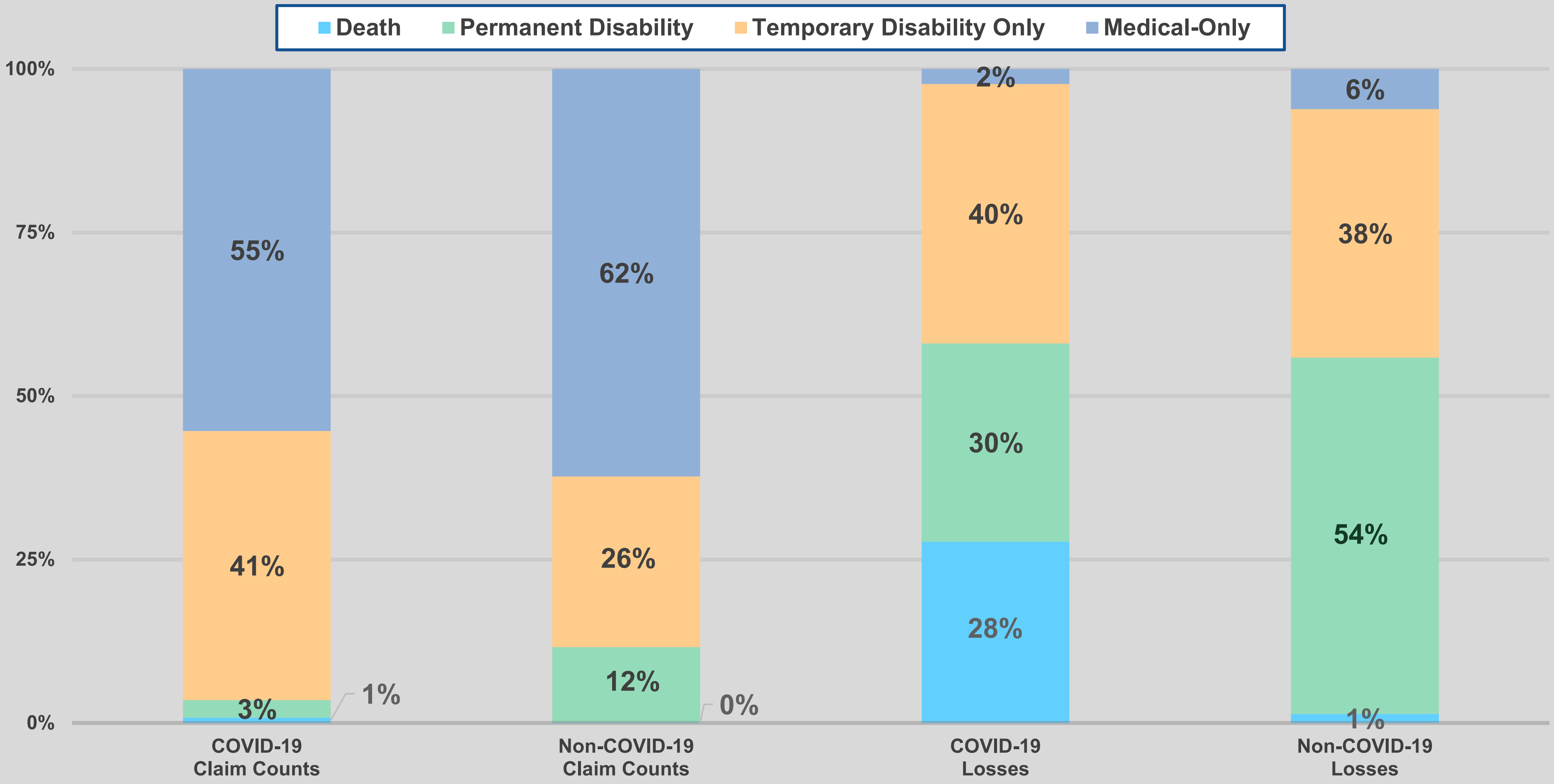


Insights & Recent Trends

- The average incurred medical cost of a COVID-19 claim from the insured employer system in 2020 is about 40% less than the average non-COVID-19 workers' compensation claim.
- The average incurred cost of a COVID-19 indemnity claim in 2020 is about 50% less than the average non-COVID-19 indemnity claim. This is primarily driven by a high proportion of small COVID-19 claims with only reported indemnity losses.

More Info

Chart 10: COVID-19 Claims and Incurred Losses by Claim Type for Accident Year 2020

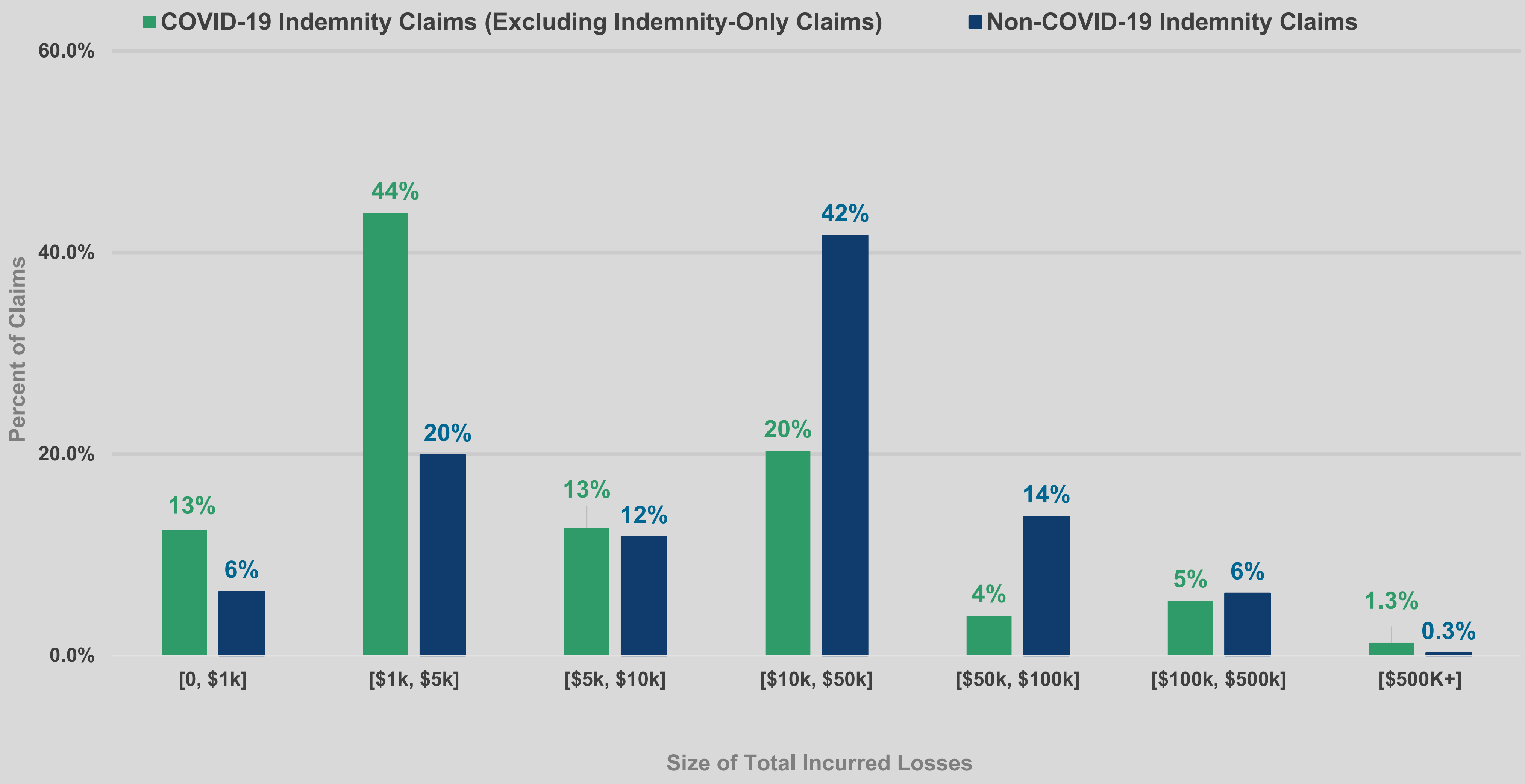


Insights & Recent Trends

- Only 3% of COVID-19 claims from the insured employer system in 2020 involved permanent disability compared to 12% of non-COVID-19 claims.
- Incurred losses on permanent disability claims account for 30% of all losses on COVID-19 claims compared to more than 50% on non-COVID-19 claims.
- More than one-fourth of the incurred losses on COVID-19 claims have arisen on death claims, while only 1% of incurred losses on non-COVID-19 claims have arisen on death claims.

More Info

Chart 11: COVID-19 Indemnity Claim Distribution by Incurred Loss Size for Accident Year 2020



Insights & Recent Trends

- COVID-19 claims from the insured employer system with both indemnity and medical losses (i.e., excluding claims with only indemnity benefits) are more likely to be either very small (below $5,000) or very large (above $500,000) compared to non-COVID-19 claims.
- More than twice as many COVID-19 claims have incurred losses of $5,000 or less compared to non-COVID-19 indemnity claims, while the share of COVID-19 claims with incurred losses over $500,000 is more than four times the share for non-COVID-19 claims.

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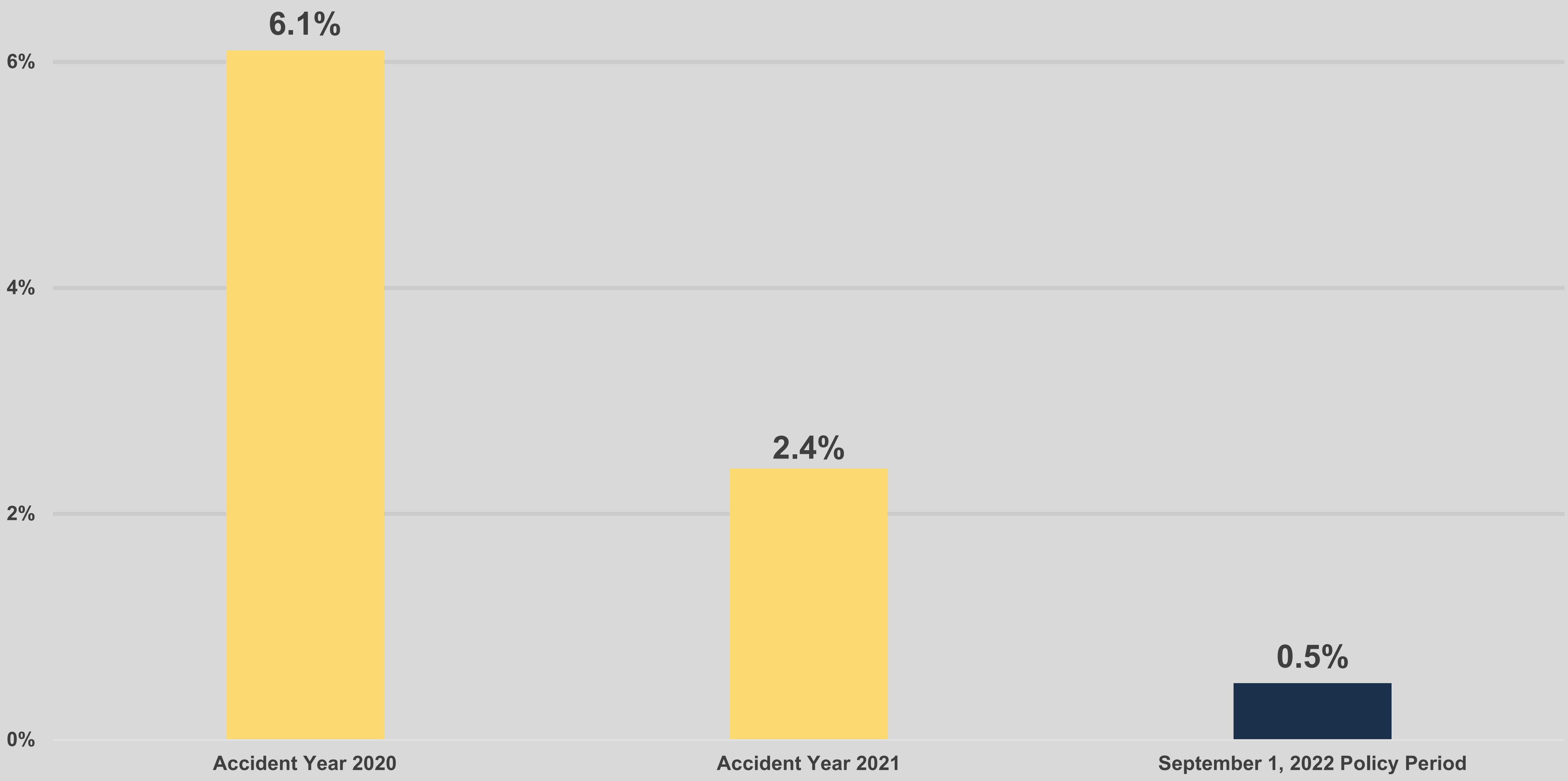
Chart 12: Projected COVID-19 Costs as a Percent of Non-COVID-19 Costs



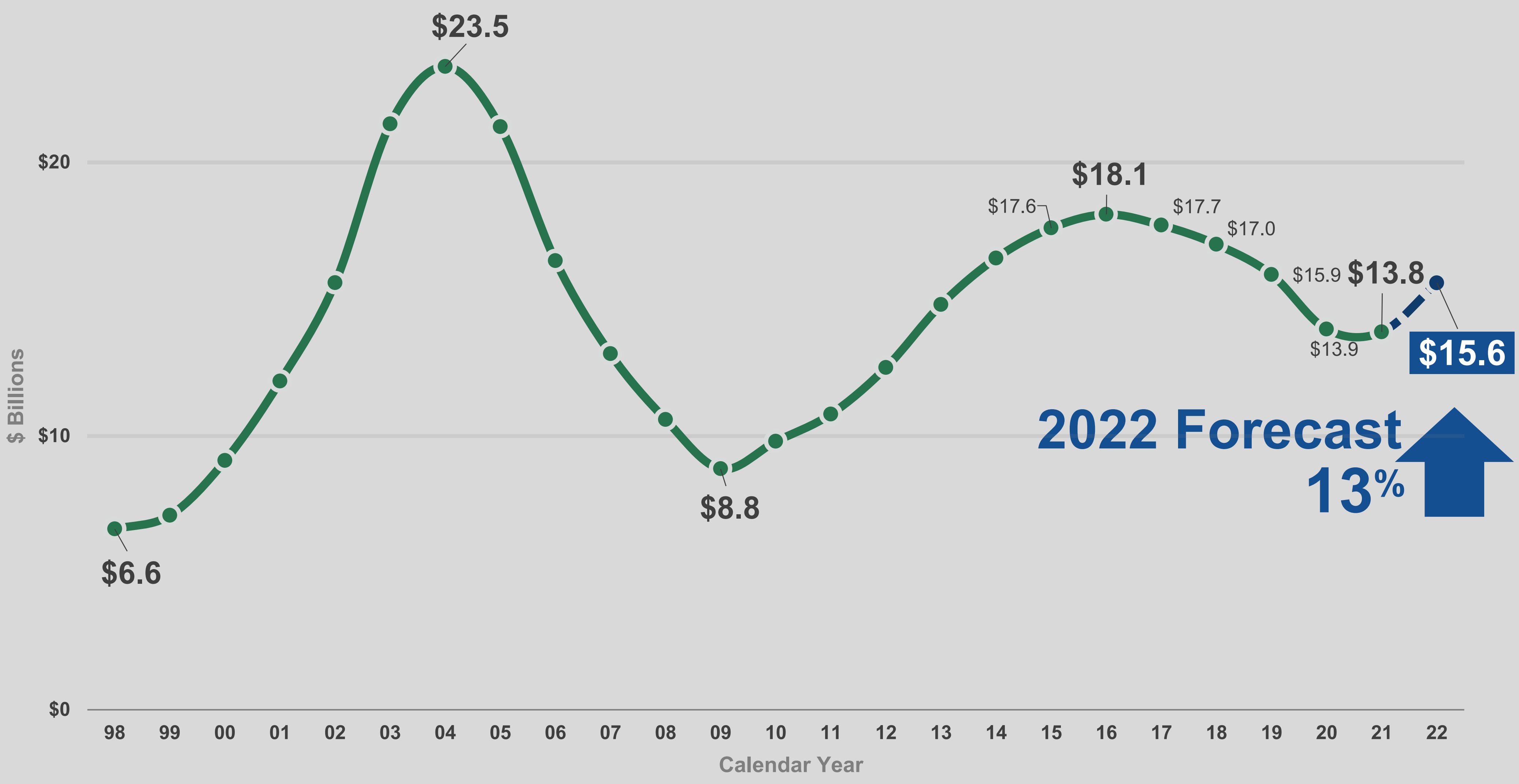
Insights & Recent Trends

- In 2020, the first year of the pandemic, COVID-19 claim costs in the insured employer system were a significant proportion of non-COVID-19 costs.
- In 2021, COVID-19 claim costs were higher than anticipated in the WCIRB's September 1, 2021 Pure Premium Rate Filing one year ago, driven by the Delta and Omicron variants.
- Based on published COVID-19 infection forecasts and current cost trends, the WCIRB estimated that COVID-19 claim costs would be about 0.5% of non-COVID-19 claim costs in the September 1, 2022 Pure Premium Rate Filing.

More Info

02 Premium and Rates

Chart 13: Reported Written Premium

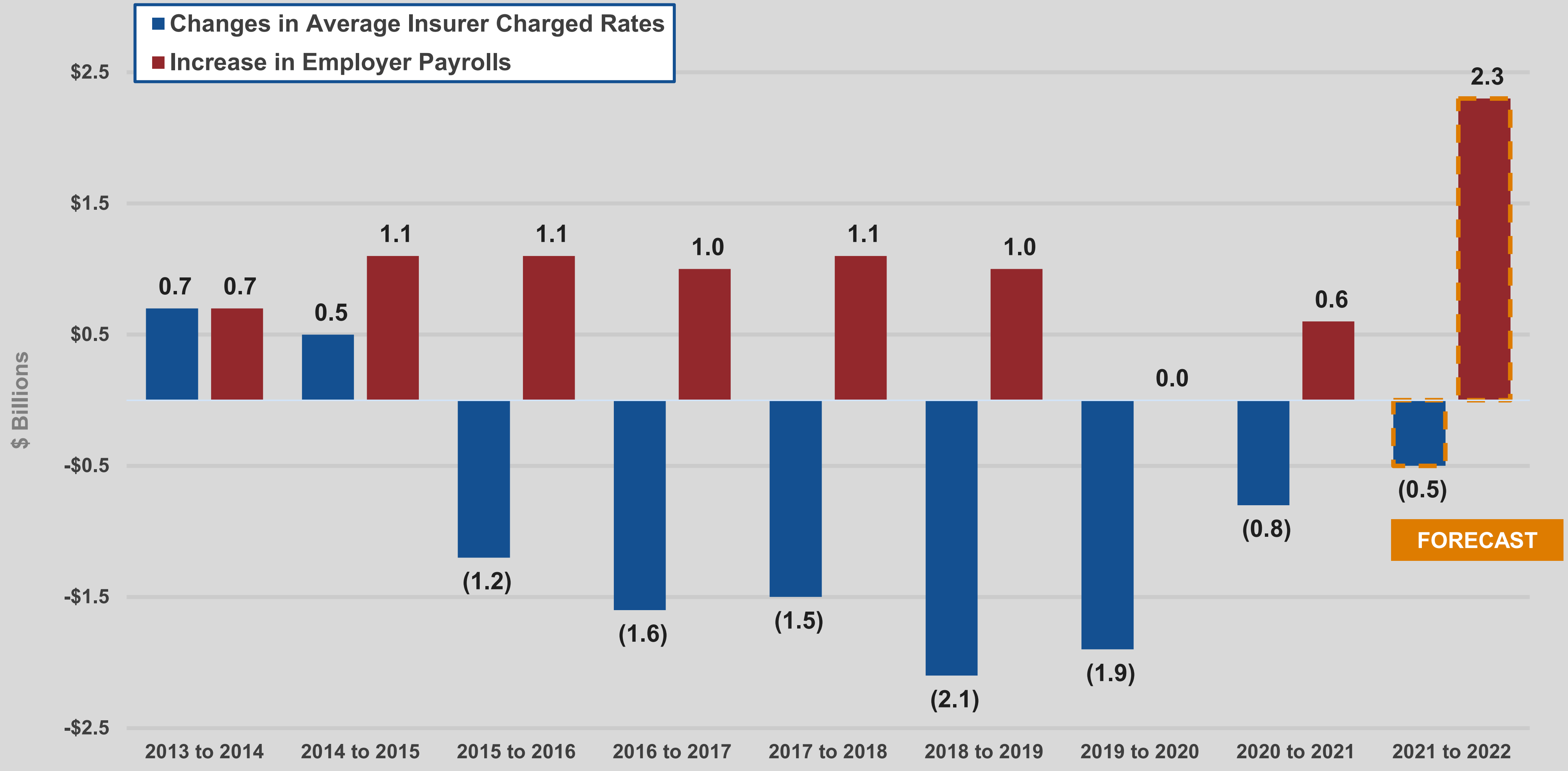


Insights & Recent Trends

- In 2020, with the rapid economic downturn brought on by the COVID-19 pandemic combined with continued insurer rate decreases, premium reached an eight-year low.
- The economic recovery in 2021 was offset by continued insurer rate decreases (Chart 16), resulting in a 2021 premium level generally consistent with 2020.
- Total written premium is forecast to increase significantly in 2022 with the economic recovery and a moderating impact of insurer rate decreases but would still be well below the pre-pandemic level from 2014 to 2019.

More Info

Chart 14: Drivers of Written Premium Changes

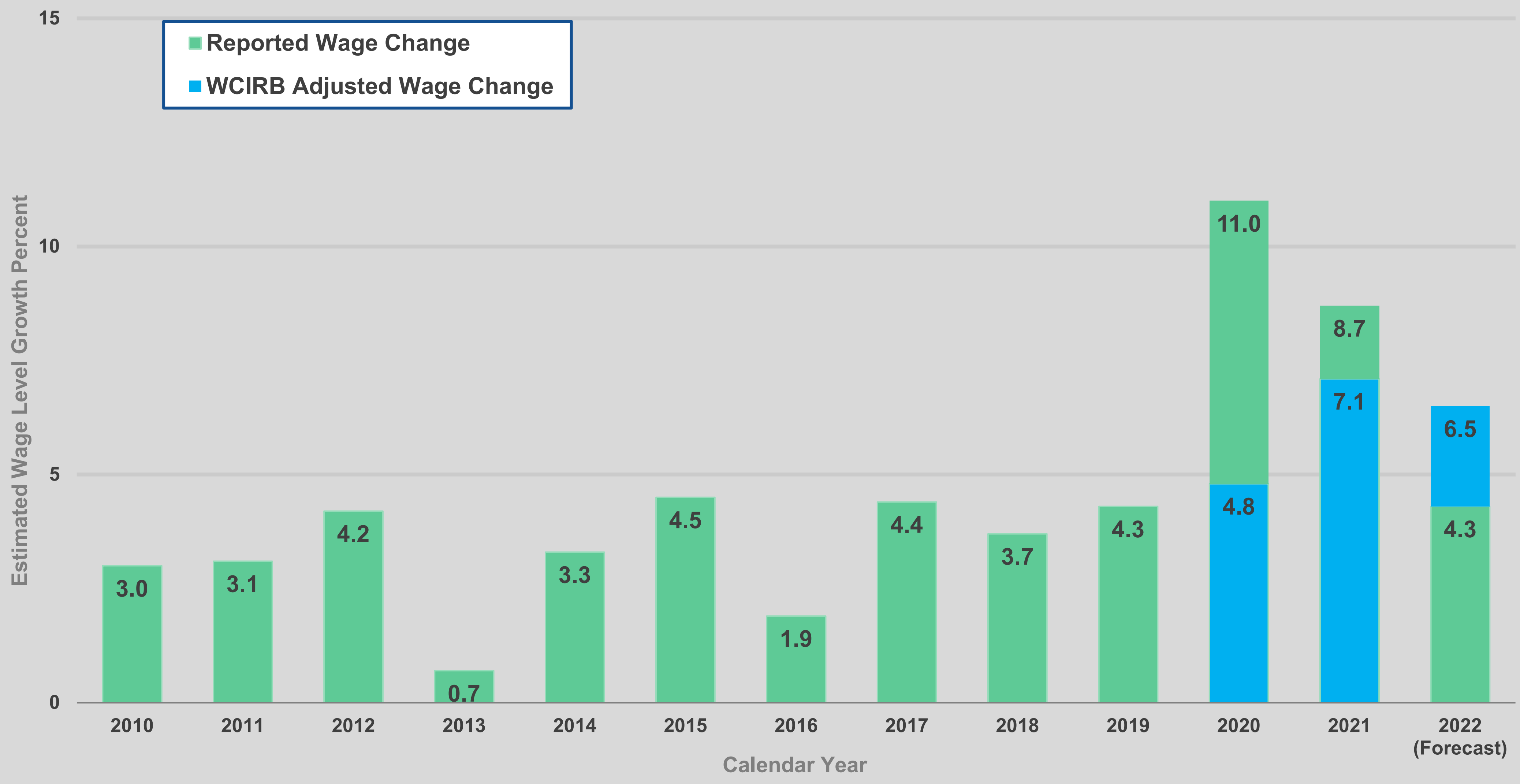


Insights & Recent Trends

- From 2015 through the pandemic in 2020, insurer rate decreases (Chart 16) more than offset the impact of the expanding economy with increased employer payrolls, resulting in premium declines.
- In 2021, payroll growth from the economic recovery (Chart 4) was offset by moderate insurer rate decreases, resulting in premium levels generally consistent with 2020.
- Forecast growth in employer payrolls in 2022 combined with a modest decline in average insurer rates are estimated to result in a significant premium increase in 2022.

More Info

Chart 15: Changes in the Statewide California Average Wage



Insights & Recent Trends

- Until the pandemic, average wage growth from 2010 to 2019 was fairly steady at about 2% to 4% per year.
- A significant increase in reported average wages occurred during the pandemic, partially driven by employment declines in many low-wage industries and for lower-wage workers within industries, which drove reported average wages artificially upward in 2020 and 2021 (Chart 2 and Chart 3).
- After adjusting for the measurable impact of the pandemic-related shifts in employment levels, average wage changes are closer to, but still greater than, the pre-pandemic pattern.

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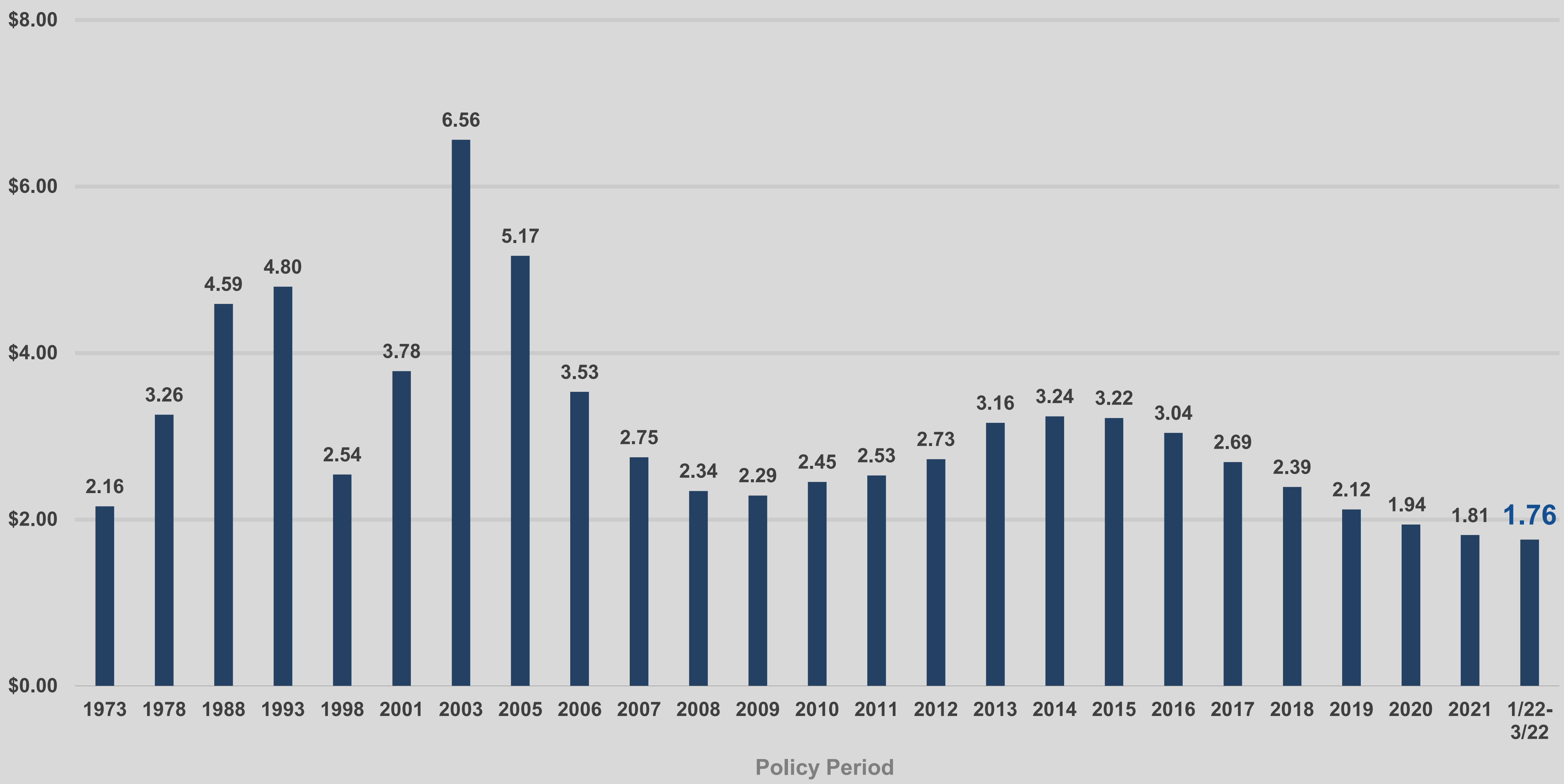
Chart 16: Average Charged Rate per $100 of Payroll

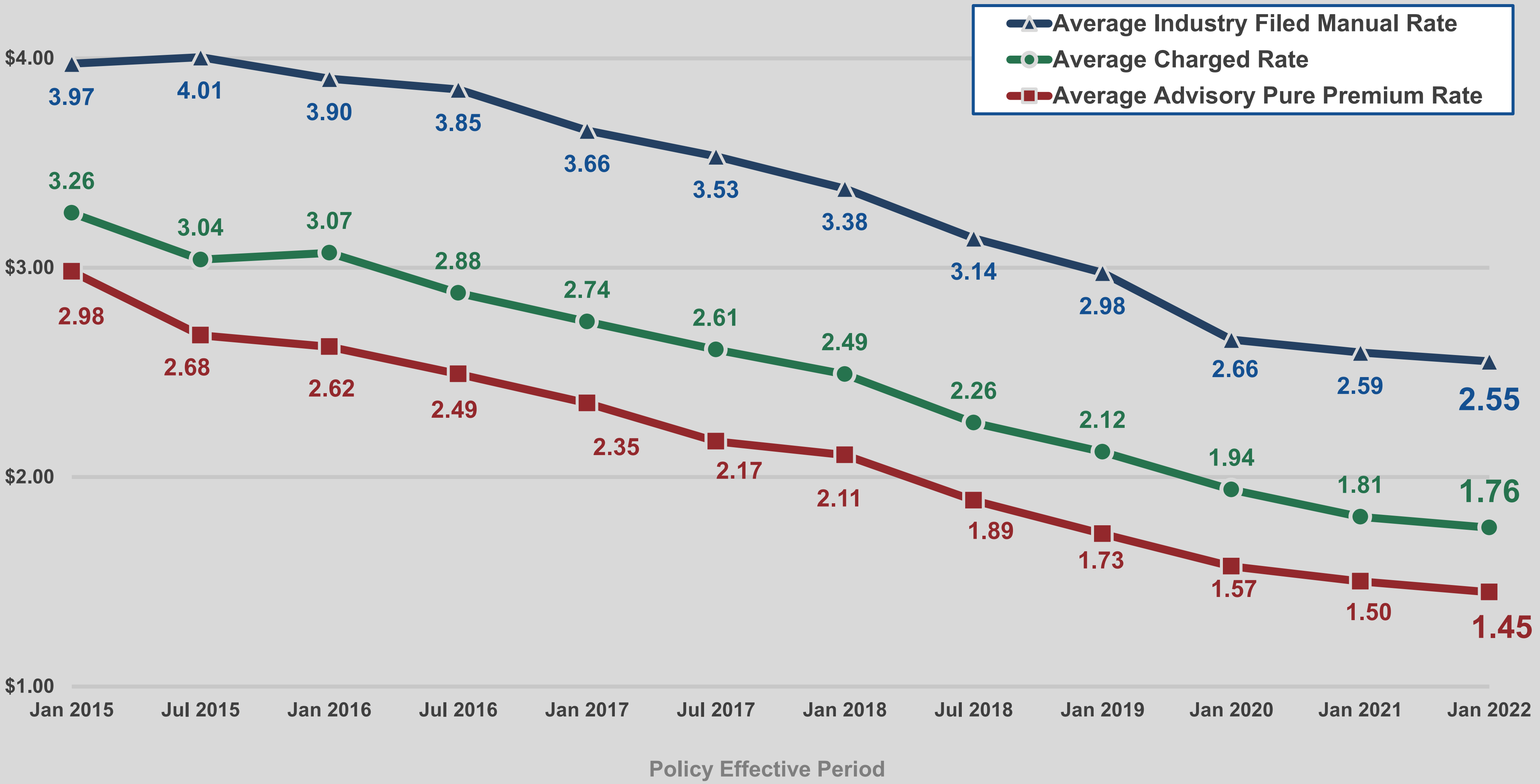


Insights & Recent Trends

- Charged rates continued to decline in the first quarter of 2022, though the rate of decline is moderating.
- 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

Chart 17: Changes in Average Rates Since 2015

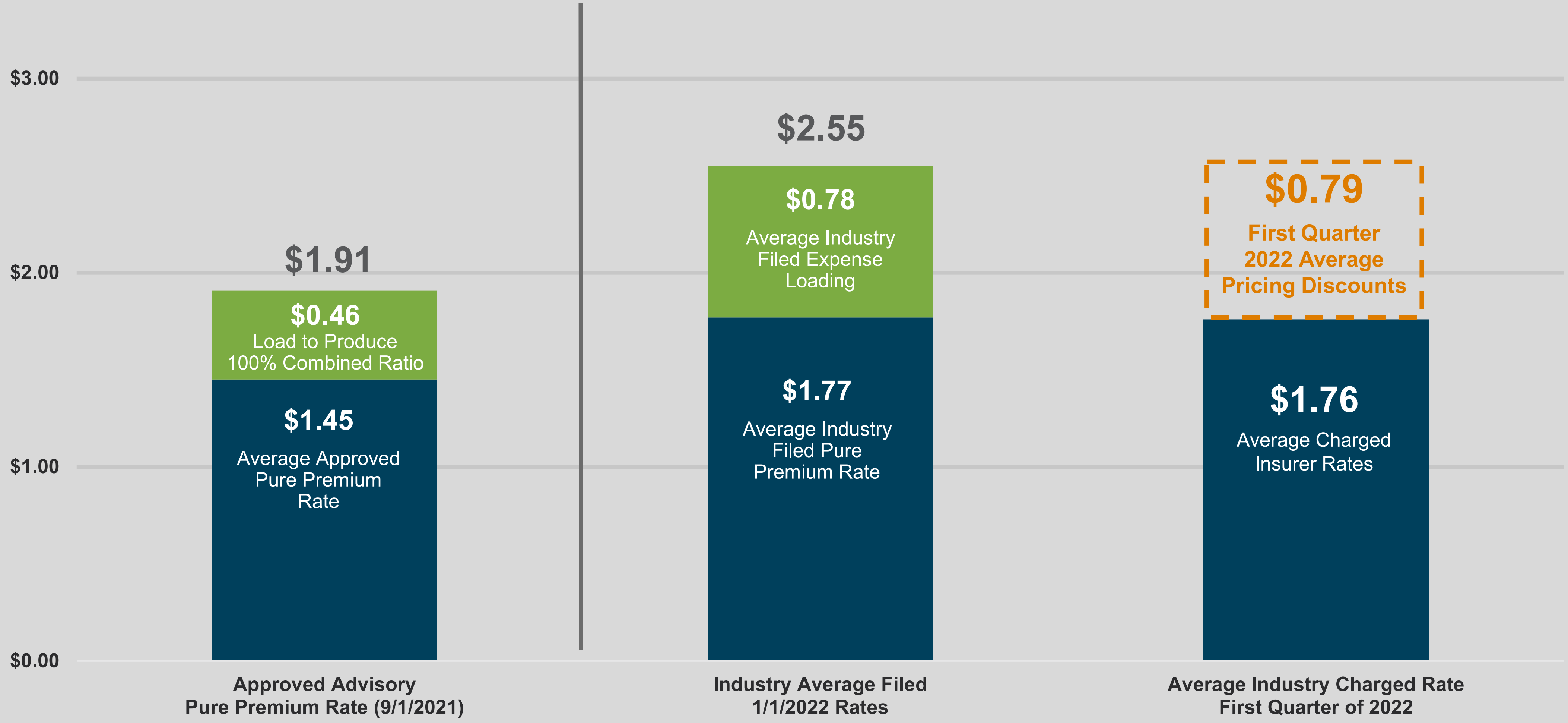


Insights & Recent Trends

- The Insurance Commissioner has approved 11 consecutive advisory pure premium rate decreases since 2015 totaling more than 50%.
- 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 18).

More Info

Chart 18: January 2022 Rate Components

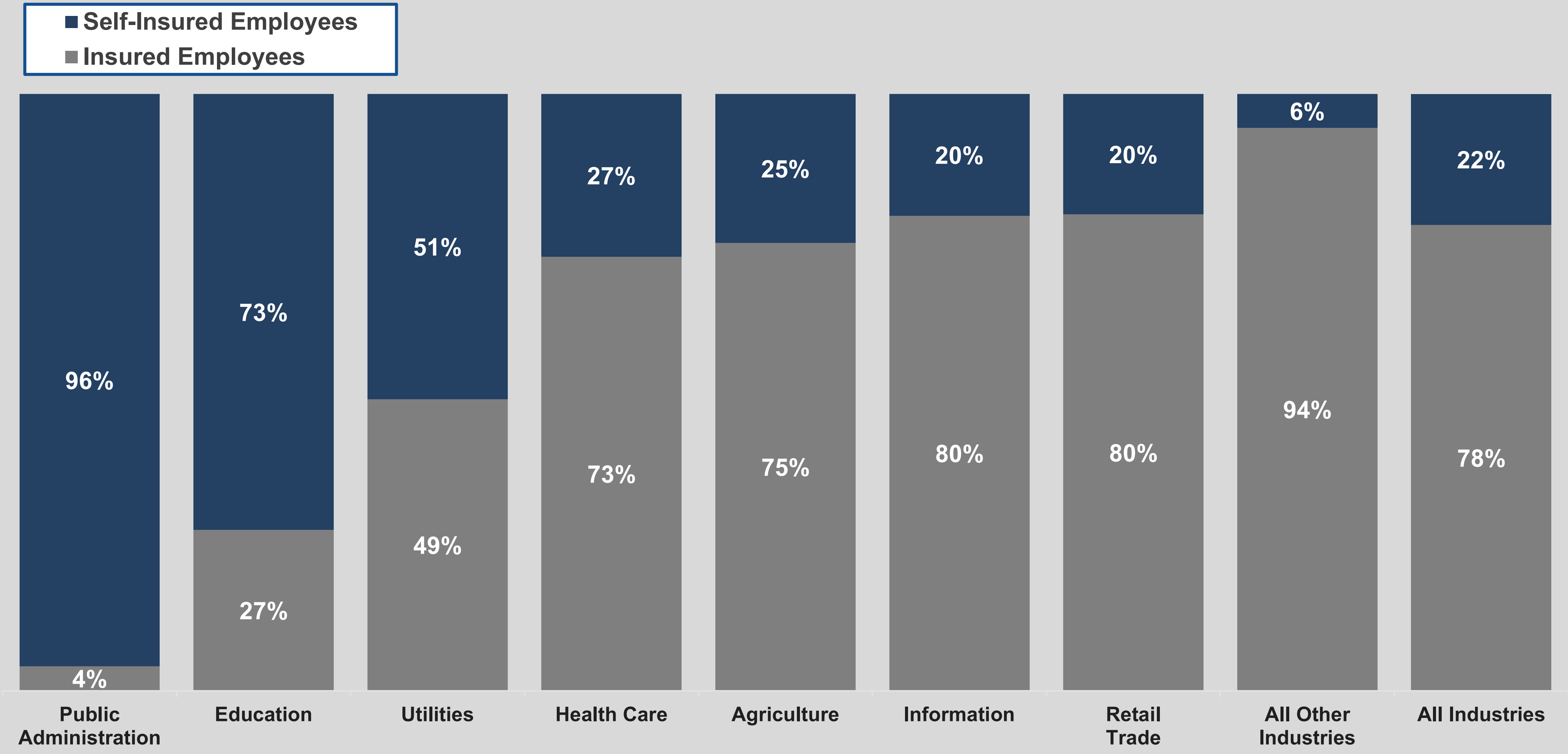


Insights & Recent Trends

- 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

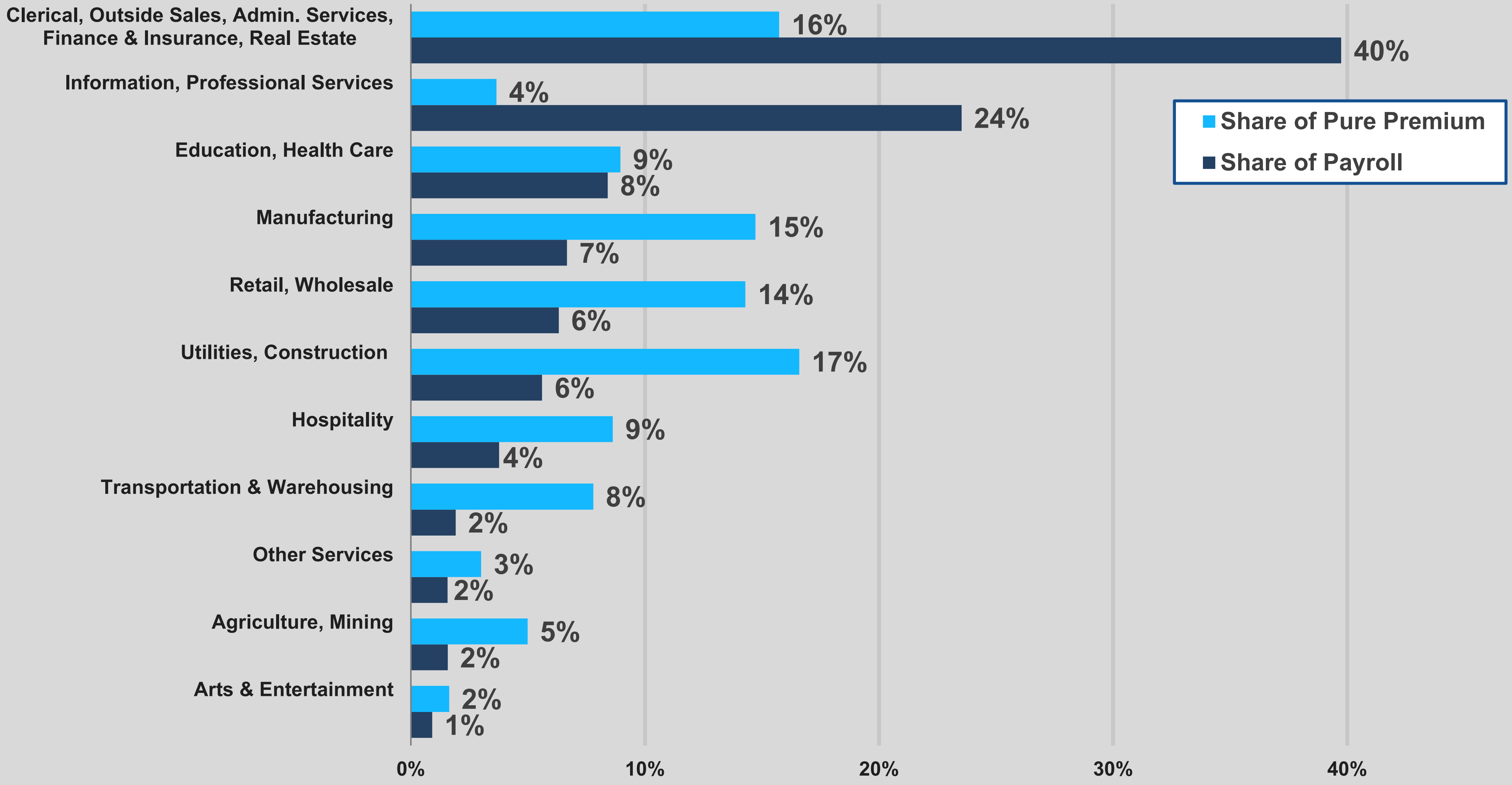
Chart 19: Share of Self-Insurance by Industry



Insights & Recent Trends

- 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.

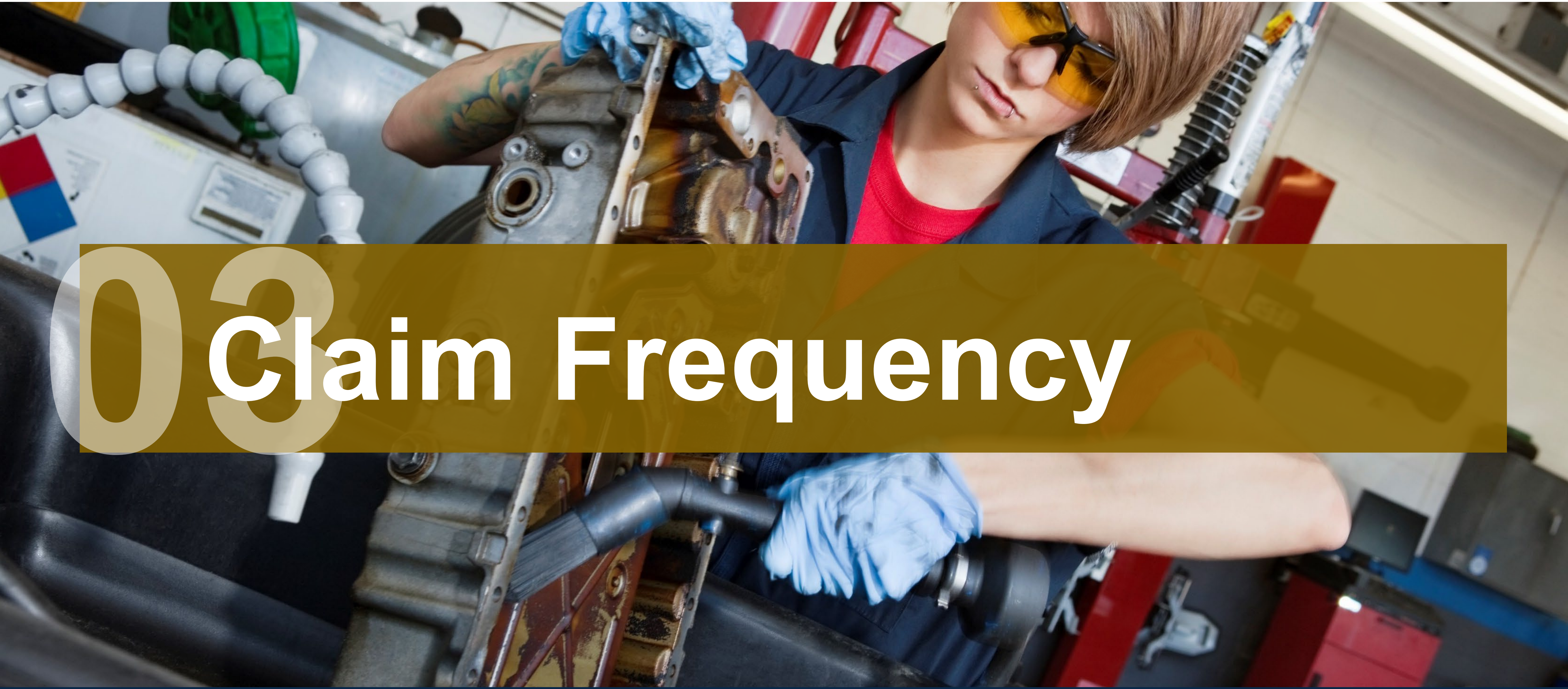
Chart 20: Pure Premium and Insured Payroll by Industry



Insights & Recent Trends

- 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



03 Claim Frequency

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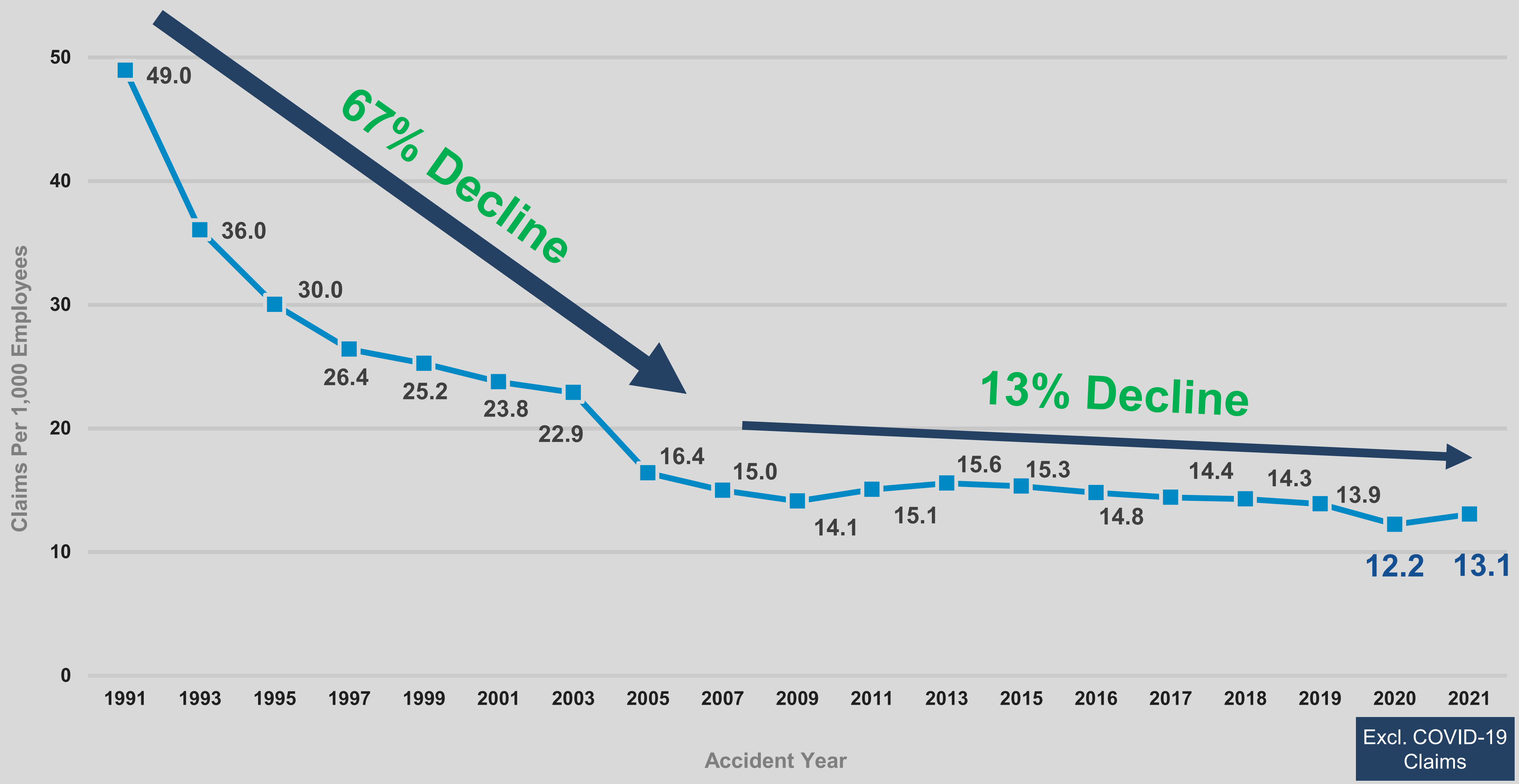
03
Claim Frequency

Chart 21: Indemnity Claims per 1,000 Employees

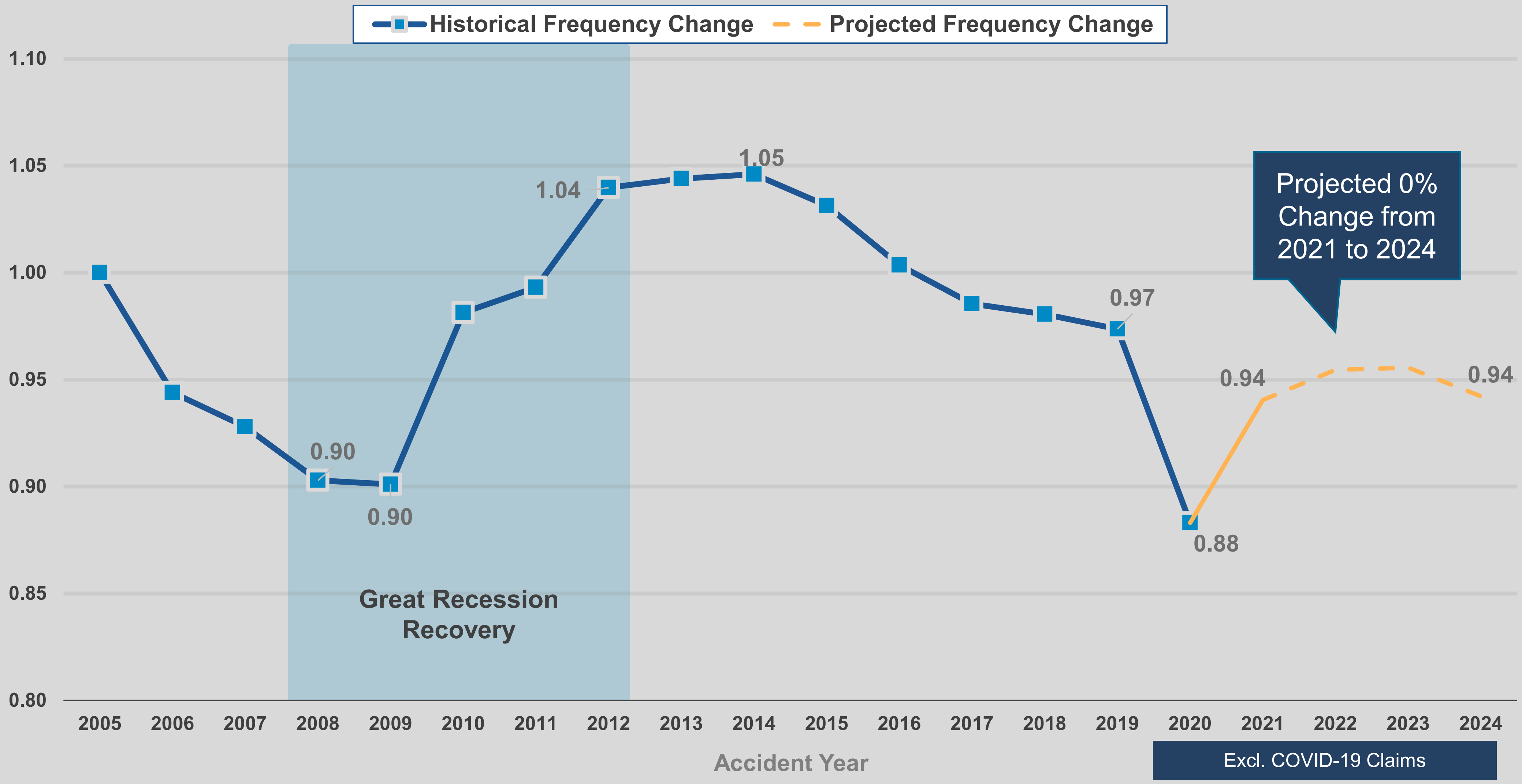


Insights & Recent Trends

- 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 26) offsetting the typical rate of decline.
- Although more volatile during the pandemic, recent claim frequency changes are not as significant as during the 1990s and early 2000s, when the rate of injury went from 1 in 20 workers in 1991 to 1 in 60 in 2005.

More Info →

Chart 22: Indemnity Claim Frequency Indexed to 2005

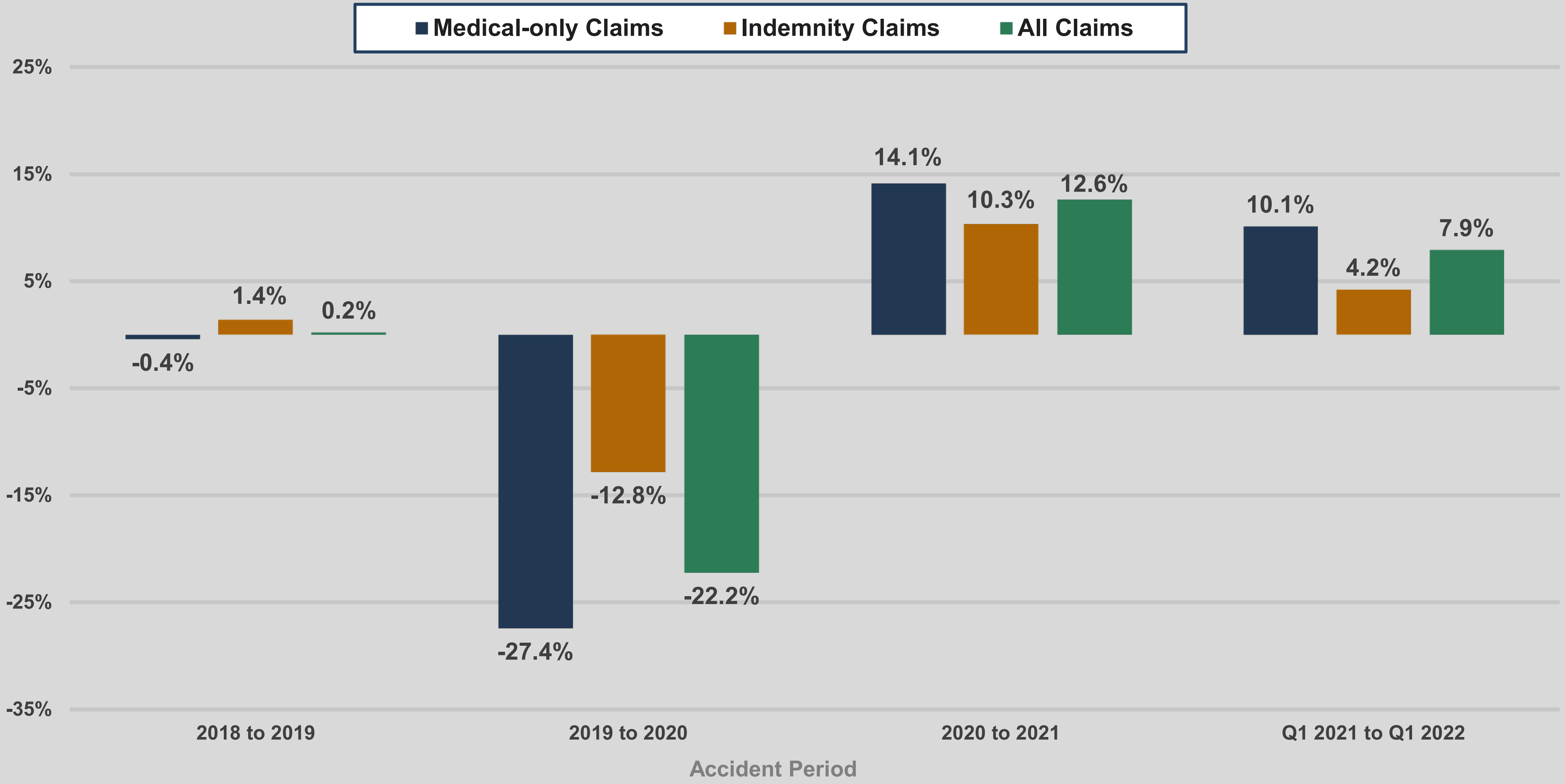


Insights & Recent Trends

- 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 (Chart 1) resulted in a sharp decrease in the frequency of non-COVID-19 indemnity claims, which rebounded in large part during the recovery in 2021.
- The WCIRB forecasts an average 0% change in claim frequency from 2021 to 2024, with increases during the economic recovery in which newer, less experienced workers may be entering the work force offsetting the long-term typical rate of decline.

More Info

Chart 23: Percent Change in Non-COVID-19 Claims Filed

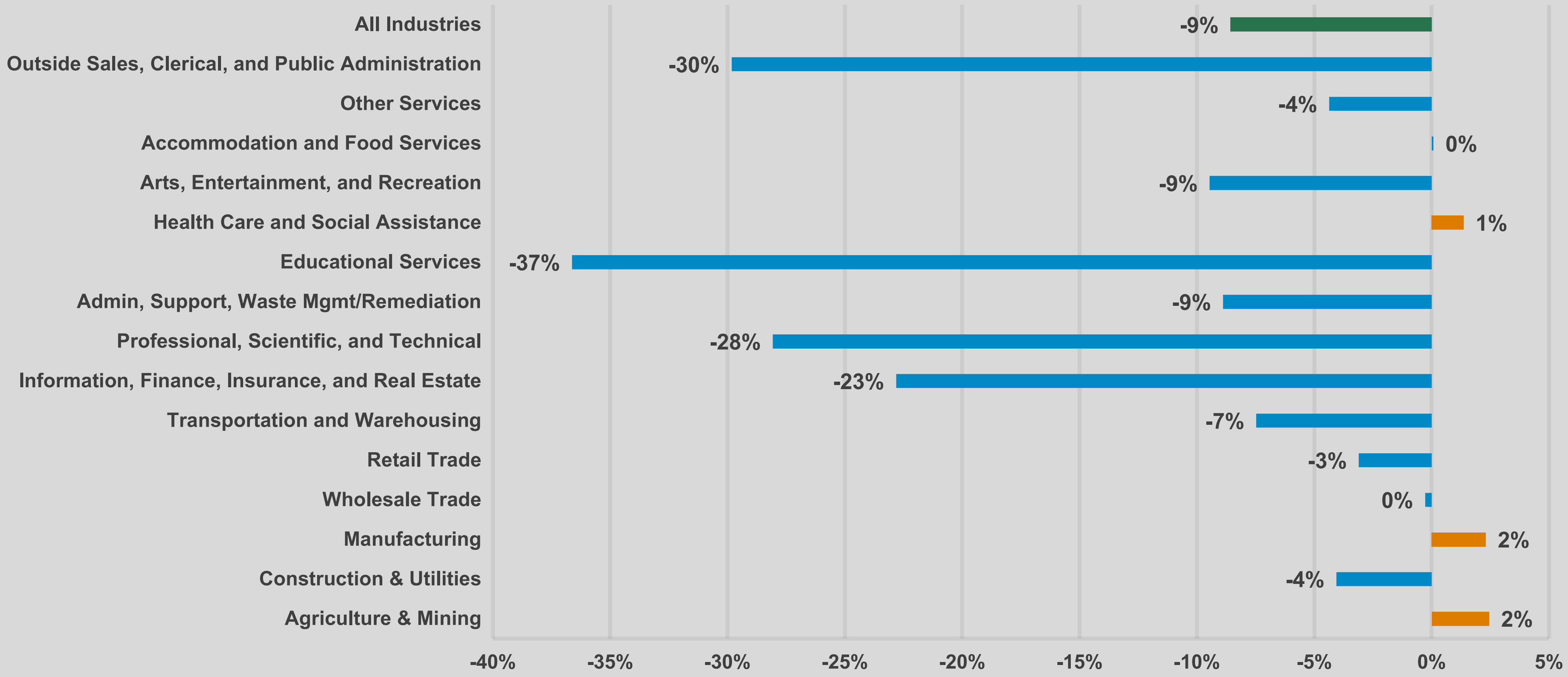


Insights & Recent Trends

- After experiencing modest changes in 2019, the number of non-COVID-19 indemnity claims dropped sharply in 2020 before rebounding in 2021.
- Non-COVID-19 medical-only claims declined at twice the rate of indemnity claims in 2020 but have also rebounded in 2021 and 2022 at a greater rate.
- The first quarter of 2022 shows the annual percentage increase in non-COVID-19 indemnity claims starting to stabilize.

More Info

Chart 24: Change in Indemnity Claim Frequency by Industry in 2020

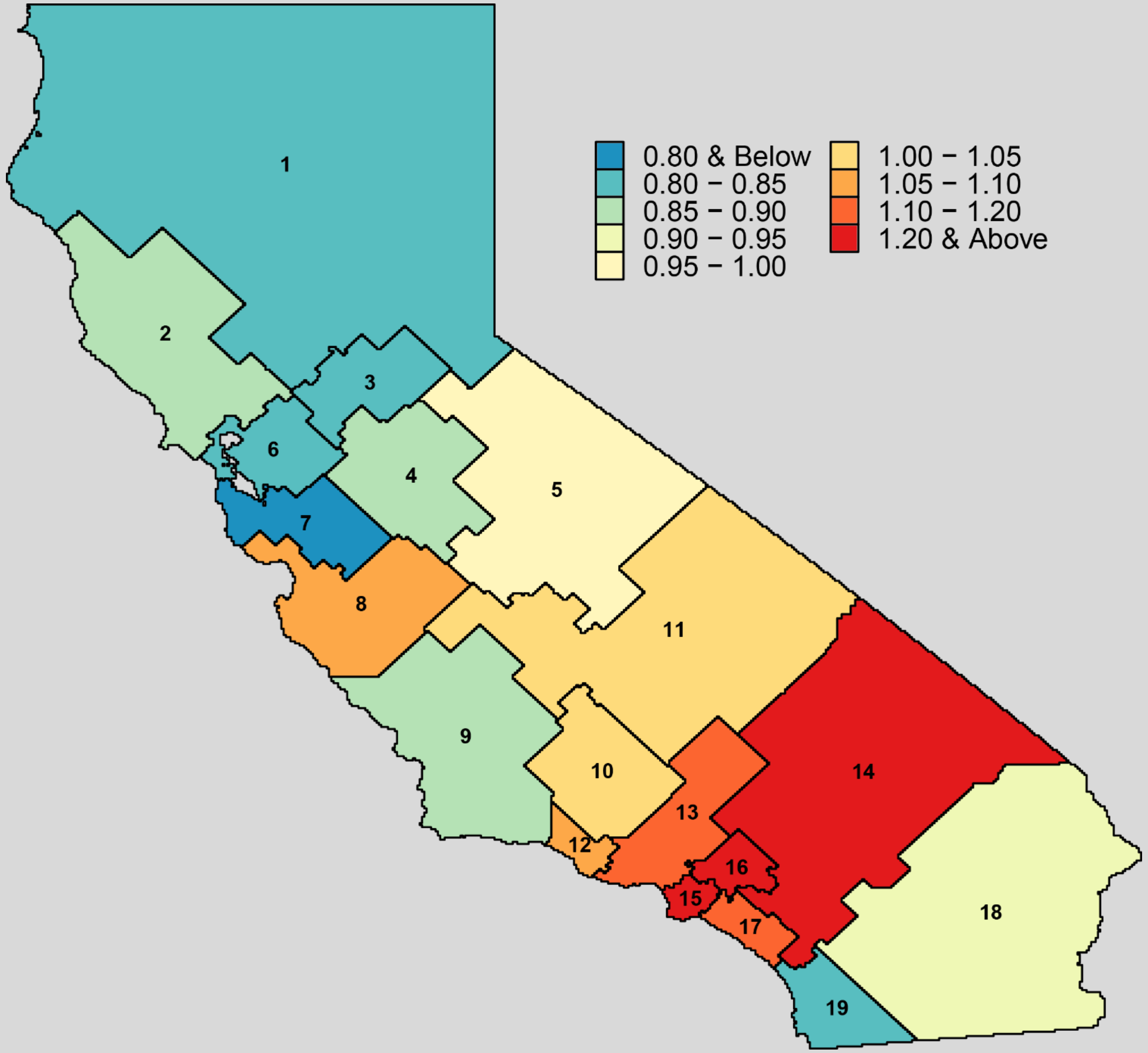


Insights & Recent Trends

- Even after adjusting for changes in employment levels caused by the economic slowdown, the number of non-COVID-19 claims filed in 2020 were significantly below the pre-pandemic level.
- Claim frequency changes by industry in 2020 were highly correlated with the degree to which employees were able and required to work remotely, such as in the Education and “white collar” type sectors.

More Info

Chart 25: Regional Differences in Indemnity Claim Frequency



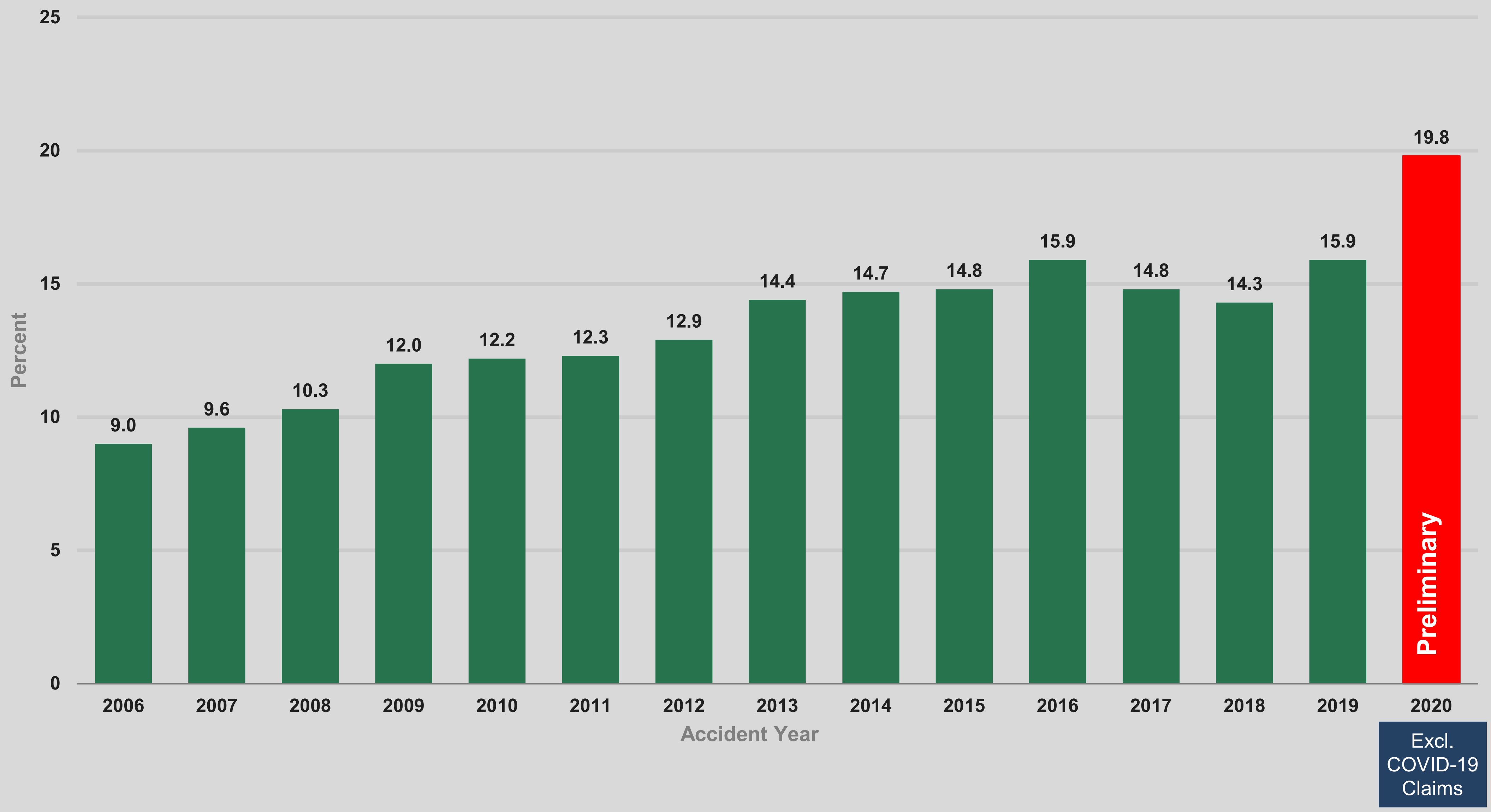
01 – Yuba City/Redding/Far North
02 – Sonoma/Napa
03 – Sacramento
04 – Stockton/Modesto/Merced
05 – Fresno/Madera
06 – Bay Area
07 – Peninsula/Silicon Valley
08 – Santa Cruz/Monterey/Salinas
09 – SLO/Santa Barbara
10 – Bakersfield
11 – Tulare/Inyo
12 – Ventura
13 – Santa Monica/San Fernando Valley
14 – San Bernardino/West Riverside
15 – LA/Long Beach
16 – San Gabriel Valley/Pasadena
17 – Orange County
18 – Imperial/Riverside
19 – San Diego

Insights & Recent Trends

- There are significant differences in frequency rates across California, even after adjusting for regional differences in industrial mix and wage levels.
- 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 28).

More Info

Chart 26: Percent of Indemnity Claims Involving Cumulative Trauma

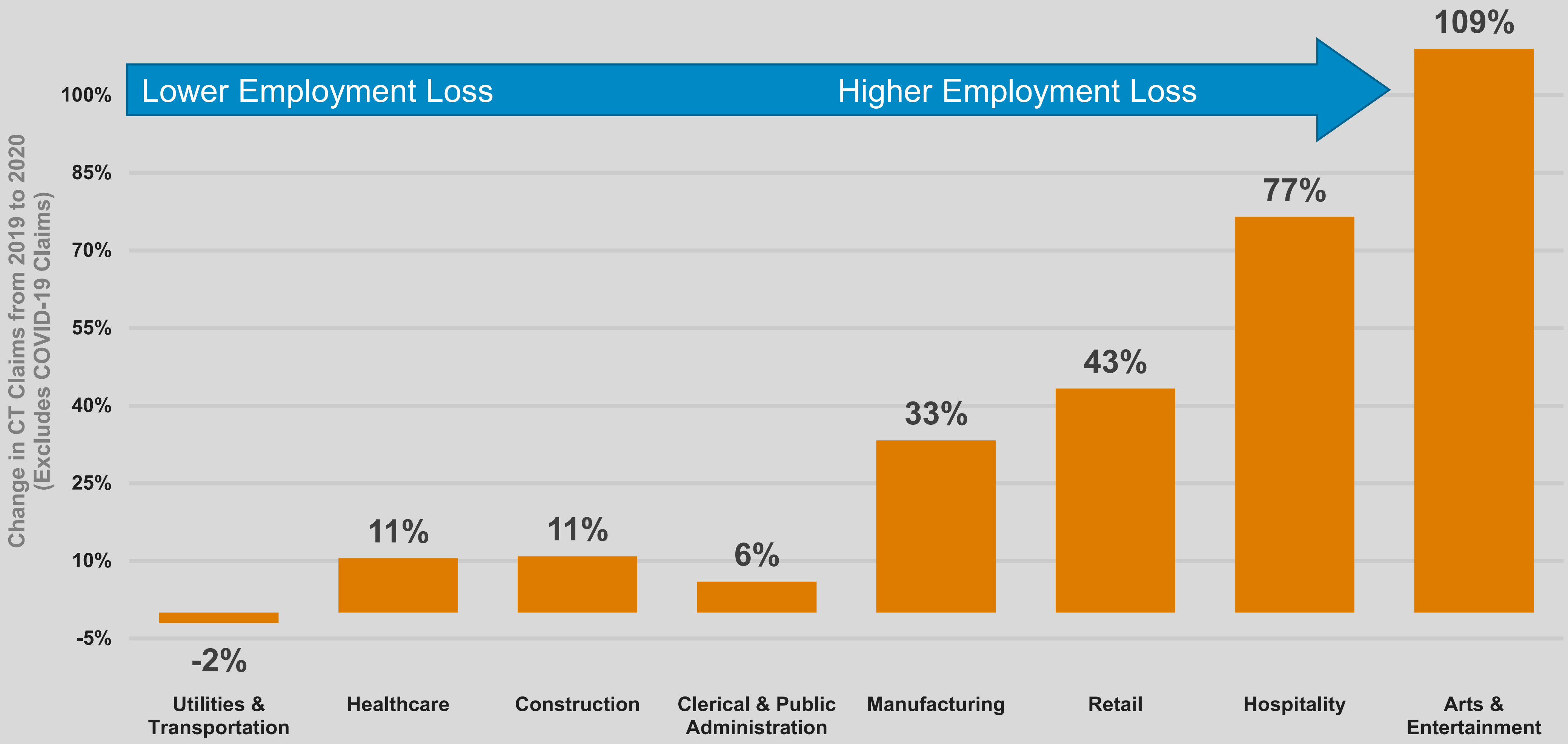


Insights & Recent Trends

- CT claim rates increased steadily from 2006 to 2016, increasing significantly in particular during the Great Recession of 2008-2009.
- 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 (Chart 23).
- The vast majority of CT claims are in the Los Angeles Basin and San Diego, and approximately 40% are filed following the termination of the employee.

More Info

Chart 27: Change in Cumulative Trauma Claims by Industry in 2020

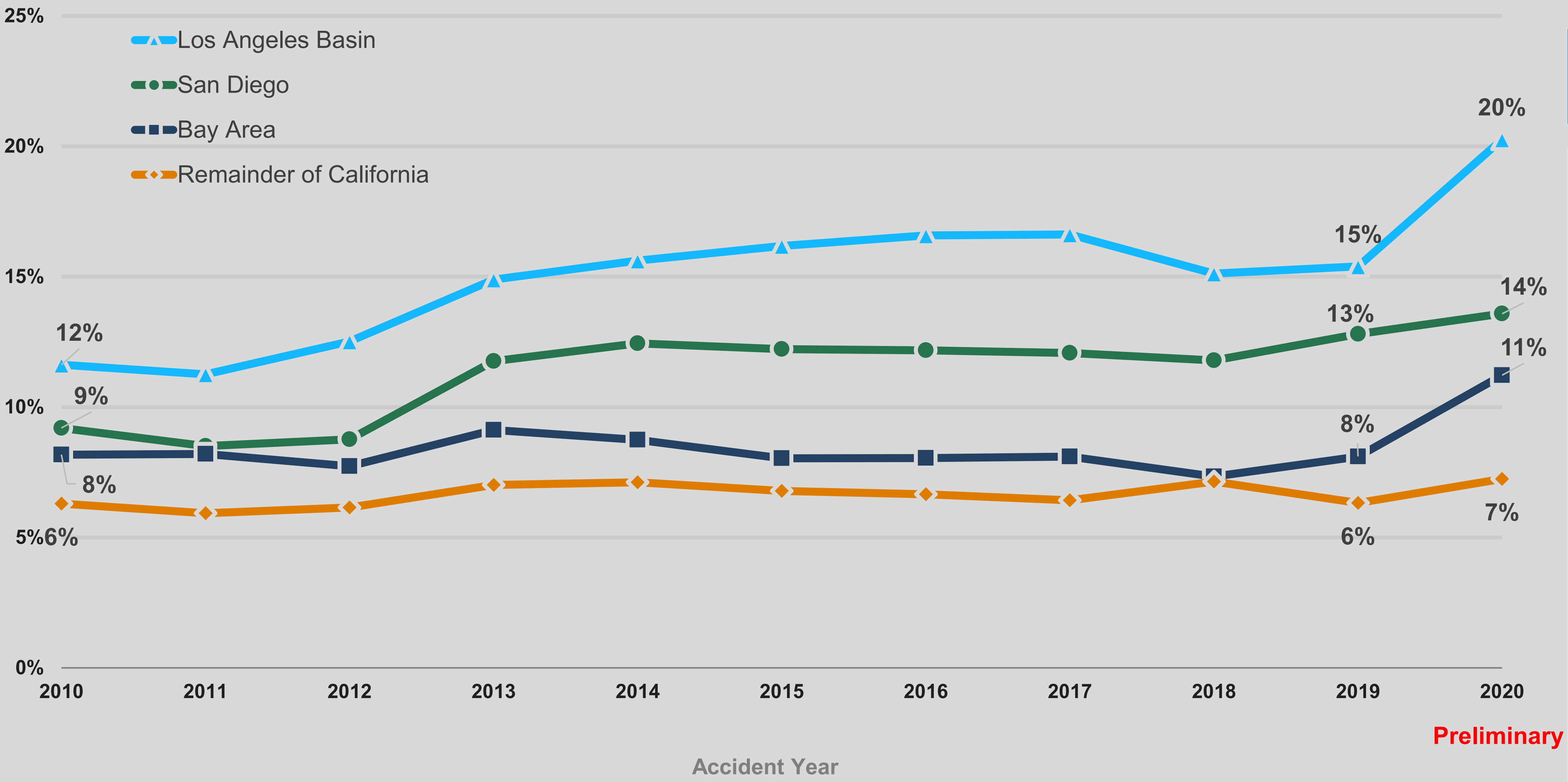


Insights & Recent Trends

- While CT claims increased in most industries in 2020, the increases were generally greatest in industries with the greatest job losses.
- In recent pre-pandemic years, about 40% of all CT claims were filed following job termination.

More Info

Chart 28: Percent of Cumulative Trauma Claims by Region

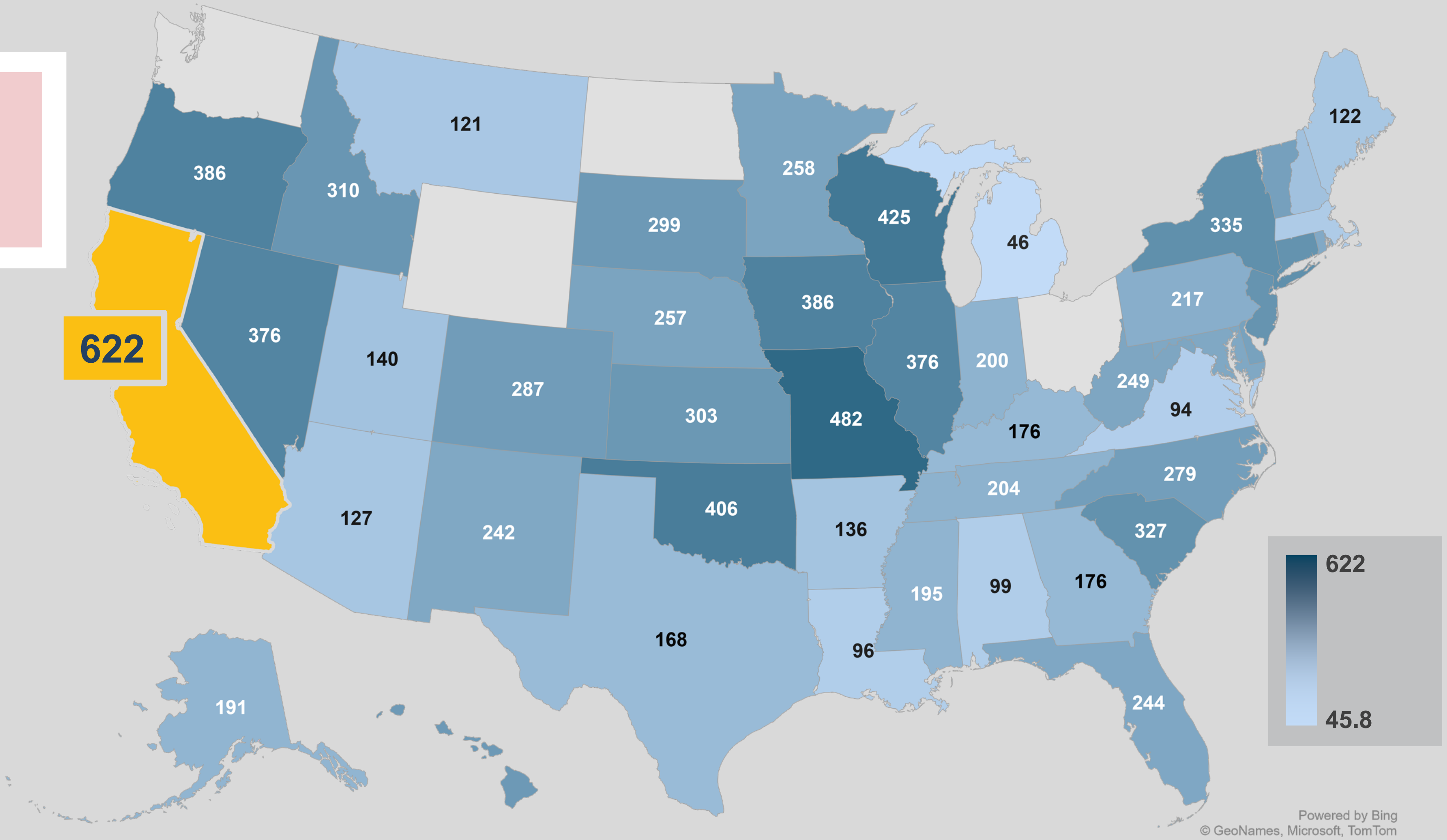


Insights & Recent Trends

- From 2012 through 2019, the vast majority of the increase in CT claims came from the LA Basin and San Diego areas.
- In 2020, the percentage of CT claims increased in all regions, with the largest increases in the LA Basin and in the Bay Area.

Chart 29: Permanent Partial Disability Claims per 100,000 Employees

Median
244



Insights & Recent Trends

- California has by far the highest permanent partial disability (PPD) claim frequency in the country, approximately two-and-one-half times the countrywide median.
- California's high frequency 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 LA Basin area than in the rest of the state.

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04 Claim Severity

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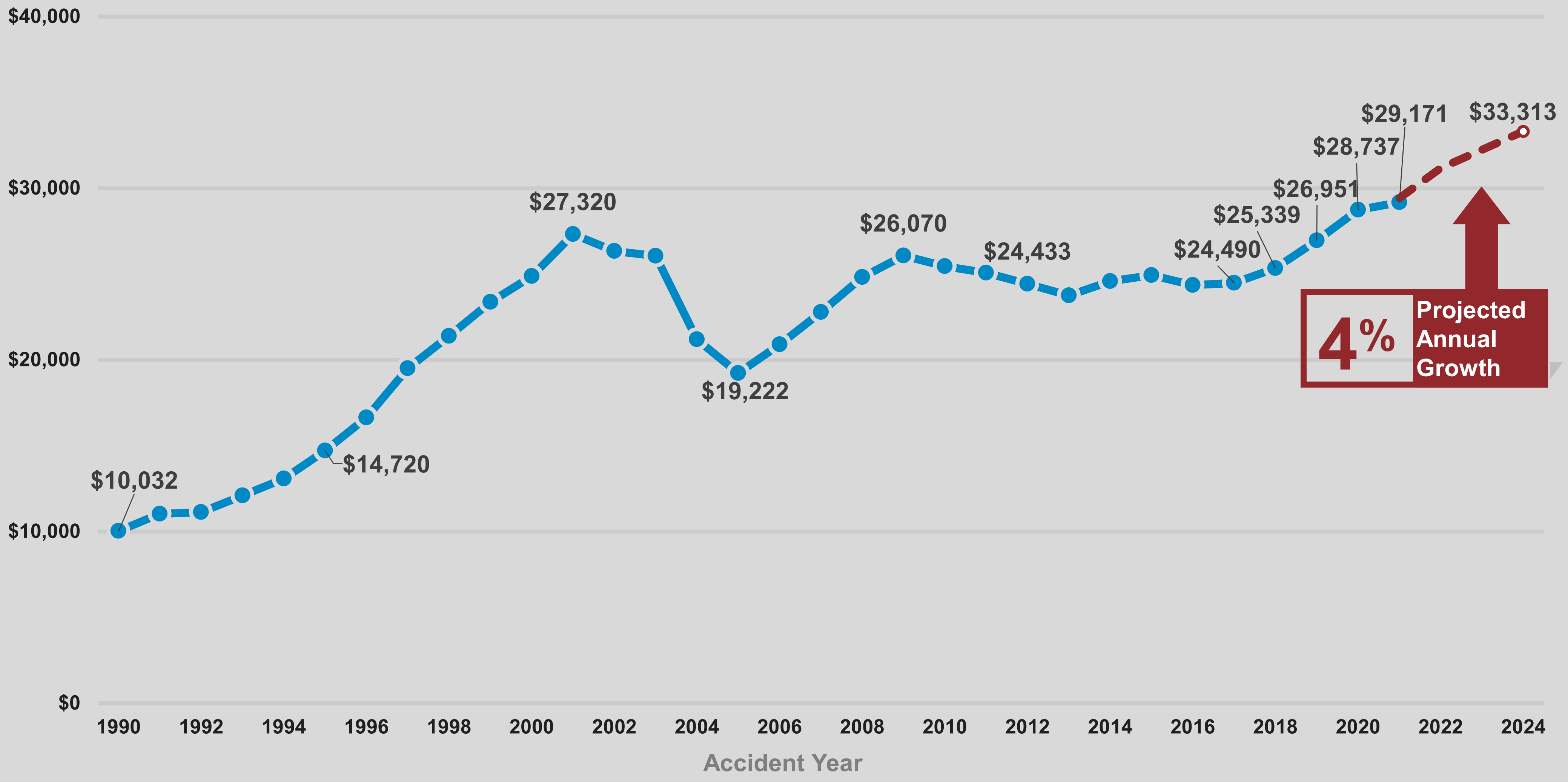
Chart 30: Average Indemnity Cost per Indemnity Claim



Insights & Recent Trends

- 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.
- In 2018 through 2021, average indemnity costs increased as wage levels increased (Chart 15) and claim settlement rates were plateauing (Chart 43).
- The WCIRB projects a steady increase in average indemnity costs through 2024 primarily driven by continued increases in average wages.

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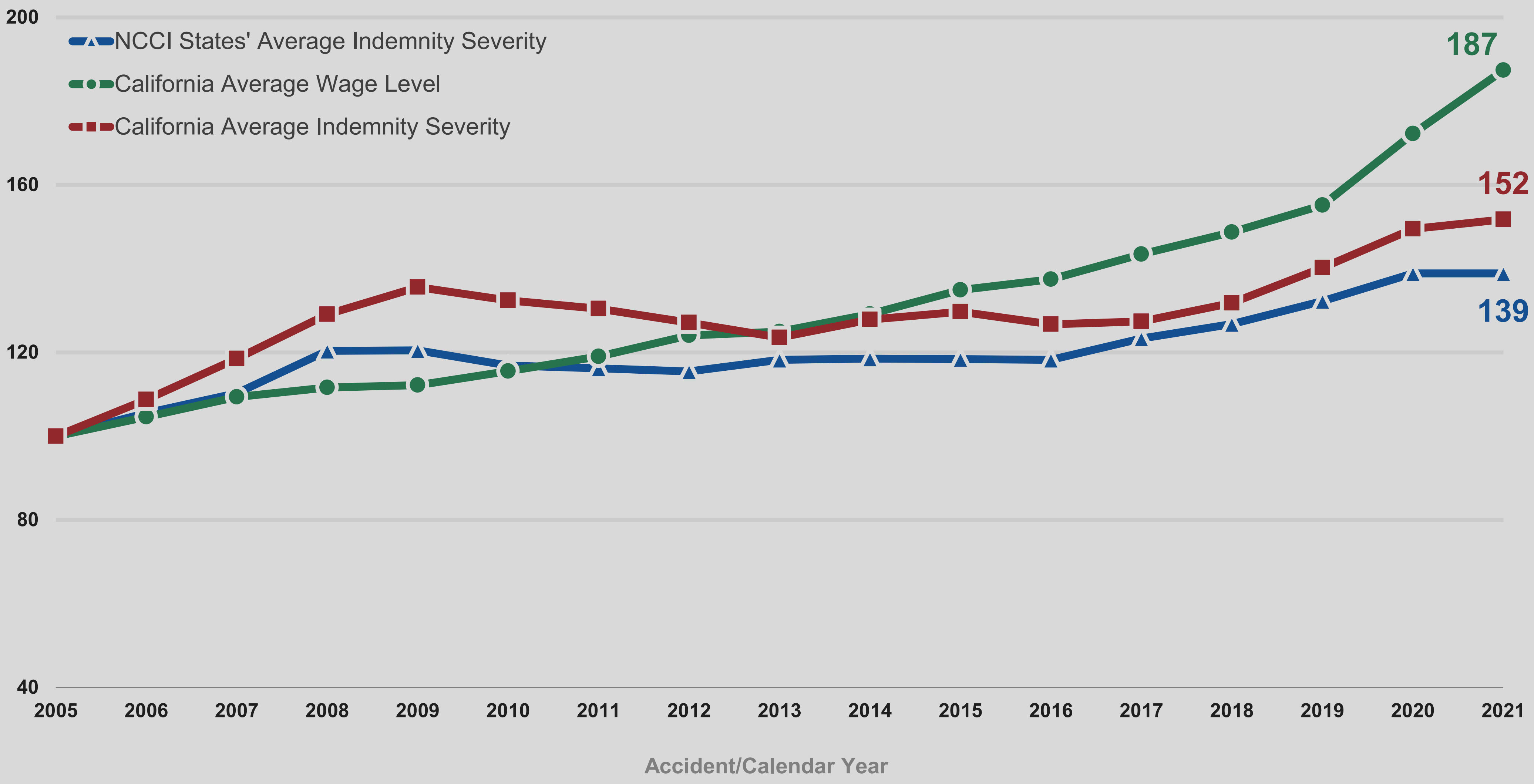
Chart 31: Indemnity Cost Level Indexed to 2005



Insights & Recent Trends

- Since 2005, changes in average indemnity costs for California and NCCI states have been fairly consistent.
- Since 2010, growth in average California wages has outpaced growth in California average indemnity costs.
- In 2021, indemnity claim severity grew modestly in California while, on average, it was flat in other states.

More Info

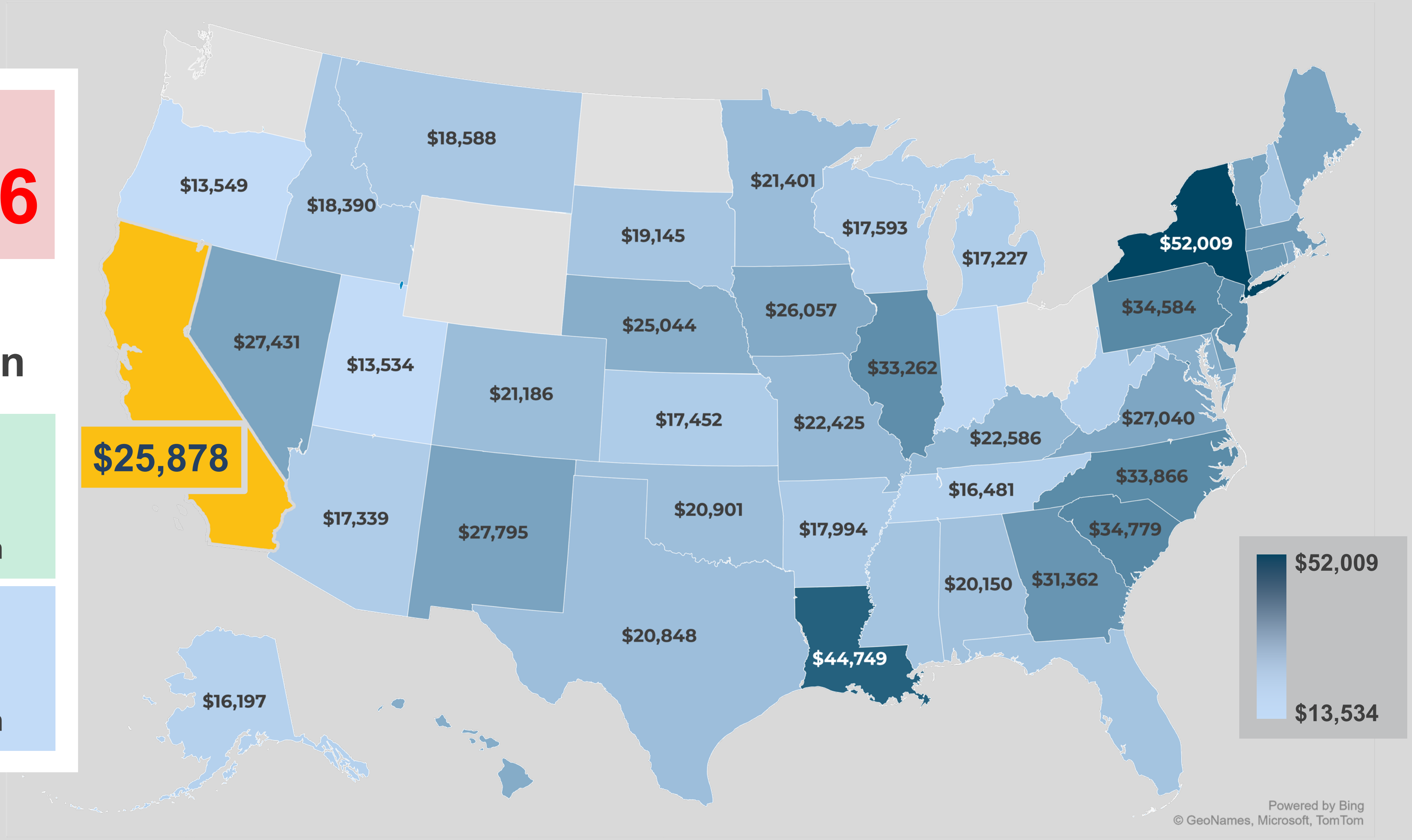
Chart 32: Indemnity Cost per Indemnity Claim by State

Median
$22,586

California Comparison

Current:
15%
Above Median

5 Years Ago:
37%
Above Median

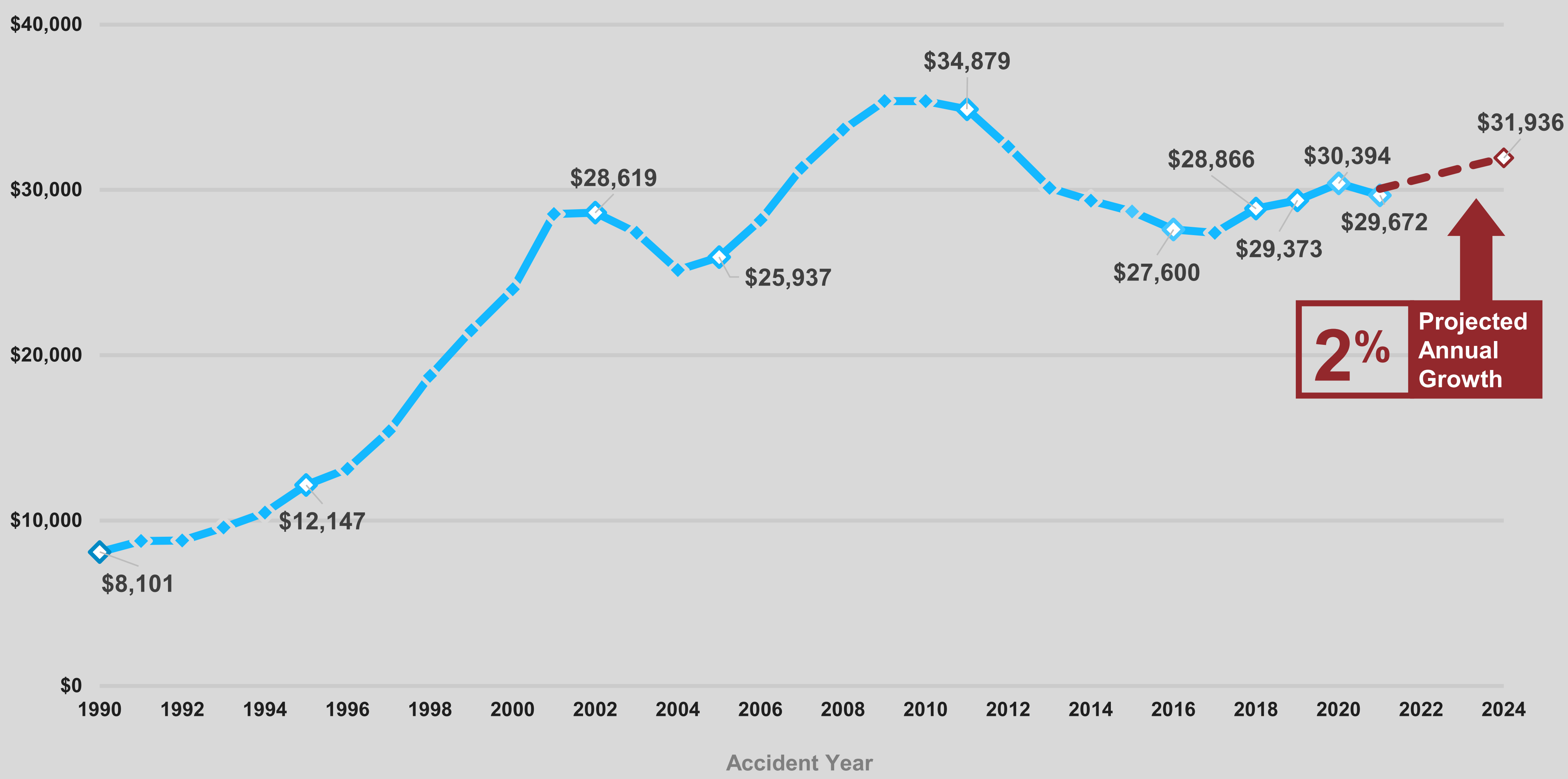


Insights & Recent Trends

- Average indemnity costs in California are more consistent with other states compared to other system components but are still about 15% 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 29) and higher wage levels.
- Over the last five years, driven by a period of modest indemnity cost growth (Chart 30), California average indemnity costs have moved closer to the median state.

More Info

Chart 33: Average Medical Cost per Indemnity Claim

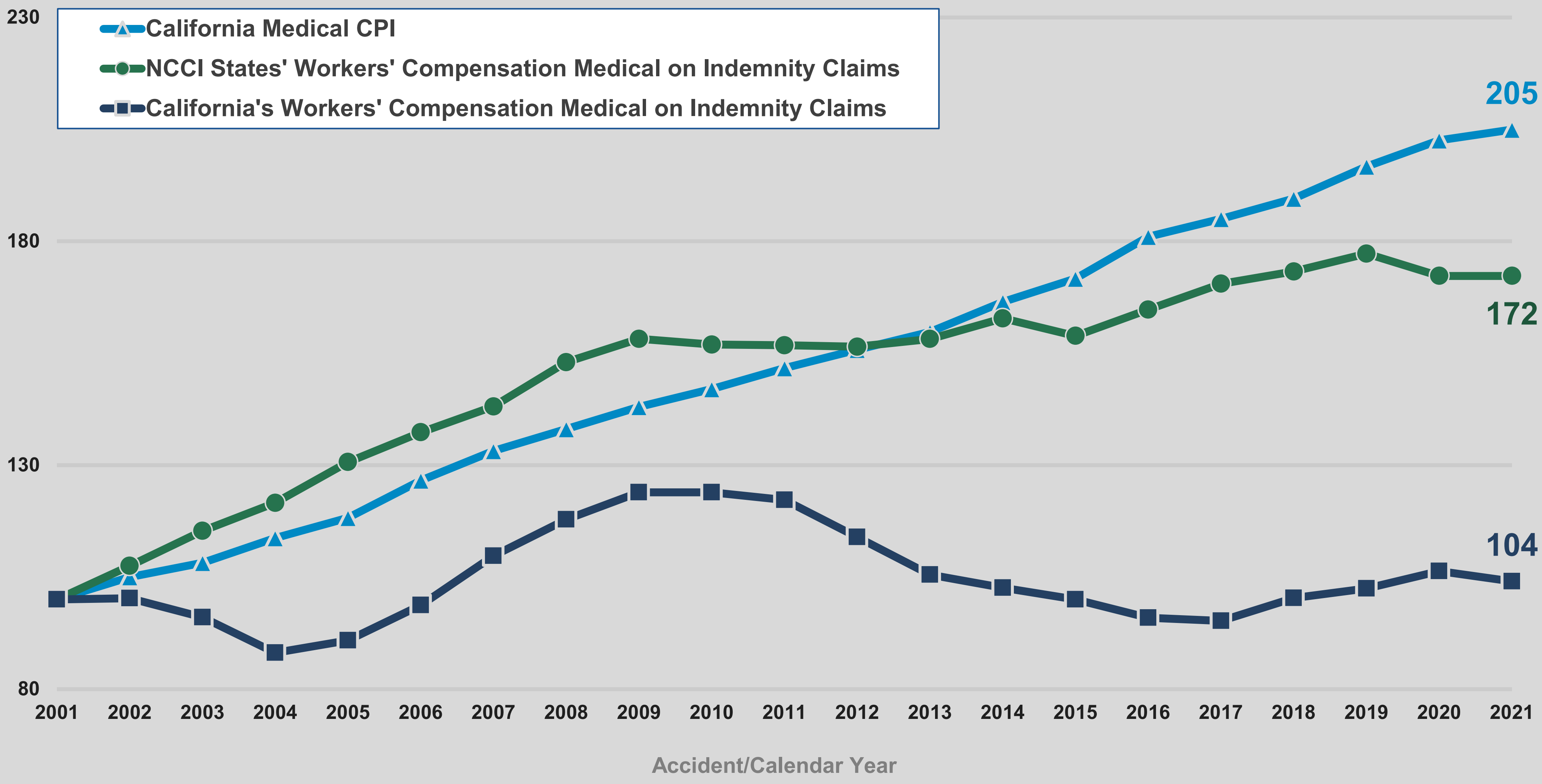


Insights & Recent Trends

- 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 been increasing modestly compared to other post-reform periods during which medical cost inflation was higher.
- The WCIRB projects modest increases in average medical costs through 2024 comparable to the 2017 to 2019 (pre-pandemic) rate of growth.

More Info

Chart 34: Medical Cost Level Indexed to 2001



Insights & Recent Trends

- Due to reforms such as SB 899 (2004) and SB 863 (2012), the average medical per indemnity claim in 2021 is generally consistent with the 2001 level, while average medical costs in other systems have grown sharply.
- From 2019 to 2021, average medical severities declined modestly in NCCI states, while there was a modest increase in California.

More Info

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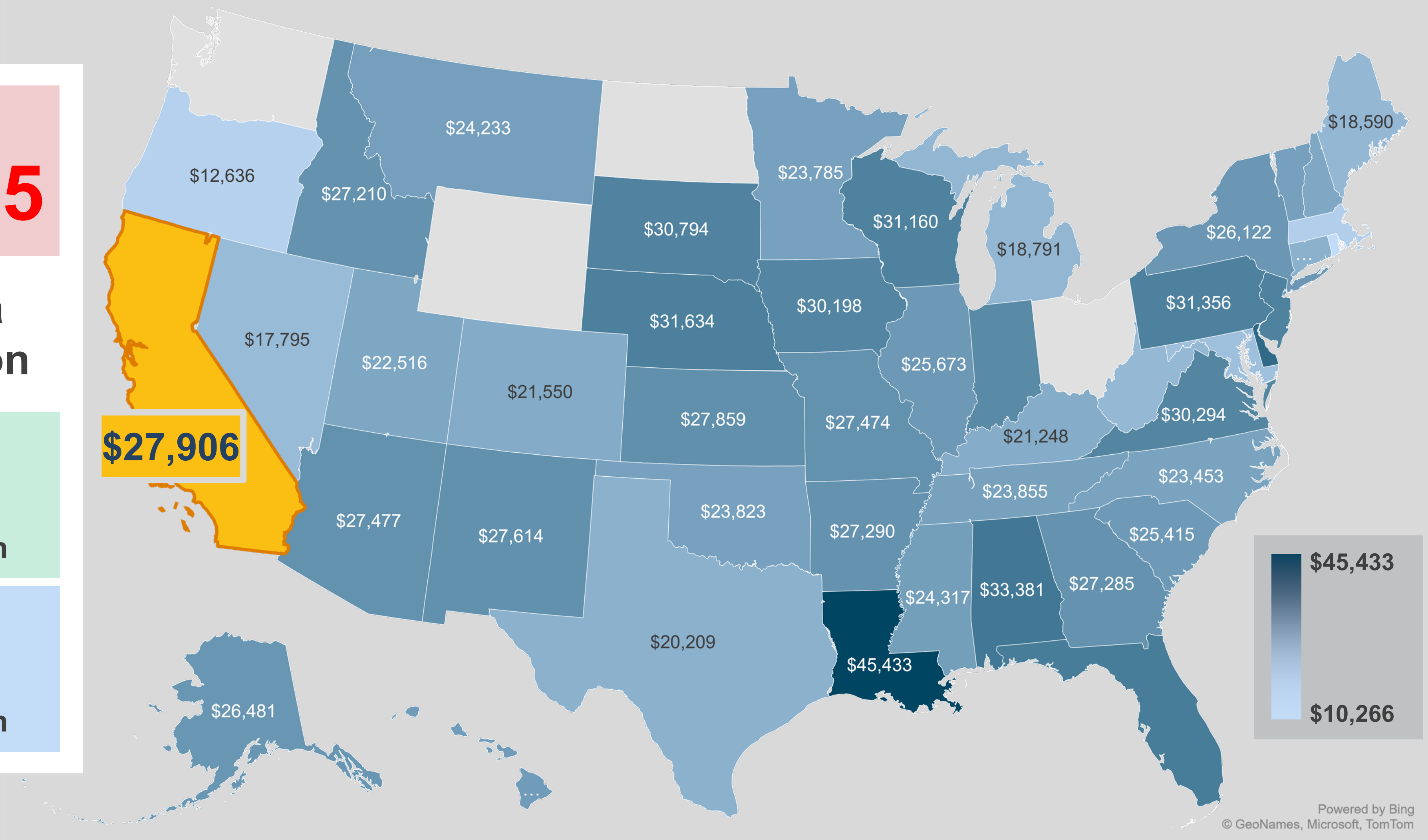
Chart 35: Medical Cost per Indemnity Claim by State

Median
$25,415

California Comparison

Current:
10%
Above Median

5 Years Ago:
40%
Above Median

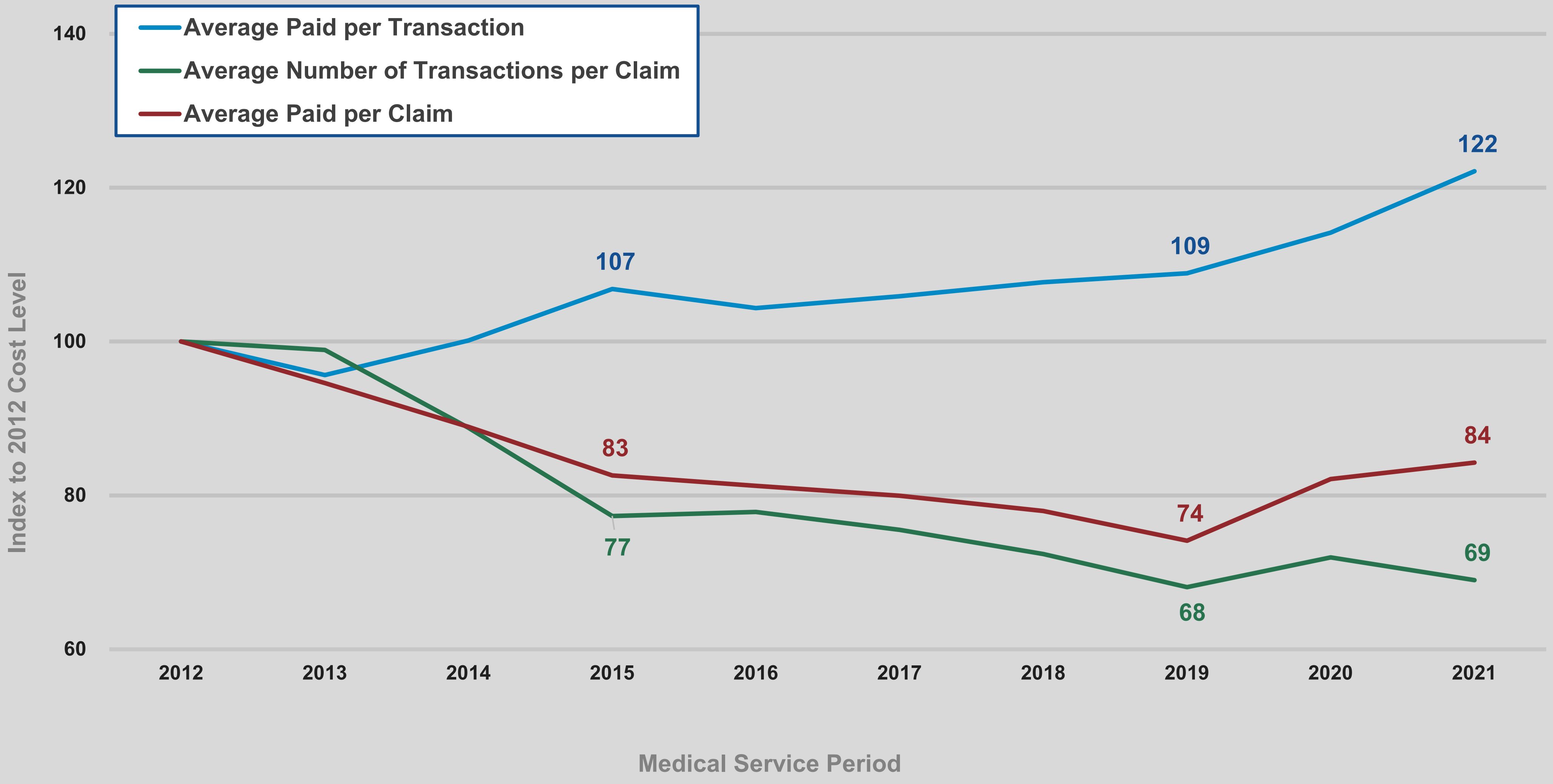


Insights & Recent Trends

- A decade ago, California was among the states with the highest average medical costs per claim.
- With recent medical cost reductions in California and continued medical inflation in other states (Chart 34), California's average medical per indemnity claim is now only 10% above the median state.

More Info

Chart 36: Medical Service Cost Level Indexed to 2012

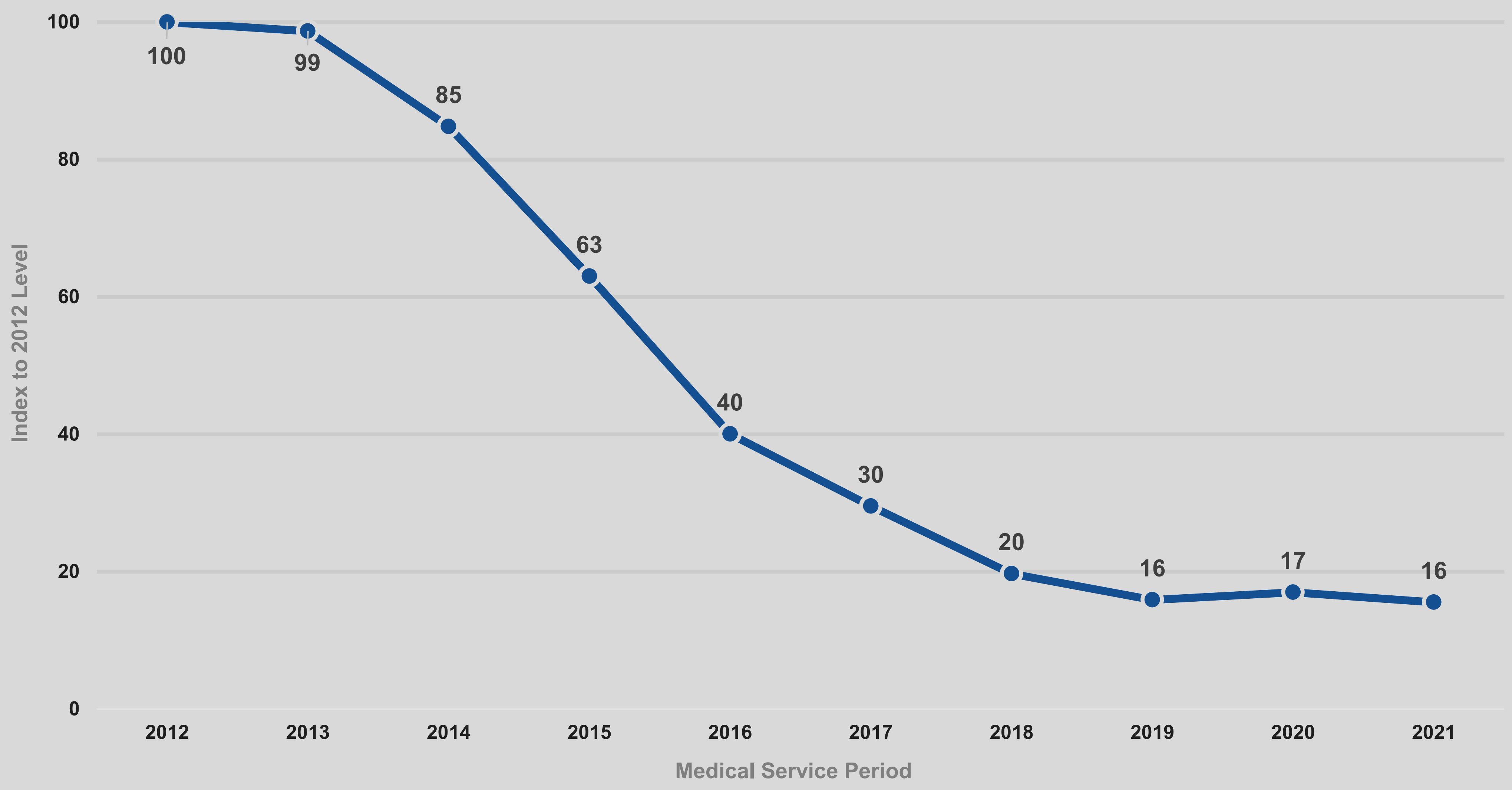


Insights & Recent Trends

- After being relatively consistent through 2019, average medical paid per transaction increased significantly in 2021, mostly driven by higher levels of reimbursement allowance set by the updated fee schedules for medical-legal services (Chart 38) and office visits.
- The number of medical service transactions per claim decreased by 31% since 2012, which is largely attributable to SB 863 and declining pharmaceutical costs (Chart 37).
- Medical paid per claim began to trend upward in 2020, driven initially by the pandemic impacts on claims and then by the medical fee schedule changes in 2021.

More Info

Chart 37: Pharmaceutical Cost Level Indexed to 2012

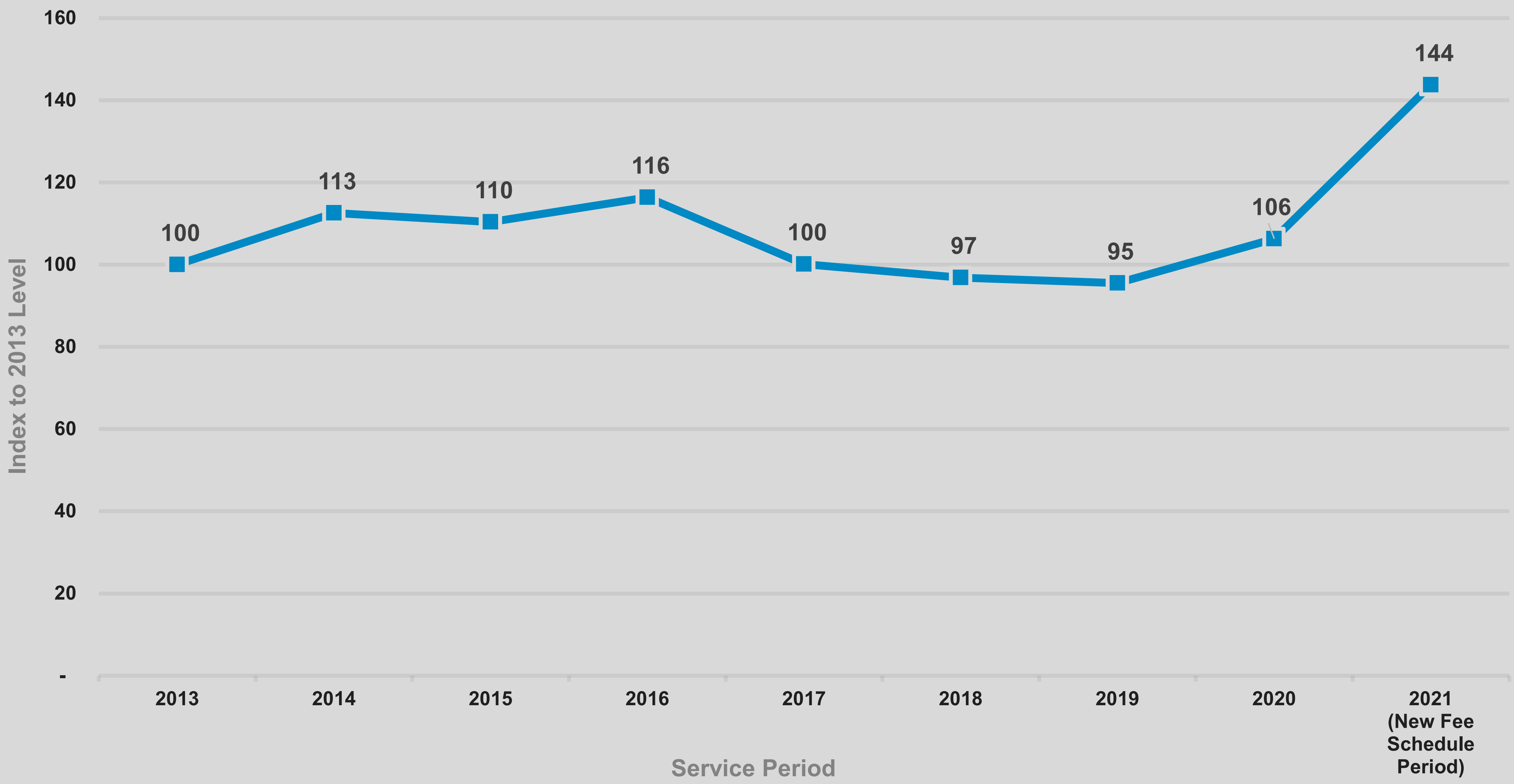


Insights & Recent Trends

- Despite a slight increase in 2020, pharmaceutical costs per claim have returned to the pre-pandemic level in 2021.
- Key factors driving the 84% 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

Chart 38: Medical-Legal Cost Level Indexed to 2013



Insights & Recent Trends

- Average paid for medical-legal (ML) services per claim had been relatively stable from 2013 to 2020.
- Starting in April 2021 when the new Medical-Legal Fee Schedule became effective, the average paid for ML services per claim has increased significantly, mostly driven by an increase in the average payments per ML service as the new fee schedule increases the reimbursement allowance for most ML services.
- In particular, the costs of additional pages for record review appear to be a driver for the higher average ML payments in 2021.

More Info

05 Claim Duration

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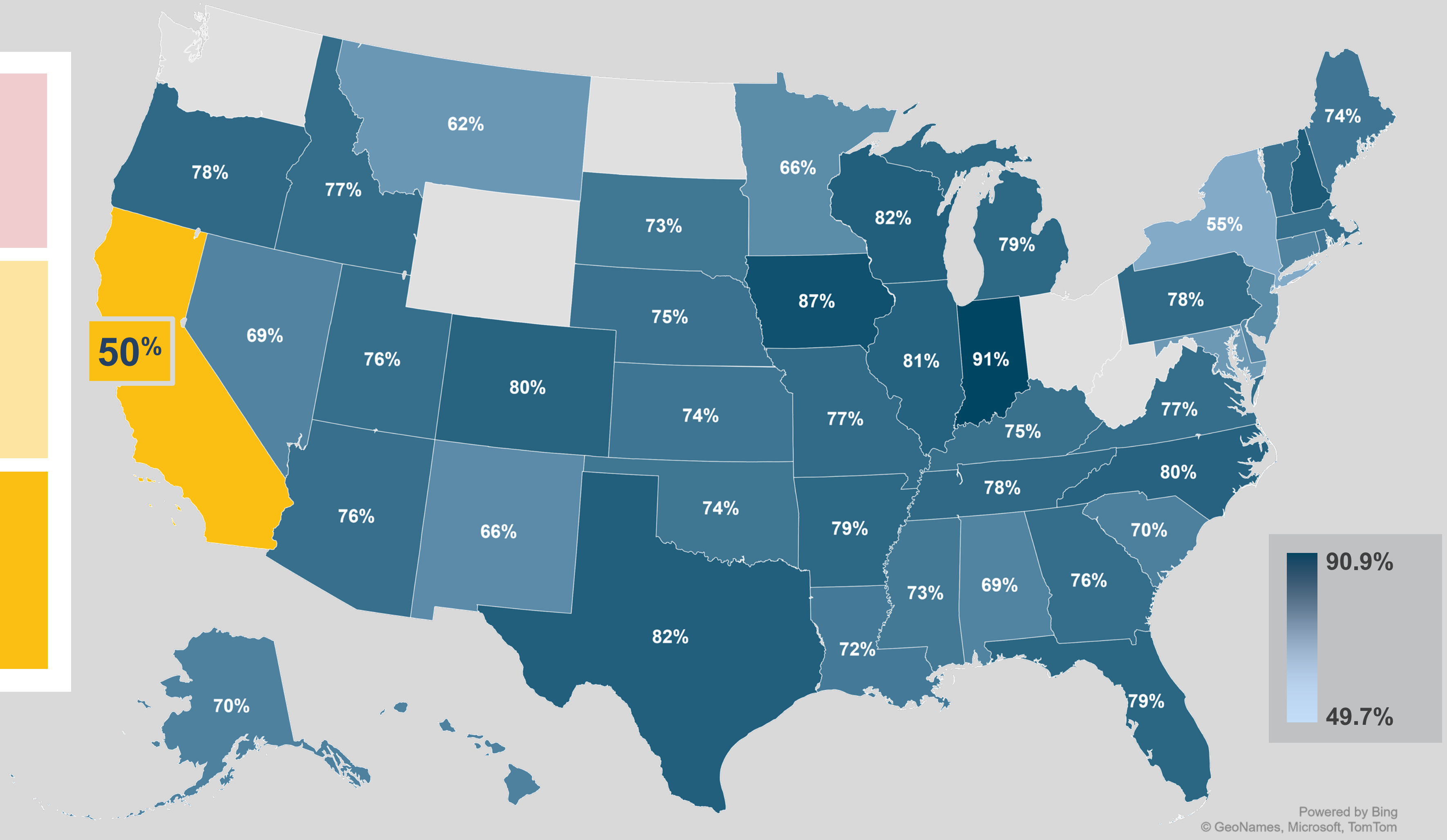
Chart 39: Percent of Ultimate Medical Cost Paid at 3 Years

Median
75%

California 12/31/2012
38%

California 12/31/2021
50%



Insights & Recent Trends

- The percentage of ultimate medical paid after three years increased from 38% in 2012 to 50% in 2021, 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 41)
  - The length of time claims stay open (Chart 42)
  - A high proportion of permanent disability claims (Chart 29) and cumulative trauma claims (Chart 26)
  - High frictional costs (Chart 44)

More Info

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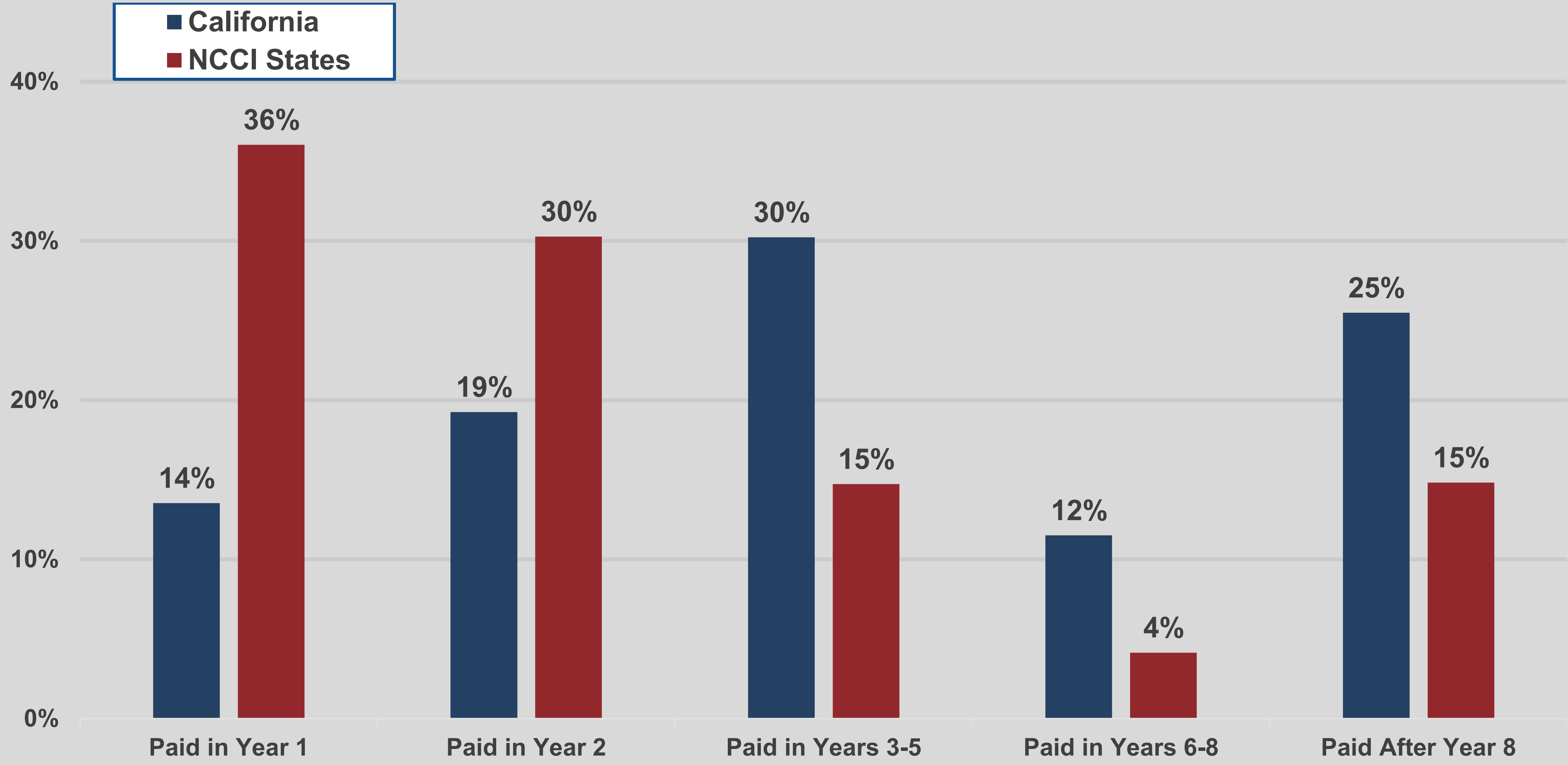
Chart 40: Percent of Medical Losses Paid by Year

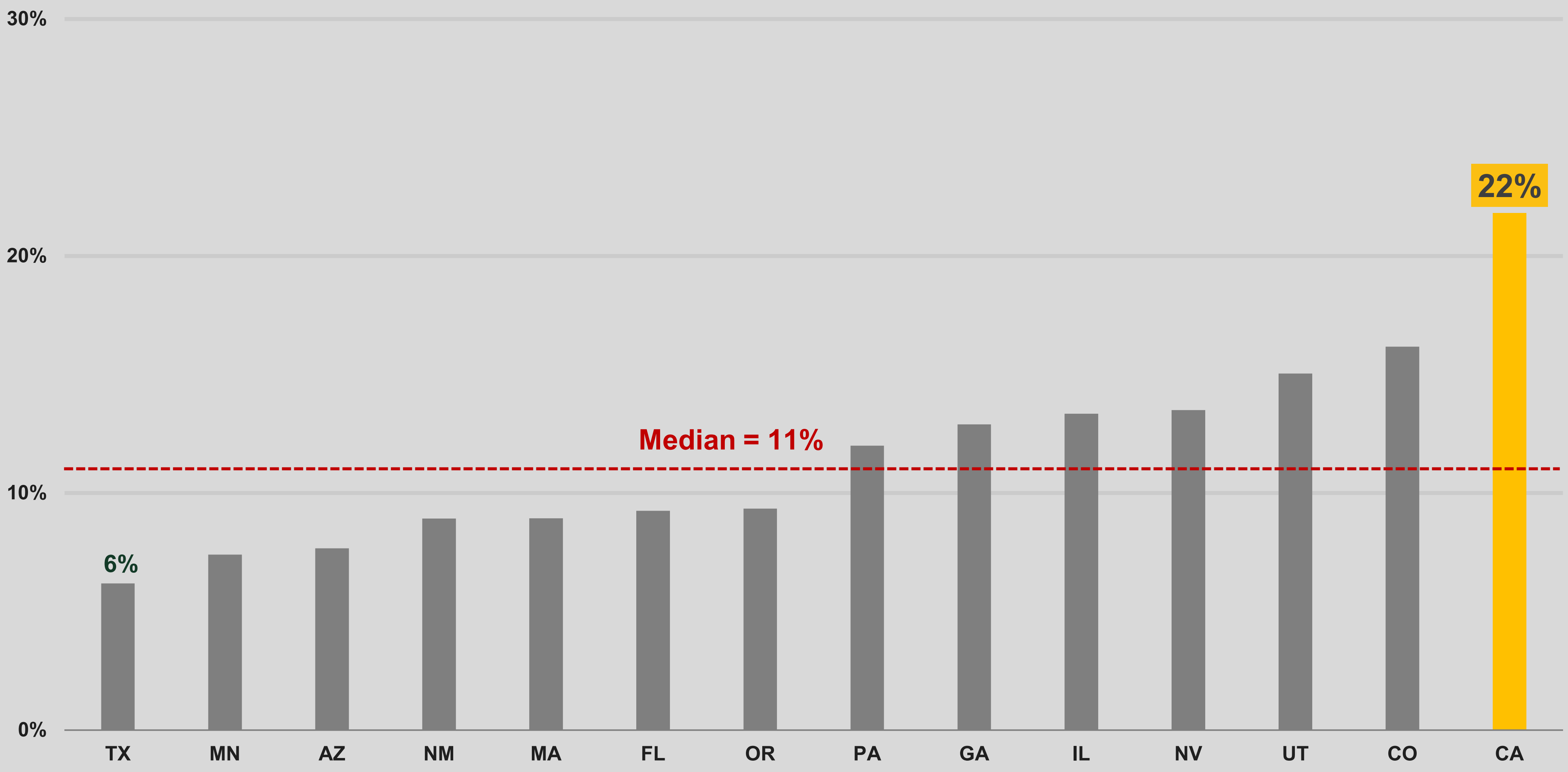


Insights & Recent Trends

- 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.
- 37% of medical losses in California are paid after 5 years, compared to 19% for NCCI states.
- The slower payment rate of medical losses in California are in part driven by a slower reporting of indemnity claims (Chart 41) and a slower claim settlement process (Chart 42).

More Info

Chart 41: Percent of Indemnity Claims Unreported at 12 Months

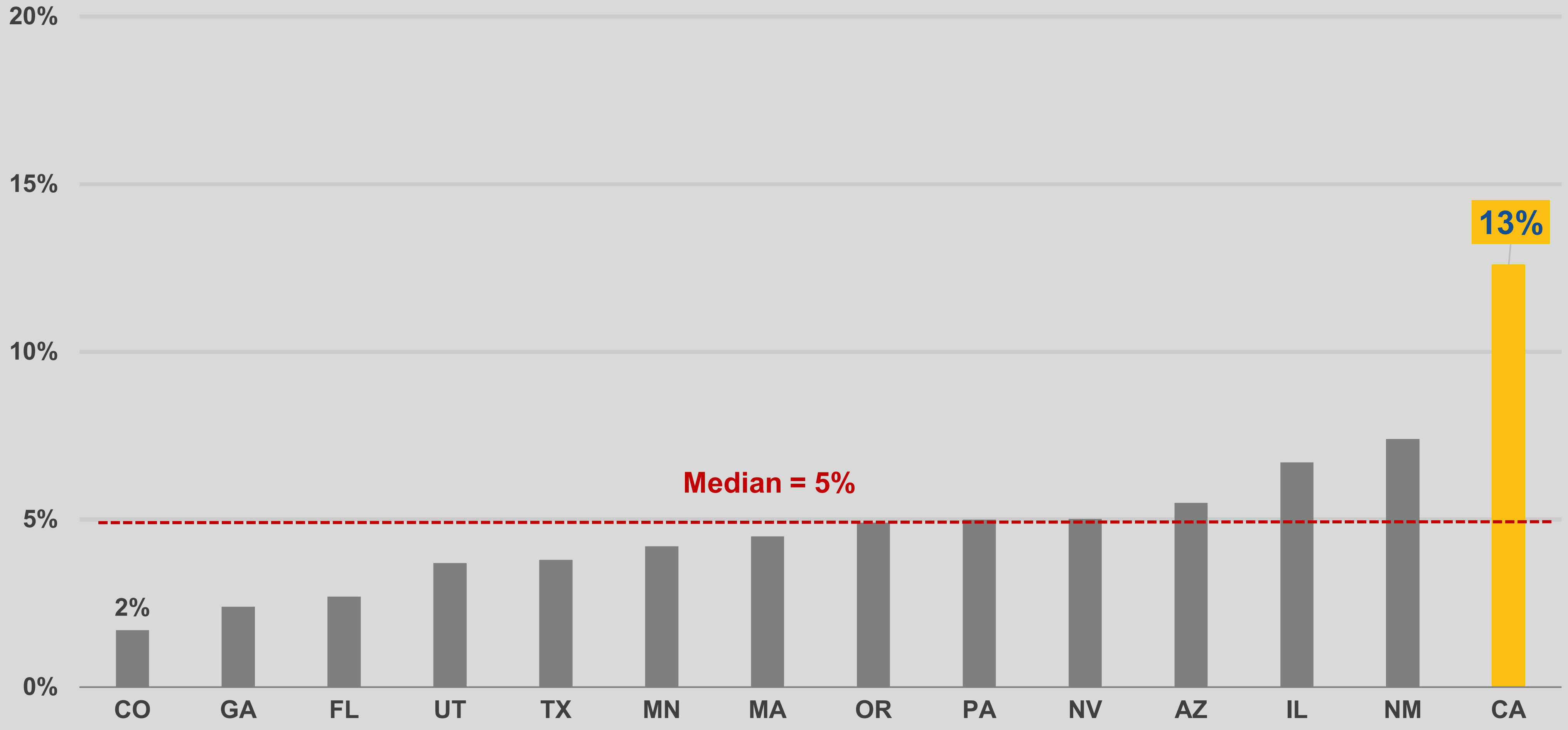


Insights & Recent Trends

- California has a slow pattern of indemnity claim reporting, with the proportion of claims unreported at 12 months twice the comparison state median.
- A large proportion of the late-reported claims in California involve CT injuries (Chart 26), many of which are filed following the employee's termination.

More Info

Chart 42: Percent of Indemnity Claims Open at 60 Months



Insights & Recent Trends

- The proportion 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 owing to:
  - A high proportion of CT claims filed, which settle slower than other claims (Chart 26)
  - Medical lien filings (Chart 51)
  - Higher rates of permanent disability claim frequency (Chart 29)
  - Greater complexity in handling and settling claims

More Info

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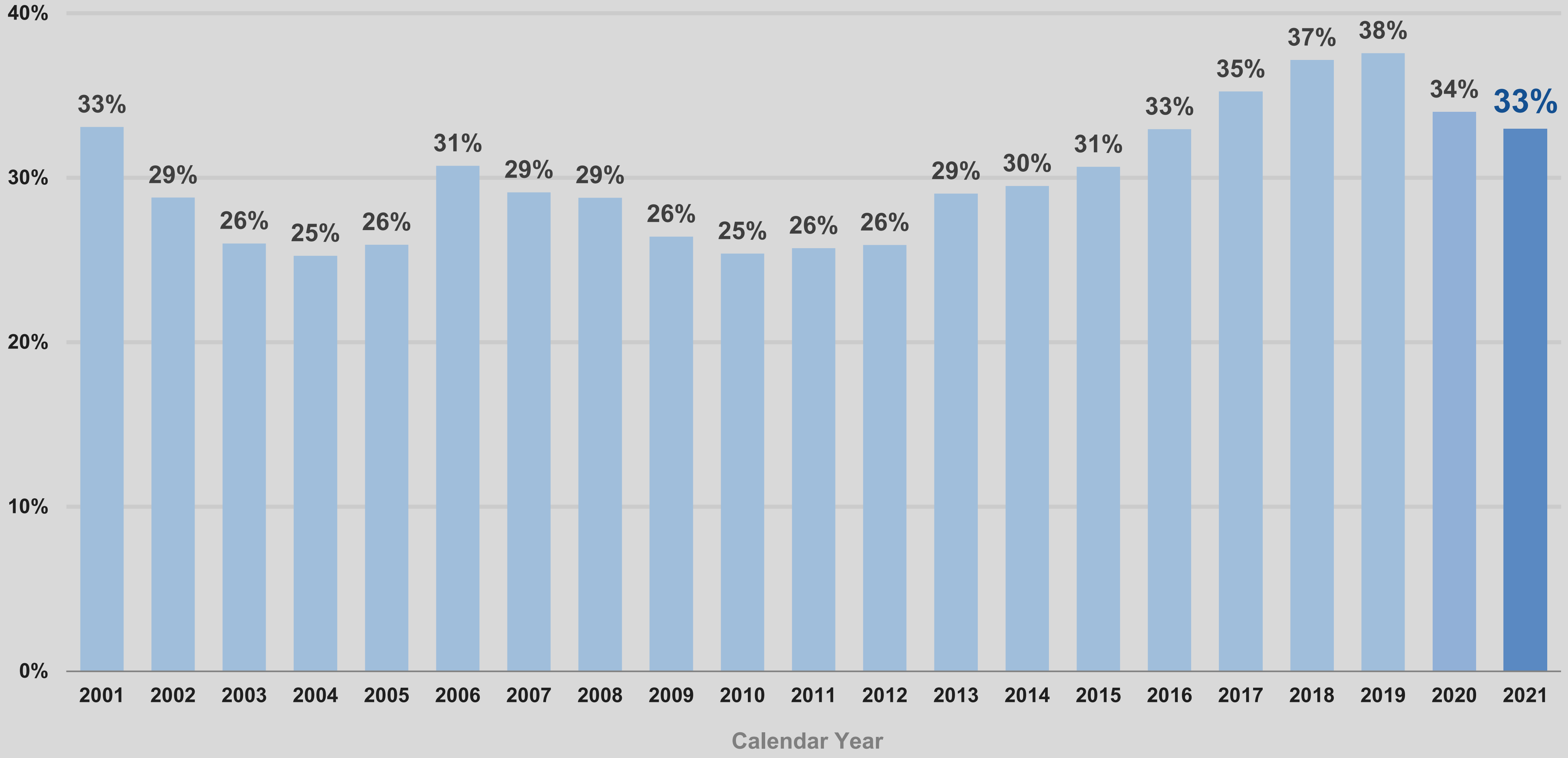
Chart 43: Percent of Open Indemnity Claims Closed During Next Year



Insights & Recent Trends

- 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.
- In 2021, the declines in claim closing rates began to plateau, but the rates remain well below the pre-pandemic high.

More Info

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06 Frictional Costs

Chart 44: Cost to Deliver $1 of Benefits

Medicare
$0.02

Workers' Compensation Median State
$0.25

Private Group Health Insurance
$0.18

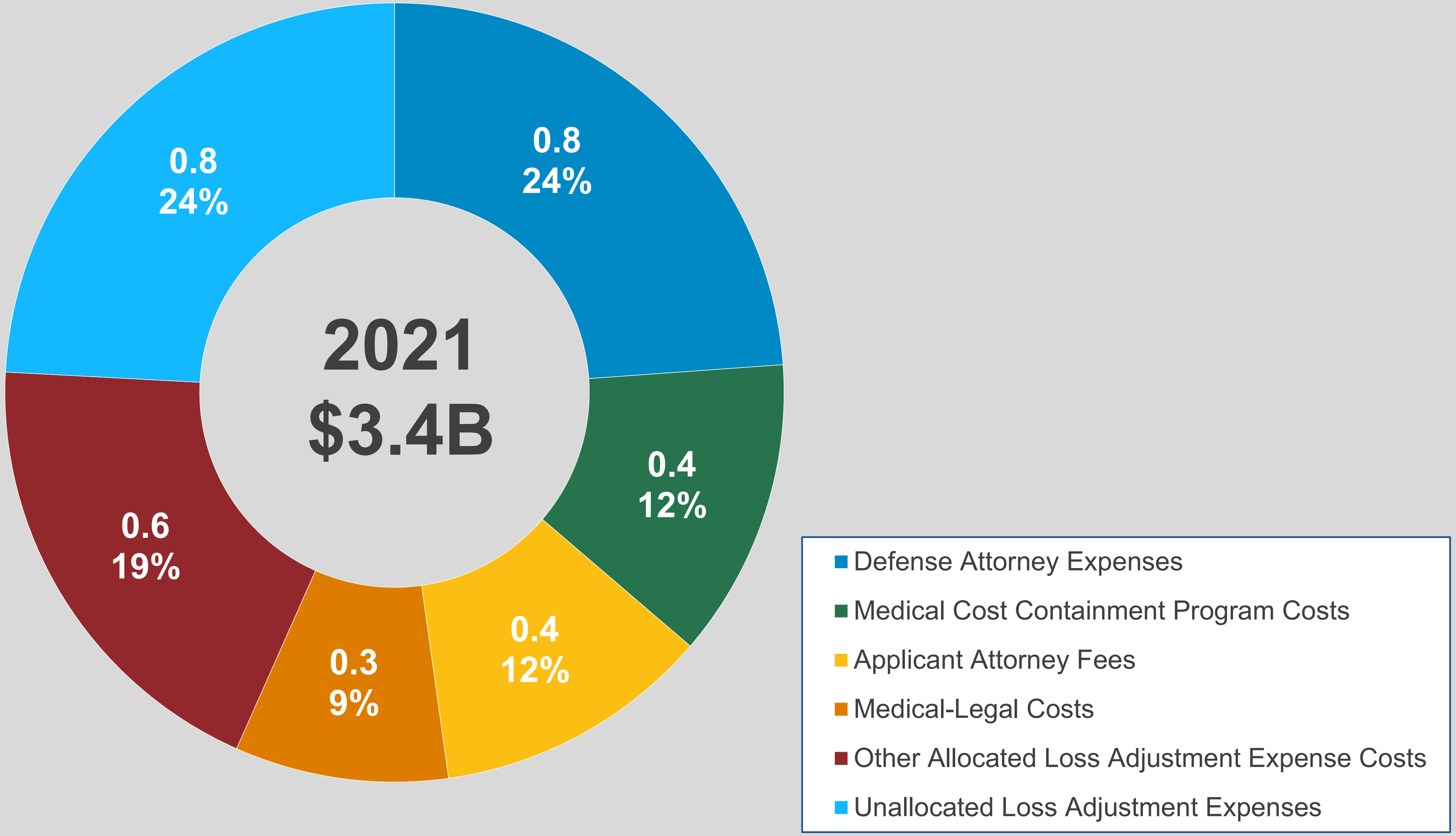
California Workers' Compensation
$0.47

Insights & Recent Trends

- 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

Chart 45: Distribution of 2021 Paid Frictional Costs

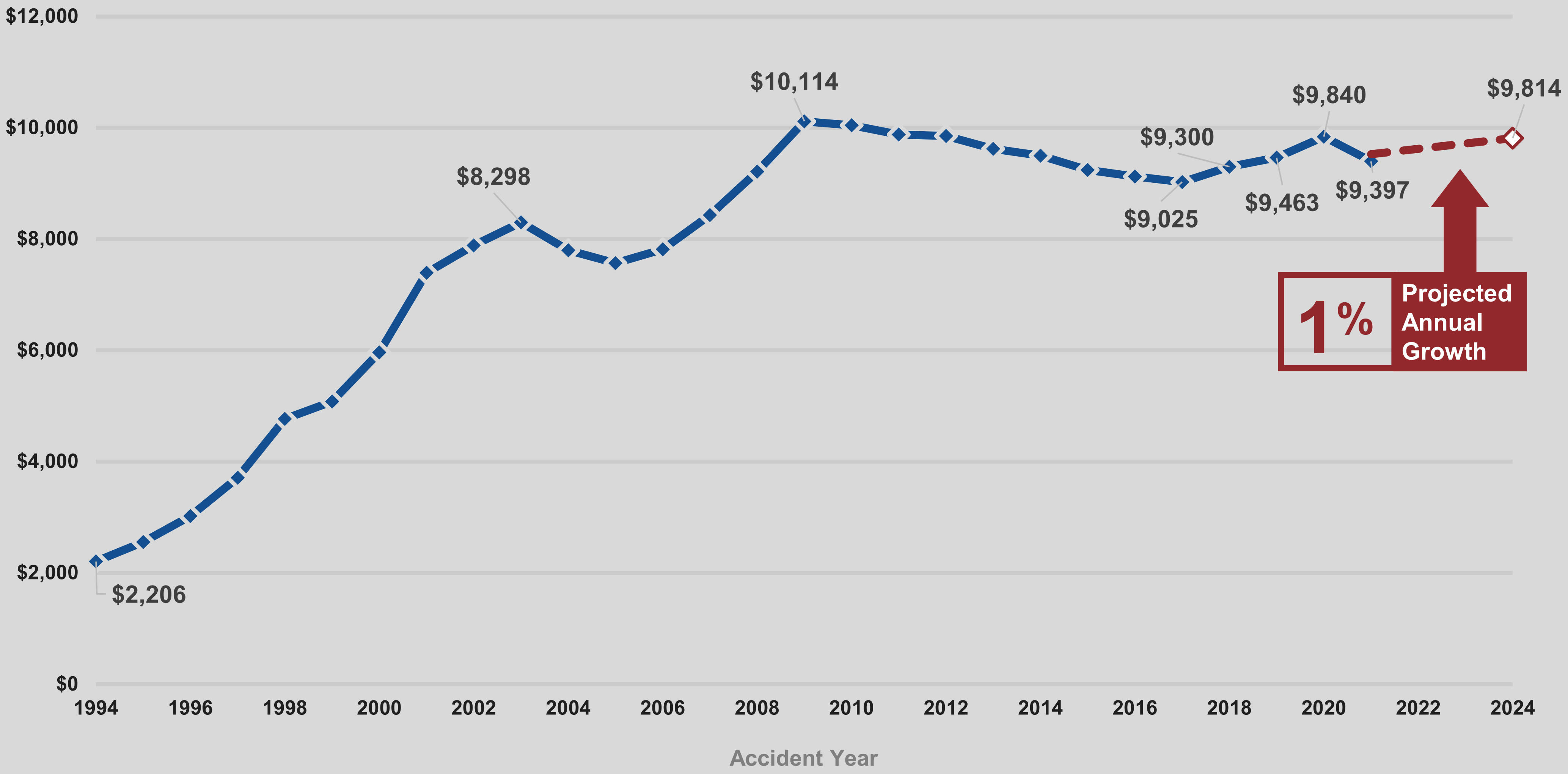


Insights & Recent Trends

- The majority of frictional costs paid are for the handling of claims and the resolving of claim disputes.
- The $3.4 billion of frictional costs paid in 2021 is comparable to the cost of paid indemnity benefits (after excluding applicant's attorney fees, which are typically included in reported indemnity benefits) (Chart 53).

More Info

Chart 46: Average Allocated Loss Adjustment Expenses per Indemnity Claim

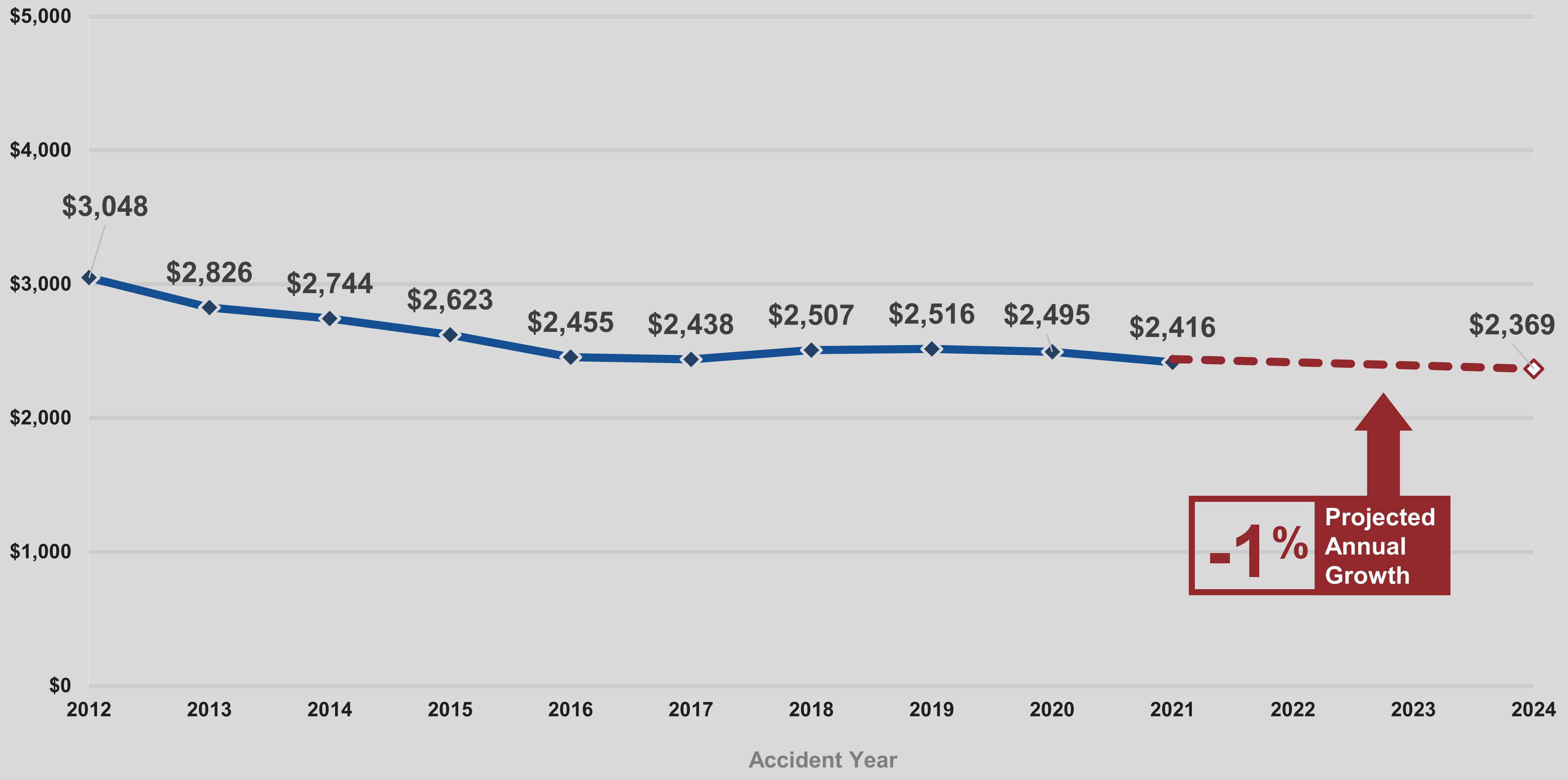


Insights & Recent Trends

- After increasing significantly through 2009, average 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 claim settlement rates beginning to decline (Chart 43), the WCIRB projects modest increases in average ALAE costs through 2024.

More Info

Chart 47: Average Medical Cost Containment Program Cost per Indemnity Claim



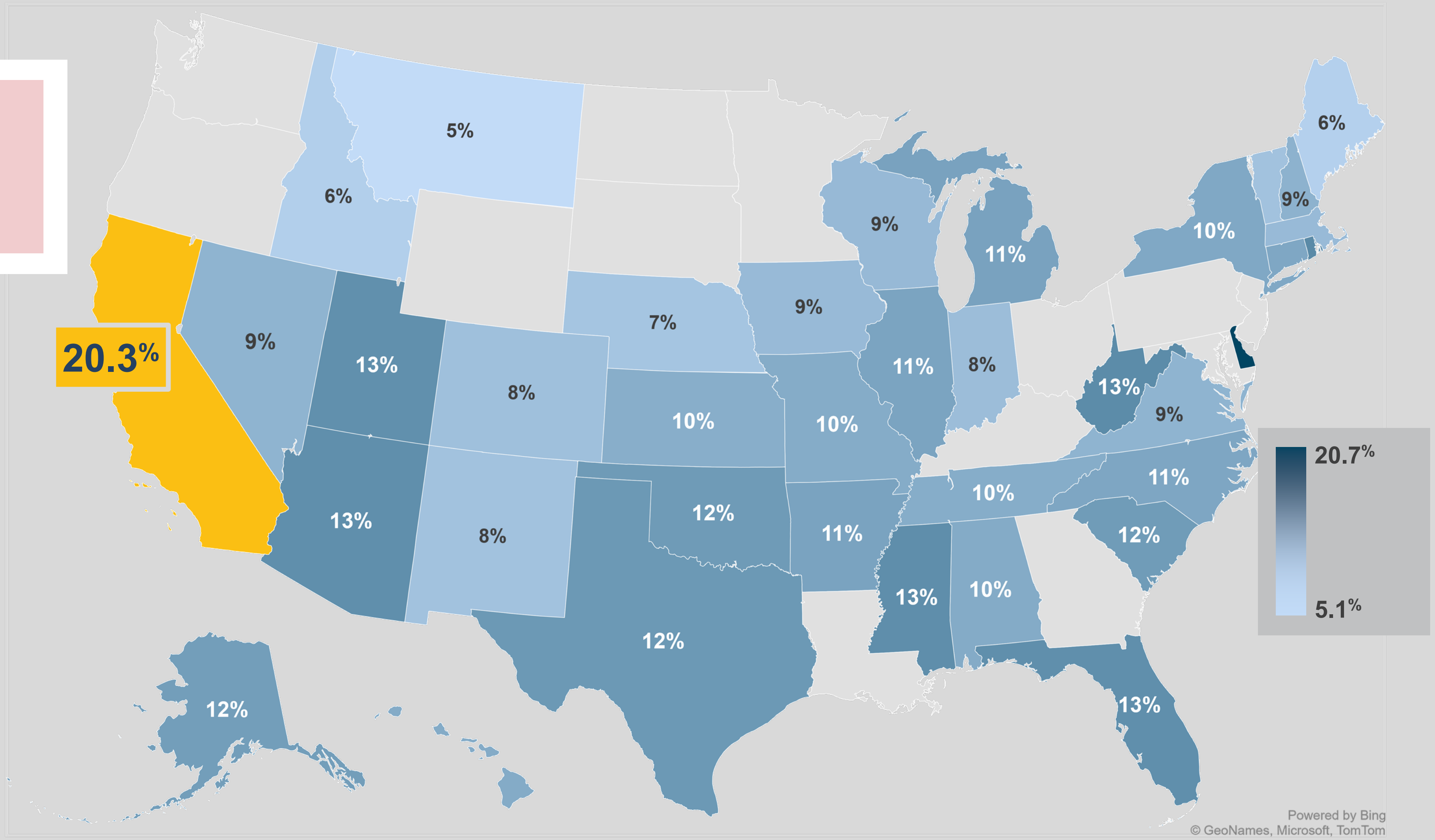
Insights & Recent Trends

- As medical costs declined (Chart 33), 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 2024.

More Info

Chart 48: Ratios of Allocated Loss Adjustment Expenses to Losses

Median
10.1%

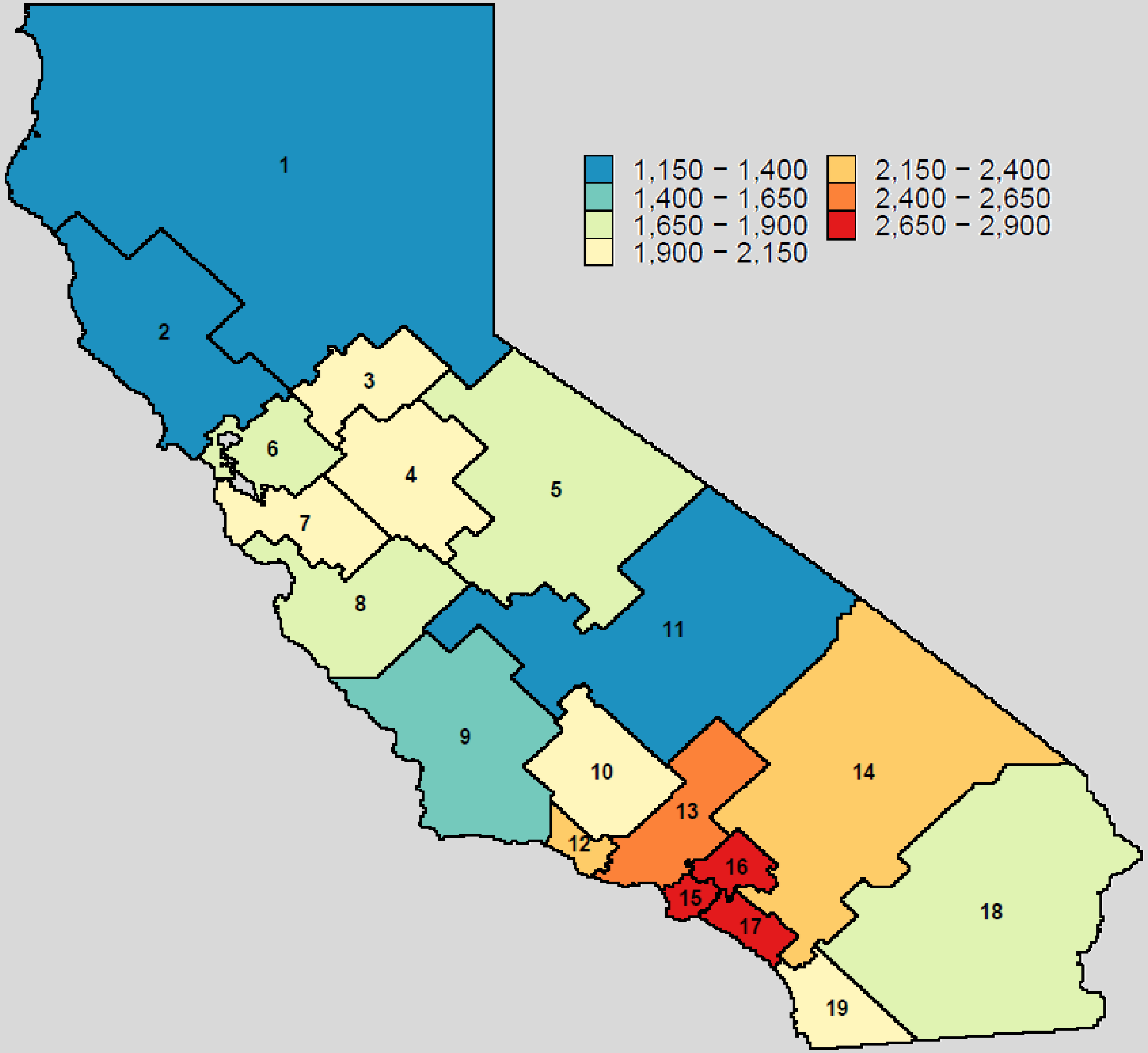


Insights & Recent Trends

- Despite recent flat average ALAE costs per claim, (Chart 46) California's ratio of ALAE to losses is the second highest in the country and twice the countrywide median.
- Drivers of high California expenses:
  - High proportion of permanent disability claims (Chart 29) and cumulative trauma claims (Chart 26)
    - High rates of representation and litigation on claims
  - Longer duration of claims (Chart 42)
    - Higher costs in Southern California regions (Chart 49)

More Info

Chart 49: 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

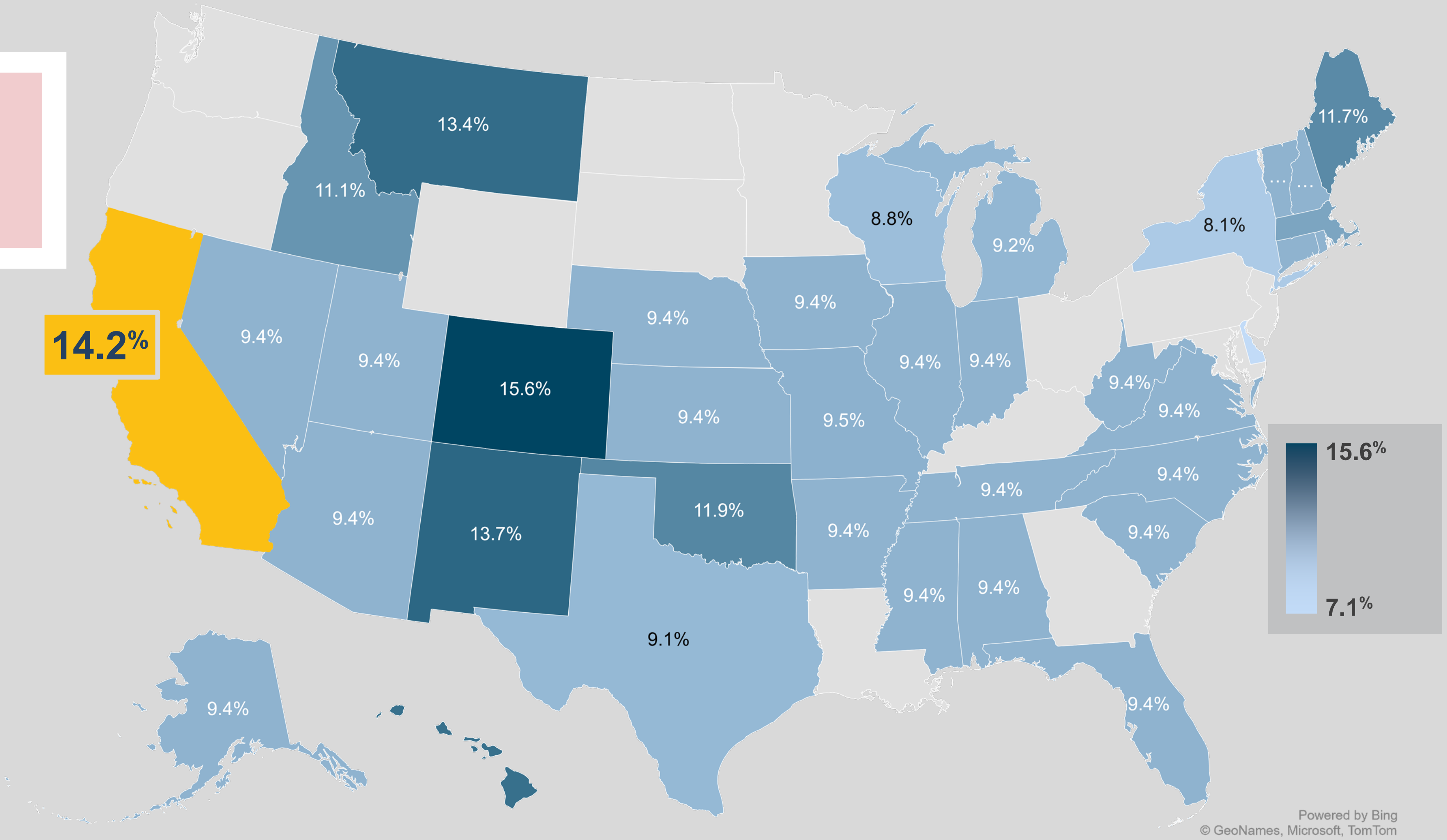
Insights & Recent Trends

- Paid ALAE is significantly higher in the LA Basin regions.
- The lowest paid ALAE tends to be in the more rural areas of California.

More Info

Chart 50: Ratios of Unallocated Loss Adjustment Expenses to Losses

Median
9.4%

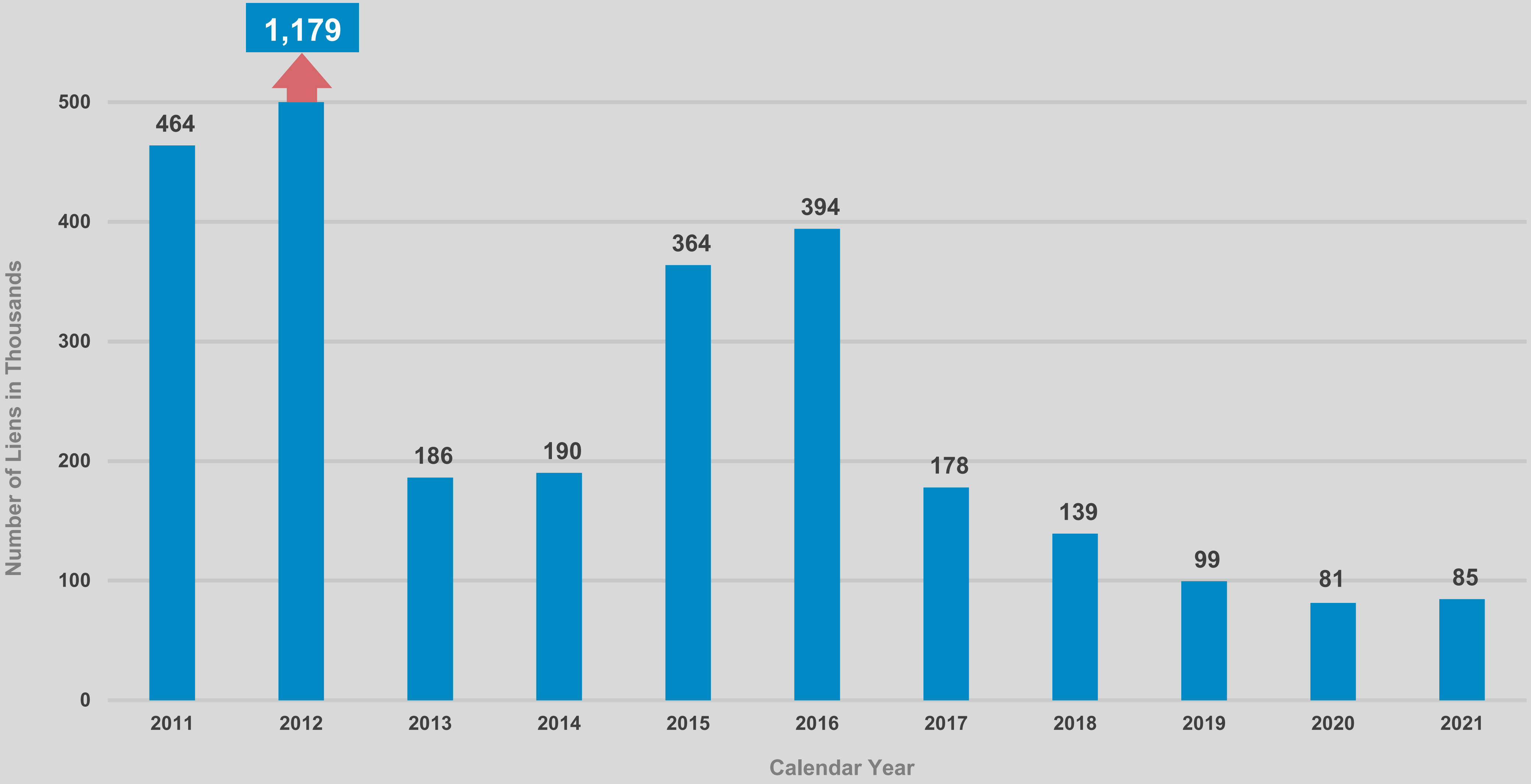


Insights & Recent Trends

- 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

Chart 51: Number of Lien Filings



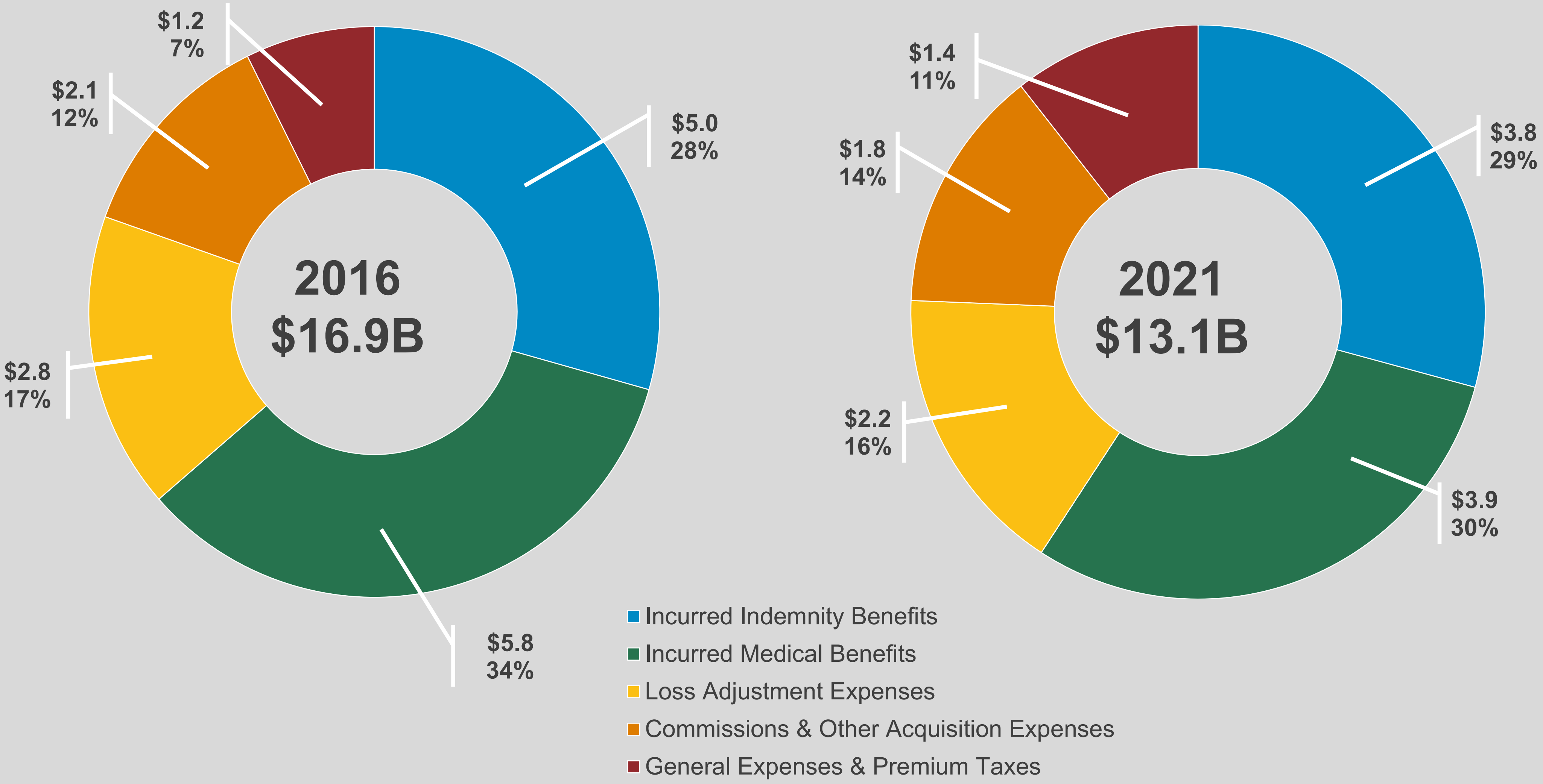
Insights & Recent Trends

- 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 number of liens filed in each of 2020 and 2021 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

07 Claim Cost Distributions

Chart 52: Distribution of Insured System Costs

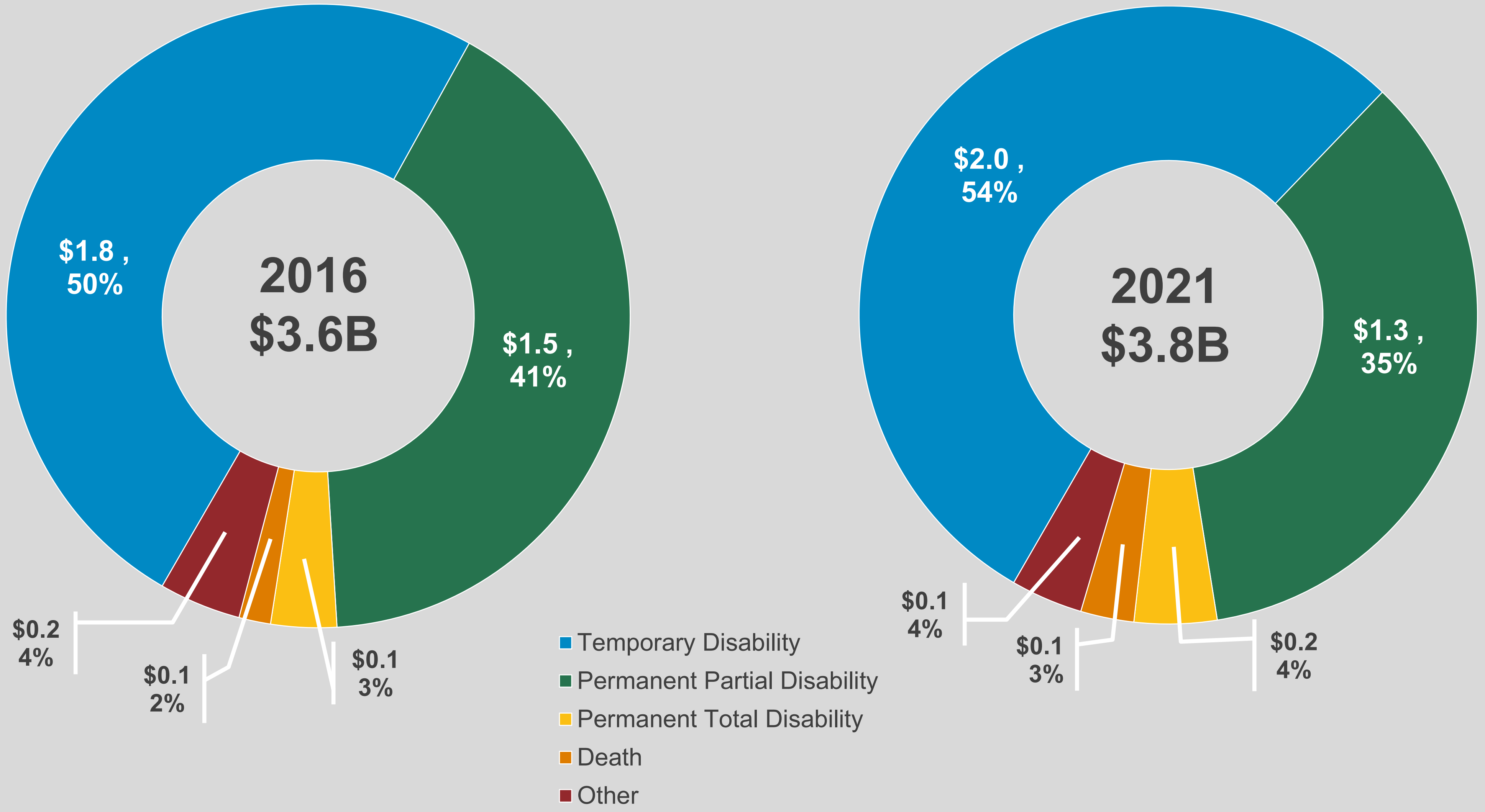


Insights & Recent Trends

- Medical benefits declined by $1.9 billion or 4 percentage points as a share of total costs over the last five years.
- Indemnity benefits also declined over the last five years, but their share of total costs remained relatively consistent.
- While total insurer expenses in 2021 were $0.7 billion below the 2016 total, with greater declines in other costs, the overall share of expenses has increased.

More Info

Chart 53: Distribution of Paid Indemnity Benefits



Insights & Recent Trends

- Temporary disability and permanent partial disability benefits comprise approximately 90% of indemnity benefits.
- The permanent partial disability share of indemnity benefits decreased over the last five years as, unlike most other types of indemnity benefits, there are no annual cost-of-living adjustments.

More Info

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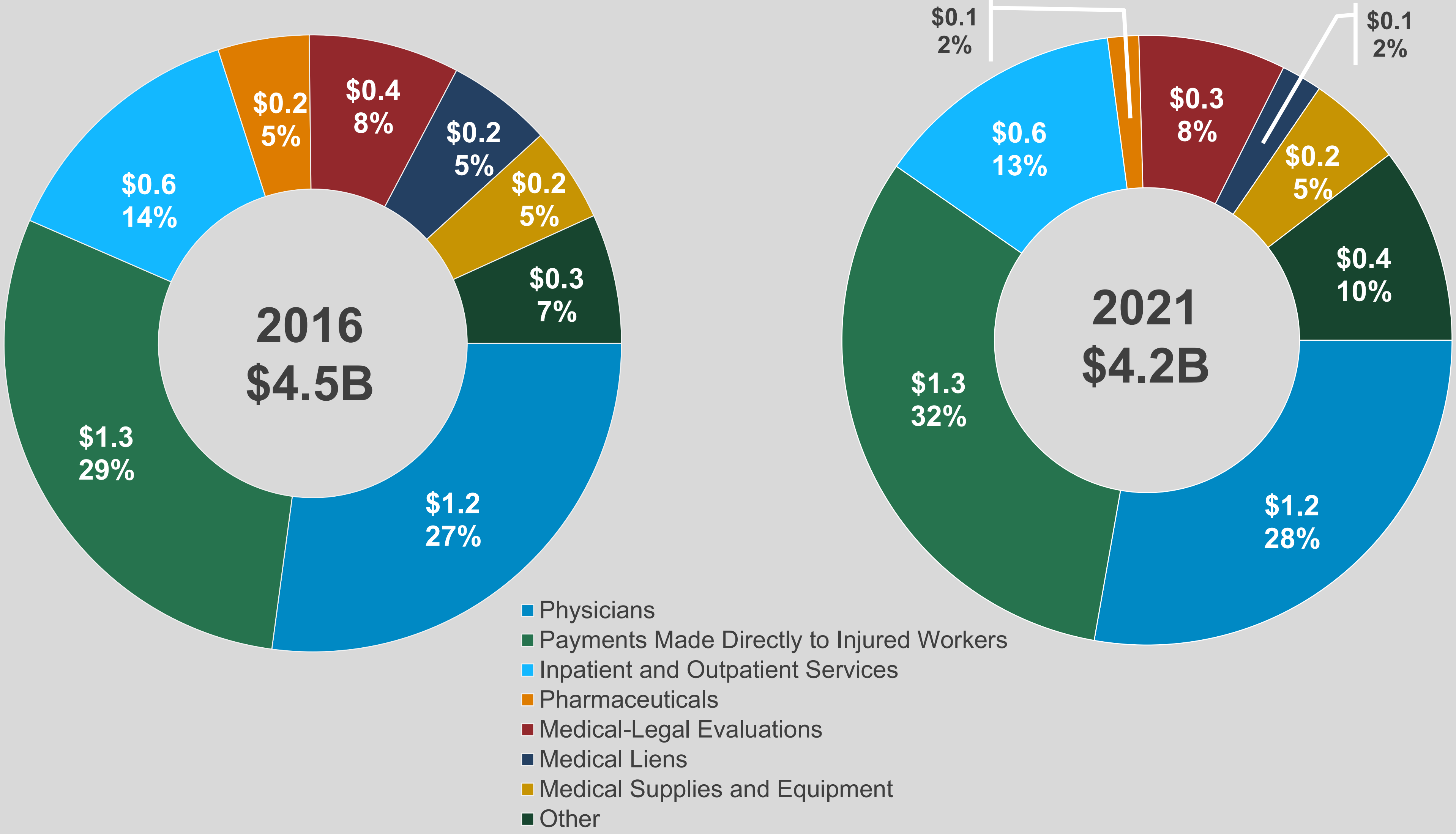
Chart 54: Distribution of Paid Medical Benefits



Insights & Recent Trends

- The share of medical payments for pharmaceuticals and medical liens decreased significantly 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 though 2019 (Chart 43).
- The shares of medical costs in other categories remained relatively consistent over the last five years.

More Info

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08 Industry Results

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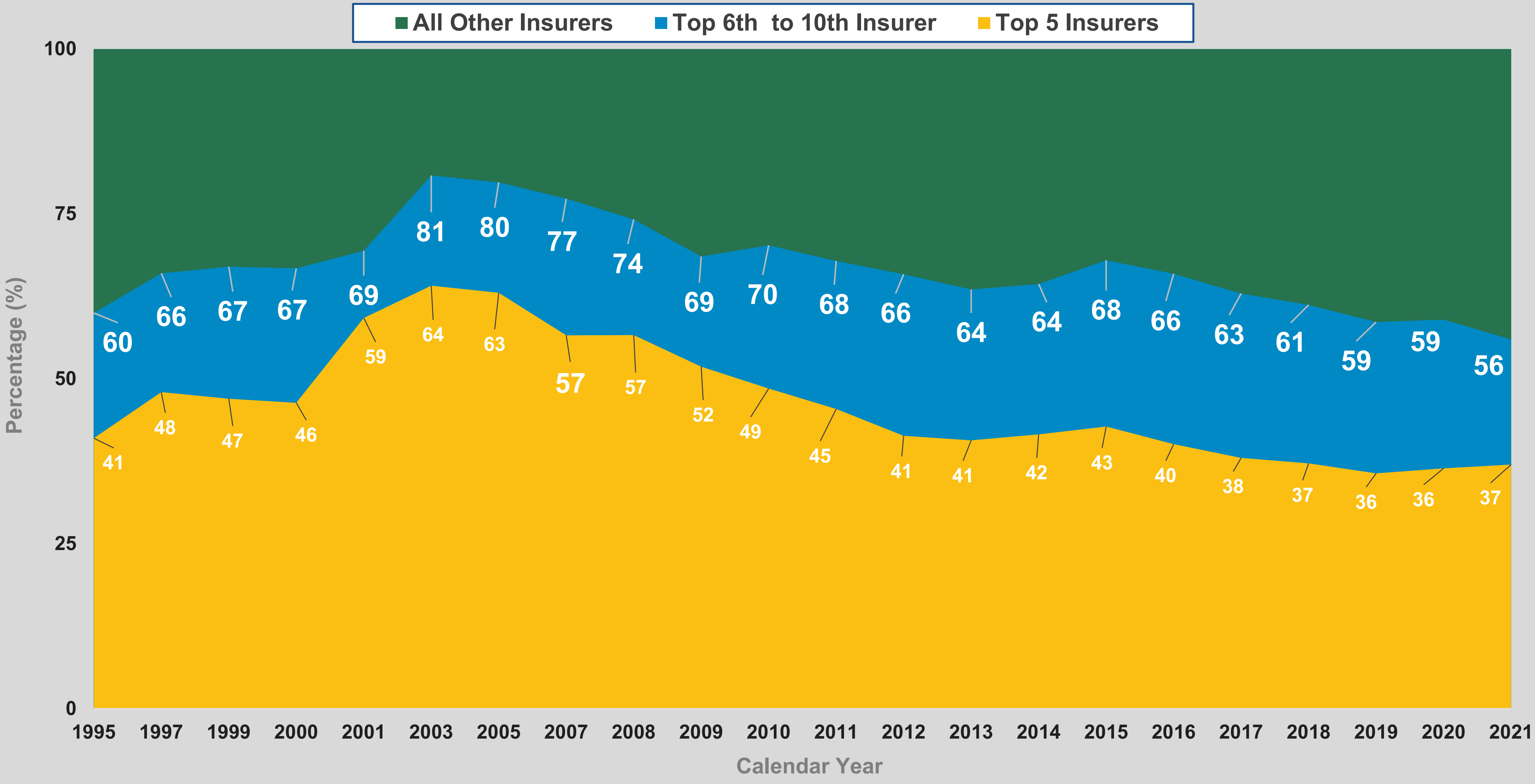
Chart 55: Market Concentration Ratios

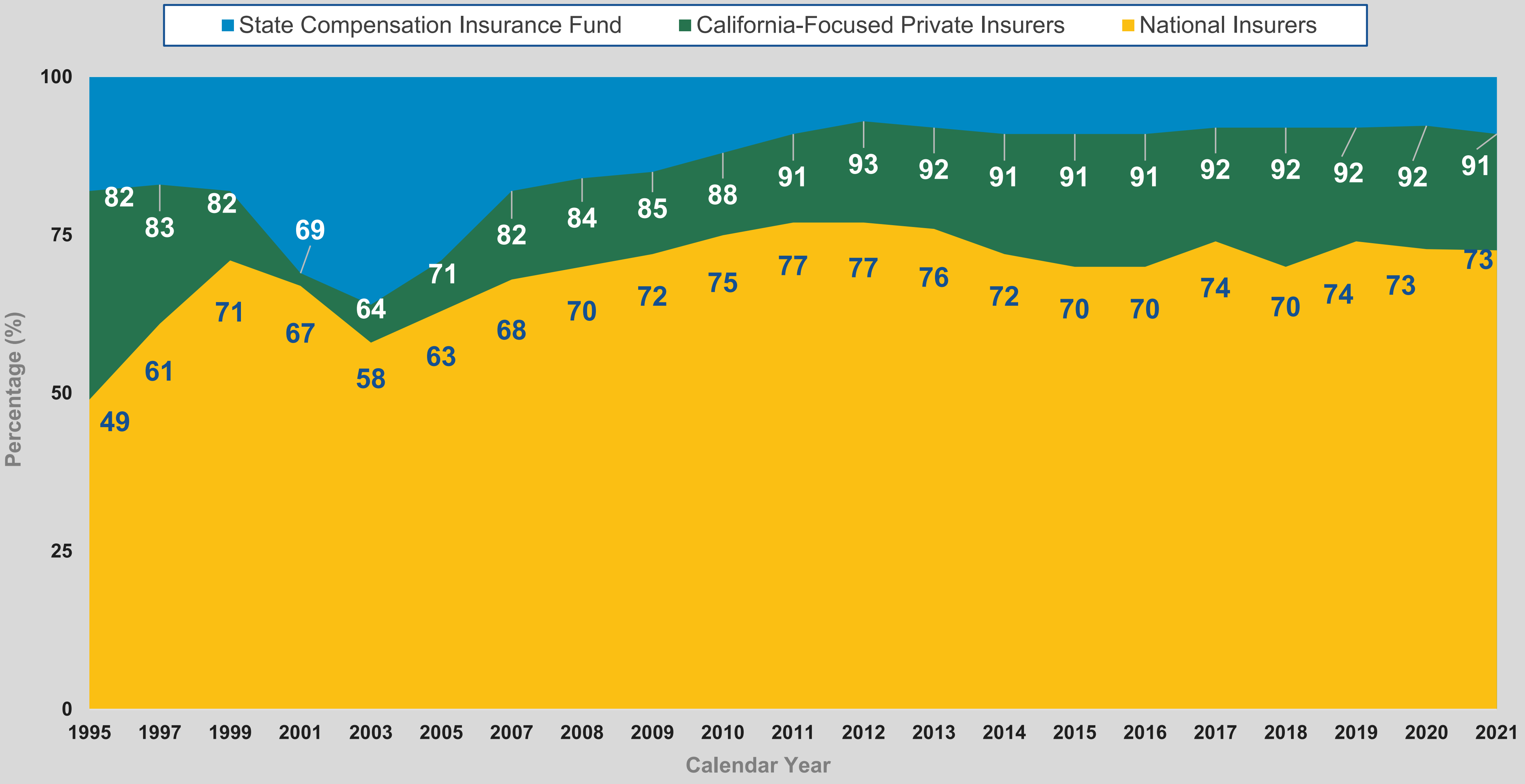


Insights & Recent Trends

- 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 2021 were the lowest in decades, as the largest 10 insurers controlled less than 60% of the market.

More Info

Chart 56: Market Share by Type of Insurer



Insights & Recent Trends

- The share of private insurers that focus most of their workers' compensation business in California has been relatively consistent since 2014.
- The State Fund market share has been relatively stable since 2011.

More Info

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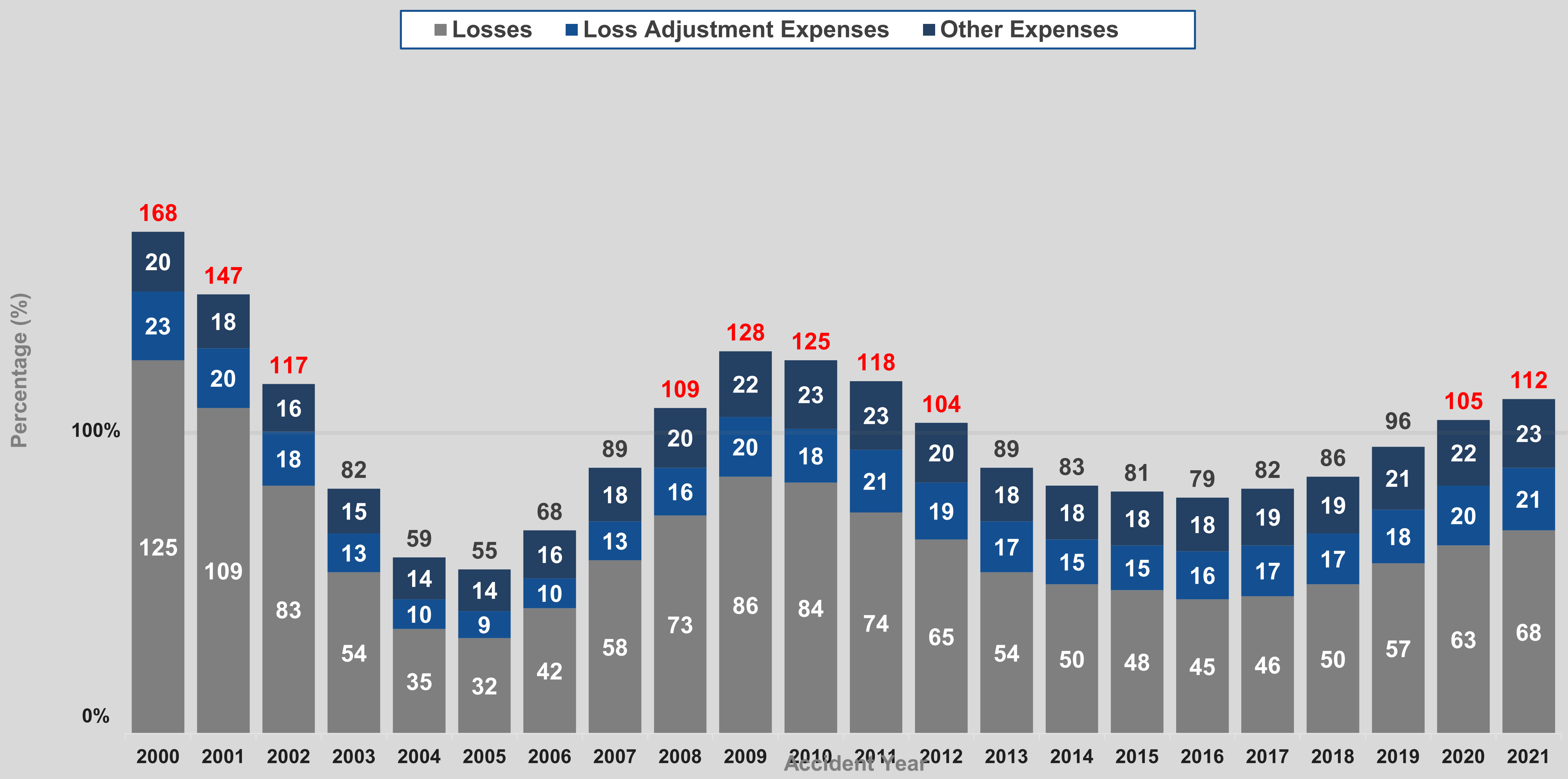
Chart 57: Projected Combined Loss and Expense Ratios



Insights & Recent Trends

- Combined ratios in California have historically been volatile.
- Industry ratios from 2013 to 2019 were fairly stable, with seven consecutive years of combined ratios below 100%.
- Combined ratios since 2016 have been increasing primarily due to lower premium levels (Chart 13) driven by lower insurer rates (Chart 16) and higher expense ratios.
- The combined ratios for 2020 and 2021 are the first above 100% since 2012, driven in part by COVID-19 claims (Chart 5), lower insurer rates and higher claim frequency in 2021 (Chart 22).

More Info

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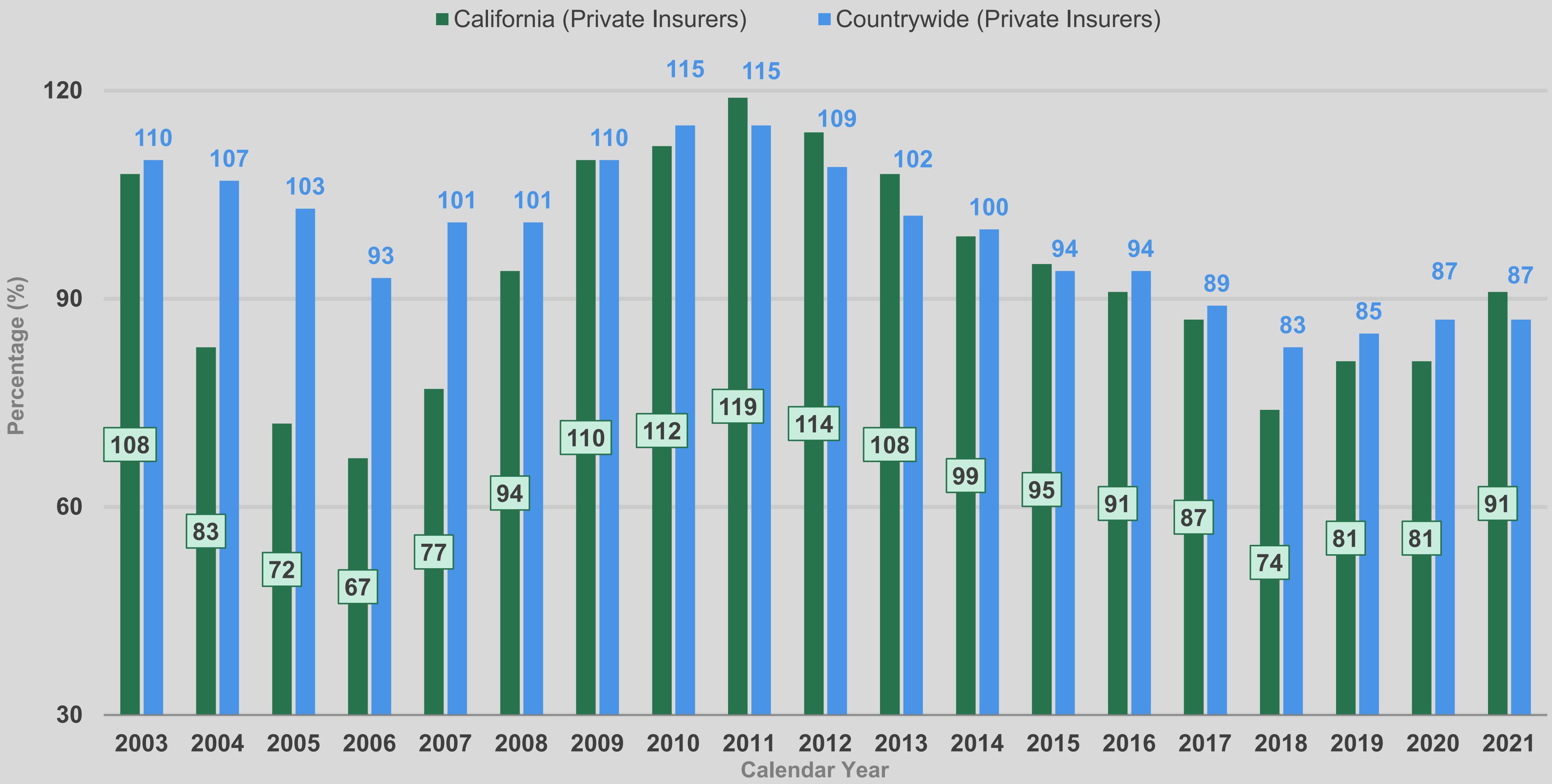
Chart 58: Private Insurer Reported Combined Ratios

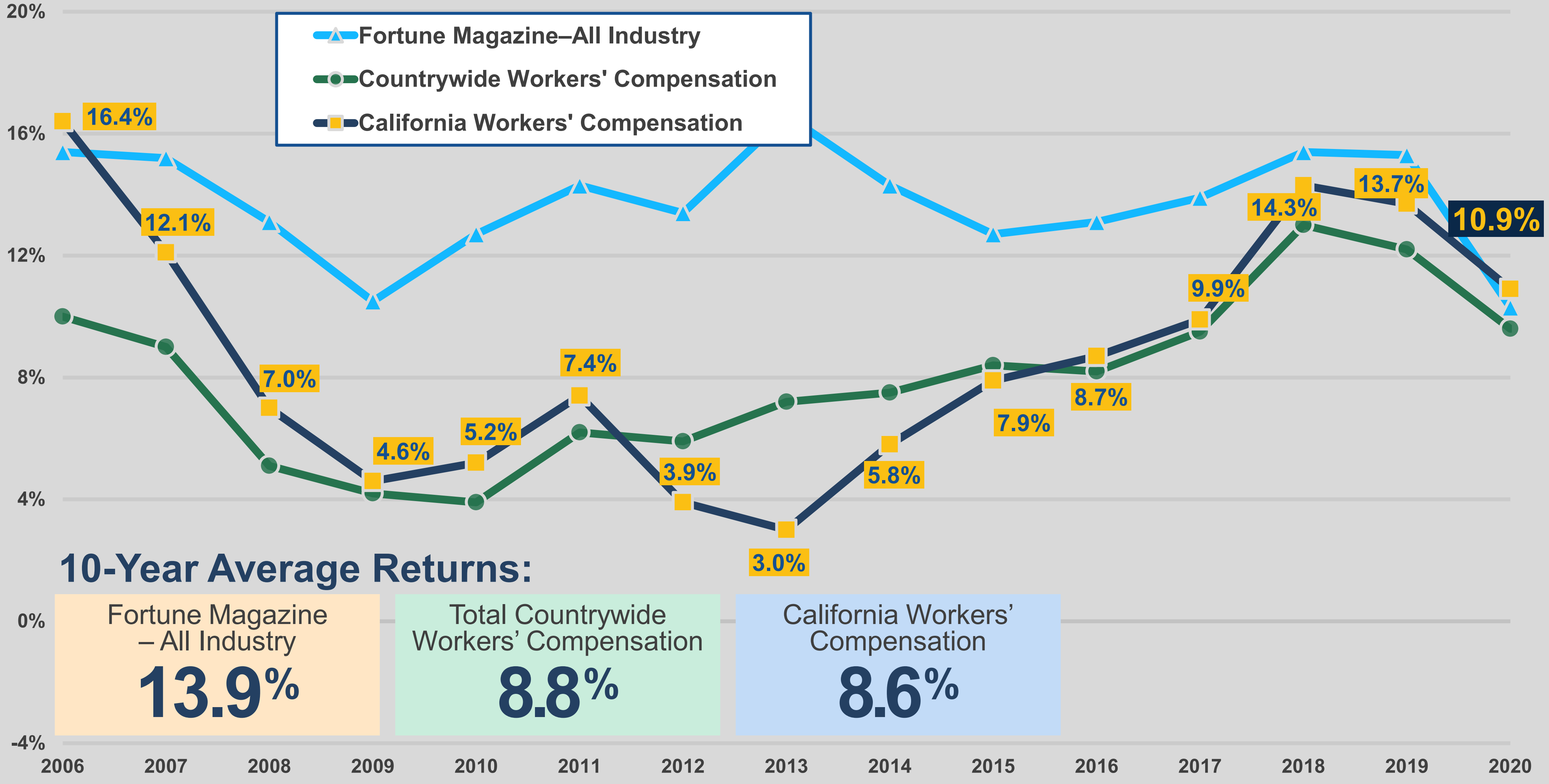


Insights & Recent Trends

- 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 calendar year 2021 California reported combined ratio is above the countrywide ratio.

More Info

Chart 59: Average Return on Net Worth



10-Year Average Returns:

Fortune Magazine – All Industry	Total Countrywide Workers' Compensation	California Workers' Compensation
13.9%	8.8%	8.6%

Insights & Recent Trends

- Over the long term, average California workers' compensation returns have been generally comparable to the countrywide average for workers' comp but well below the Fortune magazine all-industry average.
- 2020 is the first year since 2006 that the California workers' compensation average return on net worth surpasses both the Fortune magazine all-industry average and the countrywide workers' compensation average return on net worth.

More Info

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Appendix

More Info

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Chart 1: Change in California Unemployment Rate

- Shows the change in the average unemployment rate over the calendar year compared to the prior calendar year
- The average California unemployment rate in 2019 was 4.1% and in 2020 was 10.3%, for a one-year increase of 149%
- During the peak of the economic slowdown in May 2020, the California unemployment rate was 16.1%

Source Data

- Historical data is from the Bureau of Labor Statistics
- Forecasts for 2021 to 2024 are based on the UCLA Anderson School of Business as of June 2022

Return to Chart 1

Chart 2: California Employment Change by Wage Level in 2020

- Shows the change in employment by wage level quartile within an industry
- For example, the change in employment for the "Lowest 25% of Wage Earners" in the Hospitality industry represents the decrease in the number of Hospitality workers making less than the 25th percentile hourly wage from 2019 to 2020

Source Data

- American Community Survey Data

Return to Chart 2

Chart 3: California Employment Change by Wage Level in 2021

- Shows the change in employment by wage level quartile within an industry
- For example, the change in employment for the "Lowest 25% of Wage Earners" in the Hospitality industry represents the decrease in the number of Hospitality workers making less than the 25th percentile hourly wage from 2020 to 2021

Source Data

- Current Population Survey data from the Census Bureau as compiled by the Economic Policy Institute (Version 1.0.15, https://microdata.epi.org)

Return to Chart 3

Chart 4: California Employment Change Forecasts Indexed to 2019

- Shows the annual change in employment level forecast through 2024 compared to the 2019 level
- Values below 1.00 indicate a decrease in employment compared to the 2019 level, while values above 1.00 indicate an increase in employment compared to the 2019 level

Source Data

- UCLA Anderson School of Business as of June 2022

Return to Chart 4

The detailed data underlying these charts (in Excel format) is also available on the **WCIRB's website** or by **CLICKING HERE**.

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Chart 5: Filed COVID-19 Workers' Compensation Claims

- A COVID-19 workers' compensation claim is a claim arising out of a diagnosis of COVID-19 (reported with Nature of Injury Code 83)

Source Data

- Division of Workers' Compensation data compiled by the California Workers' Compensation Institute (CWCI) for COVID-19 claims with injuries through May 31, 2022 reported by June 27, 2022
- Includes workers' compensation claims that were initially denied.

Return to Chart 5

Chart 6: Distribution of COVID-19 Claims By Industry

- Shows the industry share of COVID-19 claims as a percentage of total COVID-19 workers' compensation claims filed (reported with Nature of Injury Code 83)

Source Data

- Division of Workers' Compensation data as of May 31, 2022 compiled by the CWCI based on COVID-19 claims filed with accident dates from January 2020 to April 2022
- Includes workers' compensation claims that were initially denied
- Includes both the insured and self-insured systems

Return to Chart 6

Chart 7: COVID-19 Claims as a Percent of Indemnity Claims - Insured Employers

- Shows the number of COVID-19 indemnity claims relative to the total number of indemnity claims filed between April 2020 and May 2022 by industry
- COVID-19 claims are reported with Nature of Injury Code 83 or Cause of Injury Code 83.

Source Data

- WCIRB transactional indemnity data as of June 2022
- Data is based on the insured system only and excludes denied claims
- Industries are based on WCIRB classifications mapped to the North American Industry Classification System (NAICS) sectors

Return to Chart 7

Chart 8: COVID-19 Claims as a Percent of Indemnity Claims Over Time

- 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 as of June 2022
- Data is based on the insured system only and excludes denied claims

Return to Chart 8

The detailed data underlying these charts (in Excel format) is also available on the WCIRB's website or by CLICKING HERE.

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Chart 9: COVID-19 Incurred Claim Severities for Accident Year 2020

- Shows average incurred indemnity and incurred medical cost per claim for COVID-19 and non-COVID-19 claims for accident year 2020

Source Data

- WCIRB aggregate financial data calls as of March 31, 2022
- Claims and claim amounts are based on evaluations as of March 31, 2022 (approximately 27 months) and are not developed to their estimated ultimate values

Return to Chart 9

Chart 10: COVID-19 Claims and Incurred Losses by Claim Type for Accident Year 2020

- Shows the distributions of claim counts and incurred losses by type of injury for COVID-19 and non-COVID-19 claims for accident year 2020

Source Data

- WCIRB unit statistical data at first and second report level (18 and 30 months from policy inception)
- Includes claims with an accident date on or after April 1, 2020

Return to Chart 10

Chart 11: COVID-19 Indemnity Claim Distribution by Incurred Loss Size for Accident Year 2020

- Shows the distribution of incurred losses by total incurred loss size of claim for COVID-19 and non-COVID-19 claims for accident year 2020
- For non-COVID-19 claims, claims with incurred indemnity losses are shown
- For COVID-19 claims, claims with both incurred medical and indemnity losses are shown
- A large proportion of COVID-19 claims only include indemnity losses, referred to as “indemnity-only” claims; these claims are excluded from this chart
- “Indemnity-only” claims occur very rarely in non-COVID-19 claims

Source Data

- WCIRB unit statistical data at first and second report level (18 and 30 months from policy inception)
- Includes claims with accident date on or after April 1, 2020

Return to Chart 11

Chart 12: Projected COVID-19 Costs as a Percent of Non-COVID Costs

- Shows the WCIRB’s estimate of ultimate COVID-19 losses and loss adjustment expenses to non-COVID-19 losses and loss adjustment expenses
- The estimate of ultimate COVID-19 losses and loss adjustment expenses were based on the amounts reported through December 31, 2021 with future development estimated based on the historical development patterns of COVID-19 and non-COVID-19 losses
- The forecast for the September 1, 2022 policy period is based on the average of the Rockefeller Foundation’s high intermediate forecast and the Institute for Health Metrics and Evaluation (IHME) forecast with a judgmental tempering of 40% (see Section B, Appendix D of the WCIRB’s September 1, 2022 Pure Premium Rate Filing)

Source Data

- WCIRB aggregate financial data as of December 31, 2021
- Rockefeller Foundation’s Report
- IHME projections

Return to Chart 12

The detailed data underlying these charts (in Excel format) is also available on the WCIRB’s website or by CLICKING HERE.

More Info

Chart 13: 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
- 2022 premium forecast is primarily based on first quarter 2021 premium reported to the WCIRB and projected changes in statewide employment and wage levels for the remainder of 2022

Return to Chart 13

Chart 14: Drivers of Written Premium Changes
- Annual California premium growth attributed to changes in average insurer rates and economic expansion as reflected in changes in employer payrolls
- Changes in premium are impacted by several other factors such as changes in the mix of industries, the change in the average experience modification, more or less premium captured in audits of older policies and transitions in and out of self-insurance
- In particular, changes in written premium in 2020 and 2021 may be more driven by shifts in the industrial mix 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

Return to Chart 14

Chart 15: Changes in California Statewide Average Wages
- 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, 2022 Pure Premium Rate Filing)

Source Data
- UCLA published economic data and forecasts as of June 2022 and California Department of Finance forecasts as of April 2022
- WCIRB adjusted wage changes are based on UCLA forecasts, American Community Survey, and Current Population Survey Extracts as published by the Economic Policy Institute

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The detailed data underlying these charts (in Excel format) is also available on the WCIRB's website or by CLICKING HERE.

More Info

Chart 16: 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 incepted

Source Data

- WCIRB unit statistical data (through 2019) and aggregate financial data calls
- The average rate for 2022 is based on the first quarter only
- For consistency of comparison, average rates for prior years are restated to include the impact of maximum payroll limitations applied to five classifications beginning in 2020 and six classifications effective September 1, 2022

Return to Chart 16

Chart 17: 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
- For consistency of comparison, average rates for prior years are restated to include the impact of maximum payroll limitations applied to five classifications beginning in 2020 and six classifications effective September 1, 2022

Return to Chart 17

Chart 18: January 2022 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 24% of premium, which approximates a 100% combined ratio
- All average rates include the impact of maximum payroll limitations applied to classifications effective September 1, 2022

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More Info

Chart 19: 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 & Bradstreet Hoovers employer database

Return to Chart 19

Chart 20: 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

Source Data
- WCIRB unit statistical data for policy year 2019
- Industries are based on WCIRB classifications mapped to the North American Industry Classification System (NAICS) sectors

Return to Chart 20

Chart 21: 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 2019) and aggregate financial data calls (2020 and 2021)
- COVID-19 claims are excluded from accident years 2020 and 2021

Return to Chart 21

Chart 22: 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 2019) and aggregate financial data calls (2020 and 2021)
- 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

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Chart 23: 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, 2022

Return to Chart 23

Chart 24: Change in Indemnity Claims Frequency by Industry in 2020

- Accident year 2020 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 2020 frequency on 2019 policies are compared to accident year 2019 frequency on 2018 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

Return to Chart 24

Chart 25: Regional Differences in 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 2019 at first report level
- Region information obtained by linking WCIRB policy and unit statistical data with Dun and Bradstreet (D&B Hoovers) location information as well as WCIRB medical transaction data
- For more information on the study of regional cost differences within California, see the **2021 WCIRB Geo Study**

Return to Chart 25

Chart 26: 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
- Accident year 2020 is preliminary and is based on policies incepting in 2019
- 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 **The World of Cumulative Trauma Claims**

Return to Chart 26

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Chart 27: Change in Cumulative Trauma Claims by Industry in 2020

- Change in the number of cumulative trauma claims in 2020 for selected industries
- Industries are ordered in based on the percentage loss of employment during 2020

Source Data

- WCIRB unit statistical data at first unit statistical report level based on accident year 2020 claims on policies incepting in 2019 compared to accident year 2019 claims on policies incepting in 2018
- Cumulative trauma also includes occupational disease claims but excludes COVID-19 claims

Return to Chart 27

Chart 28: 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
- Accident year 2020 is preliminary and is based on policies incepting in 2019
- 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

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Chart 29: Permanent 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

- 2022 NCCI Annual Statistical Bulletin for policy year 2018 and WCIRB unit statistical data

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Chart 30: 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, 2022 excluding COVID-19 claims
- Values are developed to a final or ultimate cost basis by the WCIRB
- Projections through 2024 are based on the WCIRB's September 1, 2022 Pure Premium Rate Filing methodologies

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Chart 31: 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, 2022 excluding COVID-19 claims, developed to a final or ultimate cost basis by the WCIRB
- NCCI 2022 State of the Line Guide for NCCI state data (2021 is preliminary)
- Bureau of Labor Statistics for average wage data

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Chart 32: Indemnity Cost per Indemnity Claim by State

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

Source Data

- 2022 NCCI Annual Statistical Bulletin based on policy year 2018 at 1st report level developed to a final or ultimate cost basis

Return to Chart 32

Chart 33: 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, 2022 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 2024 are based on the WCIRB's September 1, 2022 Pure Premium Rate Filing methodologies

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Chart 34: 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, 2022 excluding the cost of medical-only claims and COVID-19 claims, developed to a final or ultimate cost basis by the WCIRB
- NCCI 2022 State of the Line Guide for NCCI state data (2021 is preliminary)
- California Medical CPI data is based on the Consumer Price Index Forecast by the California Department of Finance based on the average for the San Francisco and Los Angeles regions

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Chart 35: Medical Cost per Indemnity Claim by State

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

Source Data

- 2022 NCCI Annual Statistical Bulletin based on policy year 2018 at 1st report level developed to a final or ultimate cost basis

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Chart 36: 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
- COVID-19 claims were excluded

Source Data

- WCIRB medical transaction data as of June 30, 2022

Return to Chart 36

Chart 37: 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
- COVID-19 claims were excluded

Source Data

- WCIRB medical transaction data as of June 30, 2022

Return to Chart 37

Chart 38: Medical-Legal Cost Level Indexed to 2013

- Changes in the average total paid for medical-legal services per claim indexed to 2013
- Payments for medical-legal services provided on or after April 1, 2021 are based on the new Medical-Legal Fee Schedule
- Payment data for 2021 includes only medical-legal services provided during the new fee schedule period (April through December 2021)
- COVID-19 claims were excluded

Source Data

- WCIRB medical transaction data as of June 30, 2022

Return to Chart 38

Chart 39: 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, 2021

Source Data

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

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Chart 40: 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

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

Return to Chart 40

Chart 41: 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 NCCI, the Minnesota Workers' Compensation Insurers Association, the Workers' Compensation Rating and Inspection Bureau of Massachusetts and the Pennsylvania Compensation Rating Bureau

Return to Chart 41

Chart 42: 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 NCCI, the Minnesota Workers' Compensation Insurers Association, the Workers' Compensation Rating and Inspection Bureau of Massachusetts and the Pennsylvania Compensation Rating Bureau

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Chart 43: 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

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Chart 44: 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 2022 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**

Return to Chart 44

Chart 45: Distribution of 2021 Paid Frictional Costs

- Distribution of the major categories of frictional costs including allocated loss adjustment expenses (ALAE), unallocated loss adjustment expenses (ULAE), applicant attorney fees, medical cost containment program costs and medical-legal costs paid in 2021
- 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**

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More Info

The detailed data underlying these charts (in Excel format) is also available on the **WCIRB's website** or by **CLICKING HERE**.

More Info

Chart 46: Average Allocated Loss Adjustment Expenses per Indemnity Claim

- Average cost of loss adjustment expenses that can be allocated to a particular claim ("allocated loss adjustment expenses" or "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, 2021 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 2024 are based on the WCIRB's September 1, 2022 Pure Premium Rate Filing methodologies
- For more information on ALAE trends, see the WCIRB's report on **Friction in the California Compensation System**

Return to Chart 46

Chart 47: 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 allocated loss adjustment expenses by the WCIRB since they are not a direct benefit to injured workers

Source Data

- WCIRB aggregate financial data calls as of December 31, 2021 excluding COVID-19 claims
- Values are developed to a final or ultimate cost basis by the WCIRB
- Projections through 2024 are based on the WCIRB's September 1, 2022 Pure Premium Rate Filing methodologies

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Chart 48: Ratios of Allocated Loss Adjustment Expenses to Losses

- Comparison of the ratio of allocated loss adjustment expenses (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

- 2022 NCCI Annual Statistical Bulletin

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The detailed data underlying these charts (in Excel format) is also available on the **WCIRB's website** or by **CLICKING HERE**.

More Info

Chart 49: Median Paid ALAE on Permanent Disability Claims by Region

- Heat map of median paid allocated loss adjustment expenses on permanent disability claims for California regions

Source Data

- WCIRB unit statistical data for policy year 2019 at 1st report level
- Region information obtained by linking WCIRB policy and unit statistical data with Dun and Bradstreet (D&B Hoovers) location information as well as WCIRB medical transaction data
- For more information on the study of regional cost differences within California, see the **2021 WCIRB Geo Study**

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Chart 50: Ratios of Unallocated Loss Adjustment Expenses to Losses

- Comparison of the ratio of unallocated loss adjustment expenses (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

- 2022 NCCI Annual Statistical Bulletin

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Chart 51: 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

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Chart 52: Distribution of Insured System Costs

- Distribution of total California workers' compensation insured system costs incurred in 2016 and 2021 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 53: Distribution of Paid Indemnity Benefits

- Distribution of indemnity benefits paid in 2016 and 2021 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

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Chart 54: Distribution of Paid Medical Benefits

- Distribution of medical benefits paid in 2016 and 2021 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)

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Chart 55: 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

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Chart 56: Market Share by Type of Insurer

- Shows the proportion of California premium written by the 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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The detailed data underlying these charts (in Excel format) is also available on the **WCIRB's website** or by **CLICKING HERE**.

Chart 57: 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, 2022

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Chart 58: 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 57 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 2022 State of the Line Guide computed based on Annual Statement data (the 2021 estimate is preliminary)
- Excludes the impact of the State Compensation Insurance Fund and other state funds

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Chart 59: 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 2020
- 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

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The detailed data underlying these charts (in Excel format) is also available on the **WCIRB's website** or by **CLICKING HERE**.

Conditions & Limitations

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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1901 Harrison Street, 17th Floor
Oakland, CA 94612
888.229.2472