

WCIRB Quarterly Experience Report

As of March 31, 2022

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Chart 1

Written premium for 2021 is 1.4% below that for 2020 and is the lowest since 2012.

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 for the first quarter of 2022 is 22% above that for the first quarter of 2021 and 5% above that for the first quarter of 2020 (which was pre-pandemic).

Written Premium | Gross of Deductible Credits

As of March 31, 2022

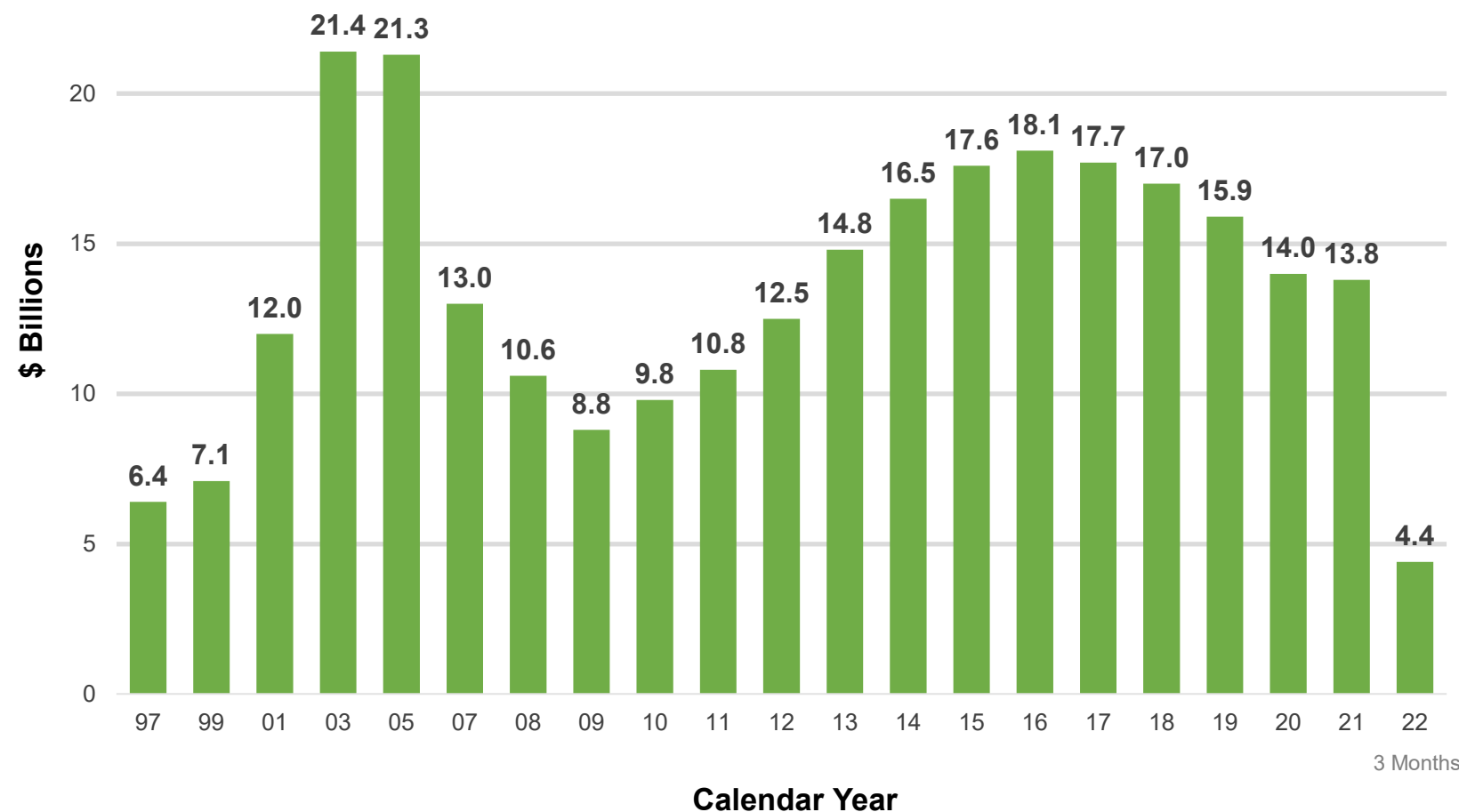




Chart 2

The average charged rate for the first quarter of 2022 is 3% below that of 2021 and is the lowest in decades.

In the September 1, 2022 filing, the WCIRB proposed an average 7.6% increase in advisory pure premium rates. In the Decision on the Filing, the Insurance Commissioner did not approve any change in the average advisory pure premium rate.

Industry Average Charged Rates

As of March 31, 2022

Chart 3:

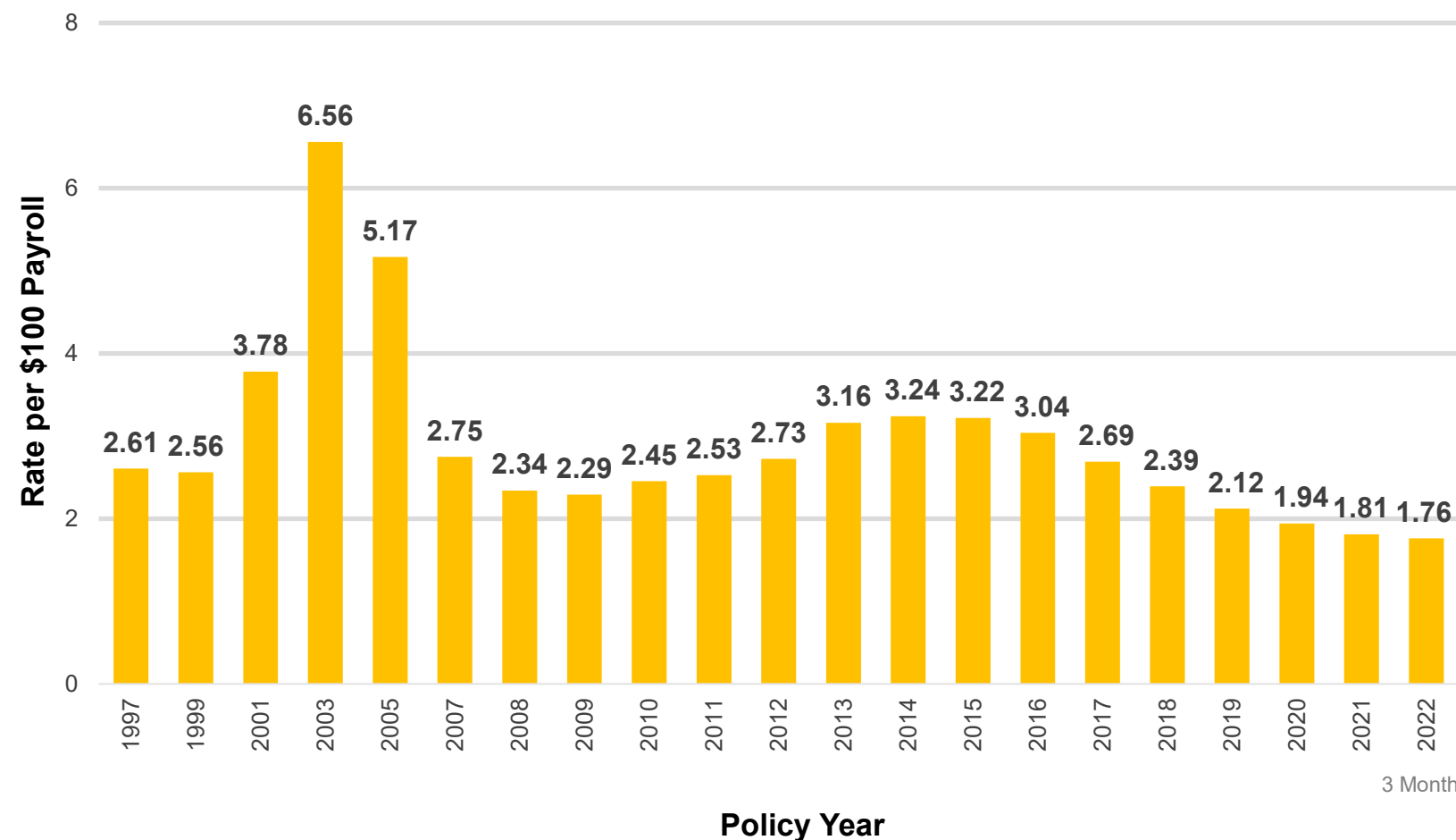




Chart 3

The projected loss ratio for 2021, including COVID-19 claims, is 5 points above that for 2020 and 11 points above that for 2019.

Projected loss ratios have been growing steadily since 2016.

Ultimate Accident Year Loss Ratios

As of March 31, 2022

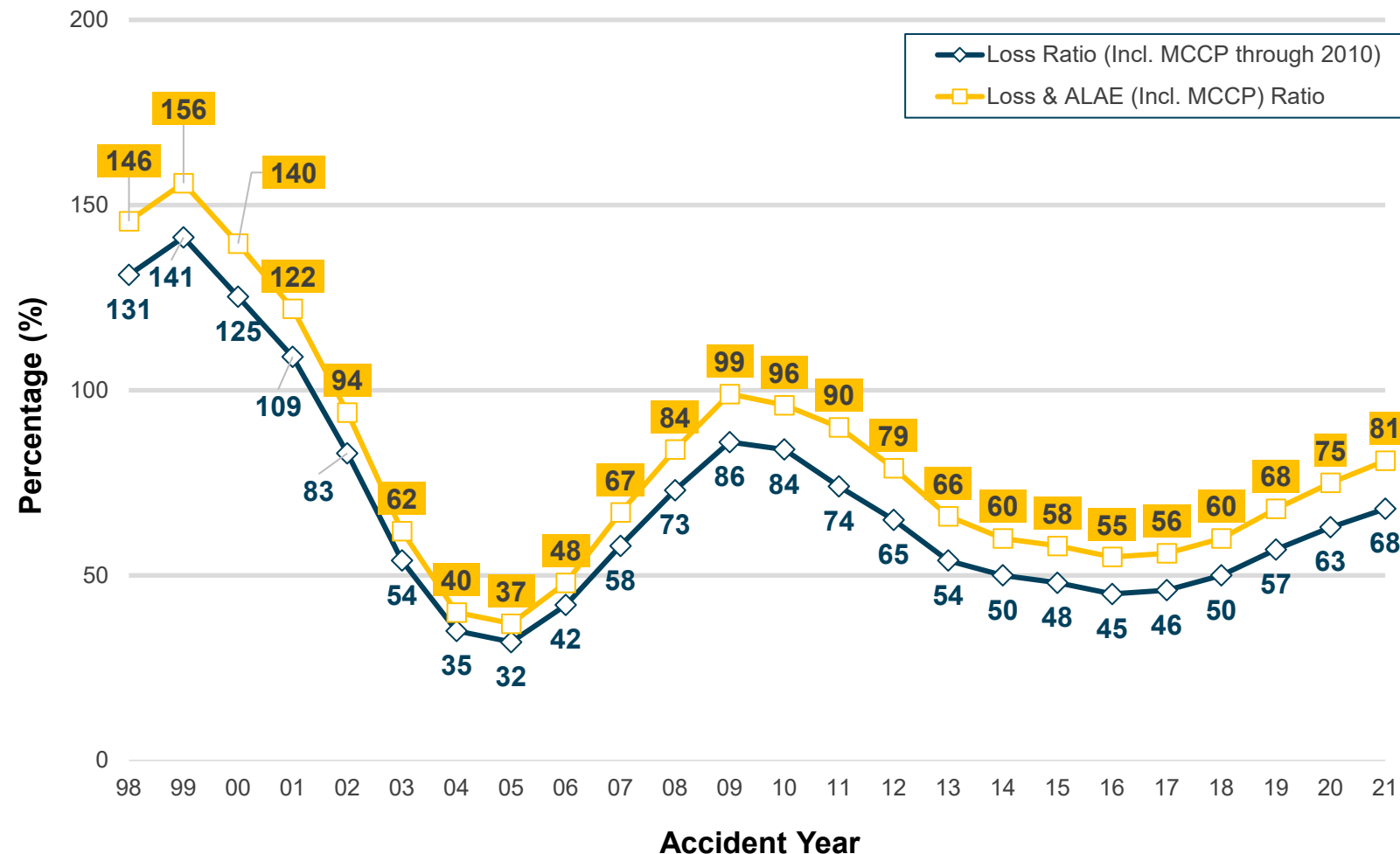




Chart 4

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 110% and the projected ratio for 2020 is 99%, 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 March 31, 2022

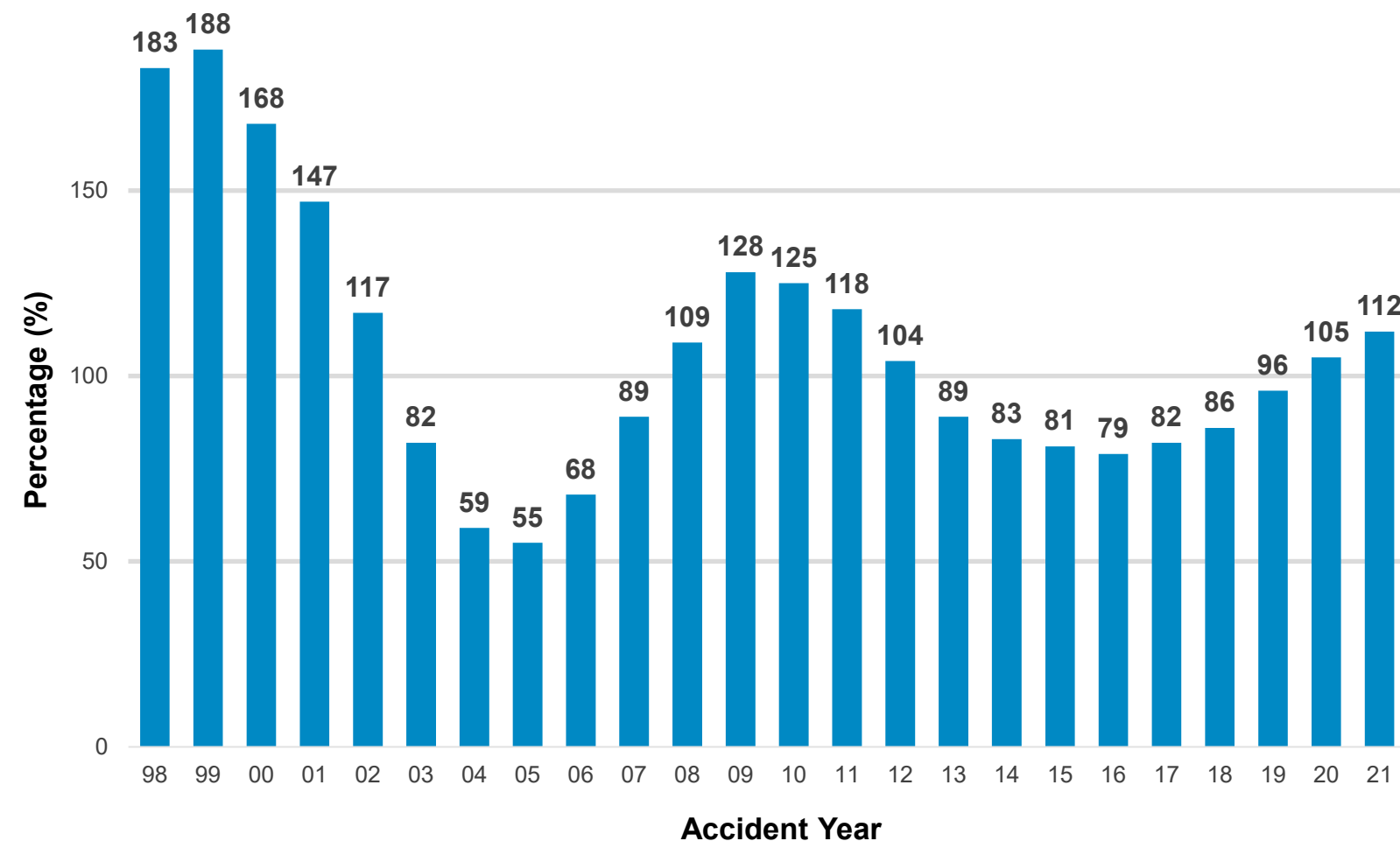




Chart 5

Indemnity claims had been settling quicker through the first quarter of 2020, 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 plateaued in 2021 and 2022 but remain lower than the immediate pre-pandemic period.

Percent of Open Indemnity Claims Closed in Next Year

As of March 31, 2022

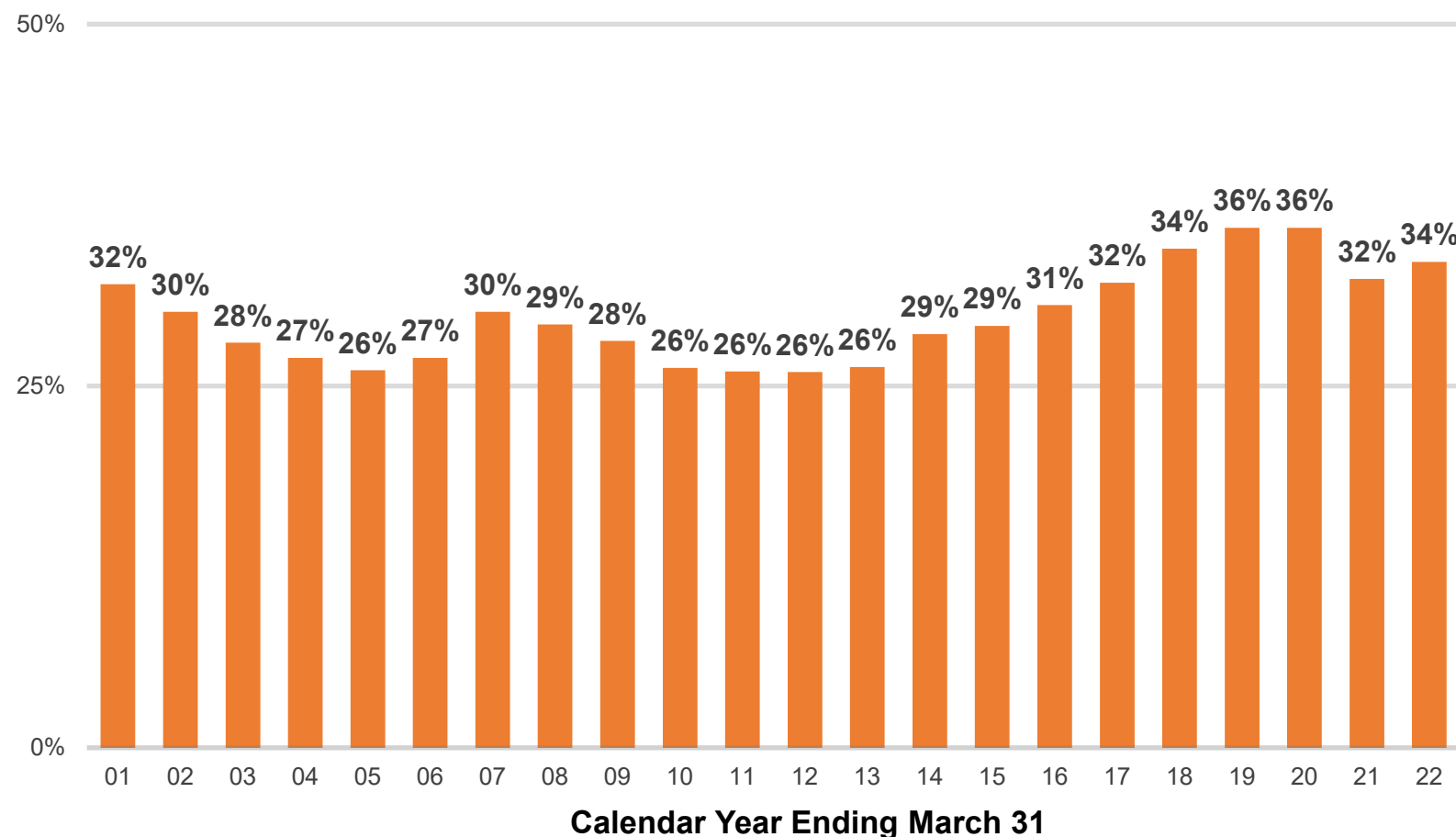




Chart 6

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 -6%, which is more comparable to the modest declines in frequency during the immediate pre-pandemic period.

Change in Indemnity Claim Frequency

As of March 31, 2022

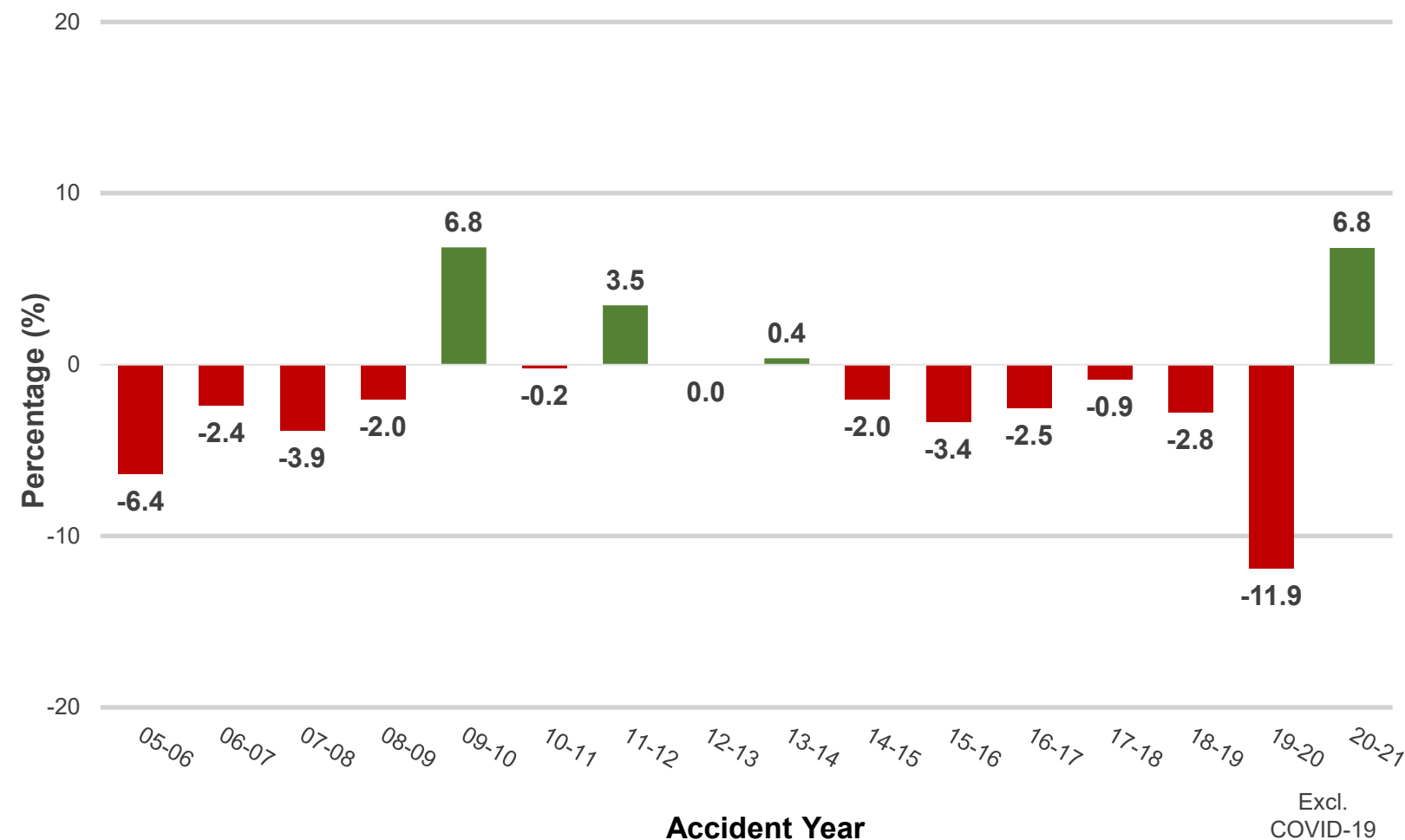




Chart 7

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 indemnity claim frequency has been modest through May but may increase again with the recent surge of infections in California.

COVID-19 Share of Indemnity Claims

As of June 2022

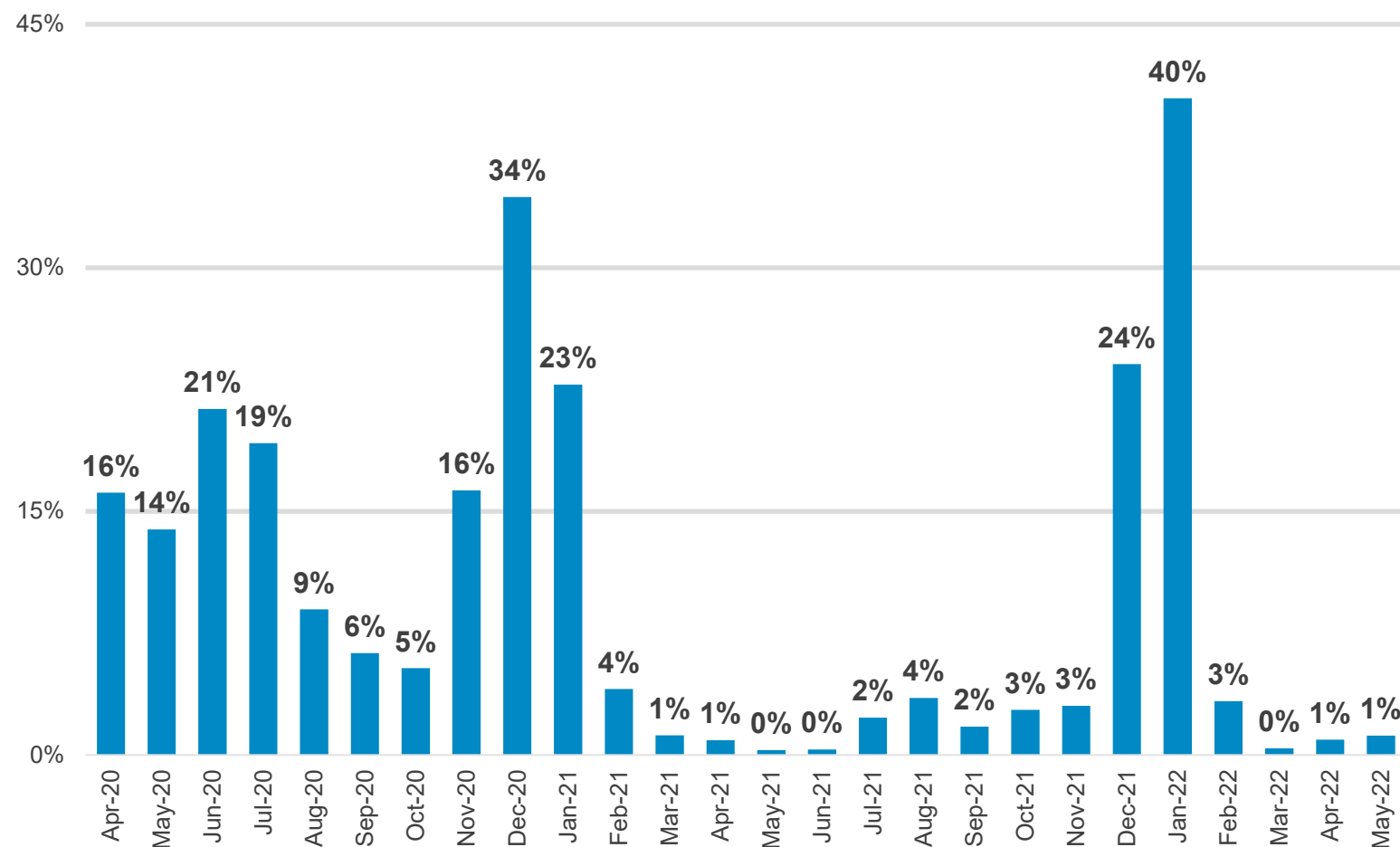


Chart 8

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.

In particular, the 2020 increase in CT claim rates is largest in industry sectors that had the largest job losses in 2020.

Cumulative Trauma Claims per 100 Indemnity Claims

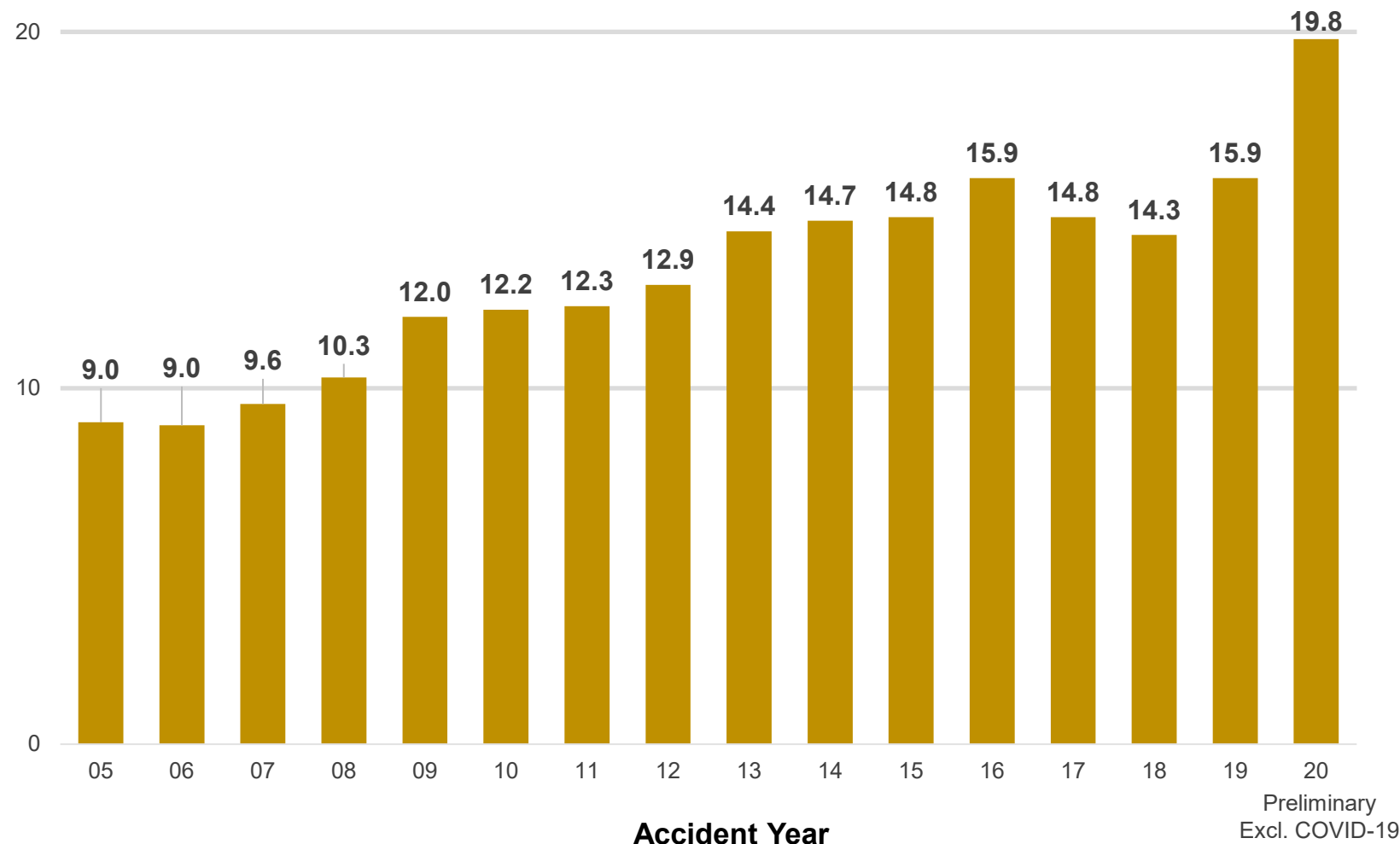




Chart 9

Projected total claim severity for 2021, excluding COVID-19 claims, is 1% below 2020 but 12% above 2017.

Ultimate Total Loss and ALAE Severities

As of March 31, 2022

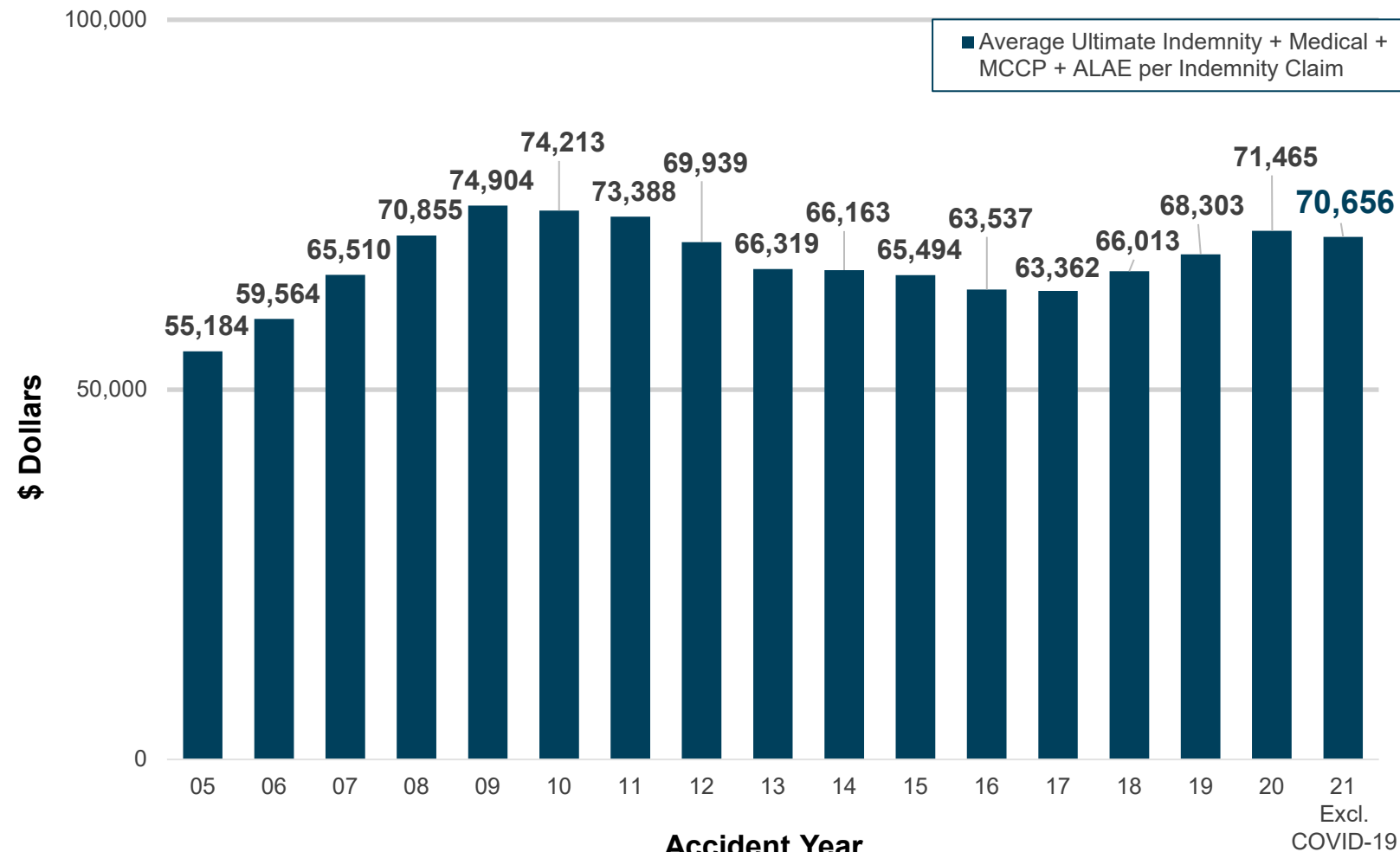




Chart 10

Following several years of flat indemnity severities, the projected indemnity severity for 2021 is 2% higher than 2020 and 19% 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 March 31, 2022

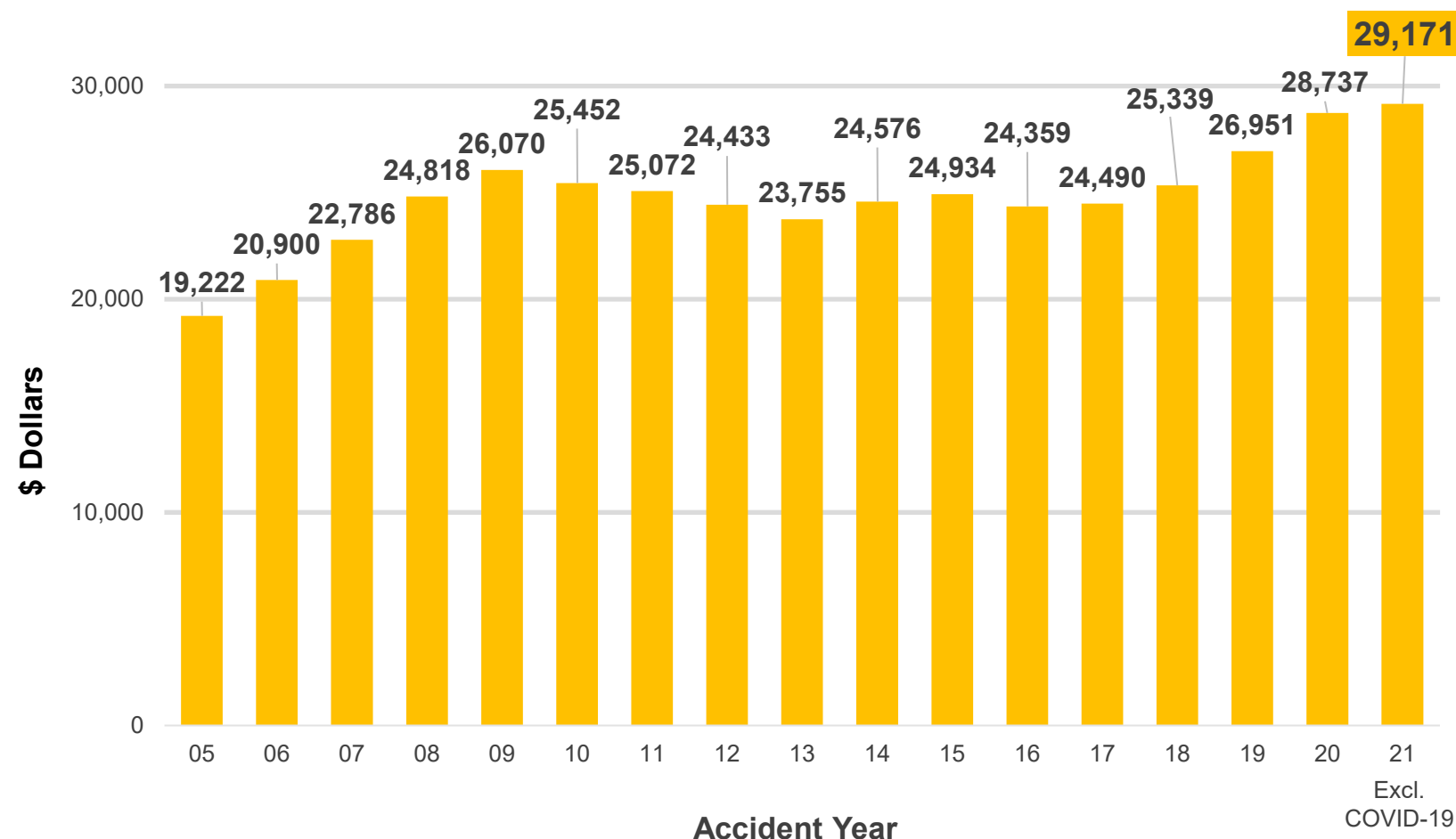


Chart 11

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

The projected medical severity for 2021 is 2% lower than 2020 but 8% 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 March 31, 2022

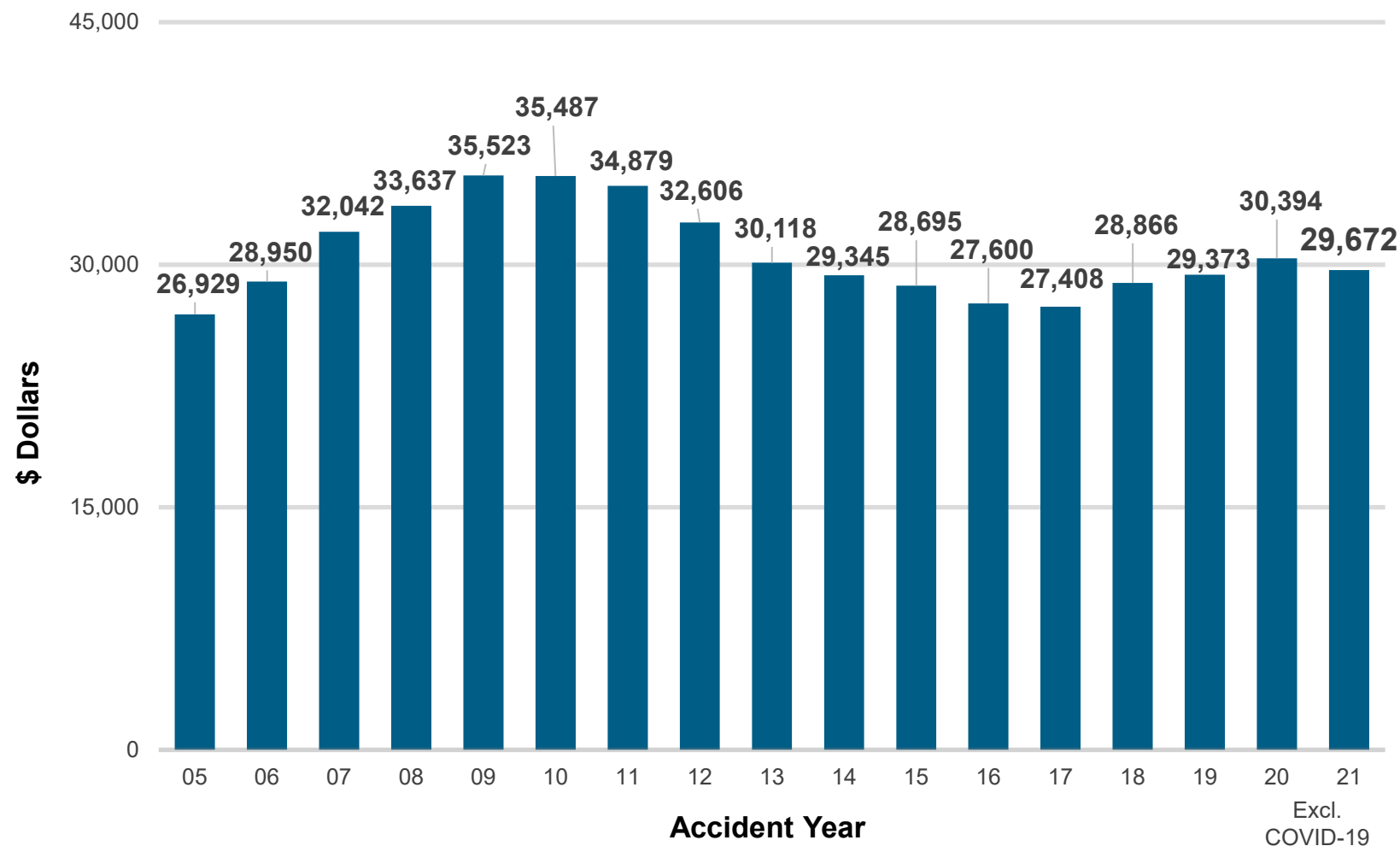


Chart 12

ALAE severities have been generally flat from 2009 through 2021.

Ultimate ALAE (excl. MCCP) Severities

As of December 31, 2021

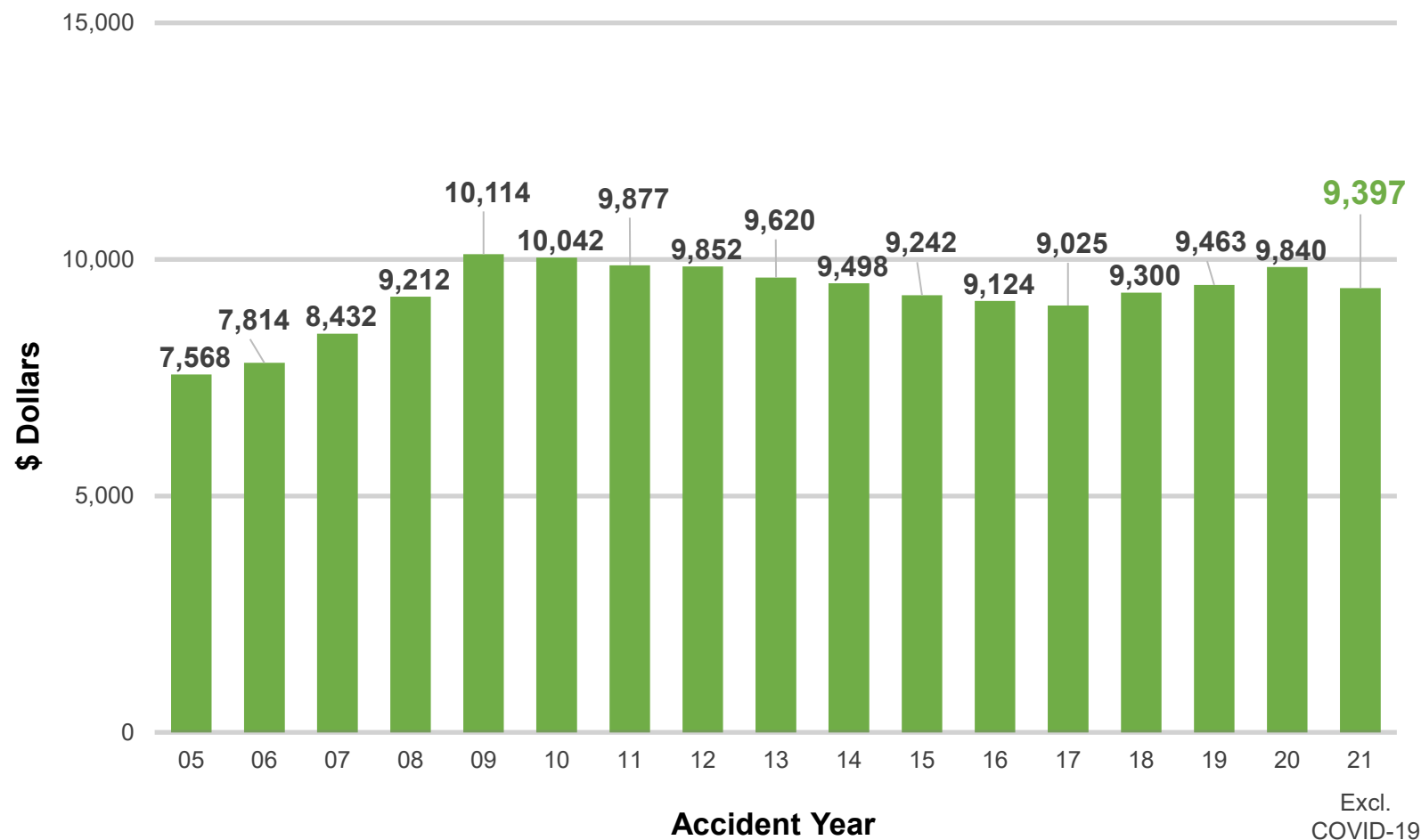




Chart 13

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

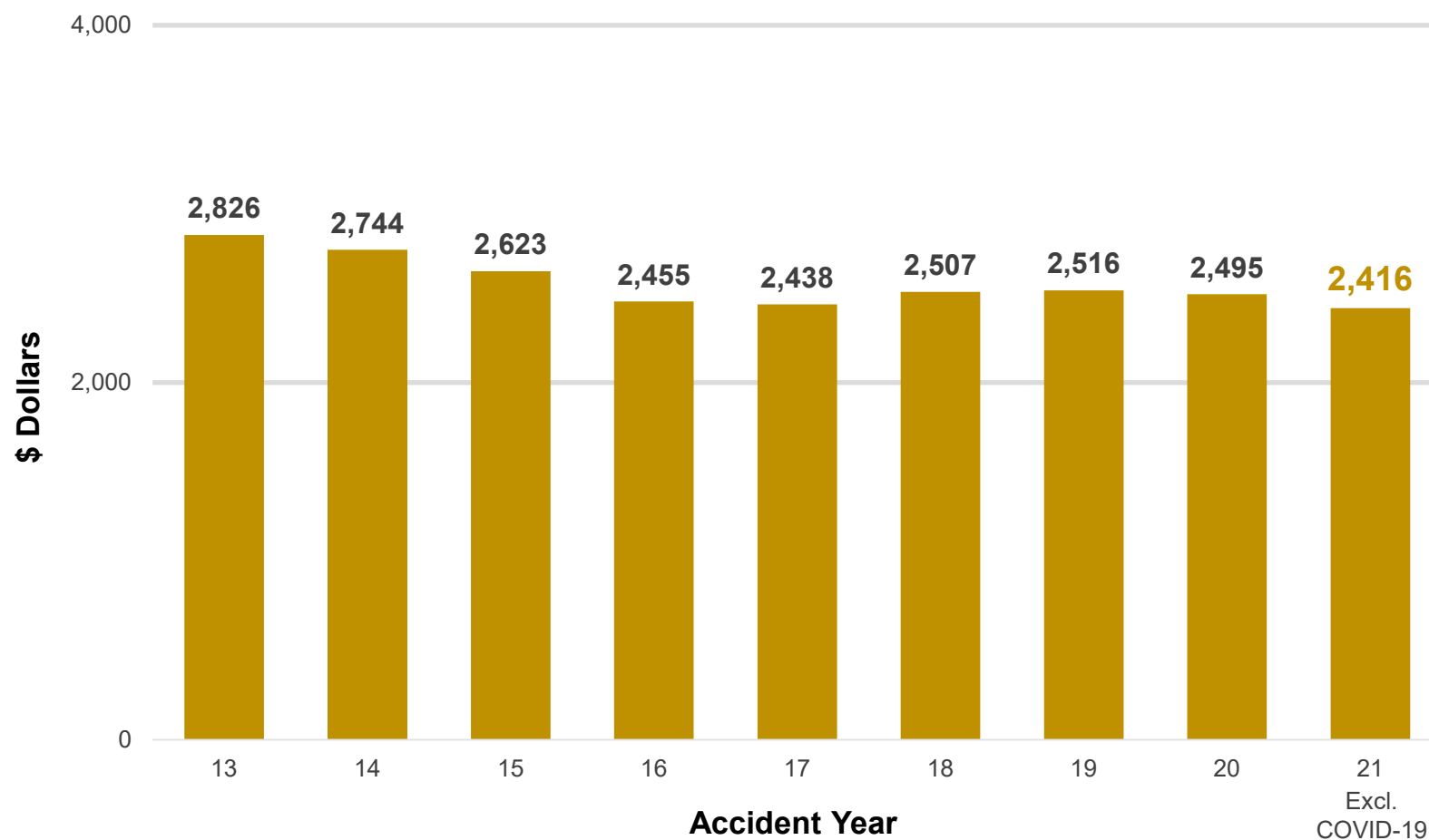


Chart 14

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 3% 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 June 30, 2022

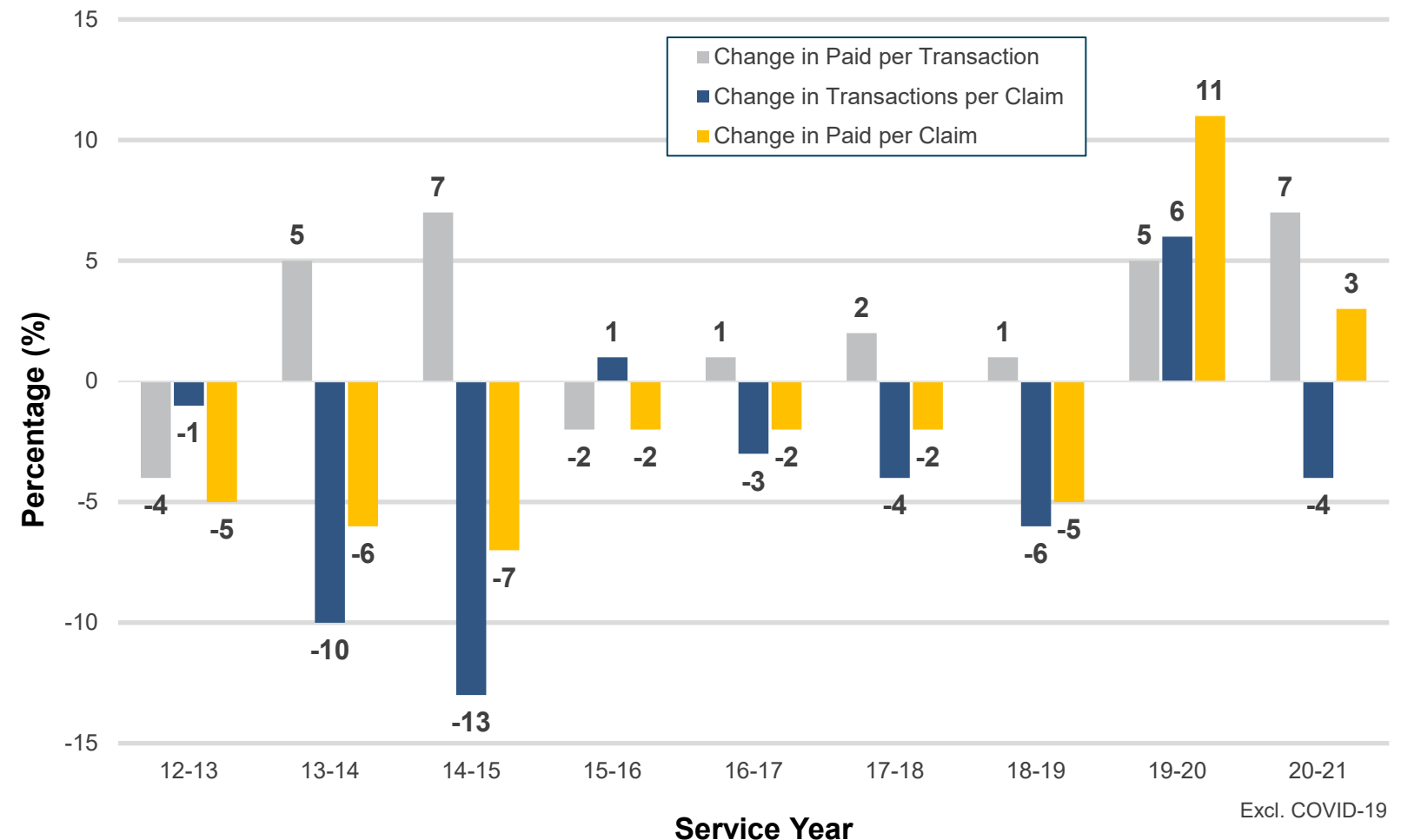


Chart 15

Pharmaceutical costs per claim decreased by 84% from 2012 through 2021.

After increasing during the early pandemic period in 2020, average pharmaceutical costs per claim declined by 9% in 2021.

Change in Pharmaceutical Cost Levels

As of June 30, 2022

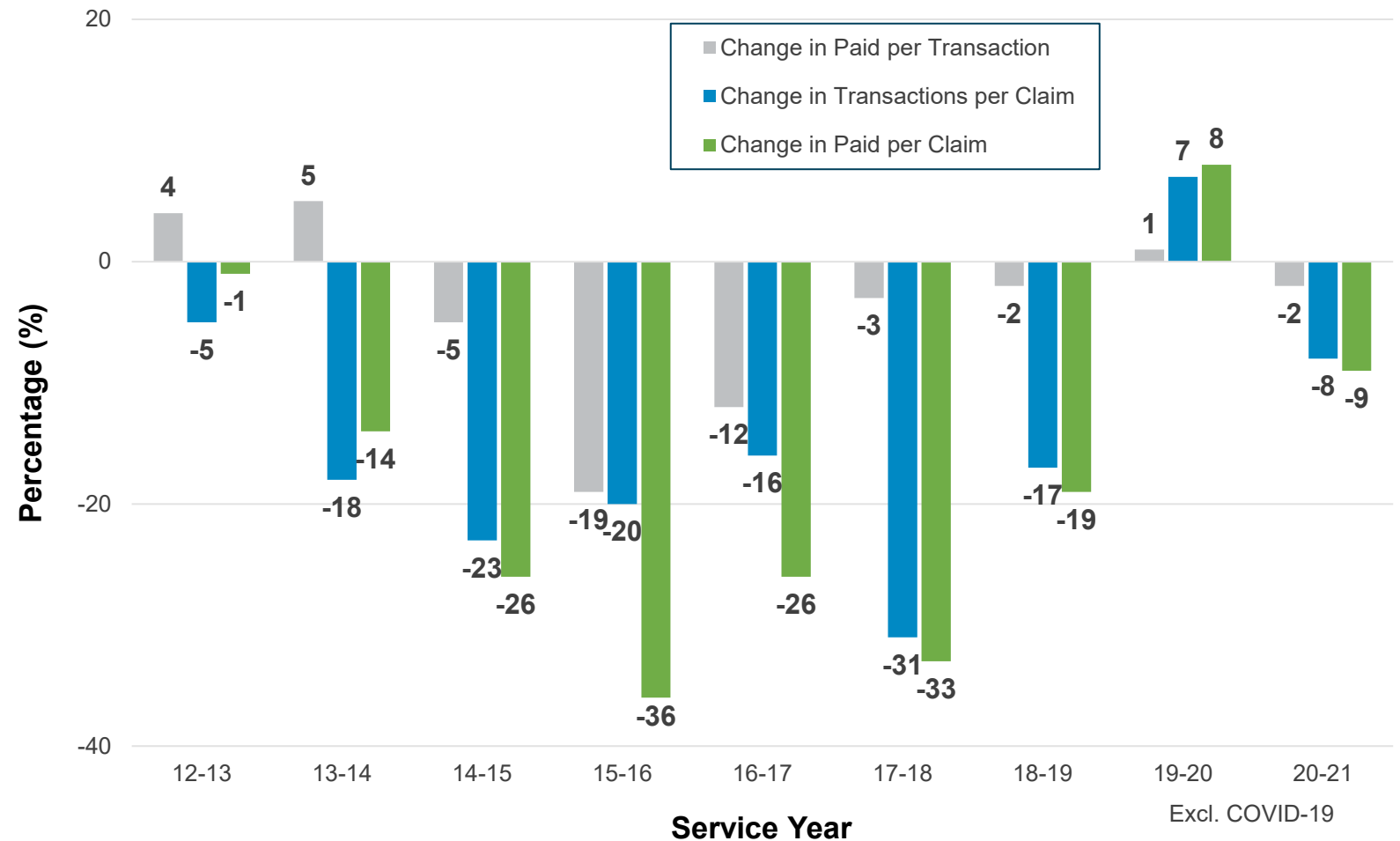


Chart 16

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 March 31, 2022

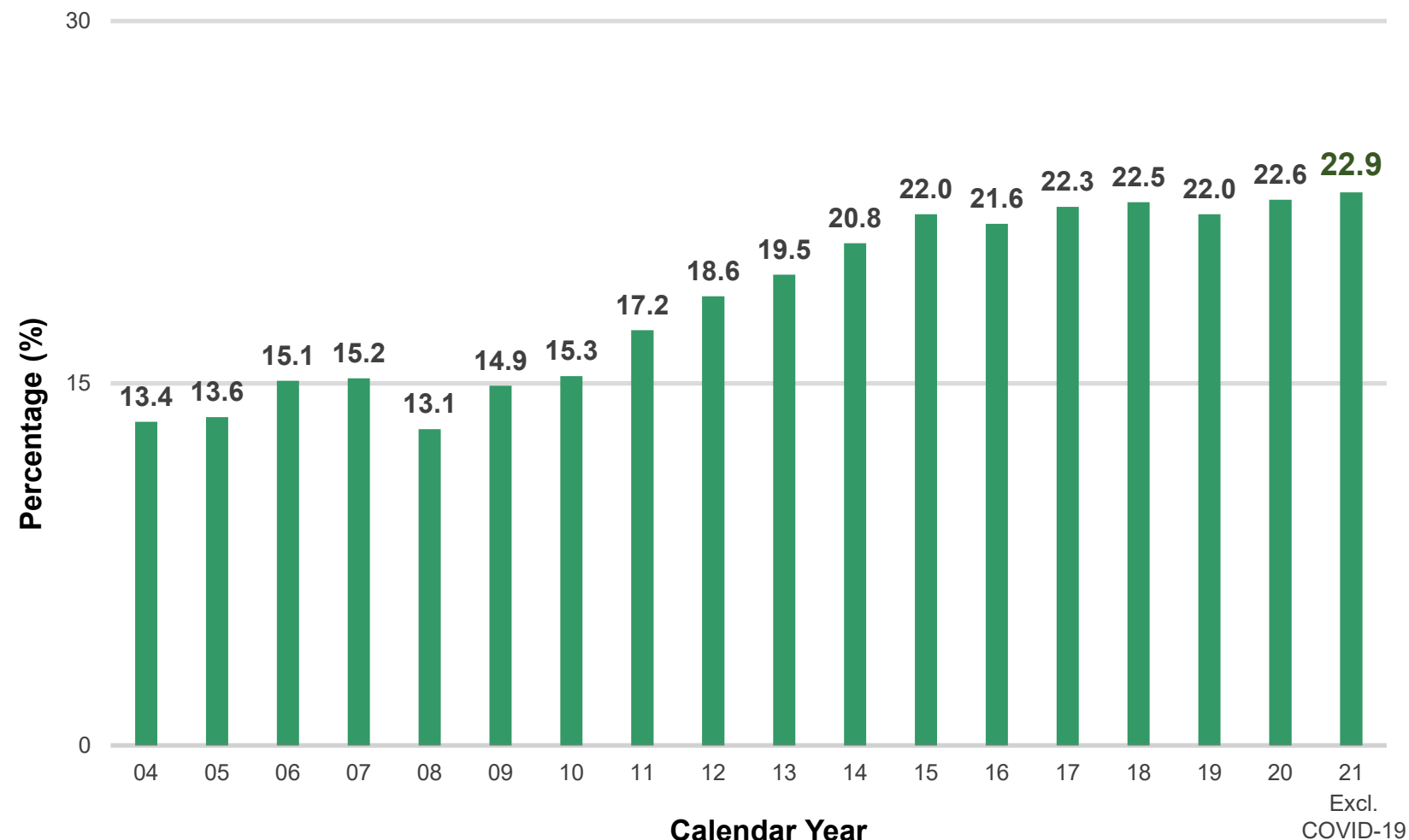
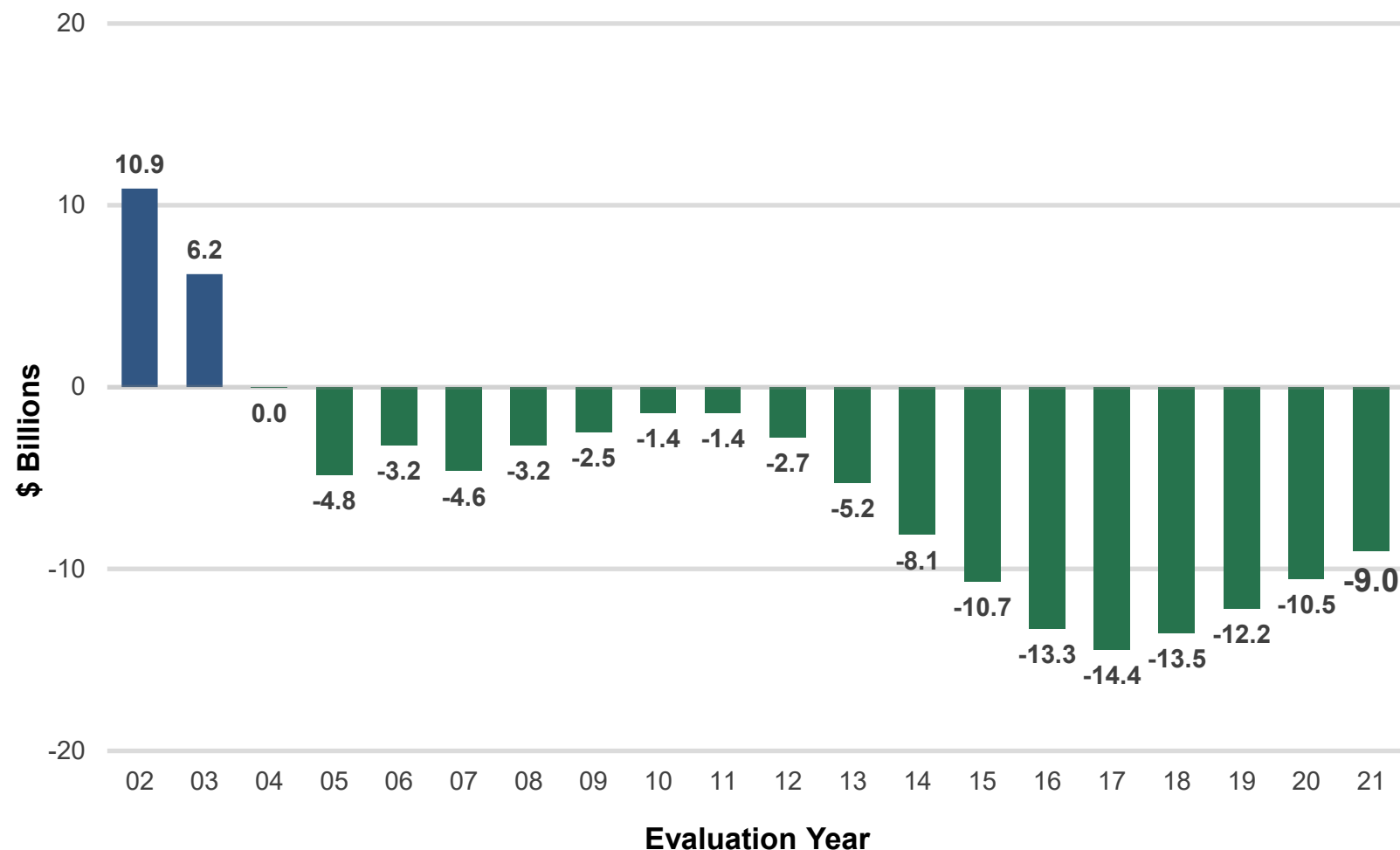


Chart 17

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

Projected Ultimate Losses Less Reported Losses

As of March 31, 2022





General Notes and 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 and projections as of March 31, 2022. 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.
- 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.
- 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.



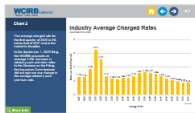
More Info

Chart 1: Written Premium



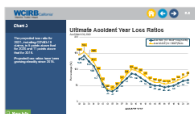
- Source: WCIRB aggregate financial data calls.
- Written premium is gross of deductible credits.

Chart 2: Industry Average Charged Rates



- Rates are based on WCIRB unit statistical data through 2019 and estimated based on aggregate financial data calls for 2020 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 September 1, 2022.

Chart 3: Ultimate Accident Year Loss Ratios



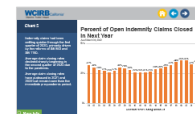
- Ratios are projected based on WCIRB aggregate financial data call data as of March 31, 2022.
- MCCP costs are included in loss ratios for accident years 2010 and prior.
- MCCP costs are included in loss and ALAE ratios for all years shown.
- COVID-19 claims are included in the projections for accident years 2020 and 2021.

Chart 4: Projected Accident Year Combined Ratios



- Ratios are projected based on WCIRB aggregate financial data call data as of March 31, 2022.
- 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 March 31, 2022.
- Figures represent the number of indemnity claims aged between 15 to 99 months closed during the year as a ratio of the number of estimated ultimate claims open or not yet reported as of March 31 of the prior year.

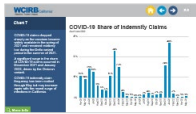
Chart 6: Change in Indemnity Claim Frequency



- 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 May 31, 2022. Excludes denied claims.

Chart 8: Cumulative Trauma Claims per 100 Indemnity Claims



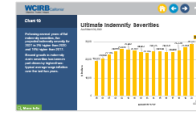
- Source: WCIRB unit statistical data. Claim counts are developed to an estimated ultimate level.
- Accident year 2020 data is preliminary.
- COVID-19 claims are excluded from accident year 2020.

Chart 9: Ultimate Loss & ALAE Severities



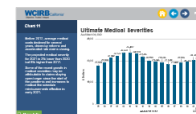
- Severities are projected based on WCIRB aggregate financial data call data as of March 31, 2022.
- Includes data for indemnity claims only.
- COVID-19 claims are excluded from accident years 2020 and 2021.

Chart 10: Ultimate Indemnity Severities



- Severities are projected based on WCIRB aggregate financial data call data as of March 31, 2022.
- 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 March 31, 2022.
- 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



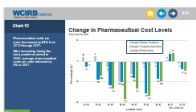
- Severities are projected based on WCIRB aggregate financial data call data as of December 31, 2021.
- Includes data for indemnity claims only.
- COVID-19 claims are excluded from accident years 2020 and 2021.

Chart 14: Change in Medical Service Cost Levels



- Source: WCIRB medical transaction data as of June 30, 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 June 30, 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 March 31, 2022.
- COVID-19 claims are included in the projections for accident years 2020 and 2021.



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