California Workers’ Compensation Update – WCIRB Perspective

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DWC 24th Annual Educational Conference
Los Angeles February 23 - 24, 2017
Oakland March 2 - 3, 2017

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Reported Written Premium
Gross of Deductible Credits

Calendar Year

Full Year Forecast

$ Billions

0 5 10 15 20 25

95 97 99 01 03 04 05 06 07 08 09 10 11 12 13 14 15 16

Gross of Deductible Credits

Estimated Average Charged Insurer Rate Per $100 of Payroll

Policy Period

7/03- 12/03 7/05- 12/05 7/06- 12/06 7/07- 12/07 7/08- 12/08 7/09- 12/09 7/10- 12/10 7/11- 12/11 7/12- 12/12 7/13- 12/13 7/14- 12/14 7/15- 12/15 7/16- 12/16

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Rate Comparison Based on Oregon Studies
California vs. National Median Average Charged Rate

In 2014 & 2016 California is only state in the Oregon study with an average rate over $3.00 per $100

Source: The information is based on the state of Oregon biennial rate comparison and is based on the Oregon classification mix and, as a result, the California average rates shown on this exhibit differ from other measures of the average California rate.

Estimated Permanent Partial Disability Claims
per 100,000 Employees

Countrywide Medical Cost per Indemnity Claim

Median = $25,780

Source: 2016 NCCI Annual Statistical Bulletin based on 2012 policy year at first report level developed to ultimate.

Percentage of Ultimate Medical Cost Paid at 3 Years

Median = 65%

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Percentage of Reported Indemnity Claims Open after 60 Months

Source: WCIRB calls for aggregate financial information and individual state summaries provided by NCCI, the Minnesota Workers’ Compensation Insurers Association, the Workers Compensation Rating & Inspection Bureau of Massachusetts, and the Pennsylvania Compensation Rating Bureau.

Countrywide Ratios of Loss Adjustment Expense Costs to Losses

Accident Year California Projected Combined Loss and Expense Ratios

As of September 30, 2016

Source: WCIRB calls for aggregate financial data. The cost of medical cost containment programs is reflected in LAE for accident years 2011 and subsequent. It is reflected in losses for all other accident years.

Experience Rating Update – Plan Changes

- 1/1/15 – Limit impact of single claim in rating period to 25 percentage points
- 1/1/16 – Earlier issuance of January X-Mods by linking eligibility to expected loss rates
- 1/1/17 – Vary primary/excess split point by size of employer (was $7,000 for all employers)
- Potential 1/1/19 changes – simplification of X-Mod formula and exclusion of impact of “First Aid” claims from computation
Principal Features of the Variable Split Experience Rating Plan

- Split point varies from $5,500 to $70,000 based on size of employer as measured by three year expected losses
- Claim amounts up to split point are used fully (100% credibility) in experience rating formula
- Claim amounts above split point are not used (0% credibility in experience rating formula)
- Impacts of large shock loss are generally reduced
- Adopted by Insurance Commissioner effective January 1, 2017
- Impact on X-Mod for most employers is modest
Uniform Statistical Reporting Requirements – 2017
Changes Related to First Aid Claims

- WCIRB formed broad working group in 2015 to review First Aid issue
- Commissioner adopted changes to clarify reporting requirements effective 1/1/17
  - Paid cost of all claims with paid medical are required to be reported by insurer even “first aid” claims that the employer pays
  - Paid costs on first aid claims reported like costs of any other medical only claim and used in experience rating
  - Doesn’t affect Department of Industrial Relations requirements on claims forms or reports of injuries
- WCIRB reviewing changing the experience rating plan to exclude the first $250 of each claim from X-Mod computation