

VISION
2020

WCIRB 2019 ANNUAL WORKERS'
COMPENSATION CONFERENCE



State of the System:

From the Bay to the Basin

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Executive Vice President and Chief Actuary

WCIRB California

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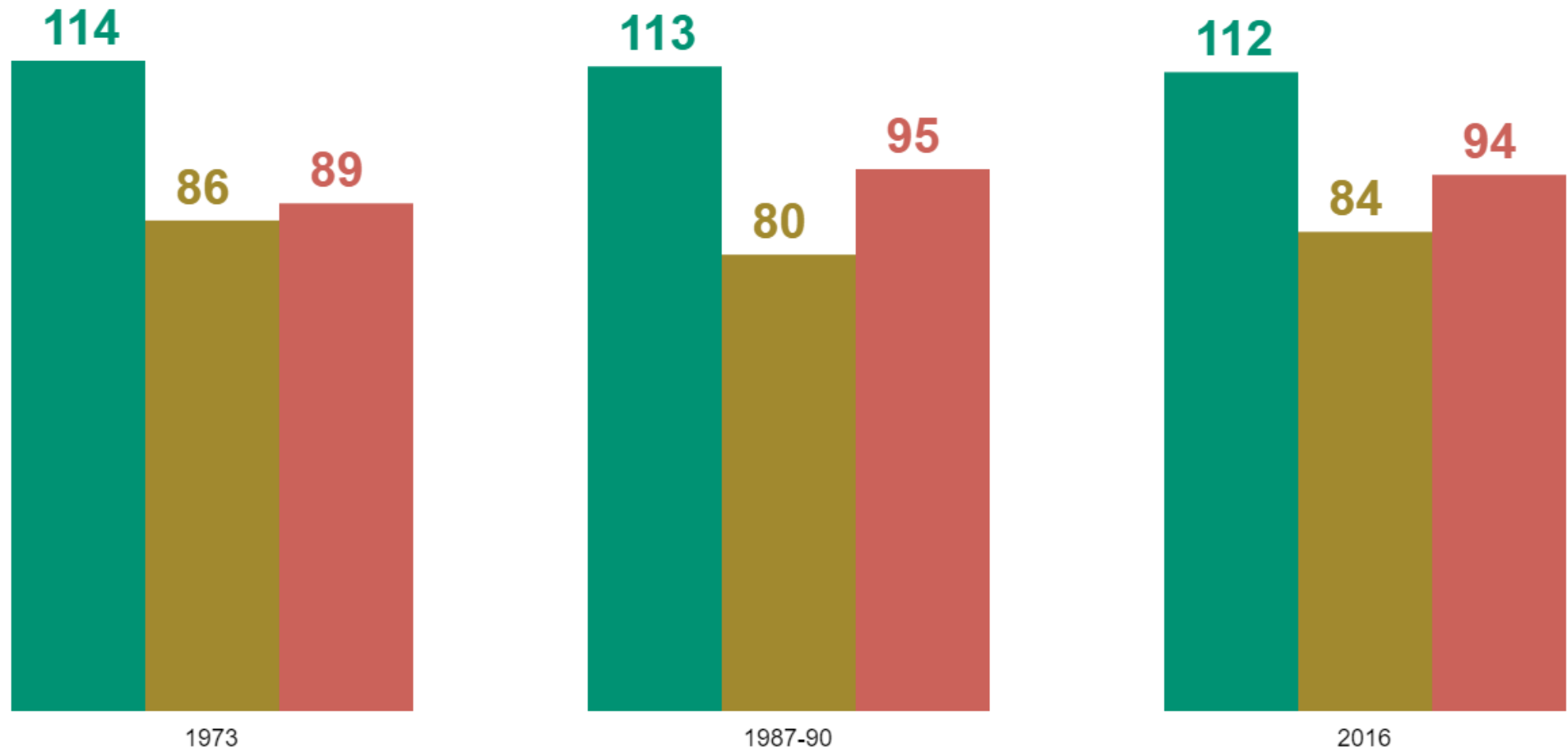
THE MORE THINGS CHANGE

LOSS RATIOS INDEXED TO STATEWIDE AVERAGE

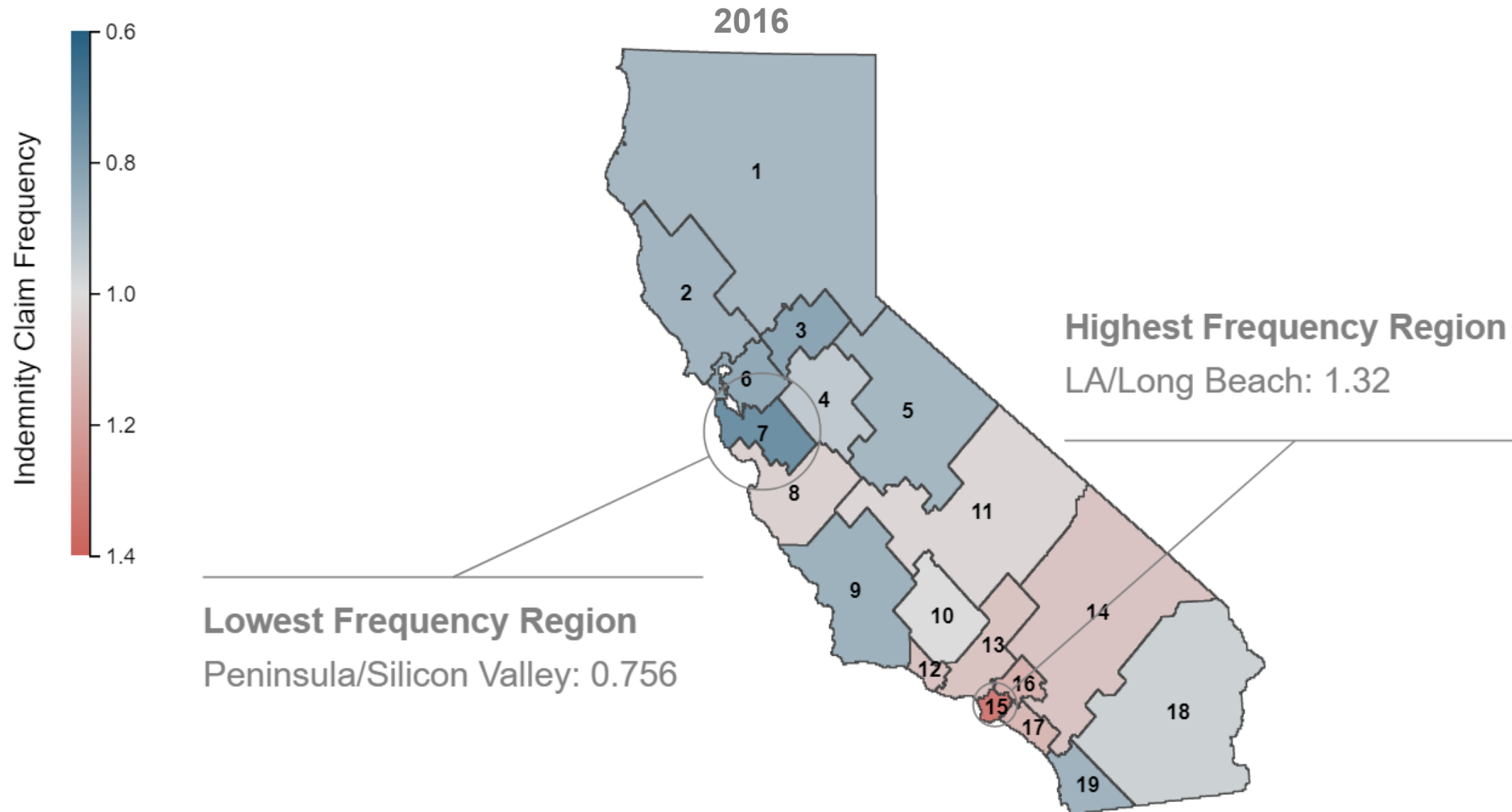
■ LA Basin

■ Bay Area

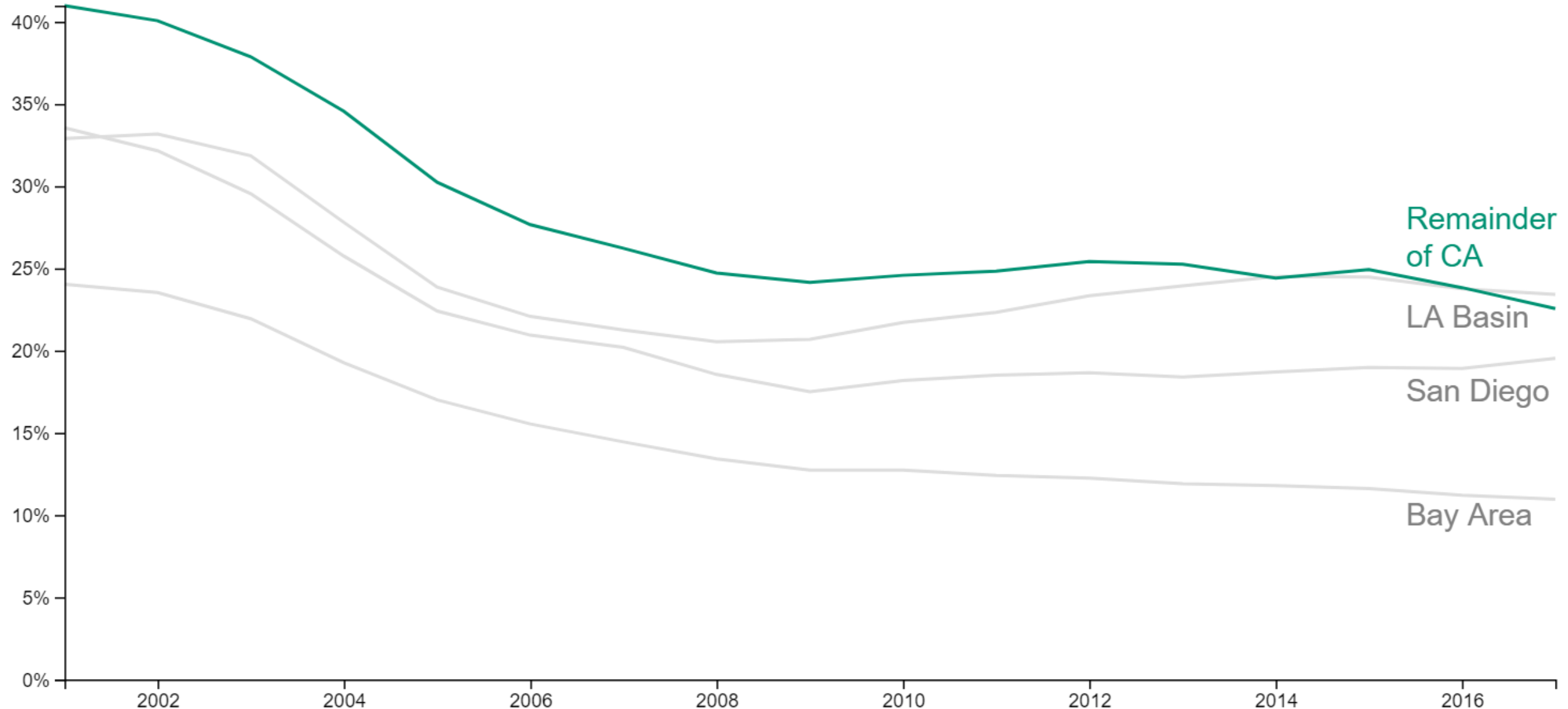
■ Remainder of CA



INDEMNITY CLAIM FREQUENCY RELATIVE TO STATEWIDE ADJUSTED FOR REGIONAL WAGE DIFFERENCES AND INDUSTRIAL MIX

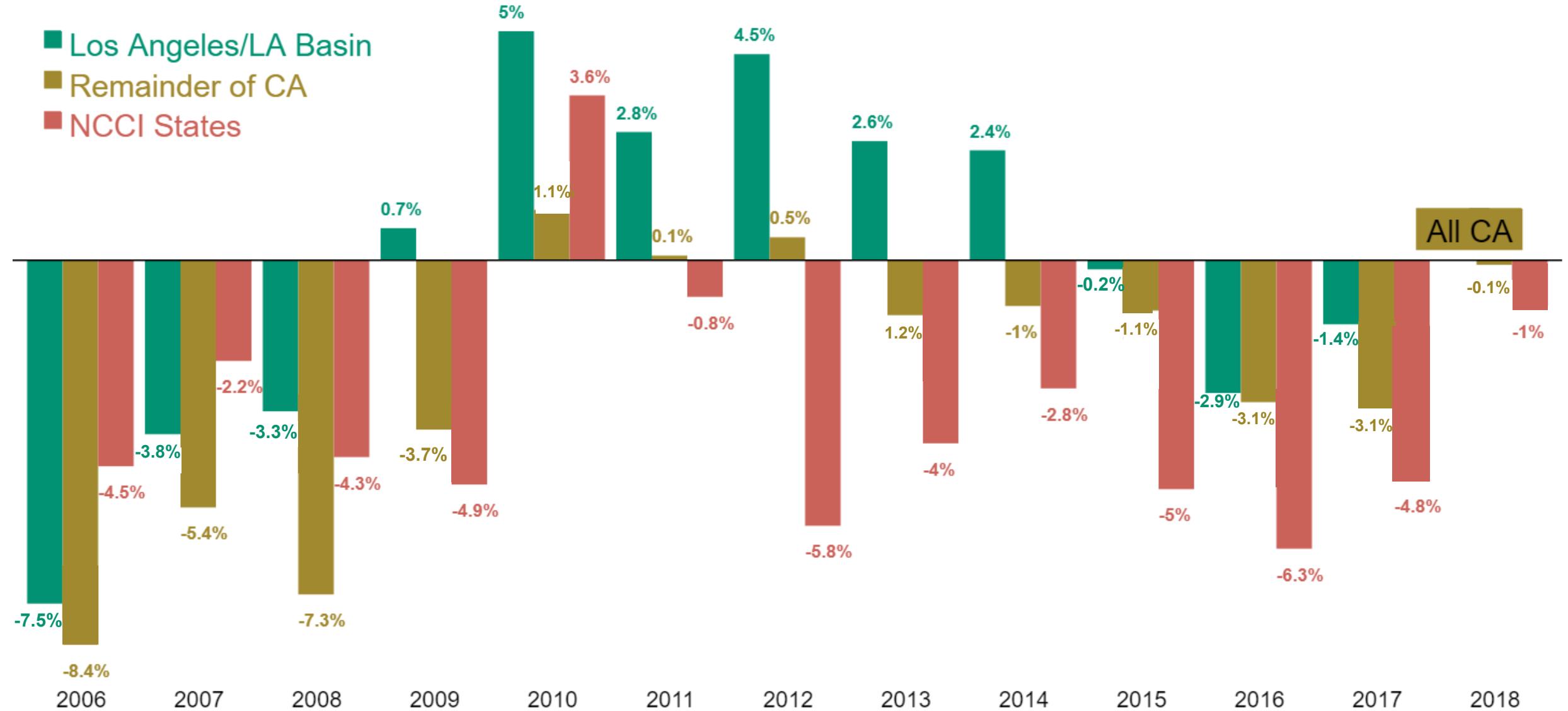


INDEMNITY CLAIM FREQUENCY BY REGION



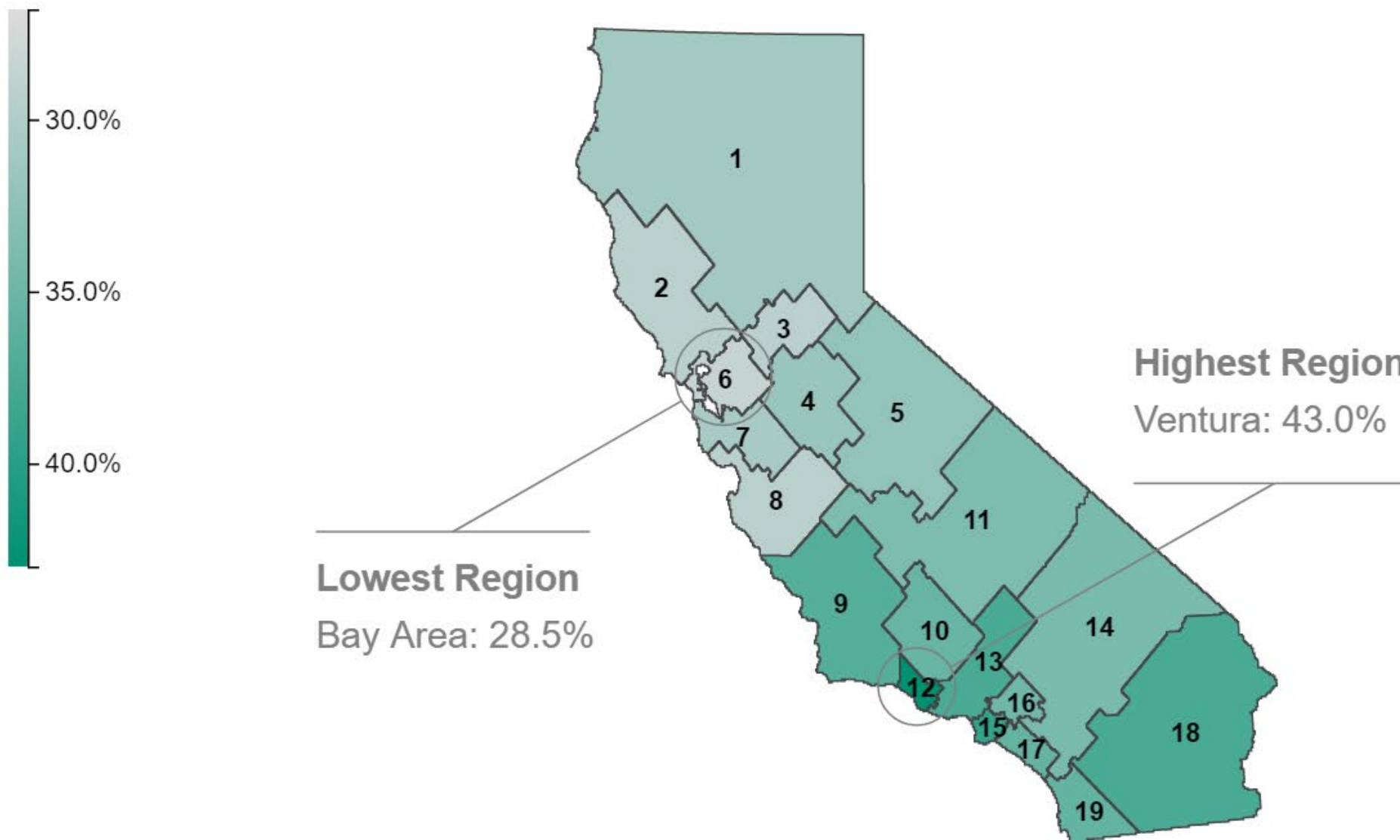
CHANGES IN INDEMNITY CLAIM FREQUENCY BY REGION COMPARED TO NATIONAL TRENDS

■ Los Angeles/LA Basin
■ Remainder of CA
■ NCCI States

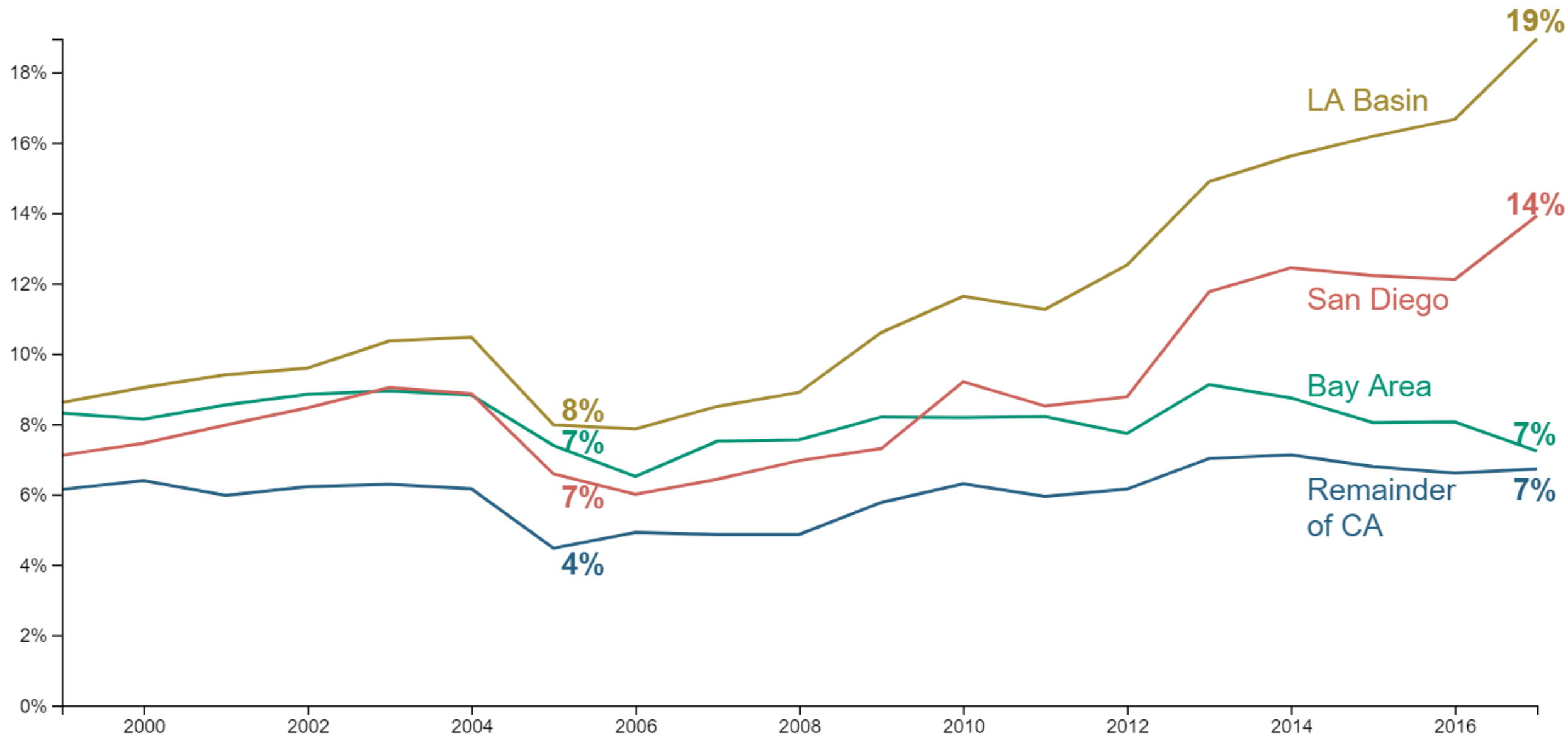


PERMANENT DISABILITY CLAIMS AS SHARE OF INDEMNITY CLAIMS

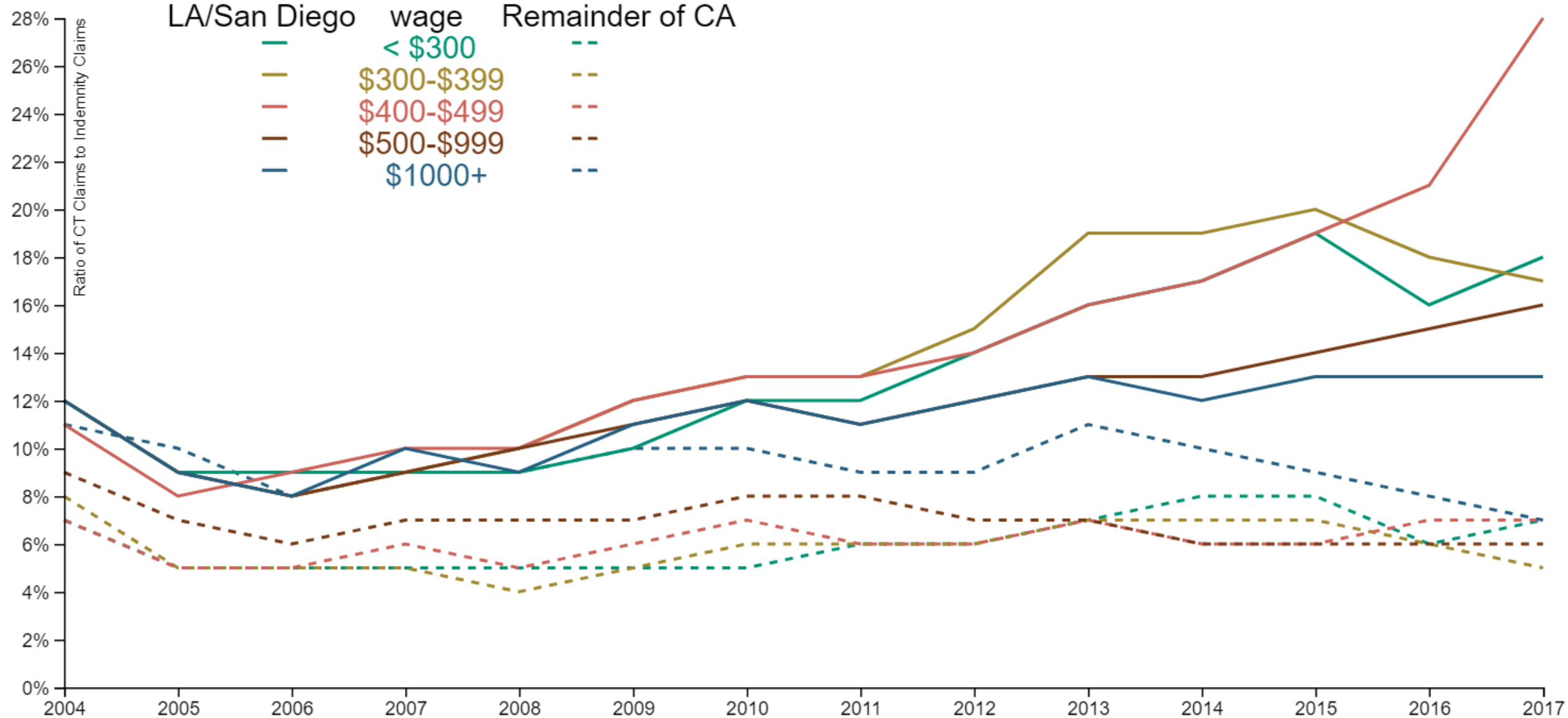
2016



PERCENT OF INDEMNITY CLAIMS THAT ARE CT BY REGION

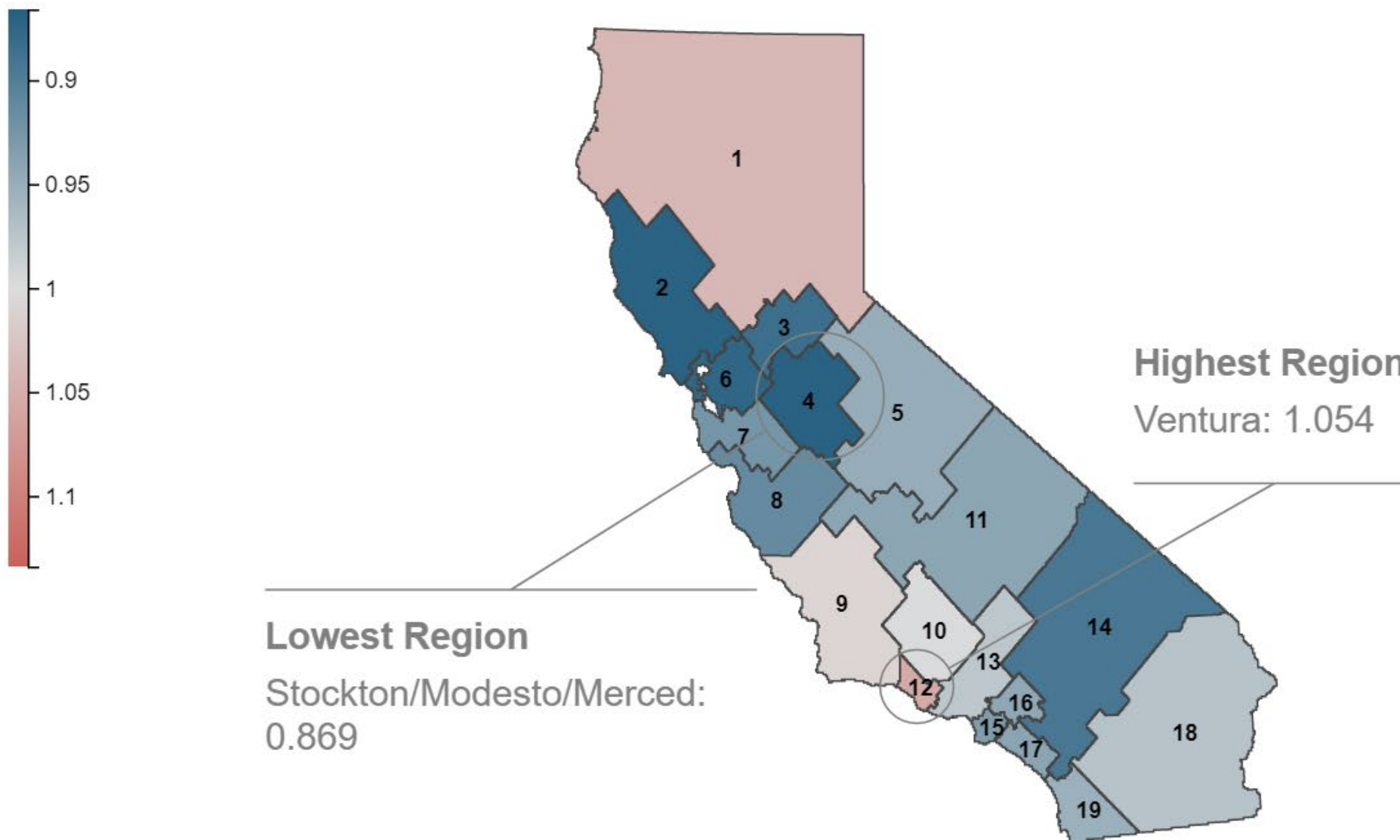


PERCENT OF CT CLAIMS BY WEEKLY WAGE BY REGION

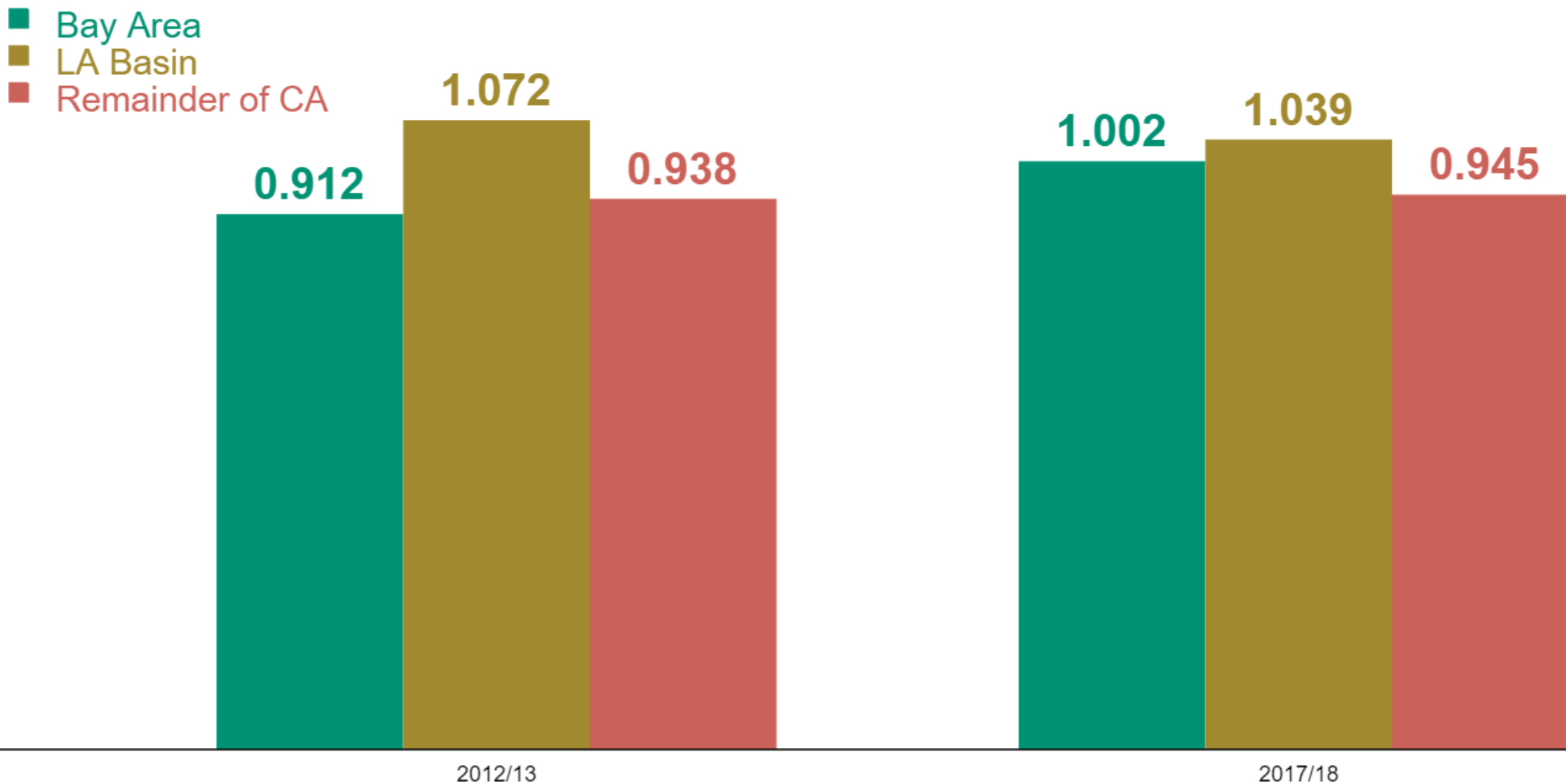


INDEMNITY CLAIM SEVERITY RELATIVE TO STATEWIDE AVERAGE CONTROLLED FOR CLASSIFICATION MIX

2016



LOSS DEVELOPMENT INDEXED TO STATEWIDE AVERAGE FROM FIRST UNIT STAT REPORT LEVEL TO TENTH UNIT STAT REPORT LEVEL

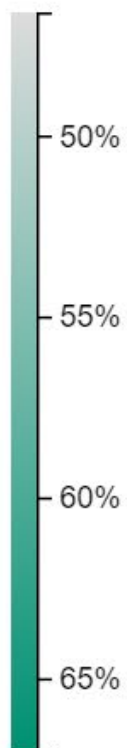


OPEN SHARE OF INDEMNITY CLAIMS AT FIRST UNIT STAT REPORT

2016

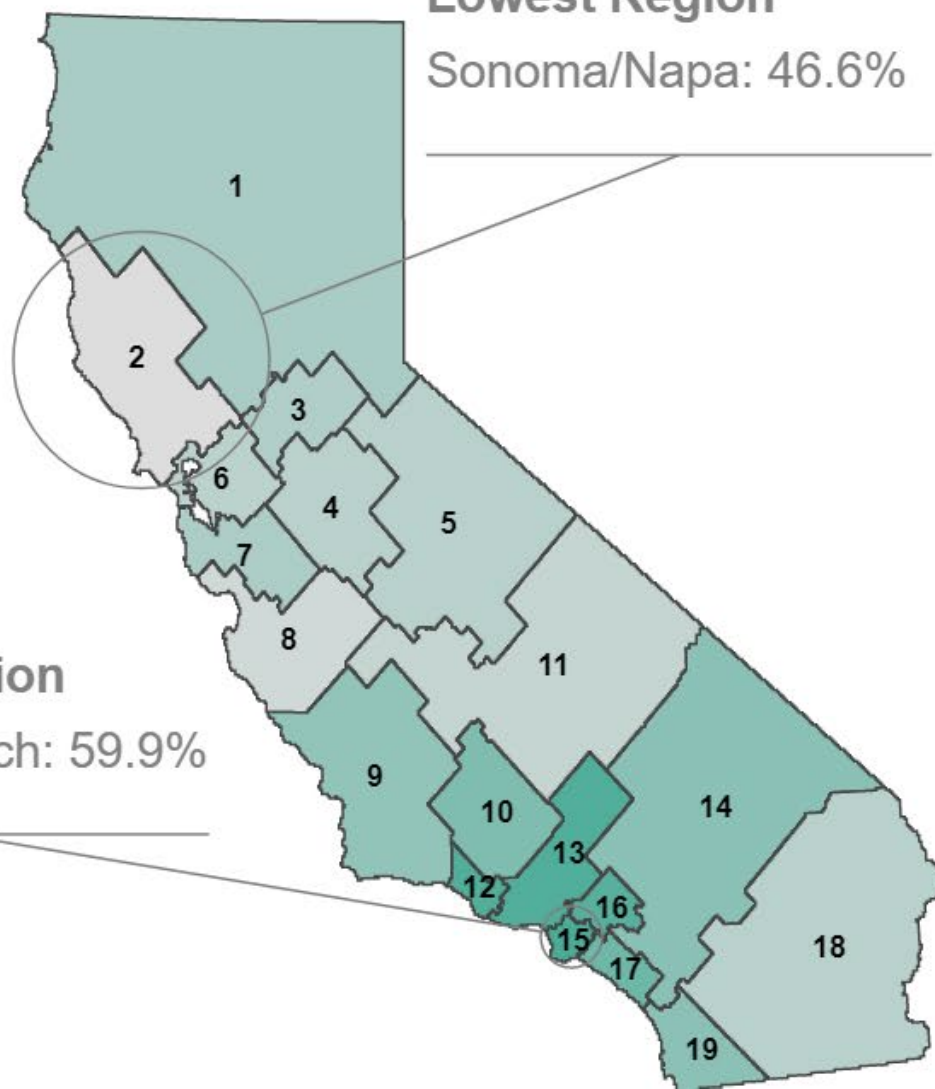
Lowest Region

Sonoma/Napa: 46.6%



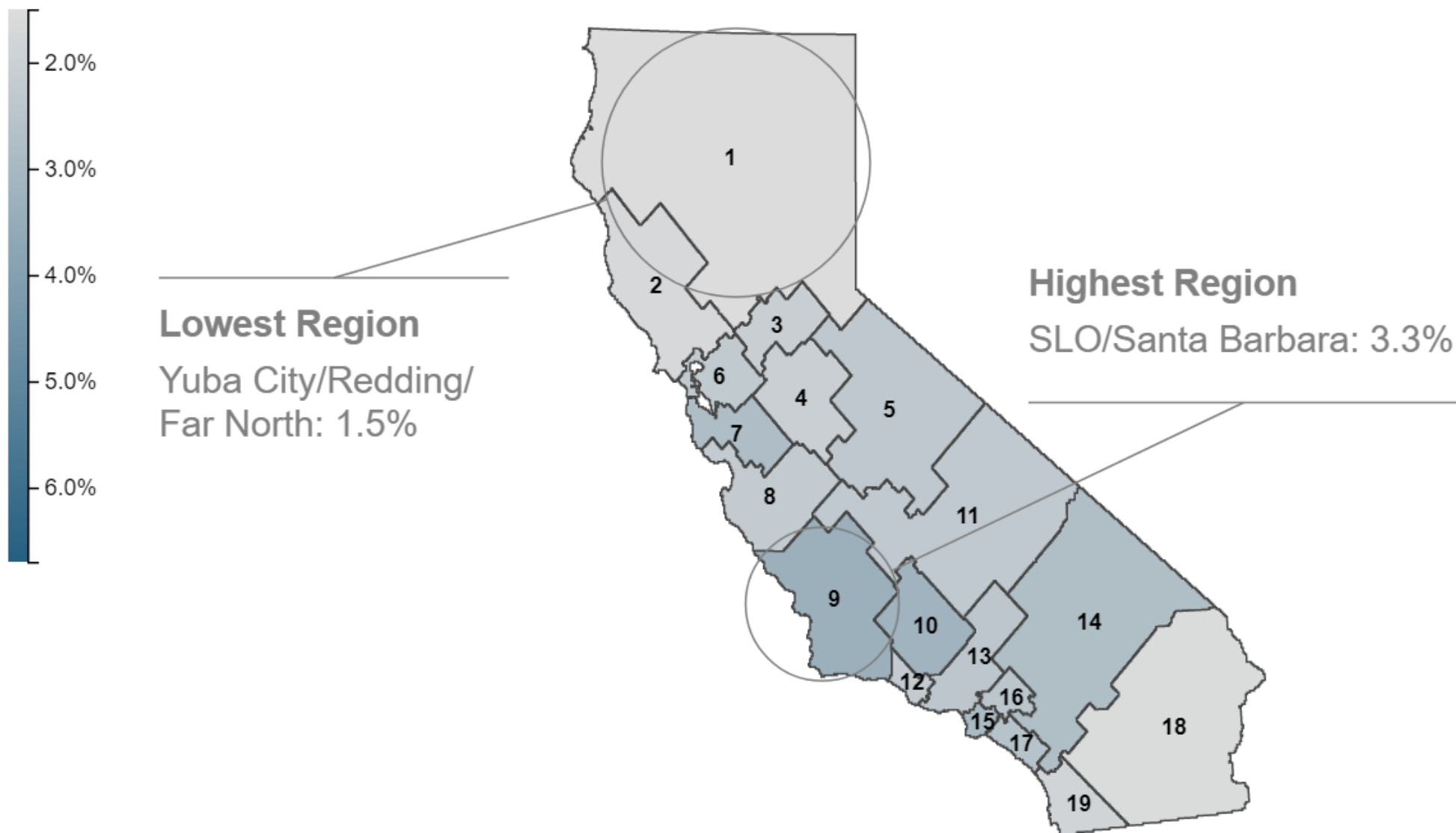
Highest Region

LA/Long Beach: 59.9%

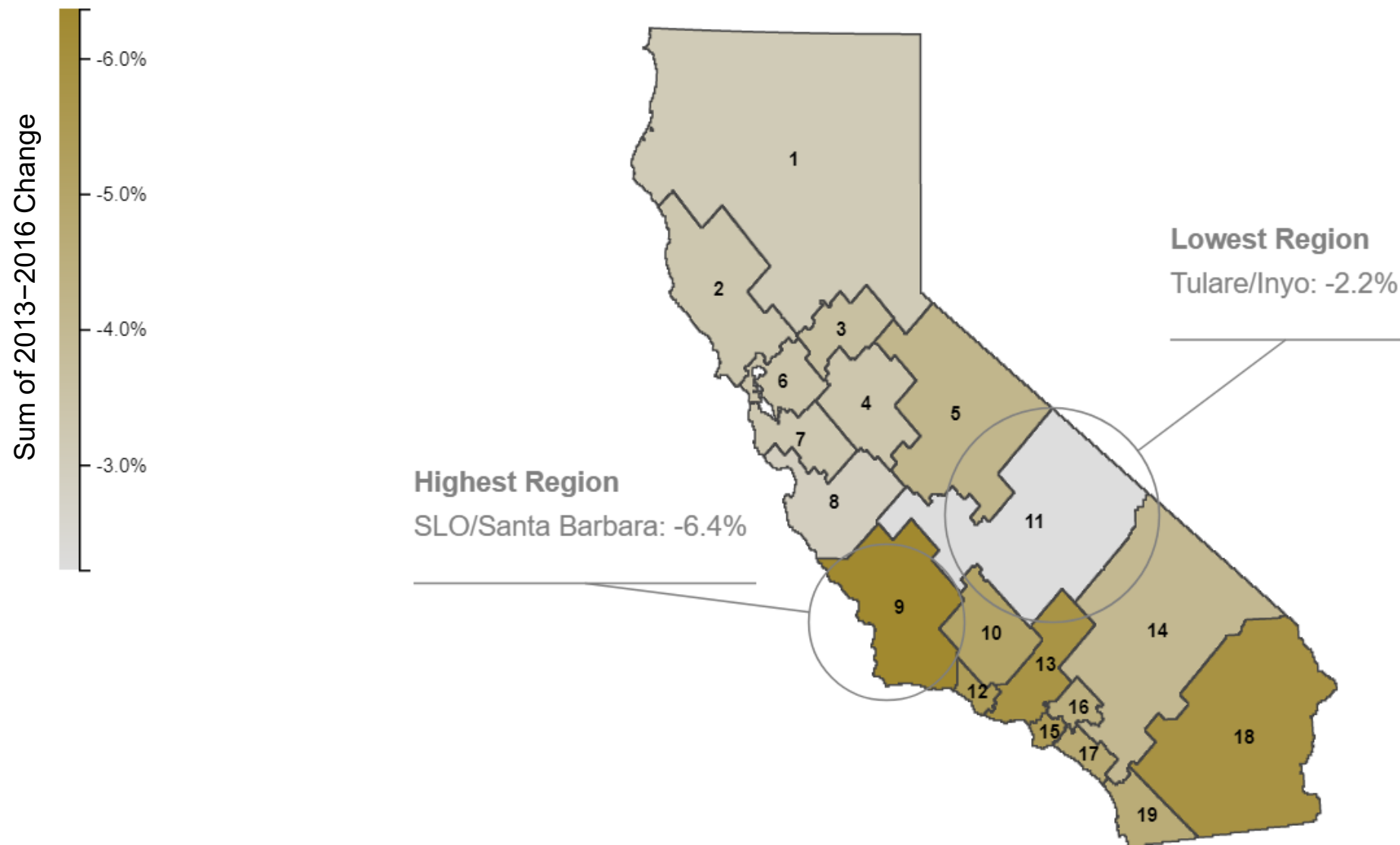


PAID MEDICAL FOR PHARMACEUTICALS AS A SHARE OF PAID MEDICAL

2016

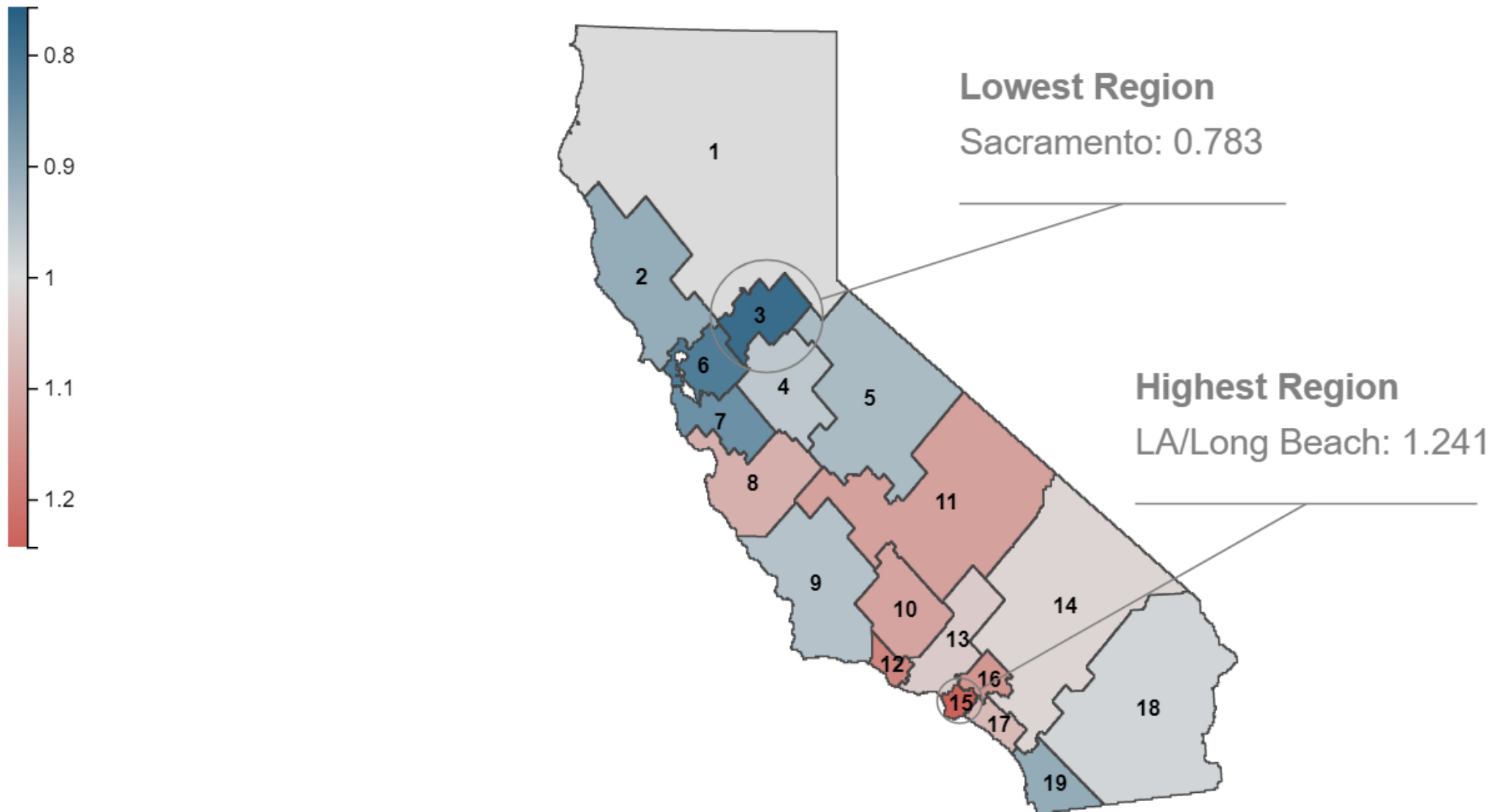


CHANGE IN PAID MEDICAL FOR PHARMACEUTICALS AS A SHARE OF PAID MEDICAL 2013-2016

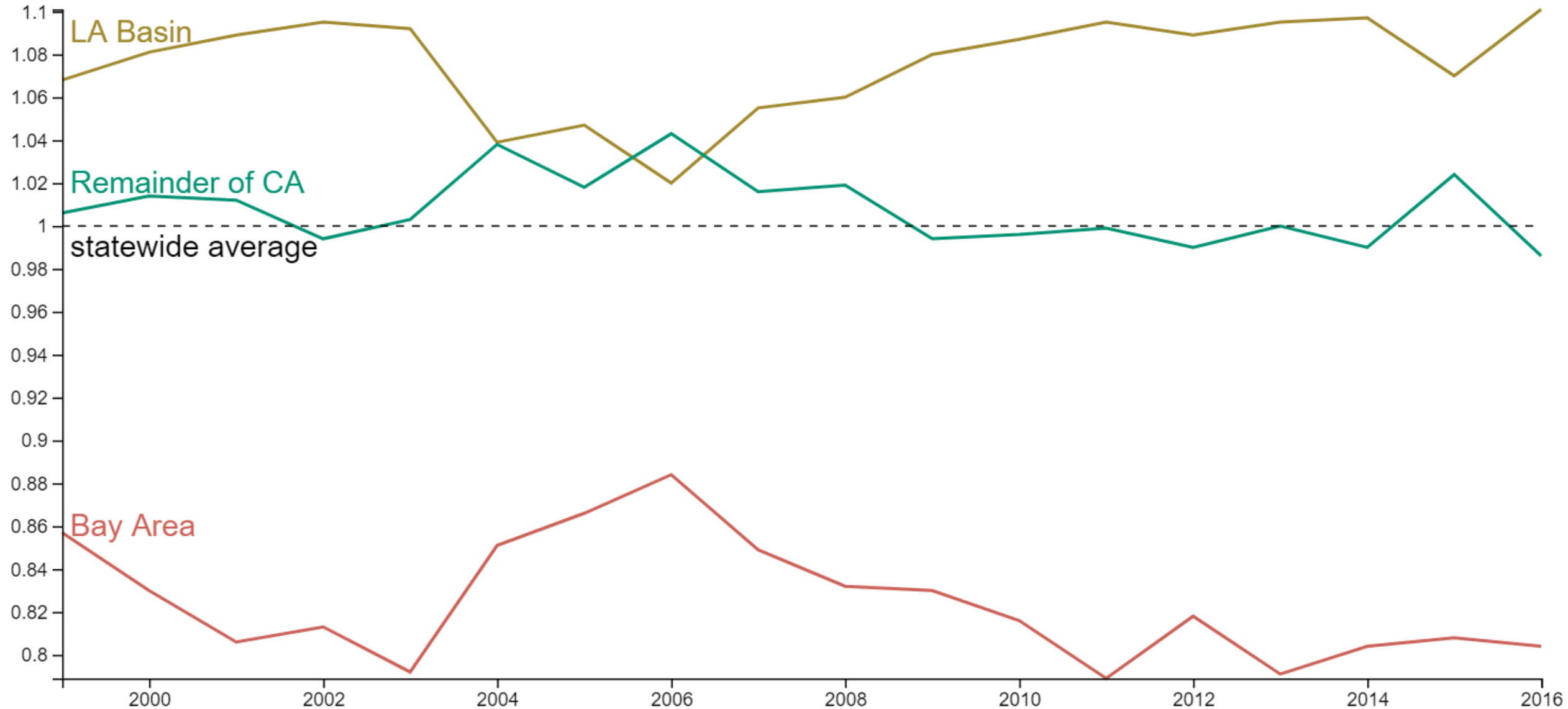


LOSS TO MODIFIED PURE PREMIUM RATIO RELATIVE TO STATEWIDE CONTROLLED FOR CLASSIFICATION MIX & WAGE LEVEL DIFFERENCES

2016

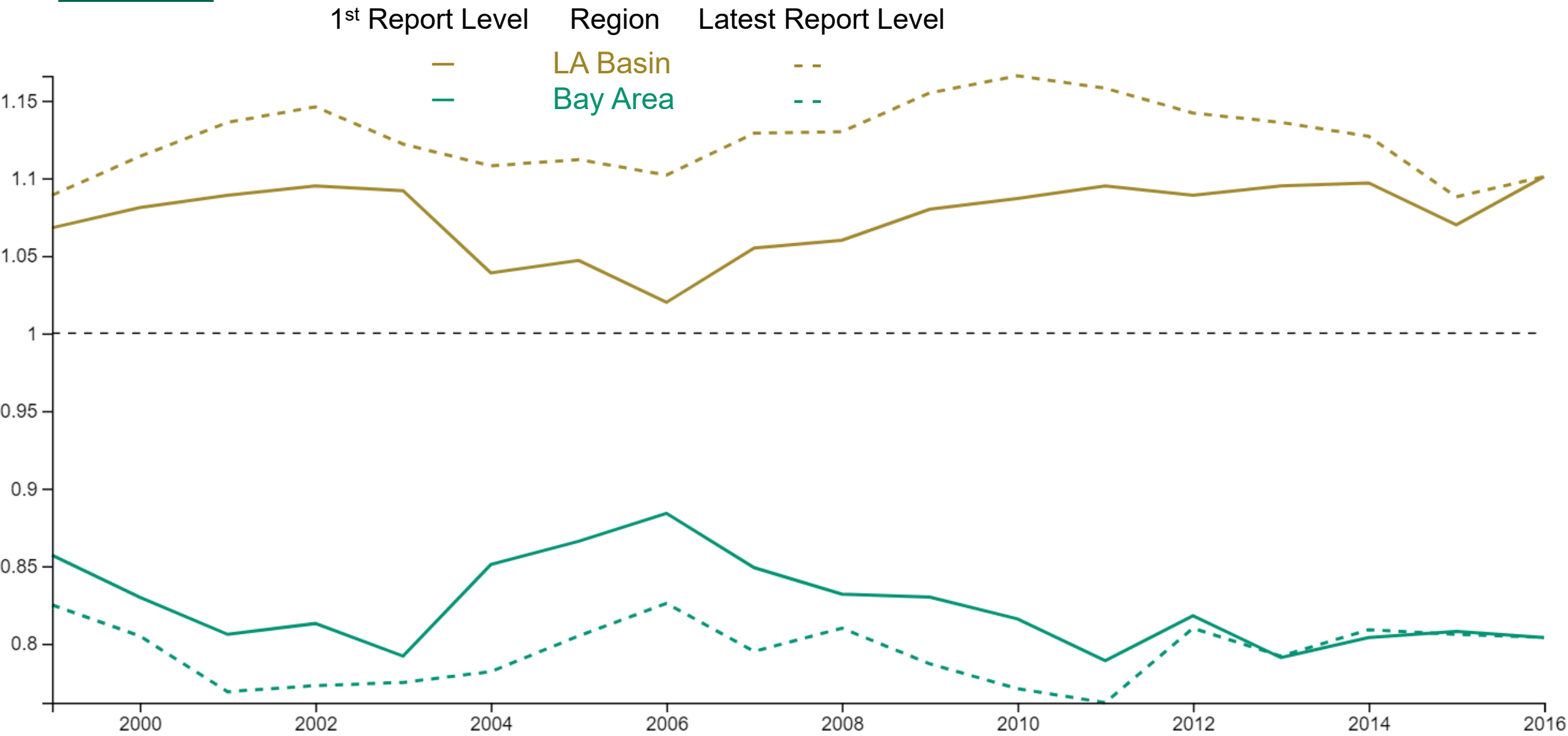


LOSS RATIOS INDEXED TO STATEWIDE AVERAGE AT FIRST UNIT STAT REPORT LEVEL



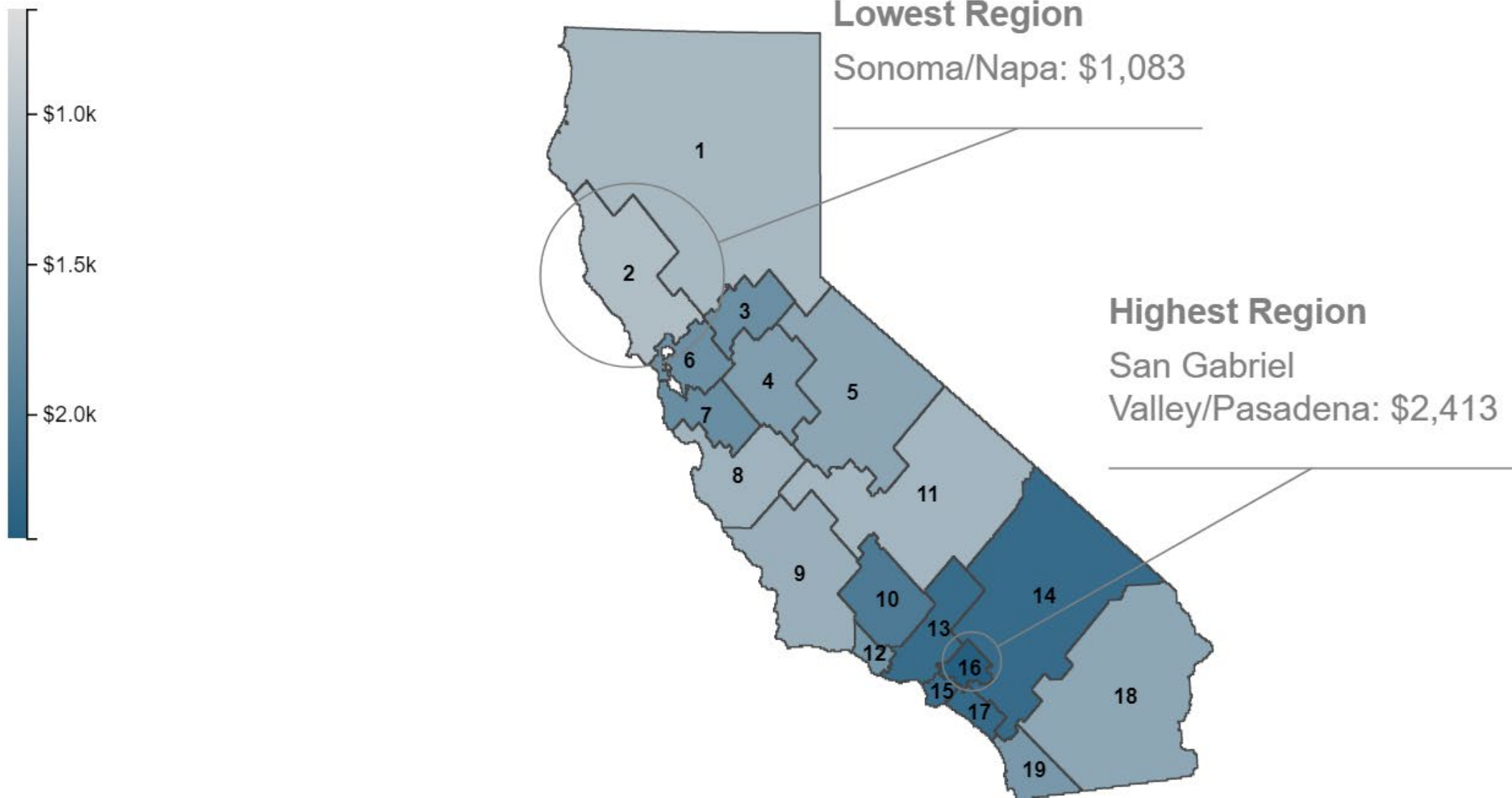
LOSS RATIOS INDEXED TO STATEWIDE AVERAGE

AT FIRST UNIT STAT REPORT LEVEL AND LATEST AVAILABLE UNIT STAT REPORT LEVEL

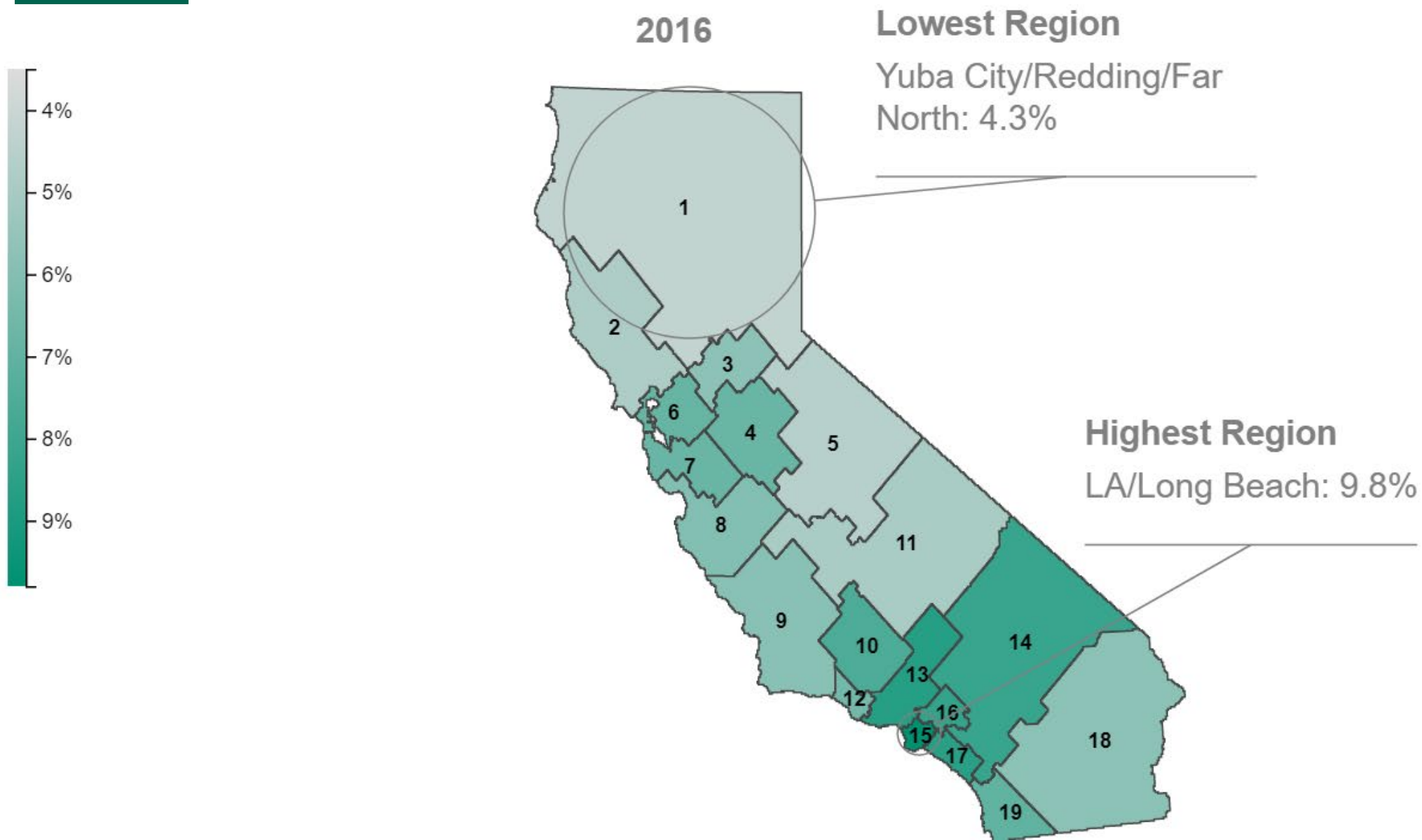


MEDIAN PAID ALAE ON PERMANENT DISABILITY CLAIMS

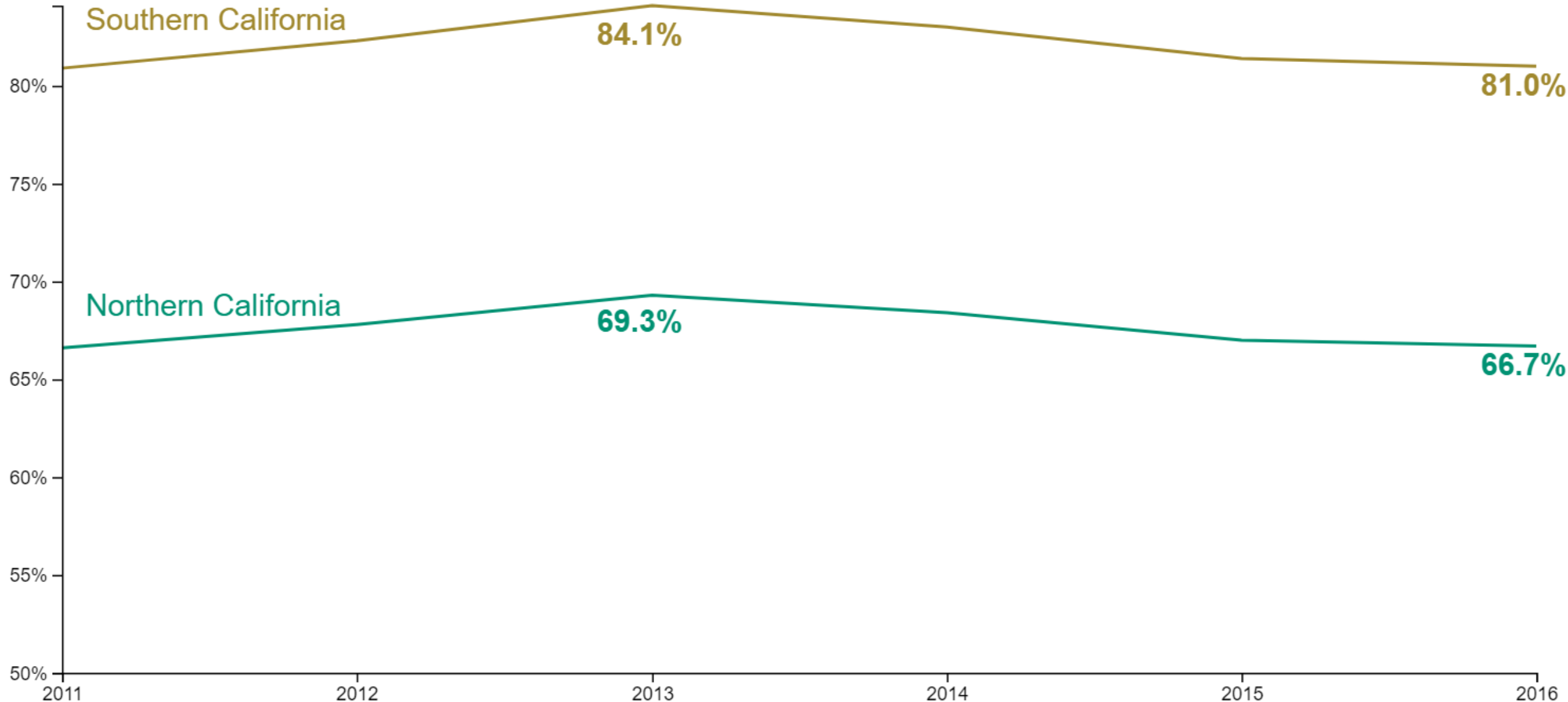
2016



PAID ALAE AS A SHARE OF INCURRED LOSSES ON PERMANENT DISABILITY CLAIMS

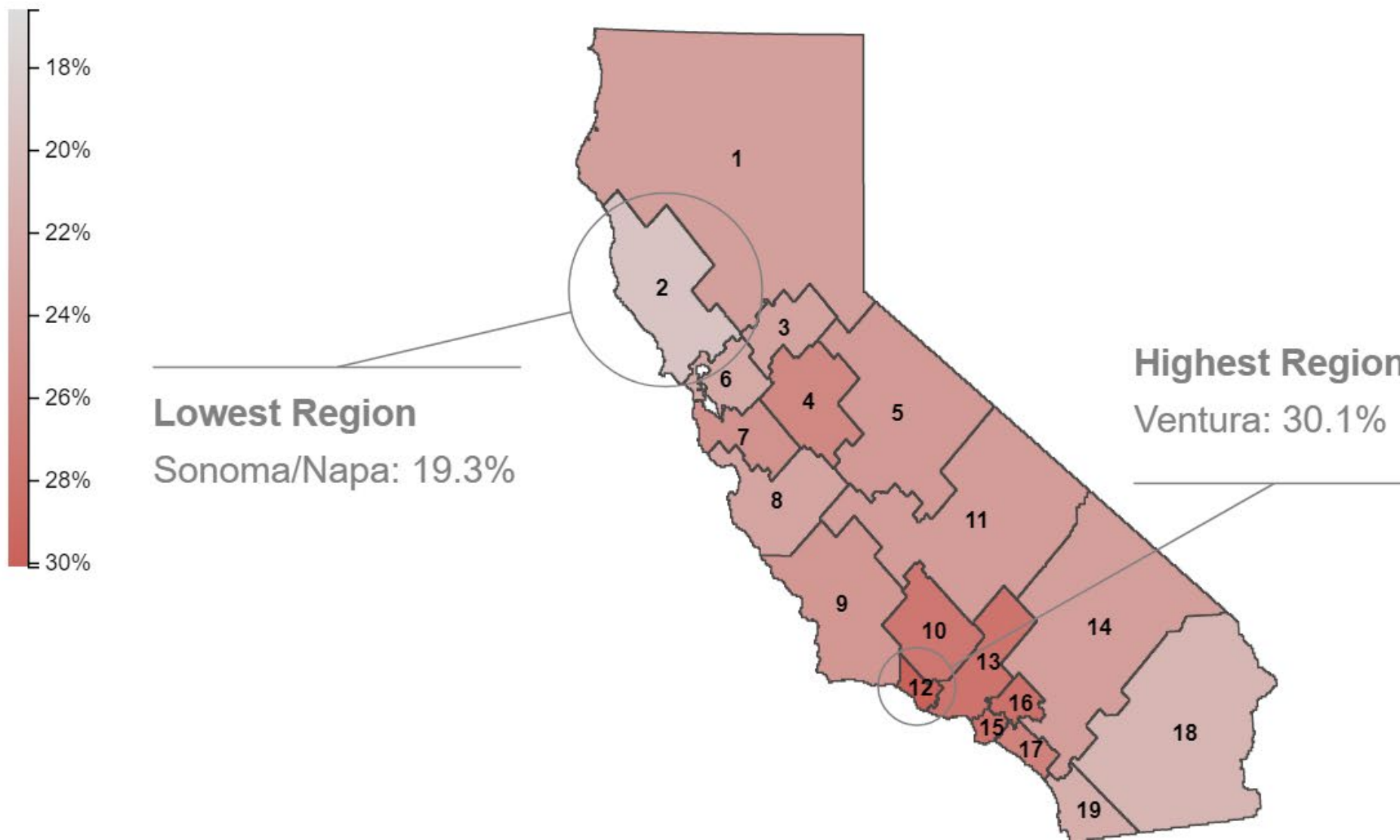


PERCENT OF PERMANENT DISABILITY CLAIMS THAT ARE REPRESENTED

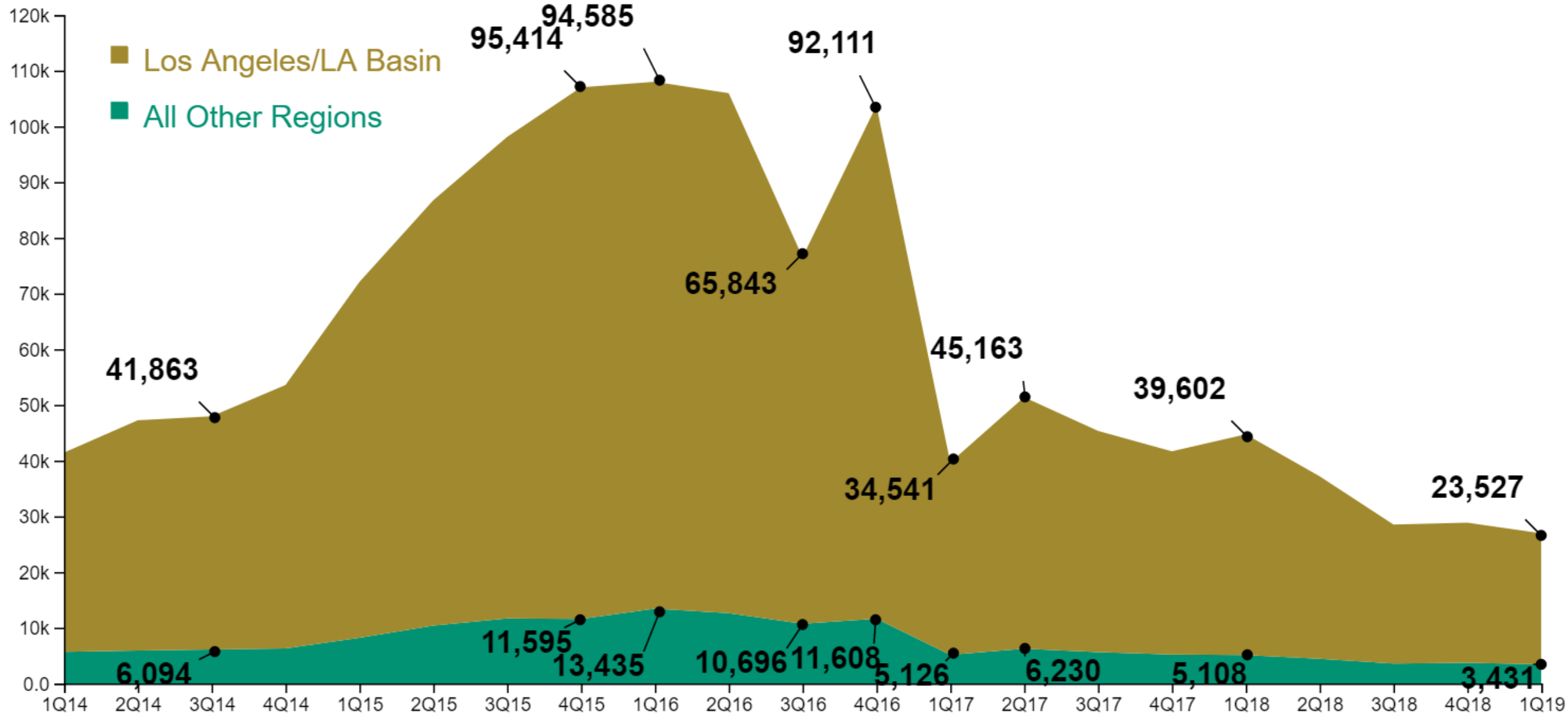


SHARE OF INDEMNITY CLAIMS WITH A MEDICAL LEGAL REPORT

2016



FILED LIEN COUNTS BY REGION



SUMMARY OF KEY FINDINGS

- For Many Years Significant Differences in Costs Levels between LA Basin and Remainder of State
- Current Differentials Relatively High
- Frequency Differences Key Driver
 - Not explained by wage and class differences
 - Higher frequency of PD claims in LA Basin
 - Higher frequency of CT claims in LA Basin
 - San Diego frequency increasing
 - No indicators of differential shrinking
- Severity Differentials More Muted
 - Loss development higher in LA Basin gap narrowing
 - Claims close slower in LA Basin
 - Claim closing differences narrowing
- Frictional Costs Differential Key Driver
 - Higher frequency of PD and CT Claims in LA
 - Higher attorney involvement in LA
 - More frequent medical-legal reports in LA
 - Liens much more frequent in LA but dropping sharply
 - Otherwise not many signs of differences narrowing



Data Sources for the Bay to the Basin

Chart	Data Source
<u>Market & Premiums</u>	
Loss Ratios Indexed to Statewide Average	August 10, 1978 WCIRB letter to Insurance Commissioner on Manual Rates by Geographical Territories (based on policies assigned to a single territory), Section D, Part 1 of WCIRB's July 1, 1992 Rate Filing (based on policy address) and the WCIRB's 2018 Geo Study. Premiums don't reflect any individual insurer territorial pricing insurers.
Indemnity Claim Frequency Relative to Statewide Adjusted for Regional Wage Differences and Industrial Mix	WCIRB 2018 Geo Study. Reflects policy year 2016 at first unit statistical report level.
Indemnity Claim Frequency by Region	WCIRB unit statistical data at first report level. Figures are per \$100 million of exposure at the accident year 2017 level. The 2017 figures are preliminary.
Changes in Indemnity Claim Frequency by Region	WCIRB unit statistical data at first report level and NCCI 2019 State of the Line Report. The 2018 estimates are preliminary.
Permanent Disability Claims as Share of Indemnity Claims	WCIRB 2018 Geo Study. Reflects policy year 2016 at first unit statistical report level.
Percent of Indemnity Claims that are CT by Region	WCIRB unit statistical data at first report level. The 2017 figures are preliminary.
Percent of CT Claims by Weekly Wage by Region	WCIRB unit statistical data at first report level. The 2017 figures are preliminary.
Indemnity Claim Severity Relative to Statewide Average Controlled for Classification Mix	WCIRB 2018 Geo Study. Reflects policy year 2016 at first unit statistical report level.
Loss Development Indexed to Statewide Average	WCIRB unit statistical data. Includes indemnity and medical losses combined. The 2017/18 period reflects the most recent evaluations of each of the last ten policy years. The 2012/2013 period reflects the comparable evaluations of policy years that occurred in the 2012 and 2013 period. Region is assigned based on policy address information.
Open Share of Indemnity Claims	WCIRB 2018 Geo Study. Reflects policy year 2016 at first unit statistical report level.
Paid Medical for Pharmaceuticals as a Share of Paid Medical	WCIRB 2018 Geo Study. Reflects policy year 2016 at first unit statistical report level.
Change if Paid Medical for Pharmaceuticals as a Share of Paid Medical 2013-2016	WCIRB 2018 Geo Study.
Loss to Modified Pure Premium Ratio Relative to Statewide Controlled for Class Mix & Wage Differences	WCIRB 2018 Geo Study. Reflects policy year 2016 at first unit statistical report level. Premiums don't reflect any individual insurer territorial pricing insurers.
Loss Ratios Indexed to Statewide Average at First Unit Stat Report Level	WCIRB unit statistical data at first report level. Based on ratio of incurred losses to unmodified pure premium. Region assigned based on policy address information. Premiums don't reflect any individual insurer territorial pricing insurers.
Loss Ratios Indexed to Statewide Average at First and Latest Unit Stat Report Levels	WCIRB unit statistical data at first report level and latest available unit stat report level. Based on ratio of incurred losses to unmodified pure premium. Region assigned based on policy address information. Premiums don't reflect any individual insurer territorial adjustments.
Median Paid ALAE on Permanent Disability Claims	WCIRB 2018 Geo Study. Reflects policy year 2016 at first unit statistical report level.
Paid ALAE as Share of Incurred Losses on Permanent Disability Claims	WCIRB 2018 Geo Study. Reflects policy year 2016 at first unit statistical report level.
Percent of Permanent Disability Claims that are Represented	WCIRB Permanent Disability first survey level (claims at approximately 30 months maturity). Region is based on WCAB office location.
Share of Indemnity Claims with a Medical-Legal Report	WCIRB 2018 Geo Study. Reflects policy year 2016 at first unit statistical report level.
Filed Lien Counts by Region	DWC EAMS data.