

# January 1, 2021 Pure Premium Rate Filing WCIRB Executive Summary

October 5, 2020

California Department of Insurance Public Hearing



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# California Department of Insurance Public Hearing

## WCIRB January 1, 2021 Pure Premium Rate Filing

### Presentation Agenda

-  Opening Remarks
-  1/1/2021 Pure Premium Rate Filing – Executive Summary
-  1/1/2021 Pure Premium Rate Filing – Non-COVID-19 Claim Cost Projection
-  1/1/2021 Pure Premium Rate Filing – COVID-19 Claim Cost Projection
-  Advisory Pure Premium Rate Comparison

# January 1, 2021 Pure Premium Rate Filing

## Key considerations

**Pre-Pandemic Development & Claim Settlement**

**Impact of Economic Slowdown**

**Severity Growth Projections**

**COVID-19 Claim Cost Projection**

**\$1.56**

**1/1/2021 Indicated Average Pure Premium Rate:**  
(\$1.50 excluding COVID-19 claim projection)

**\$1.52**

**1/1/2020 Average Approved Pure Premium Rate:**

**+2.6%**

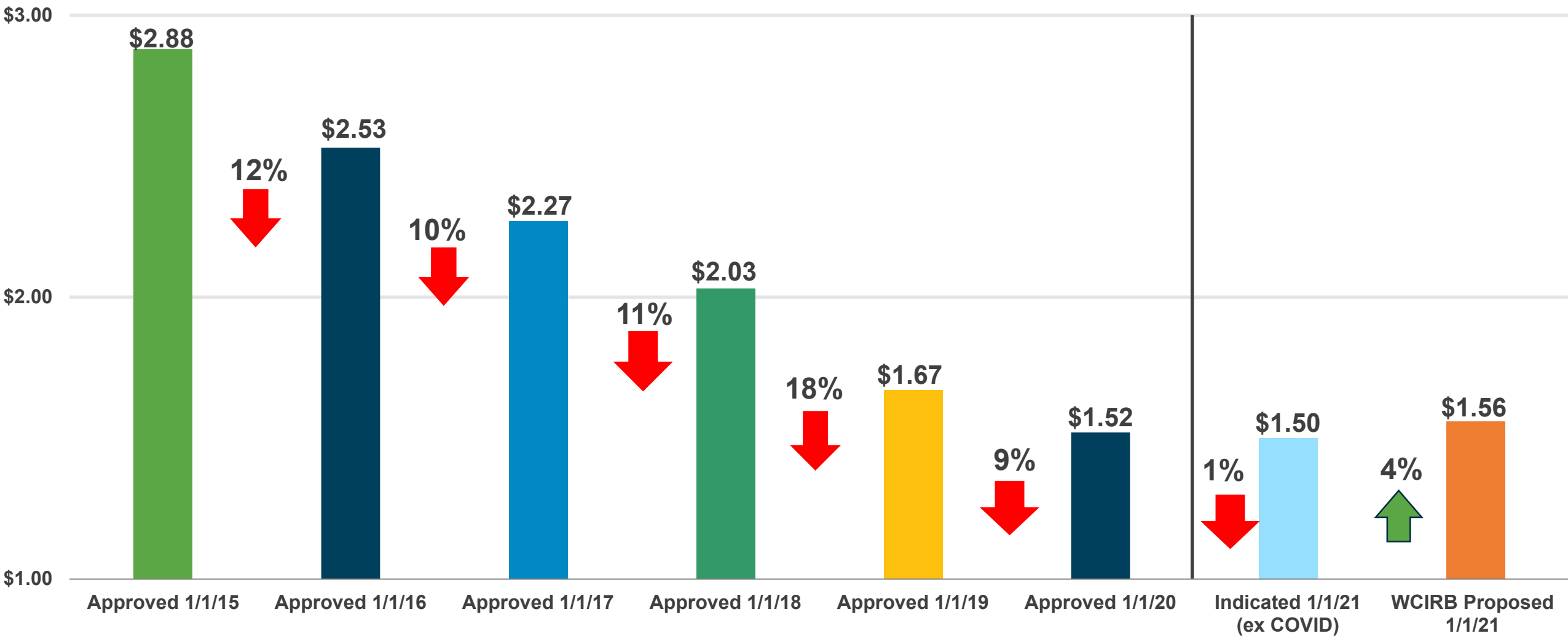
**1/1/2021 Indicated Advisory Pure Premium Rate Change:**

- Recommended Methodologies Generally Consistent with 1/1/2020 Filing
- Reflects March 31, 2020 Loss Experience
- June 30 Experience Significantly Distorted by Pandemic and Stay-at-Home Orders
- COVID-19 Projection Re-Evaluated Post-SB 1159
  - Overall Estimated COVID-19 Impact Unchanged
  - Proposed Classification Pure Premium Rate Adjustments Refined in Amended Filing

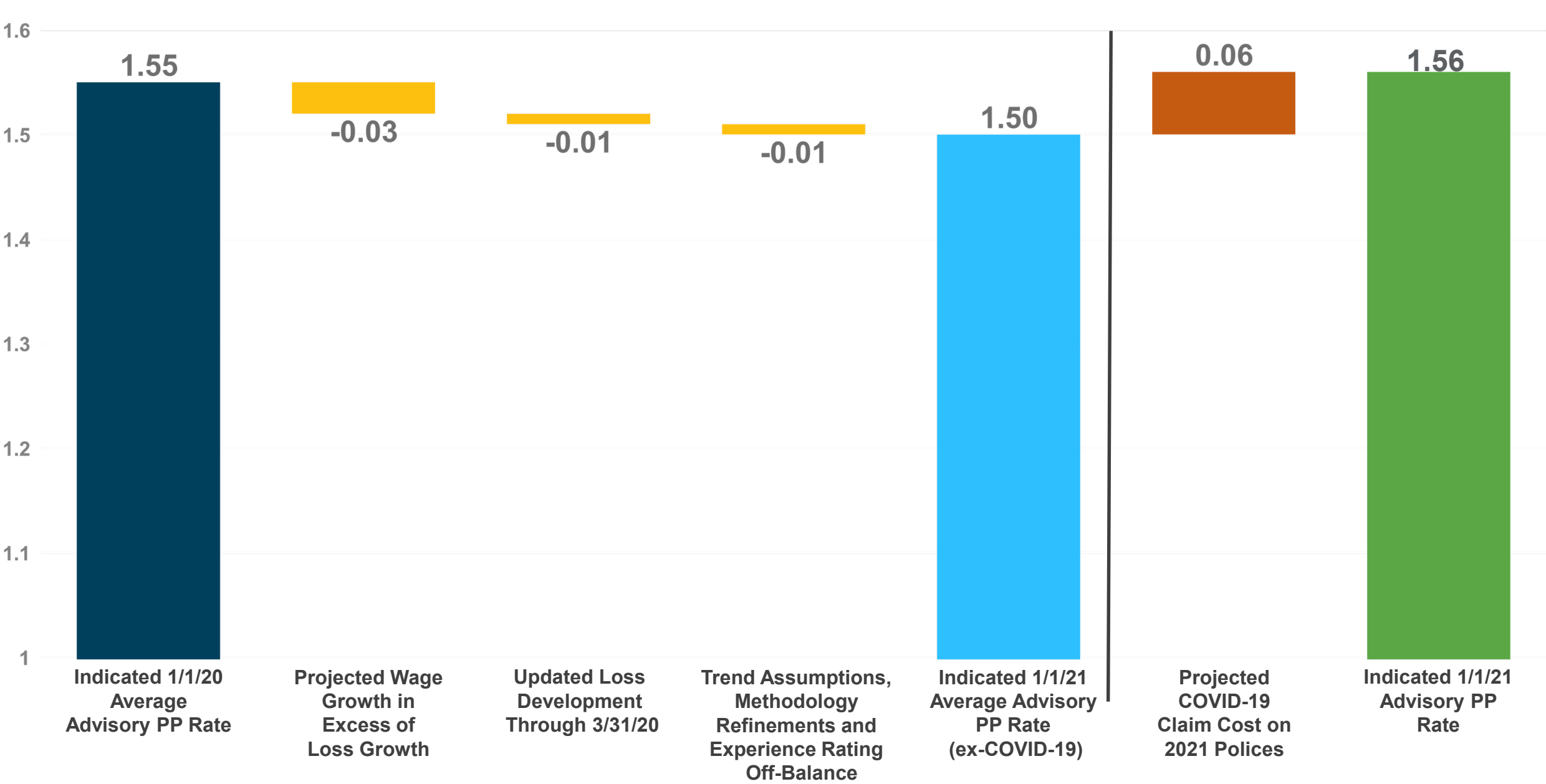
# Declining Average Advisory Pure Premium Rates – Moderating Trends

## January 1, 2021 Pure Premium Rate Filing | WCIRB Executive Summary

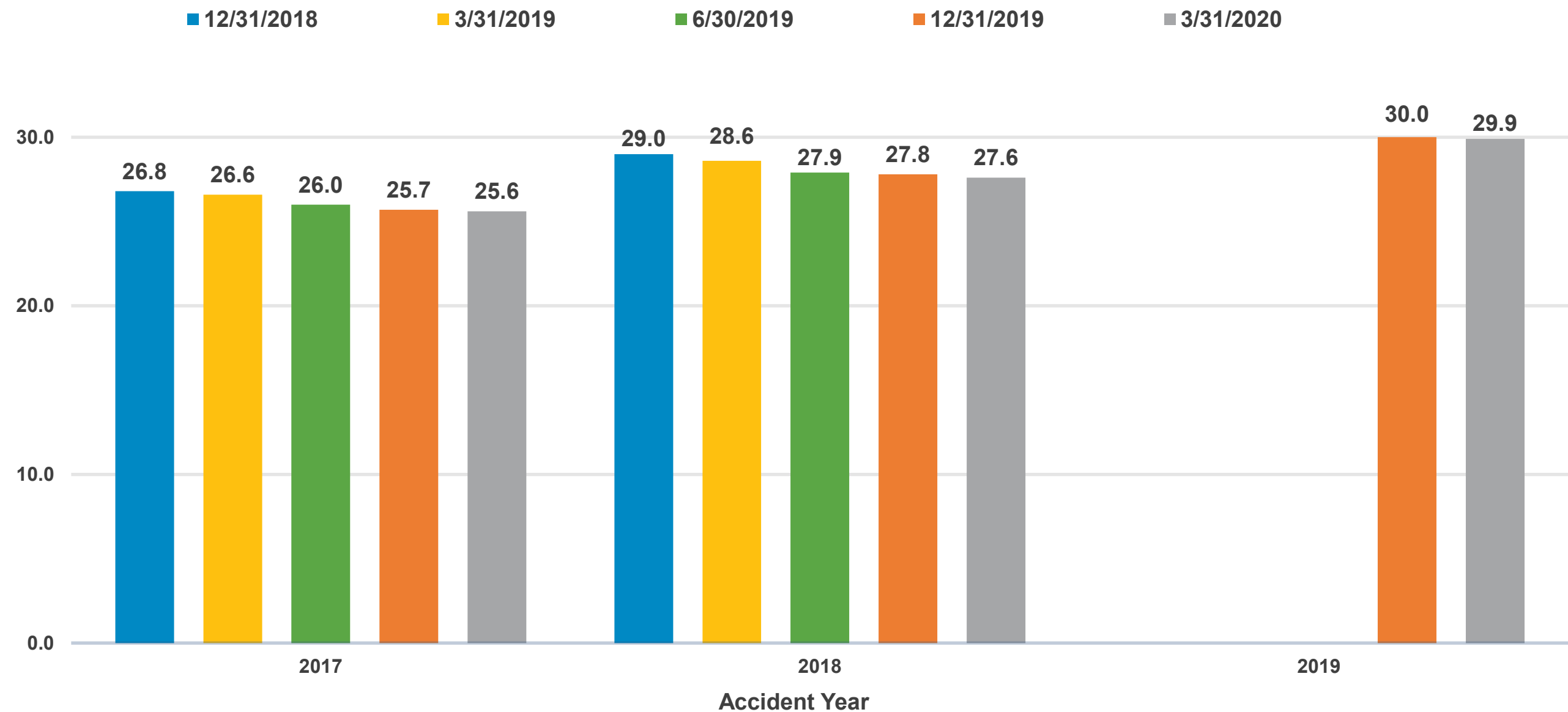
Rate per \$100 of payroll



# Principal Drivers of Indicated January 1, 2021 Pure Premium Rate Change



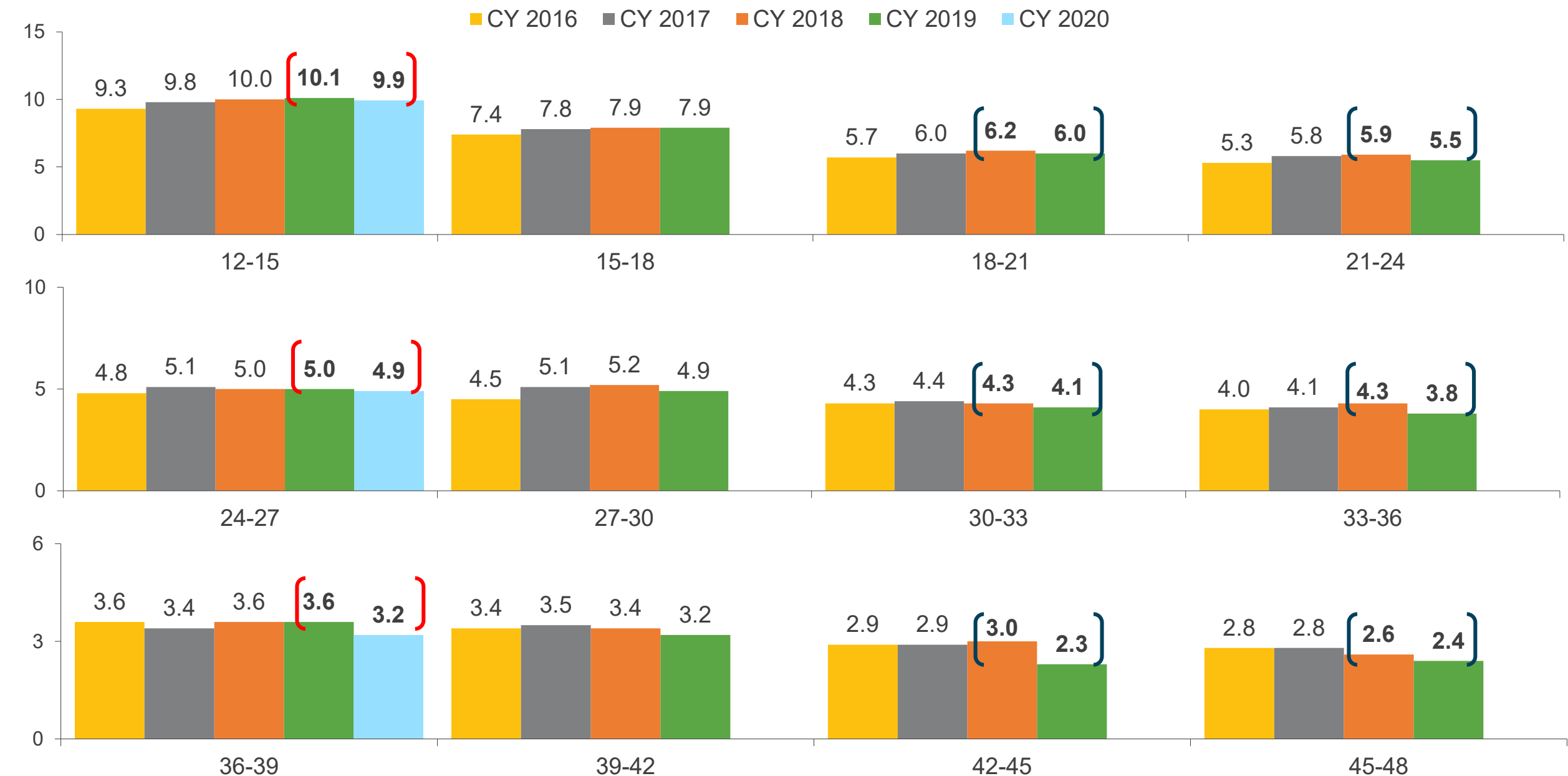
# Loss Development Trends Moderating Projected Ultimate Medical Loss Ratios



# Claims Settlement Rate Increases Moderating

## Quarterly Incremental Claim Settlement Rates

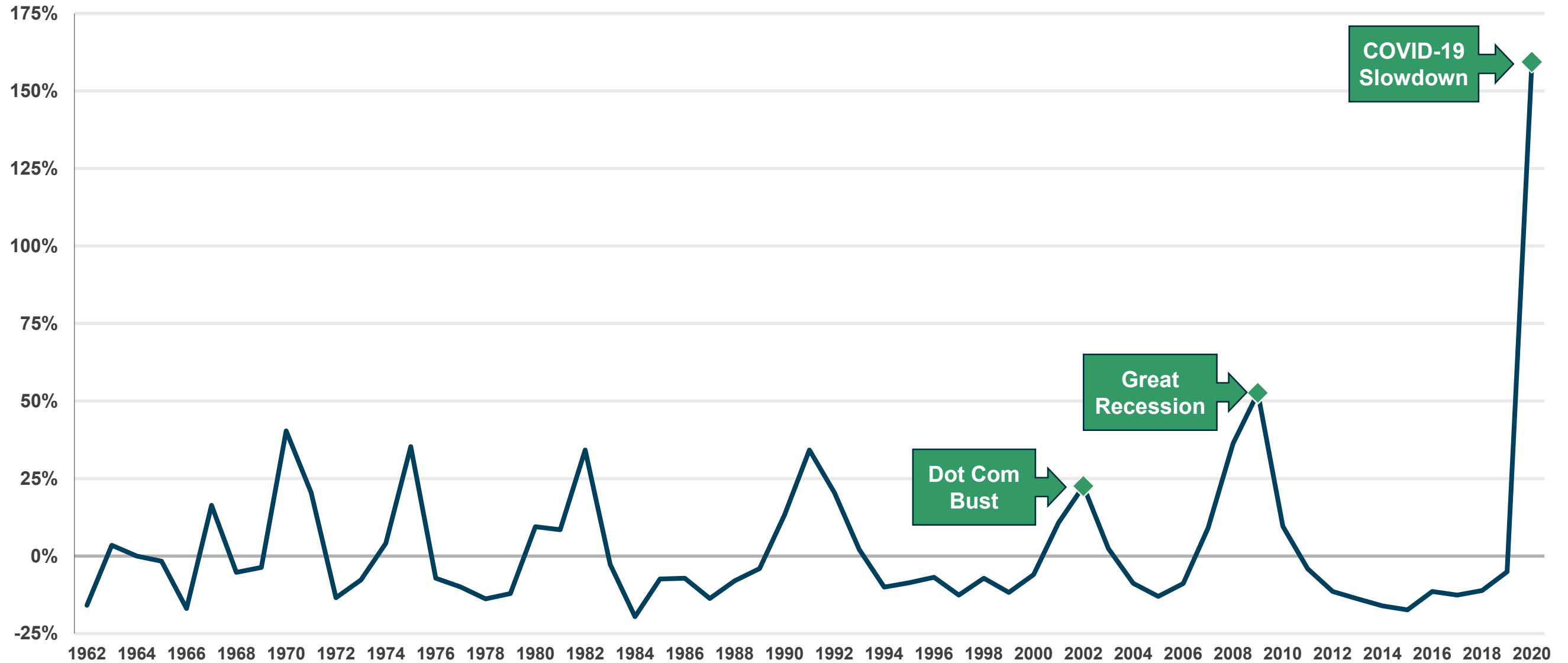
As of March 31, 2020





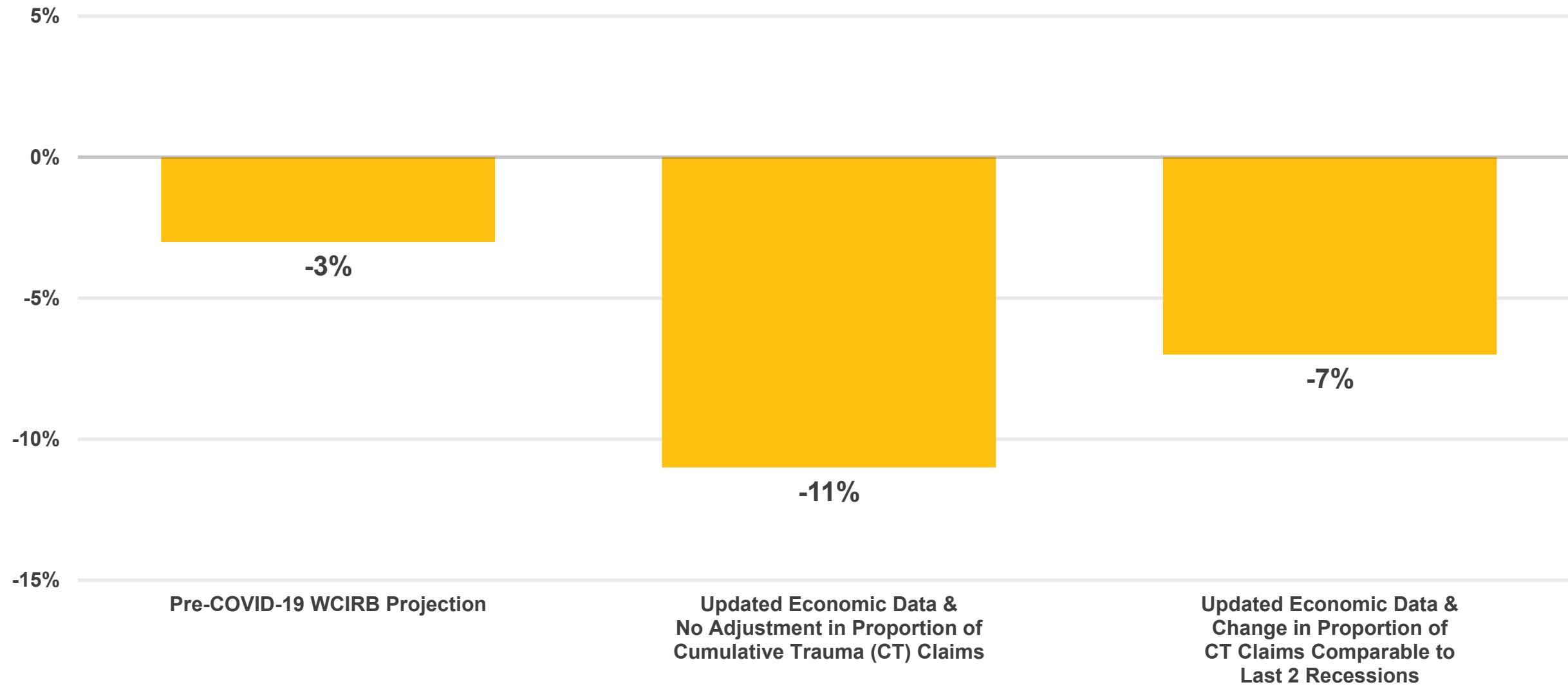
# Impact of Economic Slowdown

## Annual Change In California Unemployment Rate



# Impact of Economic Slowdown

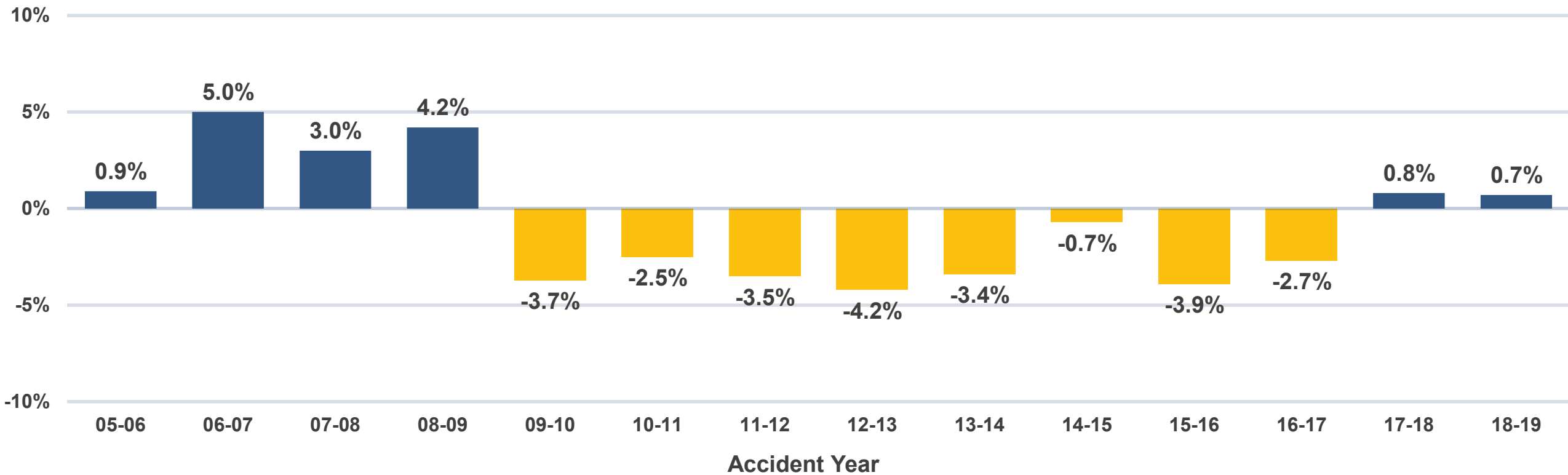
## Accident Year 2020 Indemnity Claim Frequency Projections (ex. COVID-19)



# Severity Growth Projections

## Projected Changes in On-Level Indemnity Severity

As of March 31, 2020



Annual Exponential Trend Based on:

**+1.1%**  
1990 to 2019

**-1.4%**  
2005 to 2019

**-1.2%**  
2015 to 2019

**+1.0%**  
WCIRB Selected

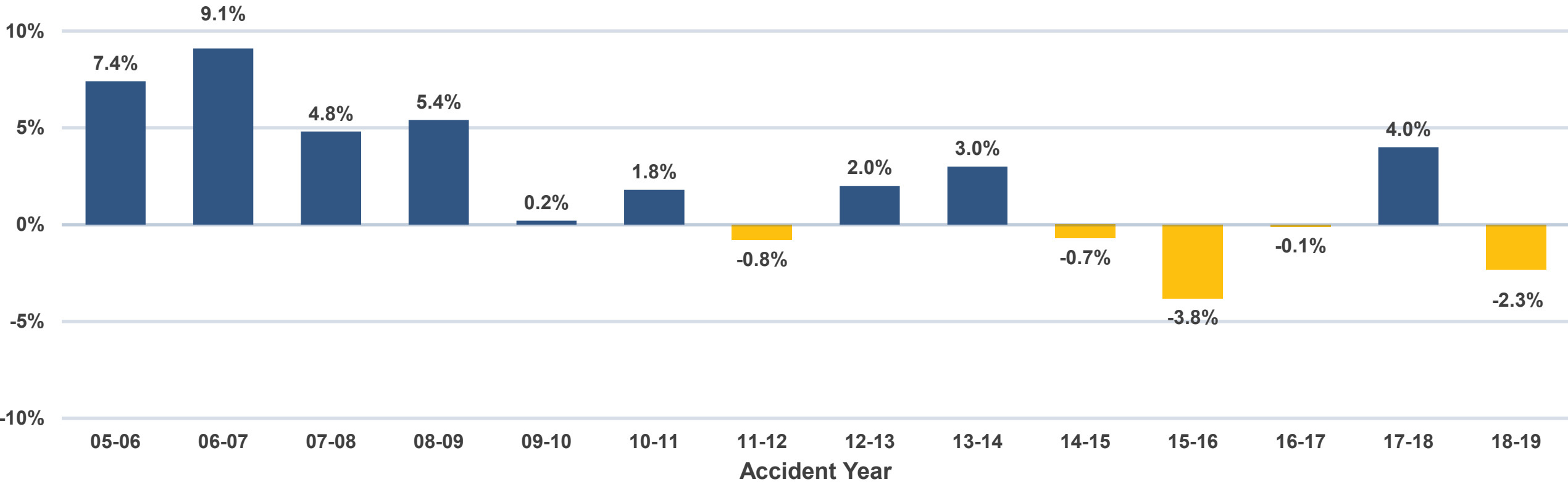
**Considerations**

- Impact of economic slowdown on return to work
- Delays in medical treatment during pandemic
- Reduction in filing of smaller claims during slowdown
- Recent severity growth

# Severity Growth Projections

## Projected Changes in On-Level Medical Severity

As of March 31, 2020



Annual Exponential Trend Based on:

+5.5%

1990 to 2019  
(Incl. M CCP)

-1.6%

2005 to 2019

-0.1%

2015 to 2019

+2.5%

WCIRB Selected

Considerations

- Impact of economic slowdown on return to work
- Delays in medical treatment during pandemic
- Growth in very large claims
- Reduction in filing of smaller claims during slowdown



# COVID-19 Claim Cost Projection

## Projected 2020 COVID-19 Deaths and Hospitalizations – September Re-Evaluation

California Working Age Population (18-69 years)	Reported-to-Date (end of August)	Projected to 2020 Year-End (mid-range estimate)	Projected % Growth through Year-End
Total Deaths	4,776	8,377	+75%
Total Hospitalizations (including deaths)	27,908	51,150	+83%
Mortality per 100k	18	31	+75%
Total Hospitalizations per 100k (including deaths)	104	191	+83%
Mortality in the Hospital (deaths / total hospitalized)	17%	16%	-4%

# COVID-19 Claim Cost Projection

## Senate Bill No. 1159



**SB 1159** passed  
the Legislature on  
August 31

Includes presumption for  
COVID-19 claims somewhat  
similar to Governor's May 6  
Executive Order



Presumption applies for  
**health care workers**  
and **first responders**

For all other employers, presumption  
applies if there is an "outbreak" of:

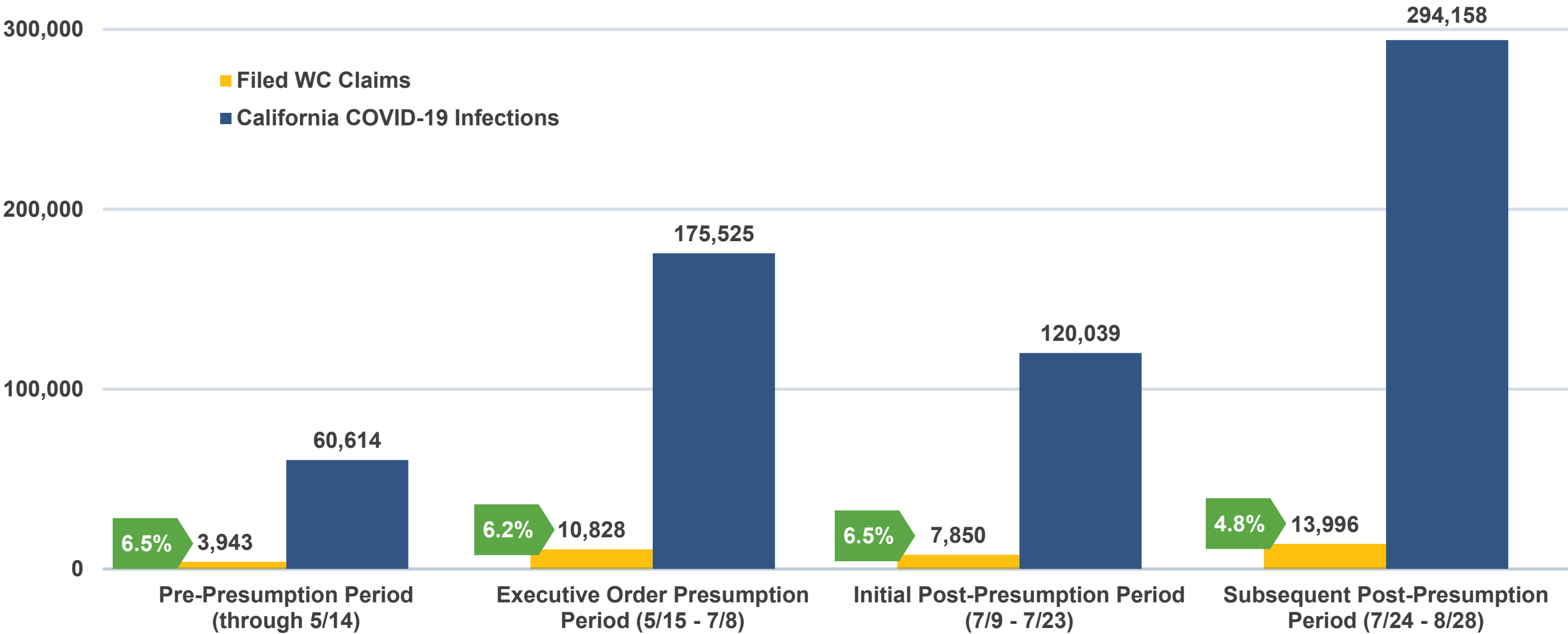


**4 or more**  
employees with  
COVID-19  
(<100 employees)

**4% or more**  
of workers with  
COVID-19  
(>100 employees)

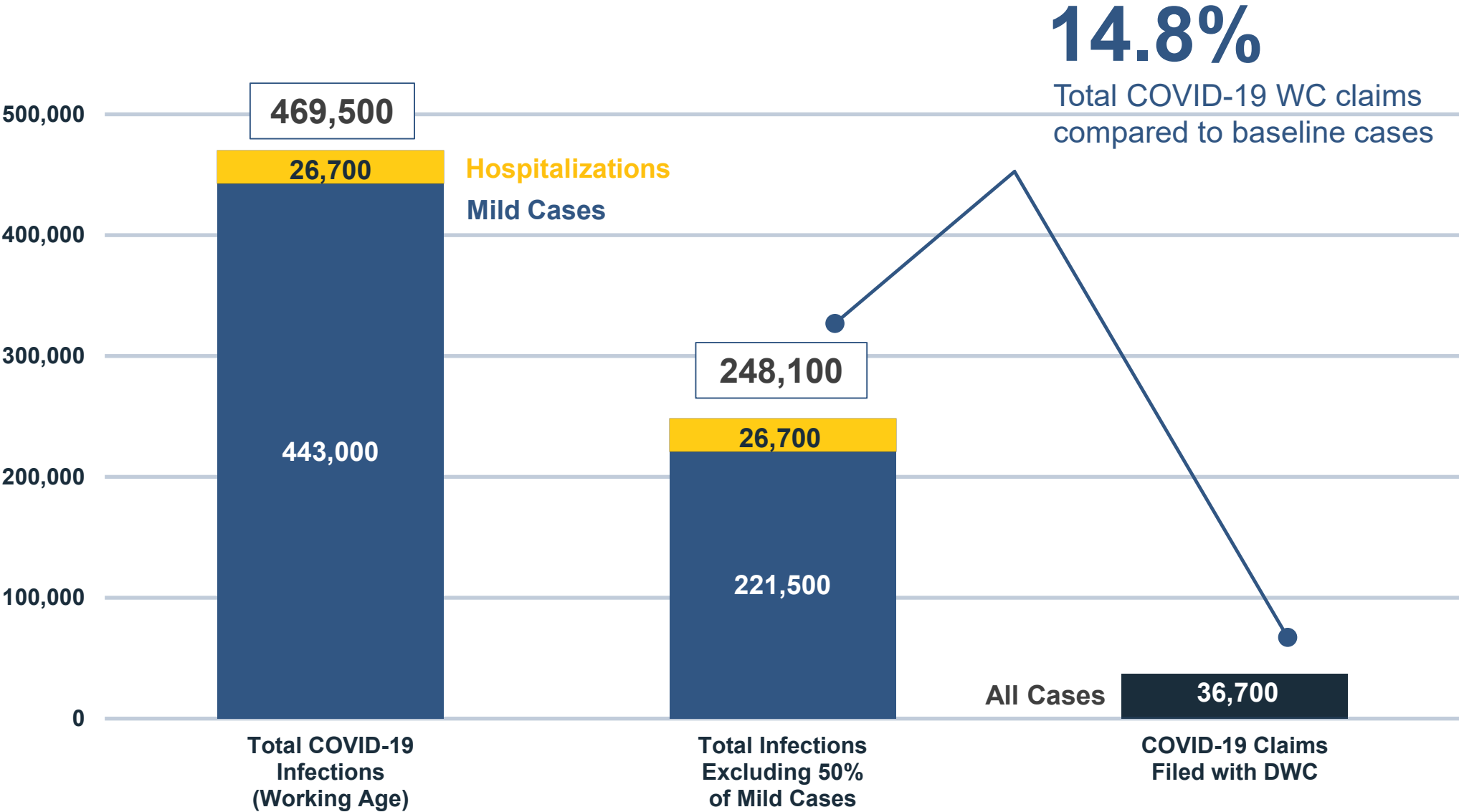
# COVID-19 Claim Cost Projection

## Filed Workers' Compensation Claims Relative to California COVID-19 Infections



# COVID-19 Claim Cost Projection

## Estimated Proportion of Workers' Compensation Claims Filed – September Re-Evaluation



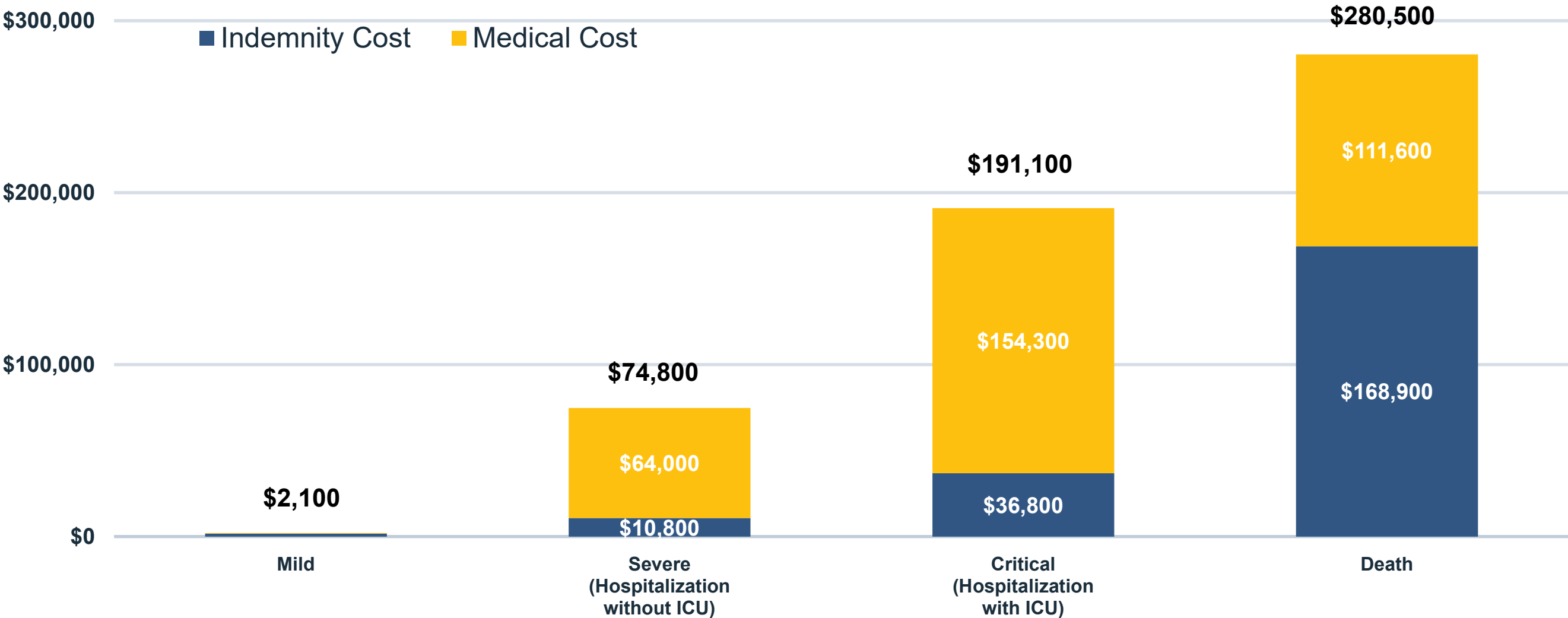
**15%**  
Estimated share of claims denied and upheld

**12.5%**  
Estimated conversion factor of working age COVID-19 cases to accepted WC claims



# COVID-19 Claim Cost Projection

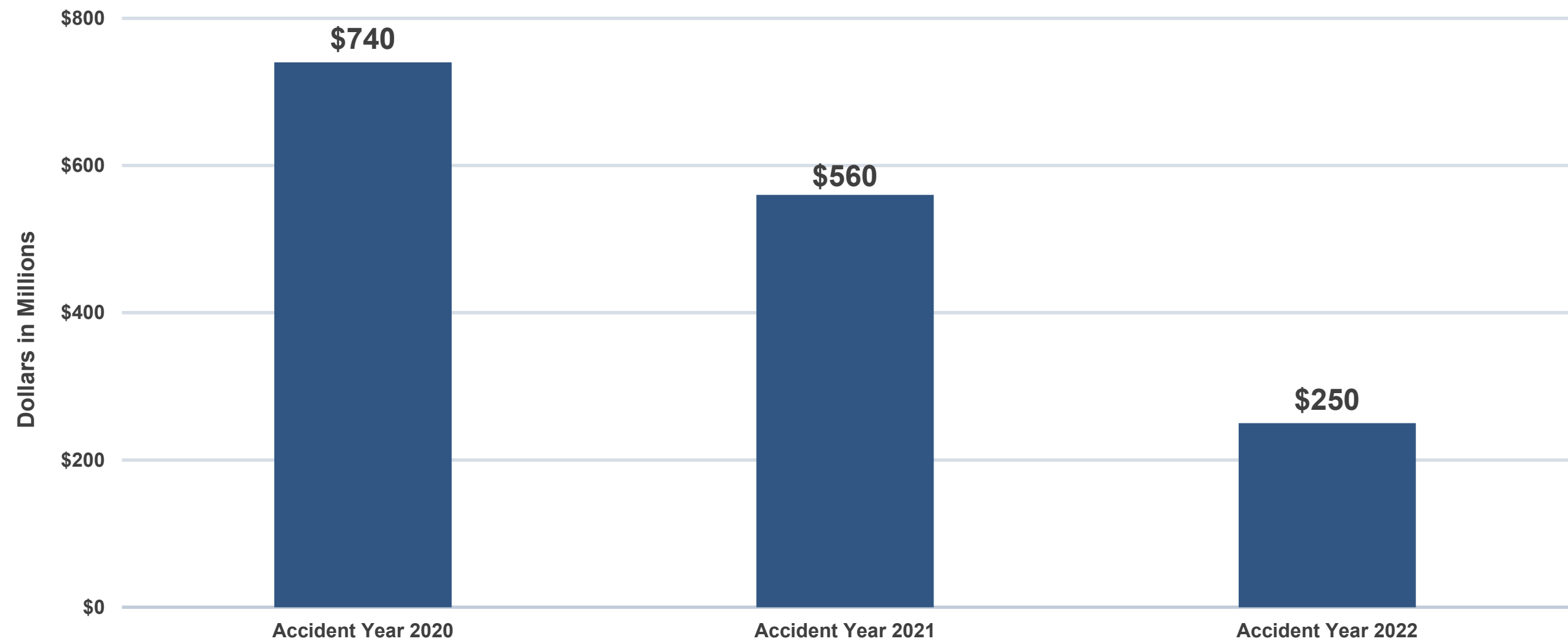
## Estimated Average Cost of COVID-19 Claim by Type of Claim



# COVID-19 Claim Cost Projection

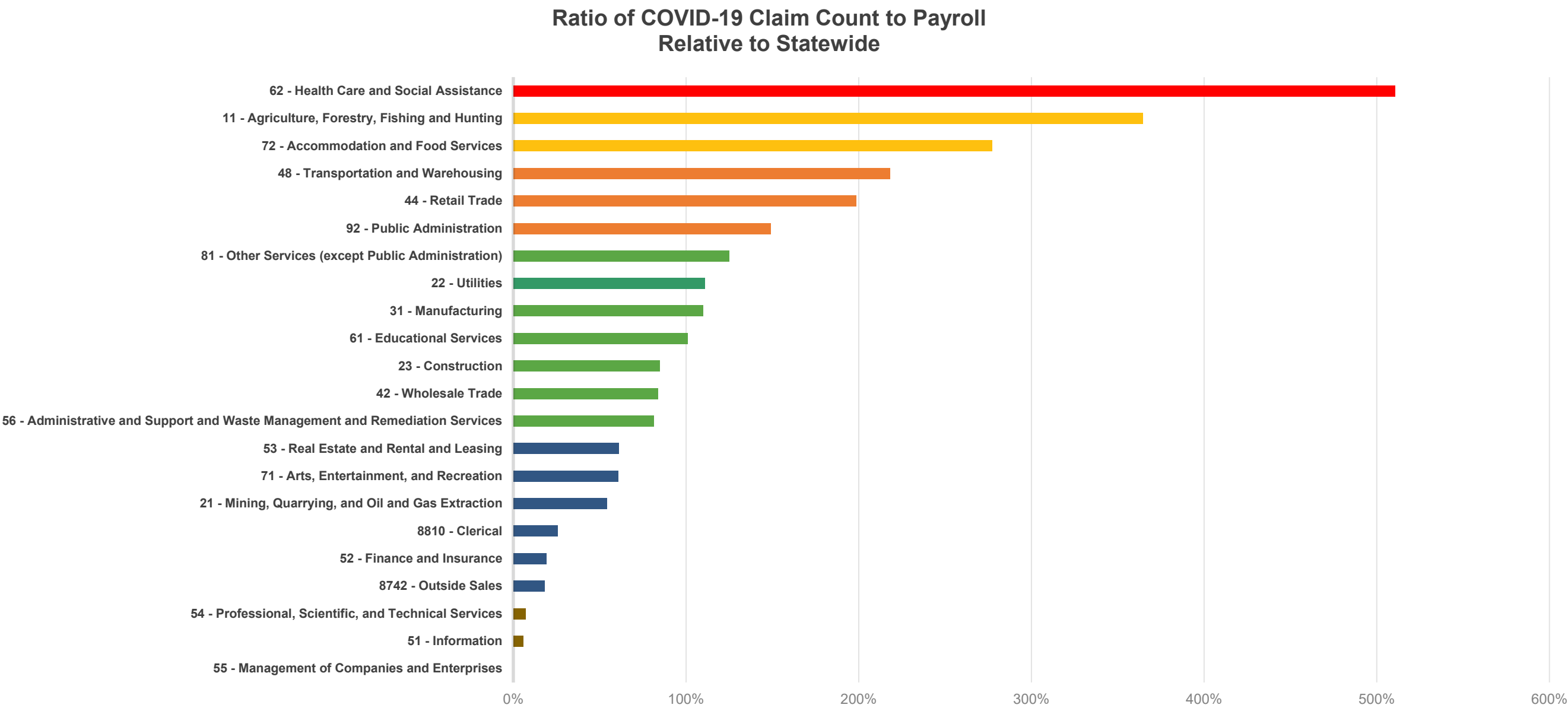
## Projected COVID-19 Losses and LAE by Accident Year – September Re-Evaluation

Overall Estimated Impact of COVID-19 Claims on 1/1/2021 – 8/31/2021 Policies: 4%, or \$0.06 per \$100 of Payroll



# COVID-19 Claim Cost Projection

## Industry COVID-19 Claim Count to Payroll Relativities – September Re-Evaluation



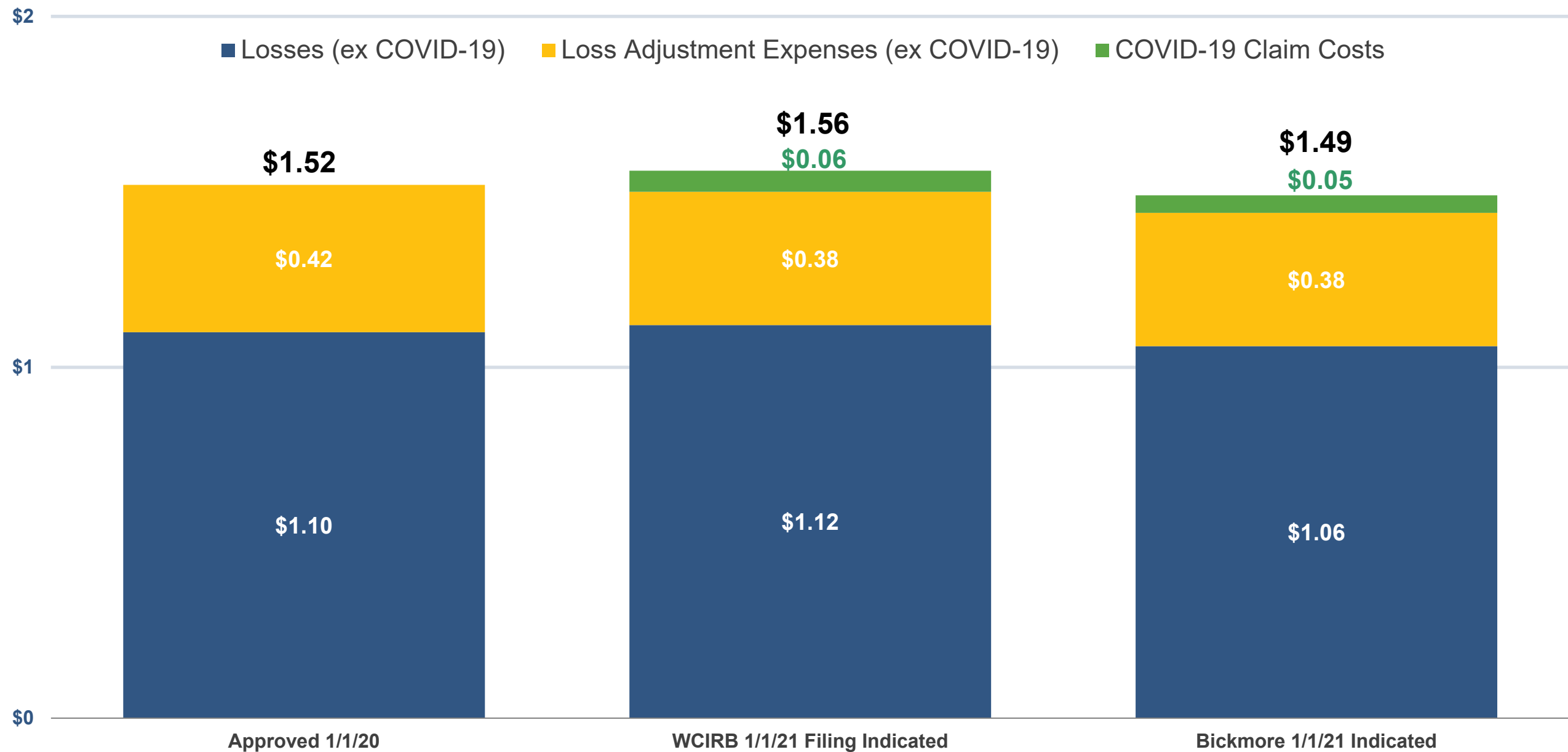
# COVID-19 Claim Cost Projection

## Market Share and COVID-19 Claim Count to Payroll Relativities

Group	Exposure Share	Non-COVID Pure Premium Share	Observed Relativity	Selected Relativity	Proposed 2021 Addition to Advisory Pure Premium Rates
6	3.1%	5.1%	510%	400%	\$0.24
5	5.8%	14.0%	300%	300%	\$0.18
4	11.1%	19.4%	203%	200%	\$0.12
3	20.1%	46.6%	99%	100%	\$0.06
2	41.5%	11.1%	27%	50%	\$0.03
1	18.4%	3.8%	7%	17%	\$0.01



# Indicated Average Advisory Pure Premium Rates



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