

WCIRB Research Forum

The 1/1/2020 Pure Premium Rate Filing and WCIRB's New Rate Filing Schedule

August 28, 2019

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The webinar will begin shortly.



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January 1, 2020 Pure Premium Rate Filing



January 1, 2020 Pure Premium Rate Filing Summary

Positive Trends

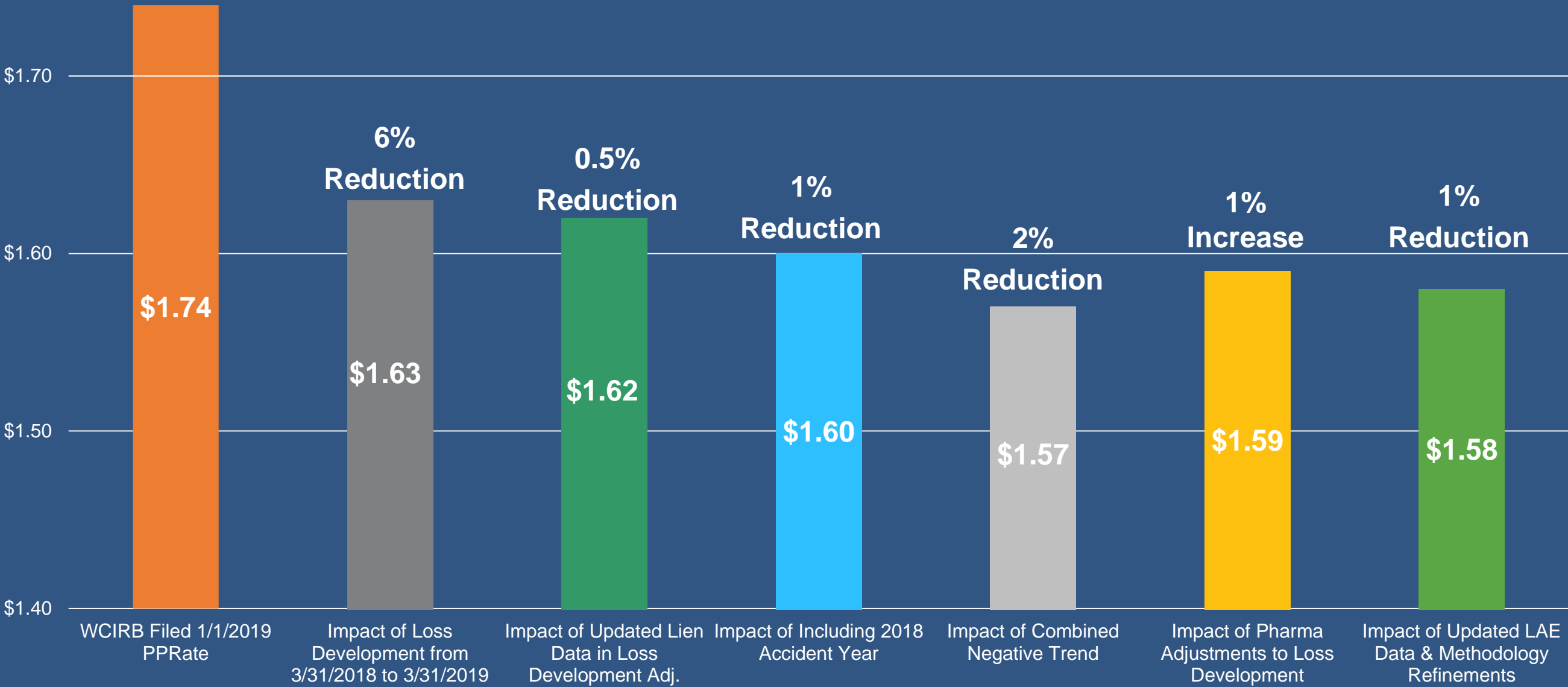
Downward Loss Development
Claims Settling Faster
Pharmaceutical Costs Dropping
Lien Filings Declining

Areas to Monitor

Cumulative Trauma Claims
Increasing Severities
LAE Costs

- Recommended Methodologies Generally Consistent with 1/1/2019 Filing
- Includes Adjustments to Development for Pharma Cost Reduction, Claim Settlement Speed-up and Reduced Lien Filings
- Includes Projections of Future Growth in Claim Frequency and Claim Severity
- Average Proposed January 1, 2020 Pure Premium Rate: \$1.58
- Average Proposed Pure Premium Rate Change: -5.4%
- Includes Adjustment for Payroll Limitation for 5 Classifications Effective in 2020

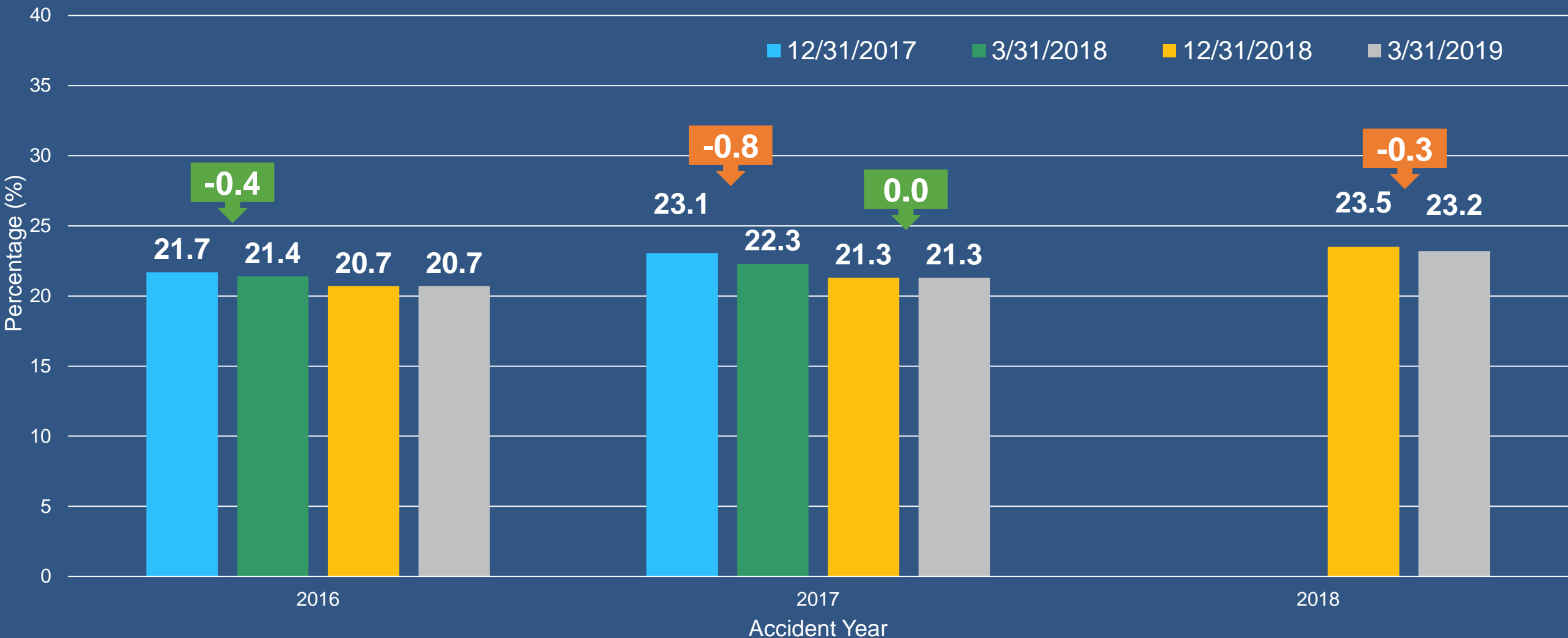
Drivers of January 1, 2020 Advisory Pure Premium Rate Decrease



Positive Trends

Downward Loss Development

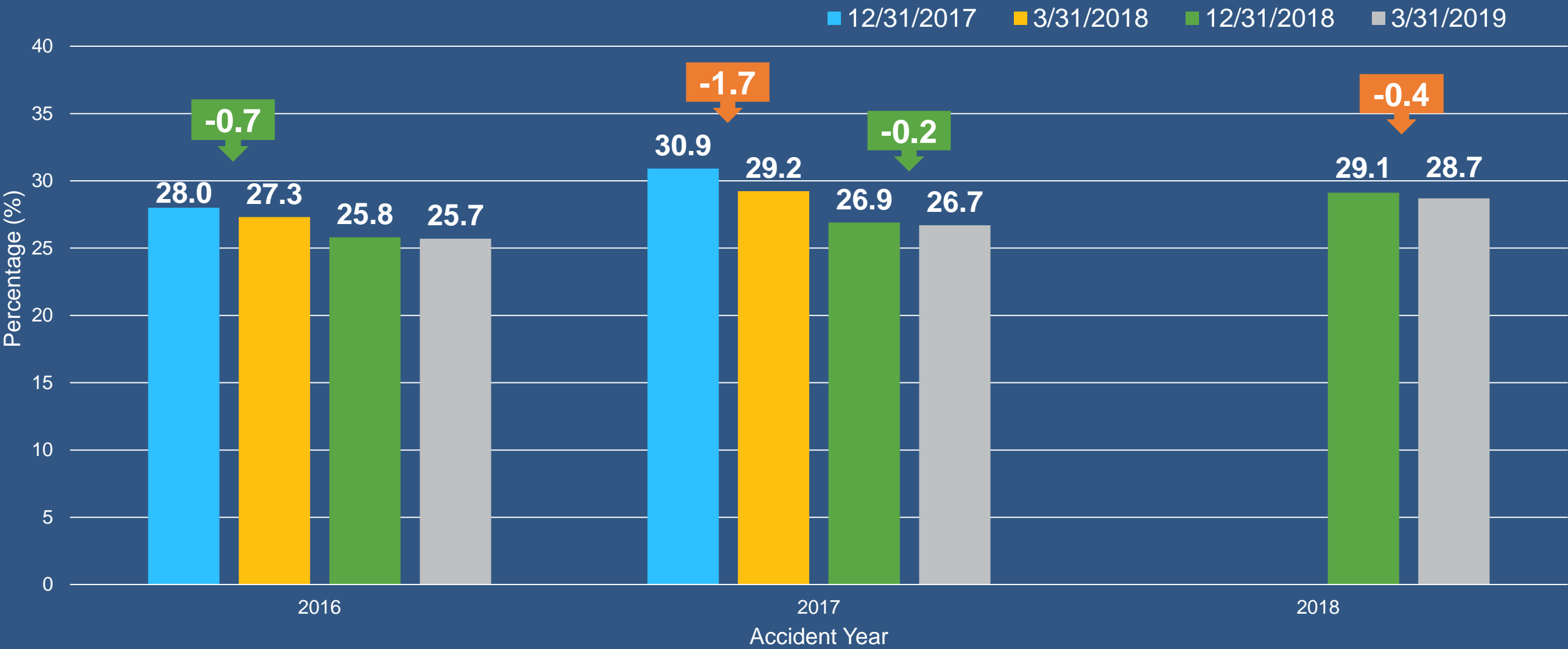
Estimated Ultimate Indemnity Losses at Quarterly Evaluations



Positive Trends

Downward Loss Development (...Continued)

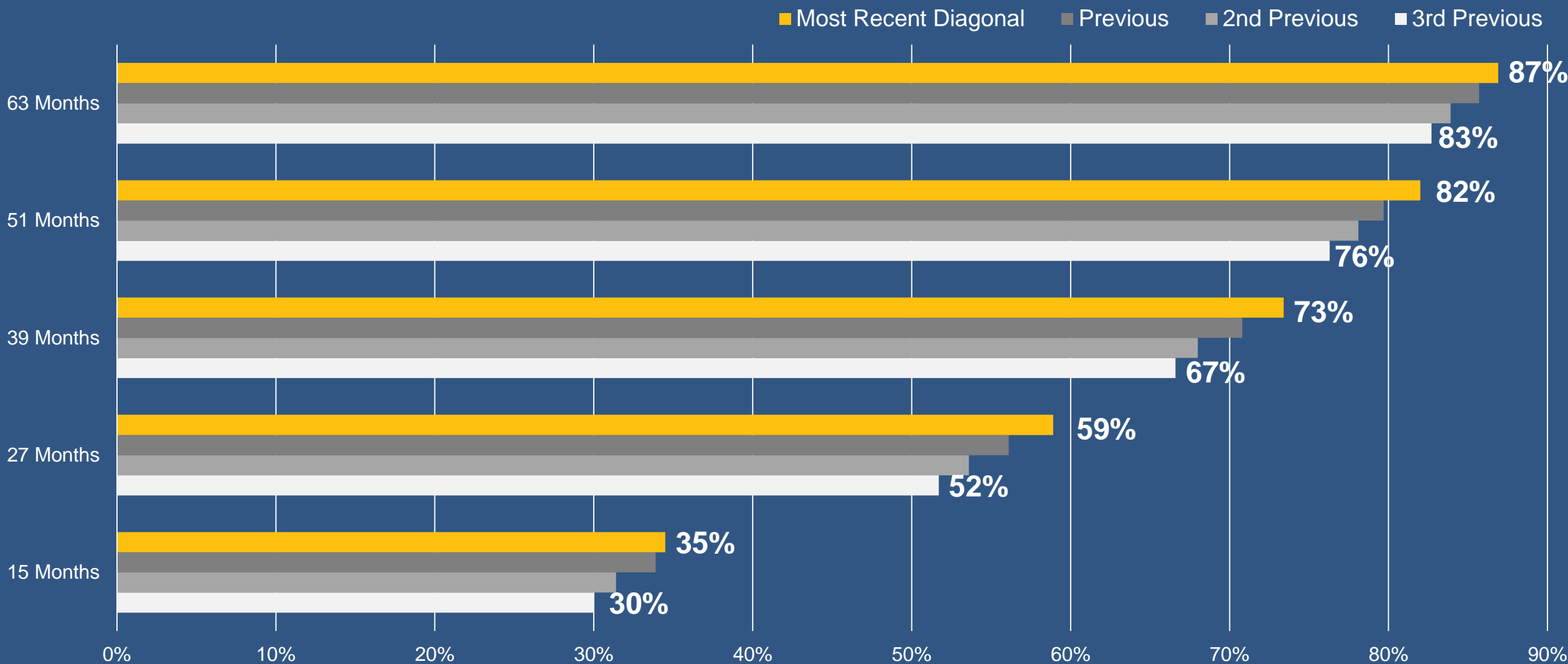
Estimated Ultimate Medical Losses at Quarterly Evaluations



Positive Trends

Claims Closing Faster

Closed Indemnity Claims as a % of Estimated Ultimate Claim Count

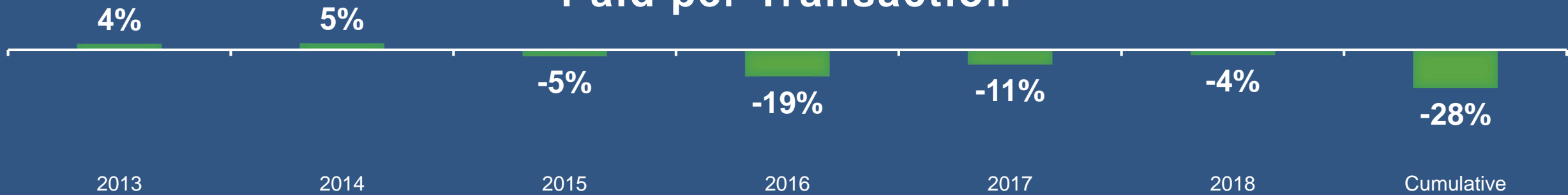


Positive Trends

Pharmaceutical Costs Declining

As of April 7, 2019

Paid per Transaction



Transactions per Claim



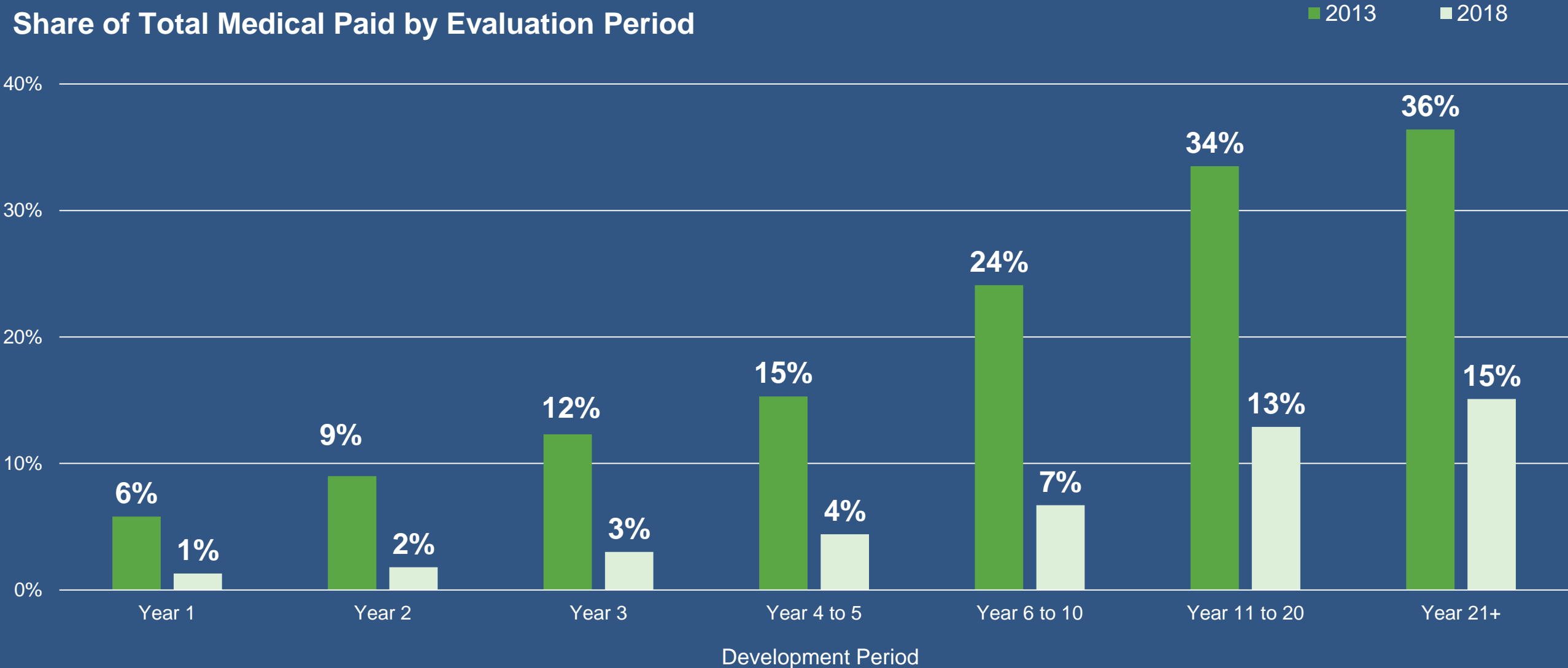
Paid per Claim



Positive Trends

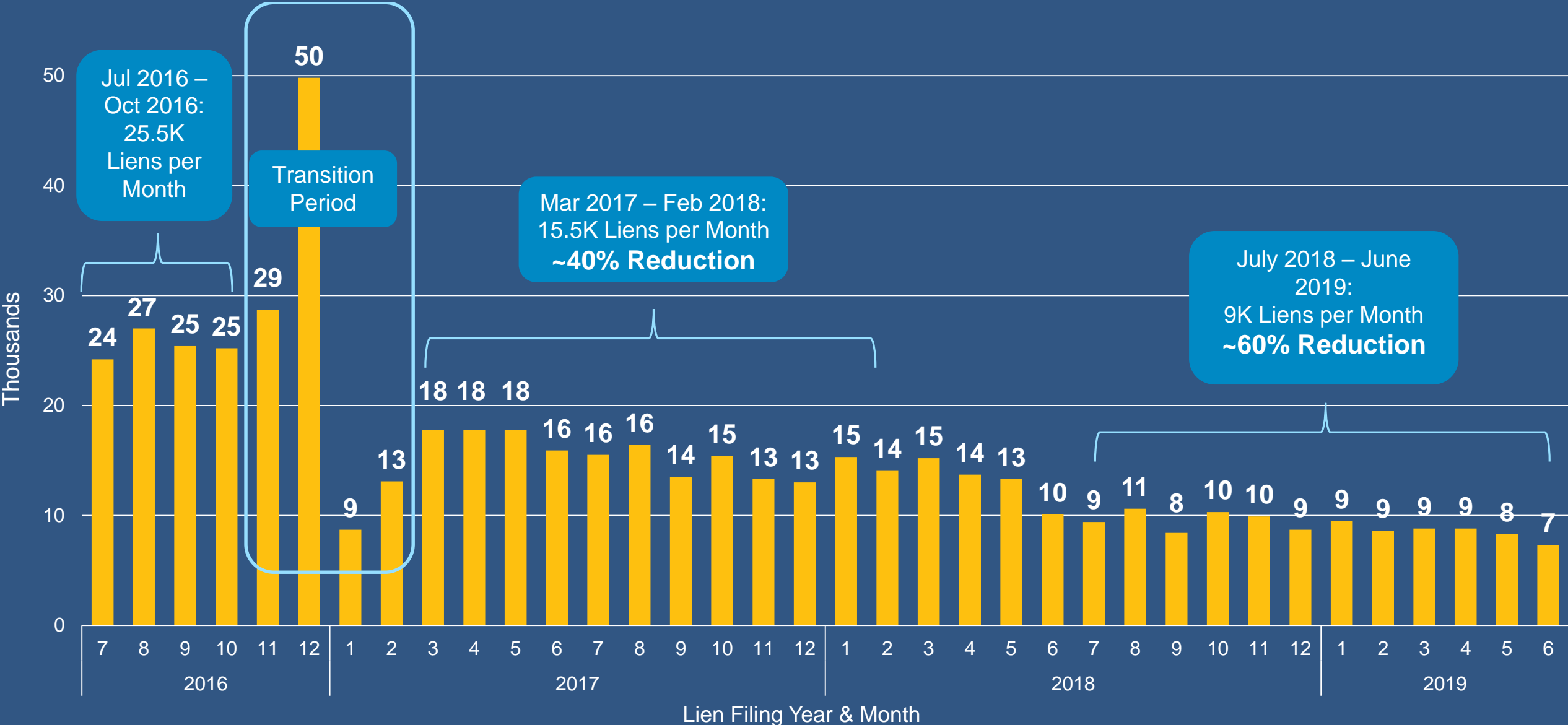
Pharmaceutical Costs Declining (...Continued)

Share of Total Medical Paid by Evaluation Period



Positive Trends

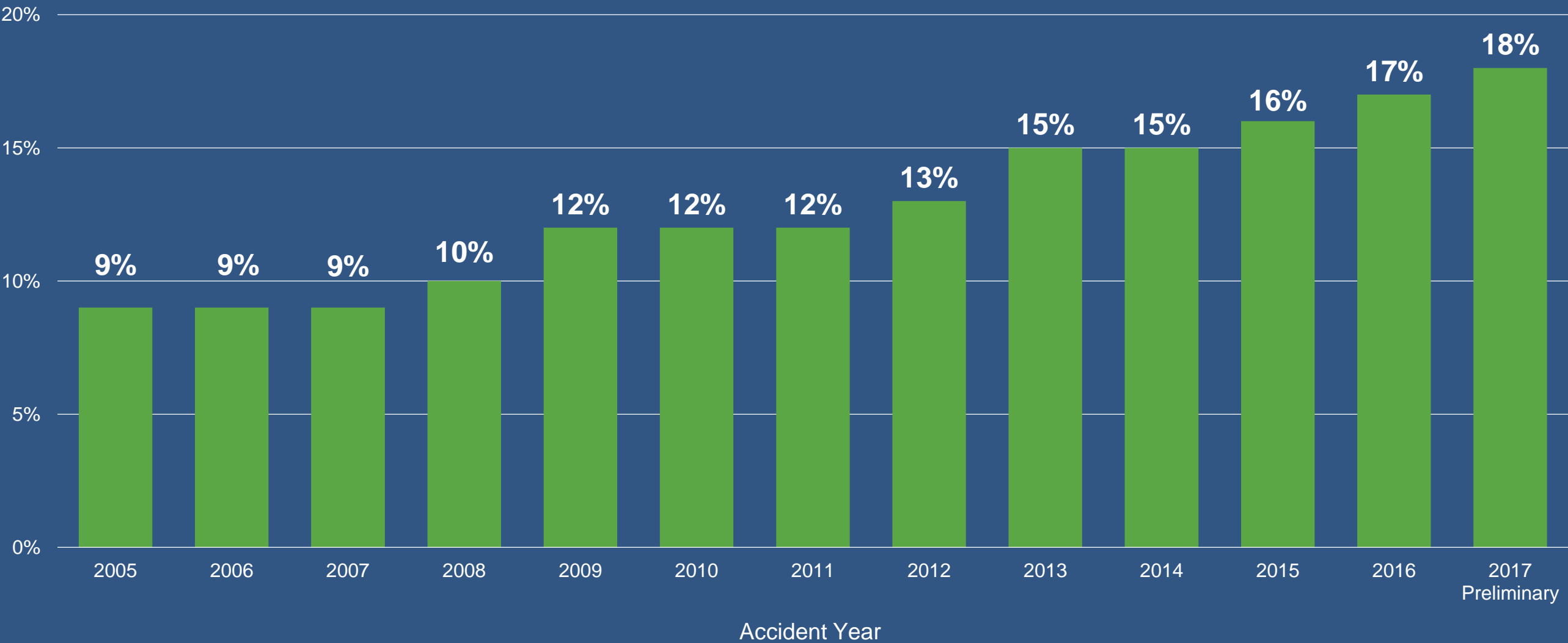
Lien Filings Declining



Areas to Monitor

Cumulative Trauma Claims

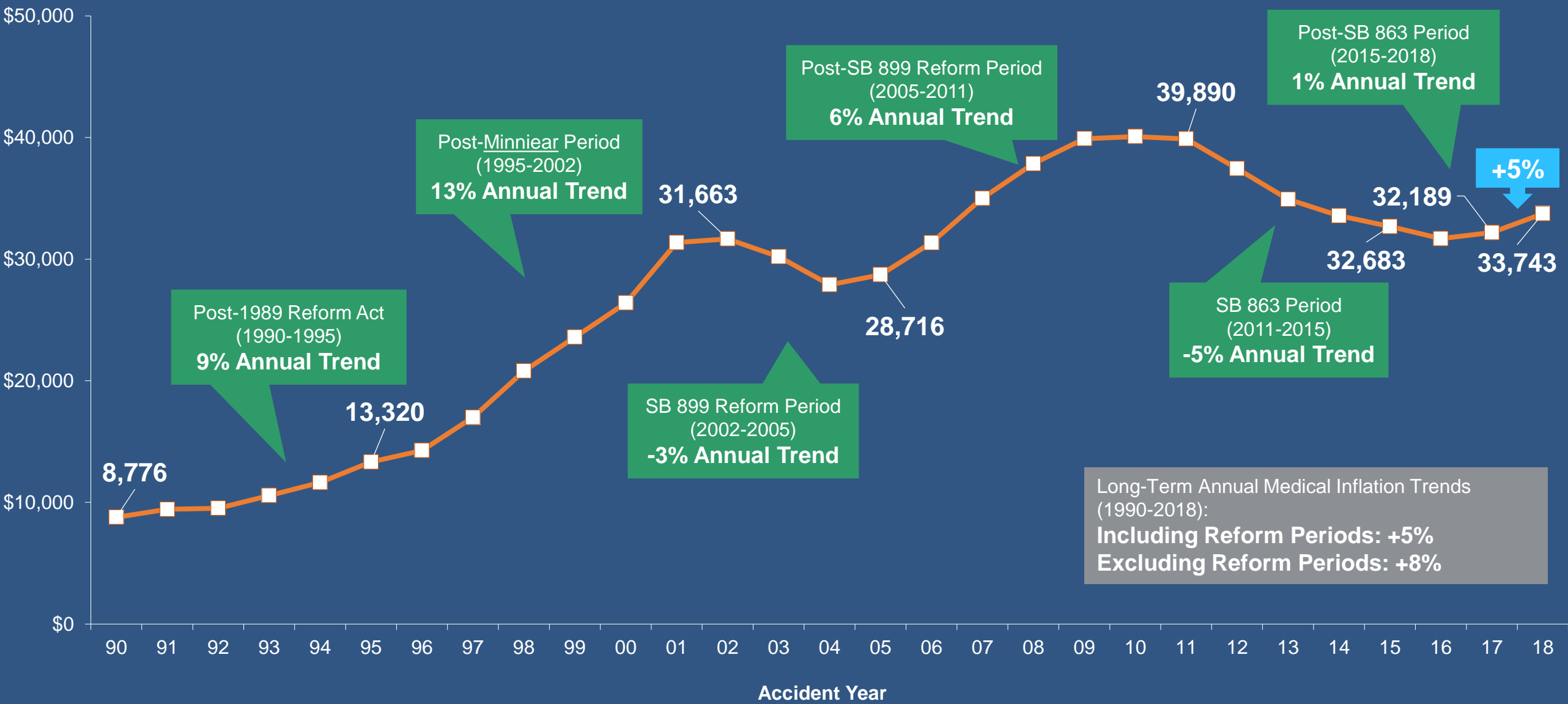
Cumulative Trauma Claims as a Proportion of All Indemnity Claims



Areas to Monitor

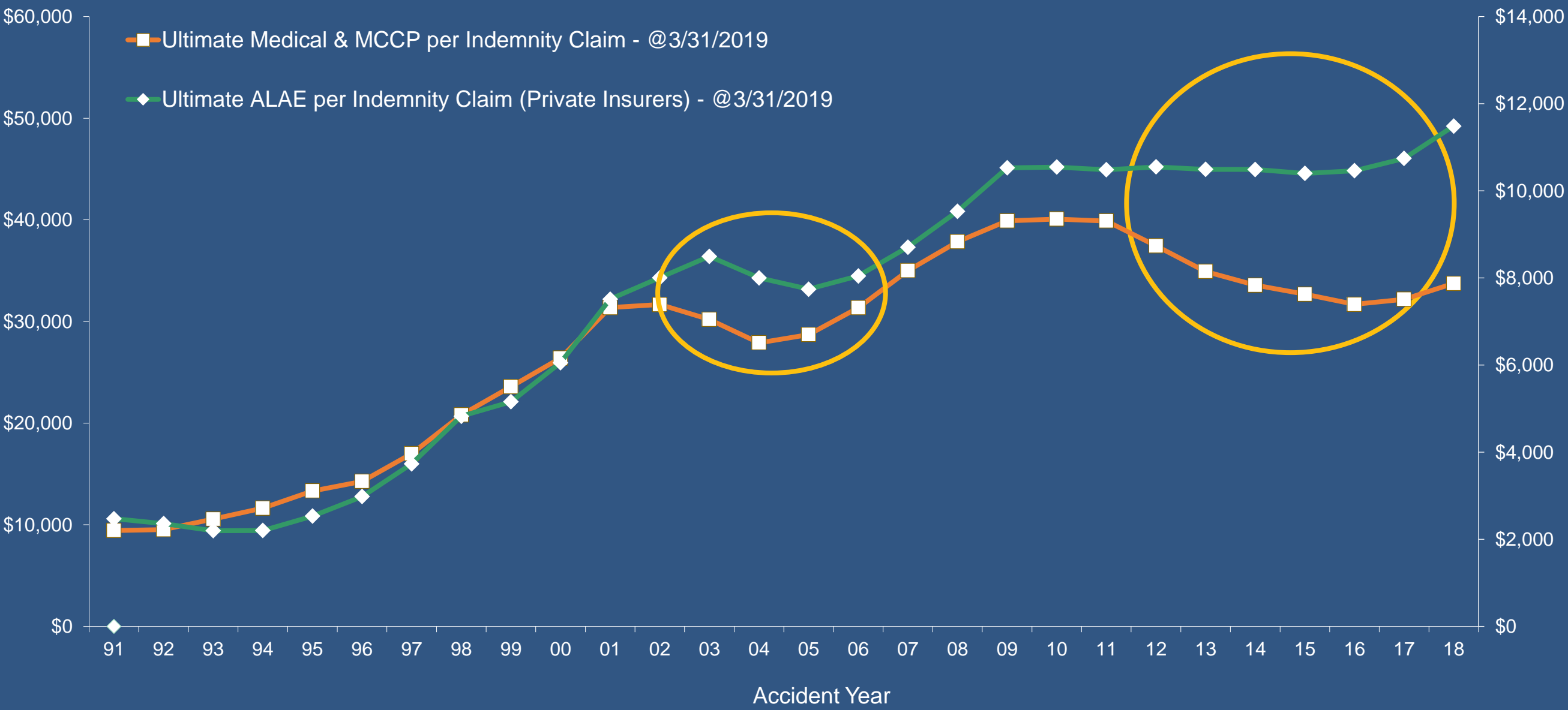
Increasing Severities – Estimated Ultimate Medical per Indemnity Claim

As of March 31, 2019



Areas to Monitor

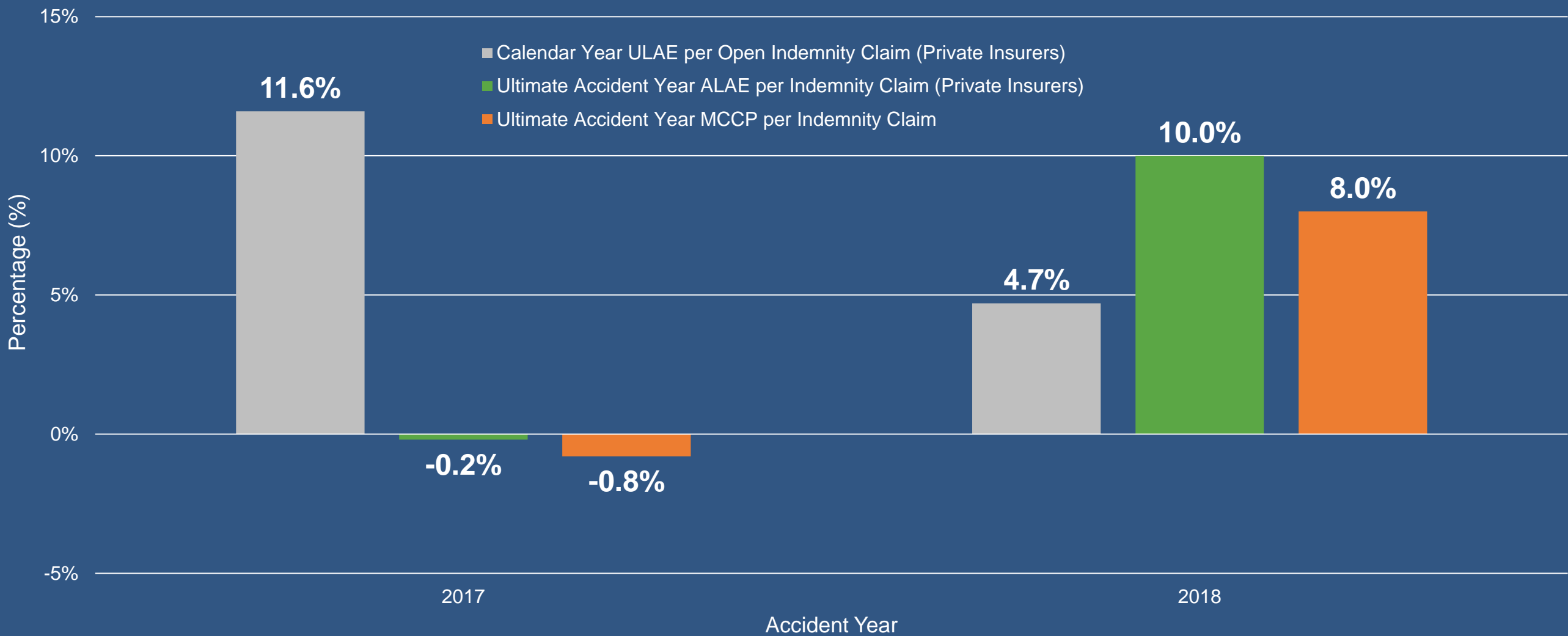
LAE Costs – ALAE



Areas to Monitor

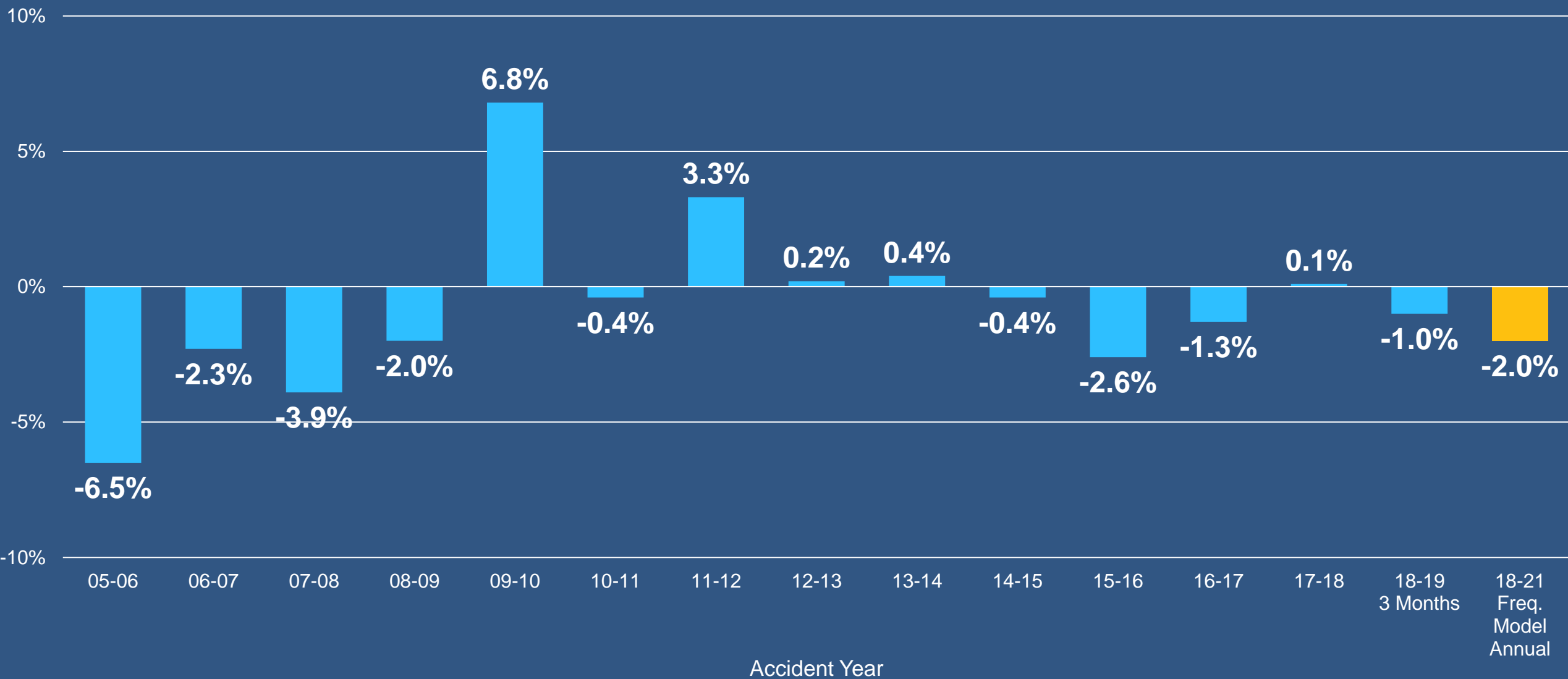
LAE Costs

Estimated Annual Change in LAE Costs per Indemnity Claim



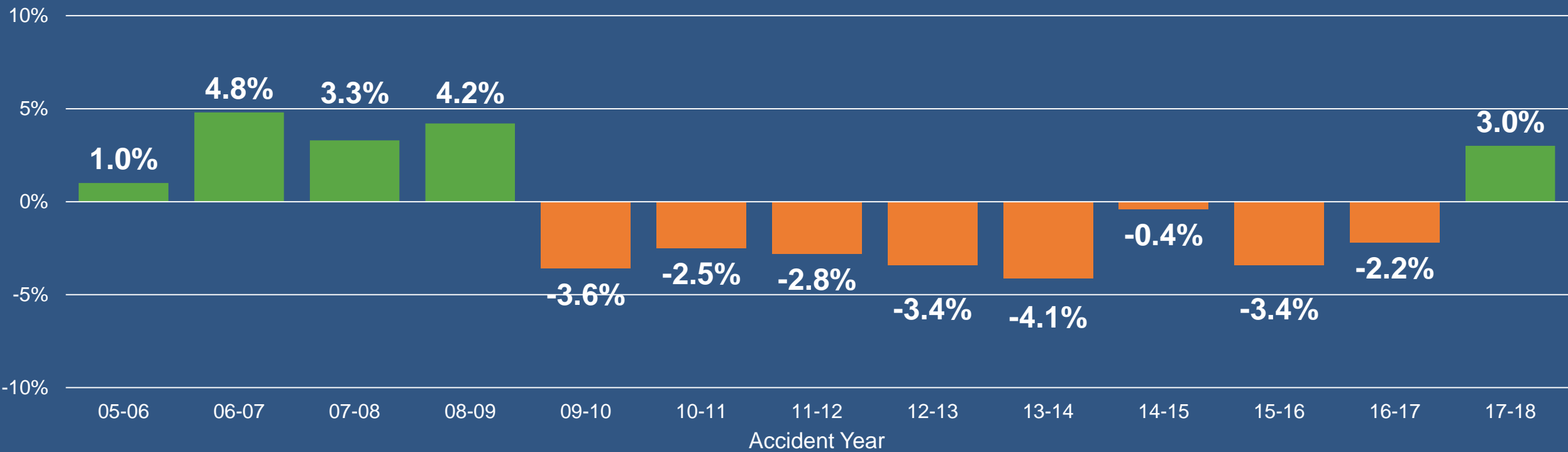
Projected Changes in Indemnity Claim Frequency

As of March 31, 2019



Projected Changes in On-Level Indemnity Severity

As of March 31, 2019



Annual Exponential Trend Based on:

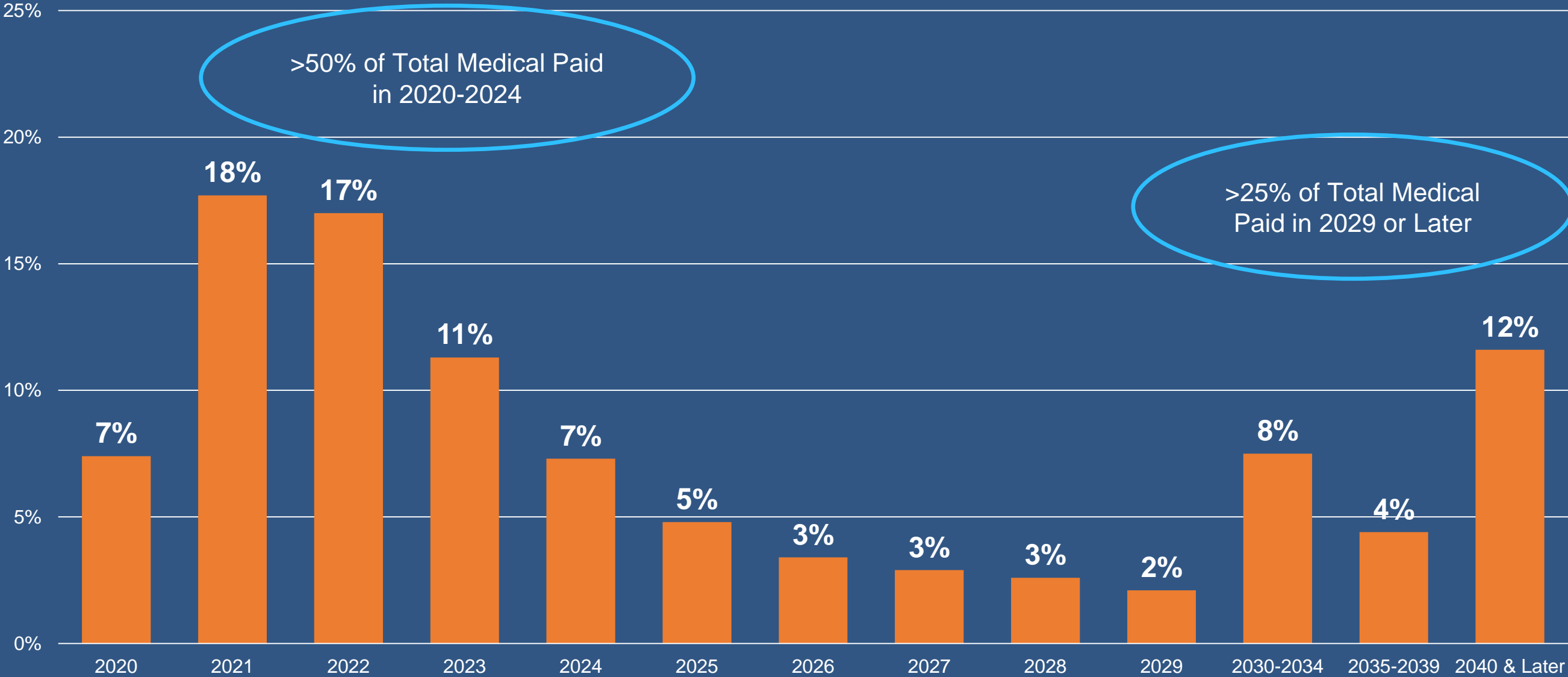
- 1990 to 2018: +1.3%
- 2005 to 2018: -1.1%
- 2014 to 2018: -1.2%

WCIRB Selected: -0.5%

Policy Year 2020

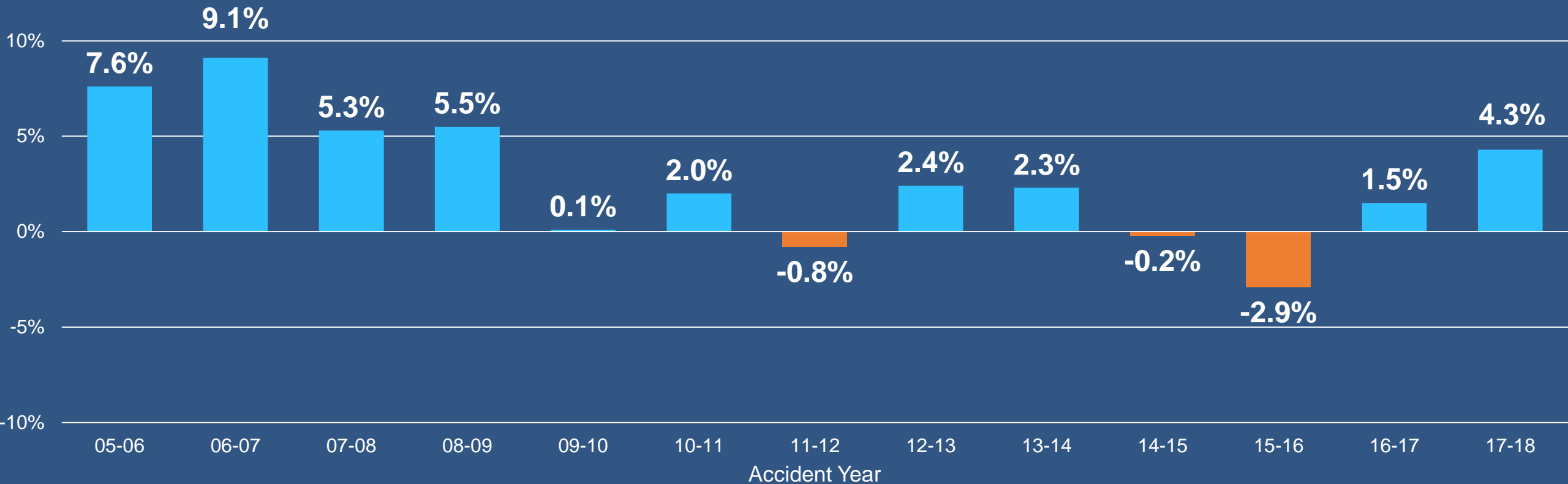
Estimated Medical Paid by Year

As of December 31, 2018



Projected Changes in On-Level Medical Severity

As of March 31, 2019

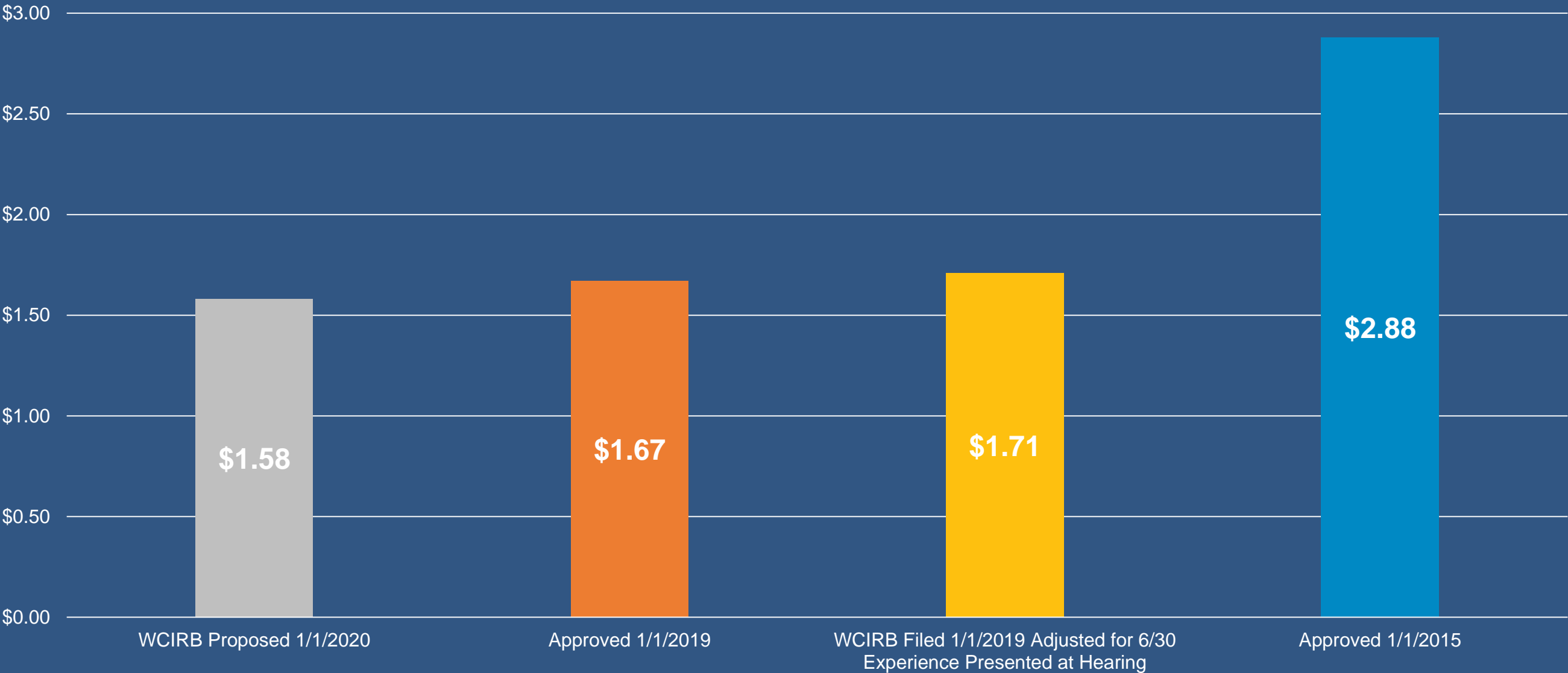


Annual Exponential Trend Based on:

- 1990 to 2018 (Incl. MCCP): +5.8%
- 2005 to 2018: +2.1%
- 2014 to 2018: +0.4%

WCIRB Selected: 2.5%

Average Pure Premium Rates per \$100 of Payroll



New Maximum Payroll Limitations Effective in 2020

- 1/1/2019 Regulatory Filing WCIRB proposed payroll maximum for classifications meeting specified criteria
 - High proportion of high wage employees
 - Low advisory pure premium rate
 - No indication of increased loss exposure for high wage employees
 - Generally includes clerical and outside sales
- Maximum payroll limitations adopted for five additional classifications in 2020
 - 7607, Video Post-Production/Audio Post-Production
 - 8743, Mortgage Brokers
 - 8803, Auditing, Accounting or Management Consulting Services
 - 8820, Law Firms
 - 8859, Computer Programming or Software Development/Internet or Web-Based Application Development or Operation
- WCIRB adjusted proposed pure premium rate for each classification to reflect estimated reduced payroll due to the limitation

New Maximum Payroll Limitations Effective in 2020

WCIRB Recommended Pure Premium Rate Adjustment Factors

Classification	Proposed 2020 Payroll Maximum	% Payroll Above Maximum	Adjustment Factor
7607	\$139,100	20%	0.80
8743	\$139,100	29%	0.71
8803	\$139,100	19%	0.81
8820	\$139,100	33%	0.67
8859	\$139,100	27%	0.73

02

WCIRB's New Rate Filing Schedule



The WCIRB's New Rate Filing Schedule

Background

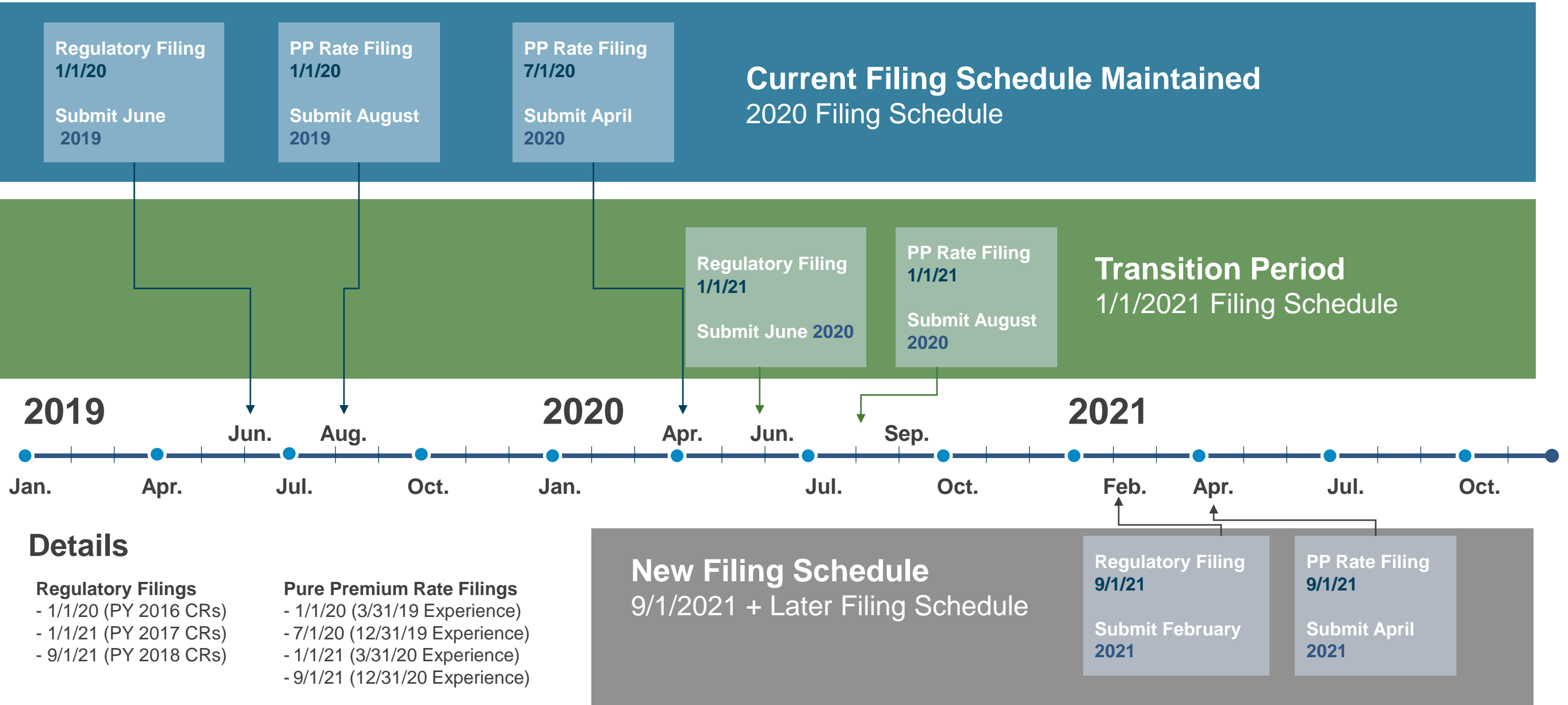
- Current Filing Schedule
 - Regulatory filing submitted in June with January effective date
 - Pure premium rate filing submitted in August (based on March 31 data) with January effective date
 - Pure premium rate filing potentially amended in September based on June 30 data
 - Pure premium rate filing potentially made in April (based on December 31 data) with July effective date
- Stakeholder Concerns
 - Multiple pure premium rate filings each year can be disruptive to stakeholders
 - Potential September amendments to proposed changes create confusion
 - California only state with multiple filings each year
 - Pure premium rate decisions in November create timing challenges for insurer January 1 rate filings
 - January and July effective dates problematic since those are most common policy effective months
 - Mid-year filings involve more significant pure premium rate level changes than annual filings
- WCIRB has developed an alternative filing schedule for 2021 and later working with the Committees and CDI

The WCIRB's New Rate Filing Schedule

Schedule for 2021

- 2021 Filing Schedule
 - Regulatory filing submitted in February with September effective date
 - Pure premium rate filing submitted in April (based on December 31 data) with September effective date
 - No second pure premium rate filing made absent significant legislative, regulatory or judicial action or extraordinary experience
 - WCIRB will continue to publish quarterly evaluations of underlying experience
- Considerations
 - Minimizes need for multiple pure premium rate filings each year
 - Provides additional time for insurers to reflect CDI decision in their rate filings
 - Many fewer policies with September effective dates than January or July effective dates
 - Reflects new accident year as of December 31 in pure premium rate filing along with more current classification relativity data
 - Insurers can still reflect updated quarterly experience in own filings

The WCIRB's New Rate Filing Schedule



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