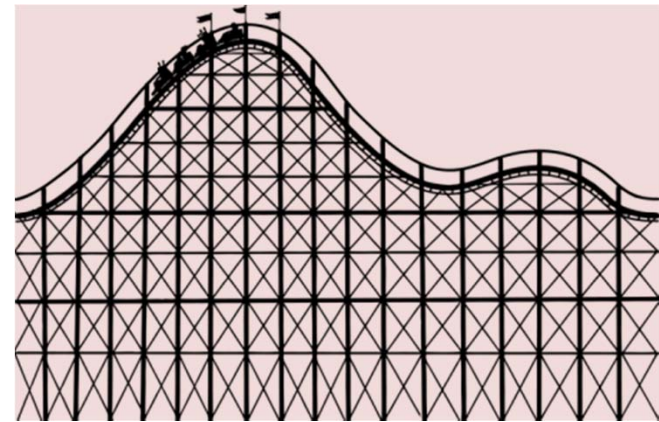


# Look No Hands!

## The Roller Coaster Known as California Workers' Compensation

*Southern California  
Casualty Actuarial Club*

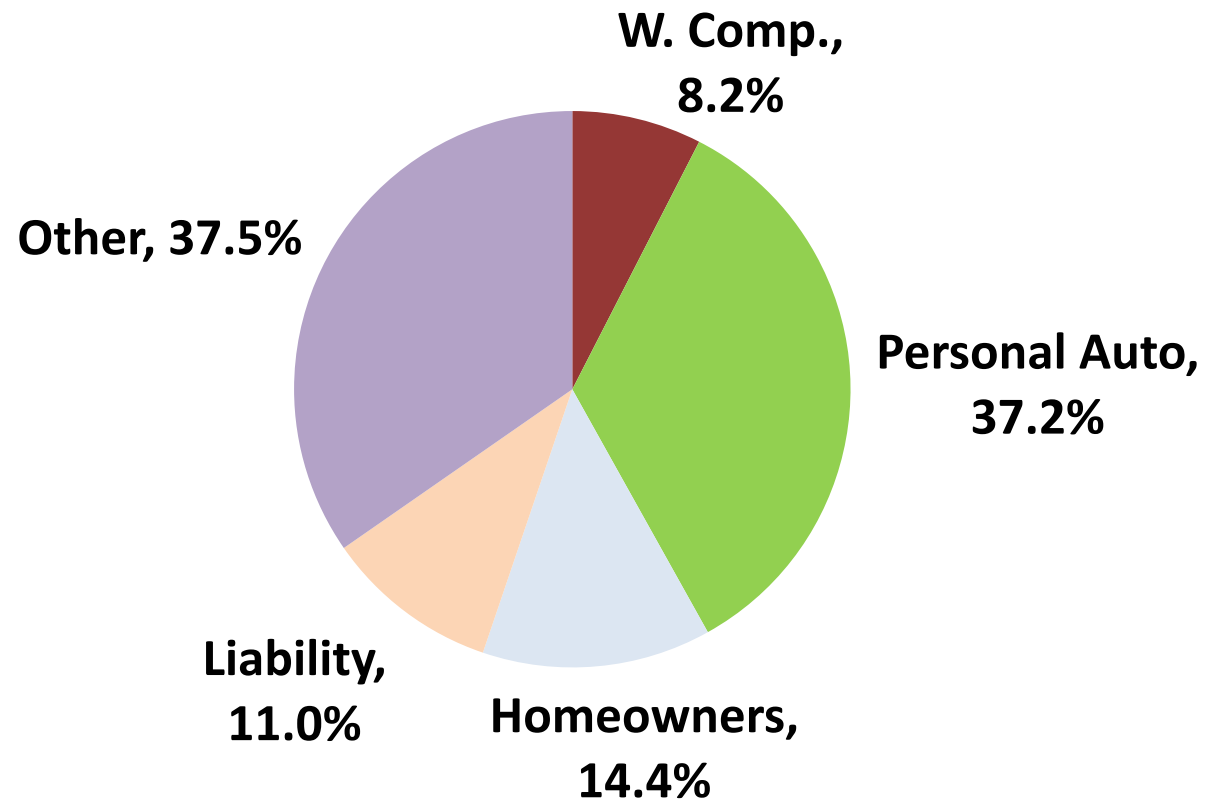


**Mark Priven, Bickmore**

**5/28/15**

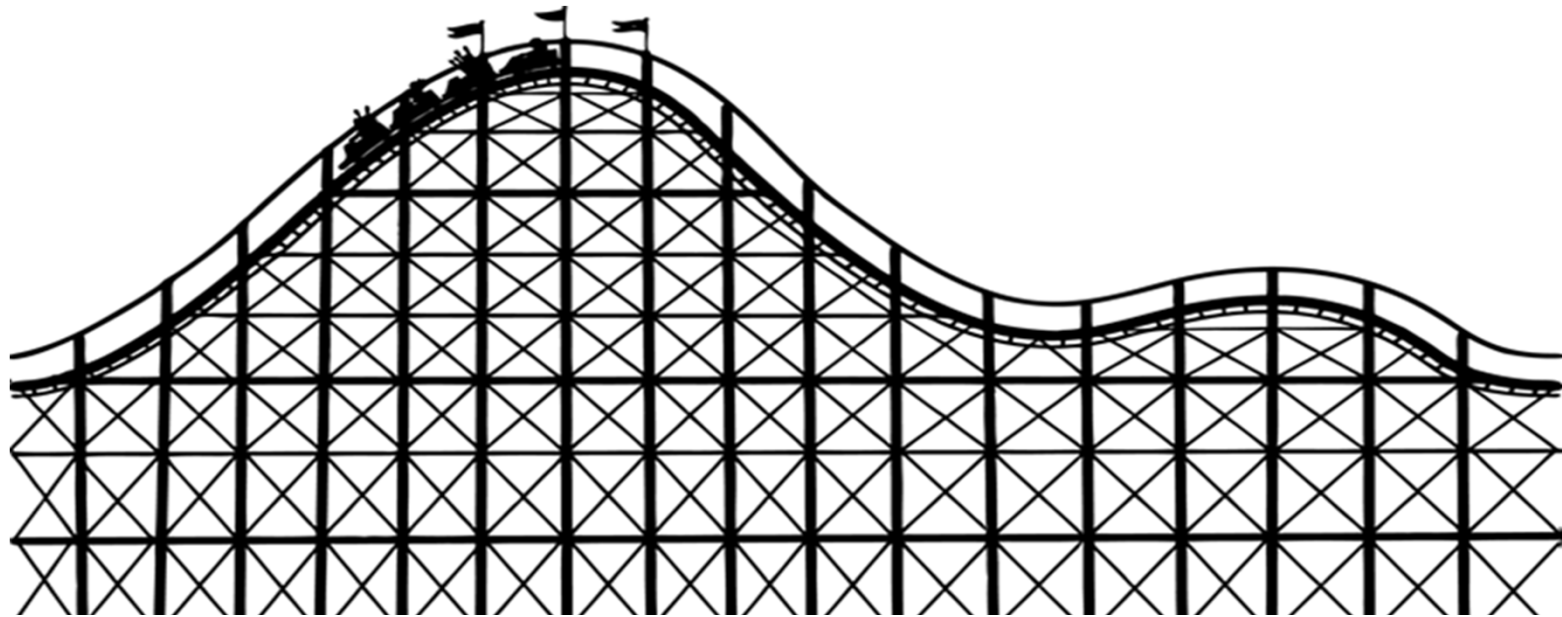
**Bickmore**

# P&C Premiums (U.S.)



2011 Premiums (Best's Aggregates & Averages)

# Roller Coaster



# Average Premium Rate

## California Workers' Compensation Industry Average Charged Rate per \$100 of Payroll

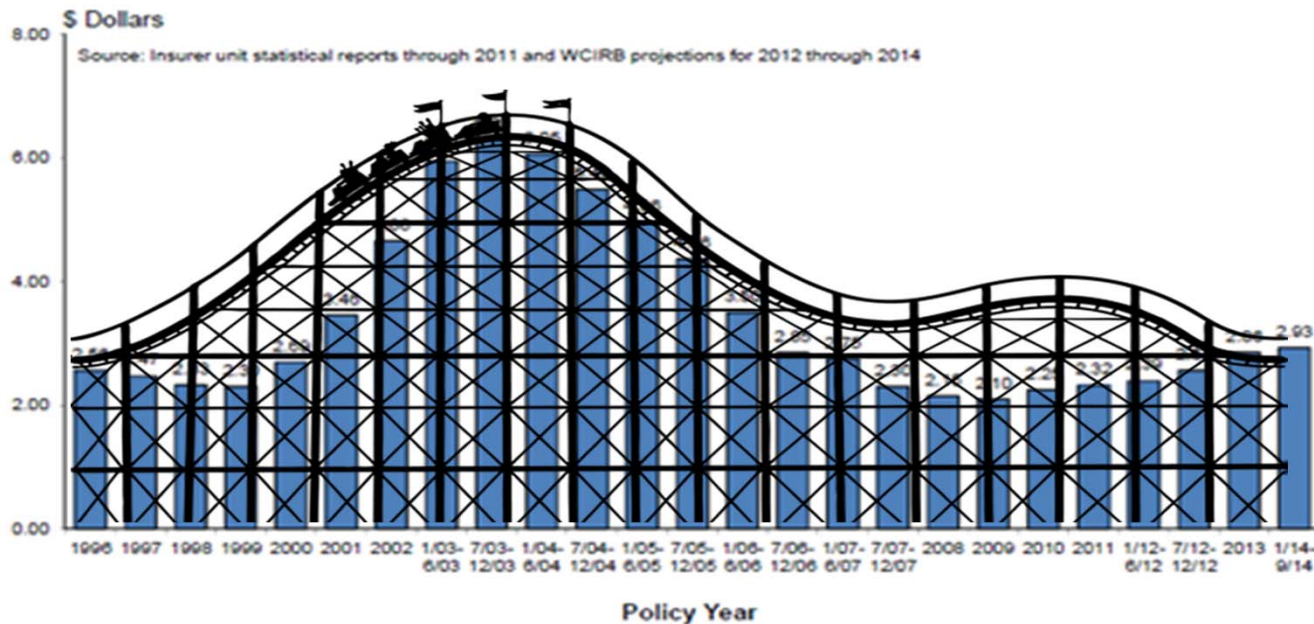


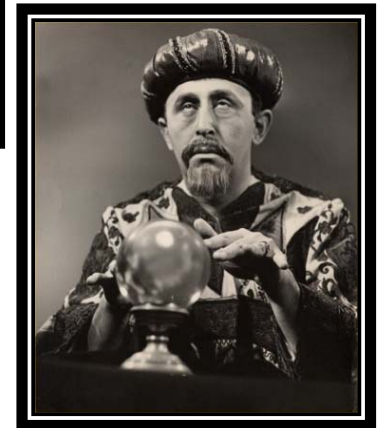
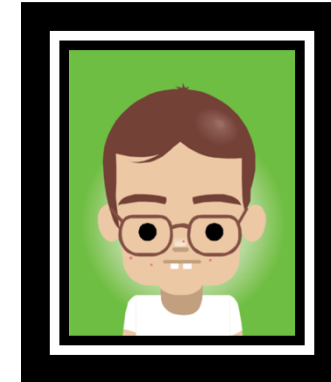
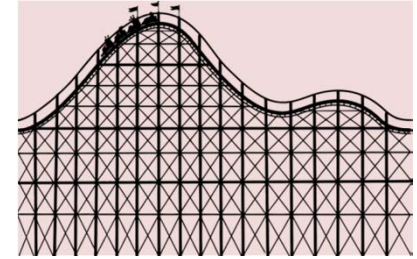
Exhibit 2

WCIRBCalifornia<sup>®</sup>  
Division of Industrial Accidents

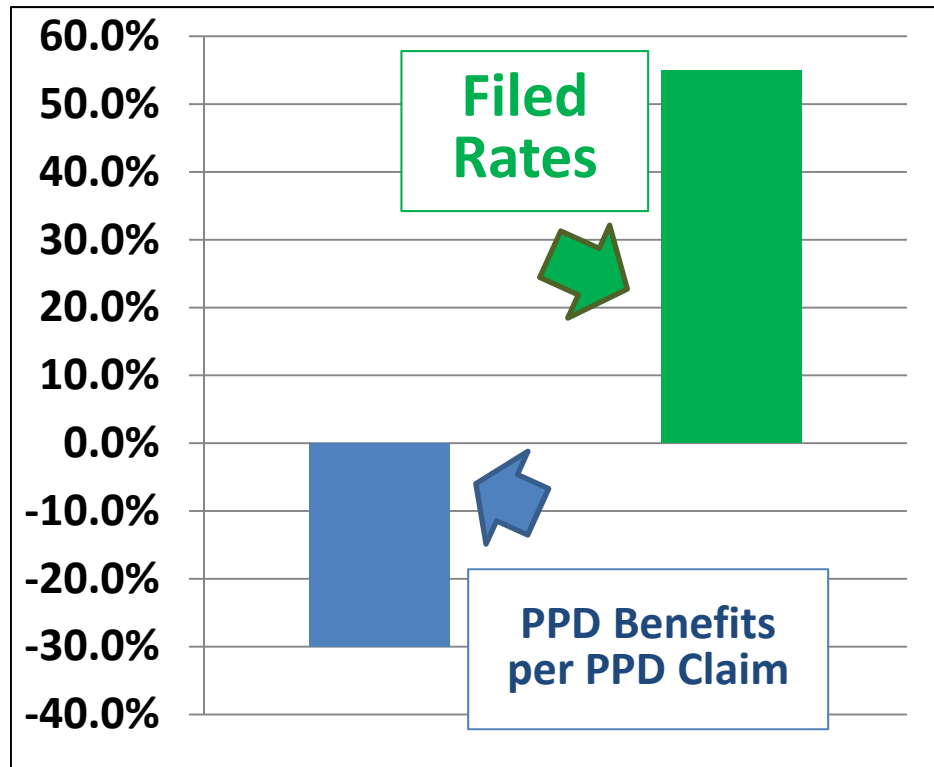
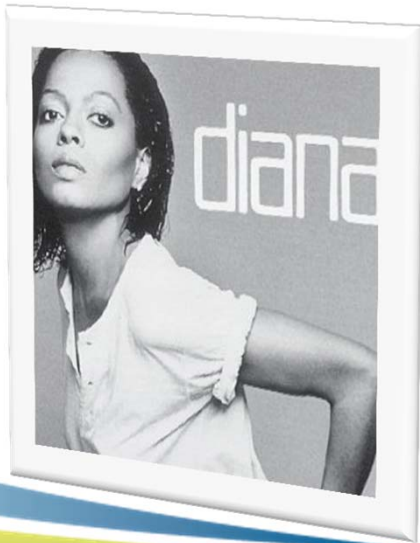
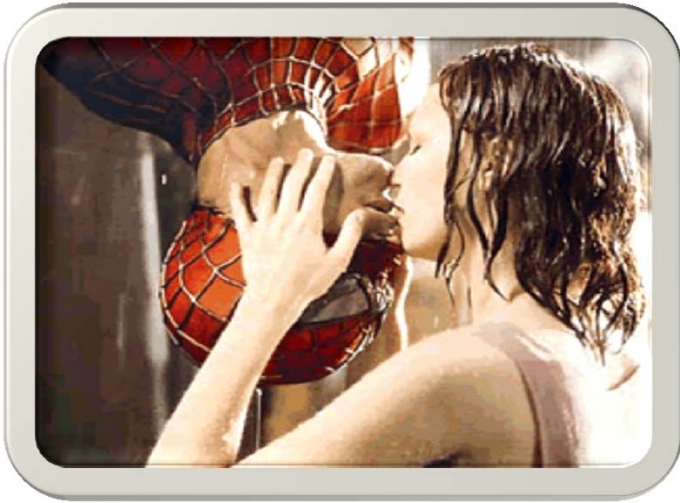
WCIRB Report on Insurer Experience 9/30/14

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# Overview



# Pre-Reform

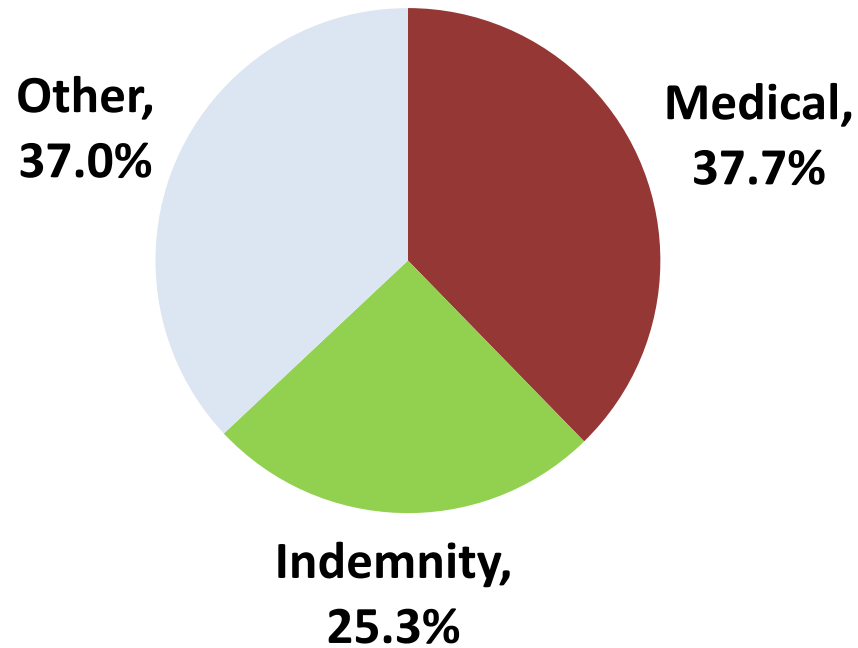


PPD Based on NCCI 2012 Statistical Bulletin: Nationwide ex California excludes monopolistic states, weighted by employment

PPD benefits adjusted to California Avg. Weekly Wage

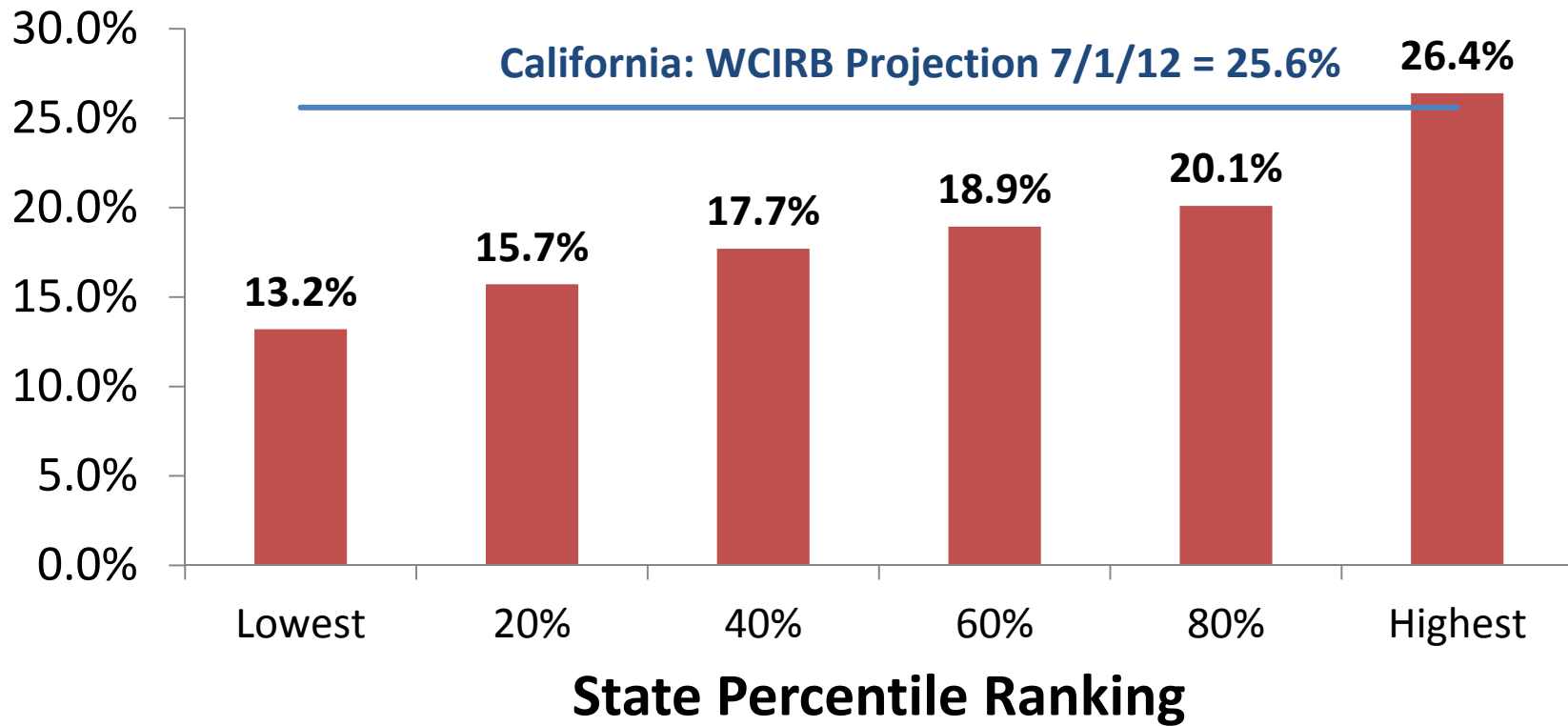
\*\*Filed rates based on OR DCBS study 2012, wtd by CA payroll

# Pre SB 863: High Expenses



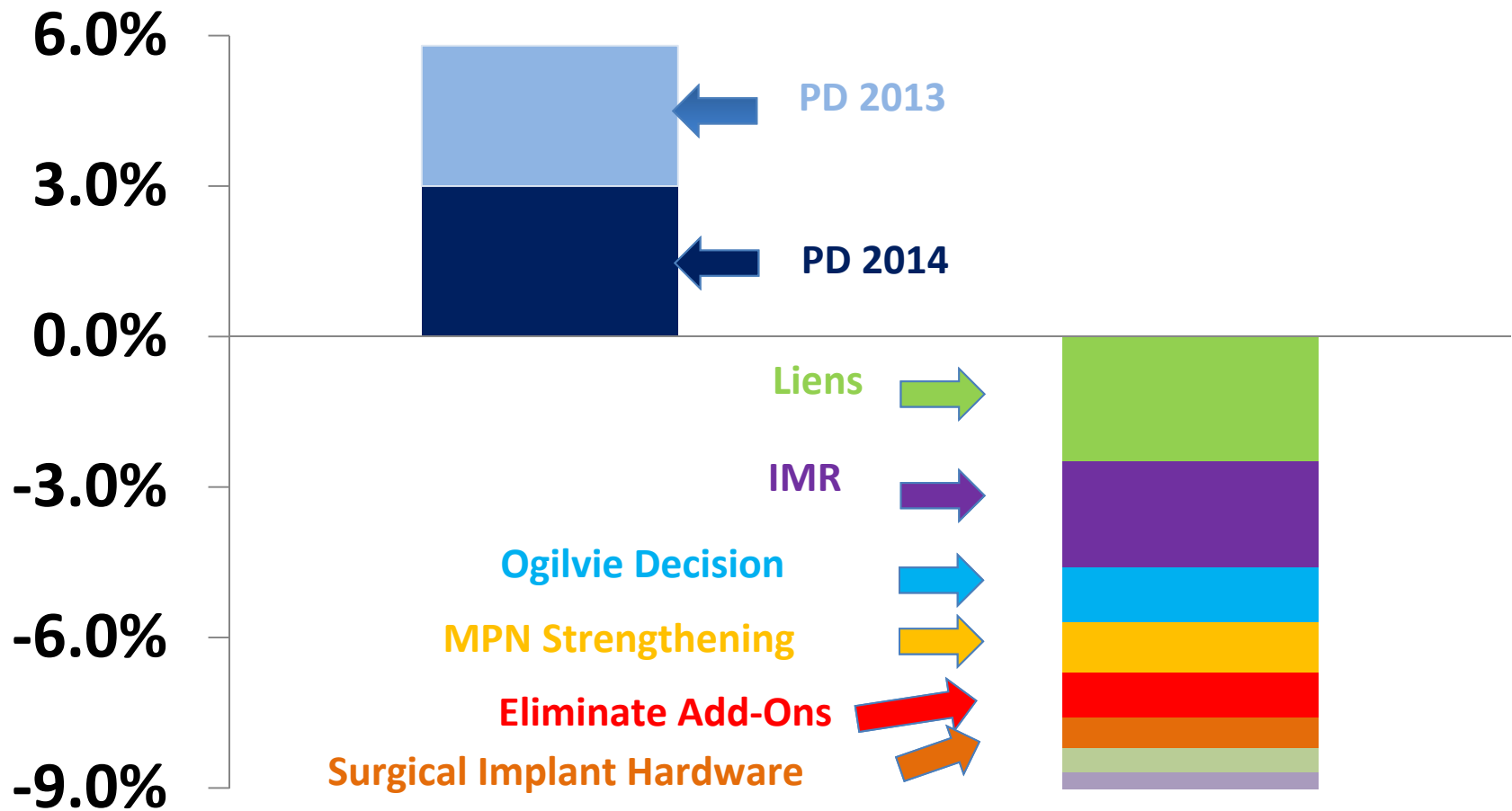
Insurer payments, Calendar Year 2012 (WCIRB)

# Pre SB 863: High LAE Expenses





# SB 863: Cost & Savings Estimates



# SB 863: PD Changes

## Impairment

- From Doctor (per AMA Guides)
- **Add-Ons**

## Adjustments

- **Future Earnings Capacity**
- Age
- Occupation

## PD Award

- Apportionment
- Weeks of Benefits
- **Min/Max Benefit per Week**

## Final Adjustments

- Life Pension/Permanent Total
- **Bump Up/Bump Down**

# SB 863: PD Changes



1.2% of Ratings  
1.4% of Cost

Impairment

- From Doctor (per AMA Guides)
- **Add-Ons**

Adjustments

- **Future Earnings Capacity**
- **Age**
- **Occupation**

PD Award

- **Apportionment**
- **Weeks of Benefits**
- **Min/Max Benefit per Week**

Final Adjustments

- **Life Pension/Permanent Total**
- **Bump Up/Bump Down**

# SB 863: PD Changes



1.7% of Ratings  
3.8% of Cost

Impairment

- From Doctor (per AMA Guides)
- **Add-Ons**

Adjustments

- Future Earnings Capacity
- Age
- Occupation

PD Award

- Apportionment
- Weeks of Benefits
- Min/Max Benefit per Week

Final Adjustments

- Life Pension/Permanent Total
- Bump Up/Bump Down

# SB 863: PD Changes



0.4% of Ratings  
0.3% of Cost

Impairment

- From Doctor (per AMA Guides)
- **Add-Ons**

Adjustments

- Future Earnings Capacity
- Age
- Occupation

PD Award

- Apportionment
- Weeks of Benefits
- Min/Max Benefit per Week

Final Adjust-  
ments

- Life Pension/Permanent Total
- Bump Up/Bump Down

# SB 863: PD Changes



## Impairment

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- **Add-Ons**

## Adjustments

- Future Earnings Capacity
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- Occupation

## PD Award

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- Weeks of Benefits
- Min/Max Benefit per Week

## Final Adjust-ments

- Life Pension/Permanent Total
- Bump Up/Bump Down

# SB 863: Future Earnings Capacity

1.10 ←————→ 1.40



# Reform Principles

## NO LOSERS!!!



### Impairment

- From Doctor (per AMA Guides)
- Add-Ons

### Adjustments

- Future Earnings Capacity
- Age
- Occupation

### PD Award

- Apportionment
- Weeks of Benefits
- Min/Max Benefit per Week

### Final Adjustments

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# Reform Principles

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# Reform Principles

## NO LOSERS!!!



Impairment

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- **Age**
- Occupation

PD Award

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- Min/Max Benefit per Week

Final Adjustments

- Life Pension/Permanent Total
- Bump Up/Bump Down

# SB 863: PD Changes

85% Affected by  
Maximum Benefit



8% Affected by  
Minimum Benefit

Impairment

- From Doctor (per AMA Guides)
- Add-Ons

Adjustments

- Future Earnings Capacity
- Age
- Occupation

PD Award

- Apportionment
- Weeks of Benefits
- **Min/Max Benefit per Week**

Final Adjust-  
ments

- Life Pension/Permanent Total
- Bump Up/Bump Down

# SB 863: PD Changes

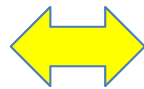
## Doing the Bump



8%



30%



62%

Net Impact 0.5%

Impairment

- From Doctor (per AMA Guides)
- Add-Ons

Adjustments

- Future Earnings Capacity
- Age
- Occupation

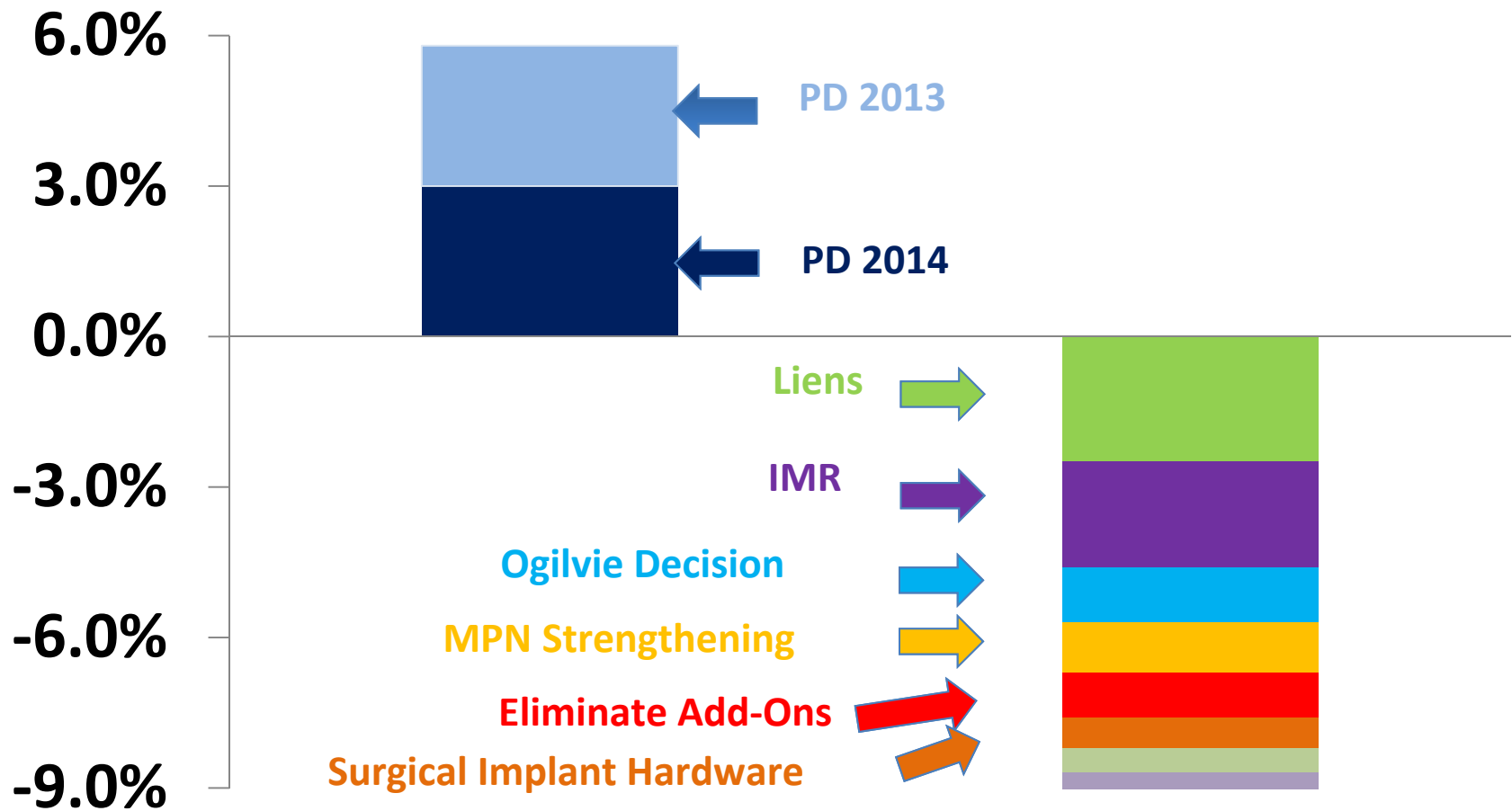
PD Award

- Apportionment
- Weeks of Benefits
- Min/Max Benefit per Week

Final Adjustments

- Life Pension/Permanent Total
- **Bump Up/Bump Down**

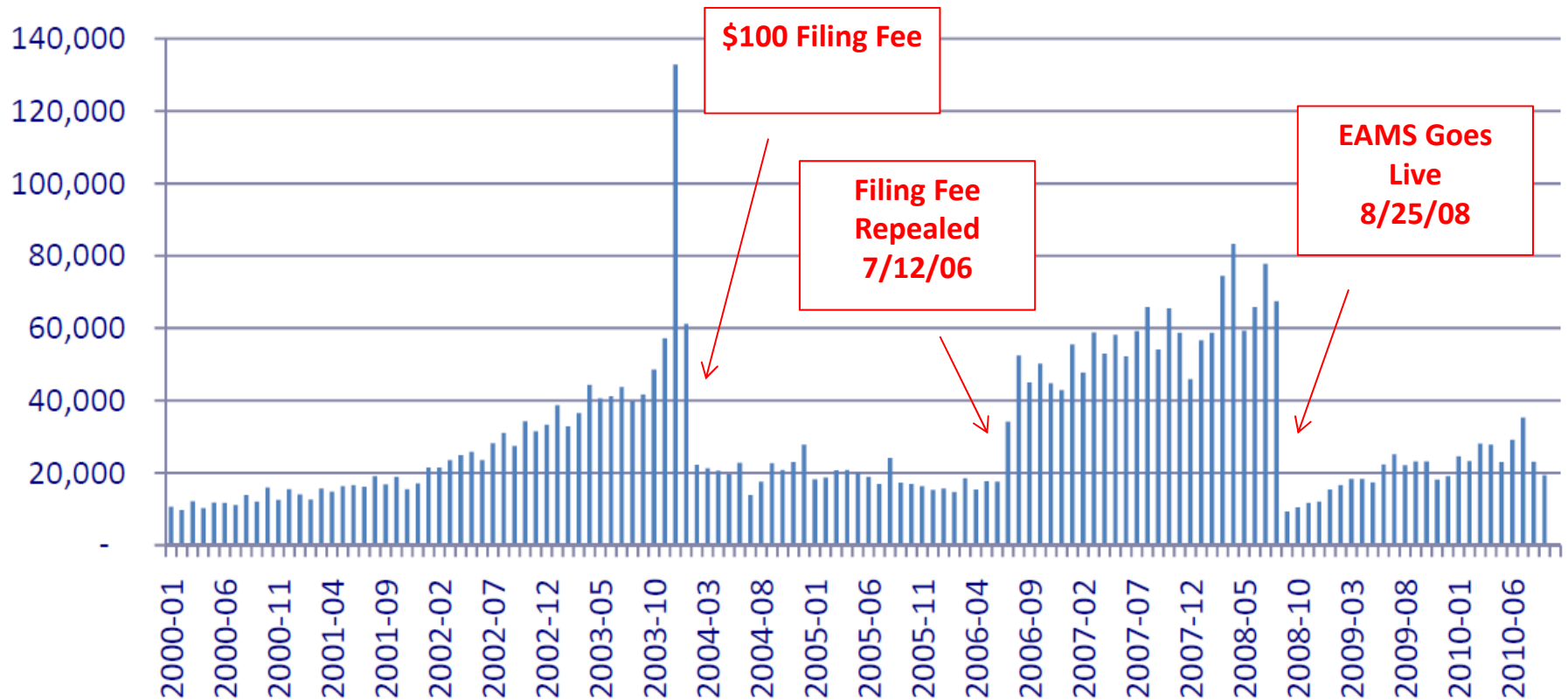
# SB 863: Cost & Savings Estimates



# Liens!!

## Number of Liens Filed per Month January 2000 through September 2010

The most recent months shown here have not been completely counted.



# Post SB863: IMR



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Dreamstime.com  
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andrey Oshrovsky | Dreamstime.com

# Measuring Success

% Claims remaining open  
Average Pd, O/S per Indemnity Claim Adjusted  
Average Pd, O/S per Indemnity Claim\*  
Average Permanent Disability Ratings  
Average Visits and Procedures (CWCI)  
Avg. TD Duration  
Change in claims mix (cwci, body parts)  
Changes in Indemnity Frequency Attributable to Changes in Hazardousness  
Changes in Severity  
Changes in Severity due to Hazardousness  
Claim Count and Average Severity by Method of Settlement  
Claim Count Distribution by Insurer  
Claim Frequency Model  
Claim Settlement Ratios Injury types  
Dist of CY Premium ded/non-deductible  
Distribution of Decisions by Type  
Distribution of Estimated Ultimate Number of Claims & Ultimate by Type  
Econ Variables  
Incremental Closed Indemnity Claims to Prior Open Indemnity Claims  
Incremental Indemnity Claim Counts and Medical Only Claim Counts  
Incremental Paid Loss ratios  
Incremental Paid to Claims  
Incremental Ratios of Actual to Expected  
Incurred Loss Distribution by Insurer  
Indemnity Claim Frequency by Accident Year

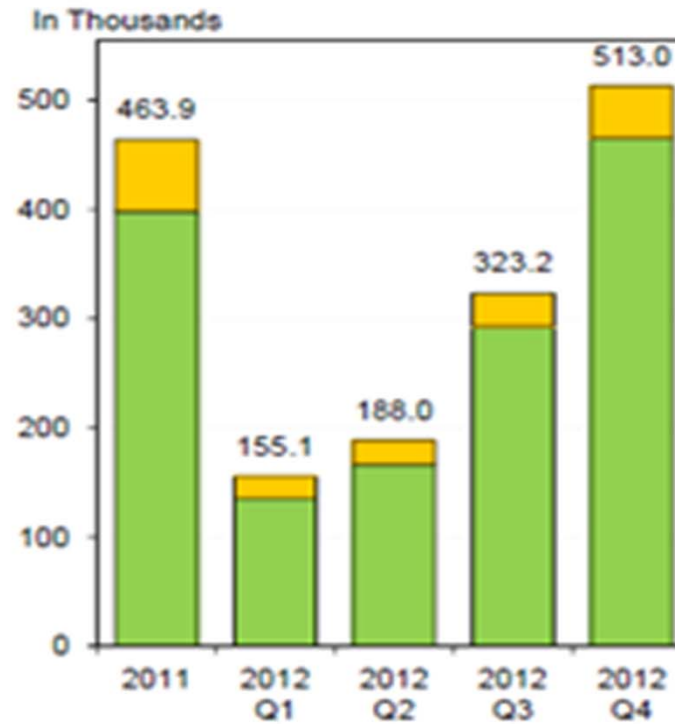
Injury & Illness Rates Severity CA  
Med Cost Cont/total med paid  
Med paid/claim by category (cwci) pharmacy/Rx  
Med set-aside Costs  
Med-Legal rpts number and cost changes  
# of DWC Lien Decisions  
Paid / closed claim  
Paid / closed claim adjusted  
Paid Losses to Reported Incurred Losses  
Percentage of Claims Open by Injury Type and Region  
Quarterly LDFs (incurred)  
Quarterly LDFs through 3/31 (paid)  
Ratio of Incremental Reported Losses to On-level Exposure  
Ratios of Case Outstanding to Paid Losses  
Reopening Rates (also by injury type)  
Self-insurance data  
Severity -Average Incurred Indemnity  
TD benefits at 12 &24 months  
Time in Days from Request to DWC Hearing  
Ult Severity Charts  
Ult. Loss Ratio comp by year  
Ultimate Severities by Injury Type  
Voc rehab  
XS claims



# Post SB863: Liens

Actuarial Committee Meeting of March 18, 2015

## Liens Filed Counts by Region (Exhibit M9.2; pg. IV-A-15)



*EKDuncan Adaptation of 1819 Curtain from Ackermann's Repository  
Courtesy of EKDuncan.blogspot.com aka EveyD.deviantART.com 2011*

2013 Q1 2013 Q2 2013 Q3 2013 Q4 2014 Q1 2014 Q2 2014 Q3 2014 Q4  
Calendar Quarter

Source: EAMS Liens Data

# Post SB863: IMR

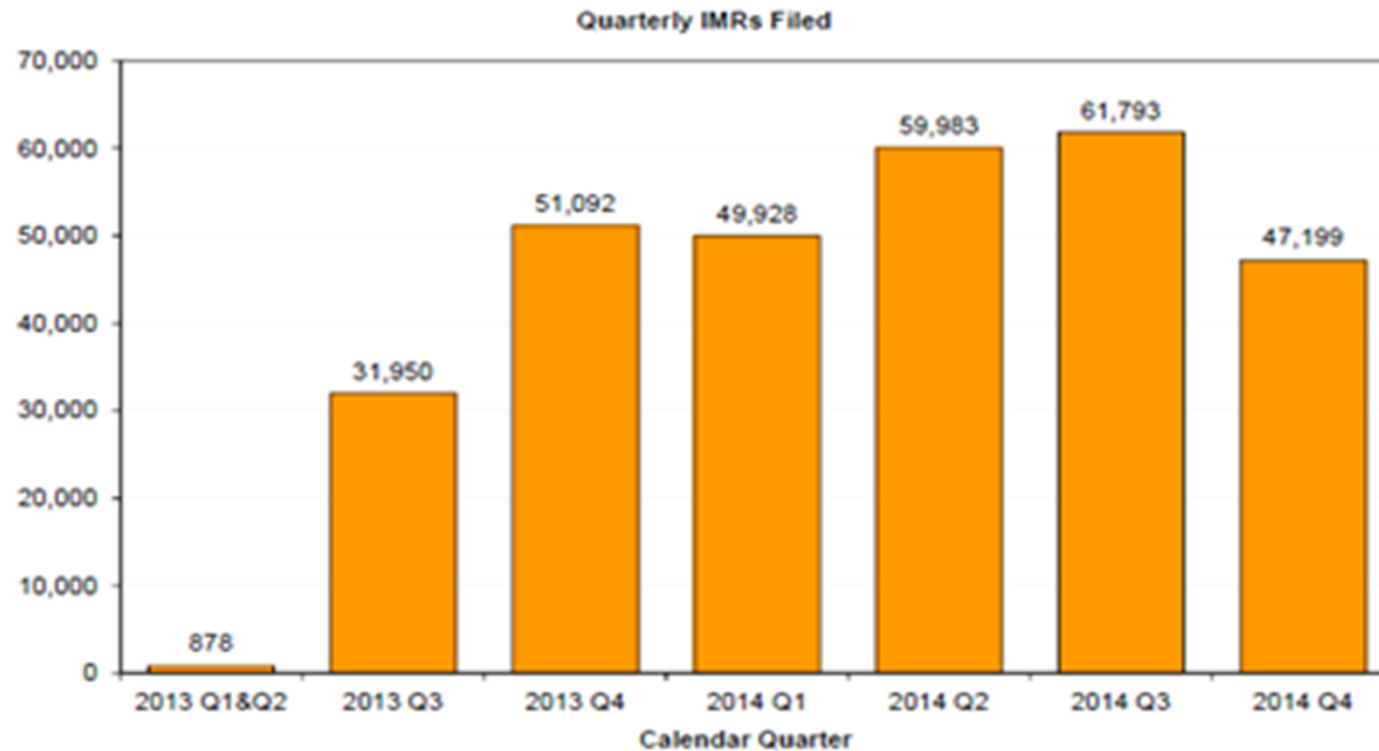


Download from  
Dreamstime.com  
17843358  
andrey Oshrovsky | Dreamstime.com

# Post SB863: IMR

Actuarial Committee Meeting of March 18, 2015

## IMR Filed Counts (Exhibit M14; pg. IV-A-21)



Source: DWC Collected from IMR Vendor

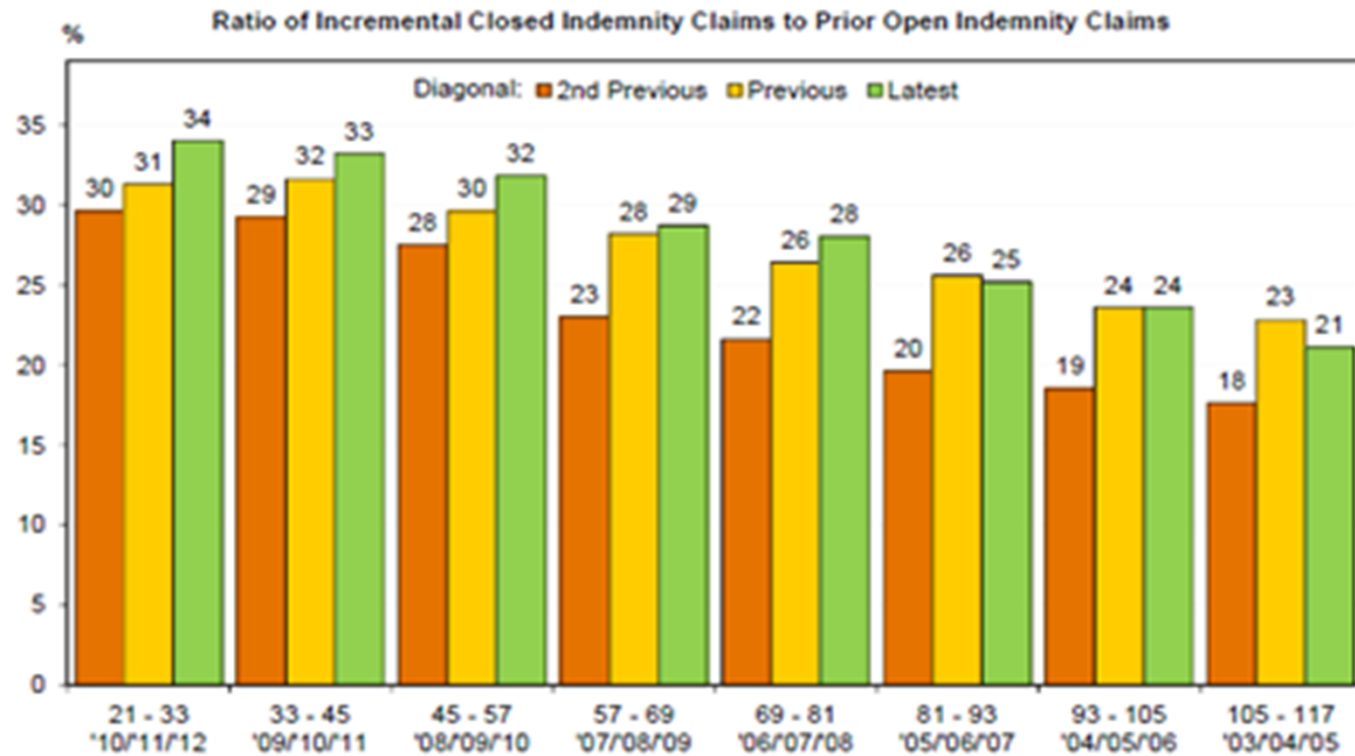
**WCIRB**California™  
Workers' Compensation Insurance Rating Board

Bickmore

# Claim Settlement

Actuarial Committee Meeting of March 18, 2015

## Incremental Indemnity Settlement Ratio (Exhibit C3.1; pg. IV-A-27)



Source: WCIRB Quarterly Calls for Experience

**WCIRB**California<sup>®</sup>  
Working Together to Protect

11

**Bickmore**

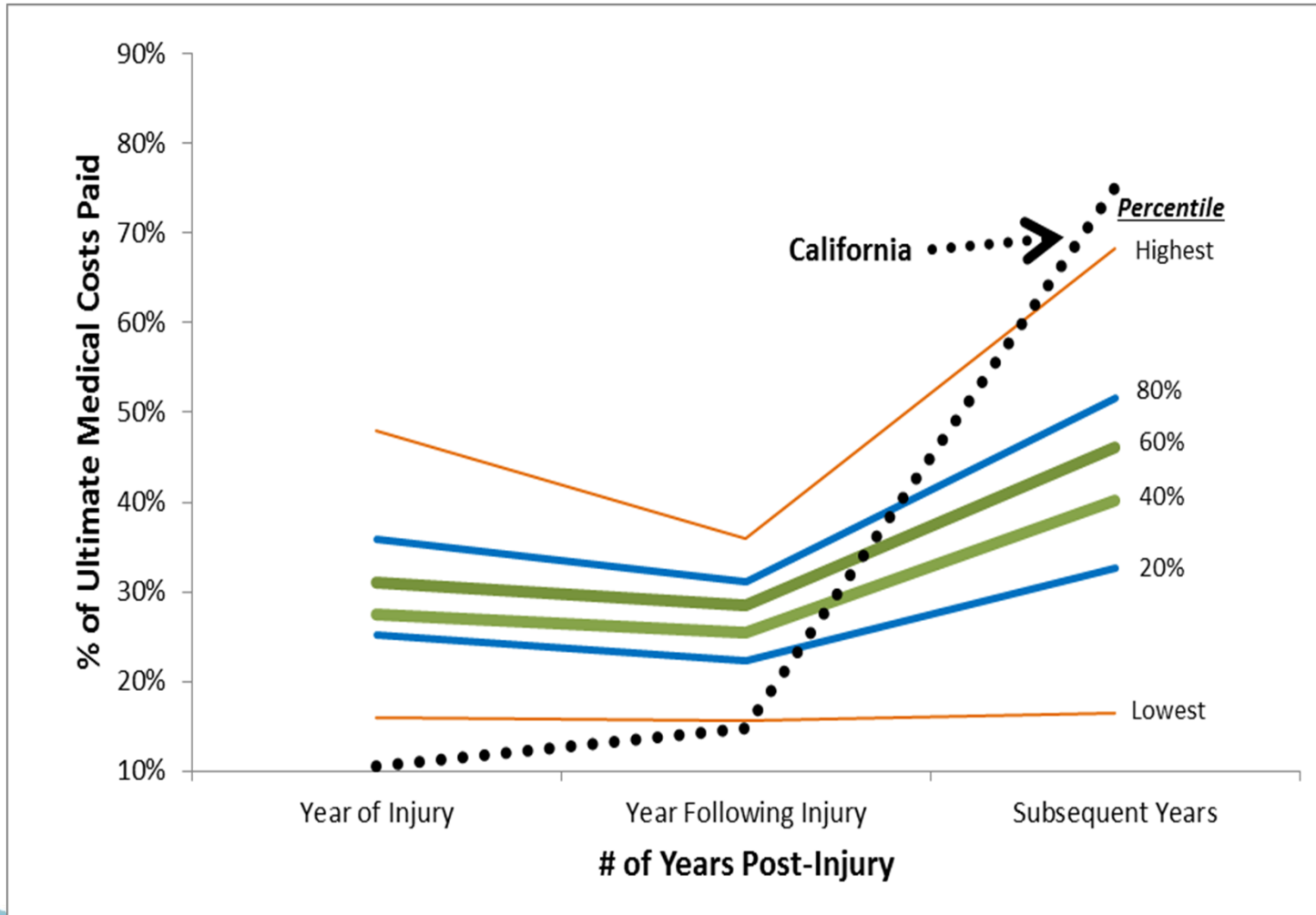
# Winners!?



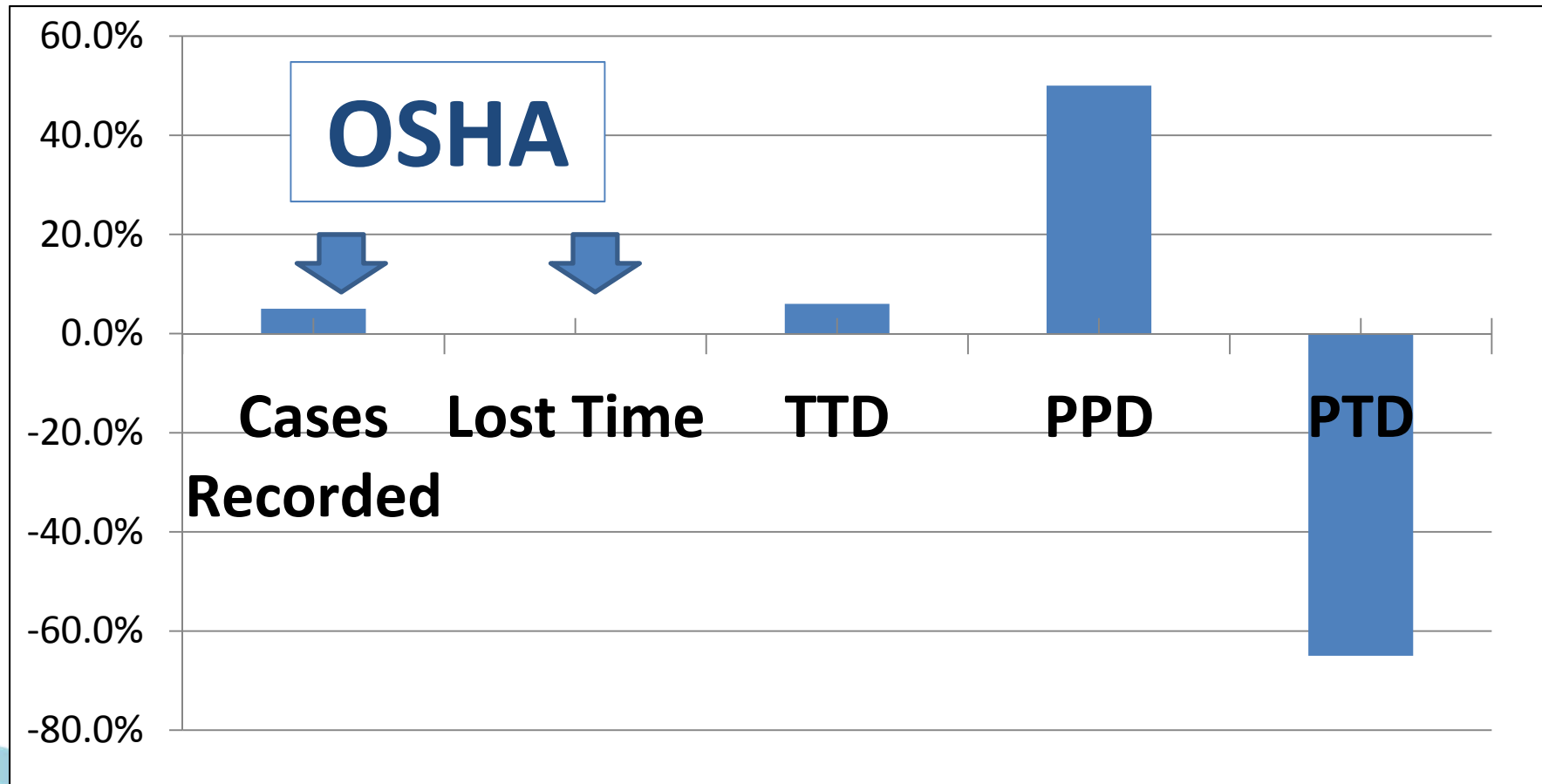
Winners!



# Work to be Done: Payout Lag



# Work to be Done... Claim Frequency!



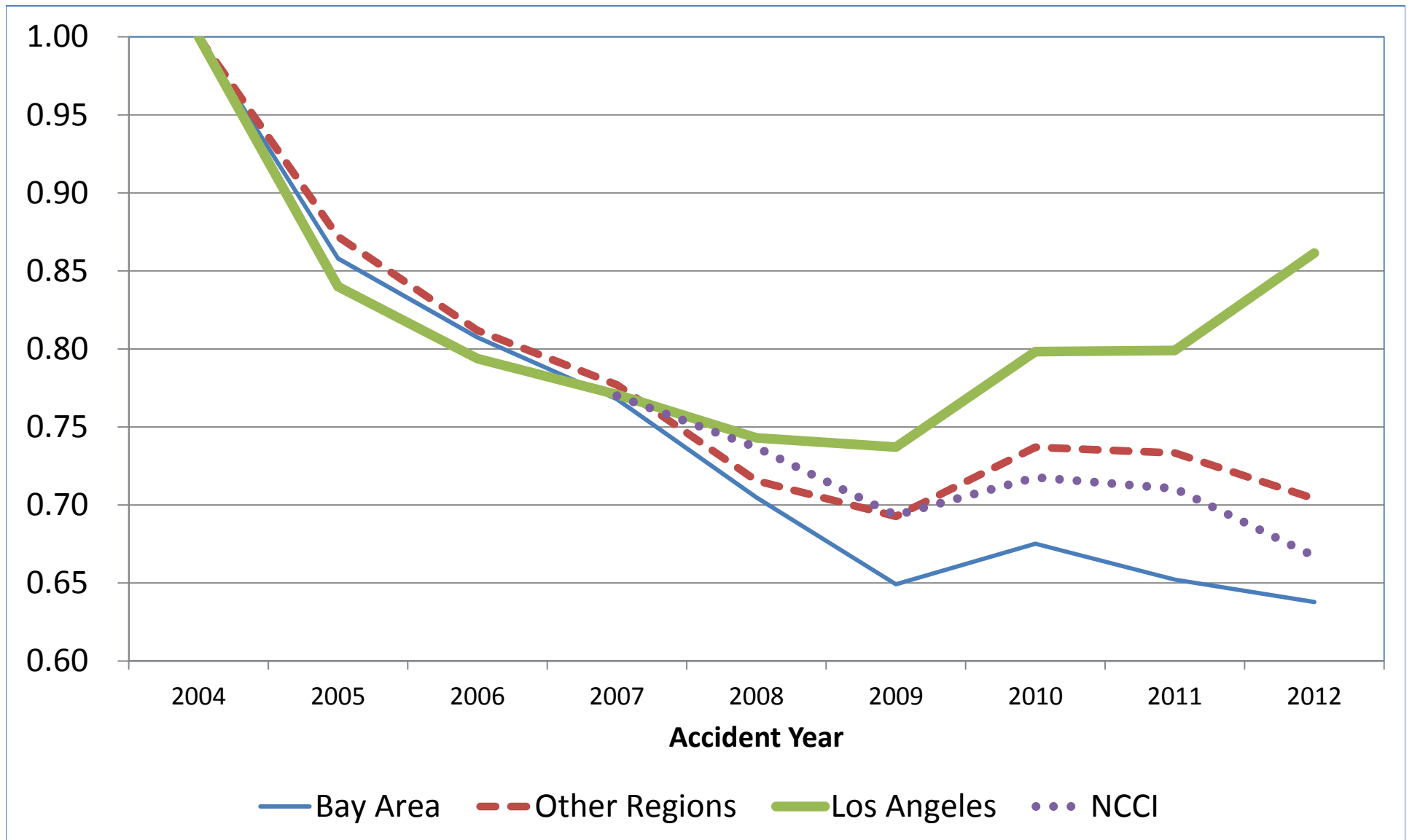
\*WC frequency Based on NCCI 2012 Statistical Bulletin: Nationwide ex California excludes monopolistic states, only states with 3-day waiting period, weighted by employment (2008/09)

\*\*OSHA 2011 data from BLS (private & public sectors)

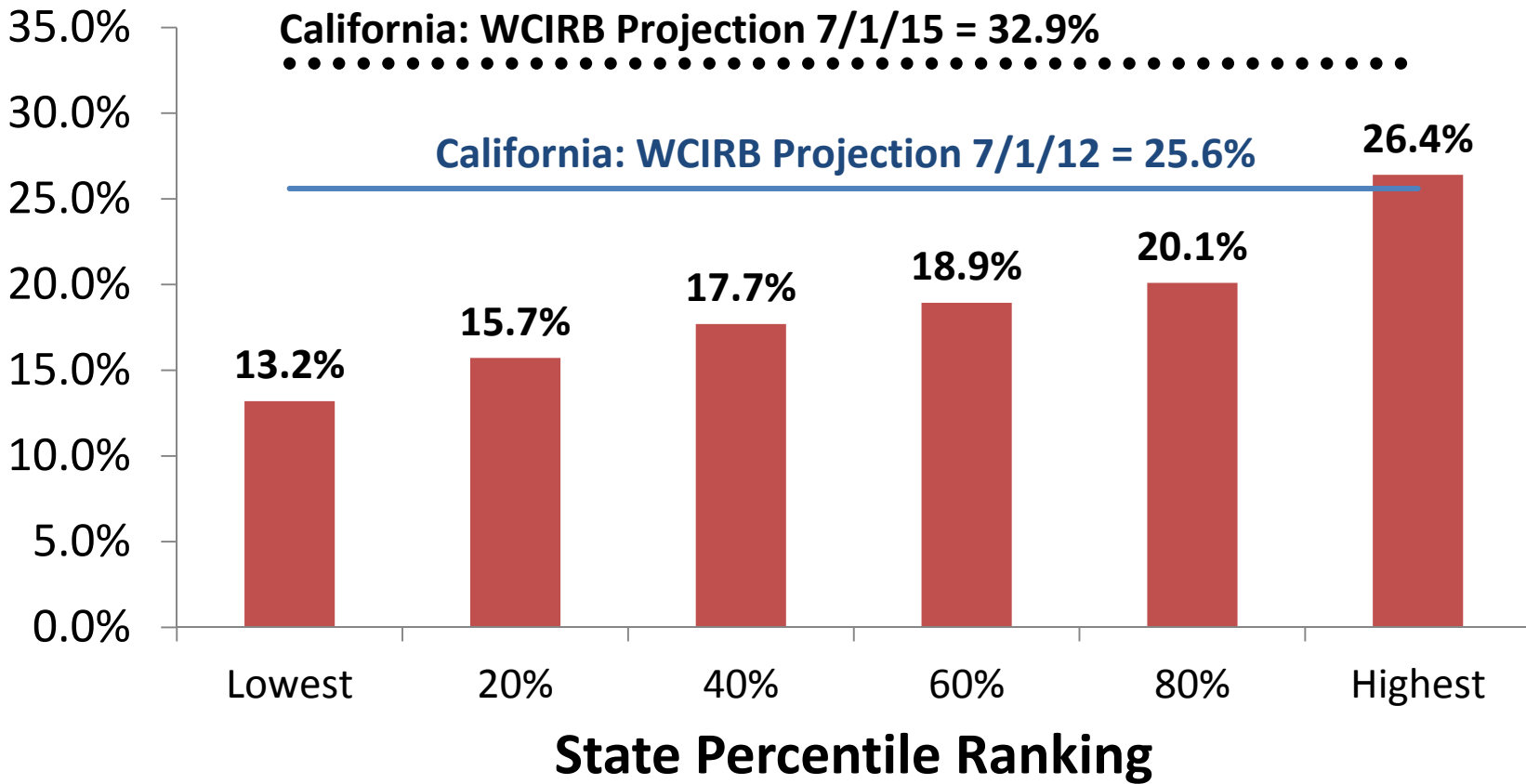


# CA Workers' Comp by Region

## Indemnity Claim Frequency Index



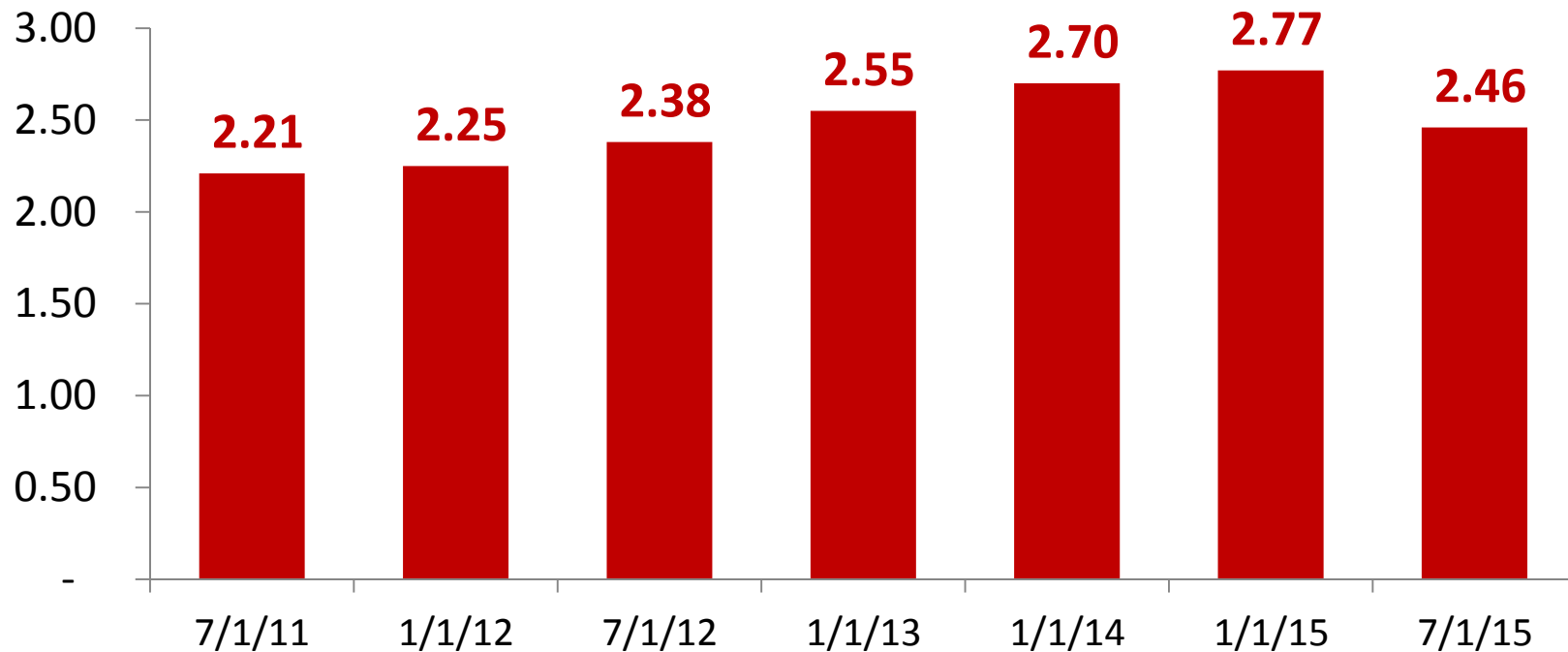
# Pre SB 863: High Expenses



NCCI Annual Statistical Bulletin, 2011, Exhibit VI

Bickmore

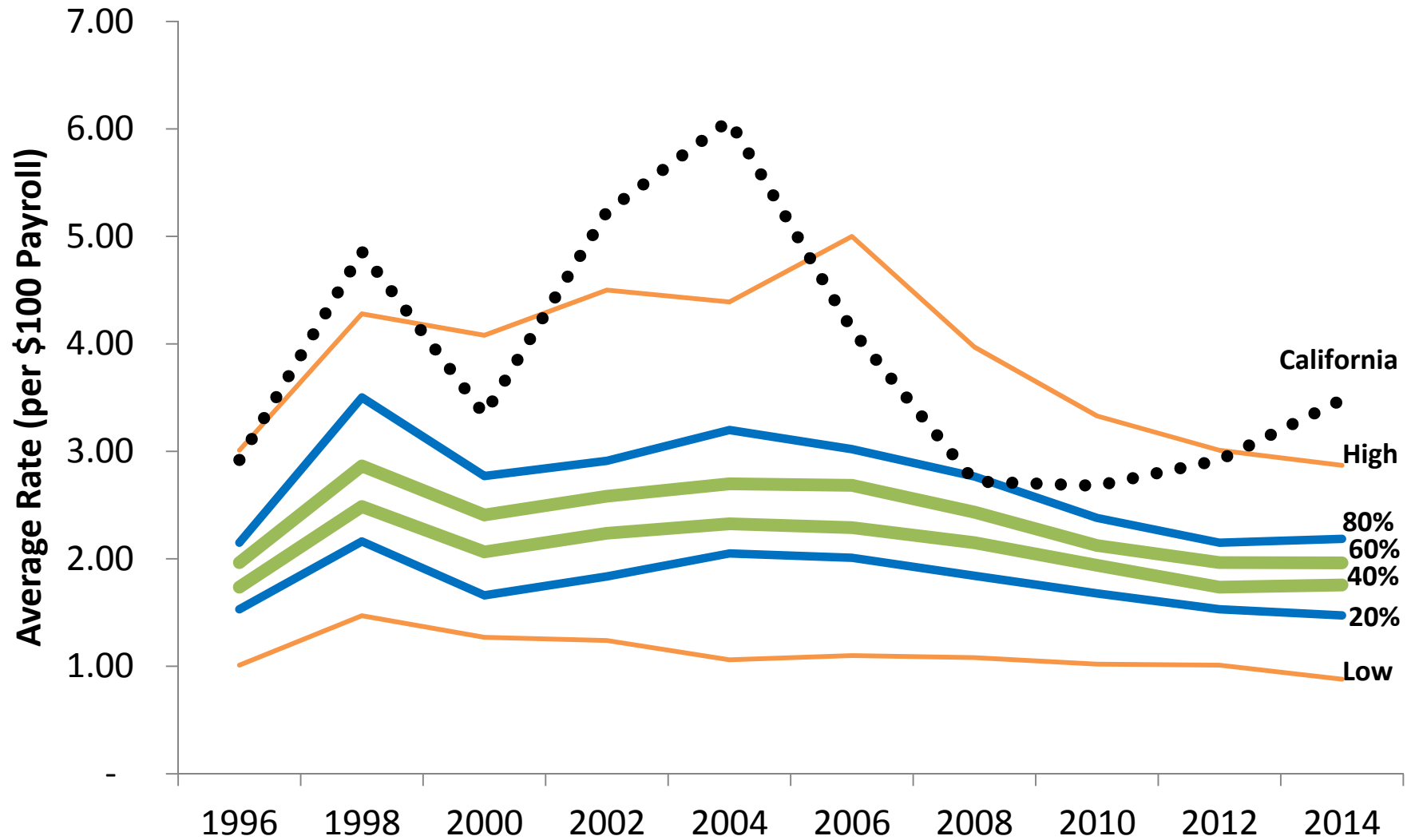
# Average WCIRB Filed Rates



# Ahh to be Normal



# Premium Rate Comparison



# Overview

