

# Current Issue in California Workers Compensation

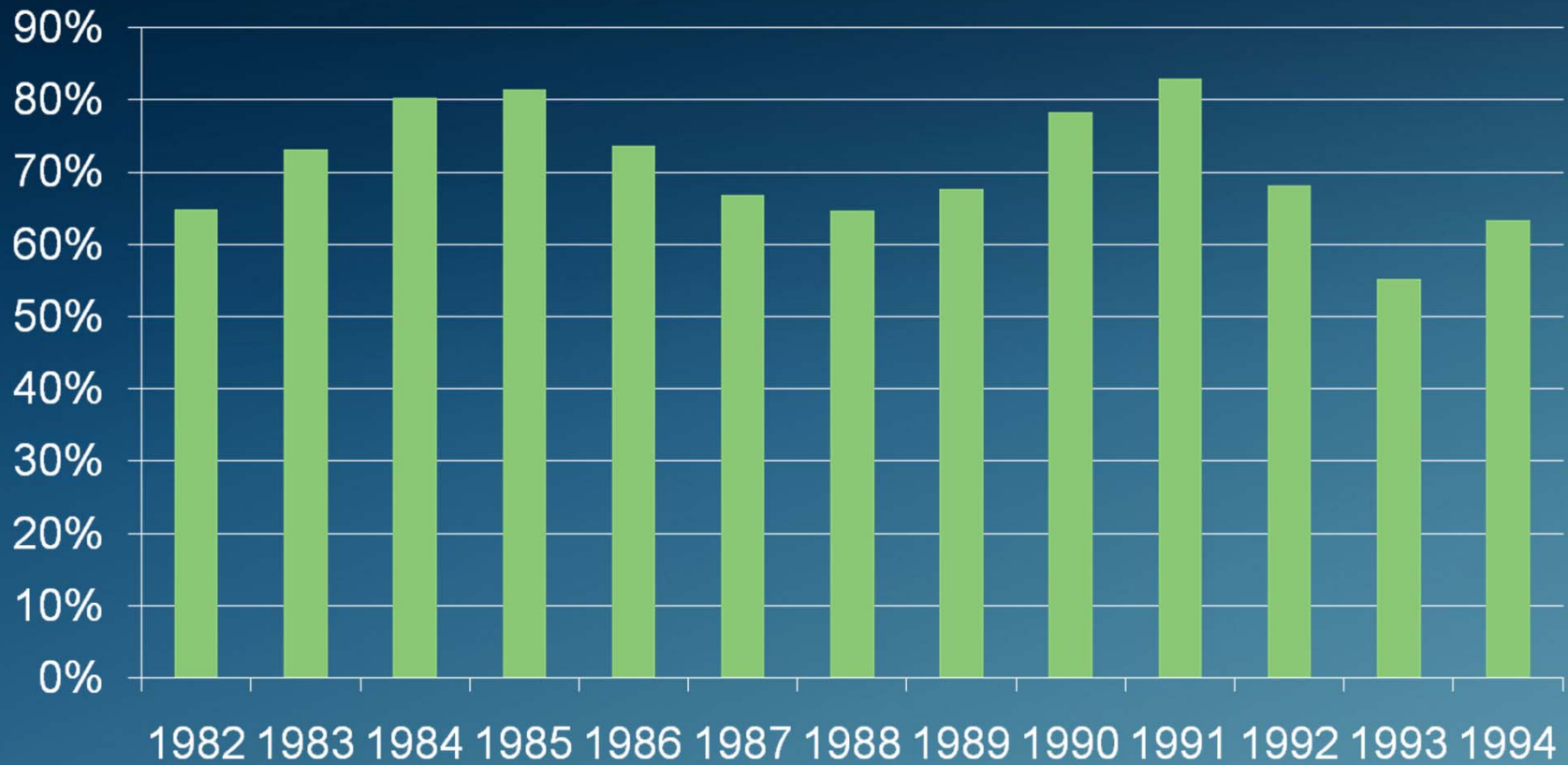
Guy A. Avagliano, FCAS, MAAA

September 15, 2011

# Outline

- A Brief History
- Loss Ratios
- Rates
- Frequency
- Severity
- Loss Development
- Outlook

# A Brief History



# A Brief History

- 1989-91: High Loss Ratios
  - Minimum Rate Law
  - Rampant Fraud
  - Medical Mills
  - Stress Claims
  - Post Termination Claims

# A Brief History

- 1989-91: High Loss Ratios
- 1992-94: Low Loss Ratios
  - Effective Anti-Fraud Measures
  - Health Insurers Enter Market
  - Low Medical Inflation
  - High Profitability

# A Brief History

- 1989-91: High Loss Ratios
- 1992-94: Low Loss Ratios
- 1995-99: Very High Loss Ratios
  - Benefit Increases (AB 749)
  - Open Rating – Deep Discounts in Pricing
  - Inadequate Pure Premiums
  - Inexpensive Reinsurance
  - High Severity Trends, Especially for Medical
  - *Minniear*

# A Brief History

- 1989-91: High Loss Ratios
- 1992-94: Low Loss Ratios
- 1995-99: Very High Loss Ratios
- 2000-03: Improving Loss Ratios
  - Rate Increases (Advisory)
  - Rate Increases (Effective)
  - Major Legislative Reforms

# A Brief History

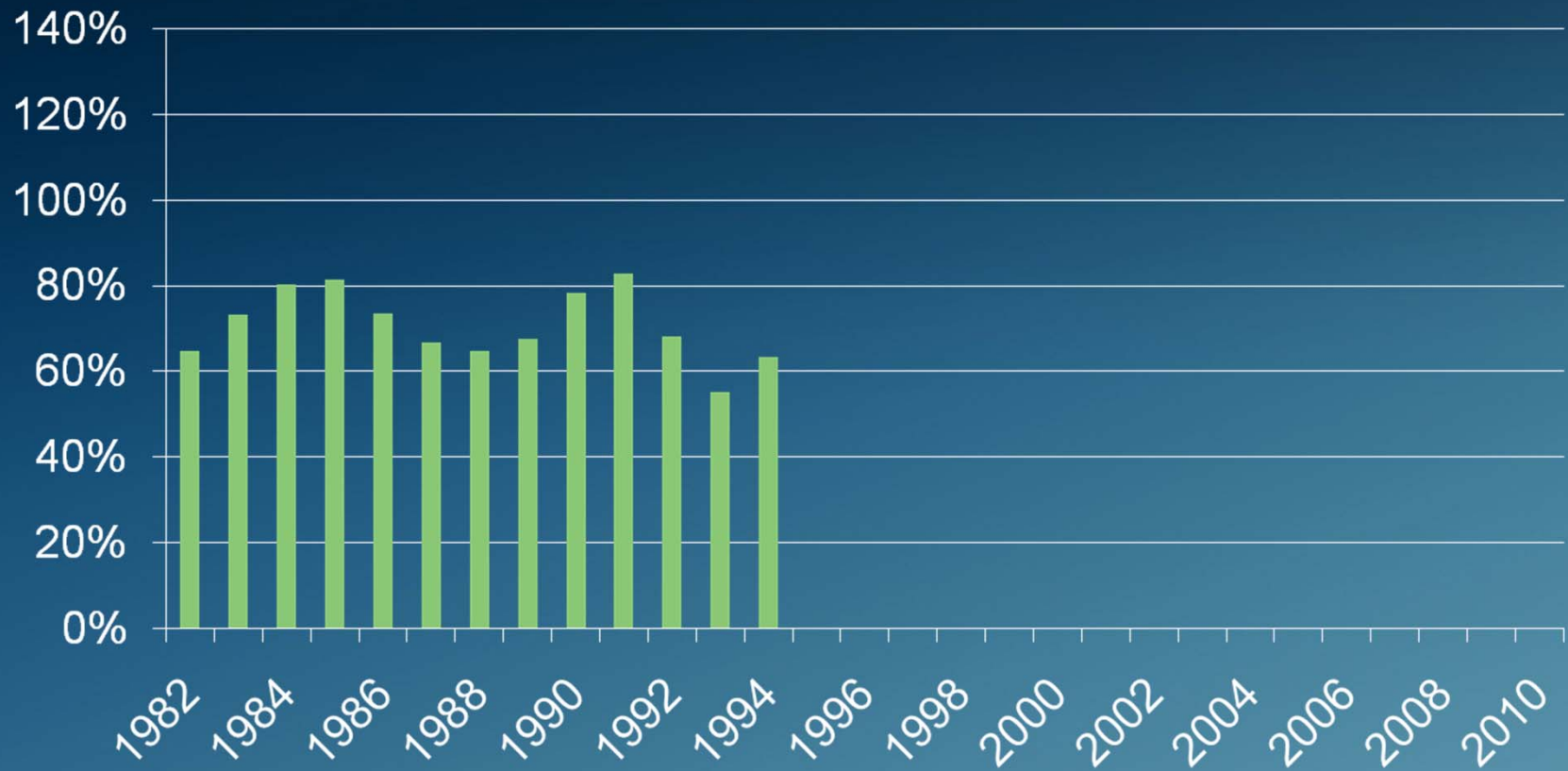
- 1989-91: High Loss Ratios
- 1992-94: Low Loss Ratios
- 1995-99: Very High Loss Ratios
- 2000-03: Improving Loss Ratios
- 2004-05: Very Low Loss Ratios
  - Rate Decreases (But Less Than Indications)
  - Better Than Anticipated Reform Impact



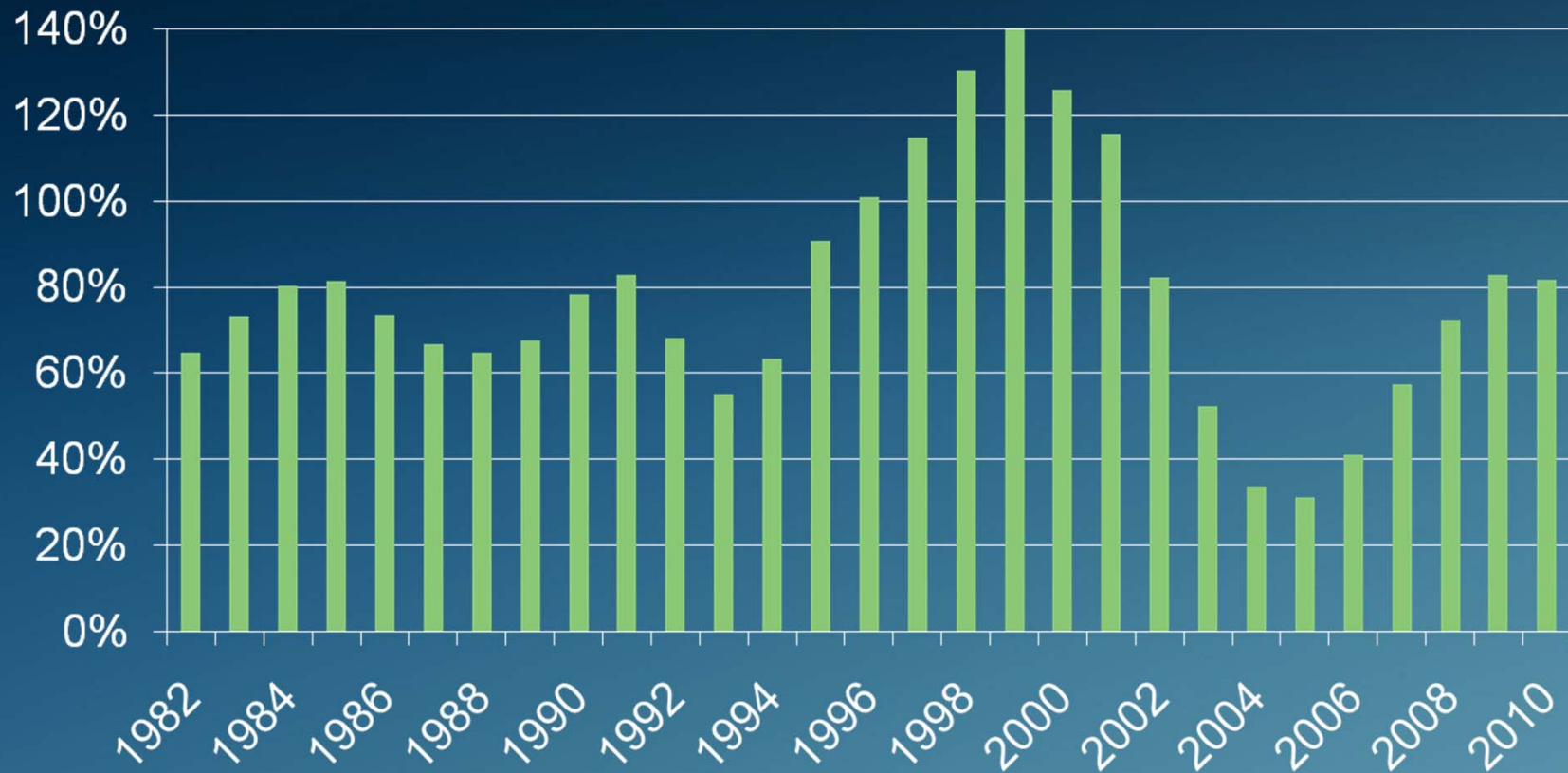
# A Brief History

- 1989-91: High Loss Ratios
- 1992-94: Low Loss Ratios
- 1995-99: Very High Loss Ratios
- 2000-03: Improving Loss Ratios
- 2004-05: Very Low Loss Ratios
- 2006-10: Increasing Loss Ratios
  - Higher Severity
  - Moderation of Frequency Decreases
  - Flat or Decreasing Effective Rates

# A Brief History



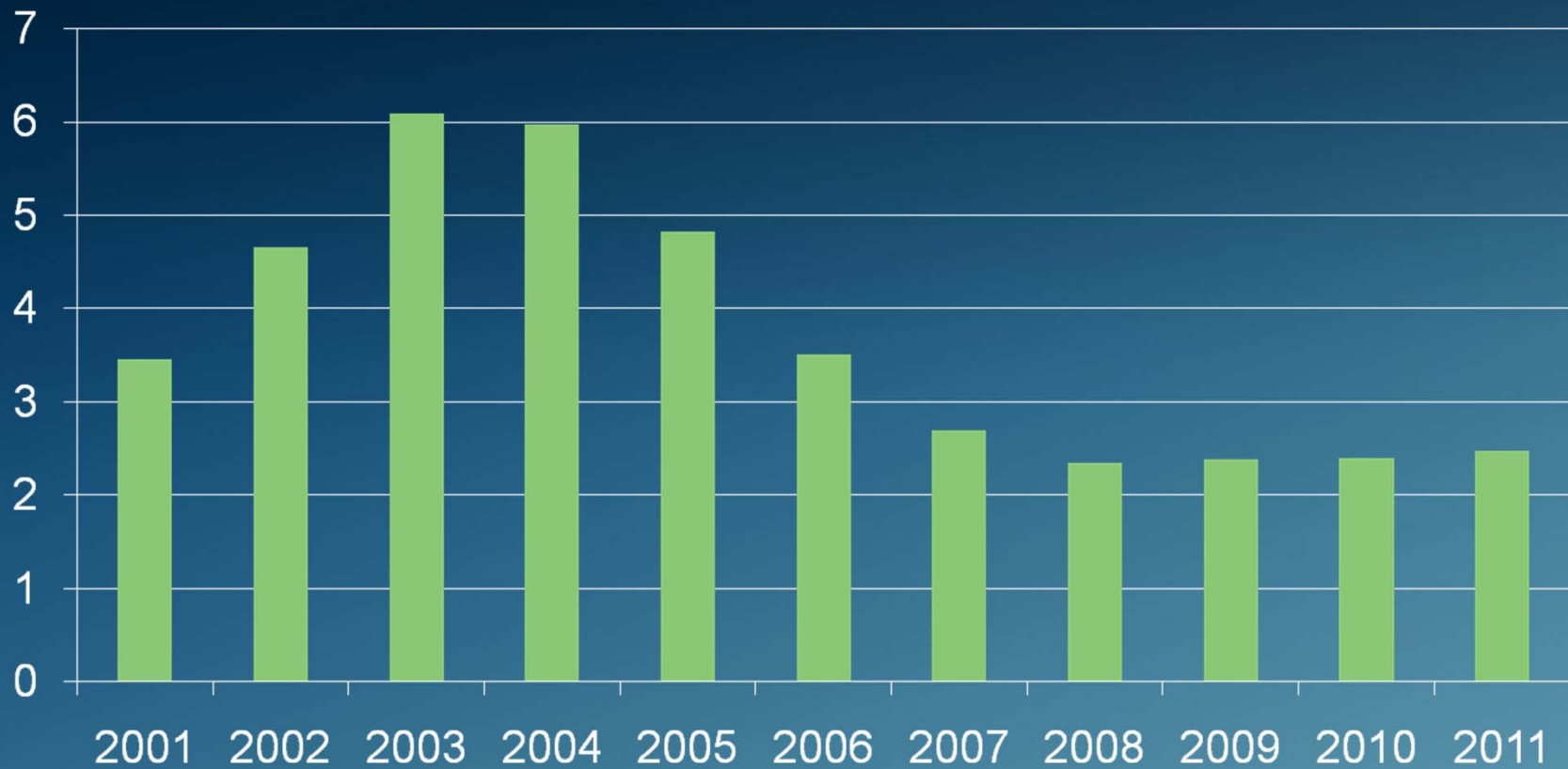
# A Brief History



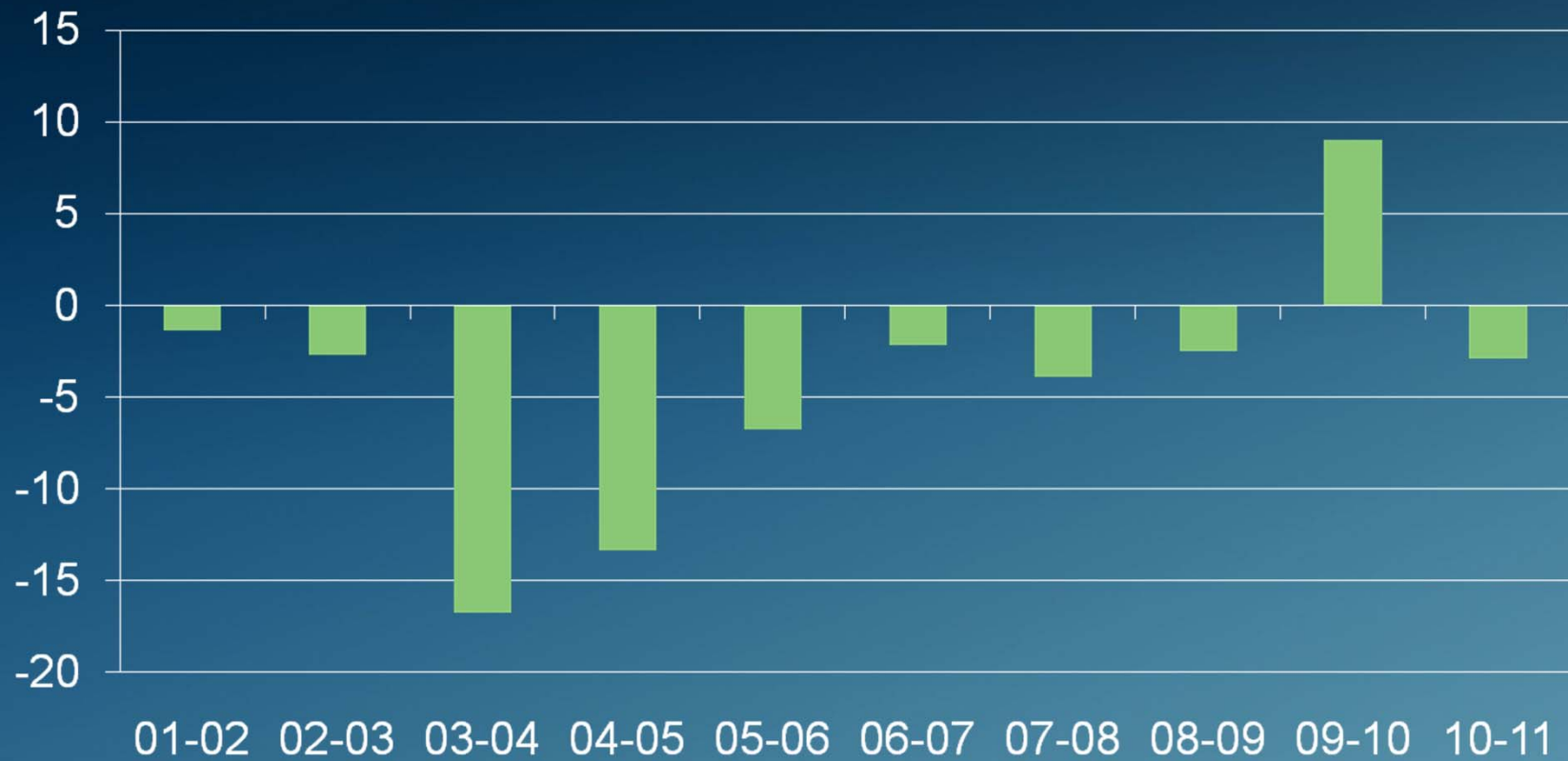
# Filed Pure Premium Changes

Effective Date	WCIRB Filed	CDI Approved
1/1/08	5.2%	0.0%
1/1/09	16.0%	5.0%
7/1/09	23.7%	0.0%
1/1/10	22.8%	0.0%
7/1/10	no filing	n/a
1/1/11	27.7%	0.0%
7/1/11	39.8% (info only)	n/a
1/1/12	-1.8%	pending

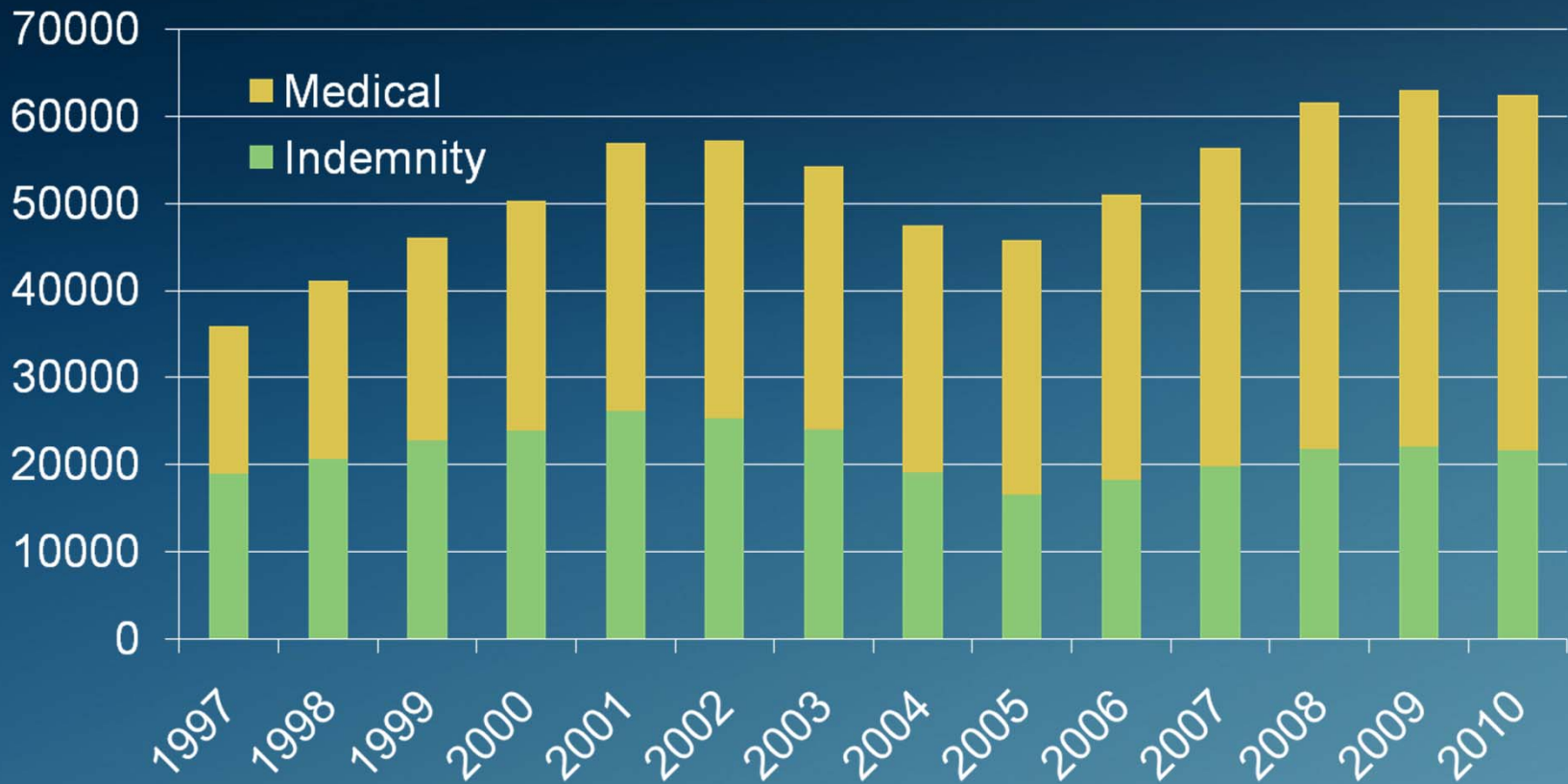
# Market Rates by Policy Year



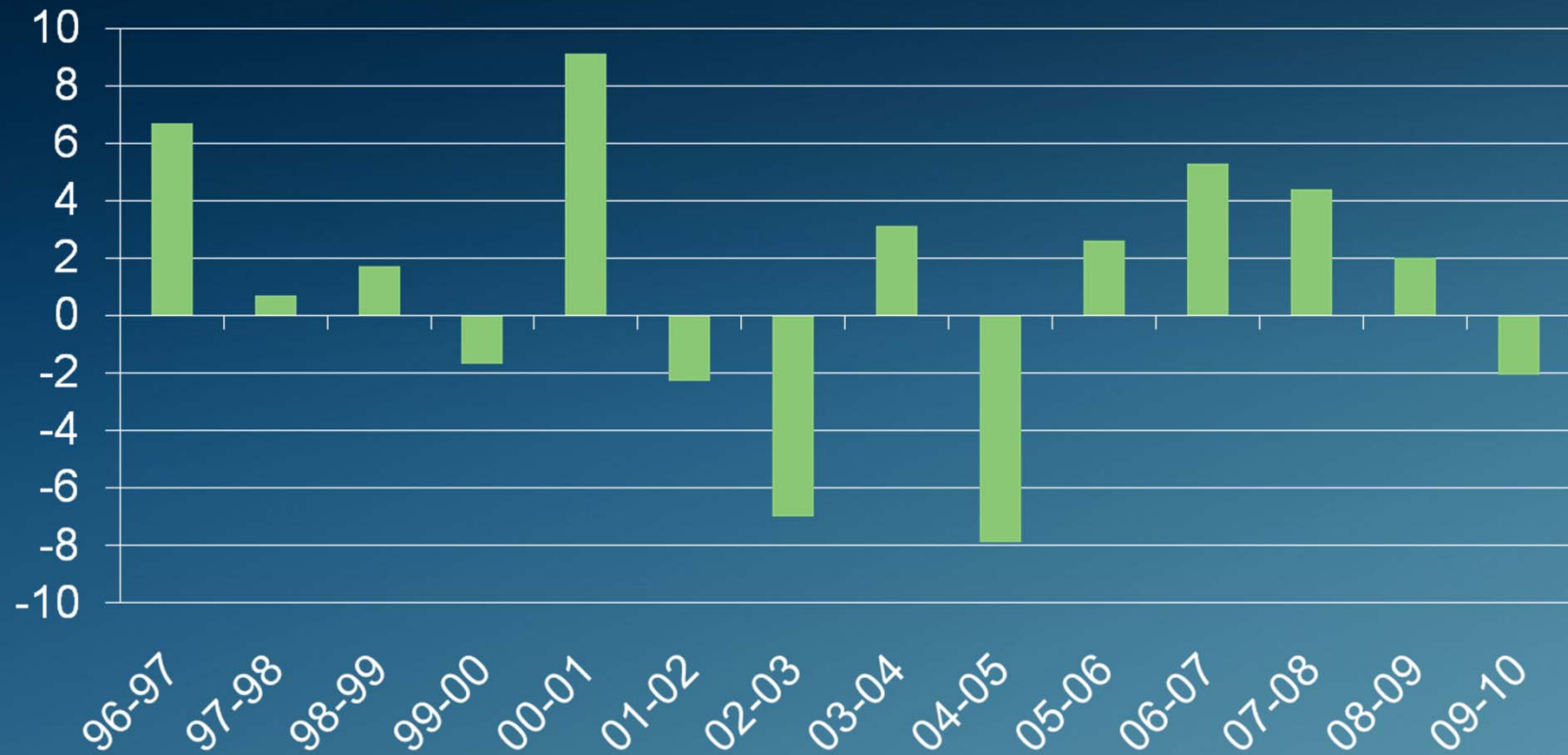
# Change in Indemnity Frequency



# Severity (per Indemnity Claim)

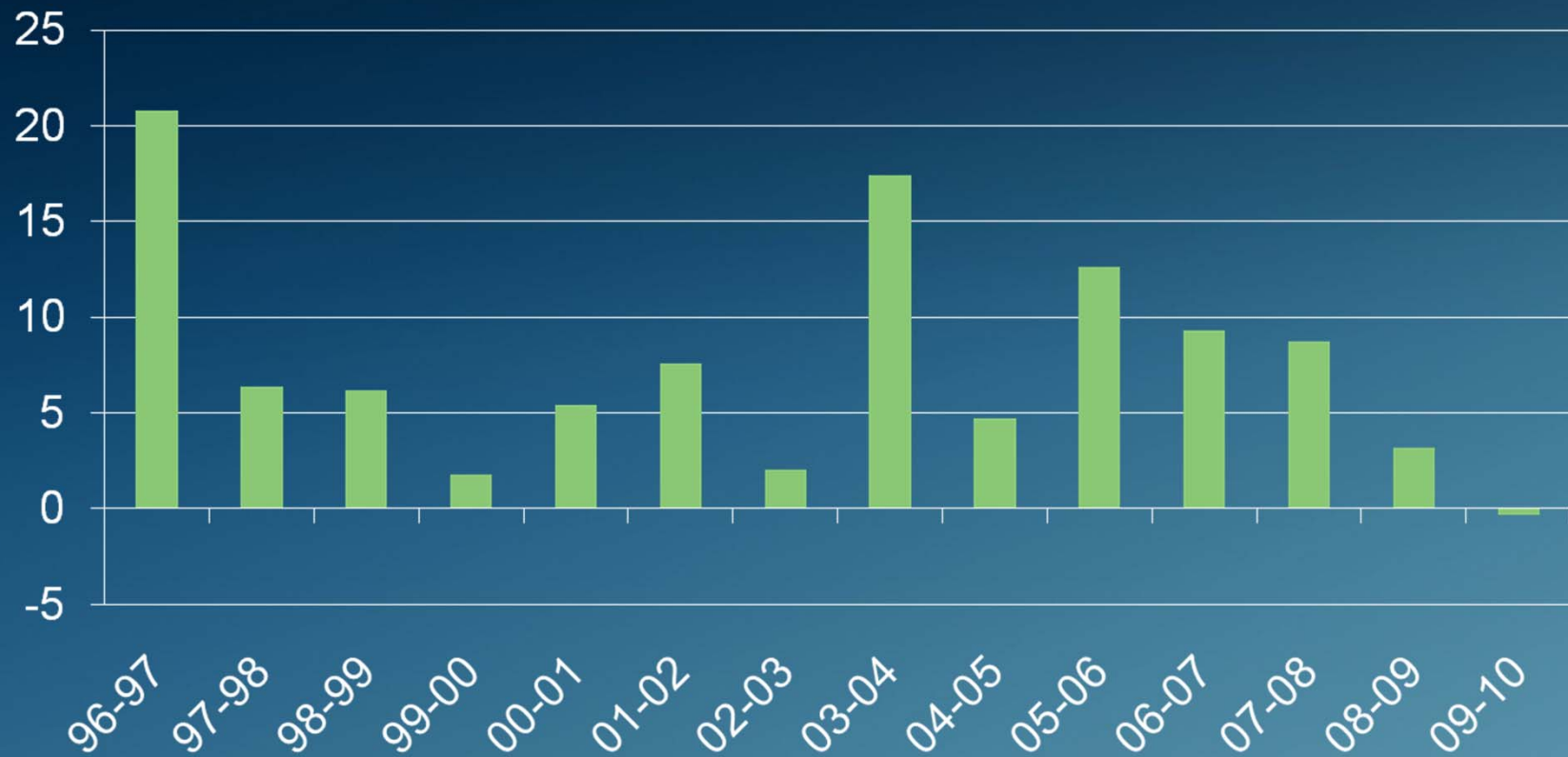


# Change in On-Level Indemnity Severity

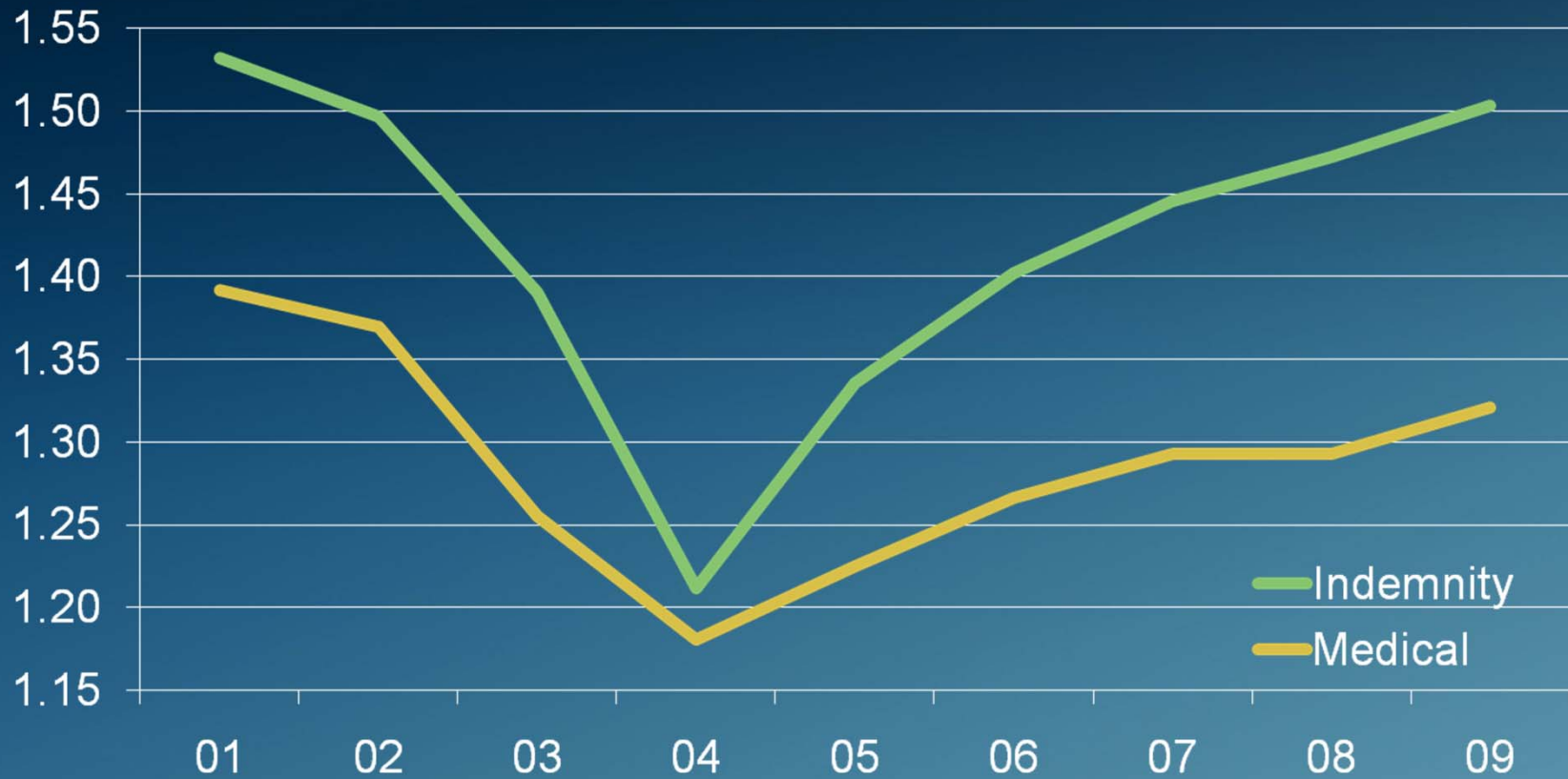




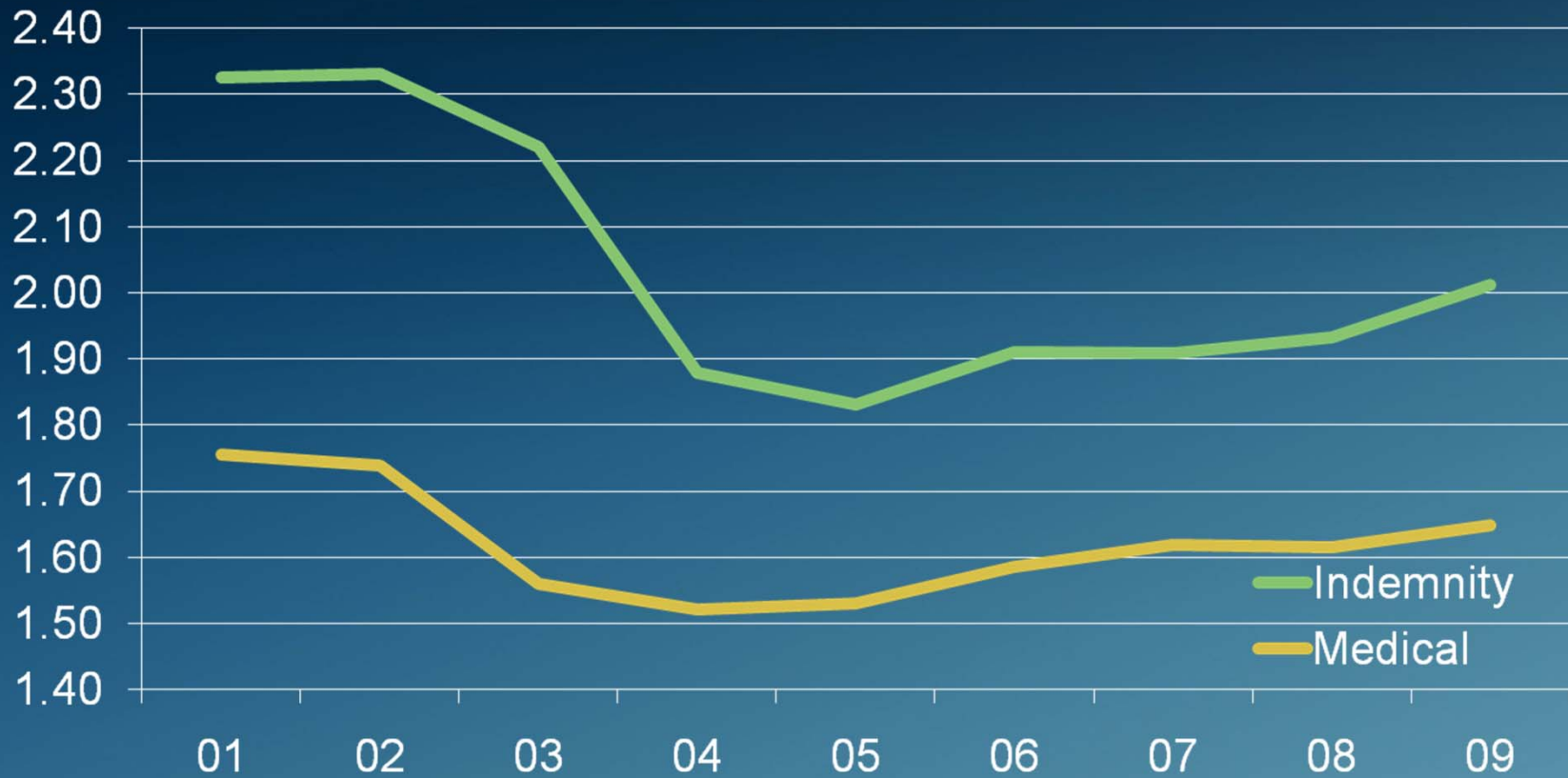
# Change in On-Level Medical Severity



# Incurred Development (18-30)



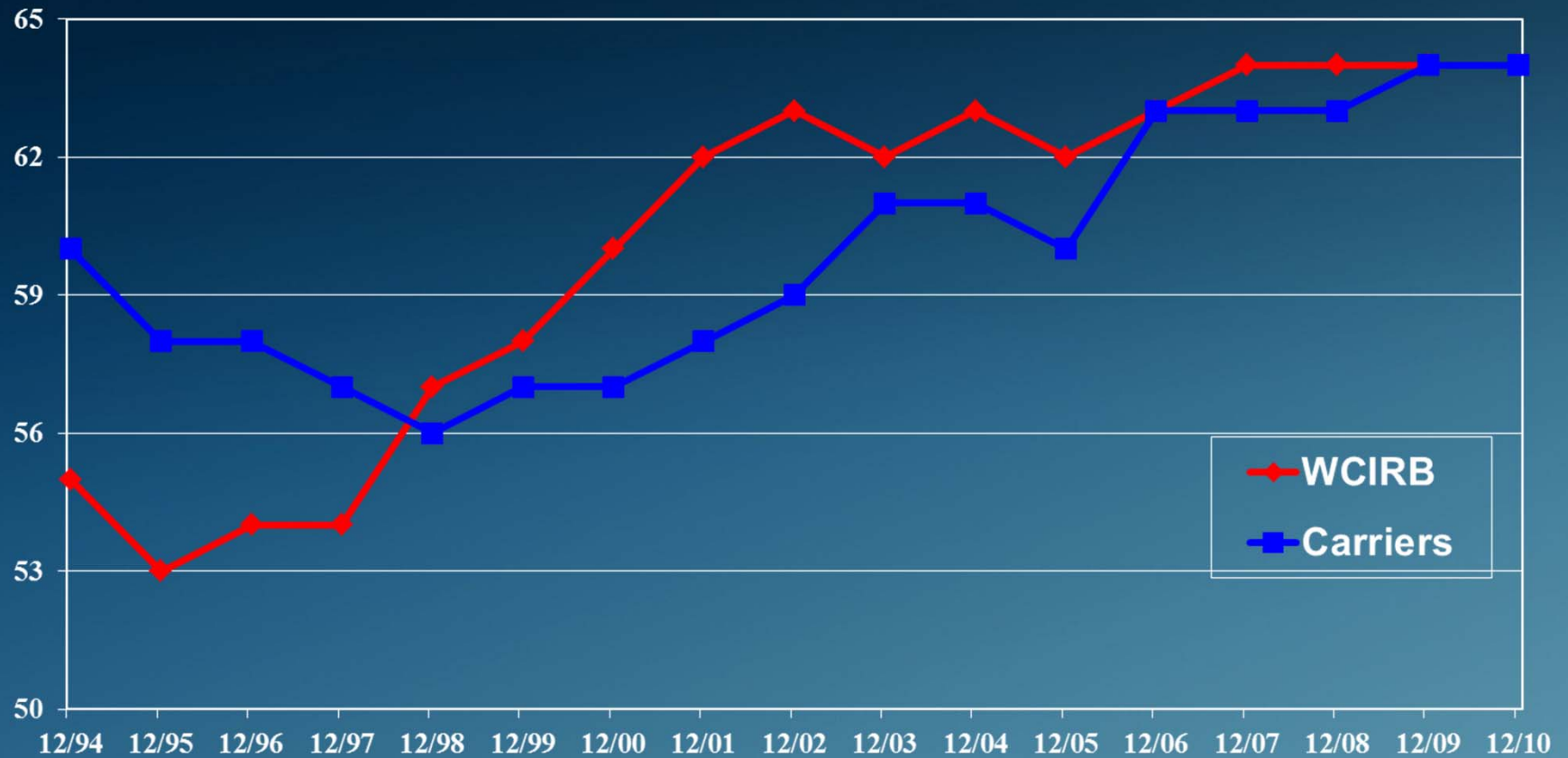
# Paid Development (18-30)



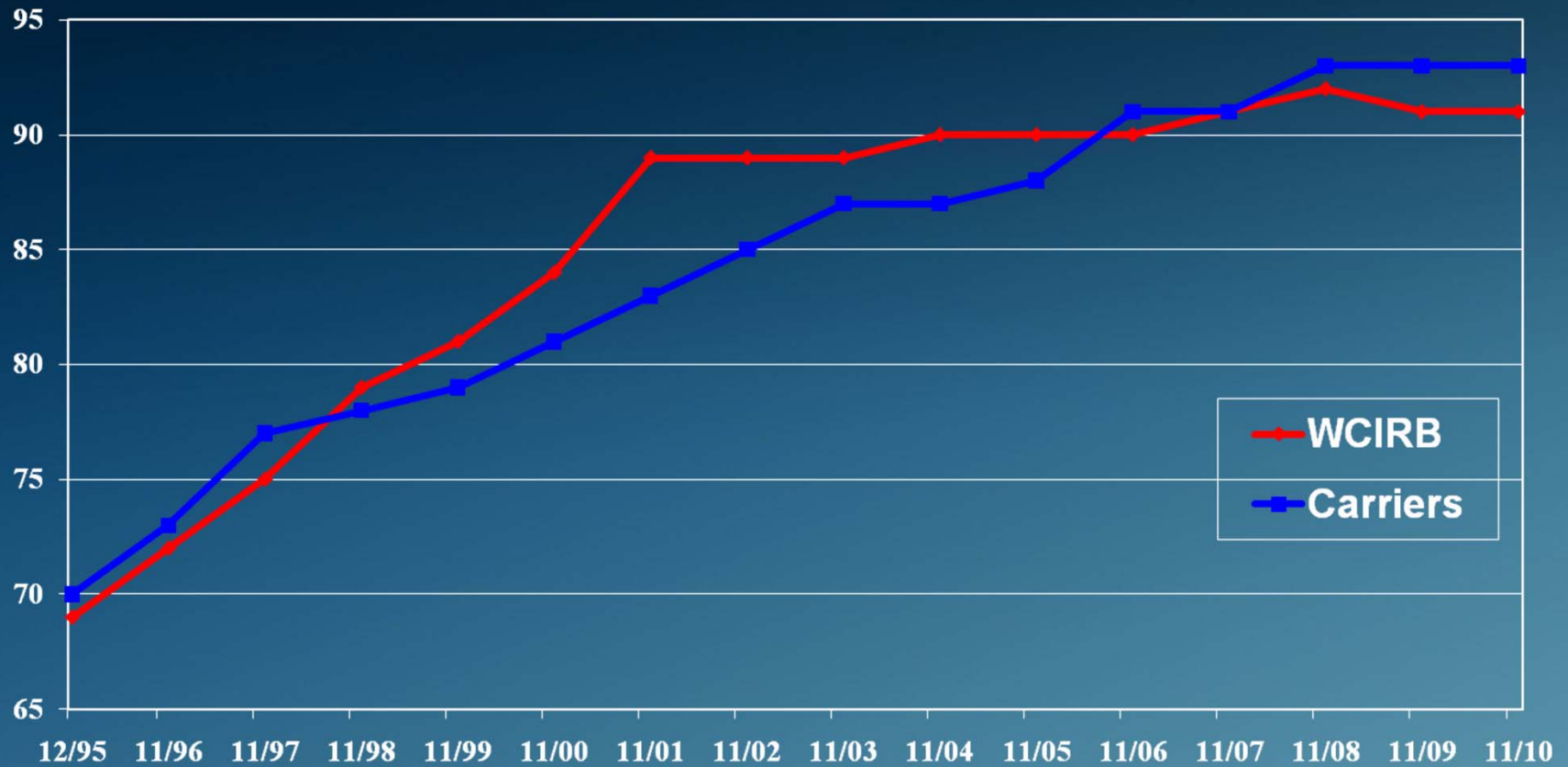
# Reported Indemnity Claims (6-18)



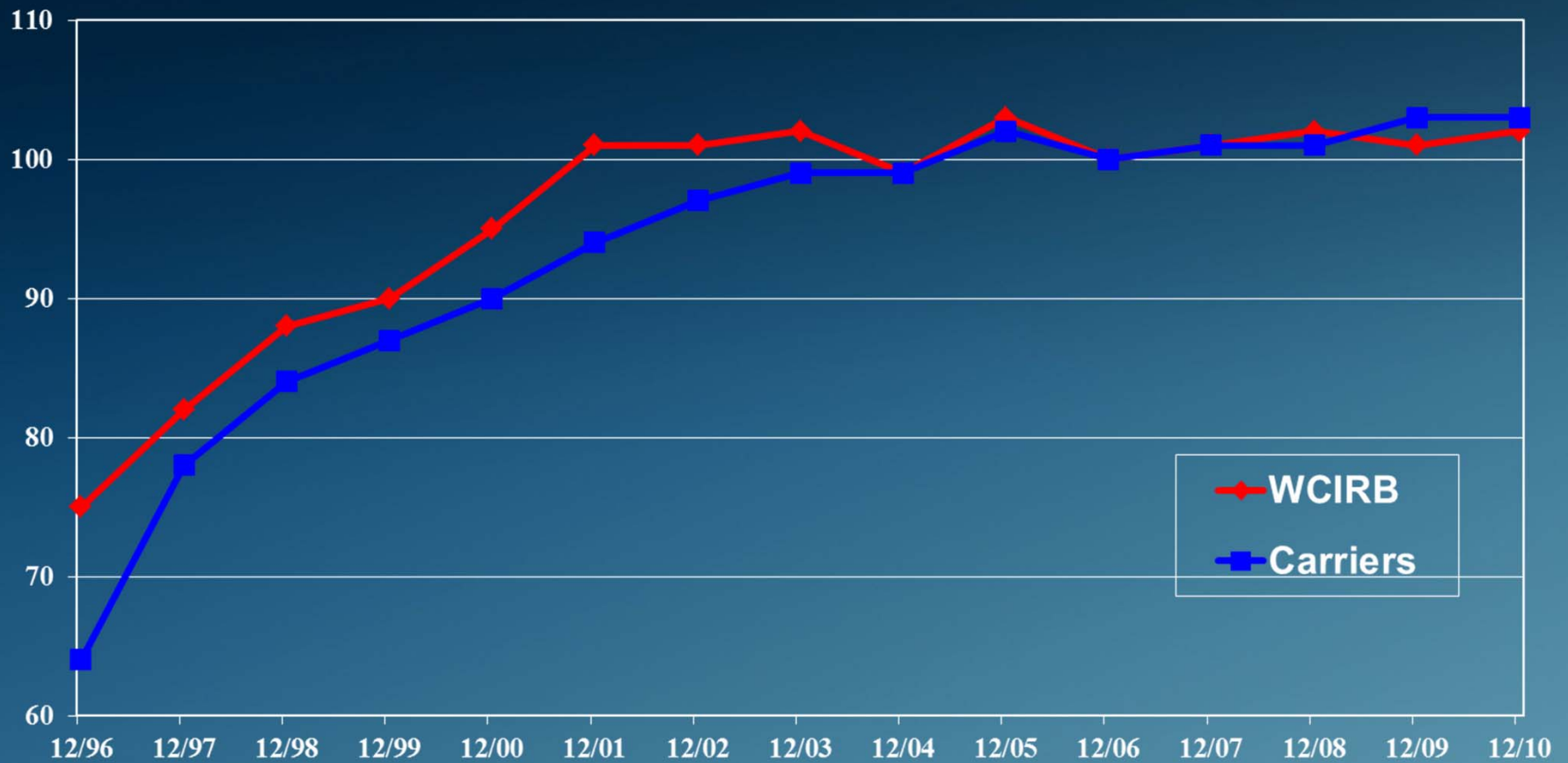
# Development: Accident Year 1994



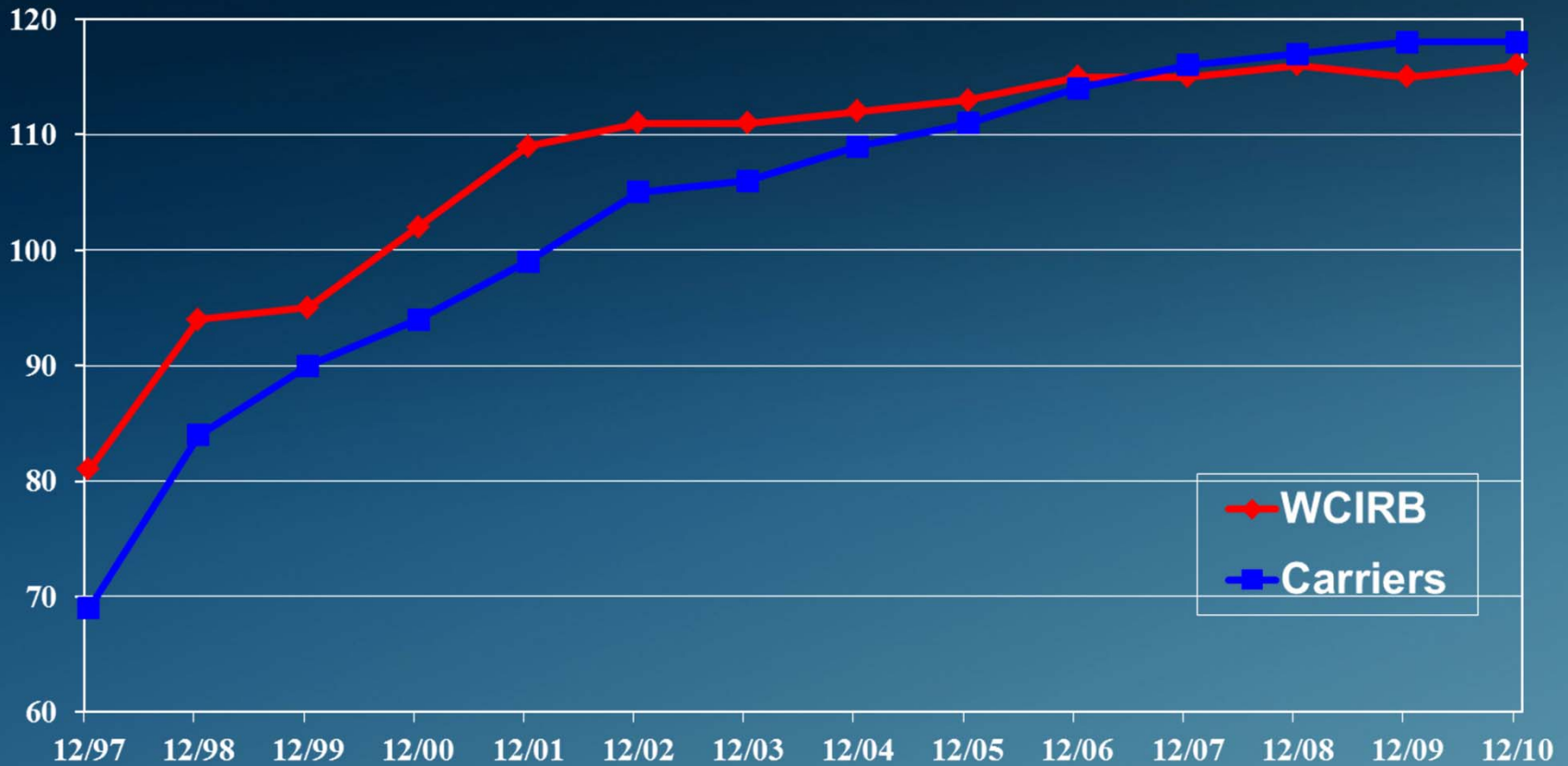
# Development: Accident Year 1995



# Development: Accident Year 1996

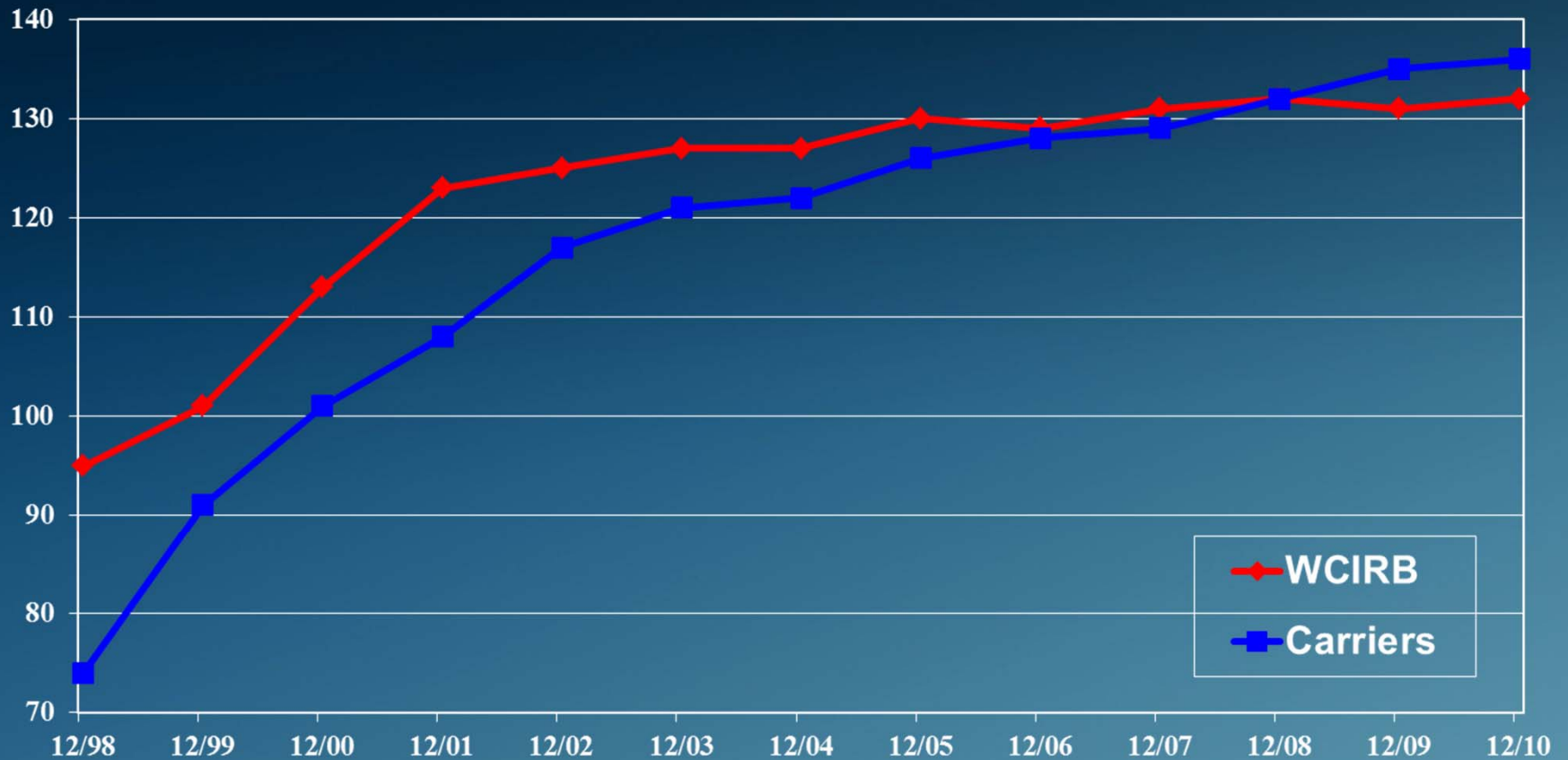


# Development: Accident Year 1997

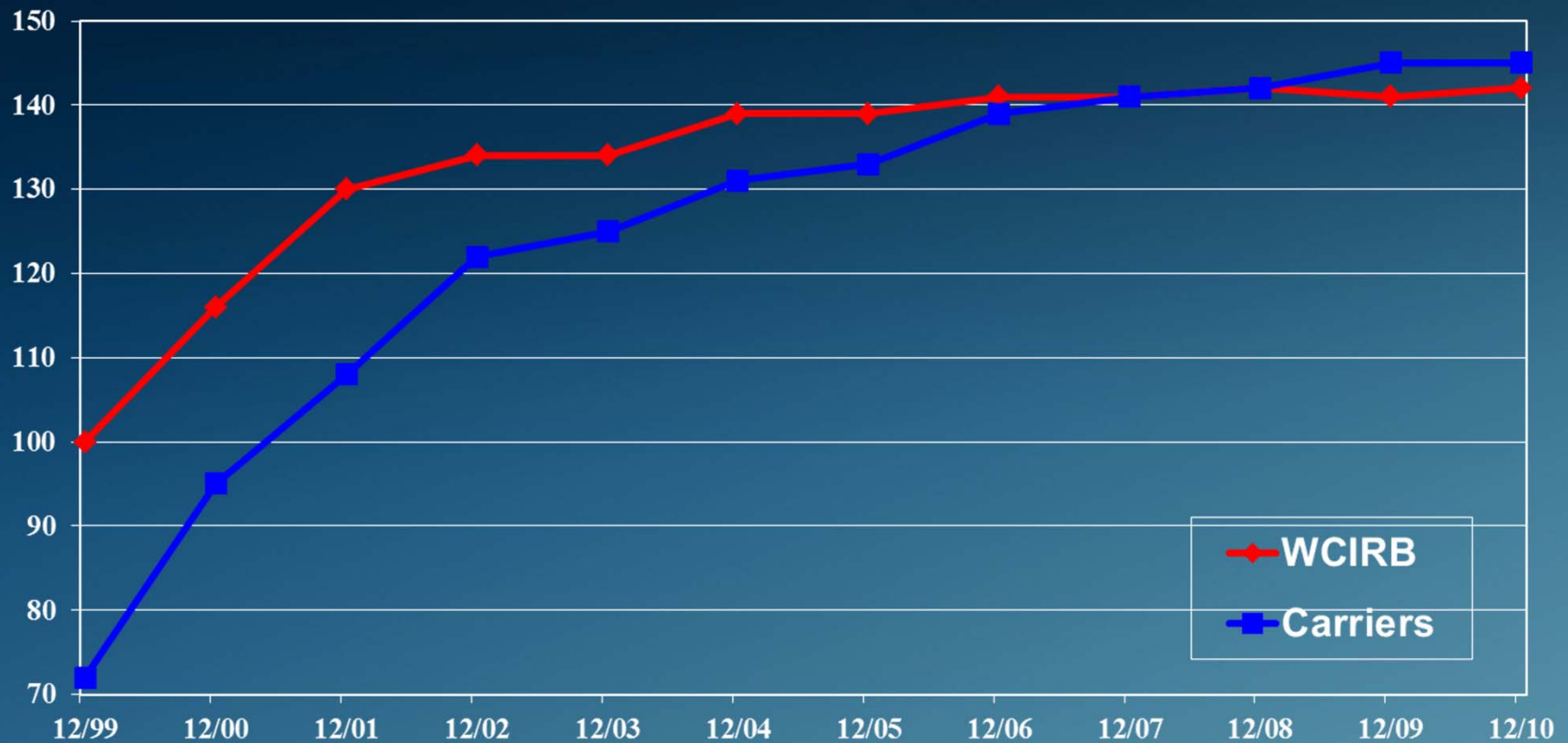




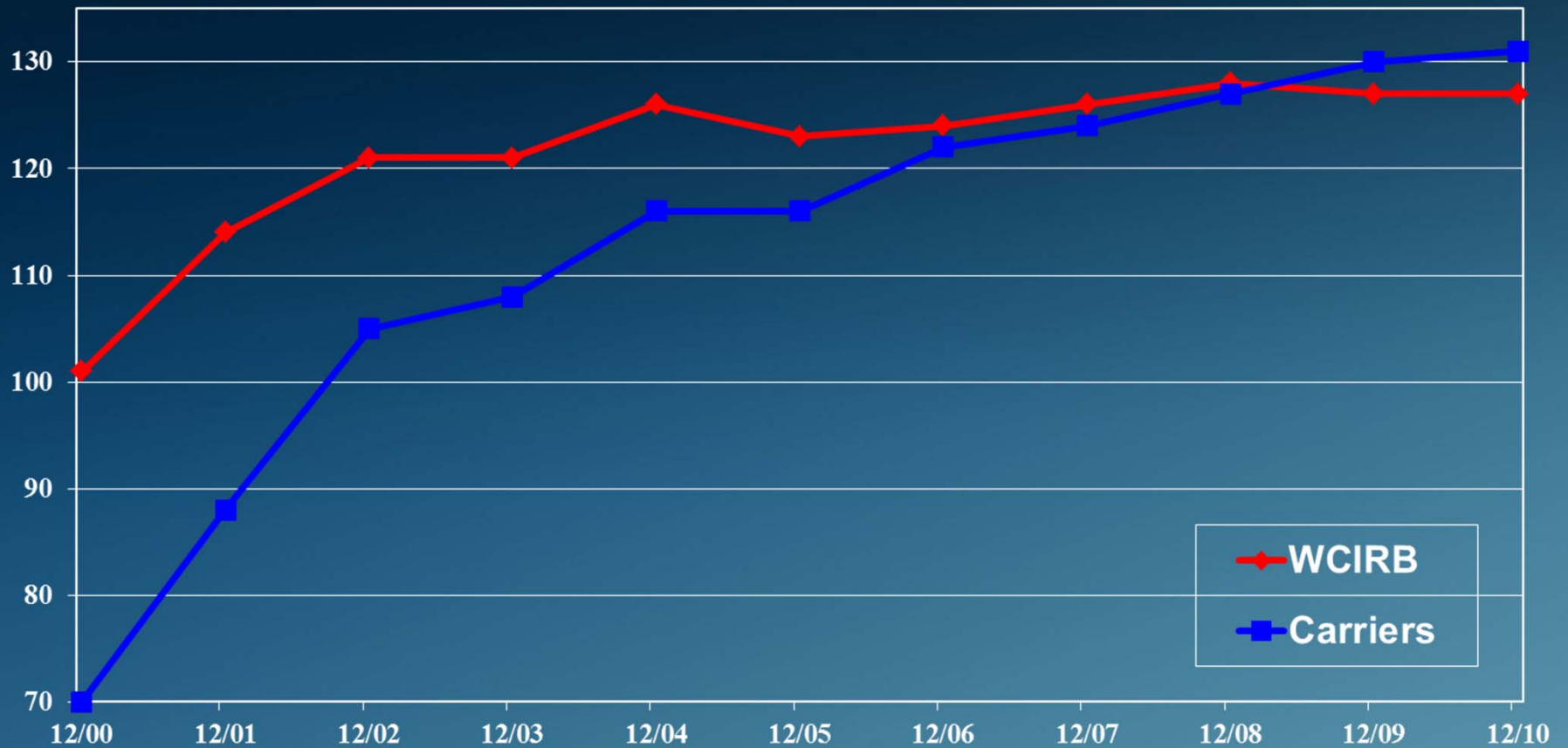
# Development: Accident Year 1998



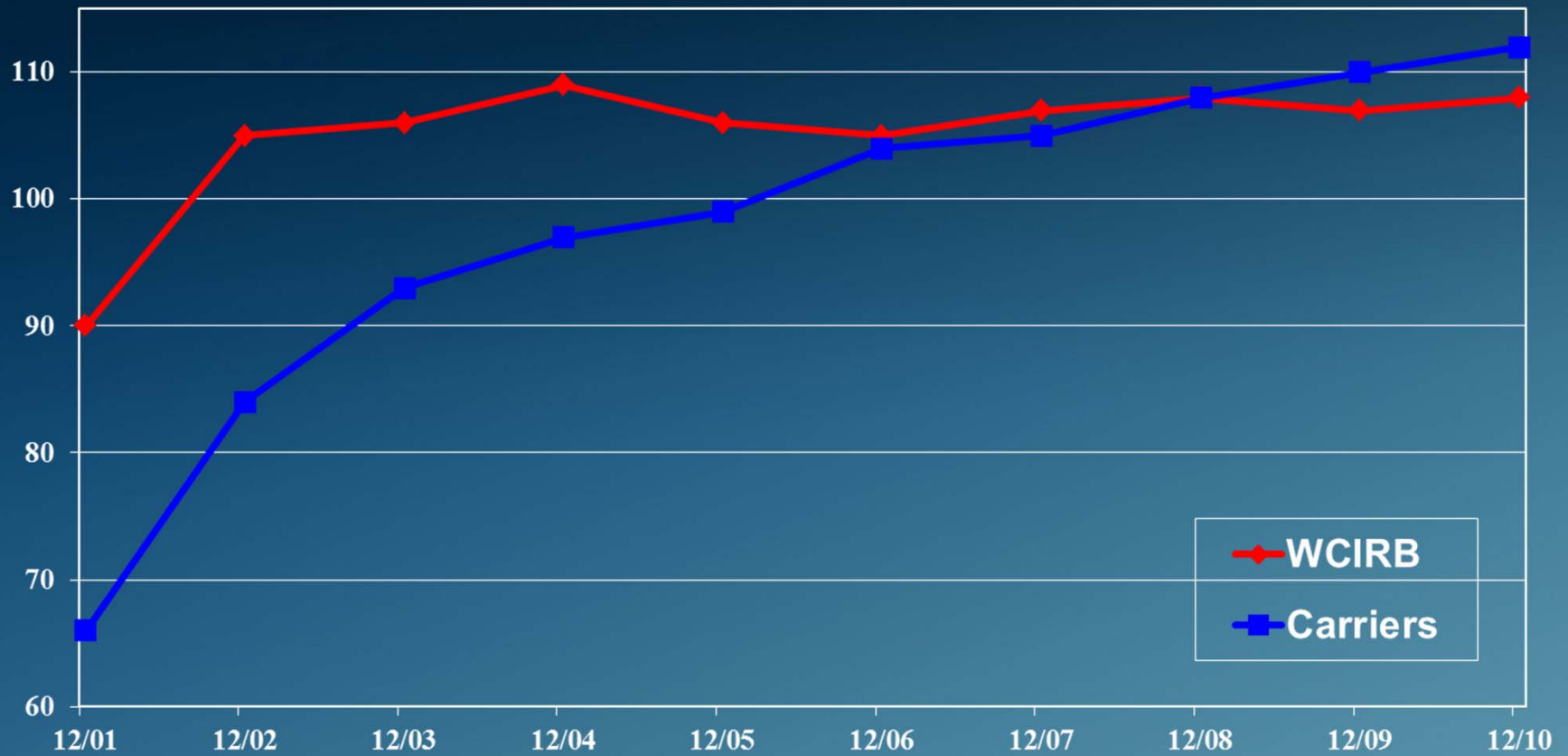
# Development: Accident Year 1999



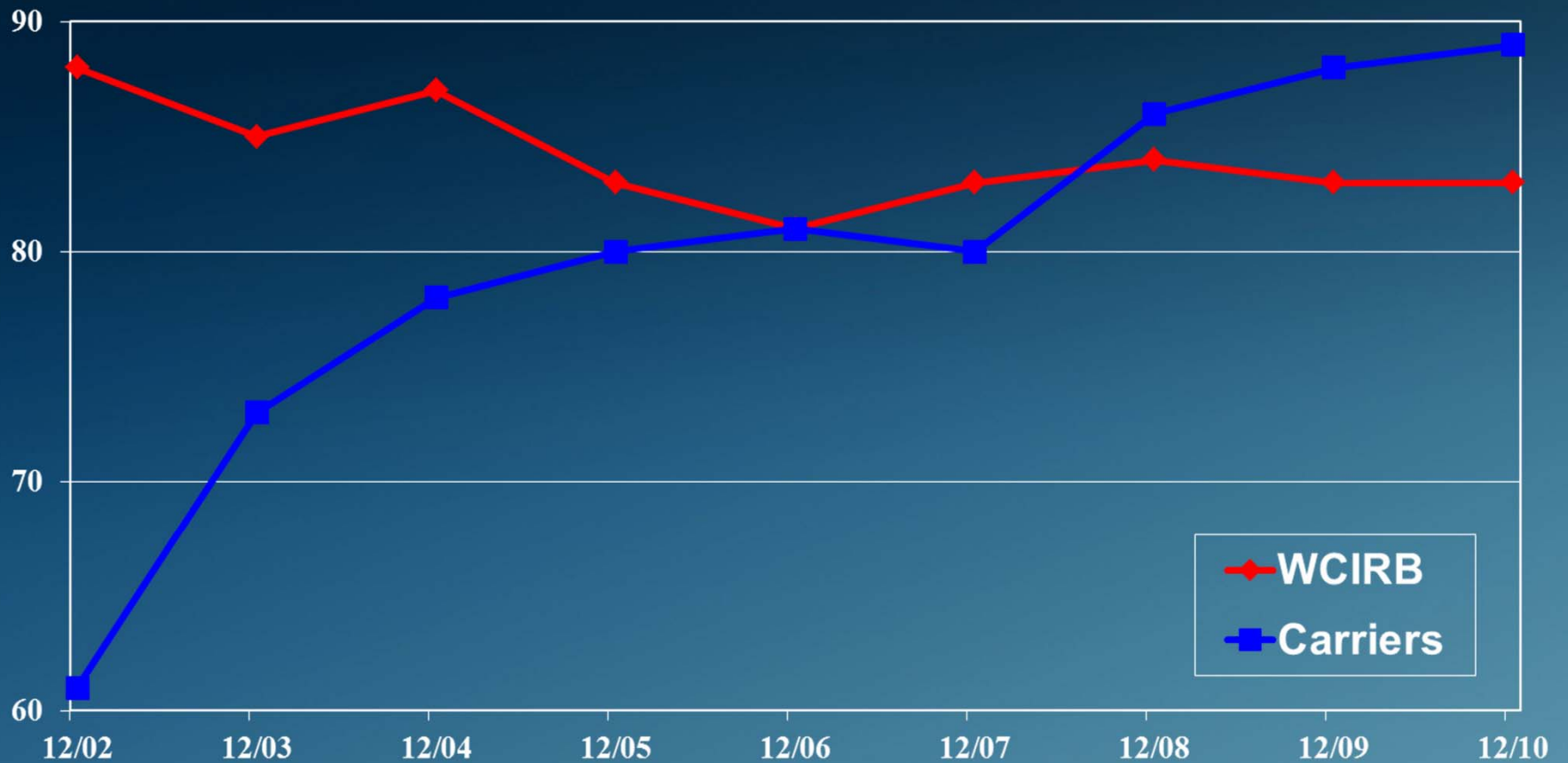
# Development: Accident Year 2000



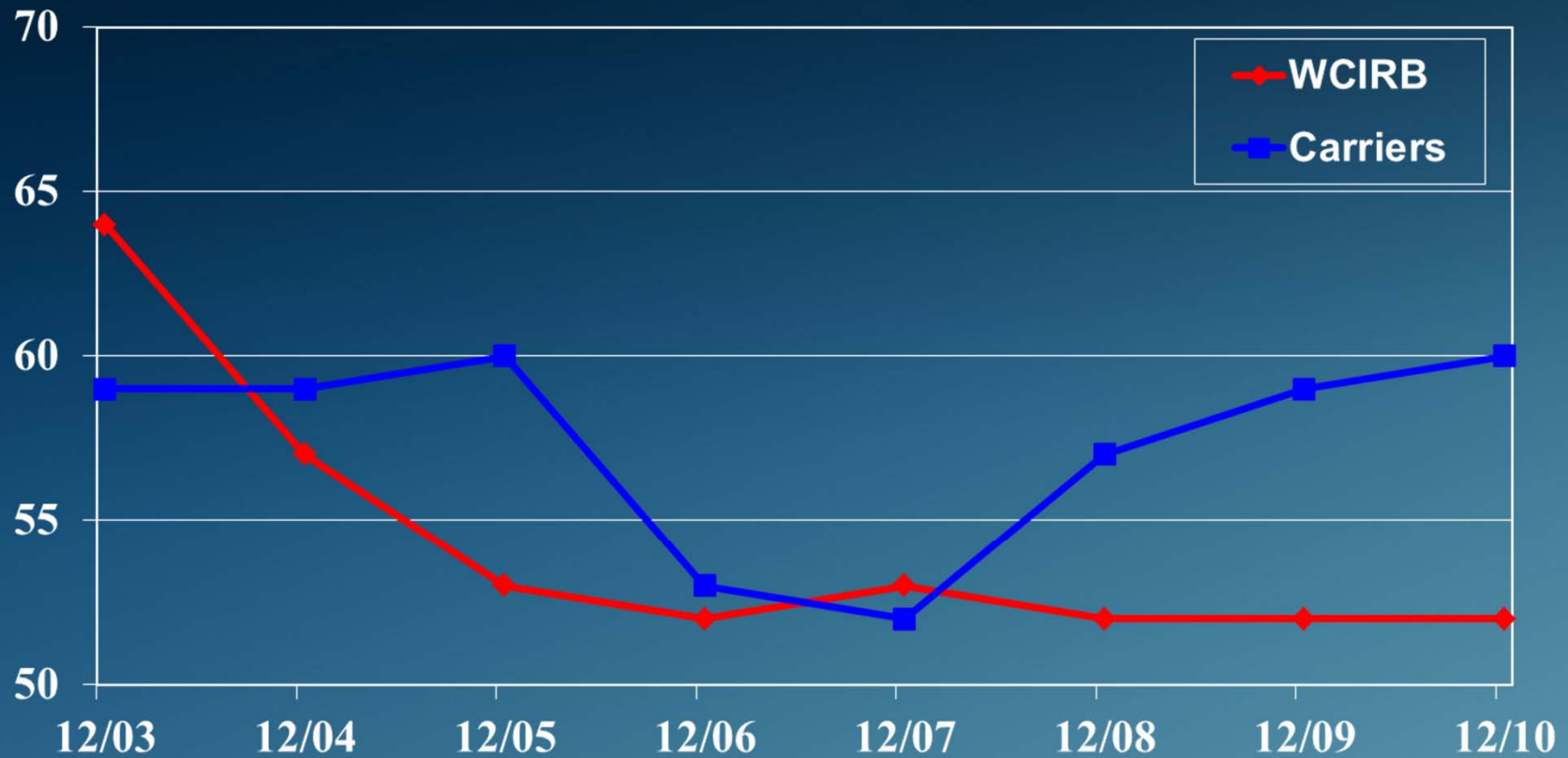
# Development: Accident Year 2001



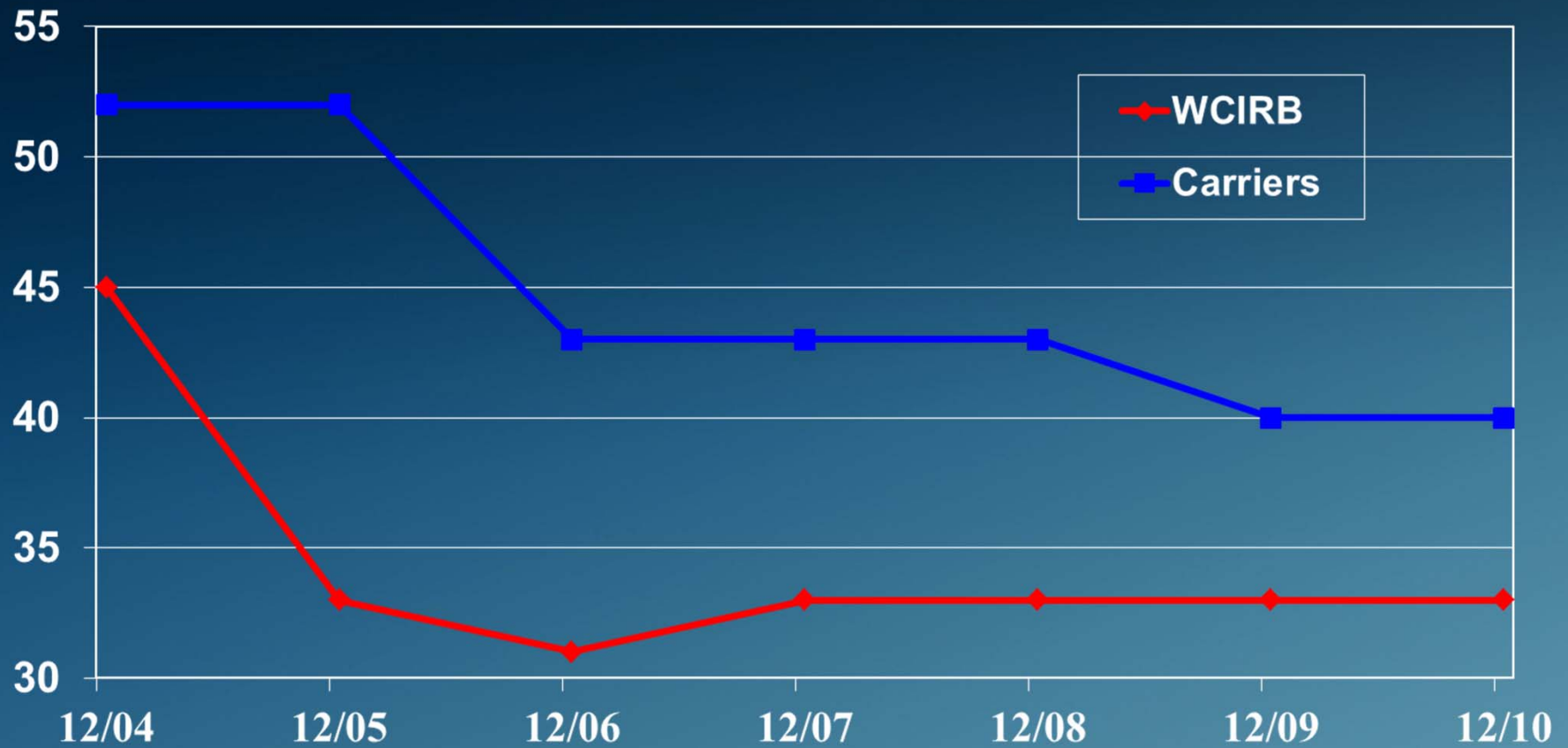
# Development: Accident Year 2002



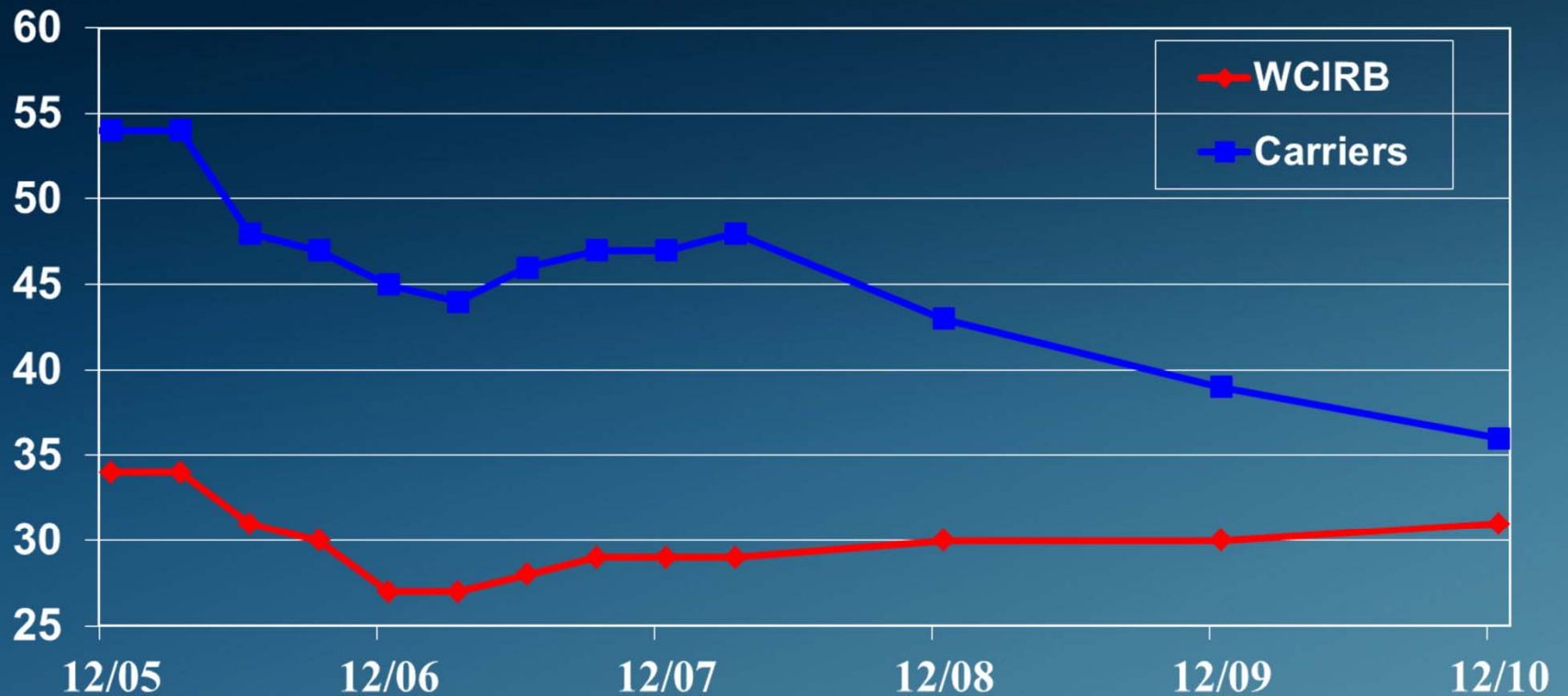
# Development: Accident Year 2003



# Development: Accident Year 2004

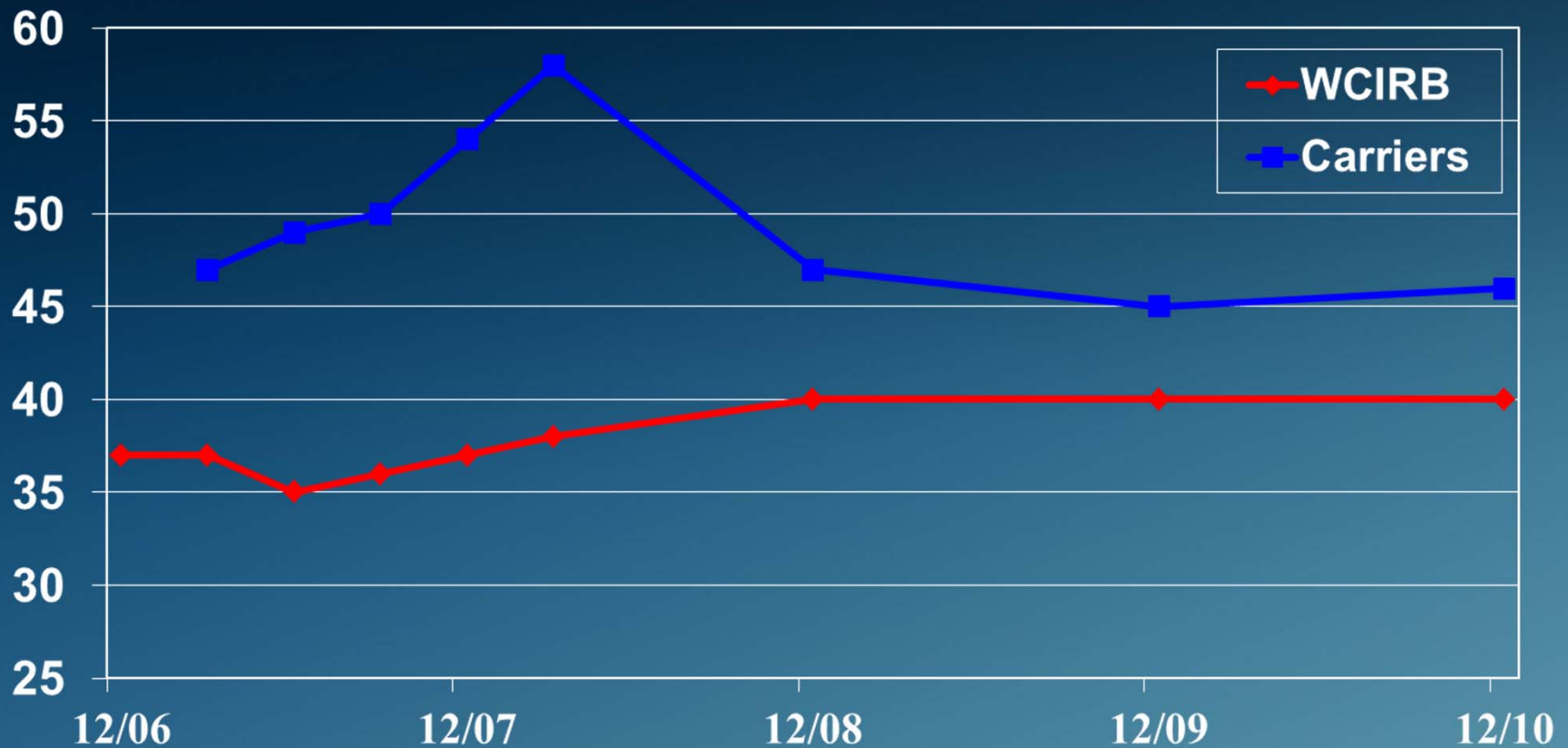


# Development: Accident Year 2005





# Development: Accident Year 2006



# Development: Accident Years 2008-10 (Indemnity)

