
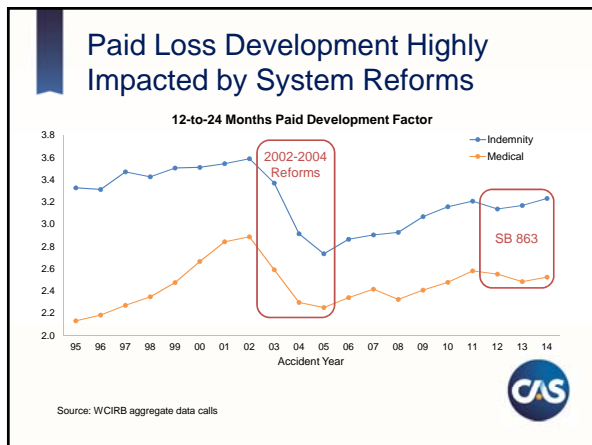
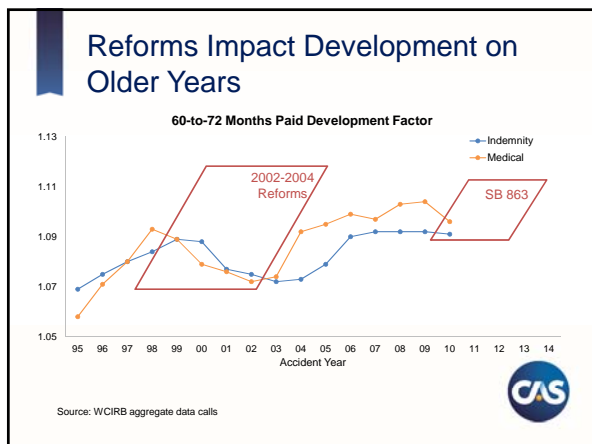


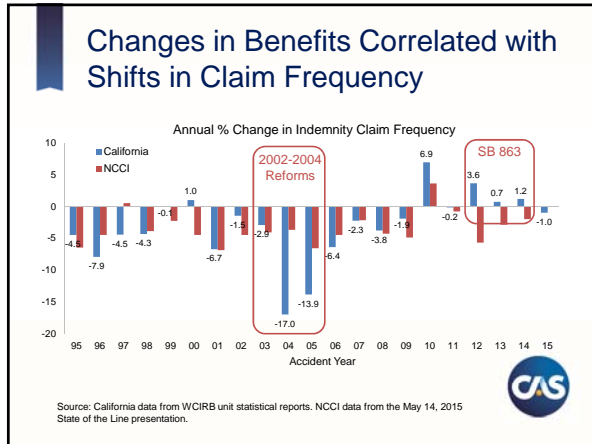
CA WC – A Changing System

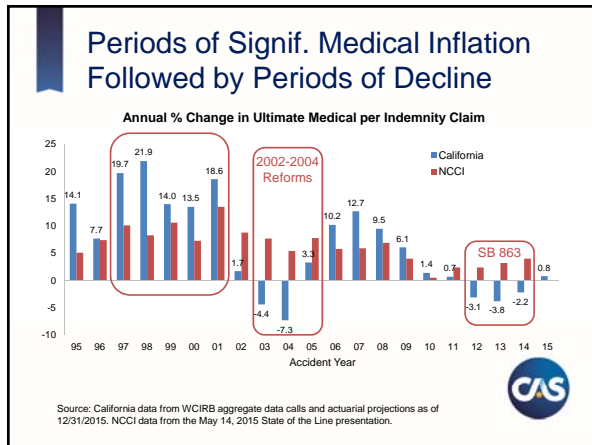
- Long-tailed Line
- Significant Historical Medical Inflation
- Major System Reforms
 - 2002 through 2004 reforms
 - Senate Bill No. 863 (2012)
 - Impact both frequency and severity
 - Both CY/DY and AY impacts
- Volatility Makes Traditional Methods Inaccurate





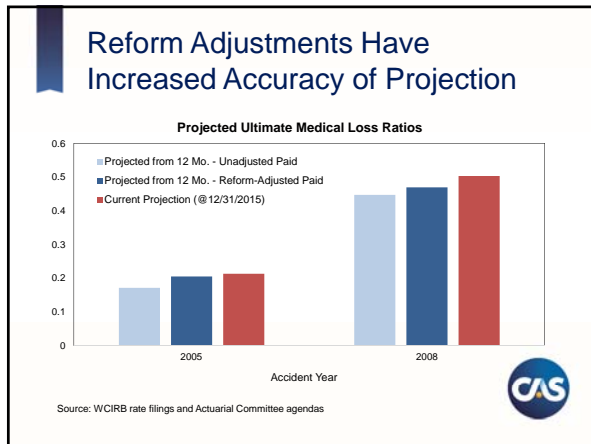






Developing in a Changing Environment

- Reforms Distort Historical LDF Triangles
 - Mix of pre & post-reform data
- WCIRB Solution: Adjust LDFs for Major Changes
 - Indemnity – analyze changes by type of benefit and timing of benefit payments
 - Medical – “on-level” pre-reform payments in LDF
- Adjusted Triangles Now at Comparable Level



- ### Trending in a Changing Environment
- Volatility Affects Historical Loss Ratio Trend
 - Trends reversing direction!
 - WCIRB Solution: Project Separate Frequency & Severity Trends
 - Frequency Model Projection
 - Modeled with benefit changes & economic conditions
 - Severity Projections
 - Analysis of short and long-term rates
 - Always Important to Consider Environment
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