STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
300 Capitol Mall, 17th Floor
Sacramento, CA 95814

PROPOSED DECISION AND ORDER

SEPTEMBER 1, 2026 WORKERS' COMPENSATION CLAIMS COST BENCHMARK AND ADVISORY PURE PREMIUM RATES

FILE NUMBER REG-2026-00002

In the Matter of: Proposed adoption or amendment of the Insurance Commissioner's ("Commissioner") regulations pertaining to the workers' compensation insurance claims cost benchmark and advisory pure premium rates. These regulations will be effective on September 1, 2026.

SUMMARY OF PROCEEDINGS

The California Department of Insurance ("Department") held a public hearing in the above-captioned matter on June 9, 2026, at the time and place set forth in the Notice of Proposed Action and Notice of Public Hearing, File Number REG-2026-00002, dated May 8, 2026 ("Notice"). A copy of the Notice is included in the record. The record closed on June 12, 2026.

The Department distributed copies of the Notice to the persons and entities referenced in the record. The Notice included a summary of the proposed changes and instructions for interested persons who wanted to view a copy of the information submitted to the Commissioner in connection with the proposed changes. The filing letter dated April 30, 2026, submitted by the Workers' Compensation Insurance Rating Bureau of California ("WCIRB"), and related documents were available for inspection by the public at the Oakland office of the Department and were available online at the WCIRB's website, www.wcirb.com.

The WCIRB's filing proposed a change in the workers' compensation claims cost benchmark and advisory pure premium rates ("benchmark") in effect since September 1, 2025, that reflects insurer loss costs and loss adjustment expenses ("LAE").

In its filing, the WCIRB requested that the Commissioner adopt a set of advisory pure premium rates for each classification to be effective September 1, 2026. The WCIRB recommended September 1, 2026 advisory pure premium rates that are, on average,

+10.4% above the advisory pure premium rates adopted by the Insurance Commissioner effective September 1, 2025. These proposed advisory pure premium rates average $1.71 per $100 of payroll.

The Department accepted testimony and written comments at a hearing held on a virtual platform on June 9, 2026, and also received exhibits into the record. Members of the public were able to submit additional materials along with correspondence and documents prior to the hearing. The hearing officer announced that the record would remain open pending the receipt of additional information from the WCIRB and Bickmore Actuarial, the actuary representing the Public Members of the Workers' Compensation Insurance Rating Bureau's Governing Committee. After the hearing and before the closure of the record, the Department received into the record additional supporting data from the WCIRB and Bickmore. The record was closed and the matter was submitted for decision at 5:00 p.m. on June 12, 2026. Having been duly heard and considered, the Department now presents the following review, analysis, Proposed Decision, and Proposed Order.

REVIEW OF WORKERS' COMPENSATION CLAIMS COST BENCHMARK AND ADVISORY PURE PREMIUM RATES FILING

Subdivision (b) of California Insurance Code Section 11750 states that the Commissioner shall hold a public hearing within 60 days of receiving an advisory pure premium rate filing made by a rating organization pursuant to subdivision (b) of Insurance Code Section 11750.3 and either approve, disapprove, or modify the proposed pure premium rates. Subdivision (b) of Section 11750.3 states a licensed rating organization, such as the WCIRB, shall collect and tabulate information and statistics for the purpose of developing pure premium rates for its insurance company members to be submitted to the Commissioner. Pure premium rates reflect the amount of losses insurers can expect to pay in workers' compensation benefits, as well as the costs associated with adjusting and settling those claims, but do not account for other administrative and overhead costs insurers that will be incurred by insurers.

The pure premium rates approved in this process by the Commissioner are only advisory. Insurers are permitted under California law to make their own determinations as to the premium rates each insurer will use, as long as the ultimate rates charged do not threaten the insurer's financial solvency, are not unfairly discriminatory, and do not tend to create a monopoly in the marketplace.

The Department's actuary, Serina Wu, provides below in the Actuarial Evaluation a review and analysis based upon the filing information presented by the WCIRB and the public's comments about the filing. The pure premium rate process serves as an important gauge

or benchmark of the costs in the workers' compensation system, but must also reflect the reality of insurer rate filings and the premiums insurers charge to employers.

The pure premium rate process does not reflect an employer's final charged insurance rate or premium. Instead, the pure premium process is narrowly tailored to project a specific sub-component of an overall rate. For example, the pure premium rate does not include the costs associated with underwriting expenses, profit, or a return on an insurer's investments. The analysis of pure premium in California projects the cost of benefits and LAE for the upcoming policy period beginning September 1, 2026.

Pure premium rates alone do not determine an individual employer's insurance premium. An employer's premium may fluctuate greatly from these figures based upon the classification of an employer's business, the mix of employees and operations, and the employer's actual claims experience.

After evaluating the analyses and proposed pure premium rates submitted by the WCIRB and Bickmore Actuarial, the Department's actuaries recommended a more modest increase than the increase proposed by the WCIRB.

ACTUARIAL RECOMMENDATION

In its September 1, 2026 filing, the WCIRB has proposed an increase of +10.4% in the approved September 1, 2025 average advisory pure premium rate of $1.55[1] per $100 of payroll. The WCIRB's proposed average advisory pure premium rate for September 1, 2026 is $1.71 per $100 of payroll.

Analysis by the Department's staff actuaries, as set forth in the following Actuarial Evaluation section, results in an indicated average pure premium rate increase of +6.6%, or equivalently, an average pure premium rate level of $1.65 per $100 of payroll. The most recently available industry average level of pure premium rates filed by insurers with the Department is $1.72 per $100 of payroll as of January 1, 2026. While the indicated average pure premium rate change represents our central estimate, and thus our recommendation, we note that both the WCIRB's estimated increase of +10.4% and the estimated increase of +4.8% from the middle scenario of the Public Members' Actuary (Bickmore) are within a reasonable actuarial range.

[1] Revised from the Insurance Commissioner's adopted September 1, 2025 Pure Premium Rate of $1.52 based on updated exposure weights by classification.

The California workers' compensation market continues to show competitiveness, with a continued decline in market concentration over time. In 2005, the top 10 insurers held 80% of the market share, whereas by 2024, that share had dropped to below 60%—the lowest level in decades. In 2025, collected premiums result in average charged rate of $1.56, slightly decreased from $1.58 in 2024 and lower than $1.60 in 2023.[2] This reflects a continuation of the overall downward trend in charged market rates that has persisted since the first half of 2015. The 2025 average charged rate of $1.56 (which reflects all insurer expenses) was comparable to the Insurance Commissioner's approved September 1, 2025 average advisory pure premium rate of $1.55[3], which reflect loss and loss adjustment expense only. It was also approximately 37.1% less than the industry average filed manual rate of $2.48 as of January 1, 2026, and about 33.6% less than the industry average filed manual rate of $2.35 as of January 1, 2025, thus indicating the average effect of schedule rating and other rating plan credits.

Accident year combined ratios, evaluated as of December 31, 2025, have remained above 100% for each of the past six years, exceeding 110% for the most recent five accident years. The combined ratio for accident year 2025 is 129%—the highest level since 2002. At the same time, current charged rate levels are among the lowest observed during this period.

The Department acknowledges the increasing impact of schedule rating and other rating plan credits above 35% (which is higher than last year), even as the WCIRB-projected combined ratios for recent accident years have continued to deteriorate. This highlights the importance of carefully evaluating pricing adequacy and maintaining underwriting discipline by insurers. Moving forward, close monitoring of the sustainability of these credits will be essential given the further deterioration of the combined ratios in recent years.

Actuarial Evaluation

The actuarial evaluation will focus on the following main components of the analysis: (1) loss development; (2) loss trends; (3) loss adjustment expense ("LAE"), which includes allocated loss adjustment expense ("ALAE"), unallocated loss adjustment expense

[2] The 2023 and 2024 average charged rates have not been adjusted for the updated exposure weights by classification.
[3] Revised from the Insurance Commissioner's adopted September 1, 2025 Pure Premium Rate of $1.52 based on updated exposure weights by classification.

("ULAE"), and medical cost containment programs ("MCCP"); and (4) fee schedule changes.

In this filing, analyses rely on losses and ALAE incurred in accident year 2025 and prior, evaluated as of December 31, 2025, and ULAE incurred in calendar year 2024 and prior.

Table 1 shows the components of the WCIRB's pure premium rate indications over the past several years, separated into medical, indemnity, LAE, along with a comparison to Bickmore's current indication based on its middle scenario projection. Table 2 displays the percentage impact of the differences in assumptions and methods between the WCIRB's proposal, the Department's analysis, and Bickmore's middle projection.

Table 1

	WCIRB Filed Rates									CDI	Bickmore
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	1/1/19	1/1/20	1/1/21	9/1/21	9/1/22	9/1/23	9/1/24	9/1/25	9/1/26	9/1/26	9/1/26
Medical $	0.70	0.65	0.62	0.60	0.61	0.58	0.56	0.64	0.68	0.64	0.62
Indemnity $	0.54	0.51	0.50	0.53	0.57	0.56	0.50	0.51	0.57	0.55	0.54
LAE $	0.46	0.42	0.38	0.37	0.38	0.36	0.36	0.41	0.46	0.46	0.46
Total $	1.70	1.58	1.56	1.50	1.56	1.50	1.42	1.56	1.71	1.65	1.62
Projected Medical Loss Ratio									0.430	0.403	0.391
Projected Indemnity Loss Ratio									0.355	0.348	0.343
LAE/Loss Ratio									37.7%	39.1%	39.8%

Industry Avg Filed PP Rate as of 1/1/26	$	1.72
Industry Avg Filed Manual Rate (with expenses) as of 1/1/26	$	2.48
Industry Avg Charged Rate (net discounts) PY 2025	$	1.56

Table 2

		Impact of Difference in Assumptions & Methods Between WCIRB and Alternative Recommendations						
	Recommended 9/1/2026 Average Advisory Pure Premium Rate Change	Total	Ultimate Medical	Ultimate Indemnity	Experience Period	Medical Loss Ratio Trend	Indemnity Loss Ratio Trend	LAE Assumptions
WCIRB	10.4%							
CDI	6.6%	-3.4%	-2.2%	-0.5%	0.0%	-0.5%	-0.3%	0.0%
Bickmore (Middle)*	4.8%	-5.1%	-2.5%	-0.3%	-1.4%	-0.5%	-0.4%	0.0%

*Bickmore percentage impacts is based on the information provided in June 12, 2026 supplementary dataset.

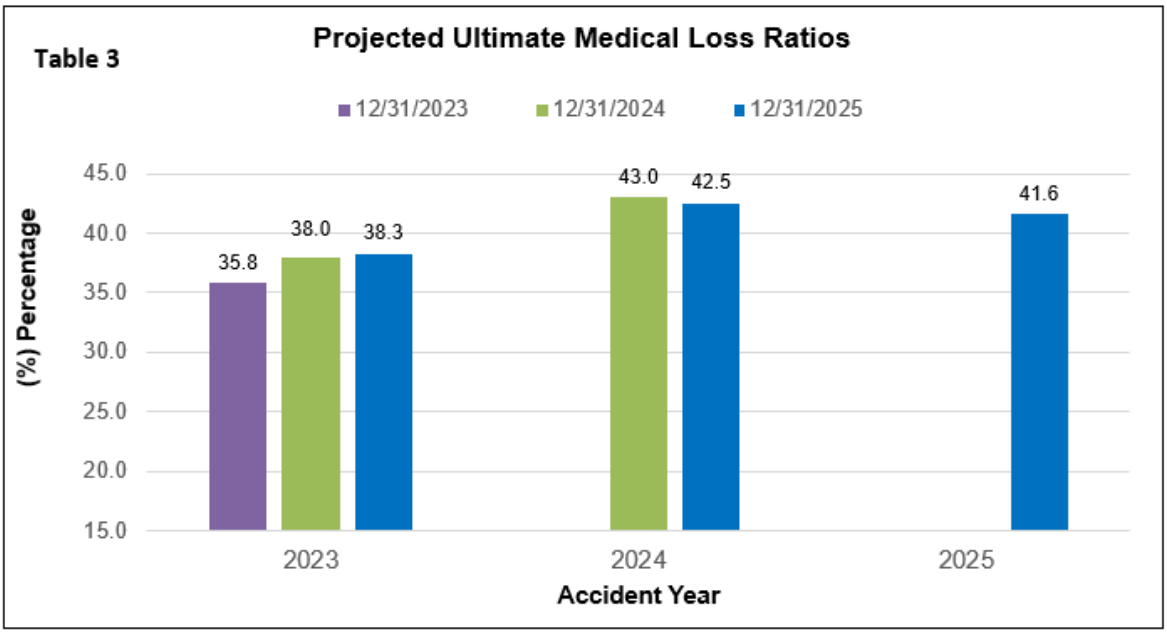
1. Loss Development

Some form of the paid loss development method has consistently served as the basis for determining ultimate loss estimates for both indemnity and medical losses in the WCIRB's advisory pure premium rate filings for many years. While focusing on the paid method, the WCIRB has also reviewed the results of other methods, particularly the incurred development method, along with multiple variations on these basic methods. At the same time, Bickmore has incorporated both the paid and incurred development methods in its analysis of ultimate medical and indemnity losses.

In late 2023, the WCIRB explored a methodology that utilizes incurred loss development during the earlier development period where it has been shown to be accurate in the most recent claims environment but does not rely on the later period incurred loss development that the WCIRB considers less predictive. The WCIRB believes this "hybrid" incurred loss development methodology is also a reliable basis to project future loss development in addition to the paid loss development methodology adjusted for reforms. Consistent with the approach used in the September 1, 2025 Pure Premium Rate Filing, the WCIRB's loss development projection in this filing assigns equal weight to both loss development methodologies.

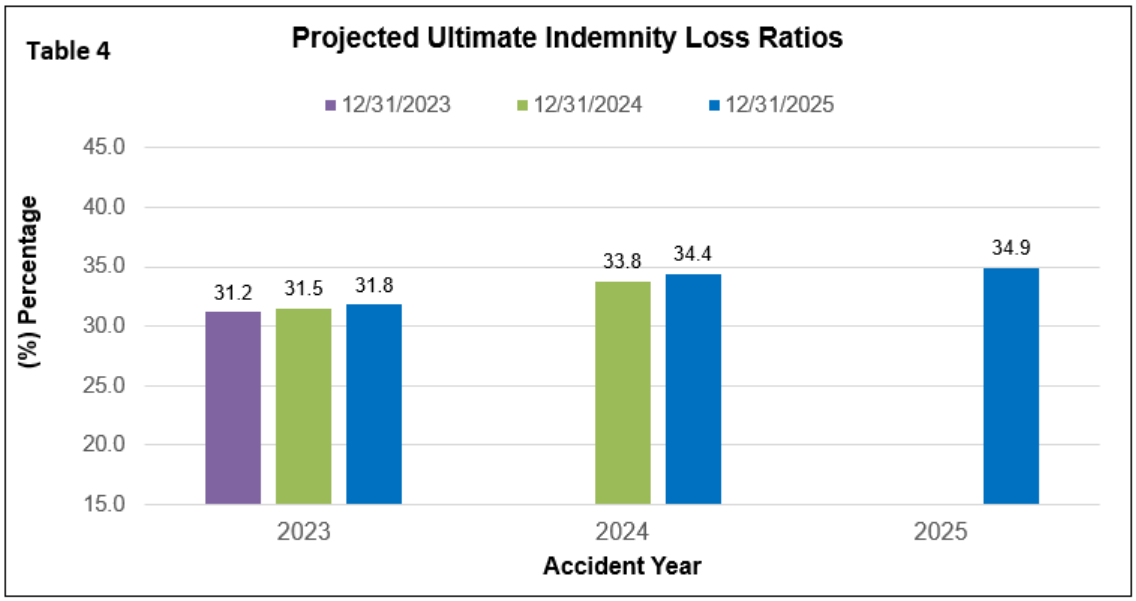
As noted in Bickmore's written testimony, the incurred loss development method is a standard and widely accepted actuarial approach. Retrospective evaluations by the WCIRB indicate that the unadjusted latest-year incurred development method has performed well in estimating both indemnity and medical ultimate losses. Bickmore observes that paid and incurred development patterns have demonstrated relative stability over the past decade. In light of this, Bickmore considers it reasonable to assign weight to the incurred method. As a result, Bickmore's indemnity and medical cost projections are based on a 50%/50% weighting of the adjusted paid and incurred development methods (with incurred development based on the latest-year unadjusted data, valued as of 12/31/2025).

Table 3, below, shows successive evaluations of the accident year's ultimate medical loss ratios. The projected ultimate medical loss ratio for accident year 2023 is about 0.3% above last year's estimate and 2.5% above the estimate made two years earlier. Conversely, the projected ultimate ratio for accident year 2024 is approximately 0.5% lower than last year's projection.



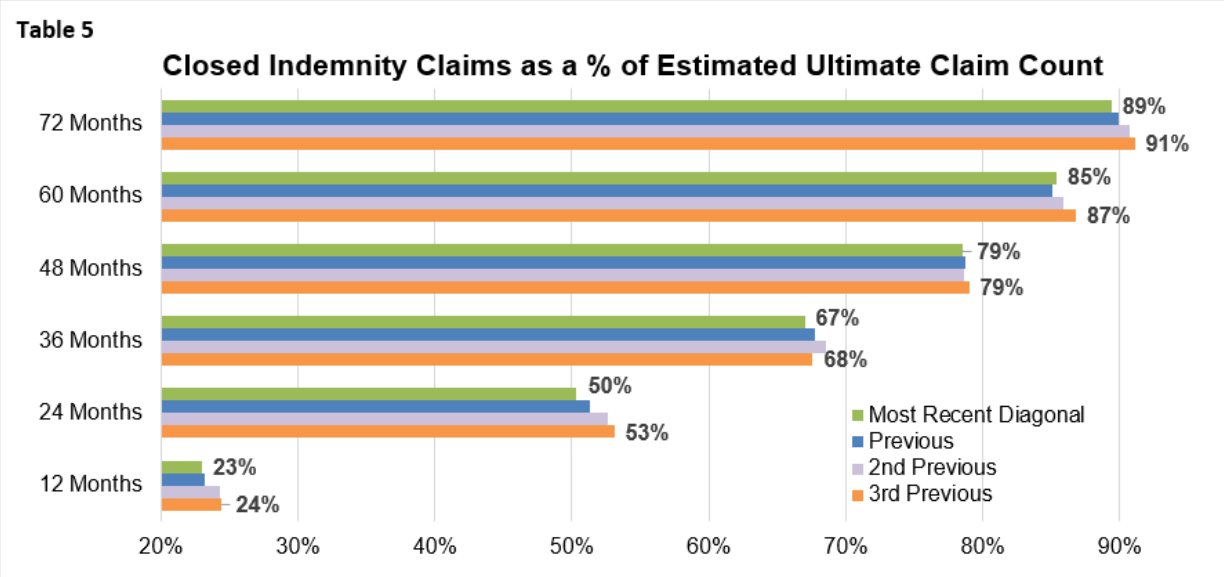
Note: All loss ratios are based on the loss development methodology presented in the WCIRB 9/1/2026 Filing.

As shown in Table 4, the indemnity loss ratios for accident year 2023 have increased by about 0.3% compared to last year's estimate and 0.6% compared to the estimate from two years ago, while the accident year 2024 indemnity loss ratio has increased by 0.6% relative to last year's estimate.



Note: All loss ratios are based on the loss development methodology presented in the WCIRB 9/1/2026 Filing.

Table 5 shows accident-year claim settlement rates at various maturities. In the past, higher settlement rates helped control overall costs, as faster closures typically reduced expenses, particularly allocated loss adjustment expenses (ALAE). However, since the pandemic, settlement rates have stopped improving and have instead flattened, indicating that claims are now remaining open for longer periods of time. The WCIRB has also observed increased litigation activity, which may be contributing to delays in claim closure.



Similar to the recent filings, the Department has given 60% weight to the WCIRB's adjusted paid development method, and 40% weight to the unadjusted latest year incurred development method for both indemnity and medical projections to ultimate. The 60%/40% weight selection is consistent with the Department's recommendation in the recent filings.

2. Loss Trends

The WCIRB analyzes a range of trending assumptions to roll forward the estimates of ultimate losses to the time period during which the filing's proposed pure premium rates will be in effect.

The various trend assumptions differ in terms of (1) the particular historical time period used to determine severity and frequency trends, and (2) the experience period that these trends are applied to, in order to roll forward to the future time period of the filing.

In prior filings, the WCIRB projected the loss ratio by applying separate frequency and severity trends to the average of the two latest accident years. Due to increasing challenges in estimating these trends independently — particularly as CT claim volume continues to rise — in this filing, the WCIRB decided to use a single loss ratio trend applied to the most recent two years, giving each year equal weight.

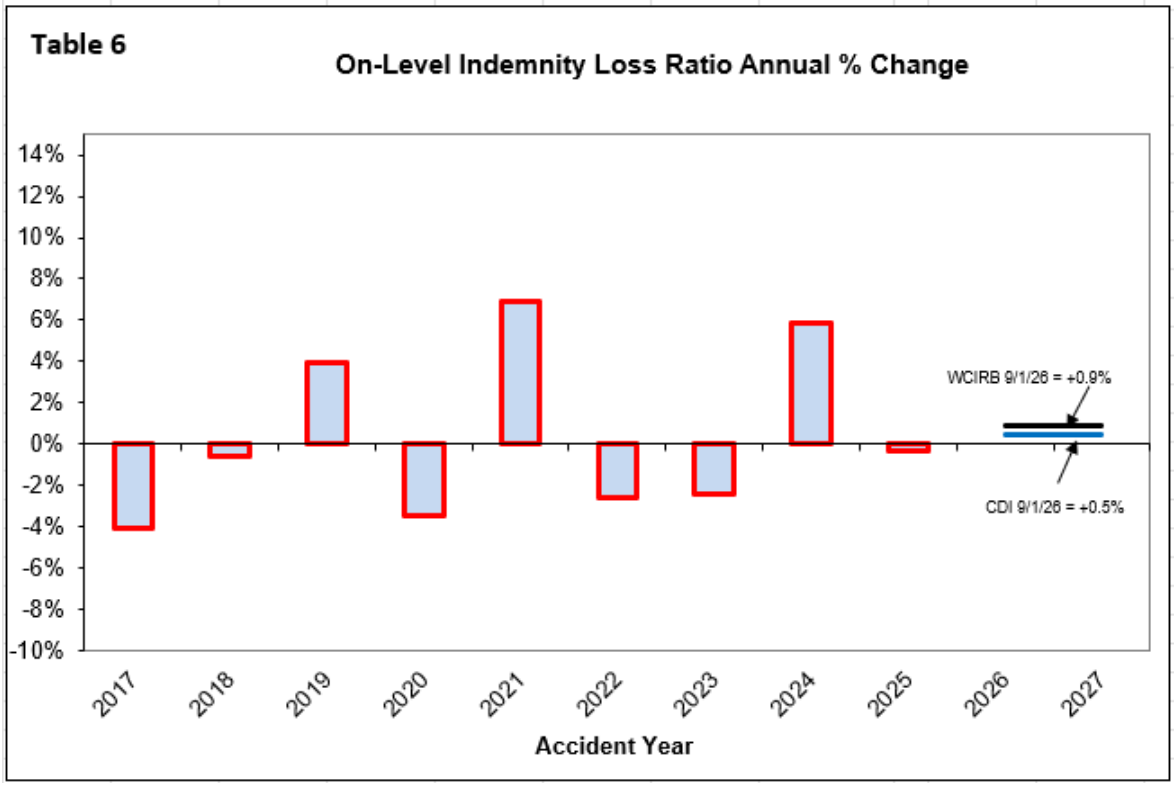
Bickmore agrees with the WCIRB and has adopted the loss-ratio trend approach. In prior filing, Bickmore's indications were developed using separate frequency and severity trends.

After reviewing the relative merits of the loss ratio trend approach versus separately trending frequency and severity, the Department agrees with the WCIRB and Bickmore that the loss ratio trend approach is appropriate, given that recent CT claim patterns have distorted frequency and severity measures, while indemnity and medical loss ratios have remained stable and have consistently increased since 2017.

Indemnity Trended Loss Ratio

While long-term indemnity loss ratios have shown slight declines, more recent short-term results indicate modest increases. The WCIRB selected a 0.9% trend based on the post-2017 growth pattern, noting that this trend reflects current claims conditions and those conditions are expected to continue over the projection period.

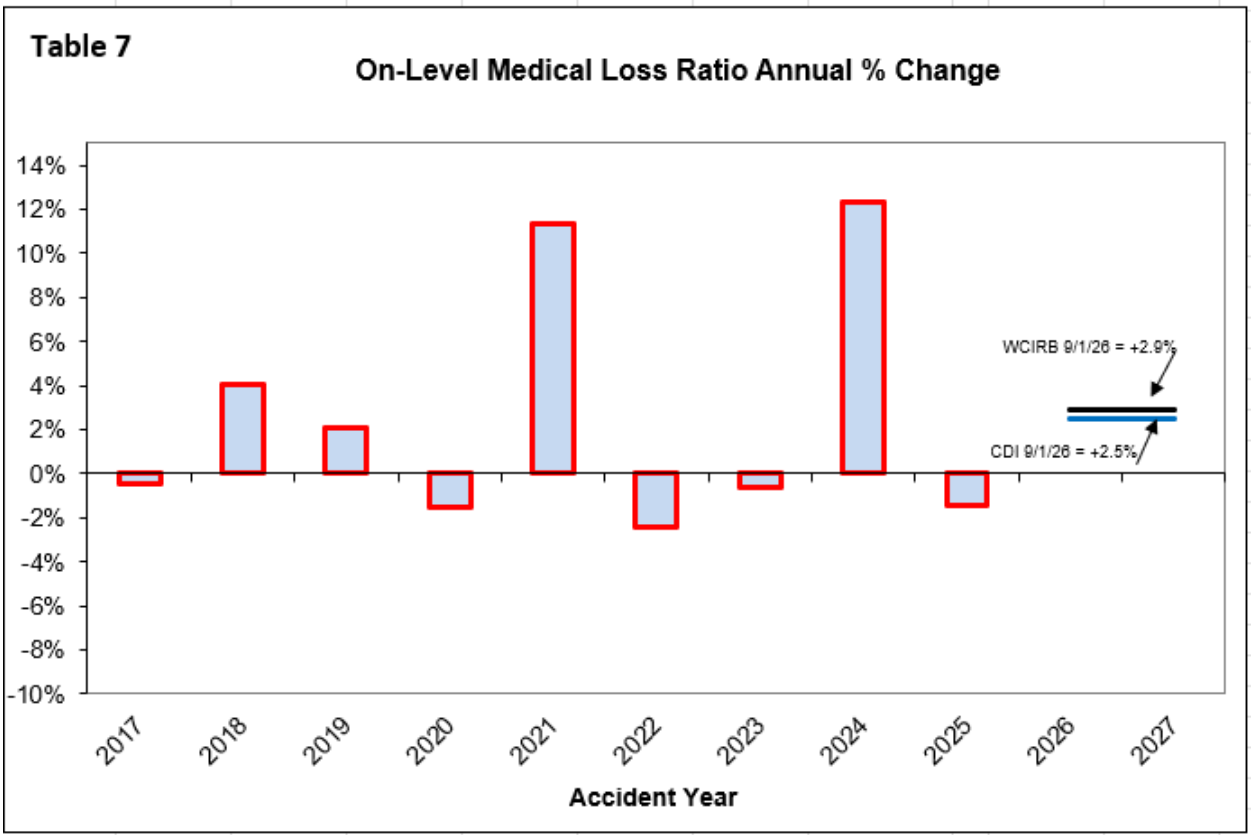
The Department reviewed the data and observed that the on-level indemnity loss ratio trend is 0.9% based on accident years 2017–2025, while the trend is 0.4% when limited to accident years 2021–2025. In line with the observed range, the Department agrees with Bickmore's selection of a 0.5% indemnity loss ratio trend. This selection reflects a focus on post-COVID years, which are more representative of current system conditions.



Medical Trended Loss Ratio

Because the medical loss ratio growth has been stable and aligns with both long-term and short-term trends, the WCIRB selected a 2.9% annual medical loss ratio trend based on the stable post-2017 growth rate.

The Department reviewed the data and noted that the on-level medical loss ratio trend is 2.9% based on accident years 2017–2025 and 2.6% when focusing on accident years 2021–2025. Given these results, the Department supports Bickmore's selection of a 2.5% medical loss ratio trend. Consistent with the approach used for the indemnity loss ratio trend, this selection relies on post-COVID years to avoid overreacting to pre-COVID patterns.



3. Loss Adjustment Expenses

In determining the provision for loss adjustment expenses in the proposed rates, the WCIRB develops separate indications for allocated loss adjustment expenses (ALAE), unallocated loss adjustment expenses (ULAE), and medical cost containment programs (MCCP).

Starting with the January 1, 2015 filing, the WCIRB adopted a change in its methodology to reflect only private carrier data in its evaluation of ALAE and ULAE to avoid distortion due to the impact of the higher expenses of the State Compensation Insurance Fund. The WCIRB has continued to apply this methodology in this filing. The Department's staff concur with this methodology.

A comparison of the components of LAE between the prior filing and the current filing based on the WCIRB projections is shown below in Table 8. Compared to the September 1, 2025 filing, ALAE and ULAE have increased from 18.3% to 20.2% and from 13.9% to 14.2%, respectively, as a percentage of losses, while MCCP has decreased from 3.5% to 3.3%.

Table 8 LAE Provision Underlying WCIRB Pure Premium Rate Filings

	9/1/25 Filing		9/1/26 Filing	
(ALAE ex/MCCP)/Loss	18.3%		20.2%	
MCCP/Loss	3.5%		3.3%	
Total ALE/Loss	21.8%	$0.25	23.5%	$0.29
ULAE/Loss	13.9%	$0.16	14.2%	$0.18
Total LAE/Loss	35.7%	$0.41	37.7%	$0.47
Indicated Pure Premium Rate		$1.56		$1.71

Bickmore agrees with the WCIRB's projection of LAE costs, and any differences are due to Bickmore's projection of medical and indemnity losses, which are lower than that of the WCIRB.

The projected LAE as a percentage of losses in the Department's analysis is 39.1%, compared to the WCIRB's selection of 37.7%. The higher LAE-to-loss ratio is attributable to lower projected medical and indemnity losses in the denominator, selected by the Department (as shown in Table 1).

The WCIRB's consistency in using the selected frequency trends and the periods that the trends apply to in the projection of LAE components provides comparable bases for a determination of the LAE-to-loss ratio, and the Department's staff agrees with this approach.

The Department's staff recognizes the need for continued monitoring of the direct and indirect impacts of recent changes in court processes, legislation, and social and economic conditions on LAE costs, and appreciates the efforts of the WCIRB in this area.

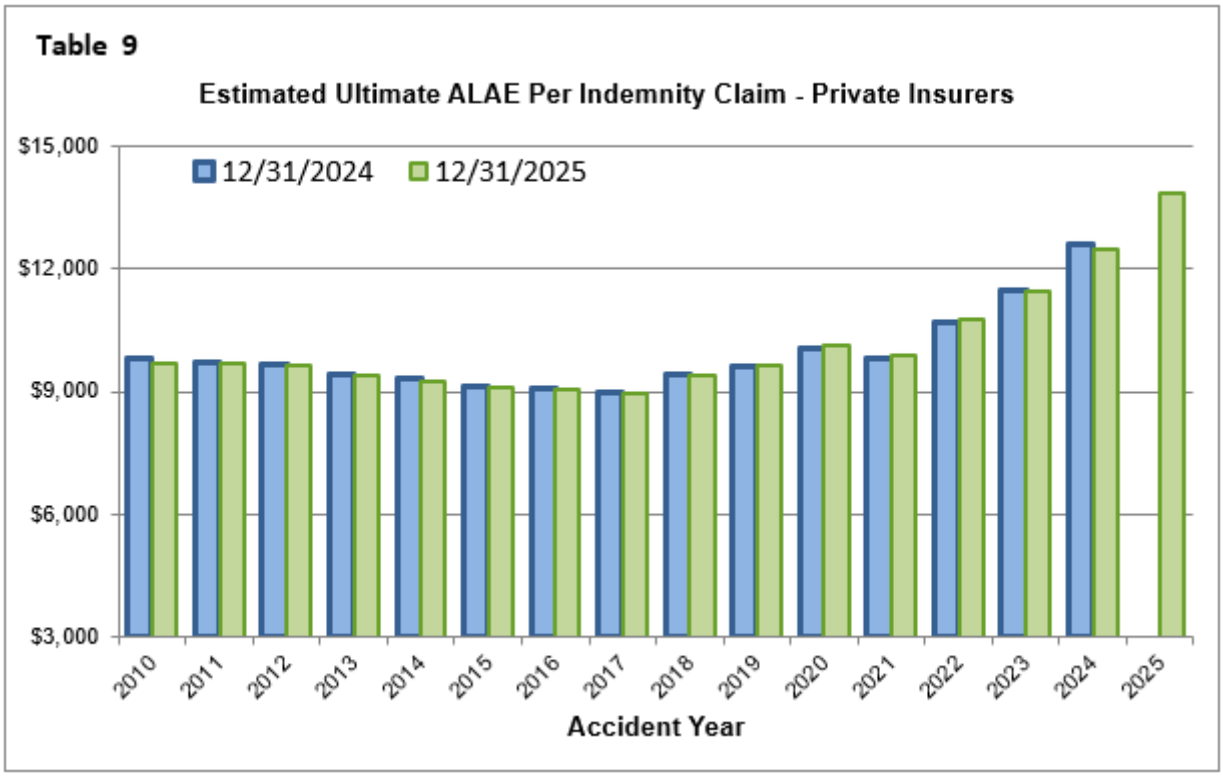
ALAE

The WCIRB projects the ALAE-to-loss ratio using a methodology that projects future ALAE as the product of the anticipated future statewide number of private insurer indemnity claims and average private insurer ALAE per indemnity claim, which is consistent with the methodology reflected in the latest several pure premium rate filings.

In this filing, the WCIRB has selected a +5.5% annual ALAE severity trend by averaging long-term and short-term growth rates in both estimated ultimate accident year, and incremental paid ALAE per open indemnity claim, for private insurers. This selection reflects a balanced view of recent cost increases—exceeding 6% for the most recent four accident years—against more moderate historical trends. In comparison, the selected annual ALAE severity trend in the prior filing was 5.0%. Both Bickmore and the Department agree with the WCIRB's selected trend.

The WCIRB also presented alternative methods for projecting ALAE as a ratio to losses. The Department encourages the WCIRB to continue evaluating these approaches thoroughly.

Below, shows the ALAE per indemnity claim by accident year.



After a period of rapid increase, the estimated ultimate ALAE per indemnity claim showed slight year-over-year decline from 2010 to 2017. The pattern was reversed by accident year 2018 and the estimated ultimate ALAE per indemnity claim has been steadily increasing since then, except for accident year 2021.

The more significant increases in ALAE severity beginning with accident year 2022 raised concerns, leading the Department to recommend that the WCIRB investigate potential

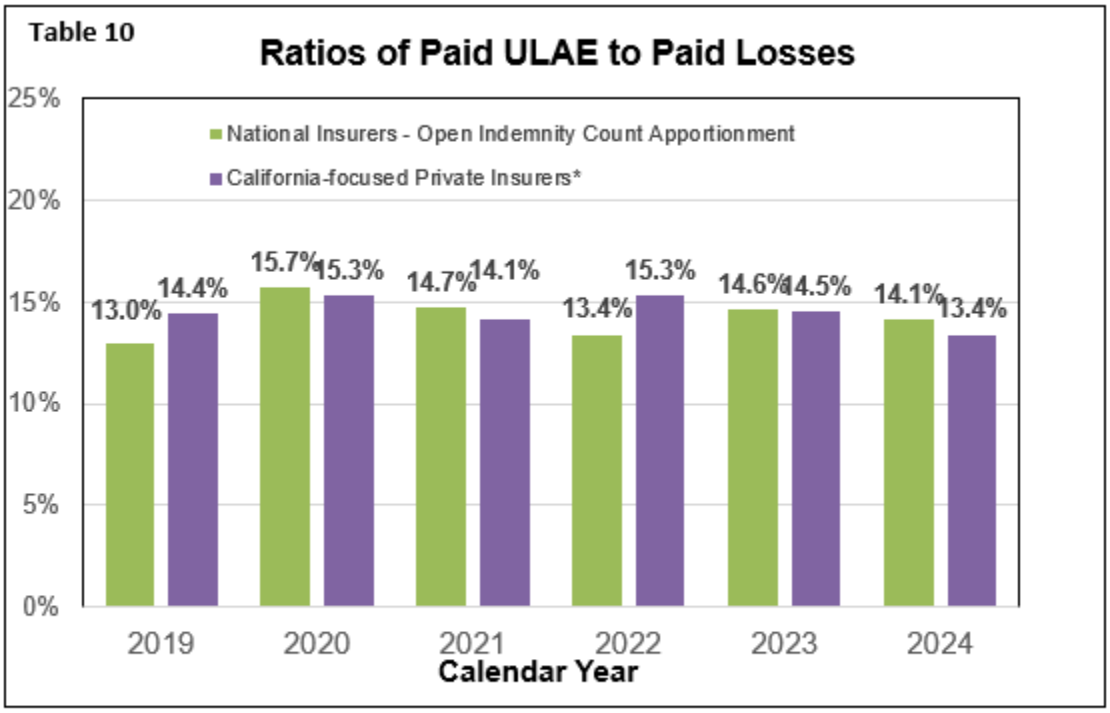
causes. The most recent 2026 WCIRB study found that cumulative trauma (CT) claims are increasing and becoming more expensive, particularly those filed after termination, which are highly likely to be litigated. Cumulative trauma claims generate higher early medical-legal and interpreter costs, and a growing share show no medical payments at 18 months. Total pure premium costs for cumulative trauma claims have risen sharply and now account for about one-quarter of all pure premium costs. The Department encourages the WCIRB to continue monitoring this trend closely.

ULAE

As in the last several pure premium rate filings, the WCIRB is basing the ratio of ULAE-to-paid loss on the average of two methods, reflecting (1) the relationship between average annual ULAE payments by private insurers and the number of open indemnity claims, and (2) the average ratio of paid ULAE to paid losses for private insurers in the most recent two calendar years (2023 and 2024 for this filing). In 2020, the WCIRB conducted a study of these approaches and found that paid ULAE amounts continue to be correlated with both open indemnity claim counts and paid loss amounts.

As shown in Table 10, using the open indemnity claim count as the basis of apportionment of the ULAE for national insurers' results in paid ULAE ratios that are comparable to the ULAE ratios for other private insurers that primarily write workers' compensation business in California. In 2019, national insurers reported lower ULAE ratios than California focused private insurers. This relationship reversed in 2020, and since then—with the exception of 2022—national insurers have generally reported higher ULAE ratios than California-focused insurers.

Table 10

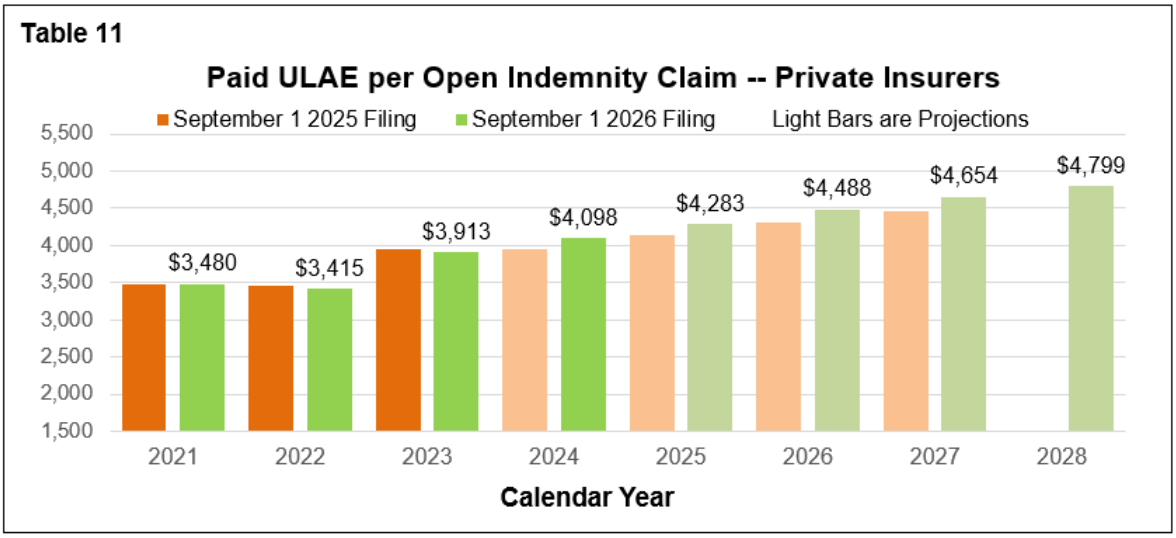


Source: WCIRB expense calls and quarterly calls for experience.
*California-focused Private Insurers are insurers with at least 80% of their workers' compensation writings in California.

The WCIRB projections based on the paid ULAE per open indemnity claim method account for wage inflation, with the assumption that the average ULAE costs grow at a rate comparable to that for statewide average wages. The ULAE costs have been trended to the prospective period by applying California average annual wage level changes based on UCLA and California Department of Finance forecasts.

The projected average paid ULAE per open indemnity claim shown in Table 11, is based on the application of the wage trends to the ULAE severities for the 2022 and 2023 calendar years for the September 1, 2025 filing, and the ULAE severities for the 2023 and 2024 calendar years for the current filing. The light orange bars reflect projections for the September 1, 2025 filing, and the light green bars reflect projections for the current filing. The actual 2024 and the projected 2025 through 2027 paid ULAE per open indemnity claims were higher compared to the projections in the prior filing.

Table 11



Source: WCIRB aggregate financial data for private insurers only and projections.

Table 12 below compares the ULAE projections reflected in the current and prior filings, based on the two methods utilized by the WCIRB. The paid ULAE per open indemnity claim method increased by 0.1% between the September 1, 2024 and September 1, 2025 filings, and increased by 0.4% between the September 1, 2025 filing and the current filing. The ratio of paid ULAE to paid losses remains consistent with the results from the prior two filings. Averaging the outcomes of both methods yields a projected ULAE-to-loss ratio of 14.2% for policies incepting between September 1, 2026 and August 31, 2027.

Table 12

Method	September 1, 2024 Filing ULAE Projection	September 1, 2025 Filing ULAE Projection	September 1, 2026 Filing ULAE Projection
Paid ULAE per Open Indemnity Claim	13.5%	13.6%	14.0%
Paid ULAE to Paid Losses	14.3%	14.3%	14.3%
Average of Two Projection Methods	13.9%	13.9%	14.2%

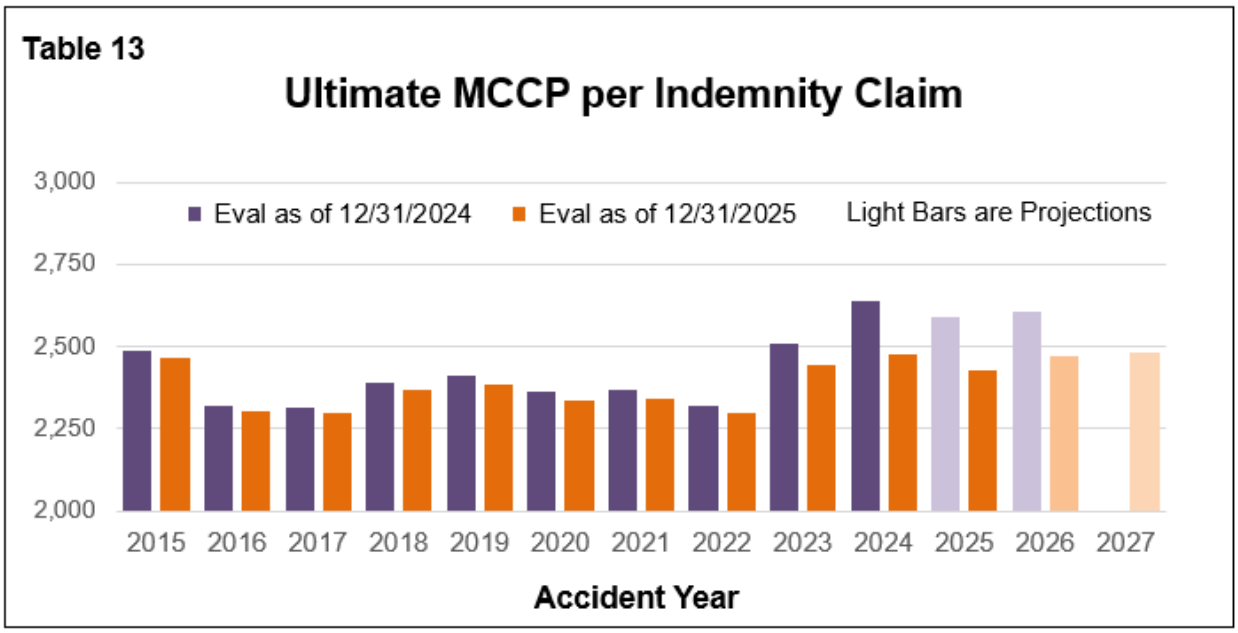
MCCP

The WCIRB's methodology used to project MCCP costs is very similar to its methodology used to project ALAE. It applies to the accident years 2024 and 2025, (1) frequency trends to ultimate indemnity claim counts and (2) severity trends to the ultimate MCCP per indemnity claim.

MCCP costs generally move in line with medical cost and utilization trends due to their close connection to utilization review and related activities. Although MCCP represents a relatively small share of total premium, its costs tend to rise as medical costs increase. As shown in Table 13, ultimate MCCP cost per indemnity claim declined steadily from 2015 through 2017, followed by a moderate increase in 2018 and 2019. From 2020 to 2022, the pattern shifted to a gradual decrease. Beginning in 2023, however, the data show a notable upward movement, indicating rising MCCP cost levels, with 2024 costs remaining comparable to 2023.

The WCIRB MCCP cost per indemnity claim projection reflects a selected +0.5% annual increase in MCCP severity by averaging long-term and short-term trends in ultimate accident year and calendar year MCCP costs per claim. This selection aligns with the trends adopted by both the Department and Bickmore and is consistent with the trend used in the prior filing.

Table 13



Source: WCIRB aggregate financial data and projections. Excludes the cost of IMR and IBR from all years.

4. Fee Schedule Changes

Official Medical Fee Schedule (OMFS)

Effective March 1, 2021, the DWC implemented significant changes to the Evaluation & Management (E&M) section of the Official Medical Fee Schedule (OMFS) related to office visits. These changes apply on a date-of-service basis rather than an accident date basis, thereby affecting medical loss development patterns even for older claims.

To avoid distortions in medical loss trends caused by a mix of pre- and post-reform payment levels, the WCIRB adjusted all medical payments made prior to the second quarter of 2021 to reflect post-reform fee levels.

Given the date-of-service basis of these changes, the WCIRB is reflecting the impact of the most recent retrospective cost estimates for these fee schedule changes in adjustments to the medical loss development projection for accident years 2013 and later, and in on-level factors for accident years 2012 and prior.

Medical-Legal Fee Schedule

Effective April 1, 2021, the DWC adopted a significant update to the Medical-Legal Fee Schedule (MLFS). The WCIRB's latest retrospective review found that medical-legal costs increased by 50% under the new schedule—higher than earlier estimates—primarily due to higher record review costs and greater use of medical-legal services per claim. This estimate of the impact of the April 1, 2021 MLFS changes results in an approximate 3.2% increase in total medical costs. The increase in medical-legal costs has been primarily driven by a significant increase in the costs for record review and an increase in the utilization of medical-legal services per claim.

Given that the impact of these changes varies depending on the age of the claim, the WCIRB is reflecting the impact of the most recent retrospective cost estimates for these fee schedule changes in adjustments to the medical loss development projection for accident years 2013 and later, and in on-level factors for accident years 2012 and prior.

DETERMINATION OF WORKERS' COMPENSATION CLAIMS COST BENCHMARK BASED UPON CURRENT FILING

It is the determination of this Hearing Officer, based upon the current filing and public comments received, that the Commissioner should adopt an advisory pure premium rate of $1.65 per $100 of employer payroll. This recommended average pure premium rate is proposed to be effective with respect to new and renewal policies as of the first anniversary rating date of a risk on or after September 1, 2026. The change in the benchmark is based upon the hearing testimony and an examination of all materials submitted in the record, as well as the Actuarial Recommendation and Evaluation set forth above by the Department's actuary, Serina Wu.

ORDER

IT IS ORDERED, by virtue of the authority vested in the Insurance Commissioner of the State of California by California Insurance Code sections 11734, 11750, 11750.3, 11751.5, and 11751.8, that the WCIRB's filed advisory workers' compensation pure premium rates and Sections 2353.1 and 2318.6 of Title 10 of the California Code of Regulations shall be amended and modified in the respects specified in this Proposed Decision;

IT IS FURTHER ORDERED that the advisory pure premium rates for individual classifications shall change based upon the classification relativities reflected in the WCIRB's filing to reflect an average workers' compensation claims cost benchmark and advisory pure premium rate of $1.65 per $100 of employer payroll, to be adjusted to the relative classifications consistent with this Proposed Decision;

IT IS FURTHER ORDERED that these advisory pure premium rates shall be effective September 1, 2026 for all new and renewal policies.

I CERTIFY that this is my Proposed Decision and Order as a result of the hearing held on June 9, 2026, as well as additional written comments entered into the record, and I recommend its adoption as the Decision and Order of the Insurance Commissioner of the State of California.

Yvonne Hauscarriague

_____ Date: July 7, 2026

Yvonne Hauscarriague, Attorney V