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Workers' Compensation

Insurance Commissioner Approves Rate Hike

CALIFORNIA INSURANCE Commissioner Ricardo Lara has ordered an average 6.6% increase in the advisory workers' compensation benchmark rate for policies incepting on or after Sept. 1, 2026, marking the second consecutive increase after more than a decade of declining rates.

The rate follows two years of increasing claim and claims adjustment costs, a substantial uptick in cumulative trauma claims and rising medical and administrative costs. The Workers' Compensation Insurance Rating Bureau (WCRIB) had recommended a 10.4% increase in the average "pure premium" rate.

The pure premium rate is a benchmark insurers use to price policies. It accounts only for the cost of claims and adjusting them, not personnel costs unrelated to claims, marketing or other overhead. Insurers may price their policies as they see fit and workers' compensation rates are still at their lowest level in decades.

The rate increase will bring the average pure premium to $1.65 per $100 of payroll across all class codes.

Still, the workers' comp market is competitive. In 2025, insurers charged an average of $1.56 per $100 of payroll, down slightly from $1.58 in 2024. These rates are the lowest in decades, despite Lara approving an 8.7% rate hike in 2025.

The Rating Bureau cited the following to support its rate increase recommendation:

Cumulative trauma claims

WCIRB estimates that 26.4% of all workers' comp claims filed in the state in 2025 involved cumulative trauma injuries, compared with 15% in 2021. CT claims are not for sudden injuries but rather those that develop over time through repetitive motion, such as:

- **Carpal tunnel syndrome** — Often claimed by office workers, data entry personnel and assembly line workers due to repetitive hand and wrist movements.
- **Chronic back and neck injuries** — Caused by years of lifting, bending, twisting or maintaining poor posture.
- **Tendonitis and tendon disorders** — Inflammation from repetitive shoulder or arm movements, common in construction, warehouse and food service jobs.
- **Shoulder injuries** — Rotator cuff tears or bursitis from repetitive overhead lifting.
- **Knee problems** — Develops from repetitive kneeling, squatting or climbing stairs, frequently seen in plumbers or floor layers.

About three in five CT claims are filed after an employee is terminated, according to WCIRB. Lawyers are seeking out recently laid-off workers and persuade them to file these claims. Adding to the cost, nearly all CT claims are litigated.

Medical costs

CT claims usually incur few medical costs in the first year, which is masking the growing magnitude of rising medical costs. Average medical costs per claim increased 1.7% between 2021 and 2023, but the increase was 3% when CT claims were excluded.

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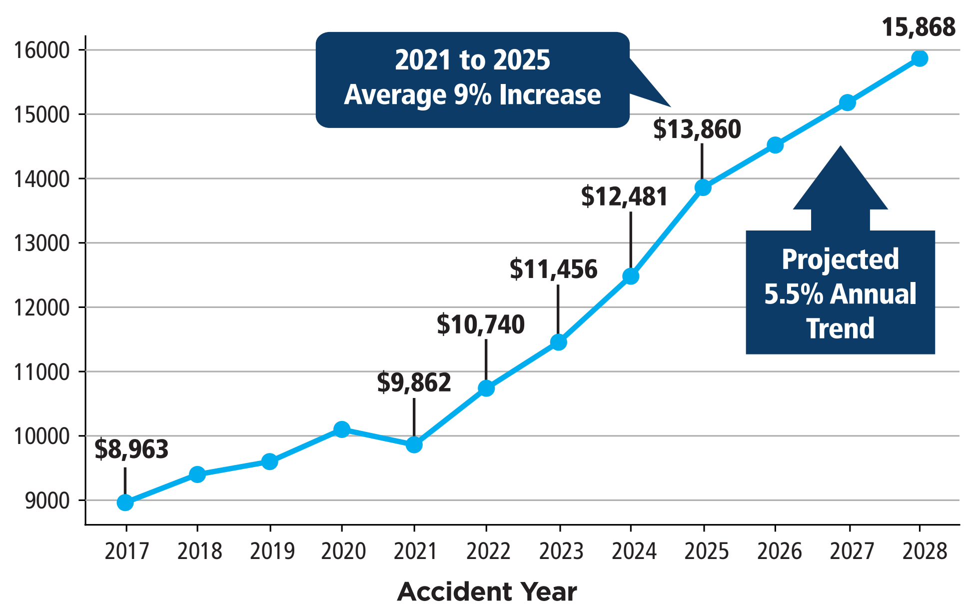
Claims Adjusting Costs Increasing Quickly

Average Claims Adjusting Cost per Claim



Source: Workers' Compensation Insurance Rating Bureau

Construction Industry

Changes Coming to Electronics, Dual-Wage Class Codes

INSURANCE COMMISSIONER Ricardo Lara has approved all of the Workers' Compensation Insurance Rating Bureau's recommended changes to the wage thresholds for construction industry dual classifications for policies incepting on or after Sept. 1.

The thresholds separate high- and low-wage earners in 16 dual-wage construction classes because higher wage workers in these class codes have historically had drastically fewer and less costly claims than their lower-paid counterparts.

Rates for lower-wage workers can sometimes be twice as high as the rates for higher-wage workers.

Proposed High-Wage Thresholds

Classification	Current Threshold	Threshold Starting 9/1
5207/5028 – Masonry	$35	$37
5190/5140 – Electrical Wiring	$36	$40
5183/5187 – Plumbing	$32	$35
5185/5186 – Automatic Sprinkler Installation	$33	$36
5201/5205 – Concrete or Cement Work	$33	$36
5403/5432 – Carpentry	$41	$46
5446/5447 – Wallboard Installation	$41	$45
5467/5470 – Glaziers	$39	$43
5474/5482 – Painting/Waterproofing	$32	$36
5484/5485 – Plastering or Stucco Work	$38	$42
5538/5542 – Sheet Metal Work	$33	$37
5552/5553 – Roofing	$31	$33
5632/5633 – Steel Framing	$41	$46
6218/6220 – Excavation/Grading/Land Leveling	$40	$45
6307/6308 – Sewer Construction	$40	$45
6315/6316 – Water/Gas Mains	$40	$45

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High Litigation Rates Affecting Claims Adjusting Costs

Associated medical-legal costs per claim rose 14% in 2025, while costs for medical equipment and other medical services increased 7% in the same period.

Claims adjusting costs

The high litigation rates for CT claims are seeping into the cost of adjusting claims, according to WCIRB. It projects that insurers' loss adjustment expense ratio (the cost of adjusting claims) will increase to 37.7% of claims costs from 35.7% in the Sept. 1, 2025, filing.

Claims adjusting costs are expected to rise 5.5% annually between 2026 and 2028.

The takeaway

While the pure premium rate is rising, employers may see increases or reductions of varying degrees based on several factors, including:

- The employer's individual claims history,
- The employer's industry,
- The mix of employees and operations, and
- The employer's location.

Cyber Risk

Manufacturer Ransomware Attacks Can Be Devastating

RANSOMWARE ATTACKS on manufacturers are increasing, and criminals are becoming adept at shutting down production for days, weeks and even months, costing the victimized firms millions of dollars in lost production and sales interruptions.

As cybercriminals grow more sophisticated, manufacturers have become one of their favorite targets. Modern factories rely on interconnected production equipment, industrial control systems and enterprise software to keep operations moving. When those systems are compromised, the effects can ripple throughout an entire organization.

The threat is especially severe for small and midsize manufacturers. While large companies may have the financial resources to withstand an extended shutdown, such a disruption could become an existential threat to smaller operations.

A month without production can mean lost customers, broken supplier relationships, cash flow problems and, in some cases, the end of the business.

Recent attacks illustrate just how disruptive ransomware and related cyberattacks have become.

Jaguar Land Rover: Five-week production shutdown

A cyberattack on Jaguar Land Rover's information technology systems forced the company to halt production for five weeks in 2025 at its major manufacturing facilities in the U.K. The disruption affected approximately 5,000 suppliers, logistics providers and other businesses tied to the company's operations.

Cost: Estimated at $2.5 billion, making it one of the costliest cyber incidents ever to affect a manufacturer. After production resumed, the company worked for months to restore systems and stabilize its supply chain.

Clorox: Production, distribution disrupted for months

A ransomware attack on Clorox's information technology systems in August 2023 forced the company to take portions of its network offline, disrupting manufacturing, order processing and product distribution across North America.

The firm temporarily reverted to manual processes while it rebuilt critical systems, resulting in widespread shortages of products such as bleach, disinfecting wipes and trash bags on retail shelves.

Cost: $356 million in reduced sales and $49 million in direct costs related to response and recovery efforts. The company also incurred expenses during the months-long process of restoring automated systems and rebuilding inventories.

Dole Food: Ransomware halts production, shipments

A ransomware attack in February 2023 forced Dole Food Co. to temporarily shut down production at several North American facilities and suspend food shipments while it contained the incident. The attack disrupted operations, causing temporary shortages of packaged salads and other produce at grocery stores.

Cost: Approximately $10.5 million in costs associated with the attack, including lost revenue, recovery expenses and operational disruptions during the quarter in which the incident occurred.

How it happens

Cybercriminals increasingly spend time inside company networks before launching an attack.

They identify critical systems, steal sensitive information and learn how an organization operates. Some threat actors even search for cyber insurance policies to understand coverage limits and tailor ransom demands accordingly.

They may also threaten to release stolen data publicly if a ransom is not paid, creating additional legal, regulatory and reputational risks.

Steps manufacturers can take

- Require multifactor authentication for all critical systems.
- Regularly back up production and business data and test restoration procedures.
- Segment manufacturing systems from business networks to limit the spread of an attack.
- Train employees to recognize phishing attempts and other social engineering tactics.
- Promptly install security updates for all software and have processes in place to monitor networks for unusual activity.
- Develop and regularly test incident response and business continuity plans.

Finally, manufacturers should review their cyber insurance coverage.

A robust cyber insurance policy may help cover losses and expenses related to forensic investigations, legal services, business interruption, system restoration, notification and other costs associated with recovering from a cyber incident.

Transporation Safety

One Vehicle Accident Can Threaten Your Entire Business

FOR FLEET operators one serious traffic accident can trigger consequences far beyond repair bills and insurance claims, sometimes threatening the company's very existence.

Here's a look at what can go wrong after an accident involving one of your drivers and how to have a strong driver safety regimen in place to avoid a cascading series of problems.

Operational slowdown – When a fleet vehicle is involved in a serious accident, operations often slow immediately. The damaged vehicle may be out of service for weeks or months.

If the company operates with tight delivery schedules or specialized equipment, the disruption can ripple across the organization. Routes must be reassigned, replacement vehicles rented and customers notified of delays.

Driver injuries – Losing an experienced driver to injury or extended leave forces employers to rely on overtime, temporary staffing or rushed hiring, all of which increase costs and risk.

Financial fallout – Commercial auto claims have become increasingly expensive in recent years, fueled by rising medical costs, litigation funding and large jury awards that surpass $10 million. One large lawsuit can exceed a firm's liability coverage and leave the business responsible for millions of dollars out of pocket.

Cargo damage – For businesses transporting products, one crash may damage or destroy thousands — or even hundreds of thousands — of dollars in goods.

Reputational damage – Accidents involving company vehicles can become public through dashcam footage, social media or news reports. Customers and business partners may question whether the company maintains adequate safety standards. A highly publicized crash can jeopardize contracts.

Regulatory scrutiny – Serious accidents involving commercial vehicles can trigger fines, audits and increased oversight by the Department of Transportation, OSHA or state agencies, particularly if there are allegations of poor maintenance, inadequate driver training or hours-of-service violations.

Insurance fallout – The growing frequency of large verdicts has made insurers more cautious. Companies with poor loss histories often face higher premiums, larger deductibles or reduced coverage options at renewal. In some cases, insurers may decline coverage.

What you can do

The good news is that many accidents are preventable. Fleet operators that invest in proactive safety and risk management can significantly reduce their exposure.

Among the most common fleet accidents are rear-end collisions, backing accidents, intersection crashes, lane-change incidents and distracted-driving collisions. Many of these accidents stem from preventable behaviors such as speeding, following too closely, fatigue or cellphone use.

Employers should regularly train drivers on defensive driving techniques, safe following distances, backing procedures and avoiding distraction. Refresher training should occur throughout the year, not just during onboarding.

Accident prevention strategies

- Conduct regular motor vehicle record checks on drivers.
- Use telematics and dashcams to monitor drivers.
- Establish clear cellphone and distracted-driving policies.
- Perform routine vehicle inspections and maintenance.
- Create fatigue management and hours-of-service compliance programs.
- Investigate crashes and near-misses to identify trends and causes.
- Develop a fleet safety program with written procedures and accountability standards.
- Review your liability limits regularly to ensure coverage reflects current risks. Consider a commercial umbrella policy to account for any liability claims that exceed your policy's limits.

If you have any questions regarding any of these articles or have a coverage question, please contact your broker at:

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