

The Growing Influence of Southern California Attorneys on Statewide Claim Frequency

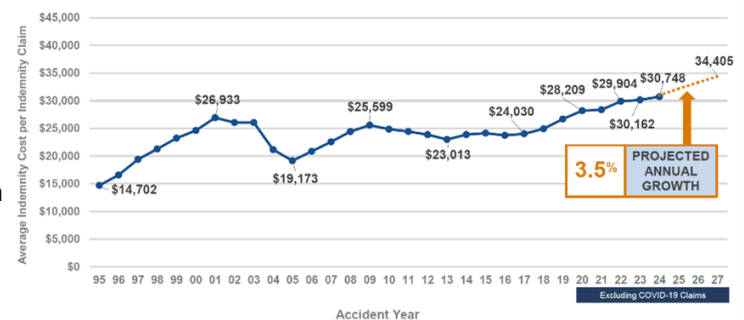
The WCIRB held its annual conference this July and highlighted a concerning trend: rising claim frequency and increasing costs across all categories—indemnity, medical, and loss adjustment expenses.

For over a decade, claim frequency has remained relatively stable. Declines in specific injury were often offset by a gradual rise in Cumulative Trauma (CT) claims. However, that balance has shifted.

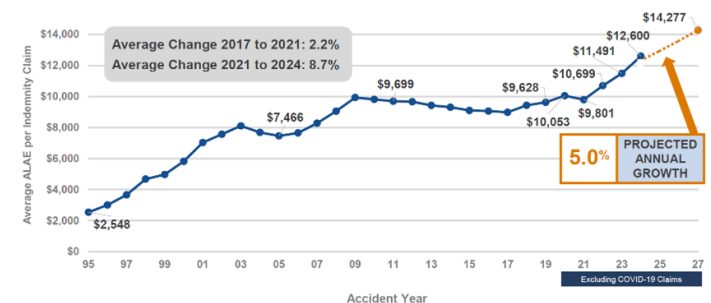
Recent WCIRB data reveals a sharp increase in CT filings, resulting in a net rise in claim frequency. Since CT claims are more likely to be litigated, stay open longer, and involve higher overall costs, this surge is also driving the notable increases in losses and long-term claim exposure.

A deeper look into the data suggests a leading source for this trend is Southern California-based applicant attorneys.

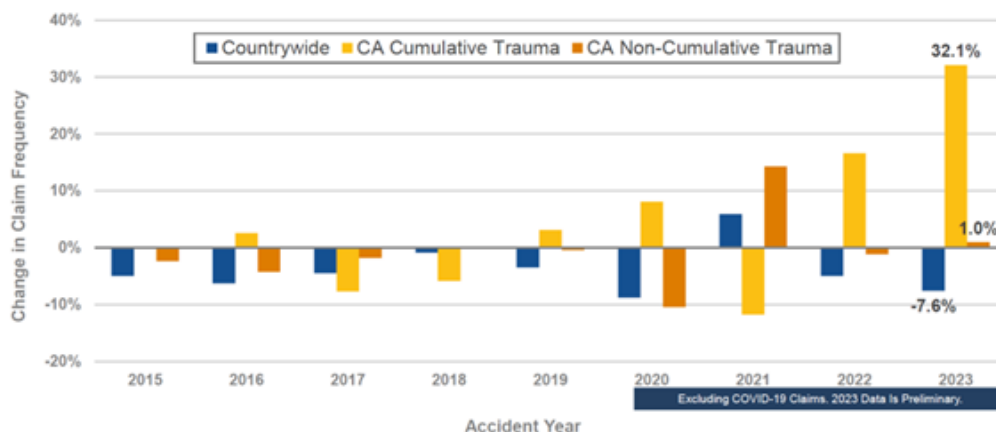
Indemnity Severity Growing Steadily



ALAE Severity Continues to Increase Significantly



CT Claim Frequency on the Rise



Why Are CT Claims Increasing?

The Los Angeles region continues to lead the state in both litigation rates and claim frequency. In recent years, several Southern California law firms have aggressively expanded their reach, filing claims for workers throughout the state

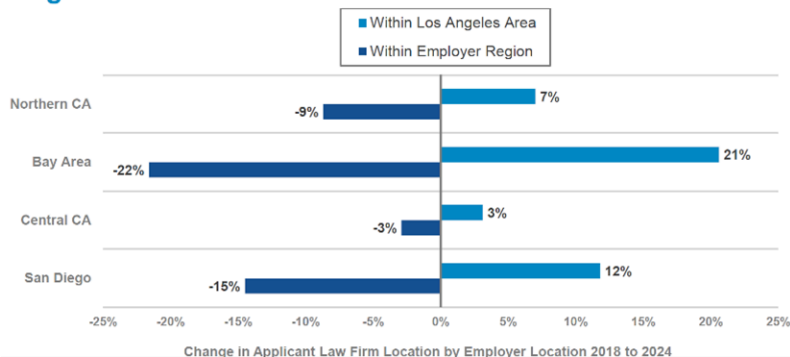
Our own workers' comp consultants have observed this firsthand. What began as occasional out-of-area representation has grown into a widespread pattern, often involving the same few firms.

While injured workers have the right to legal representation, many of these claims are believed to be connected to illegal capping — where workers are referred to attorneys in exchange for compensation. In these situations, potential claimants are treated as commodities, undermining the legitimacy of the claim process and placing both the claimant and the insurer at a disadvantage.

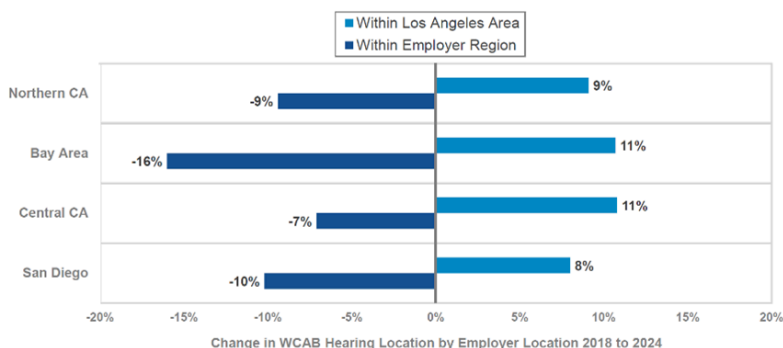
In some instances, claims and notices of representation have even been filed without the injured worker's knowledge or consent.

Although cappers and attorneys have been prosecuted in the past, penalties are often too light to deter repeat offenses. If left unchecked, this pattern may escalate further, driving even higher claim frequency and long-term system costs.

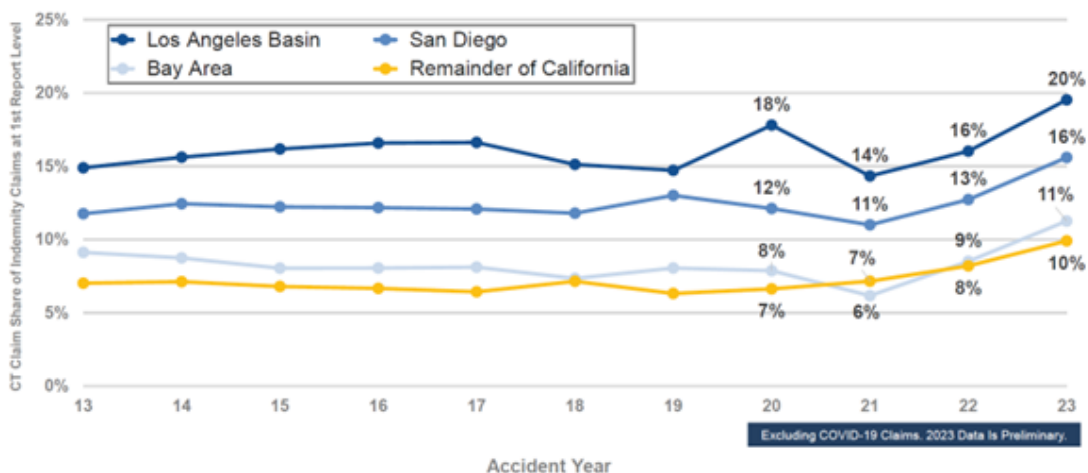
Worker Representation Coming Increasingly from Los Angeles Area Law Firms



Hearings Transitioning Toward Los Angeles Area



Increase in CT Consistent Across Regions



What Are We Doing?

We're taking proactive steps to address this issue by:

- Intervening early in the claim process to ensure adjusters make time-sensitive decisions, including challenging venue selections in the LA area.
- Encouraging stronger carrier action in defending against these claims.
- Collaborating with carriers to research and share effective strategies to defend against questionable claims originating from these firms.

What Are Carriers Doing?

Responses among carriers vary. Here's what we're seeing:

- Most are holding steady. Many are continuing to handle these claims as they would any other — perhaps flagging involved parties and escalating to SIU, but without broader changes to current claims handling strategy.
- A few are opting for early settlements. While this does reduce claims cost, it may continue to incentivize attorneys who rely on volume over claim severity.
- Others are taking a more aggressive stance. A couple carriers have formed dedicated CT litigation teams tasked with identifying trends, developing defenses, and even applying strategies that may challenge prevailing interpretations of labor code and ethics.

Moving Forward

As this issue continues to evolve, we will continue to monitor developments, advocate for intervention and work with our partners to find more effective solutions. If you'd like to discuss strategies, share your experience, or learn more about these issues, feel free to reach out to our team.

**Charts and data courtesy of the Workers' Compensation Insurance Rating Bureau (WCIRB), State of the System 2025. For more information, visit www.WCIRB.com.*

Meet the Author!

Nick has been in the insurance industry for over 17 years. He started his career with a large third-party administrator and during his tenure as a senior examiner has worked with well-known nationwide accounts spanning a diverse set of industries. He joined the Consulting team in 2017 and uses his insights into the workers compensation system to work with carriers on identifying trends, managing reserves and claim outcomes. Nick holds Workers Compensation Claims Administration (WCCA) and California Self-Insurance Administration (SIP) designations.



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