THE REPORT

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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.

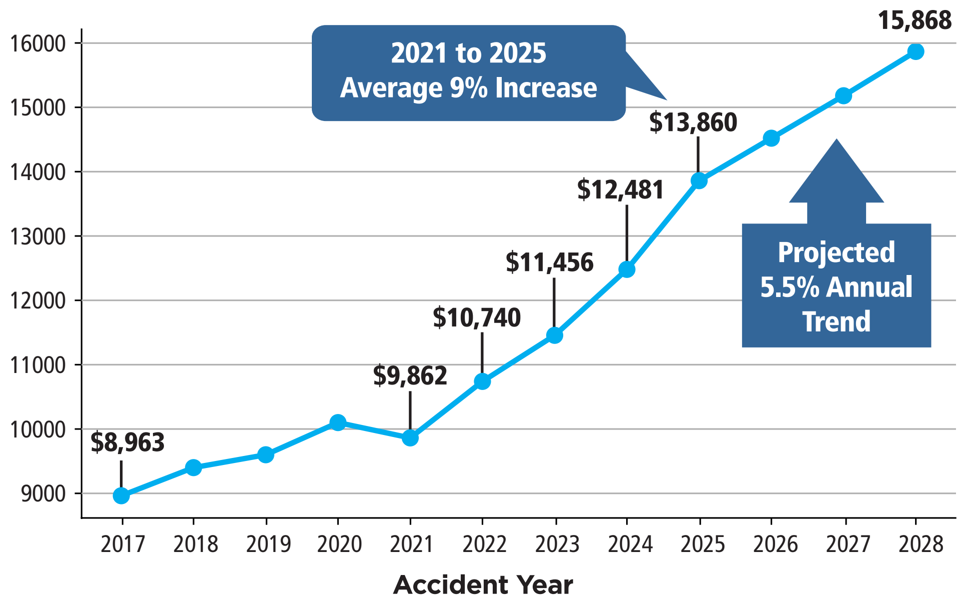
Medical costs

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.

See 'High' on page 2

Claims Adjusting Costs Increasing Quickly

Average Claims Adjusting Cost per Claim



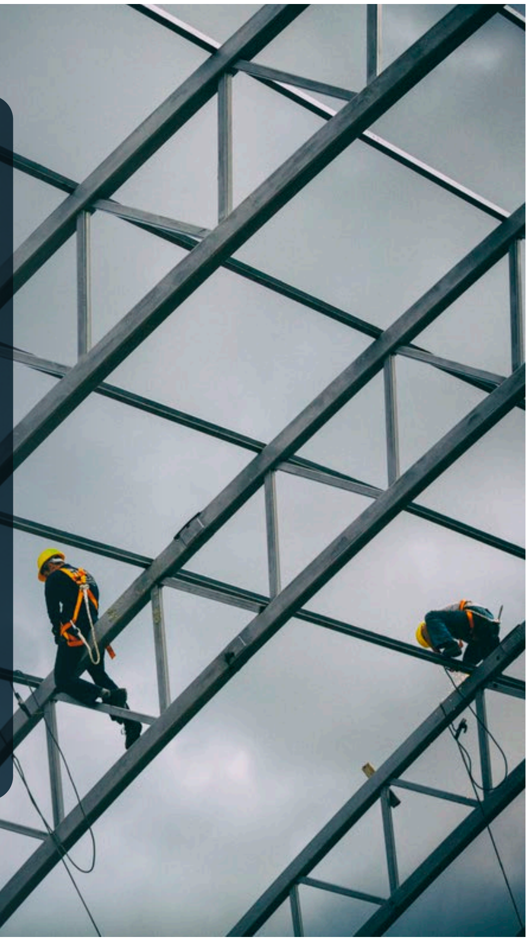
Source: Workers' Compensation Insurance Rating Bureau

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

Continued from page 1

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.

A Cheat Sheet for Sending Your Kid to College

COLLEGE MARKS a great milestone in a child's life. It may be the first time he or she will live away from home. Dropping off your child at college may be an experience loaded with emotions, so here are a few tips for a smoother transition.

Accept that the parent-child dynamic has changed

Your child is always your child, and will need you as much as ever. However, parents need to understand that their role has transitioned from "supervisor" to "mentor."

Make the move simple

Do not bring the moving van. Not only will it embarrass your child, but dorm rooms just aren't that large. Bring only what's appropriate.

Consider pre-ordering essentials (soap, bedding, shower caddy, etc.) for pick-up at a location by the school. This will save space whether your trip is by car or plane.

Don't leave "The Talk" until the drop-off

While college represents a gateway to many wonderful experiences, parents will want to have a serious conversation about safety, responsible behavior, finances, and expectations about staying in touch.

Do not leave it for the drop-off. It is sure to sour the moment and may rush a conversation that deserves more time and mutual dialogue.

Time to learn financial responsibility

Your child will need spending money. You may want to provide a debit card attached to an account that has a set sum for the full semester, or one that's refreshed with monthly deposits. College is a perfect time to learn budgeting.

Take the lead from your child

Let your child have the discretion to make decisions about what to bring. However important you think a dust skirt for the bed is, try to avoid fights. Let your child make a mistake. It's the best way to learn.

Your child will likely send signals when it's time for you to go. Listen to them. It's time for him or her to begin connecting with new roommates. Expect that final "goodbye dinner" to be canceled since your child may prefer an impromptu introductory dinner with the new roommate.

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Commercial Liability

Rooftop Solar Panels Can Complicate Building Fires

WHILE SOLAR technology can provide significant long-term benefits for commercial property owners, they should also understand how these systems can affect fire safety.

Solar panels do not frequently cause fires on their own. However, when a fire occurs, the presence of a rooftop solar array can complicate firefighting efforts and increase the severity of the loss.

As insurers encounter more claims involving solar-equipped buildings, many are paying closer attention to how these systems are installed and maintained.

How they interfere with firefighting

Fires often require firefighters to quickly access rooftops, ventilate buildings and locate hidden fire conditions. Solar arrays can interfere with these efforts in several ways:

- Panels continue producing electricity when exposed to light, even after power is shut off.
- Large arrays can limit roof access and reduce available work areas for firefighters.
- Panels may block ventilation openings used to release smoke and heat.
- The area beneath panels can allow fire to spread across a roof.
- Solar equipment can interfere with thermal imaging and efforts to locate hot spots.
- The added weight of panels can affect structural stability during a fire.
- Burning components and battery systems may produce toxic smoke and hazardous gases.

Installation and maintenance

Most solar systems are safe when installed correctly. However, poor workmanship, incompatible electrical components, damaged connectors and inadequate maintenance can create additional hazards.

Steps to reduce the risk

- Hire qualified, certified solar installers.
- Ensure systems have rapid-shutdown capabilities.
- Maintain adequate roof access and firefighter pathways.
- Clearly label disconnect switches and electrical equipment.
- Remove debris that accumulates beneath panels.

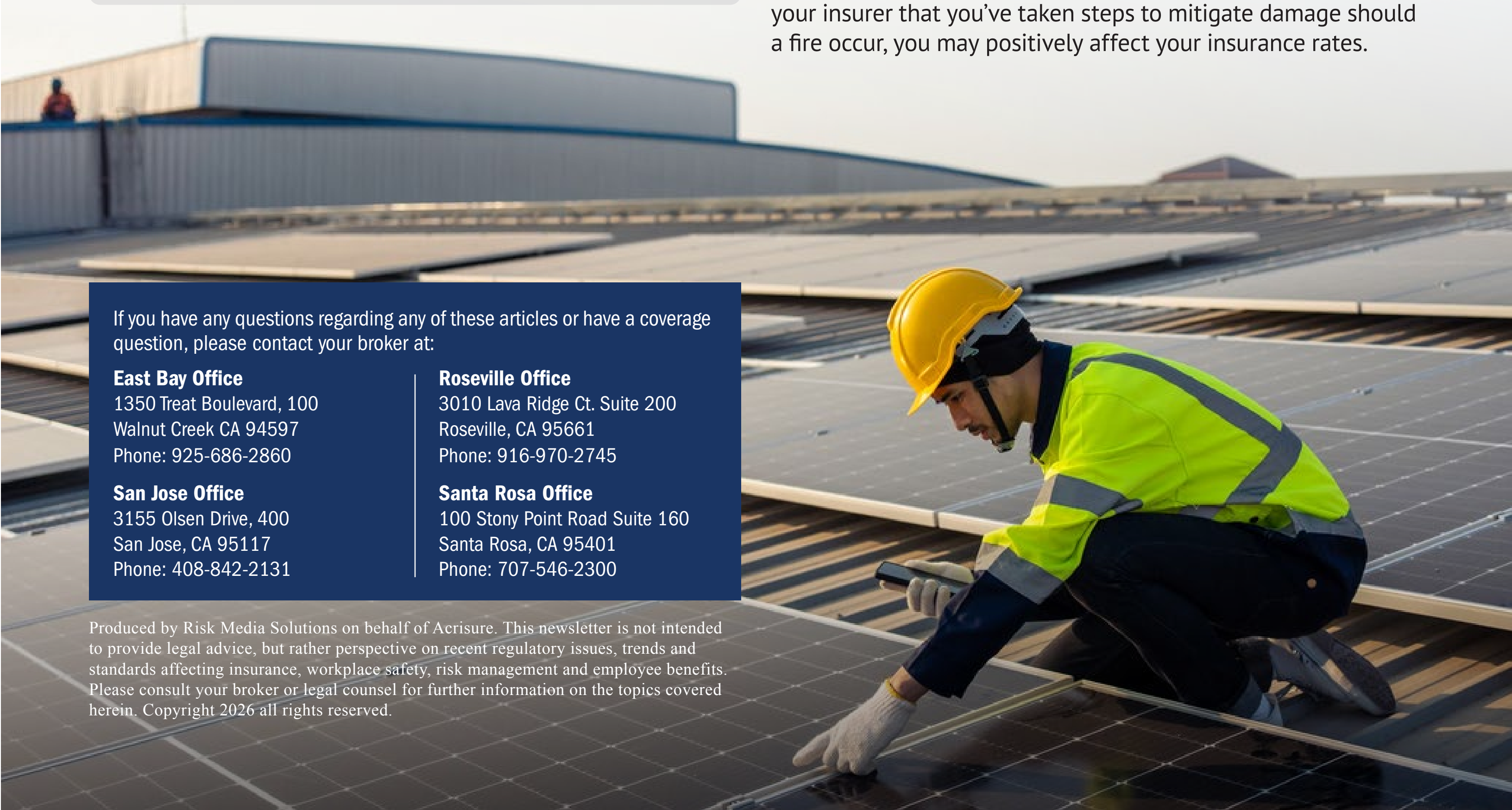
One of the most effective steps commercial property owners can take is to work with the local fire department before installation begins.

Large building owners should consider inviting the fire department to review installation plans and develop a firefighting strategy before the project is completed. Sharing information about roof layouts, equipment locations, shutoff procedures and access points can help emergency responders prepare for a possible future incident.

Written emergency procedures should also clearly identify who is responsible for shutting down solar equipment and communicating with first responders.

The takeaway

If you are considering solar panels for your commercial property, please call us to discuss your plans. If you can show your insurer that you've taken steps to mitigate damage should a fire occur, you may positively affect your insurance rates.



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