

THE REPORT

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June 2026

Workers' Compensation

Bureau Recommends Benchmark Rate Hike

CALIFORNIA'S WORKERS' compensation rate-making agency has recommended that average benchmark pure premium rates increase by 10.4% for policies incepting on or after Sept. 1, 2026.

In supporting its recommendation, the Workers' Compensation Insurance Rating Bureau cited an increase in cumulative trauma claims and rising medical and administrative costs. The filing, if approved by the California Department of Insurance, would be the second consecutive year that the benchmark rate insurers use to price their policies has increased. Last year the DOI approved an 8.1% hike after WCIRB had recommended an 11.2% increase.

The pure premium rate increase has not resulted in employers with few or no workers' compensation claims paying higher premiums since insurers only use the pure premium rate as a guidepost

when pricing their policies. The pure premium rate remains at historical lows and the market is quite competitive.

The 10.4% recommended increase is an average across all the state's workers' compensation class codes, and each class will see a different change.

Here's a look at the cost drivers.

Cumulative trauma claims

Cumulative trauma injuries develop over time through repetitive motions and can result in issues like carpal tunnel syndrome, tendonitis, worn rotator cuffs and knee problems. Additionally, three out of every five CT claims are filed after an employee is terminated, according to WCIRB. Nearly all CT claims are litigated.

Medical costs

According to WCIRB, average medical costs per claim increased 1.7% between

2021 and 2023, but excluding CT claims, that number rises to 3%.

Associated medical-legal costs are up 14% per claim in 2025, while medical equipment and other medical services costs jumped 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.

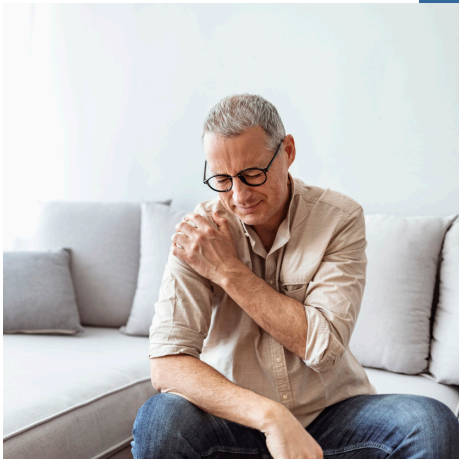
The takeaway

The Department of Insurance will hold a public hearing in the coming months, after which the insurance commissioner will either accept the recommendation or order a different rate.

Please note that your rates will depend on your claims history, industry and location, among other factors.

Main Cost-Drivers in California Workers' Compensation.....

Cumulative trauma claims



WCIRB estimates that 26.4% of all workers' comp claims filed in the state in 2025 are for cumulative trauma injuries, compared to 15% in 2021.

Medical costs



The medical loss ratio jumped 5% between 2023 and 2025.

Claims adjusting costs



The average cost of claims adjusting jumped from \$12,636 per claim in 2024 to \$14,235 in 2025 and is expected to rise 5.5% annually 2026-2028.

Insurers Start Excluding AI Risk in Some Policies

INSURERS ARE rapidly moving to exclude artificial intelligence-related claims from standard business insurance policies, creating potential coverage gaps for businesses that rely on AI tools for marketing, customer service, product development or daily operations.

The changes come after the Insurance Services Office, the industry's clearinghouse for policy language, introduced three new artificial intelligence exclusions for commercial general liability policies that insurers are beginning to add to coverage forms.

Roughly 86% of all U.S. property/casualty insurance policies contain some form of ISO language, meaning these exclusions could soon become widespread and leave coverage gaps for many employers when their CGL policies come up for renewal. Insurers are also starting to add similar language to other policies with a liability component.

New coverage gap

The three new ISO endorsements include:

CG 40 47 – The broadest form, excluding coverage for bodily injury, property damage or personal/advertising injury arising out of generative AI.

CG 40 48 – A narrower endorsement excluding only personal and advertising injury claims tied to AI.

CG 35 08 – An exclusion applying to products and completed operations liability coverage.

These endorsements could affect how coverage applies to certain AI-related claims, depending on policy language and endorsements.

A big concern involves Coverage B of the CGL policy, which covers claims such as defamation, invasion of privacy and misappropriation of advertising ideas among others. Under the

new exclusions, those claims may no longer be covered if they arise from AI-generated text, images, audio, video or code.

The most vulnerable

The businesses likely to feel the greatest impact include:

- Marketing and advertising firms using AI-generated campaigns,
- Technology companies embedding AI into products or software,
- Manufacturers relying on AI-assisted product design,
- Professional service firms using AI to draft documents or communications, and
- Firms using AI tools in hiring decisions.

Even firms using third-party AI tools, rather than developing their own systems, may still trigger the exclusions. In some cases, incidental use of AI may be enough.

AI exclusions are also beginning to appear in:

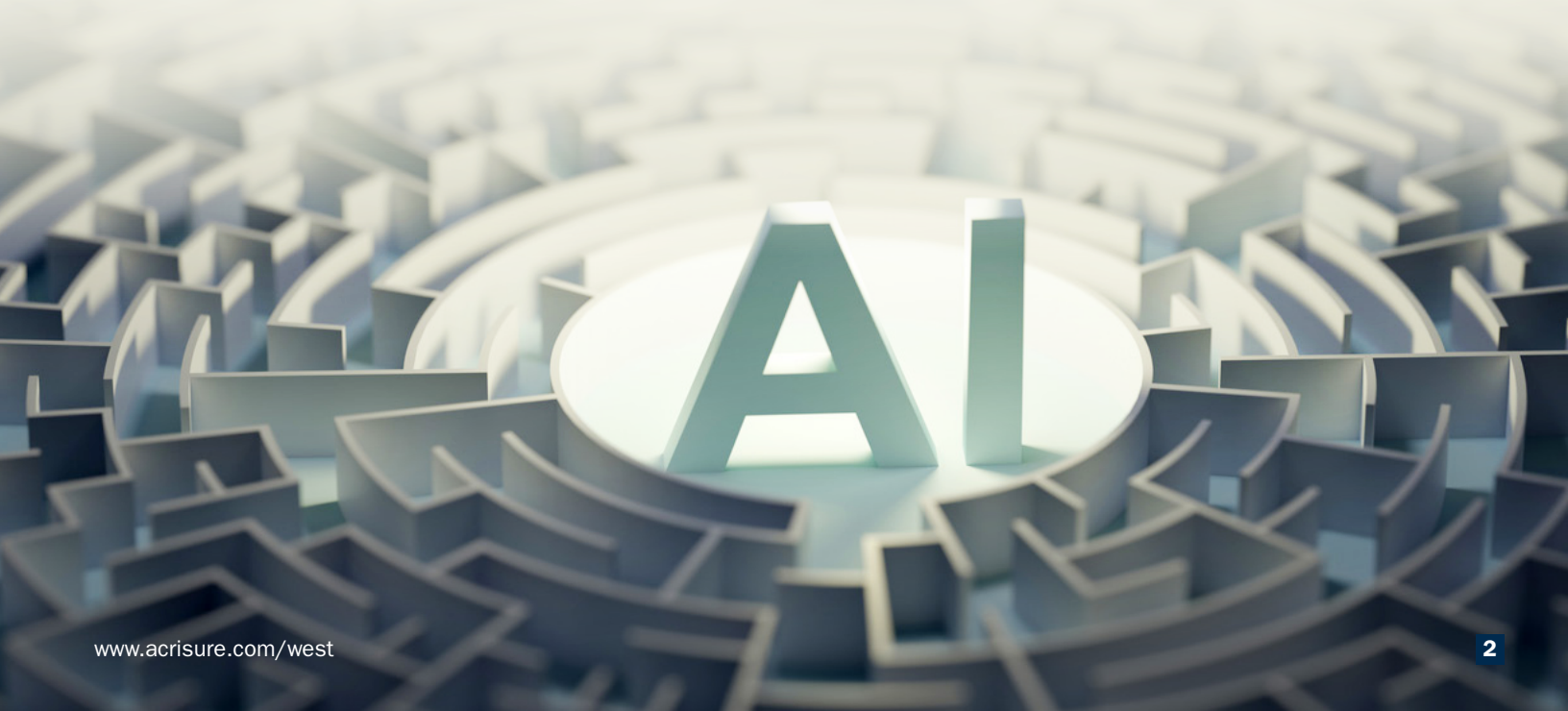
- Directors and officers liability,
- Employment practices liability,
- Fiduciary liability,
- Cyber, and
- Errors and omissions policies.

What you can do

Organizations that fail to evaluate potential coverage gaps could find themselves uninsured for lawsuits, regulatory investigations or shareholder claims tied to AI use.

Organizations should consider taking the following steps:

- Identify where AI is being used throughout the organization.
- Strengthen internal AI governance and oversight procedures.
- Require human review of AI-generated content and decisions.
- Train employees on acceptable AI use.
- Evaluate contracts with AI vendors and third-party providers.



Saving Early & Letting Time Work for You



IN 1964, The Rolling Stones released the hit single “Time Is on My Side.” They were singing about love, but the same idea applies to personal finance. For investors, putting time on your side means having the patience and confidence to focus on long-term goals, such as retirement.

As a young investor, you have a powerful ally on your side: time. The earlier you start saving, the more opportunity your investments have to increase in value.

The power of compounding

Let’s take a look at the long-term performance of an investment account using a hypothetical 5% rate of return.

How it works, a simplified example

If you were to start with a \$1,000 principal in an account that earns 5% interest per year, and contribute \$1,000 a year to the account, you would end up with \$69,671 after 30 years, with \$16,511 earned in compound interest from \$30,000 in contributions.

Compounding continues, even if you stop making deposits.¹

Power of starting early: Let time do the heavy lifting

Most people focus on how much they can save and the kinds of returns they can earn. While those are important, there is a third factor that is often much more powerful: Time.

The math of compound interest rewards those who start early, even if they save less in total than someone who starts later. To illustrate this, let’s look at two hypothetical investors:¹

Two saver scenarios

The Early Starter

Contributes \$10,000 a year for just 10 years, then stops entirely.

Total contributed: \$100,000

Ending balance: \$850,608

The Late Starter

Waits 10 years, then contributes \$10,000 a year for 30 years straight.

Total contributed: \$300,000

Ending balance: \$888,298

Investor balance over time

Hypothetical 6% annual rate of return

The visualization above highlights a startling reality of the financial world: effort does not always equal results. Investor 1 put in a total of \$100,000 over a single decade and then let the market do the rest. Meanwhile, Investor 2 contributed \$300,000—three times as much capital—over 30 years.

As you can see from the trajectories, Investor 2 spends their entire career playing “catch-up.” Even though their total balance eventually edges out Investor 1 by a small margin at age 62 (\$888,298 vs \$850,608), the “efficiency” of their money is far lower. Investor 1 essentially bought themselves a 30-year head start, proving that in the world of compounding, a small amount of money plus a long time is often superior to a large amount of money plus a short time.

1 This is a hypothetical example used for illustrative purposes only. It is not representative of any specific investment or combination of investments.

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Businesses See Surge in Website Tracking Lawsuits

A GROWING NUMBER of California businesses are finding themselves accused of “wiretapping” website visitors because of common online tracking tools many companies never realized were operating on their websites.

The lawsuits are being filed under the California Invasion of Privacy Act, or CIPA, a 1967 law originally written to combat telephone wiretapping and electronic eavesdropping.

Plaintiffs’ attorneys are using the law to target firms whose websites use tools like cookies that collect information about visitors’ online activity.

According to legal analysts, demand letters often seek settlements ranging from \$15,000 to \$40,000. Any business with a website could be targeted, but e-commerce firms are at particular risk.

The litigation wave has created confusion for businesses as courts have issued sharply different rulings on whether the law applies to modern website tracking technologies. Some judges have allowed lawsuits to move forward, while others have dismissed nearly identical claims.

Lawsuit allegations

In many cases, business owners first learn about the issue when they receive a demand letter alleging their website illegally tracked visitors without proper consent.

Many of the targeted businesses are smaller firms that may not know which tracking technologies are embedded in their websites.

In some cases, tools were added years earlier by website developers, plugins, advertising vendors or software updates. Session replay software, chatbots, advertising pixels, cookies and analytics platforms can collect information about visitors’ online activity.

What lawsuits are alleging

The lawsuits often focus on websites’ use of technologies such as:

- **Meta Pixel.** This is a snippet of tracking code that businesses install on their websites to measure, optimize and build audiences for their Facebook and Instagram ad campaigns.
- **Google Analytics.** This code is embedded in the website to track how a visitor interacts with the site.
- **Session replay software.** This tool reconstructs a visitor’s journey on a website or app by logging user interactions and playing them back as a video-like simulation.
- **AI-powered chat tools.** These include chatbots, which can monitor how users interact with a site.

Plaintiffs argue these tools function like illegal “pen registers” or “trap and trace” devices under CIPA by intercepting communications between website visitors and the business without first obtaining proper consent.

Diverging judgments and pushback

In April alone, several courts issued conflicting decisions involving nearly identical allegations over website tracking technologies.



- One federal court allowed claims against CNN to proceed, while another dismissed similar claims against USA Today.
- California state courts also split over lawsuits involving online retailer Wildflower Brands.
- Some judges have ruled that CIPA was intended for telephone surveillance and should not apply to websites.
- Others have concluded plaintiffs alleged enough privacy harm for lawsuits to proceed.

One federal judge described the statute as “a total mess” when applied to modern technology and called on lawmakers to rewrite it. Business groups have pushed lawmakers to clarify the law and curb what critics describe as abusive litigation tactics.

What you can do

The exposure can be significant because CIPA allows statutory damages of \$5,000 per violation. Plaintiffs’ attorneys often use the threat of class-action litigation and mounting legal costs to pressure businesses into settling quickly.

Privacy attorneys recommend that businesses:

- Conduct audits of all tracking technologies operating on their websites, particularly third-party tools that may begin collecting information without user consent.
- Review cookie banners, consent mechanisms and privacy policies to ensure they accurately disclose what information is collected and when tracking begins.
- Require visitors to affirmatively opt in before certain tracking tools activate.

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

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