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MINDFUL INSURANCE SOLUTIONS

RISKREPORT

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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.

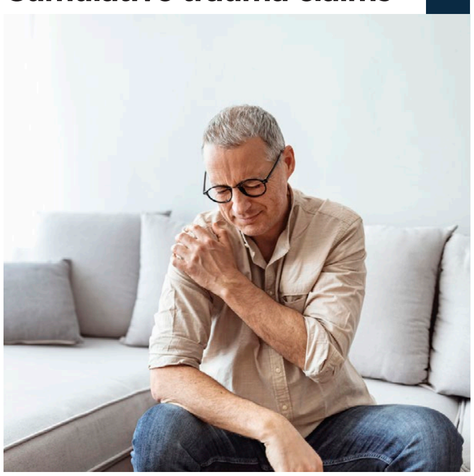
The takeaway

The Department of Insurance held a hearing on the filing in June and will likely make a final decision later this month to 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.

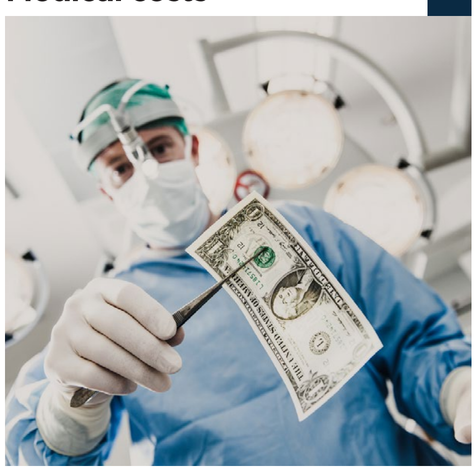
Main cost drivers in California workers' compensation

Cumulative trauma claims



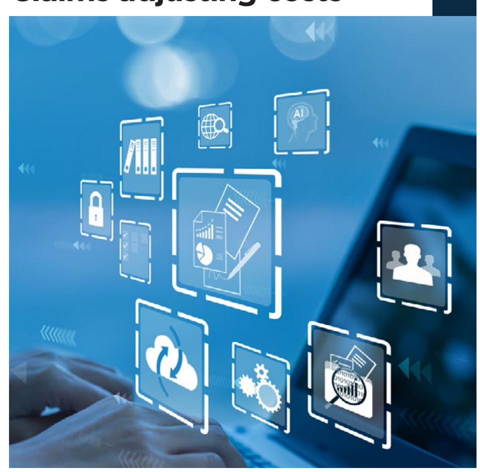
WCIRB estimates that 26.4% of all workers' comp claims filed in the state in 2025 are for cumulative trauma injuries, compared to 15% in 2021.

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.

Commercial Liability

Insurers Start Excluding AI Risk in Some Policies

SOME INSURERS have begun introducing exclusions for 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.

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.

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.

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.
- Discuss AI exposures with us before renewal.
- Explore specialized protection options.

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 has 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.

Human Resources Risk

EEOC Homes In on DEI, 'Reverse Discrimination'

FEDERAL REGULATORS have stepped up their regulatory focus on corporate diversity, equity and inclusion initiatives and "reverse discrimination," announcing settlements and lawsuits against notable employers such as Nike as well as smaller companies.

The new push is being conducted under President Trump's executive order and Equal Employment Opportunity Commission guidance addressing when DEI-related practices may create compliance concerns under federal law. Since 2025, the Department of Justice and the EEOC have been targeting employers for these violations, alongside typical workplace discrimination claims involving gender, race and religion.

Some recent legal actions include:

- The EEOC is attempting to enforce a subpoena against Nike as part of an investigation into whether the company's workforce representation goals discriminated against white employees and applicants. The agency pointed to company statements about building a "representative" workforce and internal diversity targets.
- The agency sued Coca-Cola Beverages Northeast, alleging the company violated Title VII by holding a women-only networking event that excluded male employees while paying participating women to attend.
- The Justice Department recently settled with PayPal over a pandemic-era investment initiative focused on minority-owned businesses. Federal officials said the case reflects the administration's broader effort to eliminate what it considers unlawful DEI programs.

At the same time, employers should not assume that scaling back DEI efforts eliminates legal exposure. The EEOC continues to pursue traditional discrimination claims involving harassment, retaliation and hiring bias.

Proceed with caution

Employers that overreact by dismantling compliance programs may create new problems.

Eliminating anti-harassment training, suspending pay equity reviews or abandoning workplace complaint procedures can increase the risk of discrimination claims and weaken defenses if litigation occurs.

Instead, legal experts recommend that employers carefully review workplace policies and programs to ensure hiring, promotions, compensation and development opportunities remain merit-based and job-related.

Key steps employers may want to consider include:

- Reviewing employee handbooks and anti-discrimination policies.
- Auditing hiring and promotion practices for neutral, job-related criteria.
- Ensuring mentorship and leadership programs are open to all employees.
- Continuing anti-harassment and anti-discrimination training.
- Conducting pay equity reviews under attorney-client privilege.
- Carefully evaluating DEI language used in recruiting materials and internal communications.
- Documenting employment decisions thoroughly.
- Avoiding demographic quotas or preferences tied to protected characteristics.

Another growing concern is reverse discrimination lawsuits by white employees, which has become more common, particularly after a recent Supreme Court ruling made it easier for majority-group plaintiffs to bring discrimination claims.

Review your coverage

With employment litigation risks rising from multiple directions, employers should also review their employment practices liability coverage.

EPLI policies can help cover legal defense costs, settlements and judgments arising from discrimination, harassment and wrongful termination claims.

As enforcement activity intensifies, maintaining strong EPLI coverage may become increasingly important for businesses of all sizes.