

The California Commission on Health and Safety and Workers' Compensation



Selected Indicators in Health and Safety and Workers' Compensation: 2008 Report Card for California

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December 2008

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INTRODUCTION

As part of its mandate to conduct a continuing examination of California's health and safety and workers' compensation systems, the California Commission on Health and Safety and Workers' Compensation (CHSWC) is pleased to present an updated report, "Selected Indicators in Workers' Compensation: A Report Card for California," summarizing key information.

This Report Card is a compilation of data from and for the entire workers' compensation community. It is intended to be a reference for monitoring the ongoing system and serve as an empirical basis for proposing improvements.

The Report Card will be continually updated as needed. The online Report Card, available at the CHSWC website, www.dir.ca.gov/chswc, will reflect the latest available information.

This information was compiled by CHSWC from data derived from many sources, including:

- Workers' Compensation Insurance Rating Bureau of California (WCIRB)
- California Workers' Compensation Institute (CWCI)
- National Association of Social Insurance (NASI)
- United States Bureau of Labor Statistics (BLS)
- California Department of Insurance Fraud Division (CDI)
- California Labor and Workforce Development Agency (LWDA)
 - Department of Industrial Relations (DIR)
 - Division of Workers' Compensation (DWC)
 - Division of Occupational Safety and Health (DOSH)
 - Division of Labor Statistics and Research (DLSR)
 - DIR Self-Insurance Plans (DIR-SIP)
- CHSWC studies of Permanent Disability by RAND
- CHSWC studies by the University of California at Berkeley (UC Berkeley)

CHSWC would appreciate comments on this Report Card and suggestions for including other data. We wish to provide a useful tool for the community.

CHSWC appreciates the cooperation of the entire California workers' compensation community for their assistance in this and other endeavors.

WORKERS' COMPENSATION PREMIUMS

Pure Premium Advisory Rates

Minimum Rate Law and Open Rating

In 1993, workers' compensation reform legislation repealed California's 80-year-old minimum rate law and replaced it beginning in 1995 with an open-competition system of rate regulation in which insurers set their own rates based on "pure premium advisory rates" developed by WCIRB. These rates, approved by the Insurance Commissioner (IC) and subject to annual adjustment, are based on historical loss data for more than 500 job categories.

Under this "open rating" system, these recommended, non-mandatory pure premium rates are intended to cover the average costs of benefits and loss adjustment expenses for all employers in an occupational class and thus provide insurers with benchmarks for pricing their policies. Insurers typically file rates that are intended to cover other costs and expenses, including unallocated loss adjustment expenses.

The chart on the following pages shows the history of the workers' compensation pure premium advisory rates since the 1993 reforms.

**Advisory Workers' Compensation Pure Premium Rates
A History Since the 1993 Reform Legislation**

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1993

Insurance Commissioner approval:

Pure premium rate reduction of 7 percent effective July 16, 1993, due to a statutory mandate.

1994

WCIRB recommendation:

No change in pure premium rates.

Insurance Commissioner approval:

Two pure premium rate decreases: a decrease of 12.7 percent effective January 1, 1994; and a second decrease of 16 percent effective October 1, 1994.

1995

WCIRB recommendation:

A 7.4 percent decrease from the pure premium rates that were in effect on January 1, 1994.

Insurance Commissioner approval:

A total of 18 percent decrease to the premium rates in effect on January 1, 1994, approved effective January 1, 1995 (including the already approved 16 percent decrease effective October 1, 1994).

1996

WCIRB recommendation:

An 18.7 percent increase in pure premium rates.

Insurance Commissioner approval:

An 11.3 percent increase effective January 1, 1996.

1997

WCIRB recommendation:

A 2.6 percent decrease in pure premium rates.

Insurance Commissioner approval:

A 6.2 percent decrease effective January 1, 1997.

1998

WCIRB recommendation:

The initial recommendation for a 1.4 percent decrease was later amended to a 0.5 percent increase.

Insurance Commissioner approval:

A 2.5 percent decrease effective January 1, 1998.

1999

WCIRB recommendation:

The WCIRB initial recommendation of a 3.6 percent pure premium rate increase for 1999 was later amended to a recommendation for a 5.8 percent increase.

Insurance Commissioner approval:

No change in pure premium rates in 1999.

**Advisory Workers' Compensation Pure Premium Rates
A History since the 1993 Reform Legislation**

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2000

WCIRB recommendation:

An 18.4 percent increase in the pure premium rate for 2000.

Insurance Commissioner approval:

An 18.4 percent increase effective January 1, 2000.

2001

WCIRB recommendation:

The WCIRB initial recommendation of a 5.5 percent increase in the pure premium rate was later amended to a recommendation for a 10.1 percent increase.

Insurance Commissioner approval:

A 10.1 percent increase effective January 1, 2001.

January 1, 2002

WCIRB Recommendations:

The WCIRB initial recommendation of a 9 percent increase in the pure premium rate was later amended to a recommendation for a 10.2 percent increase effective January 1, 2002.

Insurance Commissioner Approvals:

The Insurance Commissioner approved a 10.2 percent increase effective January 1, 2002. .

April 1, 2002

WCIRB Recommendations:

On January 16, 2002, the WCIRB submitted recommended changes to the California Workers' Compensation Uniform Statistical Reporting Plan – 1995, effective March 1, 2002 and the California Workers' Compensation Experience Rating Plan – 1995, effective April 1, 2002, related to insolvent insurers and losses associated with the September 11, 2001, terrorist actions. No increase in advisory premium rates was proposed.

Insurance Commissioner Approvals:

The Insurance Commissioner approved the WCIRB's requests effective April 1, 2002.

July 1, 2002

WCIRB Recommendations:

The WCIRB filed a mid-term recommendation that pure premium rates be increased by 10.1 percent effective July 1, 2002, for new and renewal policies with anniversary rating dates on or after July 1, 2002.

Insurance Commissioner Approvals:

On May 20, 2002, the Insurance Commissioner approved a mid-term increase of 10.1 percent effective July 1, 2002.

January 1, 2003

WCIRB recommendation:

On July 31, 2002, the WCIRB proposed an average increase in pure premium rates of 11.9 percent for 2003. On September 16, 2002, the WCIRB amended the proposed 2003 pure premium rates submitted to the California Department of Insurance (CDI). Based on updated loss experience valued as of June 30, 2002, the WCIRB proposed an average increase of 13.4 percent in pure premium rates to be effective on January 1, 2003, and later policies.

**Advisory Workers' Compensation Pure Premium Rates
A History since the 1993 Reform Legislation**

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January 1, 2003

Insurance Commissioner Approval:

On October 18, 2002, the Insurance Commissioner approved a 10.5 percent increase in pure premium rates applicable to policies with anniversary rating dates in 2003. This increase takes into account the increases in workers' compensation benefits enacted by AB 749 for 2003.

July 1, 2003

WCIRB recommendation:

The WCIRB filed a mid-term recommendation on April 2, 2003, that pure premium rates be increased by 10.6 percent effective July 1, 2003, for policies with anniversary dates on or after July 1, 2003.

Insurance Commissioner Approval:

The Insurance Commissioner approved a 7.2 percent increase in pure premium rates applicable to new and renewal policies with anniversary rating dates on or after July 1, 2003.

January 1, 2004

WCIRB Recommendations:

On July 30, 2003, the WCIRB proposed an average increase in advisory pure premium rates of 12.0 percent to be effective on January 1, 2004, for new and renewal policies with anniversary rating dates on or after January 1, 2004.

The original WCIRB filing of an average increase of 12 percent on July 30, 2003, was later amended on September 29, 2003, to an average decrease of 2.9 percent to reflect the WCIRB's initial evaluation of AB 227 and SB 228.

In an amended filing made on November 3, 2003, the WCIRB recommended that pure premium rates be reduced, on average, from 2.9 percent to 5.3 percent.

Insurance Commissioner Approval:

On November 7, 2003, the Insurance Commissioner approved a 14.9 percent decrease in advisory pure premium rates applicable to new and renewal policies with anniversary rating dates on or after January 1, 2004.

July 1, 2004

WCIRB Recommendations:

On May 13, 2004, the WCIRB proposed advisory pure premium rates that are a 2.9 percent decrease from the January 1, 2004, approved pure premium rates. These rates reflect the WCIRB's analysis of the impact of provisions of SB 899 on advisory pure premium rates.

Insurance Commissioner Approval:

In a decision issued May 28, 2004, the Insurance Commissioner approved a 7.0 percent decrease in pure premium rates, effective July 1, 2004, with respect to new and renewal policies, as compared to the approved January 1, 2004, pure premium rates.

January 1, 2005

WCIRB Recommendations:

On July 28, 2004, the WCIRB proposed advisory premium rates applicable to new and renewal policies with anniversary rating dates on or after January 1, 2005, that are, on average, 3.5 percent greater than the July 1, 2004, advisory pure premium rates approved by the Insurance Commissioner.

Insurance Commissioner Approval:

In a decision issued November 17, 2004, the Insurance Commissioner approved a total 2.2 percent decrease in advisory pure premium rates applicable to new and renewal policies with anniversary rating dates on or after January 1, 2005.

**Advisory Workers' Compensation Pure Premium Rates
A History since the 1993 Reform Legislation**

Page 4 of 6

July 1, 2005

WCIRB Recommendations:

On March 25, 2005, the WCIRB submitted a filing to the California Insurance Commissioner recommending a 10.4 percent decrease in advisory pure premium rates effective July 1, 2005, on new and renewal policies.

On May 19, 2005, in recognition of the cost impact of the new Permanent Disability Rating Schedule adopted pursuant to SB 899, the WCIRB amended its recommendation. In lieu of the 10.4 percent reduction originally proposed in March, the WCIRB recommended a 13.8 percent reduction in pure premium rates effective July 1, 2005. In addition, the WCIRB recommended a 3.8 percent reduction in the pure premium rates effective July 1, 2005, with respect to the outstanding portion of policies incepting January 1, 2005, through June 30, 2005.

Insurance Commissioner Approvals

On May 31, 2005, the Insurance Commissioner approved an 18 percent decrease in advisory pure premium rates effective July 1, 2005, applicable to new and renewal policies with anniversary rating dates on or after July 1, 2005. As a result of the change in pure premium rates, the experience rating eligibility threshold was reduced to \$23,288. The Insurance Commissioner also approved a 7.9 percent decrease in pure premium rates, effective July 1, 2005, applicable to policies that are outstanding as of July 1, 2005. The reduction in pure premium rates applicable to these policies reflects the estimated impact on the cost of benefits of the new Permanent Disability Rating Schedule.

January 1, 2006

WCIRB Recommendations:

On July 28, 2005, the WCIRB submitted to the California Insurance Commissioner a proposed 5.2 percent average decrease in advisory pure premium rates as well as changes to the California Workers' Compensation Uniform Statistical Reporting Plan -1995 and the California Workers' Compensation Experience Rating Plan - 1995.

On September 15, 2005, the WCIRB amended its filing to propose an average 15.9 percent decrease in pure premium rates based on insurer loss experience valued as of June 30, 2005, and a re-evaluation of the cost impact of the January 1, 2005 Permanent Disability Rating Schedule.

Insurance Commissioner Approvals

On November 10, 2005, the Insurance Commissioner approved an average 15.3 percent decrease in advisory pure premium rates effective January 1, 2006, applicable to new and renewal policies with anniversary rating dates on or after January 1, 2006. As a result of the change in pure premium rates, the experience rating eligibility threshold was reduced to \$20,300.

July 1, 2006

WCIRB Recommendations:

On March 24, 2006, the WCIRB submitted a rate filing to the California Department of Insurance recommending a 16.4 percent decrease in advisory pure premium rates to be effective on policies incepting on or after July 1, 2006. The recommended decrease in pure premium rates is based on an analysis of loss experience valued as of December 31, 2005. The WCIRB filing also includes an amendment to the California Workers' Compensation Experience Rating Plan-1995, effective July 1, 2006, to adjust the experience rating eligibility threshold to reflect the proposed change in pure premium rates. A public hearing on the matters contained in the WCIRB's filing was held April 27, 2006.

Insurance Commissioner Approvals

On May 31, 2006, the Insurance Commissioner approved a 16.4 percent decrease in advisory pure premium rates effective July 1, 2006, applicable to new and renewal policies as of the first anniversary rating date of a risk on or after July 1, 2006. In addition, the experience rating eligibility threshold was reduced to \$16,971 to reflect the decrease in pure premium rates.

**Advisory Workers' Compensation Pure Premium Rates
A History since the 1993 Reform Legislation**

Page 5 of 6

January 1, 2007

WCIRB Recommendations:

On October 10, 2006, the WCIRB recommended a 6.3 percent decrease in advisory pure premium rates decrease for California policies incepting January 1, 2007.

Insurance Commissioner Approvals

On November 2, 2006, the Insurance Commissioner approved an average 9.5 percent decrease in advisory pure premium rates effective January 1, 2007, applicable to new and renewal policies with anniversary rating dates on or after January 1, 2007. As a result of the change in pure premium rates, the experience rating eligibility threshold was reduced to \$16,000.

July 1, 2007

WCIRB Recommendations

On March 30, 2007, the WCIRB recommended an 11.3 percent decrease in advisory pure premium rates for California to be effective on policies incepting on or after July 1, 2007.

Insurance Commissioner Approvals

On May 29, 2007, the Insurance Commissioner approved an average 14.2 percent decrease in advisory pure premium rates effective July 1, 2007, applicable to new and renewal policies with anniversary rating dates on or after July 1, 2007. As a result of the change in pure premium rates, the experience rating eligibility threshold was reduced to \$13,728.

January 1, 2008

WCIRB Recommendations

On September 23, 2007, the WCIRB recommended 4.2 percent increase in advisory pure premium rates for California to be effective on policies incepting on or after January 1, 2008.

On October 13, 2007, the Governor signed Assembly Bill (AB) 338 which extends the time period for which temporary disability payments may be taken. On October 19, 2007, the WCIRB amended its January 1, 2008 pure premium rate filing to propose an overall 5.2 percent increase in pure premium rates in lieu of 4.2 percent to incorporate the impact of AB 338.

Insurance Commissioner Approvals

On November 28, 2007, the Insurance Commissioner approved no overall change to the advisory pure premium rates effective January 1, 2008.

July 1, 2008

WCIRB Recommendations

On March 26, 2008, accepting a recommendation made by the WCIRB Actuarial Committee, the WCIRB Governing Committee decided that the WCIRB would propose 0 percent change in advisory pure premium rates for California to be effective on policies incepting on or after January 1, 2008.

**Advisory Workers' Compensation Pure Premium Rates
A History since the 1993 Reform Legislation**

Page 6 of 6

January 1, 2009

WCIRB Recommendations

On August 13, 2008, the WCIRB recommended a 16 percent increase in advisory pure premium rates for California to be effective on policies incepting on or after January 1, 2009. See the WCIRB website below for further details and updates to this information.

At its September 10, 2008 meeting, the Governing Committee agreed that the WCIRB's January 1, 2009 pure premium rate filing should be amended to reflect the most recent accident year experience valued as of June 30, 2008, as well as a revised loss development methodology. The original filing should be supplemented to include a recommendation that the proposed January 1, 2009 pure premium rates be adjusted to reflect (a) the impact of the Division of Workers' Compensation proposed changes to the Permanent Disability Rating Schedule (+3.7%) if adopted as proposed and (b) the impact of SB 1717 (+9.3%) if signed into law by the Governor.

Insurance Commissioner Approvals

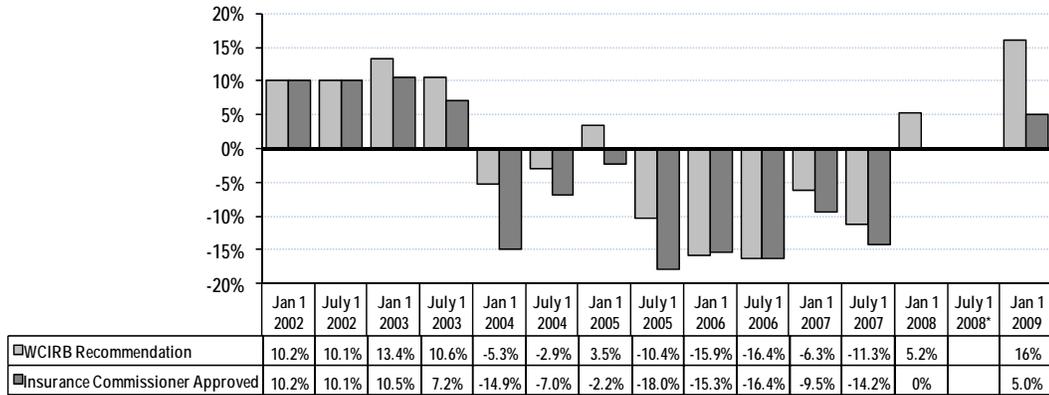
On October 24, 2008, the Insurance Commissioner approved a 5 percent increase in pure premium rates effective January 1, 2009, applicable to new and renewal policies with anniversary rating dates on or after January 1, 2009.

https://wcirbonline.org/resources/rate_filings/current_rate_filings.html

Recommended vs. Approved Advisory Workers' Compensation Rates

As a result of the reforms, WCIRB recommended changes and the IC approved either decreases or no changes in the pure premium advisory rates between January 2004 and January 2008. As shown on the following chart, WCIRB recommended a 16 percent increase to the advisory rates effective January 1, 2009, due primarily to the increasing medical costs. On October 24, 2008, the Insurance Commissioner approved a 5 percent increase in pure premium rates.

**Changes in Workers' Compensation Advisory Premium Rates
WCIRB Recommendation vs Insurance Commissioner Approval**



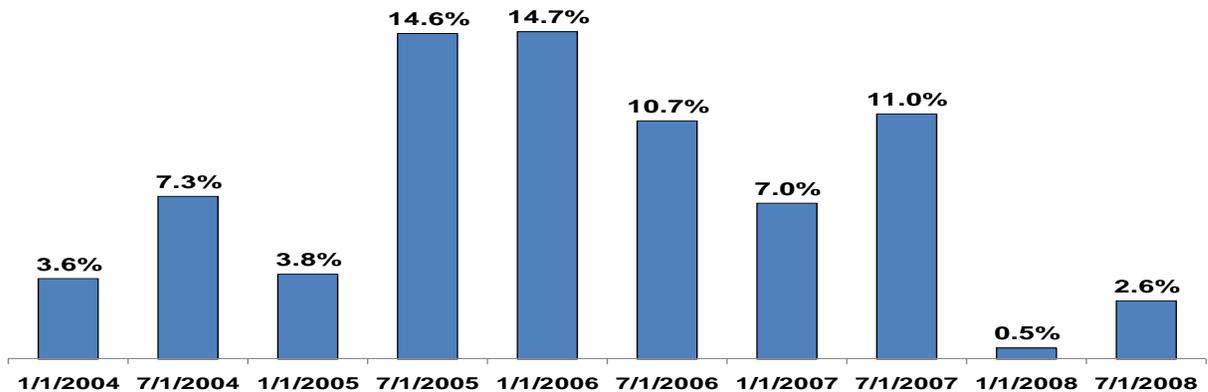
* WCIRB did not issue any recommendations for changes to pure premium rates effective July 1, 2008 and the IC did not issue the interim advisory rate for this period.

Data Source: WCIRB

California Workers' Compensation Filed Rate Changes

As a result of recent workers' compensation legislative reforms and the subsequent decisions by the IC on advisory premium rates, workers' compensation insurers have reduced their average filed rates as indicated in the following chart.

Average Workers' Compensation Rate Reductions Filed by Insurers



Data Source: California Department of Insurance

California Workers' Compensation Rate Changes

As a result of recent workers' compensation legislative reforms and the subsequent decisions by the IC on advisory pure premium rates, the top ten California workers' compensation insurers have reduced their filed rates as indicated in the table below.

As of July 1, 2008, the cumulative premium weighted average rate reduction filed by insurers with the CDI since the reforms is 57.4 percent for all writers including SCIF. There have been eight pure premium rate reductions since the passage of AB 227 and SB 228, and individually stated, filed insurer rates were reduced 3.6 percent on January 1, 2004, 7.3 percent on July 1, 2004, 3.8 percent on January 1, 2005, 14.6 percent on July 1, 2005, 14.7 percent on January 1, 2006, 10.7 percent on July 1, 2006, 7.0 percent on January 1, 2007, and 11.0 percent on July 1, 2007. Additional insurer rate reductions of 0.5 percent on January 1, 2008, and 2.6 percent on July 1, 2008, not tied to pure premium rate reductions have also been filed.¹

WCIRB reports that actual rates charged in the market place as of December 31, 2007, had fallen by 62 percent since the enactment of AB 227, SB 228, and SB 899. The average rate per \$100 of payroll fell from \$6.46 in the second half of 2003 to \$2.44 in the second half of 2007.² For more recent information on average rates per \$100 of payroll, see the System Costs and Benefits Overview section of this Annual Report

California Workers' Compensation Top 10 Insurers Rate Filing Changes

COMPANY NAME	GROUP NAME	Market Share 2007	Cumulative Rate Change 1-04 to 7-08	7-1-2008 % Filed Rate Change	1-1-2008 % Filed Rate Change	7-1-2007 % Filed Rate Change	1-1-2007 % Filed Rate Change
STATE COMPENSATION INSURANCE FUND		26.55%	-56.41%	-3.50%	0.0%	-11.00%	-9.00%
AMERICAN HOME ASSURANCE COMPANY	AIG Group	4.53%	-59.75%	-15.00%	0.0%	-14.20%	-10.90%
ZURICH AMERICAN INSURANCE COMPANY	Zurich Ins. Group	3.27%	-63.66%	n/a	-0.2%	-14.20%	-7.90%
ZENITH INSURANCE COMPANY	Zenith National Group	3.16%	-38.43%	n/a	0.0%	n/a	-4.40%
ENDURANCE REINS CORP. OF AMERICA	Endurance Group	2.92%	-43.20%	n/a	0.0%	-14.20%	-24.34%
REDWOOD FIRE & CASUALTY INS COMPANY	Berkshire Hathaway Gp	2.86%	-65.27%	n/a	5.20%	-14.90%	-8.10%
EMPLOYERS COMPENSATION INSURANCE COMPANY	Employers Group	2.76%	-62.51%	-0.60%	n/a	-4.50%	-9.90%
LIBERTY MUTUAL FIRE INSURANCE COMPANY	Liberty Mutual Group	1.70%	-57.53%	n/a	0.10%	-10.20%	-6.30%
OAK RIVER INSURANCE COMPANY	Berkshire Hathaway Gp	1.66%	-77.87%	-1.50%	-0.70%	-14.95%	-6.70%
WAUSAU UNDERWRITERS INSURANCE COMPANY	Liberty Mutual Group	1.66%	-73.56%	n/a	-3.30%	-11.70%	-9.50%

¹ Source: California Department of Insurance, RFLA3 Rate Filing Bureau.

² Source: WCIRB Summary of December 31, 2007 Insurer Experience, released March 31, 2008.

Since the first reform package was chaptered, 29 new insurers have entered the market, and existing private insurers have increased their writings. The significant rate reductions totaling 57.4 percent since the first reforms were enacted, coupled with the reduced market share of SCIF (which peaked at 53.0 percent in 2003, has declined to 26.5 percent in 2007, and is expected to drop to the low 20 percent range in 2008), combined with a 2007 accident year combined loss and expense ratio of 78 percent,³ all point to the dramatic success of the cost-containment reforms and a stabilizing market with increased capacity and greater rate competition.

Workers' Compensation Earned Premium

WCIRB defines earned premium as the portion of a premium that has been earned by the insurer for policy coverage already provided. For example, one-half of the total premiums will typically be earned six months into an annual policy term.

The total amount of earned workers' compensation premium decreased during the first half of the 1990s, increased slightly in the latter part of the decade, then increased sharply in the new millennium.

This increase in total premium appears to reflect:

- Movement from self-insurance to insurance.
- An increase in economic growth.
- Wage growth.
- Increase in premium rates.

Premiums from 2001 through 2003 were up sharply primarily due to rate increases in the market. WCIRB reports that the average rate on 2001 policies was about 34 percent higher than on 2000 policies, and the average rate on 2003 policies was 36 percent higher than on 2002 policies.

While WCIRB reported that rates began to decline in 2004 and continued to decline in 2005, as a result of earlier rate increases in 2003 as well as the other factors cited above, 2004 earned premiums were up over 2003.

However, earned premiums in 2005 through 2007 declined sharply as a result of market rate decreases following the reforms that took effect in 2003 and 2004.

Workers' Compensation Earned Premium (Billion \$)



Source: WCIRB

³ Source: WCIRB Summary December 31, 2007 Insurer Experience, released March 31, 2008

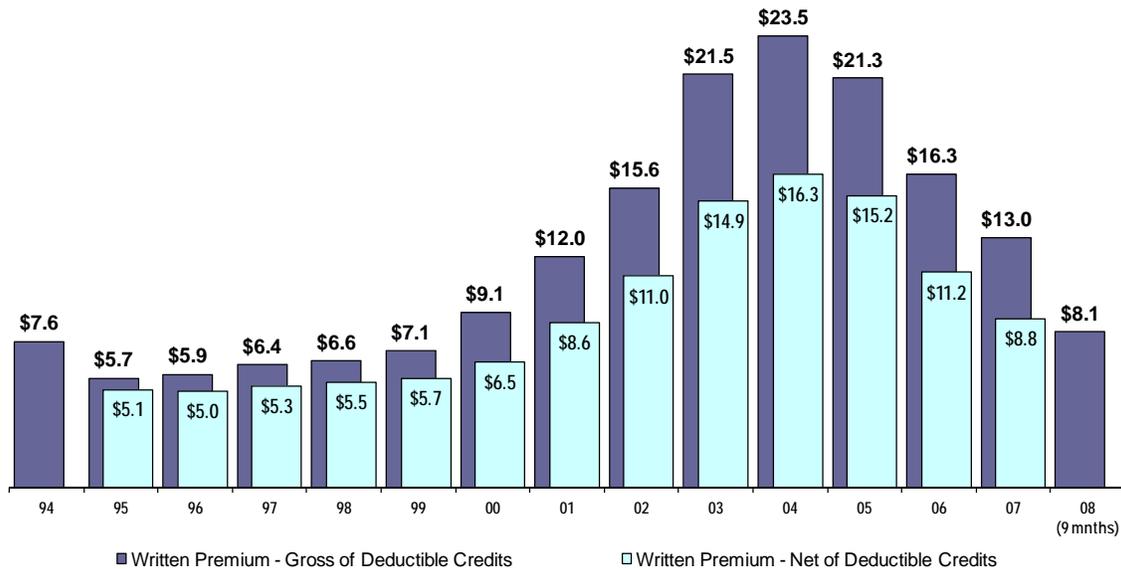
Workers' Compensation Written Premium

WCIRB defines written premium as the premium an insurer expects to earn over the policy period. After elimination of the minimum rate law, the total written premium declined from a high of \$8.9 billion in 1993 to a low of \$5.7 billion (\$5.1 billion net of deductible) in 1995. The written premium grew slightly from 1996 to 1999 due to growth of insured payroll, an increase in economic growth and movement from self-insurance to insurance and other factors, rather than due to increased rates. However, even with well over a million new workers covered by the system, the total premium paid by employers remained below the level seen at the beginning of the decade.

At the end of 1999, the IC approved an 18.4 percent pure premium rate increase for 2000, and the market began to harden after five years of open rating, though rates remained less than two-thirds of the 1993 level. Since then, the market has continued to firm, with the IC approving a 10.1 percent increase in the advisory rates for 2001 and a 10.2 percent increase for 2002. The total written premium increased to \$23.5 billion in 2004 and then declined by 44.7 percent to \$13.0 billion in 2007 due to rate decreases.

The chart below shows the California workers' compensation written premium before and after the application of deductible credits. Please note that these amounts are exclusive of dividends.

Workers' Compensation Written Premium as of September 30, 2008
(Billion \$)

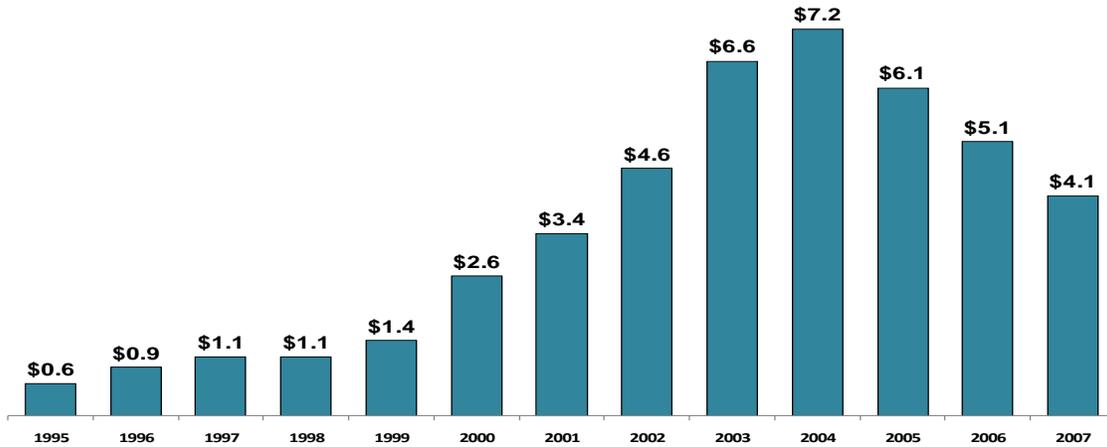


Data Source: WCIRB

Workers' Compensation Premium Deductibles

The following chart shows the changes in the total workers' compensation premium deductibles from 1995 to 2007.

**Workers' Compensation Premium Deductibles as of June 30, 2008
(Billion \$)**

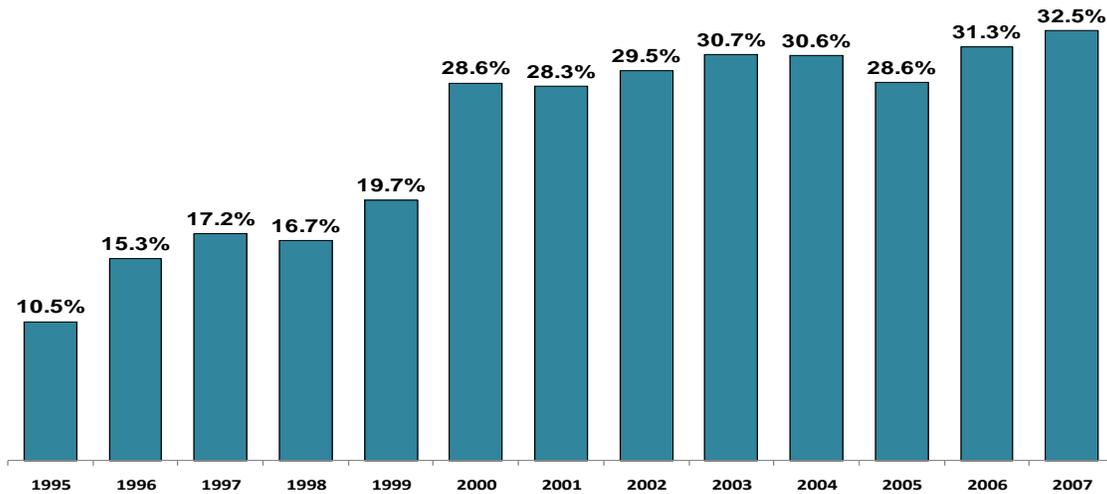


Data Source: WCIRB

Workers' Compensation Deductibles as Percent of Written Premium

The chart below shows workers' compensation deductibles as a percent of the written premium.

**Workers' Compensation Deductibles as Percent of Gross Written Premium
as of June 30, 2008**



Data Source: WCIRB

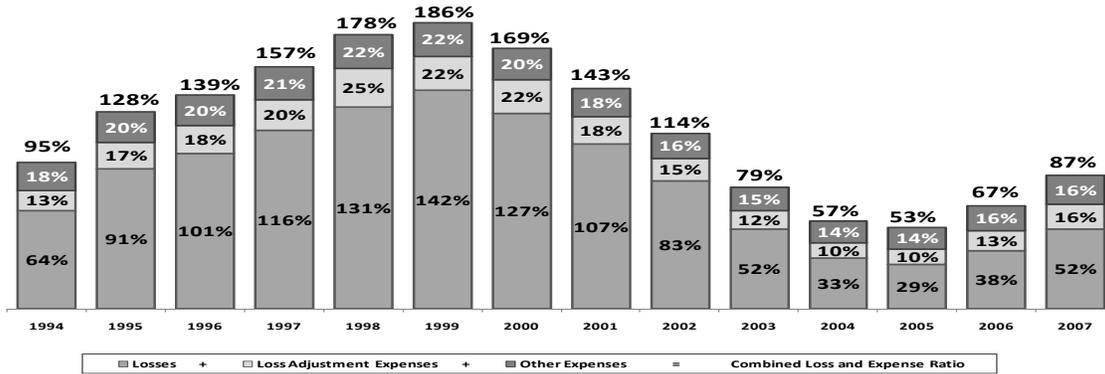
CALIFORNIA WORKERS' COMPENSATION INSURANCE INDUSTRY

Workers' Compensation Insurer Expenses

Combined Loss and Expense Ratios

The accident year combined loss and expense ratio, which measures workers' compensation claims payments and administrative expenses against earned premium, increased during the late 1990s, declined from 1999-2005, and increased by 64 percent from 2005 to 2007. In accident year 2007, insurers' claim costs and expenses amounted to \$0.87 for every dollar of premium they collected. In accident year 2005, insurers' claim costs and expenses amounted to \$0.53 for every dollar of premium they collected, which is the lowest combined ratio projected by WCIRB since the inception of competitive rating and reflects the estimated impact of AB 227, SB 228, and SB 899 on unpaid losses.

California Workers' Compensation Combined Loss and Expense Ratios
Reflecting the Estimated Impact of AB 227, SB 228 and SB 899
(as of September 30, 2008)



Data Source: WCIRB

Insurance Companies' Reserves

WCIRB estimates that the total cost of benefits on injuries occurring prior to January 1, 2008, is \$7.5 billion less than insurer-reported loss amounts.

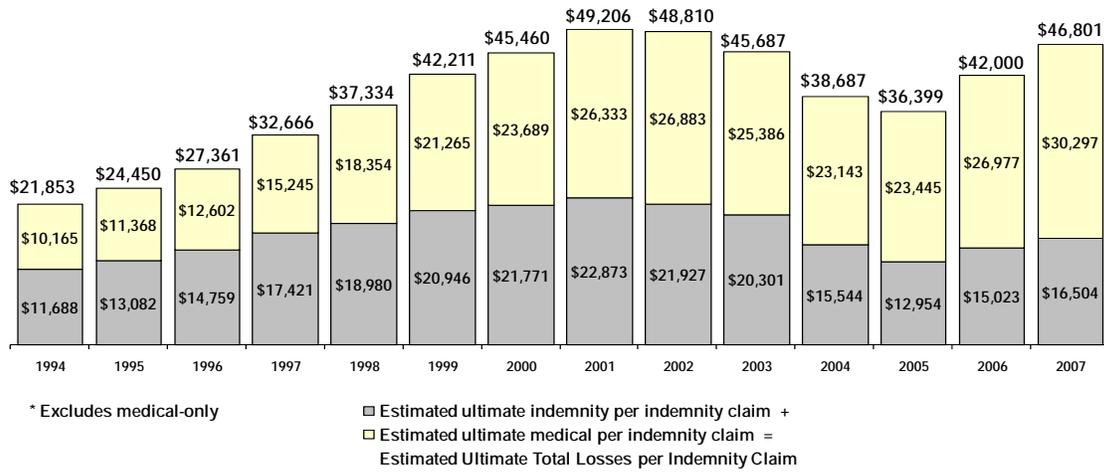
Average Claim Costs

At the same time that premiums and claim frequency were declining, the total amount insurers paid on indemnity claims jumped sharply due to increases in the average cost of an indemnity claim, which rose dramatically during the late 1990s.

The total average cost of indemnity claims decreased by 26 percent from 2001 to 2005, reflecting the impact of AB 227, SB 228 and SB 899. However, the total indemnity and medical average costs per claim increased by almost 29 percent between 2005 and 2007. Please note that WCIRB's estimates of average indemnity claim costs have not been indexed to take into account wage increase and medical inflation.

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

Estimated Ultimate Total Loss* per Indemnity Claim
 Reflecting the Impact of AB 227, SB 228 & SB 899 as of September 30, 2008



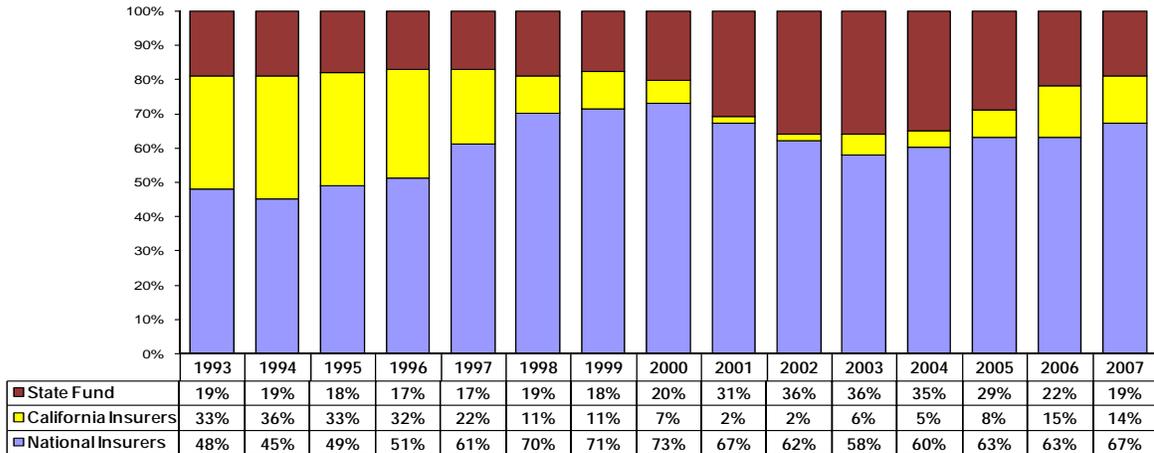
Source: WCIRB

Current State of the Insurance Industry

A number of California insurers left the market or reduced their writings as a result of the decrease in profitability, contributing to a major redistribution of market share among insurers since 1993, as shown in the following chart.

According to WCIRB, from 2002 through 2004, SCIF attained about 35 percent of the California workers' compensation insurance market, double the market share it had in the 1990s. However, between 2004 and 2007, SCIF's market share decreased to 19 percent. On the other hand, the market share of California companies (excluding SCIF) between 2004 and 2007 increased from 5 percent to 14 percent.

WC Insurance Market Share in California by Type of Insurer
 Based on Written Premium Prior to Deductible Credits



Source: WCIRB
 Please note that totals may not equal 100% due to rounding.

"California Insurers" are defined as private insurers who write at least 80% of their workers' compensation business in California

Insurance Market Insolvency

Since 2000, a significant number of workers' compensation insurance companies have experienced problems with payment of workers' compensation claims. Thirty-five insurance companies went under liquidation, and 13 companies withdrew from offering workers' compensation insurance during that time. However, since 2004, 22 insurance/reinsurance companies have entered the California workers' compensation market, while only 6 companies withdrew from the market.

<u>COMPANY NAME</u>	<u>DATE OF LIQUIDATION</u>
<u>2000</u>	
California Compensation Insurance Company	9/26/2000
Combined Benefits Insurance Company	9/26/2000
Commercial Compensation Casualty Insurance Company	9/26/2000
Credit General Indemnity Company	12/12/2000
LMI Insurance Company	5/23/2000
Superior National Insurance Company	9/26/2000
Superior Pacific Insurance Company	9/26/2000
<u>2001</u>	
Credit General Insurance Company	1/5/2001
Great States Insurance Company	5/8/2001
HIH America Compensation & Liability Insurance Company	5/8/2001
Amwest Surety Insurance Company	6/7/2001
Sable Insurance Company	7/17/2001
Reliance Insurance Company	10/3/2001
Far West Insurance Company	11/9/2001
Frontier Pacific Insurance Company	11/30/2001
<u>2002</u>	
PHICO	2/1/2002
National Auto Casualty Insurance Company	4/23/2002
Paula Insurance Company	6/21/2002
Alistar Insurance Company	11/2/2002
	9/2002
<u>2003</u>	
Western Growers Insurance Company	1/7/2003
Legion Insurance Company	3/25/2003
Villanova Insurance Company	3/25/2003
Home Insurance Company	6/13/2003

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

<u>COMPANY NAME</u>	<u>DATE OF LIQUIDATION</u>
Fremont General Corporation	7/2/2003
Wasatch Crest Insurance Co. (No WC policies)	7/31/2003
Pacific National Insurance Co.	8/5/2003
<u>2004</u>	
Protective National Insurance Company	2/12/04
Holland-America Insurance Company	7/29/04
Casualty Reciprocal Exchange	8/18/04
<u>2005</u>	
Cascade National Insurance Company/Washington	11/4/05
South Carolina Insurance Company/South Carolina	3/21/05
Consolidated American Insurance Company/South Carolina	3/21/05
<u>2006</u>	
Vesta Fire Insurance Company	8/3/06
Hawaiian Insurance & Guaranty Company	8/21/06
Municipal Mutual Insurance Company	10/31/06

Source: CIGA

COSTS OF WORKERS' COMPENSATION IN CALIFORNIA

Costs Paid by Insured Employers

In 2007, workers' compensation insurers earned \$13.2 billion in premiums from California employers.⁴

The cost of workers' compensation insurance in California has undergone dramatic changes in the past ten years due to a combination of factors.

When workers' compensation premiums were deregulated beginning in 1995, insurers competed by lowering premium rates, in many instances lower than their actual costs. Many insurers drew on their reserves to make up the difference, and several insurers went bankrupt. Subsequently, the surviving insurers charged higher premium rates to meet costs and began to replenish surplus.

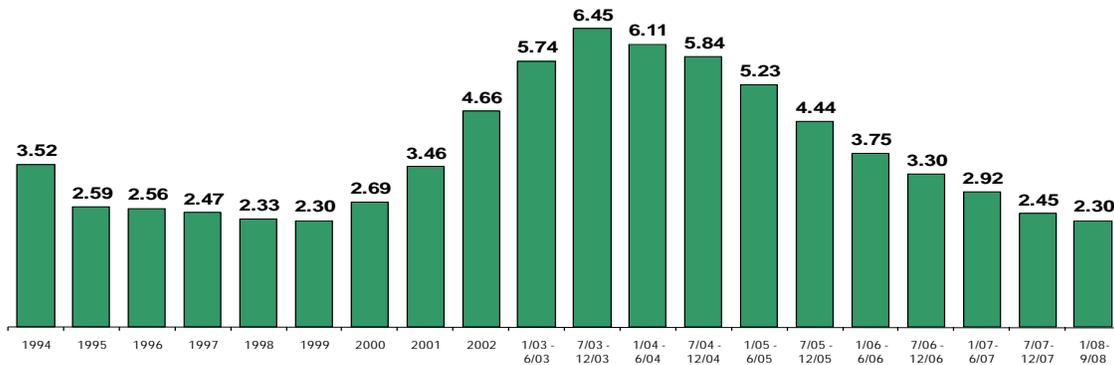
The California workers' compensation legislative reforms in the early 2000s, which were developed to control medical costs, update indemnity benefits and improve the assessment of permanent disability (PD), also had significant impact on insurance costs.

As intended by the most recent reforms, workers' compensation costs in California have begun to decline. The charts below illustrate the impact of those factors.

Workers' Compensation Average Premium Rate

The following chart shows the average workers' compensation premium rate per \$100 of payroll. The average dropped during the early-to-mid 1990s, stabilized during the mid-to-late 1990s, and then rose significantly beginning in 2000 up to the second half of 2003. However, the average rate has dropped every year since that time. Today, the average premium rate per \$100 of payroll is \$2.30 which is lower than it was in 1994.

Average Workers' Compensation Insurer Rate Per \$100 of Payroll as of September 30, 2008 (Dollar \$)



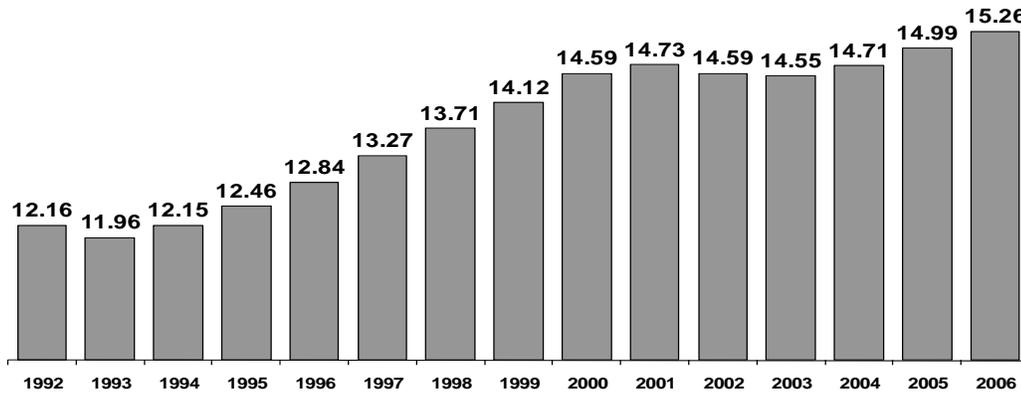
Data Source: WCIRB

⁴ Source: "2007 California's Workers' Compensation Losses and Expenses." WCIRB – June 20, 2008. Note that earned premium is not identical to written premium. The two measurements are related, and the choice of which measurement to use depends on the purpose.

Workers Covered by Workers' Compensation Insurance

The estimated number of California workers covered by workers' compensation insurance grew by about 21 percent from 12.16 million in 1992 to 14.79 million in 2001. From 2001 through 2006, the number of covered workers in California stabilized, averaging about 14.64 million per year. The estimated number of California workers covered by workers' compensation insurance grew by about 4 percent from 2004 to 2006.

Estimated Number of Workers Covered by Workers' Compensation Insurance in California (Millions)

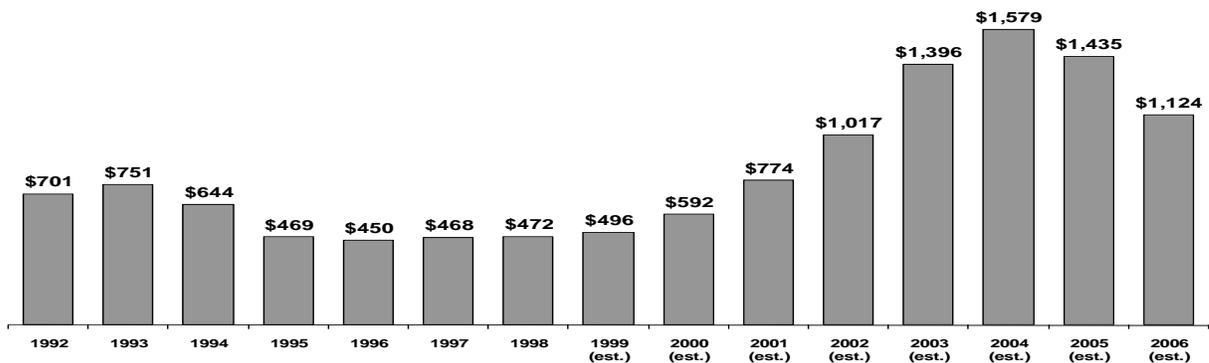


Data Source: National Academy of Social Insurance (NASI)

Average Earned Premium per Covered Worker

As shown in the graph below, the average earned premium per covered worker dropped during the early-to-mid 1990s, leveled off for a few years, and more than tripled between 1999 and 2000. There was a 29 percent decrease in average earned premium per covered worker from 2004 to 2006.

Average Premium per Covered Worker

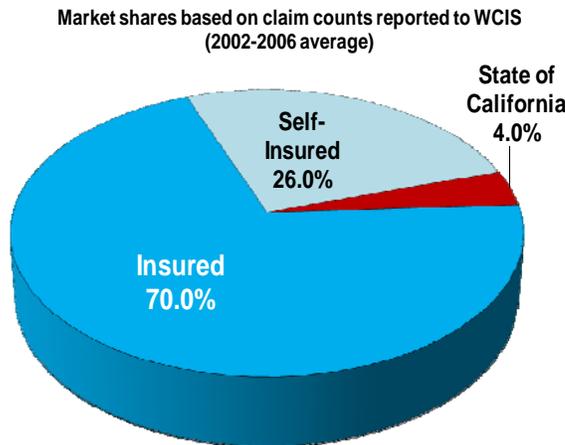


Data Source: WCIRB and NASI
Calculations: CHSWC

Workers' Compensation System Expenditures

The California workers' compensation system covers 15,256,000 employees working for over 800,000 employersⁱ in the State. These employees and employers generated a gross domestic product of \$1,812,968,000,000 (\$1.8 trillion) for 2007.ⁱⁱ A total of 644,700 occupational injuries and illnesses were reported for 2007,ⁱⁱⁱ ranging from minor medical treatment cases to catastrophic injuries and deaths. The total cost to employers for workers' compensation in 2007 was \$17.6 billion. (See text-box on the next page.)

Employers range from small businesses with just one or two employees to multinational corporations doing business in the State and the State government itself. Every employer in California must secure its liability for payment of compensation, either by obtaining insurance from an insurer licensed by the Department of Insurance (CDI) or by obtaining a certificate of consent to self-insure from the Department of Industrial Relations (DIR). The only lawful exception is the State, which is legally uninsured. Based on the 2006 claim counts reported to the Workers' Compensation Information System (WCIS) (see the chart below), 70 percent of injuries occur to employees of insured employers, 26 percent of injuries occur to employees of self-insured employers, and 4 percent of injuries occur to employees of the State of California.^{iv}



Data Source: DWC - WCIS

A New Claim Counts-based Estimate of Workers' Compensation System Size

Measurements of the California workers' compensation system have long been plagued by incomplete data. The Workers' Compensation Insurance Rating Bureau (WCIRB) collects detailed data from insurers to enable the Insurance Commissioner and the companies to determine reasonable prices for coverage. These data are also used for many measurements of the system. Comparable data are not collected on self-insured employers, so researchers relied on estimates. It was estimated that 20% of the market was self-insured, so systemwide measurements were often obtained by multiplying the WCIRB figures by 1.25.

It is now possible to improve that estimate by using Workers' Compensation Information System (WCIS) data on the number of claims filed by employees of insured employers, self-insured employers, and the legally uninsured State agencies. The claims are:

- 70% with insured employers
- 26% with self-insured employers
- 4% with the State as the employer

Assuming that other characteristics are proportional to the number of claims, the new multiplier to estimate systemwide performance based on insurer data is:

$$\frac{100\%}{70\%} = 1.43$$

For example, if insurers' paid losses and expenses are \$10.7 billion, then the systemwide paid losses and expenses are estimated as:

$$\$10.7 \text{ billion} * 1.43 = \$15.3 \text{ billion.}$$

The Commission on Health and Safety and Workers' Compensation (CHSWC) recently obtained WCIS data and began using the new method for estimating system size. This method produces a larger estimate than the old method. Comparisons to previous years must be recalculated using the new method for consistency.

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

A New Claim Counts-based Estimate of Workers' Compensation System Size (Million \$)

	<i>Insured</i>	<i>Self-Insured and the State*</i>	<i>All Employers</i>
Indemnity*	\$3,169	\$1,363	\$4,532
Medical*	\$3,766	\$1,619	\$5,385
Changes to Total Reserves	\$269	\$116	\$385
Insurer Pre-Tax Underwriting Profit/Loss	\$1,976	X	\$1,976
Expenses**	\$4,245	\$1,078	\$5,323
TOTAL for 2007	\$13,425	\$4,175	\$17,601

*Include CIGA payments

Source for Insured figures is WCIRB Losses and Expenses report August, 2008. Other figures are calculated by CHSWC using 0.43 multiplier for equivalent cost components. The equivalent expense components are estimated as follows.

** EXPENSES (Million \$)	<i>Insured</i>	<i>Self-Insured and State</i>	<i>All Employers</i>
<i>Loss Adjustment Expense</i>	\$1,811	\$779	\$2,590
<i>Commissions and Brokerage</i>	\$942	X	\$942
<i>Other Acquisition Expenses</i>	\$445	X	\$445
<i>General Expenses</i>	\$695	\$299	\$994
<i>Premium and Other Taxes</i>	\$352	X	\$352
Total	\$4,245	\$1,078	\$5,323

Workers' compensation is generally a no-fault system that provides statutory benefits for occupational injuries or illnesses. Benefits consist of medical treatment, temporary disability (TD) payments, permanent disability (PD) payments, return-to-work assistance, and death benefits. The overall amounts paid in each of these categories systemwide are shown in the chart below. These figures are based on insurer-paid amounts multiplied by 1.43 to include estimated amounts paid by self-insured employers and the State.

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

Indemnity Benefits

WCIRB provided data for the cost of indemnity benefits paid by insured employers. Assuming that insured employers comprise approximately 70 percent of total California workers' compensation claims, estimated indemnity benefits are shown on the following chart for the total system: for insured employers, self-insured employers and the State of California.

Systemwide Estimated Costs of Paid Indemnity Benefits

Indemnity Benefits (Thousand \$)	2006	2007	Change
Temporary Disability	\$2,246,785	\$2,126,502	-\$120,283
Permanent Total Disability	\$141,205	\$131,998	-\$9,208
Permanent Partial Disability	\$2,242,266	\$1,885,192	-\$357,074
Death	\$87,230	\$97,400	\$10,170
Funeral Expenses	\$2,209	\$1,909	-\$300
Life Pensions	\$62,846	\$71,923	\$9,078
Voc Rehab/Non-transferable Education Voucher	\$347,098	\$217,067	-\$130,031
Total	\$5,129,639	\$4,531,990	-\$597,648

Paid by Insured Employers

Indemnity Benefits (Thousand \$)	2006	2007	Change
Temporary Disability *	\$1,571,178	\$1,487,064	-\$84,114
Permanent Total Disability *	\$98,745	\$92,306	-\$6,439
Permanent Partial Disability *	\$1,568,018	\$1,318,316	-\$249,702
Death *	\$61,000	\$68,112	\$7,112
Funeral Expenses	\$1,545	\$1,335	-\$210
Life Pensions	\$43,948	\$50,296	\$6,348
Voc Rehab/Non-transferable Education Voucher *	\$242,726	\$151,795	-\$90,931
Total	\$3,587,160	\$3,169,224	-\$417,936

Paid by Self-Insured Employers and the State**

Indemnity Benefits (Thousand \$)	2006	2007	Change
Temporary Disability	\$675,607	\$639,438	-\$36,169
Permanent Total Disability	\$42,460	\$39,692	-\$2,769
Permanent Partial Disability	\$674,248	\$566,876	-\$107,372
Death	\$26,230	\$29,288	\$3,058
Funeral Expenses	\$664	\$574	-\$90
Life Pensions	\$18,898	\$21,627	\$2,730
Voc Rehab/Non-transferable Education Voucher	\$104,372	\$65,272	-\$39,100
Total	\$1,542,479	\$1,362,766	-\$179,712

* Single Sum Settlement and Other Indemnity payments have been allocated to the benefit categories.

** Figures estimated based on insured employers' costs.

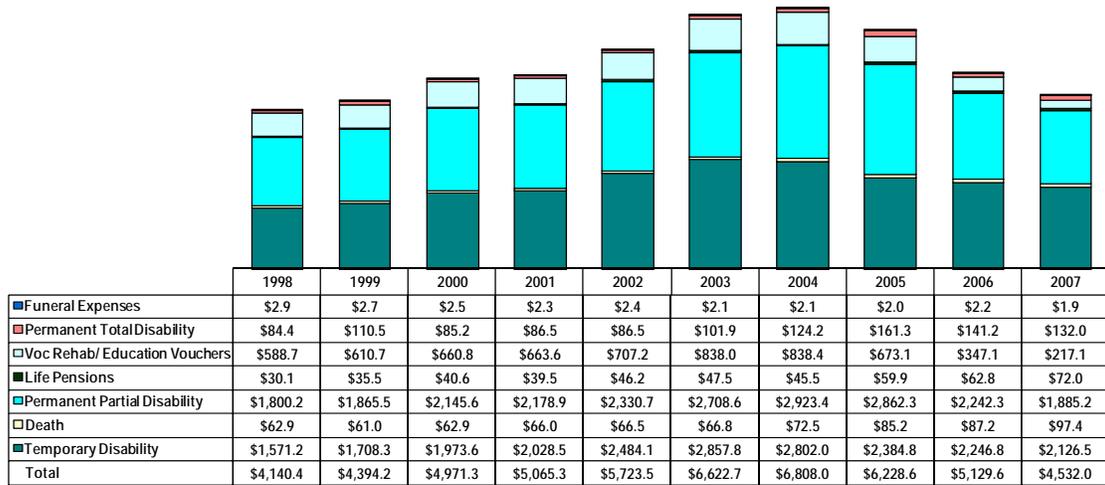
Self-insured employers and the State of California are estimated to comprise 30 percent of all California workers' compensation claims.

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

Trends in Paid Indemnity Benefits

The estimated systemwide paid indemnity costs for the past several years are displayed in the chart below. The cost of the total indemnity benefit increased 64 percent from 1998 to 2004, then decreased by 33.4 percent from 2004 to 2007. The costs of TD, permanent partial disability (PPD), and vocational rehabilitation/non-transferrable education vouchers also declined from 2004 to 2007 after years of growth. Costs of life pensions, death benefits and permanent total disability (PTD) increased from 1998 through 2007.

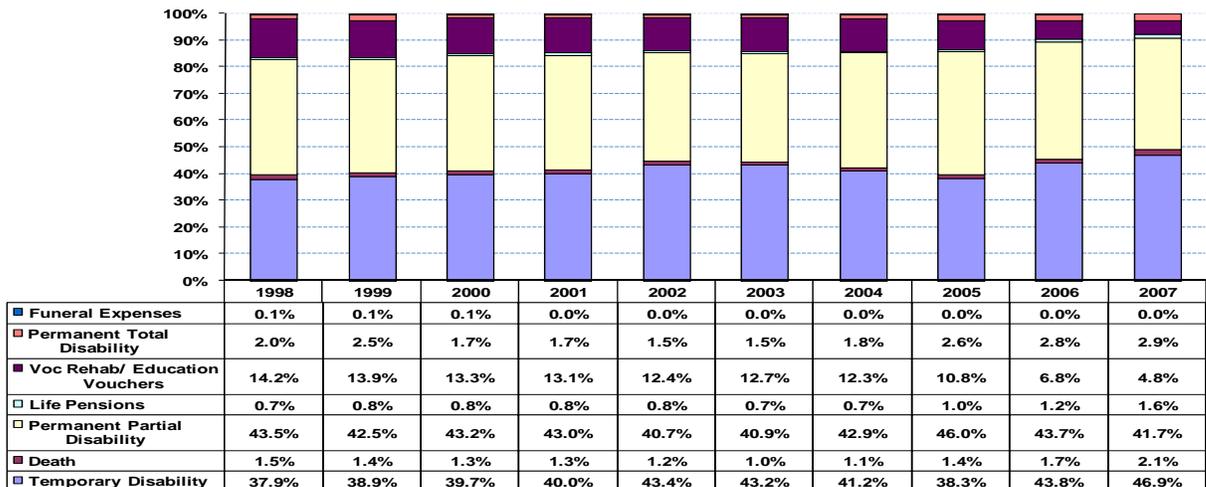
Workers' Compensation Paid Indemnity Benefit Systemwide Estimated Costs* (Million \$)



Data Source: WCIRB
Calculations: CHSWC

The following chart depicts the proportion of the total cost of paid indemnity contributed by each component.

Distribution of Paid Indemnity Benefits



Data Source: WCIRB

Vocational Rehabilitation and Supplemental Job Displacement Benefits Costs

Vocational Rehabilitation Settlements

WCIRB has compiled information from the WCIRB Permanent Disability Claim Survey on vocational rehabilitation settlements. In total, 14.2 percent of accident year 2003 PD claim costs involved vocational rehabilitation settlements of, on average, 40 months. The average settlement in these cases was \$6,095. For accident year 2003, the first year in which such settlements were allowed, settlements comprised 16 percent of total vocational rehabilitation costs.

Supplemental Job Displacement Benefit Vouchers

AB 227 and SB 228 created a system of non-transferable educational vouchers effective for injuries occurring on or after January 1, 2004. WCIRB's estimate of the cost of educational vouchers is based on information compiled from the most current WCIRB Permanent Disability Claim Survey. In total, 18.3 percent of accident year 2004 PD claim costs involved educational vouchers, and the average cost of the educational vouchers was approximately \$5,900. For the 2005 accident year at first survey level, 20.7 percent of sampled PD claims were reported as involving educational vouchers with an estimated average cost of approximately \$5,600

Vocational Rehabilitation and Supplemental Job Displacement Benefit Vouchers Incurred Costs

WCIRB has summarized the vocational rehabilitation information reported on unit statistical reports. The table below shows a summary of vocational rehabilitation information by accident year, with losses evaluated at a combination of second and third unit report levels, depending on which policy year the accident year claim was reported. This unit statistical information suggests that vocational rehabilitation cost per claim has declined by approximately 80 percent subsequent to the reforms.

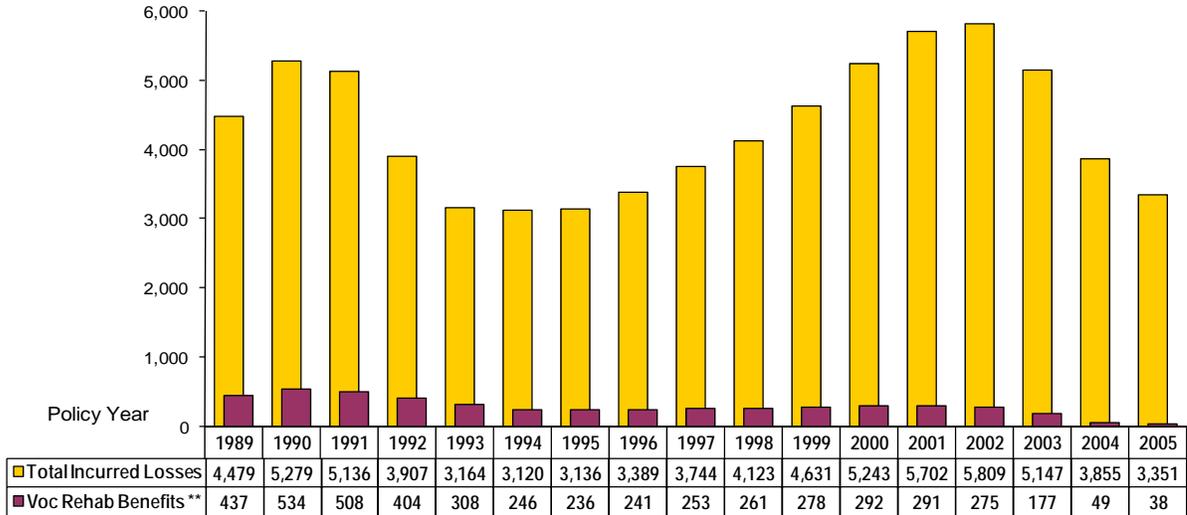
Table: Vocational Rehabilitation (VR) and Supplemental Job Displacement Benefit (SJDB) Vouchers Incurred Costs at Second/Third Report Level

Policy Year/ Accident Year (AY)	Percent of Indemnity Claims with VR & SJDB Vouchers	Change from Average of AY 2001-03	VR and SJDB Vouchers Cost per VR & SJDB Vouchers Claim	Change from Average of AY 2001-03	VR and SJDB Vouchers Cost per Indemnity Claim	VR and SJDB Cost Level Change from Average of AY 2001-03
2001	25.1%	-	\$9,525	-	\$2,387	-
2002	25.2%	-	\$9,635	-	\$2,426	-
2003	24.0%	-	\$8,987	-	\$2,158	-
2004	12.1%	-51%	\$4,187	-55%	\$505	-78%
2005	11.2%	-55%	\$3,923	-58%	\$441	-81%

Source: WCIRB

AB 227 enacted in 2003, in combination with clean-up language in SB 899 enacted in 2004, repealed the workers' compensation vocational rehabilitation benefit for dates of injury on or after January 1, 2004. Vocational rehabilitation benefits are available only to eligible workers who were injured before 2004 and will be available only through December 31, 2008. The chart below presents the most recent data available through 2005 on vocational rehabilitation costs including supplemental job displacement benefit (SJDB) vouchers (non-transferable educational vouchers) beginning from policy year 2003.

Vocational Rehabilitation Benefits and SJDB Vouchers* Compared with Total Incurred Losses, WCIRB 1st Report Level (Million \$)

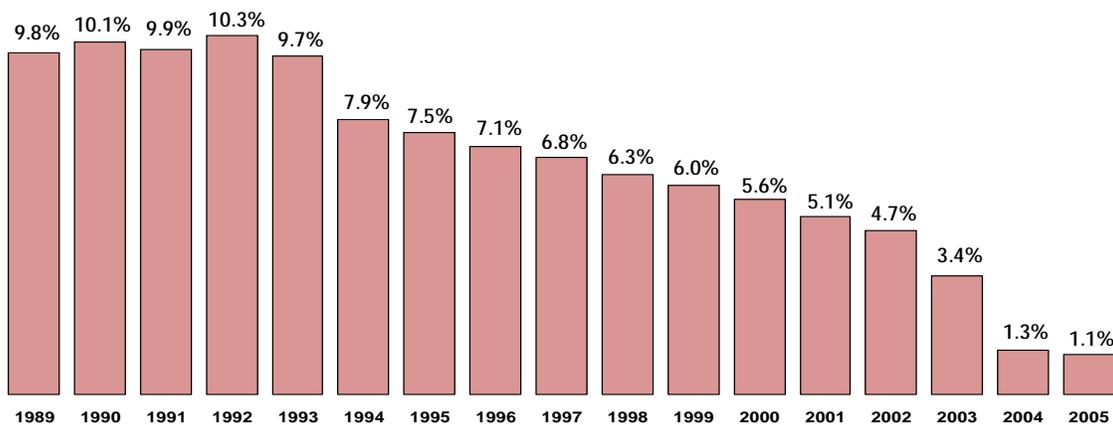


* The Vocational Rehabilitation statutes are repealed entirely effective January 1, 2009 and replaced with Supplemental Job Displacement Benefits.
 ** Policy year 2003 "vocational rehabilitation benefits" contain a mix of vocational rehabilitation costs and non-transferable educational voucher costs. Policy year 2004 and later "vocational rehabilitation benefits" contain mainly non-transferable educational voucher costs.

Data Source: WCIRB

The chart below shows the data demonstrated in the previous graph on vocational rehabilitation costs including SJDB vouchers (non-transferable educational vouchers) costs beginning from policy year 2003 as a percentage of total incurred losses. The vocational rehabilitation costs as a percentage of losses reached their peak in 1992 and have been declining since then.

Vocational Rehabilitation and SJDB Vouchers Costs* as Percent of Total Incurred Losses



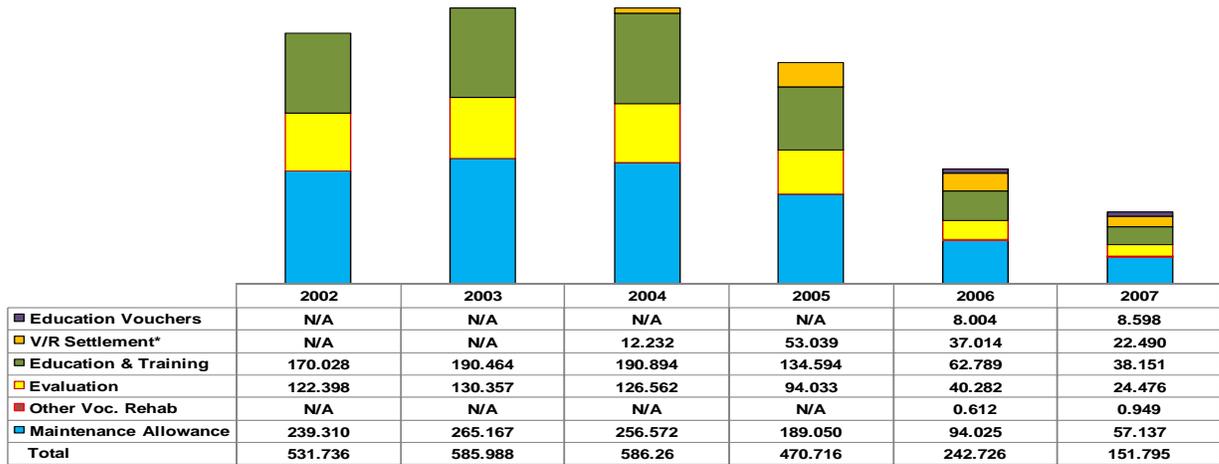
* Policy year 2003 costs include a mix of vocational rehabilitation costs and non-transferable educational voucher costs. Policy year 2004 and later costs include mainly non-transferable educational voucher costs.

Data Source: WCIRB (1st Level Reports for Each Policy Year)

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

The following chart shows the amounts paid for each component of the vocational rehabilitation benefit including newly introduced vocational rehabilitation settlement and SJDB vouchers for the period from 2002 through 2007.

**Paid Vocational Rehabilitation Benefits and SJDB Vouchers
(Million \$)**

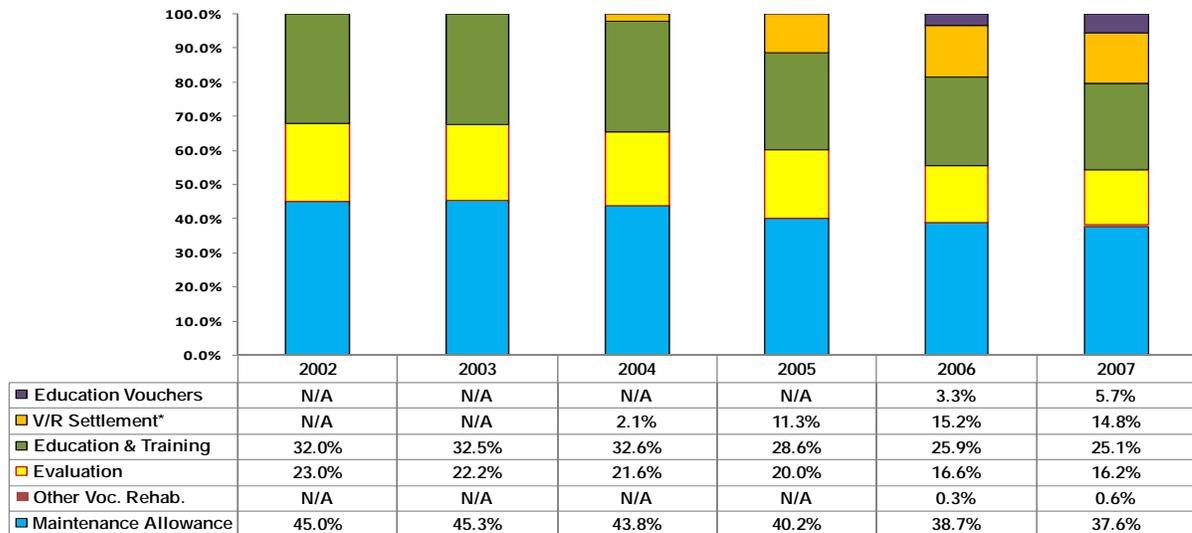


* Vocational Rehabilitation Settlements were allowed on injuries occurring on or after January 1, 2003 pursuant to Assembly Bill No.749

Data Source: WCIRB

The chart below depicts the proportion that each component demonstrated in the previous graph contributes to the total. Since AB 749 allowed vocational rehabilitation settlements for injuries on or after January 1, 2003, such settlements have grown to about 15 percent of the total paid costs in 2006 and 2007.

**Distribution of Paid Vocational Rehabilitation Benefits and
SJDB Vouchers**



* Vocational Rehabilitation settlements were allowed on injuries occurring on or after January 1, 2003 pursuant to Assembly Bill No.749

Data Source: WCIRB

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

Medical Benefits

Systemwide Estimated Costs - Medical Benefits Paid

Medical Benefits (Thousand \$)	2006	2007	Change
Physicians	\$2,285,038	\$2,209,782	-\$75,257
Capitated Medical	\$13,463	\$11,559	-\$1,905
Hospital	\$1,167,858	\$1,381,931	-\$214,072
Pharmacy	\$545,045	\$497,144	-\$47,901
Payments Made Directly to Patient	\$899,574	\$803,903	\$95,671
Medical-Legal Evaluation	\$231,769	\$213,832	-\$17,936
Medical Cost-Containment Programs*	\$250,234	\$267,676	\$17,442
Total	\$5,392,982	\$5,385,826	-\$7,156

Paid by Insured Employers

Medical Benefits (Thousand \$)	2006	2007	Change
Physicians	\$1,597,929	\$1,545,302	-\$52,627
Capitated Medical	\$9,415	\$8,083	-\$1,332
Hospital	\$816,684	\$966,385	-\$149,701
Pharmacy	\$381,150	\$347,653	-\$33,497
Payments Made Directly to Patient	\$629,073	\$562,170	-\$66,903
Medical-Legal Evaluation	\$162,076	\$149,533	-\$12,543
Medical Cost-Containment Programs*	\$174,989	\$187,186	\$12,197
Total	\$3,771,316	\$3,766,312	-\$5,004

Paid by Self-Insured Employers**

Medical Benefits (Thousand \$)	2006	2007	Change
Physicians	\$687,109	\$664,480	-\$22,630
Capitated Medical	\$4,048	\$3,476	-\$573
Hospital	\$351,174	\$415,546	-\$64,371
Pharmacy	\$163,895	\$149,491	-\$14,404
Payments Made Directly to Patient	\$270,501	\$241,733	\$28,768
Medical-Legal Evaluation	\$69,693	\$64,299	-\$5,393
Medical Cost-Containment Programs*	\$75,245	\$80,490	\$5,245
Total	\$1,621,666	\$1,619,514	-\$2,152

* Figures for medical cost-containment programs are based on a sample of insurers who reported medical cost-containment expenses to the WCIRB.

** Figures estimated based on insured employers' costs.

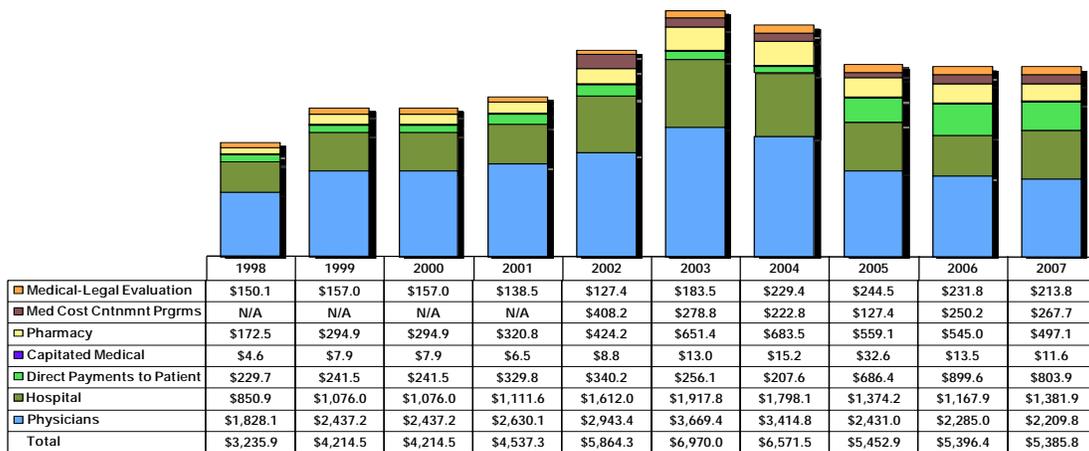
Self-insured employers and the State of California are estimated to comprise 30 percent of all California workers' compensation claims from 2007.

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

Trends in Paid Medical Benefits

The estimated systemwide paid medical costs for the past several years are displayed in the chart below. The following trends may result from the impact of recent workers' compensation reforms. The cost of the total medical benefit doubled from 1998 to 2003, then decreased by 22.7 percent from 2003 to 2007. Pharmacy costs nearly quadrupled from 1998 through 2004, before declining slightly from 2004 to 2007. Expenditures on medical cost-containment programs in 2005 were less than a third of what they were in 2002 and doubled again in 2007. Hospital costs more than doubled from 1998 to 2003, then declined by 39 percent from 2003 to 2006, and slightly increased again in 2007. Medical-legal evaluation costs fluctuated from 1998 to 2002, then doubled between 2002 and 2006, and slightly decreased in 2007. Payments to physicians doubled from 1998 to 2003, then dropped by 39.8 percent from 2003 to 2007.

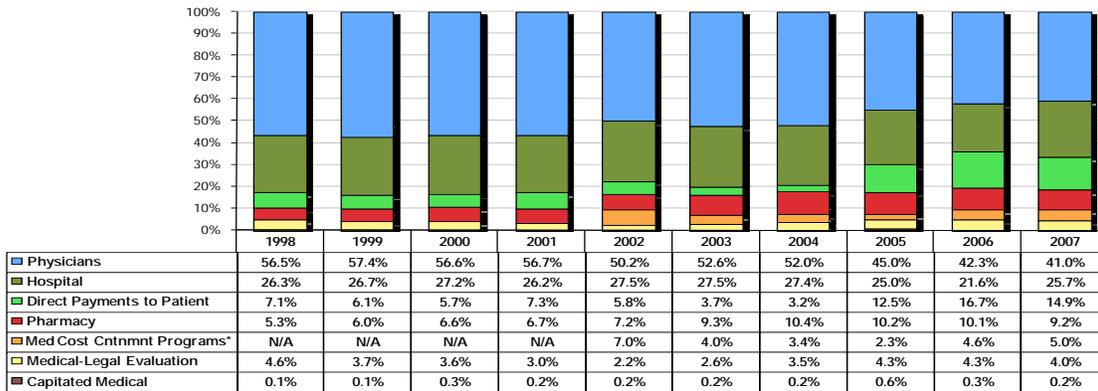
**Workers' Compensation Paid Medical Benefits by Type
Systemwide Estimated Costs* (Million \$)**



Source: WCIRB
Calculations: CHSWC

The following chart depicts the proportion of the total cost of paid medical contributed by each component.

Distribution of Paid Medical Costs



* Figures for medical cost containment programs are based on a sample of insurers who reported medical cost containment expenses to the WCIRB. The reporting of this data was voluntary for calendar year 2002 but mandatory beginning with calendar year 2003 payments.

Source: WCIRB

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

Average Cost per Claim by Type of Injury

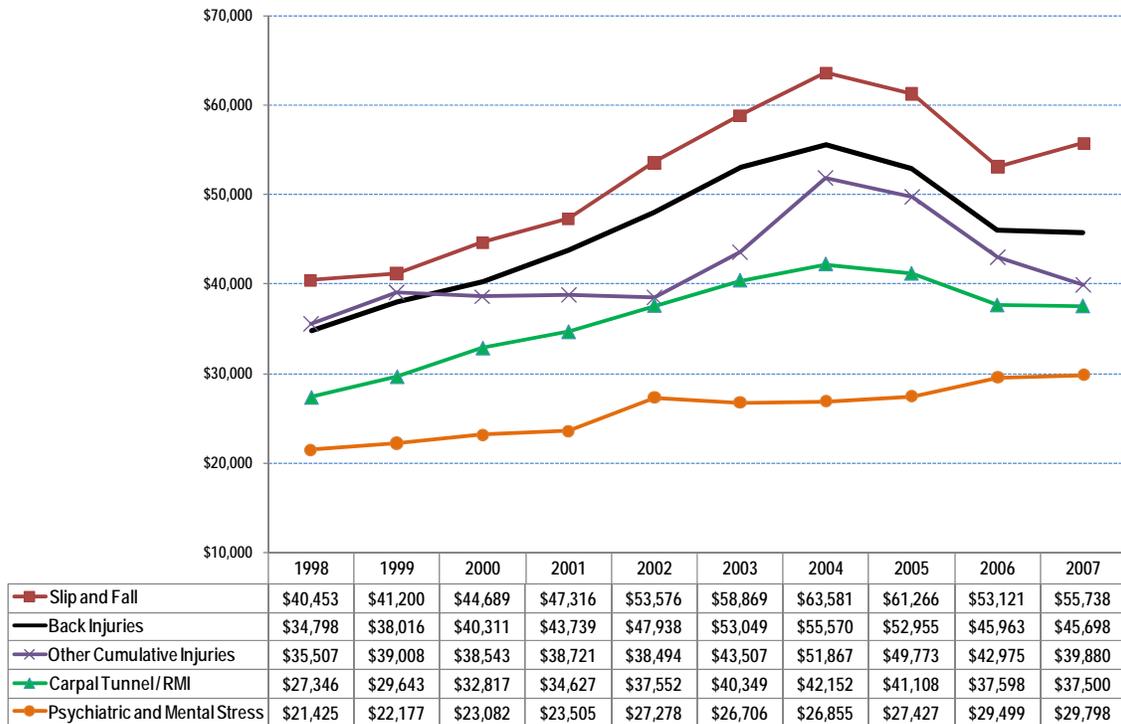
As shown in the following chart, from 1998 to 2004, back injuries increased by 59.7 percent and slip and fall injuries by 57.2 percent, followed by carpal tunnel/repetitive motion injuries (RMI) by 54.1 percent.

On the other hand, average costs of psychiatric and mental stress claims appeared to have leveled off through 2001, increased slightly in 2002, been mostly stable through 2005, and increased by 8.6 percent from 2005 to 2007.

From 2004 to 2006, the average costs for all of the types of injuries shown below, with the exception of psychiatric and mental stress declined.

From 2006 to 2007, the average cost for some types of injuries, such as carpal tunnel/RMI, back injuries, and psychiatric and mental stress appeared to be leveling off. At the same time, slip and fall injuries increased, and other cumulative injuries decreased slightly.

Average Cost per Claim by Type of Injury



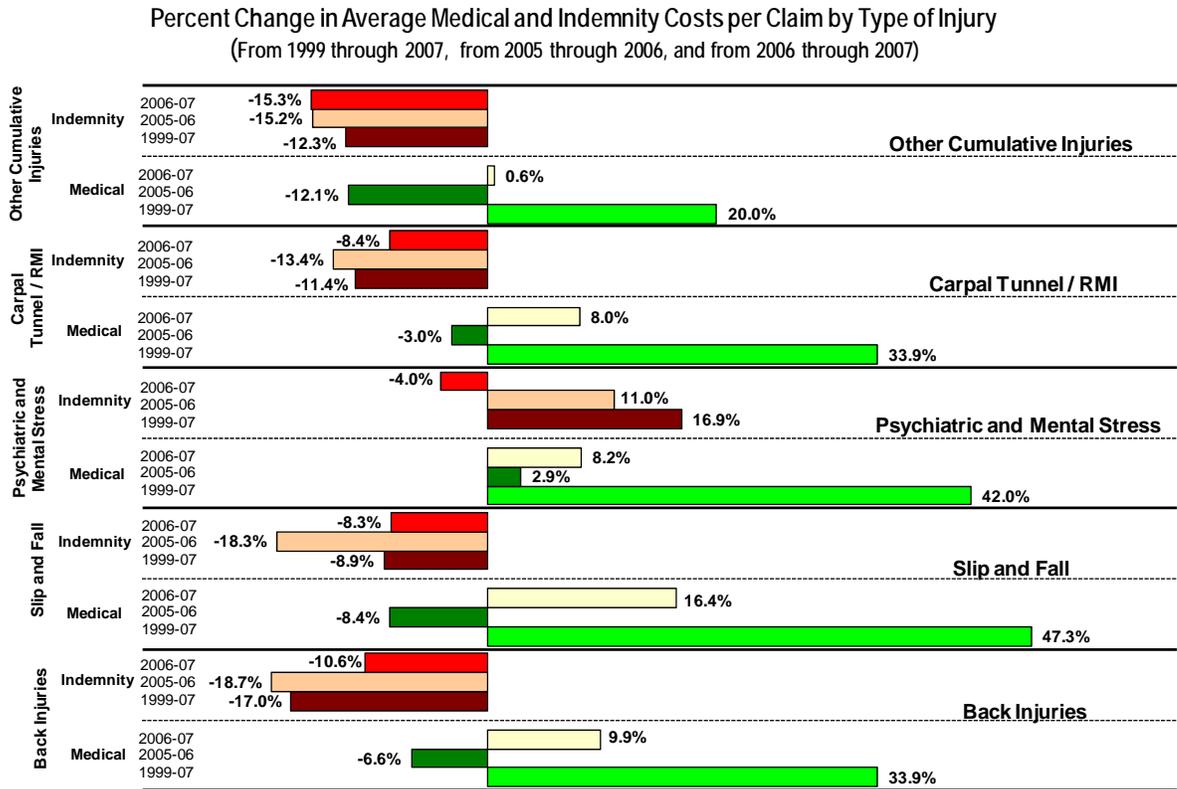
Data Source: WCIRB

Changes in Average Medical and Indemnity Costs per Claim by Type of Injury

The chart below illustrates the impact of the reforms on selected types of injury. The long-term trend from 1999 to 2007 shows increases in medical costs for all these types of injury. The same trend for indemnity costs shows decreases for all types of injury, excluding the psychiatric and mental stress, as the result of reduction in those indemnity costs for both the 2005-2006 and 2006-2007 periods.

From 2005 to 2006, medical costs fell for every type except psychiatric and mental stress. In the same year, indemnity costs showed decreases for all types of injury, excluding the psychiatric and mental stress with 11 percent increase.

From 2006 to 2007, medical costs increased for every type of injury, the largest being a 16.4 percent increase for slip and fall injuries. In the same year, indemnity costs fell dramatically for every type of injury including the first-time decrease of 4 percent for psychiatric and mental stress.



Data Source: WCIRB

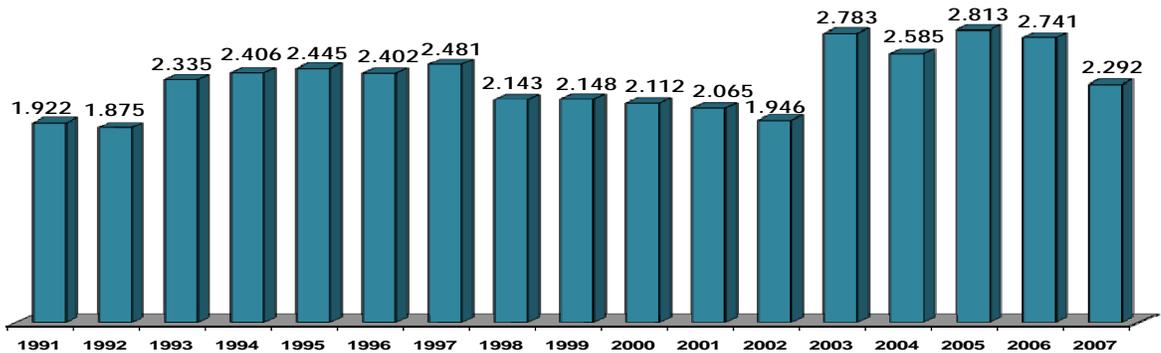
Workers' Compensation System Expenditures: Self-Insured Private and Public Employers

Private Self-Insured Employers

Number of Employees

The following chart shows the number of employees working for private self-insured employers between 1991 and 2007. A number of factors may affect the year-to-year changes. One striking comparison is to the average cost of insurance per \$100 of payroll for insured employers, as described earlier. When insurance is inexpensive, fewer employers may be attracted to self-insurance, but when insurance becomes more expensive, more employers move to self-insurance.

Number of Employees of Private Self-Insured Employers (Millions)

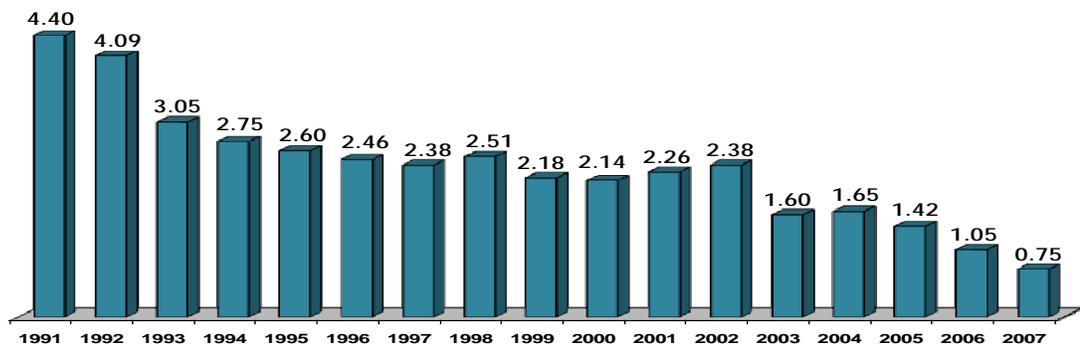


Data Source: DIR Self-Insurance Plans

Indemnity Claims

The rate of indemnity claims per 100 employees of private self-insured employers reflects trends seen throughout the workers' compensation system. Frequency has been declining steadily for several years. In addition, the reforms of the early 1990s and the reforms of 2003-2004 each produced distinct drops in frequency. Smaller year-to-year variations, including a small upswing in 1998 and a two-year upward trend from 2000 through 2002, are not correlated with any short-term variations in the insured market.

Number of Indemnity Claims Per 100 Employees of Private Self-Insured Employers

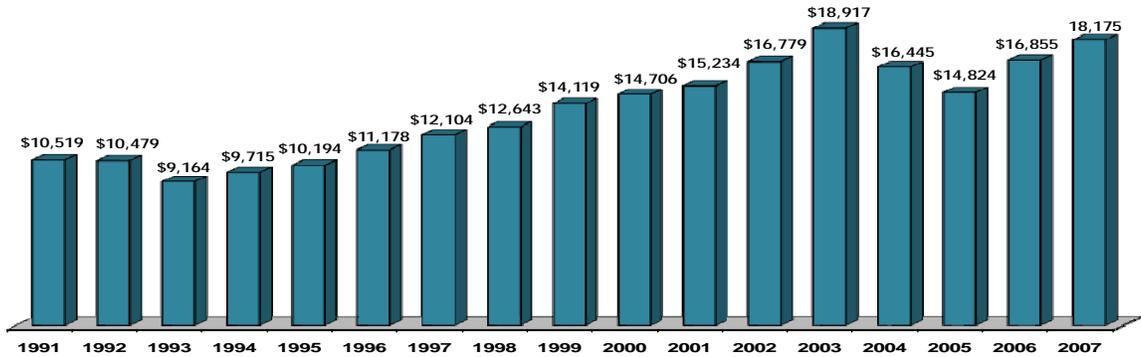


Data Source: DIR Self-Insurance Plans

Incurring Cost per Indemnity Claim

The following chart shows the incurred cost per indemnity claim for private self-insured employers, which has experienced changes similar to the changes for insurance companies. There has been a steady rise in the cost per indemnity claim until 2003, when the cost began to drop in response to the reforms of 2003 and 2004. The upward trend returned in 2006. Although the growth in cost per claim is back, the cost is now growing from a lower starting point than it would have been without the reforms.

Incurring Cost Per Indemnity Claim of Private Self-Insured Employers

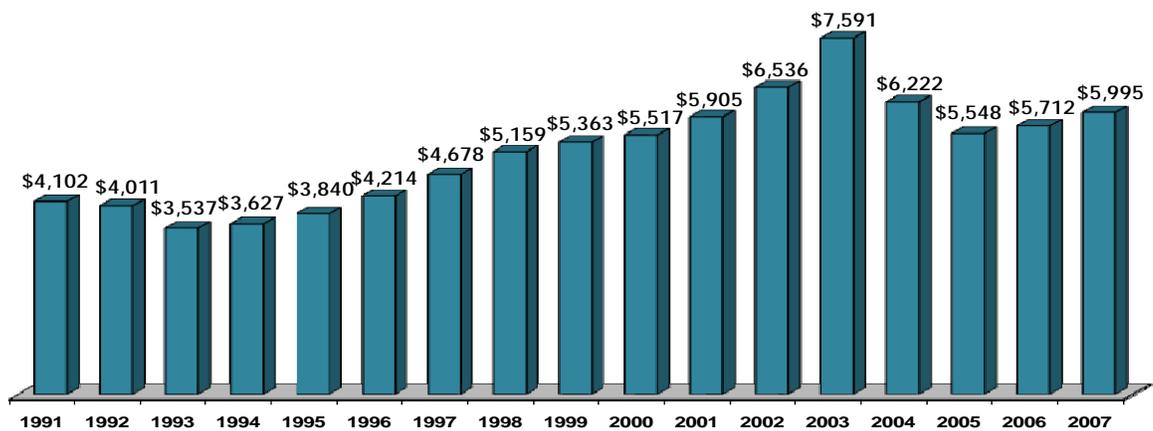


Data Source: DIR Self-Insurance Plans

Incurring Cost per Indemnity and Medical Claim

The average cost of all claims, including both indemnity claims and medical-only claims, is naturally lower than the average cost of indemnity claims. While lower, it shows a pattern similar to the trends for indemnity claims. The rate of growth since 2006 has been lower for the average of all claims than for indemnity claims.

Incurring Cost Per Claim-Indemnity and Medical Private Self-Insurers



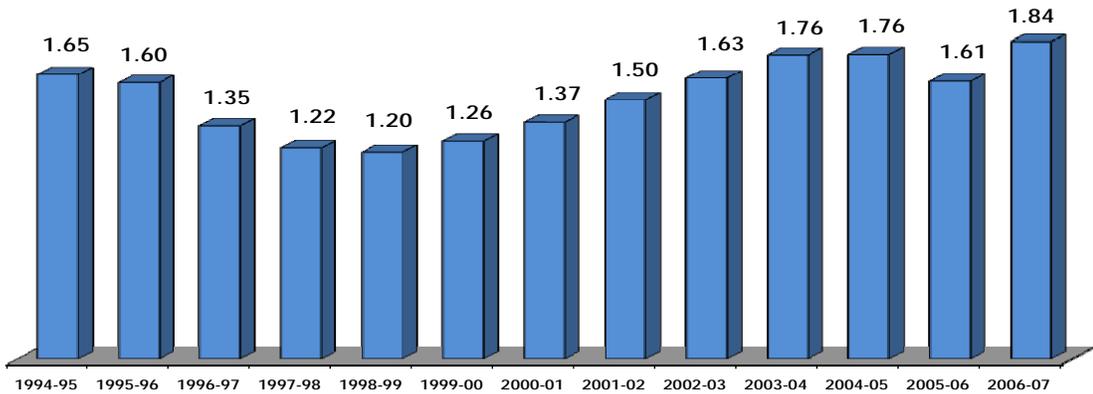
Data Source: DIR Self-Insurance Plans

Public Self-Insured Employers

Number of Employees

The following chart shows the number of public self-insured employers between fiscal years 1994-1995 and 2006-2007. The number of public self-insured employees declined between 1994-1995 and 1998-1999. Between 1998-1999 and 2003-2004, the number of employees working for public self-insured employers grew by 44 percent, then leveled off between 2003-2004 and 2004-2005, declined between 2004-2005 and 2005-2006, and increased by 14 percent in 2006-2007.

Number of Employees of Public Self-Insured Employers (Millions)

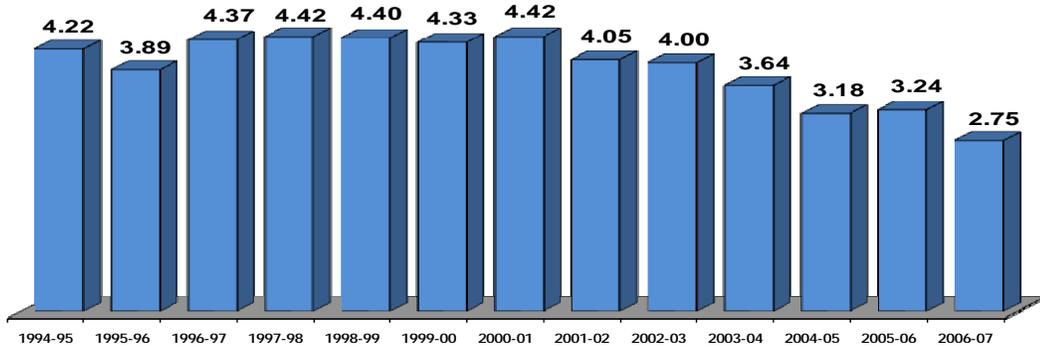


Data Source: DIR Self-Insurance Plans

Indemnity Claims

The number of indemnity claims by employees working for public self-insured employers remained steady between 1996-1997 to 2000-2001. Between 2000-2001 and 2004-2005, the number of indemnity claims decreased steadily, increased slightly between 2004-2005 and 2005-2006, then decreased again between 2005-2006 and 2006-2007 to the lowest level in the past 13 years. The rate of claims in the public sector appears to be less sensitive to the reforms which produced the marked drops in frequency in the private sector.

Number of Indemnity Claims per 100 Employees of Public Self-Insured Employers

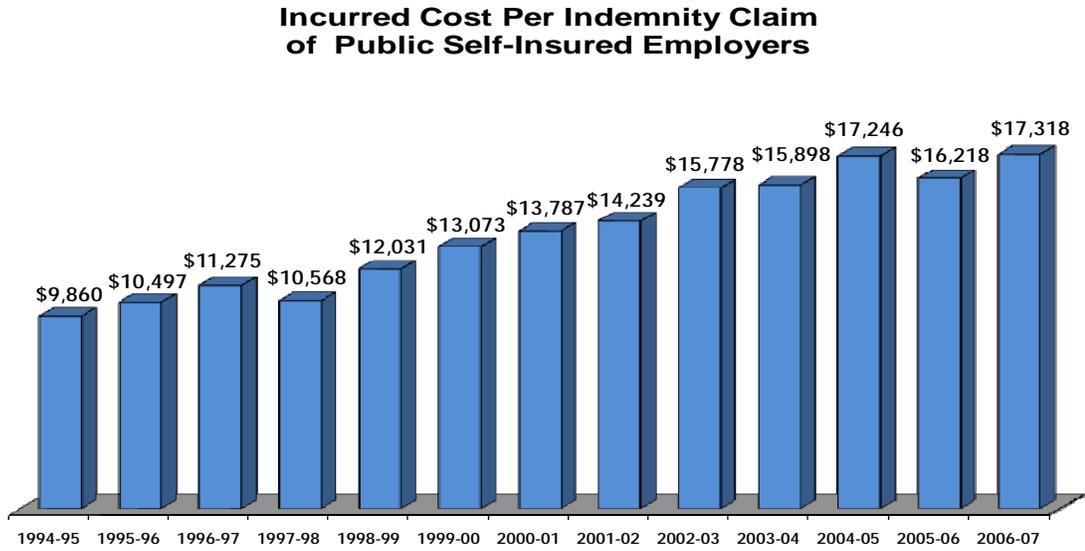


Data Source: DIR Self-Insurance Plans

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

Incurred Cost per Claim

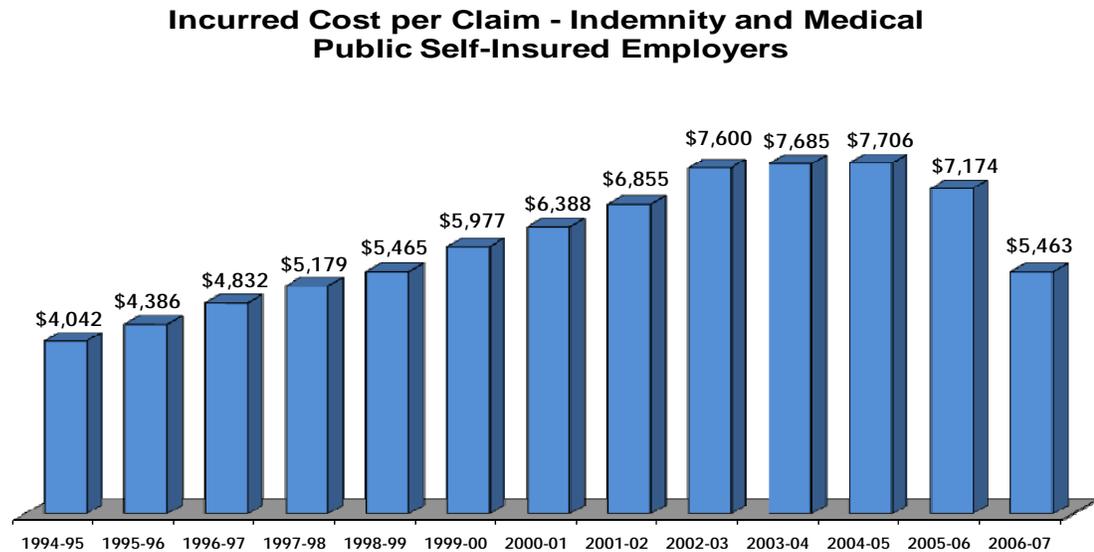
The following chart shows the incurred cost per indemnity claim for public self-insured employers. Between 1994-1995 and 2006-2007, the incurred cost per indemnity claim increased by about 76 percent from \$9,860 to \$17,318.



Data Source: DIR Self-Insurance Plans

Incurred Cost per Indemnity and Medical Claim

The following chart shows the incurred cost per indemnity and medical claim for public self-insured employers. Between 1994-1995 and 2002-2003, the incurred cost per indemnity and medical claim nearly doubled, leveled off between 2003-2004 and 2004-2005, and then decreased by 29 percent between 2004-2005 and 2006-2007.



Data Source: DIR Self-Insurance Plans

Medical-Legal Expenses

Changes to the medical-legal process over the years have been intended to reduce both the cost and the frequency of litigation. Starting in 1989, legislative reforms restricted the number of medical-legal evaluations needed to determine the extent of PD. The qualified medical evaluator (QME) designation was intended to improve the quality of medical evaluations in cases where the parties did not select an agreed medical evaluator (AME). Legislation in 1993 attempted to limit workers' compensation judges to approving the PD rating proposed by one side or the other (Labor Code Section 4065, known as "baseball arbitration"). In addition, the 1993 legislation established a presumption in favor of the evaluation by the treating physician (Labor Code Section 4602.9), which was expected to reduce litigation and reduce costs.

In 1995, CHSWC contracted with the Survey Research Center at the University of California (UC), Berkeley, to assess the impact of workers' compensation reform legislation on the workers' compensation medical-legal evaluation process.

This ongoing study has determined that during the 1990s, the cost of medical-legal evaluations dramatically improved. As shown in the following discussion, this was due to reductions in all the factors that contribute to the total cost. However, baseball arbitration proved to be impractical and the treating physician's presumption turned out to cost more than it saved. AB 749, enacted in 2002, repealed baseball arbitration and partially repealed the primary treating physician's presumption, except when the worker had pre-designated a personal physician or personal chiropractor for injuries occurring on or after January 1, 2003. This partial repeal was carried further by SB 228 enacted in 2003 to all dates of injury, except in cases where the employee has pre-designated a personal doctor or chiropractor. Finally, in 2004, SB 899 completely repealed Labor Code treating physician's presumption.

The reforms of SB 899 also changed the medical dispute resolution process in the workers' compensation system by eliminating the practice of each attorney obtaining a QME of his or her own choice. The new reform provisions of 2004 were intended to reduce the number of medical evaluations needed and required that the dispute resolution process through an AME or a single QME applies to all disputes including compensability of claim, PD evaluation, and all other disputes.

In cases where attorneys do not agree on an AME, SB 899 limits the attorneys to one QME jointly selected by process of elimination from a state-assigned panel of three evaluators. The new procedure for represented cases applies to dates of injury on or after January 1, 2005. In cases without attorneys, the injured worker selects the QME from the state-assigned panel, similar to the process established since 1989 for non-attorney cases.

After a significant decrease of medical-legal expenses starting in 1989 when legislative reforms restricted the number and lowered the cost of medical-legal evaluations, there was again some increase in average medical-legal costs beginning in the 2000 accident year. In 2005, the average cost of medical-legal evaluations was \$1,162 or 33 percent increase compared to the 2004 accident year, and it reached its highest level since 1989.

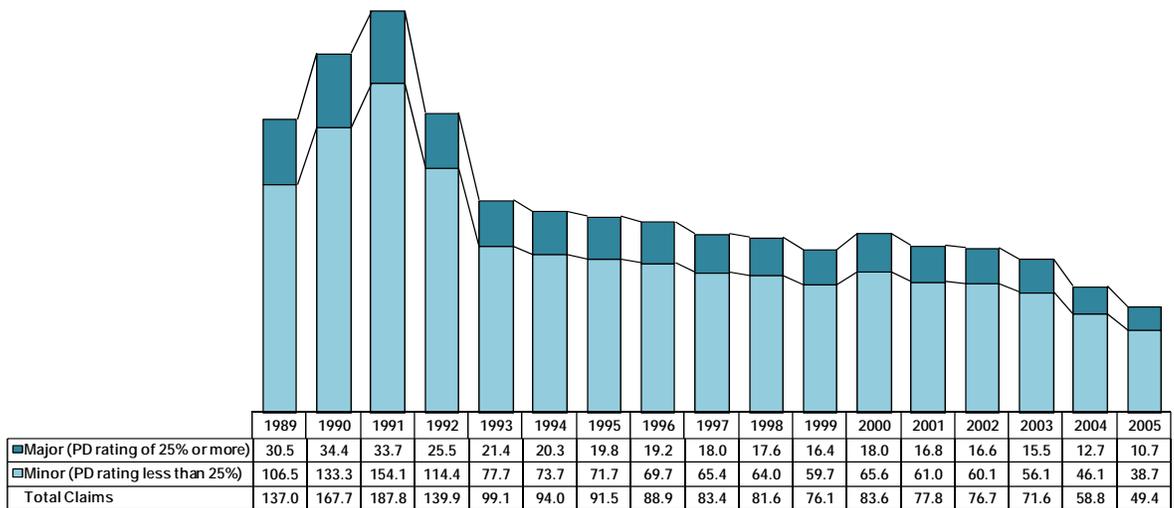
The medical-legal analysis that follows uses the latest 2005 data from the WCIRB Permanent Disability Survey.

Permanent Disability Claims

The following chart displays the number of PPD claims during each calendar year since 1989. Through 1993, WCIRB created these data series from Individual Case Report Records submitted as part of the Unit Statistical Report. Since that time, the series has been discontinued, and estimates for 1994 and subsequent years are based on policy year data adjusted to the calendar year and information on the frequency of all claims, including medical-only claims, that are still available on a calendar year basis.

The data presented in the medical-legal section of this report are current and based on the latest available data through 2005.

**PPD Claims at Insured Employers by Year of Injury
(Thousands)**



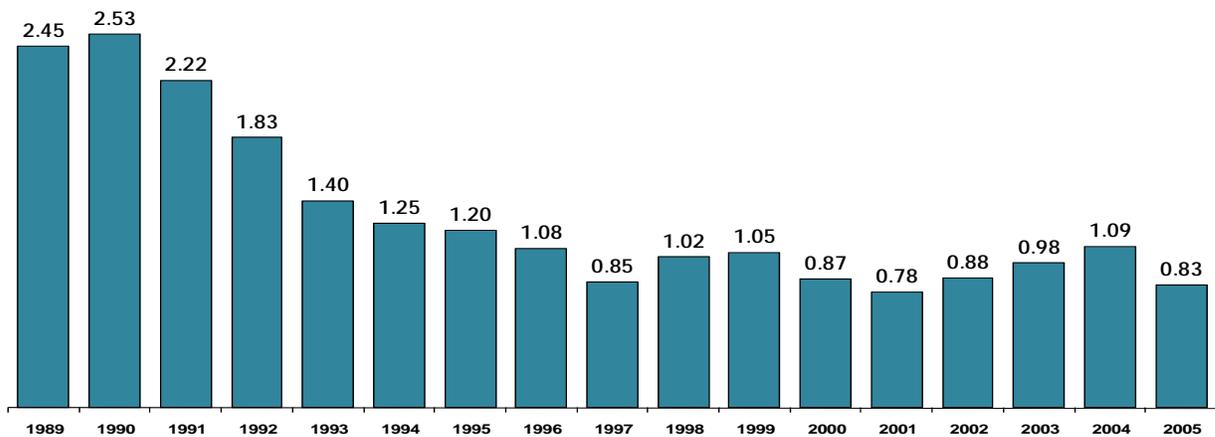
Data Source: WCIRB

Medical-Legal Evaluations per Claim

The following chart illustrates that the average number of medical-legal evaluations per claim declined from 2.45 evaluations in 1989 to 0.78 in 2001. This decline of 68 percent is attributed to a series of reforms since 1989 and the impact of efforts against medical mills.

Reforms instituted in 1993 that advanced the role of the treating physician in the medical-legal process and granted the opinions of the treating physician a presumption of correctness were expected to reduce the average number of evaluations even further. Earlier CHSWC reports evaluating the treating physician presumption did not find that these reforms had significant effect on the average number of evaluations per claim.

**Number of Medical-Legal Evaluations per Workers' Compensation Claim
(At 40 months from the beginning of the accident year)**



Data Source: WCIRB

The change in the average number of evaluations between 1993 and 1994 was almost entirely the result of improvements that occurred during the course of 1993 calendar year claims. These results were based on smaller surveys done by WCIRB when the claims were less mature. These later data involving a larger sample of surveyed claims suggest that the number of evaluations per claim continued to decline after leveling off between 1993 and 1995.

Between 2001 and 2004, the average number of medical-legal evaluations per claim increased by 29.5 percent. The increase from 2001 to 2004 could be driven by a number of factors including the impact of the new Permanent Disability Rating Schedule (PDRS).

Completion of First Medical-Legal Evaluations

According to WCIRB, the use of the *AMA Guides to the Evaluation of Permanent Impairment* has altered the expected disability award for many kinds of claimed injuries and has led to different economic incentives by the parties. The table below shows the percentages of evaluations completed in the same year as the accident year. A higher number of first medical-legal evaluations were completed in 2004 for the 2004 accident year prior to the PDRS effective 01/01/2005 compared to any other accident year. It is possible that the change in the PDRS has led to more requests for medical-legal evaluations being completed prior to the date of the new schedule.

Table: Percent of First Medical-Legal Evaluations Completed in the Accident Year

Accident Year	Percent of First Medical-Legal Evaluations Completed in the Same Year as the Accident Year
2000	21.6%
2001	19.7%
2002	20.1%
2003	18.8%
2004	25.4%
2005	15.7%

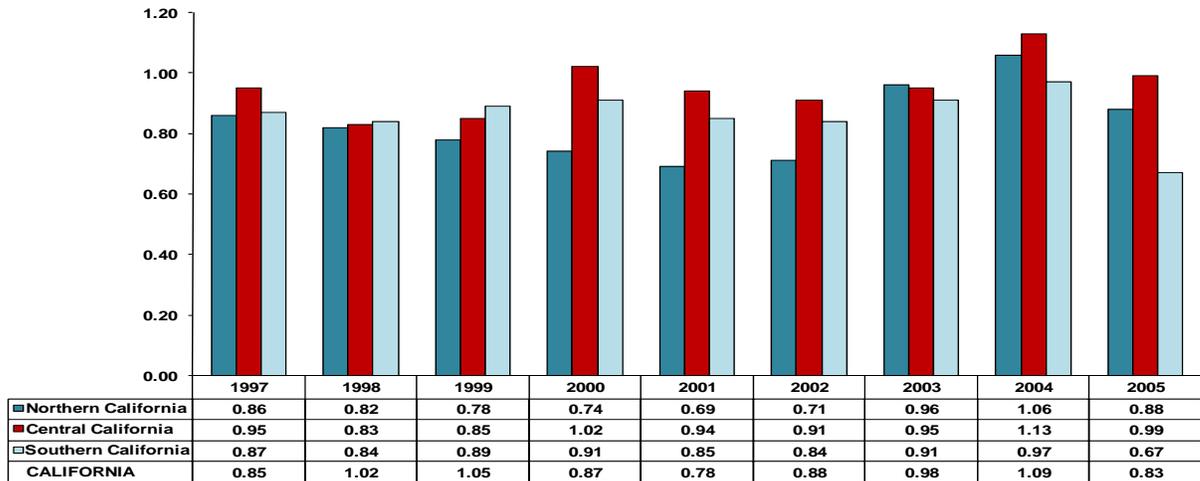
The average number of medical-legal evaluations per claim for accident year 2005 decreased by 24 percent compared to 2004 going down to the level of 1997. The decrease in evaluations was most likely due to the SB 899 provisions that instituted a new medical dispute resolution process described above. This new process became effective in April 2004 for unrepresented workers and was effective for represented workers for dates of injuries on or after January 1, 2005.

Medical-Legal Reporting by California Region

The different regions of California are often thought to have different patterns of medical-legal reporting. The revisions to the WCIRB Permanent Disability Survey, undertaken at the recommendation of CHSWC and instituted for the 1997 accident year, explored new issues. A zip code field was added to analyze patterns in different regions.

The following chart demonstrates the frequency with which medical-legal evaluations were used between 1997 and 2005 in different regions. The period from 1997 and 1999 did not indicate any significant difference in frequency across the State's major regions. However, as the number of evaluations per claim continued to decline between 2000 and 2002, the differences between regions became more pronounced. Between 2002 and 2004, the average number of medical-legal evaluations per claim for each region increased, and then decreased again from 2004 to 2005, with the lowest 0.68 medical-legal evaluations per claim in nine years for Southern California due to SB 899.

Average Number of Medical-Legal Evaluations per Claim by Region (at 34 months after beginning of accident year)



Data Source: WCIRB

Different regions of California have different patterns of medical-legal reporting. Also, regions with a higher share of workers' compensation claims in the system have a bigger impact on the average number of medical-legal evaluations per claim and average cost of medical-legal evaluations in the state. As the table below indicates, the Southern California region has the highest number of workers' compensation claims in the system, followed by Northern California.

Usually, the Southern California region had higher numbers for both the average cost per evaluations and the average number of evaluations per claim than the Northern California region. However, starting with 2003, the number of medical-legal evaluations per claim in the Northern California region grew higher than in the Southern California region. This pattern repeated in 2005, when the average number of evaluations per claim for the Southern California region decreased to 0.68, lowering the average number of evaluations per claim in California to the level of 1997 accident year. The number of medical-legal evaluations per claim in the Central California region was the highest among all three regions in 2000-2002, and excluding only 2003, again in 2004-2005.

Share of each region in total number of claims in random samples			
	2003 1 st level	2004 1 st level	2005 1 st level
Southern	58.6%	58.1%	63.1%
Central	16.5%	16.3%	13.5%
Northern	24.9%	25.7%	23.4%

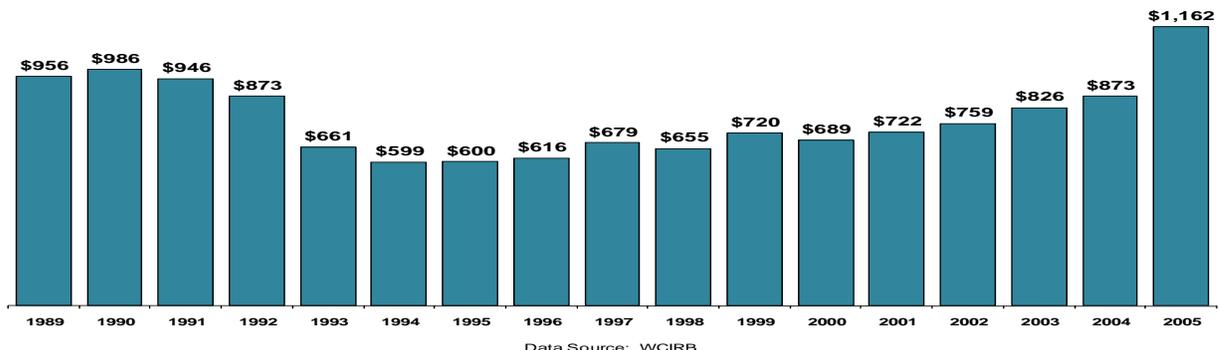
Average Cost per Medical-Legal Evaluation

The average cost of medical-legal evaluation per claim declined from 1990 to the mid-1990s and then increased from the mid-1990s to 2000 by 15 percent. Between 2000 and 2004, the average cost of a medical-legal evaluation increased to the same level as in 1992, an increase of 27 percent.

There are two reasons why the average cost per medical-legal evaluation declined from 1990 to 1995. First, substantial changes were made to the structure of the Medical-Legal Fee Schedule that reduced the rates at which medical-legal evaluations are reimbursed. These restrictions were introduced in early 1993 and enforced at the beginning of August 1993.

Second, during this period, the average cost of a medical-legal evaluation was also being affected by the frequency of psychiatric evaluations. On average, psychiatric evaluations are the most expensive evaluations by specialty of provider. The relative portion of all evaluations that is made up of psychiatric evaluations has declined since hitting a high during 1990-1991, leading to a substantial improvement in the overall average cost per evaluation

**Average Cost of a Medical-Legal Evaluation
(Evaluated at 40 months of accident year)**

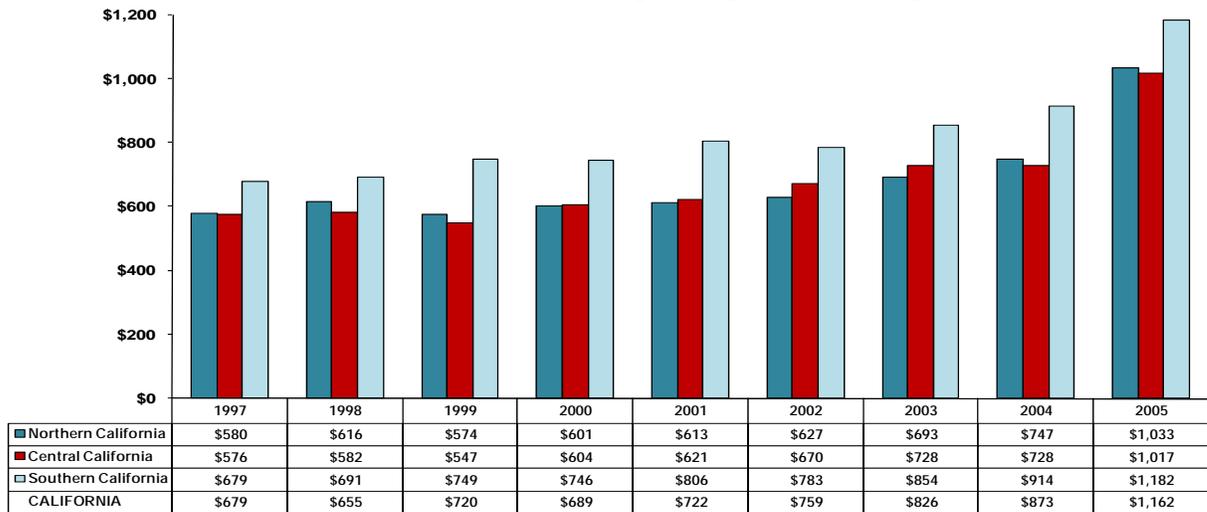


SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

In 2005, the average cost of a medical-legal evaluation increased by 33 percent compared to 2004 medical-legal evaluations and reached its highest level since 1989.

Since the mid-1990s, the average cost of a medical-legal evaluation has increased, even though the reimbursement under the Official Medical Fee Schedule (OMFS) changed since 1993.⁵ The revised PD Survey by WCIRB includes additional questions that reveal some of the potential causes of this increase in costs. The changes indicate various types of fee schedule classifications as well as geography factors.⁶

**Average Cost of a Medical-Legal Evaluation by Region
(at 34 months after beginning of accident year)**



Data Source: WCIRB

The survey data show that, on average, evaluations done in Southern California have always been substantially more expensive. Increases in the average cost are being driven by claims in Southern California as can be seen from the table below.

Table: Regional Contributions to the Increase of the Average Medical-Legal Costs: 2000-2005

Region	Distribution of Medical-Legal Evaluations by Region in 2000	Distribution of Medical-Legal Evaluations by Region in 2005	Change in Average Cost 2000-2004	Contribution of Each Region to the Average Cost
Southern California	58.6%	55.7%	\$576	68%
Central California	16.5%	17.4%	\$414	15%
Northern California	24.5%	26.9%	\$286	16%

⁵ The new Medical-Legal Fee Schedule became effective for dates of service on or after July 1, 2006.

⁶ Issues for injury years before 1997 cannot be examined because the WCIRB survey revision of that year prevents comparisons.

Cost Drivers

The primary cost driver for California and its Southern region is not the price paid for specific types of evaluations. Rather, the mix of codes under which the evaluations are billed has changed to include a higher percentage of the most complex and expensive evaluations and fewer of the least expensive type.⁷ The two tables below show the costs and description from the Medical-Legal Fee Schedule.

Table: Medical-Legal Evaluation Cost for Dates of Service before July 1, 2006⁸

Evaluation Type	Amount Presumed Reasonable
ML-101 Follow-up/ Supplemental	\$250
ML-102 Basic	\$500
ML-103 Complex	\$750
ML-104 Extraordinary	\$200/hour

Table: Medical-Legal Evaluation Cost for Dates of Service on or after July 1, 2006

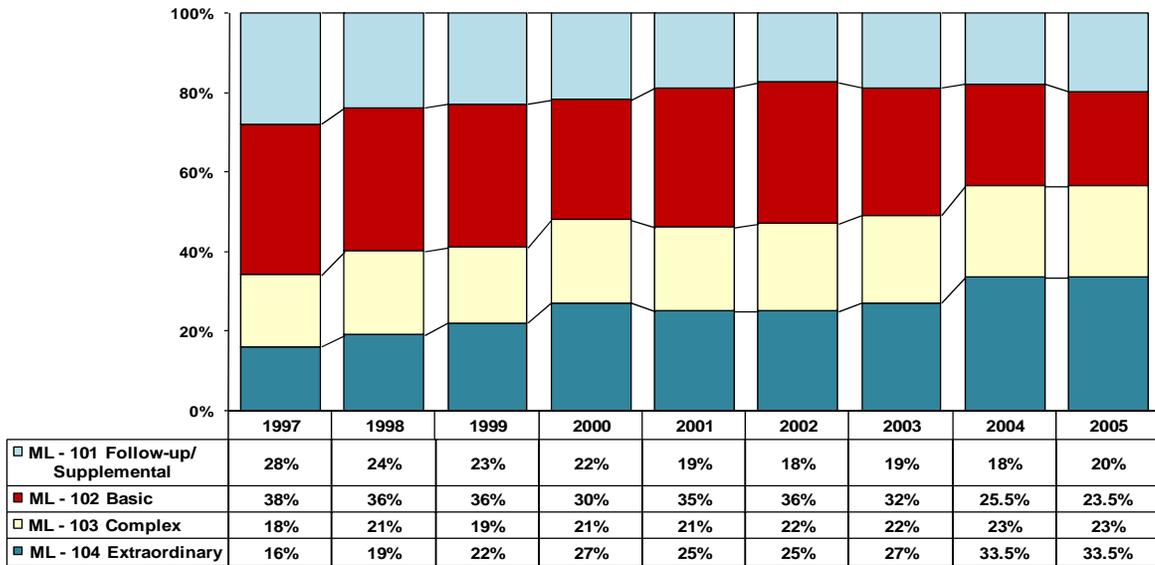
Evaluation Type	Amount Presumed Reasonable
ML-101 Follow-up/Supplemental	\$62.50/15 minutes or \$250/hr
ML-102 Basic	\$625
ML-103 Complex	\$937.50
ML-104 Extraordinary	\$62.50/15 minutes or \$250/hr

The following two charts indicate that the distribution of evaluations both in Southern California and California as a whole has shifted away from ML-101 evaluations to include a higher percentage of ML-04 evaluations with "Extraordinary" complexity. Evaluations with "Extraordinary" complexity increased from 16 percent to 33.5 percent in Southern California and from 19 percent to 34 percent in all regions from 2000 to 2005.

⁷ WCIRB also noted that much of the increase in the average cost of a medical-legal evaluation is attributable to increases in a proportion of more complex medical-legal evaluations. Claims Subcommittee meeting minutes for July 28, 2008.

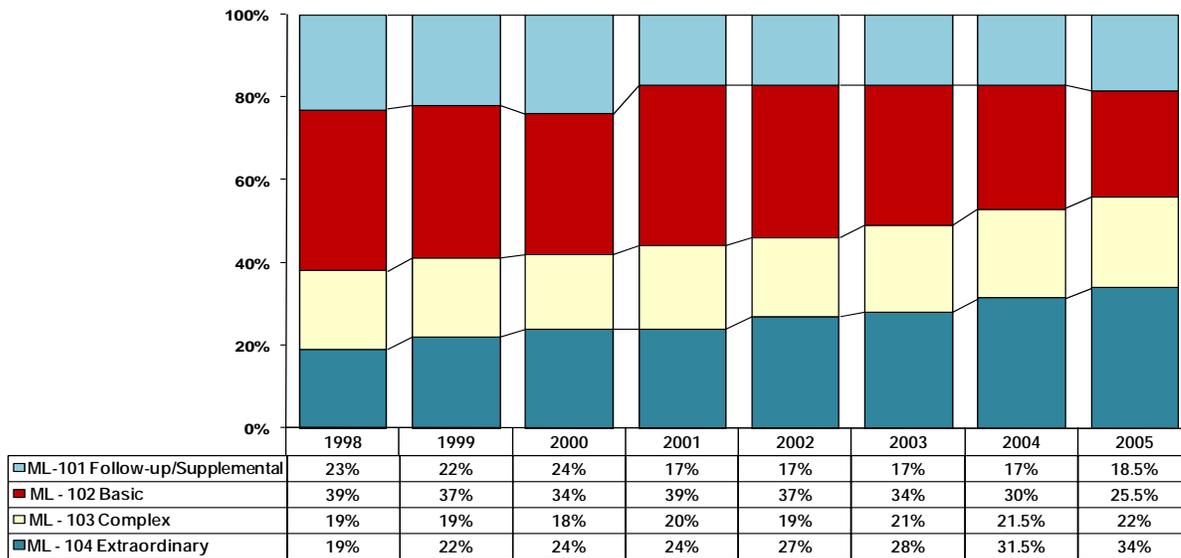
⁸ Please note that Agreed Medical Evaluators receive 25 percent more than the rates shown in both of the tables.

Distribution of Medical-Legal Evaluations by Type (Southern California)



Data Source: WCIRB

Distribution of Medical-Legal Evaluations by Type (California)

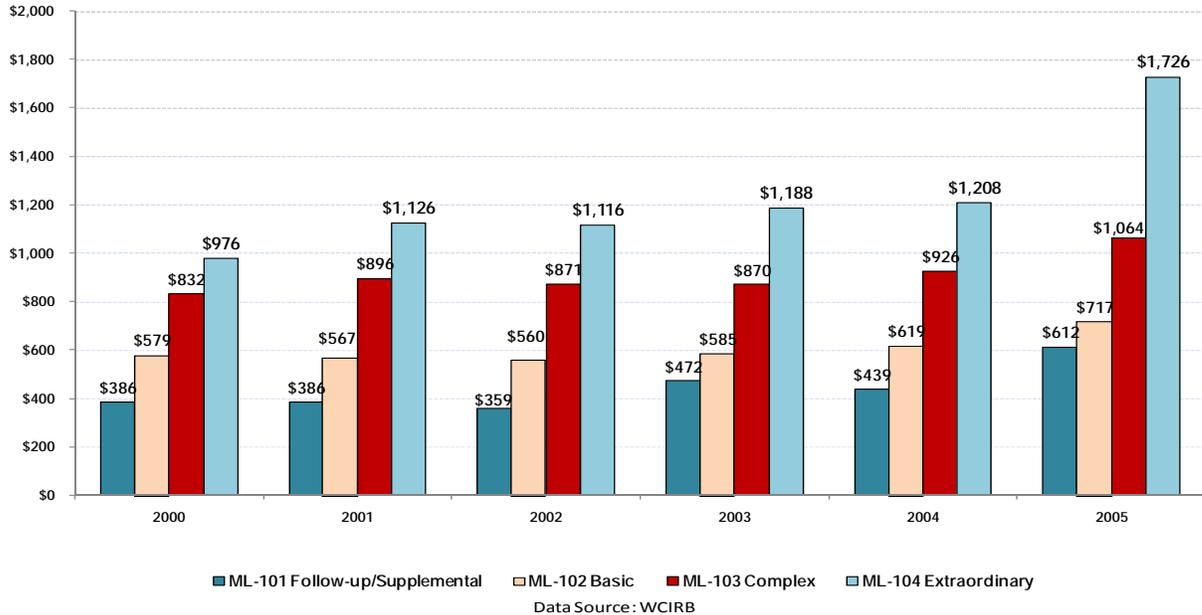


Increases to the medical-legal fee schedules for dates of services on or after July 1, 2006, could have also contributed to the higher average cost per evaluation. Medical-legal evaluations dated on or after July 1, 2006, made up about 37.7 percent of evaluations in the 2005 accident year. The chart below shows that the average cost per evaluation in each type of evaluation is higher in the 2005 accident year sample compared to 2000 accident year. The biggest increases are for the complex and extraordinary cases.

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

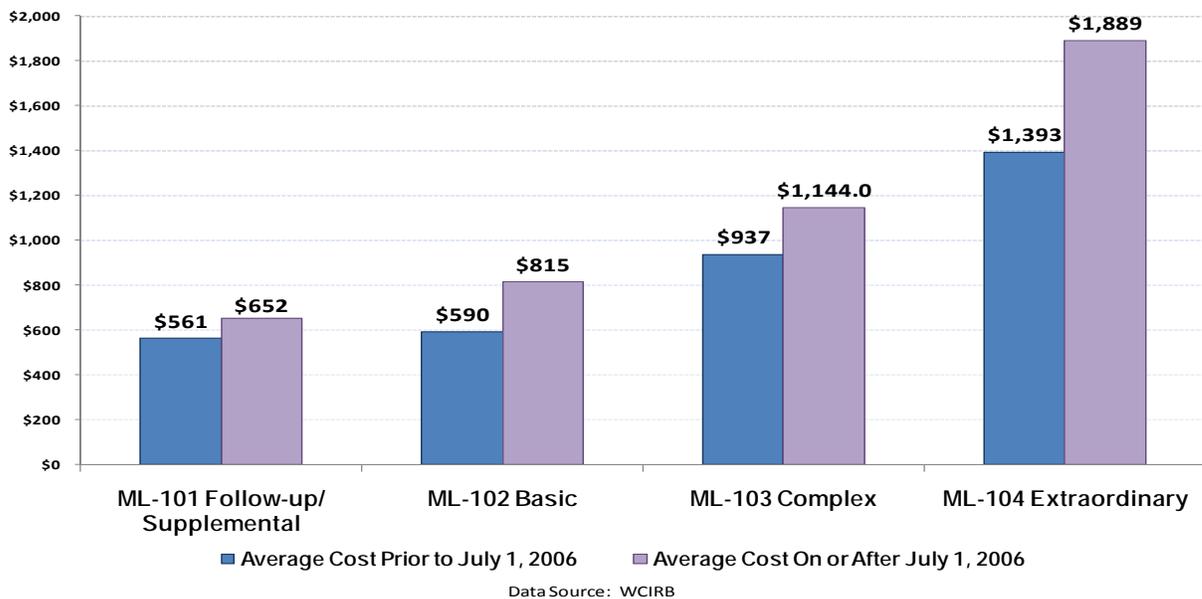
In addition, the medical-legal evaluations in 2005 accident year had both a higher average cost of Extraordinary evaluations (\$976 and \$1,726 respectively) and a higher share of Extraordinary evaluations (24 percent and 34 percent respectively) than in accident year 2000.

Average Cost of a Medical-Legal Evaluation by Type and Accident Year



The chart below shows that the average cost of Extraordinary medical-legal evaluations increased by 29 percent after July 1, 2006, when the new Medical-Legal Fee Schedule became effective.

Average Cost of Medical-Legal Evaluation by Type Before and After the Effective Date of the New Medical -Legal Fee Schedule

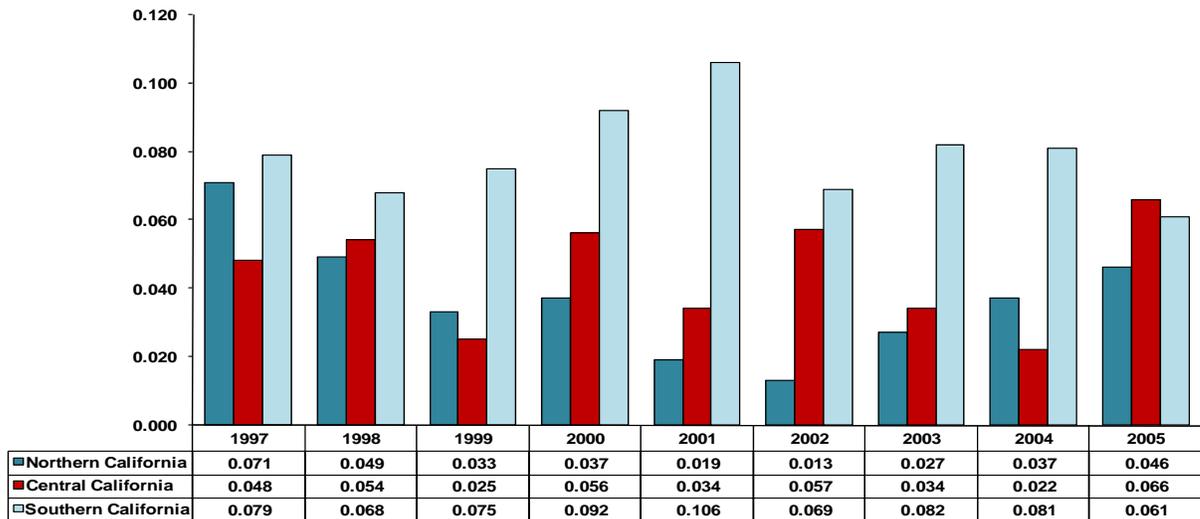


Psychiatric evaluations are nearly always billed under the ML-104 code that is the most expensive.

Another possible explanation for the differing trends in the average number of medical-legal evaluations per claim both in California and its regions and the increasing frequency of the most Complex evaluations in California is that psychiatric evaluations increased from 6.4 percent of total medical-legal evaluations in 2004 to 7.7 percent in 2005. The chart below indicates a 200 percent increase in psychiatric evaluations per report in the Central California region and 24.3 percent increase in psychiatric evaluations per report in the Northern California region. There was a 24.7 percent decrease in psychiatric evaluations per claim in the Southern California region.

At the same time, the average cost of a psychiatric evaluation increased by 32.5 percent, from \$1,775 in 2004 to \$2,351 in 2005, eliminating by that the effect of decrease in psychiatric evaluations in the Southern California region.

Average Number of Psychiatric Evaluations per PPD Claim by Region



Data Source: WCIRB

Total Medical-Legal Cost Calculation

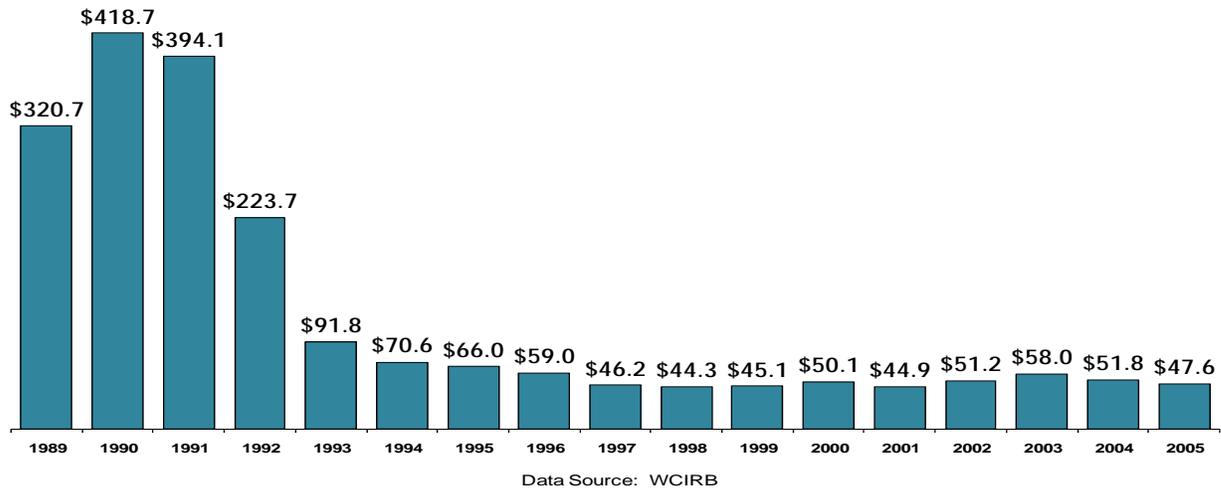
Total medical-legal costs are calculated by multiplying the number of PPD claims by the average number of medical-legal evaluations per claim and by the average cost per medical-legal evaluation:

$$\text{Total Medical-Legal Cost} = \text{Number of PPD Claims} \times \text{Average Evaluations/Claim} \times \text{Average Cost/Evaluation}$$

Medical-Legal Costs

During the 1990s, the cost of medical-legal evaluations improved dramatically. For the insured community, the total cost of medical-legal evaluations performed on PPD claims by 40 months after the beginning of the accident year declined from a high of \$419 million in 1990 to an estimated \$47.6 million for injuries occurring in 2005. This is an 88.6 percent decline since 1990.

**Medical-Legal Costs on PPD Claims at Insured Employers
(In Million \$, 40 months after beginning of accident year)**



Sources of Improvement in Medical-Legal Costs

The decline in total medical-legal costs for insurers reflects improvements in all components of the cost structure during the 1990s. As discussed in the previous sections, this substantial decline in total medical-legal costs for insurers results from significant decreases in all of the components of the cost structure. The source of savings can be attributed in equal proportion to the reduction in the number of evaluations performed per claim and the decline in PPD claim frequency.

WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

Occupational Injury and Illness Prevention Efforts

Workplace safety and health is of primary importance and the shared goal of all Californians. Ongoing cooperative efforts among workers, employers, employer and labor organizations, government agencies, health and safety professionals, independent researchers, and the public have resulted in significant reductions in workplace injuries, illnesses and deaths.

This section will discuss the numbers and incidence rates of occupational injuries and illnesses, injuries and illnesses by occupation and other factors, and the efforts to prevent occupational injuries and illnesses. Also included is an overview of the requirements and methods to record and report occupational injuries and illnesses in the United States and California.

Where data are available, comparisons among private industry, state government and local government are also included.

Occupational Injuries, Illnesses and Fatalities

The numbers of occupational injuries, illnesses and fatalities in the private sector (private industry) and the public sector (state and local government) for the past several years are displayed and discussed in this subsection. Fatality data for 2007 are preliminary as of September 2008.

Please note that "lost-work-time" occupational injury and illness cases involve days away from work, job transfer, or days of restricted work activity, and that days-away-from-work cases involve days away from work, whether or not there is also job transfer or restricted work activity.

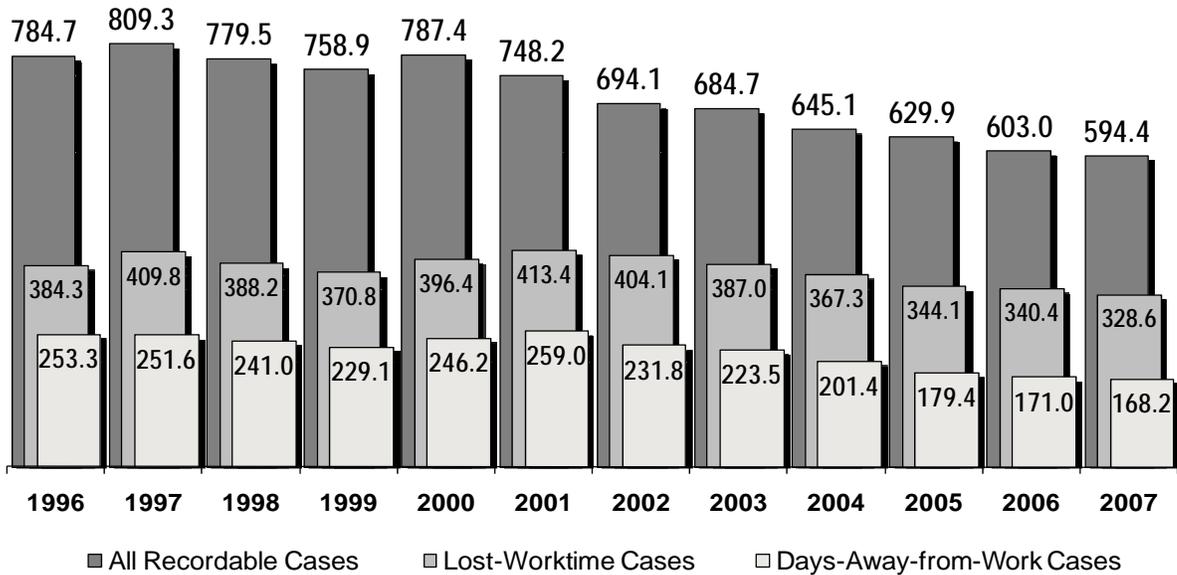
The National Academy of Social Insurance (NASI) estimated that there were 130.3 million workers covered by workers' compensation in the United States in 2006, including 15.2 million in California.

Public and Private Sectors Compared

Non-Fatal Occupational Injuries and Illnesses

The following chart shows occupational injuries and illnesses in California's private industry, state government and local government. Occupational injuries and illnesses in California have decreased noticeably in the past few years. As shown in the following chart, the number of recordable occupational injury and illness cases, the number of lost-work-time cases, and the number of days-away-from-work cases has all declined from 2000 to 2007.

California Non-Fatal Occupational Injuries and Illnesses Private Industry, State and Local Governments - Thousands of Cases

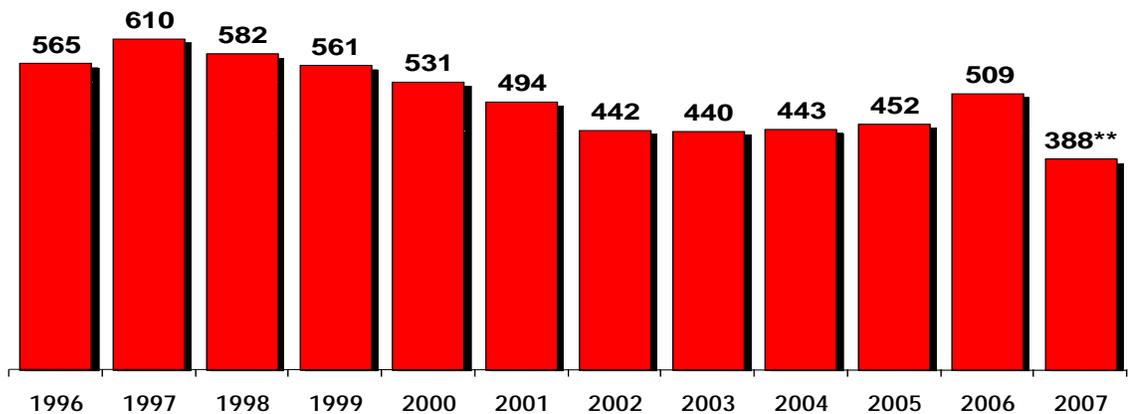


Source: DIR Division of Labor Statistics and Research

Fatal Occupational Injuries and Illnesses

Fatal occupational injuries and illnesses in California have also decreased significantly as depicted in the chart below. Fatal occupational injuries and illnesses in California declined by 27.4 percent from 1997 to 2003 and increased by 15.7 percent from 2003 to 2006. Between 2006 and 2007, fatal injuries decreased by 23.8 percent, the largest decrease within the past 10 years.

California Fatal Occupational Injuries and Illnesses Private Industry, State and Local Governments*



* Total, excluding Federal Government
** Preliminary data

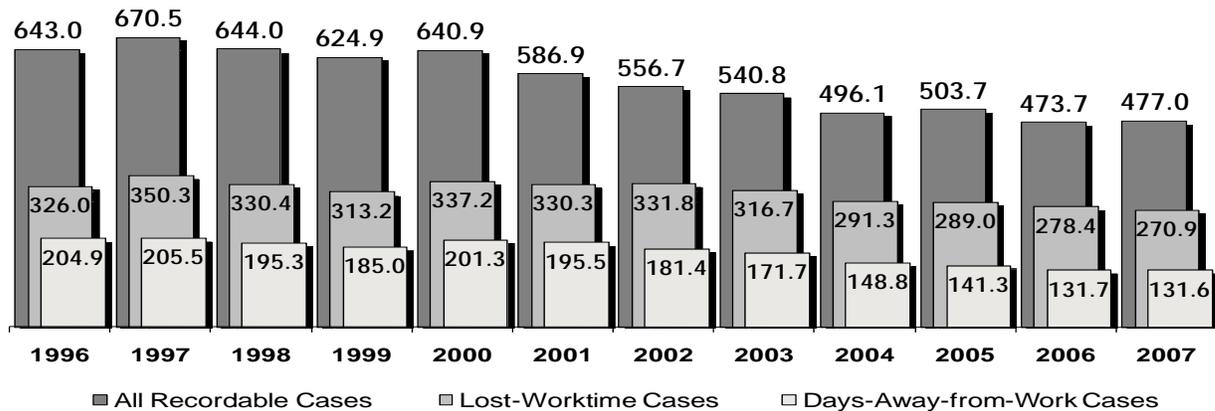
Data Source: DIR - DLSR and BLS

Private Sector

Non-Fatal Occupational Injuries and Illnesses

Occupational injuries and illnesses in California's private industry have also decreased noticeably in the past few years. The total number of recordable injury and illness cases dropped by 18.7 percent, the number of lost-work-time cases declined by 18 percent, and the number of days-away-from-work cases decreased by 32.7 percent, all from 2001 to 2007.

**California Non-Fatal Occupational Injuries and Illnesses
Private Industry - Thousands of Cases**

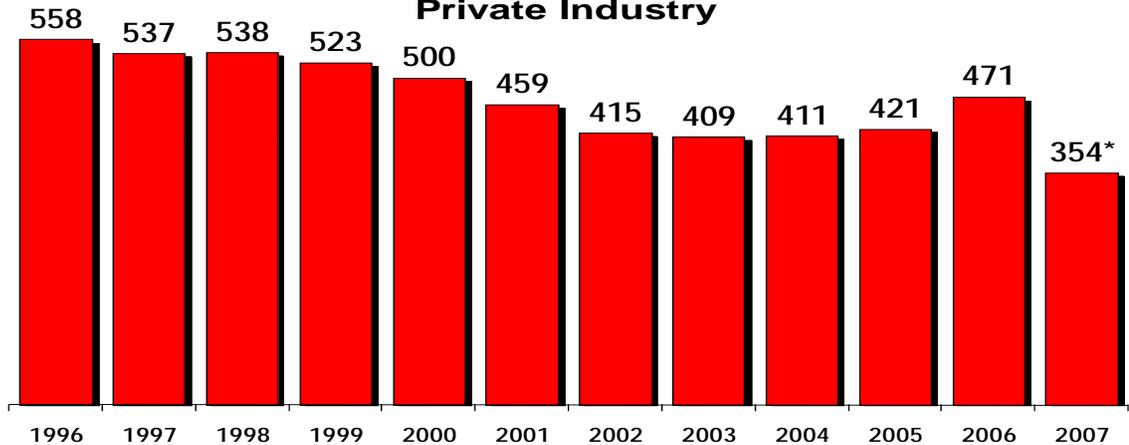


Source: DIR Division of Labor Statistics and Research

Fatal Occupational Injuries and Illnesses

From 1997 to 2003, fatal injuries in private industry decreased by 26.7 percent and increased by 15.2 percent from 2003 to 2006. The number of fatal injuries decreased by 24.8 percent in private industry from 2006 to 2007.

**California Fatal Occupational Injuries and Illnesses
Private Industry**



* Preliminary data

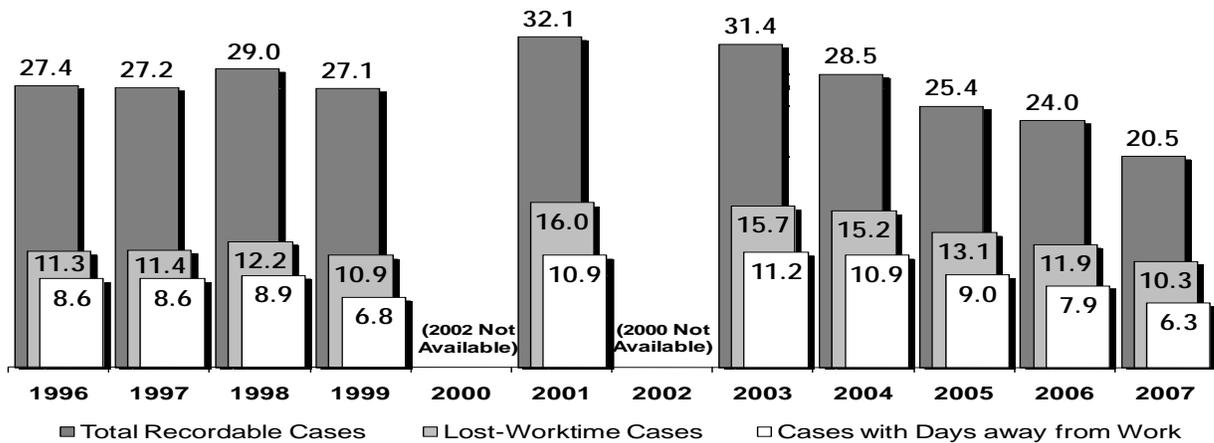
Source: DIR -DLSR and BLS

Public Sector – State Government

Non-Fatal Occupational Injuries and Illnesses

In contrast to private industry, the numbers of non-fatal occupational injuries and illnesses in state government have changed less appreciably in the past eight years, as shown on the following chart. It should be noted that many state and local government occupations are high-risk, such as law enforcement, fire fighting, rescue, and other public safety operations. However, between 2003 and 2007, the total number of cases declined by about 34.7 percent.

**California Non-Fatal Occupational Injuries and Illnesses
State Government - Thousands of Cases**

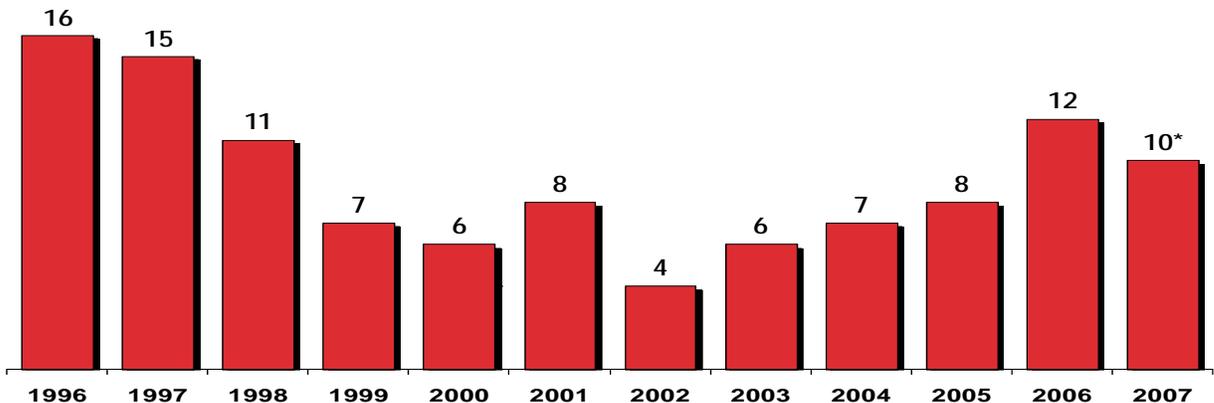


Source: DIR Division of Labor Statistics and Research

Fatal Occupational Injuries and Illnesses

Fatal occupational injuries and illnesses in California state government have decreased since the mid-1990s. The number of annual fatalities decreased from 16 in 1996 to 6 in 2000; then the average number of fatalities of 6.5 from 2000 to 2005, increased to an average of 10 from 2005 to 2007, as shown on the following chart.

**California Fatal Occupational Injuries and Illnesses
State Government**



* Preliminary data

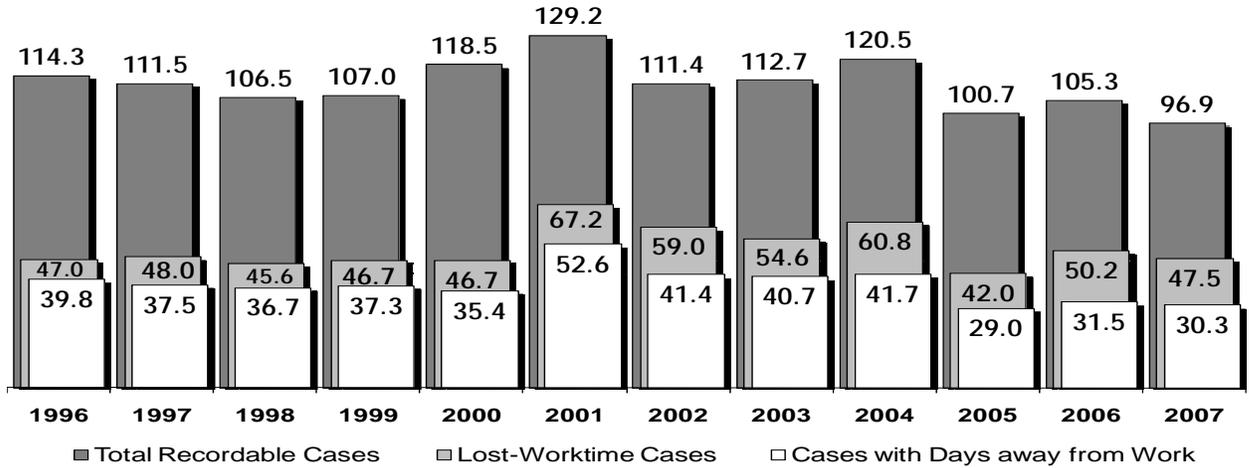
Source: DIR - DLSR and BLS

Public Sector - Local Government

Non-Fatal Occupational Injuries and Illnesses

The total number of non-fatal occupational injuries and illnesses in local governments has decreased from 2004 to 2005 by 16 percent, increased by 4.6 percent from 2005 to 2006, and again decreased by 8 percent from 2006 to 2007.

**California Non-Fatal Occupational Injuries and Illnesses
Local Government - Thousands of Cases**

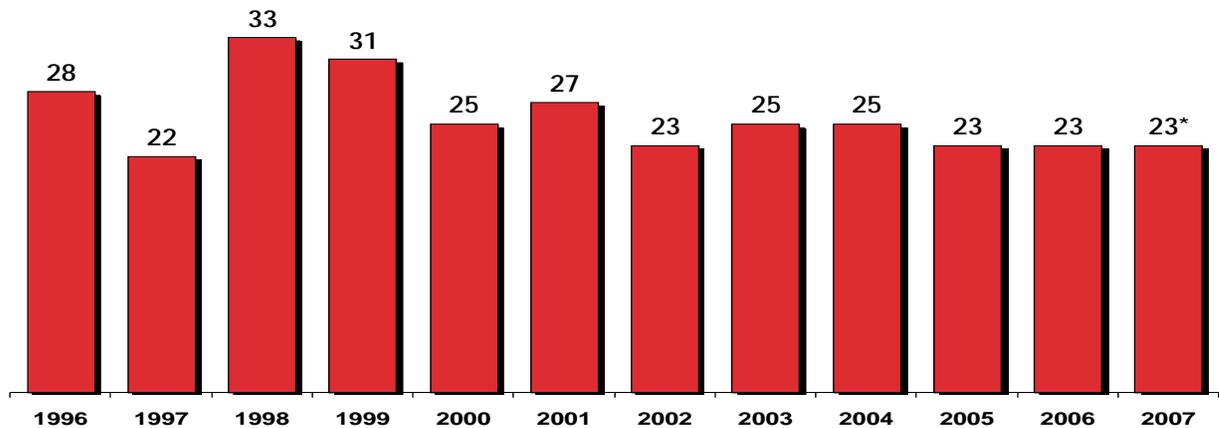


Source: DIR Division of Labor Statistics and Research

Fatal Occupational Injuries and Illnesses

The number of fatal occupational injuries and illnesses in California's local governments from 1996 to 1999 averaged 28.5, while from 2000 to 2007, the annual average was 24.25.

**California Fatal Occupational Injuries and Illnesses
Local Government**



* Preliminary data

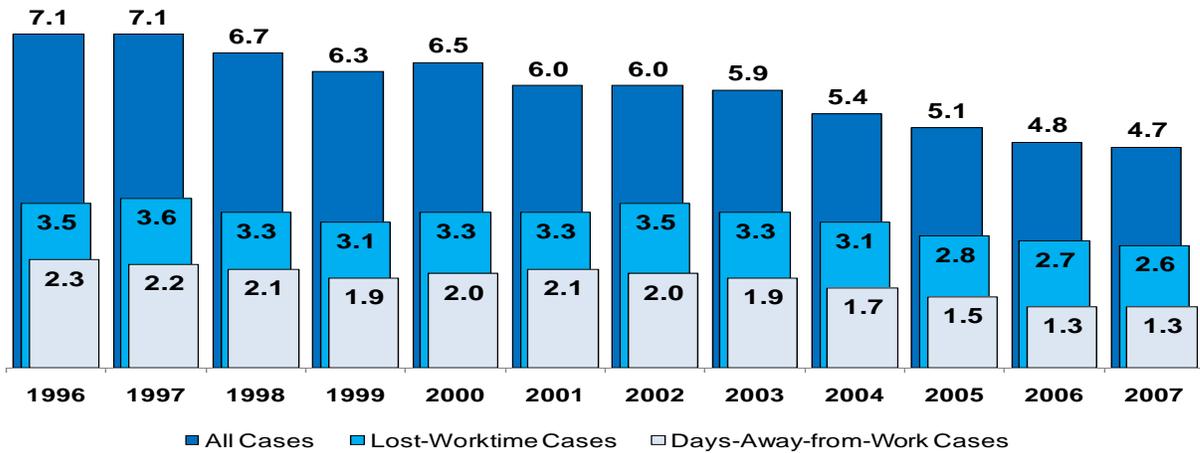
Source: DIR - DLSR and BLS

Occupational Injury and Illness Incidence Rates

Public and Private Sectors Compared

From 1996 to 2007, incidence rates for all cases and lost-work-time cases in California declined. Between 1999 and 2002, the incidence rates for days-away-from-work cases remained relatively the same but then have declined since 2002.

**California Occupational Injury and Illness Incidence Rates
(Cases per 100 Full-Time Employees)
Private Industry, State and Local Governments**

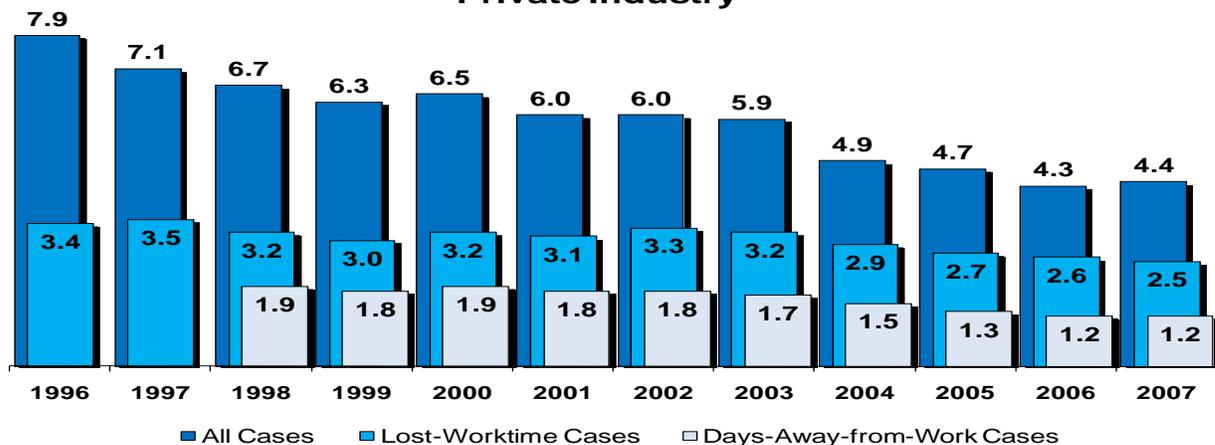


Data Source: DIR - Department of Labor Statistics and Research

Private Sector

From 1996 to 2007, the occupational injury and illness incidence rate for all cases in California's private industry declined from 7.9 to 4.4, a decrease of 44.3 percent, while the incidence rate for lost-time cases dropped from 3.4 to 2.5, a decrease of 26.5 percent.

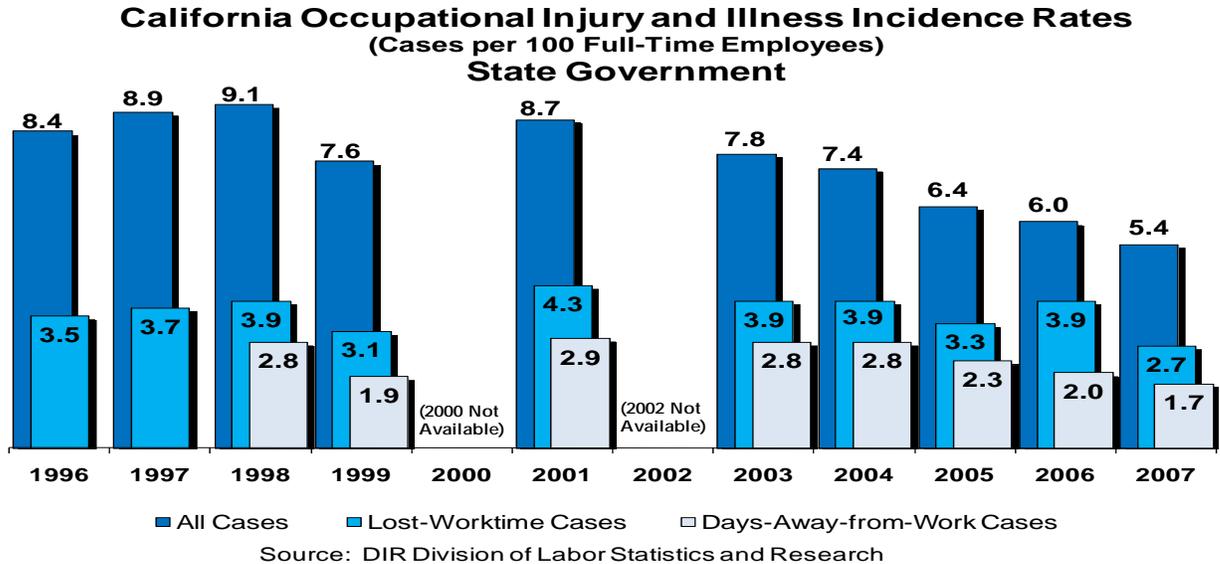
**California Occupational Injury and Illness Incidence Rates
(Cases per 100 Full-Time Employees)
Private Industry**



Source: DIR Division of Labor Statistics and Research

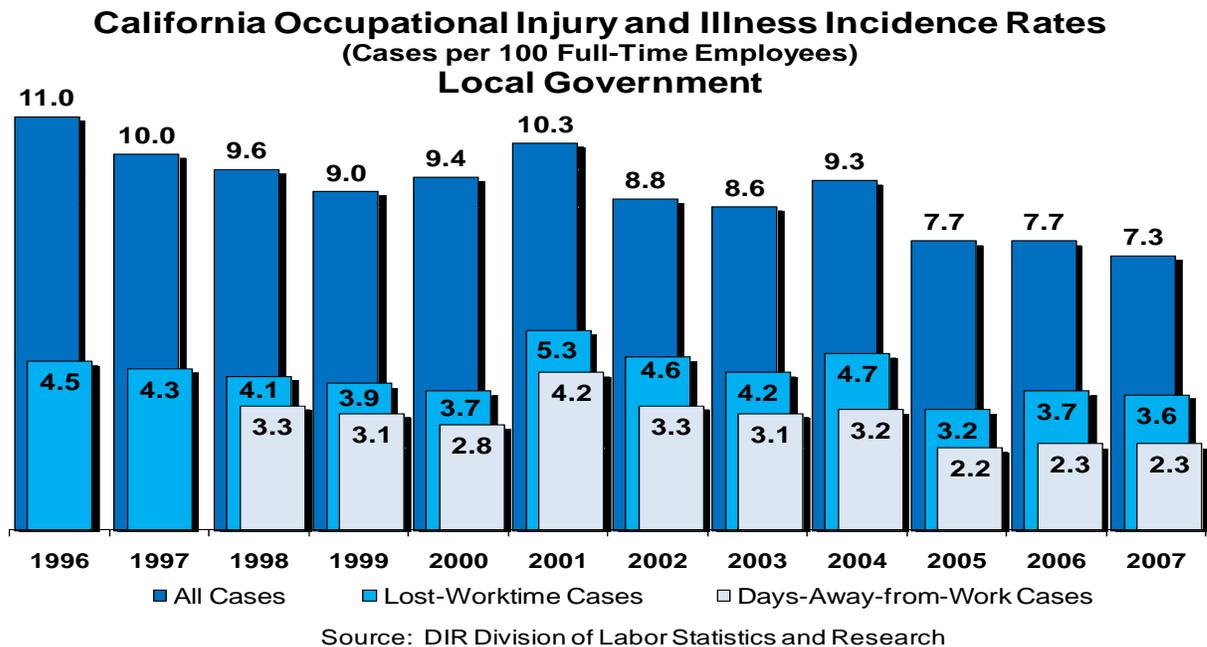
Public Sector - State Government

California state government occupational injury and illness incidence rates increased by 5 percent from 1996 to 1998 and then have declined by 41 percent between 1998 and 2007.



Public Sector – Local Government

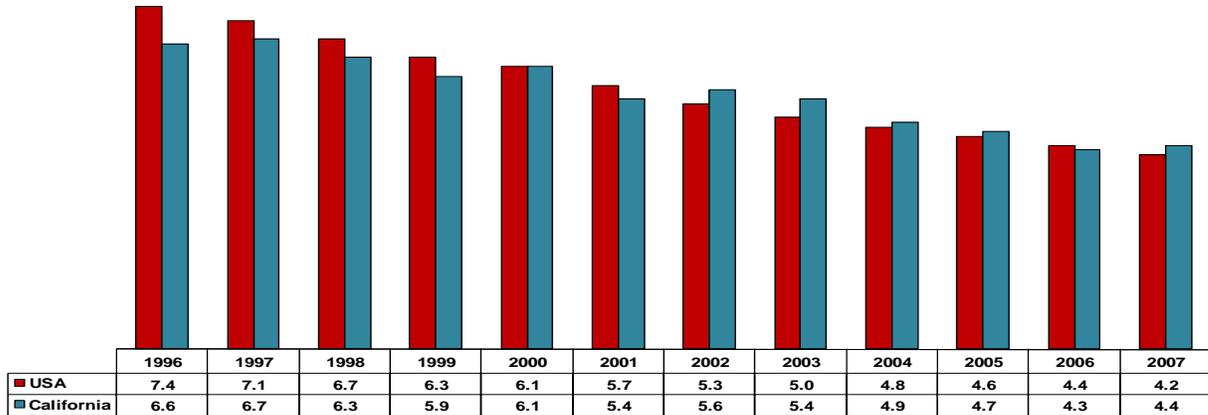
Unlike injury and illness rates for California state government where incidence rates have been generally declining for the past decade, local government occupational injury and illness incidence rates decreased from 1996 to 1999, increased through 2001, decreased through 2003, and then increased again in 2004. From 2004 to 2007, injury and illness rates decreased from 9.3 to 7.3 per 100 full-time employees, a decrease of 21.5 percent.



United States and California Incidence Rates: A Comparison

Both the United States and California have experienced a decrease in occupational injury and illness incidence rates from 1996 through 2007. During that time, the United States incidence rate dropped by 43.2 percent, while the California rate declined by 33.3 percent. Since 2002, the incidence rate in California has been mostly above the national average.

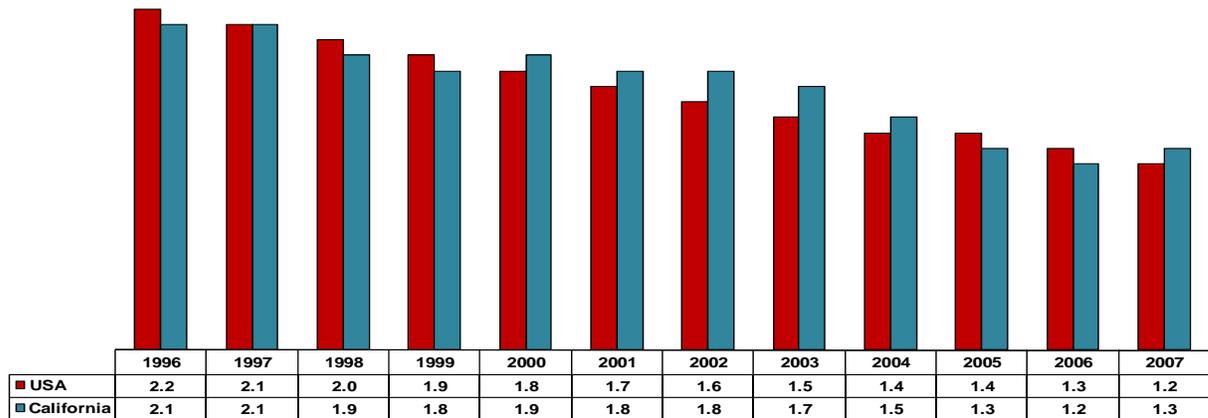
**USA and California
Injury and Illness Incidence Rate per 100 Full-Time Workers
Private Industry - Total Recordable Cases**



Source: US Department of Labor, Bureau of Labor Statistics

The incidence rate of occupational injury and illness days-away-from-work cases has also declined in the United States and California from 1996 through 2007. During that period of time, the rate for the United States decreased by 45.5 percent, while the rate dropped for California by 38 percent.

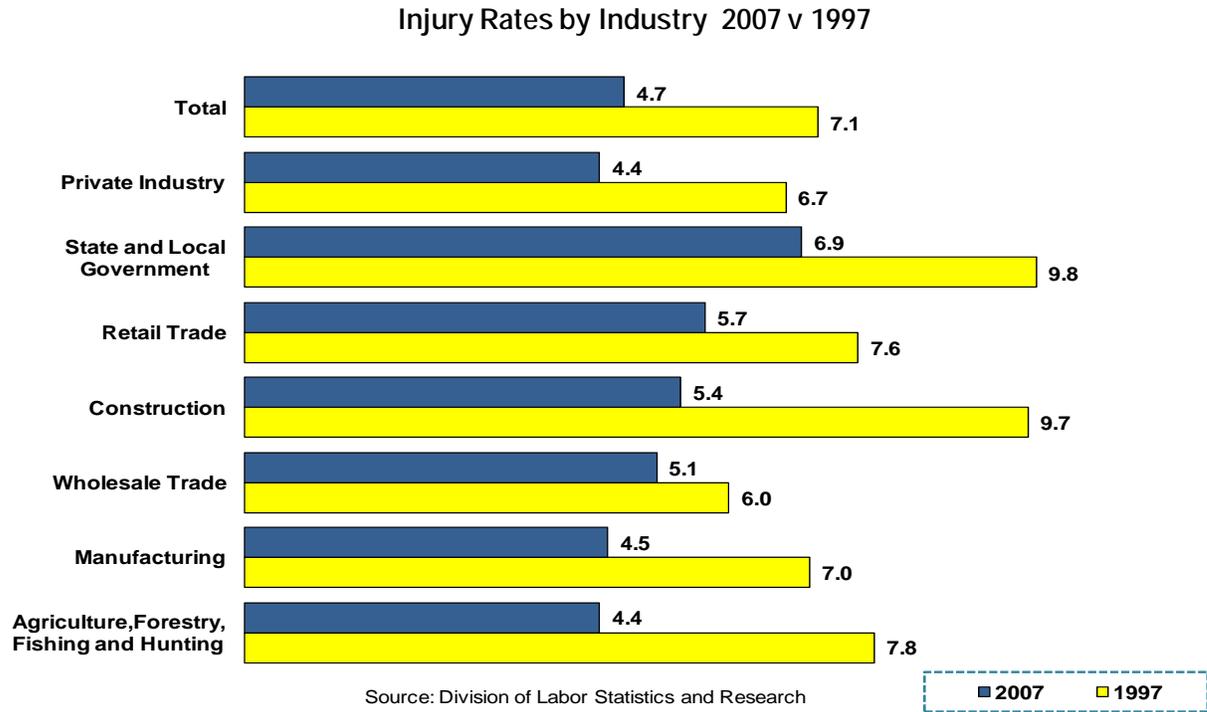
**USA and California
Injury and Illness Incidence Rate per 100 Full-Time Workers
Private Industry - Cases with Days Away from Work**



Source: US Department of Labor, Bureau of Labor Statistics

Characteristics of California Occupational Injuries and Illnesses

This section compares incidence rates by industry in 1997 with those in 2007. Not only have the overall California occupational injury and illness incidence rates declined, but also the incidence rates in major industries have declined. The following charts compare incidence rates for total recordable cases in 1997 and 2007 by type of major industry including state and local government.

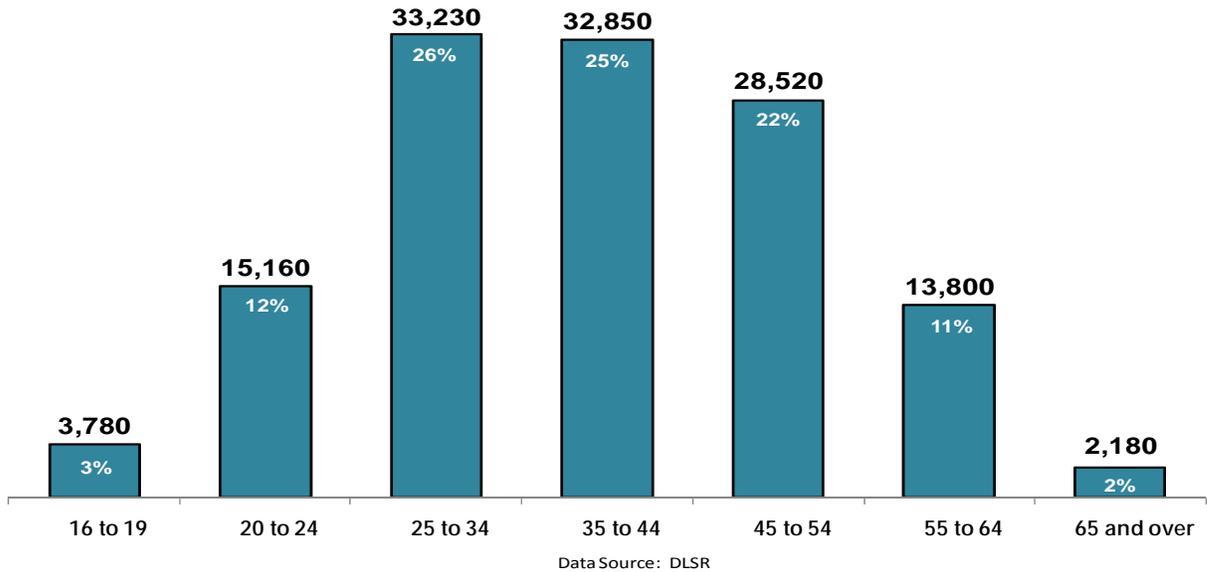


The smallest decline during this period in incidence rates was in the wholesale trade industry, and the largest decrease was in construction.

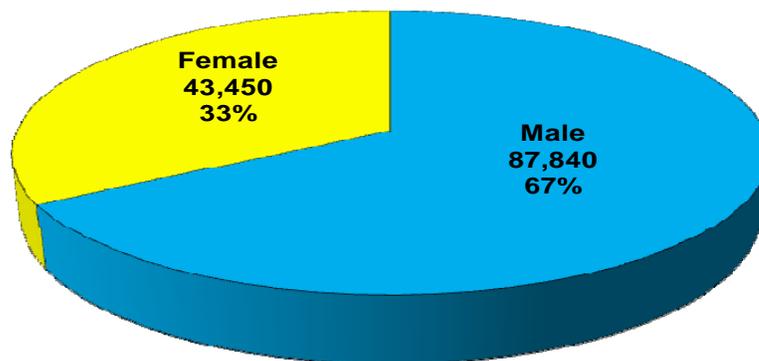
Characteristics of California Non-Fatal Occupational Injuries and Illnesses

The following charts illustrate various characteristics of non-fatal occupational injuries and illnesses in 2006 in California's private industry

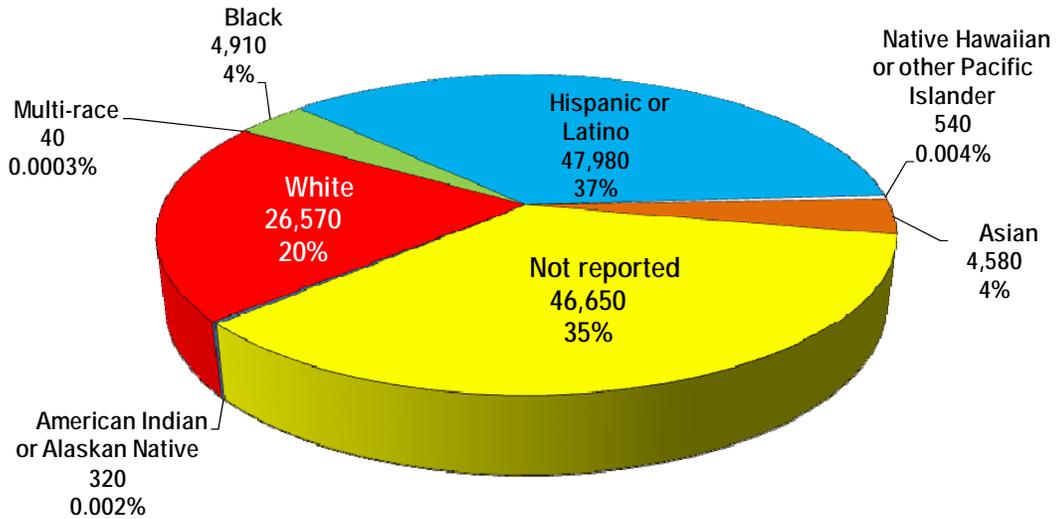
**California Non-Fatal Occupational Injuries and Illnesses
by Age of Workers - 2006**



**California Non-Fatal Occupational Injuries and
Illnesses by Gender - 2006**

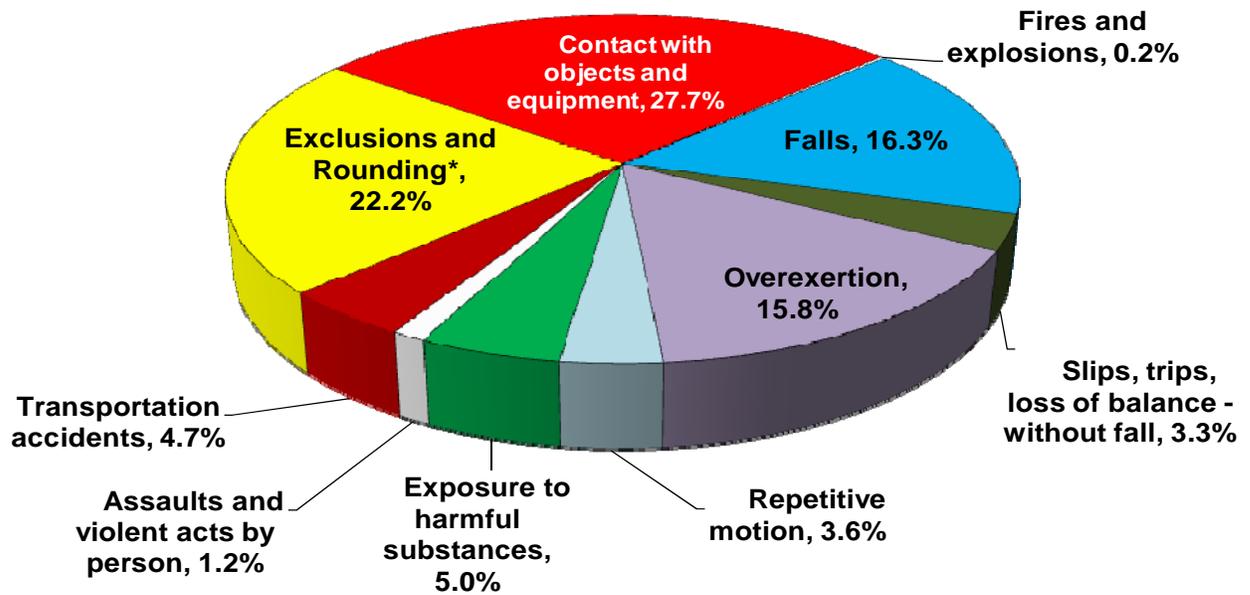


**California Non-Fatal Occupational Injuries and Illnesses
by Race or Ethnic Origin (Private) - 2006**
Total=131,590



Data Source: DLSR

California Non-Fatal Occupational Injuries and Illnesses by Event and Exposure (Private) - 2006

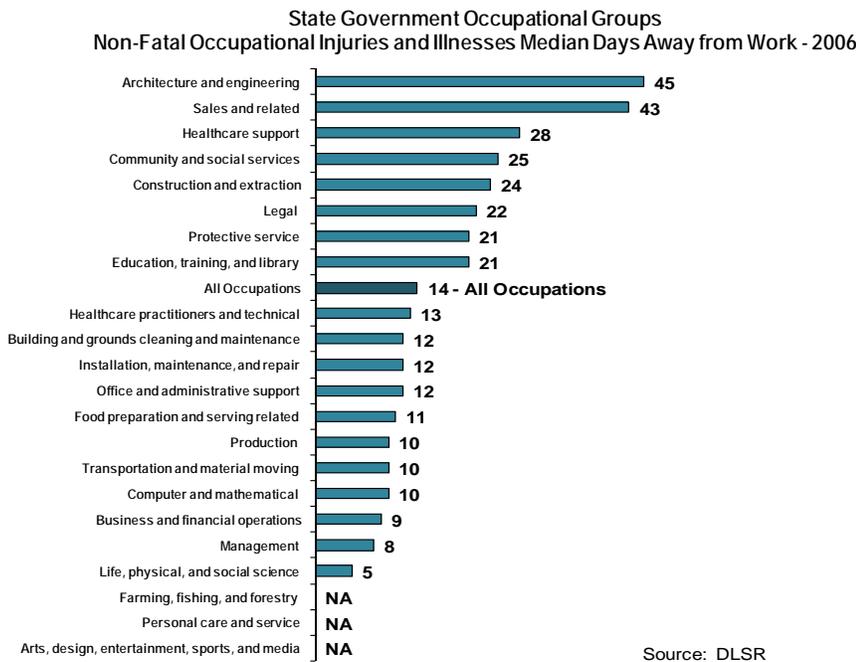
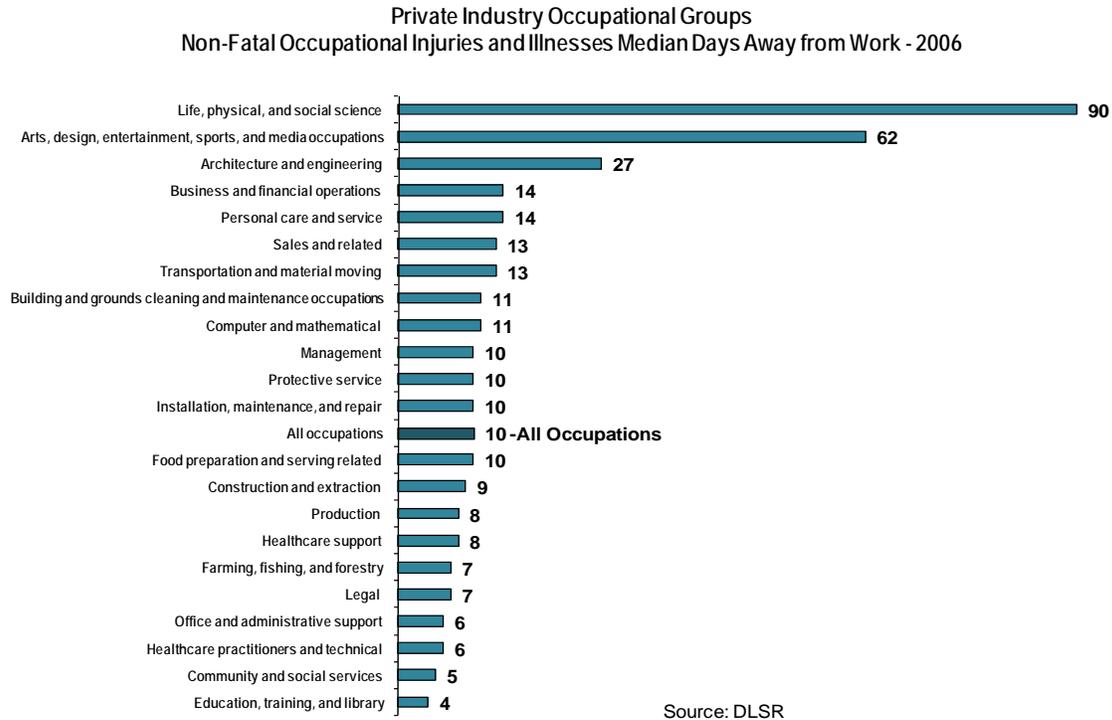


* Rounding and data exclusion of non-classifiable responses

Data Source: DLSR

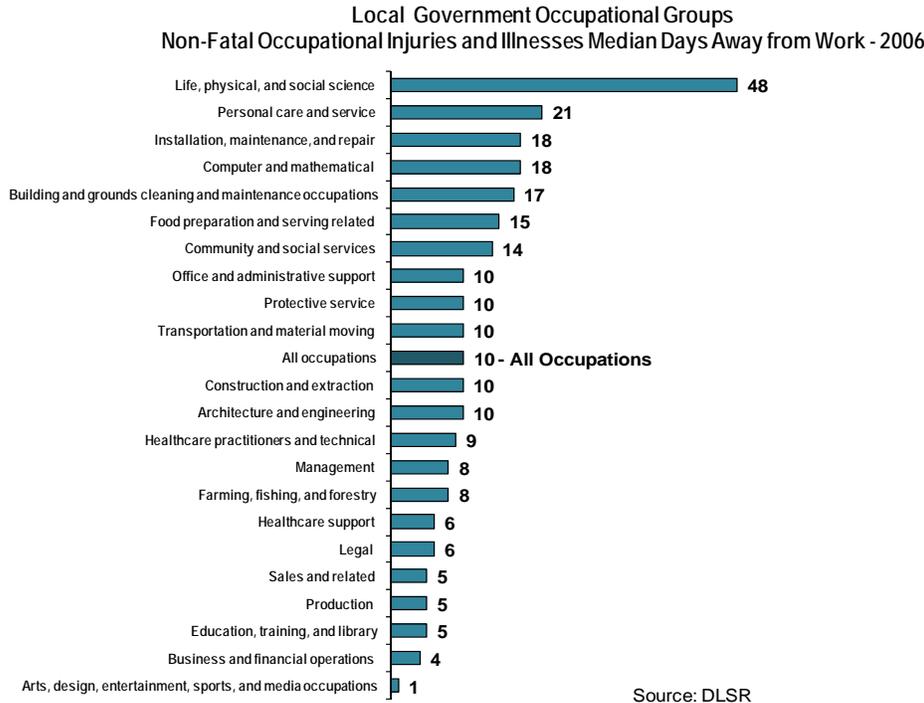
SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

The following charts compare the median days away from work for private industry occupations, state government occupations, and local government occupations. Life, physical, and social science occupations have the greatest median days away from work in the private industry and local government, but not in state government.⁹



⁹Recent data on median days away from work were available only for 2006.

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA



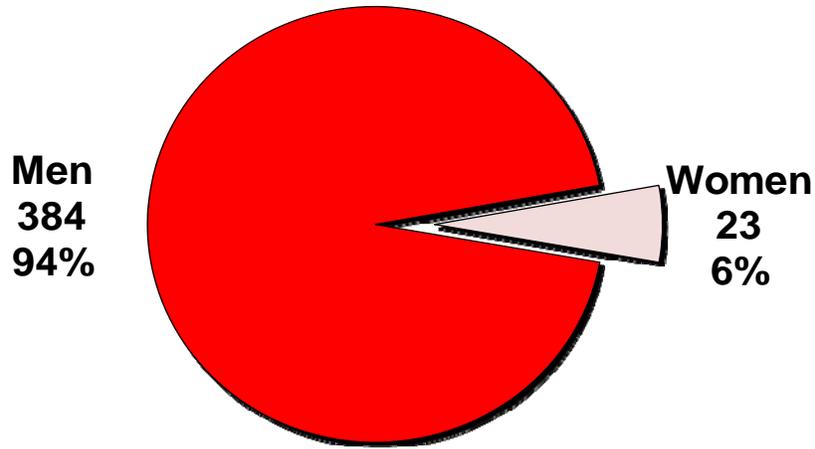
The following chart compares the number of fatalities for various occupations. The transportation and material moving occupation had the greatest number of fatalities in 2007, followed by the construction and extraction occupation.



Characteristics of California Fatal Occupational Injuries and Illnesses

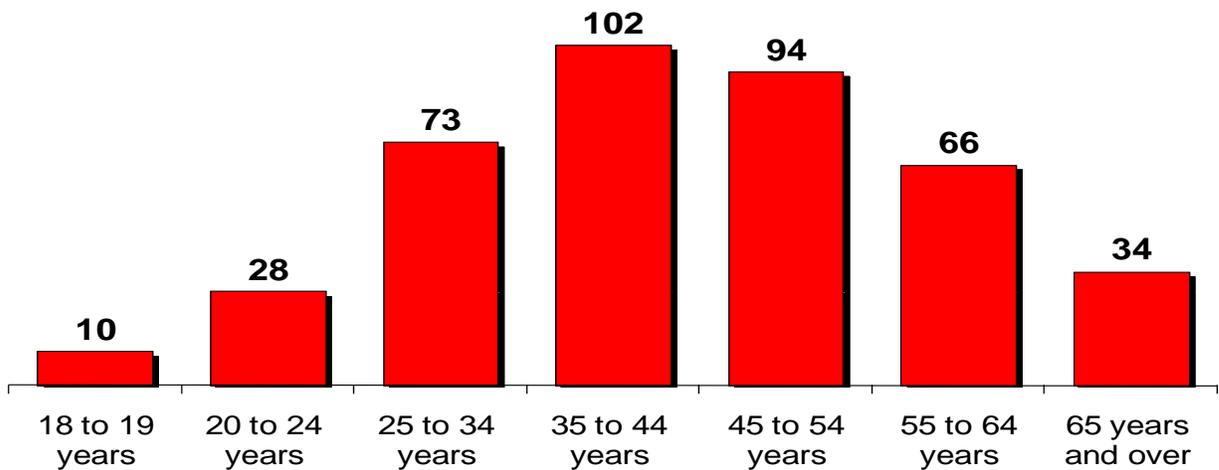
The following charts illustrate various characteristics of fatal occupational injuries and illnesses in California's private industry and federal, state and local governments.

**California Fatal Occupational Injuries and Illnesses
by Gender - 2007**



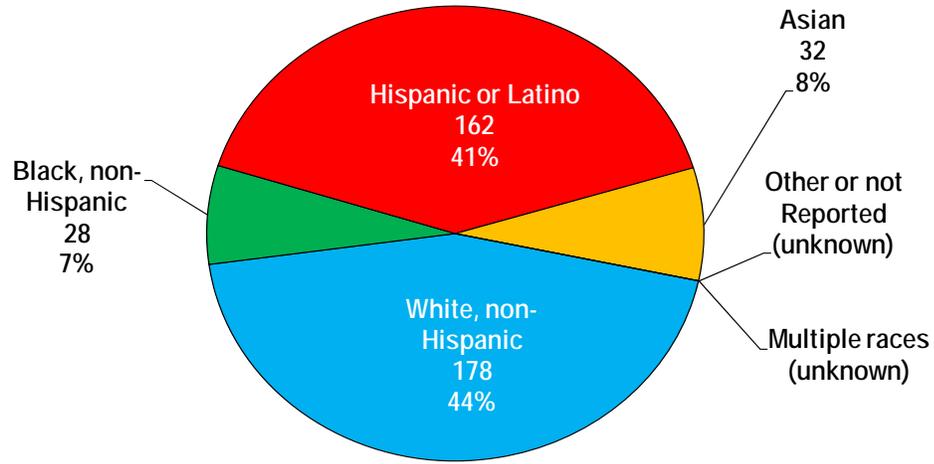
Source: BLS

**California Fatal Occupational Injuries and Illnesses
by Age of Worker - 2007**



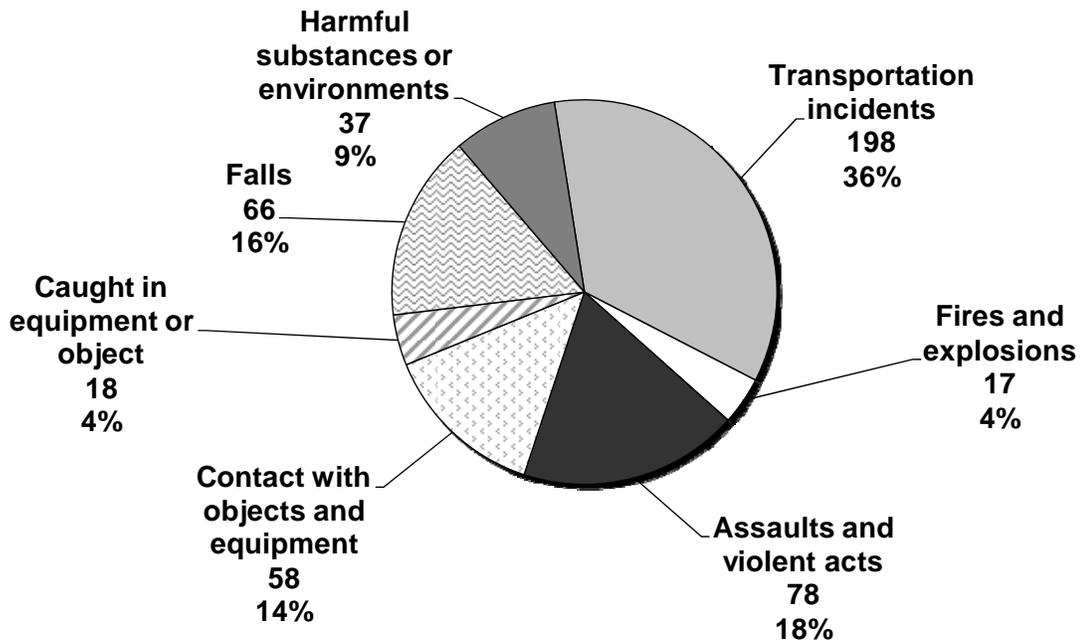
Source: BLS

California Fatal Occupational Injuries and Illnesses by Race or Ethnic Origin - 2007



Data Source: BLS

California Fatal Occupational Injuries and Illnesses by Event or Exposure - 2007



Source: BLS

Profile of Occupational Injury and Illness Statistics: California and the Nation

Data for the following analyses, except where noted, were derived from the Department of Industrial Relations (DIR) Division of Labor Statistics and Research (DLSR), from the United States Department of Labor (DOL) Bureau of Labor Statistics (BLS), and from the California Workers' Compensation Institute (CWCI).¹⁰

Incidence Rates

- California's most recent work injury and illness statistics for 2007 indicate a non-fatal injury and illness rate of 4.4 cases per 100 full-time employees in the private sector in 2007. This is a 53 percent decline from the 1990 peak level of 9.4 and an estimated 2 percent increase from the previous year's figures.
- The trend in California mirrors a national trend. DOL figures for private employers show that from 1990 to 2007, the work injury and illness rate across the United States fell from 8.8 to 4.2 cases per 100 employees in the private sector. The reduction in the number of incidences of job injuries is likely due to various factors including a greater emphasis on job safety, the improving economy since the early 1990s, and the shift from manufacturing toward service jobs.
- Although the national fatality rate has remained the same between 2005 and 2006, California's fatality rate has increased by 15 percent during the same period, increasing from 2.7 to 3.1 cases per 100,000 employed.
- From the Western region states, Alaska, Arizona, California, Hawaii, Nevada, Oregon and Washington, California and Arizona's 2007 private industry rate of 4.4 for non-fatal occupational injuries and illnesses is the lowest.¹¹ The state that had the second-lowest incidence rate was Hawaii (4.6).

Duration

- Days-away-from-work cases, including those that result in days away from work with or without a job transfer or restriction, dropped from 2.1 to 1.3 cases per 100 full-time employees from 1996 to 2007 in the private sector. This also mirrors the national trend with the number of days-away-from-work cases falling from 2.1 to 1.2 cases in the national private sector.
- In the "State Report Cards for Workers' Compensation," published by the Work Loss Data Institute, the Institute reported that the median days away from work in California is 11 days, compared with the national average of 7 days.¹²

Industry Data

- In 2007, injury and illness incidence rates varied greatly between private industries ranging from 1.9 injuries/illnesses per 100 full-time workers in the financial activities sector to 7.7 in transportation and warehousing. California's private industry rates for total cases were higher than the national rates in every major industry division, except for manufacturing (5.6 and 4.5), education and health services (5.2 and 5.0), and construction where both had an incidence rate of 5.4.
- The private industry total case rate for non-fatal injuries increased between 2006 and 2007 from 4.3 to 4.4, and the rate for the public sector (state and local government) decreased from 7.3 in 2006 to 6.9 in 2007.

¹⁰ Please note that specific case and demographic data for non-fatal occupational injuries and illnesses were only available for 2006.

¹¹ The comparisons of industry rates have not been adjusted for industry mix within each state.

¹² http://www.odg-disability.com/pr_repsrc.htm

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

- Of all the industries identified, the largest decline in injury and illness occurred in other building finishing contractors, from 8.8 per 100 full-time worker injuries in 2006 to 4.4 per 100 full-time worker injuries in 2007. Injury and illness in the general construction industry declined from 6.0 in 2006 to 5.4 per 100 full-time workers in 2007; in various construction specialties, such as glass and glazing contractors, they dropped from 9.5 to 4.9 in 2007. Masonry contractors also achieved a major reduction, from 6.0 worker injuries and illnesses per 100 in 2006 to 4.3 in 2007.
- According to DLSR, the largest decrease in injury and illness by major industry category was in real estate, rental and leasing, from 4.0 to 2.4 per 100 full-time worker injuries in 2006 and 2007 respectively, followed by mining, from 3.6 to 2.3 per 100 full-time worker injuries in 2006 and 2007, and utilities, from 5.4 to 4.1 per 100 full-time worker injuries in 2006 and 2007.¹³
- According to DLSR, the largest increase in injury and illness by industry sectors was in professional, scientific, and technical services, from 1.2 to 2.3 per 100 full-time worker injuries in 2006 and 2007 respectively, followed by accommodation and food services with an increase from 4.0 to 4.9 per 100 full-time worker injuries in 2006 and 2007.¹⁴
- Over the past decade (1997-2007), the number of fatal injuries declined by 36.4 percent, from 610 to 388. From 2006 to 2007, the number of fatal injuries decreased by about 24 percent. The highest number of fatal injuries was in trade, transportation and utilities (100), followed by construction (71).
- In private industry, the top ten occupations with the most non-fatal injuries and illnesses in 2006 are: laborers and freight, stock, and material movers; truck drivers, heavy and tractor-trailer; janitors and cleaners, except maids and housekeeping cleaners; construction laborers; retail sales persons; carpenters; truck drivers, light or delivery services; farm workers and laborers, crop, nursery, and greenhouse; stock clerks and order fillers; nursing aides, orderlies, and attendants.
- In California state government, the top ten occupations with the most non-fatal injuries and illnesses in 2006 are: correctional officers and jailers; psychiatric technicians; registered nurses; janitors and cleaners, except maids and housekeeping cleaners; office clerks, general; police and sheriff's patrol officers; nursing aids, orderlies, and attendants; physical therapists; compliance officers, except agriculture, construction, health and safety, and transportation; security guards.
- In the local government, the top ten occupations with the most non-fatal injuries and illnesses in 2006 are: police and sheriff's patrol officers; janitors and cleaners except maids and house-keeping cleaners; teacher assistants; maintenance and repair workers, general; bus drivers, school; bus drivers, transit and inter-city; office clerks, general; fire fighters; security guards; nursing aids, orderlies, and attendants.
- Transportation and material-moving occupations (109) and construction and extraction (65) accounted for 43.7 percent of the fatal injuries in 2007. Installation, maintenance, and repair (35), farming, fishing, and forestry (31), protective service (31), management (27), building and grounds cleaning and maintenance (27), sales and related (22) were the other occupations with the most number of fatal injuries in 2007. Transportation and material-moving incidents were the number one cause of fatal injuries accounting for about 27.4 percent of fatal injuries in 2007.

¹³ DLSR, Table 3: Incidence rates of non-fatal occupational injuries and illnesses by industry sector, 2005, 2006.

¹⁴ DLSR, Table 3: Incidence rates of non-fatal occupational injuries and illnesses by industry sector, 2005, 2006.

- Assaults and violent acts accounted for about 18 percent of fatal injuries in 2007 and are a major cause of fatalities among: protective-service occupations; sales and related occupations; and transportation and material moving occupations.

Establishment Size and Type

- The lowest rate for the total recordable non-fatal cases in 2007 was experienced by the smallest employers. Employers with 1 to 10 employees and 11 to 49 employees had incidence rates of 1.6 and 3.9 cases, respectively, per 100 full-time employees. There was no change in incidence rates for employers with 1 to 10 employees from 2006 to 2007. Employers with 11 to 49 employees experienced 3 percent increase in incidence rates compared to 2006.
- Establishments with 50 to 249 and 250 to 999 employees reported the highest rates of 5.8 and 5.5 cases per 100 full-time employees correspondingly in 2007. Establishments with 1,000 and more employees experienced a 12 percent decrease from 5.8 to 5.1 cases per 100 full-time employees.

Types of Injuries

- Some types of work injuries have declined since 1997 in the private sector, while others have increased. The number of sprains and strains continued to decline from 1997; however, these injuries remain by far the most common type of work injury accounting for about 37.6 percent of days-away-from-work cases in the private sector. All types of injuries, including cuts, lacerations, bruises, contusions, heat burns, carpal tunnel syndrome, tendonitis, chemical burns, amputations, and multiple injuries, have decreased from 1997 to 2006, with the biggest decrease, 65 percent, seen both in carpal tunnel syndrome and tendonitis.
- In the private sector, contact with objects and equipment was the leading cause of days-away-from-work injuries, cited in about 27.7 percent of days-away-from-work cases. Overexertion was the second common cause of injury, accounting for about 15.8 percent of injuries.
- In California state government, the two main causes of injury were assaults and violent acts by person and overexertion, accounting for about 15.8 and 14 percent of days-away-from-work cases, respectively, in 2006.
- In local government, the main causes of injury were overexertion and contact with objects and equipment, accounting for 15 and 13.3 percent of days-away-from-work cases respectively in 2006.
- The most frequently injured body part is the back, accounting for about 13.3 percent of the cases in state government and about 18.5 percent cases in local government. In the private sector, back injuries account for 21.4 percent of non-fatal cases.

Demographics

- Over the period from 1997 to 2006, in California private sector, the number of days-away-from-work cases for women decreased by about 33.4 percent. Days-away-from-work cases for men decreased by 37 percent.
- Between 1997 and 2006, all age groups in private industry (14 to 15, 16 to 19, 20 to 24, 25 to 34, 35 to 44, 45 to 54, 55 to 64, 65 and over) experienced a decline. The biggest decline (44 percent) occurred among 25 to 34 year-old workers. The age group 35 to 44 experienced a 43.5 percent decline, and the age group of 20 to 24 experienced a 35.7 percent decrease in the numbers of days away from work.

- In 2007, out of 388 fatalities, approximately 94 percent were male and 6 percent were female. All age group categories except for 65 and over (18 to 19, 20 to 24, 25 to 34, 35 to 44 years, 45 to 54 years, and 55 to 64) experienced a decrease in fatal injuries between 2006 and 2007. The biggest decrease in the number of fatalities (31.7 percent) was seen in the 20 to 24 years age group from 41 to 28 cases, followed by a 16.7 percent decrease in the age group 25 to 34 (from 8741 to 73 cases) from 2006 to 2007. There was a 36 percent increase in the number of fatalities in the 65 and over age group from 25 to 34 between 2006 and 2007.
- The highest number of fatalities in 2007 by race or ethnic origin categories was experienced by "White, non-Hispanic" closely followed by "Hispanic or Latino," accounting for 44 percent and 41 percent of the fatalities, respectively. From 2006 to 2007, the biggest decrease (13.4 percent) for fatal injuries was in the "Hispanic or Latino" group, followed by the "White, non-Hispanic" group (7.3 percent). There was a 64.7 percent increase for "Black or African American, non-Hispanic" group (from 17 to 28) and an 18.5 percent increase for "Asian" group (from 27 to 32) for the same period of time.

Occupational Injury and Illness Reporting

Occupational injury and illness information is the responsibility of BLS within the United States and DOL and DLSR within the California DIR. Occupational injuries and illnesses are recorded and reported by California employers through several national surveys administered by DOL with the assistance of DIR.

OSHA Reporting and Recording Requirements

The United States Occupational Safety and Health Act (OSH Act) of 1970 requires covered employers to prepare and maintain records of occupational injuries and illnesses. It provides specific recording and reporting requirements that comprise the framework for the nationwide occupational safety and health recording system. The Occupational Safety and Health Administration (OSHA) in DOL administers the OSH Act recordkeeping system.

Although there are exemptions for some employers from keeping Cal/OSHA injury and illness records, all California employers must report injuries to DLSR. Every employer must also report any serious occupational injuries, illnesses or deaths to California OSHA within DIR.

The data assist employers, employees and compliance officers in analyzing the safety and health environment at the employer's establishment and are the source of information for the BLS "Annual Survey of Occupational Injuries and Illnesses" and the OSHA "Occupational Injury and Illness Survey."

BLS Annual Survey of Occupational Injuries and Illnesses

To estimate the number of occupational injuries and illnesses in the United States, BLS established a nationwide annual survey of employers' occupational injuries and illnesses. The state-level statistics on non-fatal and fatal occupational injuries and illnesses are derived from this survey.

Non-fatal injuries and illnesses

The BLS Annual Survey develops frequency counts and incidence rates by industry and also profiles worker and case characteristics of non-fatal workplace injuries and illnesses that result in lost work time. Each year, BLS collects employer reports from about 173,800 randomly selected private industry establishments.

Fatal injuries and illnesses

The estimates of fatal injuries are compiled through the Census of Fatal Occupational Injuries (CFOI), which is part of the BLS occupational safety and health statistics program. CFOI uses diverse state and federal data sources to identify, verify and profile fatal work injuries.

OSHA Occupational Injury and Illness Survey

Federal OSHA administers the annual "Occupational Injury and Illness Survey." OSHA utilizes this collection of employer-specific injury and illness data to improve its ability to identify and target agency interventions to those employers who have serious workplace problems. For this survey, OSHA collects data from 80,000 non-construction establishments and from up to 15,000 construction establishments.

Occupational Injury and Illness Prevention Efforts

Efforts to prevent occupational injury and illness in California take many forms, but all are derived from cooperative efforts between the public and private sectors. This section describes consultation and compliance programs, health and safety standards, and education and outreach designed to prevent injuries and illnesses to improve worker health and safety.

Cal/OSHA Program

The Cal/OSHA Program is responsible for enforcing California laws and regulations pertaining to workplace health and safety and for providing assistance to employers and workers about workplace safety and health issues.

The Cal/OSHA Enforcement Unit conducts inspections of California workplaces based on worker complaints, accident reports and high hazard industries. There are 22 Cal/OSHA Enforcement Unit district offices located throughout the State of California. Specialized enforcement units, such as the Mining and Tunneling Unit and the High Hazard Enforcement Unit, augment the efforts of district offices in protecting California workers from workplace hazards in high hazard industries.

Other specialized units, such as the Crane Certifier Accreditation Unit, the Asbestos Contractors' Registration Unit, the Asbestos Consultant and Site Surveillance Technician Unit and the Asbestos Trainers Approval Unit, are responsible for enforcing regulations pertaining to crane safety and prevention of asbestos exposure.

The Cal/OSHA Consultation Service provides assistance to employers and workers about workplace safety and health issues through on-site assistance, high hazard consultation and other special emphasis programs. The Consultation Service also develops educational materials on workplace safety and health topics.

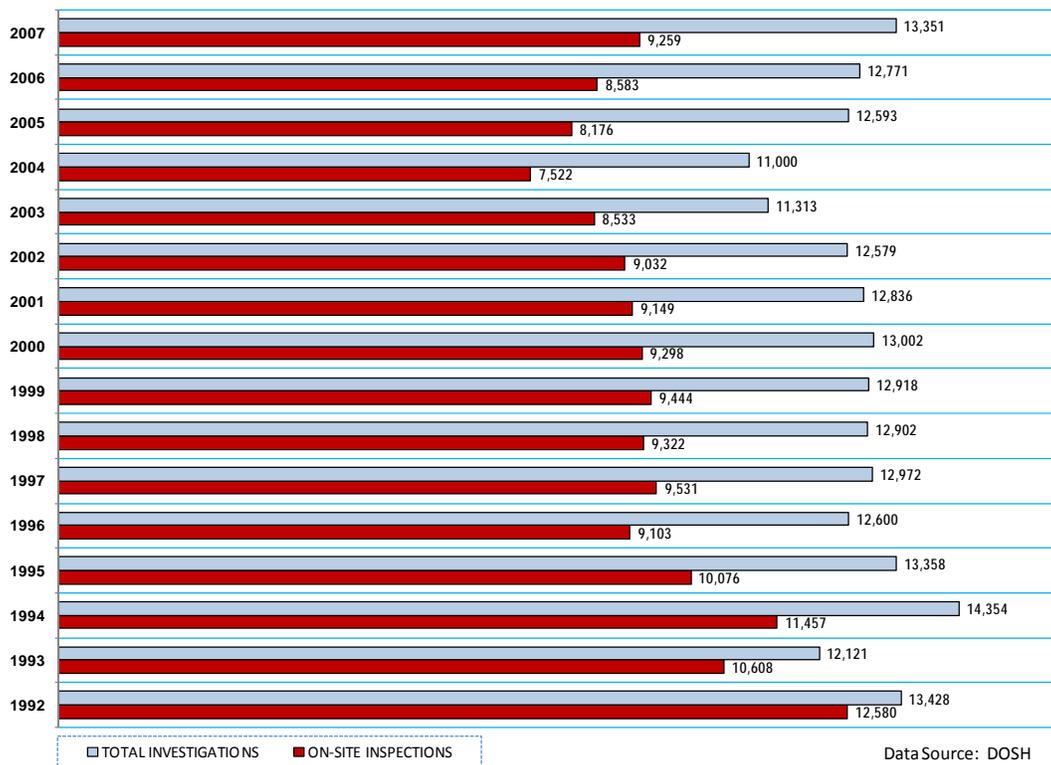
Profile of Division of Occupational Safety and Health (DOSH) On-Site Inspections and Violations Cited

The trends in types of inspections have varied in the past few years, with Accidents and Complaints being consistently predominant. However, starting in fiscal year (FY) 2006, programmed inspections started to reach higher levels compared to accidents and complaints.

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The chart below shows the total numbers of investigations and on-site inspections for the period from calendar year 1992 to calendar year 2007¹⁵. From calendar year 1992 to 1995, the total number of investigations averaged 13,315 per year with average of 11,180 on-site inspections. During the next seven years, from 1996 to 2002, the average number of investigations decreased to 12,830, and the average number of on-site inspections decreased to 9,268. During the next two years (2003 and 2004), there was further decrease in both the average number of investigations (to 11,157) and average number of on-site inspections (to 8,028). From 2004 to 2007, there was a 21.4 percent increase in investigations and a 23 percent increase in the number of on-site inspections.

DOSH Total Investigations and On-Site Inspections

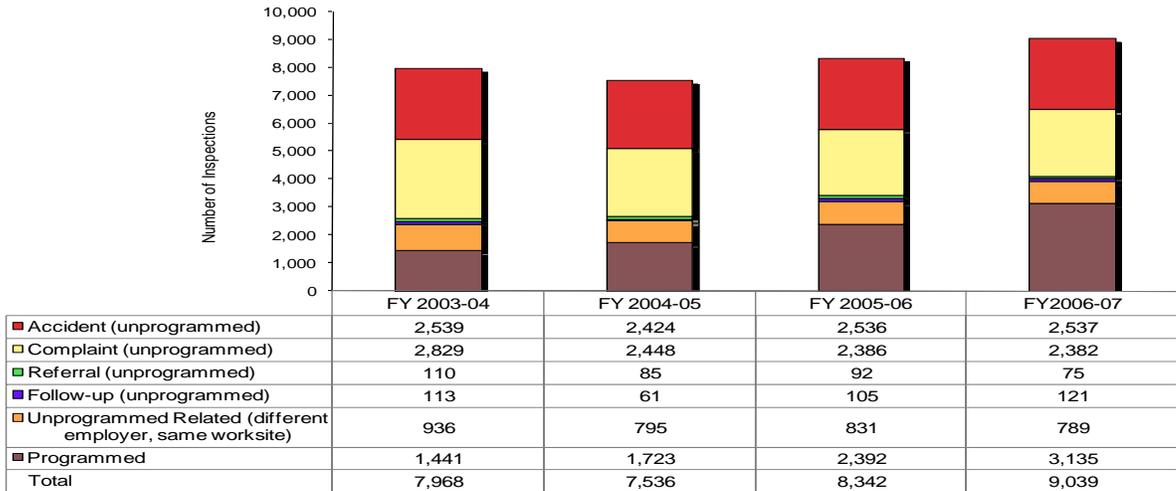


¹⁵ The numbers of investigations, on-site inspections, and violations for calendar years could differ from the fiscal year numbers provided later in this section.

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The chart below shows that the total Inspections have fluctuated in the past three years from 7,968 in FY 2004 to 9,039 in FY 2007.

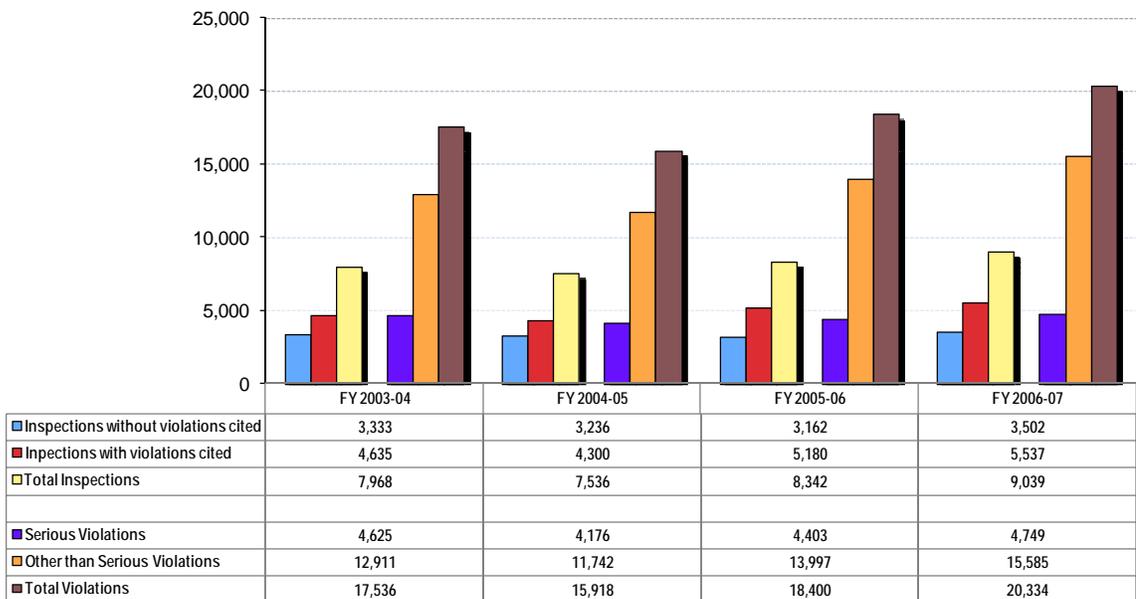
DOSH Inspections by Type FY 2003-04 to FY 2006-07



Source: DIR Division of Occupational Safety and Health

The number of violations is greater than inspections due to the fact that most inspections where violations occur yield more than one violation. Violations are further broken down into serious and other-than-serious. In FY 2007, 61.30 percent of inspections resulted in violations cited. The breakdown by type is shown in the chart below.

DOSH Inspections and Violations Cited FY 2003-04 to FY 2006-07

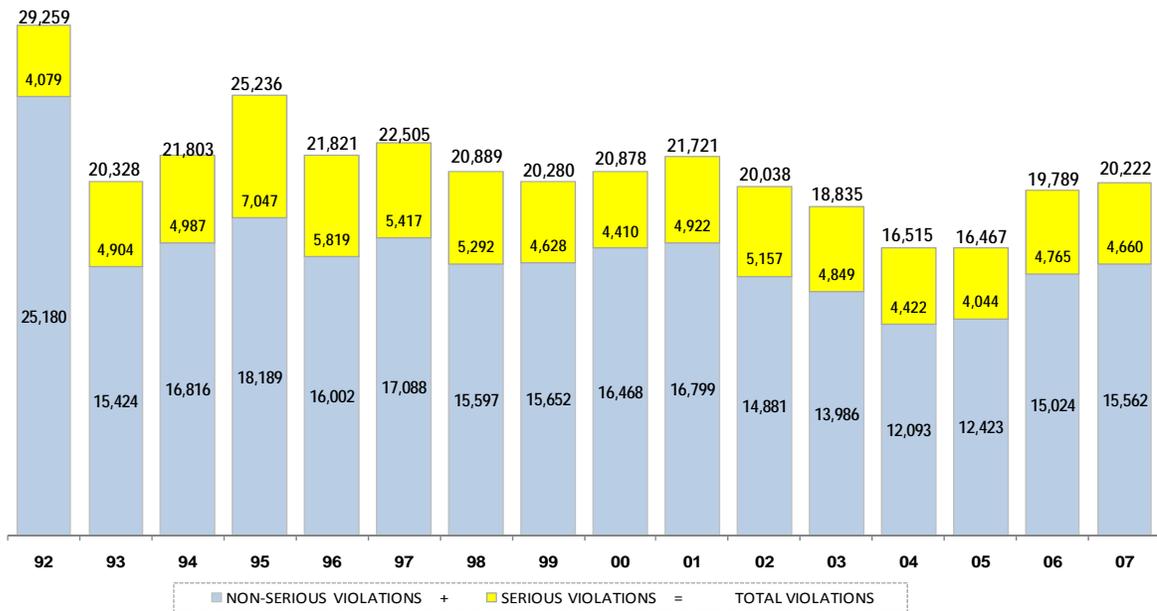


Source: DIR Division of Occupational Safety and Health

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

The following chart shows the total numbers of violations, including the number of serious DOSH violations from calendar year 1992 to the end of the first quarter of 2008. The total number of violations decreased by 30.5 percent from 1992 to 1993 and increased by 24 percent from 1993 to 1995. After decreasing by 13.5 percent from 1995 to 1996, the total number of DOSH violations averaged 21,350 per year from 1996 to 2001. From 2001 to 2005, there was a 24 percent decrease in the total number of DOSH violations, and from 2005 to 2007, the total number of violations again increased by 23 percent.

**DOSH Violations
1992 - 2007**



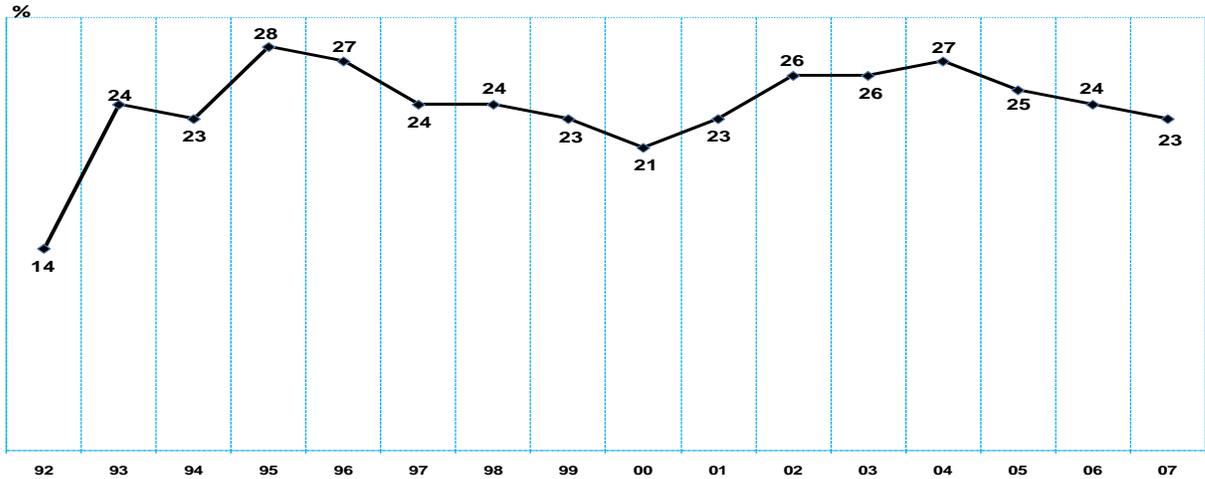
Data Source: DOSH

As the chart above shows, the number of serious violations increased by 73 percent from 1992 to 1995. From 1995 to 2000, the number of serious violations decreased by 37.4 percent, increased by 17 percent from 2000 to 2002, and then again decreased by 21.6 percent from 2002 to 2005. After increasing by 18 percent from 2005 to 2006, the number of serious DOSH violations averaged 4,712 per year in 2006 and 2007.

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

The chart below shows the trend in the share of serious DOSH violations in the total number of all violations from 1992 to the end of the first quarter of 2008. The share of serious DOSH violations increased from 14 percent in 1992 to its peak of 28 percent of total violations in 1995, and decreased to 21 percent in 2000. From 2000 to 2004, the share of serious violations increased to 27 percent of total DOSH violations and then decreased to 23 percent from 2004 to 2007.

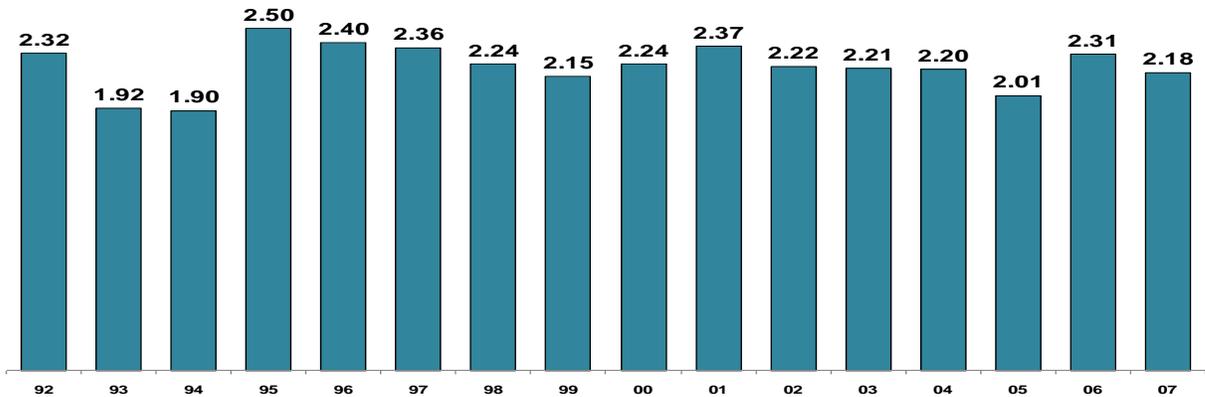
**Percent of Serious Violations in Total DOSH Violations
1992 - 2007**



Data Source: DOSH

The average number of DOSH violations per inspection decreased by 17 percent from 1992 to 1993 and averaged 1.91 in 1993 and 1994. The increase of 31.6 percent in average number of violations per inspection from 1994 to 1995 followed with a 14 percent decrease from 1995 to 1999. During the next six years, from 1999 to 2004, the average number of violations per inspection averaged 2.2 and then decreased by 8.6 percent from 2004 to 2005. After an increase of 15 percent from 2005 to 2006, the average number of violations per inspection decreased again by about 6 percent from 2006 to 2007.

**Average Number of DOSH Violations per Inspection
(1992 - 2007)**



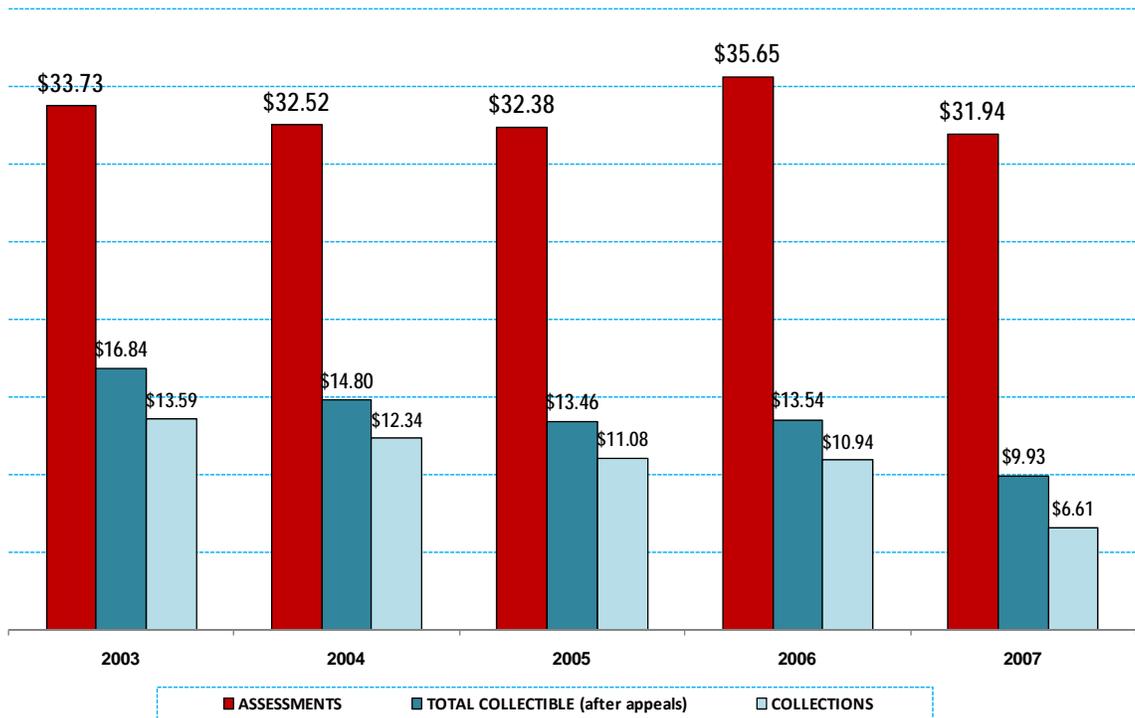
Data Source: DOSH

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

The chart below demonstrates the trends in penalties and collections. Total Penalties Assessed were \$31.94 million in FY 2007 and represent 5,537 employers found to be out of compliance with one or more health and safety laws. Many employers appeal those “recommended” penalties at the Cal/OSHA Appeals Board, and they may be ordered to pay in full, pay a reduced amount, or have the penalties eliminated due to procedural issues. Because of the appeals process, Penalties Collected will almost always be less than the initial recommended Penalties Assessed. Total Collections were \$6.61 million in FY 2007.

The chart below demonstrates the trends in penalties and collections; however, it cannot be viewed entirely as an indicator of progress in health and safety at places of employment, due to related impacts on the data from DOSH staffing changes and resource changes from year to year, as well as activities at the Appeals Board. Nevertheless, the data do give a sense of the general magnitude and accounting of penalties and collections, as well as provide a starting point for further analysis.

**Total DOSH Penalties Assessed and Collected (Million \$)
CY 2003-2007**

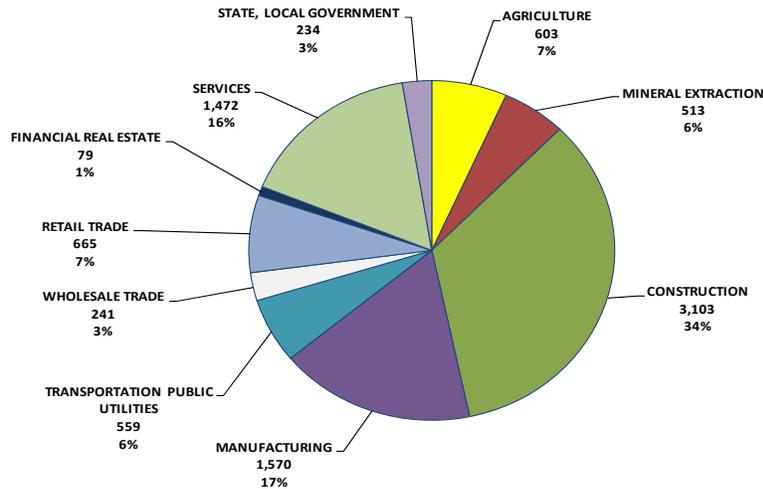


Data Source: DOSH

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

The chart below illustrates the proportion of inspections and violations in major industrial groups. Of the 9,039 workplace health and safety inspections conducted in FY 2007, 3,103 (34.3 percent) were in construction and 5,936 (65.7 percent) were in non-construction.

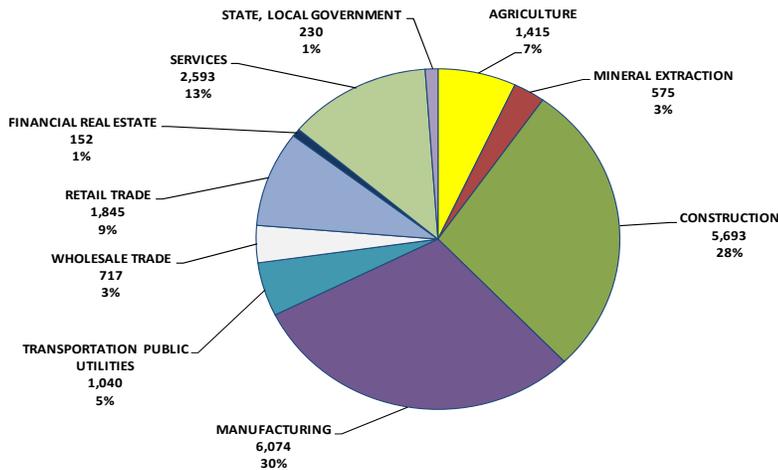
**Distribution of Inspections by Major Industry, FY 2007
(Total Inspections=9,039)**



Data Source: DOSH

Despite the fact that the greatest percentage of inspections were in construction, the greatest percentage (30) of violations were found to be in manufacturing, as is shown in the chart below.

**Distribution of Violations by Major Industry, FY 2007
(Total Violations=20,334)**



Data Source: DOSH

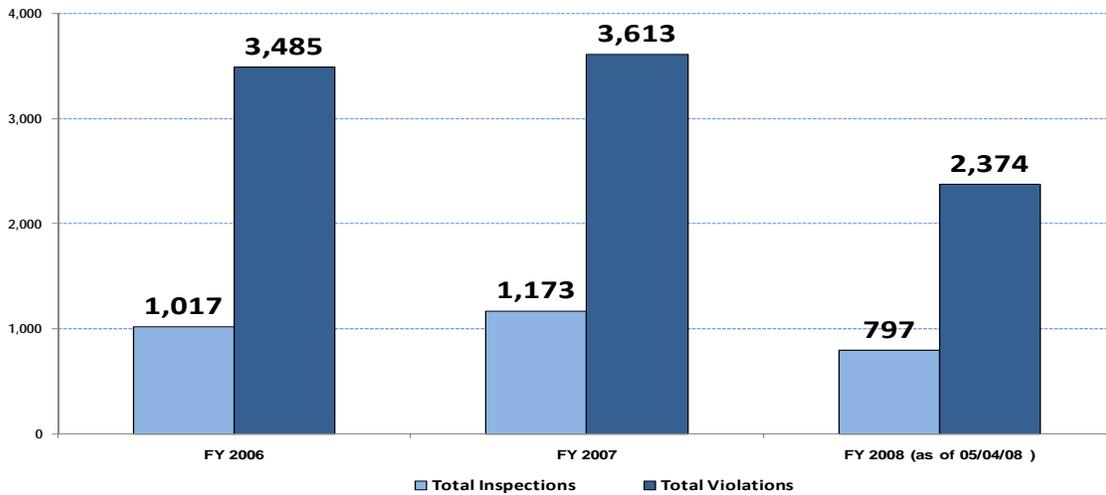
Economic and Employment Enforcement Coalition (EEEC)¹⁶

According to the DIR website, "For decades California has had some of the strongest labor and workforce safety laws in the country." To help enforce these labor laws and regulations, the "Triple E.C." Coalition, the Economic and Employment Enforcement Coalition (EEEC), was created in 2005 as a multi-agency enforcement program consisting of investigators from the Division of Labor Standards Enforcement (DLSE), DOSH, Employment Development Department (EDD), Contractors State License Board and U.S. DOL. The primary emphasis of EEEC is to combine enforcement efforts. EEEC is a partnership of state and federal agencies, each expert in their own field, collaborating to:

- Educate business owners and employees on federal and state labor, employment, and licensing laws.
- Conduct vigorous and targeted enforcement against labor law violators.
- Help level the playing field and restore the competitive advantage to law-abiding businesses and their employees."¹⁷

Given the newness of EEEC, there are only two full years of data. The data for FY 2008 are available as of May 4, 2008, and have to be updated for comparisons with previous years. Total EEEC inspections rose from FY 2006 to FY 2007, from 1017 to 1173, respectively, and violations increased from 3,485 to 3,613 from FY 2006 to FY 2007. The penalties given were \$2.32 million in FY 2006 and \$2.50 million in FY 2007; however, only \$312,391 (13.5 percent) were collected in FY 2006 and \$336,625 (13.5 percent) in FY 2007. The following two charts illustrate the comparisons.¹⁸

**Total Number of EEEC Inspections and Violations
(FY 2006, 2007, 2008)**



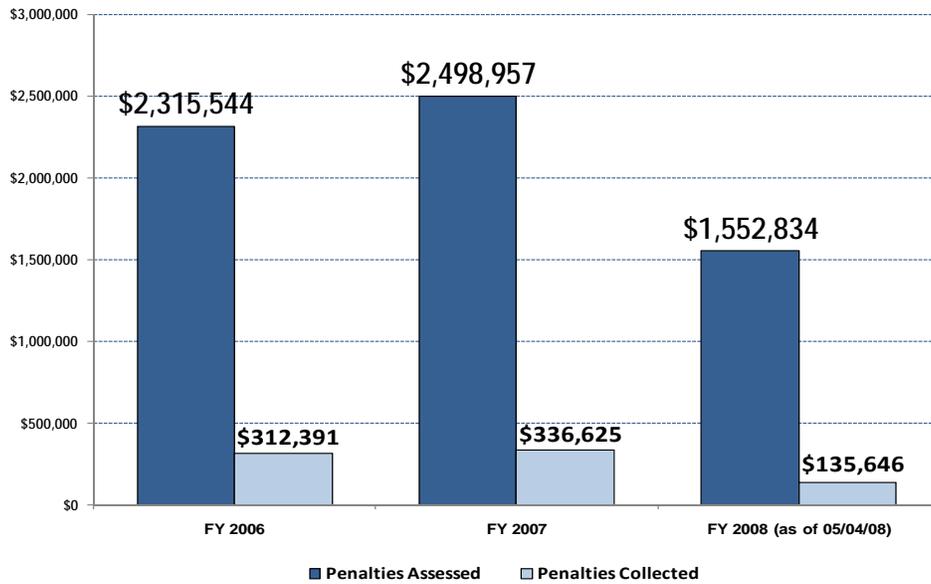
Data Source: DOSH

¹⁶ For more information about the EEEC, visit any of these agency links: <http://www.dir.ca.gov/EEEC/EEEC.html>, or <http://www.edd.ca.gov/eddeec.htm>, or <http://www.labor.ca.gov/eeec.htm>

¹⁷ <http://www.dir.ca.gov/EEEC/EEEC.html>

¹⁸ Data provided by DOSH. These totals reflect only DOSH citations and penalties; other types of Labor Code citations and penalties resulting from the enforcement action are independently accounted for by the respected agency or unit.

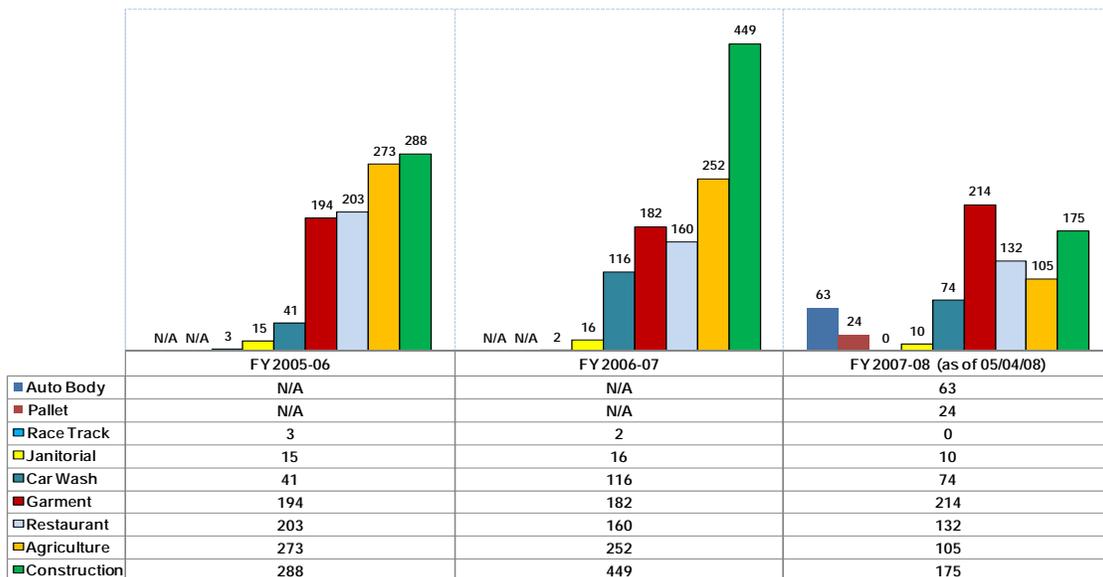
**Total EEEC Penalties Assessed And Collected
(FY 2006, 2007, 2008)**



Data Source: DOSH

The four charts below describe EEEC inspections and violations by industry, along with the penalties assessed and collected. Construction and agriculture have led in the number of inspections in FY 2005-FY 2006 and FY 2006-FY 2007. However, in FY 2007-2008, the garment industry had the greatest number of inspections. The garment, construction, and restaurant industries have had the greatest number of violations in the past two years. However, the garment industries' violations increased by 19 percent while the construction and restaurant industries' violations decreased by 67 and 89 percent respectively in the most recent fiscal year. Agriculture and garment industries are leading in penalties assessed for the FY 2007-FY 2008.

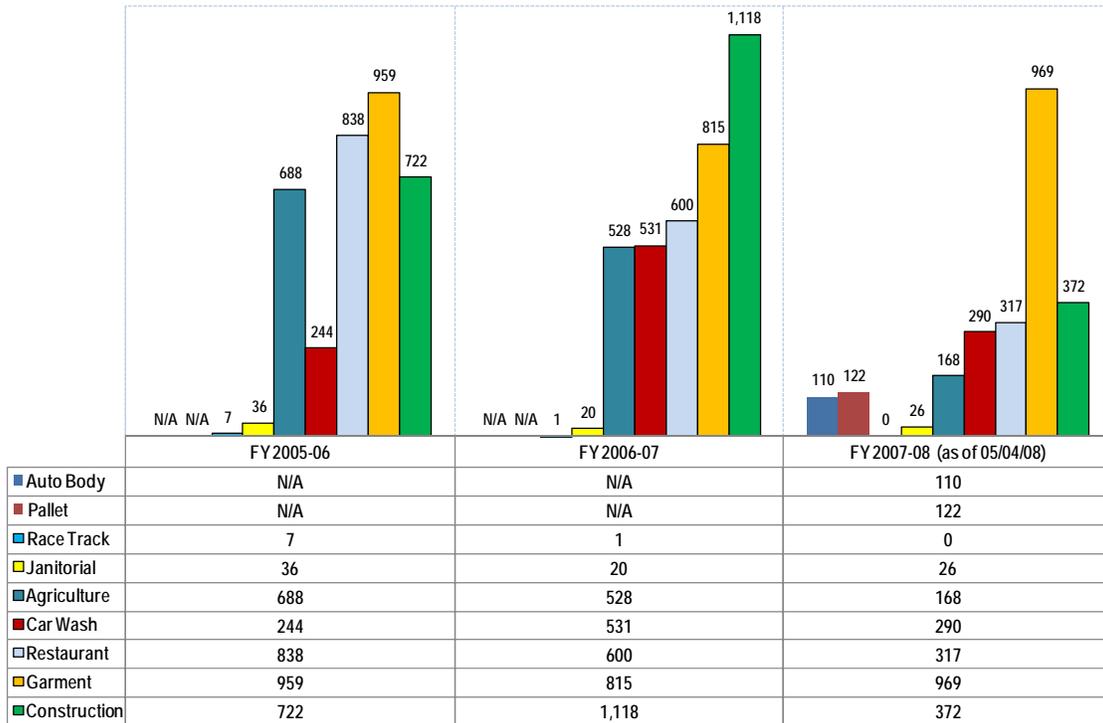
EEEC Report: Inspections FY 2005-2006 - FY 2007-2008



Data Source: DIR - DOSH

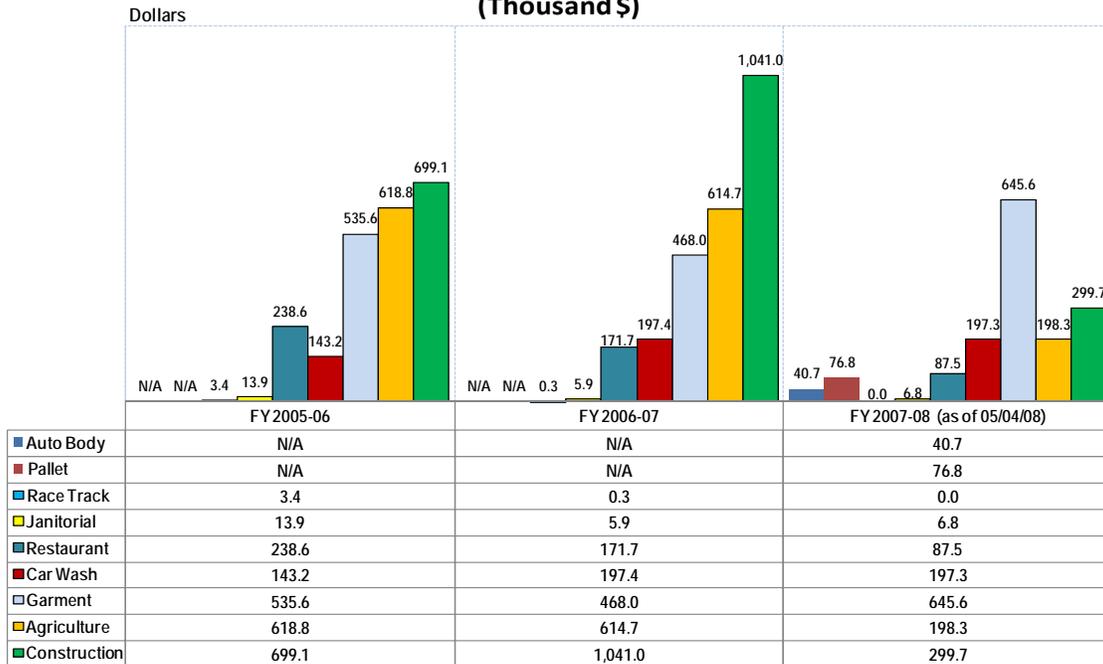
SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

EEEC Report: Violations FY 2005-2006 - FY 2007-2008



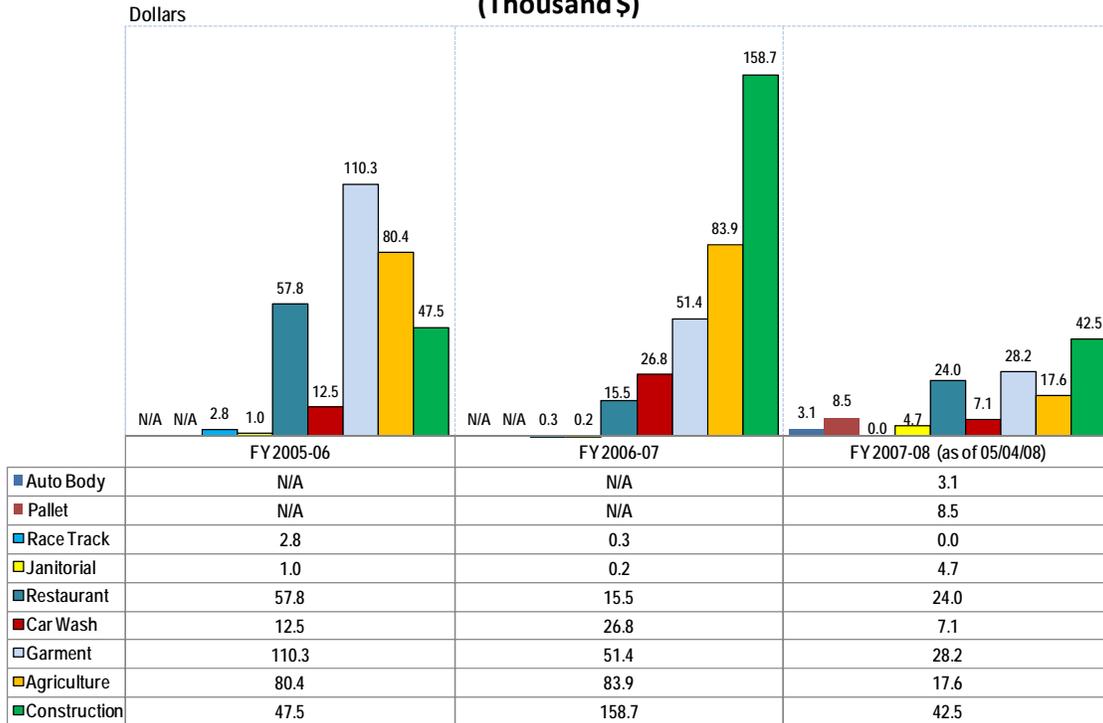
Data Source: DIR - DOSH

**EEEC Report: Penalties Assessed FY 2005-2006 - FY 2007-2008
(Thousand \$)**



Data Source: DIR - DOSH

**EEEC Report: Penalties Collected FY 2005-2006 - FY 2007-2008
(Thousand \$)**



Data Source: DIR - DOSH

High Hazard Identification, Consultation and Compliance Programs

The 1993 reforms of the California workers' compensation system required Cal/OSHA to focus its consultative and compliance resources on "employers in high hazardous industries with the highest incidence of preventable occupational injuries and illnesses and workers' compensation losses."

High Hazard Employer Program

The High Hazard Employer Program (HHEP) is designed to:

- Identify employers in hazardous industries with the highest incidence of preventable occupational injuries and illnesses and workers' compensation losses.
- Offer and provide consultative assistance to these employers to eliminate preventable injuries and illnesses and workers' compensation losses.
- Inspect those employers on a random basis to verify that they have made appropriate changes in their health and safety programs.
- Develop appropriate educational materials and model programs to aid employers in maintaining a safe and healthful workplace.

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In 1999, the passage of AB 1655 gave DIR the statutory authority to levy and collect assessments from employers to support the targeted inspection and consultation programs on an ongoing annual basis.

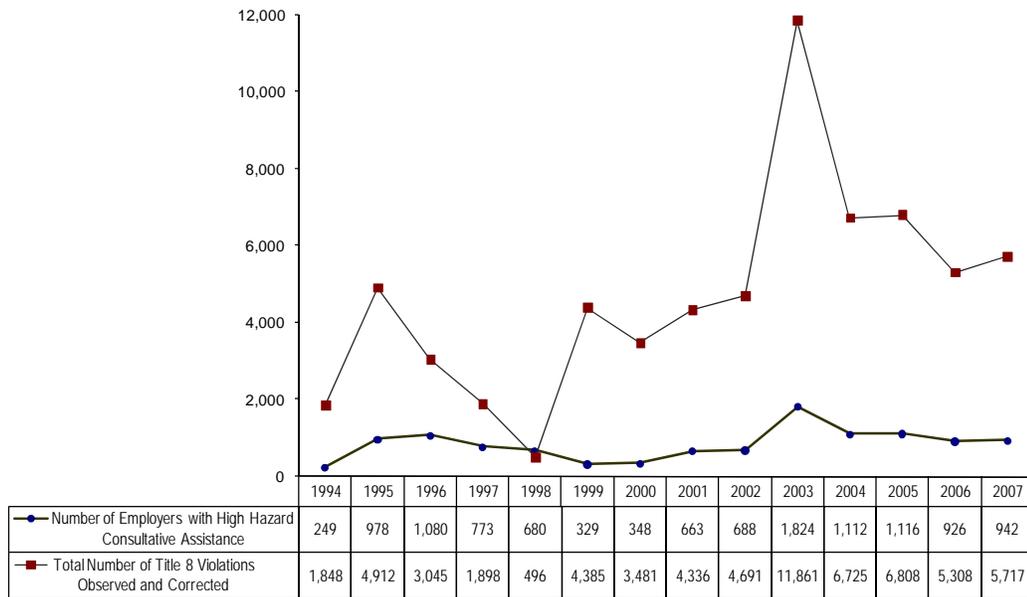
High Hazard Consultation Program

DOSH reports that in 2007, it provided on-site high hazard consultative assistance to 942 employers, as compared to 926 employers in 2006. During consultation with these employers, 5,717 Title 8 violations were observed and corrected as a result of the provision of consultative assistance.

Since 1994, 11,708 employers have been provided direct on-site consultative assistance, and 65,511 Title 8 violations have been observed and corrected. Of these violations, 38.6 percent were classified as "serious."

The following chart indicates the yearly number of consultations and violations observed and corrected during the years 1994-2007. It should be noted that for years 2002 and 2003, all Consultative Safety and Health Inspection Projects (SHIPs) were included in the High Hazard Consultation Program figures. Effective 2004, only SHIPs with experience modification (Ex-Mod) rates of 125 percent and above are included in the High Hazard Consultation Program figures.

High Hazard Consultation Program Production by Year



Data Source: Division of Occupational Safety and Health

The efficacy of High Hazard Consultation is measured by comparisons of employer lost and restricted workday data. Beginning in 2001, Log 200 was replaced with Log 300 as the source for lost and restricted workday data. The use of the Lost Work Day Case Incidence (LWDI) rate was transitioned and replaced with the Days Away, Restricted, or Transferred (DART) rate. Additionally, High Hazard Consultation uses Ex-Mod rates to measure efficacy.

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

High Hazard Enforcement Program

DOSH reports that in 2007, 477 employers underwent a targeted high hazard enforcement inspection, up from 448 employers in 2006. During these inspections in 2007, 2,405 violations were observed and cited, whereas in 2006, 2,633 violations were observed and cited.

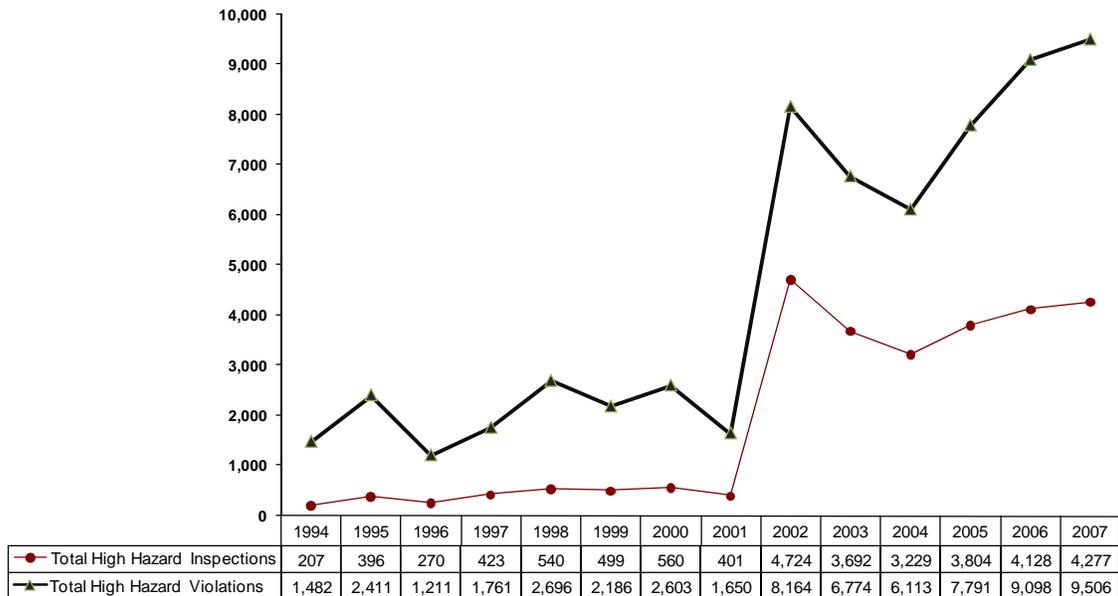
In addition, in 2007, 721 employers underwent an inspection as part of the Agricultural Safety and Health Inspection Project (ASHIP). Of these, 2 inspections were also targeted. During these inspections, 1,366 violations were observed and cited.

In addition, in 2007, 3,079 employers underwent an inspection as part of the Construction Safety and Health Inspection Project (CSHIP). Of these, 22 inspections were also targeted. During these inspections, 5,735 violations were observed and cited.

Since 1994, 27,660 employers have undergone a high hazard enforcement inspection, and 64,090 Title 8 violations have been observed and cited. Of these violations, 34.7 percent were classified as "serious."

The chart below indicates the yearly number of targeted inspections and violations observed and cited during the years 1994-2007. It should be noted that effective 2002, the Safety and Health Inspection Projects (SHIPs) are included in the High Hazard Enforcement Program figures.

High Hazard Enforcement Program Inspections and Violations



Data Source: Division of Occupational Safety and Health

The same lost and restricted workday methodology is used for both the High Hazard Consultation and Enforcement programs. Efficacy is measured by comparisons of employer lost and restricted workday data.

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Beginning in 2001, Log 200 was replaced with Log 300 as the source for lost and restricted workday data. The use of the lost workday incentive (LWDI) rate was transitioned and replaced with the days away, restricted or transferred (DART) rate.

For further information...

- Additional information can be obtained by visiting the Cal/OSHA website at www.dir.ca.gov/DOSH or by e-mailing your questions or requests to InfoCons@dir.ca.gov.

Safety Inspections

DOSH has two major units devoted to conducting inspections to protect the public from safety hazards:

- The Elevator, Ride and Tramway Unit conducts public safety inspections of elevators, amusement rides, both portable and permanent, and aerial passenger tramways or ski lifts.
- The Pressure Vessel Unit conducts public safety inspections of boilers (pressure vessels used to generate steam pressure by the application of heat), air and liquid storage tanks, and other types of pressure vessels.

Health and Safety Standards

The Occupational Safety and Health Standards Board (OSHSB), a seven-member body appointed by the Governor, is the standards-setting agency within the Cal/OSHA program. The mission of OSHSB is to promote, adopt, and maintain reasonable and enforceable standards that will ensure a safe and healthy workplace for California workers.

To meet the DIR Goal 1 on ensuring that California workplaces are lawful and safe, the Board shall pursue the following goals:

- Adopt and maintain effective occupational safety and health standards.
- Evaluate petitions to determine the need for new or revised occupational safety and health standards. Evaluate permanent variance applications from occupational safety and health standards to determine if equivalent safety will be provided.

OSHSB also has the responsibility to grant or deny applications for variances from adopted standards and respond to petitions for new or revised standards. The OSHSB safety and health standards provide the basis for Cal/OSHA enforcement.

For further information...

 www.dir.ca.gov/OSHSB/oshsb.html

Ergonomics Standards

Efforts to adopt an ergonomics standard in California and the United States are outlined in the following "brief histories."

Ergonomics Standard in California: A Brief History

July 16, 1993

Governor Pete Wilson signs a package of bills that enacts major reform of California's workers' compensation system. A provision in AB 110 (Peace) added Section 6357 to the Labor Code requiring the Occupational Safety and Health Standards Board (OSHSB) to adopt workplace ergonomics standards by January 1, 1995, in order to minimize repetitive motion injuries.

January 18 and 23, 1996

OSHSB holds public hearings on the proposed ergonomics standard and receives over 900 comments from 203 commentators. The proposed standards are revised.

July 15, 1996

OSHSB provides a 15-day public comment period on revisions to proposed standards.

September 19, 1996

OSHSB discusses the proposal at its business meeting and makes further revisions.

October 2, 1996

OSHSB provides a 15-day public comment period on the further revisions.

November 14, 1996

OSHSB adopts the proposal at its business meeting and submits it to the state Office of Administrative Law (OAL) for review and approval.

January 2, 1997

OAL disapproves the proposed regulations based on clarity issues.

February 25, 1997

OSHSB provides a 15-day public comment period on new revisions addressing OAL concerns.

April 17, 1997

OSHSB adopts the new revisions and resubmits the proposal to OAL.

June 3, 1997

Proposed ergonomics standard is approved by OAL and becomes Title 8, California Code Regulations (8 CCR), Section (§) 5110, Repetitive Motion Injuries.

July 3, 1997

The ergonomics standard – 8 CCR §5110 - becomes effective.

September 5, 1997

Sacramento Superior Court holds a hearing to resolve the legal disputes filed by labor and business industries.

October 15, 1997

Judge James T. Ford of the Sacramento Superior Court issued a Peremptory Writ of Mandate, Judgment, and Minute Order relative to challenges brought before the Court. The Order invalidated the four parts of the standard.

December 12, 1997

OSHSB appealed Judge Ford's Order with its legal position that the Judge's Order would be stayed pending a decision by the Court of Appeal.

(Continued on following page)

Source: OSHSB

Federal Ergonomics Standard: A Brief History

1990

Former United States Secretary of Labor Elizabeth Dole pledges to "take the most effective steps necessary to address the problem of ergonomic hazards on an industry-wide basis."

July 1991

OSHA publishes "Ergonomics: The Study of Work." More than 30 organizations petition Secretary of Labor to issue an Emergency Temporary Standard.

April 1992

Secretary of Labor denies petition for Emergency Temporary Standard.

August 1992

OSHA publishes an Advance Notice of Proposed Rulemaking on ergonomics.

1993

OSHA conducts survey to obtain information on the extent of ergonomics programs.

March 1995

OSHA begins meeting with stakeholders to discuss approaches to drafting an ergonomics standard.

January 1997

OSHA/NIOSH conference on successful ergonomics programs.

February 1998

OSHA begins meetings with national stakeholders about the draft ergonomics standard under development.

February 1999

OSHA begins small business review (SBREFA) of its draft and makes draft regulatory text available to the public.

April 1999

OSHA receives SBREFA report on draft and begins to address the concerns raised in the report.

November 23, 1999

OSHA publishes proposed ergonomics program standard by filing in the Federal Register (64 FR 65768). OSHA asks for written comments from the public, including materials such as studies and journal articles and notices of intention to appear at informal public hearings.

March-May 2000

Informal public hearings held in Washington D.C. (March 13 - April 7, May 8-12), Chicago (April 11-21) and Portland (April 24 - May 5).

May 24, 2000

The House Appropriations Committee votes to amend \$342 billion spending bill by barring the Occupational Safety and Health Administration from using their budget to promulgate, issue, implement, administer or enforce any ergonomics standard. President Clinton responds by threatening to veto the bill.

Source: OSHSB

(Continued on following page)

Federal Ergonomics Standard: A Brief History (continued)

November 14, 2000

OSHA issues Ergonomics Program Standard.

January 16, 2001

Final Ergonomics Program Standard - 29 CFR 1910.900 - becomes effective. The standard was challenged in court with over 30 lawsuits.

March 20, 2001

President George W. Bush signs into law S.J. Res. 6, a measure that repeals the ergonomic regulation. This is the first time the Congressional Review Act has been put to use. The Congressional Review Act allows Congress to review every new federal regulation issued by the government agencies and, by passage of a joint resolution, overrule a regulation.

April 23, 2001

Federal OSHA publishes a notice in the Federal Register stating that the former 29 CFR 1910.900 was repealed as of that date.

April 26, 2001

Secretary of Labor Elaine L. Chao testifies before the Subcommittee on Labor, Health and Human Services, and Education of the Senate Appropriations Committee, about reducing musculoskeletal disorders in the workplace.

April 5, 2002

The Occupational Safety and Health Administration unveils a comprehensive plan designed to reduce ergonomic injuries through "a combination of industry-targeted guidelines, tough enforcement measures, workplace outreach, advanced research, and dedicated efforts to protect Hispanic and other immigrant workers."

Source: OSHSB

Occupational Health and Safety Appeals Board (OSHAB)

The Occupational Safety and Health Appeals Board (OSHAB) consists of three members appointed by the governor for four-year terms. By statute, the members are selected each from the field of management, labor, and the general public. The chairman is selected by the governor.

The mission of OSHAB is to fairly, timely and efficiently resolve appeals and to provide clear, consistent guidance to the public, thereby promoting workplace health and safety. OSHAB handles appeals from private and public-sector employers regarding citations issued by DOSH for alleged violation of workplace health and safety laws and regulations.

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

As the two Tables below show, of 2573 appeals disposed of in the first half of 2006,¹⁹ 75 percent were settled by Appeals Law Judges (ALJ). Orders at prehearings or before hearings took place: 3 percent were decided at hearings; 6 percent were settled by Orders of the Board; 9 percent were withdrawn by employers; and 7 percent were dismissed by the Board. Separately from this report, employers withdrew intent to appeal for 1 appeal representing 1 case that had not yet been docketed by the Board.

Table: OSH Appeals Board 2006

Month	APPEALS DOCKETED	APPEALS DECIDED				DOSH CLOSED STIP/DISPOS		EMPLOYER WITHDREW		BOARD DISMISSALS		TOTAL APPEALS
		ORDERS		DECISIONS		DOCKETS	CASES	DOCKETS	CASES	DOCKETS	CASES	DISPOSALS
		DOCKETS	CASES	DOCKETS	CASES							
JAN	405	256	112	18	9	90	25	20	10	44	22	428
FEB	320	152	74	16	6	0	0	22	11	22	1	212
MAR	506	268	138	9	6	19	9	2	1	27	16	325
APR	259	362	189	7	6	30	11	72	36	42	22	513
MAY	592	360	171	24	13	15	5	112	56	38	19	549
JUNE	508	510	244	12	9	0	0	12	8	12	6	546
TOTL	2590	1908	928	86	49	154	50	240	122	185	86	2573

Data Source: OSHAB

Table: OSH Appeals Board 2006

MONTH	FILED DOCKETS	FILED CASES	ISSUED DOCKETS	ISSUED CASES	ISSUED DOCKETS	ISSUED CASES	FOR WRITS	FOR WRITS CONCLUDED
JAN	6	3	0	0	23	8	0	0
FEB	2	1	0	0	10	2	0	1
MAR	2	1	2	2	0	0	0	0
APR	2	2	2	2	2	2	0	3
MAY	8	5	0	0	0	0	0	0
JUNE	4	3	7	1	1	1	0	2

Data Source: OSHAB

¹⁹ Data for calendar year 2006 was only available from January through June 2006 from OSHAB.

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

As the two Tables below show, of 4377 appeals disposed of in calendar year 2005, 76 percent were settled by ALJ Orders at prehearings or before hearings took place; 5 percent were decided at hearings; 11 percent were settled by Orders of the Board; 4 percent were withdrawn by employers; and 5 percent were dismissed by the Board. Separately from this report, employers withdrew intent to appeal for 175 appeals representing 84 cases that had not yet been docketed by the Board.

Table: OSH Appeals Board 2005

MONTH	APPEALS	ORDERS		DECISIONS		STIP/DISPOS		WITHDREW		DISMISSALS		APPEALS
	DOCKETED	DOCKETS	CASES	DOCKETS	CASES	DOCKETS	CASES	DOCKETS	CASES	DOCKETS	CASES	DISPOSALS
JAN	422	224	98	3	2	0	0	0	0	0	0	227
FEB	435	161	82	29	7	87	23	0	0	4	1	281
MAR	400	289	144	17	11	70	19	2	1	0	0	378
APR	406	196	134	15	11	66	21	1	1	16	7	294
MAY	187	367	164	46	10	34	15	92	35	0	0	539
JUNE	517	304	164	14	8	11	4	1	1	0	0	330
JULY	372	275	129	13	8	32	13	2	2	30	11	352
AUG	345	392	188	9	5	37	15	9	5	31	13	478
SEPT	380	324	139	28	12	25	9	19	13	89	30	485
OCT	419	251	117	20	7	88	25	48	25	25	10	432
NOV	326	255	115	4	3	14	4	1	1	4	2	278
DEC	442	270	118	20	10	10	3	0	0	3	3	303
TOTAL	4651	3308	1592	218	94	474	151	175	84	202	77	4377

Data Source: OSHAB

Table: OSH Appeals Board 2005

MONTH	RECONS FILED	RECONS FILED	DARS ISSUED	DARS ISSUED	DENIALS ISSUED	DENIALS ISSUED	PETITS. FOR	PETITS. FOR WRITS
	DOCKETS	CASES	DOCKETS	CASES	DOCKETS	CASES	WRITS	CONCLUDED
JAN	6	1	0	0	2	1	1	2
FEB	12	2	3	1	1	1	1	0
MAR	11	5	0	0	0	0	1	0
APR	13	4	0	0	0	0	0	0
MAY	8	6	1	1	3	2	0	2
JUNE	33	5	0	0	12	2	1	0
JULY	6	4	0	0	4	2	0	1
AUG	1	1	0	0	0	0	0	1
SEPT	8	5	0	0	0	0	0	1
OCT	4	3	0	0	1	1	0	1
NOV	11	6	0	0	3	1		
DEC	19	6	1	1	1	1		
TOTAL	132	48	5	3	27	11	4	8

Data Source: OSHAB

Educational and Outreach Programs

In conjunction and cooperation with the entire health and safety and workers' compensation community, DIR administers and participates in several major efforts to improve occupational health and safety through education and outreach programs.

Worker Occupational Safety and Health Training and Education Program

The Commission on Health and Safety and Workers' Compensation (CHSWC) is mandated by Labor Code Section 6354.7 to maintain the Worker Occupational Safety and Health Training and Education Program (WOSHTEP). The purpose of WOSHTEP is to promote injury and illness prevention programs. <http://www.dir.ca.gov/chswc/woshtep.html>

The California Partnership for Young Worker Health and Safety

CHSWC has convened the California Partnership for Young Worker Health and Safety. The Partnership is a statewide task force that brings together government agencies and statewide organizations representing educators, employers, parents, job trainers and others. The Partnership develops and promotes strategies to protect youth at work and provides training, educational materials, technical assistance, and information and referrals to help educate young workers. <http://www.dir.ca.gov/YoungWorker/YoungWorkersMain.html>

Cal/OSHA Consultation

Consultative assistance is provided to employers through on-site visits, telephone support, publications and educational outreach. All services provided by Cal/OSHA Consultation are provided free of charge to California employers.

Partnership Programs

California has developed several programs that rely on industry, labor, and government to work as partners in encouraging and recognizing workplace health and safety programs that effectively prevent and control injuries and illnesses to workers. These partnership programs include the Voluntary Protection Program (VPP), Golden State, Safety and Health Achievement Recognition Program) (SHARP), Golden Gate, and special alliances formed between industry, labor, and OSHA.

For further information...

 www.dir.ca.gov/OSHSB/oshsb.html

WORKERS' COMPENSATION SYSTEM PERFORMANCE

Introduction

CHSWC examines the overall performance of the entire health and safety and workers' compensation system to determine whether it meets the State's Constitutional objective to "accomplish substantial justice in all cases expeditiously, inexpensively, and without encumbrance of any character."

In this section, CHSWC has attempted to provide performance measures to assist in evaluating the system impact on everyone, particularly workers and employers.

- Workers' Compensation Appeals Board (WCAB) Workload

 - DWC Opening Documents

 - DWC Hearings

 - DWC Decisions

 - DWC Lien Decisions

 - DWC Audits

- Disability Evaluation Unit Data

- Medical Provider Networks and Healthcare Organizations

- Carve-outs – Alternative Workers' Compensation Systems

- Fraud Statistics

WCAB WORKLOAD

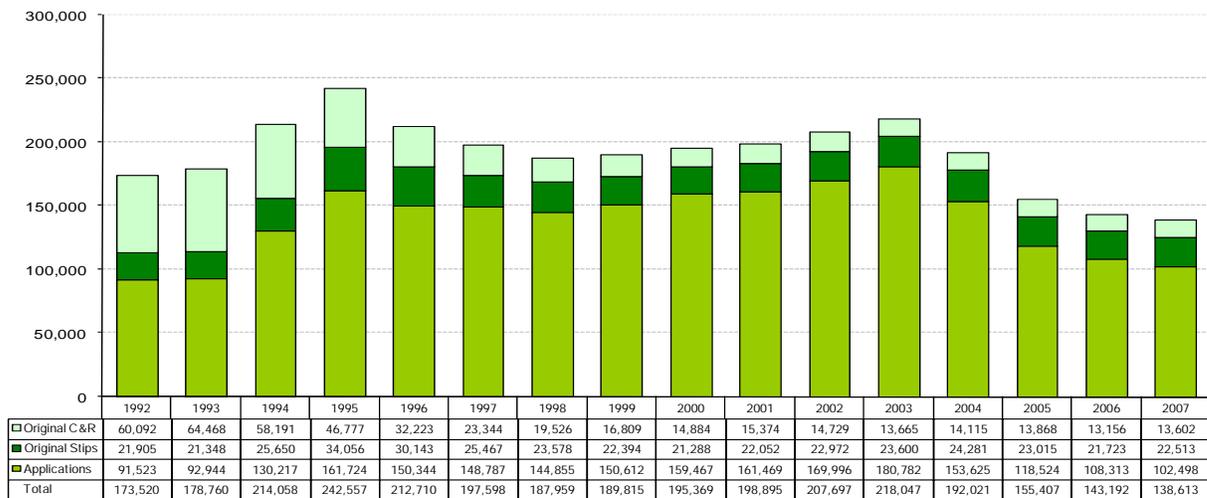
Division of Workers' Compensation Opening Documents

Three types of documents open a Workers' Compensation Appeals Board (WCAB) case. The following chart shows the numbers of Applications for Adjudication of Claim (Applications), Original Compromise and Releases (C&Rs), and Original Stipulations (Stips) received by the Division of Workers' Compensation (DWC).

The number of documents filed with DWC to open a WCAB case on a workers' compensation claim fluctuated during the early and mid-1990s, leveled off during the late 1990s, increased slightly between 2000 and 2003, and decreased between 2003 and 2007.

The period from 1992 to 1993 shows leveling off in all categories of case-opening documents, followed by one of substantial increases in Applications, slight increases in Stips, and significant decreases in C&Rs during the period from 1993 to 1995. Through 2003, C&Rs continued to decline, while Applications increased. Between 2003 and 2007, Applications declined substantially, and C&Rs decreased slightly. 2007 was the lowest year since 1992 for all three documents combined, with C&Rs nearing a historic low in 2006 followed by slight increase in 2007.

DWC Opening Documents



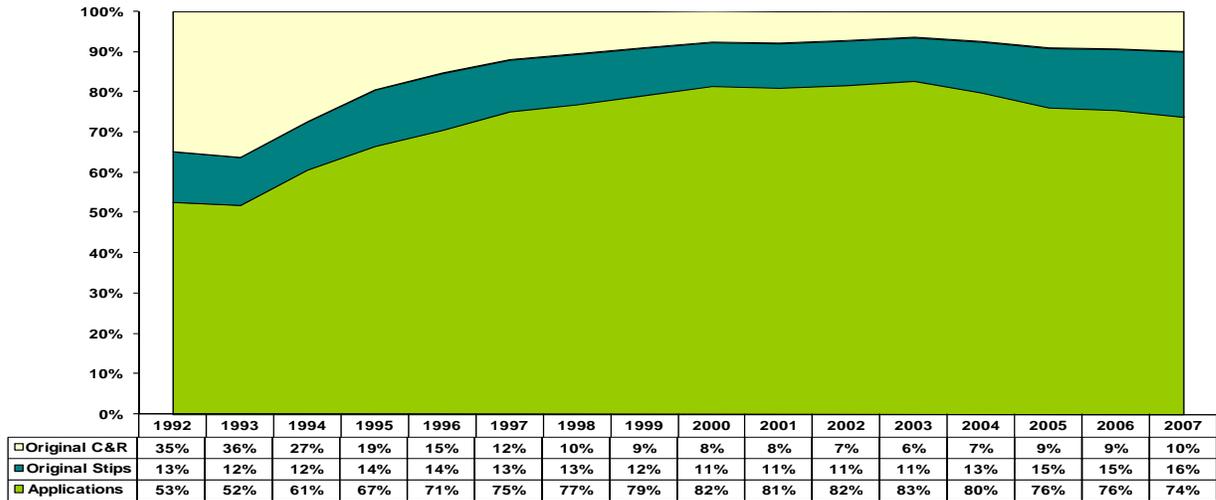
Data Source: DWC

Mix of DWC Opening Documents

As shown in the following graph, the proportion or mix of the types of case-opening documents received by DWC varied during the 1990s. Applications initially dropped slightly from 1992 to 1993, reflecting one percent increase in C&Rs. The proportion of Applications was steady from 1992 to 1993, rising again through 2003, and declining slightly from 2003 to 2007. The proportion of original (case-opening) Stips and original C&Rs declined slightly from 1999 to 2003 and then increased from 2003 to 2007.

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

Percentage by Type of Opening Documents



Data Source: DWC

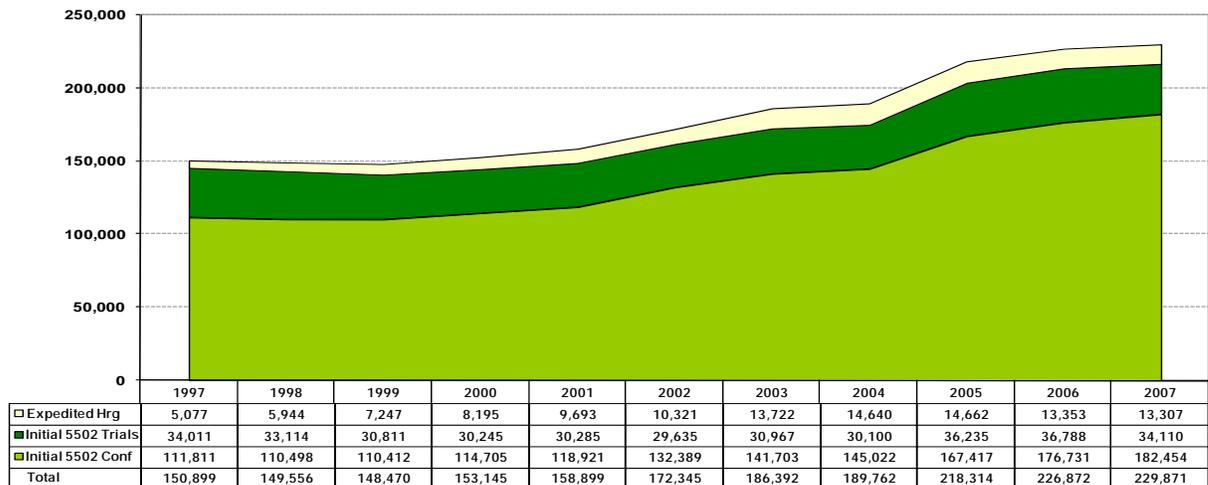
Division of Workers' Compensation Hearings

Numbers of Hearings

The graph below indicates the numbers of different types of hearings held in DWC from 1997 through 2007. While the total number of hearings held increased by 52 percent from 1997 to 2007, the number of expedited hearings grew by about 162 percent during the same period.

Expedited hearings for certain cases, such as determination of medical necessity, may be requested pursuant to Labor Code Section 5502(b). Per Labor Code Section 5502(d), Initial 5502, conferences are to be conducted in all other cases within 30 days of the receipt of a Declaration of Readiness (DR), and Initial 5502. Trials are to be held within 75 days of the receipt of a DR if the issues were not settled at the Initial 5502 Conference.

DWC Hearings Held

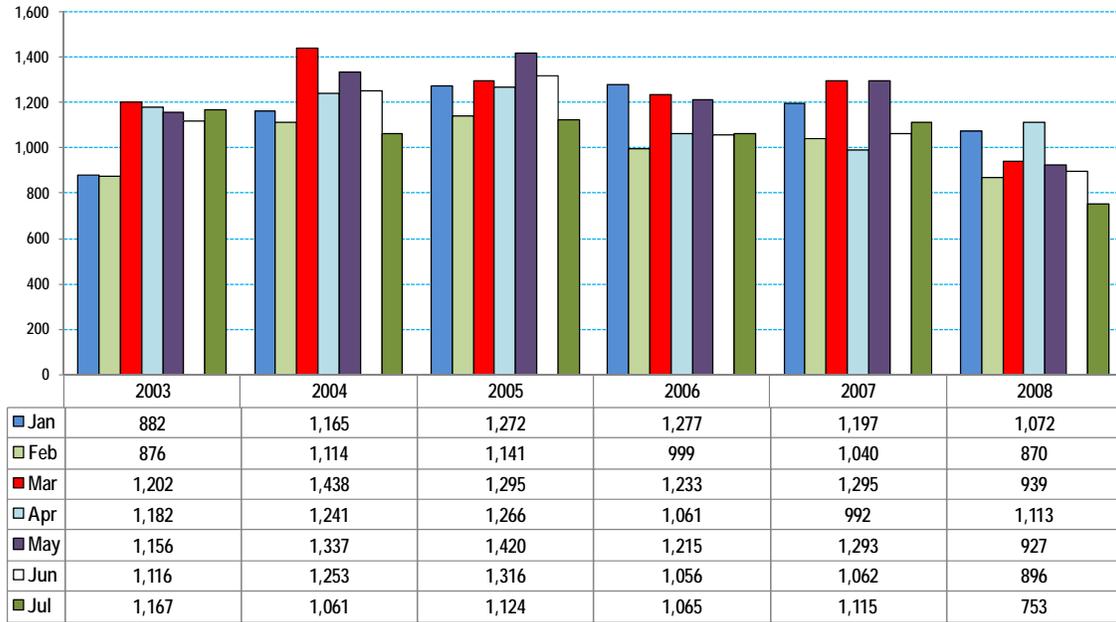


Data Source: DWC

DWC Expedited Hearings

The chart below compares the number of expedited hearings from January through July of 2003, to 2008. Except for July the number of hearings during each month increased between 2003 and 2005. However between 2005 and 2008, the number of expedited hearings decreased in all the months.

**DWC Expedited Hearings Held
(January - July, 2003-2008)**



Data Source: DWC

Timeliness of Hearings

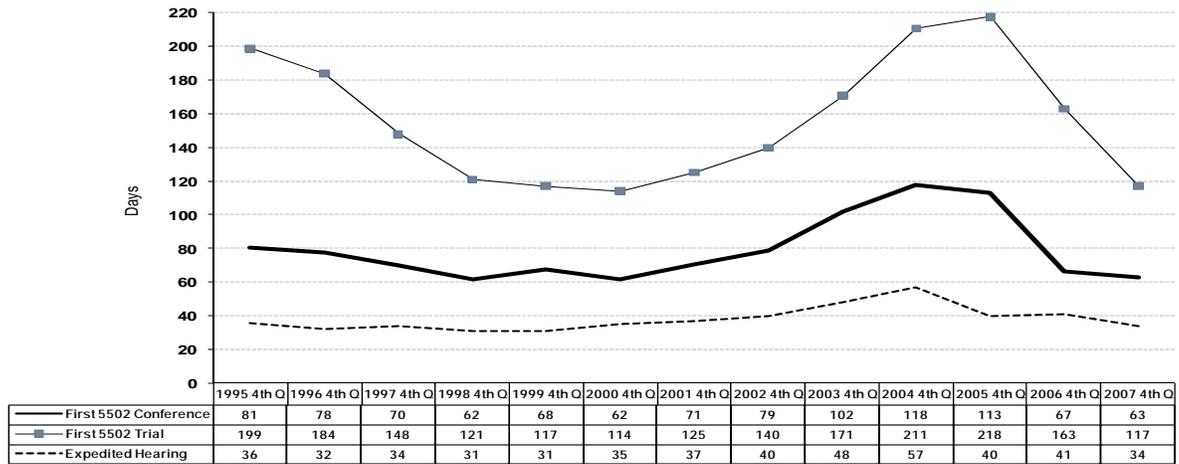
California Labor Code Section 5502 specifies the time limits for various types of hearings conducted by DWC on WCAB cases. In general:

- A conference is required to be held within 30 days of the receipt of a request in the form of a DR.
- A trial must be held either within 60 days of the request or within 75 days if a settlement conference has not resolved the dispute.
- An expedited hearing must be held within 30 days of the receipt of the DR.

As the following chart shows, the average elapsed time from a request to a DWC hearing decreased in the mid-1990s to late-1990s and then remained fairly constant. From 2000 to 2004, all of the average elapsed times have increased from the previous year's quarter and none were within the statutory requirements. However, between 2005 and 2007, the average elapsed time from the request to a trial decreased by 46 percent. The average elapsed time for conferences decreased by 44 percent, while the average time for expedited hearings decreased by 15 percent.

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

Elapsed Time in Days from Request to DWC Hearing



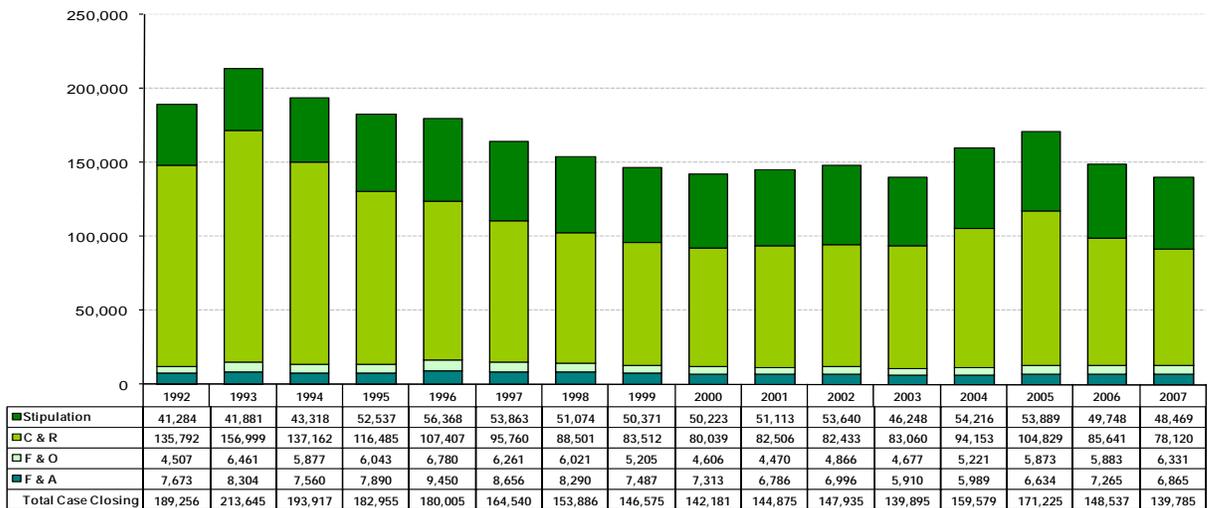
Source: DWC

Division of Workers' Compensation Decisions

DWC Case-Closing Decisions

The number of decisions made by DWC that are considered to be case-closing have declined overall during the 1990s, with a slight increase from 2000 to 2002, followed by a decrease in 2003, and then an increase between 2003 and 2005. In 2007, the total for case-closing decisions decreased by 18 percent compared to 2005.

DWC Case-Closing Decisions



Data Source: DWC

The preceding chart shows that:

- The numbers of Findings and Awards (F&As) have shown an overall decline of 10.5 percent from 1992 to 2007.

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

- Findings and Orders (F&Os) increased during the first part of the decade, declined to the original level in 2000, decreased slightly from 2000 to 2001, and increased again between 2001 and 2007.
- Stips were issued consistently throughout the decade. The numbers of Stips issued leveled off from 1992 to 1994, rose again in 1995 and 1996, remained stable through 2000, increased slightly in 2001 and 2002, decreased in 2003, increased between 2003 and 2004, and decreased between 2004 and 2007.
- The use of C&Rs increased by 15.6 percent from 1992 to 1993. C&Rs declined steadily by 49 percent from 1993 through 2000, increased in 2001, remained stable in 2002 and 2003, increased by 26.2 percent between 2003 and 2005, and decreased by 25.5 percent between 2005 and 2007.

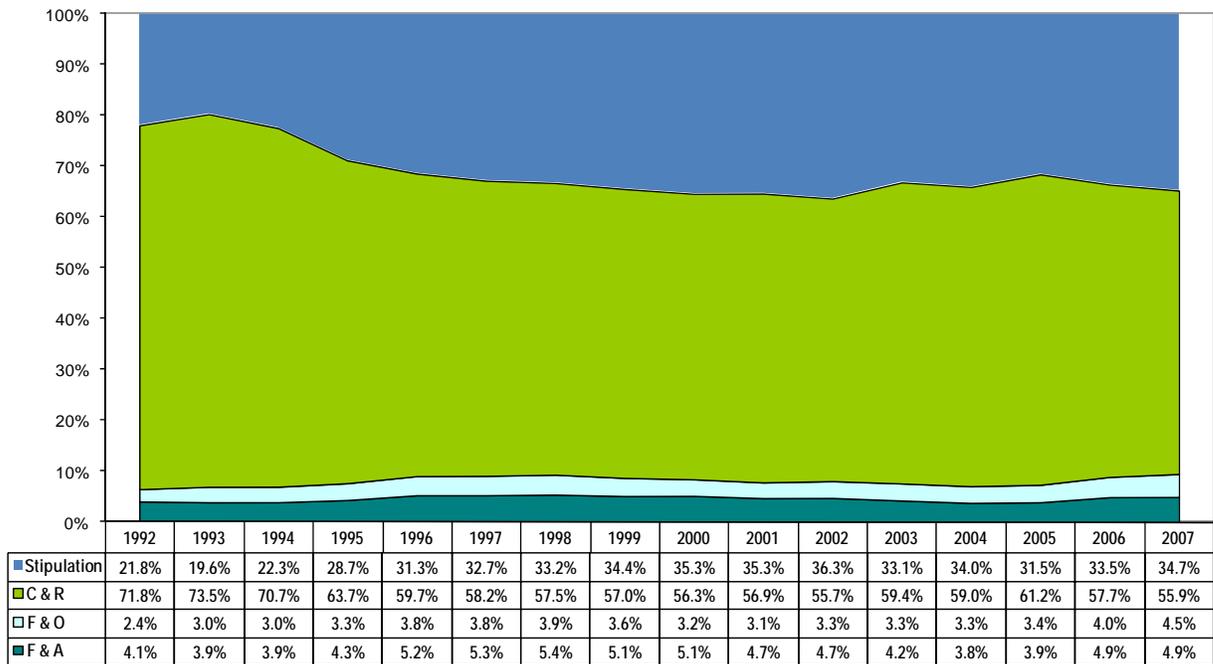
Mix of DWC Decisions

As shown on the charts on the previous page and this page, again, the vast majority of the case-closing decisions rendered during the 1990s were in the form of a WCAB judge's approval of Stips and C&Rs which were originally formulated by the case parties.

During the period from 1993 through the beginning of 2000 and beyond, the proportion of Stips rose, while the proportion of C&Rs declined. This reflects the large decrease in the issuance of C&Rs through the 1990s.

Only a small percentage of case-closing decisions evolved from an F&A or F&O issued by a WCAB judge after a hearing.

DWC Decisions: Percentage Distribution by Type of Decisions



Data Source: DWC

Division of Workers' Compensation Lien Decisions

DWC has been dealing with a large backlog of liens filed on WCAB cases. Many of the liens have been for medical treatment and medical-legal reports. However, liens are also filed to obtain reimbursement for other expenses:

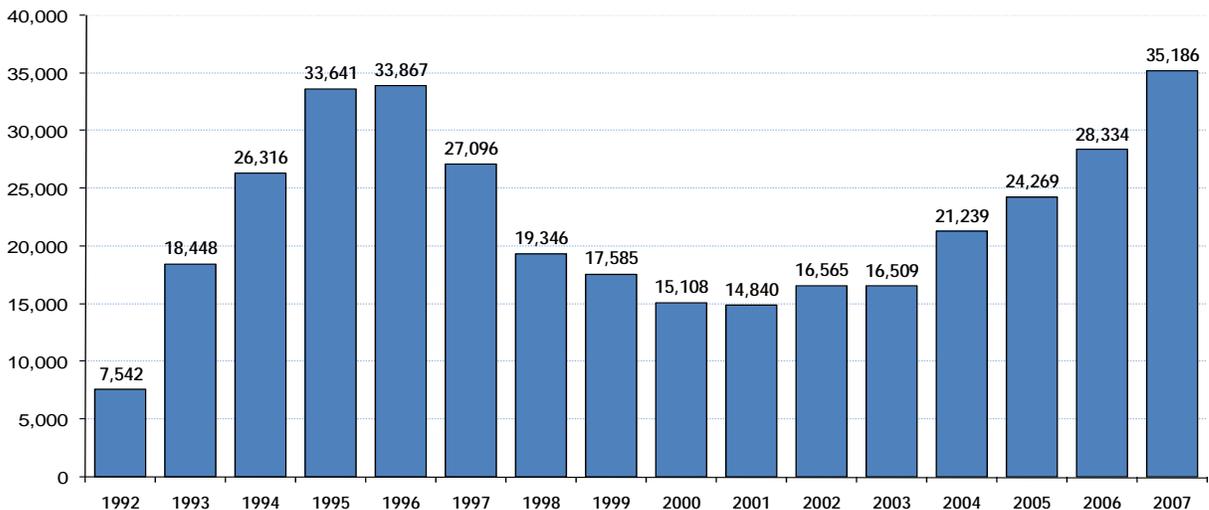
SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

- The Employment Development Department (EDD) files liens to recover disability insurance indemnity and unemployment benefits paid to industrially injured workers.
- Attorneys have an implied lien during representation of an injured worker. If an attorney is substituted out of a case and seeks a fee, the attorney has to file a lien.
- District Attorneys file liens to recover spousal and/or child support ordered in marital dissolution proceedings of the injured worker.
- A landlord or grocer will occasionally claim a lien for living expenses of the injured worker or his/her dependents.
- Although relatively rare now, a private disability insurance policy will occasionally file a lien on workers' compensation benefits on the theory that the proceeds from the benefits were used for living expenses of the injured worker.
- Some defendants will file liens in lieu of petitions for contribution where they have paid or are paying medical treatment costs to which another carrier's injury allegedly contributed.
- Liens are sometimes used to document recoverable (non-medical) costs, e.g., photocopying of medical records, interpreters' services and travel expenses.

Effective July 1, 2006, budget trailer bill language in AB 1806 repealed the lien filing fee in Labor Code Section 4903.05 and added Section 4903.6 to preclude the filing of frivolous liens at DWC district offices. Labor Code Section 4903.05, originally added by SB 228, had required that a filing fee of \$100 be charged for each initial lien filed by a medical provider, excluding the Veterans Administration, the Medi-Cal program, or public hospitals.

The following chart shows a large growth in decisions regarding liens filed on WCAB cases and a concomitant expenditure of DWC staff resources on the resolution of those liens.

DWC Lien Decisions



Data Source: DWC

DIVISION OF WORKERS' COMPENSATION AUDIT AND ENFORCEMENT PROGRAM

Background

The 1989 California workers' compensation reform legislation established an audit function within DWC to monitor the performance of workers' compensation insurers, self-insured employers, and third-party administrators to ensure that industrially injured workers are receiving proper benefits in a timely manner.

The purpose of the audit and enforcement function is to provide incentives for the prompt and accurate delivery of workers' compensation benefits to industrially injured workers and to identify and bring into compliance those insurers, third-party administrators, and self-insured employers who do not deliver benefits in a timely and accurate manner.

Assembly Bill 749 Changes to the Audit Program

AB 749, effective January 1, 2003, resulted in major changes to California workers' compensation law and mandated significant changes to the methodologies for file selection and assessment of penalties in the audit program.

Labor Code Sections 129 and 129.5 were amended to assure that each audit unit will be audited at least once every five years and that good performers will be rewarded. A profile audit review (PAR) of every audit subject will be done at least every five years. Any audit subject that fails to meet a profile audit standard established by the Administrative Director (AD) of the DWC will be given a full compliance audit (FCA). Any audit subject that fails to meet or exceed the FCA performance standard will be audited again within two years. Targeted PARs or FCAs may also be conducted at any time based on information indicating that an insurer, self-insured employer, or third-party administrator is failing to meet its obligations.

To reward good performers, profile audit subjects that meet or exceed the PAR performance standard will not be liable for any penalties but will be required to pay any unpaid compensation. FCA subjects that meet or exceed standards will only be required to pay penalties for unpaid or late paid compensation and any unpaid compensation.

Labor Code Section 129.5(e) was amended to provide for civil penalties up to \$100,000 if an employer, insurer, or third-party administrator has knowingly committed or (rather than "and") has performed with sufficient frequency to indicate a general business-practice act discharging or administering its obligations in specified improper manners. Failure to meet the FCA performance standards in two consecutive FCAs will be rebuttably presumed to be engaging in a general business practice of discharging and administering compensation obligations in an improper manner.

Review of the civil penalties assessed is obtained by written request for a hearing before WCAB rather than by application for a writ of mandate in the Superior Court. Judicial review of the Board's F&O is as provided in Sections 5950 et seq.

Penalties collected under Section 129.5 and unclaimed assessments for unpaid compensation under Section 129 are credited to the Workers' Compensation Administration Revolving Fund (WCARF).

Audit and Enforcement Unit Data

The following charts and graphs depict workload data from 2000 through 2007. As noted on the charts, data before 2003 cannot be directly compared with similar data in 2003 and after because of the significant changes in the program effective January 1, 2003.

Overview of Audit Methodology

Selection of Audit Subjects

Audit subjects, including insurers, self-insured employers, and third-party administrators, are selected randomly for routine audits.

The bases for selecting audit subjects for targeted audits are specified in 8 California Code of Regulations (CCR) Section 10106.1(c), effective January 1, 2003:

- Complaints regarding claims handling received by DWC.
- Failure to meet or exceed FCA Performance Standards.
- High numbers of penalties awarded pursuant to Labor Code Section 5814.
- Information received from WCIS.
- Failure to provide a claim file for a PAR.
- Failure to pay or appeal a Notice of Compensation Due ordered by the Audit Unit.

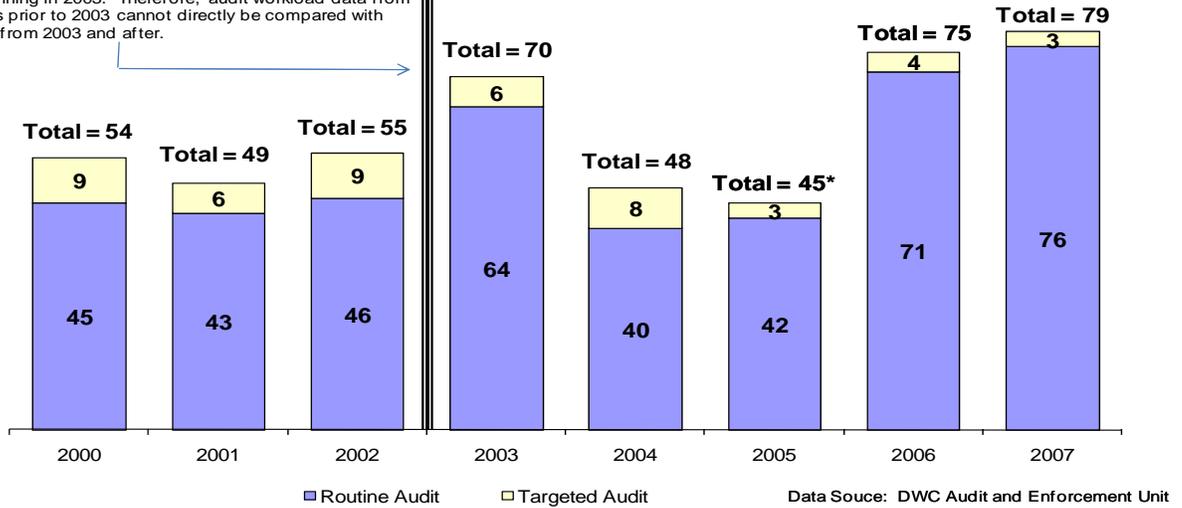
SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

Routine and Targeted Audits

The following chart shows the number of routine audits and target audits and the total number of audits conducted each year.

Routine and Targeted Audits

Please Note: Assembly Bill 749 resulted in major changes to California workers' compensation law and mandated significant changes to the audit program beginning in 2003. Therefore, audit workload data from years prior to 2003 cannot directly be compared with data from 2003 and after.



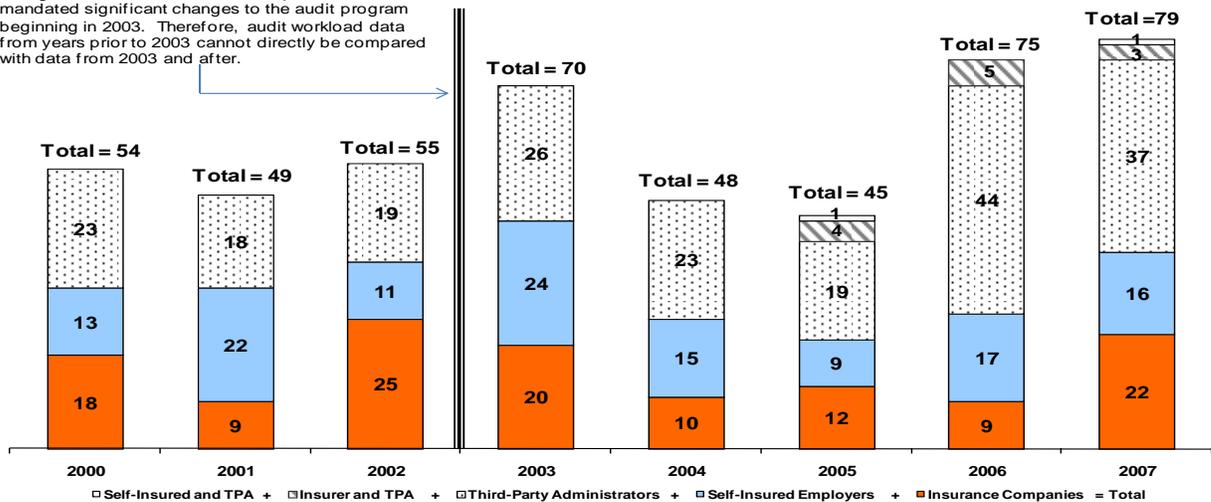
* Note: An additional target audit was conducted based on a return agreement in a previous stipulation of civil penalty in year 2000

Audits by Type of Audit Subject

The following chart depicts the total number of audit subjects each year with a breakdown by whether the subject is an insurer, a self-insured employer, or a third-party administrator.

DWC Audits by Type of Audit Subject

Please Note: Assembly Bill 749 resulted in major changes to California workers' compensation law and mandated significant changes to the audit program beginning in 2003. Therefore, audit workload data from years prior to 2003 cannot directly be compared with data from 2003 and after.



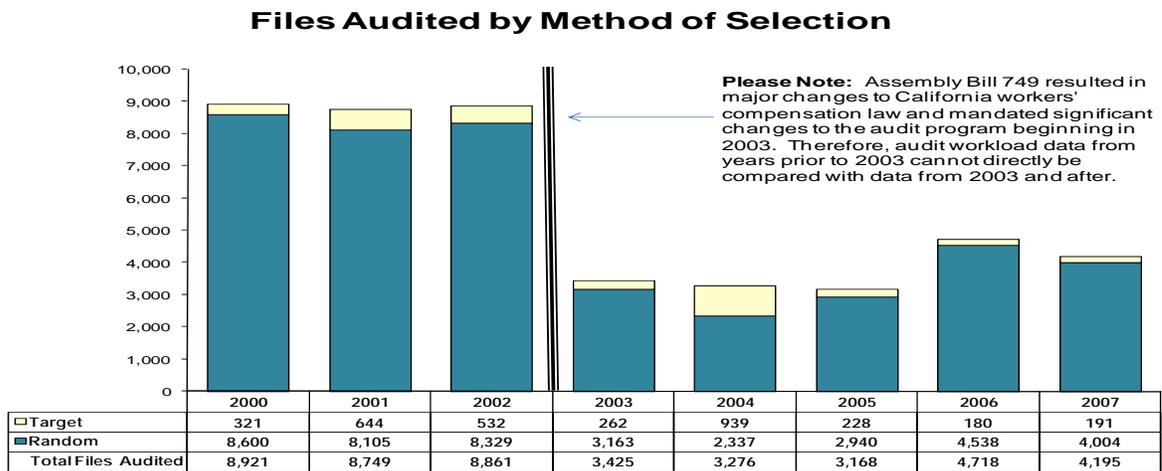
SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

Selection of Files to be Audited

The majority of claim files are selected for audit on a random basis, with the number of indemnity and denied cases being selected based on the numbers of claims in each of those populations of the audit subject:

- Targeted files are selected because they have attributes that the audits focus on.
- Additional files include claims chosen based on criteria relevant to a target audit but for which no specific complaints had been received.
- The number of claims audited is based upon the total number of claims at the adjusting location and the number of complaints received by DWC related to claims-handling practices. Types of claims include indemnity, medical-only, denied, complaint and additional.

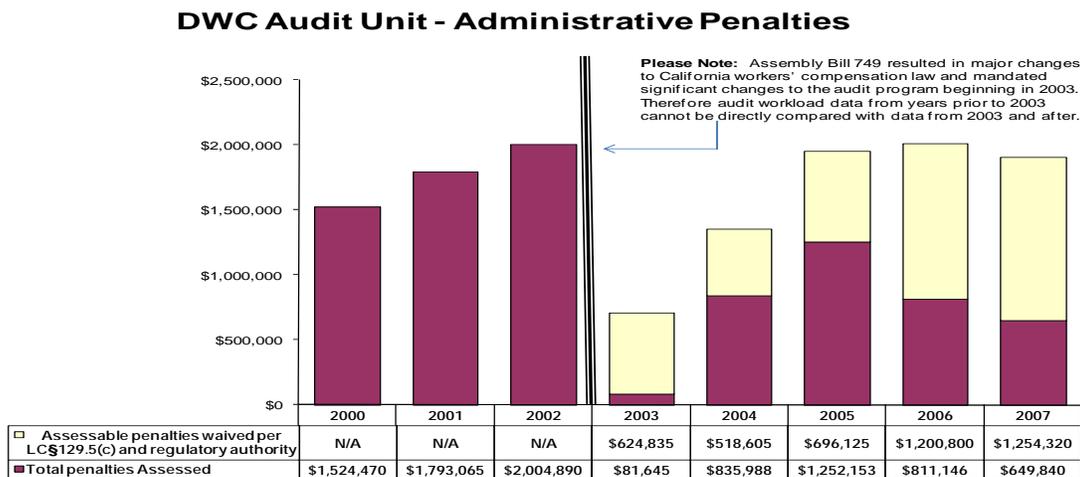
The following chart shows the total number of files audited each year, broken down by the method used to select them.



Data Source: DWC Audit and Enforcement Unit

Administrative Penalties

As shown in the following chart, the administrative penalties assessed have changed significantly since the reform legislation changes to the Audit and Enforcement Program beginning in 2003.

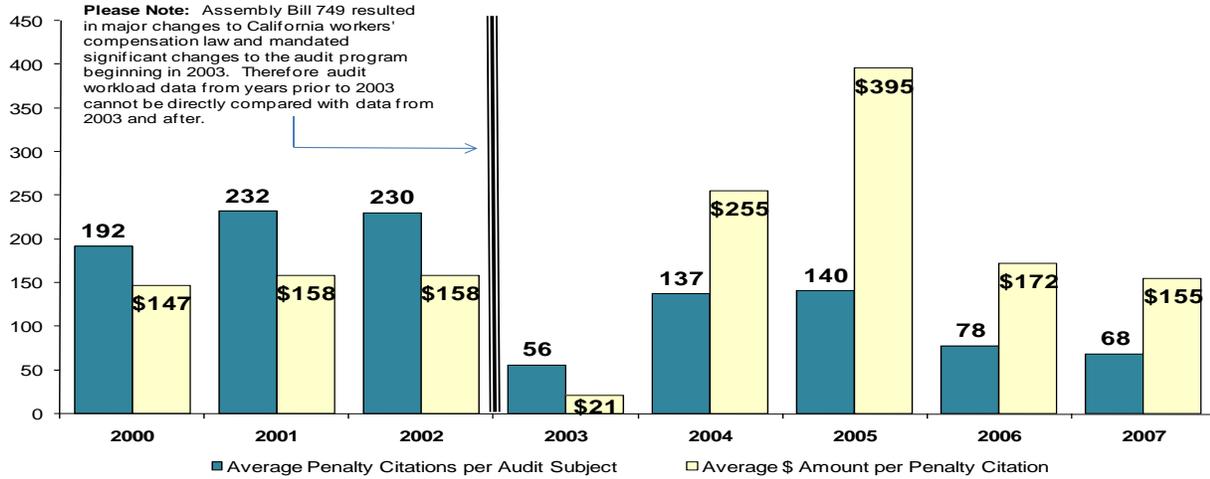


Source: DWC Audit and Enforcement Unit

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The following chart shows the average number of penalty citations per audit subject each year and the average dollar amount per penalty citation.

Average Number of Penalty Citations per Audit Subject and Average Amount per Penalty Citation

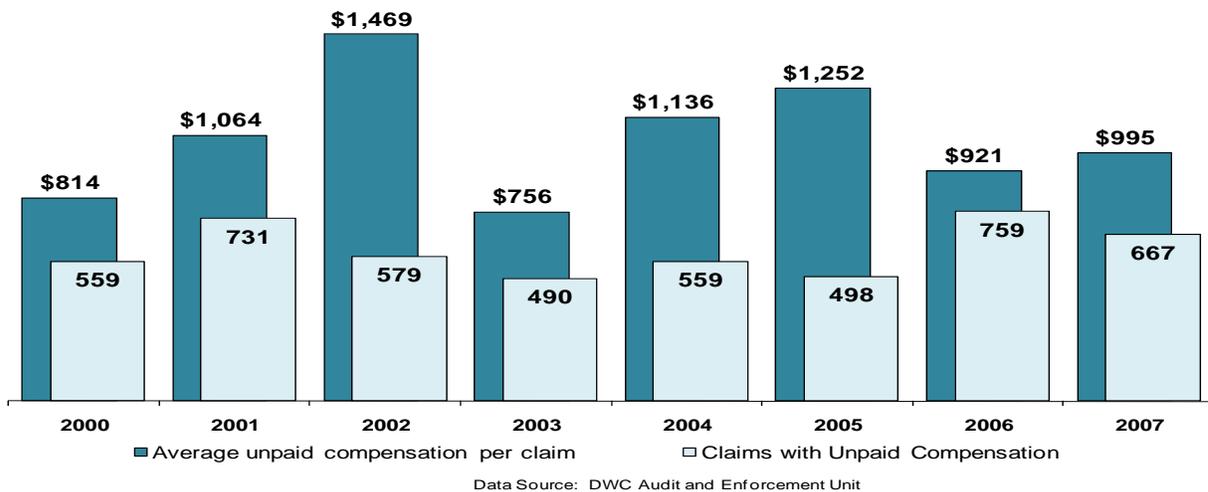


Unpaid Compensation Due To Claimants

Audits identify claim files in which injured workers were owed unpaid compensation. The administrator is required to pay these employees within 15 days after receipt of a notice advising the administrator of the amount due, unless a written request for a conference is filed within 7 days of receipt of the audit report. When employees due unpaid compensation cannot be located, the unpaid compensation is payable by the administrator to WCARF. In these instances, application by an employee can be made to DWC for payment of monies deposited by administrators into this fund.

The following chart depicts the average number of claims per audit where unpaid compensation was found and the average dollar amount of compensation due per claim.

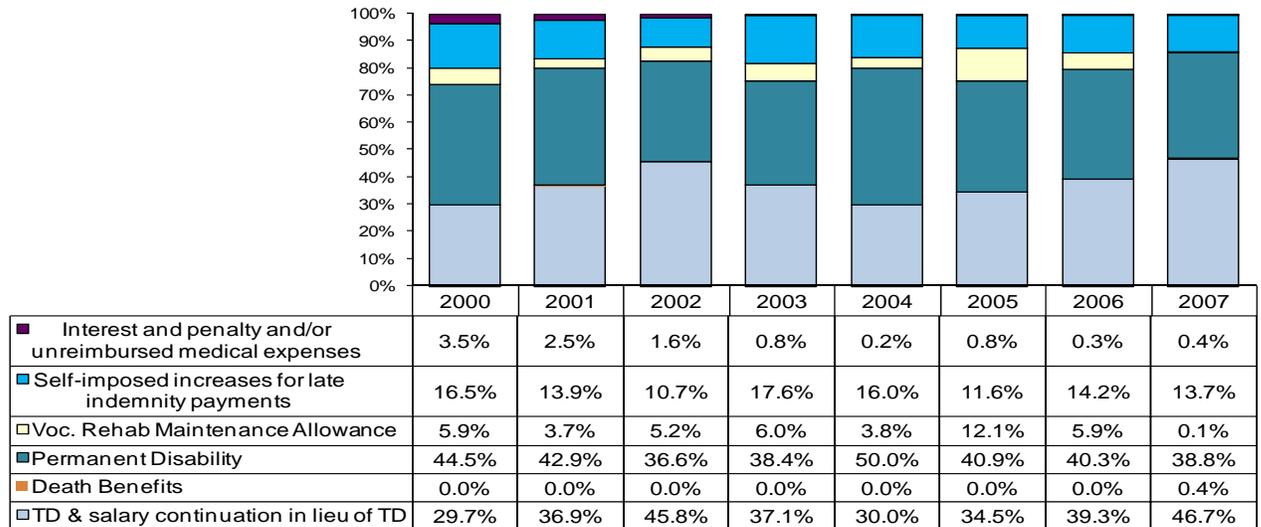
**DWC Audit Unit Findings of Unpaid Compensation
Number of Claims / Average \$ Unpaid per Claim**



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The chart below shows unpaid compensation each year, broken down by percentage of the specific type of compensation that was unpaid.

**Unpaid Compensation in Audited Files
Type by Percentage of Total**



Data Source: DWC Audit and Enforcement Unit

For further information...

 DWC Annual Audit Reports may be accessed at <http://www.dir.ca.gov/dwc/audit.html>

 CHSWC Report on the Division of Workers' Compensation Audit Function (1998) - available at www.dir.ca.gov/chswc

UNINSURED EMPLOYERS BENEFITS TRUST FUND

Current Funding Liabilities and Collections

Claims are paid from the Uninsured Employers Benefit Trust Fund (UEBTF) when illegally uninsured employers fail to pay workers' compensation benefits awarded to their injured employees by WCAB.

UEBTF Funding Mechanisms

The funding for the UEBTF comes primarily from assessments on both insured and self-insured employers. According to Labor Code Section 62.5(e), the "total amount of the assessment is allocated between the employers in proportion to the payroll paid in the most recent year for which payroll information is available."²⁰

The assessment for the insured employers is based on a percentage of the premium, while the percentage for self-insured employers is based on a percentage of indemnity paid during the most recent year.

Apart from the assessments on employers required by Labor Code Section 62.5, UEBTF is funded by two other sources:

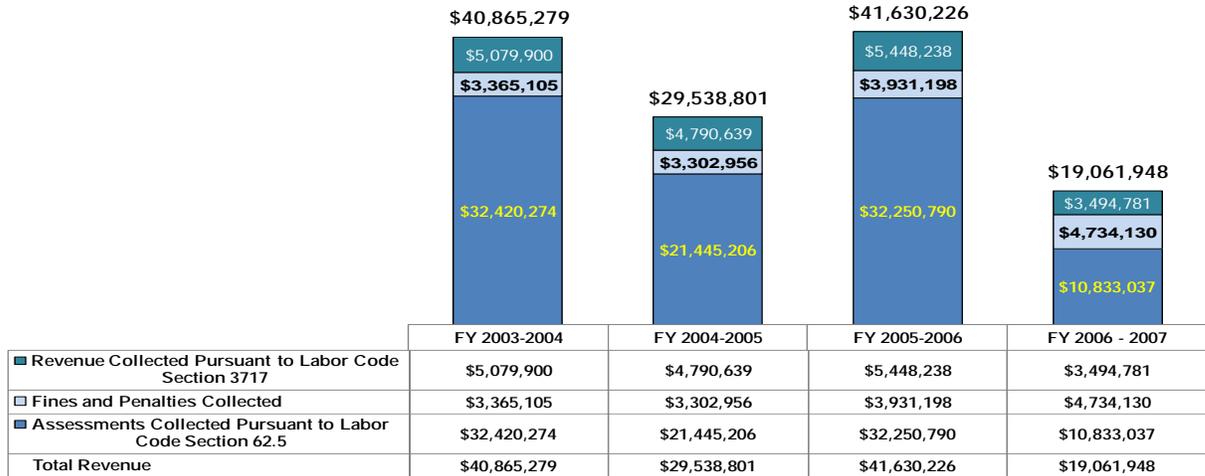
- Fines and penalties collected by the DIR. These include both the Division of Labor Standards and Enforcement (DLSE) penalties as well as Labor Code Section 3701.7 penalties on self-insured employers.
- Recoveries from illegally uninsured employers per Labor Code Section 3717.

²⁰ Prior to the workers' compensation reforms of 2004, the funding for the UEBTF came from the General Fund.

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The chart below shows monies collected by the source of the revenue.²¹

UEBTF Revenues, FY 2003-04 to FY 2006-07

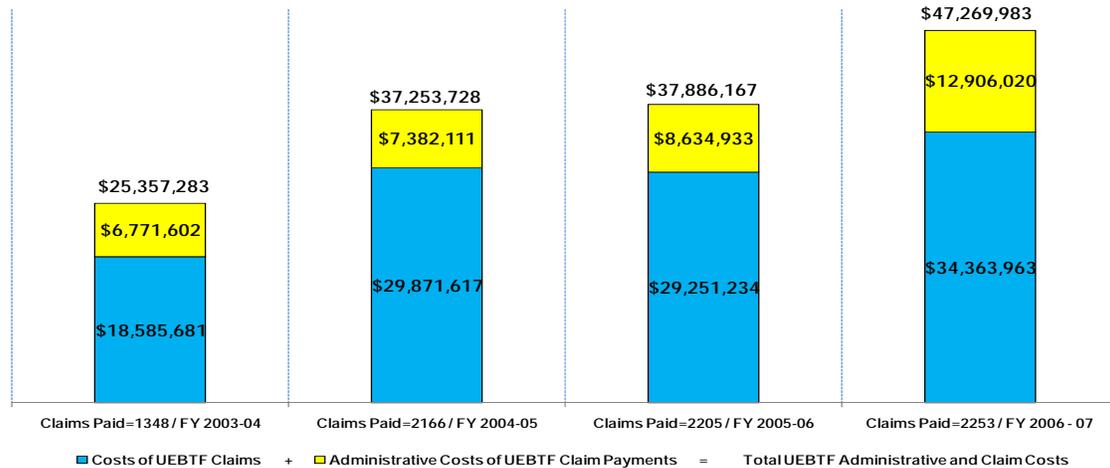


Data Source: DWC

Costs of the Uninsured Employers Benefits Trust Fund

Within the past three years, the number of uninsured claims paid increased 4 percent from 2,166 in Fiscal Year 2004-05 to 2,253 in Fiscal Year 2006-07. The cost of claims increased 15 percent from \$29.9 million to \$34.4 million per year over the same period. Administrative costs associated with the claim-payment activities have increased 74 percent from \$7.4 million to \$12.9 million per year over the same period. Details are provided in the chart below.²²

**Number of UEBTF Claims Paid and Costs
FY 2003-04 to FY 2006-07**



Data Source: DWC

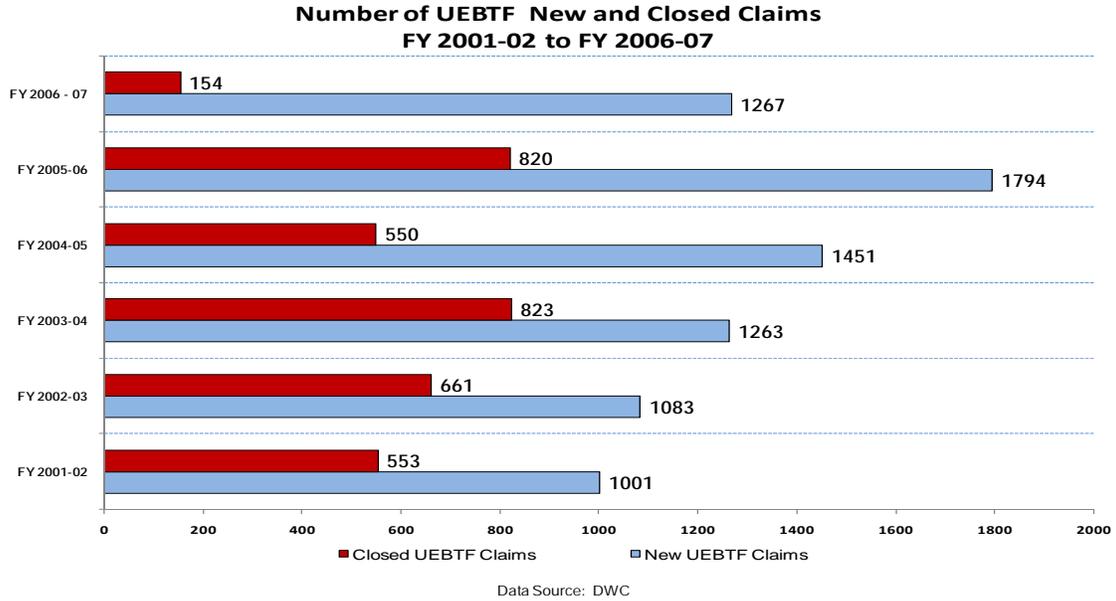
²¹ The data in the chart "UEBTF Revenues" could be found at DWC/ Special Funds Unit/UEBTF website http://www.dir.ca.gov/dwc/UEF/UEF_LC3716_1.pdf.

²² The data in the chart "Number of UEBTF Claims Paid and Costs" could be found at DWC/ Special Funds Unit/UEBTF website http://www.dir.ca.gov/dwc/UEF/UEF_LC3716_1.pdf.

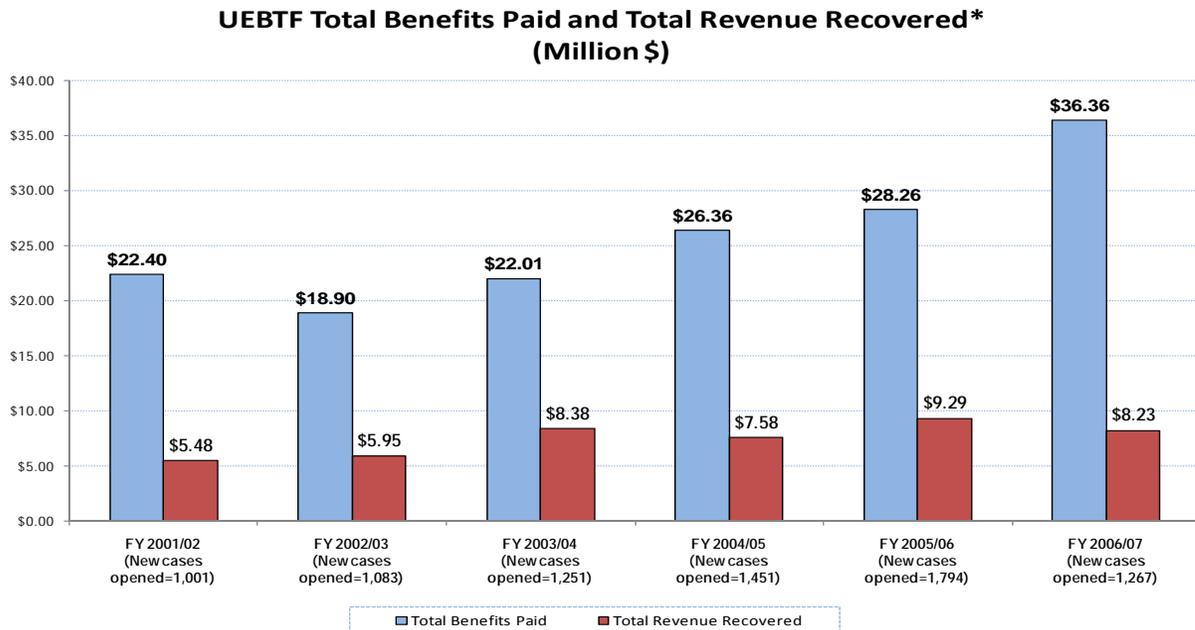
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The projected UEBTF annual program cost for the most recent fiscal year 2007-08 is \$42.6 million.²³ This cost includes the administrative costs associated with claims payment activities as well as the payout on claims filed by injured workers of illegally uninsured employers.

As shown in the chart below, the number of new UEBTF claims is back to its level in FY 2003-04.



The number of new UEBTF cases and dollar amounts associated with new opened claims for the past five fiscal years are shown below:



²³ Division of Workers' Compensation, "Report of the Uninsured Employers Benefit Trust Fund in Compliance with Labor Code Section 3716.1(c) for Fiscal Year 2006-07."

DISABILITY EVALUATION UNIT

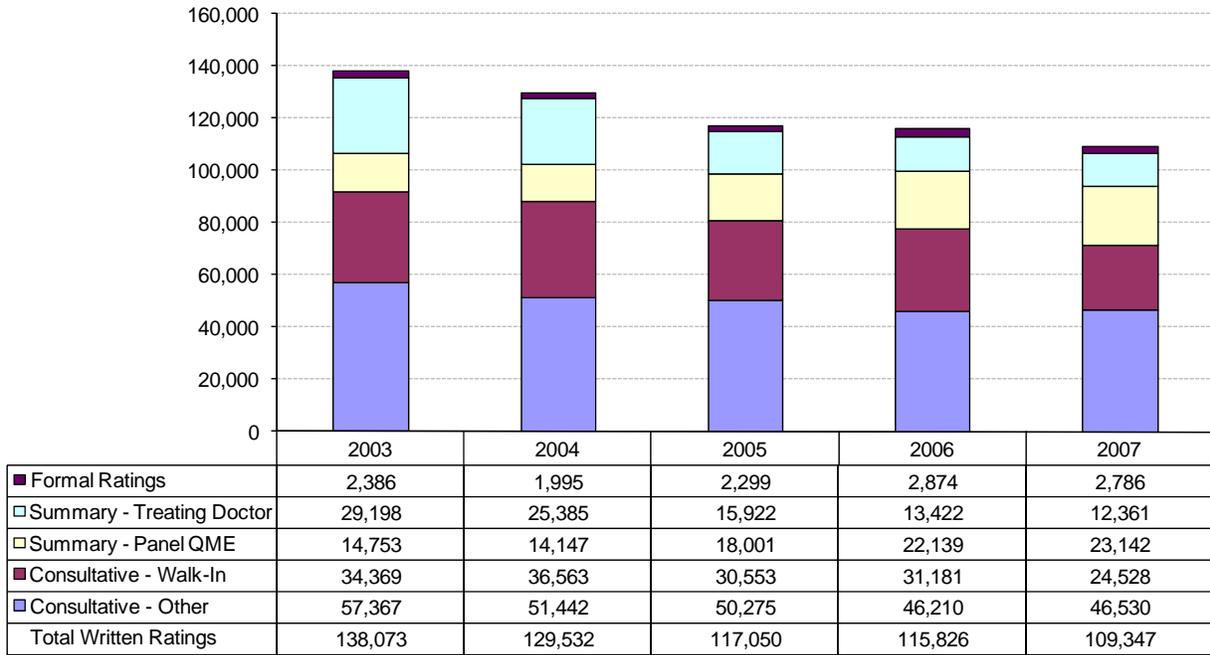
The DWC Disability Evaluation Unit (DEU) determines PD ratings by assessing physical and mental impairments in accordance with the PDRS. The ratings are used by workers' compensation judges, injured workers, and insurance claims administrators to determine PD benefits.

DEU prepares three types of ratings: formal, done at the request of a workers' compensation judge; consultative, done at the request of an attorney or DWC information and assistance officer (I&A); and summary, done at the request of a claims administrator or injured worker. Summary ratings are done only on non-litigated cases, and formal consultative ratings are done only on litigated cases.

The rating is a percentage that estimates how much a job injury permanently limits the kinds of work the injured employee can do. It is based on the employee's medical condition, date of injury, age when injured, occupation when injured, how much of the disability is caused by the employee's job, and his or her diminished future earning capacity. It determines the number of weeks that the injured employee is entitled to PD benefits.

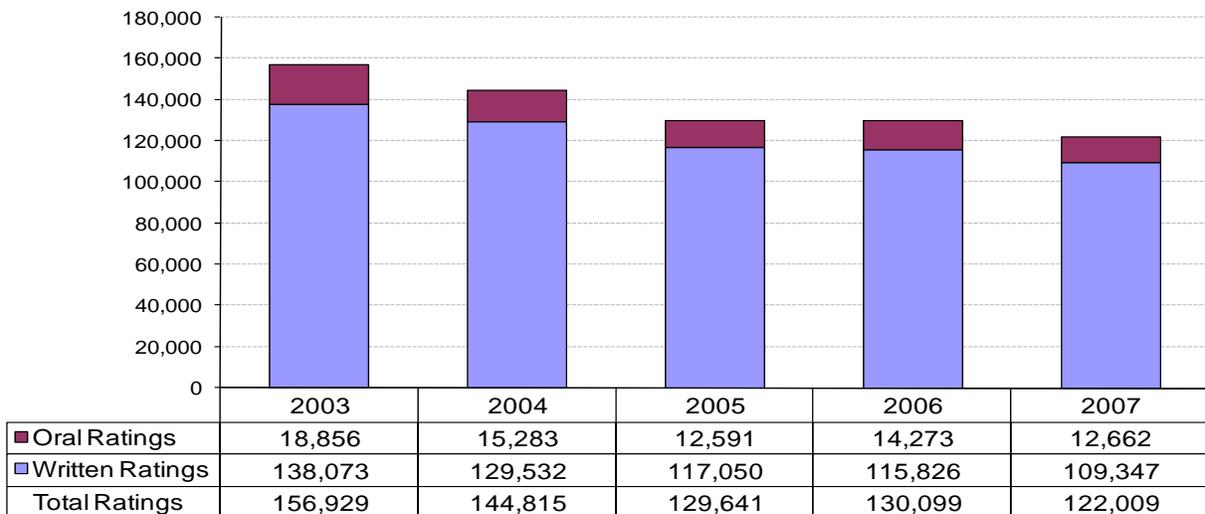
The following charts depict DEU's workload during 2003 and 2007. The first chart shows the written ratings produced each year by type. The second chart illustrates the total number of written and oral ratings each year.

DEU Written Ratings 2003-2007



Data Source: DWC Disability Evaluation Unit

DEU Oral and Written Ratings by Type 2003 - 2007



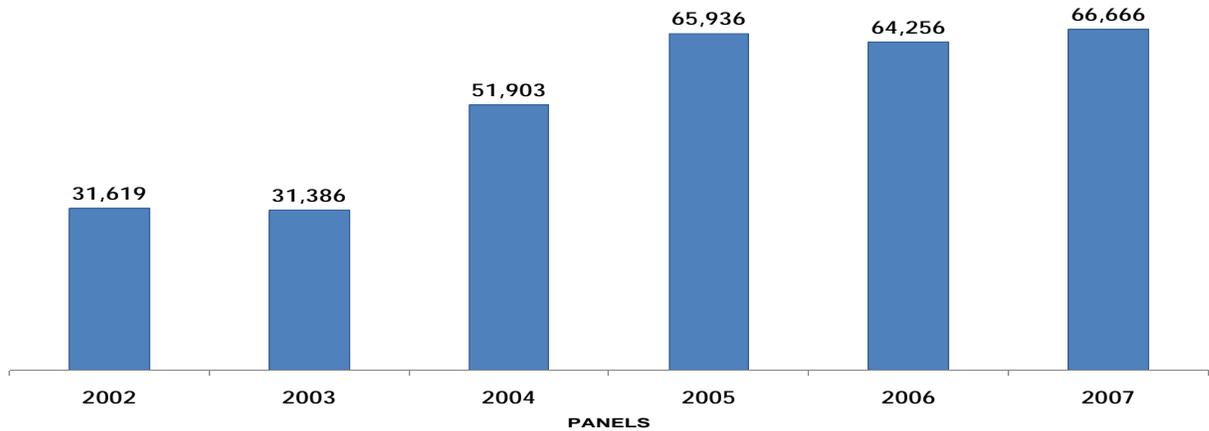
Source: DWC Disability Evaluation Unit

QUALIFIED MEDICAL EVALUATOR PANELS

The chart below indicates the number of QME Panel Lists issued in each year.

DWC assigns panels composed of three QMEs from which an injured worker without an attorney selects the evaluator for a medical dispute. Beginning in 2005, a similar process became effective for cases where the worker has an attorney. This resulted in an increased number of QME panels. The changes contributed to a larger percentage of problems with the panel assignments.

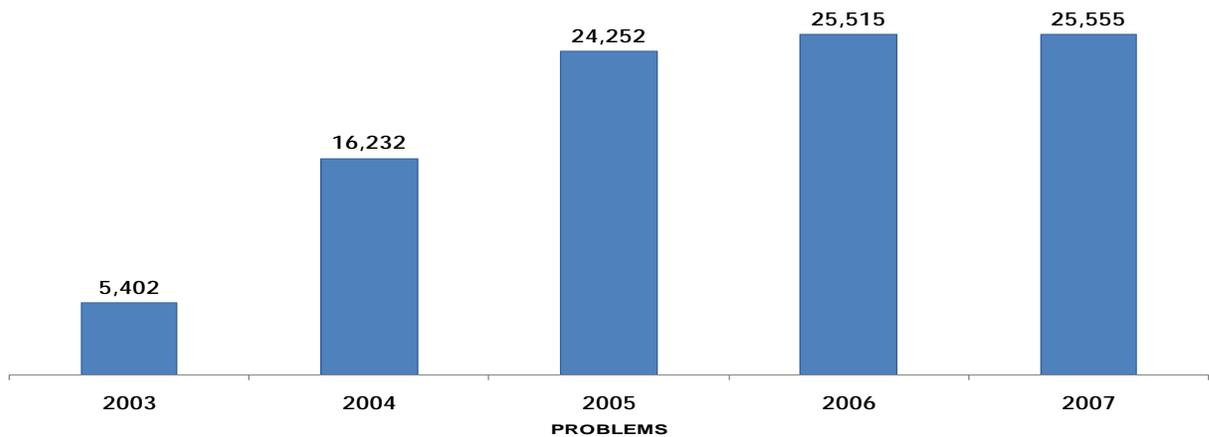
Number of Qualified Medical Evaluator (QME) Panel Lists



Data Source: DWC

The following chart indicates the number of problems with the original QME panel issued necessitating a replacement list.

Number of Qualified Medical Evaluator (QME) Panel Problems



Data Source: DWC

MEDICAL PROVIDER NETWORKS AND HEALTH CARE ORGANIZATIONS²⁴

Medical Provider Networks

Background

In recent years, the California workers' compensation system has seen significant increases in medical costs. Between 1997 and 2003, workers' compensation medical treatment expenses in California increased by an estimated 138 percent,²⁵ outpacing the costs for equivalent medical treatment provided in non-industrial settings. To abate this rise in costs, major reforms were made in 2003 and 2004. One such effort was the signing into law of SB 899 in April of 2004. One major component of SB 899 was the option for self-insured employers or insurers to establish a Medical Provider Network (MPN), as promulgated in Labor Code § 4616 et. seq. MPNs were implemented beginning January 1, 2005.

An MPN is a network of providers established by an insurer, self-insured employer, Joint Powers Authority (JPA), the State, a group of self-insured employers, self-insurer security fund, or California Insurance Guarantee Association (CIGA) to treat work-related injuries.

The establishment of an MPN gives close to complete medical control to employers. With the exception of employees who have pre-designated a physician, according to California Labor Code Section 4600, employers that have established an MPN control the medical treatment of employees injured at work for the life of the claim as opposed to 30 days of medical control that employers had prior to SB 899. Having an MPN means the employer has more control with regard to who is in the network and who the injured worker sees for care for the life of the claim. The employer gets to choose who the injured worker goes to on first visit; however, after first visit, injured worker can go to a doctor of his/her choosing in the MPN,

Before the implementation of an MPN, insurers and employers are required to file an MPN application with DWC for review and approval, pursuant to Title 8 CCR § 9767.1 et. seq.

Application Review Process

California Labor Code Section 4616(b) mandates that DWC review and approve MPN plans submitted by employers or insurers within 60 days of plan submission. If DWC does not act on the plan within 60 days, the plan is deemed approved by default.

Upon receipt of an MPN application, DWC does an initial cursory review of all applications received. The result of the review is communicated to each applicant in a "complete" or "incomplete" letter, as applicable. Applicants with sections missing in their application will be informed to complete the missing part(s). Applicants with a complete application will receive a "complete" letter indicating the target date of when the full review of their application will be completed. The clock for the 60-day time frame within which DWC should act starts from the day a complete application is received at DWC.

The full review of an application involves a thorough scrutiny, using a standard checklist, to see if the application followed the statutory and regulatory requirements set forth in California Labor Code Section 4616 et. seq. and the California Code of Regulations sections 9767.1 et. seq. The full review culminates with an approval letter if no deficiency is discovered in the submitted

²⁴ The information in this section was provided by the DWC Medical Unit, with minor edits by CHSWC staff.

²⁵ Based on WCIRB annual report *California Workers' Compensation Losses and Expenses* prepared pursuant to § 11759.1 of the California Insurance Code.

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application. Applicants with deficient applications are sent a disapproval letter listing deficiencies that need to be corrected.

Material modification filings go through a similar review process as an initial application. Except in cases where an applicant was approved under the emergency regulations and is now updating the application to the permanent regulations, reviews of material modifications are done only for those sections of the applications affected by the material change.

Applications Received and Approved

The Table below provides a summary of MPN program activities since the inception of the MPN program in November 1, 2004, to August 20, 2008. During this time frame, the MPN program has received 1,417 MPN applications. Of these, 17 were ineligible as they were erroneously submitted by insured employers who under the MPN regulations are not eligible to set up an MPN. As of August 20, 2008, 1,280 applications were approved. Of these, 987 were approved under the emergency regulations and the remaining 251 under the permanent regulations. Seventeen (17) approved applications were revoked by DWC. The reason for revocation was the applicants' erroneous reporting of their status as self-insured when in fact they were insured entities. One hundred and two (102) were withdrawn after approval and thirty-nine (39) were withdrawn before approval. The reasons for the withdrawals are either the applicant decided not to pursue their MPN or duplicate submission of the same application.

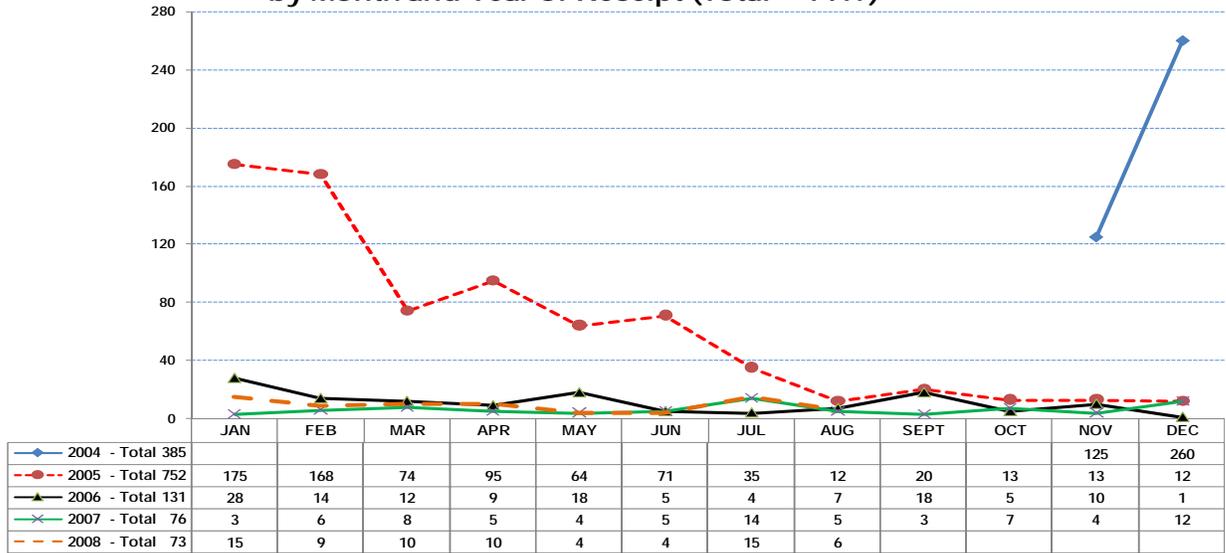
Table: MPN Program Activities from November 1, 2004 to August 20, 2008

MPN Applications	Numbers
Received	1,417
Approved	1280
Material Modifications	1,001
Withdrawn	141
Revoked	17
Ineligible	17

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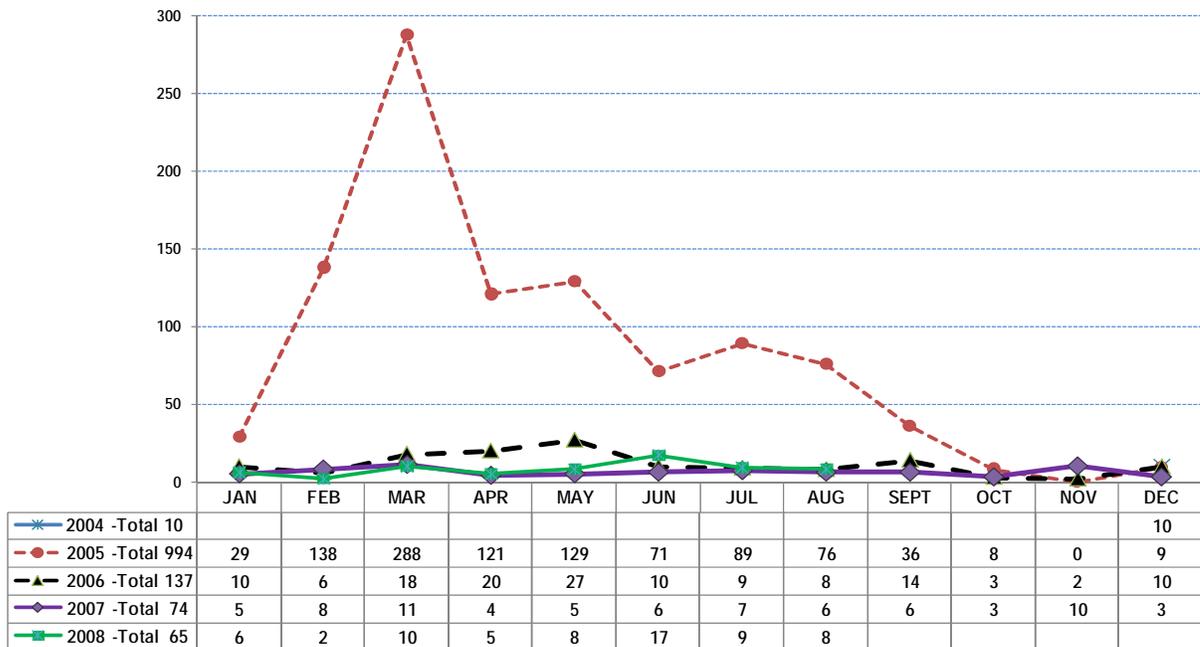
The figures and tables below show the time of receipt of MPN applications by month and year. DWC began accepting applications in November 2004. The majority of applications were received in 2005. Similarly, 77.7 percent of all applications approved through August 2008 were approved in 2005, while only 10.7 percent were approved in 2006 and 5.8 percent were approved in 2007.

Number of MPN Applications Received by Month and Year of Receipt (Total = 1417)



Data Source: DWC

Number of MPN Applications Approved by Month and Year (Total=1280)



Data Source: DWC

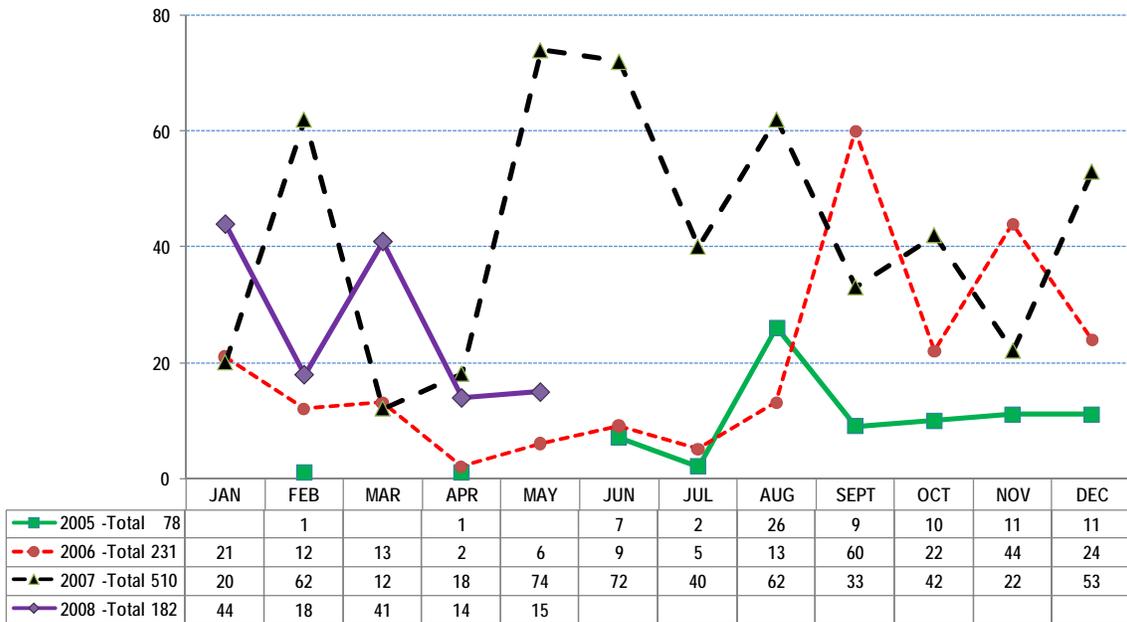
Material Modifications

MPN applicants are required by Title 8 CCR § 9767.8 to provide notice to DWC for any material change to their approved MPN application. In addition, MPN applicants approved under the emergency regulations must update their application to conform with the permanent MPN regulations when providing notice of material change to their approved application.

As of August 20, 2008, 1,001 applicants had filed a material modification with DWC. Of these, 850 were approved under the emergency regulations and as such had to update their application to conform to the permanent MPN regulations. One hundred fifty one (151) were approved under the permanent regulations. Some applicants have more than one material modification. One hundred and thirty one (131) applicants had two material modification filings, 15 had three filings, while 1 had 23 filings.

The chart below show how many material modification filings were received at DWC: 78 material modifications were filed in 2005, 231 in 2006, 510 in 2007, and 182 in 2008

Number of MPN Material Modifications Received by Month and Year (Total = 1,001)



Data Source: DWC

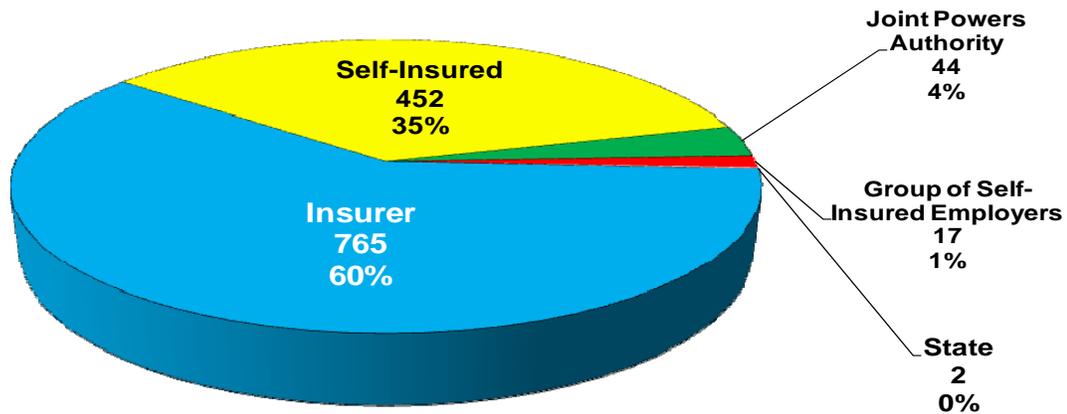
MPN Applicants

The table below shows the distribution of MPN applicants by type of applicant. The majority, 59.8 percent, of MPN applications were filed by Insurers, followed by self-insured employers, 35.3 percent.

**Table: Distribution of Approved MPN Applications by Type of Applicant
(Total for all years = 1280)**

Type of Applicant	2004	2005	2006	2007	2008
Insurer	7	611	68	31	48
Self- Insured	3	346	55	36	12
Joint Powers Authority		33	4	4	3
Group of Self-Insured Employers		2	10	3	2
State		2			
Total	10	994	137	74	65

Distribution of All Approved MPN Applications by Type of Applicant from 2004 to 2008 (Total = 1280)



Data Source: DWC

HCO Networks

HCO networks are used by 704 (55 percent) of the approved MPNs. The distribution of MPNs by HCO is shown in the Table below. First Health HCO has 32.7 percent of the MPN market share followed by Prudent Buyer HCO, which has 10.4 percent, and Corvel HCO, which has 8.7 percent. There seems to be a slow decrease in the use of HCO networks for MPNs.

MPN applicants are allowed to have more than one MPN. As a result, 54.3 percent of applicants have more than one MPN, including 19.3 percent with 19 to 35 MPNs (See Table "Distribution of Approved Applicants by Number of MPNs per Applicant"). The names of MPN applicants with 10 or more approved MPNs are shown in Table: Names of MPN Applicants with 10 or More

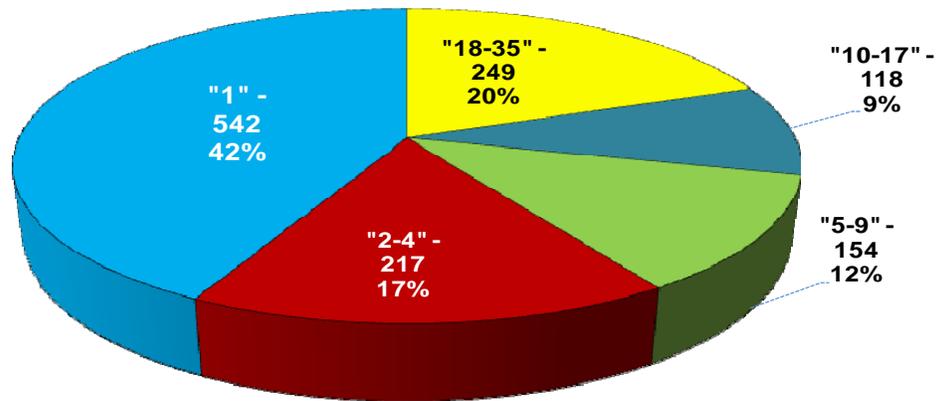
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Approved MPNs. ACE American Insurance Company leads with 35 MPNs followed by Zurich American Insurance Company with 31 MPNs and American Home Assurance Co., with 29 MPNs.

Table: Number of MPN Applicants Using HCO Networks.

Name of HCO	Number	% Application Received	% Application Approved
CompAmerica (First Health)	419	59.5%	32.7%
Prudent Buyer (Blue Cross)	133	18.9%	10.4%
Corvel	111	15.8%	8.7%
Medex	31	4.4%	2.4%
CompPartners	6	0.9%	0.5%
Net-Work	3	0.4%	0.2%
Intracorp	1	0.1%	0.1%
Total Using HCO	704	100.0%	55.0%

**Distribution of Approved MPNs
by "Number of MPNs per Applicant", 2007**



Data Source: DWC

Table: Names of MPN Applicants with 10 or More Approved MPNs

Name of Applicant	Number of MPNs
ACE American Insurance Company	35
Zurich American Insurance Company	31
American Home Assurance Company	29
Fidelity & Guaranty Insurance Company	25
United States Fidelity and Guaranty Company	21
Discover Property & Casualty Insurance Company	21
Fidelity & Guaranty Insurance Underwriters, Inc	20
Old Republic Insurance Company	16
The Insurance Company of the State of Pennsylvania	16
American Zurich Insurance Company	14
New Hampshire Insurance Company, Ltd.	14
National Union Fire Insurance Company of Pittsburgh, PA	13
Commerce and Industry Insurance Company	12
Granite State Insurance Company	12
Landmark Insurance Company	10
ARCH Insurance Company	10

Covered employees

The number of MPN applicants reporting employees under their MPN has increased since the previous report, as more and more MPN applicants are reporting the number of employees covered under the MPN, at the time of filing their material modification to update their MPN application to conform to the MPN permanent regulations. Currently, we have information on (840) 65.6 percent of approved MPN applicants. The total estimated number of covered employees, as reported by these MPN applicants, is 19,555,589. DWC recommends that this number be used with caution, as it believes this number to possibly be inflated due to insurers multiple counting of covered employees in their multiple MPN applications.

Employers/Insurers with MPN

Neither the number nor the name of insured employers using MPNs can be obtained from MPN applications. Insurers are not required to report who among their insured employers are using their MPN. The list of self-insured employers with a self-reported number of covered employees greater than five thousand is shown below. This list includes among others some large self-insured companies such as Albertsons, AT&T, FedEx, Safeway, Home Depot, Target Corporation, Rite Aid, Raley's, and Federated Department Store.

MPN Complaints

The MPN program has set up a complaint logging and resolution system. Complaints are received by phone, fax, email and mail. Since January 2006, DWC has received 172 complaints. DWC has contacted the liaison of the MPNs and resolved and closed 170 of the complaints.

Status of the MPN Program

The MPN program is a new program that is growing, and as such, the intake, application tracking and review process are works in progress. It has improved over time, but there is still room for improvement. Professional as well as clerical staff could benefit more from training on programs

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such as Excel and Access which could facilitate the intake logging process. In addition, scanning of copies of application documents could reduce the space that is currently being used by MPN applications. Currently, two hard copies of each application are kept by DWC.

The program has two clerical staff (half time) and three professional staff (not including two medical doctors and one legal counsel who are readily available for consulting).

During the past year, the main focus of the program has been to review and approve MPN material modifications and processing the change of MPN notice. However, more research on the MPN provider networks and the functioning of MPNs needs to be undertaken on the following: what percentage of the different networks overlap? i.e., which networks have the same doctors? what are the economic profiling policies of the different networks? which areas of the state are covered by MPNs and which areas lack providers? and which provider specialties are lacking?

DWC does not have any mechanism to monitor if approved MPNs are indeed functioning according to their approved application. However, a complaint tracking system has been put in place and so far, DWC has received 172 complaints. Most of the complaints were regarding insufficient provider listings given to the injured worker.

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List of Self-Insured MPN Applicants with Covered Employees of 5,000 or more, August 2008

Name of Applicant	Name of MPN	Number of Covered employees
Regents of The University of California	Regents of The University of California MPN	189925
Los Angeles Unified School District	Sedgwick CMS Extended Medical Provider Network	122647
County of Los Angeles	CorVel HCO	87000
County of Los Angeles	First health CompAmerica Select HCO	87000
County of Los Angles	Interplan Health Group	87000
Target Corporation	Target Medical Provider Network	75300
New Albertsons, Inc.(A SuperValu Company)	New Albertson's Inc. CA MPN	65352
Federated Dept. Stores, Inc.	CorVel MPN/Federated Department Stores	62541
Safeway, Inc.	Safeway Select MPN	60000
Kelly Services, Inc	Kelly Services Medical Provider Network	58500
The Home Depot	The Home Depot Medical Provider Network	58048
Pacific Bell Telephone Company	Sedgwick CMS Extended Medical Provider Network	34131
Pacific Bell Telephone Co.	Liberty Mutual Group MPN	34131
Costco Wholesale	Costco MPN	31000
Kaiser Foundation Hospitals, a California Corporation	Kaiser Permanente MPN	29880
Southern California Permanente Medical Group	Kaiser Permanente MPN	26353
Mainstay Business Solutions	WellComp Medical Provider Network	22500
San Diego Unified School District	State Fund Medical Provider Network	22000
County of Orange	WellComp Medical Provider Network	22000
County of Orange	Cambridge Orange County MPN	21500
County of Orange	Intracorp	21400
Pacific Gas and Electric Company	PG&E /Blue Cross Medical Provider Network	21000

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Name of Applicant	Name of MPN	Number of Covered employees
Marriott International, Inc.	Marriott's Medical Provider Network	20511
Tenet Healthcare Corporation	First Health CompAmerica Primary HCO Network (or "First Health Primary")	20439
Manpower Inc.	Concentra MPN	20320
Sun Microsystems, Inc. (Sun)	First Health Network	20000
San Diego Unified School District	TRISTAR - CompAmerica Primary HCO	20000
City and County of San Francisco	City and County of San Francisco Medical Provider Network	20000
Walt Disney World Co (The Disneyland Resort Division)	Disneyland Resort Medical Provider Network	20000
Ventura County Schools Self-Funding Authority	WellComp Medical Provider Network	19566
County of Riverside	CorVel MPN/County of Riverside	19000
Countrywide Financial Corporation	Countrywide Network	18000
Manpower, Inc.	Sedgwick CMS MPN	17500
Nordstrom Inc.	Nordstrom Medical Provider Network	17000
The County of Riverside	First Health Comp America Select	16600
American Building Maintenance (ABM)	ABM Network	15712
Hewlett Packard Company	Sedgwick CMS Extended Medical Provider Network	15388
Southern California Edison	SCE Select	15077
County of San Bernardino	CorVel MPN	14000
The Walt Disney Company	The Liberty Mutual Group MPN	13924
Alliance of Schools for Cooperative Insurance Programs	WellComp Medical Provider Network	13764
Securitas Security Services USA, Inc.	Broadspire-Concentra Standard MPN	13500
Raley's	Raley's Quality Medical Provider Network	13500
Lockheed Martin Corporation	INTRACORP/Lockheed Martin MPN	13400
Intel Corporation	Broadspire MPN	13223

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Name of Applicant	Name of MPN	Number of Covered employees
COP/CPB of the Church of Jesus Christ of the Latter-day Saints	Deseret MPN	12143
Barrett Business Services, Inc.	BBSI/CorVel MPN	12000
Lowe's HIW, Inc.	Lowe's CA MPN	11500
AT&T	Sedgwick CMS Extended Medical Provider Network	11500
Santa Barbara County Schools - SIPE	PacMed, Inc. HCO	11000
County of Kern	County of Kern Medical Provider Network	10800
Foster Farms	CorVel MPN	10000
LFP, Inc. and Affiliates	CorVel MPN	10000
99¢ Only Stores	WellComp Medical Provider Network	9976
United Airlines	CorVel/UAL/Kaiser MPN	9500
San Francisco Unified School District	First Health CompAmerica Primary HCO	9500
Memorial Health Services	TRISTAR CompAmerica Primary HCO	8947
Alameda County	First Health CompAmerica Primary Network	8494
Kaiser Foundation Health Plan, Inc. A California Corporation	Kaiser Permanente MPN	8448
Los Angeles Dept. of Water & Power	CorVel HCO / CorVel HCO Select	8400
Save Mart Supermarkets, Inc.	The Status MPN-Save Mart	8000
The County of Fresno	The County of Fresno MPN	7500
BLP Schools' Self-Insurance Authority	WellComp Medical Provider Network	7132
Whittier Area Schools Insurance Authority	WellComp Medical Provider Network	6850
BCI Coca-Cola Bottling Company of Los Angeles (Coca-Cola Enterprises, Inc.)	Sedgwick CMS Medical Provider Network	6800
MERGE Risk Management JPA	WellComp Medical Provider Network	6778
Santa Ana Unified School District	WellComp Medical Provider Network	6677

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Name of Applicant	Name of MPN	Number of Covered employees
City of Long Beach	TRISTAR CompAmerica Primary HCO	6674
Providence Health System	Intracorp/Providence Medical Provider Network	6500
The Salvation Army	Red Shield	6000
Raley's	CorVel HCO/CorVel HCO Select	6000
Los Angeles County Office of Education	Los Angeles County Office of Education - Comp Care MPN	5857
New United Motor Manufacturers, Inc.	NUMMI MPN	5536
Dole Food Company, Inc.	First Health CompAmerica Select HCO Network (or "First Health Select")	5477
Orange Unified School District	WellComp Medical Provider Network	5449
Circuit City Stores, Inc.	SRS First Health CompAmerica Primary	5336
Oakland Unified School District	Oakland Unified School District MPN	5217
San Mateo County	San Mateo County MPN	5200
San Jose Unified School District	First Health CompAmerica Primary HCO	5141
County of Monterey	Liberty Mutual Group MPN	5046

Health Care Organization Program

Health Care Organizations (HCOs) were created by the 1993 workers' compensation reforms. The statutes for HCOs are given in California Labor Code Sections 4600.3 through 4600.7 and Title 8 California Code of Regulations (CCR) sections 9770 through 9779.3.

HCOs are managed care organizations established to provide health care to employees injured at work. A health care service plan (HMO), disability insurer, workers' compensation insurer, or a workers' compensation third-party administrator can be certified as an HCO.

Employers who contract with an HCO can direct treatment of injured workers from 90 to 180 days depending on the contribution of the employer to the employees' non-occupational health care coverage.

An HCO must file an application and be certified according to Labor Code Section 4600.3 et seq. and Title 8 CCR sections 9770 et. seq. HCOs pay a fee of \$20,000 at the time of initial certification and a fee of \$10,000 at the time of each three-year certification. In addition, annually, HCOs are required to pay \$1.00 per enrollee based on their enrollment figure as of December 31st of each year. The HCO loan from the General Fund has been paid off in full. Therefore, the \$0.50 per enrollee surcharge has been eliminated as of July 2007.

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Currently, the HCO program has 12 certified HCOs. The list of certified HCOs and their most recent date of certification/recertification are given in the table below. Even though there are 12 certified HCOs, only 7 have enrollees. The rest are keeping their certification and use their provider network as a deemed entity for MPNs.

Table: List of Currently Certified HCOs by Date of Recertification/Certification

Name of HCO	Date of Certification/Recertification
CompPartners	07/24/2007
Corvel	12/30/2005
Corvel Select	12/30/2005
First Health/ CompAmerica Primary	09/05/2007
First Health/ CompAmerica Select	09/05/2007
Intracorp HCO Plan B	12/30/2005
Kaiser Foundation Health Plan	12/03/2006
MedeX Health Care	03/16/2007
MedEx 2 Health Care	10/10/2006
Network HCO	04/16/2007
Promesa (formerly Applied Occupation)	04/12/2007
Prudent Buyer HCO (Blue Cross)	11/13/2005

Note: This table does not include Sierra HCO shown in the table below, which decided not to keep its HCO certification.

HCO Enrollment

At its maximum, mid-2004, the HCO enrollment had reached about half a million enrollees. However, with the enactment of the MPN laws, the enrollment for the large HCOs such as First Health and Corvel declined considerably. Compared to the 2004 enrollment, First Health lost 100 percent of its enrollees while CorVel's declined by 97.2 percent to 2,779. Astrasano, Genex, and PacMed HCOs, not shown in the table below, were certified in 2004. However, these three HCOs never had HCO enrollees but used their HCO network for MPNs. Currently, they have terminated their HCOs. Promesa (formerly known as Applied Occupation) was certified in April 2007. As of June 2008, the total enrollment figure had fallen by 68 percent from the 2004 number of 481,337 to 155,919. Table 2 shows the number of enrollees as of December 31 of each year 2004 through 2007 and as of June 30, 2008.

Table: List of HCOs by Number of Enrollees for 2004 through June 2008

Name of HCO	Year				
	Dec-04	Dec-05	Dec-06	Dec-07	June-08
CompPartner	60,935	61,403	53,279	13,210	1,811
CorVel/ Corvel Select	100,080	20,403	3,719	3,050	2,779
CompAmerica Primary/ Select (First Health)	218,919	2,403	0	0	0
Intracorp	6,329	3,186	2,976	2,870	0
Kaiser	30,086	67,147	66,138	69,602	71,428
Medex/ Medex 2	62,154	66,304	46,085	69,410	73,528
Net Work HCO	1,204	0	0	0	0
Promesa	na	na	na	na	10,101
Prudent Buyer (Blue Cross)	1,390	0	0	0	0
Sierra	240	0	0	0	0
TOTAL	481,337	220,846	172,197	158,142	155,919

Health Care Organizations (HCO) Program Status

Even though HCO enrollment has decreased significantly, because HCOs use their network as deemed entities for MPNs, DWC still has the mandate to ensure that all HCO documentation is up to date and all fees are collected. In 2007, the HCO staff work load included a review of six recertification filings, CompPartners, First Health Primary, First Health Select, Medex, Medex 2 and Net-Work HCO.

Proposed Regulatory Changes

HCOs are required to file a data report annually according to Labor Code Section 4600.5(d)(3) and Title 8 CCR section 9778. However, since WCIS now requires reporting of medical services provided on or after 9/22/2006, as mandated by Title 8 CCR section 9700 et seq., HCO data collection on the same subject is redundant, and DWC thus can propose to repeal the sections of the law mentioned above.

Pre-designation laws for HCOs in Labor Code Section 4600.3 should be in accord with the pre-designation for MPNs as stated in Labor Code Section 4600

Pre-Designation under Health Care Organization versus Medical Provider Networks

An employee's right of pre-designation under an HCO has become different from the right under an MPN. The general right of pre-designation under Labor Code Section 4600 as it existed in 1993 was mirrored in Section 4600.3 for HCOs. Eligibility to pre-designate was subsequently restricted by the 2004 amendments of Section 4600. The provisions of the HCO statutes were not amended to conform, so employees who would not otherwise be eligible to pre-designate a personal physician may become eligible if their employers adopt an HCO. An HCO may lose medical control more frequently than an MPN due to this lack of conformity in the statute. Unless there is a change in the legislation, Labor Code Section 4600(d), the right to pre-designate, will sunset on December 31, 2009.

For further information...



The latest information on MPNs may be obtained at www.dir.ca.gov/dwc and http://www.dir.ca.gov/dwc/MPN/DWC_MPN_Main.html

Carve-outs: Alternative Workers' Compensation Systems

A provision of the workers' compensation reform legislation in 1993, implemented through Labor Code Section 3201.5, allowed construction contractors and unions, via the collective bargaining process, to establish alternative workers' compensation programs, also known as carve-outs.

CHSWC is monitoring the carve-out program, which is administered by DWC.

CHSWC Study of Carve-Outs

CHSWC engaged in a study to identify the various methods of alternative dispute resolution (ADR) that are being employed in California carve-outs and to begin the process of assessing their efficiency, effectiveness and compliance with legal requirements.

Since carve-out programs have operated only since the mid-1990s, the data collected are preliminary. The study team found indications that: the most optimistic predictions about the effects of carve-outs on increased safety, lower dispute rates, far lower dispute costs, and significantly more rapid return to work (RTW) have not occurred; and that the most pessimistic predictions about the effect of carve-outs on reduced benefits and access to representation have not occurred.

For further information...



How to Create a Workers' Compensation Carve-out in California: Practical Advice for Unions and Employers." CHSWC (2006). Available at www.dir.ca.gov/CHSWC/chswc.html.

Impact of Senate Bill 228

SB 228 adds Labor Code Section 3201.7, establishing the creation of a new carve-out program for any unionized industry that meets the requirements. This is in addition to the existing carve-out in the construction industry (already covered in current law by Labor Code Section 3201.5).

Only the union may initiate the carve-out process by petitioning the AD. The AD will review the petition according to the statutory requirements and issue a letter allowing each employer and labor representative a one-year window for negotiations. The parties may jointly request a one-year extension to negotiate the labor-management agreement.

In order to be considered, the carve-out must meet several requirements including:

- The union has petitioned the AD as the first step in the process.
- A labor-management agreement has been negotiated separate and apart from any collective bargaining agreement covering affected employees.
- The labor-management agreement has been negotiated in accordance with the authorization of the AD between an employer or groups of employers and a union that is recognized or certified as the exclusive bargaining representative that establishes any of the following:
 - An ADR system governing disputes between employees and employers or their insurers that supplements or replaces all or part of those dispute resolution processes contained in this division, including, but not limited to, mediation and arbitration. Any system of arbitration shall provide that the decision of the arbiter or board of arbitration is subject to review by the appeals board in the same manner as provided for reconsideration of a final order, decision, or award made and filed by a workers' compensation administrative law judge.
 - The use of an agreed list of providers of medical treatment that may be the exclusive source of all medical treatment provided under this division.
 - The use of an agreed, limited list of QMEs and AMEs that may be the exclusive source of QMEs and AMEs under this division.
 - A joint labor-management safety committee.
 - A light-duty, modified job or RTW program.
 - A vocational rehabilitation or retraining program utilizing an agreed list of providers of rehabilitation services that may be the exclusive source of providers of rehabilitation services under this division.
- The minimum annual employer premium for the carve-out program for employers with 50 employees or more equals \$50,000, and the minimum group premium equals \$500,000.
- Any agreement must include right of counsel throughout the ADR process.

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Impact of Senate Bill 899

Construction industry carve-outs were amended per Labor Code Section 3201.5, and carve-outs in other industries were amended per Labor Code Section 3201.7 to permit the parties to negotiate any aspect of the delivery of medical benefits and the delivery of disability compensation to employees of the employer or group of employers who are eligible for group health benefits and non-occupational disability benefits through their employer.

Recognizing that many cities and counties, as well as private industries, are interested in knowing more about carve-outs and about health and safety training and education within a carve-out, CHSWC hosted a conference devoted to carve-outs/alternative dispute resolution on August 2, 2007, in Emeryville, California. The conference was for all stakeholders in the workers' compensation system including: those in existing carve-outs; those considering establishing a carve-out; unions and employers; risk managers; government agencies; third-party administrators; insurers; policy makers; attorneys; and health care providers.

The conference provided an opportunity for the health, safety and workers' compensation communities and the public to discuss and share ideas for establishing carve-outs which have the potential to: improve safety programs and reduce injury and illness claims; achieve cost savings for employers; provide effective medical delivery and improved quality of medical care; improve collaboration between unions and employers; and increase the satisfaction of all parties.

Carve-Out Participation

As shown in the following table, participation in the carve-out program has grown, with significant increases in the number of employees, work hours, and amount of payroll.

Table: Participation in Carve-Out Program

Carve Out Participation	1995	1996	1997	1998	1999	2000*	2001*	2002	2003*	2004*	2005*	2006	2007
Employers	242	277	550	683	442	260	143	512	316	462	739	981	1,087
Work Hours (in millions)	6.9	11.6	10.4	18.5	24.8	16.9	7.9	29.4	22.9	25.4	24.5	55.6	66.1
Employees (full-time equivalent)	3,450	5,822	5,186	9,250	12,395	8,448	3,949	14,691	11,449	12,700	12,254	27,784	33,056
Payroll (in million \$)	158	272	243	415	585	443	202	634	624	1,200	966	1,378	1,988

* Please note that data are incomplete

Source: DWC

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

2006 and 2007 Aggregate Data Analysis of Carve-out Programs

DWC provided the following aggregate data analysis of carve-out programs for the 2006 and 2007 calendar years.

Person hours and payroll covered by agreements filed

Carve-out programs reported that for the 2006 calendar year, they covered 55,569,530 work hours and \$1,377,706,764 in payroll.

For the 2007 calendar year, carve-out programs reported that they covered 66,112,418 work hours and \$1,987,824,737 in payroll.

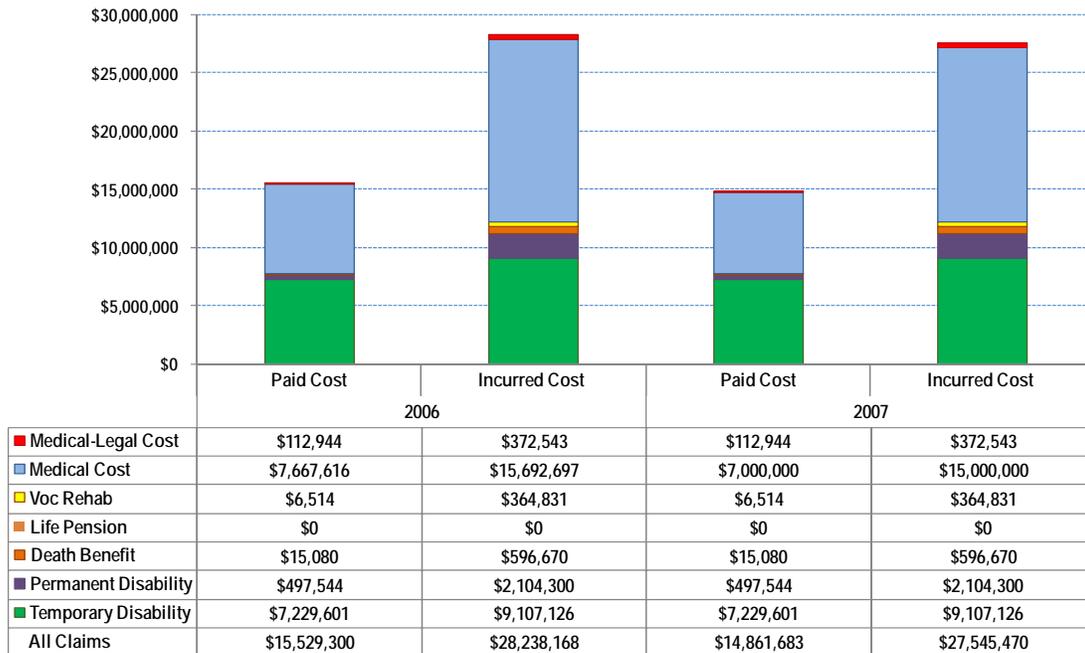
Number of claims filed

During 2006, there were a total of 2,664 claims filed, of which 1,418 (53.2 percent) claims were medical-only claims, and 1,246 (46.8 percent) were indemnity claims.

Paid, incurred and average cost per claim

The chart below breaks down paid and incurred costs by claim component for all claims combined. The paid costs for claims filed in 2007 totaled \$14,861,683 or a 4 percent decrease from 2006, while the total incurred costs were \$27,545,470.

Total Paid and Incurred Cost by Claim Component, 2006 and 2007

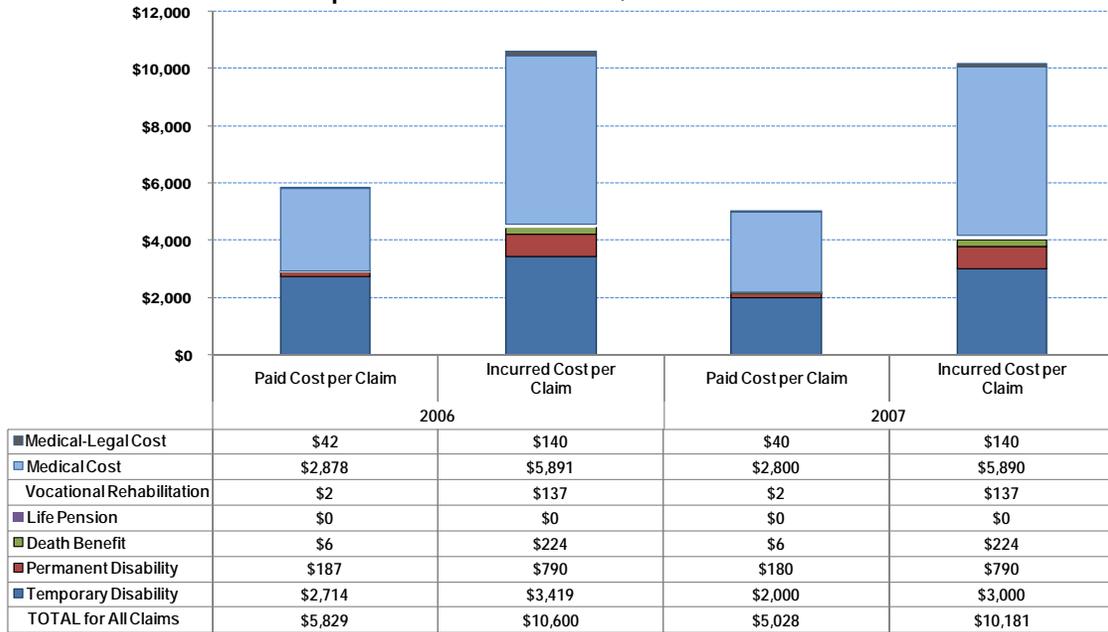


Data Source: DWC

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

The chart below shows the average paid and incurred cost per claim by cost components across all claims.

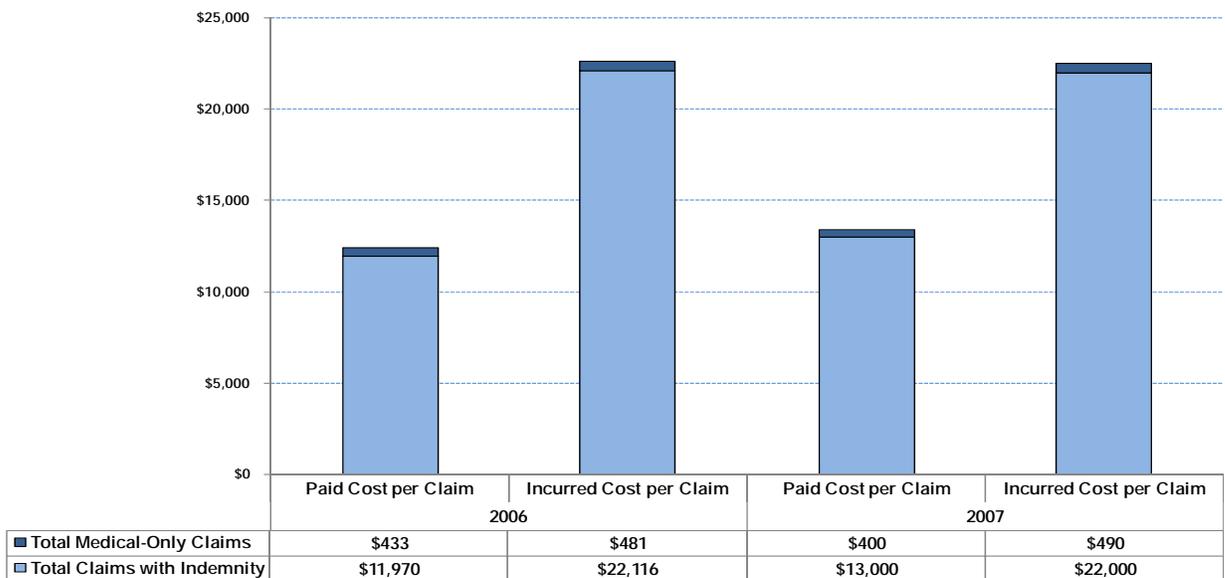
Average Paid and Incurred Cost per Claim Component by Cost Components for All Claims, 2006 and 2007



Data Source: DWC

In contrast, the following chart shows the cost by the type of claims filed.

Average Paid and Incurred Cost by Claim Type, 2006 and 2007



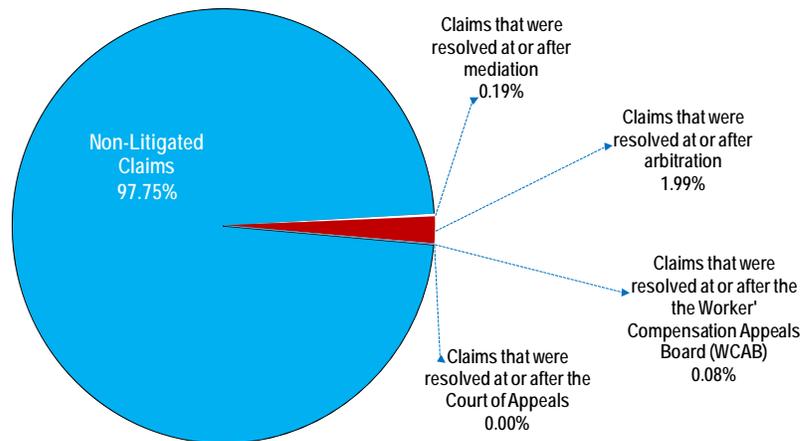
Data Source: DWC

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

Number of litigated claims

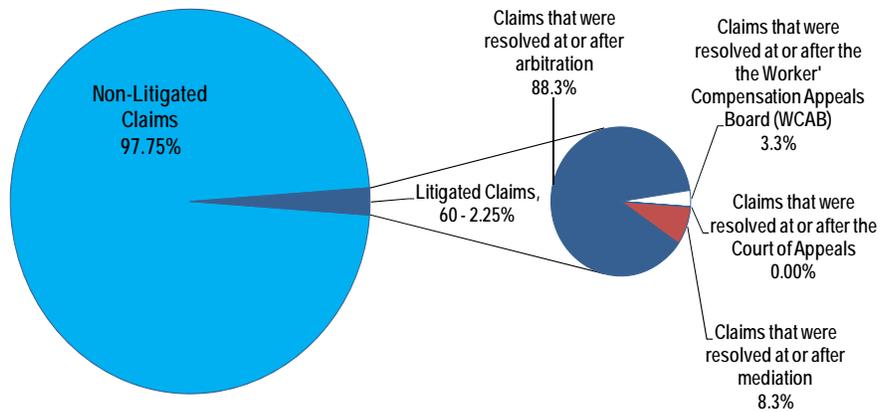
The two charts below show the claims resolved by stage of litigation process as a percent of total claims and as a percent of total litigated claims in carve-outs in 2006.

**Litigated Claims as Percent of Total Claims in Carve-Outs
2006**



Data Source: DWC

**Claims Resolved by Stage of Litigation Process as % of Total Claims,
2006**



Data Source: DWC

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

Number of contested claims resolved prior to arbitration

Of the 2,664 claims filed in 2006, the ADR/carve-out programs reported that 1,873 or 70.3 percent were resolved, per Section 10203(b) (9).²⁶ This means that 791 or 29.7 percent of the claims filed did not have a determination of ultimate liability more than six months after the end of 2006. Of the resolutions, 1,601 or 85.5 percent of the cases were resolved prior to arbitration. Ninety-eight or 5.2 percent of the resolved claims were denied for reasons of compensability.

Safety history

In 2006, 51 injuries and illnesses reports were filed with the U.S. Department of Labor using OSHA Form 300²⁷ for employees covered under the carve-out program.

Number of workers participating in vocational rehabilitation programs

Seventy-one (2.7 percent) workers participated in vocational rehabilitation programs.

Number of workers participating in light-duty programs

One hundred sixty-four (6.2 percent) workers participated in a light-duty program.

Worker satisfaction

Section 3201.7(h) of the Labor Code requires that DWC include information on worker satisfaction in its annual report to the Legislature on non-construction ADR programs. However, for 2006, neither of the two employers operating a 3201.7 program reported on worker satisfaction.

A listing of employers and unions in carve-out agreements follows.

²⁶ "Resolved" means that ultimate liability has been determined, even though payments for the claim may be made beyond the reporting period.

²⁷ OSHA requires employers to file an injury and or illness Form 300 if work-related injuries result in death, a loss of consciousness, days away from work, restricted work activity, and/or medical care beyond first aid.

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

Status of Carve-out Agreements

The following charts show the current status of carve-out agreements pursuant to Labor Code Sections 3201.5 and 3201.7, as reported by DWC.

**Construction Industry Carve-out Participants as of May 8, 2008
Labor Code Section 3201.5**

*Key: 1 = one employer, one union; 2 = one union, multi employer; 3 = project labor agreement

No.	Union	Company	Exp. Date
1. (3)	CA Building & Construction Trades Council	Metropolitan Water District So. CA - Diamond Valley Lake	11/7/06
2. (2)	International Brotherhood of Electrical Workers (IBEW)	National Electrical Contractors Association (NECA)	8/14/10
3. (2)	So. CA District of Carpenters & 19 local unions	6 multi-employer groups - 1000 contractors	8/14/10
4. (2)	So. CA Pipe Trades Council 16	Multi employer - Plumbing & Piping Industry Council	8/24/10
5. (1)	Steamfitters Local 250	Cherne - two projects completed in 1996	Complete
6. (1)	International Union of Petroleum & Industrial Workers	TIMEC Co., Inc./TIMEC So. CA., Inc.	7/31/10
7. (3)	Contra Costa Building & Construction Trades Council	Contra Costa Water District - Los Vaqueros	Complete
8. (2)	So. CA District Council of Laborers	Association General Contractors of CA, Building Industry Association; So. CA, So. CA Contractors' Association; Engineering Contractors' Association.	7/31/08
9. (3)	CA Building & Construction Trades Council	Metropolitan Water District So. CA Inland Feeder Parsons	Ended 12/31/02
10. (3)	Building & Construction Trades Council of Alameda County	Parsons Constructors, Inc. National Ignition Facility - Lawrence Livermore	9/23/09 ended 7/2/06
11. (2)	District Council of Painters	LA Painting & Decorating Contractors' Association	10/28/09
12. (1)	Plumbing & Pipefitting Local 342	Cherne Contracting - Chevron Base Oil 2000 project	Complete
13. (3)	LA Building & Construction Trades Council AFL-CIO	Cherne Contracting - ARCO	Complete
14. (2)	Operating Engineers Local 12	So. CA Contractors' Association	4/1/11
15. (2)	Sheet Metal International Union	Sheet Metal-A/C Contractors National Association	4/1/11
16. (3)	Building & Construction Trades Council San Diego	San Diego County Water Authority Emergency Storage Project	2/20/09
17. (3)	LA County Building & Construction Trades Council	Cherne Contracting - Equilon Refinery - Wilmington	3/1/07
18. (3)	Plumbers & Steamfitters	Cherne Contracting - Chevron Refinery - Richmond	7/1/05
19. (3)	Plumbers & Steamfitters	Cherne Contracting - Tesoro Refinery - Martinez	7/1/05

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

No.	Union	Company	Exp. Date
20. (3)	LA/Orange Counties Building & Construction Trade Council	Prime Contracting – Chevron Refinery – El Segundo	7/26/05
21. (2)	District Council of Iron Workers- State CA & Vicinity	California Ironworker Employers Council	2/25/09
22. (2)	Sheet Metal Workers International Association #105	Sheet Metal & A/C Labor Management Safety Oversight Committee (LMSOC)	4/17/09
23. (2)	United Union of Roofers, Waterproofers & Allied workers, Local 36 and 220	Union Roofing Contractors Association	7/31/08
24. (2)	United Union of Roofers, Waterproofers & Allied Workers, Locals 27, 40, 81 & 95	Associated Roofing Contractors of the Bay Area Counties	7/31/09
25. (2)	United Association -Journeyman & Apprentices - Plumbers & Pipefitters, Local #447	No.CA Mechanical Contractors Association & Association Plumbing & Mechanical Contractors of Sacramento. Inc.	11/7/09
26. (2)	Operatives Plasterers & Cement Masons International Association, Local 500 & 600	So. CA Contractors Association, Inc.	4/1/11
27. (1)	International Unions Public & Industrial Workers	Irwin Industries, Inc.	3/23/10
28. (2)	PIPE Trades District Council.# 36	Mechanical Contractors Council of Central CA	4/14/10
29. (2)	No. CA Carpenters Regional Council	Basic Crafts Workers' Compensation Benefits Trust	8/30/10
30. (2)	No. CA District Council of Laborers	Basic Crafts Workers' Compensation Benefits Trust	8/30/10
31. (2)	Operating Engineers Local 3	Basic Crafts Workers' Compensation Benefits Trust	8/30/10
32. (1)	Industrial, Professional & Technical Workers	Irish Construction	12/20/10
33. (3)	Building Trades Council of Los Angeles Orange County	Los Angeles Community College District Prop A & AA Facilities Project	5/6/11

Key: 1 = 1 employer, 1 union; 2 = 1 union, multi employer; 3 = project labor agreement

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

**Non-Construction Industry Carve-Out Participants as of July 31, 2008
(Labor Code Section 3201.7)**

No.	Union	Company	Permission to Negotiate Date/Expires	Application for Recognition of Agreement	Agreement Recognition Letter Date
1.	United Food & Commercial Workers Union Local 324	Super A Foods-2 locations 76 employees	09/01/04-09/01/05		
2.	United Food & Commercial Workers Union Local 1167	Super A Foods – Meat Department 8 employees	09/01/04-09/01/05		
3.	Teamsters Cal. State Council-Cannery & Food Processing Unions, IBT, AFL-CIO	Cal. Processors, Inc. Multi-Employer Bargaining Representative	7-06-04/ 7-05-05		
4.	United Food & Commercial Workers Union Local 770	Super A Foods – 10 locations - ~ 283 members	09/01/04-09/01/05		
5.	United Food & Commercial Workers Union Local 1036	Super A Foods - All employees, except those engaged in janitorial work or covered under a CBA w/Culinary Workers and demonstrators	09/01/04-09/01/05		
6.	Operating Engineers-Loc 3 Non-Construction	Basic Crafts Workers' Compensation Benefits Trust Fund	12/09/04-12/09/05	02/15/05	02/28/05
7.	Laborers - Non-Construction	Basic Crafts Workers' Compensation Benefits Trust Fund	12/09/04-12/09/05	02/15/05	02/28/05
8.	Carpenters- Non-Construction	Basic Crafts Workers' Compensation Benefits Trust Fund	12/09/04-12/09/05	02/15/05	02/28/05
9.	United Food & Commercial Workers Union Local 588	Mainstay Business Solutions	8/11/05-8/11/06	09/02/05	09/12/05
10.	Teamsters Local 952	Orange County Transportation Authority Coach Operators	04/17/06-04/17/07		

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

**Non-Construction Carve-Out Participants as of July 31, 2007 (continued)
(Labor Code Section 3201.7)**

No.	Union	Company	Permission to Negotiate Date/Expires	Application for Recognition of Agreement	Agreement Recognition Letter Date
11.	Teamsters Local 630	SYSCO Food Services	06/22/07-06/22/08		
12.	Teamsters Local 848	SYSCO Food Services	06/22/07-06/22/08		
13.	Teamsters Local 952	Orange County Transportation Authority Maintenance Workers	07/31/06-07/31/07		
14.	Long Beach Peace Officers' Assoc. & Long Beach Firefighters Assoc. Local 372/	City of Long Beach	12/11/06-12/11/07	11/2/07	11/13/07
15.	SEIU Local 1877	Various Maintenance Companies	04/13/07-04/13/08	2/12/08	2/28/08
16.	SEIU Local 721	City of LA	06/18/07-06/18/08	4/15/08	5/8/08
17.	United Food & Commercial Workers Union (UFCW) Local 5	Berkeley Bowl	7/7/08-7/7/09		
18.	UFCW Local 5	Smoked Prime Meats, Inc.	7/7/08-7/7/09		
19.	UFCW Local 5	Milan Salami	7/7/08-7/7/09		

For further information...

-  The latest information on carve-outs may be obtained at www.dir.ca.gov. Select "workers' compensation," then "Division of Workers' Compensation," then "Construction Industry Carve-Out Programs" (under "DWC/WCAB Organization and Offices").
-  "How to Create a Workers' Compensation Carve-out in California: Practical Advice for Unions and Employers." CHSWC (2006). Available at www.dir.ca.gov/CHSWC/chswc.html.
-  "Carve-outs: A Guidebook for Unions and Employers in Workers' Compensation." CHSWC (2004). Available at www.dir.ca.gov/CHSWC/chswc.html.
-  CHSWC Report: "'Carve-Outs' in Workers' Compensation: An Analysis of Experience in the California Construction Industry" (1999). Available at www.dir.ca.gov/CHSWC/chswc.html.

ANTI-FRAUD ACTIVITIES

Background

During the past decade, there has been a dedicated and rapidly growing campaign in California against workers' compensation fraud. This report on the nature and results of that campaign is based primarily on information obtained from the CDI Fraud Division, as well as applicable Insurance Code and Labor Code sections and data published in periodic Bulletin[s] of the California Workers' Compensation Institute (CWCI)

Suspected Fraudulent Claims

Suspected Fraudulent Claims (SFCs) are reports of suspected fraudulent activities received by CDI from various sources, including insurance carriers, informants, witnesses, law enforcement agencies, fraud investigators, and the public. The number of SFCs represents only a small portion of SFCs that has been reported by the insurers and does not necessarily reflect the whole picture of fraud since many fraudulent activities have not been identified or investigated.

According to CDI Fraud Division, the number of suspected fraudulent claims increased near the end of FY 2003-2004. Several reasons for this increase include:

- The extensive efforts to provide training to the insurance claim adjusters and Special Investigation Unit (SIU) personnel by the Fraud Division and District Attorneys.
- Changing submission of SFCs by filling out the FD-1 Form electronically through the Internet.
- The Department promulgated new regulations to help insurance carriers step up their anti-fraud efforts and become more effective in identifying, investigating, and reporting workers' compensation fraud. A work plan to increase the number of audits performed by the Fraud Division SIU Compliance Unit has been established and continues with an aggressive outreach plan to educate the public on anti-fraud efforts and how to identify and report fraud. This has ensured a more consistent approach to the oversight and monitoring of the SIU functions with the primary insurers as well as the subsidiary companies
- Finally, CDI is strengthening its working relationship with WCIRB to support the Department's anti-fraud efforts

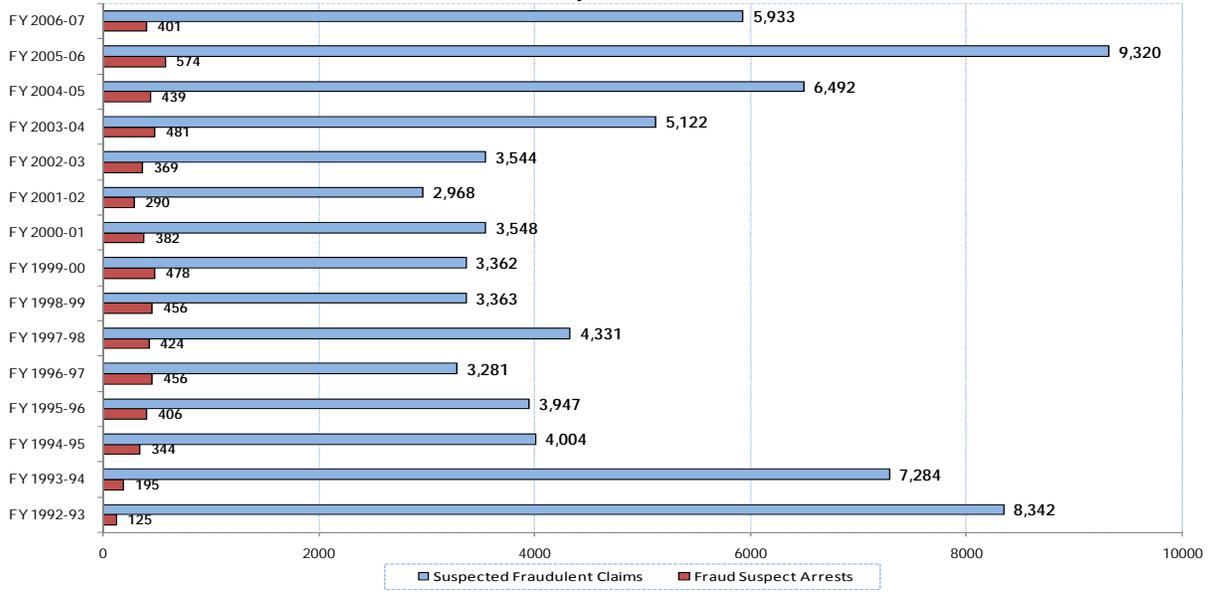
For fiscal year 2006-07, the total number of SFCs reported is 5,933.

Workers' Compensation Fraud Suspect Arrests

After a fraud referral, an investigation must take place before any warrants are issued or arrests are made. The time for investigation ranges from a few months to a few years depending on the complexity of the caseload. For this reason, the number of arrests does not necessarily correspond to the number of referrals in a particular year. (See the chart below)

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2008 REPORT CARD FOR CALIFORNIA

Suspected Workers' Compensation Fraudulent Claims and Suspect Arrests

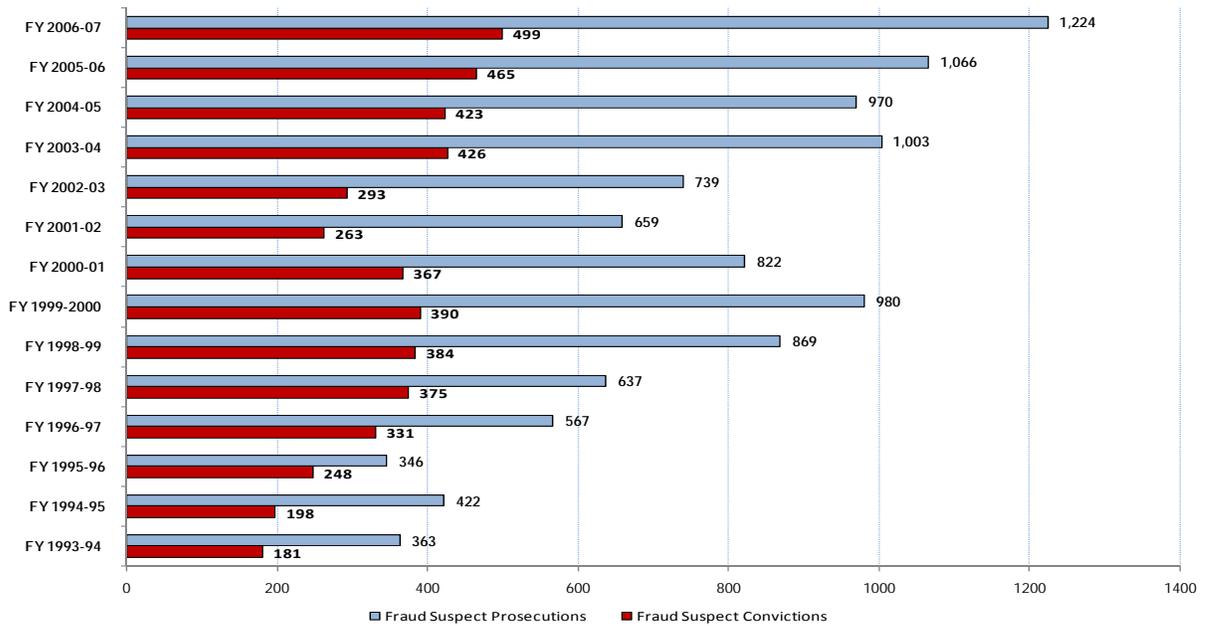


Data Source: CDI - Fraud Division and CWCI

Workers' Compensation Fraud Suspect Convictions

Based on information from the Fraud Division and CWCI [Bulletin\[s\]](#), the number of workers' compensation fraud suspects *convicted* annually while many cases are still pending in court is reported in the table below.

Workers' Compensation Fraud Suspect Prosecutions and Convictions



Data Source: CDI - Fraud Division and CWCI

Workers' Compensation Fraud Investigations

Types of Workers' Compensation Fraud Investigations

The two charts below indicate the number and types of investigations opened and carried from fiscal-year 2001-02 to 2006-07 reported by District Attorneys. Applicant fraud appears to be the area generating the most cases followed by premium fraud and medical provider fraud.

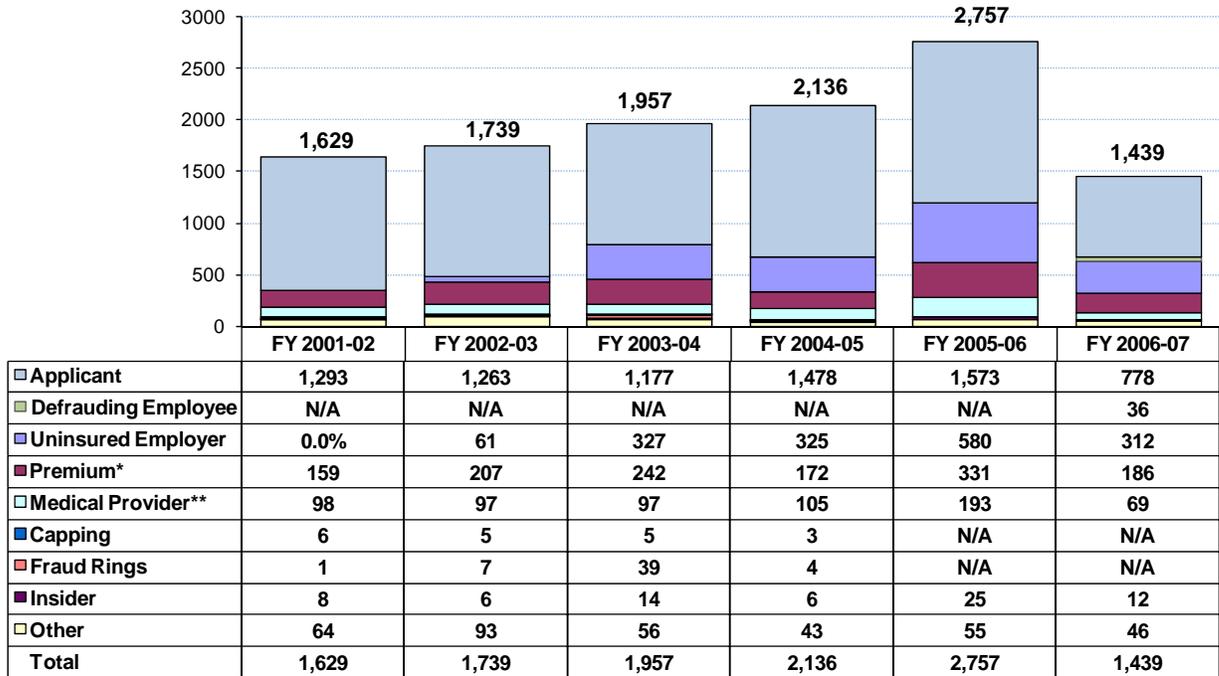
Geographically, the great majority of suspected fraud cases in 2006 came from Los Angeles County (28 percent) followed by Orange County (8 percent) and then Riverside County (7 percent)

Some of the categories for fraud-related investigations were changed in the FY 2005-2006 and FY 2006-2007, as reflected in the charts below.

Trends in Workers' Compensation Fraud Investigations

The chart below shows that there was a 69 percent increase in workers' compensation fraud investigations from FY 2001-02 to FY 2005-06 followed by 48 percent decrease from FY 2005-06 to FY 2006-07.

Caseload by Type of Fraud Investigations



* For FY 2006-2007, Includes Misclassification, Underreported Wages, and X-Mod evasion
 ** For FY 2005-06, Includes Capping and Fraud Rings and for 2006-07 includes Capping, Fraud Rings, Legal Provider, and Treatment

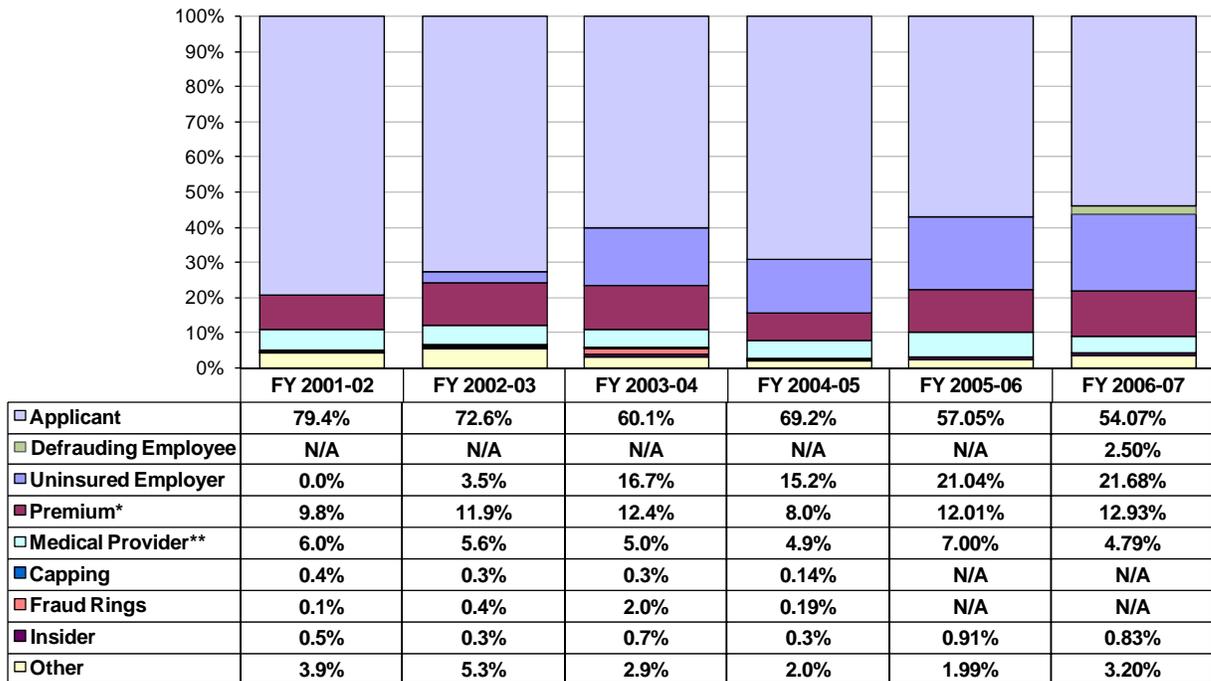
Data Source: California Department of Insurance, Fraud Division

The chart below illustrates the changing focus of workers' compensation investigations over the past four fiscal years, by showing the distribution of investigations by types of fraud in each year. For example, investigations of applicants were nearly 80 percent of all investigations during 2001-02; in other words, eight out of ten of all investigations were directed at applicants.

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As seen in the chart, the focus of the investigations has been changing. Applicant fraud investigations have dropped from nearly 80 percent of the total investigations in 2001-02 to about 54 percent of the total number of investigations in 2006-07. At the same time, there has been an increase in the percentage of investigations of uninsured employers and premium fraud. The percentage of investigations of medical provider fraud has decreased from 7 percent to 4.8 percent between 2005-06 and 2006-07.

Type of Fraud Investigations by Percentage of Total



* For FY 2006-2007, Includes Misclassification, Underreported Wages, and X-Mod evasion
 ** For FY 2005-06, Includes Capping and Fraud Rings and for 2006-07, includes Capping, Fraud Rings, Legal Provider, and Treatment

Data Source: California Department of Insurance, Fraud Division

Underground Economy

While most California businesses comply with health, safety and workers' compensation regulations, there are businesses that do not. Those businesses are operating in the "underground economy." Such businesses may not have all their employees on the official company payroll or may not report wages paid to employees that reflect their real job duties. Businesses in the underground economy are therefore competing unfairly with those that comply with the laws. According to EDD, the California underground economy is estimated at \$60 billion to \$140 billion.²⁸

Potential Areas for Improvement in Workers' Compensation Anti-Fraud Efforts

CHSWC has engaged in many studies that focus on improving workers' compensation anti-fraud efforts.

²⁸ http://www.edd.ca.gov/taxrep/txueoind.htm#What_Does_It_Cost_You

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ⁱ CHSWC estimate based on Employment Development Department report, as above, showing 1,265,268 businesses. Of these, 856,879 were businesses with 0 to 4 employees. For this estimate, half of those businesses are assumed to have no employees subject to workers' compensation. $1,265,268 - (856,879/2) = 836,828$.

ⁱⁱ U.S. Department of Commerce, Bureau of Economic Analysis, <http://www.bea.gov/regional/gsp/>, accessed July 24, 2008.

ⁱⁱⁱ The latest year for which WCIS reports are reasonably complete. Data are from the DWC report from the WCIS database, "Workers' Compensation Claims (in 000's) by Market Share with Eight Year History and Cumulative Totals, 2000-2007," April 25, 2008, <http://www.dir.ca.gov/dwc/WCIS/WCC-MarketShare.pdf>. Due to delayed reporting, the number of claims reported to WCIS for a given year may grow by more than 5 percent between the second and the fourth years after the end of the accident year. Boden, Leslie I. and Al Ozonoff, *Reporting Workers' Compensation Injuries in California: How Many are Missed?* (2008). CHSWC report.

^{iv} Data for 2006 are from the Division of Workers' Compensation (DWC) report from the WCIS database, "Workers' Compensation Claims (in 000's) by Market Share with Eight Year History and Cumulative Totals, 2000-2007," April 25, 2008. From 2002 through 2006, the average shares varied by no more than +0.5/-0.4 for the insured share, +0.7/-0.5 for the self-insured share, and +/- 0.2 for the State. CHSWC omits the years 2000 and 2001 from these averages because reasonably complete reporting was not achieved until mid-2001.