

California Workers' Compensation Insurance Market Update

Presented by:
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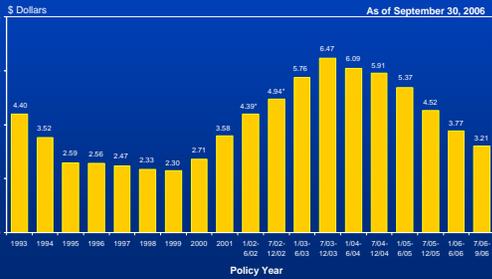
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California Workers' Compensation Insurance Market Update Presentation Summary

- Rates
- Benefit Costs
- Insurer Results
- Insurance Market

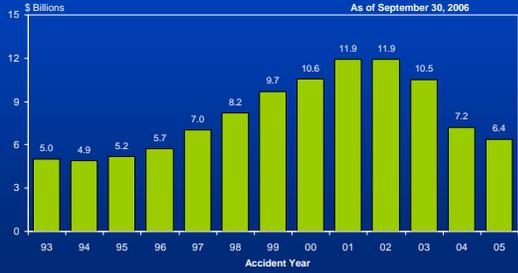
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California Workers' Compensation Insurance Market Update Average Insurer Rate per \$100 of Payroll



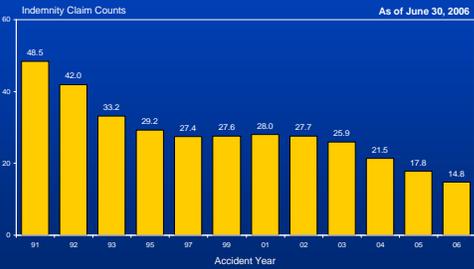
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California Workers' Compensation Insurance Market Update
Estimated Ultimate Losses by Accident Year



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California Workers' Compensation Insurance Market Update
Ultimate Indemnity Claim Counts Per Estimated 1,000 Full-Time Employee Equivalents



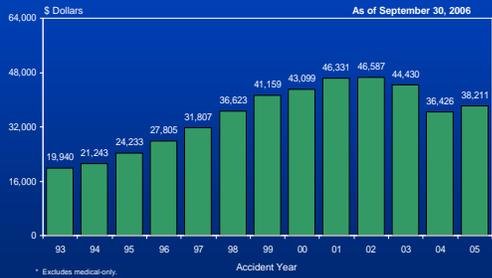
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California Workers' Compensation Insurance Market Update
Recent Claim Frequency Declines

- Principal Cause of Recent Rate Decreases
- Key Considerations
 - Little in reform directed at frequency
 - Decline much greater than in other states
 - Impact on severities not yet fully understood
- WCIRB 2005 & 2006 Studies
 - Broad-based frequency decline
 - Not explained by economic or demographic variables
 - Timing of decline, substantiating evidence, elimination of alternative hypotheses all suggest frequency decline is an indirect impact of reforms

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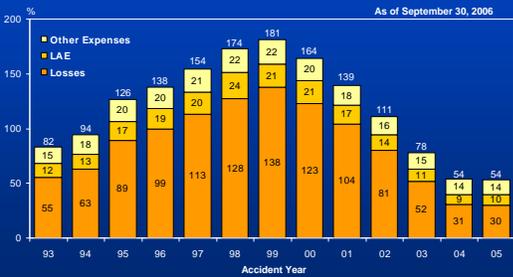
California Workers' Compensation Insurance Market Update
Estimated Ultimate Total Loss per Indemnity Claim



* Excludes medical-only.

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California Workers' Compensation Insurance Market Update
Accident Year Combined Loss and Expense Ratios



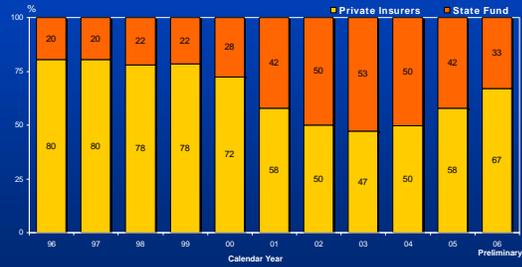
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California Workers' Compensation Insurance Market Update
Insurance Market Outlook

- Favorable Results Attracting More Entrants
- Optimism Tempered by History
- Key Reforms Subject to Change
- SCIF Market Share Moving Toward Historical Norm
- Will Cutthroat Pricing of 1990's Return?

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California Workers' Compensation Insurance Market Update
State Fund Market Share vs. Private Insurers
 (Based on Written Premium Net of Deductible Credits)



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