

The California Commission on Health and Safety and Workers' Compensation



Selected Indicators in Health and Safety and Workers' Compensation: A Report Card for Californians

CHSWC Members

Kristen Schwenkmeyer (2007 Chair)
Catherine Aguilar
Allen Davenport
Sean McNally
Robert B. Steinberg
Darrel "Shorty" Thacker
Angie Wei

Executive Officer

Christine Baker

State of California
Labor and Workforce Development Agency
Department of Industrial Relations

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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 Californians," 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**

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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**

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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.

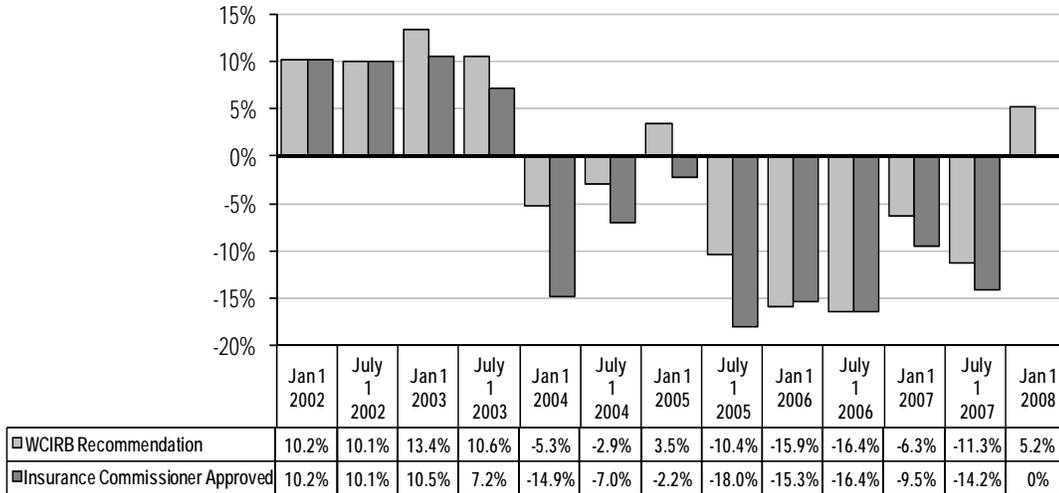
See the WCIRB website below for further details and updates to this information.

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 decreases in the pure premium advisory rates since 2004, as shown on the following chart. There has been a 64 percent reduction in advisory rates since January of 2004.

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



Data Source: WCIRB

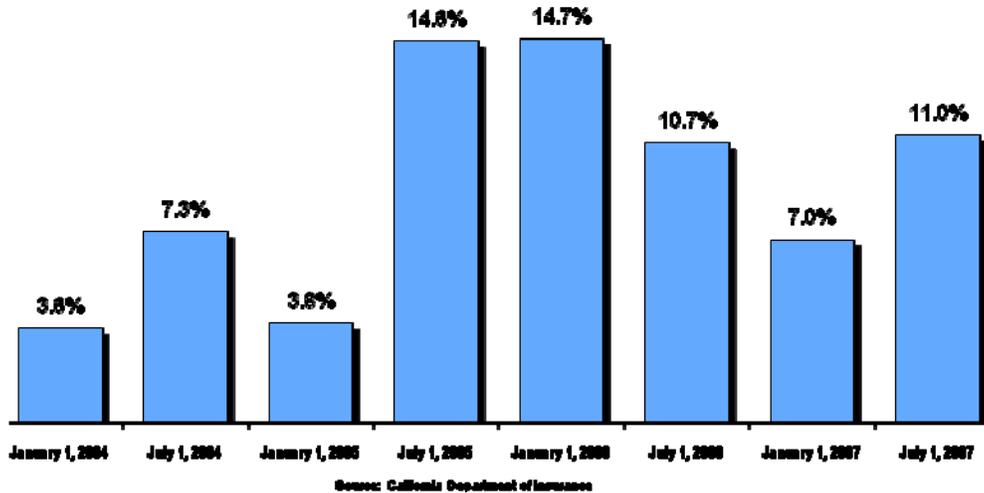
California Workers' Compensation Rate Changes

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 filed rates as indicated in the chart below.

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



There have been rate reductions every six months since the passage of Assembly Bill (AB) 227 and Senate Bill (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, and 10.72 percent on July 1, 2006.¹

WCIRB reports that actual rates charged in the market place as of March 31, 2007, had fallen by 54 percent since the enactment of AB 227, SB 228, and SB 899. The average rate per \$100 of payroll fell from \$6.35 in the second half of 2003 to \$2.93 in the first quarter of 2007.²

As of July 1, 2007, the cumulative premium weighted average rate reduction filed by insurers with CDI since the reforms is 55 percent for all writers including the State Compensation Insurance Fund (SCIF).

Filed Rate Changes - Selected Workers' Compensation Insurers

The following table shows the rate filings from the top ten workers' compensation insurers from January 1, 2005, to January 1, 2007. Substantial decreases in rates were filed by each insurer on each filing date.

¹ Source: Douglas G. Barker, J.D., Bureau Chief, California Department of Insurance Rate Filing Bureau.

² Source: WCIRB Bulletin 2007-08: Summary of March 31, 2007 Insurer Experience, issued June 19, 2007.

SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

California Workers' Compensation Top 10 Insurers Rate Filing Changes

COMPANY NAME	GROUP NAME	Market Share 2006	Cumulative Rate Change 1-04 to 7-07	7-1-2007 % Filed Rate Change	1-1-2007 % Filed Rate Change	7-1-2006 % Filed Rate Change	1-1-2006 % Filed Rate Change
STATE COMPENSATION INSURANCE FUND		31.97%	-54.83%	-11.0%	-9.0%	-10.00%	-16.00%
AMERICAN HOME ASSURANCE COMPANY	AIG Group	4.98%	-52.65%	-14.20%	-10.9%	-9.00%	-8.00%
NATIONAL LIABILITY & FIRE INSURANCE CO.	Berkshire Hathaway	3.58%	-44.7%	n/a	-10.0%	-7.6%	-10.0%
REDWOOD FIRE & CASUALTY INS CO	Berkshire Hathaway	3.53%	-66.99%	-14.9%	-8.1%	-5.3%	-15.3%
ZENITH INSURANCE COMPANY	Zenith National Group	3.51%	-38.43%	n/a	-4.4%	-5.00%	-13.10%
ZURICH AMERICAN INSURANCE COMPANY	Zurich Ins. Group	2.77%	-63.59%	-14.2	-7.9%	-16.40%	-7.70%
EMPLOYERS COMPENSATION INSURANCE COMPANY	Employers Group	2.59%	-60.51%	n/a	-9.9%	-21.86%	-15.6%
VIRGINIA SURETY COMPANY, INC.	Aon Corporation	1.77%	-46.89%	n/a	-9.5%	-16.40%	-15.30%
REPUBLIC INDEMNITY COMPANY OF CALIFORNIA	Great American Group	1.65%	-63.33%	-10.0%	-7.0%	-11.20%	-15.00%
ZNAT INS CO	Zenith National Group	1.64%	-43.99%	n/a	-4.4%	-5.00%	-13.10%

Since the first reform package was chaptered, 21 new insurers have entered the market, and existing private insurers have increased their writings.

The significant rate reductions totaling 55 percent since the first reforms were enacted, coupled with the reduced market share of SCIF (which peaked at 53 percent in 2003, has declined to 32 percent in 2006, and is expected to drop to the low 20 percent range in 2007), combined with a 2006 accident year combined loss and expense ratio of 65 percent, 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:

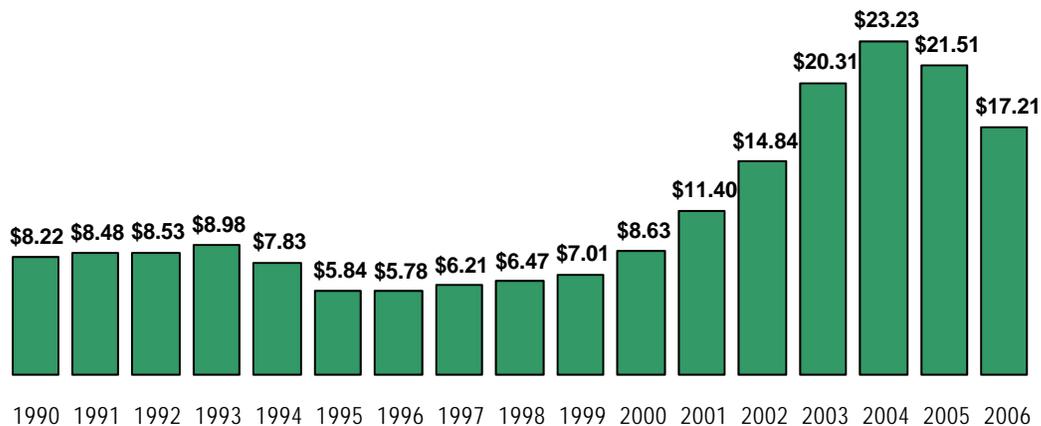
- Movement from self-insurance to insurance.
- An increase in economic growth.
- Wage growth.
- Increase in premium rates.

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 and 2006 declined sharply as a result of market rate decreases following the reforms that took effect in 2003 and 2004.

**Workers' Compensation Earned Premium
(in billion\$, as of June 30, 2007)**



Source: WCIRB

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

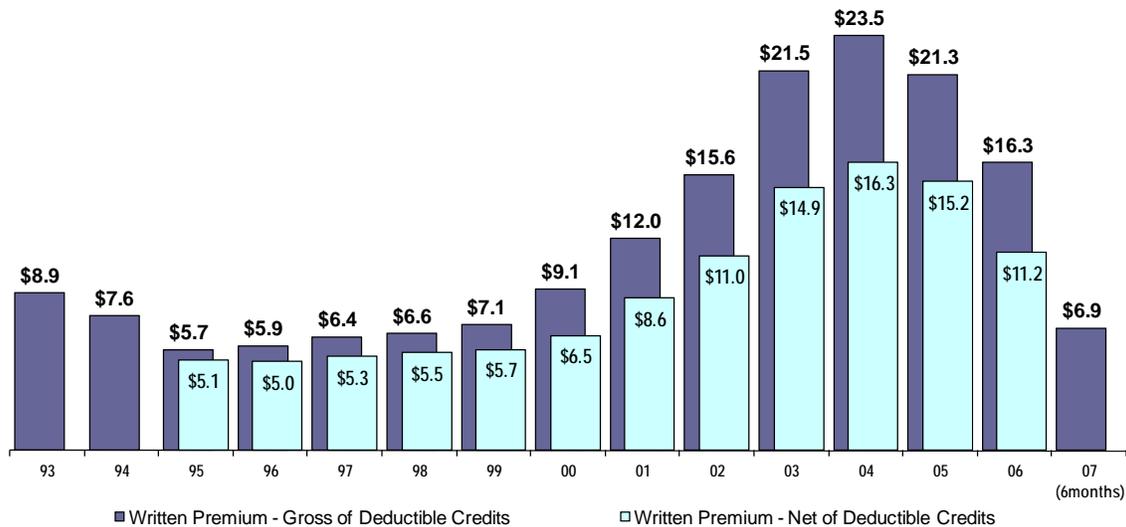
SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

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 30.6 percent to \$16.3 billion in 2006 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
(in billion\$, as of June 30, 2007)**

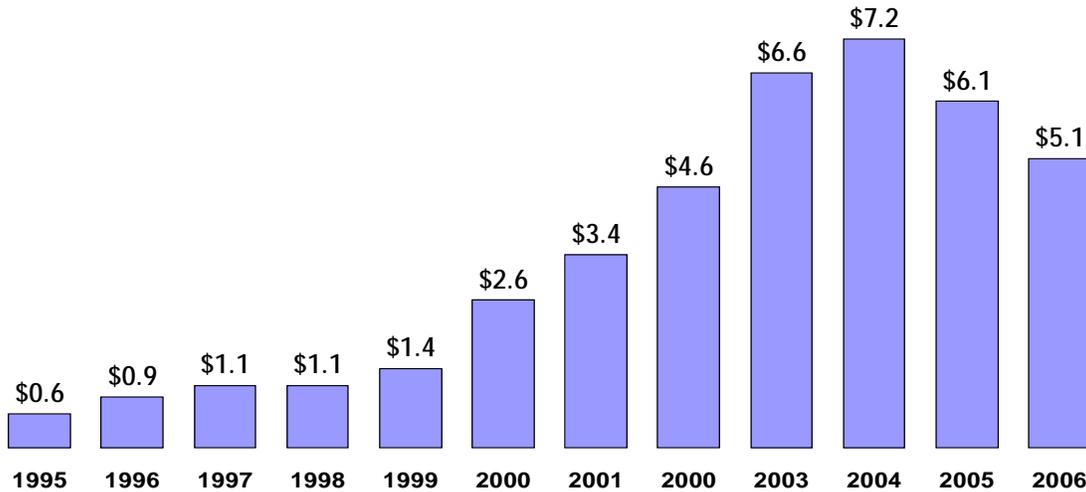


Data Source: WCIRB

Workers' Compensation Premium Deductibles

The following chart shows the changes in the total workers' compensation premium deductibles from 1995 to 2006.

**Workers' Compensation Premium Deductibles
(in billion\$, as of June 30, 2007)**

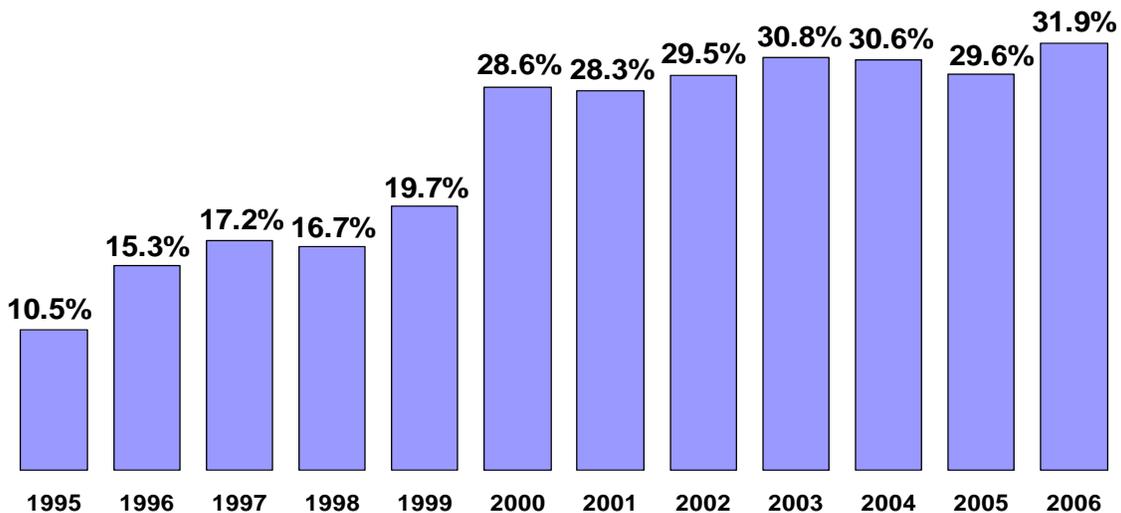


Source: WCIRB

WC Deductibles as Percent of Written Premium

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

**Deductibles as Percentage of Gross Written Premium
(as of June 30, 2007)**



Source: WCIRB

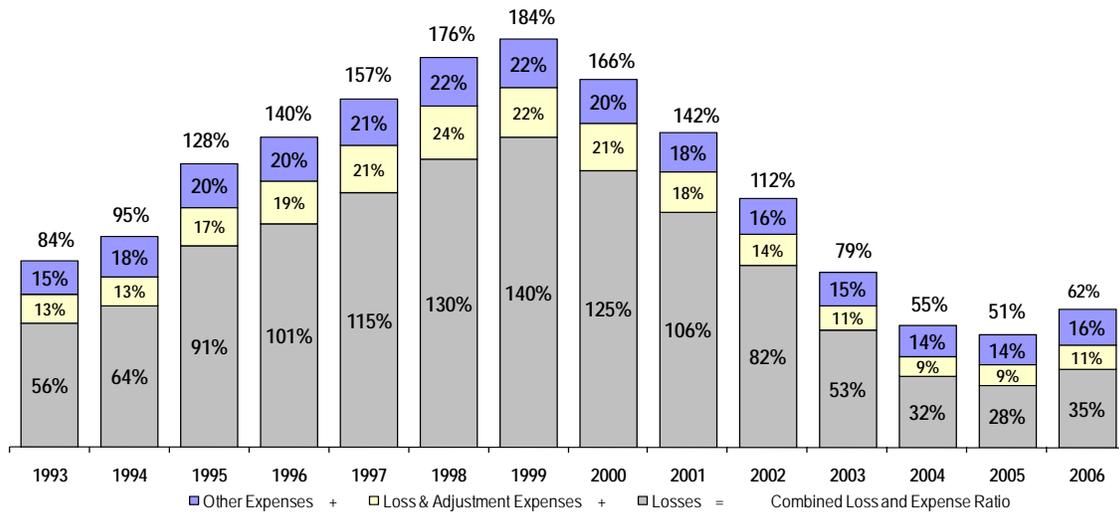
CALIFORNIA WORKERS' COMPENSATION INSURANCE INDUSTRY

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 slightly in 2006. In accident year 2006, insurers' claim costs and expenses amounted to \$0.62 for every dollar of premium they collected. In accident-year 2005, insurers' claim costs and expenses amounted to \$0.51 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 & SB 899
(as of June 30, 2007)



Insurance Companies' Reserves

WCIRB estimates that the total cost of benefits on injuries occurring prior to January 1, 2007, is \$6.4 billion less than insurer-reported loss amounts.

Average Claim Costs

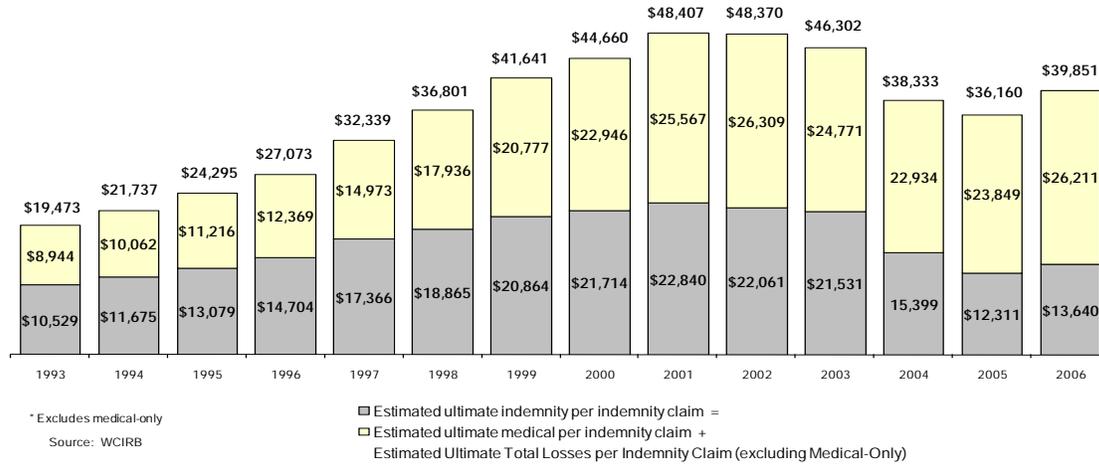
At the same time that premiums and claim frequency were declining, the total amount insurers paid on indemnity claims jumped sharply due to increases in the average cost of an indemnity claim, which rose dramatically during the late 1990s.

The total average cost of indemnity claims decreased by 25.3 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 between 2005 and 2006. Please note that WCIRB's estimates

SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

of average indemnity claim costs have not been indexed to take into account wage increase and medical inflation.

Estimated Ultimate Total Loss per Indemnity Claim
Reflecting the Impact of AB 227, SB 228 & SB 899 as of June 30, 2007

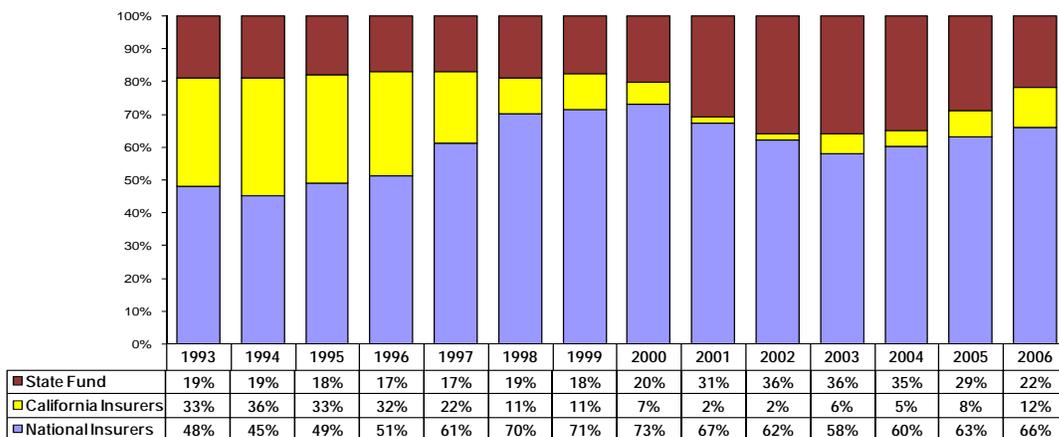


Current State of the Insurance Industry

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 2006, SCIF's market share decreased to 22 percent. On the other hand, the market share of California companies (excluding SCIF) between 2004 and 2006 increased from 5 percent to 12 percent.

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



"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-six insurance companies went under liquidation, and 11 companies withdrew from offering workers' compensation insurance during that time. However, since 2004, 16 insurance/reinsurance companies have entered the California workers' compensation market, while only 6 companies withdrew from the market.

SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

<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
Consolidated Freightways	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
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

SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

COMPANY NAME

DATE OF LIQUIDATION

2005

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

2006

Vesta Fire Insurance Company	8/3/06
Hawaiian Insurance & Guaranty Company	8/21/06
Municipal Mutual Insurance Company	10/31/06

COSTS OF WORKERS' COMPENSATION IN CALIFORNIA

Costs Paid by Insured Employers

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

When the workers' compensation insurance industry was 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. Between 2000 and 2003, 27 workers' compensation insurers went into liquidation. Subsequently, the surviving insurers charged higher premium rates to meet costs and began to replenish reserves.

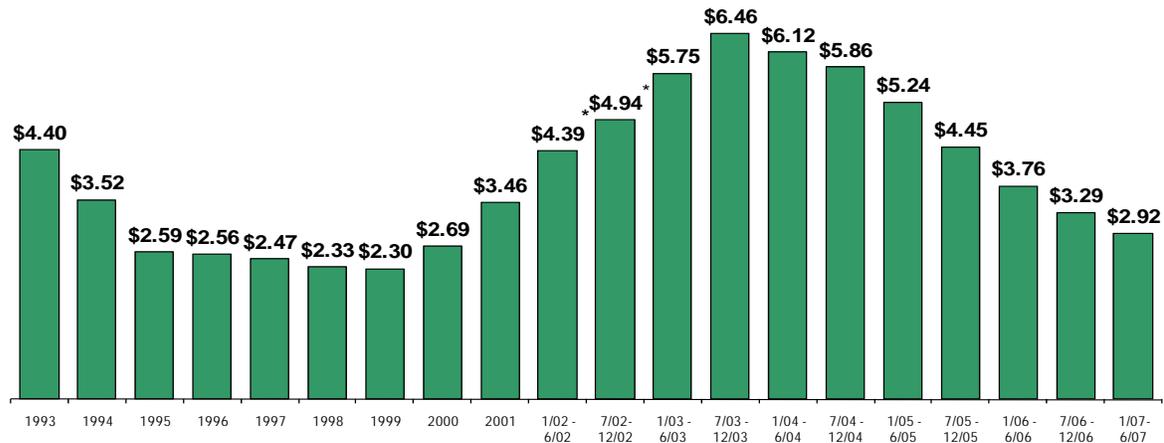
The California workers' compensation legislative reforms in the early 2000s, which were developed to control medical costs, update indemnity benefits and improve the assessment of permanent disability (PD), also had significant impact on insurance costs.

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 \$2.92 which is lower than it was in 1993.

Average Workers' Compensation Insurer Rate Per \$100 of Payroll as of June 30, 2007



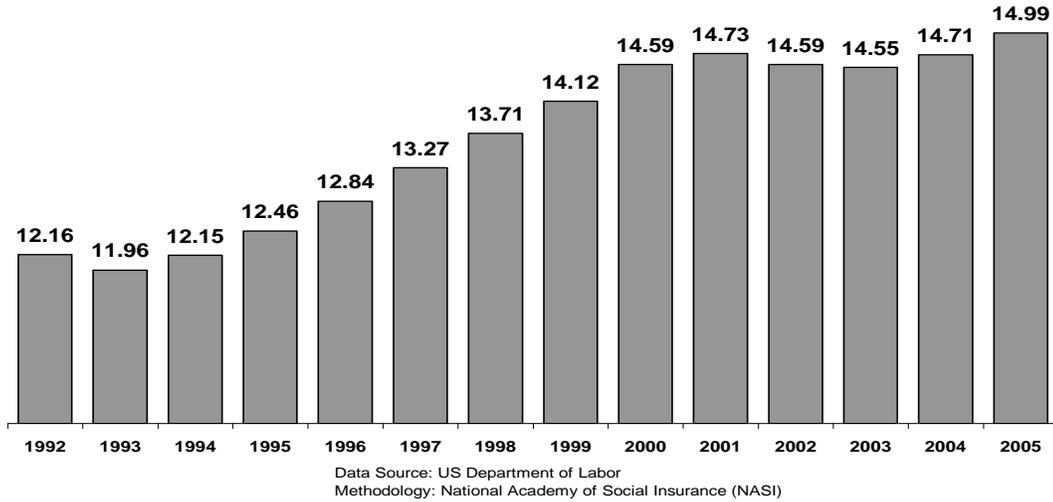
Data Source: WCIRB

* Excludes the impact of the adopted changes to outstanding policy year 2002 pure premium rates effective January 1, 2003

Workers Covered by Workers' Compensation Insurance

The estimated number of California workers covered by workers' compensation insurance grew by about 20 percent from 12.16 million in 1992 to 14.59 million in 2000. From 2000 through 2005, the number of covered workers in California stabilized, averaging about 14.70 million per year.

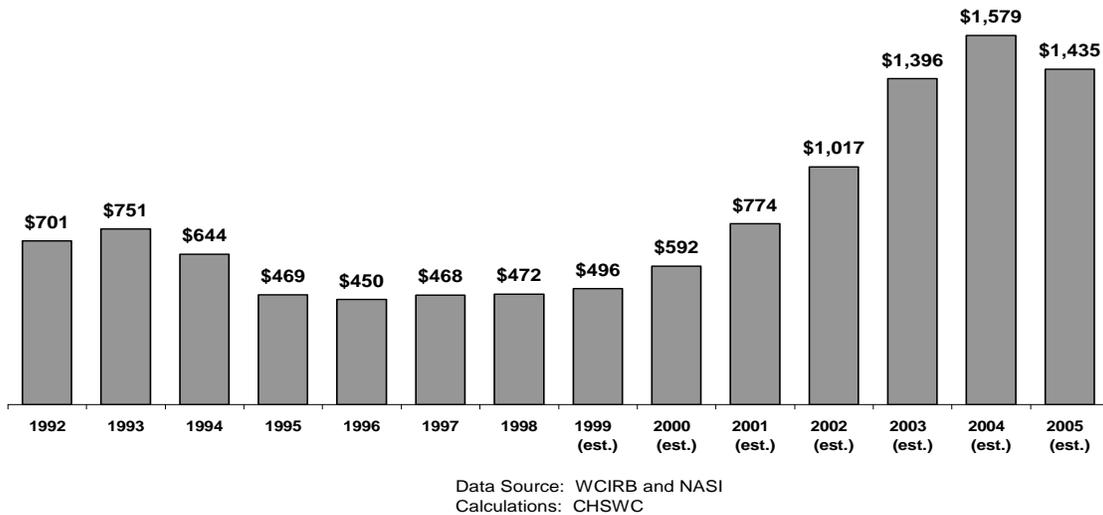
Workers Covered by WC Insurance in California (Estimate in Millions)



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 then almost tripled between 1999 and 2005.

Average Premium per Covered Worker



SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

Workers' Compensation System Expenditures

Indemnity Benefits

WCIRB provided data for the cost of indemnity benefits paid by insured employers. Assuming that insured employers comprise approximately 80 percent of total California payroll, estimated indemnity benefits are shown on the following chart for the total system and for self-insured employers.

System-wide Estimated Costs of Paid Indemnity Benefits

Indemnity Benefit (Thousand\$)	2005	2006	Change
Temporary Disability	\$2,084,649	\$1,963,973	-\$120,676
Permanent Total Disability	\$140,963	\$123,431	-\$17,531
Permanent Partial Disability	\$2,502,040	\$1,960,023	-\$542,018
Death	\$74,460	\$76,250	\$1,790
Funeral Expenses	\$1,744	\$1,931	\$188
Life Pensions	\$52,351	\$54,935	\$2,584
Vocational Rehabilitation/Non-transferable Education Vouchers	\$588,395	\$303,408	-\$284,988
Total	\$5,444,601	\$4,483,950	-\$960,651

Paid by Insured Employers

Indemnity Benefit (Thousand\$)	2005	2006	Change
Temporary Disability *	\$1,667,719	\$1,571,178	-\$96,541
Permanent Total Disability *	\$112,770	\$98,745	-\$14,025
Permanent Partial Disability *	\$2,001,632	\$1,568,018	-\$433,614
Death *	\$59,568	\$61,000	\$1,432
Funeral Expenses	\$1,395	\$1,545	\$150
Life Pensions	\$41,881	\$43,948	\$2,067
Vocational Rehabilitation/Non-transferable Education Vouchers *	\$470,716	\$242,726	-\$227,990
Total	\$4,355,681	\$3,587,160	-\$768,521

Paid by Self-Insured Employers**

Indemnity Benefit (Thousand\$)	2005	2006	Change
Temporary Disability	\$416,930	\$392,795	-\$24,135
Permanent Total Disability	\$28,193	\$24,686	-\$3,506
Permanent Partial Disability	\$500,408	\$392,005	-\$108,404
Death	\$14,892	\$15,250	\$358
Funeral Expenses	\$349	\$386	\$38
Life Pensions	\$10,470	\$10,987	\$517
Vocational Rehabilitation/Non-Transferable Education Vouchers	\$117,679	\$60,682	-\$56,998
Total	\$1,088,920	\$896,790	-\$192,130

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

** Figures estimated based on insured employers' cost.

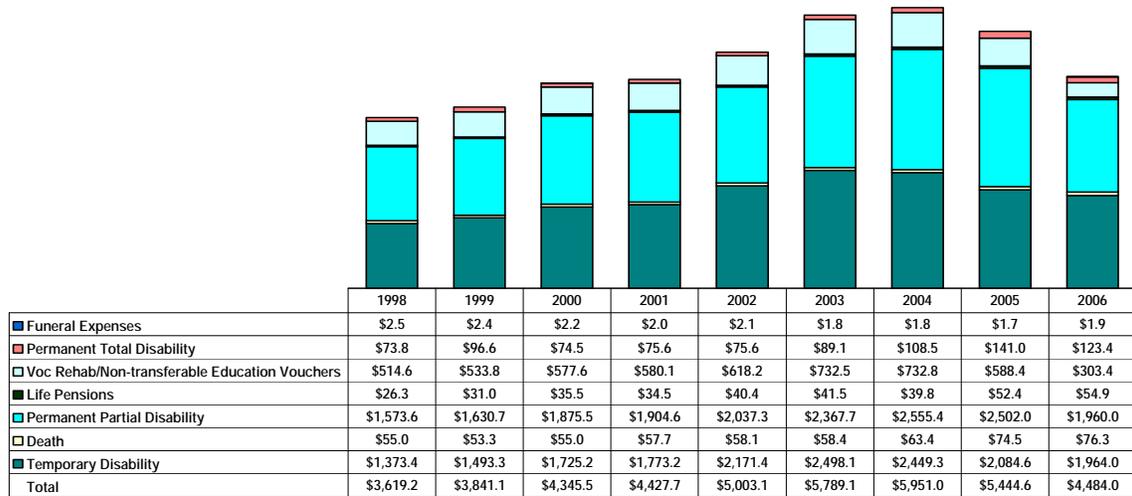
Self-insured employers are estimated to comprise 20 percent of total California payroll.

SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

Trends in Paid Indemnity Benefits

The estimated system-wide 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 24.7 percent from 2004 to 2006. The costs of temporary disability (TD), permanent partial disability (PPD), and vocational rehabilitation/non-transferable education vouchers also declined from 2004 to 2006 after years of growth. PTD declined from 2005 to 2006 after doubling between 2000 and 2005. Costs of life pensions and death benefits increased from 1998-2006.

**Workers' Compensation Paid Indemnity Benefit
System-Wide Estimated Costs in Million\$**

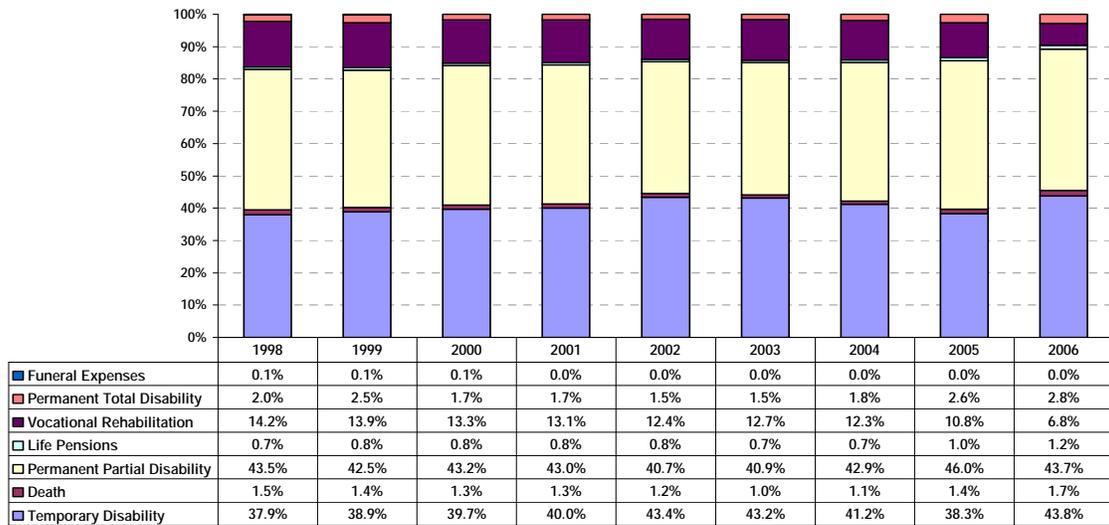


Data Source: WCIRB

Calculations: CHSWC

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

Distribution of Paid Indemnity Benefits



* Vocational Rehabilitation/ Non-transferable Educational Vouchers

Data Source: WCIRB

SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

Medical Benefits

System-Wide Estimated Costs - Medical Benefits Paid

Medical Benefits (Million\$)	2005	2006	Change
Physicians	\$2,125	\$2,000	-\$125
Capitated Medical	\$29	\$11	-\$18
Hospital	\$1,201	\$1,021	-\$180
Pharmacy	\$489	\$476	-\$13
Payments Made Directly to Patient	\$600	\$786	\$186
Medical-Legal Evaluation	\$214	\$203	-\$11
Medical Cost-Containment Programs*	\$109	\$219	\$109
Total	\$4,767	\$4,715	-\$51

Paid by Insured Employers

Medical Benefits (Million\$)	2005	2006	Change
Physicians	\$1,700	\$1,600	-\$100
Capitated Medical	\$23	\$9	-\$14
Hospital	\$961	\$817	-\$144
Pharmacy	\$391	\$381	-\$10
Payments Made Directly to Patient	\$480	\$629	\$149
Medical-Legal Evaluation	\$171	\$162	-\$9
Medical Cost-Containment Programs*	\$87	\$175	\$87
Total	\$3,813	\$3,772	-\$41

Paid by Self-Insured Employers**

Medical Benefits (Million\$)	2005	2006	Change
Physicians	\$425	\$400	-\$25
Capitated Medical	\$6	\$2	-\$4
Hospital	\$240	\$204	-\$36
Pharmacy	\$98	\$95	-\$3
Payments Made Directly to Patient	\$120	\$157	\$37
Medical-Legal Evaluation	\$43	\$41	-\$2
Medical Cost-Containment Programs*	\$22	\$44	\$22
Total	\$953	\$943	-\$10

* 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.

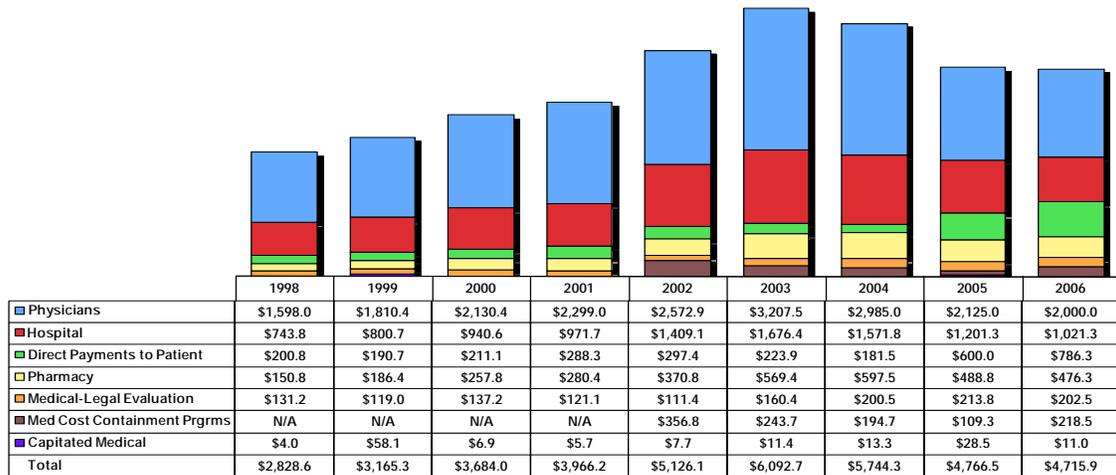
Self-insured employers are estimated to comprise 20 percent of all California employers.

SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

Trends in Paid Medical Benefits

The estimated system-wide 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 22.6 percent from 2003 to 2006. Pharmacy costs nearly quadrupled from 1998 through 2004, before declining slightly from 2004 to 2006. Expenditures on medical cost-containment programs in 2005 were less than a third of what they were in 2002 and almost doubled again in 2006. Hospital costs more than doubled from 1998 to 2003, then declined by 39 percent from 2003 to 2006. Medical-legal evaluation costs fluctuated from 1998 to 2002, then doubled between 2002 and 2006. Payments to physicians doubled from 1998 to 2003, then dropped by 37.7 percent from 2003 to 2006.

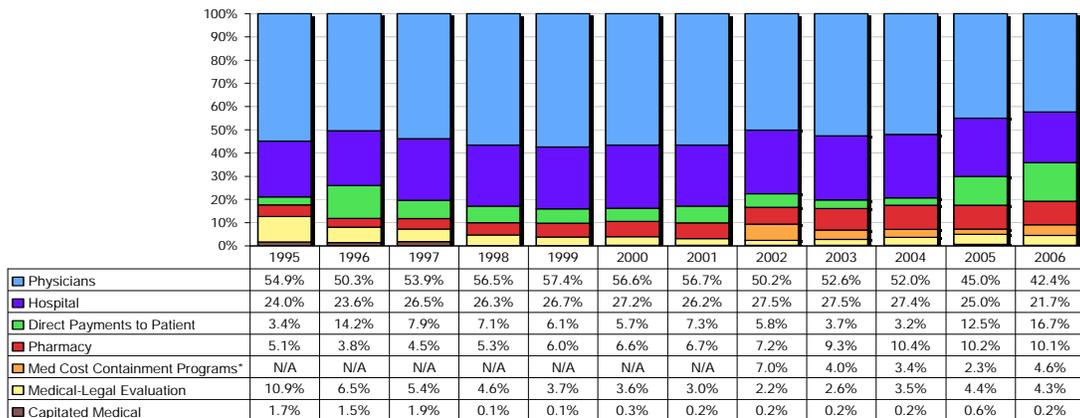
**Workers' Compensation Paid Medical Benefits
System-Wide Estimated Costs in Million\$**



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: A REPORT CARD FOR CALIFORNIANS

Average Cost per Claim by Type of Injury

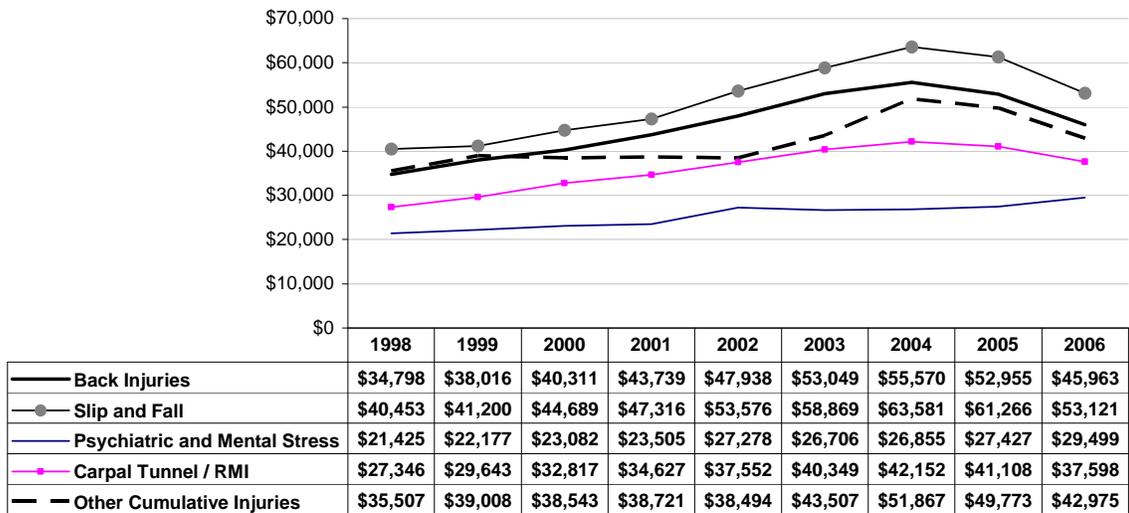
As shown in the following chart, from 1998 to 2003, slips and falls increased by 61 percent, back injuries by 59 percent, followed by carpal tunnel/repetitive motion injuries (RMI) by 56 percent.

On the other hand, average costs of psychiatric and mental stress claims appeared to have levelled off through 2001, increased slightly in 2002, and have been mostly stable since then.

From 2003 to 2004, the average cost for some types of injuries, such as back injuries and carpal tunnel/RMI, increased only slightly and appeared to be leveling off.

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

Average Cost per WC Claim by Type of Injury*



* These categories are not mutually exclusive. For example, some back injuries result from slips and falls.

Source: WCIRB

SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

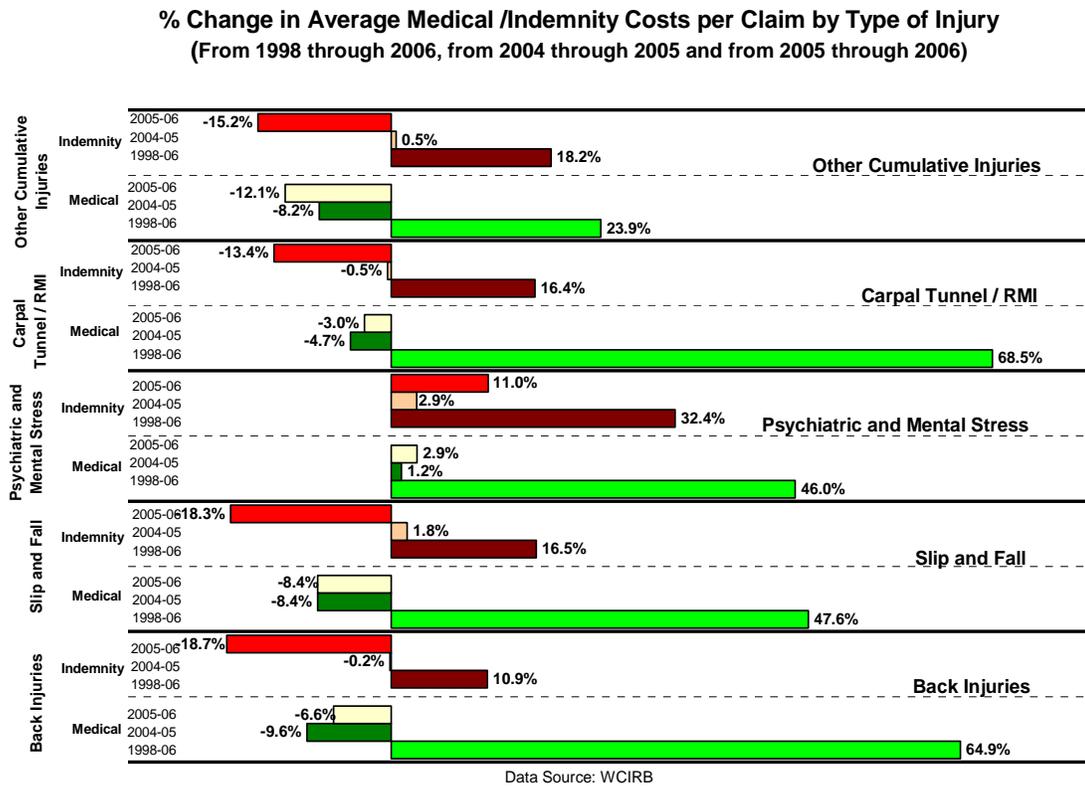
Changes in Average Medical and Indemnity Costs per Claim by Type of Injury

The chart below illustrates the impact of the reforms on selected types of injury. The long-term trend from 1998 to 2006 shows increases in medical costs and indemnity costs for all these types of injury.

In the last two years, the trend was reversed for most types of injury.

From 2004 to 2005, medical costs fell for every type except psychiatric and mental stress. In the same year, indemnity costs showed mixed increases or decreases of small magnitude, the largest being a 2.9 percent increase in indemnity for psychiatric and mental stress injuries.

From 2005 to 2006, medical costs again fell for every type except psychiatric and mental stress. In the same year, indemnity costs fell dramatically for every type except psychiatric and mental stress, which continued to grow.



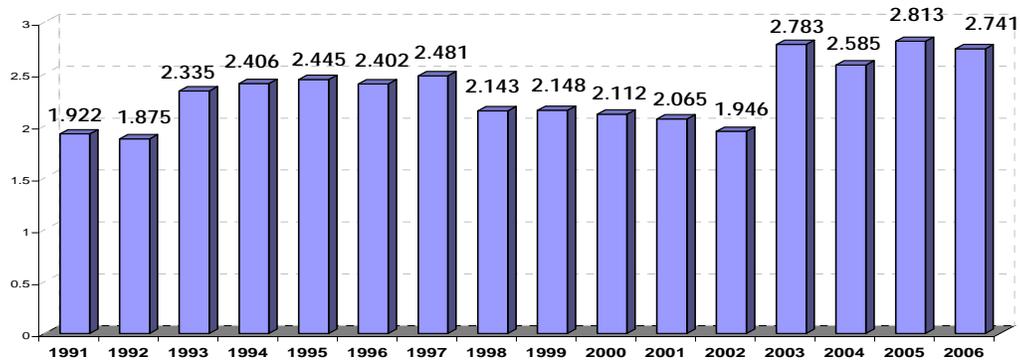
Workers' Compensation System Expenditures: Self-Insured Private and Public Employers

Private Self-Insured Employers

Number of Employees

The following chart shows the number of employees working for private self-insured employers between 1991 and 2006. The number of employees declined slightly between 1991 and 1992, increasing by 25 percent between 1992 and 1993. Between 1993 and 1997, the number of employees working for private self-insured employers remained fairly stable, declining by 14 percent between 1997 and 1998. Between 1998 and 2001, the number of employees remained fairly stable; then, between 2002 and 2003, it increased sharply by 43 percent. Between 2003 and 2004, the number of employees of private self-insured employers decreased by about 7 percent, increasing by almost 9 percent between 2004 and 2005, and then declining slightly again between 2005 and 2006.

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

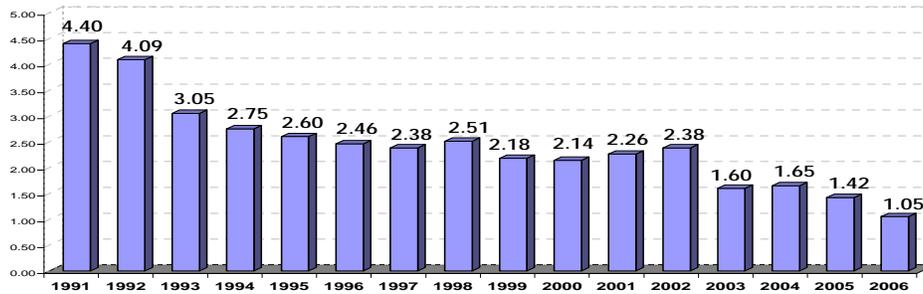


Data Source: DIR Self-Insurance Plans

Indemnity Claims

The number of indemnity claims of employees working for private self-insured employers declined between 1991 and 1997 by 46 percent, followed by a slight increase of 5 percent from 1997 to 1998. From 1998 to 2000, the number of indemnity claims decreased by 14.7 percent and remained stable until 2002, then decreased by 33 percent in 2003. Between 2003 and 2004, the number of indemnity claims per 100 employees increased slightly from 1.60 to 1.65 and then decreased by 36.4 percent between 2004 and 2006.

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



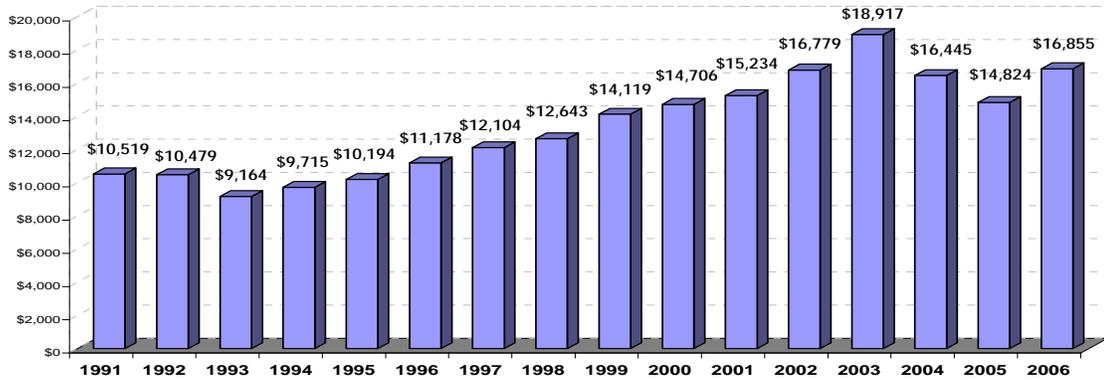
Data Source: DIR Self-Insurance Plans

SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

Incurred Cost per Indemnity Claim

The following chart shows the incurred cost per indemnity claim for private self-insured employers. During 1991 and 1992, the incurred cost per indemnity claim was stable. It dropped by 13 percent from 1992 to 1993. Between 1993 and 2003, the incurred cost per indemnity claim doubled and then decreased by about 21.6 percent between 2003 and 2005. Although the incurred cost per indemnity claim increased by 13.7 percent from 2005 to 2006, it still remained below the 2003 level.

Incurred Cost Per Indemnity Claim of Private Self-Insured Employers

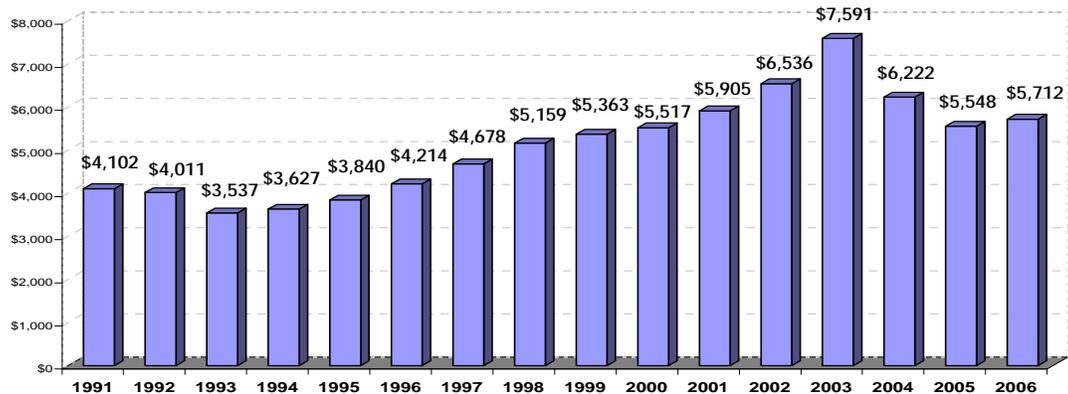


Data Source: DIR Self-Insurance Plans

Average Incurred Cost per Indemnity and Medical Claim

The average incurred cost per indemnity and medical claim for the private sector was stable during 1991 and 1992, followed by a decline of 13 percent in 1993. It levelled off from 1993 to 1995, then increased by almost double by 2002. From 2002 to 2003, the incurred cost per indemnity and medical claim grew by 16 percent, decreasing by 28.2 percent between 2003 and 2005 and increasing slightly between 2005 and 2006.

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



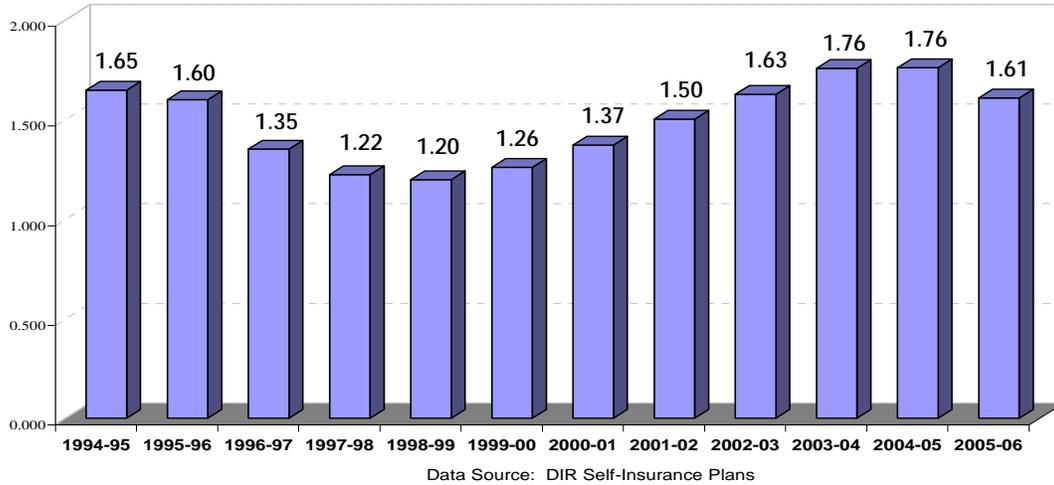
Data Source: DIR Self-Insurance Plans

Public Self-Insured Employers

Number of Employees

The following chart shows the number of public self-insured employers between fiscal years 1993-1994 and 2005-2006. The number of public self-insured employers 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, and declined between 2004-2005 and 2005-2006.

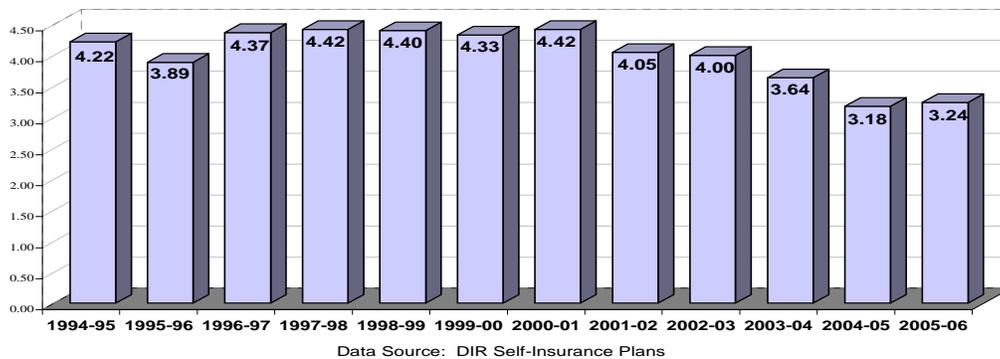
**Number of Employees of Public Self-Insured Employers
(in Millions)**



Indemnity Claims

The number of indemnity claims of 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 to the lowest in the past 12 years, then increased slightly between 2004-2005 and 2005-2006.

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

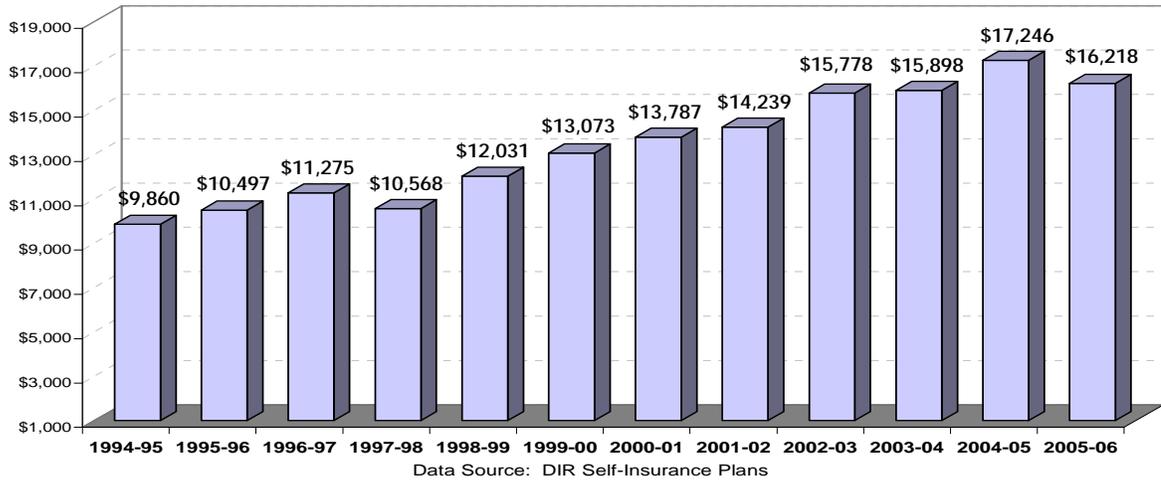


SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

Incurred Cost per Claim

The following chart shows the incurred cost per indemnity claim for public self-insured employers. Between 1994-1995 and 2005-2006, the incurred cost per indemnity claim increased by about 65 percent from \$9,860 to \$16,218.

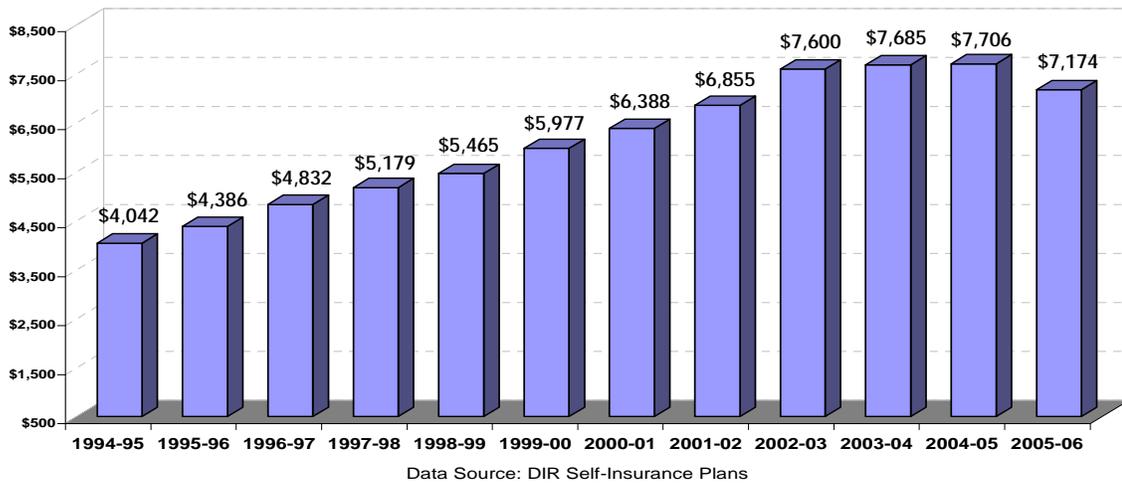
**Incurred Cost Per Indemnity Claim
of Public Self-Insured Employers**



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, then leveled off between 2003-2004 and 2004-2005, and then decreased slightly between 2004-2005 and 2005-2006.

**Incurred Cost per Claim - Indemnity and Medical
Public Self-Insured Employers**



Vocational Rehabilitation 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.

Vocational Rehabilitation 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, 17.9 percent of accident year 2004 permanent disability claim costs involved educational vouchers, and the average cost of the educational vouchers was approximately \$5,900.

Vocational Rehabilitation Incurred Costs

WCIRB has summarized initial first unit report level statistical submissions with respect to accident year 2006 claims on 2005 policies and accident year 2005 claims on 2004 policies. The tables below show preliminary summaries of this information at first unit report level for partial accident years and at a combination of first and second unit report levels for complete accident years. This preliminary unit statistical information suggests that vocational rehabilitation cost per claim has declined by approximately 80 percent subsequent to the reforms.

Vocational Rehabilitation Incurred Costs At First Report Level

Policy Year/ Accident Year	Percent of Indemnity Claims with VR	Change from Average of AY 2001-03	VR Cost Per VR Claim	Change from Average of AY 2001-03	VR Cost Per Indemnity Claim	VR Cost Level Change From Average of AY 2001-03
2000/2001	19.6%	—	\$6,115	—	\$1,196	—
2001/2002	19.5%	—	\$5,945	—	\$1,158	—
2002/2003	18.3%	—	\$6,333	—	\$1,158	—
2003/2004	8.8%	-54%	\$3,774	-38%	\$330	-72%
2004/2005	7.7%	-60%	\$3,297	-46%	\$254	-78%
2005/2006	8.5%	-55%	\$3,050	-50%	\$260	-78%

Vocational Rehabilitation Incurred Costs At First/Second Report Levels

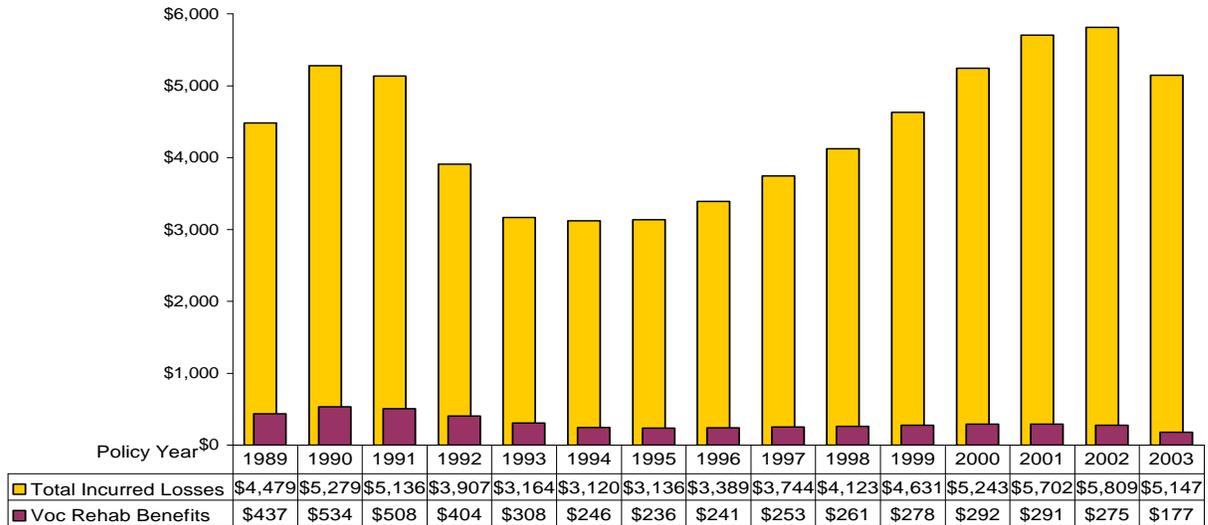
Accident Year	Percent of Indemnity Claims with VR	Change from Average of AY 2001-03	VR Cost Per VR Claim	Change from Average of AY 2001-03	VR Cost Per Indemnity Claim	VR Cost Level Change from Average of AY 2001-03
2001	22.8%	—	\$8,008	—	\$1,828	—
2002	22.9%	—	\$8,248	—	\$1,888	—
2003	21.4%	—	\$7,972	—	\$1,704	—
2004	10.6%	-53%	\$4,042	-50%	\$427	-76%
2005	10.0%	-56%	\$3,641	-55%	\$362	-80%

Data Source: WCIRB

SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

AB 749 repealed the workers' compensation vocational rehabilitation benefit for dates of injury on or after January 1, 2004. SB 899 provided that vocational rehabilitation benefits are available only to eligible workers who were injured before 2004 and will be available only through December 31, 2008.

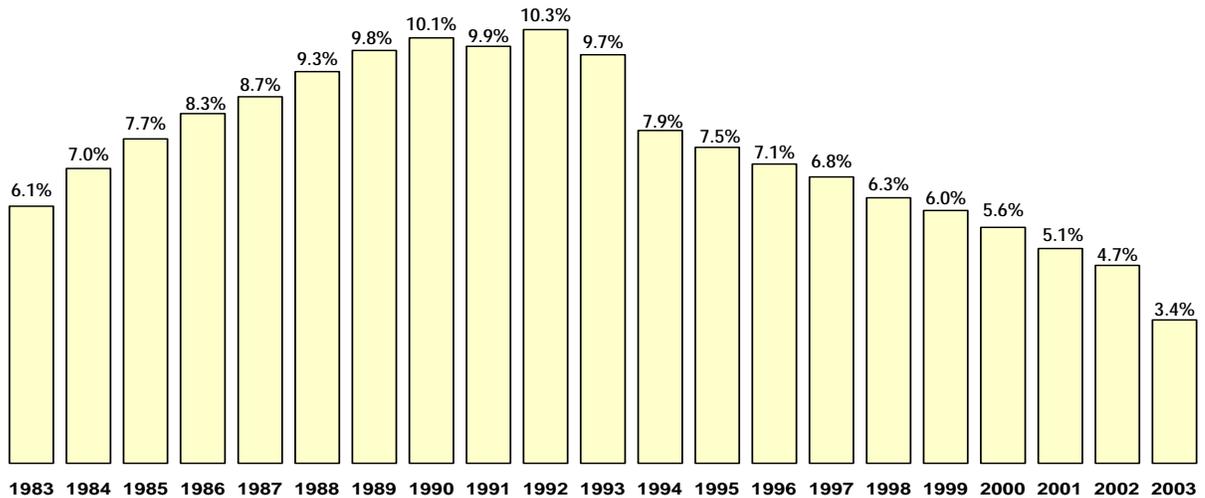
Vocational Rehabilitation Benefits Compared with Total Incurred Losses, WCIRB 1st Report Level (in Millions\$)



Data Source: WCIRB

The chart below shows the vocational rehabilitation costs 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 Costs as Percent of Total Incurred Losses

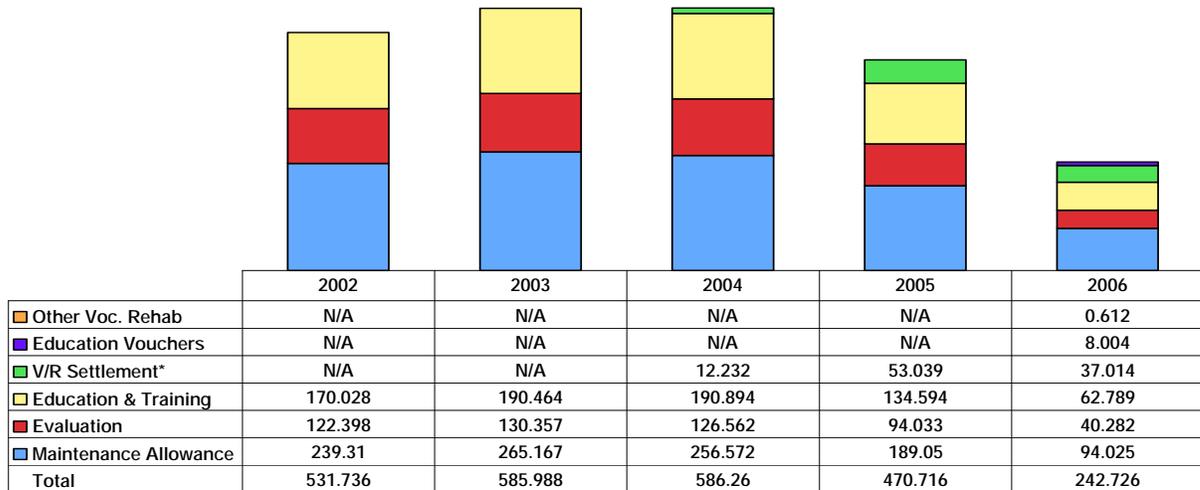


Source: WCIRB (1st Level Reports for Each Policy Year)

SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

The following chart shows the amount paid for each component of the vocational rehabilitation benefit each year from 2002 through 2006

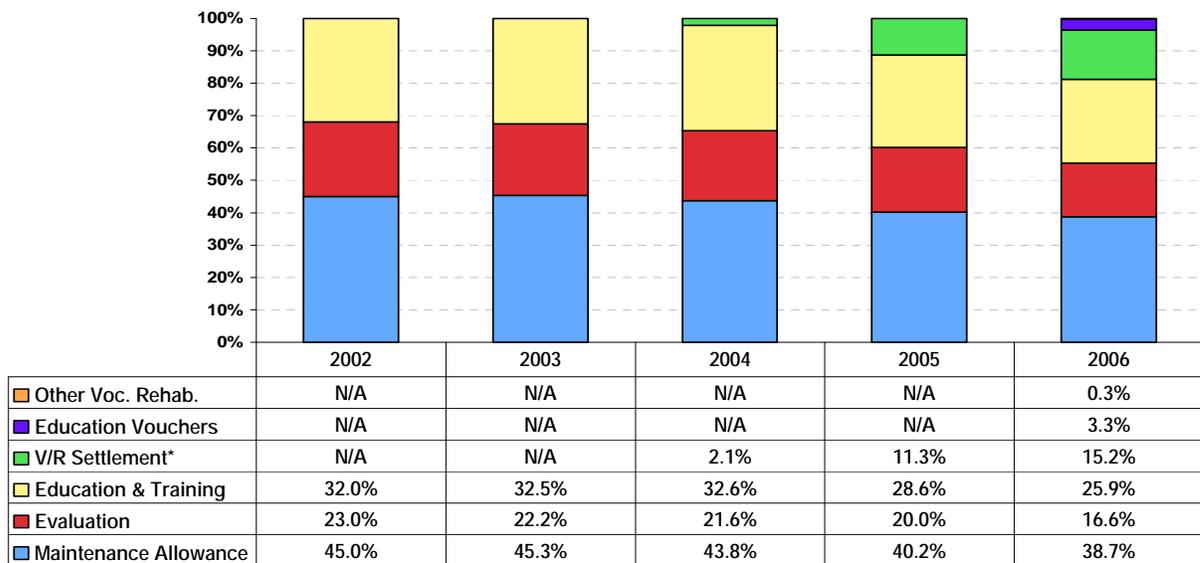
**Paid Vocational Rehabilitation
(Million\$)**



* Vocational Rehabilitation Settlements were allowed on injuries occurring on or after January 1, 2003 pursuant to Assembly bill No.749
Data Source: WCIRB

The graph below depicts the proportion that each component of the vocational rehabilitation benefit contributes to the total. Since AB 749 allowed vocational rehabilitation settlements for injuries on or after January 1, 2003, such settlements have grown to more than 15 percent of the total paid costs.

Distribution of Paid Vocational Rehabilitation



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

Medical-Legal Expenses

Reform legislation changes to the medical-legal process were intended to reduce both the cost and the frequency of litigation. Starting in 1989, legislative reforms restricted the number and lowered the cost of medical-legal evaluations needed to determine the extent of PD. Reform legislation also limited workers' compensation judges to approving the PD rating proposed by one side or the other ("baseball arbitration"). In addition, the Legislature created the qualified medical evaluation (QME) designation and increased the importance of the treating physician's reports in the PD-determination process.

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.

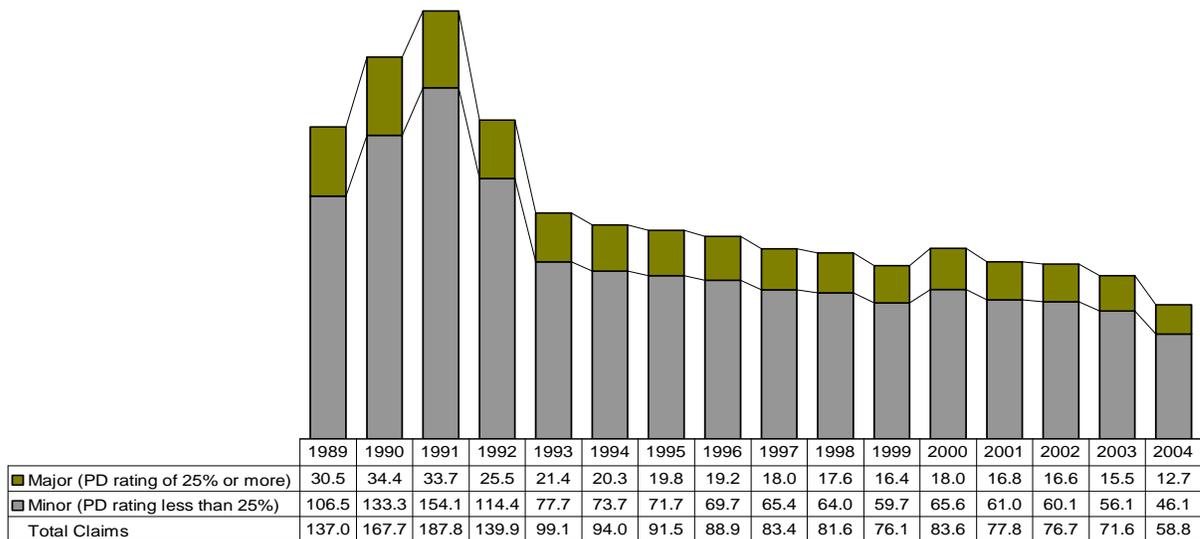
This ongoing study has determined that during the 1990s, the cost of medical-legal exams dramatically improved. As shown in the following discussion, this was due to reductions in all the factors that contribute to the total cost.

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 medical-legal costs beginning in the 2000 accident year.

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.

**PPD Claims at Insured Employers
(In thousands, by year of injury)**



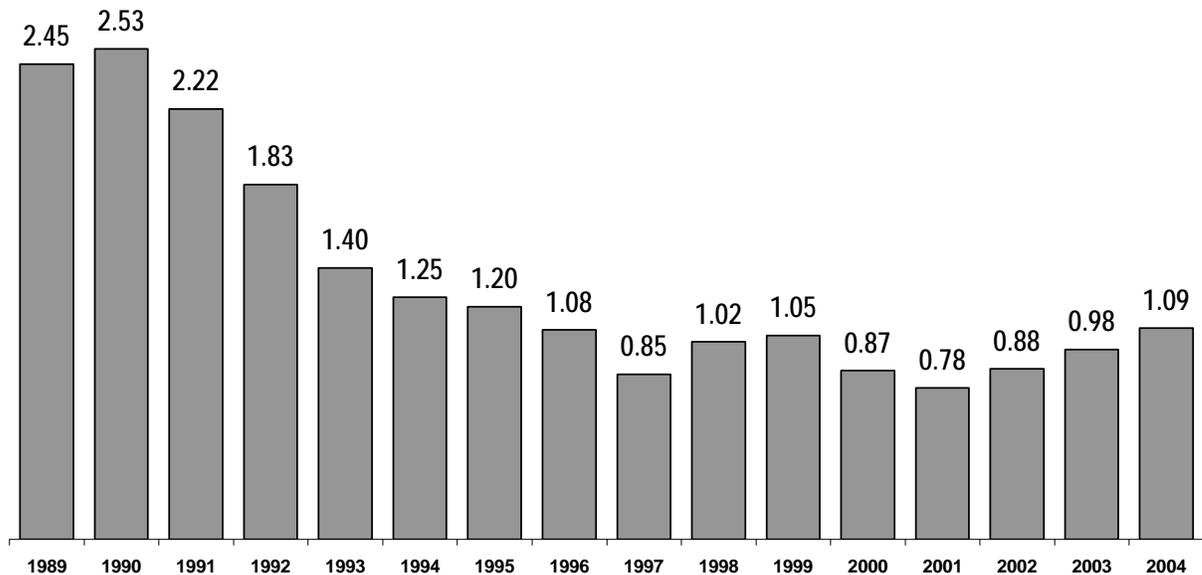
Data Source: WCIRB

Medical-Legal Exams per Claim

The following chart illustrates that the average number of medical-legal exams per claim declined from 2.45 claims 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 reports even further. Earlier CHSWC reports evaluating the treating physician presumption did not find that these reforms had significant effect on the average number of reports per claim.

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



Data Source: WCIRB

The change in the average number of exams 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 exams per claim has continued to decline after leveling off between 1993 and 1995.

Between 2001 and 2004, the average number of medical-legal exams per claim began to increase. This increase could be driven by a number of factors.

Completion of First Medical-Legal Reports

According to WCIRB, the use of the American Medical Association (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 cases with the first medical-legal reports dated in the same year as the accident year. A higher number of first medical-legal reports were completed in 2004 for the 2004

SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

accident year prior to the Permanent Disability Rating Schedule (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 reports being completed prior to the date of the new schedule.

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

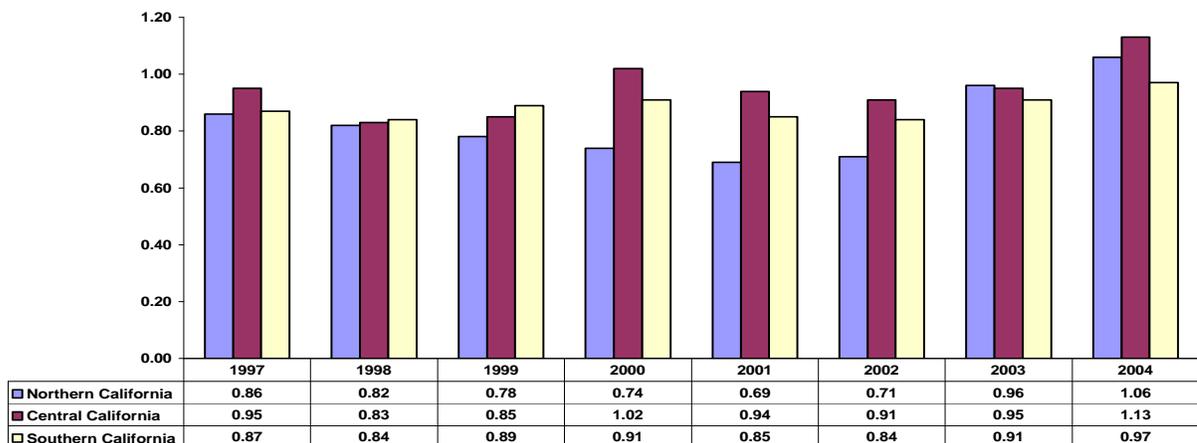
Accident Year	Percent of First Medical-Legal Reports Completed in the Same Year as the Accident Year
2000	21.6%
2001	19.7%
2002	20.1%
2003	18.8%
2004	25.4%

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 reports were used between 1997 and 2004 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 reports 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 reports per claim for each region increased.

**Average Number of Medical-Legal Exams 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. Usually, the Southern California region has higher numbers for both the average cost per report and the average number of reports per claim. Since the 2001 accident year, there were also increases in

the average number of medical-legal exams per claim in the Northern region and from the 2002 accident year in the Central region. As the chart above shows, this pattern continued to take place in the 2004 accident year.

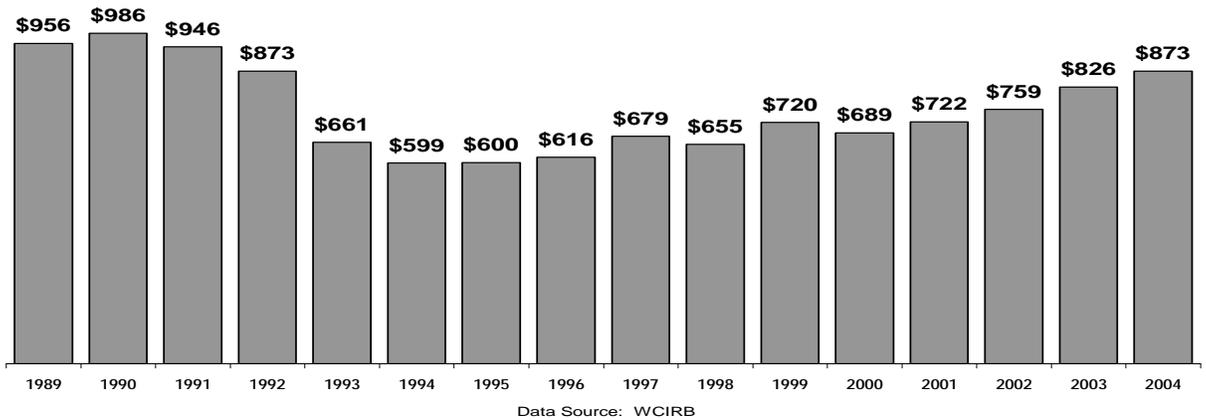
Average Cost per Medical-Legal Exam

The average cost of medical-legal exams per report 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 exam increased to the same level as in 1992, an increase of 27 percent.

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

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

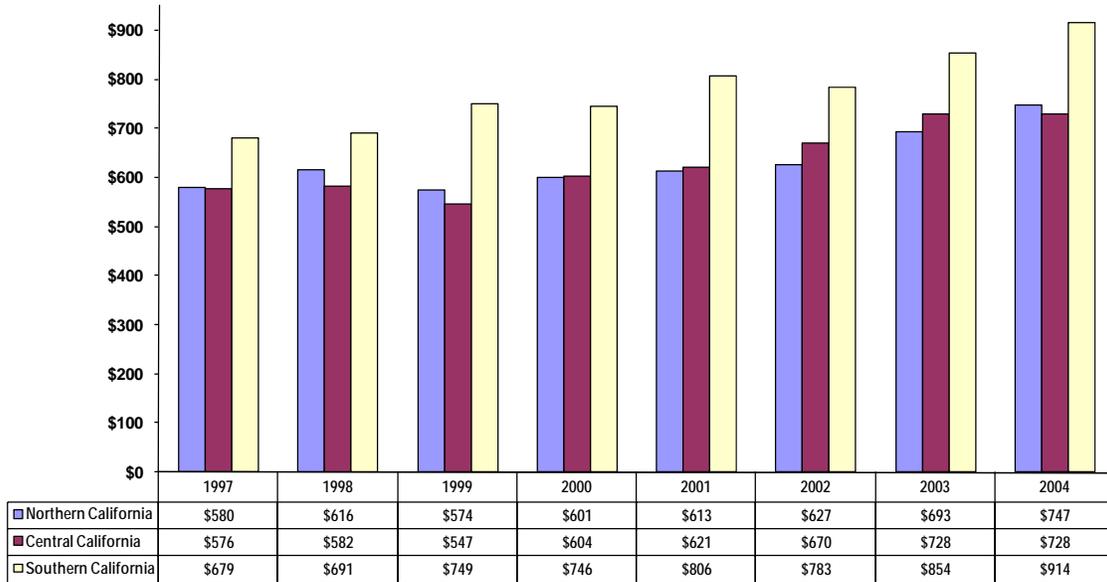


Since the mid-1990s, the average cost of a medical-legal report has increased, even though the reimbursement under the Official Medical Fee Schedule (OMFS) changed since 1993.³ The revised PD Survey by WCIRB includes additional questions that reveal some of the potential causes of this increase in costs. The changes indicate various types of fee schedule classifications as well as geography factors.⁴

³ The new Medical-Legal Fee Schedule became effective for dates of service on or after July 1, 2006.

⁴ Issues for injury years before 1997 cannot be examined because the WCIRB survey revision of that year prevents comparisons.

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



Data Source: WCIRB

The survey data show that, on average, reports 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 table below.

Table: Regional Contributions to the Increase of the Average Medical-Legal Costs: 2000-2004

Region	Percentage of Medical-Legal Reports by Region in 2000	Percentage of Medical-Legal Reports by Region in 2004	Change in Average Cost 2000-2004	Contribution of Each Region to the Average Cost
Southern California	58.6%	58.1%	\$146	57%
Central California	16.5%	16.3%	\$124	14%
Northern California	24.5%	25.7%	\$168	29%

Cost Drivers

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

SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

Table: Medical-Legal Evaluation Cost for Dates of Service before July 1, 2006⁵

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

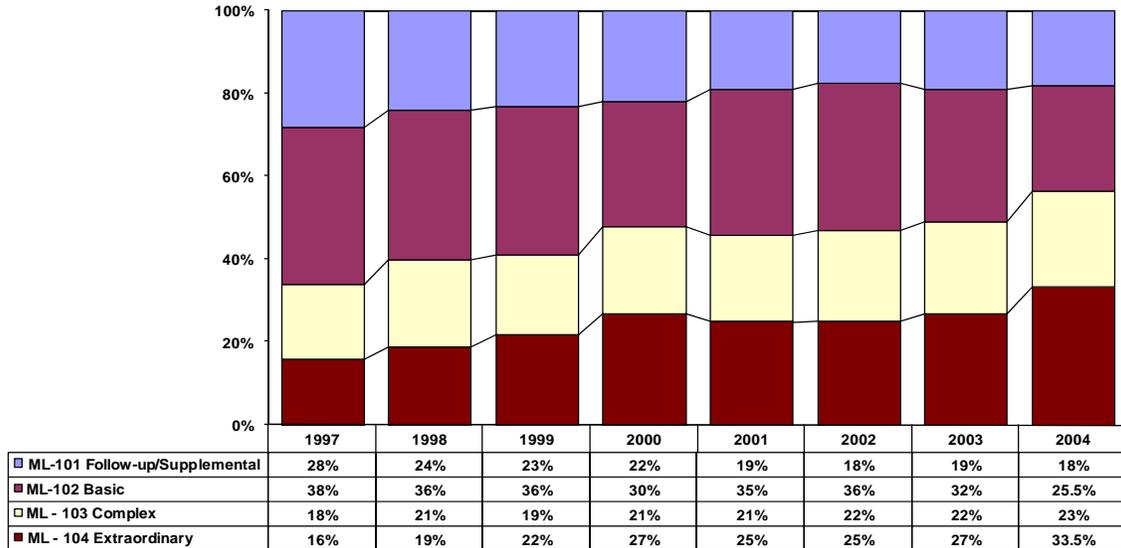
Evaluation Type	Amount Presumed Reasonable
ML-101 Follow-up/ Supplemental	\$62.50/15 minutes or \$250/hr
ML-102 Basic	\$625
ML-103 Complex	\$937.50
ML-104 Extraordinary	\$62.50/15 minutes or \$250/hr

⁵ Please note that Agreed Medical Evaluators receive 25 percent more than the rates shown in both of the tables.

SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

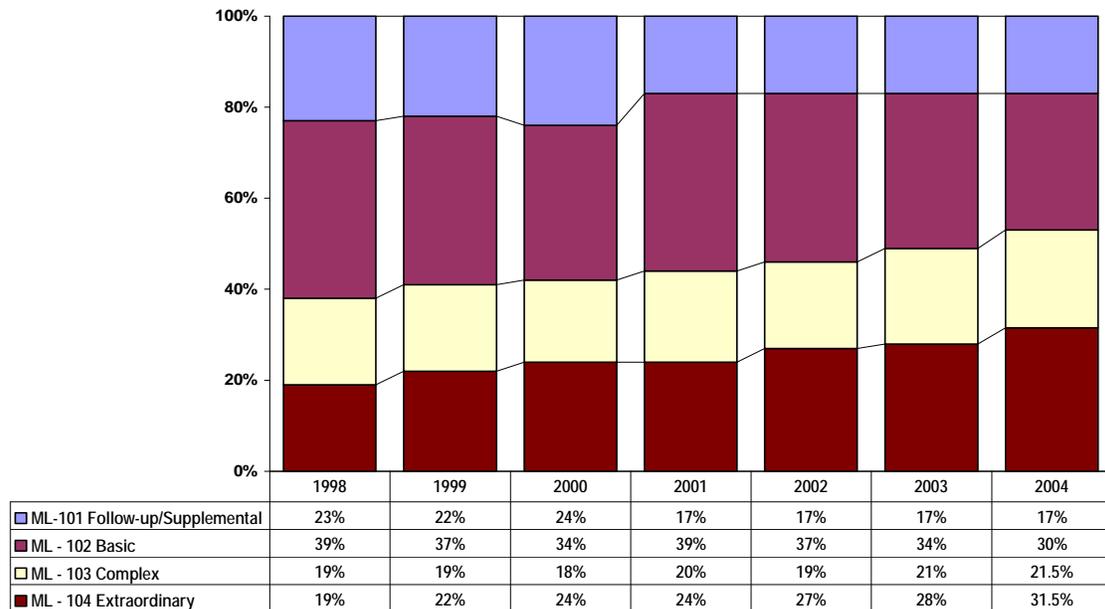
The following two charts indicate that the distribution of exams both in Southern California and California as a whole has shifted away from ML-101 exams to include a higher percentage of ML-104 exams with “Extraordinary” complexity. At the same time, the average cost within each exam type did not exhibit a trend.

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



Data Source: WCIRB

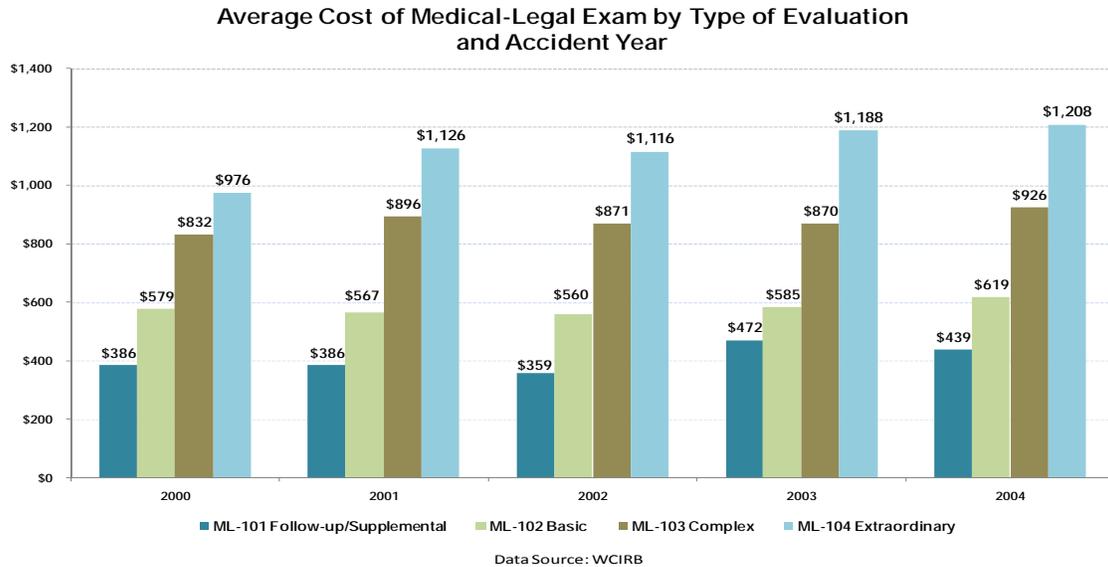
Distribution of Medical-Legal Exam by Type (California)



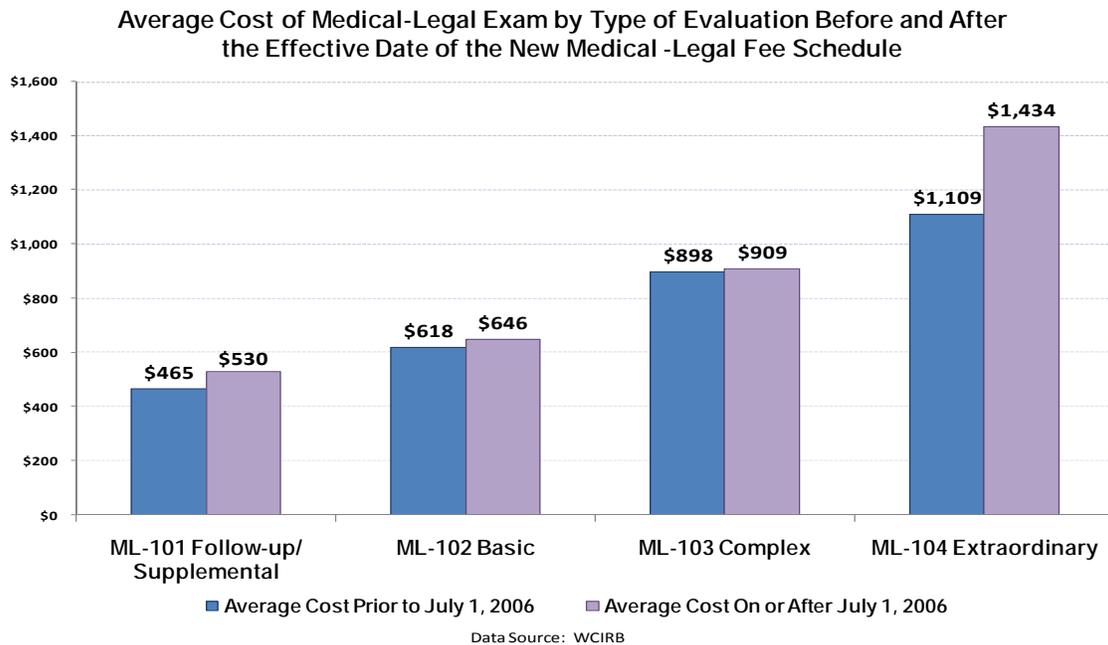
SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

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 report. Medical-legal reports dated in 2006 made up about 20 percent of reports in the 2004 accident year. The chart below shows that the average cost per report is higher in the 2004 accident year sample compared to 2000 accident year. The biggest increases are for the complex and extraordinary cases.

In addition, the medical-legal reports in 2004 accident year had both a higher average cost of Extraordinary reports (\$976 and \$1,208 respectively) and a higher share of Extraordinary evaluations (24 percent and 32 percent respectively) than in accident year 2000.



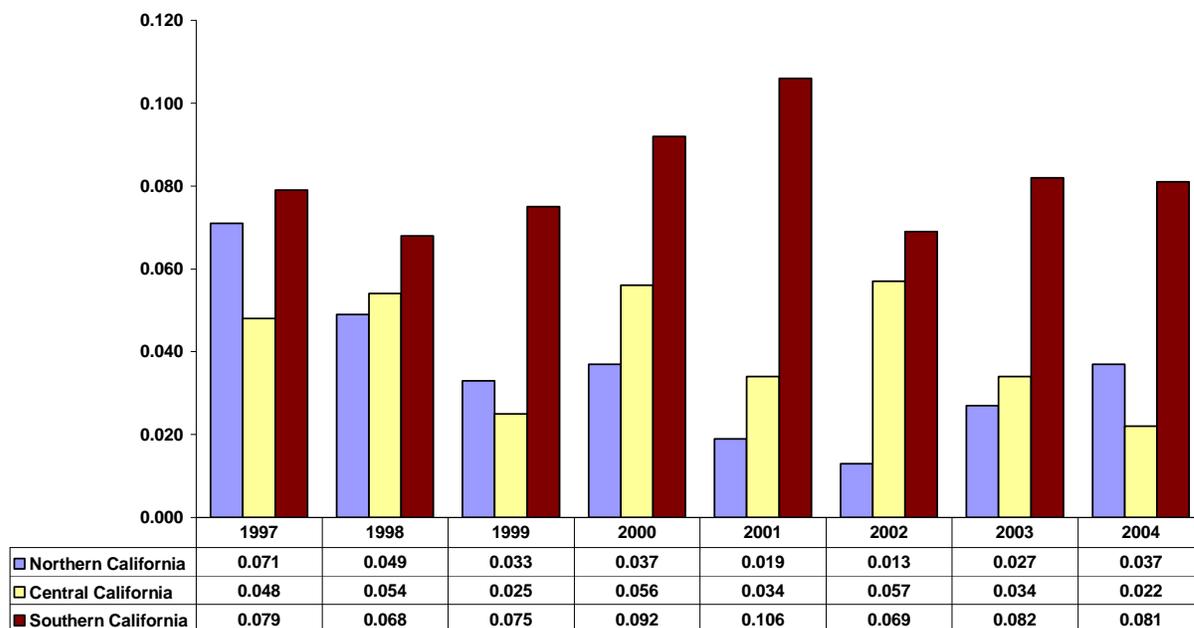
The chart below shows that the average cost of Extraordinary medical-legal reports increased by 29 percent after July 1, 2006, when the new Medical-Legal Fee Schedule became effective.



SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

Another possible explanation for the differing trends in the average cost per report and the increasing frequency of the most complex exams in Southern California is that psychiatric evaluations are more common in Southern California, although there has been a decrease in frequency for this region of 23.6 percent between 2001 and 2004. Psychiatric exams are nearly always billed under the ML-104 code that is the most expensive.

Average Number of Psychiatric Exams per PPD Claim by Region



Data Source: WCIRB

Total Medical-Legal Cost Calculation

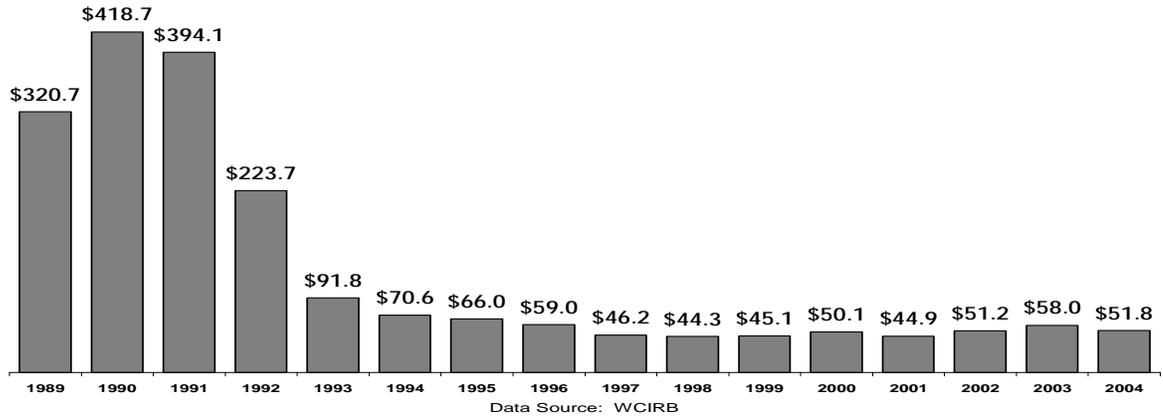
Total medical-legal costs are calculated by multiplying the number of PPD claims by the average number of medical-legal exams per claim and by the average cost per medical-legal exam:

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

Medical-Legal Costs

During the 1990s, the cost of medical-legal exams improved dramatically. For the insured community, the total cost of medical-legal exams performed on PPD claims by 40 months after the beginning of the accident year has declined from a high of \$419 million in 1990 to an estimated \$51.8 million for injuries occurring in 2004. This is an 87.6 percent decline since the beginning of the decade.

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

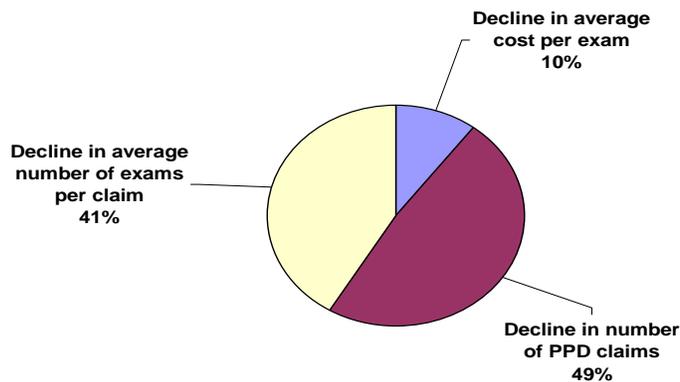


Sources of Improvement in Medical-Legal Costs

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 following chart shows how the cost savings break down by component since the beginning of the decade:

- About half (49 percent) of the cost savings is due to improvements in the medical-legal process that reduced the number of exams performed per claim.
- Ten percent of the improvement is due to changes to the medical-legal fee schedule and treatment of psychiatric claims that reduced the average cost of exams per claim.
- Forty-one percent of the improvement is a result of the overall decline in the frequency of reported PPD claims.

Sources of Savings. Medical-Legal Costs on PPD Claims 1990-2004



Data Source: WCIRB

INJURIES AND ILLNESSES

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.

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 128.1 million workers covered by workers' compensation in the United States in 2005, including 15.0 million in California.

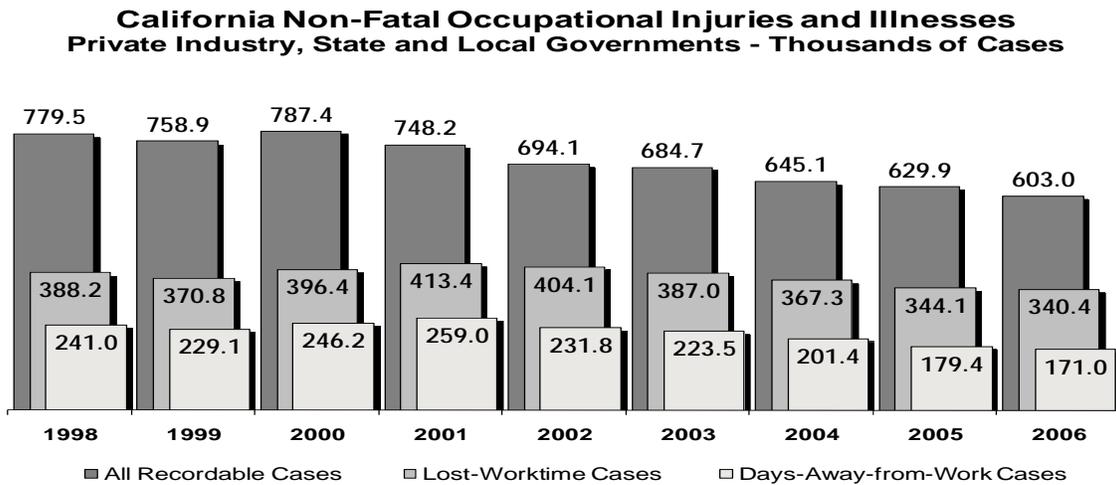
Public and Private Sectors

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.

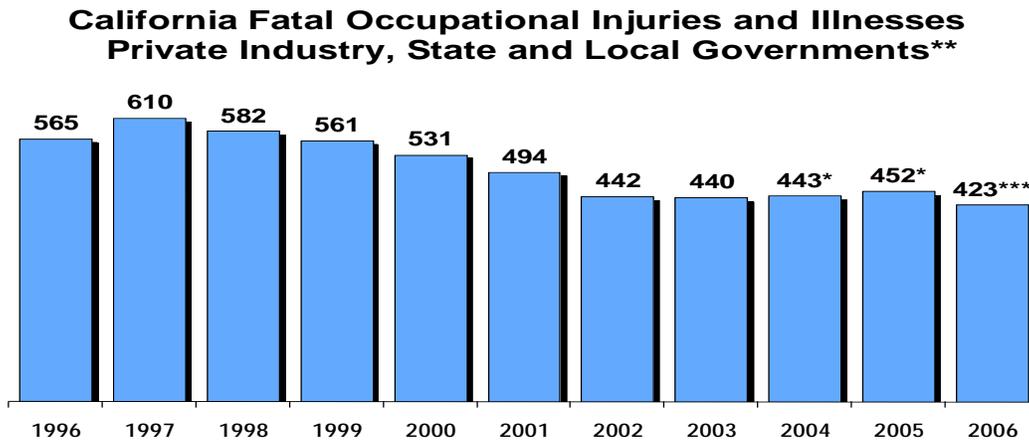
As shown in the following chart, the number of recordable occupational injury and illness cases, the number of lost-work-time cases, and the number of cases with days away from work have all declined from 2000 to 2006.



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 28 percent from 1997 to 2003, increased by 2.7 percent from 2003 to 2005, and decreased by 6.4 percent from 2005 to 2006.



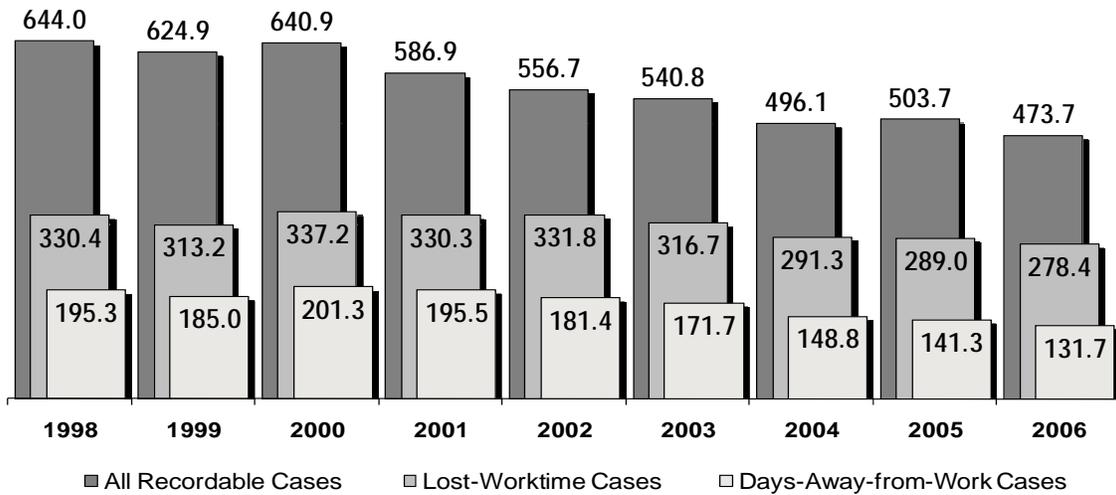
Source: DIR Division of Labor Statistics and Research
 * BLS update to 2004 -2006 data
 ** Total, excluding Federal Government
 *** Preliminary data for 2006

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 19.3 percent, the number of lost-work-time cases declined by 15.7 percent, and the number with days away from work decreased by 32.6 percent, all from 2001 to 2006.

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

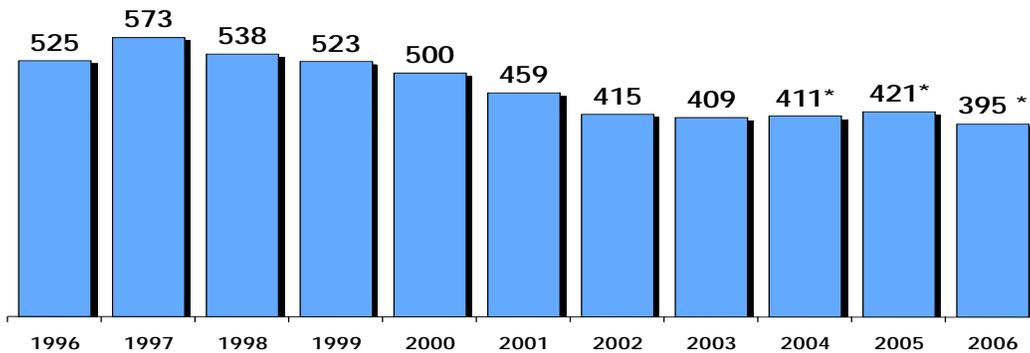


Source: DIR Division of Labor Statistics and Research

Fatal Occupational Injuries and Illnesses

From 1997 to 2003, fatal injuries in private industry decreased by 28.6 percent, grew by 2.9 percent from 2003 to 2005, and then decreased by 6.2 percent between 2005 and 2006.

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



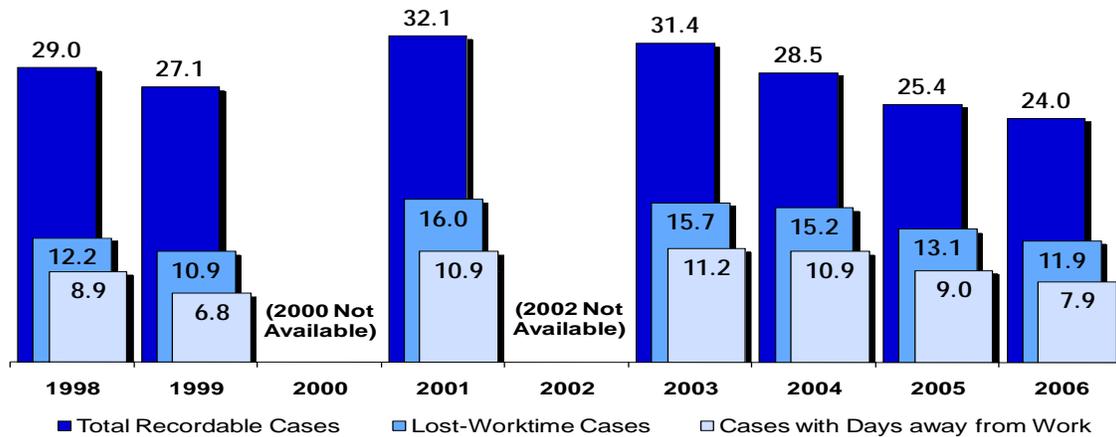
Source: DIR Division of Labor Statistics and Research
* BLS update to 2004 -2006 data

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 2006, the total number of cases declined by about 23.6 percent.

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

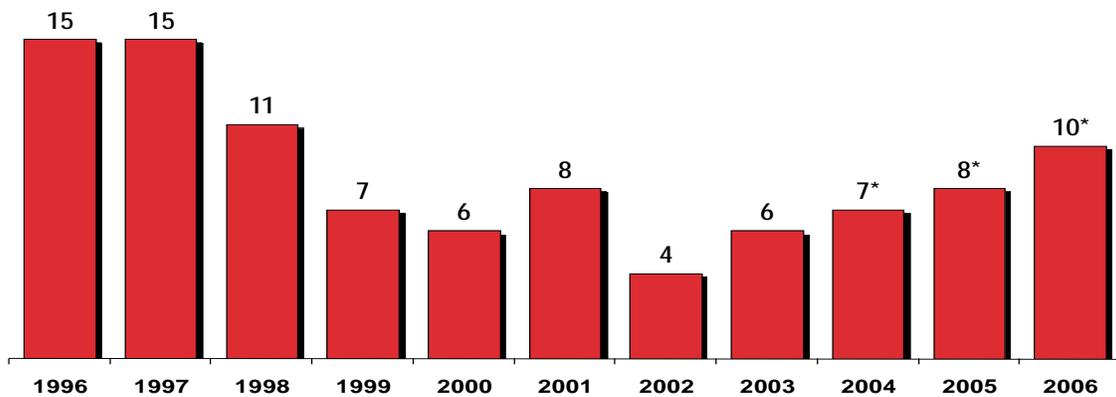


Source: DIR Division of Labor Statistics and Research

Fatal Occupational Injuries and Illnesses

Fatal occupational injuries and illnesses in the California state government have decreased since the mid-1990s. The number of annual fatalities from 1996 to 1999 averaged 12.0, while from 2000 to 2006, the annual average was 7, as shown on the following chart.

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



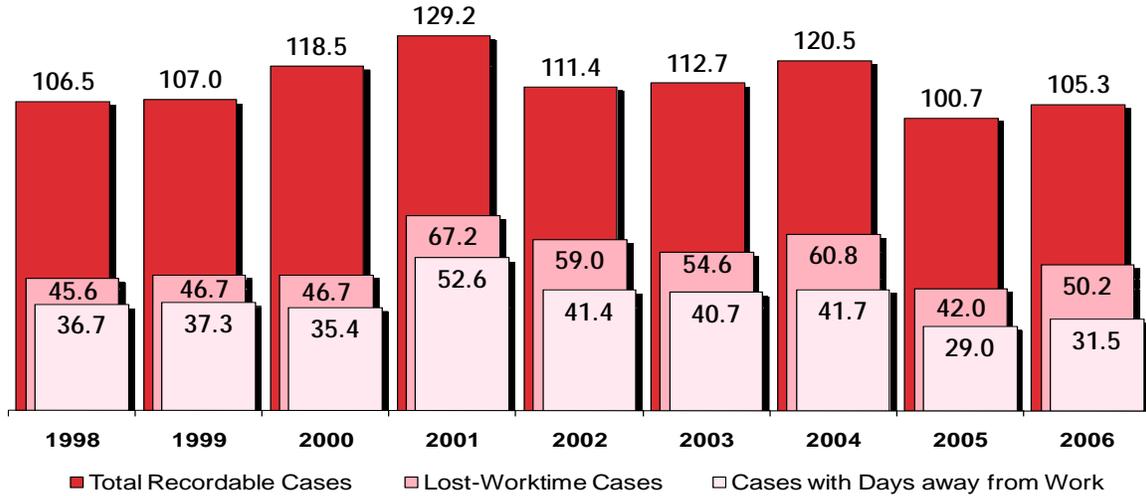
Source: DIR Division of Labor Statistics and Research
* BLS update to 2004-2006 data

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 the 2004 to 2005 by 16 percent and increased by 4.6 percent from 2005 to 2006.

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

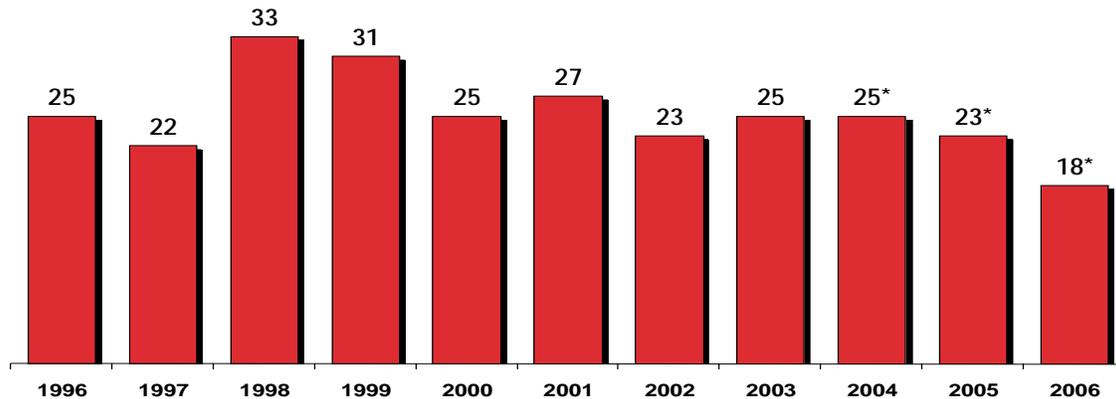


Source: DIR Division of Labor Statistics and Research

Fatal Occupational Injuries and Illnesses

The number of fatal occupational injuries and illnesses in California's local governments from 1996 to 1999 averaged 27.8, while from 2000 to 2006, the annual average was 23.7.

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

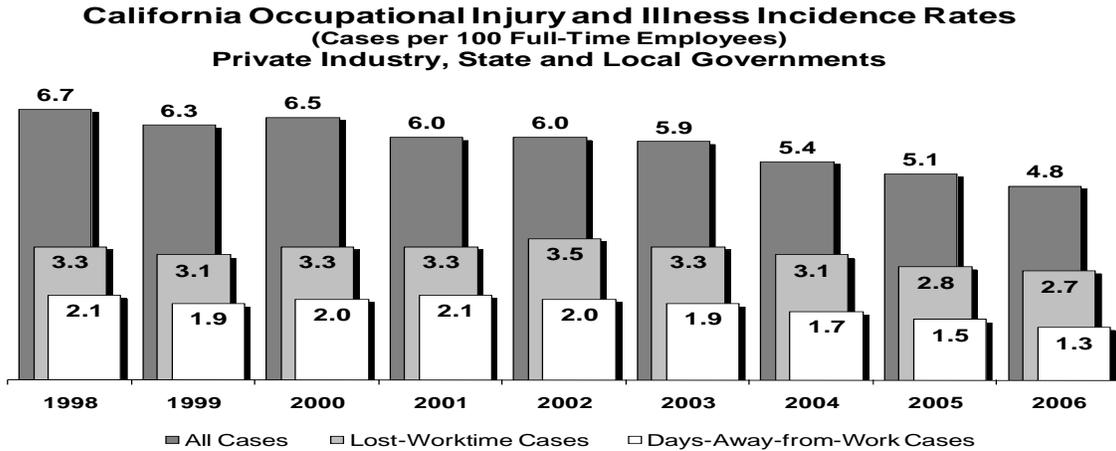


Source: DIR Division of Labor Statistics and Research
* BLS update to 2004-2006 data

Occupational Injury and Illness Incidence Rates

Public and Private Sectors

From 1998 to 2006, incidence rates for all cases and lost-work-time cases in California declined. Between 1998 and 2002, the incidence rates for days-away-from-work cases remained relatively the same, but have started to decline since 2002.



Private Sector

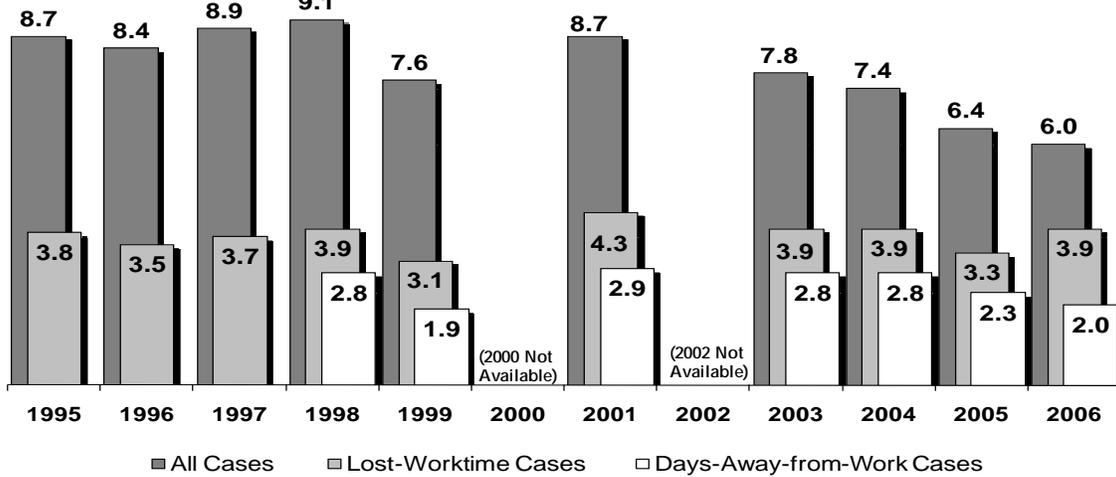
From 1995 to 2006, the occupational injury and illness incidence rate for all cases in California's private industry declined from 7.9 to 4.3, a decrease of 45.6 percent, while the incidence rate for lost-time cases dropped from 3.7 to 2.6, a decrease of 29.7 percent.



Public Sector - State Government

The California state government occupational injury and illness incidence rates have shown a decline between 1995 and 2006.

California Occupational Injury and Illness Incidence Rates
(Cases per 100 Full-Time Employees)
State Government

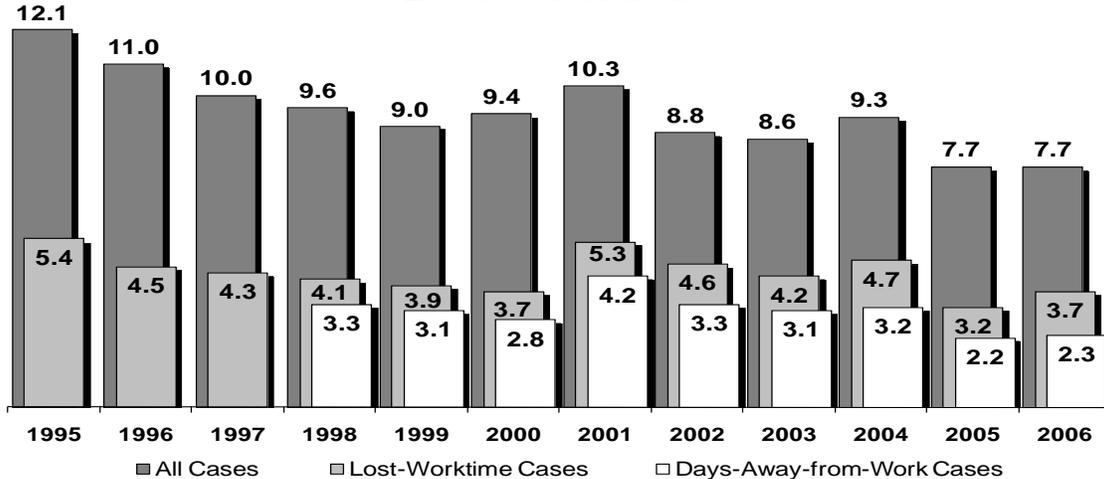


Source: DIR Division of Labor Statistics and Research

Public Sector - Local Government

Unlike the injury and illness rates for California state government where incidence rates have been generally declining for the past decade, the local government occupational injury and illness incidence rates decreased from 1995 to 1999, increased through 2001, decreased through 2003, and then increased again in 2004. From 2004 to 2006, the injury and illness rates decreased from 9.3 to 7.7 per 100 full-time employees.

California Occupational Injury and Illness Incidence Rates
(Cases per 100 Full-Time Employees)
Local Government

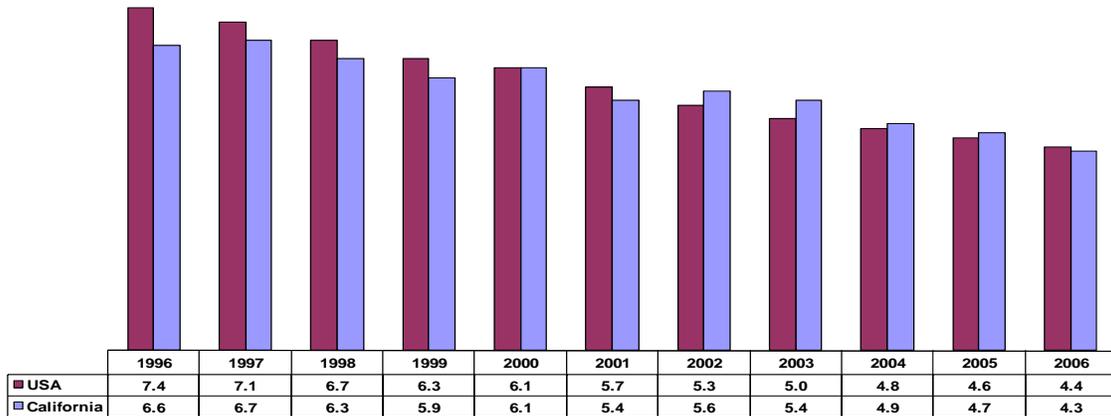


Source: DIR Division of Labor Statistics and

United States and California Incidence Rates: A Comparison

Both the United States and California have experienced a decrease in the occupational injury and illness incidence rates from 1996 through 2006. During that time, the United States incidence rate dropped by 40.5 percent, while the California rate declined by 34.8 percent. Since 2002, the incidence rate in California has been above the national average. In 2006, the incidence rate in California became slightly lower compared to the national average.

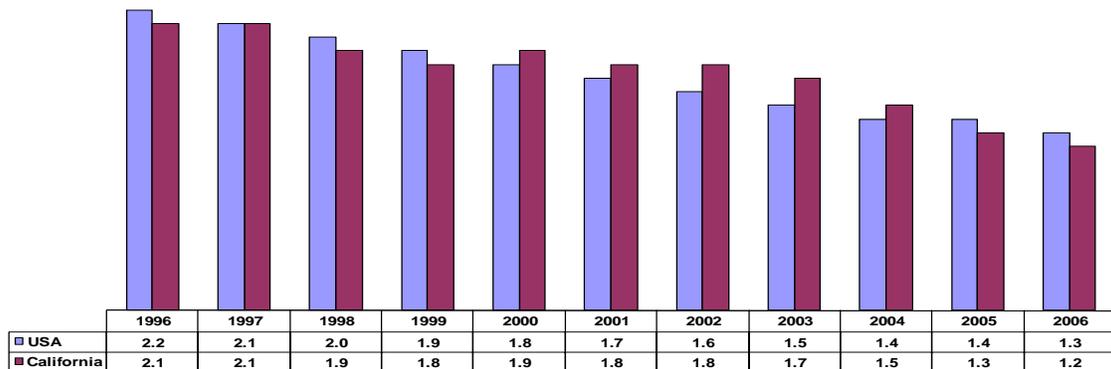
**USA and California
Injury and Illness Incidence Rate per 100 Full-Time Workers
Private Industry - Total Recordable Cases**



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 2006. During that period of time, the rate for the United States decreased by 41 percent, while the California rate dropped by 42.8 percent.

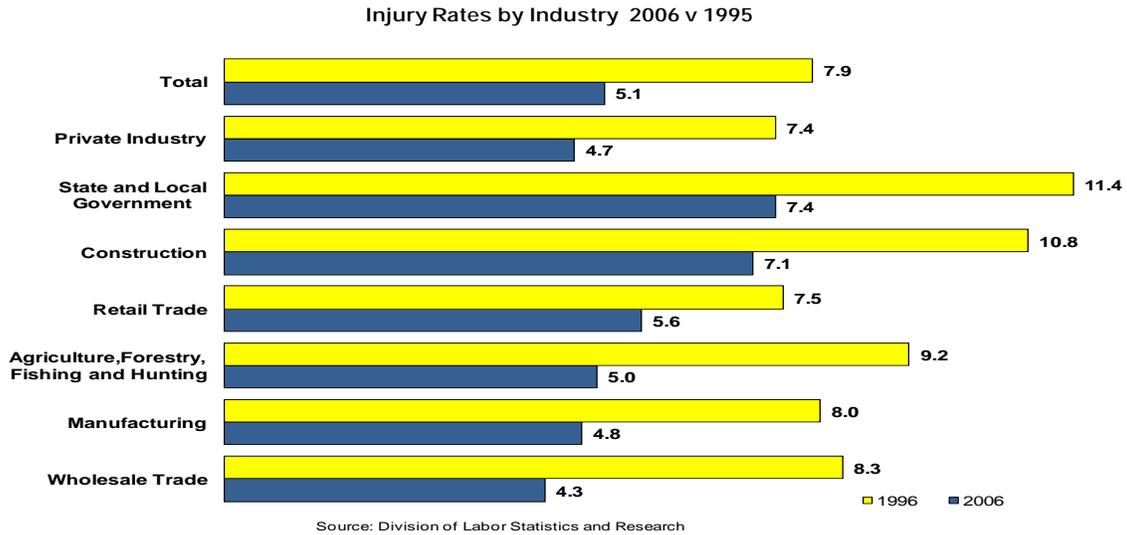
**USA and California
Injury and Illness Incidence Rate per 100 Full-Time Workers
Private Industry - Cases with Days Away from Work**



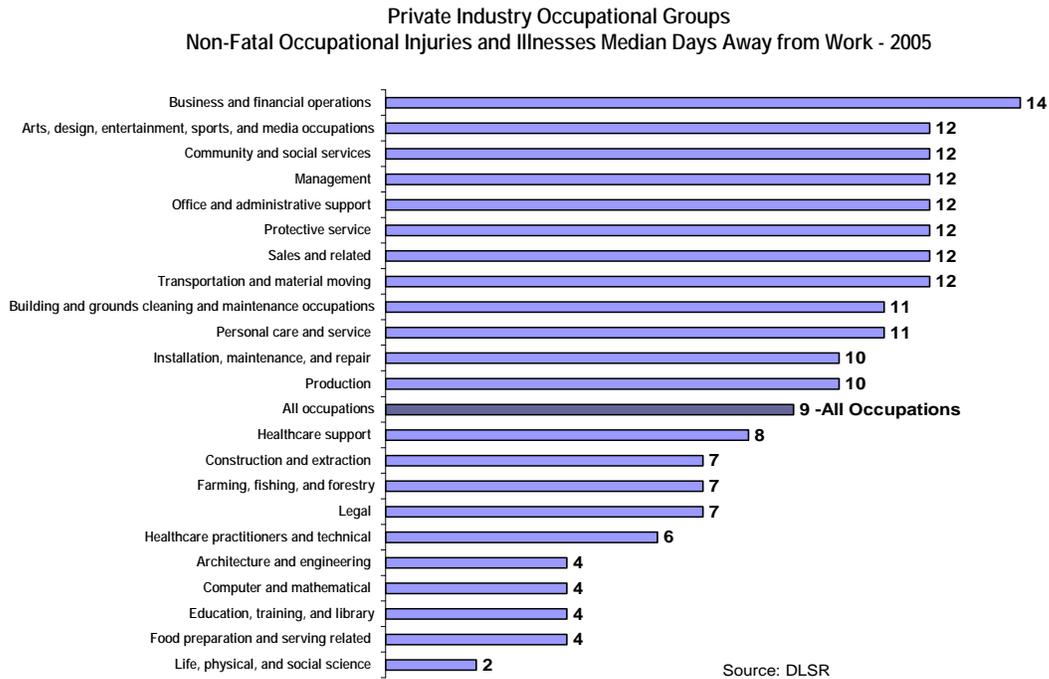
Source: US Department of Labor, Bureau of Labor Statistics

Characteristics of California Occupational Injuries and Illnesses

This section compares incidence rates by industry in 1995 with those in 2006 and also illustrates the days-away-from-work incidence rates by industry. Not only have the overall California occupational injury and illness incidence rates declined, but the incidence rates in major industries also have declined. The following charts compare days-away-from-work incidence rates in 1995 and 2006 by type of major industry including state and local government.

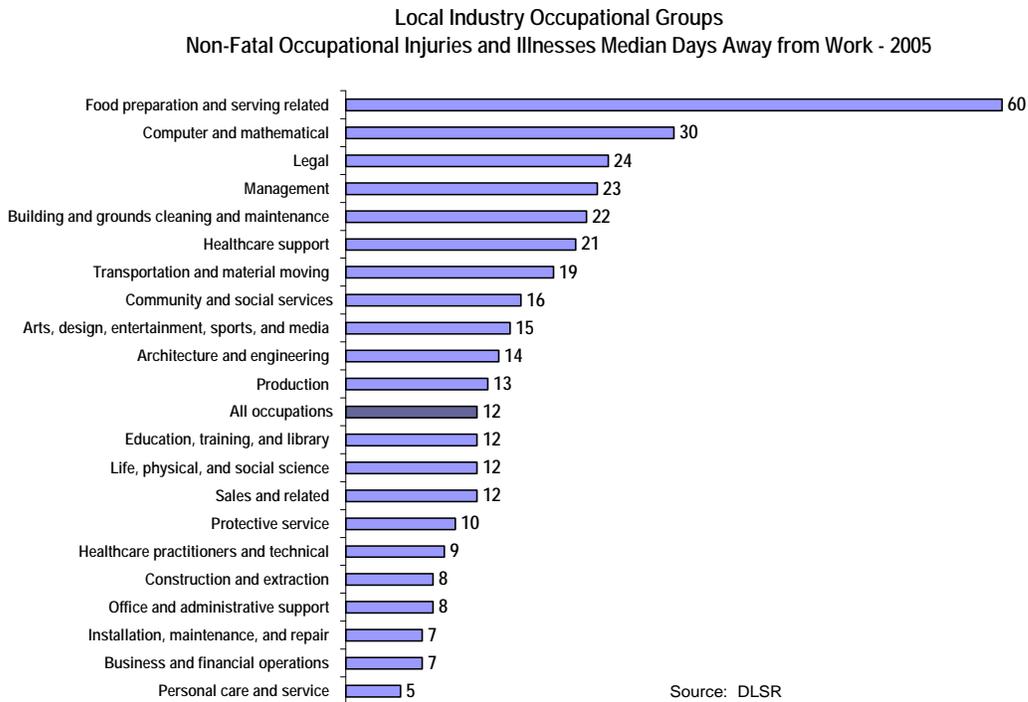
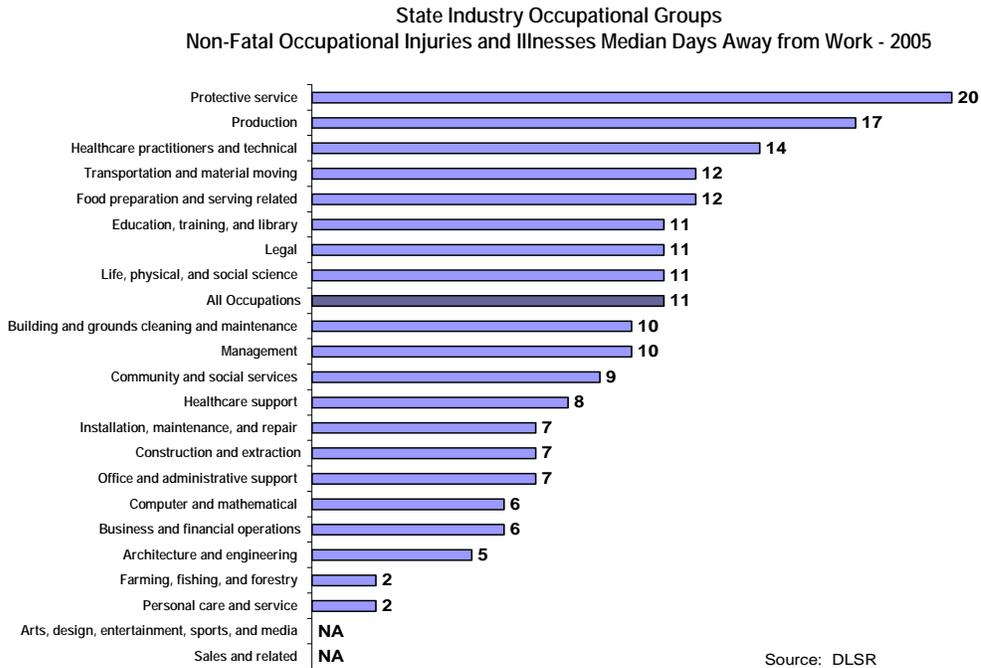


The following chart compares the median days away from work for private industry occupations. Business and financial occupations have the greatest median days away from work with 14 median days away from work.⁶



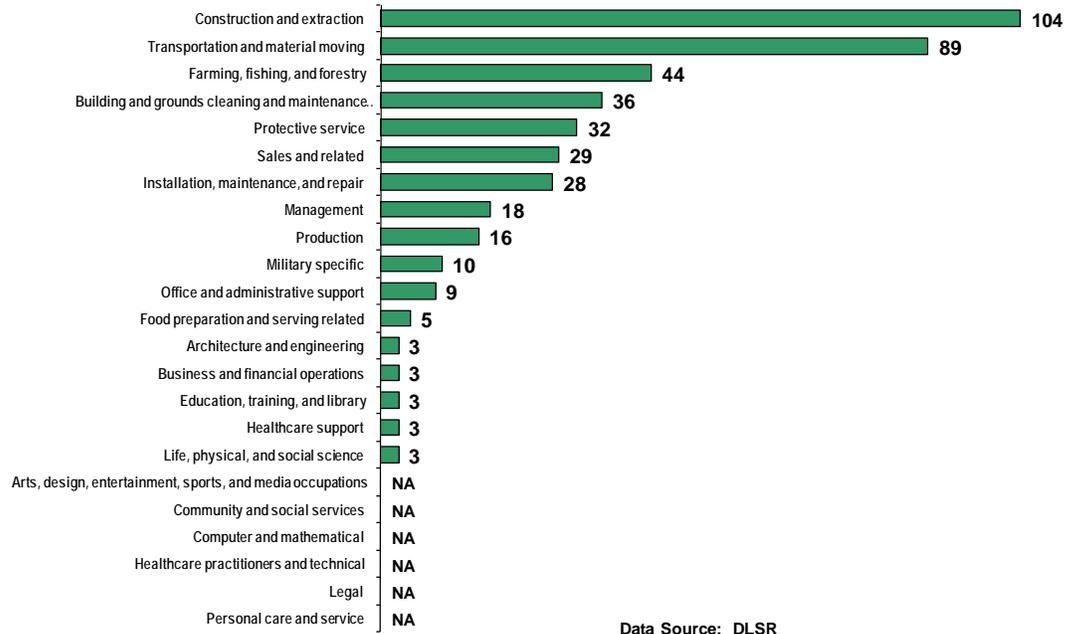
⁶Recent data on median days away from work were available only for 2005.

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The following chart compares the number of fatalities for various occupations. The transportation and material moving occupation had the greatest number of fatalities in 2005, followed by the construction and extraction occupation.

Fatal Occupational Injuries by Selected Occupations All Ownerships, 2006

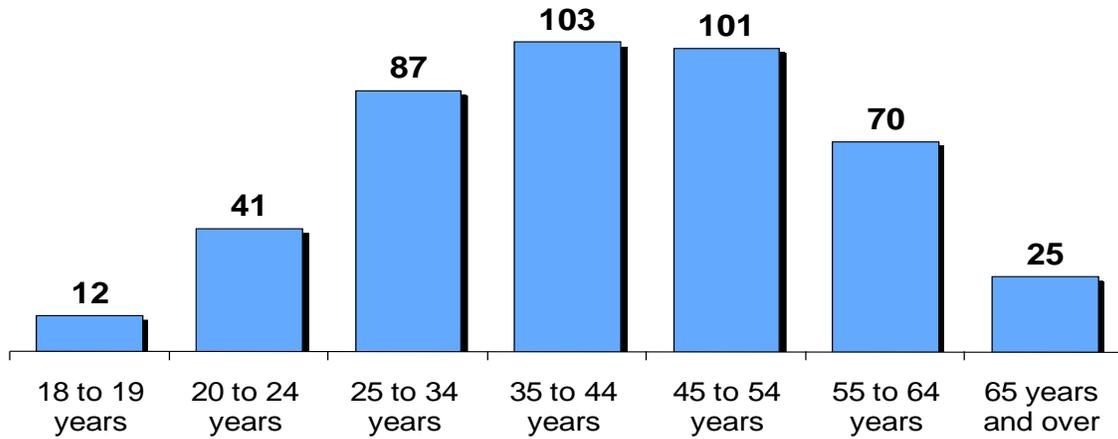


Data Source: DLSR

Characteristics of California Fatal Occupational Injuries and Illnesses

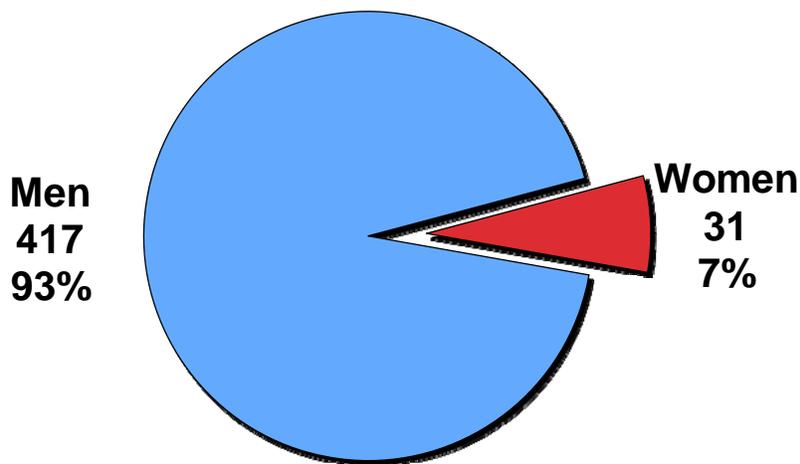
The following charts illustrate various characteristics of fatal occupational injuries and illnesses in 2006 in California's private industry and federal, state and local governments.

California Fatal Occupational Injuries and Illnesses by Age of Worker - 2006



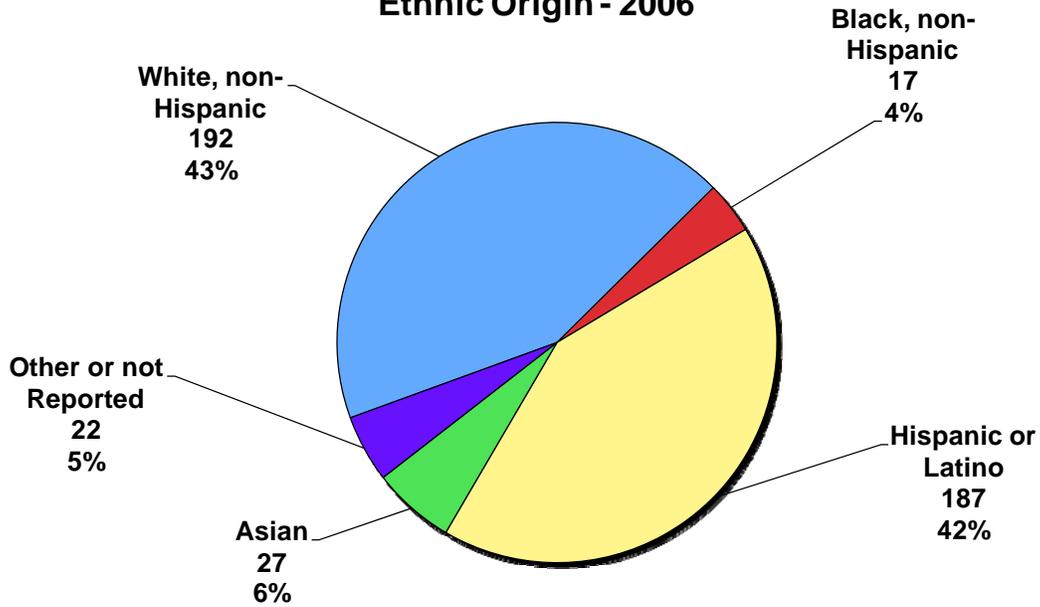
Source: BLS

California Fatal Occupational Injuries and Illnesses by Gender - 2006



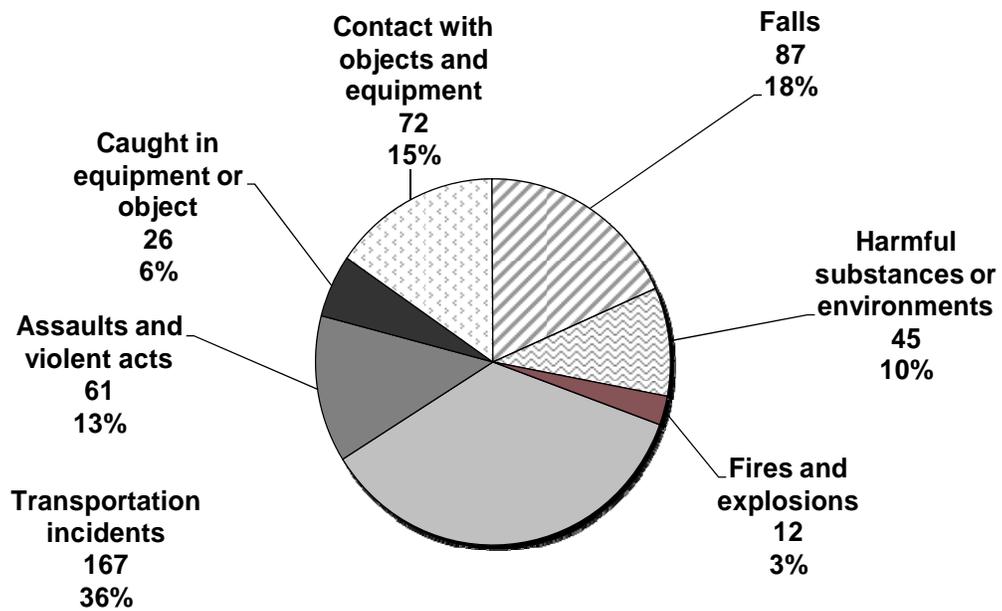
Source: BLS

California Fatal Occupational Injuries and Illnesses by Race or Ethnic Origin - 2006



Source: BLS

California Fatal Occupational Injuries and Illnesses by Event or Exposure - 2006



Source: BLS

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

Data for the following analyses, except where noted, were derived from DIR's DLSR, from the United States Department of Labor (DOL) Bureau of Labor Statistics (BLS), and from CWCI.⁷

Incidence Rates

- California's most recent work injury and illness statistics for 2006 indicate an injury and illness rate of 4.3 cases per 100 full-time employees in the private sector in 2006. This is a 54 percent decline from the 1990 peak level of 9.4 and an estimated 8.5 percent decrease from the previous year's figures.
- The trend in California mirrors a national trend. DOL figures for private employers show that from 1990 to 2006, the work injury and illness rate across the United States fell from 8.8 to 4.4 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.
- From the Western region states, Alaska, Arizona, California, Hawaii, Nevada, Oregon and Washington, California's 2006 private-industry rate of 4.3 for non-fatal occupational injuries and illnesses is the lowest.⁸ The state that had the second-lowest incidence rate was Arizona.

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 1.2 cases per 100 full-time employees from 1996 to 2006 in the private sector. This also mirrors the national trend with the number of days-away-from-work cases falling from 2.1 to 1.3 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.⁹

Industry Data

- In 2006, injury and illness incidence rates varied greatly between private industries ranging from 2.1 injuries/illnesses per 100 full-time workers in the financial activities sector to 6.0 in construction. California's private industry rates for total cases were higher than the national rates in every major industry division, except for manufacturing (6.0 and 4.7), education and health services (5.4 and 5.3), and leisure and hospitality (4.6 and 4.2).
- The private industry total case rate for non-fatal injuries decreased between 2005 and 2006 from 4.7 to 4.3, and the rate for the public sector (state and local government) decreased from 7.4 in 2005 to 7.3 in 2006.
- Of all the industries identified, the largest decline in injury and illness occurred in utility system construction, from 7.3 per 100 full-time worker injuries in 2005 to 5.1 per 100 full-time worker injuries in 2006. Injuries and illnesses in the general construction industry declined from 7.1 in 2005 to 6.0 per 100 full-time workers in 2006; in various construction

⁷ Please note that specific case and demographic data for non-fatal occupational injuries and illnesses were only available for 2005.

⁸ The comparisons of industry rates have not been adjusted for industry mix within each state.

⁹ http://www.odg-disability.com/pr_repsrc.htm

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specialties, such as highway, street and bridge construction, they dropped from 7.8 in 2005 to 5.9 in 2006.

- According to DLSR the largest decrease in injury and illness by major industry category was in utilities, from 7.3 to 5.4 per 100 full-time worker injuries in 2005 and 2006 correspondingly, followed by transportation and warehousing, from 8.5 to 7.2 per 100 full-time worker injuries in 2005 and 2006 and construction, from 7.1 to 6.0 per 100 full-time worker injuries in 2005 and 2006; in various construction specialties, such as highway, street and bridge construction, they dropped from 7.8 to 5.9 in 2006. Framing contractors also achieved a major reduction, from 14.8 worker injuries and illnesses per 100 in 2005 to 10.7 in 2006.¹⁰
- According to DLSR, the largest increase in injury and illness by industry sectors was in mining, from 2.7 to 3.6 per 100 full-time worker injuries in 2005 and 2006 correspondingly, followed by educational services with an increase from 2.4 to 2.8 per 100 full-time worker injuries in 2005 and 2006.¹¹
- Over the past decade (1996-2006), the number of fatal injuries declined by about 25 percent, from 565 to 423.¹² From 2005 to 2006, the number of fatal injuries decreased by 6.4 percent. The highest number of fatal injuries was in construction (107) followed by trade, transportation and utilities (98).
- In private industry, the top ten occupations with the most non-fatal injuries and illnesses in 2005 are: laborers and freight, stock, and material movers; truck drivers, light or delivery services; carpenters; truck drivers, heavy and tractor-trailer; retail sales persons; construction laborers; farm workers and laborers, crop, nursery, and greenhouse; stock clerks and order fillers, security guards; nursing aides, orderlies, and attendants.
- In California state government, the top ten occupations with the most non-fatal injuries and illnesses in 2005 are: correctional officers and jailers; psychiatric technicians; police and sheriff's patrol officers; office clerks, general; registered nurses; janitors and cleaners, except maids and housekeeping cleaners; psychiatric aides; food servers, non-restaurant; operating engineers and other construction equipment operators; first-line supervisors/managers of correctional officers.
- In the local government, the top ten occupations with the most non-fatal injuries and illnesses in 2005 are: police and sheriff's patrol officers; janitors and cleaners except maids and house-keeping cleaners; teacher assistants; elementary school teachers, except special education; maintenance and repair workers, general; fire fighters; probation officers and correctional treatment specialists; landscaping and grounds-keeping workers; bus drivers, transit and inter-city; office clerks, general.
- Farming, fishing, and forestry (44), building and grounds cleaning and maintenance (36), protective service (32), sales and related (29) and installation, maintenance, and repair (28) were the occupations with the most number of fatal injuries in 2006. Construction and extraction (104) and transportation and material-moving occupations (89) accounted for nearly half (43 percent) of the fatal injuries in 2006. Transportation incidents were the number one cause of fatal injuries accounting for about 37 percent of fatal injuries in 2006.
- Assaults and violent acts accounted for about 13.6 percent of fatal injuries in 2006 and are a major cause of fatalities among: sales and related occupations (21); protective-service occupations (11); transportation and material-moving occupations (6); and office and administrative support occupations (6).

¹⁰ DLSR, Table 3: Incidence rates of nonfatal occupational injuries and illnesses by industry sector, 2005, 2006.

¹¹ DLSR, Table 3: Incidence rates of nonfatal occupational injuries and illnesses by industry sector, 2005, 2006.

¹² Totals for fatal injuries exclude federal government data.

Establishment Size and Type

- The lowest rate for the total recordable non-fatal cases in 2006 was experienced by the smallest employers. Employers with 1 to 10 employees and 11 to 49 employees had incidence rates of 1.6 and 3.8 cases, respectively, per 100 full-time employees. There was an 11 percent decrease in incidence rates for employers with 1 to 10 employees from 2005 to 2006. Employers with 11 to 49 employees experienced 5 percent decrease in incidence rates compared to 2005.
- Both establishments with 250 to 999 and 1000 or more employees reported the highest rate, 5.8 cases per 100 full-time employees in 2006.

Types of Injuries

- Some types of work injuries have declined since 1996 in the private sector, while others have increased. The number of sprains and strains continued to decline from 1996; however, these injuries remain by far the most common type of work injury accounting for about 35.6 percent of days-away-from-work cases in the private sector. Cuts, lacerations, bruises, contusions, heat burns, carpal tunnel syndrome, tendonitis, chemical burns, and amputations have decreased from 1996-2005, with the biggest decrease, 54 percent, seen both in carpal tunnel syndrome and tendonitis. From 1996 to 2005, the only injury categories that experienced an increase are multiple injuries.
- In the private sector, contact with objects and equipment was the leading cause of days away-from-work injuries, cited in about 25.6 percent of days-away-from-work cases. Overexertion was the second common cause of injury, accounting for about 16.8 percent of injuries.
- In California state government, the two main causes of injury were contact with objects and equipment and overexertion, accounting for about 14.5 and 11.7 percent of days-away-from-work cases, respectively, in 2005.
- In local government, the number one cause of injury was contact with objects and equipment, accounting for 14.4 percent of days-away-from-work cases in 2005.
- The most frequently injured body part is the back, accounting for about 14 percent of the cases in state government and about 18.9 percent cases in local government. In the private sector, back injuries account for 20.7 percent of non-fatal cases.

Demographics

- Over the period from 1996 to 2005 in California, the number of days-away-from-work cases for women decreased by about 32 percent. Days-away-from-work cases for men decreased by about 30 percent.
- Between 1996 and 2005, the age groups in private industry (16 to 19, 20 to 24, 25 to 34, 35 to 44, and 45 to 54) experienced a decline. The biggest decline (57 percent) occurred among 16 to 19 year-old workers. The age group of 55 to 64 experienced a 12.5 percent increase, and the age group of 65 and over experienced a 93 percent increase in the numbers of days away from work.
- In 2006, out of 448 fatalities, approximately 93 percent were male and 7 percent were female. Age group categories 35 to 44 years, 45 to 54 years, 55 to 64, and 65 and over experienced a decrease in fatal injuries between 2005 and 2006, and age group categories 18 to 19 years, 20 to 24 years, and 25 to 34 years experienced a increase in fatal injuries. The biggest increase (50 percent) was seen in the 18 to 19 years age group from 8 to 12, while the decrease in the 65 and older age group was 22 percent from 32 to 25 from 2005 to 2006.

- The highest number of fatalities in 2006 by race or ethnic origin categories was experienced by "White, non-Hispanic" followed by "Hispanic or Latino," accounting for 43 percent and 42 percent of the fatalities, respectively. From 2005 to 2006, fatal injuries decreased in most groups. The decreases were 37 percent (from 27 to 17 cases) for the "Black, non-Hispanic" group, 1.6 percent for the "Hispanic or Latino group" (from 190 to 187), 9 percent for the "White, non-Hispanic" group (from 212 to 192), and 15.6 percent for the "Asian" category (from 32 to 27 cases). There was a 340 percent increase for "Other or not reported" group (from 5 to 22 cases).

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 recording of injuries, 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 safety and health 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.

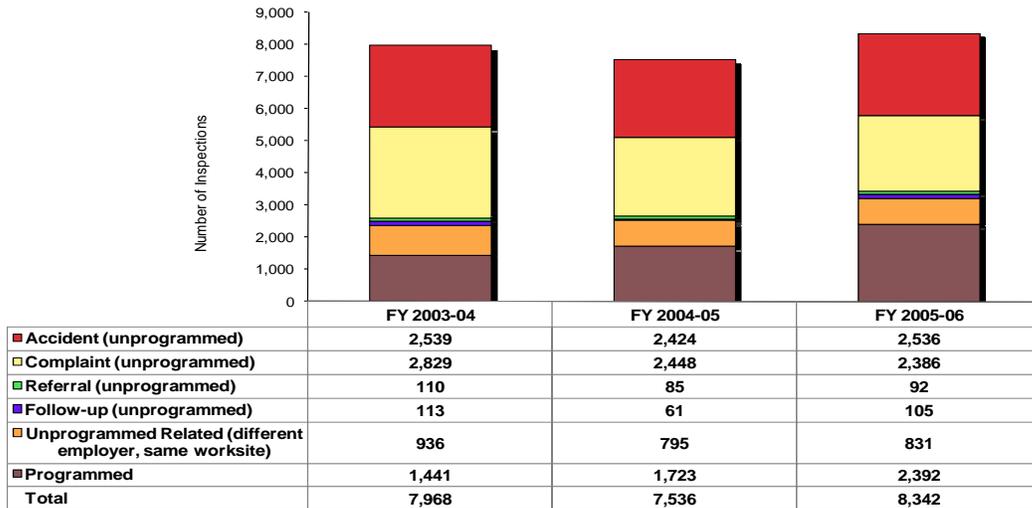
The Cal/OSHA Consultation Service provides assistance to employers and workers about workplace safety and health issues through on-site assistance, high hazard consultation and other special emphasis programs. The Consultation Service also develops educational materials on workplace safety and health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

Profile of 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 similar levels as Accidents and Complaints. Total inspections have fluctuated in the past three years from 7,968 in FY 2004 to 8,342 in FY 2006.

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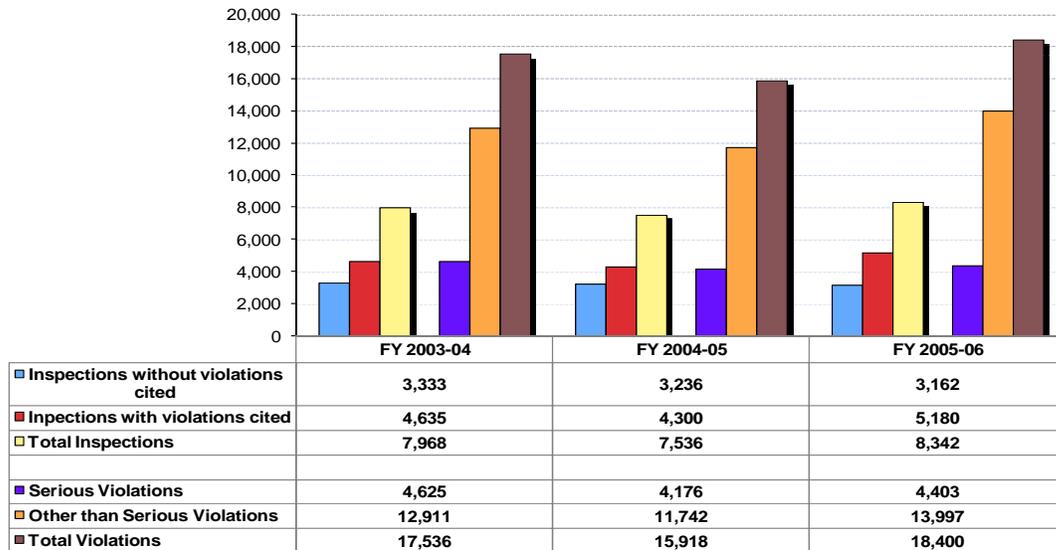
DOSH Inspections by Type FY 2003-04 to FY 2005-06



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 are found yield more than one violation. Violations are further broken down into serious and other-than-serious. In FY 2006, 62.10 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 2005-06

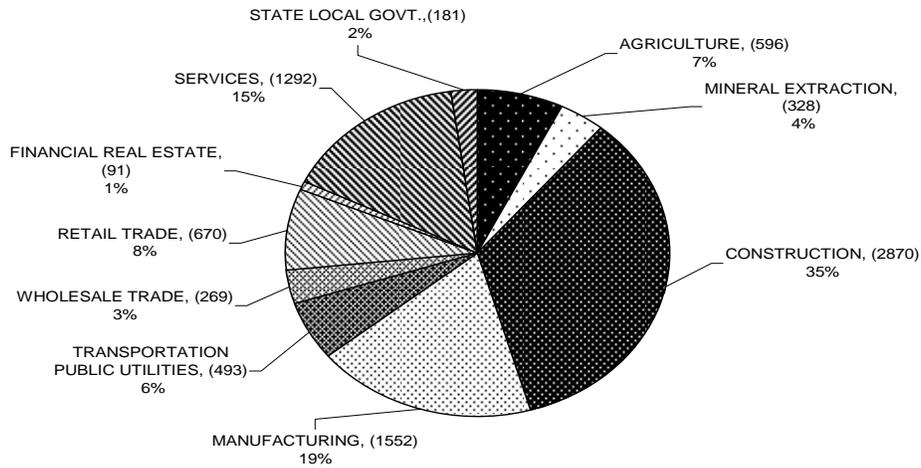


Source: DIR Division of Occupational Safety and Health

Of the 8,342 workplace safety and health inspections conducted in FY 2006, 2,870 (35 percent) were in construction and 5,472 (65 percent) were in non-construction. Below is a chart illustrating the proportion of inspections and violations in major industrial groups.

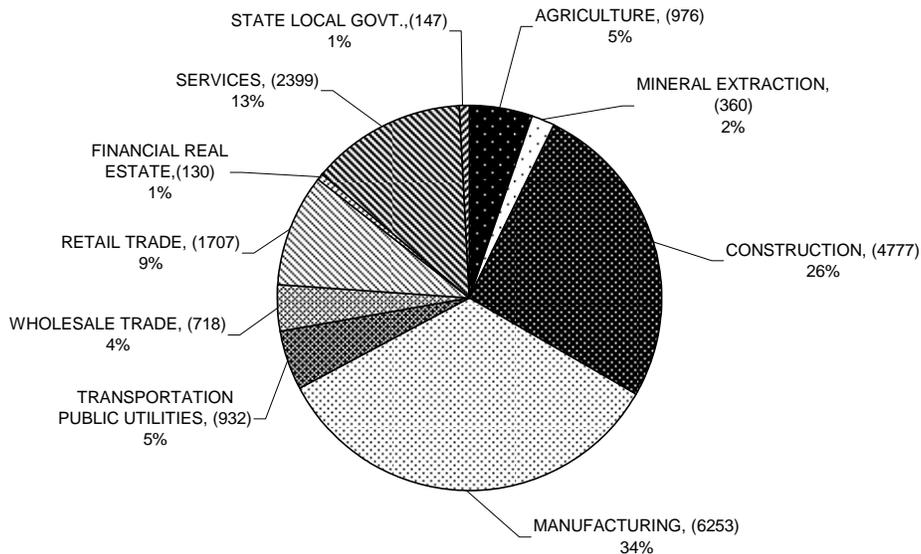
SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

Distribution of Inspections by Major Industry, State FY 2006
Total Inspections = 8,342
Source: DOSH



Despite the fact that the greatest percentage of inspections were in construction, the greatest percentage of violations were found to be in manufacturing, as is shown in the chart below. Further, of those violations that were considered serious, both construction and manufacturing industries experienced a similar rate of 30 percent serious violations (not shown in chart).

Distribution of Violations by Major Industry, State FY 2006
Total Violations = 18,400
Source: DOSH

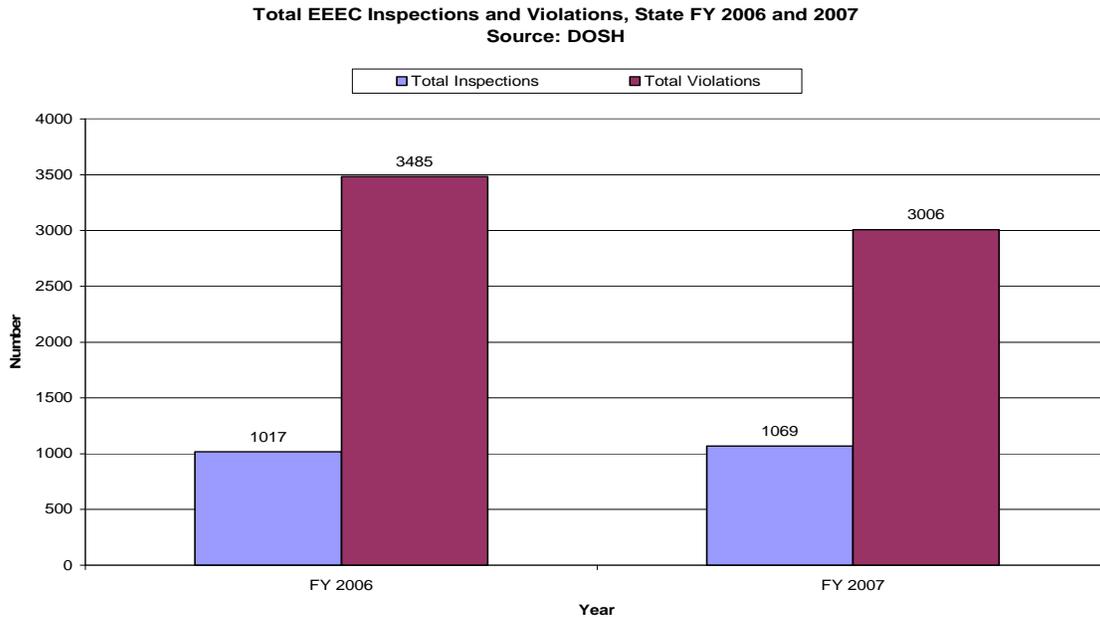


Economic and Employment Enforcement Coalition (EEEC)¹³

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" Coalition (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), Division of Occupational Safety and Health (DOSH), Employment Development Department (EDD), Contractors State License Board and U.S.DOL. The primary emphasis of the EEEC is to combine enforcement efforts. The 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."¹⁴

Given the newness of the EEEC, there are only two years of data. Total EEEC inspections rose from FY 2006 (July to June) to FY 2007, from 1017 to 1069, respectively. However, the number of violations was lower in FY 2007, 3006 versus 3485. The penalties given were \$2.31 million in FY 2006 and \$2.56 million in FY 2007, but only \$312,391 (13.5 percent) was collected in FY 2006, and \$133,020 (5.1 percent) in FY 2007. The following two charts illustrate the comparisons.¹⁵



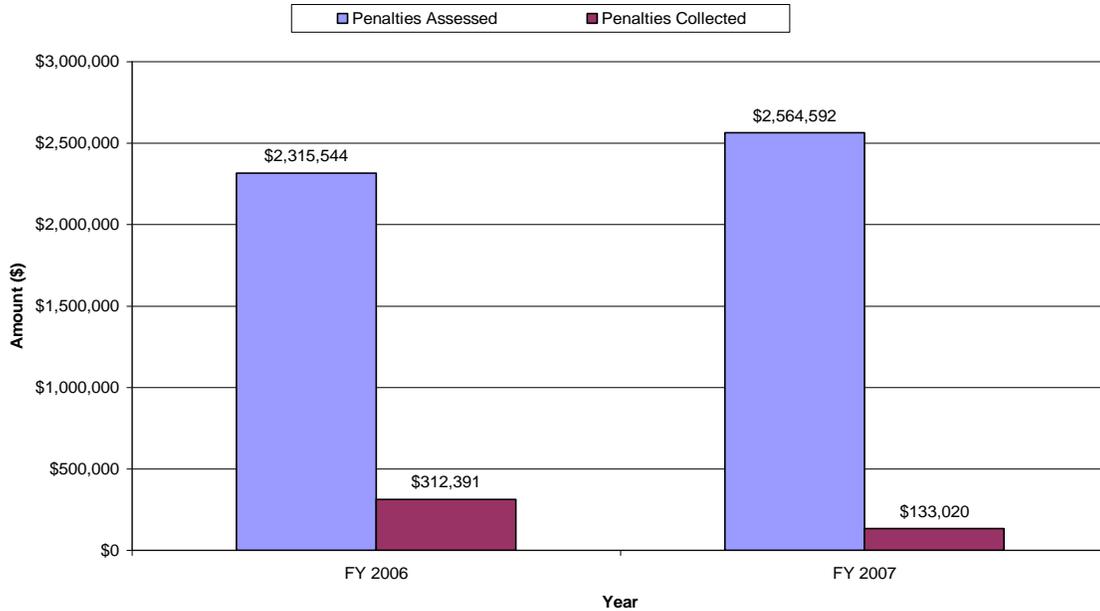
¹³ For more information about the EEEC, visit any of these agency links:
<http://www.dir.ca.gov/EEEC/EEEC.html>, or <http://www.edd.ca.gov/eddeec.htm>, or
<http://www.labor.ca.gov/eeec.htm>

¹⁴ <http://www.dir.ca.gov/EEEC/EEEC.html>

¹⁵ 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.

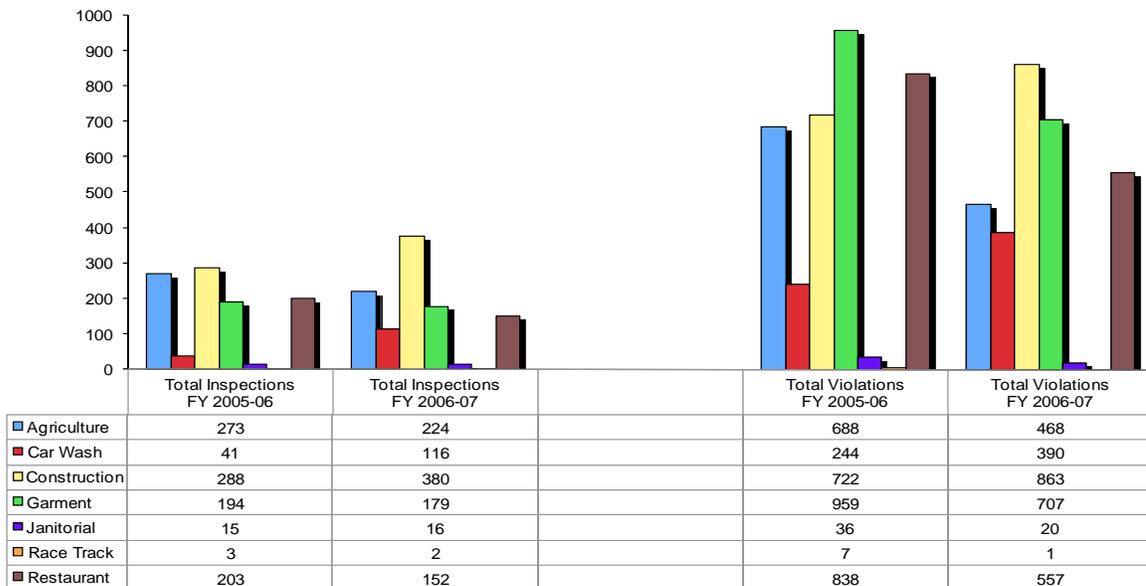
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Total EEEEC Penalties Assessed and Collected, State FY 2006 and 2007
Source: DOSH



The two charts below describe EEEEC inspections and violations by industry, along with the penalties assessed and collected. Construction, garment and restaurant industries have led in violations in the past two years. Construction and agriculture industries have led in inspections. Agriculture and construction industries have led in penalties assessed.

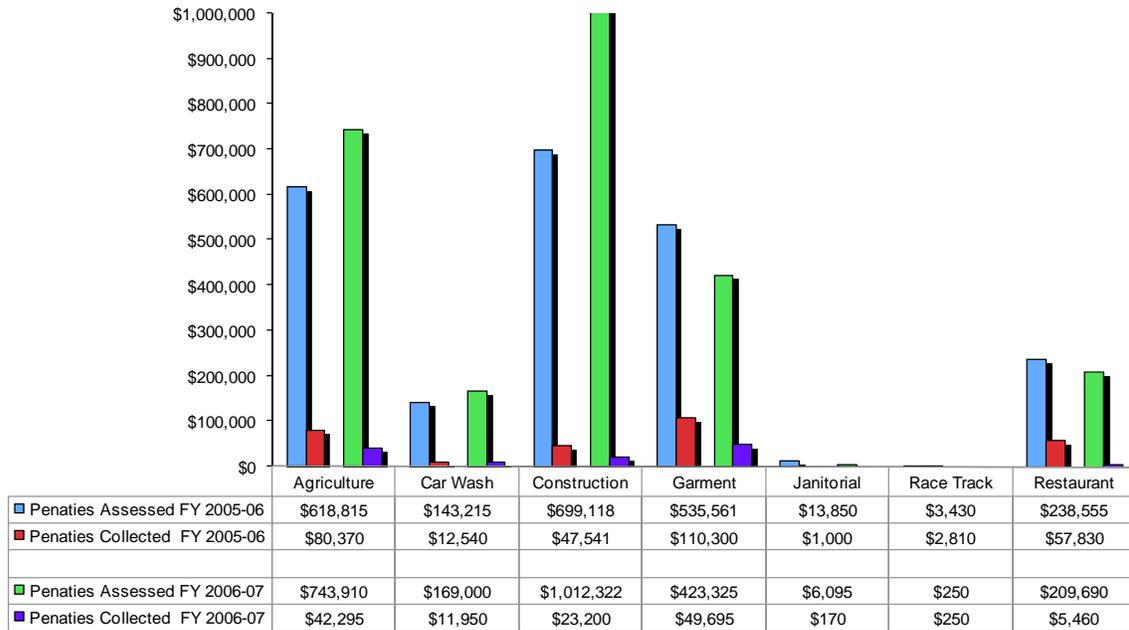
EEEC Report: Inpections and Violations FY 2005-06 and FY 2006-07



Source: DIR Division of Occupational Safety and Health

SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

EEEC Report: Penalties Assessed and Collected FY 2005-06 and FY 2006-07



Source: DIR Division of Occupational Safety and Health

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.

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.

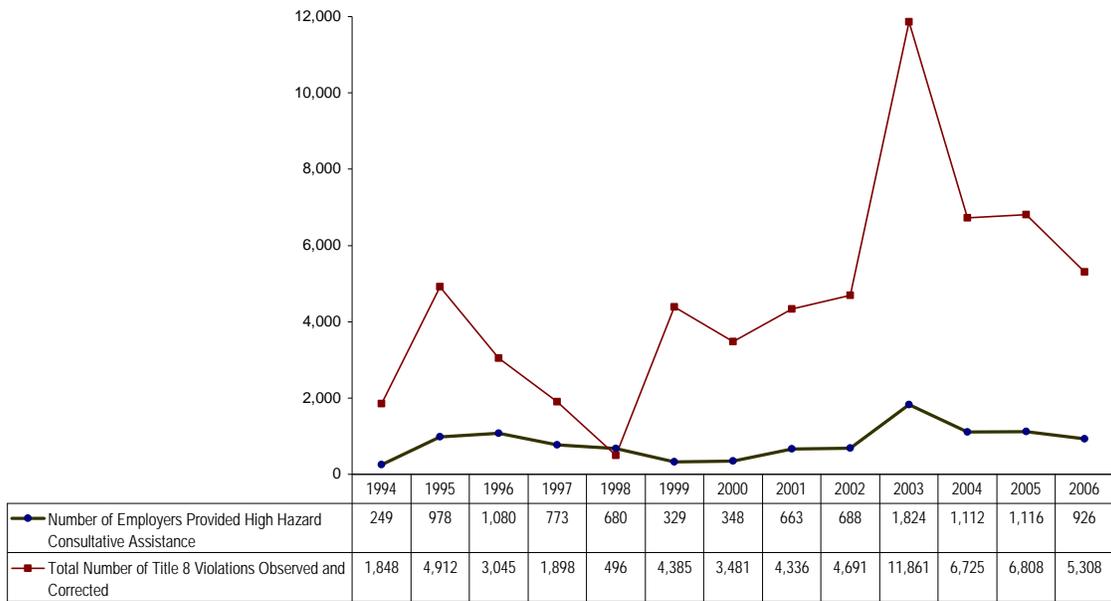
High Hazard Consultation Program

DOSH reports that in 2006, it provided on-site high hazard consultative assistance to 926 employers, as compared to 1,116 employers in 2005. During consultation with these employers, 5,308 Title 8 violations were observed and corrected as a result of the provision of consultative assistance.

Since 1994, 10,766 employers have been provided direct on-site consultative assistance, and 59,794 Title 8 violations have been observed and corrected. Of these violations, 40.0 percent were classified as "serious."

The following chart indicates the yearly number of consultations and violations observed and corrected during the years 1994-2006. 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 rates (Ex-Mods) 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 Experience Modification (Ex-mods) rates to measure efficacy.

SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

High Hazard Enforcement Program

DOSH reports that in 2006, 448 employers underwent a targeted high hazard enforcement inspection, down from 505 employers in 2005. During these inspections in 2006, 2,633 violations were observed and cited, whereas in 2005, 2,223 violations were observed and cited.

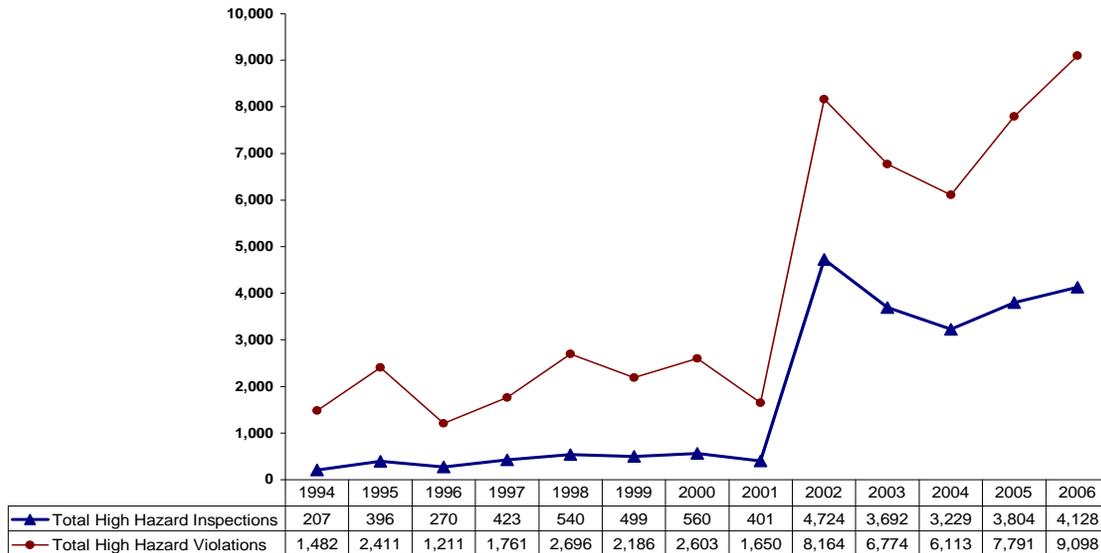
In addition, in 2006, 593 employers underwent an inspection as part of the Agricultural Safety and Health Inspection Project (ASHIP). Of these, four inspections were also targeted. During these inspections, 1223 violations were observed and cited.

In addition, in 2006, 3134 employers underwent an inspection as part of the Construction Safety and Health Inspection Project (CSHIP). Of these, 43 inspections were also targeted. During these inspections, 5,242 violations were observed and cited.

Since 1994, 23,383 employers have undergone a high hazard enforcement inspection, and 54,584 Title 8 violations have been observed and cited. Of these violations, 35.5 percent were classified as "serious."

The chart below indicates the yearly number of targeted inspections and violations observed and cited during the years 1994-2006. 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 High Hazard Consultation and Enforcement. Efficacy 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 LWDI rate was transitioned and replaced with the 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

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.

Administrative Operations

- DWC Opening Documents

- DWC Hearings

- DWC Decisions

- DWC Lien Decisions

- DWC Audits

Disability Evaluation Unit Data

Medical Provider Networks and Healthcare Organizations

Fraud Statistics

Carve-outs – Alternative Workers' Compensation Systems

SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

Administrative Operations

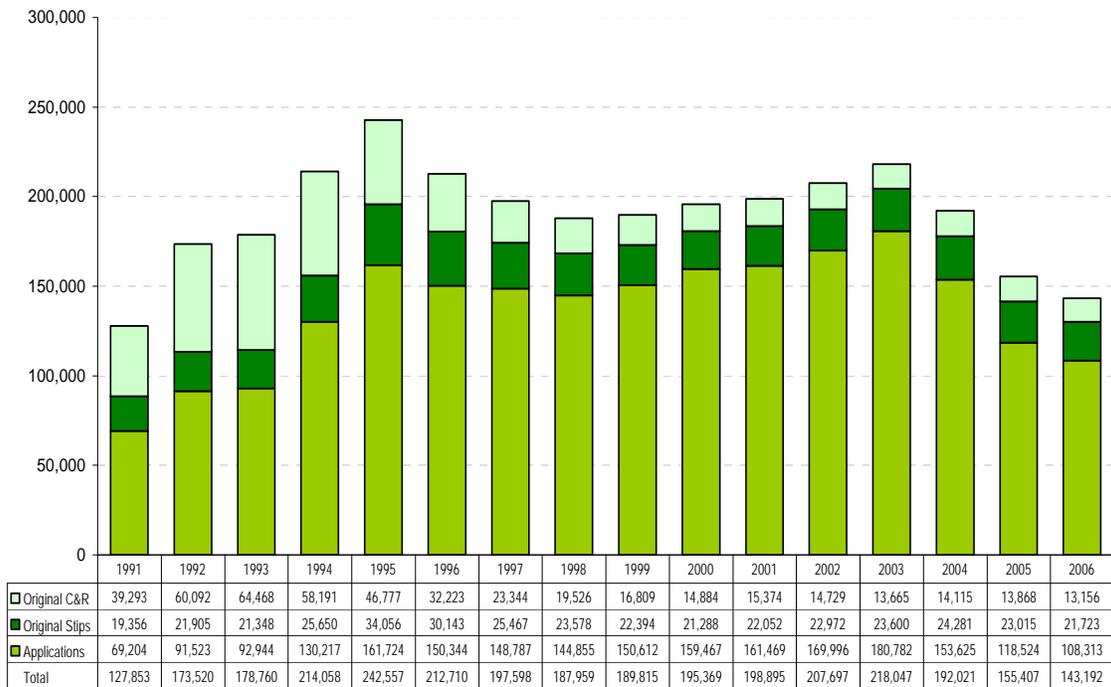
Division of Workers' Compensation Opening Documents

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 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 2006.

The period from 1991 to 1992 shows growth in all categories of case-opening documents, followed by a year of leveling off between 1992 and 1993. The period from 1993 to 1995 is one of substantial increases in Applications, slight increases in Stips, and significant decreases in C&Rs. Through 2003, C&Rs continued to decline, while Applications increased. Between 2003 and 2006, Applications declined substantially, and C&Rs decreased slightly. 2006 was the lowest year since 1992 for all three documents combined, with C&Rs nearing a historic low for the period defined.

DWC Opening Documents

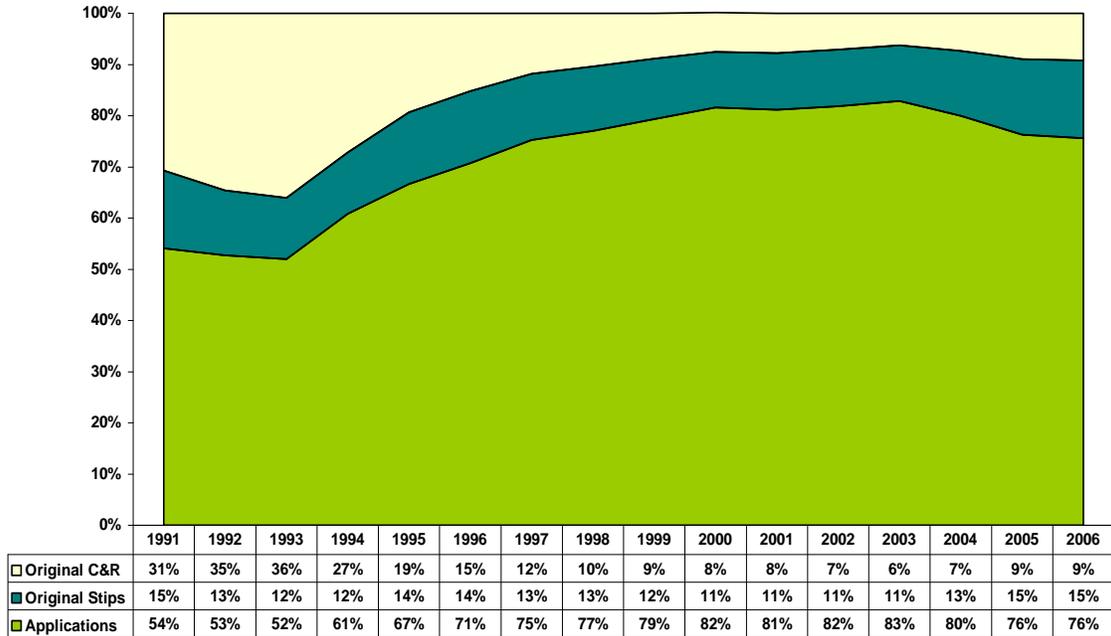


Data Source: DWC

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 from about 80 percent of the total in 1990 to less than 60 percent in 1991, reflecting increases in both original Stips and C&Rs. The proportion of Applications was steady from 1991 to 1993, rising again through 2003, and declining slightly from 2003 to 2006. The proportion of original (case-opening) Stips and original C&Rs declined slightly from 1999 to 2003 and then increased from 2003 to 2006.

Percentage by Type of Opening Documents



Data Source: DWC

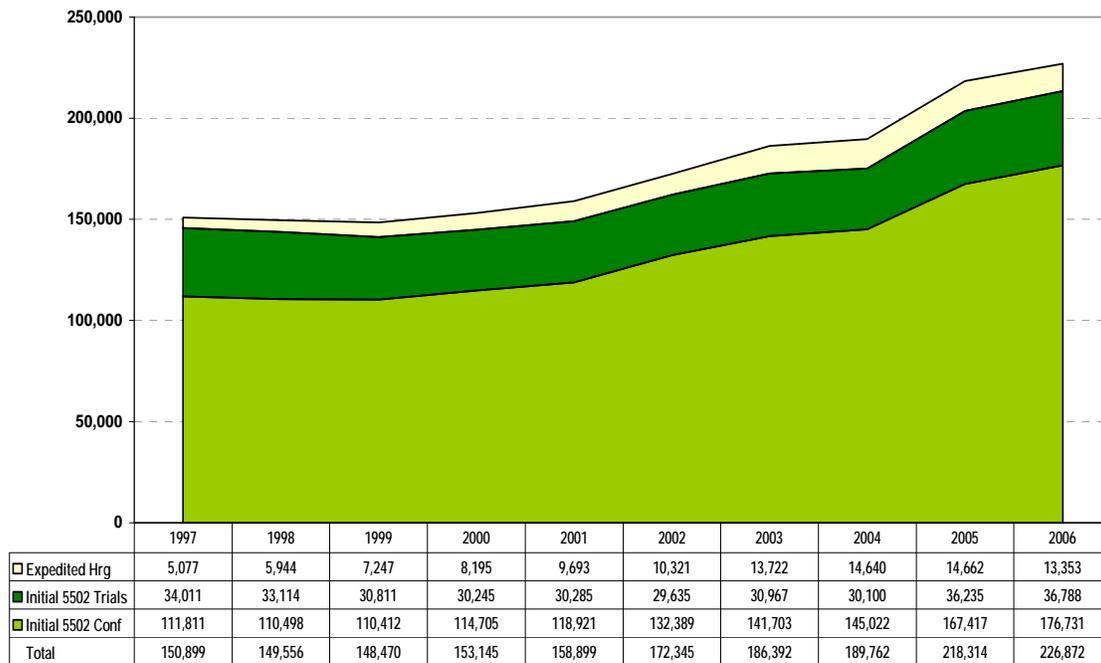
Division of Workers' Compensation Hearings

Numbers of Hearings

The graph below indicates the numbers of different types of hearings held in DWC from 1997 through 2006. While the total number of hearings held increased by 50 percent from 1997 to 2006, the number of expedited hearings grew by about 163 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

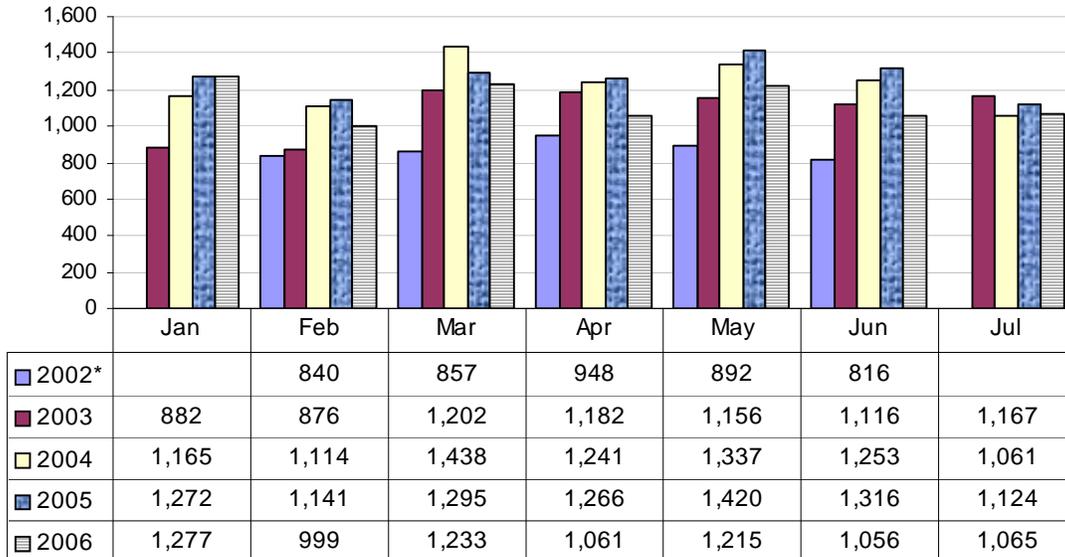


Data Source: DWC

DWC Expedited Hearings

The chart below compares the number of expedited hearings from January through July of 2002, 2003, 2004, 2005, and 2006. Except for July and March, the number of hearings during each month increased between 2002 and 2004. However between 2005 and 2006, the number of expedited hearings decreased in all the months with the exception of January.

DWC Expedited Hearings Held
(Comparing January through July 2003-2006)



*Please note that data was not available for Jan and Jul 2002.

Data Source: DWC

Timeliness of Hearings

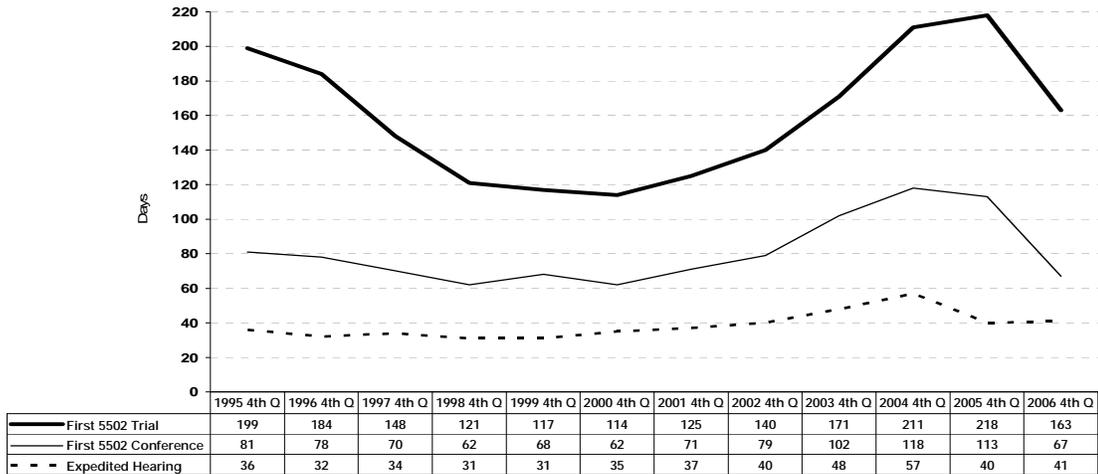
California Labor Code Section 5502 specifies the time limits for various types of hearings conducted by DWC on WCAB cases. In general:

- 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 2006, the average elapsed time from the request to a trial decreased by 25 percent. The average elapsed time for conferences decreased by 41 percent, while the average time for expedited hearings increased slightly by 2.5 percent.

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Elapsed Time in Days from Request to DWC Hearing



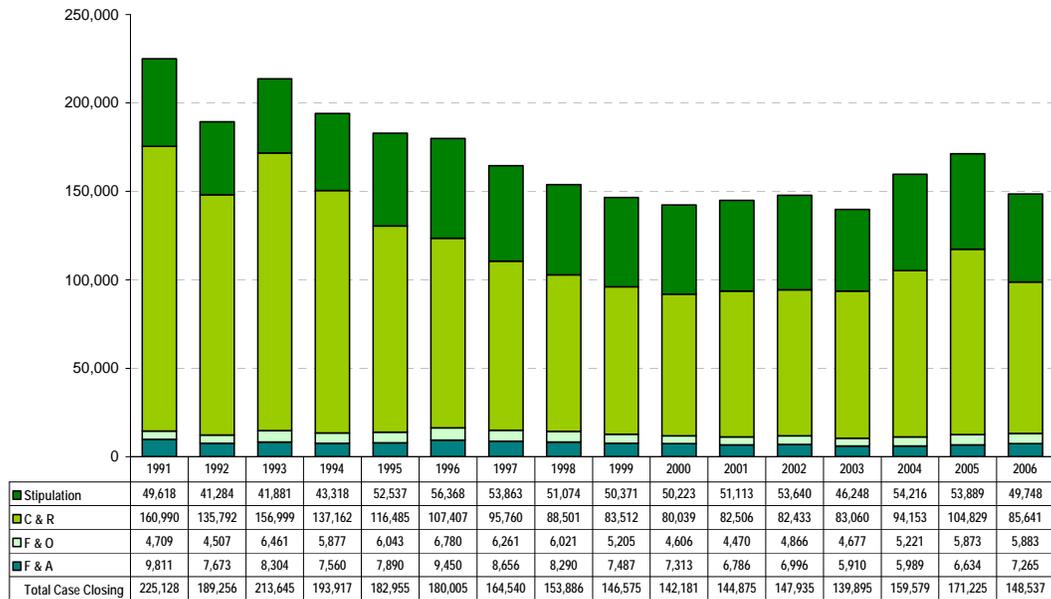
Source: DWC

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 2006, the total for case-closing decisions decreased by 13 percent compared to 2005.

DWC Case-Closing Decisions



Data Source: DWC

SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

The preceding chart shows that:

- The numbers of Findings and Awards (F&As) have shown an overall decline of 26.0 percent from 1991 to 2006.
- Findings and Orders (F&Os) increased during the first part of the decade, declined to the original level in 2002, decreased slightly from 2002 to 2003, and increased again between 2003 and 2006.
- Stips were issued consistently throughout the decade. The numbers of Stips issued rose from 1990 to 1991, declined from 1991 to 1992, 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 2006.
- The use of C&Rs decreased by half during the 1990s and into the millennium. C&Rs declined steadily from 1993 through 2000, increased in 2001, remained stable in 2002 and 2003, and increased by 26.2 percent between 2003 and 2005, and decreased by 18.3 percent between 2005 and 2006.

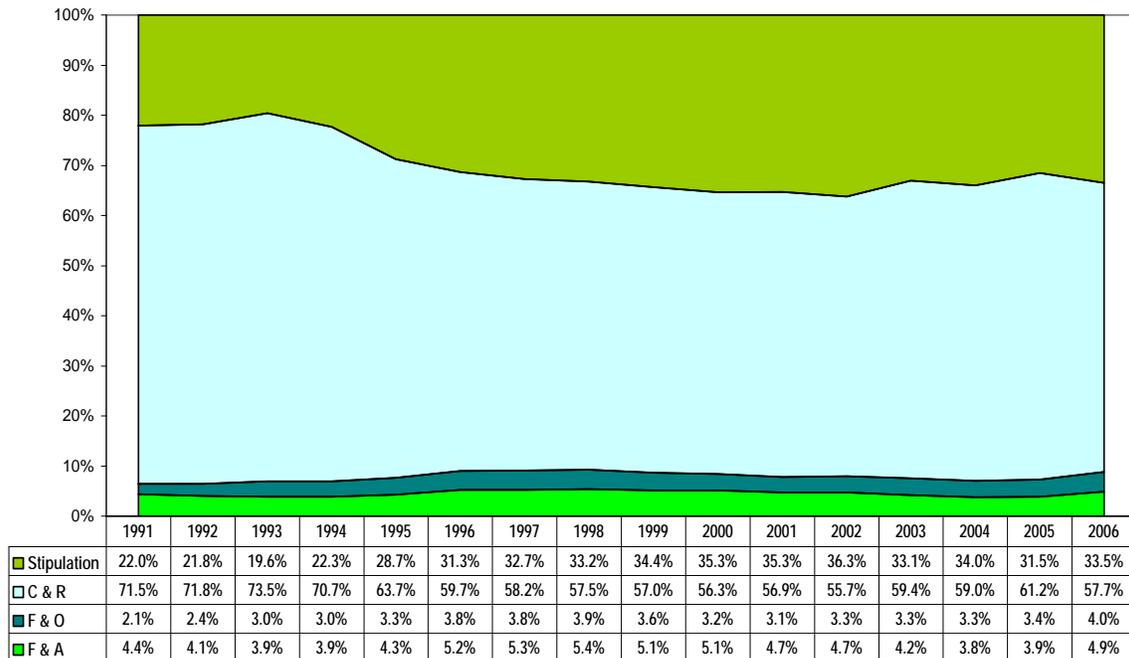
Mix of DWC Decisions

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

SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

Division of Workers' Compensation Lien Decisions

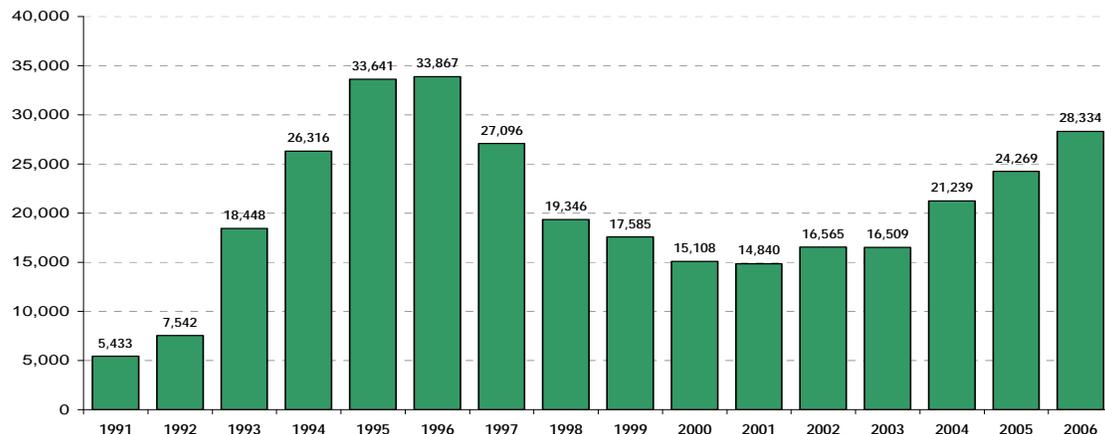
DWC has been dealing with a large backlog of liens filed on WCAB cases. Many of the liens have been for medical treatment and medical-legal reports. However, liens are also filed to obtain reimbursement for other expenses:

- 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 the 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 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 findings and order 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

Following are various charts and graphs depicting workload data from 2000 through 2006. 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.

SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

Overview of Audit Methodology

Selection of Audit Subjects

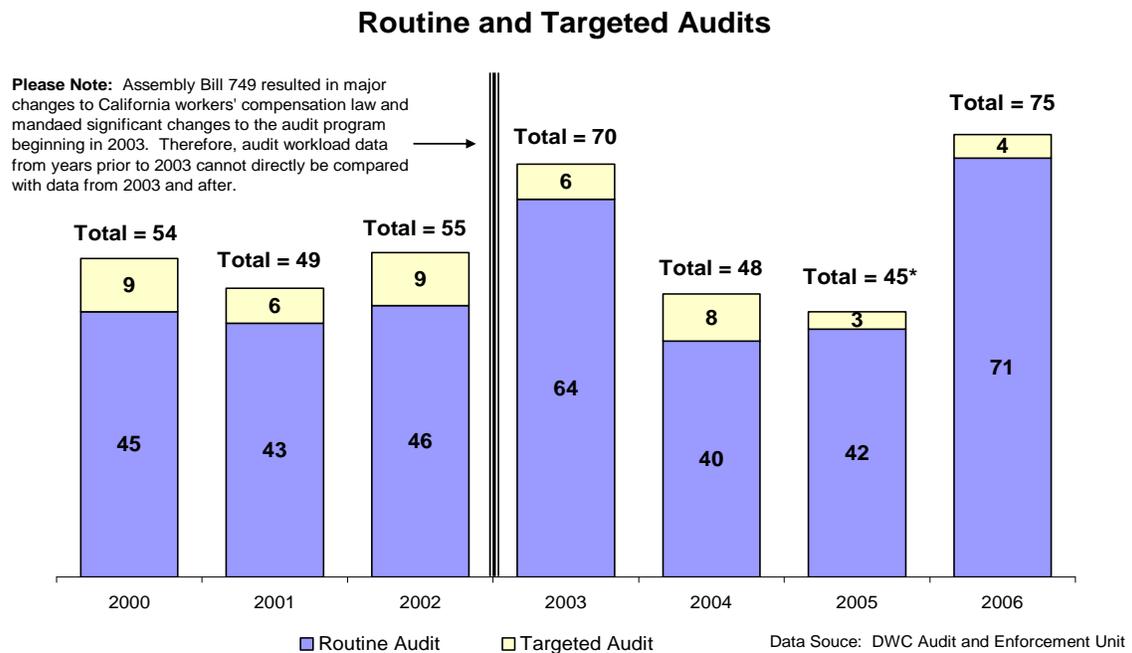
Audit subjects, including insurers, self-insured employers, and third-party administrators, are selected randomly for routine audits.

The bases for selecting audit subjects for targeted audits are specified in 8 California Code of Regulations 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 the Workers' Compensation Information System (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.

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.

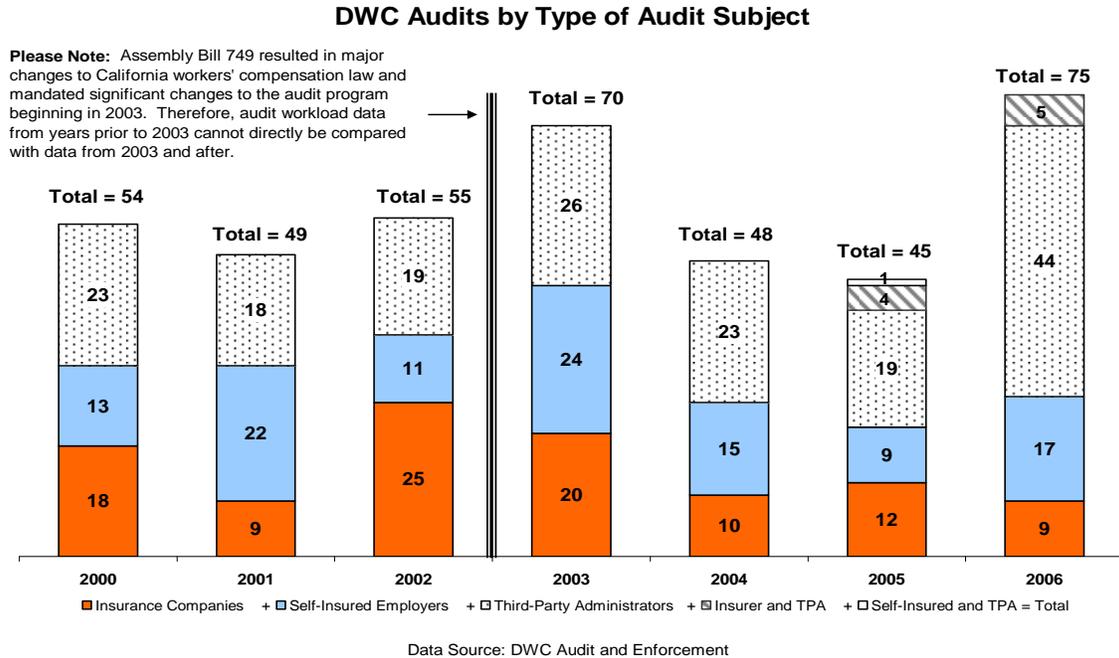


* Note: An additional target audit was conducted based on a return agreement in a previous stipulation of civil penalty in year 2000

SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

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.



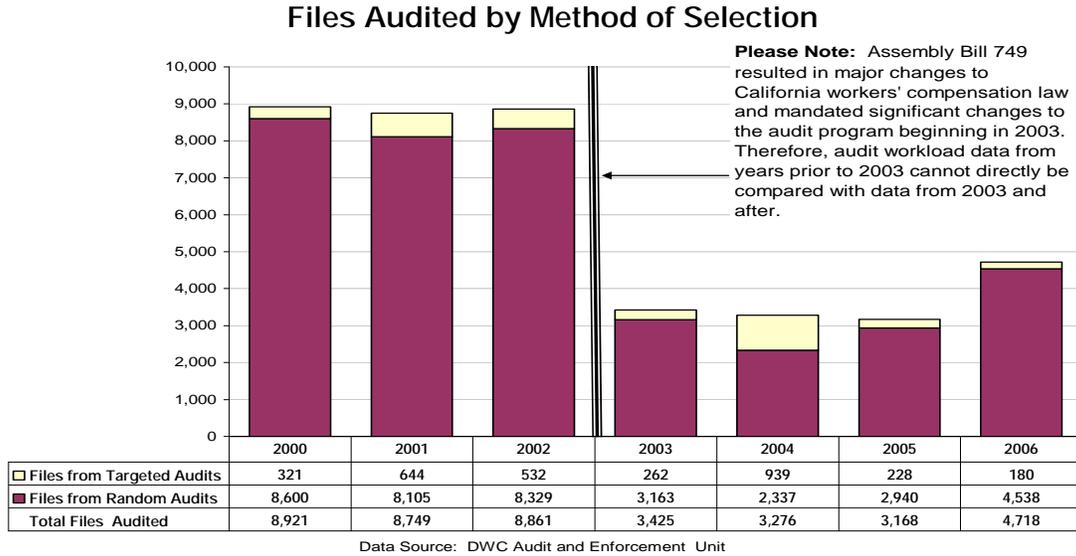
Selection of Files to be Audited

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.

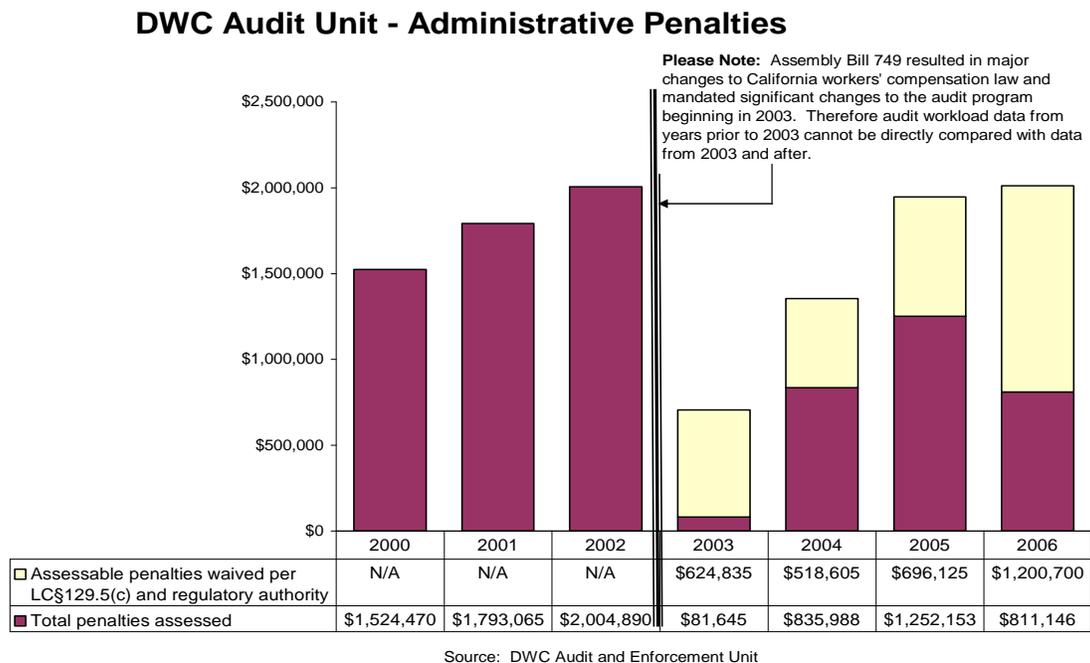
SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

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



Audit Findings

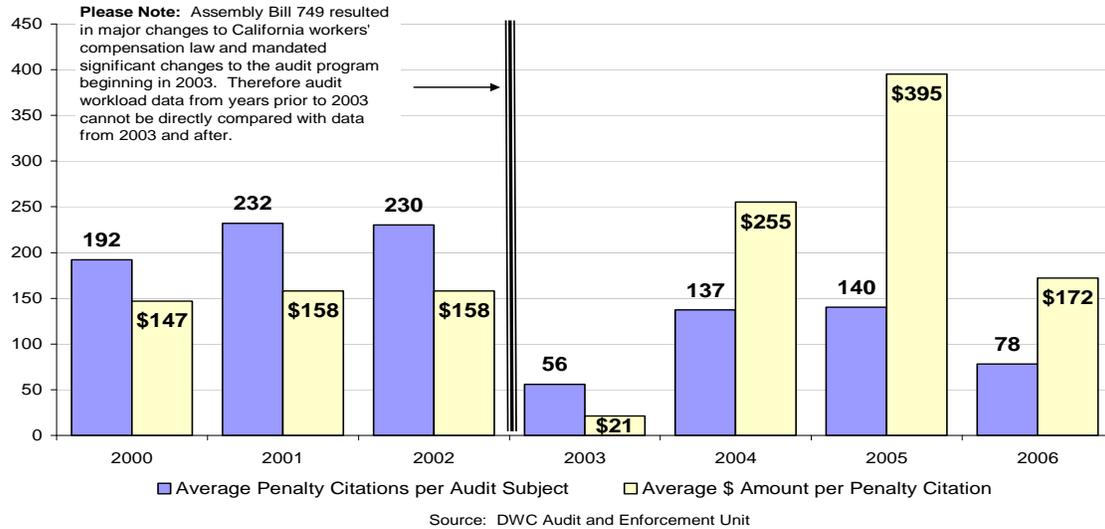
As shown in the following chart, the administrative penalties assessed have changed significantly since the reform legislation changes to the Audit and Enforcement Program beginning in 2003.



SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

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 Employees

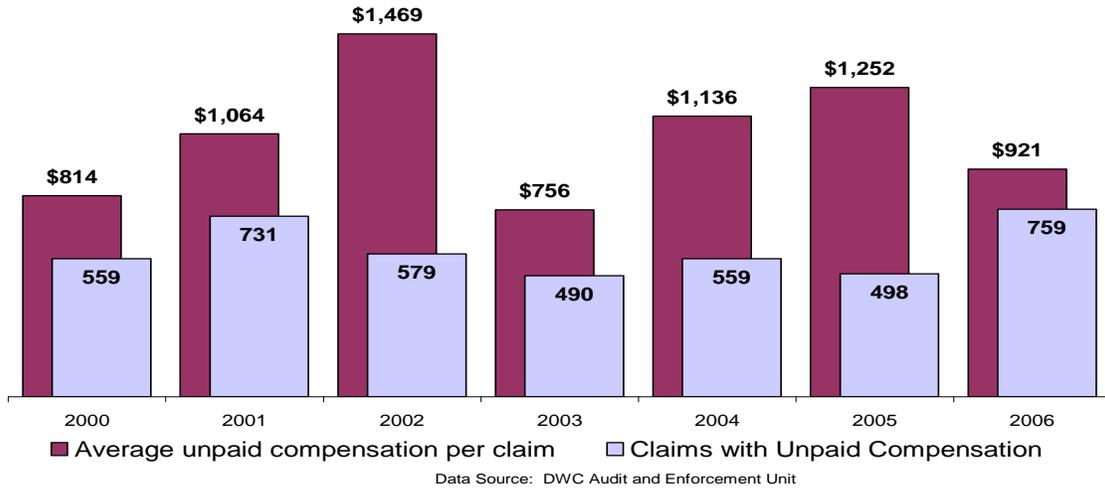
Audits identify claim files in which injured workers were owed unpaid compensation.

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 the Workers' Compensation Administration Revolving Fund (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.

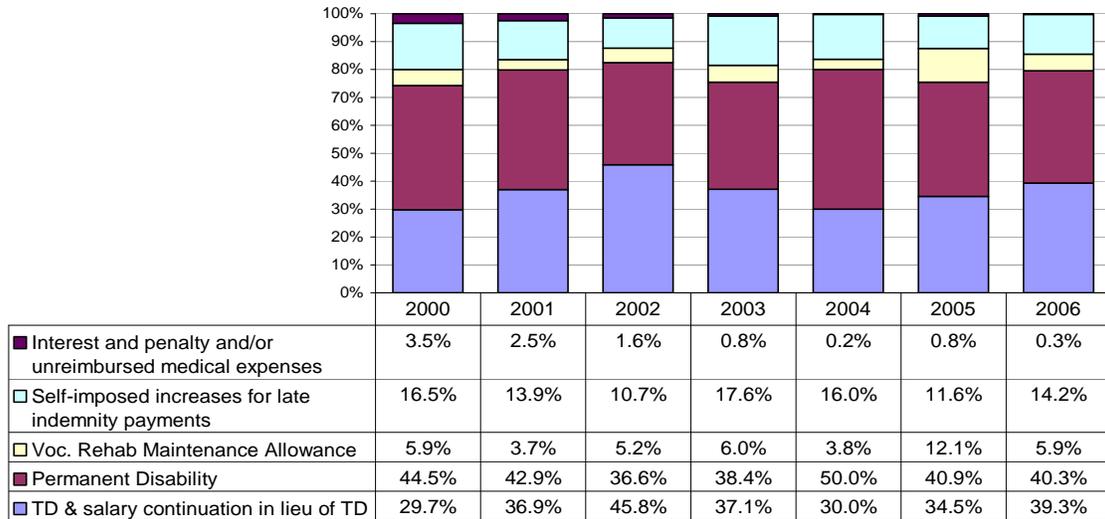
SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

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



This chart 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**



For further information...

- DWC Annual Audit Reports may be accessed at <http://www.dir.ca.gov/dwc/audit.htm>.
- CHSWC Report on the Division of Workers' Compensation Audit Function (1998) - available at www.dir.ca.gov/chswc

Disability Evaluation Unit

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

The DEU prepares three types of ratings:

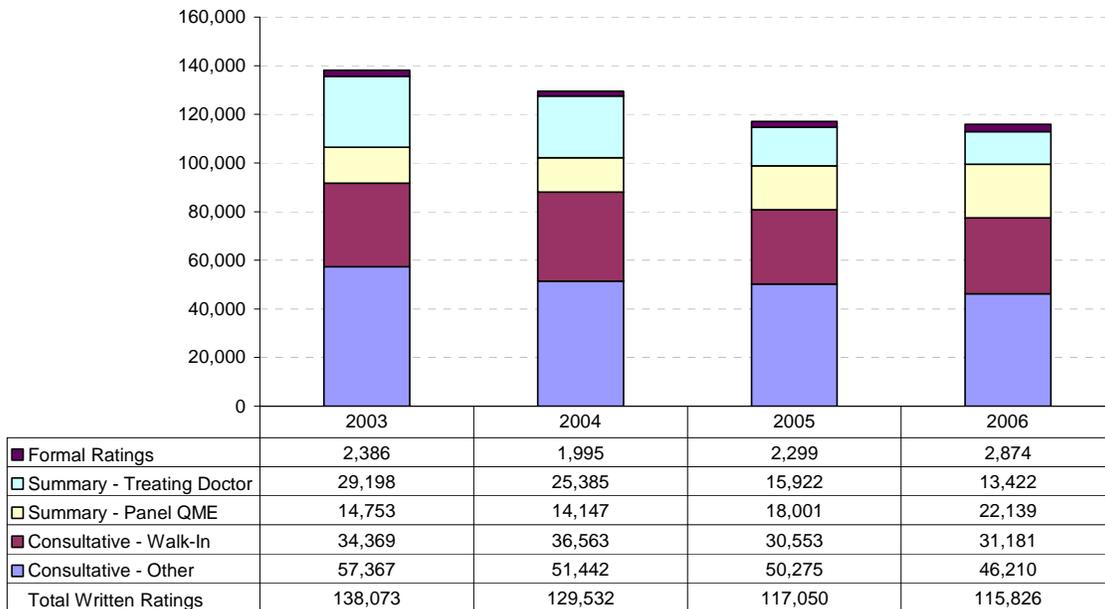
- (1) Formal, done at the request of a workers' compensation judge;
- (2) Consultative, done at the request of an attorney or DWC information and assistance officer; and
- (3) Summary, done at the request of a claims administrator or injured worker.

Summary ratings are done only on non-litigated cases, whereas 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.

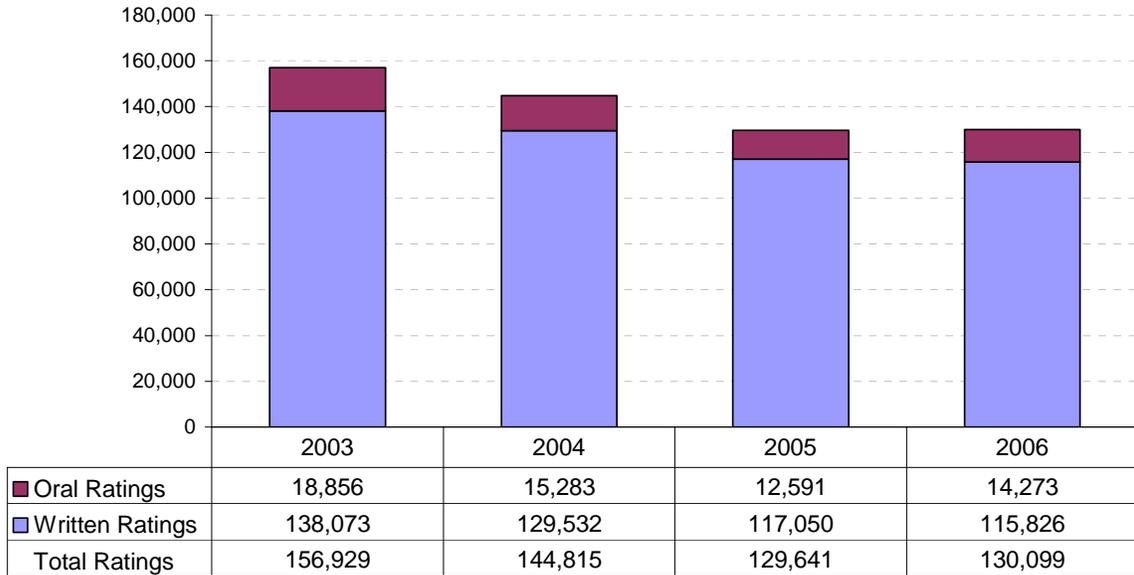
The following charts depict DEU's workload during 2003 and 2006. The first chart shows the written ratings produced each year by type. The second chart illustrates the total number of written and oral ratings each year.

DEU Written Ratings 2003-2006



Data Source: DWC Disability Evaluation Unit

DEU Oral and Written Ratings by Type 2003 - 2006



Source: DWC Disability Evaluation Unit

Medical Provider Networks and Health Care Organizations

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%,¹⁶ 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, State, group of self-insured employers, Self-Insurer Security Fund, or the 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 §4600, employers who 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 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 which doctor the injured worker goes to on the first visit; however, after the first visit, the injured worker can go to a doctor in the MPN of his/her choosing.

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 §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 check list, to see if the application followed the statutory and regulatory requirements set forth in the 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 application. Applicants with deficient applications are sent a disapproval letter listing deficiencies that need to be corrected.

¹⁶ Based on WCIRB annual report, *California Workers' Compensation Losses and Expenses* prepared pursuant to §11759.1 of the California Insurance Code.

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

Table 1 provides a summary of MPN program activities since the inception of the MPN program in November 1, 2004, to April 15, 2007. During this time frame, the MPN program has received 1,288 MPN applications. Of these, 18 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 April 15, 2007, 1,166 applications were approved. Of these, 987 were approved under the emergency regulations and the remaining 179 under the permanent regulations. Thirteen (13) 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. Sixty-six (66) applications were withdrawn by applicants for different reasons. Twenty-nine (29) were withdrawn after approval and 37 were withdrawn before approval. The reasons for the withdrawals were either that the applicant decided not to pursue their MPN or there was a duplicate submission of the same application.

Table 1: MPN Program Activities from November 1, 2004 to April 15, 2007

MPN Applications	Number
Received	1,288
Approved	1,166
Material Modifications	272
Revoked	13
Withdrawn	66
Ineligible	18

Since November 2004, 20 percent (252) of applications were found incomplete at initial submissions. For the same time period, 45 percent of applications had deficiencies and had to be resubmitted at least once before the application was approved.

Table 2 shows the time of receipt of MPN applications by month and year. The bulk of applications, 58 percent (749), were received in 2005. Only 10 percent (131) were received in 2006. Similarly 85.2 percent (994) were approved in 2005, while only 11.7 percent (137) were approved in 2006 (see Table 3 and Figure 2).

SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

Table 1: List of Self Insured MPN Applicants with Covered Employees of 5,000 or more

MPN Log Number	Name of Applicant	Name of MPN	Number of Covered employees
0544	Thomson, Inc.	First Health CompAmerica Select HCO Network (or "First Health Select")	5,056
0903	San Jose Unified School District	First Health CompAmerica Primary HCO	5,141
0784	San Mateo County	San Mateo County MPN	5,200
0949	Oakland Unified School District	Oakland Unified School District MPN	5,217
0890	Orange Unified School District	Well Comp Medical Provider Network	5,449
0548	Dole Food Company, Inc.	First Health CompAmerica Select HCO Network (or "First Health Select")	5,477
0793	New United Motor Manufacturers, Inc.	NUMMI MPN	5,536
1069	Los Angeles County Office of Education	Los Angeles County Office of Education - Comp Care MPN	5,857
0513	The Salvation Army	Red Shield	6,000
0605	Raley's	CorVel HCO/CorVel HCO Select	6,000
1123	The 99 Cents Only Stores	The 99 Cents Only Stores MPN	6,102
1170	Providence Health System	Intracorp/Providence Medical Provider Network	6,500
1132	Santa Ana Unified School District	WellComp Medical Provider Network	6,677
0059	Frito-Lay, Inc.	Sedgwick CMS Medical Provider Network	6,710
0141	BCI Coca-Cola Bottling Company of Los Angeles (Coca-Cola Enterprises, Inc.)	Sedgwick CMS Medical Provider Network	6,800
0891	Whittier Area Schools Insurance Authority	WellComp Medical Provider Network	6,850
0959	BLP Schools' Self-Insurance Authority	WellComp Medical Provider Network	7,132
1211	The County of Fresno	The County of Fresno MPN	7,500
0052	Save Mart Supermarkets, Inc.	The Status MPN-Save Mart	8,000
0058	Los Angeles Dept. of Water & Power	CorVel HCO / CorVel HCO Select	8,400

SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

MPN Log Number	Name of Applicant	Name of MPN	Number of Covered employees
1087	Kaiser Foundation Health Plan, Inc. A California Corporation	Kaiser Permanente MPN	8,448
1032	Alameda County	First Health CompAmerica Primary Network	8,494
0108	Memorial Health Services	TRISTAR CompAmerica Primary HCO	8,947
0875	San Francisco Unified School District	First Health CompAmerica Primary HCO	9,500
0050	United Airlines	CorVel HCO/CorVel HCO Select	9,944
1114	Warner Bros. Entertainment, Inc.	Warner Bros. MPN	10,500
0822	County of Kern	County of Kern Medical Provider Network	10,800
0898	Santa Barbara County Schools - SIPE	PacMed, Inc. HCO	11,000
1100	Lowe's HIW, Inc.	Lowe's	11,500
1237	AT&T	Sedgwick CMS Extended Medical Provider Network	11,500
0409	Barrett Business Services, Inc.	CorVel HCO/CorVel HCO Select	12,000
0310	COP/CPB of the Church of Jesus Christ of the Latter-day Saints	Deseret MPN	12,143
1089	Intel Corporation	Broadspire-Concentra Standard MPN	13,223
0591	Securitas Security Services USA, Inc.	Broadspire-Concentra Standard MPN	13,500
0951	Alliance of Schools for Cooperative Insurance Programs	WellComp Medical Provider Network	13,764
0815	The Walt Disney Company	The Liberty Mutual Group MPN	13,924
0688	County of San Bernardino	CorVel MPN	14,000
0020	Southern California Edison	SCE Select	15,077
0219	Hewlett Packard Company	Sedgwick CMS Extended Medical Provider Network	15,388
0169	American Building Maintenance (ABM)	ABM Network	15,712
0025	The County of Riverside	First Health Comp America Select	16,600
1203	Nordstrom Inc.	Nordstrom Medical Provider Network	17,000
0187	Countrywide Financial Corporation	Countrywide Network	18,000

SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

MPN Log Number	Name of Applicant	Name of MPN	Number of Covered employees
0849	Ventura County Schools Self-Funding Authority	WellComp Medical Provider Network	19,566
0034	Sun Microsystems, Inc. (Sun)	First Health Network	20,000
0963	San Diego Unified School District	TRISTAR - CompAmerica Primary HCO	20,000
1258	City and County of San Francisco	City and County of San Francisco Medical Provider Network	20,000
0304	Manpower Inc.	Cambridge Manpower MPN	20,320
0545	Tenet Healthcare Corporation	First Health CompAmerica Primary HCO Network (or "First Health Primary")	20,439
1086	Marriott International, Inc.	Marriott's Medical Provider Network	20,511
0339	Pacific Gas and Electric Company	PG&E Medical Provider Network	21,000
0375	County of Orange	Intracorp	21,400
1273	County of Orange	Cambridge Orange County MPN	21,500
1275	Mainstay Business Solutions	WellComp Medical Provider Network	22,500
0977	Southern California Permanente Medical Group	Kaiser Permanente MPN	26,353
0328	Kmart Corporation	Sedgwick CMS Extended Medical Provider Network	26,460
1084	Kaiser Foundation Hospitals, a California Corporation	Kaiser Permanente MPN	29,880
0382	Costco Wholesale	Costco MPN	31,000
0755	Pacific Bell Telephone Co.	Liberty Mutual Group MPN	34,131
0482	Pacific Bell Telephone Company	Sedgwick CMS Extended Medical Provider Network	34,131
0167	Kelly Services, Inc	Kelly Services Medical Provider Network	58,500
0335	Safeway, Inc.	Safeway Select MPN	60,000
0055	Federated Dept. Stores, Inc.	CorVel HCO / CorVel HCO Select	62,541
0077	Albertsons, Inc.	New Albertson's Inc. CA MPN	65,352
0509	City of Los Angeles	Interplan Health Group	69,500
0582	Target Corporation	Target Medical Provider Network	75,300
0062	County of Los Angeles	Interplan Health Group	87,000
0061	County of Los Angeles	First Health CompAmerica Select	87,000

SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

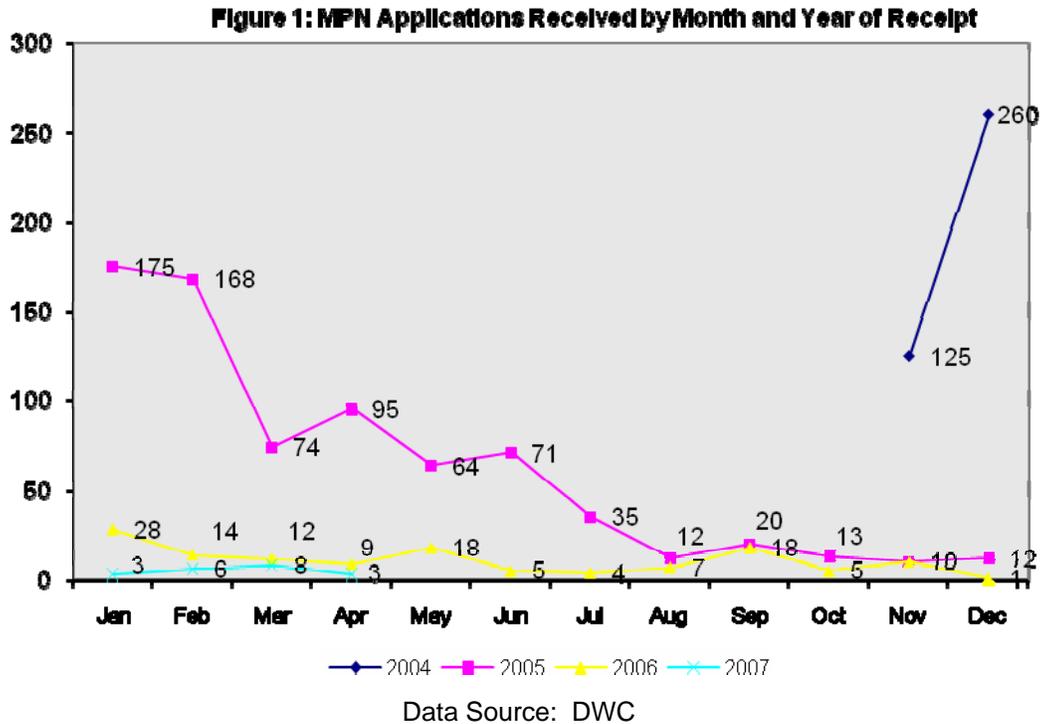
MPN Log Number	Name of Applicant		Name of MPN	Number of Covered employees
			HCO, a certified HCO	
0060	County of Los Angeles		CorVel HCO	87,000
0162	Los Angeles Unified School District		Sedgwick CMS Extended Medical Provider Network	122,647
1009	Regents of The University of California		Regents of The University of California MPN	189,925

The following table and graph indicated the number of MPN applications received by month and year of receipt.

Table 2: Number of MPN Applications Received by Month and Year of Receipt

Month	Year			
	2004	2005	2006	2007
January		175	28	3
February		168	14	6
March		74	12	8
April		95	9	3
May		64	18	4
June		71	5	5
July		35	4	14
August		12	7	5
September		20	18	3
October		13	5	7
November	125	10	10	
December	260	12	1	
Total	385	749	131	58
% Of Total Received	29.1%	56.6%	9.9%	4.4%

SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

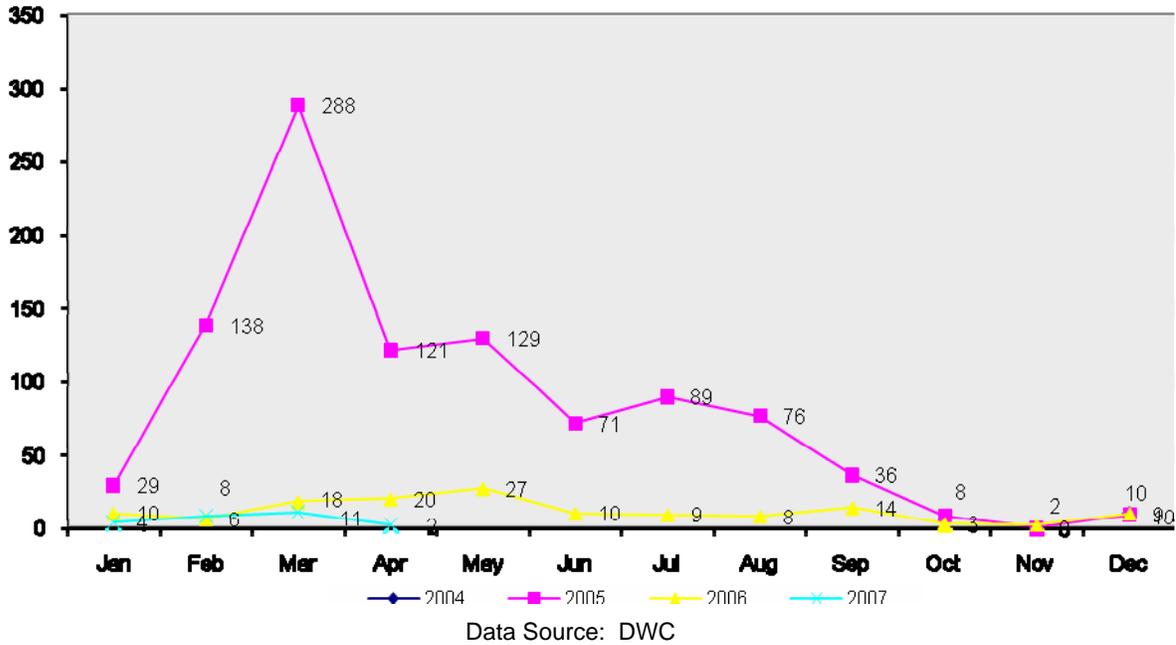


The following table and graph indicate the number of MPN applications approved by month and year of approval.

Table 3: Number of MPN Applications Approved by Month and Year

MONTH	YEAR			
	2004	2005	2006	2007
January		29	10	5
February		138	6	8
March		288	18	11
April		121	20	4
May		129	27	5
June		71	10	6
July		89	9	7
August		76	8	6
September		36	14	6
October		8	3	3
November	0	0	2	
December	10	9	10	
TOTAL	10	994	137	61
% Of Total Approved	0.8%	82.7%	11.4%	5.1%

Figure 2: MPN Applications Approved by Month and Year of Approval



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 April 15, 2007, 272 applicants had filed a material modification with DWC. Of these, 258 were approved under the emergency regulations and as such had to update their application to conform to the permanent MPN regulations. Fourteen (14) were approved under the permanent regulations. Some applicants have more than one material modification. Twenty-eight (28) applicants had two material modification filings while one had three filings and one had seven filings.

In terms of how many material modification filings were received at DWC, 78 material modifications were filed in 2005, 239 in 2006, and 114 in 2007.

MPN Applicants

Table 4 shows the distribution of MPN applicants by type of applicant. The majority, 59.4 percent, of MPN applications were filed by insurers, followed by self-insured employers (35.9 percent).

Table 4: Distribution of Approved MPN Applications by Type of Applicant

Type of Applicant	Number	Percent
Insurer	692	59.4%
Self-Insured Employer	419	35.9%
Joint Powers Authority	41	3.5%
Group of Self-Insured Employers	12	1.0%
State	2	0.2%
Total	1,166	100.0%

HCO Networks

HCO networks are used by 654 (58.2 percent) of the approved MPNs. The distribution of MPNs by HCO is shown in Table 5 and Figure 3. First Health HCO has 33.8 percent of the MPN market share followed by Prudent Buyer HCO, which has 11.4 percent, and Corvel HCO, which has 9.3 percent.

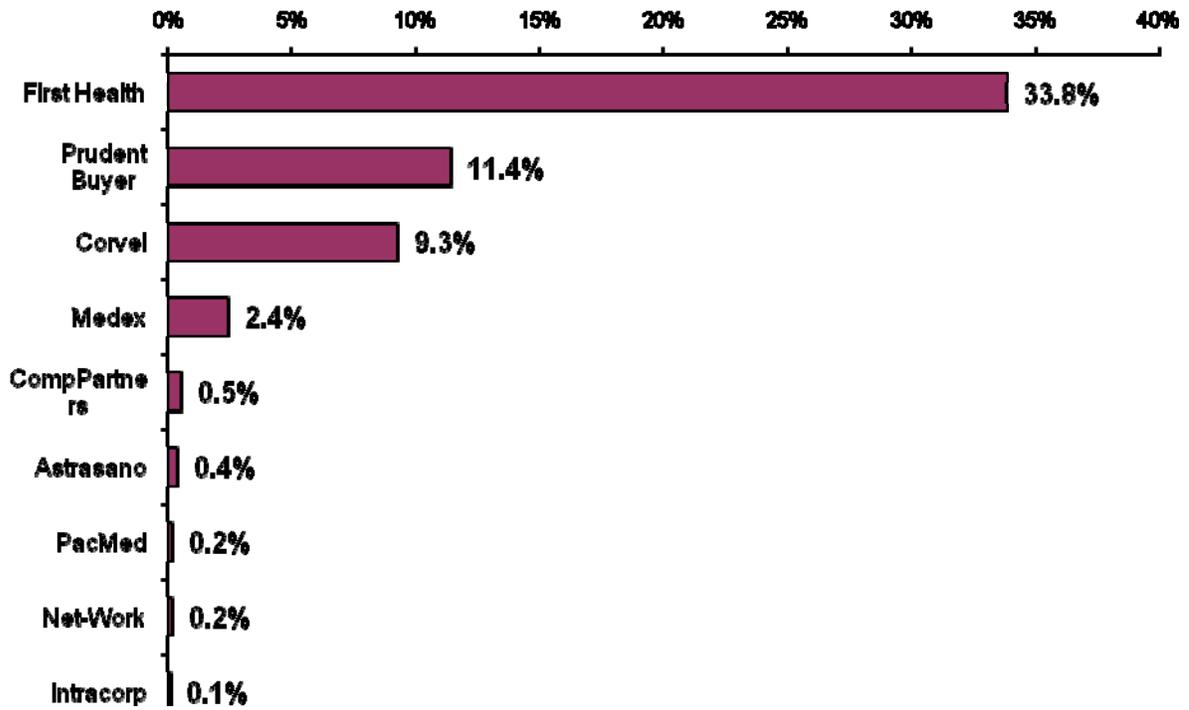
MPN applicants are allowed to have more than one MPN. As a result, 54.3 percent of applicants have more than one MPN, including 19.3 percent with 19 to 35 MPNs (See Table 6). The names of MPN applicants with 10 or more approved MPNs are shown in Table 7. ACE American Insurance Company leads with 35 MPNs, followed by Zurich American Insurance Company with 27 MPNs, and AIG Insurance Carrier and American Home Assurance Co., each with 25 MPNs.

The following table and graph indicate the number of MPN applicants using HCO Networks:

Table 5: Number of MPN Applicants Using HCO Networks.

Name of HCO	Number	Percent of Application Received	Percent of Application Approved
CompAmerica (First Health)	380	58.1%	33.8%
Prudent Buyer (Blue Cross)	128	19.6%	11.4%
Corvel	104	15.9%	9.3%
Medex	27	4.1%	2.4%
CompPartners	6	0.9%	0.5%
Astrasano (Concentra)	4	0.6%	0.4%
PacMed	2	0.3%	0.2%
Net-Work	2	0.3%	0.2%
Intracorp	1	0.3%	0.1%
Total Using HCO	654	100.0%	58.2%

Figure 3: Percentage of Approved MPNs Using HCO Networks by HCO



Data Source: DWC

Table 5: Distribution of Approved MPNs with Number of MPNs per Applicant

Number of MPNs	Number of Applicants	Percent
18-35	114	19.3%
10-17	87	7.5%
5-9	147	12.6%
2-8	174	14.9%
1	533	45.7%
Total	1166	100.0%

Table 6: Names of MPN Applicants with 10 or More MPNs

Name of MPN	Number
ACE American Insurance Company	35
Zurich American Insurance Company	27
AIG Insurance Carrier, American Home Assurance Co.	25
Fidelity & Guaranty Insurance Company	24
Discover Property & Casualty Insurance Company	20
United States Fidelity & Guaranty Company	20
The Insurance Company of the State of Pennsylvania	19
Fidelity & Guaranty Insurance Underwriters, Inc	19
National Union Fire Insurance Company of Pittsburgh PA	18
Old Republic Risk Management, Inc.	18
American Zurich Insurance Company	14
Commerce & Industry Insurance Company	12
Birmingham Fire Insurance Company of Pennsylvania	11
Landmark Insurance Company	10
Safety National Casualty Corporation (SNCC)	10
New Hampshire Insurance Company	10
Granite State Insurance Company	10
Continental Casualty Company (CNA)	10

Covered Employees

The emergency MPN regulations did not require MPN applicants using HCO provider networks as deemed entities to report estimated numbers of covered employees. Since HCO networks were used by 58.2 percent of applicants, the figure for covered employees therefore excludes these applicants. In addition, the covered employee numbers are being reported at a time when material modifications are common. A complete count will be available as all applicants go through the material modification process. Currently, information is only available for (650) 56 percent of MPN applicants. The total estimated number of covered employees, as reported by these MPN applicants, is 13,536,397.

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 in Appendix A. This list includes among others some large 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, e-mail, and mail. Since January 2006, DWC has received 83 complaints. DWC has contacted the liaison of the MPNs and resolved and closed 80 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 is a work in progress. It has improved over time; however, there is still room for improvement. Professional as well as clerical staff could benefit more from training on programs 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 staffing of the program has grown from two professional staff to two clerical staff and four professional staff (not including two medical doctors and one legal counsel who are readily available for consulting).

Up to this point, the main focus of the program has been to review and approve MPN applications. However, more research on the MPN provider networks and the functioning of MPNs needs to be done in the near future to provide information on the following questions: what percentage of the different networks overlap? that is, 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 83 complaints. Most of the complaints were regarding insufficient provider listings given to the injured worker. On the other hand, one major player, UPS, came to DWC headquarters and presented how effective their MPN has been in workers' compensation medical cost-saving.

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 (TPA) 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, HCOs are required annually to pay \$1.50 per enrollee based on their enrollment figure as of December 31st of each year.

SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

Currently, the HCO program has 25 certified HCOs. The list of certified HCOs and their most recent date of certification/recertification are given in Table 1. Even though there are 15 certified HCOs, only 7 have enrollees. The rest are keeping their certification and use their provider network as a deemed entity for Medical Provider Networks.

Table 1: List of Currently Certified HCOs by Date of Recertification/ Certification

Name of HCO	Date of Certification/Recertification
Applied Occupation	04/12/2007
Astrasano HCO (Concentra)	08/09/2004
CompPartners Access	07/24/2005
CompPartners Direct	07/23/2005
Corvel	12/30/2005
Corvel Select	12/30/2005
First Health/ CompAmerica Primary	09/05/2004
First Health/ CompAmerica Select	09/05/2004
Intracorp HCO Plan B	12/30/2005
Kaiser Foundation Health Plan	12/03/2006
MedeEx Health Care	03/16/2004*
MedEx 2 Health Care	10/10/2003*
Network HCO	04/15/2004*
PacMed HCO	03/29/2004
Prudent Buyer HCO (Blue Cross)	11/13/2005

Note: * in the process of recertification.

Table does not include Genex, and Sierra HCOs shown in Table 2 but decided not to keep their 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 dramatically. Compared to the 2004 enrollment, First Health lost 100 percent of its enrollees while CorVel's enrollment declined by 96 percent to 3,719. Astrasano, Genex, and PacMed HCOs were certified in 2004 and never had enrollees. Applied Occupation was certified in April 2007. As of December 2006, the total enrollment figure had fallen by 64 percent from the 2004 number of 481,337 to 172,197.

SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

Table 2 shows the number of enrollees as of December 31 of each year 2004 through 2006.

Table 2: List of HCOs by Number of Enrollees for 2004 through 2006

Name of HCO	December-04	December-05	December-06
Astrasano	0	0	0
CompPartner Access/ Direct	60,935	61,403	53,279
CorVel/ Corvel	100,080	20,403	3,719
CompAmerica Primary/ Select (First Health)	218,919	2,403	0
Genex	0	0	0
Intracorp	6,329	3,186	2,976
Kaiser	30,086	67,147	66,138
Medex/ Medex 2	62,154	66,304	46,085
Net Work HCO	1,204	0	0
Prudent Buyer (Blue Cross)	1,390	0	0
Pac Med	0	0	0
Sierra	240	0	0
TOTAL	481,337	220,846	172,197

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 2006, the HCO staff work load included a review of one new filing for Applied Occupation, material modifications due to a 10 percent or more change in provider listing from CompAmerica Primary and Select (First Health) and Prudent Buyer (Blue Cross). In addition, since the beginning of 2006, there were five recertification filings. Three of these, Kaiser, Medex, and Medex 2, still have HCO enrollees and thus their filing was more involved.

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 September 22, 2006, as mandated by Title 8 CCR section 9700 et seq., the HCO data collection on the same subject is redundant and thus DWC can propose to repeal the sections of the law mentioned above.

Update the pre-designation rules for workers who are covered by an HCO (Labor Code Section 4600.3) so that the rules will be the same as the pre-designation rules for workers who are covered by MPNs (Labor Code Section 4600) or 30-day employer control.

Contingent upon full payment of the HCO loan from the General Fund, DWC can recommend the elimination of the surcharges and assessment fees currently collected annually from HCOs.

For further information...



The latest information on Health Care Organizations may be obtained at www.dir.ca.gov/dwc and <http://www.dir.ca.gov/dwc/HCO.htm>

Pre-Designation under Health Care Organization versus Medical Provider Network

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.

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

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 California Department of Insurance (CDI) Fraud Division, as well as applicable Insurance Code and Labor Code sections and data published in periodic Bulletin[s] of 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 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 fiscal year 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 2005-06, the total number of SFCs reported is 9,320.

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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.

Fiscal Year	Suspected Fraudulent Claims	Fraud Suspect Arrests
1992-93	8,342	125
1993-94	7,284	195
1994-95	4,004	344
1995-96	3,947	406
1996-97	3,281	456
1997-98	4,331	424
1998-99	3,363	456
1999-00	3,362	478
2000-01	3,548	382
2001-02	2,968	290
2002-03	3,544	369
2003-04	5,122	481
2004-05	6,492	439
2005-2006	9,320	574

Source: California Department of Insurance, Fraud Division

SELECTED INDICATORS IN WORKERS' COMPENSATION: A REPORT CARD FOR CALIFORNIANS

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 chart below.

Year	Fraud Suspect Prosecutions	Fraud Suspect Convictions
1993-94 Fiscal Year	363	181
1994-95 Fiscal Year	422	198
1995-96 Fiscal Year	346	248
1996-97 Fiscal Year	567	331
1997-98 Fiscal Year	637	375
1998-99 Fiscal Year	869	384
1999-2000 Fiscal Year	980	390
2000-01 Fiscal Year	822	367
2001-02 Fiscal Year	659	263
2002-03 Fiscal Year	739	293
2003-04 Fiscal Year	1,003	426
2004-05 Fiscal Year	970	423
2005-06 Fiscal Year	1,066	465

Source: California Department of Insurance, Fraud Division and California Workers' Compensation Institute

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Workers' Compensation Fraud Investigations

Types of Workers' Compensation Fraud Investigations

The following table indicates the number and types of investigations opened and carried for fiscal-years 2001-02, 2002-03, 2003-04, 2004-05, and 2005-06 reported by District Attorneys. Applicant fraud appears to be the area generating the most cases followed by premium fraud and medical provider fraud.

Type of Investigation	Fiscal Year 2001-02 Cases		Fiscal Year 2002-03 Cases		Fiscal Year 2003-04 Cases		Fiscal Year 2004-05 Cases	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Applicant	1,293	79.37%	1,263	72.63%	1,177	60.14%	1,478	69.19%
Premium	159	9.76%	207	11.90%	242	12.37%	172	8.05%
Fraud Rings	1	0.06%	7	0.40%	39	1.99%	4	0.19%
Capping	6	0.37%	5	0.29%	5	0.26%	3	0.14%
Medical Provider	98	6.02%	97	5.58%	97	4.96%	105	4.92%
Insider	8	0.49%	6	0.35%	14	0.72%	6	0.28%
Other	64	3.93%	93	5.35%	56	2.86%	43	2.01%
Uninsured	N/A		61	3.51%	327	16.71%	325	15.22%
TOTAL	1,629		1,739		1,957		2,136	

Geographically, the great majority of suspected fraud cases in 2004 and 2005 came from Los Angeles County (29 percent) followed by Orange County (8 percent) and then San Diego County (7 percent).

Some of the categories for fraud-related investigations were changed in the fiscal year 2005-2006 as reflected in the chart below.

Type of Investigation	Fiscal Year 2005-06 Cases	
	Number	Percent
Claimant Cases	1,573	57.05%
Premium Fraud Cases	331	12.01%
Medical Provider*	193	7.00%
Insider Fraud	25	0.91%
Uninsured Employer Fraud	580	21.04%
Other Types of Workers' Compensation Fraud	55	1.99%
TOTAL	2,757	

*Includes Capping and Fraud Rings

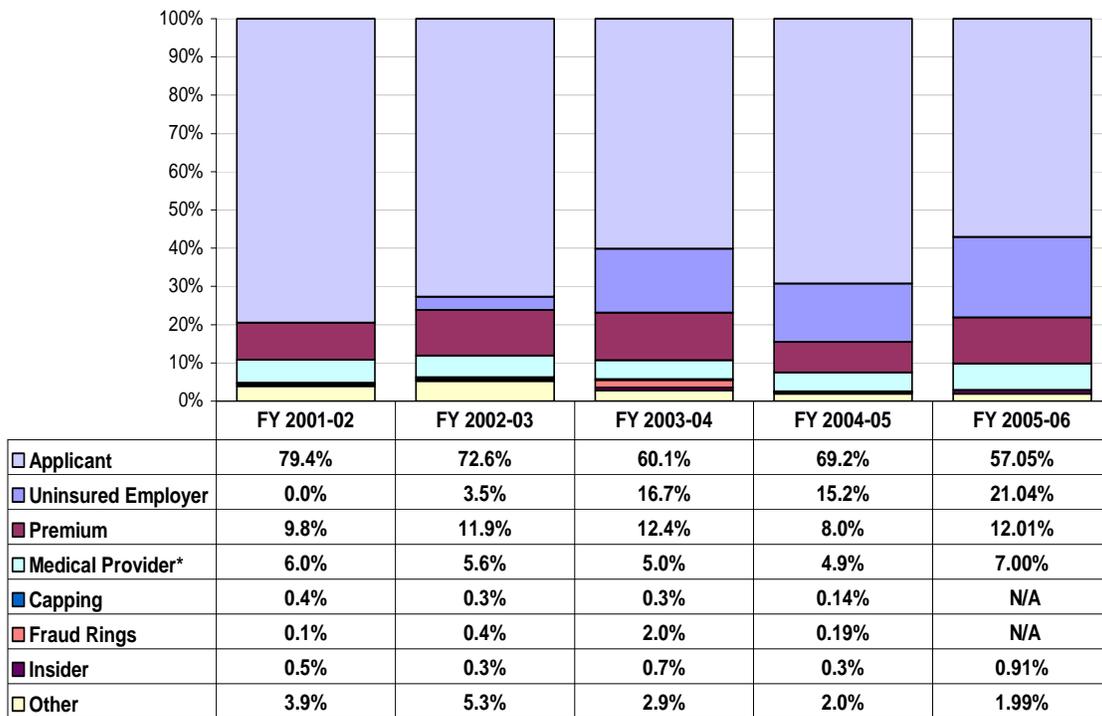
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Trends in Workers' Compensation Fraud Investigations

The chart below illustrates the changing focus of workers' compensation investigations over the past three fiscal years, by showing what types of investigations comprise what percentage of all the investigations 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.

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 in 2001-02 to about 57 percent of the total number of investigations in 2005-06. 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 increased slightly between 2004-05 and 2005-06.

Type of Fraud Investigations by Percentage of Total



* For FY 2005-06, Capping and Fraud Rings were included in the Medical Provider category

Data Source: California Department of Insurance, Fraud Division

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 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 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 of DWC. 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 the recognized or certified as the exclusive bargaining representative that establishes any of the following:
 - An alternative dispute-resolution 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.

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- The use of an agreed, limited list of QMEs and agreed medical evaluators (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 alternative dispute resolution process.

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.

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.

Carve Out Participation	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Employers	242	277	550	683	442	260	143	512	316	462	739	981
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	55.7
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
Payroll (in millions)	\$157.6	\$272.4	\$242.6	\$414.5	\$585.1	\$442.6	\$201.9	\$634.2	\$623.6	\$1,200	\$966.0	\$1,400

* Please note that data is incomplete

Source: DWC

2006 Aggregate Data Analysis of Carve-out Programs

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

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.

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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 paid costs for claims filed in 2006 totaled \$15,529,300, while the total incurred costs were \$28,238,168. Table 1 breaks down paid and incurred costs by claim component for all claims combined. Table 2 shows the average paid and incurred cost per claim by cost components across all claims. In contrast, Table 3 shows the cost by the type of claim filed.

Table 1: Total Paid and Incurred Cost by Claim Component

Claims	Paid Cost	Incurred Cost
Medical Cost	\$7,667,616	\$15,692,697
Temporary Disability	\$7,229,601	\$9,107,126
Permanent Disability	\$497,544	\$2,104,300
Death Benefit	\$15,080	\$596,670
Life Pension	\$0	\$0
Vocational Rehabilitation	\$6,514	\$364,831
Medical-legal	\$112,944	\$372,543
All	\$15,529,300	\$28,238,168

Table 2: Average Paid and Incurred Cost Per Claim, by Cost Component for all Claims

Claims	Paid Cost per Claim	Incurred Cost per Claim
Medical Cost	\$2,878	\$5,891
Temporary Disability	\$2,714	\$3,419
Permanent Disability	\$187	\$790
Death Benefit	\$6	\$224
Life Pension	\$0	\$0
Vocational Rehabilitation	\$2	\$137
Medical-legal	\$42	\$140
All	\$5,829	\$10,600

Table 3: Average Paid and Incurred Cost By Claim Type

Claims	Paid Cost per Claim	Incurred Cost per Claim
Total Medical Only Claims	\$433	\$481
Total Claims w/Indemnity	\$11,970	\$22,116

Number of litigated claims

Table 4: Total Number of Litigated Claims and Number of Claims Resolved by Stage of Litigation Process

Number of Litigated Claims		% of Litigated Claims	% of Total Claims
Claims that were resolved at or after mediation	5	8.3	0.19
Claims that were resolved at or after arbitration	53	88.3	1.99
Claims that were resolved at or after the Worker' Compensation Appeals Board (WCAB)	2	3.3	0.08
Claims that were resolved at or after the Court of Appeals	0	0.0	0.0
Total	60		2.25

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).¹⁷ 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 300¹⁸ 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.

¹⁷ "Resolved" means that ultimate liability has been determined, even though payments for the claim may be made beyond the reporting period.

¹⁸ 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.

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Status of Carve-out Agreements as of August 2007

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 Carve-out Participants as of August 15, 2007
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 Dist. So. Ca-Diamond Valley Lake	11/07/06
2. (2)	Internat'l Brotherhood of Electrical Workers IBEW	NECA--National Electrical Contractors Assoc.	8/14/10
3. (2)	So. Ca. Dist. 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 Coun.	8/24/10
5. (1)	Steamfitters Loc. 250	Cherne—two projects completed in 1996	Complete
6. (1)	Intern'l Union of Petroleum & Industrial Wkrs	TIMEC Co., Inc./TIMEC So. CA., Inc.	7/31/10
7. (3)	Contra Costa Bldg & Const. Trades Council	Contra Costa Water District - Los Vaqueros	Complete
8. (2)	So. CA Dist. Council of Laborers	Assoc. Gen'l Cont'rs of CA, Bldg. Industry Assoc. —So. CA., So CA Contrs' Assoc., Eng. Contrs' Assoc.	7/31/08
9. (3)	Ca. Bldg. & Construction Trades Council	Metropolitan Water Dist. So. Ca. Inland Feeder-Parsons	Ended 12/31/02
10. (3)	Bldg. & Construction Trades Council of Alameda County	Parsons Constructors, Inc. National Ignition Facility—Lawrence Livermore	9/23/09
11. (2)	District Council of Painters	Los Angeles Painting & Decorating Contrs Assoc.	10/28/09
12. (1)	Plumbing & Pipefitting Local 342	Cherne Contracting - Chevron Base Oil 2000 project	Complete
13. (3)	LA Bldg & Const. Trades Coun. AFL-CIO	Cherne Contracting —ARCO	Complete
14. (2)	Operating Engineers Loc. 12	So. California Contractors' Assoc.	4/1/08
15. (2)	Sheet Metal International Union	Sheet Metal-A/C Contractors National Assoc	4/1/08
16. (3)	Bldg & Construction Trades Council San Diego	San Diego Cny Water Authority Emer. Storage Project	2/20/09
17. (3)	LA County Bldg. & Const.Trades Council	Cherne Contracting – Equilon Refinery – Wilmington	3/1/07

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No.	Union	Company	Exp. Date
18. (3)	Plumbers & Steamfitters	Cherne Contracting – Chevron Refinery – Richmond	7/1/05
19. (3)	Plumbers & Steamfitters	Cherne Contracting – Tesoro Refinery – Martinez	7/1/05
20. (3)	LA/Orange Counties Bldg. & Const.Trade Coun	Cherne Contracting – Chevron Refinery – El Segundo	7/26/05
21. (2)	District Council of Iron Wkrs-State of CA and Vicinity	California Ironworker Employers Council	2/25/09
22. (2)	Sheet Metal Wkr Intern'l Assoc #105	Sheet Metal & A/C Labor Management Safety Oversight Committee (LMSOC)	4/17/09
23. (2)	United Union of Roofers, Waterproofers and Allied workers, Local 36 and 220	Southern California Union Roofing Contractors Association	07/31/08
24. (2)	United Union of Roofers, Waterproofers and Allied Workers, Locals 40, 81 & 95	Associated Roofing Contractors of the Bay Area Counties	7/31/09
25. (2)	United Assoc.-Journeyman & Apprentices--Plumbers & Pipefitters, Local #447	No.CA Mechanical Contractors Assoc & Assoc. Plumbing & Mechanical Contractors of Sacto Inc.	11/7/09
26. (2)	Operatives Plasterers and Cement Masons International Association, Local 500 & 600	So. California Contractors Association, Inc.	4/1/08
27.(1)	International Unions Public & Industrial Wkrs	Irwin Industries, Inc.	3/23/10
28.(2)	PIPE Trades Dist. Council No. 36	Mechanical Contractors Council of Central CA	4/14/10
29. (2)	No. CA Carpenters Reg'l Council/	Basic Crafts Worker' Compensation Benefits Trust	8/30/07
30. (2)	No. CA District Council of Laborers	Basic Crafts Worker' Compensation Benefits Trust	8/30/07
31.(2)	Operating Engineers Local 3	Basic Crafts Worker' Compensation Benefits Trust	8/30/07
32. (1)	Industrial, Professional & Technical Workers	Irish Construction	12/20/07
33.(3)	Building Trades Council of Los Angeles-Orange County	Los Angeles Community College District Prop A & AA Facilities Project	5/06/08

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**Non Construction Industry Carve-Out Participants as of June 18, 2007
(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 Conty Transportation Authority Coach Operators	04/17/06-04/17/07		

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**Non Construction Carve-Out Participants as of June 18, 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	06/22/06- 06/22-07		
12.	Teamsters Local 848	SYSCO Food Services	06/22/06- 06/22-07		
13.	Teamsters Local 952	Orange Conty 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		
15.	SEIU Local 1877	Various Maintenance Companies	04/13/07- 04/13/08		
16.	SEIU Local 721	City of LA	06/18/07- 06/18/08		

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").

 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.

 Carve-outs: A Guidebook for Unions and Employers in Workers' Compensation." CHSWC (2004). Available at www.dir.ca.gov/CHSWC/chswc.html.