



EMPLOYER SURVEY RESULTS

INTRODUCTION

As part of the evaluation of the workers' compensation reform legislation, specifically AB 749, SB 228 and SB 899¹, a survey of California employers was designed and conducted to look at a cross section of businesses in California to determine pricing and availability of markets. The objective of the survey was to determine current market competition. The survey also gathered data about industry classification, employer size, geographical location, recent claims experience, and the timing of employer's policy renewals, allowing for comparisons of differences across groups.

While the results of the survey provide useful insights about how the market has evolved and which employers have benefited, they are far from conclusive. Given the budget, scope, and the time frame for the employer study, a scientific, random-sample based survey was not feasible. Instead, the survey was posted on the California Chamber of Commerce website page restricted to its members. The process inherently led to self-selection of businesses, did not guarantee a balanced representation of businesses across geography, industry, and size, and did not provide any checks and balances to ensure that the appropriate, knowledgeable individuals within large organizations replied to the survey. The shortcomings of the survey are illustrated by the low representation of agricultural industry respondents. Due in part to the non-random nature of the sample, the breadth of statistical test and techniques to parse out the relative impact of different factors and employers characteristics were not applied to the data at this stage. While the insights provided from this survey are valuable, they are preliminary and do not substitute the need for a comprehensive random assignment survey or the use of statistical techniques to isolate the relationship between businesses and their respective change in premiums.

METHODOLOGY

Sample Design

The survey was web-based and targeted to California Chamber of Commerce members. The survey was intended to complement the actuarial analysis by gauging how employers of various sizes, regions, and industries perceived the market and the impacts of the legislation.

The Chamber of Commerce is a not-for-profit organization that professionals, such as corporate executives and human resource professionals join to help them with compliance and policy areas for their businesses. The organization is the largest business advocate and works through both state and federal mechanisms to leverage knowledge of laws and regulations to provide affordable and easy-to-use compliance products and services to California businesses. Currently, there are over 15,000 members, representing one-quarter of all private sector companies in California and 75% of its members have fewer than 100 employees.²

The survey conducted contains responses from current Chamber members, and therefore includes only those that have paid their annual membership. Also, the survey respondents are limited to those that read email and use the internet. We acknowledge that the results from this survey do not capture the views of

¹ The survey request can be found in Department of Industrial Relations (DIR) Agreement #40430059, Work Approach #7, page 5 of 8.

² California Chamber of Commerce, <http://www.calchamber.com>

any California businesses that are not current Chamber members or do not use the internet. In particular, smaller businesses and those owned by ethnic minorities are most likely under-represented.

While, generally, the preferred method is to administer surveys via random sampling and stratify the sample to ensure adequate representation across regions, business size, and industries, the team decided to administer the survey via the web based on the costs of survey administration, the time frame and limited resources. Using the Chamber of Commerce website allowed companies in different industries and of different sizes to participate on their own schedule, and identify the individual with adequate knowledge of workers' compensation within the organization.

Survey Instrument

The survey consisted of twenty-nine (29) questions and took approximately 15-20 minutes to complete. The selection of the questions was based on input and discussions among project team members and employer groups. The process ensured that the questionnaire enhanced the main actuarial analysis, used the most appropriate means to reach the targeted population, and required minimal effort from employers.

Respondents were informed from the outset that the survey was part of a project to evaluate the impact of the recent workers' compensation reforms and report findings to the Governor and the State Legislature. The survey instrument itself is included at the end of this section. The questions asked can be classified into the following four main categories:

- a. employer characteristics;
- b. pricing and market competitiveness;
- c. policy renewals and changes; and
- d. employer perceptions about the impact of the reforms.

Collecting information about employer and insurance policy characteristics (i.e. start date, number of quotes) allowed for comparison of perceptions and reported impacts across time, regions, employer size, and industries.

Data Collection Procedures

A link to the survey was sent via email from the Chamber to their member list. Also, the link was placed on the Chamber's on-line member sign-in page. Therefore, there were two main avenues to access the survey: responding to the link through an email or logging into the member page of the Chamber's website. The data was collected online through QuestionPro, an on-line survey software that allows you to create, collect and export survey data into other programs (i.e. excel and SPSS) in order to analyze the results. An introductory email was sent by the Chamber. They also mentioned the survey in their newsletter. The survey remained active for two weeks in December and January to collect responses. Security measures were built into the system to ensure that only one response came from each computer that received the email link.

RESULTS

This section provides a summary of the survey results. It is divided into three key sections. First, the overall survey response and respondent characteristics are detailed. Second, we provide a summary of the questions that provide some measure of market competitiveness. Finally, we report on the result of questions regarding perceptions of the legislation and its impact.

Survey Response & Respondent Characteristics

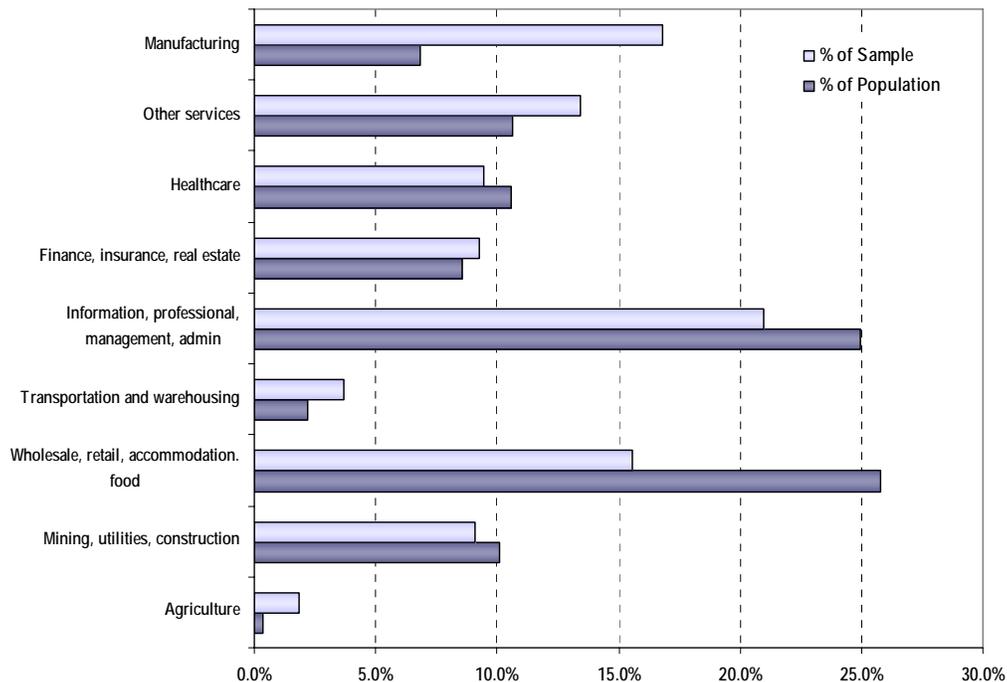
In total 1,051 respondents completed the survey. We are unable to calculate eligibility numbers since the survey was distributed through two avenues (i.e. email list and web-page). The respondents included a wide array of businesses across industries, regions, and number of employees.

The geographical location of the businesses is roughly representative of the California population as a whole, according to comparisons with US Census Bureau figures. Because the sample is non-random, we urge caution in interpreting the results. After performing a Chi-Square test, we found that there are significant differences between the survey sample and the population of California employers, by industry. Exhibit 1 below shows a comparison and which industries are over and/or under represented.

Exhibit 1. Sample versus Population Comparison, by Industry Classification

Industry	Number of Firms		Respondents	% of Sample
	in California	% of Population		
Agriculture	2,311	0.3%	19	1.8%
Mining, utilities, construction	68,226	10.1%	94	9.1%
Wholesale, retail, accommodation, food	174,462	25.8%	161	15.5%
Transportation and warehousing	14,760	2.2%	38	3.7%
Information, professional, management, admin	168,817	25.0%	217	20.9%
Finance, insurance, real estate	58,025	8.6%	96	9.3%
Healthcare	71,588	10.6%	98	9.5%
Other services	72,070	10.7%	139	13.4%
Manufacturing	46,075	6.8%	174	16.8%
TOTALS	676,334	100.0%	1,036	100.0%

Sample versus Population Comparison



The three exhibits below present the respondent characteristics by region and industry, by region and employer size, and by region and policy renewal or initiation date.

Exhibit 2. Respondent Characteristics by Region, by Industry Classification

Industry Classification	Geographical Location				
	Northern California	Los Angeles and Inland Empire	Orange County	San Diego County	Central Valley, Tahoe, and Other
Agriculture	56%	6%	0%	6%	31%
Mining, Utilities, and Construction	40%	14%	3%	12%	32%
Wholesale trade, retail trade, accommodation and food services	32%	18%	7%	15%	28%
Transportation and Warehousing	24%	17%	7%	14%	38%
Information, Professional, Management of Companies, and Administrative	33%	22%	5%	10%	31%
Finance, Insurance, and Real Estate	27%	27%	7%	15%	24%
Healthcare	37%	19%	1%	12%	31%
Other services	36%	25%	9%	9%	21%
Manufacturing	26%	38%	6%	11%	19%
TOTAL	33%	23%	6%	12%	27%

Exhibit 3. Respondent Characteristics, by Region and Employer Size

Number of Employees covered by policy	Geographical Location				
	Northern California	Los Angeles and Inland Empire	Orange County	San Diego County	Central Valley, Tahoe, and Other
Less than 25	41%	28%	6%	6%	19%
25-50	34%	26%	4%	13%	23%
51-250	33%	22%	4%	14%	27%
More than 250	16%	16%	9%	16%	43%
Total	33%	23%	6%	12%	27%

Exhibit 4. Respondent Characteristics, by Region and Policy Renewal/Start Date

Policy renewal/start date	Geographical Location				
	Northern California	Los Angeles and Inland Empire	Orange County	San Diego County	Central Valley, Tahoe, and Other
Before 2005	33%	25%	5%	11%	26%
1st Quarter 2005	31%	23%	9%	11%	26%
2nd Quarter 2005	29%	25%	6%	11%	29%
3rd Quarter 2005	30%	23%	5%	16%	26%
4th Quarter 2005	38%	23%	4%	9%	26%
Total	33%	24%	6%	11%	26%

Changes in Market Competitiveness

The responses from the employer survey indicate that the competitiveness of the workers' compensation market has increased relative to 2004. Additionally, all the measured indicators reflect that competitiveness steadily increased during 2005. A larger share of employers report that their premiums decreased, particularly if they renewed or started their policy in the latter half of 2005. The share of firms receiving multiple quotes from their carrier and quotes from multiple carriers also increased as did the share of employers switching to new carriers. In addition, the share of respondents who reported receiving the majority of their coverage from the State Compensation Insurance Fund (SCIF) decreased steadily in 2005. Companies initiated policies with private carriers and fewer remained with SCIF.

Premiums

- While on average, premiums decreased modestly from 2004, the worker's compensation insurance market has changed. Of the employers who renewed or started their policy in the final quarter of 2005, 62% reported decreases in their premium (21% reported increases). In contrast, of employers who last renewed or started their policy in 2004, only 37% experienced decreased while 47 percent reported increases.

Exhibit 5. Annual Premium Change, 2004

How did your annual premium change in 2004?	Valid Percent	Cumulative Percent
More than a 35% increase	6%	6%
25% to 35% increase	5%	10%
15% to 24% increase	8%	19%
5% to 14% increase	16%	34%
Less than a 5% increase	6%	40%
Little or no change	13%	53%
Less than a 5% decrease	8%	61%
5% to 14% decrease	19%	79%
15% to 24% decrease	10%	90%
25% to 35% decrease	5%	95%
More than a 35% decrease	5%	100%
TOTAL	100%	0%

- A decrease in rates from 2004 appears to have peaked around 10%, which is below other measures we have.

Exhibit 6. Annual Premium Change, by Policy Renewal, Employer Size, Region, Industry

Policy Start/Renewal Date	How did your annual premium change from 2004?						
	Increased by 25% or more	Increased by 15% to 24%	Increased by less than 15%	Little or no change	Decreased by less than a 15%	Decreased by 15% to 24%	Decreased by 25% or more
Before 2005	14%	9%	24%	16%	22%	8%	7%
1st Quarter 2005	8%	11%	23%	15%	29%	8%	6%
2nd Quarter 2005	11%	10%	21%	14%	27%	9%	8%
3rd Quarter 2005	10%	6%	19%	9%	28%	10%	17%
4th Quarter 2005	8%	5%	17%	8%	28%	20%	14%
TOTAL	11%	8%	21%	13%	26%	11%	10%

- The decrease in rates has improved with time which accounts for some of the differential in the decrease from other measures we used in the study.

Employees covered by policy	How did annual premium change from 2004?						
					Decreased by		
	Increased by 25% or more	Increased by 15% to 24%	Increased by less than 15%	Little or no change	less than a 15%	Decreased by 15% to 24%	Decreased by 25% or more
Less than 25	10.0%	8.9%	20.1%	17.8%	29.0%	6.6%	7.7%
25-50	15.7%	7.4%	14.9%	10.7%	27.3%	9.1%	14.9%
51-250	10.0%	8.5%	23.2%	6.6%	25.5%	15.8%	10.4%
More than 250	8.9%	5.7%	22.3%	15.3%	26.1%	8.3%	13.4%
TOTAL	10.7%	7.9%	20.7%	12.6%	27.0%	10.3%	10.8%

- The decrease in premiums generally benefited the larger employers, with the 25-50 employee category seeing the less positive benefit from decreased rates.

Geographical Location * How did annual premium change from 2004? Crosstabulation

% within Geographical Location		How did annual premium change from 2004?							Total
		Increased by 25% or more	Increased by 15% to 24%	Increased by less than 15%	Little or no change	Decreased by less than a 15%	Decreased by 15% to 24%	Decreased by 25% or more	
Geographical Location	Northern California	7.8%	8.2%	16.3%	13.6%	31.9%	10.9%	11.3%	100.0%
	Los Angeles and Inland Empire	10.9%	9.3%	21.3%	11.5%	23.5%	10.4%	13.1%	100.0%
	Orange County	20.5%	4.5%	22.7%	11.4%	25.0%	9.1%	6.8%	100.0%
	San Diego County	12.1%	6.6%	28.6%	8.8%	27.5%	8.8%	7.7%	100.0%
	Central Valley, Tahoe, and Other	11.0%	8.1%	21.0%	14.3%	23.8%	11.0%	11.0%	100.0%
Total		10.6%	8.0%	20.5%	12.6%	26.9%	10.4%	11.0%	100.0%

- Elsewhere in the survey the lagging of Northern California was evident in realizing benefits from the workers' comp change. It appears that this may be partially explained by some sectors seeing rate increases.

Industry Classification	How did annual premium change from 2004?						
					Decreased by		
	Increased by 25% or more	Increased by 15% to 24%	Increased by less than 15%	Little or no change	less than a 15%	Decreased by 15% to 24%	Decreased by 25% or more
Agriculture	18.8%	6.3%	12.5%	12.5%	31.3%	6.3%	12.5%
Mining, Utilities, and Construction	12.2%	8.5%	22.0%	9.8%	31.7%	3.7%	12.2%
Wholesale trade, retail trade, accommodation and food services	10.5%	9.8%	17.3%	9.0%	30.1%	15.0%	8.3%
Transportation and Warehousing	3.2%	16.1%	25.8%	12.9%	19.4%	19.4%	3.2%
Information, Professional, Management of Companies, and Administrative	9.0%	6.6%	27.7%	18.7%	24.1%	9.6%	4.2%
Finance, Insurance, and Real Estate	8.6%	4.3%	32.9%	7.1%	28.6%	8.6%	10.0%
Healthcare	3.8%	8.8%	17.5%	13.8%	26.3%	7.5%	22.5%
Other services	10.6%	6.2%	20.4%	18.6%	24.8%	10.6%	8.8%
Manufacturing	16.5%	9.4%	13.7%	10.8%	23.7%	11.5%	14.4%
TOTAL	10.5%	8.1%	21.2%	13.1%	26.4%	10.4%	10.4%

- When we look at industry sectors, there were some diversions: healthcare clearly benefited the most and manufacturing also realized good reductions. The white collar industries realized the least drop, despite seeing more of the competitive increases.

Multiple Quotes and Signups with New Carriers

- The share of employers receiving multiple quotes from their carrier varies depending on the policy start date. Employers that signed policies further into 2005 were generally more likely to receive multiple quotes from the same carrier.
- The share of employers receiving quotes from multiple carriers increased in 2005 relative to 2004. Employers that signed policies further into 2005 were generally more likely to receive quotes from multiple carriers.
- Larger employers were more likely to receive multiple quotes from their carrier and quotes from multiple carriers.
- The share of employers signing up with new carriers varies depending on the policy start date. Employers that signed policies further into 2005 were generally more likely to sign up with a new carrier.
- Employers in wholesale trade and retail were more likely than average to sign up with new carriers.
- The results vary little by industry (with the exception of healthcare which experienced deeper decreases in premiums than other industries).

Exhibit 7. Policy Renewal with Current versus New Carrier

When you most recently renewed your Worker's Compensation coverage did you?	Valid Percent	Cumulative Percent
Renew with your current carrier	73%	73%
Sign with a new carrier	25%	99%
Neither, it is the first time having this type of coverage	1%	100%
TOTAL	100%	100%

- The survey shows that approximately 25% went to a new carrier when renewing their policies. This is a sign of increased competition.

Exhibit 8. Policy Renewal with Current versus New Carrier, by Industry

Industry Classification	When you most recently renewed your Worker's Compensation coverage did you?			Total
	Renew with your current carrier	Sign with a new carrier	First time having WC coverage	
Agriculture	68.8%	31.3%	0.0%	100.0%
Mining, Utilities, and Construction	78.2%	19.2%	2.6%	100.0%
Wholesale trade, retail trade, accommodation and food services	64.5%	33.9%	1.6%	100.0%
Transportation and Warehousing	86.2%	13.8%	0.0%	100.0%
Information, Professional, Management of Companies, and Administrative	79.1%	20.9%	0.0%	100.0%
Finance, Insurance, and Real Estate	82.1%	16.4%	1.5%	100.0%
Healthcare	72.4%	27.6%	0.0%	100.0%
Other services	72.2%	25.9%	1.9%	100.0%
Manufacturing	67.9%	29.9%	2.2%	100.0%
TOTAL	73.5%	25.3%	1.3%	100.0%

- Not surprisingly, the most dissatisfied sector, agriculture, had the most movement (31% versus 25% average), with wholesale + retail trade very similar. But for some reason, transportation lagged.

Exhibit 9. Policy Renewal with Current versus New Carrier, by Policy Start date

	When you most recently renewed your Worker's Compensation coverage did you?		
	Renew with your current carrier	Sign with a new carrier	Neither, it is the first time having this type of coverage
Before 2005	86%	13%	1%
1st Quarter 2005	73%	26%	2%
2nd Quarter 2005	74%	26%	0%
3rd Quarter 2005	65%	33%	2%
4th Quarter 2005	61%	38%	1%
Total	74%	25%	1%

- And this trend to new carriers continues into each quarter, as rates have continued to drop.

Exhibit 10. Policy Renewal with Current, Single versus Multiple Quotes

When you renewed your insurance with your current carrier, did they offer you?	Percent	Cumulative Percent
Only one quote	73%	73%
Offer multiple alternative quotes	27%	100%
TOTAL	100%	0%

- Somewhat surprisingly, 73% claimed only one quote. We recommend a second level cross tabulation comparing renewing with current carriers by the number of quotes offered and those that went with a new carrier and the number of quotes offered. We recommend comparing this finding across both the employer and the broker surveys.

Exhibit 11. Policy Renewal with Current Carrier, Single versus Multiple Quotes, by Industry

Industry Classification	When you renewed your insurance with your current carrier, did they offer you?		
	Only one quote	Offer multiple quotes	Total
Agriculture	63.6%	36.4%	100.0%
Mining, Utilities, and Construction	60.7%	39.3%	100.0%
Wholesale trade, retail trade, accommodation and food services	71.3%	28.8%	100.0%
Transportation and Warehousing	60.0%	40.0%	100.0%
Information, Professional, Management of Companies, and Administrative	83.2%	16.8%	100.0%
Finance, Insurance, and Real Estate	76.4%	23.6%	100.0%
Healthcare	74.5%	25.5%	100.0%
Other services	79.5%	20.5%	100.0%
Manufacturing	66.7%	33.3%	100.0%
TOTAL	73.1%	26.9%	100.0%

- Agriculture received a relatively higher number of quotes (36% versus 27% average), which is consistent with their higher percentage of new carrier movement.
- But transportation (40%) was offered relatively more quotes, yet they had the least change in new carriers.
- The Information + professional category had the highest percent receiving only one quote. We recommend comparing this category across the two surveys.

Exhibit 12. Policy Renewal with Current Carrier, Single versus Multiple Quotes, by Policy State

Policy Start/Renewal Date	When you renewed your insurance with your current carrier, did they offer you?		
	Only one quote	Offer multiple	
		quotes	Total
Before 2005	76.4%	23.6%	100.0%
1st Quarter 2005	75.0%	25.0%	100.0%
2nd Quarter 2005	75.0%	25.0%	100.0%
3rd Quarter 2005	72.7%	27.3%	100.0%
4th Quarter 2005	60.2%	39.8%	100.0%
TOTAL	72.7%	27.3%	100.0%

- As with new carrier penetration, the trend on the number of quotes increased in each progressive quarter.

Exhibit 13. Policy Renewal with Current Carrier, Single versus Multiple Quotes, by Urban versus Rural Areas

	When you renewed your insurance with		
	Only one quote	Offer multiple	
		quotes	Total
Urban	74.7%	25.3%	100.0%
Rural (proxy)	70.3%	29.7%	100.0%
	73.1%	26.9%	100.0%

- And in the urban versus rural comparison, we see a similar trend.

Distribution of Coverage

Exhibit 14. Distribution of Workers' Compensation Coverage

Who currently provides the majority of your Workers' Compensation Coverage?	Valid Percent	Cumulative Percent
CA State Compensation Insurance Fund (SCIF)	29%	29%
Insurer other than SCIF	53%	82%
Individual Self-Insurance	6%	89%
Group Self Insurance	9%	97%
Other	3%	100%
TOTAL	100%	

- According to the survey 30% use SCIF which is generally consistent with other data we have on SCIF's market share.
- Self-insurance has a respectable 15% market share despite the fact that the survey focused on smaller employers.

Exhibit 15. Distribution of Workers' Compensation Coverage, by Policy Start

Policy Renewal/Start Date	Who currently provides the majority of your Workers' Compensation Coverage?					Total
	SCIF	Insurer other than SCIF	Individual Self-Insurance	Group Self Insurance	Other	
Before 2005	38.8%	38.5%	9.0%	10.7%	3.0%	100.0%
1st Quarter 2005	34.0%	52.6%	1.9%	8.3%	3.2%	100.0%
2nd Quarter 2005	24.6%	60.7%	5.7%	7.4%	1.6%	100.0%
3rd Quarter 2005	24.5%	61.3%	4.9%	7.4%	1.8%	100.0%
4th Quarter 2005	16.2%	71.3%	3.0%	6.0%	3.6%	100.0%
TOTAL	29.4%	54.3%	5.4%	8.4%	2.5%	100.0%

- The trend away from SCIF has shown a dramatic shift over the recent time (from 39% pre-2000 to 16% currently), this despite the alternative rates SCIF offers.
- Self-insurance also has decreased perhaps reflecting the drop in rates and the increased alternatives of insurance coverage.

Exhibit 16. Distribution of Workers' Compensation Coverage, by Industry

Industry	Who currently provides the majority of your Workers' Compensation Coverage?					Total
	SCIF	Insurer other than SCIF	Individual Self-Insurance	Group Self Insurance	Other	
Agriculture	47.4%	31.6%	5.3%	15.8%	0.0%	100.0%
Mining, Utilities, and Construction	39.1%	41.3%	6.5%	8.7%	4.3%	100.0%
Wholesale trade, retail trade, accommodation and food services	16.9%	64.2%	7.4%	8.8%	2.7%	100.0%
Transportation and Warehousing	19.4%	63.9%	8.3%	8.3%	0.0%	100.0%
Information, Professional, Management of Companies, and Administrative	35.0%	51.5%	5.8%	5.3%	2.4%	100.0%
Finance, Insurance, and Real Estate	26.1%	58.7%	3.3%	6.5%	5.4%	100.0%
Healthcare	38.0%	40.2%	4.3%	15.2%	2.2%	100.0%
Other services	41.1%	41.9%	6.2%	7.8%	3.1%	100.0%
Manufacturing	15.3%	64.4%	8.6%	9.8%	1.8%	100.0%
TOTAL	29.3%	53.0%	6.3%	8.6%	2.8%	100.0%

- Not surprisingly SCIF's market share was most evident in agriculture (47%), which is difficult to place. This may explain why agriculture is dissatisfied with reforms, a potentially significant issue.
- Mining also had 40% in SCIF, which is not surprising as it is also a difficult to place industry.
- Predictably, retail used SCIF the least (17%) since there are more carrier alternatives.
- And manufacturing has a higher percentage of self-insured (19%) and do not use SCIF as much.
- We recommend a second level cross tabulation looking at who provides the coverage by both industry and policy renewal date.

Exhibit 17. Distribution of Workers' Compensation Coverage, by Employer Size

Employees covered by policy	Who currently provides the majority of your Workers' Compensation Coverage?					Total
	SCIF	Insurer other than SCIF	Individual Self-Insurance	Group Self Insurance	Other	
Less than 25	44.0%	50.2%	0.8%	3.5%	1.5%	100.0%
25-50	32.2%	57.9%	0.8%	6.6%	2.5%	100.0%
51-250	23.9%	61.8%	3.1%	8.9%	2.3%	100.0%
More than 250	12.1%	45.9%	20.4%	17.2%	4.5%	100.0%
TOTAL	29.4%	54.3%	5.4%	8.4%	2.5%	100.0%

- Again not surprisingly, size matters with larger employees using self-insurance (38%) and not using SCIF (only 12% use SCIF).
- There appears to be a direct relationship between size and SCIF across all the employer size classes we surveyed.
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Exhibit 18. Distribution of Workers' Compensation Coverage, by Region

Region	Who currently provides the majority of your Workers' Compensation Coverage?					Total
	SCIF	Insurer other than SCIF	Individual Self-Insurance	Group Self Insurance	Other	
Northern California	33.9%	53.3%	2.3%	9.3%	1.2%	100.0%
Los Angeles and Inland Empire	30.1%	56.3%	4.4%	7.1%	2.2%	100.0%
Orange County	22.7%	63.6%	9.1%	4.5%	0.0%	100.0%
San Diego County	15.4%	60.4%	7.7%	15.4%	1.1%	100.0%
Central Valley, Tahoe, and Other	29.5%	51.0%	8.6%	6.2%	4.8%	100.0%
TOTAL	29.4%	54.3%	5.4%	8.4%	2.5%	100.0%

- Orange County + San Diego use SCIF less than other regions and have more in self-insurance (20% versus an average of 14%).
- We recommend a second level cross tabulation of who provides coverage by both region and change in pricing.

Exhibit 19. Distribution of perception of reforms

How did the 2002, 2003 and 2004 reforms of the Workers Compensation program impact your decisions for your California employees?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Little or no impact	515	49.0	57.9	57.9
	Moderate impact	250	23.8	28.1	86.1
	Major impact	72	6.9	8.1	94.2
	Key factor in making decision	52	5.0	5.8	100.0
	Total	889	84.7	100.0	
Missing	System	161	15.3		
Total		1050	100.0		

- A significant (35%) of employers indicated their decisions were being influenced by the workers' compensation reform. This is a very positive outcome.

Exhibit 20. Distribution of Perception of Reforms, by Industry

Industry Classification * How did the 2002, 2003 and 2004 reforms of the Workers Compensation program impact your decisions for your California employees? Crosstabulation

% within Industry Classification

		How did the 2002, 2003 and 2004 reforms of the Workers Compensation program impact your decisions for your California employees?				
		Little or no impact	Moderate impact	Major impact	Key factor in making decision	Total
Industry Classification	Agriculture	47.1%	29.4%	5.9%	17.6%	100.0%
	Mining + Utilities + Construction	43.0%	39.2%	7.6%	10.1%	100.0%
	Wholesale trade + retail trade + accommodation and food serv	55.6%	30.8%	9.0%	4.5%	100.0%
	Transportation and Warehousing	34.3%	45.7%	8.6%	11.4%	100.0%
	Information + Professional + Management of Companies + Admin	66.5%	22.2%	6.5%	4.9%	100.0%
	Finance and Insurance + Real Estate	71.8%	22.4%	2.4%	3.5%	100.0%
	Healthcare	58.6%	23.0%	6.9%	11.5%	100.0%
	Other services	62.1%	23.3%	12.1%	2.6%	100.0%
	Manufacturing	52.3%	33.1%	10.6%	4.0%	100.0%
Total		57.9%	28.2%	8.1%	5.9%	100.0%

- The mining, transportation and agriculture sectors were the most impacted and they have the most experience with workers' comp claims, another good result. Not surprisingly, the least impact was with the white collar industries.

Exhibit 21. Distribution of Perception of Reforms, by Employer Size

How many employees does your company have that are covered by your California Workers Compensation Policy? * How did the 2002, 2003 and 2004 reforms of the Workers Compensation program impact your decisions for your California employees? Crosstabulation

% within How many employees does your company have that are covered by your California Workers Compensation Policy?

		How did the 2002, 2003 and 2004 reforms of the Workers Compensation program impact your decisions for your California employees?				
		Little or no impact	Moderate impact	Major impact	Key factor in making decision	Total
How many employees does your company have that are covered by your California Workers Compensation Policy?	Less than 25	62.3%	21.9%	8.3%	7.5%	100.0%
	25-50	56.5%	25.0%	8.3%	10.2%	100.0%
	51-250	56.6%	30.2%	7.4%	5.8%	100.0%
	More than 250	52.3%	34.9%	11.4%	1.3%	100.0%
Total		57.5%	27.8%	8.7%	6.1%	100.0%

- Another positive result is the impact's being felt by larger employers who have the most sophisticated experience with workers' comp claims.

Exhibit 22. Distribution of Perception of Reforms, by Region

Geographical Location * How did the 2002, 2003 and 2004 reforms of the Workers Compensation program impact your decisions for your California employees? Crosstabulation

% within Geographical Location

		How did the 2002, 2003 and 2004 reforms of the Workers Compensation program impact your decisions for your California employees?				
		Little or no impact	Moderate impact	Major impact	Key factor in making decision	Total
Geographical Location	Northern California	59.5%	29.7%	5.2%	5.6%	100.0%
	Los Angeles and Inland Empire	57.9%	24.4%	11.6%	6.1%	100.0%
	Orange County	42.1%	36.8%	15.8%	5.3%	100.0%
	San Diego County	59.8%	24.1%	6.9%	9.2%	100.0%
	Central Valley, Tahoe, and Other	55.8%	28.9%	9.6%	5.6%	100.0%
Total		57.2%	28.0%	8.6%	6.1%	100.0%

- There was some regional variation with Los Angeles seeing the greatest benefit and Northern California the least. This correlates to the fraud propensity in there region (Northern California the least and Los Angeles the most fraud), and this is expected to drop as reforms simmer.

Exhibit 23. Distribution of Changes Since Reforms, Administrative Time

PROGRAM ADMIN TIME

	Frequency	Percent	Valid Percent	Cumulative Percent
Dramatic Increase	42	4.0	5.7	5.7
Slight Increase	137	13.0	18.7	24.5
Same	432	41.1	59.1	83.6
Slight Decrease	99	9.4	13.5	97.1
Dramatic Decrease	21	2.0	2.9	100.0
Total	731	69.6	100.0	
System	319	30.4		
	1,050	100.0		

- Administrative time has changed little as a result of reforms, but there is an upward bias (24%) which is not surprising.

Exhibit 24. Distribution of Changes Since Reforms, Administrative Time, by Industry

Industry Classification	Please compare the Workers Compensation program in the past 12 months, to the experience prior to 2005. WC Program Admin Time				
	Dramatic Increase	Slight Increase	Same	Slight Decrease	Dramatic Decrease
Agriculture	6.3%	31.3%	43.8%	18.8%	0.0%
Mining, Utilities, and Construction	6.6%	23.7%	55.3%	13.2%	1.3%
Wholesale trade, retail trade, accommodation and food services	5.0%	18.3%	60.8%	13.3%	2.5%
Transportation and Warehousing	8.0%	12.0%	60.0%	20.0%	0.0%
Information, Professional, Management of Companies, and Administrative	6.6%	15.3%	67.2%	8.0%	2.9%
Finance, Insurance, and Real Estate	3.3%	23.3%	55.0%	13.3%	5.0%
Healthcare	4.2%	21.1%	56.3%	14.1%	4.2%
Other services	5.1%	15.2%	66.7%	11.1%	2.0%
Manufacturing	7.1%	18.9%	50.4%	19.7%	3.9%
TOTAL	5.7%	18.7%	59.1%	13.5%	2.9%

- Agriculture has seen the most change with a notable (37%) decrease. This findings runs counter to some of their views on reform's importance.

Exhibit 24. Distribution of Changes Since Reforms, Administrative Time, by Employer Size

Number of Employees covered by policy	Please compare the Workers Compensation program in the past 12 months, to the experience prior to 2005. WC Program Admin Time				
	Dramatic Increase	Slight Increase	Same	Slight Decrease	Dramatic Decrease
Less than 25	5.0%	12.2%	73.5%	7.6%	1.7%
25-50	4.5%	21.6%	60.4%	10.8%	2.7%
51-250	4.1%	20.7%	54.5%	17.4%	3.3%
More than 250	10.7%	24.3%	41.4%	19.3%	4.3%
TOTAL	5.7%	18.7%	59.1%	13.5%	2.9%

- Not surprisingly, larger employers (those that have greater expenses) have seen the administrative benefits the most.

Exhibit 25. Distribution of Changes Since Reforms, Administrative Time, by Region

Region	Please compare the Workers Compensation program in the past 12 months, to the experience prior to 2005. WC Program Admin Time				
	Dramatic Increase	Slight Increase	Same	Slight Decrease	Dramatic Decrease
Northern California	3.3%	16.3%	65.3%	12.6%	2.5%
Los Angeles and Inland Empire	2.3%	19.9%	59.1%	14.0%	4.7%
Orange County	17.9%	15.4%	53.8%	10.3%	2.6%
San Diego County	9.3%	18.6%	53.5%	15.1%	3.5%
Central Valley, Tahoe, and Other	7.8%	21.2%	55.4%	14.0%	1.6%
TOTAL	5.8%	18.7%	59.2%	13.5%	2.9%

- And there are not many regional variations to this question, except that Orange County + San Diego have experienced a little more of a decrease (30% versus 24% average).

Exhibit 26. Distribution of Changes Since Reforms, Administrative Time, by Claim Experience

Recent Experience with Worker Comp (claims in 2005)	Please compare the Workers Compensation program in the past 12 months, to the experience prior to 2005. WC Program Admin Time				
	Dramatic Increase	Slight Increase	Same	Slight Decrease	Dramatic Decrease
Yes	7.3%	23.0%	50.5%	16.4%	2.8%
No	2.2%	9.3%	78.3%	7.1%	3.1%
TOTAL	5.7%	18.7%	59.1%	13.5%	2.9%

- Encouragingly, those with the most experience (by virtue of more claims) have seen the most benefit (30% versus 24% average), This bodes well for full reductions.

Exhibit 27. Distribution of Changes Since Reforms, Productivity

PRODUCTIVITY

	Frequency	Percent	Valid Percent	Cumulative Percent
Dramatic Increase	20	1.9	2.8	2.8
Slight Increase	108	10.3	14.9	17.7
Same	549	52.3	75.7	93.4
Slight Decrease	42	4.0	5.8	99.2
Dramatic Decrease	6	0.6	0.8	100.0
Total	725	69.0	100.0	
System	325	31.0		
	1,050	100.0		

- Like reduced admin, there is a modest but noticeable bias in improved productivity as the result of reforms (18% versus 76%).

Exhibit 28. Distribution of Changes Since Reforms, Productivity, by Industry

Industry Classification	Please compare the Workers Compensation program in the past 12 months, to the experience prior to 2005. Productivity				
	Dramatic Increase	Slight Increase	Same	Slight Decrease	Dramatic Decrease
Agriculture	0.0%	13.3%	86.7%	0.0%	0.0%
Mining, Utilities, and Construction	0.0%	17.1%	75.0%	7.9%	0.0%
Wholesale trade, retail trade, accommodation and food services	5.8%	12.4%	76.0%	5.8%	0.0%
Transportation and Warehousing	0.0%	12.0%	76.0%	12.0%	0.0%
Information, Professional, Management of Companies, and Administrative	1.5%	6.6%	83.1%	7.4%	1.5%
Finance, Insurance, and Real Estate	6.8%	15.3%	74.6%	3.4%	0.0%
Healthcare	0.0%	12.5%	80.6%	4.2%	2.8%
Other services	4.1%	20.4%	69.4%	4.1%	2.0%
Manufacturing	2.4%	22.8%	69.1%	5.7%	0.0%
TOTAL	2.8%	14.9%	75.7%	5.8%	0.8%

- This modest trend is most evident with manufacturing (25% versus 18% average) and other services, with agriculture seeing the least amount of change.

Exhibit 29. Distribution of Changes Since Reforms, Productivity, by Employer Size

Number of Employees covered by policy	Please compare the Workers Compensation program in the past 12 months, to the experience prior to 2005. Productivity				
	Dramatic Increase	Slight Increase	Same	Slight Decrease	Dramatic Decrease
Less than 25	1.7%	10.6%	81.7%	4.7%	1.3%
25-50	1.8%	9.2%	83.5%	5.5%	0.0%
51-250	4.5%	19.3%	70.0%	5.8%	0.4%
More than 250	2.2%	18.8%	69.6%	8.0%	1.4%
TOTAL	2.8%	14.9%	75.7%	5.8%	0.8%

- Once again larger employers have seen the greatest benefit. Signifying that size matters which is a good thing.

Exhibit 30. Distribution of Changes Since Reforms, Productivity, by Region

Region	Please compare the Workers Compensation program in the past 12 months, to the experience prior to 2005. Productivity				
	Dramatic Increase	Slight Increase	Same	Slight Decrease	Dramatic Decrease
Northern California	1.7%	9.3%	84.4%	3.8%	0.8%
Los Angeles and Inland Empire	2.4%	16.9%	74.7%	4.8%	1.2%
Orange County	7.9%	13.2%	68.4%	10.5%	0.0%
San Diego County	4.7%	20.9%	66.3%	7.0%	1.2%
Central Valley, Tahoe, and Other	2.6%	17.4%	72.3%	7.2%	0.5%
TOTAL	2.8%	14.8%	75.9%	5.7%	0.8%

- For some reason, Northern California has experienced the least improvement. We recommend a second level cross tabulation of productivity by region and other questions to figure out this finding.

Exhibit 31. Distribution of Changes Since Reforms, Productivity, by Claims Experience

Recent Experience with Worker Comp (claims in 2005)	Please compare the Workers Compensation program in the past 12 months, to the experience prior to 2005. Productivity				
	Dramatic Increase	Slight Increase	Same	Slight Decrease	Dramatic Decrease
Yes	2.6%	17.0%	72.4%	7.2%	0.8%
No	3.1%	10.2%	83.1%	2.7%	0.9%
TOTAL	2.8%	14.9%	75.7%	5.8%	0.8%

- Experience with claims also matters. We recommend a second level cross tabulation of productivity by both number of claims and industry.

Exhibit 32. Distribution of Changes Since Reforms, Absenteeism

Cross Year Comparison Absenteeism	Percent	Cumulative Percent
Dramatic Increase	1%	1%
Slight Increase	6%	7%
Same	79%	86%
Slight Decrease	11%	97%
Dramatic Decrease	3%	100%
Total	100%	0%

- Although absenteeism has remained largely the same (80%), there has been a positive trend (14%) in reduced incidence.

Exhibit 33. Distribution of Changes Since Reforms, Absenteeism, by Industry

Please compare the Workers Compensation program in the past 12 months, to the experience prior to 2005. Employee Absenteeism					
Industry Classification	Dramatic Increase	Slight Increase	Same	Slight Decrease	Dramatic Decrease
Agriculture	0.0%	0.0%	93.8%	6.3%	0.0%
Mining, Utilities, and Construction	0.0%	0.0%	86.7%	12.0%	1.3%
Wholesale trade, retail trade, accommodation and food services	0.8%	7.4%	72.1%	16.4%	3.3%
Transportation and Warehousing	0.0%	8.0%	80.0%	12.0%	0.0%
Information, Professional, Management of Companies, and Administrative	2.2%	5.0%	87.1%	5.0%	0.7%
Finance, Insurance, and Real Estate	0.0%	9.8%	78.7%	8.2%	3.3%
Healthcare	0.0%	9.7%	72.2%	11.1%	6.9%
Other services	2.0%	5.1%	79.6%	8.2%	5.1%
Manufacturing	0.8%	8.7%	72.4%	16.5%	1.6%
TOTAL	1.0%	6.4%	78.8%	11.2%	2.7%

- The trend shows up most in retail where absenteeism is a chronic problem (20% versus 14% average). The least problem has been in agriculture and the professional sector.

Exhibit 34. Distribution of Changes Since Reforms, Absenteeism, by Employer Size

Please compare the Workers Compensation program in the past 12 months, to the experience prior to 2005. Absenteeism					
Number of Employees covered by policy	Dramatic Increase	Slight Increase	Same	Slight Decrease	Dramatic Decrease
Less than 25	1.3%	5.4%	87.4%	4.6%	1.3%
25-50	0.9%	6.2%	86.7%	4.4%	1.8%
51-250	0.0%	5.3%	74.3%	16.7%	3.7%
More than 250	2.2%	10.1%	65.2%	18.1%	4.3%
TOTAL	1.0%	6.4%	78.8%	11.2%	2.7%

- Larger employees had better absenteeism results, a consistent trend for larger employers across most of the benefit categories.

Exhibit 35. Distribution of Changes Since Reforms, Absenteeism, by Region

Please compare the Workers Compensation program in the past 12 months, to the experience prior to 2005. Employee Absenteeism					
Region	Dramatic Increase	Slight Increase	Same	Slight Decrease	Dramatic Decrease
Northern California	0.0%	5.8%	81.3%	10.4%	2.5%
Los Angeles and Inland Empire	0.6%	6.4%	79.2%	10.4%	3.5%
Orange County	5.1%	7.7%	76.9%	7.7%	2.6%
San Diego County	2.3%	4.7%	75.6%	14.0%	3.5%
Central Valley, Tahoe, and Other	1.0%	7.2%	77.3%	12.4%	2.1%
TOTAL	1.0%	6.3%	78.8%	11.2%	2.7%

- There were no regional differences in absenteeism, which is not surprising.

Exhibit 36. Distribution of Changes Since Reforms, Absenteeism, by Claims Experience

Recent Experience with WC (claims in 2005)	Please compare the Workers Compensation program in the past 12 months, to the experience prior to 2005. Employee Absenteeism				
	Dramatic Increase	Slight Increase	Same	Slight Decrease	Dramatic Decrease
Yes	0.8%	7.9%	73.6%	14.6%	3.2%
No	1.3%	3.1%	90.4%	3.5%	1.8%
TOTAL	1.0%	6.4%	78.8%	11.2%	2.7%

- Again we see if you had claims, the benefit was greater (17% versus 14% average) but modest.

Exhibit 37. Distribution of Changes Since Reforms, Fraud

Please compare the Workers Compensation program in the past 12 months, to the experience prior to 2005. Fraudulent Claims

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Dramatic Increase	16	1.5	2.2	2.2
	Slight Increase	47	4.5	6.5	8.8
	Same	505	48.1	70.1	78.9
	Slight Decrease	82	7.8	11.4	90.3
	Dramatic Decrease	70	6.7	9.7	100.0
	Total	720	68.6	100.0	
Missing	System	330	31.4		
Total		1,050	100.0		

- Once of the benefits of reform was a decrease in fraudulent claims. The survey results suggest that there is a trend (21%) in that direction, although most (70%) responded they have not seen any change.

Exhibit 38. Comparison of Fraudulent Claims, by Industry

	Please compare the Workers Compensation program in the past 12 months, to the experience prior to 2005. Fraudulent Claims				
	Dramatic Increase	Slight Increase	Same	Slight Decrease	Dramatic Decrease
Agriculture	0%	13%	69%	6%	13%
Mining + Utilities + Construction	0%	15%	65%	12%	8%
Wholesale trade + retail trade + accommodation and food serv	3%	7%	62%	18%	10%
Transportation and Warehousing	4%	0%	70%	17%	9%
Information + Professional + Management of Companies + Admin	1%	3%	83%	4%	9%
Finance and Insurance + Real Estate	3%	5%	80%	5%	7%
Healthcare	6%	3%	64%	14%	13%
Other services	3%	9%	69%	8%	11%
Manufacturing	0%	6%	67%	17%	10%
Total	2.2%	6.5%	70.1%	11.4%	9.7%

- When we review this improvement by industry group, again healthcare has seen the greatest benefit (which is consistent with their overall views of reform). Manufacturing, transportation and retail have also seen improvements. But information has seen the least change. And agriculture once again appears the most negative.

Exhibit 39. Comparison of Fraudulent Claims, by Employer Size

Please compare the Workers Compensation program in the past 12 months, to the experience prior to 2005. Fraudulent Claims					
	Dramatic				
	Increase	Slight Increase	Same	Slight Decrease	Dramatic Decrease
Less than 25 employees	3%	4%	77%	7%	9%
25-50 employees	3%	4%	82%	5%	5%
51-250 employees	1%	6%	66%	11%	15%
More than 250 employees	4%	12%	56%	23%	6%
Total	2%	7%	70%	11%	10%

- A very positive aspect of this improvement is the concentration with the largest employers who have greater risk management resources that can help ensure they realize the greatest benefits from reform.
- Smaller employers (250 employees or less), not surprisingly, have seen the least reduction.

Exhibit 40. Comparison of Fraudulent Claims, by Region

Please compare the Workers Compensation program in the past 12 months, to the experience prior to 2005. Fraudulent Claims					
	Dramatic				
	Increase	Slight Increase	Same	Slight Decrease	Dramatic Decrease
Northern California	1%	4%	78%	9%	8%
Los Angeles and Inland Empire	2%	5%	65%	13%	14%
Orange County	5%	14%	65%	5%	11%
San Diego County	2%	6%	69%	13%	9%
Central Valley, Tahoe, and Other	3%	10%	66%	14%	8%
Total	2%	7%	70%	11%	10%

- And there is some regional differences, especially in Los Angeles + Inland Empire, where the most egregious fraud (frequency of litigation, etc) has come from historically, pointing to a positive result of the reforms.
- We recommend a second level cross tabulation of fraudulent claims by both region and industry.

Exhibit x. Distribution of Coverage, by Industry

Industry	Who currently provides the majority of your Workers' Compensation Coverage?					Total
	CA State Compensation Insurance Fund	Insurer other than SCIF	Individual Self-Insurance	Group Self Insurance	Other	
Agriculture	47.4%	31.6%	5.3%	15.8%	0.0%	100.0%
Mining, Utilities, and Construction	39.1%	41.3%	6.5%	8.7%	4.3%	100.0%
Wholesale trade, retail trade, accommodation and food services	16.9%	64.2%	7.4%	8.8%	2.7%	100.0%
Transportation and Warehousing	19.4%	63.9%	8.3%	8.3%	0.0%	100.0%
Information, Professional, Management of Companies, and Administrative	35.0%	51.5%	5.8%	5.3%	2.4%	100.0%
Finance, Insurance, and Real Estate	26.1%	58.7%	3.3%	6.5%	5.4%	100.0%
Healthcare	38.0%	40.2%	4.3%	15.2%	2.2%	100.0%
Other services	41.1%	41.9%	6.2%	7.8%	3.1%	100.0%
Manufacturing	15.3%	64.4%	8.6%	9.8%	1.8%	100.0%
	29.3%	53.0%	6.3%	8.6%	2.8%	100.0%

Exhibit x. Distribution of Coverage, by Policy Renewal/Start Date

Who currently provides the majority of your Workers' Compensation Coverage?						
CA State						
Policy Renewal/Start Date	Compensation Insurance Fund	Insurer other than SCIF	Individual Self-Insurance	Group Self Insurance	Other	Total
Before 2005	38.8%	38.5%	9.0%	10.7%	3.0%	100.0%
1st Quarter 2005	34.0%	52.6%	1.9%	8.3%	3.2%	100.0%
2nd Quarter 2005	24.6%	60.7%	5.7%	7.4%	1.6%	100.0%
3rd Quarter 2005	24.5%	61.3%	4.9%	7.4%	1.8%	100.0%
4th Quarter 2005	16.2%	71.3%	3.0%	6.0%	3.6%	100.0%
	29.3%	54.0%	5.5%	8.4%	2.8%	100.0%

Exhibit 8. Distribution of Coverage, by Employer Size

Who currently provides the majority of your Workers' Compensation Coverage?						
CA State						
Employees covered by policy	Compensation Insurance Fund	Insurer other than SCIF	Individual Self-Insurance	Group Self Insurance	Other	Total
Less than 25	44.0%	50.2%	0.8%	3.5%	1.5%	100.0%
25-50	32.2%	57.9%	0.8%	6.6%	2.5%	100.0%
51-250	23.9%	61.8%	3.1%	8.9%	2.3%	100.0%
More than 250	12.1%	45.9%	20.4%	17.2%	4.5%	100.0%
	29.4%	54.3%	5.4%	8.4%	2.5%	100.0%

Exhibit 9. Workers' Compensation Impact on Business, by Premium Level, Previous Claims and Geography

How do you feel the California Workers Compensation climate has impacted your business since the enactment of the various legislative reforms in 2002, 2003 and 2004?				
Annual WC Premium	Positive Impact	No Change	Negative Impact	Total
Less than \$25,000	42.6%	40.2%	17.2%	100.0%
\$25,001 to \$100,000	49.8%	34.1%	16.1%	100.0%
\$100,001 to \$500,000	61.8%	28.5%	9.8%	100.0%
More than \$500,001	69.5%	23.8%	6.7%	100.0%
TOTAL	54.2%	32.6%	13.2%	100.0%

How do you feel the California Workers Compensation climate has impacted your business since the enactment of the various legislative reforms in 2002, 2003 and 2004?				
Recent experience with WC (claims in 2005)	Positive Impact	No Change	Negative Impact	Total
Yes	58.2%	29.1%	12.7%	100.0%
No	46.9%	38.3%	14.8%	100.0%
TOTAL	54.8%	31.9%	13.3%	100.0%

How do you feel the California Workers Compensation climate has impacted your business since the enactment of the various legislative reforms in 2002, 2003 and 2004?				
	Positive Impact	No Change	Negative Impact	Total
Northern California	52.2%	34.5%	13.4%	100.0%
Los Angeles and Inland Empire	51.2%	33.5%	15.2%	100.0%
Orange County	71.1%	23.7%	5.3%	100.0%
San Diego County	51.7%	34.5%	13.8%	100.0%
Central Valley, Tahoe, and Other	58.9%	29.4%	11.7%	100.0%
TOTAL	54.7%	32.3%	13.0%	100.0%

Perceptions about Satisfaction and Impact of Legislation

Satisfaction

Exhibit x. Satisfaction with the Workers' Compensation System, by Industry

Industry Classification	How would you rate the Workers' Compensation system?				
	Very Satisfied	Somewhat Satisfied	Neutral	Somewhat Unsatisfied	Very Unsatisfied
Agriculture	6%	38%	6%	6%	44%
Mining, Utilities, and Construction	3%	29%	23%	25%	21%
Wholesale trade, retail trade, accommodation and food services	4%	25%	25%	20%	25%
Transportation and Warehousing	4%	44%	12%	16%	24%
Information, Professional, Management of Companies, and Administrative	5%	24%	26%	19%	26%
Finance, Insurance, and Real Estate	8%	22%	22%	28%	22%
Healthcare	8%	31%	18%	27%	16%
Other services	10%	17%	23%	25%	26%
Manufacturing	5%	29%	17%	24%	25%
TOTAL	6%	26%	22%	23%	24%

- Not surprisingly agriculture is the least satisfied [note: agriculture has a small sample size] while healthcare was the most benefited.
- A further concern in interpreting the agriculture results is the difficulty in reaching the Hispanic population.
- We recommend taking a look at a few additional cross tabulations: 1) satisfaction by both industry and the changes in annual premium paid, 2) breaking down the 16% of very unsatisfied healthcare respondents to find out additional characteristics and 3) breaking down the 44% of somewhat satisfied transportation + warehousing respondents to find out additional characteristics.

Exhibit x. Satisfaction with the Workers' Compensation System, by Geography

	How would you rate the Workers' Compensation system?				
	Very Satisfied	Somewhat Satisfied	Neutral	Somewhat Unsatisfied	Very Unsatisfied
Northern California	8%	25%	23%	24%	20%
Los Angeles and Inland Empire	6%	26%	17%	22%	29%
Orange County	2%	20%	29%	15%	34%
San Diego County	2%	31%	23%	24%	19%
Central Valley, Tahoe, and Other	5%	27%	21%	23%	25%
TOTAL	6%	26%	21%	23%	24%

- Looking at satisfaction by geography, Los Angeles + Inland Empire show the most relative dissatisfaction with the workers' comp system.
- We recommend a second level cross tabulation that shows satisfaction by both geography and industry.

Exhibit x. Comparison of the Workers' Comp system in the past 12 months, to experience prior to 2005

	Overall Number of Claims			Cumulative Percent
	Frequency	Percent	Valid Percent	
Dramatic Increase	17	1.6	2.3	2.3
Slight Increase	94	9.0	12.8	15.1
Same	345	32.9	46.9	62.0
Slight Decrease	195	18.6	26.5	88.5
Dramatic Decrease	85	8.1	11.5	100.0
Total	736	70.1	100.0	
System	314	29.9		
TOTAL	1,050	100.0		

- Although the number of claims has been relatively stable (47% had no change), there is a downward trend which is positive.

Exhibit x. Comparison of the Workers' Comp system in the past 12 months, by Industry

	Please compare the Workers Compensation program in the past 12 months, to the experience prior to 2005. Overall Number of Claims				
	Dramatic	Slight	Same	Slight	Dramatic
	Increase	Increase		Decrease	Decrease
Agriculture	6%	6%	31%	38%	19%
Mining + Utilities + Construction	0%	18%	43%	29%	9%
Wholesale trade + retail trade + accommodation and food serv	4%	15%	38%	31%	12%
Transportation and Warehousing	4%	16%	44%	36%	0%
Information + Professional + Management of Companies + Admin	1%	10%	63%	17%	9%
Finance and Insurance + Real Estate	2%	13%	46%	30%	10%
Healthcare	3%	7%	44%	31%	15%
Other services	2%	10%	57%	20%	10%
Manufacturing	2%	16%	37%	28%	17%
TOTAL	2%	13%	47%	26%	12%

- This downward trend shows up most with manufacturing and agriculture, which is somewhat surprising given their relative satisfaction of workers' compensation reforms.
- Healthcare's positive view on claims is decreasing, however is **inconsistent** with their overall positive view of reforms.
- The information + professional, etc industrial sector is by far the most dramatic positive in their responses.

Exhibit x. Comparison of the Workers' Comp system in the past 12 months, by Employer Size

	Please compare the Workers Compensation program in the past 12 months, to the experience prior to 2005. Overall Number of Claims				
	Dramatic	Slight	Same	Slight	Dramatic
	Increase	Increase		Decrease	Decrease
Less than 25 employees	2%	10%	64%	15%	10%
25-50 employees	3%	17%	51%	23%	6%
51-250 employees	1%	10%	41%	33%	15%
More than 250 employees	4%	20%	26%	38%	12%
TOTAL	2%	13%	47%	26%	12%

- Mid-sized employers (51-250 employees) have seen the greatest benefit from reforms, while small employers have the opposite view. This finding is consistent with their overall view and relative satisfaction level from reforms.

Exhibit x. Comparison of the Workers' Comp system in the past 12 months, by Geography

	Please compare the Workers Compensation program in the past 12 months, to the experience prior to 2005. Overall Number of Claims				
	Dramatic	Slight	Same	Slight	Dramatic
	Increase	Increase		Decrease	Decrease
Northern California	1%	9%	55%	22%	12%
Los Angeles and Inland Empire	3%	13%	42%	27%	15%
Orange County	3%	23%	38%	30%	8%
San Diego County	3%	17%	41%	24%	14%
Central Valley, Tahoe, and Other	3%	13%	45%	32%	8%
TOTAL	2%	13%	47%	27%	12%

- When we look at the number of claims by region, the Central Valley + Tahoe region, where a majority of agriculture is, has the least positive view. And Los Angeles + Inland Empire have the opposite view.

Exhibit x. Satisfaction with Handling Employees, by Previous Claims

Recent Experience with Worker Comp (claims in 2005)	How would you rate the Workers' Compensation system's handling of your employee during the claim process?				
	Very Satisfied	Somewhat	Neutral	Somewhat	Very
		Satisfied		Unsatisfied	Unsatisfied
YES	13%	35%	19%	19%	14%
NO	11%	11%	62%	9%	8%
TOTAL	12%	27%	33%	16%	12%

- Satisfaction and claims experience seem to be correlated (as does neutrality and no claim experience). It appears that the most experienced (those with workers' comp claims in 2005) have seen the greatest perceived benefit.

- We recommend a second level cross tabulation looking at satisfaction by both claim experience and industry sector.

Exhibit x. Satisfaction with Handling Employees, by Employer Size

	How would you rate the Workers' Compensation system's handling of your employee during the claim process?				
	Very Satisfied	Somewhat		Somewhat	Very
		Satisfied	Neutral	Unsatisfied	Unsatisfied
Less than 25	12%	15%	52%	10%	11%
25-50	15%	29%	26%	21%	9%
51-250	11%	34%	23%	18%	15%
More than 250	12%	35%	22%	18%	13%
TOTAL	12%	27%	33%	16%	12%

- And if we look at satisfaction by employer size, the smallest employers (less than 25 employees) are the most neutral. Otherwise, the size of employer does not seem to impact satisfaction.

Exhibit x. Satisfaction with Handling Employees, by Geography

	How would you rate the Workers' Compensation system's handling of your employee during the claim process?				
	Very Satisfied	Somewhat		Somewhat	Very
		Satisfied	Neutral	Unsatisfied	Unsatisfied
Northern California	14%	25%	37%	15%	9%
Los Angeles and Inland Empire	13%	24%	31%	16%	16%
Orange County	7%	32%	29%	17%	15%
San Diego County	12%	28%	33%	20%	8%
Central Valley, Tahoe, and Other	11%	31%	28%	15%	14%
TOTAL	12%	27%	33%	16%	12%

- Location also does not seem to matter regarding claim satisfaction, except perhaps in Northern California.

Impact

Exhibit x. Impact on Business, by Premium Level

How do you feel the California Workers Compensation climate has impacted your business since the enactment of the various legislative reforms in 2002, 2003 and 2004?			
Annual WC Premium	Positive Impact	No Change	Negative Impact
Less than \$25,000	42.6%	40.2%	17.2%
\$25,001 to \$100,000	49.8%	34.1%	16.1%
\$100,001 to \$500,000	61.8%	28.5%	9.8%
More than \$500,001	69.5%	23.8%	6.7%
TOTAL	54.2%	32.6%	13.2%

- It appears that positive impact is significantly correlated with premium paid and employer size.

Exhibit x. Impact on Business, by Region

How do you feel the California Workers Compensation climate has impacted your business since the enactment of the various legislative reforms in 2002, 2003 and 2004?			
	Positive Impact	No Change	Negative Impact
Northern California	52.2%	34.5%	13.4%
Los Angeles and Inland Empire	51.2%	33.5%	15.2%
Orange County	71.1%	23.7%	5.3%
San Diego County	51.7%	34.5%	13.8%
Central Valley, Tahoe, and Other	58.9%	29.4%	11.7%
TOTAL	54.7%	32.3%	13.0%

- This correlation is not regionally derived (above exhibit). But it seems to increase with time which is consistent with other aspects of the survey (see exhibit below).

Exhibit x. Impact on Business, Policy Start Date

How do you feel the California Workers Compensation climate has impacted your business since the enactment of the various legislative reforms in 2002, 2003 and 2004?			
	Positive Impact	No Change	Negative Impact
Before 2005	45.4%	38.8%	15.8%
1st Quarter 2005	57.7%	34.5%	7.7%
2nd Quarter 2005	50.0%	31.8%	18.2%
3rd Quarter 2005	57.3%	33.3%	9.3%
4th Quarter 2005	64.5%	21.1%	14.5%
TOTAL	53.8%	32.9%	13.3%

**SURVEY INSTRUMENT**

Members of the California Chamber of Commerce, thank you for taking time from your busy schedule to participate in this Workers' Compensation survey. This survey should take less than 20 minutes to complete. The survey is an important part of a project that is directed by California's Labor Code 138.65 and the final report will be submitted to the State Legislature and Governor. The goal of the project is to evaluate the impact of recent changes to the Workers' Compensation Program. The survey will require that you have general knowledge about your firms' workers' compensation program. The survey will also ask about current business trends. Please base your answers only on your California Workers' Compensation experience. Your responses are confidential and will only be used for the purpose of this project. If you have any questions please contact Form 10 Group, Inc at (408) 988-0110.

Q1. Does your company currently have employees in the State of California that are covered by a Workers' Compensation Policy?

1. Yes
2. No (This response will end the survey)

Q2. What industry code best describes your company's primary focus?

1. Agriculture, Forestry, Fishing and Hunting
2. Mining
3. Utilities
4. Construction
5. Manufacturing
6. Wholesale Trade
7. Retail Trade
8. Transportation and Warehousing
9. Information
10. Finance and Insurance
11. Real Estate and Rental and Leasing
12. Professional, Scientific, and Technical Services
13. Management of Companies and Enterprises
14. Administrative and Support and Waste Management and Remediation Services
15. Educational Services
16. Health Care and Social Assistance
17. Arts, Entertainment, and Recreation
18. Accommodation and Food Services
19. Other Services (except Public Administration)
20. Public Administration
21. Media

Q3. What was the change in your company's payroll from 2004 to 2005? (Please only include your California employees in your response.)

1. Decrease of 10% or more
2. Decrease of less than 10%
3. Little or no change
4. Increase of 5% or less
5. Increase of 6% to 15%
6. Increase of 16% to 25%
7. Increase of 26% or more

Q4. What caused your payroll decrease?

1. Decreased salaries with no decrease in the number of employees
2. Eliminated current positions through layoffs
3. Shifted positions from inside of California to outside of the State

4. Other issues caused the decrease

Q5. What caused your payroll increase?

1. Increased salaries for current employees with no new hiring
2. Hiring for newly created positions
3. Shifted positions from outside of California to inside the State
4. Other reasons caused the increase

Q6. Are you aware of the Workers Compensation Reforms that occurred during 2002, 2003 and 2004?

1. Yes
2. No

Q7. How do you feel the California Workers Compensation climate has impacted your business since the enactment of the various legislative reforms in 2002, 2003 and 2004?

1. Positive Impact
2. No Change
3. Negative Impact

Q8. How did the 2002, 2003 and 2004 reforms of the Workers Compensation program impact your decisions for your California employees?

1. Little or no impact
2. Moderate impact
3. Major impact
4. Key factor in making decision

Q9. Who currently provides the majority of your Workers' Compensation Coverage?

1. CA State Compensation Insurance Fund (SCIF)
2. Insurer other than SCIF
3. Individual Self-Insurance
4. Group Self Insurance
5. Other

Q10. When did your current Workers' Compensation Policy begin? Please use either your renewal (existing policy) or start date (new policy).

Month

1. Jan
2. Feb
3. Mar
4. Apr
5. May
6. Jun
7. Jul
8. Aug
9. Sep
10. Oct
11. Nov
12. Dec

Year

1. Before 1995
2. 1996
3. 1997
4. 1998
5. 1999
6. 2000
7. 2001

8. 2002
9. 2003
10. 2004
11. 2005

Q11. After considering all discounts and credits, what is the annual premium charged for your company's Workers' Compensation coverage? (Please only include your California employees in your response.)

1. Less than \$5,000
2. \$5,000 to \$25,000
3. \$25,001 to \$75,000
4. \$75,001 to \$100,000
5. \$100,001 to \$500,000
6. \$500,001 to \$1 million
7. More than \$1 million

Q12. How did your company's annual California Worker's Compensation premium change from 2004? Please consider the total cost of Workers Compensation coverage on a per employee basis.

1. More than a 35% increase
2. 25% to 35% increase
3. 15% to 24% increase
4. 5% to 14% increase
5. Less than a 5% increase
6. Little or no change
7. Less than a 5% decrease
8. 5% to 14% decrease
9. 15% to 24% decrease
10. 25% to 35% decrease
11. More than a 35% decrease

Q13. What is the annual deductible for your California Workers Compensation policy?

1. No or Zero Deductible
2. Less than \$25,000
3. \$25,000 to \$100,000
4. Greater than \$100,000

Q14. How did your annual Workers Compensation deductible change from last year?

1. Increased
2. No Change
3. Decreased

Q15. If your company is self-insured with a certificate of consent to self insure, what is your company's self-insured retention amount?

1. Less than \$100,000
2. \$100,000 to \$249,999
3. \$250,000 to \$500,000
4. More than \$500,000
5. No, we do not self-insure

Q16. How many employees does your company have that are covered by your California Workers Compensation Policy?

1. Less than 5
2. 5 to 10
3. 11 to 25
4. 26 to 50

5. 51 to 250
6. 251 to 500
7. 501 to 1000
8. More than 1000

Q17. Are the majority of your employees concentrated in one California location or are they spread throughout the state?

1. Concentrated in one location
2. Multiple locations

Q18. Please enter the 5 digit zip-code where the majority of your employees perform their work?

Enter zip-code: _____

Q19. Please select the areas of the state that you have employees located? Please select all that apply.

1. Sacramento Area
2. Bay Area
3. Los Angeles
4. Orange County
5. San Diego
6. Northern California
7. Central Valley
8. Other
9. Tahoe Area
10. Inland Empire

Q20. When you most recently renewed your Worker's Compensation coverage did you?

1. Renew with your current carrier
2. Sign with a new carrier
3. Neither, it is the first time having this type of coverage

Q21. When you renewed your insurance with your current carrier, did they offer you?

1. Only one quote
2. Offer multiple alternative quotes

Q22. What was the most important reason for selecting the new carrier?

1. Previous carrier refused to quote
2. Previous carrier was not contacted
3. New carrier offered the most competitive price
4. Other

Q23. When you selected a Workers Compensation carrier did you do any of the following?

	Yes	No
Receive quotes from multiple carriers	<input type="checkbox"/>	<input type="checkbox"/>
Investigate self or group insurance	<input type="checkbox"/>	<input type="checkbox"/>
Receive multiple quotes from only one carrier	<input type="checkbox"/>	<input type="checkbox"/>
Select a carrier with whom you already had another insurance policy	<input type="checkbox"/>	<input type="checkbox"/>

Q24. Are your injured employees offered medical care from any of these sources?

1. Preferred Provider Network
2. Medical Provider Network
3. Health Care Organization

4. Other

Q25. How would you rate the Workers' Compensation system?

1. Very Satisfied
2. Somewhat Satisfied
3. Neutral
4. Somewhat Unsatisfied
5. Very Unsatisfied

Q26. How would you rate the Workers' Compensation system's handling of your employee during the claim process?

1. Very Satisfied
2. Somewhat Satisfied
3. Neutral
4. Somewhat Unsatisfied
5. Very Unsatisfied

Q27. In the past 12 months has your company had any Workers' Compensation claims by employees?

1. Yes
2. No

Q28. Did your company have any Workers' Compensation claims prior to 2005?

1. Yes
2. No

Q29. Please compare the Workers' Compensation program in the past 12 months, to the experience prior to 2005.

	Dramatic Increase	Slight Increase	Same	Slight Decrease	Dramatic Decrease
Employee Absenteeism	<input type="checkbox"/>				
Productivity	<input type="checkbox"/>				
Workers Compensation Administration Time	<input type="checkbox"/>				
Fraudulent Claims	<input type="checkbox"/>				
Overall Number of Claims	<input type="checkbox"/>	<input type="checkbox"/>			



INSURANCE BROKER SURVEY RESULTS

INTRODUCTION

As part of the evaluation of the workers' compensation reform legislation, specifically AB 749, SB 228 and SB 899¹, a survey was targeted to mid-sized and smaller insurance brokers. The survey was designed and conducted to look at a cross section of brokers in California to determine pricing and availability of the workers' compensation insurance market by industry, geography and employer size. The objective of the survey was to determine current levels of market competition and premium savings to policyholders. The web-based survey gathered data regarding broker's perceptions about: active markets, changes to premiums charged, satisfaction with the quality of services and the market since reforms. The survey also gathered data on: client size, industry, geographical location, average number of employees and premium size.

METHODOLOGY

Sample Design

The survey was web-based and of insurance brokers in California, all of whom are members of the Insurance Brokers and Agents of the West (IBA West). IBA West is a regional trade association that represents both insurance agents and brokers. In California, IBA West has 861 members that represent approximately 13,000 professionals. The insurance professionals include principals, producers and customer service staff.² In order to attain an email list of the appropriate insurance brokers, the project team met with the Clark Payan, Chief Executive Officer and David Benesh, Vice President of Marketing to determine survey distribution to their members.³ During this meeting and in numerous follow-up phone conversations and email correspondences, the IBA West team explained their membership criteria (and that the IBA West executives would be informing their members) that only one individual from each membership should respond to the survey. This is because of membership qualification and criteria restrictions. It also ensures there would be no over-representation in certain areas and companies. Furthermore, the project team conducted a focus group of five California brokers, from throughout the state, to provide feedback and make suggestions to improve the survey questionnaire.⁴

A link to the survey was sent via email, from IBA West's domain to IBA West's member list. Therefore the sample was not drawn randomly and may have self-selection bias.

Survey Instrument

The survey consisted of twenty-one (21) questions and took approximately 15-20 minutes to complete. The questions asked were based on project team and IBA West focus group input. The questions were designed to collect data regarding: number of active insurance markets, changes to premiums charged and perceptions and satisfaction in the post workers' compensation reform era. The survey instrument is included at the end of the report in Appendix X.

Data Collection Procedures

¹ The survey request can be found in Department of Industrial Relations (DIR) Agreement #40430059, Essential Elements Required in the Proposal, page 3 of 8.

² IBA West Member Access Program.

³ In person interview, October 28, 2005.

⁴ Focus group, November 7, 2005.

A link to the survey was sent via email to the member list that IBA West provided. The data was collected online through QuestionPro, on on-line survey software that enables the collection and export of survey data into other programs (i.e. excel and SPSS) to analyze the results. An introductory email was sent by IBA West to provide information regarding the purpose of the survey. Then, Questionpro identified the survey by a unique URL link. This link was emailed to respondents. Three days after the link was sent out, a follow-up reminder email was sent to the list to help increase the response rate. The survey remained active for one week in November (November 14 – 21st, 2005) to collect results. Additionally, security measures were built into the system to track IP addresses to ensure that only one response came from each computer that received the email link.

RESULTS

We present results in three sections: overall survey response and characteristics, a summary of market competitiveness (including active markets and changes to premiums) and a summary of perceptions and impact of the reforms.

Survey Response & Characteristics of Respondents

There were a total of 253 responses to the survey (the email was sent to 861 members), for an approximate 29% response rate, which is a reasonable, representative sample. We did not attempt to estimate the number of ineligible members from the original 861 to calculate a more accurate response rate.

In order to be a member of IBA West, there are a few key characteristics, members must: be a licensed property/casualty insurance broker, who own the expirations and renewals of their business, be members of another similar at-large organization and pay dues and initiation fees to the Board of Directors. We acknowledge that in reporting any results from this survey we are not capturing the views of any California brokers that are not current members of IBA members that do not read their emails, or use the internet.

For the most part we have an accurate representation of each industry segmented by geographical region. The basic demographic characteristics of the survey respondents:

Exhibit 1. Response breakdown by Industry and Region

Industry Classification	Region								
	Bay Area	Orange County	Los Angeles	Sacramento Area	San Diego	Central Valley	Other	Entire State	Multi-State
Manufacturing	19%	6%	28%	5%	4%	10%	9%	13%	5%
Construction	18%	7%	22%	6%	5%	13%	9%	17%	3%
Public Entities	19%	5%	10%	5%	7%	17%	17%	17%	5%
Financial	19%	4%	26%	9%	5%	13%	7%	15%	2%
Transportation	14%	1%	20%	5%	4%	18%	8%	25%	4%
Retail	21%	6%	24%	7%	4%	12%	9%	15%	3%
Services	18%	8%	23%	7%	4%	12%	9%	17%	4%
Agriculture	8%	2%	5%	6%	5%	27%	22%	20%	4%
Health Care	13%	1%	26%	6%	4%	16%	10%	21%	1%
Other	17%	5%	24%	7%	4%	8%	12%	19%	4%

Exhibit 2. Response breakdown by Industry and Number of Clients

Industry Classification	Estimated Number of Client employees				
	Less than 5	5 to 50	51 to 100	101 to 500	More than 500
Manufacturing	3%	59%	24%	13%	1%
Construction	8%	70%	14%	6%	1%
Public Entities	5%	44%	15%	27%	10%
Financial	9%	60%	16%	10%	4%
Transportation	6%	62%	19%	12%	1%
Retail	19%	66%	9%	4%	2%
Services	15%	65%	12%	6%	1%
Agriculture	6%	57%	19%	11%	7%
Health Care	9%	55%	14%	16%	5%
Other	10%	69%	14%	5%	2%

Changes in Market Competitiveness

Active Markets

- According to respondents from the broker survey, the following industries are experiencing increased competition as evidence by a greater number of markets now available to their clients, with anywhere between five and nine active WC markets: manufacturing, financial services, retail, and other services.
- The following industries experiencing a continued hard market, with only 1 – 4 markets available: construction, public entities, transportation, agriculture and healthcare, where workers' compensation claims tend to concentrate. Respondents also identified the construction and transportation as more difficult to place and conversely retail, other services and financial services are much easier.

Exhibit 3. Number of Active Markets, by Industry

Industry Classification	# of Active Markets				
	None, all coverage is referred to SCIF	1 to 4	5 to 9	10 to 20	More than 20
Manufacturing	2%	33%	40%	22%	3%
Construction	13%	61%	21%	3%	1%
Public Entities	10%	60%	23%	8%	0%
Financial	1%	31%	42%	24%	2%
Transportation	8%	61%	23%	8%	0%
Retail	0%	25%	42%	27%	5%
Services	0%	26%	45%	23%	5%
Agriculture	10%	56%	27%	7%	0%
Health Care	4%	55%	30%	11%	1%
Other	3%	35%	42%	18%	2%

- By calculating the average rating for the ease of difficulty in placing clients with insurers, we find that the following industries are the easiest to place: retail, financial, services, manufacturing and

other. And the more difficult to place industries: healthcare, agriculture, public entities, transportation and construction.

- When we consider both difficulty to place and number of bids, construction is the hardest, then transportation, agriculture and public entities. However, retail and services have seen the most benefit from the reforms and financial services is not far behind.

Exhibit 4. Ease of Difficulty in Placing Clients, by Industry

Industry Classification	Difficulty in placing clients with private insurers					Average Rating
	1 (Easiest)	2	3	4	5 (Hardest)	
Manufacturing	27%	25%	35%	10%	4%	2.4
Construction	2%	6%	16%	27%	49%	4.2
Public Entities	3%	26%	23%	26%	23%	3.4
Financial	35%	43%	19%	4%	0%	1.9
Transportation	5%	6%	25%	29%	35%	3.8
Retail	62%	24%	11%	1%	1%	1.6
Services	42%	35%	18%	2%	2%	1.9
Agriculture	3%	22%	34%	27%	14%	3.3
Health Care	11%	28%	36%	19%	6%	2.8
Other	14%	32%	42%	8%	3%	2.5

- We found inconclusive evidence to state any differences in placing large or small accounts, but there appears to be increased competition with smaller players. This was identified through a question that asked brokers about whether small-to-mid sized accounts (less than \$100,000 annual premiums) are easier or harder to place.

Exhibit 5. Available Coverage for Small versus Large Accounts

	% of Respondents
Large accounts are much easier to place than small accounts	12%
Large accounts are somewhat easier to place than small accounts	23%
No difference between large and small accounts	29%
Small accounts are somewhat easier to place than large accounts	23%
Small accounts are much easier to place than large accounts	12%

Premiums

- According to survey respondents there is evidence that premiums charged have decreased since the previous policy period.
- It appears that the greatest beneficiaries have been retail, services, financial services and manufacturing, all at relative the same benefit level.
- Public entities have seen the least benefit. Agriculture and construction also lag below the average benefit level, but less than anticipated from conversations during our large broker interviews.

Exhibit 5. Changes in Premium, by Industry

Industry Classification	Change in WC premium in most recent policy period									
	More than 25% increase	16 to 25% increase	5 to 15% increase	Less than 5% increase	No Change	Less than 5% decrease	5 to 15% decrease	16 to 25% decrease	More than 25% decrease	
Manufacturing	3%	5%	2%	2%	1%	4%	34%	34%	14%	
Construction	3%	5%	5%	2%	3%	11%	35%	25%	11%	
Public Entities	3%	6%	6%	6%	3%	14%	40%	23%	0%	
Financial	2%	5%	2%	3%	1%	5%	33%	34%	14%	
Transportation	3%	5%	2%	2%	6%	4%	42%	24%	11%	
Retail	5%	5%	1%	1%	1%	4%	32%	36%	14%	
Services	4%	5%	1%	1%	1%	3%	31%	36%	17%	
Agriculture	2%	4%	3%	1%	1%	5%	43%	31%	9%	
Health Care	6%	6%	1%	3%	2%	7%	31%	35%	10%	
Other	4%	6%	1%	2%	1%	3%	41%	32%	11%	

- According to survey respondents there is little evidence of a notable change in clients opting for deductibles in comparison to the previous policy period, with public entities the one exception, who have seen some increase.

Exhibit 6. Changes in Deductible, by Industry

Industry Classification	Change in share of WC clients opting for deductibles									
	More than 25% increase	16 to 25% increase	5 to 15% increase	Less than 5% increase	No Change	Less than 5% decrease	5 to 15% decrease	16 to 25% decrease	More than 25% decrease	
Manufacturing	1%	1%	2%	7%	78%	2%	2%	2%	4%	
Construction	1%	1%	4%	5%	80%	2%	2%	2%	3%	
Public Entities	0%	0%	6%	11%	78%	0%	6%	0%	0%	
Financial	0%	1%	0%	7%	83%	1%	3%	2%	5%	
Transportation	2%	0%	1%	5%	81%	1%	4%	2%	3%	
Retail	0%	1%	0%	5%	86%	1%	2%	2%	3%	
Services	0%	1%	0%	5%	85%	2%	3%	1%	4%	
Agriculture	1%	1%	1%	7%	79%	2%	3%	2%	3%	
Health Care	0%	1%	1%	2%	87%	1%	3%	1%	5%	
Other	0%	1%	0%	7%	86%	0%	1%	2%	3%	

Perceptions and Impact of Legislation

- But looking at the respondents as a whole, there is overwhelming evidence that the market has improved since the recent workers' compensation reforms.

What is your perception of California's Workers Compensation market since recent reform efforts (AB-749, AB-277, SB-228 and SB-899) have been implemented?

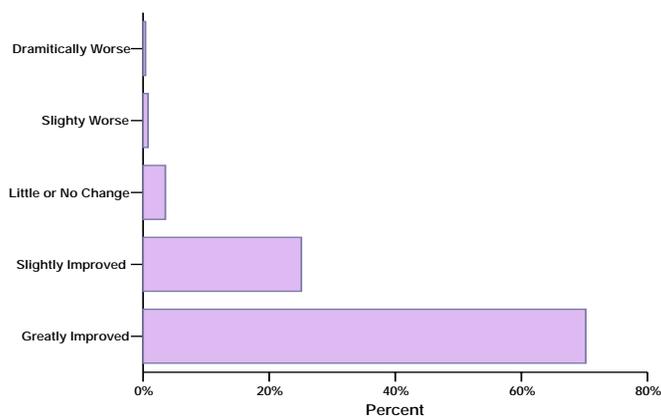


Exhibit 7. Perception of Market since Reforms, by Premium Size

	Greatly Improved	Slightly Improved	Little or No Change	Slightly Worse	Dramatically Worse
Less than \$1 million	39%	52%	6%	3%	0%
\$1 million to \$2.5 million	58%	35%	4%	2%	2%
\$2.5 million to 5 million	64%	31%	5%	0%	0%
\$5 million to \$10 million	78%	18%	5%	0%	0%
More than \$10 million	88%	11%	1%	0%	0%
Total	70%	25%	4%	8%	4%

- Looking at the respondents by the total annual premium they underwrite, it is apparent that the larger the insurance brokers have seen more improvement in the market than the smaller premium categories.

Exhibit 8. Perception of Market since Reforms, by Client Size

	Greatly Improved	Slightly Improved	Little or No Change	Slightly Worse	Dramatically Worse
Less than 10 clients	63%	25%	13%	0%	0%
11 to 25 clients	44%	50%	0%	6%	0%
26 to 75 clients	57%	37%	7%	0%	0%
More than 75 clients	76%	20%	3%	1%	1%
Total	70%	25%	4%	1%	0%

- Looking at the respondents by insurance broker's number of clients, it is apparent that the insurance brokers with more clients perceive more improved market conditions than those with fewer clients.

Exhibit 9. Satisfaction with Quality of Services Provided

	Category			
	Underwriting	Claims	Loss Control	Day to Day Operations
Very Satisfied	18%	9%	9%	13%
Somewhat Satisfied	48%	41%	35%	40%
Neutral	20%	30%	30%	34%
Somewhat Disappointed	12%	16%	19%	10%
Very Disappointed	3%	5%	8%	3%

- Over fifty percent respondents replied that they were either very satisfied or somewhat satisfied with quality of service for: day-to-day operations and underwriting services.
- This is an important observation since sometimes when premiums drop, so does service (and lower level of service with SCIF).

Exhibit 10. Satisfaction with Change in Quality of Services Provided

	Category			
	Underwriting	Claims	Loss Control	Day to Day Operations
Very Satisfied	15%	5%	3%	4%
Somewhat Satisfied	49%	37%	25%	33%
Neutral	28%	47%	58%	54%
Somewhat Disappointed	7%	8%	9%	7%
Very Disappointed	2%	4%	5%	2%

- Perhaps a more revealing fact is respondent's view of the change in service level. In this case, 64% of respondents were either very satisfied or somewhat satisfied with the **change** in the quality of service of underwriting services and the increased market competition.
- The change in claims satisfaction levels also were positive, 42%, which is encouraging since their aspect of 'service' also can be stressed when rates drop.
- Satisfaction with loss control, although positive, was less positive, suggesting room for improvement.

SURVEY INSTRUMENT

The survey consisted of twenty-one (21) questions and took approximately 15-20 minutes to respond to. The introduction and questionnaire is below:

Thank you for taking time from your busy schedule to participate in this Workers' Compensation survey. This survey should take less than 20 minutes to complete. The survey is an important part of a project that is directed by California's Labor Code 138.65 and the final report will be submitted to the State Legislature and Governor. The goal of the project is to evaluate the impact of recent changes to the Workers' Compensation Program. The survey will require that you have general knowledge about your firms' workers' compensation program. The survey will also ask about current business trends. Please base your answers only on your California Workers' Compensation experience.

Q1. Are you currently an Insurance Broker that provides California Workers Compensation policies to clients?

1. Yes
2. No (This response will end the survey)

Q2. What was the total volume in annual premium dollars your firm wrote last year in Workers Compensation Premiums?

1. Less than \$1 million
2. \$1 million to \$2.5 million
3. \$2.5 million to 5 million
4. \$5 million to \$10 million
5. More than \$10 million

Q3. How many California Worker's Compensation clients do you write policies on annually annual? *

1. Less than 10 clients
2. 11 to 25 clients
3. 26 to 75 clients
4. More than 75 clients

Q4. What is your perception of California's Workers' Compensation market since recent reform efforts (AB-749, AB-277, SB-228 and SB-899) have been implemented? *

1. Greatly Improved
2. Slightly Improved
3. Little or No Change
4. Slightly Worse
5. Dramitically Worse

Q5. Which industries does your firm currently write California Workers' Compensation policies? Please select all that apply.

1. Manufacturing
2. Construction
3. Public Entities
4. Financial
5. Transportation
6. Retail
7. Services
8. Agriculture
9. Health Care
10. Other

Q6. By industry, what region best describes the location of your California Workers' Compensation clients?

1. Bay Area
2. Orange County
3. Los Angeles
4. Sacramento Area
5. San Diego
6. Central Valley
7. Other
8. Entire State
9. Multi-State

Q7. By industry, what is the average number of employees at your Workers' Compensation clients?

1. Less than 5
2. 5 to 50
3. 51 to 100
4. 101 to 500
5. More than 500

Q8. By industry, how many ACTIVE Workers' Compensation markets are currently available to your California clients? Please base your answer on clients with good to excellent experience ratings.

1. None, all coverage is referred to SCIF
2. 1 to 4
3. 5 to 9
4. 10 to 20
5. More than 20

Q9. By industry, how difficult is it to place Workers' Compensation clients with private insurers? Please exclude SCIF from your answer and base on clients with good to excellent risk ratings. Rate from 1 to 5, with 1 being the easiest and 5 being the hardest.

1. 1 (Easiest)
2. 2
3. 3
4. 4
5. 5 (Hardest)

Q10. By industry, how have the Workers' Compensation premiums charged to your California changed during the most recent policy period? Please do not include clients that have had major changes to their experience modifier.

1. More than 25% increase
2. 16 to 25% increase
3. 5 to 15% increase
4. Less than 5% increase
5. No Change
6. Less than 5% decrease

7. 5 to 15% decrease
8. 16 to 25% decrease
9. More than 25% decrease

Q11. By industry, how has the number of your Workers' Compensation clients opting for deductibles changed in the past six months?

1. More than 25% increase
2. 16 to 25% increase
3. 5 to 15% increase
4. Less than 5% increase
5. No Change
6. Less than 5% decrease
7. 5 to 15% decrease
8. 16 to 25% decrease
9. More than 25% decrease

Q12. By industry, has the percentage of your clients opting for self-insurance during their most recent policy period increased or decreased?

1. Increase in Self Insurance Clients
2. No Change
3. Decrease in Self Insurance Clients

Q13. By industry, provide the make up of your clients by percentage.
For example if all of your clients are in Agriculture please enter 100 in that line.

Q14. Do your carriers currently use schedule rate adjustments more or less frequently since the implementation of reforms to California's Workers' Compensation program?

1. Carriers use schedule rate adjustments much more frequently than before the reforms
2. Carriers use schedule rate adjustments slightly more frequently than before the reforms
3. Carriers use schedule rate adjustments about the same as before the reforms
4. Carriers use schedule rate adjustments slightly less frequently than before the reforms
5. Carriers use schedule rate adjustments much less frequently than before the reforms

Q15. For your average Workers' Compensation client how different is the net-rate including experience modifiers versus the manual or published rate?

1. Published Rates are higher than Actual Premiums
2. Actual Premiums and Published Rates are the same
3. Actual Premiums are less than Published Rates

Q16. Are any of these Alternative Coverage Program offerings made available to interested clients?
Please check all that apply based on the size of a client's premium.

1. Large Clients - Premium > \$750,000
2. Medium Clients - Premium \$100K to \$750K
3. Small Clients - Premium <\$100K
4. Guarantee Cost Only
5. Lost Sensitive Plans (e.g. Dividend Plans)

6. Small Deductible
7. Large Deductible
8. Retrospectively Rated Contracts

Q17. Which of the following categories best represents the average California Workers' Compensation premium size of your clients?*

1. Less than \$250,000
2. \$250,001 to \$500,000
3. \$500,001 to \$1 million
4. More than \$1 million

Q18. What is your experience in coverage available from private insurers for small accounts (Less than \$100K annual premium) versus large accounts (More than \$100K annual premium)?

1. Large accounts are much easier to place than small accounts
2. Large accounts are somewhat easier to place than small accounts
3. No difference between large and small accounts
4. Small accounts are somewhat easier to place than large accounts
5. Small accounts are much easier to place than large accounts

Q19. How easy is it to place credit versus debit experience modifier rated accounts with private insurers? Please do not include SCIF.

1. Credit rated accounts are much easier to place than debit rated accounts
2. Credit rated accounts are slightly easier to place than debit rated accounts
3. No difference in placing either account
4. Debit rated accounts are slightly easier to place than credit accounts
5. Debit rated accounts are much easier to place than credit accounts

Q20. Please rate the overall quality of service provided by insurers in these categories since the reforms:

Day to Day Operations
Claims
Loss Control
Underwriting

1. Very Satisfied
2. Somewhat Satisfied
3. Neutral Somewhat
4. Disappointed
5. Very Disappointed

Q21. Please rate the change in the quality of service provided by insurers since the reforms in these categories:

Underwriting
Claims
Loss Control
Day to Day Operations

1. Significant Improvement
2. Some Improvement
3. No Change
4. Some Decrease
5. Significant Decrease