

The California Commission on Health and Safety and Workers' Compensation



Selected Indicators in Health and Safety and Workers' Compensation: 2011 Report Card for California

DRAFT

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Sean McNally (2011 Chair)
Catherine Aguilar
Faith Culbreath
Kristen Schwenkmeyer
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Darrel "Shorty" Thacker
Angie Wei

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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: 2011 Report Card for California," summarizing key information.

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

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

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

- California Department of Insurance (CDI)
- 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 Labor and Workforce Development Agency (LWDA)
 - Department of Industrial Relations (DIR)
 - Division of Workers' Compensation (DWC)
 - Division of Labor Standards Enforcement (DLSE)
 - Division of Occupational Safety and Health (DOSH)
 - Division of Labor Statistics and Research (DLSR)
 - Office of Self Insurance Plans (OSIP)
- 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 the Workers' Compensation Insurance Rating Bureau (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 action:

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 action:

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 action:

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 action:

An 11.3 percent increase effective January 1, 1996.

1997

WCIRB recommendation:

A 2.6 percent decrease in pure premium rates.

Insurance Commissioner action:

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 action:

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 action:

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 action:

An 18.4 percent increase effective January 1, 2000.

2001

WCIRB recommendations:

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 action:

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 action:

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 action:

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

July 1, 2002

WCIRB recommendation:

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 action:

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

January 1, 2003

WCIRB recommendations:

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 action:

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 action:

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 action:

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 recommendation:

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 action:

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 recommendation:

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 action:

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 action:

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 action:

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 action:

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 recommendation:

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 action:

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 recommendation:

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 action:

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 action:

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

July 1, 2008

WCIRB recommendation:

On March 26, 2008, accepting a recommendation made by the WCIRB Actuarial Committee, the WCIRB Governing Committee decided that the WCIRB would not propose a change in advisory pure premium rates for California to be effective on policies incepting on or after July 1, 2008.

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

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January 1, 2009

WCIRB recommendations:

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

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

Insurance Commissioner action:

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

July 1, 2009

WCIRB recommendations:

On March 27, 2009, WCIRB recommended a 24.4 percent increase in advisory pure premium rates for California to be effective on policies incepting on or after July 1, 2009.

WCIRB amended its filing on April 23, 2009, to reflect the revised aggregate financial data calls recently submitted by an insurer to WCIRB. These revisions reduced the indicated July 1, 2009, increase in the claims cost benchmark from 24.4 percent to 23.7 percent.

Insurance Commissioner action:

On July 8, 2009, the Insurance Commissioner approved no change to the pure premium rates effective July 1, 2009, applicable to new and renewal policies with anniversary rating dates on or after July 1, 2009.

January 1, 2010

WCIRB recommendation:

On August 18, 2009, the WCIRB submitted a pure premium rate filing to the California Insurance Commissioner recommending a 22.8 percent increase in advisory pure premium rates with respect to new and renewal policies as of the first anniversary rating date of a risk on or after January 1, 2010.

Insurance Commissioner action:

On November 9, 2009, the Insurance Commissioner approved no change to the pure premium rates effective January 1, 2010, applicable to new and renewal policies as of the first anniversary rating date of a risk on or after January 1, 2010.

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

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July 1, 2010

WCIRB recommendations:

On April 7, 2010, WCIRB voted not to submit a pure premium rate filing for July 1, 2010. The WCIRB's analysis of pure premium and loss experience valued as of December 31, 2009, showed that the indicated July 1, 2010 change in pure premium rates was essentially unchanged from the indication reflected in the January 1, 2010 filing.

Insurance Commissioner action:

The Insurance Commissioner did not issue the interim advisory rate for this period.

January 1, 2011

WCIRB recommendation:

On August 18, 2010, the WCIRB submitted a pure premium rate filing to the California Insurance Commissioner recommending a 29.6 percent increase in advisory pure premium rates with respect to new and renewal policies as of the first anniversary rating date of a risk on or after January 1, 2011. On September 27, 2010, the WCIRB amended its January 1, 2011 filing to propose a change in the claims cost benchmark of +27.7 percent in lieu of the +29.6 percent reflected in its August 18, 2010 filing.

Insurance Commissioner action:

On November 18, 2010, the Insurance Commissioner approved no change to the pure premium rates effective January 1, 2011, applicable to new and renewal policies as of the first anniversary rating date of a risk on or after January 1, 2011. Other proposed changes to the USRP, ERP and Miscellaneous Regulations were approved as filed with the exception that the experience rating eligibility was increased to \$16,700 to reflect the 0 percent approved change in the Claims Cost Benchmark.

July 1, 2011

WCIRB recommendations:

On May 19, 2011, the WCIRB decided not to submit a pure premium rate filing for July 1, 2011. The WCIRB noted that a decision on a mid-year filing would likely not be available prior to the WCIRB's upcoming January 1, 2012 Advisory Pure Premium Rate Filing in mid-August and two pending filings with the CDI had the potential to create a confusion.

Insurance Commissioner action:

The Insurance Commissioner did not issue the interim advisory rate for this period.

January 1, 2012

WCIRB recommendations:

On August 22, 2011, the WCIRB submitted its January 1, 2012 pure premium rate filing to the California Insurance Commissioner. The pure premium rates proposed in this filing are benchmarked to the average insurer filed pure premium rate. The average of 494 classification pure premium rates is \$2.33 per \$100 of payroll and 1.8 percent less than the corresponding average of insurer filed pure premium rates for July 1, 2011.

Insurance Commissioner action:

On November 4, 2011, the Commissioner issued a decision approving new advisory pure premium rates effective January 1, 2012, that average \$2.30 per \$100 of payroll.

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

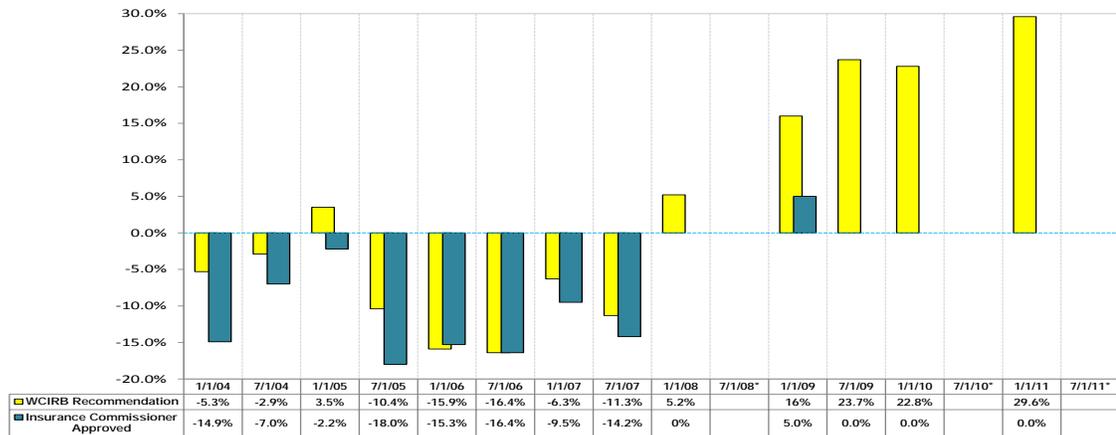
Source: WCIRB

Recommended vs. Approved Advisory Workers' Compensation Rates

As a result of recent legislative reforms, WCIRB recommended changes and the IC approved either decreases or no changes in the pure premium advisory rates between January 2004 and January 2011, with the exception of the January 2009 filing.

On August 22, 2011, the WCIRB submitted its January 1, 2012 pure premium rate filing to the California Insurance Commissioner. The pure premium rates proposed in this filing are benchmarked to the average insurer filed pure premium rate. The average of 494 classification pure premium rates is \$2.33 per \$100 of payroll and 1.8 percent less than the corresponding average of insurer filed pure premium rates for July 1, 2011. On November 4, 2011, the Commissioner issued a decision approving new advisory pure premium rates effective January 1, 2012, which average \$2.30 per \$100 of payroll. (A history of pure premium rates since 1993 appears later in this section.)

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



* WCIRB did not issue any recommendations for changes to pure premium rates effective 7/1/2008, 7/1/2010, and 7/1/2011, and the IC did not issue the interim advisory rates for these periods.

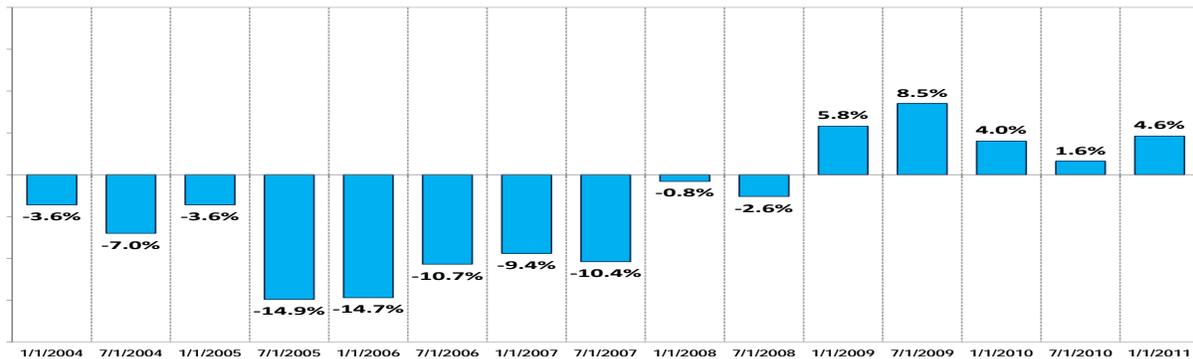
Note: On September 27, 2010, the WCIRB amended its January 1, 2011 filing to propose a change in the claims cost benchmark of +27.7 percent in lieu of the +29.6 percent reflected in its August 18, 2010 filing.

Data Source: WCIRB

California Workers' Compensation Filed Rate Changes

As a result of recent workers' compensation legislative reforms and the subsequent decisions by the IC on advisory premium rates, workers' compensation insurers have reduced their average filed rates between 2004 and 2008, as indicated in the chart below. However, in 2009, average rates filed by insurers increased.

Average Workers' Compensation Rate Reductions Filed by Insurers



Data Source: California Department of Insurance (CDI)

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

California Workers' Compensation Rate Changes

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

As of January 1, 2011, the cumulative premium weighted average rate reduction filed by insurers with the CDI since the reforms is approximately 44 percent for all writers including State Fund. There have been eight advisory pure premium rate reductions since the passage of AB 227 and SB 228, and individually stated, filed insurer rates were reduced 3.6 percent on January 1, 2004, 7.0 percent on July 1, 2004, 3.6 percent on January 1, 2005, 14.9 percent on July 1, 2005, 14.7 percent on January 1, 2006, 10.7 percent on July 1, 2006, 9.4 percent on January 1, 2007, and 10.4 percent on July 1, 2007. Insurer rates were further reduced by 0.8 percent on January 1, 2008, and 2.6 percent on July 1, 2008, at times when the advisory rates remained unchanged. For the first time since the reforms, the advisory pure premium rates were increased effective January 1, 2009, and filed insurer rates increased 5.8 percent. Filed insurer rates were further increased 8.5 percent on July 1, 2009, 4.0 percent on January 1, 2010, 1.6 percent on July 1, 2010, and 4.6 percent on January 1, 2011, also at times when the advisory rates remained unchanged.¹

WCIRB reports that actual rates charged in the market place as of September 30, 2011, had fallen by approximately 63 percent since the enactment of AB 227, SB 228, and SB 899. The average rate per \$100 of payroll fell from \$6.29 in the second half of 2003 to \$2.32 in 2010.²

California Workers' Compensation Top 10 Insurers Rate Filing Changes

COMPANY NAME	GROUP NAME	Market Share 2010	Cumulative Rate Change 1-04 to 1-11	1-1-2011 % Filed Rate Change	1-1-2010 % Filed Rate Change	7-1-2009 % Filed Rate Change	1-1-2009 % Filed Rate Change
STATE COMPENSATION INSURANCE FUND		16.03%	-39.70%	5.20%	5.00%	15.00%	8.90%
TRAVELERS CASUALTY COMPANY OF AMERICA	Travelers Group	6.08%	-46.18%	5.10%	0.00%	13.00%	9.20%
NATIONAL UNION FIRE INS COMPANY OF PITTS	AIG	3.00%	-44.75%	8.00%	8.00%	7.00%	10.00%
EVEREST NATIONAL INSURANCE COMPANY	Everest Re Group	2.99%	-51.77%	5.50%	2.00%	5.00%	-3.20%
ZENITH INSURANCE COMPANY	Fairfax Financial Gp	2.98%	-29.63%	2.90%	2.70%	4.00%	4.00%
ZURICH AMERICAN INSURANCE COMPANY	Zurich Ins Group	2.88%	-52.69%	10.00%	1.70%	10.0%	5.80%
EMPLOYERS COMPENSATION INSURANCE COMPANY	Employers Holdings Group	2.53%	-51.92%	2.45%	3.00%	10.50%	10.00%
STAR INSURANCE COMPANY	Meadowbrook Insurance Grp	2.46%	-51.33%	7.60%	9.40%	1.90%	-27.10%
CYPRESS INSURANCE COMPANY	Berkshire Hathaway Grp	2.13%	-56.94%	1.10%	6.30%	10.30%	5.00%
AMERICAN ZURICH INSURANCE COMPANY	Zurich Ins Group	2.04%	-63.70%	10.00%	1.70%	10.00%	-14.60%

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

² Source: WCIRB Summary of September 30, 2011 Insurer Experience, released December 8, 2011, Exhibit 2.

Since the first reform package was chaptered, 54 new insurers have entered the market and existing private insurers have increased their writings. The significant rate reductions totaling 44 percent since the first reforms were enacted, coupled with the reduced market share of State Fund (53.0 percent at its peak in 2003, declining to 16 percent in 2010), point to the dramatic success of the cost containment reforms and a stabilizing market with increased capacity and greater rate competition. However, the estimated 2010 accident year combined loss and expense ratio of 128 percent³ points to an erosion of the effectiveness of the cost containment reforms over time.⁴

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.

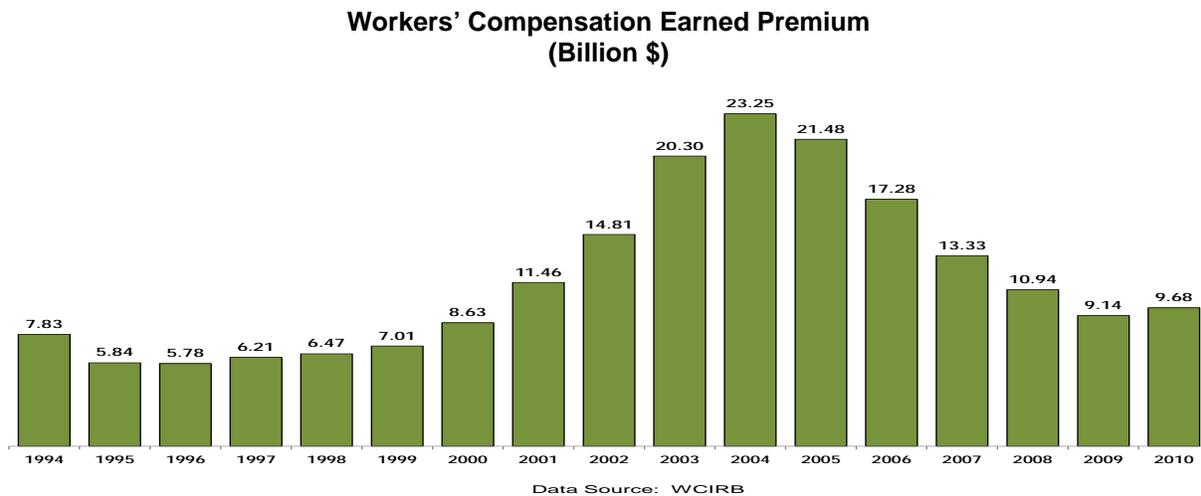
This increase in total premium appears to reflect:

- 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 declined overall by 58 percent from 2004 through 2010 as a result of market rate decreases following the reforms that took effect in 2003 and 2004.



³ Source: WCIRB Summary of September 30, 2011 Insurer Experience, released December 8, 2011.

⁴ Source: California Department of Insurance, RFLA3 Rate Filing Bureau

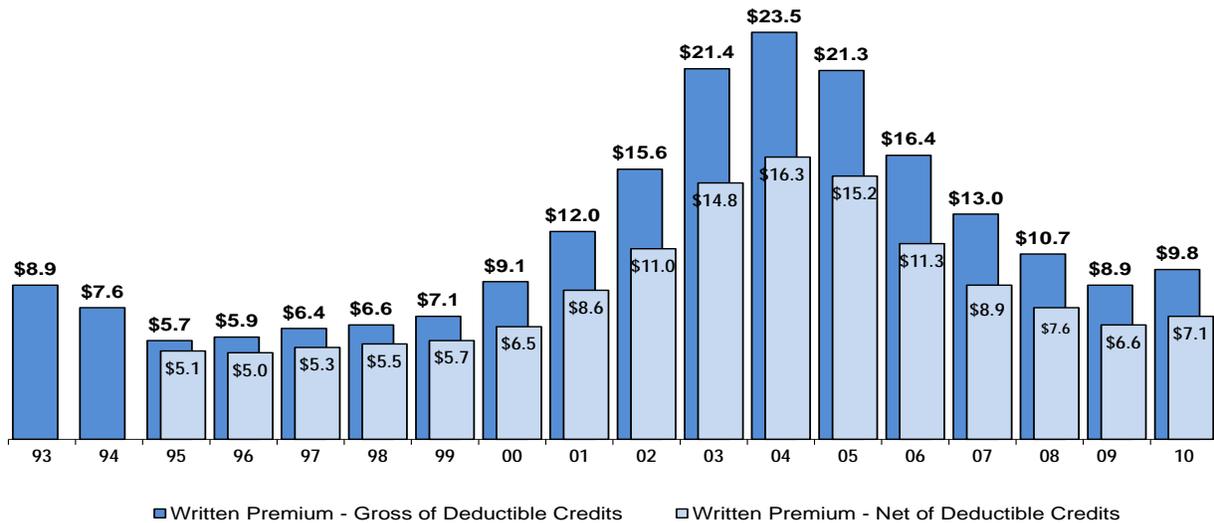
Workers' Compensation Written Premium

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, movement from self-insurance to insurance, and other factors, rather than due to increased rates. However, even with well over a million new workers covered by the system, the total premium paid by employers remained below the level seen at the beginning of the decade.

At the end of 1999, the IC approved an 18.4 percent pure premium rate increase for 2000, and the market began to harden after five years of open rating, though rates remained less than two-thirds of the 1993 level. Since then, the market has continued to firm, with the IC approving a 10.1 percent increase in the advisory rates for 2001 and a 10.2 percent increase for 2002. The total written premium has increased by 37 percent to \$21.4 billion from 2002 to 2003 and increased by about 10 percent to a peak of \$23.5 billion from 2003 to 2004. The written premium declined by 62 percent from \$23.5 billion to \$8.9 billion between 2004 and 2009 due to rate decreases. From 2009 to 2010, there was a 10 percent increase in written premium.

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

**Workers' Compensation Written Premium
as of September 30, 2011 (Billion \$)**

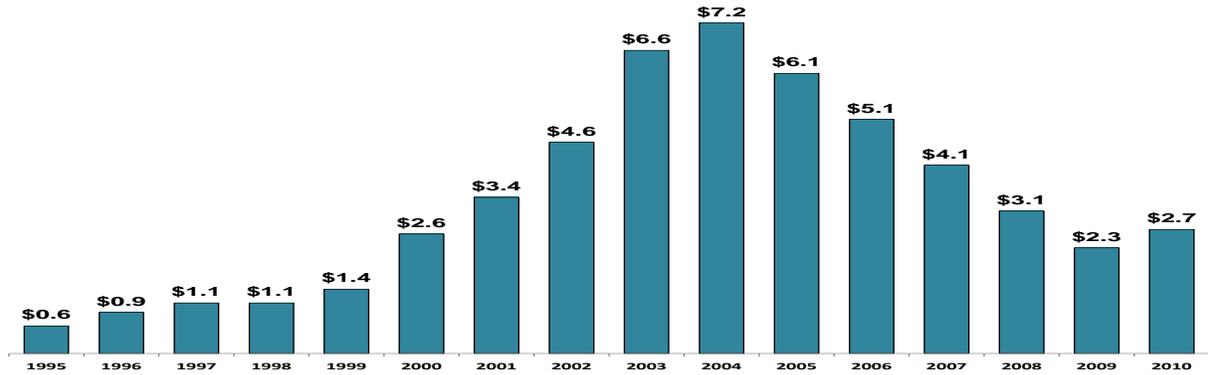


Data Source: WCIRB

Workers' Compensation Premium Deductibles

The following chart shows the changes in the total workers' compensation premium deductibles from 1996 to 2010.

**Workers' Compensation Premium Deductibles
as of September 30, 2011 (Billion \$)**

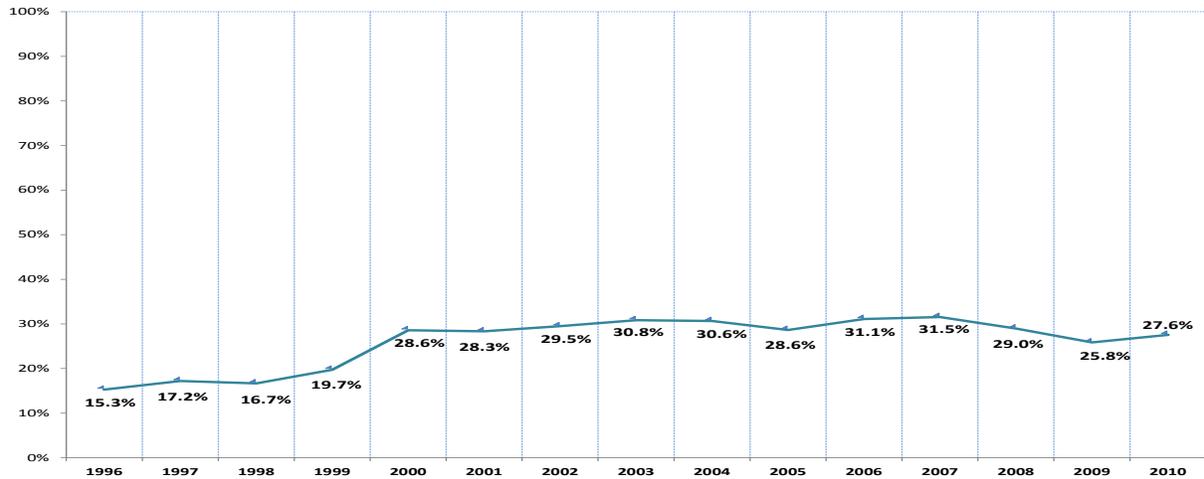


Data Source: WCIRB

Workers' Compensation Deductibles as Percent of Written Premium

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

**California Workers' Compensation Deductibles
as Percent of Gross Written Premium (as of September 30, 2011)**



Data Source: WCIRB

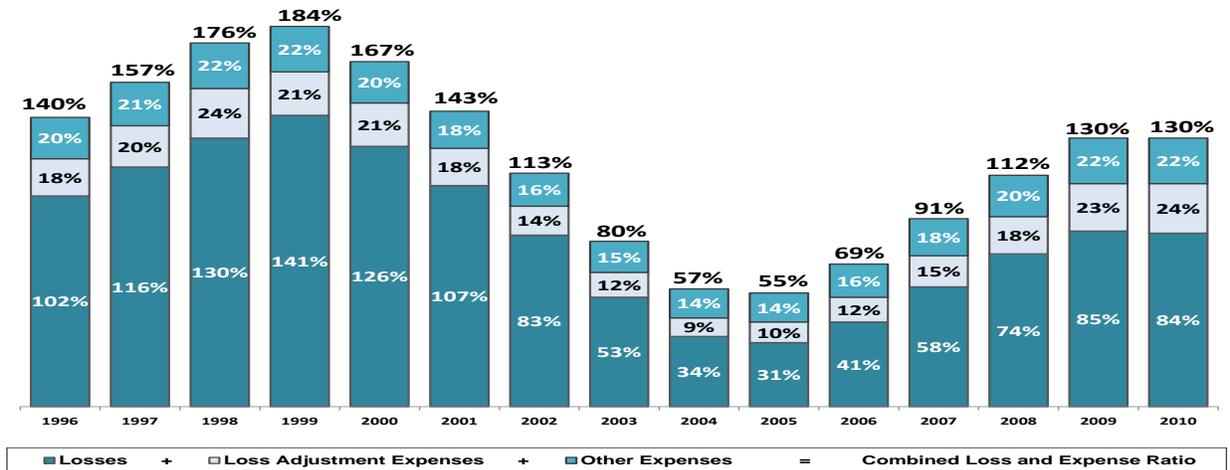
CALIFORNIA WORKERS' COMPENSATION INSURANCE INDUSTRY

Workers' Compensation Insurer Expenses

Combined Loss and Expense Ratios

The accident year combined loss and expense ratio, which measures workers' compensation claims payments and administrative expenses against earned premium, increased during the late 1990s, declined from 1999-2005, and increased 136 percent from 2005 to 2010. In accident year 2010, insurers' claim costs and expenses amounted to \$1.30 for every dollar of premium they collected. In accident year 2005, insurers' claim costs and expenses amounted to \$0.55 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
(as of September 30, 2011)**



Data Source: WCIRB

Insurance Companies' Reserves

WCIRB estimates that the total cost of benefits for injuries occurring prior to January 1, 2011, is approximately \$2.7 billion less than insurer-reported loss amounts.

Average Claim Costs

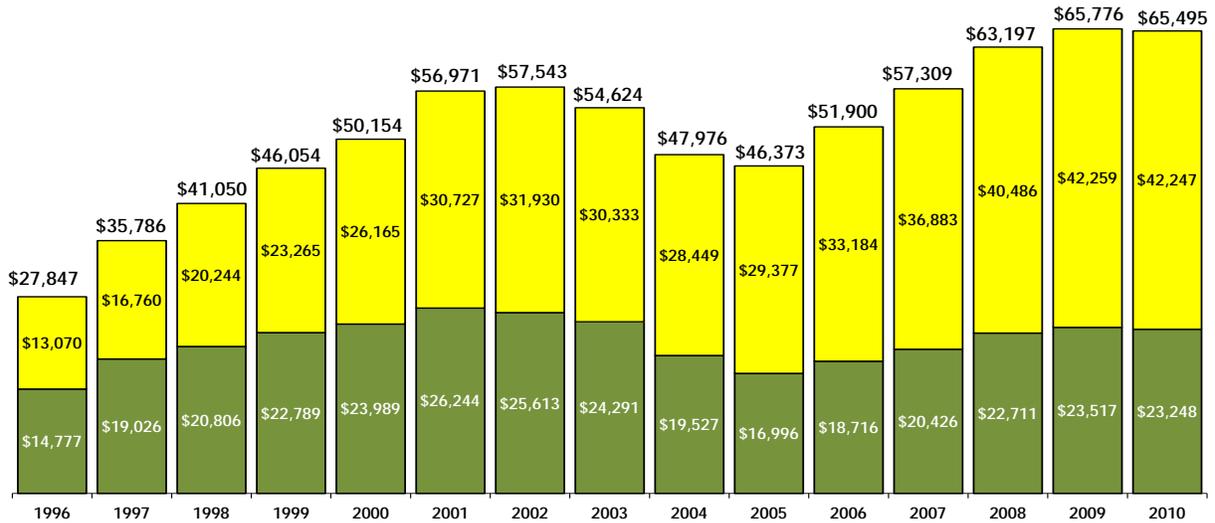
At the same time that premiums and claim frequency were declining, the total amount insurers paid on indemnity claims jumped sharply during the late 1990s.

The total average cost of indemnity claims more than doubled from 1996 to 2002 and then decreased by 19.4 percent from 2002 to 2005, reflecting the impact of AB 227, SB 228 and SB 899. However, the total indemnity and medical average costs per claim increased by about 42 percent between 2005 and 2009. In 2010, the total indemnity and medical average costs per claim stayed at the 2009 level. It should be noted that both the 2010 indemnity and medical average severities showed no change from their 2009 levels.⁵ WCIRB's estimates of average indemnity claim costs have not been indexed to take into account wage increase and medical inflation.

⁵ Source: WCIRB Summary of September 30, 2011 Insurer Experience, released December 8, 2011, Exhibits 8.2 and 8.3.

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Estimated Ultimate Total Loss* per Indemnity Claim as of September 30, 2011



■ Estimated ultimate indemnity per indemnity claim + ■ Estimated ultimate medical per indemnity claim = Estimated Ultimate Total Losses per Indemnity Claim

* Excludes medical-only

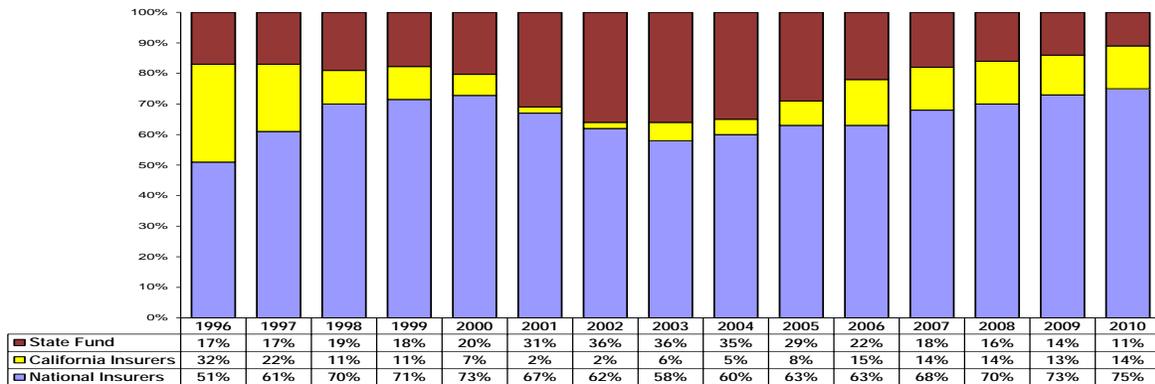
Source: WCIRB

Current State of the Insurance Industry

A number of California insurers left the market or reduced their writings as a result of the decrease in profitability, contributing to a major redistribution of market share among insurers since 1993. The chart below shows changes in the workers' compensation insurance market share from 1996 to 2010.

According to WCIRB, from 2002 through 2004, State Fund attained about 35 percent of the California workers' compensation insurance market, double the market share it had in the 1990s. However, between 2004 and 2010, State Fund's market share decreased to 11 percent. The market share of California domestic insurers, excluding State Fund, increased from 5 percent to 15 percent between 2004 and 2006 and then averaged about 14 percent from 2006 to 2010.

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



Source: WCIRB

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

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

Insurance Market Insolvency

Since 2000, a significant number of workers' compensation insurance companies have experienced problems with payment of workers' compensation claims. Thirty-nine (39) insurance companies have gone under liquidation, and 22 companies have withdrawn from offering workers' compensation insurance during that time. However, since 2004, 45 insurance/reinsurance companies have entered the California workers' compensation market, while only 18 companies withdrew from the market.⁶

LISTING: INSURERS LIQUIDATED SINCE 2000

<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
<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

⁶ The information on the companies that have withdrawn and entered the market since 2004 is through 04/30/2011.

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

<u>COMPANY NAME</u>	<u>DATE OF LIQUIDATION</u>
Fremont Indemnity 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	2/12/2004
Holland-America Insurance Company	7/29/2004
Casualty Reciprocal Exchange	8/18/2004
<u>2005</u>	
Cascade National Insurance Company/Washington	11/4/2005
South Carolina Insurance Company/South Carolina	3/21/2005
Consolidated American Insurance Company/South Carolina	3/21/2005
<u>2006</u>	
Vesta Fire Insurance Company	8/3/2006
Hawaiian Insurance & Guaranty Company	8/21/2006
Municipal Mutual Insurance Company	10/31/2006
<u>2010</u>	
Insurance Corporation of New York (The)	3/4/2010
<u>2011</u>	
Atlantic Mutual Insurance Co./New York	4/27/2011
Centennial Insurance Company/New York	4/27/2011
Reinsurance Company of America/Illinois	4/27/2011

Source: CIGA

COSTS OF WORKERS' COMPENSATION IN CALIFORNIA

Costs Paid by Insured Employers

In 2010, workers' compensation insurers earned \$9.7 billion in premiums from California employers.⁷

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

When workers' compensation premiums were deregulated beginning in 1995, insurers competed by lowering premium rates, in many instances lower than their actual costs. Costs also increased beyond the amounts that were foreseen when premiums were determined and collected. Many insurers drew on their reserves to make up the difference, and several insurers became insolvent. Subsequently, the surviving insurers charged higher premium rates to meet costs and began to replenish surplus.

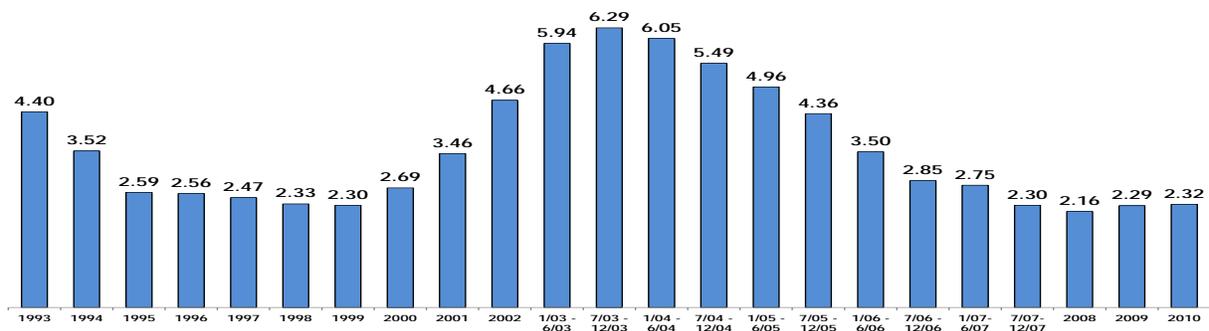
The California workers' compensation legislative reforms in the early 2000s, which were developed to control medical costs, update indemnity benefits and improve the assessment of PD, had significant impact on insurance costs.

As intended, these reforms reduced workers' compensation costs in California. It appears that the savings have been fully realized and the system may be returning to a trend of cost increases. The question now is whether the cost increases are merely the long-term trends of inflation and medical-cost growth, or whether the savings accomplished by the reforms are being eroded by an inability to maintain the early savings. Insurers report broad-based growth in medical spending, and judicial interpretations of the PD rating system portend increased litigation and higher PD payments. The cost of insurance continued to drop through the latest period for which written premium data are available, but filed rates have begun to climb again.

Workers' Compensation Average Premium Rate

The following chart shows the average workers' compensation premium rate per \$100 of payroll. The average stabilized during the mid-to-late 1990s, and then rose significantly beginning in 2000 up to the second half of 2003. However, the average premium rate has dropped every year from the second half of 2003 to 2008 when it was \$2.16, a decrease of almost 66 percent from the second half of 2003. From 2008 to 2010, the average premium rate increased by 7.4 percent.

**Average Workers' Compensation Insurer Rate per \$100 of Payroll
as of September 30, 2011 (Dollar \$)**



Data Source: WCIRB

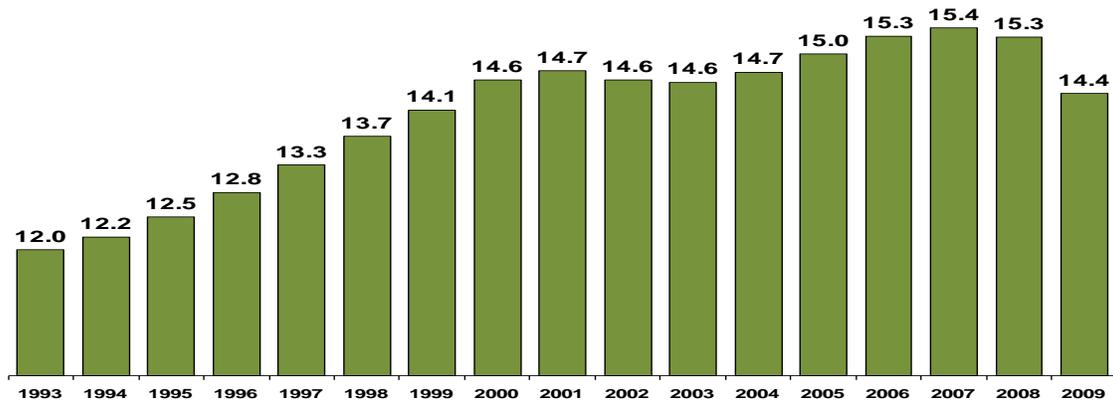
⁷ Source: "2010 California's Workers' Compensation Losses and Expenses." WCIRB – June 21, 2011. Note that earned premium is not identical to written premium. The two measurements are related, and the choice of which measurement to use depends on the purpose.

Workers Covered by Workers' Compensation Insurance

Average Earned Premium per Covered Worker

The estimated number of California workers covered by workers' compensation insurance grew by about 23 percent from 12 million in 1993 to 14.7 million in 2001. From 2001 through 2005, the number of covered workers in California stabilized, averaging about 14.7 million per year. The estimated number of California workers covered by workers' compensation insurance grew by about 6 percent from 2003 to 2007, decreased slightly from 2007 to 2008, and then decreased by 6 percent from 2008 to 2009.

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



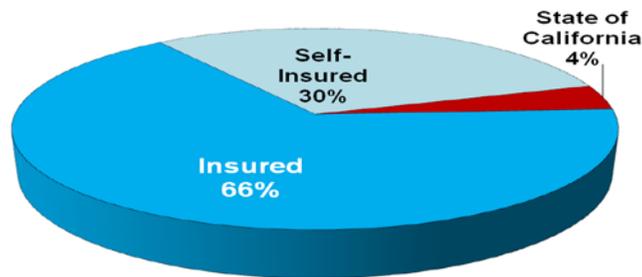
Data Source: National Academy of Social Insurance (NASI)

Workers' Compensation System Expenditures

The California workers' compensation system covers 14,377,000 employees⁸ working for over 864,000 employers⁹ in the State. These employees and employers generated a gross domestic product of \$1,901,088,000,000 (\$1.90 trillion) for 2010.¹⁰ A total of 531,700 occupational injuries and illnesses were reported for 2010,¹¹ ranging from minor medical treatment cases up to catastrophic injuries and deaths. The total paid cost to employers for workers' compensation in 2010 was \$14.8 billion. (See textbox "Systemwide Cost: Paid Dollars for 2010 Calendar Year" on page 24.)

Employers range from small businesses with just one or two employees to multinational corporations doing business in the State and the state government itself. Every employer in California must secure its liability for payment of compensation, either by obtaining insurance from an insurer licensed by the Department of Insurance (CDI) or by obtaining a certificate of consent to self-insure from the Department of Industrial Relations (DIR). The only lawful exception is the State, which is legally uninsured. Based on the claim counts reported to the Workers' Compensation Information System (WCIS) (see the chart below), 66 percent of injuries occur to employees of insured employers, 30 percent of injuries occur to employees of self-insured employers, and 4 percent of injuries occur to employees of the State of California.¹² (See textbox "Method of Estimating the Workers' Compensation System Size" on pages 22-23 for calculations based on claim counts and paid loss data.)

Market Shares Based on Claim Counts Reported to WCIS (2008-2010 average)



Data Source: DWC - WCIS

⁸ NASI Report: Workers' Compensation Benefits, Coverage, and Costs, 2009. August 16, 2011. http://www.nasi.org/sites/default/files/research/Workers_Comp_Report_2009.pdf.

⁹ CHSWC estimates are based on an Employment Development Department report, as above, showing 1,344,480 businesses. Of these, 960,082 were businesses with 0 to 4 employees. For this estimate, half of those businesses are assumed to have no employees subject to workers' compensation. $1,344,480 - (960,082/2) = 864,439$. <http://www.labormarketinfo.edd.ca.gov/?pageid=138>.

¹⁰ California Department of Finance, Economic Research Unit, http://www.dof.ca.gov/HTML/FS_DATA/LatestEconData/FS_Misc.htm.

¹¹ The latest year for which Workers' Compensation Information System (WCIS) reports are reasonably complete. Data are from the Division of Workers' Compensation (DWC) report from the WCIS database, "Workers' Compensation Claims (in 000's) by Market Share with Eleven-Year History and Cumulative Totals, 2000-2010," June 3, 2011, http://www.dir.ca.gov/dwc/wcis/WCIS_Reports.html. Due to delayed reporting, the number of claims reported to WCIS for a given year may grow by more than 5 percent between the second and the fourth years after the end of the accident year. Boden, Leslie I. and Al Ozonoff, "Reporting Workers' Compensation Injuries in California: How Many are Missed?" (2008). CHSWC Report.

¹² Data for 2006 are from the Division of Workers' Compensation report from the WCIS database, "Workers' Compensation Claims (in 000's) by Market Share with Eight Year History and Cumulative Totals, 2000-2007," April 25, 2008. From 2002 through 2006, the average shares varied by no more than ± 0.5 - 0.4 for the insured share, ± 0.7 - 0.5 for the self-insured share, and ± 0.2 for the State. CHSWC omits the years 2000 and 2001 from these averages because reasonably complete reporting was not achieved until mid-2001.

Method of Estimating the Workers' Compensation System Size

The overall system size is now estimated at 1.5 times the insured sector size. For several years, the generally accepted estimate was 1.25. Beginning in 2008 and with help from the Workers' Compensation Insurance Rating Bureau (WCIRB), the Commission on Health and Safety and Workers' Compensation (CHSWC) estimated the system size at 1.43 times the insured market. This was based on claims counts in the Workers' Compensation Information System (WCIS).¹ As of 2011, CHSWC is revising that estimate to 1.5 times the insured sector. The revised estimate is based on updated claims data as well as paid loss counts from WCIS.

Claims counts show a continuing decline in the number of claims for all sectors from year to year. The decline has been steeper in the insured sector from 2008 through 2010. CHSWC is using a three-year moving average because it blunts the effect of one-time aberrations. The three-year average shares based on claims counts are 66.1 percent insured, 29.6 percent self-insured, and 4.3 percent state. Using these values, the multiplier for extending insured sector information to the overall system is $100\%/66.1\% = 1.51$.

Table A: Workers' Compensation Claims (in 000's) by Market Share

Year	Insured		Self-Insured		State of California	
	Number	Market Share (%)	Number	Market Share (%)	Number	Market Share (%)
2008	431.2	67.0	186.4	29.0	26.2	4.1
2009	362.1	65.4	166.8	30.1	24.7	4.5
2010	350.2	65.9	157.5	29.6	24.0	4.5
Average for 3 years		66.1		29.6		4.3

¹ WCIS Database, http://www.dir.ca.gov/dwc/wcis/WCIS_tables/WCC-MarketShare.pdf

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Method of Estimating the Workers' Compensation System Size

Based on the convergence of market share measurements from two independent methods, the data convincingly demonstrate that the insured market share is no more than 67 percent of the workers' compensation system. Depending on the method of measurement, the self-insured sector is 29 or 30 percent and the State is 3 or 4 percent.

Paid loss data indicate that 67 percent of the market is insured, 30 percent is self-insured, and 3 percent is State. These percentages are stable using 2009 data for insured and private self-insured sectors and either 2008/2009 or 2009/2010 data for the State and public self-insured sector, as shown in Tables 1 and 2, below. The multiplier for extending insured sector information to the overall system is $100\%/67\% = 1.493$.

Table B: Percent Distribution of Workers' Compensation Paid Costs by Sectors (excluding Administrative Expenses) – using public self-insured and state data for FY 2008-2009

	Indemnity	Medical	Sub-Total	% in Total
a. Private Self-Insured ¹ (2009)	\$550,287,340	\$761,740,423		
b. Public Self-Insured ² (2008/2009)	\$846,463,847	\$949,449,769		
SELF-INSURANCE PLAN (a + b)	\$1,396,751,187	\$1,711,190,192	\$3,107,941,379	30%
INSURED (2009)³	\$2,820,000,000	\$4,165,000,000	\$6,985,000,000	67%
STATE (2008/2009)⁴	\$127,498,013	\$189,678,862	\$317,176,875	3%
Total			\$10,410,118,254	

Table C: Percent Distribution of Workers' Compensation Paid Costs by Sectors (excluding Administrative Expenses) – using public self-insured and state data for FY 2009-2010.

	Indemnity	Medical	Sub-Total	% in Total
a. Private Self-Insured (2009)	\$550,287,340	\$761,740,423		
b. Public Self-Insured (2009/2010)	\$833,513,351	\$978,954,150		
SELF-INSURANCE PLAN (a + b)	\$1,383,800,691	\$1,740,694,573	\$3,124,495,264	30%
INSURED (2009)	\$2,820,000,000	\$4,165,000,000	\$6,985,000,000	67%
STATE (2009/2010)⁵	\$129,614,625	\$219,574,219	\$349,188,844	3%
Total			\$10,458,684,108	

¹ Private Statewide Summary, <http://www.dir.ca.gov/sip/StatewideTotals.html>.

² Public Statewide Summary, <http://www.dir.ca.gov/sip/StatewideTotals.html>.

³ WCIRB, 2009 Losses and Expenses Report, Exhibit 18.1, Released June 22, 2010.

⁴ Costs Information, <http://www.dpa.ca.gov/benefits/workers-comp/main.htm>.

⁵ Costs Information, <http://www.dpa.ca.gov/benefits/workers-comp/main.htm>.

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

Workers' compensation is generally a no-fault system that provides statutory benefits for occupational injuries or illnesses. Benefits consist of medical treatment, temporary disability (TD) payments, permanent disability (PD) payments, return-to-work assistance, and death benefits. The overall amounts paid in each of these categories systemwide are shown in the following chart. These figures are based on insurer-paid amounts multiplied by 1.5 to include estimated amounts paid by self-insured employers and the State.

Systemwide Cost: Paid Dollars for 2010 Calendar Year

A Claim Counts-based Estimate of Workers' Compensation System Size (Million \$)			
	<i>Insured</i>	<i>Self-Insured and the State*</i>	<i>All Employers</i>
Indemnity*	\$2,823	\$1,412	\$4,235
Medical*	\$4,302	\$2,151	\$6,453
Changes to Total Reserves	\$209	\$105	\$314
Insurer Pre-Tax Underwriting Profit/Loss	-\$1,559	N/A	-\$1,559
Expenses (See Table below: Breakdown of Expenses)	\$4,038	\$1,305	\$5,343
TOTAL for 2010	\$9,813	\$4,972	\$14,785

*Include CIGA payments

Source for Insured figures above is WCIRB Losses and Expenses report June 2011. Self-insured and state expenses are calculated by CHSWC using 0.50 multiplier for equivalent cost components. The equivalent expense components are estimated as follows:

<i>Breakdown of Expenses (Million \$)</i>	<i>Insured</i>	<i>Self-Insured and State</i>	<i>All Employers</i>
<i>Loss Adjustment Expense</i>	\$1,924	\$962	\$2,886
<i>Commissions and Brokerage</i>	\$727	N/A	\$727
<i>Other Acquisition Expenses</i>	\$473	N/A	\$473
<i>General Expenses</i>	\$685	\$343	\$1,028
<i>Premium and Other Taxes</i>	\$229	N/A	\$229
Total	\$4,038	\$1,305	\$5,343

Estimate of Workers' Compensation System Size Based on Written Premium

Another way to calculate systemwide costs for employers is by using written premium.

Written premium for insured employers = \$9.8 billion in accident year 2010.¹³

\$9.8 billion * 1.5 = \$14.7 billion systemwide costs for employers.

¹³ WCIRB Summary of September 30, 2011 Insurer Experience Report, released December 8, 2011.

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

Indemnity Benefits

WCIRB provided data for the cost of indemnity benefits paid by insured employers. Assuming that insured employers comprise approximately 66 percent of total California workers' compensation claims, estimated indemnity benefits are shown on the following chart for the total system, insured employers, self-insured employers, and the State of California.

Systemwide Estimated Costs of Paid Indemnity Benefits

Indemnity Benefits (Thousand \$)	2009	2010	Change
Temporary Disability	\$1,988,901	\$2,110,355	\$121,453
Permanent Total Disability	\$143,006	\$174,162	\$31,156
Permanent Partial Disability	\$1,710,879	\$1,690,614	-\$20,265
Death	\$102,496	\$100,476	-\$2,020
Funeral Expenses	\$1,949	\$1,695	-\$254
Life Pensions	\$98,835	\$109,164	\$10,329
Voc Rehab/Non-transferable Education Voucher	\$71,458	\$48,062	-\$23,397
Total	\$4,117,524	\$4,234,527	\$117,003

Paid by Insured Employers

Indemnity Benefits (Thousand \$)	2009	2010	Change
Temporary Disability *	\$1,362,261	\$1,406,903	\$44,642
Permanent Total Disability *	\$97,949	\$116,108	\$18,159
Permanent Partial Disability *	\$1,171,835	\$1,127,076	-\$44,759
Death *	\$70,203	\$66,984	-\$3,219
Funeral Expenses	\$1,335	\$1,130	-\$205
Life Pensions	\$67,695	\$72,776	\$5,081
Voc Rehab/Non-transferable Education Voucher *	\$48,944	\$32,041	-\$16,903
Total	\$2,820,222	\$2,823,018	\$2,796

Paid by Self-Insured Employers and the State**

Indemnity Benefits (Thousand \$)	2009	2010	Change
Temporary Disability	\$626,640	\$703,452	\$76,811
Permanent Total Disability	\$45,057	\$58,054	\$12,997
Permanent Partial Disability	\$539,044	\$563,538	\$24,494
Death	\$32,293	\$33,492	\$1,199
Funeral Expenses	\$614	\$565	-\$49
Life Pensions	\$31,140	\$36,388	\$5,248
Voc Rehab/Non-transferable Education Voucher	\$22,514	\$16,021	-\$6,494
Total	\$1,297,302	\$1,411,509	\$114,207

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

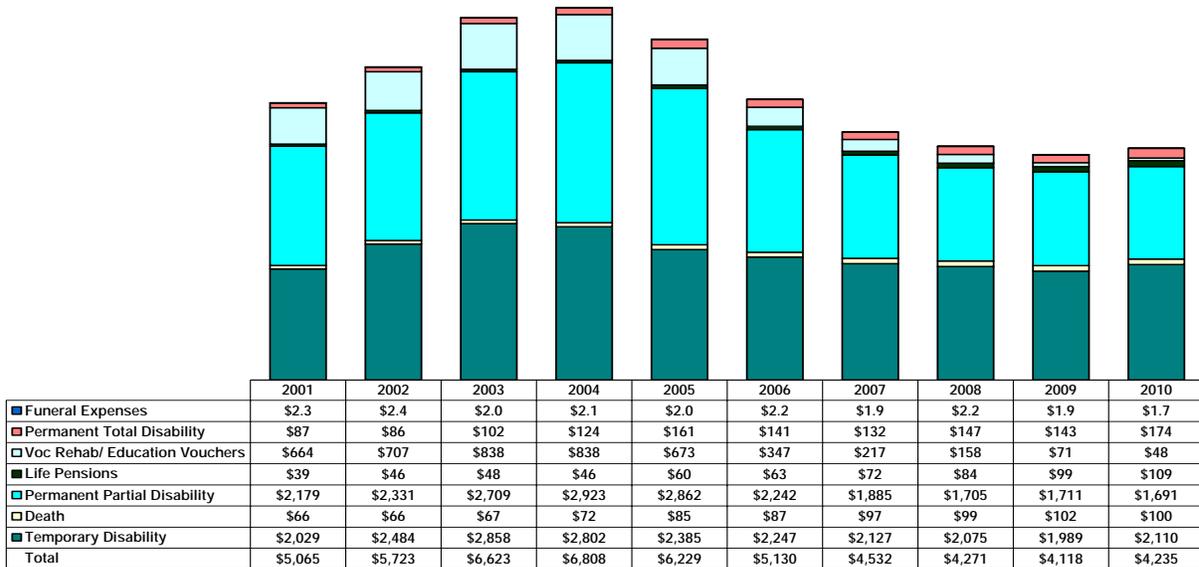
** Figures estimated based on insured employers' costs. Self-insured employers and the State of California are estimated to comprise 34 percent of all California workers' compensation claims.

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

Trends in Paid Indemnity Benefits

The estimated systemwide paid indemnity benefits for the past several years are displayed in the chart below. After the reforms of 2003 and 2004, paid indemnity benefits dropped to below the 2001 levels. The permanent partial disability that peaked in 2004 saw one of the biggest declines after the reforms. The TD benefits were steadily declining from 2005 to 2009 despite the TD benefit increases of AB 749 and the impact of the two-year limit not taking effect until April 2006. From 2009 to 2010, the TD benefits increased 6 percent.

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



Data Source: WCIRB
Calculations: CHSWC

Supplemental Job Displacement Benefits Costs

The reforms of 2003 eliminated vocational rehabilitation for injuries arising on or after January 1, 2004, and replaced it with a supplemental job displacement benefit (SJDB). The vocational rehabilitation (VR) statutes were repealed entirely effective January 1, 2009. Consequently, the expenditures for VR are decreasing rapidly as the remaining pre-2004 cases run off. SJDB expenditures are taking their place, but at a much lower level.

Supplemental Job Displacement Benefit Vouchers

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

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

Vocational Rehabilitation and Supplemental Job Displacement Benefit Vouchers Incurred Costs

WCIRB has summarized the VR information reported on unit statistical reports. The table below shows a summary of VR information by accident year, with losses evaluated at a combination of second and third unit report levels, depending on which policy year the accident year claim was reported. This unit statistical information suggests that the cost per claim for VR or SJDB vouchers has declined by approximately 80 percent as SJDB has replaced VR.

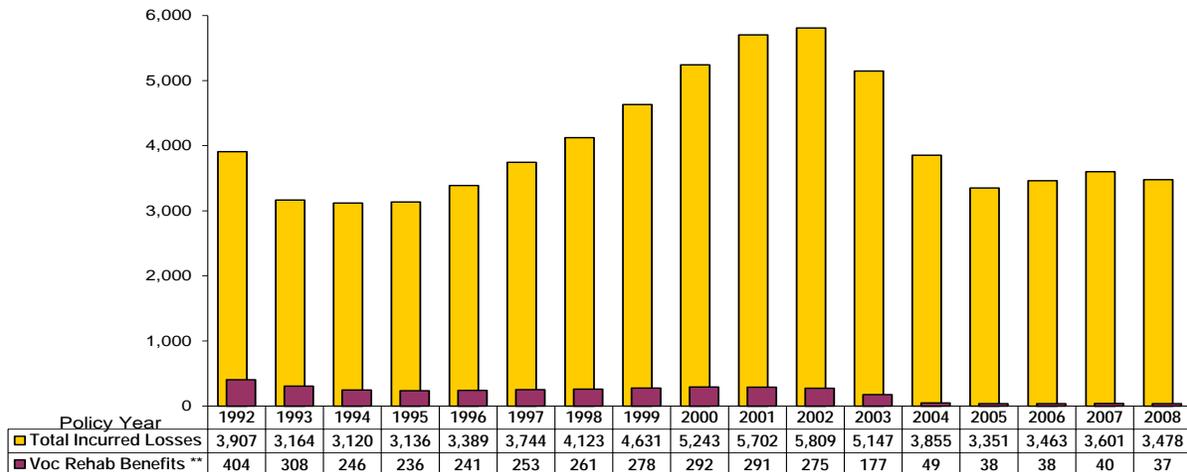
Table: Vocational Rehabilitation (VR) and Supplemental Job Displacement Benefit (SJDB) Vouchers Incurred Costs at Second/Third Report Level

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

Source: WCIRB

AB 227, enacted in 2003, in combination with clean-up language in SB 899 enacted in 2004, repealed the workers' compensation VR benefit for dates of injury on or after January 1, 2004. VR benefits are available only to eligible workers who were injured before 2004 and were available only through December 31, 2008. VR is essentially over, although some litigation continues over the wind-up of VR under particular circumstances. The chart below presents the most recent data available through 2008 on VR costs including SJDB vouchers (non-transferable educational vouchers) beginning from policy year 2003.

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



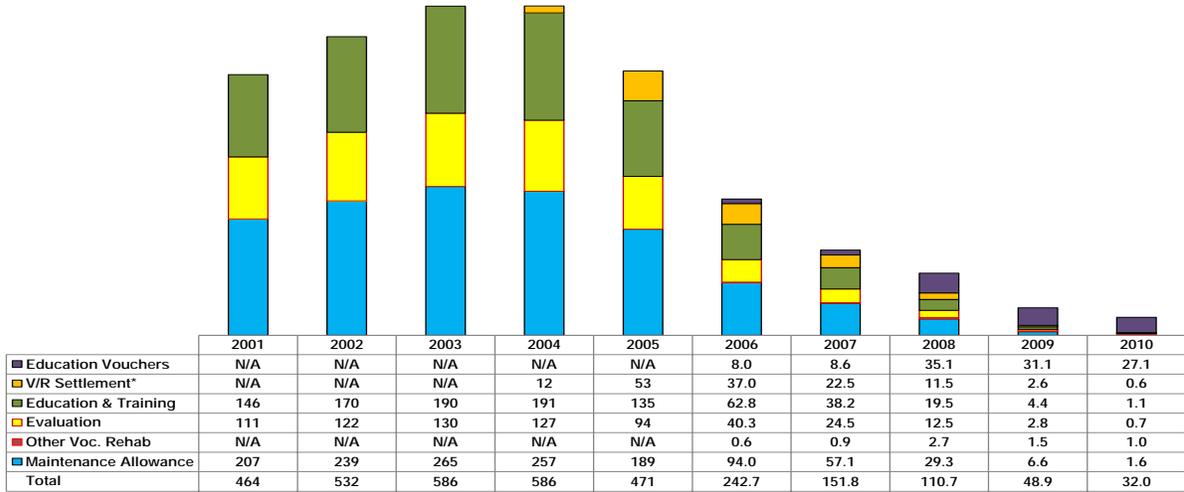
* The Vocational Rehabilitation statutes are repealed entirely effective January 1, 2009, and replaced with Supplemental Job Displacement Benefits.
 ** Policy year 2003 "vocational rehabilitation benefits" contain a mix of vocational rehabilitation costs and non-transferable educational voucher costs.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

Data Source: WCIRB

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

The following chart shows the amounts paid for each component of the VR benefit including newly introduced VR settlement and SJDB vouchers for the period from 2001 through 2010.

Paid Vocational Rehabilitation Benefits and SJDB Vouchers for Insured Employers (Million \$)



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

Data Source: WCIRB

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

Medical Benefits

WCIRB provided data for the cost of medical benefits paid by insured employers. Assuming that insured employers comprise approximately 66 percent of total California workers' compensation claims, estimated medical benefits are shown on the following chart for the total system, insured employers, self-insured employers, and the State of California.

Systemwide Estimated Costs - Medical Benefits Paid

Medical Benefits (Thousand \$)	2009	2010	Change
Physicians	\$2,146,507	\$2,259,095	\$112,588
Capitated Medical	\$5,074	\$7,862	\$2,788
Hospital	\$1,526,788	\$1,641,869	\$115,081
Pharmacy	\$495,816	\$541,752	\$45,936
Payments Made Directly to Patient	\$1,205,766	\$1,229,853	\$24,087
Medical-Legal Evaluation	\$233,019	\$253,067	\$20,048
Medical Cost-Containment Programs*	\$468,254	\$519,975	\$51,721
Total	\$6,081,223	\$6,453,471	\$372,248

Paid by Insured Employers

Medical Benefits (Thousand \$)	2009	2010	Change
Physicians	\$1,470,210	\$1,506,063	\$35,853
Capitated Medical	\$3,475	\$5,241	\$1,766
Hospital	\$1,045,745	\$1,094,579	\$48,834
Pharmacy	\$339,600	\$361,168	\$21,568
Payments Made Directly to Patient	\$825,867	\$819,902	-\$5,965
Medical-Legal Evaluation	\$159,602	\$168,711	\$9,109
Medical Cost-Containment Programs*	\$320,722	\$346,650	\$25,928
Total	\$4,165,221	\$4,302,314	\$137,093

Paid by Self-Insured Employers**

Medical Benefits (Thousand \$)	2009	2010	Change
Physicians	\$676,297	\$753,032	\$76,735
Capitated Medical	\$1,599	\$2,621	\$1,022
Hospital	\$481,043	\$547,290	\$66,247
Pharmacy	\$156,216	\$180,584	\$24,368
Payments Made Directly to Patient	\$379,899	\$409,951	\$30,052
Medical-Legal Evaluation	\$73,417	\$84,356	\$10,939
Medical Cost-Containment Programs*	\$147,532	\$173,325	\$25,793
Total	\$1,916,002	\$2,151,157	\$235,155

* Figures for medical cost-containment programs are based on a sample of insurers who reported medical cost containment expenses to WCIRB. The calendar year 2010 medical cost containment program costs reflected in this table only include the costs reported as medical loss. The total cost of this program for 2010, including that reported as allocated loss adjustment expense, was \$354 million.

** Figures estimated are based on insured employers' costs. Self-insured employers and the State of California are estimated to comprise 34 percent of all California workers' compensation claims.

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

Trends in Paid Medical Benefits

The estimated systemwide paid medical costs for the past several years are displayed in the chart below. The following trends may result from the impact of recent workers' compensation reforms and economic recession.

The chart below indicates that the payments in 2010 for hospitals, physicians, and pharmacies remained below pre-reform levels, while cost containment program costs and direct payment to patients increased greatly.

The cost of the total medical benefit increased by 54 percent from 2001 to 2003, decreased by 23 percent from 2003 to 2007, and then increased again by 20 percent from 2007 to 2010. Payments to physicians increased by 43 percent from 2001 to 2003, dropped by 42 percent from 2003 to 2009, and then increased 5 percent from 2009 to 2010. Pharmacy costs increased by 124 percent from 2001 through 2004, declined overall by 27 percent from 2004 to 2009, and increased again by 9 percent from 2009 to 2010. Hospital costs increased by 62 percent from 2001 to 2003, declined by 39 percent from 2003 to 2006, and then increased by 41 percent from 2006 to 2010. Direct payments to patients averaged \$270 million from 2001 to 2005, increased sharply 4 times from 2005 to 2006, and then increased again 37 percent from 2006 to 2010. Expenditures on medical cost-containment programs in 2005 were less than a third of what they were in 2002 and then increased 4 times from 2005 to 2010.¹⁴ Medical-legal evaluation costs decreased by 5 percent from 2001 to 2002, more than doubled overall between 2002 and 2008, and then decreased by about 12 percent from 2008 to 2010.

The apparent increases in the medical payments made to injured workers and medical cost containment programs were in part the result of availability of more detailed reporting of payments into specific recipient/payee categories.

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
■ Medical-Legal Evaluation	\$134	\$127	\$183	\$229	\$263	\$232	\$214	\$289	\$233	\$253
■ Med Cost Cntnmnt Prgms*	N/A	\$408	\$279	\$223	\$127	\$250	\$268	\$406	\$468	\$520
□ Pharmacy	\$305	\$424	\$651	\$684	\$624	\$545	\$497	\$526	\$496	\$542
■ Capitated Medical	\$7.6	\$8.8	\$13.0	\$15.2	\$40.5	\$13.5	\$11.6	\$19.8	\$5.1	\$7.9
■ Direct Payments to Patient	\$330	\$340	\$256	\$208	\$213	\$900	\$804	\$944	\$1,206	\$1,230
■ Hospital	\$1,186	\$1,612	\$1,918	\$1,798	\$1,500	\$1,168	\$1,382	\$1,569	\$1,527	\$1,642
■ Physicians	\$2,573	\$2,943	\$3,669	\$3,415	\$2,723	\$2,285	\$2,210	\$2,153	\$2,147	\$2,259
Total	\$4,537	\$5,864	\$6,970	\$6,571	\$5,492	\$5,393	\$5,386	\$5,906	\$6,081	\$6,453

* The calendar year 2010 Medical Cost Containment Program (MCCP) costs reflected in this chart only include the costs reported as medical loss (\$347 million). The total cost of MCCP for insured employers in 2010, including that reported as allocated loss adjustment expense, was \$354 million for insured employers. The portion of MCCP reported as medical loss was multiplied by 1.5 to extrapolate to systemwide costs.

Source: WCIRB
Calculations: CHSWC

¹⁴ Medical cost containment program costs on claims covered by policies incepting prior to July 1, 2010, are considered medical loss and those covered by policies incepting July 1, 2010, and beyond are considered allocated loss adjustment expenses.

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

Average Cost per Claim by Type of Injury

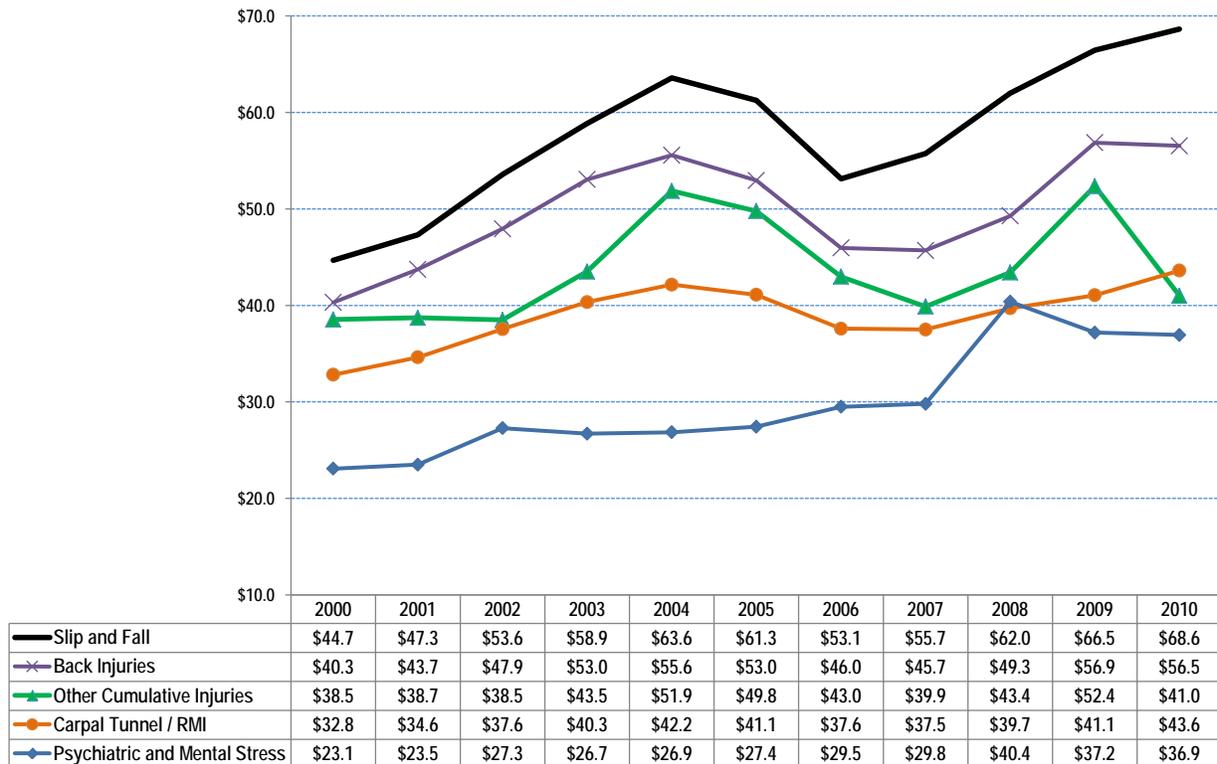
As shown in the following chart, from 2000 to 2004, there was an increase in average costs of all types of injuries. The average cost of slip and fall injuries increased by 42 percent and the average cost of back injuries increased by 38 percent, followed by a 34.5 percent increase in the average cost of other cumulative injuries and a 28 percent increase in the average cost of carpal tunnel/repetitive motion injuries (RMI).

From 2004 to 2007, the average costs declined for all of the types of injuries shown below, with the exception of psychiatric and mental stress. The average cost of other cumulative injuries decreased by 23 percent, and the average cost of back injuries decreased by almost 18 percent, followed by a 12 percent decrease in the average cost of slip and fall injuries and an 11 percent decrease in the average cost of carpal tunnel/RMI injuries.

From 2007 and 2010, the average cost of back injuries increased by about 24 percent, followed by a 23 percent increase in the average cost of slip and fall injuries and a 16 percent increase in the average cost of carpal tunnel/RMI injuries. The average cost of other cumulative injuries increased by 31 percent from 2007 to 2009, and then decreased 21 percent from 2009 to 2010.

Average costs of psychiatric and mental stress claims increased overall by 75 percent between 2000 and 2008, and then decreased by about 9 percent from 2008 to 2010.

Average Cost per Claim by Type of Injury, 2000-2010 (Thousand \$)



Data Source: WCIRB

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

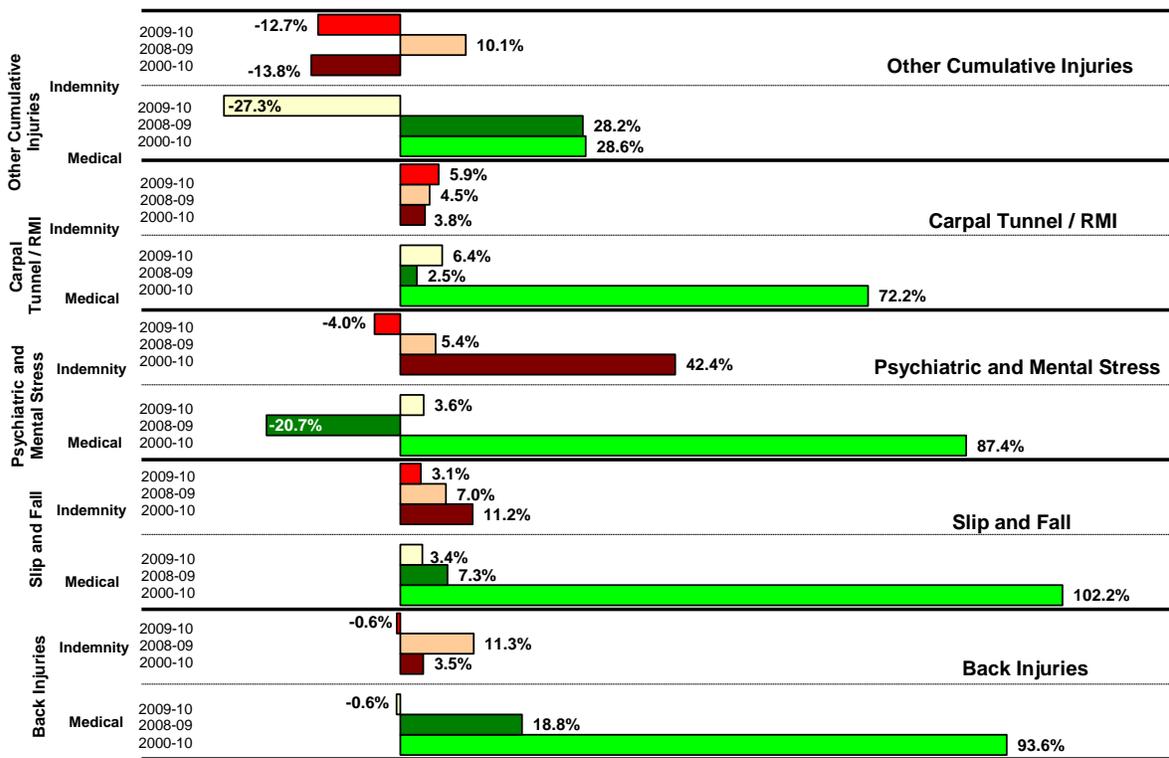
Changes in Average Medical and Indemnity Costs per Claim by Type of Injury

The chart below illustrates the impact of the reforms on selected types of injury. The long-term trend from 2000 to 2010 shows increases in medical costs for all these types of injury. The same trend for indemnity costs shows 14 percent decrease for other cumulative injuries and increases for the psychiatric and mental stress, slips and falls, back injuries, and carpal tunnel/RMI injuries.

From 2008 to 2009, medical costs increased for every type of injury, with the exception of 21 percent decrease in average cost of claim for slip and fall injuries. In the same year, indemnity costs showed increases for all types of injury.

From 2009 to 2010, medical costs increased for carpal tunnel/RMI, psychiatric and mental stress, and slip and fall types of injury. In the same year, medical costs decreased 27 percent for other cumulative injuries and 0.6 percent for back injuries. From 2009 to 2010, indemnity costs increased for carpal tunnel/RMI and slip and fall claims and decreased almost 13 percent for other cumulative injuries, followed by 4 percent decrease in average cost of claim for psychiatric and mental stress and 0.6 percent decrease in back injury claims.

**Percent Change in Average Medical and Indemnity Costs per Claim by Type of Injury
(From 2000 through 2010, from 2008 through 2009, and from 2009 through 2010)**



Data Source: WCIRB

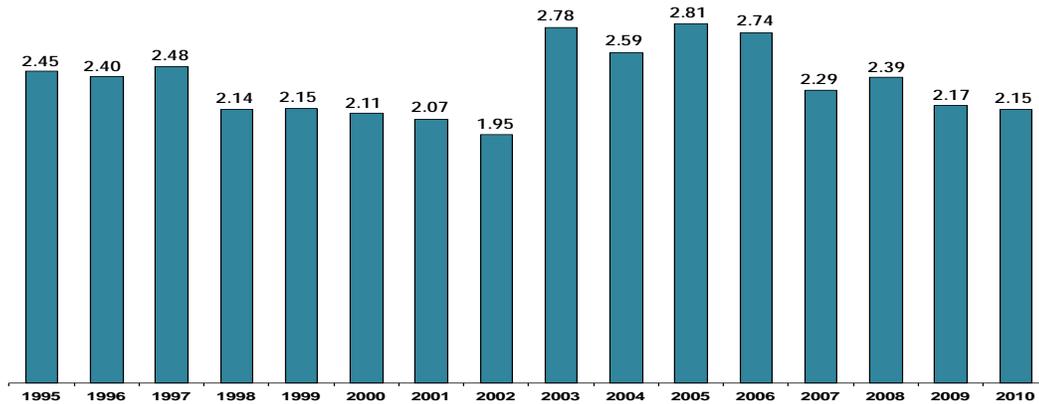
Workers' Compensation System Expenditures: Self-Insured Private and Public Employers

Private Self-Insured Employers

Number of Employees

The following chart shows the number of employees working for private self-insured employers between 1995 and 2010. A number of factors may affect the year-to-year changes. One striking comparison is to the average cost of insurance per \$100 of payroll for insured employers, as described earlier. When insurance is inexpensive, fewer employers may be attracted to self-insurance, but when insurance becomes more expensive, more employers move to self-insurance.

**Number of Employees – Private Self Insured Employers
(Million)**

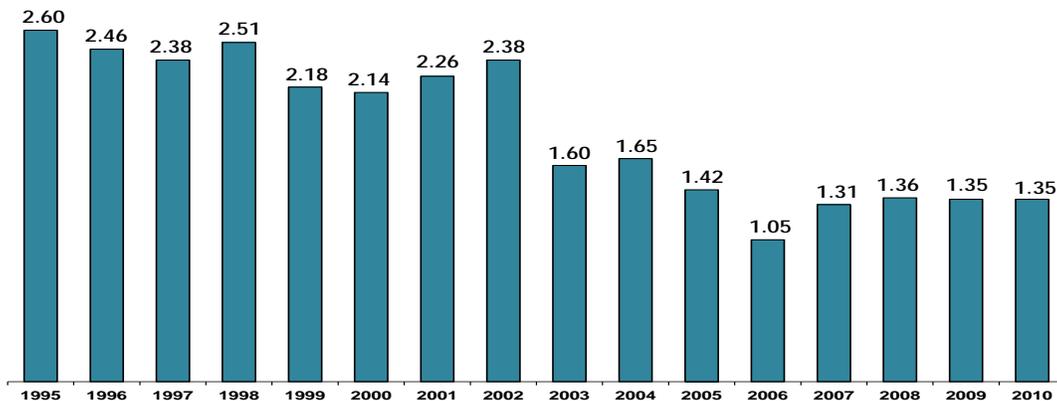


Data Source: DIR Self-Insurance Plans

Indemnity Claims

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

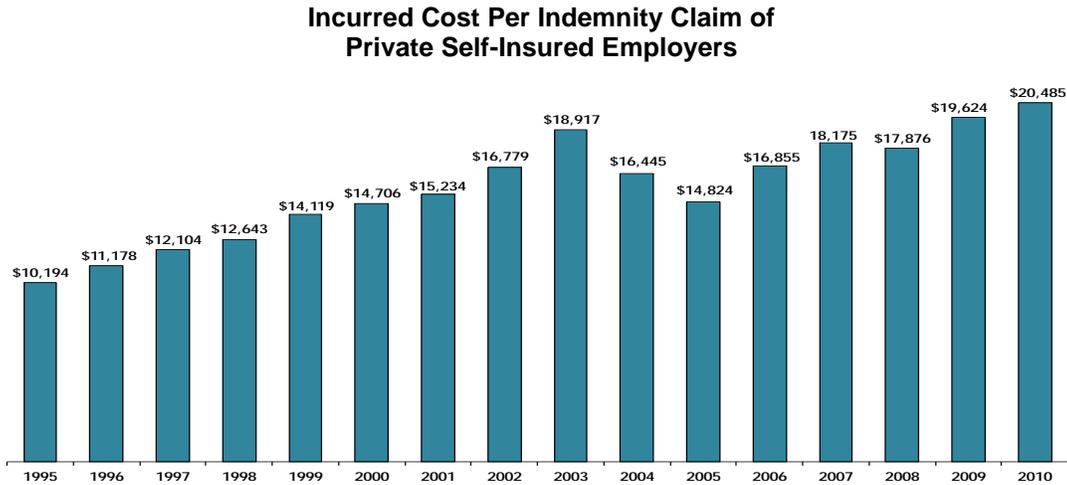
**Number of Indemnity Claims per 100 Employees
of Private Self-Insured Employers**



Data Source: DIR Self-Insurance Plans

Incurring Cost per Indemnity Claim

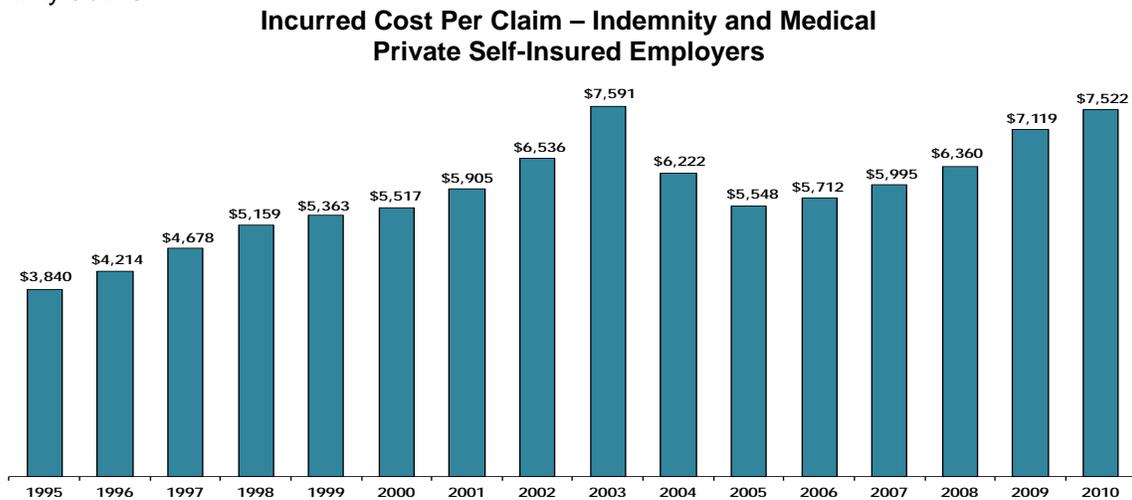
The following chart shows the incurred cost per indemnity claim for private self-insured employers, which has experienced changes similar to the changes for insurance companies. There has been a steady rise in the cost per indemnity claim until 2003, when the cost began to drop in response to the reforms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



Data Source: DIR Self-Insurance Plans

Incurring Cost per Indemnity and Medical Claim

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



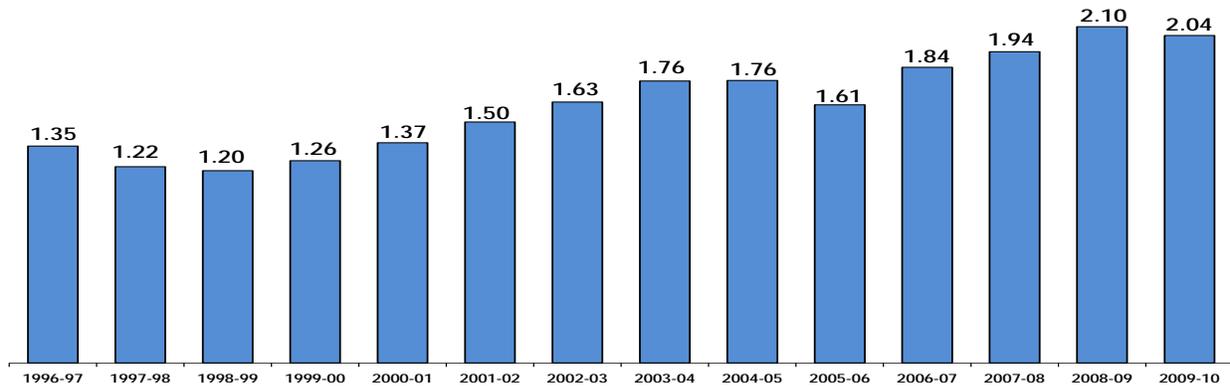
Data Source: DIR Self-Insurance Plans

Public Self-Insured Employers¹⁵

Number of Employees

The following chart shows the number of public self-insured employers between fiscal years 1996-1997 and 2009-2010. The number of public self-insured employers declined between 1996-1997 and 1998-1999. Between 1998-1999 and 2003-2004, the number of employees working for public self-insured employers grew by 46.7 percent, then leveled off between 2003-2004 and 2004-2005, declined between 2004-2005 and 2005-2006, increased by 30 percent from 2005-2006 to 2008-2009, and then decreased by 3 percent from 2008-09 to 2009-2010.

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

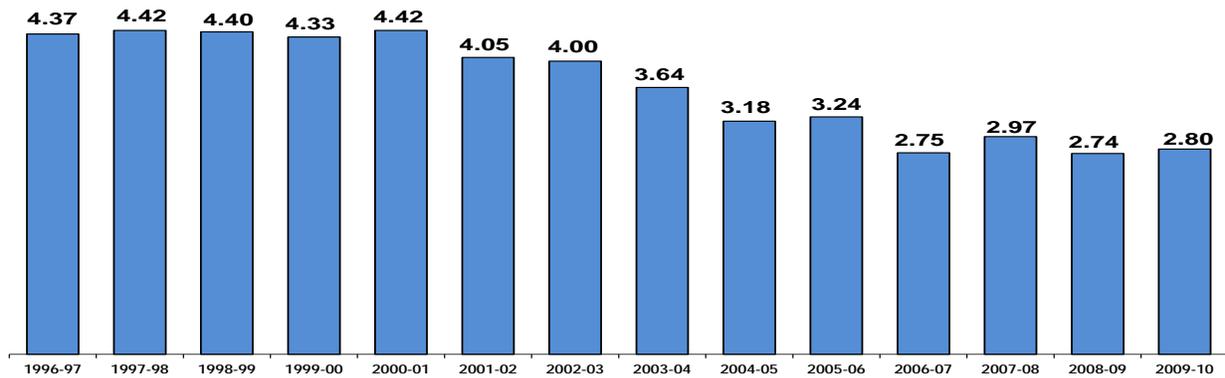


Data Source: DIR Self-Insurance Plans

Indemnity Claims

The number of indemnity claims by employees working for public self-insured employers remained steady between 1996-1997 and 2000-2001. Between 2000-2001 and 2004-2005, the number of indemnity claims decreased by 28 percent and then fluctuated between 2004-05 and 2009-10.

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



Data Source: DIR Self-Insurance Plans

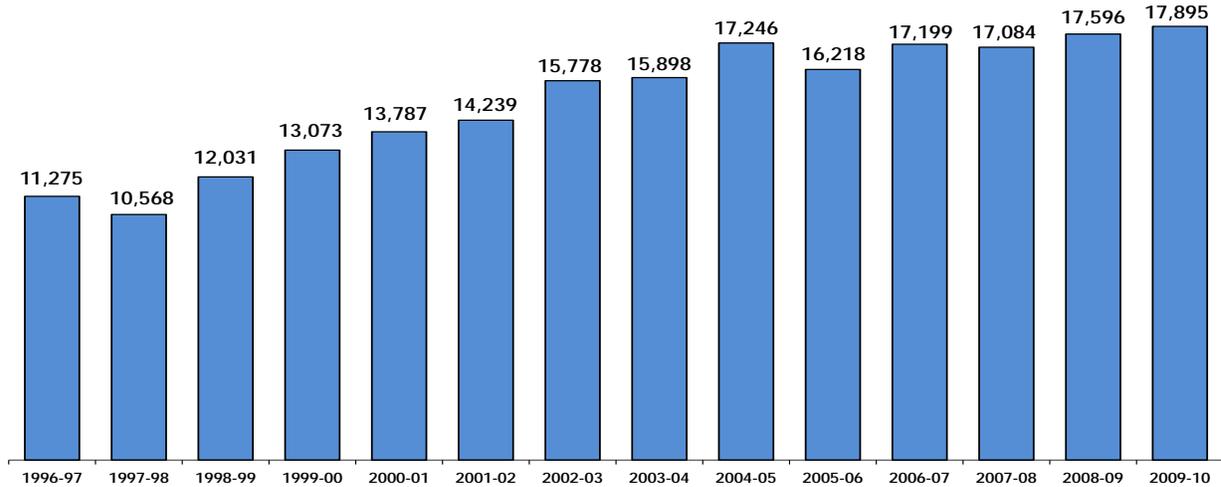
¹⁵ Data for Public Self-Insured Employers are from DIR's Office of Self Insurance Plans correspondence received by CHSWC in February 2011.

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

Incurring Cost per Claim

The following chart shows the incurred cost per indemnity claim for public self-insured employers. Between 1996-1997 and 2009-2010, the incurred cost per indemnity claim increased by about 59 percent from \$11,275 to \$17,895.

Incurring Cost per Indemnity Claim of Public Self-Insured Employers (Dollar \$)

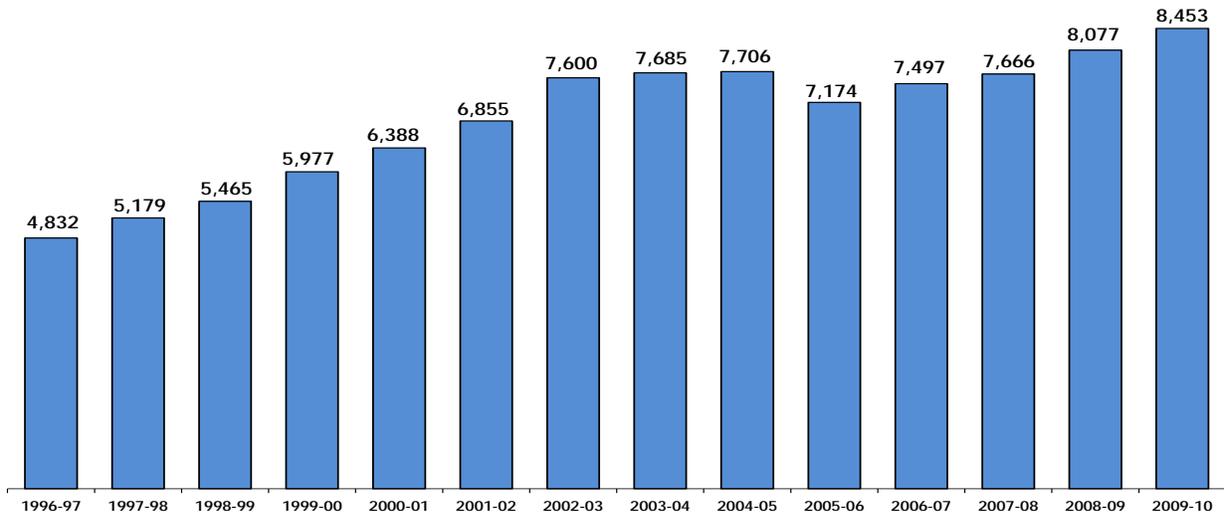


Data Source: DIR Self-Insurance Plans

Incurring Cost per Indemnity and Medical Claim

The following chart shows the incurred cost per indemnity and medical claim for public self-insured employers. Between 1996-1997 and 2004-2005, the incurred cost per indemnity and medical claim increased by 95.5 percent, decreased by 7 percent between 2004-2005 and 2005-2006, and then increased by about 18 percent from 2005-2006 to 2009-2010.

Incurring Cost per Claim – Indemnity and Medical of Public Self-Insured Employers (Dollar \$)



Data Source: DIR Self-Insurance Plans

Medical-Legal Expenses

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

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

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

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

In cases where attorneys do not agree on an AME, SB 899 limits the attorneys to one QME jointly selected by process of elimination from a state-assigned panel of three evaluators. In cases without attorneys, the injured worker selects the QME from the state-assigned panel, similar to the process established since 1989 for non-attorney cases.

After a significant decrease of medical-legal expenses starting in 1989 when legislative reforms restricted the number and lowered the cost of medical-legal evaluations, there was again a significant increase in average medical-legal costs beginning in the 2000 accident year. In 2008, the average cost of medical-legal evaluations was \$1,591, or more than double from the 2000 accident year, reaching the highest level since 1989. In the workers' compensation system, the medical-legal cost is reported as a component of medical cost and comprises from 2 to 5 percent of the paid medical cost. A decline in medical costs shortly after passage of major reform measures in 2003 and 2004, followed by an increase starting in 2006, raised the question of how much of the changes in medical costs was attributable to changes in medical-legal costs. The table below shows the share of medical-legal costs in workers' compensation medical costs paid from 1999 to 2010.

Table: Percent of Medical-Legal Evaluation Costs in Total Medical Costs

Calendar Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Percent of Medical-Legal Evaluation Costs in Total Medical Costs	3.7	3.6	3.0	2.2	2.6	3.5	4.8	4.3	4.8	4.9	3.8	3.9

Source: WCIRB Losses and Expenses Report, Exhibit 1.4

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

Increases in both the number and cost of medical-legal evaluations are expected to result from two recent California Workers' Compensation Appeals Board *en banc* decisions. The *Almaraz/Guzman* and *Ogilvie* decisions may require more reports and more complex reports for the assessment of permanent impairment and disability, and as result, an increase in litigation and medical-legal costs.

Throughout the discussion of the cost of medical-legal reports, it will be important to remember that the quality of medical-legal reports has an impact on the cost of the system and the timeliness of benefit delivery which may very well overshadow the direct cost of the medical-legal reports.

The medical-legal analysis that follows uses data from the WCIRB *Permanent Disability Survey*. Accident year 2008 is the latest year for which sufficiently mature data reports are available.

Permanent Disability Claims

The following chart displays the number of permanent partial disability (PPD) claims during each calendar year since 1992. 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, which are still available on a calendar year basis.

The data presented in the medical-legal section of this report are current and based on the latest available data through accident year 2008.

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

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Major (PD rating of 25% or more)	25.5	21.4	20.3	19.8	19.2	18.0	17.6	16.4	18.0	16.8	16.6	15.5	12.7	10.7	9.9	9.4	8.8
Minor (PD rating less than 25%)	114.4	77.7	73.7	71.7	69.7	65.4	64.0	59.7	65.6	61.0	60.1	56.1	46.1	38.7	35.7	34.0	31.9
Total Claims	139.9	99.1	94.0	91.5	88.9	83.4	81.6	76.1	83.6	77.8	76.7	71.6	58.8	49.4	45.6	43.4	40.7

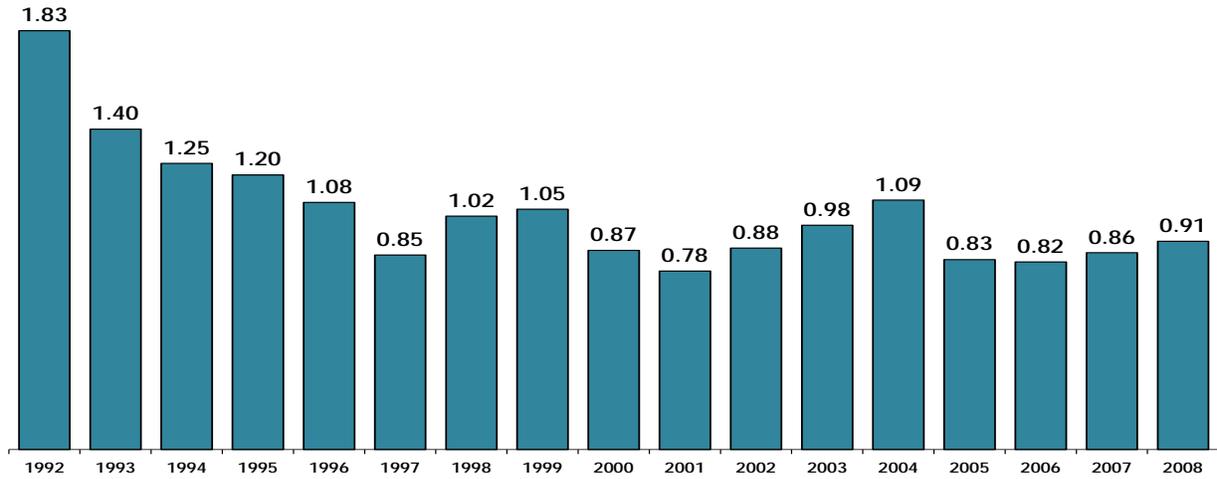
Data Source: WCIRB

Medical-Legal Evaluations per Claim

The following chart illustrates that the average number of medical-legal evaluations per claim declined from 1.83 evaluations in 1992 to 0.78 in 2001. This decline of 57 percent is attributed to a series of reforms since 1989 and the impact of efforts against medical mills.

Reforms instituted in 1993 that advanced the role of the treating physician in the medical-legal process and granted the opinions of the treating physician a presumption of correctness were expected to reduce the average number of evaluations even further. Earlier CHSWC reports evaluating the treating physician presumption did not find that these reforms had significant effect on the average number of evaluations per claim. SB 899 enacted in 2004 completely repealed the primary treating physician's presumption (Labor Code Section 4062.9).

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



Data Source: WCIRB

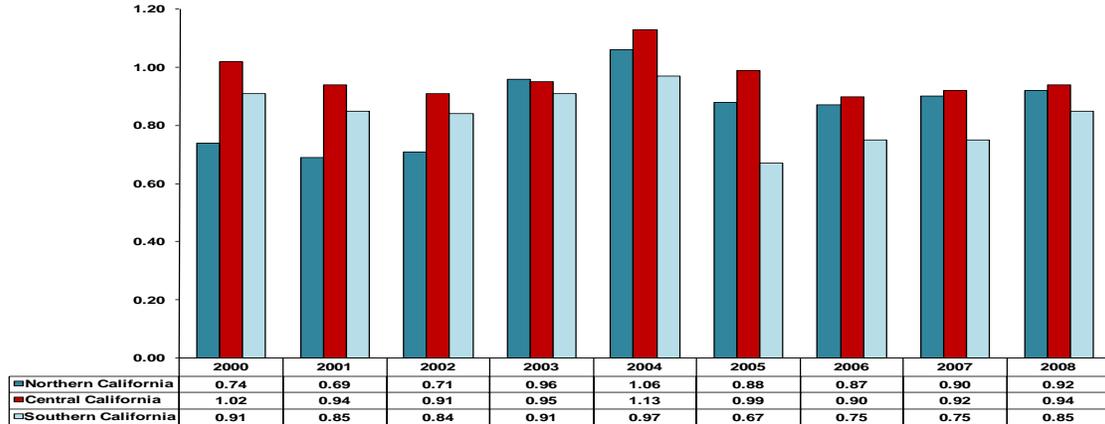
Between 2001 and 2004, the average number of medical-legal evaluations per claim increased by 29.5 percent. The increase from 2001 to 2004 could be driven by a number of factors that are discussed below. In 2005 accident year, the average number of medical-legal evaluations per claim decreased by almost 25 percent compared to accident year 2004, and then increased by 11 percent from 2006 to 2008 accident year. The decrease in average number of evaluations per claim from 2004 to 2006 accident year was likely due to the SB 899 provision requiring a single QME or AME even in represented cases for injuries beginning January 1, 2005.

Medical-Legal Reporting by California Region

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

The following chart demonstrates the frequency with which medical-legal evaluations were used between 2000 and 2008 in different regions. As the number of evaluations per claim continued to decline between 2000 and 2002, the differences between regions became more pronounced. Between 2002 and 2004, the average number of medical-legal evaluations per claim for each region increased and then decreased again from 2004 to 2005, with the lowest number of medical-legal evaluations per claim (0.67) in nine years for Southern California. From 2005 to 2008, for the average number of evaluations per claim, there was a 27 percent increase in the Southern California region, a 4.5 percent increase in the Northern region, and 5 percent decrease in the Central California region.

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



Data Source: WCIRB

Prior to 2003, the Southern California region has had higher numbers for both the average cost per evaluations and the average number of evaluations per claim than the Northern California region. However, starting with 2003, the number of medical-legal evaluations per claim in the Northern California region grew higher than in the Southern California region. The number of medical-legal evaluations per claim in the Central California region was the highest among all three regions in seven out of the nine years.

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

Distribution of Medical-Legal Claims by Region¹⁶

	2004 1 st level	2005 1 st level	2006 1 st level	2007 1 st level	2008 1 st level
Southern	58.1%	63.1%	61.8%	63.5%	61.6%
Central	16.3%	13.5%	13.6%	12.5%	14.0%
Northern	25.7%	23.4%	24.6%	24.0%	24.4%

Average Cost per Medical-Legal Evaluation

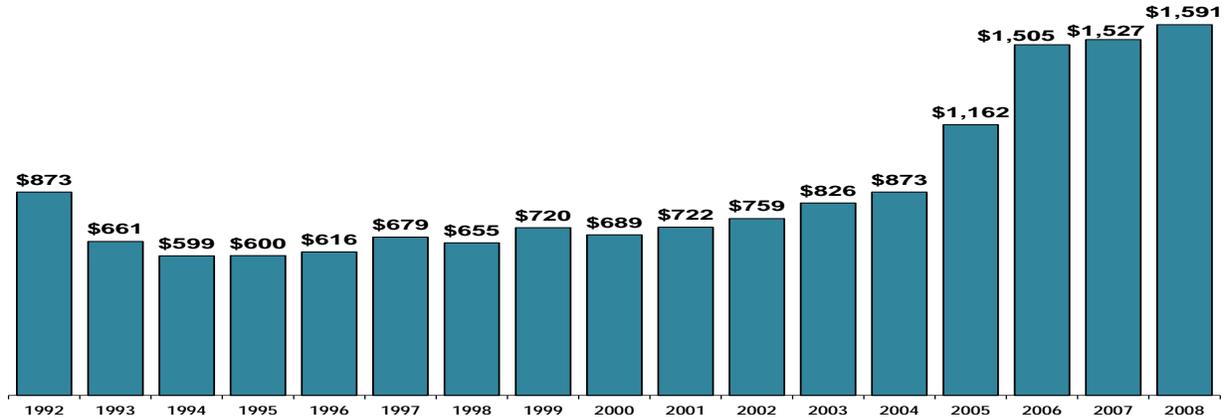
The average cost of a medical-legal evaluation declined from 1992 to the mid-1990s and then increased from the mid-1990s to 2000 by 15 percent. Between 2000 and 2008, the average cost of a medical-legal evaluation more than doubled.

There are two reasons why the average cost per medical-legal evaluation declined from 1992 to 1995. First, substantial changes were made to the structure of the Medical-Legal Fee Schedule that reduced the rates at which medical-legal evaluations are reimbursed. These restrictions were introduced in early 1993 and enforced at the beginning of August 1993. Second, during this period, the average cost of a medical-legal evaluation was also being affected by the frequency of psychiatric evaluations. On average, psychiatric evaluations are the most expensive evaluations by specialty of provider. The relative portion of

¹⁶ Based on WCIRB's PD Survey random sample.

all evaluations that is made up of psychiatric evaluations has declined since hitting a high during 1990-1991, leading to a substantial improvement in the overall average cost per evaluation.

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

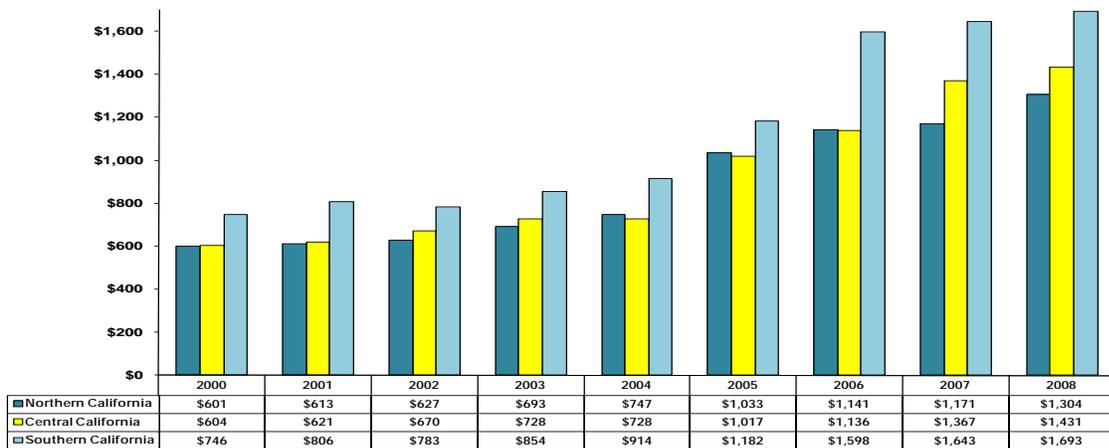


Data Source: WCIRB

In 2008, the average cost of a medical-legal evaluation increased by 82 percent compared to the 2004 average medical-legal cost per evaluation and reached its highest level since 1992.

Since the mid-1990s, the average cost of a medical-legal evaluation has increased, even though the reimbursement under the medical-legal fee schedule did not change from 1993 until 2006.¹⁷ 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 geographic factors.¹⁸

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



Data Source: WCIRB

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

¹⁷ The new Medical-Legal Fee Schedule became effective for dates of service on or after July 1, 2006.

¹⁸ Issues for injury years before 1997 cannot be examined because the WCIRB survey revision of that year prevents comparisons.

Table: Regional Contributions to the Increase of the Average Medical-Legal Costs: 2000-2008

Region	Distribution of Medical-Legal Evaluations by Region in 2000	Distribution of Medical-Legal Evaluations by Region in 2008	Change in Average Cost 2000-2008	Contribution of Each Region to the Average Cost
Southern California	58.6%	60.0%	\$947	65.5%
Central California	16.5%	15.0%	\$827	14.3%
Northern California	24.5%	25.0%	\$703	20.2%

Cost Drivers

The primary cost driver for California and its Southern region is not the price paid for specific types of evaluations.¹⁹ Rather, the mix of codes under which the evaluations are billed has changed to include a higher percentage of the most complex and expensive evaluations and fewer of the least expensive type.²⁰ The two tables below show the costs and description from the Medical-Legal Fee Schedule.

Table: Medical-Legal Evaluation Cost for Dates of Service Before July 1, 2006²¹

Evaluation Type	Amount Presumed Reasonable
ML-101 Follow-up	\$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, 2006²²

Evaluation Type	Amount Presumed Reasonable
ML-101 Follow-up	\$62.50/15 minutes or \$250/hr
ML-102 Basic (flat rate)	\$625
ML-103 Complex (flat rate)	\$937.50
ML-104 Extraordinary	\$62.50/15 minutes or \$250/hr
ML-105 Testimony	\$62.50/15 minutes or \$250/hr
ML-106 Supplemental	\$62.50/15 minutes or \$250/hr

The following three charts indicate that from 1999 to 2007, the distribution of evaluations both in the Southern California and the Northern and Central regions has shifted the statewide distribution of medical-legal evaluations away from ML-101 and ML-102 types to include a higher percentage of ML-104 evaluations with “Extraordinary” complexity.²³

¹⁹ An additional category “Other than ML-101, ML-102, ML-103, or ML-104” was included by WCIRB in types of evaluations for PD Survey 2007. It was extended to “Other than ML-101, ML-102, ML-103, ML-104, or ML-105” for 2008 and after.

²⁰ WCIRB also noted that much of the increase in the average cost of a medical-legal evaluation is attributable to increases in a proportion of more complex medical-legal evaluations. Claims Subcommittee meeting minutes for July 28, 2008.

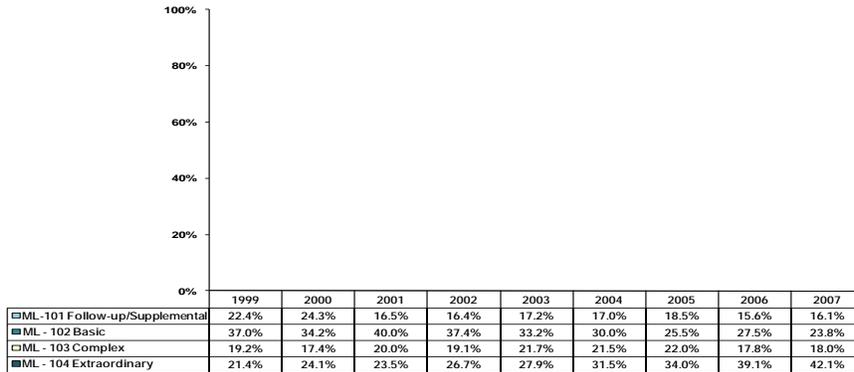
²¹ Please note that Agreed Medical Evaluators receive 25 percent more than the rates shown in both of the tables.

²² Two categories ML-105 and ML-106, created by Title 8 CCR, Sections 9793 & 9795, June, 2006, became applicable to 2008 and later claims. The functions of medical testimony and supplemental evaluations were moved into these two new categories from their previous status.

²³ Category “Other than ML-101, ML-102, ML-103, or ML-104” was excluded for 2007 AY from three charts representing the distribution of medical-legal evaluations by type for comparability purposes. This category comprised 2 percent of medical-legal evaluations in 2007.

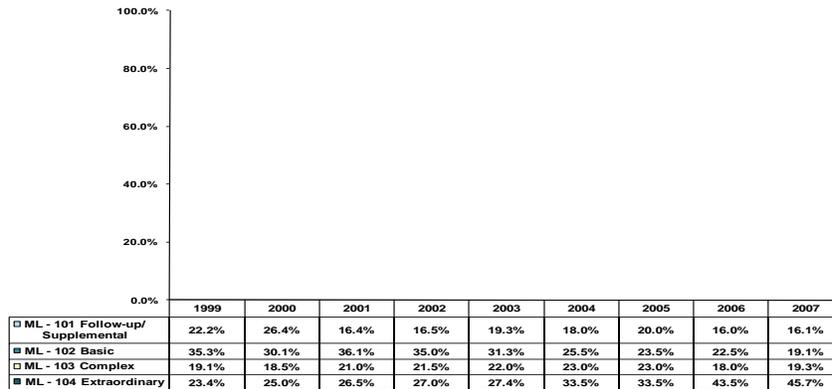
SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

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



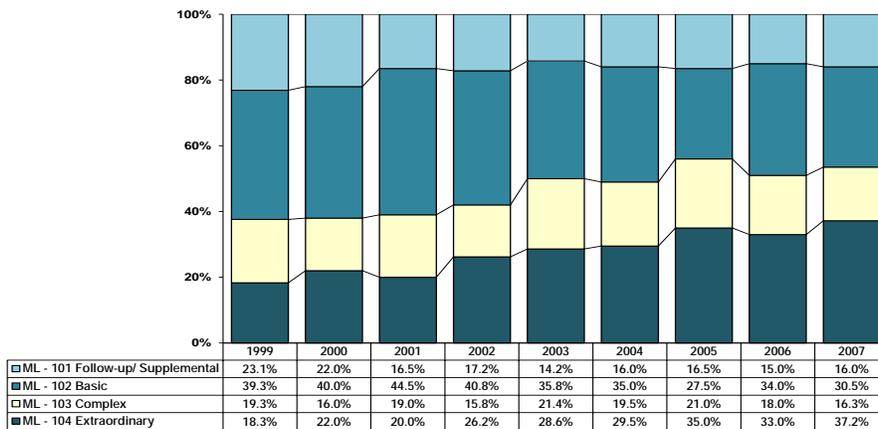
Data Source: WCIRB

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



Data Source: WCIRB

**Distribution of Medical-Legal Evaluations by Type
(Northern and Central California)**



Data Source: WCIRB

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

As shown by the charts above, from 1999 to 2007, evaluations with “Extraordinary” complexity doubled from 23.4 percent to 45.7 percent in the Southern California region, more than doubled from 18.3 percent to 37.2 percent in the Northern and Central regions, and as a result of that shift, doubled from 21.4 percent to 42.1 percent statewide. For the same period, the share of medical-legal evaluations billed as ML-102 Basic (the least expensive code), was between 4 percentage points and 11.5 percentage points smaller in the Southern region compared to Northern and Central California.

The distribution of medical-legal evaluations by categories of “fee schedule type” applicable to 2008 and later claims shows that on average, one-third of medical-legal evaluations are classified as Extraordinary both in the Northern and Central California and the Southern region of California. Fifty-six (56) percent of medical-legal evaluations in Northern and Central California and 60 percent of evaluations in the Southern California region are billed under the time-based codes such as ML-101, ML-104 or ML-106 that are priced at \$62.50 for every 15 minutes for QMEs or \$78.13 for every 15 minutes for AMEs. Some medical-legal evaluation activities are not separately billable under all medical-legal fee codes. For example, reviewing medical-legal consultation reports could not be separately billed under flat-rated codes as ML-102 or ML-103 as opposed to the way it could be done under time-based codes. This makes billing a medical-legal evaluation under a time-based code more profitable in the majority of evaluations.

Table: Distribution of Medical-Legal Evaluations by Type, 2008

Types of evaluation	Amount Presumed Reasonable	California	Southern region	Northern and Central regions
ML - 101 Follow-up	\$62.50/15 minutes or \$250/hr	10%	11%	8%
ML - 102 Basic	\$625	20%	16%	24%
ML - 103 Complex	\$937.50	15%	15%	15%
ML - 104 Extraordinary	\$62.50/15 minutes or \$250/hr	34%	37%	30%
ML - 105 Testimony	\$62.50/15 minutes or \$250/hr	1%	1%	0%
ML - 106 Supplemental	\$62.50/15 minutes or \$250/hr	13%	11%	17%
Other		7%	9%	5%

Increases to the medical-legal fee schedules for dates of services on or after July 1, 2006, could have also contributed to the higher average cost per evaluation.²⁴ The chart below shows that the average cost per evaluation in each type of evaluation was higher in the 2007 accident year sample compared to the 2002 accident year. The biggest increases were for the Complex and Extraordinary cases.

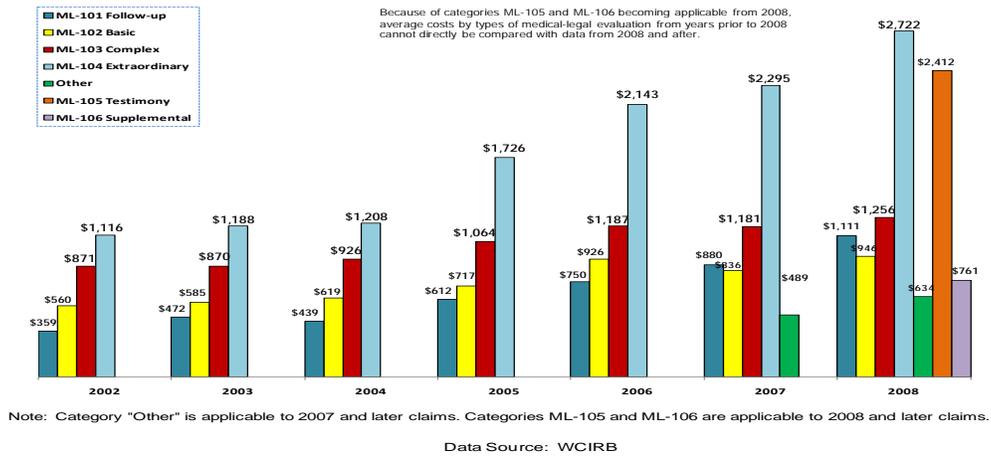
In addition, the medical-legal evaluations in 2007 accident year had both a higher average cost of Extraordinary evaluations (\$2,295 and \$1,116 respectively) and a higher share of Extraordinary evaluations (42.1 percent and 26.7 percent respectively) than in accident year 2002. In 2007, the pattern of average costs of evaluations had changed. From 2002 to 2006, the average cost of a Basic medical-legal evaluation was higher than the average cost of a Follow-Up/Supplemental evaluation. However in 2007, the average cost of a Basic medical-legal evaluation became lower than the average cost of a Follow-up/Supplemental evaluation. The share of medical-legal evaluations billed under Basic code was decreasing from 2001 to 2007 from 40 percent to 23.8 percent.

According to the chart below, the average costs of medical-legal evaluations billed under codes applicable to 2008 and later claims showed overall a higher level than the average costs in 2007 accident year.

²⁴ According to California Society of Industrial Medicine and Surgery (CSIMS), from July 1, 2006, a revised Medical-Legal Fee Schedule (MLFS) was expected to provide an across-the-board 25 percent increase in physician fees for medical-legal reports. The Bulletin of CSIMS, Spring 2006, Vol.27, No.2

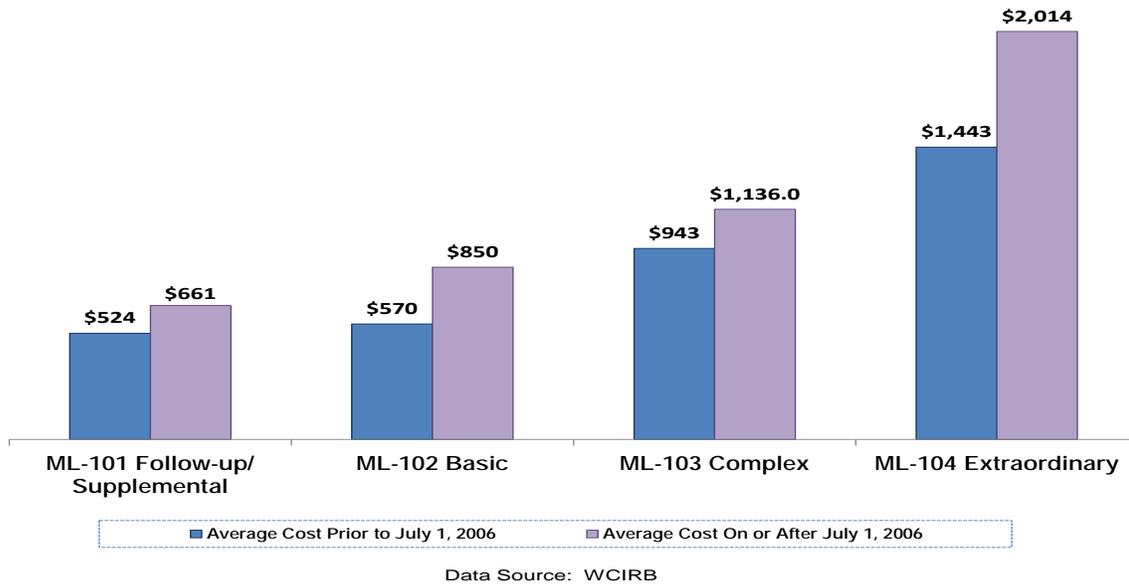
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Average Cost of a Medical-Legal Evaluation by Type and Accident Year



The chart below shows that the average cost of Extraordinary medical-legal evaluations increased by 40 percent after July 1, 2006, when the new Medical-Legal Fee Schedule became effective.

Average Cost of Medical-Legal Evaluation by Type Before and After the Effective Date of the New Medical-Legal Fee Schedule (Calculations are based on PD Survey 2005 2nd Level)

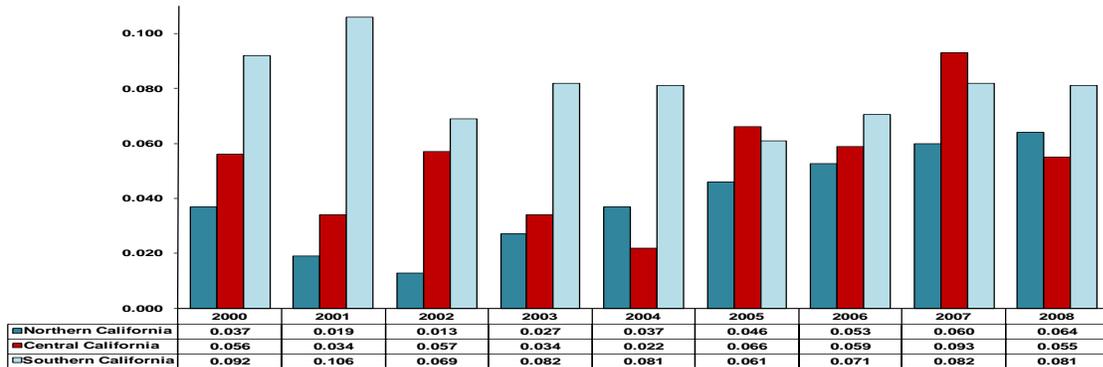


Another possible explanation for the differing trends in the average cost per evaluation and the increasing frequency of the most complex evaluations in California could be an increase in both the frequency and number of psychiatric evaluations per claim. There was an increase in psychiatric evaluations from 6.9 percent of total medical-legal evaluations in the 2002 sample to 9.2 percent in the 2008 sample. The average number of psychiatric evaluations per claim in California increased by 39 percent from 0.062 in 2002 to 0.086 in 2008. Psychiatric evaluations are nearly always billed under the ML-104 code that is the most expensive. The average cost of a psychiatric evaluation doubled in 2008 from \$1,528 in 2002. It also increased by 9.3 percent, from \$2,860 in 2007 to \$3,125 in 2008. As the chart below shows, the psychiatric evaluations are more common in Southern California and that has the biggest impact on both the frequency and cost of medical-legal evaluations statewide. The frequency of psychiatric evaluations in this Southern region increased from 8.4 percent to 10.5 percent from 2002 to 2008, while the average

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cost of psychiatric evaluations increased by 93 percent from \$1,533 to \$2,961 in the same period. In addition, the number of psychiatric evaluations per claim increased by 6 percent in Northern California from 2007 to 2008, exacerbated by 10 percent increase in the average cost of a psychiatric evaluation from \$3,085 in 2007 to \$3,404 in 2008 .

Average Number of Psychiatric Evaluations per PPD Claim by Region



Data Source: WCIRB

According to WCIRB's estimates based on the PD Claim Survey, claims with psychiatric evaluations increased from 6.4 percent of all medical-legal evaluations by physician specialty in 2005 to 12.8 percent in 2010, and the cost of psychiatric evaluations as a percent of the cost of all medical-legal evaluations by physician specialty increased from 13.6 percent in 2005 to 24.1 percent in 2010.

The average cost of a psychiatric medical-legal evaluation was the highest in comparison to average costs of other medical-legal evaluations by physician type, averaging \$3,220 in 2010, or 1.9 times the average cost of all medical-legal evaluations, and showed a 73 percent increase from its 2005 level. According to WCIRB's distribution of total workers' compensation medical costs paid by physician type, payments to psychiatrists increased from 1.4 percent in 2005 to 2 percent in 2010.

The recent data on the QME process presented in CHSWC studies in collaboration with UC Berkeley indicate a significant increase in the share of QME panels assigned to psychiatrist/psychologist specialties. The demand for psychiatric specialties as a part of all specialties increased from 6.5 percent in 2005 to 12.7 percent in 2010.

Total Medical-Legal Cost Calculation

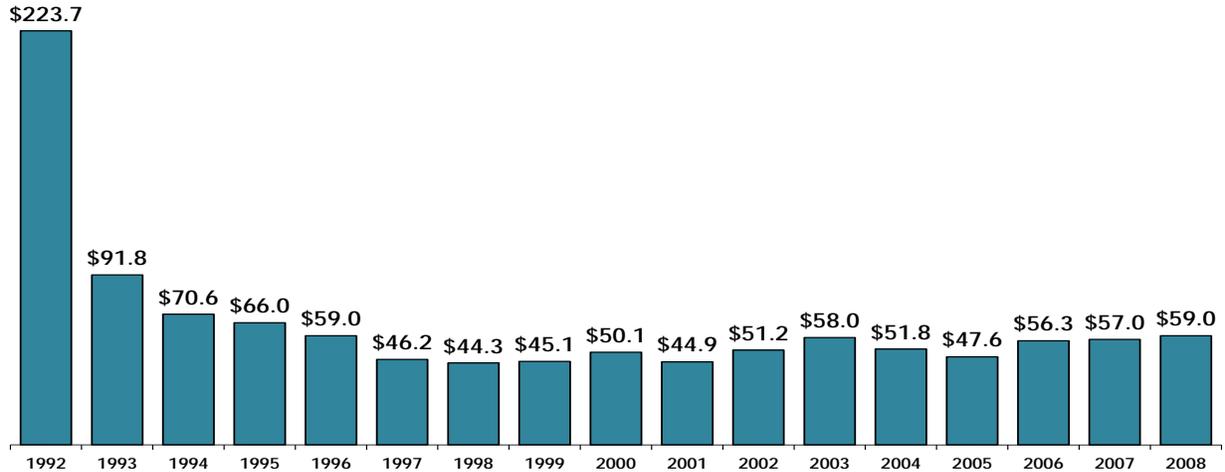
Total medical-legal costs are calculated by multiplying the number of permanent partial disability (PPD) claims by the average number of medical-legal evaluations per claim and by the average cost per medical-legal evaluation:

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

Medical-Legal Costs

During the 1990s, the cost of medical-legal evaluation improved dramatically. For the insured community, the total cost of medical-legal evaluations performed on PPD claims by 40 months after the beginning of the accident year declined from a high of \$223.7 million in 1992 to an estimated \$59.0 million for injuries occurring in 2008, a 73.6 percent decrease from 1992 accident year.

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



Data Source: WCIRB

Sources of Improvement in Medical-Legal Costs

The changes in total medical-legal cost for insurers reflect changes in all three components of the cost structure. The number of medical-legal examinations per claim dropped sharply after procedural changes enacted in 1989 took effect January 1, 1991. The new procedures for disputes over permanent disability or medical treatment required represented parties to attempt agreement on an AME before selecting their own QMEs, and then it limited the number of QMEs. In the case of an unrepresented worker, an exam could only be obtained from a QME selected from a panel of three QMEs assigned by DWC. These changes cut into the business of “medical mills” which had referred patients back and forth for multiple evaluations when there was no actual dispute. Beginning in 1994, disputes over the compensability of a claim were also brought into the AME/QME model. Furthermore, the first threshold for compensability of psychiatric injuries took effect in 1990. Beginning in 2005, represented cases also became subject to a requirement to select a QME from a panel rather than each party picking its own QME. All of these changes contributed to the reduction in number of examinations per claim. Declining claim frequency also contributed to reducing the total number of medical-legal evaluations. Costs have begun to trend upward again due to rising costs per examination. The complexity of impairment rating under the *AMA Guides*, new rules for apportionment, and the criteria for medical treatment decisions under the Medical Treatment Utilization Schedule are among the reasons cited for rising costs per exam.

The changes in claim frequency, evaluations per claim, and cost per evaluation are all summarized in the following table.

Table: Sources of Change in Medical-Legal Costs

	1990	2008	Change 1990-2008
Number of PPD Claims	167,700	40,700	-75.7%
Average Number of Evaluations per PPD Claim	2.53	0.91	-64.0%
Average Cost of Evaluation	\$986	\$1,591	+61.4%

WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

Occupational Injury and Illness Prevention Efforts

Workplace health and safety 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 (U.S.) and California.

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

Occupational Injuries, Illnesses and Fatalities

The numbers of occupational injuries, illnesses and fatalities in the private sector (private industry) and the public sector (state and local government) for the past several years are displayed and discussed in this subsection. Fatality data for 2010 are preliminary as of September 2011.

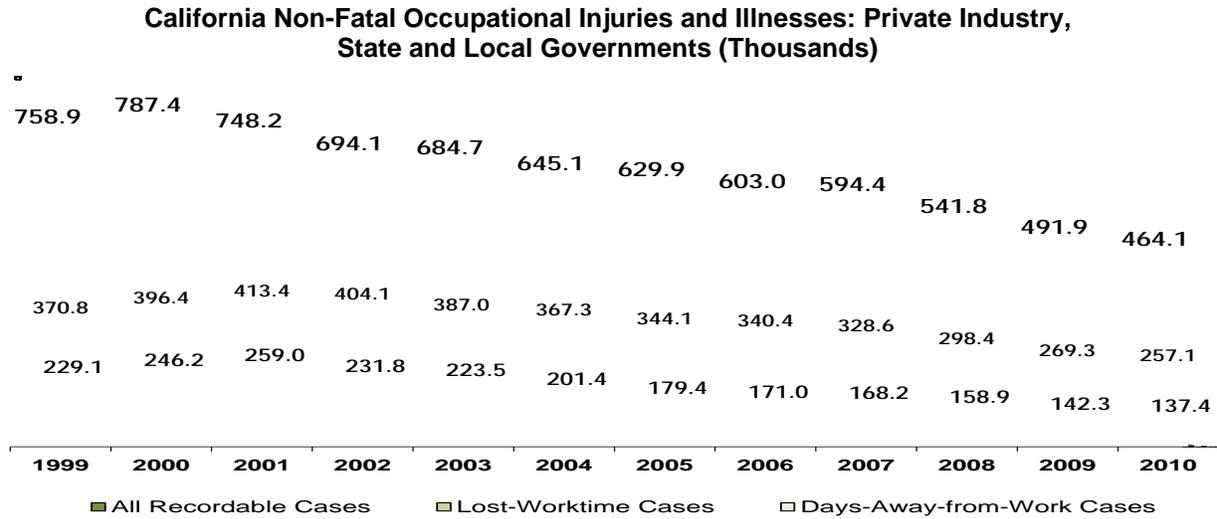
Please note that "lost-work-time" occupational injury and illness cases involve days away from work, job transfer, or days of restricted work activity, and that days-away-from-work cases involve days away from work, whether or not there is also job transfer or restricted work activity.

The National Academy of Social Insurance (NASI) estimated that there were 124.9 million workers covered by workers' compensation in the U.S. in 2009, including 14.4 million in California.

Public and Private Sectors Compared

Non-Fatal Occupational Injuries and Illnesses

The following chart shows occupational injuries and illnesses in California's private industry, state government and local government. Occupational injuries and illnesses in California have decreased noticeably in the past decade. As shown in the following chart, the numbers of recordable occupational injury and illness cases, number of lost-work-time cases, and number of days-away-from-work cases have all declined from 2000 to 2010.



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 24.4 percent from 1998 to 2003 and increased by 15.7 percent from 2003 to 2006. Fatal injuries decreased 23.8 percent from 2006 to 2007, increased 14.7 percent from 2007 to 2008, and then decreased by 33.7 percent from 2008 to 2010.



* Total, excluding Federal Government

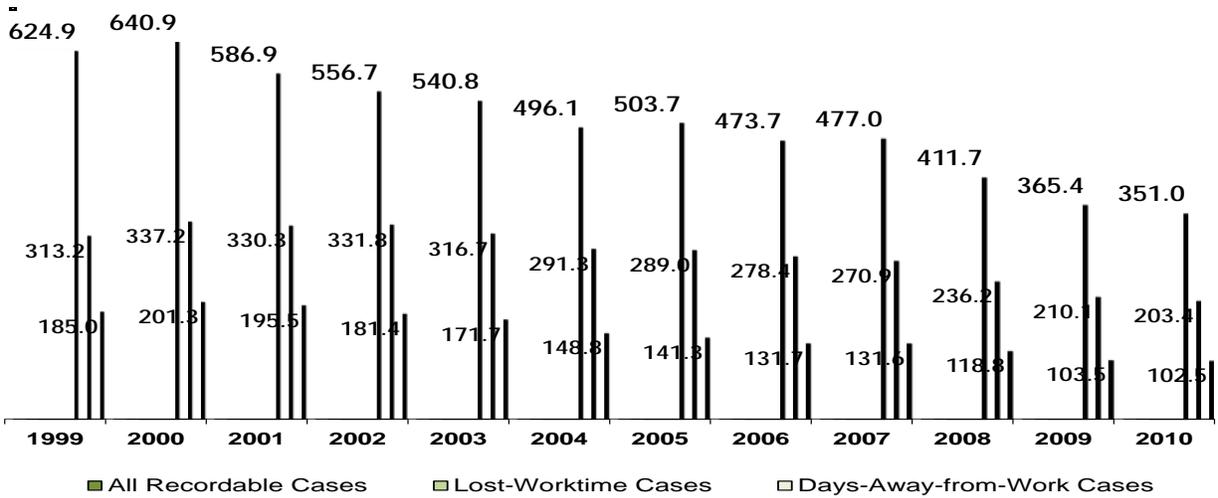
Data Source: DIR - DLSR and BLS

Private Sector

Non-Fatal Occupational Injuries and Illnesses

Occupational injuries and illnesses in California's private industry have also decreased noticeably in the past ten years. The total number of recordable injury and illness cases dropped by 45 percent, the number of lost-work-time cases declined by 40 percent, and the number of days-away-from-work cases decreased by 49 percent, all from 2000 to 2010.

California Non-Fatal Occupational Injuries and Illnesses: Private Industry (Thousands)

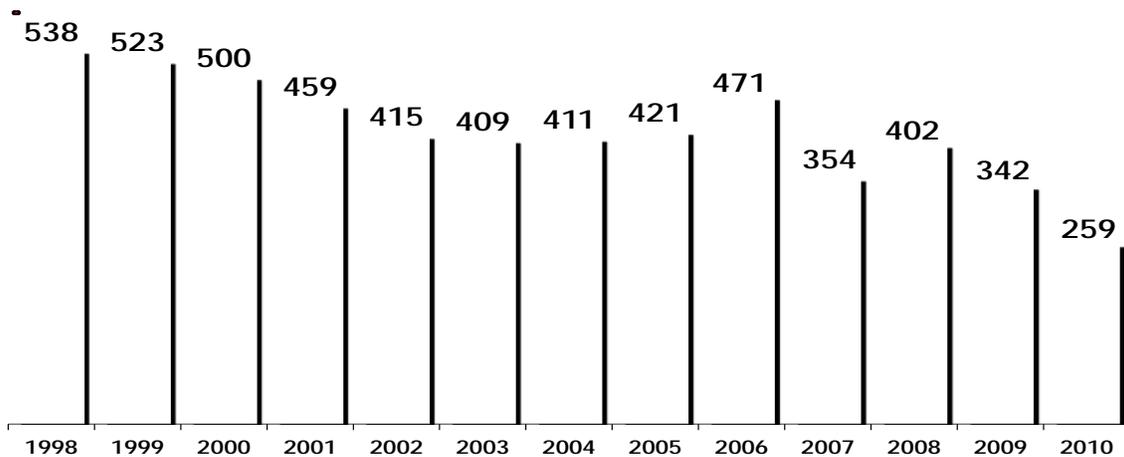


Source: DIR Division of Labor Statistics and Research

Fatal Occupational Injuries and Illnesses

From 1998 to 2003, fatal injuries in private industry decreased by 24 percent and increased by 15.2 percent from 2003 to 2006. The number of fatal injuries in private industry decreased 24.8 percent from 2006 to 2007, increased 13.6 percent from 2007 to 2008, and then decreased by 36.6 percent from 2008 to 2010.

California Fatal Occupational Injuries and Illnesses - Private Industry



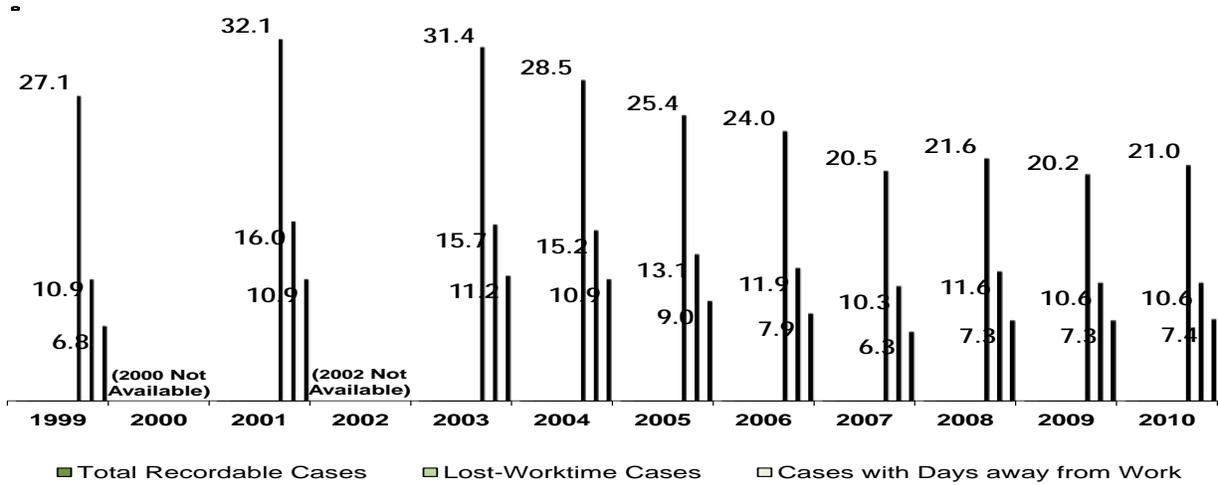
Source: DIR -DLSR and BLS

Public Sector – State Government

Non-Fatal Occupational Injuries and Illnesses

In contrast to private industry, the numbers of non-fatal occupational injuries and illnesses in state government have changed less appreciably in the past nine 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. The total number of cases declined by almost 35 percent from 31,400 to 20,500 between 2003 and 2007, and then averaged 20,800 from 2007 to 2010.

California Non-Fatal Occupational Injuries and Illnesses: State Government (Thousands)

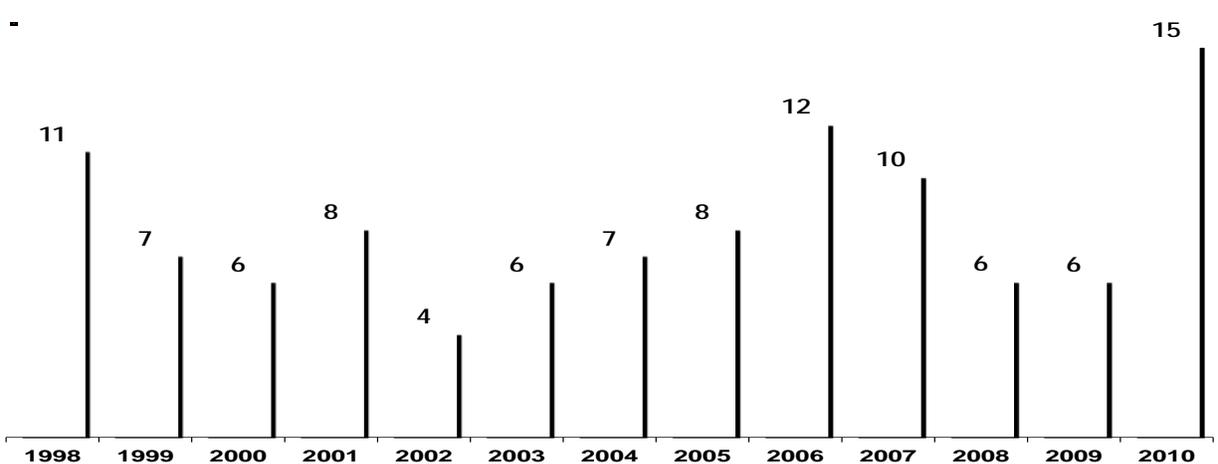


Source: DIR Division of Labor Statistics and Research

Fatal Occupational Injuries and Illnesses

Fatal occupational injuries and illnesses in California state government have decreased since the mid-1990s. The number of annual fatalities decreased from 11 in 1998 to 6 in 2000; then, the average number of fatalities of 6.5 from 2000 to 2005 increased to an average of 10 from 2005 to 2007, as shown on the following chart. There was a decrease in fatal occupational injuries and illnesses from 12 to 6 from 2006 to 2009, followed by increase from 6 fatalities in 2009 to 15 fatalities in 2010.

California Fatal Occupational Injuries and Illnesses - State Government



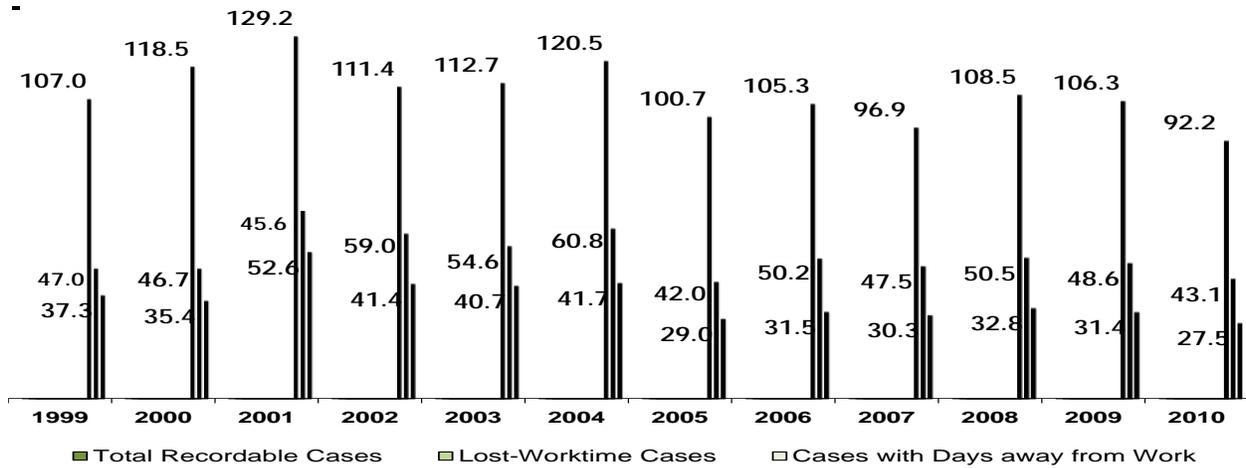
Source: DIR - DLSR and BLS

Public Sector - Local Government

Non-Fatal Occupational Injuries and Illnesses

The total number of non-fatal occupational injuries and illnesses in local government fluctuated over the past several years. The number of injuries and illnesses in this sector decreased from 2004 to 2005 by 16 percent, averaged 101,000 from 2005 to 2007, increased by 12 percent from 2007 to 2008, and decreased again by 15 percent to 92,200 cases in 2010.

California Non-Fatal Occupational Injuries and Illnesses: Local Government (Thousands)

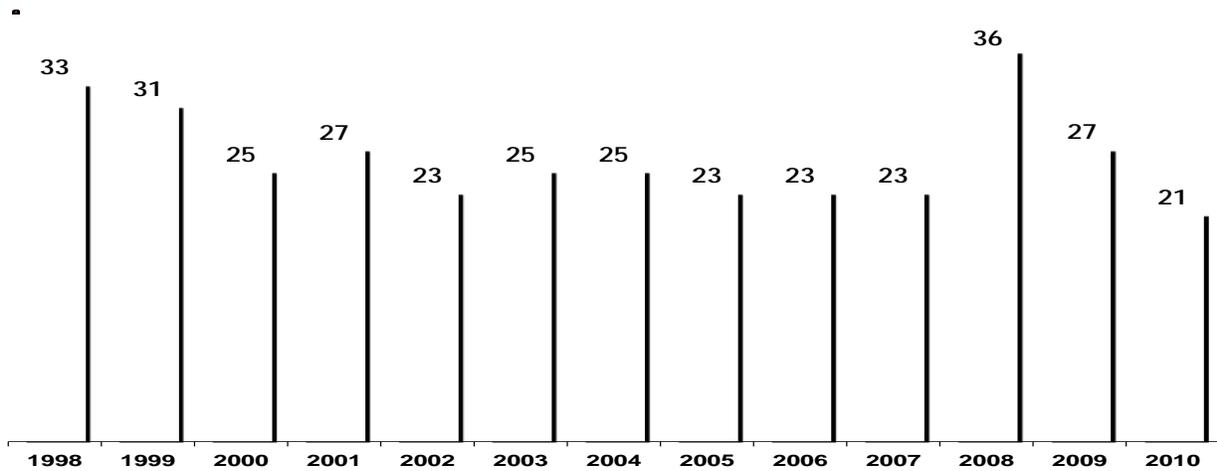


Source: DIR Division of Labor Statistics and Research

Fatal Occupational Injuries and Illnesses

The number of fatal occupational injuries and illnesses in California's local governments averaged 32 in 1998 and 1999, while from 2000 to 2007, the annual average was 24.25. There was a 56.5 percent increase in the number of fatal occupational injuries and illnesses in California's local governments from 2007 to 2008, and then a 39 percent decrease from 2008 to 2010.

California Fatal Occupational Injuries and Illnesses - Local Government



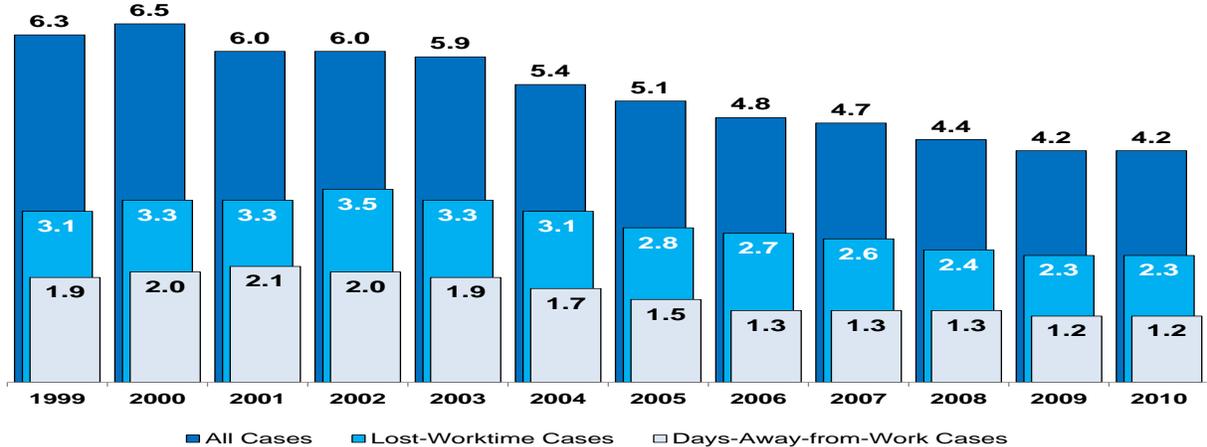
Source: DIR - DLSR and BLS

Occupational Injury and Illness Incidence Rates

Public and Private Sectors Compared

From 2000 to 2010, incidence rates for all cases in California declined. Between 2000 and 2002, the incidence rates for both lost-work-time and days-away-from-work cases remained relatively the same, but then have declined since 2002. Incidence rates for all cases, lost-work-time cases, and days-away-from-work cases did not change from 2009 to 2010.

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

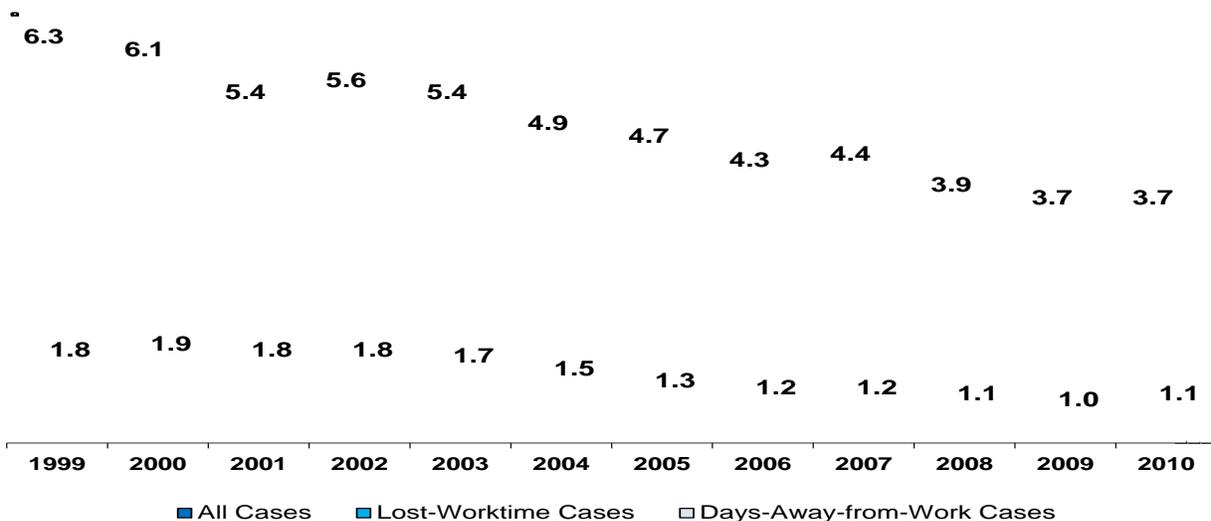


Data Source: DIR - Department of Labor Statistics and Research

Private Sector

From 2000 to 2010, the occupational injury and illness incidence rate for all cases in California's private industry declined from 6.1 to 3.7, a decrease of 39 percent, while the incidence rate for lost-time cases dropped from 3.2 to 2.1, a decrease of 47 percent.

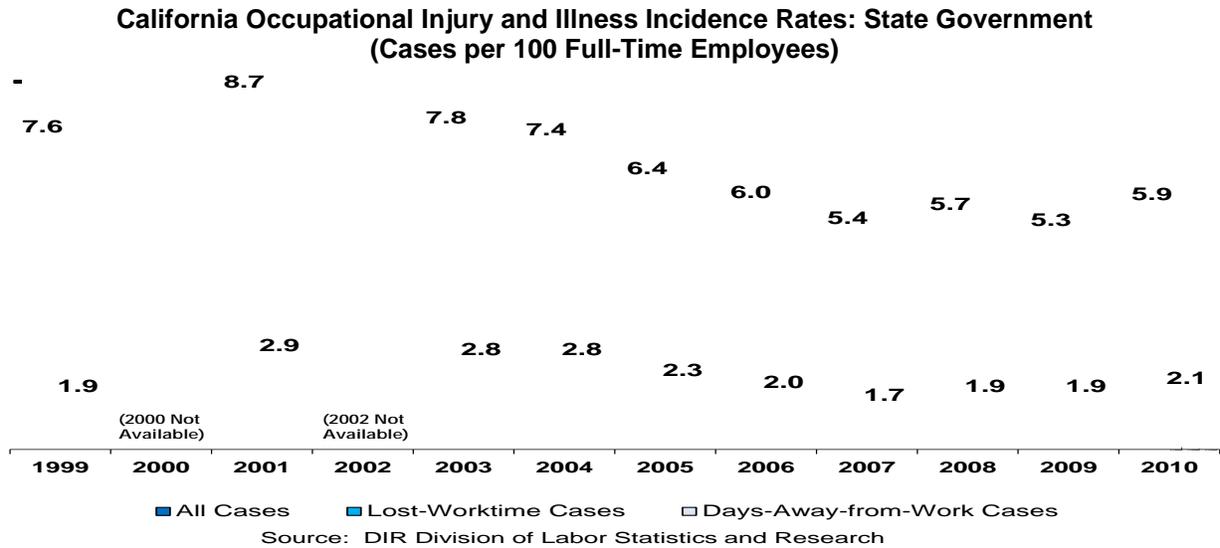
**California Occupational Injury and Illness Incidence Rates: Private Industry
(Cases per 100 Full-Time Employees)**



Source: DIR Division of Labor Statistics and Research

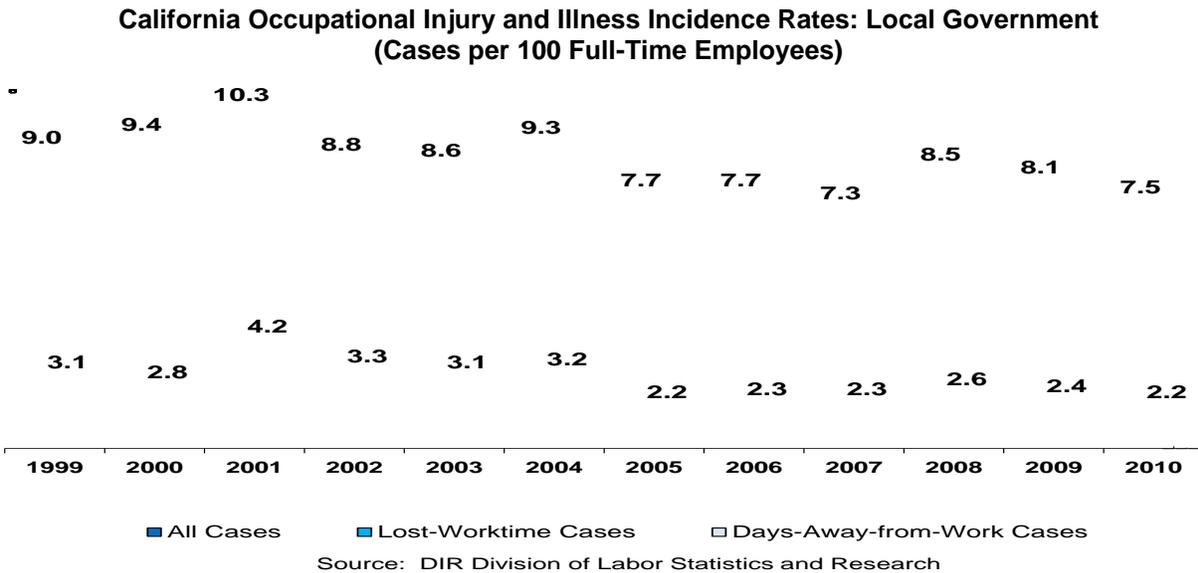
Public Sector - State Government

California state government occupational injury and illness incidence rates declined by 32 percent from 8.7 cases in 2001 to 5.9 cases per 100 full-time employees in 2010.



Public Sector – Local Government

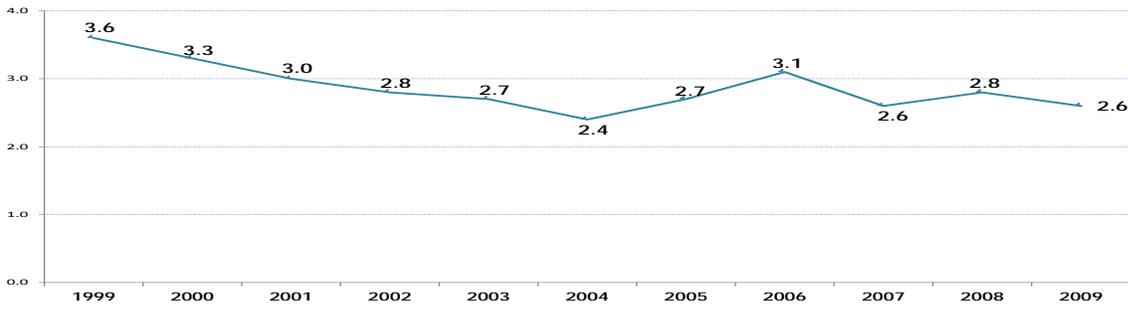
Local government occupational injury and illness incidence rates increased from 1999 through 2001, decreased through 2003, and then increased again in 2004. From 2004 to 2005, injury and illness rates decreased by 17 percent, then remained fairly stable between 2005 and 2007, increased again by 16 percent from 2007 to 2008, and then decreased by almost 12 percent from 2008 to 2010 from 8.5 to 7.5 per 100 full-time employees.



California Fatality Incidence Rates

Fatality per employment rates may be used to compare the risk of incurring injury among worker groups with varying employment levels. From 1999 to 2004, there was a decrease of 33.3 percent in fatality rates in California. From 2004 to 2006, the fatality rate increased by 29 percent, decreased by 16 percent from 2006 to 2007, and then averaged at about 2.7 from 2007 through 2009.²⁵

California Fatal Occupational Injuries* – Incidence Rate
(per 100,000 employed)**



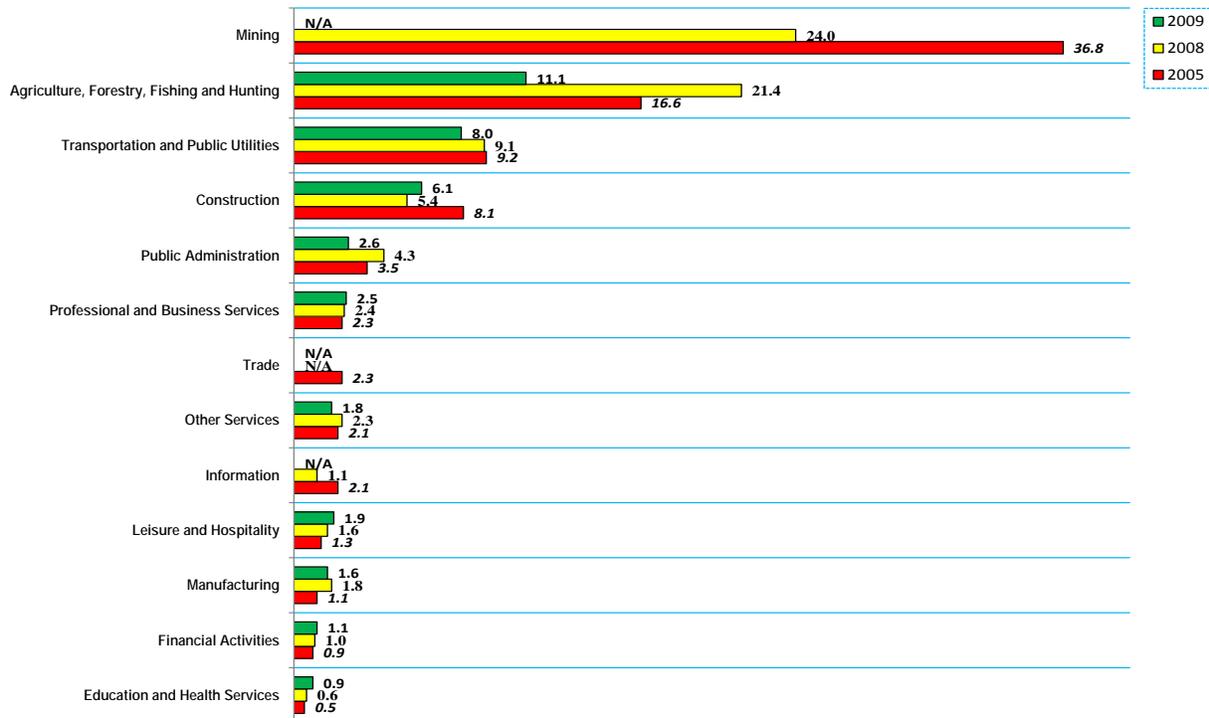
* California Fatal Occupational Injuries exclude military personnel and workers under age 16 and include all self-employed, family business, and wage and salary workers.

** Incidence Rates for Fatal Occupational Injuries computed using estimates of civilian workers (age 16 and older) from the Current Population Survey (CPS) and are expressed as the number of fatalities per 100,000 employed.

Data Source: U.S. Department of Labor, BLS, in cooperation with State and Federal agencies, Census of Fatal Occupational Injuries.

The chart below shows the fatality incidence rates by major industries in 2005, 2008 and 2009.

**California Fatality Rates by Industries
(per 100,000 employed), 2005, 2008, 2009**



* From 2003, classified by NAICS. Because of substantial differences between NAICS and SIC used for prior years, comparisons between prior years and 2003 and on should not be made. (Data for 2006 and 2007 unavailable)

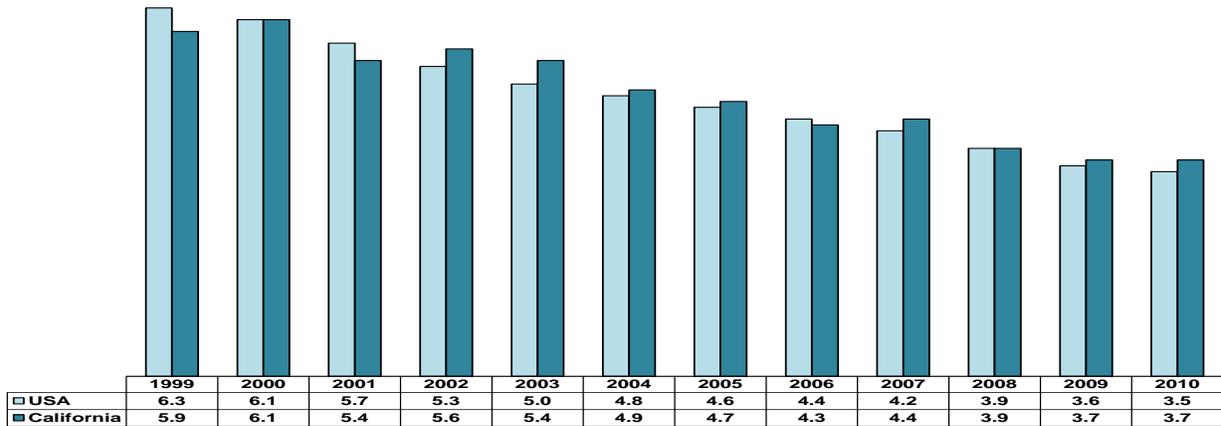
Data Source: BLS, U.S. Department of Labor, Survey of Occupational Injuries and Illnesses in cooperation with participating State agencies

²⁵ 2009 is the latest year for which fatality incidence rates are available in 2011.

United States and California Incidence Rates: A Comparison

Both the U.S. and California have experienced a decrease in occupational injury and illness incidence rates from 1999 through 2010. During that time, the U.S. incidence rate dropped by more than 44 percent, while the California rate declined by 37 percent. Since 2002, the incidence rate in California has been mostly above the national average.

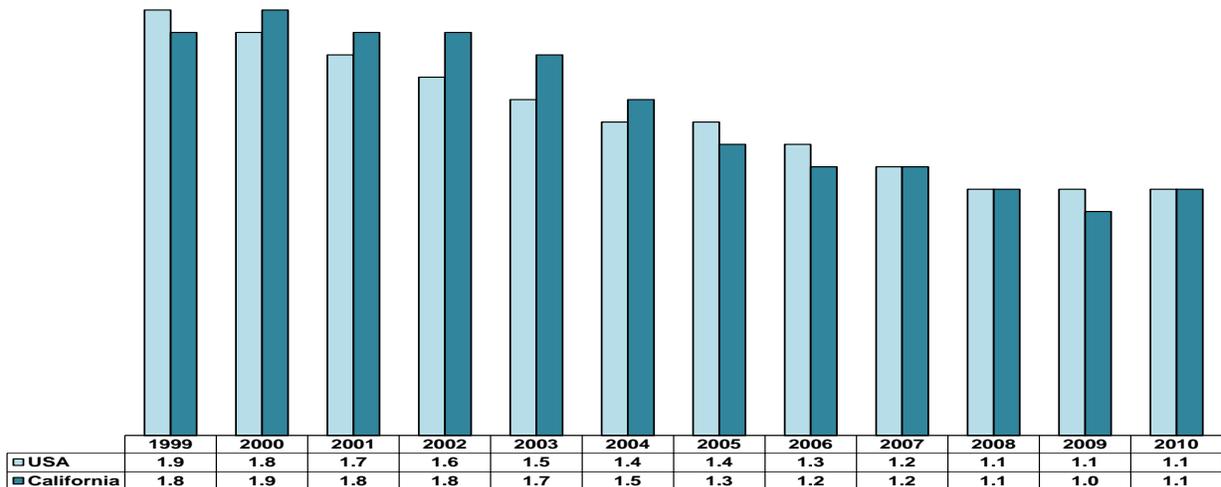
**Injury and Illness Incidence Rate per 100 Full-Time Workers:
Private Industry – Total Recordable Cases. USA and California**



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 U.S. and California from 1999 through 2010. During that time, the U.S. incidence rate for cases with days away from work dropped by 42 percent, while the California rate declined by 39 percent.

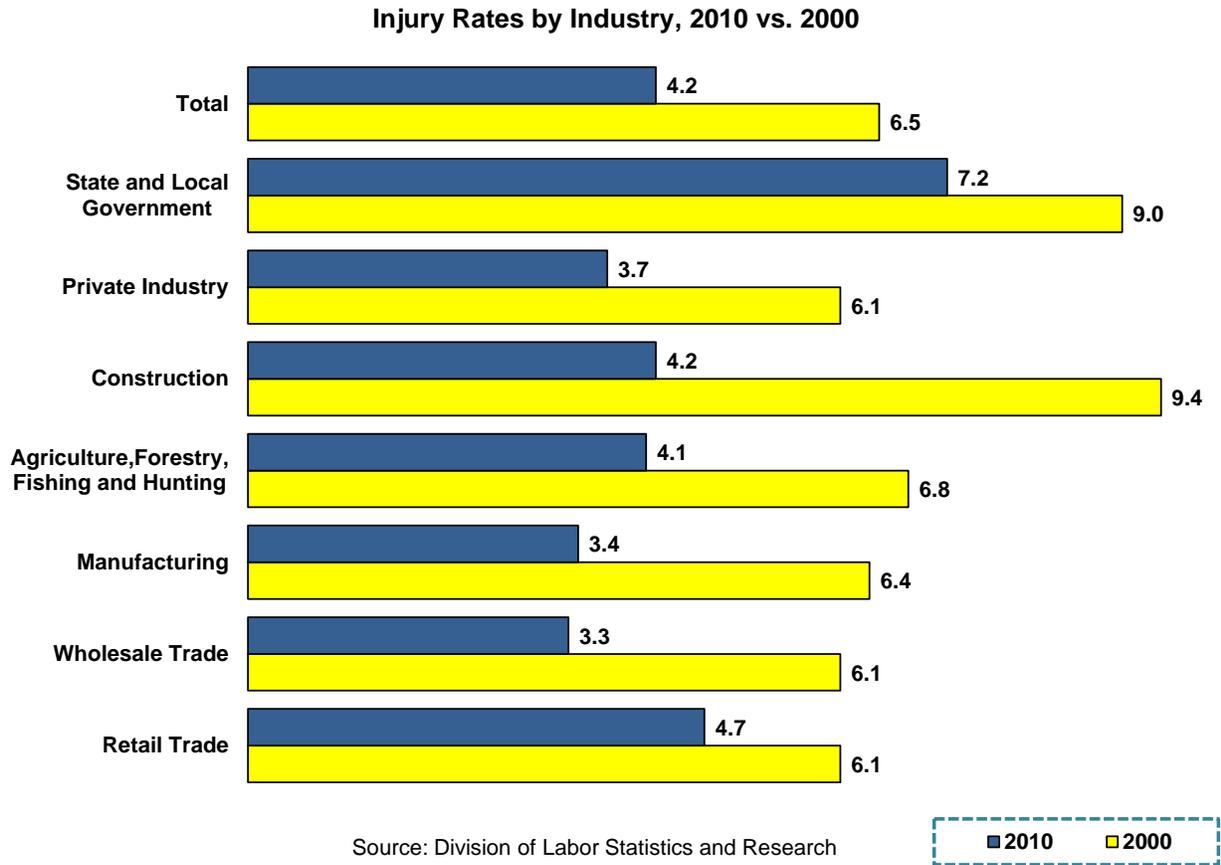
**Injury and Illness Incidence Rate per 100 Full-Time Workers:
Private Industry – Cases with Days Away from Work. USA and California**



Source: US Department of Labor, Bureau of Labor Statistics

Characteristics of California Occupational Injuries and Illnesses

This section compares incidence rates by industry in 2000 with those in 2010. The overall California occupational injury and illness incidence rates have declined, and the incidence rates in major industries have also declined. The following chart compares incidence rates for total recordable cases in 2000 and 2010 by type of major industry including state and local government.

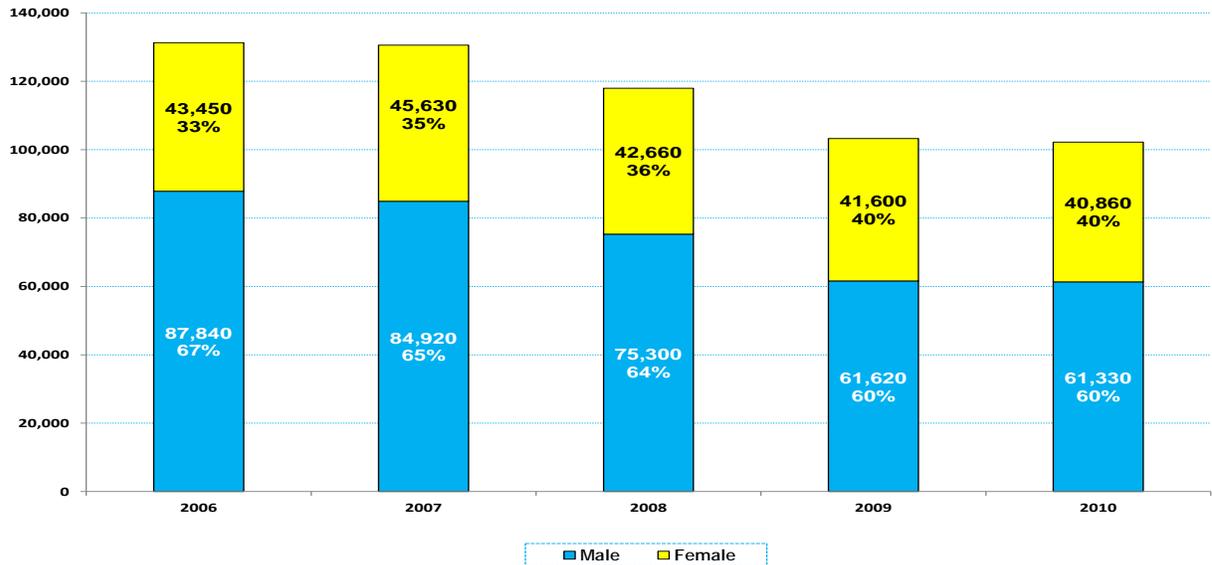


The smallest decline during this period in incidence rates was in the state and local government, and the largest decrease was in construction.

Characteristics of California Non-Fatal Occupational Injuries and Illnesses

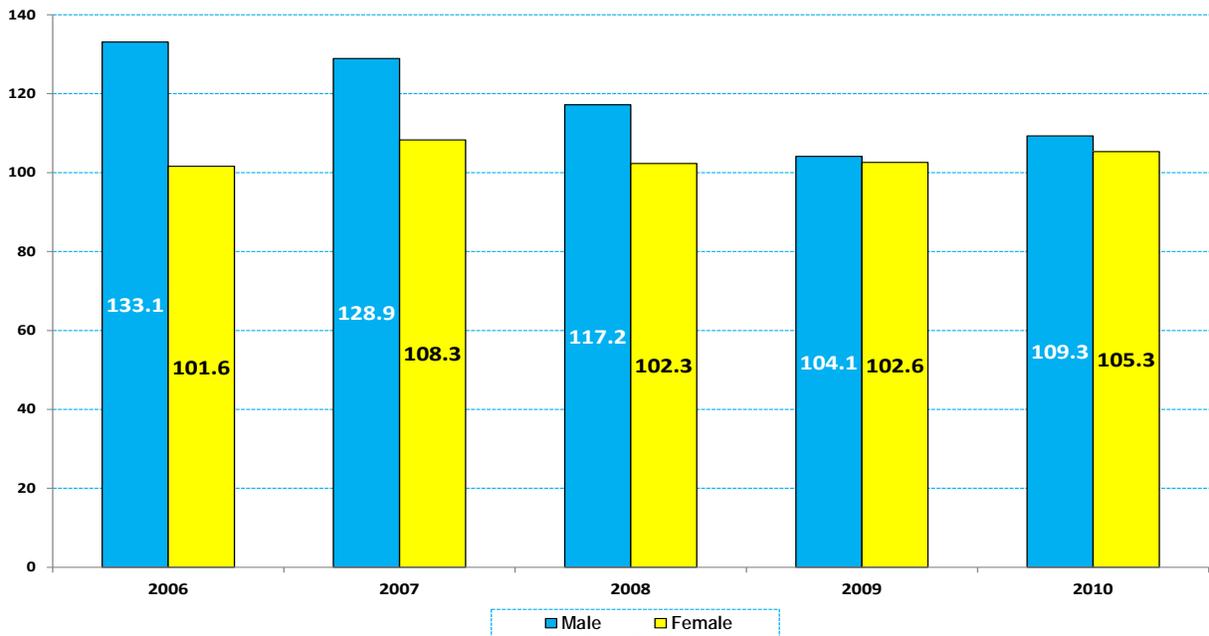
The following charts illustrate various demographic characteristics of non-fatal occupational injuries and illnesses in California's private industry.

Number of Non-Fatal Occupational Injuries and Illnesses in California by Gender, Private Industry, 2006-2010



Data Source: DLSR

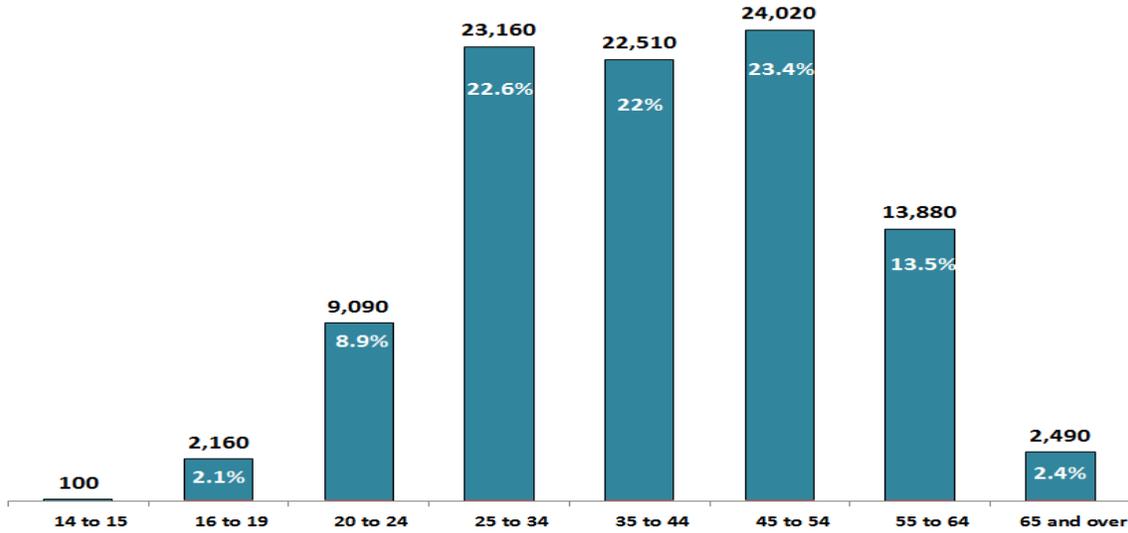
California Non-Fatal Occupational Injuries and Illnesses Incidence Rates by Gender, Private Industry, 2006-2010 (Cases per 10,000 full-time employees)



* With days away from work with or without job transfer or restriction.

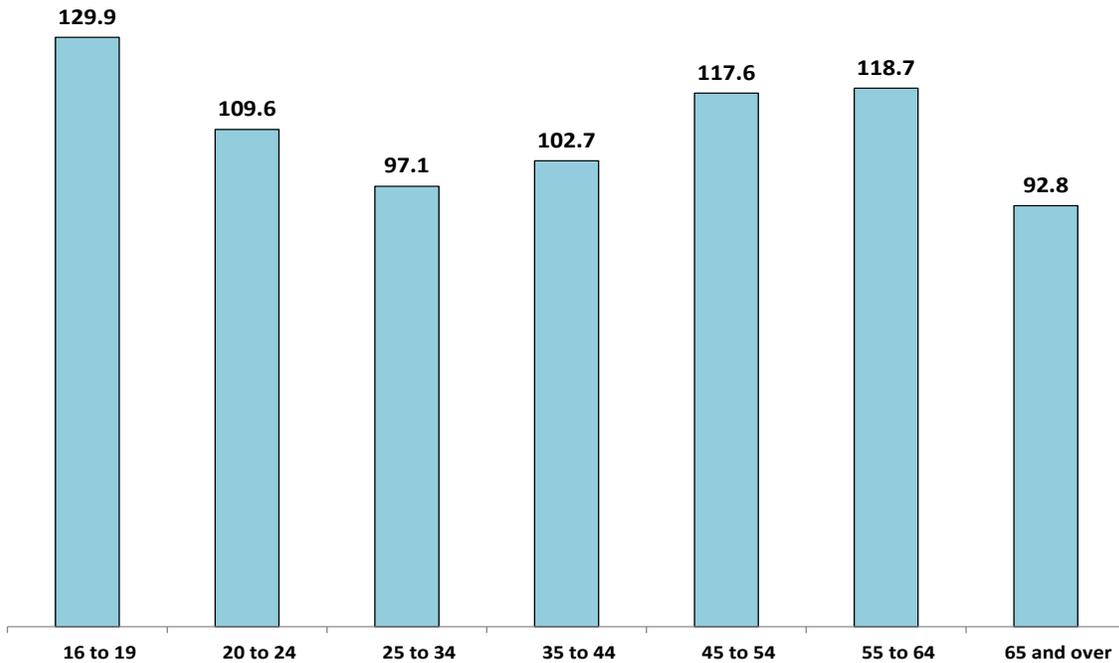
Data Source: BLS, U.S. Department of Labor, Survey of Occupational Injuries and Illnesses in cooperation with participating State agencies.

Number of Non-Fatal Occupational Injuries and Illnesses in California by Age, Private Industry, 2010



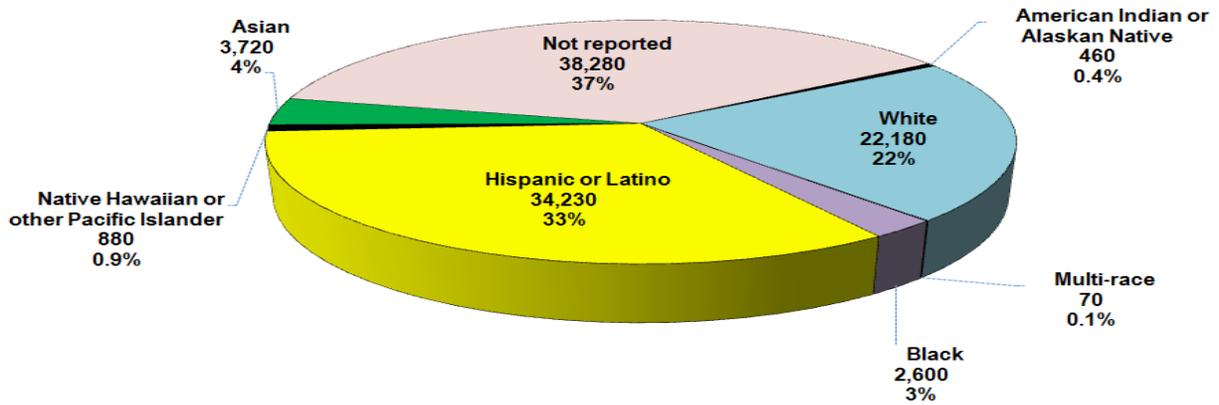
Data Source: DLSR

California Occupational Injury and Illness Incidence Rates, by Age Private Industry, 2010 (per 10,000 Full-Time Workers)



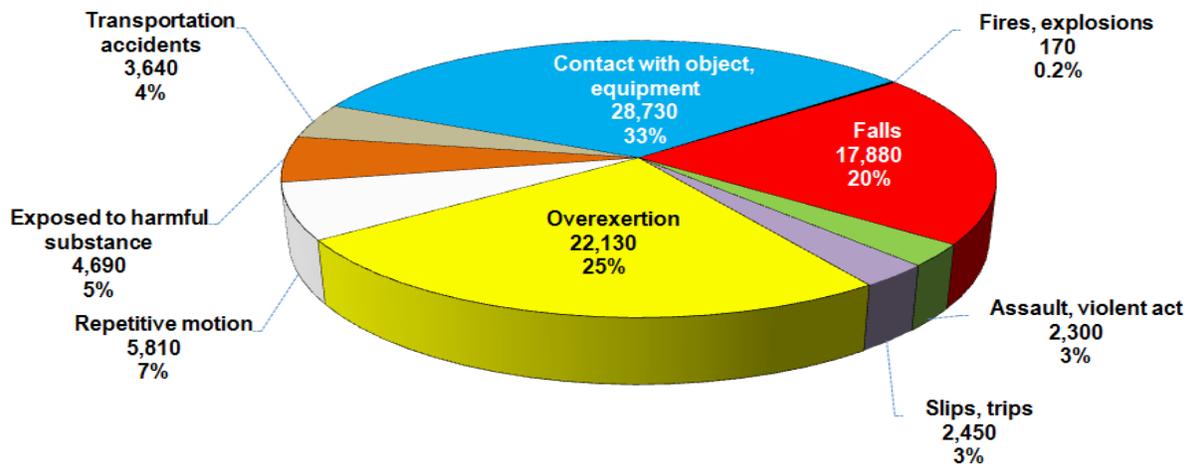
Data Source: BLS, Department of Labor, Survey of Occupational Injuries and Illnesses in cooperation with participating State Agencies

California Non-Fatal Occupational Injuries and Illnesses by Race or Ethnic Origin (Private)-2010



Data Source: DLSR

California Non-Fatal Occupational Injuries and Illnesses by Event and Exposure (Private)-2010

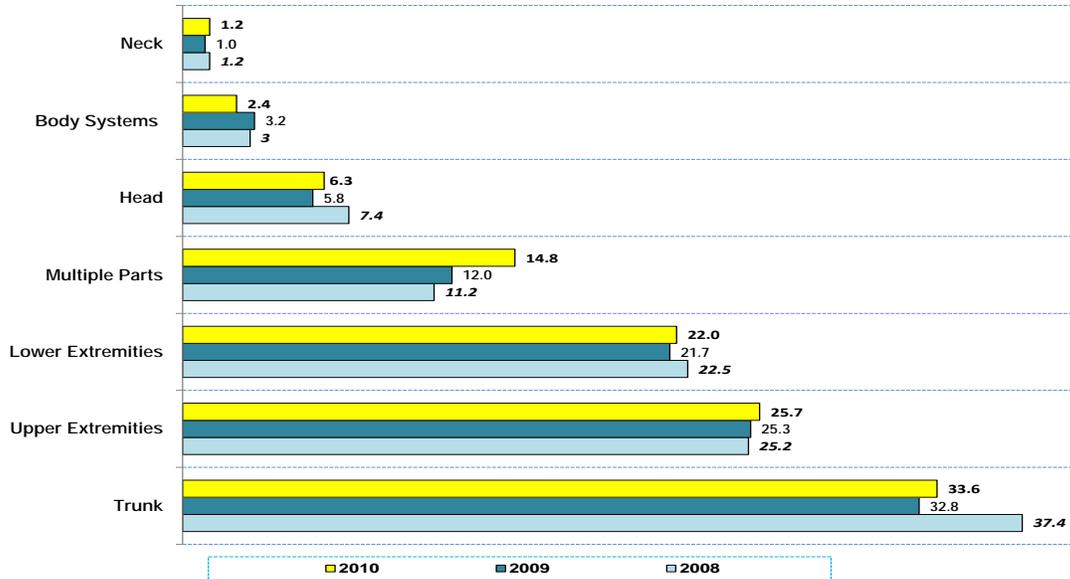


Data Source: DLSR

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

The following chart shows that the trunk and upper extremities were the major body parts with the greatest incidence rates in 2008, 2009 and 2010.

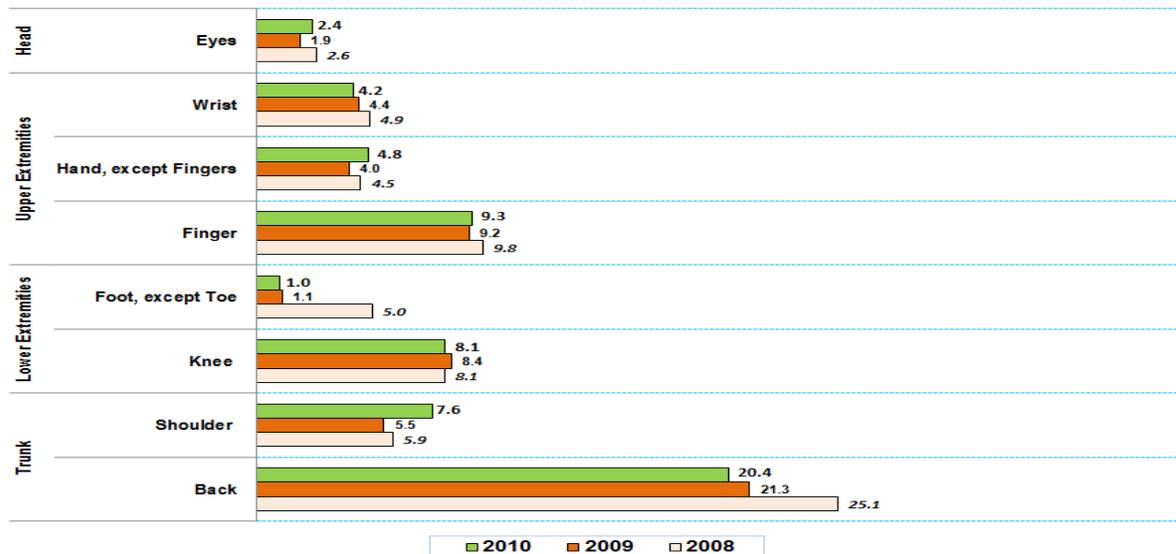
Incidence Rates for Non-Fatal Occupational Injuries and Illnesses by Major Body Parts, Private Industry, 2008, 2009, 2010 (per 10,000 Full-Time Workers)



Data Source: BLS, U.S. Department of Labor, Survey of Occupational Injuries and Illnesses (SOII) in cooperation with participating State agencies.

The following chart shows that the back was the body part with the highest incidence rate in 2008, 2009 and 2010.

Incidence Rates for Non-Fatal Occupational Injuries and Illnesses by Major Body Part Units Private Industry, 2008, 2009, 2010 (per 10,000 Full-Time Workers)



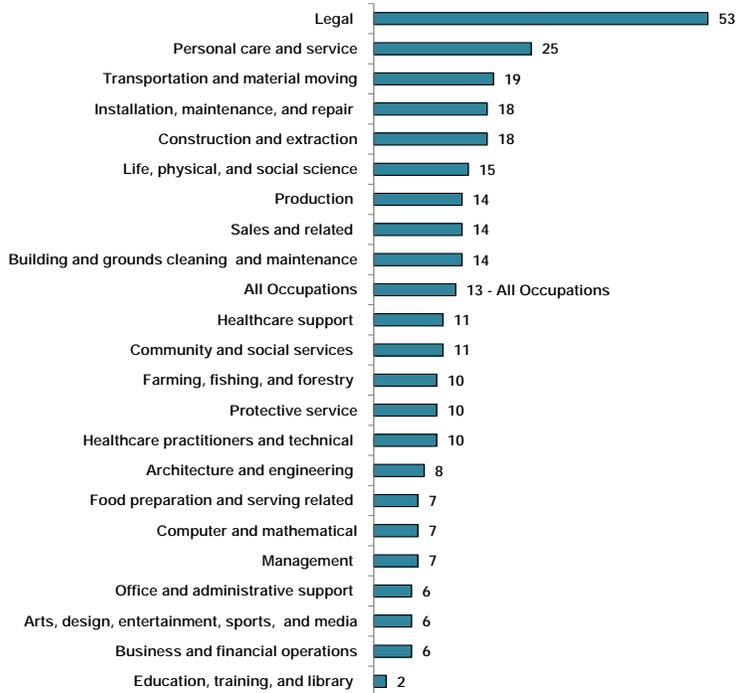
Data Source: BLS, U.S. Department of Labor, Survey of Occupational Injuries and Illnesses (SOII) in cooperation with participating State agencies.

The following three charts compare the median days away from work for private industry occupations, state government occupations, and local government occupations. Legal occupations for both private

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

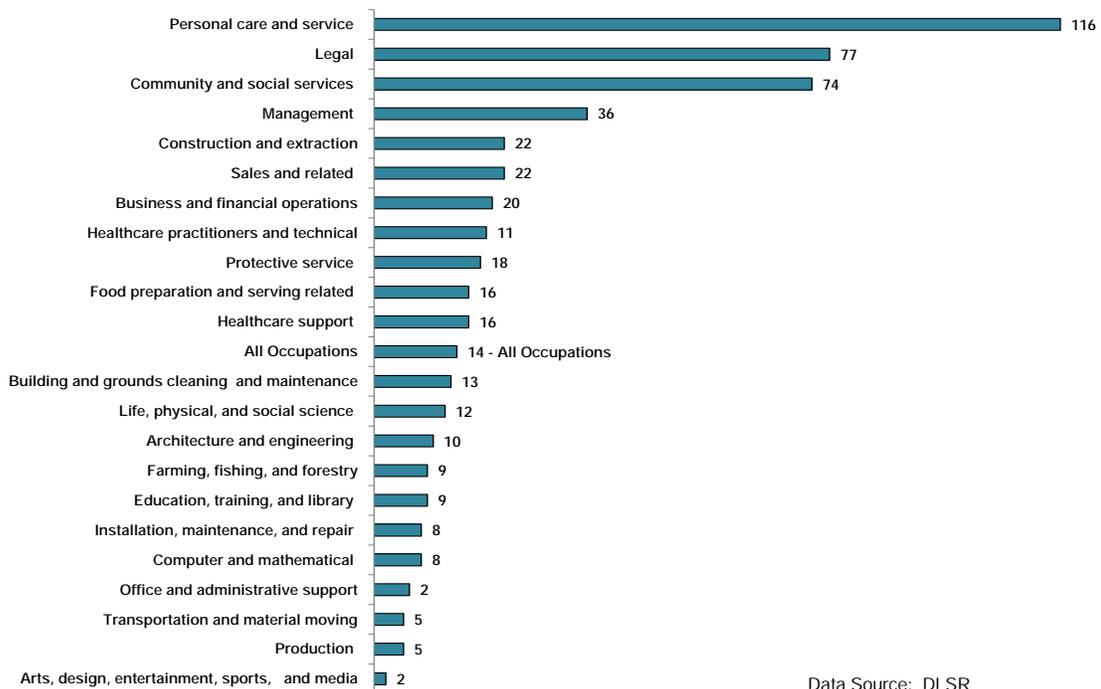
industry and local government, and personal care and service occupations for state government had the greatest median days away from work in 2010.

**Non-Fatal Injuries and Illnesses by Major Occupational Group:
Median Days Away from Work (Private) – 2010**



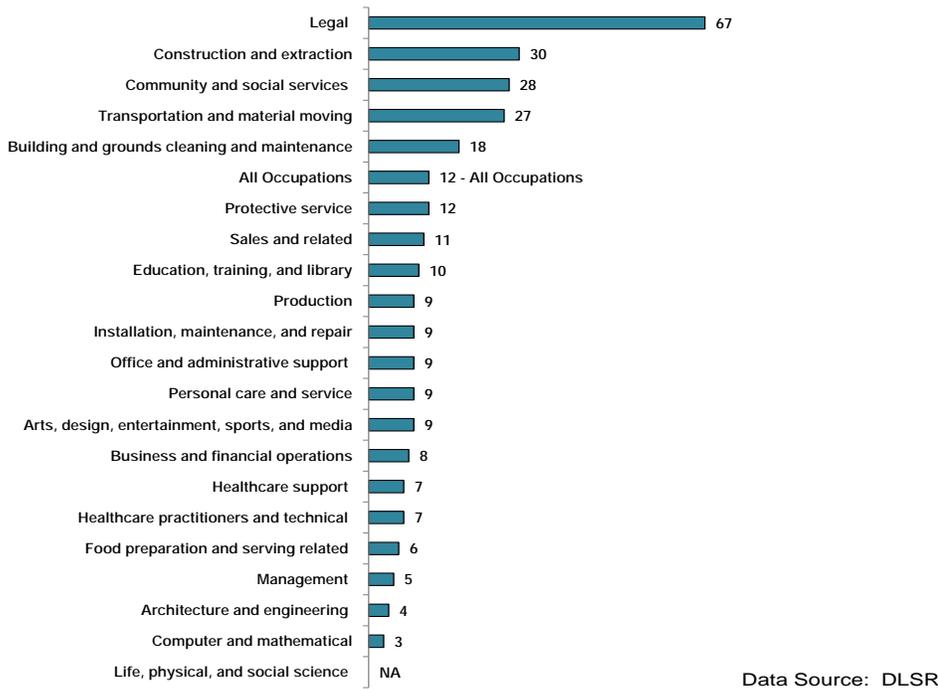
Data Source: DLSR

**Non-Fatal Injuries and Illnesses by Major Occupational Group:
Median Days Away from Work (State) – 2010**



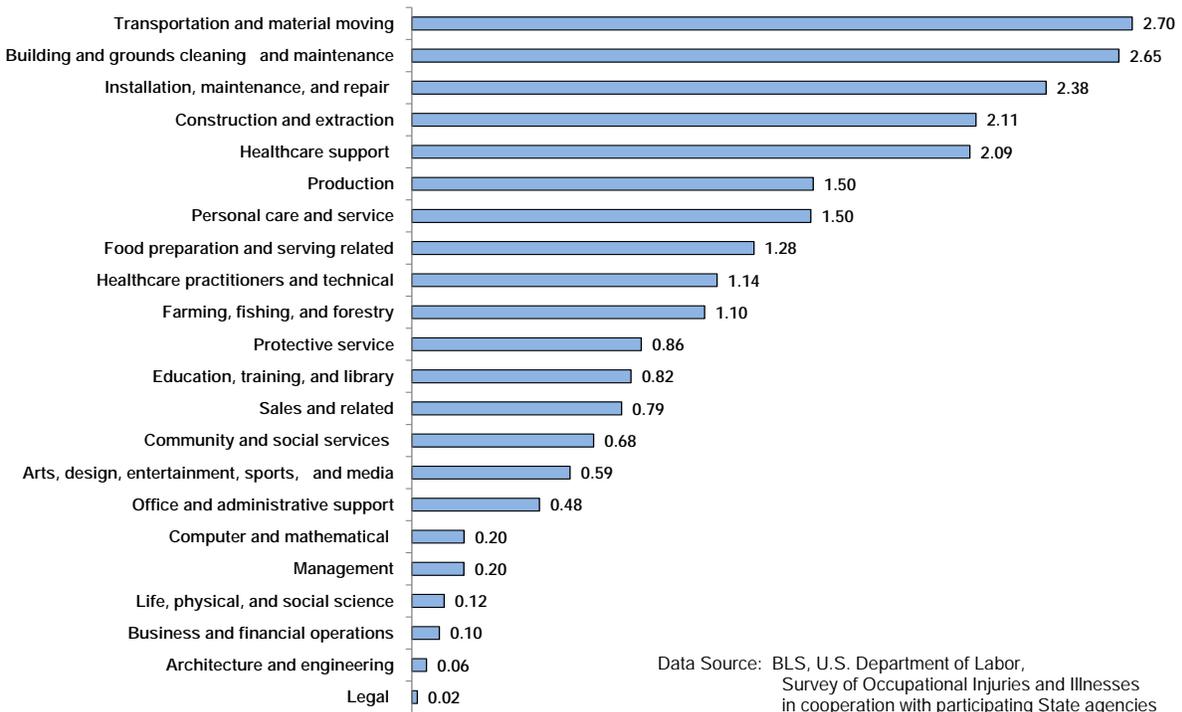
Data Source: DLSR

**Non-Fatal Injuries and Illnesses by Major Occupational Group:
Median Days Away from Work (Local Government) – 2010**



The following two charts compare the injury and illness incidence rates, including back injury, for various occupations. The transportation and material moving occupations had the highest incidence rate in 2010, followed by the building and grounds cleaning and maintenance occupations.

**Incidence Rates by Private Sector Occupational Group (per 100 Full-Time Workers)
Non-Fatal Occupational Injuries and Illnesses with Days Away from Work, 2010**



SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

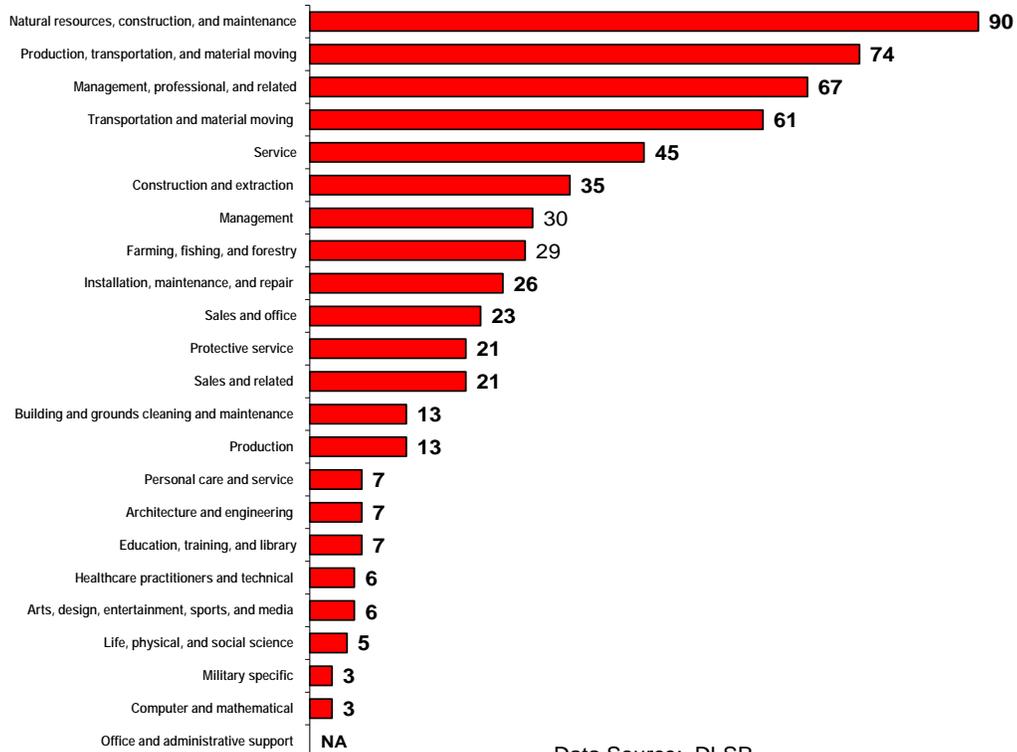
**Back Injury Incidence Rates by Private Sector Occupational Group (per 100 Full-Time Workers)
Non-Fatal Occupational Injuries and Illnesses with Days Away From Work, 2010**



Data Source: BLS, U.S. Department of Labor, Survey of Occupational Injuries and Illnesses in cooperation with participating State agencies

The following chart compares the number of fatalities for various occupations. The natural resources, construction, and maintenance occupation had the greatest number of fatalities in 2010, followed by the production, transportation, and material moving and management, professional, and related occupations.

Fatal Occupational Injuries by Selected Occupations – All Ownerships, 2010

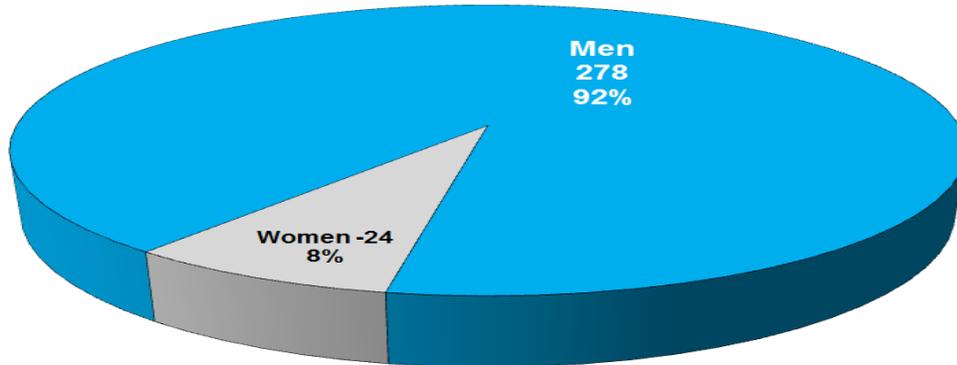


Data Source: DLSR

Characteristics of California Fatal Occupational Injuries and Illnesses

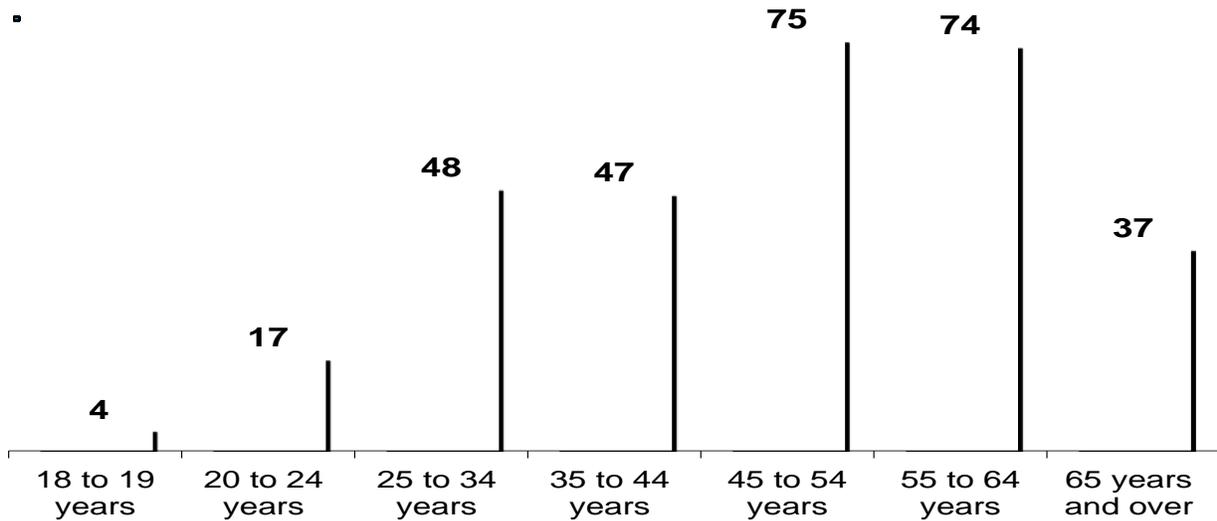
The following charts illustrate various characteristics of fatal occupational injuries and illnesses in California's private industry and federal, state and local governments.

**California Fatal Occupational Injuries and Illnesses
By Gender – 2010**



Data Source: BLS

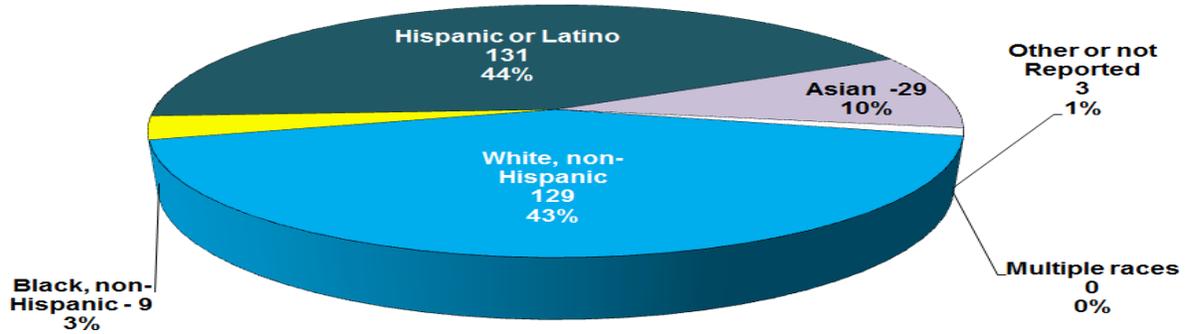
**California Fatal Occupational Injuries and Illnesses
By Age of Worker – 2010**



* Preliminary data

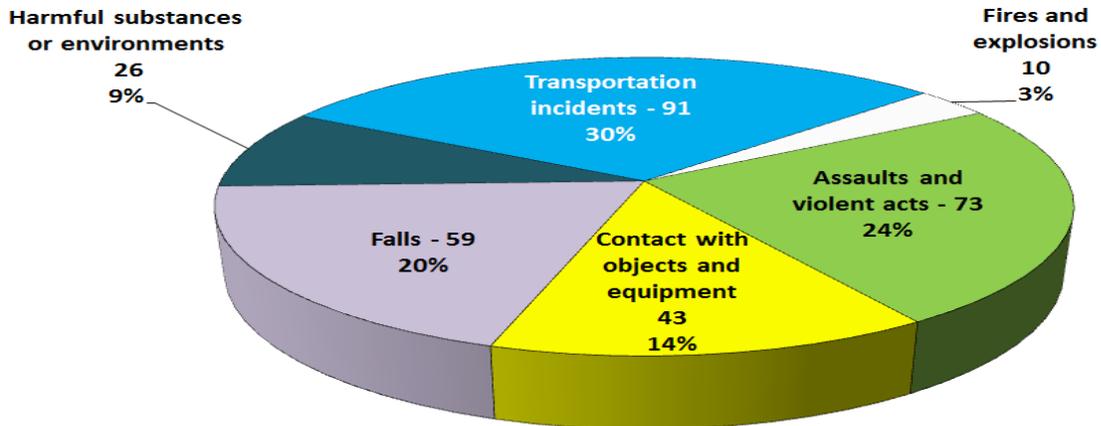
Source: BLS

**California Fatal Occupational Injuries and Illnesses
by Race and Ethnic Origin - 2010**



Data Source: BLS

**California Fatal Occupational Injuries and Illnesses
by Event and Exposure - 2010**



Data Source: BLS

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

Data for the following analyses, except where noted, were derived from the Department of Industrial Relations (DIR) Division of Labor Statistics and Research (DLSR) and the U.S. Department of Labor (DOL) Bureau of Labor Statistics (BLS).

Incidence Rates

- California's most recent work injury and illness statistics for 2010 indicate a non-fatal injury and illness rate of 3.7 cases per 100 full-time employees in the private sector in 2010. This is a 39 percent decline from the 2000 level of 6.1 and no change from the previous year's figures.
- The trend in California mirrors a national trend. DOL figures for private employers show that from 2000 to 2010, the work injury and illness rate across the U.S. fell from 6.1 to 3.5 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 and the shift from manufacturing toward service jobs.
- In contrast to the private sector rates, California's public sector decline has not been nearly as dramatic, and the incidence rates are twice as high as in the private sector. California's state and local government rate for 2010 is 7.2 cases per 100 full-time employees. This is 20 percent decline from the 2000 level of 9 and almost a 26 percent increase over the state and local government national rate of 5.7. In addition, both the state and local government sectors have seen some increases in incidence rates over the past five years.
- The national fatality rate decreased by 18.6 percent between 2000 and 2009 from 4.3 to 3.5 cases per 100,000 employed, while California's fatality rate decreased from 3.3 to 2.6 cases per 100,000 employed during the same period. This is a 21 percent decline from the 2000 level and a 7 percent decrease from the previous year.
- From the Western region states, Alaska, Arizona, California, Hawaii, Nevada, Oregon and Washington, Arizona's and California's 2010 private industry rates of 3.3 and 3.7 respectively for non-fatal occupational injuries and illnesses were the lowest.²⁶ The state that had the third-lowest incidence rate was Hawaii (3.8).

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 1.9 to 1.1 cases per 100 full-time employees from 2000 to 2010 in the private sector. This also mirrors the national trend with the number of days-away-from-work cases falling from 1.8 to 1.1 cases in the national private sector during the same period. Some of this overall decline, according to BLS, may be attributed to economic factors, including a decrease in employment and total hours worked, particularly in construction and manufacturing.
- Both California's and national overall days-away-from-work rate of 1.2 cases in 2010 did not change from the previous year's figures.

Industry Data

- In 2010, injury and illness incidence rates varied greatly between private industries ranging from 0.8 injuries/illnesses per 100 full-time workers in the finance and insurance industry to 5.2 in both transportation and warehousing and healthcare and social assistance industries. California's private industry rates for total cases were higher than the national rates in every major industry division, except for agriculture, forestry, fishing and hunting (4.1 and 4.8), manufacturing (3.4 and 4.4), wholesale trade (3.3 and 3.4), arts, entertainment, and recreation (4.6 and 4.8), and other services, except public administration (1.6 and 2.7).

²⁶ The comparisons of industry rates have not been adjusted for industry mix within each state.

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

- The private industry total case rate for non-fatal injuries of 3.7 per 100 full-time worker injuries did not change between 2009 and 2010, and the rate for the public sector (state and local government) decreased by 4 percent from 7.5 in 2009 to 7.2 in 2010.
- According to DLSR, the largest decrease in injury and illness by major industry category was in professional, scientific, and technical service, from 1.7 to 1.2 per 100 full-time worker injuries in 2009 and 2010 respectively, followed by a decrease in real estate and rental and leasing from 3.8 to 2.9 per 100 full-time worker injuries in 2009 and 2010, and by a decrease in agriculture, forestry, fishing and hunting, from 5.1 to 4.1 per 100 full-time worker injuries in 2009 and 2010.²⁷
- According to DLSR, the largest increase in injury and illness by industry sectors was in accommodation and food services, from 3.6 to 4.3 per 100 full-time worker injuries in 2009 and 2010 respectively, followed by transportation and warehousing with an increase from 5.4 to 6.4 per 100 full-time worker injuries in 2009 and 2010, and health care and social assistance, from 5.3 to 5.9 in 2009 and 2010.²⁸
- Over the past decade (2000-2010), the number of fatal injuries declined 44.4 percent, from 531 to 295.²⁹ From 2009 to 2010, the number of fatal injuries decreased by 26 percent. The highest number of fatal injuries was in trade, transportation and utilities (111), followed by construction (56) and professional and business services (45).
- In private industry, the top ten occupations with the most non-fatal injuries and illnesses in 2010 are: laborers and freight, stock, and material movers, hand; truck drivers, light or delivery services; retail sales persons; nursing aides, orderlies, and attendants; maids and housekeeping cleaners; farm workers and laborers, crop, nursery, and greenhouse; registered nurses; truck drivers, heavy and tractor-trailer; first-line supervisors/managers of retail sales workers; janitors and cleaners, except maids and housekeeping cleaners.
- In California state government, the top ten occupations with the most non-fatal injuries and illnesses in 2010 are: correctional officers and jailers; psychiatric technicians; registered nurses; police and sheriff's patrol officers; janitors and cleaners, except maids and housekeeping cleaners; fire fighters; forest and conservation technicians; first-line supervisors/managers of correctional officers; first-line supervisors/managers of office and administrative support worker; licensed practical and licensed vocational nurses.
- In local government, the top ten occupations with the most non-fatal injuries and illnesses in 2010 are: police and sheriff's patrol officers; janitors and cleaners, except maids and house-keeping cleaners; teacher assistants; fire fighters; elementary school teachers, except special education; bus drivers, transit and intercity; landscaping and grounds keeping workers; bus drivers, school; first-line supervisors/managers of police and detectives.
- Natural resources, construction, and maintenance (90), production, transportation, and material moving (74), and management, professional, and related (67) occupations accounted for 77 percent of the fatal injuries in 2010. Transportation and material moving (61), service (45), construction and extraction (35), management (30), farming, fishing, and forestry (29), installation, maintenance, and repair (26), sales and office (23) were the other occupations with the most number of fatal injuries in 2010. Natural resources, construction, and maintenance incidents were the number one cause of fatal injuries accounting for 30 percent of fatal injuries in 2010.
- Transportation incidents accounted for 30 percent of fatal injuries in 2010 and are a major cause of fatalities among: production, transportation, and material moving occupations (32); transportation and material moving occupations (32); natural resources, construction, and maintenance occupations (20) and management, professional, and related occupations (20).

²⁷ DLSR, Table 1: Incidence rates of non-fatal occupational injuries and illnesses by selected industries and case types, 2009, 2010.

²⁸ Ibid.

²⁹ The number of fatalities excludes the number of fatalities for the Federal government.

Establishment Size and Type

- The lowest rate for the total recordable non-fatal cases in 2010 was experienced by the smallest employers. Employers with 1 to 10 employees and 11 to 49 employees had incidence rates of 1.8 and 3.5 cases, respectively, per 100 full-time employees. There was a 6 percent increase in incidence rates for employers with 1 to 10 employees from 2009 to 2010. Employers with 11 to 49 employees experienced no change in incidence rates compared to 2009.
- Establishments with 50 to 249 and 1,000 and more employees reported the highest rates of 4.8 and 5.2 cases per 100 full-time employees, respectively, in 2010. Establishments with 250 to 999 experienced a 4 percent increase in incidence rates per 100 full-time employees from 2009 to 2010.

Types of Injuries

- All types of work injuries have declined since 1999 in the private sector. The number of sprains and strains continued to decline from 1999; however, these injuries remain by far the most common type of work injury accounting for 55 percent of days-away-from-work cases in the private sector. The biggest decline (66 percent) was in carpal tunnel syndrome. Amputations experienced a 59 percent decline, and fractures experienced a 58 percent decrease between 1999 and 2010.
- In the private sector, contact with objects, equipment was the leading cause of days-away-from-work injuries, cited in about 28 percent of days-away-from-work cases. Overexertion was the second common cause of injury, accounting for about 21.6 percent of injuries.
- In California state government, the two main causes of injury were contact with object, equipment and overexertion, accounting for about 17.7 and 15.1 percent of days-away-from-work cases, respectively, in 2010.
- In local government, the main causes of injury were overexertion and contact with object, equipment, accounting for 20.2 and 16.1 percent of days-away-from-work cases, respectively, in 2010.
- The most frequently injured body part is the back, accounting for about 13.8 percent of the cases in state government and about 16.8 percent cases in local government. In the private sector, back injuries account for 19 percent of non-fatal cases.

Demographics

- Over the period from 1999 to 2010 in the California private sector, the number of days-away-from-work cases for women decreased by 32 percent. Days-away-from-work cases for men decreased by 49 percent.
- Between 1999 and 2010, in private industry, all age groups experienced a decline. The biggest decline (58 percent) occurred among 35 to 44 year-old workers. The age group 16 to 19 experienced a 56 percent decline, and the age group 20 to 24 experienced a 53 percent decrease in the numbers of days away from work.
- In 2010, out of 302 fatalities (including the Federal government), approximately 92 percent were male and 8 percent were female. All age groups, except for 18 to 19 (an increase in number of fatalities from 3 to 4) and 65 and older categories (3 percent increase), experienced a decrease in fatal injuries between 2009 and 2010. The biggest decrease in the number of fatalities (48 percent) was seen in the 20 to 24 age group (from 33 to 17 cases), followed by a 46 percent decrease in the age group 35 to 44 (from 87 to 47 cases) and a 31 percent decrease in the age group 45 to 54 (from 108 to 75 cases) and 20 percent decrease in the age group 25 to 34 (from 60 to 48) in the period of time from 2009 to 2010.
- The highest number of fatalities in 2010 by race or ethnic origin categories was experienced by "Hispanic or Latino" and "White, non-Hispanic" groups, both accounting for 43 percent of the

fatalities. From 2009 to 2010, there was a decrease in fatal injuries for all ethnic groups with the highest decrease (63 percent) in the "Black or African American" group, 27 percent decrease in the "White, non-Hispanic" group, and 19 percent decrease in the "Hispanic or Latino."

Occupational Injury and Illness Reporting

Occupational injury and illness information is the responsibility of BLS within the U.S. 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 U.S. Occupational Safety and Health Act (OSH Act) of 1970 requires covered employers to prepare and maintain records of occupational injuries and illnesses. It provides specific recording and reporting requirements that comprise the framework for the nationwide occupational safety and health recording system. The Occupational Safety and Health Administration (OSHA) in DOL administers the OSH Act recordkeeping system.

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

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

BLS Annual Survey of Occupational Injuries and Illnesses

To estimate the number of occupational injuries and illnesses in the U.S., 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. In California, DIR's DLSR conducts the survey for BLS.

Non-Fatal Injuries and Illnesses

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

Fatal Injuries and Illnesses

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

OSHA Occupational Injury and Illness Survey

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

Occupational Injury and Illness Prevention Efforts

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

Cal/OSHA Program

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

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

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

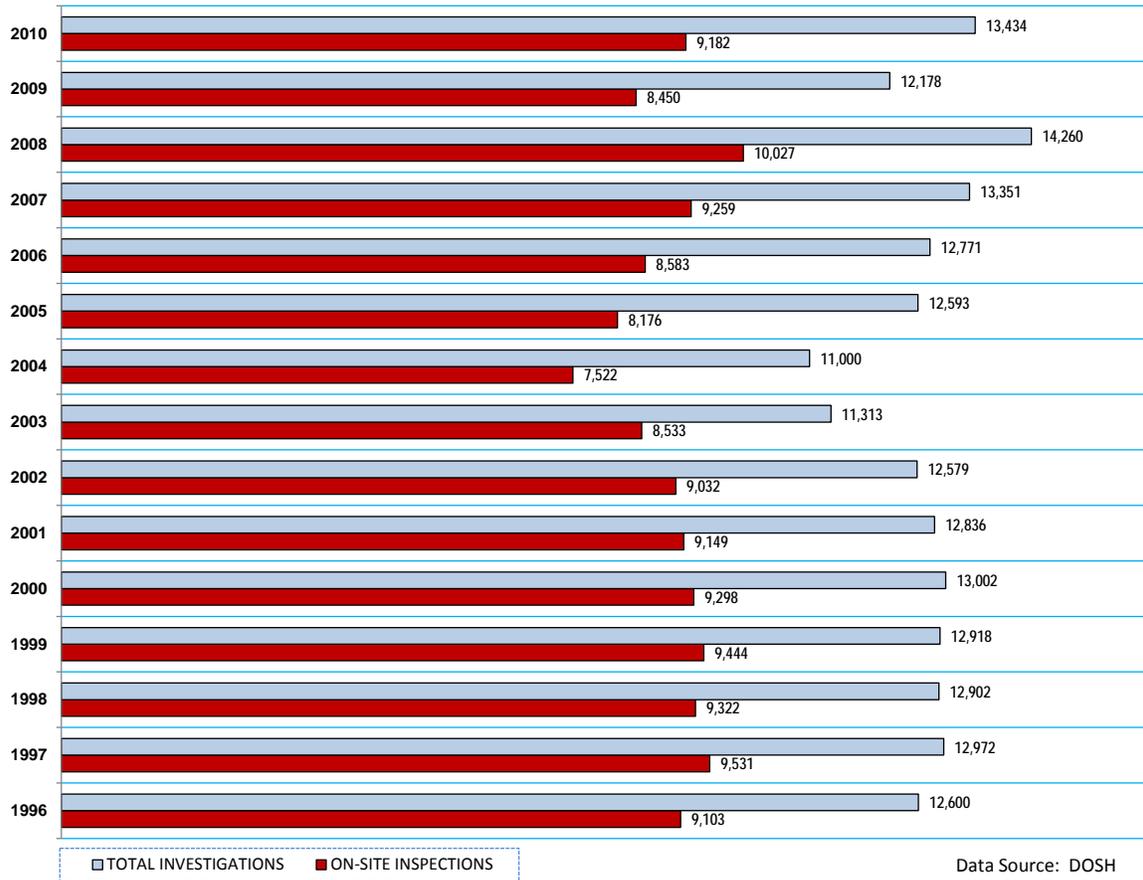
The Cal/OSHA Consultation Service provides assistance to employers and workers about workplace safety and health issues through on-site assistance, high hazard consultation, and other special emphasis programs. The Consultation Service also develops educational materials on workplace safety and health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

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

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

The following chart shows the total numbers of investigations and on-site inspections for the period from calendar year (CY) 1996 through 2010.³⁰ The total number of investigations averaged 12,830, and the number of on-site inspections averaged 9,268 from 1996 to 2002. From 2002 to 2004, there was a decrease in both the number of investigations (14 percent) and the number of on-site inspections (20 percent). From 2004 to 2008, there was a 29.6 percent increase in investigations and 33 percent increase in the number of on-site inspections. After a 17 percent decrease in investigations and almost a 19 percent decrease in the number of on-site inspections from 2008 to 2009, there was again a 10 percent increase in total number of investigations and about a 9 percent increase in on-site inspections from 2009 to 2010.

Numbers of DOSH Investigations and On-Site Inspections, 1996 - 2010

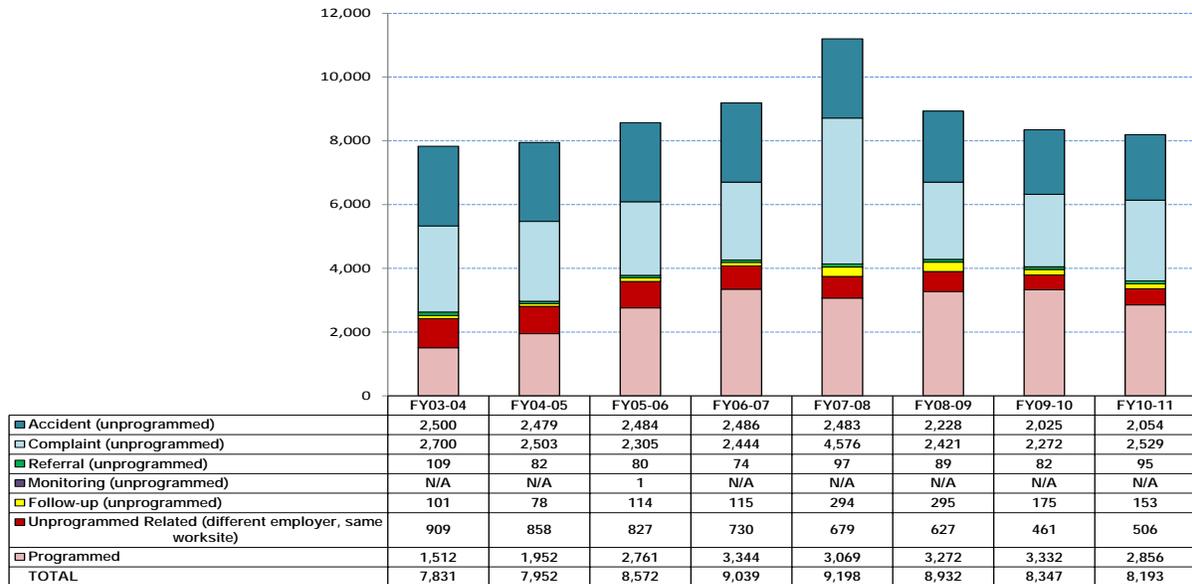


³⁰ The numbers of investigations, on-site inspections and violations for calendar years could differ from the fiscal year numbers provided later in this section.

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The chart below shows that total Inspections had been increasing from 7,831 in FY 2003-04 to 9,198 in FY 2007-08, and then had decreased to 8,193 in FY 2010-2011.

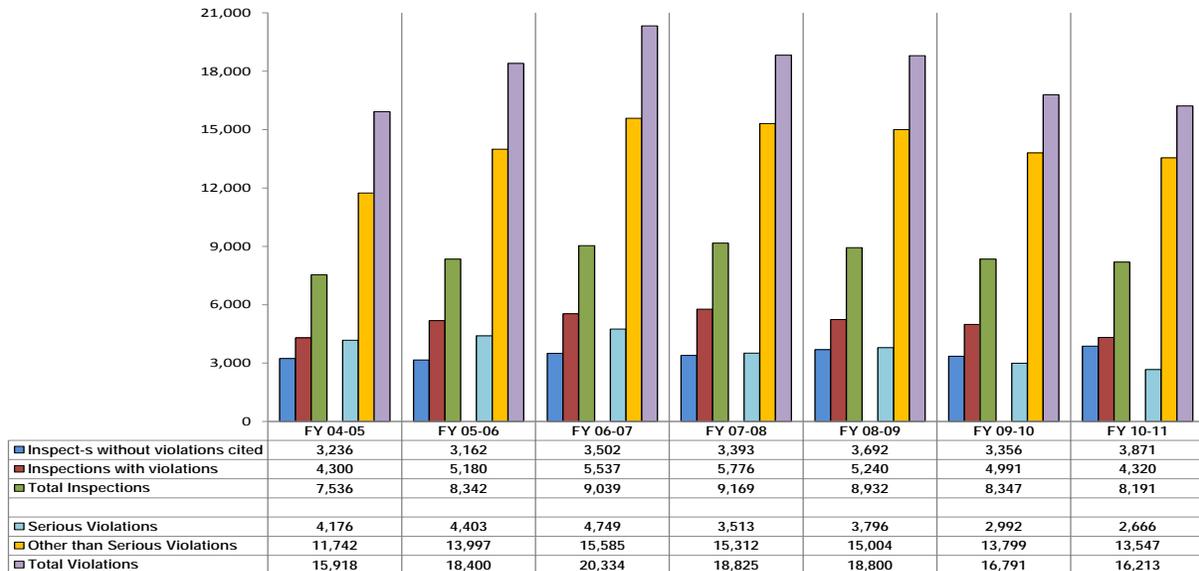
DOSH Inspections by Type, FY 2003-04 to FY 2010-11



Source: DIR - Division of Occupational Safety and Health

The number of violations is greater than inspections due to the fact that most inspections where violations occur yield more than one violation. Violations are further broken down into serious and other-than-serious. In FY 2010-11, 53 percent of inspections resulted in violations cited. Total violations have decreased by 20 percent from their peak in FY 2006-2007 to FY 2010-2011. The breakdown by type is shown in the chart below.

DOSH Inspections and Violations Cited, FY 2004-05 to FY 2010-11

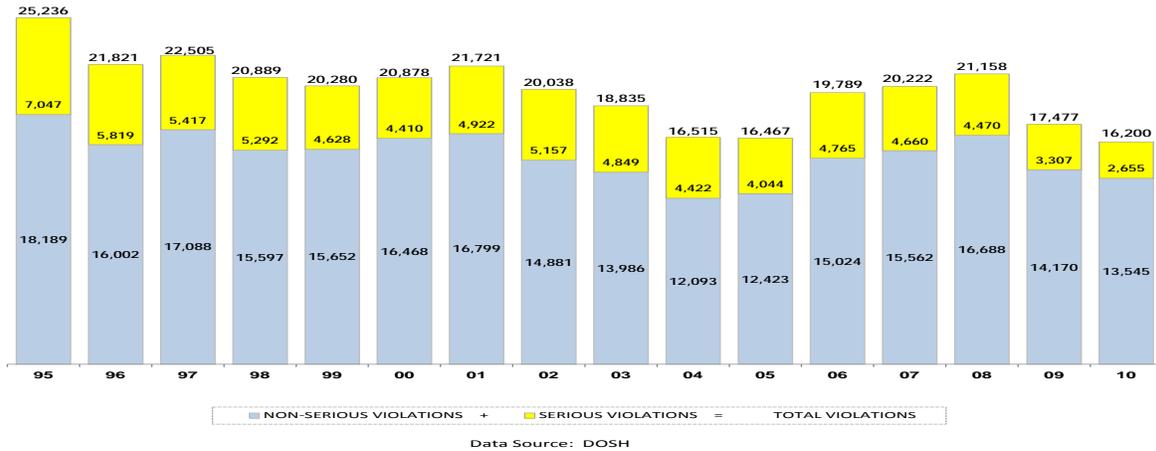


Data Source: DIR - Division of Occupational Safety and Health

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The following chart shows the total numbers of violations, including the number of serious DOSH violations from CY 1995 to CY 2010. The total number of DOSH violations decreased by 13.5 percent from 1995 to 1996 and averaged 21,350 per year from 1996 to 2001. From 2001 to 2005, there was a 24 percent decrease in the total number of DOSH violations, and from 2005 to 2008, the total number of violations increased again by 28.5 percent. From 2008 to 2010, there was a 23 percent decrease in the total number of DOSH violations.

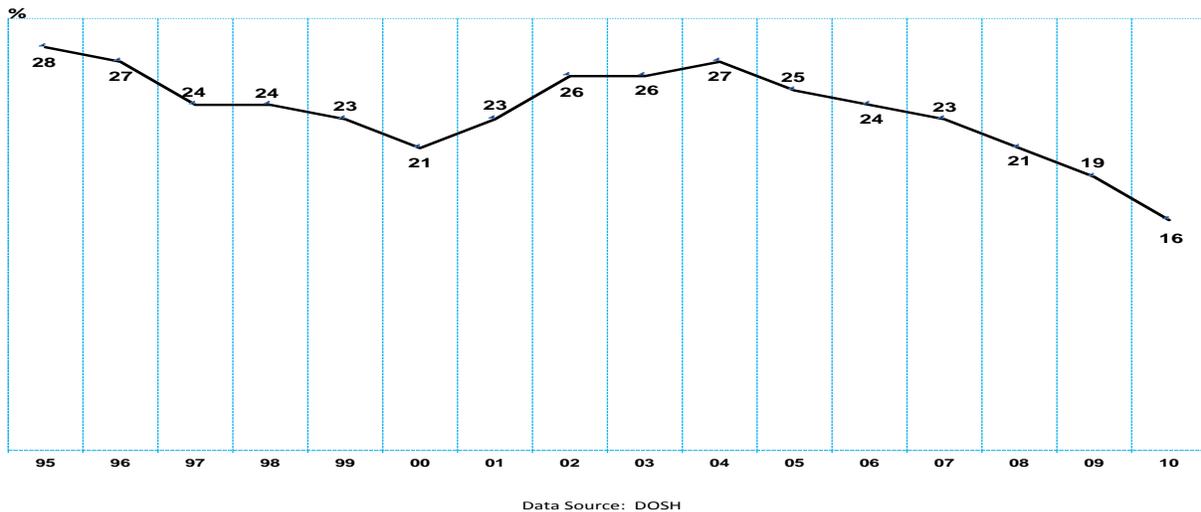
DOSH Violations, 1995 - 2010



As the chart above shows, the number of serious violations decreased by 37.4 percent from 1995 to 2000, increased by 17 percent from 2000 to 2002, and then again decreased by 21.6 percent from 2002 to 2005. The number of serious DOSH violations increased by 18 percent from 2005 to 2006, and then decreased by more than 44 percent from 2006 to 2010. (See pages 85-87 for OSHAB statistics on the number of appeals that filed and resolved on DOSH violations.)

The chart below shows the trend in the share of serious DOSH violations in the total number of all violations from 1995 to 2010. The share of serious DOSH violations decreased from its peak in 1995 to 21 percent in 2000. From 2000 to 2004, the share of serious violations increased to 27 percent of total DOSH violations and then decreased to its lowest level of 16 percent from 2004 to 2010.

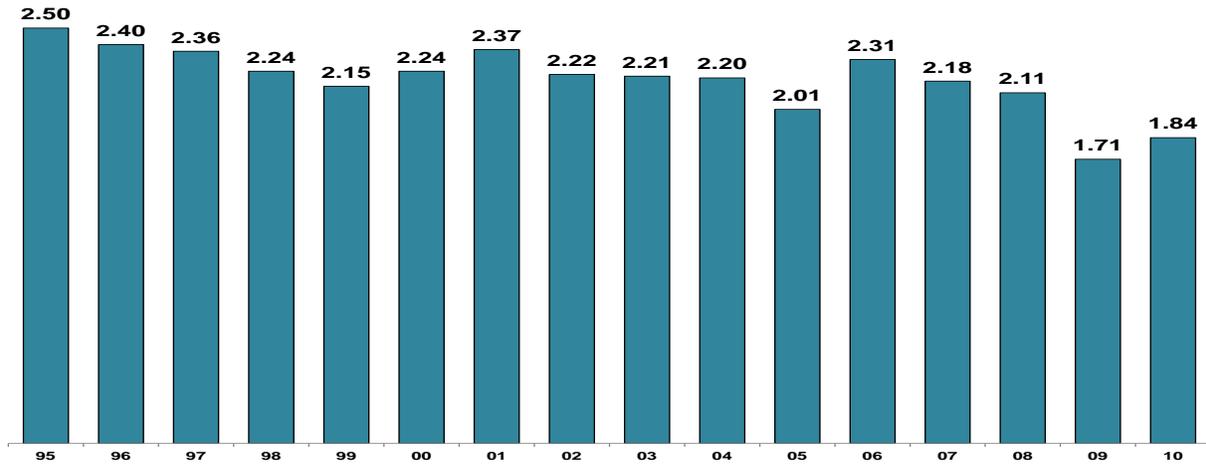
Percent of Serious Violations in Total DOSH Violations, 1995 - 2010



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The average number of DOSH violations per inspection decreased by 14 percent from 1995 to 1999. During the next six years, from 1999 to 2004, the average number of violations per inspection averaged 2.2 and then decreased by 8.6 percent from 2004 to 2005. After an increase of 15 percent from 2005 to 2006, the average number of violations per inspection decreased by about 26 percent from 2006 to 2009, and then increased again by 7.6 percent from 2009 to 2010.

Average Number of DOSH Violations per Inspection, 1995 – 2010



Data Source: DOSH

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Twenty-Five Most Frequently Cited Title 8 California Code of Regulations (CCR) Standards in 2010

Standard	Description	Total Violations	Serious Violations	Percent Serious
3203	Injury and Illness Prevention Program	1,893	90	4.7
3395	Heat Illness Prevention	964	80	8.3
1509	Construction Injury Prevention Program	826	16	1.9
5194	Hazard Communication	647	11	1.7
3314	Clean, Repair, Service and Adjust Prime Movers, Machinery and Equipment	616	197	32.0
6151	Portable Fire Extinguishers	584	1	0.2
342	Reporting Work Fatality or Serious Injury	504	3	0.6
5144	Respiratory Protection Equipment	462	26	5.6
461	Permits to Operate Air Tanks	453	0	0.0
2340.16	Work Space About Electrical Equipment	323	2	0.6
5162	Emergency Eyewash	289	84	29.1
1512	Construction: Emergency Medical Services	256	4	1.6
3457	Field Sanitation	243	7	2.9
3668	Powered Industrial Truck Operator Training	218	8	3.7
4650	Compressed Gas and Air Cylinders:	217	42	19.3
2500.08	Flexible Electrical Cords and Cables: Uses Not Permitted	196	1	0.5
2340.12	Installation and Maintenance of Electrical Equipment	192	65	33.8
4070	Belt and Pulley Drive, Guarding	178	150	84.3
5193	Bloodborne Pathogens	170	20	11.8
3328	Safe Practices, Personal Protection: Machinery and Equipment	167	43	25.7
2340.22	Equipment Identification in Electrical Installations	167	41	24.5
3241	General Physical Conditions and Structures: Special Design Requirements, Live Loads	153	73	47.7
5189	Process Safety Management of Acutely Hazardous Substance	142	25	17.6
3650	Industrial Trucks: General Requirements	138	34	24.6
1675	Ladders	134	42	31.3

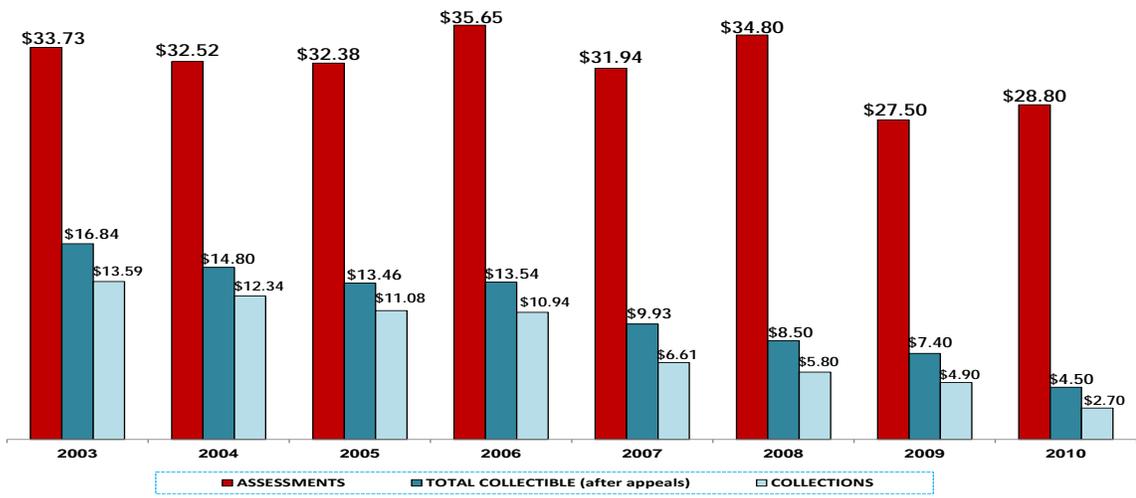
Data Source: DOSH Budget and Program Office

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The chart below demonstrates the trends in penalties and collections. Total Penalties Assessed was \$28.8 million in 2010. Many employers appeal those “recommended” penalties at the Cal/OSHA Appeals Board, and they may be ordered to pay in full, pay a reduced amount, or have the penalties eliminated due to procedural issues. Because of the appeals process, Penalties Collected will almost always be less than the initial recommended Penalties Assessed. Total Collections were \$2.7 million in FY 2010.

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

**Total DOSH Penalties Assessed and Collected, 2003-2010
(Million \$)**

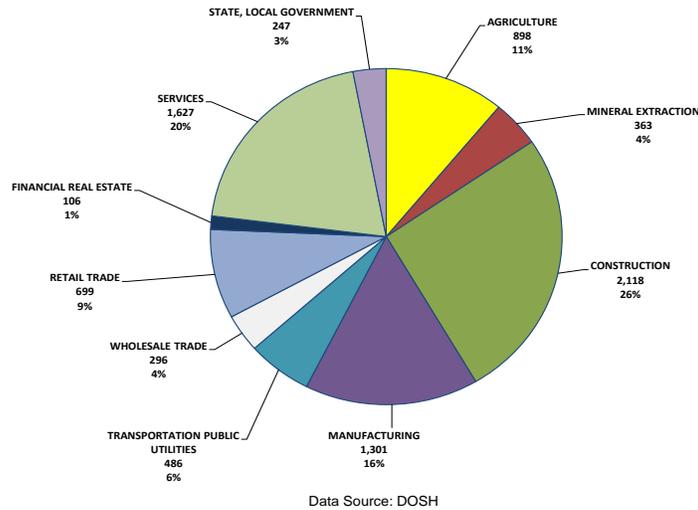


Data Source: DOSH

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

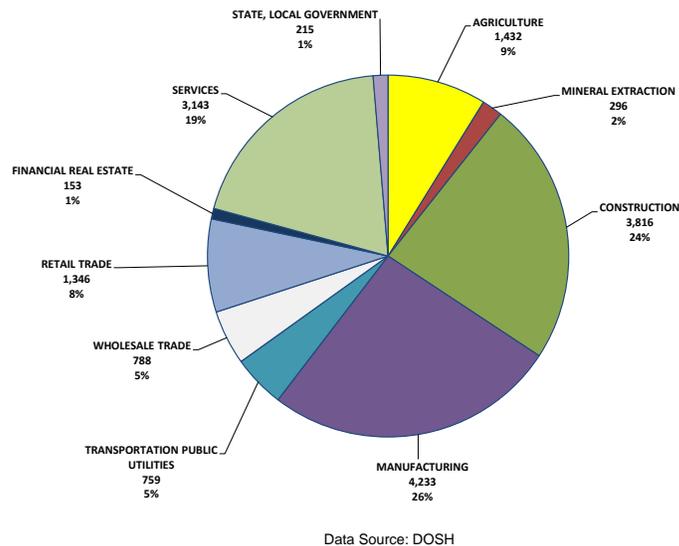
The chart below illustrates the proportion of inspections in major industrial groups. Of the 8,141 workplace health and safety inspections conducted in FY 2010-11, 2,118 (26 percent) were in construction and 6,023 (74 percent) were in non-construction.

**Distribution of Inspections by Major Industry, State FY 2010-2011
(Total Inspections=8,141)**



Despite the fact that the greatest percentage of inspections were in construction, the greatest percentage (26 percent) of violations were found to be in manufacturing, as shown in the chart below.

**Distribution of Violations by Major Industry, State FY 2010-2011
(Total Violations=16,181)**



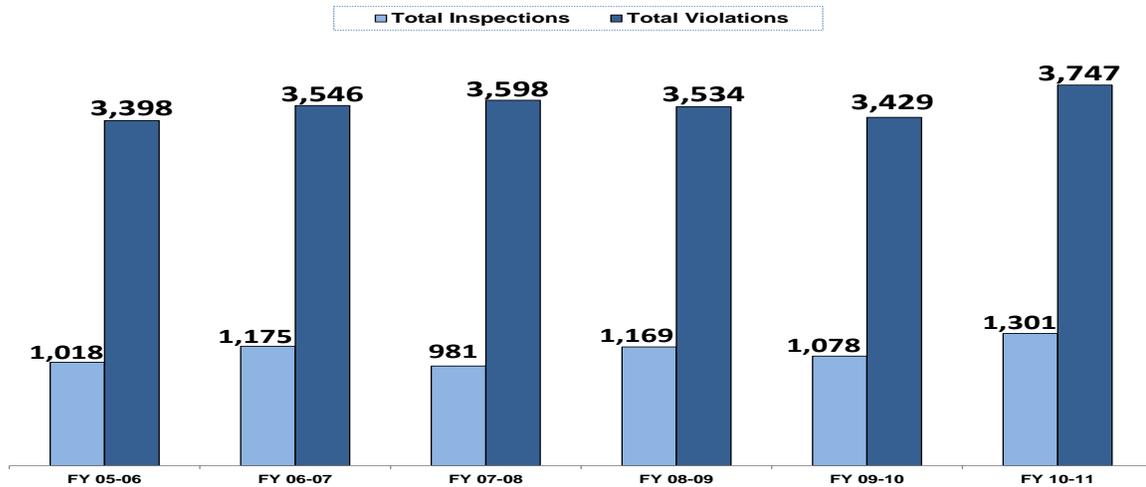
Economic and Employment Enforcement Coalition³¹

According to the DIR website, “For decades California has had some of the strongest labor and workforce safety laws in the country.” To help enforce these labor laws and regulations, the “Triple E.C.” Coalition, the Economic and Employment Enforcement Coalition (EEEC), was created in 2005 as a multi-agency enforcement program consisting of investigators from the Division of Labor Standards Enforcement (DLSE), DOSH, Employment Development Department (EDD), Contractors State License Board, and U.S. DOL. The primary emphasis of EEEC is to combine enforcement efforts. EEEC is a partnership of state and federal agencies, each expert in its 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.³²

Total EEEC inspections fluctuated during the period from FY 2005-06 to FY 2010-11 with an overall increase of almost 28 percent during that period, from 1,018 to 1,301, respectively, and violations increased by about 6 percent from FY 2005-06 to FY 2007-2008, decreased by about 5 percent from FY 2007-08 to FY 2009-10, and then increased again by 9 percent from FY 2009-10 to FY 2010-11. The penalties assessed were \$1.8 million in FY 2010-11; however, only \$0.4 million (22 percent) were collected in FY 2010-11 as compared to \$0.8 million (50 percent) in FY 2005-06. The following two charts illustrate the comparisons.³³

Total Numbers of EEEC Inspections and DOSH Violations



Data Source: DOSH

In 2012, the EEEC was reconstituted as the Labor Enforcement Task Force within DIR.

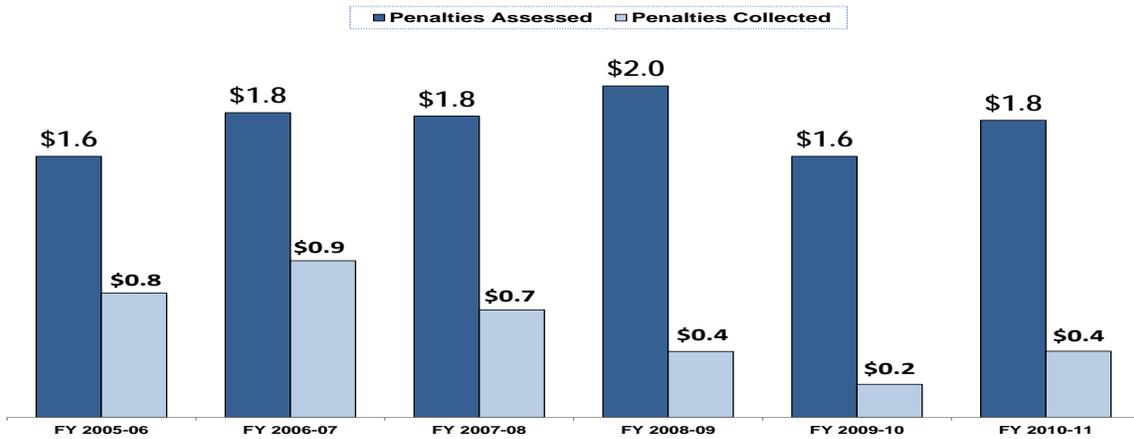
³¹ For further information about the EEEC, visit any of these agency links: <http://www.dir.ca.gov/EEEC/EEEC.html>, or <http://www.edd.ca.gov/eddeec.htm>, or <http://www.labor.ca.gov/eeec.htm>

³² <http://www.dir.ca.gov/EEEC/EEEC.html>

³³ 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 for DOSH Citations (Million \$)
(FY 2005-06 to FY 2010-11)**



Data Source: DOSH

The four tables below describe EEEEC inspections and violations by industry, along with the penalties assessed and collected. Construction had led in the number of inspections from FY 2005-06, except for FY 2009-10, when inspections in the auto body industry reached 218. Agriculture, auto body, and restaurant were the other industries with the most number of inspections since FY 2005-06. The auto body, construction, agriculture, and garment industries had the greatest number of violations in FY 2010-11. However, car wash and restaurant industries' violations decreased by 63 percent and 45 percent respectively from FY 2009-10 to FY 2010-11, while the construction and agriculture industries' violations increased by 70 percent and 40 percent respectively during the same period. Garment and construction industries are leading in penalties assessed for the FY 2010-11.

EEEC Report: Inspections by Industry, FY 2005-06 to 2010-11

INDUSTRIES	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Agriculture	264	252	136	253	191	312
Construction	298	445	246	286	183	266
Auto Body	NA	NA	89	179	218	201
Restaurant	203	160	141	169	216	152
Garment	194	184	234	128	95	146
Pallet	NA	NA	29	68	123	97
Tire Shops	NA	NA	NA	NA	NA	80
Auto Dismantler	NA	NA	NA	NA	NA	33
Car Wash	41	116	96	86	52	14
Race Track	3	2	0	0	0	NA
Janitorial	15	16	10	0	0	NA

Data Source: DIR - DOSH

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

EEEC Report: Violations by Industry, FY 2005-06 to FY 2010-11

INDUSTRIES	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Auto Body	NA	NA	429	1,098	1,001	859
Construction	712	1,072	662	499	399	679
Agriculture	629	515	294	388	359	504
Garment	947	815	1,084	483	317	439
Pallet	NA	NA	217	202	525	405
Restaurant	830	591	407	498	668	370
Tire Shops	NA	NA	NA	NA	NA	308
Auto Dismantler	NA	NA	NA	NA	NA	124
Car Wash	234	532	479	366	160	59
Race Track	7	1	NA	NA	NA	NA
Janitorial	36	20	26	NA	NA	NA

Data Source: DIR - DOSH

EEEC Report: Penalties Assessed for DOSH Citations, FY 2005-06 to FY 2010-11 (Thousand \$)

INDUSTRIES	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Garment	\$441	\$421	\$516	\$302	\$184	\$421
Construction	\$453	\$669	\$387	\$330	\$301	\$369
Agriculture	\$360	\$388	\$285	\$525	\$289	\$322
Auto Body	NA	NA	\$152	\$465	\$357	\$244
Pallet	NA	NA	\$189	\$129	\$326	\$178
Tire Shops	NA	NA	NA	NA	NA	\$106
Restaurant	\$213	\$179	\$112	\$124	\$123	\$96
Auto Dismantler	NA	NA	NA	NA	NA	\$42
Car Wash	\$107	\$183	\$178	\$133	\$46	\$15
Race Track	\$3	\$0.25	NA	NA	NA	NA
Janitorial	\$5	\$6	\$7	NA	NA	NA

Data Source: DIR - DOSH

EEEC Report: Penalties Collected for DOSH Citations, FY 2005-06 to FY 2010-11 (Thousand \$)

INDUSTRIES	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Construction	\$259	\$397	\$244	\$47	\$35	\$128
Agriculture	\$257	\$239	\$114	\$136	\$45	\$53
Restaurant	\$108	\$111	\$59	\$61	\$43	\$47
Garment	\$89	\$121	\$103	\$24	\$31	\$43
Tire Shops	NA	NA	NA	NA	NA	\$37
Auto Body	NA	NA	\$24	\$61	\$44	\$34
Pallet	NA	NA	\$21	\$24	\$24	\$34
Auto Dismantler	NA	NA	NA	NA	NA	\$16
Car Wash	\$33	\$77	\$79	\$44	\$15	\$4
Race Track	\$3	NA	NA	NA	NA	NA
Janitorial	\$3	\$4	\$6	NA	NA	NA

Data Source: DIR - DOSH

High Hazard Identification, Consultation and Compliance Programs

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

High Hazard Employer Program

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

- Identify employers in hazardous industries with the highest incidence of preventable occupational injuries and illnesses and workers' compensation losses.
- Offer and provide consultative assistance to those 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 Assembly Bill (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

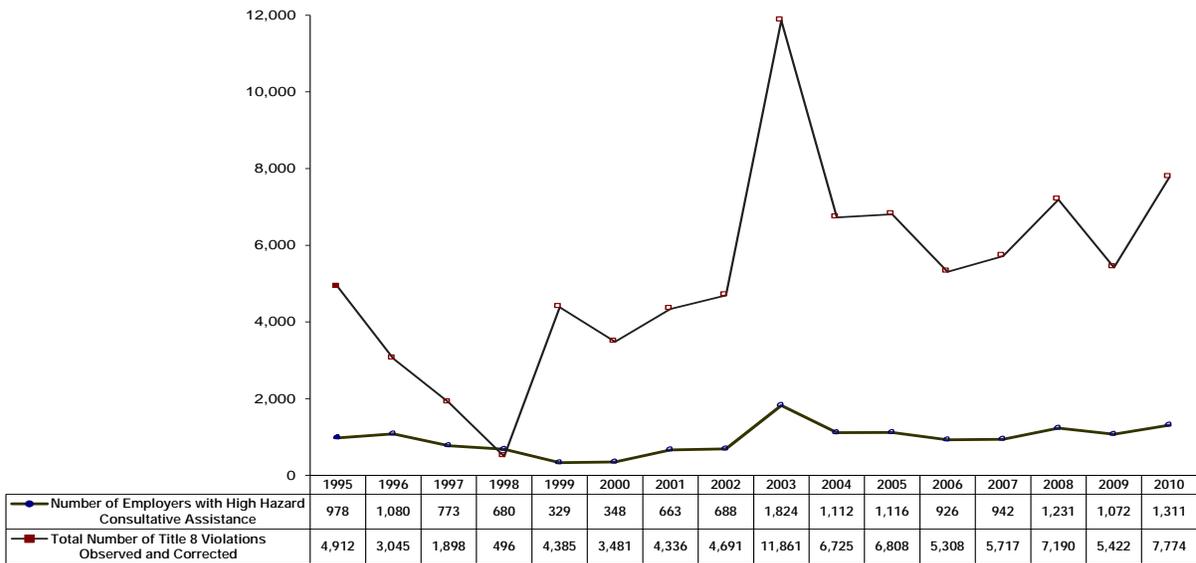
DOSH reports that in 2010, it provided on-site high hazard consultative assistance to 1,311 employers, as compared to 1,072 employers in 2009. During consultation with these employers, 7,774 Title 8 violations were observed and corrected as a result of the provision of consultative assistance.

Since 1994, 15,322 employers have been provided direct on-site consultative assistance, and 85,897 Title 8 violations have been observed and corrected. Of these violations, 35.1 percent were classified as "serious."

The following chart indicates the yearly number of consultations and violations observed and corrected during the years 1995-2010. 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 employers with experience modification (Ex-mod) rates of 125 percent and above are included in the High Hazard Consultation Program figures.

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High Hazard Consultation Program Production by Year



Data Source: Division of Occupational Safety and Health

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

High Hazard Enforcement Program

DOSH reports that in 2010, 414 employers underwent a targeted high hazard enforcement inspection, down from 490 employers in 2009. During these inspections in 2010, 2,516 violations were observed and cited, whereas in 2009, 2,462 violations were observed and cited.

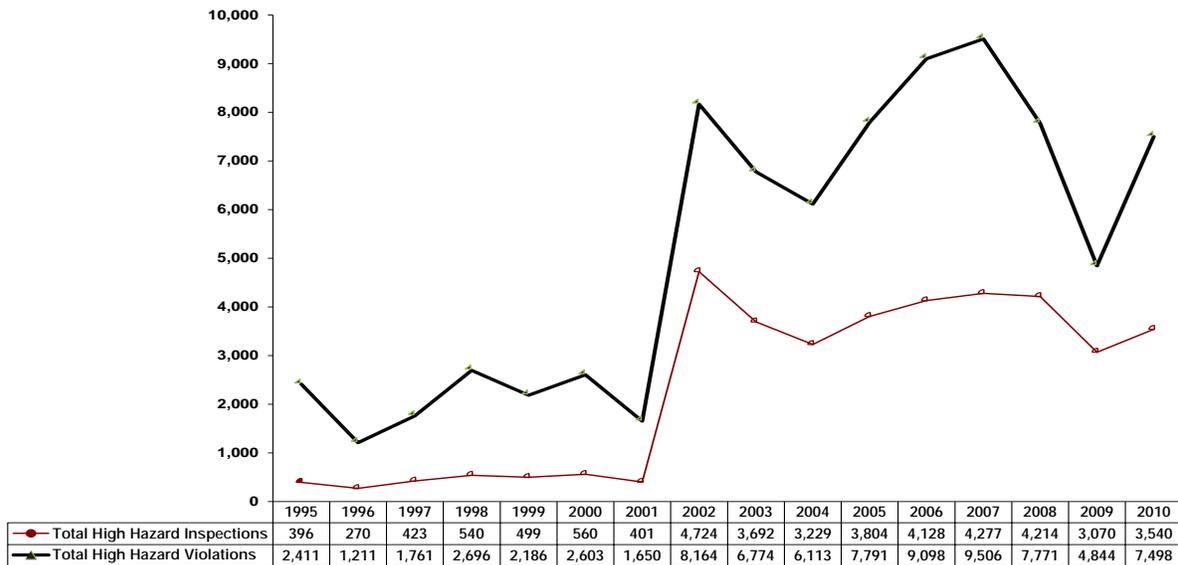
In addition, in 2010, 902 employers underwent an inspection as part of other targeted agricultural inspections/activities. During these inspections, 1,100 violations were observed and cited.

In addition, in 2010, 2,224 employers underwent an inspection as part of other targeted construction inspections/activities. During these inspections, 3,882 violations were observed and cited.

Since 1994, 39,196 employers have undergone a high hazard enforcement inspection, and 87,449 Title 8 violations have been observed and cited. Of these violations, 32.1 percent were classified as "serious."

The chart below indicates the yearly number of targeted inspections and violations observed and cited during the years 1994-2010. It should be noted that effective 2002 through 2008, the Safety and Health Inspection Projects (SHIPs) were included in the High Hazard Enforcement Program figures. Effective 2009, other targeted agricultural and construction inspections/activities are included in the High Hazard Enforcement Program figures.

High Hazard Enforcement Program Inspections and Violations



Data Source: Division of Occupational Safety and Health

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

Safety Inspections

DOSH has three major public safety programs devoted to conducting inspections to protect the public from safety hazards:

- The Amusement Ride and Tramway Unit conducts public safety inspections of amusement rides, both portable and permanent, and aerial passenger tramways and ski lifts.
- The Elevator Unit conducts public safety inspections of different conveyances, including power-cable driven passenger and freight elevators, manlifts, and escalators.³⁴
- The Pressure Vessel Unit conducts public safety inspections of boilers and pressure vessels to ensure their safe operation in places of employment.

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:

³⁴ For a list of conveyances, please see <http://www.dir.ca.gov/Title8/sub6.html>

- 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 ...

<http://www.dir.ca.gov/OSHSB/oshsb.html>

Occupational Health and Safety Appeals Board (OSHAB)

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

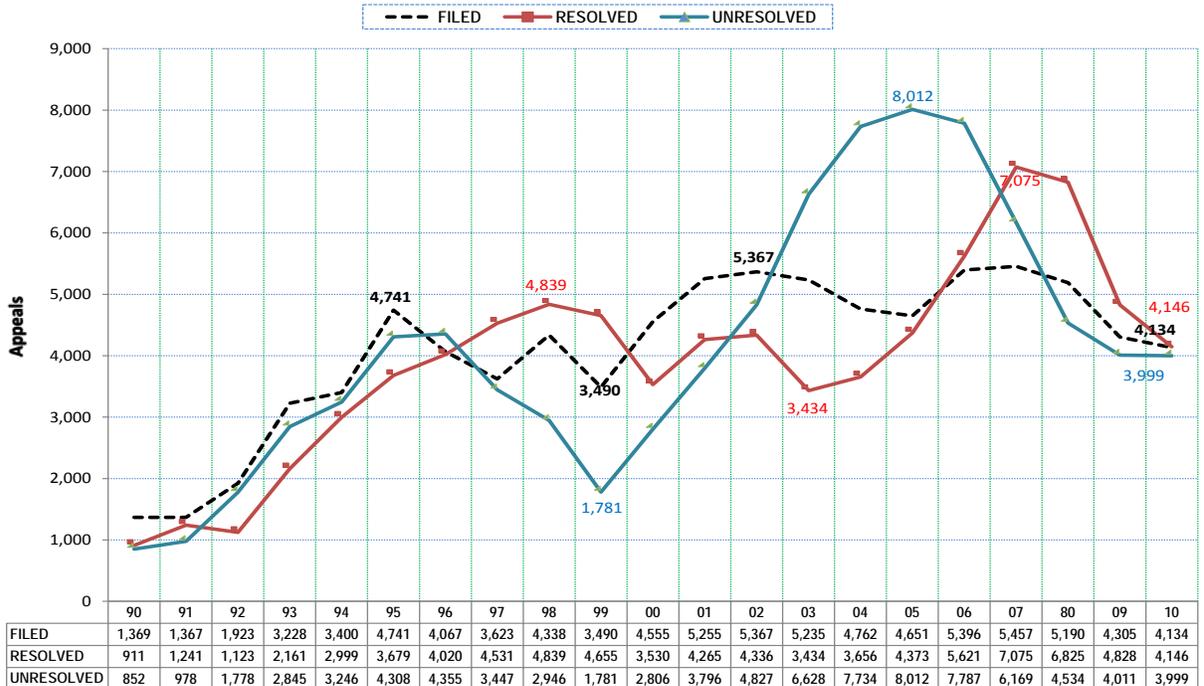
The mission of OSHAB is to fairly, timely and efficiently resolve appeals and to provide clear, consistent guidance to the public, thereby promoting workplace health and safety. OSHAB handles appeals from private and public sector employers regarding citations issued by DOSH for alleged violation of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

The chart below shows the OSHAB workload: appeals filed, resolved, and unresolved. From 1990, the numbers of appeals filed with OSHAB yearly grew steadily until 1995, reaching 4,741 cases in 1995. From 1995 to 2009, the number of appeals filed yearly stabilized at an average number of 4,695 cases, with a maximum of 5,457 appeals filed in 2007.

From 1990 to 1996, an average of 82 percent of filed appeals was resolved each year. From 1997 to 2000, the OSHAB processed appeals in a shorter time frame (10 months) than the Fed/OSHA standard, averaging 123 percent of yearly filed cases; therefore, the number of unresolved appeals reached its minimum in 1999. From 2000 to 2006, the processed appeals had slowed down again because an average of 83 percent of filed appeals was resolved each year, increasing the number of unresolved cases to its maximum of 8,012 cases in 2005. From 2005 to 2010, the numbers of unresolved cases decreased by 50 percent since an average of 124 percent of yearly filed cases were resolved in 2007, 2008 and 2009. In 2010, the numbers of resolved cases were close to numbers of filed cases leaving the numbers of unresolved cases at 2009 level.

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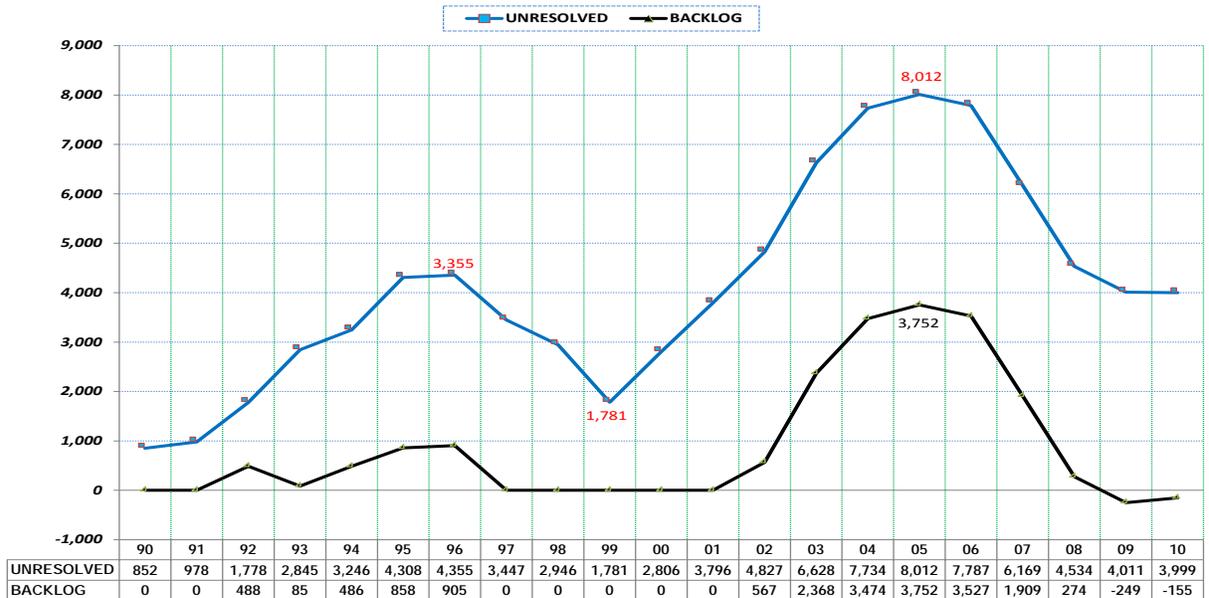
Occupational Health and Safety Appeals Board (OSHAB) Workload, 1990-2010



Data Source: OSHAB

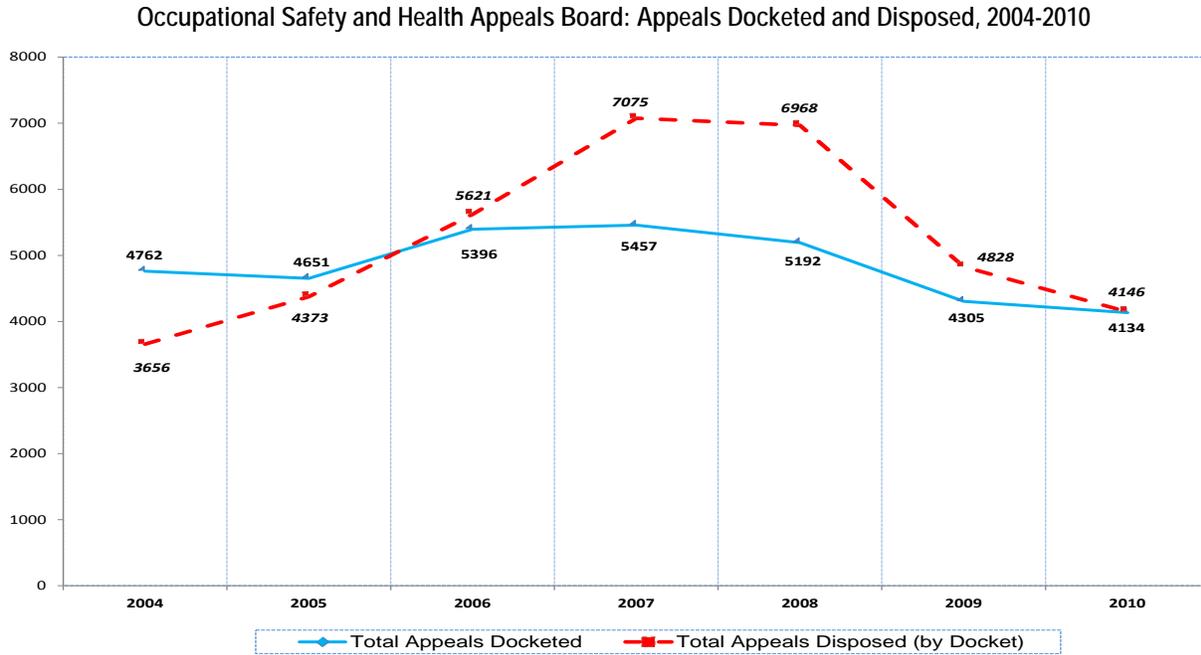
The trend and level of backlogged appeals reflect changes in unresolved cases as they accumulate from previous years. As the chart below shows, the pattern of backlog repeats the pattern of unresolved cases described in the above paragraph.

Occupational Safety and Health Appeals Board Backlogs, 1990-2010



Data Source: OSHAB

The chart below shows the total number of appeals docketed and disposed from 2004 to 2010.



Educational and Outreach Programs

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

Worker Occupational Safety and Health Training and Education Program

The Commission on Health and Safety and Workers' Compensation (CHSWC) is mandated by Labor Code Section 6354.7 to maintain the Worker Occupational Safety and Health Training and Education Program (WOSHTEP). The purpose of WOSHTEP is to promote injury and illness prevention programs.

School Action for Safety and Health

Per the mandate set forth in the Labor Code, CHSWC is to assist inner-city schools or any school or district in implementing effective occupational injury and illness prevention programs (IIPPs). CHSWC has established a model program, California's School Action for Safety and Health (SASH) program, to help schools statewide improve their injury and illness prevention programs.

The California Partnership for Young Worker Health and Safety

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

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Cal/OSHA Consultation

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

Partnership Programs

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

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

Introduction

The Commission on Health and Safety and Workers' Compensation (CHSWC) examines the overall performance of the health and safety and workers' compensation systems to determine whether they meet 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.

Through studies and comments from the community, as well as administrative data, CHSWC has compiled the following information pertaining to the performance of California's systems for health and safety and workers' compensation. Explanations of the data are included with the graphs.

- Workers' Compensation Appeals Board (WCAB) Workload

 - DWC Opening Documents

 - DWC Hearings

 - DWC Decisions

 - DWC Lien Filings and Decisions

- DWC Audit and Enforcement Program

- Disability Evaluation Unit

- Medical Provider Networks and Healthcare Organizations

- Information and Assistance Unit

- Uninsured Employers Benefits Trust Fund

- Adjudication Simplification Efforts

 - DWC Information System

 - Carve-outs – Alternative Workers' Compensation Systems

- Division of Labor Standards Enforcement (DLSE)

- Anti-Fraud Efforts

WCAB WORKLOAD

Division of Workers' Compensation Opening Documents

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

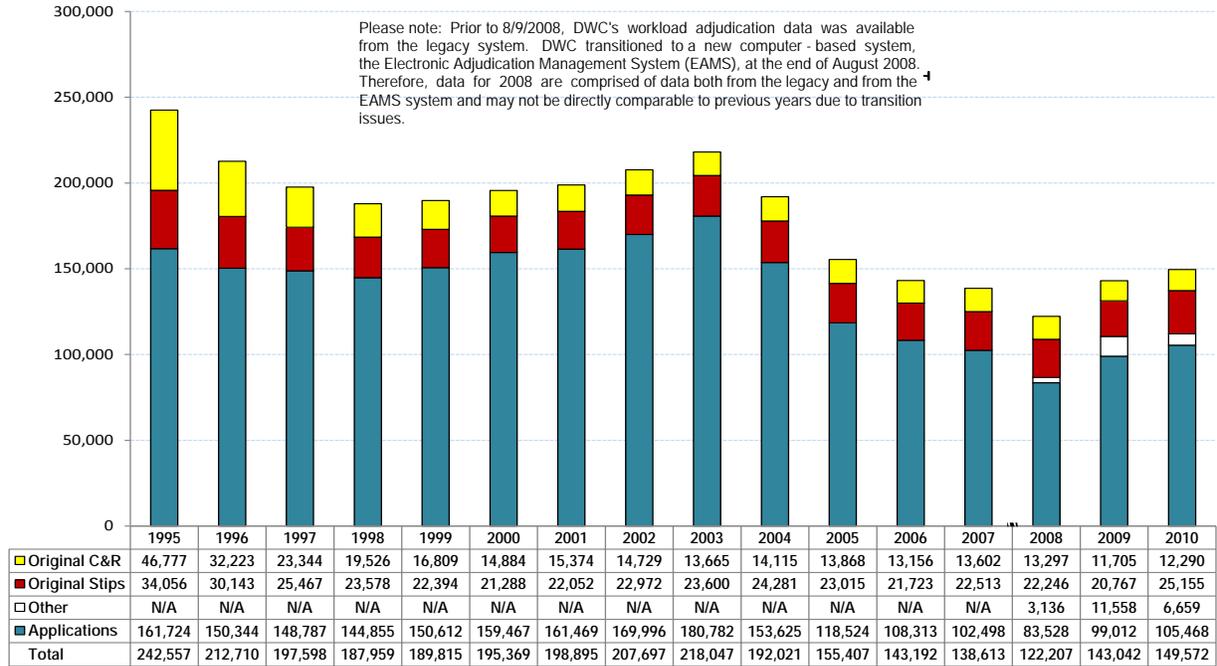
Prior to August 2008, Division of Workers' Compensation (DWC) workload adjudication data were available from the legacy system. At the end of August 2008, DWC transitioned to a new computer-based system, the Electronic Adjudication Management System (EAMS). Therefore, data for 2008 are comprised

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of data both from the legacy and from the EAMS system and may not be directly comparable to previous years due to transition issues.³⁵

As the following graph shows, the total number of Opening Documents declined overall during the second part of the 1990s, with a slight increase from 1998 to 1999. This increase from 1998 to 1999 continued over five years up to 2003 and then decreased by 36.4 percent from 2003 to 2007.

DWC Opening Documents



Data Source: DWC

Mix of DWC Opening Documents

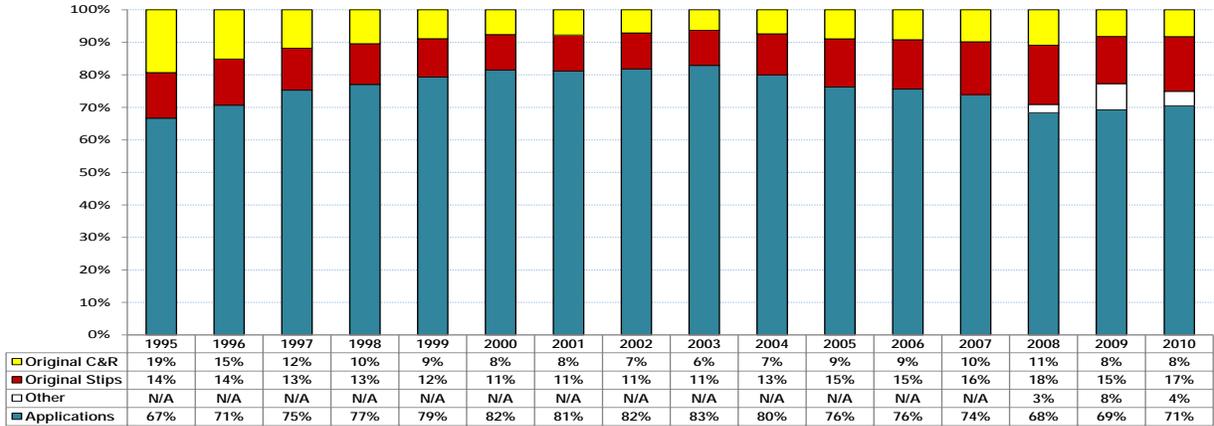
As the graph on the next page shows, the proportion or mix of the types of case-opening documents received by DWC varied during the second half of 1990s. The proportion of Applications was rising from 1995 through 2003 and declining slightly from 2003 to 2007. The proportion of Original (case-opening) Stips averaged 12 percent from 1995 to 2003 and then increased from 2003 to 2007. The proportion of original C&Rs declined from 1995 to 2003 and then increased from 2003 to 2007.

³⁵ Analysis of trends for WCAB workload data include 2009 and 2010 EAMS calendar year data only for aggregate numbers, but the same analysis for categories within major types of WCAB workload use only legacy data available through 2007. Analysis of trends using both EAMS and legacy data within major types of WCAB workload through 2010 was not possible due to several reasons, including the introduction of new categories in EAMS and the redefinition of previously existing categories.

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Percentage by Type of Opening Documents

Please note: Prior to 8/9/2008, DWC's workload adjudication data was available from the legacy system. DWC transitioned to a new computer-based system, the Electronic Adjudication Management System (EAMS), at the end of August 2008. Therefore, data for 2008 are comprised of data both from the legacy and from the EAMS system and may not be directly comparable to previous years due to transition issues.



Data Source: DWC

Division of Workers' Compensation Hearings

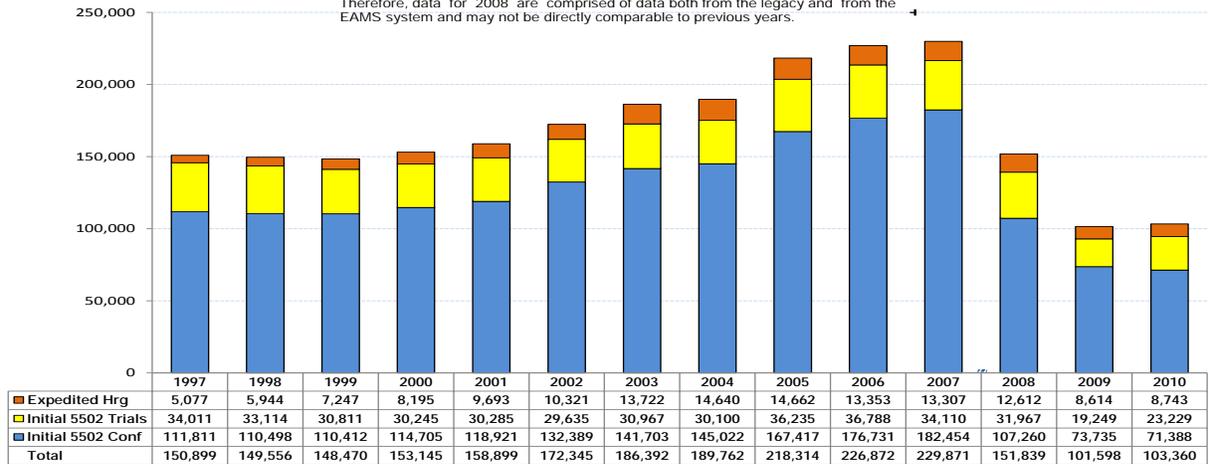
Numbers of Hearings

The graph below indicates the numbers of different types of hearings held in DWC from 1997 through 2010. The total number of hearings held increased by 52 percent from 1997 to 2007.

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 Conference. 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

Please note: Prior to 8/9/2008, DWC's workload adjudication data was available from the legacy system. DWC transitioned to a new computer-based system, the Electronic Adjudication Management System (EAMS), at the end of August 2008. Therefore, data for 2008 are comprised of data both from the legacy and from the EAMS system and may not be directly comparable to previous years.



Data Source: DWC

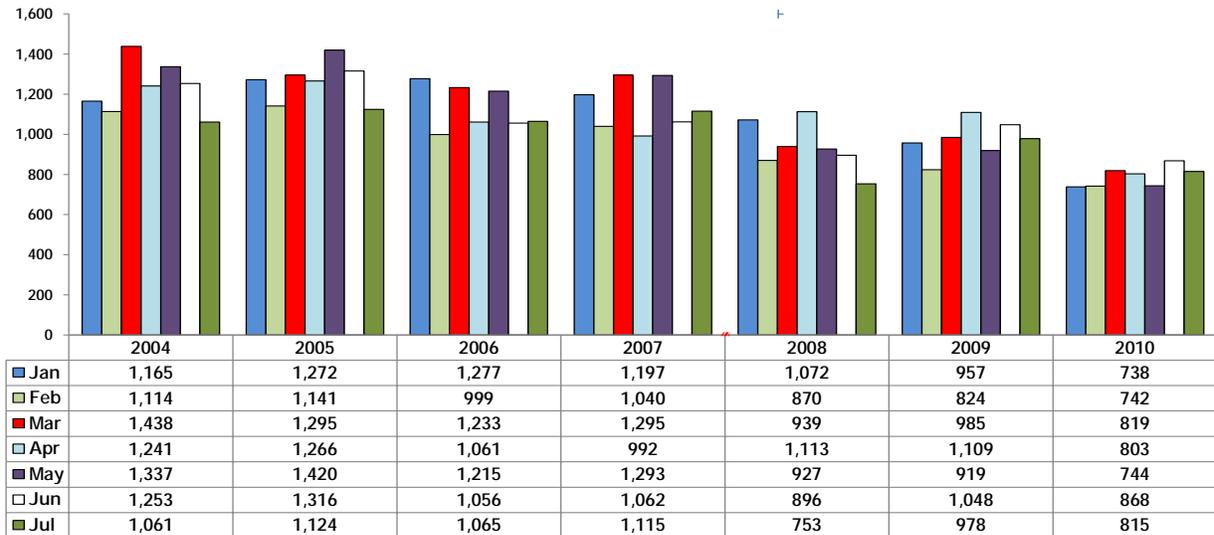
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DWC Expedited Hearings

The chart below shows the number of expedited hearings from January through July of 2004 to 2010. Except for March, the number of hearings during each month increased between 2004 and 2005. Between 2005 and 2007, except for March, the number of expedited hearings decreased overall.

**DWC Expedited Hearings Held, 2004 – 2010
(January – July)**

Please note: Prior to 8/9/2008, DWC's workload adjudication data was available from the legacy system. DWC transitioned to a new computer - based system, the Electronic Adjudication Management System (EAMS), at the end of August 2008. Therefore, data for 2008 are comprised of data both from the legacy and from the EAMS system and may not be directly comparable to previous years due to transition issues.



Data Source: DWC

Timeliness of Hearings

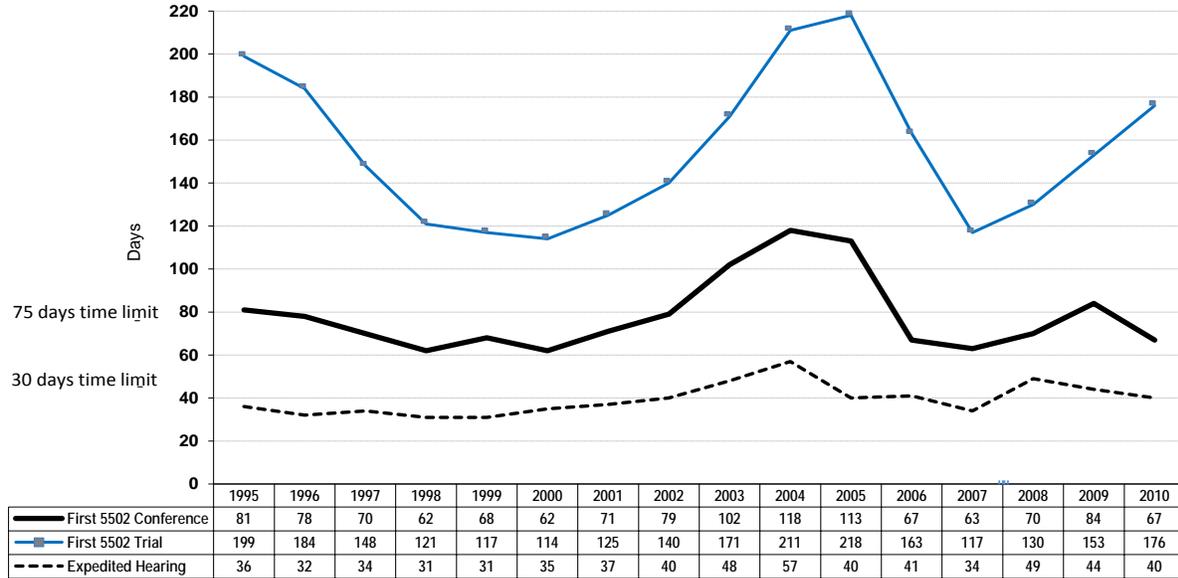
California Labor Code Section 5502 specifies the time limits for various types of hearings conducted by DWC on WCAB cases. In general:

- 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 within 75 days of the request if a settlement conference has not resolved the dispute.
- An expedited hearing must be held within 30 days of the receipt of the DR.

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

Elapsed Time in Days from Request to DWC Hearing (4th Quarter)

Please note: Prior to 8/9/2008, DWC's workload adjudication data was available from the legacy system. DWC transitioned to a new computer - based system, the Electronic Adjudication Management System (EAMS), at the end of August 2008. Therefore, data for 2008 are comprised of data both from the legacy and from the EAMS system and may not be directly comparable to previous years.



Source: DWC

From 2008 through 2010, the longer waiting times for regular trials (top line) coincide with the reduction in available court hours due to hiring freezes and furloughs. Governor Schwarzenegger's July 31, 2008 Executive Order froze hiring and barred the use of retired annuitants. Beginning February 1, 2009, judges and staff were placed on furlough two days a month.³⁶ Effective July 1, 2009, the furloughs were increased to three days per month.³⁷ With just over 20 working days a month, the furloughs represented cuts of first 10 percent and then 15 percent of available hours for hearing and resolving cases. The fact that the time to expedited hearing (bottom line, dotted) grew shorter from 2008 through 2010 shows that the courts gave priority to scheduling the urgent issues that are statutorily designated for expedited hearing.

³⁶ Executive Order S-16-08

³⁷ Executive Order S-13-09

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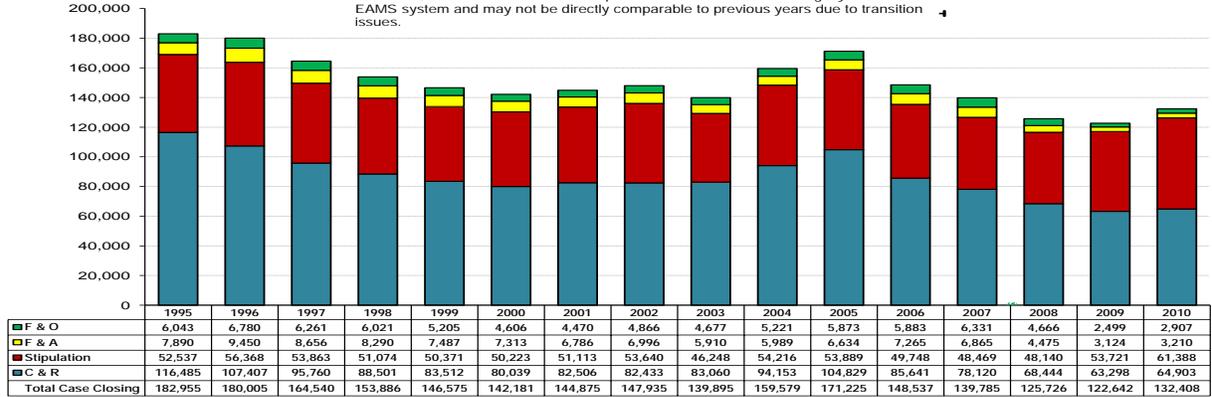
Division of Workers' Compensation Decisions

DWC Case-Closing Decisions

As the chart below shows, the number of decisions made by DWC that are considered to be case-closing declined during the second part of the 1990s, increased overall from 2000 to 2005, and then decreased by 18.4 percent from 2005 to 2007.

DWC Case-Closing Decisions

Please note: Prior to 8/9/2008, DWC's workload adjudication data was available from the legacy system. DWC transitioned to a new computer-based system, the Electronic Adjudication Management System (EAMS), at the end of August 2008. Therefore, data for 2008 are comprised of data both from the legacy and from the EAMS system and may not be directly comparable to previous years due to transition issues.



Data Source: DWC

Mix of DWC Decisions

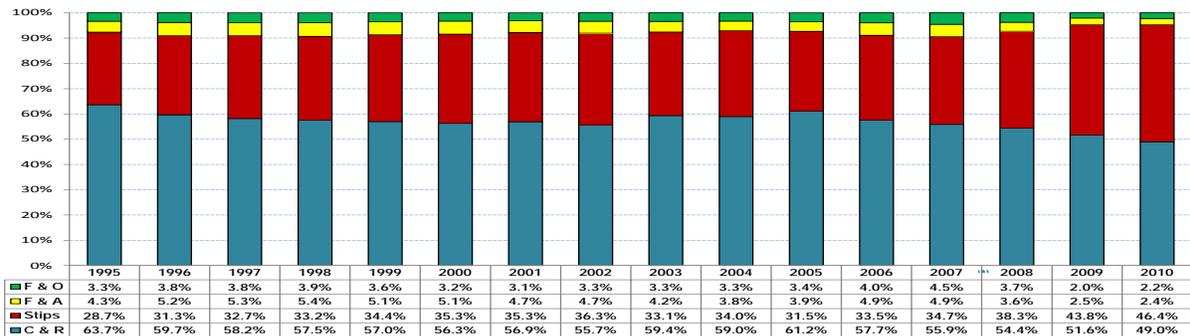
As shown on the previous charts and the chart below, again, the vast majority of the case-closing decisions rendered during the 1990s were in the form of a WCAB judge's approval of Stips and C&Rs which were originally formulated by the case parties.

During the period from 1995 through 2007, there was an overall increase in proportion of Stips and overall decrease in proportion of C&Rs. This reflects the large decrease in the issuance of C&Rs through the 1990s. This pattern of increasing proportion of Stips and decreasing proportion of C&Rs continued into the period from 2008 to 2010,

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

DWC Decisions: Percent Distribution by Type of Decisions

Please note: Prior to 8/9/2008, DWC's workload adjudication data was available from the legacy system. DWC transitioned to a new computer-based system, the Electronic Adjudication Management System (EAMS), at the end of August 2008. Therefore, data for 2008 are comprised of data both from the legacy and from the EAMS system and may not be directly comparable to previous years due to transition issues.

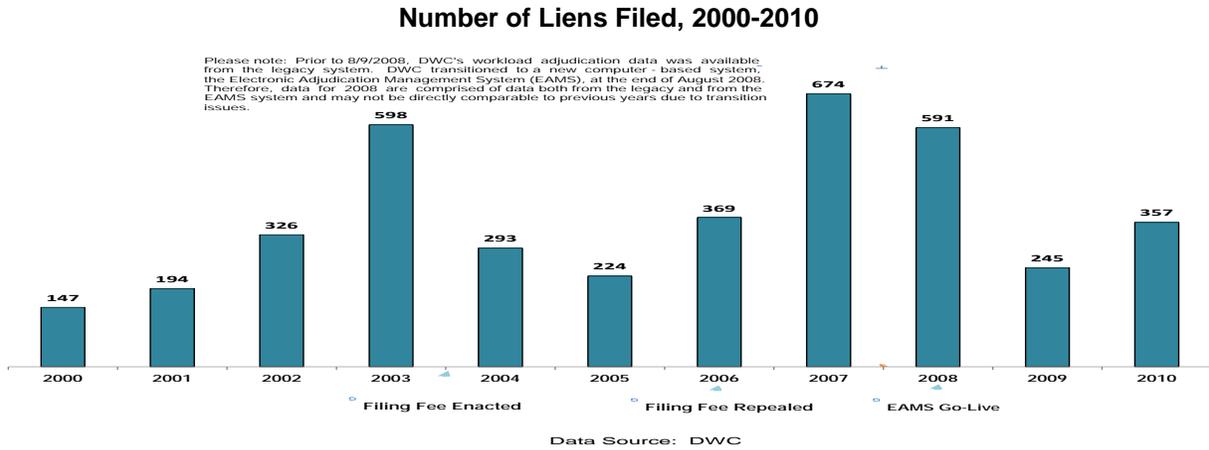


Data Source: DWC

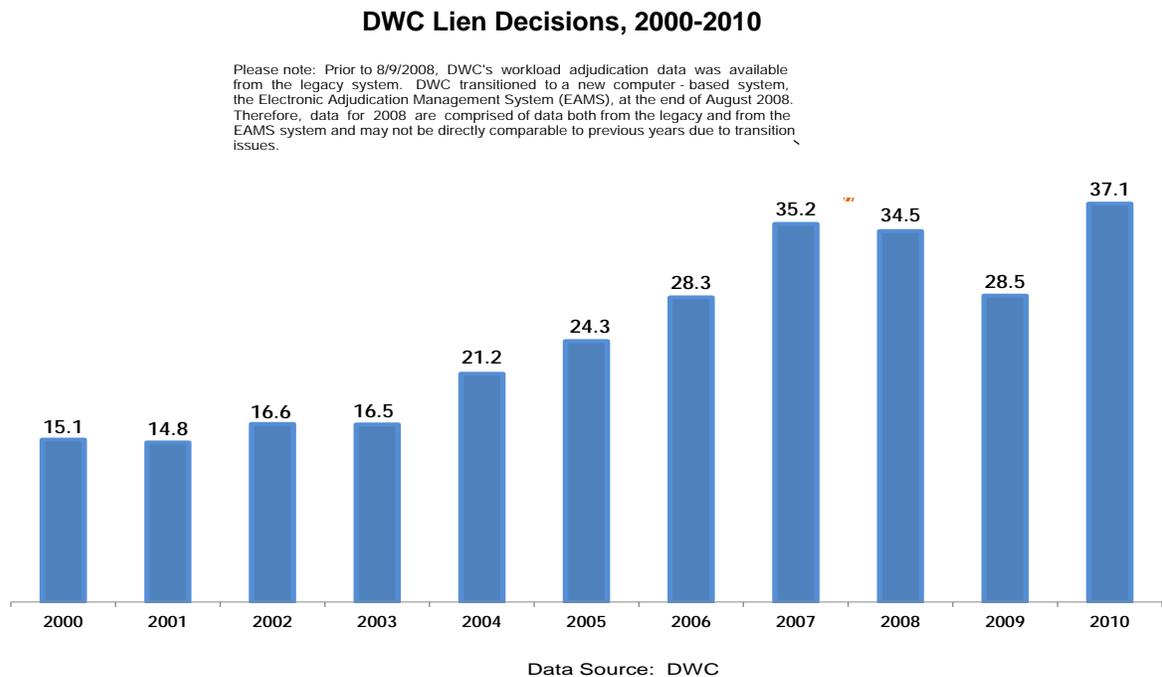
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Division of Workers' Compensation Lien Filings and Decisions

As shown in the chart below, the number of liens has increased by over 300 percent between 2000 and 2003, decreased by 63 percent between 2003 and 2005, and then increased again by 200 percent between 2005 and 2007. From 2009 to 2010, there was a 46 percent increase in the number of liens filed.



The following chart generally 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.



See "Report on Liens" (CHSWC, 2011) for a complete description.
http://www.dir.ca.gov/chswc/Reports/2011/CHSWC_LienReport.pdf

DIVISION OF WORKERS' COMPENSATION AUDIT AND ENFORCEMENT PROGRAM

Background

The 1989 California workers' compensation reform legislation established an audit function within the Division of Workers' Compensation (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

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

To reward good performers, profile audit subjects that meet or exceed the PAR performance standard will not be liable for any penalties but will be required to pay any unpaid compensation. FCA subjects that meet or exceed standards will only be required to pay penalties for unpaid or late paid compensation, as well as 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 the Workers' Compensation Appeals Board (WCAB) rather than by application for a writ of mandate in the Superior Court. Judicial review of the Board's F&O is as provided in Sections 5950 et seq.

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

Overview of Audit Methodology

Selection of Audit Subjects

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

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

- Complaints regarding claims handling received by DWC.
- Failure to meet or exceed FCA Performance Standards.
- High numbers of penalties awarded pursuant to Labor Code Section 5814.
- Information received from 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.

Audit and Enforcement Unit Data

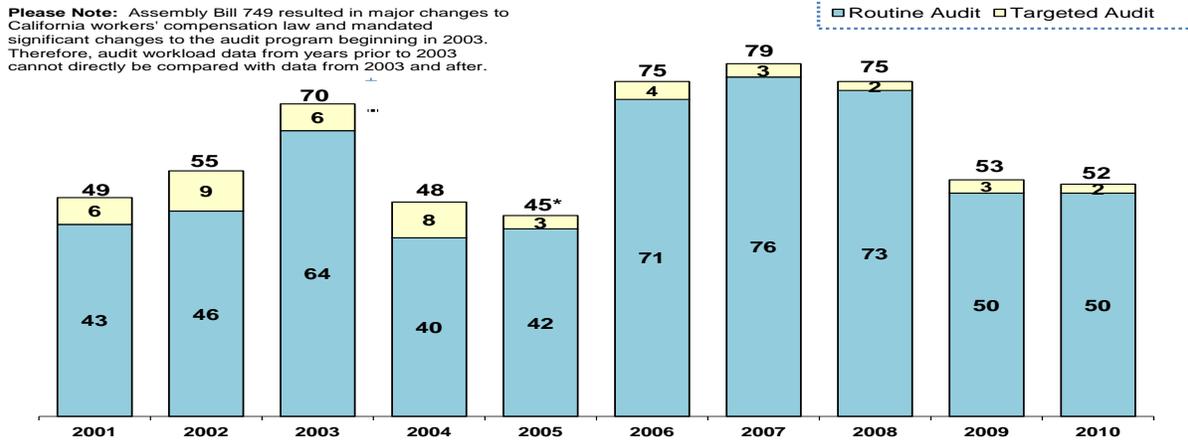
The following charts and graphs depict workload data from 2000 through 2010. As noted on the charts, data before 2003 cannot be directly compared with similar data in 2003 and after because of the significant changes in the program effective January 1, 2003.

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Routine and Targeted Audits

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

Routine and Targeted Audits



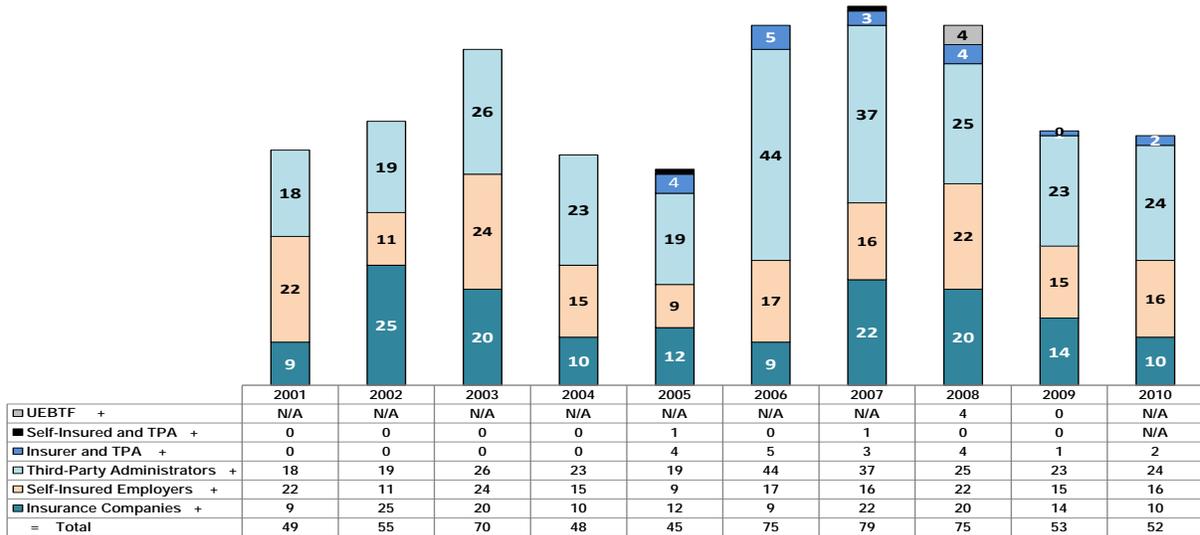
* Note: An additional target audit was conducted based on a return agreement in a previous stipulation of civil penalty in 2000.

Data Source: DWC Audit and Enforcement Unit

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 insurance company (insurer), a self-insured employer, or a third-party administrator.

DWC Audits by Type of Audit Subject



Data Source: DWC Audit and Enforcement

Selection of Files to be Audited

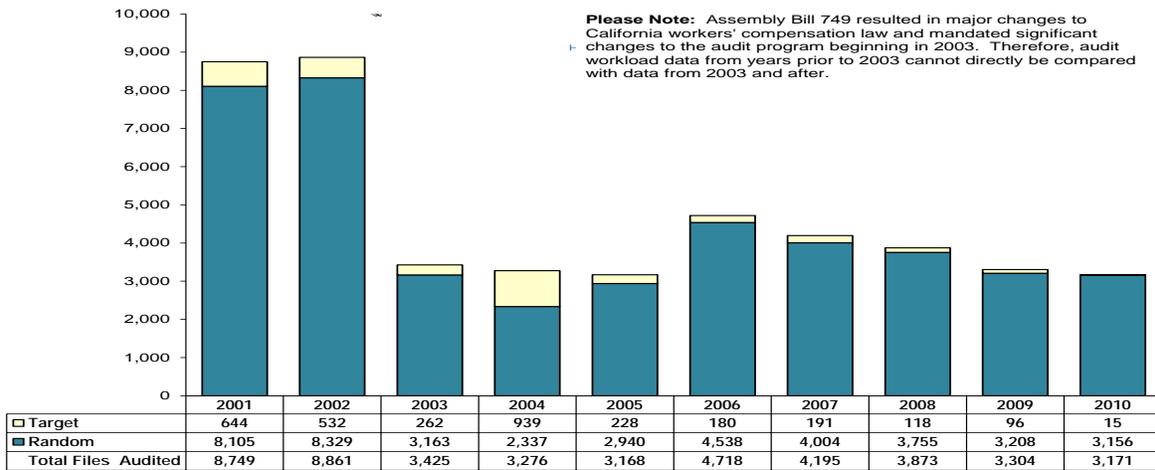
The majority of claim files are selected for audit on a random basis, with the number of indemnity and denied cases being selected based on the numbers of claims in each of those populations of the audit subject:

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

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

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

Files Audited by Method of Selection



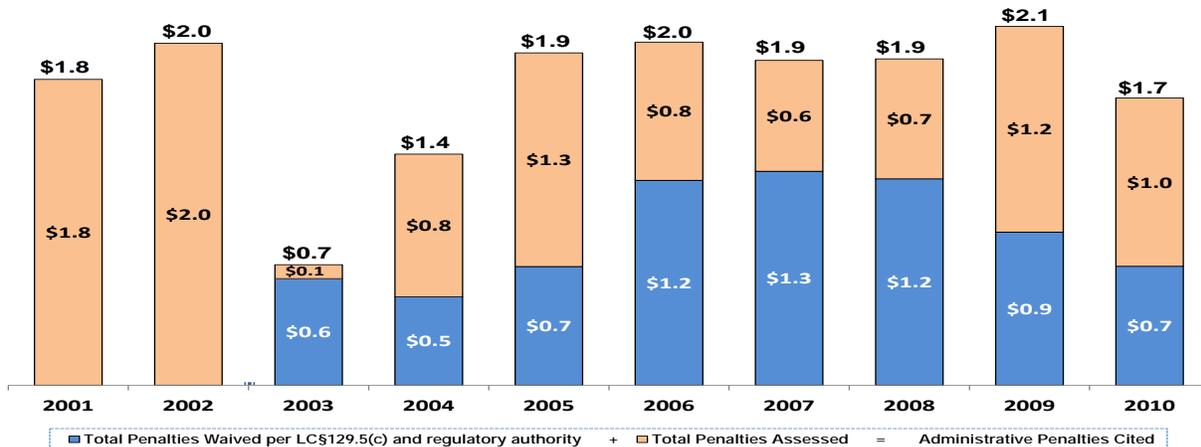
Data Source: DWC Audit and Enforcement Unit

Administrative Penalties

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

DWC Audit Unit – Administrative Penalties Cited (Million \$)

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



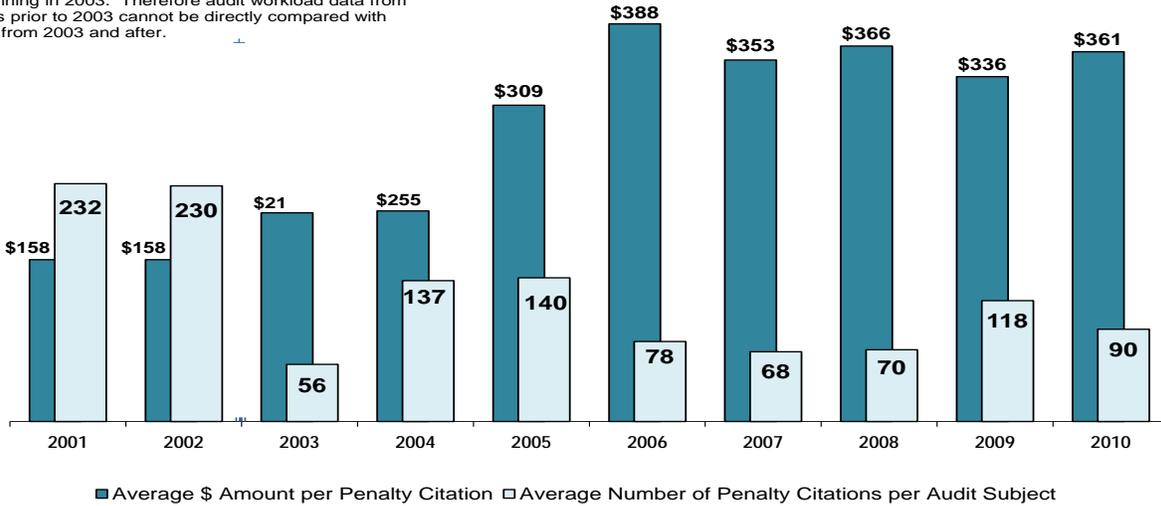
Data Source: DWC Audit and Enforcement Unit

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

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

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

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



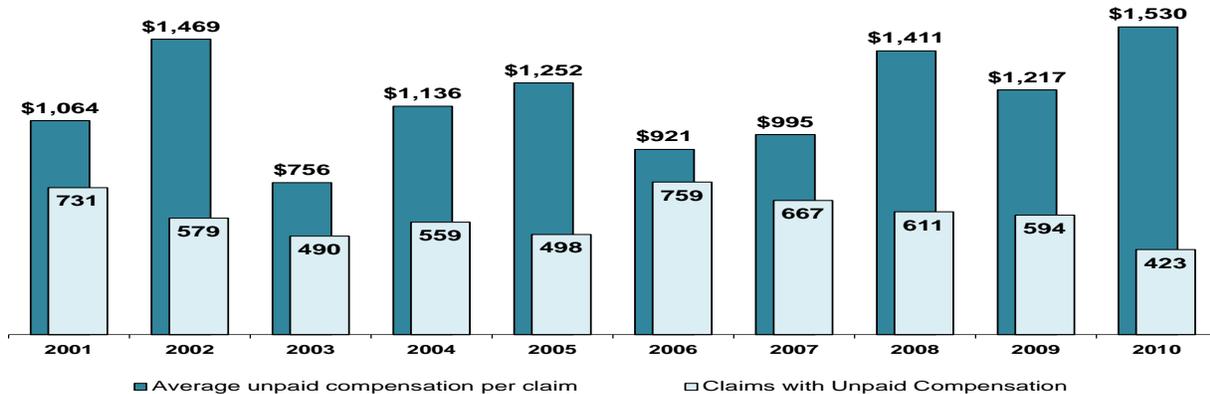
Source: DWC Audit and Enforcement Unit

Unpaid Compensation Due To Claimants

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

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

Average Amount of Unpaid Compensation per Claim and Number of Claims

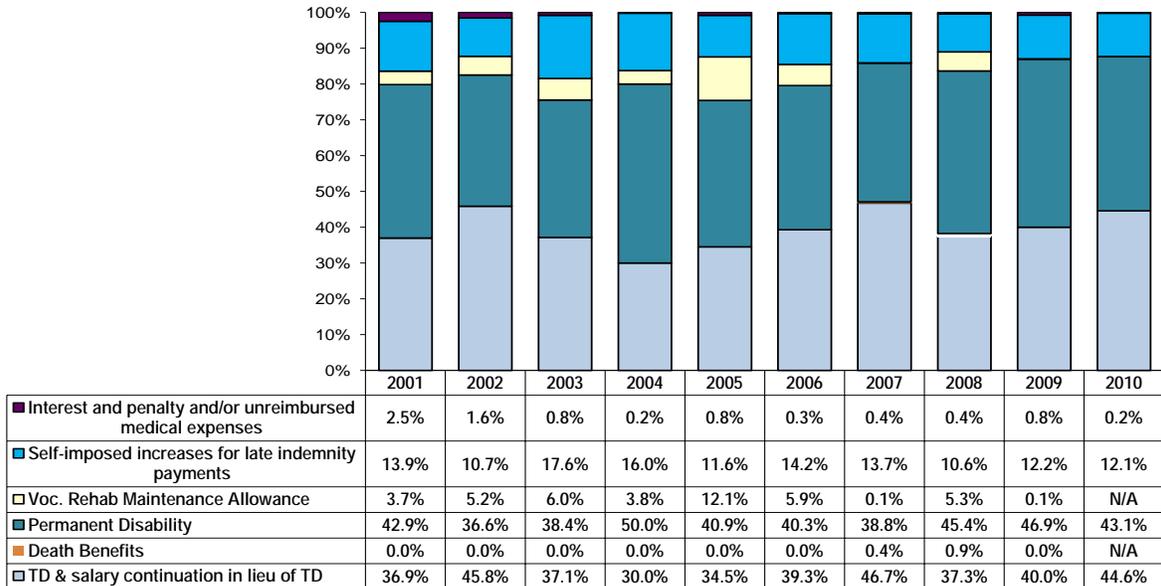


Data Source: DWC Audit and Enforcement Unit

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

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

Distribution of Unpaid Compensation by Type



Data Source: DWC Audit and Enforcement Unit

For further information ...

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

CHSWC "Report on the Division of Workers' Compensation Audit Function" (1998) <http://www.dir.ca.gov/CHSWC/FinalAuditReport.html>.

DISABILITY EVALUATION UNIT

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

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

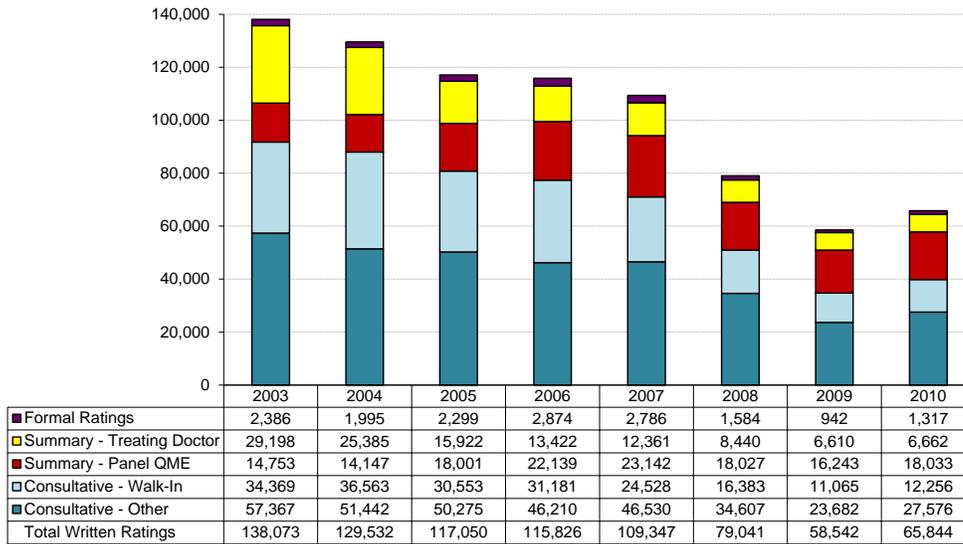
The rating is a percentage that estimates how much a job injury permanently limits the kinds of work the injured employee can do. It is based on the employee's medical condition, date of injury, age when injured, occupation when injured, how much of the disability is caused by the employee's job, and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

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

The following two charts depict DEU's workload. The first chart shows the written ratings produced each year by type between 2003 and 2010. The second chart illustrates the total number of written and oral ratings between 2003 and 2007. From 2008, statistics on Oral Ratings are not maintained.

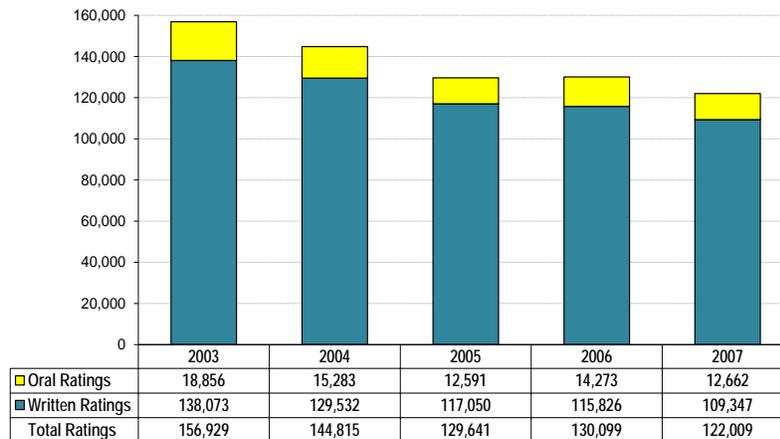
DEU written ratings declined by 15 percent between 2003 and 2005, leveled off between 2005 and 2006, and declined by 6.6 percent between 2006 and 2007. Between 2007 and 2010, the number of DEU written ratings declined by 40 percent. The decline in written ratings between 2007 and 2010 is due to a number of factors including: the introduction of *AMA Guides* and case decisions such as *Ogilvie and Almaraz/Guzman* which increased rating complexity; transition to a new electronic adjudication management system (EAMS) leading to a learning curve for personnel; hiring freezes that caused clerical shortages; and more consistent tabulation of rating production with the introduction of the EAMS system.

DEU Written Ratings, 2003-2010



Data Source: DWC Disability Evaluation Unit

DEU Oral and Written Ratings by Type, 2003-2007



* From 2008, statistics on Oral Ratings are not maintained.

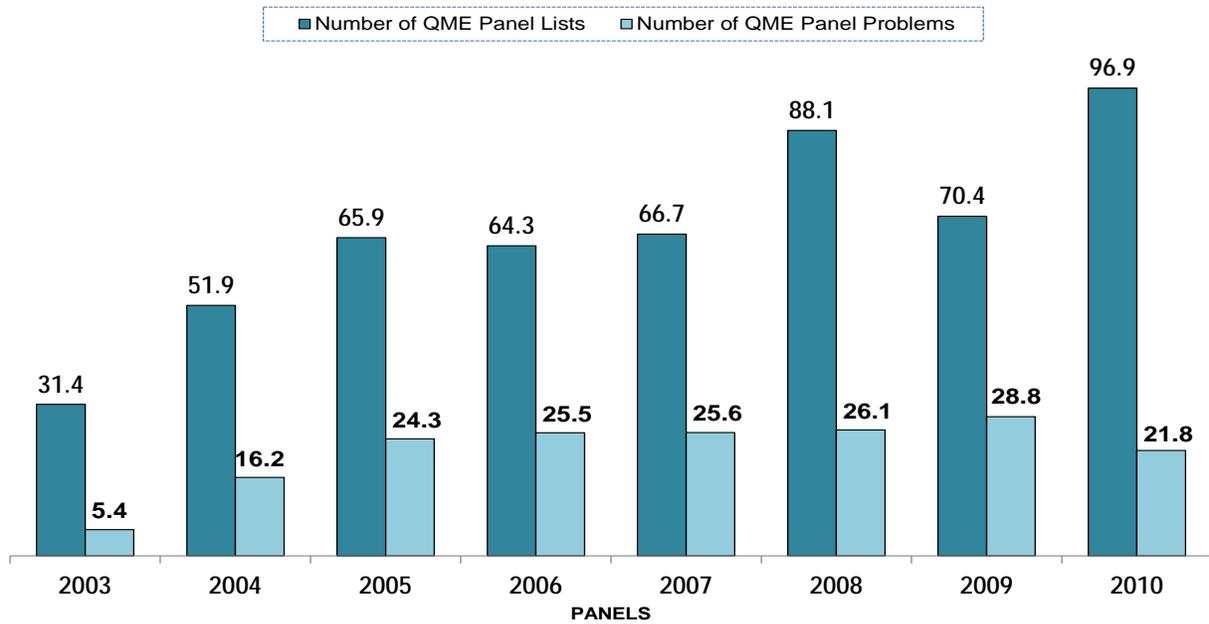
Source: DWC Disability Evaluation Unit

QUALIFIED MEDICAL EVALUATOR PANELS

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

The chart below indicates the number of QME Panel Lists issued each year and the number of problems with the original QME panel issued necessitating a replacement list. Some of the problems with panel assignment include parties not submitting documentation or submitting inadequate documentation, parties not being eligible for a QME panel, or DWC needing additional information in order to make a determination for panel eligibility.

Number of Qualified Medical Evaluator (QME) Panel Lists and Panel Problems (Thousand)



Data Source: DWC

MEDICAL PROVIDER NETWORKS AND HEALTH CARE ORGANIZATIONS³⁸

Medical Provider Networks

Background

In recent years, the California workers' compensation system has seen significant increases in medical costs. Between 1997 and 2003, workers' compensation medical treatment expenses in California increased by an estimated 138 percent,³⁹ 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 Senate Bill (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 Section 4616 et. seq. MPNs were implemented beginning January 1, 2005.

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

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

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

Application Review Process

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

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

The full review of an application involves a thorough scrutiny, using a standard checklist, to see if the application followed the statutory and regulatory requirements set forth in California Labor Code Section 4616 et. seq. and the California Code of Regulations sections 9767.1 et. seq. The full review culminates with an approval letter if no deficiency is discovered in the submitted application. Applicants with deficient applications are sent a disapproval letter listing deficiencies that need to be corrected. This process is repeated until the application is approved.

³⁸ The information in this section was provided by the DWC Medical Unit, with minor edits by CHSWC staff.

³⁹ Based on the WCIRB annual report *California Workers' Compensation Losses and Expenses* prepared pursuant to § 11759.1 of the California Insurance Code.

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

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

Applications Received and Approved

The table below provides a summary of MPN program activities from the inception of the MPN program in November 1, 2004, to December 31, 2010. During this time, the MPN program received 1,748 MPN applications. Of these, 27 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 December 31, 2010, 1,600 applications were approved. Of these, 986 were approved under the emergency regulations and the remaining 614 under the permanent regulations. Nineteen (19) approved applications were revoked by DWC. The reason for revocation was the applicants' erroneous reporting of their status as self-insured when in fact they were insured entities. One hundred and fifty-one (151) were withdrawn after approval and forty-nine (49) were withdrawn before approval. The reasons for the withdrawals were either that the applicant decided not to pursue an MPN or there was a duplicative submission of the same application. Fifty-eight (58) were terminated after approval. The reason for the termination was the applicant's decision to stop using the MPN.

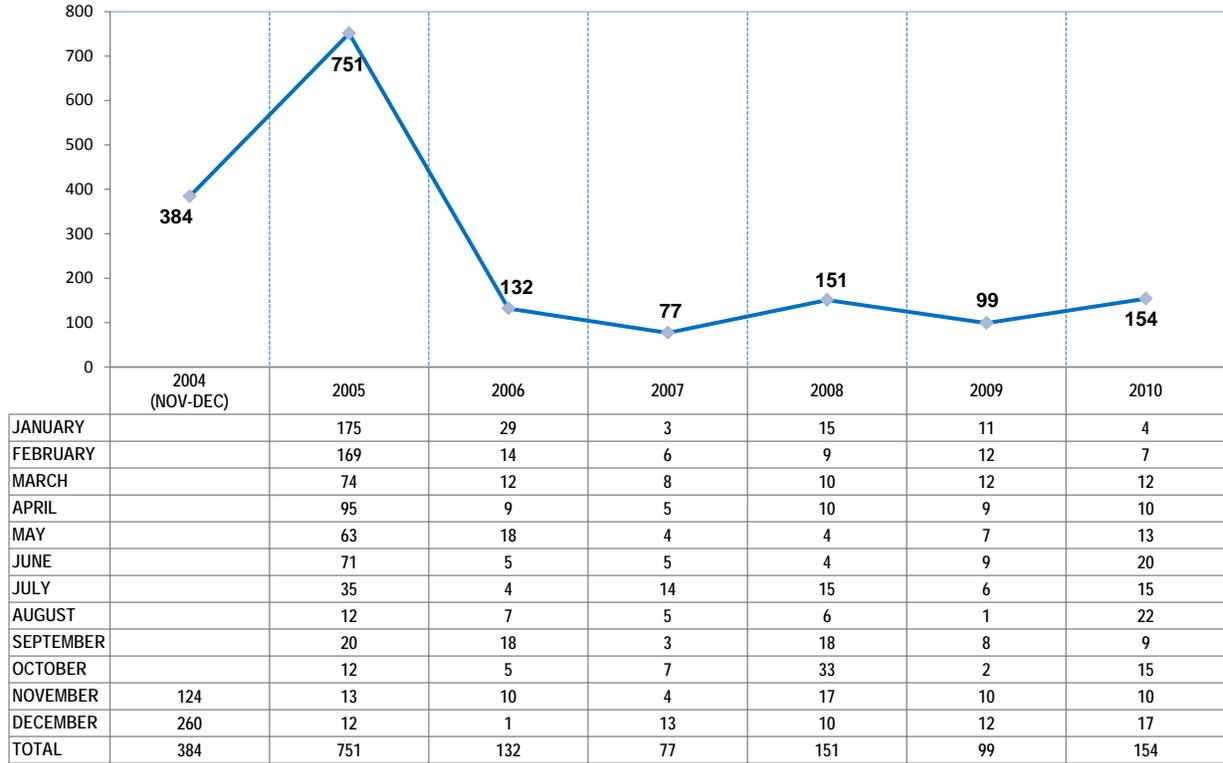
Table: MPN Program Activities from November 1, 2004, to December 31, 2010

MPN Applications:	Number
Received	1,748
Approved	1,600
Material Modifications	2,146
Withdrawn	200
Revoked	19
Ineligible	27
Terminated	58

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

The chart below shows the time of receipt of MPN applications by month and year. The bulk of applications, 43 percent (751), were received in 2005. About 8 percent (132) were received in 2006, 4 percent (77) were received in 2007, 9 percent (151) were received in 2008, 6 percent (99) were received in 2009, and 9 percent (154) were received in 2010.

Number of MPN Applications Received by Month and Year of Receipt (Total = 1,748)

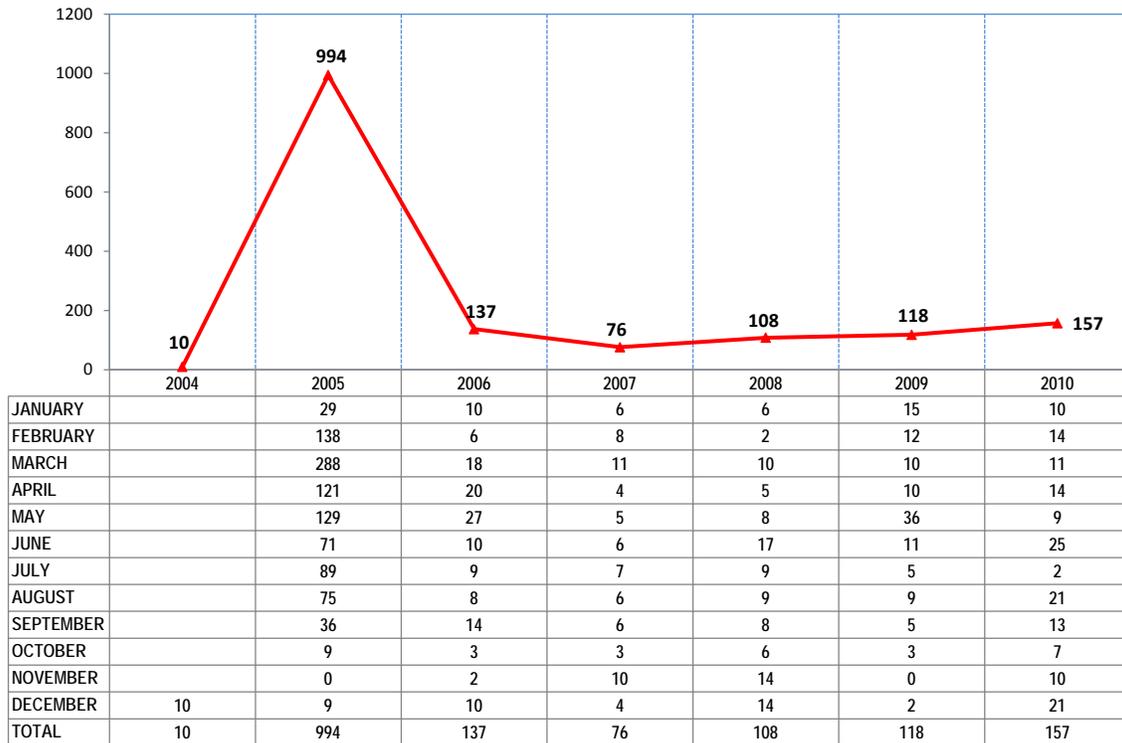


Data Source: DWC

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

The chart below shows that 62 percent (994) of MPN applications were approved in 2005, while only 9 percent (137) were approved in 2006, 5 percent (76) were approved in 2007, 7 percent (108) were approved in 2008, 7 percent (118) were approved in 2009, and 10 percent (157) were approved in 2010.

Number of MPN Applications Approved by Month and Year (Total = 1,600)



Data Source: DWC

Material Modifications

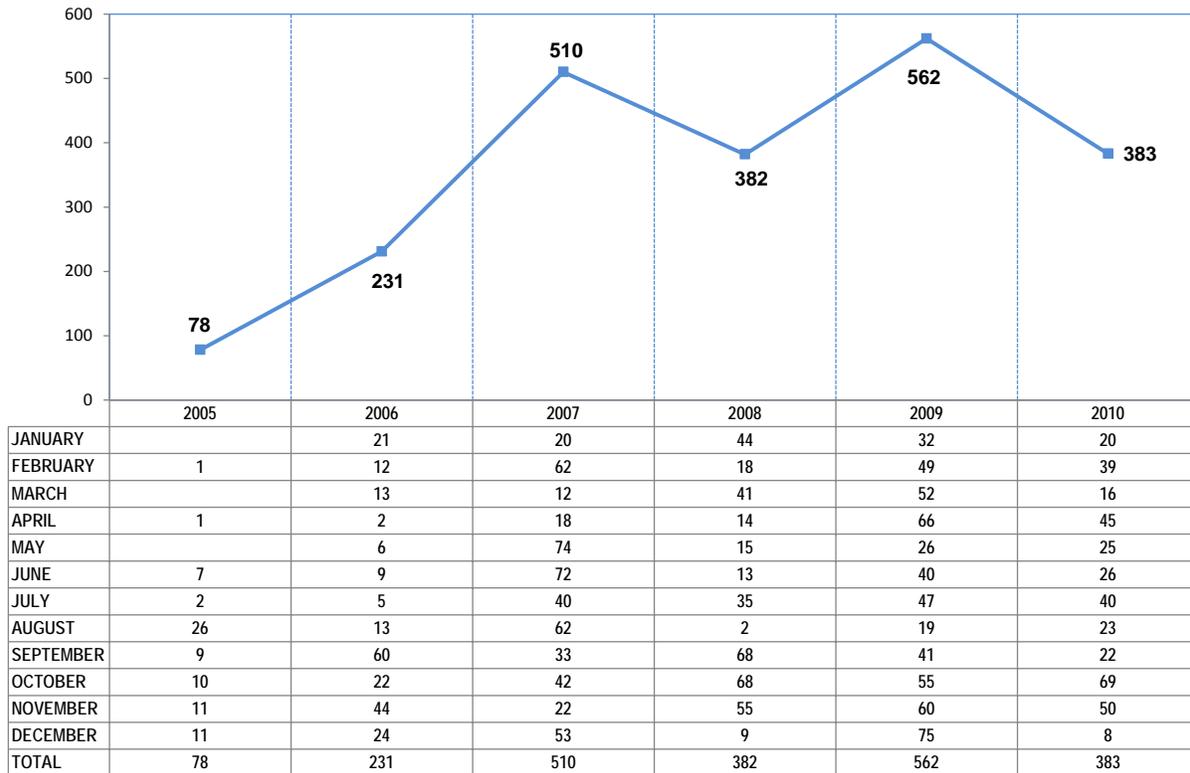
MPN applicants are required by Title 8 CCR §9767.8 to provide notice to DWC for any material change to their approved MPN application. In addition, MPN applicants approved under the emergency regulations must update their application to conform to the permanent MPN regulations when providing notice of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

As of December 31, 2010, 871 applicants had filed 2,146 material modifications with DWC. Some applicants filed more than one material modification. Four hundred and twenty-five (425) applicants filed two or more material modification filings while 1 applicant had 29 filings.

The following chart shows how many material modification filings were received at DWC.

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

Number of MPN Material Modifications Received by Month and Year (Total = 2,146)



Data Source: DWC

MPN Applicants

The table below shows the numbers of MPN applicants by type of applicant. The majority, 42 percent, of MPN applications were filed by insurers, followed by self-insured employers (18 percent).

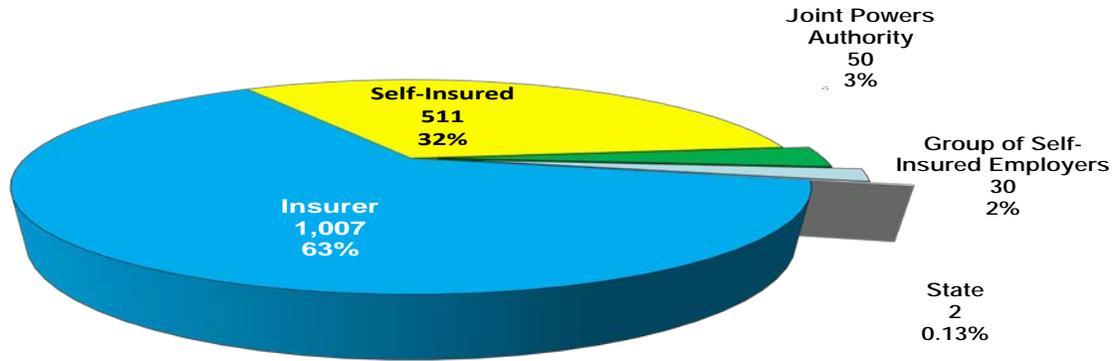
**Table: Distribution of Approved MPN Applications by Type of Applicant
(Total for all years = 1,600)**

Type of Applicant	2004	2005	2006	2007	2008	2009	2010
Insurer	7	611	68	32	80	91	66
Self-Insured	3	346	55	37	23	19	28
Joint Powers Authority		33	4	4	3	2	4
Group of Self-Insured Employers		2	10	3	2	6	7
State		2					
Total	10	994	137	76	108	118	157

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

The chart below shows the distribution of MPN applicants by type.

Distribution of All Approved MPN Applications by Type of Applicant From 2004 to 2010 (Total = 1,600)



Data Source: DWC

HCO Networks

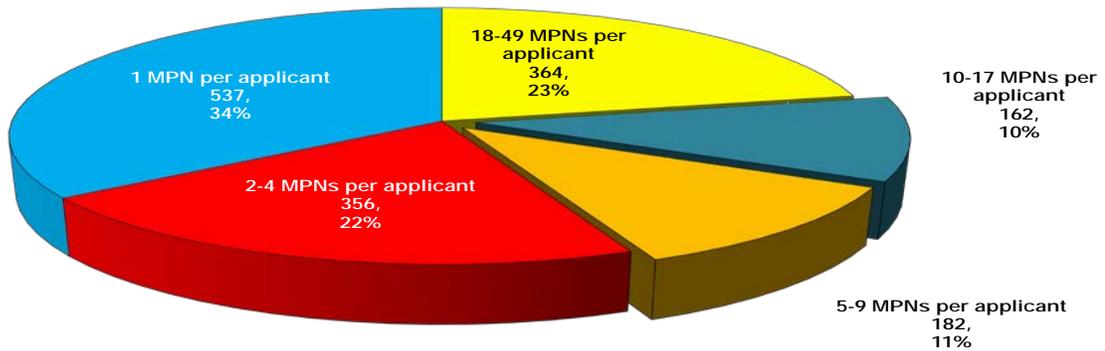
HCO networks are used by 491 (28.1 percent) of the approved MPNs. The distribution of MPNs by HCO is shown in the table below. First Health HCO has 16.4 percent of the MPN market share followed by Corvel HCO, which has 6.8 percent, and Medex, which has 2.7 percent. There seems to be a decrease in the use of HCO networks for MPNs.

Table: Number of MPN Applicants Using HCO Networks

Name of HCO	Number	% Applications Received	% Applications Approved
CompAmerica (First Health)	286	17.9%	16.4%
Corvel	118	7.4%	6.8%
Medex	48	3.0%	2.7%
CompPartners	5	0.3%	0.3%
Net-Work	1	0.1%	0.1%
Intracorp	0	0.0%	0.0%
Promesa	1	0.1%	0.1%
Astrasano	2	0.1%	0.1%
Prudent Buyer (Blue Cross)	30	1.9%	1.7%
Total Using HCO	491	30.7%	28.1%

MPN applicants are allowed to have more than one MPN. As the pie chart below shows, 66 percent of applicants have more than one MPN, including 23 percent with 18 to 51 MPNs. The names of MPN applicants with 10 or more approved MPNs are shown in the table below. ACE American Insurance Company leads with 51 MPNs followed by Zurich American Insurance Company with 38 MPNs, and American Home Assurance Company with 36 MPNs.

Distribution of Approved MPNs by Number of MPNs per Applicant, 2010



Data Source: DWC

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

Name of Applicant	Number of MPNs
ACE American Insurance Company	51
Zurich American Insurance Company	38
American Home Assurance Company	36
Fidelity and Guaranty Insurance Company	29
National Union Fire Insurance Company of Pittsburgh, PA	29
The Insurance Company of the State of Pennsylvania	29
Discover Property & Casualty Insurance Company	25
United States Fidelity and Guaranty Company	24
Fidelity and Guaranty Insurance Underwriters, Inc.	23
Old Republic Insurance Company	23
ARCH Insurance Company	19
New Hampshire Insurance Company	19
Safety National Casualty Corporation	19
American Zurich Insurance Company	17
Commerce and Industry Insurance Company	17
XL Specialty Insurance Company	17
Hartford Insurance Company of the Midwest	16
Chartis Property Casualty Company	14
Granite State Insurance Company	14
American Guarantee and Liability Insurance Company	12
Greenwich Insurance Company	12
Continental Casualty Company	11
Hartford Accident and Indemnity Company	11
Landmark Insurance Company	11
Zurich American Insurance Company of Illinois	10

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 5,000 is shown below. This list includes some large self-insured companies such as Albertsons, AT&T, Intel, Safeway, Home Depot, Target Corporation, Raley's, and Lowe's.

MPN Complaints

The MPN program has set up a complaint investigation system. Complaints are received by phone, fax, email and mail. Since January 2006, DWC has received 246 complaints. DWC has contacted the liaison of the MPNs and resolved and closed 242 of the complaints. Most of the complaints were regarding insufficient provider listings given to the injured worker.

Status of the MPN Program

The MPN program is in its sixth year and continues to develop as more MPNs are being used. The MPN plan monitoring and review processes have evolved with the regulations and as agency resources permit. During the past year, the Division has taken affirmative steps to ensure regulatory compliance. These include follow-up with hundreds of MPNs to file modifications for changes of their Liaison to the DWC, for changes of MPN Applicant Authorized Individual, and for a 10 percent change of the network of medical providers. Failure to respond to the Division's compliance efforts has and will continue to result in revocation of MPNs.

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

List of Self-Insured MPN Applicants with Covered Employees of 5,000 or More, June 2010

Name of Applicant	Name of MPN	Number of Covered employees
Regents of The University of California	Regents of The University of California MPN	189,925
Los Angeles Unified School District	Sedgwick CMS Extended Medical Provider Network	138,000
County of Los Angeles	CorVel HCO	94,000
California Farm Management-Self-Insured Group	WellComp Medical Provider Netowrk	81,351
Target Corporation	Target Medical Provider Network	75,300
California State Association of Counties - Excess Insurance Authority	EIA Medical Provider Network	74,882
Safeway, Inc.	Safeway Select MPN	60,000
Kelly Services, Inc	Kelly Services Medical Provider Network	58,500
San Diego/Imperial County Schools Joint Power Authority	Interplan through CompPartners	54,000
The Home Depot	The Home Depot Medical Provider Network	51,062
Target Corporation	Sedgwick CMS/Harbor Net-Target	50,000
San Diego County Schools JPACorVel	San Diego County Schools JPA MPN	42,000
K-Mart Corporation	Sedgwick CMS / Harbor Net - SHG	40,000
Macy's Inc.	Macy's Inc. Medical Provider Network	32,575
Self-Insured Schools of California	Self-Insured Schools of California/California Foundation for Medical Care Network	31,811
Pacific Bell Telephone Company	Sedgwick CMS Extended Medical Provider Network	31,500
Costco Wholesale	Costco MPN	31,000
Kaiser Foundation Hospitals, a California Corporation	Kaiser Permanente MPN	29,880
Auto Dealers Compensation of California, Inc.	Auto Dealers Compensation of California, Inc. Medical Provider Network	28,012
New Albertsons, Inc.(A SuperValu Company)	New Albertson's Inc. CA MPN	27,000
University of Southern California USC	Harbor MPN	26,634
Southern California Permanente Medical Group	Kaiser Permanente MPN	26,353
Kimco Staffing Services, Inc.	First Health CompAmerica Primary Network	26,000
Mainstay Business Solutions	WellComp Medical Provider Network	22,500
County of Orange	WellComp Medical Provider Network	22,000
County of Orange	Cambridge Orange County MPN	21,500
County of Orange	Intracorp	21,400
Pacific Gas and Electric Company	PG&E /Blue Cross Medical Provider Network	21,000
San Diego Unified School District	WellComp Medical Provider Network	20,762

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

Name of Applicant	Name of MPN	Number of Covered employees
Marriott International, Inc.	Marriott's Medical Provider Network	20,511
Manpower Inc.	Concentra MPN	20,320
Santa Clara County Schools Insurance Groups	PRIME Plus Medical Network	20,198
The County of Riverside	First Health Comp America Select	20,173
Walt Disney World Co (The Disneyland Resort Division)	Disneyland Resort Medical Provider Network	20,000
Sun Microsystems, Inc. (Sun)	First Health Network	20,000
City and County of San Francisco	City and County of San Francisco Medical Provider Network	20,000
California Farm Management Self-Insured Group	N/A	20,000
San Diego Unified School District	TRISTAR - CompAmerica Primary HCO	20,000
Schools Insurance Group	SIG MPN	19,600
Ventura County Schools Self-Funding Authority	WellComp Medical Provider Network	19,566
Manpower, Inc.	Sedgwick CMS MPN	19,000
Securitas Security Services USA, Inc.	Sedgwick CMS Extended MPN	19,000
County of Riverside	CorVel MPN/County of Riverside	19,000
Viacom International Services, Inc.	First Health Comp America HCO Select Network	18,913
Healthcare Industry Self-Insured Program	CorVel/Healthcare Industry Self-Insured Program	18,500
Countrywide Financial Corporation	Countrywide Network	18,000
Nordstrom Inc.	Nordstrom Medical Provider Network	17,000
Securitas Security Services USA, Inc.	Securitas Broadspire SNP	16,890
Hewlett Packard Company	Sedgwick CMS Extended Medical Provider Network	16,500
Victory Comp, Inc.	TRISTAR Specialty MPN	16,000
COP/CPB of the Church of Jesus Christ of the Latter-day Saints	Deseret MPN	16,000
Alameda County Schools Insurance Group	ACSIG/AccessMedical Provider Network	16,000
Cornerstone Comp, Inc.	TRISTAR Specialty MPN	16,000
Guardian Comp, Inc.	TRISTAR Specialty MPN	16,000
Quality Comp, Inc.,	TRISTAR Specialty MPN	16,000
Elite Golf Club Program, Inc.	TRISTAR Specialty MPN	16,000
American Building Maintenance (ABM)	ABM Network	15,800
Southern California Edison	SCE Select	15,514
Lowe's HIW, Inc.	Lowe's CA MPN	15,136
Federal Express Corporation	Intracorp	14,878
Schools Linked For Insurance Management (SLIM)	Prime Advantage Medical Network a	14,217
County of San Bernardino	CorVel MPN	14,000
The Walt Disney Company	The Liberty Mutual Group MPN	13,924
Alliance of Schools for Cooperative Insurance Programs	WellComp Medical Provider Network	13,764

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

Name of Applicant	Name of MPN	Number of Covered employees
Central Region School Insurance Group	WellComp Medical Provider Network	13,679
Riverside Schools Risk Management Authority	Prime Advantage Medical Network	13,610
Raley's	Raley's Quality Medical Provider Network	13,500
Lockheed Martin Corporation	INTRACORP/Lockheed Martin MPN	13,400
Intel Corporation	Broadspire MPN	13,223
Alameda County Schools Insurance Group	PRIME Plus Medical Provider Network	13,048
Central Region Schools Insurance Group	CRSIG MPN	12,500
North Bay Schools Insurance Authority	Tri-County MPN	12,000
Barrett Business Services, Inc.	BBSI/CorVel MPN	12,000
AT&T	Sedgwick CMS Extended Medical Provider Network	11,500
California Contractors Network-Self-Insured Group	WellComp Medical Provider Network	11,260
Dole Food Company, Inc.	First Health CompAmerica Select HCO Network (or "First Health Select")	10,980
Memorial Health Services	TRISTAR CompAmerica Primary HCO	10,827
County of Kern	County of Kern Medical Provider Network	10,800
Saugus Union School District	Prime Advantage Medical Network	10,707
Tulare County Schools Insurance Group Workers Compensation JPA	Prime Advantage Medical Network	10,707
Tenet Healthcare Corporation	First Health CompAmerica Primary HCO Network (or "First Health Primary")	10,642
North Valley Schools Insurance Group	Prime Advantage Medical Network	10,246
Healthcare Industry Self-Insurance Program	Medex	10,000
99¢ Only Stores	Sedgwick CMS Extend MPN	10,000
Monterey County Schools Workers' Compensation Joint Powers Authority	Monterey County Schools MPN	10,000
Foster Farms	CorVel Custom MPN	10,000
LFP, Inc. and Affiliates	CorVel MPN	10,000
Park and Recreation District Employee Compensation	PARDEC MPN	10,000
99¢ Only Stores	WellComp Medical Provider Network	9,976
Circuit City Stores, Inc.	Sedgwick CMS Extended Medical Provider	9,775
San Francisco Unified School District	First Health CompAmerica Primary HCO	9,500
United Airlines	CorVel/UAL/Kaiser MPN	9,500
Foster Poultry Farms	Foster Farms Custom CorVel MPN	9,200
Preferred Auto Dealers Self-Insurance Program	Medex	9,000

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

Name of Applicant	Name of MPN	Number of Covered employees
Smart & Final, Inc.	Sedgwick CMS Extended Medical Provider Network	9,000
San Mateo County Schools Insurance Group	Prime Advantage Medical Network	8,557
California Contractors Network Self-Insured Group	California Contractors Network (CCN)	8,500
California Livestock Producers, Inc. Self-Insured Group	N/A	8,500
BCI Coca-Cola Bottling Company of Los Angeles (Coca-Cola Enterprises, Inc.)	Sedgwick CMS Medical Provider Network	8,500
Alameda County	First Health CompAmerica Primary Network	8,494
Kaiser Foundation Health Plan, Inc. A California Corporation	Kaiser Permanente MPN	8,448
Shasta-Trinity Schools Insurance Group JPA	Shasta-Trinity Schools Insurance Group JPA MPN	8,000
Save Mart Supermarkets, Inc.	The Status MPN-Save Mart	8,000
Fresno County Self-Insurance Group	TRISTAR - CompAmerica Primary HCO	7,817
North Orange County Self-funded Workers' Compensation Agency	Prime Advantage Medical Network	7,571
The County of Fresno	The County of Fresno MPN	7,500
BLP Schools' Self-Insurance Authority	WellComp Medical Provider Network	7,132
Whittier Area Schools Insurance Authority	WellComp Medical Provider Network	6,850
MERGE Risk Management JPA	WellComp Medical Provider Network	6,778
San Joaquin County Schools WC Ins. Group JPA	PRIME Plus Medical Provider Network	6,768
Valley Insurance Program	WellComp Medical Provider Network	6,763
Santa Ana Unified School District	WellComp Medical Provider Network	6,677
City of Long Beach	TRISTAR CompAmerica Primary HCO	6,674
Special District Risk Management Authority	WellComp Medical Provider Network	6,500
Providence Health System	Intracorp/Providence Medical Provider Network	6,500
Los Angeles County Office of Education	Los Angeles County Office of Education - Comp Care MPN	5,857
City of Glendale	City of Glendale/Concentra	5,641
New United Motor Manufacturers, Inc.	NUMMI MPN	5,536
Northern California Cities Self-Insurance Fund	NCCSIF MPN	5,500
Orange Unified School District	WellComp Medical Provider Network	5,449
The Salvation Army	Red Shield	5,440
Oakland Unified School District	Oakland Unified School District MPN	5,217
San Mateo County	San Mateo County MPN	5,200
San Jose Unified School District	First Health CompAmerica Primary HCO	5,141
County of Monterey	Liberty Mutual Group MPN	5,046

Health Care Organization Program

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

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

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

An HCO must file an application and be certified according to Labor Code Section 4600.3 et seq. and Title 8 CCR sections 9770 et seq. HCOs pay a fee of \$2,500 at the time of initial certification and a fee of \$1,000 at the time of each three-year certification. In addition, annually, HCOs are required to pay an annual assessment of \$250, \$300 or \$500 based on their enrollment figure as of December 31 of each year. The HCO loan from the General Fund, which covered DWC's start-up costs for the HCO program, has been paid off in full.

DWC has revised regulations to reduce the certification application fee and recertification fee and to remove redundant data collection requirements of HCOs. A public hearing was held on Title 8 CCR Sections 9771, 9778, 9779, 9779.5, and 9779.9 in July 2009. The revised regulations were effective January 1, 2010.

Currently, the HCO program has 9 certified HCOs. The names of certified HCOs and their most recent date of certification/recertification are given in the table below. Even though there are 9 certified HCOs, only 5 have enrollees. The rest are keeping their certification and use their provider network as a deemed network for MPNs.

Table: Currently Certified HCOs by Date of Certification/Recertification

Name of HCO	Date of Certification/Recertification
CompPartners	07/24/2008
Corvel Corporation	12/30/2008
First Health/ CompAmerica Primary	10/05/2007
First Health/ CompAmerica Select	10/05/2007
Kaiser On The Job HCO	12/03/2006
MedEx Health Care	03/16/2007
MedEx 2 Health Care	10/10/2006
Network HCO	04/16/2007
Promesa Inc. HCO	04/12/2007

HCO Enrollment

At its maximum, in mid-2004, the HCO enrollment had reached about half a million enrollees. However, with the enactment of the MPN laws, the enrollment for large HCOs, such as First Health and Corvel, declined considerably. Compared to the 2004 enrollment, First Health lost 100 percent of its enrollees while CorVel's enrollment declined by 96.6 percent to 3,384 by December 2008. As of December 2010, the total enrollment of employees under HCOs fell by 71.2 percent to 138,504 from 481,337 in 2004. The table on the next page shows the number of enrollees as of December 31 of each year from 2004 through 2010.

Table: HCOs by Number of Enrollees for 2004 Through 2010

Name of HCO	Year						
	Dec-04	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10
CompPartners	60,935	61,403	53,279	13,210	1,765	1,729	0
CorVel/ Corvel Select	100,080	20,403	3,719	3,050	3,384	1,983	0
CompAmerica Primary/ Select (First Health)	218,919	2,403	0	0	0	0	0
Intracorp	6,329	3,186	2,976	2,870	0	0	0
Kaiser	30,086	67,147	66,138	69,602	77,567	72,469	74,223
Medex/ Medex 2	62,154	66,304	46,085	69,410	69,783	33,945	46,679
Net Work HCO	1,204	0	0	0	0	0	0
Promesa	na	na	na	na	21,197	16,467	17,602
Prudent Buyer (Blue Cross)	1,390	0	0	0	0	0	0
Sierra	240	0	0	0	0	0	0
TOTAL	481,337	220,846	172,197	158,142	173,696	126,593	138,504

Health Care Organization Program Status

Although HCO enrollment has decreased significantly, HCOs are still being certified for use of their networks as deemed networks for MPNs. In 2010, DWC reviewed and recertified five HCOs.

Regulatory Changes

In 2010, DWC revised its regulations to eliminate duplicative HCO reporting requirements. Effective January 1, 2010, information collected by WCIS will not be required to be resubmitted to DWC by HCOs. As stated earlier, the regulations were revised to reduce HCO fees. As of 2010, HCOs pay a smaller fee of \$2,500 at the time of initial certification and a fee of \$1,000 at the time of each three-year certification thereafter. In addition, annually, HCOs are required to pay an annual assessment of \$250, \$300 or \$500 based on their enrollments of covered employees as of December 31 of each year. Since these changes have been implemented, no new HCO applications have been received.

Pre-Designation Under Health Care Organization versus Medical Provider Networks

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

For further information ...

www.dir.ca.gov/dwc and http://www.dir.ca.gov/dwc/MPN/DWC_MPN_Main.html

DIVISION OF WORKERS' COMPENSATION MEDICAL ACCESS STUDY

Medical Access Study – Conducted during 2008, Released May 2010

Labor Code Section 5307.2 of Senate Bill (SB) 228 mandates that the Administrative Director (AD) of the Division of Workers' Compensation (DWC) contract with an independent research firm to perform an annual study of access to medical treatment for injured workers. There are two major goals to the study: the first is to analyze whether there is adequate access to quality health care and health care products for injured workers; and the second is to make recommendations to ensure continued access. The Labor Code has one mechanism for the AD to respond to a finding of insufficient access, should one exist, by making appropriate adjustments to the fee schedules; in addition, if substantial access problems exist, the AD may adopt fees in excess of 120 percent of Medicare fees.

The study "Access, Quality, and Outcomes of Health Care in the California Workers' Compensation System, 2008" was commissioned by the California Department of Industrial Relations, DWC, and conducted by researchers at the University of Washington (UW) School of Public Health.

The study was based on three statewide surveys of injured workers and providers in 2008: (1) All-Injury Worker Survey, which assessed access to quality health care among the general population of injured workers; (2) the Back Disability Worker Survey, which examined the effect of access barriers on work disability among workers with back sprains/strains and at least some compensated time loss; and (3) the Provider Survey, which gathered information regarding the practice, experiences, and opinions of providers who participate in California workers' compensation system.

Findings

Findings of the study included the following:

- There have not been any significant changes from 2006 to 2008 in the level of access to quality care.
- Most injured workers were satisfied with their health care and rated their overall quality of health care good or better. Between 84 percent and 89 percent of workers reported that their main provider performed each of four occupational health best practices.
- Over half of providers indicated that their workers' compensation patient volume had decreased in the past two years, and one-third reported that they intended to decrease workers' compensation volume or stop treating workers' compensation altogether. Administrative burden, utilization review-related delays and denials, restrictiveness of treatment guidelines, and issues related to payment and reimbursement, among other factors, were found to be predictive of provider intent to decrease or stop treating workers' compensation patients.
- There were important access barriers that appeared to increase work disability and costs; almost half of injured workers reported experiencing one or more access barriers at some point during their treatment.

On a population level, the excess work disability and costs related to access barriers are substantial, on the order of millions of lost work days and hundreds of millions of dollars in direct economic costs.

A Request for Proposal (RFP) will be issued in 2012 to conduct Medical Access Studies for 2012, 2013, and 2014.

INFORMATION AND ASSISTANCE UNIT

The DWC Information and Assistance (I&A) Unit provides information and assistance to employees, employers, labor unions, insurance carriers, physicians, attorneys and other interested parties concerning rights, benefits and obligations under California's workers' compensation laws. The I&A Unit, often the first DWC contact for injured workers, plays a major role in reducing litigation before WCAB.

Information and Assistance Unit Workload

Number of:	2007	2008	2009	2010
Calls from public handled	404,501	323,520	362,581	312,511
Outgoing calls placed	39,117	36,806	37,905	37,905
Settlements reviewed and assisted	16,853	16,320	18,757	14,757
Face-to-face meetings with walk-ins	22,858	22,818	23,757	26,219
Injured Worker Workshop presentations	183	199	256	219
Workshops for injured workers attended	1,839	1,981	1,611	3,191
Workshops for employers held	6	2	4	5
Correspondence written	15,115	14,442	15,212	12,713

Spanish Outreach Attendance, 2010

	Number of:	Total Number of Attendees	Average attendance per event
Regular seminars held	45	1,206	27
Outreach events (not including regular seminars)	31	3,861	124
Outreach events including workshops	76	5,067	

DWC Educational Conferences Attendance, 2010

	Los Angeles	Oakland
Attendees	861	754
Exhibitors	54	56

After the enactment of SB 899 in April 2004, DWC held a special three-day statewide training seminar for all I&A officers, as well as other DWC staff, to provide early guidance on implementing the new reform law. Later in the year, efforts commenced to revitalize the monthly workshops in all 24 district offices and to update all I&A guides and fact sheets.

INFORMATION SERVICE CENTER

The DWC Information Service Center (ISC) is located in San Bernardino. The main function of the ISC is to screen all incoming calls for the DWC District offices with the exception of San Luis Obispo. Any combination of a district office's main number, Information and Assistance Unit, Disability Evaluation Unit, and Rehabilitation Unit lines are directed through the ISC which answers questions and provides information in both English and Spanish (if the caller is speaking Spanish) on workers' compensation and EAMS issues to the general public. In addition, all of the EAMS help desk emails and the Notice of Representation (NOR) questions also come through ISC. ISC staff members monitor and resolve questions sent via e-mail to the EAMS Help Desk, process NOR updates received through the e-File system, and answer VEST (Virtual EAMS Support Team) questions sent by both internal and external users.

In calendar year 2010, the DWC Information Services Center:

- Handled 226,959 incoming calls and placed 6,456 outgoing calls.
- Handled 8,941 Spanish calls or 4 percent of total calls.
- Transferred 28,394 calls to district offices or 12 percent of total calls.
- Handled 15,210 EAMS Help Desk e-mails.
- Mailed out 4,910 correspondences.
- Processed 26,040 NOR-related questions.

UNINSURED EMPLOYERS BENEFITS TRUST FUND

Introduction

All employers in California except the State are required to provide workers' compensation coverage for their employees through the purchase of workers' compensation insurance or by being certified by the State as permissibly self-insured. However, not all employers comply with the law to obtain workers' compensation coverage for their employees.

The Uninsured Employers Benefits Trust Fund (UEBTF) was established to provide for the payment of workers' compensation benefits to injured employees of illegally uninsured employers. Labor Code Sections 3710 through 3732 describe the operation of the Fund, and Labor Code Section 62.5 describes the funding mechanism for UEBTF.

The UEBTF is administered by the director of the Department of Industrial Relations (DIR). Claims are adjusted for the DIR director by the Special Funds Unit in DWC. UEBTF pursues reimbursement of expenditures from the responsible employers through all available avenues, including filing liens against their property. Litigation for UEBTF is conducted in the name of the director of the DIR represented by the Office of the Director Legal Unit.

Funding Liabilities and Collections

UEBTF Funding Mechanisms

UEBTF funding comes from assessments on all insured and self-insured employers annually, from fines and penalties imposed on illegally uninsured employers when they get caught, and from recoveries from illegally uninsured employers when the UEBTF has paid benefits and is able to obtain reimbursement from responsible employers. According to Labor Code Section 62.5(e), the "total amount of the assessment is allocated between the employers in proportion to the payroll paid in the most recent year for which payroll information is available."⁴⁰

The assessment for insured employers is based on a percentage of the premium, while the percentage for self-insured employers is based on a percentage of indemnity paid during the most recent year. The total assessment collected for fiscal year 2009-10 was \$26,395,976.

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

⁴⁰ Prior to the workers' compensation reforms of 2004, the funding for UEBTF came from the General Fund.

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

The chart below shows monies collected by the source of the revenue.⁴¹

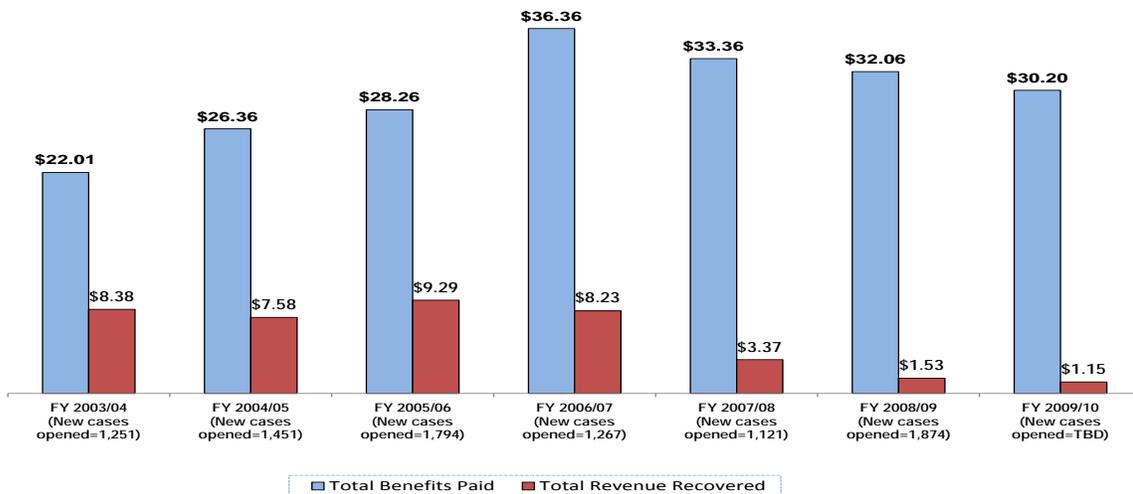
UEBTF Revenues, FY 2003-04 to FY 2009-10



Data Source: DWC

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

UEBTF Total Benefits Paid and Total Revenue Recovered, FY 2003-04 to FY 2009-10 (Million \$)



* Includes collections, DLSE penalties, and inmates without dependents

Data Source: DWC

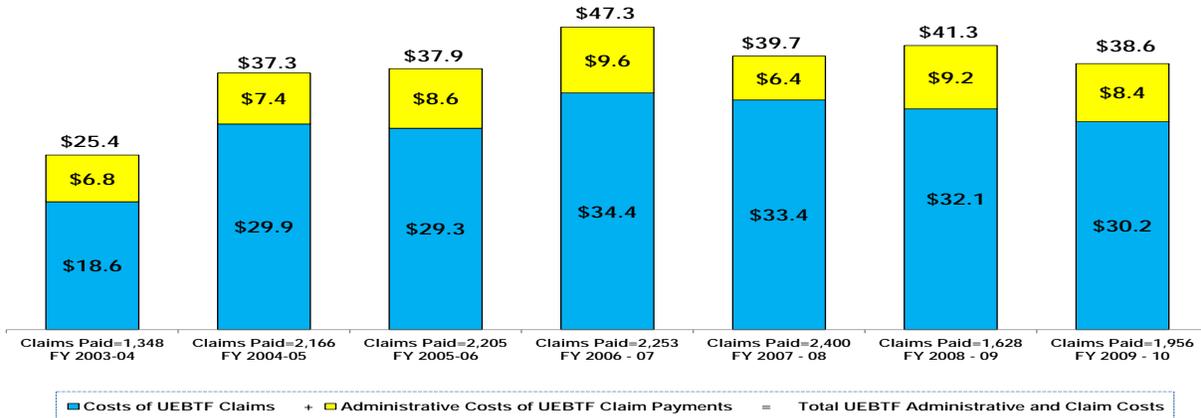
⁴¹ The data in the chart "UEBTF Revenues" can be found at DWC/ Special Funds Unit/UEBTF website http://www.dir.ca.gov/dwc/UEF/UEF_LC3716_1.pdf.

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Costs of the Uninsured Employers Benefits Trust Fund

The number of uninsured claims paid increased 78 percent from 1,348 in fiscal year 2003-04 to 2,400 in 2007-08, decreased by 32 percent from 2007-08 to 2008-09, and increased again by 20 percent from 2008-09 to 2009-10. The cost of claims increased 85 percent from 2003-04 to 2006-07, and decreased 12 percent from 2006-07 to 2009-10. Administrative costs associated with claim payment activities have increased 41 percent from 2003-04 to 2006-07, decreased 33 percent from 2006-07 to 2007-08, increased almost 44 percent from 2007-08 to 2008-09, and decreased by about 9 percent from 2008-09 to 2009-10.

Number of UEBTF Claims Paid and Costs, FY 2003-04 to FY 2009-10

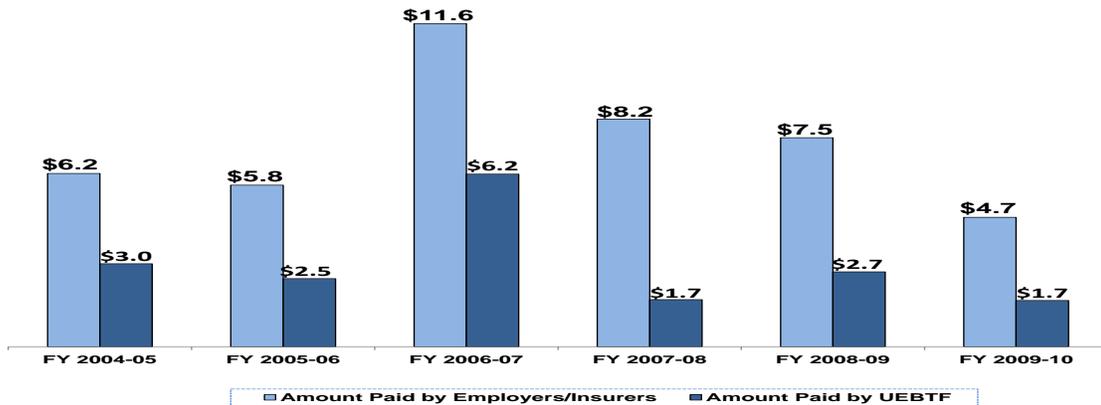


Data Source: DWC

The projected UEBTF annual program cost for the most recent fiscal year 2010-11 is \$40.1 million.⁴² This cost includes the administrative costs associated with claims-payment activities, as well as the payout on claims filed by injured workers of illegally uninsured employers.

The chart below provides data on the ratio of money paid out by employers and insurers compared to that paid out by UEBTF in claims where UEBTF was joined in a WCAB case. The chart below demonstrates that in these cases, more money is paid to injured workers from employers and insurers than from UEBTF.⁴³

UEBTF Cases Closed by OD-Legal, FY 2004-05 to FY 2009-10 (Million \$)



Data source: DWC

⁴² Division of Workers' Compensation, "Report of the Uninsured Employers Benefit Trust Fund in Compliance with Labor Code Section 3716.1(c) for Fiscal Year 2008-09 at http://www.dir.ca.gov/dwc/UEF/UEF_LC3716_1.pdf.

⁴³ Data provided by Office of the Director legal staff (OD-Legal) on cases closed for fiscal years 2004-05 through 2008-09.

ADJUDICATION SIMPLIFICATION EFFORTS

Division of Workers' Compensation Information System

California's Workers' Compensation Information System (WCIS) uses electronic data interchange (EDI) to collect comprehensive information from claims administrators to help oversee the state's workers' compensation system. The information collected helps facilitate evaluation of the system and measure adequacy of benefits for injured workers and their dependents, and also provides statistical data for research. After initial development with input from affected groups, the first phase of WCIS became operational in September 1999. Electronic transmission of first reports of injury (FROI) was required beginning March 1, 2000 and electronic versions of benefit notices (subsequent reports of injury, SROI) were mandated as of July 1, 2000. Electronic reporting of medical billing data was required for medical services beginning Sept. 22, 2006.

The effective date of new WCIS regulations, part of the DWC's plan to control medical costs, has been extended to June 18, 2012. The new regulations, which were adopted in November 2010, will increase the time for filing the first report of injury (from five business days to 10), relax several data edits to allow easier transmission of claim information with fewer submission rejections, and clarify the process for medical lien reporting. In addition, the regulations updated the two WCIS implementation guides (the *California EDI Implementation Guide for First and Subsequent Reports of Injury* and the *California EDI Implementation Guide for Medical Bill Payment Records*).

Accurate electronic reporting to WCIS by claims administrators, including medical billing data reports, will allow DWC to identify key cost indicators in the system and formulate policies to keep costs under control, helping ensure that the uptick in medical costs seen since 2007 does not continue.

A major Research Unit project is to collect data for and maintain, develop and enhance WCIS. Work on WCIS is done in collaboration with DIR's Office of Information Systems (OIS) staff. Using electronic data interchange (EDI), WCIS collects comprehensive information from claims administrators to help DIR oversee and evaluate the state's workers' compensation system. WCIS also provides statistical data for research by DWC staff and external users. As of December 2011, there are about 8.7 million claims and 65 million medical bills in WCIS.

The data warehouse project. WCIS has been working on building a medical billing data warehouse, which will clean and organize the data so it will be more accessible to users. In 2012, development of the data warehouse will continue and researchers will produce reports on topics requested by DWC administration as well as on topics relevant to the workers' compensation community at large.

Research projects. Various projects include: carve-out activities report; quality of AME-QME evaluation report; research assistance to DWC's medical and legal unit staff regarding fee schedules and medical treatment utilization schedules; research assistance to the Legislature and governor's office, and projects with outside researchers at DOSH, CHSWC, RAND, BLS, CA Dept. of Public Health, WCIRB, etc. Research continues on the wage loss and return-to-work models used in the evaluation of the 2005 Permanent Disability Rating Schedule.

DWC Research Unit accomplishments include:

- DWC sent out timeliness of temporary disability payment reports to claims administrators and FROI SROI data quality reports to data senders.
- DWC sent out reports on timeliness of FROI reporting to claims administrators for the first time.
- DWC sent out data quality reports for medical billing to data senders for the first time.
- Comparisons of WCIS claim counts with those of DWC Audit Unit's annual report of inventory were sent to claims administrators.

- Development work on the medical data warehouse continued.
- Online FAQs for reporting FROI/SROI and medical billing data were updated to provide claims administrators with detailed information on how to report to WCIS.

WCIS data extracts were provided to numerous researchers in academia and government organizations.

Electronic Adjudication Management System

The Electronic Adjudication Management System (EAMS) is an electronic records system that replaces traditional paper case files for the Workers' Compensation Appeals Board (WCAB), as well as paper records for the Disability Evaluation Unit, the Subsequent Injuries Benefits Trust Fund, and the Uninsured Employers Benefits Trust Fund.

The system has the potential to greatly improve the quality and efficiency of processes, including:

- Filing applications for Adjudication of Claim and creating a new case file.
- Filing documents and entering data, unrestricted by the physical location of a paper file.
- Adding and deleting parties and representatives and updating address information.
- Accessing and routing documents and data, unrestricted by the physical location of a paper file.
- Storing and retrieving documents.
- Calendaring hearings.
- Tracking case status.
- Providing information and assistance to parties.
- Coordinating information available to the court, the rating unit, and the special funds.
- Securing the integrity of court records against alteration, damage, theft or loss.
- Preventing unauthorized access to records.

The system went live at the end of August 2008, and by 2011, the above benefits are being realized. Nevertheless, to varying degrees, some problems persist. For example:

- DWC staff scans documents into EAMS and verifies the content. This is a time-consuming process.

This problem is mitigated by the development of external filing methods. E-form filing and JET filing by external users now bring 33 percent of the new batches of documents into EAMS. This is a significant improvement.

- Some paper optical character recognition (OCR) forms, electronic filing forms, and JET filing forms have yet to be developed. For example, the amended lien form is not yet developed. JET filing, which commenced in June 2011 and allows auto-populating of form pleadings, has only six forms developed.

More forms are in the process of being developed.

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- Some DWC district offices lack the personnel required to process the volume of paper forms being received for input into EAMS, which results in accumulations of backlogs. Shortages have worsened due to state furlough days and a hiring freeze. Some workload can be shifted to other offices.

External filing mitigates this problem.

- The completeness and accuracy of the data input may be compromised by shortcuts taken during document input.

Staff training is ongoing.

EAMS Needs Assessment Report

The Commission on Health and Safety and Workers' Compensation (CHSWC) EAMS Needs Assessment Report dated July 2011 made several recommendations. The following are several of the key issues identified in the report and some of the steps that have been taken by DIR to address these:

- Logons and passwords for external electronic filers need to be more widely available. JET filing which was inaugurated in 2011 is expanded availability in November 2011. It is expected that electronic filing logons will be made more available in early 2012.
- Cúram software is insufficient or has not been modified enough to meet the needs of DWC. For example, the software does not currently adequately link multiple injuries for an individual, and some tasks of judges are still too vaguely defined. DWC is adding missing templates, most significantly the Award after Stipulations. The Cúram software will be upgraded in early 2012. It is expected that after the upgrade process, some deficiencies can be corrected.
- DIR technical staff shortages have prevented many improvements to EAMS. Shortages have worsened due to state furloughs and a hiring freeze. It is hoped that a relaxation of the hiring freeze will at least partially mitigate the personnel losses and allow more improvements.
- DWC staff shortages were exacerbated by the need to create alternatives to internal DWC scanning of documents. Electronic filing and JET filing are the results. These processes will be improved and completed. They are relieving some of the burden on DWC employees of scanning documents into EAMS.
- Errors in the documents scanned, the standards for document scanning, and the scanning process exist. DWC staff is being trained to return those documents that do not meet acceptable standards for scanning to the parties who submitted them. External training for efilers is ongoing. JET File does not accept documents with errors. Scanning software will be upgraded in late 2012.
- FileNet document management software does not logically manage the documents stored. Change requests are being tested for implementation to change the initial default arrangement of the documents. The FileNet document viewing software has been upgraded. DWC staff will get additional training to sort and filter documents in FileNet.
- Change requests to improve EAMS have been put on hold to develop electronic filing and JET filing. Change requests are again being created, reviewed and prioritized and implemented.

Electronic filers expressed improved satisfaction using EAMS.

Carve-outs: Alternative Workers' Compensation Systems

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

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

CHSWC Study of Carve-Outs

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

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

For further information ...

How to Create a Workers' Compensation Carve-out in California: Practical Advice for Unions and Employers, CHSWC (2006).

<http://www.dir.ca.gov/CHSWC/carve-out1.pdf>

Impact of Senate Bill 228

Senate Bill (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 program 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 Administrative Director (AD). The AD will review the petition according to the statutory requirements and issue a letter allowing each employer and labor representative a one-year window for negotiations. The parties may jointly request a one-year extension to negotiate the labor-management agreement.

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

- The union has petitioned the AD as the first step in the process.
- A labor-management agreement has been negotiated separate and apart from any collective bargaining agreement covering affected employees.
- The labor-management agreement has been negotiated in accordance with the authorization of the AD between an employer or groups of employers and a union that is recognized or certified as the exclusive bargaining representative that establishes any of the following:
 - An ADR system governing disputes between employees and employers or their insurers which supplements or replaces all or part of those dispute resolution processes contained in this division, including, but not limited to, mediation and arbitration. Any system of arbitration shall provide that the decision of the arbiter or board of arbitration is subject to review by the Appeals Board in the same manner as provided for reconsideration of a final order, decision, or award made and filed by a workers' compensation administrative law judge.
 - The use of an agreed list of providers of medical treatment that may be the exclusive source of all medical treatment provided under this division.
 - The use of an agreed, limited list of Qualified Medical Evaluators (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.

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- A light-duty, modified job or return-to-work 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 is \$50,000, and the minimum group premium is \$500,000.
- Any agreement must include right of counsel throughout the ADR 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.

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

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

Alternative Dispute Resolution/Carve-Out Data Reporting⁴⁴

The carve-out activities reflected in 2004-2009 carve-outs are presented separately from activities of the 2010 calendar year report. The legislative requirements for DWC's carve-out reports differ for every other year, making two consecutive sets of reports incomparable.

2004-2009 Carve-Out Report

The 2004-2009 data reported as of December 31, 2009, are based on relatively mature claims and collected according to Labor Code Section 3201.9 that requires DWC to biennially expand its reporting under Labor Code Sections 3201.5 and 3201.7 by providing updated loss experience data for all employers and groups of employers participating in a program established under those sections.

With SB 899, Labor Code Section 3201.9 expanded the scope of data collection and reporting to require a report that gives a historical and comparative perspective on all program activity from 2003 forward, using information from both DWC and DOI.

⁴⁴ The information in this report is derived from DWC's Report "Alternative Dispute Resolution/Carve-Out Program" Labor Code sections 3201.5, 3201.7 and 3201.9;" Report on Activities 2004-2009." and DWC's Report "Alternative Dispute Resolution/Carve-Out Program Labor Code sections 3201.5 and 3201.7 Report on Activities for the Calendar Year 2010."

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2010 Carve-Out Report

The 2010 carve-out report is done according to DWC reporting requirements under Labor Code Sections 3201.5 and 3201.7 and is a one-year snapshot of the carve-out program activities using data reported as of December 31, 2010.

Prior to the passage of SB 899 (Chapter 34, Statutes of 2004), the scope of DWC's reporting to the Legislature on ADR/carve-out system activity was limited to activity from the prior year, as required by Labor Code Sections 3201.5 and 3201.7.

California Code of Regulations, title 8, section 10203 requires that, as of March 31 of each year, all employers participating in a Section 3201.5 or 3201.7 ADR/carve-out program report annual claims and payroll data to DWC. The data provided three months after the end of an accident year are less mature compared to data collected according to Labor Code Section 3201.9. The 2010 report does not cover the whole scope of data elements covered by 2004-2009 report.

Carve-out Program from 2004 to 2009

Carve-Out Participation

As shown in the following table, participation in the carve-out program has grown overall from 1997 to 2009, with significant increases in the number of employees, work hours, and amount of payroll, excluding a 31 percent decrease in the number of participating employers from 2008 to 2009.

Table: Participation in Carve-Out Program

Carve Out Participation	1997	1998	1999	2000*	2001*	2002	2003*	2004*	2005*	2006	2007	2008	2009
Employers	550	683	442	260	143	512	316	462	739	981	1,087	1,274	876
Work Hours (in millions)	10.4	18.5	24.8	16.9	7.9	29.4	22.9	25.4	24.5	49.4	56.1	76.5	99.2
Employees (full-time equivalent)	5,186	9,250	12,395	8,448	3,949	14,691	11,449	12,700	12,254	24,680	28,028	38,269	49,618
Payroll (in million \$)	243	415	585	443	202	634	624	1,200	966	1,348	1,777	2,300	3,394

* Please note that data are incomplete Source: DWC

Aggregate Data Analysis of Carve-out Programs

Due to a lack of available historical data and a discrepancy between the reporting requirements of Labor Code Section 3201.9 and the data collection requirements of CCR section 10203, the earliest data available are from 2004 forward. All data presented on carve-outs are total figures for both construction and non-construction programs.

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

Person hours and payroll covered by agreements filed

Carve-out programs reported that for the 2008 calendar year, they covered 76.5 million work hours and \$2.3 billion in payroll.

For the 2009 calendar year, carve-out programs reported that they covered 99.2 million work hours and \$3.4 billion in payroll.

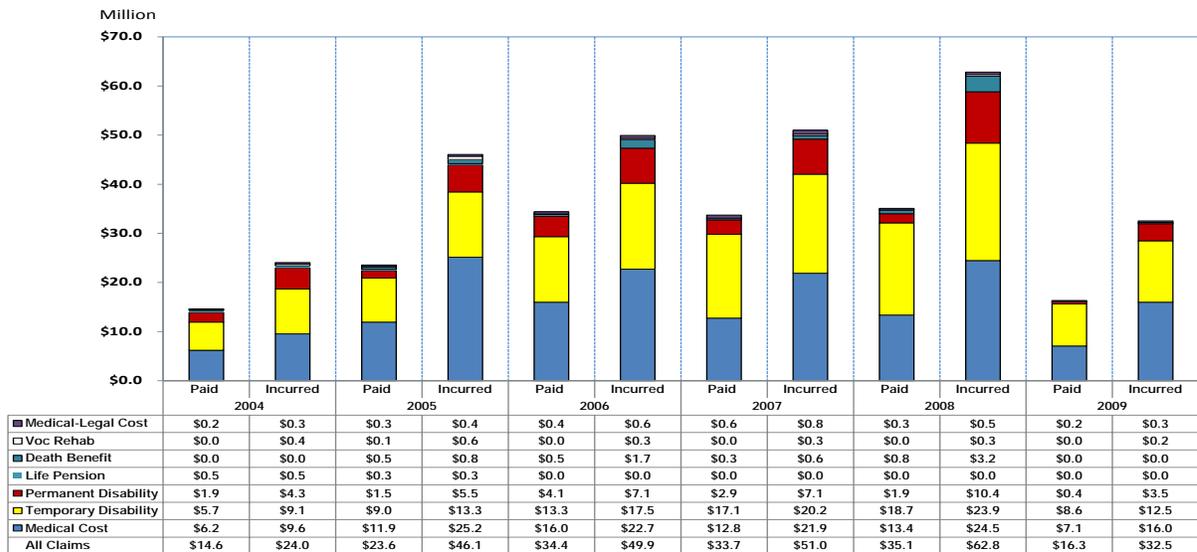
Number of claims filed

During 2009, there were a total of 3,282 claims filed, of which 1,554 (47 percent) claims were medical-only claims, and 1,728 (53 percent) were indemnity claims.

Paid, incurred and average cost per claim

The chart below shows projected paid and incurred costs for all claims combined by types of benefits. The total paid costs for claims filed in 2009 decreased almost 54 percent compared to 2008, while the total incurred costs decreased 48 percent from 2008.

Carve-Out Programs: Paid and Incurred Costs by Type of Benefits, 2004-2009
(as of December 31, 2009, Million \$)



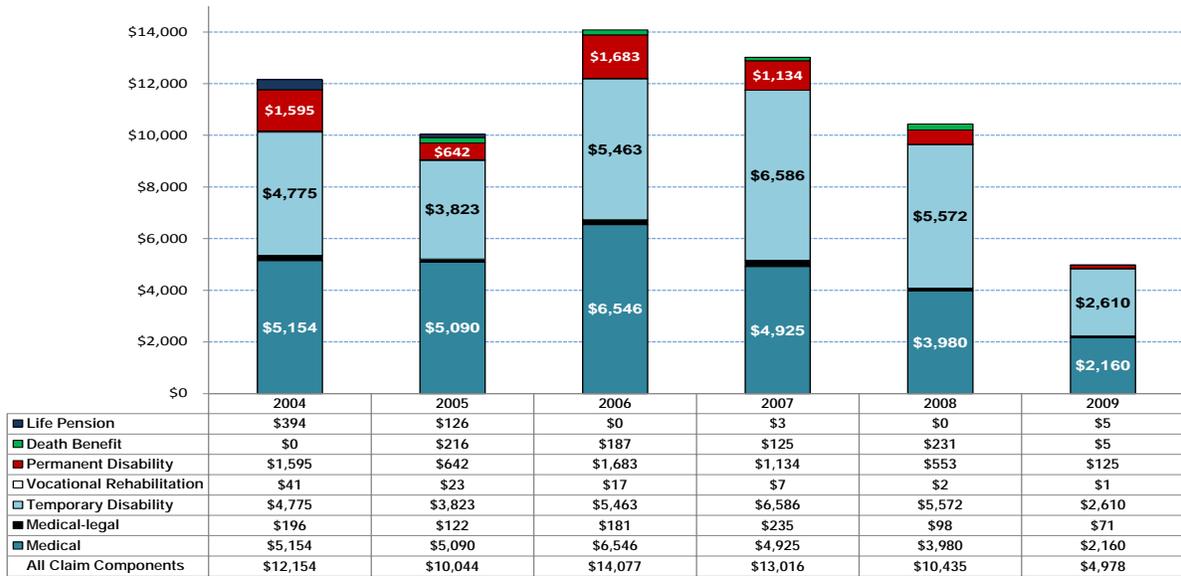
Data Source: DWC

According to the chart above, the actual costs for claims filed in 2009 totaled \$16,339,173, while the incurred costs totaled \$32,545,150. The largest share of costs is attributable to payment of medical and temporary disability benefits. These benefits accounted for 43 percent and 52 percent of total actual costs and 49 percent and 38 percent of total incurred costs, respectively.

The following two charts show the average paid and incurred costs per claim by cost components across all claims from 2004 to 2009. The average paid cost for all components per claim decreased overall by 59 percent between 2004 and 2009, while the average incurred cost for all components per claim decreased overall by 50 percent from 2004 to 2009.

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

**Average Paid Cost per Claim by Cost Components, 2004-2009
(as of December 31, 2009)**



Data Source: DWC

**Average Incurred Cost per Claim by Cost Components, 2004-2009
(as of December 31, 2009)**



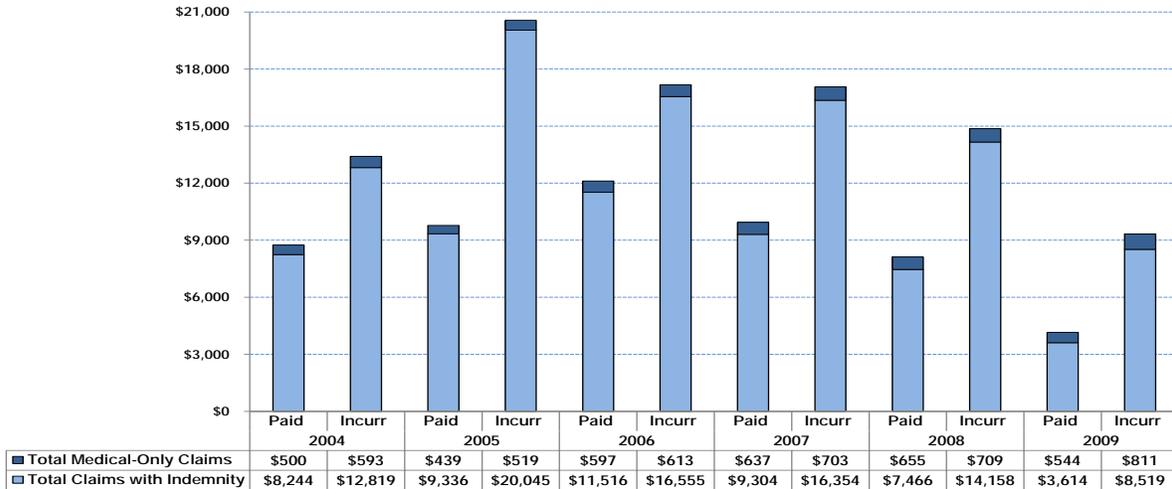
* With regard to average incurred costs for all claim components, only carve-outs reporting data on every cost component are included in computing the average.

Data Source: DWC

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

The following chart shows the distribution of the medical service component of paid and incurred costs by the type of claims filed from 2004 to 2009.

**Average Paid and Incurred Medical Services Cost by Claim Type, 2004 – 2009
(as of 12/31/2009)**



Cost Per Claim

Data Source: DWC

Number of disputed claims

Three tables below show the numbers and distribution of carve-out claims disputed and resolved by stage of dispute resolution process for years 2004 through 2009. Among the subset of carve-outs reporting acceptable data, the percentage of resolved claims that were disputed varied from 5.9 percent in 2004 to 2.6 percent in 2009. Most claims filed from 2004 to 2009 were resolved before mediation, which is the first stage of dispute resolution. During this period, these programs reported that between 1 and 12 disputed claims were heard each year by the Workers' Compensation Appeals Board (WCAB); two were heard at the Court of Appeals.

Table: Total Carve-Out Claims in Programs Reporting, 2004-2009

	2004	2005	2006	2007	2008	2009
Number of Programs Reporting	13	16	20	20	23	23
Number of Claims Filed	1,203	2,345	2,443	2,591	3,364	3,282
Number of Claims Resolved	542	983	2,064	2,047	2,778	2,943
Percentage of Claims Filed and Resolved in the same Calendar Year	45.1%	41.9%	84.5%	79.0%	82.6%	89.7%
Number of Claims Resolved without Dispute (Before Mediation)	510	941	1,960	1,949	2,640	2,867
Percentage of Claims Resolved without Dispute (Before Mediation)	94.1%	95.7%	95.0%	95.2%	95.0%	97.4%
Number of Claims Resolved with Dispute	32	42	104	98	138	76
Percentage of Claims Resolved with Dispute	5.9%	4.3%	5.0%	4.8%	5.0%	2.6%

Data Source: DWC – data reported as of 12/31/2009

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

Table: Number of Disputed Claims by Type of Resolution, 2004-2009

	2004	2005	2006	2007	2008	2009
At Mediation	20	29	71	71	118	59
At Arbitration	7	6	26	15	19	12
At WCAB	5	5	7	12	1	5
At Court of Appeals	0	2	0	0	0	0
Total Disputed Claims	32	42	104	98	138	76

Data Source: DWC – data reported as of 12/31/2009

Table: Distribution of Disputed Claims by Type of Resolution, 2004-2009

	2004	2005	2006	2007	2008	2009
At Mediation	62.5%	69.0%	68.3%	72.4%	85.5%	77.6%
At Arbitration	21.9%	14.3%	25.0%	15.3%	13.8%	15.8%
At WCAB	15.6%	11.9%	6.7%	12.2%	0.7%	6.6%
At Court of Appeals	0.0%	4.8%	0.0%	0.0%	0.0%	0.0%

Data Source: DWC – data reported as of 12/31/2009

Safety history

Both the number of injuries reported on OSHA Form 300 and the share of such reported incidents in all claims filed were increasing from 2004 to 2009. In 2009, carve-out programs filed 2,694 incidents with the U.S. Department of Labor using OSHA Form Number 300. OSHA requires employers to file an injury and/or illness with Form Number 300 if a work-related injury results in death, loss of consciousness, days away from work, restricted work activity, and/or medical care beyond first aid. There was a 70 percent increase in number of injuries reported on OSHA Form Number 300 from 2008 to 2009.

Table: Number of Injuries Filed Using OSHA Form 300, 2004-2009

	2004	2005	2006	2007	2008	2009
Number of Injuries Filed on OSHA Form 300	0	3	825	879	1,587	2,694
Total Number of Claims	1,203	2,345	2,443	2,591	3,364	3,282
Percent of OSHA Forms	0%	0.1%	34%	34%	47%	82%

Data Source: DWC- data reported as of 12/31/2009

The number of workers participating in vocational rehabilitation programs

The ADR/carve-out system for 2009 reported 10 workers participating in a vocational rehabilitation program. From 2004 to 2009, the number of employees taking part in a vocational rehabilitation program was never more than 10.

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

Table: Number of Workers in a Vocational Rehabilitation Program, 2004-2009

	2004	2005	2006	2007	2008	2009
Number of Programs Reporting	13	16	20	20	23	23
Number of Workers	5	6	10	5	6	10

Data Source: DWC- data reported as of 12/31/2009

The number of workers participating in light-duty or modified return-to-work programs

From 2004 to 2009, the number of workers participating in a light-duty program has grown from 2 to 881 participants. In 2009, there was a 281 percent increase from 2008 and 503 percent increase from 2007 in the number of workers participating in light-duty or modified work programs. For 2009, 3.7 claims were filed for every one worker participating in light-duty or modified work, down from ratios of 14.6 to 1 in 2008 and 17.8 to 1 in 2007.

Table: Number of Workers Participating in Light-Duty or Modified Return-to-Work Programs, 2004-2009

	2004	2005	2006	2007	2008	2009
Total Claims Filed	1,203	2,345	2,443	2,591	3,364	3,282
Number of Workers	2	61	265	146	231	881
Ratio of Claims Filed to Light-Duty or Modified Work Participants	601.5	38.4	9.2	17.8	14.6	3.7

Data Source: DWC- data reported as of 12/31/2009

Worker satisfaction

Labor Code Section 3201.7 also requires non-construction ADR/carve-out programs to include information on worker satisfaction. However in 2007, due to the confidentiality concerns raised by having only one active non-construction program, the worker satisfaction component of Labor Code Section 3201.9 was not conducted for this report.

In 2008, two Section 3201.7 programs did not report the results of a worker satisfaction survey for 2008. One Section 3201.7 program reported that 78.3 percent of injured workers surveyed were satisfied with how their workers' compensation claim was handled by their ADR/Carve-out program.

For 2009, of the four reporting 3201.7 programs, only one submitted results. This carve-out program that reported results for 2009 found that 34 percent of injured workers surveyed were satisfied or very satisfied with their ADR/carve-out program.

Carve-out Program in 2010

Carve-Out Participation

In 2010, 25 ADR programs were operating in California.

Overall, 2010 reported activities for ADR programs included:

- 24 reporting ADR programs and one non-reporting program
 - 20 construction programs, Labor Code Section 3201.5
 - 4 non-construction programs, Labor Code Section 3201.7

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

- 1,177 employers
 - \$1.98 billion in payroll
 - 32,350 full-time equivalent (FTE)⁴⁵ employees
 - 64,700,000 work hours

- 2,723 claims
 - 2,409 resolved claims (including 195 denied claims)
 - 314 unresolved claims
 - 1,602 medical-only claims
 - 1,121 indemnity claims

Aggregate Data Analysis of Carve-out Programs

Paid, incurred and average cost per claim

The table below shows projected paid and incurred costs for all claims combined by types of benefits. In 2010, ADR programs paid \$13,122,562 in claim costs. ADR programs paid \$5,265,577 in medical-services, \$7,141,163 in temporary disability, \$364,783 in permanent disability, \$156,177 in vocational rehabilitation, and \$194,862 in medical-legal expenses. ADR programs paid \$0 for life pension and death benefits. Medical services accounted for 40 percent of all paid costs, and temporary disability accounted for 54 percent. The remaining cost categories accounted for six percent of total paid costs.

For all programs, the average paid cost per claim filed in 2010 was \$4,819. The average paid cost for medical services was \$1,934 per claim. For disability, paid costs were \$2,623 for temporary disability and \$134 for permanent disability. An average of \$57 per claim was paid for vocational rehabilitation and \$72 for medical-legal expenses.

Table: Carve-Out Programs: Paid and Incurred Costs by Type of Benefits, 2010

	Total Paid Costs	Total Incurred Costs
Medical Services	\$5,265,577	\$16,858,633
Temporary Disability	\$7,141,163	\$10,117,917
Permanent Disability	\$364,783	\$1,672,135
Life Pensions	\$0	\$0
Death Benefits	\$0	\$0
Vocational Rehab	\$156,177	\$330,177
Medical-Legal	\$194,862	\$370,265
Total Cost	\$13,122,562	\$29,349,127

Data Source: DWC

The following table shows the average paid and incurred costs per claim by cost components across all claims in 2010. The average incurred cost per claim in 2010 was \$10,778. The average incurred cost for medical services was \$6,191. For disability, incurred costs were \$3,716 for temporary disability and \$614 for permanent disability. ADR programs incurred \$121 per claim in vocational rehabilitation costs and \$136 per claim in medical-legal expenses.

⁴⁵ One full-time employee is equivalent to 2,000 person hours worked.

Table: Average Paid and Incurred Cost per Claim by Cost Component, 2010

	Average Paid per Claim	Average Incurred per Claim
Medical Services	\$1,934	\$6,191
Temporary Disability	\$2,623	\$3,716
Permanent Disability	\$134	\$614
Life Pensions	\$0	\$0
Death Benefits	\$0	\$0
Vocational Rehab	\$57	\$121
Medical-Legal	\$72	\$136
Average Total Cost	\$4,819	\$10,778

Data Source: DWC— data reported as of 12/31/2010

Number of disputed claims

Three tables below show the numbers and distribution of total carve-out claims disputed and resolved by stage of dispute resolution process for 2010. Among the subset of carve-outs reporting acceptable data in 2010, 88.5 percent of claims filed were resolved before the end of the calendar year. Of the 2,409 claims resolved, 2,348 (97.5 percent) were resolved without dispute and 61 (2.5 percent) were disputed. Only four disputed claims were heard by the Workers' Compensation Appeals Board (WCAB) in 2010; none were heard at the Court of Appeals.

Table: Total Carve-Out Claims in Programs Reporting, 2010

Number of Programs Reporting	24
Number of Claims Filed 2010	2,723
Number of Claims Resolved 2010	2,409
Percentage of Claims Filed in 2010 Resolved in 2010	88.5%
Number of Claims Resolved without Dispute	2,348
Percentage of Claims Resolved without Dispute	97.5%
Number of Claims Resolved with Dispute	61
Percentage of Claims Resolved with Dispute	2.5%

Data Source: DWC – data reported as of 12/31/2010

Table: Number of Disputed Claims by Type of Resolution, 2010

At Mediation	54
At Arbitration	3
At WCAB	4
At Court of Appeals	0
Total Disputed Claims	61

Data Source: DWC – data reported as of 12/31/2010

Table: Distribution of Disputed Claims by Type of Resolution, 2010

At Mediation	88.5%
At Arbitration	4.9%
At WCAB	6.6%
At Court of Appeals	0.0%

Data Source: DWC – data reported as of 12/31/2010

Safety history

In 2010, carve-out programs filed 2,243 incidents with the U.S. Department of Labor using OSHA Form Number 300. OSHA requires employers to file an injury and/or illness with Form Number 300 if a work-related injury results in death, loss of consciousness, days away from work, restricted work activity, and/or medical care beyond first aid.

Table: Number of Injuries Filed Using OSHA Form 300, 2010

Number of Injuries Filed on OSHA Form 300	2,243
Total Number of Claims	2,723
Percent of OSHA Forms	82%

Data Source: DWC– data reported as of 12/31/2010

The number of workers participating in vocational rehabilitation programs

The ADR/carve-out system for 2010 reported 15 workers participating in a vocational rehabilitation program.

Table: Number of Workers in a Vocational Rehabilitation Program, 2010

Number of Programs Reporting	24
Number of Workers	15

Data Source: DWC– data reported as of 12/31/2010

The number of workers participating in light-duty or modified return-to-work programs

In 2010, 3.73 claims were filed for every one worker participating in light-duty or modified work.

Table: Number of Workers Participating in Light-Duty or Modified Return-to-Work Programs, 2010

Total Claims Filed	2,723
Number of Workers	730
Ratio of Claims Filed to Light-Duty or Modified Work Participants	3.73

Data Source: DWC– data reported as of 12/31/2010

Worker satisfaction

For 2010, of the four reporting 3201.7 programs, only two programs submitted results. One 3201.7 program failed to report the results of a worker satisfaction survey due to staffing shortages. A second program failed to report results because they had not yet developed and implemented a worker satisfaction survey. One ADR programs that reported results for 2010 found that 43 percent of its respondents would rate their ADR program as good or excellent, while 20 percent rated it fair and 37 percent rated it poor. The other ADR program reporting results found that 49 percent of its respondents were satisfied or very satisfied with the services provided by their ADR program, 16 percent were dissatisfied or very dissatisfied, and 35 percent were neutral about the services their ADR program provided.

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

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

Status of Carve-out Agreements

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

**Construction Industry Carve-out Participants as of September 1, 2011
Labor Code Section 3201.5**

(1) = 1 employer, 1 union; (2) = 1 union, multi-employer; (3) = project labor agreement

No.	Union	Company	Exp. Date
1. (3)	CA Building & Construction Trades Council	Metropolitan Water District So. CA - Diamond Valley Lake	11/7/2006
2. (2)	International Brotherhood of Electrical Workers (IBEW)	National Electrical Contractors Association (NECA)	8/14/2013
3. (2)	So. CA District of Carpenters & 19 local unions	6 multi-employer groups - 1000 contractors	8/14/2013
4. (2)	So. CA Pipe Trades Council 16	Multi employer - Plumbing & Piping Industry Council	8/24/2013
5. (1)	Steamfitters Local 250	Cherne - two projects completed in 1996	Complete
6. (1)	International Union of Petroleum & Industrial Workers	TIMEC Co., Inc./TIMEC So. CA., Inc.	7/31/2012
7. (3)	Contra Costa Building & Construction Trades Council	Contra Costa Water District - Los Vaqueros	Complete
8. (2)	So. CA District Council of Laborers	Assoc. General Contractors of CA, Building Industry Assoc.; So. CA, So. CA Contractors' Assoc.; Engineering Contractors' Assoc.	7/31/2014
9. (3)	CA Building & Construction Trades Council	Metropolitan Water District So. CA Inland Feeder Parsons	Ended 12/31/02
10. (3)	Building & Construction Trades Council of Alameda County	Parsons Constructors, Inc. Nat'l Ignition Facility - Lawrence Livermore	9/23/2009 Ended 7/2/06
11. (2)	District Council of Painters	LA Painting & Decorating Contractors' Association	10/28/2012
12. (1)	Plumbing & Pipefitting Local 342	Cherne Contracting - Chevron Base Oil 2000 project	Complete
13. (3)	LA Building & Construction Trades Council AFL-CIO	Cherne Contracting - ARCO	Complete
14. (2)	Operating Engineers Local 12	So. CA Contractors' Association	4/1/2014
15. (2)	Sheet Metal International Union	Sheet Metal-A/C Contractors National Association	4/1/2014
16. (3)	Building & Construction Trades Council San Diego	San Diego County Water Authority Emergency Storage Project	2/20/2012
17. (3)	LA County Building & Construction Trades Council	Cherne Contracting - Equilon Refinery - Wilmington	3/1/2007
18. (3)	Plumbers & Steamfitters	Cherne Contracting - Chevron Refinery - Richmond	7/1/2005

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

No.	Union	Company	Exp. Date
19. (3)	Plumbers & Steamfitters	Cherne Contracting – Tesoro Refinery – Martinez	7/1/2005
20. (3)	LA/Orange Counties Building & Construction Trade Council	Cherne Contracting – Chevron Refinery – El Segundo	7/26/2005
21. (2)	District Council of Iron Workers-State CA & Vicinity	California Ironworker Employers Council	2/25/2012
22. (2)	Sheet Metal Workers International Association #105	Sheet Metal & A/C Labor Management Safety Oversight Committee (LMSOC)	4/17/2012
23. (2)	United Union of Roofers, Waterproofers & Allied workers, Local 36 and 220	Union Roofing Contractors Association	7/31/2014
24. (2)	United Union of Roofers, Waterproofers & Allied Workers, Locals 27, 40, 81 & 95	Associated Roofing Contractors of the Bay Area Counties	7/31/2014
25. (2)	United Association -Journeyman & Apprentices - Plumbers & Pipefitters, Local #447	No.CA Mechanical Contractors Association & Association Plumbing & Mechanical Contractors of Sacramento. Inc.	11/7/2012
26. (2)	Operatives Plasterers & Cement Masons International Association, Local 500 & 600	So. CA Contractors Association, Inc.	4/1/2014
27. (1)	International Unions Public & Industrial Workers	Irwin Industries, Inc.	3/23/2013
28. (2)	PIPE Trades District Council.# 36	Mechanical Contractors Council of Central CA	4/14/2013
29. (2)	No. CA Carpenters Regional Council	Basic Crafts Workers' Compensation Benefits Trust	8/30/2013
30. (2)	No. CA District Council of Laborers	Basic Crafts Workers' Compensation Benefits Trust	8/30/2013
31. (2)	Operating Engineers Local 3	Basic Crafts Workers' Compensation Benefits Trust	8/30/2013
32. (1)	Industrial, Professional & Technical Workers	Irish Construction	12/20/2013
33. (3)	Building Trades Council of Los Angeles-Orange County	L.A. Comm. College District Construction Program	5/6/2014
34. (3)	Santa Clara & San Benito Counties Bldg. &Construction Trades	Santa Clara Valley Med'l Cntr-Seismic Safety Project, OCIP	2/2/2013

Data Source: DWC

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

**Non-Construction Industry Carve-Out Participants as of November 1, 2011
(Labor Code Section 3201.7)**

No.	File #/Union	Company	Permission to Negotiate Date/Expires	Application for Recognition of Agreement	Agreement Recognition Letter Date
1.	N 06 Operating Engineers-Local 3 Non-Construction	Basic Crafts Workers' Compensation Benefits Trust Fund	12/9/04-12/9/05	02/15/2005	02/28/2005
2.	N 07 Laborers - Non-Construction	Basic Crafts Workers' Compensation Benefits Trust Fund	12/9/04-12/9/05	02/15/2005	02/28/2005
3.	N 08 Carpenters - Non-Construction	Basic Crafts Workers' Compensation Benefits Trust Fund	12/9/04-12/9/05	02/15/2005	02/28/2005
4.	N 13 Long Beach Peace Officers' Association & Long Beach Firefighters Association Local 372	City of Long Beach	12/11/06-12/11/07	11/02/2007	11/13/2007
5.	N 14 SEIU Local 1877	Various Maintenance Companies	4/13/07-4/13/08	02/12/2008	02/28/2008
6.	N 15 SEIU Local 721	City of Los Angeles	6/18/07-6/18/08	04/15/2008	05/08/2008
7.	N 20 Kern County Firefighters Union	County of Kern	06/03/10-06/03/11		
8.	N 21 Kern Law Enforcement Association	County of Kern	06/03/10-06/03/11		
9.	N 22 United Food & Commercial Wkrs Loc 8.	Save Mart Supermarkets dba Yosemite Wholesale	08/11/10-08/11/11		
10.	N 23 Teamsters Local 150	Save Mart Supermarkets dba Roseville Distribution Center	09/13/10-09/13/11		
11.	N 27 Automotive Machinists Lodge 1173	Save Mart Supermarkets dba Vacaville Distribution Center	11/30/10-11/30/11		
12.	N 28 SEIU United Service Workers West	No. CA Maintenance Contractors Association	01/12/11-01/12/12	03/03/2011	03/08/2011
13.	N 29 LA County Firefighters Local 1014	LA County Fire Department	03/23/11-03/23/12		
14.	N 30 SEIU Local 87	SF Maintenance Contractors Association	03/28/11-03/28/12	05/31/2011	06/07/2011
15.	N 31 SEIU United Service Workers West.	No. CA Safeway Contractors	04/15/11-04/15/12	05/24/2011	06/03/2011

SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

No.	File #/Union	Company	Permission to Negotiate Date/Expires	Application for Recognition of Agreement	Agreement Recognition Letter Date
16.	N 32 SEIU United Service Workers West.	ABM – non-food retail- LA County	06/10/11-06/10/12	06/13/2011	06/15/2011
17.	N 33 SEIU United Service Workers West.	ABM – non-food retail- San Diego & Imperial Counties	06/10/11-06/10/12	06/13/2011	06/15/2011
18.	N 34 SEIU United Service Workers West.	ABM – retail food-all CA Counties	06/10/11-06/10/12	06/13/2011	06/15/2011
19.	N 35 Huntington Beach Police Officers' Assoc.	City of Huntington Beach	07/01/11-07/01/12		
20.	N 38 Huntington Beach Fire Management Assoc.	City of Huntington Beach	07/05/11-07/05/12		
21.	N 37 Huntington Beach Police Management Assoc.	City of Huntington Beach	07/12/11-07/12/12		
22.	N 36 Huntington Beach Firefighter's Assoc.	City of Huntington Beach	07/27/11-07/27/12		
23.	N 39 UFCW -Locs 8-GS,135,324, 770 ,1167, 1428,1442	Albertson's, Ralph's Von's	10/26/11-10/26/12		

Data Source: DWC

For further information ...

The latest information on carve-outs may be obtained at:

<http://www.dir.ca.gov/dwc/carveout.html>.

How to Create a Workers' Compensation Carve-out in California: Practical Advice for Unions and Employers. CHSWC (2006).

<http://www.dir.ca.gov/CHSWC/carve-out1.pdf>.

Carve-outs: A Guidebook for Unions and Employers in Workers' Compensation. CHSWC (2004).

<http://www.dir.ca.gov/chswc/CARVEOUTSGuidebook2004.pdf>

Carve-Outs' in Workers' Compensation: An Analysis of Experience in the California Construction Industry (1999). <http://www.dir.ca.gov/CHSWC/CarveOutReport/Carveoutcover.html>

DIVISION OF LABOR STANDARDS ENFORCEMENT BUREAU OF FIELD ENFORCEMENT

The Bureau of Field Enforcement (BOFE) is responsible for investigation and enforcement of statutes covering workers' compensation insurance coverage, child labor, cash pay, unlicensed contractors, and Industrial Welfare Commission orders, as well as group claims involving minimum wage and overtime claims. BOFE also handles criminal investigations involving these group claims.

The following chart describes the citations from 2009-10 enforcement actions.

Table: DLSE 2009-10 Results by Citation Category

Citation Category	Number of Citations	Penalties Assessed	Penalties Collected
Workers' Compensation	1,766	\$8,681,942	\$2,565,560
Itemized Statement	621	\$4,432,050	\$2,059,229
Non-Registration	406	\$1,850,750	\$728,538
Unlicensed Construction Contractor	40	\$350,900	\$99,434
Minimum Wage	71	\$109,100	\$66,882
Overtime	95	\$249,350	\$128,224
Child Labor	141	\$135,000	\$166,288
Garment	83	\$92,200	\$45,850
Other	0	0	\$61,584
Sub-Total	3,223	\$15,901,292	\$5,921,589
Public Works	311	\$4,168,009	\$839,317
LESS Citations Dismissed/Modified		(\$5,111,965)	
TOTAL	3,534	\$14,957,336	\$6,760,906

Data Source: DLSE

For further information ...

<http://www.dir.ca.gov/dlse/DLSEReports.htm>

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 the California Workers' Compensation Institute (CWCI).

The former Insurance Commissioner Steve Poizner convened an Advisory Task Force on Insurance Fraud in May 2007 to address major issues relating to insurance fraud. The former Executive Officer of CHSWC chaired the Workers' Compensation Expert Working Group of the Task Force. The Task Force completed a comprehensive review of the anti-fraud insurance programs and identified 18 recommendations to consider in reducing insurance fraud in California.

The recommendations are consolidated into the following five categories identified by the Task Force:

- Organization and Efficiency of the CDI Fraud Division Enforcement Branch.
- Industry Role in Fighting Fraud.
- Public Role in Fighting Fraud.
- Fraud Statutes and Regulations.
- Technologies.

The Fraud Division is currently implementing the following recommendations:

- Placing personnel in existing fusion centers within the State so law enforcement can share information more efficiently and quickly identify emerging trends and crime patterns.
- Developing and providing better training for the Special Investigation Units (SIU) on the recognition, documentation, and reporting of suspected insurance fraud claims.
- Recognizing insurance companies that go beyond compliance for their greater commitment to fighting fraud.
- Increasing the outreach efforts of CDI about the consequences of fraud and how the public can recognize it and report it.

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 data, the quality of SFCs continues to improve each fiscal year. Several reasons for this trend include:⁴⁶

- The extensive efforts to provide training to the insurance claim adjusters and 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.
- CDI is strengthening its working relationship with the WCIRB to support the Department's anti-fraud efforts.

⁴⁶ 2010 Annual Report of the Insurance Commissioner, August 1, 2011.

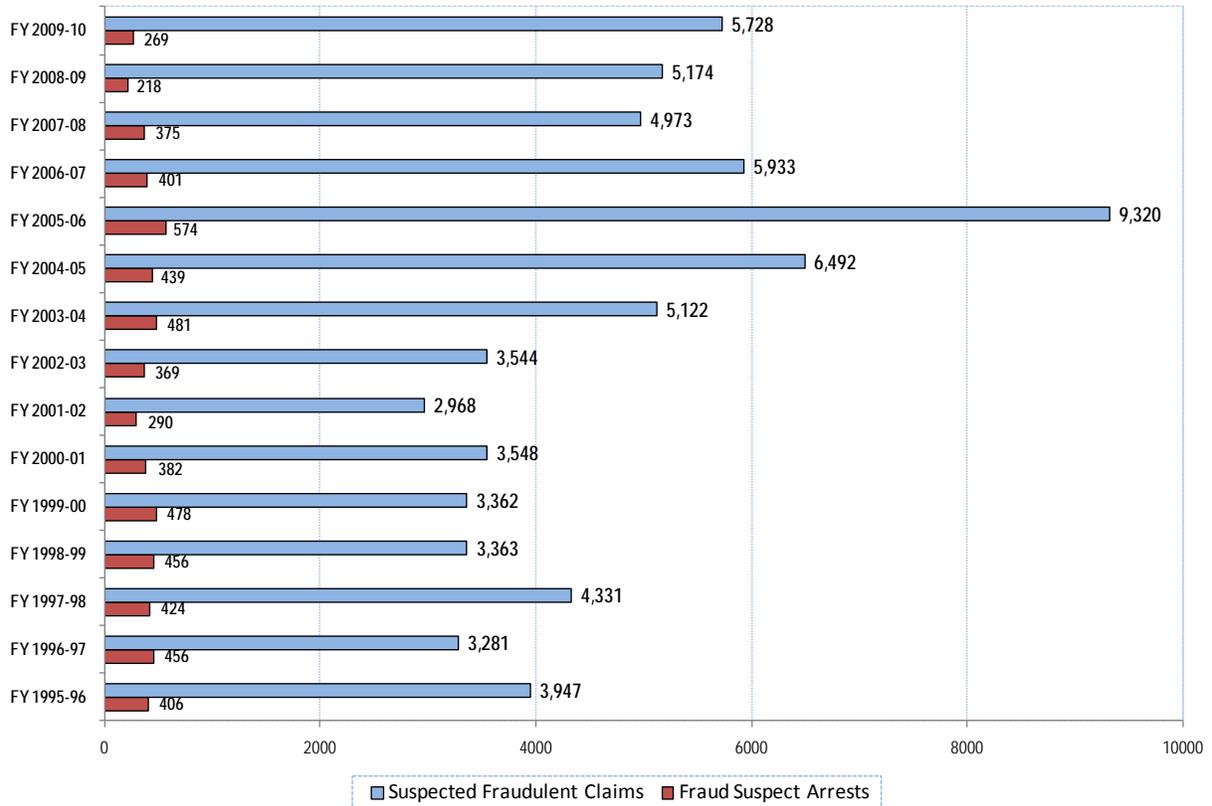
SELECTED INDICATORS IN WORKERS' COMPENSATION: 2011 REPORT CARD FOR CALIFORNIA

For fiscal year 2009-10, the total number of SFCs reported is 5,728.

Workers' Compensation Fraud Suspect Arrests

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

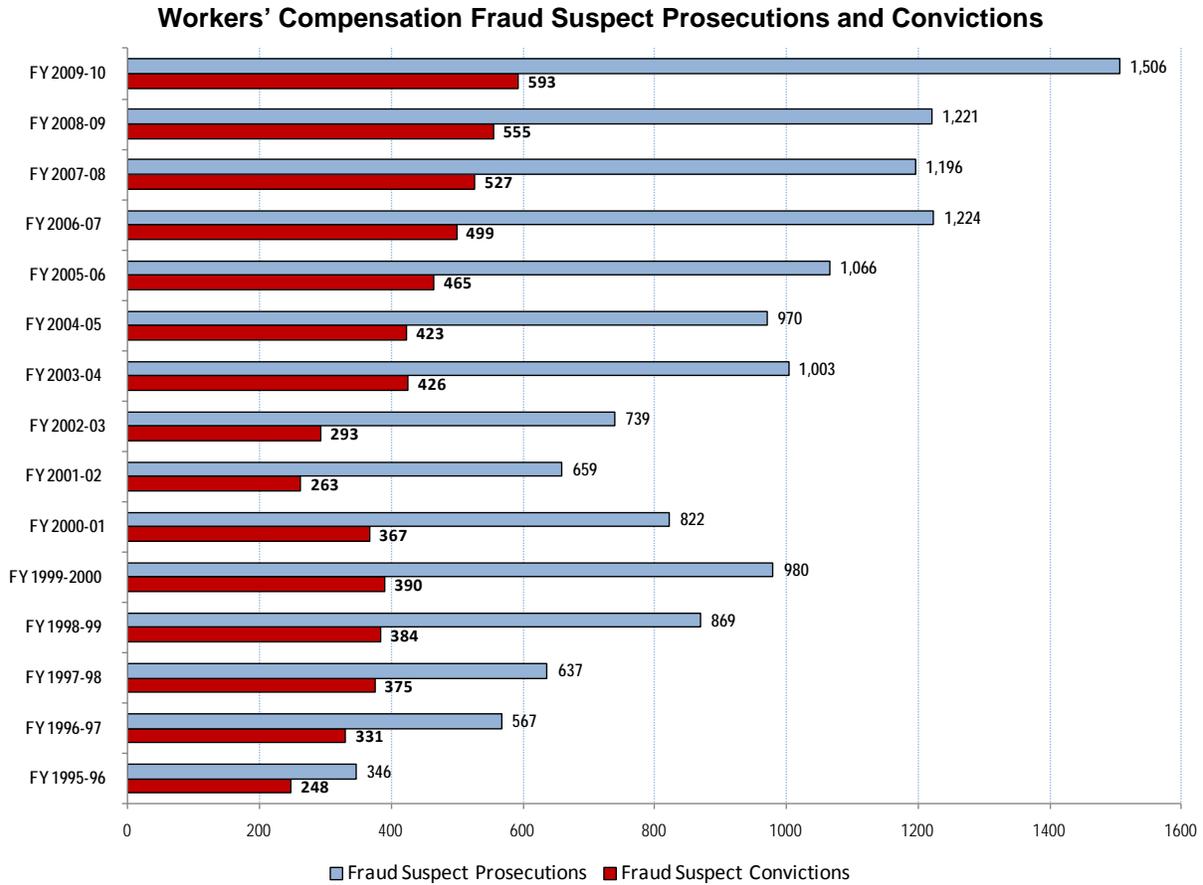
Suspected Workers' Compensation Fraudulent Claims and Suspect Arrests



Data Source: CDI - Fraud Division and CWCI

Workers' Compensation Fraud Suspect Convictions

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



Data Source: CDI - Fraud Division and CWCI

Workers' Compensation Fraud Investigations

Types of Workers' Compensation Fraud Investigations

The charts "Caseload by Type of Fraud Investigations" and "Type of Fraud Investigations by Percentage of Total" on the next page indicate the number and types of investigations opened and carried from fiscal years 2002-03 to 2009-10 reported by district attorneys. Applicant fraud appears to be the area generating the most cases followed by premium fraud and medical provider fraud.

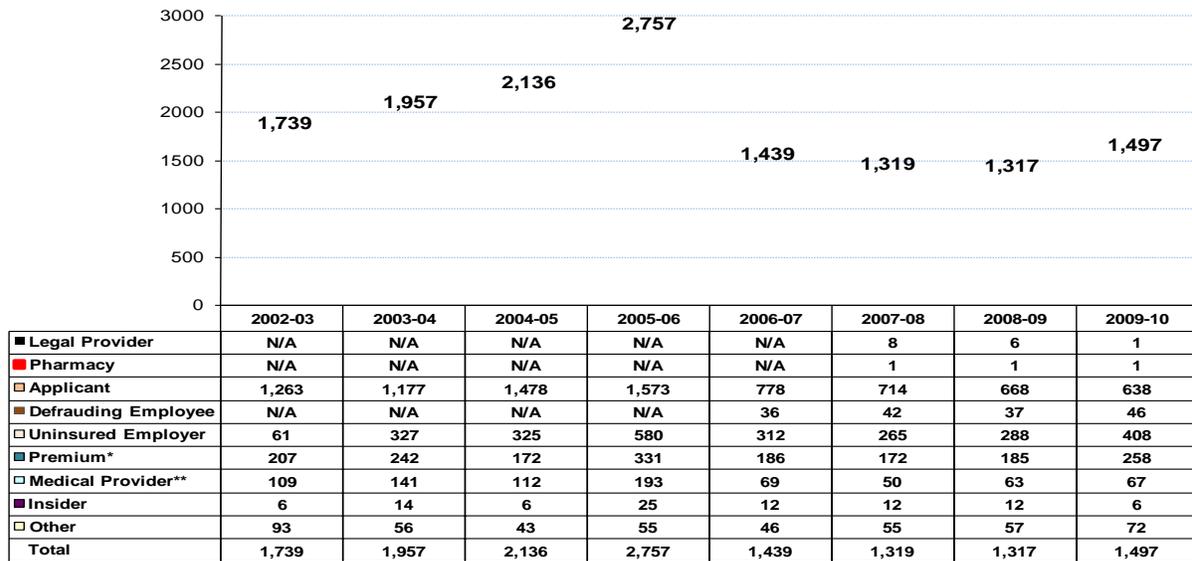
Some of the categories for fraud-related investigations were changed in the fiscal years 2005-2006, 2006-2007, and 2007-2008 as reflected in the following charts. In 2008, two new categories, Legal Provider and Pharmacy, were introduced as separate categories.

Trends in Workers' Compensation Fraud Investigations

The chart below shows that there was a 58.5 percent increase in workers' compensation fraud investigations from FY 2002-03 to FY 2005-06 followed by 52 percent decrease from FY 2005-06 to FY 2008-09. From FY 2008-09 to FY 2009-10, the total number of workers' compensation fraud investigations increased by almost 14 percent.

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Caseload by Type of Fraud Investigations, Fiscal Years 2002/03 – 2009/10

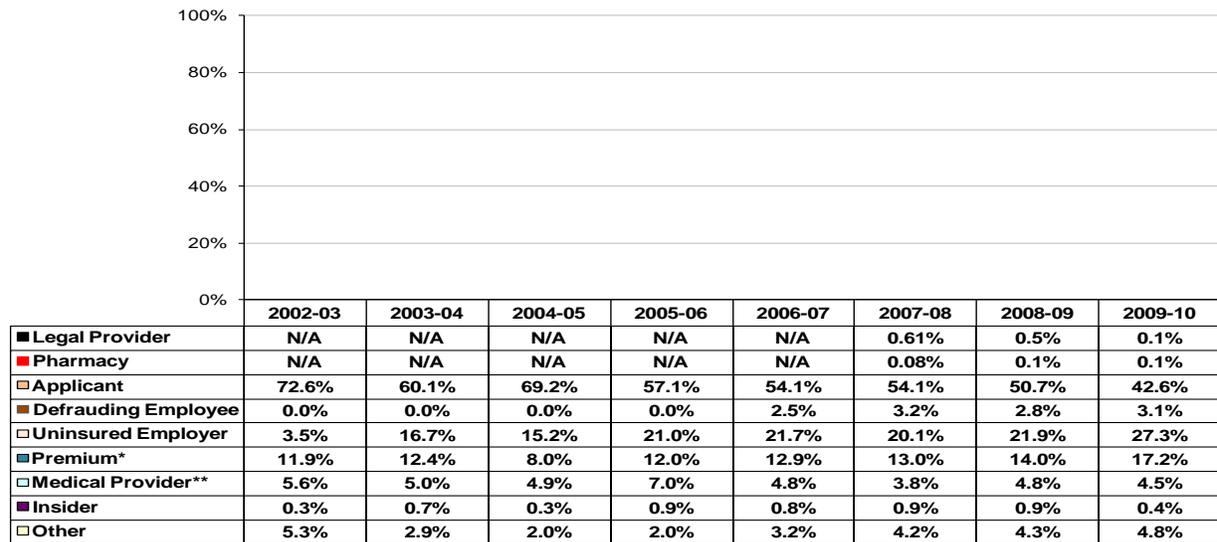


* From 2007-2008 on, Includes Misclassification, Underreported Wages, and X-Mod Evasion
 ** From FY 2005-06, includes Capping and Fraud Rings that had been separate categories before, and for 2006-07, includes Legal Provider and Treatment frauds

Data Source: California Department of Insurance, Fraud Division

As seen in the chart below, the focus of the investigations has been changing. Applicant fraud investigations have dropped from about 73 percent of the total in 2002-03 to about 43 percent of the total number of investigations in FY 2009-10. 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 decreased from 5.6 percent to 4.5 percent between 2002-03 and 2009-10.

Type of Fraud Investigations by Percentage of Total, Fiscal Years 2002/03 – 2009/10



* From FY 2006-2007 on, Includes Misclassification, Underreported Wages, and X-Mod evasion
 ** From FY 2005-06, includes Capping and Fraud Rings that had been separate categories before, and for 2006-07, includes Legal Provider and Treatment frauds

Data Source: California Department of Insurance, Fraud Division

In addition, the 2010 Annual Report of the Insurance Commissioner notes that the great majority of suspected fraudulent claims in calendar year 2010 came from Los Angeles County (2,270 or 39 percent of

total cases), followed by Orange County (445 or 8 percent), and then by San Bernardino County (400 or 7 percent).

Underground Economy

While most California businesses comply with health, safety and workers' compensation regulations, there are businesses that do not and are operating in the "underground economy." Such businesses may not have all their employees on the official company payroll or may not report wages paid to employees that reflect their real job duties. Businesses in the underground economy are therefore competing unfairly with those that comply with the laws. According to the Employment Development Department (EDD), the California underground economy is estimated at \$60 billion to \$140 billion annually.⁴⁷

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

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

For further information...

http://www.dir.ca.gov/chswc/CHSWC_Research.html

⁴⁷ <http://www.betzedeck.org/wp-content/uploads/voicesfromtheunderground.pdf>