

What's Next in California Workers' Compensation WCIRB's Perspective of the System in 2016 & Beyond

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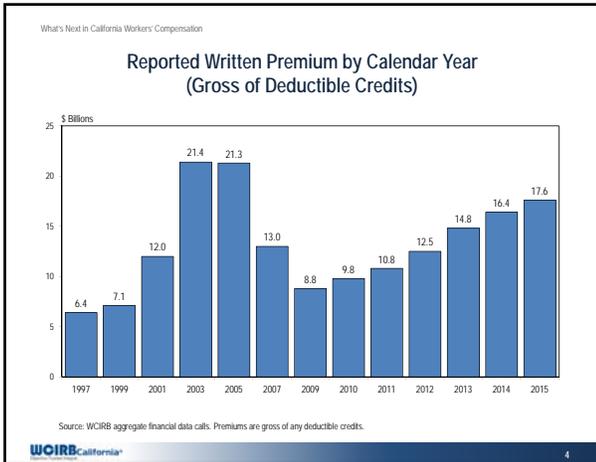
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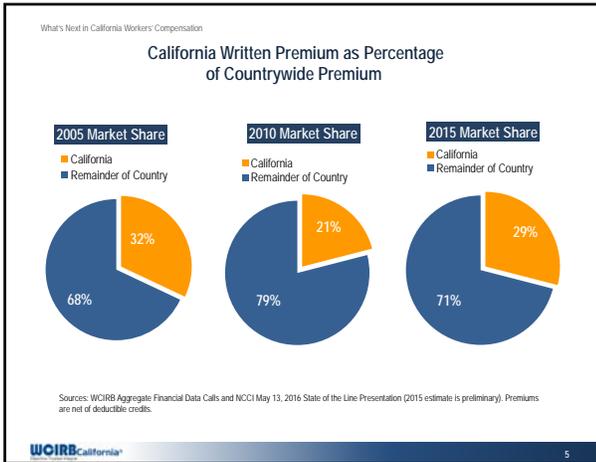


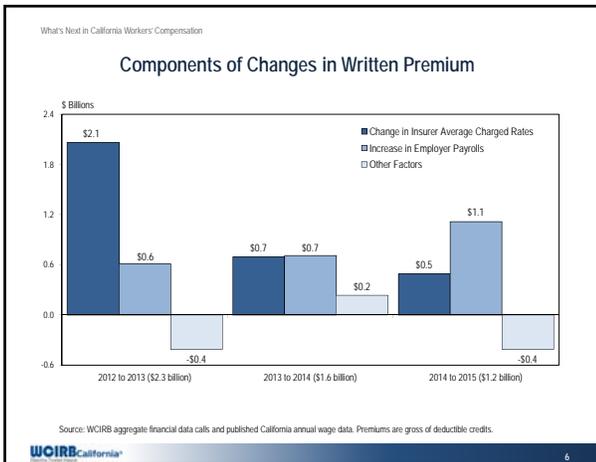
Overview

- Premiums and Market Shares
- Rates
- Cost Drivers
- Industry Results
- SB 863





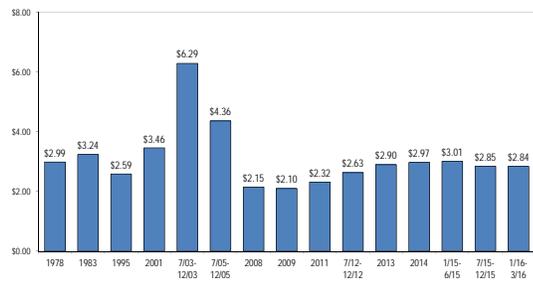




Overview

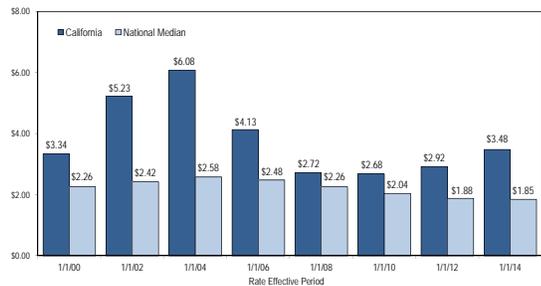
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Average Charged Rates Per \$100 of Payroll by Policy Period



Source: WCIRB aggregate financial data calls and unit statistical data.

Rate Comparison Based on Oregon Studies California vs. National Median Average Charged Rate

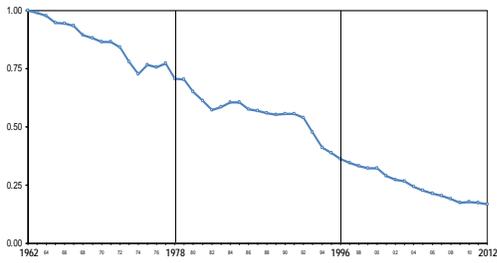


Source: The information is based on the state of Oregon biennial rate comparison and is based on the state of Oregon classification mix and, as a result, the California average rates shown on this exhibit differ from other measures of the average California rate.

Overview

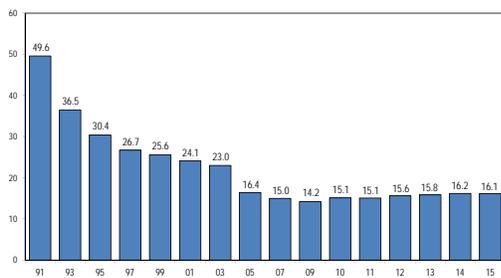
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Long-Term California Total Claim Frequency Indexed to 1962 by Policy Year



Source: Reported unit statistical claim counts and reported unit statistical payroll adjusted for wage inflation.

Estimated Indemnity Claims Per 1,000 Employees by Accident Year

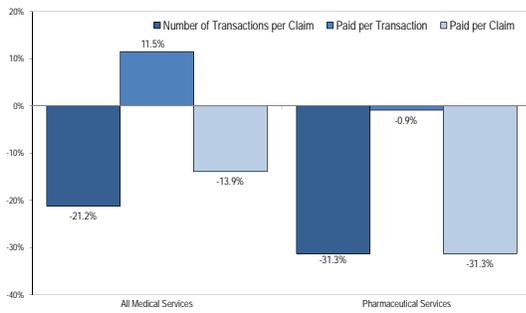


Source: Information through accident year 2014 is based on WCIRB unit statistical data developed to 5th report level. Accident year 2015 is based on changes in reported indemnity claim counts from WCIRB aggregate financial data calls as of March 31, 2016 compared to estimated changes in statewide employment.

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Change in Medical Cost Levels
Pre-SB 863 (Second Half of 2012) to Second Half of 2015



WCIRB Cost Evaluation of SB 863
Summary of Estimates

| SB 863 Provisions | WCIRB Original Cost Estimates (\$ in billions) | Updated WCIRB Assessment | Updated WCIRB Estimates (\$ in billions) |
|-----------------------------------|--|--------------------------|--|
| 2013 & 2014 PD Benefit Changes | +\$0.9 | ■ ■ ■ ■ ■ | +\$0.9 |
| Liens | (\$0.5) | ■ ■ ■ ■ ■ | (\$0.5) |
| IMR (Impact on Frictional Costs) | (\$0.2) | ▼ | +\$0.1 |
| RBRVS Fee Schedule | +\$0.3 | ▲ | \$0.0 |
| Other Reforms | (\$0.7) | ■ ■ ■ ■ ■ | (\$0.8) |
| Indemnity Claim Frequency | Small Increase | ■ ■ ■ ■ ■ | --- |
| Indemnity Severities | Increase | ■ ■ ■ ■ ■ | --- |
| Medical Severities | No Impact | ▲ | (\$0.5) |
| Total Estimate - All Items | (\$0.2) | ▲ | (\$0.8) |

Questions?

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