



2015 Workers' Compensation Mid-Year Update

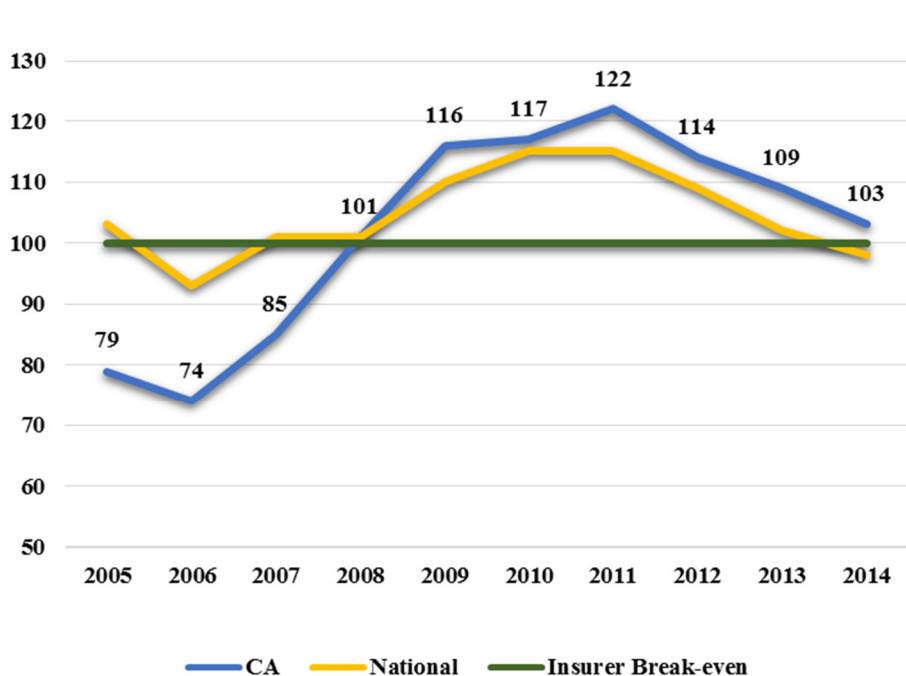
July 1st 10.2% Rate Reduction Approved

On May 7th, the California Insurance commissioner approved the WCIRB's request to lower the existing advisory pure premium rates by 10.2%, effective for policies renewing on or after 7/1/15.

The pure premium rates are intended to cover the benefits for injured workers and reasonable claims adjusting costs. It does not include insurer overhead and profit.

Most California insurers use the advisory pure premium rates to develop rates they charge clients. Typically, the market rate will be 15 to 20% higher than the pure premium rate. We expect rates to trend lower over the next two years, as insurer combined ratios continue to improve.

**California vs. National Results
Workers' Compensation Combined Ratio**



Since 2011 the combined workers' compensation ratio has been trending downward. This is good news for policyholders. The combined ratio is the ratio of total claims costs and insurer adjustment costs divided by premium. A combined ratio of 100 represents an underwriting breakeven point for insurers. The 2014 combined ratio in California was 103%, and trails the national average which dipped below 100% for the first time since 2008.

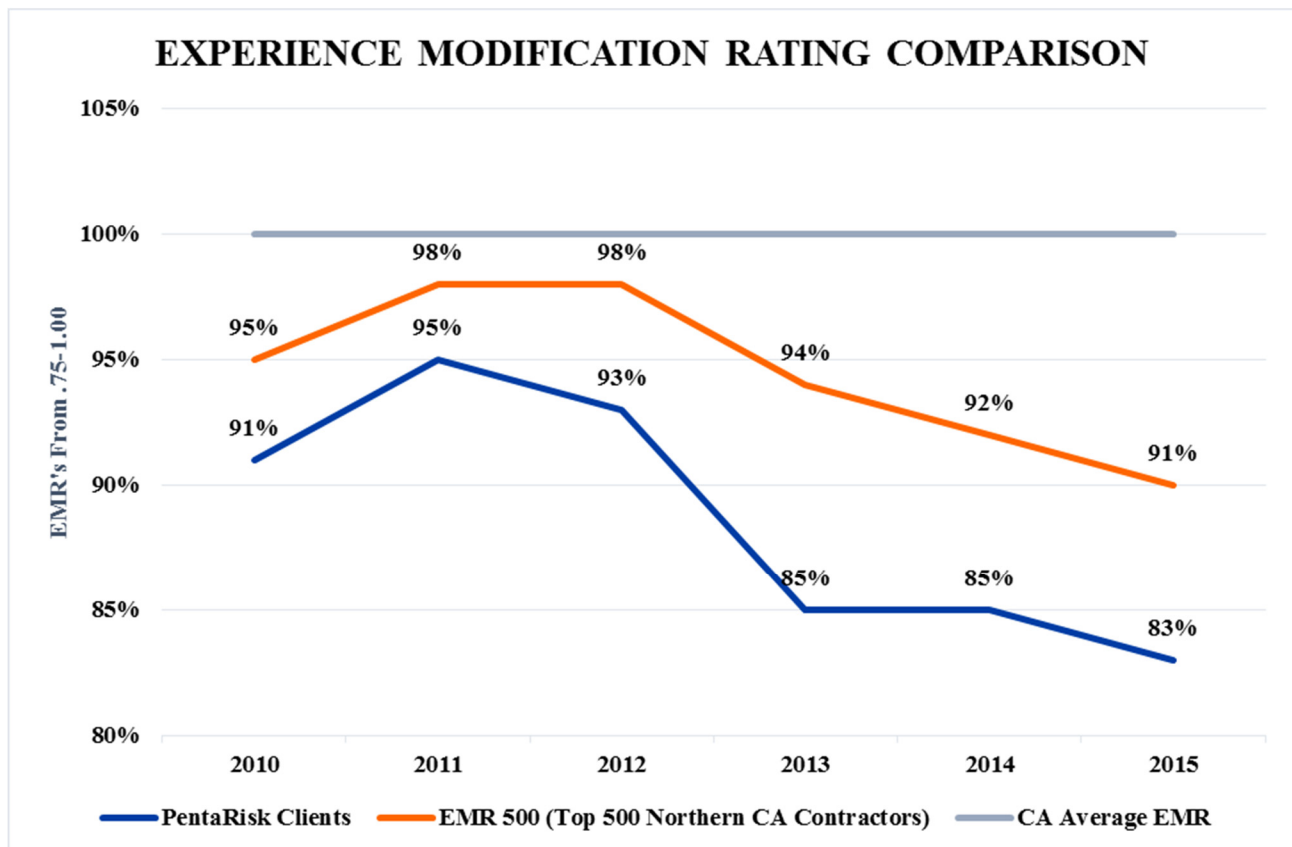
Top California Workers Compensation Insurers Representing Over 60% of Premiums:

1. State Fund
2. Berkshire Hathaway
3. Travelers
4. Hartford
5. Zurich
6. AIG
7. Amtrust/Security National
8. Insurance Company of the West
9. Fairfax/Zenith
10. Liberty Mutual
11. Old Republic

Many of these insurers are growing their presence in California as loss ratios continue to decrease.

PentaRisk Contractors Average, Client EMR Goes Down in 2015

Workers' compensation is generally the largest insurance expense for our clients. We continue to focus on reducing the cost of insurance. In 2014 we implemented our **5Star Services** program, and in 2015 we finalized our **Owners' Safety Dashboard**. We are pleased to report the average EMR of our clients is well below the industry average, and looks to decrease in 2015 to 83%.



Upcoming Changes

Expect the payroll thresholds to be adjusted as they are under review for change effective 1/1/16:

Dual Wage Thresholds		
Classification	2015 Current Hourly Threshold	2016 Proposed Hourly Threshold
Masonry 5027/5028	\$27	\$27 (no change)
Concrete or Cement Work 5201/5205	\$24	\$24 (no change)
Carpentry 5403/5432	\$29	\$30
Wallboard Application 5446/5447	\$31	\$33
Glaziers 5467/5470	\$29	\$31
Steel Framing 5632/5633	\$29	\$30

State Fund Builders' Exchange Program

State Fund will discontinue 6% safety group discounts on 10/1/15. Contractors will still be offered renewals, however the 6% automatic safety group credit will be eliminated.

Contractors with premiums in excess of \$50,000 can qualify for the PentaRisk 5Star discount program that provides an additional 5% premium credit.

What Can Contractors Expect at Renewal Time?

With improving combined ratios and full construction employment, insurers are becoming more aggressive in their pricing for top performing contractors with five year loss ratios below 60%. Most insurers are not expected to file new mid-year rates on 7/1/15, however they may be more willing to provide additional merit credits to reduce their filed rates. Construction clients with lower loss ratios are benefiting from 5-20% lower workers' compensation costs at renewal time.

Contact your PentaRisk broker to apply for these savings. Visit our website at <http://pentarisk.com/>.

PentaRisk Insurance Specialists · 3715 Northside Pkwy · Bldg 400 Ste 550 · Atlanta, GA 30327
p 404.809.2530 · f 404.809.2531 · pentarisk.com · GA License Number 0509509

PentaRisk Insurance Services · 2033 Gateway Place · Suite 150 · San Jose, CA 95110
p 408.418.2720 · f 408.418.-2721 · pentarisk.com · CA License Number 0131553