



## 2016 Workers' Compensation Update

California Insurance commissioner, Dave Jones, approved the 2016 advisory pure premium rates that are on average 12.03% below the 1/1/15 rates. For the 64 construction class codes that we track, the average rate reduction is 13%.

The pure premium rates are not the market rates charged by insurers. The pure premium rate is the cost of claims and adjustment expenses only, and does not include the cost of insurer overhead, underwriting expenses, and broker commissions. The market rates charged by insurers are typically 10-15% higher than the pure premium rates shown in the chart on page 2.

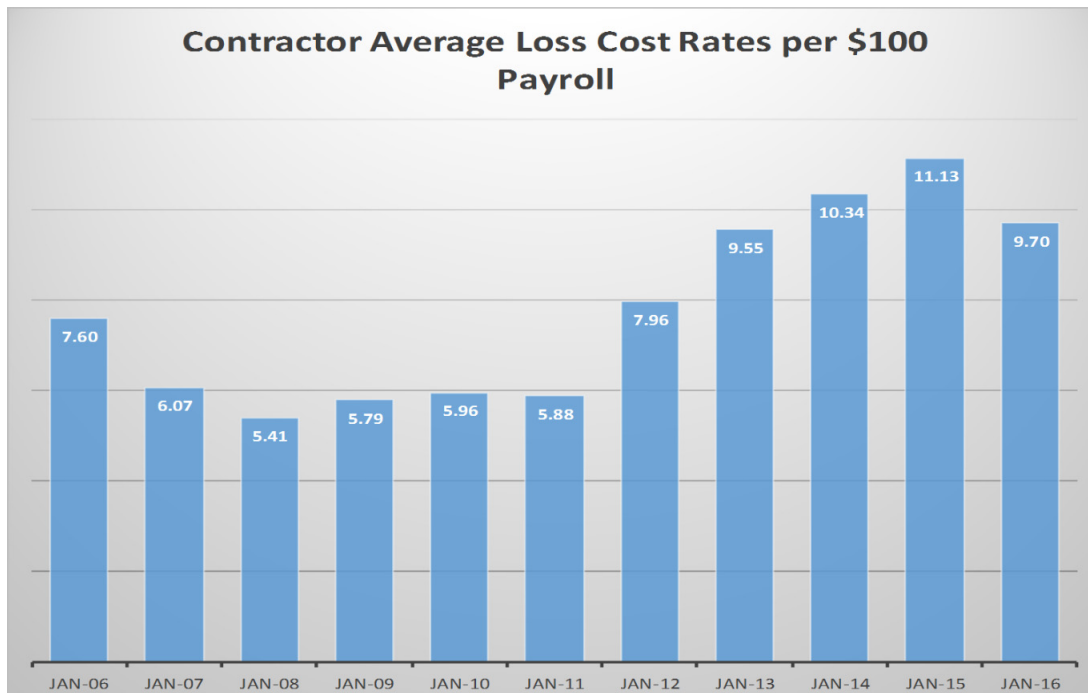
### The largest rate decreases are over 25%:

Concrete Bridges and Culverts	-33.57%
Contractors Executive Supervisors	-26.80%
Glaziers > \$31/hour	-26.60%
Reinforcing Steel Installation	-26.55%
Excavation/Grading > \$31/hour	-25.22%

### Wage Threshold Changes for 2016:

Code	Phraseology	2015 Wage threshold	2016 Wage threshold
5403/5432	Carpentry	\$29	\$30
5446/5447	Wallboard Application	\$31	\$33
5467/5470	Glaziers	\$29	\$31
5632/5633	Steel Framing	\$29	\$30

**Contractor loss cost rates have fallen 13% since January 2015, based on 64 class codes tracked by PentaRisk.**



## 2016 California Workers Compensation Construction Pure Premium Rate Comparison \*

Code	Classification	1/1/09	1/1/10	1/1/11	1/1/12	1/1/13	1/1/14	1/1/15	7/1/15	1/1/16	% Change 1/1/15-1/1/16
5473	Asbestos Abatement					13.06	14.37	16.99	15.25	15.51	-8.71%
5185	Automatic Sprinkler Installation <\$27 Hour	5.27	5.37	5.26	7.22	9.10	9.86	10.51	9.44	10.70	1.81%
5186	Automatic Sprinkler Installation >\$27 Hour	2.03	2.06	2.07	2.65	2.78	3.05	3.42	3.07	2.72	-20.47%
9015	Building Operations	4.18	4.68	5.87	7.37	7.31	7.84	8.90	7.99	7.09	-20.34%
7605	Burgler/Fire/Sound System Installation	2.74	3.06	3.04	4.15	5.57	5.94	5.76	5.17	4.42	-23.26%
5146	Cabinet/Fixtures Installation	5.00	4.76	5.54	7.09	8.40	8.19	9.05	8.13	8.44	-6.74%
5403	Carpentry <\$30 Hour	13.53	12.49	11.28	15.36	17.34	19.55	22.44	20.15	18.29	-18.49%
5432	Carpentry >\$30 Hour	4.78	4.91	4.59	6.49	7.47	7.67	7.75	6.96	6.79	-12.39%
5020	Ceiling Installation	4.40	4.55	4.05	5.30	6.15	6.68	6.23	5.59	6.01	-3.53%
5195	Communications Cabling					10.13	10.48	9.87	8.86	8.62	-12.66%
8810	Clerical Office Employees	0.39	0.37	0.35	0.49	0.53	0.55	0.52	0.47	0.46	-11.54%
5222	Concrete Construction-Bridges, Culverts or Chimneys	6.73	7.83	7.80	9.92	10.24	9.67	10.07	9.04	6.69	-33.57%
5213	Concrete Construction-Foundations, Formwork	5.08	5.50	5.89	7.64	8.23	7.60	8.25	7.41	8.40	1.82%
5201	Concrete or Cement Work <\$24 Hour	5.87	5.54	5.10	7.69	10.42	12.98	13.51	12.13	11.89	-11.99%
5205	Concrete or Cement Work >\$24 Hour	3.50	3.95	3.83	5.32	6.62	7.27	7.67	6.89	6.28	-18.12%
5214	Concrete or Cement Work-Precast Panels	4.25	3.20	3.28	4.60	5.77	6.45	7.14	6.41	6.17	-13.59%
5212	Concrete Pumping	6.07	6.32	6.98	10.32	14.13	16.04	17.32	15.55	13.45	-22.34%
6325	Conduit Construction	3.64	4.12	4.38	5.93	7.31	7.29	6.94	6.23	5.93	-14.55%
5606	Contractors - Executive Supervisors	1.03	0.93	0.92	1.37	1.47	1.20	1.53	1.37	1.12	-26.80%
8227	Contractors - Permanent Yards	6.83	5.41	5.79	6.34	7.33	7.92	7.33	6.58	6.56	-10.50%
5108	Door Installation - Overhead	7.83	8.90	8.71	12.02	12.56	13.66	15.81	14.19	14.77	-6.58%
6204	Drilling	9.67	10.60	8.63	11.67	12.32	13.92	14.44	12.96	13.82	-4.29%
5190	electrical Wiring - Within Buildings <\$30 Hour	3.78	3.65	4.03	5.49	6.60	7.15	7.56	6.79	6.64	-12.17%
5140	Wlectrical Wiring - Within Buildings >\$30 Hour	2.45	2.89	2.58	3.09	3.13	3.62	3.39	3.04	2.82	-16.81%
6218	Excavation/Grading <\$30 Hour	6.12	5.67	5.50	6.70	9.27	11.29	11.28	10.13	9.32	-17.38%
6220	Excavation/Grading >\$30 Hour	3.05	2.93	3.02	5.00	6.43	6.62	6.86	6.16	5.13	-25.22%
6400	Fence Construction - Metal or Wood	7.48	7.24	5.70	8.08	10.44	12.01	12.32	11.06	11.34	-7.95%
9521	Floor Covering Installation	3.55	4.27	4.37	6.25	7.71	9.61	9.76	8.76	7.85	-19.57%
6258	Foundation Preparation Work	5.15	5.11	4.94	6.34	6.90	7.27	8.35	7.50	8.04	-3.71%
5467	Glaziers - Away From Shop <\$31 Hour	7.41	7.08	8.34	11.73	12.00	14.35	14.64	13.14	13.53	-7.58%
5470	Glaziers - Away From Shop >\$31 Hour	5.82	5.30	5.93	7.19	8.02	7.67	7.24	6.50	5.31	-26.66%
5479	Insulation Work	5.74	5.80	5.41	6.71	8.19	9.92	9.98	8.96	9.32	-6.61%
5059	Iron or Steel Erection	11.87	13.68	13.74	20.30	21.26	22.46	23.19	20.82	18.05	-22.16%
5057	Iron or Steel Erection	7.12	6.44	7.13	8.62	9.80	10.12	11.34	10.18	9.48	-16.40%
5040	Iron or Steel Erection - Bridge Building	8.85	10.56	12.70	13.67	17.55	15.59	16.83	15.11	14.07	-16.40%
9008	Janitorial Services - By Contractors	6.67	6.96	7.04	9.64	12.51	13.61	13.80	12.39	12.61	-8.62%
0042	Landscape Gardening	4.94	5.07	4.77	7.24	8.16	9.32	9.32	8.83	9.02	-3.22%
5027	Masonry <\$27 Hour	8.60	8.88	8.45	10.72	12.48	16.25	17.06	15.32	17.10	0.23%
5028	Masonry >\$27 Hour	5.21	5.49	4.43	6.51	7.08	8.45	8.38	7.52	8.73	4.18%
5102	Non-Structural Metal Installation within Buildings	5.45	6.61	6.89	6.90	9.16	11.46	10.72	9.62	9.33	-12.97%
5474	Painting, Paperhanging, Waterproofing <\$24 Hour	6.38	6.87	6.43	9.83	11.72	13.34	15.07	13.53	13.73	-8.89%
5482	Painting, Paperhanging, Waterproofing >\$24 Hour	3.74	4.44	4.21	5.96	6.94	6.71	7.64	6.86	6.83	-10.60%
6003	Pile Driving, Timber Wharf or Bridge Construction	6.44	6.50	7.12	9.48	11.53	12.65	15.93	14.30	14.24	-10.61%
5484	Plastering or Stucco Work <\$27 Hour	9.66	9.34	9.28	12.11	17.41	19.27	21.62	19.41	19.48	-9.90%
5485	Plastering or Stucco Work >\$27 Hour	5.28	4.80	5.12	7.19	9.60	11.03	12.16	10.92	10.73	-11.76%
5183	Plumbing <\$26 Hour	5.22	5.46	5.20	6.91	8.69	10.28	10.20	9.16	8.20	-19.61%
5187	Plumbing >\$26 Hour	3.53	3.12	3.78	5.01	6.66	6.41	5.56	4.99	4.47	-19.60%
3039	Reinforcing Steel Fabrication	6.50	6.19	6.51	8.53	10.90	12.04	11.86	10.65	9.48	-20.07%
5225	Reinforcing Steel Installation	6.25	6.40	7.42	11.14	13.33	11.08	12.92	11.60	9.49	-26.55%
5552	Roofing <\$23 Hour	18.64	21.61	19.56	28.54	35.26	36.04	46.14	41.42	39.85	-13.63%
5553	Roofing >\$23 Hour	9.54	10.19	8.78	13.59	18.37	17.67	19.78	17.76	17.81	-9.96%
8742	Sales Person - Outside	0.47	0.44	0.42	0.55	0.70	0.69	0.67	0.60	0.57	-14.93%
6307	Sewer Construction <\$30 Hour	7.07	8.32	8.11	11.29	12.10	15.01	16.09	14.45	13.25	-17.65%
6308	Sewer Construction >\$30 Hour	4.09	4.22	4.25	5.85	8.56	9.62	9.58	8.60	8.33	-13.05%
5538	Sheet Metal Work <\$27 Hour	6.61	7.07	5.88	8.62	9.34	8.81	9.66	8.67	8.82	-8.70%
5542	Sheet Metal Work >\$27 Hour	3.70	4.17	4.01	4.45	5.35	5.33	5.82	5.23	4.96	-14.78%
5632	Steel Framing <\$30 Hour	13.53	12.49	11.28	15.36	17.34	19.55	22.44	20.15	18.29	-18.49%
5633	Steel Framing >\$30 Hour	4.78	4.91	4.59	6.49	7.47	7.67	7.75	6.96	6.79	-12.39%
5507	Street or Road Construction - Grading	3.14	2.26	2.75	3.84	5.32	5.50	5.60	5.03	5.78	3.21%
5506	Street or Road Construction - Paving	4.65	4.61	4.18	6.25	9.00	10.96	11.92	10.70	11.36	-4.70%
5348	Tile, Stone, Mosaic, or Terrazzo Work	3.48	3.38	3.75	5.42	7.27	8.11	8.85	7.95	7.74	-12.54%
5446	Wallboard Application <\$33 Hour	5.31	6.62	5.81	7.43	9.31	11.25	11.02	9.89	9.78	-11.25%
5447	Wallboard Application >\$33 Hour	3.34	3.42	3.65	4.95	6.32	6.88	5.94	5.33	4.92	-17.17%
6315	Water or Gas Main Construction <\$30 Hour	5.11	5.92	6.34	8.79	10.65	11.31	11.90	10.68	10.72	-9.92%
6316	Water or Gas Main Construction >\$30 Hour	4.45	3.32	3.84	5.45	6.00	6.33	6.97	6.26	5.98	-14.20%
3365	Welding or Cutting	7.67	6.90	5.78	7.37	8.08	8.10	7.71	6.92	6.69	-13.23%
	<b>Total Average Rates</b>	5.79	5.96	5.88	7.96	9.61	10.40	11.13	10.00	9.70	

2016 Officer/Owner: Minimum payroll is \$45,500 & Maximum payroll is \$117,000

\*Pure Premium Rates do not include insurer overhead or profit expenses, so market rates will be higher.

Highlighted class codes indicate change in wage threshold in 2016.

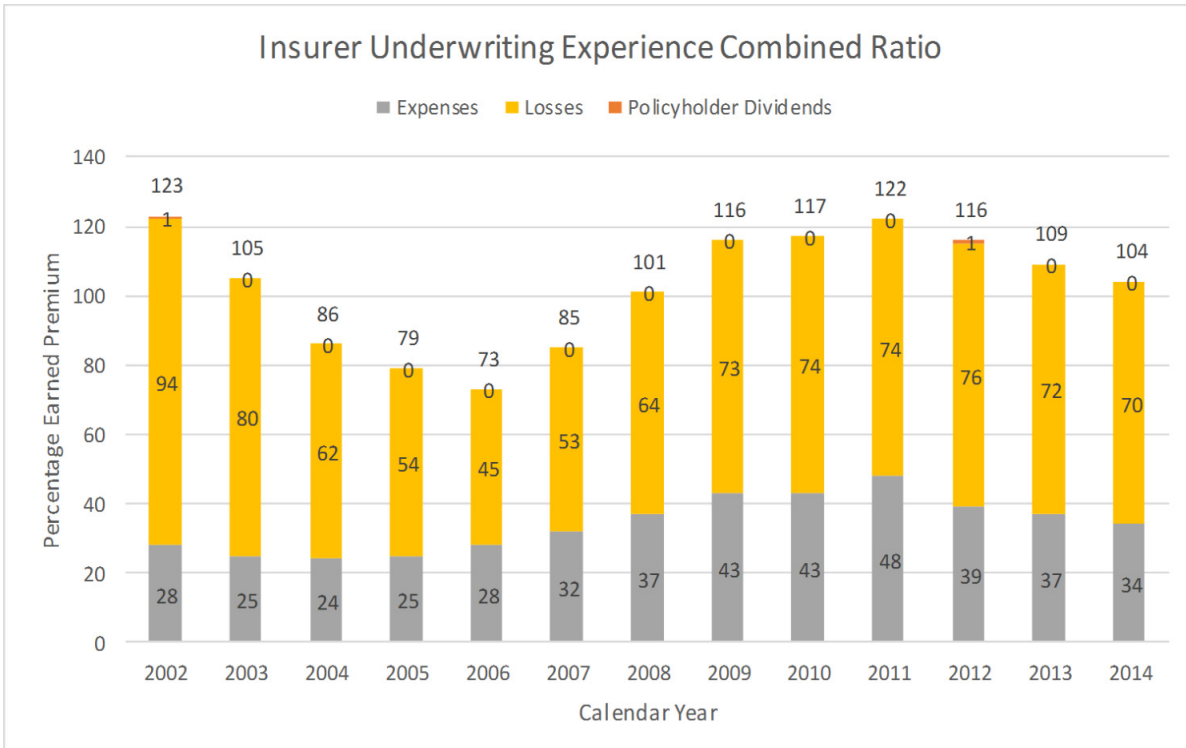
## State of California Workers' Compensation System

California continues to have the highest premium rates in the country. This is primarily due to three reasons:

1. Highest frequency of permanent disability claims in the U.S.
2. Higher medical costs per claim, due to the prolonged pattern of treatments per claim.
3. Higher than average cost to handle claims and pay benefits.

The average cost of a lost time injury in California remained stable at \$84,000 in 2015.

In recent years, the combined ratio of costs to premiums has been dropping. However, the recent improvement in the combined ratio has spurred more market interest (and lower rates) for quality accounts with five-year loss ratios under 50%.



### 2014 California Workers' Compensation Top Insurers—NAIC Data

	Market Share	Loss Ratio
State Compensation	13.38%	82%
Berkshire Hathaway	8.42%	50%
Travelers	6.2%	48%
Zurich	4.80%	87%
ICW	4.67%	43%
AmTrust	4.62%	47%
AIG	3.94%	71%
Hartford	3.49%	80%
Everest	2.9%	54%
Zenith	2.8%	36%
ORCPG	1.95%	77%
<b>Total</b>	<b>57.17%</b>	

### 2016 Workers' Compensation Assessments are Decreasing

Policies renewing on 1/1/16 will have a total assessment of 3%—down from 3.283% in 2015, and 4.48% in 2014.

### 2016 Owner's/Executive Officer/Members of LLC Payrolls

The new maximum payroll is \$117,000, and the minimum payroll is \$45,500.

### Injury and Illness Rate\* in California Continues to Climb.

2012	2013	2014
3.6%	4.0%	4.8%

\*Per 100 employees

## PentaRisk EMR 500 Index

We compiled historical EMRs from 500 leading northern California contractors for the five-year period starting in 2010 through 2015. Landscaping and floor/tile contractors made the biggest safety gains in 2015 to earn the best overall safety records. We are pleased to see the index of 500 contractors shows improved safety performance as indicated by the reduction in the average EMR to .90 in 2015.

### PentaRisk EMR 500

Northern California Contractors — Experience Modification Yearly Averages							
Contractor	2010	2011	2012	2013	2014	2015	Average
Plumbing / Mechanical	88	88	91	80	80	84	85
Drywall / T-Bar Ceiling	94	96	102	85	88	90	93
Electrical	84	85	83	83	84	80	83
General Contractor	98	103	101	93	91	90	96
Roofing	88	94	93	98	94	108	96
Restoration Contractors	102	99	93	86	86	83	92
Painting	93	103	94	93	93	93	95
Underground / Drilling	104	104	98	99	97	92	99
Fencing	108	102	105	93	93	107	101
Grading / Street & Road / Paving	97	103	107	98	92	93	98
Landscaping	106	109	103	93	87	72	95
Flooring / Tile /Marble	105	111	105	96	87	72	96
Concrete / Rebar	103	110	107	105	96	97	103
Demolition	99	100	100	104	107	103	102
<b>Yearly Average</b>	<b>98</b>	<b>101</b>	<b>99</b>	<b>93</b>	<b>91</b>	<b>90</b>	<b>95</b>

### Avoiding Weekend Warrior Injuries

Many times, employees who are injured outside of work, try to file workers' compensation claims. One reason for this is the high cost of hospitalization, health insurance co-payments, or lack of personal disability insurance. As an employer, you can mitigate this risk by offering voluntary hospital, disability or health co-pay with quality insurers, such as Aflac, and your employees will pay about \$100 a month for this coverage. To find out more, call your PentaRisk account executive.

**For more information on workers' compensation insurance, contact: Jim Untiedt, President, at 408.418.2734 · [juntiedt@pentarisk.com](mailto:juntiedt@pentarisk.com), or your PentaRisk broker or account executive. Visit our website at <http://pentarisk.com/>.**

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