



2017 Workers' Compensation and Safety Update

Workers' Compensation Insurance Rates to Decrease January 1, 2017

Insurance Commissioner, Dave Jones, has requested additional rate decreases for new and renewal policies starting January 1, 2017. The schedule in this article shows the requested pure premium rate changes to be effective January 1, 2017. We expect slightly lower rates to be approved in early December 2016.

The average rate decrease is 15.5% over the January 1, 2016 rates, and 9.2% decrease over the July 1, 2016 rates. The average pure premium rate is now \$2.19, which still ranks California in the top 10 highest workers' compensation rates in the nation. Of the 69 construction class codes that we track, only 10 are increasing, and 58 are decreasing.

The following construction pure premium rates are decreasing by more than 15% starting January 1, 2017:

		Change from	
		<u>7/1/16</u>	<u>1/1/16</u>
5185	Automatic Sprinkler Install <27	-22.7%	-26.5%
7605	Burglar/Fire/Sound System	-15.5%	-24.2%
5195	Communications Cabling	-15.8%	-20.0%
5212	Concrete Pumping	-17.9%	-22.0%
6218	Excavation/Grading of Land <30	-14.8%	-18.8%
5467	Glaziers <31	-15.7%	-19.9%
5059	Iron or Steel	-21.8%	-25.7%
5102	Non Structural Metal	-18.3%	-22.3%
5485	Plastering or Stucco >27	-15.3%	-19.5%
5225	Rebar Installation	-13.3%	-17.6%
5552	Roofing <23	-22.6%	-26.4%
6315	Water/Gas Mains <30	-22.6%	-26.4%

New Construction Classifications for 2017

5610 – Contractors – Contractors who subcontract all construction operations, was established to apply to all employees, other than executive level supervisors on jobs where the employer subcontracts all operations to licensed subcontractors. This classification applies to employees performing cleaning and debris removal, and post construction warranty repair operations.

5538(2)/5542(2) - HVAC for installing ductwork.

First Aid Change

Additionally, California Insurance Commissioner Dave Jones has requested a change under Rule 24 to clarify that all claims for which medical care is provided—involving first aid—must be reported to the Workers' Compensation Insurance Rating Bureau (WCIRB) for Experience Modification Rate (EMR) calculation purposes.

California Labor Code Section 5400 defines first aid as "any one-time treatment, and any follow-up visit for the purpose of observation of minor scratches, cuts, burns, splinters, or other minor injuries, which do not ordinarily require medical care."

California Experience Modification Formula Changes January 1, 2017

The key changes are to the primary claim amount. Since 2010, the primary claim was capped at \$7,000. Starting January 1, 2017, the primary amount will fluctuate based on 3-year employer expected losses, and will range from \$4,500 to \$75,000.

- Claim amounts up to your split point are used fully against your EMR.
- Claim amounts over your split point are not used at all in the new formula.
- Impact of shock losses on smaller businesses are generally reduced, and if it is the only claim, it is capped at a maximum of 25 mod points.
- Even more weight is given to claims frequency, so managing small claims will have greater importance!
- Early results show more significant variance in experience modifications than expected. Larger clients with payrolls over \$10,000,000, and significant claim frequency, will see an increase in their EMR.

Four Suggestions to Manage and Reduce Claims

1. Establish a business relationship with local urgent care clinics that specialize in treating construction injuries and first aid claims by meeting with the doctor to discuss your specific needs.
2. Consider using the services of a medical nurse to review the employee's symptoms and help direct treatment options. Cost is \$100 to \$125 per claim. Contact Greg Roush (408.418.2736, groush@pentarisk.com) for details on how this nurse service can provide value to your employees.
3. Implement voluntary benefits, such as disability and accident insurance, to fund the "gap costs" of medical plan deductibles and co-pays. Employees will generally take the path of least resistance, and automatic payments under health insurance and AFLAC are much easier to deal with than filing workers' compensation claim forms and coping with the adjustor's questions.
4. Use our BLDR safety software to help you track and manage your claims, safety meetings, OSHA logs, and subcontractor safety on your jobsites! Version 3 update released 12/1/16.

OSHA Reporting Changes for 2017

Starting January 1, 2017, OSHA requires contractors to electronically submit injury and illness data that you are already required to record on OSHA injury and illness forms. The source of this data will be published on the OSHA website. OSHA believes that public disclosure of injury data will improve workplace safety.

Our PentaRisk BLDR safety software will be able to electronically submit the required OSHA logs to Federal OSHA. Contact your PentaRisk Account Executive to learn more about the recent update to BLDR, and how it can help you manage and document your safety efforts!

2015 Largest Workers' Compensation Insurers Based on Written Premiums

California			Nationwide		
1	State Fund	\$1,639MM	1	Travelers	\$4,467MM
2	Berkshire Hathaway	\$733MM	2	Hartford	\$3,324MM
3	Travelers	\$733MM	3	Zurich	\$2,859MM
4	ICW	\$675MM	4	AmTrust	\$2,744MM
5	Zurich	\$602MM	5	AIG	\$2,559MM
6	ACE/Chubb	\$478MM	6	Berkshire Hathaway	\$2,482MM
7	AmTrust	\$439MM	7	Liberty Mutual	\$2,481MM
8	Everest National	\$362MM	8	NY State Fund	\$2,437MM
9	Zenith	\$361MM	9	CA State Fund	\$1,639MM
10	National Union/AIG	\$242MM	10	Old Republic	\$1,444MM

Other Updates for 2017

- No changes to the dual wage thresholds for construction.
- New owner/officer/partner minimum salary \$48,000, and maximum salary \$122,200.

New Officer and Owner Exclusion 1/1/17

Effective 1/1/17 AB 2883 amends sections 3351 and 3352 of the labor code relating to inclusion and exclusion of owners and officers from workers' compensation coverage. Starting January 1, only owners who have at least 15% ownership will be allowed to be excluded from coverage, and all other owners will now be automatically covered under workers' compensation insurance. This applies to all insurance policies in force, so insurance companies have mailed out waiver forms in November 2016 to clients to obtain signatures from all owners (over 15% ownership) that wish to continue to be excluded from coverage. If you want to be excluded from coverage, you will need to sign a waiver form prior to 1/1/17.

Contact Jim Untiedt at 408.418.2734, juntiedt@pentarisk.com, or your PentaRisk broker or account executive for more information on our 2017 Workers' Compensation and Safety Update. Visit our website at <http://pentarisk.com/>.

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