



2015 Workers' Compensation Update

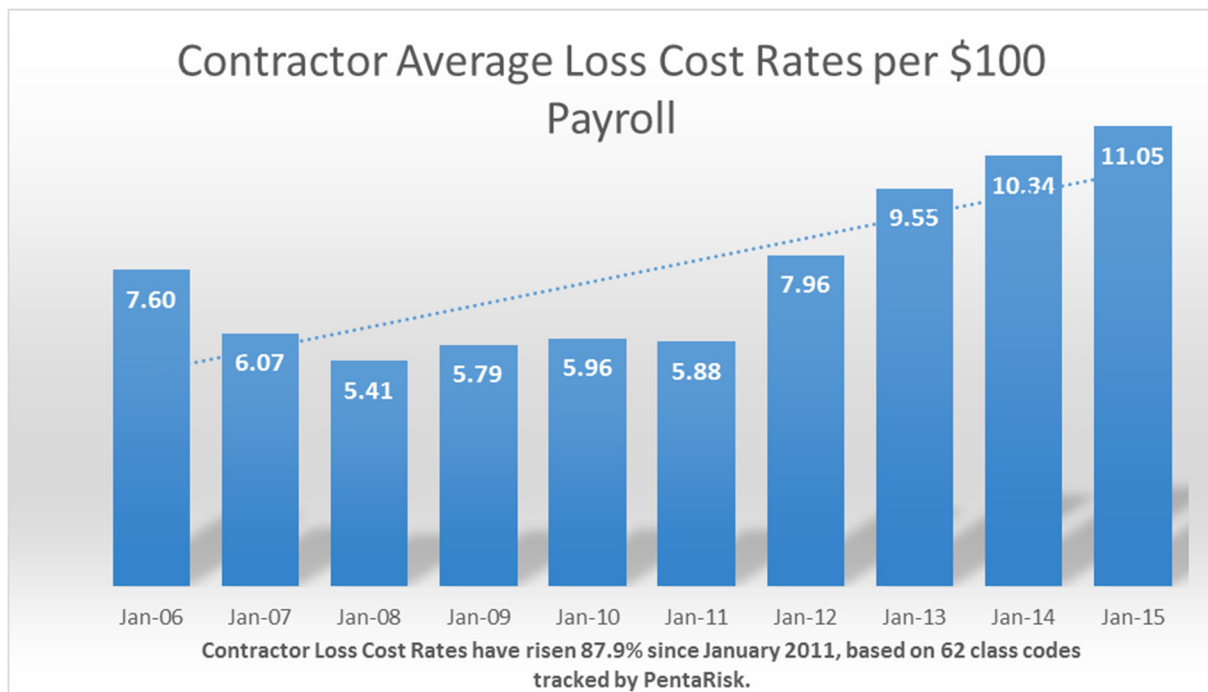
January 1 Rate Changes

On November 14, 2014, California Insurance Commissioner, Dave Jones, approved new pure premium rates for workers' compensation insurance policies that renew on January 1, 2015 or later. Overall, the average rate increase for California classifications is 2.2%, however for the 62 construction classifications we track, the average increase is 6.86%. This increase is less than last year's average construction industry increase of 8.27%

The WCIRB collects loss and payroll data from insurance companies and develops pure premium rates that reflect the cost of benefits due to workplace injuries, as well as the costs for adjusting and settling workers' compensation claims. Pure premium rates do not include administrative, overhead and acquisition costs, and consequently, the final market rates are typically 10 to 20% higher than pure premium rates reflected on Page 3.

The largest rate increases in 2015 are for 5606 (executive supervisors), and 5552 (roofing). The biggest decreases are for 5187 (plumbing), and 5447 (wallboard). Contact your PentaRisk account executive for more details on how these rate changes will impact your renewal in 2015.

Since January 1, 2010, construction pure premium rates have increased 85%. We expect market rates in 2015 will be based more on individual client claims performance, rather than on base rate increases and changes in experience ratings.



2015 Workers' Compensation Assessments are Decreasing by 26%

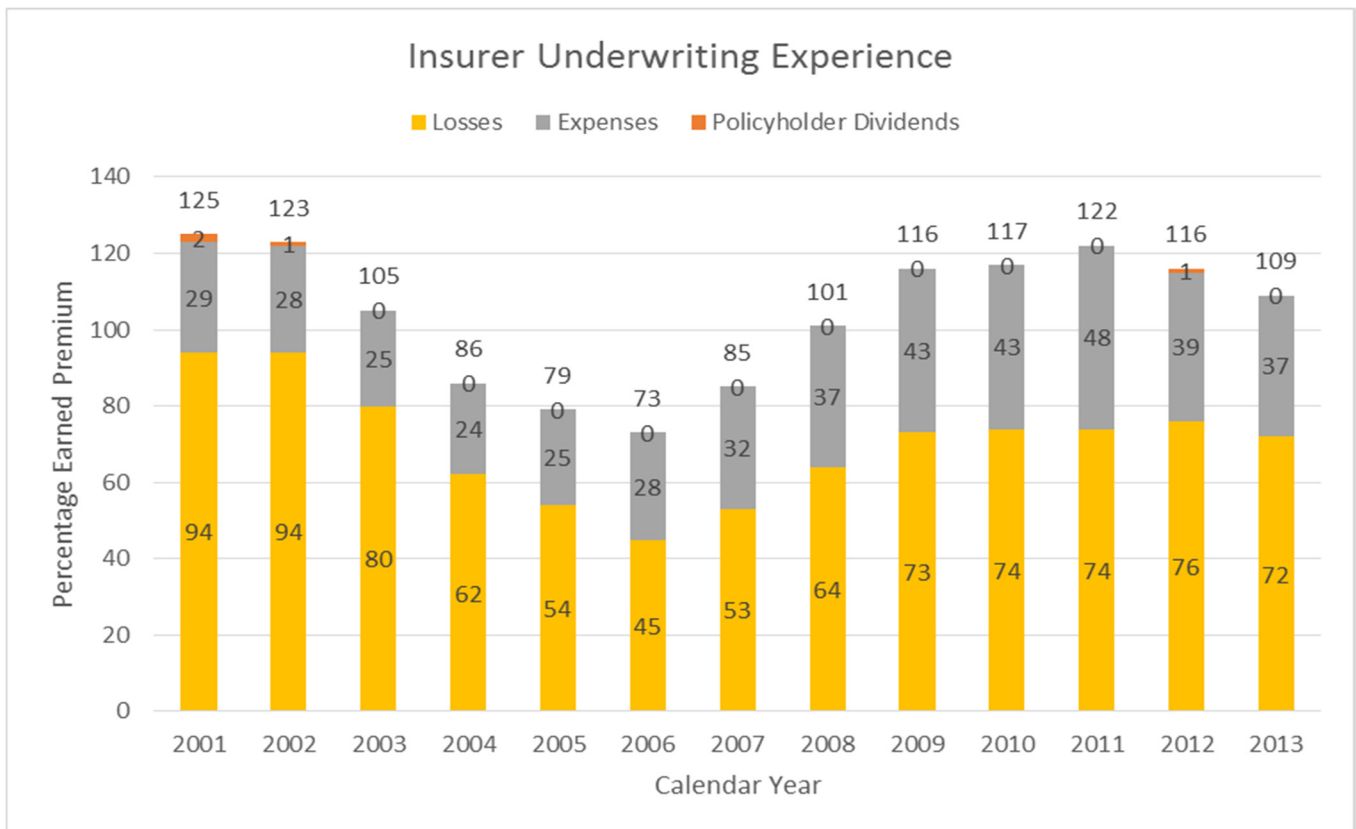
Policies renewing in 2015 will have assessments of 3.283%, down from 2014 assessments of 4.48%. This is a savings of 1.197% on total paid premiums in 2015.

Experience Modification Rating—New Limitations for Smaller Contractors

Good news for contractors that have only one workers' compensation claim in the three year experience rating period. The WCIRB has revised its formula in 2015 to limit the increase of one large claim to 25 points. This will help small contractors who experienced big fluctuations in their EMR that exceeded 25 points from just one severity claim.

California Insurer Experience Improving Slowly

Despite year over year rate increases, insurer underwriting experience in California continues to lag the national results. The 2013 final California results showed an insurer combined ratio of expenses and losses of 109%, vs. a national ratio of 105%. The 2014 combined ratio should be less than 2013, but still above 105%. Until the combined ratio falls below 100%, we will continue to experience rate hikes from the WCIRB and insurers.



Source: WCIRB

2015 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	% Change 1/1/14-1/1/15
5185	Automatic Sprinkler Installation <\$27 Hour	5.27	5.37	5.26	7.22	9.10	9.86	10.51	6.59%
5186	Automatic Sprinkler Installation >\$27 Hour	2.03	2.06	2.07	2.65	2.78	3.05	3.42	12.13%
9015	Building Operations	4.18	4.68	5.87	7.37	7.31	7.84	8.90	13.52%
7605	Burgler/Fire/Sound System Installation	2.74	3.06	3.04	4.15	5.57	5.94	5.76	-3.03%
5146	Cabinet/Fixtures Installation	5.00	4.76	5.54	7.09	8.40	8.19	9.05	10.50%
5403	Carpentry <\$29 Hour	13.53	12.49	11.28	15.36	17.34	19.55	22.44	14.78%
5432	Carpentry >\$29 Hour	4.78	4.91	4.59	6.49	7.47	7.67	7.75	1.04%
5020	Ceiling Installation	4.40	4.55	4.05	5.30	6.15	6.68	6.23	-6.74%
8810	Clerical Office Employees	0.39	0.37	0.35	0.49	0.53	0.55	0.52	-5.45%
5222	Concrete Construction-Bridges, Culverts or Chimneys	6.73	7.83	7.80	9.92	10.24	9.67	10.07	4.14%
5213	Concrete Construction-Foundations, Formwork	5.08	5.50	5.89	7.64	8.23	7.60	8.25	8.55%
5201	Concrete or Cement Work <\$24 Hour	5.87	5.54	5.10	7.69	10.42	12.98	13.51	4.08%
5205	Concrete or Cement Work >\$24 Hour	3.50	3.95	3.83	5.32	6.62	7.27	7.67	5.50%
5214	Concrete or Cement Work-Precast Panels	4.25	3.20	3.28	4.60	5.77	6.45	7.14	10.70%
5212	Concrete Pumping	6.07	6.32	6.98	10.32	14.13	16.04	17.32	7.98%
6325	Conduit Construction	3.64	4.12	4.38	5.93	7.31	7.29	6.94	-4.80%
5606	Contractors - Executive Supervisors	1.03	0.93	0.92	1.37	1.47	1.20	1.53	27.50%
8227	Contractors - Permanent Yards	6.83	5.41	5.79	6.34	7.33	7.92	7.33	-7.45%
5108	Door Installation - Overhead	7.83	8.90	8.71	12.02	12.56	13.66	15.81	15.74%
6204	Drilling	9.67	10.60	8.63	11.67	12.32	13.92	14.44	3.74%
5190	electrical Wiring - Within Buildings <\$30 Hour	3.78	3.65	4.03	5.49	6.60	7.15	7.56	5.73%
5140	Wlectrical Wiring - Within Buildings >\$30 Hour	2.45	2.89	2.58	3.09	3.13	3.62	3.39	-6.35%
6218	Excavation/Grading <\$30 Hour	6.12	5.67	5.50	6.70	9.27	11.29	11.28	-0.09%
6220	Excavation/Grading >\$30 Hour	3.05	2.93	3.02	5.00	6.43	6.62	6.86	3.63%
6400	Fence Construction - Metal or Wood	7.48	7.24	5.70	8.08	10.44	12.01	12.32	2.58%
9521	Floor Covering Installation	3.55	4.27	4.37	6.25	7.71	9.61	9.76	1.56%
6258	Foundation Preparation Work	5.15	5.11	4.94	6.34	6.90	7.27	8.35	14.86%
5467	Glaziers - Away From Shop <\$29 Hour	7.41	7.08	8.34	11.73	12.00	14.35	14.64	2.02%
5470	Glaziers - Away From Shop >\$29 Hour	5.82	5.30	5.93	7.19	8.02	7.67	7.24	-5.61%
5479	Insulation Work	5.74	5.80	5.41	6.71	8.19	9.92	9.98	0.60%
5059	Iron or Steel Erection	11.87	13.68	13.74	20.30	21.26	22.46	23.19	3.25%
5057	Iron or Steel Erection	7.12	6.44	7.13	8.62	9.80	10.12	11.34	12.06%
5040	Iron or Steel Erection - Bridge Building	8.85	10.56	12.70	13.67	17.55	15.59	16.83	7.95%
9008	Janitorial Services - By Contractors	6.67	6.96	7.04	9.64	12.51	13.61	13.80	1.40%
0042	Landscape Gardening	4.94	5.07	4.77	7.24	8.16	9.32	9.32	0.00%
5027	Masonry <\$27 Hour	8.60	8.88	8.45	10.72	12.48	16.25	17.06	4.98%
5028	Masonry >\$27 Hour	5.21	5.49	4.43	6.51	7.08	8.45	8.38	-0.83%
5102	Non-Structural Metal Installation within Buildings	5.45	6.61	6.89	6.90	9.16	11.46	10.72	-6.46%
5474	Painting, Paperhanging, Waterproofing <\$24 Hour	6.38	6.87	6.43	9.83	11.72	13.34	15.07	12.97%
5482	Painting, Paperhanging, Waterproofing >\$24 Hour	3.74	4.44	4.21	5.96	6.94	6.71	7.64	13.86%
6003	Pile Driving, Timber Wharf or Bridge Construction	6.44	6.50	7.12	9.48	11.53	12.65	15.93	25.93%
5484	Plastering or Stucco Work <\$27 Hour	9.66	9.34	9.28	12.11	17.41	19.27	21.62	12.20%
5485	Plastering or Stucco Work >\$27 Hour	5.28	4.80	5.12	7.19	9.60	11.03	12.16	10.24%
5183	Plumbing <\$26 Hour	5.22	5.46	5.20	6.91	8.69	10.28	10.20	-0.78%
5187	Plumbing >\$26 Hour	3.53	3.12	3.78	5.01	6.66	6.41	5.56	-13.26%
3039	Reinforcing Steel Fabrication	6.50	6.19	6.51	8.53	10.90	12.04	11.86	-1.50%
5225	Reinforcing Steel Installation	6.25	6.40	7.42	11.14	13.33	11.08	12.92	16.61%
5552	Roofing <\$23 Hour	18.64	21.61	19.56	28.54	35.26	36.04	46.14	28.02%
5553	Roofing >\$23 Hour	9.54	10.19	8.78	13.59	18.37	17.67	19.78	11.94%
8742	Sales Person - Outside	0.47	0.44	0.42	0.55	0.70	0.69	0.67	-2.90%
6307	Sewer Construction <\$30 Hour	7.07	8.32	8.11	11.29	12.10	15.01	16.09	7.20%
6308	Sewer Construction >\$30 Hour	4.09	4.22	4.25	5.85	8.56	9.62	9.58	-0.42%
5538	Sheet Metal Work <\$27 Hour	6.61	7.07	5.88	8.62	9.34	8.81	9.66	9.65%
5542	Sheet Metal Work >\$27 Hour	3.70	4.17	4.01	4.45	5.35	5.33	5.82	9.19%
5632	Steel Framing <\$29 Hour	13.53	12.49	11.28	15.36	17.34	19.55	22.44	14.78%
5633	Steel Framing >\$29 Hour	4.78	4.91	4.59	6.49	7.47	7.67	7.75	1.04%
5507	Street or Road Construction - Grading	3.14	2.26	2.75	3.84	5.32	5.50	5.60	1.82%
5506	Street or Road Construction - Paving	4.65	4.61	4.18	6.25	9.00	10.96	11.92	8.76%
5348	Tile, Stone, Mosaic, or Terrazzo Work	3.48	3.38	3.75	5.42	7.27	8.11	8.85	9.12%
5446	Wallboard Application <\$31 Hour	5.31	6.62	5.81	7.43	9.31	11.25	11.02	-2.04%
5447	Wallboard Application >\$31 Hour	3.34	3.42	3.65	4.95	6.32	6.88	5.94	-13.66%
6315	Water or Gas Main Construction <\$30 Hour	5.11	5.92	6.34	8.79	10.65	11.31	11.90	5.22%
6316	Water or Gas Main Construction >\$30 Hour	4.45	3.32	3.84	5.45	6.00	6.33	6.97	10.11%
3365	Welding or Cutting	7.67	6.90	5.78	7.37	8.08	8.10	7.71	-4.81%
	Total Average Rates	5.79	5.96	5.88	7.96	9.55	10.34	11.05	6.86%

2015 Officer/Owner: Minimum payroll is \$44,200 & Maximum payroll is \$111,800

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

Announcing PentaRisk EMR 500 Index

We compiled historical EMRs from 500 leading northern California contractors for the five year period starting in 2010 through 2014. Mechanical/Electrical/Plumbing (MEP) subcontractors and general contractors continue to have 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 EMRs over the last four years.

PentaRisk EMR 500

Composite List of 500 Northern CA Commercial Contractors with at least 25 Employees

<u>Industry</u>	2010	2011	2012	2013	2014	Average
HVAC / Mechanical / Plumbing	87	86	89	78	79	84
Electrical	84	85	83	84	84	84
General Building	86	87	90	87	87	87
Door / Casework	87	95	94	85	81	88
Remediation / Abatement	88	92	87	91	88	89
Drywall / T-Bar / Ceiling	90	92	100	83	83	90
Painting	93	103	94	93	93	95
Roofing	90	98	97	100	93	96
General Engineering	98	103	102	93	92	98
Fence	106	101	102	90	90	98
Landscaping	89	99	99	108	100	99
Flooring	106	109	103	93	87	100
Underground / Drilling	104	104	98	99	97	100
Demolition	103	100	100	103	112	104
Concrete / Rebar / Pumping	103	110	107	105	97	104
Shoring / Foundation / Shotcrete	105	103	110	112	111	108
EMR Averages	95	98	97	94	92	95

Contact PentaRisk to find out how your safety record compares to those of your peers:

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