

CALCULATION OF COST SAVINGS FROM THE REFORMS					
(\$Billions)					
			Low Savings	Middle Savings	High Savings
Rates Not Adjusted for Rate Adequacy					
(1)	7/1/03 Pure Premiums Based on CDI Approved Rates	4.81			
(2)	1/1/06 Pure Premiums Assuming No Reforms	6.52			
Adjustment for Rate Adequacy					
(3)			25%	14%	2%
Rates Adjusted for Rate Adequacy					
(4)	7/1/03 Pure Premiums Based on CDI Approved Rates (1) / [1+(3)]		3.84	4.23	4.70
(5)	1/1/06 Pure Premiums Assuming No Reforms (2) / [1+(3)]		5.20	5.74	6.37
			Low Savings	Middle Savings	High Savings
(6)	1/1/06 Rates (Post-reform)	2.59	2.57	2.90	2.46
Reduction in CDI Rates					
(7)	Compared to 7/1/03 Rates Adjusted for Rate Adequacy (6) CDI / (4) - 1		(33%)	(39%)	(45%)
(8)	Compared to 1/1/06 Rates Assuming no Reforms, Adjusted for Rate Adequacy (6) CDI / (5) - 1		(50%)	(55%)	(59%)
% Savings Due to Reforms					
(9)	Compared to 7/1/03 Rates Adjusted for Rate Adequacy (6) BRS / (4) - 1		(25%)	(42%)	(57%)
(10)	Compared to 1/1/06 Rates Assuming No Reforms, Adjusted for Rate Adequacy (6) BRS / (5) - 1		(44%)	(57%)	(68%)
(11)	Estimated Payroll for Policies Incepting in 2006 (\$Billions)	457	457	457	457
\$\$ Savings Due to Reforms					
(12)	Compared to 7/1/03 Rates Adjusted for Rate Adequacy (11) x [(4) - (6)] / 100		4.3	8.1	12.3
(13)	Compared to 1/1/06 Rates Assuming No Reforms, Adjusted for Rate Adequacy (11) x [(5) - (6)] / 100		10.5	15.0	19.9

CALCULATION OF 2006 WORKERS' COMPENSATION PAYROLL

(\$Billions)

Policies Written January 1, 2005 - June 30, 2005		
(1)	Written Premium (Gross of Deductible): 1/1/05-6/30/05	11.4
(2)	Average Insurer Rate 1/1/05 - 6/30/05	5.37
(3)	Implied Payroll 1/1/05 - 6/30/05 (1)/(2) X 100	212
Policies Written July 1, 2005 - December 31, 2005		
(4)	Written Premium (Gross of Deductible): 1/1/05-9/30/05	16.3
(5)	Written Premium (Gross of Deductible): 6/30/05-9/30/05 (4) - (1)	4.9
(6)	Average Insurer Rate	4.42
(7)	Payroll 6/30/05 - 9/30/05 (5)/(6) X 100	111
(8)	Payroll 6/30/05 - 12/31/05 (7) x 2	222
Trend Factor to 2006		
(9)	Average Payroll Date for Policies Written in 2005	12/31/05
(10)	Average Payroll Date for Policies Written in 2006	12/31/06
(11)	Estimated Total CA Wages in 2005	552.1
(12)	Estimated Total CA Wages in 2006	586.5
(13)	Estimated Total CA Wages in 2007	613.2
(14)	Estimated Total CA Wages for Period Covering Policies Incepting in 2005 [(11)+(12)] / 2	569.3
(15)	Estimated Total CA Wages for Period Covering Policies Incepting in 2006 [(12)+(13)] / 2	599.9
(16)	Trend from 2005 to 2006 Policies (15)/(14)	1.054
2006 Payroll Compared to 1/1/06 Rates Assuming No Reforms, Adjusted for Rate Adequacy		
(17)	Payroll of Policies Written in 2005 (3)+(8)	434
(18)	Payroll of Policies Written in 2005 (16) x (17)	457
<p>(1) CHSWC: Selected Indicator in Workers' Compensation: A Report Card for Californians, page 10</p> <p>(2) WCIRB Summary of September 30, 2005 Insurer Experience, Exhibit 2</p> <p>(4) WCIRB Summary of September 30, 2005 Insurer Experience, Exhibit 1</p> <p>(6) WCIRB Summary of September 30, 2005 Insurer Experience, Exhibit 2</p> <p>(11) CA Employment Development Department, October 2005 Unemployment Insurance Fund Forecast, page 6</p> <p>(12) CA Employment Development Department, October 2005 Unemployment Insurance Fund Forecast, page 6</p> <p>(13) CA Employment Development Department, October 2005 Unemployment Insurance Fund Forecast, page 6</p>		