



September 14, 2018

Sacramento, California

John A. Norwood
Counselor at Law

Erin Norwood
Publisher

Contributor
Ted Wait

[Contact Us](#)

info@nalobby.net

Capitol Place
915 L Street, Suite 1110
Sacramento, CA 95814

(916) 447-5053
(916) 447-7516 fax

[California Links](#)

State Senate

State Assembly

Department of
Insurance

Secretary of State

Official Legislative
Information

Mendocino Complex & Carr Fire Insurance Claims: \$845 Million

The two main California wildfires that burnt in recent weeks, the Carr and Mendocino Complex wildfires, have between them already resulted in over \$845 million of insurance claims. The Carr and Mendocino Complex wildfires burnt through late July and August in California, resulting in more than 8,800 homes, 329 businesses, and more than 800 private automobiles, commercials vehicles, and other types of property being damaged or destroyed. As a result, the insurance and reinsurance industry has been expecting a hit from the recent California wildfires, and reinsurance broker Aon's Impact Forecasting said that the Carr wildfire alone could drive \$1 billion of industry losses.

More than 10,000 claims have now been filed, according to the Insurance Commissioner, totaling \$845 million in insured losses. The two fires now sit among the most destructive in California wildfire history. The Carr fire sits at 7th largest, while Mendocino Complex is the largest. The Carr fire is also the 6th most destructive on record. The Department of Forestry and Fire Prevention said that out of the 20 most destructive wildfires in California history, 17 occurred after September 1st. This has led institutions to warn of the fire season to come.

For the insurance sector, the majority of these early season California wildfire losses are expected to be dealt with by primary insurers, while reinsurance firms and Insurance Linked Securities (ILS) funds will instead be watching aggregate contracts towards which some losses may be counting. If the wildfire season continues to be severe, 2018 could become another wildfire year having an impact on the ILS market, likely through quota shares and collateralized reinsurance losses to aggregate contracts first.

Labor Secretary Says California Workers Compensation Cost Savings \$1.3 Billion Annually

Cost savings in the California worker's compensation system from reforms made 5 years ago are far greater than projected, according to California Labor Secretary David Lanier of the Labor and Workforce Development Agency. Secretary Lanier reported that \$1.3 billion in annual savings have been realized since workers' compensation reforms went into effect in 2013. In 2012, when the reforms were being pushed through the Legislature, it was estimated annual savings would be roughly \$200 million a year.

Before the passage of workers' compensation reform with SB 863 (2013), wage replacement rates were under 60%, costs in the system were out of control, and rates employers were paying were continually on the rise. Now wage replacement rates are around 80%, systemic costs are down,

and the rates charged to employers have been going down, the Secretary said. The state workers' compensation system is \$22.5 billion. California has seen 8 consecutive drops in the worker's compensation pure premium benchmark.

The Workers' Compensation Insurance Rating Bureau of California last month submitted an advisory pure premium rate filing lower than last year's approved rate to the Insurance Commissioner. The advisory pure premium rates proposed to be effective January 1, 2019, average \$1.70 per \$100 of payroll. This indicated average pure premium rate is \$0.08, or 4.5%, less than the average approved July 1, 2018 advisory pure premium rate of \$1.78 and \$0.43 or 20%, less than the corresponding industry average filed pure premium rate of \$2.13 as of July 1, 2018.

SB 863 brought a number of changes to the system, including the establishment of an independent medical review (IMR) process, a revamping of the lien process, and other cost-cutting measures. The IMR process, which is part of dispute resolution, has helped to decrease costs and time spent, the Labor Secretary said. A dispute resolution typically took 9 to 12 months on average; it's now 9 to 12 days.

Workers Compensation Fraud Grant Payments Up Quite A Bit

Prosecutors across the state will receive more funding to fight workers' compensation fraud as a result of a larger assessment for the current fiscal year as well a decision to distribute unspent money from last year. Grant disbursements could increase further next year as the Fraud Assessment Commission (FAC) earlier this month voted to increase next year's aggregate assessment by 8%. That is in addition to an 8% increase to the surcharge that the Commission approved for the current year. The result is that employers will pay about \$72.1 million in fraud assessments starting July 1, 2019, compared to \$67.1 million they paid last grant cycle.

The assessment is split between county prosecutors, who receive 60% of the total and the Department of Insurance, which receives 40% for investigations. This leaves \$39.6 million for the FAC to distribute to 39 counties. However, the FAC voted to add \$1.1 million that was left over from the fiscal year that ended June 30. This brings the total awarded this year to \$40.7 million, 11% more than last year.

Riverside County fared well as it will receive \$2.6 million this year, including \$2.4 million from the current assessment. This is a 16% increase for Riverside. Los Angeles County will receive the most funding under the plan, though, totaling \$7.9 million. San Diego County will receive \$5.9 million and Orange County \$5.2 million. Santa Clara will receive \$3 million and Sacramento will receive \$1.1 million.

District attorneys sought a 20% increase to account for 10 years of inflation. This FAC action to increase fraud investigation is in part due to [AB 2046](#) (Daly, Dem-Anaheim), which is pending Governor Jerry Brown's approval. AB 2046 allows the FAC to use any unspent money for a 2nd round of disbursements. It authorizes funds appropriated by the Legislature that are not expended in the fiscal year for which they have been appropriated, and that have not been allocated to the district attorneys, to be applied to satisfy for the immediately following fiscal year the minimum total amount required, or, subject to appropriation by the Legislature, to be used to augment funding in the immediately following year.

CalChamber Rounds Out Positions On November Ballot Initiatives

The California Chamber of Commerce Board of Directors recently voted to support Propositions 1, 2, and 4, on the November 2018 ballot.

Proposition 1 – Support: Proposition 1, the Veterans and Affordable Housing Bond Act, authorizes \$4 billion in general obligation bonds for housing-related programs, loans, grants, and projects and housing loans for veterans. The CalChamber Board supports Proposition 1 because the housing supply and demand imbalance in California is having significant negative impacts on the state economy and businesses. The housing shortage is estimated to cost California approximately \$140 billion a year – the equivalent of 6% of gross state product – and that does not include lost business opportunities or expansions forgone or relocations instituted by employers because they cannot recruit or keep workers in the state’s high cost housing environment.

Proposition 1 is projected to create more than 100,000 jobs associated with or indirectly related to the construction of new housing and inject billions of dollars back into the state’s economy. As this is a state bond measure, the costs associated with Proposition 1 will be spread over the entire California tax paying population, thereby minimizing impacts on any one individual or business.

Proposition 2 – Support: Proposition 2 is a revenue bond that spends only revenue generated from Proposition 63 (2004), which provides for a 1% tax on income above \$1 million (an estimated \$2.23 billion in the fiscal year 2018-2019). This measure authorizes the state to use the revenue generated from Proposition 63 (2004) on \$2 billion in revenue bonds to address the homelessness crisis in California for those suffering from mental health issues. There are no additional taxes and no additional spending from the General Fund as a result of this bond.

The Chamber Board voted to support Proposition 2 because the measure improves the economy by helping the homeless reintegrate and reduces public healthcare costs. Proposition 2 builds housing and keeps mental health services in reach for people. More than 134,000 Californians are homeless. It is estimated that as many as a 3rd of the people living in these unsafe conditions are living with an untreated mental illness. Proposition 2 will result in the construction of 20,000 permanent supportive housing units. This allows coordination of mental health and substance use services, medical care, case managers, education and job training to help people get the treatment and housing stability they need.

Proposition 4 – Support: Proposition 4 authorizes the state to sell \$1.5 billion in general obligation bonds for capital improvement projects at the 13 children’s hospitals as well as other public or private nonprofit hospitals that provide services for children eligible for the California Children Services (CCS) program. In 2004, Proposition 61, the Children’s Hospital Bond Act was approved with 58% of the vote in the general election and authorized the state to sell \$750 million in general obligation bonds for capital improvements at children’s hospitals. In 2008, voter approval of Proposition 3, a \$980 million bond, essentially authorized further bond issuance for the same purpose as the Children’s Hospital Bond Act of 2004. The Chamber supported both ballot initiatives. The previous bonds have enabled the hospitals to build new patient towers that meet 2030 seismic standards and purchase new equipment and new medical technology.

Chamber Highlights Positions on All Ballot Initiatives

Below is a recap of Chamber positions on November 2018 Ballot Measures:

Support

Proposition 1 – Authorizes Bonds to Fund Specified Housing Assistance Programs

Proposition 2 – Authorizes Bonds to Fund Existing Housing Program for Individuals with Mental Illness

Proposition 3 – Authorizes Bonds to Fund Projects for Water Supply and Quality, Watershed, Fish, Wildlife, Water Conveyance, and Groundwater Sustainability and Storage. Authorizes Bonds to Fund Projects for Water Supply and Quality, Watershed, Fish, Wildlife, Water Conveyance, and Groundwater Sustainability and Storage

Proposition 4 – Authorizes Bonds Funding Construction at Hospitals Providing Children’s Healthcare

Proposition 5 – Changes Requirements for Property Owners to Transfer their Property Tax Base to Replacement Property

Oppose

Proposition 6 – Eliminates Certain Road Repair and Transportation Funding. Requires Fuel Taxes and Vehicle Fees be Approved by the Electorate

Proposition 8 – Regulates Amounts Outpatient Kidney Dialysis Clinics Charge for Dialysis Treatment

Proposition 9 – Three States Initiative (Removed from ballot on July 18, 2018 by order of California Supreme Court)

Proposition 10 – Expands Local Government Authority to Enact Rent Control on Residential Property

No Position

Proposition 7 – Conforms California Daylight Saving Time to Federal Law. Allows Legislature to Change Daylight Saving Time Period

Proposition 11 – Requires Private Sector Emergency Ambulance Employees to Remain On-Call During Work Breaks

Proposition 12 – New Standards for Confinement of Specified Farm Animals; Bans Sale of Certain Noncomplying Products

Note: If you have trouble displaying this newsletter on your mobile device, please visit [our website](#) to view and download a PDF copy.