

June 2009

RE: 2009-2010 Workers' Compensation Renewal Offer

Dear CHSA Policyholder:

Let me cut to the chase and answer the key question you may have on this year's renewal:

Why are rates going up?

- 1) Pari-mutuel wagering is down over 20% and this means over 20% less workers' comp subsidy provided by the CTBL (California Thoroughbred Business League).
- 2) The past 2 years have been the worst 2 years of total losses in the CHSA program since its inception in 2002. Exercise Rider claims have more than doubled in the past two years!
- 3) The whole State of California is experiencing rising workers' comp cost again:

Effective 7/1/09 the State Fund rates are:

- 8278: Jockey Starts - \$239.16 per jock start
- 8631: Racing Stables - \$45.72 per \$100 of payroll

After CTBL subsidy, the CHSA rates are \$12.12 (or less for racing stables with larger payrolls) per \$100 and \$35 per jock start.

- 4) Additional collateral from the California horse racing industry is not an option. We must build and maintain a sustainable reserve pool for the program to continue offering favorable market rates. Over \$11,000,000 in collateral has been returned and the program is now left to stand on loss reserves.
- 5) Individual experience mods have gone up, which cost the CHSA more money.
 - It can get pretty complicated to explain, but basically an experience mod is your loss experience compared to other racing stables' average loss experience. Frequency and severity play a role in your calculation. Call us if you want a more detailed explanation and we would be happy to go through this with you.
 - Some of you will see an additional 10% surcharge for an experience mod higher than 1.15.

What have we done to minimize the rate increase?

- We operate similar to that of a mutually held insurance company. Our loss fund for 09-10 is set well over \$7,000,000. With your continued cooperation, the help of Sonia Pishehvar and her team at the CHSA we should be able to beat that projection to supplement future renewal rates. Over a half million dollars in reserves from prior years went to further supplement your renewal rate. The administrative costs to operate the CHSA program is the lowest in the history of the program!
- Because of the reduction in total handle it is necessary to reinstate a \$35 jock start fee. You will be responsible for tracking and reporting your starts on a monthly basis and including the appropriate premium with your monthly invoice payment in order to maintain your CTBL subsidy. Jock start fees are about \$106 without the CTBL subsidy.
- I can assure every policyholder that myself and my team at MOC have never worked harder at negotiating renewal terms and we will continue to our very best to mitigate your workers' comp costs. Although your rates have increased, the overall savings compared with historical levels are still at nearly the lowest levels anywhere in the country.
- Once again, Exercise Rider claims have more than doubled! Sonia Pishehvar and her team at the CHSA will be starting an awareness campaign to highlight the importance of loss prevention in this high risk area. Your continued cooperation is needed to mitigate this problem.

I encourage you to call me anytime via cell at 415-314-7477 with any questions. It will be a busy few weeks but your call will be returned!

Sincerely,



John Patrick Unick
President
Thoroughbred Racing Division