# WORKERS' COMPENSATION RATE FILING STATUS REPORT*

**Background:**
In Administrative Hearings held on September 12, 2003, the Workers' Compensation Insurance Rating Board (WCIRB) recommended a 12 percent increase in workers' compensation pure premium rates. This followed a 12 percent increase on July 1, 2003, a 15 percent increase on January 1, 2003, and another 15 percent increase on July 1, 2002. In fact, since 1999, carriers have raised base rates every year.

**Private carrier filed rate increases:**

21% in 2000
22% in 2001
18% in January 2002
12% in July 2002
14% on January 2003
9% in July 2003

**The State Compensation Insurance Fund's filed rate increases:**

9% in 2000
14% in 2001
23% in 2002
19% in July 2002
15% in January 2003
19% in July 2003

**The approved advisory pure premium rate changes for the same period:**

18.4% in 2000
10.1% in 2001
10.2% in January 2002
10.1% in July 2002
10.5% in January 2003
7.2% in July 2003

**Over the past two years, 98 percent of filing companies have adopted the approved advisory pure premium rate increases, and a similar percentage would likely have done so on January 1, 2004, absent any reform of the system.**

On September 30, 2003, AB 227 and SB 228, which imposed workers compensation cost containment reforms with projected annual savings of $5.6 billion and one-time savings of $5 billion, were signed into law. As a result, the WCIRB amended its proposed 12 percent increase to account for the reform savings.

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<http://www.insurance.ca.gov/docs/ FINAL_RRD_1-1-04_RATE_FILING_STATUS_REPORT2.pdf>

**On November 7, 2003, Insurance Commissioner John Garamendi issued a ruling which reduced the 2004 pure premium rates by 14.9%. Of the entire 14.9%, 8.2% of the reduction is attributable to the specific reforms contained in AB 227 and SB 228.**

**Summary of filings received:**
Beginning in mid-November insurance companies began submitting rate filings for January 1, 2004 renewals. To date, 95 insurer rate filings have been received and the premium weighted average rate decrease is -3.6 percent.

**Rate changes:**

| Group | Change | Notes |
|---|---|---|
| All | -3.6 percent | Includes State Fund, which controls $5,484,180,783 in written premiums and more than 50 percent of market share |
| Private Carriers | -4.8% | Excludes State Fund |
| Individual Carriers range of filings | -29.98% to +25.7% | • 69 companies filed decreases<br>➤ Average: 5.1%<br>➤ Represents $7.75 billion in premiums<br><br>• 10 companies filed increases<br>➤ Average: 3.2%<br>➤ Represents $94 million in premiums<br><br>• 16 companies kept rates at current levels<br>➤ Represents $758 million in premiums |

The filings received to date represent approximately 1/3 of the anticipated total filings by year end. However, the premiums these companies receive represent more than 75 percent of the market.