

## [Request for Increase in Workers' Comp Cost Benchmark Rejected by Commissioner Poizner](#)

Posted on November 22, 2010 by [Timothy Moroney](#)

### **California Insurance Commissioner Requires Overhaul of Workers' Comp Rate-Making System to Increase Transparency**

Citing the inclusion of avoidable costs, [California Insurance Commissioner Steve Poizner](#) for the third straight time rejected a filing submitted on behalf of insurers by the [Workers' Compensation Insurance Rating Bureau](#) ("WCIRB") seeking an increase in the workers' compensation pure premium rates and claims cost benchmark ("Benchmark"). See this [link](#) for Commissioner Poizner's Decision and Order.

The WCIRB had originally submitted a filing recommending a 29.6% increase, which was subsequently amended to 27.7%. The WCIRB justified the recommended rate increase as warranted primarily because of rising medical costs. This increase would have affected policies with effective dates on or after January 1, 2011. See this [link](#) for a summary of the proceedings relating to the WCIRB's filing.

Pure premium rates reflect the loss (both medical and indemnity) and loss adjustment expense expected to occur on policies. Pure premium rates are a benchmark that insurers can use as a tool for determining their own rates. Pure premium rates have not been increased since January 1, 2009, and this is the third increase in excess of 20% filed by the WCIRB since then.

While the Benchmark is purely advisory and does not set workers' compensation rates, Commissioner Poizner criticized the requested increase as the Benchmark has in the past allowed insurers to file for and pass on rate increases to businesses.

Calling for transparency and stating that "[t]he workers' compensation rate-making system is long overdue for some much needed reforms," Commissioner Poizner also announced three reforms that he believes will significantly improve and inject transparency into the workers' compensation rate-making process. Under these reforms, the WCIRB will be required to:

1. calculate future advisory pure premiums based on insurers' actual, filed rates rather than on theoretical benchmark numbers;
2. include in each future rate filing a table showing (in addition to industry average numbers) the proposed change for each individual worker classification; and
3. use California Department of Insurance filing information and data from the WCIRB to evaluate overall workers' compensation insurer profitability.