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Workers' Compensation Rates on the Rise

The Workers' Compensation Market in California has been on the rise beginning late 2008.

What's causing the change? How much will it change?

What's driving the increase in ratios is the decline in premiums, which is being driven by declining rates.
- Dave Bellusci
Workers' Comp Insurance Rating Bureau Actuary

Rates on the Rise

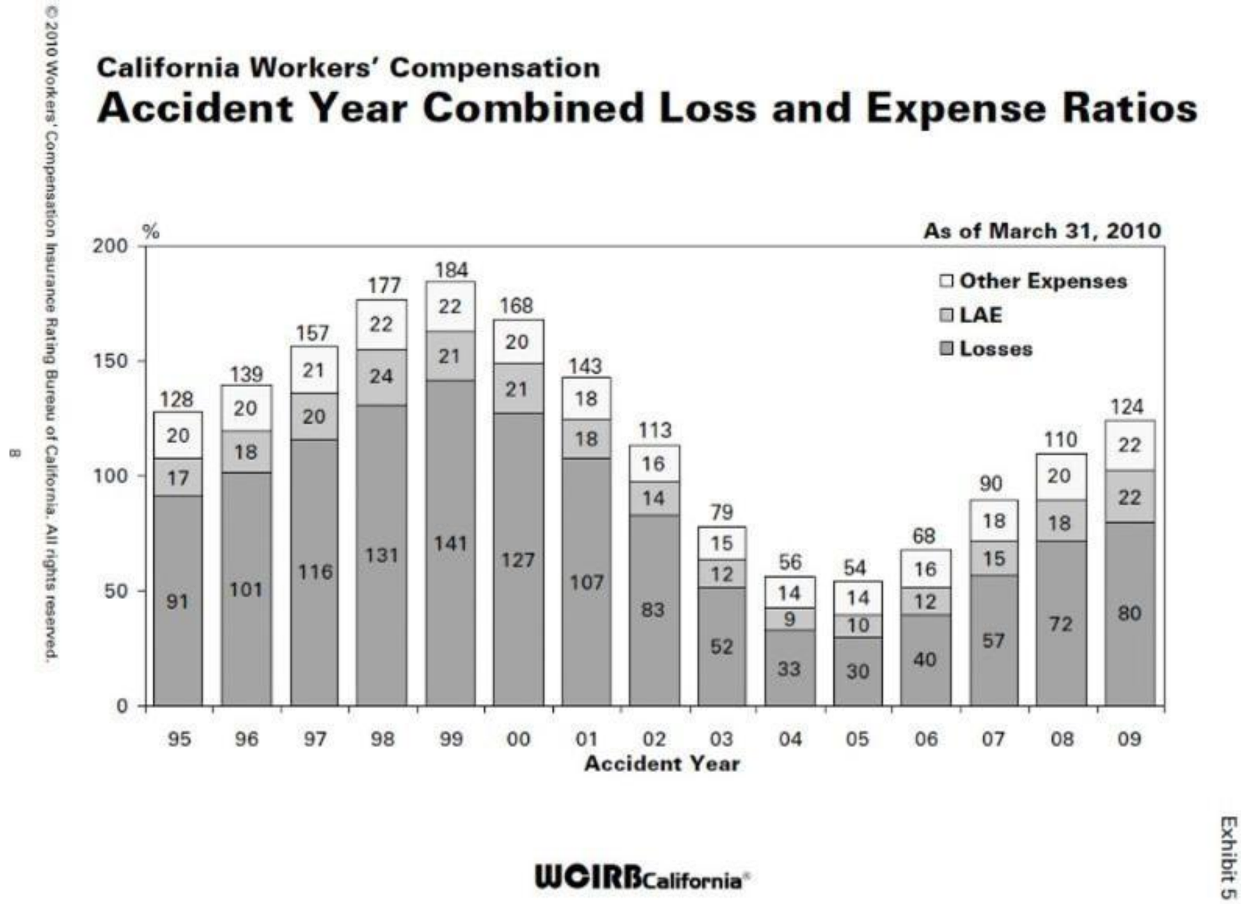
Summary explanation on why carriers need to raise rates

The WCIRB's most recent 2009 California Workers' Compensation Losses and Expenses report illustrates the upward trend in medical utilization and cost, the leading driver for why many carriers are filing for rate increases in California.

- 2009 - $4.2 billion were for medical services
- 2008 - $4.1 billion were for medical services.

Medical cost containment programs increased from $279 million in 2008 to $321 million in 2009. Increases in utilization were found in Clinics, Physical Therapy and Radiology.

In addition, the two en banc decisions, has the potential to increase Permanent Disability rating and loss time payment (mentioned in our last news blast).



WCIRB Summary of March 31, 2010 Insurer Experience Report (Exhibit 5)

The graph above shows the California Insurer's Combined Loss Ratios. Since 2005, Carrier costs have been increasing and notably in 2008, when combined losses went over 100 (110). A simple way to look at data is, for every dollar ($1) earned by the insurance carrier in 2008, $1.10 was paid out creating a net loss.

The Workers Compensation Insurance Rating Bureau (WCIRB) has recommended rate increases since 2008 when they noticed the significant spike in losses between 2006 and 2007. Most recently, the WCIRB has recommended to the California Department of Insurance (DOI) a 27% rate increase. If carriers do not adjust rates accordingly, the market may see a repeat of what happened in the late 90's which resulted in many carriers filing for insolvency.

Rate Increase Trend

List of carriers who have filed for rate increases since 2008

Company Name	Percent	Year-Month Filed
Alaska National Insurance Company	3.7	2008-12
Alaska National Insurance Company	13.3	2009-09
Alaska National Insurance Company	4.5	2009-11
Benchmark Insurance Company	5.5	2008-12
Benchmark Insurance Company	12.34	2010-04
Care West Insurance Company	12.9	2009-06
Care West Insurance Company	0	2009-11
Care West Insurance Company	12	2010-09
Compwest Insurance Company	5	2008-11
Compwest Insurance Company	7.5	2009-05
Compwest Insurance Company	6	2009-11
Compwest Insurance Company	8	2010-08
Delos Insurance Company	5	2009-01
Delos Insurance Company	1.4	2010-02
Delos Insurance Company	15	2010-08
Delos Insurance Company	10	2009-07
Delos Insurance Company`	12	2009-10
Employers Direct Insurance Company	17.3	2008-11
Employers Direct Insurance Company	33.9	2009-05
Employers Direct Insurance Company	0	2009-11
Insurance Company of the West	5	2008-11
Insurance Company of the West	10	2009-11
Majestic Insurance Company	11.6	2008-11
Majestic Insurance Company	12.3	2009-04
Majestic Insurance Company	10.1	2010-05
Pennsylvania Manufacturers Association Insurance Company	5	2008-12
Pennsylvania Manufacturers Association Insurance Company	0	2010-03
Pennsylvania Manufacturers Association Insurance Company	10	2009-07
Praetorian Insurance Company	5.1	2008-12
Praetorian Insurance Company	10	2009-06
Praetorian Insurance Company	0	2009-11
Seabright Insurance Company	5	2008-11
Seabright Insurance Company	10.6	2009-06
Seabright Insurance Company	0	2009-11
Seabright Insurance Company	15.3	2010-07
State Compensation Insurance Fund	8.9	2008-11
State Compensation Insurance Fund	15	2009-05
State Compensation Insurance Fund	5	2009-11
State Compensation Insurance Fund	0	2010-04
Tower Insurance Company of New York	1.8	2008-11
Tower Insurance Company of New York	0	2009-11
Ullico Casualty Company	6.7	2008-11
Ullico Casualty Company	0	2008-11
Ullico Casualty Company	19.2	2009-06
Ullico Casualty Company	-1.7	2010-01

How Does This Affect Employers

Some employers are all ready experience the changes in the market place with higher premiums. As the workers' comp market cycle begins to turn, employers who do not have an effective safety program and good risk management in place, will most likely see the greatest change in their premium renewals.

In addition, the WCIRB has changed how they are Rating the Experience Modification (Ex Mod). Historically, the WCIRB placed a heavier rating (penalty) on high severity losses. As of January 2010, the bureau has changed its calculation methodology to weigh more against controllable loss frequency.

The WCIRB wanted employers to understand the importance of workplace safety, and therefore increased the limit from $2,000 to $7,000 for actual loss costs. This change has created Ex Mod increases for many businesses in 2010.

What Can Employers Do?

Here are a few tips on what Employers can do to help take control of their Workers' Comp

1. Return to work. Do everything you can to get an employee back to work. Having the employee at work will help you monitor and manage their recovery progress. This is especially true if they have work restrictions, which they may otherwise not follow if they were at home (i.e. no lifting/pushing/pulling over 25lbs).
2. Communicate. It is not only great for employee morale, but communication about your employee's recovery and reminders of follow up visits all add up to help managed care process. Also, communicate with the claims examiner as you are there with the employee more often than the examiner is communicating with them. Your feedback will help the examiner advance the progress of care and recovery.
3. Document. It is very important for employers to document and report claims timely. Complete claims information received timely will allow examiners to start managing the files immediately. This will help also reduce any potential frustration from the employee from feeling neglected and possibly help reduce the likelihood of the claim being litigated.