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Poizner rejects proposal for workers' comp insurance rate hike

A California industry rating group is urging the state's insurance chief to boost rates paid by employers 22.8% for policies written or renewed after Jan. 1.

By Marc Lifsher

November 10, 2009

Reporting from Sacramento

For the second time in a year, the California insurance commissioner has rejected an industry rating group's proposal that he recommend that insurers significantly raise rates paid by employers for workers' compensation insurance.

Steve Poizner on Monday rejected a call from the California Workers' Compensation Insurance Rating Bureau to hike rates by 22.8% for policies that would be written or renewed after Jan. 1. Poizner also rejected a subsequent recommendation made by a hearing examiner from his department who had reviewed the 22.8% proposal and suggested 15.4% instead.

By law the commissioner's decision is not binding, but it generally is followed by many leading insurance companies.

In rejecting the recommendations made to him, Poizner cited the weakness of California's economy and high unemployment.

"I'm very concerned about anything that would encourage or result in higher workers' compensation premiums," he said in a conference call. "This effectively is a tax on every employer in the state of California to cover the cost of workers' compensation insurance. As rates go up, it will definitely make our unemployment grow worse."

California's unemployment was 12.2% in September, the highest since World War II.

Insurers should be wringing more efficiencies out of their operations and cutting claims handling and medical costs rather than raising rates, Poizner said.

Potential cost-cutting measures contained in a landmark legal overhaul of workers' compensation laws in 2003 and 2004 have not been fully exploited even though rates have fallen by more than half in the last



six years, he said.

The rating bureau based its suggested increase in premiums on a review of increased medical costs for treating workplace accident claims in the 12 months prior to June 30.

The bureau also said it factored in the potential effect of changes in statistical reporting and a pair of cases pending before the Workers' Compensation Appeals Board.

Representatives of insurance trade groups said they were puzzled by Poizner's decision to not recommend any rate increase in light of his department hearing officer's own finding that rates could climb 15.4% to cover increased medical costs and possible jumps in permanent disability awards.

"I really question the basis of the decision," said Sam Sorich, president of the Assn. of California Insurance Cos. "To reject the staff recommendation without any contrary quantitative evidence does not seem to be warranted."

Employers said they appreciated Poizner's attempt to keep rates down as long as they were not artificially suppressed.

"It's hard for me to understand why there would be no rate increase," said Scott Hauge, president of Small Business California and a San Francisco insurance broker.

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