



CALIFORNIA DEPARTMENT OF INSURANCE

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**COMMISSIONER JOHN GARAMENDI ANNOUNCES SUBSTANTIAL
REDUCTIONS IN WORKERS' COMPENSATION RATE FILINGS
OF 95 INSURERS, HIGHLIGHTING "SIGNIFICANT IMPACT"
OF REFORM LEGISLATION**

*Historic "First-Look" Report Reflects Positive Results from Ongoing
Structural Reform of the \$29 Billion Ailing System*

SACRAMENTO – Insurance Commissioner John Garamendi announced Wednesday that workers' compensation pure premium rates filed by insurers to date are below current rates by an average 3.6 percent, a "clear sign" that the historic reforms signed into law in September will result in much needed savings for many employers.

Commissioner Garamendi said that 95 carriers, about one-third of the market, have filed rates with the Department of Insurance that will take effect on Jan. 1, 2004. Those carriers represent more than 75 percent of total premiums in the market.

Of those filings, 69 companies will reduce rates, 16 will keep rates at current levels, and 10 will increase rates. The list includes the State Compensation Insurance Fund (State Fund), which writes policies for more than half of the California market. It plans to reduce rates by an average of 2.9 percent.

"We have clearly turned the corner in the battle against skyrocketing premiums within the workers' compensation system," said Commissioner Garamendi. "The up escalator of increasing costs has stopped and we are now on a down escalator. But we still need to do more. We must continue with the second phase of reform."

Since 1999, private carriers have increased their base premium rate filings every year. The increases by private carriers over that period ranged from 9 percent to 22 percent annually. State Fund filed for increases during that same period ranging from 9 percent to 23 percent annually.

Prior to the passage of the reform legislation, the Workers' Compensation Insurance Rating Bureau (WCIRB) had recommended to the Commissioner that the advisory rate he sets for insurers be increased by 12 percent beginning in January.

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Pure premiums primarily represent the cost of claims, without associated costs such as profit or overhead expenses. Over the past two years, 98 percent of filing companies have adopted the proposed WCIRB pure premium rate increases, and a similar percentage would certainly have done so on January 1, 2004, absent any reforms, Commissioner Garamendi said.

"Without reform, employers would have certainly been saddled with a nother in a long series of hefty increases," Commissioner Garamendi said. "But largely due to reforms we were able to erase that 12 percent increase, and cut an additional 14.9 percent from the current advisory level. This is very good news for California's employers and will mean real savings."

Commissioner Garamendi noted that because of several factors, not all employers will see immediate relief. Some have policies that do not renew until July 1, some may have had accidents on work sites that will impact rates negatively, and the classification process may result in varying rate changes for others. But overall, the news is good for California, he said.

"This dysfunctional, broken system has devastated employers and created a barrier to the creation of jobs for Californians," Commissioner Garamendi said. "Its problems are a peril to the state's job growth and economic future. While we are pleased, we are not satisfied. We must do more for the sake of California, our employees, and our employers."

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