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DWCNewsline

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State Division of Workers' Compensation releases study on the effects of legislative reforms on California workers' compensation insurance rates

The Division of Workers' Compensation (DWC) today released a study on the effects of legislative reforms on insurance rates in California. The study was conducted by Bickmore Risk Services under contract with the DWC.

"The study contains positive news for the California workers' compensation system," said DWC Acting Administrative Director Carrie Nevans. "Rates have been reduced and competition has returned to California's market."

The study report indicates approved insurance rates for 2006 have decreased by 46 percent, bringing them to rates below those charged in 1996. The report also indicates insurance companies are passing the bulk of their savings through to employers.

California Labor Code section 138.65 (SB 899) required the DWC's administrative director, after consultation with the state insurance commissioner, to contract with a qualified organization to study the effects of the 2003 and 2004 legislative reforms on workers' compensation insurance rates.

The scope of the study included:

- Identifying and quantifying the savings generated by the reforms
- Reviewing rates to determine the extent to which reform savings were passed on to employers
- Assessing the effect of the reform savings on replenishing insurer surpluses
- Reviewing the effects of the reforms on rates, the marketplace and competition
- Reviewing the adequacy and accuracy of the pure premium rate recommended by the Workers' Compensation Insurance Bureau (WCIRB) and adopted by the insurance commissioner.

The primary research for the report was conducted by collecting information from a wide range of organizations, including the California Department of Insurance, the WCIRB, the University

of California Data/Survey Research Center and the California Workers' Compensation Institute, along with reviewing claim files and conducting surveys.

The study can be downloaded from the DWC Web site at www.dir.ca.gov/dwc.

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