

CLIC ADVISORY

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24.4% Increase Urged in California Workers' Comp Rates

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A state advisory board Wednesday recommended a 24.4 percent rate increase for workers' compensation insurance effective July 1, ignoring Gov. Arnold Schwarzenegger's complaint that a rate hike that big would harm California businesses and workers.

The governing board of the Workers' Compensation Insurance Rating Bureau approved the recommended rate increase during a morning meeting in San Francisco.

Workers' comp officials cited rising medical treatment costs and other potential changes resulting from recent rulings on appeals.

The bureau recommendations will go to state Insurance Commissioner Steve Poizner, who is free to accept or reject the recommendations and release his own proposed rate increases.

Ultimately, insurance companies serving the workers' compensation market are free to set their own rates.

Jerry Azevedo, a spokesman for Workers' Compensation Action Network, an employers group, said the bureau's decision was "tough news." Employers will press for a much lower increase, he said.

Hale Johnston, senior vice president for Employers Inc., a Reno-based insurer that offers workers' compensation coverage to 16,000 California small businesses, said the bureau's proposed rate hikes were fair.

"I do think they're living in the right space," Johnston said. Johnston said the timing of a steep rate increase isn't ideal, but the state has deferred increases for years. Some carriers may face financial trouble if they aren't raised soon, he said.

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Any major increase would erode Schwarzenegger's 2004 changes to the system that saved employers \$40 billion, seen as one of his major accomplishments as governor.

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Hours after the bureau's rate decision, Poizner, a likely candidate for governor in 2010, promised to investigate why medical costs are skyrocketing in the system.

A hearing will be held so doctors, insurers, attorneys and labor officials can explain what's going on, he said. "The last thing that California's employers need is increasing workers' compensation costs when so many of them are struggling to keep the employees they have," he said. Poizner has repeatedly rejected the ratings bureau data in recent years, saying its analysis is narrow and its recommendations favor already very profitable insurers.

In 2008, Poizner pared the bureau's recommended rate hike of 16 percent to 5 percent. Before that, he zapped a proposed 4 percent hike to zero.

On Wednesday, Poizner promised he would scrutinize the latest rate advice with "the same level of careful scrutiny." A separate hearing will be held April 28 to get public feedback.

Late Tuesday, Schwarzenegger urged Poizner to reject any large rate hikes, saying it would have an "overwhelmingly negative impact" on state employers and workers. Such increases will undermine changes his administration has made to the workers' compensation system, he said.

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