

Workers' Compensation

# Rating Bureau to Recommend 0.3% Rate Hike

**I**N A SIGN of the long-lasting effects of reforms enacted a decade ago, California's workers' compensation rate-making agency will recommend that average benchmark rates increase a mere 0.3%.

The recommendation by the Workers' Compensation Insurance Rating Bureau, based on claims costs and frequency remaining low and slower cost inflation, would apply to policies incepting on or after Sept. 1, 2023.

After the Rating Bureau's governing committee approved the recommendation, it now heads to the insurance commissioner, who will hold a hearing and then decide whether to approve the recommendation or order a different increase or decrease in the benchmark rate.

The benchmark rate, also known as the pure premium rate, is a baseline that covers just the cost of claims and claims adjusting, but not other overhead and profits.

The pure premium rate is an average across all class codes, with some industries seeing higher increases and some enjoying rate decreases. Insurers use the rate as a guidepost to set their own prices.

Individual premiums that employers pay will depend on a number of factors, including the pure premium rate, the carrier's own pricing methodology, and the employer's claims and claims cost history, location and industry.

## Benchmark rate may actually decrease

If his recent history is any guide, Insurance Commissioner Ricardo Lara is likely to order a pure premium rate decrease. Last year, after the Rating Bureau recommended a 6.9% hike, Lara ordered that rates stay the same.

The *Workers' Comp Executive* trade publication predicts that he

will reduce rates about 3%, but notes that "Individual classes can go up or down as much as 25%."

The tiny rate increase recommendation is based on continuing downward pressure on claims costs since last year. Drivers of the rate recommendation include:

- Lower claims cost inflation
- Lower frequency of claims
- Lower overall claims costs
- Stable medical costs
- Fewer COVID-19 claims
- Lower claims adjusting costs.

One other reason rates continue to decline is that workplaces are generally safer than ever. The number of workers' compensation claims hit a low of 13 per 1,000 workers in 2022, down from 49 in 1991.

The only year that was lower than 2022 was 2020, due to the strict measures that shut workplaces across the country when the COVID-19 pandemic first hit.

One other bit of good news: COVID-19 workers' comp claims have slowed dramatically, accounting for just 2.2% of claims between March 2022 and February 2023. That's compared with 6.2% of claims in 2022, 5.2% in 2021 and 15.3% in 2020.

## Decision expected this summer

Commissioner Lara will hold a public hearing on the recommendation in the coming months, after which he will issue a decision to approve the filing or set another rate. We'll keep you posted at the time.

If you have questions about your workers' compensation coverage, please call us anytime. ❖

