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FLASH REPORT!

Mid-Year Workers' Comp Rate Decrease

The Workers' Comp Rating Bureau is likely to make a mid-year rate filing and for the first time in years it should be good news for California employers. Early indications are that the Bureau could file for a **rate decrease** in the high single-digit if not a double-digit decrease for July 1st new and renewal workers' comp policies.

The Bureau is a private organization financially supported by insurance carriers.

Driving the change is better than expected trends on medical and indemnity costs in the post SB 863 era. The biggest issue keeping the expected rate decrease from being well into the teens is that frictional costs are keeping loss adjustment expenses higher than anticipated.

Without considering the industry's costs for allocated and unallocated loss adjustment expenses, the data indicates a 14.5% decrease in the pure premium rates compared to the Bureau's filing for Jan. 1, 2015. The Bureau's actuarial committee will meet again at the end of the month to consider the impact of the loss adjustment expenses before making a recommendation to its governing committee. As a general rule the Bureau does not make a mid-year filing unless the indicated change is 5 points or more. Even with ALAE costs trending up at least 12% in preliminary 2014 data, rather than declining by 2% as predicted, the final indication is likely to be well in excess of the Bureau's threshold for a filing.

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