

WCIRB Files For 9.1% Rate Increase

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The Workers' Compensation Insurance Rating Bureau (WCIRB) made it official and submitted a mid-year filing for a 9.1% increase in the pure premium advisory rate that Insurance Commissioner Dave Jones approved less than six months ago. The proposed July 1 increase follows the 37% increase that Jones approved for January 1 that was hidden by the change in benchmarks for pure premium rates that was made at his request.

If adopted as filed, the average pure premium rate for 494 different classifications would increase to \$2.51 per \$100 of payroll. This exceeds the current industry average filed rate of \$2.41 by 4.1% and is 9.1% above the \$2.30 rate that Jones approved. In its last annual filing the Bureau proposed a rate of \$2.33.

The Bureau insists that an increase of this magnitude is necessary to combat the continued deterioration in the claims experience, as well as an uptick in claim frequency in the 2010 accident year. Much of the increase will also go to pay for the higher loss adjustment expenses carriers are incurring fighting liens and litigating permanent disability claims. Projected ALAE costs are up to \$11,403 per indemnity claim for the 2011 accident year compared to \$10,698 the year before.

The proposed rate increases are for workers' comp policies incepting on or after July 1, 2012. Insurance Commissioner Jones is expected to hold a hearing on the issue later this spring, although no date has been set. Stay tuned.

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(Filed by Brad Cain in San Francisco)