

THE WORKERS COMPENSATION PENDULUM IS SWINGING THE WRONG DIRECTION!



What Happened?

The passage of SB 899 in April 2004 dramatically reduced insured losses. In fact, in 2005 the combined ratio for all carriers fell as low as 54%. Insurers aggressively reduced rates and new competition entered the state - the laws of supply and demand had taken effect. **Unfortunately, the costs of claims began to rise. From 2005 – 2008, medical costs have risen 56%.** The carriers, even in the face of mounting losses, continued to drive down rates.

Furthermore, there are several key rulings from the Workers Compensation Appeals Board (WCAB) which threaten one of the key tenets of SB 899 – use of American Medical Association (AMA) guidelines. AMA guidelines have been used to create a sense of uniformity and certainty regarding permanent disability (PD) ratings. The WCAB recently ruled that physicians are *not necessarily* bound by the AMA guidelines. The cases are under “re-consideration” and the results are being closely watched by all of the stakeholders.

Where are we heading?

The Workers Compensation Insurance Rating Bureau (WCIRB) recently proposed a **23.7% increase in the overall pure premium rate level**, or “claims cost benchmark” effective July 1, 2009.

While it is pure conjecture as to where the final rate increase recommendation will ultimately fall (after all, the insurance commissioner is running for state governor!), it is fairly certain that we are heading toward considerable rate increases.

What can be done!

While you may not be able to impact macro policies within the Department of Insurance or WCIRB, you absolutely can have a positive impact on your own risk profile. Here are our keys to success in ANY market:

- ✓ Hire right - sound Human Resource procedures are a key to your success.
- ✓ Train your employees on proper *safety behaviors*, not just safe conditions.
- ✓ Report claims in a timely fashion. Late reported claims cost more!
- ✓ Actively manage first aid claims
- ✓ Develop and utilize a return-to-work policy
- ✓ Regular, consistent claims reviews particularly for your pre-unit statistical filing
- ✓ Audit your experience modification annually.

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