STATE OF CALIFORNIA

DEPARTMENT OF INSURANCE

300 Capitol Mall, 17th Floor
Sacramento, California 95814

NOTICE OF PROPOSED ACTION AND NOTICE OF PUBLIC HEARING

January 1, 2020 Workers' Compensation Claims Cost Benchmark and Advisory Pure Premium Rates

File No. REG-2019-00020

Notice Date: August 28, 2019

Approval of the Workers' Compensation Claims Cost Benchmark and Advisory Pure Premium Rates to be effective January 1, 2020.

NOTICE AND SUBJECT OF PUBLIC HEARING

Notice is hereby given that the Insurance Commissioner will hold a public hearing in response to a filing, submitted on August 20, 2019, by the Workers' Compensation Insurance Rating Bureau of California ("WCIRB"), to consider approval of the Workers' Compensation Claims Cost Benchmark and advisory pure premium rates developed by the WCIRB as a rating organization on behalf of its member insurers.

HEARING DATE AND LOCATION

A public hearing will be conducted to permit all interested persons the opportunity to present statements or arguments, verbally or in writing, with respect to the matters proposed in the WCIRB's filing, at the following date, time and place:

September 30, 2019 – 10:00 AM
California Department of Insurance
45 Fremont Street, 22nd Floor - Hearing Room
San Francisco, California 94105

AUTHORITY AND REFERENCE

Workers' Compensation Claims Cost Benchmark and Pure Premium Rates

Pursuant to Insurance Code Section 11750.3, a rating organization may develop pure premium rates for each employee classification on behalf of its member insurers for submission to the Insurance Commissioner for issuance or approval. In addition to the proposed changes to the individual classification pure premium rates, the WCIRB submits an average pure premium rate for all employer classifications that is intended to measure the overall costs in the California worker's compensation system, which is designated as the Workers' Compensation Claims Cost Benchmark.

The Insurance Code provisions regarding workers' compensation insurance rate supervision state that the pure premium rates issued or approved by the Insurance Commissioner are advisory only, and that the Insurance Commissioner is not authorized to require insurers to use the pure premium rates issued or approved by the Insurance Commissioner. These pure premium rates are an estimate of future workers' compensation claims costs. However, all insurers must submit their rates for review to the Insurance Commissioner prior to their use, and an insurer's filed workers' compensation rates are public information.

INFORMATIVE DIGEST

Pursuant to Insurance Code Sections 11750 and 11750.3, the WCIRB has developed and submitted for the Insurance Commissioner's approval pure premium rates for use by its member insurers. The pure premium rates are advisory only, and insurers may use any set of pure premium rates that are identified in the insurer's rate filing.

The pure premium rates recommended by the WCIRB, to be effective January 1, 2020, are detailed in the WCIRB's filing and summarized below.

APPROVAL OF PURE PREMIUM RATES

Pursuant to California Insurance Code Section 11750.3, the WCIRB has proposed advisory pure premium rates for approval by the Insurance Commissioner to be effective January 1, 2020 with respect to new and renewal policies as of the first anniversary rating date of a risk on or after January 1, 2020. The average indicated January 1, 2020 advisory pure premium rate reflecting the March 31, 2019 experience is $1.58 per $100 of payroll. This indication reflects the WCIRB's actuarial estimate of the costs to be incurred against policies issued on or after January 1, 2020.

PROCEEDINGS NOT SUBJECT TO ADMINISTRATIVE PROCEDURE ACT

The Workers' Compensation Claims Cost Benchmark and Advisory Pure Premium Rates approved by the Commissioner pertain to the establishment of workers' compensation insurance rates. Subdivision (g) of section 11340.9 of the Government Code states that the Administrative Procedure Act [Chapter 3.5] shall not apply to regulations that establish or fix rates, prices, or tariffs, and the Office of Administrative Law has determined that these proceedings are excluded from the requirements of the Administrative Procedure Act.

The public hearing in this matter is required pursuant to subdivision (b) of section 11750 of the Insurance Code. Upon conclusion of the public hearing, the Commissioner shall issue a final Order approving, disapproving, or modifying the rate proposed by the WCIRB.

ACCESS TO HEARING ROOMS

The facility to be used for the public hearing is accessible to persons with mobility impairment. Persons with sight or hearing impairments are requested to notify the contact person for this hearing (listed below) in order to make special arrangements, if necessary.

PRESENTATION OF ORAL AND/OR WRITTEN COMMENTS

All persons are invited to submit written comments to the Insurance Commissioner prior to the public hearing on the proposed amendments contained in the WCIRB's filing. Such comments should be addressed to the following:

California Department of Insurance
Attn: Patricia Hein
Attorney IV
45 Fremont Street, 21st Floor
San Francisco, CA 94105
(415) 538-4430
(415) 904-5490 (FAX)
patricia.hein@insurance.ca.gov

Any interested person may present oral and/or written testimony at the scheduled public hearing. Written comments and verbal testimony will be given equal weight in the Insurance Commissioner's deliberations.

DEADLINE FOR WRITTEN COMMENTS

All written material, unless submitted at the hearing, must be received at the address, FAX number, or email address listed above no later than 5:00 PM on September 30, 2019. Additional time to submit written material may be allowed at the time of hearing, or may be granted on or before September 30, 2019, upon a showing of good cause.

ACCESS TO FILE

Any interested person may inspect, or request copies at the statutory cost of duplication, of the public portions of the Workers' Compensation Claims Cost Benchmark and Pure Premium Rates file and the WCIRB's filing by making a request to the contact person listed above. The file will be available for inspection at 45 Fremont Street, 21st Floor, San Francisco, California 94105, between the hours of 8:00 AM and 5:00 PM, Monday through Friday.

AUTOMATIC MAILING

A copy of this Notice, including the informative digest that contains the general substance of the proposed regulations, will automatically be sent to all persons on the Insurance Commissioner's Bulletins and Rulings, and California Government Code mailing lists.

ADOPTION AND NOTICE OF WORKERS' COMPENSATION CLAIMS COST BENCHMARK AND PURE PREMIUM RATES

Following the hearing, the Insurance Commissioner shall approve, disapprove, or modify the proposed rate. Notice of the Insurance Commissioner's action will be sent to all persons on the Insurance Commissioner's Bulletins and Rulings mailing list, the California Government Code mailing lists, and to those persons who have otherwise requested notice of the Commissioner's action.