

DEPARTMENT OF INSURANCE

RATE REGULATION BRANCH – LA 3 RATE FILING BUREAU
300 SOUTH SPRING STREET, SUITE 12705
LOS ANGELES, CA 90013

November 25, 2003

**WORKERS' COMPENSATION RATE FILING NOTICE**

**RE: LEGISLATIVE CHANGES AFFECTING CALIFORNIA WORKERS' COMPENSATION RATE
FILINGS AND ADOPTION OF PURE PREMIUM RATES, EFFECTIVE JANUARY 1, 2004**

TO: ALL WORKERS' COMPENSATION INSURER RATE FILING CONTACT PERSONS

On September 30, 2003, the Governor signed AB 227 and SB 228 which impose workers' compensation cost containment reforms with projected annual savings of \$5.5 Billion. The legislation contains important procedural changes and departures from previous years filing requirements which filers should be aware of. On November 7, 2003, Insurance Commissioner Garamendi issued Ruling number RH 03031326 approving the WCIRB's 1/1/04 pure premium rates with an average overall decrease of -14.9%. The Commissioner has determined that the portion of the pure premium rate filing that is attributable to solely the reform savings is -8.2%. To assist insurers in making their annual rate filing, enclosed are copies of the actuarial certification required by AB 227, rate filing forms and instructions, and the approved 1/1/04 pure premium rates. In preparing the rate filings, insurers should be aware of the following procedural changes mandated by AB 227:

- All insurers must submit a rate filing for policies that incept on or after January 1, 2004. Unlike prior years, AB 227 requires a 1/1/04 rate filing application from all insurers, and the insurer may not simply continue to use its last rate filing application, or delay the adoption of the pure premium rates.
- All insurers must complete a special actuarial certification form demonstrating that the reform savings and a net rate reduction of at least -8.2% are contained in the 1/1/04 rates, or in the alternative, that the insurer is exempt due to inadequate rate levels. This actuarial certification form is enclosed and is also available on the Department's website at: www.insurance.ca.gov.
- The 30 day review period will be automatically waived if the insurer incorporates the reform savings and files a net rate decrease of at least -8.2%, provided that the filing is received prior to 1/1/04.
- Electronic filings via the State Electronic Rate Filing system (SERF) will be accepted.

Thank you for your cooperation during this busy filing period. Please feel free to contact the LA-3 Rate Filing Bureau at telephone (213) 346-6786 should you have any questions related to your filing.

Maureen B. Mason, CPCU
Deputy Commissioner, Rate Regulation Branch

Enclosures:

AB 227 Actuarial Certification Form
Approved 1/1/04 Pure Premium Rates in Ruling RH03031326
Rate Filing Forms CA-WC 1, 2, &3
Rate Filing Instructions
Text of AB 227