



STEVE POIZNER  
Insurance Commissioner

December 30, 2010

Dear Governor-elect Brown:

One of the most important goals of my tenure as Insurance Commissioner has been to create a stable and competitive workers' compensation insurance market. In fact, despite drastic increases medical costs, on average, employers are only seeing low single digit increases in their actual workers' compensation insurance premiums.

We all witnessed the hostile business climate prior to the 2004 reforms and know that if the California economy is to rebound from this great recession, we must not return to those days.

In recent years, there has been increasing pressure by interest groups to revamp the permanent disability schedule. While there is a real need to examine the permanent disability schedule, reinstituting the schedule to pre-2004 reform levels would result in a significant increase in the Workers Compensation Cost Claims Benchmark. This increase would likely be reflected in real world rates paid by employers and could slow a recovery by California's economy.

However, there is a way to adjust the permanent disability schedule without increasing costs. In 2009, I held a hearing to examine the market and made 27 recommendations to workers' compensation insurance companies to help contain costs. Examples of the cost-containment recommendations include:

- Insurers should create pharmacy networks to get the best possible rates.
- Require the prescribing and/or dispensing of generic drug equivalents.

A copy of the report and recommendations are attached.

As a whole, many of these recommendations have not yet been implemented, costing California employers millions of dollars in workers' compensation insurance premiums.

These cost-cutting recommendations should be implemented in concert with any change in the permanent disability schedule. Any move that would assuredly increase the cost of workers' compensation insurance at this time without taking actions that would increase efficiencies would be foolish.

Millions of Californians are out of work. The unemployment rate in the state remains above 12 percent. Californians deserve government policies that help create private sector jobs, not a government that makes it harder for hard working Californians to find meaningful employment.

Sincerely,

A handwritten signature in black ink that reads "Steve Poizner".

Steve Poizner  
California Insurance Commissioner