



DAVE JONES
Insurance Commissioner

June 21, 2011

Robert Mike
WCIRB California
525 Market Street, Suite 800
San Francisco, CA 94105-2767

Dear Mr. Mike:

The Workers' Compensation Insurance Rating Bureau (WCIRB) was directed on November 18, 2010, to revise its filing of pure premium rates to better inform the public and insurers regarding workers' compensation rates in the marketplace. I have reviewed the previous process by which the WCIRB analyzed and submitted its recommendations for pure premium rates and find that the process must focus upon current actions of workers' compensation insurers in the marketplace rather than the past advisory rate levels. In large part, the analysis did not include information on current insurer filed rates and, instead, focused upon the last approved pure premium rates. This has done nothing to alleviate the public's misunderstanding of the pure premium rate process and has contributed to the public's confusion regarding current workers' compensation rates and premiums charged to employers. It has also limited the opportunity to evaluate cost drivers and the current health of the insurance market by focusing attention away from these important issues and onto the size of the indicated change from the last approved pure premium rate level.

The previous Order issued by Commissioner Poizner directed the WCIRB to make changes to its pure premium rate analysis and its filing to provide current data and information to adequately explain the relationship of the proposed advisory pure premium rates filed with the Department to the level of pure premium rates used by insurers in the marketplace. My staff has been working with the WCIRB to determine how the WCIRB can use current insurer data to meet this goal, and it appears that the WCIRB can properly and adequately determine the workers' compensation insurers' average filed pure premium rates using that data.

Since the prior approved pure premium rate is advisory and does not reasonably or accurately reflect current insurer filed pure premium rates, manual rates or charged rates, and thus does not have sufficient relationship to insurance market conditions, I direct the WCIRB to discontinue its practice of using the latest approved advisory pure premium

rate level as the basis for the proposed change in its future pure premium rate filing analyses.

As part of each future advisory pure premium rate filing, the WCIRB shall provide a table displaying its proposed pure premium rates by classification, and the percentage change that each proposed pure premium rate represents relative to the industry average filed pure premium rate for that classification, rather than the approved pure premium rates. The WCIRB shall also provide the overall average proposed change between the industrywide average filed pure premium rate across all classifications and the overall average pure premium rate it proposes. As previously directed, the filing shall include the industry average filed pure premium rate level and the industry average filed manual rate level, and it must also include the industry average charged rate level to assist in evaluating profitability by the Department.

Thank you for your time and attention to this matter, and I look forward to receiving your next pure premium rate filing.

Sincerely,

A handwritten signature in cursive script that reads "Dave Jones". The signature is written in black ink and is positioned to the right of the word "Sincerely,".

DAVE JONES
Insurance Commissioner