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Lawmaker targets workers' comp costs

STATE PANEL WOULD SET RATES, MAKE INSURERS PASS ON SAVINGS

By Deborah Lohse
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In a renewed bid to get insurers to further lower the rates they charge for workers' compensation insurance, a state senator Wednesday proposed creating a panel to set rates.

Sen. Richard Alarcon, D-Van Nuys, introduced the bill as a way to force insurance companies to pass on to employers the savings from recent reforms to the workers' compensation market.

As a result of those reforms, rates for many employers have fallen slightly after years of painful increases. But Alarcon and others believe insurers are using the bulk of their anticipated savings to pad their profits, not ease the burden on employers.

Some veteran lobbyists said the bill faces long odds to become law, largely because Gov. Arnold Schwarzenegger has opposed rate regulation in the past, and wants to give the recent reforms time to result in lower rates through increased competition. ``The governor has said we need to focus on implementing the current reforms, and avoid doing anything that would hamper increased competition," said a spokesman for Schwarzenegger, Vince Sollitto.

The legislation, which Alarcon introduced last year but was omitted from the final reform package, would establish a three-person panel composed of the governor, attorney general and the insurance commissioner, or their designees. The panel would set the highest rate and the lowest rate that insurers could charge employers for the mandatory insurance, based on many factors.

Currently rates are largely left up to insurance companies, although the insurance commissioner can suggest base levels and can deny rates that are so low they risk bankrupting an insurer.

While lawyers for injured workers praised Alarcon's bill, the insurance industry opposed it, saying insurers would stop offering coverage if they felt they would lose control over rates. ``It's going to stop all of the progress we're seeing in the market," said Nicole Mahrt, a spokeswoman for the American Insurance Association.

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