

X. AREAS OF FURTHER RESEARCH

Due to limitations in scope and time constraints, it is not possible to address all key areas outside, but related to, the focal points of this study. We have, however, identified some key areas which should be examined further by DWC, CHSWC, or CDI, or another independent body such as the one created in the early 1990's (the Rate Study Commission).

SCIF

Should SCIF continue to serve both the role of a competitive workers' compensation carrier and the role of the residual market (i.e. carrier-of-last-resort)? Are there improvements that could be made that would assist SCIF to better serve its dual role? This issue was raised by the 1992 Rate Study Commission Study. Many states with competitive state funds have a separate residual market (an assigned risk pool for workers' compensation). This frees the state funds in those states to compete on a level playing field with the private insurance market. The results of the operation of these residual market mechanisms should be examined. The study would also have to evaluate how best to structure a safety mechanism, which along with SCIF could handle another hard market.

CIGA

Is CIGA adequately funded for its workers' compensation carrier guaranty role? How well do the current insurance statutes and regulations protect CIGA from a new round of cut-throat competition among workers' compensation carriers? Recent premium reductions have further eroded CIGA's revenue base. What is CIGA's funding base (through assessments, lines of credit, and revenue bonds)? What is its financial capacity to handle further insolvencies? At this time, should CIGA issue an annual report estimating unpaid liabilities of each workers' compensation carrier insolvency and the total liability CIGA has to pay for current insolvencies?

Carrier Insolvencies

What were the primary causes of the 28 workers compensation insurance carrier insolvencies from 2000-2004 and have adequate measures been taken to by CDI and the Legislature to prevent reoccurrence of insolvencies for the same reasons? Should workers' compensation carriers be regulated on a financial basis as a requirement to write this line of coverage?

How great a role does reinsurance availability, or lack thereof, play in the insolvencies of workers' compensation carriers in 2000-2004? How available is reinsurance to workers' compensation carriers today? How adequate is the regulatory monitoring of such reinsurers backing the primary workers' compensation market? Should cut-through agreements to protect CIGA be required as part of a reinsurance contract?

Private and Public Self-Insurers

Should private and public sector (including the state) self insured workers' compensation loss information be collected and reported to the WCIRB so that a more complete picture of the California workers' compensation system could be determined? Public and private self-insured employers represent around 25% of the workers' compensation market in California, in terms of payroll and losses. The impact of past and future reforms should be measured for the effects on these important sectors of California's economy. The effects of reforms could be substantially different for this sector.

Annual Monitoring and Reporting

Should the Insurance Commissioner, or another organization, annually prepare a report for the governor and legislature, which evaluates the health of the workers' compensation system in California addressing such issues as the level of insurer competition, credit worthiness of insurers, market share changes, and rates charged, loss costs, benefit adequacy, rates compared to neighboring states, and availability of reinsurance.

Reforms Impact on Workers' Compensation System

As time passes, further studies should be conducted on each of the major recent reforms to get a better picture of the impact that each has had on the other insured and self-insured states of the system, perhaps comparing that reform's impact with prior estimates by the WCIRB and CDI and others, and the impact of similar reforms in other states.

Reforms Impact on Economy

As time passes, a study should be conducted which analyzes the financial impact on the California economy of the 2002-04 workers' compensation reforms.

Medical Provider Networks

The MPN market, which is in a very dynamic and fluid state, should be closely monitored and evaluated. In addition, the present resources allocated to DWC for its role in regulating this emerging industry should be closely examined and changes made if necessary.

Reforms from Other States

Workers' compensation reforms from other states should be reviewed to determine if any of the reform ideas have potential applicability to improve the California system. Currently there are other states trying cost-sharing techniques, claims auditing techniques, attorney payment limits, and alternative rating methods, among others, that might be worth investigating.