

Work Comp Insights

TPG Insurance Services - Your Workers' Compensation Partner

California Split Point Changes

The Workers' Compensation Insurance Rating Bureau of California (WCIRB) recently made changes to the system for determining employers' experience mods. Because experience mods are one of the largest factors when determining your workers' compensation premiums, it's important to know the details of these changes, and what they mean for your business

Split Point Changes

The largest change the WCIRB made was to the split point, which had not been changed since 2010:

- Losses in excess of the split point will now be ignored during the calculation of an employer's experience mod. These losses were previously considered, but did not carry as much weight as losses below the split point. Excess losses focus on the severity of injuries and illnesses in the workplace, a focus that will no longer be considered under the new changes to the rating system.

- Losses up to the split point will still count fully in the calculation of an employer's experience mod. These primary losses focus on the frequency of injuries in the workplace, as they are fully weighted during the calculation of an experience mod. Because the WCIRB chose to focus on primary losses, the agency believes that employers will be encouraged to develop safe workplaces and reduce the occurrence of injuries and illnesses.

In addition to the focus on primary losses, the split point will now vary between approximately \$4,500 and \$75,000, based on the size of a business, instead of the previous \$7,000 fixed split point. There will be approximately 90 threshold split points. The WCIRB believes that a varying split point will benefit smaller employers, who could previously expect abnormally high experience mods after a single, catastrophically large loss. Additionally, other states that use a fixed split point typically set them at \$15,000 or higher, which the WCIRB believes is unfairly high for many small businesses.

For example, under the old split point system, a small employer with a single \$60,000 loss would have a vastly different experience mod than a larger employer with 10 \$6,000 losses. Under the new system, the WCIRB hopes to encourage safety at all times instead of punishing employers for abnormally high and rare losses.

What the Change Means for You

Although the varying split point can now reach extreme heights, the WCIRB believes that the elimination of excess loss consideration will cause premiums to remain flat. However, it's



possible that you could see your split point—and consequentially, your premiums—rise if you increase your workforce substantially.

The most important factor when working to lower your workers' compensation premiums is to reduce the frequency of injuries and illnesses in the workplace—especially now that the calculation of your experience mod will be determined almost entirely by primary losses. For help keeping your workplace safe and responding to injuries and illnesses at your business, contact us at 909.466.7876 today.

