

CASUALTY ACTUARIAL SOCIETY
2012 Annual Meeting

**New York Workers Compensation
A Post Reform Look**

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New York Workers Compensation Reform – 2012 CAS Annual Meeting

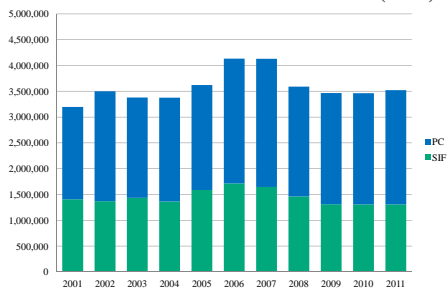
Overview

- New York Market Overview
- Major NY WC Reforms
- Pricing of Reform Elements
- Reflection of Reforms in Subsequent Filings
- Other Issues affecting NY Comp



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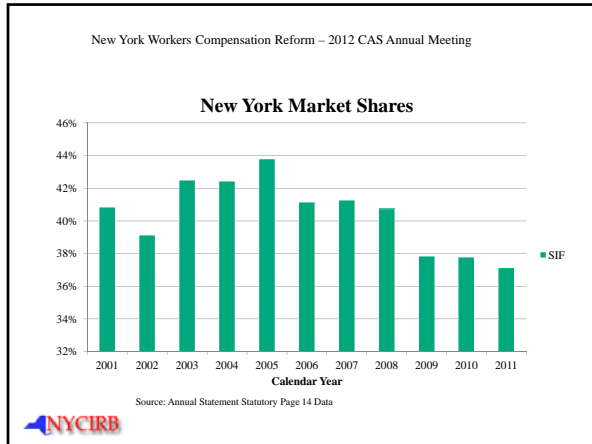
New York Direct Earned Premium (000's)

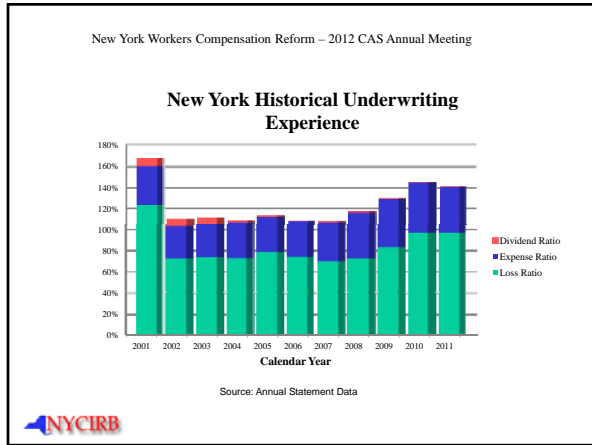


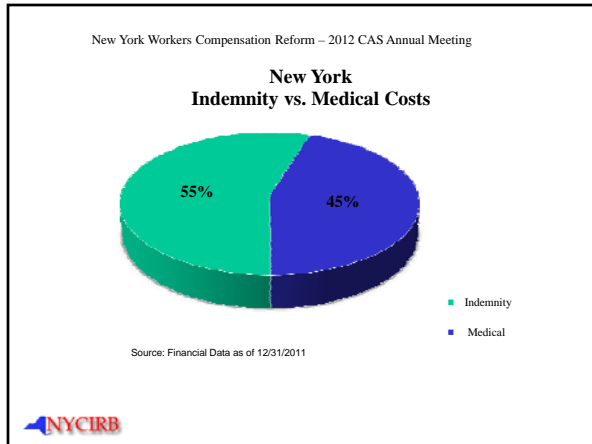
Source: Annual Statement Statutory Page 14 Data



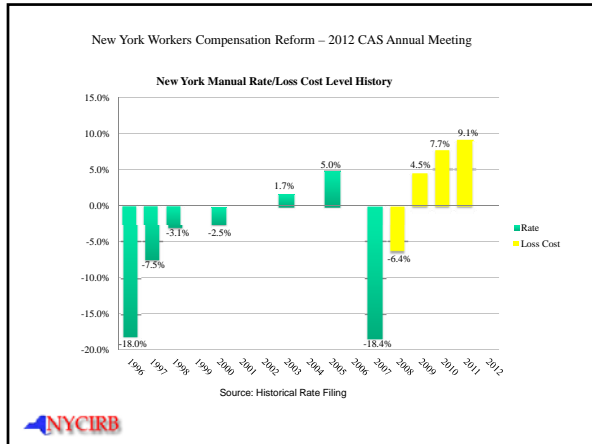
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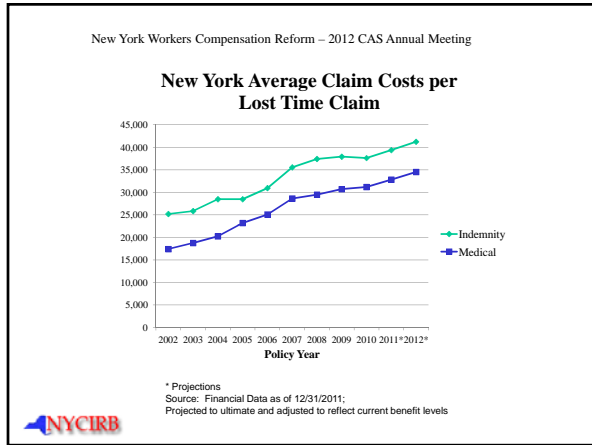


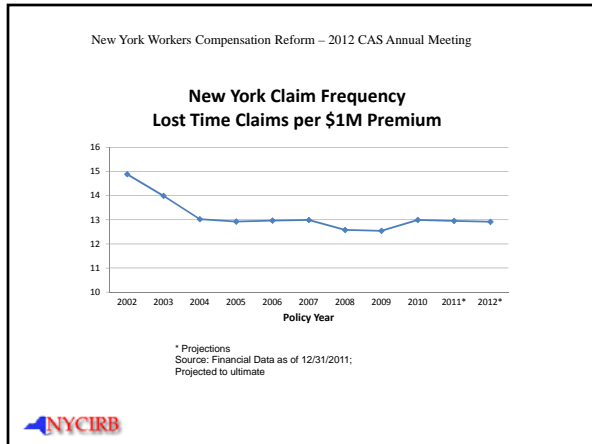




New York Workers Compensation Reform







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Major Components of the 2007 Reforms

- Elimination of Special Disability Fund
- Increase in Maximum Weekly Benefit
- Caps on Permanent Partial Disability Duration
- Medical-Related Provisions
- PPD Claims Into Aggregate Trust Fund
- System Improvements



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The 2008 Reform

- Effective 10/1/2008
- End of “Administered Pricing”
- Loss Costs → LCMs
- NYCIRB’s governing structure



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Elimination of Spec. Disability Fund

- Actual Assessment Data From State Workers’ Comp. Board
- Relate Assessments to Paid Losses
- Mitigation / Efficiency Factor
- Total Impact: +13.3%



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IMPACT OF REMOVING THE NY SDF

(1)	Paid CY Losses (3 Calendar Year Average)	\$ 2,306,956,237
(2)	Paid SDF Reimbursements (3 Calendar Year Average)	\$ 362,380,249
(3)	Direct Impact (2) / (1)	15.7%
(4)	Efficiency Factor	0.85
(5)	Final Impact (3) x (4)	13.3%



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Increase in Maximum Weekly Benefit

- Fratello Method
- Recognition of Varying Wage Levels by Injury Type
- Increased System Utilization



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Increase in Maximum Weekly Benefit Impacts

Effective Date	Max Weekly Benefit	Overall Impact
7/1/2007	\$500	6.0%
7/1/2008	\$550	1.9%
7/1/2009	\$600	1.5%
7/1/2010	\$740	4.1%
7/1/2011	\$773	0.8%
7/1/2012	\$792	0.3%
Total To Date		15.4%



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Caps on PPD Duration

- % Loss of Earnings = # Weeks of Benefits
- Actual PPD Data From State Workers' Comp. Board
- Distribution of Loss of Earnings
- PPD Settlement Considerations
- Hardship Provision
- Total Impact: -28%



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Benefit Duration by Impairment Ratings

Loss of Earning %	Number of Weeks
Greater than 95%	525
90% to 95%	500
85% to 90%	475
80% to 85%	450
75% to 80%	425
70% to 75%	400
60% to 70%	375
50% to 60%	350
40% to 50%	300
30% to 40%	275
15% to 30%	250
Less than 15%	225



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Final Calculation

Loss of Earning percentage	Number of Weeks	Selected Distribution	Percentage Savings	
			Lump sum Cases	Other Cases
Greater than 95%	525	0.5%	17.0%	33.5%
90% to 95%	500	0.5%	18.5%	34.2%
85% to 90%	475	2.4%	20.0%	35.0%
80% to 85%	450	2.4%	21.5%	35.7%
75% to 80%	425	10.1%	46.1%	73.0%
70% to 75%	400	10.1%	49.1%	74.6%
60% to 70%	375	19.9%	52.2%	76.0%
50% to 60%	350	15.8%	55.3%	77.6%
40% to 50%	300	21.5%	61.4%	80.7%
30% to 40%	275	8.2%	64.5%	82.3%
15% to 30%	250	6.4%	67.7%	83.9%
Less than 15%	225	2.0%	70.9%	85.4%
Average			54.2%	75.6%
Total Average Savings on Perm. Partial Non Schedule: 71.3%				
Total Average Savings on Perm. Partial: 50.5%				
Total Impact: -28.0%				



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Medical – Related Provisions

- Pharmacy Fee Schedule
- Generic Drugs when Available
- Networks for Diagnostic Services
- Schedule for Prosthetic Devices
- Medical Care Guidelines



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Mandatory PPD to Aggregate Trust Fund

- Discount Set By State
- Effect on Settlement Practices
- Claimant Behavioral Impact
- Savings or Added Cost ???



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Reflection of Reform in Subsequent Filings
- Loss On Level Factors

- Back to Basics
- What's in the reported data?
- Pre-Reform vs. Post Reform
- Loss On-level Combination



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Loss On Level Factors

- Example: Data as of 12/31/2007
- Loss occurring on 7/1/06: \$50,000
- LDF=2.000. Ultimate Loss = \$100,000
- Assume PPD Duration caps only
- Effective 3/13/07
- Total impact of reform: -28%
- Loss Brought to Current Benefit Level: \$72,000



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Loss On Level Factors

- Same loss but the accident date is 7/1/07
- Does the reported loss reflect lifetime benefits?
→ Adjust like 06 loss: \$72,000
- Does the reported loss reflect duration caps?
→ Do not adjust for impact of reform
→ But need to adjust development



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Loss On Level Factors

- Similar question on the SDF elimination
- SDF only reimburses after 5 years of paid benefits
- What's in the reported data?
- What's in the development triangles?




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Indemnity On-level Alternative

Assumption	PY 10	LDF Adjust?
A All Carriers' reserves of post reform losses are high reflecting: Pre reform durations (i.e. lifetime) and reflecting elimination of the SDF	0.574	No
B All Carriers' reserves of post reform losses are low reflecting: Post reform durations (i.e. duration caps) and do not reflect elimination of the SDF	1.201	Yes
C All Carriers' reserves of post reform losses based on pre-reform benefits i.e. pre-reform durations (i.e. lifetime) and do not reflect elimination of the SDF	0.676	No
D All Carriers' reserves of post reform losses based on post-reform benefits i.e. post-reform duration caps and reflecting elimination of the SDF	1.019	Yes

Source: NYCIRB's 2012 Loss Cost Filing





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Last Year's methodology 25/75 split between B and C

Method B gets the LDF adjustment

	PY 10	Weight
Method B	1.2	
LDF Adjustment	0.93	
Adjusted Method B	1.12	25%
Method C	0.68	75%
Weighted Onlevel Factor	0.787	



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- Loss Development Adjustment**
- Historical loss development information is primarily pre-reform
 - OK to use it if we assume losses are at pre reform levels
 - Need adjustment if applying LDFs to losses at post reform levels
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Original Triangle

PY	6-7	7-8	8-9	9-10	10-11	11-12	12-13	13-14
1993								1.013
1994							1.023	1.010
1995						1.02	1.003	1.006
1996					1.022	1.004	1.008	1.011
1997				1.024	1.011	1.006	1.015	1.005
1998			1.028	1.014	1.009	1.004	1.024	
1999		1.036	1.019	1.013	1.006	1.004		
2000	1.035	1.036	1.028	1.032	1.014			
2001	1.054	1.013	1.027	1.019				
2002	1.039	1.034	1.019					
2003	1.034	1.018						
2004	1.040							

Source: NYCIRB's 2012 Loss Cost Filing




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Restating the LDF: Example

(1)	Original Factor: Private Carriers: PY 1997 9th to 10th link ratio	1.024
(2)	Development portion	0.024
(3)	% of Non Scheduled out of total PPD	66.7%
(4)	% of PPD out of total indemnity	86.6%
(5)	% Non Scheduled out of indemnity (3)x(4)	57.8%
(6)	Development portion that is NSPPD (2)x(5)	0.014
(7)	Development portion that is other than NSPPD (2)-(6)	0.010
(8)*	% of cases effected by limited duration	55%
(9)	Restated NSPPD Development portion (6) x [1-(8)]	0.006
(10)	Restated total development 1+(9)+(7)	1.016

Source: NYCIRB's 2012 Loss Cost Filing




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Restated Triangle

PY	6-7	7-8	8-9	9-10	10-11	11-12	12-13	13-14
% Cases effected	15	25	40	55	70	75	80	85
1993								1.007
1994							1.012	1.005
1995						1.011	1.002	1.003
1996					1.013	1.002	1.004	1.006
1997				1.016	1.007	1.003	1.008	1.003
1998			1.022	1.010	1.005	1.002	1.013	
1999		1.031	1.015	1.009	1.004	1.002		
2000	1.032	1.031	1.022	1.022	1.008			
2001	1.049	1.011	1.021	1.013				
2002	1.036	1.029	1.015					
2003	1.031	1.015						
2004	1.037							

Source: NYCIRB's 2012 Loss Cost Filing



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Other NY Workers Compensation Topics

- The NY State Assessment
- Experience Rating
- Class Ratemaking



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Questions?