



Antitrust Notice

- **The Casualty Actuarial Society is committed to adhering strictly to the letter and spirit of the antitrust laws. Seminars conducted under the auspices of the CAS are designed solely to provide a forum for the expression of various points of view on topics described in the programs or agendas for such meetings.**
- **Under no circumstances shall CAS seminars be used as a means for competing companies or firms to reach any understanding – expressed or implied – that restricts competition or in any way impairs the ability of members to exercise independent business judgment regarding matters affecting competition.**
- **It is the responsibility of all seminar participants to be aware of antitrust regulations, to prevent any written or verbal discussions that appear to violate these laws, and to adhere in every respect to the CAS antitrust compliance policy.**



RATEMAKING & PRODUCT MANAGEMENT SEMINAR

Philadelphia, PA.

March 20, 2012

Selected State Issues

New York Workers Compensation

Martin G. Heagen

Vice President & Actuary

NYCIRB





New York Workers Compensation

Presentation Outline

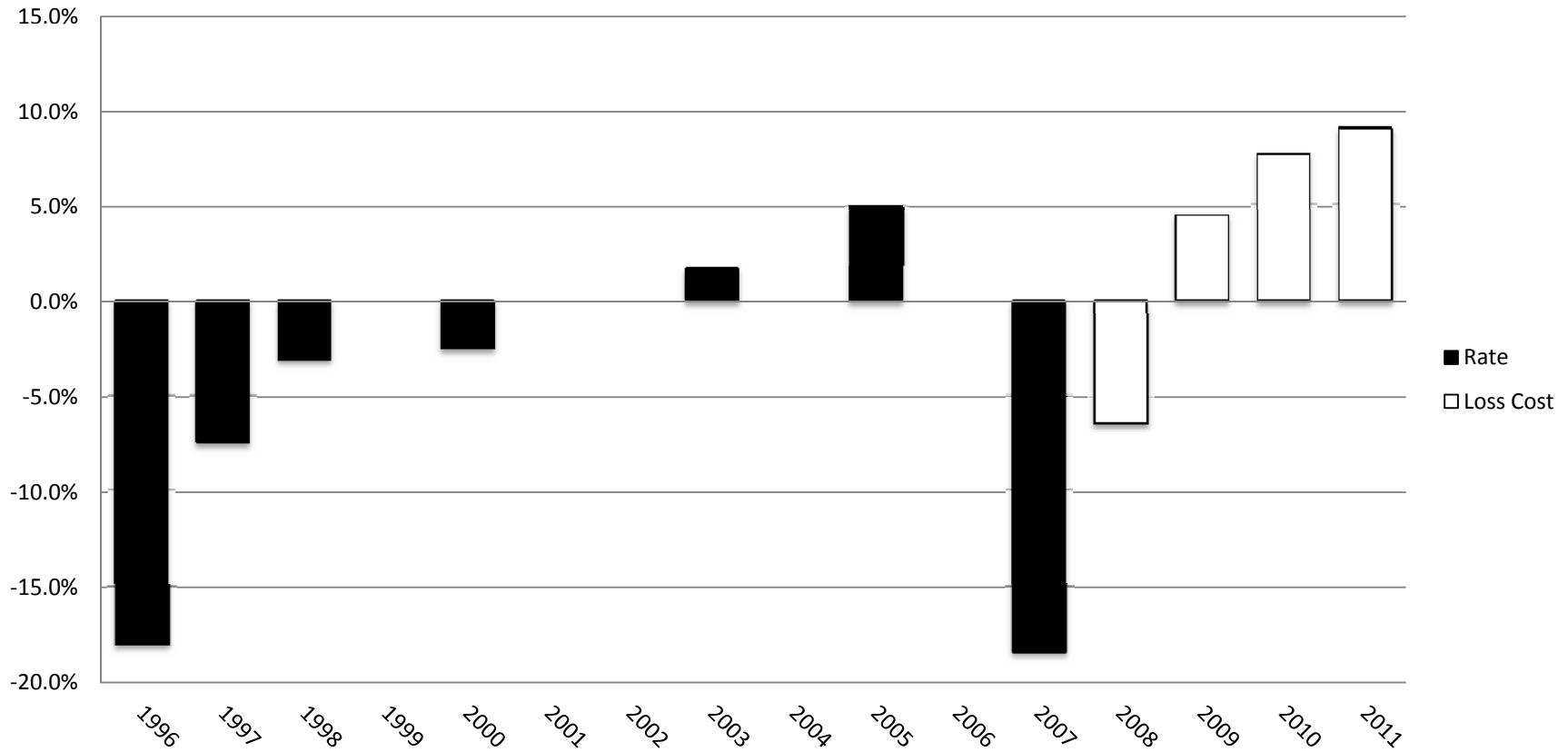
- Approved Rate / Loss Cost Filings
- Trend
- 2007 Reforms
- Impact of 2007 Reforms on Development
- Classification Ratemaking
- Experience Rating Changes





New York Workers Compensation

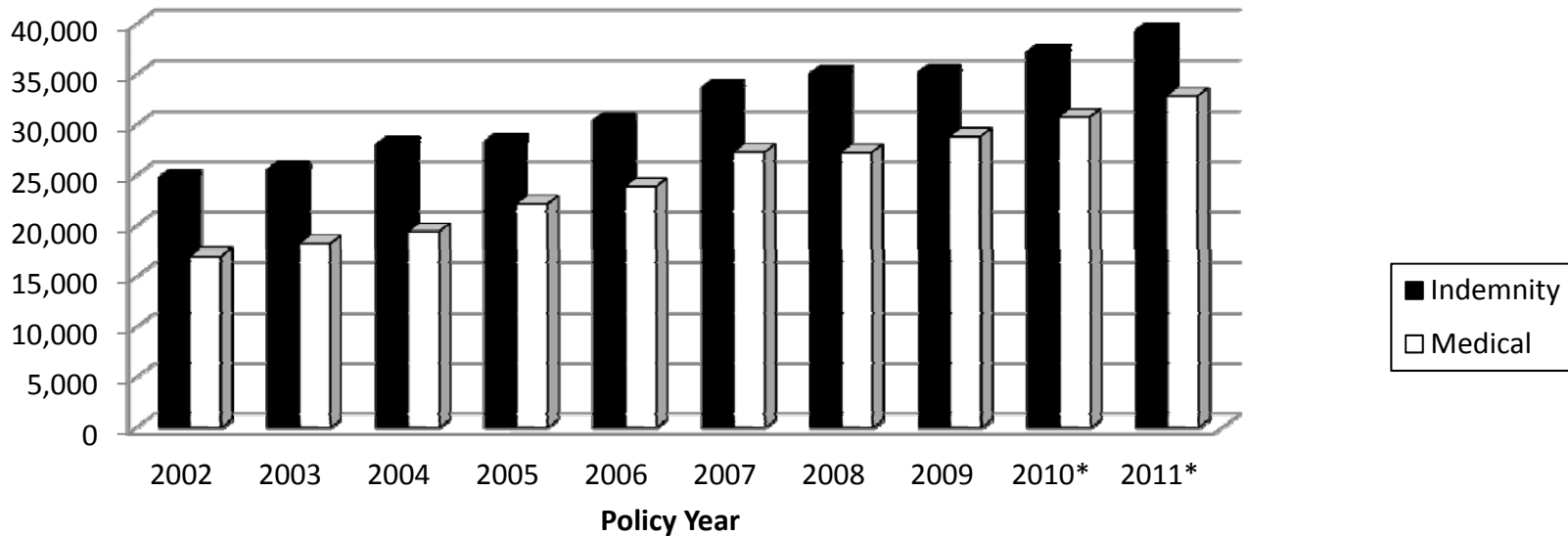
New York Manual Rate/Loss Cost Level History





New York Workers Compensation

New York Average Claim Costs per Lost Time Claims



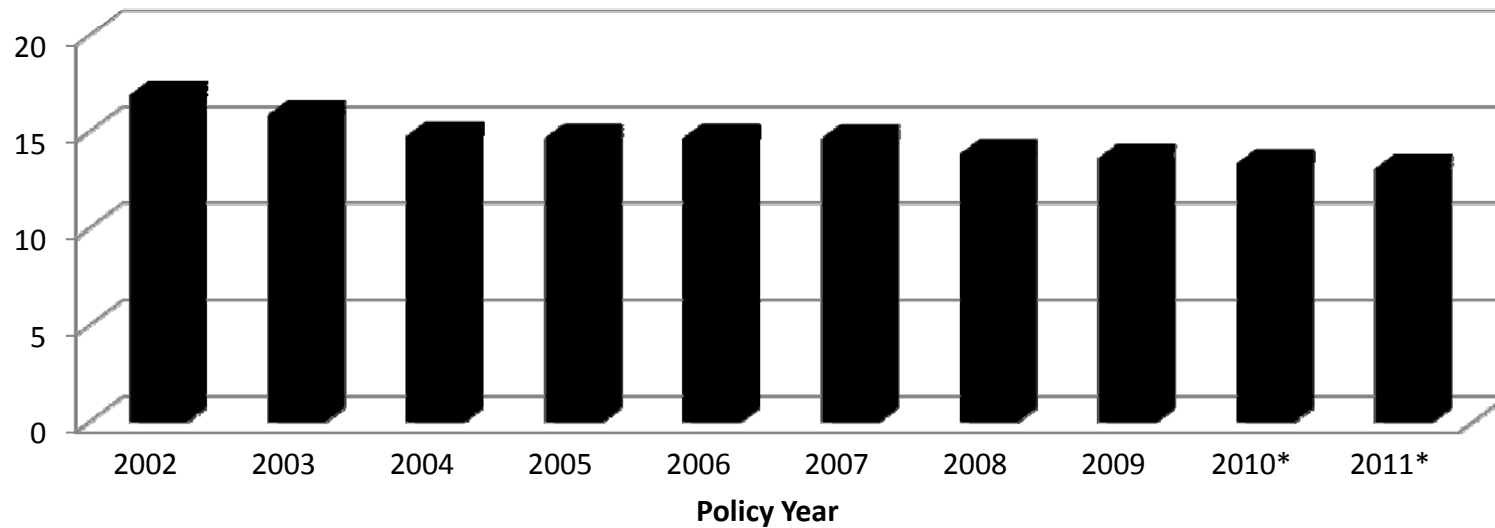
*Estimated





New York Workers Compensation

New York Claim Frequency
Lost Time Claims per \$1M Premium



*Estimated





New York Workers Compensation Major 2007 Reforms

- A. Increase in Maximum Weekly Benefit
- B. Caps on Permanent Partial Disability Duration
- C. Permanent Impairment & Loss of Earning Capacity Guidelines
- D. Elimination of Special Disability Fund
- E. Pharmacy Fee Schedule; Networks
- F. PPD Claims Into Aggregate Trust Fund
- G. Medical Treatment Guidelines
- H. System Improvements – “Rocket Docket”





New York Workers Compensation

Major 2007 Reforms

- The Devil is in the Details
- Behavior of Claimants
- Behavior of Law Judges
- Behavior of Attorneys
- Effectiveness of Regulations





New York Workers Compensation Major 2007 Reforms

On-Level and Loss Development Adjustments

Method A

3/13/07Duration Caps	0.563
7/1/07Max Weekly Benefit	1.091
7/1/08Max Weekly Benefit (\$550)	1.035
7/1/09Max Weekly Benefit (\$600)	1.028
7/1/10Max Weekly Benefit (\$739.83)	1.078
1/2/11Special Disability Fund	1.178

This scenario assumes that:

- 1. Reserves appropriately reflect post reform benefits with regard to duration caps (so reserves are low and do not require adjustment)**
- 2. Reserves (as of 2nd report) still are NOT adjusted to reflect elimination of SDF (Reserves are low reflecting anticipated subrogation)**





New York Workers Compensation Major 2007 Reforms

On-Level and Loss Development Adjustments

Method B

7/1/07Max Weekly Benefit	1.091
7/1/08Max Weekly Benefit (\$550)	1.035
7/1/09Max Weekly Benefit (\$600)	1.028
7/1/10Max Weekly Benefit (\$739.83)	1.078
1/2/11Special Disability Fund	1.178
1/3/11Duration Caps	0.563

This scenario assumes that:

- 1. Reserves still do NOT reflect post reform benefits with regard to the duration caps (so reserves are high and require adjustment)**
- 2. Reserves (as of 2nd report) still are NOT adjusted to reflect elimination of SDF (Reserves are low reflecting anticipated subrogation)**





New York Workers Compensation Major 2007 Reforms

On-Level and Loss Development Adjustments

Indemnity On - level Selection

	Assumption	Indemnity Onlevel Factors		Development Adjustment
		PY 08	PY 09	
A	All Carriers' reserves of post reform losses are low reflecting: Post reform durations (i.e. duration caps)	1.306	1.261	Yes
B	All Carriers' reserves of post reform losses based on pre-reform benefits i.e. pre-reform durations (i.e. lifetime)	0.736	0.710	No

Selected Onlevels Using 25/75 Split:

		<u>PY 2008</u>	<u>PY 2009</u>	<u>Weights</u>
(1)	Method A	1.306	1.261	
(2)	LDF Adjustment	0.928	0.928	
(3)	Adjusted Method A	1.212	1.170	25%
(4)	Method B	0.736	0.710	75%
(5)	Final ONLEVEL FACTOR	0.855	0.825	





New York Workers Compensation Major 2007 Reforms

On-Level and Loss Development Adjustments

Re-stating the LDFs: Example

(1) Original Factor: Private Carriers: PY 1997 8th to 9th link ratio	1.014
(2) Development portion	0.014
(3) % of Non Sched 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)	0.008
(7) Development portion that is other than NSPPD (2)-(6)	0.006
(8) % of cases effected by limited duration *	55%
(9) Restated NSPPD Development portion (6) x [1-(8)]	0.004
(10) Restated total development 1+(9)+(7)	1.010

* Row (8) assumes that, at this point in the development, 55% of the cases are now limited, whereas before they were still developing. 45% of the cases are still developing at this point of the triangle, even after the reform, as they have not yet reached the maximum duration.





New York Workers Compensation Current Classification Ratemaking

- 9 Industry Groups
- Industry Group Differentials
- 5 Years of Data Irrespective of Class Size
- Losses Segregated by Serious, Non- Serious & Medical
- Class Credibility Based on Losses, Separately for Serious, Non- Serious & Medical
- Class Changes Limited To +/- 25%





New York Workers Compensation Prospective Classification Ratemaking

- 9 Industry Groups
- Industry Group Differentials
- 5 Years of Data Irrespective of Class Size
- Losses Segregated by Likely and Not Likely to Develop Based on Injury Type, Claim Status and Body Part
- Class Credibility Based on Losses, Separately for Likely and Non-Likely Indemnity & Medical
- Class Changes Limited To +/- 25%





New York Workers Compensation

Experience Rating Plan Developments Plan

- Change in the Split Point
- Change in Formula for Maximum Mods
- Plan Eligibility
- General Formula





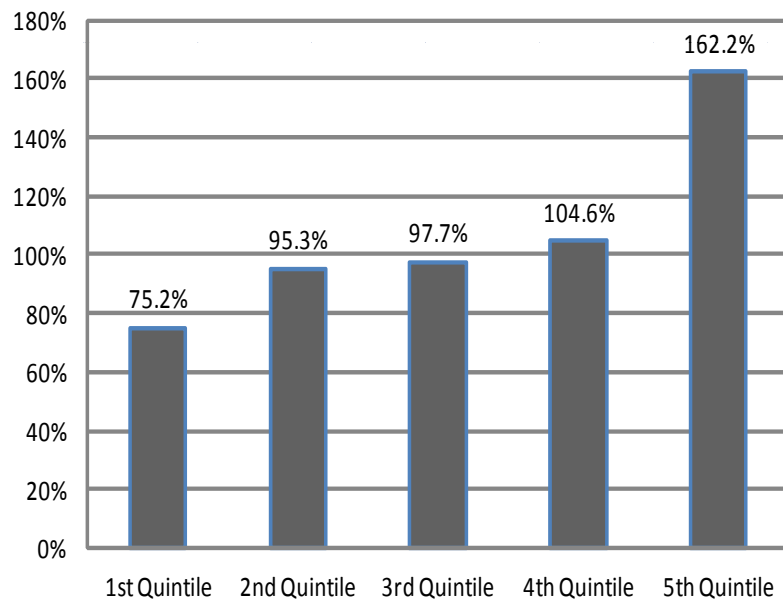
New York Workers Compensation

Experience Rating Plan Developments

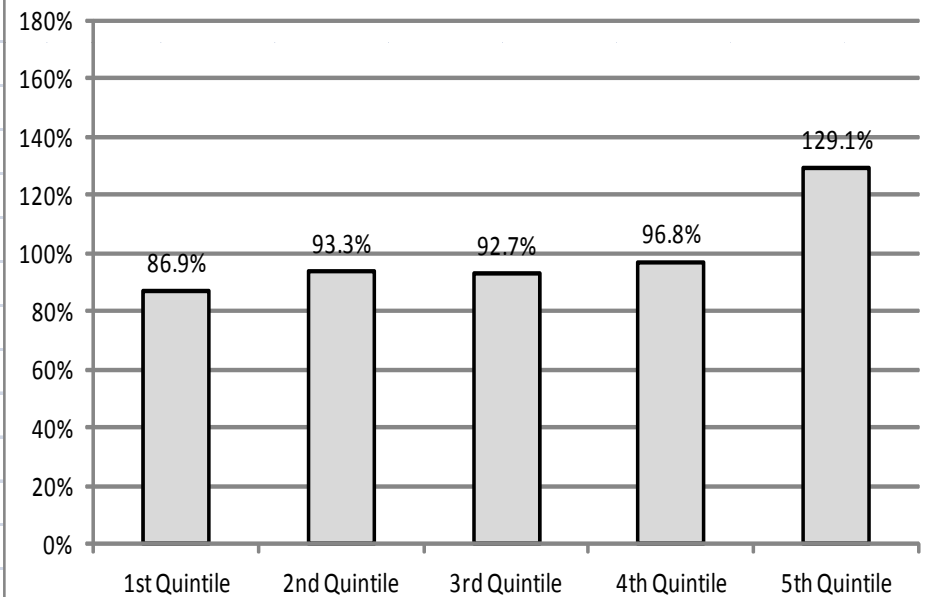
Plan

\$5,000 split point

Manual Loss Ratio



Standard Loss Ratio





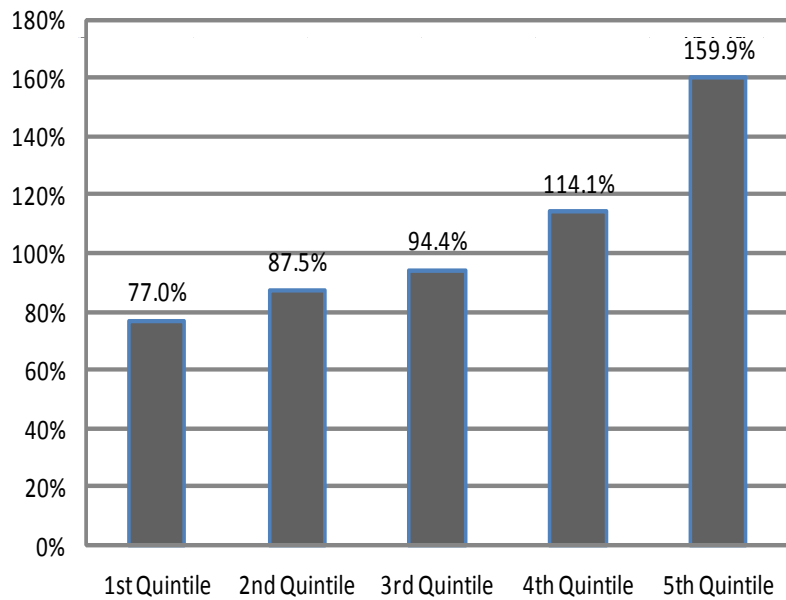
New York Workers Compensation

Experience Rating Plan Developments

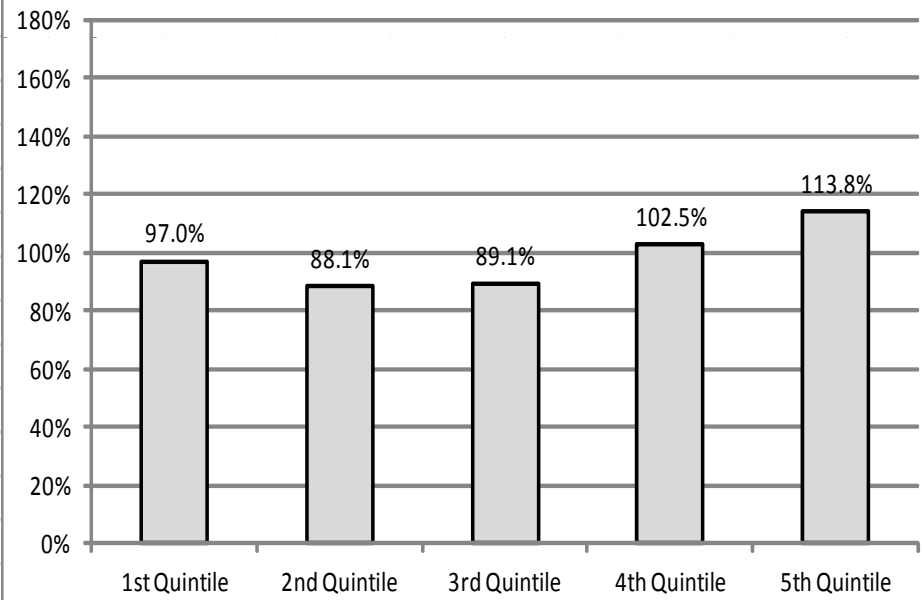
Plan

\$15,000 split point

Manual Loss Ratio



Standard Loss Ratio





RATEMAKING & PRODUCT MANAGEMENT SEMINAR

Philadelphia, PA.

March 20, 2012

New York Workers Compensation

Questions & Answers

Martin G. Heagen

Vice President & Actuary

NYCIRB

