



# WC-3: Workers Compensation State of the Market

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# Independent Bureaus

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# Independent Bureaus

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- Unexpected Filing Outcomes in 2012
- Delaware
- Massachusetts
- New York
- California



# Unexpected Outcomes

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	Filed	Outcome
DE	+38.3%	+14.6%
MA	+19.3%	Disapproved
NY	+11.5%	Disapproved
CA	+0%	+2.8%



# NY 10/1/12 Loss Cost Filing

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- Actuarial Committee Recommended +18.2%
- CIRB Filed +11.5%
- Filing was disapproved
  - System in transition; key parts of the 2007 reforms were implemented in 2012
  - Loss cost increases would “harm struggling businesses”



# NY CIRB Governance

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- CIRB Board of Governors
  - Four insurance carriers
  - Five public members
    - State Fund
    - Dept of Financial Services (regulator)
    - NYS AFL-CIO (labor)
    - NYS Business Council (employers)
    - Workers Compensation Board
  - Need a majority vote to make any loss cost filing



# NY Filing Actuarial Committee Recommendation

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- Beginning with 10/1/12 loss cost filing, the bureau's filing write-up includes the Actuarial Committee recommendation and the difference between that indication and the bureau's filing.
- The bureau's bulletins contain only the filed amount.





# 2013 NY Bill

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- Part of Governor's Budget Bill; expected to pass by April 1<sup>st</sup>
- Four of five surcharges combined into one item and made a pass-through surcharge on employers, eliminating differences between amounts carriers collect from employers and amount carriers are assessed by WCB



# 2013 NY Bill

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- Eliminate ATF Requirement for carriers
- Bond Self-Insured Guaranty Fund obligation and fund through assessment on all employers (up to \$900 million)
- Take at least \$1.75 billion in unneeded reserves from State Fund and move to General Fund



## 2013 NY Bill

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- All data collected by NYCIRB will be made available to WCB and DFS
- Close Reopened Case Fund to new claims beginning 1/1/2014



# NY Reopened Case Fund

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- Annual Assessments of \$300 million to fund obligations
- Claims at least 7 years from accident date and 3 years from date of last indemnity benefit payment are eligible
- Carriers and self-insureds present claim to the Reopened Case Fund and state takes over management of file (indemnity and medical benefits)
- Fund established in 1933



# NY Reopened Case Fund

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- Bill proposes to close fund to new claims effective 1/1/2014, regardless of accident date.
- Current loss costs have no provision for these section 25-A claims; after claims are assumed by the Reopened Case Fund, no experience is reported to CIRB.
- CIRB will estimate the increase in loss costs due to these claims and include in a future loss cost filing, for future claims.



# NY Reopened Case Fund

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- For claims with accident dates prior to the bureau filing, there will be a significant unfunded liability for carriers.
- This is very different from the closing of the Special Disability Fund in 2007, when the Fund was closed to new claims with accident dates of 7/1/07 and later (no unfunded liability)



# California 1/1/2013 Filing

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- WCIRB originally filed +12.6%
- Significant WC reforms in August 2012
- Actuarial Committee recommended amending the filing to +9.3% (2 pts deterioration for AY experience; 4.9% improvement for SB 863)
- Governing Committee filed 0%
- Commissioner Ordered +2.8% from a different base



# CA—What's the Base?

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- In all other states, rate changes are compared to the current approved rate level.
- In CA, the bureau pure premium change is compared to the insurer average filed pure premium rate.
- The conversion information is on the Premium Adjustment Factors page of the filing (for 1/1/13: Part A, Section B, Exhibit 5.2, note (c))



# California 1/1/2013 Filing, Restated

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- The insurer average filed PP rate at 7/1/12 is 2.38
- The WCIRB average approved PP rate at 7/1/12 is 2.41
- The original filing was for a PP rate of 2.68 (+11.2% from the 7/1/12 bureau PP level)
- The amended filing Actuarial Committee recommendation was 2.60 (+7.9%)
- The amended filing was for a PP rate of 2.38 (-1.2%)
- The Commissioner's Order was for a PP rate of 2.56 (+6.2%)



# Bureau Web Sites

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- [www.dcrb.com](http://www.dcrb.com) (look at circulars and filings)
- [www.wcribma.org](http://www.wcribma.org) (actuarial section)
- [www.nycirb.org](http://www.nycirb.org) (actuarial, loss cost filings)
- [www.wcirb.com](http://www.wcirb.com) (regulatory filings; about/actuarial-committee)