



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.**
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WC-H-2

Workers Compensation

State of the Market

Mary Gaillard, ACAS,MAAA
Vice President and Senior Actuarial Manager
AIG

CAS RPM Seminar
March 2015
Dallas, TX

Independent Bureaus

Independent Bureaus

<i>State</i>	<i>Bureau</i>
CA	WCIRB
DE	DCRB
MA	WCRIB
MI	CAOM
MN	MWCIA
NC	NCRB
NJ	NJCRIB
NY	NYCIRB
PA	PCRB
WI	WCRB

3

Most recent Filings

	<u>Filed</u>	<u>Outcome</u>
DE	-3.52%	-11.5%
MA	+7.7%	0%
NY	+6.8%	Disapproved
CA	+3.4%	+2.2%

4

DE Loss Cost Filings

	<u>Filed</u>	<u>Approved</u>
12/1/14	-3.52%	-11.5%
12/1/13	+41.75%	+14.0%
12/1/12	+38.27%	+14.6%

5

DE 12/1/14 Loss Cost Filing

- HB 373 of 2014 required revisions to DE fee schedules such that prescribed levels of reductions in medical expenses were attained in 2015, 2016, and 2017.
- Mandated fee schedules in development and not available for review or evaluation as part of preparation of filing.
- As a result, DCRB elected to price HB 373 based solely on legislative intent.
- HB 373 savings estimated to be approximately 32.45% of medical loss costs and 21.95% of total loss costs.

6

DE 12/1/14 Loss Cost Filing

DE Insurance Department performed extensive review of the DCRB filing

- Obtained independent reviews from two consulting actuarial firms
- Ratepayer Advocate, appointed by the Insurance Commissioner in accordance with DE legislation, also reviewed filing and retained a third independent actuary.
- Insurance Department held 3 public information sessions.
- Public hearing held January 12, 2015.

7

MA Rate Filings

	<u>Filed</u>	<u>Outcome</u>
4/1/14	+7.7%	0.0%
2013	No filing made	
9/1/12	+19.3%	Disapproved

8

MA 4/1/14 Rate Filing

- 0.0% agreed to by the WCRIB, the Attorney General (AG), and the State Rating Bureau (SRB) per “Stipulation”, a negotiated settlement of matters addressed in the filing.
- Note MA regulation requires a filing be made every two years, but not more frequently than that.

9

NY Loss Cost Filings

	Actuarial <u>Committee</u>	<u>Filed</u>	<u>Outcome</u>
10/1/14	+17.4%	+6.8%	Disapproved
10/1/13	+29.1%	+16.9%	+9.5%
On policies in force	6.3%	4.5%	Disapproved
10/1/12	+18.2%	+11.5%	Disapproved

10

NY 10/1/14 Loss Cost Filing

- Indication based on four segmentations:
 - private carrier non-large deductible
 - Private carrier large deductible
 - State Fund non-large deductible
 - State Fund large deductible

11

NY 10/1/14 Loss Cost Filing

- Challenges in estimating ultimate losses
 - Impacts of 2007 reform. Implementation has evolved over time.
 - Increase in maximum weekly benefits
 - Elimination of the Special Disability Fund (SDF)
 - Introduction of capped benefit duration for claimants with non-scheduled Permanent Partial Disability Benefits (PPD)
 - 2013 Business Relief Act
 - Elimination of Reopened Case Fund effective 1/1/14

12

NY Reopened Case Fund

- Elimination of the Reopened Case Fund resulted in significant unfunded liability for carriers.
- This is different from the closing of the Specialty Disability Fund in 2007, when the fund was closed to new claims with accident dates of 7/1/07 and later (no unfunded liability)

13

CA Pure Premium Filings

	<u>Filed*</u>	<u>Approved*</u>
1/1/15	+3.4%	+2.2%
1/1/14	+8.6%	+6.7%
1/1/13	+0.0%	+2.8%
WCIRB originally filed	+12.6%	

*percentage represents change in average pure premium per \$100 payroll

14

CA 1/1/15 Pure Premium Filing

- In CA, the bureau pure premium change is compared to the insurer average filed pure premium rate.
- For 1/1/15 filing:
 - The filed average PP rate was \$2.77 per \$100 of payroll.
 - The approved average PP rate was \$2.74 per \$100 of payroll.
 - Average 1/1/14 advisory PP rate was \$2.68
 - This translates into a filed increase of 3.4% and approved increase of 2.2%.
- DOI's recommended \$2.74 reflects an additional 2.5% reduction in medical losses due to savings in SB 863, which the DOI projects will result from the new Independent Medical Review process.

15

CA 1/1/15 Pure Premium Filing

- CA is the only state which collects data on a quarterly basis. All others collect data annually.
- 1/1/15 Filing submitted on 8/18/14 based on 3/31/14 experience.
- Amended filing submitted on 9/5/14 based on 6/30/14 experience.
- Lowered proposed advisory PP rates to an average of \$2.77 per \$100 of payroll down from \$2.86.
- Primary drivers lowering indication
 - Moderation in medical loss development
 - Moderation in rate of claim frequency growth

16

CA 1/1/15 Pure Premium Filing

- WCRIB indication of \$2.77 is 3.4% above average 1/1/14 advisory PP rate of \$2.68.
 - Primary upward cost driver is recognition of higher long-term medical loss development.
 - Primary downward cost driver is better than projected accident year 2013 experience.
 - SB 863 emerging cost impacts generally consistent with projections.

17

CA 1/1/15 Pure Premium Filing

- SB 863 increased benefits effective 1/1/13 and 1/1/14 and provided for a number of structural changes to the CA WC benefit delivery system.
 - Provided for an increase in permanent disability benefits.
 - System reforms included those associated with delivery of and payment for medical treatment, resulting in projected cost savings.
- WCIRB estimates impact of SB 863 to be an annual net savings of \$0.2 B, or 1.2% of total system costs. This is based on most current information published in WCIRB Cost Monitoring Report- 2014 Retrospective Evaluation, released November 14, 2014. For some components, it is too early to make an initial assessment so later assessments may differ significantly from this estimate.

18

Questions??