

# SJ27 and State Comparisons

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**LABOR & INDUSTRY**

# Assigned Risk Pool

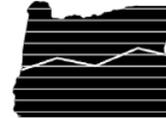
- AKA Guaranteed Market, AKA Residual Market, AKA Insurer of Last Resort
- After an employer is declined coverage (usually from 2 or 3 carriers) in the voluntary market, the employer submits its workers' compensation insurance application along with the letters declining coverage to the administrator
- The administrator processes the application, determines the premium rates and issues the policy. The policy is then sent to a servicing carrier to handle all of the claims administration
- Generally one to three insurance carriers are designated to be the servicing carriers for an additional fee (25 to 45% of the total premium)

# Market Options

1. Allow Montana State Fund to take over the entire workers' compensation market and transition Montana to a monopolistic state. Remove any private insurer's authority to write workers' compensation policies in the state.
2. Keep the system as is. Montana State Fund would continue to operate as the guarantee market. They would continue to compete with private insurers.
3. Allow Montana State Fund to become its own domestic mutual insurance company and apply all business and tax regulations as would be done with any private insurer. All insurers share responsibility of the residual market (MSF could be retained as the sole market of last resort in this scenario as well).
4. Keep Montana State Fund as a quasi-government agency but privatize the residual market and allow MSF to compete with private insurers for responsibility of coverage.
5. Dissolve Montana State Fund and move all risks to the private market and require each insurer to share the responsibility of the residual market (use 3<sup>rd</sup> party to administer those risks and insurers share the burden based on their volume)

# Market Options

2016 Ranking	2014 Ranking	State	Index Rate	Percent of Median 2016	Percent of Median 2014	BLS Injury Rate 2015
1	1	California	3.24	176%	188%	3.3
2	3	New Jersey	2.92	158%	152%	2.7
3	4	New York	2.85	154%	148%	2.4
5	5	Alaska	2.74	149%	143%	3.9
5	2	Connecticut	2.74	149%	155%	3.2
6	9	Delaware	2.32	126%	125%	2.6
8	7	Illinois	2.23	121%	127%	2.9
8	6	Oklahoma	2.23	121%	137%	0.0
9	20	Rhode Island	2.2	119%	107%	#N/A
10	10	Louisiana	2.11	115%	120%	1.9
<b>11</b>	<b>11</b>	<b>Montana</b>	<b>2.1</b>	<b>114%</b>	<b>119%</b>	<b>4.3</b>
12	23	Wisconsin	2.06	112%	104%	3.6
14	13	Maine	2.02	110%	116%	4.8
14	8	Vermont	2.02	110%	125%	4.6
15	17	Washington	1.97	107%	108%	4.4
17	27	Hawaii	1.96	107%	100%	3.4
17	12	New Hampshire	1.96	106%	118%	#N/A
18	17	South Carolina	1.94	105%	108%	2.5
20	21	Missouri	1.92	104%	107%	3.0
20	20	New Mexico	1.92	104%	108%	3.1
22	20	Minnesota	1.91	104%	107%	3.5
22	27	North Carolina	1.91	103%	100%	2.6
23	31	Wyoming	1.87	101%	95%	3.3
24	24	Iowa	1.86	101%	101%	3.7
25	29	Alabama	1.85	100%	97%	3.0
26	17	Pennsylvania	1.84	100%	108%	3.5
27	32	Georgia	1.8	98%	95%	2.7
28	14	Idaho	1.79	97%	109%	#N/A
29	38	Mississippi	1.7	92%	85%	#N/A
30	22	Tennessee	1.68	91%	105%	3.1
32	30	Nebraska	1.67	91%	96%	3.4
32	25	South Dakota	1.67	91%	100%	#N/A
33	28	Florida	1.66	90%	98%	0.0
34	34	Michigan	1.57	85%	91%	3.3
35	41	Colorado	1.56	84%	81%	#N/A
36	40	Kentucky	1.52	82%	82%	3.5
38	37	Arizona	1.5	82%	86%	2.9
38	35	Maryland	1.5	82%	88%	2.9
40	33	Ohio	1.45	79%	94%	2.8
40	36	Texas	1.45	79%	87%	2.3
41	39	Kansas	1.41	77%	83%	3.0
42	45	Dist. of Columbia	1.37	74%	70%	#N/A
43	46	Nevada	1.31	71%	68%	3.8
44	48	Massachusetts	1.29	70%	63%	2.7
45	43	Oregon	1.28	69%	74%	3.7
46	45	Utah	1.27	69%	71%	3.5
47	48	Virginia	1.24	67%	63%	2.4
48	43	West Virginia	1.22	66%	74%	3.2
49	49	Arkansas	1.06	57%	58%	2.6
50	50	Indiana	1.05	57%	57%	3.7
51	51	North Dakota	0.89	48%	47%	#N/A



## 2016 Oregon Workers' Compensation Premium Rate Ranking Summary

Department of Consumer and Business Services

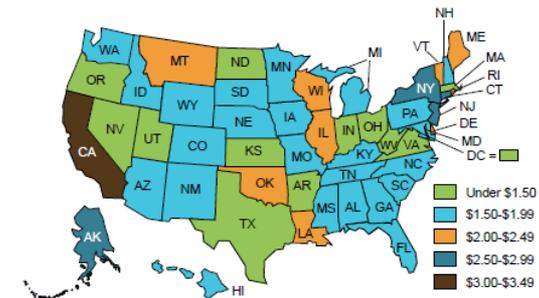
October 2016

By [Chris Day](#), [Mike Manley](#), and [Jay Dotter](#)

Oregon employers in the voluntary market pay, on average, the seventh lowest workers' compensation premium rates in the nation. Oregon's rates are 31 percent below those of the median state in the study.

Premium rate indices are calculated based on data from 51 jurisdictions, for rates in effect as of Jan. 1, 2016. The 2016 median value is \$1.84, which is a drop of less than 1 percent from the \$1.85 median of the 2014 study. Oregon's premium rate index is \$1.28 per \$100 of payroll, or 69 percent of the national median. National premium rate indices range from a low of \$0.89 in North Dakota, to a high of \$3.24 in California. There were 21 states that had an index rate that was within plus or minus 10 percent of this benchmark value. In the upper part of the rate distribution, 12 states had index rates higher than 110 percent of the median, while 18 states were below 90 percent of the median. For an interactive map of the state rankings, [click here](#).

Figure 1. 2016 Workers' compensation premium index rates



# Michigan

- In 1993 Michigan Governor signed the bill to privatize the work comp Accident Fund and in 1994 the Supreme Court affirmed the sale of the fund to Blue Cross/Blue Shield of Michigan
- Blue Cross/Blue Shield would provide work comp insurance to small employers and act as the insurer of last resort and in turn gain tax advantages that other insurance carriers did not have
- It became a subsidiary of Blue Cross/Blue Shield known as the Accident Insurance Company in 1995
- Since then the Company has evolved and bought other companies and in 2011 were licensed in all 50 states

states<http://www.accidentfund.com/about-afgroup/timeline/>

# Nevada

- In 1999 SB37 privatized work comp in Nevada
- Nevada began as a monopolistic state fund with a self-insurance option but because of a large fund deficit they decided to privatize
- In 2000 Nevada's State Fund converted to a private mutual insurance company and was not required to offer coverage to the residual market, it later bought out its policyholders and became a stockholder-owned company
- An assigned risk pool was set up to take care of the residual market, which included as much as a 25% surcharge to be paid to the servicing carrier

[https://www.leg.state.nv.us/Session/70th1999/bills/SB/SB37\\_EN.pdf](https://www.leg.state.nv.us/Session/70th1999/bills/SB/SB37_EN.pdf)



# West Virginia

- 2005 legislation was passed in West Virginia to privatize
- The state fund became a private mutual insurance company
- It was previously a monopolistic state but the state fund had financial issues (same as Nevada)
- Full privatization was completed in 2008 and NCCI became the Residual Market Administrator and West Virginia joined the National Workers' Compensation Reinsurance Pool
- All work comp carriers must participate in the pool (currently 260)
- Assigned three TPA's to administer the Old Fund

# Arizona

- In 2010 SB1045 passed which terminated their State Compensation Fund (effective 2012)
- The state fund was temporarily continued to allow time for employers to find mandatory work comp coverage and a transition period for the fund to become a mutual insurer
- Like Nevada, Michigan, and West Virginia this came about to address a budget deficit issue

<https://legiscan.com/AZ/text/SB1045/2010>

# Utah

- SB92 signed by the Governor in March 2017 removed the Utah Workers' Compensation Fund and is transitioning the fund to a mutual insurer
- The Commissioner is working with the fund and work comp carriers to determine the residual market and by 2021 enter into contract with carriers to write all work comp insurance including the residual market

<https://le.utah.gov/~2017/bills/static/SB0092.html>

# Other states considering

Ohio rejected a proposal in 2009

Oklahoma passed a measure in 2009 stating an intent to privatize

Colorado is considering privatizing

# Factors that can be compared across states that directly or indirectly affect the system, costs, and premium:

Wage Loss Benefits

Medical Fee Schedules

Wage Loss and Medical Severity  
(Average)

SAW/RTW

Claim Frequency

Fatalities

Administration of Claims

Payor Types

Premium (Oregon Ranking)

Industry Mix

Economy: Wages

Attorney Involvement

Alternative Structures (Opt-out)

Independent Contractors



# Helpful Links...

Listing of all state workers' compensation assigned risk plans and pool: <https://www.irmi.com/free-resources/insurance-industry-links/assigned-risk-plans/>

NCCI's residual market summary page:  
[https://www.ncci.com/pages/residual\\_markets.aspx](https://www.ncci.com/pages/residual_markets.aspx)

A study on the privatization of state chartered workers' compensation funds: <https://www.heartland.org/publications-resources/publications/a-study-of-the-privatization-of-state-chartered-workers-compensation-funds?source=policybot>



# What ?'s do you need answered?

✓ ???