

## V I I I . Workers' Compensation Insurance Rates: Florida and the Nation

The cost of providing workers' compensation benefits to employees in Florida can be measured in part by comparing the relative cost of insurance for Florida employers to a national benchmark over the last two decades. These data, available only for commercial insurance carriers, use 1978 as the base year.

■ *Florida's rate changes from previous year:* Over the past 20 years, Florida's rates have dropped significantly only in response to major reform legislation or executive mandate. With the introduction of the wage-loss approach to permanent partial disability benefits in 1979, rates declined 15% from the 1978 level, stabilized for a year, then fell another 19.9% in 1981. Rates then rose steadily from 1982 to a peak annual increase of 26.2% in 1989, prompting further legislation action. Reductions in wage-loss benefits in 1990 brought about a slight rate decline of 3.3%, but rates climbed 21.2% in 1992 and another 7.2% in 1993. After the most recent comprehensive reforms, rates dropped 10.6% in 1994, stabilized for two years, then fell another 11.3% in 1997 as a result of a rate decrease ordered by the Insurance Commissioner. As of 2000, insurance rates in Florida are slightly higher than a year ago and about 70% above their 1978 level.

■ *National rate changes from previous year:* Nationally, rates have been less volatile from year to year than in Florida. Annual rate increases at the double-digit level occurred only three times: at just over 12% in 1985 and 1990, and at 10% in 1992. Except for marginal declines in 1981 and 1982, rates

climbed annually from 1979-1993. Since 1994, rates have decreased every year, with the most significant drop of 7.4% in 1997. The net effect of these fluctuations was a 1999 national rate that was almost 77% above the 1978 level, compared to a corresponding rate of just over 65% for Florida.

■ *Yearly rate changes from 1978 rates for Florida and the nation:* Comparison of cumulative rate changes since 1978 between Florida and the nation as a whole highlights the volatility of state rates. During the first six years of the last two decades, national rates were highly stable at 6-8% above 1978 rates, while Florida's rates plunged dramatically then climbed, but stayed at least 15% below the 1978 level. Beginning in 1985, national and state rates rose in parallel for most of the next nine years, interrupted only by the surge in 1989 and subsequent freezing of rates for two years by the Florida Legislature. Since 1993, rates have declined steadily at the national level and more erratically at the state level; over the past two years, rates in Florida have shown an upward growth. Across all 20 years, however, Florida's rates have remained lower relative to 1978 than national rates. Florida's insurance rates more than doubled the base rate only once, at 108.9% in 1993. Nationally, rates exceeded 100% for six years in a row—from 1991-1996. Of course, these internal rates of growth and decline provide no information about Florida's standing relative to national rates.

■ *Florida's ranking among states:* Florida's 1978 insurance rates were about 76.2% above the

national average, making it the third most costly state among 47 jurisdictions that year. Annual rate changes over the last two decades, described above and listed in Table 8.1, have kept the rate of growth in Florida's insurance rates below the corresponding national level. Still, Florida remains among the most expensive of U.S. jurisdictions in the cost of workers' compensation insurance.

**Table 8.1**

***Insurance Rate Changes from Previous Year:  
Florida and National***

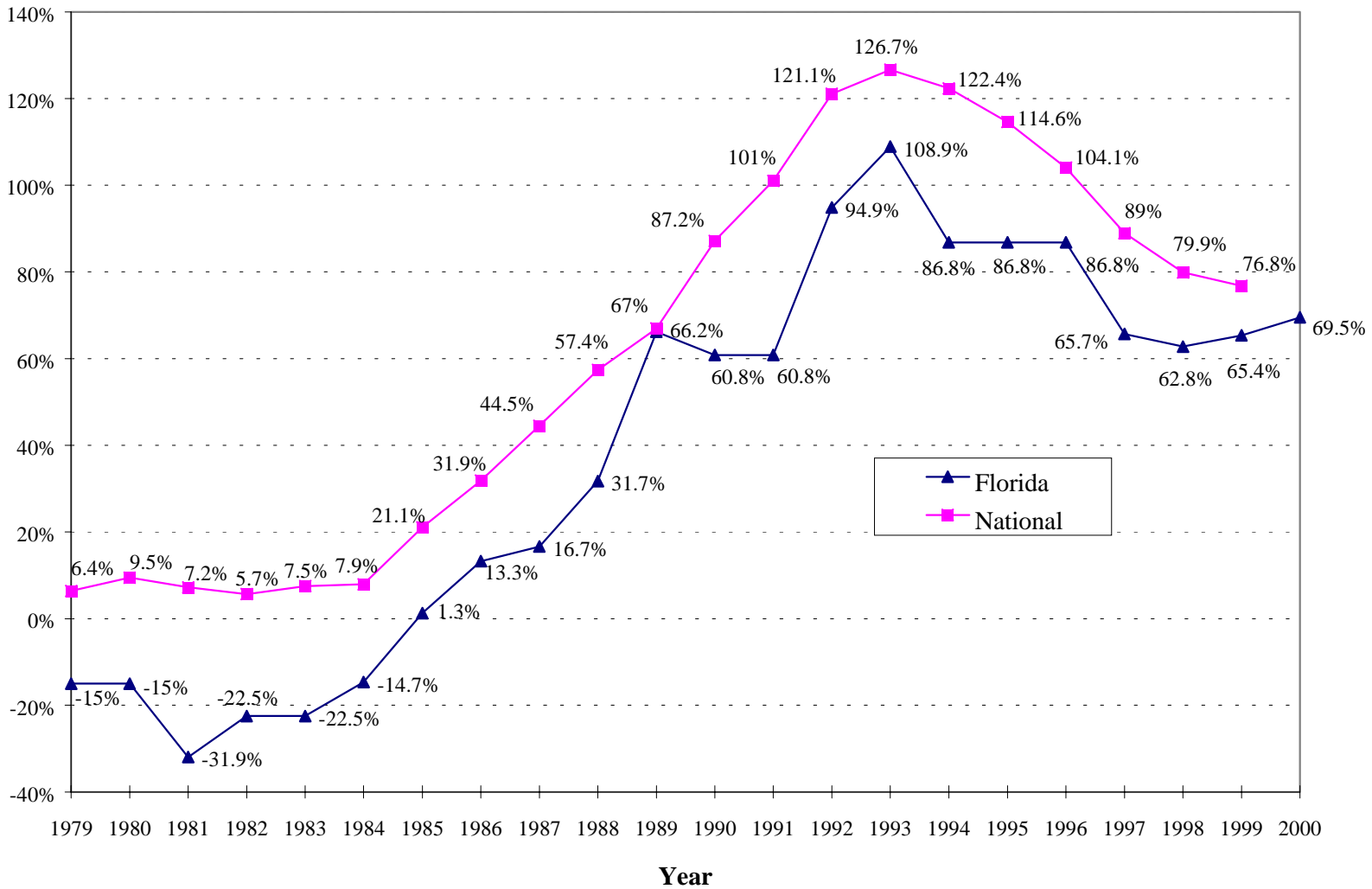
Year	Florida	National
1979	-15.0	6.4
1980	0.0	2.9
1981*	-19.9	-2.1
1982*	13.9	-1.4
1983	0.0	1.7
1984	10.1	0.4
1985	18.7	12.2
1986	11.8	8.9
1987	3.0	9.6
1988	12.9	8.9
1989	26.2	6.1
1990*	-3.3	12.1
1991	0.0	7.4
1992	21.2	10
1993	7.2	2.5
1994	-10.6	-1.9
1995	0.0	-3.5
1996	0.0	-4.9
1997	-11.3	-7.4
1998*	-1.7	-4.8
1999	1.6	-1.7
2000	2.5	N/A

\*Multiple changes in Florida during 1981, 1982, 1990, and 1998 were combined in a single net percentage change.

Source: Florida Department of Insurance (Florida data) and National Council on Compensation Insurance, *Annual Statistical Bulletin*, 1991 Edition, pp. 7, 18 and 2000 Edition, p. 6.

**Figure 8.1**

***Yearly Change from 1978 Insurance Rates: Florida versus the Nation***



Source: Florida Department of Insurance (Florida data) and National Council on Compensation Insurance, *Annual Statistical Bulletin*, 1991 Edition, pp. 7, 18 and 2000 Edition, p. 6.