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**National Council on Compensation Insurance**  
**OIR Filing # 10-14671**  
**Hearing of October 5, 2010**

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**“The idea that one rate fits all, frankly, is counterintuitive. Every insurance company’s model is different. Their expenses, their experience is different. Therefore, one would think that their rates would be different as well.”**

Steve Parton, Chief Counsel for the OIR, June 4, 2009, in a presentation before the Title Insurance Study Advisory Council.

	Written Premium	Incurred Loss Ratio	Commission Ratio	Dividend Ratio	Defense and Cost Containment Ratio	Taxes, Licenses and Fees Ratio	Gross Profit Margin
American Home Assur Co	377,037,672	29.0%	1.7%	0.0%	5.2%	8.1%	56.0%
Hartford Underwriters Ins Co	219,358,379	27.0%	7.8%	7.8%	3.4%	6.2%	47.9%
First Commercial Ins Co	262,200,812	29.7%	10.4%	0.0%	9.6%	5.7%	44.6%
Zenith Ins Co	862,964,212	33.6%	8.5%	6.2%	4.2%	4.7%	42.7%
Aequicap Ins Co	173,052,741	36.8%	11.9%	0.1%	3.2%	5.9%	42.1%
Valley Forge Ins Co	208,413,483	33.3%	8.3%	11.4%	3.0%	5.0%	39.0%
Amerisure Mut Ins Co	231,286,021	28.0%	18.1%	7.6%	4.6%	5.7%	36.0%
Employers Preferred Ins Co	312,818,167	35.9%	10.1%	6.5%	6.6%	5.8%	35.1%
Comp Options Ins Co Inc	176,854,481	27.3%	10.6%	11.8%	9.2%	5.7%	35.4%
Guarantee Ins Co	186,513,743	34.4%	9.1%	0.0%	18.3%	6.0%	32.2%
Bridgefield Employers Ins Co	2,055,901,261	44.2%	7.5%	8.4%	6.6%	2.2%	31.1%
Bridgefield Cas Ins Co	201,135,475	44.4%	10.9%	1.0%	7.9%	5.6%	30.2%
Ace Amer Ins Co	183,982,401	47.3%	2.5%	0.0%	8.7%	12.6%	28.9%
FFVA Mut Ins Co	411,107,361	42.1%	9.3%	6.9%	7.6%	6.9%	27.2%
Insurance Co Of The State Of PA	429,544,566	54.9%	4.0%	0.0%	5.5%	9.7%	25.7%
FCCI Ins Co	809,008,772	44.6%	13.8%	4.8%	6.1%	5.8%	24.9%
Commerce & Industry Ins Co	568,043,501	52.0%	7.3%	0.0%	9.2%	7.5%	23.9%
Charter Oak Fire Ins Co	203,994,936	54.3%	6.7%	0.6%	6.1%	8.4%	23.9%
Associated Industries Ins Co Inc	243,227,457	57.1%	8.8%	1.4%	7.0%	6.7%	19.0%
Florida Hospitality Mut Ins Co	201,057,561	48.3%	9.3%	4.4%	13.3%	5.8%	18.9%
Everest Natl Ins Co	218,646,588	44.8%	20.5%	3.3%	9.4%	5.8%	16.1%
Twin City Fire Ins Co Co	327,765,562	58.0%	7.8%	4.6%	6.7%	6.2%	16.7%
Liberty Ins Corp	301,068,245	63.6%	1.0%	1.0%	7.8%	10.5%	16.1%
Technology Ins Co Inc	289,611,188	51.2%	19.2%	1.5%	5.4%	6.4%	16.3%
Zurich Amer Ins Co	425,691,580	62.2%	8.3%	0.4%	7.1%	7.9%	14.1%
<b>Total / Average</b>	<b>9,880,286,165</b>	<b>43.9%</b>	<b>8.7%</b>	<b>4.4%</b>	<b>6.8%</b>	<b>5.8%</b>	<b>30.3%</b>

**Total Industry** 14,565,534,593

**% Total Industry** 67.8%



Premiums Earned	\$78,445,017,000	100.0%
Losses Incurred	48,683,023,000	62.1%
Loss Adjustment Expenses Incurred	11,456,509,000	14.6%
Underwriting Expenses Incurred	19,190,484,000	24.5%
Other Deductions	40,969,000	0.1%
Dividends to Policyholders	3,474,313,000	4.4%
Net Underwriting Income	<u>-4,400,281,000</u>	<u>-5.6%</u>
<b>Net Investment Income</b>	<b>15,766,901,000</b>	<b>20.1%</b>
Other Income (Expenses)	-265,943,000	-0.3%
Pretax Operating Income	11,100,677,000	14.2%
Realized Capital Gains	-305,225,000	-0.4%
Federal Income Taxes Incurred	1,918,328,000	2.4%
Net Income	\$8,877,124,000	11.3%

	Surplus	Minimum Risk Based Capital	% of Minimum
First Commercial Ins Co	n/a	n/a	n/a
Valley Forge Ins Co	54,028,279	505,670	10684.5%
Bridgefield Cas Ins Co	43,419,044	511,904	8481.9%
Bridgefield Employers Ins Co	102,856,892	3,655,274	2813.9%
FFVA Mut Ins Co	116,378,498	12,324,544	944.3%
Comp Options Ins Co Inc	27,540,666	2,925,524	941.4%
Zenith Ins Co	979,163,633	133,510,450	733.4%
Florida Hospitality Mut Ins Co	58,339,375	7,974,220	731.6%
Twin City Fire Ins Co Co	305,238,895	42,919,970	711.2%
Employers Preferred Ins Co	149,224,067	21,171,068	704.8%
Hartford Underwriters Ins Co	645,913,047	106,522,678	606.4%
Everest Natl Ins Co	164,001,021	31,205,970	525.5%
FCCI Ins Co	427,389,511	121,583,176	351.5%
Commerce & Industry Ins Co	2,750,538,583	823,796,010	333.9%
Amerisure Mut Ins Co	620,360,904	201,180,380	308.4%
Liberty Ins Corp	272,612,416	89,214,862	305.6%
Associated Industries Ins Co Inc	51,635,166	17,467,668	295.6%
Charter Oak Fire Ins Co	228,630,688	79,241,100	288.5%
Technology Ins Co Inc	167,315,540	67,391,322	248.3%
Insurance Co Of The State Of PA	1,985,387,640	830,113,252	239.2%
Ace Amer Ins Co	2,010,797,478	851,120,970	236.3%
American Home Assur Co	5,872,348,964	2,694,357,594	217.9%
Zurich Amer Ins Co	7,417,150,618	3,839,745,644	193.2%
Aequicap Ins Co	12,440,803	8,241,588	151.0%
Guarantee Ins Co	17,202,692	15,247,010	112.8%
<b>Total / Median</b>	<b>24,479,914,419</b>	<b>10,001,927,848</b>	<b>342.7%</b>

**Percentage of Injured Workers (with more than 7 days lost time) who were "somewhat" or "very satisfied" with their overall health care:**

Wisconsin	89%
Massachusetts	85%
Connecticut	84%
Pennsylvania	83%
Maryland	82%
Michigan	82%
North Carolina	80%
Texas	79%
Tennessee	76%
<b>Florida</b>	<b>73%</b>
California	70%

	Rate & Form				Rate & Form		
	Actuaries - P/C	Analysts - P/C	Total Staff		Actuaries - P/C	Analysts - P/C	Total Staff
California	-	67.0	67.0	Arizona	0.5	5.0	5.5
Texas	9.0	21.0	30.0	Nevada	1.0	4.0	5.0
Florida	7.0	23.0	30.0	Hawaii	-	5.0	5.0
New York	18.0	-	18.0	Oregon	2.0	2.5	4.5
Virginia	-	16.0	16.0	Washington	1.0	3.0	4.0
New Jersey	5.0	10.0	15.0	Colorado	1.0	3.0	4.0
Illinois	4.0	8.0	12.0	Indiana	-	4.0	4.0
Ohio	5.0	6.0	11.0	Arkansas	-	4.0	4.0
Kansas	1.0	9.0	10.0	Maine	1.0	3.0	4.0
Missouri	1.0	8.0	9.0	New Hampshire	1.0	3.0	4.0
Georgia	1.0	7.0	8.0	Alabama	-	4.0	4.0
Maryland	1.0	6.0	7.0	Minnesota	-	3.0	3.0
North Carolina	3.0	4.0	7.0	Vermont	-	3.0	3.0
Kentucky	-	7.0	7.0	Louisiana	1.0	2.0	3.0
New Mexico	4.0	3.0	7.0	Iowa	1.5	1.0	2.5
Michigan	-	7.0	7.0	Montana	1.0	1.5	2.5
Pennsylvania	4.0	2.0	6.0	North Dakota	1.0	1.5	2.5
Connecticut	1.0	5.0	6.0	Tennessee	2.0	-	2.0
Oklahoma	-	6.0	6.0	Wisconsin	-	2.0	2.0
Nebraska	2.0	4.0	6.0	Wyoming	-	2.0	2.0
West Virginia	1.0	5.0	6.0	South Dakota	-	1.5	1.5
South Carolina	1.0	5.0	6.0	Utah	-	1.0	1.0
Mississippi	-	6.0	6.0	Delaware	-	1.0	1.0
Alaska	1.0	5.0	6.0	Idaho	-	1.0	1.0
Massachusetts	2.0	3.6	5.6	Rhode Island	-	1.0	1.0
					<b>85.0</b>	<b>305.6</b>	<b>390.6</b>

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**627.091 Rate filings; workers' compensation and employer's liability insurances.**

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- (1) As to workers' compensation and employer's liability insurances, every insurer shall file with the office every manual of classifications, rules, and rates, every rating plan, and every modification of any of the foregoing which it proposes to use. ...
- (2) ...*The information furnished in support of a filing may include:***
- (a) The experience or judgment of the insurer or rating organization making the filing;
  - (b) Its interpretation of any statistical data it relies upon;
  - (c) ***The experience of other insurers or rating organizations;*** or
  - (d) Any other factors which the insurer or rating organization deems relevant.

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Homeowners multiple peril	Credit
Other private passenger auto liability	Group accident and health
Private passenger auto physical damage	Aircraft (all perils)
Allied lines	Multiple peril crop
Private passenger auto no-fault (personal injury protection)	Guaranteed renewable A&H
<b>Workers' compensation</b>	Boiler and machinery
Other liability - occurrence	Commercial auto no-fault (personal injury protection)
Fire	Excess workers' compensation
Commercial multiple peril (non-liability portion)	Fidelity
Other commercial auto liability	Financial guaranty
Federal flood	Earthquake
Inland marine	Farmowners multiple peril
Other liability - claims-made	Burglary and theft
Medical professional liability	All other A&H
Commercial multiple peril (liability portion)	Non-renewable for stated reasons only
Mortgage guaranty	Credit A&H (group and individual)
Surety	Other accident only
Commercial auto physical damage	Collectively renewable A&H
Warranty	Non-cancelable A&H
Ocean marine	Medicare Title XVIII exempt from state taxes or fees
Products liability	Federal employees health benefits program premium

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- **Law provides for individual rate filings.**
  - **OIR has the staff to review filings – second largest in the country.**
  - **The law provides for sharing of experience:**
    - **Own experience**
    - **Competitor's experience**
    - **Industry experience**
  - **Only barrier is inertia and large profits.**
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**Workers compensation insurers have different business models, different loss experience and different expense levels. All these differences should be reflected in different rates.**

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