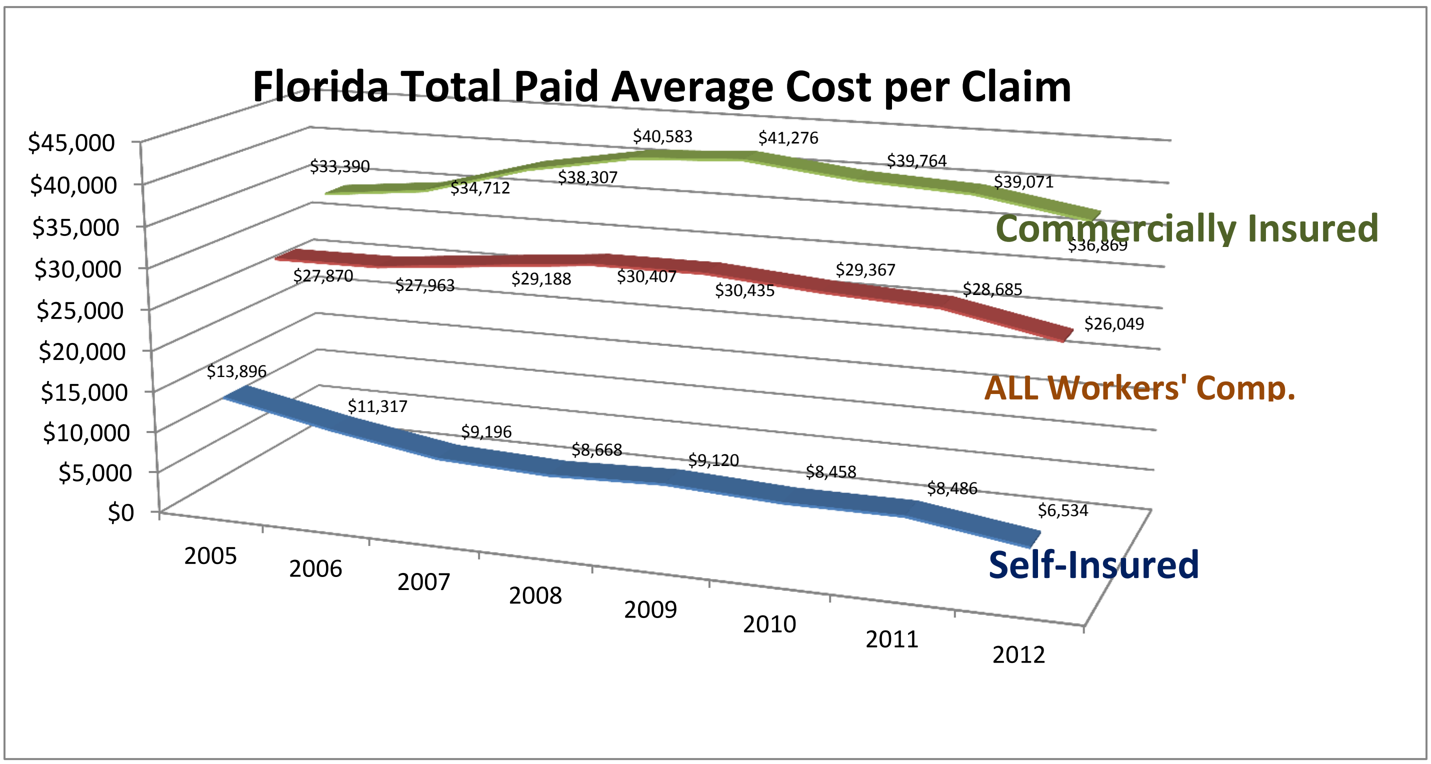
Accelerate Control of Risk Costs

Risk Analysis Services LLC (RAS) has performed a unique analysis on Florida's workers' compensation system, including separately reviewing self-insured entities. Using proven methodologies and data-sets not previously analyzed, we conclude that the 2015 NCCI rate reduction for workers' compensation rates in Florida has created an ideally timed opportunity to exert greater control of the costs of a self-insurance fund.

We obtained data from the US Bureau of Labor Statistics, the Florida Division of Workers Compensation, and Florida Self-Insurers Guaranty Association. First, we extracted total workers compensation claims data for 2005 – 2012, including total annual paid costs and total annual numbers of claims. Second, we received FL WC data for the 398 FL employers who are self-insured for WC. Third, we performed parallel analyses for each population of self-insured, commercially insured and all employers, respectively. We then compared the results.



Trends for self-insureds and all paid WC benefits/costs were significantly divergent. For the period 2008-2012, Total Average Costs for commercially insured was **five** times higher than the workers' comp average cost per claim for self-insureds. The Average Cost per Claim for Self-Insureds was 20% of the cost for commercially insureds. In addition, while the total number of claims for the self-insured employers averaged 28% of the total frequency, self-insured employers accounted for only 8% of the Total Paid Cost of all Florida workers' compensation.

Our data analysis supports our pricing models used by brokers and consultants to negotiate with excess carriers, reinsurers and Lloyd's syndicates. It gives them confidence that the risk has been fully comprehended by the model. Currently, investments from hedge funds, private equity funds, sovereign wealth funds, family investment offices of wealthy individuals, are flooding the insurance market. Our comprehensive analysis will attract their interest in participating in your risk, yielding a pricing advantage in the marketplace.

Actuaries are not set up to do the exhaustive and multiply re-iterative, deep-dive data analysis , as we have begun to perform here, and that we routinely undertake to serve the best interests and profitability of our clients. Actuaries perform an important role and are necessary to meet GAAP and Statutory requirements. Their professional focus however is not optimizing the profits and operations of their clients. Both of us are necessary.

For example, Nuclear Mutual Ltd. was the association owned captive insuring the $3 billion accident at Three Mile Island. Our principal created the rigorous mathematical model that facilitated the insurance placement. The risk was distributed across 1500 names and entities – and the average exposure of $200,000 was manageable without threatening their financial health, and over time the underwriters were profitable. The acceptance and viability of the risk transfer/risk financing system was assured by his model. The Lloyds syndicates participated because the risk modeler comprehended and captured every conceivable aspect of the risk.

In another example, a 25,000 physicians association's malpractice carrier sent a notice of cancelation during Thanksgiving week for all members' coverage effective December 31. Our principal poured over reams of data: procedures by type, cases by specialties, comorbidities and combination-claims involving multiple surgeons and anesthesiologists. He reviewed and researched years of malpractice claims, going so far as to consult with defense attorneys on selected cases. In his report, reinsurance brokers and underwriters could readily trace each analysis thread from Validated Source Data (Loss and Exposure) to Loss Development, to Loss Forecasting (Regression-Trend Analysis) to projected losses and cost, including projected cash flows and discounted future cash flows. The door was open for the association to consider multiple alternative risk transfer options. It was the ammunition they needed to secure coverage at a reasonable rate for their risk. And the risk was placed before Christmas without a gap in coverage.

This data analysis has been sponsored on behalf of FASI by Lou Polur from Sihle Insurance Group. Lou and Alan welcome the opportunity to perform customized data analysis for your benefit.

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