

# 2012 Insurance and Self-insurance table updates

<b>Workers' compensation premiums and rate changes, 1987-2012</b>				
Year	Total system written premiums (\$ millions)	Annual change in written premium	Annual pure premium rate changes	Cumulative rate changes since 1990
1987	\$677.0	-	14.5%	
1988	735.5	8.6%	0.0%	
1989	798.8	8.6%	5.2%	
1990	852.6	6.7%	6.2%	
1991	748.1	-12.3%	-12.2%	-12.2%
1992	786.1	5.1%	-11.0%	-21.9%
1993	739.5	-5.9%	-11.4%	-30.8%
1994	731.2	-1.1%	-4.3%	-33.7%
1995	750.3	2.6%	-3.2%	-35.9%
1996	743.0	-1.0%	-1.8%	-37.0%
1997	723.9	-2.6%	-10.5%	-43.6%
1998	664.0	-8.3%	-15.6%	-52.4%
1999	607.6	-8.5%	-4.8%	-54.7%
2000	615.5	1.3%	-2.2%	-55.7%
2001	637.0	3.5%	-3.7%	-57.3%
2002	728.0	14.3%	-0.1%	-57.4%
2003	758.4	4.2%	0.0%	-57.4%
2004	859.0	13.3%	0.0%	-57.4%
2005	907.5	5.6%	0.0%	-57.4%
2006	982.6	8.3%	0.0%	-57.4%
2007 *	1,192.9	6.8%	-2.1%	-58.3%
2008	945.7	-9.9%	-2.3%	-59.2%
2009	766.7	-18.9%	-5.9%	-61.6%
2010	729.1	-4.9%	-1.3%	-62.1%
2011	813.1	11.5%	-1.8%	-62.8%
2012	847.2	4.2%	1.9%	-62.1%

Total system written premiums exceeded \$1 billion in 2007. During the most recent recession and its aftermath, premiums have fallen sharply. The \$729.1 million in CY 2010 is 31 percent below the 2007 high. CY2011 on has shown increases to the TSWP.

Through 2011, workers' compensation pure premium rates have declined almost 13 percent since 2006 and more than 62 percent since 1990. There had not been an increase in the pure premium rate for the 21 years ending in 2011, although an increase of 1.9 percent was approved for 2012.

Notes: Although self-insured employers do not pay premiums, the department calculates a simulated premium for each self-insurer. Figures here include these simulated premiums. They also include large-deductible premium credits for private insurers.

\* SAIF Corporation reported that its 2007 written premium amount was artificially inflated due to a policy system conversion, which now recognizes annual written premium at policy inception. SAIF estimated that this one-time adjustment inflated 2007's written premium by \$143.8 million. This inflated figure is included in the total system written premium. It has been removed, however, from the calculation of the annual change in written premium in 2007 and 2008. This was done to better show the real change in premium.

<b>Workers' compensation average premium rate ranking, 1986-2012</b>		
Year	Rate ranking	% of study median rate
1986	6th	137%
1988	8th	142%
1990	8th	149%
1992	22nd	107%
1994	32nd	85%
1996	34th	89%
1998	38th	85%
2000	34th	85%
2002	35th	85%
2004	42nd	79%
2006	42nd	79%
2008	39th	83%
2010	41st	83%
2012	39th	84%

Oregon's average premium rate ranking was the 39th highest in the nation in 2012. The average premium index was 84 percent of the national study median. Oregon's average premium has been between 79 percent and 85 percent of the national median in almost every study since 1994.

Note: The premium rate ranking is based on the manual rates in the 50 states, applied to Oregon's mix of occupations. The use of other occupational distributions may produce different rankings.

### Earned large-deductible premium credits, 1996-2012

Year	Premium credits (\$ millions)	% of private insurer written premium
1996	\$0.6	0.2%
1997	9.3	2.5%
1998	16.2	4.6%
1999	24.4	7.5%
2000	20.9	6.8%
2001	37.7	12.0%
2002	54.8	16.8%
2003	54.4	16.8%
2004	50.8	14.3%
2005	60.3	16.9%
2006	79.8	20.1%
2007	96.8	21.0%
2008	87.8	22.0%
2009	75.7	23.8%
2010	63.6	23.6%
2011	82.3	26.2%
2012	79.5	25.7%

Earned large-deductible premium credits are credits on employers' workers' compensation premium. Participating employers repay insurers their claims costs up to the deductible amounts. The use of these credits grew rapidly through 2002 then stayed roughly the same through 2004. After 2004, the use showed rapid growth, peaking in dollar volume 2007. Although the amount of these credits dropped by 34 percent from 2008 to 2010, premium credits as a percentage of private insurer premium continued to increase, even as total premium has declined. In 2011, the dollar volume of credits saw a substantial increase of nearly 30 percent, while the share of private insurers' written premium increased to an all-time high of 26 percent in 2011. 2012 has seen a small decrease in both the dollar volume of credits and the percent share of private insurers' written premium.

### Workers' compensation market share, by insurer type, 1995-2012

Year	SAIF	Private insurers	Self-insured employers
1995	33.2%	50.4%	16.3%
1996	32.6%	50.4%	17.0%
1997	30.9%	52.3%	16.8%
1998	31.0%	53.2%	15.8%
1999	31.4%	53.7%	14.9%
2000	35.7%	50.2%	14.0%
2001	37.2%	49.3%	13.5%
2002	41.7%	44.9%	13.4%
2003	42.5%	42.8%	14.7%
2004	44.3%	41.4%	14.3%
2005	46.1%	39.3%	14.6%
2006	45.8%	40.4%	13.9%
2007 *	42.4%	44.0%	13.6%
2008	42.6%	42.1%	15.2%
2009	40.8%	41.5%	17.7%
2010	44.9%	37.0%	18.1%
2011	44.9%	38.6%	16.5%
2012	47.2%	36.6%	16.2%

In 2012, as measured by total system written premiums, SAIF had 47.2 percent of the market. Private insurers' share was 36.6 percent, its lowest share since 1981. The largest private insurer, Liberty Northwest, had 5.8 percent of the market and 15.8 percent of the private insurer market, a substantial decrease from 2010.

\* Note: SAIF Corporation reported that its 2007 written premium amount was artificially inflated due to a policy system conversion, which now recognizes annual written premium at policy inception. SAIF estimated that this one-time adjustment has inflated 2007's written premium by \$143.8 million. This amount was removed from SAIF's premium in the computation of the 2007 market shares.

**SAIF Corporation financial characteristics, 1995-2012**

Year	Total system written premiums (\$ millions)	Loss ratio	Expense loading factors	Dividends (\$ millions)
1995	249.3	82.4	1.206	80.2
1996	242.2	125.6	1.200	50.1
1997	223.6	66.6	1.193	69.8
1998	205.7	40.6	1.130	121.1
1999	191.0	140.4	1.097	211.5
2000	220.0	166.2	1.103	159.4
2001	237.0	94.5	1.108	0.1
2002	303.4	108.9	1.129	-0.6
2003	322.0	109.5	1.149	0.2
2004	380.2	123.3	1.203	2.0
2005	418.3	65.8	1.204	0.0
2006	449.8	92.9	1.208	0.0
2007 *	588.9	86.4	1.211	60.0
2008	403.1	87.5	1.204	0.0
2009	312.9	88.6	1.201	0.0
2010	327.4	98.6	1.195	200.5
2011	365.2	65.5	1.197	150.0
2012	399.8	66.1	1.209	149.9

\* SAIF's written premium grew by about 13 percent per year between 1999 and 2006. Starting with 2007, SAIF changed its DPW calculation method from arrears based to total estimated at policy inception. This caused a large one-time jump of \$143.8 million, so the "true" premium in 2007 was about \$445.1 million. After this adjustment, CY 2010 shows the first increase in written premium since 2006.

SAIF's loss ratio (incurred losses divided by earned premiums) was 65.5 percent in 2011.

SAIF's expense loading factor covers operating expenses, taxes, profit, and contingencies. This factor is multiplied by the pure premium rate to the employer's payroll to determine gross premium.

In 2010, SAIF paid more than \$200 million in dividends. In 2011 and 2012 each, it was \$150 million. (The 2002 negative dividend figure represents uncashed dividend checks credited back to SAIF.)

**Private insurers' financial characteristics, 1995-2012**

Year	Total system written premiums (\$ millions)	Loss ratio	Expense loading factors	Dividends (\$ millions)
1995	378.4	68.2	1.269	12.5
1996	374.8	66.8	1.207	10.3
1997	378.4	62.2	1.213	9.4
1998	353.6	71.3	1.232	10.3
1999	326.0	69.4	1.216	11.6
2000	309.1	78.4	1.238	10.3
2001	314.0	88.7	1.272	8.4
2002	327.0	66.7	1.349	6.0
2003	324.7	91.2	1.384	3.1
2004	355.7	88.0	1.382	2.6
2005	356.7	83.2	1.423	1.4
2006	396.7	81.1	1.413	2.2
2007	461.9	69.7	1.415	1.9
2008	398.5	71.0	1.397	1.1
2009	318.3	66.2	1.362	2.9
2010	269.9	109.1	1.363	1.1
2011	313.7	66.0	1.344	1.2
2012	310.1	50.1	1.339	0.6

Private insurers' written premium (including large-deductible premiums) was about \$310 million in CY 2012. In CY 2010, it was 41 percent below the 2007 figure, and the lowest figure since 1984.

The loss ratio for all private insurers (incurred losses divided by earned premiums) was 109.1 percent in 2010. This was the first time the loss ratio had been above 100 since 1984. It has now dropped to a level below 2009.

Each private insurer develops an expense loading factor to cover operating expenses, taxes, profit, and contingencies. These factors are multiplied by the pure premium rate and applied to the employer's payroll to determine gross premium. The average 2012 factor was 1.339.

**WC insurance plan (Assigned Risk Pool) characteristics, 1987-2012**

Year	Covered employers	Pool premium (\$ millions)	Percent of written premium	
1987	1,935	\$19.4	3.4%	After declining during the late 1990s, the assigned risk pool grew rapidly between 2000 and 2003, from 3 percent to 9 percent of the total premium. Although the number of employers in the pool stayed roughly constant for 2004 through 2007, pool premium, for the period, declined as a percentage of written premium. From 2008 to 2010, the number of covered employers decreased markedly, remaining largely stable through 2012, although pool premium and market share rose in 2012.
1988	1,872	20.1	3.3%	
1989	3,658	28.8	4.2%	
1990	12,765	71.9	9.8%	
1991	11,970	71.7	11.4%	
1992	12,140	50.2	7.7%	
1993	16,056	48.6	8.0%	
1994	18,008	53.1	8.7%	
1995	17,982	49.1	7.9%	
1996	13,627	34.5	5.6%	
1997	12,771	24.7	4.2%	
1998	11,369	21.3	3.8%	
1999	9,739	17.3	3.4%	
2000	7,414	16.5	3.2%	
2001	8,533	25.2	4.9%	
2002	10,981	42.4	7.4%	
2003	12,421	55.6	9.4%	
2004	12,761	57.5	8.4%	
2005	13,054	58.9	8.2%	
2006	12,799	59.4	7.7%	
2007	12,023	55.6	5.8%	
2008	10,617	38.2	5.4%	
2009	9,242	24.3	4.5%	
2010	7,853	21.9	4.2%	
2011	7,875	22.3	3.7%	
2012	7,956	31.4	5.0%	