Intergovernmental Risk Management Agency

Post-Task Force Analysis
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Question:

How have actual losses compared to predicted losses?

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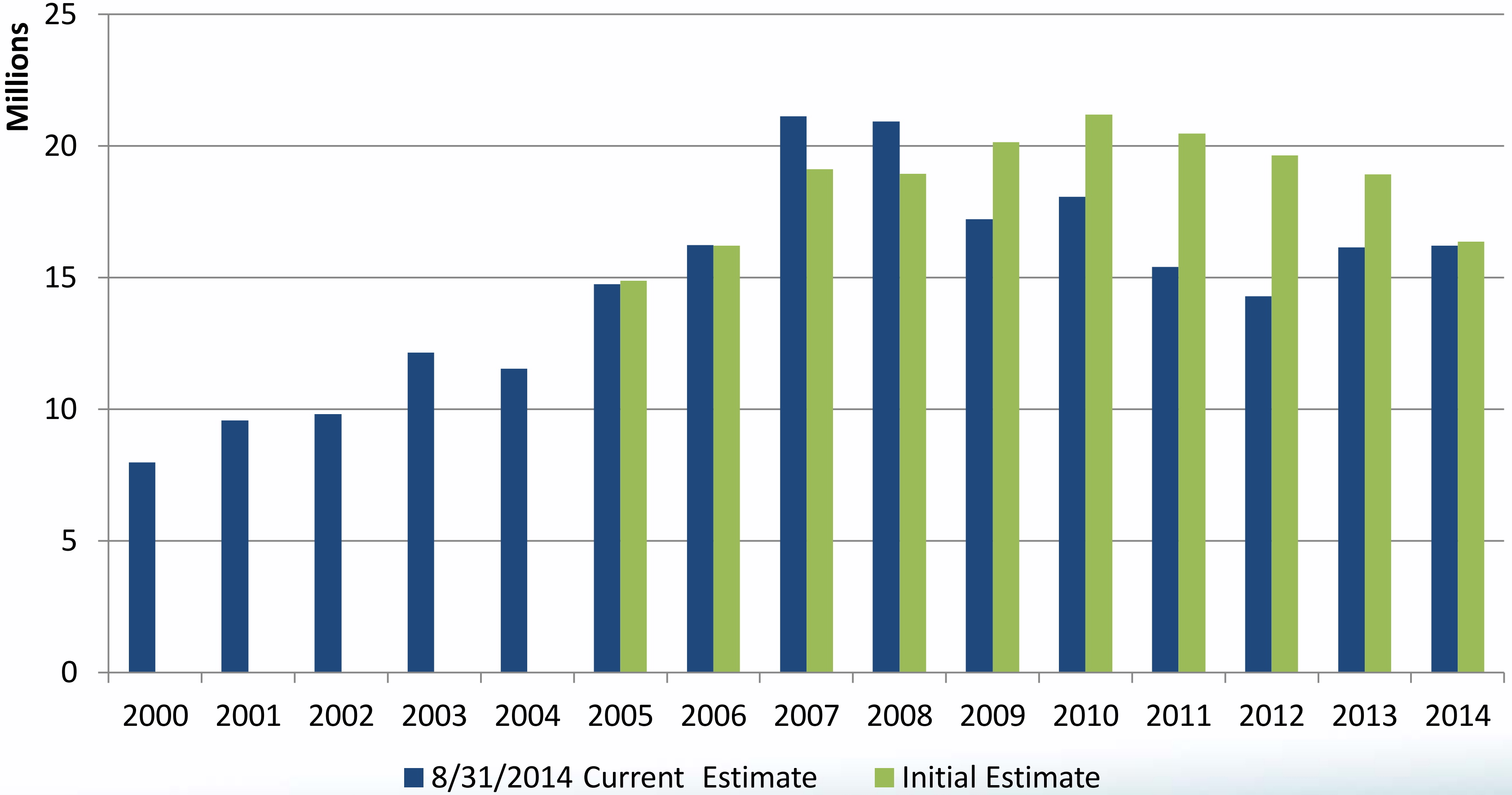
Terms Used

- Initial: Our first estimate of the accident year.
  - For example the initial estimate for 2009 was made at 8/31/08
- Current: Our current estimate of the accident year as of 8/31/14
- Ultimate Losses: Expected losses occurring during an accident year regardless of when actually reported or paid.
- Cost per $100 of Revenue: Estimate of losses / revenue (in 00's)
- On-Level Cost: Cost adjusted to 2014 dollars based on:
  - Frequency and severity trends
  - Benefit level trend (workers' compensation only)
  - Limit changes (where applicable)

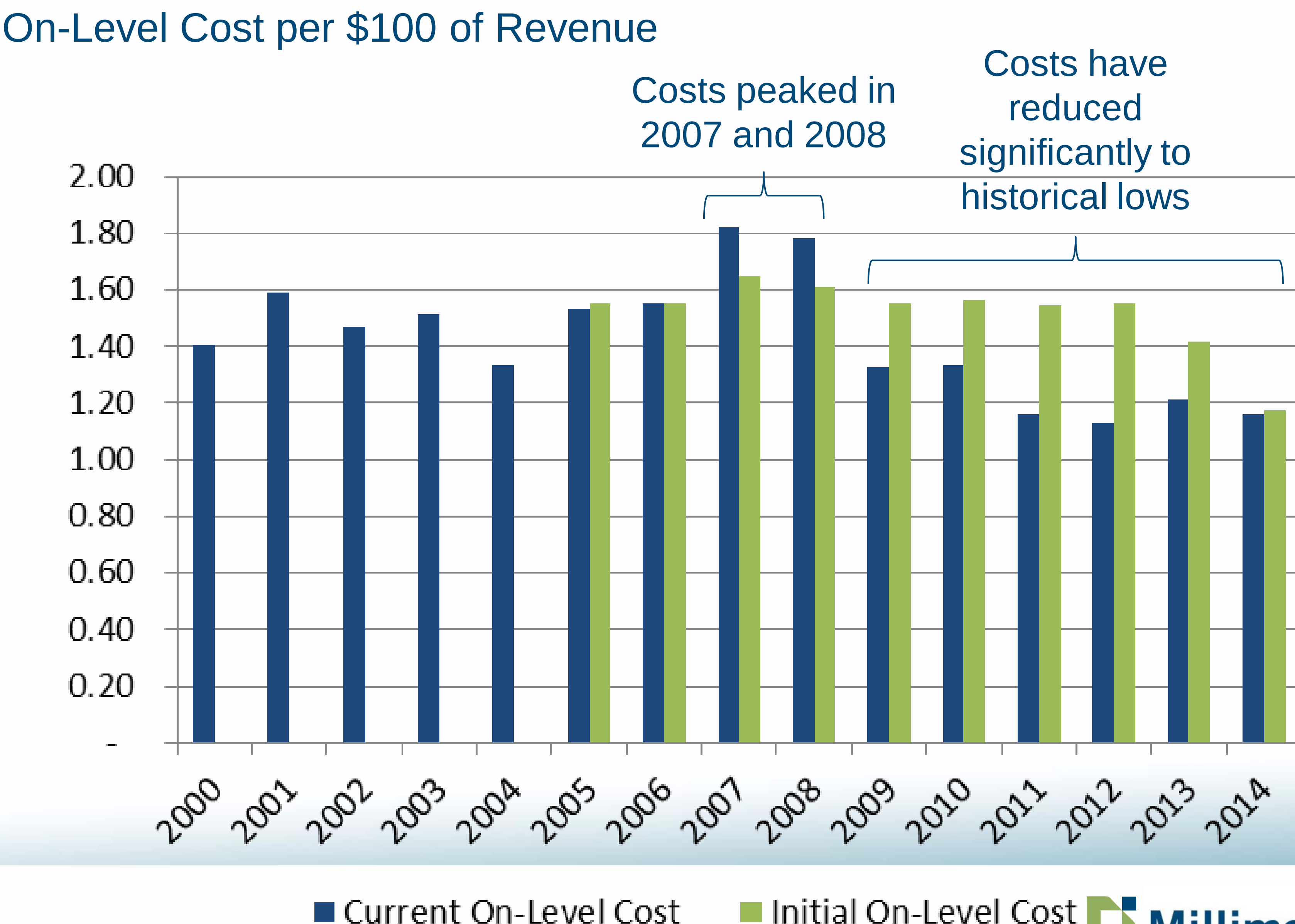
WC – Current vs. Initial Estimates

2007 and 2008 were much higher than expected – leading to higher initial estimates in subsequent years.



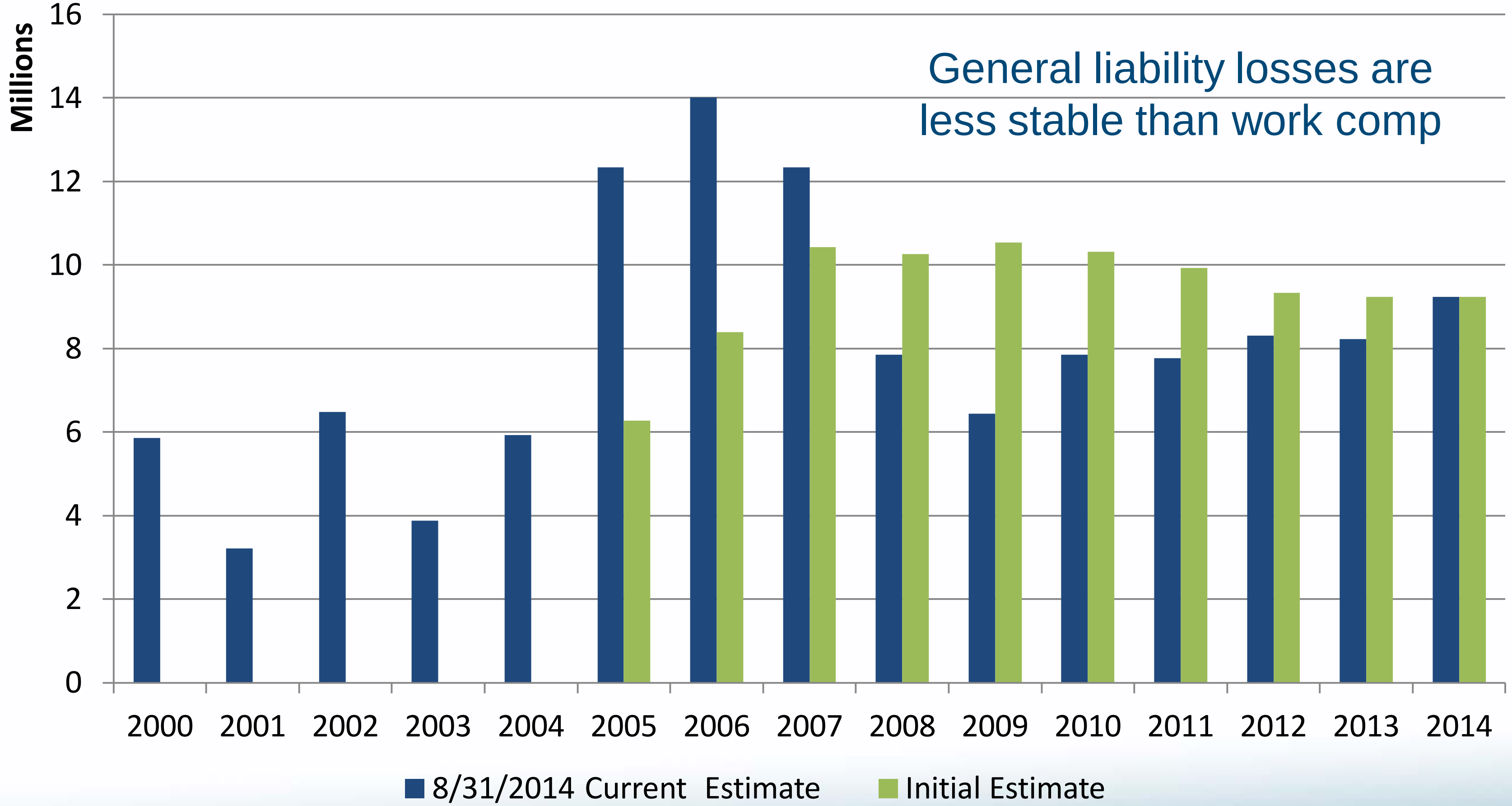
Losses above are presented on a nominal basis.

WC – Current vs. Initial Cost per $100 of Revenue



GL – Current vs. Initial Ultimates

2005-2007 were much higher than expected – leading to higher estimates in subsequent years.



Losses above are presented on a nominal basis.

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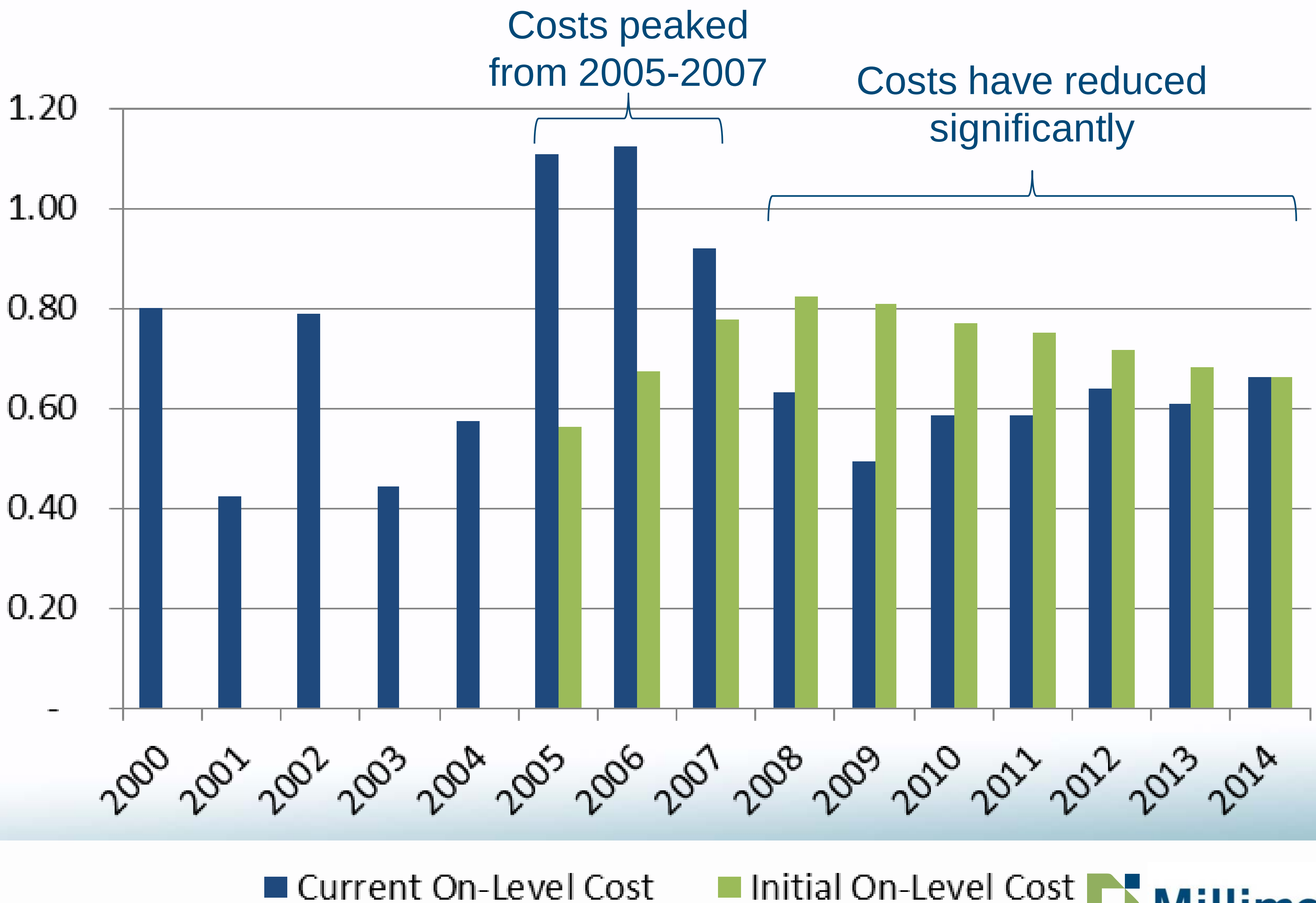
GL – Current vs. Initial Cost per $100 of Revenue

On-Level Cost per $100 of Revenue



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General Observations

- Rate reductions have been slower than actual decline in losses
- The WC losses (for 2009 and forward) are 20% better than mature losses (before 2009)
- The GL losses (for 2008 and forward) are 30% better than mature losses (before 2008)
- IRMA's rates have been stable – see green bars
- Other comments

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General Observations & Task Force Objectives

- Pooled claims and rating provide for highly credible projections at the pool level, although individual member losses can vary considerably. Task force analysis showed this to be true across multiple cohorts by member size.
- Price and risk of “Permanent Deductible” to both pool, and member, do not support continuing to offer-pool costs would be higher, and member costs would be higher in most cases.
- The long term cost of risk can be best impacted through loss control through and mitigation techniques or strategies.
- Reducing controllable losses has the greatest potential to directly affect cost
- Institution of procedures to reduce moral hazard of low deductible for worst performers and others protects the pool and all members

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Questions?

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WC Rating Program

- Identify Loss Drivers
- Statistically Measure and Compare Loss Driver Cost
- Develop Relative Cost Per Member
- Review Both Frequency and Severity
- Develop Credit and Debits By Member
- Measure Effectiveness of Program.