



NEWS RELEASE

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Division of Insurance Orders Increase in Workers Compensation Loss Costs

In economics, what goes down must come up eventually, and most Colorado employers will be looking at a small increase in the premiums they pay for workers compensation insurance in 2011. Colorado's Commissioner of Insurance, Marcy Morrison, announced that a significant component of workers compensation premiums, known as loss costs, will increase by 3.4 percent. Loss costs are the average cost of lost wages and medical payments of workers injured during the course of their employment.

“This is the first time in ten years that Colorado has ordered a ‘loss costs’ increase,” said Marcy Morrison. “Although the frequency of claims went down, the cost of claims went up significantly. Part of the regulator’s job is to be sure the premiums charged will be adequate to cover claims, so we are ordering the increase this year.”

Until this year, Colorado has had no increases in workers compensation loss costs for over a decade, with decreases in 2008 (7.5% decrease), 2009 (16% decrease) and 2010 (9.7% decrease). Factors which may increase workers compensation costs include: frequency (number of claims per number of workers), length of claim, number of treatments for each claim, severity of injury, increasing medical costs and overall costs to cover workers’ compensation claims.

The National Council on Compensation Insurance (NCCI), a rating and advisory organization, collects annual data on workers compensation claims for the insurance industry, and publishes loss costs that form the basis for all workers compensation premium determinations. NCCI provides this information for approximately 38 of the states.

All insurers in Colorado use the NCCI loss costs as a base. Each insurer's own expenses are added to the NCCI's loss costs to arrive at the rates charged to employers. Loss costs are one factor used in establishing each employer's actual workers compensation premium.

The projected loss cost figures for 2011 were presented by the NCCI at a hearing on September 17 at the Division of Insurance offices. Analysis by both the NCCI actuaries and the actuarial consultants was reviewed for all of the industrial classes in Colorado. These classes include manufacturing, office and clerical, contracting, and goods and services. The NCCI filing, the actuarial reviews and public comments are used by the Commissioner of Insurance to establish the loss costs used for the premium rates for the following year.

There are more than 200 companies currently licensed to sell workers compensation insurance in Colorado.

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DORA is dedicated to preserving the integrity of the marketplace and is committed to promoting a fair and competitive business environment in Colorado. Consumer protection is our mission.