



NEWS RELEASE

For Immediate Release - November 2, 2009

Contact: Cameron Lewis, Colorado Division of Insurance, 303.894.2261
Chris Lines, DORA Public Information Officer, 303.894.7873

DORA's Division of Insurance Orders 9.7% Decrease in Workers Compensation Loss Costs

Colorado employers will be looking forward to additional financial relief next year by paying lower premiums for workers compensation insurance due to the announcement that a significant component of workers compensation premiums, known as loss costs, will drop 9.7 percent.

"Colorado employers could see as much as \$84 million in reduced premiums for workers compensation insurance, if all insurers implemented the revised loss costs with no further adjustments," said Colorado Insurance Commissioner Marcy Morrison.

It is expected that the ultimate savings to consumers will be significant, but smaller than the maximum projection because rate filings will be made by individual insurers before the loss cost reduction goes into effect on Jan. 1, 2010. However, many employers will realize a savings in their workers compensation premiums compared to last year.

"In this tough economy, it's vital that state government is a strong and effective partner for Colorado businesses," said Gov. Ritter. "This nearly 10 percent reduction in the loss costs factor in setting workers' comp insurance premiums is extremely good news for businesses across the state. Our economy is doing better here than in many other states, and this will only help."

The loss cost reduction is based on a continuing decrease in the number of claims filed in 2008.

"Workers compensation insurance loss costs have declined more than 50 percent since 2000, and this year's decrease represents the eighth decrease in nine years," Commissioner Morrison said. "This continuing trend indicates that workplaces are much safer than they have been in the past, and that employees are performing their duties in safer manners. Safety programs introduced by employers and insurance companies over the past several years are improving the Colorado workers compensation claims data, and that improvement continues to drive loss costs downward."

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Workers Compensation Loss Costs

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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.

Loss costs are the average cost of lost wages and medical payments of workers injured during the course of their employment. 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 a significant factor, although not the only factor, used in establishing each employer's actual workers compensation premium. Each employer's deductible selection and actual loss experience can also have an impact on worker's compensation premium.

The projected loss cost figures for 2010 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.

Although workers compensation claims are regulated by the Division of Workers' Compensation in the Colorado Department of Labor and Employment, rates for workers compensation premiums are reviewed and regulated by the Colorado Division of Insurance in the Department of Regulatory Agencies (DORA).

The NCCI filing, the actuarial reviews and public comments are used by the Commissioner of Insurance to make a recommendation to insurance carriers for the premium rates for the following year.

There are more than 200 companies currently licensed to sell workers compensation insurance in Colorado. The largest, Pinnacol Assurance, accounts for nearly 50 percent of the market.

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Consumer protection is our mission.*
