2018
STATE OF THE SYSTEM

NYCIRB
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INTRODUCTION

In its 105th year of operation, the Rating Board is transforming its purpose, culture, operations, and technologies to meet the demands of a changing industry. By this State of the System report, the accompanying research studies, and the presentations made at the 2018 New York State Workers’ Compensation Forum, we are realizing our new vision – to serve as the objective thought-leader in the marketplace. We believe that by leading the workers’ compensation industry in this way, we will educate stakeholders, inform policymakers, and provide immeasurable value in our dynamic marketplace.

Thank you for continuing to support our efforts to shed light onto the State’s workers’ compensation system – an important program that must be fair to and work for all stakeholders.

Jeremy Attie
President | CEO
KEY FIGURES

-11.7%  
Approved loss cost level change effective October 1, 2018*

91.2%  
Combined ratio calendar year 2017

$5.9 Billion  
Direct written premium in calendar year 2017

543,922  
Policies

265  
Number of carriers writing policies in 2017

557  
Classes

* Includes the impact of legislative and regulatory changes
Payroll and Premium Data

**1 (Data Source)**

New York Payroll

Payroll data obtained from the New York State Department of Labor includes employers that have purchased an insurance policy from a private insurance company or the State Insurance Fund, as well as self-insured employers.

**Unit Statistical Data Payroll** reported to the Rating Board includes only employers that have purchased an insurance policy from a private insurance company or the State Insurance Fund.

The difference between the lines primarily represents the self-insurance market.

**2 (Definition)**

New York Direct Written Premium

Since the Great Recession, premium volume in New York State has grown steadily but stabilized in 2017.
Market Shares

Percent of Direct Written Premium

- 38.3% State Insurance Fund
- 61.7% Private Carriers – Total

Percent of Direct Written Premium – Net of Deductible

- 38.3% State Insurance Fund
- 53.7% Private Carriers – Total
- 8.0% Self-Insured

Percent of Standard Written Premium – Gross of Deductible

- 27.4% State Insurance Fund
- 37.6% Private Carriers – Total
- 35.0% Private Carriers – Excluding Large Deductible Policies

Percent of Standard Written Premium Including Self-Insured

- 18.3% State Insurance Fund
- 25.1% Private Carriers – Total
- 23.4% Private Carriers – Excluding Large Deductible Policies
- 33.2% Self-Insured

**INSIGHT**

Although the New York State Insurance Fund wrote 38.3% of direct written premium in the insured market, this premium represents 18.3% of the entire marketplace.

Market Share by Calendar Year (Direct Written Premium)

- 2008: 38.5%
- 2009: 37.6%
- 2010: 36.2%
- 2011: 36.1%
- 2012: 41.3%
- 2013: 44.3%
- 2014: 45.1%
- 2015: 44.1%
- 2016: 41.4%
- 2017: 38.3%

**INSIGHT**

The State Insurance Fund market share decreased 3.1% in 2017.
Market Shares

The **top 10** carrier groups by premium volume wrote 81.5% of the workers' compensation premium in the insured marketplace in 2017

<table>
<thead>
<tr>
<th>Carrier Group</th>
<th>Direct Written Premium ($ Millions)</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Insurance Fund</td>
<td>2,278</td>
<td>38.3%</td>
</tr>
<tr>
<td>AmTrust</td>
<td>480</td>
<td>8.1%</td>
</tr>
<tr>
<td>Travelers</td>
<td>475</td>
<td>8.0%</td>
</tr>
<tr>
<td>The Hartford</td>
<td>385</td>
<td>6.5%</td>
</tr>
<tr>
<td>Chubb</td>
<td>306</td>
<td>5.2%</td>
</tr>
<tr>
<td>Zurich</td>
<td>229</td>
<td>3.9%</td>
</tr>
<tr>
<td>Berkshire Hathaway</td>
<td>221</td>
<td>3.7%</td>
</tr>
<tr>
<td>Old Republic</td>
<td>165</td>
<td>2.8%</td>
</tr>
<tr>
<td>Liberty Mutual</td>
<td>157</td>
<td>2.6%</td>
</tr>
<tr>
<td>AIG</td>
<td>141</td>
<td>2.4%</td>
</tr>
</tbody>
</table>
Largest Classes by Payroll

Top 10 Governing Classes — Payroll (Including Standard Exception Classes)

- Clerical Office Employees: $77,708,760,873
- Hospitals: $23,213,152,466
- Clerical Service Contractor: $15,972,884,441
- School – Professional Employees & Clerical: $14,701,263,530
- Building Operation Commercial: $14,552,622,832
- Salesperson, Collectors or Messengers: $11,438,129,647
- Retail Stores: $9,592,180,385
- Physician & Clerical: $16,759,055,871
- Attorneys: $13,333,169,444
- Restaurants: $9,399,312,927

The top 10 classes by payroll represent 49% of the total statewide payroll and 18% of the standard premium.

Largest Classes by Premium

Top 10 Governing Classes — Standard Premium (Including Standard Exception Classes)

- Hospitals: $286,957,981
- Convalescent or Nursing Home: $188,542,894
- Restaurants: $168,633,260
- Automobile Sale or Service Agency: $141,387,052
- School – Professional Employees & Clerical: $140,598,271
- Building Operation NOC: $194,281,235
- Health Care Services: $184,001,125
- Carpentry: $159,620,699
- Clerical Office Employees: $129,441,657
- Trucking: $121,276,581

Payroll and premium data are collected by occupational classification.
### Distribution by Premium Size

<table>
<thead>
<tr>
<th>Premium Range ($)</th>
<th>Policy Count</th>
<th>Standard Premium ($ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 5,000</td>
<td>418,223</td>
<td>468</td>
</tr>
<tr>
<td>5,001 - 10,000</td>
<td>44,566</td>
<td>316</td>
</tr>
<tr>
<td>10,001 - 50,000</td>
<td>59,496</td>
<td>1,300</td>
</tr>
<tr>
<td>50,001 - 100,000</td>
<td>10,486</td>
<td>730</td>
</tr>
<tr>
<td>100,001 - 250,000</td>
<td>6,934</td>
<td>1,064</td>
</tr>
<tr>
<td>250,001 - 500,000</td>
<td>2,324</td>
<td>810</td>
</tr>
<tr>
<td>500,001 - 1,000,000</td>
<td>1,121</td>
<td>778</td>
</tr>
<tr>
<td>1,000,001 and over</td>
<td>772</td>
<td>2,195</td>
</tr>
</tbody>
</table>

**INSIGHT**

Policies with premiums over **$50,000** represent less than 4% of policies but account for **73%** of premium.

Policies with premiums of **$5,000 or less** represent **77%** of policies but account for only **6%** of premium.
2017 Reform Components

The reforms listed below were priced into the October 2017 loss cost filing

- Cap on time to reach maximum medical improvement
- Extreme hardship safety net
- Attachment to workforce
- Stress-related injuries for first responders

Impact
-1.7%
2018 Regulatory Changes

Removal of Surgery Add-on

- Eliminated 10% add-on for rotator cuff surgery
- Eliminated 7.5% add-on for knee tear surgery

Joint Replacement Impairment
Impairment ratings change from 50% - 65% to 35% - 80% depending on range of motion
Applies to knee, shoulder, and hip replacements

Contralateral Provision
Impairment is to be measured against the contralateral body part as a presumption of the pre-injury condition

Impact
-2.8%

Medical Fee Schedule
- Raised fees in all provider categories
- Expected implementation date: Early 2019
- Estimated Impact: +3.5%

Prescription Drug Formulary
- Formulary was published in December 2017
- Expected to undergo additional revisions
Development Factors and Loss Ratios

1st to 19th Loss Development Factors by Calendar Year

INSIGHT
Since 2014, loss development factors have decreased

Accident Year Loss Ratios (@12/31/2016 vs. @12/31/2017)

INSIGHT
Several accident year loss ratios improved between the latest two valuation dates

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>1st to 19th</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accident Year</td>
<td>96.0%</td>
<td>101.1%</td>
<td>103.3%</td>
<td>95.0%</td>
<td>83.0%</td>
<td>79.7%</td>
<td>74.8%</td>
<td>72.3%</td>
<td>67.9%</td>
<td>N/A</td>
</tr>
<tr>
<td>Loss Ratios</td>
<td>@12/31</td>
<td>96.9%</td>
<td>102.0%</td>
<td>102.9%</td>
<td>95.6%</td>
<td>81.4%</td>
<td>78.3%</td>
<td>73.2%</td>
<td>68.9%</td>
<td>64.8%</td>
</tr>
<tr>
<td>12/31/2016</td>
<td>@12/31</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12/31/2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
In 2017, for every dollar of premium collected, insurance carriers will pay out less than a dollar in losses and expenses (investment income not included). Beginning in 2014, premiums do not include the New York State Assessment, resulting in a one-time adjustment to the calendar year expense ratio.

The calendar year combined ratio decreased significantly in 2017.

Following six straight years of decreases, the accident year loss ratio increased in 2017. The one-time 2014 expense ratio decrease is evident.

The accident year combined ratio decreased in 2017.

---

**Calendar Year Combined Ratios**

<table>
<thead>
<tr>
<th>Year</th>
<th>Loss Ratio</th>
<th>Expense Ratio</th>
<th>Dividend Ratio</th>
<th>Combined Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>71.9%</td>
<td>40.2%</td>
<td>1.2%</td>
<td>113.3%</td>
</tr>
<tr>
<td>2009</td>
<td>82.6%</td>
<td>46.1%</td>
<td>1.1%</td>
<td>129.8%</td>
</tr>
<tr>
<td>2010</td>
<td>96.4%</td>
<td>46.9%</td>
<td>0.9%</td>
<td>144.2%</td>
</tr>
<tr>
<td>2011</td>
<td>77.4%</td>
<td>45.4%</td>
<td>0.8%</td>
<td>123.6%</td>
</tr>
<tr>
<td>2012</td>
<td>85.1%</td>
<td>45.3%</td>
<td>0.9%</td>
<td>131.3%</td>
</tr>
<tr>
<td>2013</td>
<td>72.2%</td>
<td>38.5%</td>
<td>0.8%</td>
<td>111.5%</td>
</tr>
<tr>
<td>2014</td>
<td>66.0%</td>
<td>27.0%</td>
<td>1.0%</td>
<td>102.3%</td>
</tr>
<tr>
<td>2015</td>
<td>63.0%</td>
<td>35.2%</td>
<td>0.9%</td>
<td>102.1%</td>
</tr>
<tr>
<td>2016</td>
<td>65.5%</td>
<td>38.2%</td>
<td>0.9%</td>
<td>102.1%</td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td></td>
<td>91.2%</td>
</tr>
</tbody>
</table>

* 2013 Premiums and Losses Exclude SIF Data

**Accident Year Combined Ratios**

<table>
<thead>
<tr>
<th>Year</th>
<th>Loss Ratio</th>
<th>Expense Ratio</th>
<th>Dividend Ratio</th>
<th>Combined Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>96.9%</td>
<td>40.2%</td>
<td>1.2%</td>
<td>138.3%</td>
</tr>
<tr>
<td>2009</td>
<td>102.0%</td>
<td>46.1%</td>
<td>1.1%</td>
<td>149.2%</td>
</tr>
<tr>
<td>2010</td>
<td>102.9%</td>
<td>46.9%</td>
<td>0.9%</td>
<td>150.7%</td>
</tr>
<tr>
<td>2011</td>
<td>95.6%</td>
<td>45.4%</td>
<td>0.8%</td>
<td>141.8%</td>
</tr>
<tr>
<td>2012</td>
<td>81.4%</td>
<td>45.3%</td>
<td>0.9%</td>
<td>127.6%</td>
</tr>
<tr>
<td>2013</td>
<td>78.3%</td>
<td>38.5%</td>
<td>0.8%</td>
<td>117.6%</td>
</tr>
<tr>
<td>2014</td>
<td>73.2%</td>
<td>27.0%</td>
<td>1.0%</td>
<td>101.2%</td>
</tr>
<tr>
<td>2015</td>
<td>68.9%</td>
<td>35.2%</td>
<td>0.9%</td>
<td>105.0%</td>
</tr>
<tr>
<td>2016</td>
<td>64.8%</td>
<td>38.2%</td>
<td>0.9%</td>
<td>103.9%</td>
</tr>
<tr>
<td>2017</td>
<td>65.8%</td>
<td>34.5%</td>
<td>1.2%</td>
<td>101.5%</td>
</tr>
</tbody>
</table>
We are pleased to report that in July, the New York State Department of Financial Services approved the Rating Board’s actuarially recommended 11.7% average loss cost decrease, ensuring that loss costs in New York State remain at adequate levels. This approval represents the third straight year that the Department approved the loss cost change recommended by the Rating Board’s Actuarial Committee and is the result of our tireless efforts to build a strong partnership with our regulators and maintain a healthy marketplace.

Jeremy Attie  
President | CEO
Generally, loss cost levels in neighboring states have been decreasing, some significantly.
Although there are more approved LCMs between 1.3 and 1.4 than in any other range...

...policies written by carriers with LCMs under 1.2 generate the most premium by range

Direct written premium weighted average LCM = 1.27  
Standard written premium weighted average LCM = 1.21
There are several programs that allow for pricing to better fit individual risks.

These programs may be applicable depending on size of risk, experience, and other risk-specific factors.

The Schedule Rating Program was implemented in New York State on January 1, 2015.

### Schedule Rating
2017 Policies

<table>
<thead>
<tr>
<th>Schedule Rating</th>
<th>Policy Count</th>
<th>Policy Count Distribution</th>
<th>Schedule Rated Policy Distribution</th>
<th>Schedule Rated Premium Distribution</th>
<th>Average Rating Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policies with Debits</td>
<td>5,219</td>
<td>0.9%</td>
<td>20.4%</td>
<td>14.5%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Policies with Credits</td>
<td>20,419</td>
<td>3.6%</td>
<td>79.6%</td>
<td>85.5%</td>
<td>-4.7%</td>
</tr>
<tr>
<td>Total Schedule Rated</td>
<td>25,638</td>
<td>4.6%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>-3.4%</td>
</tr>
</tbody>
</table>
Indemnity Severity Trends

**Indemnity severity** is the average indemnity cost per lost time claim.

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Policy Year Average Indemnity Severity ($)</td>
<td>50,334</td>
<td>49,400</td>
<td>51,353</td>
<td>52,140</td>
<td>55,936</td>
<td>58,471</td>
<td>57,128</td>
<td>60,355</td>
<td>N/A</td>
</tr>
<tr>
<td>Accident Year Average Indemnity Severity ($)</td>
<td>50,358</td>
<td>50,243</td>
<td>50,204</td>
<td>51,504</td>
<td>54,415</td>
<td>57,688</td>
<td>58,289</td>
<td>57,662</td>
<td>60,499</td>
</tr>
</tbody>
</table>

**IN SIGHT**

Indemnity severity and the State’s average weekly wage have generally increased at a similar pace.
Medical Severity Trends

Medical severity is the average medical cost per lost time claim.

Since 2009, medical severity has grown at a slower rate than the Medical Consumer Price Index.

Medical severity decreased in policy year 2016

Medical severity increased in accident year 2017
New York State Claim Frequency Trends

**Lost Time Claim Frequency**

![Graph showing lost time claim frequency with annual and cumulative changes from 2009 to 2017.]

**Claim frequency** is the number of lost time claims per $1M of premium.

Claim frequency in New York State declined for policy year 2016.

### Claim Closure Rates and Payment Pattern

![Graph showing closure rates and payment pattern over different report levels.]

**Insight**

While 98.0% of the medical only claims are closed by third report, 0.4% of medical only claims remain open after tenth report.

Although 80.3% of lost time claims are closed by fourth report, the remaining open claims take a long time to close.

8.7% of the lost time claims are still open after tenth report.

At tenth report, only 71.8% of losses have been paid out.

### Table: Claim Frequency Trends

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Policy Year Claim Frequency</td>
<td>8.479</td>
<td>8.890</td>
<td>8.338</td>
<td>8.283</td>
<td>8.239</td>
<td>8.212</td>
<td>8.243</td>
<td>8.121</td>
<td>N/A</td>
</tr>
<tr>
<td>Annual Policy Year Change</td>
<td>-4.8%</td>
<td>-6.2%</td>
<td>-0.7%</td>
<td>-0.5%</td>
<td>-0.3%</td>
<td>0.4%</td>
<td>-1.5%</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Average Accident Year Claim Frequency</td>
<td>8.742</td>
<td>7.145</td>
<td>8.714</td>
<td>8.242</td>
<td>7.895</td>
<td>8.098</td>
<td>8.208</td>
<td>7.866</td>
<td>8.023</td>
</tr>
<tr>
<td>Annual Accident Year Change</td>
<td>-18.3%</td>
<td>22.0%</td>
<td>-5.4%</td>
<td>-4.2%</td>
<td>2.6%</td>
<td>1.4%</td>
<td>-4.2%</td>
<td>2.0%</td>
<td></td>
</tr>
</tbody>
</table>

### Table: Claim Closure Rates

<table>
<thead>
<tr>
<th>Report</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Closure Rate</td>
<td>69.9%</td>
<td>83.7%</td>
<td>89.3%</td>
<td>91.9%</td>
<td>93.4%</td>
<td>94.5%</td>
<td>95.3%</td>
<td>95.9%</td>
<td>96.3%</td>
<td>96.6%</td>
</tr>
<tr>
<td>Medical Only Closure Rate</td>
<td>89.6%</td>
<td>96.5%</td>
<td>98.0%</td>
<td>98.5%</td>
<td>98.8%</td>
<td>99.0%</td>
<td>99.2%</td>
<td>99.4%</td>
<td>99.5%</td>
<td>99.6%</td>
</tr>
<tr>
<td>Lost Time Closure Rate</td>
<td>36.9%</td>
<td>61.6%</td>
<td>74.2%</td>
<td>80.3%</td>
<td>84.1%</td>
<td>86.6%</td>
<td>88.3%</td>
<td>89.6%</td>
<td>90.6%</td>
<td>91.3%</td>
</tr>
<tr>
<td>% of Ultimate Paid</td>
<td>17.8%</td>
<td>32.5%</td>
<td>44.3%</td>
<td>52.3%</td>
<td>57.9%</td>
<td>61.9%</td>
<td>65.0%</td>
<td>67.6%</td>
<td>69.8%</td>
<td>71.8%</td>
</tr>
</tbody>
</table>
Claims and Losses by Part of Body

Top 10 injuries by total claim count

- Multiple Head Injury: 2.9%
- Shoulder(s) / Upper Arm: 9.5%
- Multiple Body Parts: 5.2%
- Lower Back Area / Soft Tissue: 16.5%
- Wrist: 3.8%
- Hand: 6.5%
- Finger(s) / Thumb: 12.2%
- Knee: 8.6%
- Ankle: 4.6%
- Foot: 3.9%

Top 10 injuries by total losses

- Multiple Head Injury: 3.2%
- Shoulder(s) / Upper Arm: 15.2%
- Multiple Body Parts: 9.0%
- Lower Back Area / Soft Tissue: 19.9%
- Wrist: 3.3%
- Hand: 3.3%
- Finger(s) / Thumb: 3.2%
- Knee: 11.7%
- Ankle: 4.0%
- Foot: 2.9%

**INSIGHT**
Injuries to the **lower back, knee, and shoulder** represent a significant percentage of losses.
Unlike most states, indemnity losses in New York State represent a larger share of total losses than medical losses.
Although medical only claims account for 60.7% of claims, they represent 2.2% of the total losses.

Permanent partial claims account for 72.2% of the losses, even though they represent only 18.5% of the claims.
Distribution of Losses

Distribution of Total Losses by Industry Group

1. Food and Beverage Manufacturing
2. Chemical Manufacturing
3. All Other Manufacturing
4. Contracting
5. Stores and Dealers
6. Professionals and Office Services
7. Services
8. Miscellaneous
9. Maritime, Admiralty, and Federal

Distribution of Total Losses by Hazard Group

Least Severe

A: 21.9%
B: 22.0%
C: 14.0%
D: 5.6%
E: 3.5%

Most Severe

F: 22.6%
G: 10.4%
Group Severities by Industry and Hazard Group

Average Cost Per Lost Time Claim by Industry Group

- The contracting industry has the highest average severity.

Average Cost Per Lost Time Claim by Hazard Group

- Severity by hazard group is behaving as expected with the severity increasing by hazard group from A to G.
Distribution of Medical Costs

In service year 2017, physicians represented the largest medical payment category, followed by hospitals.

Distribution of Physician Services

Payments for surgical procedures represent 27.8% of physician payments. Physical medicine represents 21.5% of physician costs.

Distribution of Facility Services

Inpatient hospital payments represent approximately 50% of all payments for facility services.
Prescription Drug Spending

**Major Drug Categories**

<table>
<thead>
<tr>
<th>Category</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td>26.9%</td>
</tr>
<tr>
<td>Opiate Agonists</td>
<td>25.6%</td>
</tr>
<tr>
<td>Nonsteroidal Anti-inflammatory Agents</td>
<td>10.7%</td>
</tr>
<tr>
<td>Central Nervous System Agents, Misc.</td>
<td>10.1%</td>
</tr>
<tr>
<td>Antiepileptics</td>
<td>7.8%</td>
</tr>
<tr>
<td>Centrally Acting Skeletal Muscle Relaxants</td>
<td>6.8%</td>
</tr>
<tr>
<td>Anticonvulsants, Misc.</td>
<td>5.3%</td>
</tr>
<tr>
<td>Antidepressants</td>
<td>6.0%</td>
</tr>
</tbody>
</table>

**INSIGHT**
The opioid share of the total prescription drug spend decreased by 3.8% from 2016 to 2017.

**Breakdown of Top Opioids**

- Oxycodone & Comb. 14.5%
- Tapentadol 3.2%
- Hydrocodone & Comb. 2.4%
- Fentanyl & Comb. 1.8%
- Morphine Sulfate & Comb. 1.4%
- Hydromorphone & Comb. 0.6%
- Oxymorphone 1.4%
- Other 0.4%

**INSIGHT**
The decrease in opioid spend as a share of total drug spend is observable across several types of opioids.

**Prescription Drug to Total Medical Ratio**

The prescription drug payments as a share of medical dollars increases as claims age.

**INSIGHT**
After 10 years, the percentage of payments made for drugs out of the total medical spend averages 46.2%.
THANK YOU

We remain thankful for the support and involvement of our membership and other stakeholders in the marketplace, and we wish everyone continued success in the coming year.

Jeremy Attie
President | CEO
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Chart 1: New York Payroll
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- Insurance Carriers' Annual Financial Statements
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- New York State Insurance Fund Data is Excluded from Dividend Ratio and Expense Ratio

Chart 12: Accident Year Combined Ratios
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- Rating Board Medical Data - Service Years 2013 - 2017
**Definition A**

**Direct Written Premium** is the premium charged on policies, after application of all premium adjustments, such as premium discounts, deductible credits, and the like.

**RETURN TO DEFINITION A**

**Definition B**

**Standard Premium** is the premium prior to the application of premium discounts and deductible credits.

**RETURN TO DEFINITION B**

**Definition C**

**Governing Class** is the occupational classification on a policy (e.g., plumbing) that generates the majority of premium, subject to a few exceptions set forth in the Workers’ Compensation and Employers Liability Manual.

**RETURN TO DEFINITION C**

**Definition D**

**Combined Ratio** represents the ratio of losses, expenses, and dividends to premiums. For example, a combined ratio of 110% means that for each dollar of premium collected, an insurer paid out $1.10 in losses and expenses. This statistic does not account for investment income.

**RETURN TO DEFINITION D**

**Definition E**

**Claims Report Level** appears on the Unit Statistical Reports and is the valuation period of a claim. The first report refers to the valuation of claims as of 18 months from the effective date of the policy. Each subsequent report is valued in 12 month increments. For example, the second report refers to claims valued 30 months from the effective date of the policy, and the 10th report refers to the valuation of claims 126 months (10.5) years after the effective date of the policy.

**RETURN TO DEFINITION E**