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Introduction

The past few years have brought remarkable opportunities for the industry and change to Rating Board. The marketplace is the most competitive it has been in recent years and the Rating Board is making foundational changes to its operations, culture, and technology to meet the demands of our collective future. Together, we are deepening our understanding of the workers’ compensation system and are working to make it more transparent for all participants.

By this State of the System report and our 2019 research study, we are realizing our organizational vision and purpose – to serve as the objective thought-leader in the New York State marketplace. Thank you for your continued support.

Jeremy Attie
President | CEO
### Key Figures

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>-10.0%</td>
<td>Approved loss cost level change effective October 1, 2019</td>
</tr>
<tr>
<td>82.4%</td>
<td>Calendar year 2018 combined ratio</td>
</tr>
<tr>
<td>$5.9 Billion</td>
<td>Direct written premium in calendar year 2018</td>
</tr>
<tr>
<td>549,253</td>
<td>Policies</td>
</tr>
<tr>
<td>273</td>
<td>Number of carriers writing policies in 2018</td>
</tr>
<tr>
<td>556</td>
<td>Classes</td>
</tr>
</tbody>
</table>
Payroll and Premium Data

Payroll Data

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

New York Direct Written Premium

Direct written premiums in New York were stable in calendar year 2018.
Market Shares

Percent of Direct Written Premium

- State Insurance Fund: 38.1%
- Private Carriers – Total: 61.9%

Percent of Direct Written Premium – Net of Deductible

- State Insurance Fund: 38.1%
- Private Carriers – Total: 53.5%
- Self-Insured: 8.4%

Percent of Standard Written Premium – Gross of Deductible

- State Insurance Fund: 28.7%
- Private Carriers – Total: 35.8%
- Self-Insured: 35.5%

Percent of Standard Written Premium – Including Self-Insured

- State Insurance Fund: 19.3%
- Private Carriers – Total: 24.1%
- Self-Insured: 23.8%

Although the State Insurance Fund wrote 38.1% of direct written premium in the insured market, this premium represents 19.3% of the entire marketplace.

State Insurance Fund Market Share by Calendar Year

- 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: 38.4%
- 2018: 38.1%

The State Insurance Fund’s market share decreased for a fourth consecutive year.
## Market Shares

### Top Ten Carrier Groups

<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>2,256</td>
<td>38.1%</td>
</tr>
<tr>
<td>Travelers</td>
<td>476</td>
<td>8.0%</td>
</tr>
<tr>
<td>The Hartford</td>
<td>398</td>
<td>6.7%</td>
</tr>
<tr>
<td>AmTrust</td>
<td>392</td>
<td>6.6%</td>
</tr>
<tr>
<td>Chubb</td>
<td>299</td>
<td>5.0%</td>
</tr>
<tr>
<td>Berkshire Hathaway</td>
<td>222</td>
<td>3.7%</td>
</tr>
<tr>
<td>Zurich</td>
<td>217</td>
<td>3.7%</td>
</tr>
<tr>
<td>Old Republic</td>
<td>170</td>
<td>2.9%</td>
</tr>
<tr>
<td>Liberty Mutual</td>
<td>151</td>
<td>2.6%</td>
</tr>
<tr>
<td>Utica</td>
<td>126</td>
<td>2.1%</td>
</tr>
</tbody>
</table>

The top 10 carrier groups by premium volume wrote almost 80% of the workers' compensation premium in the insured marketplace in 2018.
### Top Ten Classifications

#### Top 10 Governing Classes by Payroll

<table>
<thead>
<tr>
<th>Classification</th>
<th>Payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clerical Office Employees</td>
<td>$91B</td>
</tr>
<tr>
<td>Hospitals</td>
<td>$26B</td>
</tr>
<tr>
<td>Physician &amp; Clerical</td>
<td>$18B</td>
</tr>
<tr>
<td>Clerical Service Contractor</td>
<td>$16B</td>
</tr>
<tr>
<td>School – Professional Employees &amp; Clerical</td>
<td>$16B</td>
</tr>
<tr>
<td>Building Operation Commercial</td>
<td>$15B</td>
</tr>
<tr>
<td>Attorneys</td>
<td>$14B</td>
</tr>
<tr>
<td>Salesperson, Collectors or Messengers</td>
<td>$12B</td>
</tr>
<tr>
<td>Restaurants</td>
<td>$10B</td>
</tr>
<tr>
<td>Retail Stores</td>
<td>$9B</td>
</tr>
</tbody>
</table>

**INSIGHT** The top 10 classes by payroll represent **51%** of the total statewide payroll and **18%** of the standard premium.

#### Top 10 Governing Classes by Standard Premium

<table>
<thead>
<tr>
<th>Classification</th>
<th>Standard Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospitals</td>
<td>$321M</td>
</tr>
<tr>
<td>Health Care Services</td>
<td>$212M</td>
</tr>
<tr>
<td>Building Operation NOC</td>
<td>$198M</td>
</tr>
<tr>
<td>Convalescent or Nursing Home</td>
<td>$194M</td>
</tr>
<tr>
<td>Carpentry</td>
<td>$192M</td>
</tr>
<tr>
<td>Restaurant</td>
<td>$187M</td>
</tr>
<tr>
<td>School - Professional Employees &amp; Clerical</td>
<td>$143M</td>
</tr>
<tr>
<td>Automobile Sale or Service Agency</td>
<td>$140M</td>
</tr>
<tr>
<td>Trucking</td>
<td>$130M</td>
</tr>
<tr>
<td>Bus Company</td>
<td>$126M</td>
</tr>
</tbody>
</table>
INSIGHT: Policies with premiums over $50,000 represent less than 4% of policies but account for 74% of premium.

INSIGHT: Policies with premiums of $5,000 or less represent 76% of policies but account for only 6% of premium.
Development Factors and Changes in Loss Ratios

1st to 19th Loss Development Factors by Calendar Year

Loss development factors continued their decrease in calendar year 2018.

2018 Changes in Accident Year Loss Ratios

Favorable experience and lower development factors resulted in improved accident year loss ratios.
Combined Ratios

Calendar Year Combined Ratios

<table>
<thead>
<tr>
<th>Year</th>
<th>Loss Ratio</th>
<th>Expense Ratio</th>
<th>Dividend Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>82.6%</td>
<td>96.4%</td>
<td>77.4%</td>
</tr>
<tr>
<td>2010</td>
<td>72.2%</td>
<td>74.3%</td>
<td>66.0%</td>
</tr>
<tr>
<td>2011</td>
<td>66.0%</td>
<td>74.3%</td>
<td>63.0%</td>
</tr>
<tr>
<td>2012</td>
<td>63.0%</td>
<td>74.3%</td>
<td>55.5%</td>
</tr>
<tr>
<td>2013</td>
<td>55.5%</td>
<td>74.3%</td>
<td>47.1%</td>
</tr>
<tr>
<td>2014</td>
<td>47.1%</td>
<td>38.2%</td>
<td>34.1%</td>
</tr>
<tr>
<td>2015</td>
<td>38.2%</td>
<td>34.1%</td>
<td>1.2%</td>
</tr>
<tr>
<td>2016</td>
<td>34.1%</td>
<td>34.1%</td>
<td>1.2%</td>
</tr>
<tr>
<td>2017</td>
<td>34.1%</td>
<td>34.1%</td>
<td>1.2%</td>
</tr>
<tr>
<td>2018</td>
<td>34.1%</td>
<td>34.1%</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

*The one-time 2014 expense ratio decrease is due to changes in the state assessment procedures.
**Combined Ratios**

### 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>2009</td>
<td>99.2%</td>
<td>98.1%</td>
<td></td>
<td>146.4%</td>
</tr>
<tr>
<td>2010</td>
<td>98.1%</td>
<td>92.6%</td>
<td></td>
<td>145.9%</td>
</tr>
<tr>
<td>2011</td>
<td>78.5%</td>
<td>75.5%</td>
<td>92.6%</td>
<td>138.8%</td>
</tr>
<tr>
<td>2012</td>
<td>75.5%</td>
<td>69.5%</td>
<td></td>
<td>124.7%</td>
</tr>
<tr>
<td>2013</td>
<td>69.5%</td>
<td>64.5%</td>
<td>69.5%</td>
<td>114.8%</td>
</tr>
<tr>
<td>2014</td>
<td>64.5%</td>
<td>38.5% *</td>
<td></td>
<td>97.5%</td>
</tr>
<tr>
<td>2015</td>
<td>38.5%</td>
<td>38.5%</td>
<td></td>
<td>100.6%</td>
</tr>
<tr>
<td>2016</td>
<td>38.5%</td>
<td>27.0% *</td>
<td>38.5%</td>
<td>98.6%</td>
</tr>
<tr>
<td>2017</td>
<td>27.0%</td>
<td>27.0%</td>
<td>38.5%</td>
<td>96.9%</td>
</tr>
<tr>
<td>2018</td>
<td>27.0%</td>
<td>27.0%</td>
<td>38.5%</td>
<td>95.1%</td>
</tr>
</tbody>
</table>

*The one-time 2014 expense ratio decrease is due to changes in the state assessment procedures*
We are pleased to report that in July of 2019, the New York State Department of Financial Services approved the Rating Board’s actuarially recommended 10.0% average loss cost decrease, ensuring that loss costs in New York State remain at adequate levels. This approval represents the fourth 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
Approved Rate / Loss Cost Level Changes

Approved Rate / Loss Cost Filings – New York

The Cumulative change over the last 20 years (2000 to 2019) is -6.1%

Approved Rate / Loss Cost Changes* – Bordering States

Loss cost levels in neighboring states have been decreasing, some significantly

* Excluding Legislative Changes
Market Pricing Variation

**Distribution of Private Carriers’ Approved Loss Cost Multipliers**

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.

**Distribution of Private Carriers’ Written Premium by Loss Cost Multiplier Range**

- Direct written premium weighted average LCM = 1.27
- Standard written premium weighted average LCM = 1.20
Individual Risk Rating

There are several programs that facilitate the individualization of pricing. These programs may be applicable depending on size of risk, experience, and other risk-specific factors.

### Experience and Merit Rating

<table>
<thead>
<tr>
<th></th>
<th>Risk Count Distribution</th>
<th>Standard Premium Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experience Rated</td>
<td>21.4%</td>
<td>83.8%</td>
</tr>
<tr>
<td>Merit Rated</td>
<td>34.8%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Non-Rated</td>
<td>43.8%</td>
<td></td>
</tr>
</tbody>
</table>

**INSIGHT** Although only 21.4% of risks are experience rated, they represent 83.8% of premium.

### Schedule Rating (Policy Year 2018)

<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>7,079</td>
<td>1.3%</td>
<td>24.6%</td>
<td>16.9%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Policies with Credits</td>
<td>21,684</td>
<td>3.9%</td>
<td>75.4%</td>
<td>83.1%</td>
<td>-4.6%</td>
</tr>
<tr>
<td>Total Schedule Rated</td>
<td>28,763</td>
<td>5.1%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>-3.1%</td>
</tr>
</tbody>
</table>
Claim Frequency

Claim frequency in New York State has been slightly decreasing over the past five years.

Closure Rates and Payment Patterns

At tenth report, 8.5% of lost time claims remain open, and are costly, representing 28.4% of remaining payments.
Indemnity Severity Trends

Indemnity Severity

- Policy Year Average Indemnity Severity
- Accident Year Average Indemnity Severity

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>PY Average Indemnity Severity</td>
<td>52,059</td>
<td>53,873</td>
<td>51,528</td>
<td>54,503</td>
<td>57,297</td>
<td></td>
</tr>
<tr>
<td>AY Average Indemnity Severity</td>
<td>51,055</td>
<td>53,201</td>
<td>53,209</td>
<td>52,329</td>
<td>56,324</td>
<td>58,084</td>
</tr>
</tbody>
</table>

Indemnity Severity vs. Average Weekly Wage

- AY Cumulative Change in New York Indemnity Severity (2013-2018): +13.8%
- Cumulative Change in New York Average Weekly Wage (2013-2018): +15.4%

INSIGHT

Over the past five years, indemnity severity has increased at a slightly lower rate than the State’s average weekly wage.
Medical Severity Trends

Medical Severity per Lost-Time Claim

![Line graph showing PY and AY average medical severity from 2013 to 2018.]

<table>
<thead>
<tr>
<th>Year</th>
<th>Policy Year Average Medical Severity</th>
<th>Accident Year Average Medical Severity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>34,540</td>
<td>33,457</td>
</tr>
<tr>
<td>2014</td>
<td>34,376</td>
<td>34,585</td>
</tr>
<tr>
<td>2015</td>
<td>33,626</td>
<td>34,294</td>
</tr>
<tr>
<td>2016</td>
<td>33,274</td>
<td>32,729</td>
</tr>
<tr>
<td>2017</td>
<td>34,087</td>
<td>34,525</td>
</tr>
<tr>
<td>2018</td>
<td>33,116</td>
<td>33,116</td>
</tr>
</tbody>
</table>

Medical Severity vs. Chain Weighted Personal Healthcare Index

- PY Cumulative Change in New York Medical Severity (2013 - 2017): -1.3%
- AY Cumulative Change in New York Medical Severity (2013 - 2018): -1.0%
- Cumulative Change in Chain Weighted Personal Healthcare Index: +6.4%

**INSIGHT**

While medical severity is expected to track the chain-weighted PHC index, they have diverged over the past five years.
Severities by Industry and Hazard Group

**Average Cost per Lost Time Claim by Industry Group**

Average Cost Per Lost Time Claim ($ Thousands)

- **Indemnity Severity**
- **Medical Severity**
- **Total Severity**

**INSIGHT**
The contracting industry has the **highest** average severity

**Average Cost per Lost Time Claim by Hazard Group**

Average Cost Per Lost Time Claim ($ Thousands)

- **Indemnity Severity**
- **Medical Severity**
- **Total Severity**

**INSIGHT**
Severity by hazard group is behaving as expected with the severity increasing by hazard group from A to G
**Distribution of Losses by Injury Type**

<table>
<thead>
<tr>
<th>Injury Type</th>
<th>Total Claim Counts</th>
<th>Total Losses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fatal</td>
<td>0.1%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Permanent Total</td>
<td>0.1%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Permanent Partial</td>
<td></td>
<td>73.3%</td>
</tr>
<tr>
<td>Temporary Total</td>
<td></td>
<td>21.1%</td>
</tr>
<tr>
<td>Medical Only</td>
<td></td>
<td>59.5%</td>
</tr>
</tbody>
</table>

While medical only claims account for **59.5% of claims**, they represent only **2.1% of the total losses**.

Permanent partial claims account for **73.3% of the losses**, even though they represent only **19.2% of the claims**.
Claims and Losses by Part of Body

Top 10 Injuries by **Total Claim Count**

- Multiple Head Injury: 2.8%
- Shoulder(s) / Upper Arm: 9.3%
- Multiple Body Parts (Including Body Systems & Body Parts): 5.5%
- Lower Back Area / Soft Tissue: 15.9%
- Wrist: 3.8%
- Hand: 6.4%
- Finger(s) / Thumb: 12.5%
- Knee: 8.8%
- Ankle: 4.8%
- Foot: 3.8%

Top 10 Injuries by **Total Losses**

- Multiple Head Injury: 3.3%
- Shoulder(s) / Upper Arm: 15.0%
- Multiple Body Parts (Including Body Systems & Body Parts): 9.1%
- Lower Back Area / Soft Tissue: 20.7%
- Wrist: 3.2%
- Hand: 3.2%
- Finger(s) / Thumb: 3.3%
- Knee: 11.2%
- Ankle: 4.2%
- Foot: 2.7%

**INSIGHT**

Injuries to the lower back, knee, and shoulder represent a significant percentage of losses.
Medical Cost Distributions

**Major Cost Categories**

- Physicians: 45.8%
- Hospitals: 23.3%
- Drugs: 12.8%
- Ambulatory Surgical Centers: 7.6%
- Other: 6.6%
- Durable Medical Equipment: 4.0%

<table>
<thead>
<tr>
<th>Major Cost Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physicians</td>
<td>45.8%</td>
</tr>
<tr>
<td>Hospitals</td>
<td>23.3%</td>
</tr>
<tr>
<td>Drugs</td>
<td>12.8%</td>
</tr>
<tr>
<td>Ambulatory Surgical Centers</td>
<td>7.6%</td>
</tr>
<tr>
<td>Other</td>
<td>6.6%</td>
</tr>
<tr>
<td>Durable Medical Equipment</td>
<td>4.0%</td>
</tr>
</tbody>
</table>

**Physician Services**

- Surgery: 27.6%
- Physical Medicine: 22.0%
- Evaluation and Management: 16.5%
- Medicine: 14.1%
- Radiology: 12.8%
- Anesthesia: 2.6%
- Physicians - Other: 2.5%
- Pathology & Laboratory: 1.7%
- Nurses, PAs and other support...: 0.2%

<table>
<thead>
<tr>
<th>Physician Service</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surgery</td>
<td>27.6%</td>
</tr>
<tr>
<td>Physical Medicine</td>
<td>22.0%</td>
</tr>
<tr>
<td>Evaluation and Management</td>
<td>16.5%</td>
</tr>
<tr>
<td>Medicine</td>
<td>14.1%</td>
</tr>
<tr>
<td>Radiology</td>
<td>12.8%</td>
</tr>
<tr>
<td>Anesthesia</td>
<td>2.6%</td>
</tr>
<tr>
<td>Physicians - Other</td>
<td>2.5%</td>
</tr>
<tr>
<td>Pathology &amp; Laboratory</td>
<td>1.7%</td>
</tr>
<tr>
<td>Nurses, PAs and other support...</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

**Facility Services**

- Inpatient Hospital: 50.8%
- Outpatient Hospital: 27.3%
- Ambulatory Surgical Centers: 19.5%
- Emergency Room: 2.4%

<table>
<thead>
<tr>
<th>Facility Service</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inpatient Hospital</td>
<td>50.8%</td>
</tr>
<tr>
<td>Outpatient Hospital</td>
<td>27.3%</td>
</tr>
<tr>
<td>Ambulatory Surgical Centers</td>
<td>19.5%</td>
</tr>
<tr>
<td>Emergency Room</td>
<td>2.4%</td>
</tr>
</tbody>
</table>
Opioids represent the most significant share of drug spend

Oxycodone and its combinations represent the most significant share of opioid spend
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
Data Sources

Chart 1: Payroll Data
- New York State Department of Labor Calendar Years 2007 – 2018
- Rating Board Unit Statistical Data Policy Years 2007 – 2016

Chart 2: New York Direct Written Premium
- Insurance Carriers' Annual Financial Statements
- New York State Assessment Not Included in 2014 and Subsequent Years

Chart 3: Market Shares
- Rating Board Financial Data - Calendar Year 2018
- Insurance Carriers' Annual Financial Statements - Calendar Year 2018

Chart 4: State Insurance Fund Market Share by Calendar Year
- Insurance Carriers' Annual Financial Statements

Chart 5: Top Ten Carrier Groups
- Insurance Carriers' Annual Financial Statements - Calendar Year 2018

Chart 6: Top 10 Governing Classes by Payroll
- Rating Board Unit Statistical Data - Policy Year 2016

Chart 7: Top 10 Governing Classes by Standard Premium
- Rating Board Unit Statistical Data - Policy Year 2016

Chart 8: Distribution by Premium Size
- Rating Board Unit Statistical Data – Policy Year 2016

Chart 9: 1st to 19th Loss Development Factors by Calendar Year
- Rating Board Financial Data
Data Sources

Chart 10: 2018 Changes in Accident Year Loss Ratios
- Rating Board Financial Data
- Premium and Losses Developed to Ultimate Value
- Accident Year Loss Ratios Exclude Large Deductible Experience

Chart 11: Calendar Year Combined Ratios
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- Insurance Carriers' Annual Financial Statements
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- Rating Board Private Carriers Medical Data - Service Year 2018

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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.

Definition B

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

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.

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, and insurer paid out $1.10 in losses and expenses. This statistic does not account for investment income.

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 10\textsuperscript{th} report refers to the valuation of claims 126 months (10.5 years) after the effective date of the policy.