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BULLETIN

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Contact: Mr. Ziv Kimmel
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To: The Members of the Board

RE: NYCIRB Report Regarding Oregon Rate Ranking Study

The Rating Board has recently completed a review of the Oregon Rate Ranking Study published in February by the Oregon Department of Consumer and Business Services. The NYCIRB's analysis, which the Rating Board believes is important for industry stakeholders to be aware of, calls into question several of the conclusions drawn by the Oregon Department regarding state rankings.

The NYCIRB report can be found on the Board's website at the following location:

http://www.nycirb.org/2007/infsvcs/reports/nycirb_oregon_report.pdf

Please feel free to contact us with any questions you may have concerning the Board's report.

Very truly yours,

Monte Almer

President

MA: jg
Encl.

NYCIRB's Review of Oregon Rate Ranking Study

The Oregon Department and Business Services (DCBS) has recently published its biennial update of their Rate Ranking Study. However, the study has several limitations (some of which are noted in the study) that, when addressed, may lead to different results. The New York Compensation Insurance Rating Board, therefore, disputes the methodology used to conclude that New York workers' compensation rates are 5th highest in the nation.

The Notes section of the publication does caution that users of the premium ranking study should be aware of some of the issues in comparing premium rates among states. Indeed, there are issues in the comparison. Based on loss volume, a comparison of the NY Top 50 classes and the Oregon Top 50 classes in the ranking clarifies these issues.

Fifty classifications were selected for the Oregon Study, "based on relative importance as measured by share of losses in Oregon". These 50 classes represent only a subset of the market, accounting for 67.9 percent of payroll and 60.1 percent of losses in Oregon.

In the details given on their website, the DCBS states that "Oregon's industry mix is actually quite similar to the countrywide mix in the types of jobs that carry the largest weight in the study. For example, the Top 10 risk classifications with the most payrolls in our study are common in all states". While that may be true, similarity in the list of payrolls does not, by itself, imply similarity in the losses. In other words, two states may have a similar ranking of payrolls but very different rankings of loss. In addition, the classifications chosen for the Oregon study are based on Oregon data, not New York data.

The Top 50 New York class list based on losses is different from that of Oregon and, therefore, the same study performed in NY could possibly yield significantly different results. An Oregon Study based on a list of payrolls, not losses, may have yielded different results as well.

As an example, one of the top classification in OR based on losses, and therefore used in the study, is class 2702 (logging operations, non-mechanized equipment). The Oregon payroll ranking for class 2702 is 40th. In New York, this classification does not appear in either the Top 50 list based on losses or Top 50 based on payroll, and would not be part of a similar study that would include classes selected based on New York's experience. In addition, although New York's rate for this particular class code is 4th highest in the nation, this class represents only 0.001% of the payroll volume and 0.04% of losses, based on the five most recent years. Its inclusion in the study contributes to the skewness of the results with respect to the New York ranking.

Similarly, the following are other classes that are included in the study, but do not represent one of New York's top 50 classes and thus would not be included in a "Top 50 Classes" study that may be of more importance to New York stakeholders:

7720 (police officers & drivers)

2710 (saw mill)

2731 (molding or planning mill).

According to the Oregon Study, the average rate in New York (for the 50 selected classes) is $2.82 (per $100 of payroll). Recalculating the average rate for the Top 50 classes with actual NY payroll and loss data rather than actual Oregon payroll and losses, the averages obtained are shown below. Note also that the final rates include assessments which, while a cost to the policyholders, are not part of the ratemaking process and not part of the loss costs calculated by the NYCIRB.

SUMMARY	Rate			
NY average (based on All Classes)	$1.95	or	31%	less than indicated by the Oregon Study
NY average (Top 50 Classes Based on Losses)	$1.72	or	39%	less than indicated by the Oregon Study
NY average (Top 50 Classes Based on Payroll)	$1.29	or	54%	less than indicated by the Oregon Study

A proper average rate comparison across states would consider all occupational classifications, and not a subset that may fit a particular state's interest. While the Oregon study may be appropriate for the interests of Oregon stakeholders, it is inappropriate to use the study as a benchmark against which other specific states' costs can be measured. NYCIRB suggests that a comparison based on all classes, giving consideration to wage and benefit level differences among states, would be more accurate and less open to misinterpretation.