



About the Author



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FCAS, MAAA

Laura Maxwell is a consultant in Pinnacle's San Francisco office. Prior to consulting, she was a product manager for Kemper Direct and held actuarial positions with the New Jersey Department of Banking and Insurance (NJ DOBI) and the National Council on Compensation Insurance (NCCI) the country's largest workers compensation rating organization.

With more than 20 years of actuarial experience in the property/casualty industry, Laura's background includes personal and commercial lines pricing and reserving. Her workers compensation experience includes:

- *Providing technical support to the northern regional actuary at the NCCI;*
- *Serving as the New Jersey DOBI representative at the New Jersey Compensation & Rating Inspection Bureau meetings;*
- *Reserving and funding studies for self-insureds and captives; and,*
- *Evaluating experience rating plans.*

A fellow of the Casualty Actuarial Society and a member of the American Academy of Actuaries, she holds a B.S. in Mathematics from Moravian College.

Free Markets are the Best Way to Lower Workers Compensation Costs

By Laura Maxwell, FCAS, MAAA

Competitive workers compensation markets generally have lower loss ratios,¹ lower loss ratio variability² and lower average premium rates³ than those where state funds or private insurers hold significant market share, according to an analysis of industry data⁴ by Pinnacle Actuarial Resources, Inc.

Some of the top performing states for the workers compensation market are Colorado, Indiana, Utah, Virginia and Wisconsin, which represent approximately 9% of the 2007 countrywide direct earned premium.

Since workers compensation insurance has essentially standardized coverage, insurers compete by distinguishing themselves in various ways, such as providing better service (i.e. claims handling, safety and return-to-work programs). These initiatives contribute to lower and more stable loss ratios, which are the percentage of premium ultimately used to pay claims.

Meanwhile, states such as Alaska, California and Kentucky suffer from higher and less stable loss ratios and higher premium rates, which result in less competitive markets. These states represent approximately 20% of direct

earned premium countrywide. Although California was competitive in 2007, the state fund had a market share of 26% (see sidebar on page 4).



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Determining Market Concentration

Workers compensation insurance is generally offered through three different schemes: exclusive state fund, private insurance or a combination of a competitive state fund and private insurance. In addition to the voluntary market, many states have residual market pools to cover risks not qualified for the voluntary market.

Pinnacle used the Herfindahl-Hirshman Index (HHI)⁵ to define and measure

market competitiveness — that is, the size of firms in relation to their industry. Market concentration ranges, defined by the U.S. Department of Justice, are below:

0 – 1,000	Competitive Market
1,001 – 1,800	Moderately-Concentrated Market
Over 1,800	Highly-Concentrated Market

When applying the HHI to measure competitiveness for workers compensation in each state, a lower HHI means there are a large number of insurance providers with none dominating the market. Conversely, a higher HHI exists when the market is dominated by a few carriers. Therefore, a monopolistic state fund would not be considered competitive using the HHI metric.

Grades were assigned to each state based on ten-year average loss ratios, all-year loss ratio variability and

average 2006 and 2008 premium rates. Seventy-five percent of the Grade “A” states are competitive, while 75% of the Grade “F” states are not competitive. Grades for all states are shown in Figure 1 (see appendix on page 7).

Regarding State Funds

As shown in Figure 2, states with competitive state funds often do not have competitive markets. These funds generally have a higher market share. In the highly-concentrated group, the market shares range from 40% to 64%.

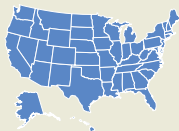
State funds, whether exclusive or competitive, can expose the state to financial risks.

For example, West Virginia’s monopolistic workers compensation state fund recently reported a deficit of over \$3.6 billion. In 2006, West Virginia converted its exclusive state fund into Brick Street Mutual.

Private insurers began entering the market in 2008. Whether West Virginia’s market will become competitive or if Brick Street Mutual will dominate the market is yet to be seen.

Nevada’s monopolistic state fund was facing insolvency in the 1990s. In response, Nevada transformed its workers compensation market in 1996 by opening the doors to private competition and beginning a competitive state fund. By 2005, its overall rate level was approximately 23% lower than it had been prior to the privatization.

On the other hand, state funds with a surplus can be at risk of losing funds to other government programs. The Colorado state legislature, for example, recently proposed using \$500 million of its state fund’s surplus to balance the state budget.



About Grades

- States were ranked based on 10-year average loss ratios, long-term loss ratio volatility and premium rates.
- Ten-year average loss ratios: States were ranked from low (Nevada with a loss ratio of 54.5) to high (Oregon with a loss ratio of 104.8).
- Long-term volatility: States were ranked from low (Oklahoma at 3.4) to high (Nevada at 87.4).
- 2006 Premium Rate: North Dakota ranked low with a premium rate of 1.10 and Alaska ranked high with a premium rate of 5.00.
- 2008 Premium Rate: North Dakota remained low with a slight decrease in premium rate to 1.08. Alaska remained high in spite of a decrease to 3.97.
- Overall Rank = $\frac{1}{3} \times \text{Loss Ratio Rank} + \frac{1}{3} \times \text{Loss Ratio Volatility Rank} + \frac{1}{6} \times \text{2006 Premium Rate Rank} + \frac{1}{6} \times \text{2008 Premium Rate Rank}$
- Grades were based on the overall rank with Indiana ranking lowest and Kentucky ranking highest.

¹ Loss ratios are losses incurred during a calendar year divided by premium earned that year. Average loss ratios were calculated for periods of five, ten and all years. Lower loss ratios reduce the risk of insolvency for private insurers and the need for taxes or assessments for state funds.

² Loss ratio variability is the standard deviation of loss ratios over time. Low loss ratio variability implies small loss ratio fluctuations from year to year. Stable loss ratios allow insurers to minimize rate volatility.

³ Competitive states have lower average premium rates than the moderately-concentrated states. Premium rates are expected losses and expenses per \$100 of payroll from the 2006 and 2008 Oregon Workers Compensation Premium Ranking summaries produced by the State of Oregon, Department of Consumer & Business Services. Premium rates are an average of 50 classes selected by Oregon. Therefore, Pinnacle’s analysis accounts for different industry mixes by state. Rates are also adjusted for the residual market. These do not include the impact of premium discounts, experience modification factors, deductible features, retrospective rating plans or dividends. Premium rates are not adjusted for differences in state mandated benefits.

⁴ The industry data analyzed includes: (1) National Association of Insurance Commissioners’ (NAIC) Profitability by Line and by State reports from 1980 to 2007; (2) Exhibit of Premiums and Losses by State contained in insurance companies’ annual statements; (3) Oregon Workers Compensation Premium Ranking Summaries; (4) state fund websites.

Competitive Market States

Nearly half the states have competitive markets as measured by the HHI. Competitive market states, including California, have a five-year average loss ratio of 75.4%, which is lower than non-competitive states. Five of the competitive market states utilize workers compensation state funds.⁶

The competitive market states have low 10-year average loss ratios, low premium rates and small deviation for all years (see Figure 3). These states, Indiana, Virginia and Wisconsin, represent approximately 7% of the 2007 countrywide direct earned premium.

Indiana is a very competitive state with one of the lowest HHI rankings. According to A.M. Best, Indiana ranks second in the number of insurance companies writing workers compensation insurance.⁷ When Ronald W. Cooper, president of the Indiana Compensation Rating Bureau (ICRB) was asked by Pinnacle why Indiana's workers compensation market is successful, his immediate response was stability. He explained that Indiana's workers compensation statute has not needed reform like other states. A long-standing statute has significant case law built up which limits gray areas of eligibility. Other reasons mentioned were an efficient workers compensation board, use of a state rating bureau and a governor-appointed insurance commissioner.⁸

Other competitive market states earning an "A" grade are Arkansas, Kansas and Michigan. The Wolverine State has a high loss ratio standard deviation with loss ratios greater than 85% in nine years – all prior to 1993. Its loss ratios range from 112.5% (1991) to 55.0% (1995) with a five-year average of 72.4%.

Figure 2: State Funds and Market Concentration

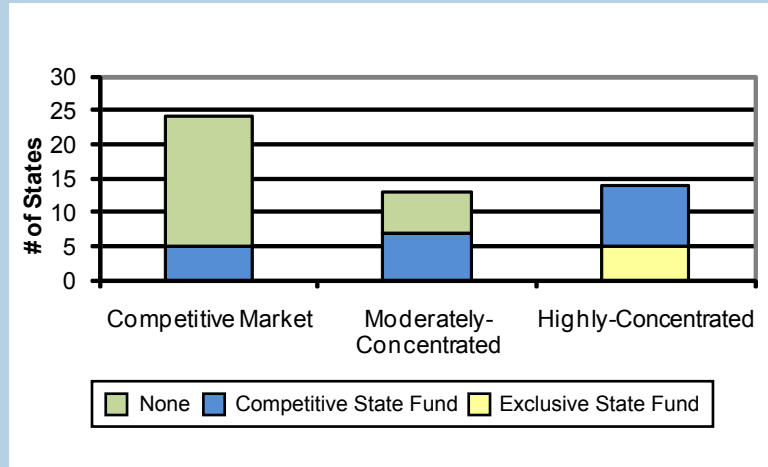


Figure 3: The Competitive Market States

State	Grade	HHI	10 Year Loss Ratio	Loss Ratio Standard Deviation	2006 Premium Per \$100 Of Payroll
Arkansas	A	734	64.0%	20.84	1.59
Indiana	A	546	73.3%	9.66	1.24
Kansas	A	684	78.4%	14.30	1.84
Michigan	A	729	74.2%	13.38	2.05
Virginia	A	612	84.7%	11.25	1.52
Wisconsin	A	524	76.2%	9.24	2.18
Alabama	F	770	89.1%	15.80	3.17
California	F	972	95.6%	19.43	4.13
Competitive Market	B	N/A	85.0%	8.62	2.42
Competitive Market excl. CA	A	N/A	78.4%	10.52	2.34
Countrywide	B	N/A	83.8%	10.68	2.56

Alabama and California received an "F" grade. Alabama's poor grade is driven by a high loss ratio and high premium rates. Despite recent improvements, California has a low grade based on its long-term experience. California is considered a competitive market state based on 2007 data. In 2006, however, California was a moderately-concentrated market state, and, prior to that, a highly-concentrated market state. California's size and large 10-year average loss ratio impact the competitive market overall average (see sidebar).

⁵ Herfindahl-Hirschman Index (HHI) is a measure of a market's competitiveness. HHI is based on calendar year 2007 written premium from the Exhibit of Premiums and Losses by State contained in insurance companies' annual statements.

⁶ Data was not available for Pennsylvania and South Carolina's state funds and has been excluded from the loss ratio and loss ratio standard deviation.

⁷ ICRB website, AM Best Database Services, Custom Report Project PB42-18367; 2007 data year; produced 6/16/08.

⁸ Telephone conversation with Ron Cooper on August 7, 2009.



California Workers Compensation - Competition Gone Awry

The Golden State represents the largest share of the nation's earned premium -- nearly 18% -- for workers compensation. California may be an example of competition gone awry. After deregulation in 1995, national carriers entered California and competed aggressively for market

share, driving out many domestic carriers. Increases in loss ratios encouraged many insurers to leave the market. As a result, the market share of California's competitive state fund, the State Compensation Insurance Fund (SCIF) went up. Recent reforms improved loss ratios, leading to a decline of SCIF's market share from 53% in 2003 to 26% in 2007.⁹

Meanwhile, recent legislative reforms and court decisions have caused California's loss ratio experience to become very volatile. Reform in 2004 and 2005 reduced costs several ways, including: implementing an official fee schedule; restricting chiropractic and physical therapy visits; requiring generic drug use; and, updating the permanent disability schedule based on the American Medical Association's Guides to the Evaluation of Permanent Impairment.

The estimated reform impact was large with estimated cost reductions of 9.2%¹⁰, 20.0%¹¹ and 19.1%.¹² In fact, insurer costs plummeted 70% since 2003, according to the National Council on Compensation Insurance.

However, the Workers Compensation Insurance Rating Bureau (WCIRB) does not anticipate costs will continue to drop. It proposed increases in pure premiums effective Jan. 1, 2008 and Jan. 1, 2009.¹³ For its July 1, 2009 recommendation, WCIRB recommended an increase of 24.4% due to rising medical costs and the expected impact of three decisions made by the Workers' Compensation Appeals Board.¹⁴ Medical inflation is responsible for 17.6% of the recommended increase.

The three decisions indicate an increase of 5.8% due to permanent disability costs returning to pre-reform levels. WCIRB believes that 5.8% is a "minimum estimate" of increases and costs are likely to be significantly higher.

California's workers compensation market had been highly-concentrated from 2000 through 2005, moderately-concentrated in 2006 and competitive in 2007. Besides SCIF, AIG and Berkshire Hathaway also have significant exposure in California.

California's standard deviation is very large at 19.4% due to the tremendous decrease in benefit costs. The cost reduction is shown on Figure 5 as the five-year average loss ratio is considerably lower than the 10-year average loss ratio. Figure 6 indicates the substantial decrease in average premium rate from \$4.13 in 2006 to \$2.72 in 2008.



...recent legislative reforms and court decisions have caused California's loss ratio experience to become very volatile.

With a gross domestic product larger than most countries, it is important that California employers have access to workers compensation insurance. SCIF provided insurance when private industry could not, but now the market is improving and more competitive. If reform continues to prove effective and SCIF's market share does not increase, California should become more like the other competitive market states with low, stable loss ratios and lower premium rates.

Alternatively, continued erosion of reform by court decisions will decrease competition and contribute to volatile loss ratio experience.

⁹ SCIF's market share is from the California Department of Insurance (CDI)'s "Property & Casualty Market Share Report by Line by Group Name" for the various years. These reports also use direct written premium from the Exhibit of Premiums and Losses by State contained in insurance companies' annual statements.

¹⁰ Assembly Bill 227/State Bill 228, effective January 1, 2004.

¹¹ State Bill 899 effective April 19, 2004.

¹² State Bill 899, Schedule Rating for Permanent Disability Claims, effective January 1, 2005.

¹³ August 13, 2008 press release, WCIRB.

¹⁴ Ogilvie v. City and County of San Francisco, Almaraz v. Environmental Recovery Services, and Guzman v. Milpitas Unified School District.

Moderately-Concentrated Market States

Thirteen states are moderately-concentrated with the remainder being highly-concentrated. Seven of the thirteen states have competitive state funds.¹⁵

Two of the states with the highest scores are Alaska and Kentucky. Both states have large standard deviations and high premium rates per \$100 payroll. No moderately-concentrated market state received an “A” grade. Other moderately-concentrated market states with “F” grades are New Jersey and Vermont.

Kentucky, which has one of the newer state funds, received the worst score. When the Bluegrass State’s residual market had grown to 50% in the early 1990s, workers compensation was not available in the private voluntary market.

In response, Kentucky adopted statutes in 1994 to create the Kentucky Employers’ Mutual Company (KEMI), which started writing business in 1995. Further reform was adopted in 1996 to reduce costs. Nearly 60% of Kentucky’s market is controlled by KEMI with a market share of 23% and two private insurance companies. Kentucky’s loss ratios range from 57% to 150% with a 5-year average loss ratio of 97.5%.

The Highly-Concentrated Market States

Fourteen states have highly-concentrated markets. These states include all exclusive state funds and nine competitive state funds. Loss ratio data is not available from the NAIC’s profitability report for the five monopolistic states (North Dakota, Ohio, Washington, West Virginia and Wyoming) or the Colorado and Montana state funds. Nine years of Colorado’s state fund annual statement data was used. Since only calendar year 2007 is available for West Virginia’s state fund because of the fund’s recent conversions, no grade was calculated.

Figure 4: The Non-Competitive Market States

State	Grade	HHI	10 Year Loss Ratio	Loss Ratio Standard Deviation	2006 Premium Per \$100 Of Payroll
Colorado (9 years)	A	3,416	77.5%	7.56	2.40
Utah	A	3,315	80.3%	11.13	2.06
Oregon	D	4,134	104.8%	21.23	1.97
Alaska	F	1,683	85.8%	21.91	5.00
Kentucky	F	1,259	102.6%	20.45	3.78
Maine	F	3,861	80.5%	44.73	3.21
New Jersey	F	1,049	93.2%	16.48	2.52
New York	F	2,069	88.9%	16.07	3.15
Vermont	F	1,005	85.8%	15.13	3.24
Moderately-Concentrated	C	N/A	81.3%	11.65	2.94
Highly-Concentrated	C	N/A	86.1%	12.43	2.43
Countrywide	B	N/A	83.8%	10.68	2.56

Colorado and Utah received an “A” grade. Utah’s state fund, Workers Compensation Fund (WCF), was created in 1917 as a competitive state fund. WCF is now a quasi-public corporation serving as the market of last resort. As shown in Figure 1 (see appendix on page 7), WCF insures nearly 60% of the Utah market. Meanwhile, Colorado has a low loss ratio variability and 2008 premium rate.

In contrast, Maine and New York are highly-concentrated market states earning an “F.” The State Insurance Fund of New York writes 40% of the state’s business. The Empire State enacted the Workers Compensation Reform Act in 2007, which increased maximum benefits while reducing costs by introducing return-to-work programs. Additionally, its insurance superintendent recommended that workers compensation rates be determined by open competition.¹⁶

Oregon, which has a “D” grade, is another example of states with limited market competition. For five years, the state’s loss ratios ranged from 55% to 145% with an average loss ratio of 101.6%. Oregon’s state fund, the SAIF Corporation, has 61% of the market. SAIF has some advantages over private insurers. It is the exclusive insurer of Oregon state employees; is exempt from certain state taxes; and uses different rules for discounting loss reserves.

¹⁵ Loss ratio data for Maryland and Oklahoma state funds was not available in the NAIC’s profitability report. Pinnacle obtained and incorporated state fund data from the state fund’s annual statements. Maryland’s data is limited to eight years, Oklahoma’s is limited to five years.

¹⁶ New York State Insurance Department press release issued September 4, 2007.

¹⁷ Premium rates include data for all state funds.

These factors explain Oregon's large loss ratio and very low premium rate.

Although Colorado and Utah are highly-concentrated states, they behave more like competitive states with low loss ratios and low premium rates. Colorado's success may be attributed to Pinnacle Assurance's lengthy experience as the dominant writer in Colorado and its commitment to loss control. Pinnacle offers free workplace safety and return-to-work program consultations to its policyholders.

The Utah Labor Commission has received approval to operate its own occupational safety and health program. Utah's program provides consultation services to employers and enforces the Occupation Safety and Health Administration (OSHA) standards.

Conclusion

This research demonstrates that competitive market states clearly outperform non-competitive market states with much lower loss ratios (Figure 5) and low premium rates¹⁷ (Figure 6). By encouraging innovation and efficiency, these states enjoy lower and more stable rates. The only exception is California, which is a wild card as the pronounced cyclicity of average rates and loss ratios make comparisons with other jurisdictions problematic.

Conversely, lack of competition usually limits innovation, setting the stage for higher and unstable loss ratios. Moderately-concentrated states have high loss ratios and premium rates. Highly-concentrated market states, however, have high loss ratios that

Figure 5: Average Loss Ratios

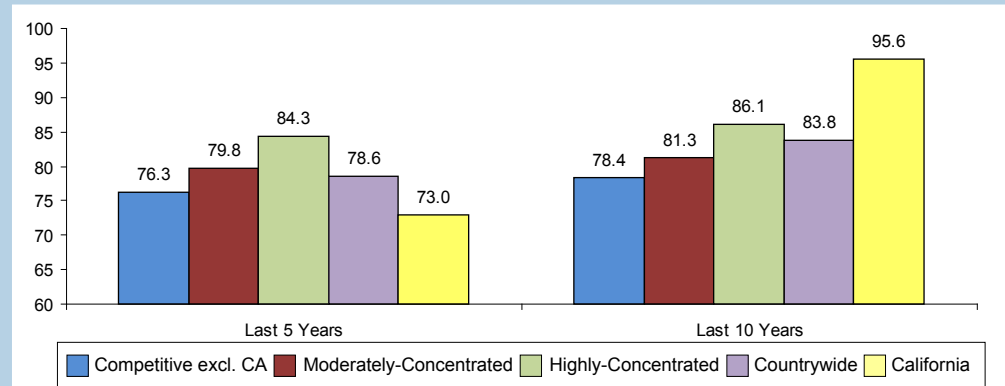
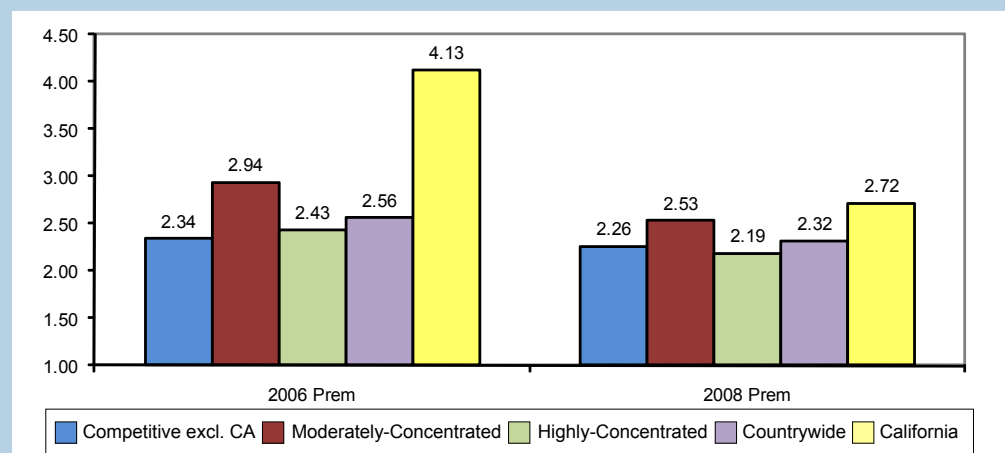


Figure 6: Average Premium Rate Per \$100 Payroll



may be offset by their competitive state fund's lower expenses.

To be successful, states should take notice of what works in successful workers compensation markets, namely:

- competition - three of the top five states (IN, WI, VA) have very competitive markets;
- loss control - Colorado's state fund offers free workplace safety and return-to-work program consultations to its policyholders; and
- state safety programs – three of the top five states (IN, UT, VA) have been granted approval by OSHA to operate their own occupational safety and health programs.

For more information, contact Laura Maxwell at (415) 692-0938 or write lmaxwell@pinnacleactuaries.com.

Appendix

Figure 1 - Workers Compensation Markets by State

HHI Range	State	HHI Value	State Fund Established	Notes	Type of Provider			State Fund Market	m Rate Per \$100 of		Loss Ratios		All Year Standard Deviation	Composite Score	Grade
					Private Insurer*	Competitive State Fund*	Exclusive State Fund		2006	2008	5-Year	10-Year			
Competitive Market	AL	770			X			#	3.17	2.90	86.68	89.05	15.80	34.17	F
	AR	734			X			#	1.59	1.61	63.72	63.99	20.84	13.83	A
	DE	799			X			#	3.91	2.96	91.66	88.46	12.19	29.67	D
	FL	802			X			#	3.32	2.20	62.24	69.10	25.19	26.33	C
	GA	524			X			#	2.02	2.29	77.74	78.61	14.93	19.00	B
	IL	583			X			#	2.69	2.79	87.54	89.47	11.66	26.50	C
	IN	546			X			#	1.24	1.23	72.84	73.25	9.66	4.67	A
	IA	472			X			#	1.75	1.86	85.72	85.83	12.28	15.67	B
	KS	684			X			#	1.84	1.77	78.34	78.36	14.30	14.83	A
	MI	729			X			#	2.05	2.15	72.40	74.24	13.38	13.17	A
	MN	486	1983				X	11%	2.69	2.33	83.36	87.30	15.70	27.50	D
	MS	953				X		#	2.29	2.33	77.78	77.67	15.00	19.33	B
	MO	726	1995				X	14%	2.50	2.20	73.40	80.09	12.82	19.50	C
	NE	506				X		#	2.25	2.15	79.92	81.16	12.65	18.17	B
	NV	883	1999			X		#	2.36	2.58	60.34	54.51	87.45	24.00	C
	NH	894				X		#	2.75	2.70	76.98	78.52	16.63	26.83	D
	NC	537				X		#	2.17	2.43	89.12	88.38	14.27	23.83	C
	PA	@	1915	(a)			X	14%	2.80	2.68	&	&	&	&	&
	SC	@	1943				X	@	2.50	2.74	&	&	&	&	&
	SD	551				X		#	1.83	2.08	86.62	77.86	17.49	18.67	B
TN	622				X		#	2.48	2.44	65.30	75.96	19.05	22.83	C	
VA	612				X		#	1.52	1.43	82.96	84.65	11.25	11.83	A	
WI	524				X		#	2.18	2.12	81.46	76.16	9.24	10.50	A	
Subtotal								2.34	2.26	76.29	78.35	10.52	14.50	A	
California	CA	972	1914			X	26%	4.13	2.72	73.04	95.57	19.43	38.17	F	
Moderately Concentrated	AK	1,683			X			#	5.00	3.97	69.98	85.84	21.91	39.00	F
	CT	1,032			X			#	2.90	2.46	87.42	87.39	13.41	27.00	D
	D.C.	1,082			X			#	2.86	2.16	56.98	59.71	13.43	15.83	B
	HI	1,203	1996			X	21%	2.89	2.08	56.44	67.30	17.38	19.50	C	
	KY	1,259	1994			X	23%	3.78	2.96	97.50	102.58	20.45	40.50	F	
	LA	1,349	1991			X	28%	3.10	2.76	68.14	76.49	26.87	30.67	D	
	MD	1,118	1914	(d)		X	28%	2.03	1.72	89.43	97.45	12.71	21.00	C	
	MA	1,218				X		#	1.70	1.39	80.40	78.03	21.35	18.67	B
	NJ	1,049				X		#	2.52	2.66	94.92	93.15	16.48	31.83	F
	NM	1,309	1991			X	30%	2.41	2.15	76.78	67.43	28.14	22.50	C	
	OK	1,717	1933	(e)		X	37%	2.96	2.89	94.35	94.35	3.42	26.67	D	
	TX	1,181	1991			X	27%	2.84	2.61	68.06	80.35	19.89	29.67	D	
	VT	1,005				X		#	3.24	3.14	78.44	85.81	15.13	31.50	F
Subtotal								2.94	2.53	79.77	81.30	11.65	21.67	C	
Highly Concentrated	AZ	3,232	1925			X	55%	1.73	1.67	102.08	96.33	15.64	22.83	C	
	CO	3,416	1915			X	57%	2.40	1.76	75.00	77.53	7.56	10.33	A	
	ID	4,225	1917			X	63%	2.29	2.12	81.78	83.63	12.10	17.33	B	
	ME	3,861	1993			X	61%	3.21	3.04	87.16	80.50	44.73	36.83	F	
	MT	@	1990			X	@	3.69	3.50	&	&	&	&	&	
	NY	2,069	1914			X	40%	3.15	2.55	85.88	88.86	16.07	32.17	F	
	ND	@	1919			X	@	1.10	1.08	&	&	&	&	&	
	OH	@				X*	@	3.00	3.32	&	&	&	&	&	
	OR	4,134	1914			X	61%	1.97	1.88	101.60	104.82	21.23	29.83	D	
	RI	4,286	1990	(b)		X	64%	2.68	2.26	64.46	70.17	33.36	25.33	C	
	UT	3,315	1917			X	56%	2.06	1.63	75.24	80.31	11.13	12.00	A	
	WA	@	1911			X*	@	2.17	1.98	&	&	&	&	&	
	WV	9,829		(c)		X*	99%	2.20	1.86	55.48	55.48	&	&	&	
WY	@				X	@	2.40	2.06	&	&	&	&	&		
Subtotal								2.43	2.19	84.34	86.07	12.43	21.00	C	
GRAND TOTAL								2.56	2.32	78.56	83.78	10.68	19.00	B	

* Also available by self-insurance.
No state fund.
@ Premium is not available from the NAIC.
& NAIC loss ratio excludes the state fund.

(a) State Fund premium from PA Dept of Labor & Industry
(b) Name change in 1992
(c) State Fund converted to mutual in 2006, Private insurers started writing in 2008, Loss ratio is for cal. year 2007
(d) Loss Ratio data is only available for 8 years
(e) Loss ratio data is only available for 5 years

Research Brief Summary

Free Markets Seen as Best Way to Lower Workers Compensation Costs

Workers compensation covers occupational injuries, illnesses and deaths. As social insurance, each state system heavily administers and regulates its program through unique combinations of private and public risk bearing mechanisms. This research demonstrates that states with few insurance entities do not enjoy the classic benefits of free markets: lower costs, a wide range of providers and stable profitability.

This unique research brief features competitive analysis for each state market, ranks states by level of competition and identifies common factors that affect competition. California is also given special attention due to its progressive law and deregulated rating structure. The wisdom of free markets is demonstrated by lower average premiums for employers and more stable costs for insurers.



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