DEPARTMENT OF
Professional &
Financial Regulation
STATE OF MAINE

• OFFICE OF SECURITIES
• BUREAU OF INSURANCE
• CONSUMER CREDIT PROTECTION
• BUREAU OF FINANCIAL INSTITUTIONS
• OFFICE OF LICENSING AND REGISTRATION

THE STATE OF COMPETITION IN THE MAINE WORKERS' COMPENSATION MARKET

Prepared by the Staff of the Maine Bureau of Insurance
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BUREAU OF INSURANCE

The advisory loss costs, the portion of the workers' compensation rates which cover projected loss and loss adjustment expenses, increased by 0.4% in 2011 after dropping in each of the prior three years. They are now, on average, nearly 46% lower than at the time of the last major reform to the workers' compensation system in 1993.

Although medical costs slightly increased in policy year 2008, the average medical cost per case has risen significantly since policy year 2000. This development is important because medical benefits constitute 53% of the total benefit costs in Maine. Medical costs and services are rising faster than overall inflation as measured by the Consumer Price Index, and are rising faster than wages.

The increase in advisory loss costs is not evenly distributed across all rating classifications, as seen below.

Industry Group	Percent Change
Miscellaneous	-2.1%
Manufacturing	+2.1%
Office Clerical	+0.9%
Contracting	+0.1%
Goods & Services	+0.9%

The change in loss costs for individual classifications within each group varies depending on the experience within each classification. Some employers will see premium decreases while other employers will see increases.

Maine Employers' Mutual Insurance Company (MEMIC) although it actively competes in the voluntary market, functions as the insurer of last resort in Maine. Although MEMIC's market share has dropped each of the last four years, the workers' compensation insurance market is still very concentrated. Much of the business is written by a small number of companies.

There are, however, continued signs that pricing has become more competitive. Some insurers have lowered their rates in hopes of attracting business. Additionally, the number of insurance companies becoming licensed to provide workers' compensation coverage in Maine has been on the increase for several years.

Insurers other than MEMIC do not have to offer coverage to employers and can be more selective in choosing which employers to underwrite. In order to become eligible for lower rates, an employer needs to have a history of few or no losses, maintain a safe work environment, be willing to follow loss control recommendations, and strive to prevent and control any future losses.

Twenty-two insurers (22) wrote more than $1 million each in annual premiums in 2009, six fewer companies than in 2008. The top 10 insurance groups wrote 95% of the workers' compensation insurance in Maine during 2009, the same as in 2008.

Self-insured employers represented more than 45% of the overall workers' compensation market in 2009, the third consecutive increase after reaching a low of about 40% in 2005. Self-insurance continues to be a viable alternative to the insurance market for some employers.

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INTRODUCTION AND BACKGROUND

Introduction

This report examines different measures of market competition in the Maine workers compensation insurance market. Among the measures are: 1) the number of insurers providing coverage; 2) insurer market share; 3) changes in market share; 4) ease of entry into and exit from the workers' compensation insurance market; and 5) comparison of variations in rates.

The tables in this report for accident year and calendar year loss ratios contain five years of information. Loss ratios are updated each year to account for how costs have developed for claims opened, claims closed and any claims reopened during the year. Other tables and graphs contain up to 10 years of information.

The recently approved advisory loss cost filing increased the advisory loss costs on average by 0.4%. This is the first increase in the loss costs since 2006. The previous two loss cost filings produced average decreases of 7.0% and 7.6%. According to NCCI, there were seven consecutive decreases in lost-time claims through 2007. However, the frequency of loss-time injuries in Maine has increased slightly in 2008, while indemnity costs—a measure of severity—decreased slightly. Indemnity costs tend to be higher for older workers. As Maine's population ages, there may be an increase in indemnity costs in the future. The percentage of Maine's population between the ages of45 and 64 is expected to peak in 2010, although people may work longer due to the economy. Medical costs continue to increase. Forty-seven percent of Maine's total benefit costs are for indemnity and 53% are for medical.

Although Maine's market remains concentrated and MEMIC writes a large volume of business, there are still many insurers writing some workers' compensation coverage in Maine. Insurers, however, are still being conservative in selecting businesses to cover or to renew. An insurer can decide to non-renew business for any reason as long as it provides the policyholder with the statutorily required advance written notice. Self-insurance provides a viable alternative for some Maine employers.

Accident Year, Calendar Year and Policy Year Reporting

Workers compensation is a long-tail line of insurance, meaning payments for claims can continue over a long period of time after the year in which the injury occurred. Thus, amounts to be paid on open claims must be estimated. Insurers collect claim, premium and expense information to calculate financial ratios. This information may be presented on an accident year, calendar year, or policy year basis. This report primarily shows information on an accident year basis. A description of each method and its use in understanding workers' compensation follows:

- **Accident year** experience matches all losses for injuries occurring during a given 12-month period of time (regardless of when the losses are reported) with all premiums earned during the same period of time (regardless of when the premium was written). The accident year loss ratio shows the percentage of earned premium that is being paid out or expected to be paid out on claims. It enables the establishment of a basic premium reflecting the pure cost of protection. Accident year losses or loss ratios are used to evaluate experience under various laws because claims are tracked by year and can be associated with the law in effect at the time of the injury. This information is projected because claim costs change over time as claims further develop, with the ultimate result determined only after all losses are settled. Therefore, the ratios for each year are updated on an annual basis.

- **Calendar year** loss ratios match all losses incurred within a given 12-month period (though not necessarily for injuries occurring during that 12-month period) with all premiums earned within the same period of time. Because workers' compensation claims are often paid out over a long period of time, only a small portion of calendar year losses are attributable to premiums earned that year. Many of the losses paid during the current calendar year are for claims occurring in past calendar years. Calendar year loss ratios also reflect aggregate reserve adjustments for past years. For claims expected to cost more, reserves are adjusted upward; for those expected to cost less, reserves are adjusted downward. Calendar year incurred losses are used primarily for financial reporting. Once calculated for a given period, calendar year experience never changes.

- **Policy year** experience segregates all premiums and losses attributed to policies having an inception or a renewal date within a given 12-month period. The total value of all losses for injuries occurring during the policy year (losses paid plus loss reserves) are assigned to the period regardless of when they are actually reported. They are matched to the fully developed earned premium for those same policies. The written premium will develop into earned premium for those policies. The ultimate incurred loss result cannot be finalized until all losses are settled. It takes time for the losses to develop, so it takes about two years before the information is useful. This data is used to determine advisory loss costs.

The Underwriting Cycle

Insurance tends to go through underwriting cycles, successive periods of increasing or diminishing competition and increasing or decreasing premiums. These cycles are important factors in the short-term performance of the insurance industry. Hard markets are periods in which there is less capacity and competition and fewer insurers willing to write business. Soft markets are periods of increased competition identified by more capacity to write business, falling rates, and growing loss ratios, which can result in insurer operating losses. This can eventually force loss ratios to critical levels, causing insurers to raise their rates and be more selective in writing business. Insurer profitability and surplus eventually recover. This situation, in time, spurs another round of price-cutting, perpetuating the cycle.

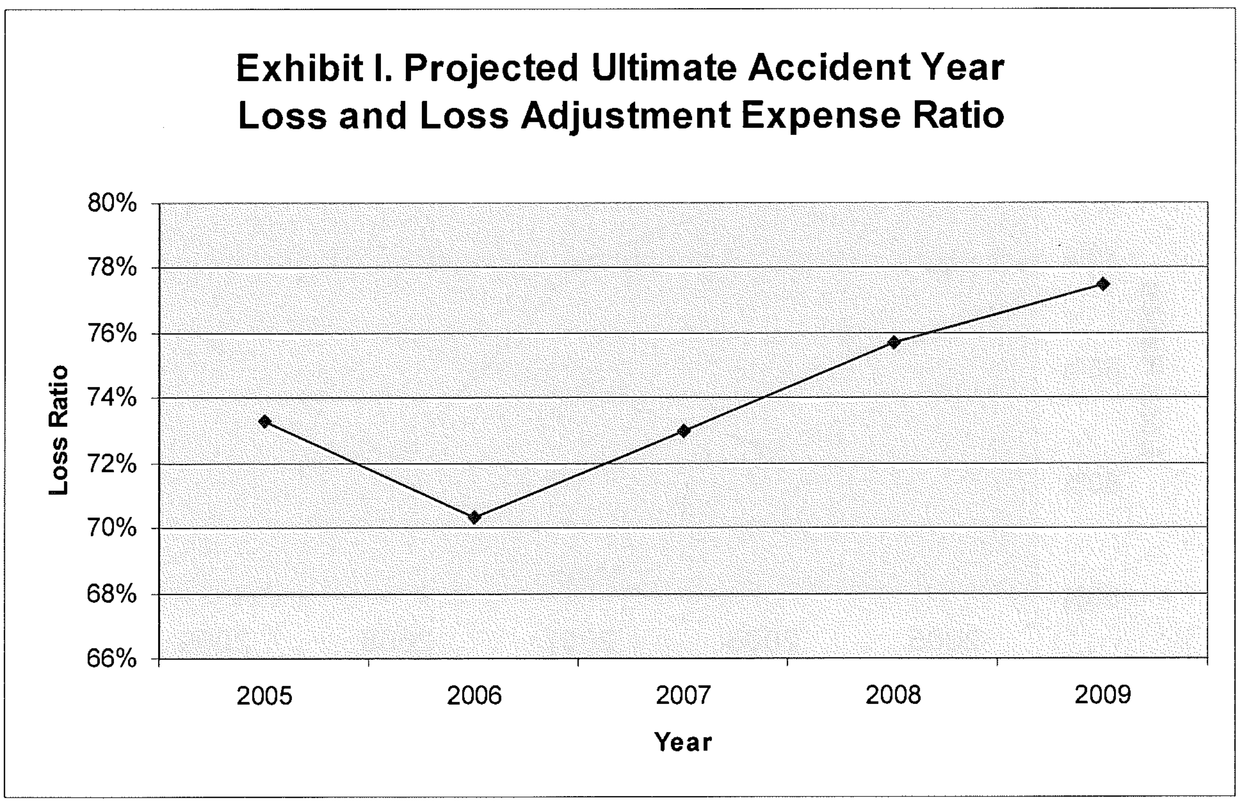
In the late 1980s and early 1990s, the Maine workers compensation insurance market was hard. From the mid-1990s until about 2000, the market was considered soft. After 2000 insurance markets generally became less competitive, and this trend increased following the September 11, 2001 attacks. Since 2006, the Maine market hardened as insurers tightened their underwriting standards and reduced premium credits.

RECENT EXPERIENCE

Accident Year Loss and Loss Adjustment Expense Ratios

The accident year loss ratio shows the percent of earned premium used to fund losses and their settlement. Loss ratios that exceed 100% mean that insurers are paying out more in benefits than they collect in premiums. A decrease in these loss ratios over time may reflect increased rates, improved loss experience, or changes in reserve (i.e., the amount of money expected to be paid out on claims). Conversely, an increase in the loss ratios may reflect decreased rates or worsening loss experience. The loss ratio does not include insurers' general expenses, taxes and contingencies, profit or investment income.

Exhibit I shows the accident year loss ratios for the most recent five years available. Loss ratios in this report are based on more mature data and may not match the loss ratios for the same years in prior reports. Claim costs and loss adjustment expenses for prior years are further developed, so the loss ratios reflect more recent estimates of what the claims will ultimately cost. The accident year loss ratio has ranged from about 70% to slightly over 77% for the past five years. The 2009 loss ratio was 77.5%, indicating that $77.50 is expected to be paid out for losses and loss adjustment expenses for every $100 earned in premium.

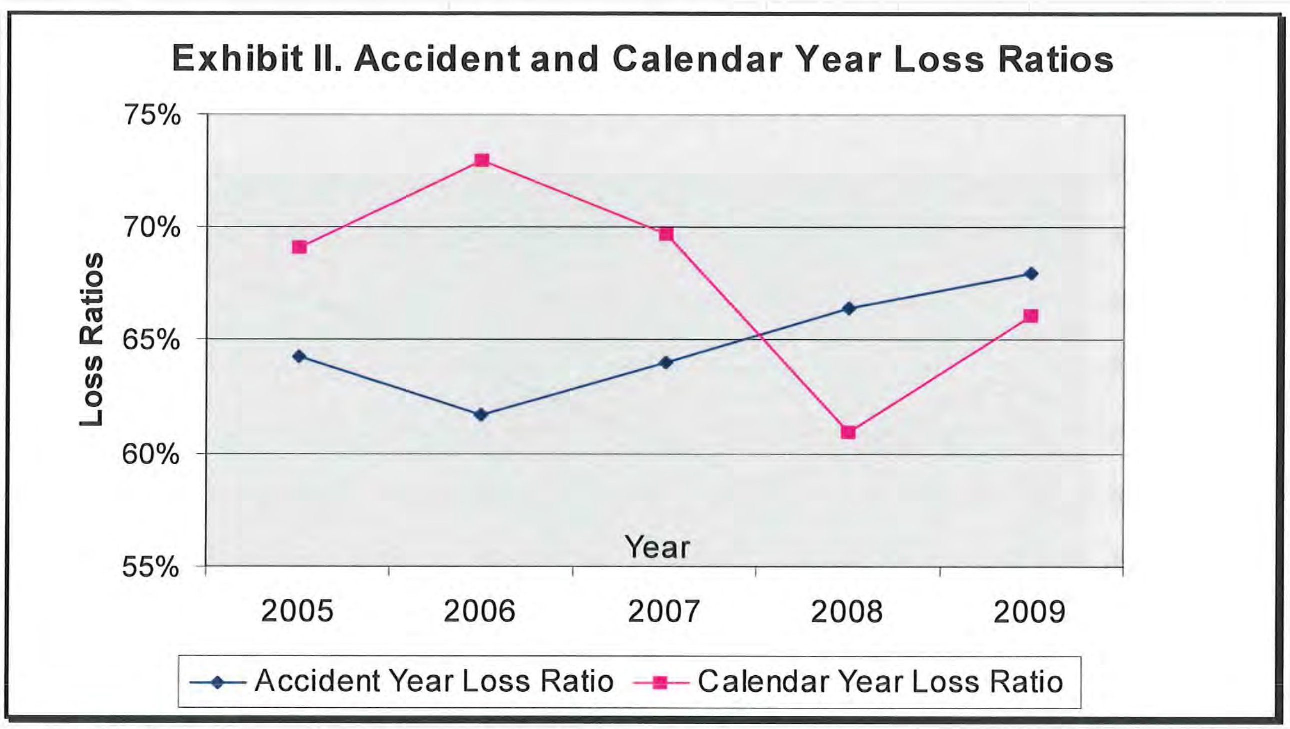


Source: National Council on Compensation Insurance

Calendar Year and Accident Year Loss Ratios

Calendar year loss ratios compare losses incurred with premium earned in the same year (although only a small portion of the losses are attributable to premiums earned that year). Calendar year loss ratios reflect payments and reserve adjustments (changes to estimated ultimate cost) on all claims during a specific year, including those adjustments from prior injury years. While calendar year data is relatively easy to compile and is useful in evaluating the financial condition of an insurance company, accident year data is more useful in evaluating the claim experience during a particular period because it better matches premium and loss information. In addition, the accident year experience is not distorted by reserve adjustments on claims that occurred in prior periods, possibly under a different law. These ratios do not include amounts paid by insurers for sales, general expenses and taxes, nor do they reflect investment income. The movement of the calendar year loss ratios from below to above the accident year loss ratios may reflect increases in reserves on prior accident years.

Exhibit II shows calendar year and accident year loss ratios. The calendar year loss ratio of 72.9% in 2006 was the highest in the period of 2005-2009. Since that time it dropped to 60.9% in 2008 but increase to 66.1% in 2009. The accident year loss ratio is trending upward over the period of 2005-2009, ranging from a low of 61.7% in 2006 to a high of 68.0% in 2009.



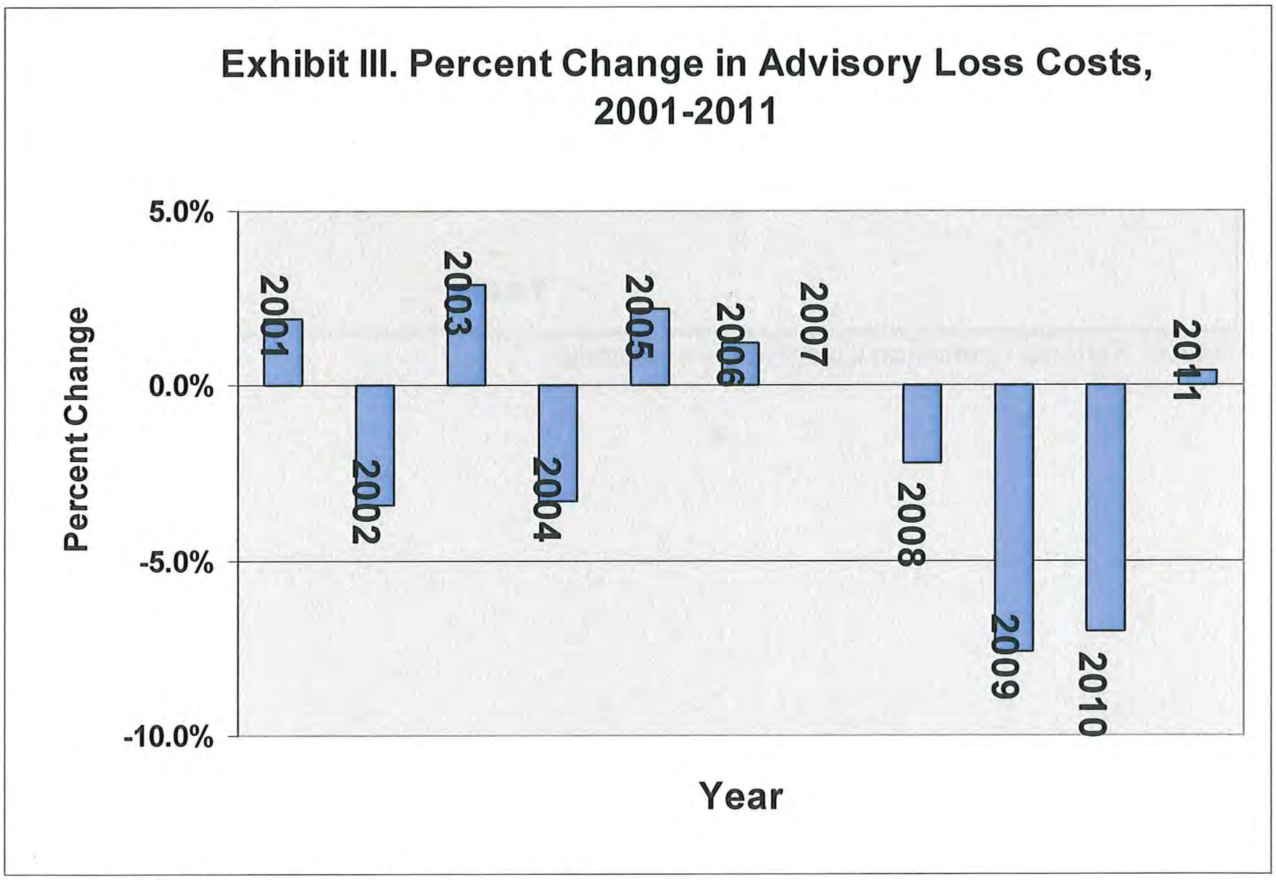
Source: National Council on Compensation Insurance

LOSSES IN WORKERS' COMPENSATION

Changes in Advisory Loss Costs

NCCI files advisory loss costs on behalf of workers compensation carriers. Advisory loss costs reflect the portion of the rate that applies to losses and loss adjustment expenses. Advisory loss costs do not account for what insurers pay for general expenses, taxes and contingencies, nor do they account for profits and investment income. Under Maine's competitive rating law, each insurance carrier determines what to load into premium to cover those items.

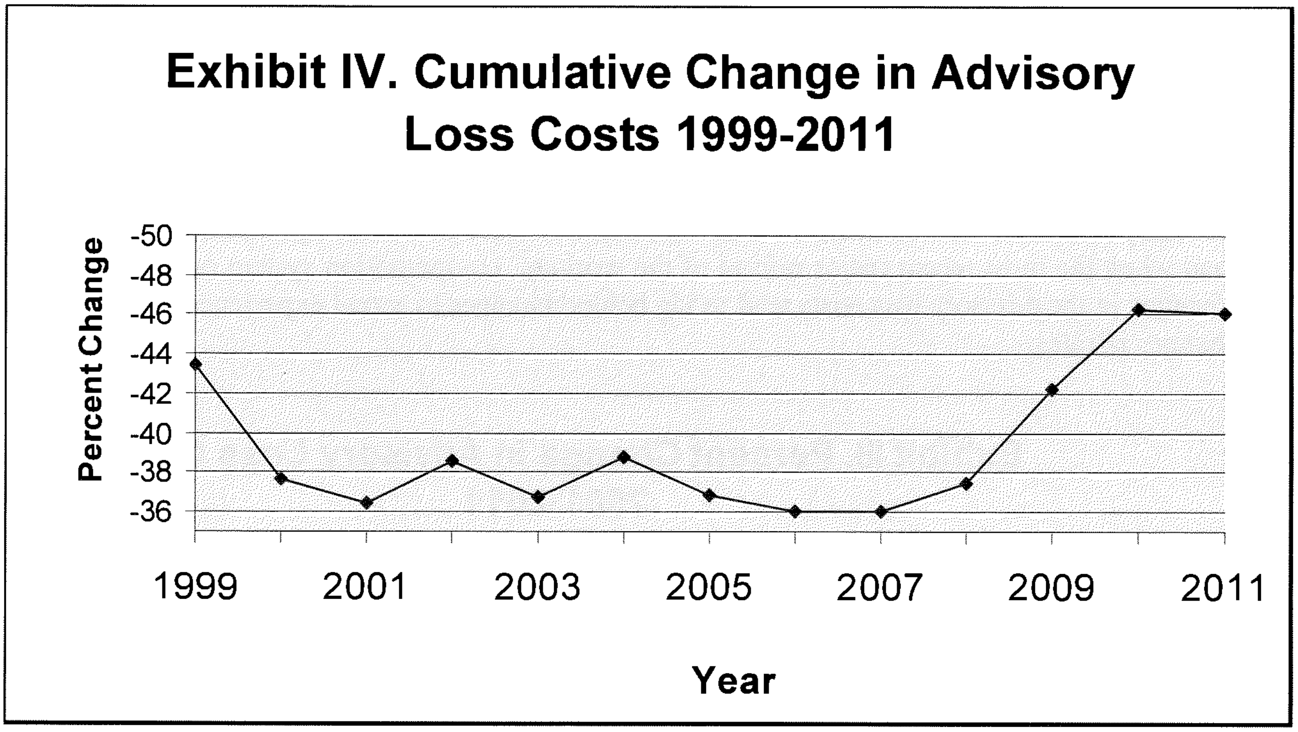
In 2010, the advisory loss costs decreased by 7.0%. The recently approved advisory loss costs in crease loss cost by an average of 0.4% increase in advisory loss costs effective January 1, 2011. Advisory loss costs will be about 16% lower than they were five years ago and nearly 46% lower than when the most recent major reform of the workers' compensation system occurred in 1993. Changes in the advisory loss costs tend to lag behind changes in actual experience and to precede changes in rates.



Source: National Council on Compensation Insurance

Cumulative Changes in Advisory Loss Costs

Exhibit IV shows the cumulative changes in loss costs over the past 13 years. After three years of increases or no change, the advisory loss costs declined during the prior three years, with this year's proposed increase being the first increase in the last five years.



Source: National Council on Compensation Insurance

MARKET STRUCTURE AND COMPETITION

Market Concentration

Market concentration is another measure of competition. Greater concentration means that there are fewer insurers in the market or insurance written is concentrated among fewer insurers. The result is less competition. Conversely, less concentration indicates greater competition because more insurers are in the market.

As of October 1, 2009, 292 companies were authorized to write workers' compensation coverage in Maine. This number is not a good indicator of market concentration because some insurers have no written premium. In terms of written premium, MEMIC has 62% of the insured market. Although MEMIC has been successful in retaining business, other insurers are selectively increasing their market share. The following table shows the number of carriers by premium level for those carriers writing workers' compensation insurance in 2009. The number of carriers writing greater than $1 million in written premium decreased by six.

Table I: Number of Companies by Level of Written Premium—2009

Amount of Written Premium	Number of Companies At That Level
>$10,000	114
>$100,000	84
>$1,000,000	22

Source: Annual Statements Filed with the Bureau of Insurance. Total written premium for 2009 was over $200 million.

Looking only at market concentration does not give a complete picture of market competition. A discussion of self-insurance, found in the Alternative Risk Markets section, gives a more balanced perspective.

Herfindahl Hirschman Index

The Herfindahl-Hirschman Index (HHI) is a method to measure market concentration. The HHI is calculated by summing the squares of the market shares (percentages) of all groups in the market. The National Association of Insurance Commissioners (NAIC) publishes a Competition Database Report as a reference source of measures to examine the competitiveness of state insurance markets, and the HHI is one of the data elements in the report. The 2010 Database Report, based on 2008 information, shows that the HHI for the workers' compensation insurance in Maine is 3,937. This is the second highest for all commercial lines in Maine closely behind medical malpractice which is 3,949. All other commercial lines were between 388 and 805. As mentioned in the Database Report, there is no precise point at which the HHI indicates that a market or industry is so concentrated that competition is restricted. The U.S. Department of Justice's guideline for corporate mergers uses 1,800 to indicate highly concentrated markets and the range from 1,000 to 1,800 to indicate moderately concentrated markets. A market with an HHI below 1,000 is considered not concentrated. Applying the HHI to Maine's workers compensation market might not be a helpful gauge of this market for two reasons. First, the Maine Legislature created an employer owned mutual insurer created to replace a highly concentrated residual market where other insurers were reluctant to write actively in this state. Second, the market has a high percentage of employers self-insured individually or in a group.

Source: NAIC 2008 Competition Database Report.

Combined Market Share

An insurance group is a carrier or group of carriers under common ownership. Exhibit V illustrates the percent market share of the largest commercial insurance group, in terms of written premium, as well as the percent market share for the top three, top five and top 10 insurer groups. MEMIC has the largest market share. Its share has ranged between 61% and 65% for the last seven years.

The market share of the top 10 insurer groups increased to 95% to 2009; other groups accounted for only 5% of the workers' compensation premium in Maine. In terms of premium dollars, MEMIC wrote over $124 million in premium in 2009. The top three groups, including MEMIC, wrote over $156 million in business. The top five groups wrote over $170 million, and the top 10 groups had over $189 million in written premium. Overall written premium levels in Maine have dropped considerably since 2005. MEMIC had approximately $36 million less in written premium in 2009 than it did in 2005. The top three groups had approximately $48 million less written premium, and the top five and 10 groups had about $39 million and $47 million less respectively.

Source: Annual Statements Filed with the Bureau of Insurance

Number of Carriers in the Maine Insurance Market

The number of carriers in the workers compensation market has increased throughout the 11-year period shown in the table below. The number of carriers who may file rates and be eligible to write workers' compensation coverage has increased by nearly 40% since 2000. There currently are no significant barriers to entry.

Table II: Entry and Exit of Workers Compensation Carriers, 1999-2009					
Year	Number of Carriers	Number Entering	Number Exiting	Net Change (Number)	Net Change (Percent)
2010	293	6	5	1	0.3
2009	292	10	0	10	3.6
2008	282	13	4	9	3.3
2007	273	11	5	6	2.3
2006	267	14	4	10	3.9
2005	257	4	1	3	1.1
2004	254	5	2	3	1.2
2003	251	11	1	10	4.2
2002	241	15	2	13	5.7
2001	228	24	6	18	8.6
2000	210	12	0	12	6.1

Source: Maine Bureau of Insurance Records.

Notes: Based upon the number of carriers licensed to transact workers compensation insurance as of October 1 of each year. Beginning in 2001, the number exiting the market includes companies under suspension.

Percent Market Share of the Top Insurance Groups

Table III shows market share by insurance group from 2003-2009. Information by group is more relevant when assessing competition because carriers in a group are under common control and are not likely to compete with one another.

Table III. Percent Market Share for Top Insurance Groups, By Amount of Written Premium, 2003-2009

Insurance Group	2009 Share	2008 Share	2007 Share	2006 Share	2005 Share	2004 Share	2003 Share
Maine Employers' Mutual	62.2	61.3	61.6	63.6	64.8	65.4	61.5
Liberty Mutual Group	10.4	11.0	8.8	9.2	8.4	9.4	9.6
WR Berkeley Corp.	5.7	6.1	6.3	6.1	5.6	5.4	5.8
Travelers Group	3.5	2.7	2.2	1.9	1.6	2.3	1.3
Hartford Fire & Casualty	3.4	3.7	3.6	3.3	3.8	1.9	2.0
American International Group	2.3	2.8	5.2	4.9	5.1	4.1	3.3
Zurich Insurance Group	2.0	1.2	1.3	0.9	0.6	1.7	1.6
Ace Ltd Group	1.9	1.2	1.6	1.3	1.6	0.9	0.7
Guard Insurance Group	1.7	1.8	2.0	2.3	2.1	2.0	1.8
The Hanover Ins Corp.	1.6	1.8	1.7	2.1	1.9	1.7	1.6

Source: Annual Statements Filed with the Bureau of Insurance

Percent Market Share of the Top Insurance Companies

Table IV shows the percent of market share for the top carriers for each calendar year from 2003 through 2009. Throughout the seven-year period MEMIC has had in excess of 60% of the market. For the sixth straight year, none of the other carriers attained a 5% market share. The top 10 companies combined write over 77% of the business. All carriers outside of the top 10 had 1% or less of the market share.

Table IV. Percent Market Share for Top Insurance Carriers, By Amount of Written Premium, 2003-2009

Insurance Carrier	2009 Share	2008 Share	2007 Share	2006 Share	2005 Share	2004 Share	2003 Share
Maine Employers' Mutual	62.2	61.3	61.6	63.6	64.8	65.3	61.5
Acadia Insurance Company	3.4	4.2	4.5	4.5	4.3	4.4	5.3
Netherlands	2.6	2.1	1.4	0.9	0.3	0.2	0.2
Liberty Insurance Corp.	2.0	2.7	2.1	2.5	1.7	1.1	1.4
Firemen's Ins Co of Wash DC	1.9	1.3	1.3	1.1	0.9	0.7	0.6
Excelsior Insurance Co.	1.3	1.4	1.4	1.2	1.0	0.9	0.7
Wausau Underwriter Ins. Co.	1.2	1.0	0.4	0.3	0.3	0.2	0.5
Ace American Ins. Co.	1.1	0.4	0.7	0.4	0.8	0.5	0.5
Hartford Ins Co of the Midwest	1.0	1.0	0.9	0.5	0.4	0.2	0.1
Charter Oak Fire Ins. Co.	1.0	0.9	0.8	0.6	0.5	0.2	0.1

Source: Annual Statements Filed with the Bureau of Insurance

DIFFERENCES IN RATES AND FACTORS AFFECTING RATES

Rate Differentials

There is a wide range of potential rates for workers compensation policyholders, but most employers are not able to get the lowest rates. Insurers are selective in accepting risks for the lower-priced plans. Their underwriting is based on such factors as prior-claims history, safety programs and classifications. An indication that the current workers compensation market may not be fully price-competitive is the distribution of policyholders among companies with different loss cost multipliers or among a single company with multiple rating tiers. The Bureau of Insurance surveyed the top 10 insurance groups and all of the companies in those insurance groups. We asked for the number of policyholders and the amount of written premium for in-force policies in Maine within each of their rating tiers. Based upon annual statement reports, the carriers that responded accounted for nearly 95% of the market and over $189 million in written premium in Maine for calendar year 2009. The results of a survey conducted by the Bureau of Insurance show that over 70% of policies are written at rates equivalent to MEMIC Standard Rating tier. Over 22% are written at rates lower than MEMIC's Standard tier. Over 7% of policyholders have policies written at rates that are above MEMIC's Standard Rating tier.

Possible reasons for policyholders accepting rates higher than MEMIC's Standard Rating tier are: 1) an insure other than MEMIC provides workers' compensation coverage although it might not otherwise, because it provides coverage for other lines of insurance, and the insurer provides a good overall package to the insured; 2) an insurer other than MEMIC charges a higher rate but offers enough credits to lower the overall premium; and 3) the insured would have been placed in MEMIC's High Risk Rating tier because of its poor loss history.

Percent of Reported Policyholders At, Above or Below MEMIC's Standard Rating Tier Rates		
Rate Comparison	**2010 Percent**	**2009 Percent**
Below MEMIC Standard Rate	22.6%	24.34%
At MEMIC Standard Rate	70.1%	68.61%
Above MEMIC Standard Rate	7.3%	7.05%

Note: Based upon the results of a survey conducted by the Bureau of Insurance. Respondents included carriers in the top 10 insurance groups in Maine.

Additional Factors Affecting Premiums

Some insurers offer employers other options that may affect the premiums the employers pay for workers' compensation insurance. While these options might lower an employer's premium, they may also carry some risk of greater exposure.

Employers should carefully analyze certain options, such as retrospective rating (retros) and large deductible policies, before deciding on them. Below is a description of each:

- **Tiered rating** means that an insurer has more than one loss cost multiplier to use, based on where a potential insured falls in its underwriting criteria. Tiered rating may apply to groups of insurers that have different loss cost multipliers for different companies in the group. Our records indicate that over 71% of insurers either have different loss cost multipliers on file or are part of a group that does.

- **Scheduled rating** allows an insurer to consider other factors that may not be reflected in an employer's experience rating when determining an individual employer's premium. Factors including safety plans, medical facilities, safety devices and premises are considered and can result in a change in premium of up to 25%. Over 81% of insurers with filed rates in Maine have received approval to utilize scheduled rating.

- **Small deductible plans** must be offered by insurers. These include medical benefit deductibles in the amounts of $250 per occurrence for non-experience rated accounts and either $250 or $500 per occurrence for experience rated accounts. Insurers must also offer deductibles of either $1,000 or $5,000 per claim for indemnity benefits. Payments are initially made by the insurer and then reimbursed by the employer. Each insurer files the percentage reductions applicable to employers who elect to have small a deductible plan and the amount of reduction varies by insurer.

- **Managed Care Credits** are credits offered by insurers to employers who use managed care plans. Eighteen percent of insurers offer managed care credits.

- **Dividend Plans** provide a return premium to the insured after the policy expires if losses are lower than average. Premiums are not increased if losses are greater than average. Because losses may still be open for several years after policy expiration, dividends will usually be paid periodically with adjustments for any changes in the amount of incurred losses. Dividends are not guaranteed. In calendar year 2009, MEMIC declared dividends of $10 million dollars. In September 2010, MEMIC announced it will pay a dividend totaling $11 million to about 20,000 Maine policyholders in November 2010. Employers who held policies with MEMIC for a full year, with a term beginning in 2007, will be eligible to receive the dividend. After the November 2010 dividend payment, MEMIC will have returned more than $121 million to policyholders in the form of capital returns and dividends since 1998.

- **Retrospective rating** means that an employer's final premium is a direct function of its loss experience for that policy period. If an employer controls its losses, it receives a reduced premium; conversely, if the employer has a bad loss experience, it receives an increased premium. Retrospective rating utilizes minimum and maximum amounts for a policy and is typically written for larger, sophisticated employers.

- **Large deductible plans** are for employers who agree to pay a deductible that can be in excess of $100,000 per claim. The law requires that the insurer pay all losses associated with this type of policy and then bill the deductible amounts to the insured employer. The advantage of this product is a discount for assuming some of the risk. It is an alternative to self-insurance.

- **Loss Free Credits** may be given to employers who have had no losses for specified periods of time. At MEMIC, loss free credits may be received by non-experience rated accounts. As of August 31, 2010, 66% of non-experience rated accounts -- 9,408 policyholders -- receive loss free credits of between 8% and 15%. This represents a 2.2% decrease from last year at the same time and represents 49% of all MEMIC policyholders.

- **Terrorism Risk Insurance Act** (TRIA) is a federal program to protect consumers and insurers by addressing market disruptions and ensuring the continued availability and affordability of insurance for terrorism risk. Under TRIA, the federal government shares the cost of terrorist attacks with the insurance industry. Federal payments in extreme events help eliminate the insolvency risk for the insurance industry. Terrorism coverage is a separate step in determining workers' compensation premium and, like state-required workers' compensation coverage, is a charge based upon payroll for federal terrorism coverage. Acts of terrorism cannot be excluded in workers' compensation insurance and since September 2001 reinsurance contracts have excluded coverage for terrorist acts. In 2007 the Terrorism Risk Insurance Revision and Extension Act was approved and redefined terrorism to include domestic and foreign terrorism.

Insurers in Maine's top 10 groups reported that over $42 in credits was provided for every $1 in debits. This was nearly $17 less than a year ago. More than $16.1 million in dividends were paid out in 2008, an increase of more than $500,000 from 2007. MEMIC accounted for over 92% of the dividends issued. The amount of credits in the top 10 groups in 2008 rose more than $1.5 million from 2007, and the amount of debits increased by nearly $600,000.

ALTERNATIVE RISK MARKETS

Percent of Overall Market Held by Self-Insured Employers

Self-insurance plays an important role in Maine's workers' compensation market. Self-insured employers pay for losses with their own resources rather than by purchasing insurance. They may, however, choose or be required by the Bureau of Insurance to purchase insurance for losses that exceed a certain limit. One advantage of being self-insured is better cash flow. Employers who self-insure anticipate that they would be better off not paying premiums. They are likely to have active programs in safety training and injury prevention. In 2009, nearly 45% of Maine's total workers' compensation insurance market, as measured by standard premium, consisted of self-insured employers and groups. Although the estimated standard premium dropped, the percent of the workers' compensation market represented by self-insurers remained the same as in 2008.

The estimated standard premium for individual self-insurance is determined by multiplying the advisory loss cost by a factor of 1.2, as specified in statute then multiplying that figure by the payroll amount, dividing the result by 100 and then applying experience modification. As advisory loss costs, and therefore rates, decline, so does the estimated standard premium. Group self-insurers determine their own rates subject to review by the Bureau of Insurance.

Table VI: Estimated Standard Premium for Self-Insured Employers and Percent of the Workers' Compensation Market Held by Self-Insurers, 2000-2009		
Year	**Estimated Standard Premium**	**Percent of Workers' Comp. Market (in annual standard premium)**
2009	$160,359,285	44.5
2008	$179,280,965	44.6
2007	$174,830,526	42.1
2006	$167,535,911	40.9
2005	$167,278,509	40.3
2004	$171,662,347	41.7
2003	$182,379,567	43.1
2002	$167,803,123	43.0
2001	$159,548,698	43.9
2000	$126,096,312	42.1

Source: Annual Statements Filed with the Bureau of Insurance.

Notes:

1. Estimated standard premium figures are as of December 31of the year listed.
2. The percent of the workers' compensation market held by self-insured employers is calculated by taking the estimated standard premium for self-insured employers, dividing it by the sum of the estimated standard premium for self-insured employers and the written premium in the regular insurance market, and then multiplying that figure by 100.

Number of Self-Insured Employers and Groups

As of October 1, 2010 there were 19 self-insured groups representing approximately 1,382 employers. The number of self insured groups has remained the same for the past four years and the number of individually self-insured employers remained the same as in 2009. The number of employers in self-insured groups dropped for the third straight year.

Table VII: Number of Self-Insured Groups, Employers in Groups, and Individually Self-Insured Employers 2000-2010

Year	# of Self-Insured Groups	# of Employers In Groups	# of Individually Self-Insured Employers
2010	19	1382	58
2009	19	1459	58
2008	19	1,461	70
2007	19	1,478	70
2006	20	1,437	71
2005	20	1,416	80
2004	20	1,417	86
2003	19	1,351	91
2002	19	1,235	98
2001	19	1,281	92
2000	19	1,247	98

Source: Bureau of Insurance Records

Notes:

1. For the purposes of self-insurance, affiliated employers are considered separate employers. N/A indicates that the information is not available.
2. The number of individually self-insured employers and self-insured group information beginning in 2001 is as of October 1 of the year listed. Figures for years 2000 and before are as of the beginning of the year listed.

A LOOK NATIONALLY

Manufacturing Industry and Office and Clerical Operations

Each year Actuarial and Technical Solutions, Inc. (ATS) collects information from states that is used in a publication titled, "Workers' Compensation State Rankings--Manufacturing Industry Costs and Statutory Benefit Provisions." Until 2005, the study ranked workers compensation in the manufacturing sector only. In response to inquiries about the cost of workers compensation in other sectors, ATS began publishing information on office and clerical employees. This includes classes such as accountants, engineers, school professionals, attorneys and other office and clerical employees.

In the 2009 study, Maine ranked 32nd in workers compensation average statutory benefit provisions (wage replacement benefits). This ranking was unchanged from 2008. All 50 states were ranked. A lower rank indicates lower statutory benefits. In addition to statutory benefit provisions, states were ranked by comparative cost for both office and clerical operations and for manufacturing. In 2009, Maine ranked 35th in office and clerical and 26th in manufacturing out of 45 ranked states. Maine was ranked 35th and 30th respectively in 2008. (Higher rank equates to higher cost.) This means that Maine's comparative costs remained unchanged for office and clerical and improved four positions in manufacturing.

Oregon Workers' Compensation Premium Rate Ranking

In another study, conducted bi-annually by the State of Oregon, Maine ranked 8th in terms of 2010 workers' compensation premium rates for all industries. In this study, a lower rank indicates higher premium rates. In the 2008 study, Maine ranked 5th overall and in the 2006 study, Maine also ranked 8th. This study focused on 50 classifications based on their relative importance as measured by their share of losses in Oregon. Results are reported for all 50 states and for the District of Columbia.

Average Loss Costs by State Based On Maine's Payroll Distribution

NCCI developed a spreadsheet that shows the average loss cost for Maine compared to the average loss cost for other states based upon Maine's payroll distribution. Maine had the 10th highest average loss costs of the 36 states and the District of Columbia reporting information to NCCI. Last year Maine had the seventh highest average.

State	Average Loss Cost	Rank
Montana	$3.15	1
Illinois	$2.31	2
Oklahoma	$2.08	3
Connecticut	$1.86	4
Alaska	$1.83	5
New Hampshire	$1.82	6
Kentucky	$1.72	7
Alabama	$1.70	8
Vermont	$1.69	9
Maine	**$1.67**	**10**
Georgia	$1.56	11
Tennessee	$1.50	12
North Carolina	$1.49	13
Iowa	$1.44	14
South Carolina	$1.44	14
Nebraska	$1.38	16
Rhode Island	$1.36	17
South Dakota	$1.35	18
Maryland	$1.33	19
Idaho	$1.31	20
Oregon	$1.30	21
West Virginia	$1.29	22
Arizona	$1.28	23
Louisiana	$1.28	23
Missouri	$1.28	23
New Mexico	$1.21	26
Kansas	$1.20	27
Colorado	$1.15	28
Mississippi	$1.12	29
Nevada	$1.06	30
Florida	$1.04	31
Virginia	$1.02	32
Hawaii	$0.98	33
Utah	$0.95	34

State	**Average Loss Cost**	**Rank**
D.C.	$0.85	35
Indiana	$0.85	35
Arkansas	$0.80	37

Note: Average loss cost does not include expense and profit loading and is an average using all payrolls. The actual average for an employer will depend on the type of business and payroll mix. The relatively high total payroll and relatively low loss cost for the clerical classification causes the statewide average to be lower.