

Attachment C

Oklahoma workers' comp panel meets

INSURANCE: GROUP HEARS ABOUT NEVADA'S TRANSITION, SOME SAY STATE COULD FOLLOW SUIT

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Converting the state agency that provides workers' compensation insurance into a mutual insurer seems a viable option, the co-chairman of a legislative panel said Wednesday.

"I don't think there's any question that that's the way we need to go," said Rep. Dan Sullivan, co-chairman of the Task Force on the Privatization of CompSource Oklahoma. "It makes the most sense fiscally and legally that we migrate into a mutualization structure."

The Legislature passed a measure this year stating its intent to privatize CompSource no later than Dec. 31, 2010. Options include selling CompSource, which has about 300 employees, or mutualizing it, meaning its members would be the owners.

Sullivan, R-Tulsa, made his comments after hearing how Nevada 10 years ago converted its state workers' compensation insurance program to a mutual insurer.

Nevada's success could apply to Oklahoma, said Douglas Dirks, president and chief executive officer of Employers Holdings Inc, the company that replaced the state-run workers' compensation insurance program.

"I'm not aware of anything in Oklahoma that would preclude it," he said. "It is a policy decision — is providing workers' compensation insurance a core function of government?"

Dirks said Oklahoma's transition could be smoother because its state agency is financially sound.

Nevada changed in '99

In the early 1990s, the Nevada workers' compensation insurance system, in place since 1913, faced the threat of insolvency because of an estimated \$2.2 billion deficit, Dirks said. Reforms to address the concerns were considered in four consecutive legislative sessions and culminated in the governor's privatization bill, which was enacted in the 1999 legislative session. Nevada's state fund was the only provider of workers' compensation insurance; businesses either had to be self-insured or buy workers' compensation coverage from the state. The state had about 65 percent of the market. Dirks said all the state agency's nearly 1,000 employees were able to either transfer to the new company or get other state jobs.

The Nevada state fund was converted into a mutual insurer and in 2007 Employers Holdings became a stockholder-owned company and distributed \$850 million in stock and cash to the 6,600 Nevada businesses that had been its owners.

Employers Holdings provides workers' compensation insurance in 30 states and writes more than \$400 million in workers' compensation premiums, Dirks said.

Nevada's overall workers' comp rate levels are much lower than the rates in place before the state fund's privatization, Dirks said.

Employers Holdings' share of the workers' compensation market in Nevada now is about 6 percent, Dirks said. A special fund set up by the state's insurance department ensures workers' compensation insurance is available for businesses, mostly small employers that are high-risk or have a bad safety record and can't afford rates offered by private carriers.

State has advantage

CompSource writes about 35 percent of the workers' compensation policies in the state. Other employers are self-insured or are insured by private companies. It has about a 5 percent advantage over private carriers because it doesn't have to pay premium taxes and doesn't have to contribute to a state fund that covers the cost of claims of an insolvent insurance company.

Insurance Commissioner Kim Holland, a task force member, said states that have mutualized their insurance agencies have about 6 percent of the market.

"What that says is the market itself will compete effectively," she said. "What is telling about the experiences of other states is that private industry will step up; they'll do it. They want a level playing field. They want to be able to be competitive in the marketplace."