

2nd Annual Workers' Compensation Educational Conference

Opening Comments
May 3, 2011

West Virginia Offices of the
Insurance Commissioner

The Old Workers' Comp System

- Established in 1913
- Regulated Workers' Comp Market
- Administered the Workers' Comp Market
- Suffered from Inappropriate Claims Management
- Investigated Very Few Fraud Cases.
- Insufficient Job Classification System was used in rate formula.

The Old Workers' Comp System

Resulted In:

- \$3.1 Billion Unfunded Liability
- 46,076 Protests in 2004 and 2005
- 41 Days for Claims Reporting (from DOI)
- 335 Days for Ruling of Protested Claims



Regulatory Duties of the OIC before Workers' Compensation Transition

Primary Regulatory Divisions:

- Financial Conditions Division
- Agent Licensing Division
- Rates and Forms Division
- Consumer Services Division
- Legal Division/Market Conduct
- Office of Inspector General/Fraud

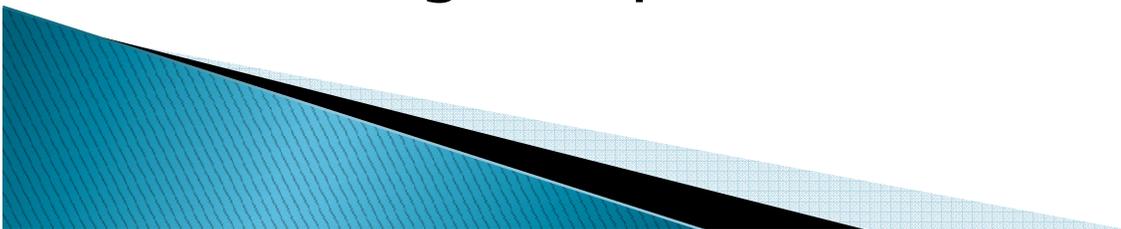


Additional Regulatory Duties after Transition

- Collection of money from employers:
 - for premiums, penalties and interests due Old Fund; collection of uninsured fines; and collection of other charges relating to claims filed in Uninsured Employer Fund.
- Employer enforcement/coverage
- Self-Insurance approval and regulation
- Financial Accounting – Article 2C funds
- Oversight of claims management and litigation with respect to the Old Fund.

Regulatory Duties after Workers' Compensation Transition

- Consideration of applications for approval of workers' compensation managed care plans.
- Setting medical fees schedules for WC medical treatment, other than managed care plans
- Administrative Review of claims decision from the Office of Judges and Board of Review
- Management of old records and documents created by the former Workers' Compensation Commission.
- Operation of a full scale Fraud Unit that investigates potential insurance fraud in WV.

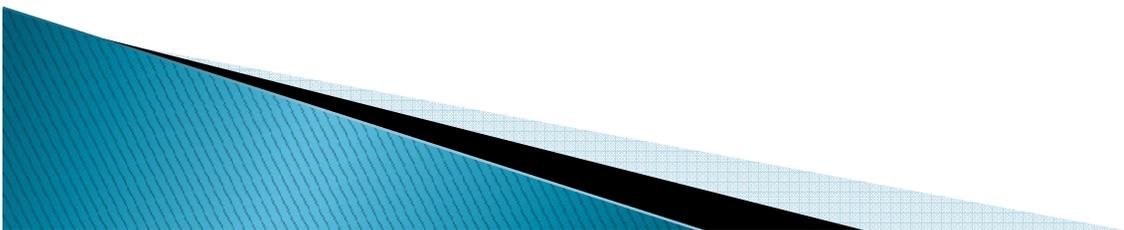


The New System – So Far:

- \$1.1 Billion Unfunded Liability (as of 6-30-2010)
 - More than 90% of all claims are ruled upon within the first 30 days
 - Average time From Receipt of Claim to Ruling is less than Two Weeks
 - Better Claims Handling and Claims Decisions
 - Fewer Injuries Reported – Due to Workplace Safety Initiatives.
 - Protested claims have dropped to approximately 6,500 a year.
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Paying off the Old Fund

- The West Virginia Legislature provided for a number of sources to pay the remaining “Old Fund” liability:
 - Debt Reduction Surcharges from West Virginia Employers
 - Severance Tax on Natural Resources
 - Money from West Virginia Video Lottery Proceeds
 - Ability to Issue Bonds, if Necessary
 - Personal Income Taxes

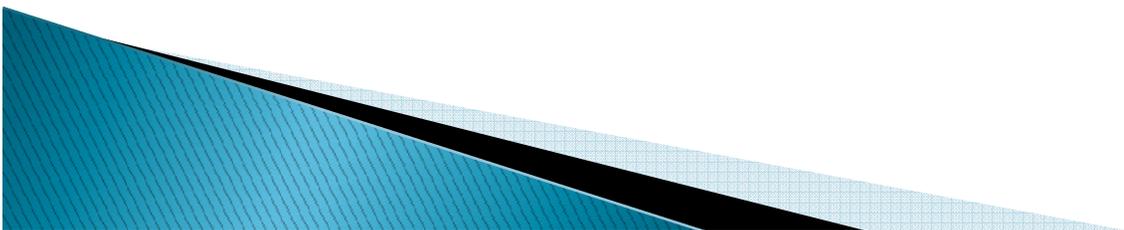


Current West Virginia Market

- 220 carriers have made workers' compensation filings
 - 39 Newly Licensed Companies that carry WC
 - 185 carriers have issued policies in the voluntary market
 - Residual market has 185 policies. Well below estimates based on national average
 - Since privatization, the overall loss cost decrease is 43.7% in the aggregate
 - Complete list of carriers writing workers' compensation insurance in WV is available on our webpage at www.wvinsurance.gov
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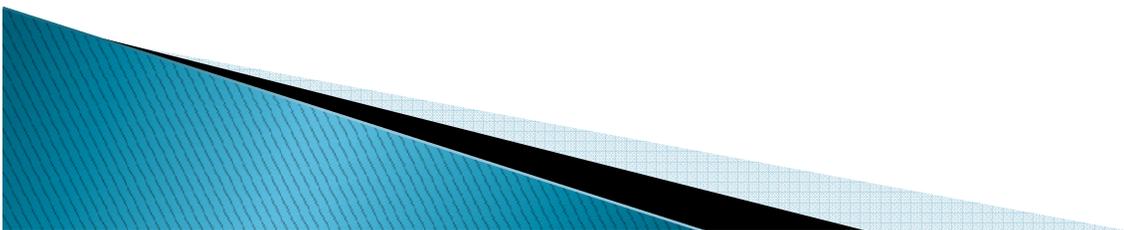
Challenges to the System:

- Economic Climate
- Paying off the Unfunded Liability
- Demographics
- Deliberate Intent Laws

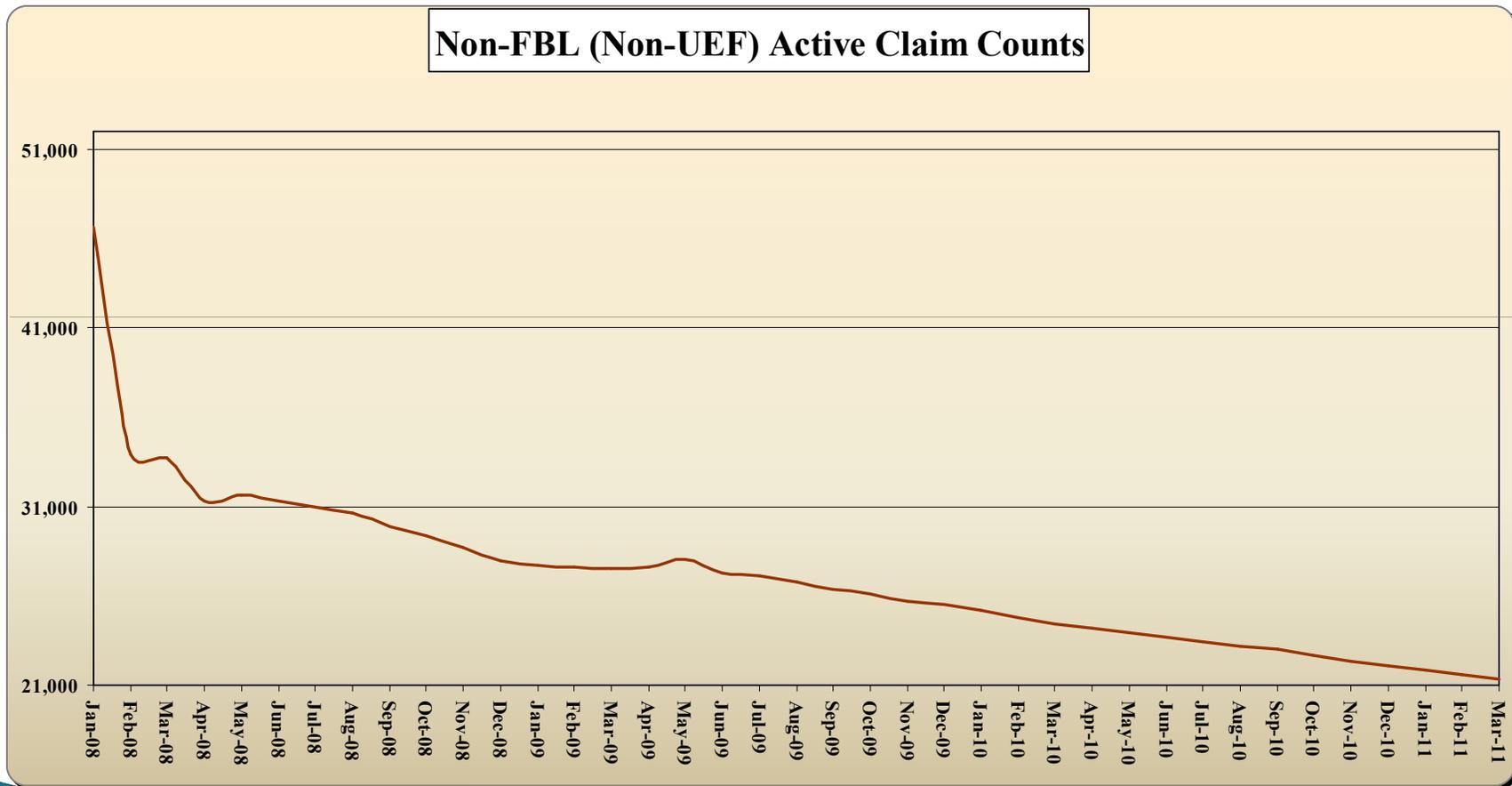


WV Old Fund

- ▶ The old fund consist of claims with a date of injury or date of last exposure prior to July 1, 2005.
- ▶ As of 01 /31 /08, there were 46,659 old fund claims.

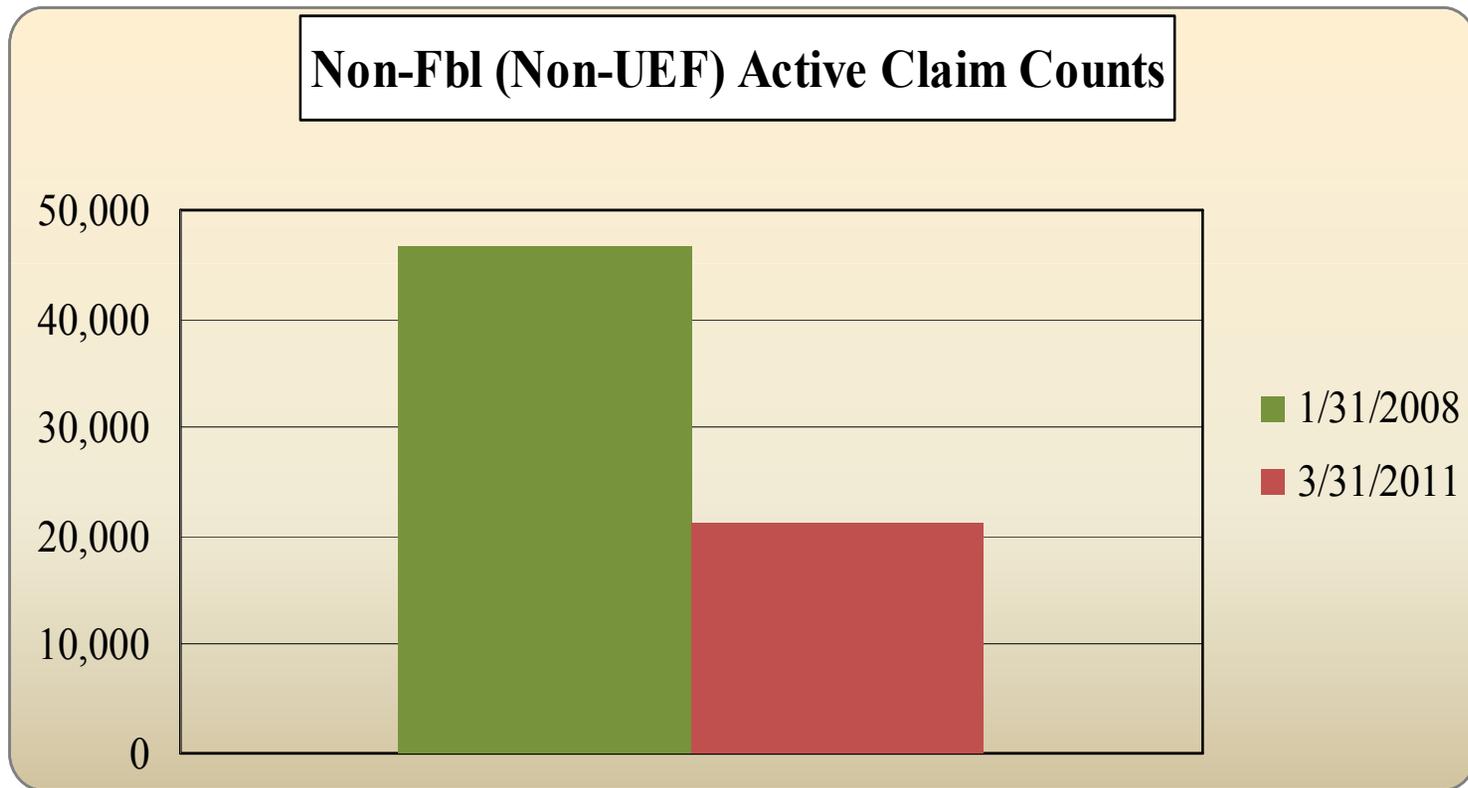


Decline of the Active Claims Count



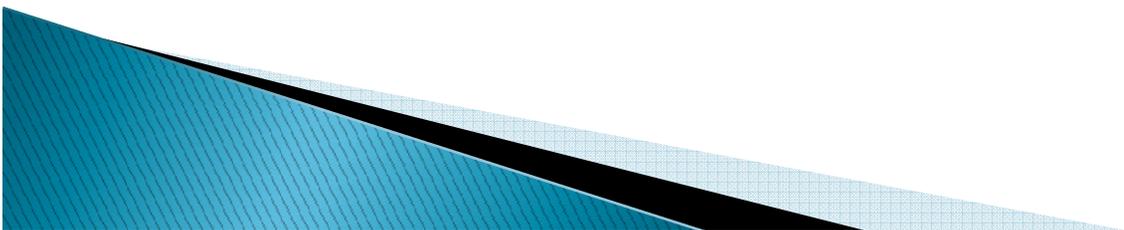
Active Claims Count

As of March 31, 2011



Primary Goal

Our primary goal is to insure that injured workers receive treatment and compensation, for which they are entitled to as a result of their compensable injury, in a timely and efficient manner.



Reducing the Old Fund Liability

- ▶ Proactive claims management
- ▶ Identify trends that have opportunity for improvement and cost containment
- ▶ Settle claims

