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Via Email to: Vancesd34@gmail.com

Senator Gordon Vance
Chairman, Montana
Economic Affairs Interim Committee
P.O. Box 1
Belgrade, Montana 59714-0001

RE: SJR 27—EAIC Workers' Compensation Study

Dear Chairman Vance:

I have been asked to share my thoughts regarding a study now being conducted by the Montana Economic Affairs Interim Committee (EAIC). As I understand it, in very general terms, under your chairmanship the EAIC is considering three options:

1. Continuing the current system, with the Montana State Fund, a state agency, controlling about two-thirds of the market, as it has for many decades.
2. Dissolving the State Fund, thereby removing its advantaged and dominant position and opening state and private employers to competition among private insurance companies. This approach would include a residual market mechanism such as a joint underwriting association or assigned risk plan to assure that all Montana employers have access to coverage.
3. A hybrid system allowing the State Fund to remain in the market in some altered way.

I have included a brief biographical sketch with this letter. I note that my entire career has centered on workers compensation insurance. Most relevant experiences have been serving as chief actuary for NCCI until 1988, serving as workers compensation national practice leader for the actuarial consulting firm William M. Mercer, Inc. (now called Oliver Wyman), serving as COO and chief actuary for Insurance Data Resources (a competitor of NCCI), serving as co-owner and actuary for Preferred Insurance Capital Consultants, and serving as owner and CEO of Strategic Actuarial and Risk Consultants. I have presented expert testimony before state regulatory authorities in over twenty jurisdictions, before six state legislatures, and before the US Congress

I strongly recommend option (2) above. True privatization of the workers compensation market in Montana immediately benefits both private and public employers through enhanced competition with prices which are not excessive, not inadequate, and importantly, not unfairly discriminatory. Further, it is also my experience that option (2) will free up money that in part can be used to enhance injured worker benefits when needed to maintain a fair no-fault system.

In my review of experience in other states that have maintained a true state fund (option (1) above), or have “mutualized” (option (3) above), employers have been subject to a much greater degree of pricing that does not in fact meet that national standards of not excessive, not inadequate, and not unfairly discriminatory.

In my review of experience in other states that have maintained a true state fund (option (1) above), or have “mutualized” (option (3) above), the market has fragmented such that only the larger employers in the state enjoy the benefits of multiple insurers competing for their business, and most if not all of the smaller employers are left with only one source of coverage, the state fund or the state mutual.

The process of providing coverage and addressing claims is being greatly enhanced by technological advances. These changes produce lower cost of coverage and faster payment of claims. These technological changes first benefit the most competitive markets, and will only later if ever benefit the markets with less or little competition.

Finally, please note that I provide this letter because I was asked to express my opinion. I have not, and do not expect to, receive any compensation for writing this letter. Further, I do not have any client who expects to benefit from my recommendations if they are adopted.

Thank you for your consideration of my letter.

Respectfully,



Anthony J. Grippa
Owner and CEO

CC: Brad St. Pierre, FCAS, MAAA

ANTHONY J. GRIPPA, FCAS, MAAA, WCP

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Anthony J. Grippa is a founding principal of Strategic Actuarial & Risk Consultants, LLC, an insurance, actuarial, and risk analysis consulting firm. He is a Fellow of the Casualty Actuarial Society and a Member of the American Academy of Actuaries. He is a recipient of the Legends award from the American Society of Workers Compensation Professionals. Mr. Grippa's responsibilities include a wide array of actuarial and operational issues. Clients include self-insured, insureds, insurers, reinsurers, state insurance departments, law firms, attorneys general, governmental agencies, and associations. Current services include reserves analysis, ratemaking, regulatory issues, expert witness testimony, and general insurance management. Mr. Grippa provides client services for all types of property and casualty insurance as well as providing life and health insurance assistance.

Immediately prior to establishing Strategic Actuarial & Risk Consultants, LLC, Mr. Grippa was a founding principal of Preferred Insurance Capital Consultants, LLC. Mr. Grippa was a principal and consulting actuary for Insurance Services Office, Inc. (ISO) where he managed the actuarial consulting practice of the Florida office. Clients included self-insured entities, insurance and reinsurance companies, associations, and governmental agencies. Mr. Grippa also served as COO and chief actuary for Insurance Data Resources, Inc. With IDR, prior to and after IDR's sale to ISO, he provided rating bureau services to insurers in addition to the aforementioned consulting services.

Before joining IDR, Mr. Grippa was a Principal and Consulting Actuary with William M. Mercer, Inc. (now called Oliver-Wyman) from 1988 to 1997. At Mercer he served as property and casualty consulting services office head for the New York, Chicago, and Washington, D.C. offices, and as national practice leader for workers compensation insurance matters. Mr. Grippa provided actuarial consulting services to major corporate and governmental entities, including insurance companies, self-insured entities, financial institutions, professional associations, trade associations, and governmental agencies.

Prior to joining Mercer, Mr. Grippa was senior vice president and chief actuary with the National Council on Compensation Insurance (NCCI), the insurance industry leader for workers compensation matters. At NCCI his management responsibilities included: actuarial operations; statistical services; actuarial research; economic and social research; underwriting; assigned risk pool reserves; government, consumer and industry affairs; and, rate filings.

Mr. Grippa's over 40 years of actuarial and insurance management experience span the areas of pricing, reserving, and data systems. Mr. Grippa has presented expert testimony before state regulatory authorities in over twenty jurisdictions, before six state legislatures, and before the US Congress, and he has worked with employers, regulators, lobbyists, and legislators in evaluating legislative proposals for property and casualty insurance.

Professionally active, Mr. Grippa has served as the Assistant Treasurer of the Casualty Actuarial Society (CAS) and as a Member of the following CAS committees: Audit; Finance; External Communications; Examination; Health and Managed Care; Investment; Management Data and Information; Program Planning; and Syllabus. He has been a speaker at CAS meetings and seminars and before various government and industry groups.

Mr. Grippa's academic background includes a Bachelor of Arts degree in economics from Tulane University.
