



Workers Compensation Residual Market Mechanisms

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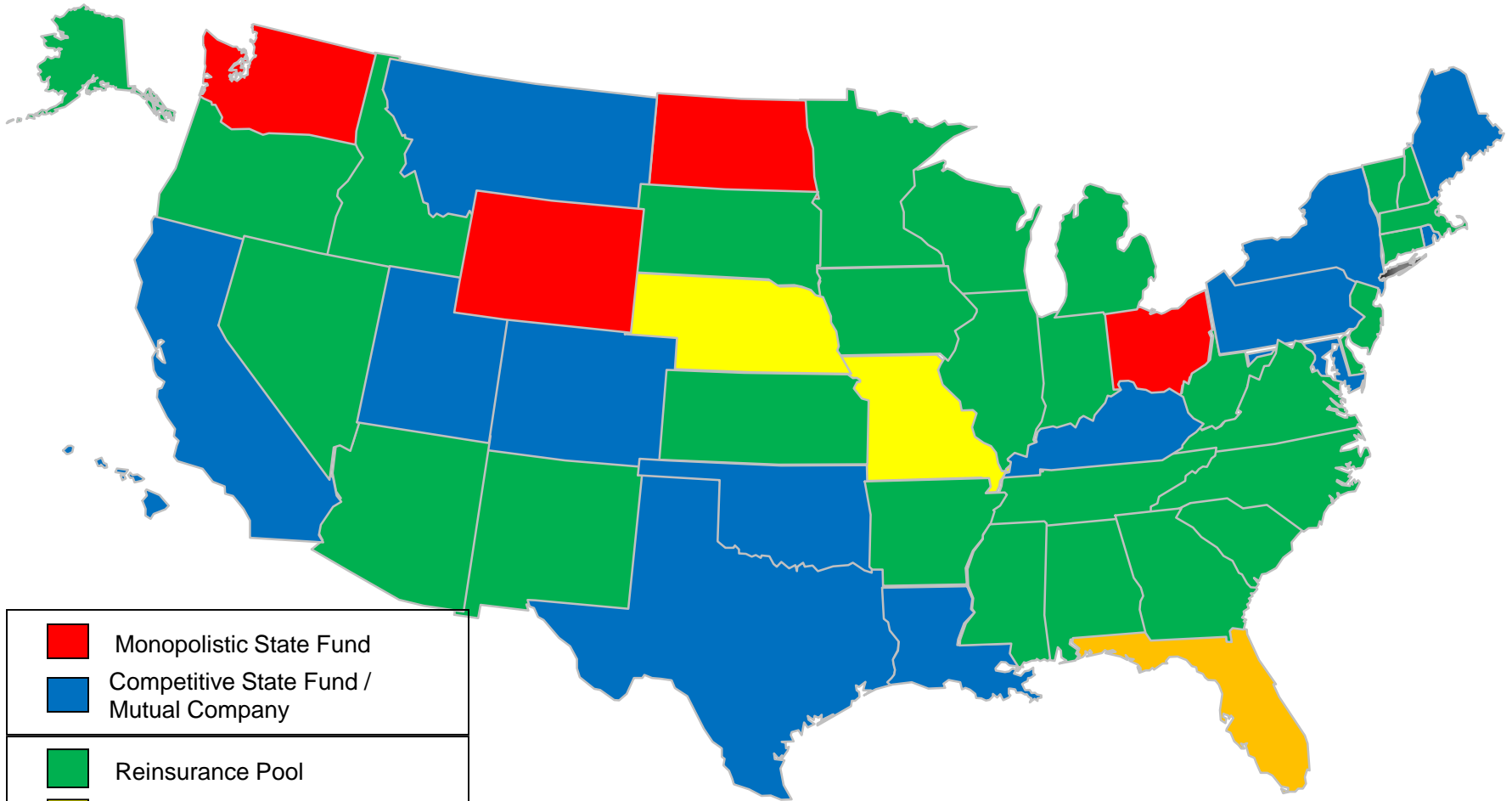
**Economic Affairs Interim Subcommittee
Helena, Montana
November 8, 2017**






Residual Markets

- ▣ In order to ensure that all employers have some means of complying with their statutory obligations, many states have created a market of last resort—the residual market.

- ▣ The Residual Market structure and approach currently varies from state to state:
 - ✓ State Fund/Mutual Company
 - ✓ Assigned Risk Reinsurance Pool
 - ✓ Alternative Residual Market (ARM)/Contract Carrier
 - ✓ Joint Underwriting Association (JUA)

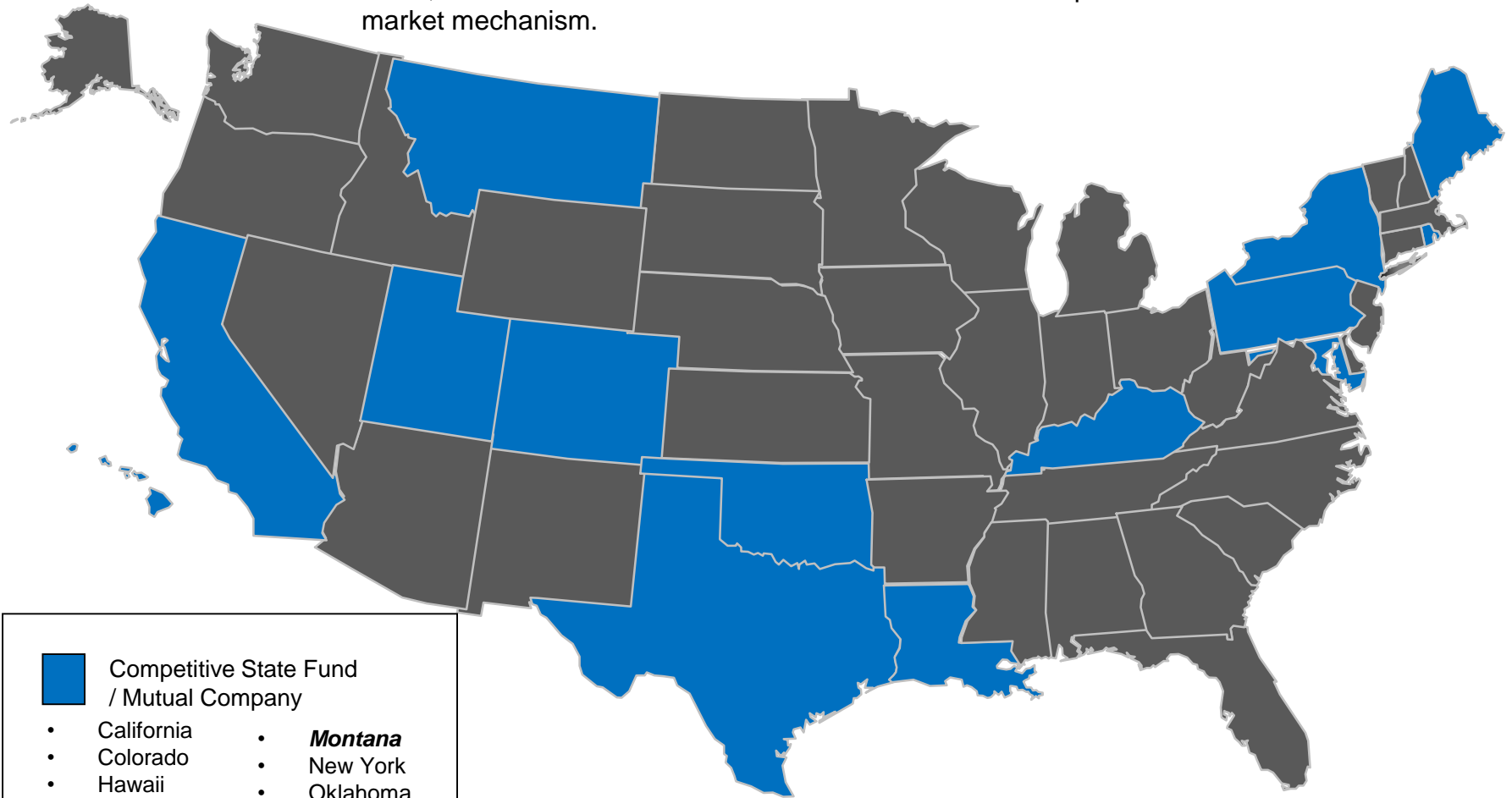
Residual Market Mechanisms – Nationwide



	Monopolistic State Fund
	Competitive State Fund / Mutual Company
	Reinsurance Pool
	Alternative / Contract Carrier (ARM)
	Joint Underwriting Association (JUA)

Competitive State Fund / Mutual

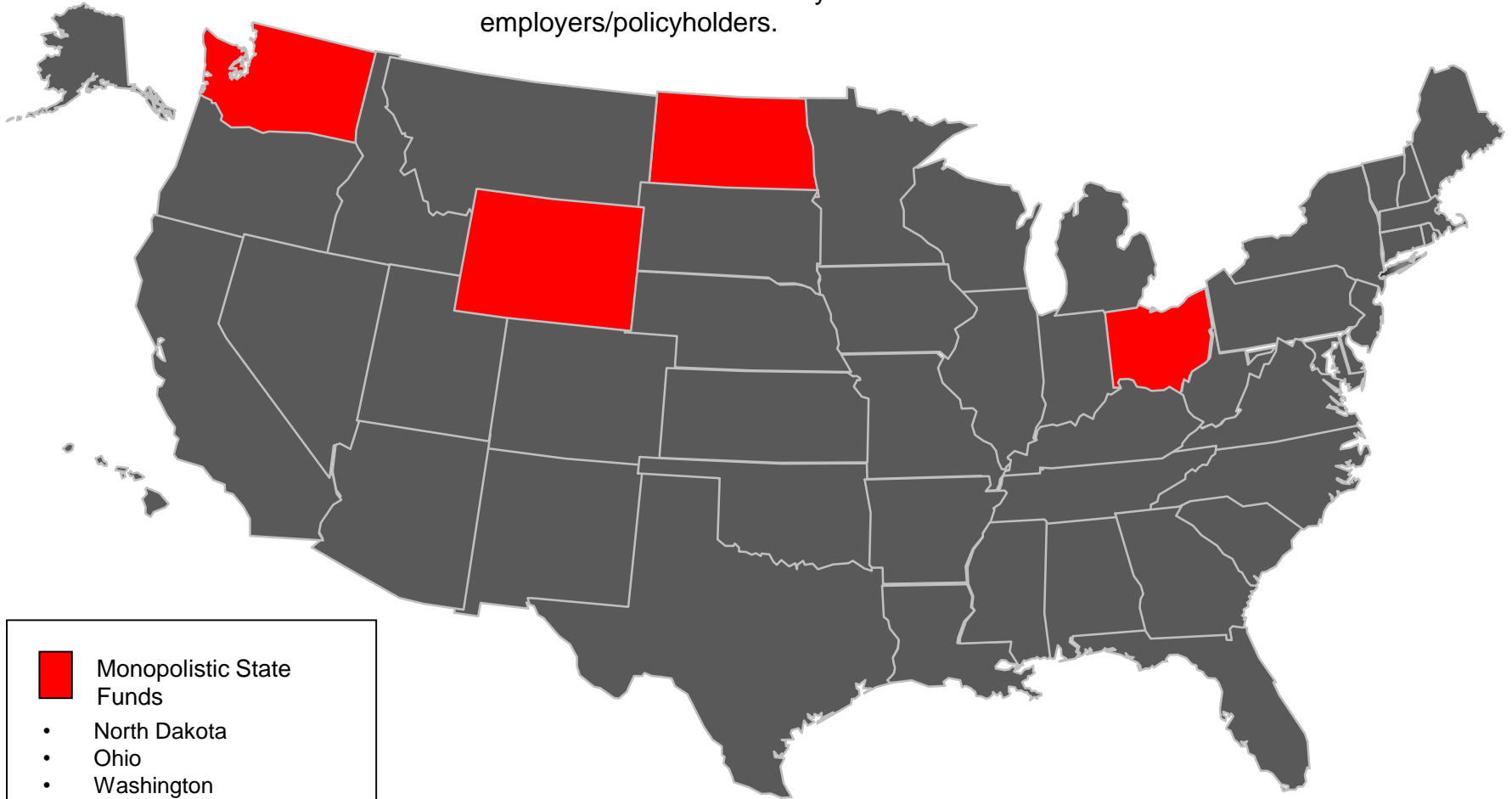
State Funds or State Mutual Companies compete with insurance companies to provide workers compensation insurance. State Funds/Mutuals do not decline to provide coverage due to type of risk or underwriting criteria. As a result, there is no definable residual market or need for a separate residual market mechanism.



- California
- Colorado
- Hawaii
- Kentucky
- Louisiana
- Maine
- Maryland
- **Montana**
- New York
- Oklahoma
- Pennsylvania
- Rhode Island
- Texas
- Utah

Monopolistic State Funds

A single provider system, with all workers' compensation coverage written through the state fund. There are no licensed workers' compensation insurance companies, and no distinction between voluntary and residual market employers/policyholders.

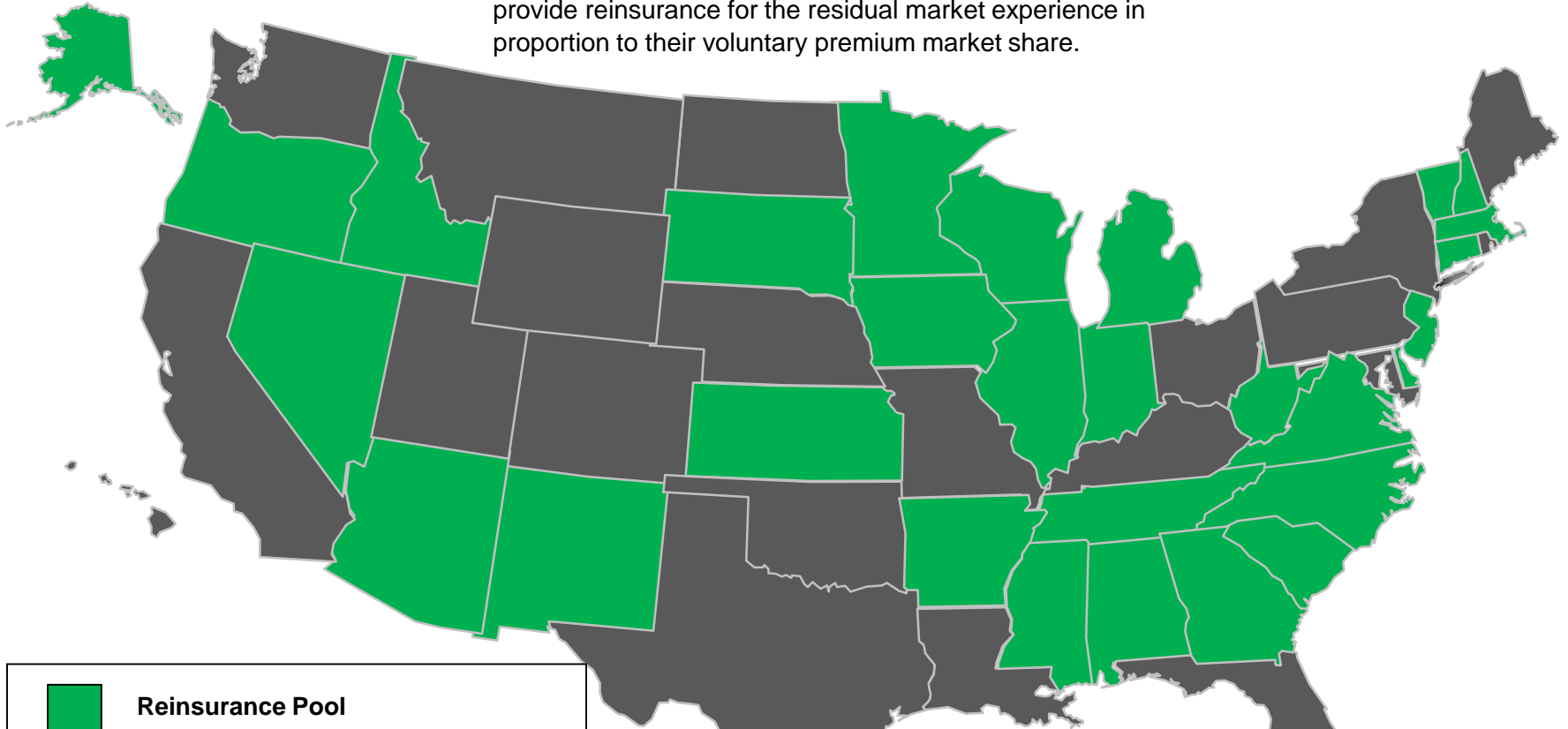


 Monopolistic State Funds

- North Dakota
- Ohio
- Washington
- Wyoming

Reinsurance Pool

A select number of insurance companies, who also write in the voluntary market, act as servicing carriers and provide coverage, collect premium, provide loss prevention services, and handle claims for qualifying residual market employers. All voluntary market insurance companies in the state provide reinsurance for the residual market experience in proportion to their voluntary premium market share.

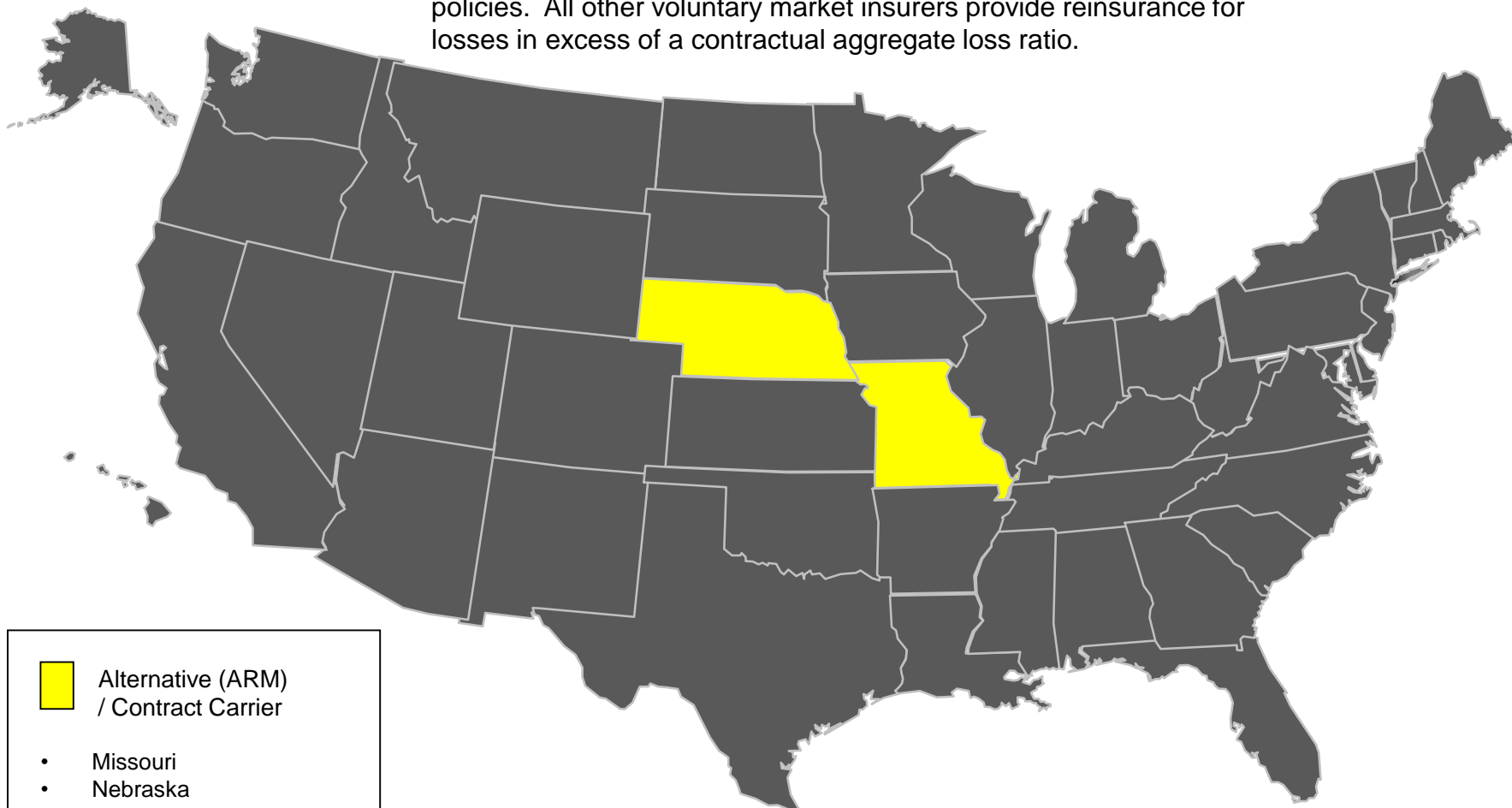


Reinsurance Pool

- Alabama
- Alaska
- Arizona
- Arkansas
- Connecticut
- Delaware
- DC
- Georgia
- Idaho
- Illinois
- Indiana
- Iowa
- Kansas
- Massachusetts
- Michigan
- Minnesota
- Mississippi
- Nevada
- New Hampshire
- New Jersey
- New Mexico
- North Carolina
- Oregon
- South Carolina
- South Dakota
- Tennessee
- Vermont
- Virginia
- West Virginia
- Wisconsin

Alternative / Contract Carrier

The Department of Insurance contracts with a single insurance company to provide all residual market coverage in the state. The contract carrier issues policies, collects premium, provides loss prevention services, handles claims, and is responsible for all exposure on its residual market policies. All other voluntary market insurers provide reinsurance for losses in excess of a contractual aggregate loss ratio.



 Alternative (ARM)
/ Contract Carrier

- Missouri
- Nebraska

Joint Underwriting Association (JUA)

An insurer, created by legislation, writes all residual market policies, but only residual market policies. The JUA outsources policy and claims services to a third-party vendor and does not compete in the voluntary market. The JUA issues assessable policies, with the ability to assess policyholders for operating losses.

