



tiger risk

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Signed By Governor

MEDICAL EXPERIENCE RATING ADJUSTMENT PLAN (MED ERA)

Effective with the implementation of Colorado's 1/1/2008 Workers' Compensation rate filing, Colorado became a "Medical Experience Rating Adjustment" (Med ERA) state. This means that medical-only losses in Colorado have subsequently entered employers' experience mod calculations at 30% of the actual claim value while any claims with any incurred (payments or reserves) lost-time claims continued to enter the mod calculation at 100%. Prior to Med ERA, medical-only losses also entered the mod calculation at 100%.

SB 10-112

Senate Bill 10-112 was signed by Governor Ritter on March 31, 2010 and, among other things, will revert Colorado back to being a non-Med ERA state, effective 1/1/2011. Van Gilder's Risk Analysis Manager both wrote the part of the bill which rescinds Med ERA and provided testimony on behalf of Van Gilder and Colorado's Workers Compensation Coalition at House and Senate committee hearings to promote this bill.

RAMIFICATIONS FOR VAN GILDER'S TIGER RISK SHARING GROUP PROGRAM

While Med ERA had a negative impact on most employers with a deductible in Colorado, Tiger Risk

members did not have the financial disincentive to choose a deductible that other employers had. Outside of Tiger Risk, employers with a deductible were paying \$1 to remove the equivalent of \$0.30 for medical-only claims due to the Med ERA program. However, with Tiger Risk, regardless of what small deductible level is chosen, members are automatically credited with a \$5,000 deductible for their mod calculation for their policies in the Tiger Risk program (this is due to the group large deductible aspect of the program). Tiger Risk members benefit from taking deductibles by receiving larger collateral returns in addition to the up-front deductible discount. Collateral returns are calculated based on losses net of deductible reimbursements.

With SB 10-112 being signed into law, Tiger Risk members will once again receive the more significant deductible-related benefit they received prior to 1/1/2008. This benefit will be reflected in an increase in the rates used to calculate the expected losses portion of the mod calculation. All else equal, higher expected losses will result in lower experience mods.

