

Data about Workers' Compensation in Michigan

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Introduction

By all available measures Michigan's workers' compensation costs are clearly below the national average and substantially lower than they were ten years ago.

This paper provides a summary of the available data concerning workers' compensation in Michigan. A more detailed discussion of this data and the sources behind it is available on the website of the Workers' Compensation Center at Michigan State University at <http://www.lir.msu.edu/wcc/>.

Benefits

The National Academy of Social Insurance (<http://www.nasi.org/>) compiles and publishes data about workers' compensation benefits. NASI is continually revising its method of analyzing this data. Data in the present format are available back to 1989 at the national level and back to 1997 at the state level. Figure 1 summarizes this data. It shows benefits paid to workers per \$100 of wages.

At both the Michigan and national level, costs dropped dramatically from 1992 through about 2000. From 2000 through 2002 they went up slightly and have generally leveled off since then.

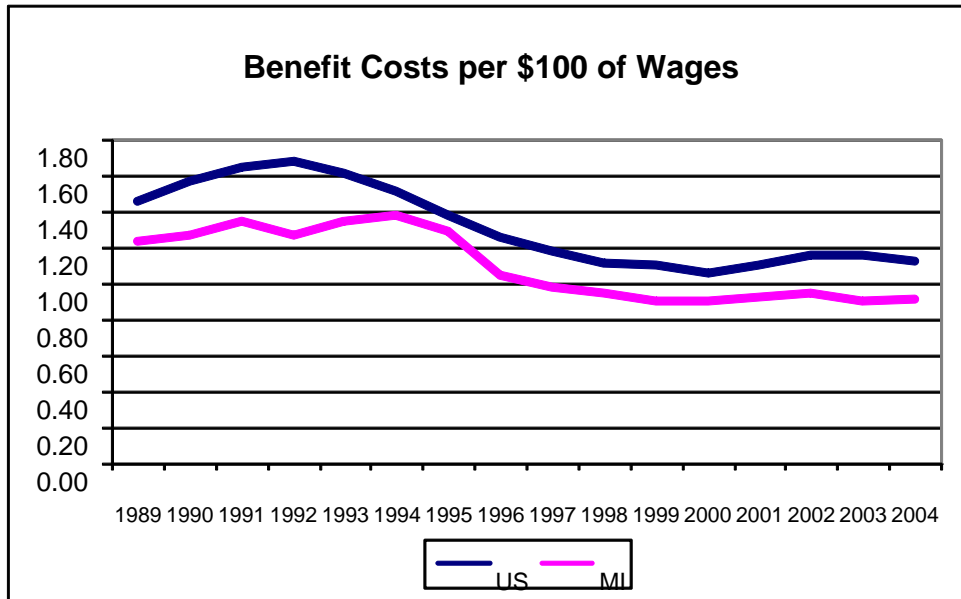


Figure 1

As can be seen from Figure 2, Michigan's benefits costs are about 20 percent below the national average.

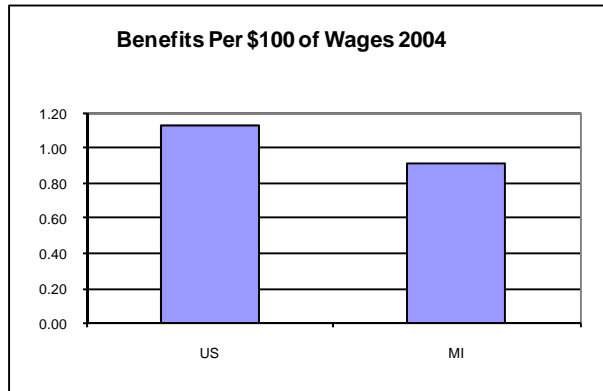


Figure 2

As can be seen from Figure 3, Michigan's benefits in 2004, the most recent year for which data are available, were 34 percent lower than they were in 1994.

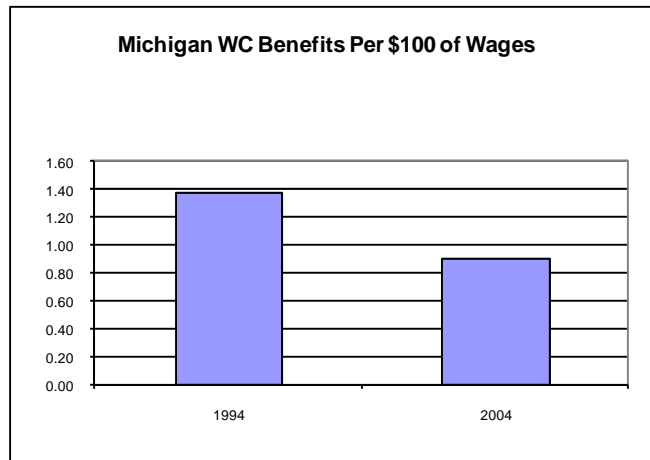


Figure 3

Comparative Insurance Premium Costs

The state of Oregon publishes an index of insurance premium costs (<http://www.cbs.state.or.us/imd/>). The most recent data is summarized in Table 1. Michigan is well below the national average.

State Workers' Compensation Premium Ranking, 200			
Alaska	5.00	National Median	2.48
California	4.13	New Mexico	2.41
Delaware	3.91	Wyoming	2.40
Kentucky	3.78	Colorado	2.40
Montana	3.69	Nevada	2.36
Florida	3.32	Idaho	2.29
Vermont	3.24	Mississippi	2.29
Maine	3.21	Nebraska	2.25
Alabama	3.17	West Virginia	2.20
New York	3.15	Wisconsin	2.18
Louisiana	3.10	North Carolina	2.17
Ohio	3.00	Washington	2.17
Oklahoma	2.96	Utah	2.06
Connecticut	2.90	Michigan	2.05
Hawaii	2.89	Maryland	2.03
District of Columbia	2.86	Georgia	2.02
Texas	2.84	Oregon	1.97
Pennsylvania	2.80	Kansas	1.84
New Hampshire	2.75	South Dakota	1.83
Minnesota	2.69	Iowa	1.75
Illinois	2.69	Arizona	1.73
Rhode Island	2.68	Massachusetts	1.70
New Jersey	2.52	Arkansas	1.59
Missouri	2.50	Virginia	1.52
South Carolina	2.50	Indiana	1.24
Tennessee	2.48	North Dakota	1.10

Table 1

Insurance Results

The National Association of Insurance Commissioners, <http://www.naic.org/>, compiles data about various lines of insurance. Their publication *Profit by Line by State* contains a great deal of information about workers' compensation and other lines of insurance. It is available for sale from NAIC.

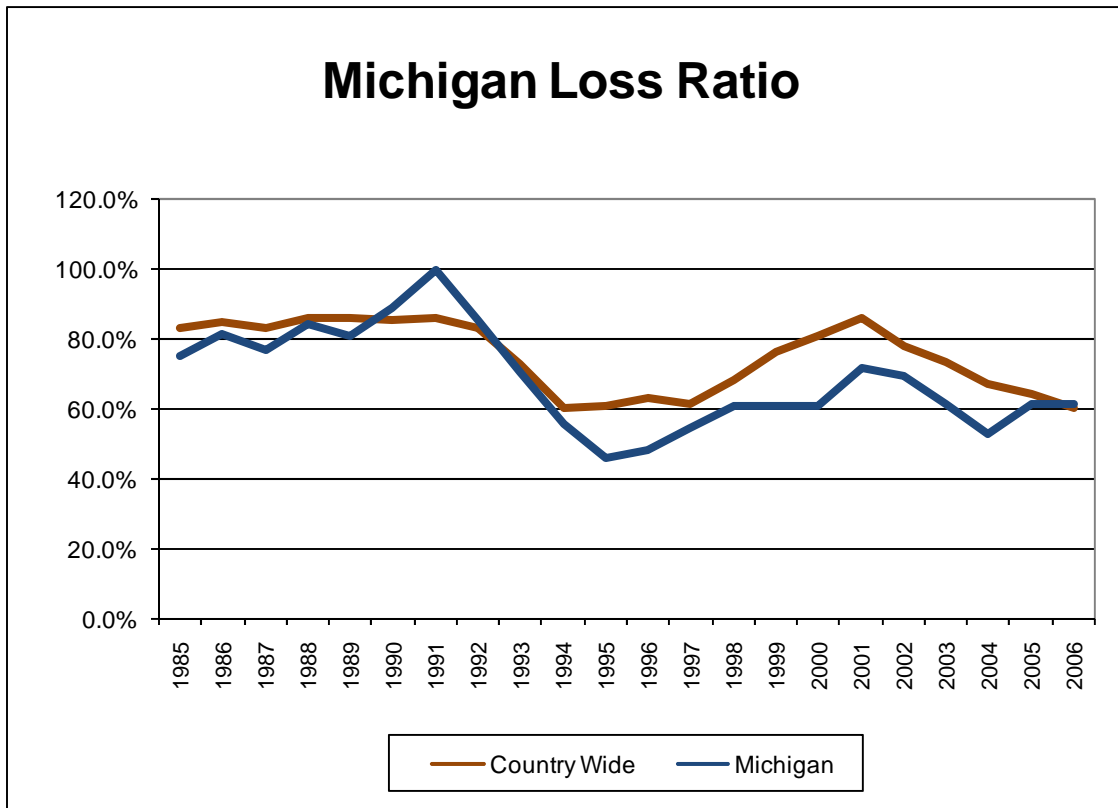


Figure 4

Figure 4 shows the loss ratio for the workers' compensation line of insurance. “Losses” are the benefits paid to workers and health care providers. Like most measures of insurance they are expressed as a percentage of premiums. Thus in 2006 the benefits paid out were equal to about 60 percent of the dollars taken in as premium both in Michigan and nationwide.

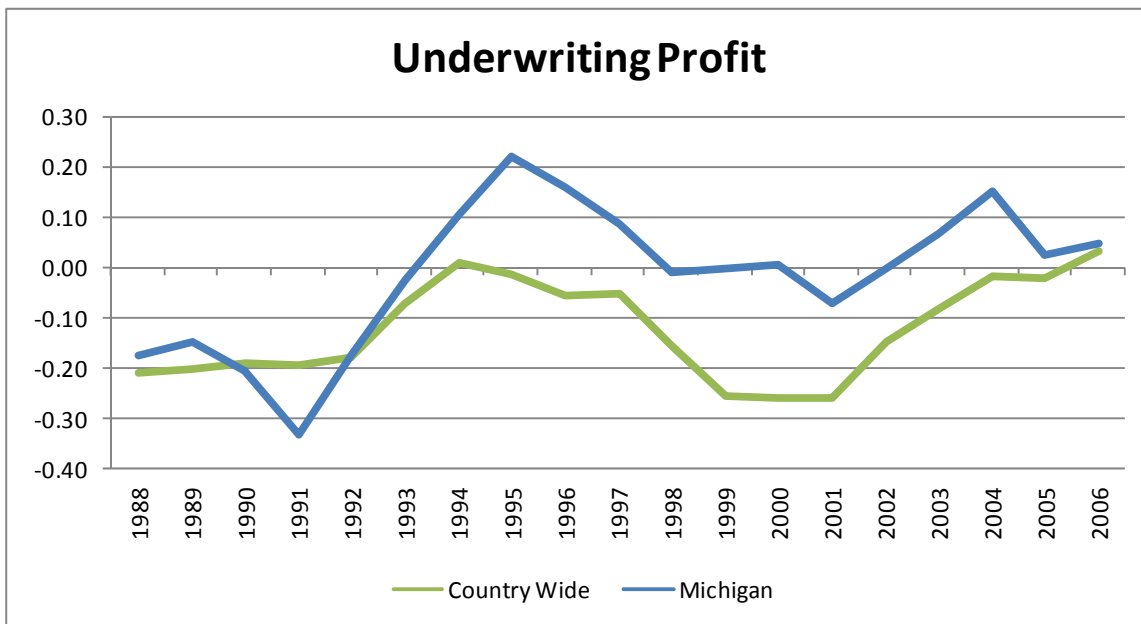


Figure 5

Figure 5 shows the “underwriting profit” from the workers' compensation line of insurance. This compares all of the expenses (losses, marketing costs, administrative costs, fees, and taxes) of running an insurance company to the amount of premium taken in. It is unusual for this amount to be positive. Ordinarily there is an underwriting loss. The results for 2006 were at an historically high level.

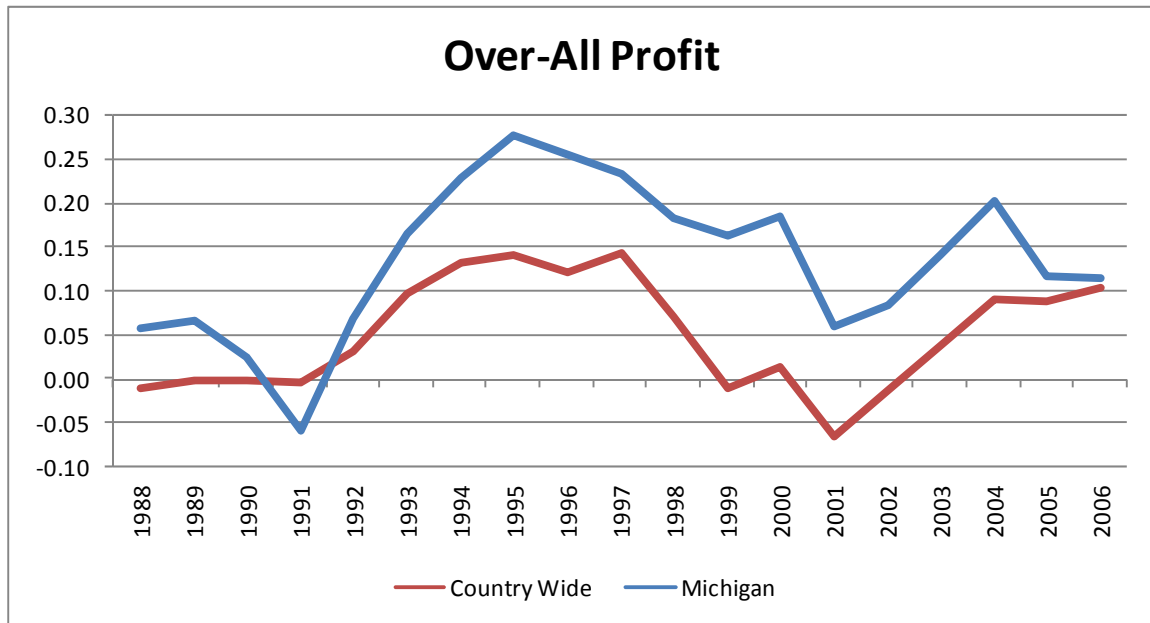


Figure 6

Underwriting profit does not consider investment income. Insurance companies receive premium for a year to cover injuries that occur during that year but the benefits related to those injuries are paid out over many years in the future. This is particularly true of workers' compensation which is a line of insurance that has a “long tail.” Insurance companies take this into account when calculating the premium they charge. Figure 6 shows overall profits. This includes investment income.

With the exception of 1991 workers' compensation insurance has been more profitable in Michigan than in the country as a whole. In recent years, however, it appears that the rest of the country is catching up with Michigan.

Summary

From a business point of view virtually all of the news is good. The costs of benefits paid to workers are down, insurance premiums are down, and insurance profitability is up.

From the point of view of workers the news is not so good. Benefits are down. To some extent this may be the result of fewer injuries and quicker return to work. That is good news for workers. However, it is likely that a large part of the reduction in costs results from the fact that workers injured today receive less in benefits than those injured in the

past. A further discussion of this data and the reasons behind the trends is available at <http://www.lir.msu.edu/wcc/>.