

***Insurance Times:*** Maine ends workers comp pool surcharge ahead of schedule

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Maine has eliminated its 6.32 percent workers compensation policy surcharge designed to erase a high risk pool deficit three years earlier than originally planned.

Policies issued or renewed after November 1, 2001 will no longer include the surcharge.

Governor Angus King said the achievement means "millions of dollars can be returned to our economy."

King added the warning that the elimination of the surcharge would not necessarily lead to a dollar for dollar decrease in workers compensation insurance costs due to the hardening insurance market and the overall economic turndown. The Workers' Compensation Residual Market Deficit Resolution and Recovery Act enacted in 1995 created a mechanism to fund the workers compensation residual market's \$220 million deficit resulting from the years 1988 through 1992.

The act applied assessments to insurers, employers and the Maine Insurance Guaranty Association (MIGA) to defray the deficit. It required state employers to pay \$110 million; major insurers contributed \$58.5 million; minor carriers paid \$6.5 million; and the MIGA was assessed \$45 million—all over a 10-year period. The insurers and the MIGA were to pay their share by 1996 while the employer community was to pay its share spread over the 10-year period. Steven Hoxie, who took over as executive director of the Maine Workers Compensation Residual Market Pool in 1995, has remained at the helm of the bailout plan.

In March of this year, Hoxie suggested that the deficit would be fully funded within the next 12 to 24 months. "I would expect it to be fully funded at the latest by the end of 2002," he said. "And that will end the employer surcharges because the remainder of the claims will be fully funded."

His prediction of termination of the employer surcharge ahead of time has proven correct. At the September meeting of the Board of Governors that oversees the operation of the Residual Market Pool, the board voted to suspend the surcharges effective November 1, 2001.

Hoxie credited a combination of initial conservative projections and consistently favorable loss development.

Peter Gore, chairman of the pool's board of governors and a business representative to the pool, agreed. Lower projected losses, high investment income, the settlement of adverse litigation and a reduction in pool administrative costs by about one third of the pre-1995 costs were among the major factors leading to the early termination.