

H.374 High Risk Occupations and Workers Compensation Insurance

For loggers and log haulers, workers compensation premiums have risen as much as 60% in four years. This leads to lost profitability, loggers choosing to work alone and avoidance of workers compensation insurance coverage all together.

Rate calculation formulas use the:

- last five years of claims, so past losses must cycle out of the system,
- national averages, and
- number of policyholders in state to build “credibility” into the formulas.

Vermont’s small population and small business size creates an inequity in this formula where, even if you have few or no claims in your class, your rates can be significantly higher than the in-state experience justifies.

Workers Compensation A Sheets

CLASS 2701		LOGGING OR TREE REMOVAL - LOG HAULING & DRIVERS							
Industry Group: Miscellaneous Hazard Group: E		CONVERTED LOSSES							
POLICY PERIOD	PAYROLL	INDEMNITY LIKELY		INDEMNITY NOT-LIKELY		MED LIKELY	MED NOT-LIKELY	TOTAL	TOTAL
		CASES	AMOUNT	CASES	AMOUNT	AMOUNT	AMOUNT	AMOUNT	PURE PREM.
7/08 through 6/09	106,345	0	0	0	0	0	0	0	0.00
7/09 through 6/10	322,747	0	0	0	0	0	0	0	0.00
7/10 through 6/11	566,549	0	0	2	10,775	0	22,975	33,750	5.96
7/11 through 6/12	902,357	0	0	0	0	0	0	0	0.00
7/12 through 6/13	1,394,325	0	0	0	0	0	0	0	0.00
5 YR. TOTAL	3,292,323	0	0	2	10,775	0	22,975	33,750	1.03
		INDEMNITY				MEDICAL		TOTAL	
		CRED.	PURE PREM.*	CRED.	PURE PREM.*			PURE PREM.*	
Indicated Pure Premium		15%	0.327	18%	0.698			1.03	
Pure Premium Indicated by National Relativity		42%	8.880	41%	9.089			17.97	
Pure Premium Present on Rate Level		43%	6.631	41%	6.580			13.21	
Pure Premium Derived by Formula			6.630		6.550			13.18	

CLASS 2702		LOGGING OR TREE REMOVAL - NONMECHANIZED OPERATIONS							
Industry Group: Miscellaneous Hazard Group: G		CONVERTED LOSSES							
POLICY PERIOD	PAYROLL	INDEMNITY LIKELY		INDEMNITY NOT-LIKELY		MED LIKELY	MED NOT-LIKELY	TOTAL	TOTAL
		CASES	AMOUNT	CASES	AMOUNT	AMOUNT	AMOUNT	AMOUNT	PURE PREM.
7/08 through 6/09	497,816	0	0	3	13,389	0	32,636	46,025	9.25
7/09 through 6/10	592,967	0	0	1	6,693	0	21,546	28,238	4.76
7/10 through 6/11	495,490	1	39,943	4	364,094	72,644	662,395	1,139,076	229.89
7/11 through 6/12	371,945	0	0	2	45,994	0	56,724	102,718	27.62
7/12 through 6/13	320,718	0	0	1	50	0	1,433	1,483	0.46
5 YR. TOTAL	2,278,836	1	39,943	11	430,220	72,644	774,733	1,317,540	57.82
		INDEMNITY			MEDICAL			TOTAL	
		CRED.	PURE PREM.*	CRED.	PURE PREM.*			PURE PREM.*	
Indicated Pure Premium		18%	20.632	22%	37.185			57.82	
Pure Premium Indicated by National Relativity		41%	12.150	39%	13.753			25.90	
Pure Premium Present on Rate Level		41%	14.669	39%	14.421			29.09	
Pure Premium Derived by Formula			14.710		19.169			33.88	

CLASS 2709		LOGGING OR TREE REMOVAL - MECHANIZED EQUIPMENT OPERATORS							
Industry Group: Miscellaneous Hazard Group: E		CONVERTED LOSSES							
POLICY PERIOD	PAYROLL	INDEMNITY LIKELY		INDEMNITY NOT-LIKELY		MED LIKELY	MED NOT-LIKELY	TOTAL	TOTAL
		CASES	AMOUNT	CASES	AMOUNT	AMOUNT	AMOUNT	AMOUNT	PURE PREM.
7/08 through 6/09	1,922,898	1	401,077	1	3,498	280,459	42,906	727,940	37.86
7/09 through 6/10	2,394,602	0	0	1	1,622	0	5,624	7,246	0.30
7/10 through 6/11	2,677,441	0	0	2	9,123	0	32,080	41,203	1.54
7/11 through 6/12	3,195,348	0	0	0	0	0	9,010	9,010	0.28
7/12 through 6/13	3,137,479	0	0	4	248,756	0	634,950	883,706	28.17
5 YR. TOTAL	13,327,768	1	401,077	8	262,999	280,459	724,570	1,669,105	12.52
		INDEMNITY			MEDICAL			TOTAL	
		CRED.	PURE PREM.*	CRED.	PURE PREM.*			PURE PREM.*	
Indicated Pure Premium		24%	4.983	29%	7.541			12.52	
Pure Premium Indicated by National Relativity		38%	7.058	35%	7.693			14.75	
Pure Premium Present on Rate Level		38%	5.388	36%	5.205			10.59	
Pure Premium Derived by Formula			5.925		6.753			12.68	

Other states have reduced workers compensation by using:

- Certified loggers – There is no voluntary market in Vermont recognizing certifications *and* we may be too small to have it matter.
- Jobsite audits to assist in loss prevention.
- Self-insured trusts – Participants pool together and work hard to keep losses low. These are risky in the event there's a large claim that someone may need lifetime benefits.

Even if Vermont's timber industry uses training and certification to lower claims, premiums will remain high if current formulas continue to be used to calculate rates.

The H.374 study

- Consider pooling these high risk, but low volume, businesses together to positively affect the outcomes of industry standard formulas.
- Determine whether there are more fair ways to establish rates reflective of Vermont's actual experience.
- Identify class codes where a lack of statistical credibility in Vermont has created reliance on national data that has a long history of showing a different experience.
- Five years of history may not make sense for some classes.
- A sample of affected industries includes: arborists, iron and steel workers, painters, volunteer first responders and roofers.
- Consider pooling working landscape classes together as a rural economic development effort to make the coverage of employees a priority simultaneous to ensuring long term business viability.

Workers Compensation Classes in the Working Landscape

Class Code	Class Code Description	Payroll Latest Policy Period	04/01/17 Approved Loss Cost	Approved Assigned Risk Rate
2702	LOGGING OR TREE REMOVAL - NONMECHANIZED OPERATIONS	576,130	32.99	51.37
0106	TREE PRUNING, SPRAYING, REPAIRING -- ALL OPERATIONS & DRIVERS	7,572,025	15.49	24.12
2709	LOGGING OR TREE REMOVAL - MECHANIZED EQUIPMENT OPERATORS	3,602,302	12.68	19.74
2701	LOGGING OR TREE REMOVAL - LOG HAULING & DRIVERS	1,033,771	12.10	18.84
8279	STABLE OR BREEDING FARM & DRIVERS	2,195,762	10.61	16.52
0050	FARM MACHINERY OPERATION-BY CONTRACTOR-& DRIVERS	1,277,711	8.86	13.80
2710	SAW MILL	8,221,806	8.62	13.42
0016	FARM - ORCHARD OR GROVE & DRIVERS	4,050,547	8.19	12.75
2731	PLANING OR MOLDING MILL	2,015,580	7.97	12.41
2735	FURNITURE STOCK MFG	910,920	6.53	10.17
2714	VENEER MFG	512,618	6.43	10.01
0083	FARM: CATTLE OR LIVESTOCK RAISING NOC & DRIVERS	4,482,863	6.28	9.78
8215	FEED, FERTILIZER, HAY, OR GRAIN DEALER & LOCAL MANAGERS, DRIV	10,391,928	5.45	8.49
2916	VENEER PRODUCTS MFG-NO VENEER MFG	535,056	5.28	8.22
4583	FERTILIZER MFG & DRIVERS	335,842	4.92	7.66
2841	WOODENWARE MANUFACTURING NOC	7,378,538	4.82	7.50
0036	FARM: DAIRY & DRIVERS	50,807,018	4.54	7.07
2095	MEAT PRODUCTS MFG NOC	3,182,933	4.49	6.99
4239	PAPER MFG	23,135,073	4.29	6.68
2070	CREAMERY OR DAIRY & ROUTE SUPERVISORS, DRIVERS	42,518,925	4.23	6.59
0005	FARM: NURSERY EMPLOYEES & DRIVERS	3,581,763	4.11	6.40
0037	FARM: FIELD CROPS & DRIVERS	2,082,797	3.92	6.10
2915	VENEER PRODUCTS MFG	32,212	3.47	5.40
0170	FARM: ANIMAL RAISING & DRIVERS	8,300	3.41	5.31
4206	PULP MFG-GROUND WOOD PROCESS	432,120	3.35	5.22
4263	FIBER GOODS MFG	803,787	2.24	3.49