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**September 29, 2009**

**Pre-Filed Testimony**

**Florida – NCCI Rate Hearing**

**October 6, 2009**

**I. Introduction**

My name is Martin M. Simons. Since 1986, I have been the owner of a consulting firm dba Martin M. Simons, Public Actuarial Consultant. My business address is Post Office Box 61020, Columbia, South Carolina, 29260. My resumé is attached as Exhibit S-1.

I have over 40 years of insurance industry and regulatory experience. After 19 years of industry experience, including marketing, financial, administrative, and branch management positions as well as actuarial experience, I accepted the position as Chief Casualty Actuary with the South Carolina Department of Insurance and served in that capacity for twelve years until 1997 when I resigned to concentrate on public consulting.

I am a Member of the American Academy of Actuaries (Academy), an Associate of the Casualty Actuarial Society (CAS), and a Fellow of the Conference of Consulting Actuaries. My work with the Actuarial Standards Board (ASB) - an independent arm of the actuarial profession, housed in the Academy's Washington D. C. headquarters - has included updating Actuarial Standards of Practice and I was recently appointed and currently serve on the General Committee of the ASB. The General Committee is responsible for reviewing proposed changes to those actuarial standards that apply to life, health and pension as well as casualty actuaries.

I serve on the Natural Catastrophe Subcommittee of the Extreme Events Committee of the Academy. In that capacity, I recently testified before Commissioner McCarty's P&C (C) Committee of the National Association of Insurance Commissioners (NAIC) on the use of Catastrophe Models by Rating Agencies. I am a Committee Member and Instructor for the CAS required course on Professionalism Education, covering the Code of Professional Conduct and Actuarial Standards of Practice. I have been a speaker for the Academy, the CAS, Casualty Actuaries of the Southeast, the Southern Risk and Insurance Association and the Conference of Consulting Actuaries. I have provided actuarial consulting in twenty-one states and provinces.

This testimony fulfills all requirements of the ASB and other relevant criteria promulgated by actuarial bodies governing actuarial reports. I have used standard actuarial techniques herein and have applied actuarial judgment where necessary.

## **Florida Experience**

I have been very active in the State of Florida. Since 1997, I have served as the lead actuary and assistant team leader on the Professional Team of the Florida Commission on Hurricane Loss Protection Methodology. I have provided actuarial assistance to the Florida Hurricane Catastrophe Fund. I was a technical consultant to Florida State University College of Business in the data aggregation and preparation for a legislatively mandated sinkhole insurance study submitted to the legislature in 2005. All major insurers participated in the sinkhole study with the understanding that I would be the only one to have access to their individual claim data. I was also a guest speaker at the initial symposium of the FSU Catastrophic Storm Risk Management Center in June of last year.

## **Workers' Compensation Experience**

I was the reviewer for the regulatory and statutory compliance sections of a CAS textbook, "Workers Compensation Ratemaking: A Textbook for the Practicing Actuary".

I have analyzed each National Council on Compensation Insurance (NCCI) loss cost and rate filing submitted in South Carolina for the past 24 years. I have produced reserve analyses for the South Carolina, Oklahoma, and Georgia Workers' Compensation Second Injury Funds and have provided technical assistance to the Uninsured Employers' Fund and the Self Insured Employers' Association in South Carolina.

I testified as the actuarial expert for the Attorney General's Office (as business advocate) at each NCCI loss cost and rate hearing in Oklahoma for 18 years, and have testified at the request of the Oklahoma Senate on workers' compensation reserves and benefits.

I have analyzed each NCCI filing in Hawaii for the past 23 years. I was involved as consultant to the Hawaii Legislature in producing successful automobile and workers' compensation insurance reforms and in the establishment and regulatory approval of Hawaii Employers Mutual Insurance Company, an employer owned "A" rated insurer that has written Hawaii's previous involuntary (assigned) risks at actuarially sound rates since its inception in 1996.

I testified on behalf of the Arkansas Department of Insurance pertaining to NCCI rate filings in 1991 and 1992. As a representative of the Workers' Compensation Education Association in Colorado, I analyzed an NCCI rate filing and testified before the Colorado Insurance Department. I have testified at an NCCI rate hearing in Illinois regarding the appropriate rate of return methodology in the determination that proposed rates are not excessive, inadequate or unfairly discriminatory.

I was actively involved, during my tenure with the National Association of Insurance Commissioners (NAIC), in an examination of NCCI, especially relating to data collection and rate making activities.

## **Direct Regulatory Experience**

My Insurance Department responsibilities in South Carolina included management of the Property and Casualty, Life, Accident and Health, and State Rating and Statistical Divisions. During my tenure as Deputy Director and Chief Actuary, I served on several Committees and Working Groups of the NAIC, including:

- 1) Exercised South Carolina Voting Rights at Plenary Sessions
- 2) Chair: Property/Casualty Loss Cost Working Group
- 3) Chair: Workers' Compensation Loss Cost Working Group
- 4) NAIC – Insurance Industry Loss Cost Liaison
- 5) Chair: By Line by State Profitability Report Working Group
- 6) Chair: Insurance Expense Exhibit Working Group
- 7) Chair/Member: Catastrophe Insurance Working Group
- 8) Chair: Average Personal Auto Expenditures Working Group
- 9) Member: Liability Closed Claim Study Working Group
- 10) Member: Statistical Task Force
- 11) Member: Personal Lines (C) Committee
- 12) Member: Commercial Lines (D) Committee
- 13) Advisor to NAIC Executive Committee
- 14) Member: Data Quality Working Group
- 15) Chair: General Liability - Hold Harmless Agreement Working Groups
- 16) Member: Consumer Information Working Group

## **II. Florida NCCI Rate Filing to be Effective January 10, 2010**

I have reviewed the filing submitted by NCCI to the Florida Office of Insurance Regulation (OIR) on August 20, 2009, including the following:

- 1) The Cover Letter
- 2) The Explanatory Memorandum
- 3) Technical Supplement to Voluntary Workers Compensation Rates and Rating Values
- 4) September 2, 2009 response to the August 25, 2009 Interrogatories from James Watford of the OIR.

### **Calendar-accident year data:**

The NCCI has based the filing on calendar-accident year data. In most of the NCCI filings I have reviewed in the past few years, the NCCI has based the filing on a policy year basis. Calendar-accident year data follows the claims experience for those workers' compensation accidents that occurred during a specific year. Calendar-accident year 2007 data follows the experience of workers' compensation accidents that occurred during 2007. Policy year data follows the experience for those policies written during a specific year. Policy-year 2007 experience follows the experience of policies written by NCCI affiliated insurers during 2007.

Workers' compensation insurance claim payments are made over many years. Actuarial techniques are needed to determine our best estimates of the ultimate claims (the amounts paid for an accident or policy year after all payments have been made) at different points in time. The techniques described herein and in the NCCI filing are designed to provide estimates of the ultimate claims that will be paid during the time the proposed rates are expected to be in effect (i.e. from January 10, 2010 to January 9, 2011).

In each case where I have provided an analysis of an NCCI filing, I have requested information on both a policy year and a calendar-accident year basis. Since it is available earlier, it is generally more appropriate to use calendar-accident year data in those situations where there have been significant changes in the workers' compensation environment under consideration, affecting the most recent historical experience to a greater extent than the experience

generated prior to the change. Given the very substantial workers' compensation reforms in Florida in recent years, it is appropriate to base the filing on calendar-accident year data as has been done in the current filing.

#### **Paid and paid-plus-case claims data:**

Paid claims data applies to the amount of claims that are paid each year over the life of a workers' compensation claim. Paid-plus-case data also includes the changes over time in the case reserves that are held by NCCI's affiliated insurers. Loss development is the process by which an estimate can be made relative to the ultimate amount that will be paid for each claim. The NCCI has based the ultimate claim calculations in the filing on an average of the paid and paid-plus-case experience.

2007 Calendar-accident year paid data is used to project the estimate of the ultimate amounts that will be paid for accidents that occurred during 2007, including payments that will be made throughout the life of the 2007 accident-year claims. The information used to derive the estimate includes the amounts paid by year from the date of the accident to the most recent date for each accident year up to the most recent data available at the time of the analysis. The historical data is collected by NCCI on both a calendar-accident year and policy-year base and on both a paid and a paid-plus-case basis. Basically, in consideration of any statutory or regulatory constraints, NCCI selects among several methods to determine the methods that will be used in the filing.

Each type of data has benefits and problems associated with its use. Paid data, for example requires more estimation, especially in the early calendar-accident years, since only a very small amount of the ultimate claims are paid in the earliest years. A major benefit of using the paid claim approach, however, is that initial information is available more quickly, and it is less dependent upon insurance company case reserve estimating practices.

Paid-plus-case data requires less estimation on the part of NCCI, especially in the early years, but that benefit derives from the use of insurance company estimates that are heavily influenced by individual insurer's claim practices, reserving levels, and the biases and level of expertise of the individuals providing the case reserve estimates. The benefits and problems associated with using insurer estimates as the basis for future claim payments are somewhat obvious.

The use of an average of the paid and the paid-plus-case data in this case as has been done in the filing, is not unreasonable.

#### **Loss Development:**

The process of loss development produces year-to-year factors (loss development factors) that provide an estimate of the patterns of claim payments (paid) or payments plus case reserve adjustments (paid-plus-case) from year to year. These factors are used to estimate the ultimate claims that will be paid for each specific accident year. The method used by NCCI in the filing is based on the most recent two years of historical loss development factors through the 19<sup>th</sup> year, and a five year average for the 19<sup>th</sup> to ultimate factor.

Mr. Watford of the OIR asked (Interrogatory #6) the following:

In your selection of loss development factors for this filing, you have used the average of the latest five years to determine the 19th to ultimate factor. Please explain why you used this method instead of a five-year average excluding the high and low. What is the

overall indication if you use a five-year average excluding the high and low for the 19th to ultimate?

I share the OIR's concerns. In each filing for which I have performed an actuarial analysis, I have requested that the NCCI provide the indications using the average of the latest five years of historical loss developments, exclusive of the high and low factor for each five year period, not just the 19<sup>th</sup> to ultimate factor. This method minimizes somewhat the distortions that result due to aberrations in the individual historical year-to-year factors.

In response to the OIR, NCCI stated:

A 5-year xHiLo average 19th to ultimate development factor would result in an indication of -7.0%. A 2-year average 19th to ultimate development factor would result in an indication of -5.7%.

In this case, replacing only the 19<sup>th</sup> to ultimate five year average with the five year average (excluding the high and low) as requested by Mr. Watford, results in a greater loss cost reduction than that which is derived in the filing. Nevertheless, I have made no adjustments to the NCCI's requested numbers for the effect of using only two years of historical loss development. I recommend that future filings include the indicated change using the five year average (excluding high and low) historical loss development factors. An actuary reviewing the filing could then perform an analysis comparing the five year average excluding the high and low with the method used by NCCI in the filing (in this case the use of two years of loss development for most of the calculations and a five year average of the 19<sup>th</sup> to ultimate). Under the current filing methodology, only NCCI is able to analyze that information in determining the method that will be used in the filing.

#### **Trend Factors:**

NCCI has provided (in Appendix A-III, Section D) calendar-accident year ultimate on-leveled loss ratios for the most recent 5 years available. When requested by the OIR for an eight year trend calculation using calendar-accident year data, NCCI responded:

We typically only provide this information at the request of the OIR. We have not filed this information in several years because it is difficult to calculate a calendar-accident year trend of more than 5-points as only 5-calendar years of premium are reported on NCCI financial calls. NCCI systems are not set up to match premium from historical calls with losses from current calls.

In the past, a special program was used to produce this trend. Due to recent changes to NCCI's ratemaking systems, the program that had been used in the past to create this exhibit is now obsolete. It would require significant time and resources to recreate this exhibit.

It is interesting to note, in light of the first cited paragraph in the response, that I have requested and the NCCI has readily provided the indicated change based upon the 5 year loss development excluding the high and low in Hawaii and in South Carolina for the past six years. It is reasonable to expect that if a rating organization licensed to collect data and prepare and defend rate filings for Florida workers' compensation insurance selects a specific method in its analysis (i.e. calendar-accident year data), that it would collect the data necessary to allow their actuarial work product to be adequately analyzed even if it is difficult to calculate.

### Section D - Calendar-Accident Year Loss Ratios

Cal-Acc Year	Ultimate On-levleed Indemnity Paid Loss Ratio	Ultimate On-levleed Indemnity Paid+Case Loss Ratio	Ultimate On-levleed Medical Paid Loss Ratio	Ultimate On-levleed Medical Paid+Case Loss Ratio
2004	0.319	0.298	0.592	0.570
2005	0.271	0.249	0.538	0.515
2006	0.231	0.206	0.474	0.438
2007	0.206	0.180	0.420	0.389
2008	0.207	0.171	0.419	0.387
Exponential Trends				
Five Point	-10.8%	-13.4%	-9.0%	-10.0%

The NCCI has also provided (in Appendix A-III, Section E) exposure accident year loss ratios for the years 1994 through 2008. NCCI defines exposure year premium as a weighted average of adjacent policy years' premium.

### Section E - Exposure-Accident Year Loss Ratios

Exp-Acc Year	Ultimate On-levleed Indemnity Paid Loss Ratio	Ultimate On-levleed Indemnity Paid+Case Loss Ratio	Ultimate On-levleed Medical Paid Loss Ratio	Ultimate On-levleed Medical Paid+Case Loss Ratio
1994	0.440	0.440	0.659	0.659
1995	0.385	0.385	0.593	0.593
1996	0.429	0.427	0.624	0.626
1997	0.460	0.457	0.641	0.642
1998	0.448	0.446	0.629	0.631
1999	0.422	0.424	0.661	0.673
2000	0.434	0.426	0.662	0.660
2001	0.414	0.405	0.671	0.665
2002	0.377	0.364	0.647	0.639
2003	0.348	0.331	0.634	0.619
2004	0.307	0.287	0.570	0.548
2005	0.266	0.245	0.528	0.505
2006	0.240	0.214	0.492	0.455
2007	0.216	0.188	0.439	0.407
2008	0.201	0.167	0.408	0.376
Exponential Trends				
Fifteen Point	-5.5%	-6.6%	-2.7%	-3.3%
Eight Point	-10.3%	-12.2%	-7.2%	-8.3%
Five Point	-10.0%	-12.6%	-8.2%	-9.2%

The term “on-leveled loss ratios” means the loss ratios have been adjusted by NCCI using an average of the paid and paid-plus-case calendar-accident year or exposure-accident year data with the loss development factors based on two years of historical experience. Each loss ratio represents NCCI’s estimate of the loss ratio as if the average workers’ compensation claim costs were at the level expected during the time the rates are to be in effect and as if the current workers’ compensation insurance rates were in effect for the entire historical period. This process allows an actuary to compare the expected claim payments *incurred* during the time the rates are in effect with the expected premium income at the current rates. The indicated change produced by the NCCI and in this testimony is the change to the current rates necessary to produce loss costs and rates that are not excessive, inadequate or unfairly discriminatory.

Exponential trends measure the percentage change in the underlying on-leveled loss ratios over time as opposed to a linear trend which would measure the magnitude of the change rather than the percentage. The use of an exponential trend calculation as has been done in the current filing is appropriate in this case.

In Section F of Appendix A-III, the NCCI has selected, based on the information in Section E as well as other criteria, an annual trend factor of -7.0% for Indemnity and -4.0% for medical. NCCI has determined using its methods and calculations that the indicated change in the rates just to bring the loss costs to their statutorily appropriate level (referred by NCCI Section F of Exhibit 1 to the Indicated Change Based upon Experience, Trend and Benefits) is a decrease of 9.1%.

The NCCI’s selected downward trends are less steep (decreasing at a lesser rate) than the trends exhibited for the most recent five and eight years of data on either a calendar-accident year or exposure-accident year basis. There has been substantial workers’ compensation reform placed in effect in Florida in recent years. The NCCI’s selections appear to place too little weight on the experience generated through those reforms. While the NCCI’s selections appear to be quite close to the fifteen year trend factor calculations, the recent legislative reforms have caused the fifteen year trend calculations to be virtually meaningless at this time.

The more recent experience provides a far more meaningful basis from which to derive the trends as evidenced by the following chart.

**Chart 1**  
**Florida exposure-accident year on-leveled loss ratios for the years 1994 through 2008**  
**(Calculated by NCCI)**

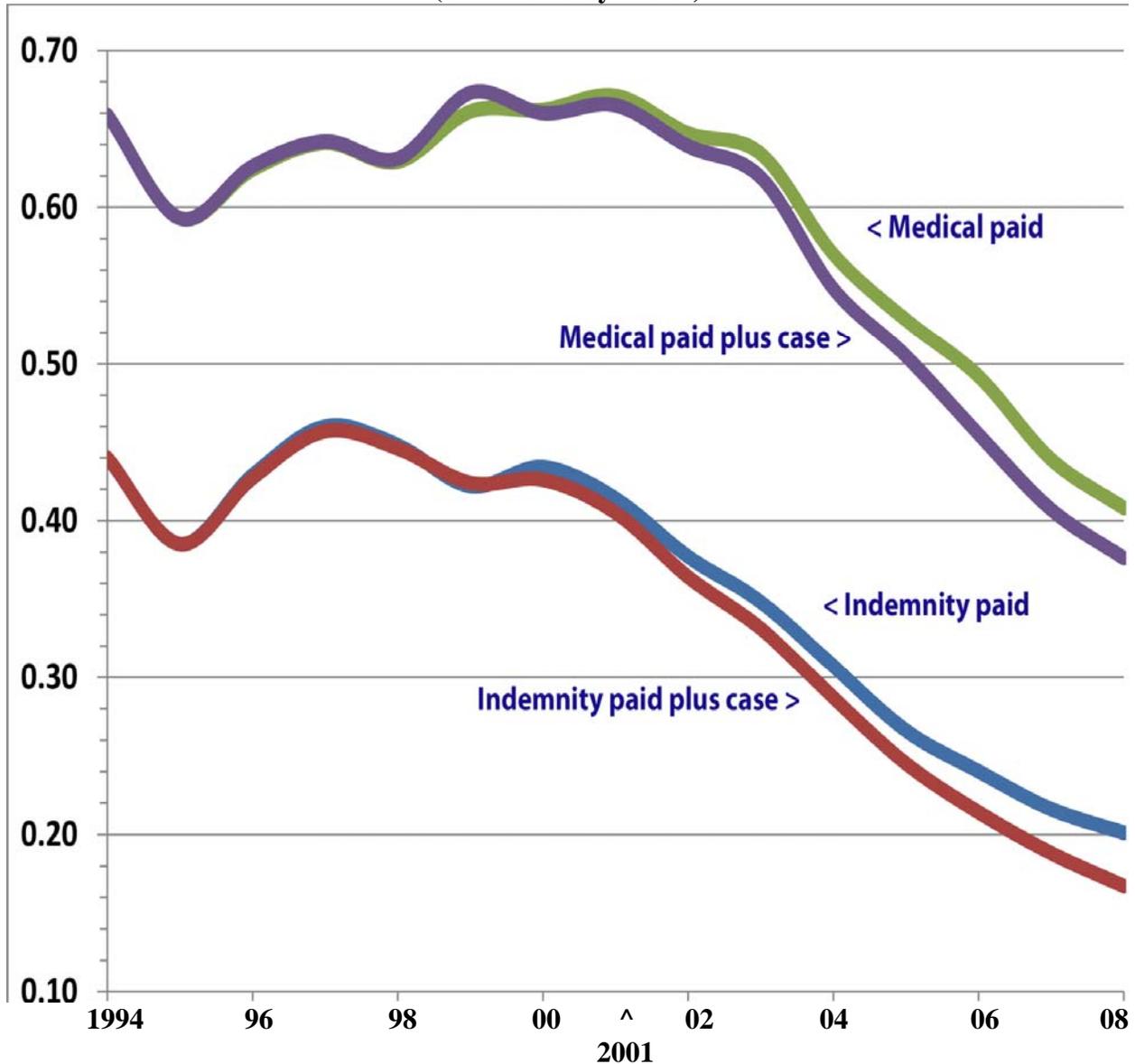


Chart 1, above, presents a graphical depiction of the dramatic improvements in Florida workers' compensation insurance experience over the most recent 8 years. In addition, the chart provides compelling evidence that the experience prior to 2001 (the beginning year for the 8 year calculations) is quite different from the more recent experience.

It would be more appropriate to select trend factors in line with the experience generated during the time period affected by the recent reforms. I have provided below, some calculations derived from the information provided by NCCI in Appendix A-III of the Technical Supplement:

### Arithmetic average of the 5 and 8 year trend factors

<b>Indemnity paid</b>	<b>-10.15%</b>
<b>Indemnity paid plus case</b>	<b>-12.40%</b>
<b>Average indemnity indications</b>	<b>-11.28%</b>
<b>Medical paid</b>	<b>- 7.70%</b>
<b>Medical paid plus case</b>	<b>- 8.75%</b>
<b>Average indemnity indications</b>	<b>- 8.22%</b>

Please note that the 5 year exposure-accident year trends that were used in these calculations produce a lower decrease than those pertaining to calendar-accident year trends from Section D of the trend exhibit as shown at the top of page 5 above. While a greater decrease would be generated using calendar-accident year data (the data used by NCCI in the filing), the exposure-accident year data is more complete. The calendar-accident year 8 year exponential trend data requested by the OIR would certainly have given us useful information relative to the NCCI's calculated indicated loss costs based on calendar-accident year data.

As an additional safeguard, it may not be prudent to assume that the decreases we witnessed over the past 8 years will continue at their current rate of decline. If we look at the calendar-accident year indications for example, it appears as though the most recent year's loss ratios have exhibited a flattening of the trend, especially in the paid loss ratios.

As stated earlier, each type of data has its benefits as well as problems associated with using it in a rate making procedure. The five and the eight accident year ratios exhibit a comparable average decrease over the 8 year period. The change using calendar-accident year data from 2007 to 2008, on the other hand, currently appears to indicate a flattening out of the decreasing trend. Initial year loss developments require a substantial amount of estimation, especially relating to the paid claim data. This is due to the fact that only a very small amount of information is available from which to derive the ultimate experience for that accident year. This leaves the vast majority of the ultimate loss ratio calculations for calendar-accident year 2008 to be estimated from a very small base of historical data.

In lieu of using the older (fifteen year) experience that has virtually no credibility, I have tempered the indications that would be generated by averaging the 8 year and 5 year trend data by selecting a factor of .85 to apply to the averages shown above, thereby providing some conservatism to the trends that would result in the absence of such a tempering factor:

**Simons selected indemnity trend = .85 x (-11.28) = - 9.6%**  
**Simons selected medical trend = .85 x (- 8.22) = - 7.0%**

To determine the effect on the indicated rate calculations of using these selections as opposed to the trend factors selected by NCCI, adjustments have been made to Exhibit 1 of the Technical Supplement. Presented below are the changes made in accordance with replacing NCCI's selected trend factors with those described and selected in this testimony. The line numbers in parentheses replace the commensurate lines from Exhibit 1 of the Technical Supplement to account for the different selections. Information from Exhibit 1 that remains the same as that in the Technical Supplement is not reproduced below.

**Exhibit 1**

	Paid	Paid + Case
<b>Section A - Calendar-Accident Year 2008 Experience</b>		
(13) Application of Indemnity Trend Factor = $0.904^{(12)}$	0.788	0.788
(14) Projected Indemnity Cost Ratio (11) x (13)	0.204	0.169
(24) Application of Medical Trend Factor = $.930^{(23)}$	0.843	0.843
(25) Projected Medical Trend Factor (22) x (24)	0.443	0.409
(26) Adjusted cost ratio for Accident Year 2008 = (14) + (25)	0.647	0.578
<b>Section B - Calendar-Accident Year 2007 Experience</b>		
(13) Application of Indemnity Trend Factor = $0.904^{(12)}$	0.713	0.713
(14) Projected Indemnity Cost Ratio (11) x (13)	0.185	0.161
(24) Application of Medical Trend Factor = $(.930)^{(23)}$	0.784	0.784
(25) Projected Medical Trend Factor (22) x (24)	0.413	0.383
(26) Adjusted cost ratio for Accident Year 2008 = (14) + (25)	0.598	0.544
<b>Section C - Calendar-Accident Year 2008 Experience (large deductible)</b>		
(13) Application of Indemnity Trend Factor = $0.904^{(12)}$	0.788	0.788
(14) Projected Indemnity Cost Ratio (11) x (13)	0.214	0.179
(24) Application of Medical Trend Factor = $(.930)^{(23)}$	0.843	0.843
(25) Projected Medical Trend Factor (22) x (24)	0.440	0.419
(26) Adjusted cost ratio for Accident Year 2008 = (14) + (25)	0.654	0.598
<b>Section D - Calendar-Accident Year 2007 Experience (large deductible)</b>		
(13) Application of Indemnity Trend Factor = $0.904^{(12)}$	0.713	0.713
(14) Projected Indemnity Cost Ratio (11) x (13)	0.210	0.178
(24) Application of Medical Trend Factor = $(.930)^{(23)}$	0.784	0.784
(25) Projected Medical Trend Factor (22) x (24)	0.424	0.407
(26) Adjusted cost ratio for Accident Year 2008 = (14) + (25)	0.634	0.585

**Section E – Average Loss Costs**

(1) Standard Coverage Adjusted = (Average of line (26) amounts from Ex 1 – Standard Coverage)	0.592	59.2%
(2) Large Deductible = (Average of line (26) amounts from Ex 1 – Large Deductible)	0.618	60.9%
(3) Average Cost Ratio, Weighted by Net Premium	0.605	60.5%

**Section F – Indicated change based on exp, trend & benefits**

(1) Average cost ratio	0.605	60.5%
(2) Current Target Cost Ratio	0.7143	71.43%
(3) Indicated Change based on experience, trend & benefits (1)/(2)	0.847	-15.3%

**Section G – Change in Production and General Expenses**

(1) Indicated premium change	0.847	(-15.3%)
(2) Effect of change in production and general expenses	1.003	(+0.03%)
(3) Indicated change modified to reflect change in prod & general exp.	0.850	(-15.0%)

**Section H – Change in Taxes**

(1) Indicated premium change	0.850	(-15.0%)
(2) Effect of change in taxes	1.000	( 0.0%)
(3) Indicated change modified to reflect change in taxes	0.850	(-15.0%)

**Section I – Change in loss based expenses**

(1) Indicated premium change	0.850	(-15.0%)
(2) Effect of change in loss based expenses	1.000	( 0.0%)
(3) Indicated change modified to reflect change in loss based expenses	0.850	(-15.0%)

**Section J – Change in Profit and contingencies – (To be covered subsequently in this testimony)****Expenses and Profit and Contingencies:**

The NCCI has used an internal rate of return model for the basis of their calculation of a profit and contingency factor of 10.99% which according to their analysis produces a return on equity of 10.45%. The calculations (page 305 of the Technical Supplement) include 5.6% for dividends, based on historical dividend payments of its affiliated insurers. In a response to an interrogatory from Mr. Watford of the OIR, NCCI states that the indicated profit and contingency

provision is 6.21% and 6.48% for standard and high deductible policies respectively, exclusive of the accounting for dividends. Since dividend payments are neither approved nor guaranteed, it is appropriate to calculate the return on equity and the associated profit and contingency factor exclusive of the dividend payments as suggested by the OIR's interrogatory and as described in the NCCI response to the interrogatory. NCCI has selected a profit and contingency factor, based on its internal rate of return analysis, of 2.5% and requests in the filing that the currently approved profit and contingency factor be accordingly increased from 1.0% to 2.5%.

While on the surface, it appears as though NCCI is requesting a profit and contingency factor less than that which is indicated, there are several issues that must be considered in producing the profit and contingency factor.

The NCCI includes the following language on page 24 of the Technical Supplement:

In addition to the reserves of Table 6, which are best estimates of expected future costs, insurance companies must maintain surplus as a cushion against worse-than-expected actual costs. Historically, the portion of the industry which A. M. Best describes as "commercial casualty predominating" maintains one dollar of policyholder surplus for every 2.24 dollars of unearned premium and loss and LAE reserves.

In its publication "Aggregates and Averages", A.M. Best provides the following information for workers' compensation predominating companies as of 12/31/2006.

Premiums Earned	\$16,435,565
Unearned premium reserves	4,109,987
Loss and LAE Reserves	48,308,098
Policyholders Surplus	18,590,129

As described above, the loss cost portion of the filing is designed to produce an indicated change in loss costs based upon estimates of the premiums that will be collected and the claims that will be incurred during the time the rates will be in effect. The loss development and trend calculations are designed, for example, to produce our best estimate of the indicated loss costs that will ultimately produce rates that are not excessive, inadequate or unfairly discriminatory for workers' compensation insurers in Florida during the time the rates are expected to be in effect (i.e. during the year following the effective date). The expense factors are designed to produce our best estimate of the expenses that will be incurred by NCCI affiliated insurers in Florida during the time the rates are expected to be in effect.

The profit and contingency factor should therefore be based upon an estimate of the rate of return on equity that will be earned during the period of time the proposed rates are expected to be in effect. The method used by the NCCI produces an estimate of the investment income that will be earned on *future* loss and loss adjustment expense reserves on policies written at the approved rates. It does not include the investment income that will be earned on the reserves and surplus currently being held on behalf of Floridians by insurers and upon which the loss costs are based.

The current reserves are earmarked to provide benefits to Florida policyholders and claimants. The loss costs are calculated from a weighted average of the paid and paid plus case indications. The ultimate loss cost indications incorporate the reserves currently being held by insurers. Both the paid and paid plus case estimates of loss costs include an estimate of the

ultimate claims to be paid for workers' compensation insurance accidents that occur during the time the rates are expected to be in effect. Loss costs developed in this proceeding include the understanding that the current reserves represent a substantial portion of those ultimate claims. The current reserves represent the claims used in the rate making formulae and upon which the loss costs in this proceeding are based. These reserves represent funds to be paid to Floridians for obligations that will be or have been paid for by Floridians. Florida's employers should be credited with the investment income associated with funds being held on their account, and upon which their workers' compensation insurance costs are based.

Presented in the Table below is an alternative method of determining the profit factor that will result in a rate of return on surplus inclusive of all income and outgo of funds to Florida's workers' compensation insurers during the time the rates are expected to be in effect. Data from A. M. Best for Workers Compensation predominating insurers is used in the Table below to estimate the relationships among earned premium, current unearned premium reserves, current loss and loss adjustment expense reserves and current surplus for workers' compensation predominating insurers. Investment yields, investment expenses, federal income tax rates and the target return on surplus in the Table have been provided by the NCCI in the Technical Supplement of the filing.

**Table 1**  
**Investment Income Expected to be Earned**  
**And Profit and Contingency Factor Development**  
**For Florida Worker' Compensation Insurers**  
**During the Time the Proposed Rates are Expected to be in Effect**  
**Based on Workers Compensation Predominating Insurers**  
**Premium, Surplus and Reserve Relativities**

(1) Premiums earned <sup>1</sup>	16,435,565
(2) Unearned premium reserves <sup>1</sup>	4,109,987
(3) Loss and LAE reserves <sup>1</sup>	48,308,098
(4) After Tax Investment Yield <sup>3</sup>	3.028%
(5) Investment income earned on unearned premium reserve (4)*(2)	124,450
(6) Investment income from loss and LAE reserves (4)*(3)	1,462,769
(7) Policyholders surplus <sup>1</sup>	18,590,129
(8) Adjusted Policyholders' Surplus 0.90 x (7) <sup>2</sup>	16,731,116
(9) Investment income from policyholders' surplus (4) * (8)	506,618
(10) Total investment Income (5) + (6) + (9)	2,093,837
(11) Total investment income/policyholders surplus (10)/(7)	11.30%
(12) Target return on surplus <sup>3</sup>	10.45%
(13) Indicated Profit and Contingencies (12) x (7)	1,942,668
(14) Investment Income Earned (10)	2,093,837
(15) Indicated Profit and Contingency Factor ((13) – (14))/(1)	-0.92%

**Notes:**

<sup>1</sup>From Best's Aggregates and Averages for workers' compensation predominating insurers

<sup>2</sup>Policyholders surplus adjustment of 0.90 is used to account for the fact that all surplus funds may not be invested at all times

<sup>3</sup>from NCCI filing

Based on the above analysis which estimates that the profit and contingency factor at -0.92% will derive a 10.45% return on policyholders' surplus inclusive of the investment income insurers will earn from currently held reserves, the increase from +1.0% to +2.5% in the profit and contingency factor requested by the NCCI is excessive.

It is recommended that the profit and contingency factor be amended to 1.0% as previously included in the Florida rates. In light of the analysis shown above, this recommendation will produce a rate of return more in line with current investment returns for industries with investment risk similar to that for Florida workers' compensation insurers and in line with information provided by the NCCI in the filing. Based on the above analysis, a 1.00% profit and contingency factor is actually expected to produce a return on policyholders' surplus greater than the 10.45% included by NCCI in the filing.

The revision in the profit and contingency factor calculations as described above, revises the calculations from those resulting in Sections J and K of Exhibit 1 as follows.

**Section J – Change in profit and contingencies**

(1) Indicated pure premium (see section I above)	0.850(-15.0%)
(2) Effect of change in profit and contingencies	1.000(+ 0.0%)
(3) Indicated change modified to reflect change in profit & contingencies	0.850(-15.0%)

**Section K- Distribution of Final Rate Level Change to Industry Groups Industry Group Differentials**

Industry Group Differentials:

Manufacturing .....	1.023
Contracting .....	0.957
Office & Clerical .....	1.006
Goods & Services .....	1.032
Miscellaneous .....	1.001

Applying these industry group differentials to the final rate level change produces the changes in rate level proposed for each group, as shown:

<u>Industry group</u>	<u>(1) Final Premium Premium Level Change</u>	<u>(2) Industry Group Differential</u>	<u>(3) = (1)*(2) Final Premium Level Change by Industry Group</u>
<b>Manufacturing</b>	<b>0.850</b>	<b>1.023</b>	<b>0.870 (-13.0%)</b>
<b>Contracting</b>	<b>0.850</b>	<b>0.957</b>	<b>0.813 (-18.7%)</b>
<b>Office &amp; Clerical</b>	<b>0.850</b>	<b>1.006</b>	<b>0.855 (-14.5%)</b>
<b>Goods &amp; Services</b>	<b>0.850</b>	<b>1.032</b>	<b>0.877 (-12.3%)</b>
<b>Miscellaneous</b>	<b>0.850</b>	<b>1.001</b>	<b>0.851 (-14.9%)</b>

**Loss Costs vs. Rates**

The current rate regulatory system in Florida is based on full rates being filed by the NCCI as opposed to a loss cost system similar to that which is in effect in several jurisdictions in the United States. The loss cost system provides several benefits above those that are present in a full rate system.

1) A full rate system produces the same expense factors for all NCCI affiliated insurers while in actuality, expense factors justified by individual insurers' experience vary substantial form one insurer to another.

2) Included in the Technical Supplement of the filing, is the following NCCI language:

The majority of expenses incurred in workers compensation vary directly by layer of premium and are accordingly termed variable expenses. An equitable apportionment of variable expense is achieved through the application of premium discounts. As the premium for a policy increases, some expenses incurred in handling the insurance coverage become proportionately less in terms of premium. A fair expense program must, therefore, provide that the larger premium policies be charged a lower percentage of premium for these expenses than the smaller policies.

According to the language cited above the level of acquisition expense is different for different sized policies. Commission percentages, for example, generally decrease as the size of the policy increases. One insurer may write a large percentage of high premium workers' compensation insurance while another insurer might have a high percentage of small policies. While the overall expenses differ substantially for these two insurers, each is required, under a full rate system, to use the same manual rates, including the same commission expense levels as the basis for their rating structure.

3) Individual insurers expend different amounts of money for loss control services to assist their employer policyholders in keeping workplace accidents to a minimum with the goal of thereby reducing workers' compensation insurance losses. If those insurers that expend greater amounts of expenses to provide superior loss control to employers and thereby reduce claims and loss costs, they should be allowed to include those extra expenses in their loss cost multiplier filings wherein they file for expense factors based not on industry averages but on their own individual expenses.

4) Individual insurers have different investment portfolios, yet the full rate system assumes a single portfolio.

5) Individual insurers maintain different levels of loss and loss adjustment expense reserves, and these differences have an impact, as has been shown earlier, in the calculation of the appropriate profit and contingency factor. The full rate system does not allow for these differences, but rather, calculates a single profit and contingency factor to apply to all Florida insurers, despite these differences.

6) A loss cost system minimizes perceived as well as actual price fixing on the part of the Florida workers' compensation insurance marketplace.

In a loss cost system, each insurer submits information in a loss cost multiplier filing, providing justification for the expense factors to be incorporated in its Florida workers' compensation insurance rates.

There are several additional reasons why I believe a loss cost system is superior to the current system. I have been requested by Florida Workers' Advocates to assist them in the pursuit of legislative change to replace the current Florida workers' compensation insurance rate setting process with a system based on pooled industry loss costs and individual company loss cost

multiplier filings. The loss cost multiplier filings will be applied to the approved loss costs to derive final rates based upon individual insurers' expense and investment income criteria.

### III. Summary:

The -6.8% Premium/rate level change requested by the NCCI in its Florida workers' compensation filing dated August 20, 2009 will produce rates that are excessive. The methods and calculations used by the NCCI in their filing fail to adequately account for the effects of recent legislative reform measures that were designed to produce decreases in the indicated workers' compensation rates for Florida. In addition, the NCCI filing methodologies fail to account for the investment income on reserves currently held by insurers on behalf of Florida employers.

The analysis produced in this testimony provides the actuarial rationale behind a recommended rate change of -15.0%. The differences between the NCCI's indications and those contained in this testimony come about as the result of two amendments to the NCCI's filing methodologies.

1) The NCCI has selected a trend factor that does not give appropriate credit for the recent improvements in Florida workers' compensation insurance trends. The method used in this testimony includes a tempering of the 5 and 8 year exponential trend factors provided by the NCCI in its filing.

2) The profit and contingency factor in this analysis allows for the inclusion of the investment income that will be earned during the time the rates are expected to be in effect on reserves that are currently held on behalf of Florida workers' compensation insurance policyholders and claimants. These reserves are incorporated in the NCCI's loss cost calculations. They are funds held for the payment of Florida workers' compensation claims and the investment income should be credited to Florida policyholders in the rate calculations.

The profit and contingency factor calculated in this testimony provides for a very conservative estimate of all money flows (income and outgo) relative to writing workers' compensation insurance in Florida during the time the proposed rates will be in effect.

3) The indicated change for "F" classes is derived by applying the ratio difference calculated for industrial classifications to the NCCI's indicated "F" class rate change as follows:

NCCI "F" class indicated change (-2.20%)	.978	
NCCI Industrial Classification indicated change	.938	
Simons Industrial Classification indicated change	.850	
Ratio difference (.850/.938)	.912	
Indicated "F" class rate level change (.978 x .912)	.892	= -10.8%

The approval of a 15.0% decrease in Florida workers' compensation insurance rates for industrial classifications distributed by industry group as indicated in Section K on page 14 of this testimony and a 10.8% decrease for "F" classifications to be effective on January 10, 2010 will produce rates that are not excessive, inadequate or unfairly discriminatory.

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(June 1986 to present) Owner - Martin M. Simons, Public Actuarial Consultant

*Clients:*

1. **Hawaii Insurance Division – Regulatory Actuary (1986-present)**
  - i. Actuarial and technical insurance consulting
  - ii. Review of property and casualty insurance rates
  - iii. Review of workers' compensation insurance rates
  - iv. Medical malpractice insurance analyses
  - v. Economic analyses and rate of return calculations
  - vi. Department staff training
  - vii. Development of hurricane model review process
  - viii. Review hurricane models used for producing loss costs
  - ix. Legislative pricing analyses
  - x. Technical advisor to Governors, Legislature, & Commissioners
  - xi. Analyses of self insured financial programs and reserves
  - xii. Assistance to Financial Examination Section
  - xiii. Assistance to Captive Insurance Section
  - xiv. Assistance to Health Insurance Section
  - xv. Assistance to Legal Division
  - xvi. Expert testimony - Public hearings & Hawaii Legislature
  - xvii. Market conduct examiner
  - xviii. Senior Technical Advisor – Hawaii Hurricane Relief Fund
2. **Fla. Commission on Hurricane Loss Projection Methodology (1997-present)**
  - i. Lead Actuary – FCHLPM Professional Team
  - ii. Development of Audit Standards, Disclosures, Forms, etc.
  - iii. Actuarial analysis and audit of computerized hurricane models
  - iv. On site review of all submitted hurricane models (1997-2009)
  - v. Participation at commission and committee meetings
  - vi. Technical assistance
  - vii. Legislative testimony

3. **South Carolina Department of Consumer Affairs (1997 - present)**
  - i. **Property/casualty rate filing analyses**
  - ii. **Workers' compensation loss cost and rate filing analyses**
  - iii. **Economic analyses and rate of return calculations**
  - iv. **Public utility hearings - insurance related assistance**
  - v. **Expert testimony at public hearings and before Legislature**
4. **South Carolina Second Injury Fund (1995 – present)**
  - i. **Liability and future assessment analyses**
  - ii. **Legislative testimony**
  - iii. **Technical and actuarial assistance**
5. **South Carolina Uninsured Employers' Fund (1990 - present)**
  - i. **Financial and reserve analyses**
  - ii. **Technical and actuarial assistance**
6. **Georgia Subsequent Injury Trust Fund (2004 – present)**
  - i. **Liability analyses**
  - ii. **Analyses of future assessments**
  - iii. **Actuarial consulting**
  - iv. **Legislative testimony**
7. **California Earthquake Authority – Sacramento, CA (2004 – present)**
  - i. **Member - Actuarial Modeling Assumptions Work Group**
  - ii. **Member - Financial Alternatives Work Group**
  - iii. **Technical assistance**
8. **Florida State University College of Business (2004-2008)**
  - i. **Sinkhole insurance study**
    - a. **Data analysis and aggregation**
    - b. **Loss cost and trend production**
    - c. **Technical consulting**
  - ii. **Guest Speaker – (pro-bono)**
9. **Actuarial Standards Board (ASB) – pro bono**
  - i. **Member – General Committee**
  - ii. **Member - Actuarial Standard of Practice #38 Task Force**
10. **American Academy of Actuaries (AAA) - pro bono**
  - i. **Member - Extreme Events Committee**
    - a. **Member - Natural Catastrophe Sub Committee**
11. **Casualty Actuaries of the Southeast (CASE) - pro bono**
  - i. **Guest Speaker**

12. **Casualty Actuarial Society (CAS) - pro bono**
  - i. **Member/Facilitator – Committee on Professionalism Education**
  - ii. **Member - Seasoned Actuaries**
  - iii. **Guest Speaker**
13. **Conference of Consulting Actuaries (CCA) - pro bono**
  - i. **Guest Speaker**
14. **Massachusetts Property Insurance Underwriting Association – Boston, MA (2006-2008)**
  - i. **Review Massachusetts FAIR Plan (MPIUA) rate filing**
  - ii. **Hurricane model loss cost review**
  - iii. **Expert testimony**
15. **Hawaii Hurricane Relief Fund – HHRF (1993 - 2002)**
  - i. **Involvement from prior to start-up to planned termination**
  - ii. **Senior Member of HHRF Technical Advisory Committee**
  - iii. **Legislative testimony**
16. **Oklahoma Attorney General (1987-2006)**
  - i. **Workers' compensation rate and loss cost analyses**
  - ii. **Economic analyses and rate of return calculations**
  - iii. **Analysis of Oklahoma Workers' Comp. Fund**
  - iv. **Expert testimony at public hearings & Legislature**
17. **Additional Clients (1986-present)**
  - i. **ABC News NIGHTLINE**
  - ii. **Arkansas Insurance Department**
  - iii. **Chappell, Smith & Arden – Columbia, South Carolina**
  - iv. **Colorado Workers' Compensation Education Association**
  - v. **DBH Global, Inc. – Hilton Head, South Carolina**
  - vi. **Delaware Insurance Department**
  - vii. **Dodge, Fazio, Anderson & Jones – Dallas, Texas**
  - viii. **Florida Hurricane Catastrophe Fund**
  - ix. **Florida Workers' Advocates**
  - x. **Georgia Insurance Department**
  - xi. **Hawaii Department of Commerce and Consumer Affairs**
  - xii. **Hawaii Department of Labor**
  - xiii. **Illinois Insurance Department**
  - xiv. **Independent Ins. Agents & Brokers of Greater Charleston S.C.**
  - xv. **Lewis and Babcock, LLP – Columbia, South Carolina**
  - xvi. **Louisiana Association of Business & Industry**

- xvii. **Manitoba Personal Injury Protection Plan Review Commission**
- xviii. **Milberg Weiss Bershad Hynes & Lerach, LLP - New York, NY**
- xix. **Minnesota Insurance Department**
- xx. **Mintz Levin Cohn Ferris Glovsky and Popeo, P.C.**
- xxi. **Nakamoto, Yoshioka, Okamoto – Hilo, Hawaii**
- xxii. **New Mexico Insurance Department**
- xxiii. **North Dakota Insurance Department**
- xxiv. **Ohio Public Interest Campaign**
- xxv. **Oklahoma Joint Legislative Committee - Workers' Compensation**
- xxvi. **Reimbursement Consultants, Inc. – SC, LA & GA**
- xxvii. **Rhode Island Joint Reinsurance Association**
- xxviii. **Schiff Hardin, LLP – Chicago, Illinois**
- xxix. **Self Insured Employers' Association of South Carolina**
- xxx. **SC Medical Malpractice Patients' Compensation Fund**
- xxxi. **State Farm Mutual Automobile Ins Co – Bloomington, IL**
- xxxii. **Suggs and Kelly, PA - Columbia, South Carolina**
- xxxiii. **Thornton and Collins, L.C. – Slidell, Louisiana**

**National Association of Insurance Commissioners – NAIC (1985 – 1997)**

- 1) **Exercised South Carolina Voting Rights at Plenary Sessions**
- 2) **Chair: Property/Casualty Loss Cost Working Group**
- 3) **Chair: Workers' Compensation Loss Cost Working Group**
- 4) **NAIC – Insurance Industry Loss Cost Liaison**
- 5) **Chair: By Line by State Profitability Report Working Group**
- 6) **Chair: Insurance Expense Exhibit Working Group**
- 7) **Chair/Member: Catastrophe Insurance Working Group**
- 8) **Chair: Average Personal Auto Expenditures Working Group**
- 9) **Member: Liability Closed Claim Study Working Group**
- 10) **Member: Statistical Task Force**
- 11) **Member: Personal Lines (C) Committee**
- 12) **Member: Commercial Lines (D) Committee**
- 13) **Advisor to NAIC Executive Committee**
- 14) **Member: Data Quality Working Group**
- 15) **Chair: General Liability - Hold Harmless Agreement Working Groups**
- 16) **Member: Consumer Information Working Group**

## **Employment History:**

### **South Carolina Department of Insurance (1985-1997)**

- 1) Deputy Insurance Director - Actuarial Services
- 2) Chief Property and Casualty Insurance Actuary
- 3) Management of Property and Casualty Insurance Division
- 4) Management of Life, Accident and Health Insurance Division
- 5) Management of State Rating and Statistical Division
- 6) Department staff training
- 7) Approval of property and casualty forms, rates and rules
- 8) Economic and rate of return analyses
- 9) Expert testimony
- 10) Analysis of property and casualty insurance financial exhibits
- 11) Expertise to Governor, Legislature, and Insurance Director
- 12) Hearing Officer
- 13) Member – New Insurer Admissions Committee

### **Unigard Insurance Group – Seattle Washington (1968 to 1984)**

- 1) Branch Manager – (Fresno, CA 1983 - 1984)
- 2) Marketing Services Manager – Seattle, WA (1978-1983)
- 3) Manager - Corporate Control & Analysis Dept. – Seattle, WA (1975 -78)
- 4) Assistant/Associate Actuary – Seattle, WA (1968-1975)
- 5) Elected President of Unigard Employees Federal Credit Union (1975-80)

### **State Farm Fire and Casualty Insurance Co. - Bloomington, Illinois (1967-1968)**

- 1) Actuarial Associate
- 2) Associate Actuary

## **Professional Designations:**

- 1) Member: American Academy of Actuaries (MAAA)
  - a. Member: International Actuarial Association
- 2) Associate: Casualty Actuarial Society (ACAS)
- 3) Fellow: Conference of Consulting Actuaries (FCA)

## **Education and Miscellaneous**

- 1) Bachelor of Arts in Mathematics – Washburn University
- 2) Service in United States Air Force – 1959-1963
  - a. B-47 - Gunnery Technician
  - b. Atlas E Missile Launch Crew Member

**Author/co-author:**

**\*asterisked items may be downloaded from:**     <http://www.mmsimons.com>

- 1) Simons, Martin M. - Analysis - *South Carolina Uninsured Employers' Fund – Loss Reserve Analysis as of June 30, 2009*. September 15, 2009
- 2) \* Simons, Martin M., et al – *Comments of the Natural Catastrophe Subcommittee of the American Academy of Actuaries Extreme Events Committee to National Conference of Insurance Legislators (NCOIL) - Proposed System for Public-Private Natural Catastrophe Financing, July 2009*
- 3) \* *Simons, Martin M., et al -Florida Commission on Hurricane Loss Projection Methodology – 2009 Professional Team Reports*
  - a. \* *AIR Worldwide Corporation- Boston, MA, May 2009*
  - b. \* *ARA (Applied Research Associates, Inc.) – Raleigh, NC, Jun 2009*
  - c. \* *EQECAT Incorporated – Oakland, CA, June 2009*
  - d. \* *Florida Hurricane Public Loss Model – Miami, FL, June 2009*
  - e. \* *RMS (Risk Management Solutions, Inc.) – Newark, CA, June 2009*
- 4) \**Simons, Martin M., et al – Issue Brief – Current Issues in Insurance Ratemaking for Catastrophic Events – American Academy of Actuaries Natural Catastrophe Subcommittee, December, 2008*
- 5) \**Simons, Martin M., et al - Comments of the Extreme Events Committee of the American Academy of Actuaries to the Catastrophe Insurance Working Group of the National Association of Insurance Commissioners – Natural Catastrophe Risk: Creating a Comprehensive Plan, Oct. 14, 2008*
- 6) Simons, Martin M. - Analysis - *South Carolina Uninsured Employers' Fund – Loss Reserve Analysis as of June 30, 2008*. September 8, 2008
- 7) \**Simons, Martin M. et al –Testimony – Select Committee on Property Insurance Accountability of the Florida State Senate – Hurricane Modeling, February 19, 2008*
- 8) \**Simons, Martin M., - Testimony - National Council on Compensation Insurance v. South Carolina Department of Insurance, Elliott F Elam, S. C. Consumer Advocate, and S. C. Small Business Chamber of Commerce, Interveners, Pre-filed February 15, 2008*
- 9) \**Simons, Martin M., - Analysis - Medical Malpractice Reforms –Hawaii Insurance Division - submitted to Hawaii Legislature, February 6, 2008*
- 10) *Simons, Martin M., et al, - Testimony before House Insurance Committee of the Florida Legislature – re: November 2007 Update - Comparison of Hurricane Loss Projection Models, January 24, 2008*
- 11) \**Simons, Martin M. - Testimony - on Behalf of the American Academy of Actuaries before the P&C Insurance (C) Committee of the National Association of Insurance Commissioners - Use of Catastrophe Models by Rating Agencies, December 1, 2007*

- 12) \*Simons, Martin M., *Testimony-Application of the Massachusetts Property Insurance Underwriting Association (MPIUA) for Approval of a General Rate Revision to be Effective July 1, 2007* (Docket no. R2007), Boston, MA August, 2007
- 13) \*Simons, Martin M. - *Analysis - Liabilities of the South Carolina Second Injury Fund, Including Analysis of Current and Future Liabilities and Assessments*, April, 2007
- 14) \*Simons, Martin M., et al, - *Testimony, House Insurance Committee of the Florida Legislature – Comparison of Hurricane Models*, April, 2007
- 15) Simons, Martin M., *Testimony – Consumer Appeal of Hawaii Insurance Division Approval of State Farm Homeowners Rates*, February, 2007
- 16) \*Simons, Martin M., *Testimony - Rhode Island Legislature- Regulating Hurricane Insurance Models for Producing Property Insurance Rates in New England*, 12/23/2007
- 17) \*Simons, Martin M., *Analysis Update - Liabilities of the Georgia Subsequent Injury Trust Fund Including Analysis of Current Liabilities Analysis of Future Liabilities, Future Assessment and Opened Claims Activity*, December 11, 2006
- 18) \*Simons, Martin M., *Testimony before South Carolina Senate Workers' Compensation Study Committee – Second Injury Fund, etc.*, Sept. 19, 2006
- 19) \*Simons, Martin M., *Analysis - Liabilities of the Georgia Subsequent Injury Trust Fund, in response to HB 1579, 2005 GA Legislative Session*, September, 2006
- 20) Simons, Martin M., *Testimony- State Farm Fire and Casualty Ins. Company Homeowners Program Sub-zone Introduction Filing, Dated June 3, 2005, prepared for the Hawaii Insurance Division (confidential subject to court order)*, 2006
- 21) \*Simons, Martin M., *Testimony, National Council on Compensation Insurance v S. C. Department of Insurance et al, Elliott F. Elam, Jr. S. C. Consumer Advocate, Intervener (Docket 05-ALJ-09-0277-CC) 2006*
- 22) Simons, Martin M., *Analysis - Liabilities and Estimate of Future Liabilities and Assessments of the South Carolina Second Injury Fund as of 6/30/2005, Calculated as of November 29, 2005*
- 23) \*Simons, Martin M. et al, *Insurance Study of Sinkholes*, Florida State University, submitted to the Florida Legislature, April, 2005
- 24) \*Cohn, Richard A., Goldberg, Steve, and Simons, Martin M., *Report of the Financial Alternatives Work Group to the California Earthquake Authority*, December, 2005
- 25) Schmidt, J. P., and Simons, Martin M., *Catastrophe Modeling, the Regulator's Perspective*, Risk Management Magazine, August 2004
- 26) \*Johnson, Mark E., Watson, Charles C., and Simons, Martin M., *Insurance Rate Filings and Hurricane Loss Estimation Models*, Journal of Insurance Regulation, NAIC, April 2004
- 27) \*Simons, Martin M., - *Testimony Before SC House of Representatives – South Carolina Second Injury Fund*, February, 2004

- 28) Simons, Martin M., - Analysis - *Liabilities of the South Carolina Second Injury Fund as of June 30 2002, Calculated as of March 5, 2003*
- 29) \*Simons, Martin M.; Santo, Shelley K.; Chock, Gary Y. K.; Schroeder, Thomas A., *Hawaii Insurance Division Memorandum 2003-3R - Hurricane Modeler Questionnaire*, July, 2003
- 30) \*Simons, Martin M., - Testimony- *State Farm Fire and Casualty Insurance Company, Petitioner v. South Carolina Department of Insurance, respondent; Elliott F. Elam, Jr. Acting Consumer Advocate, Intervener – Homeowners Insurance Including Hurricane* (Docket # 03-ALJ-09-0210-CC) September 29, 2003
- 31) \* Simons, Martin M., - Analysis - *The Property & Casualty Insurance Environment in Hawaii, An Overview*, Prepared for the Hawaii Ins. Division, February, 2003
- 32) Simons, Martin M., - Testimony - *Avery et al., Appellees, v. State Farm Mutual Automobile Ins. Co., IL* (Docket No. 91494-Agenda May 7, 2003)
- 33) \* Simons, Martin M., - Analysis - *Actuarial Analysis of the Utilization and Rate Impacts of Reinstating Naturopathy Among the Personal Injury Protection Benefits in Motor Vehicle Insurance*. Pursuant to HCR 131, 2002, REQ. adopted by the Hawaii Legislature, Dec. 2002
- 34) \*Simons, Martin M., *Inside the Black Box*, Best’s Review, August, 2002
- 35) Simons, Martin M., - Testimony -*Rate Regulatory Systems - Impacts of Side Agreements on Statutory Compliance and Regulatory Approval, (confidential subject to court order) Kettle Restaurants v Travelers of Illinois, et al., Dallas, TX 2002*
- 36) \*Simons, Martin M., et al, *Report to the Hawaii Legislature on the Feasibility of a Wind Resistive Device Grant Program*, December 13, 2001
- 37) \* Simons, Martin M., - Testimony- *NCCI v. South Carolina Dept of Insurance, Philip S. Porter, SC Consumer Advocate and Companion Property & Casualty Insurance Company, Interveners* (Docket # 95-ALJ-09-0055-CC), - March 2, 2001
- 38) Simons, Martin M., - Testimony - *Oklahoma Joint Legislative Session –State Workers’ Compensation Insurance Fund and the Multiple Injury Trust Fund– February, 2000*
- 39) \* Simons, Martin M., - Testimony – *National Council on Compensation Insurance v Hawaii Insurance Division - Workers’ Compensation Loss Costs – 1998*
- 40) Simons, Martin M., - Testimony - *State of South Carolina, Medlock v National Council on Compensation Insurance, 1998*
- 41) Simons, Martin M., - Testimony – *Oklahoma Workers’ Comp. Loss Cost Hearings – 1987 – 2004*
- 42) \*Simons, Martin M., *Taking the Next Step in Hurricane Modeling*, Best’s Review, May, 1997
- 43) Numerous Analyses and Testimonies - *Hawaii Legislature - re: Motor Vehicle Insurance Reform Legislation 1992 – 1997* \*(see May 1, 1997 letter)
- 44) Numerous Analyses and Testimonies - *Hawaii Legislature - re: Workers’ Compensation Insurance Reform Legislation 1994 - 1997*

- 45) Simons, Martin M., - Testimony – *National Council on Compensation Insurance v. Hawaii Insurance Division - Loss Cost / Rate Hearing, 1993*
- 46) Simons, Martin M., - Testimony - *Liberty Mutual Automobile Insurance Company v. Hawaii Division of Insurance, 1992*
- 47) Simons, Martin M., - Testimonies - *National Council on Compensation Insurance v Arkansas Department of Insurance, 1991 and 1992*
- 48) \* Simons, Martin M., *In Defense of Rate Regulators*, Best's Review, Property and Casualty Edition, June 1992
- 49) Klein, Robert, Eley, David, and Simons, Martin M., *NAIC Report on Profitability - By Line By State*, The Interpreter, Insurance Accounting & Systems Association, 12/1991
- 50) Simons, Martin M., - Legislative Testimony – *Insurance Rate Regulation – Ohio Public Interest Campaign , 1990*
- 51) \* Simons, Martin M., *Rate Regulation Revisited* - Best's Review, Property and Casualty Edition, July, 1989
- 52) Simons, Martin M., Presentation Before the National Association of Insurance Commissioners Executive (E) Committee - *Rating Bureaus, Anti-Trust Laws and Loss Cost Based Rate Regulation*, Denver, CO, February 6, 1989
- 53) \* Simons, Martin M., *Federal Oversight – The Wrong Answer*, Best's Review, Property and Casualty Edition, November 1988
- 54) \* Simons, Martin M., *Managing for Consistency*, Best's Review, Property and Casualty Edition, January 1987
- 55) \* Simons, Martin M., *Looking Inside the Statistics*, Best's Review, Property and Casualty Edition, May 1986
- 56) Expert Testimonies – *South Carolina - Fire, Allied Lines, Homeowners, Business Owners, Automobile, Liability, Fidelity, Surety, etc. 1985-1997*

**Invited Speaker:**

- 1) *Different Uses For the (Catastrophe) Model – CAS Ratemaking and Product Management Seminar, March 9, 2009*
- 2) *Predictive Modeling – Regulatory Concerns – CAS Ratemaking and Product Management Seminar, March 10, 2009*
- 3) *Comparison of Hurricane Loss Projection Models – Florida State University Catastrophic Storm Risk Management Center, Florida State University, 6/9/2008*
- 4) *Regulating Hurricane Insurance Loss Costs, Produced by Computer Models, Casualty Actuarial Society Seminar on Reinsurance, 6/2006*
- 5) *Regulating Hurricane Models – Casualty Actuaries of the Southeast, April, 2006*

- 6) *Actuarial Professionalism*, Casualty Actuarial Society Course on Professionalism, Nov. 2004
- 7) *The Actuary as an Expert Witness* - CAS Ratemaking Seminar, 2004, 2001, 1998
- 8) *Workers' Compensation Rate Regulation*, South Carolina Small Business Chamber of Commerce, Sept. 2004
- 9) *Hurricane Model Reviews*- Southern Risk and Insurance Association, 2003 Annual Meeting
- 10) *Dealing With the Differences in Hurricane Models*- CAS Special Interest Seminar on Catastrophe Insurance, 2002
- 11) *The Perfect Rate Filing*, CAS Ratemaking Seminar, August 2002, 1998, 1995
- 12) *Building a Specialized Actuarial Practice*, Conference of Consulting Actuaries Annual Mtg, 2002
- 13) *The Actuary as an Expert Witness*, Casualty Actuarial Society, Annual Meeting, Nov. 1993
- 14) *Insurance Regulation* – Info-line Conference, NY, 1992
- 15) *Insurance Rate Regulation – Loss Cost Rating* - National Association of Insurance Commissioners' Executive Committee, 2/6/1989
- 16) *Insurance Regulation* – Connecticut Legislature – 3/5/1987