

**Date:** March 19, 2025  
**To:** Management Labor Advisory Committee  
**From:** Ivo Trummer, Government Relations Director, [ivotru@saif.com](mailto:ivotru@saif.com)  
Elaine Schooler, Assistant General Counsel, [elasch@saif.com](mailto:elasch@saif.com)  
**Re:** **SB 705 – SAIF impact analysis of -2 amendment**

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As part of the discussion on SB 705, SAIF conducted a *preliminary* analysis on the impact of the -2 amendment (and also on a lower scenario of 70% to show a range) on pure premiums and earned premiums. This analysis focused on SAIF's book of business. Please see our findings below on the overall, pure rate impact and increases in premium volume based on direct changes to wage replacement benefit amounts only.

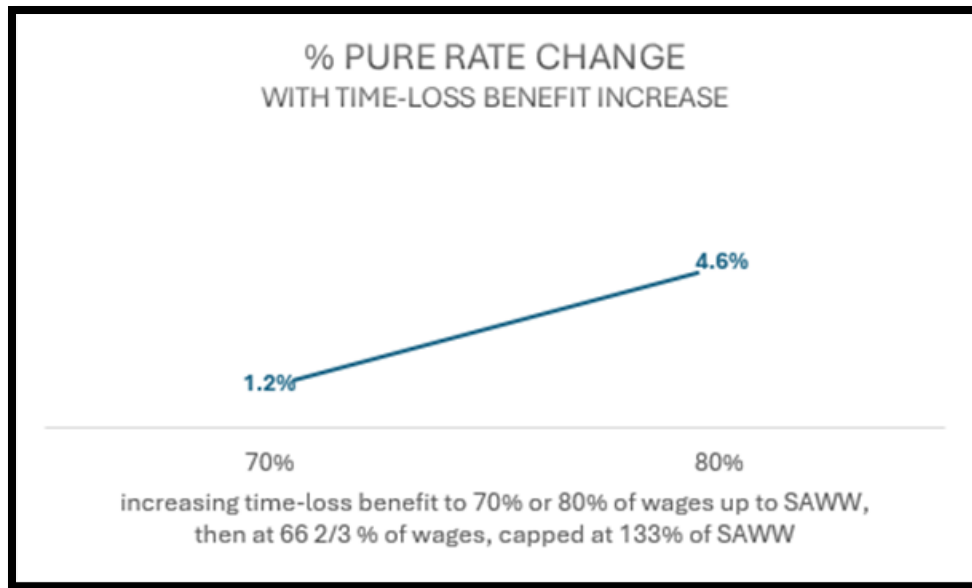
Our study excludes possible changes to the following items, which could drive the expenses and rates higher. For example:

- An increase in time-loss duration (utilization rate)
- An increase in time-loss claims counts
- A change in trends
- A higher proportional increase in expenses
- Impact on other derivative expenses such as IMEs

As a result, SAIF's preliminary analysis represents the minimum impact assuming no other changes such as the ones listed above.

SAIF considered two potential scenarios for calculating the time loss rate. First, we increased the time loss rate calculation to 80% of the AWW up to the State Average Weekly Wage (SAWW) plus 66 2/3% of any additional wages above the SAWW up to the statutory maximum (133% x SAWW). In analyzing the impact, we kept the current minimum and maximum caps (capped at 133% of SAWW with a minimum of 90 percent of wages a week or the amount of \$50 a week, whichever amount is less). Alternatively, we evaluated the impact of an increased time loss rate of 70% of the AWW and keeping the minimum and maximum caps.

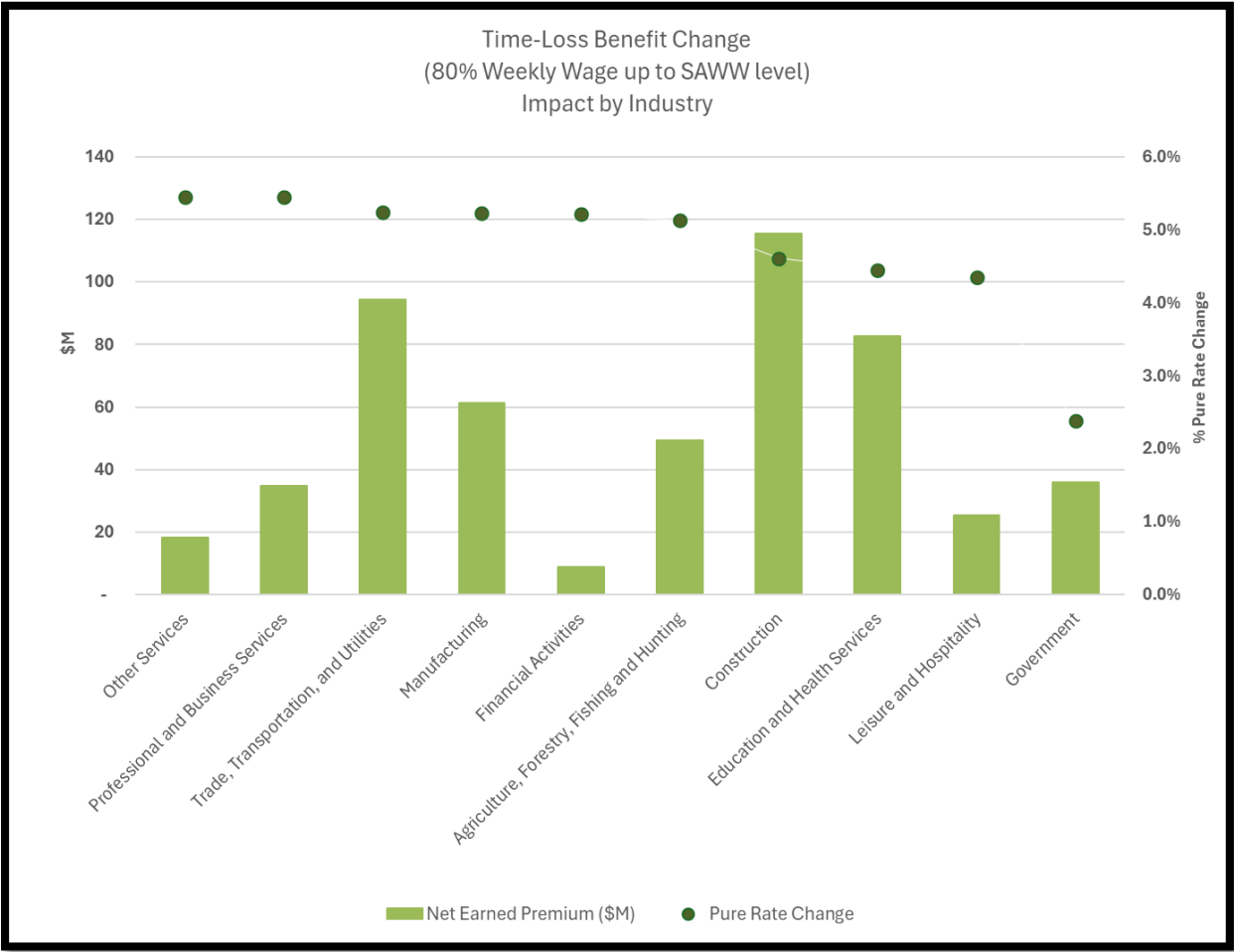
- SAIF estimates a minimum increase of approximately 5% to SAIF's overall pure premium rate if benefits were calculated based on the proposed -2 amendment. For time loss based on 70% of the AWW, the impact on pure premium rates is approximately 1%.
- Based on SAIF's 2025 policy year projected net earned premium, we estimate an overall increase of over \$24M in premium volume for the 80% of AWW scenario or, alternatively, approximately \$6M for the 70% of AWW scenario.



We updated our study based on the recent, *preliminary* NCCI study from last week, where we focused on the 80% of Average Weekly Wage scenario, with a minimum of \$50 of wage replacement benefit for all workers.

- For direct impact on time-loss wage replacement benefits, similar to the NCCI study, we observe a 20% increase for claims with wage replacement benefits less than SAWW level, and an overall increase of 13.3% for time-loss benefits of injured workers earning above the SAWW threshold.
- Our overall estimated impact to the pure rates is 4.6%, while NCCI communicated an impact of 5.3%. This modest difference could be driven by a couple factors:
  - Differences in data sets, as NCCI represents the entire market.
  - Differences in trend, loss development and policy years used for projection.

The exhibit below quantifies the pure rate change by industry:

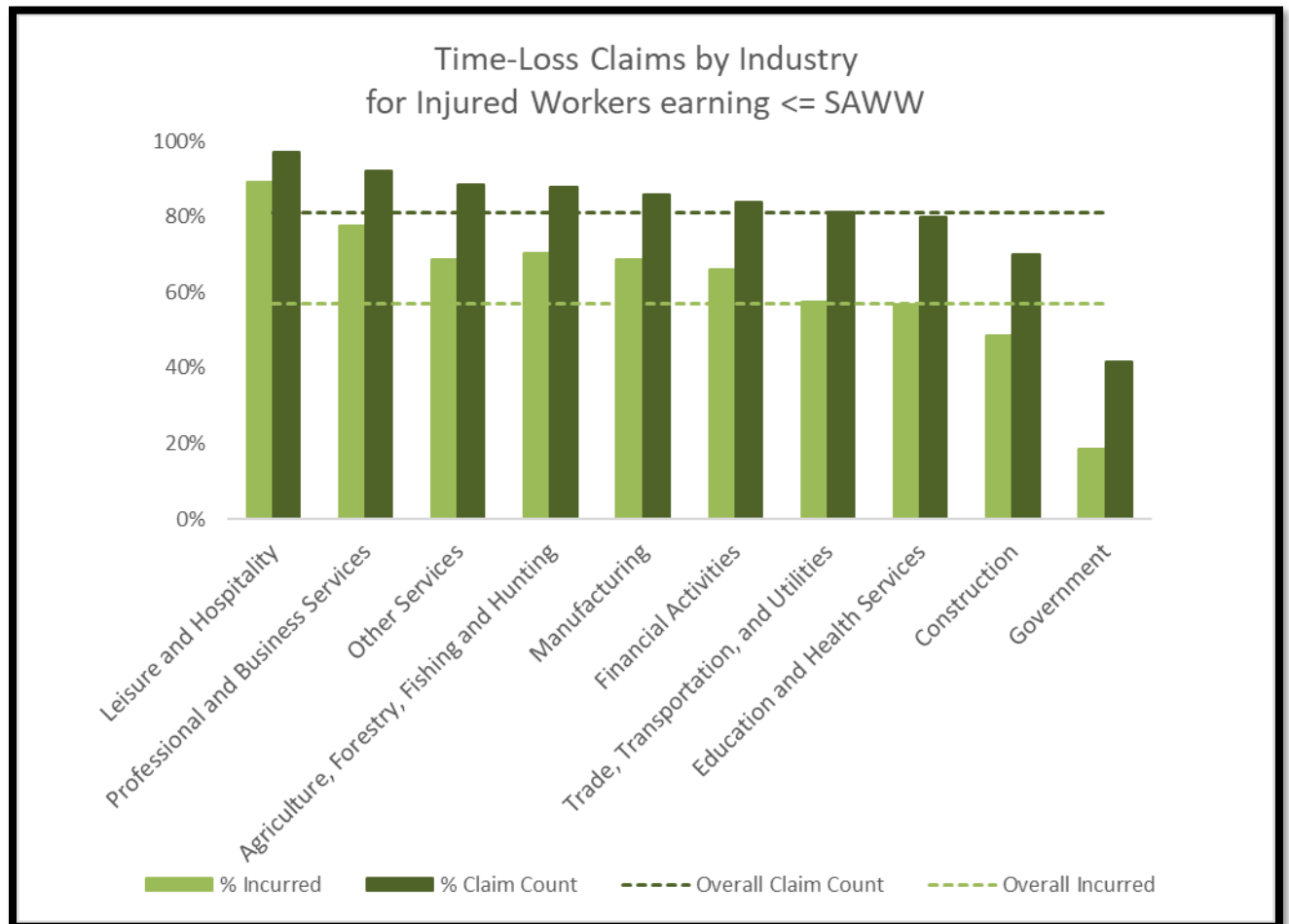


Generally, industries will receive a rate increase in the range of 4.3% to 5.4% (except Government).

Note that industries with the highest concentration of injured workers earning less than the SAWW level *tend* to see a higher overall increase in pure rates. However, the degree to which the low-earning workers earn less than the SAWW affects how much indemnity drives the overall increase in benefits.

For our book of business, industries with above-average concentrations of low-earning injured workers include the following:

- Leisure and Hospitality
- Professional and Business Services (incl. Scientific, and Technical Services, Management, Administrative and support)
- Other Services (except Public Administration)
- Agriculture
- Manufacturing



For further edification, around **80%** of SAIF's overall incurred time-loss claim counts, costing close to **60%** of total time-loss incurred amounts, pertain to injured workers' earning less than SAWW.