

# Workers' Compensation Insurance Profitable in 2012

Private workers' compensation insurers earned \$6.20 of profits for every \$100 of net premiums.

This is according to the article, *Workers' Compensation Insurance Industry Underwriting Results Improve in 2012*, which was released yesterday.

Nationally, the industry's operating ratio was 93.8 in 2012, down from 100.4 in 2011, according to author John F. Burton, Jr. who has been a comp observer for 50 years.

Conversely, an operating ratio of greater than 100 means the industry is not profitable, which means that carriers had losses of \$0.40 for every \$100 of net premium in 2011, according to Burton, who bases his conclusions on A.M. Best figures. (For more information about last year's report, click [here](#).)

These observations are made in his article, *Workers' Compensation Insurance Industry Underwriting Results Improve in 2012*, which was published yesterday in the Workers' Compensation Resources Research Report, Issue 7.

Losses, such as those that occurred in 2011, rarely happen. The operating ratio has usually been less than 100 in recent decades, Burton said, which shows that the workers' compensation insurance industry has generally been profitable when investment income earned by insurance carriers is included. Since 1993, the insurance industry has been profitable in 16 of the 19 years - all but 2001, 2002, and 2011.

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***But the profitability discussion raises the perennial philosophical question of how much should insurers profit from...America's oldest form of social insurance?***

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Typically, workers' compensation junkies pay close attention to National Council on Compensation Insurance (NCCI)'s annual State of the Line Report because the NCCI's data are based on combined ratio data from most states in the United States. The NCCI puts more emphasis on the combined ratio because it indicates workers' compensation costs (benefits plus expenses) per \$1 collected in premium.

As I covered recently in *Leader's Edge*, large insurers are investing more in reinsurance than the traditional bond market, which is offering very low returns due to low interest rates. (To see my article, click [here](#).) Other investors have joined the party and the world's reinsurance surplus is now the largest in history.

Sometimes in CompLand we complain about not having enough data, but there is more workers' compensation data available than other property-casualty lines.

Burton is right that we should pay attention to the operating ratio as opposed to focusing on the combined ratio to get a fuller picture of workers' compensation profitability.

But the profitability discussion raises the perennial philosophical question of how much should insurers profit from workers' compensation, which is America's oldest form of social insurance? I see the pros and cons of state-sponsored workers' compensation funds compared to private workers' compensation insurers and conclude that both approaches have pros and cons. The same is true for the ObamaCare debates concerning government-sponsored compared to private health insurance.

I am glad that John continues to look at issues in workers' compensation that rarely make headlines. I hope that all of us who care about our nation's workers' compensation system will pay more attention to what John has to say. He is not quoted enough.

An order form for Issue 7 of the Burton's report can be downloaded from [www.workerscompresources.com](http://www.workerscompresources.com).

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## [Setting Your Blog on Fire](#)

The dream of every blogger is to watch their blog catch viral fire.

I have enjoyed a week of the dream. Watching the hits climb was great fun.

I would love to say that the blog's success was due to my brilliant writing. But I am no fool. The blog's success was more due to the fact that the topic was interesting to those active in social media.

Great blogs cover topics that meet the needs of the reader, such as how to do something better or hot news. This blog's purpose was to introduce readers to a technology article I had just published. The article is about F# a programming language that could benefit insurers in the United States as it has in Europe. (To see it, please click [here](#).)

Sure, I promoted the blog to appropriate LinkedIn groups and periodically re-tweeted the blog post. But it was not until a handful of influential tweeters shared my tweet that the blog started catching fire. As they began to retweet, so did I, periodically, to keep the fire going. Since people are bombarded with constant tweets, you have to post periodically and hope someone will pick it up.

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that the topic was interesting to those active in social media.***

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It's been a great week! The post is by far the most popular one I have ever posted. The hits continue as others from all over the world continue to share my blog.

But I am a realist. It will be difficult to achieve these results regularly. My typical audience is made up of those in the insurance industry. This is an industry not exactly known for being technological progressive. Demographically, many of its decision makers are of an older generation that had not wholly adopted social media.

This of course will change as the older generation retires, so in the meantime I continue to build a strong base of followers. B2B blogging is an investment that some feel do not get strong enough

returns to justify the effort. Of course I disagree because my blog has brought me customers. There are many more benefits to blogging, but that is the topic of another blog!

So I need to give due credit. I thank everyone who shared my blog with others but there are two people I want to thank in particular. Vijesh Shah got the tweeter ball rolling on my blog. He is from London and leads a modeling systems team in the pension, life insurance and the banking industry. You can follow him at <https://twitter.com/vjesh>.

Sergey Tihon is a software developer who has participated in international programming competitions. His blog, [www.sergeytihon.wordpress.com](http://www.sergeytihon.wordpress.com), is responsible for more than 70 hits to my blog.

**Like what you see? Then follow me!**

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## [A Source's Comment on my F# Article](#)

James Roberts of Innovative Architects blogs about F# and was a major source in my F# article. I want to thank him for his kind words in his recent post, "The Sleeping Giant Has Just Awakened!" which you can find at <http://fsharpblog.com>.

Here is an expert from this blog:

"I was recently approached by a freelance writer, [Annmarie Geddes Baribeau](#), to provide input on the technologies used by Actuaries. Of course labeling Ms. Baribeau as a "writer" is an injustice to her talents. I've worked with Ms. Baribeau in the past and her work in the Insurance and Actuarial fields is renown. She is one of those people that never fails to complete her due diligence when performing research for her articles. She has the uncanny ability to understand the very technical aspects of development, despite the fact she is not a programmer. She is a true "Thought Leader". I can't even begin to give her the kudos she deserves and when I was asked the "Actuarial Technology" question, naturally I thought of what they (Actuarial technologists and Insurance IT) should be using instead of what they are using. I replied with complete conviction that she should let them know about the power of F#.  So given my enthusiasm and my background in F#, she picked up the story and ran with it. As I expected the research was not easy, but given her undaunted perseverance, she ended up communicating with top "brainiacs" in Cambridge who developed the F# language. No not Cambridge, Massachusetts, Cambridge England! She found people and resources I never imagined. She also found very talented developers with the same frustration I had with my former employer. That of discovering a great platform that was so well suited for handling Actuarial models and yet, having a backward thinking management hierarchy that refused to consider its benefits. Again I digress....

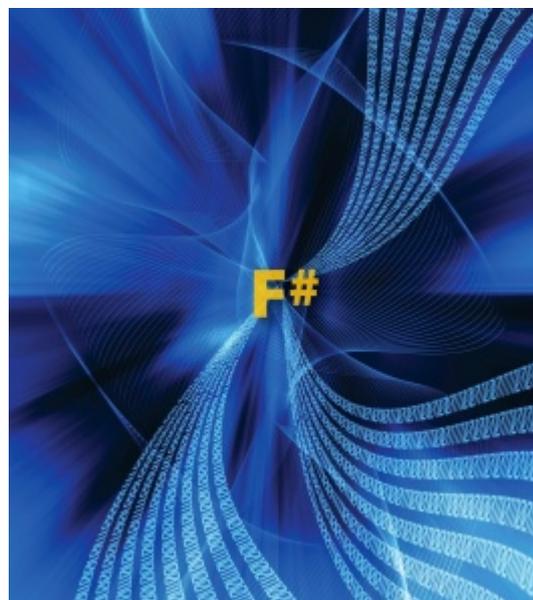
"Today's blog update is not to give you the summary of an already impeccably researched and well written article on F#. Rather I wanted to provide you encouragement to keep refining your talents in this language and to realize it is only a matter of time before you're skills will be recognized. As I had believed when I started to learn about F#, its breakthrough as a "mainstream language" will most likely begin within an Actuarial context. Ms. Baribeau's article may be just the nudge necessary to provide some technologists in the Insurance industry the motivation and justification to consider utilizing these tools within their next projects.

“Personally, it has been a frustrating and lonely road to recognize the benefits of F# and it’s potential to save companies thousands of dollars. Hopefully, this article in [Contingencies Magazine](#) will first help us (F# developers) make inroads with the Actuaries and then the insurance industry as a whole. Once people begin to realize what they can do and what they can save, other industries will follow and begin looking for F# talent. They will begin to realize that those models and software that cut so deeply in their department’s budget can begin to be shelved.”

Thanks so much James! I do appreciate your kind words!

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## [Discovering the Power of F#](#)



*To read the article, please visit  
<http://www.contingenciesonline.com/contingenciesonline/softwarenow2013winter#pg1>*

F# has the potential to be a game changer in the U.S. insurance industry, according to my article, [A Sharp New Analytical Tool](#), which was just published in *Contingencies'* software supplement.

If you have never heard of F#, you are not alone. It was developed in England for mathematical and analytic computations. The [Microsoft](#) programming language enjoys a larger following in Europe, where banks and insurers are already using it.

Our nation’s banking industry is already enjoying the benefits of F#, and insurance companies are likely to follow.

Grange Insurance’s experience offers a window into the industry’s future. Insurance agents are able to immediately offer quotes while the insurer can offer new products, pricing structures and experiment with [predictive modeling](#).

The Columbus, Ohio-based property/casualty insurer got hip to F# in 2008 while it was still part of Microsoft Research. The programming language is a step beyond the better-known C#, provides faster and more accurate results than SAS and offers several advantages over the much-beloved R language.

But that is just the beginning. To learn more about F# and its potential, please read my article by clicking [here](#).

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