

New York Insurance Association, Inc.

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July 1, 2005

Howard D. Mills
Superintendent of Insurance
New York State Insurance Department
One Commerce Plaza 17th floor
Albany, NY 12257

Dear Superintendent Mills:

I submit this letter on behalf of the New York Insurance Association (NYIA) in the support of the New York Compensation Insurance Rating Board (NYCIRB) filing for a 16.1% increase in Workers Comp manual rate levels. As you know, NYIA is New York's state P&C trade association. Our members write in excess of seven billion dollars premium on New York risks, including a significant portion of the privately placed workers compensation business.

The Insurance Department has heard, from the actuaries at NYCIRB, all the technical reasons why the requested increase is justified. A former regulator testified that the requested rate is probably inadequate. I won't repeat those arguments here.

On several occasions, I have heard you opine that free markets with price competition are the best deals for consumers in the long run. On that point we agree. The workers comp insurance market in New York is still marked by a decent level of price competition, even though several years of rate suppression have caused some competitors to move their capital to other ventures.

I understand the plight of the regulator. New York Law requires the Department to do that which is impossible, namely, pick the right price for workers comp insurance. That job properly belongs to the dynamics of a competitive marketplace. Any other price is artificial.

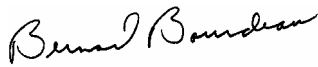
Fortunately, because we have a competitive market for comp insurance, a regulator can not make a mistake setting an artificial rate too high. History teaches us that if market competitors think an artificial rate is too high, they will hurry to file for deviations below the artificial rate. That's the benefit of price competition.

The same principle does not apply to an artificial rate set too low. The rational response of a competitor to a rate too low, is to decline to offer the product. The risky part of that proposition is that we only discover the error after the market damage has been done.

The logical conclusion is that if you believe, as we do, in the efficiencies of competitive markets to get prices right, then there is no downside to approving this rate request. If the Department guesses wrong, price competition will “fix” the mistake.

I urge you to approve the rate request as filed.

Yours truly,

A handwritten signature in cursive script that reads "Bernie Bourdeau".

Bernie Bourdeau, CAE
President