

NCCI Proposes Increase for Workers Compensation Rates in Florida

On August 23, 2012, the National Council on Compensation Insurance (NCCI) delivered its annual workers compensation rate filing to the Florida Office of Insurance Regulation (OIR). Based upon its review of the most recent data available, NCCI has proposed, effective January 1, 2013, an overall workers compensation rate level increase of 6.1%.

Rate Filing Components	Impact
Due to Change in Experience & Trend	+6.8%
Due to Change in Benefits	0.0%
Due to Change in Expenses (excl P&C)	-0.4%
Due to Change in Profit & Contingency Factor	0.0%
Offset for Changes in Minimum Premium Parameters	-0.1%
Offset for Changes in Employers Liability/Admiralty/FELA Increased Limits Percentages and Factors (Item B-1425)	-0.2%
OVERALL RATE LEVEL CHANGE	+6.1 %

Here are some of the key observations:

- **There has been a small deterioration in recent loss experience (+1.9%).**
 - **Following several years of significant declines, claim frequency increased by an average of 4.5% per year in 2009 and 2010.**
 - **The average indemnity cost per case in excess of wage growth has been relatively flat since 2006.**
 - **The average medical cost per case in excess of wage growth has increased since 2006.**
- **It has become more evident in recent years that the significant ongoing experience improvements which occurred after the 2003 reform have ended and that the system is operating from a new baseline reflecting the total cumulative effects of the reform. As a result, it has been necessary to adjust the very optimistic outlook, or trend, underlying rates to reflect that significant ongoing experience improvements are no longer occurring and are no longer expected. Trend adjustments reflecting less optimistic outlooks were approved in the 1/1/11 and 1/1/12 rates. Another such adjustment is indicated. The new outlook would bring Florida more in line with long-term Florida trends and current countrywide trends. This adjustment has the effect of increasing rates (+4.8%).**

The cumulative impact of the rate decreases after the 2003 reform was -64.7%. The last decrease took effect 7/1/10. The 1/1/13 proposed increase of 6.1% is the third increase filed since 7/1/10. Assuming this filing is approved as proposed, the cumulative impact for the period 10/1/03 through 1/1/13 is -56%. So in other words, even including the 1/1/13 proposed increase, Florida workers compensation rates would be down 56% from a decade ago. After the reform, the average loss cost went from \$2.62 per \$100 payroll to a low of \$1.00 per \$100 payroll. Assuming this 1/1/13 proposed increase of 6.1% is approved as filed, the average loss cost would be \$1.14 per \$100 payroll which is just below the average (\$1.15 per \$100 payroll) for states in the Southeast*.

Assuming the filing is approved as proposed, the overall average rate impact at an industry group level would be as follows:

	1/1/13 Filing	10/1/03-1/1/13
Manufacturing	+4.8%	-51.8%
Contracting	+7.4%	-58.6%
Office and Clerical	+4.3%	-58.1%
Goods and Services	+6.7%	-54.4%
Miscellaneous	+5.6%	-54.0%
TOTAL	+6.1%	-56%

The OIR is expected to schedule a public rate hearing in October.

*Southeast is defined as North Carolina, South Carolina, Tennessee, Georgia, Alabama, and Florida.