

NCCI Proposes Decrease To Florida Workers Compensation Rates

On August 22, 2014, the National Council on Compensation Insurance (NCCI) delivered its annual workers compensation insurance rate filing to the Florida Office of Insurance Regulation (OIR). Based upon its review of the most recent data available, NCCI has proposed an overall average rate level decrease of 2.5%, effective January 1, 2015.

Components	Rate Impact
Change in Experience	-3.0%
Change in Trend	-2.3%
Change in Benefits	0.0%
Change in Loss Adjustment Expense	-0.7%
Change in Profit & Contingency	+2.9%
Change in Tax & Assessments	-0.1%
Change in Production Cost and General Expense	+0.7%
Overall Rate Level Change	-2.5%

Key observations of the rate filing include:

- **Rates are stable; the proposed change remains within +/-5% for the second year in a row; “normal” year to year changes are generally within this range;**
- **Loss experience in the two most recently available policy years (2011 & 2012) shows overall improvement for the first time since the 1/1/2010 rate change;**
- **Claim frequency declined in policy year 2012 (-5.2%) for the first time since policy year 2008; Florida saw its first increase in claim frequency in 10 years starting in policy year 2009; the claim frequency increases in policy years 2009, 2010 and 2011 may have been recession-related;**
- **Indemnity and medical loss ratios have declined, driven in part by a decrease in claim frequency; and,**
- **Interest rates have remained near historic lows for several years, which has prompted NCCI to request a higher profit and contingency provision of 4.5% in order for insurers to earn an adequate rate of return.**

If approved as filed, the overall average rate level change for each industry group for the current filing and for the period since the last major reform will be as follows:

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Industry Group	1-1-2015	Cumulative Change 10/1/03 – 1/1/15
Manufacturing	-3.2%	-55.3%
Contracting	-2.9%	-58.9%
Office and Clerical	-1.3%	-58.8%
Goods and Services	-2.6%	-55.6%
Miscellaneous	-2.4%	-55.2%
Total	-2.5%	-57.1%

Today, Florida's workers compensation insurance costs, overall, remain stable, and commensurate with other southeastern states.

Latest Average Loss Cost for all Class Codes Per \$100 Payroll Using Florida's Payroll Distribution:

FL \$1.09 (if approved as filed, drops to \$1.06)
 AL \$1.12 SC \$1.02
 GA \$1.12 TN \$0.95
 NC \$1.11

However, rates could increase, perhaps dramatically, depending on the decisions issued in several pending cases.

Castellanos v. Next Door Company

Westphal v. City of St. Petersburg

Morales v. Zenith Insurance Company

Padgett v. State of Florida

NCCI is monitoring these cases, and once final, will be prepared to issue estimated cost impacts and if necessary, submit amendments to the pending rate filing or submit future rate filings.

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