



# Florida

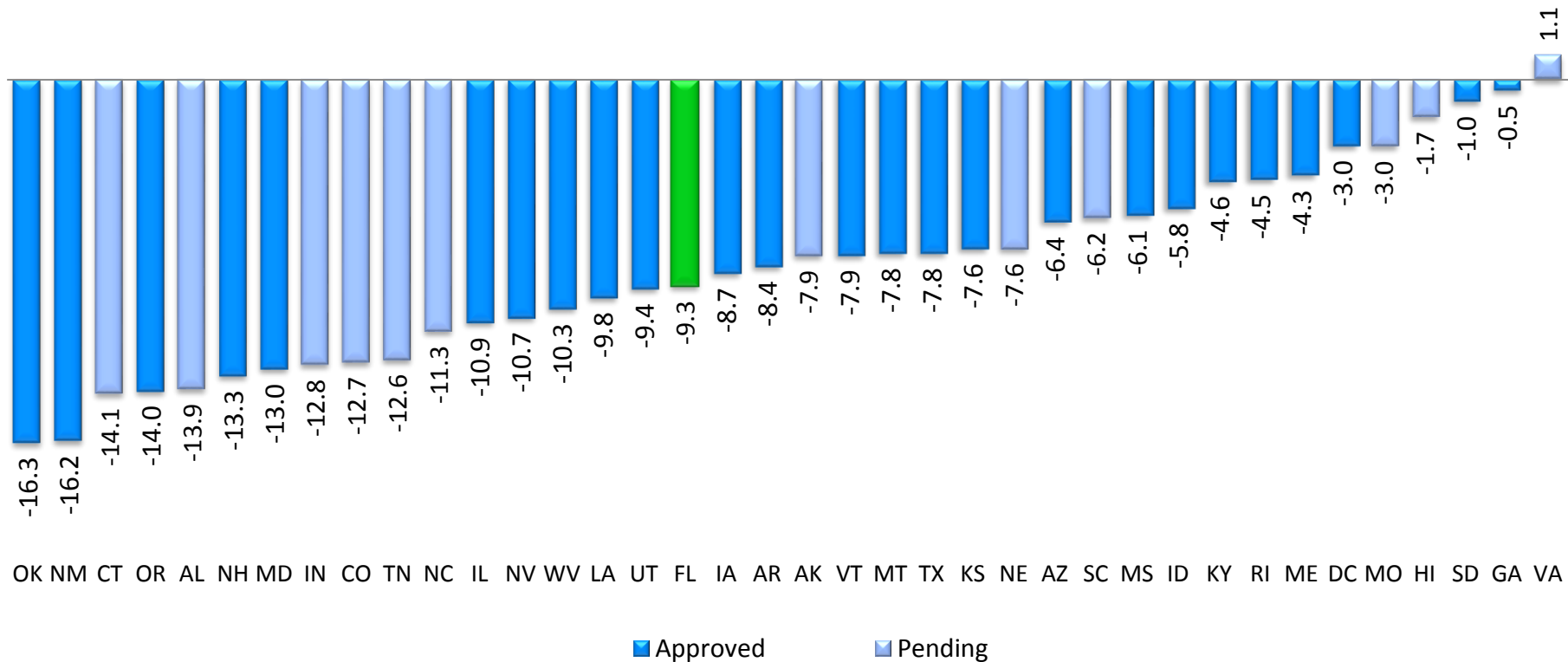
**January 1, 2018**

## **Workers Compensation Rate Filing Actuarial Analysis**

Jay Rosen, FCAS, MAAA  
Director and Senior Actuary

# Current NCCI Voluntary Market Loss Cost/Rate Level Changes (%)

Excludes Law-Only Filings



Reflects the most recent experience filing in each jurisdiction

Due to the timing of the individual loss cost/rate filings, the figures shown may include changes from prior filing seasons

# Florida

## January 1, 2018 Rate Filing

Component	Impact
Change in Experience, Trend and Benefits	−7.8%
Change in Production and General Expenses	0.0%
Change in Taxes and Assessments	−0.4%
Change in the Profit and Contingency Provision	−1.0%
Change in Loss-Based Expenses	−0.5%
Offset for the Change in the Expense Constant	+0.3%
<b>Proposed Overall Average Rate Level Change</b>	<b>−9.3%</b>

# Experience, Trend and Benefits

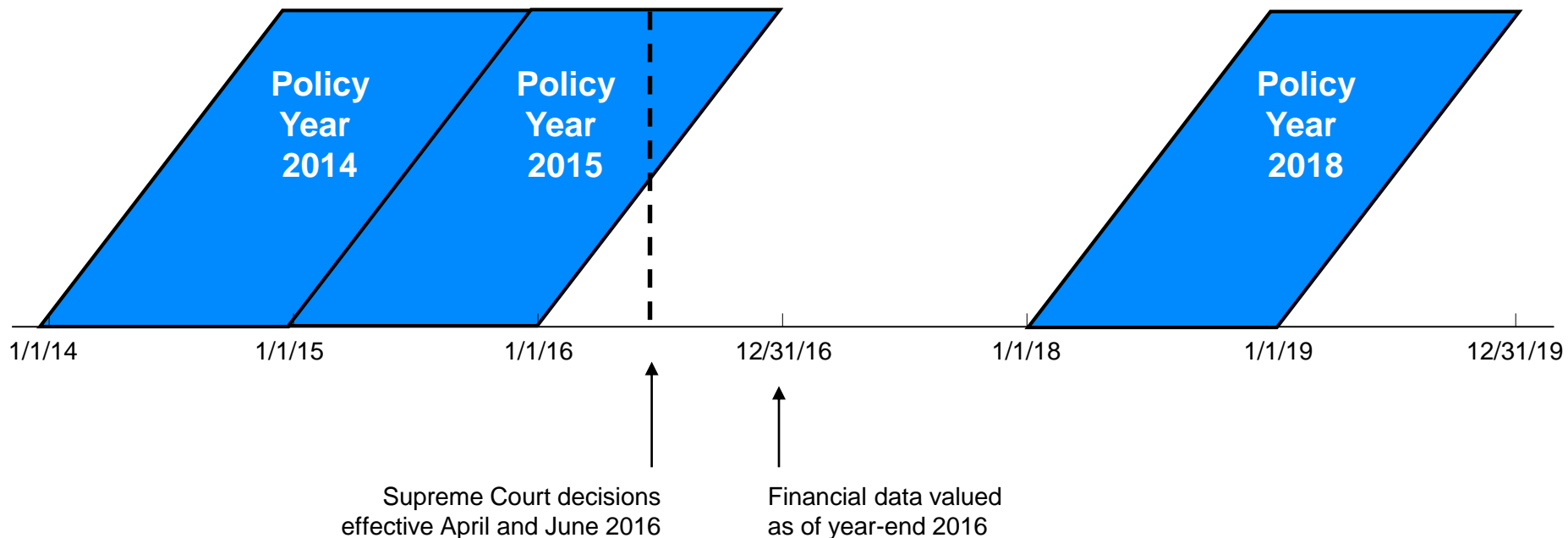
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# Filing Methodology

Calculation	Methodology
Experience Period	Most recent two full policy years
Loss Development	Average of the results produced by the paid and paid plus case loss aggregations  Three-year average link ratios

# Filing Methodology—Experience Period

The most recent two full policy years of financial data is used as the filing's experience period



# Filing Methodology

Calculation	Methodology
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## Trend

Reviewed historical changes in:

- Claim frequency and severity
- Loss ratios

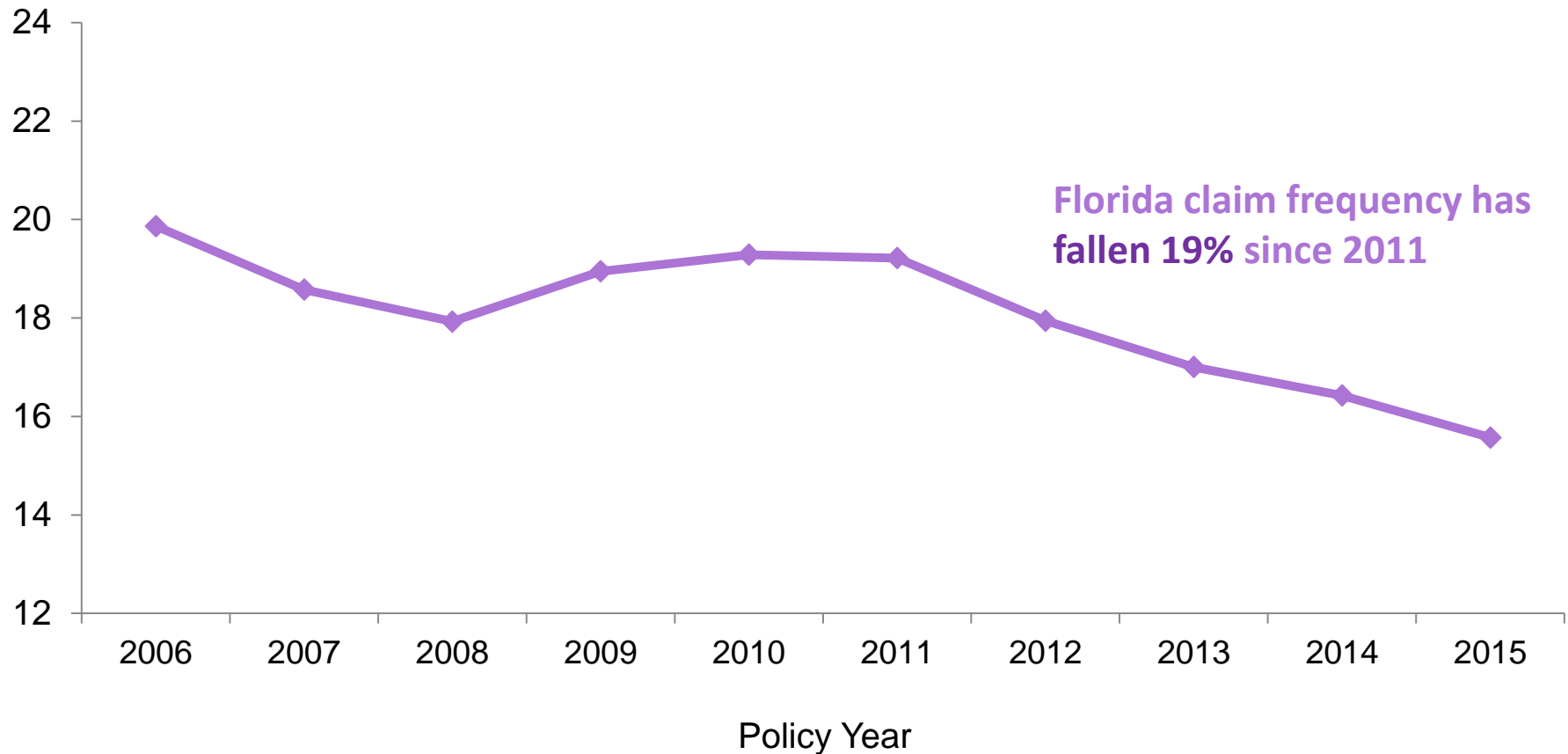
Indemnity: Selected  $-3.0\%$  per year

Medical: Selected  $-0.5\%$  per year

The selected trend factors recognize the current high degree of uncertainty associated with financial data loss experience that has yet to fully emerge in the post-*Castellanos* environment

# Florida Lost-Time Claim Frequency

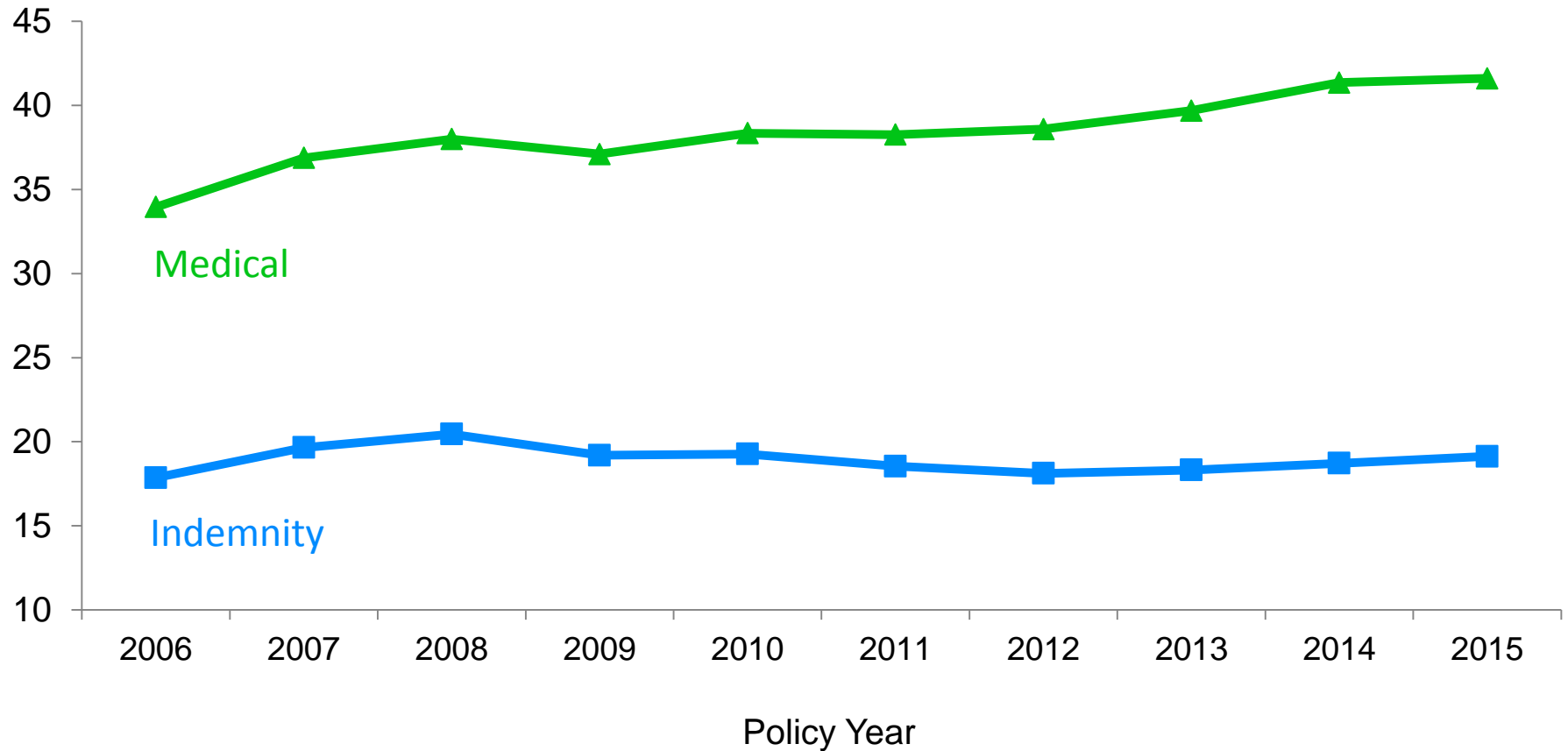
(Frequency per Million on On-Leveled, Wage-Adjusted Premium)



Based on financial data

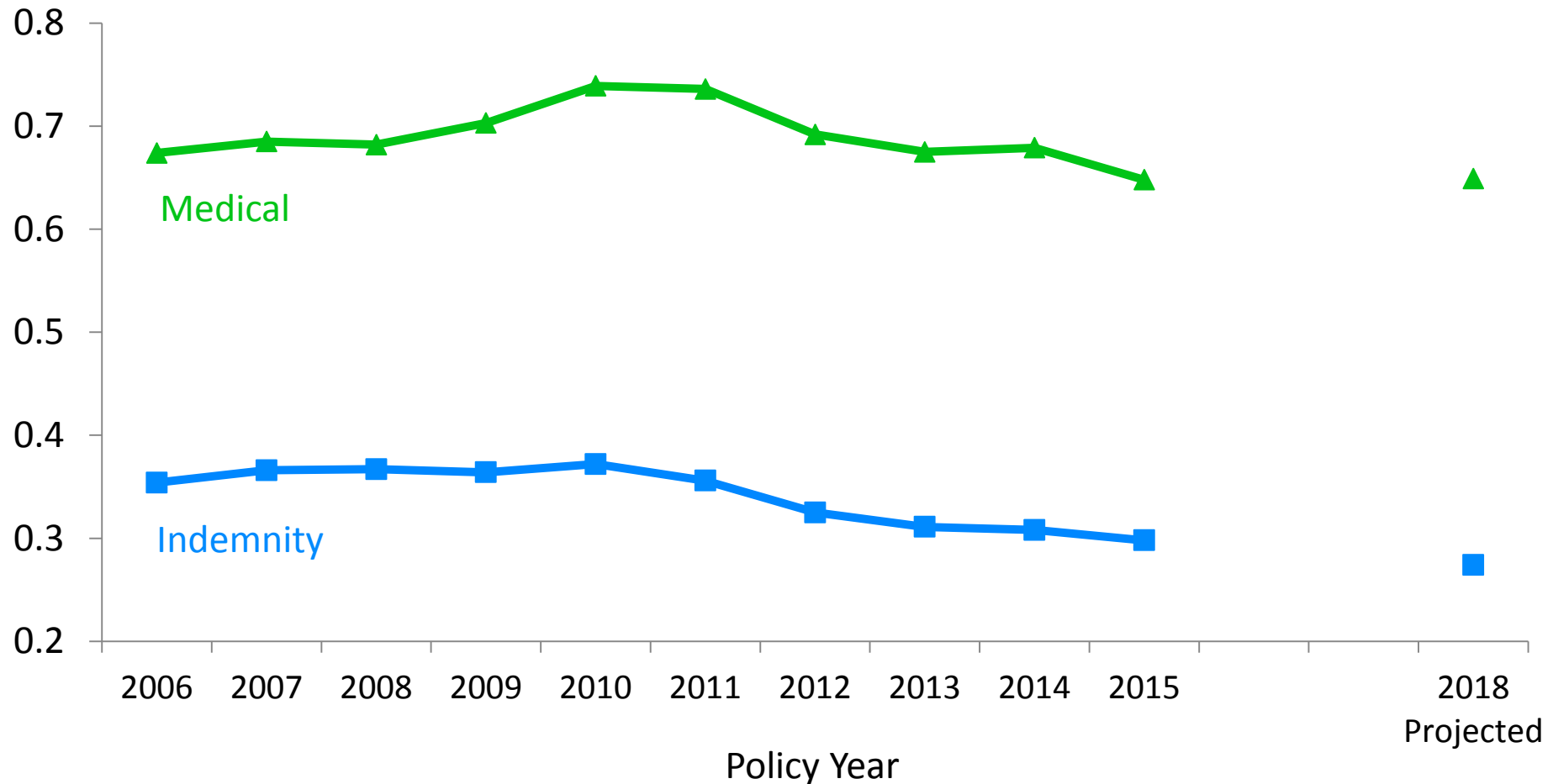


# Florida Average Claim Severity (\$ '000s)



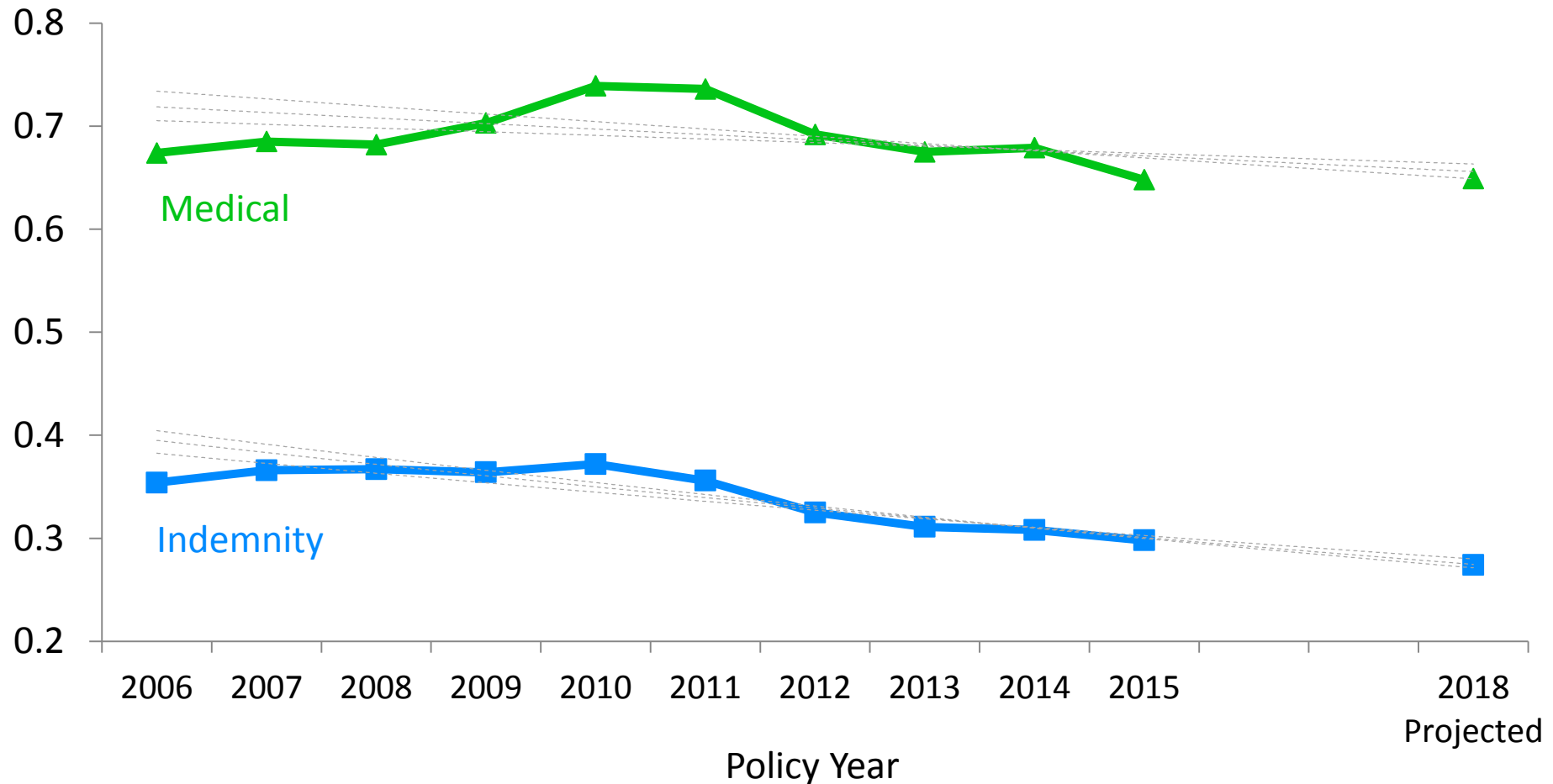
The lost-time claim severity figures are in excess of wage trend  
Based on an average of paid and paid plus case financial data at current benefit level and developed to ultimate

# Florida Indemnity and Medical Loss Ratios



Based on an average of paid and paid plus case financial data at current benefit level and developed to ultimate

# Florida Indemnity and Medical Loss Ratios



Based on an average of paid and paid plus case financial data at current benefit level and developed to ultimate

# Update to the *Florida Workers' Compensation Health Care Provider Reimbursement Manual*

Effective July 1, 2017

The estimated impact is based on data provided by the Florida Division of Workers' Compensation

Component	Impact
Physician	−0.2%
<u>Hospital Outpatient</u>	<u>−0.1%</u>
Impact on Medical Costs	−0.1%
Overall Impact on WC System Costs	<b>−0.1%</b>

# Florida Expense Provisions

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# Expense Provisions—Profit and Contingency

Provision	Methodology
Profit and Contingency (P&C)	<p>Based on the results of NCCI's Internal Rate of Return (IRR) model:</p> <p>“Dynamic” estimate: 1.38%</p> <p><b>Selected provision: 2.0%</b></p> <p>“Static” estimate: 2.80%</p>
<ul style="list-style-type: none"><li>• The selected provision reflects the merits of the two individual approaches</li><li>• It is expected that selecting a P&amp;C provision approximately midway between the two estimates will provide year-to-year stability in this filing component</li></ul>	

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# Expense Provisions—LAE and Expense Constant

Component	Current	Proposed
Loss Adjustment Expense (LAE)	21.3%	20.7%
Expense Constant (EC)	\$200	\$160

- LAE includes costs associated with the handling of WC claims
- The EC, together with the expense provision included in the manual rate, provide for insurer expenses
- The proposed reduction in the EC is intended to affect a more equitable distribution of premium and expenses across risk sizes and is being implemented in a premium-neutral fashion

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