



NCCI 2014 Florida Rate Hearing Financial Analysis

October 1, 2013

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NCCI 2014 Florida WC Rate Hearing Financial Analysis

- Methodology
 - Models Unchanged
 - DCF
 - CAPM
 - IRR
 - Inputs Updated
 - Value Line Projected Dividend Growth Decreased
 - Decrease in Current Dividend Yield
 - Lower Beta
 - Cost of Capital Lower
 - Premium Patterns Now Based on Florida Experience
- Financial Markets Improved
 - Interest rates slightly above historic lows
 - Stock market gained

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Impact of Changes in Premium Inputs

- Comparing the UCPs from Table 1:
 - 9.391 using last year's premium patterns with this year's data
 - - 8.334 using the revised premium patterns with this year's data (submitted)
 - =1.06 lower
- There are two material changes in the inputs:
 - 0.360 impact of the change in the written premium pattern
 - -1.420 impact of the change in the premium collection pattern
 - =1.06 lower

Cost of Capital – Overall Result

Cost of Capital (DCF) 10.47%

Cost of Capital (CAPM) 10.86%

Estimated Cost of Capital (DCF & CAPM) 10.67%



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Why the UCP Changed

FLORIDA - VOLUNTARY STANDARD
INTERNAL RATE OF RETURN MODEL
FLORIDA RECONCILIATION EXHIBIT
1/1/14 vs 1/1/13

Change	From	To	UCP	Change in UCP
Last Year's Starting Value			10.493	-

Overall Change			8.334	-2.159
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Cost of Capital (6/21/2013)	11.36	10.67	9.601	-0.892

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Expenses				
Production	11.900	12.000	9.455	-0.008
General	4.800	4.900	9.447	-0.008
Miscellaneous	0.300	0.300	9.447	0.000
Taxes	3.180	2.980	9.450	0.003
Overall Total Expenses	20.180	20.180	9.450	-0.013

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Dividends (NI - Not Included)	NI	NI		NI
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Thank You for the Opportunity to Share This Information

Questions or Comments?