



September 26, 2012

**Circular 2012-07**

**To: All ICRB Members**

**Re: Approved January 1, 2013 Advisory Rate Filing**

**Approval**

On September 26, 2012 the Indiana Department of Insurance (IDOI) "FILED" the advisory rate filing which completes the approval process. The filing proposes an increase of:

- 4.3 % to the loss costs;
- 5.0% in overall premium level, and;
- 5.0% in overall rate level.

This overall premium level increase follows last year's increase of 2.6%.

**Components**

The attached exhibit provides a summary of the advisory rate filing components:

- ✓ Overall premium, loss costs, and rate level changes
- ✓ Components of premium level change
- ✓ Average change by industry group
- ✓ Implied loss cost multiplier
- ✓ Indemnity and medical loss ratios
- ✓ Target cost ratio
- ✓ Medical/indemnity split
- ✓ Executive officer, sole proprietor, partner, LLC member payroll limits
- ✓ Expense constant

**More Information**

The ICRB website contains this information as well as the proposed rate pages and rate filing document. Go to [www.icrb.net](http://www.icrb.net) and click on the "[Rates](#)" tab.

Sincerely,

Ronald W. Cooper, CWCP  
President

Attachment: Summary of Advisory Rate Filing Effective 1/1/2013

**Indiana Workers Compensation  
Advisory Rate Filing Effective 01/01/2013 "FILED" by DOI 09/26/2012  
Summary**

<i>Percent</i>	
<b>Overall Premium Level Change</b>	<b>5.0%</b>
<i>Formula: (1+0.037)*(1+0.009)*(1-0.003)-1</i>	
<b>Overall Rate Level Change</b>	<b>5.0%</b>
<i>Formula: (1+0.037)*(1+0.009)*(1-0.003)-1*(1+0.007)-1</i>	
<b>Components of Change</b>	
Experience, Trend, & Benefits	3.7%
Loss Based Expenses	0.0%
Offset for Change in EL Factors	0.9%
Offset for Change in MMP Factors	-0.3%
<b>Loss Costs Change</b>	<b>4.3%</b>
Other Expenses & Taxes	0.7%
<b>Premium Level Change</b>	<b>5.0%</b>
Change in Expense Constant Offset	0.0%
<b>Rate Level Change</b>	<b>5.0%</b>

<b>Average Change by Industry Group</b>	<i>Avg Rate</i>	<i>Percent Rate Level Change*</i>	<i>Range of Swing Limits from Previous Rates*</i>
Manufacturing	\$2.23	2.4%	+27 to -23%
Contracting	\$4.15	1.3%	+26 to -24%
Office	\$0.30	6.3%	+31 to -19%
Goods & Services	\$2.13	5.7%	+31 to -19%
Miscellaneous	\$4.31	10.9%	+36 to -14%
<b>All</b>	<b>\$1.45</b>	<b>5.0%</b>	

source: Tech Supplement Summary and Appendix B-II(5)

\* values corrected in this table on 10/09/12

<b>Other Changes</b>		
Implied Loss Cost Multiplier (LCM):	1.366	(1 / Target Cost Ratio)
Executive officer weekly payroll:		
	Minimum no change \$650 (\$33,800 annually)	
	Maximum increased from \$3,000 to \$3,100 (\$161,200 annually)	
	<i>Note: Amounts based on USDOL BLS QCEW SAWW*</i>	
Sole proprietor, partner, LLC member who elect coverage: same as min/max same as executive officer		
Expense Constant the same at \$250		
Medical/Indemnity split: 75%/25%		
<small>source: Filing, p. 5. Also see Tech Supp Exhibits I-A &amp; I-B, lines 15 &amp; 27 avg, 2009 &amp; 2010 policy years, and Exhibit I-C, line 1: developed to ultimate &amp; projected to midpoint of policy year 2013</small>		

<b>Loss Ratios</b>	<b>Indemnity</b>	<b>Medical</b>	<b>Total</b>
	17%	46%	63%
<small>policy year 2010 developed to ultimate at designated stat reporting level sources: Filing, pages 9, 12; Tech Supp Appendix A-III, Section A, 2010 year</small>			

<b>Target Cost Ratio</b>	
	73.2%
Overhead	26.8%
<b>Total</b>	<b>100.0%</b>
The target cost ratio is the portion of premium that funds loss and loss adjustment expense (LAE). The complement of that is for funding overhead provisions: production expenses, general expenses, taxes, and profit & contingencies.	

source: Tech Supp Exhibit II-A, line 7

**\* Payroll Rules for 2013:**

- Statewide Average Weekly Wage (SAWW) for executive officers, sole proprietors, partners, and LLC members based on latest available U.S. Department of Labor (USDOL) Bureau of Labor Statistics (BLS) Occupational Employment Statistics Quarterly Census of Employment and Wages (QCEW) State Average Weekly Wage (SAWW) = \$774
- Minimum equal to 85% of the SAWW (774 x 0.85 = 658) rounded to nearest 50 = \$650
- Maximum equal to 4 times the SAWW (774 x 4 = 3,096) rounded to nearest 100 = \$3,100