



October 11, 2013

**Circular 2013-08**

**To: All ICRB Members**

**Re: Approved January 1, 2014 Advisory Rate Filing**

**Approval**

On October 10, 2013 the Indiana Department of Insurance (IDOI) “FILED” the advisory rate filing which completes the approval process. The filing proposes a decrease of:

- -7.6 % to the loss costs;
- -7.7% in overall premium level, and;
- -7.7% in overall rate level.

This decrease follows three consecutive years (2011-2013) of increases totaling +9.6%.

**Components**

The attached exhibit provides a summary of the advisory rate filing key components. In addition, here’s a further breakdown of the cost impact analysis from House Enrolled Act 1320:

	Impact %
<b>Component eff 07/01/13</b>	
Repackaged Drugs	-0.1
<b>Components eff 07/01/14</b>	
(A) Indemnity Benefits	1.1
PPI	0.8
Max Wage	0.3
(B) Medical Fee Schedule	-6.7
Hospital Inpatient	-2.1
Hospital Outpatient	-3.5
ASC	-1.1
(C) Total (A + B)	-5.6
(D) Prorated Impact of (C)	-4.8
(E) All Components Total	-4.9

**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 1/1/2014

**Indiana Workers Compensation  
Advisory Rate Filing Effective 01/01/2014 "FILED" by DOI 10/10/2013  
Summary of Key Components**

	<i>Percent</i>
<b>Overall Premium Level Change</b>	<b>-7.7%</b>
<b>Overall Rate Level Change</b>	<b>-7.7%</b>

*Formula: (0.987)\*(0.987)\*(0.951)\*(0.998)\*(0.999)-1*

<b>Components of Change</b>	
Experience	-1.3%
Trend	-1.3%
Benefits (HEA 1320 impact)	-4.9%
Loss Based Expenses	-0.2%
<b>Loss Costs Change</b>	<b>-7.6%</b>
Production & General Expenses	-0.1%
Taxes & Assessments	0.0%
<b>Premium Level Change</b>	<b>-7.7%</b>
<b>Rate Level Change</b>	<b>-7.7%</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	\$2.07	-8.3%	+17 to -33%
Contracting	\$3.67	-9.9%	+15 to -35%
Office	\$0.27	-10.2%	+15 to -35%
Goods & Services	\$2.00	-6.5%	+19 to -31%
Miscellaneous	\$4.20	-5.3%	+20 to -30%
<b>All</b>	<b>\$1.36</b>	<b>-7.7%</b>	

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

<b>Other Changes</b>	
Implied Loss Cost Multiplier (LCM):	1.364 (1 / Target Cost Ratio of 73.3)
Executive officer weekly payroll:	
	Minimum increased from \$650 to \$700 (\$36,400 annually)
	Maximum increased from \$3,100 to \$3,200 (\$166,400 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: 76%/24%	
source: Filing, p. 5. Also see Tech Supp Exhibits I-A & I-B, lines 15 & 27 avg, 2010 & 2011 policy years, and Exhibit I-C, line 1; developed to ultimate & projected to midpoint of policy year 2014	

<b>Loss Ratios</b>	<b>Indemnity</b>	<b>Medical</b>	<b>Total</b>
	15%	42%	57%
policy year 2011 developed to ultimate at designated stat reporting level sources: Filing, pages 9, 12 & Tech Supp Appendix A-III, Section A, 2011 year			

<b>Target Cost Ratio</b>	<b>73.3%</b>
Overhead	26.7%
<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 Derivation for 2014:**

- 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), Total Private Industry. State Average Weekly Wage (SAWW) = \$795
- Minimum equal to 85% of the SAWW (795 x 0.85 = 710) rounded to nearest 50 = \$700
- Maximum equal to 4 times the SAWW (795 x 4 = 3,340) rounded to nearest 100 = \$3,200