



October 10, 2014

Circular 2014-09

To: All ICRB Members

Re: Approved January 1, 2015 Advisory Rate Filing

Summary

On October 8, 2014 the Indiana Department of Insurance (IDOI) “FILED” the advisory rate filing which completes the approval process. The filing provides a decrease of:

- -3.8% to the loss costs, and
- -3.7% in overall rate level

This overall premium level decrease follows last year’s decrease of -7.7% and three consecutive years (2011-2013) of increases which totaled +9.6%.

Components

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

More Information

Check out the Hot Topics section on the home page of the ICRB website to see the rate filing document and rate pages. www.icrb.net.

Sincerely,

Ronald W. Cooper, CWCP
President

Attachment: Summary of Advisory Rate Filing Effective 01/01/2015

Indiana Workers Compensation
Advisory Rate Filing Effective 01/01/2015 "FILED" by DOI 10/08/2014
Summary of Key Components

	<i>Percent</i>
Overall Premium Level Change	-3.7%
Overall Rate Level Change	-3.7%

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

Components of Change	
Experience	-3.3%
Offset for Change in Minimum Prem	-0.2%
Loss Based Expenses	-0.3%
Loss Costs Change	-3.8%
Production & General Expenses	0.1%
Taxes & Assessments	0.0%
Premium Level Change	-3.7%
Rate Level Change	-3.7%

Average Change by Industry Group	<i>Avg Rate</i>	<i>Percent Rate Level Change</i>	<i>Range of Swing Limits from Previous Rates</i>
Manufacturing	\$2.01	-4.9%	+20 to -30%
Contracting	\$3.46	-4.8%	+20 to -30%
Office	\$0.26	-2.4%	+23 to -27%
Goods & Services	\$1.96	-1.4%	+24 to -26%
Miscellaneous	\$3.92	-5.7%	+19 to -31%
All	\$1.31	-3.7%	

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

Other Changes	
Implied Loss Cost Multiplier (LCM):	1.366 (1 / Target Cost Ratio of 73.2)
Executive officer weekly payroll:	
Minimum:	no change \$700 (\$36,400 annually)
Maximum:	no change \$3,200 (\$166,400 annually)
Note: Amounts based on USDOL BLS QCEW SAWW*	
Sole proprietor, partner, LLC member who elect coverage: same as min/max for executive officer	
Expense Constant the same at \$250	
Maximum Minimum Premium increased from \$1,250 to \$1,500	
Medical/Indemnity split: 75%/25%	
source: Filing, p. 5. Also see Tech Supp Exhibits I-A & I-B, lines 15 & 27 avg, 2011 & 2012 policy years, and Exhibit I-C, line 1; developed to ultimate & projected to midpoint of policy year 2015	

Loss Ratios	Indemnity	Medical	Total
	16%	43%	59%
policy year 2012 developed to ultimate at designated stat reporting level			
sources: Filing, pages 9, 12 & Tech Supp Appendix A-III, Section A, 2012 year			

Target Cost Ratio	
	73.2%
Overhead	26.8%
Total	100.0%
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 2015:
- 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) = \$801
 - Minimum equal to 85% of the SAWW (801 x 0.85 = 681) rounded to nearest 50 = \$700
 - Maximum equal to 4 times the SAWW (801 x 4 = 3,204) rounded to nearest 100 = \$3,200