INDIANA COMPENSATION RATING BUREAU

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October 7, 2016

Circular 2016-07

To: ICRB Members

Re: Approved January 1, 2017 Advisory Rate Filing

Summary

On October 5, 2016 the Indiana Department of Insurance (IDOI) "FILED" the advisory rate filing which completes the approval process. The filing consists of:

- Overall Loss Cost Level Change -9.1%
- Overall Rate Level Change -9.3%

The -9.3 decrease is the largest change in over 25 years. Looking at recent years changes, the last three years (2015-2017) result in an overall decrease in costs of -11.0%. Over the last five years (2013-2017), costs have decreased -13.7%. Looking long term over the last seventeen years (2000-2017) costs have decreased -17.7%.

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, CWP

President

Exhibits: Summary of Advisory Rate Filing Effective 01/01/2017

Chart of Premium Level Changes 1992-2017

Indiana Workers Compensation Advisory Rate Filing Effective 01/01/2017 "FILED" by DOI 10/05/2016 Summary of Key Components

	Percent
Overall Loss Cost Level Change	-9.1%
Overall Rate Level Change	-9.3%

Components of Char	nge	
В	Benefits	0.1%
E	Experience	-7.4%
Т	rend	-3.0%
L	oss Based Expenses	1.1%
	Loss Cost Level Change	-9.1%
P	Production & General Expenses	0.1%
Т	axes & Assessments	-0.3%
	Premium Level Change	-9.3%
	Rate Level Change	-9.3%

(PYs 2013 & 2014)

Average Change by Industry Group	Avg Rate	Percent Premium Level Change	Range of Swing Limits from Previous Rates
Manufacturing	\$1.94	-6.2%	+19 to -31%
Contracting	\$3.31	-11.2%	+14 to -36%
Office/Clerical	\$0.24	-9.8%	+15 to -35%
Goods & Services	\$1.83	-9.4%	+16 to -34%
Miscellaneous	\$3.57	-11.6%	+13 to -37%
All	\$1.23	-9.3%	

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

Other Changes

Implied Loss Cost Multiplier (LCM): 1.379 (1 / Target Cost Ratio of 72.5)

Source: Tech Supp Appendix D

Executive officer weekly payroll: source: Filing Miscl Values

Minimum: no change \$700 (\$36,400 annually)

Maximum: from \$3,300 to \$3,400 (\$176,800 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, no change: \$160 source: Tech Supp Summary

Maximum Minimum Premium no change: \$1,500 source: Tech Supp Summary

Experience Rating Split Point: \$16,500 source: Tech Supp Summary

source: Filing, Exhibit IV, p. S13

Medical/Indemnity split: 73%/27%

source: Filing, p. 5. Also see Tech Supp Exhibits I-A & I-B, lines 13 & 23 avg, 2013 & 2014 policy years, and Exhibit I-C, line 1; developed to ultimate & projected to midpoint of policy year 2017 (12/02/17)

Loss Ratios	Indemnity	Medical	Total	
	26%	60%	86%	
	policy year 2014 devel	oped to ultimate at desi	gnated stat re	porting level
	sources: Filing, pages	9, 12 & Tech Supp Appe	endix A-III, Sed	ction A, 2014 year

Target Cost Ratio	72.5%
Overhead	27.5%
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, Amended Exhibit II-A, lines 6, 7

- * Payroll Derivation for 2017:
- 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) = \$857
- Minimum equal to 85% of the SAWW (857 \times 0.85 = 728) rounded to nearest 50 = \$700
- Maximum equal to 4 times the SAWW (857 x 4 = 3,428) rounded to nearest 100 = \$3,400

Indiana WC Premium Level Changes

