



October 5, 2018

Circular 2018-07

To: ICRB Members

Re: Approved January 1, 2019 Advisory Rate Filing

Summary

On October 5, 2018, 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 -5.6%
- Overall Rate Level Change -7.6%

The -7.6% decrease follows last year’s decrease of -12.8%. Looking at premium level changes over the last thirty years, we observe an overall decrease of 9.8%. Here’s a breakout of the three decades:

- 1990’s: 35.9% increase
- 2000’s: 6.9% decrease
- 2010’s: 28.7% decrease

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 01/01/2019
Chart of Premium Level Changes 1990-2019

Indiana Workers Compensation
Advisory Rate Filing Effective 01/01/2019 "FILED" by IDOI 10/05/2018
Summary of Key Components

| | <i>Percent</i> |
|---------------------------------------|----------------|
| Overall Loss Cost Level Change | -5.6% |
| Overall Rate Level Change | -7.6% |

| Components of Change | |
|---------------------------------------|--------------|
| Benefits | 0.3% |
| Experience | -3.3% |
| Trend | -2.5% |
| Loss Based Expenses | -0.2% |
| Loss Cost Level Change | -5.6% |
| Production & General Expenses & Taxes | 0.6% |
| Profit & Contingency Provision | -2.7% |
| Premium Level Change | -7.6% |
| Rate Level Change | -7.6% |

(PYs 2015 & 2016)

| 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 | \$1.61 | -7.6% | +17 to -33% |
| Contracting | \$2.61 | -8.3% | +17 to -33% |
| Office/Clerical | \$0.19 | -7.2% | +18 to -32% |
| Goods & Services | \$1.52 | -7.8% | +17 to -33% |
| Miscellaneous | \$2.93 | -6.8% | +18 to -32% |
| All | \$1.01 | -7.6% | |

Sources in Filing: Rate Level Change: Exh I-H; Swing Limits: Appendix B-II(5)

| Other Changes | | | |
|---|---|--------------------------------------|--------------|
| Implied Loss Cost Multiplier (LCM): | 1.339 | (1 / Target Cost Ratio of 74.7) | |
| | | source: Filing, Appendix D | |
| Executive officer weekly payroll: | | source: Filing, MiscI Values | |
| | Minimum: same at \$750 (\$39,000 annually) | | |
| | Maximum: increase from \$3,400 to \$3,600 (\$187,200 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: MiscI Values - Advisory Rate | |
| Maximum Minimum Premium no change: \$1,500 | | | |
| Experience Rating: | | | |
| Split Point: same at \$17,000 | | source: ER Table of Weighting Values | |
| Premium Eligibility Amounts: same at \$5,500 and \$2,750 | | | |
| Medical/Indemnity split: 71%/29% | | source: Filing, Appendix C-I | |
| Loss Ratios | Indemnity | Medical | Total |
| | 29% | 71% | 100% |
| | policy year 2016 developed to ultimate at designated stat reporting level | | |
| | source: Filing, Appendix C, page 10 of 146 | | |
| Target Cost Ratio | | 74.7% | |
| Overhead | | 25.3% | |
| 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: Filing, Exhibit II-A, lines 6, 7



Indiana WC Premium Level Changes

30 Year Net Change = -9.8%

