INDIANA COMPENSATION RATING BUREAU

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October 13, 2017

Circular 2017-07

To: ICRB Members

Re: Approved January 1, 2018 Advisory Rate Filing

Summary

On October 13, 2017, 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 -12.1%
- Overall Rate Level Change -12.8%

The -12.8% decrease is the largest change in over 25 years and follows last year's decrease of 9.3%. Looking at recent years changes, the last five years (2014-2018) result in an overall decrease in costs of -28.4%. The three-year period just prior to that (2011-2013) resulted in an overall increase of 9.6%.

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 01/01/2018

Chart of Premium Level Changes 1990-2018

Indiana Workers Compensation Advisory Rate Filing Effective 01/01/2018 "FILED" by DOI 10/13/2017 Summary of Key Components

	Percent
Overall Loss Cost Level Change	-12.1%
Overall Rate Level Change	-12.8%

Components of Chan	ge		
	Benefits	0.6%	
	Experience	-11.1%	(PYs 2014 & 2015)
	Trend	-1.8%	
	Loss Based Expenses	0.1%	
	Loss Cost Level Change	-12.1%	
	Production & General Expenses & Taxes	-0.1%	
	Profit & Contingency Provision	-0.7%	
	Premium Level Change	-12.8%	
	Rate Level Change	-12.8%	

Average Change by Industry Group	Avg Rate	Percent Premium Level Change	Range of Swing Limits from Previous Rates
Manufacturing	\$1.73	-12.2%	+13 to -37%
Contracting	\$2.83	-14.5%	+11 to -39%
Office/Clerical	\$0.21	-14.0%	+11 to -39%
Goods & Services	\$1.60	-12.8%	+12 to -38%
Miscellaneous	\$3.15	-11.6%	+13 to -37%
AII	\$1.08	-12.8%	

source: Swing Limits: Filing, Appendix B-II(5)

Other Changes

Implied Loss Cost Multiplier (LCM): 1.368 (1 / Target Cost Ratio of 73.1)

source: Filing, Appendix D

Executive officer weekly payroll: source: Filing, Miscl Values

Minimum: from \$700 to \$750 (\$39,000 annually) Maximum: same at \$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: Miscl Values - Advisory Rate

Maximum Minimum Premium no change: \$1,500 Experience Rating Split Point, no change: \$16,500

source: ER Table of Weighting Values

Loss Ratios	Indemnity	Medical	Total
	27%	63%	90%
	policy year 2015 develope	ed to ultimate at designate	ed stat reporting
	source: Filing, page 22		

Target Cost Ratio	73.1%
Overhead	26.9%
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

28 Year Net Change = -2.4%

