



November 5, 2015

**Circular 2015-07**

**To: ICRB Members**

**Re: Approved January 1, 2016 Advisory Rate Filing**

**Summary**

On November 5, 2015 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 1.3%
- Overall Premium Level Change 1.9%

Looking at recent years changes, the last three years (2014-2016) result in an overall decrease in costs of -8.8%. Over the last five years (2012-2016), costs have decreased -1.8%. Looking long term over the last sixteen years (2000-2016) costs have decreased -8.6%.

**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](http://www.icrb.net).

Sincerely,

A handwritten signature in black ink that reads "Ronald W. Cooper". The signature is written in a cursive style.

Ronald W. Cooper, CWCP, CWP  
President

Attachment: Summary of Advisory Rate Filing Effective 01/01/2016

**Indiana Workers Compensation  
Advisory Rate Filing Effective 01/01/2016 "FILED" by DOI 11/05/2015  
Summary of Key Components**

	<i>Percent</i>
<b>Overall Loss Cost Level Change</b>	<b>1.3%</b>
<b>Overall Premium Level Change</b>	<b>1.9%</b>

<b>Components of Change</b>	
Benefits	1.7%
Experience and Trend	-0.1%
Loss Based Expenses	-0.3%
<b>Loss Cost Level Change</b>	<b>1.3%</b>
Production & General Expenses	0.3%
Taxes & Assessments	0.3%
<b>Premium Level Change</b>	<b>1.9%</b>
Offset for Expense Constant Change	0.6%
<b>Rate Level Change</b>	<b>2.5%</b>

<b>Average Change by Industry Group</b>	<i>Avg Rate</i>	<i>Percent Premium Level Change</i>	<i>Range of Swing Limits from Previous Rates</i>
Manufacturing	\$2.07	2.1%	+28 to -22%
Contracting	\$3.70	1.8%	+27 to -23%
Office	\$0.26	0.0%	+26 to -24%
Goods & Services	\$2.02	2.3%	+28 to -22%
Miscellaneous	\$4.00	2.0%	+28 to -22%
<b>All</b>	<b>\$1.34</b>	<b>1.9%</b>	

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

<b>Other Changes</b>	
Implied Loss Cost Multiplier (LCM):	1.381 (1 / Target Cost Ratio of 72.4)
Executive officer weekly payroll:	
Minimum:	no change \$700 (\$36,400 annually)
Maximum:	from \$3,200 to \$3,300 (\$171,600 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 decreased from \$250 to \$160	
Maximum Minimum Premium no change: \$1,500	
Experience Rating Split Point: \$16,000	
Medical/Indemnity split: 74%/26%	
source: Filing, p. 5. Also see Tech Supp Exhibits I-A & I-B, lines 13 & 23 avg, 2013 & 2012 policy years, and Exhibit I-C, line 1; developed to ultimate & projected to midpoint of policy year 2015	

<b>Loss Ratios</b>	<b>Indemnity</b>	<b>Medical</b>	<b>Total</b>
	18%	47%	65%
policy year 2013 developed to ultimate at designated stat reporting level			
sources: Filing, pages 9, 12 & Tech Supp Appendix A-III, Section A, 2013 year			

<b>Target Cost Ratio</b>	<b>72.4%</b>
Overhead	27.6%
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, line 7

- \* **Payroll Derivation** for 2016:
- 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) = \$821
  - Minimum equal to 85% of the SAWW (821 x 0.85 = 698) rounded to nearest 50 = \$700
  - Maximum equal to 4 times the SAWW (821 x 4 = 3,284) rounded to nearest 100 = \$3,300