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Circular 2024-09

To: ICRB Members

Educational Circular- Decimal Extension of Loss Costs, Rates, and Expected Loss Rates

This circular is being sent for educational purposes only, the proposed changes will not take effect until January 1, 2026, if approved in Indiana. We have been receiving questions on this proposed change from a 2 decimal to a 3 decimal system for loss costs and expected loss rates.

For further details please see the information below.

Sincerely,

A handwritten signature in black ink that reads "Paul E. Keathley".

Paul E. Keathley
President & CEO

Decimal Extension of Loss Costs, Rates, and Expected Loss Rates

Action Needed

The Indiana Compensation Rating Bureau (ICRB) has made a decision to propose extending the decimal precision of ratemaking and experience rating values from two decimal places to three decimal places for loss costs and expected loss rates. This will be filed in 2025, and if approved by the Indiana Department of Insurance the proposed change will be included in the Annual Loss Cost and Rate Filing, effective January 1, 2026. This filing will also be taking place in all NCCI states and many of the other independent states.

Background

The decimal extension of loss costs, rates, and expected loss ratios (ELRs) aims to enhance the precision of these values. Over time, the workers compensation system has witnessed an ongoing rise in the payroll exposure base, coupled with a decline in loss costs and rates. With the continued decreases in workers compensation loss costs/rates, the changes for some classification codes are mathematically constrained with two decimal places, and moving to three decimal places will provide more responsiveness.

Impact

This change will be filed in 2025 with an effective date of January 1, 2026, if approved by the Indiana Department of Insurance.

- Indiana loss costs, rates, and ELRs will be published with three decimal places and distributed in rate tab data with three-decimal precision.
- Pure premiums in the Individual Classification Experience filing supplement will be extended by one decimal place for more precision.
- Extending loss costs, rates, and ELRs to three decimal places is expected to be premium neutral on an industry group and statewide basis.
- ELRs provided in experience rating modification worksheets and the Experience Rating Worksheet Distribution will be extended to three decimal places.

Contact

If you have questions, please contact Paul Keathley at 317-842-2800, extension 301 or Scott Lerew at 317-842-2800, extension 300.