

OIR Issues Order on NCCI's Florida Workers Compensation Rate Filing

On August 18, 2010, the National Council on Compensation Insurance (NCCI) proposed an overall workers compensation rate level increase of **8.3%** in Florida effective January 1, 2011. On October 15, 2010, the Office of Insurance Regulation (OIR) issued an order requesting that NCCI make an amended filing for an overall workers compensation rate level increase of **7.8%**.

The item which accounts for the difference of 0.5% is trend. The OIR states that a -3.3% medical trend is indicated instead of NCCI's proposed -3.0% medical trend.

The OIR's order requests that NCCI amend its filing by October 28, 2010. NCCI is in the process of reviewing the order.

The two main reasons for NCCI's proposed rate level increase of 8.3% were as follows:

1. **Florida claims experience has deteriorated slightly in the last two years. The resulting indicated experience change (+3.4%) is, however, within the range of a typical annual adjustment.**

The experience base used in the filing, accident years 2008 and 2009, reflects a slight deterioration in workers compensation experience (+2.2%). The expected upward development of this base (i.e., projected ultimate cost of claims) is also slightly higher than estimated last year (+1.2%). The additional year to year improvements Florida had been seeing in its workers compensation loss experience since the 2003 reform stopped after 2007. After any reform, it would be expected that eventually improvements stop and the system reaches a new baseline reflecting the total cumulative effects of the reform. This filing is the first in the post-reform era where the two years included likely reflect the new baseline.

2. **The forecast for Florida workers compensation has been changed from an extremely favorable outlook to a favorable outlook. Adjusting to less negative trends results in a positive rate impact (+3.9%).**

After several years of unprecedented claim frequency decline in the post-reform era, claim frequency has now flattened in the last couple of years. While NCCI is not giving the latest claim frequency numbers full weight, it is necessary to adjust the very optimistic outlook, or trend, over the next several years from that underlying the current rates. The new outlook still calls for continued improvement (i.e., negative trends), but at a slightly slower pace (i.e., less negative than current trends).

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