



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

In the Matter of:

**The National Council on Compensation Insurance, Inc.'s Workers' Compensation
Voluntary Loss Costs and Assigned Risk Rates Filing, Effective January 1, 2016**

MEMORANDUM AND ORDER

I. INTRODUCTION

On September 24, 2015 the National Council on Compensation Insurance, Inc. ("NCCI") filed a workers' compensation insurance application with the Connecticut Insurance Department (the "Department") for a change in Voluntary Market Advisory Pure Premium Loss Costs and a change in Assigned Risk Plan Rates for Workers' Compensation Insurance pursuant to Conn. Gen. Stat. §§38a-676 and 38a-665 proposed to be effective January 1, 2016.

The filing requests revisions of the current loss costs and assigned risk rates that the Department approved effective April 1, 2015. NCCI proposes an overall -3.9% change for pure premium loss costs and an overall -6.3% change in assigned risk plan rates. Changes to individual classification costs have been limited to 20% of the industry group change.

In order to give the public an opportunity to comment on NCCI's filing, the Department published the filing and Executive Summary on its webpage on September 28, 2015 at: <http://www.ct.gov/cid/cwp/view.asp?a=1270&Q=571280> and provided a thirty (30) day period for the public and interested parties to review and comment on the filing. The Department did not receive any public comments and did not hold a public hearing.

The following sections are a review of the NCCI filing requests; Insurance Department Staff's recommendations; and my determination regarding approval of the filing.

II. NCCI FILING REQUESTS

1. NCCI's proposed changes in Voluntary Market Advisory Loss Costs reflects the following pure premium level changes:

<u>Industry Group</u>	<u>Voluntary Market Pure Premium Advisory Loss Costs Change (%)</u>
Manufacturing	-3.5
Contracting	-6.0
Office & Clerical	-6.3
Goods & Services	-3.0
Miscellaneous	-1.4
Overall Change Requested	-3.9%

2. The proposed change in Assigned Risk Plan Rates reflects the following rate level changes:

<u>Industry Group</u>	<u>Assigned Risk Plan Rate Change (%)</u>
Manufacturing	-5.9
Contracting	-8.4
Office & Clerical	-8.6
Goods & Services	-5.5
Miscellaneous	-3.9
Overall Change Requested	-6.3%

3. The components of the Advisory Loss Costs and Assigned Risk Plan Rate changes are comprised of the following elements:

<u>Component</u>	<u>Voluntary Market Pure Premium Change (%)</u>	<u>Assigned Risk Plan Premium Level Change (%)</u>
Experience, Trend and Benefits	-4.1	-4.1
Benefits	+0.3	+0.3
Change in Assigned Risk Multiplier	N/A	-2.5
Loss-based Expenses	-0.1	-0.1
Overall Level Change Requested	-3.9	-6.3
Change in Expense Constant	N/A	-1.4
Overall Premium Change Requested	N/A	-7.6

4. The assessments due from employers for funding the cost of the Workers' Compensation Commission are 2.70% of losses. Insurance carriers pass through these assessments to employers. For the Voluntary Market and the Assigned Risk Plan, the assessment rate converted to a percentage of premium is 1.9% of standard premium. The assessment rate for "F" classifications, which provides coverage under the United States Longshore and Harbor Workers' Compensation Act and its extensions, is changing to 6.2% of total losses, with a proposed assessment on assigned risk standard premium and voluntary market standard premium of 3.8%.
5. The filing proposes to increase the maximum payroll for Executive Officers or Members of Limited Liability Companies from \$2,400 per week to \$2,500 per week.
6. The filing proposes to increase the maximum payroll for Athletic Teams from \$1,200 per week to \$1,250 per week.
7. The Average Weekly Wage on October 1, 2015 changed to \$1,256. NCCI estimates the impact of this change to be +0.7% on indemnity benefits.
8. The Practitioner Fee Schedule was revised effective July 15, 2015. NCCI estimates the impact of this change to be -0.1% on medical benefits.
9. The proposed Permissible Loss Ratio for the Assigned Risk Rate filing is 69.0%.

10. The filing proposes to decrease the expense constant from \$220 to \$160.
11. The filing proposes to decrease the Uncollectible Premium Provision from 4.7% to 4.1%.

III. DISCUSSION AND RECOMMENDATIONS

A. Overall Advisory Loss Costs and Assigned Risk Plan Rates

Conn. Gen. Stat. §38a-665 establishes the standards, methods and criteria for the making and use of workers' compensation insurance rates in Connecticut. Conn. Gen. Stat. §38a-665 provides that no rates shall be excessive or inadequate, nor shall they be unfairly discriminatory. Conn. Gen. Stat. §38a-665(b) provides that consideration shall be given, to the extent possible, to: past and prospective loss experience; reasonable margin for profit and contingencies; past and prospective expenses both countrywide and those specially applicable to this state; investment income earned or realized both from unearned premium and loss reserve funds; and other relevant factors, including judgment factors.

The Department's staff determined that overall cost levels are decreasing for the assigned risk rates and for the voluntary market advisory loss costs. The cost levels for this filing are based on Connecticut loss experience for policy years 2012 and 2013. NCCI adjusts past losses to current conditions using adjustment methods which make the magnitude of the change very sensitive to their assumptions. Critical assumptions include those for trend, loss development and experience period. Department staff reviewed the assumptions included in these filings for reasonableness, including the econometric forecast values and recommend adjustments in the following paragraphs.

B. Assigned Risk Differential

The filing proposes to increase the Assigned Risk Differential from 25% to 30%. Department staff believes that while NCCI has provided actuarial support for this increase, a reasonable adjustment to the Assigned Risk Differential should be less than 30%. Based on discussions between the Department's and NCCI's actuaries, the parties believe that an adjustment to the rates using an Assigned Risk Differential of 27.5% will appropriately address the need to increase the differential due to adverse industry-wide loss experience in more recent years while easing the rate impact to assigned risk businesses that have had more favorable recent loss experience.

C. Maximum Payroll for Executive Officers or Members of Limited Liability Companies

The filing proposes to increase the maximum payroll for Executive Officers or Members of Limited Liability Companies from \$2,400 per week to \$2,500 per week. Department staff believes this requested increase is reasonable and will make the maximum payroll used in Connecticut responsive to the state's economy.

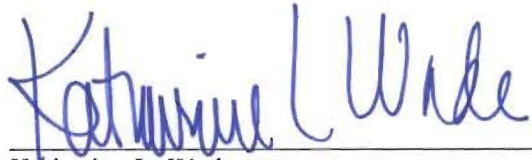
IV. ORDER

On the basis of the foregoing recommendations and analysis by Department staff and my review of the filing, I hereby order that:

- A. For purposes of calculating Assigned Risk Plan rates, NCCI shall change the Assigned Risk Differential used in the filing from 30% to 27.5%.

- B. NCCI's voluntary market advisory loss costs are **accepted** as filed.
- C. The proposed increase in the maximum payroll for Executive Officers or Members of Limited Liability Companies from \$2,400 per week to \$2,500 per week is approved.
- D. The proposed increase in the maximum payroll for Athletic Teams from \$1,200 per week to \$1,250 per week is approved.
- E. The proposed Workers' Compensation Commission industrial classification assessment fund rate be changed to 1.9% of standard premium and "F" industrial classification assessment fund rate be changed to 3.8% of standard premium for voluntary market and assigned risk plan insurers for policies effective on or after January 1, 2016.
- F. The thirty (30) day advance filing requirement set forth in Conn. Gen. Stat. §38a-676(b) for filings received prior to January 1, 2016 be waived in order to allow for the adoption of the change in advisory pure premium loss costs effective January 1, 2016.

Dated at Hartford, Connecticut this 3 day of Nov, 2015



Katharine L. Wade
Insurance Commissioner