



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

In the Matter of:

The National Council on Compensation Insurance, Inc.'s Workers' Compensation Voluntary Advisory Loss Costs, Assigned Risk Rates, and Rating Values Filing, Effective January 1, 2018

MEMORANDUM AND ORDER

I. INTRODUCTION

On September 21, 2017, 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-665(a) proposed to be effective January 1, 2018.

The filing requests revisions of the current loss costs and assigned risk rates that the Department approved effective January 1, 2017. NCCI proposes an overall -14.1% change for pure premium loss costs and an overall -12.6% 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 26, 2017 at: <http://www.ct.gov/cid/cwp/view.asp?a=1270&Q=596532> 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 Cost Average Change (%)</u>
Manufacturing	-14.7%
Contracting	-12.9%
Office & Clerical	-17.0%
Goods & Services	-12.5%
Miscellaneous	-16.4%
Overall Change Requested	-14.1%

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

<u>Industry Group</u>	<u>Assigned Risk Plan Rate Average Change (%)</u>
Manufacturing	-13.2%
Contracting	-11.4%
Office & Clerical	-15.6%
Goods & Services	-10.9%
Miscellaneous	-15.0%
Overall Change Requested	-12.6%

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 and Development	-11.1%	-11.1%
Trend	-3.5%	-3.5%
Benefits	+0.2%	+0.2%
Loss-based Expenses/Expenses	-0.1%	+1.7%
Overall Change Requested	-14.1%	-12.6%

4. The assessments due from employers for funding the cost of the Workers' Compensation Commission are 2.62% 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 1.8% 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 7.1% of total losses, with a proposed assessment on assigned risk standard premium and voluntary market standard premium of 3.9%.
5. The filing proposes no change to the maximum payroll for Executive Officers or Members of Limited Liability Companies.
6. The filing proposes no change to the maximum payroll for Athletic Teams.
7. NCCI estimates that the revised Hospital and Ambulatory Surgical Center Fee Schedule effective April 1, 2017, will result in an impact of +0.2% on overall workers compensation system costs in Connecticut.
8. NCCI estimates that the revised Practitioner Fee Schedule, effective July 15, 2017, will result in a negligible increase (smaller than 0.1%) on overall workers compensation system costs in Connecticut.
9. The filing proposes to decrease the Permissible Loss Ratio for the Assigned Risk Rate filing from 69.7% to 68.6%.
10. The filing proposes no change to the currently approved \$160 expense constant.
11. The filing proposes no change to the Uncollectible Premium Provision.
12. The filing proposes to increase the Terrorism voluntary loss cost from \$0.01 to \$0.025. The filing proposes to increase the assigned risk Terrorism rate from \$0.02 to \$0.03.
13. The filing proposes to increase the Deductible Credit Safety Factor in the voluntary/assigned risk market from 0.70 to 0.95.
14. The filing proposes to increase the annual payroll for Partners and Sole Proprietors from \$67,200 to \$68,300.
15. The filing proposes a decrease to the current voluntary loss adjustment expense (LAE) provision from 17.3% to 17.2%.
16. The filing is proposing a 1.6% increase to the current assigned risk expense provision, primarily due to an increase in the Servicing Carrier Allowance.

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 2014 and 2015. 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 the following:

B. Assigned Risk Differential

The filing proposes no change to the Assigned Risk Differential.

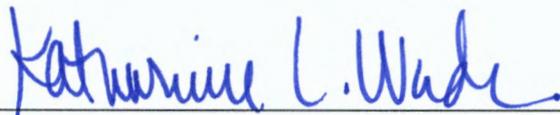
IV. ORDER

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

- A. NCCI's Assigned Risk Plan rates and voluntary market advisory loss costs are **accepted** as filed.
- B. The proposed increase to the Terrorism voluntary loss cost from \$0.01 to \$0.025 is approved. The proposed increase to the assigned risk Terrorism rate from \$0.02 to \$0.03 is approved.
- C. The proposed increase to the Deductible Credit Safety Factor in the voluntary/assigned risk market from 0.70 to 0.95 is approved.
- D. The proposed decrease in the Permissible Loss Ratio for the Assigned Risk Rate filing from 69.7% to 68.6% is approved.
- E. The proposed increase to the annual payroll for Partners and Sole Proprietors from \$67,200 to \$68,300 is approved.

- F. The proposed decrease to the current voluntary loss adjustment expense (LAE) provision from 17.3% to 17.2% is approved.
- G. The proposed 1.6% increase to the current assigned risk expense provision is approved.
- H. The proposed Workers' Compensation Commission industrial classification assessment fund rate will remain unchanged at 1.8% of standard premium and "F" industrial classification assessment fund rate be changed to 3.9% of standard premium for voluntary market and assigned risk plan insurers for policies effective on or after January 1, 2018.
- I. The thirty (30) day advance filing requirement set forth in Conn. Gen. Stat. §38a-676(b) for filings received prior to January 1, 2018 be waived in order to allow for the adoption of the change in advisory pure premium loss costs effective January 1, 2018.

Dated at Hartford, Connecticut this 6 day of November, 2017



Katharine L. Wade
Insurance Commissioner