



# 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, 2015**

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### MEMORANDUM AND ORDER

#### I. INTRODUCTION

On September 26, 2014, 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, 2015.

The filing requests revisions of the current loss costs and assigned risk rates that the Department approved effective January 1, 2014. NCCI proposes an overall -0.6% change for pure premium loss costs and an overall -0.5% change in assigned risk plan rates. Changes to individual classification costs have been limited to  $\pm 20\%$  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 October 6, 2014 at: <http://www.ct.gov/cid/cwp/view.asp?a=1270&Q=554360> 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 change in Advisory Loss Costs reflects the following pure premium level changes:

<u>Industry Group</u>	<u>Voluntary Market Pure Premium Loss Cost Change (%)</u>
Manufacturing	-0.5
Contracting	-0.5
Office & Clerical	-3.2
Goods & Services	+0.6
Miscellaneous	-1.4
<b>Overall Change</b>	<b>-0.6%</b>

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

<u>Industry Group</u>	<u>Assigned Risk Plan Rate Change (%)</u>
Manufacturing	-0.4
Contracting	-0.4
Office & Clerical	-3.1
Goods & Services	+0.7
Miscellaneous	-1.3
<b>Overall Change</b>	<b>-0.5%</b>

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

<u>Key Component</u>	<u>Pure Premium Voluntary Market Change (%)</u>	<u>Assigned Risk Premium Level Change (%)</u>
Experience and Trend	-0.4	-0.4
Benefits	-0.2	-0.2
Change in Assigned Risk Multiplier	N/A	+0.1
<b>Overall Change</b>	<b>-0.6%</b>	<b>-0.5%</b>

4. The assessments due from employers for funding the cost of the Workers' Compensation Commission are 2.50% of losses. Insurance carriers pass through these assessments to employers. For the Voluntary Market and the Assigned Risk Market, the assessment rate converted to a percentage of premium is 1.6% 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 7.0% of total losses, with a proposed assessment on assigned risk standard premium and voluntary market standard premium of 4.0%.
5. The Average Weekly Wage on October 1, 2014 changed to \$1,175.
6. Per NCCI's analysis, they are proposing to change the indemnity trend factor to -0.5% per year since NCCI stated the longer-term patterns suggest a trend closer to 0.0%.
7. NCCI proposed a medical trend factor of +1.5% per year. Based on their analysis this year, NCCI is proposing no change to the current medical trend factor of +1.5% per year. This means that the rate of growth in medical benefits is once again expected to increase at a faster pace than workers' wages.
8. The Practitioner Fee Schedule was revised effective July 15, 2014. NCCI estimates the impact of this change to be -0.4% on medical benefits.

### **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 2011 and 2012. 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:

#### 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. The Assigned Risk Plan rates are accepted as filed.
- B. NCCI's voluntary market advisory loss costs are accepted as filed.
- C. The proposed Workers' Compensation Commission industrial classification assessment fund rate be changed to 1.6% of standard premium and "F" industrial classification assessment fund rate be changed to 4.0% of standard premium for voluntary market and assigned risk plan insurers for policies effective on or after January 1, 2015.
- D. The thirty (30) day advance filing requirement set forth in Conn. Gen. Stat. §38a-676(b) for filings received prior to January 1, 2015 be waived in order to allow for the adoption of the change in advisory pure premium loss costs effective January 1, 2015.

Dated at Hartford, Connecticut this 13<sup>th</sup> day of November, 2014



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Thomas B. Leonardi  
Insurance Commissioner