

State of Connecticut



In the Matter of:

The National Council on Compensation Insurance, Inc.'s Workers' Compensation Voluntary Loss Costs, Assigned Risk Rates, and Rating Values Filing, Effective January 1, 2025

MEMORANDUM AND ORDER

I. INTRODUCTION

On September 10, 2024 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 Loss Costs and a change in Assigned Risk Rates for Workers' Compensation Insurance pursuant to Conn. Gen. Stat. §38a-665(a) proposed to be effective January 1, 2025.

The filing requests revisions of the current loss costs and assigned risk rates that the Department approved effective January 1, 2024. NCCI proposes an overall -6.1% change for pure premium loss costs and an overall -6.2% change for 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 20, 2024 at: [WC NCCI Rate Filing \(ct.gov\)](#) and provided a thirty (30) day period for the public and interested parties to review and comment on the filing. The Department received no 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 Loss Costs reflects the following loss cost level changes:

<u>Industry Group</u>	<u>Voluntary Market Average Loss Cost Level Change (%)</u>
Manufacturing	-8.0%
Contracting	-6.9%
Office & Clerical	-5.6%
Goods & Services	-5.2%
Miscellaneous	-5.7%
Overall Change Requested	-6.1%

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

<u>Industry Group</u>	<u>Assigned Risk Market Average Rate Level Change (%)</u>
Manufacturing	-8.1%
Contracting	-7.0%
Office & Clerical	-5.7%
Goods & Services	-5.3%
Miscellaneous	-5.8%
Overall Change Requested	-6.2%

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

<u>Component</u>	<u>Voluntary Market Average Loss Cost Level Change (%)</u>
Change in Experience	-6.3%
Change in Development	-0.1%
Change in Trend	-1.1%
Change in Benefits	+0.5%
All Other (includes loss based expenses/expenses)	+1.0%
Overall Voluntary Loss Cost Level Change	-6.1%

	<u>Assigned Risk Market Average Rate Level Change (%)</u>
Voluntary Loss Cost Level Change	-6.1%
Change in Assigned Risk Multiplier	-0.1%
Overall Assigned Risk Rate Level Change	-6.2%

4. The assessments due from employers for funding the cost of the Workers' Compensation Commission are 2.99% 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 2.2% 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 unchanged at 4.5% of total losses, with a proposed assessment on assigned risk standard premium and voluntary market standard premium of 3.1%.
5. The filing proposes to increase the maximum payroll for Executive Officers or Members of Limited Liability Companies from \$3,200 to \$3,300.
6. The filing proposes to increase the maximum payroll for Athletic Teams from \$1,600 to \$1,650.
7. NCCI estimates that the changes to the Connecticut Fee Schedule for Hospitals and Ambulatory Surgical Centers, effective April 1, 2024, will result in an impact of +0.5% on overall workers compensation system costs.
8. NCCI estimates that the changes to the Connecticut Practitioner fee schedule, effective July 15, 2024, will result in a negligible increase on overall workers compensation system costs.
9. The filing proposes to increase the Permissible Loss Ratio for the Assigned Risk Rate filing from 72.4% to 74.0%.
10. The filing proposes no change to the currently approved expense constants.
11. The filing proposes no change to the currently approved Uncollectible Premium Provision.
12. The filing proposes no change to the minimum premium multiplier.
13. The filing proposes no change to the currently approved Terrorism voluntary loss cost. The filing proposes no change to the currently approved assigned risk Terrorism rate.
14. The filing proposes to increase the annual payroll for Partners and Sole Proprietors from \$81,900 to \$86,000.

15. The filing proposes to increase the current voluntary loss adjustment expense (LAE) provision from 20.4% to 21.9%.
16. The filing proposes no change to the United States Longshore and Harbor Workers' Compensation Coverage Percentage.

III. DISCUSSION AND RECOMMENDATIONS

A. Overall Voluntary Loss Costs and Assigned Risk 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 voluntary market and the assigned risk rates. The cost levels for this filing are based on Connecticut loss experience for policy years 2021 and 2022. 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 changes below and concluded the proposed voluntary loss cost and assigned risk rate changes in this filing are appropriate.

B. Assigned Risk Loss Cost Differential

The filing proposes an increase to the Assigned Risk Loss Cost Differential from 1.500 to 1.550. As a result of the selection of a positive assigned risk market share and resulting decrease to the voluntary loss cost level in this year's filing, the assigned risk differential was increased in this filing.

C. COVID-19 claims

Reported COVID-19-related claims have been excluded from the data on which this filing is based for claims prior to July 1, 2023 to better reflect the conditions likely to prevail during the proposed effective period. As a result of approved Item E-1410, claims attributable to COVID-19 with accident dates on or after July 1, 2023 are no longer treated as catastrophic claims.

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 Voluntary Loss Costs and Assigned Risk Rates are **accepted** as filed.
- B. The proposed Workers' Compensation Commission industrial classification assessment fund rate will be changed to 2.2% of standard premium and "F" classification assessment fund rate will be changed to 3.1% of standard premium for voluntary market and assigned risk insurers for policies effective on or after January 1, 2025.
- C. The proposed increase to the maximum payroll for Executive Officers or Members of Limited Liability Companies from \$3,200 to \$3,300 is approved.
- D. The proposed increase to the maximum payroll for Athletic Teams from \$1,600 to \$1,650 is approved.
- E. The proposed increase to the Permissible Loss Ratio for the Assigned Risk Rate filing from 72.4% to 74.0% is approved.
- F. The proposed increase to the annual payroll for Partners and Sole Proprietors from \$81,900 to \$86,000 is approved.
- G. The proposed increase to the current voluntary loss adjustment expense (LAE) provision from 20.4% to 21.9% is approved.
- H. The proposed increase in the Assigned Risk Loss Cost Differential from 1.500 to 1.550 is approved.
- I. The thirty (30) day advance filing requirement set forth in Conn. Gen. Stat. §38a-676(b) for filings received prior to January 1, 2025 be waived in order to allow for the adoption of the change in advisory pure premium loss costs effective January 1, 2025.

Dated at Hartford, Connecticut this 13th day of November, 2024



Andrew N. Mais
Insurance Commissioner