

State of Connecticut

ANDREW N. MAIS
INSURANCE COMMISSIONER

P.O. Box 816
Hartford, CT 06142-0816



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, 2024

MEMORANDUM AND ORDER

I. INTRODUCTION

On September 15, 2023 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, 2024.

The filing requests revisions of the current loss costs and assigned risk rates that the Department approved effective January 1, 2023. NCCI proposes an overall -9.8% change for pure premium loss costs and an overall -10.5% 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, 2023 at: [WC NCCI Rate Filing \(ct.gov\)](https://www.ct.gov/wc/ncci-rate-filing) 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	-11.0%
Contracting	-10.0%
Office & Clerical	-9.2%
Goods & Services	-11.0%
Miscellaneous	-6.3%
Overall Change Requested	-9.8%

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	-11.7%
Contracting	-10.7%
Office & Clerical	-9.9%
Goods & Services	-11.7%
Miscellaneous	-7.0%
Overall Change Requested	-10.5%

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>	<u>Assigned Risk Market Average Rate Level Change (%)</u>
Experience, Trend and Benefit Change	-10.0%	-10.0%
Loss-Based Expenses/Expenses	+0.2%	-0.6%
Overall Change Requested	-9.8%	-10.5%

4. The assessments due from employers for funding the cost of the Workers' Compensation Commission are 3.11% 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 2.3% 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 decreasing to 4.5% of total losses, with a proposed assessment on assigned risk standard premium and voluntary market standard premium of 3.0%.
5. The filing proposes to increase the maximum payroll for Executive Officers or Members of Limited Liability Companies from \$3,000 to \$3,200.
6. The filing proposes to increase the maximum payroll for Athletic Teams from \$1,500 to \$1,600.
7. NCCI estimates that the changes to the Connecticut Facility fee schedule, effective April 1, 2023, 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, 2023, will result in an impact of +0.1% on overall workers compensation system costs.
9. The filing proposes to increase the Permissible Loss Ratio for the Assigned Risk Rate filing from 71.5% to 72.4%.
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 \$78,500 to \$81,900.
15. The filing proposes to increase the current voluntary loss adjustment expense (LAE) provision from 20.1% to 20.4%.
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 2020 and 2021. 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 1.491 to 1.500. The increase reflects a deterioration in the assigned risk market loss cost experience relative to the voluntary market loss cost experience.

C. COVID-19 claims

Earlier this year, NCCI filed Item E-1410, which proposed changes to the treatment of COVID-19 claims in experience rating. This filing was approved in Connecticut. NCCI will be treating the pandemic and its resulting data, between accident dates of December 1, 2019, and June 30, 2023, as a catastrophic event. The claims that occurred during this period are not expected to be a reliable predictor of future years; therefore, all reported COVID-19 claims were excluded from ratemaking in this filing. Beginning July 1, 2023, new COVID-19 claims with accident dates after July 1 will be included in experience rating and will be reflected in ratemaking in subsequent years; however, COVID-19 claims before that date will continue to be excluded from experience rating and ratemaking.

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 2.3% of standard premium and "F" classification assessment fund rate will be changed to 3.0% of standard premium for voluntary market and assigned risk insurers for policies effective on or after January 1, 2024.
- C. The proposed increase to the maximum payroll for Executive Officers or Members of Limited Liability Companies from \$3,000 to \$3,200 is approved.
- D. The proposed increase to the maximum payroll for Athletic Teams from \$1,500 to \$1,600 is approved.
- E. The proposed increase to the Permissible Loss Ratio for the Assigned Risk Rate filing from 71.5% to 72.4% is approved.
- F. The proposed increase to the annual payroll for Partners and Sole Proprietors from \$78,500 to \$81,900 is approved.
- G. The proposed increase to the current voluntary loss adjustment expense (LAE) provision from 20.1% to 20.4% is approved.
- H. The proposed increase in the Assigned Risk Loss Cost Differential from 1.491 to 1.500 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, 2024 be waived in order to allow for the adoption of the change in advisory pure premium loss costs effective January 1, 2024.

Dated at Hartford, Connecticut this 24th day of October, 2023



Andrew N. Mais
Insurance Commissioner