



October 22, 2010

Circular 2010-10

To: All ICRB Members

Re: Approved January 1, 2011 Advisory Rate Filing

Approval

On October 21, 2010 the Indiana Department of Insurance (IDOI) “FILED” the rate filing which completes the approval process. The filing provides for an increase of:

- of 1.2 % to the loss costs;
- of 1.7% in overall premium level, and;
- of 1.7% in overall rate level.

This overall premium level increase follows last year's decrease of -1.7%.

Background

The attached exhibit provides a summary of the proposed rate filing components:

- ✓ Overall premium, loss costs, and rate level changes
- ✓ Components of premium level change
- ✓ Average change by industry group
- ✓ Implied loss cost multiplier
- ✓ Indemnity and medical loss ratios
- ✓ Target cost ratio
- ✓ Medical/indemnity split
- ✓ Executive officer payroll limits
- ✓ Sole proprietor, partner, LLC member fixed payroll amount
- ✓ Expense constant

The ICRB website contains this information as well as the rate pages and rate filing document. Go to www.icrb.net and click on the “Rates” tab.

Sincerely,

Ronald W. Cooper, CWCP
President

Attachment: Summary of Advisory Rate Filing Effective 1/1/2011

**Indiana Workers Compensation
Advisory Rate Filing Effective 1/1/2011
Summary**

Overall Premium Level Change	<i>Percent</i> 1.7%
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Formula: (1+0.017)(1-0.005)*(1+0.005)-1*

Overall Rate Level Change	1.7%
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Formula: (1+0.017)(1-0.005)*(1+0.005)*(1+0.000)-1*

Components of Change	
Experience, Trend, & Benefits	1.7%
Loss Based Expenses	-0.5%
Loss Costs Change	1.2%
Other Expenses & Taxes	0.5%
Premium Level Change	1.7%
Change in Expense Constant Offset	0.0%
Rate Level Change	1.7%

Average Change by Industry Group	<i>Avg Rate</i>	<i>Percent Rate Level Change</i>	<i>Range of Swing Limits from Previous Rates</i>
Manufacturing	\$2.24	0.9%	+26 to -24%
Contracting	\$4.01	0.3%	+25 to -25%
Office	\$0.26	1.4%	+26 to -24%
Goods & Services	\$1.97	3.2%	+28 to -22%
Miscellaneous	\$3.89	2.3%	+27 to -23%
All	\$1.40	1.7%	

source: Tech Supplement Summary and Appendix B-II(5)

Other Changes	
Implied Loss Cost Multiplier (LCM):	1.353 (1 / Target Cost Ratio)
Executive officer weekly payroll:	
	Minimum increased from \$365 to \$585 (\$30,420 annually)
	Maximum increased from \$2,900 to \$3,900 (\$202,800 annually)
	<i>Note: Minimum revised on 12/20/10 from \$1,000 to \$585, eff 1/1/2011</i>
Sole proprietor, partner, LLC member who elect coverage:	
	fixed annual payroll increased from \$49,800 to \$50,700
Expense Constant the same at \$250	
Medical/Indemnity split: 76%/24%	
	<small>source: Tech Supp Exhibits I-A & I-B, lines 15 & 27 avg, 2008 & 2007 policy years, and Exhibit I-C, line 3; developed to ultimate & projected to midpoint of policy year 2011</small>

Loss Ratios		
Indemnity	Medical	Total
17%	44%	62%
policy year 2008 developed to ultimate at designated stat reporting level		
source: Tech Supp Appendix A-III, Section B		

Target Cost Ratio	73.9%
Overhead	26.1%
Total	100.0%
The target cost ratio is the portion of premium that funds loss and loss adjustment expense (LAE). The complement of that is for funding overhead provisions: production expenses, general expenses, taxes, and profit & contingencies.	

source: Tech Supp Exhibit II-A, line 7

Notes:

1. Advisory rate filing, technical supplement & "A" sheets submitted via SERFF on 09/22/2010
2. IDOI "FILED" via SERFF on 10/21/2010 which completes the approval process
3. For executive officer minimum payroll revision, IDOI "FILED" via SERFF on 12/20/2010, Item Filing B-1420 Amendment