

NCCI Proposes Reduction for Workers Compensation Rates in Florida

On August 27, 2008, the National Council on Compensation Insurance (NCCI)* delivered its annual workers compensation rate filing to the Florida Office of Insurance Regulation (OIR). Based upon its review of the most recent data available, NCCI has proposed, effective January 1, 2009, an overall workers compensation rate level decrease of 14.1%.

Rate Filing Components	Impact
Due to Change in Experience	-16.0%
Due to Change in Trend	-3.4%
Due to Change in Benefits	+0.1%
Due to Change in Expenses (excl P&C)	+1.0%
Due to Change in Profit & Contingency Factor	+4.7%
OVERALL RATE LEVEL CHANGE	-14.1%

There are two main reasons for the proposed rate level decrease:

1. **Significant declines in claim frequency.** Florida's lost time claim frequency declined by 12.4% in 2006 and 13.2% in 2007. While lost time claim frequency has also been declining countrywide, Florida has been outpacing the countrywide average decline. In addition, while medical severity (i.e., average size of the medical portion of the claim) continues to grow, the decline in claim frequency coupled with the growth in wages much more than offset the growth in medical severity. Claim frequency declines are mainly attributable to demographics, business efforts to promote safe working conditions, technological improvements, and the impact of global competition. The 2003 Florida workers compensation reform may also be a significant factor.
2. **Improvement in loss development (i.e., average claim cost is coming down).** The improvement in loss development, that began prior to the 2003 Florida workers compensation reform, continues and appears to have been bolstered by that reform which, among other things, tightened compensability standards and limited attorney fees. There is a trend toward quicker claim closure and faster return to work.

This is the 6th decrease NCCI has proposed since Florida workers compensation rates hit a high point prior to the 2003 workers compensation reform. The previous rate reductions approved by the OIR are as follows:

-14.0% (10/1/03) -5.1% (1/1/05) -13.5% (1/1/06) -15.7% (1/1/07) -18.4 (1/1/08)

Assuming the filing is approved as proposed, the overall average rate impact at an industry group level would be as follows:

	1/1/09 Filing	Cumulative 10/1/03 – 1/1/09
Manufacturing	-15.0%	- 55.5%
Contracting	-15.8%	- 59.6%
Office and Clerical	-15.1%	- 58.2%
Goods and Services	-14.1%	- 58.4%
Miscellaneous	-8.5%	- 57.0%
TOTAL	-14.1%	- 58.3%

The OIR is expected to schedule a public rate hearing in October.

*National Council on Compensation Insurance, Inc., based in Boca Raton, FL, manages the nation's largest database of workers compensation insurance information. NCCI analyzes industry trends, prepares workers compensation insurance rate recommendations, determines the cost of proposed legislation, and provides a variety of services and tools to maintain a healthy workers compensation system.