



November 2, 2004

Circular 2004-14

To: All ICRB Members

Re: January 1, 2005 Advisory Rate Filing

On October 1, 2004, the ICRB filed with the Indiana Department of Insurance (IDOI) the January 1, 2005 advisory rate filing and loss costs. On October 29, 2004 the IDOI stamped the filing as “FILED” which completes the approval process.

The filing implements a 3.2% increase to the overall rate level. This overall increase follows three straight years of decreases of -7.4%, -2.2%, and -1.8% in years 2002, 2003, and 2004, respectively.

The attached exhibit provides a summary of rate filing components:

- ✓ Overall premium and rate level change
- ✓ 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 also contains this information as well as the rate filing document. Go to www.icrb.net and click on the “Rates” tab.

Sincerely,

Ronald W. Cooper, CWCP
President

Attachments: Summary of Advisory Rate Filing Effective 1/1/2005

**Indiana Workers Compensation
Advisory Rate Filing Effective 1/1/2005**

(received by IDOI on 10/01/2004; stamped "FILED" on 10/29/2004)

Summary

	<i>Percent</i>	<i>Formula</i>
Overall premium level change	3.2%	$(1+0.03)*(1-0.006)*(1+0.008)-1$

Overall rate level change	3.2%
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Components of premium level change	
Experience, Trend, & Benefits	3.0%
Loss Based Expenses	-0.6%
Other Expenses & Taxes	0.8%
Expense Constant Offset	0.0%

Average change by Industry Group	<i>Percent</i>	<i>Range of Swing Limits from Previous Rates</i>
Manufacturing	3.3%	+22 to -28%
Contracting	1.8%	+21 to -29%
Office	0.3%	+25 to -25%
Goods & Services	4.1%	+26 to -24%
Miscellaneous	5.0%	+23 to -27%

source: Tech Supplement, Appendix B-II(5)

Other changes
Implied Loss Cost Multiplier (LCM): 1.359
Executive officer weekly payroll: Minimum increased from \$307 to \$319 (\$16,588 annually) Maximum remains the same at \$2,500 (\$130,000 annually)
Sole proprietor, partner, LLC member who elect coverage: fixed annual payroll increased from \$41,800 to \$43,400
Expense Constant the same at \$250
Medical/Indemnity split: 65%/35%

source: Tech Supp Exhibit I-A, lines 8 & 20, 2001 & 2002 years

Loss Ratios		
Indemnity	Medical	Total
20%	41%	61%

policy year 2002 developed to ultimate at designated stat reporting level
source: Tech Supp Appendix A-III, Section B

Target Cost Ratio	73.6%
Overhead	26.4%
Total	100.0%

The target cost ratio gives a 0% change indication from the previous year to determine if rates are adequate on a standard premium basis. 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