



November 2, 2005

Circular 2005-10

To: All ICRB Members

Re: January 1, 2006 Advisory Rate Filing

Approval

On October 31, 2005 the Department of Insurance (IDOI) stamped the filing as “FILED” which completes the approval process. The filing proposes an increase of:

- 2.2% in overall premium level;
- 2.1% to the loss costs, and;
- 1.9% to the overall rate level.

This overall increase follows last year's premium level increase of 3.2%.

Background

On September 26, 2005, the ICRB filed with the IDOI the January 1, 2006 advisory rate filing and loss costs. This filing did not include the actual final loss costs and rates for each classification. Those were provided separately in a subsequent submission on October 17, 2005.

Our goal in this two phased approach this year was to get the overall indications to the IDOI for its actuarial review as soon as possible. This review of the filing's major components commenced while we finished the class code rate production process.

The attached exhibit provides a summary of 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 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 1/1/2006

**Indiana Workers Compensation
Advisory Rate Filing Effective 1/1/2006
Summary**

	<i>Percent</i>	<i>Formula</i>
Overall Premium Level Change	2.2%	$(1+0.021)*(1-0.000)*(1+0.001)-1$
Overall Rate Level Change	1.9%	$(1+0.021)*(1-0.000)*(1+0.001)*(1-0.003)-1$

Components of Change	
Experience, Trend, & Benefits	2.1%
Loss Based Expenses	0.0%
Loss Costs Change	2.1%
Production Expenses & Taxes	0.1%
Premium Level Change	2.2%
Min Prem Multiplier and Max Min Prer	-0.3%
Rate Level Change	1.9%

Average Change by Industry Group		<i>Avg Rate</i>	<i>Percent</i>	<i>Range of Swing Limits from Previous Rates</i>
	Manufacturing	\$2.52	0.7%	+26 to -24%
	Contracting	\$4.33	3.1%	+28 to -22%
	Office	\$0.29	3.4%	+28 to -22%
	Goods & Services	\$2.00	1.8%	+27 to -23%
	Miscellaneous	\$3.94	1.7%	+27 to -23%
	<i>All</i>	\$1.50	1.9%	

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

Other Changes
Implied Loss Cost Multiplier (LCM): 1.357
Executive officer weekly payroll: Minimum remains the same at \$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 remains the same at \$43,400
Expense Constant the same at \$250
Medical/Indemnity split: 72%/28%
source: Tech Supp Exhibits I-A & I-B, line 28 avg, 2002 & 2003 years, and Exhibit I-C, line 3; developed to ultimate & projected to midpoint of policy year 2006

Loss Ratios		
Indemnity	Medical	Total
19%	40%	59%
policy year 2003 developed to ultimate at designated stat reporting level		
source: Tech Supp Appendix A-III, Section B		

Target Cost Ratio	
Overhead	73.5%
Total	26.5%
	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

Notes:

- Overall indications received by IDOI on 09/26/2005, and class rate pages on 10/17/2005
- IDOI stamped "FILED" on 10/31/05 which completes the approval process