



October 12, 2006

Circular 2006-10

To: All ICRB Members

Re: Approved January 1, 2007 Advisory Rate Filing

Approval

On October 11, 2006 the Indiana Department of Insurance (IDOI) stamped the filing as “FILED” which completes the approval process. The filing proposes a decrease of:

- -3.4 % to the loss costs;
- -3.1% in overall premium level, and;
- -3.1% in overall rate level.

This overall decrease follows last year's premium level increase of 2.2%.

Background

On September 29, 2006 the ICRB delivered the proposed filing to the IDOI. 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 also contains this information as well as the proposed 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 1/1/2007

**Indiana Workers Compensation
Advisory Rate Filing Effective 1/1/2007
Summary**

	<i>Percent</i>	<i>Formula</i>
Overall Premium Level Change	-3.1%	$(1-0.046)*(1+0.013)*(1+0.00)$

Overall Rate Level Change	-3.1%	$(1-0.046)*(1+0.013)*(1+0.00)$
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Components of Change	
Experience, Trend, & Benefits	-4.6%
Loss Based Expenses	1.3%
Loss Costs Change	-3.4%
Other Expenses & Taxes	0.3%
Premium Level Change	-3.1%
Change in Expense Constant Offset	0.0%
Rate Level Change	-3.1%

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	\$2.40	-5.2%	+20 to -30%
	Contracting	\$4.32	-2.3%	+23 to -27%
	Office	\$0.28	-3.9%	+21 to -29%
	Goods & Services	\$1.98	-1.7%	+23 to -27%
	Miscellaneous	\$4.04	-1.5%	+24 to -26%
	<i>All</i>	<i>\$1.47</i>	<i>-3.1%</i>	

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

Other Changes	
Implied Loss Cost Multiplier (LCM):	1.364 (1 / Target Cost Ratio)
Executive officer weekly payroll:	
	Minimum increased from \$319 to \$336 (\$17,472 annually)
	Maximum increased from \$2,500 to \$2,700 (\$140,400 annually)
Sole proprietor, partner, LLC member who elect coverage:	
	fixed annual payroll increased from \$43,400 to \$45,800
Expense Constant the same at \$250	
Medical/Indemnity split: 73%/27%	
	source: Tech Supp Exhibits I-A & I-B, line 15 avg, 2003 & 2004 years, and Exhibit I-C, line 3; developed to ultimate & projected to midpoint of policy year 2007

Loss Ratios		
Indemnity	Medical	Total
17%	39%	56%
policy year 2004 developed to ultimate at designated stat reporting level		
source: Tech Supp Appendix A-III, Section B		

Target Cost Ratio	73.3%
Overhead	26.7%
Total	100.0%
<p>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.</p>	

source: Tech Supp Exhibit II-A, line 7

Notes:

1. Advisory rate filing and technical supplement delivered to IDOI on 09/29/2006
2. IDOI stamped "FILED" on 10/11/2007 which completes the approval process