



September 15, 2008

**Circular 2008-10**

**To: All ICRB Members**

**Re: PROPOSED January 1, 2009 Advisory Rate Filing**

On September 12, 2008 the ICRB delivered the proposed filing to the Indiana Department of Insurance (IDOI). The filing proposes:

- a decrease of -2.4 % to the loss costs;
- a decrease of -3.4% in overall premium level, and;
- a decrease of -3.4% in overall rate level.

This overall premium level increase follows last year's increase of 0.4%.

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 proposed rate pages and rate filing document. Go to [www.icrb.net](http://www.icrb.net) and click on the "Rates" tab.

Sincerely,

Ronald W. Cooper, CWCP  
President

Attachment: Summary of Advisory Rate Filing Effective 1/1/2009

**Indiana Workers Compensation  
PROPOSED Advisory Rate Filing Effective 1/1/2009  
Summary**

<b>Overall Premium Level Change</b>	<i>Percent</i> -3.4%
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*Formula: (1-0.026)\*(1+0.002)\*(1-0.01)-1*

<b>Overall Rate Level Change</b>	-3.4%
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*Formula: (1-0.026)\*(1+0.002)\*(1-0.01)-1\*(1+0.000)-1*

<b>Components of Change</b>	
Experience, Trend, & Benefits	-2.6%
Loss Based Expenses	0.2%
<b>Loss Costs Change</b>	<b>-2.4%</b>
Other Expenses & Taxes	-1.0%
<b>Premium Level Change</b>	<b>-3.4%</b>
Change in Expense Constant Offset	0.0%
<b>Rate Level Change</b>	<b>-3.4%</b>

<b>Average Change by Industry Group</b>		<i>Avg Rate</i>	<i>Percent Rate Level Change</i>	<i>Range of Swing Limits from Previous Rates</i>
Manufacturing		\$2.24	-5.0%	+20 to -30%
Contracting		\$4.28	-1.7%	+23 to -27%
Office		\$0.27	0.6%	+26 to -24%
Goods & Services		\$1.91	-2.6%	+22 to -28%
Miscellaneous		\$3.94	-6.0%	+19 to -31%
<b>All</b>		<b>\$1.42</b>	<b>-3.4%</b>	

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

<b>Other Changes</b>	
Implied Loss Cost Multiplier (LCM):	1.359 (1 / Target Cost Ratio)
Executive officer weekly payroll:	
	Minimum increased from \$335 to \$354 (\$18,408 annually)
	Maximum increased from \$2,700 to \$2,800 (\$145,600 annually)
Sole proprietor, partner, LLC member who elect coverage:	
	fixed annual payroll increased from \$45,600 to \$48,200
Expense Constant the same at \$250	
Medical/Indemnity split: 75%/25%	
source: Tech Supp Exhibits I-A & I-B, line 15 avg, 2006 & 2005 years, and Exhibit I-C, line 3; developed to ultimate & projected to midpoint of policy year 2009	

<b>Loss Ratios</b>		
<b>Indemnity</b>	<b>Medical</b>	<b>Total</b>
17%	41%	58%
policy year 2006 developed to ultimate at designated stat reporting level		
source: Tech Supp Appendix A-III, Section B		

<b>Target Cost Ratio</b>	73.6%
Overhead	26.4%
<b>Total</b>	<b>100.0%</b>

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 and technical supplement delivered to IDOI on 09/12/2008
2. IDOI stamped "FILED" on (pending) which completes the approval process