



October 26, 2009

Circular 2009-08

To: ICRB Members

Re: Approved January 1, 2010 Advisory Rate Filing

Approval

On October 26, 2009 the Indiana Department of Insurance (IDOI) “FILED” the rate filing which completes the approval process. The filing provides for a decrease of:

- -0.8 % to the loss costs;
- -1.7% in overall premium level, and;
- -1.7% in overall rate level.

This overall premium level decrease follows last year's decrease of -3.4%.

Background

On September 17, 2009 the ICRB delivered the proposed filing to the IDOI. The attached exhibit provides a summary of the 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 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 1/1/2010

**Indiana Workers Compensation
Advisory Rate Filing Effective 1/1/2010
Summary**

Percent

Overall Premium Level Change	-1.7%
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Formula: (1-0.026)(1+0.002)*(1-0.01)-1*

Overall Rate Level Change	-1.7%
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Formula: (1-0.026)(1+0.002)*(1-0.01)-1*(1+0.000)-1*

Components of Change	
Experience, Trend, & Benefits	-1.5%
Loss Based Expenses	0.7%
Loss Costs Change	-0.8%
Other Expenses & Taxes	-0.9%
Premium Level Change	-1.7%
Change in Expense Constant Offset	0.0%
Rate Level Change	-1.7%

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	\$2.22	-1.6%	+23 to -27%
Contracting	\$4.06	-4.5%	+21 to -29%
Office	\$0.26	-0.2%	+25 to -25%
Goods & Services	\$1.93	0.9%	+26 to -24%
Miscellaneous	\$3.83	-3.3%	+22 to -28%
All	\$1.42	-1.7%	

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

Other Changes	
Implied Loss Cost Multiplier (LCM):	1.346 (1 / Target Cost Ratio)
Executive officer weekly payroll:	
	Minimum increased from \$354 to \$365 (\$18,980 annually)
	Maximum increased from \$2,800 to \$2,900 (\$150,800 annually)
Sole proprietor, partner, LLC member who elect coverage:	
	fixed annual payroll increased from \$48,200 to \$49,800
Expense Constant the same at \$250	
Medical/Indemnity split: 75%/25%	
	source: Tech Supp Exhibits I-A & I-B, lines 15 & 27 avg, 2007 & 2006 years, and Exhibit I-C, line 3; developed to ultimate & projected to midpoint of policy year 2010

Loss Ratios		
Indemnity	Medical	Total
17%	43%	61%
policy year 2007 developed to ultimate at designated stat reporting level		
source: Tech Supp Appendix A-III, Section B		

Target Cost Ratio	74.3%
Overhead	25.7%
Total	100.0%
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, technical supplement & "A" sheets submitted via SERFF on 09/17/2009
2. IDOI "FILED" via SERFF on 10/26/2009 which completes the approval process