



October 22, 2010

**Circular 2010-10**

**To: All ICRB Members**

**Re: Approved January 1, 2011 Advisory Rate Filing**

**Approval**

On October 21, 2010 the Indiana Department of Insurance (IDOI) “FILED” the rate filing which completes the approval process. The filing provides for an increase of:

- of 1.2 % to the loss costs;
- of 1.7% in overall premium level, and;
- of 1.7% in overall rate level.

This overall premium level increase follows last year's decrease of -1.7%.

**Background**

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 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 1/1/2011

**Indiana Workers Compensation  
Advisory Rate Filing Effective 1/1/2011  
Summary**

<b>Overall Premium Level Change</b>	<i>Percent</i> 1.7%
-------------------------------------	------------------------

*Formula: (1+0.017)\*(1-0.005)\*(1+0.005)-1*

<b>Overall Rate Level Change</b>	1.7%
----------------------------------	------

*Formula: (1+0.017)\*(1-0.005)\*(1+0.005)\*(1+0.000)-1*

<b>Components of Change</b>	
Experience, Trend, & Benefits	1.7%
Loss Based Expenses	-0.5%
<b>Loss Costs Change</b>	<b>1.2%</b>
Other Expenses & Taxes	0.5%
<b>Premium Level Change</b>	<b>1.7%</b>
Change in Expense Constant Offset	0.0%
<b>Rate Level Change</b>	<b>1.7%</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	0.9%	+26 to -24%
Contracting	\$4.01	0.3%	+25 to -25%
Office	\$0.26	1.4%	+26 to -24%
Goods & Services	\$1.97	3.2%	+28 to -22%
Miscellaneous	\$3.89	2.3%	+27 to -23%
<b>All</b>	<b>\$1.40</b>	<b>1.7%</b>	

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

<b>Other Changes</b>	
Implied Loss Cost Multiplier (LCM):	1.353 (1 / Target Cost Ratio)
Executive officer weekly payroll:	
	Minimum increased from \$365 to \$585 (\$30,420 annually)
	Maximum increased from \$2,900 to \$3,900 (\$202,800 annually)
	<i>Note: Minimum revised on 12/20/10 from \$1,000 to \$585, eff 1/1/2011</i>
Sole proprietor, partner, LLC member who elect coverage:	
	fixed annual payroll increased from \$49,800 to \$50,700
Expense Constant the same at \$250	
Medical/Indemnity split: 76%/24%	
	<small>source: Tech Supp Exhibits I-A &amp; I-B, lines 15 &amp; 27 avg, 2008 &amp; 2007 policy years, and Exhibit I-C, line 3; developed to ultimate &amp; projected to midpoint of policy year 2011</small>

<b>Loss Ratios</b>		
<b>Indemnity</b>	<b>Medical</b>	<b>Total</b>
17%	44%	62%
policy year 2008 developed to ultimate at designated stat reporting level		
source: Tech Supp Appendix A-III, Section B		

<b>Target Cost Ratio</b>	73.9%
Overhead	26.1%
<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, technical supplement & "A" sheets submitted via SERFF on 09/22/2010
2. IDOI "FILED" via SERFF on 10/21/2010 which completes the approval process
3. For executive officer minimum payroll revision, IDOI "FILED" via SERFF on 12/20/2010, Item Filing B-1420 Amendment