

## **OIR Issues Order on Florida Workers Compensation Rate Filing**

Based upon its annual review of the most recent data available, the National Council on Compensation Insurance (NCCI) proposed an overall workers compensation rate level decrease of 14.1% for the voluntary market industrial classes effective January 1, 2009. On October 15, 2008, the Office of Insurance Regulation (OIR) issued an order requesting that NCCI make an amended filing for an overall workers compensation rate level decrease of 18.6%.

There are two areas which account for the difference of 4.5%:

### **1. Trend\***

The OIR states that a -4% medical trend and a -8.2% indemnity trend should be included instead of NCCI's proposed -3% medical trend and -7% indemnity trend. The rate impact of the difference is 2.7%.

### **2. Profit and Contingency Provision**

The OIR states that the profit and contingency provision should be increased from -0.8% to +1%. NCCI had proposed increasing the profit and contingency provision to 2.5%. The rate impact of the difference between +1% and +2.5% is 1.8%.

In addition, the order states that in response to roofing industry testimony at the rate hearing, the decrease to the roofing code shall be limited to 9.8% instead of 23%.

The OIR's order requested that NCCI amend its filing by November 1, 2008. NCCI also has the option to appeal. NCCI is currently in the process of reviewing the order and making a decision on how to respond.

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\*When past data is to be used as a predictor of future losses (in the case of this rate filing, accident years 06 and 07 are used to project losses for 09), loss data must be adjusted or "**trended**" to account for changes in costs (such as inflationary pressures) between the time period of the historical data (06 and 07) and the period when the rates will be in effect (09). In addition to reflecting inflationary pressures, it would encompass expected changes in: the frequency of claims, the types of claims that are occurring, and the average size of claims.

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