

SERFF Tracking Number: INCR-128363590 State: Indiana
Filing Company: Indiana Compensation Rating Bureau State Tracking Number:
Company Tracking Number: R-1404
TOI: 16.0 Workers Compensation Sub-TOI: 16.0002 Employers Liability WC
Product Name: R-1404
Project Name/Number: 2012 Update to Retrospective Rating Plan Parameters-Excess Loss Factors/R-1404

Filing at a Glance

Company: Indiana Compensation Rating Bureau

Product Name: R-1404 SERFF Tr Num: INCR-128363590 State: Indiana
TOI: 16.0 Workers Compensation SERFF Status: Closed-Filed State Tr Num:
Sub-TOI: 16.0002 Employers Liability WC Co Tr Num: R-1404 State Status:
Filing Type: Rule Co Status: Reviewer(s): Thomas Faust
Author: Robin Eleson Disposition Date: 05/22/2012
Date Submitted: 05/15/2012 Disposition Status: **Filed**
Effective Date Requested (New): 01/01/2013 Effective Date (New):
Effective Date Requested (Renewal): 01/01/2013 Effective Date (Renewal):

General Information

Project Name: 2012 Update to Retrospective Rating Plan Parameters- Excess Loss Factors Status of Filing in Domicile: Pending
Project Number: R-1404 Domicile Status Comments:
Reference Organization: Reference Number:
Reference Title: Advisory Org. Circular:
Filing Status Changed: 05/22/2012 Company Status Changed:
State Status Changed: Deemer Date:
Created By: Robin Eleson Submitted By: Robin Eleson
Corresponding Filing Tracking Number:
Filing Description:
Retrospective rating is a plan for adjusting premium according to the loss experience during the effective period of a policy.

Company and Contact

Filing Contact Information

Ron Cooper, President rcooper@icrb.net
5920 Castleway W Dr 317-842-2800 [Phone] 301 [Ext]
Indianapolis, IN 46250

Filing Company Information

Indiana Compensation Rating Bureau CoCode: State of Domicile: Indiana
5920 Castleway W Dr Group Code: Company Type: Rating

SERFF Tracking Number: INCR-128363590 State: Indiana
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Indianapolis, IN 46250 Group Name: ICRB Organization
(317) 842-2800 ext. 301[Phone] State ID Number:
FEIN Number: 35-0837318

Filing Fees

Fee Required? No
Retaliatory? No
Fee Explanation:
Per Company: Yes

SERFF Tracking Number: *INCR-128363590* *State:* *Indiana*
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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Thomas Faust	05/22/2012	05/22/2012

SERFF Tracking Number: *INCR-128363590* *State:* *Indiana*
Filing Company: *Indiana Compensation Rating Bureau* *State Tracking Number:*
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Disposition

Disposition Date: 05/22/2012

Effective Date (New):

Effective Date (Renewal):

Status: Filed

Comment:

Rate data does NOT apply to filing.

SERFF Tracking Number:	INCR-128363590	State:	Indiana
Filing Company:	Indiana Compensation Rating Bureau	State Tracking Number:	
Company Tracking Number:	R-1404		
TOI:	16.0 Workers Compensation	Sub-TOI:	16.0002 Employers Liability WC
Product Name:	R-1404		
Project Name/Number:	2012 Update to Retrospective Rating Plan Parameters-Excess Loss Factors/R-1404		

Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	80 Filing Description/Cover Letter/NAIC Transmittal		Yes
Supporting Document	Filing Fee		Yes
Supporting Document	Third Party Filers		Yes
Supporting Document	R-1404 - 2012 Update to Retrospective Rating Plan Parameters - Excess Loss Factors		Yes

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Supporting Document Schedules

	Item Status:	Status Date:
Satisfied - Item: 80 Filing Description/Cover Letter/NAIC Transmittal		

Comments:

R-1404 - 2012 Update to Retrospective Rating Plan Parameters-Excess Loss Factors

	Item Status:	Status Date:
Satisfied - Item: Filing Fee		

Comments:

The quarterly billing system is currently applicable & mandatory for SERFF filings. The IDOI will bill for the filing.

	Item Status:	Status Date:
Satisfied - Item: Third Party Filers		

Comments:

Per IC-27-7-2-3 through IC 27-7-2-4, the Bureau has statutory authority to file rates, rules, plans & forms on behalf of all workers compensation insurance companies in Indiana.

	Item Status:	Status Date:
Satisfied - Item: R-1404 - 2012 Update to Retrospective Rating Plan Parameters - Excess Loss Factors		

Comments:

Attachment:

R-1404 - 2012 Update to Retrospective Rating Plan Parameters-Excess Loss Factors.pdf

FILING MEMORANDUM

ITEM R-1404—2012 UPDATE TO RETROSPECTIVE RATING PLAN PARAMETERS—EXCESS LOSS FACTORS

PURPOSE

This item proposes to update the Excess Loss Factors in NCCI's 2009 Edition of the *Retrospective Rating Plan Manual for Workers Compensation and Employers Liability Insurance*.

BACKGROUND

Retrospective rating is a plan for adjusting premium according to the loss experience during the effective period of a policy.

The Retrospective Rating Plan contains an optional provision—an individual loss limitation—which limits the amount of a loss arising out of any one accident that will be used in the calculation of retrospective premium adjustments. The charge for limiting losses is determined by application of an Excess Loss Factor (ELF).

The ELFs vary by loss limitation and hazard group. The variation in ELFs across hazard groups reflects the varying degrees of severity exposure to occupational hazards inherent to operations associated with each classification. ELFs must be updated periodically for two reasons:

1. ELFs are computed from excess ratios, which reflect the expected percentage of losses above a given loss limit. For any fixed limit, inflation will increase the percentage of losses above that limit. Therefore, excess ratios and ELFs are periodically updated to accurately reflect the effect of inflation on those losses.
2. Overall excess ratios are computed as a weighted average of injury-type excess ratios. Thus, excess ratios, and consequently ELFs, must be updated regularly for changes in the mix of injury types.

The proposed state ELFs are based on the data underlying the currently approved NCCI loss cost filing. This data was trended forward to the effective date of the next anticipated NCCI loss cost filing. The proposed ELFs were then computed in the same way as the currently approved ELFs.

PROPOSAL

In states for which loss costs are developed rather than final rates, this filing proposes to update the ELFs that are used with an optional loss limitation in the Retrospective Rating Plan. Exhibit 1 contains the proposed ELFs. For Arizona, Florida, Idaho, Iowa, and Virginia, updated ELFs will be included in each state's next rate/loss cost filing.

Note: Some states have Excess Loss Pure Premium Factors, but do not have Excess Loss and Allocated Expense Pure Premium Factors. This includes Georgia, Illinois, Kentucky, Louisiana, Maryland, Oregon, and South Dakota.

IMPACT

The proposed ELFs are necessary to maintain the aggregate expected balance between the retrospectively rated premium and the guaranteed cost premium. If the ELFs were not updated, there would be a natural slippage over time caused by inflation acting to increase the percentage of losses over any fixed loss limit.

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FILING MEMORANDUM

ITEM R-1404—2012 UPDATE TO RETROSPECTIVE RATING PLAN PARAMETERS—EXCESS LOSS FACTORS

The proposed ELFs also reflect the updated mix of injury types. These changes are not expected to have any impact on overall premium levels.

IMPLEMENTATION

In order to implement this item, the attached exhibits detail the changes required in NCCI's 2009 Edition of the *Retrospective Rating Plan Manual*.

This item is applicable to new and renewal voluntary policies and will become effective concurrently with each state's approved rate/loss cost filing. For example, this item will be effective January 1, 2013 for approved rate/loss cost filings that have a January 1, 2013 effective date. Similarly, this item will be effective July 1, 2013 for approved rate/loss cost filings that have a July 1, 2013 effective date. If there is no rate/loss cost filing for a state in a given year, this item will take effect on that state's "normal" rate effective date. (The "normal" rate effective date is the anniversary date of the previous year's effective date in that state.)

The following chart shows the anticipated effective dates for each state:

State	Anticipated Effective Date*
Alabama	March 1, 2013
Alaska	January 1, 2013
Arkansas	July 1, 2013
Colorado	January 1, 2013
Connecticut	January 1, 2013
District of Columbia	November 1, 2012
Georgia	March 1, 2013
Hawaii	This item will be implemented in Hawaii's loss cost filing proposed to be effective January 1, 2013. Effective date is determined upon regulatory approval of the individual carrier's election to adopt this change.
Illinois	January 1, 2013
Indiana	January 1, 2013
Kansas	January 1, 2013
Kentucky	October 1, 2012
Louisiana	May 1, 2013
Maine	January 1, 2013

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FILING MEMORANDUM

**ITEM R-1404—2012 UPDATE TO RETROSPECTIVE RATING PLAN PARAMETERS—EXCESS
LOSS FACTORS**

State	Anticipated Effective Date*
Maryland	January 1, 2013
Mississippi	March 1, 2013
Missouri	January 1, 2013
Montana	July 1, 2013
Nebraska	February 1, 2013
Nevada	March 1, 2013
New Hampshire	January 1, 2013
New Mexico	January 1, 2013
North Carolina	April 1, 2013
Oklahoma	January 1, 2013
Oregon	January 1, 2013
Rhode Island	June 1, 2013
South Carolina	July 1, 2013
South Dakota	July 1, 2013
Tennessee	March 1, 2013
Texas	June 1, 2013
Utah	December 1, 2012
Vermont	April 1, 2013
West Virginia	November 1, 2012

* Subject to change depending on the approved effective date of the loss cost filing if a loss cost filing has been submitted for a state.

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ITEM R-1404—2012 UPDATE TO RETROSPECTIVE RATING PLAN PARAMETERS—EXCESS LOSS FACTORS

EXHIBIT 1
RETROSPECTIVE RATING PLAN MANUAL
INDIANA STATE SPECIAL RATING VALUES
EXCESS LOSS PURE PREMIUM FACTORS

3. Excess Loss Pure Premium Factors							
Per Accident Limitation	Hazard Groups						
	A	B	C	D	E	F	G
\$10,000 †	0.500	0.553	0.581	0.611	0.639	0.687	0.717
\$15,000 †	0.435	0.493	0.523	0.556	0.589	0.642	0.679
\$20,000 †	0.385	0.445	0.477	0.511	0.547	0.604	0.646
\$25,000	0.346	0.406	0.438	0.474	0.511	0.571	0.617
\$30,000	0.315	0.374	0.406	0.442	0.480	0.542	0.592
\$35,000	0.289	0.346	0.378	0.414	0.454	0.516	0.569
\$40,000	0.266	0.323	0.355	0.390	0.430	0.493	0.548
\$50,000	0.231	0.284	0.315	0.349	0.390	0.453	0.511
\$75,000	0.175	0.220	0.248	0.279	0.318	0.379	0.442
\$100,000	0.142	0.180	0.207	0.235	0.271	0.329	0.392
\$125,000	0.120	0.154	0.178	0.204	0.238	0.293	0.355
\$150,000	0.105	0.135	0.158	0.181	0.214	0.266	0.327
\$175,000	0.093	0.121	0.142	0.164	0.195	0.243	0.304
\$200,000	0.084	0.109	0.129	0.149	0.179	0.225	0.285
\$225,000	0.076	0.099	0.118	0.137	0.165	0.210	0.268
\$250,000	0.071	0.092	0.110	0.128	0.155	0.198	0.255
\$275,000	0.065	0.085	0.103	0.120	0.145	0.186	0.243
\$300,000	0.061	0.079	0.096	0.112	0.137	0.176	0.231
\$325,000	0.057	0.074	0.090	0.105	0.129	0.168	0.222
\$350,000	0.054	0.070	0.085	0.100	0.122	0.159	0.213
\$375,000	0.051	0.066	0.081	0.094	0.116	0.152	0.204
\$400,000	0.048	0.062	0.077	0.090	0.111	0.146	0.197
\$425,000	0.046	0.059	0.073	0.086	0.106	0.140	0.190
\$450,000	0.044	0.057	0.070	0.082	0.101	0.134	0.184
\$475,000	0.043	0.054	0.068	0.079	0.097	0.129	0.178
\$500,000	0.041	0.052	0.065	0.076	0.094	0.125	0.173
\$600,000	0.036	0.046	0.057	0.066	0.082	0.109	0.155
\$700,000	0.032	0.041	0.051	0.059	0.073	0.098	0.141
\$800,000	0.030	0.038	0.048	0.055	0.068	0.090	0.131
\$900,000	0.028	0.035	0.044	0.051	0.062	0.084	0.122
\$1,000,000	0.026	0.032	0.041	0.047	0.058	0.078	0.115
\$2,000,000	0.015	0.019	0.025	0.029	0.036	0.049	0.077
\$3,000,000	0.012	0.014	0.019	0.022	0.027	0.038	0.060
\$4,000,000	0.010	0.012	0.016	0.018	0.022	0.031	0.051
\$5,000,000	0.009	0.011	0.014	0.016	0.019	0.027	0.044
\$6,000,000	0.007	0.009	0.012	0.013	0.016	0.023	0.039
\$7,000,000	0.007	0.008	0.011	0.012	0.015	0.021	0.035
\$8,000,000	0.006	0.008	0.010	0.011	0.014	0.019	0.032
\$9,000,000	0.006	0.007	0.009	0.010	0.013	0.018	0.030
\$10,000,000	0.006	0.007	0.009	0.010	0.012	0.016	0.028

† Per Item R-1399, this loss limit is applicable for retrospective rating in this state.

ITEM R-1404—2012 UPDATE TO RETROSPECTIVE RATING PLAN PARAMETERS—EXCESS LOSS FACTORS

EXHIBIT 2
RETROSPECTIVE RATING PLAN MANUAL
INDIANA STATE SPECIAL RATING VALUES
EXCESS LOSS AND ALLOCATED EXPENSE PURE PREMIUM FACTORS

3. Excess Loss and Allocated Expense Pure Premium Factors							
Per Accident Limitation	Hazard Groups						
	A	B	C	D	E	F	G
\$10,000 †	0.562	0.618	0.647	0.679	0.709	0.758	0.789
\$15,000 †	0.494	0.556	0.589	0.624	0.658	0.713	0.751
\$20,000 †	0.442	0.507	0.541	0.578	0.616	0.675	0.719
\$25,000	0.401	0.467	0.502	0.539	0.580	0.642	0.690
\$30,000	0.368	0.432	0.468	0.506	0.548	0.612	0.664
\$35,000	0.339	0.403	0.439	0.478	0.520	0.586	0.641
\$40,000	0.315	0.378	0.413	0.452	0.496	0.563	0.620
\$50,000	0.276	0.336	0.371	0.409	0.453	0.521	0.583
\$75,000	0.213	0.265	0.297	0.332	0.376	0.443	0.510
\$100,000	0.175	0.220	0.250	0.283	0.324	0.389	0.457
\$125,000	0.149	0.189	0.217	0.247	0.287	0.348	0.417
\$150,000	0.132	0.168	0.194	0.222	0.259	0.318	0.386
\$175,000	0.118	0.150	0.175	0.201	0.237	0.293	0.360
\$200,000	0.106	0.136	0.160	0.184	0.218	0.272	0.338
\$225,000	0.097	0.125	0.148	0.170	0.203	0.254	0.319
\$250,000	0.090	0.116	0.138	0.159	0.191	0.240	0.304
\$275,000	0.083	0.107	0.129	0.149	0.179	0.227	0.290
\$300,000	0.077	0.100	0.120	0.140	0.169	0.215	0.277
\$325,000	0.073	0.094	0.113	0.132	0.160	0.205	0.266
\$350,000	0.068	0.088	0.107	0.125	0.152	0.195	0.255
\$375,000	0.065	0.083	0.102	0.118	0.145	0.187	0.246
\$400,000	0.061	0.079	0.097	0.113	0.138	0.179	0.237
\$425,000	0.059	0.075	0.092	0.108	0.132	0.172	0.229
\$450,000	0.056	0.072	0.089	0.103	0.127	0.165	0.222
\$475,000	0.054	0.069	0.085	0.099	0.122	0.159	0.215
\$500,000	0.052	0.066	0.082	0.095	0.117	0.154	0.209
\$600,000	0.045	0.057	0.071	0.083	0.102	0.135	0.187
\$700,000	0.040	0.051	0.064	0.074	0.091	0.121	0.171
\$800,000	0.038	0.047	0.059	0.068	0.084	0.111	0.158
\$900,000	0.035	0.044	0.055	0.063	0.077	0.103	0.148
\$1,000,000	0.032	0.040	0.051	0.059	0.072	0.096	0.139
\$2,000,000	0.019	0.024	0.031	0.036	0.044	0.060	0.093
\$3,000,000	0.015	0.018	0.024	0.027	0.034	0.046	0.073
\$4,000,000	0.012	0.015	0.020	0.022	0.028	0.038	0.061
\$5,000,000	0.011	0.013	0.017	0.019	0.024	0.033	0.054
\$6,000,000	0.009	0.011	0.014	0.016	0.020	0.028	0.047
\$7,000,000	0.008	0.010	0.013	0.015	0.018	0.025	0.043
\$8,000,000	0.008	0.009	0.012	0.014	0.017	0.023	0.039
\$9,000,000	0.007	0.009	0.011	0.013	0.015	0.021	0.036
\$10,000,000	0.007	0.008	0.011	0.012	0.014	0.020	0.034

† Per Item R-1399, this loss limit is applicable for retrospective rating in this state.