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NCCI Proposes 9.6% Average Rate Decrease Effective 1/1/2018

Great news for Florida employers!

NCCI has recently submitted a rate filing to the Office of Insurance Regulation (OIR) to reduce Florida Workers' Compensation Rates. If the filing is approved as filed, it would decrease rates an average of 9.6%. This comes on the heels of a 14.5% increase which took effect on December 1, 2016.

The filing to decrease rates results from two primary drivers:

1. Claims frequency has decreased in Florida by approximately 8% over the last two years.
2. A 1.9% decrease in expense provisions.

A ruling by the OIR will follow a public rate hearing in October so NCCI and other parties can discuss the proposed filing.

For more information reference the Attachment: **NCCI - Florida Rate Filing**

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NCCI RECOMMENDS DECREASE TO FLORIDA WORKERS COMPENSATION RATES

August 28, 2017

Boca Raton, Florida – The National Council on Compensation Insurance (NCCI) delivered its 2017 workers compensation insurance rate filing to the Florida Office of Insurance Regulation (OIR). Using the most recent pre-*Castellanos/Westphal* experience data available, NCCI has recommended an overall premium level decrease of 9.6%, effective January 1, 2018. The proposed reduction represents a continued improvement in claim frequency, more than an 8% decrease in Florida over the last two years, and is the primary driver of the decrease filed with the OIR. In addition to the improvements in loss experience, the filing includes a 1.9% decrease in expense provisions, including a proposed decrease to the Profit & Contingency provision from 2.75% to 2.0%. Florida is a “full rate” jurisdiction which means that the filing includes all components within the rate charged to the policyholder (i.e. general expenses, taxes, profit and contingency, commissions, etc.).

Last year, two separate Florida Supreme Court decisions resulted in changes to the Florida workers compensation landscape. Those cases, *Castellanos v. Next Door Company, et al.* (April 28, 2016) and *Westphal v. City of St. Petersburg, et al.* (June 9, 2016) brought about retroactive changes to claimant attorney fee and benefit levels. NCCI submitted a filing which addressed the projected impact of the two court decisions including future upward pressure on claim costs as well as a growing unfunded liability on open claims. OIR issued an order that included a 14.5% premium level increase which took effect on December 1, 2016.

The OIR is expected to schedule a public hearing on the new 2017 filing in October. Details of the filing are shown below.



January 1, 2018 Filing Summary

| <u>Component</u> | <u>Impact</u> |
|----------------------------------|---------------|
| Experience, Trend and Benefits | -7.8% |
| Taxes and Assessments | -0.4% |
| Profit and Contingency | -1.0% |
| Loss Adjustment Expense | -0.5% |
| Overall Premium Level Change | -9.6% |
| Expense Constant Offset | +0.3% |
| Overall Rate Level Change | -9.3% |

Rate Level Changes by Industry Group

| | |
|---------------------|--------|
| Manufacturing | -10.3% |
| Contracting | -6.9% |
| Office and Clerical | -11.3% |
| Goods and Services | -10.4% |
| Miscellaneous | -8.1% |

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