



NCCI Response to the 2018 Peer Review and Analysis of the Ratemaking Processes of NCCI

Prepared on January 19, 2018

NCCI appreciates the opportunity to comment on the report compiled by EVP Advisors (“EVP”), regarding the ratemaking processes of the National Council on Compensation Insurance (“NCCI”) in the state of Florida.

We are pleased to note EVP’s principal conclusions:

- NCCI’s ratemaking processes utilize standard actuarial methodologies which are applied appropriately to determine workers compensation rates in Florida
- The entire NCCI process complies with Florida statutes, rules, and regulations

Regarding the specific comments and/or recommendations in EVP’s review, NCCI offers the following comments:

A. *EVP recommends that NCCI provide additional documentation in support of its target experience modification selection in its rate filings*

NCCI notes that the full rate filing submission reviewed by the Florida Office of Insurance Regulation (“FLOIR”) consists of at least the (i) rate filing document, (ii) supplemental package of information provided with the filing, and (iii) NCCI’s responses to the FLOIR’s data requests. As such, additional documentation in this area currently exists and is made available.

B. *EVP recommends that NCCI provide age-to-age link ratios prior to the tail factor attachment point in its rate filings or state why they have been excluded*

NCCI notes that the above-requested link ratios are not components of the filing’s tail factor calculation and are not necessary to include in its rate filing submissions. It should also be noted that the filings continue to include the data prior to the tail factor attachment point on an aggregate basis. NCCI believes the tail factors included in its filings are actuarially appropriate and adequate.

C. *EVP recommends that NCCI provide additional documentation in support of the trend factors included in its rate filings and consistently rely on longer-term trends if rate stability is NCCI’s goal*

As mentioned above, NCCI notes that the full rate filing submission reviewed by the FLOIR consists of at least the (i) rate filing document, (ii) supplemental package of information provided with the filing, and (iii) NCCI’s responses to the FLOIR’s data requests. Additional documentation in this area currently exists and is made available. Consistently utilizing short- or long-term trends may preclude the use of another approach that may be most appropriate as indicated by state-specific diagnostic information. Maintaining procedural flexibility is particularly appropriate in a state like Florida, where a steady-state environment has been rarely observed.

D. EVP recommends that NCCI perform an analysis to determine the impact that the Castellanos and Westphal decisions have on excess loss factor (“ELF”) calculations

NCCI notes that an analysis of the estimated impacts of the above-mentioned Supreme Court decisions was completed and reflected in a rate filing submitted for review to the FLOIR. The FLOIR-approved impacts have been reflected in the ELF calculations through the loss on-level factors. In NCCI’s opinion, the magnitude and direction of the resulting ELF changes are consistent with our expectations. To address another comment in EVP’s report, it should be noted that pricing decisions on large deductible policies are a responsibility of the individual insurance company—ELFs are not explicitly produced for that purpose.

NCCI is pleased to have participated in the review process conducted by EVP. As we examine and adopt suggestions for improvement, NCCI will continue to make it our priority to support Florida’s legislators and regulators as they seek to achieve and maintain a stable and healthy workers compensation system.