

Workers' Compensation Insurance Market

House Insurance & Banking Committee

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Insurance Commissioner

Workers' Compensation Insurance Rate Regulation

- Prior approval in Florida (rates, rating plans, forms)
- National Council on Compensation Insurance (NCCI) files rates, rating plans and forms on behalf of all insurers

OIR Rate Review

Overall Standard:

Rates may not be excessive, inadequate, or unfairly discriminatory

Some factors considered:

- Past and prospective loss experience
- Underwriting profit and contingencies
- Investment income
- Past and prospective expenses
- Any other relevant/judgment factors



Rating Plans

- Experience rating plan
- Premium discounts by policy size
- Drug-free workplace premium credit
- Employer safety premium credit
- Florida Contracting Classification Premium Adjustment Program
- Small deductibles
- Coinsurance



Insurer Competition Based on Price

- Large deductibles
- Retrospective rating plans
- Policyholder dividends
- Deviations
- Intermediate deductibles
- Consent-to-rate



Insurer Competition Based on Factors Other Than Price

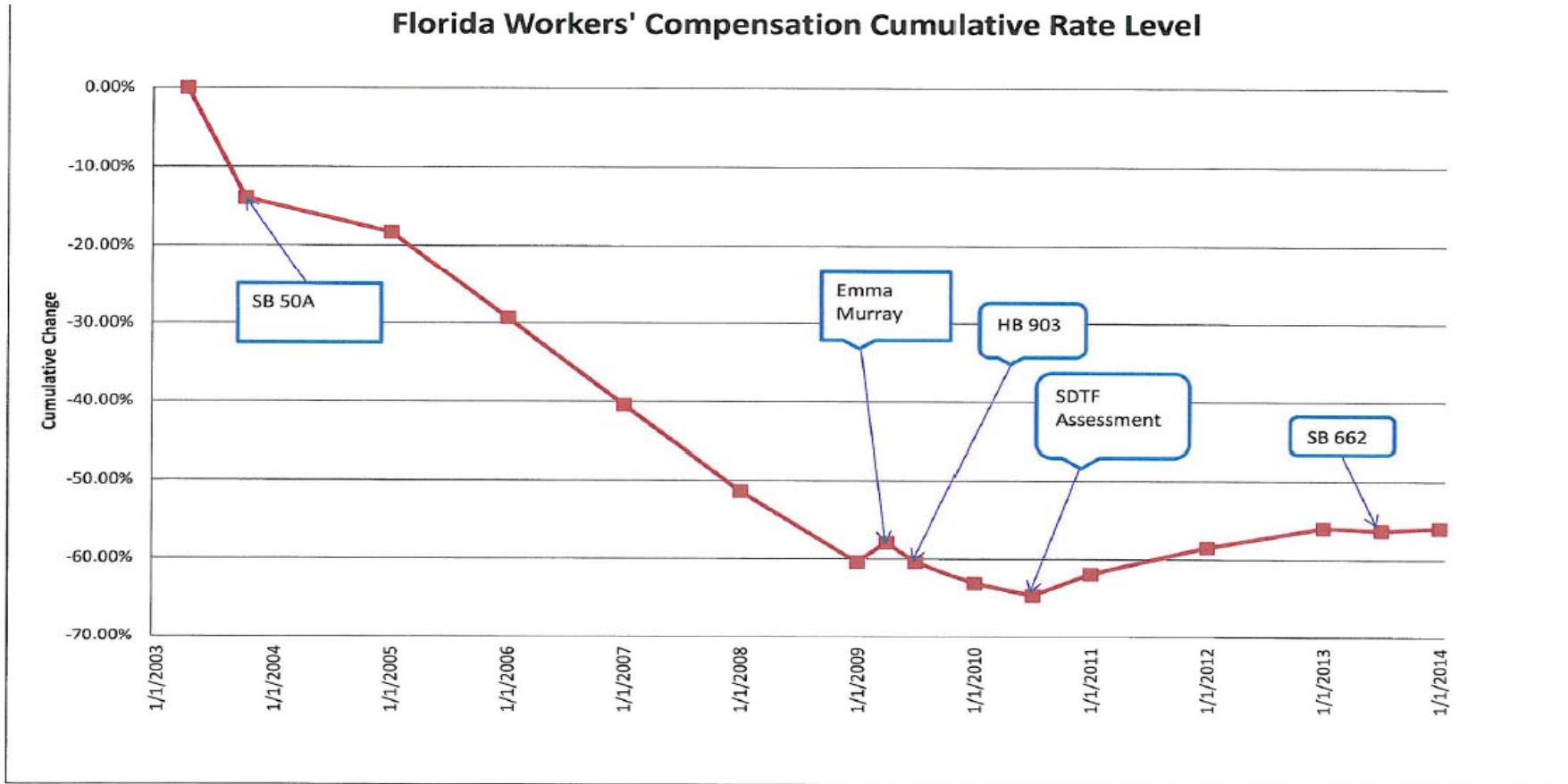
- Premium payment plans
- Specialized loss control
- Claims handling and fraud detection
- Higher agent commissions
- Policyholder services (auditing, policy issuance or Certificates of Insurance)

Workers' Compensation Market Since 2003

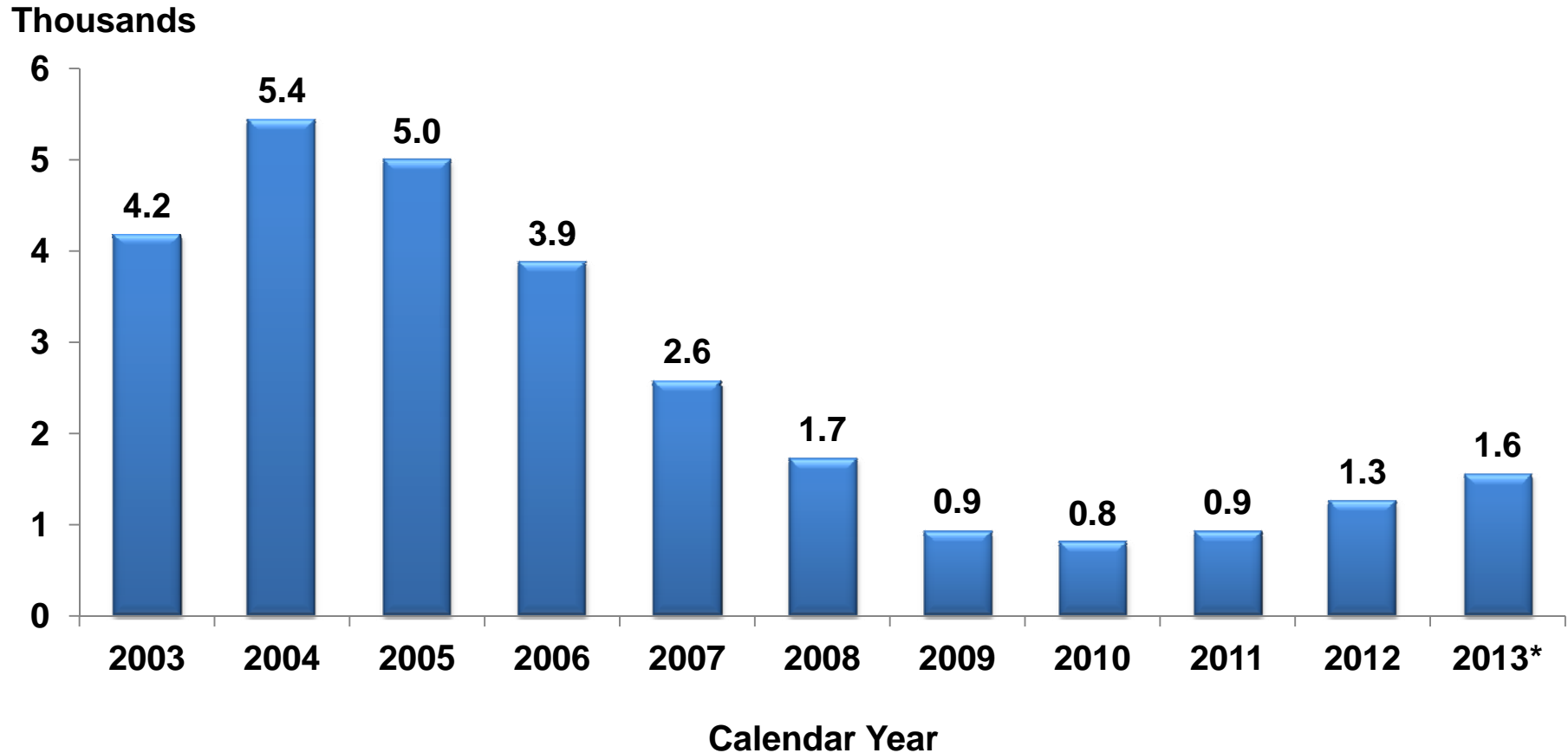
- Overall rate reduction of 56%
- Relatively small residual market
- More carriers actively writing (236 to 248)
- Competitive-based market concentration



Rate Levels Since 2003 Reform Legislation



Florida Workers' Compensation Joint Underwriting Association (WCJUA) Policy Count

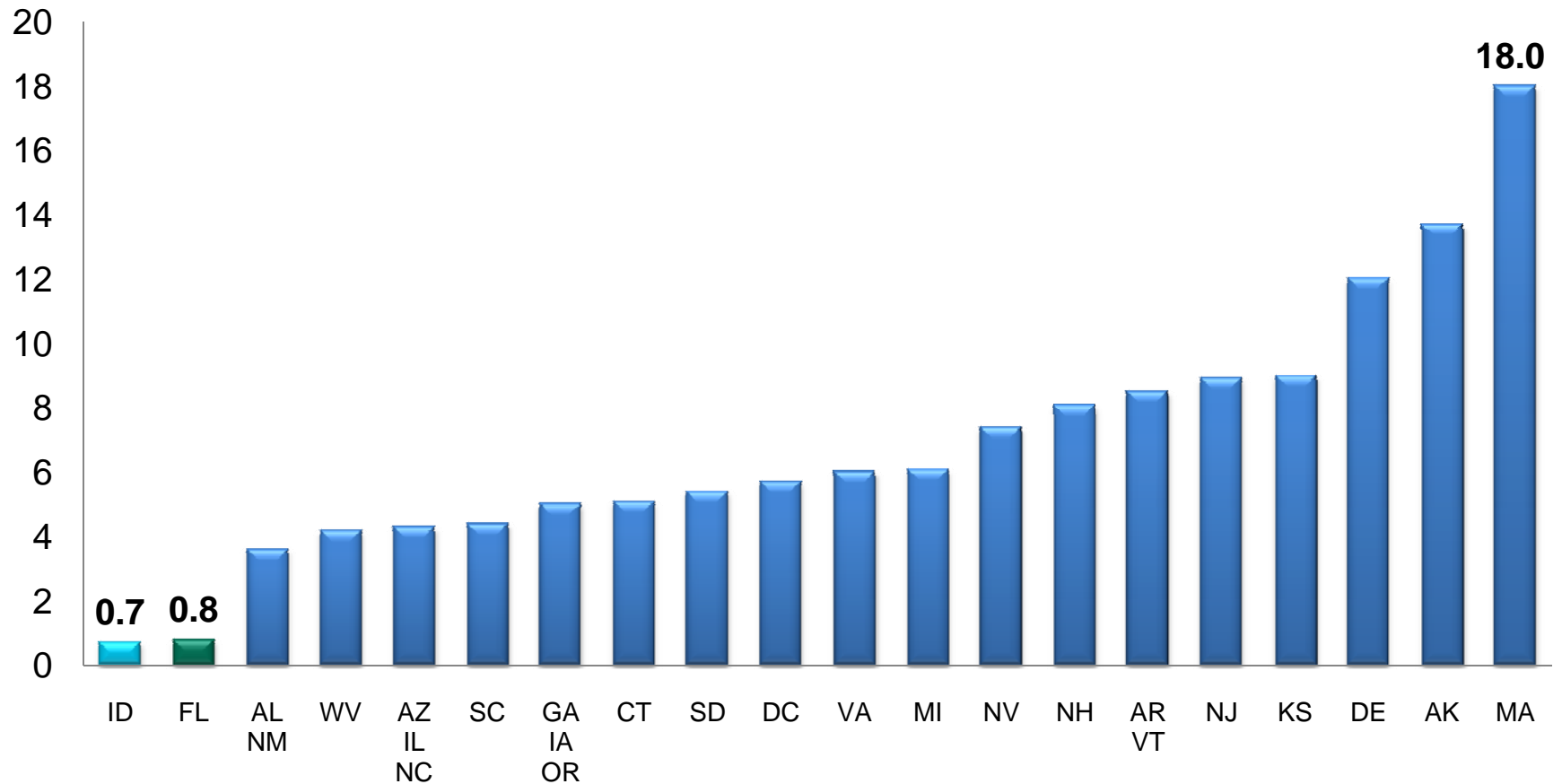


Source: Florida WCJUA, Inc.
*Projected

Residual Market Share

Calendar Year 2012

Percent (%)



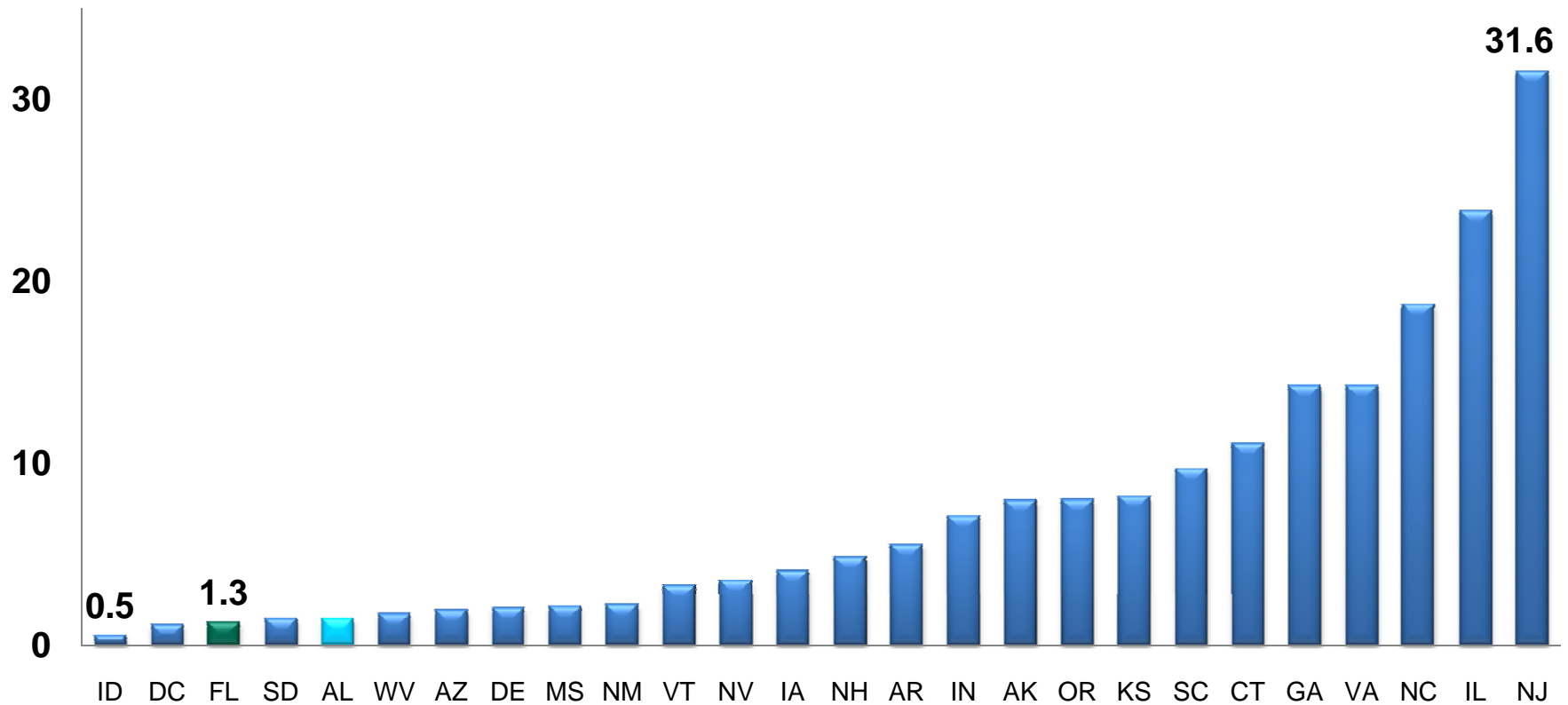
Data is evaluated as of 12/31/2012
Source: NCCI



Residual Market Share Policy Count

Policy Year 2012

Thousands



Data is evaluated as of 12/31/2012
Source: NCCI



Conclusion

- Market is functioning well
- Market is competitive
- Rates have been reduced 56% since 2003 reforms
- More insurers are actively writing in Florida
- Monitor pending court cases



Questions?

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