



Florida 1/1/2013 Workers Compensation Rate Filing

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October 4, 2012

Florida January 1, 2013 Workers Compensation Filing Summary of Proposed Rate Change

Component	Impact
Change in Loss Experience	+1.9%
Change in Trend	+4.8%
Offset to Reflect the Change in Employers Liability ILFs	-0.2%
Offset to Reflect the Change in Minimum Premium Parameters	-0.1%
Change in Production & General Expenses	+0.1%
Change in Profit & Contingencies	0.0%
Change in Loss Adjustment Expense	-0.5%
Total Average Rate Change	+6.1%



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Experience Period

- As in last year's filing, two policy years are again used as the experience base in this year's filing
- Policy year data reflects a more accurate matching of losses and premium
- This is especially important when calendar-year premium reflects large shifts in audit premium
- Use of two calendar-accident years would have resulted in a change of +9.9% to +13.7%

Loss Development

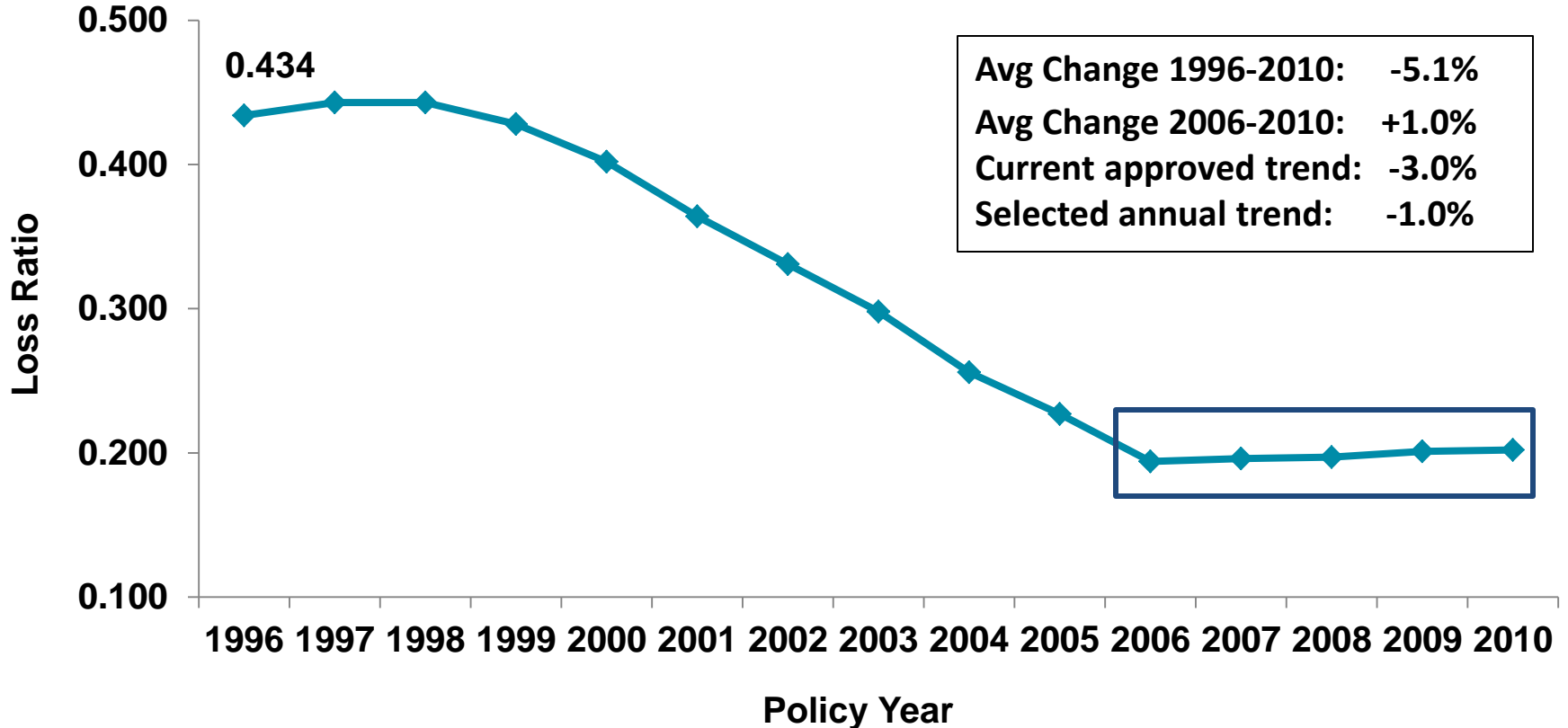
- Average of paid and paid + case loss development
 - Consistent with last nine Florida filings
 - Neither method clearly superior to the other
 - Makes use of all available information
- Three-year average development factors
 - Consistent with last two Florida filings
 - Traditional alternatives produce similar result
- Only significant methodology change:
 - Estimated development after 19 years
 - Excluding IBNR and using policy year data
 - Resulted in lower estimates of development

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Florida's Indemnity Loss Ratio Standard Coverage

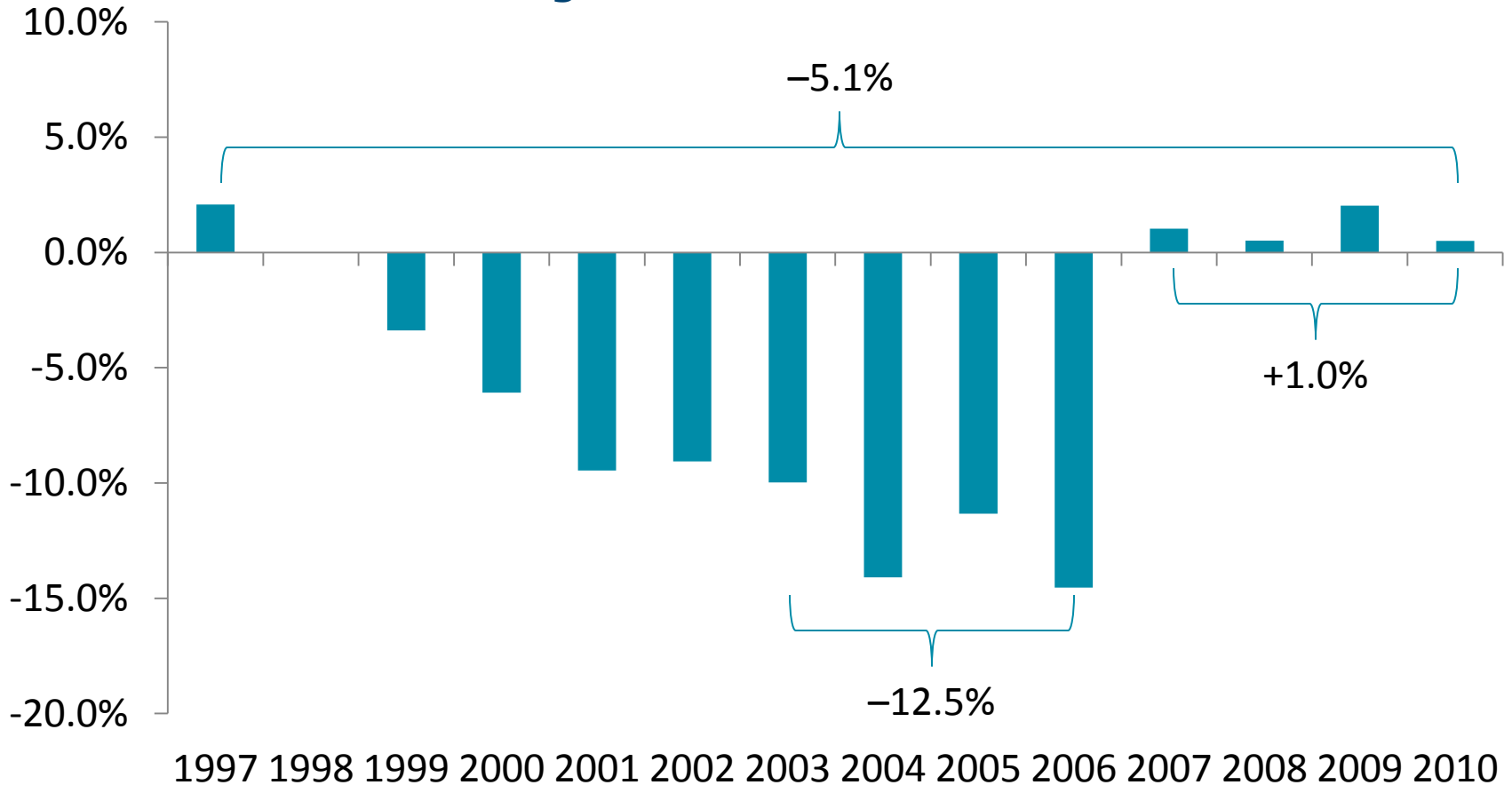
Average of Paid and Paid+Case



Based on NCCI's financial data developed to ultimate and adjusted to the current level.

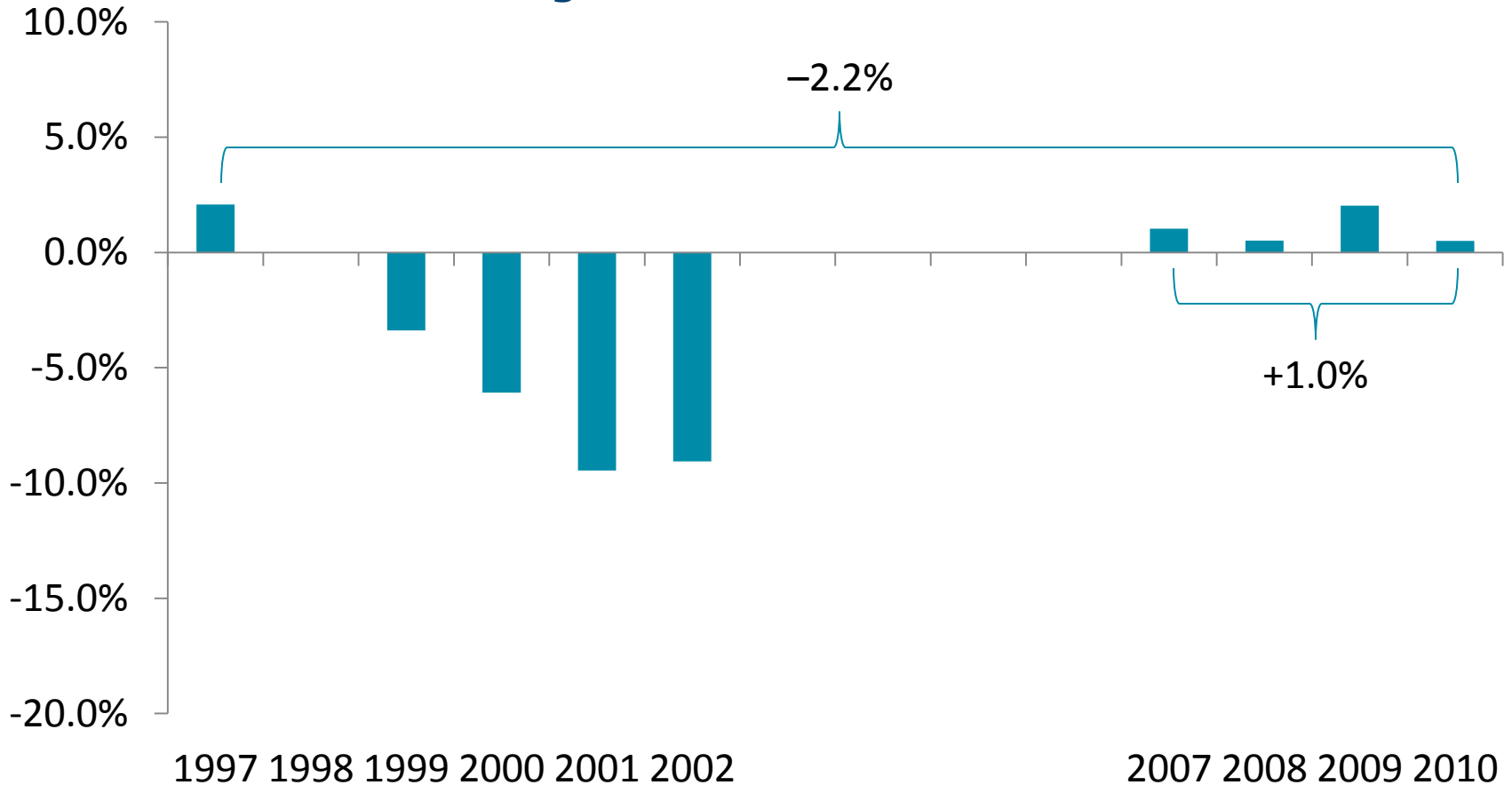
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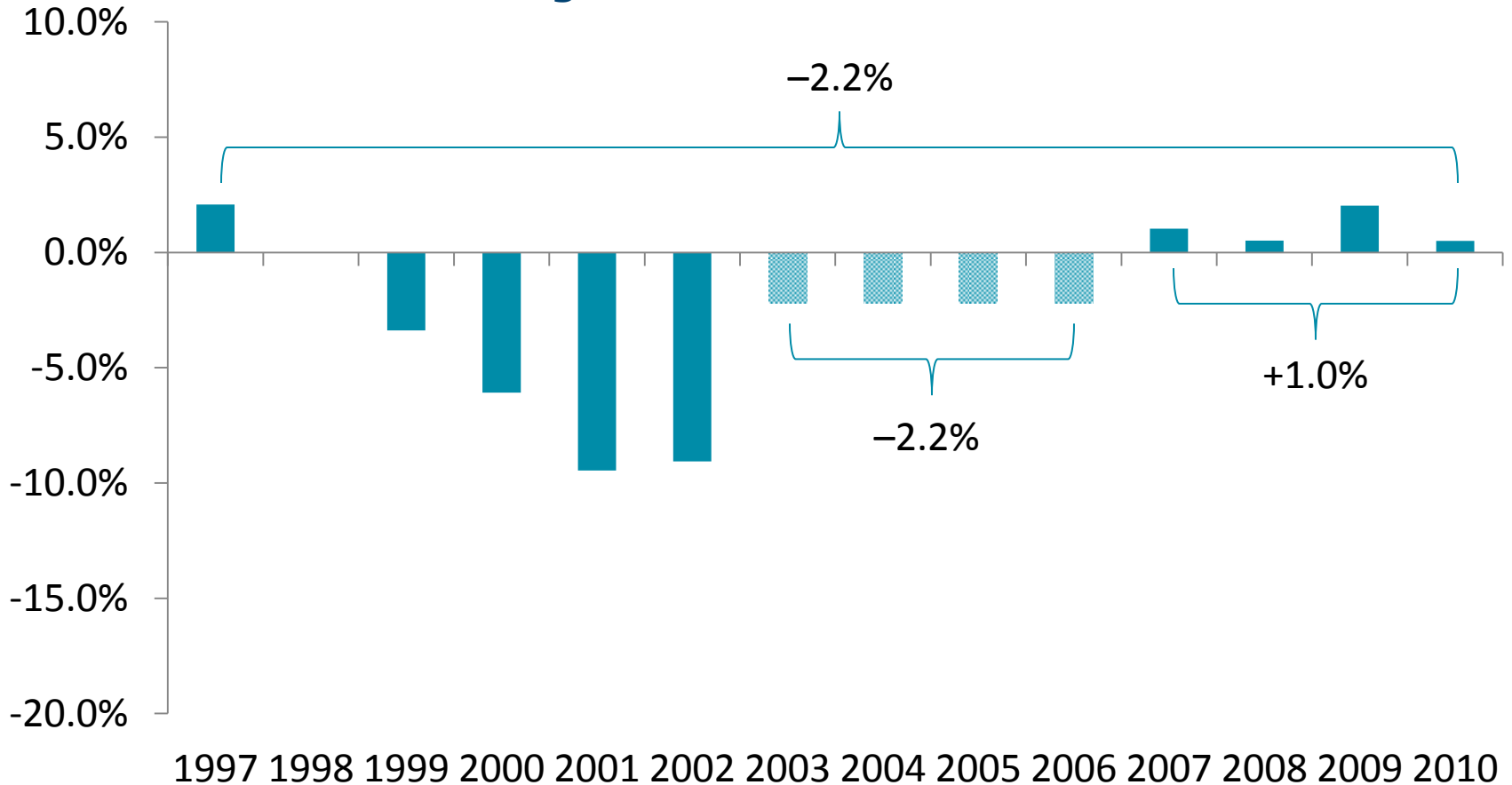
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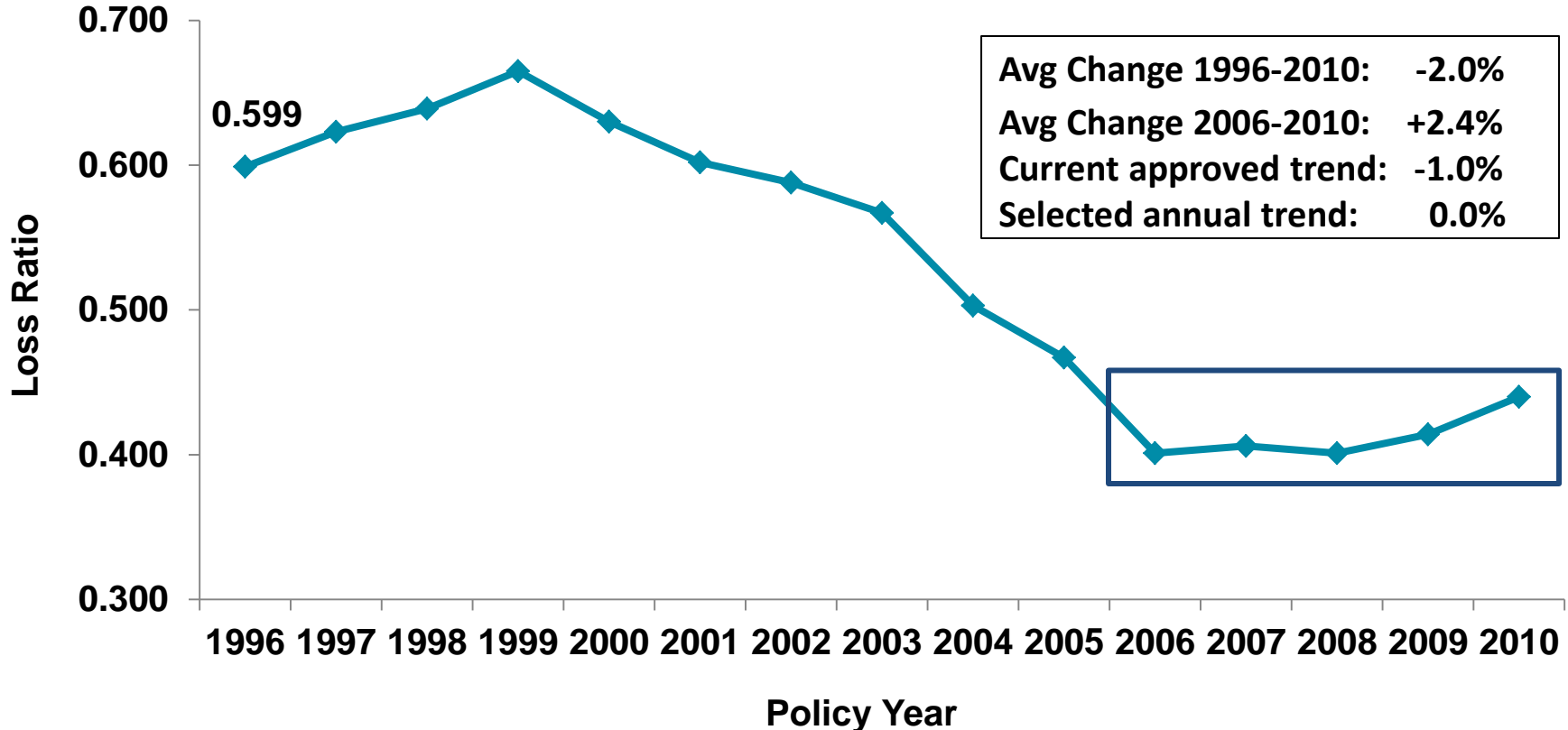
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Florida's Medical Loss Ratio Standard Coverage

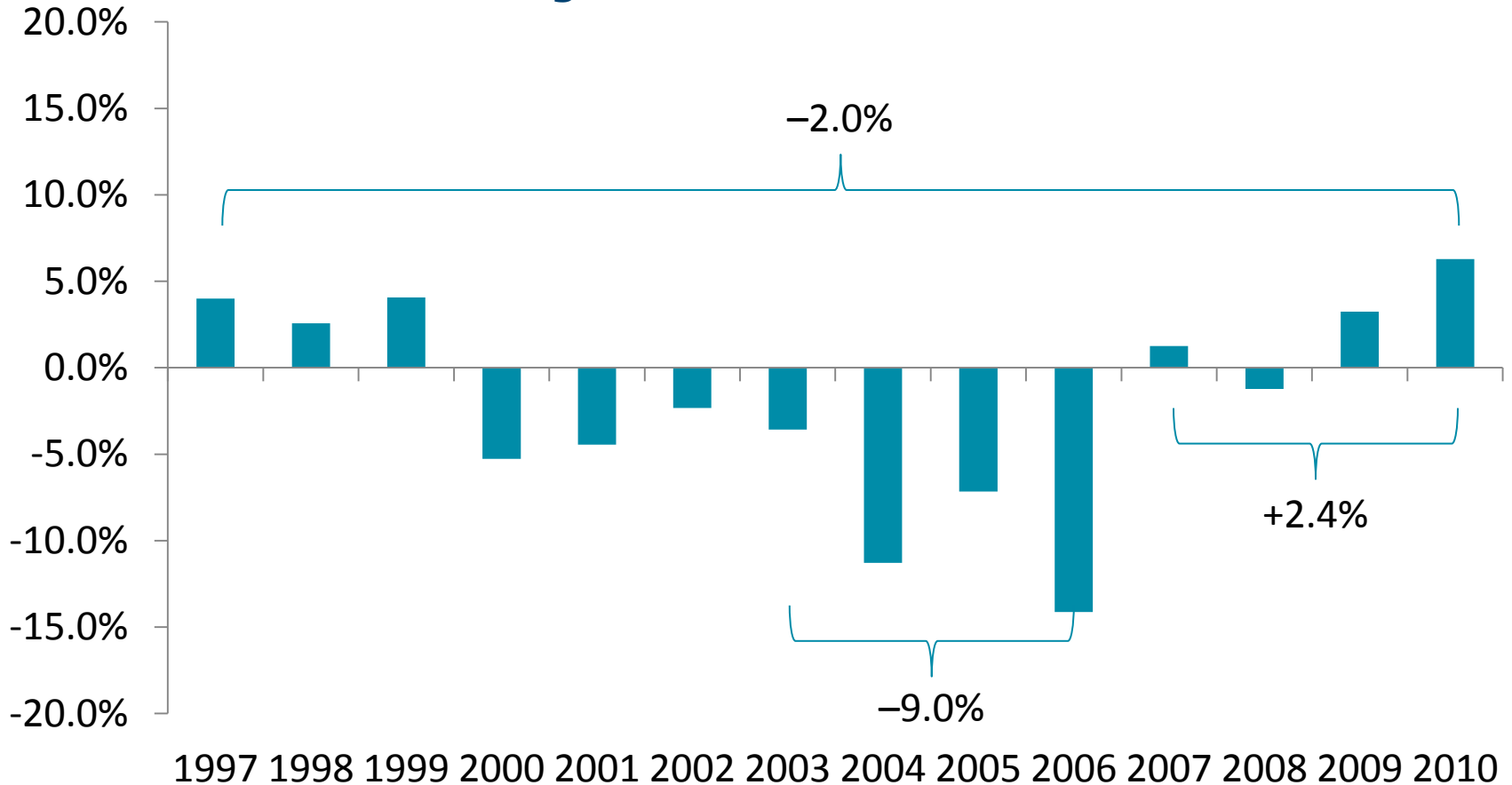
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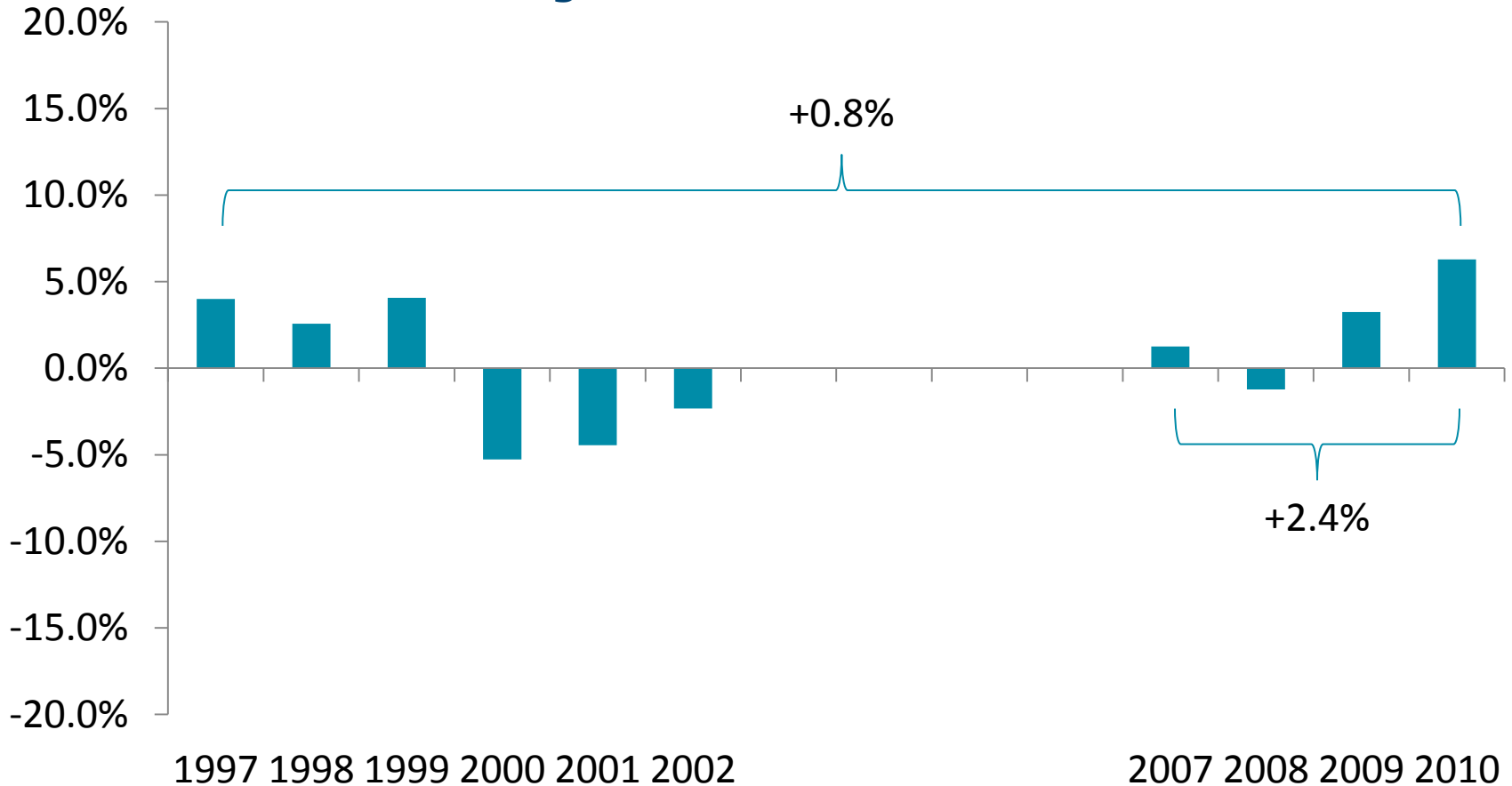
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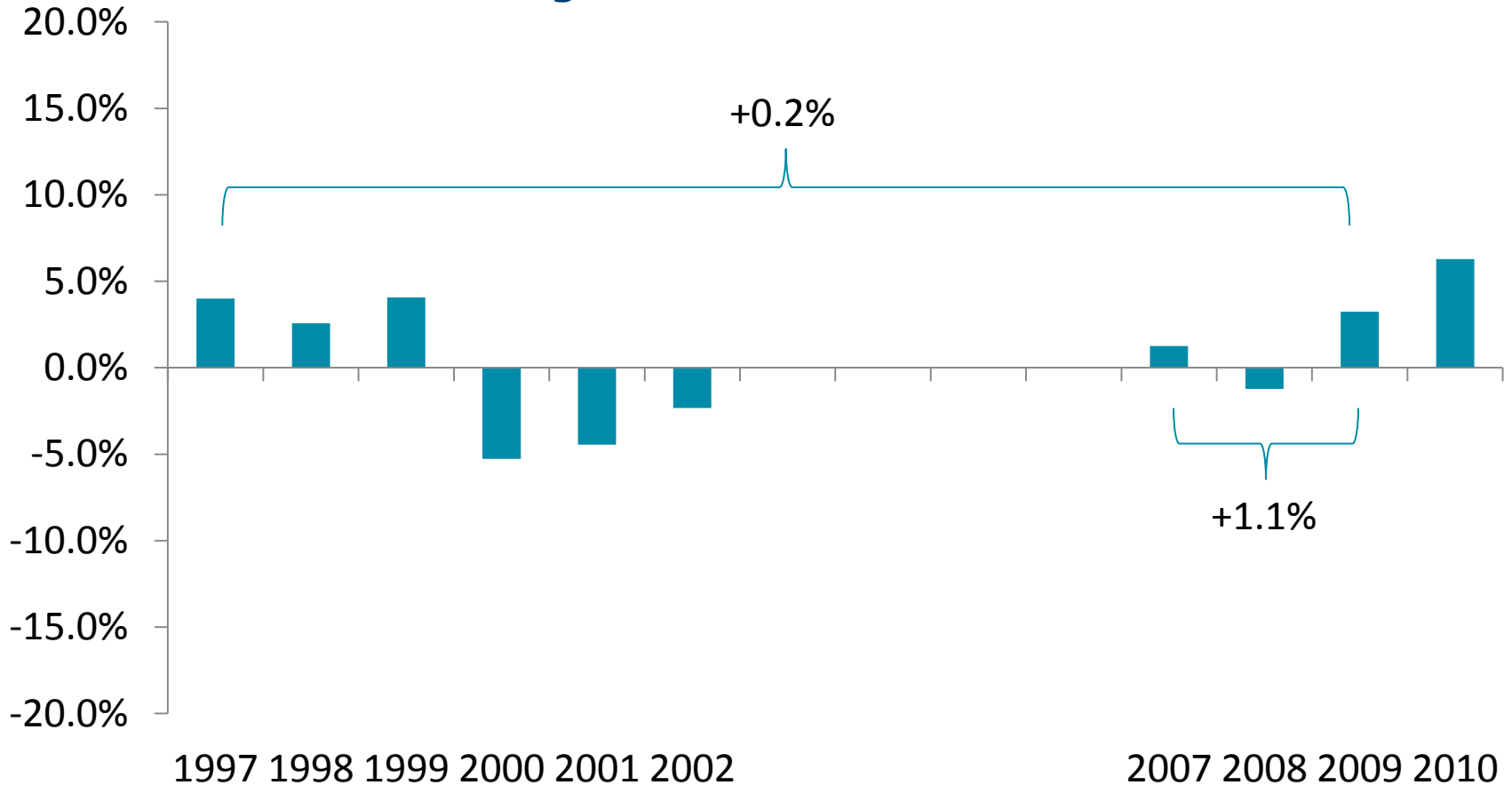
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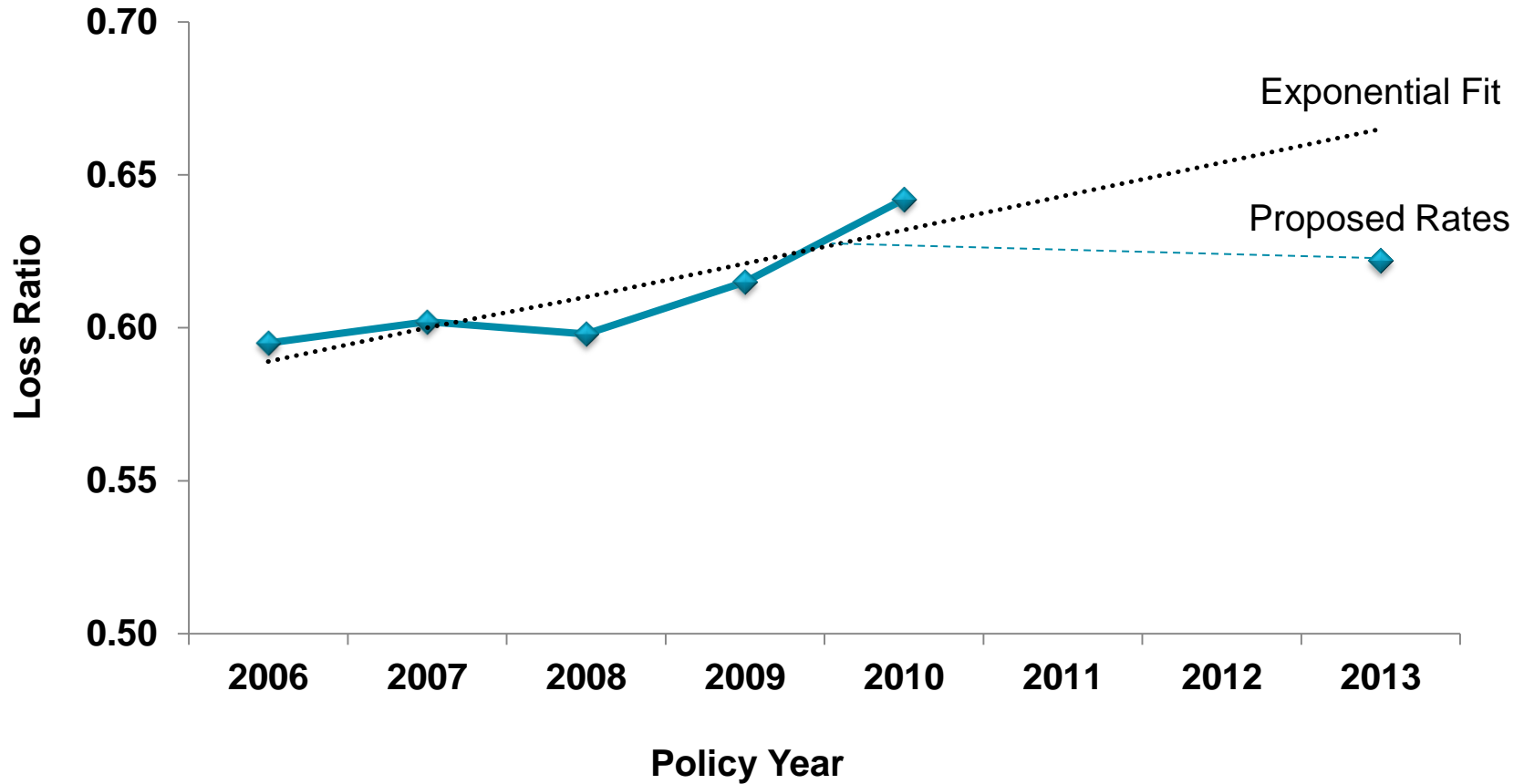
Trend

The selected trends give some weight to the latest five years while still reflecting the long-term trends. The post-reform years of 2003 to 2006 have a big impact on the long-term trends.

		Indemnity Loss Ratio	Medical Loss Ratio
(a)	1996-2010 average change	-5.1%	-2.0%
	• Excl. 2003-2006	-2.2%	+0.8%
(b)	2006-2010 average change	+1.0%	+2.4%
(c)	Current approved trend	-3.0%	-1.0%
(d)	Selected annual trend	-1.0%	0.0%

Florida's Total Loss Ratio (Excl. LAE) Standard Coverage

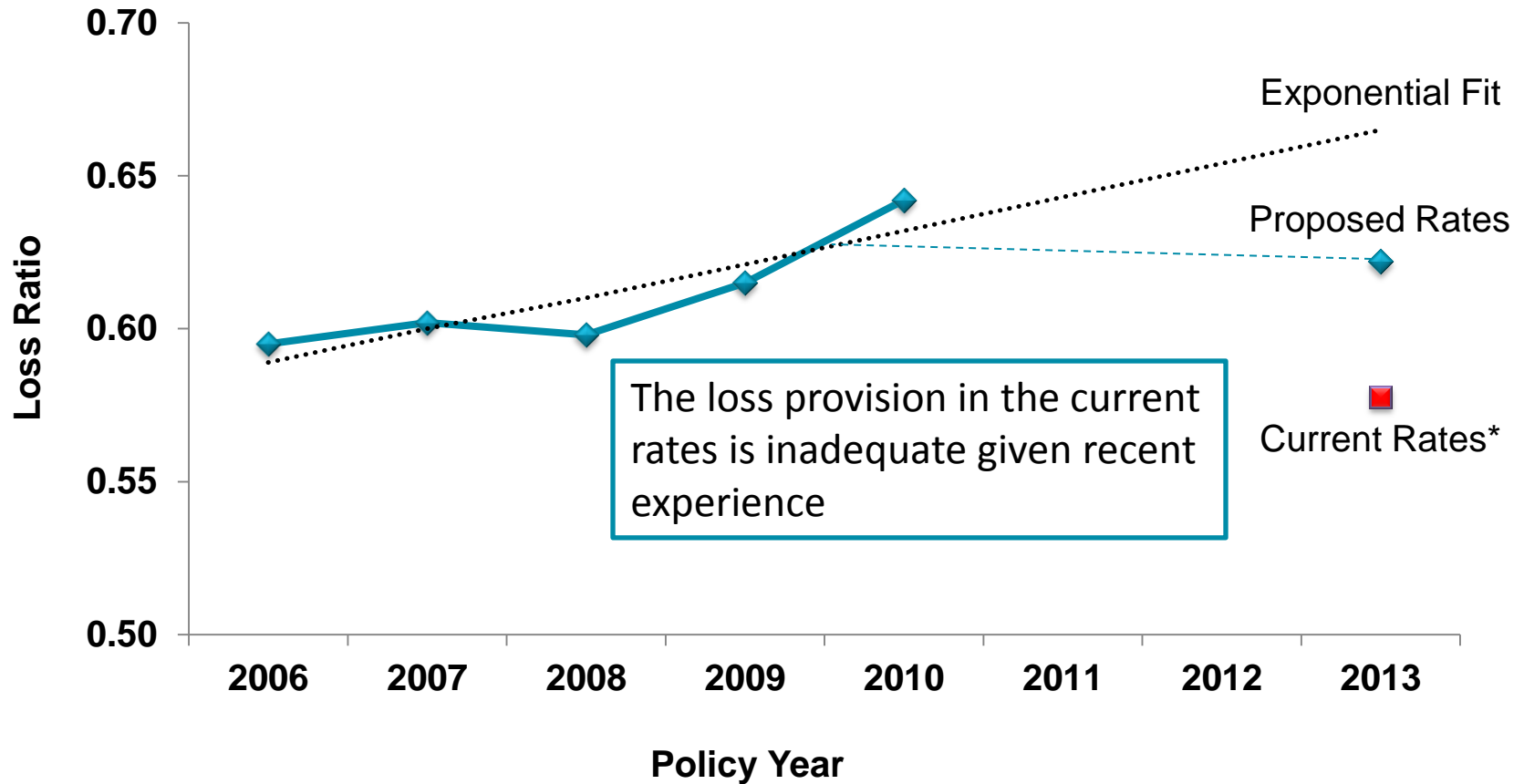
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Florida's Total Loss Ratio (Excl. LAE) Standard Coverage

Average of Paid and Paid+Case



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*Permissible loss ratio in the current approved rates.

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Profit & Contingencies

- Recommending no change to the current P&C provision of 2.5%
- Economic analysis clearly supports 2.5% with or without dividends

	1/1/2011	1/1/2012	1/1/2013
With Dividends	+14.0%	+12.7%	+13.7%
Without Dividends	+7.4%	+8.7%	+10.5%
Filed	+2.5%	+2.5%	+2.5%
Approved	+2.5%	+2.5%	

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- As with the 2011 and 2012 filings, only a portion of the increase is due to deterioration in experience
- The bulk of the increase is due to less optimistic trend projections
- Our proposed trends now reflect a projection of stable costs going forward
- Full approval will result in adequate rates and help stabilize rates going forward