



Florida

Workers Compensation Market 2013

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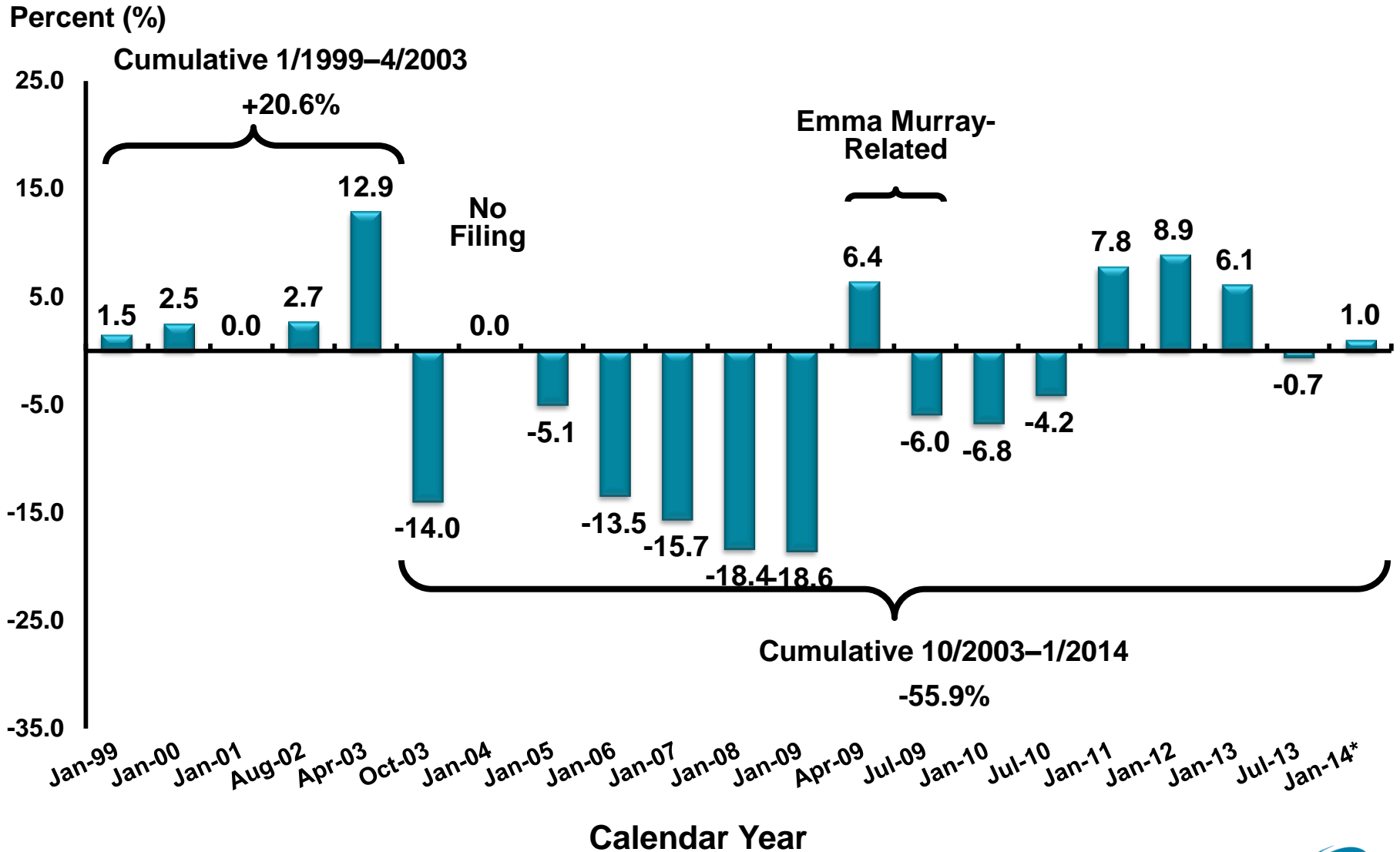
Florida Workers Compensation Rates

	Proposed Change 1/1/2014	Cumulative Change* 10/1/2003 – 1/1/2014
Manufacturing	-3.2%	-53.7%
Contracting	+3.5%	-57.5%
Office & Clerical	+0.3%	-58.1%
Goods & Services	+1.1%	-54.3%
Miscellaneous	+0.9%	-54.0%
Overall Average	+1.0%	-55.9%

*Assumes 1/1/2014 is approved as filed



Florida Historical Rate Changes



* Pending

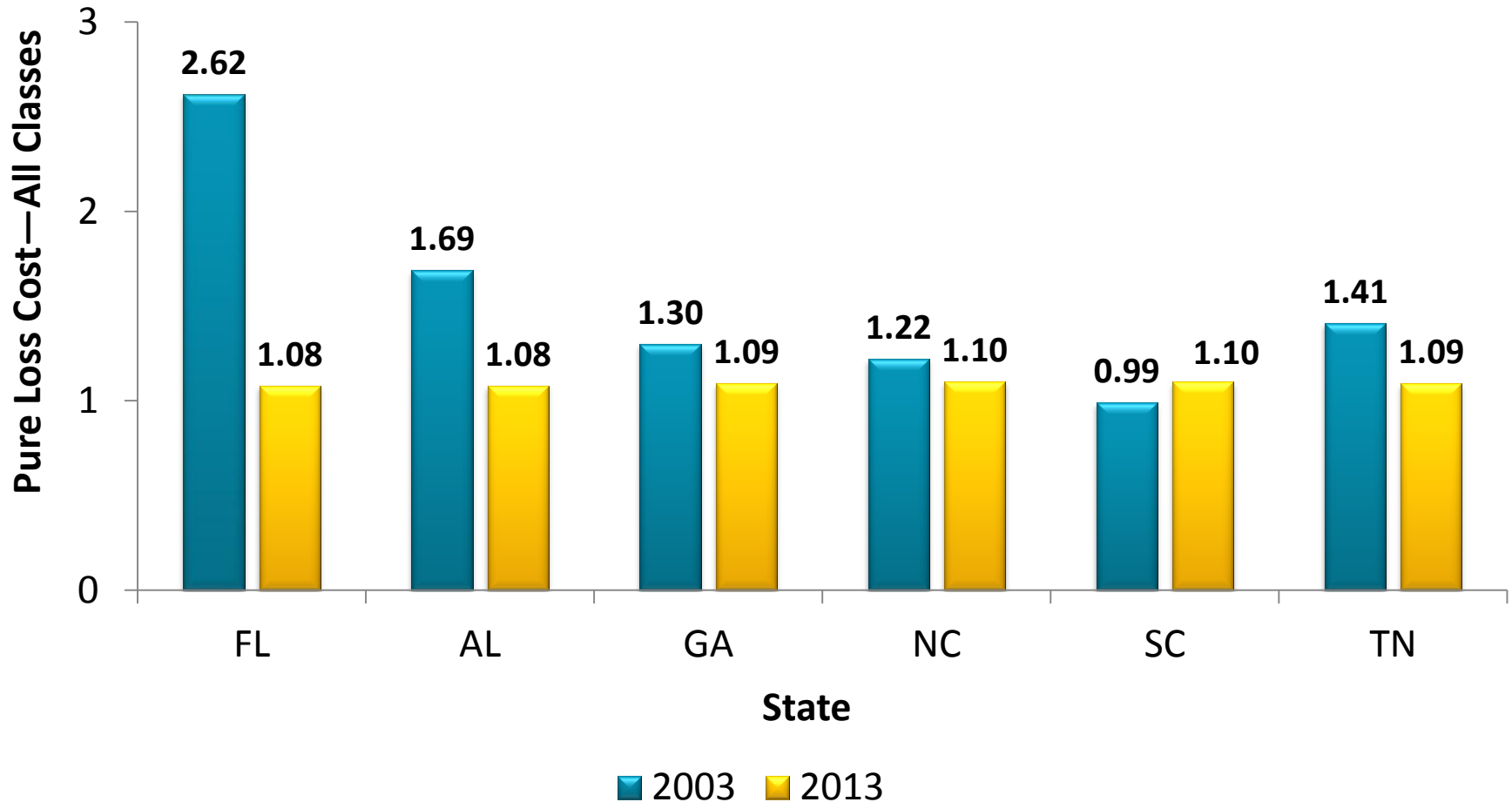


Florida Has Reached Point of Stability for First Time Since 2003 Reform

- Rate changes within +/-5% generally reflect “normal” year to year changes
- Items worthy of note about this rate filing:
 - **NOT NEW**: The experience change is minor this year (same for last several rate filings)
 - **NEW THIS YEAR**: Proposed trend change is minor (reflects expectation of stability going forward)



Current Average Voluntary Pure Loss Costs Using Florida's Payroll Distribution

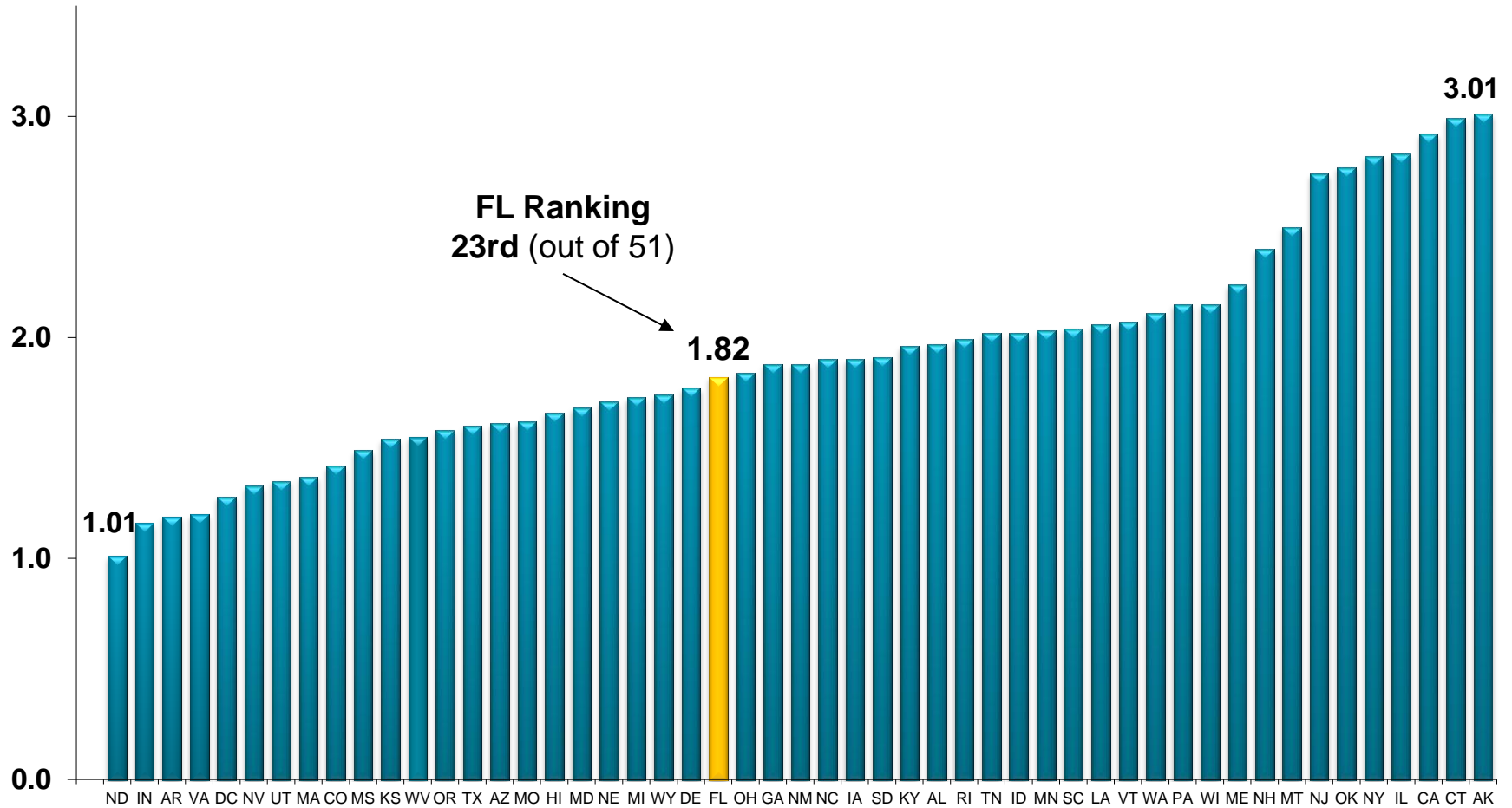


Based on the latest NCCI approved rates and loss costs in the various states



Workers Compensation Premium Rate Ranking

Premium Rate Index per \$100 of Payroll



Source: 2012 Oregon Workers' Compensation Premium Rate Ranking Summary
 Indexes based on rates in effect on January 1, 2012

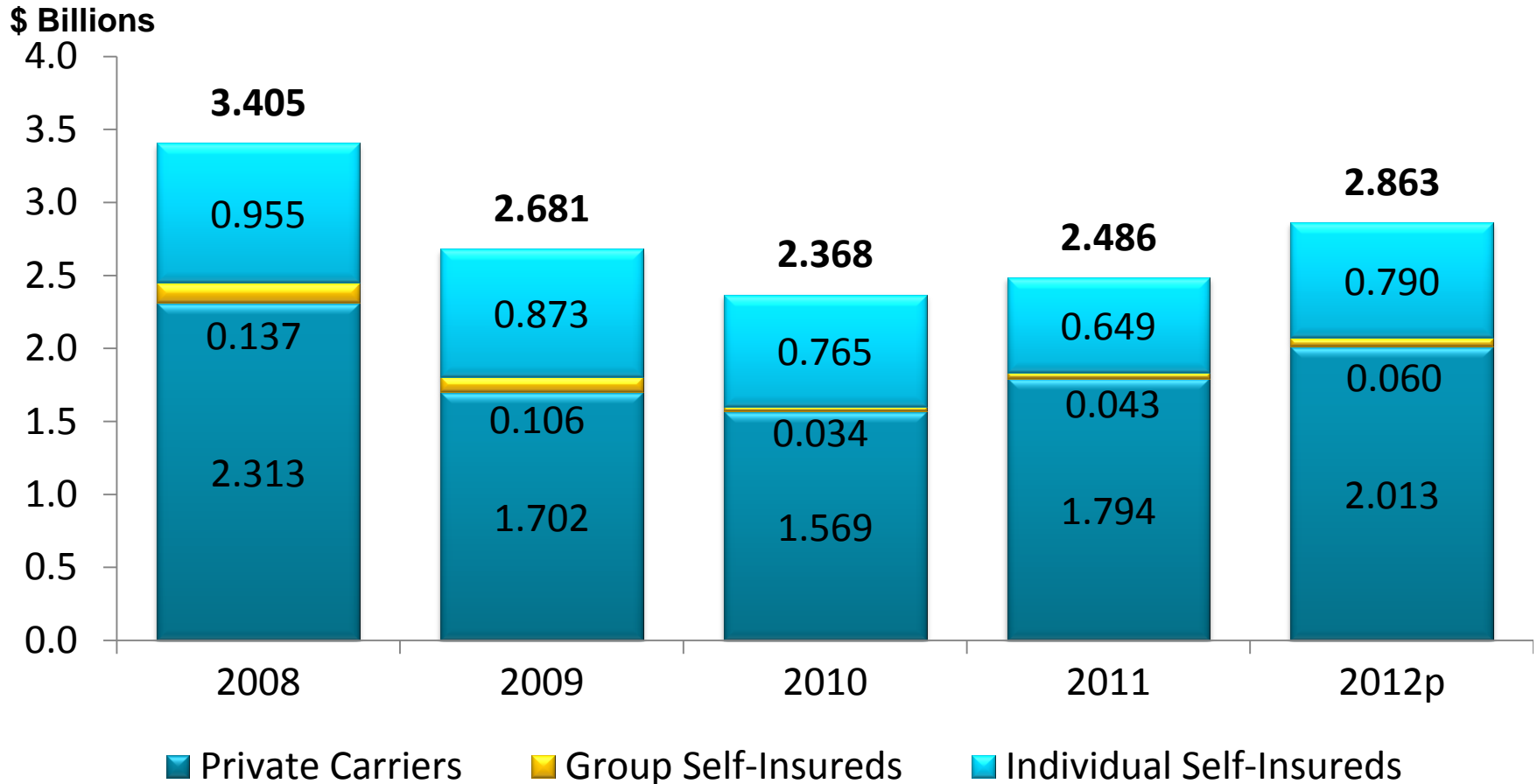




Market Indicators

Florida's Workers Compensation Premium Volume

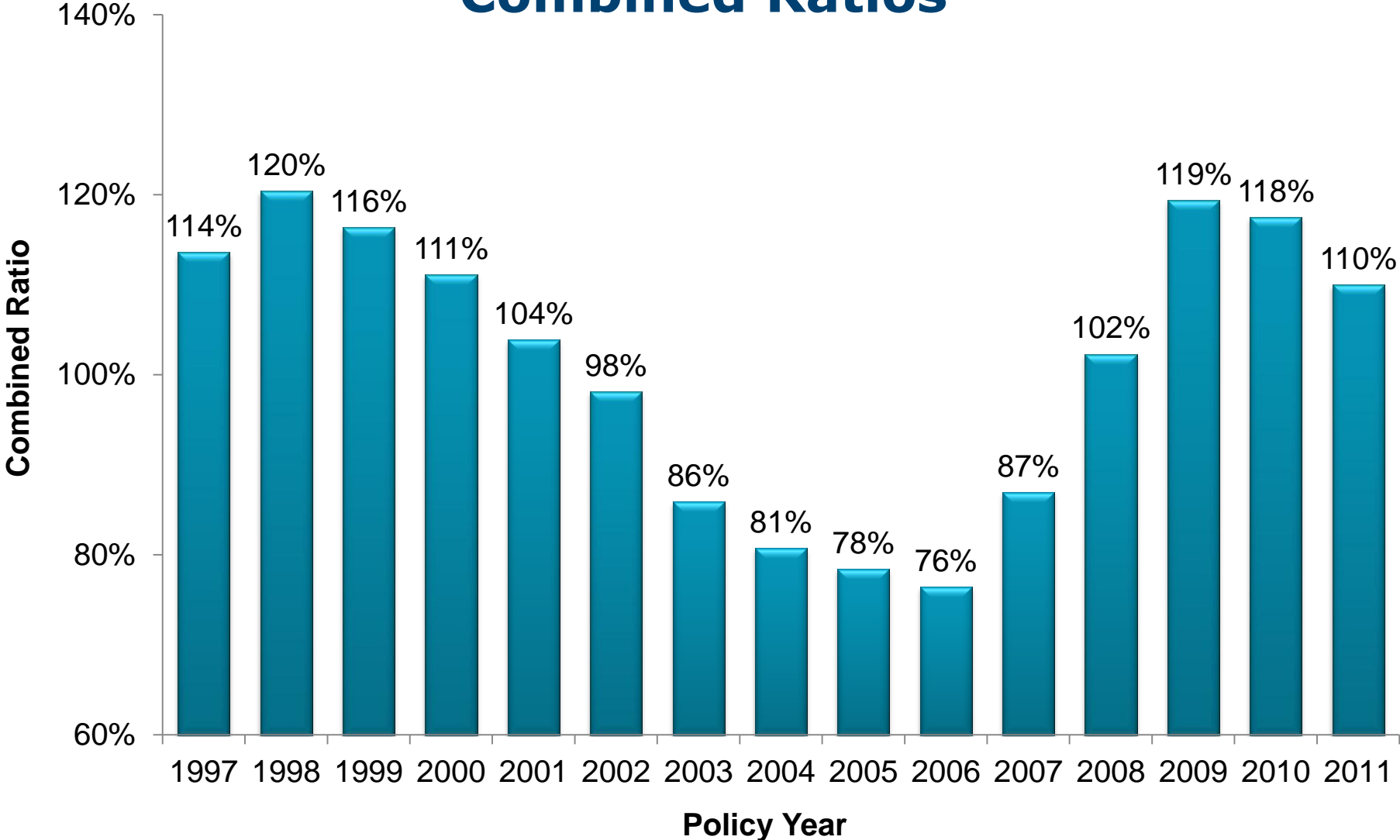
Direct Written Premium



Source for Private Carriers: NAIC Annual Statement Data; State page, Line 16-Workers Compensation



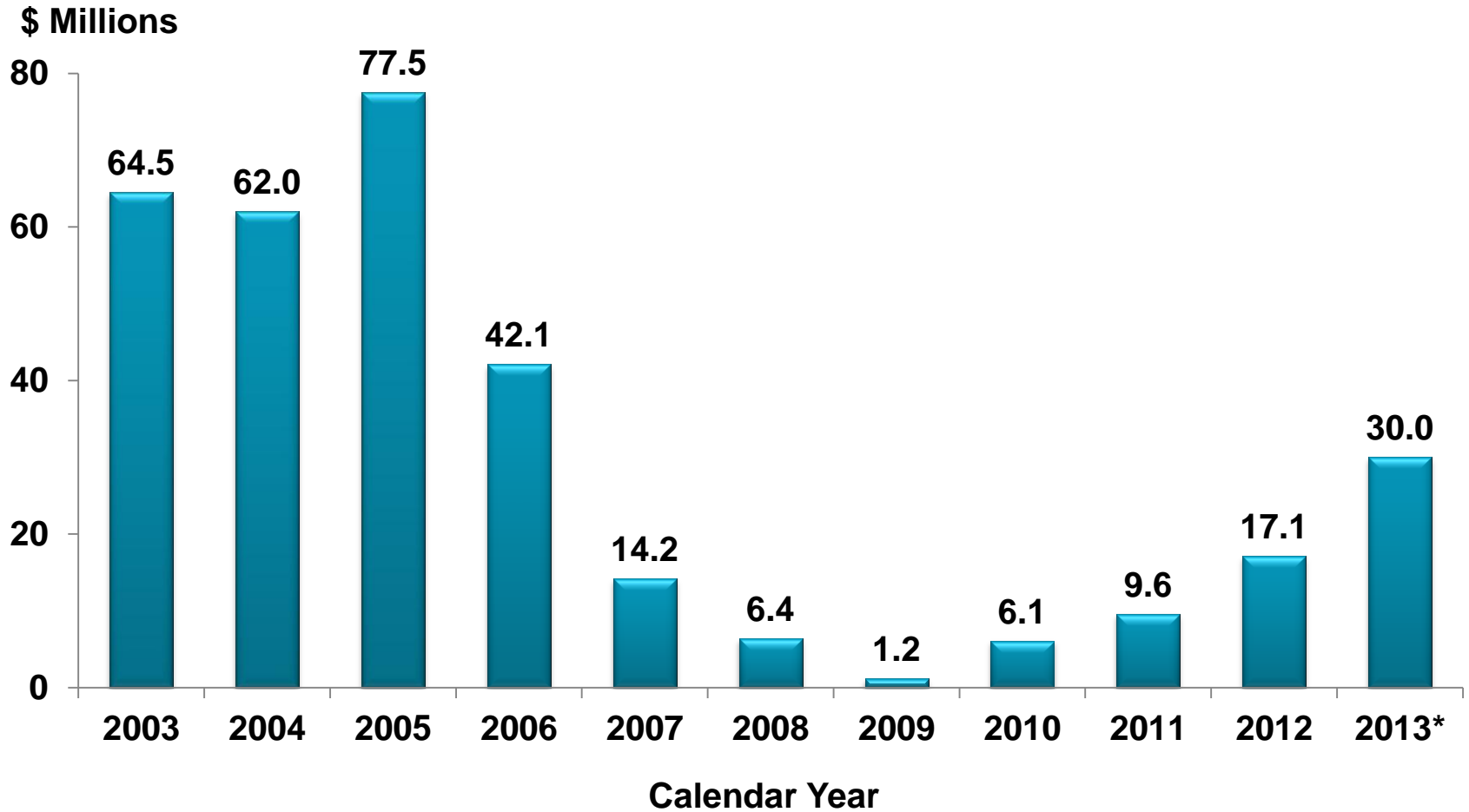
Florida Policy Year Combined Ratios



Source: NCCI financial data



Florida WCJUA Written Premium



Data provided by the Florida Workers Compensation Joint Underwriting Association (WCJUA)

*Projected

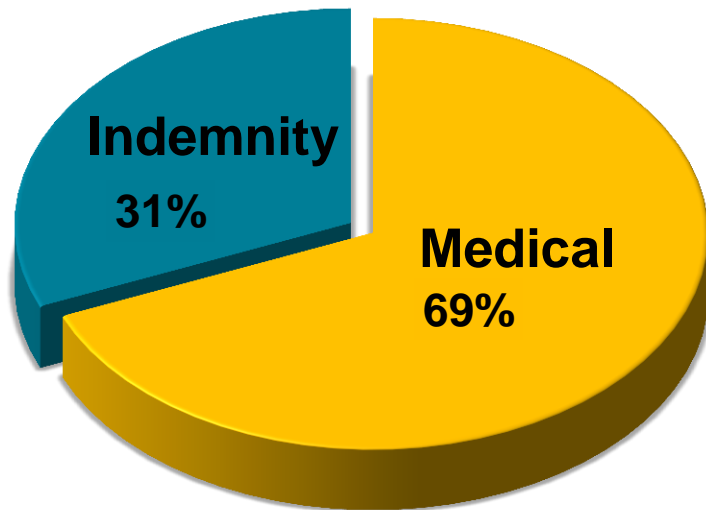




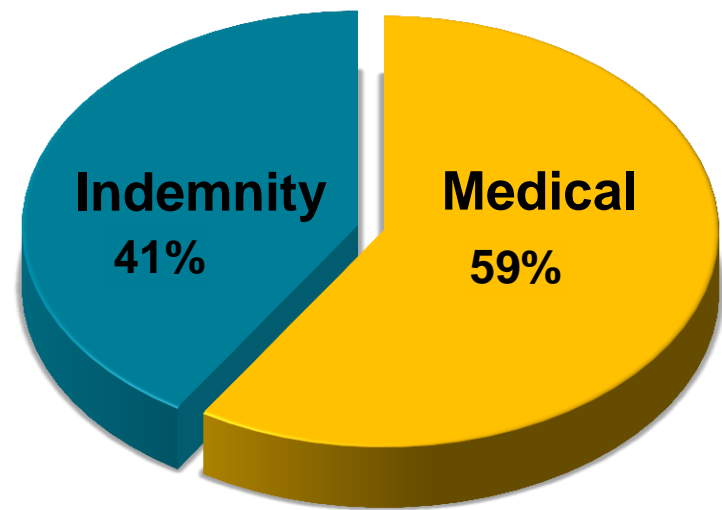
Cost Drivers

Medical Benefits Constitute the Majority of Total Benefit Costs in Florida

Florida



Countrywide



2012 Medical Cost Distributions vs. Countrywide

	Florida ¹	Countrywide ²	Difference
PHYSICIANS	31.8%	39.8%	-8.0%
DRUGS	15.1%	11.2%	+3.9%
SUPPLIES	5.8%	7.6%	-1.8%
OTHER	1.8%	4.4%	-2.6%
HOSPITAL INPATIENT	18.6%	15.0%	+3.6%
HOSPITAL OUTPATIENT	18.8%	16.7%	+2.1%
ASC	8.1%	5.3%	+2.8%
TOTAL	100%	100%	0%

¹Source: Derived from data provided by Florida Division of Workers' Compensation for service year 2012.

²Source: Derived from NCCI Medical Data Call, for Service Year 2012.

Potential Areas for Savings

Drugs

- SB 662 (drug repackaging) could impact distribution in 2013
- Other options: Restrict physician dispensing, lower reimbursement rate, lower dispensing fee, introduce drug formulary, strengthen prescription drug monitoring program
- 10% decrease in drugs → approx. 1% impact on rates

Facilities

- Hospital Inpatient
- Hospital Outpatient
- Ambulatory Surgical Centers
- 10% decrease in facilities → approx. 3% impact on rates

Other Areas of Concern: 2013 Case Law (Not Reflected in Current Rate Filing But Could Impact Future Rate Filings)

- Westphal – 1st DCA recently issued new decision, but certified a question to the Florida Supreme Court; NCCI currently pricing new decision
 - Is a worker who is totally disabled as a result of a workplace accident, but still improving from a medical standpoint at the time temporary total disability benefits expire, deemed to be at maximum medical improvement by operation of law and therefore eligible to assert a claim for permanent and total disability benefits?
- Morales – Awaiting decision of Florida Supreme Court
 - Most critical question: Does the policy operate to exclude coverage of the Estate's simple negligence claim against Zenith or the resulting tort judgment?

Florida Workers Compensation Market— In Summary: Mixed Results

- Statewide premium indicates Florida payroll is up in 2011 and 2012 - first two years since the end of the recession in 2009
- Florida combined ratios are high – 110% PY 2011 but coming down since peak during 2009
- WC JUA premium creeping up in 2011 and 2012; projected to increase further in 2013
- Case law uncertainty may be already impacting current behavior of stakeholders in the workers compensation system

Can Stability Be Maintained?

- Even including 1.0% increase, Florida rates would still be down 56% from the peak in 2003 and are still relatively low
- Most of the post-reform rate reductions have been maintained (reached 64.7% in 2010 and now would be 56%)
- Even including 1.0% increase, Florida loss costs would be at the average for the southeastern states (FL 1.09 vs. 6 state average 1.09)
- Recent cases should be closely monitored as certain outcomes could have significant impacts on the workers compensation system