



Florida

January 1, 2020

Workers Compensation Rate Filing Actuarial Analysis

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Florida January 1, 2020 Rate Filing

Component	Impact
Change in Experience, Trend and Benefits	-5.7%
Change in Production and General Expenses	+0.1%
Change in Taxes and Assessments	0.0%
Change in the Profit and Contingency Provision	0.0%
Change in Loss-Based Expenses	+0.2%
Proposed Overall Average Rate Level Change	-5.4%

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Filing Methodology

Calculation	Methodology Used
Experience Period	Most recent two full policy years
Loss Development	Average of the results produced by the paid and paid plus case loss aggregations
Trend	Indemnity: Selected -2.5% per year Medical: Selected -2.0% per year

Castellanos v. Next Door Company, et al.

An assessment of the emerging impact of the *Castellanos* decision on Florida's workers compensation marketplace was undertaken as part of this year's filing review.

NCCI reviewed:

- Individual carrier feedback
- Claimant attorney fees
- Loss ratio patterns

Individual Carrier Feedback

- All carriers reported:
 - Increases in claimant attorney fees
 - Litigated claims take longer to close and are costlier
- Carriers said additional system cost increases are expected going forward
 - System participants continue to adapt to the post-*Castellanos* environment

Therefore, historical indemnity paid loss development factors may understate those expected in the future

Attorney Fees Relative to Benefit and Settlement Amounts Have Been Increasing

Based on Florida Division of Administrative Hearings (DOAH) data as of June 2019

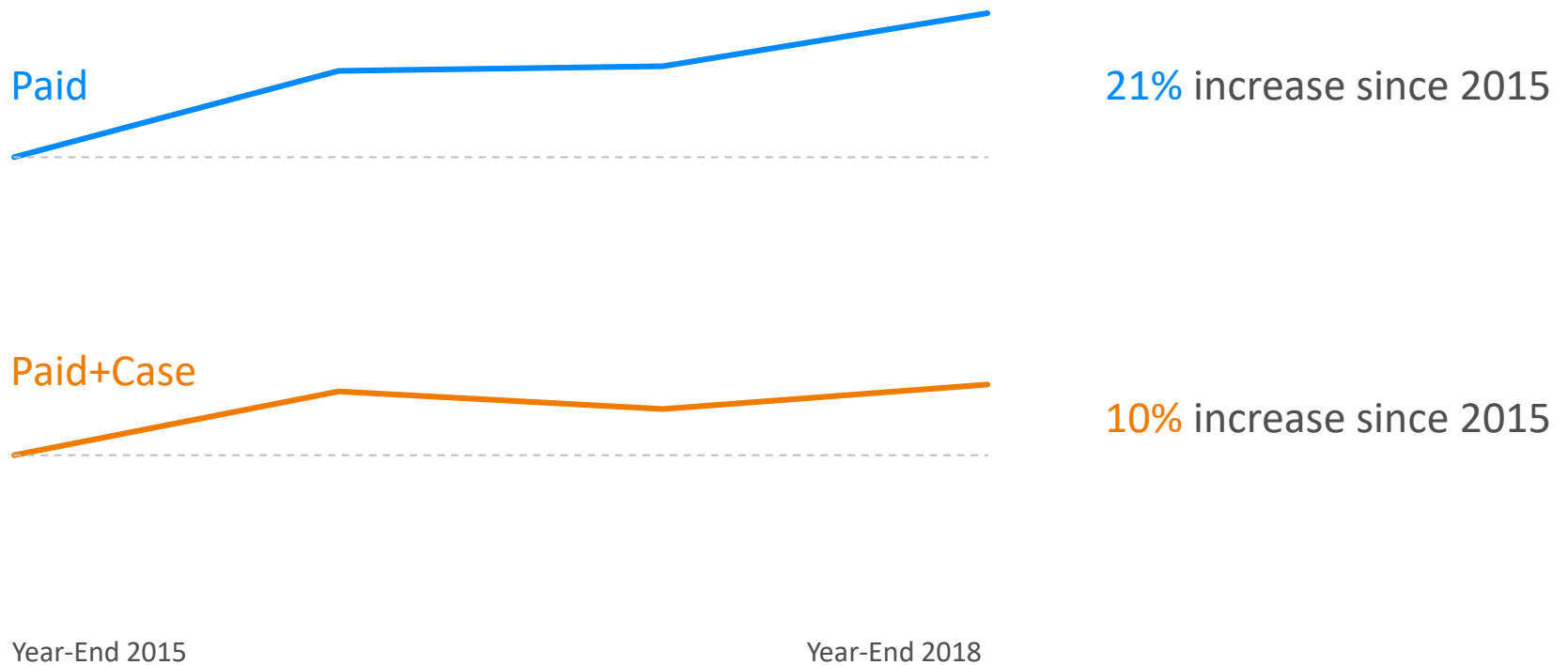
Year	Claimant Attorney Fees / Benefits & Settlements
2014	13%
2015	13%
2016	15%
2017	19%
2018	22%
2019*	22%

This is consistent with the expectation that claimant attorney fees would represent a larger proportion of system costs in Florida's post-*Castellanos* environment

* Incomplete year

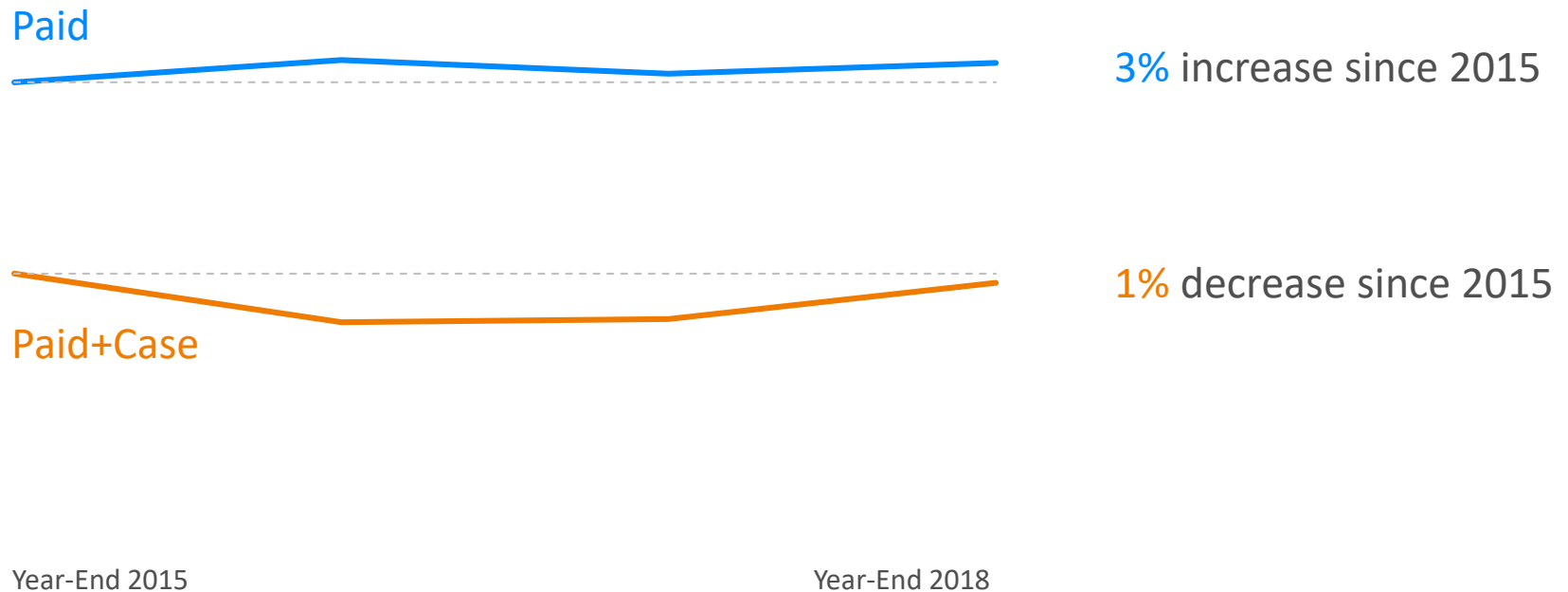
Indemnity Loss Development Has Notably Increased

Indemnity Loss Development Between 1st and 19th Report



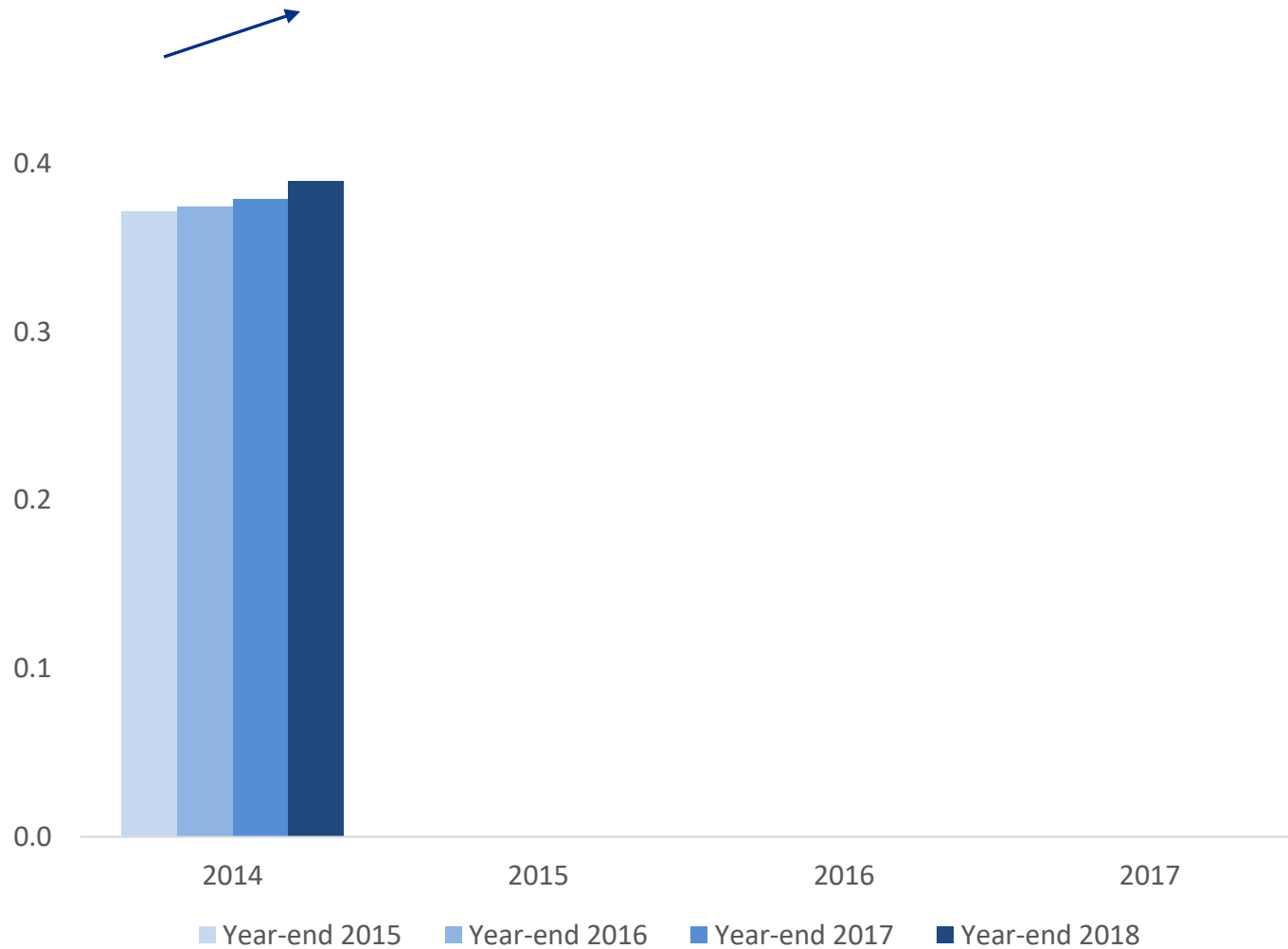
Medical Loss Development Has Been Less Impacted

Medical Loss Development Between 1st and 19th Report



Florida Indemnity Paid Loss Ratios

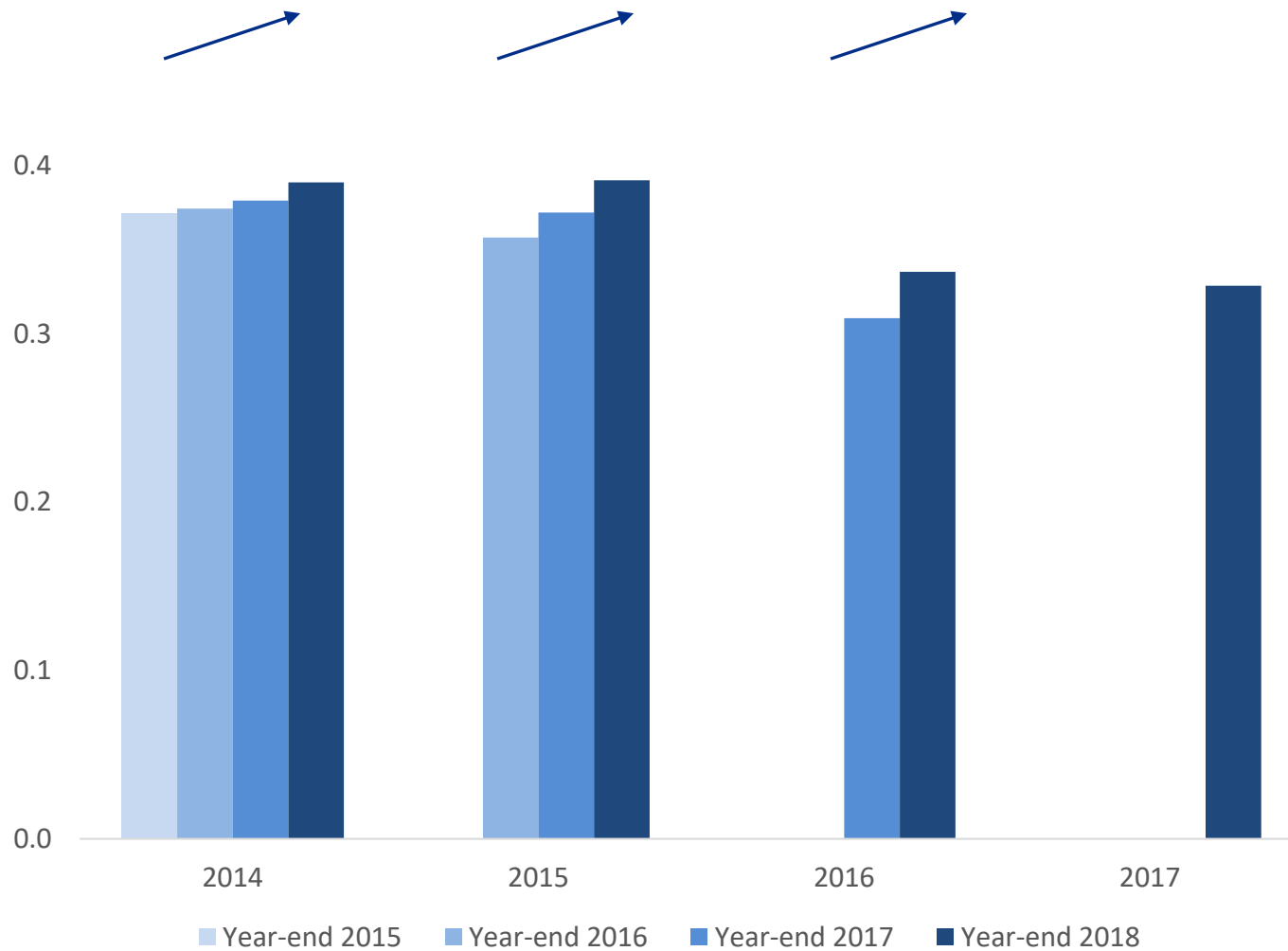
Policy Year



Developed to ultimate and on current premium and benefit level

Florida Indemnity Paid Loss Ratios

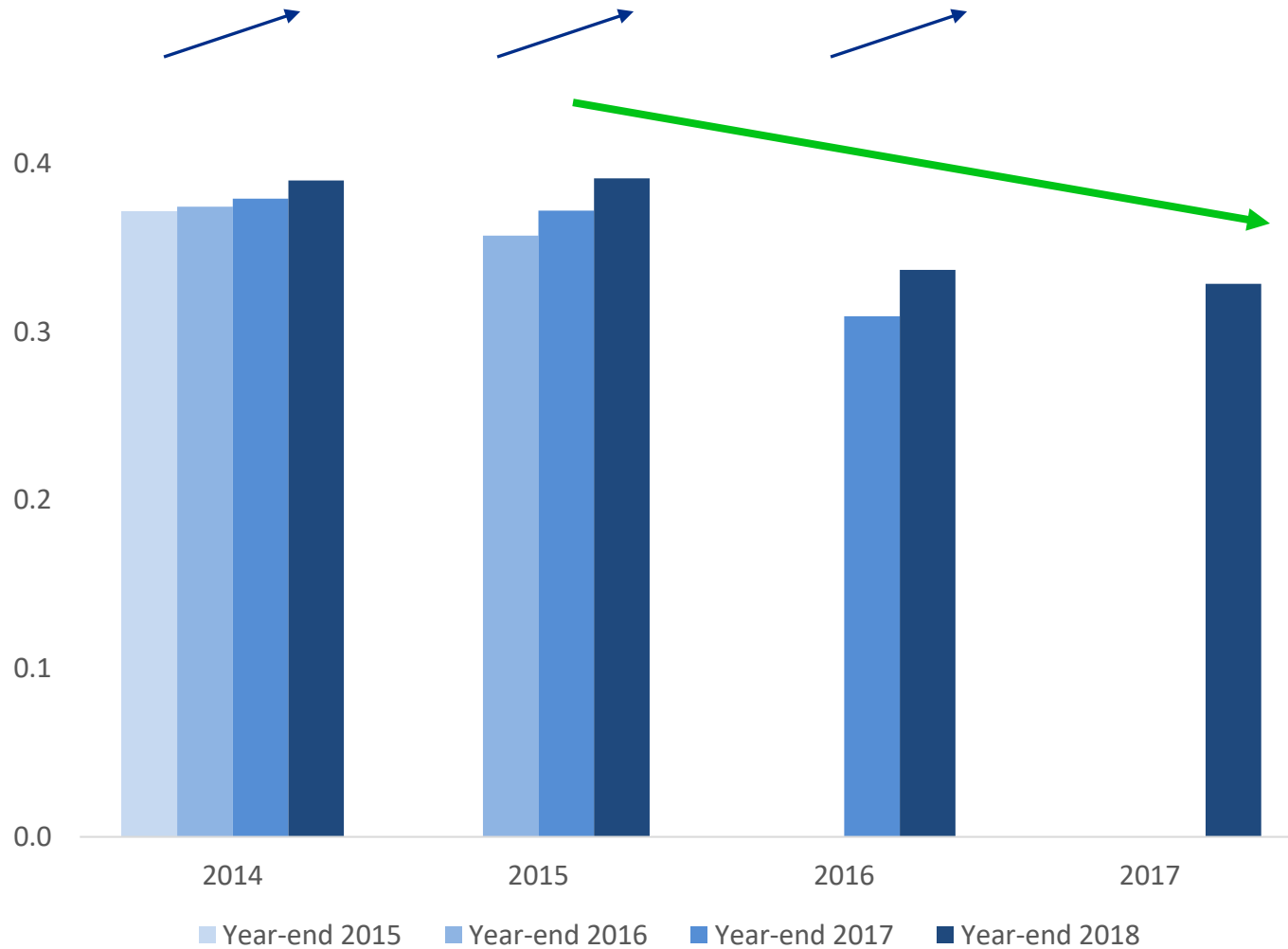
Policy Year



Developed to ultimate and on current premium and benefit level

Florida Indemnity Paid Loss Ratios

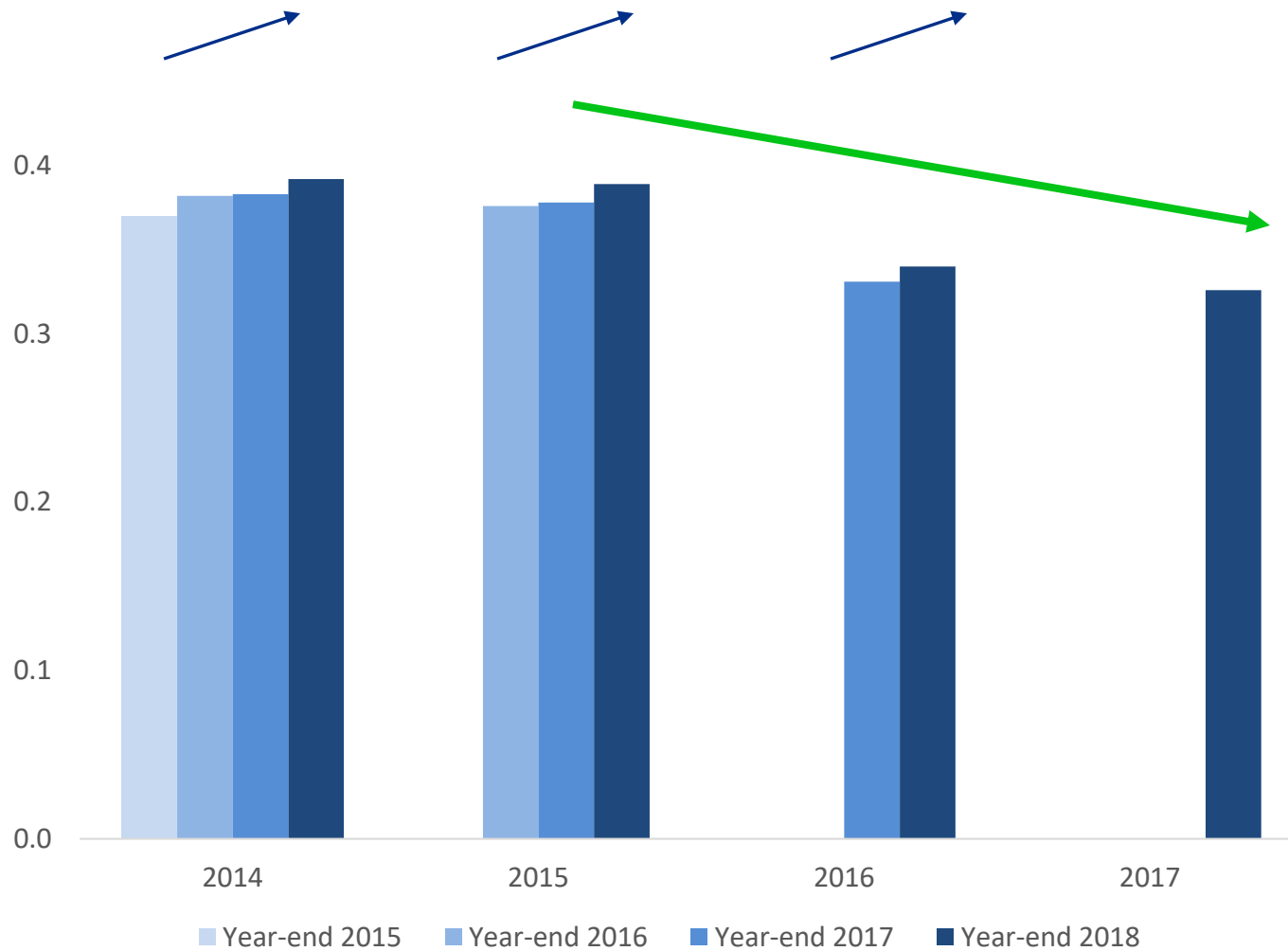
Policy Year



Developed to ultimate and on current premium and benefit level

Florida Indemnity Paid+Case Loss Ratios

Policy Year



Developed to ultimate and on current premium and benefit level

Filing Methodology

Calculation	Methodology
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Trend

Reviewed historical changes in:

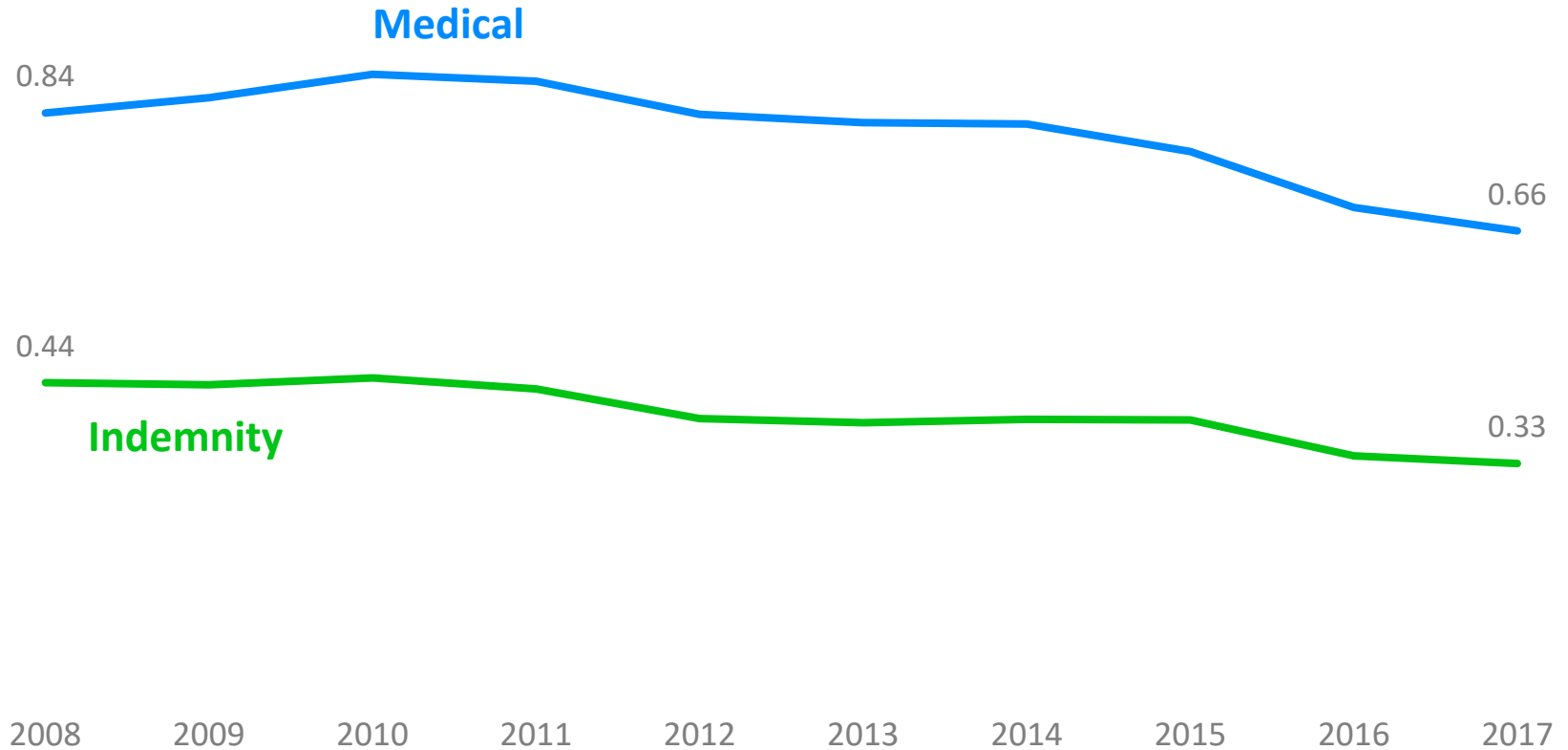
- Claim frequency and severity
- Loss ratios

Indemnity: Selected -2.5% per year

Medical: Selected -2.0% per year

Florida Loss Ratios

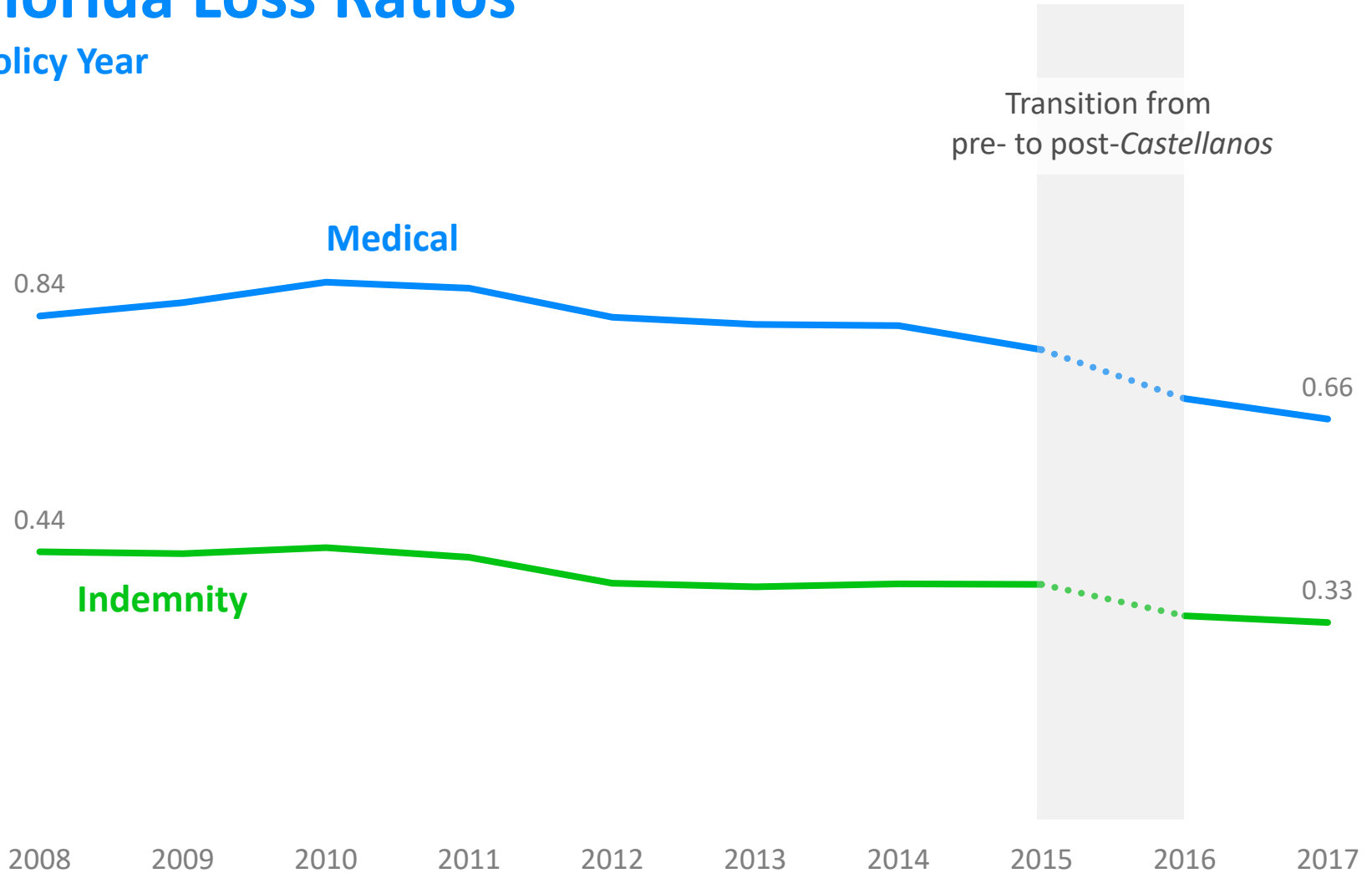
Policy Year



Based on an average of paid and paid plus case financial data at current benefit level and developed to ultimate

Florida Loss Ratios

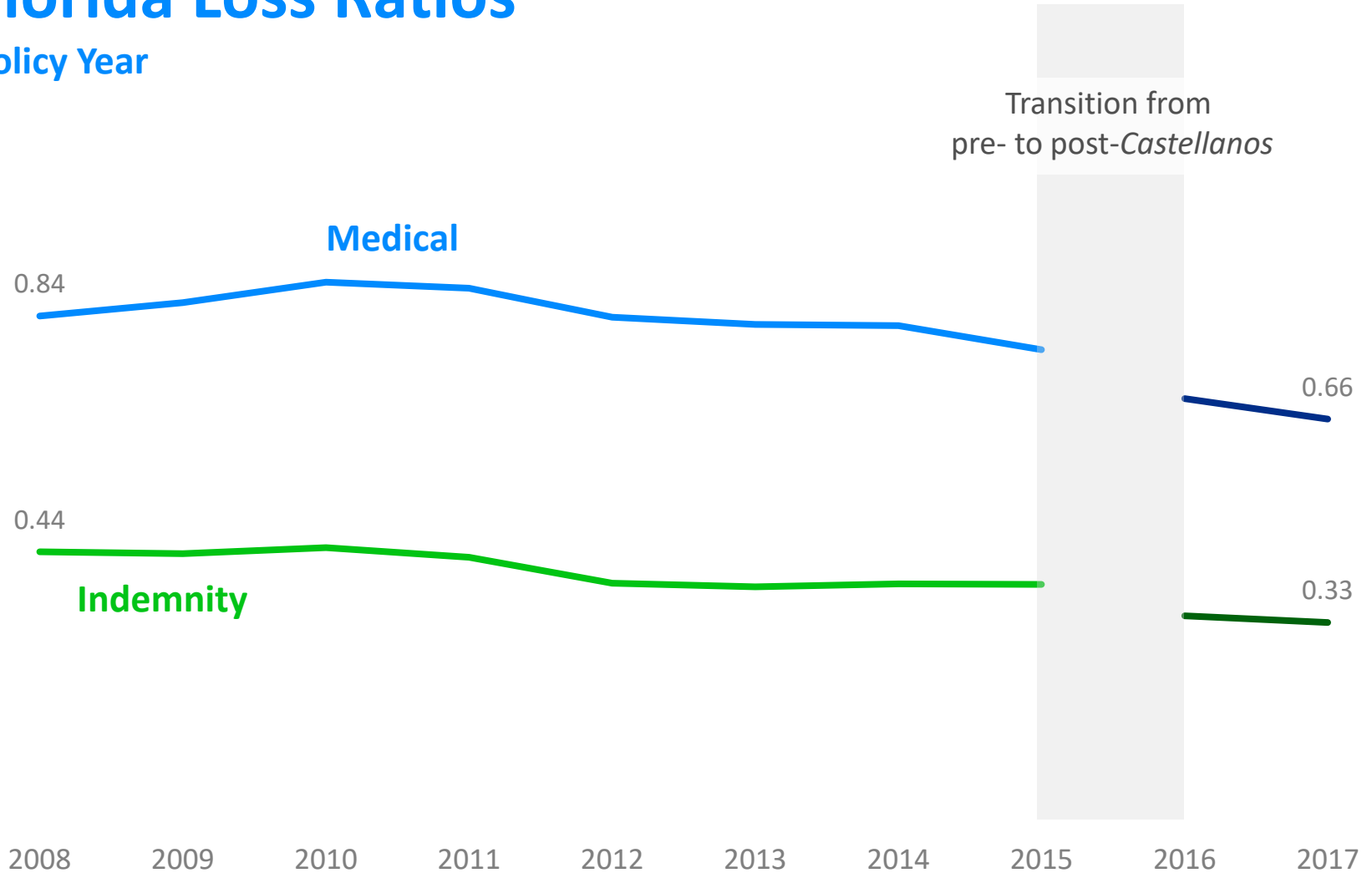
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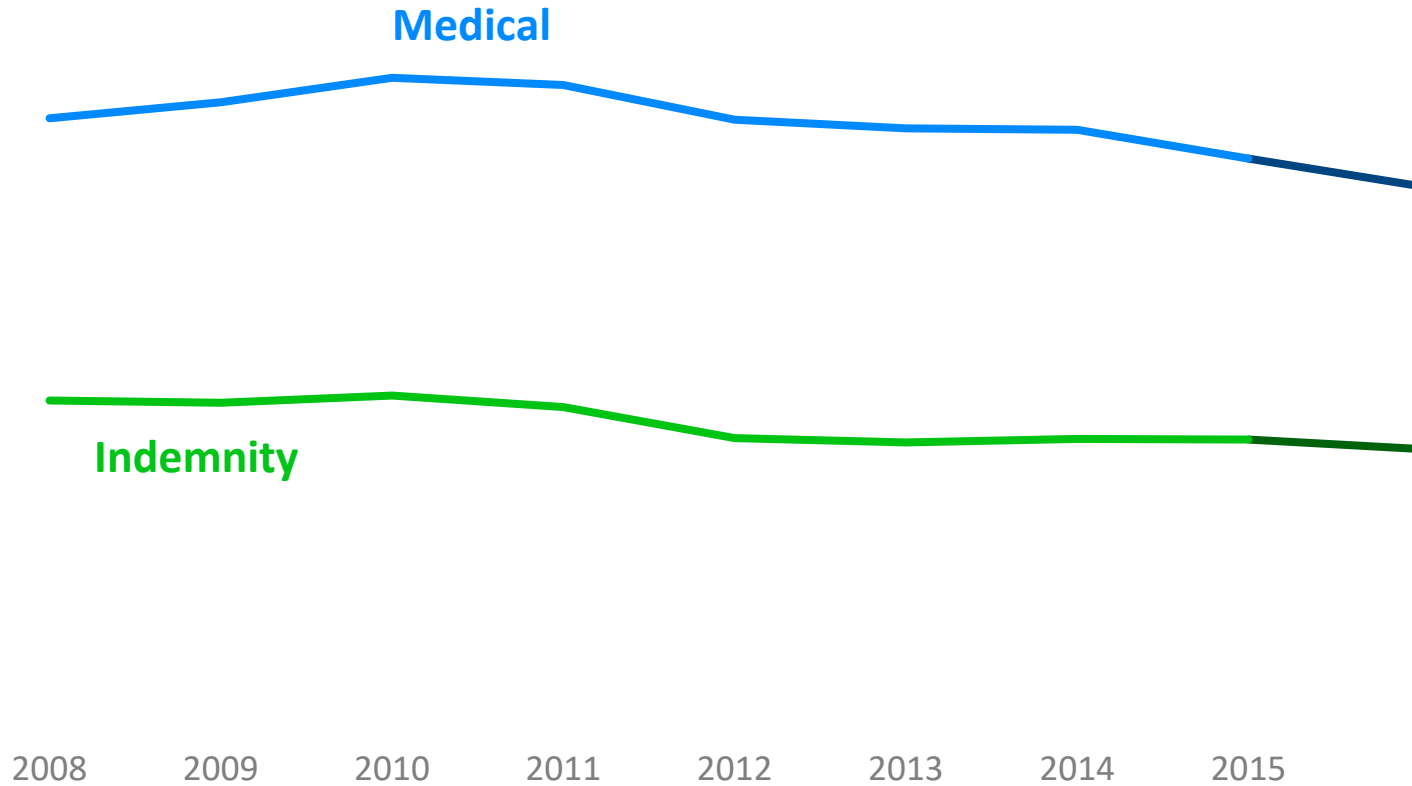
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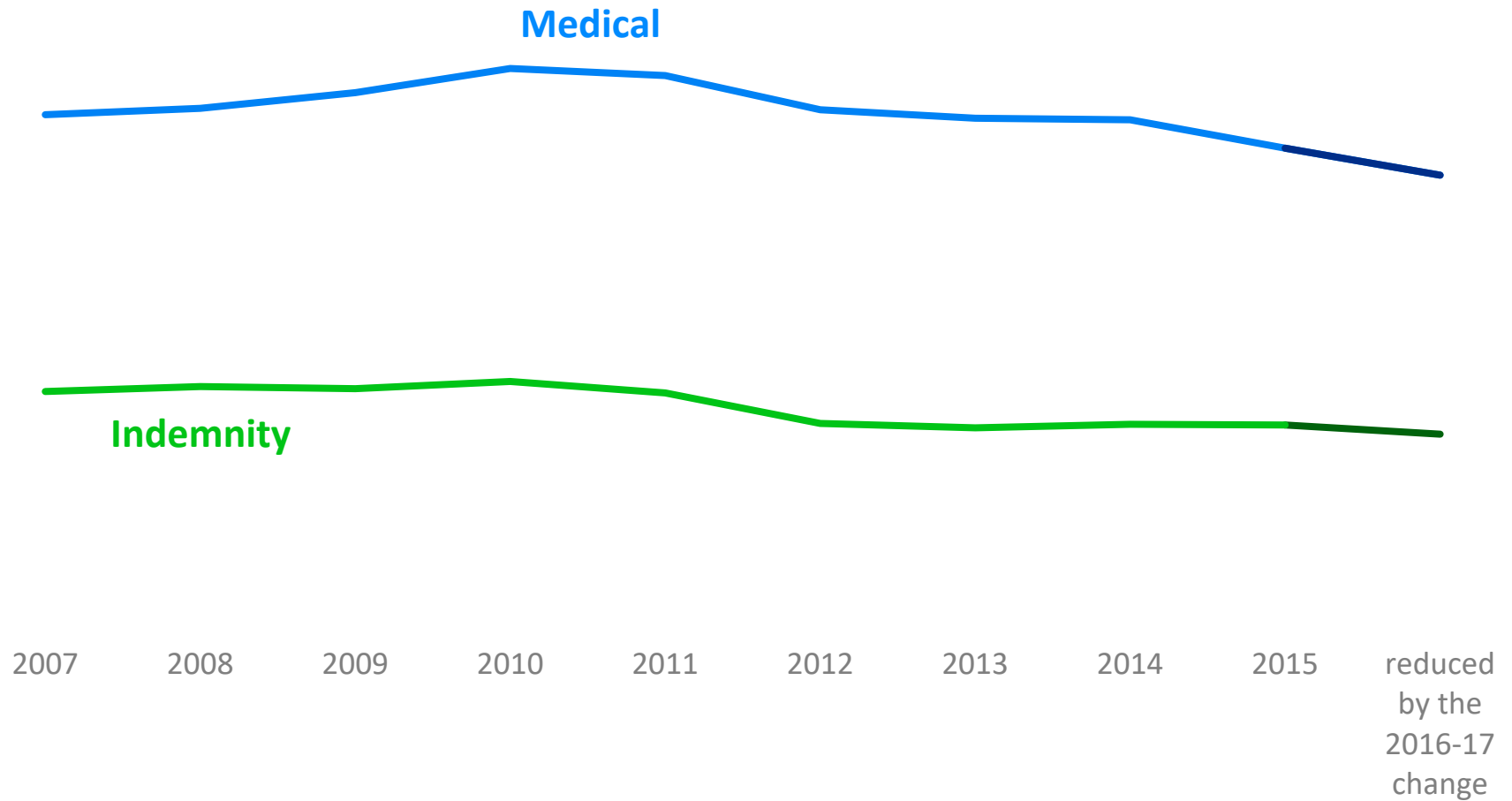
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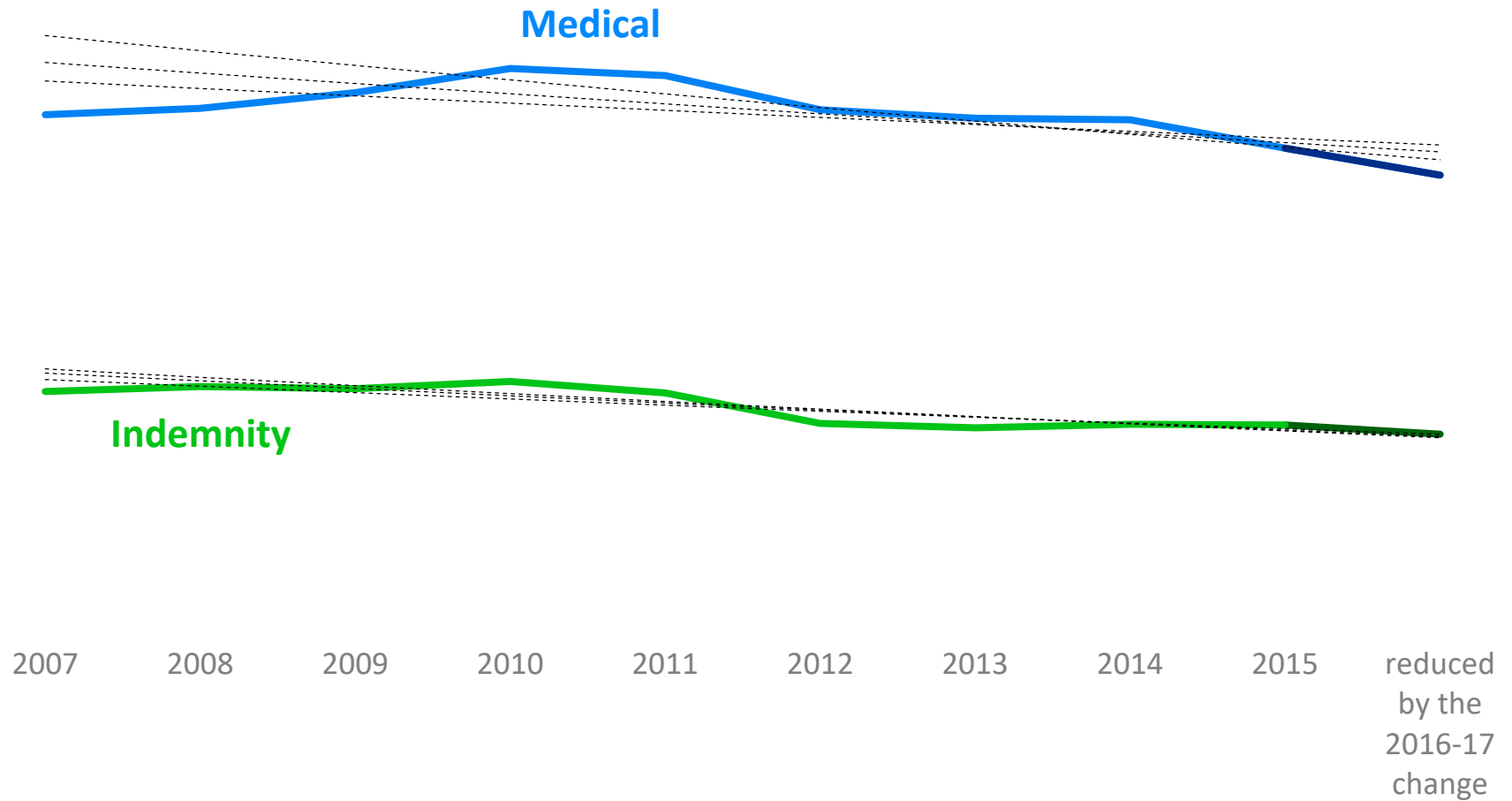
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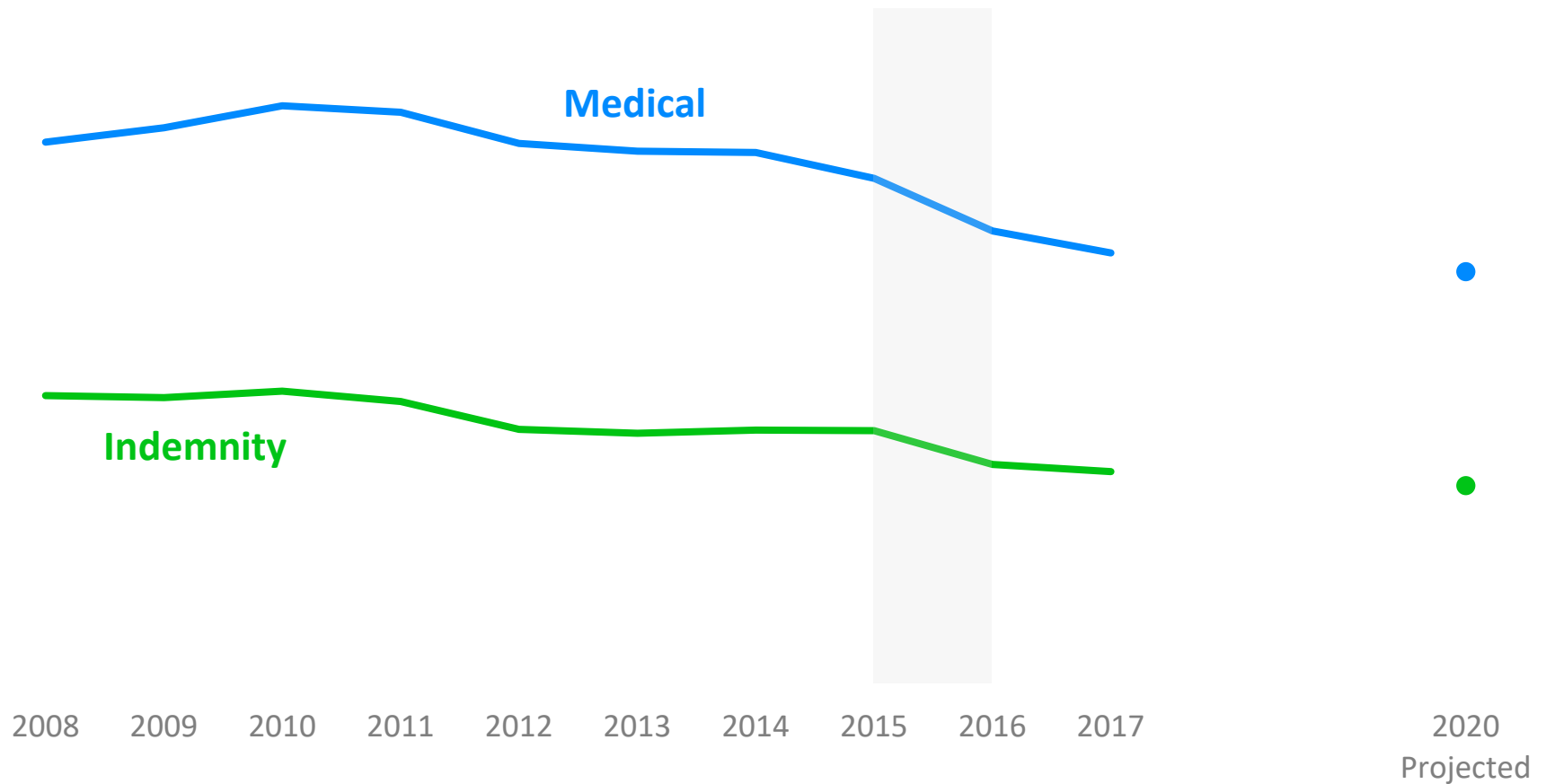
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Based on an average of paid and paid plus case financial data at current benefit level and developed to ultimate

Florida Loss Ratios

Policy Year



Based on an average of paid and paid plus case financial data at current benefit level and developed to ultimate

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Expense Provisions—Profit and Contingency

Provision	Methodology
Profit and Contingency (P&C)	Based on the results of NCCI's Internal Rate of Return (IRR) model: "Static" estimate: -0.20% Selected provision: -0.8% "Dynamic" estimate: -0.95%

The proposed P&C provision was selected after reviewing the results of the two individual approaches and the currently-approved P&C provision

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Expense Provisions—Loss Adjustment Expense

Component	Current	Proposed
Loss Adjustment Expense (LAE)	21.0%	21.2%

The loss adjustment expense provision reflects costs associated with the handling of workers compensation claims

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