

**Florida Workers' Compensation Insurance Rates Decrease By
5.2% in 2015, Down by More than 57% Since the 2003 Reforms**

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A. Introduction.

The workers' compensation system in Florida is designed to cover medical costs associated with workplace injuries, as well as provide indemnity benefits to injured workers for their lost work time. Employers may self insure or purchase coverage to provide for such benefits for their employees. For those employers purchasing workers' compensation coverage in Florida, it is the Commissioner of Office of Insurance Regulation who is responsible for setting rates on an annual basis for such coverage.

In order to assist the Commissioner and other public officials make an appropriate determination as to the rates employers should pay for workers' compensation coverage in Florida, the National Council on Compensation Insurance, Inc. (NCCI), collects an extensive amount of information regarding the workers' compensation system in Florida and submits proposed prospective rates for review and approval by the Office of Insurance Regulation. These prospective rates are intended to cover the costs of providing the indemnity and medical benefits provided under the system, the expenses associated with providing these benefits, as well as any other costs or expenses associated with providing workers' compensation insurance coverage to Florida's employers.

The following is a verbatim rendition of NCCI proposals, OIR orders, and official studies documenting Florida workers' compensation insurance rates since the 2003 reforms.

B. Workers' Compensation Rates Drop By 14%, Effective October 1, 2003.

Prior to the October 1, 2003 reforms to Florida's workers' compensation law, Florida rates for workers' compensation coverage had increased by 20.6% between 1999 and 2003. (+1.5% in January 1999, +2.5% in January 2000, 0.0% in January 2001, 0.0% in August 2002, and 12.9% in April 2003) Florida became one of the most expensive states in the country within which to purchase workers' compensation coverage. Carriers stopped writing workers' compensation and began leaving the state in record numbers. Availability and affordability of workers' compensation insurance coverage became a huge problem.

As a result of these concerns, Governor Bush called for a special session during the summer of 2003, during which the Florida Legislature passed sweeping reforms of Florida's workers' compensation system. The changes brought about a reduction in benefits, narrowing of medical care, changes in burden of proof, limitations on attorney fees, procedural changes mandating a more expedited litigation process, and timely payments and fraud punishments - all with an emphasis in reducing employer costs for workers' compensation coverage in Florida. Right away, Florida's Insurance Commissioner approved a 14% decrease in workers' compensation rates in October of 2003.

C. Workers' Compensation Rates Drop By 5.2% Effective January 1, 2005.

On August 2004, NCCI proposed that the Office of Insurance Regulation approve a .9% decrease in rates for workers' compensation coverage, taking effect on January 1, 2005.

After a hearing where the Florida Consumer Advocate indicated that a 21.7% to 25.3% premium decrease was appropriate based upon the 2003 statutory changes to Chapter 440, Fla. Stat., in October 2004, Office of Insurance Regulation (OIR) Director Kevin McCarty ordered the NCCI to submit a rate filing that reflected a statewide average 5.2 percent premium decrease.

D. Workers' Compensation Rates Drop By 13.5% Effective January 1, 2006.

On August 30, 2005, NCCI filed its annual workers' compensation rate filing, proposing a 4.5 percent decrease, and later revised to 7.2 percent decrease, in the overall premium level on all new and renewal workers' compensation policies, effective January 1, 2006.

After a public hearing on October 7, 2005, the Commissioner of the Office of Insurance Regulation ordered that the statewide overall premium level change for the filing for new and renewal policies for other than the "F" classifications would be no greater than -13.5 percent, effective January 1, 2006.

E. Workers' Compensation Rates Drop By 15.7%, Effective January 1, 2007.

On August 29, 2006, NCCI delivered its annual workers' compensation rate filing to the Florida Office of Insurance Regulation. NCCI proposed, effective January 1, 2007, an overall workers' compensation premium level decrease of 11%.

After a public hearing, Florida Insurance Commissioner Kevin McCarty approved a decrease in workers' compensation premium rates by 15.7 percent, effective January 1, 2007.

This meant that Florida employers had seen a 40.3 percent reduction in premiums since the 2003 legislative reforms had taken effect. The new rate placed Florida among the 10 least expensive states for workers' comp premiums, a far cry from its former position in 2002 as the second most expensive state for workers' comp coverage in the country.

F. Workers' Compensation Rates Drop By 18.4%, Effective January 1, 2008.

On August 24, 2007 NCCI delivered its annual workers' compensation rate filing to the Florida Office of Insurance Regulation. NCCI proposed an overall rate level decrease of 16.5%, effective January 1, 2008.

After a public hearing held on October 8, 2007, on October 22, 2007, the Office of Insurance Regulation issued an order requesting that NCCI submit an amended filing for an overall workers compensation rate level decrease of 18.4%, a difference of -1.9%. After careful consideration of the OIR order, NCCI, on October 29, 2007, submitted an amended filing for -18.4% in accordance with the OIR order. On October 30, 2007, the OIR approved NCCI's amended rate filing. Therefore, the new rates became effective January 1, 2008 to new and renewal policies.

G. Workers' Compensation Rates Drop By 18.6%, Effective January 1, 2009.

On August 27, 2008, NCCI delivered its annual workers' compensation rate filing to the Florida Office of Insurance Regulation. Based upon its review of the most recent data available, NCCI proposed, effective January 1, 2009, an overall workers' compensation rate level decrease of 14.1%.

After holding a hearing on this matter, on October 15, 2008, the Office of Insurance Regulation issued an order requesting that NCCI make an amended filing for an overall workers' compensation rate level decrease of 18.6%.

H. Workers' Compensation Rates Drop By 6.8%, Effective January 1, 2010.

On August 20, 2009, the National Council on Compensation Insurance, which manages the nation's largest database of workers' compensation insurance information, and analyzes industry trends, prepares workers' compensation insurance rate recommendations, and determines the cost of proposed legislation, delivered its annual workers' compensation rate filing to the Florida Office of Insurance Regulation. Based upon its review of the most recent data available, NCCI proposed, effective January 1, 2010, an overall workers' compensation rate level decrease of 6.8%.

After a hearing on the matter, on October 15, 2009, the Office of Insurance Regulation issued an order accepting the overall workers' compensation rate level decrease of 6.8%. On October 28, 2009, based upon OIR's order requesting NCCI amend its filing, NCCI filed an amended filing to incorporate OIR's requested changes and otherwise finalizing the 1/1/2010 overall workers' compensation rate level decrease of 6.8%.

I. Workers' Compensation Rates Drop By 4.2%, Effective July 1, 2010.

On May 7, 2010, NCCI delivered an off-cycle workers' compensation rate filing to the Florida OIR proposing a voluntary rate level decrease of 4.2% for industrial classifications effective July 1, 2010 for new and renewal policies.

The proposed change stemmed from an order by the FDFS revising the Special Disability Trust Fund (SDTF) assessment effective 7-1-10. The SDTF is maintained by assessments on carriers and self-insureds. The SDTF was established to encourage the employment of workers with pre-existing conditions. The SDTF reimburses insurance carriers and self-insured employers for benefits they must pay because a pre-existing permanent impairment has merged with a subsequent permanent impairment as a result of a work-related accident. Injuries occurring on or after January 1, 1998 are excluded from reimbursement by the SDTF.

The SDTF assessment is calculated by the FDFS pursuant to Section 440.49(9)(b)(2), Fla. Stat. The assessment rate has been at the statutory cap of 4.52% since 1994 and was reduced to 1.46%. As a result, the rate impact of this reduction is -4.2%.

J. Workers' Compensation Rates Increase By 7.8%, Effective January 1, 2011.

On August 18, 2010, the National Council on Compensation Insurance delivered its annual workers' compensation rate filing to the Florida Office of Insurance Regulation. Based upon its review of the most recent data available, NCCI proposed, effective January 1, 2011, an overall workers' compensation rate level increase of 8.3%. After a hearing was conducted on October 5, 2010, on October 15, 2010, the Office of Insurance Regulation issued an order requesting that NCCI make an amended filing for an overall workers' compensation rate level increase of 7.8%.

Excluding the Emma Murray-related filings, this is the first filed increase since prior to the SB 50A workers' compensation reform in 2003. Since then, there had been eight decreases. The previous rate reductions approved by the OIR were as follows:

-14.0% (10/1/03)	-5.1% (1/1/05)	-13.5% (1/1/06)	-15.7% (1/1/07)
-18.4% (1/1/08)	-18.6% (1/1/09)	-6.8% (1/1/10)	-4.2% (7/1/10)

The cumulative impact of the above eight decreases was -64.7%. During this period, Florida dropped from a ranking of #1 or #2 highest workers' compensation rates in the country to among the 10 states with the lowest workers' compensation rates in the country.

Therefore, despite the approved rate increase, the cumulative impact for the period 10/1/03 through 1/1/11 was -61.8%. Despite the increase, Florida retained the distinction of being among the 10 states with the lowest workers' compensation rates in the country.

K. Workers' Compensation Rates Increase By 8.9%, Effective January 1, 2012.

On August 18, 2011, the National Council on Compensation Insurance delivered its annual workers' compensation rate filing to the Florida Office of Insurance Regulation. Based upon its review of the most recent data available, NCCI proposed, effective January 1, 2012, an overall workers' compensation rate level increase of 8.9%. After a hearing held on October 11, 2011, on October 24, 2011, the Office of Insurance Regulation (OIR) issued an order stating that NCCI's request for an overall workers compensation rate level increase of 8.9% was approved.

Following several years of significant declines, claim frequency in 2009 was up significantly. Preliminary 2010 data also showed claim frequency up further. This might be explained by the impact of the economy on workers' compensation. In addition, there has been a small deterioration in recent loss experience.

It has become more evident in recent years that the significant ongoing experience improvements which occurred after the 2003 reform have ended and that the system is operating from a new baseline reflecting the total cumulative effects of the reform. As a result, it has been necessary to adjust the very optimistic outlook, or trend, underlying rates to reflect that significant ongoing experience improvements are no longer occurring and are no longer expected. The new outlook still calls for continued experience improvement (i.e., negative trends), but at a much slower pace (i.e., less negative than current trends). The new outlook would bring Florida more in line with long-term Florida trends and current countrywide trends.

Before the 2011 and 2012 increases, the cumulative impact of the rate decreases after the 2003 reform was -64.7%. Despite a second increase in rates, the cumulative impact for the period 10/1/03 through 1/1/12 is -58.6%. As a result, NCCI estimated that Florida would continue to rank among the 20 states with the lowest workers' compensation rates nationally; Florida would continue to have the distinction of being the only large state with the lowest workers' compensation rates nationally; and Florida would continue to have the lowest workers' compensation rates of any state in the Southeast.

L. Workers' Compensation Rates Increase By 6.1%, Effective January 1, 2013.

On August 23, 2012, the National Council on Compensation Insurance (NCCI) delivered its annual workers' compensation rate filing to the Florida Office of Insurance Regulation (OIR). Based upon its review of the most recent data available at a hearing held on October 4, 2012, on October 26, 2012, OIR approved NCCI's proposal, effective January 1, 2013, an overall workers' compensation rate level increase of 6.1%.

Rate Filing Components	Impact
Due to Change in Experience & Trend	+6.8%
Due to Change in Benefits	0.0%
Due to Change in Expenses (excl P&C)	-0.4%
Due to Change in Profit & Contingency Factor	0.0%
Offset for Changes in Minimum Premium Parameters	-0.1%
Offset for Changes in Employers Liability/Admiralty/FELA	
Increased Limits Percentages and Factors (Item B-1425)	-0.2%
Overall Rate Level Change	+6.1 %

The cumulative impact of the rate decreases after the 2003 reform was -64.7%. The last decrease took effect 7/1/10. The 1/1/13 increase of 6.1% is the third increase filed since 7/1/10. The cumulative impact for the period 10/1/03 through 1/1/13 is -56%. After the reform, the average loss cost went from \$2.62 per \$100 payroll to a low of \$1.00 per \$100 payroll. Based on the 1/1/13 increase of 6.1% as approved by OIR, the average loss cost would be \$1.14 per \$100 payroll which is just below the average (\$1.15 per \$100 payroll) for states in the Southeast (North Carolina, South Carolina, Tennessee, Georgia, Alabama, and Florida).

The overall average rate impact at an industry group level would be as follows:

Industry Group	1/1/13 Filing	10/1/03-1/1/13
Manufacturing	+4.8%	-51.8%
Contracting	+7.4%	-58.6%
Office and Clerical	+4.3%	-58.1%
Goods and Services	+6.7%	-54.4%
Miscellaneous	+5.6%	-54.0%
Total	+6.1%	-56%

M. Workers' Compensation Rates Increase By .7%, Effective January 1, 2014.

On August 15, 2013, the National Council on Compensation Insurance (NCCI) delivered its annual workers compensation rate filing to the Florida Office of Insurance Regulation (OIR). Based upon its review of the most recent data available, NCCI proposed, effective January 1, 2014, an overall workers compensation rate level increase of 1.0%. On October 22, 2013, the Office of Insurance Regulation (OIR) issued an order denying the 1.0% increase and requesting that NCCI make an amended filing for an overall workers compensation rate level increase of 0.7% effective January 1, 2014. The 0.3% difference between NCCI's filing of 1.0% and the OIR's request for an amended filing of 0.7% is due to the component for production expenses which are insurer expenses related to commissions to agents, billing and premium collection, and preparation of policies.

The cumulative impact of the rate decreases after the 2003 reform was -64.7%. The cumulative impact for the period 10/1/03 through 1/1/14 is -55.9%. In other words, even including the 1/1/14 proposed increase, Florida workers compensation rates are down 55.9% from a little more than a decade ago. After the 2003 reform, the average loss cost went from \$2.62 per \$100 payroll to a low of \$1.00 per \$100 payroll. The average loss cost is \$1.09 per \$100 payroll which is approximately equal to the average for states in the Southeast.

The impact of the disapproval of this component is as follows:

OIR's Request for Amended Rate Filing Components	Impact
Due to Change in Experience & Trend	+1.6%
Due to Change in Benefits	0.0%
Due to Change in Expenses (excl P&C)	-0.9%
Due to Change in Profit & Contingency Factor	0.0%
Overall Rate Level Change	+0.7%

The overall average rate impact at an industry group level would be as follows:

	1/1/14 Filing	10/1/03-1/1/14
Manufacturing	-3.2%	-53.7%
Contracting	+3.5%	-57.5%
Office and Clerical	+0.3%	-58.1%
Goods and Services	+1.1%	-54.3%
Miscellaneous	+0.9%	-54.0%
Total	+0.7%	-55.9%

N. Workers' Compensation Rates Decrease By 5.2%, Effective January 1, 2015.

On August 22, 2014, the National Council on Compensation Insurance (NCCI) proposed an overall workers compensation rate level decrease of 2.5% in Florida effective January 1, 2015. On September 22, 2014, NCCI amended the filing proposing an overall rate level decrease of 3.3% to reflect a rule change announced by the Division of Workers Compensation effective January 1, 2015. After a hearing on the proposed reduction, on November 5, 2014, the Office of Insurance Regulation (OIR) issued an order denying the 3.3% decrease and requesting that NCCI make an amended filing for an overall workers compensation rate level decrease of 5.2% effective January 1, 2015. After carefully considering it, NCCI submitted its amended filing on November 11, 2014 and received the final approval order from the OIR on November 12, 2014. As a result, workers compensation rates will decrease by 5.2% for all Florida employers purchasing workers compensation insurance, effective January 1, 2015.

The revised overall workers compensation rate decrease of 5.2% breaks down as follows:

Change in Experience	-2.3%
Change in Trend	-1.8%
Change in Benefits	-0.8%
Change in Loss	-0.7%
Change in Profit and Contingency	0.0%
Change in Tax and Assessments	-0.1%
Change in Production Cost and General Expense	+0.4%
Overall Rate Level Change	-5.2%

The overall average rate level change for each industry group for the current filing and for the period since 2003, the last major reform, will be as follows:

Industry Group	1-1-2015	Cumulative Change 10/1/03 – 1/1/15
Manufacturing	-3.2%	-55.3%

Contracting	-2.9%	-58.9%
Office and Clerical	-1.3%	-58.8%
Goods and Services	-2.6%	-55.6%
Miscellaneous	-2.4%	-55.2%
Total	-5.2%	-57.1%

OIR last noted that Florida’s workers’ compensation market remains one of the most competitive, efficient, and affordable, thanks in large part to the 2003 legislative reforms. Since that time, Florida’s rates have dropped from first or second highest in the nation to 29th. Workers’ comp rates are more than 57% lower than they were in 2003. The market continues to expand, with four of the top 10 writers based in Florida.

O. Florida Workers’ Compensation Insurance Rates Since 2003 Reforms.

After the 2003 reforms, Florida workers compensation rates dropped more than 67% in 7 years. As the economy suffered, reform changes began to erode, and Florida workers compensation rates increased 4 years in a row by about 15%. As of 2015, rates have decreased again, with a cumulative decrease of about 57% since the 2003 reforms were first enacted. Since the 2003 reforms, the OIR has approved the following Florida work comp rates:

Year	Rate Approved
10/1/03	-14.0%
1/1/04	0.0%
1/1/05	-5.1%
1/1/06	-13.5%
1/1/07	-15.7%
1/1/08	-18.4%
1/1/09	-18.6%
1/1/10	-6.8%
7/1/10	-4.2%
1/1/11	+7.8%
1/1/12	+8.9%
1/1/13	+6.1%
1/1/14	+0.7%
1/1/15	-5.2%



About Rafael Gonzalez

Rafael Gonzalez is Vice President of Strategic Solutions at Helios. With over 25 years of experience in the workers compensation, liability, Medicare and Medicaid industry, Rafael serves as thought leader on all aspects of Medicare and Medicaid compliance, including mandatory reporting, conditional payments, and set asides. You may contact Rafael at rafael.gonzalez@helioscomp.com or 813.612.5592.



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