



Tennessee Workers Compensation Voluntary Loss Cost and Assigned Risk Rate Filing Proposed to be Effective March 1, 2018

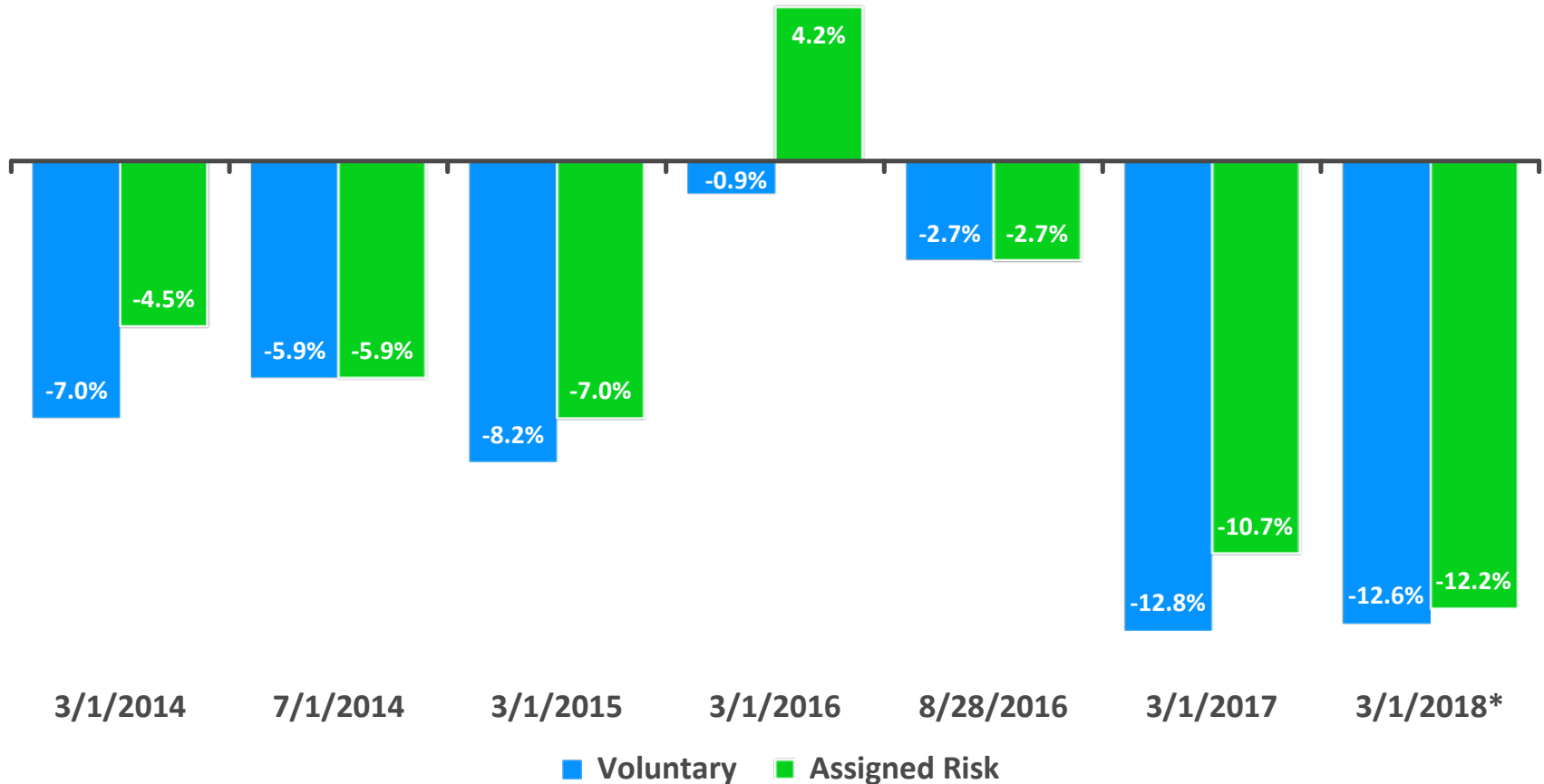
<http://www.treasury.state.tn.us/claims/wcac/Voluntary-Loss-Cost-Assigned-Risk-Rate-Filing.pdf> (retrieved 21 January 2019)

Presented to Tennessee Advisory Council on Workers
Compensation on September 6, 2017

Ann Marie Smith, FCAS, MAAA
NCCI, Director and Actuary

Tennessee Filing Activity

Voluntary Loss Cost and Assigned Risk Rate Changes



*Pending

Tennessee March 1, 2018 Filing

Proposed Change in Voluntary Loss Costs

Overall Average Loss Cost Level Change: -12.6%

- Experience and Development (-11.1%)
 - Based on premium and loss experience for policy years 2014 and 2015
 - Combined experience for these years shows improvement when compared to the experience period contained in the previous filing
- Trend (-1.9%)
 - Selected indemnity loss ratio trend: -5.5% per year (last year: -5.0% per year)
 - Selected medical loss ratio trend: -2.0% per year (last year: -1.5% per year)
- Benefits (+0.5%)
 - Medical fee schedule update effective 1/1/2017 (+0.4%)
 - Change in maximum weekly benefits effective 7/1/2017 (+0.1%)
- Loss-based Expense (-0.3%)
 - Loss adjustment expense provision decreased from 20.1% to 19.7% of losses

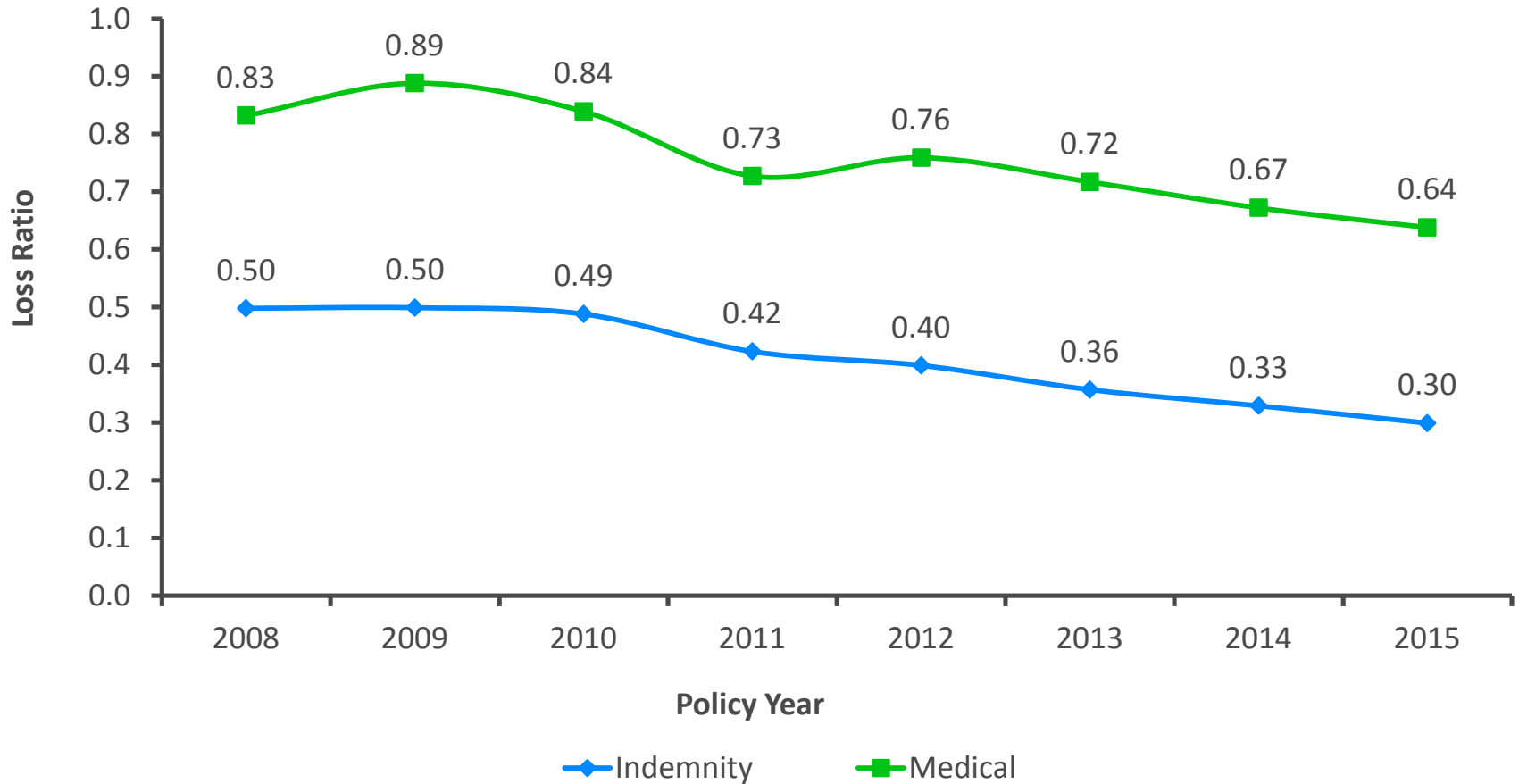
Experience and Development

- The overall indication is based on an average of the latest two policy years
 - Policy year data consists of the premium and losses derived from all policies written in a given year
 - Use of the latest two years reflects premium volume in the state and is responsive to recent trends
- Loss base reflects an average of paid and paid+case limited losses
 - 2-year average for paid link ratios
 - 5-year average for paid+case ratios

Summary of Voluntary Loss Cost Indications

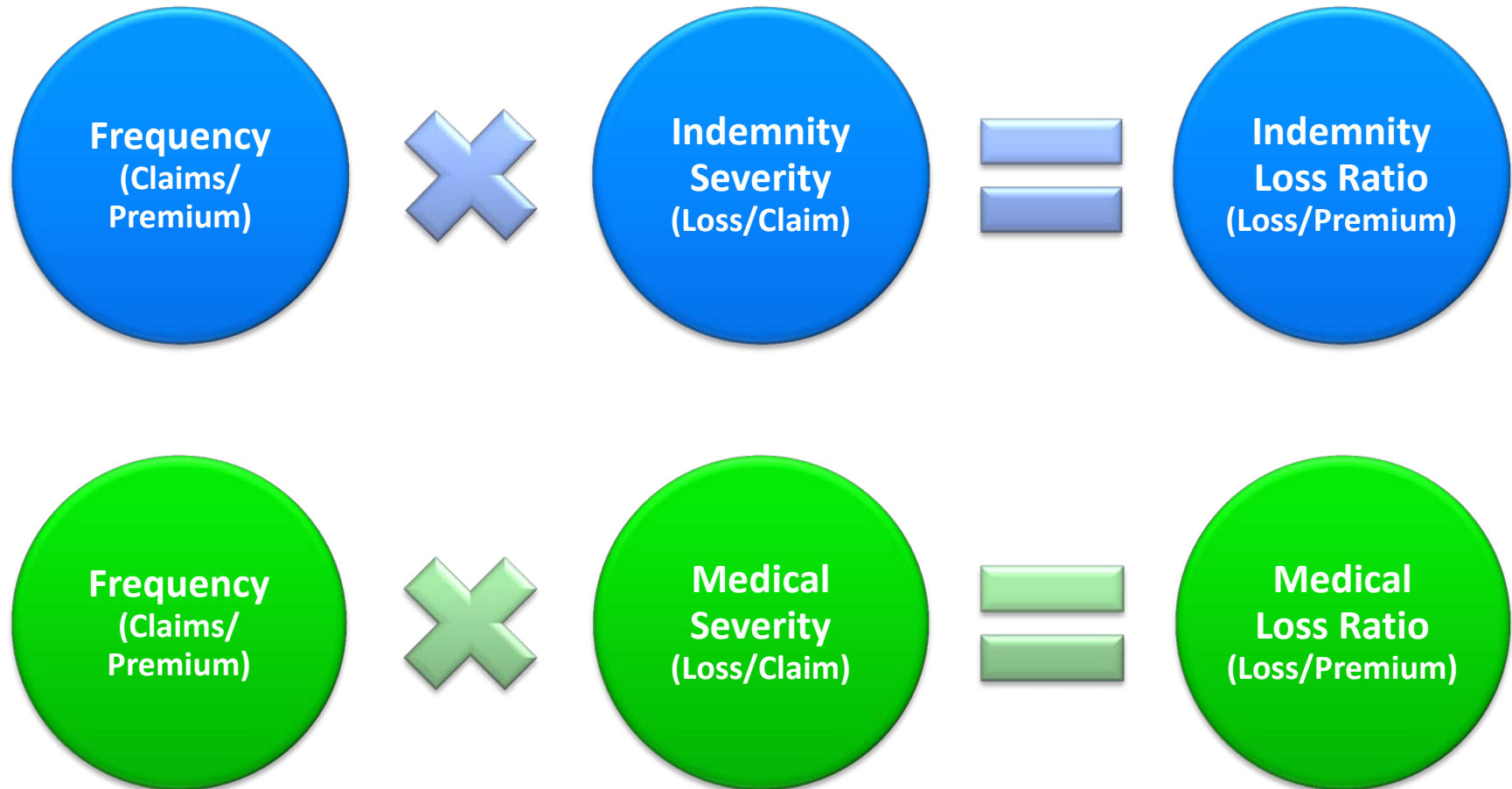
Basis of Development	Policy Year 2014	Policy Year 2015	Average of Policy Years 2014 and 2015
Paid 2-year average	-9.7%	-13.9%	-11.8%
Paid + Case 5-yr average	-12.6%	-14.1%	-13.3%
Average of Paid and Paid + Case Losses	-11.2%	-14.1%	-12.6%

Tennessee Indemnity and Medical Loss Ratios

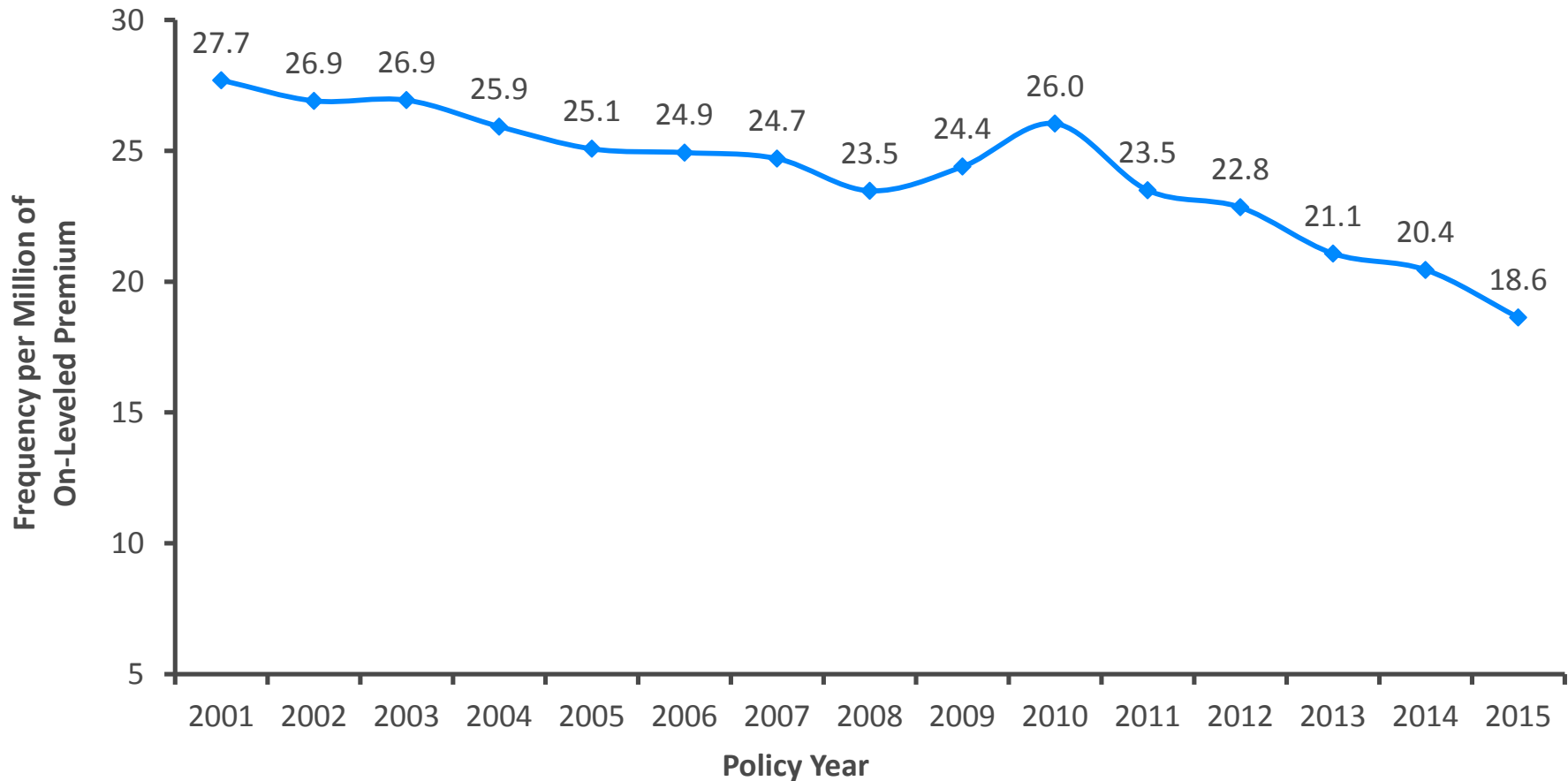


Based on NCCI's financial data through 12/31/2016 at current benefit level and developed to ultimate

What Drives Indemnity and Medical Loss Ratios?

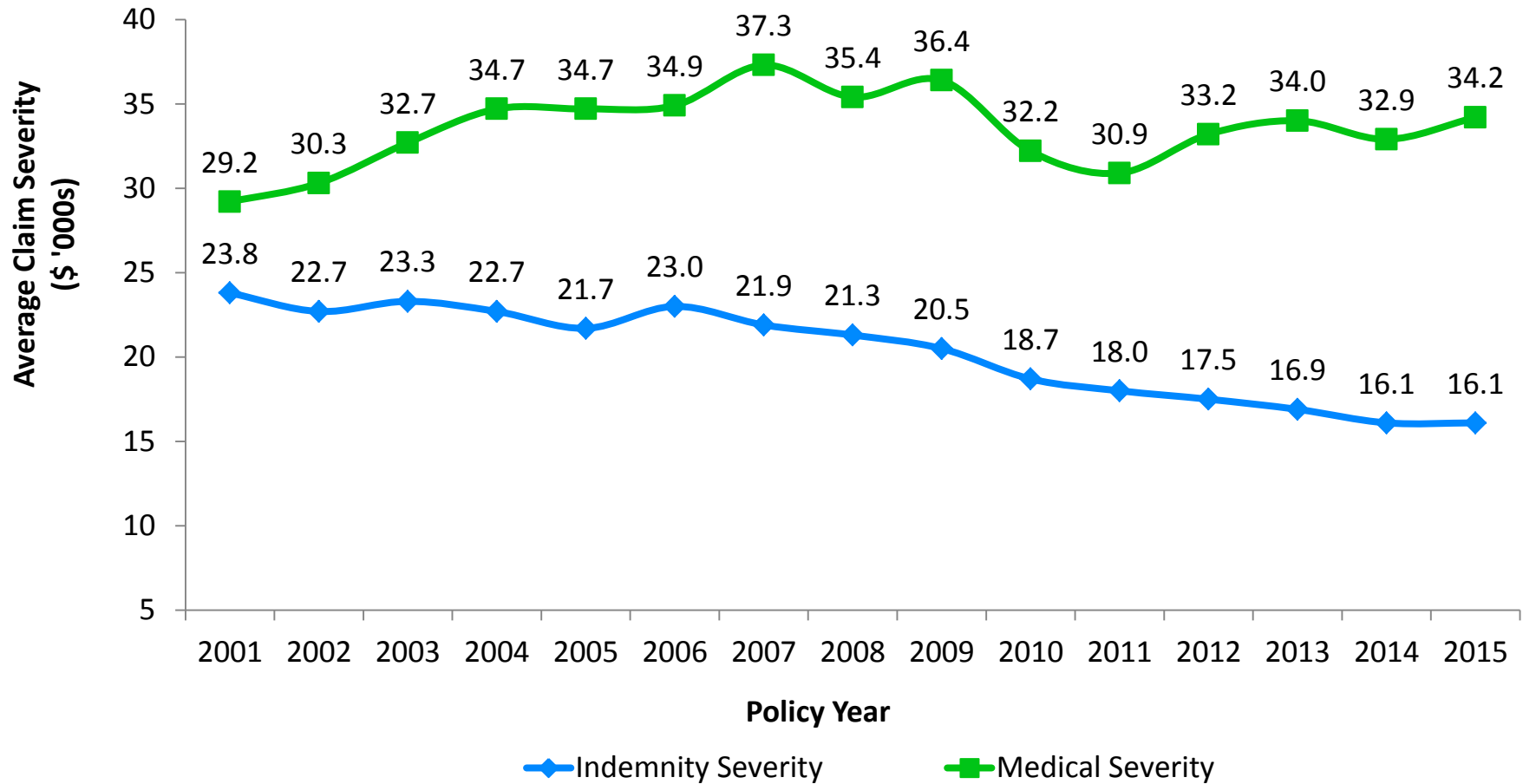


Tennessee Claim Frequency



Based on NCCI's financial data through 12/31/2016 adjusted to a common wage level

Tennessee Average Claim Severity



Based on NCCI's financial data for lost-time claims at current benefit level, developed to ultimate, and brought to a common wage

Tennessee March 1, 2018 Filing

Proposed Change in Assigned Risk Rates

- Assigned risk loss cost multiplier increased slightly from 1.700 to 1.709
 - Assigned risk loss cost differential increased from 1.250 to 1.350
 - Impact of change in assigned risk expenses is -7.2%
 - No change to the current uncollectible premium provision of 1.032

Filing Component	Impact
Overall Average Loss Cost Level Change	-12.6%
Change in Assigned Risk Loss Cost Multiplier	+0.5%
Overall Average Assigned Risk Rate Level Change	-12.2%

Updated Terrorism Provisions

- The last time terrorism losses were modeled for NCCI was in 2006
- For this latest analysis, NCCI partnered with AIR (extreme events modeling firm) to estimate terrorism expected losses, which NCCI then converted AIR's terrorism expected losses to loss costs
<http://www.treasury.state.tn.us/claims/wcac/Voluntary-Loss-Cost-Assigned-Risk-Rate-Filing.pdf> (retrieved 21 January 2019)
- The proposed terrorism voluntary loss cost per \$100 of payroll in Tennessee decreased from \$0.01 to \$0.005
- The proposed assigned risk terrorism rate per \$100 of payroll in Tennessee decreased from \$0.02 to \$0.01

Questions?