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By The Numbers
Actuarial 
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Findings

- The proposed changes of -8.4% effective 3/1/14 and -5.9% effective 7/1/14 have been reasonably calculated in accordance with actuarial standards of practice.
- Use of a longer experience period may be warranted. The use of a three year average of the policy year experience and BYNAC's selected development factors would result in an experience indication of -5.2%.
- NCCI selected trend factors 0.970 for indemnity and 1.000 for medical are reasonable.
- BYNAC believes an LAE allowance of 19.4% is more appropriate than the 19.8% allowance proposed by the NCCI.
- **BYNAC's Indication is -5.5% compared to NCCI's Selection of -8.4%**
- NCCI calculation of the effect of SB200 is reasonable.

PROPOSED LOSS COST CHANGES – BREAKDOWN BY INDUSTRY GROUP

<u>Industry Group</u>	<u>Loss Cost Change Eff 3/1/14</u>	<u>Loss Cost Change Eff 7/1/14</u>	<u>Loss Cost Change Combined</u>
Manufacturing	-10.5%	-6.3%	-16.1%
Contracting	-10.1%	-6.1%	-15.6%
Office & Clerical	-9.5%	-5.6%	-14.6%
Goods & Services	-7.6%	-5.1%	-12.3%
Miscellaneous	-4.8%	-6.4%	-10.9%
Overall	-8.4%	-5.9%	-13.8%

Statewide Indication Analysis Summary of NCCI's Analysis

Indicated Change Based on Experience, Trend, and Benefits:

Policy Year	Projected Cost Ratio		
	Indemnity	Medical	Combined
2010	0.338	0.617	0.955
2011	0.320	0.557	0.877
Selected			0.916

Change in Loss Based Expenses:

	DCCE Ratio	AOE Ratio	LAE Ratio
Current	12.5%	7.3%	19.8%
Proposed			19.8%
Change			1.000
Overall Change			-8.4%

Comparison of Adjustment Factors in Current and Prior Filings

	Most Recent Policy Year			Older Policy Year		
	Eff 3/1/14	Eff 3/1/13	Eff 3/1/12	Eff 3/1/14	Eff 3/1/13	Eff 3/1/12
Premium Development Factor	0.997	0.994	0.997	0.998	0.998	0.999
Indemnity Paid+Case Development Factor	1.293	1.277	1.278	1.105	1.096	1.095
Medical Paid+Case Development Factor	1.471	1.470	1.449	1.396	1.403	1.387
Indemnity Trend	0.907	0.907	0.906	0.880	0.880	0.879
Medical Trend	1.000	1.016	1.016	1.000	1.021	1.021
Loss Adjustment Expense	1.198	1.198	1.197	1.198	1.198	1.197
Excess Loss Loading Factor	1.029	1.028	1.024	1.029	1.028	1.024

Table 6

**STATE OF TENNESSEE
WORKERS COMPENSATION**

HISTORICAL AND PROJECTED COST RATIOS

A. INDEMNITY

Policy Period	Estimated Ultimate Limited Losses	Factor to Adjust Losses to Unlimited	Estimated Ultimate Losses	On Level Factor*	Trend Factor~	Projected Ultimate Losses ^
1/1-12/31/07	\$190,923,788	1.029	\$ 196,460,578	1.027	0.803	\$162,017,306
1/1-12/31/08	169,031,903	1.029	173,933,828	1.019	0.828	146,753,537
1/1-12/31/09	160,629,139	1.029	165,287,384	1.021	0.853	143,950,931
1/1-12/31/10	162,714,673	1.029	167,433,399	1.025	0.880	151,024,926
1/1-12/31/11	156,776,917	1.029	161,323,448	1.016	0.907	148,661,493
Total	\$840,076,420		\$864,438,637			\$752,408,193

B. MEDICAL

Policy Period	Estimated Ultimate Limited Losses	Factor to Adjust Losses to Unlimited	Estimated Ultimate Losses	On Level Factor*	Trend Factor~	Projected Ultimate Losses^
1/1-12/31/07	\$ 308,961,272	1.029	\$ 317,921,149	1.079	1.000	\$ 343,036,920
1/1-12/31/08	264,131,347	1.029	271,791,156	1.106	1.000	300,601,019
1/1-12/31/09	287,526,845	1.029	295,865,124	0.984	1.000	291,131,282
1/1-12/31/10	282,482,060	1.029	290,674,040	0.946	1.000	274,977,642
1/1-12/31/11	268,299,507	1.029	276,080,193	0.935	1.000	258,134,980
Total	\$1,411,401,031		\$1,452,331,662			\$1,467,881,843

C. EARNED PREMIUM AND COST RATIO

Policy Period	Estimated Ultimate Standard Earned Prem	On Level Factor^	Estimated On Level Standard Earned Prem	Projected Cost Ratio
1/1-12/31/07	\$ 685,627,140	0.685	\$ 469,654,591	1.075
1/1-12/31/08	617,386,116	0.729	450,074,479	0.994
1/1-12/31/09	553,924,531	0.774	428,737,587	1.015
1/1-12/31/10	578,343,634	0.771	445,902,942	0.955
1/1-12/31/11	586,061,697	0.794	465,332,987	0.874
Total	\$3,021,343,118		\$2,259,702,586	
				Weighted 5 Year Average
				Weighted 2 Year Average
				NCCI Selected
				BYNAC Selected#
				0.983
				0.914
				0.916
				0.948

* Weights for policy years 2007 - 2009 based on prior filings includes factor to reflect proposed changes in benefits.

~ Using selected trend of 0.970 for indemnity and 1.000 for medical.

^ Premium On Level Factor includes an adjustment to remove LAE allowance.

Average of policy years 2009 - 2011.

Figure 3

STATE OF TENNESSEE WORKERS COMPENSATION

PROJECTED COST RATIO INCLUDING BENEFIT CHANGES

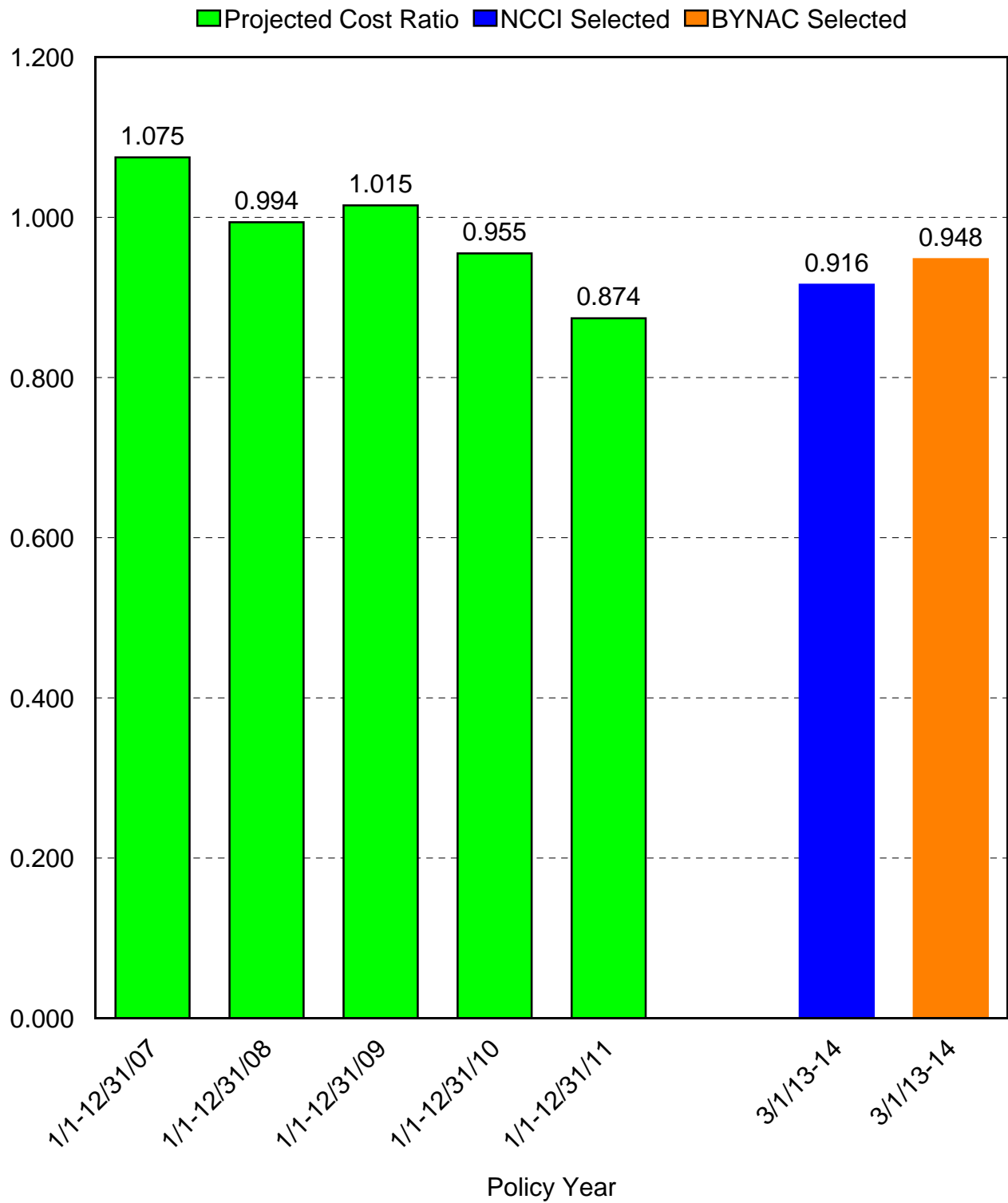


Table 8

**STATE OF TENNESSEE
WORKERS COMPENSATION**

LOSS ADJUSTMENT EXPENSE

<u>Accident Year</u>	<u>NCCI Accident Year Developed LAE Ratio</u>
2003	17.5%
2004	17.0%
2005	17.8%
2006	18.5%
2007	18.6%
2008	18.4%
2009	19.4%
2010	19.3%
2011	19.5%
2012	20.3%
5 Year Average	19.4%
2 Year Average	19.9%
NCCI Selected	19.8%
BYNAC Selected	19.4%
BYNAC Proposed Change in LAE Allowance	
Current Tennessee LAE Allowance	19.8%
BYNAC Proposed LAE Allowance	19.4%
Proposed Change in LAE	-0.3%

Appendix

**STATE OF TENNESSEE
WORKERS COMPENSATION**

INDICATED LOSS COST LEVEL CHANGE USING BYNAC LAE SELECTION

Indicated Change Based on Experience, Trend, and Benefits:

	Policy Year		NCCI	BYNAC
	2011	2010		
Projected Indemnity Cost Ratio including Benefit Changes	0.320	0.338		
Projected Medical Cost Ratio including Benefit Changes	0.557	0.617		
Total Benefit Cost	0.877	0.955		
Selected			0.916	0.948
Change in Loss Based Expenses:				
Current Tennessee LAE Allowance			19.8%	19.8%
Proposed Tennessee LAE Allowance			19.8%	19.4%
Selected			1.000	0.997
Overall			-8.4%	-5.5%