



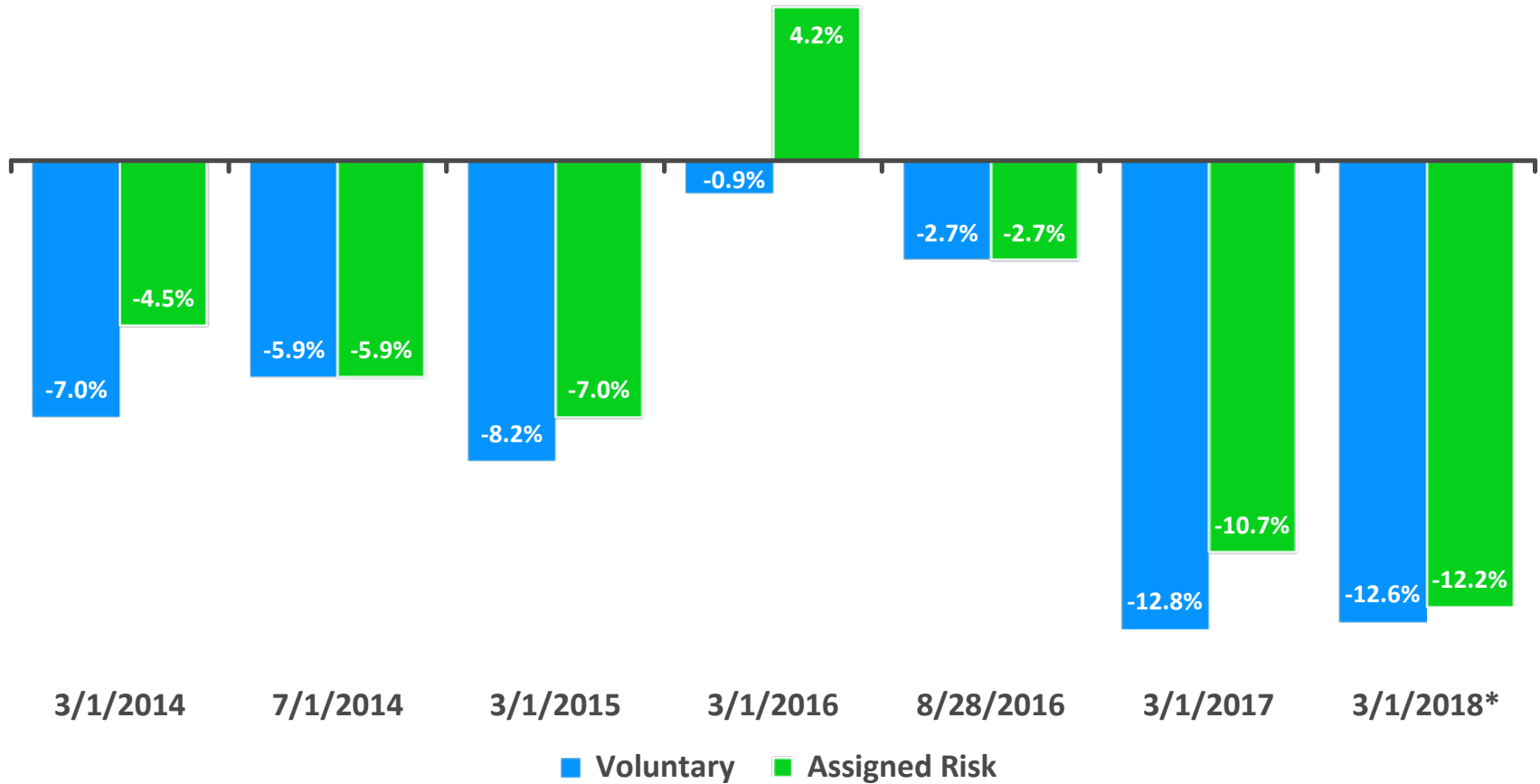
# **Tennessee Workers Compensation Voluntary Loss Cost and Assigned Risk Rate Filing Proposed to be Effective March 1, 2018**

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

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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

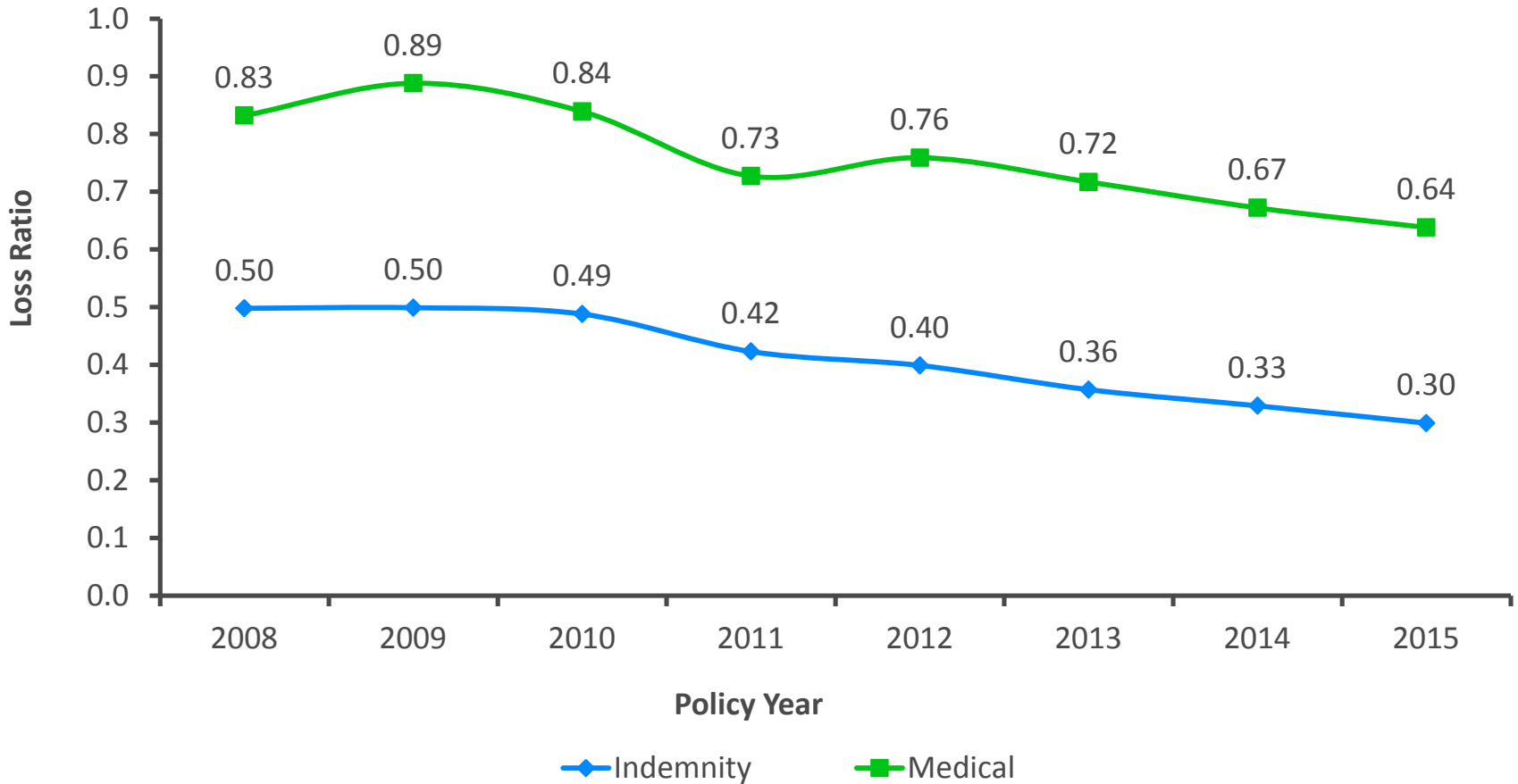
# Experience and Development

- 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

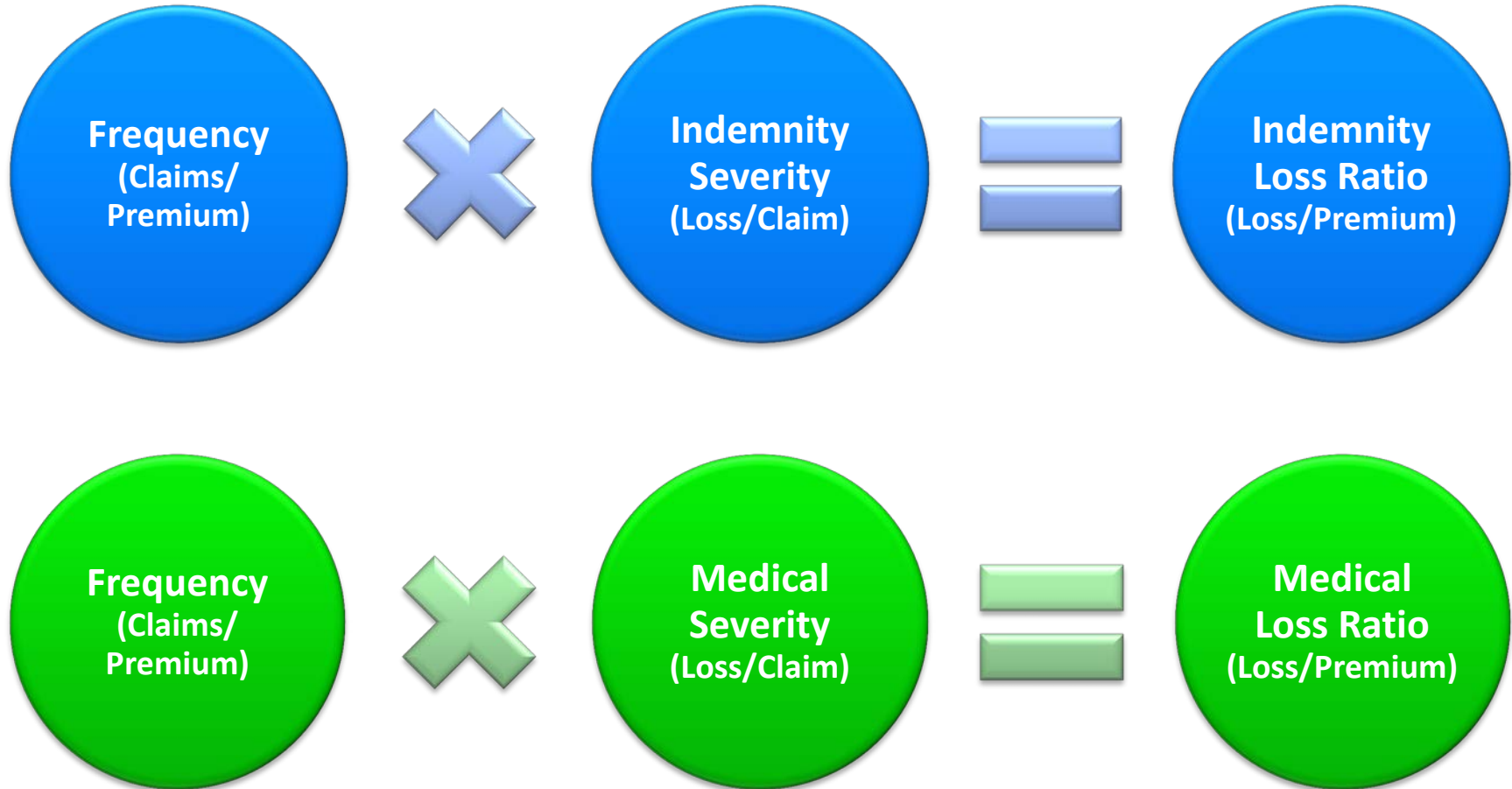
Basis of Development	Policy Year 2014	Policy Year 2015	Average of Policy Years 2014 and 2015
Paid 2-year average	-9.7%	-13.9%	-11.8%
Paid + Case 5-yr average	-12.6%	-14.1%	-13.3%
<b>Average of Paid and Paid + Case Losses</b>	<b>-11.2%</b>	<b>-14.1%</b>	<b>-12.6%</b>

# Tennessee Indemnity and Medical Loss Ratios

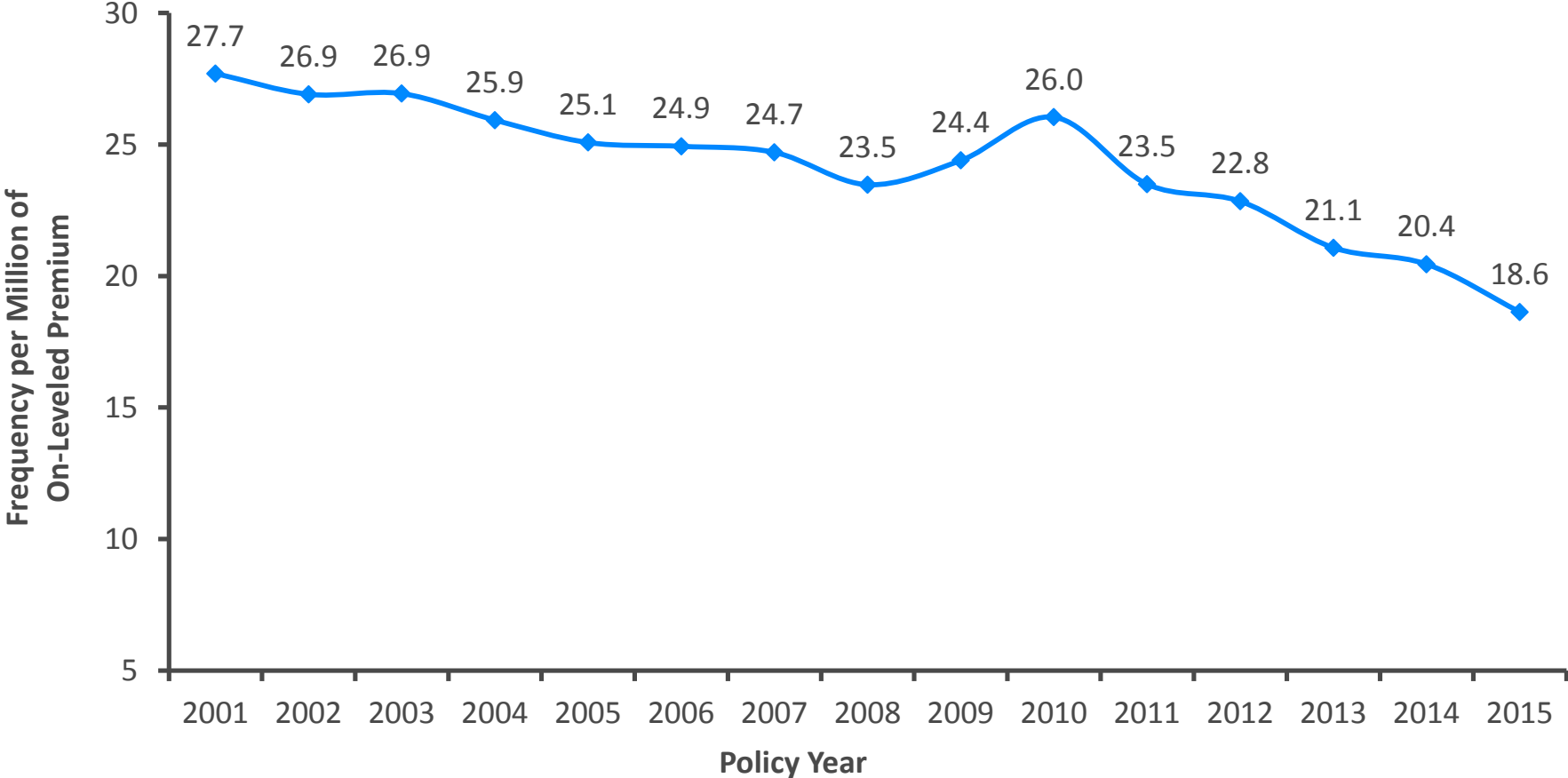


Based on NCCI's financial data through 12/31/2016 at current benefit level and developed to ultimate

# What Drives Indemnity and Medical Loss Ratios?



# Tennessee Claim Frequency

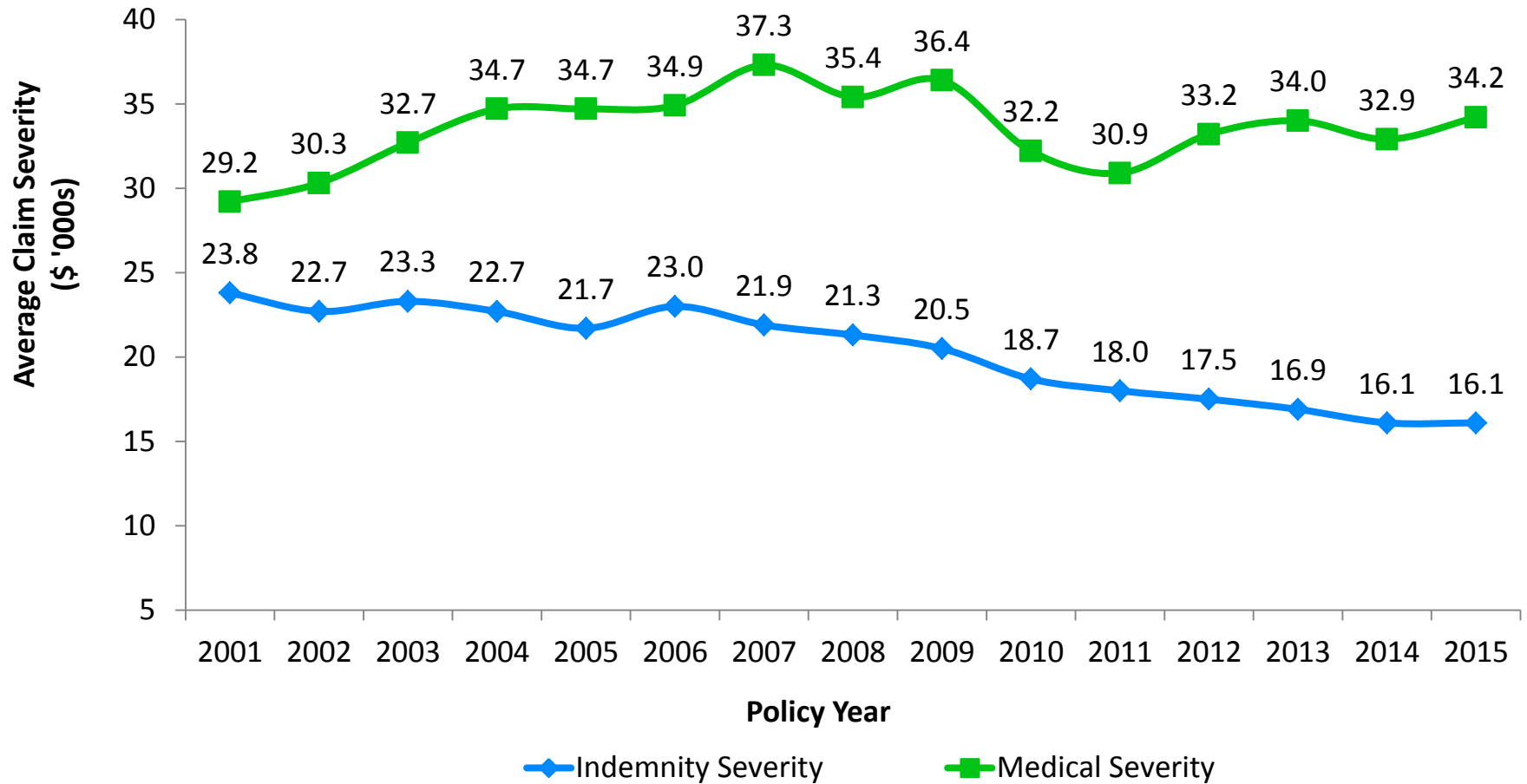


Based on NCCI's financial data through 12/31/2016 adjusted to a common wage level





# 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
- 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?