



Summary of the Proposed Florida Workers Compensation Rate Filing Effective January 1, 2024

The National Council on Compensation Insurance (NCCI)¹ is pleased to provide this summary of the accompanying proposed workers compensation insurance rate filing that was filed under separate cover on August 24, 2023, with the Florida Office of Insurance Regulation for its review and approval.

The filing recommends a –15.1% rate level decrease in the voluntary market, effective January 1, 2024. Due to the catastrophic nature of the COVID-19 pandemic, all reported COVID-19 claims were excluded from ratemaking in this filing.

Florida Overview

The proposed filing is based on experience data for Policy Years 2020 and 2021 as of year-end 2022. Favorable loss experience has been observed in each of these time periods, a primary driver of the rate decrease proposed in the filing.

This year's trend analysis included consideration of potential upward pressure on medical costs resulting from the Amended Final Order issued by the Florida Division of Administrative Hearings dated May 23, 2023, in the case of *Zenith Insurance Company vs. Department of Financial Services, Division of Workers Compensation, Medical Services*. As a result, the stop-loss provision contained in the per diem schedule of the 2014 Edition of the Florida *Reimbursement Manual for Hospitals* is currently considered to be valid.


The final proposed rate level change includes additional changes due to recent medical fee schedule updates and a lower profit and contingency factor—which reflects the higher investment returns expected in today's interest rate environment.

Countrywide Overview

The performance of the workers compensation system remains healthy. Lost-time claims relative to premium have returned to their 20-year trend trajectory, declining 4% in the past year. Employment and wage growth marked a return to pre-pandemic levels. Recent wage increases are outpacing average claim costs along with continued countrywide declines in total claims. Payroll, as the exposure base, is inflation-sensitive, so as wages rise, premiums automatically increase along with the cost of associated workers compensation benefits. Consequently, wages, premiums, and indemnity benefits typically stay in balance.

On a countrywide basis, there was a notable rise in claim costs for 2022, with medical claim costs increasing about 5% and indemnity claim costs rising about 6% year over year. Over the pandemic period of 2019–2022, the average medical lost-time claim cost increased by about 3% and the average indemnity for lost-time claim costs increased by about 8%, reflecting average annual increases of 1% and just over 2%, respectively.

¹ NCCI is a licensed rating organization authorized to make recommended rate filings on behalf of workers compensation insurance companies in Florida. NCCI's filings are objectively prepared, utilizing widely accepted actuarial ratemaking methodologies.



Medical inflation is predicted to increase at a rate of about 3% per year compared with the long-term average of around 1.5%. Medical inflation continues to remain below the inflation rate of the Consumer Price Index.

COVID-19

All reported COVID-19 claims were excluded from ratemaking in this filing. NCCI is treating the COVID-19 pandemic and its resulting data for accident dates of December 1, 2019, and subsequent, as a catastrophic event.

Conclusion

The workers compensation system continues to be healthy. Countrywide lost-time claims, relative to premium, declined 4% in the past year. Private carrier plus state fund net written premium increased about 10% to \$47.5 billion in 2022, just above the 2019 level. Private carriers posted a calendar year combined ratio of 84% (below 100% indicates underwriting profitability). This was the sixth consecutive year that the private workers compensation insurance market posted a combined ratio below 90% and the ninth consecutive year of underwriting profitability. Industry reserves are robust.