Summary of the Proposed Florida Workers Compensation Rate Filing Effective January 1, 2025

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 23, 2024, with the Florida Office of Insurance Regulation for its review and approval.

The filing recommends a –1.0% rate decrease in the voluntary market, effective January 1, 2025.

Florida Overview

The proposed filing is based on experience data for Policy Years 2021 and 2022 as of year-end 2023. Improved loss experience has been observed in these time periods, offsetting the anticipated impact resulting from enacted Florida Senate Bill (SB) 362, which increases the maximum reimbursement allowances for physician services in Florida effective January 1, 2025. NCCI estimates that SB 362 will result in an impact of +5.6% on overall workers compensation system costs. Excluding the impact of this bill from the filing would result in a revised overall rate decrease of –6.4% as opposed to the filed –1.0% change.

Lost-time claim frequency has continued to decrease in Florida, driving the improved experience despite increases in average claim costs observed in both Policy Year 2021 and 2022.

The proposed rate level change includes a lower profit and contingency factor—which reflects the higher investment returns expected in today's interest rate environment.

Countrywide Overview

The workers compensation (WC) system remains healthy. The Calendar Year 2023 combined ratio for workers compensation was 86%, a sign of underwriting profitability, where the net written premium increased by 1%.

Frequency has continued its long-term decline and on a countrywide basis, while claim severity changes were considered moderate for 2023. The continued focus on worker safety and technological advancements are regarded as contributing to fewer workplace injuries over time. The latest medical severity change aligns with projected medical inflation, while indemnity severity tracked with changes in average weekly wages.

Payroll increased by 6% between 2022 and 2023, driven by increases in both employment and wages. Conversely, WC system costs have increased at a slower pace than wages during the same period. The great reshuffle of jobs has also slowed significantly as employee turnover settles near pre-pandemic levels and we see signs of the labor market normalizing rather than deteriorating.

Economic inflation as measured with the Consumer Price Index has been elevated over the past few years. However, this economic inflation has not generally translated to higher WC medical and

[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.

indemnity benefit costs:

- Medical inflation has been more stable in the aggregate with the WC Weighted Medical Price Index showing an average increase of 2.6% for the past 3 years. Medical fee schedules have helped moderate price increases in workers compensation in states that have adopted them.

- Indemnity severity has largely been tracking wage inflation in recent years—a pattern which is not unusual considering indemnity costs are essentially wage replacement benefits for injured workers.

Conclusion

The workers compensation system continues to be healthy. While consumer inflation has been elevated, the inflation for workers compensation medical costs remained stable. The increases observed in indemnity severity are largely driven by increased wages, which have risen significantly in recent years. Workers Compensation premiums are based on payroll, which is an inflation-sensitive exposure base. The combination of continued frequency declines and moderate benefit costs at or below the level of wage growth, have continued to put downward pressure on overall WC system costs relative to collected premiums.