

February 2, 2012 - Actuarial Committee Update

Industry Information » NCCI Actuarial Committee

The Actuarial Committee met on Thursday, February 2, 2012. The major topics covered at this meeting included:

- **Class Ratemaking Update (ACT-12-06)**
NCCI is in the third year of its new ratemaking methodology. Staff presented its analysis of the stability of the new method, along with its research plans for 2012. Other items discussed included the unique challenges of F-Class ratemaking.
- **Workers Compensation Industry Results (ACT-12-07)**
Staff's presentation showed that the final results were similar to the preliminary results of its frequency and severity analysis. This analysis used data valued as of 12/31/2010 and included adjustments for audits, changes in the average hours worked per week, and changes in industry mix. Additional information was provided on Exposure-Accident Year frequency and the impact of development selections on lost-time claim frequency.
- **NCCI Experience Rating Plan (ACT-12-08)**
Staff presented some analysis which showed that "preliminary mods" are similar to the final mods. The presentation also showed that the results are not sensitive to the magnitude of the overall loss cost or rate changes.
- **Tail Factor Calculation Methodology (ACT-12-09)**
NCCI has been exploring alternatives to the current formula for calculating the 19th-to-ultimate tail factor used in NCCI ratemaking. Staff presented a review of the growth factor calculation and the expected impact of shifting from five to ten years of data in the growth factor calculation. The tail changes discussed will be implemented in the upcoming rate filing season, which will use data valued as of December 31, 2011.
- **NCCI Retrospective Rating Plan (ACT-12-10)**
In 2010, NCCI initiated a review of the methodology underlying the calculation of the excess loss factors (ELF) by state and hazard group. Staff provided a status update for the review and presented a timeline for filing and implementing changes to the ELF curves.
- **Loss Sensitive Rating Plan (ACT-12-11)**
In 1994, NCCI filed a mandatory assigned risk retrospective rating program for employers having premium equal to or exceeding a minimum threshold (\$200,000 in most states). In 2010, NCCI conducted a complete review of the LSRP program and found that risks in the LSRP program are paying less than a guaranteed cost assigned risk policy. This reduces the incentive for the risks to find coverage in the voluntary market. Staff discussed the specific changes proposed in item RM-W-8040, which has been approved in all seventeen LSRP states.

Please refer to the minutes of the meeting for any pertinent discussion on each topic. The presentation for each of the listed topics is contained in either the agenda or minutes for the meeting as indicated below.

Content Requires Authentication

[February 2, 2012 Agenda \(PDF\)](#)

- [NCCI Experience Rating Plan \(ACT-12-08\)](#)

[February 2, 2012 Minutes \(PDF\)](#)

- [Class Ratemaking Update \(ACT-12-06\)](#)
- [Workers Compensation Industry Results \(ACT-12-07\)](#)
- [Tail Factor Calculation Methodology \(ACT-12-09\)](#)
- [NCCI Retrospective Rating Plan \(ACT-12-10\)](#)
- [Loss Sensitive Rating Plan \(ACT-12-11\)](#)