



**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

P.O. Box 690, Jefferson City, Mo. 65102-0690

INSURANCE BULLETIN 13-08

Workers' Compensation Loss Costs

Issued December 20, 2013

Rescinded and Inoperative

To: Workers' compensation insurance providers

From: John M. Huff, Director

Re: Workers' compensation loss costs

The Missouri Department of Insurance recommends a lower increase to workers' compensation insurance loss costs than the recommendation by the National Council on Compensation Insurance. The Department recommends a 10.1 percent increase while NCCI's recommendation is 11.6 percent, effective Jan. 1, 2014.

The difference is based on NCCI's exclusion of Missouri Employers Mutual in its review and its claim expense estimates. Missouri Employers Mutual is the state's largest insurer for workers' compensation, with 17.75 percent of the market.

As part of its review of workers' compensation insurance rates, the Department of Insurance uses data from the NCCI. The NCCI is an insurance industry-funded group paid by workers' compensation insurers to develop advisory loss costs based on workers' compensation claim data. Insurers use loss costs to set their workers' compensation rates. Loss costs generally predict the average cost of lost wages and medical payments of workers injured on the job.

The NCCI estimates that Senate Bill 1, which was passed by the Missouri General Assembly earlier this year, will impact Missouri loss costs by raising them 3.8 percent to pre-fund second injury liabilities for claims previously reimbursed by the Second Injury Fund.

After reviewing NCCI’s data and loss costs, the Department of Insurance calculates its own loss costs. Under Missouri law, insurers may set rates based on NCCI recommendations, the Department’s calculation or their own actuarial analysis. Missouri law does not require insurers to change or increase their rates in 2014 because of the NCCI’s recommendation.

Although the decline in claim frequency has abated in the most recent years, Missouri benefited from a 26 percent decrease in claim frequency from 2004 to 2011. The NCCI’s proposed change in loss costs by industry group is shown below.

NCCI JANUARY 1, 2014, ADVISORY LOSS COSTS

Industry group	Largest decrease	Largest increase	Average change
Manufacturing	-12%	28%	8.3%
Goods and services	-7%	33%	12.5%
Contracting	-7%	33%	13.4%
Office and clerical	-11%	29%	9.1%
Miscellaneous	-6%	34%	13.7%
Total	-12%	34%	11.6%

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The department’s expectation for the 10.1 percent loss costs increase is based on the following differences from the NCCI’s recommendations:

Use of voluntary market data	-0.7%
Claim expense costs	-0.8%
Total recommended change to NCCI’s proposed 2014 loss costs	-1.5%

The NCCI 2014 loss cost filing along with DIFP’s independent review of loss cost data is available on the [Department’s website](#).