



State of Rhode Island and Providence Plantations
DEPARTMENT OF BUSINESS REGULATION
1511 Pontiac Avenue, Bldg. 69-2
Cranston, Rhode Island 02920

Insurance Division

May 15, 2014

Laura Backus Hall
State Relations Executive
National Council on Compensation Insurance, Inc. ("NCCI")
1493 Maple Hill Road
Plainfield, VT 05667

Re: NCCI 2014 Rhode Island Advisory Loss Cost Filing

Dear Ms. Hall:

On November 25, 2013, NCCI made a filing requesting an overall increase in advisory loss costs of +3% for industrial classes and +5.9% for "F" classes effective August 1, 2014. After careful review and analysis of the filing and all supplemental material provided, the Department finds that an overall increase of +2.5% for industrial classes and overall increase of +5.4% for "F" classes is supported and is hereby approved. Further discussion of the process is included below.

This filing requests approval of "advisory loss costs" which, once approved, all insurers electing to write workers compensation insurance in Rhode Island must use as one component in setting the rates charged to employers. The Department's statutory directive is to determine whether the advisory loss costs are "excessive, inadequate or unfairly discriminatory." In coming to a conclusion on this issue the Department has initiated a process soliciting comment from the public and interested parties. The Department then reviewed all information obtained with the goal of achieving actuarially justified lost costs which are intended to produce a rate charged to employers that will adequately cover the costs incurred in providing benefits to injured employers while at the same time producing rates that are not excessive.

As discussed above the issue in the filing is approval of advisory loss costs that are not "excessive, inadequate or unfairly discriminatory." This is a function which requires both actuarial and public input. Prior to 2008 the Department utilized a formal legal proceeding which resulted in large expenses to employers without a coexistent benefit. Therefore, in 2008 the Department adopted a procedure to allow for input from the Attorney General and the public without the demands and costs of the prior legal proceedings. The goal of this procedure is to obtain public input while at the same time reducing costs, increasing timeliness and efficiency.

Review of this filing was instituted on December 5, 2013 with an email to the Attorney General and Beacon Mutual both of whom had previously indicated an interest in commenting on NCCI filings. In order to solicit comment from the public, the Department posted a notice on its website directing the public regarding how to submit comment. The Attorney General conducted discovery

concerning the filing, including data requests to NCCI, and provided the Department with written recommendations on February 26, 2014. NCCI responded to those recommendations on March 5, 2014. Beacon Mutual, who had received all communications in this matter, did not offer public comment. The Attorney General provided comments in response to NCCI's reply on March 12, 2014. NCCI provided final comments on April 2, 2013. On April 3, 2014 the Attorney General provided additional comments to NCCI's response to the Department's data request. No other public comments were received.

The Department's role is to analyze the issues and arrive at advisory loss costs that will result in the lowest reasonable rates for Rhode Island employers while still maintaining a vibrant and competitive market for workers compensation insurance. Although the Department is always sympathetic to any argument that would reduce costs to employers, it must bear in mind that if advisory loss costs are not set appropriately employers will be adversely impacted through decreased competition and resultant increases in other portions of the rate. The Department appreciates and values the information provided by interested parties, especially that of the Attorney General, and has carefully considered each and every issue raised with an eye toward its statutory obligation. The conclusions reached by the Department are included in the attached actuarial report and available to the public.

The Department hereby approves an overall increase in advisory loss costs of +2.5% for industrial classes and an increase of +5.4% for "F" classes for use in Rhode Island beginning August 1, 2014, rather than the +3.0% for industrial and +5.9% for "F" classes requested by NCCI consistent with the discussion in this correspondence. NCCI is hereby directed to make a compliance filing consistent with this approval no later than June 1, 2014. NCCI shall issue a Circular advising member insurers to notify the Department no later than June 30, 2014, of its intention to adopt NCCI's advisory loss costs along with proposed loss cost multipliers. Any insurer electing to not adopt the 2014 Advisory Loss Costs, to delay adoption of the new loss costs, and/or to maintain its current loss cost multiplier must provide an explanation to the Department supporting its position, including statistical support. All notices and filings must be submitted electronically in SERFF.

Very Truly Yours,



Paula M. Pallozzi
Associate Director

cc: Paul McGreevy, Director
Joseph Torti III, Superintendent of Insurance
Elizabeth Kelleher Dwyer, Esq.
Genevieve Martin, Assistant Attorney General
Brian Spero, Esq., Beacon Mutual Insurance Company