

## NCCI Proposes Increase for Workers Compensation Loss Costs in South Carolina

On February 7, 2012, the National Council on Compensation Insurance (NCCI) delivered a workers compensation loss cost filing to the South Carolina Department of Insurance. Based upon its review of the most recently available data, NCCI has proposed an overall average workers compensation loss cost level change of +7.3% to become effective July 1, 2012.

Loss Cost Filing Components	Impact
Due to Change in Experience	+5.3%
Due to Change in Trend	+2.2%
Due to Change in Benefits	+0.1%
Due to Change in Loss Adjustment Expense	-0.4%
<b>Overall Loss Cost Level Change</b>	<b>+7.3%</b>

Two primary drivers of the proposed loss cost level change are:

**1. South Carolina claims experience has deteriorated in the most recent two years.**

The experience base used in this filing, policy years 2008 and 2009, reflects deterioration in workers compensation experience versus the experience base used in the prior South Carolina filing effective July 1, 2011 (policy years 2007 and 2008). More specifically, the newly-received policy year 2009 experience is comparatively worse than the policy year 2007 experience it replaces from last year's filing.

**2. The forecast for South Carolina workers compensation costs has changed over the past couple of years. Adjusting to less negative trends results in a positive rate impact (+2.2%).**

After several years of decline, increases in South Carolina lost-time claim frequency have been observed in the most recent data analyzed. Increasing claim frequency in combination with indemnity and medical cost growth could place notable strain on the state's workers compensation system. While NCCI is not giving the latest claim frequency figures full weight, it is necessary to adjust for the anticipated trends in workers compensation costs between the time of the historical data (on which the filing is based) and the time when the proposed loss costs will be in effect. The South Carolina trend outlook still calls for continued improvement (i.e., negative trends), but at a slightly slower pace (i.e., less negative than the current trends).

This is the first filed increase in South Carolina since the filing effective in July 2008. Since that time, there have been three implemented loss cost level decreases with a cumulative impact of -13.4%. Assuming this filing is approved as proposed, the cumulative impact of loss cost level changes since 2009 will be -7.1%.