

**North Dakota – Workforce Safety and Insurance
Ratemaking Process**

Statewide Rate Level Indication

Class Group Indication

Class Manual Rate

Experience Rating Plan

Other Adjustments

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**North Dakota – Workforce Safety and Insurance
Ratemaking Process
Statewide Rate Level**

Anticipated Costs

are Compared with

Anticipated Income

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**North Dakota – Workforce Safety and Insurance
Ratemaking Process
Statewide Rate Level**

If Expected Costs Exceed Anticipated Income

Then a Rate Level Increases is Indicated

If Anticipated Income Exceeds Expected Costs

Then a Rate Level Decreases is Indicated

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**North Dakota – Workforce Safety and Insurance
Ratemaking Process - Statewide Rate Level
Expected Costs**

**Losses and Loss Adjustment Expenses, Limited to \$1,000,000,
for Prior Coverage Periods are Adjusted to Reflect Conditions
Anticipated for the Prospective Coverage Period**

Loss Trend

Benefit Changes

Other Adjustments

**Provision is Included for Anticipated Losses in Excess of
\$1,000,000**

**Other Program Expenses are Estimated and Added to
Anticipated Loss and LAE**

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**North Dakota – Workforce Safety and Insurance
Ratemaking Process - Statewide Rate Level
Loss Adjustment Expenses**

**Loss Adjustment Expenses (LAE) are Costs Incurred in the
Process of Settling Claims**

Allocated Loss Adjustment Expense (ALAE)

**Allocated Loss Adjustment Expenses are those Expenses, such as
Attorney Fees and Other Legal Costs, which are Incurred in the Claims
Settlement Process and can be Assigned to Specific Claims**

Unallocated Loss Adjustment Expenses (ULAE)

**Unallocated Loss Adjustment Expenses are Other Adjustment
Expenses, such as Salaries, Utilities and Rent Apportioned to Claims
Administration but not readily Assigned to any Specific Claim**

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**North Dakota – Workforce Safety and Insurance
Ratemaking Process - Statewide Rate Level
Anticipated Income**

**On-Level Premium at Current Manual Rates is Estimated for
Prospective Coverage Period**

**Past Payroll is Adjusted to Reflect Salary Inflation as well as
Changes to the Payroll Cap**

The Result is Multiplied by Current Manual Rates for Each Class

Premium is Adjusted to Reflect Rating Plan Adjustments

Experience Rating

Safety Incentive Plans

**Anticipated Investment Income is Included as an Off-Set to
Anticipated Losses**

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**North Dakota – Workforce Safety and Insurance
Ratemaking Process - Class Rates**

**The Selected Statewide Rate Change is Allocated Among
Classes Based on Actual Prior Loss Experience**

The Allocation Occurs in a Two Step Process

**The Selected Statewide Change is First Allocated Among
Several Class Groups**

**The Indicated Change for Each Class Group is Then
Allocated Among its Component Classes**

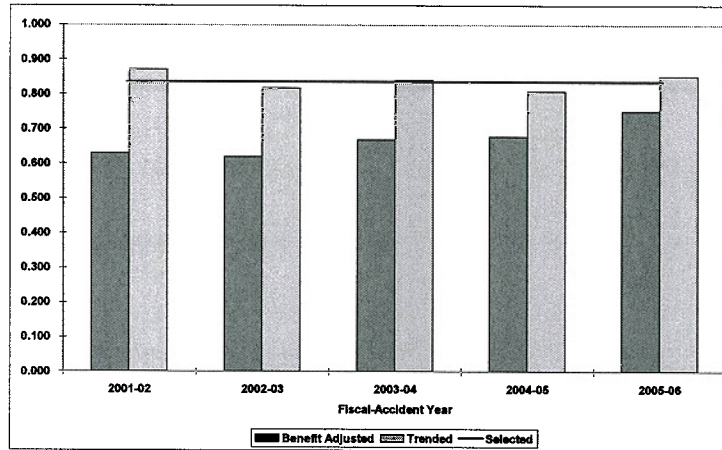
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**North Dakota – Workforce Safety and Insurance
Class Calculations and Adjustments**

- **On-Level Manual Premiums for each Class are Consistent with those Derived for the State as a Whole**
- **Individual Claims are Limited to \$250,000 for Indemnity, Medical and PPI Combined**
- **Supplemental Benefits are Not Included**
- **IBNR is Allocated Among Classes in Proportion to On-Level Manual Premium**
- **Losses are Trended and Adjusted for Subsequent Benefit Changes**
- **The Targeted Change is Allocated Among Classes Based on the Relative Size of the Trended Class Loss Ratios**
- **Limits are Placed on the Maximum Increase or Decrease**

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**North Dakota – Workforce Safety and Insurance
2007-08 Indicated Ultimate Loss and ALAE Ratio**



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**North Dakota - Workforce Safety and Insurance
Proposed 2007-08 Manual Rates
Anticipated Change in Collected Premiums**

New Payroll Cap	\$21,300
Prior Payroll Cap	\$20,300
Change in Cap	4.9%
Realized Premium Increase	65.0%
Change in Collected Premiums	3.2%

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**North Dakota - Workforce Safety and Insurance
Proposed 2007-08 Manual Rates
Proposed Change – Adjusted for Payroll Inflation**

Base Rate Change	-1.0%
Premium Increase Due to Change in Payroll Cap	3.2%
Total Premium Increase	2.2%
Anticipated Change in SAWW	3.5%
Inflation Adjusted Change	-1.3%

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**North Dakota - Workforce Safety and Insurance
Proposed 2007-08 Manual Rates
Net Relative Change**

Loss Trend	5.2%
Law Change - Primarily HB 1038	2.0%
Medical Fee Change	2.0%
Anticipated Change in Costs	9.4%
Premium Increase Due to Change in Payroll Cap	3.2%
Anticipated Net Change	6.0%
Base Rate Change	-1.0%
Net Relative Change - (Change in Actuarial Estimates)	-6.6%

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**North Dakota – Workforce Safety and Insurance
Anticipated Premium Distribution
Proposed 2007-08 Rates**

