



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

Insurance Division

May 5, 2016

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

Re: NCCI 2016 Rhode Island Advisory Loss Cost Filing

Dear Ms. Hall:

On November 19, 2015, NCCI made a filing requesting an overall decrease in advisory loss costs of -4.9% for industrial classes and -0.7% for "F" classes effective August 1, 2016. After careful review and analysis of the filing and all supplemental material provided, the Department finds that an overall decrease of -7.5% for industrial classes and an overall decrease of -3.6% decrease 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 solicited 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.

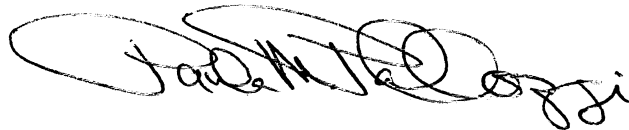
Review of this filing was instituted on December 8, 2015 with an email to the Attorney General and Beacon Mutual both of whom had previously indicated an interest in commenting on NCCI filings. In order to solicit comment from the public, the Department posted a notice on its website directing the public 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 March 4, 2016. NCCI responded to those recommendations on March 14, 2016. Beacon Mutual, who had received all communications in this matter, did not offer comment. The Attorney General provided comments in response to NCCI's reply on March 21, 2016. No other 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 decrease in advisory loss costs of -7.5% for industrial classes and a decrease of -3.6% for "F" classes for use in Rhode Island beginning August 1, 2016, rather than the -4.9% for industrial and -0.7% 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, 2016. NCCI shall issue a Circular advising member insurers to notify the Department no later than June 30, 2016, of its intention to adopt NCCI's advisory loss costs along with proposed loss cost multipliers. Any insurer electing to not adopt the 2016 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,

A handwritten signature in black ink, appearing to read "Paula M. Palozzi", written in a cursive style.

Paula M. Palozzi
Associate Director

cc: Macky McCleary, Director
Elizabeth Kelleher Dwyer, Superintendent of Insurance
Matthew Gendron, Counsel
Genevieve Martin, Assistant Attorney General
Brian Spero, Esq., Beacon Mutual Insurance Company