



# New Hampshire State Advisory Forum 2014

**September 16, 2014**

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# New Hampshire Workers Compensation State Advisory Forum

- Opening Remarks
- The State of the Economy
- New Hampshire and Federal Legislative Environments
- Workers Compensation System Overview
- New Hampshire and Countrywide
- Panel Discussion—Hot Topics
- New Hampshire Residual Market
- NCCI Resources
- Q & A—Closing Remarks



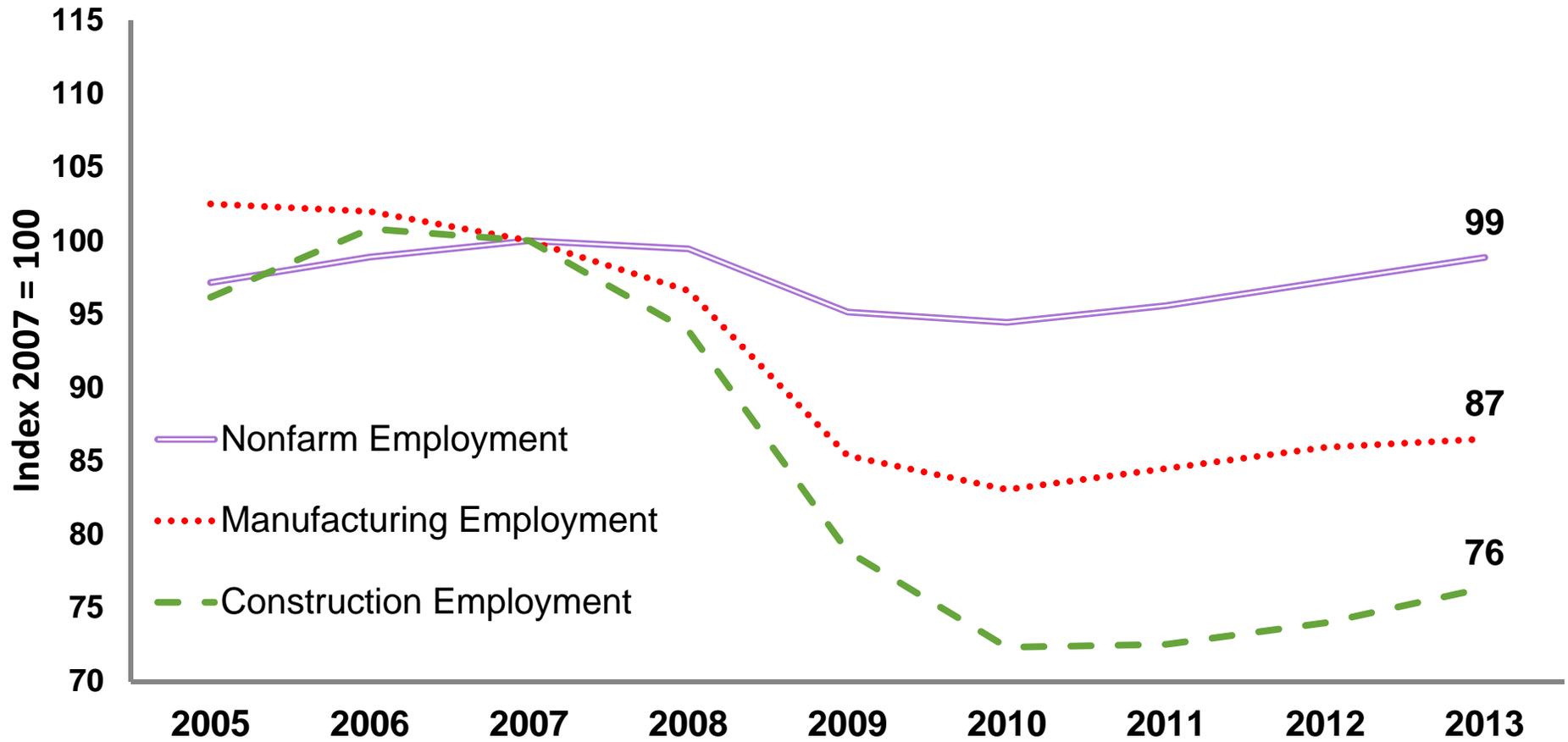


# The State of the Economy: Weak but Gaining Strength



# Employment Is Still Below Its Prerecession Level

## Index of Employment by Industry

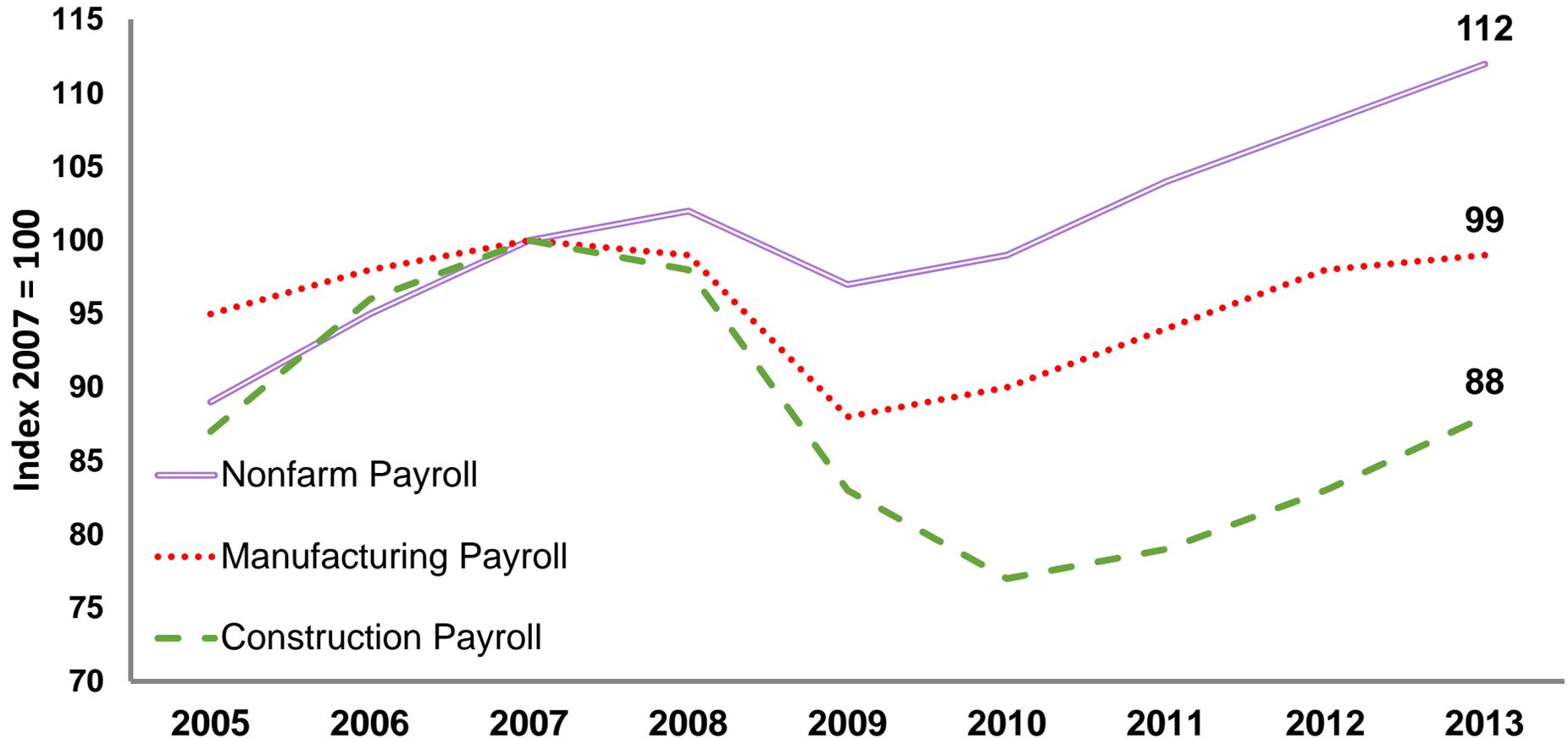


Source: Bureau of Labor Statistics (BLS), Current Employment Statistics (CES)



# On the Other Hand, Payrolls Are Above Prerecession Levels

## Index of Payroll by Industry



Source: Bureau of Economic Analysis (BEA), Wages and Salaries by Industry



# Workers Compensation Written Premium Change

## Written Premium Change From 2012 to 2013

<b>Net Written Premium—Countrywide</b>	<b>+ 5.4%</b>
<b>Direct Written Premium (DWP)—Countrywide</b>	<b>+ 7.8%</b>
<b>Direct Written Premium (DWP)—NCCI States</b>	<b>+ 7.3%</b>
<b>Components of DWP Change for NCCI States:</b>	
<b>Change in Carrier Estimated Payroll</b>	<b>+ 4.7%</b>
<b>Change in Bureau Loss Costs and Mix</b>	<b>- 0.3%</b>
<b>Change in Carrier Discounting</b>	<b>+ 2.3%</b>
<b>Impact of State Fund Conversion to Private Carrier</b>	<b>+ 1.0%</b>
<b>Change in Other Factors</b>	<b>- 0.5%</b>
<b>Combined Effect:</b>	<b>+ 7.3%</b>

Sources:

Countrywide: Annual Statement data, Private Carriers

NCCI States: Annual Statement Statutory Page 14, Private Carriers, NCCI's ratemaking states

Components: NCCI's policy data



# The Industrial Structure Is Changing

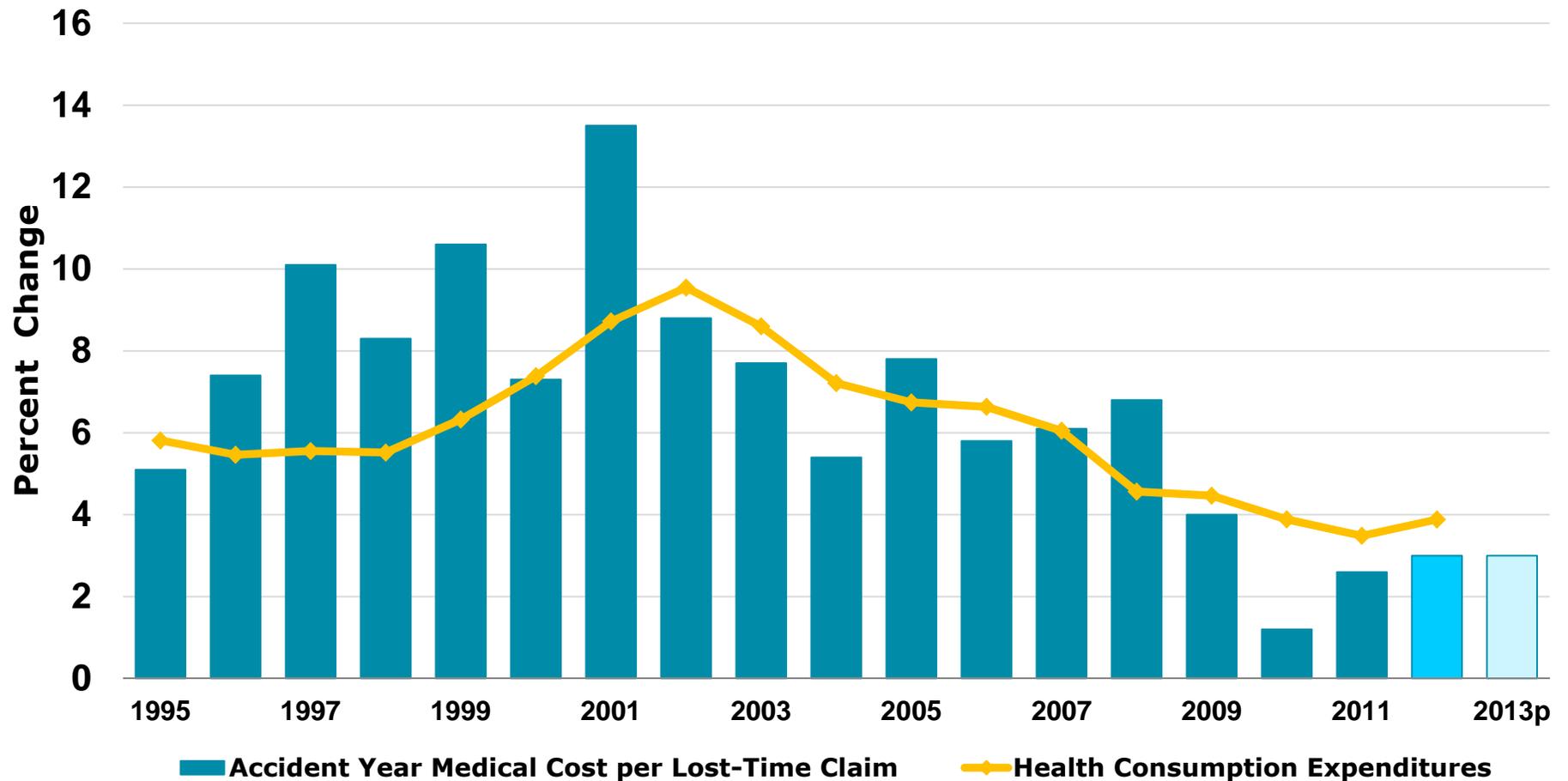
## Healthcare Employment Keeps Expanding Unabated



Nonfarm Employment, seasonally adjusted  
 Monthly employment shown for the period November 2001 through July 2014  
 Sources: FRED, [research.stlouisfed.org/fred2](http://research.stlouisfed.org/fred2); US Bureau of Labor Statistics (BLS), [www.bls.gov](http://www.bls.gov)



# Growth in Health Consumption Expenditures Is Slowing



Medical cost per lost-time claim, 2013p: Preliminary based on data valued as of 12/31/2013  
 1995–2012: Based on data through 12/31/2012, developed to ultimate; excludes high deductible policies  
 Average severity for the states where NCCI provides ratemaking services, including state funds; excluding WV  
 Source: Health Consumption Expenditures: Centers for Medicare and Medicaid Services

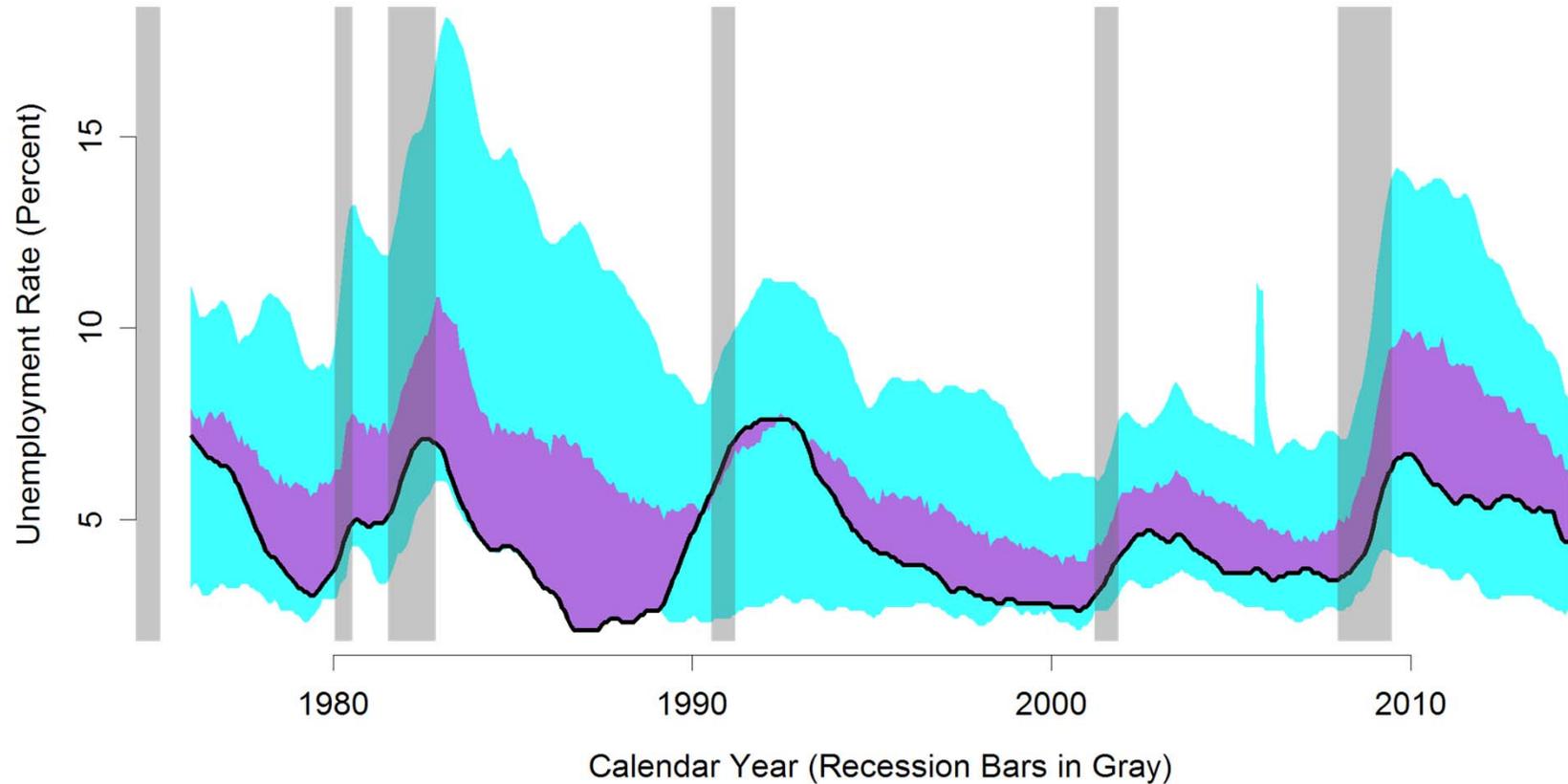




# **New Hampshire: The Economic Environment Is Improving**

# New Hampshire

## The Unemployment Rate Is Well Below the National Average

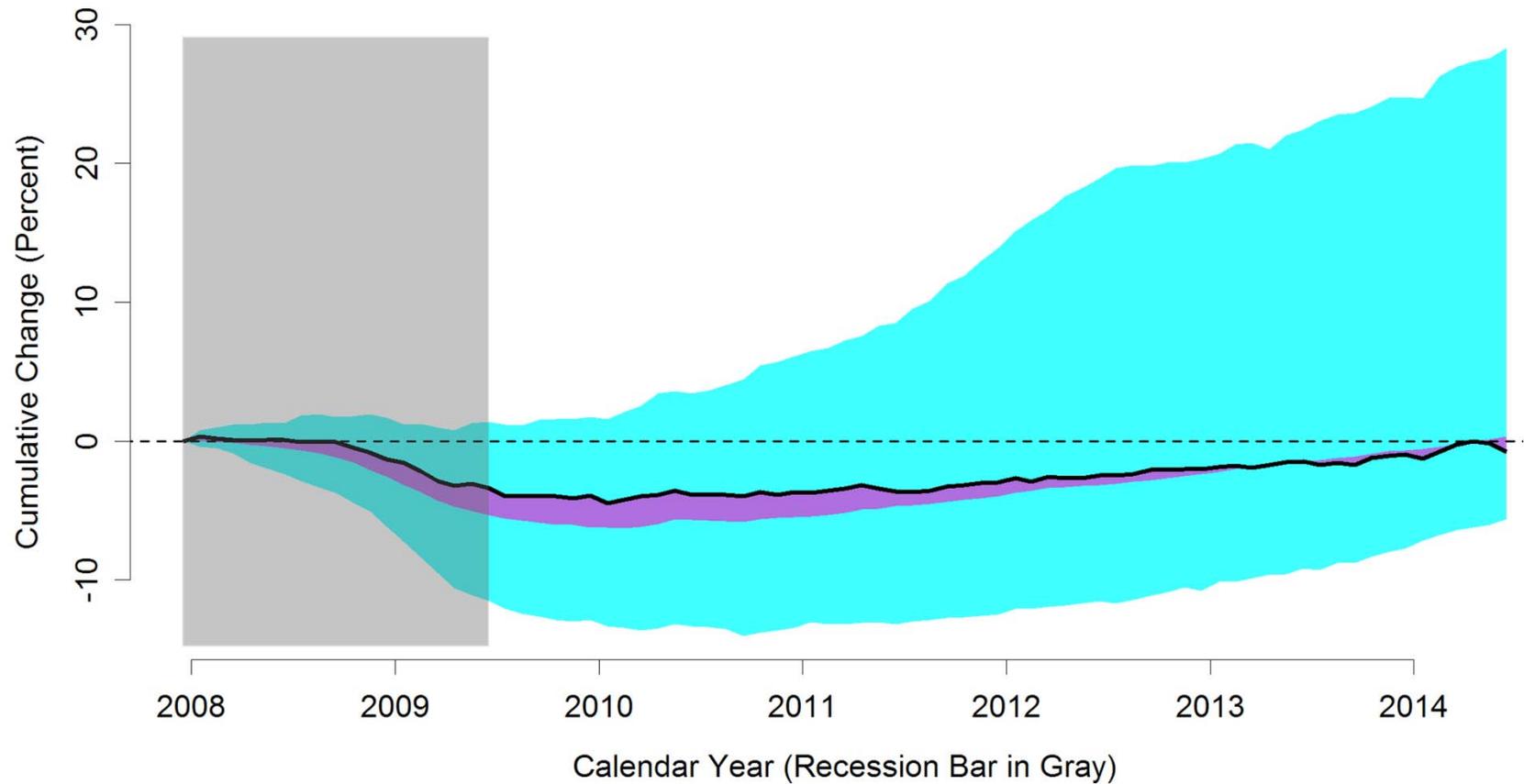


Unemployment rate, seasonally adjusted; range of US states includes DC  
Frequency of observation: monthly; latest available data point: June 2014  
Source: US Bureau of Labor Statistics (BLS), [www.bls.gov](http://www.bls.gov)



# New Hampshire

## Employment Is Near the Prerecession Level



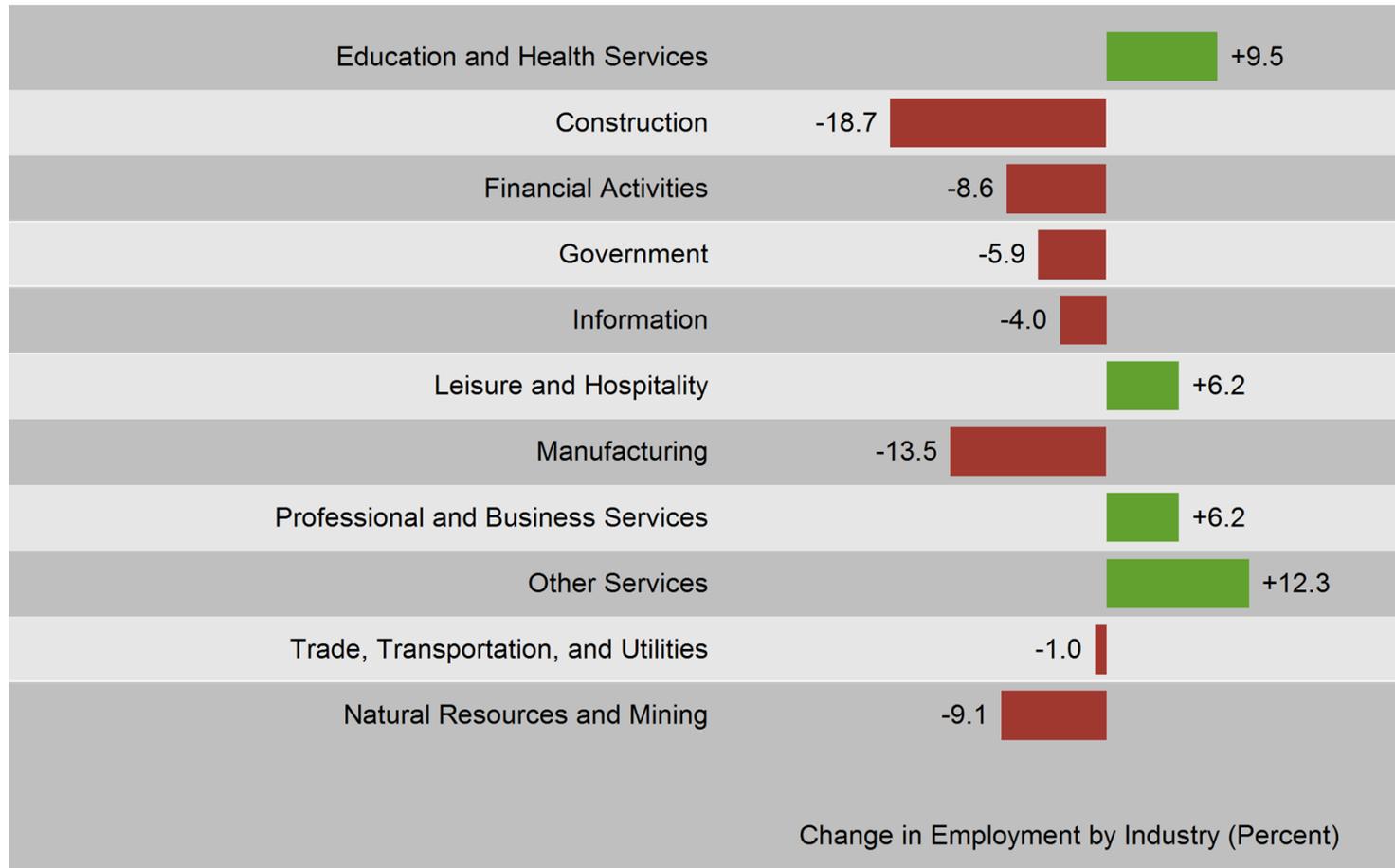
— New Hampshire    ■ Gap to United States    ■ Range of US States

Nonfarm Employment, seasonally adjusted  
 Frequency of observation: monthly; latest available data point: June 2014  
 Range of US states includes DC; tick marks indicate beginning of year  
 Source: US Bureau of Labor Statistics (BLS), [www.bls.gov](http://www.bls.gov)



# New Hampshire

## Employment Has Yet to Recover From the Recession in Most Industries



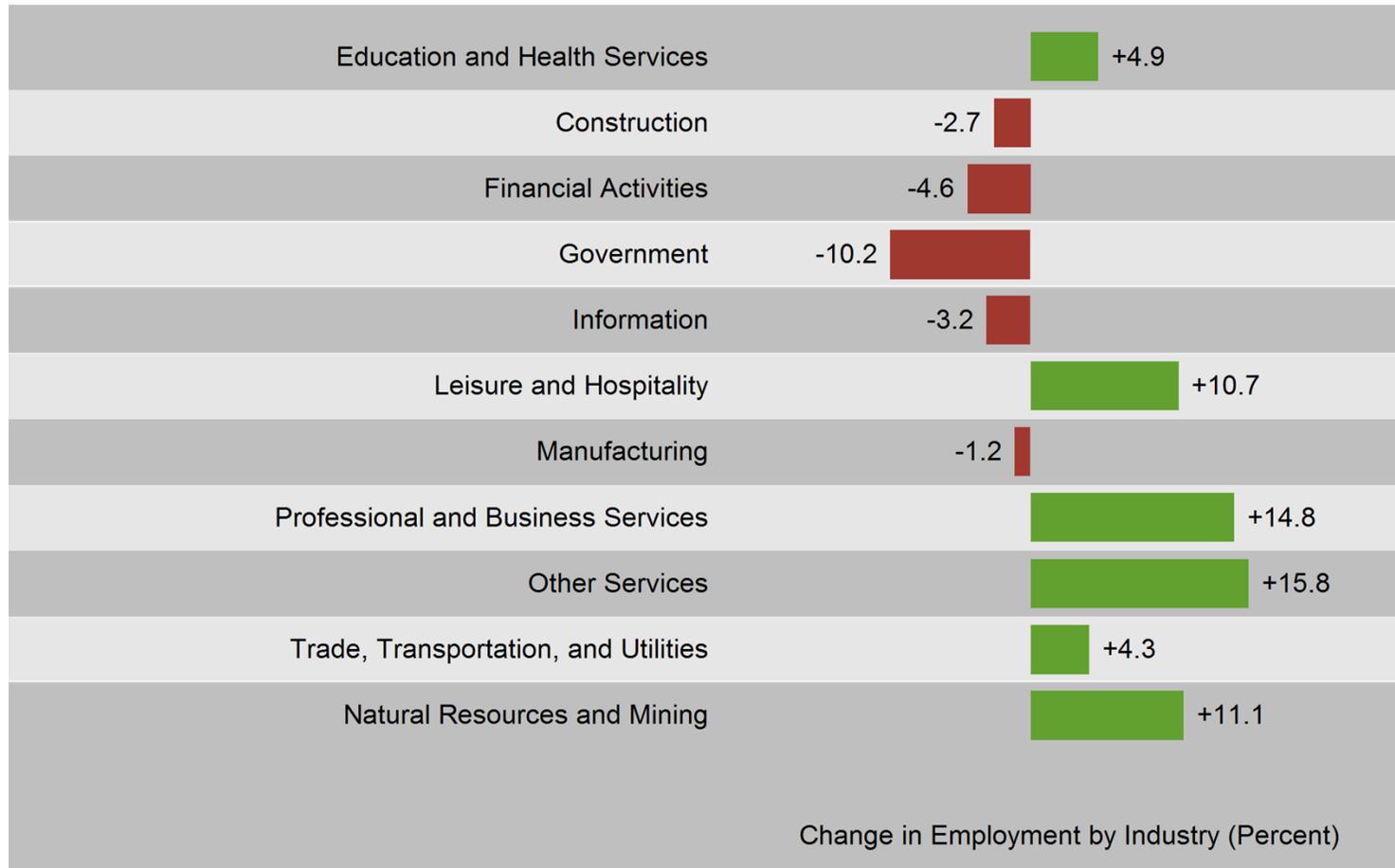
Percentage change since the onset of the recession (peak of economic activity, December 2007); Current Employment Statistics Survey, seasonally adjusted

Frequency of observation: monthly; latest observed data point: June 2014

Source: US Bureau of Labor Statistics (BLS), [www.bls.gov/ces](http://www.bls.gov/ces)

# New Hampshire

## Several Sectors Have Added Jobs Since the Onset of the Recovery



Percentage change since the onset of the recovery (trough of economic activity, June 2009); Current Employment Statistics Survey, seasonally adjusted

Frequency of observation: monthly; latest observed data point: June 2014

Source: US Bureau of Labor Statistics (BLS), [www.bls.gov/ces](http://www.bls.gov/ces)

# New Hampshire

## The Industrial Structure Is Changing



■ Increase Over Previous Month    ■ Decrease Over Previous Month

Nonfarm Employment, seasonally adjusted.  
 Monthly employment shown for the period November 2001 through June 2014  
 Sources: US Bureau of Labor Statistics (BLS), [www.bls.gov](http://www.bls.gov); Moody's Economy.com



## The State of the Economy: Weak but Gaining Strength

- The US economy is growing, but the recovery is likely to remain modest for the next couple of years
- The economy in New Hampshire is likely to follow a path similar to the United States as a whole
- In spite of the positive headlines, housing and construction remain relatively weak and uncertain
- Health Services is an area of job creation nationally and in New Hampshire
- The recovery in the workers compensation system will continue as employment and payrolls continue to grow



# Legislative Issues: Nationwide and in New Hampshire



# 2014 Legislative Update Video

**Peter Burton, CPCU, AU  
NCCI Sr. Division Executive  
State Relations**

# Countrywide Legislative Environment

- Most states focused on parochial legislative issues, with many states establishing study committees that are poised to bring system recommendations to the legislative process
- Two issues that predominated legislation in 2014:
  - Medical cost-containment initiatives, focusing on:
    - Physician and facility fee schedule updates
    - Physician-dispensed repackaged drugs
    - Pill mills
    - Opioid drug abuse
  - Expansion of first responder compensability, adding:
    - Mental injuries
    - Communicable diseases
    - Heart and hypertension
    - Additional job-related cancers



# New Hampshire Legislative Environment

- Healthcare issues
  - Medicaid Expansion
- Several workers compensation initiatives introduced, few enacted
- Governor's Commission to Recommend Reforms to Reduce Workers' Compensation Medical Costs
- Election year
  - Governor
  - 400 State House and 24 State Senate seats
  - 1 US Senate and 2 US House seats



## New Hampshire—Enacted Legislation

- **SB 204**—Establishes a commission to study soft tissue injuries under workers compensation and the feasibility of developing a first responder's critical injury fund
- **HB 1309**—Clarifies the appointing authority for a member of the workers compensation appeals advisory board
- **HB 1489**—Establishes a committee to study the establishment of a fund to reimburse costs associated with firefighters who have cancer

# Workers Compensation Federal Issues

- Patient Protection Affordable Care Act (PPACA)
  - NCCI guidance on **ncci.com** (Industry Information/Underwriting Information tab)
- Federal Insurance Office (FIO) Report
- Medicare Secondary Payer



# Workers Compensation Federal Issues -- TRIA

- Terrorism Risk Insurance Program Reauthorization Act (TRIPRA) of 2007
  - Background
  - Expires on December 31, 2014 absent Congressional action



# Terrorism Risk Insurance Program Reauthorization Act – Status of Reauthorization

- Current Legislation
  - Senate passed S.2244 (Sen. Schumer, D-NY) in July with strong bipartisan support
  - House Financial Service approved H.R. 4871 (Rep. Neugebauer, R-TX) on a party line vote
  - Further consideration not likely until after midterm elections during lame duck session

# Terrorism Risk Insurance Program Reauthorization Act – NCCI Activity

## NCCI Activity

- Engaged in educational efforts with members of Congress and stakeholder groups
- Reviewing current rules and forms for possible changes
- Filed Item P-1410—Pending Law Change Notification Endorsement
- Updated information and FAQs on **ncci.com**





# Workers Compensation System Overview

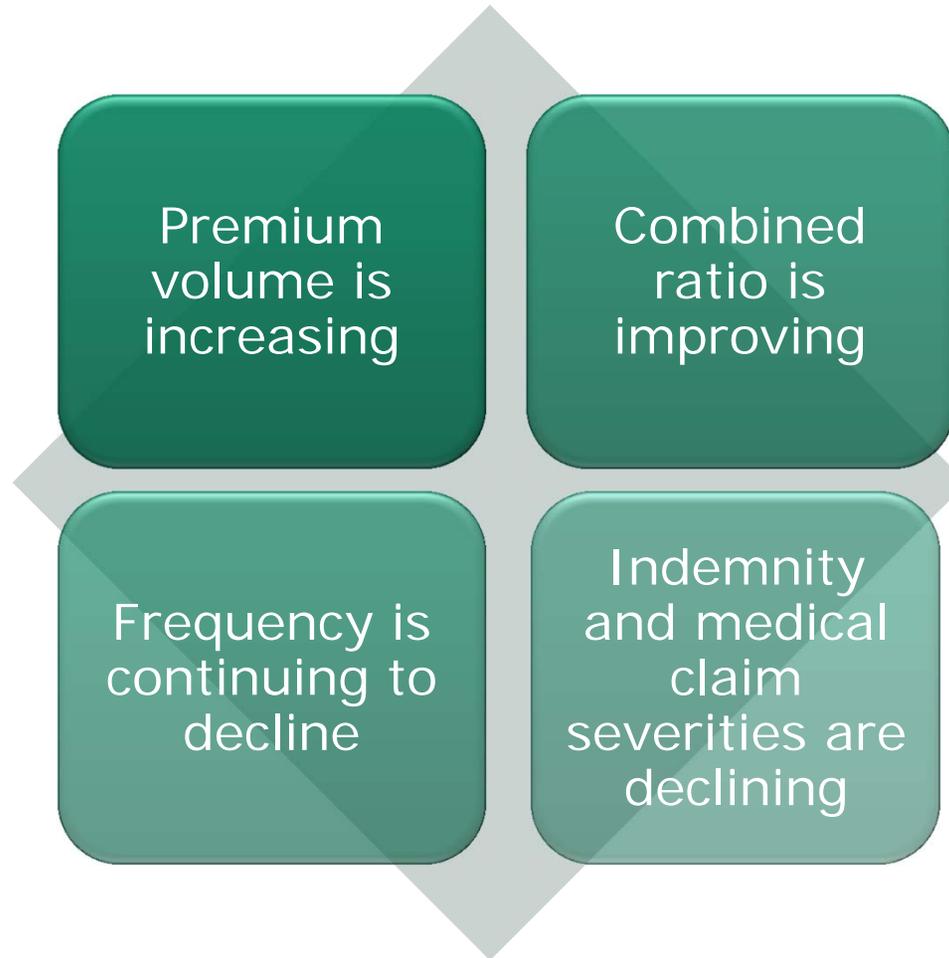
## New Hampshire and Countrywide



# **AIS Presentation Video Excerpt**

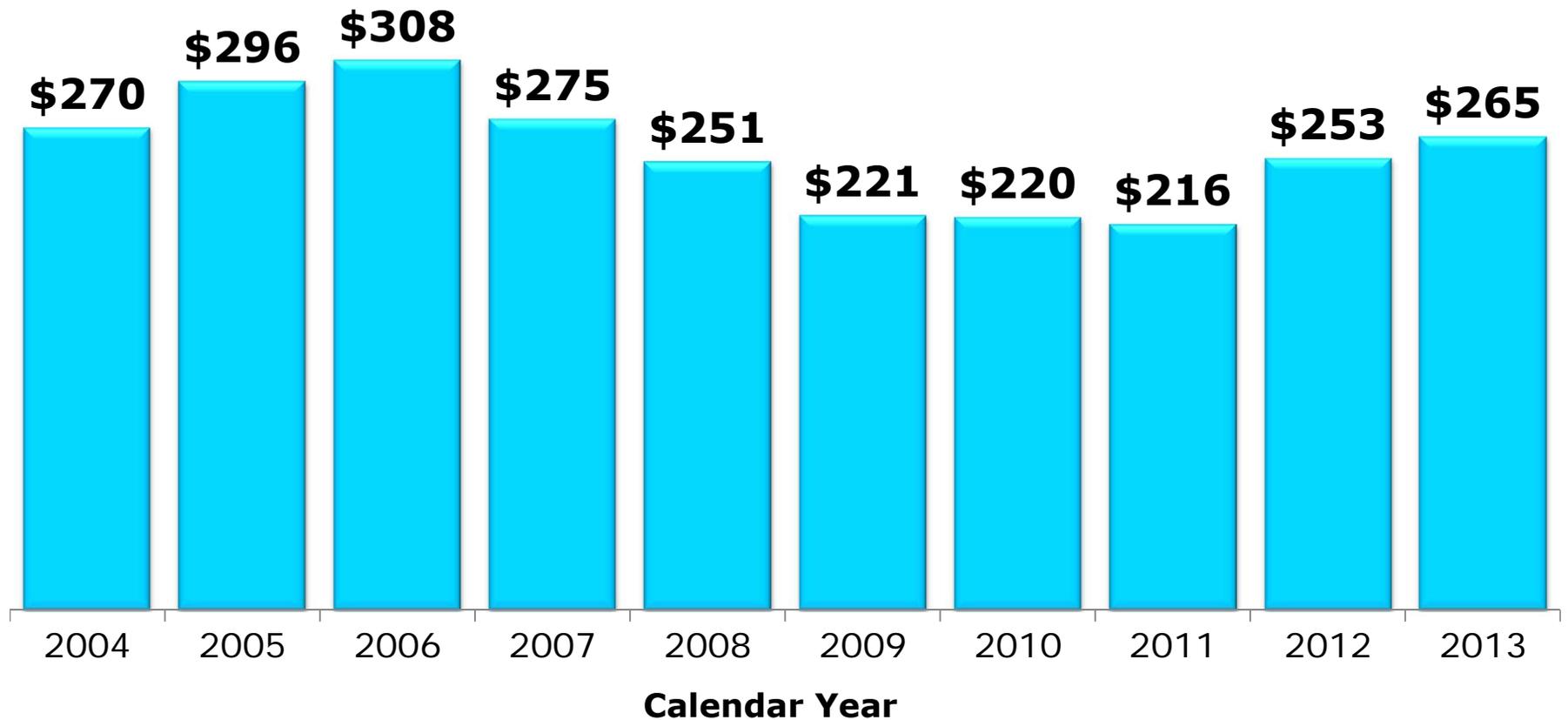
**Stephen Klingel, CPCU, WCP  
NCCI President and CEO**

# New Hampshire Workers Compensation System— An Overview



# New Hampshire Workers Compensation Premium Volume

Direct Written Premium in \$ Millions

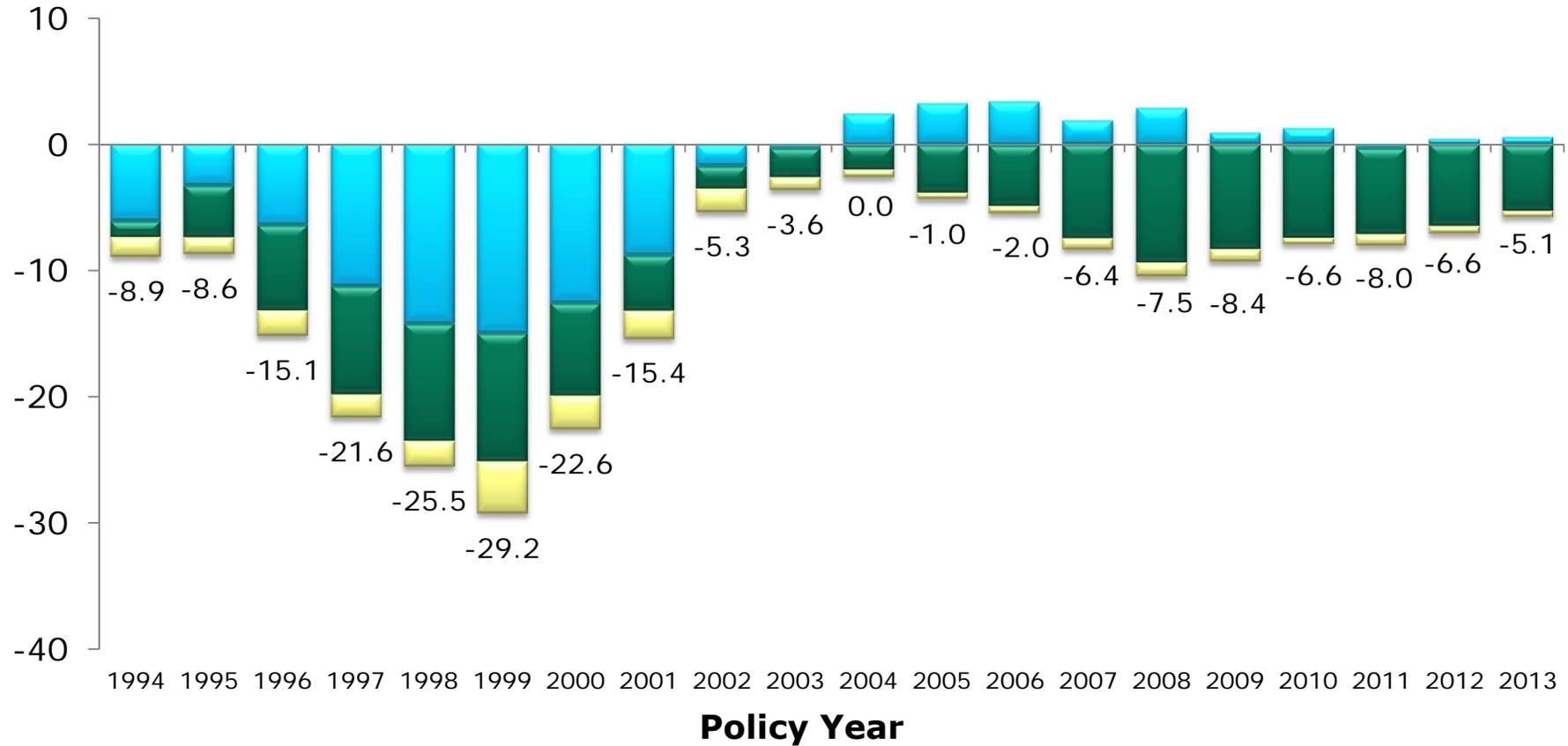


Source: NAIC Annual Statement data



# Impact of Discounting on Workers Compensation Premium in New Hampshire

Percent

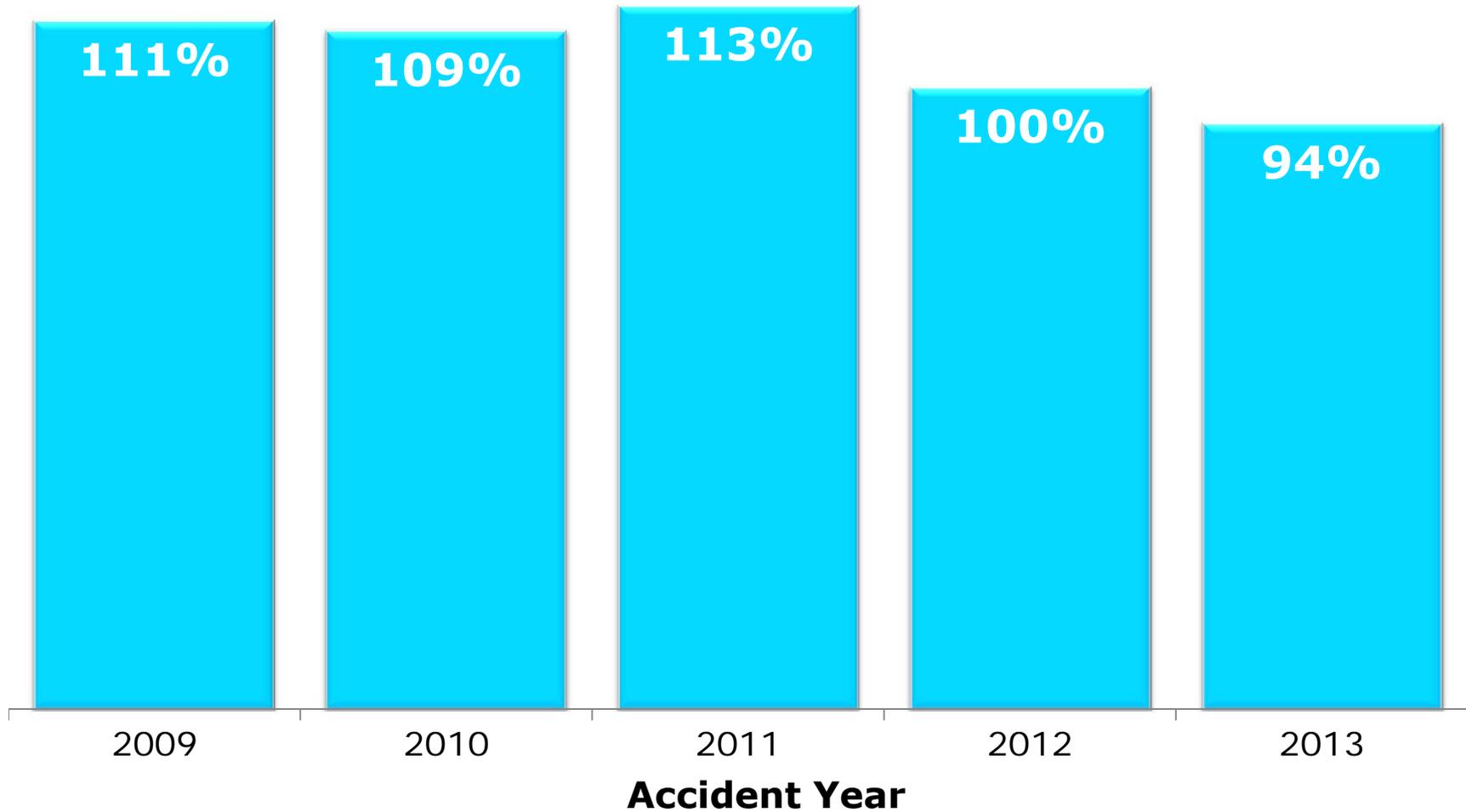


■ Rate/Loss Cost Departure   
 ■ Schedule Rating   
 ■ Dividends

Based on data through 12/31/2013  
 Dividend ratios are based on calendar year statistics



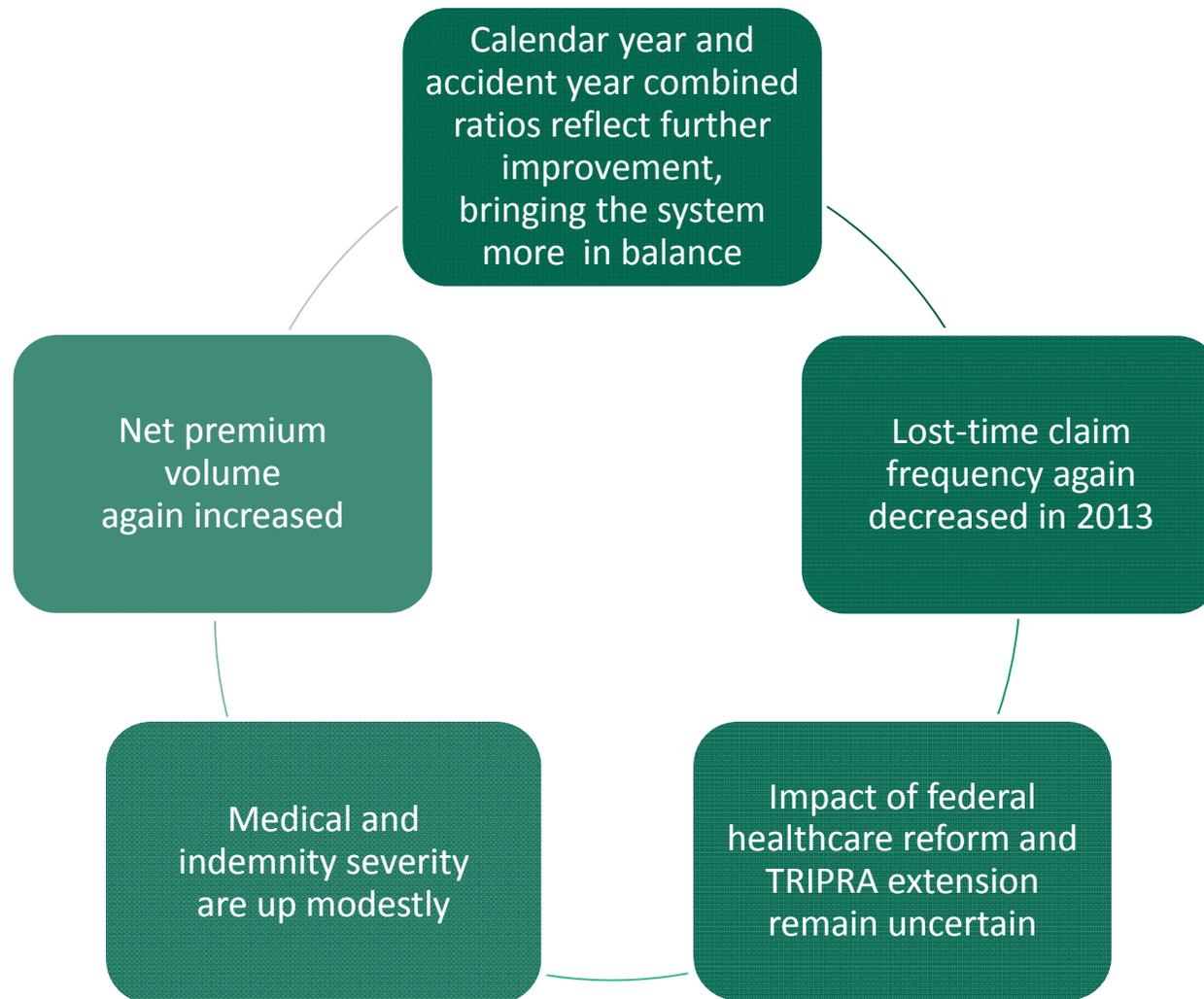
# New Hampshire Accident Year Combined Ratios



Sources: NCCI's financial data, NAIC Annual Statement data



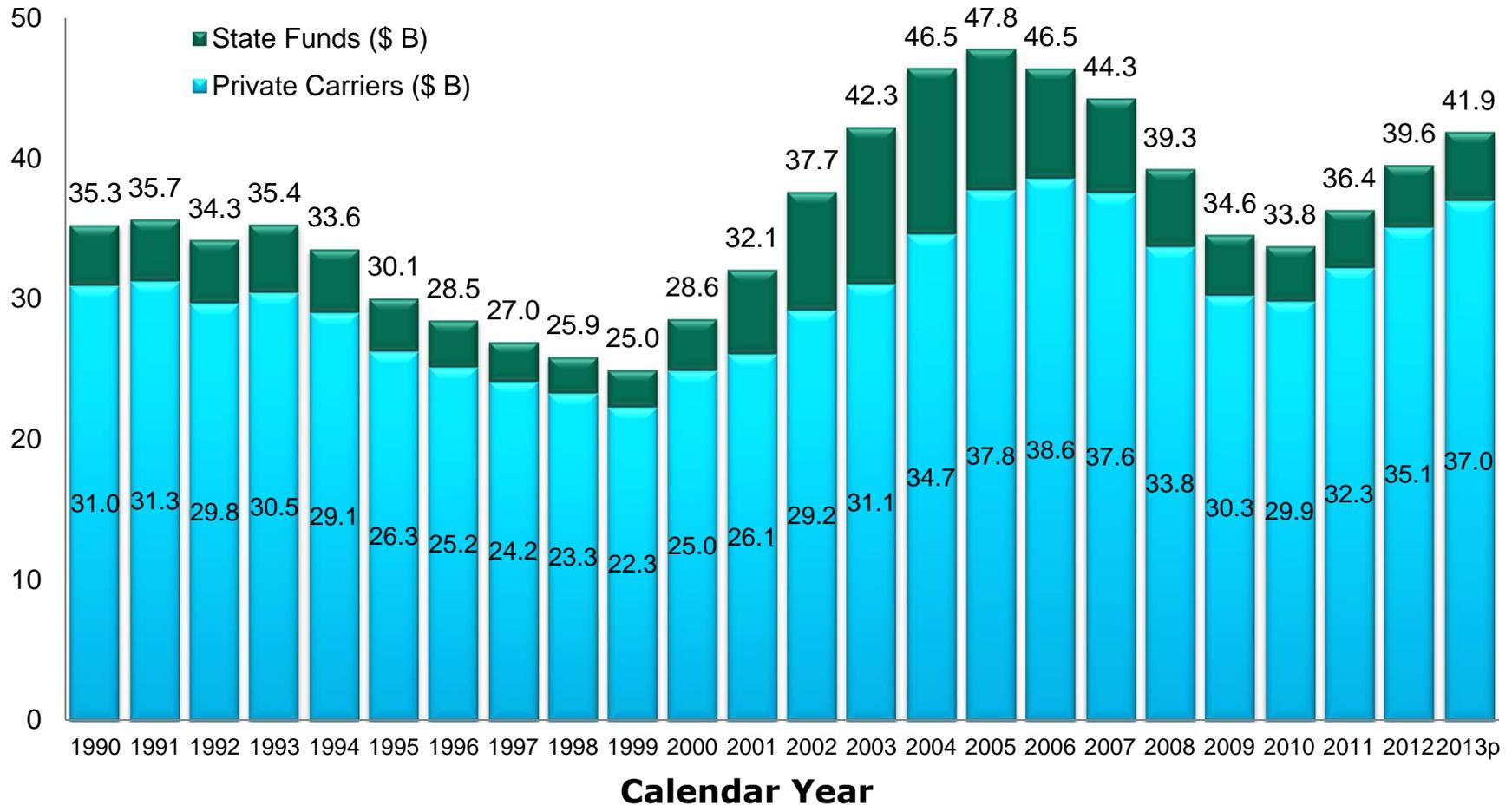
# Countrywide— State of the Workers Compensation Market



# Countrywide Workers Compensation Premium Growth Continued

\$ Billions

Net Written Premium



p Preliminary

Includes state insurance fund data for the following states: AZ, CA, CO, HI, ID, KY, LA, MD, MO, MT, NM, OK, OR, RI, TX, and UT  
 Each calendar year total for state funds includes all funds operating as a state fund in that year

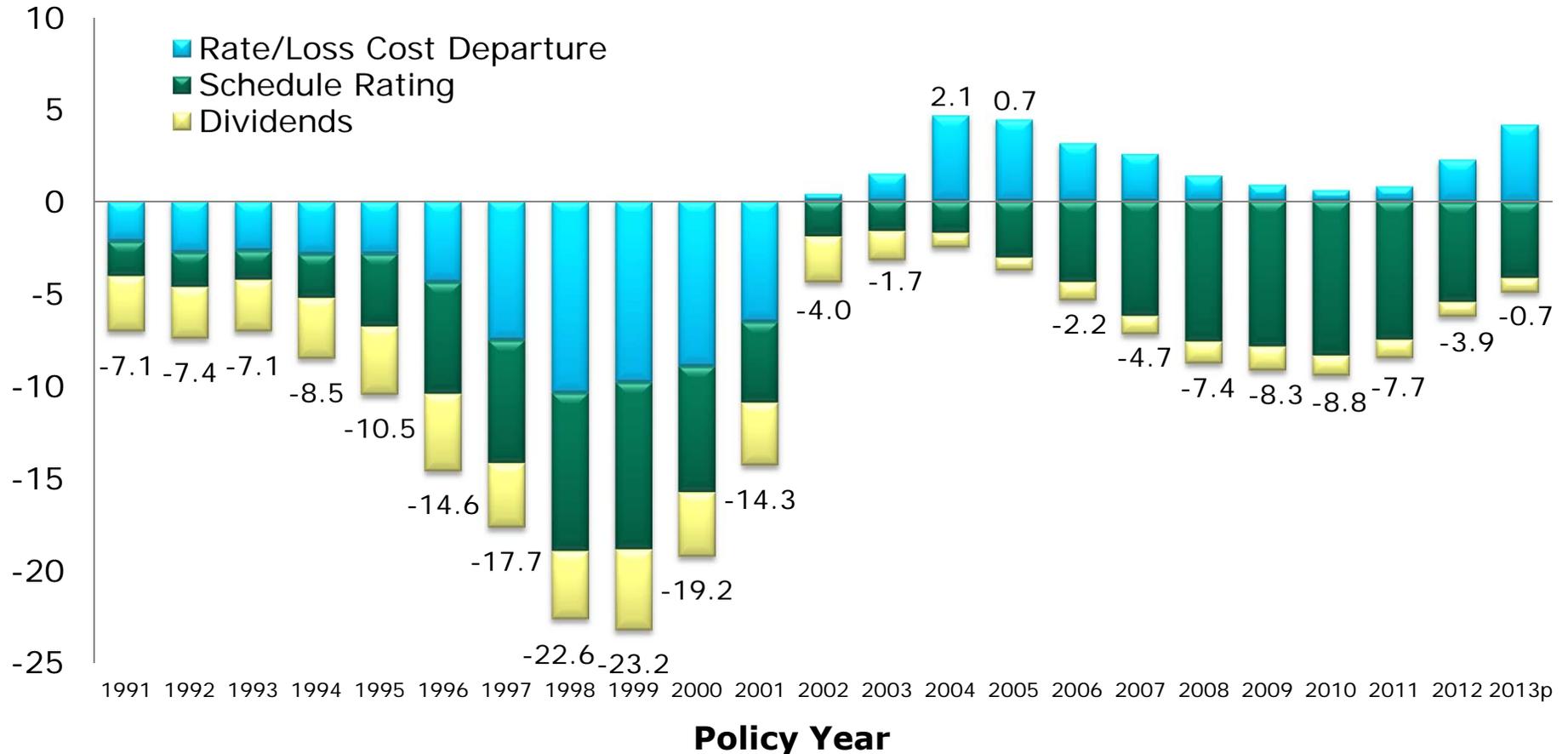
Sources: 1990–2012, Annual Statement data; 2013p, NCCI



# Countrywide Workers Compensation Impact of Discounting on Premium

Percent

NCCI States—Private Carriers



p Preliminary

Dividend ratios are based on calendar year statistics

NCCI benchmark level does not include an underwriting contingency provision

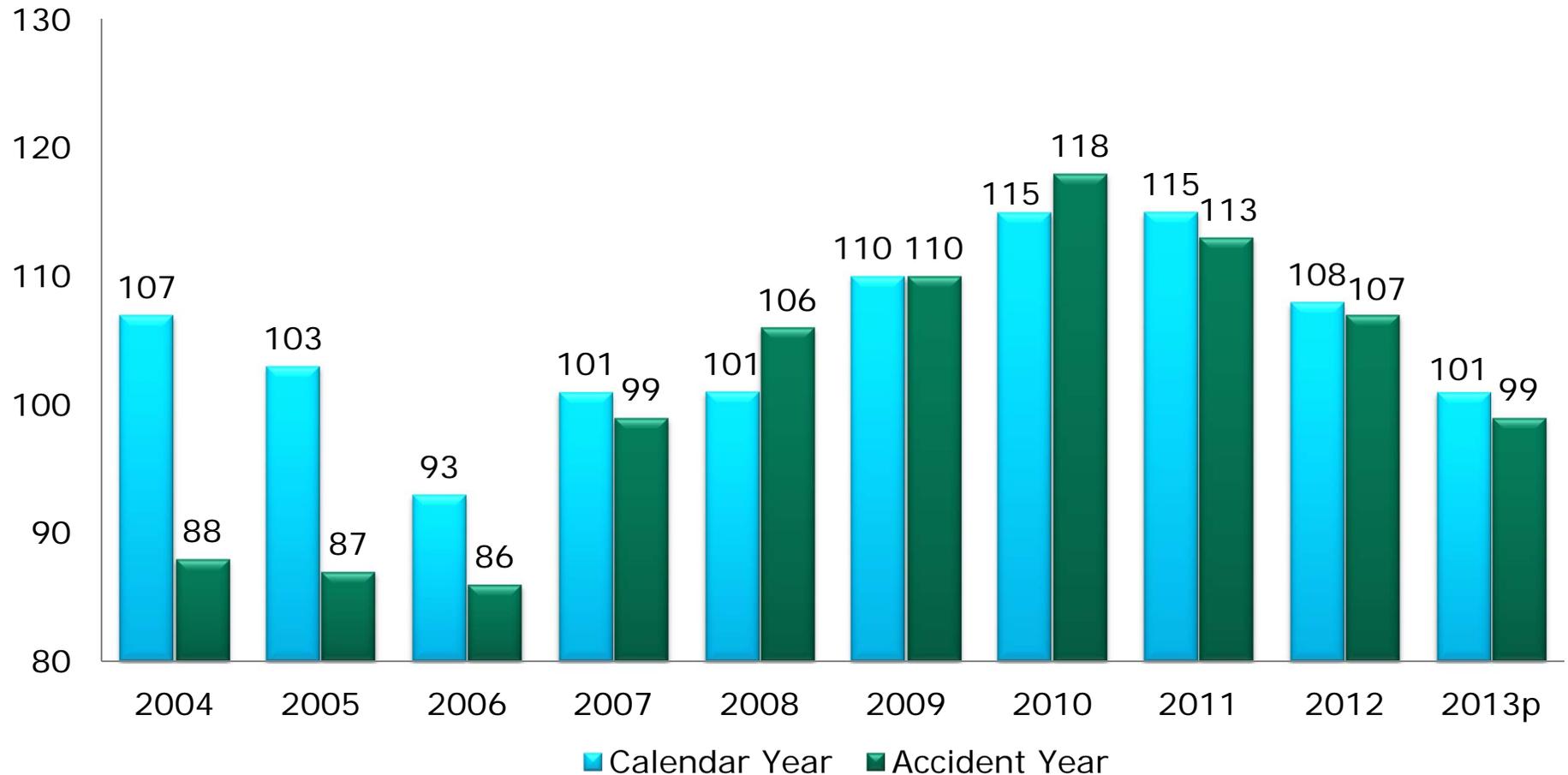
Based on data through 12/31/2013 for the states where NCCI provides ratemaking services, excluding TX



# Countrywide Workers Compensation Accident Year Net Combined Ratios

Percent

Calendar Year vs. Ultimate Accident Year—Private Carriers



p Preliminary

Accident Year data is evaluated as of 12/31/2013 and developed to ultimate

Sources: Calendar Years 2004–2012, Annual Statement data; Calendar Year 2013p and Ultimate Accident Years 2004–2013, NCCI

Includes dividends to policyholders



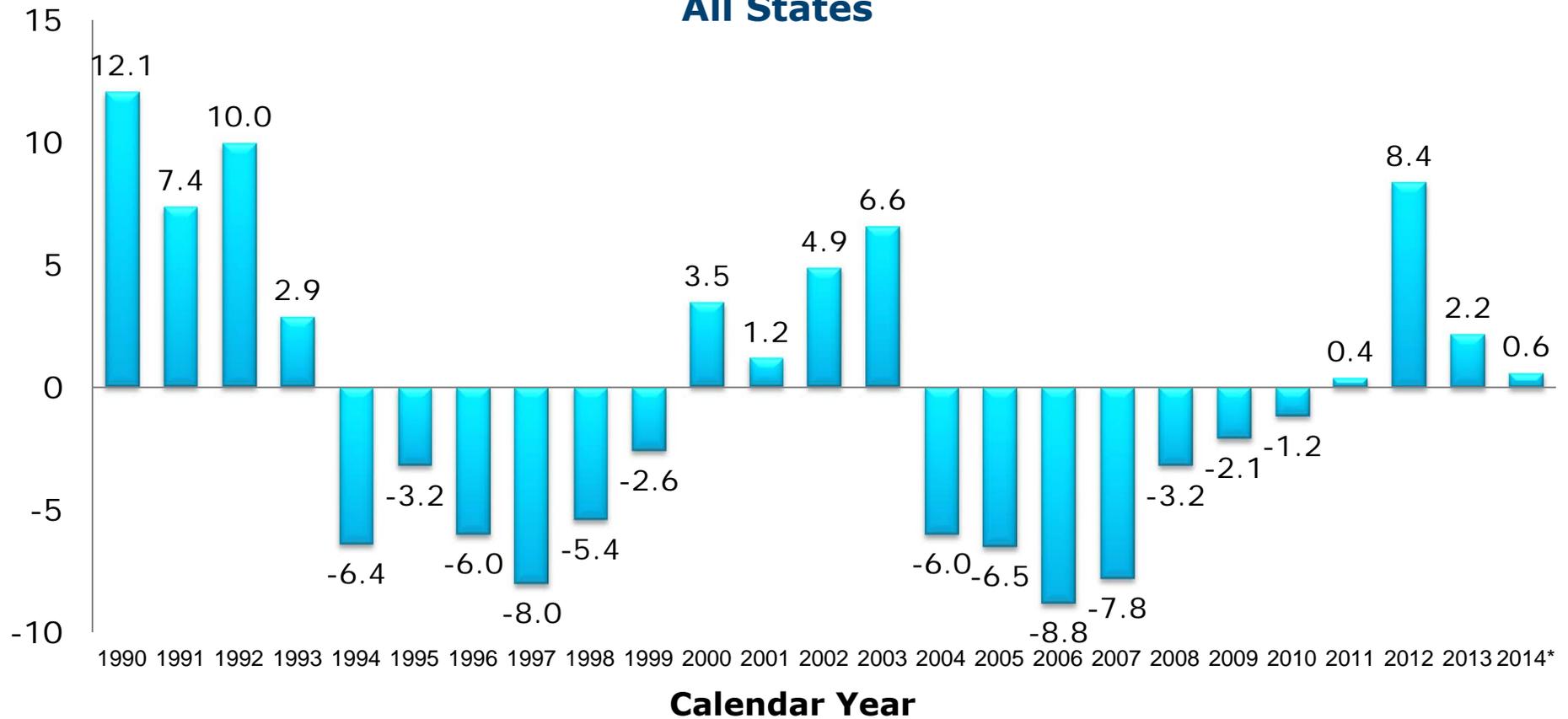


# Filing Activity

# Countrywide Workers Compensation Approved Changes in Bureau Rates/Loss Costs

All States

Percent  
Change



\*Preliminary

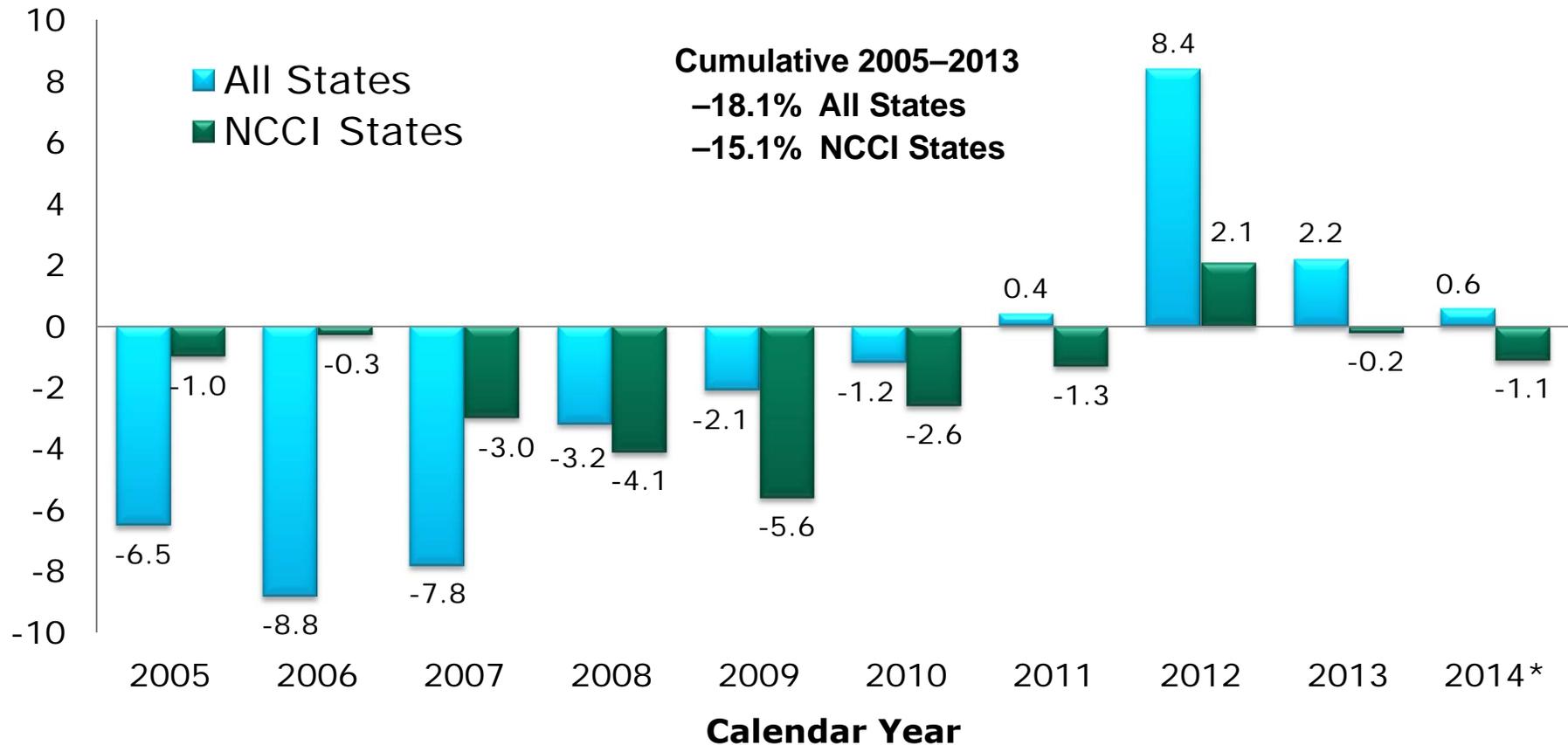
Countrywide approved changes in advisory rates, loss costs, and assigned risk rates as filed by the applicable rating organization, relative to the previously filed rates



# Countrywide Workers Compensation Approved Changes in Bureau Rates/Loss Costs

## All States vs. NCCI States

Percent  
Change



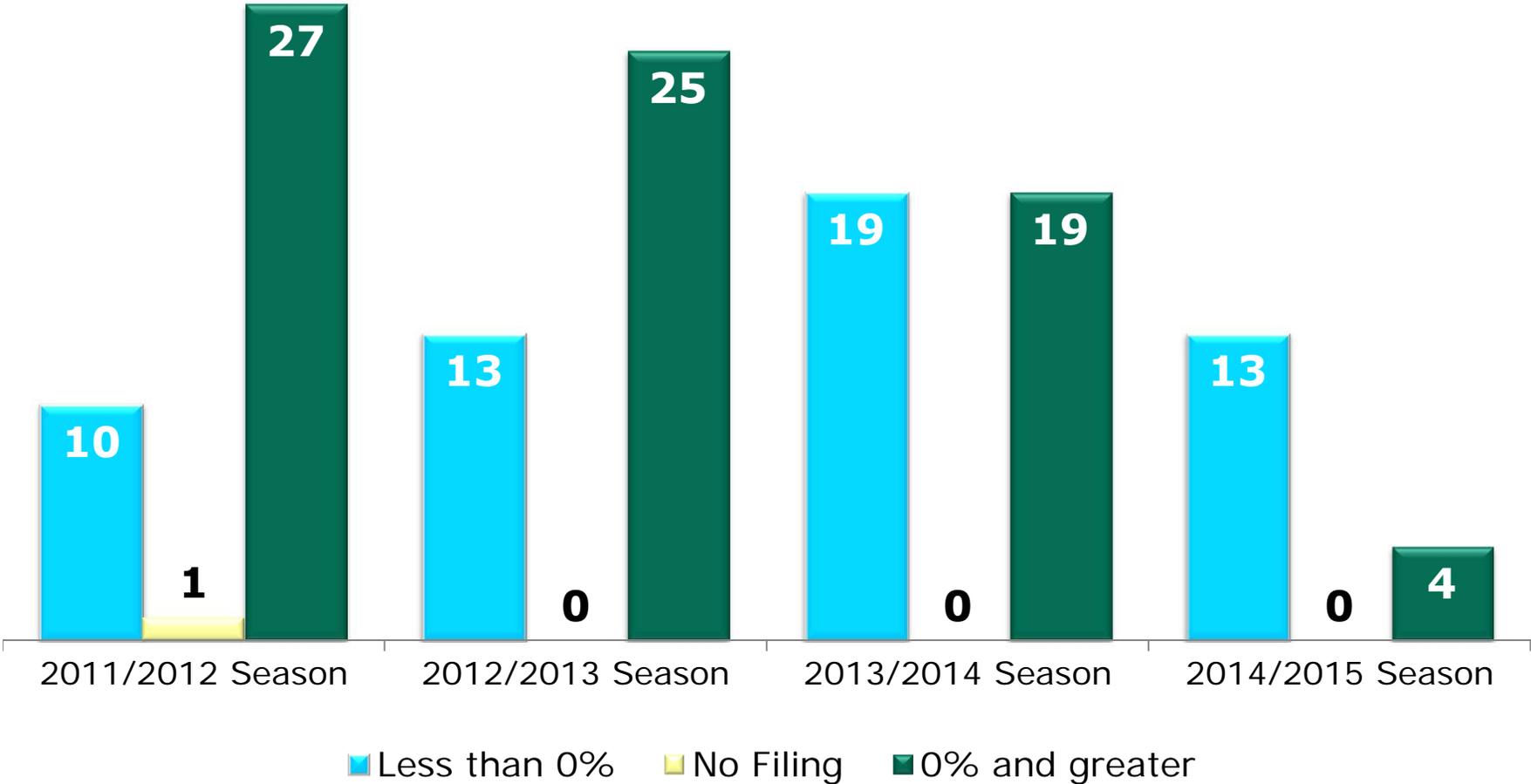
\*Preliminary

Countrywide approved changes in advisory rates, loss costs, and assigned risk rates as filed by the applicable rating organization, relative to the previously filed rates



# NCCI Voluntary Market Filing Activity

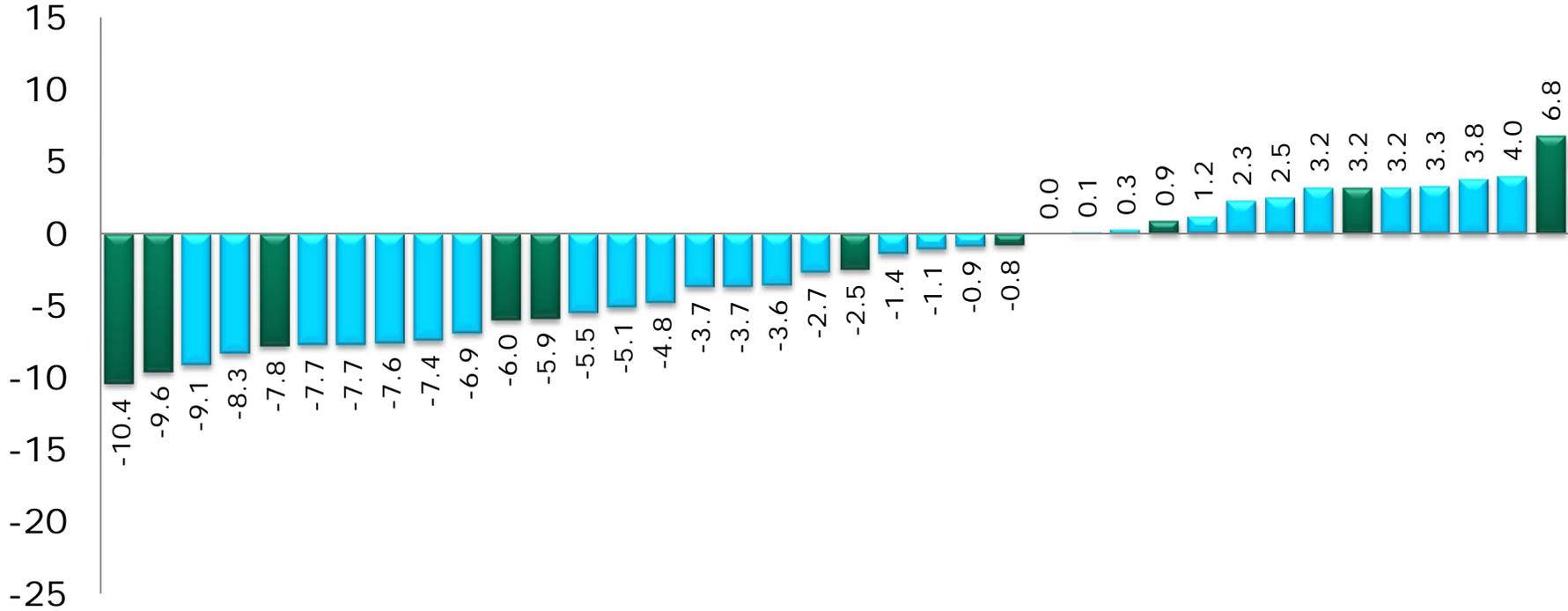
## Number of State Loss Cost/Rate Filings by Filing Season



# Current NCCI Voluntary Market Loss Cost/Rate Level Changes

Excludes Law-Only Filings

Percent



KS TN WV SD OK IN ME OR SC KY AZ NH IL LA NE IA MO MT MD FL AR UT ID AK CO TX NC VA VT GA RI CT HI NV AL MS NM DC

■ Approved ■ Pending

Reflects the most recent experience filing in each jurisdiction



# Current Voluntary Market Rates/Loss Costs Northeastern States

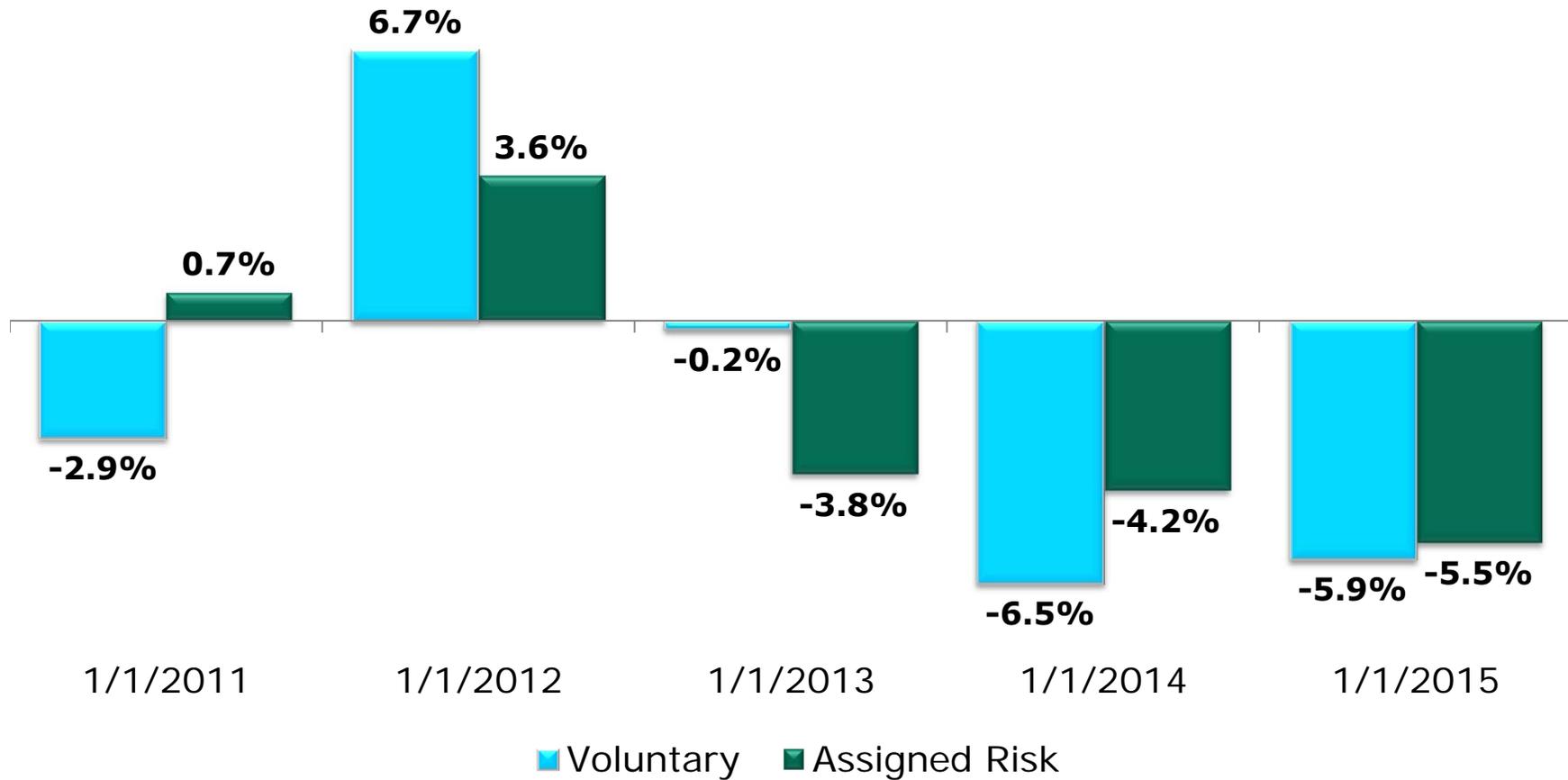
New York	10/1/13	+9.5%
New Jersey	1/1/14	+3.6%
Connecticut	1/1/14	+3.2%
Rhode Island	8/1/14	+2.5%
Vermont	4/1/14	+1.2%
Massachusetts	4/1/14	0.0%
New Hampshire*	1/1/15	-5.9%
Maine	4/1/14	-7.7%

\*Pending



# New Hampshire Filing Activity

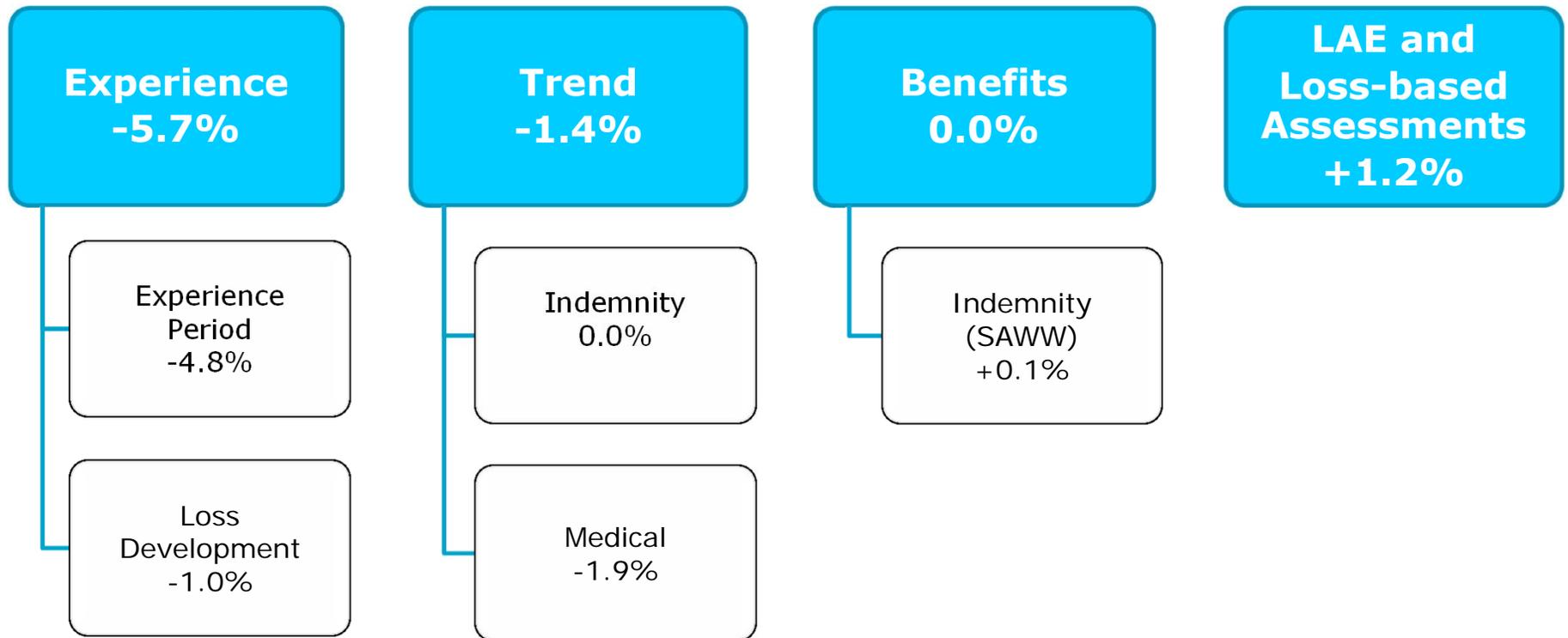
## Voluntary Loss Cost and Assigned Risk Rate Changes



# New Hampshire January 1, 2015 Loss Cost Filing

**Overall Loss Cost Level Change -5.9%**

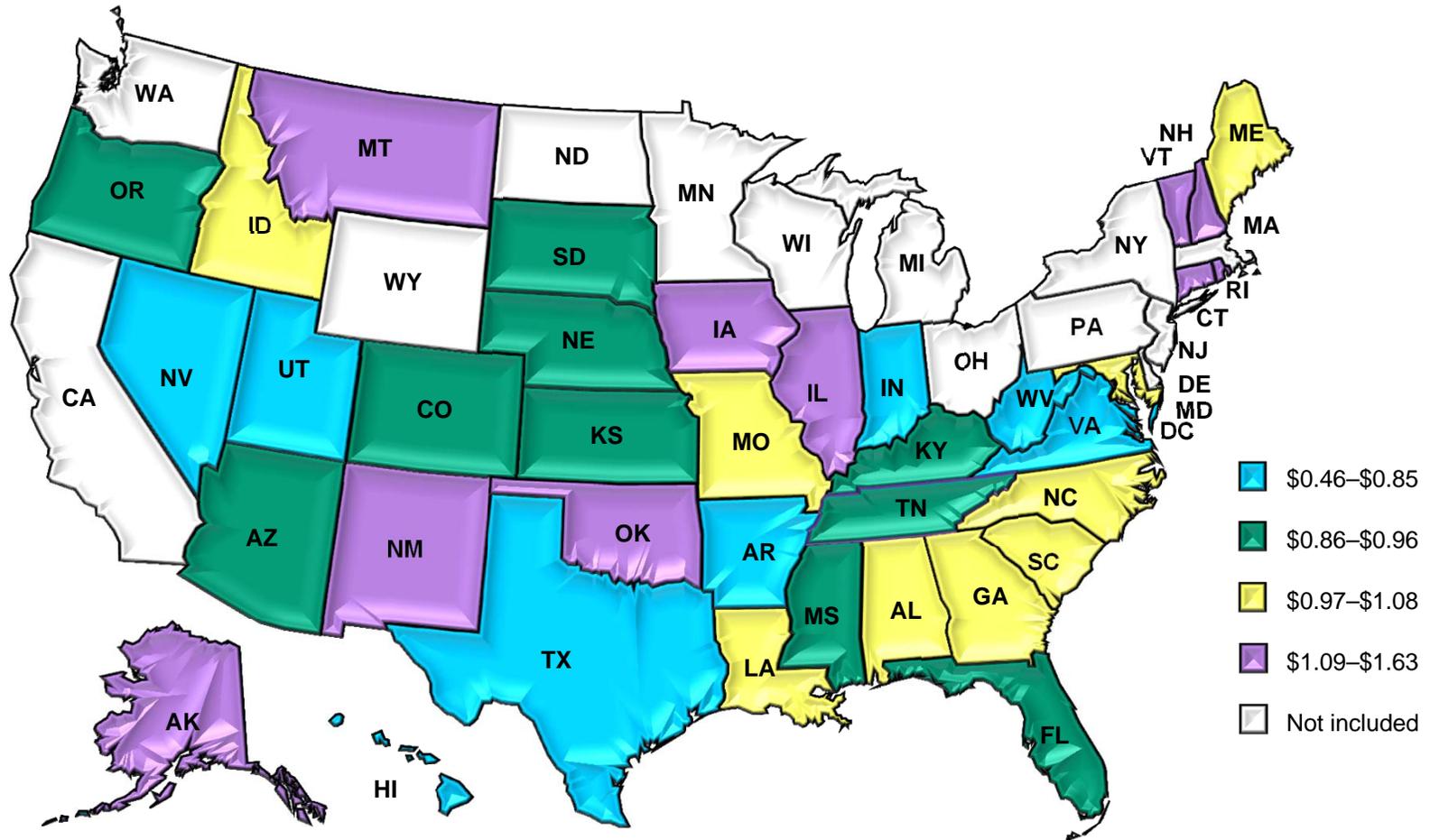
Changes due to:



# New Hampshire January 1, 2015 Filing— Average Changes by Industry Group



# Average Voluntary Pure Loss Cost Quartiles Using New Hampshire Payroll Distribution



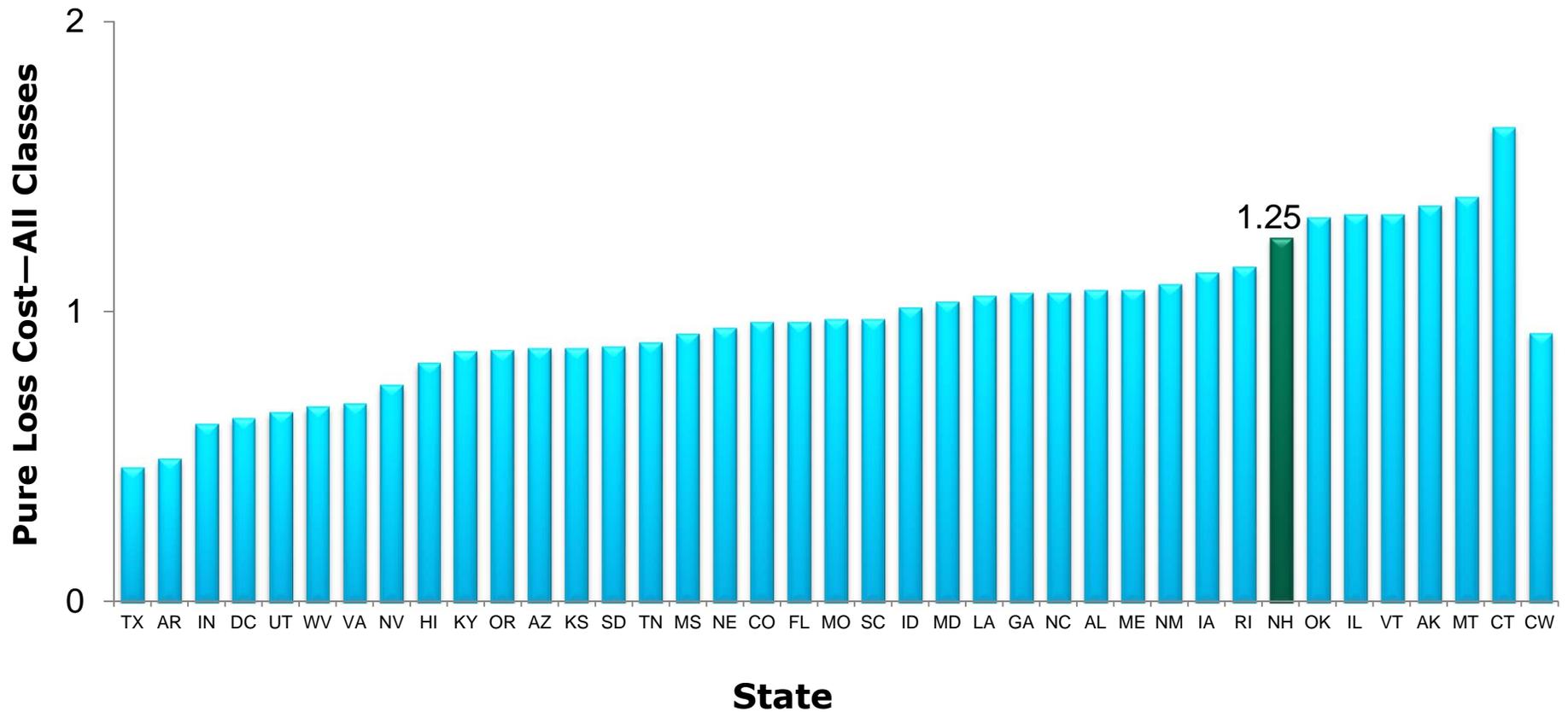
Countrywide = \$0.92

New Hampshire = \$1.25

Based on the latest NCCI approved rates and loss costs in the various states



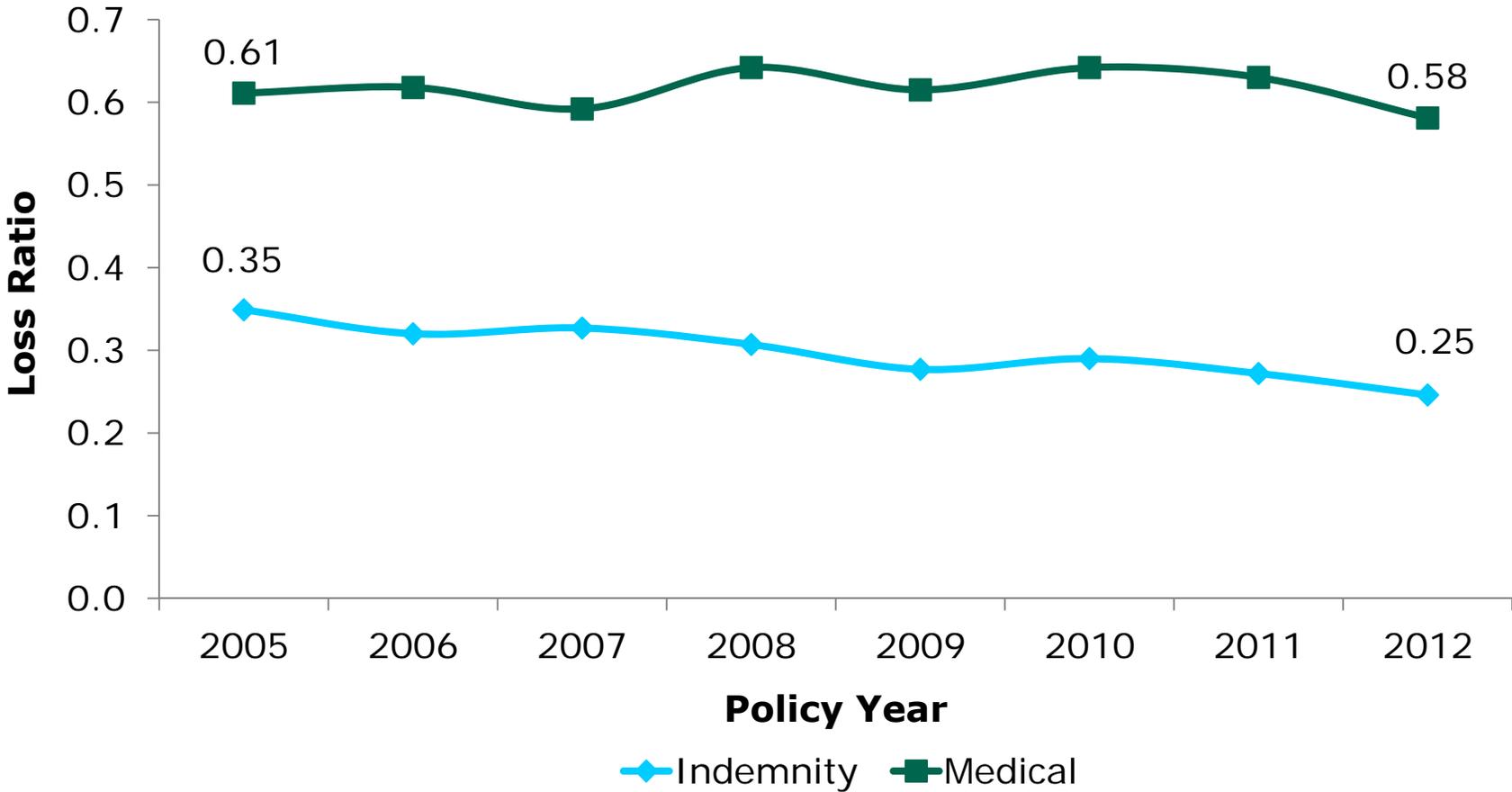
# Current Average Voluntary Pure Loss Costs Using New Hampshire Payroll Distribution



Based on the latest NCCI approved rates and loss costs in the various states



# New Hampshire Indemnity and Medical Loss Ratios



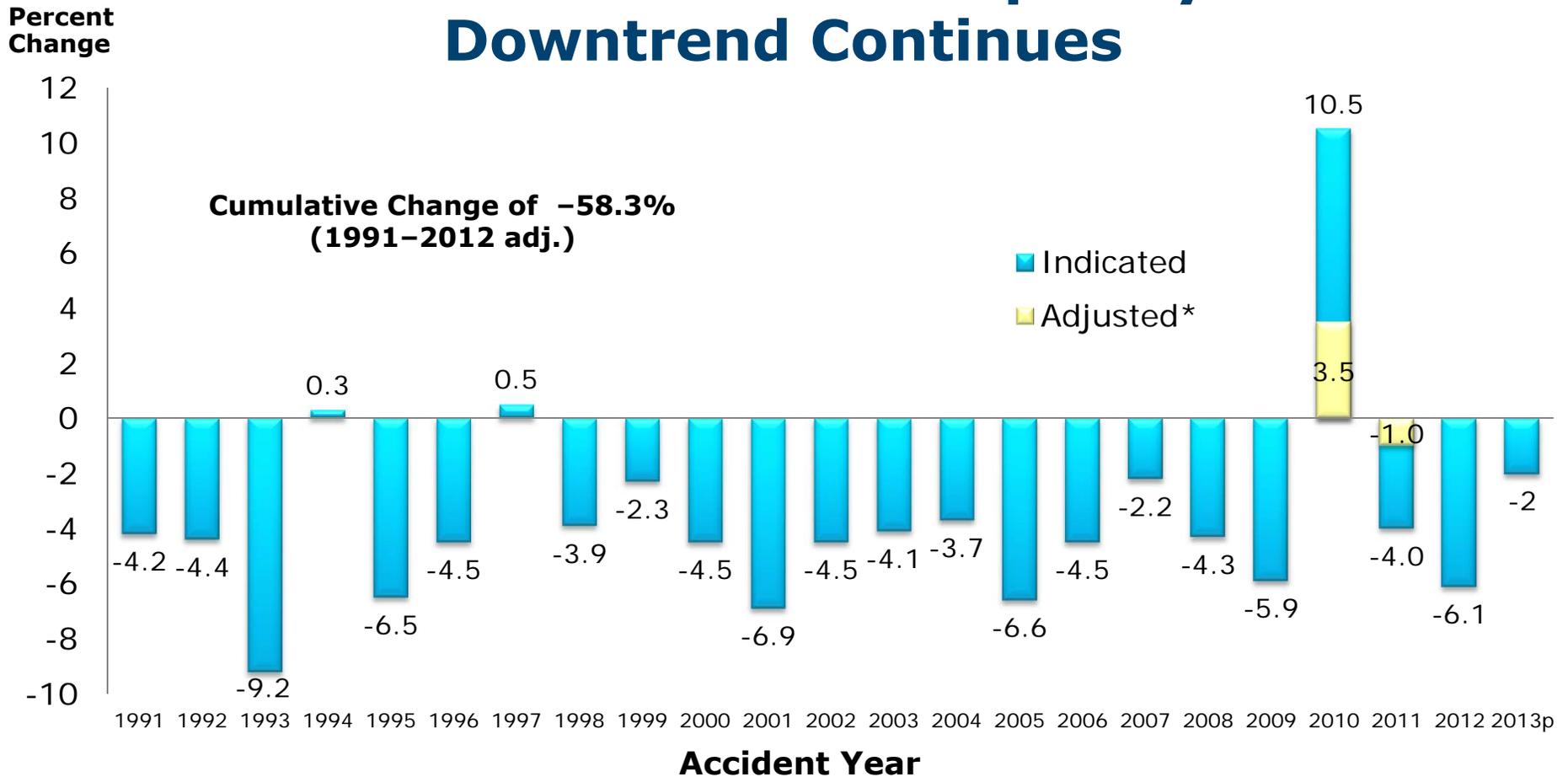
Based on NCCI's financial data at current benefit level and developed to ultimate





# Claim Frequency

# Countrywide Workers Compensation Lost-Time Claim Frequency Downtrend Continues



\*Adjustments primarily due to significant changes in audit activity

2013p: Preliminary based on data valued as of 12/31/2013

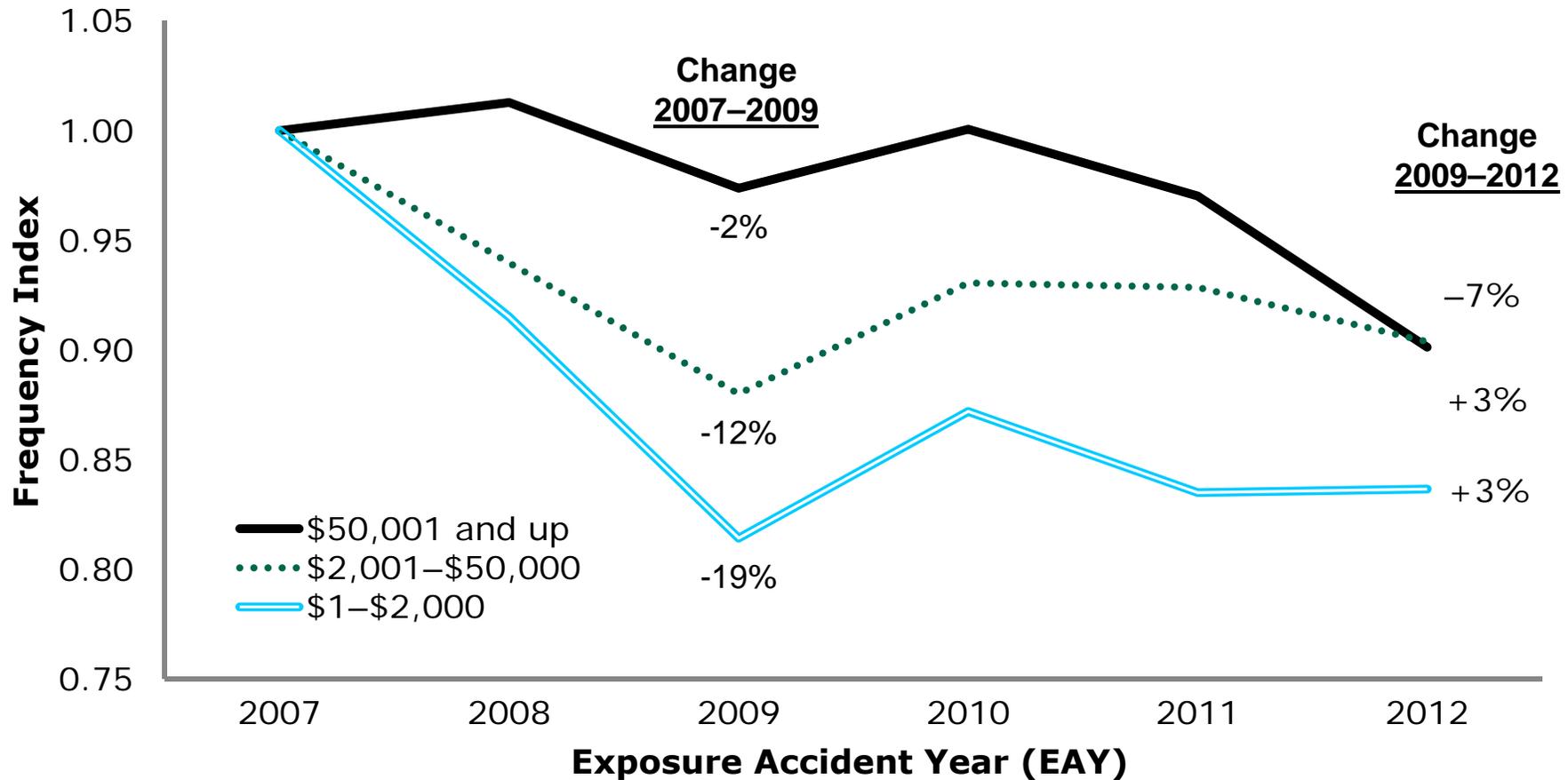
1991-2012: Based on data through 12/31/2012, developed to ultimate; excludes high deductible policies

Average frequency for the states where NCCI provides ratemaking services, excluding WV; including state funds

Frequency is the number of lost-time claims per \$1M pure premium at current wage and voluntary loss cost level



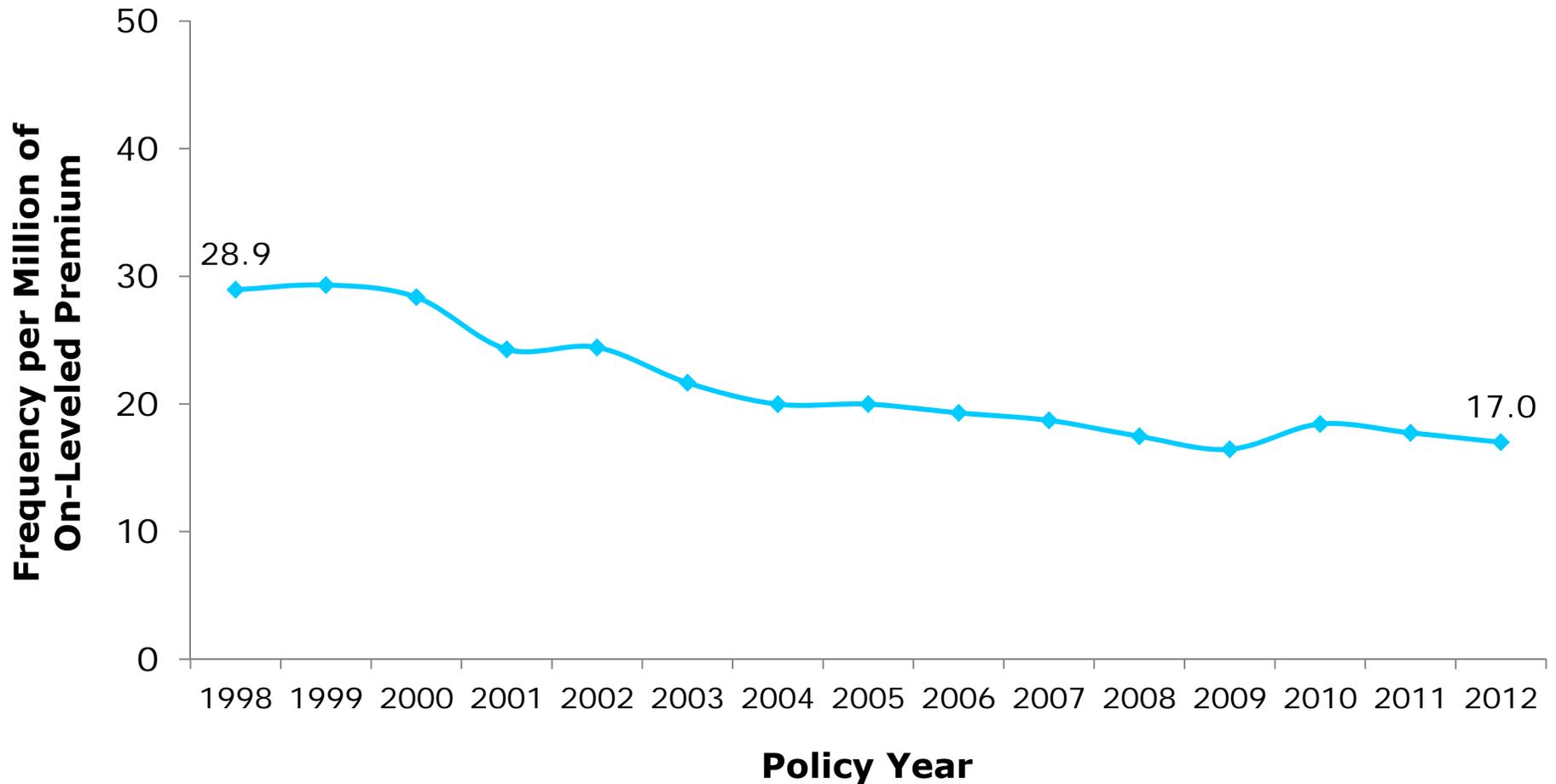
# Countrywide Workers Compensation Lost-Time Claim Frequency by Size of Total Loss Indexed to 2007



Lost-Time Frequency at 1st report per \$1M wage adjusted on-leveld premium, *Statistical Plan* data  
 Premium is on-leveld to average carrier rate by state/class and wage adjusted by state to EAY 2012  
 Prior to assigning individual claims to size of loss groupings, reported loss amounts are adjusted for inflation to EAY 2012  
 For all states where NCCI provides ratemaking services, excluding WV



# New Hampshire Claim Frequency

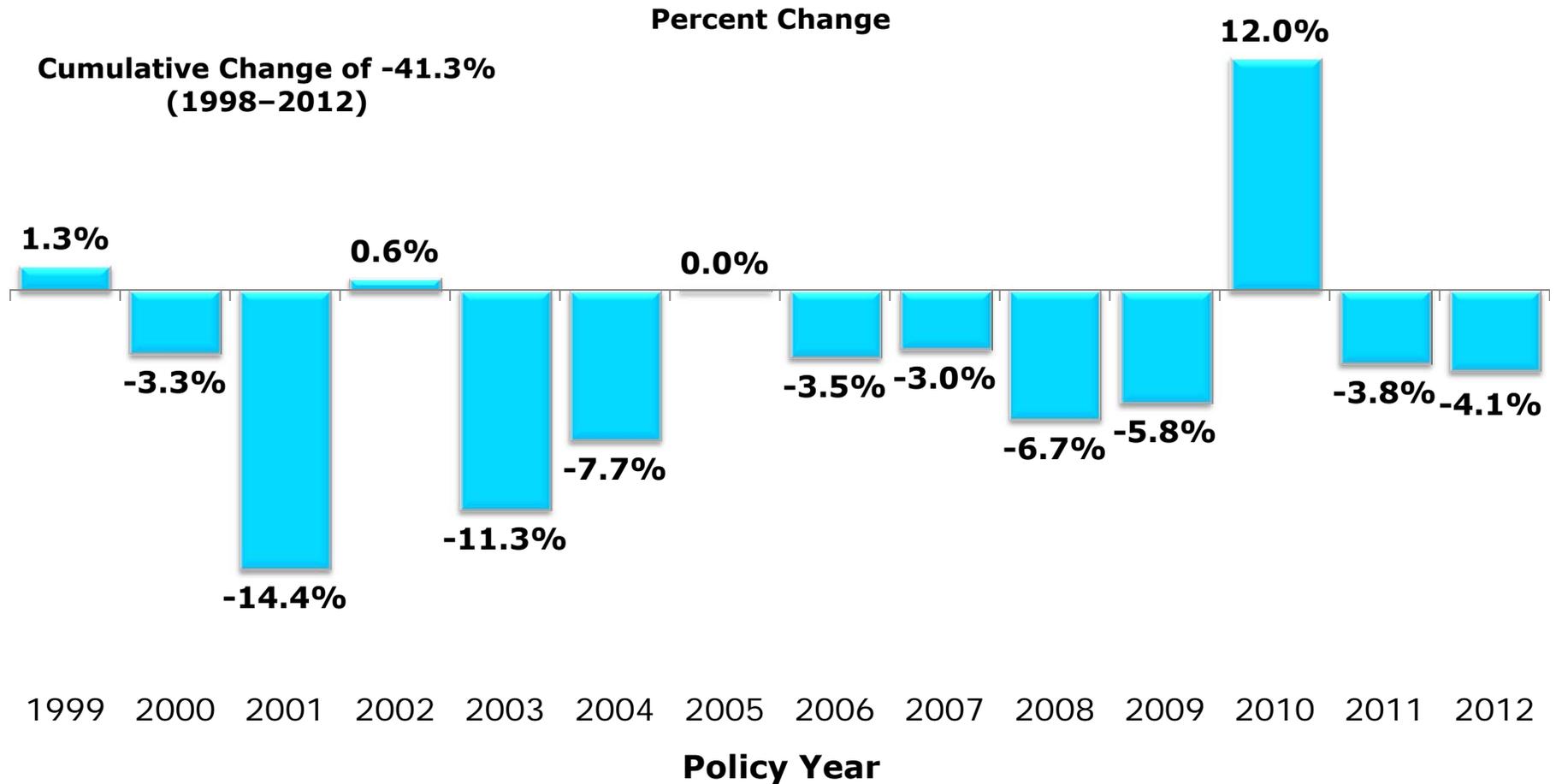


Based on NCCI's financial data  
Frequency of lost-time claims adjusted to a common wage level



# New Hampshire Workers Compensation Lost-Time Claim Frequency

## Lost-Time Claims

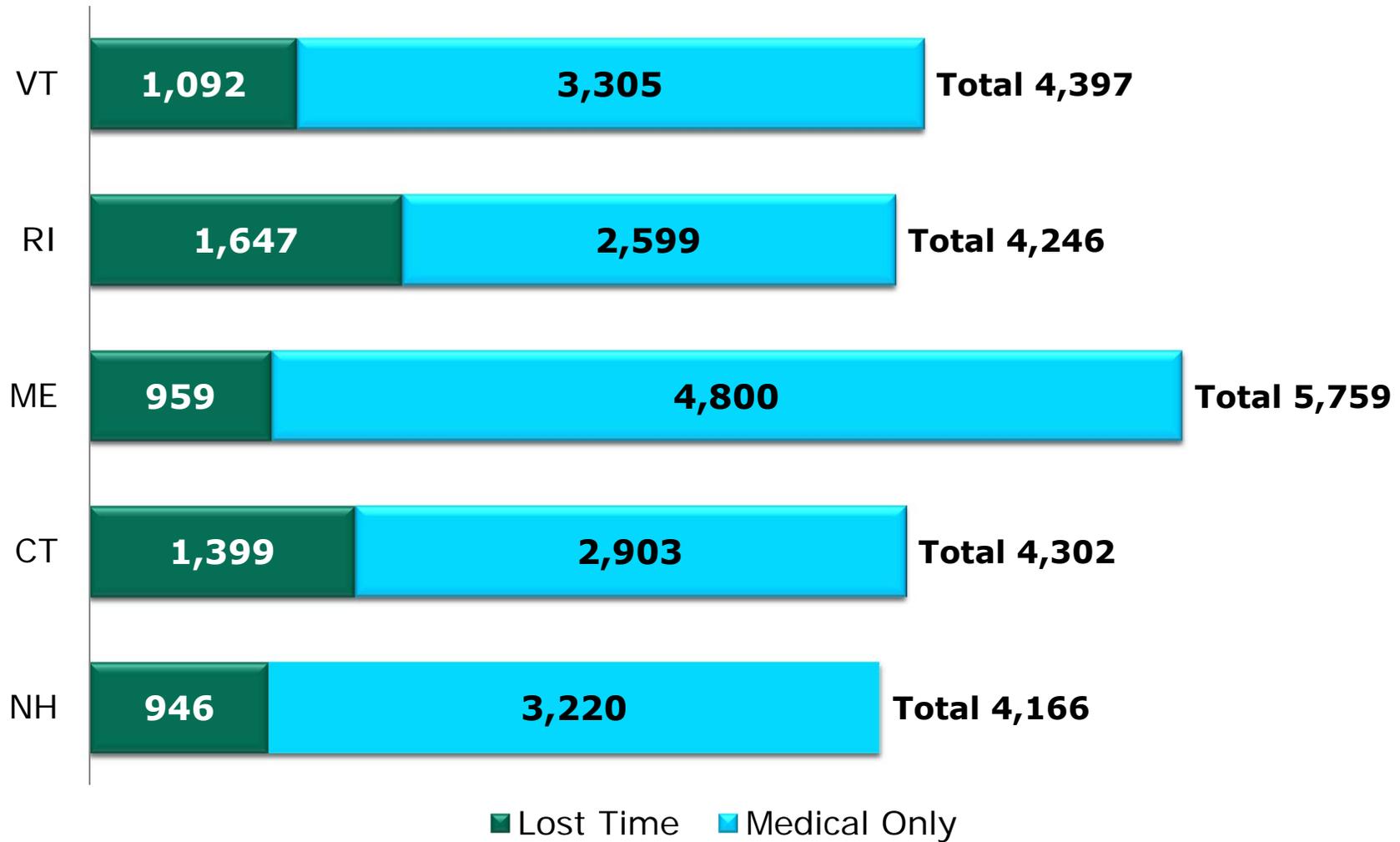


Based on data through 12/31/2013, developed to ultimate



# New Hampshire Average Claim Frequency

Frequency per 100,000 Workers—All Claims



Based on NCCI's *Statistical Plan* data



# New Hampshire Distribution of Claims by Injury Type

## New Hampshire



## Region



## Countrywide

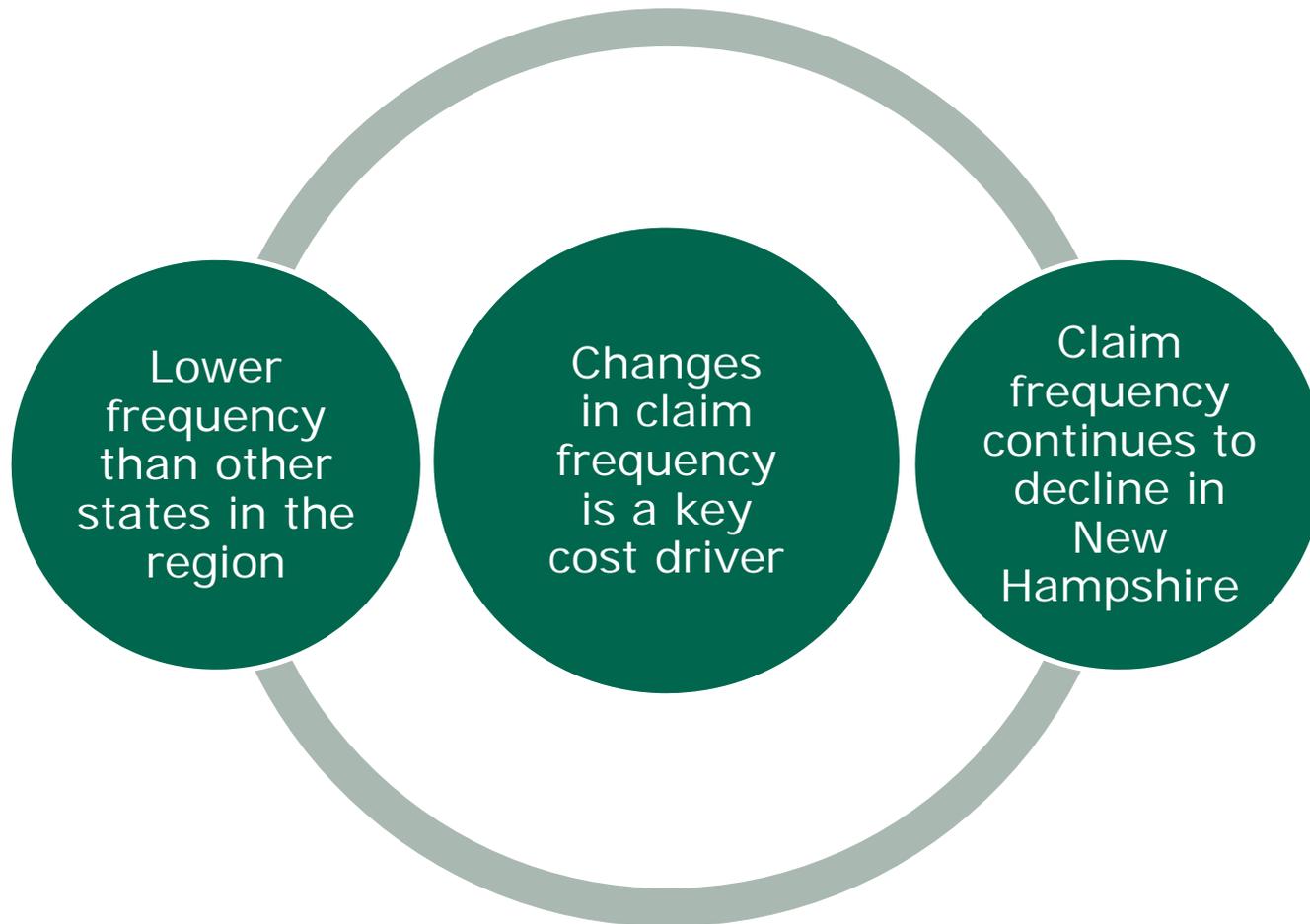


■ Medical Only 
 ■ Temporary Total 
 ■ Permanent Partial 
 ■ Fatal & Permanent Total

Regional states are CT, ME, RI, and VT  
Based on NCCI's *Statistical Plan* data



# Key Takeaways—Claim Frequency

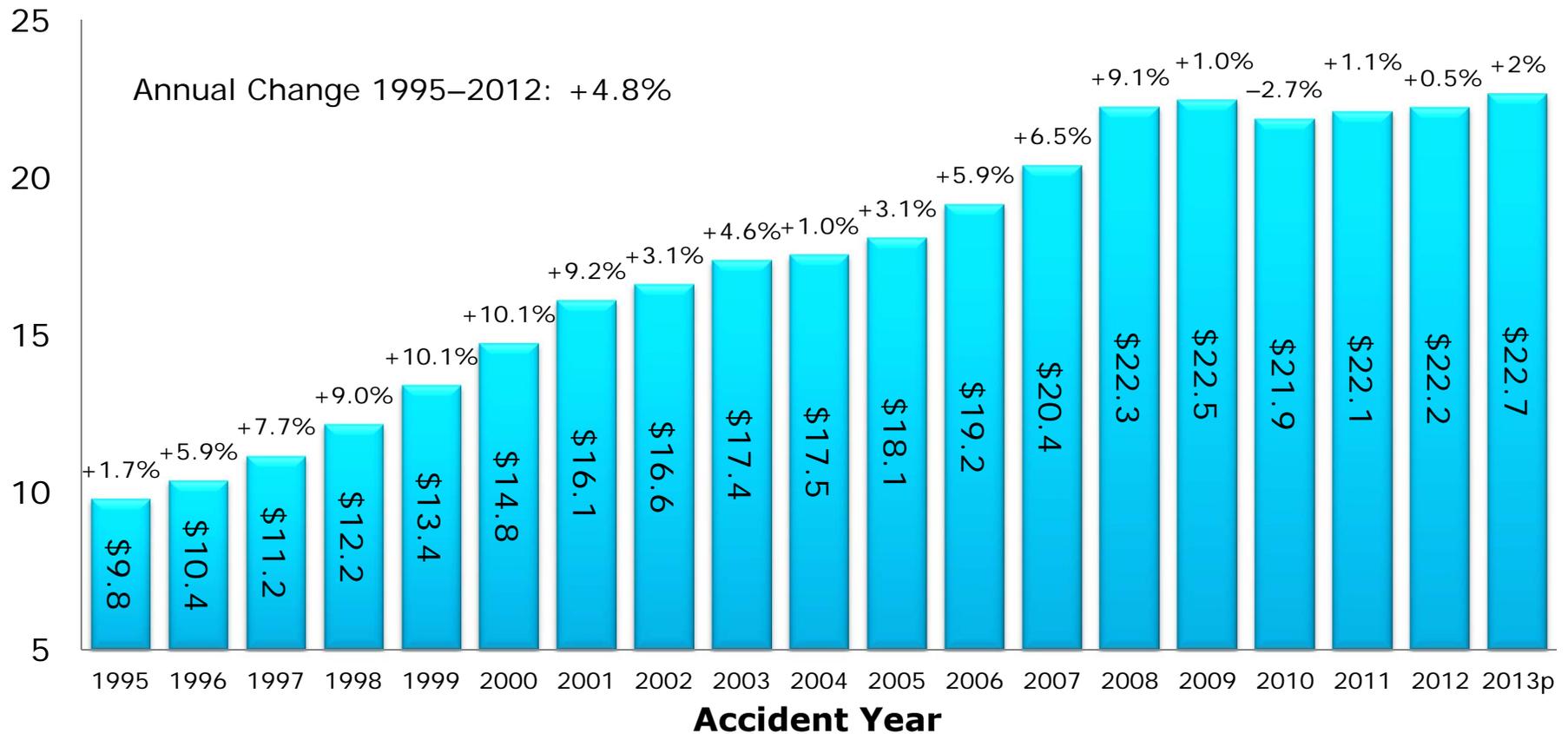




# Indemnity Severity

# Countrywide Workers Compensation Indemnity Claim Severity Increased Slightly

**Indemnity Claim Severity (\$ '000s)**      **Average Indemnity Cost per Lost-Time Claim**



2013p: Preliminary based on data valued as of 12/31/2013

1995–2012: Based on data through 12/31/2012, developed to ultimate; excludes high deductible policies

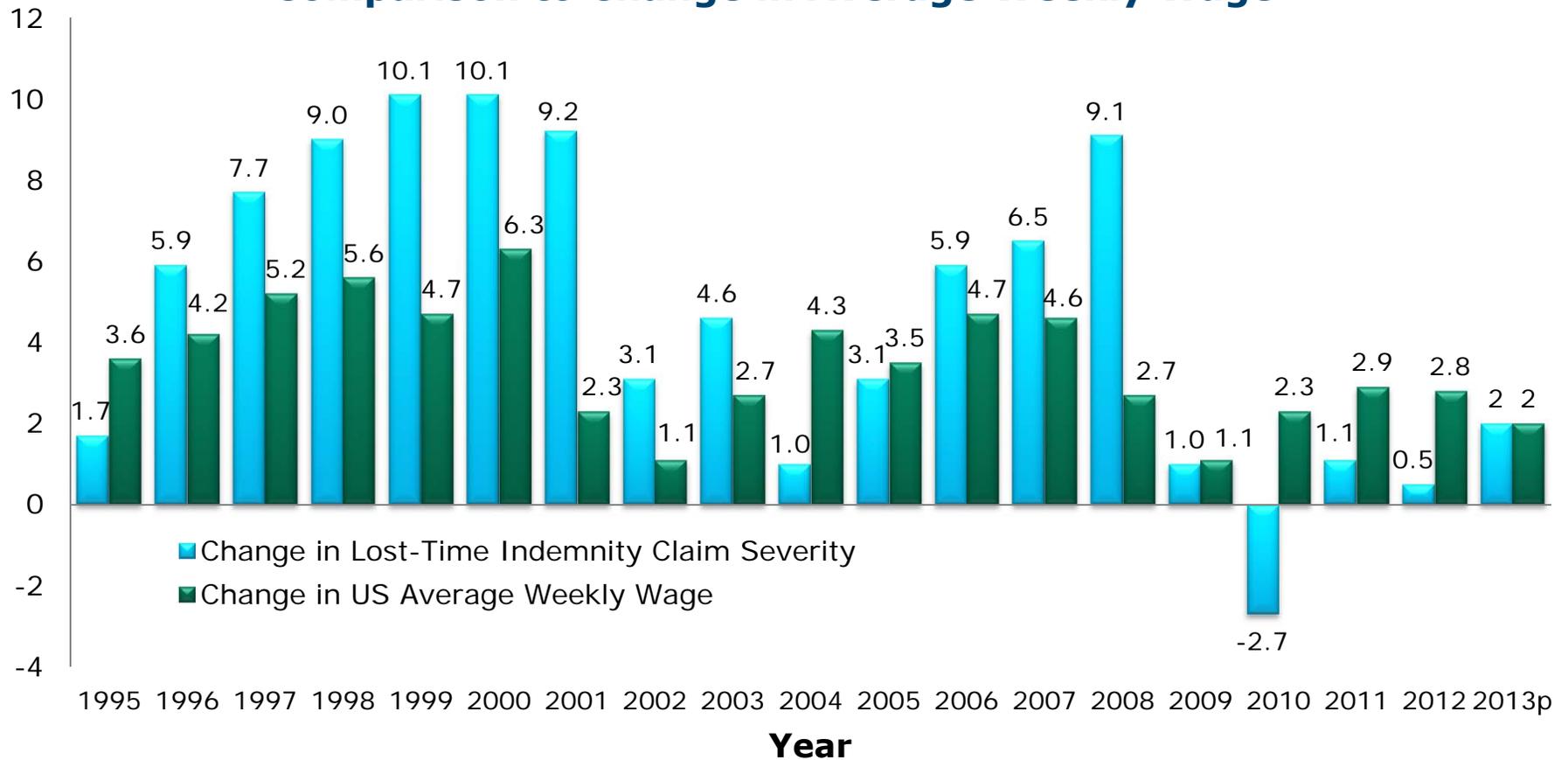
Average severity for the states where NCCI provides ratemaking services, including state funds; excluding WV



# Countrywide Workers Compensation Change in Indemnity Claim Severity

## Comparison to Change in Average Weekly Wage

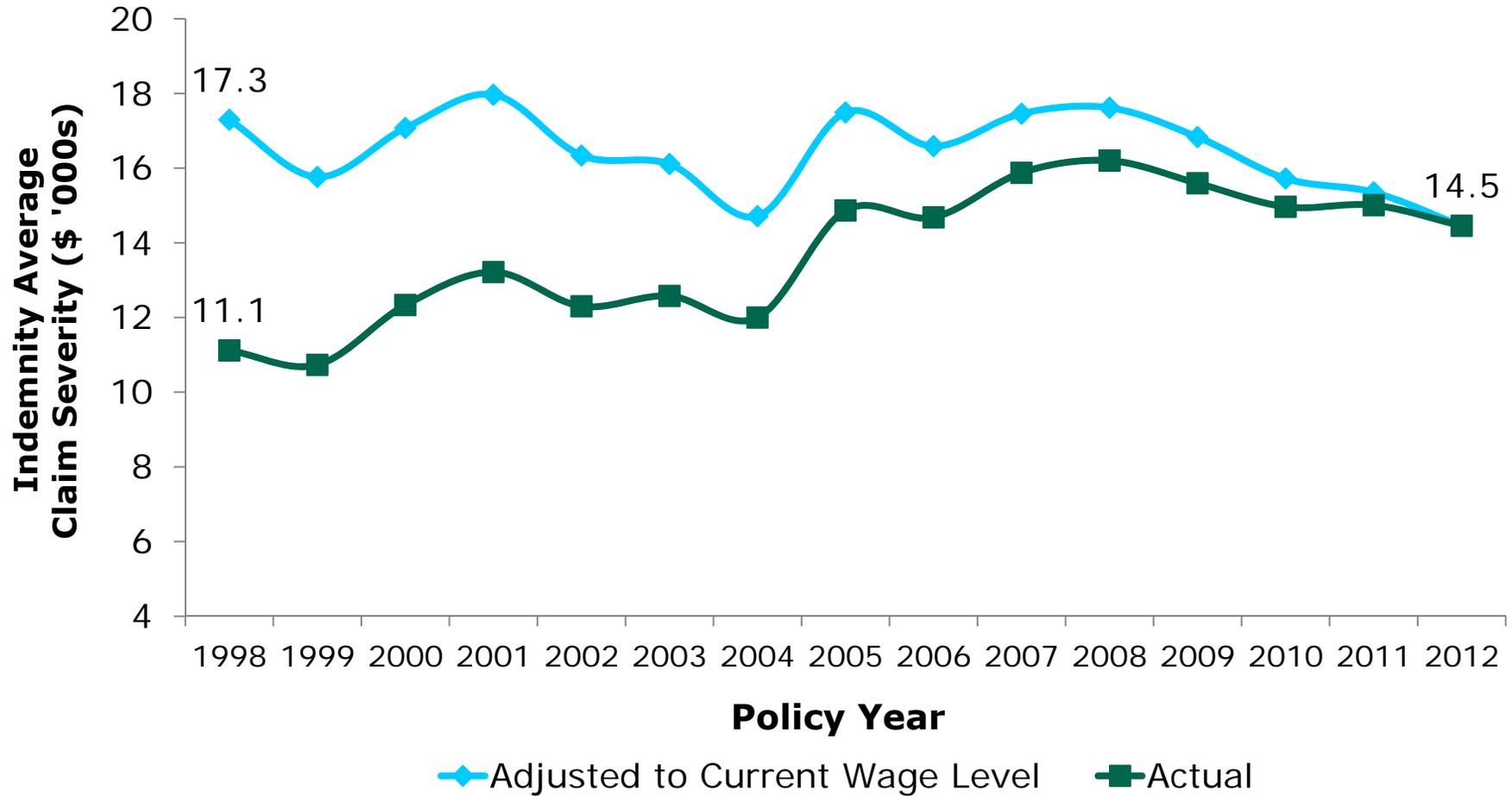
Percent  
Change



Change in lost-time indemnity claim severity, 2013p: Preliminary based on data valued as of 12/31/2013  
 1995–2012: Based on data through 12/31/2012, developed to ultimate; excludes high deductible policies  
 Average severity for the states where NCCI provides ratemaking services, including state funds; excluding WV  
 Sources: US Average Weekly Wage 1995–2007: Quarterly Census of Employment and Wages; 2008–2013p, NCCI,  
 Moody's Economy.com



# New Hampshire Average Indemnity Severity

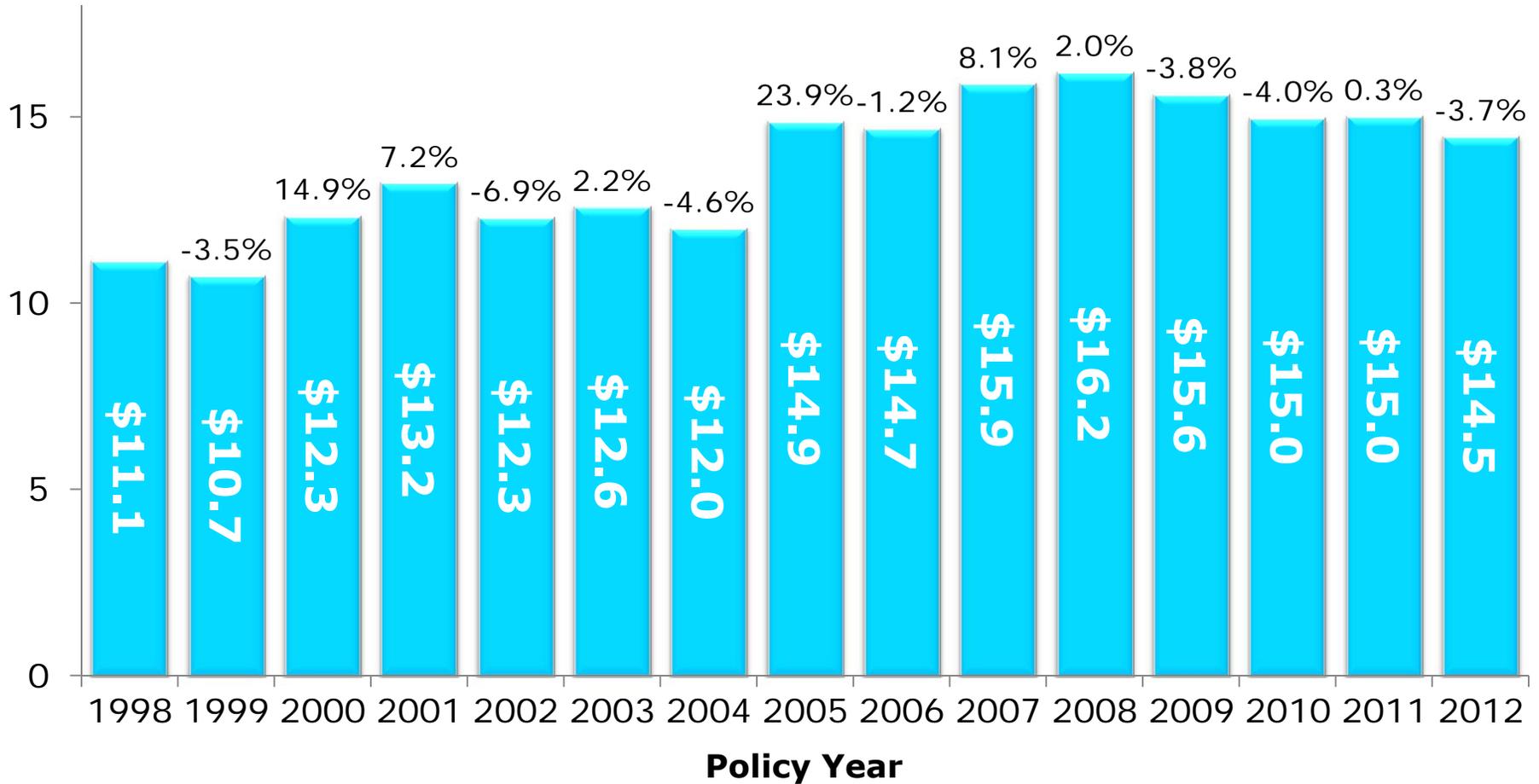


Based on NCCI's financial data for lost-time claims at current benefit level and developed to ultimate



# New Hampshire Average Indemnity Claim Severity

Lost-Time Claim Severity in \$ Thousands

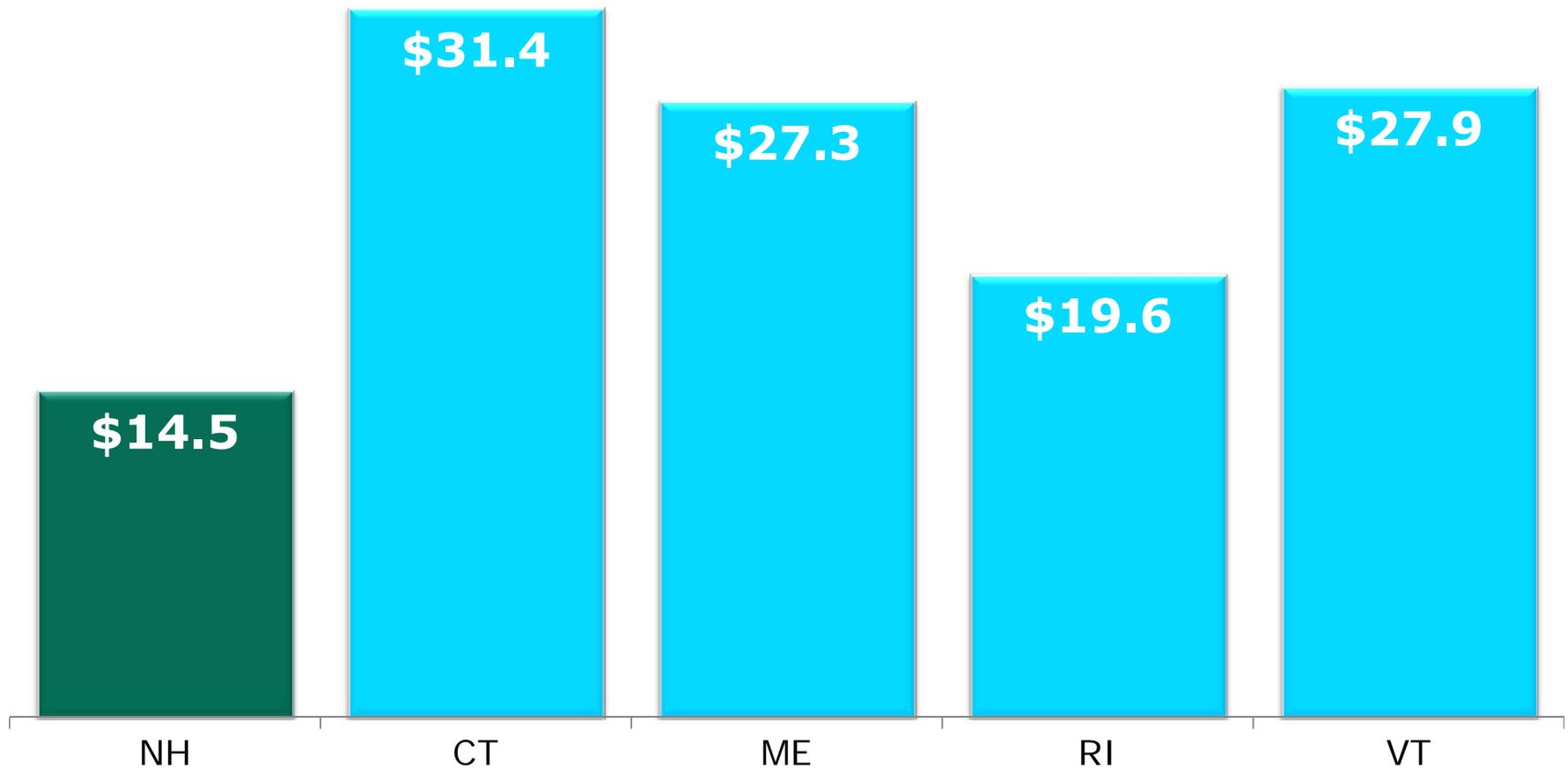


Based on data through 12/31/2013, on-leveled and developed to ultimate



# Average Indemnity Claim Severity in the Region

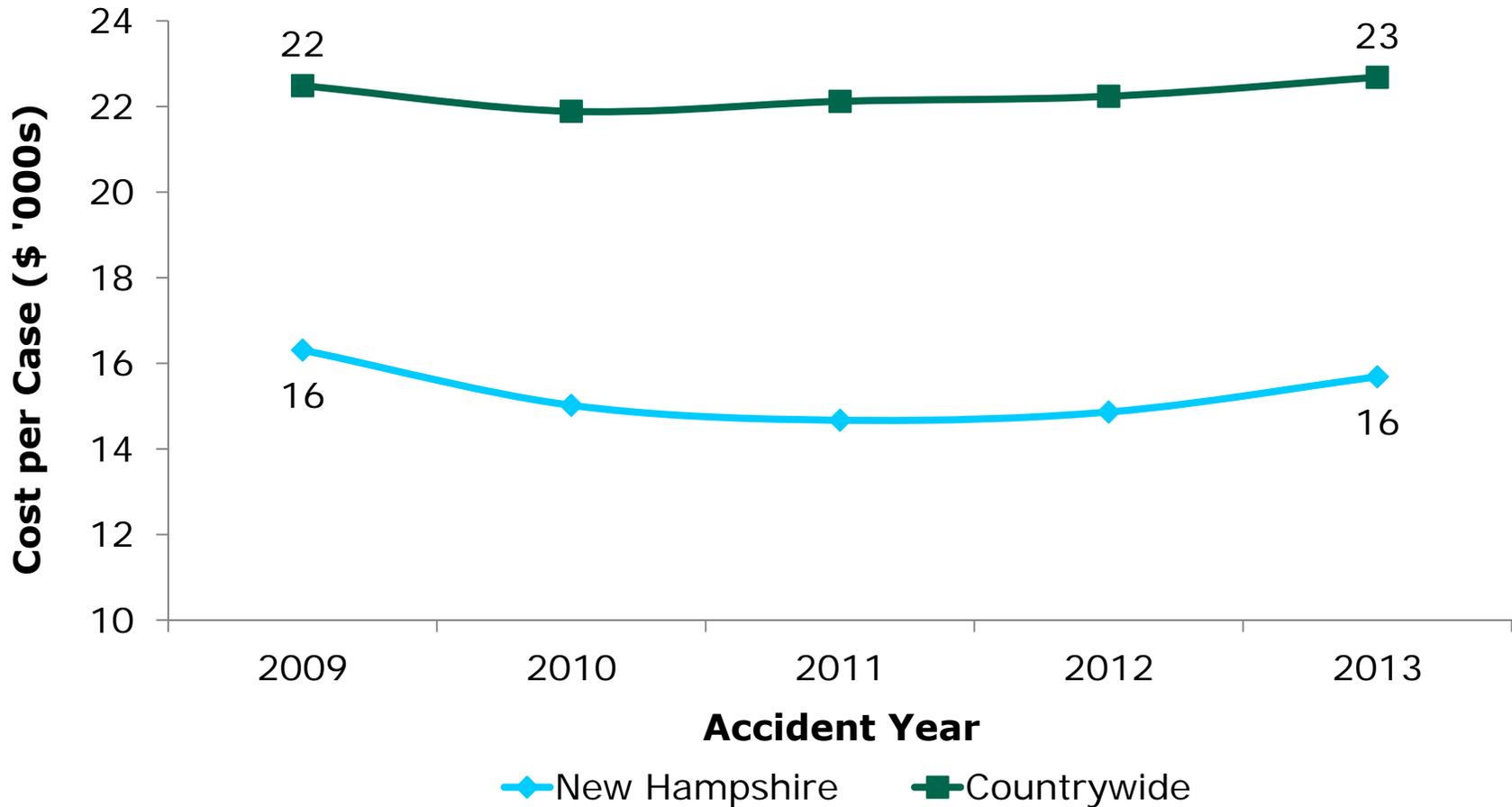
Lost-Time Claim Severity in \$ Thousands



Based on NCCI's financial data for lost-time claims



# New Hampshire vs. Countrywide Average Indemnity Claim Severity



Source: NCCI's financial data



# New Hampshire Indemnity Loss Distribution by Injury Type

## New Hampshire



## Region



## Countrywide



0% 20% 40% 60% 80% 100%

■ Temporary Total    ■ Permanent Partial    ■ Fatal & Permanent Total

Regional states are CT, ME, RI, and VT  
Based on NCCI's *Statistical Plan* data



# Key Takeaways— Indemnity Benefit Costs

Indemnity costs are relatively stable in New Hampshire

The average indemnity cost is lower than the region and countrywide



# Medical Severity

# Medical Benefits Constitute the Majority of Total Benefit Costs in New Hampshire

## New Hampshire



## Region



## Countrywide



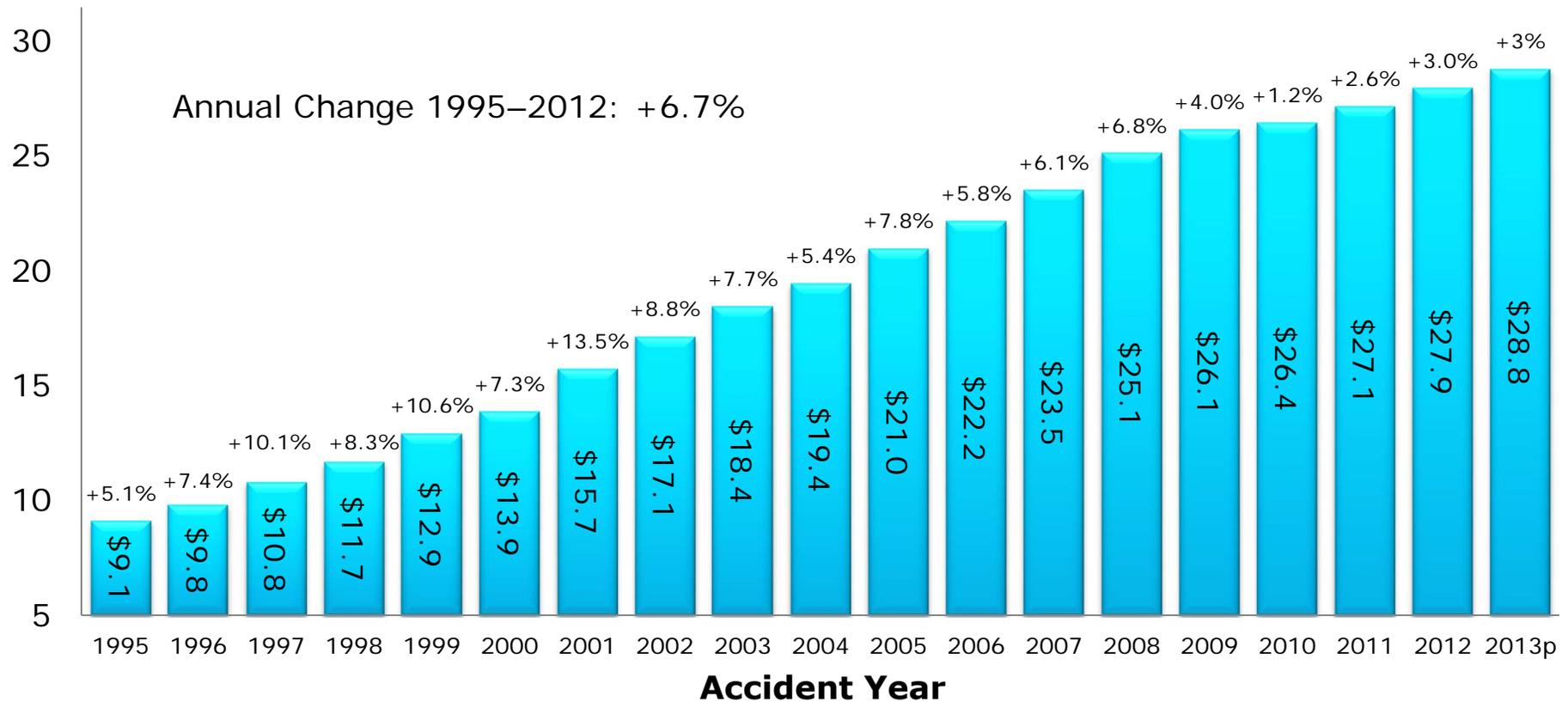
Regional states are CT, ME, RI, and VT  
Based on NCCI's financial data



# Countrywide Workers Compensation Medical Claim Severity Increased Moderately

## Average Medical Cost per Lost-Time Claim

Medical Claim  
Severity (\$ '000s)



2013p: Preliminary based on data valued as of 12/31/2013

1995–2012: Based on data through 12/31/2012, developed to ultimate; excludes high deductible policies

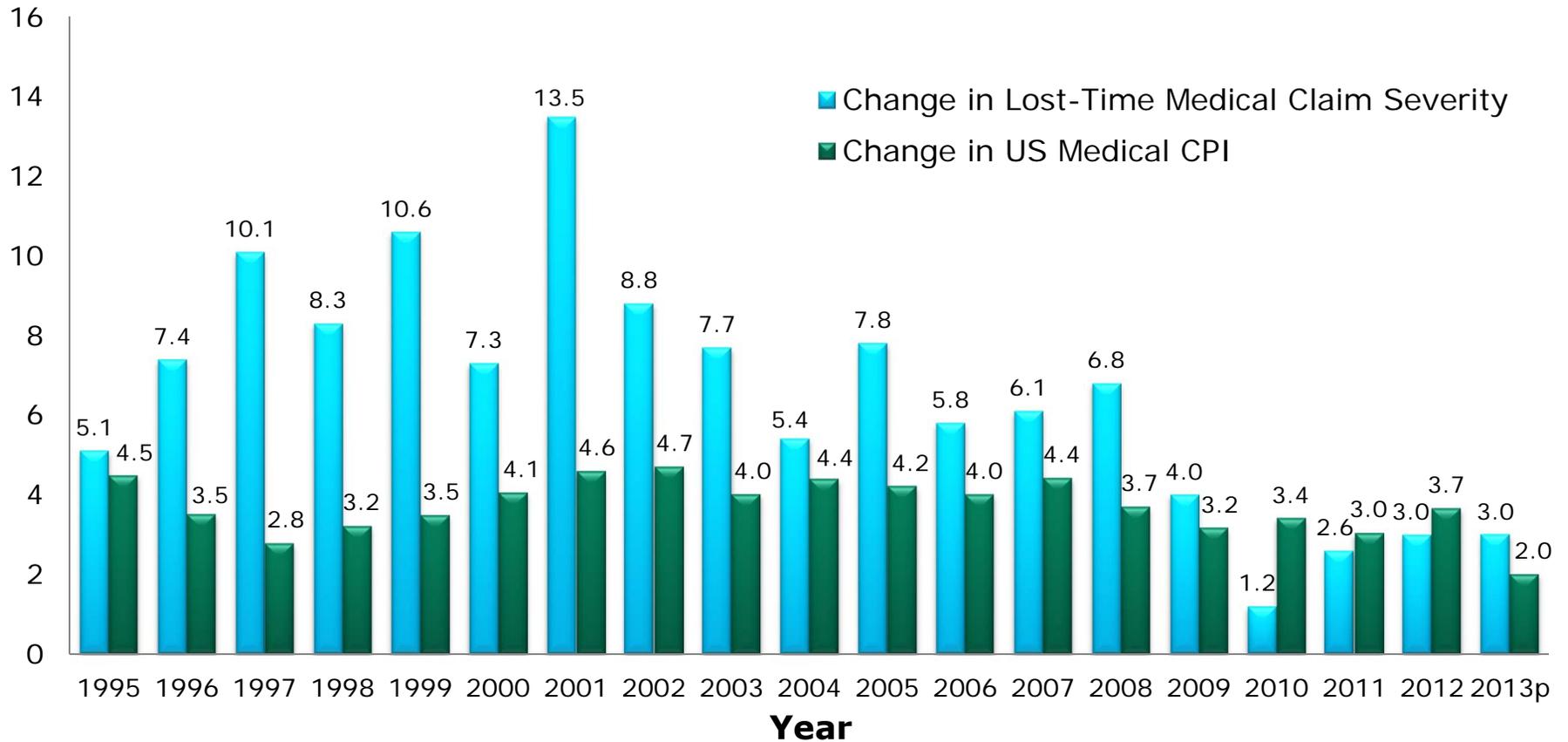
Average severity for the states where NCCI provides ratemaking services, including state funds; excluding WV



# Countrywide Workers Compensation Change in Medical Severity

Percent  
Change

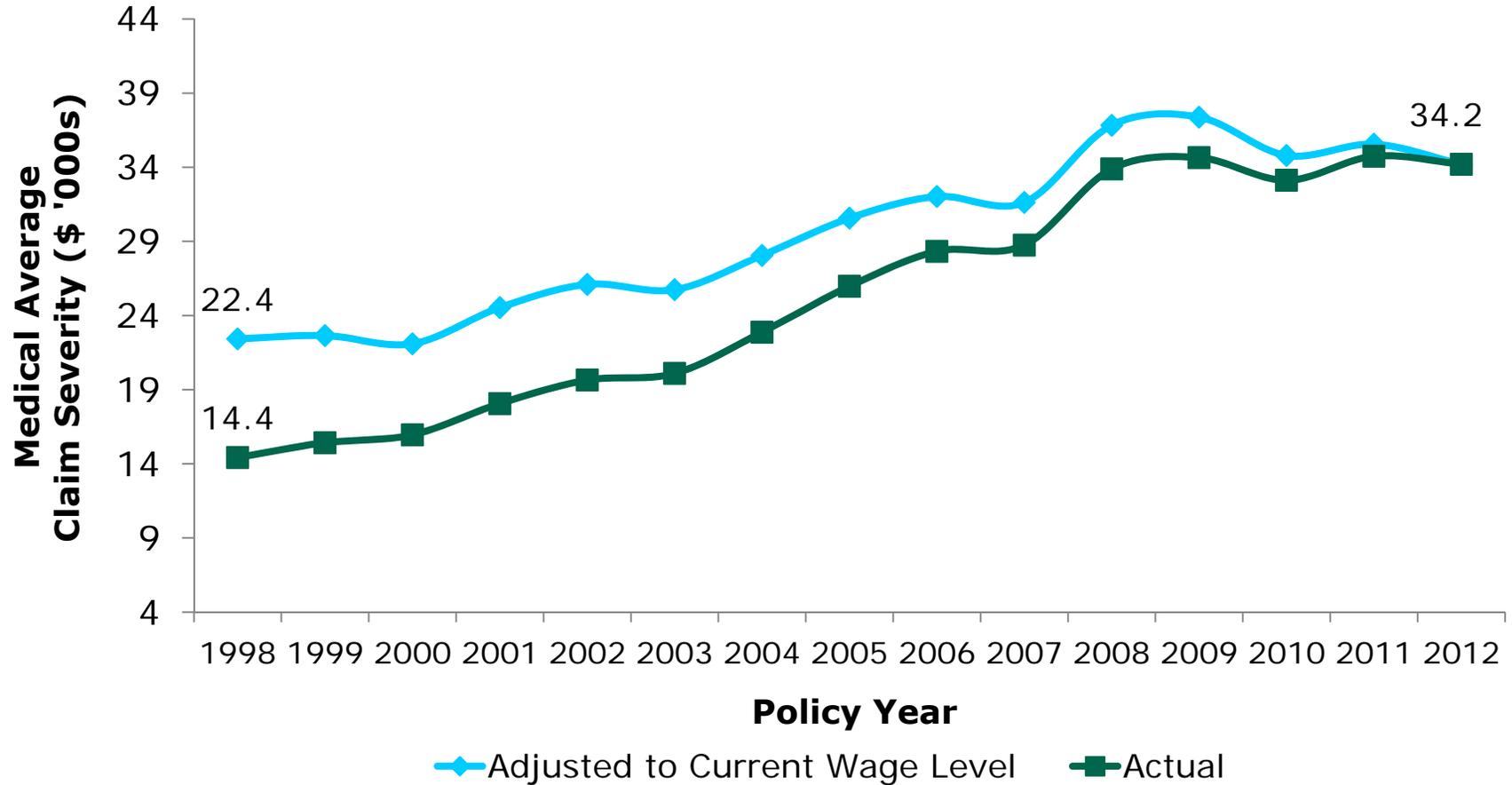
## Comparison to Change in Medical Consumer Price Index (CPI)



Change in lost-time medical claim severity, 2013p: Preliminary based on data valued as of 12/31/2013  
 1995–2012: Based on data through 12/31/2012, developed to ultimate; excludes high deductible policies  
 Average severity for the states where NCCI provides ratemaking services, including state funds; excluding WV  
 Source: US Medical CPI: US Bureau of Labor Statistics (BLS)



# New Hampshire Average Medical Severity

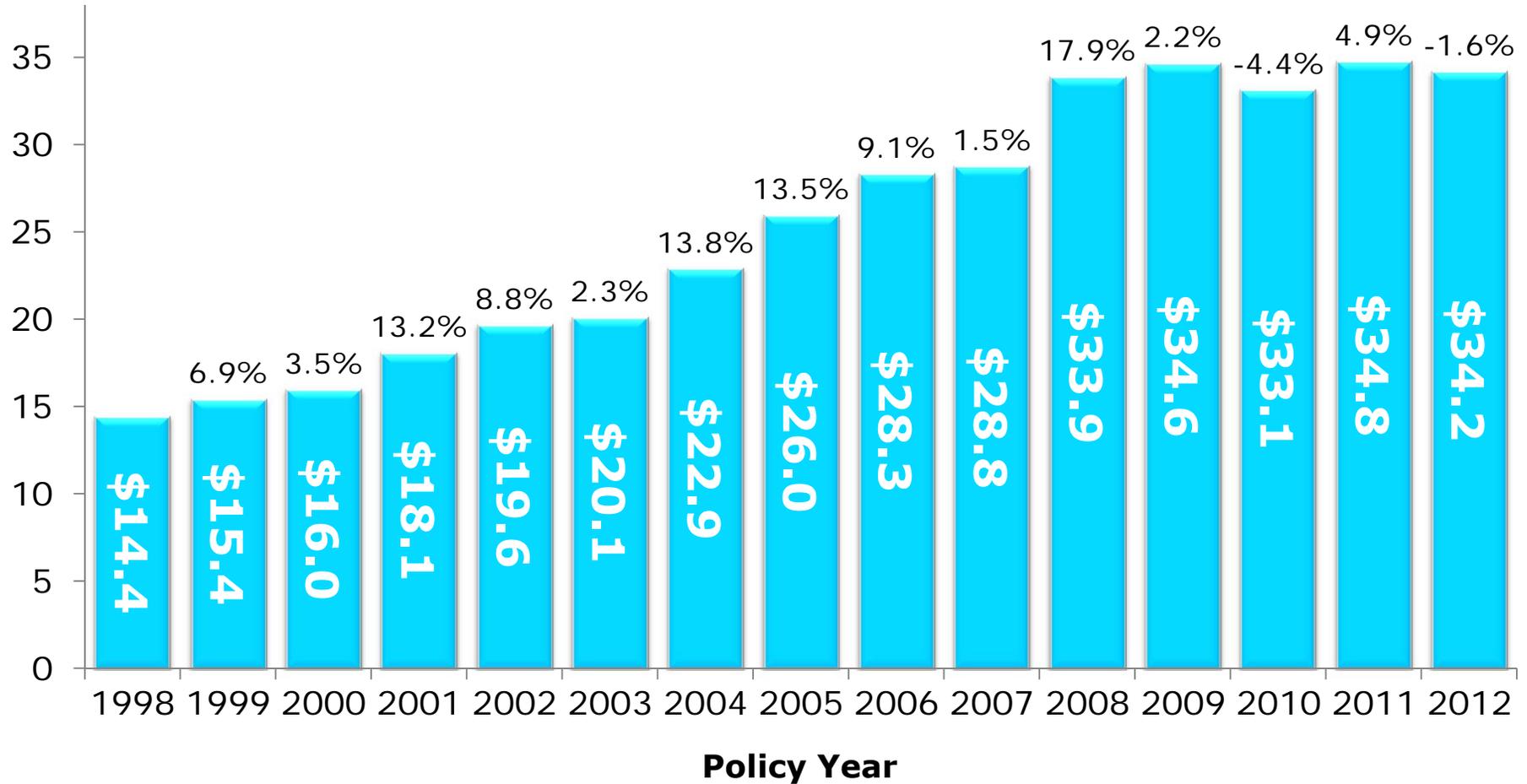


Based on NCCI's financial data for lost-time claims at current benefit level and developed to ultimate



# New Hampshire Average Medical Claim Severity

Lost-Time Claim Severity in \$ Thousands

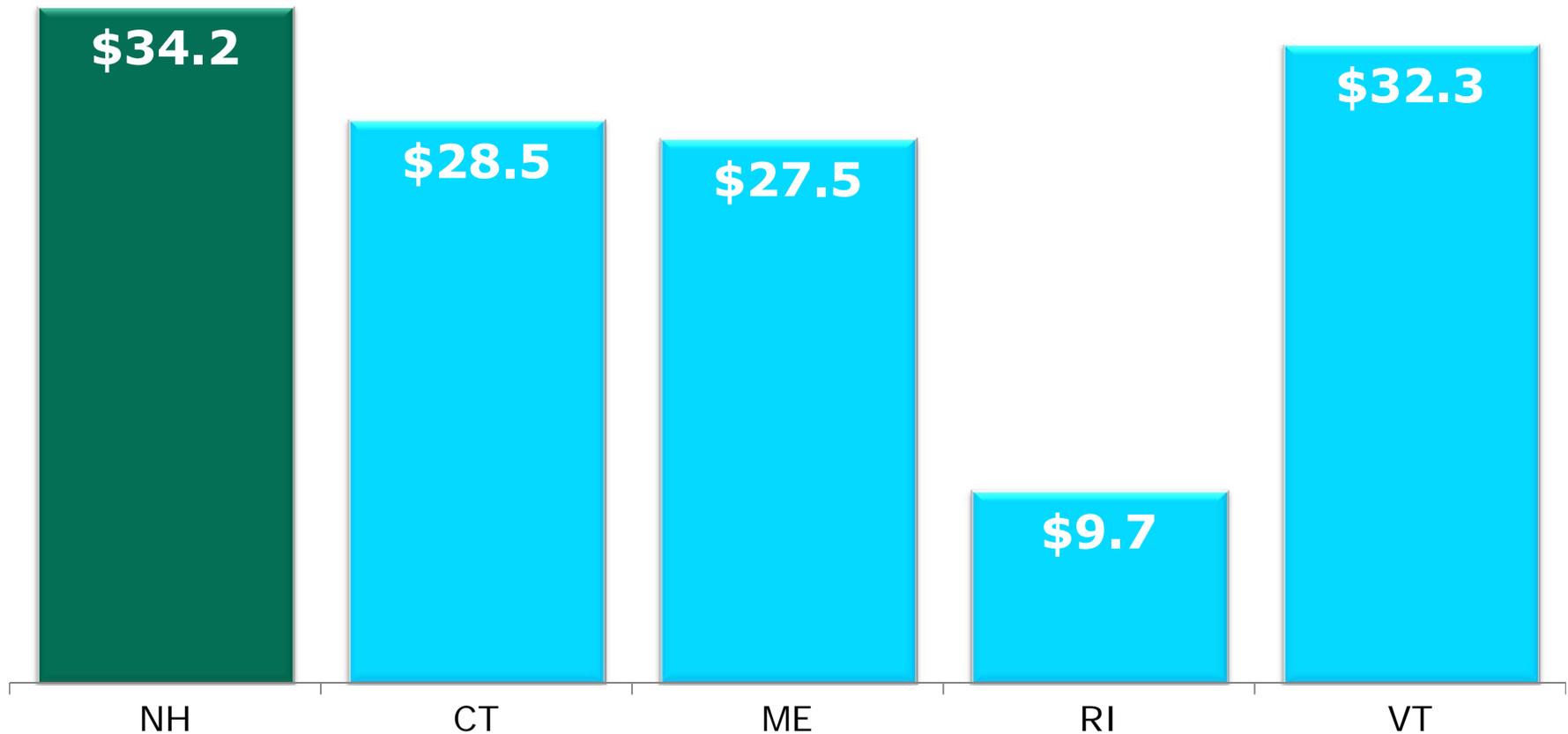


Based on data through 12/31/2013, on-leveled and developed to ultimate



# Average Medical Claim Severity in the Region

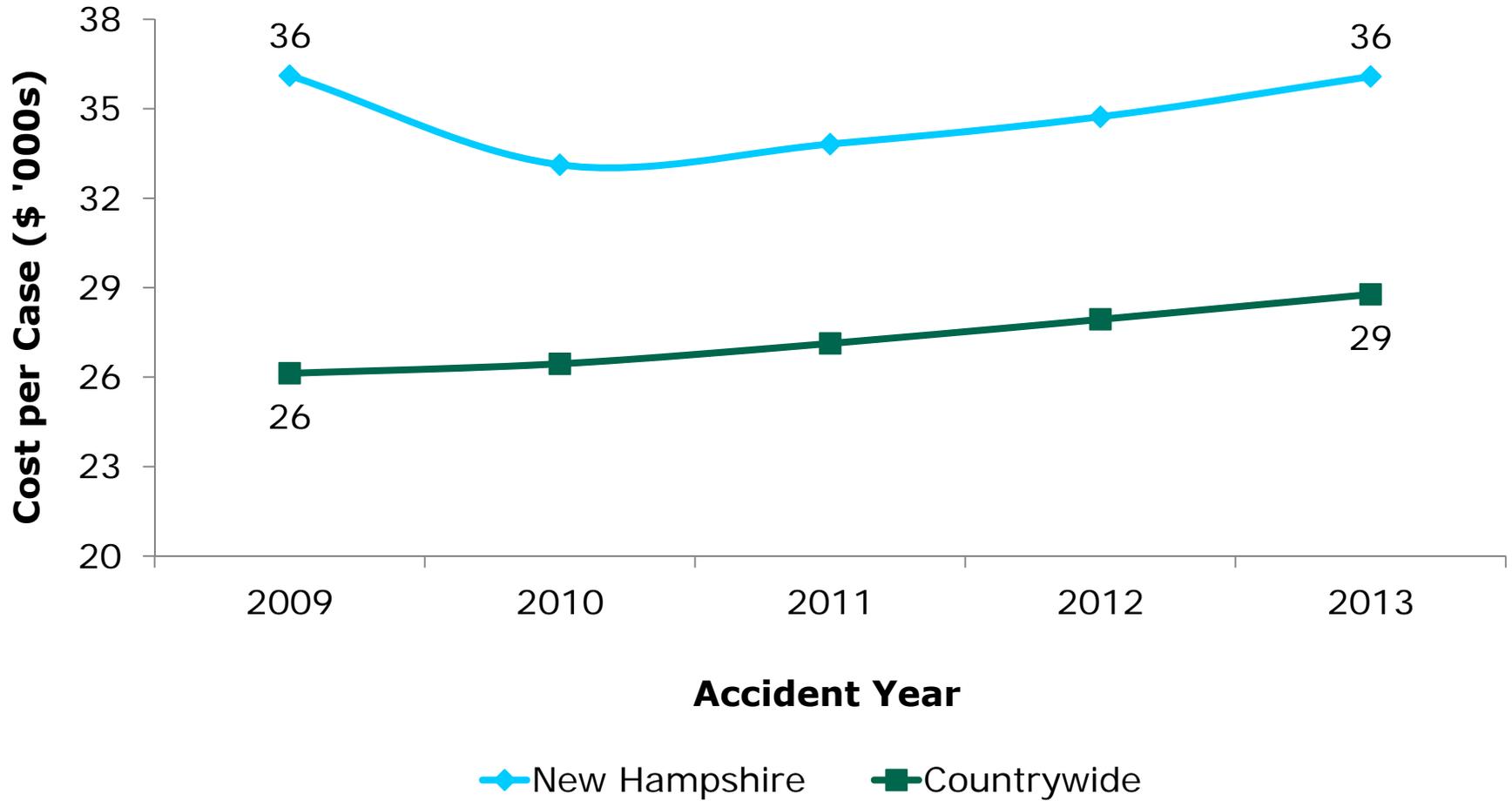
Lost-Time Claim Severity in \$ Thousands



Based on NCCI's financial data for lost-time claims



# New Hampshire vs. Countrywide Average Medical Claim Severity



Source: NCCI's financial data



# New Hampshire Medical Loss Distribution by Injury Type

## New Hampshire



## Region



## Countrywide

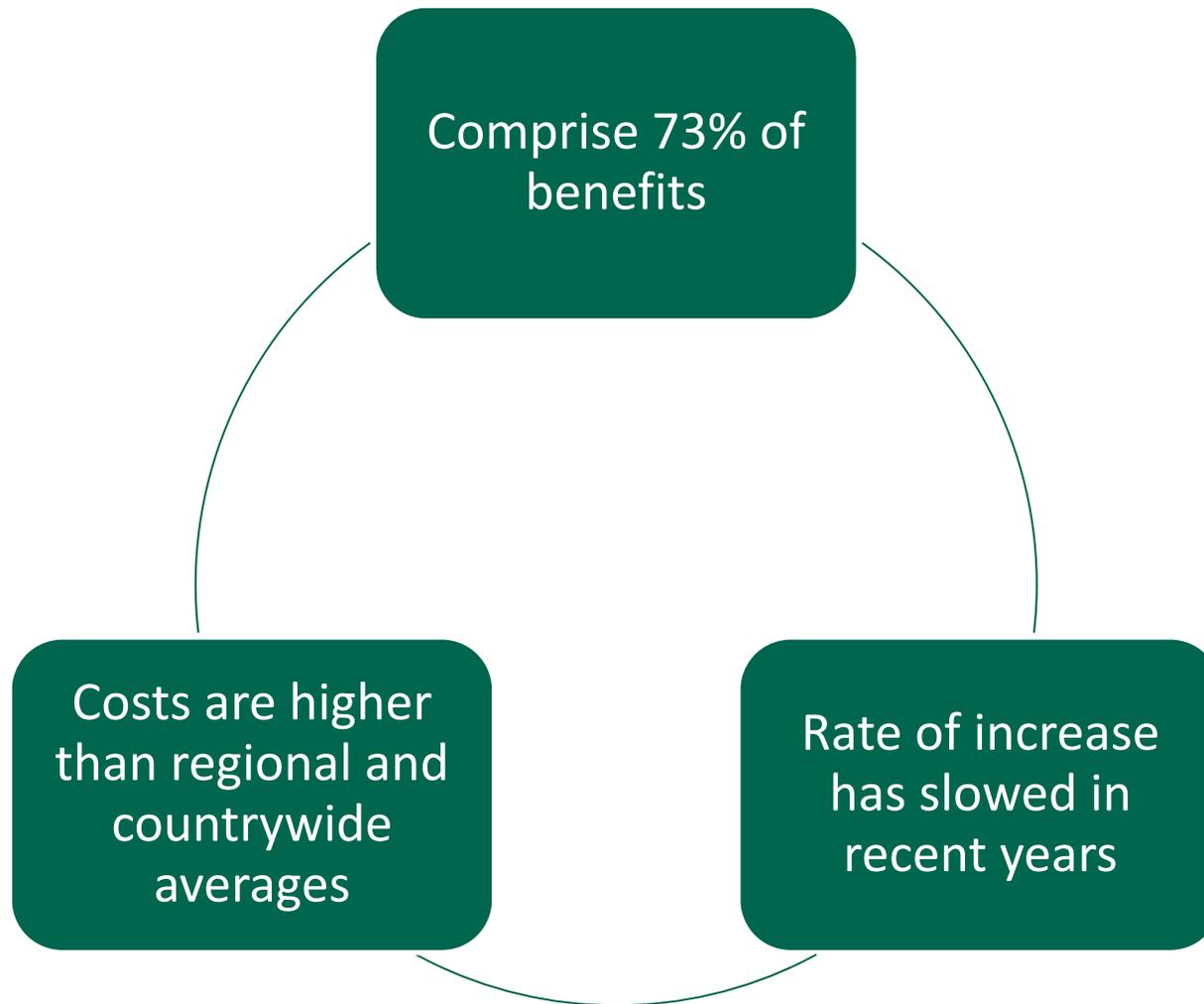


■ Temporary Total 
 ■ Permanent Partial 
 ■ Fatal & Permanent Total 
 ■ Medical

Regional states are CT, ME, RI, and VT  
Based on NCCI's *Statistical Plan* data



# Key Takeaways—Medical Benefit Costs





# Hot Topics Panel Discussion

**Kathryn Barger, Deputy Commissioner  
New Hampshire Department of Labor**

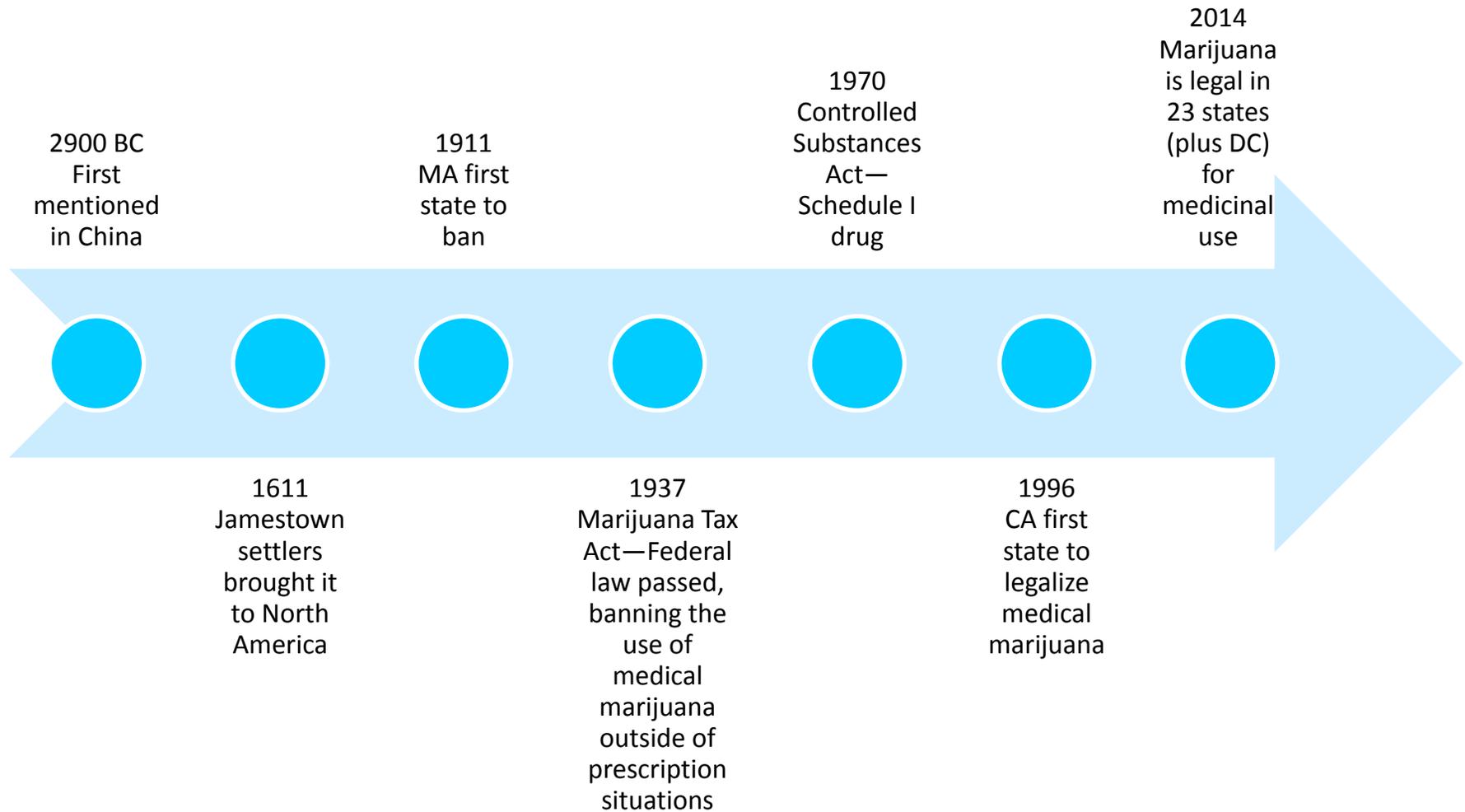
**Deb Stone, Director Financial Regulation  
New Hampshire Department of Insurance**

**Susan Schulte, Department of Labor  
Focus Lead NCCI**

# Hot Topics

- Medical marijuana
- Sports teams
- Ridesharing
- Emerging New Hampshire issues

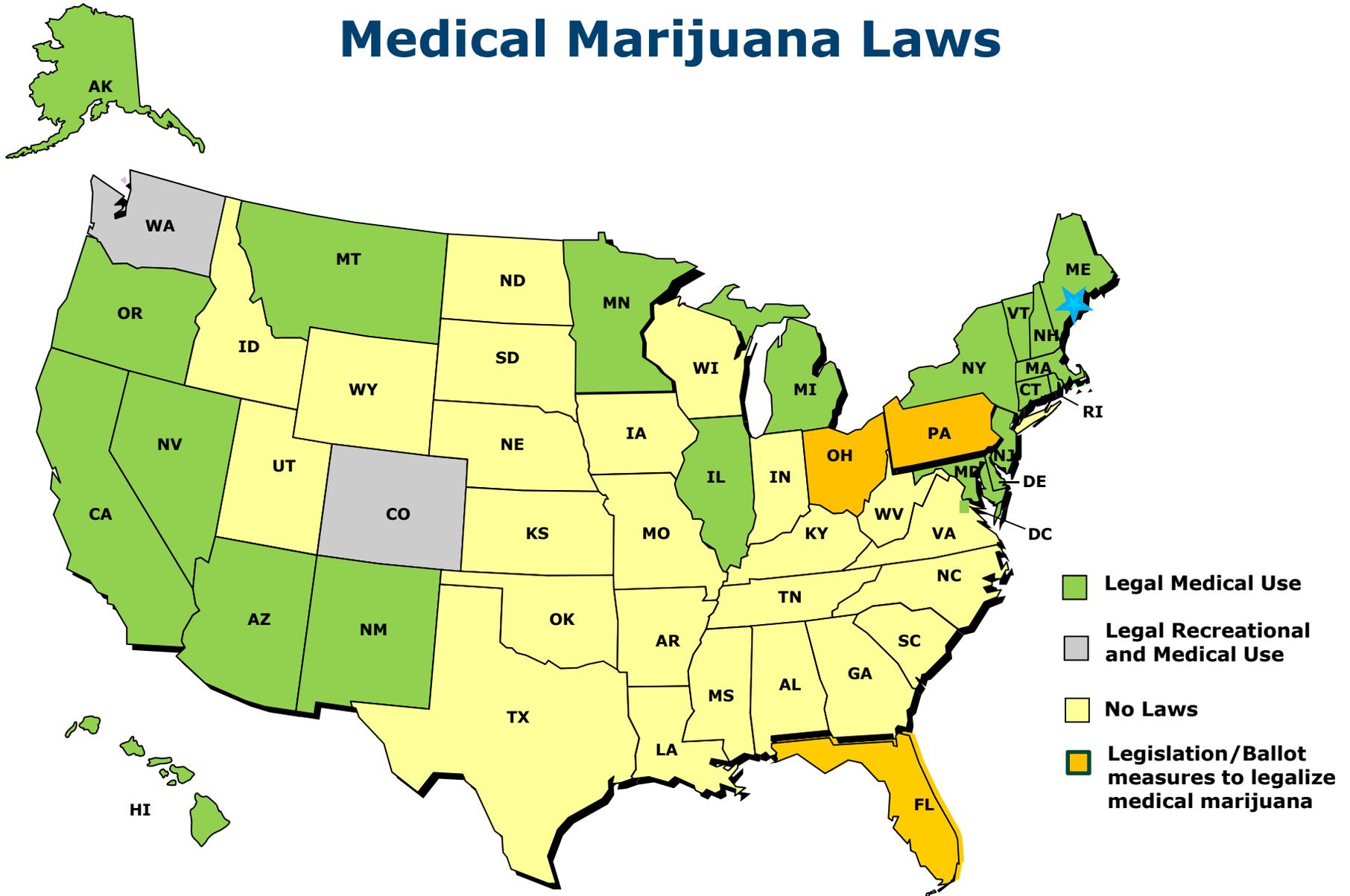
# Evolution of Medical Marijuana



Source: [medicalmarijuanaprocon.org](http://medicalmarijuanaprocon.org)



# Medical Marijuana Laws



Source: [www.medicalmarijuanaprocon.org](http://www.medicalmarijuanaprocon.org)

## New Hampshire

**HB 573**—Signed into law on July 23, 2013

- The new law went into effect immediately, but the US Department of Health and Human Services was given a year to craft rules for the patient registry and 18 months for alternative treatment center rules



# The NLRB Northwestern Football Decision: Student Athlete or Employee?



# Employee or Student?

On March 26, 2014, the director of Region 13 of the National Labor Relations Board (NLRB) issued a decision in which it found that grant-in-aid (scholarship) **members of the Northwestern University football team are “employees”** as defined under the National Labor Relations Act, 29 U.S.C. § 2(3) (NLRA or the Act). The decision granted the student-athletes the right to unionize. The case is currently under appeal.

The NLRA excludes employees of federal, state, or local government. This separates private universities from public universities regarding this particular exposure.





# New Hampshire Residual Market

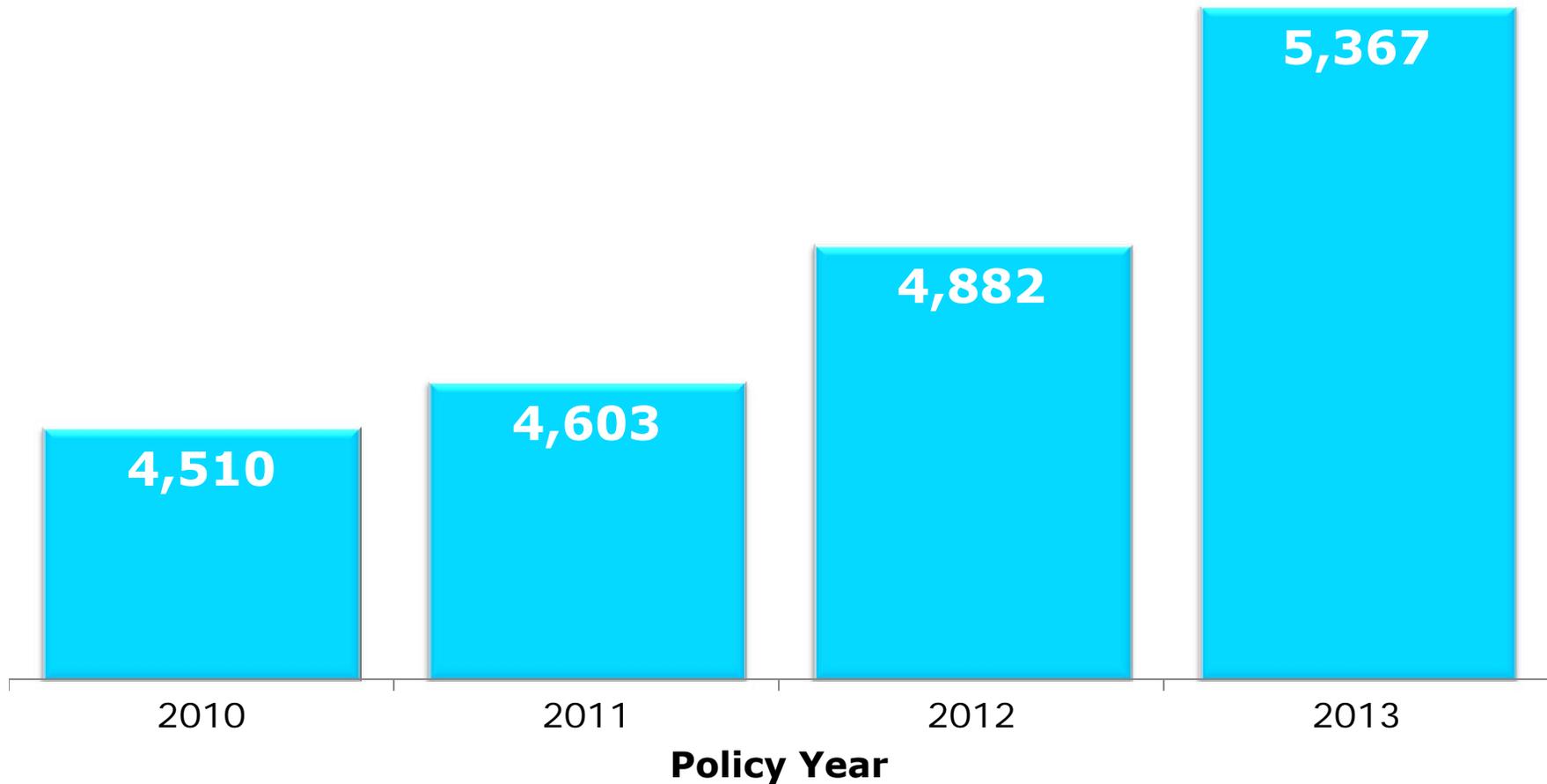


# **Residual Market Video Excerpt**

**James Nau, CPCU, ARM, WCP  
General Manager  
NCCI Residual Markets**

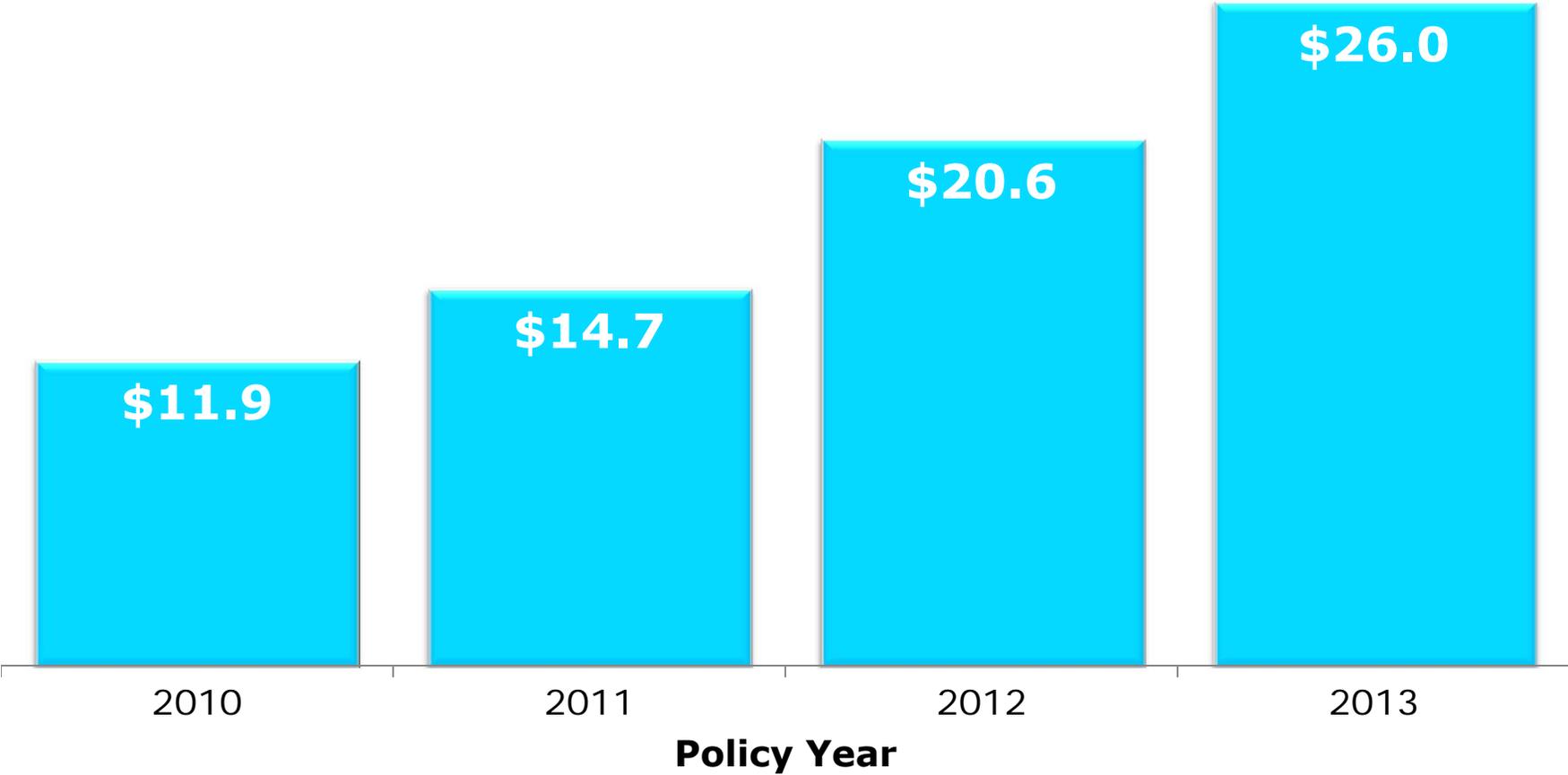
# New Hampshire Total Residual Market Plan Policy Count

## Number of Policies



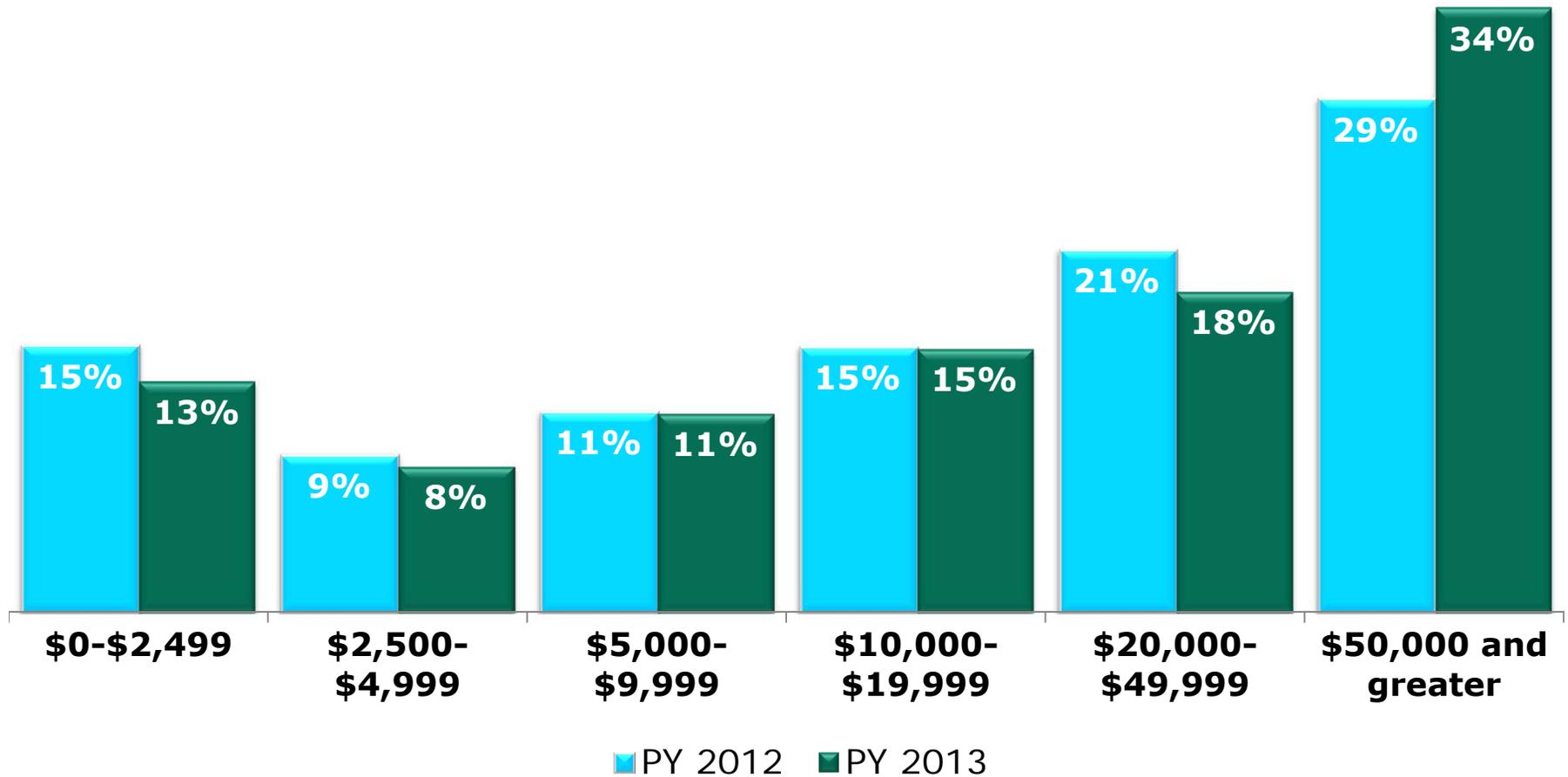
# New Hampshire Total Residual Market Plan Premium Volume

Premium in \$ Millions



# New Hampshire Residual Market Plan Total Policy Size Comparison by Premium

## Percentage of Premium by Policy Size

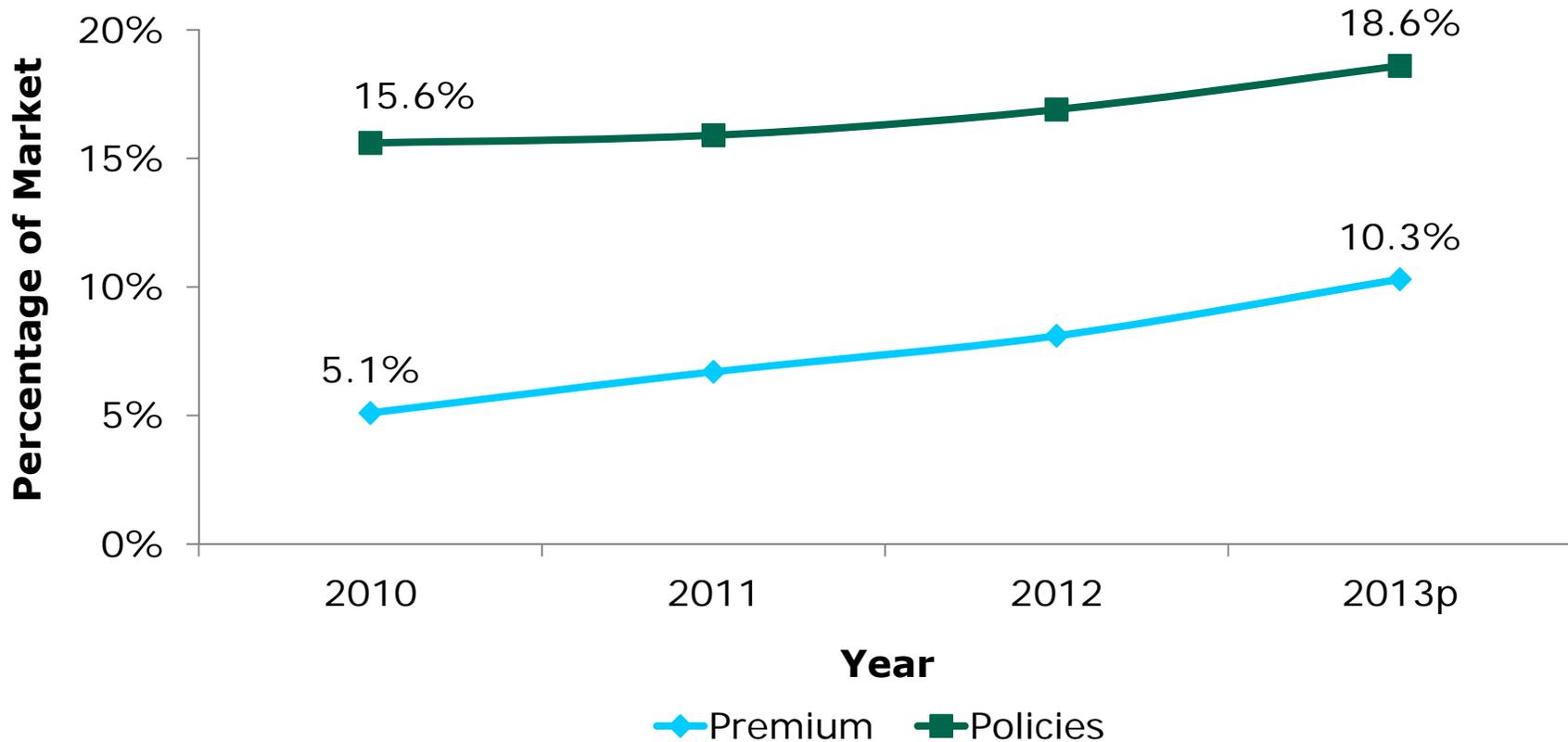


# New Hampshire Residual Market Plan 2013 vs. 2012 Total Policy Size Comparison

Premium Size	2013		2012	
	# of Policies	Premium	# of Policies	Premium
\$0–\$2,499	3,827	\$ 3,404,201	3,607	\$ 3,114,546
\$2,500–\$4,999	604	\$ 2,150,669	522	\$ 1,840,735
\$5,000–\$9,999	414	\$ 2,931,158	333	\$ 2,339,600
\$10,000–\$19,999	280	\$ 3,881,926	220	\$ 3,099,847
\$20,000–\$49,999	160	\$ 4,720,968	140	\$ 4,229,207
\$50,000–\$99,999	50	\$ 3,407,005	42	\$ 2,871,790
\$100,000–\$199,999	26	\$ 3,677,352	14	\$ 1,835,016
\$200,000 and greater	6	\$ 1,817,379	4	\$ 1,280,991
<b>TOTAL</b>	<b>5,367</b>	<b>\$25,990,658</b>	<b>4,882</b>	<b>\$20,611,732</b>



# Comparison of the Estimated Market Share for New Hampshire Residual Market by Total Policy Count and Written Premium



p Preliminary  
 Market share as a percentage of residual market total written premium/policies in force



# New Hampshire Assigned Risk Programs

- Assigned Risk Adjustment Program (ARAP)
- Loss Sensitive Rating Plan (LSRP)
- Differential/Surcharge
- Removal of Premium Discounts
- Take-Out Credit
- Safety Incentive Program
- Voluntary Coverage Assistance Program (***VCAP<sup>®</sup> Service***)





# NCCI Resources



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[My Services & Tools](#)

[Log-in Assistance](#)

National Council on Compensation Insurance

The nation's most experienced provider of workers compensation information, tools, and services.

Who We Are

NCCI gathers data, analyzes industry trends, and prepares objective insurance rate and loss cost recommendations. These activities, together with our research, analytical services and tools, and overall commitment to excellence help foster a healthy workers compensation system.

[more](#)



NCCI and Workers Compensation:

A Rich History

State of the Line  
Analysis of Workers Compensation Results

Kathy Antonello, FCAS, FSA, MAAA  
NCCI Chief Actuary



WHAT'S NEW

- 8/20 Residual Market State Activity Reports**  
These quarterly status reports contain the key measurement factors relating to the operation of the state's plan and provide updated information on the residual market demographics.
- 8/18 New Gauging the Economy Newsletter Available**  
The outlook for the 2014 economy is a repeat of the experiences of the past several years.
- 8/15 Update on the Reauthorization of the Terrorism Risk Insurance Act (TRIA)—Webinar on Demand**  
Review the latest information on TRIA renewal with NCCI Washington Affairs Executive Tim Tucker. Get the details on the differences between the two bill currently in the House and Senate.
- 8/4 National Pool Premium Volume Report**  
The most up-to-date data for in-force policies for NCCI's Plan-administered states. This report shows a comparison of Plan and Pool policies, quota, and premium information.
- 7/31 The Data Connection—July 2014 Issue**  
This communication series keeps you informed about important data reporting news, data quality updates, enhancements and more, to help you perform your data reporting activities.
- 7/31 NCCI Underwriting Committee Agendas and Minutes**  
NCCI's Underwriting Committee meets several times a year to review, provide technical input and an industry perspective regarding proposed changes to the national system of workers compensation.

[more](#)

Terrorism Risk Insurance Act

Learn about the pending expiration of the Terrorism Risk Insurance Program Reauthorization Act (TRIPRA).

[more](#)



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The latest workers compensation market information, studies and analysis.

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Prepare for the 2014 Financial Call reporting season.

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# Useful Website Information for Stakeholders

- Services and Tools
  - Manuals and Circulars
  - ***State Insight***
  - ***WorkComp Workstation***
  - ***Rate Table Data***
  
- Industry Information
  
- Education
  - Webinars on Demand



# Useful Website Information for Stakeholders (cont'd)

- Industry Information—Research and Outlook
  - News from the *Annual Issues Symposium 2014*
  - NCCI research
- Residual Markets
  - Reports, results, and publications
    - *Residual Market Management Summary*
- Events
  - Minutes, presentations, and materials
    - *State Advisory Forum* presentations





# Q & A



# Closing Remarks

## Thank You!



# Glossary

# Glossary

- **Assigned Risk Adjustment Program (ARAP)**—An assigned risk market program that surcharges residual market risks based on the magnitude of their experience rating modification.
- **Calendar Year (CY)**—Experience of earned premium and loss transactions occurring within the calendar year beginning January 1, irrespective of the contractual dates of the policies to which the transactions relate and the dates of the accidents.
- **Calendar-Accident Year (AY)**—The accumulation of loss data on all accidents with the date of occurrence falling within a given calendar year. The premium figure is the same as that used in calendar year experience.
- **Claim Frequency**—The number of claims per unit of exposure; for example, the number of claims per million dollars of premium or per 100 workers.

# Glossary

- **Claim Severity**—The average cost of a claim. Severity is calculated by dividing total losses by the total number of claims.
- **Combined Ratio**—The sum of the (1) loss ratio, (2) expense ratio, and (3) dividend ratio for a given time period.
- **Detailed Claim Information (DCI)**—An NCCI Call that collects detailed information on an individual workers compensation lost-time claim basis, such as type of injury, whether or not an attorney was involved, timing of the claim's report to the carrier, etc.
- **Direct Written Premium (DWP)**—The gross premium income adjusted for additional or return premiums, but excluding any reinsurance premiums.

# Glossary

- **Indemnity Benefits**—Payments by an insurance company to cover an injured worker's time lost from work. These benefits are also referred to as “wage replacement” benefits.
- **Loss Ratio**—The ratio of losses to premium for a given time period.
- **Lost-Time (LT) Claims**—Claims resulting in indemnity benefits (and usually medical benefits) being paid to or on behalf of the injured worker for time lost from work.
- **Medical-Only Claims**—Claims resulting in only medical benefits being paid on behalf of an injured worker.
- **Net Written Premium (NWP)**—The gross premium income adjusted for additional or return premiums and including any additions for reinsurance assumed and any deductions for reinsurance ceded.

# Glossary

- **Permanent Partial (PP)**—A disability that is permanent but does not involve a total inability to work. The specific definition and associated workers compensation benefits are defined by statute and vary by jurisdiction.
- **Policy Year (PY)**—The year of the effective date of the policy. Policy year financial results summarize experience for all policies with effective dates in a given calendar year period.
- **Schedule Rating**—A debit and credit plan that recognizes variations in the hazard-causing features of an individual risk.
- **Take-Out Credit Program**—An assigned risk program that encourages carriers to write current residual market risks in the competitive voluntary marketplace.
- **Temporary Total (TT)**—A disability that totally disables a worker for a temporary period of time.





# Appendix

# NCCI Workers Compensation Resources

- Financial Aggregate Calls
  - Used for aggregate ratemaking
- ***Statistical Plan for Workers Compensation and Employers Liability Insurance (Statistical Plan)***
  - Used for class ratemaking
- Detailed Claim Information
  - In-depth sample of lost-time claims
- Policy Data
  - Policy declaration page information

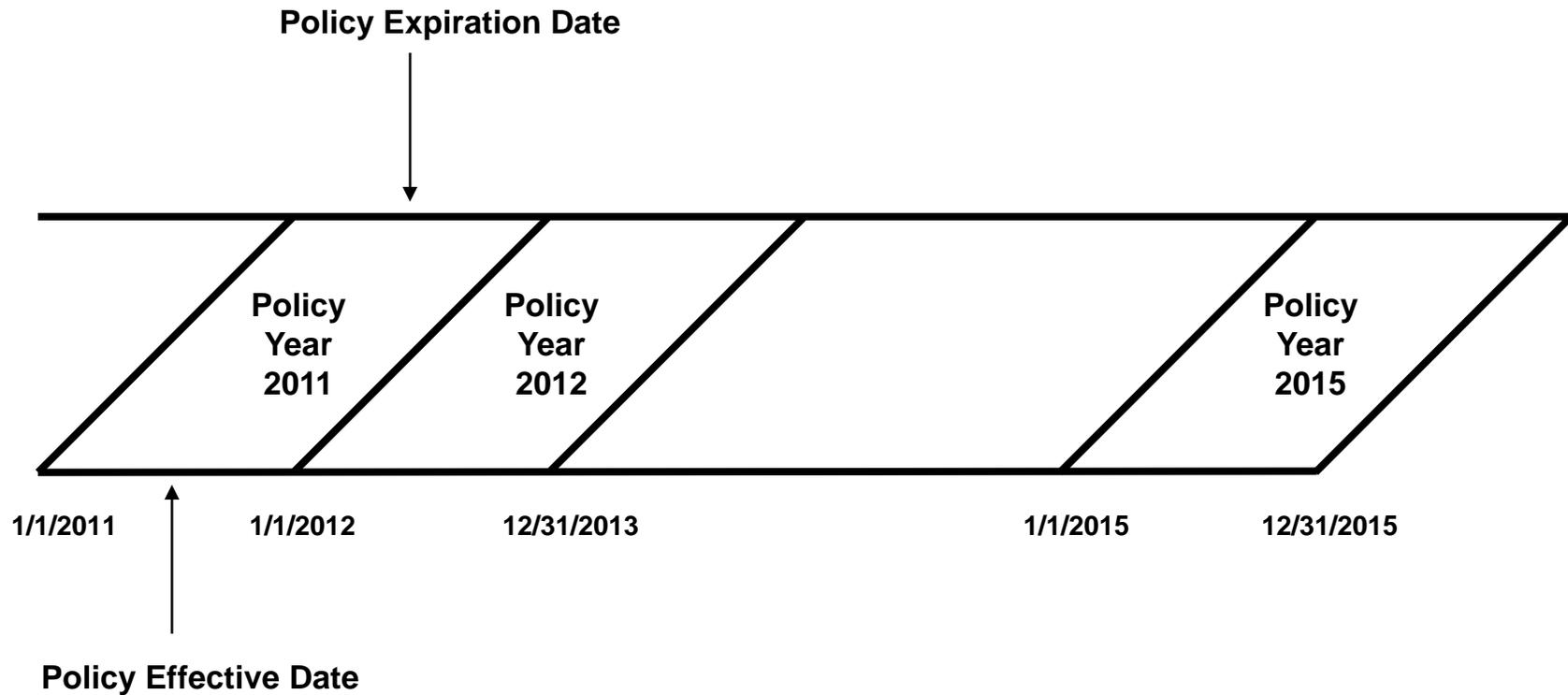


# Financial Aggregate Calls

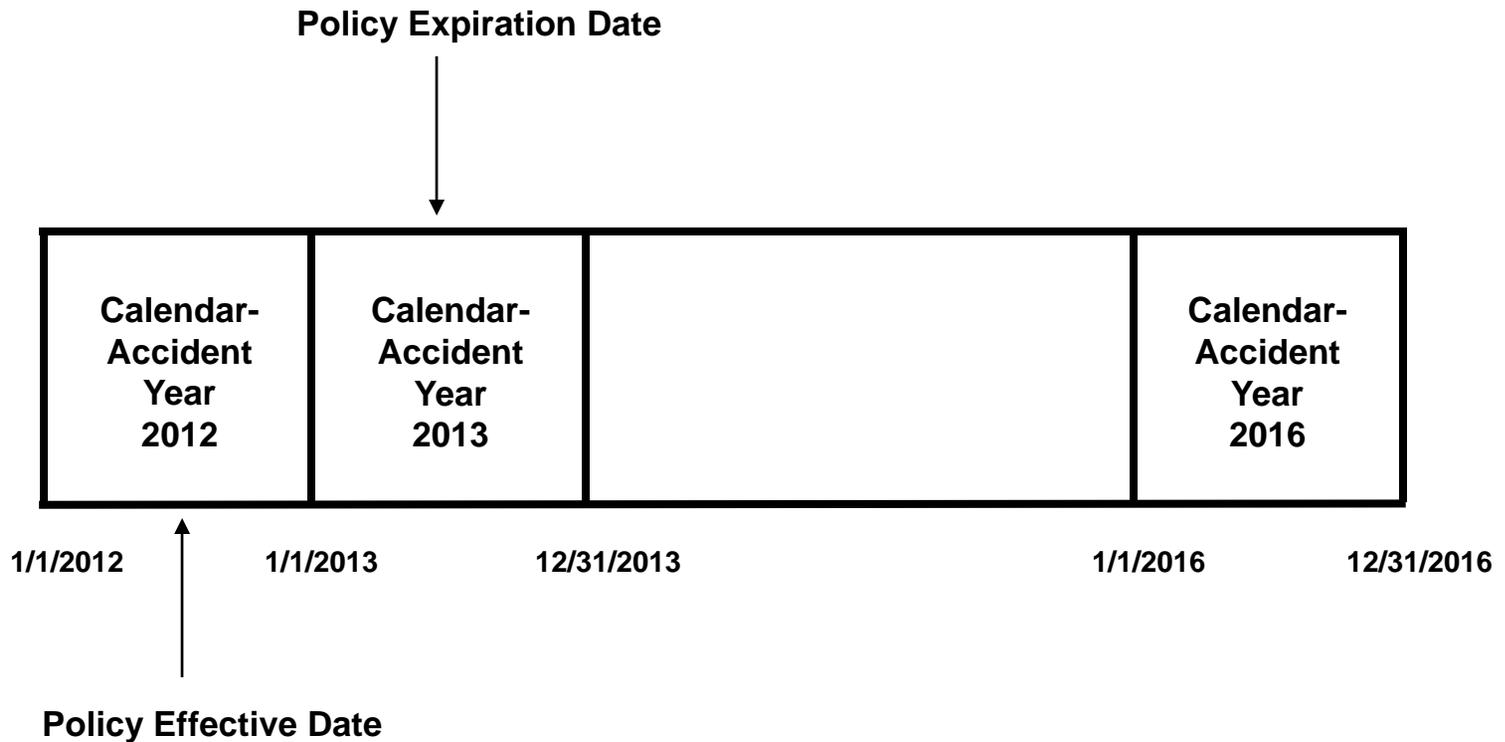
- Collected Annually
  - Policy and calendar-accident year basis
  - Statewide and assigned risk data
  
- Premiums, Losses, and Claim Counts
  - Evaluated as of December 31
  
- Purpose
  - Basis for overall aggregate rate indication
  - Research



# Policy Year Financial Aggregate Data



# Calendar-Accident Year Financial Aggregate Data



# Statistical Plan for Workers Compensation and Employers Liability Insurance (Statistical Plan) Data

- Experience by Policy Detail
  - Exposure, premium, and experience rating modifications
  - Individual claims by injury type
- Purposes
  - Classification relativities
  - Experience Rating Plan
  - Research



# Valuation of Statistical Plan Data

