



National Council on Compensation Insurance

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Founded in 1923, the mission of the National Council on Compensation Insurance (NCCI) is to foster a healthy workers compensation system. In support of this mission, NCCI gathers data, analyzes industry trends, and provides objective insurance rate and loss cost recommendations. These activities—combined with a comprehensive set of tools and services—make NCCI the source you trust for workers compensation information. To learn more about NCCI, please visit ncci.com.

Register for NCCI's Agent's Track at the Workers' Compensation Institute (WCI) Conference

Register today for NCCI's Agent's Track, August 7-8, at the 72nd annual WCI Conference at the Orlando World Center Marriott. This educational opportunity focuses on topics for agents who write workers compensation insurance. The full WCI 2017 Conference runs August 6-9.

Why Should You Attend?

- Get expert insight from regulators and industry professionals
- Hear about the top industry issues and hot topics
- Gain essential skills necessary for writing workers compensation policies
- Network with top agent and company leaders
- Earn Continuing Education Credits

To register and for more details, visit www.wci360.com/conference.

Join NCCI for Our Agent Education Workshops

NCCI invites agents to earn three continuing education credits by attending a free half-day agent education workshop. Get an overview on workers compensation trends, and learn how to classify and use the appropriate resources and understand the experience rating process.

What You'll Learn: Practical day-to-day information to assist in classifying and insuring a business, including:

- **Workers Compensation Economic Overview and Trends**—Learn the role of a rating organization, get an overview of the workers compensation market, and hear about changes in the job market from an insurability perspective.

- **How to Classify and Use the Appropriate Resources**—Find out how to ensure that the appropriate premium is being charged for workers compensation coverage. Gain a better understanding of the classification process, workers compensation rules, the process for submitting a residual market application (applicable in NCCI residual market states—Nevada and Tennessee workshops), and the available premium pricing programs that can assist agents in achieving their professional obligation. Discover tools and information to assist in researching classifications and rules.
- **Experience Modifications: Understanding, Managing, and Other Helpful Information**—Explore the role of experience rating and associated rules for modifying premium and the impact of frequency versus severity in the calculation of an experience rating modification factor. Learn about ownership changes, the impact to experience rating calculations, and the steps that an insured can take to improve its loss experience. Learn about tools to assist in calculating experience ratings for an employer.

[Register now](#) for one of our upcoming workshops.

NCCI's Annual Issues Symposium Explored The System@Work

NCCI held its *Annual Issues Symposium (AIS)* May 17–19, in Orlando, FL. This year's event opened with NCCI President and CEO Bill Donnell emphasizing the importance of staying relevant during times of constant change. The 900-plus attendees heard him speak of the evolving workplace, new technologies, and industry disruptors. He emphasized strategies for the workers compensation industry to remain relevant by ensuring a healthy and balanced system for workers and employers alike.

Continuing an *AIS* tradition, Donnell revealed this year's word, "Adapting," to describe the path forward for the workers compensation industry to successfully advance in today's change-driven environment.

"The workers compensation system remains as relevant today as it did more than 100 years ago because throughout its history it has successfully adapted," Donnell said.

Donnell shared key indicators of industry results. Preliminary 2016 private carrier net written premium increased to \$40.1 billion, and the preliminary 2016 pretax operating gain percentage is 18%.

"At NCCI, it is our mission to foster a healthy workers compensation system," Donnell continued. "We provide data, insights, tools, and services as a source that stakeholders can trust in the industry."

"To expand on the value we deliver, we are in the process of undertaking new research to even further benefit our stakeholders," he added.

Donnell concluded his address with a call to action, focused on communicating the industry's many successes, expanding Thought Leadership, embracing emerging industry trends, and picking up the pace to enable the industry to remain "real-time relevant"—all the while retaining the system's delicate balance.

Following Donnell's remarks, NCCI's Chief Actuary Kathy Antonello delivered the company's highly anticipated **State of the Line Report**, which gave the audience a detailed description of 2016 industry results, market indicators, trends, and 2017 insights.

"The workers compensation underwriting results for 2016 were very strong, especially relative to other property and casualty lines of business," Antonello said. "A decline in frequency, paired with increases in indemnity and medical severity, contributed to a preliminary combined ratio of 94%. While faced with continued, historically low interest rates, the industry seems to be responding with diligence on the underwriting side."

The program featured expert speakers presenting on the top issues in workers compensation. To view videos and presentations from *AIS* please visit the [AIS 2017 Highlights](#) page on [ncci.com](#).

NCCI's State of the Line Highlights Key Indicators of the Workers Compensation Industry

NCCI released its highly anticipated annual *State of the Line Guide* (PDF), the industry's most extensive workers compensation market analysis.

As presented in this year's *State of the Line Report*, the workers compensation Calendar Year 2016 combined ratio for private carriers was 94%. This is the second consecutive year the industry has posted a six-point underwriting gain. Total market net written premium volume remained steady between 2015 and 2016 at \$45.5 billion.

"The workers compensation underwriting results for 2016 were very strong, especially relative to other property and casualty lines of business," said NCCI Chief Actuary Kathy Antonello. "A decline in frequency, paired with increases in indemnity and medical severity, contributed to a preliminary combined ratio of 94%. While faced with continued, historically low interest rates, the industry seems to be responding with diligence on the underwriting side."

On an accident year basis, the industry-reported 2016 workers compensation combined ratio was 98%.

Other market indicators and trends highlighted in NCCI's 2017 *State of the Line Report* include:

- **The overall reserve** position for private carriers improved in 2016. NCCI estimates the year-end 2016 reserve position to be a \$5 billion deficiency—down from \$7 billion in 2015. Estimated reserve redundancy in Accident Year 2016 contributed to this reduction.
- **Average lost-time claim frequency across NCCI states** declined by 4% in 2016, on a preliminary basis.
- **In NCCI states, the preliminary Accident Year 2016 average indemnity claim severity** increased by 3% relative to the corresponding 2015 value. For medical, the preliminary average lost-time claim severity increased by 5% relative to that observed in 2015.
- **The workers compensation Residual Market Pool premium volume** remained flat between 2015 and 2016, and the average residual market share remained stable at 8%. The latest NCCI data shows that total residual market premium declined in the first quarter of 2017 compared with the first quarter of 2016.

For more information about NCCI's *State of the Line Report*, please visit ncci.com or contact NCCI via email at stateoftheline@ncci.com.

NCCI's Quarterly Economics Briefing (QEB) Addresses the Impact of Automation on Employment

NCCI's *QEB* reports on four key economic factors impacting workers compensation: employment, wages, medical costs, and interest rates. In addition, the Drilling Down section offers new research and insight on selected topics of current interest.

In the second quarter issue, the *QEB* begins a two-part analysis of how automation may potentially transform the structure of the labor force.

During the 20th century, automation largely impacted routine tasks, contributing to significant shifts in agriculture and manufacturing employment. Recent advances in artificial intelligence and robotics mean that automation is expanding to nonroutine tasks and impacting all economic sectors.

QEB also discusses labor force automation in a historical context, explains why the potential for automation today is expanding, and reviews several recent studies that have attempted to quantify automation's potential impact across occupations and economic sectors. A follow-up report will present scenarios for the potential impact of automation on the US labor market, addressing what might happen to workers in economic sectors impacted by automation and how the distribution of employment across economic sectors may change because of it. Visit the **Industry Information/Research** section of ncci.com for the full report.

NCCI's Filing Update

NCCI's 2017 filing cycle has concluded with the following rate and loss cost results for our annual filings. We have also received approval of two off-cycle law filings, as proposed.

Summary of Loss Cost Proposal Filings

- Number of proposals: 36
- Increases: 1
- Decreases: 35
- Approved by state regulators: 36
- Pending: 0
- Law filings: 2

Learn How to Analyze Risks Using Riskworkstation™

Want to learn how to analyze risks quickly and make sound underwriting decisions? Watch a free webinar to learn how *Riskworkstation™* allows you to access mods, worksheets, *Contracting Classification Premium Adjustment Program (CCPAP)* factors, and *RiskSnapshot®* reports to aid in your risk evaluation.

Riskworkstation™ offers a variety of options for getting essential information about a business. You can:

- **Analyze Mods and Losses**—Get essential information for evaluating a risk, including experience rating mods and worksheets, *RiskSnapshot®* reports, test mods, or **CCPAP** factors
- **Classify a Risk**—Get more details on a risk and validate information using *IRMI's Classification Cross-Reference Guide*, *Best's Underwriting Guide*, NCCI's Quick **Scopes®**, and NCCI's **Risk History Report**
- **Create Test Mods**—Use real-time calculations for "what-if" scenarios
- **Receive Notifications**—Get alerts when updates are made to experience ratings, **CCPAP** factors, and IRMI guides
- **Access Quick Rates**—Provides fast access to state-approved rates and loss costs
- **Get Quick Mods**—Provides current mods for up to 20 Risk IDs at one time

Learn about recent upgrades to *Riskworkstation™* and more in the [webinar](#) on [ncci.com](#).

Our System at Work

Our website, [ncci.com](#), now features success stories where injured employees return to work. Every time an employee successfully returns to work after an injury, it's a success for the entire workers compensation system. NCCI—with the participation of insurers, employers, state-supported programs, and employees—is sharing stories of how our system works effectively when we collaborate for a positive outcome. Each story is different, but all the stakeholders share a common goal—to help injured workers recover and successfully return to work.

Read the [series of articles](#) on [ncci.com](#). Have a return-to-work story to share? Contact us at marketingcommunications@ncci.com.

NCCI's Classification Inspection Program—Top Five Reclassified Codes in 2016

NCCI continuously conducts classification inspections in all NCCI states as one of our core services. NCCI's Classification Inspection Program monitors the accurate and consistent application of the classification system, thereby maintaining its overall integrity.

NCCI identifies the top five reclassified classification codes, which in past reports were based on an analysis of inspections completed within the prior three years. The term "reclassification" refers to the governing class code changes reflected on an NCCI Inspection & Classification Report. According to Rule 1-B-5 of NCCI's **Basic Manual for Workers Compensation and Employers Liability Insurance (Basic Manual)**, the governing code is the classification at a specific job or location (other than a standard exception code) that produces the greatest amount of payroll.

NCCI's 2016 report focuses on the top five reclassified codes for the prior year, based on an analysis of inspections completed in 2016 in all NCCI states. This provides a snapshot of the most current year's inspection information. NCCI has identified the top five classification codes that are most commonly reclassified, as well as the classification codes into which employers are typically moved (in order of frequency).

NCCI's **Basic Manual** Rule 1—Classification Assignment provides instructions on how to classify businesses. Please refer to NCCI's **Basic Manual** for the full list of rules and classifications, along with any state exceptions.

The top five reclassified codes are:

- 8017—Store—Retail NOC
- 8810—Clerical Office Employees NOC
- 9082—Restaurant NOC
- 8018—Store—Wholesale—NOC
- 9014—Janitorial Services by Contractors—No Window Cleaning Above Ground Level & Drivers

Read the [full article](#) on [ncci.com](#) for an explanation of why and how these codes are reclassified.

If you have any questions or would like to order a classification inspection, please contact our Customer Service Center at 800-NCCI-123 (800-622-4123) or email us at customer_service@ncci.com. We're here to assist you Monday-Friday, 8:00 a.m.–8:00 p.m. ET.

Invitation to NCCI's State Advisory Forums

NCCI will conduct several **State Advisory Forums** in the coming months. The meetings are designed to promote education and provide a greater understanding of national and state workers compensation issues, including:

- Proposed/enacted state and federal legislation
- State system cost drivers
- NCCI studies and economic information
- The residual market

The content of each forum is tailored to the state where the meeting is held. There is no charge to attend these forums, but reservations are required. Visit [ncci.com](#) for the 2017 **State Advisory Forum** schedule and registration information.

Support Kids' Chance

Kids' Chance is a national organization that provides scholarships to children of injured workers. In May, the organization celebrated its 10th anniversary at the Kids' Chance of America Annual meeting in Alexandria, VA, and also participated in NCCI's **Annual Issues Symposium (AIS)** held May 17–19, in Orlando, FL.

NCCI is a proud Kids' Chance supporter and partnered with the organization at **AIS** so that the more than 900 attendees, all members of the workers compensation industry, could learn more about it. An article on the Kids' Chance website noted: "The NCCI team proudly displayed their Kids' Chance pins, both on and off the stage, further reinforcing the strong Kids' Chance culture prevalent at NCCI. And, to further share the passion of Kids' Chance, NCCI produced a video that was shown during the afternoon session. Thank you to everyone at NCCI who made this event 'Kids' Chance proud!'"

Watch NCCI's [Kids' Chance video](#) and visit www.kidschance.org to learn how you can help.