

Item Filing E-1409—What's Changing and Why

NCCI recently completed a comprehensive multiyear evaluation of the Experience Rating Plan (Plan) methodology and performance. Here are the underlying Plan components proposed for updates as part of the filing:



WHAT'S CHANGING?

WHY?

SPLIT POINT

Will differ by jurisdiction to better reflect state cost differences

Most values NCCI calculates already differ by state (such as loss costs and Expected Loss Rates). Having the split point reflect state cost differences not only makes it more consistent with other rating values but also improves accuracy.

STATE PER CLAIM ACCIDENT LIMITATION (SAL)

Will equal the 95th percentile of lost-time claims by state and generally decrease in magnitude

The new SALs make experience rating modifications less sensitive to large claims without sacrificing accuracy. This change also promotes year-to-year stability.

CREDIBILITY PARAMETERS

Recalibrated with more recently available data

NCCI uses credibility parameters in the calculation of the weighting values and ballast values in the experience modification calculation. NCCI updated the parameters to improve equity within the Experience Rating Plan.

OTHER CHANGES

G value—NCCI will adjust this measure of average severity to reflect the application of the SAL and reduction to medical-only loss dollars, where applicable. Updated G values will increase consistency with other Plan parameters.

Discount ratio (D-ratio)—Used in the calculation of expected excess losses, the D-ratio will no longer differ for class codes in the same hazard group. This simplification eliminates unnecessary complexity in the calculation and promotes year-to-year stability in D-ratios.