



# Experience Rating Update

Fall 2014

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### Better Data Reporting Equals Efficiency of Experience Rating

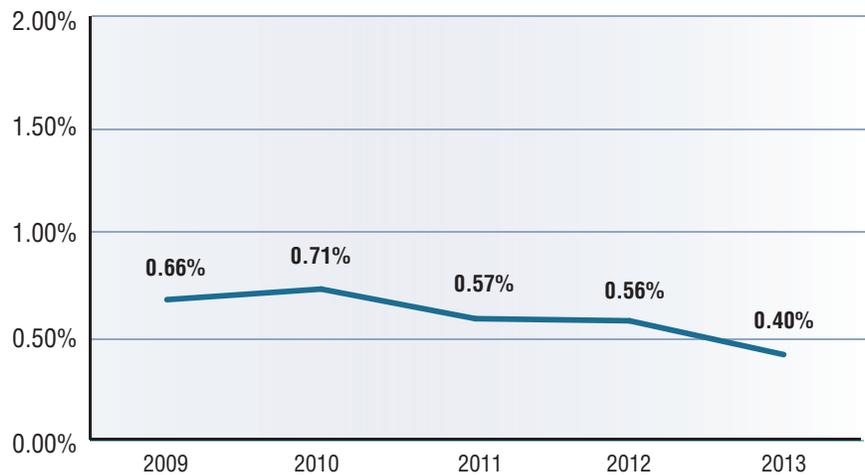
NCCI produces experience rating modification factors according to its ***Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance (Experience Rating Plan Manual)***. In 2013, NCCI produced more than 1 million initial ratings and subsequent revisions for about 650,000 insureds.

The more unit and/or policy information NCCI has on hand for the production of the experience rating modification factor, the more complete the snapshot of the insured's experience (payroll and losses) will be for the reporting period. If not all of the data is available

for an insured, a contingent rating can be produced if it meets the requirements according to the ***Experience Rating Plan Manual***. The exception is Oregon, which does not allow the application of contingent experience rating modifications. When the insured's missing data is later reported (within approved ***Experience Rating Plan Manual*** rules), NCCI revises and redistributes the experience rating modification factor.

Thanks, in part, to the prompt reporting of quality data over the past several years, the percentage of contingent ratings at rating effective date (RED) has remained low, as illustrated in the chart below.

### Percentage of Ratings Contingent at RED

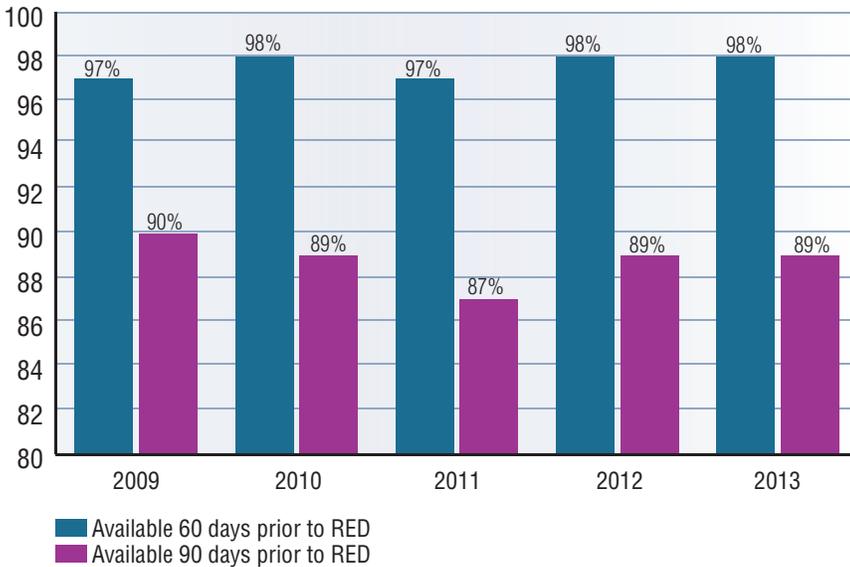


Experience Rating Update:  
**CELEBRATING**  
**10** YEARS  
 OF PROVIDING  
 EXPERIENCE RATING-RELATED  
 INDUSTRY INFORMATION

NCCI is the nation's most experienced provider of workers compensation insurance information. We gather data, analyze industry trends, and prepare 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.

The next chart shows how improved data availability over the years has positively impacted experience rating production.

### Percent of Ratings Available Prior to the RED



### Preliminary vs Final Mod

Generally, NCCI proposes changes annually to the following in each state: Expected Loss Rates and D-Ratios, Split Point, Manual Rates, Loss Costs, Weights, and Ballasts. These rate filings have a proposed filing effective date. Many experience rating and rate-based products use this information, including experience rating modifications (mods). Once a state has approved the rate filing and effective date, it is available for use on these products.

Mods are typically produced months in advance of the rating effective date. If regulatory approval of the experience rating values is still pending, the mod has a status of *preliminary*. This means that it is using the prior year's rating values to calculate the mod factor.

Once the updated rate filing has been approved, the mods are revised to reflect the updated rating values to become *final* mods.

If a mod is interstate, it will become *final* when the pending rate filings for all states on the rating have been approved. For example, if the mod contains payroll and loss data for Florida, Louisiana, Alabama, and Georgia but only the Florida rate filing is approved, the mod will not become *final* until the other three states' rate filings have been approved. Then the *final* mod will be issued.

### When Will a Mod Factor Be Revised?

NCCI's *Experience Rating Plan Manual* dictates that the current, and, in most cases, two prior mods, must be revised under certain circumstances.

Here are some of the reasons why mods are revised:

1. Experience rating mods are developed and distributed months in advance of the rating effective date. There could be occasions when a rating is produced before a state has approved the upcoming rate changes. In those instances, NCCI will still calculate the mod as preliminary, using the prior approved rating values. Once that state has approved the new rating values, the mod will be revised to reflect those changes resulting in a final mod.
2. NCCI's *Statistical Plan* identifies instances where it would be necessary for the data provider to submit correction reports. If a correction report is submitted for any unit report at the 1st, 2nd, or 3rd report level, NCCI will recalculate the mod to include the updated payroll and loss data.
3. In a small number of instances, ratings are produced that are missing some of the expected payroll and/or loss data. In these instances, the rating is produced as contingent. Once the missing data is submitted, the mod will be recalculated to include the payroll and loss data.
4. Changes in ownership could result in adding or removing payroll and loss data, and, therefore, warrant revision to the mod. For more information about ownership and the ERM-14 form, please watch the Webinars on Demand, [Basics of Experience Rating Ownership](#) and [How to Complete the ERM-14 Form](#).

5. When a classification assigned to a risk is revised other than as a result of a change in risk operations, the mod may be recalculated by the rating organization. The purpose of such recalculation is to produce a mod factor using rating values that correspond to the rates charged on a policy.
6. In states with Master Policy Employee Leasing Arrangements, a revision to the mod is necessary when a client discontinues its arrangement with a Professional Employer Organization (PEO). A transfer of payroll and loss data from a PEO's mod to the mod of a former client may be necessary.

## Discover the New Riskworkstation™

**Riskworkstation™** has new features, a fresh new look, and a streamlined user experience. It even has a mobile-friendly format that allows you access to the tool from anywhere!

Here are some of the new features of **Riskworkstation™**:

- **Streamlined mods and worksheets:**
  - See the five most recent rating effective dates on one screen
  - Order mods and worksheets from the same screen, with clearly displayed pricing
  - Quickly retrieve all of your last business day's purchases
- **New "Quick Tools"**—Easily order multiple mods, research class codes, and get rates from every screen
- **New Notification Options**—Benefit from new alerts for mods/worksheets, **CCPAP** factors, and International Risk Management Institute (IRMI) Guides

- **Completely Redesigned Test Mod** with helpful new features:

- Upload data directly from a spreadsheet into your test worksheet
- Reduce losses by an amount that you select
- Merge worksheet data from different businesses into a single worksheet
- Use real-time calculations to see how much you'd save if you lowered your losses
  - New loss-free calculation with each test mod
  - New Loss Analysis Report that provides mod changes with incremental increases and decreases in losses
- **Enhanced RiskSnapshot® Report**—Replaced Dun & Bradstreet information with 10 years of more detailed mod history
- **Enhanced Risk History Report**—Increased payroll information from three years to five years, and added a new indicator for claims less than \$100

Learn more by viewing the new [Riskworkstation™ Webinar on Demand](#) and the new [Test Mods—Webinar on Demand](#).

## Explore the New Manuals Library

Discover NCCI's new and improved online **Manuals Library**, which offers you instant access to the latest updates without the cost and upkeep of hard copy manuals. Enjoy a new look and a streamlined user experience. The **Manuals Library** even has a new mobile-friendly format that allows you access to the tool from anywhere!

### Designed With You in Mind

Here are some features of the improved online **Manuals Library**:

- Access all manuals on one screen for easier navigation through the library and a more intuitive user experience
- New Table of Contents (TOC) on the left side of the screen always lets you know where you are
- New "Show Historical TOC" function allows you to choose current or historical views of each manual's TOC
- New state filter lets you customize your view to include only the states you choose
- More content on each page for easier reading

- New format within NCCI's **Scopes® Manual** and **Forms Manual** allows you to filter content by year, state, or category
- New search function isolates your search to the manual you're in
- Improved print experience—view and print only the pages you want
- View earlier versions of manual content with “Previous Updates”

Learn more by viewing the new [Manuals Library—Webinar on Demand](#).

## Enhance Your Workers Compensation Knowledge

The **Education** section of [ncci.com](#) provides learning material that will enhance your workers compensation knowledge. NCCI's Webinars on Demand modules allow you to benefit from the same type of training that's provided in a live Web session—at your convenience. Access the **Complete List** of educational materials to learn about the fundamentals of workers compensation. The webinars under this title include topics on experience rating, classification, and ratemaking.

To find educational modules that explain experience rating core functions and services, select the

The screenshot displays the NCCI Manuals Library interface. On the left is a navigation tree with categories like 'Underwriting Manuals', 'National', 'Rules', 'Appendix', 'States', 'User's Guide', 'Rates/Loss Costs', 'Alphabetical Index', 'Forms Manual', 'New Mexico Assigned Risk Pool Manual', 'Retrospective Rating Plan Manual 2009 Edition', 'Scopes Manual', 'Servicing Carrier Reference Guide 2010 Edition', 'Data Manuals', 'Reference Manuals', and 'Previous Editions'. The 'Experience Rating Plan Manual 2003 Edition' is selected. The main content area shows the title 'Experience Rating Plan Manual—2003 Edition', a 'Rules' section, and 'Rule 1—General Explanations'. It includes an effective date of '01 Dec 2003 12:00:01' and a sub-section 'A. Experience Rating' with a detailed explanation of how experience rating works. Below this is 'B. Mandatory Plan' with a list of exceptions for states GA, IL, NM, NC, and WV. A 'View Previous Updates' button is visible at the bottom right of the content area.

**Experience Rating** category. The Experience Rating webinars are designed to be viewed in 30 minutes or less.

[Experience Rating Webinars on Demand](#) are available on these topics:

- Basics of Experience Rating
- Advanced Experience Rating
- How to Understand Your Experience Rating Worksheet
- Basics of Ownership
- How to Complete the ERM-14 Form
- Contracting Classification Premium Adjustment Program (CCPAP)
- **Riskworkstation™**
- The New Online Manuals Library

Check out the latest educational modules on [ncci.com](#) as well as another useful resource, the [ABCs of Experience Rating](#) brochure.