Maine
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Justin_Moulton@ncci.com
860-969-7903

Jim_Davis@ncci.com
561-893-3097
Maine State Advisory Forum

- Countrywide Workers Compensation System
- Maine’s Workers Compensation System and Filing Activity
- Guest Speaker—Paul Sighinolfi, Executive Director/Chairman, Maine’s Workers’ Compensation Board
- Countrywide and Maine Labor Markets
- Legislative Issues
- Emerging Issue: 2017 Medical Marijuana Update
- Closing Remarks
Countrywide Workers Compensation (WC) System—An Overview

- After five years of growth, premium is flat in the most recent year
- The combined ratio continues to show favorable results
- Frequency declined again at the latest point
- Medical and indemnity severity increased modestly
Traditional WC net written premium presented through calendar year as of 2016:

- WC net written premium by private carriers and state funds.

Source: NAIC's Annual Statement data; 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.
WC Direct Written Premium (DWP) Change by Component
Private Carriers—NCCI States

Change in Direct Written Premium: 0.0%

<table>
<thead>
<tr>
<th>Component</th>
<th>2016 vs. 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll</td>
<td>+4.0%</td>
</tr>
<tr>
<td>Loss Cost and Mix</td>
<td>-2.7%</td>
</tr>
<tr>
<td>Carrier Discounting</td>
<td>-1.4%</td>
</tr>
<tr>
<td>State Fund Conversion to Private Carrier</td>
<td>+1.0%</td>
</tr>
<tr>
<td>Other Factors</td>
<td>-0.8%</td>
</tr>
</tbody>
</table>

Sources: DWP Change: NAIC’s Annual Statement Statutory Page 14 for all states where NCCI provides ratemaking services
Components: NCCI’s Policy data
Increases in Payroll Continue to Drive Premium Growth
Forecast Change 2015–2016

Sources: Moody’s Analytics and NCCI
WC Approved Changes in Bureau Premium Level
By Effective Year for NCCI States

Source: NAIC’s Annual Statement Statutory Page 14
Bureau premium level changes reflect approved changes in advisory rates, loss costs, assigned risk rates, and rating values, relative to those previously approved in NCCI states only.
IN and NC are filed in cooperation with state rating bureaus.
WC Impact of Discounting on Premium
Private Carriers—NCCI States

p Preliminary
Sources: NAIC’s Annual Statement Statutory Page 14 and NCCI’s Financial Call data
NCCI benchmark level does not include a profit and contingency provision or expense constant
Based on data for all states where NCCI provides ratemaking services, excluding TX
WC Impact of Discounting on Premium
Private Carriers—NCCI States

Dividends

Schedule Rating

Rate/Loss Cost Departure

Policy Year

<table>
<thead>
<tr>
<th>Year</th>
<th>95</th>
<th>96</th>
<th>97</th>
<th>98</th>
<th>99</th>
<th>00</th>
<th>01</th>
<th>02</th>
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<th>07</th>
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<th>09</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
<th>14</th>
<th>15</th>
<th>16p</th>
</tr>
</thead>
</table>

p Preliminary
Sources: NAIC’s Annual Statement Statutory Page 14 and NCCI’s Financial Call data
Dividend ratios are based on calendar year statistics
NCCI benchmark level does not include a profit and contingency provision or expense constant
Based on data for all states where NCCI provides ratemaking services, excluding TX
WC Combined Ratio—Underwriting Gain Achieved
Private Carriers

Percent

Calendar Year

95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16

p Preliminary
Source: NAIC’s Annual Statement data
WC Combined Ratio Components
Private Carriers

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Loss Ratio</th>
<th>Underwriting Expense Ratio</th>
<th>Loss Adjustment Expense (LAE) Ratio</th>
<th>Dividends</th>
</tr>
</thead>
<tbody>
<tr>
<td>95</td>
<td>54</td>
<td>25</td>
<td>14</td>
<td>1</td>
</tr>
<tr>
<td>96</td>
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</tr>
<tr>
<td>16p</td>
<td>53</td>
<td>25</td>
<td>14</td>
<td>1</td>
</tr>
</tbody>
</table>

p Preliminary
Source: NAIC’s Annual Statement data
WC Net Combined Ratios

Calendar Year vs. Accident Year As Reported
Private Carriers

Percent

<table>
<thead>
<tr>
<th>Year</th>
<th>Calendar Year</th>
<th>Accident Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>90</td>
<td>90</td>
</tr>
<tr>
<td>2008</td>
<td>90</td>
<td>90</td>
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<td>96</td>
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<tr>
<td>2015</td>
<td>94</td>
<td>96</td>
</tr>
<tr>
<td>2016p</td>
<td>98</td>
<td>98</td>
</tr>
</tbody>
</table>

p Preliminary
Source: NAIC’s Annual Statement data
Accident Year information is reported as of 12/31/2016
Includes dividends to policyholders
WC Lost-Time Claim Frequency
Change in Lost-Time Claims per $1M Pure Premium
Private Carriers and State Funds—NCCI States

2010 and 2011 adjusted primarily for significant changes in audit activity
p Preliminary based on data valued as of 12/31/2016
Source: NCCI’s Financial Call data, developed to ultimate, premium adjusted to current wage and voluntary pure premium level, excludes high-deductible policies; based on data through 12/31/2015
Values displayed reflect the methodology underlying the most recent rate/loss cost filing
Includes all states where NCCI provides ratemaking services; WV is excluded through 2011
WC Average Indemnity Claim Severity
Private Carriers and State Funds—NCCI States

Severity ($ Thousands)

<table>
<thead>
<tr>
<th>Accident Year</th>
<th>Severity</th>
</tr>
</thead>
<tbody>
<tr>
<td>95</td>
<td>$10.0</td>
</tr>
<tr>
<td>96</td>
<td>$11.5</td>
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<tr>
<td>97</td>
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<td>15</td>
<td>$40.0</td>
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<tr>
<td>16p</td>
<td>$41.5</td>
</tr>
</tbody>
</table>

+ Preliminary based on data valued as of 12/31/2016
Source: NCCI’s Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2015
Values displayed reflect the methodology underlying the most recent rate/loss cost filing
Includes all states where NCCI provides ratemaking services; WV is excluded through 2007
Relative Growth Rates—Indemnity Severity vs. Wage Inflation
Private Carriers and State Funds—NCCI States

Change in Overall Indemnity Severity

1995 to 2001
+65%

2002 to 2008
+34%

2009 to 2016p
+19%

Change in Indemnity Severity in Excess of Wage Inflation

+32%

+25%

+7%

-12%

Change in Wage Inflation

+33%

+9%

+7%

p Preliminary based on data valued as of 12/31/2016
Sources: Severity: NCCI’s Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2015
Values displayed reflect the methodology underlying the most recent rate/loss cost filing
Includes all states where NCCI provides ratemaking services; WV is excluded through 2007
WC Average Medical Lost-Time Claim Severity

Private Carriers and State Funds—NCCI States

Severity
($ Thousands)

Accident Year

95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16p

$27.7  $29.1
-1.4% +5%

$231

p Preliminary based on data valued as of 12/31/2016
Source: NCCI’s Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2015
Values displayed reflect the methodology underlying the most recent rate/loss cost filing
Includes all states where NCCI provides ratemaking services; WV is excluded through 2007
Changes in Medical Lost-Time Claim Severity by Component
Private Carriers and State Funds—NCCI States

<table>
<thead>
<tr>
<th>Year Period</th>
<th>Overall Medical Severity Change</th>
<th>Medical Utilization Component Change</th>
<th>Medical Price Component Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995 to 2001</td>
<td>+72%</td>
<td>+56%</td>
<td>+16%</td>
</tr>
<tr>
<td>2002 to 2008</td>
<td></td>
<td>+47%</td>
<td>+20%</td>
</tr>
<tr>
<td>2009 to 2016p</td>
<td></td>
<td></td>
<td>+14%</td>
</tr>
</tbody>
</table>

Preliminary based on data valued as of 12/31/2016
Sources: Severity: NCCI’s Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2015
Values displayed reflect the methodology underlying the most recent rate/loss cost filing
Includes all states where NCCI provides ratemaking services; WV is excluded through 2007
Centers for Medicare & Medicaid Services: Personal Health Care Chain-Weighted Price Index
Maine’s Workers Compensation System
Maine Workers Compensation System—An Overview

- Premium volume continues to increase
- Combined ratios show improvement
- Lost-time claim frequency has been relatively flat
- Indemnity and medical severities remain stable
Maine Workers Compensation Premium Volume
Direct Written Premium in $ Millions

Calendar Year

2007: 240.4
2008: 223.0
2009: 200.2
2010: 189.2
2011: 206.4
2012: 197.7
2013: 203.5
2014: 208.0
2015: 220.7
2016: 224.0

Source: NAIC’s Annual Statement data
Impact of Discounting on Workers Compensation Premium in Maine

Based on data through 12/31/2016
Dividend ratios are based on calendar year statistics
Maine Accident Year
Combined Ratios by Component

Sources: NCCI’s financial data through 12/31/2016 and NAIC’s Annual Statement data
Maine Workers Compensation
Lost-Time Claim Frequency
Percent Change in Lost-Time Claims

Cumulative Change of –28.4%

Based on NCCI’s financial data through 12/31/2016, developed to ultimate, and premium adjusted to common wage level
Maine Average Indemnity Claim Severity
Lost-Time Claim Severity in $ Thousands

Cumulative Change of +26.8%

Based on NCCI’s financial data through 12/31/2016, on-leveled and developed to ultimate
Maine Average Medical Claim Severity
Lost-Time Claim Severity in $ Thousands

Cumulative Change of +27.8% (2001–2015)

Based on NCCI’s financial data through 12/31/2016, on-leveled and developed to ultimate
Maine Filing Activity
Approved Voluntary Loss Cost Changes

<table>
<thead>
<tr>
<th>Date</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>4/1/2014</td>
<td>-7.7%</td>
</tr>
<tr>
<td>4/1/2015</td>
<td>2.6%</td>
</tr>
<tr>
<td>4/1/2016</td>
<td>0.1%</td>
</tr>
<tr>
<td>4/1/2017</td>
<td>-4.3%</td>
</tr>
<tr>
<td>4/1/2018</td>
<td>-12.0%</td>
</tr>
</tbody>
</table>
Maine April 1, 2018 Loss Cost Filing

<table>
<thead>
<tr>
<th>Category</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Loss Cost Level Change:</td>
<td>−12.0%</td>
</tr>
<tr>
<td>Change in Experience:</td>
<td>−8.5%</td>
</tr>
<tr>
<td>Change in Trend:</td>
<td>−4.2%</td>
</tr>
<tr>
<td>Change in Benefits:</td>
<td>0.2%</td>
</tr>
<tr>
<td>Change in All Other:</td>
<td>0.2%</td>
</tr>
</tbody>
</table>
Maine April 1, 2018 Filing—
Average Changes by Industry Group

Overall Change: −12.0%

Manufacturing: −12.8%
Contracting: −13.7%
Office & Clerical: −15.1%
Goods & Services: −10.4%
Miscellaneous: −11.0%
Current NCCI Voluntary Market Loss Cost/Rate Level Changes

Excludes Law-Only Filings

Reflects the most recent experience filing in each jurisdiction
Due to the timing of the individual loss cost/rate filings, the figures shown may include changes from prior filing seasons
A Cautionary Tale: The Danger of Comparing Average Loss Costs Across States
## Current Voluntary Market Rates/Loss Costs
Northeastern NAIC Zone

<table>
<thead>
<tr>
<th>State</th>
<th>Date</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pennsylvania</td>
<td>4/1/18</td>
<td>+0.70%</td>
</tr>
<tr>
<td>Delaware</td>
<td>12/1/17</td>
<td>–3.00%</td>
</tr>
<tr>
<td>District of Columbia</td>
<td>11/1/17</td>
<td>–3.0%</td>
</tr>
<tr>
<td>Vermont</td>
<td>4/1/18</td>
<td>–3.7%</td>
</tr>
<tr>
<td>New York</td>
<td>10/1/17</td>
<td>–4.5%</td>
</tr>
<tr>
<td>Rhode Island*</td>
<td>8/1/18</td>
<td>–4.6%</td>
</tr>
<tr>
<td>New Jersey</td>
<td>1/1/18</td>
<td>–5.1%</td>
</tr>
<tr>
<td>Massachusetts*</td>
<td>7/1/18</td>
<td>–11.1%</td>
</tr>
<tr>
<td>Maine</td>
<td>4/1/18</td>
<td>–12.0%</td>
</tr>
<tr>
<td>Maryland</td>
<td>1/1/18</td>
<td>–13.0%</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>1/1/18</td>
<td>–13.3%</td>
</tr>
<tr>
<td>Connecticut</td>
<td>1/1/18</td>
<td>–14.1%</td>
</tr>
</tbody>
</table>

*Pending
Current Average Voluntary Pure Loss Costs Using Maine Payroll Distribution

Pure Loss Cost—All Classes

Based on the latest NCCI approved rates and loss costs in the various states
Countrywide and Maine Labor Markets
# National Economic Highlights and Their Impact on Workers Compensation

<table>
<thead>
<tr>
<th>National Economic Indicator</th>
<th>Potential Impact on the Workers Compensation Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Slowing growth in private employment is expected to continue</td>
<td>Payroll and premium growth will also slow down</td>
</tr>
<tr>
<td>Wage growth is increasing and expected to accelerate</td>
<td>Upward pressure on payroll and premium growth as well as indemnity severity</td>
</tr>
<tr>
<td>Medical inflation is forecast to rise</td>
<td>Increases in medical costs per claim</td>
</tr>
<tr>
<td>Short-term interest rates have increased; longer-term rates are also expected to increase next year</td>
<td>Investment yields will increase across the spectrum of bond maturities</td>
</tr>
</tbody>
</table>
Change in Private Employment
Private Employment Growth Is Below Average

Year-on-year percentage change; employment is for Total Private Industry
Frequency of observation: quarterly; 2014 Q2–2017 Q2
Sources: US Bureau of Labor Statistics, Moody’s Analytics, and NCCI
Change in Average Weekly Wages
Wages Have Decreased

Year-on-year percentage change; wages are for Total Private Industry
Frequency of observation: quarterly; 2014 Q2–2017 Q2
Sources: US Bureau of Labor Statistics, Bureau of Economic Analysis, Moody’s Analytics, and NCCI
Private Industry Payroll Growth Decomposition
Payroll Growth Is Lower Than the Nation

Percent

-1 0 1 2 3 4

Maine United States

Payroll AWW
+2.6% +0.8% +1.7%

Employment
+1.0% +0.8%

-0.2%

AWW = Average Weekly Wage
2017 Q2 year-on-year percentage change
Sources: US Bureau of Labor Statistics, Bureau of Economic Analysis, Moody's Analytics, and NCCI
Change in Employment by Industry

Employment in Most Industries Has Increased in the Past Year

<table>
<thead>
<tr>
<th>Industrial Sector</th>
<th>Year-Over-Year Percent Change, 2017Q2</th>
<th>Sector Size</th>
<th>% Share</th>
<th>1-Year Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education and health services</td>
<td>ME +2.5, US +2.3</td>
<td>127,900</td>
<td>20</td>
<td>+3,100</td>
</tr>
<tr>
<td>Construction</td>
<td>ME +6.5, US +2.8</td>
<td>29,100</td>
<td>5</td>
<td>+1,800</td>
</tr>
<tr>
<td>Leisure and hospitality</td>
<td>ME +2.7, US +2.1</td>
<td>66,700</td>
<td>11</td>
<td>+1,700</td>
</tr>
<tr>
<td>Trade, transportation, and utilities</td>
<td>ME +0.5, US +0.6</td>
<td>121,300</td>
<td>19</td>
<td>+600</td>
</tr>
<tr>
<td>Government</td>
<td>ME +0.4, US +0.6</td>
<td>100,400</td>
<td>16</td>
<td>+400</td>
</tr>
<tr>
<td>Other services</td>
<td>ME +0.5, US +1.2</td>
<td>23,600</td>
<td>4</td>
<td>+100</td>
</tr>
<tr>
<td>Natural resources and mining</td>
<td>ME +2.6, US +2.9</td>
<td>3,400</td>
<td>1</td>
<td>+100</td>
</tr>
<tr>
<td>Information</td>
<td>ME −3.4, US −1.5</td>
<td>7,500</td>
<td>1</td>
<td>−300</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>ME −0.6, US +0.5</td>
<td>50,500</td>
<td>8</td>
<td>−300</td>
</tr>
<tr>
<td>Financial activities</td>
<td>ME −2.2, US +2.0</td>
<td>30,500</td>
<td>5</td>
<td>−700</td>
</tr>
<tr>
<td>Professional and business services</td>
<td>ME −1.8, US +3.1</td>
<td>64,200</td>
<td>10</td>
<td>−1,200</td>
</tr>
</tbody>
</table>

Employment numbers are rounded to the nearest hundred
Year-on-year percentage change; frequency of observation: quarterly; 2017 Q2
Sources: US Bureau of Labor Statistics, Moody’s Analytics, and NCCI
Maine’s Payroll Growth Decomposition by Sector

Employment Growth + AWW Growth ≈ Payroll Growth

-10%  0  +10%  -10%  0  +10%  -10%  0  +10%

- Education and health services
- Government
- Trade, transportation, and utilities
- Professional and business services
- Manufacturing
- Financial activities
- Leisure and hospitality
- Construction
- Other services
- Information
- Natural resources and mining

AWW = Average Weekly Wage
2017 Q2 year-on-year percentage change; sectors are in descending order by the volume of state payroll amounts
Sources: US Bureau of Labor Statistics, Bureau of Economic Analysis, Moody’s Analytics, and NCCI
Headline Unemployment Rate

Unemployment Rate Is Lower Than the National Rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Dec</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
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<td>2016</td>
<td>3.1</td>
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<td>3.2</td>
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<tr>
<td>2017</td>
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</tr>
</tbody>
</table>

US: 4.1%
ME: 3.0%

Percent

Headline Unemployment Rate, seasonally adjusted
Frequency of observation: monthly; latest available data point: December 2017
Maine’s Labor Market

- Maine’s unemployment rate is below the US rate

- Low payroll growth is because small employment gains were offset by slight decreases in wages
  - The largest payrolls in Maine showed little to no growth
  - Accounting for more than 10% of employment in the state, payroll in the Leisure and Hospitality sector grew from increases in both jobs and the wage rate

- Employment growth is below the US rate
  - Education and Health Services added the most jobs
  - Construction also added a large number of jobs and grew at the fastest rate
Countrywide, legislative activity has increased over prior years both in volume and content.

Regulation changes thus far concern medical cost management, claim handling, and effectuating enacted legislation.

Year to date, there have been about the same number of workers compensation-related cases at the state supreme court level as there were in 2016.

The 2016 general election resulted in a net gain for Republicans in state government, where they now control both chambers of the legislature and the governor’s office in 26 states.
2017 Workers Compensation Legislative Activity

As of 7/1/2017

0–10 Bills Introduced | 11–20 Bills Introduced | 21–30 Bills Introduced | More Than 30 Bills Introduced

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Key Workers Compensation-Related Themes in Introduced Legislation

- First Responder Presumptions
- Indemnity Benefits
- Medical Cost Management
- Definitions
Federal Legislative and Regulatory Issues Impacting the Workers Compensation System

- NCCI works with Congress and federal agencies to provide information regarding issues that impact the state-based workers compensation system.

- NCCI works closely with many federal agencies, including:
  - US Department of Labor (USDOL)
  - National Institute for Occupational Safety and Health (NIOSH)
  - Government Accountability Office (GAO)
  - US Department of the Treasury
Federal Emerging Issues

Regulation of Air Ambulance Services
 Sen. Jon Tester (MT) introduced legislation to provide state authority
 Federal Aviation Administration Reauthorization

Social Security Disability Insurance (SSDI) Reform
 SSDI Solutions Initiative recommendations
 Trump Administration SSDI Reverse Offset Proposal

Medicare Set-Aside (MSA) Reform
 Legislation to be introduced to bring greater efficiency to the MSA Process
 Congressional Budget Office scoring

Social Security Disability Insurance (SSDI) Reform

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Federal Aviation Administration
 Reauthorization

SSDI Solutions Initiative
 recommendations

Trump Administration
 SSDI Reverse Offset Proposal

Legislation to be introduced to bring greater efficiency to the MSA Process

Congressional Budget Office scoring
LD 848/HP 597—An Act To Support Law Enforcement Officers and First Responders Diagnosed with Post-traumatic Stress Disorder

- Enacted 7/24/2017
- Addresses mental injuries caused by mental stress
- Establishes a rebuttable presumption for first responders
- Requires a report to the legislature by 1/1/2022
Emerging Issue:
The Legalization of Marijuana and Its Impact on Workers Compensation
State Activity

Medical Marijuana

29

Plus Washington, DC have legalized medical marijuana

Recreational Marijuana

9

Plus Washington, DC have legalized recreational marijuana
Federal Activity

- **Federal level**—Marijuana is an illegal Schedule I drug under the Controlled Substances Act

- **August 2016**—The US Drug Enforcement Administration announced it will not reclassify marijuana

- **January 2018**—The US Department of Justice rescinded the former Administration’s policy guidance regarding federal intervention in states that have legalized marijuana
Employers can lawfully terminate workers for using marijuana outside of work hours even though the drug is LEGAL in the state.
An insurer **MUST reimburse** a “qualified” workers comp claimant for the cost of medical marijuana to treat low back pain.

Appealed to NM Supreme Court: Certiorari **denied**
An employer is required to **reimburse** a “qualified” claimant for medical marijuana if the drug is **reasonable** and **necessary** medical care for **treatment** of a work injury.

New Mexico Court of Appeals

*Maez v. Riley Industrial (2015); Lewis v. American General Media (2015)*
Connecticut Workers’ Compensation Commission Decision

Petrini v. Marcus Dairy, Inc. and Gallagher Bassett Service (2016)

Upheld the decision that the claimant’s use of medical marijuana for pain management of his “debilitating condition” constitutes reasonable and necessary medical treatment.
Maine WC Board Decisions (2016)

Maine WC Board:
- *Noll v. Lepage Bakeries, Inc. and Cannon Cochran Management Services*
- *Bourgoin v. Twin Rivers Paper Co., LLC and Sedgwick CMS*

A self-insured employer is to reimburse costs for “reasonable and proper” use of medical marijuana under the state’s WC and medical marijuana law.
Other Activity

- At least five states (Connecticut, Maine, Minnesota, New Jersey, and New Mexico) have allowed reimbursement for WC under certain circumstances
- Florida and North Dakota passed legislation in 2017 prohibiting payment of WC benefits for medical marijuana
- New Mexico
  - Adopted a fee schedule to provide for reimbursement of medical marijuana to injured workers—effective January 1, 2016
  - Introduced legislation (SB 371/HB 527) in 2017 requiring employers and carriers to pay for medical marijuana for injured workers; the legislation did not pass
Questions Raised by WC Stakeholders

- Is marijuana a safer alternative to opioids for pain management? Is it a less expensive alternative to other drugs?

- When a state legalizes marijuana, what is the potential impact on neighboring states?

- Should states consider fee schedules for marijuana (like New Mexico)?

- How are appropriate dosage levels determined?

- What is the impact on Medicare Set-Aside Allocations since marijuana is still illegal under federal law?
States are increasingly legalizing marijuana in some form for medical use.

Courts are increasingly dealing with contested cases of medical marijuana in the work environment.

Marijuana is still illegal under federal law and remains a Schedule I drug.
THE MARIJUANA CONVERSATION

A five-part series exploring marijuana’s impact on the workers compensation system.

Find it on ncci.com.
Closing Remarks
Total Benefit Costs in Maine

Regional states are CT, NH, RI, and VT
Based on NCCI’s financial data through 12/31/2016
Maine Indemnity and Medical Loss Ratios

Based on NCCI’s financial data through 12/31/2016 at current benefit level and developed to ultimate
What Drives Indemnity and Medical Loss Ratios?

Indemnity Loss Ratio (Loss/Premium) = \( \text{Frequency} \times \text{Indemnity Severity (Loss/Claim)} \)

Medical Loss Ratio (Loss/Premium) = \( \text{Frequency} \times \text{Medical Severity (Loss/Claim)} \)
Maine Claim Frequency

Based on NCCI’s financial data through 12/31/2016 adjusted to a common wage level
Maine Average Indemnity Claim Severity

Based on NCCI's financial data through 12/31/2016 for lost-time claims at current benefit level and developed to ultimate.
Maine Average Medical Claim Severity

Based on NCCI’s financial data through 12/31/2016 for lost-time claims at current benefit level and developed to ultimate.
Current Average Voluntary Pure Loss Costs Using Maine Payroll Distribution

Based on the latest NCCI approved rates and loss costs in the various states
Maine Average Claim Frequency
Frequency per 100,000 Workers—All Claims

Based on NCCI’s Statistical Plan data
Average Indemnity Claim Severity in the Region

Lost-Time Claim Severity in $ Thousands

- ME: 29.319 (PY 2013), 26.399 (PY 2014)
- CT: 31.883 (PY 2013), 31.271 (PY 2014)
- NH: 16.327 (PY 2013), 16.649 (PY 2014)
- RI: 22.096 (PY 2013), 22.056 (PY 2014)

Based on NCCI’s financial data
Average Medical Claim Severity in the Region

Lost-Time Claim Severity in $ Thousands

Based on NCCI’s financial data

<table>
<thead>
<tr>
<th>Region</th>
<th>PY 2013</th>
<th>PY 2014</th>
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<tbody>
<tr>
<td>ME</td>
<td>27.354</td>
<td>26.493</td>
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<tr>
<td>CT</td>
<td>29.886</td>
<td>27.325</td>
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<tr>
<td>NH</td>
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<td>RI</td>
<td>10.979</td>
<td>10.016</td>
</tr>
<tr>
<td>VT</td>
<td>31.693</td>
<td>30.781</td>
</tr>
</tbody>
</table>
Maine Distribution of Claims by Injury Type

Regional states are CT, NH, RI, and VT
Based on NCCI’s Statistical Plan data for jurisdiction/claim type combinations for which three or more cases exist

- **Medical Only**: 83%
- **Temporary Total**: 14%
- **Permanent Partial**: 3%
- **Fatal & Permanent Total**: 0%

**Region**
- **Medical Only**: 70%
- **Temporary Total**: 21%
- **Permanent Partial**: 9%
- **Fatal & Permanent Total**: 0%

**CW**
- **Medical Only**: 75%
- **Temporary Total**: 15%
- **Permanent Partial**: 10%
- **Fatal & Permanent Total**: 0%
Maine Indemnity Loss Distribution by Injury Type

Regional states are CT, NH, RI, and VT
Based on NCCI’s Statistical Plan data for jurisdiction/claim type combinations for which three or more cases exist

- **Maine**
  - Temporary Total: 46%
  - Permanent Partial: 51%
  - Permanent Total: 3%
  - Fatal: 3%

- **Region**
  - Temporary Total: 29%
  - Permanent Partial: 68%
  - Permanent Total: 2%
  - Fatal: 1%

- **CW**
  - Temporary Total: 33%
  - Permanent Partial: 57%
  - Permanent Total: 4%
  - Fatal: 6%
Maine Medical Loss Distribution by Injury Type

Regional states are CT, NH, RI, and VT
Based on NCCI’s Statistical Plan data for jurisdiction/claim type combinations for which three or more cases exist
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’s 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

Policy Expiration Date

Policy Year 2012

Policy Year 2013

Policy Year 2016

1/1/2012

1/1/2013

12/31/2013

1/1/2016

12/31/2016

Policy Effective Date
Calendar-Accident Year Financial Aggregate Data

Policy Expiration Date

1/1/2013 1/1/2014 12/31/2014 1/1/2017 12/31/2017

Calendar-Accident Year 2013
Calendar-Accident Year 2014
Calendar-Accident Year 2017

Policy Effective Date
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

- **Policy Effective**
- 1st Report Valuation: 18 Months
- 2nd Report Valuation: 30 Months
- 3rd Report Valuation: 42 Months
- 4th Report Valuation: 54 Months
- 5th Report Valuation: 66 Months