



Workers Compensation Insurance Overview

Presented by
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Overview of Presentation

- What is Workers Compensation Insurance?
- Workers Compensation Pricing and Classification
- Rate Filing Process
- Classification
- Connecticut statistics
- Questions
- Overview of NCCI's History, Services, and Industry Role
- Questions

Basic Principles of Insurance

Rationale:

- It is impossible to predict when (and to whom) losses may occur
- A single loss might conceivably be so large that a company or individual is unable to pay for it

Basic Principles of Insurance (cont'd)

How It Works:

- A contractual agreement (*policy*)
- Paid for by the insured (*premium*)
- Covers financial loss from specified causes, subject to specific limits

Economic Impact

- Insurance relieves uncertainty caused by the exposure to financial loss, freeing businesses to invest and expand
- Insurance companies are able to invest premiums collected (*subject to regulatory limitations*)

What is Workers Compensation Insurance

- Third party coverage
 - Policy covers employers' obligations to the injured worker under state law

- State act coverage
 - Benefits are determined by state laws and vary from state to state
 - Statutes
 - Regulations
 - Judicial decisions

- True no-fault coverage
 - Workers are covered for injuries or illness arising out of; or in the course of, their jobs; no lawsuits

Scope of Workers Compensation Coverage

- Varies according to jurisdiction
- Lost wage benefits paid in the event of:
 - Partial disability
 - Total disability
 - Death
- No fault

Workers Compensation Benefits

- Assures prompt payment to injured workers without regard to fault
 - *In exchange, workers may not sue to recover costs*
- Protects employers against the financial uncertainty of workplace accidents
 - *Provides an additional incentive for workplace safety and accident prevention*

Workers Compensation Pricing and Classification

- Employer classification
 - Different types of businesses, with different exposures to injury, are charged different rates according to the probability of workplace injuries

- Class codes
 - More than 600
 - Detailed in NCCI's **Scopes[®] Manual**

- Employer premium factors
 - Payroll
 - Manual rate
 - Expense constant
 - Minimum premium
 - Rate modifications

NCCI Rate and Loss Cost Filing Process in Connecticut

- NCCI prepares data on loss costs and files advisory Voluntary Loss Costs and Assigned Risk Rates for its members pursuant to Connecticut General Statutes §38a-665(a)
- Connecticut Insurance Department reviews in accordance with standards pursuant to §38a-665
- Public Comment period for 30 days
- Decision is rendered by Connecticut Insurance Commissioner

Classification



Classification System

- Purpose:
 - Group employers with similar operations into classifications so that:
 - The assigned classification reflects the exposures common to those employers
 - The rate charged reflects the exposure to loss common to those employers
- Subject to certain exceptions, it is the **business** of the employer within a state that is classified, not separate employments, occupations, or operations within the business

Classification Process

- **How are risks classified?**
 - Nature of the business
 - What does the employer do?
 - Location of the business
 - Individual states may have exceptions to the classification system based on location. Certain industries may have rules regarding classification and business location
 - Separate legal entities
 - This may effect whether an employer was eligible for more than one classification
 - Subject to class rule

Distribution of Overall Change to Industry Groups

The overall average change is distributed to industry groups and then to individual classes



CT Rates & Loss Costs



Loss Cost versus Full Rate

Losses



Full Rate



Current Voluntary Market Rates/Loss Costs Northeastern States

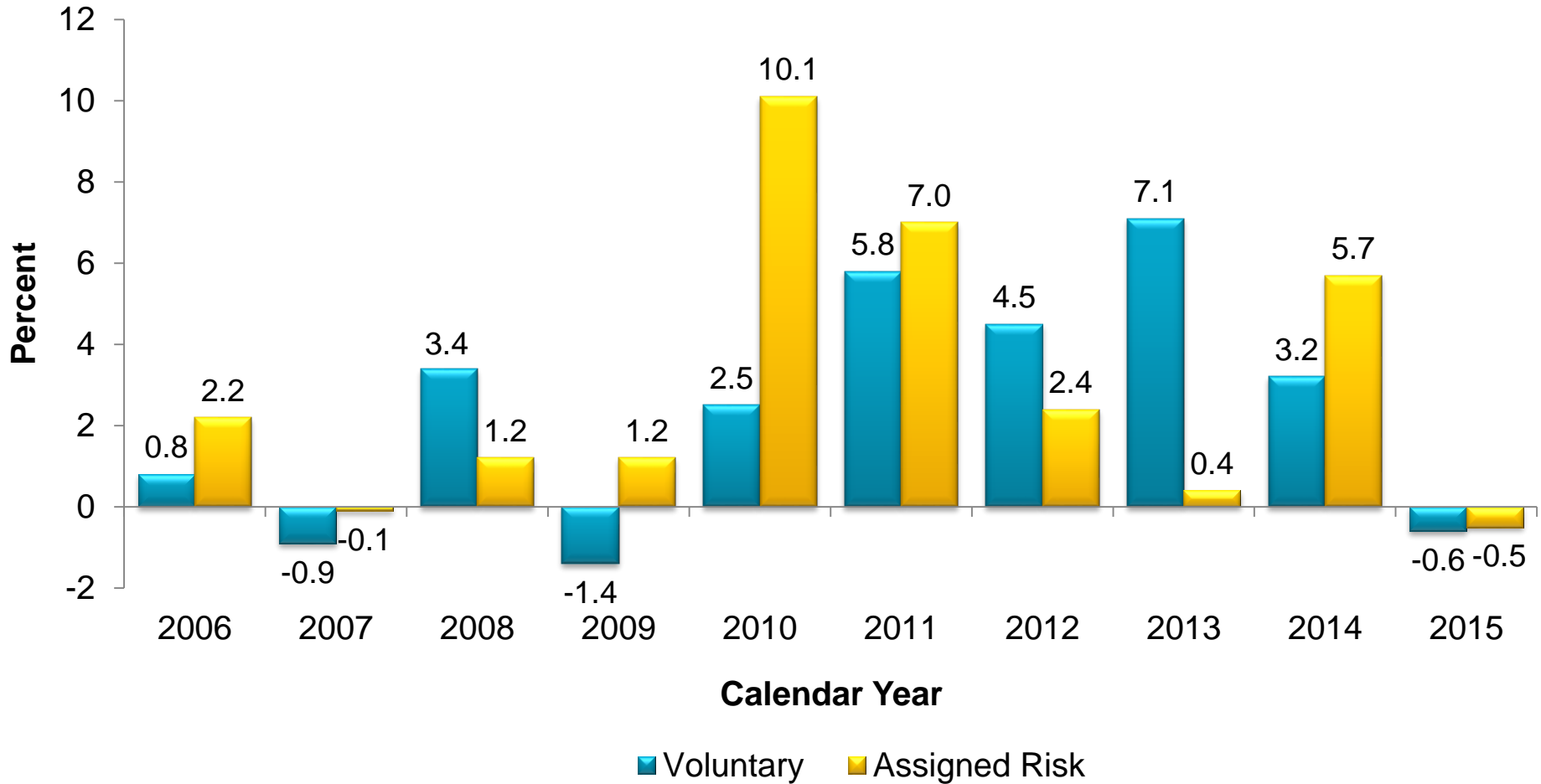
New York	10/1/13	+9.5%
New Jersey	1/1/15	+2.9%
Maine*	4/1/15	+2.6%
Rhode Island	8/1/14	+2.5%
Massachusetts	4/1/14	0.0%
Connecticut	1/1/15	-0.6%
New Hampshire	1/1/15	-5.9%
Vermont*	4/1/15	-5.6%

*Pending

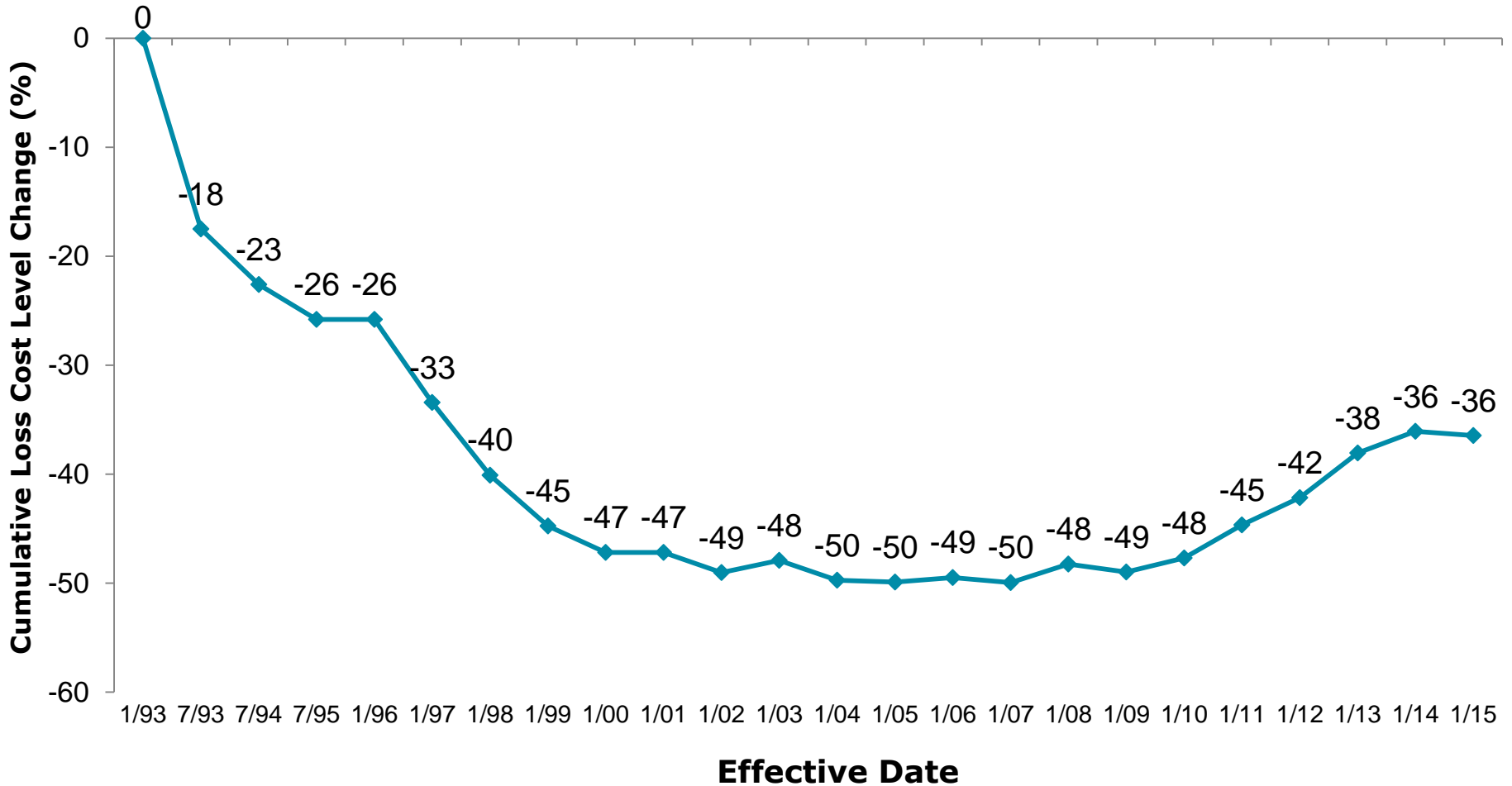


Connecticut Filing Activity

Voluntary Loss Cost and Assigned Risk Rate Changes



Connecticut Cumulative Loss Cost Level Change



Who is NCCI?



National Council on Compensation Insurance (NCCI)

- Established in 1922 to coordinate the interests of insurers with those of regulators and other public policy makers
- Operates under a not-for-profit philosophy
- Guided by the regulatory agencies in the jurisdictions where we are licensed or designated as statistical agent and/or rating/advisory organization (nearly 40)
- Over 900 employees nationwide
- Most experienced provider of workers compensation and employee injury data and statistics in the nation



NCCI's Core Services

- Statistical and compliance services
- Maintenance of the workers compensation infrastructure of classifications, rules, plans, and forms
- Tools for informed decision-making that extend and enhance traditional core offerings

NCCI's Role in Connecticut

Statistical Agent Services

- Collect and validate various types of data from all Connecticut workers compensation insurers
- Summarize data and provide reports

Advisory Organization Services

File of rates & rating values

- Produce experience ratings
- Develop/maintain uniform manual rules
- Share regulatory/legislative reform analysis

Proof of Coverage Vendor (Contract with CT WC Commission)

- Supply policy transaction information to CT WCC

Additional Products and Services Provided by NCCI

- Affiliations and licenses
- Bureau compliance reporting and proof of coverage (POC)
- Data management services
- Inspections and appeals
- Publications
- Experience rating and other risk management products



NCCI Resources



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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

Services & Tools

Industry Information

Data Reporting

Residual Markets

Events

Education

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).

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Questions?

