



PROFESSIONAL INSURORS
AGENCY, LLC

Who Is NCCI & What Do They Do?



National
Council on
Compensation
Insurance, Inc.

NCCI does lots of things. What they do can affect your Total Cost of Risk. According to their website:

“National Council on Compensation Insurance, Inc., based in Boca Raton, FL, manages the nation’s largest database of workers compensation insurance information. NCCI analyzes industry trends, prepares workers compensation insurance rate recommendations, determines the cost of proposed legislation, and provides a variety of services and tools to maintain a healthy workers compensation system.”

What they do affects the workers compensation rates for all employers in your class as well as your specific experience modifier (determined by your company’s claims), and impact of any legislative changes on rates in your state.

RATES OF YOUR BUSINESS:

To determine the rates for your business NCCI uses class codes based on what your employees duties are. More hazardous duties usually equal higher rates. For example, steel workers have a much higher rate than salespeople. Each business can have multiple class codes depending on the variety of duties their different employees



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RATES FOR YOUR BUSINESS (cont.)

perform. A Manufacturer may have a different class code for clerical, sales, drivers, and 2 more for each of two products they make. They look at the claims for all employees in that class in the entire state and compare to payroll in the class to determine a rate. They use actuaries for this.

YOUR EXPERIENCE MODIFIER

If your premium is over \$5,000 for the past few years or over \$10,000 in a single year, you are subject to being “experience rated” by NCCI. Every year you will receive a sheet from NCCI that has a bunch of numbers on it and looks similar to a spreadsheet. There is a complicated formula involved but basically the more claims you have the higher your modifier is. The modifier, often called “EMR” or “Mod”, is a multiplier applied to your premium. So if your modifier is 1.25, you get surcharged 25% and if it’s .75 you get a 25% discount. All insurance companies will apply your

experience modifier to your rates. If you are really into math here is a link that explains how they are calculated: “ABC’s of Experience Rating”, by NCCI.

IMPACT OF LEGISLATIVE CHANGES OR CASE LAW

NCCI will also determine how any legislation that affects workers compensation will ultimately affect the rates. These changes could result in immediate or future changes in the rates for your state. Changes that are perceived to change rates (such as a new law extending disability time) will be calculated by an actuary based on detailed information of past claims and a rate increase or decrease will often be applied immediately or in the future. Court cases that overturn this legislation or other court cases that are appealed above the workers comp court can also have an effect on the rates. In Oklahoma, key legislation was passed that had an immediate rate reduction. Over the next few months, many of these changes were



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challenged and defeated in appeals courts and therefore much of the rate decrease was reversed and rates were raised back up to almost where they were before.

You can see the effect NCCI has on your rates. It is funded by the member insurance companies that are members and through fees they charge for their data. Understanding this helps you better control your Total Cost of Risk.