



EXPERT UPDATE



Compliance Headlines from Henderson Brothers:

- The NCCI Split Point Changes



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Significant changes are on the horizon for states subscribing to the National Council on Compensation Insurance's (NCCI) workers compensation experience mod rating system. The NCCI recently announced that it will be making changes to the split point between primary and excess losses over the next several years. Many states will adopt the new rating method as early as January 1, 2013, where the split point is scheduled to increase from a \$5,000 cap on primary losses up to \$10,000.

What does this mean for employers? Employers with poor loss histories (e.g. frequent losses incurring more than \$5,000 per claim) will likely pay higher amounts of worker's compensation premiums. In unsophisticated terms, this translates to more claim dollars being counted against a company's experience mod factor, because those claim dollars will be wholly-rated as primary, instead of fractionally-rated as excess. The end result is that more of a company's claim dollars are attributed to its loss profile, experience mod ratings increase, and underwriters are influenced to assess higher premiums due to the increased risk.

How could an employer avoid such a fate? Employers who wish to keep their experience mod ratings stable need to reflect on their risk management practices and safety programs. The new NCCI rating will reward companies for keeping their losses to under \$5,000 total incurred per claim. Therefore, in order to get the best insurance pricing, employers should continue to work to improve their pre-loss safety policies, post-loss training procedures, and any modified-duty or return-to-work programs.

For more information on how the NCCI changes may specifically affect your workers compensation program, please contact your Henderson Brothers' representative. The NCCI announced that these changes will be premium neutral (e.g. the aggregate premium for all insureds will remain stable). However individual companies will experience varying impacts due to the changes. Therefore, if you would like to project how the changes will specifically impact your experience mod rating, Henderson Brothers would have to perform a more complete analysis as opposed to a cursory glance at your company's claims between \$5,000 and \$15,000.

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