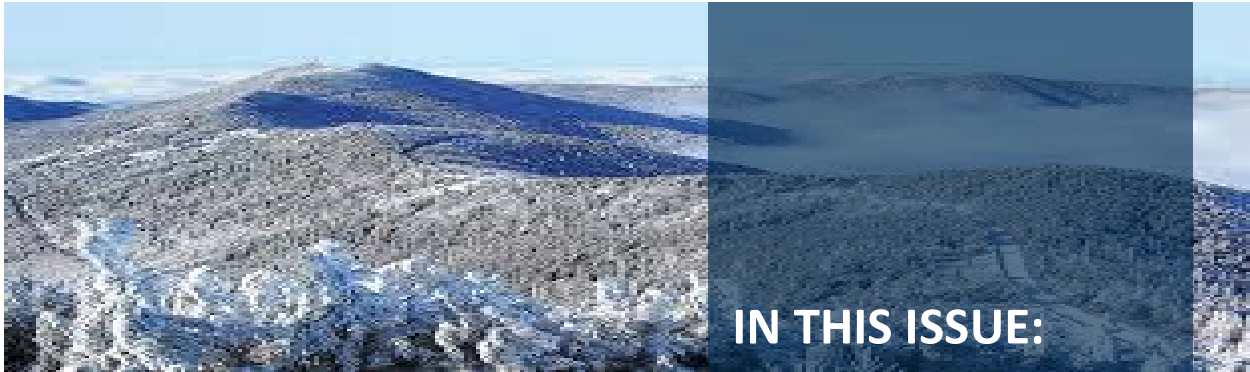


January 2021

IN THE LOOP

OFFICIAL NORTH CAROLINA RATE BUREAU AGENT NEWSLETTER



IN THIS ISSUE:

HAPPY NEW YEAR!

We here at the Rate Bureau are excited to say Happy New Year! As we all know 2020 was an unpredictable year but despite the many challenges we have had some successes to celebrate, and we hope the same is true for you and your agency! We are excited to build on those successes in 2021.

This newsletter highlights some of the projects we are working. Please review, as some of the content may impact your business and how you respond to the needs of your clients.

As always, reach out to the NCRB if you have further questions or concerns at (919)582-1056.

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COVID-19 Response

The Bureau has been closely monitoring the development and spread of COVID-19, along with the rest of the industry. Working collaboratively with the National Council on Compensation Insurance (NCCI), the Workers Compensation Committee and the North Carolina Department of Insurance, the announced new rules and reporting codes as noted below.

- ❖ The Part, Nature, Cause section of the Injury Description Table has been expanded to track claims and impact in Indemnity Reporting Coronavirus with the addition of a new Cause of Injury Code of 83 for Pandemic and New Nature of Injury Code 83 for COVID-19. ([NCRB Circular C-20-7](#))
- ❖ COVID-19 has been classified as an extraordinary loss event (ELE), requiring the establishment of Catastrophe Number 12 to identify all claims associated with COVID-19 as its diagnosis. ([NCRB Circular C-20-7](#))
- ❖ Allowing payments paid to furloughed employees to be excluded from premium calculations for all policies in effect on or after March 1, 2020 until a later date as circumstances warrant in consultation with state regulatory authorities. ([NCRB Circular C-20-17](#) and [C-20-31](#))
- ❖ Employees whose duties were previously assigned to a higher-rated governing classification that does not include clerical operations, who are now working in a stay-at-home environment and performing duties consistent with clerical operations, may be reassigned to Classification Code 8871 - Clerical Telecommuter Employees from March 30, 2020 - the day the North Carolina stay-at-home order was issued - until 45 days after the order is lifted. ([NCRB Circular C-20-17](#))
- ❖ Revised rules related to excluding claims attributable to the COVID-19 pandemic from experience rating calculations and reporting these claims as an extraordinary loss event. This filing will be applicable to experience rate modifications with rating effective dates on or after August 16, 2020. ([NCRB Circular C-20-21](#))

Update Contact Information

We want to make sure you and your staff are staying up to date on news and events from NCRB! In order to keep receiving our quarterly newsletter and relevant circulars, be sure to keep your email address with us current. In the event that your email address changes,

please contact our Information Center at (919)582-1056 or email support@ncrb.org and we will assist you in getting your contact information updated. Web administrators should also review their user accounts periodically to add/remove users as their staff changes.

Experience Modification: Deeper Dive



Last quarter we took a look at experience modifications. We reviewed what the experience modification is, how it is determined, where you can locate it and how to correct it if it is presumed to be incorrect. You can touch up on these topics by reading the article [here](#). As promised we are going to take a deeper dive into how the experience modifier is determined!

The experience modifier is determined by considering all losses that occur within the experience period. But are all losses considered equal? The answer is no, there are multiple factors considered and some are highlighted below!

FREQUENCY VS. SEVERITY



Is it better to have a lot of little losses or one big one? Well when it comes to the experience mod, there is greater weight to

accident frequency than accident severity. The idea here is that frequency of claims is usually a result of poor safety controls and/or lack of management oversight. A large loss on the other hand is not necessarily indicative of bad safety measures.

For example, if a restaurant has a large number of minor losses such as cuts and burns, it likely means there are no safety practices in place, their equipment and utensils may not be well maintained or they may have careless employees. Either way it is inevitable that a larger claim could occur. However, if a construction company has one loss where an employee is struck by a falling tree the risk is more tolerable due to the law of large numbers. The probability of the same loss

occurring is significantly less than that of the habitual losses listed above.

SPLIT POINT

So how does the experience mod calculation factor in frequency vs. severity? Losses are divided into a primary and excess in what is called a split rating method. Primary losses are designed to be an indicator of loss frequency and their full value is used in the mod formula. Excess losses are designed to be an indicator of loss severity and are weighted in the mod formula. North Carolina currently uses a split point of \$17,500, however effective April 2021 that number will change to \$18,000. This means that the first \$17,500 of every loss is considered a primary loss, and any amount over this point is considered an excess loss.

TYPE OF INJURY

Another important factor in the experience mod calculation is the type of injury involved in the loss. Was the loss medical only, or did the employee also miss time from work? Losses that require medical treatment only are given a reduction in loss value of 70%.

For example, if an employer has a \$10,000 medical only loss, only 30% of the loss (\$3,000) is put into the calculation. Contrast that to an employer who has a \$10,000 loss that includes indemnity. The whole \$10,000 is placed into the experience mod calculation.

As you can see there are multiple factors that go into calculating an experience modification. An employer can see drastic improvements if they concentrate on reducing risk and managing losses.

2021 Assigned Risk Carriers

SERVICING CARRIERS

- AmGuard Insurance Company
- LM Insurance Corporation
- Travelers Property & Casualty Companies of America

DIRECT ASSIGNMENT CARRIERS

- ACE American Insurance Company
- American Interstate Insurance Company
- American Zurich Insurance Company
- Auto Owners Insurance Company
- Builders Mutual Insurance Company
- Cincinnati Insurance Company
- Continental Casualty Company
- Hartford Underwriting Insurance Company

EXECUTIVE OFFICER PAYROLL

Executive Officer Payroll maximum and minimum will increase effective 4/1/2021:

- Maximum Payroll
Weekly: \$1,900/ Annually: \$98,800
- Minimum Payroll
Weekly: \$950/ Annually: \$49,400

PARTNERS, SOLE PROPRIETOR AND MEMBERS OF LLC'S PAYROLL

Annual Payroll used to determine premium will increase effective 4/1/2021:

- Annually: \$50,400

Other miscellaneous values effective 4/1/2021 can be found in Part 3 of the North Carolina Basic Manual for Workers Compensation and Liability.

EXPERIENCE RATING PREMIUM ELIGIBILITY

Applicable for ratings effective 4/1/2020 and subsequent:

- Average Annual Premium: \$5,750
- Average 24-month Premium: \$11,500

2021 Rate Changes

WORKERS COMPENSATION

On September 1st, 2020, the Bureau submitted a filing to the North Carolina Commissioner of Insurance and received approval for a 3.9% decrease in loss costs to be effective April 1, 2021. The approval also included an average decrease of 4.2% in the overall rate level of the workers compensation residual market in North Carolina.

HOMEOWNERS

On November 9th, 2020, the Bureau submitted a filing with the North Carolina Commissioner of Insurance proposing an overall rate increase of 24.5%. The Commissioner has called a hearing on this filing to begin September 2021.

DWELLING

On December 14th, 2020, the Bureau submitted a filing with the North Carolina Commissioner of Insurance proposing an overall rate increase of 18.7%. This is still under review by the Commissioner of Insurance.

2021 Basic Manual Rule Changes

Changes effective (4/1/2021)

Effective 9/1/2020, the North Carolina Rate Bureau (NCRB) revised the Reassignment Rule (Rule 4-A-2-g) of the NC Basic Manual to allow applying reassignments of Assigned Risk policies in a more clear and consistent way. Please see the NC Basic Manual for complete rule.

2021 Classification Code Changes

Changes effective 4/1/2021

Classification Code Additions, Revisions and Eliminations effective 4/1/2020. The industries impacted by Class Code changes effective 4/1/2020 are:

- ❖ Oil and Gas Fields Operations
- ❖ Construction Salespersons and Estimators

OIL AND GAS FIELDS OPERATIONS

Revised classification treatment for oil and gas field operations to address the evolution of techniques used to perform services and specialists rendering these services. This filing will be applicable to all new and renewal voluntary and assigned risk policies becoming effective on or after April 1, 2021.

CONSTRUCTION SALESPERSONS AND ESTIMATORS

Revised classification treatment of construction salesperson and estimators to provide a consistent and clear assignment of these employments. This filing will be applicable to all new and renewal voluntary and assigned risk policies becoming effective on or after April 1, 2020.

ELIMINATION OF NATIONAL CODES

No Transition Program	
National Classifications to Be Eliminated	Proposed National Classification
2683- Luggage Mfg.	2501- Luggage Mfg.
3240- Cable or Wire Rope Mfg. - Iron or Steel	3257- Wire Rope or Cable Mfg. - Iron or Steel
3240- Wire or Cable Rope Mfg. - Iron or Steel	

ELIMINATION OF NATIONAL CODES USED TWO-PHASE TRANSITION PROGRAM*

National Classifications to Be Eliminated	Proposed National Classification
2286- Wool Spinning and Weaving	2220- Wool Spinning and Weaving
2286- Yarn Mfg. - Wool	2220- Yarn Mfg. - Wool
2670- Glove Mfg. - Leather or Textile	2688- Glove Mfg. - Leather or Textile

* Two-Phase Transition Program- North Carolina

Phase 1 of the transition program for class codes 2286 and 2670 begins with the state's approved loss cost/rate filing effective April 1, 2020.

Risks using class codes 2286 and 2670 will have their operations classified to either the code being discontinued or the acquiring code as appropriate until the second phase of the transition program.

For Phase 1 of the two-phase transition program, the payroll-weighted loss cost/rate of the code being discontinued and the acquiring code will be calculated using the latest available year's payroll and the standard calculated loss cost/rate of the two individual codes.

Phase 2 of this two-phase transition program will begin April 1, 2021. Class codes 2286 and 2670 will be discontinued. All operations previously assigned to these codes will be assigned to the acquiring code.

The loss cost/rate for the acquiring code will be the payroll-weighted loss cost/rate for the code being discontinued and the acquiring code, using the latest available year's payroll, and the standard calculated loss cost/rate of the two individual codes.

CLASS CODE	PHRASEOLOGY	FN ID	HAZARD GROUP	INDUSTRY GROUP	NOTES
2501	Luggage Mfg.		<u>C</u>	<u>1</u>	Applies to the mfg. of traveling bags and hand luggage. Trunk mfg. to be separately rated as Code 2883.
3257	Wire Rope or Cable Mfg. - Iron or Steel		<u>C</u>	<u>1</u>	No wire drawing.
8720	Construction- Job Site Salesperson and Estimators		<u>E</u>	<u>4</u>	Applies to employees who perform job site measurements or inspections to prepare bids for a job from a construction contractor. Employees who work for contractors and provide sales estimates, but do not conduct the actual construction, are assigned to Code 8720. Employees may perform these measurements or inspections from ground level, in crawl spaces, on ladders, or on roofs. Code 8720 does not apply when the employee also performs construction duties or supervises construction workers at the same job site. In those cases, the employee's payroll at the job site must be assigned to the appropriate construction classification. A division of payroll is not permitted between Code 8720 and a construction classification at a single job site.
8742	Salesperson or Collectors- Outside		<u>E</u>	<u>3</u>	Subject to Basic Manual rules. Refer to Code 8742 for assignment of construction job site salesperson and estimators.