

MINUTES OF THE HOUSE COMMERCE AND LABOR COMMITTEE

The meeting was called to order by Chairman Don Dahl at 9:00 A.M. on February 3, 2005 in Room 241-N of the Capitol.

All members were present except:

Kevin Yoder- excused  
Patricia Kilpatrick- excused

Committee staff present:

Jerry Ann Donaldson, Kansas Legislative Research Department  
Norm Furse, Office of Revisor of Statutes  
Rena Jefferies, Office of Revisor of Statutes  
June Evans, Committee Secretary

Conferees appearing before the committee:

Terri Robinson, Analyst, Regulatory Services, National Council on Compensation Insurance, Inc.,  
(NCCI) St Louis, MO

Others attending:

See attached list.

The Chairman opened the meeting and said a Fiscal Note on **HB 2141** was distributed to committee members. The Chairman asked if anyone had a request for bill introductions as this was the last day for introductions.

A bill was requested concerning the deceptive use of a musical performer's name.

Terri Robinson, Analyst, Regulatory Services, National Council on Compensation Insurance, Inc., briefed the committee on an update of Workers Compensation in Kansas. Workers Compensation is compensation for work-related injuries and diseases, including wage replacement, unlimited medical costs, rehabilitation and survivor benefits. Workers compensation insurance is third party coverage. The policy covers employers' obligation to the injured worker under state law. The State Act coverage is benefits that are determined by state laws, and vary from state to state, i.e., statutes, regulations and judicial decisions. True no-fault coverage covers workers for injuries or illness arising out of or in the course of their job; exclusive remedy...no lawsuits.

NCCI is the nation's largest workers compensation data collector. They operate as a not-for-profit rating, statistical and data management services organization. They provide products and services to assist insurers, regulatory officials, lawmakers, and other stakeholders in making informed decisions that support the efficient economic functioning of the workers compensation system. They have been in business over 80 years and serve nearly 40 states.

The loss cost in Kansas has been pretty stable the last few years. Accident combined ratio results vary from state to state and in 2002 were 94% for Kansas which is good. Kansas has lower than average permanent partial disability costs, but higher than average frequency. There is higher attorney involvement in Kansas than observed countrywide.

In Kansas there is escalating average medical costs, lower than average permanent partial disability costs, but higher than average frequency and higher attorney involvement than observed countrywide. Kansas' indemnity average claim severity is the lowest in the region. Medical benefits constitute the majority of total benefit costs in Kansas.

The median age of the Kansas population is increasing in line with that of the U.S. The population mix has shifted toward the older age groupings. Older workers are away from work longer than younger workers as it takes them longer to recover.

Changes in spending reflect changes in both cost per service and utilization (quantity adjusted for changes in mix). Utilization changes account for a substantial share of the rise in medical severity. Increase in cost per service are more rapid in workers compensation than for consumers in general.

CONTINUATION SHEET

MINUTES OF THE House Commerce and Labor Committee at 9:00 A.M. on February 3, 2005 in Room 241-N of the Capitol.

Increases in medical care severity reflect both changes in cost per service and changes in utilization. New NCCI indexes show cost per service increases for workers compensation are greater than those for consumers in general. Adherence to medical fee schedules and substantive reforms can be effective in controlling medical cost increases. Monitoring is needed as well (Attachment 1).

The meeting adjourned at 10:30 a.m. The next meeting will be February 4.

COMMERCE AND LABOR COMMITTEE

Date February 3, 2005

NAME	AGENCY
Nancy Pierce	KHNCA
Dorey Hollandsworth	SSIF
Jim McHaff	Kansas AFL-CIO
Richard Thomas	KDDZ - WC
Wal Leiker	Ks. AFL-CIO
Scott Heidner	KSIA
Bill Curtis	Ks Assoc of School Bds
Marlee Carpenter	KS Chamber
LARRY MAGILL	KS. ASSN OF INS AGENTS
Callie Denton	KTLA
Dennis Horner	KTLA.
Ray T. Andrews	KBFWCF
Terri Robinson	NCCI
Rebecca Rice	NE Ks Bldg Trades

Comm Labor  
2-3-05  
Atch #1



# Kansas Workers Compensation Update February 3, 2005


presented by  
**Terri Robinson**  
terri\_robinson@ncci.com



### What Is Workers Compensation?

Compensation for work-related injuries and diseases, including:

- Wage replacement
- Unlimited medical costs
- Rehabilitation
- Survivor benefits

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### What is Workers Compensation Insurance?

- Third-party coverage
  - Policy covers employers' obligation 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 job;
  - exclusive remedy...no lawsuits

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### What is NCCI?

- Nation's largest Workers Compensation data collector
- Operates as a not-for-profit rating, statistical and data management services organization.
- Provides products and services to assist insurers, regulatory officials, lawmakers, and other stakeholders in making informed decisions that support the efficient economic functioning of the workers compensation system.
- In business for over 80 years
- Serves nearly 40 states



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### NCCI Core Services

- Rates and Advisory Loss Costs
- Cost Analyses of Proposed and Enacted Legislation
- Residual Market Management
- Production of Experience Rating Factors
- Statistical and Compliance Services
- Maintenance of the Workers Compensation infrastructure of classification, rules, plans, and forms

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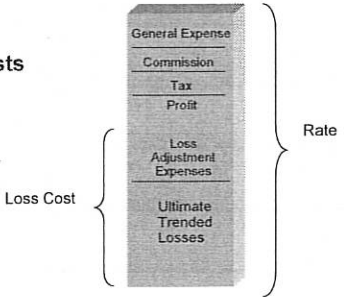
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### Rate Making Services --

**Rates vs. Loss Costs**



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### Cost Analyses of Proposed and Enacted Legislation

- Legislative Pricing Request from Stakeholders
- State Specific Legislative Pricing Teams
- Peer Review, quality control, document preparation
- Adjust State Specific Loss Cost according to Enacted Legislation

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**Experience Rating**

- Provides monetary incentives for workplace safety
- Customizes premium on an employer by employer basis
- A Debit and Credit pricing mechanism

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**NCCI Workers Compensation Databases**

- **Financial Aggregate Calls**
  - Used for aggregate ratemaking
- **Workers Compensation Statistical Plan (WCSP)**
  - Used for class ratemaking
- **Detailed Claim Information (DCI)**
  - In-depth sample of lost-time claim information
- **Policy Data**
  - Policy declaration page information

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**State of the Industry**

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### State of the Industry—An Overview

- Continued overall system premium growth
- Decrease in calendar year combined ratios
- Improvement in accident year combined ratios
- Continued indemnity and medical cost pressures

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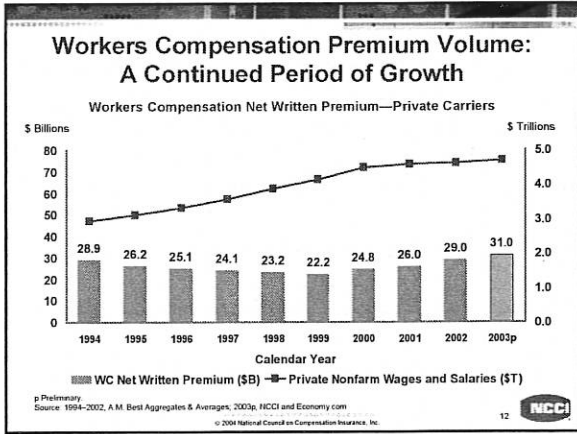
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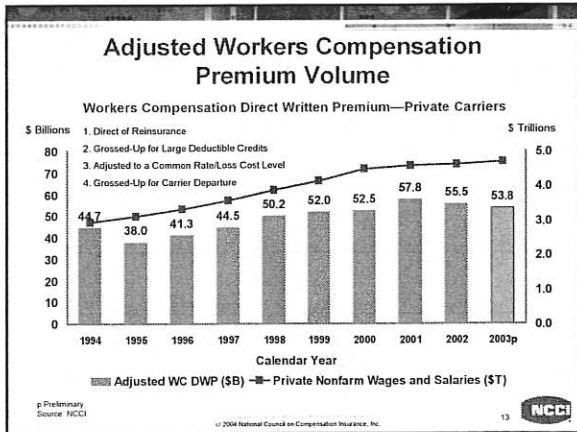
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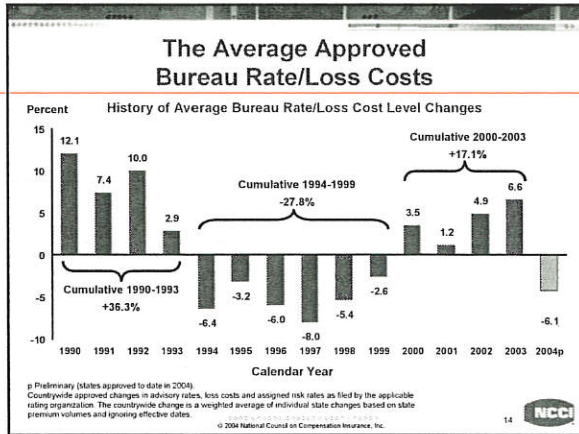
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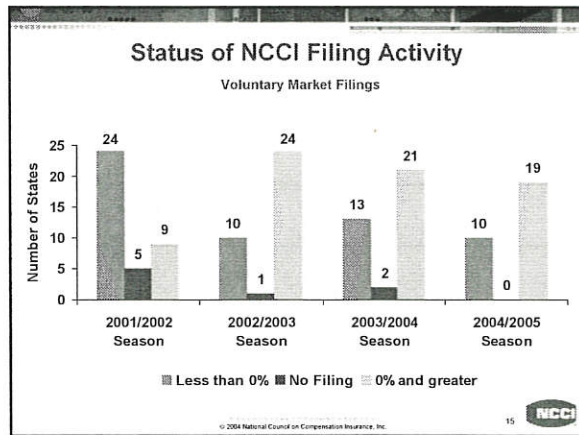
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## 2004/2005 Filing Cycle

### NCCI Voluntary Market Filing Activity

- Data for 29 states has been reviewed
  - 19 states have filed increases
  - 10 states have filed decreases
- Range of voluntary filings: -18.3% to +11.2%

Based on data evaluated as of 12/31/03

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### State Voluntary Market Filings In Nearby States

Oklahoma	1/1/05	+5.5%
Nebraska	2/1/05	+4.9%
Kansas	1/1/05	+1.7%
Illinois	1/1/05	+0.1%
Minnesota	1/1/04	-0.3%
Iowa	1/1/05	-1.1%
Missouri	1/1/05	-1.3%
South Dakota	7/1/04	-2.0%
Colorado	1/1/05	-6.5%

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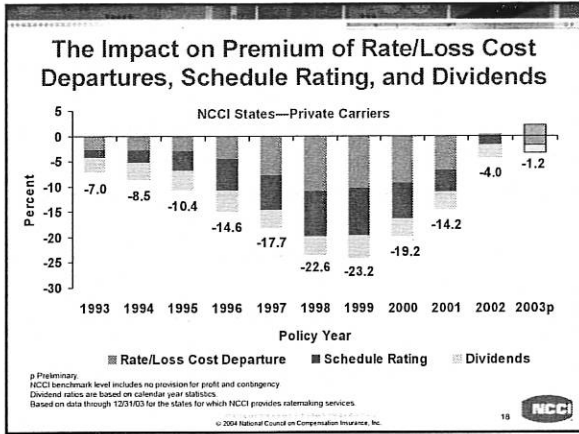
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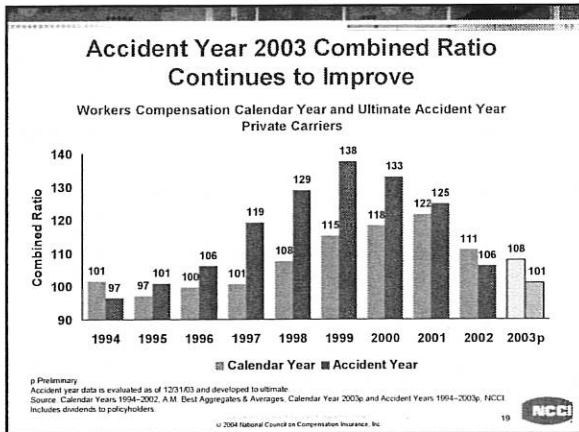
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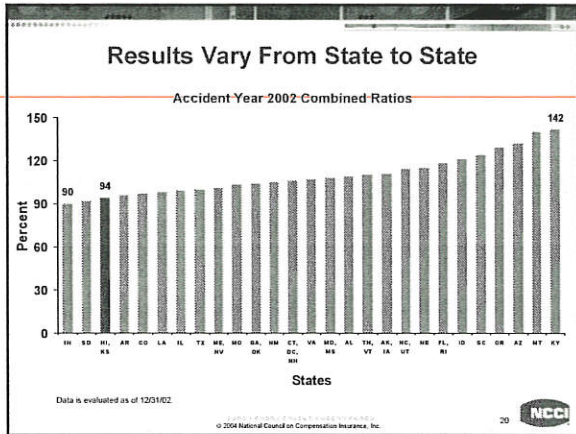
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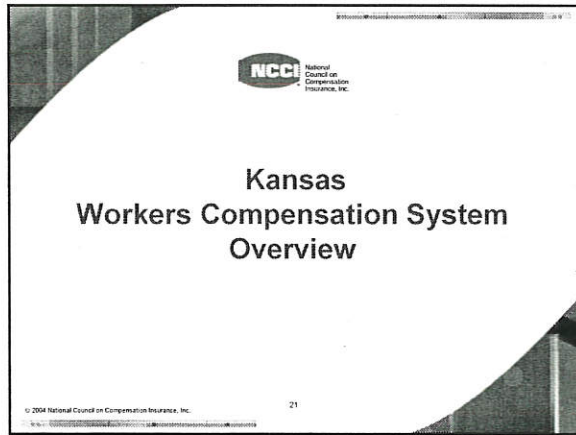
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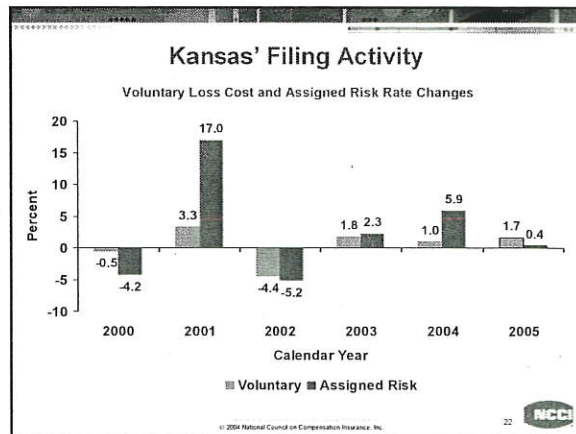
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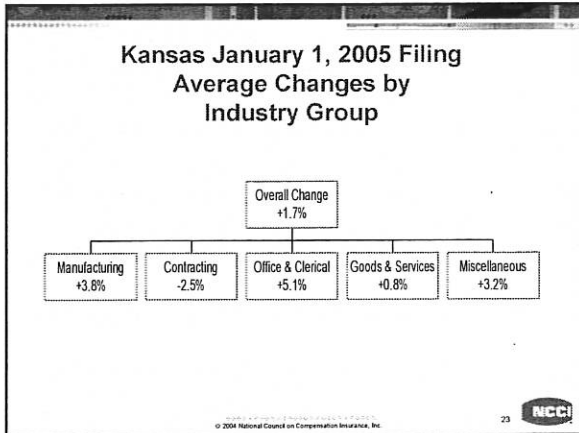
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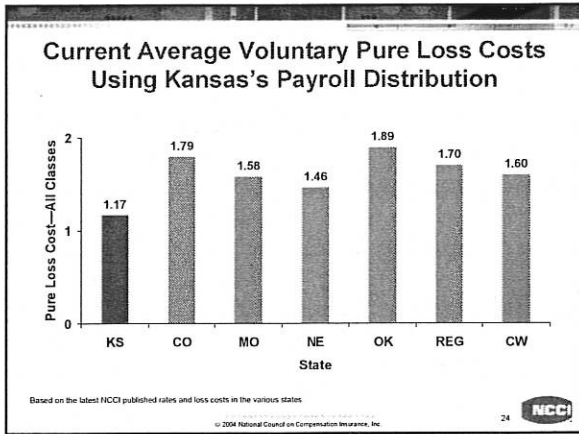
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### Kansas' Top Five Class Codes Based on Statewide Payroll

1997	2001
8810—Clerical (28.8%)	8810—Clerical (28.0%)
8742—Outside Sales (7.5%)	8868—College: Professional Empl. (8.2%)
8868—College: Professional Empl. (5.7%)	8742—Outside Sales (7.3%)
8832—Physician (4.4%)	8832—Physician (4.1%)
3830—Airplane Mfg. (3.9%)	3830—Airplane Mfg. (2.8%)

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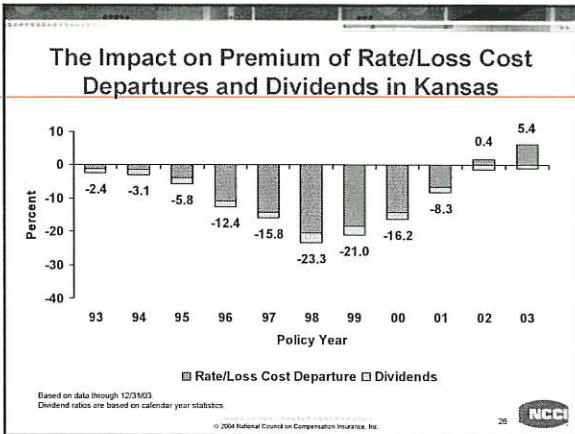
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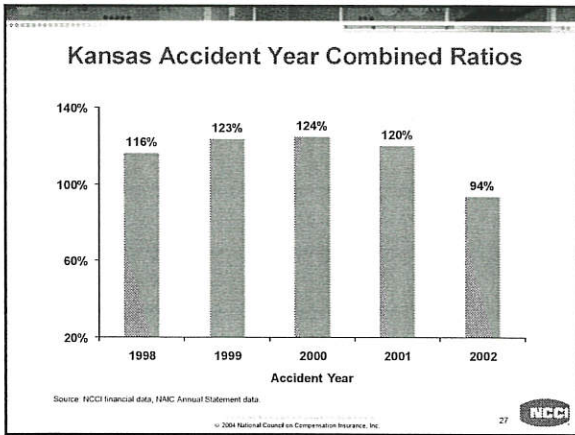
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### Kansas Workers Compensation System—An Overview

- Relatively stable on-leveled medical and indemnity loss ratios
- Claim frequency continues to decline
- Escalating average medical costs
- Lower than average permanent partial disability costs, but higher than average frequency
- Higher attorney involvement than observed countrywide

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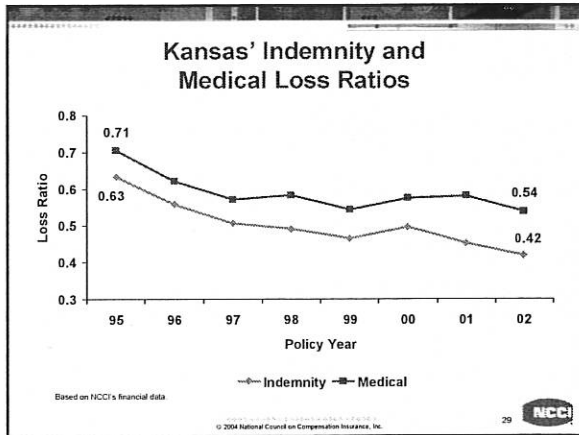
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### A Closer Look at Frequency in Kansas

*Claim frequency continues to decline...*

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- ### What Drives Changes in Frequency and Severity in Kansas?
- System changes
  - Economic developments/prospects
  - Demographic developments/prospects
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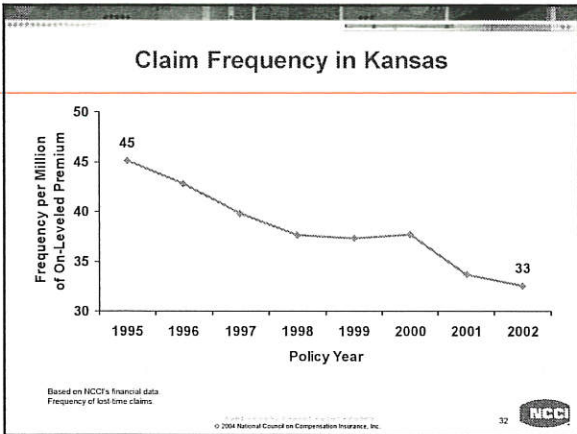
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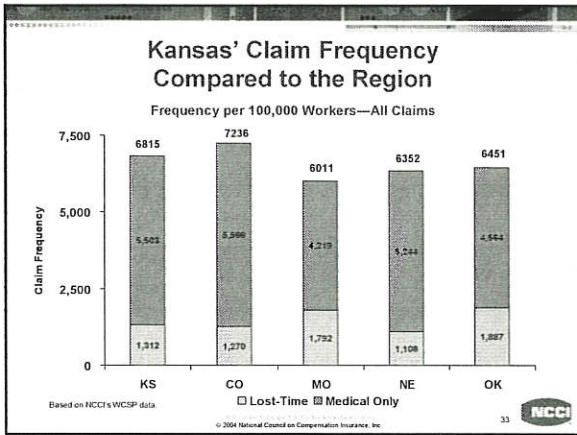
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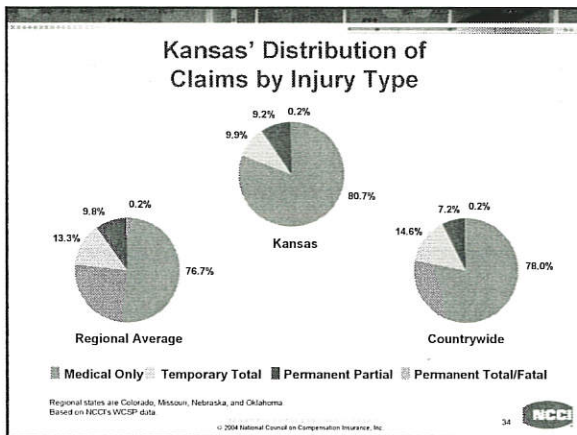
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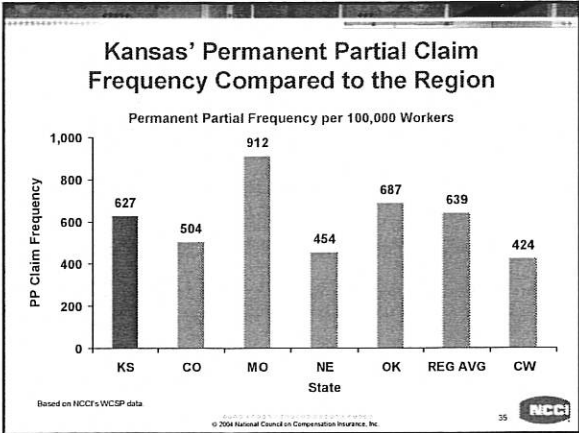
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### Comparison of Waiting/Retroactive Periods

State	Waiting/Retroactive Period
Arkansas	8 days/14 days
Illinois	3 days/13 days
Iowa	3 days/14 days
Kansas	7 days/20 days
Missouri	3 days/14 days
Nebraska	7 days/41 days
Oklahoma	3 days/not retroactive

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### Economic Drivers of Claim Frequency

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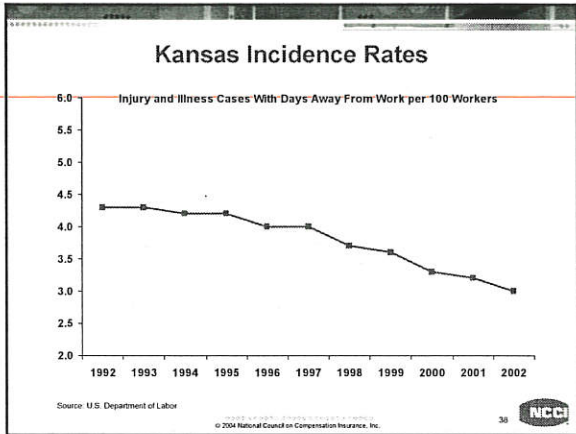
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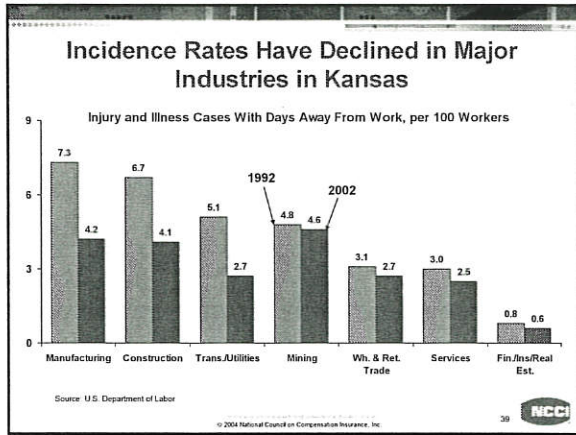
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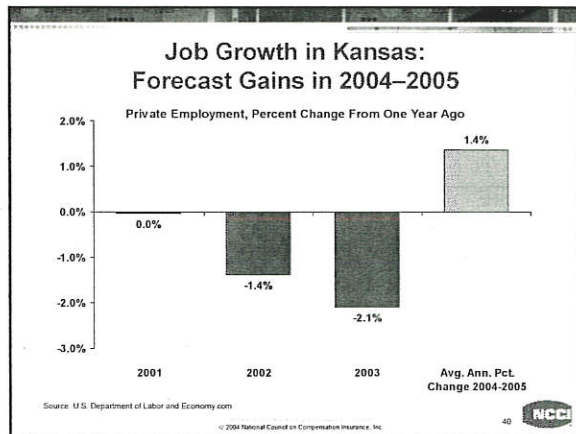
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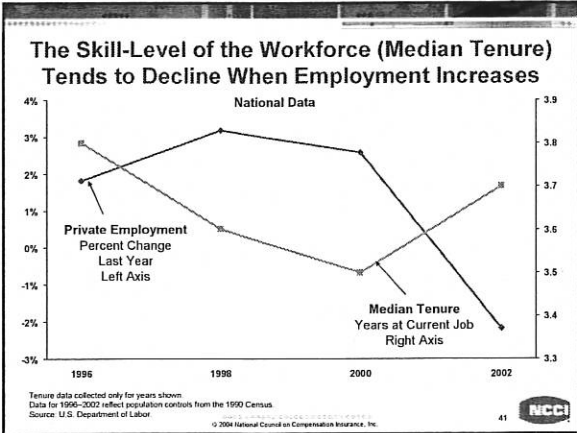
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### Inexperienced Workers:\* Disproportionately High Share of Injuries; Lowest Decline in Total Injuries

	* Share of Employees**	Share of Injuries #	Percent Decline in Injuries 92/93 to 00/01
12 Months or less	25%	30%	-28%
13 Months to 59 Months	32%	33%	-34%
60 Months and Above	44%	24%	-34%

\* Based on national data      \*\* As of January, 2002      # As of 2001, 12% not reported

Source: U.S. Department of Labor. © 2004 National Council on Compensation Insurance, Inc. 42

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### Key Takeaways—Economic Drivers of Frequency in Kansas

- Improving overall job growth suggests some upward pressure on frequency
- Frequency trend will ultimately reflect a combination of system factors, impact of short-term business conditions, and ongoing changes that affect workplace safety

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## A Closer Look at Severity in Kansas

*Escalating average medical costs...*

*Lower than average permanent partial disability costs, but higher than average frequency...*

*Higher attorney involvement than observed countrywide...*

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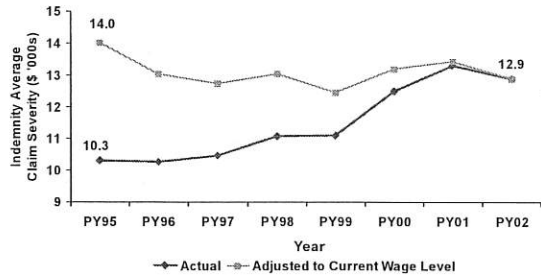
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## Average Indemnity Severity in Kansas



Based on NCCI's financial data for lost-time claims.

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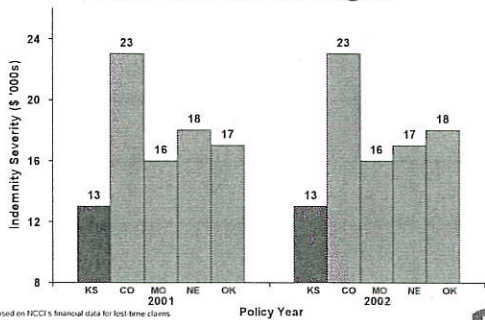
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## Kansas' Indemnity Average Claim Severity Is the Lowest in the Region



Based on NCCI's financial data for lost-time claims.

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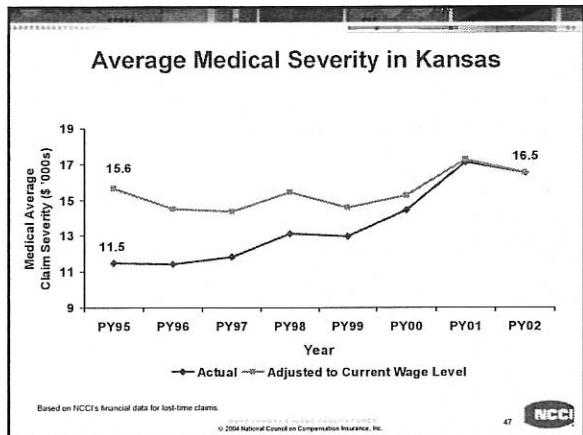
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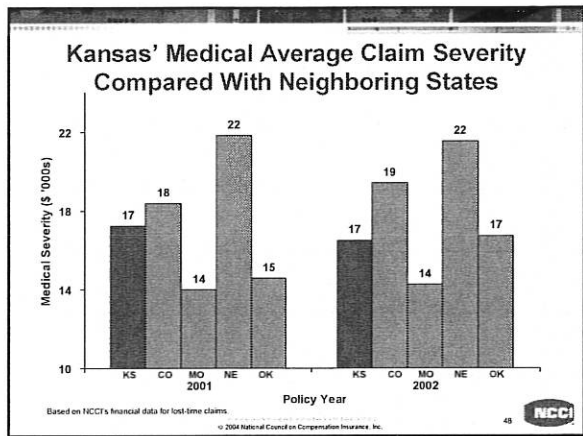
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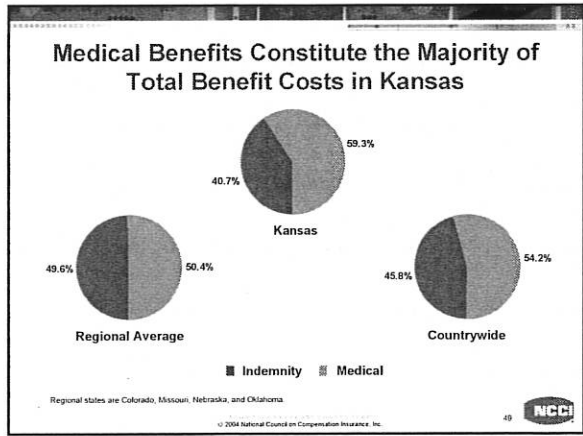
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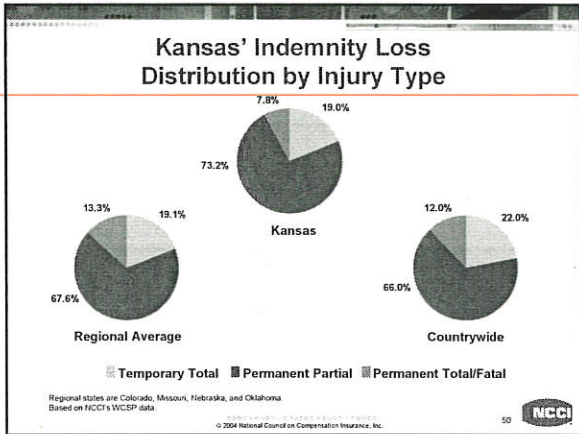
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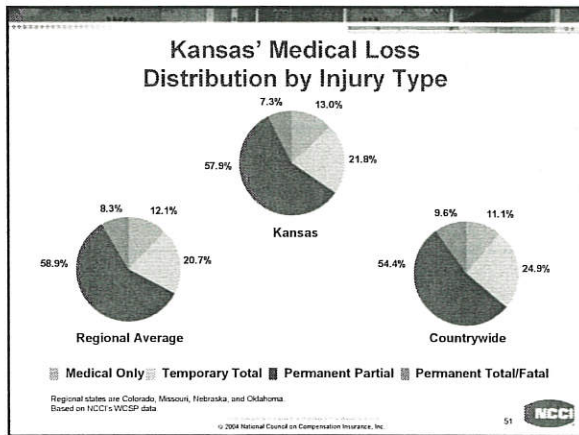
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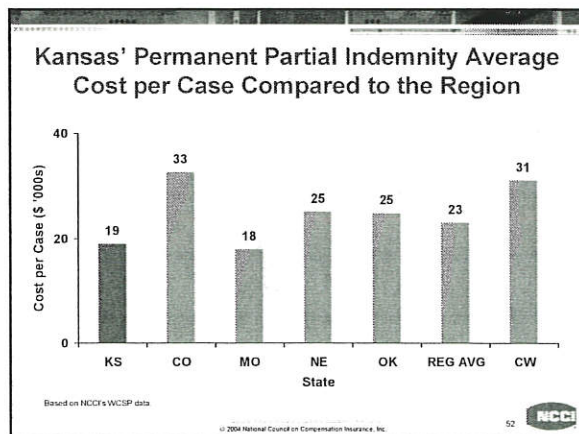
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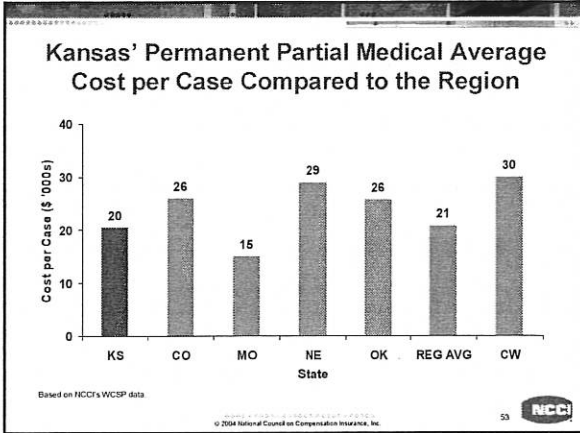
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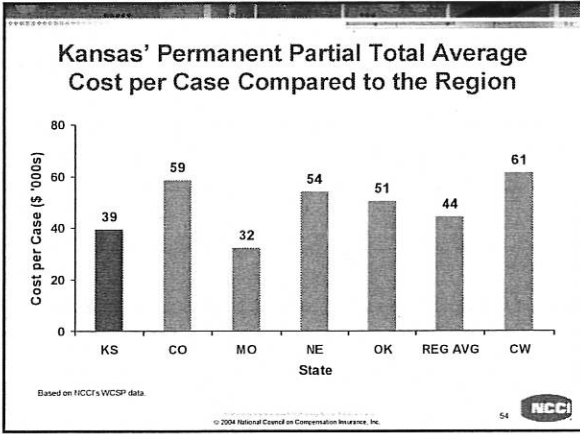
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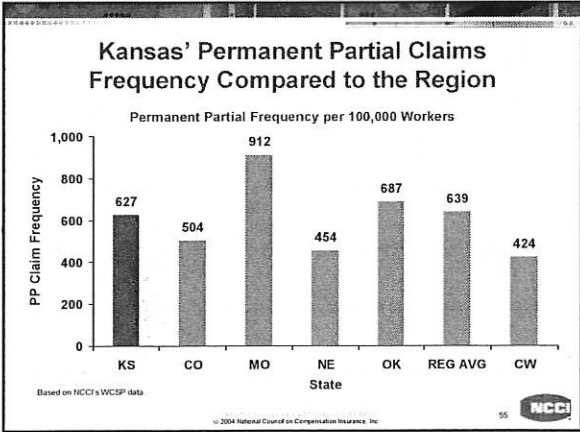
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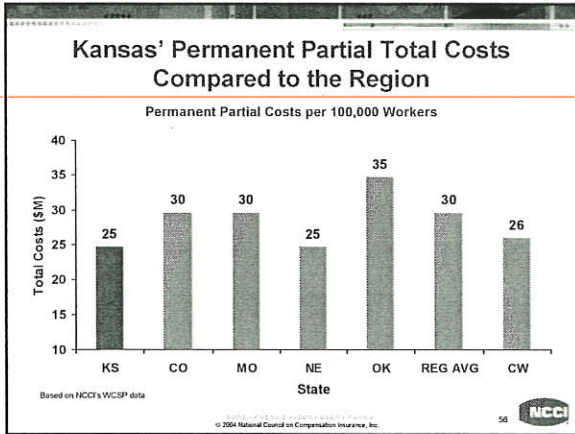
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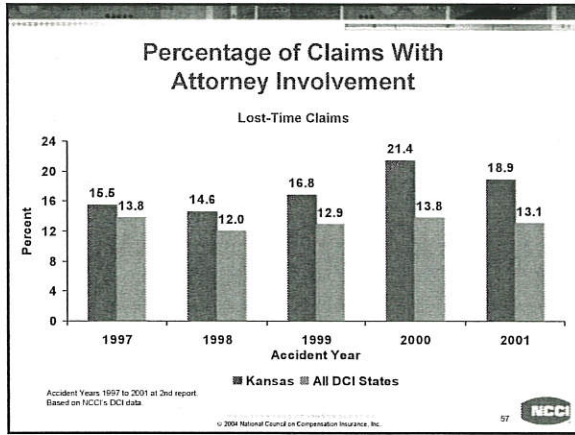
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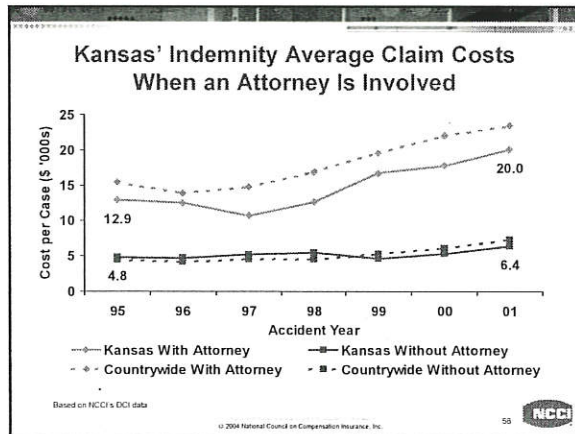
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## Economic Drivers of Severity

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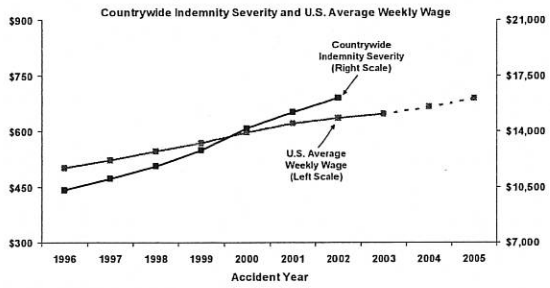
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## Countrywide, Indemnity Severity Has Been Increasing More Rapidly Than Wages



Sources: NCCI and U.S. Department of Labor  
Indemnity severity shown prior to wage adjustment.

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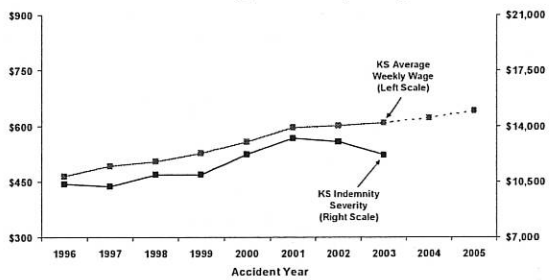
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## Kansas Comparison of Indemnity Severity and Average Weekly Wage



Sources: NCCI and U.S. Department of Labor  
Indemnity severity shown prior to wage adjustment.

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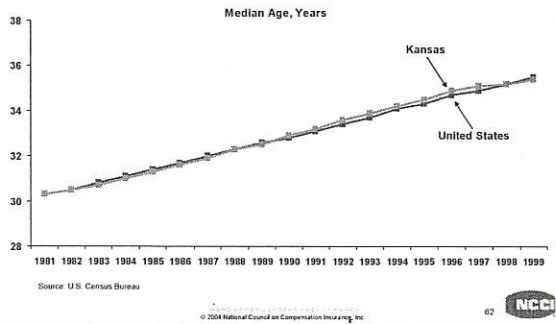
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**The Median Age of the Kansas Population Is Increasing in Line With That of the U.S.**




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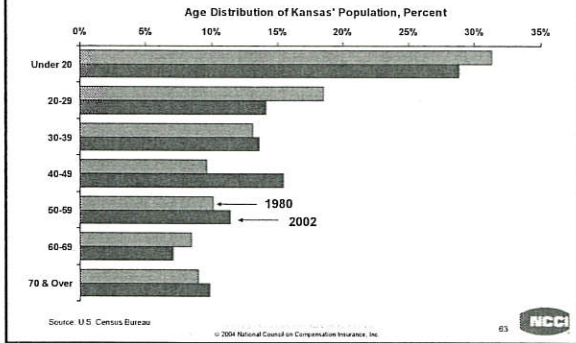
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**Kansas' Population Mix Has Shifted Toward the Older Age Groupings**




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**For Older Workers: Days-Away-From-Work Cases Tend to Be Longer**

National Data, 2001

Occupational Injuries & Illnesses	Workers Aged	
	20 to 24 Years	55 to 64 Years
Lasting 2 Days	16%	10%
Lasting 31 Days or More	13%	30%

Source: U.S. Department of Labor

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**Key Takeaways—Economic Drivers of Indemnity Severity in Kansas**

- Ongoing wage gains suggest upward pressure on indemnity severity
- The aging of the workforce suggests ongoing upward pressure on indemnity severity
  - Older workers injured on the job tend to be out of work longer than younger workers

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**Economic Drivers of Medical Severity**

- Insights From NCCI Research on Medical Costs
- Implications of WCRI Research on Reducing Medical Severity
- Reaction of a Medical Care Provider to Price Changes

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**Key Insights From New NCCI-Developed Medical Cost Indexes**

- Changes in spending reflect changes in both cost per service and utilization (quantity adjusted for changes in mix)
- Utilization changes account for a substantial share of the rise in medical severity
- Increases in cost per service are more rapid in workers compensation than for consumers in general

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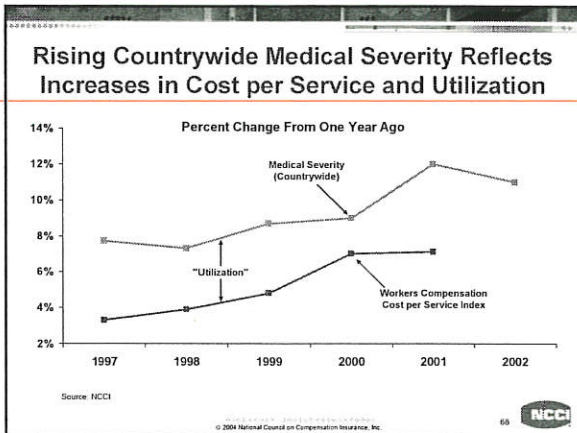
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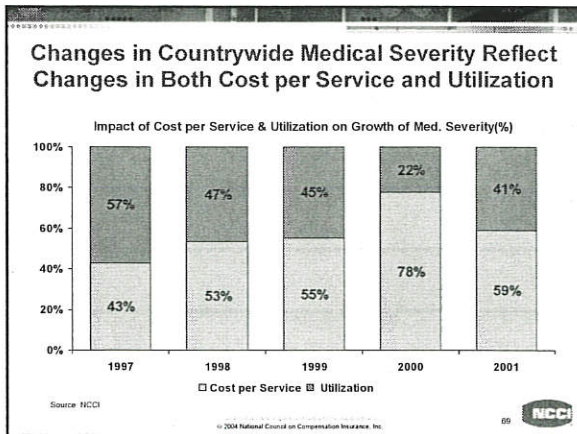
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### Use of Networks, Utilization Reviews, and Fee Schedules Help to Dampen Medical Price Inflation

Results of WCRI research covering 15 states:

- Large increases in network involvement reduce medical price inflation. As network penetration stabilizes, inflation tends to rise.
- Utilization reviews help to hold down price increases.
- States with fee schedules tend to have lower price inflation, with incremental jumps as schedules change.
- Changes in billing practices can impact price trends.

Source: NCCI  
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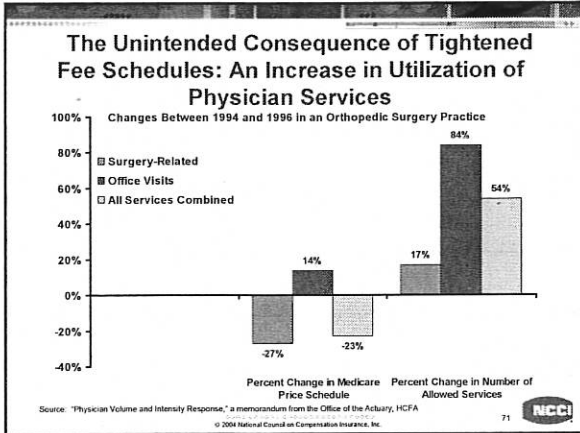
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### Key Takeaways—Economic Drivers of Medical Severity

- Increases in medical care severity reflect both changes in cost per service and changes in utilization.
- New NCCI indexes show cost per service increases for workers compensation are greater than those for consumers in general.
- Adherence to medical fee schedules and substantive reforms can be effective in controlling medical cost increases. Monitoring is needed as well.

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## Q & A

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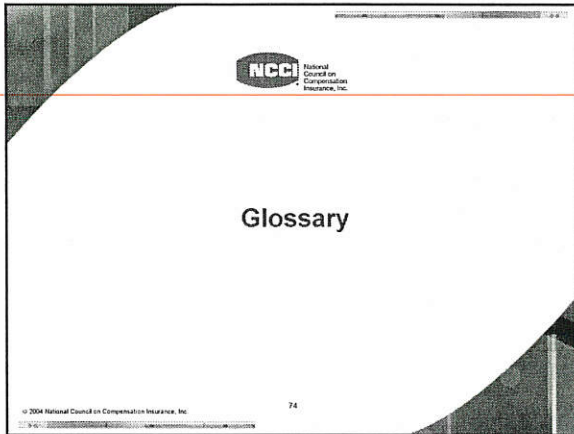
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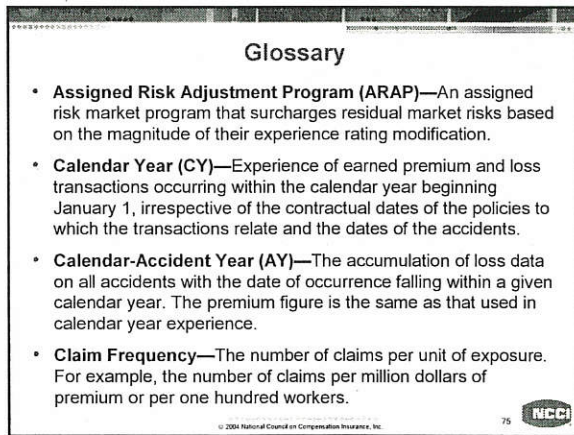
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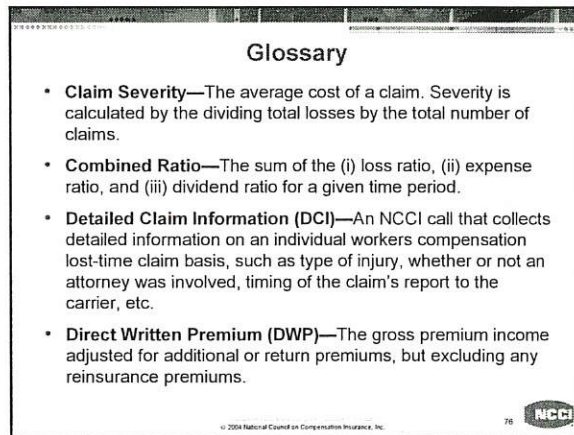
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**Glossary**

- **Indemnity Benefits**—Payments by an insurance company to cover a 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.

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**Glossary**

- **Permanent Partial (PP)**—Disability that prevents the insured from working at their own (and sometimes any) occupation. A disability is considered to result in partial permanent loss of earning power.
- **Policy Year (PY)**—Premium and loss data on business for a 12-month period for policies with inception dates within the 12-month 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.

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**Appendix**

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### 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

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### Policy Year Financial Aggregate Data

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### Calendar-Accident Year Financial Aggregate Data

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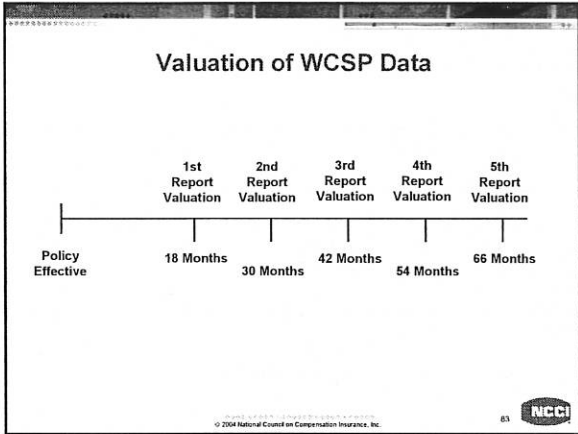
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## What Is NCCI?

NCCI operates as a not-for-profit rating, statistical and data management services organization. NCCI products and services assist insurers, regulatory officials, lawmakers, and other industry stakeholders in making informed decisions that support the efficient economic functioning of the workers compensation system.

NCCI's core services include:

- Rate and advisory loss cost filings
- Cost analyses of proposed and enacted legislation
- Residual market management
- Production of Experience Ratings
- 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 Holdings, Inc.

## NCCI — Past, Present, and Future

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### History of NCCI

The development of NCCI has closely paralleled the evolution of the workers compensation system in the 20<sup>th</sup> century.

The need for systematic determination of costs and a more uniform approach to workers compensation arose as a direct result of the industrial revolution in the United States at the end of the 19<sup>th</sup> century. During the latter half of the 1800s, many Americans left agriculture for the first time to work in the mills and factories that appeared as mass production techniques were developed.

This new trend of people working for someone else raised new questions about responsibility for occupational injuries. Was the employer responsible for the cost of on-the-job injuries because he controlled the workplace or was the employee responsible, since his pay was a reflection of the risk involved in the work?

The first state employer liability statutes eliminated some of the loopholes that employers had used to avoid liability for worker injuries. By 1907, 26 states had enacted such laws.

By 1910, labor and industry groups voiced support for workers compensation legislation that would provide benefits for occupational injuries, regardless of fault. The following year, Wisconsin enacted the first permanent workers' compensation law. Nevada, California, Washington and New Jersey passed similar laws the same year. By 1920, all but eight states had enacted workers' compensation laws, and in 1948, Mississippi became the last state to pass workers compensation statutes.

With states beginning to put new workers comp laws on the books in 1911, a new cooperative effort was required by insurance companies, ratemaking agencies and regulatory officials in different states. To meet this need for a body to coordinate industry activities with government, the National Council on Worker's Compensation Insurance was founded in 1919 at the urging of the National Convention of Insurance Commissioners, the predecessor organization to today's National Association of Insurance Commissioners (NAIC).

The National Council on Workman's Compensation Insurance was supplanted by the National Council on Compensation Insurance (NCCI), which was organized in 1922 and became operational in 1923. At that time, it established prices for companies writing workers compensation insurance in ten jurisdictions.

NCCI gradually broadened both its jurisdiction and its services. As workers compensation laws proliferated, a growing number of insurers recognized the need for a central organization to determine insurance costs. As legislatures expanded the benefits provided through the workers compensation system and regulatory scrutiny of insurance prices increased, insurers needed a greater variety of statistical services and the information storage capacity, which NCCI has been able to offer.

-more-



## Company Profile

Today, NCCI is recognized nationally as the premier workers compensation data repository, an organization committed to the collection, management, and distribution of information that serves and adds value to the workers compensation industry and all of its stakeholders.

The company is the nation's largest single source for workers compensation data, and statistical and research information. Though NCCI uses its knowledge and expertise in a variety of ways on behalf of the member companies, its three core businesses are:

- Ratemaking and regulatory services
- Experience ratings and other risk services
- Residual market management

NCCI plays a critical role in delivering rating organization and/or statistical agent services on behalf of insurance departments, independent bureaus, and NCCI affiliates in nearly 40 jurisdictions. In these jurisdictions, NCCI offers insurers an efficient, effective single point of collection and management of all key workers compensation information. This data is then used to support the delivery of advisory/rating services, production of experience modifications, administration of residual markets, evaluation of proposed legislative reform, and maintenance of workers compensation plans and rules on behalf of insurers, regulators and employers.

## NCCI Mission Statement

*"Our future is clear...Rather than focusing on our revenue growth through product sales, we will deliver value to stakeholders by refining our traditional services and seeking new ways to enable insurers and others to access and use workers compensation data to benefit the industry and lower its overall costs...We will partner with organizations that can generate value for our customers and that can in turn help us to lower the cost of the services that we provide...We are about service, and we are about providing value. We are dedicated to those we serve and are excited about what the future holds."*

## How NCCI Operates

An insurer may be affiliated with NCCI either as a member or as a subscriber.

**Subscribers**—*Partial-states subscribers*, NCCI's basic Affiliation level, pay Affiliate rates for products and services in the states they select under their Affiliation agreement. *All-states subscribers*, an enhanced level of Affiliation, have the same rights as partial-states subscribers, plus eligibility for certain discounts (as applicable) on products and services.

**Members**—Membership in NCCI is the highest level of Affiliation. Members have the same rights as all-states subscribers, plus additional benefits such as voting rights, board of directors/committee participation, and participation in the distribution of assets in the event of dissolution of NCCI as defined in the NCCI Bylaws.

## NCCI Products and Services

### *I. Advisory and Loss Cost Services*

**General**—NCCI collects statistical data from which it produces proposed loss costs and/or rate filings, and obtains regulatory approval of these state-specific rating products on an advisory or mandatory basis. Based on NCCI's statistical calls and its highly refined classification system, the overall rate or loss cost level is established and distributed to each of the more than 600 individual business classifications. The aggregate premium or loss cost level change is distributed among five broad industry groups. Then, within each of these groups, a rate or loss cost is determined for each of the individual classifications. This service is performed on behalf of its customers in both the voluntary and assigned risk markets in over 30 jurisdictions.

**Rate and Loss Cost Filings**—NCCI produces and prepares a full schedule of rates for four states that service an administered pricing system. The rates prepared by NCCI in these states are filed and then approved by the regulatory authorities. Subject to permitted carrier rate departures or deviations, the rates may be required to be used by all insurance carriers in that state.

In other states, NCCI prepares data on loss costs and files advisory voluntary loss costs for its members, which are appropriately modified by the individual insurance companies to incorporate expense and profit components. Each company files its schedule of rates and/or loss cost multipliers with the regulatory authorities. Insurers are licensed by NCCI to base their rates on these advisory loss costs.

**Classification Plan**—NCCI authored the original classification system and is responsible for its development and maintenance, as well as for the rules governing the writing of workers compensation insurance in nearly 40 jurisdictions.

**Experience Rating**—NCCI develops and maintains intrastate and interstate experience rating plans that recognize differences in qualified individual insured's loss histories compared with industry averages. These plans provide to qualifying insureds an incentive for creating safe workplaces. NCCI produces in excess of 1.5 million experience ratings each year, including revisions.

### *II. Regulatory and Legislative Reform*

NCCI includes in its mission the critical work of:

- Monitoring legislation and regulations
- Analyzing system cost trends
- Determining the overall financial impact of proposals and enacted legislation that impact the workers compensation system

Included in this mission is an alliance with system stakeholders, including regulators, trade associations, and business, industry and labor coalitions to provide underlying data and system trends needed to maintain a healthy workers compensation system. This often includes providing expert actuarial and economic testimony before regulatory and legislative groups to support the findings of these coalitions.



In support of these initiatives, NCCI also undertakes a variety of special studies and data collection efforts throughout the year. These may include, but are not limited to:

- Special claims research projects
- Costing analysis of judicial and regulatory decisions
- Monitoring newly enacted laws and regulations
- Closed claim studies

Partnering with other data-mining organizations to ensure a statistically credible database upon which to base these analyses NCCI provides to system stakeholders a broad array of educational material, seminars, and expert speakers on a variety of workers compensation topics to help:

- Understand the system
- Maintain safe and healthy workplaces
- Identify and prevent fraud

### ***III. Residual Market Administration***

**General**—Workers compensation assigned risk plans are state-approved rules that govern the provision of coverage to employers who are otherwise unable to secure voluntary insurance coverage. Significant components of these plans include:

- Assignment of Applicants
- Administration
- Eligibility of Employers coverage
- Policy issuance requirements

These plans are generally authorized by statute and are filed with and subject to approval by the state regulatory authority. In states that have an assigned risk plan, every company that writes voluntary business in a state must participate in the assigned risk plan by assuming a proportionate share of the cost of providing for a market of last resort. They can do this through a variety of mechanisms, including participation in a reinsurance pool.

A reinsurance pool is an agreement among carriers to share in the operating results arising from the plan assignments to servicing carriers. In some states, the relationship is voluntary, whereas in other states, it is mandated by statute or regulation. The largest of these pooling arrangements is the National Workers Compensation Reinsurance Pool ("National Pool"). The National Pool is a voluntary contractual relationship among its participating companies.

NCCI provides administrative and financial services to various state workers compensation insurance plans and reinsurance pooling mechanisms in the workers compensation residual markets. These services include but are not limited to:

- Plan filings
- Management of the servicing carrier bid process
- Financial and claim auditing of Servicing Carriers
- Application processing
- Eligibility decisions
- Premium collection of Servicing Carriers
- Litigation management of Servicing Carriers

## Past, Present and Future

### Page 5

**Plan Administrator**—In conjunction with state regulators, NCCI has developed and conducts an objective bid process to select servicing carriers to provide insurance services on behalf of the Plan. NCCI provides administrative services to Plans on behalf of insurance regulatory authorities in 23 jurisdictions.

One of NCCI's chief responsibilities as Plan Administrator is to screen applicants to determine eligibility for coverage under Plan rules. NCCI collects and maintains extensive databases to store, among other things, Residual Market policy and application data.

**Pool Administrator**—In its role as Pool Administrator, NCCI:

- Administers the National Pool and several other reinsurance pools in accordance with the Articles of Agreement and/or other governing documents
- Serves as a central clearinghouse for information relative to Pool transactions and is also responsible for the Pool's business and financial operations and the rules and procedures that govern those transactions
- Handles Pool financial administrative obligations
- Determines residual market Pool reserves and makes recommendations to the respective Pool Board of Governors for final approval
- Provides administration and oversight of Pool contracts

#### **IV. Other Products and Services**

Utilizing its workers compensation database, NCCI expands, enhances, develops, and markets more than 200 information-based products and services used by the workers compensation insurance industry. NCCI's products include the following:

- **Affiliation and Licenses**—NCCI membership/subscriber fees and licenses such as:
  1. Classification and Statistical Plan License
  2. Policies, Forms and Endorsements License
  3. Large Accounts License
  4. Experience Rating Plan License
- **Bureau Compliance Reporting and Proof of Coverage (POC)**—NCCI acts on behalf of its clients to meet state-mandated compliance reporting of policies, claims and other information. These services are designed to achieve cost-effective measures for its customers for reporting information to regulatory agencies.
- **Data Management Services**—For regulated and voluntary information, which ensure that the regulated database for the workers compensation insurance industry is accurate and timely. NCCI processes records from more than 700 reporting organizations. As part of these services, NCCI conducts evaluations and edits to support its customers' data collection and submission.
- **Inspections and Appeals**—Ensure proper maintenance of the classification system and fair treatment under NCCI's workers compensation classification system.
- **Publications**—Both paper and electronic offerings range from NCCI's Basic Manual to short monographs and statistical reports.

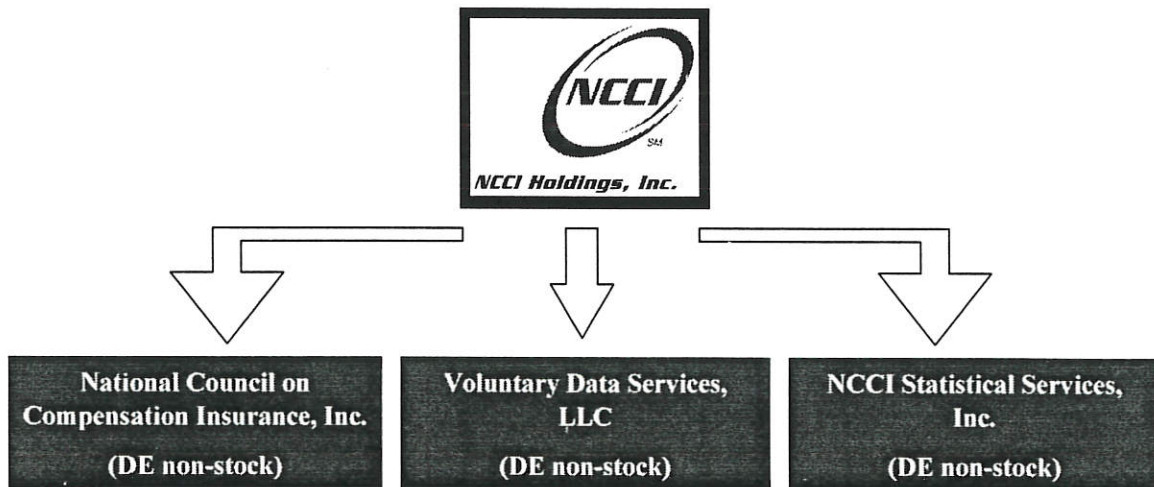
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- **Experience Rating and Other Risk Management Products**—Provide loss history data and analysis on individual risks as well as other pertinent business information.
- **CompCompare<sup>SM</sup>** service —A internet based service that provides analytical information for customers to compare workers compensation claims costs with an extensive industry database.

## Corporate Structure

Established in 1922 as an association of members, National Council on Compensation Insurance was incorporated as a Florida, not-for-profit corporation in March 19, 1993. In October 2000, the National Council on Compensation Insurance, Inc. ("NCCI, Inc.") amended its corporate structure and a non-stock, membership holding company, NCCI Holdings, Inc., was created with separate subsidiaries to perform rating organization, statistical agent, and elective services functions.



The rating organization subsidiary, **NCCI, Inc.**, remains a membership organization with the liquidation rights and interests of its members. **Voluntary Data Services, LLC**, services and maintains data collected from data sources that elect to supply additional data for use in new products and services. In the future, the statistical agent subsidiary, **NCCI Statistical Services, Inc.**, may perform statistical agent functions for those states in which NCCI serves in that capacity. All entities in the group are non-stock, membership companies domiciled in Delaware. The group will continue to operate under a not-for-profit philosophy.



NCCI Holdings, Inc., based in Boca Raton, Florida, is the oldest and largest provider of workers compensation insurance and employee injury data and statistics in the nation.

Operating on a not-for-profit basis since 1922, NCCI studies workplace injuries and other national and state factors impacting workers compensation to provide analysis of industry trends, prepare workers compensation insurance rate and loss costs recommendations, assist in pricing proposed legislation, and provide a variety of data products to over 900 insurance companies and nearly 40 state governments.

NCCI's mission includes the critical work of:

- Monitoring workers compensation and employee injury legislation and regulations
- Analyzing workers compensation system cost trends
- Determining the overall financial impact of proposals and enacted legislation that affect the workers compensation system

In order to achieve these goals, NCCI works within an alliance of system stakeholders to provide underlying data and identify system trends. NCCI works actively with regulators, insurers, trade associations, and business, industry and labor coalitions to maintain a healthy workers compensation system and to reduce the frequency of employee injuries. This often includes providing expert actuarial and economic testimony before state or federal regulatory and legislative groups to support NCCI's analysis and cost estimates.

NCCI also undertakes a variety of special studies and data collection efforts during the year including, for example, the following:

- Special claims research projects
- Cost analysis of judicial and regulatory decisions
- Monitoring newly enacted laws and regulations
- Partnering with other data-mining organizations to ensure a statistically credible database upon which to base these analyses

### **Data Management**

Because data is the foundation of virtually all of its activities, NCCI goes to great lengths, in collaboration with state regulators under whose authority some of the data is collected, to maintain the quality and integrity of data -- insuring that it is comprehensive, objective, timely, consistent, and reliable.

As the manager of the nation's largest database of workers compensation information, NCCI collects detailed information on up to 50% of the total workers compensation claims and policies filed in the United States. In fact, NCCI annually collects and analyzes:

- More than 4 million statistical reports for new and revised claims
- Detailed claim information for more than 80,000 new claims
- Aggregate insurer financial information covering in excess of \$20 billion in premium
- Policy reports covering more than 2 million workers compensation policies

NCCI believes that policy makers produce the best decisions when they have the best available information on which to base their judgments. This also minimizes the potential for undesired and unanticipated consequences. With that in mind, NCCI is committed to continuing its work with state and federal authorities and regulators to insure that policy decisions are fully informed by the latest and best available data and injury statistics. NCCI will also continue to make its publications and reports available on our Web site ([www.ncci.com](http://www.ncci.com)) through expert testimony, and through published findings.

**Company Background:**

Users of NCCI's services include the following: insurance companies, state workers compensation insurance funds, independent bureaus, self-insured organizations, insurance agents, regulatory authorities, legislatures, risk managers, workers compensation providers, employers seeking information on their experience ratings, residual market pool service providers and participants and non-governmental workers compensation agencies.

The Board of Directors is responsible for establishing broad corporate policies assuring the overall performance of NCCI. The Board includes insurer and public representatives from a variety of companies and industries with interests in workers compensation.

**Office Locations:**

Birmingham, Alabama; Sherwood, Arkansas; Agoura Hills, California; Lakewood, Colorado; Boca Raton, Florida; Tallahassee, Florida; Honolulu, Hawaii; Springfield, Illinois; St. Louis, Missouri; Brentwood, New Hampshire; Hoboken, New Jersey; Albuquerque, New Mexico; Tigard, Oregon; Wayne, Pennsylvania.

**Contact Information:**

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Boca Raton, Florida 33487  
Telephone: 561-893-1000  
Fax: 561-917-7025  
Web: [ncci.com](http://ncci.com)

For more information on NCCI's services and products, contact NCCI at 800-NCCI-123.

For media inquiries, please contact Greg Quinn at 607-723-7878.