



August 23, 2023

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Workers Compensation Insurance

**2023 NORTH CAROLINA STATE OF THE MARKET
WORKERS COMPENSATION IN NORTH CAROLINA INDUSTRY REPORT**

The North Carolina Rate Bureau is pleased to make available the 2023 Report – Workers Compensation Insurance in North Carolina. This report provides an overview of matters related to workers compensation in which the North Carolina Rate Bureau has oversight. Along with legislative updates and industry changes, this report includes an overview of items such as premium volumes, changes in loss costs and assigned risk rates, Covid-19 update and claims statistics such as claim counts, severity trends and common causes of injuries.

If you have any questions, please contact Regulatory Manager Jodi Webb at (919) 719-3028 or via email at jlw@ncrb.org.

Sincerely,

Jarred Chappell
Chief Operating Officer

JC:ko
C-23-7
Attachment

2023 NORTH CAROLINA STATE OF THE MARKET

WORKERS COMPENSATION IN NORTH
CAROLINA INDUSTRY REPORT

This report of Workers Compensation Insurance in North Carolina provides an overview of Workers Compensation matters impacting the Bureau. The Bureau files assigned risk rates, voluntary loss costs, rules and forms on behalf of all member companies writing workers compensation insurance in North Carolina.

Thank you for trusting in the Bureau as we remain prepared and equipped to adapt to the ever changing North Carolina workers compensation industry.



ABOUT NCRB

North Carolina Rate Bureau (NCRB) is a non-profit, unincorporated rating bureau created by the General Assembly of North Carolina under the provisions of Article 36 of Chapter 58 of the General Statutes of North Carolina on September 1st, 1977.

NCRB provides services and programs for the insurance industry in North Carolina for private passenger automobile, residential property, flood and workers compensation.

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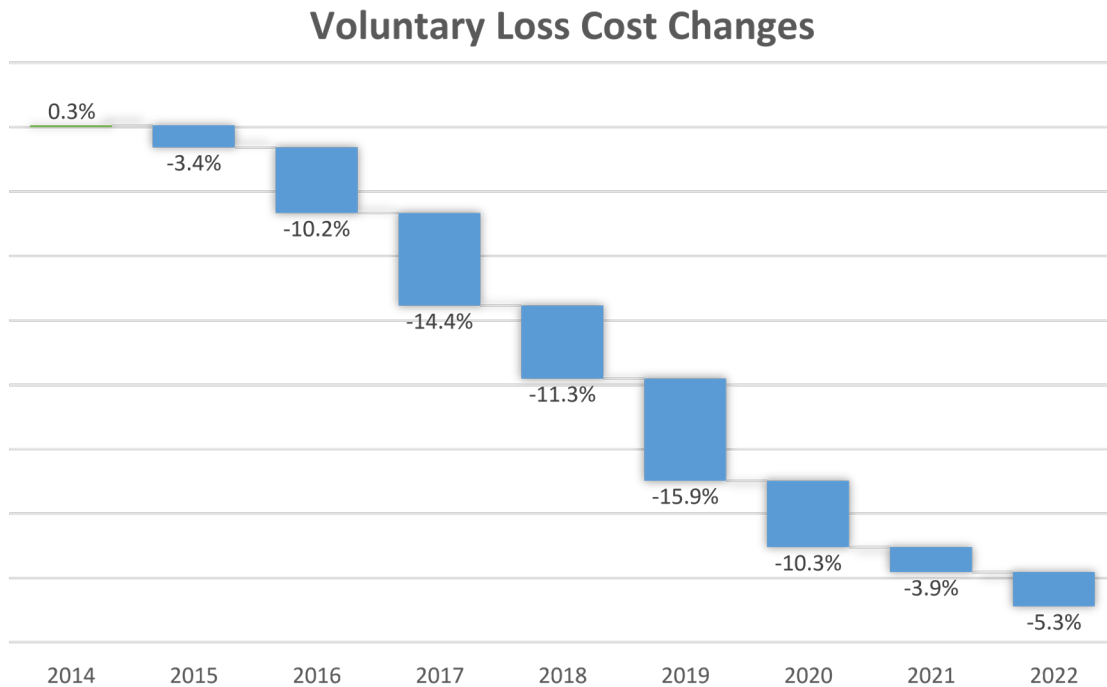
- I. Loss Costs and Assigned Risk Rates**
- II. North Carolina Claims Data**
- III. Legal and Regulatory Changes Impacting Workers Compensation in NC**
- IV. COVID-19**

Report Limitations

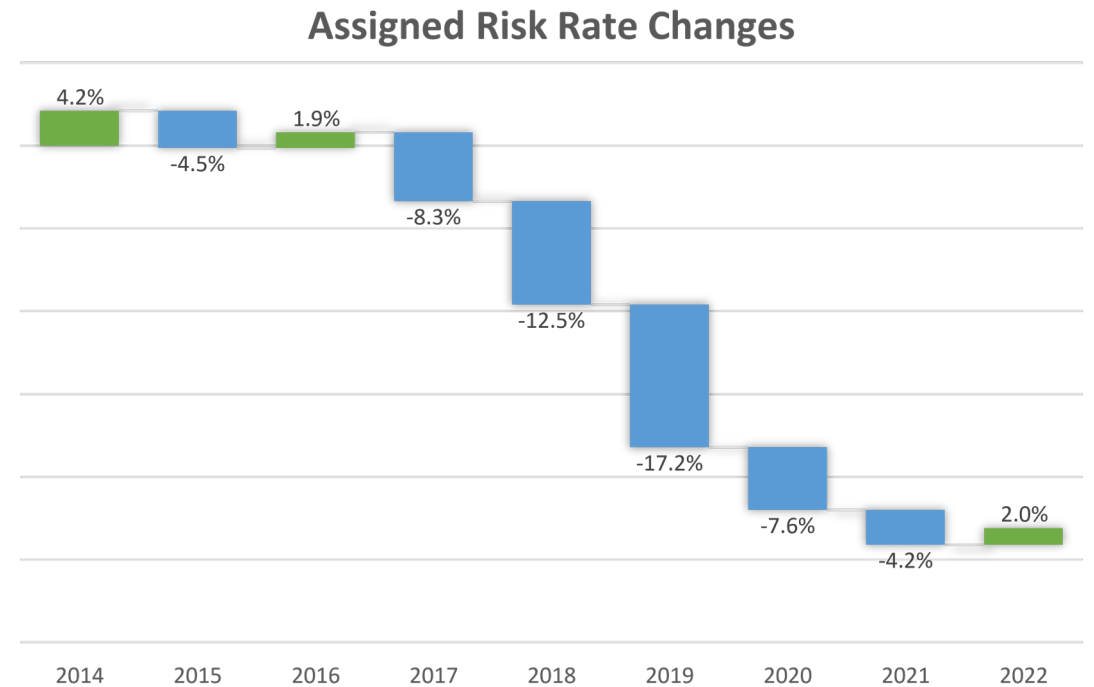
This report does not encompass a complete study of all issues affecting workers compensation in North Carolina. It has been prepared using the best available information on workers compensation insurance. The data used in this report has been provided to the Bureau by carriers writing workers compensation insurance in North Carolina or data that has been reported to or collected by various industry groups. This report has been independently prepared by the Bureau.

WC Rate Filings

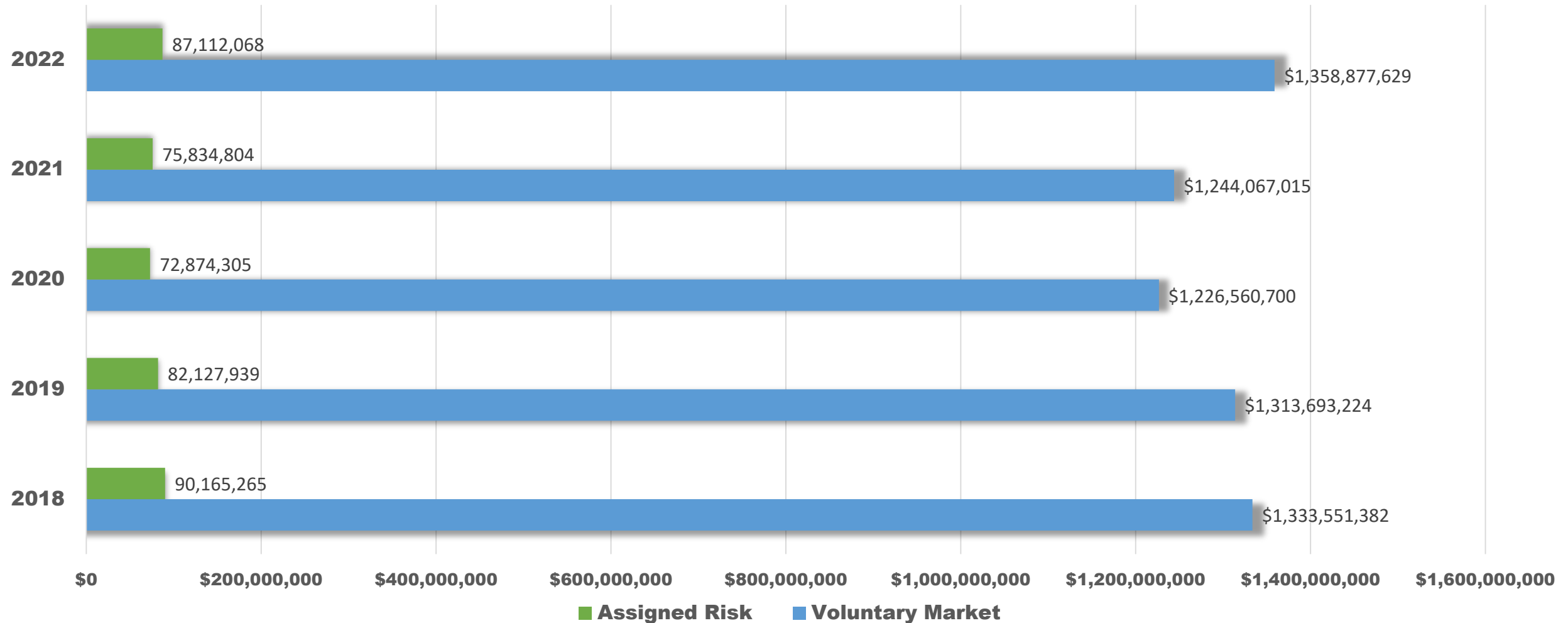
Voluntary Loss Cost Factors



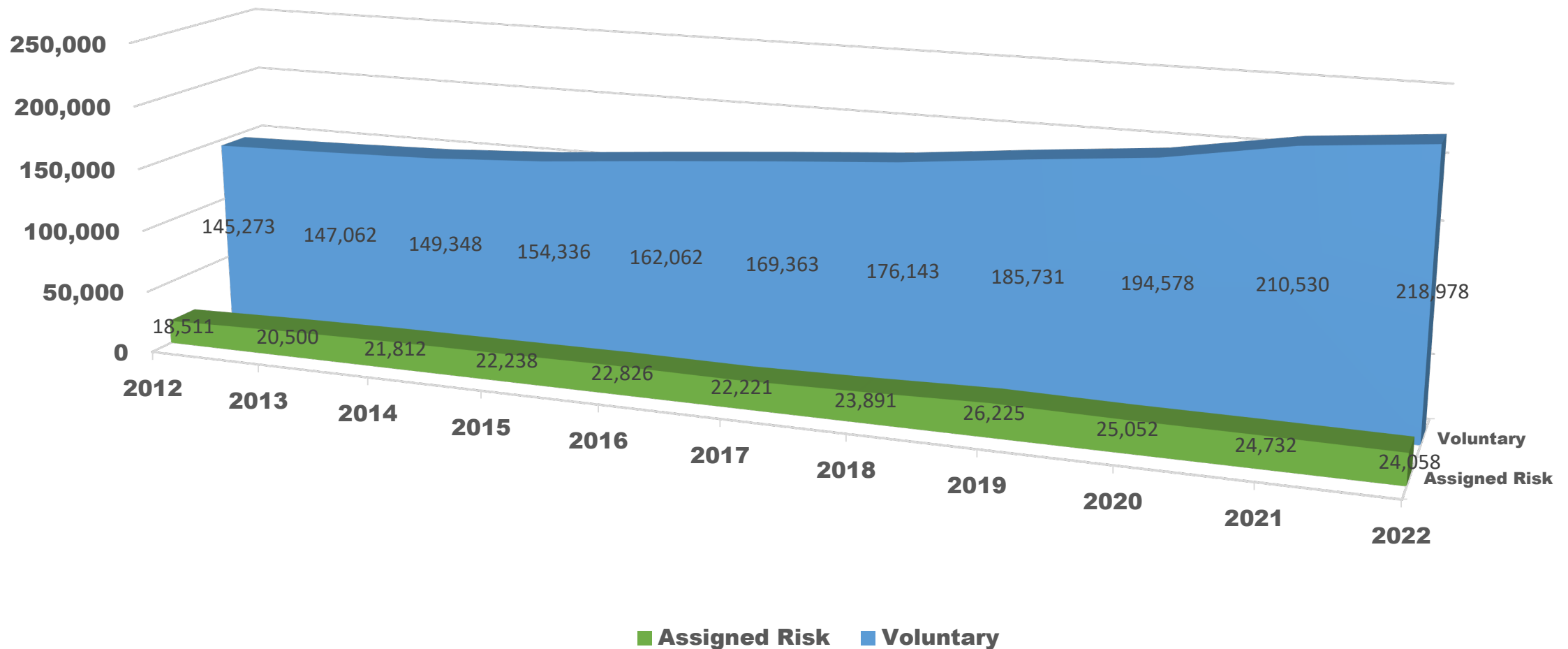
Residual Market (Assigned Risk) Rates



Premium by Market



Assigned Risk vs Voluntary Market Policy Counts



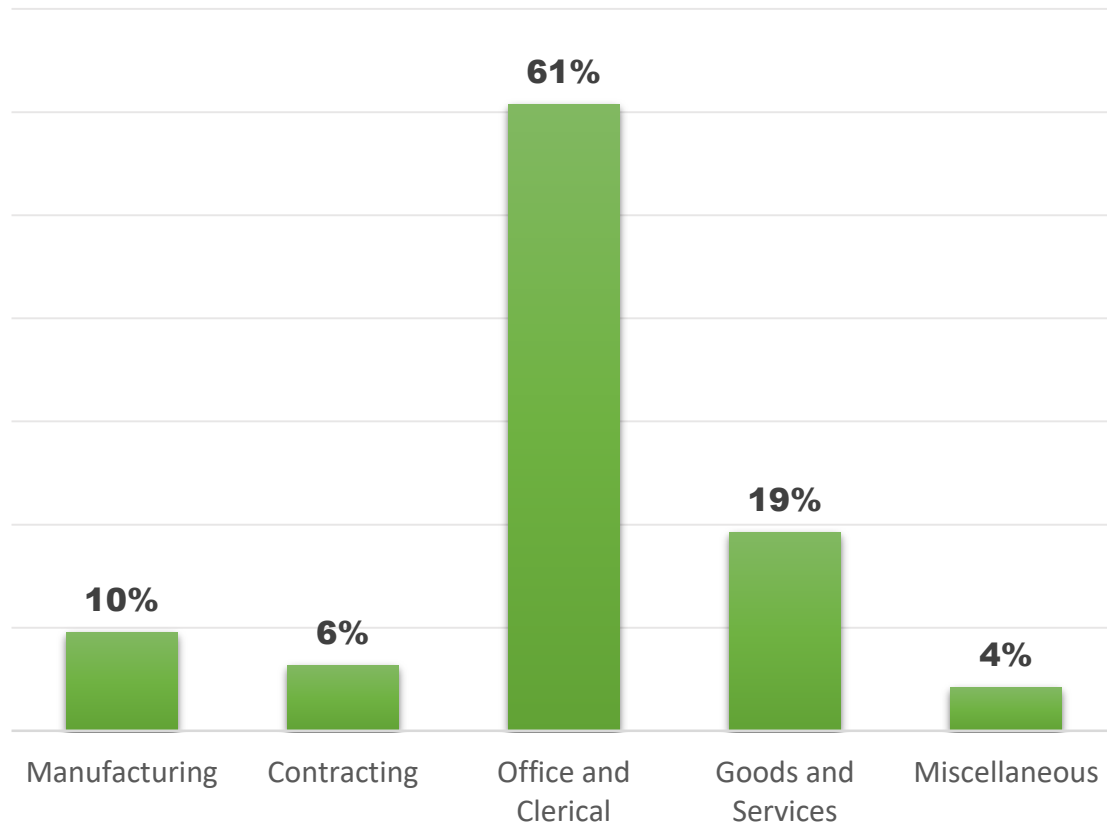
Voluntary
Assigned Risk

Top WC Writers By Total Written Premium 2022

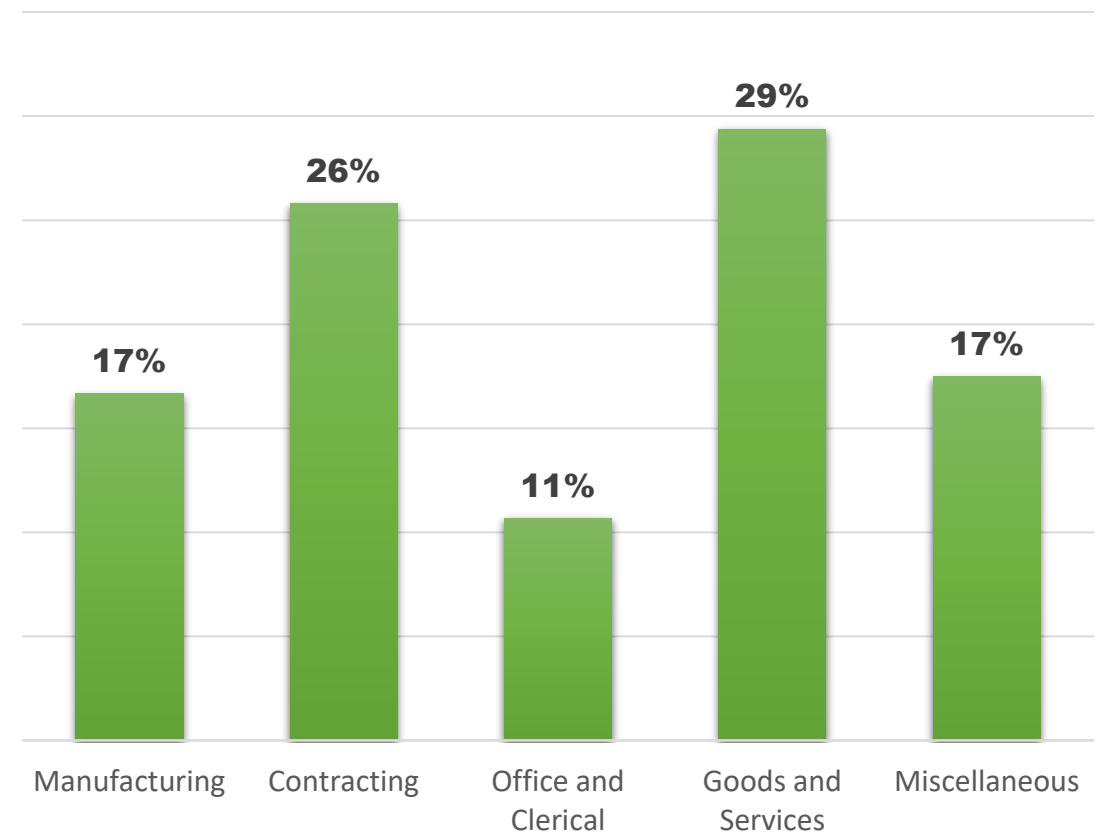


WC Industry Groups

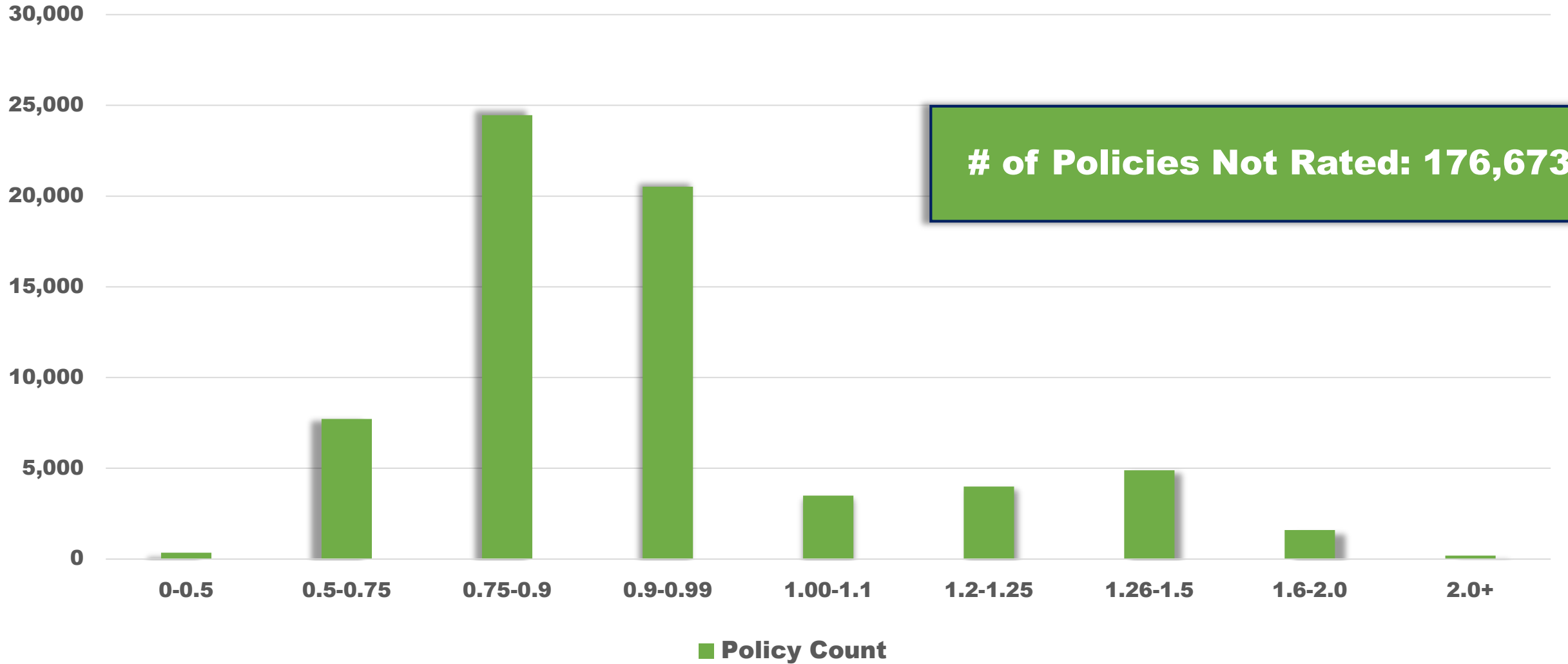
2022 Payroll by Industry



2022 Premium by Industry



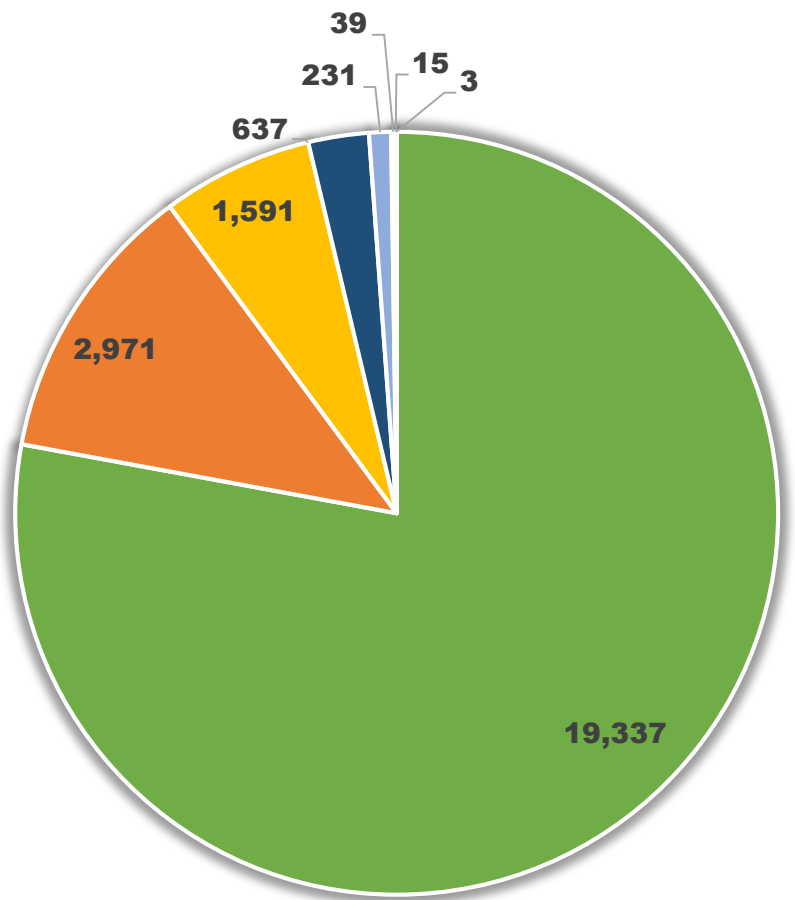
2022 Policies by Experience Mod



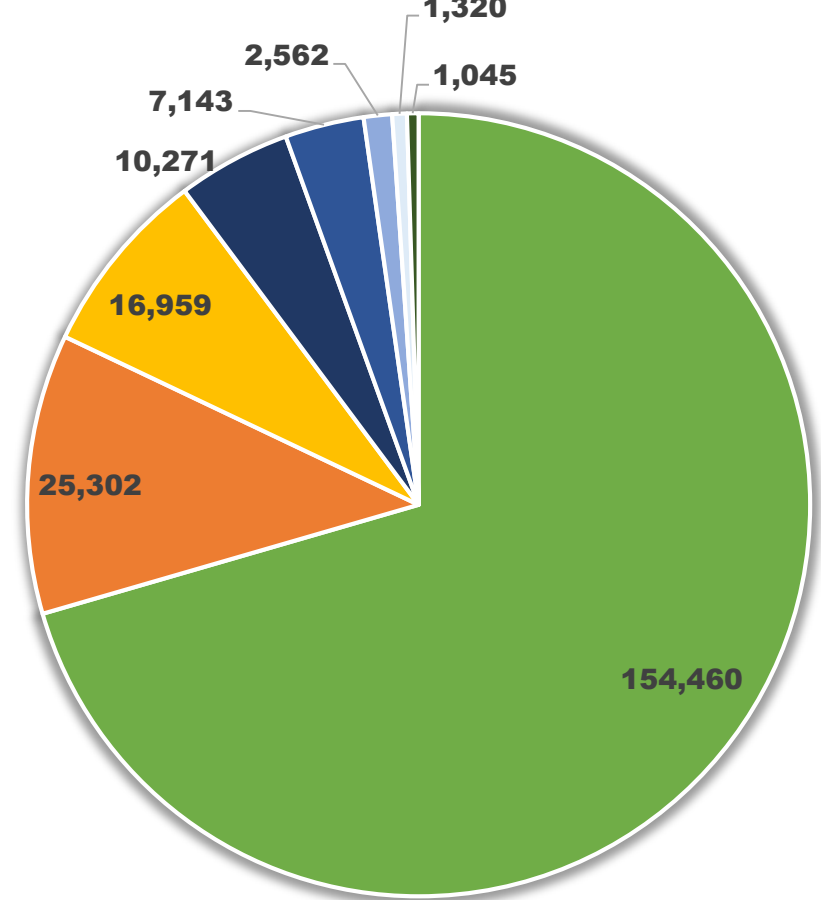
Policy Counts with Premium Distribution (2022)

- \$0-\$2,499
- \$2,500-\$4,999
- \$5,000-\$9,999
- \$10,000-\$19,999
- \$20,000-\$50,000
- \$50,000-\$100,000
- \$100,000-\$200,000
- \$201,000+

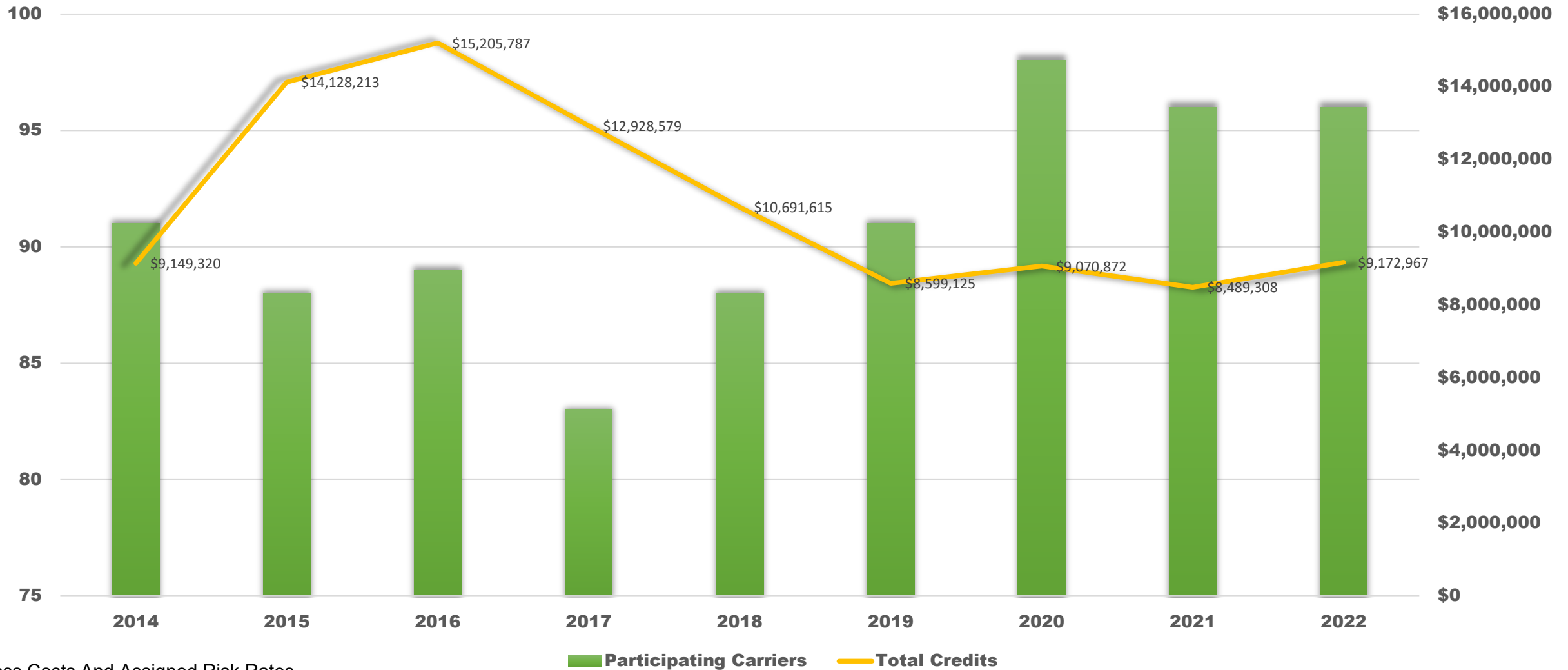
**Policy Count By Premium Size:
Assigned Risk**



**Policy Count by Premium Size:
Voluntary Market**



Take Out Credit Program History



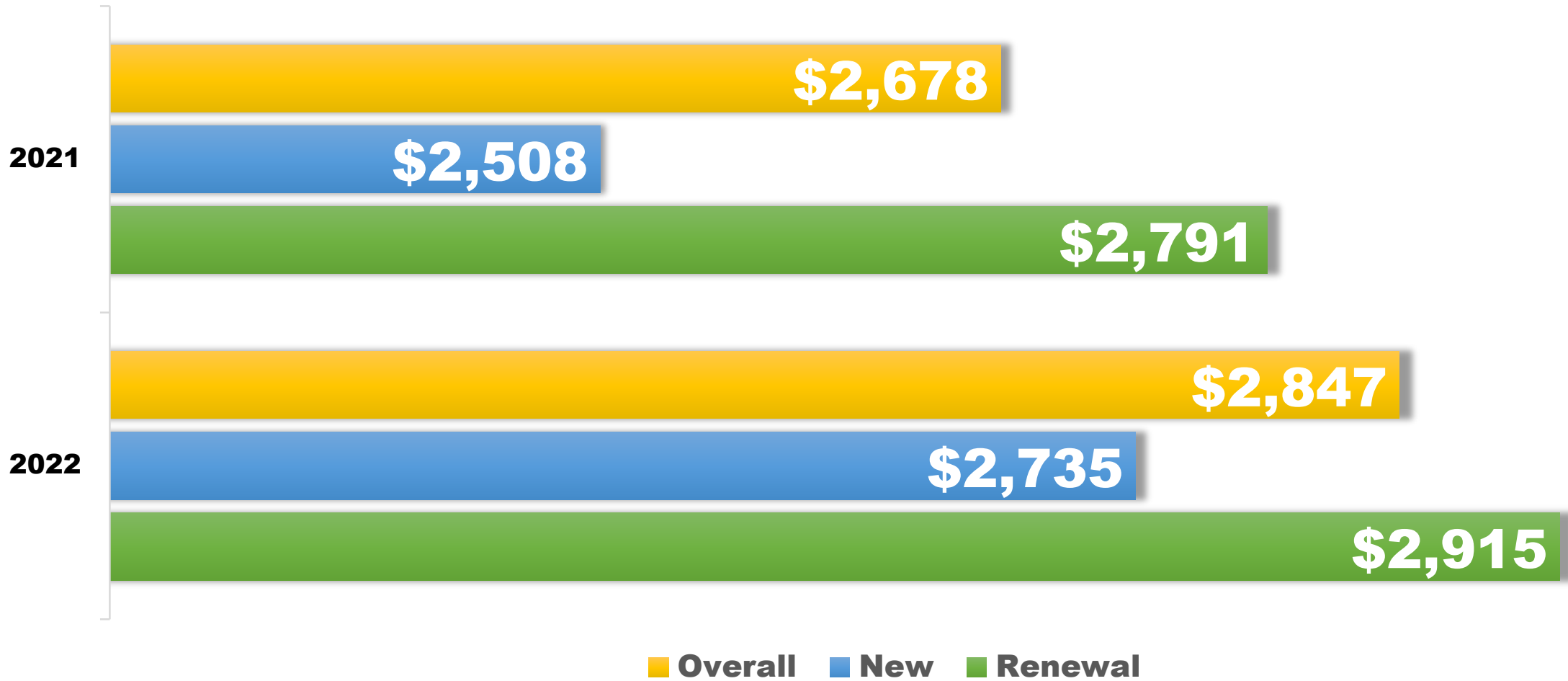
Market – Average Premium as of 12/31/2022

■ Voluntary ■ Assigned Risk ■ Overall



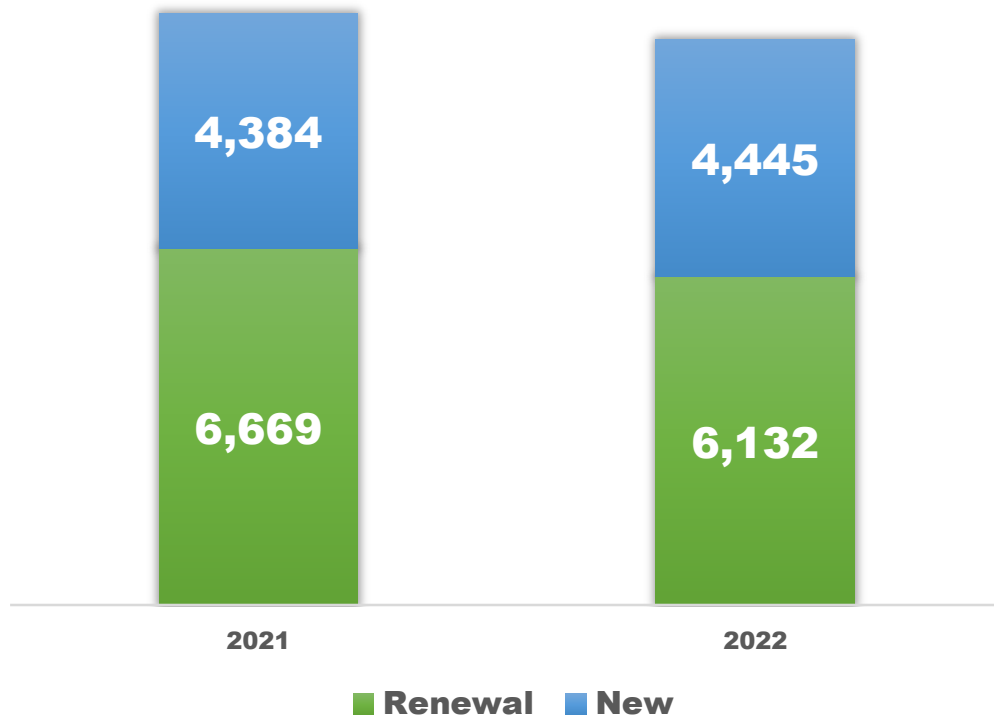
Average Premium Size

Assigned Risk Average Premium Size Year to Date – Through May

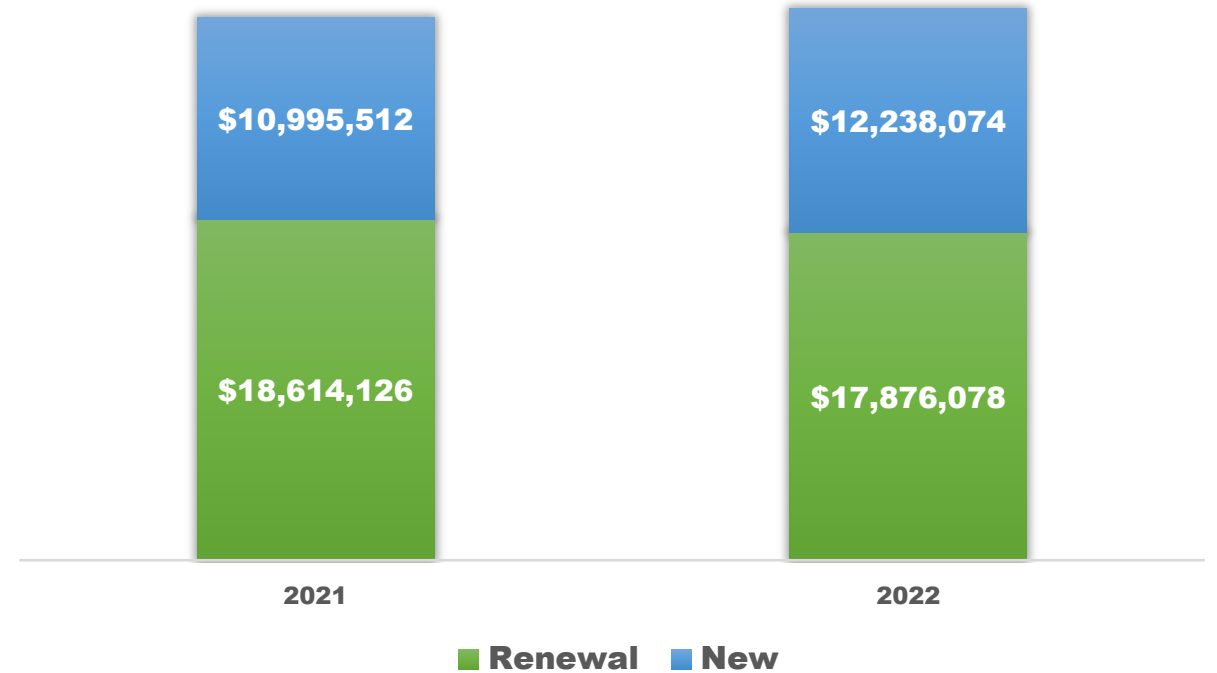


AR Policy Count Year to Date – Through May

AR Policy Count YTD - Through May

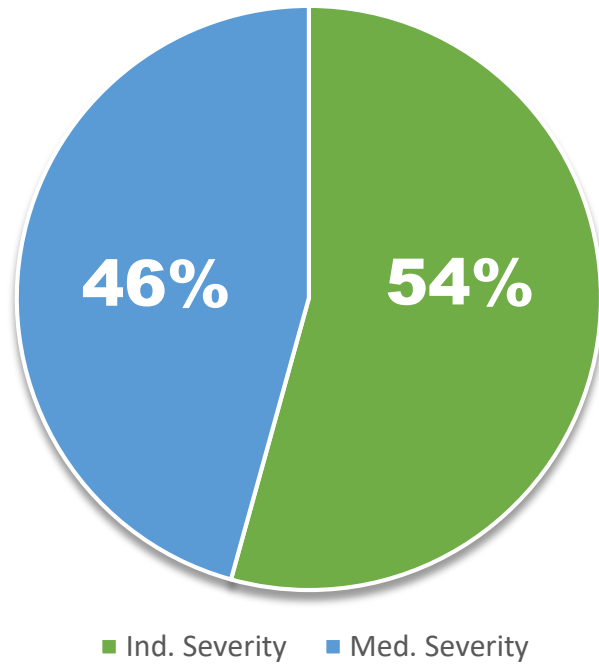


AR Total Premium YTD - Through May

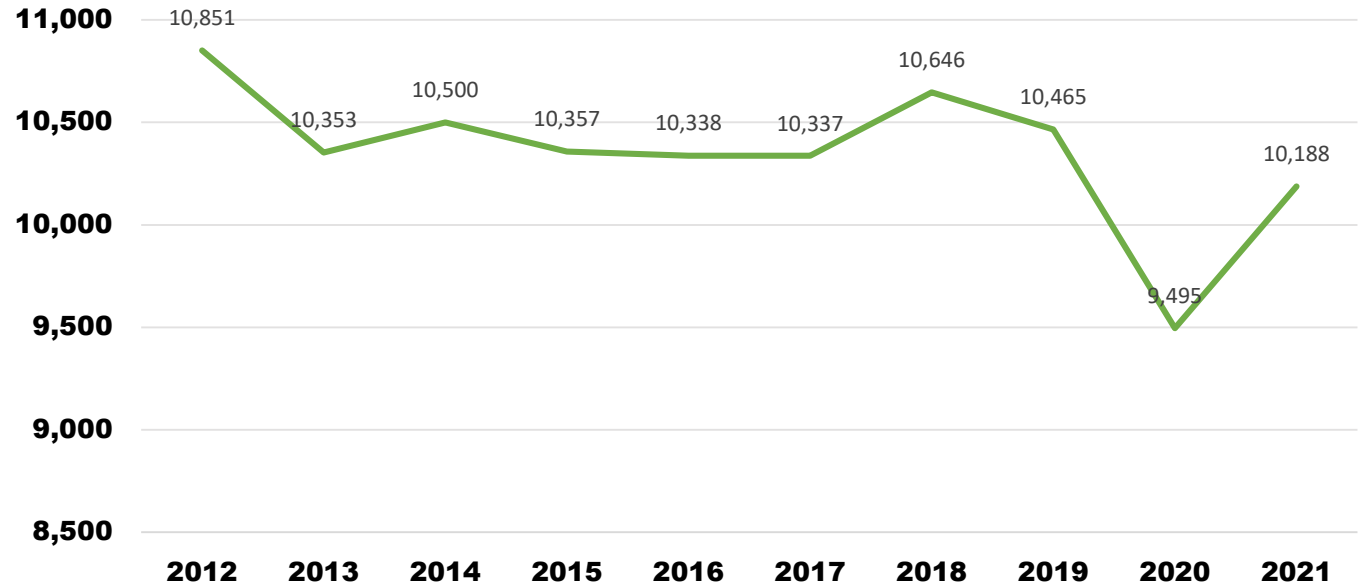


Claim Count and Severity Trends

Medical vs Indemnity Split Claim Dollars 2006-2021

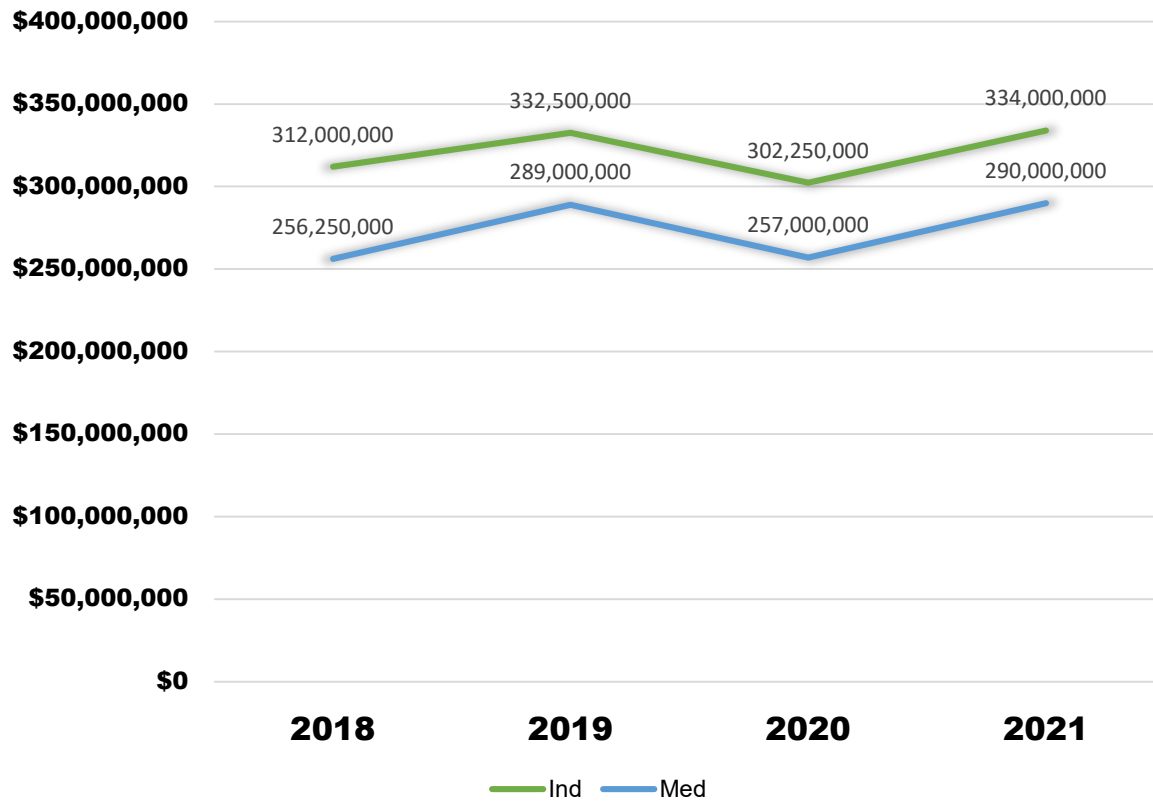


Lost Time Claim Counts

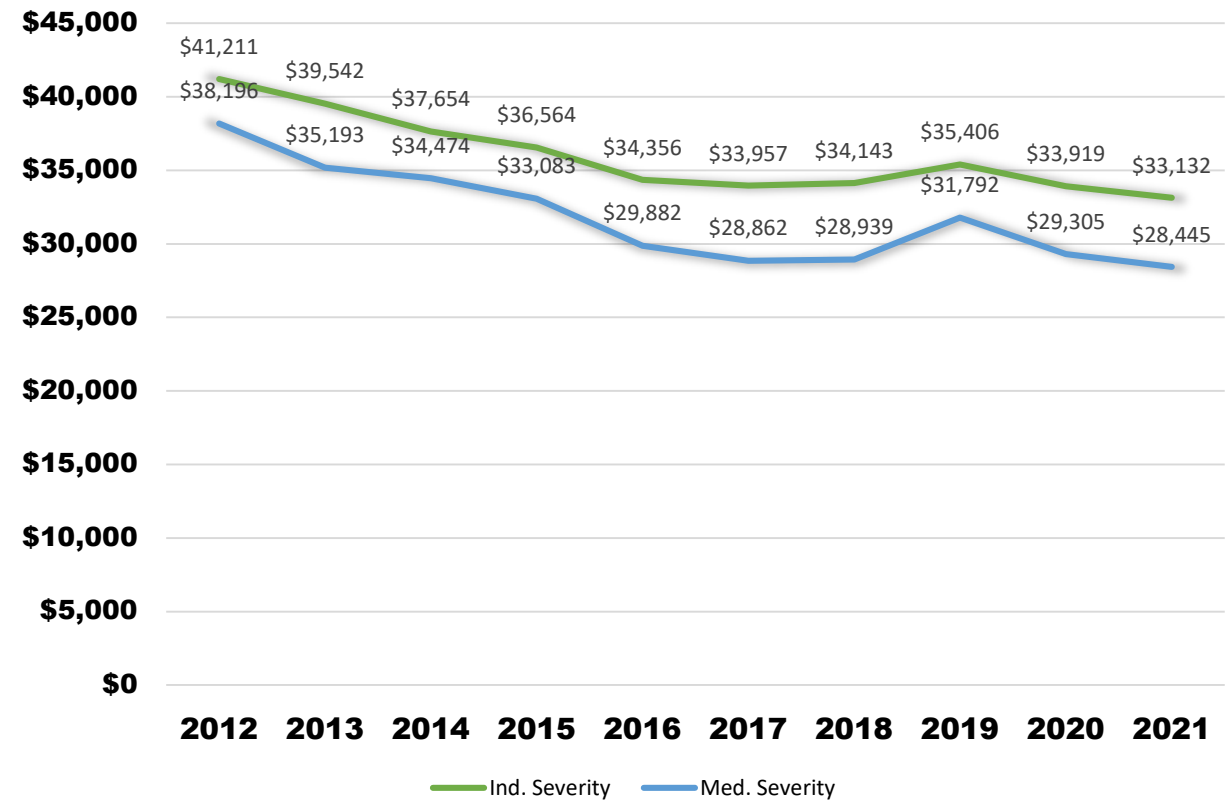


Claim Count and Severity Trends

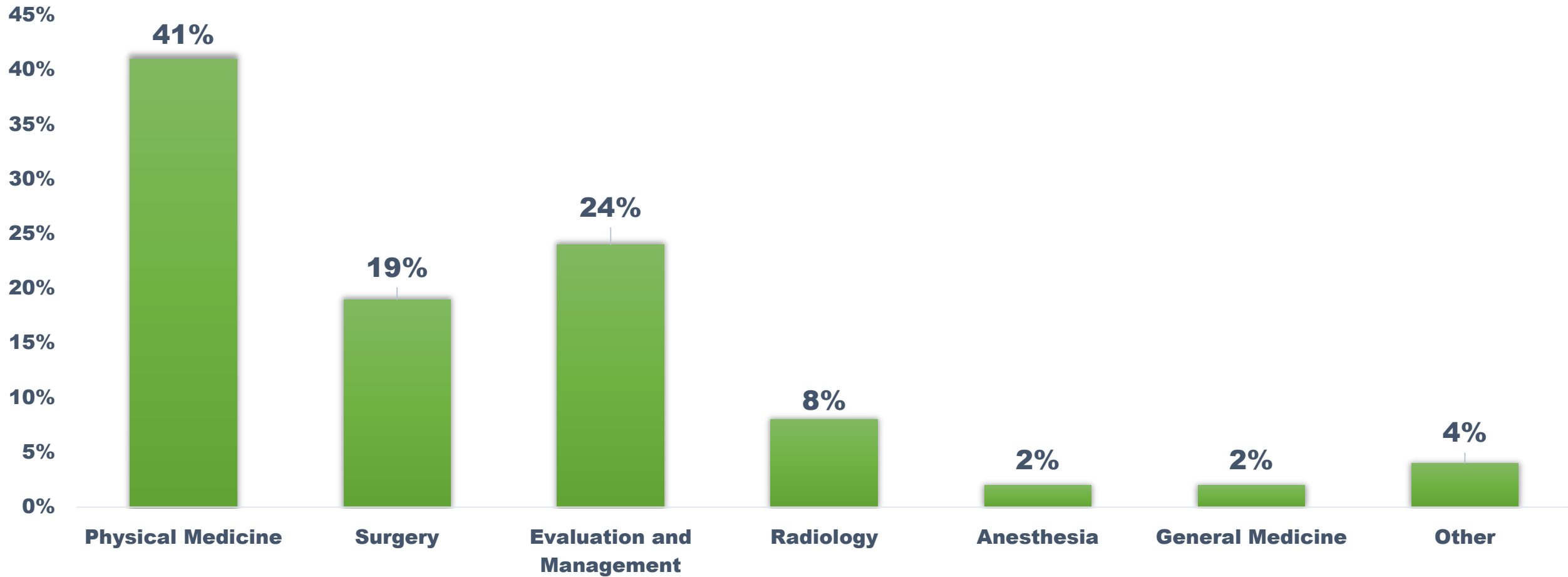
Total Loss by Accident Year



Claim Severity

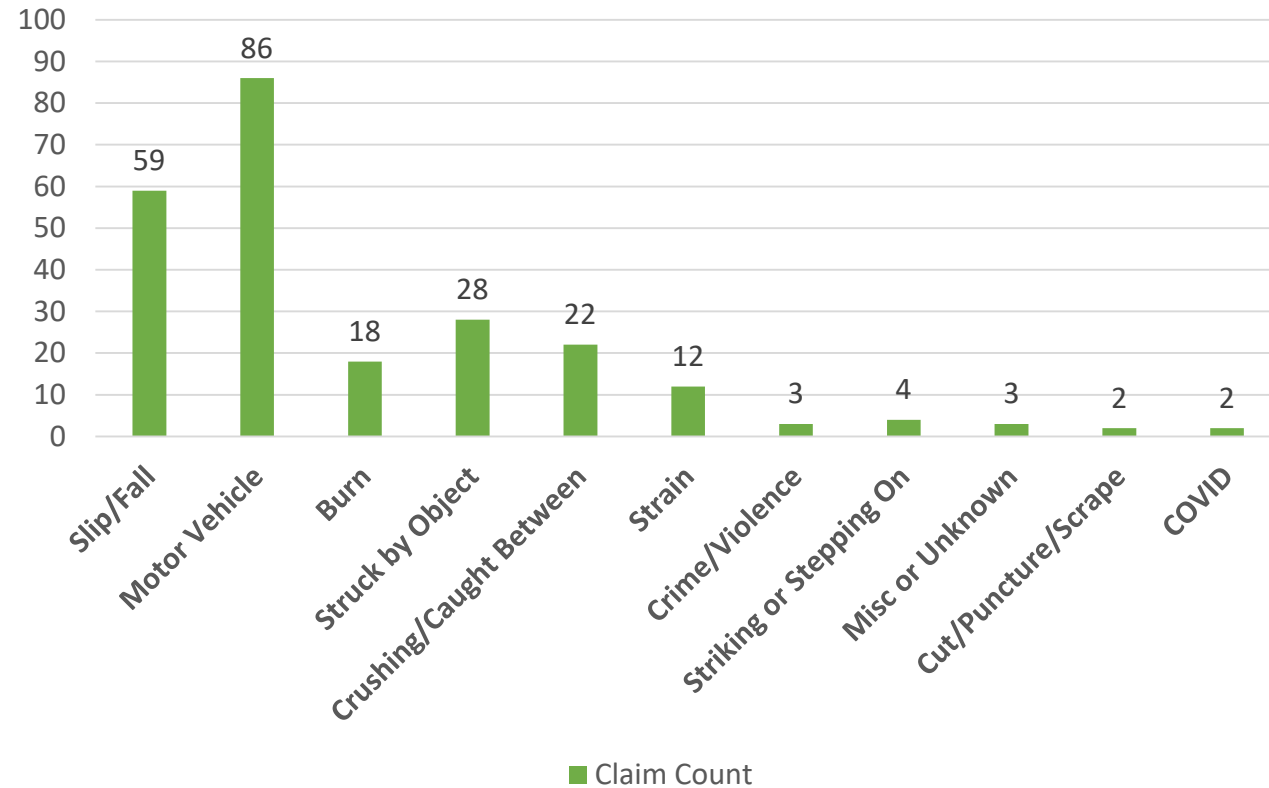


2022 Distribution of Physician Payments Service by Category

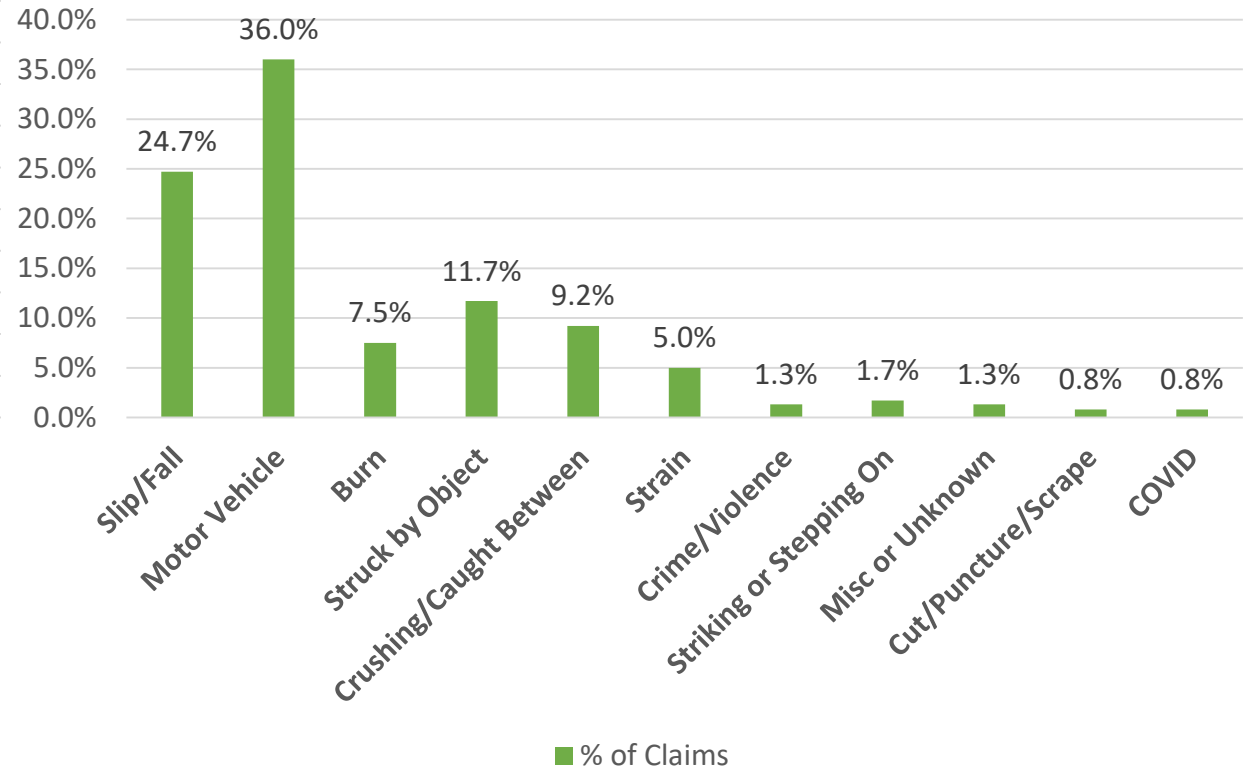


Cause of injury for claims with > \$500,000 in total losses (NC)

Claim Count

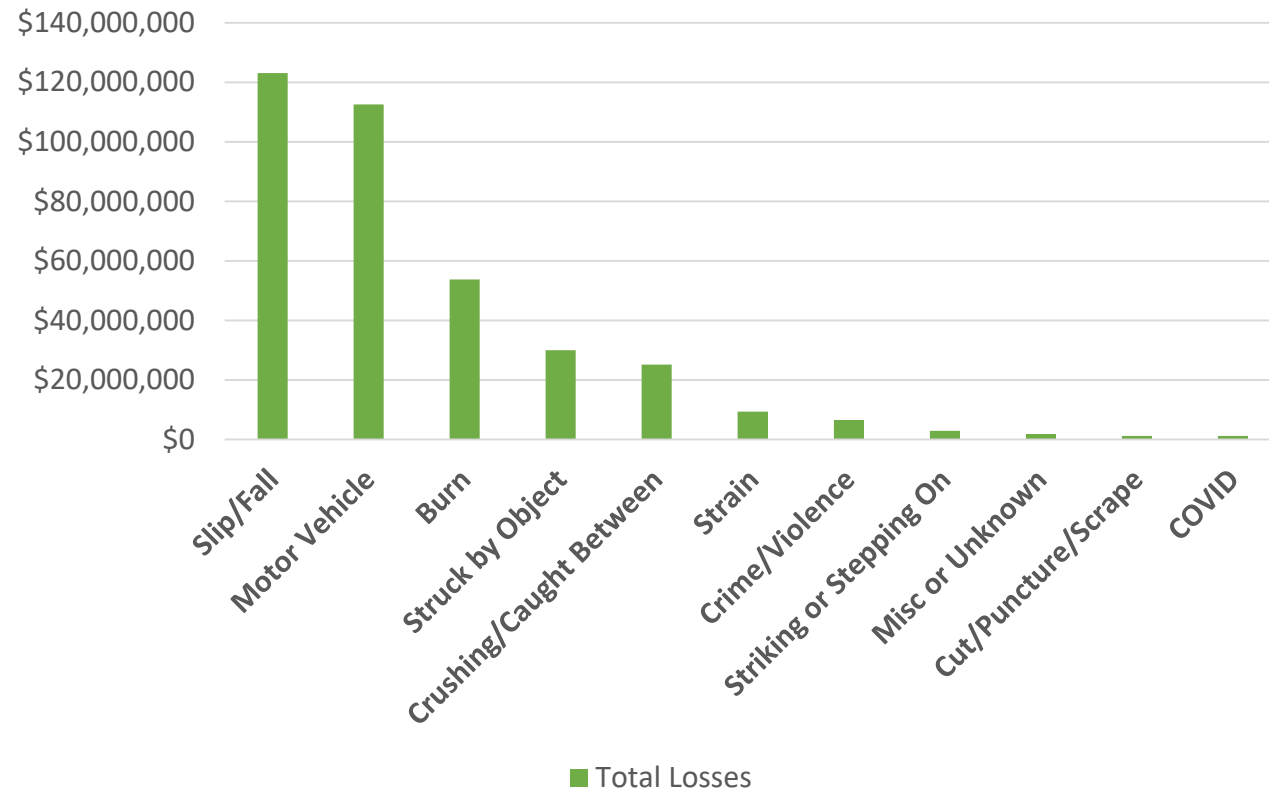


% of Claims

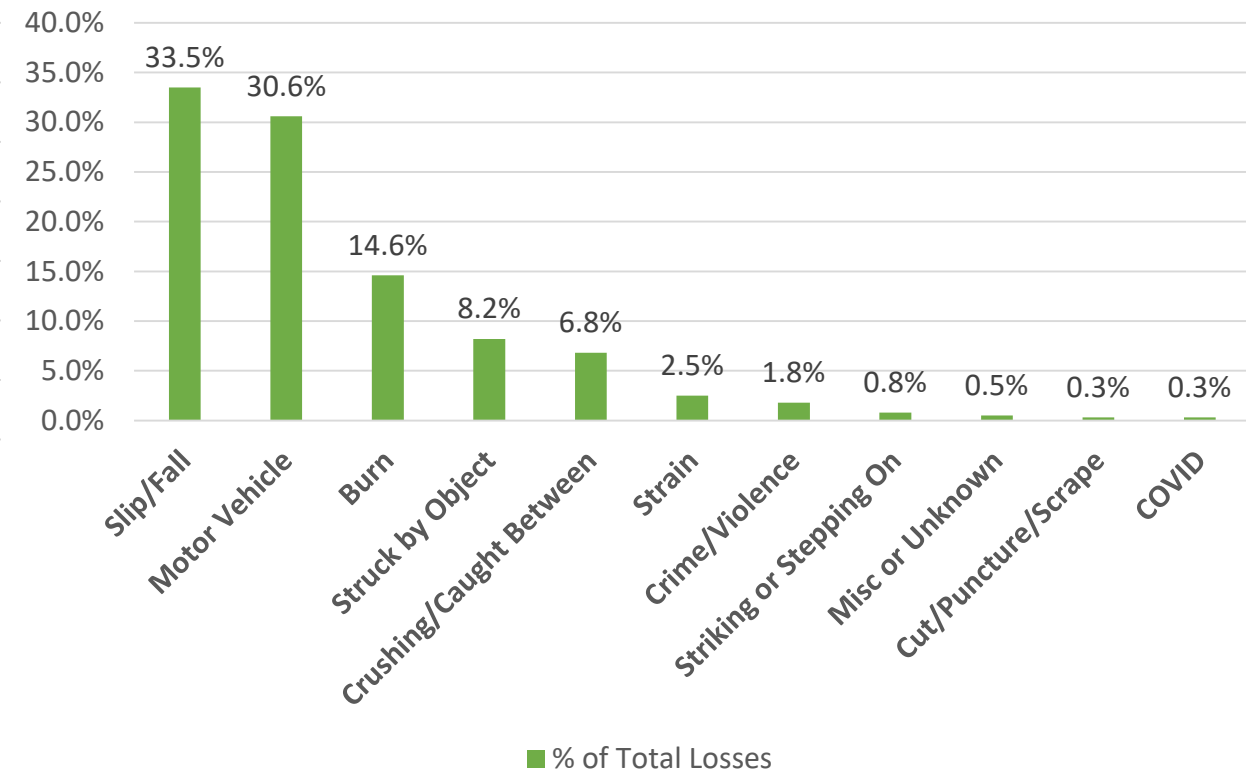


Cause of injury for claims with > \$500,000 in total losses (NC)

Total Losses

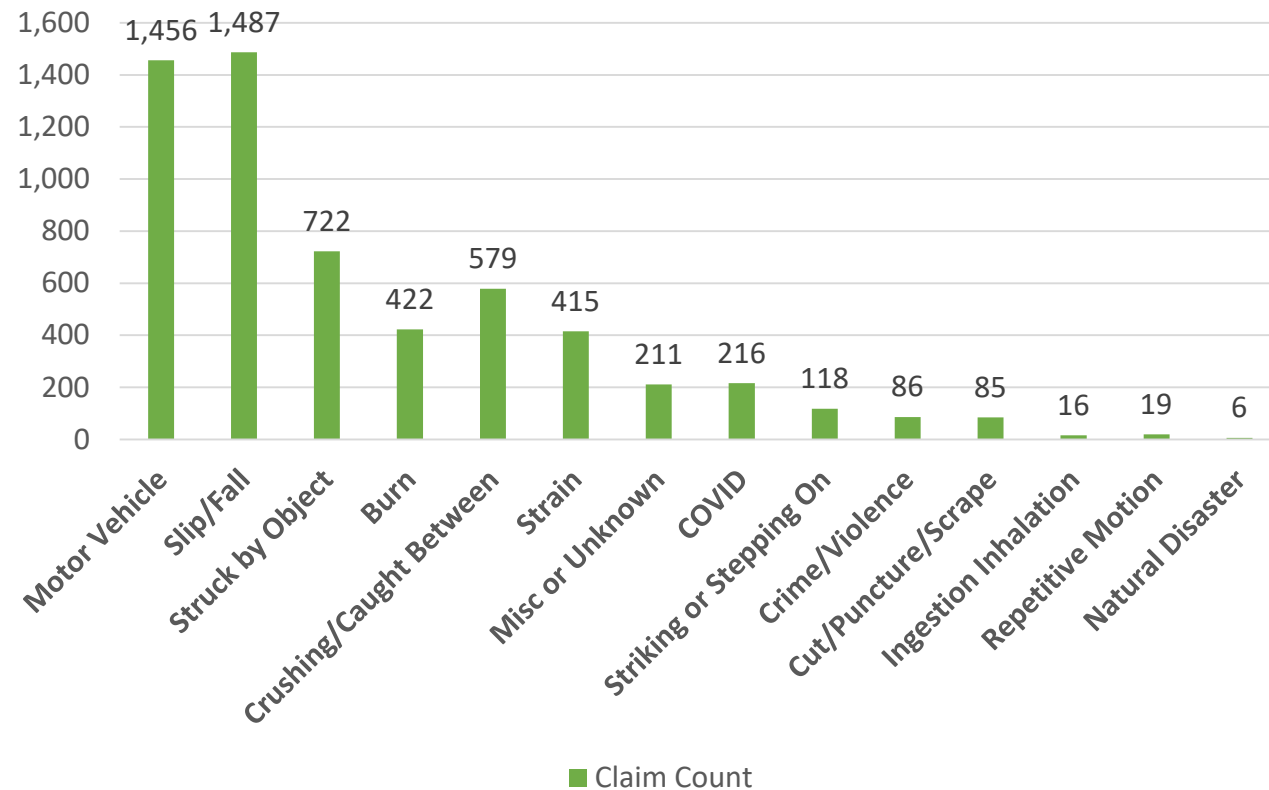


% of Total Losses

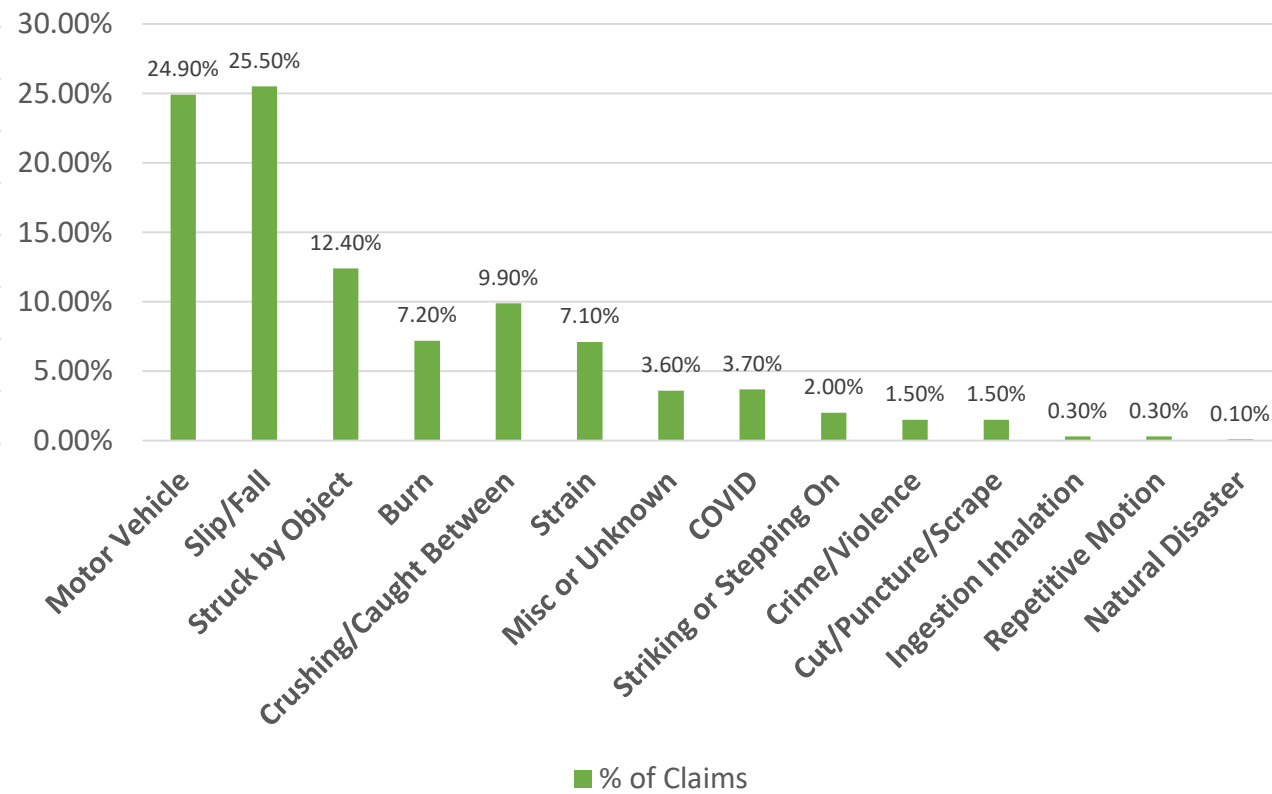


Cause of injury for claims with > \$500,000 in total losses (Countrywide)

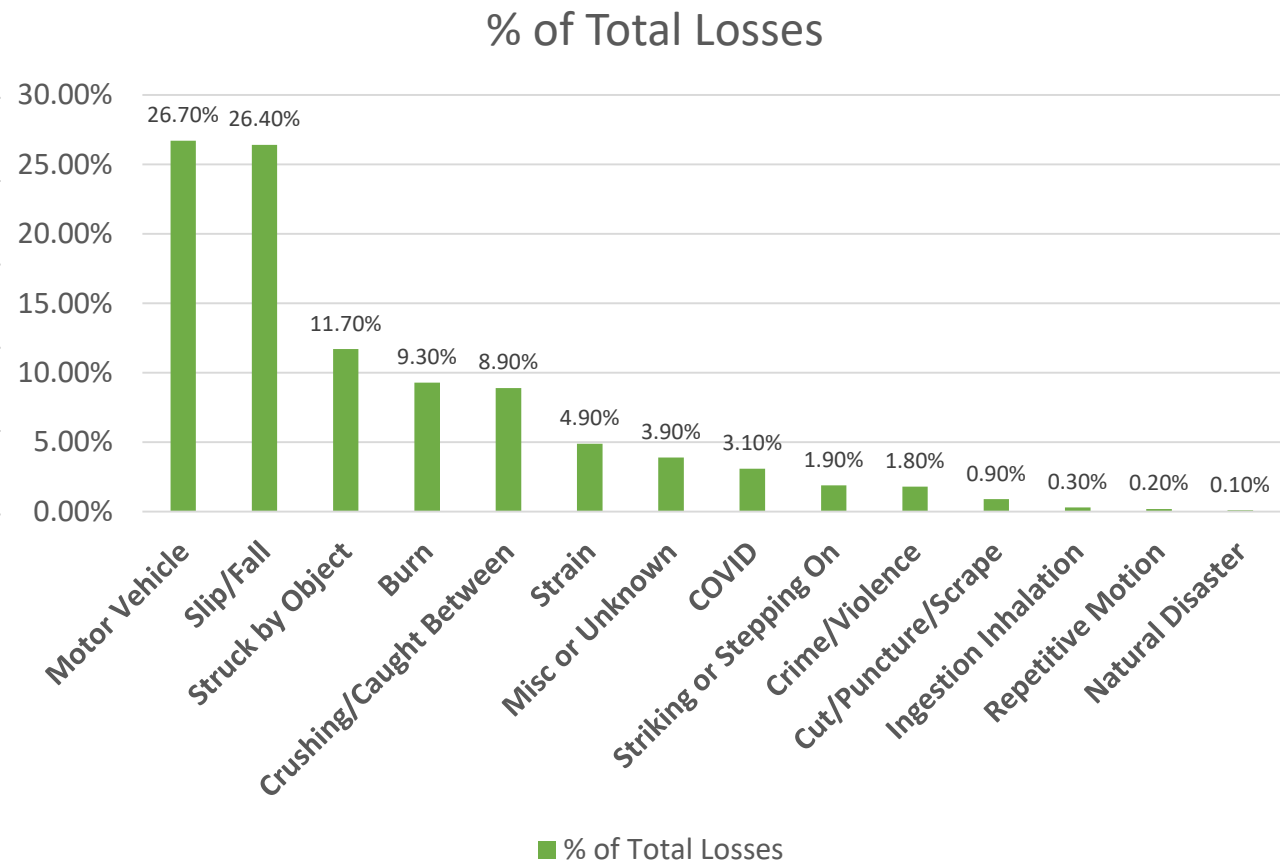
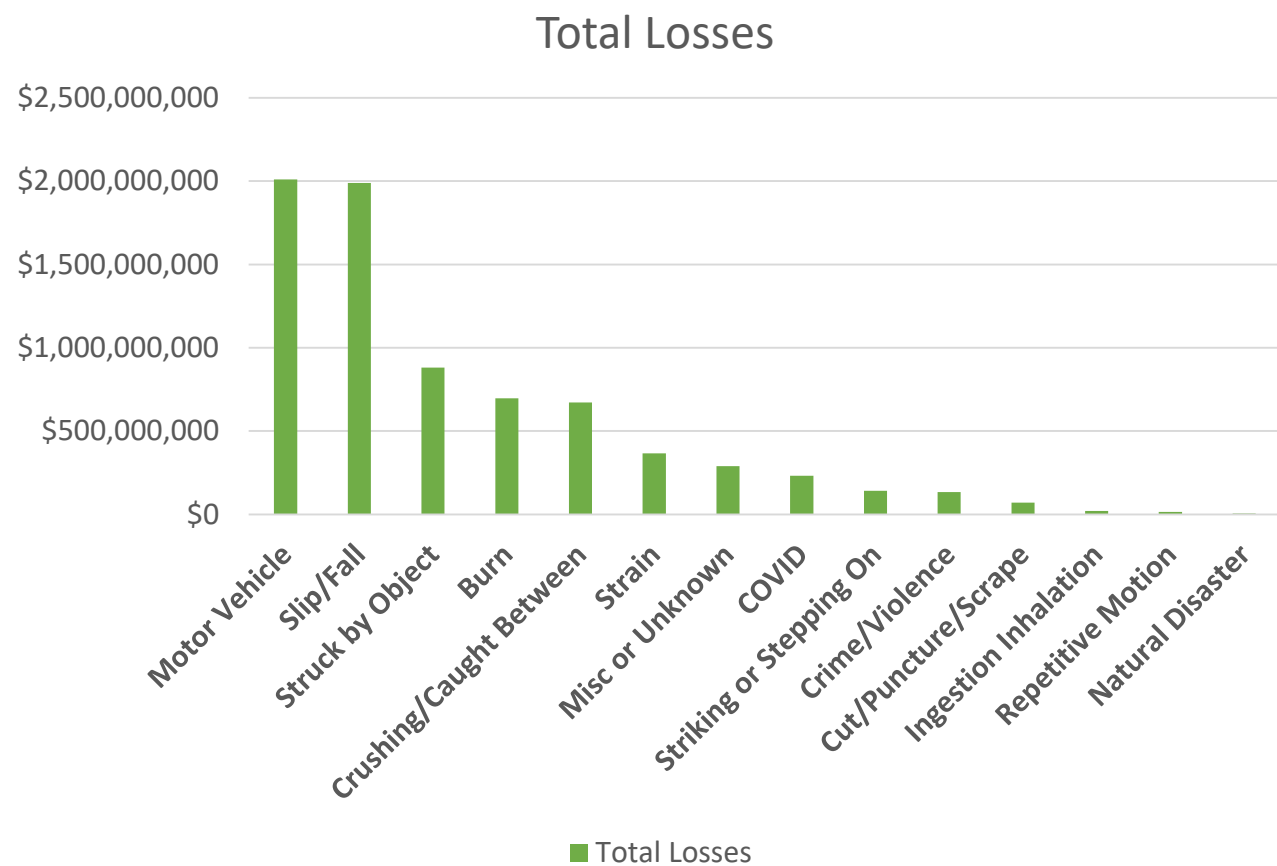
Claim Count



% of Claims



Cause of injury for claims with > \$500,000 in total losses (Countrywide)



Legal and Regulatory Changes Impacting Workers Compensation in North Carolina

The Bureau monitors industry trends, court cases and regulatory activity that may impact workers compensation in North Carolina. The following are matters that the Bureau is currently following.

Sturdivant v. North Carolina Department of Public Safety

In this case, the plaintiff sought extended disability benefits for an injury he received in 2011, after exhausting the maximum of 500 weeks of disability benefits allowable under Section 97-29(b). Plaintiff was denied extended benefits by a Deputy Commissioner on the basis that he had not proven total disability. Plaintiff appealed to the Court of Appeals however the COA concurred with the Full Commission and the decision was upheld, denying extended benefits to the plaintiff. This case is currently on appeal with the NC Supreme Court.

Senate Bill 452 Part VII- Omnibus

This bill amends Chapter 58 of the General Statutes by adding definition around the administration of large deductible policies and insurance collateral for large deductibles. If passed, this section of Senate Bill 452 will apply to insurance contracts issued, renewed, or amended on or after October 1, 2023.

Staff Participation in Industry Working Groups

NCCI Underwriting Committee

Meets to discuss key research and general underwriting topics for the workers compensation industry. Current topics of discussion that could see future filing activity include:

- Zoos and Aquariums
- Subcontractors
- Structural and Nonstructural Iron and Steel
- Engineering with Construction
- Sign Manufacturing and Installation

NCCI's Individual Risk Rating Working Group (IRRWG)

Review of retrospective rating program and excess loss factors.

WCIO's Policy Research Advisory Committee

Conducts research and analysis of various workers' compensation manual rules and topics such as basis of exposure, classification systems and policy forms.

WCIO's Data Advisory Committee

Promotes the efficient reporting and collection of data across jurisdictions as required for rate making and other key functions.

WCIO's Actuarial Committee

Multi-Bureau Collaborations have included COVID-19 and Large Claims analysis; other topics include items such as the granularity in ratemaking, and subrogation.

NCCI's Actuarial Committee

Topics include COVID-19 related issues such as furloughed employees and inclusion of claims in experience rating, Item Filings, review of Occupational Disease loadings, and updates to experience rating.

NCRB Approved Filings

Based on research by Bureau staff and recommendations from our committees, filings will be made with the Commissioner to reflect both state specific needs as well as national recommendations made by NCCI.

Approved Filings:

- Revision to Manual Rules Related to COVID-19: Established an end date of July 1, 2023 for previously implanted COVID-19 rules around experience rating and furloughed employees. “NCCI Item Filing B-1447 and E-1410” (NCRB Circular C-23-5)
- Revision to Catastrophe (Other Than Certified Acts of Terrorism) Premium Endorsement (WC 00 04 21 E): Revised the definition of Catastrophe (Other Than Acts of Terrorism) to include a single event or peril that exceed \$50 million in aggregate workers compensation losses, such as the COVID-19 pandemic. This filing became applicable to all new and renewal policies with an effective date on or after August 1, 2022. “NCCI Item Filing P-1418” (NCRB Circular C-21-13)
- Revisions to the NC Basic Manual Rule 3.A.12.a.4 Final Earned Premium-Determination: This state-specific filing allows a carrier the flexibility to determine whether to conduct audits virtually or physically on-site. (NCRB Circular C-21-22)
- Revisions to Basic Manual Rules Related to Payroll Inclusions and Exclusions. Clarifies and enhances the Basic Manual for Worker’s Compensation and Employer’s Liability Insurance rules related to payroll inclusions and exclusions, retroactive wages or salaries paid to retired or terminated employees, expense allowances, tips, service charges and automatic gratuities. WC2023-01 and WC2023-02 mirror NCCI Item Filings B-1448 and B-1449 (NCRB Circular C-23-6).

NCRB Pending Filings

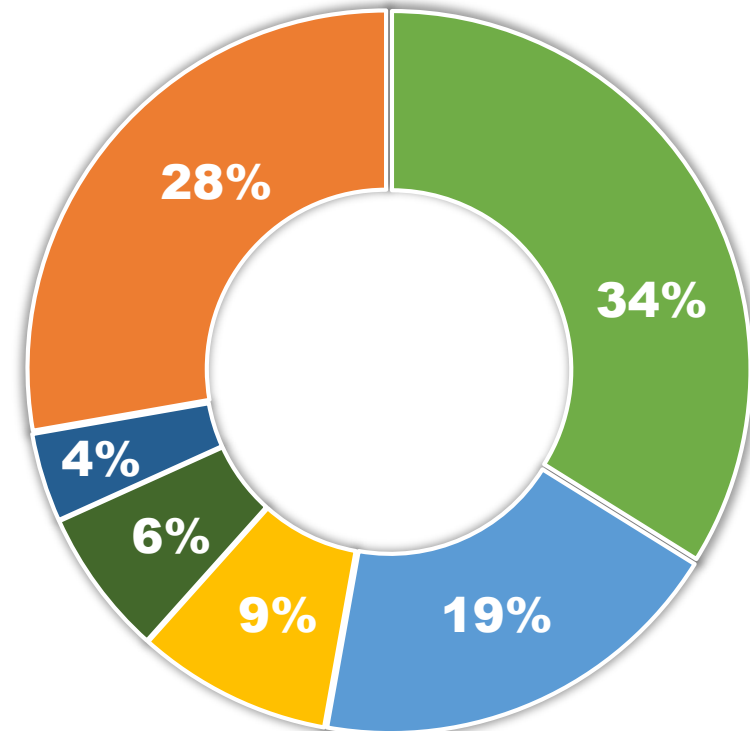
Based on research by Bureau staff and recommendations from our committees, filings will be made with the Commissioner to reflect both state specific needs as well as national recommendations made by NCCI.

Pending Filings:

- The Bureau plans to implement the enhancement to experience rating plan methodology with the Loss Cost and Assigned Risk Rate filings filed September 1, 2023. The changes to experience rating will include modifications to the parameters such as split point, state per claim accident limitation, G value, credibility parameters and discount ratio. (NCRB Circular C-23-3)
- The Bureau proposes to adopt revisions to the Retrospective Rating Plan Manual that updates information related to state and federal tax multipliers. This change is effective for new and renewal business on or after January 1, 2024. (NCCI Item Filing R-1422)

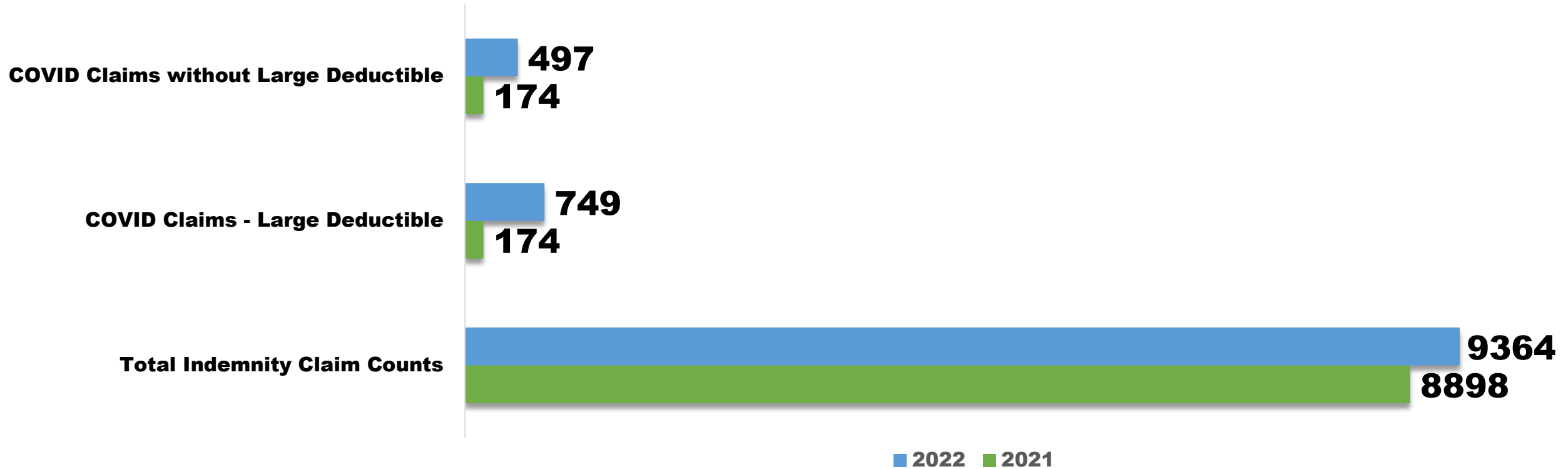
COVID-19 Claims by Class Code

- **8824 - Retirement Centers - Health Care Employees**
- **8833 - Hospital - Professional Employees**
- **8849 - Nursing Homes - All Employees**
- **8826 - Retirement Centers - All Other Employees**
- **8832 - Dentist, Physician & Clerical**
- **Other**



In the insured market, most reported COVID-19 claims are for workers in the healthcare industry. COVID-19 claims have not contributed significantly to overall claims activity in most other industry sectors.

COVID-19 Indemnity Claims



Overall, losses incurred for Medical and Indemnity dropped from \$7.8M in 2020 to \$2.8M in 2021.

North Carolina is contributing to a national research team on COVID claims, with findings of our most recent analysis being issued in November 2022 (Circular C-22-15).

NCRB

NORTH CAROLINA

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