



NORTH CAROLINA RATE BUREAU
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January 29, 2002

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Workers Compensation Insurance
September 11 Terrorist Attacks

In the aftermath of the September 11, 2001 terrorists attacks, specialized reporting instructions have been developed. To assist your statistical and claims departments with the recording and reporting of these claims, the following information is provided:

Unit Statistical Reports

- *Catastrophe Code* – Catastrophe Number 48 has been designated to report all workers compensation claims (single and multiple) directly attributable to the September 11, 2001 attacks on the World Trade Center, the Pentagon and in Pennsylvania. Included claims are those attributable to the attacks with accident dates of September 11 through September 14, 2001.

Catastrophe Number 48 will apply to all claims incurred in the attacks. This is an exception from the current definition of a catastrophe, which is one occurrence that results in two or more claims. This exception to include single claims within the catastrophe definition is needed at this time due to the extraordinary nature of these events.

Catastrophe Number 48 and the 3-day window for claim occurrence have been adopted by the New York Compensation Insurance Rating Board, NCCI and other independent rating organizations so that standardized coding will apply to all workers compensation claims for this catastrophe.

- *Part, Nature, Cause Codes* – For death claims involved in this catastrophe, the Part, Nature and Cause codes that apply are: Part of Body 90 (Multiple Body Parts), Nature of Injury 90 (Multiple Physical Injuries) and Cause of Injury 89 (Person in Act of a Crime). For non-death cases, the appropriate Part, Nature and Cause codes applicable to each injured worker should be used.

Experience Rating

The attached Filing Memorandum, which has been adopted by the Rate Bureau and approved by the North Carolina Commissioner of Insurance, provides that all losses reported with Catastrophe Number 48 will be excluded from experience rating calculations.

Financial Data Calls

Special 2002 Financial Calls for Catastrophe Number 48 claims experience are being developed by NCCI and will soon be released, with appropriate reporting instructions.

Anthrax Biochemical Cases

For the reporting of loss information resulting from anthrax or other biochemical terrorism acts, Part, Nature and Cause codes that should be reported at this time are: Parts of Body 91 (Body Systems and Multiple Body Systems), Nature of Injury 42 (Poisoning-General) and Cause of Injury 89 (Person in Act of a Crime). Catastrophe Number 48 does **not** apply to these cases.

Please see that appropriate company personnel are made aware of the contents of this Circular Letter.

Very truly yours,

Jerry G. Hamrick

Workers Compensation Manager

JGH:dg

Enclosure

C-02-1

FILING MEMORANDUM

ITEM E-1376—EXCLUSION OF TERRORISM LOSSES FROM EXPERIENCE RATING

(To be effective for experience modifications with rating effective dates of May 27, 2002 through June 14, 2006)

PURPOSE

The purpose of this Item is to propose that the claims directly attributable to the terrorist acts of September 11, 2001, be excluded from experience rating calculations.

BACKGROUND

Experience rating is intended to measure an individual employer's success in maintaining a safe workplace. It does this by considering an employer's payroll and loss history in projecting that employer's propensity for future losses. It has been recognized that due to the unique and unprecedented nature of the claims directly attributable to these terrorist acts, they should not be used in individual employer experience modification calculations. The inclusion of these claims would not be indicative of an employer's true loss potential.

Currently, the *Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance* contains a feature that provides, by state, a limitation on the amount of any single claim that can be used in the modification calculation. Multiple losses (two or more claims resulting from a single catastrophic occurrence) are limited to twice the state accident limitation amount. Despite this existing loss limitation feature, it is felt that the events of September 11 warrant special consideration.

PROPOSAL

It is proposed that claims directly attributable to the terrorist attacks and reported under Catastrophe number 48 be excluded from experience rating calculations. Catastrophe number 48 has been designated to include claims reported with accident dates of September 11, 2001 through September 14, 2001.

IMPACT

The *Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance* requires that a policy of one year and sixteen days be treated as a one-year policy, and that all experience used in a rating calculation be valued at least three months prior to the rating effective date. The Plan also allows for the extension of the experience period under select circumstances. Based on these rules, this proposed change has the potential to impact affected employers with experience rating modifications with effective dates of 5/27/2002 through 6/14/2006.

The earliest policy effective date under which Catastrophe 48 losses could be reported is 8/27/2000. The earliest rating effective date that could be impacted by the excluded losses is 5/27/2002.

The oldest policy effective date under which Catastrophe 48 losses could be reported is 9/14/2001. The last rating effective date that could be impacted by the excluded losses is 6/14/2006.

IMPLEMENTATION

Exhibit 1 details the changes made to the *Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance*. The proposed rule will be included in the Plan upon approval.

EXHIBIT 1
EXPERIENCE RATING PLAN MANUAL
RULES
PART TWO

OPERATION OF THE PLAN

D. PAYROLLS AND LOSSES

2. LOSSES

The incurred losses in the experience period are those reported in accordance with the ***Statistical Plan Manual***. No loss shall be excluded from the experience of a risk on the ground that the employer was not responsible for the accident that caused such loss.

Exception: Losses reported with Catastrophe Number 48 will be excluded from experience rating calculations. Catastrophe Number 48 claims include all workers compensation claims directly attributable to the September 11, 2001 attacks with accident dates of September 11 through September 14, 2001. This rule applies to experience modifications with anniversary rating dates of May 27, 2002 through June 14, 2006.

For purposes of this Plan, losses incurred under a state workers compensation law, the United States Longshore and Harbor Workers' Act, and Employers Liability Coverage shall be subject to the respective accident limitations shown in the Tables of Weighting and Ballast Values.

4. REVISION OF LOSSES

Submission of revised unit reports to the rating organization, for purposes of automatically recalculating the current and up to two preceding experience modifications is required under the following circumstances:

- f. If an originally reported claim did not include the Catastrophe Number 48 indicator and a correction report is subsequently reported.