



July 18, 2019

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Workers Compensation Insurance

2019 Report – Workers Compensation Insurance in North Carolina

The North Carolina Rate Bureau is pleased to make available the *2019 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 or could be impacted. Along with legislative updates and industry changes, this report includes an overview of items such as premium volumes, and changes in loss cost and assigned risk rates for the past five years.

If you have any questions, contact the NCRB Information Center at 919-582-1056 or via email at support@ncrb.org.

Sincerely,

Joanna Biliouris

Chief Operating Officer

JB:ko
Attachment
C-19-9



2019 Industry Report

Workers Compensation Insurance in North Carolina



North Carolina Rate Bureau
2910 Sumner Blvd
Raleigh, NC 27616
July 9, 2019



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I. Report Scope

This 2019 Report of workers compensation Insurance in North Carolina is intended to provide an overview of matters related to Workers Compensation in which the North Carolina Rate Bureau (Bureau) has oversight of or is impacted by.

The Bureau files assigned risk rates, loss cost, rules, and forms on behalf of all member companies writing workers compensation insurance in North Carolina. The Bureau does not have regulatory authority over the approval of the filed rates, loss cost, rules, and forms or the administrative components of the workers compensation insurance system in North Carolina. However, there are many industry related activities and considerable data that the Bureau and its member companies must consider when making decisions related to their roles and responsibilities.

The report that follows provides an overview of workers compensation insurance matters that are under the jurisdiction of the Bureau or that have an impact on its operations.

II. 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 from sources that may be considered experts in the field of insurance regulation and 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. There has been no independent verification of Bureau data by outside sources and no verification by the Bureau of information used from outside sources.

III. Executive Summary

Workers compensation insurance provides benefits to employees for injury, disability or death that occurs in the course of their employment. Benefits may include replacement of wages, cost of medical treatment, compensation for disability and/or death benefits. The workers compensation system is a no-fault system, providing protection for both the employer and the employee. In North Carolina, the employer is held liable for certain benefits by way of the Workers Compensation Act. In return for the protection provided by the Act, the injured employee waives most of their rights to seek compensation for work related losses through the court system.

North Carolina has several options for employers to meet their statutory obligations for workers compensation insurance. Those options include, but may not be limited to, voluntary coverage, residual market coverage (assigned risk), self-insurance, or participation in a self-insured fund.

Overall the North Carolina workers compensation market continues to be stable. The number of carriers licensed in North Carolina to write workers compensation as of June 1, 2019 totaled 549. This is a slight increase over the prior year and an indication that there continues to be little fluctuation in the number of carriers licensed to write workers compensation in our state. The

consistency in the number of carriers available to write workers compensation insurance in North Carolina enables most employers to find coverage in either the voluntary or the assigned risk market.

In North Carolina, as in most other states, there is ongoing concern about the cost of workers compensation for employers and carriers, and the fees associated with administering adequate benefits for injured workers. Rate and loss cost filings over the past several years have yielded more decreases than increases. It is the Bureau's responsibility to provide information and expertise to the General Assembly and various state agencies on how changes in rules may impact the workers compensation system in North Carolina.

IV. North Carolina Workers Compensation Insurance Market

A. Overview of the Workers Compensation System

In 1929, North Carolina enacted the state's first Workers Compensation Act (the Act). Since then, the Act has evolved and continues to change. The Act requires employers who regularly employ three or more employees to purchase workers' compensation insurance. The Act is designed to ensure that employees, who are injured in the course of their employment, are provided timely and predictable compensation and medical care without regard to fault. In exchange, employees relinquish their rights to sue and are required to file their claims with the North Carolina Industrial Commission, not the courts.

The requirement of having three or more employees includes all entities operating as corporations, sole proprietorships, limited liability companies and partnerships. There are limited exceptions to this rule. Those exceptions include operations that present radiation exposure, sawmill and logging operators – all of which must have workers compensation insurance for one or more employees. Additionally, domestic servants, and seasonal agricultural workers do not require workers compensation insurance. With the exception of certain executives (executive officers, sole proprietors, and partners), employees are not permitted to waive their right to workers compensation coverage.

According to North Carolina Workers Compensation statutes, employers have several options for providing coverage. Along with the voluntary and residual markets, employers may also seek coverage through a group self-insured fund or elect to become an individual self-insured employer. When seeking coverage through a group fund, businesses pay into a larger fund comprised of similar companies based on number of employees, and the total payroll. All members of the fund share the risk while receiving necessary coverages in return. When an employer elects to be self-insured, the employer agrees to pay for their workers compensation claims directly. In order to gain Self-Insured Employer status in NC, the business must seek approval from the North Carolina Department of Insurance and show that they are financially able to provide coverage for their employees.

B. State of the North Carolina Workers Compensation Insurance Market

In 2018, North Carolina workers compensation premium from insurers in 2018 was approximately \$1.4 Billion. The North Carolina Department of Insurance *Summary of Property and Casualty Business* indicates workers compensation premiums account for 8.59% of the total North Carolina direct premiums written for the year ending December 31, 2018. These premiums do not include any self-insured employers or funds.

The following table shows the total Workers Compensation Premium for the last 5 years.

Year	Written Premium Volume	Change from Prior Year
2014	\$1,430,888,634	5.6%
2015	\$1,487,631,736	4.0%
2016	\$1,493,077,196	0.4%
2017	\$1,448,416,031	-3.0%
2018	\$1,422,791,847	-1.8%

In North Carolina, workers compensation coverage provided by insurance companies may be purchased in the voluntary market (private carriers) or through the residual market (assigned carriers). The majority of workers compensation insurance written in North Carolina is through the voluntary market. In 2018, 95.6% of workers compensation premium reported to the Bureau was written in the voluntary market and 4.4% was written through the Assigned Risk Plan.

A number of factors, such as market share and trend, should be considered when evaluating the sustainability of the workers compensation market in North Carolina. However, the number of policies written in assigned risk is often viewed as an indication of the overall health of the voluntary market. The table that follows shows the year end number of policies assigned and the total premium volume in force for coverage written through the assigned risk market for the past five years.

Year End	Policy Count		Premium Volume		Average Premium	
	Assigned Risk % of Mkt	Voluntary % of Mkt	Assigned Risk % of Mkt	Voluntary % of Mkt	Assigned Risk	Voluntary
2014	12.7%	87.3%	3.7%	96.3%	\$3,257	\$12,359
2015	13.0%	87.0%	5.1%	94.9%	\$4,476	\$12,432
2016	12.6%	87.4%	3.7%	96.3%	\$3,101	\$12,082
2017	12.4%	87.6%	3.9%	96.1%	\$3,089	\$10,837
2018	12.5%	87.5%	4.4%	95.6%	\$3,176	\$9,985

Another factor to consider for workers compensation in North Carolina is the breakdown of premium by industry as shown in the table below.

Industry	% of Market
Goods & Services	30.6%
Contracting	24.1%
Manufacturing	18.0%
Miscellaneous	16.8%
Office & Clerical	10.5%

i. Voluntary Market

The availability of insurance is usually described in terms of insurer capacity and the supply of insurance products in the market. As in other lines of insurance, the availability of workers compensation coverage is impacted by the number of carriers writing and their capacity to write in the market. There were 549 member companies available to write workers compensation coverage in North Carolina in 2018. As shown in the table below, the number of member companies has slightly increased over the past five years.

Year	# of Carriers
2014	532
2015	531
2016	531
2017	535
2018	549

Many of the workers compensation carriers writing coverage in North Carolina are members of insurance groups that write a large segment of the overall premium in the marketplace. North Carolina has seen growth recently from Accident Fund Group, also known as the BCBS of MI Group, with growth up 14.6% over 2017 in a market that has mostly been facing loss cost decreases. The chart that follows shows the top ten groups and their 2018 calendar year written premium for North Carolina.

2018 RANK	GROUP NAME	2018 WRITTEN PREMIUM	WRITTEN PREMIUM MARKET SHARE	% CHANGE FROM 2017
1	Travelers Group	\$116,227,377	8.14%	-0.4%
2	Builders Group	\$105,742,669	7.40%	-0.1%
3	BCBS of MI Group	\$102,134,581	7.15%	+14.6%
4	Hartford Fire & Cas Group	\$100,273,387	7.02%	+1.2%
5	Liberty Mutual Group	\$82,941,303	5.81%	+2.4%
6	Zurich Insurance Group	\$63,555,140	4.45%	-7.4%
7	WR Berkley Corp Group	\$56,878,617	3.98%	-9.4%
8	American Financial Group	\$50,793,642	3.56%	-9.6%
9	Ace Ltd Group	\$49,006,296	3.43%	-3.4%
10	Berkshire Hathaway Group	\$44,996,503	3.15%	+11.1%

ii. Residual Market

Residual markets exist to ensure the availability of insurance coverage. The North Carolina Workers Compensation Insurance Plan (NCWCIP) is the mechanism for residual market coverage in North Carolina. Most often, the NCWCIP is referred to as the assigned risk plan. The assigned risk plan for North Carolina is administered by the North Carolina Rate Bureau and is available for most employers unable to secure workers compensation insurance coverage in the voluntary market. Employers must be in good standing with the NCWCIP rules to qualify for coverage through the assigned risk plan. Employers seek coverage in the assigned risk plan for a variety of reasons. The most prevalent reasons are (1) they are a new company; (2) they have a small number of employees; or (3) they have poor claim history.

The residual market is the market of last resort. It is not intended to compete with the voluntary market. Rates charged for policies in the residual market are generally higher than those available in the voluntary market. In the NCWCIP, 89% of policies have premiums less than \$5,000, with the policy year average premium being \$2,929. These statistics are shown in the table below.

Policy Year 2018			
Premium Size	Number of Policies	Written Premium	Average Premium
0-\$5,000	23,308	\$37,996,368	\$1,540
\$5,000-\$20,000	2,504	\$22,098,789	\$10,211
\$20,000-\$100,000	349	\$13,161,425	\$48,779
\$100,000+	15	\$3,430,221	\$669,679
Total	26,176	\$76,656,083	\$2,929

The top 10 types of business written in the Residual Market include:

Top 10 Assigned Risk Class Codes for 2018		
Rank	Class Code	Phraseology
1	5645	Carpentry-Construction of Residential Dwellings Not Exceeding Three Stories in Height
2	5474	Painting NOC & Shop Operations, Drivers
3	5437	Carpentry-Installation or Cabinet Work or Interior Trim
4	8810	Clerical Office Employees NOC
5	5551	Roofing-All Kinds & Drivers
6	5445	Wallboard, Sheetrock, Drywall, Plasterboard or Cement Board Installation Within Buildings & Drivers
7	7219	Trucking NOC-All Employees & Drivers
8	9014	Janitorial Services by Contractors - No Window Cleaning Above Ground Level & Drivers
9	5348	Ceramic Tile, Indoor Stone, Marble or Mosaic Work
10	5403	Carpentry-NOC

Both servicing and direct assignment carriers provide assigned risk coverage written through the North Carolina assigned risk plan. Servicing carriers issue policies and provide services to assigned employers in return for a servicing carrier fee paid by the National Reinsurance Pool. The servicing carriers are selected through a competitive bid process to write plan coverage for a three (3) year period. The share or quota of assigned risk business for servicing carriers is determined based on their bid. Carriers not selected as servicing carriers may request permission to write assigned risk coverage as a direct assignment carrier. Direct assignment carriers are not reinsured through the National Reinsurance Pool and are solely responsible for the financial results of their written policies. Their share or quota is based on their percentage of premium writings in the voluntary market. Effective 1/1/2019, carriers writing assigned risk business include:

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 Underwriters Insurance Company

Servicing Carriers:

Amguard Insurance Company
 LM Insurance Corporation
 Travelers Property & Casualty Company

V. The North Carolina Workers Compensation Ratemaking Process

In North Carolina, workers compensation carriers are required by statute to be members of the North Carolina Rate Bureau (Bureau). The Bureau is a non-profit organization established by NCGS 58-36-1. One role of the Bureau is to establish and administer class codes, assigned risk rates, loss cost, rating plans, policy forms, and policy provisions for workers compensation insurance in North Carolina. The Bureau is responsible for preparing and filing workers compensation loss cost and assigned risk rates with the North Carolina Department of Insurance on an annual basis by September 1st, as required by statute.

Only the loss costs, loss cost multipliers, and assigned risk rates approved by the Commissioner of Insurance can be used by carriers issuing workers compensation policies in North Carolina.

Loss costs are the amounts needed for the carrier to pay medical, indemnity, disability claims and loss adjustment expenses. Loss adjustment expenses are expenses directly related to the handling of claims and include attorney fees for both the claimant and the employer.

It is the responsibility of each individual carrier to file for the approval of their loss cost multiplier. Loss cost multipliers are based on other costs a carrier may incur in the course of doing business. Other costs include salaries, commissions, rent, utilities and assessments levied by the guaranty fund and the assigned risk plan.

Assigned risk rates are developed using a combination of voluntary loss cost and a loss cost multiplier specific to the assigned risk market. The loss cost multiplier for assigned risk is based on an analysis of expenses relative to the insureds in the assigned risk market, with the largest component being the assigned risk differential. The differential reflects that policies in assigned risk are generally of higher risk than those insured in the voluntary market.

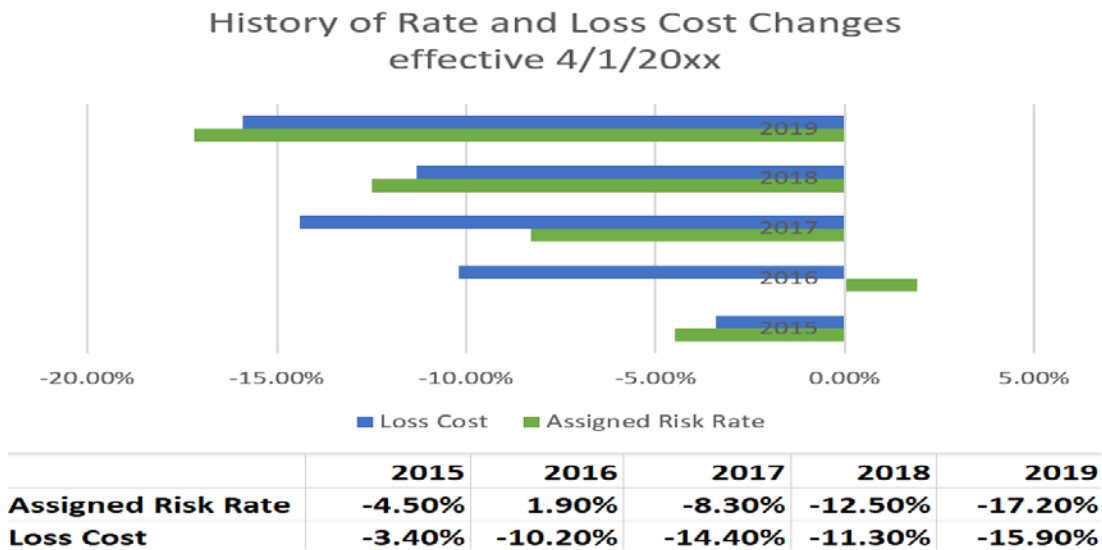
For workers compensation insurance, premium is developed using the insured employer's payroll, the appropriate loss cost and loss cost multiplier, or the assigned risk rate. The loss cost or assigned risk rate will vary based on classification. The appropriate classification is determined based on the type of business or industry of the employer. For voluntary coverage, the loss cost is multiplied by the loss cost multiplier and then by the employer's payroll divided by 100 to determine the manual premium. The manual premium is then multiplied by the employer's experience modification factor to develop the standard premium. The experience modification factor is developed by comparing an employer's actual loss experience by class code to the average experience of all employers in that class code. The development of premium for assigned risk policies uses an assigned risk rate instead of a loss cost and loss cost multiplier.

A. Loss Cost and Assigned Risk Rates

The filings for loss cost and assigned risk rates are submitted by the Bureau to the North Carolina Department of Insurance on behalf of all member companies. The selections and assumptions used in the filings are prepared by actuarial and advisory service contractors hired by the Bureau. Once compiled, the assumptions and selections are presented to Bureau staff. The results are

then summarized and offered to the Bureau’s Workers Compensation Committee for consideration. The Workers Compensation Committee provides feedback and makes selections that are further summarized and presented to the Bureau’s Governing Committee. The Governing Committee then reviews and approves the final filing submitted to the Department of Insurance. In both the residual and voluntary markets, rates charged for policies must comply with the statutory requirement that rates not be inadequate, excessive, or unfairly discriminatory (NCGS 58-36-10).

While workers compensation coverage may be readily available in the voluntary market, for most employers, affordability is an ongoing concern. The need for an annual review to determine if loss costs should be increased or decreased is an effort to ensure that rates are not excessive or inadequate. As shown in the graph that below, the past five years have brought a series of mostly decreases in the voluntary loss cost and assigned risk rates.



The Bureau files an update or review annually for loss costs. However, there may be instances in which the approval process becomes lengthy as the Department of Insurance may request additional information or disagree with the data or assumptions that have been offered in support of the filing. This type of activity impacts the ratemaking process.

B. Loss Cost Multipliers

It is up to each carrier to develop and file for approval with the Department of Insurance its own loss cost multiplier (LCM). The LCM is the second component of their rate (Rate = Advisory Loss Cost * Loss Cost Multiplier). This component is based on the company's own operating expenses, taxes, and profit provision.

Although workers compensation carriers are required to use a loss cost approved by the Department, certain provisions of NCGS 58-36-100(j) allow a carrier to elect to use the current

prospective loss cost or one that was previously filed and approved with a different effective date. The Bureau maintains a reference tool, available on the Bureau's website, of the loss cost multipliers that have been approved by the Department of Insurance for the industry.

VI. Administration Changes in North Carolina

The North Carolina Industrial Commission (NCIC) is responsible for the adjudication of workers compensation claims and the administration of the Workers Compensation Act in North Carolina. Oversight of the NCIC is the responsibility of the Department of Insurance. The NCIC has six Commissioners, each appointed by the Governor to serve a term of six years. The NCIC is currently under the leadership of Chairman Philip A. Baddour, III and Vice-Chair Myra L. Griffin. Chairman Baddour was appointed to NCIC in 2017 and designated as Chair in 2019. Vice-Chair Griffin was appointed to NCIC in 2018 and designated to Vice-Chair in 2019. They are assisted in adjudicating claims and administering the North Carolina Workers Compensation Act by:

Commissioner, Charlton L. Allen – Appointed in 2014

Commissioner, James C. Gillen – Appointed in 2019

Commissioner, Kenneth L. Goodman – Appointed in 2019

Commissioner, Christopher C. Loutit – Appointed in 2016

Misclassification of employees continues to be a problem throughout the country. In an effort to curtail this activity in North Carolina, the Employee Classification Section was established in December 2017 and became a permanent function of the NCIC. The Employee Classification Section was created to investigate the intentional misclassification of employees as independent contractors in an effort to avoid tax liabilities and evade the requirement for workers compensation coverage. NCGS 143-764(a) (5), which established the Employee Classification Section, requires that a report be made to the Governor and the Joint Legislative Commission on Governmental Operations by October 1st each year. This report is to include the number of identified misclassifications and the amount of back taxes, wages, benefits and penalties assessed and collected. In Fiscal Year 2017-18, the Employee Classification Section's work with the Compliance and Fraud Investigation Section of the NCIC identified businesses engaged in employee misclassification, resulting in over \$4.5 million in penalties and \$576,501 in adjustments. \$611,742 in penalties has already been collected. The remaining \$3.3 million in assessments are pending and/or in litigation.

Ongoing efforts since inception by the NCIC to decrease fraud and noncompliance within North Carolina's workers compensation industry have been evidenced by the over \$8 million in penalties collected from companies that failed to carry adequate workers compensation insurance and 696 criminal charges issued. In a bulletin issued by the NCIC in January 2019, the Commission reported that in just the first two quarters of Fiscal Year 2018-19 over \$3.2 million in penalties had been collected and 289 criminal charges issued.

VII. Regulatory Changes Impacting Workers Compensation in North Carolina

The Bureau monitors industry trends and regulatory activity that may impact workers compensation in North Carolina. There was minimal legislative activity related to workers compensation in 2019. In North Carolina, the legislature alternates between a long session in odd number years, and a short session in even number years. During the short session, only certain types of legislation are eligible to be filed and only bills introduced in the long session that make the cross-over and veto overrides are considered. Although there was minimal legislative activity in 2019, the following are several matters that continue to drive change in the industry.

North Carolina Workers Compensation Opioid Task Force – This task force was established in February 2017, by the North Carolina Industrial Commission (NCIC) at the direction of the North Carolina General Assembly. The NCIC adopted *Rules for the Utilization of Opioids, Related Prescriptions, and Pain Management in Workers' Compensation Claims*. While most of these Rules became effective on May 1, 2018, Rules requiring health care providers to check the Controlled Substances Reporting System went into effect November 1, 2018. In continued efforts to combat the opioid epidemic, the Commission will monitor for effectiveness and amend the rules as needed going forward.

Senate Bill 315 – Filed March 20, 2019: North Carolina Farm Act of 2019, makes various changes to the agricultural laws, including implementation of a state hemp program that expands the 2014 hemp pilot project into a statewide program. According to Geoffrey Lawrence, a senior researcher at the Libertarian Reason Foundation and former policy analyst for the John Locke Foundation who studies and consults on cannabis policy, adopting a law for statewide hemp farming would make North Carolina a pioneer in the field. This bill passed from the Senate to the House on June 17, 2019.

House Bill 520 – Filed March 28, 2019: Firefighters Fighting Cancer Act, creates a presumption that certain cancers are occupational diseases covered by the Workers Compensation Act. This bill has advanced from the House, has passed the first reading in the Senate and was referred to the Committee on Rules and Operations of the Senate on May 6, 2019, but has made no movement since.

House Bill 573 – Filed April 3, 2019, this legislation provides first responders benefits under the Workers' Compensation Act for mental or nervous injuries without the accompaniment of physical injury under specific circumstances. This bill passed the first reading on April 4, 2019 and was referred to the Committee on Judiciary at that time, but made no further progress.

House Bill 707 – Filed April 10, 2019, amends the Workers Compensation Act concerning the status of truck drivers as employees or independent contractors. Bills of similar concept have been unsuccessfully filed in prior sessions. This bill failed to make progress.

VIII. National Trends

Workplace Accidents at an All-Time Low – According to a study released by the state Department of Labor in November 2018, non-fatal workplace injury and illness rates in North Carolina are at an unprecedented low. The overall rate for 2017 was 2.3 cases per 100 full-time workers. This has been on a steady decline since 2001, when the rate was 4.8. The national rate at the time of this release

Air Ambulance Reimbursement – As reported by National Council on Compensation Insurance, Federal and State courts across the country have continued to address whether workers compensation laws establishing air ambulance reimbursement rates are preempted by the federal Airline Deregulation Act of 1978 (ADA). State and Federal courts have predominantly found that the federal ADA preempts state workers compensation laws and fee schedules. However, there are several cases pending (none of which are in North Carolina to date).

There is pending federal legislation which is intended to preserve state authority to regulate some items, such as network participation and reimbursement and balance of billing of air ambulance services. In 2018, Florida, Kentucky and Missouri introduced, but did not pass air ambulance legislation.

Telemedicine – Telemedicine has increasingly become popular and has created positive results overall. According to Risk and Insurance, over 550 workers' compensation professionals were surveyed for a Mitchell International, Inc. study for their experience with telemedicine. Of these surveyed, 45% of professionals saw telemedicine as having a promising impact on the industry with the potential to cut costs. Noteworthy benefits include more physician availability, elimination of transportation hindrances, fewer missed appointments, and lower costs are some noteworthy benefits. House Bill 283 of the North Carolina General Assembly 2017-2018 Session made telemedicine services covered by health plans. House Bill 967 of the North Carolina General Assembly 2017-2018 Session looked to expand telemedicine services to include psychological treatments. There has been an increase in legislation as telemedicine grows. The WCRI has discussed some of the challenges of telemedicine. Although there is not a lot of measurable data, as telemedicine is still in its introductory phase. Some concerns with telemedicine include privacy, adoption by injured staff, laws requiring face-to-face interactions, fee schedule applicability, and additional medical costs due to referrals from telemedicine to urgent care or emergency rooms.

Industry Working Group – A Workers Compensation Industry Working Group (commonly known as the Basis of Premium Working Group) was created to analyze and evaluate arising workers compensation issues across the industry to collectively develop industry-wide solutions. Topics of discussion include tips and gratuities, payroll definitions and per diem reimbursement rates. Per Diem reimbursement is discussed in further detail later in this report.

NCCI Underwriting Committee – NCCI continually researches and refines its manuals, classifications, rules, policy forms, guidelines and other underwriting-related products. NCCI's Underwriting Committee, of which the NC Rate Bureau is a participant, meets to discuss key research and general underwriting topics for the workers compensation industry. NCCI's proposed 2019 National Item Filings are subject to change, but are currently anticipated as follows:

- Basic Manual
 - Rule 4-B – Employee Leasing – Residual Market Only
 - Rule 4-C – Loss Sensitive Rating Plan – Residual Market Only
 - Rule 4-G – Available Coverages – Residual Market Only

- Basic Manual Maintenance
- Basic Manual Classification Industry Changes
 - Building Material Dealers
 - Construction Sales and On-Site Estimators
 - Oil and Gas Operations
- Retrospective Rating Plan
 - Annual Update
- Experience Rating Plan Manual
 - ERM-14 Form Confidential Request for Ownership Information revision

Per Diem – Per Diem (Maximum Daily Expense Allowance) is under review by the Industry Working Group and the NCCI Underwriting Committee to determine whether refinement of the current rule is required. Per Diem is intended to reimburse additional expenses not normally assumed by the employee incurred by virtue of job location. Feedback from the industry includes issues with misrepresentation by failure to maintain clear or any records, appropriately distinguishing from payroll and misinterpretation of suitable circumstances that support reimbursement.

The NC Rate Bureau has recognized an imminent need to amend the current per diem rule. The exception to North Carolina Basic Manual Rule 2-B-1-p as it pertains to per diem reads, “When it can be verified that the employee was away from home overnight on business for the employer, but no verifiable receipts for incurred expenses have been retained, a reasonable expense allowance, also known as a per diem, is permitted to be excluded. The allowance is limited to a maximum of \$75 per day. The remaining non-verifiable expenses are included as payroll.” We anticipate a proposed amendment by 1st Quarter 2020.

Current Item Filings – The Bureau reviews NCCI’s proposed national item filings for respective pertinence to our state and makes recommendations for adoption based on a thorough analysis. Below is the list of pending item filings:

- NCCI Item Filing B-1437: Eliminated national and state specific classifications with low credibility and revised the classification treatment of the aircraft maintenance and repair industry. The elimination of low-credibility classifications that result in a rate reduction will not require transition. The elimination of low-credibility classifications that result in an increase will transition in two phases. The revisions to classification treatment of aircraft maintenance and repair will address various types of services performed and the locations at which they are performed. This filing was approved by the Workers Compensation Committee on May 29, 2019 and approved by the North Carolina Department of Insurance on June 21, 2019. This filing will be applicable to new and renewal voluntary and assigned risk policies becoming effective on or after April 1, 2020. Loss cost and assigned risk rate changes that result from this filing will be included in the 2019 filings to be made in September.

- NCCI Item Filing R-1417: The 2019 update to the Retrospective Rating Plan Manual proposes revisions to the values below. North Carolina will include in our 2019 Rate Filing later this year to be effective April 1, 2020.
 - Excess Loss Pure Premium Factors (ELPPFs) and Excess Loss and Allocated Expense Pure Premium Factors (ELAEPFFs)
 - State average cost per case values by hazard group underlying the proposed ELPPFs and ELAEPFFs
 - Each state's excess loss curve parameters, which were last updated in 2014
 - A methodology revision to introduce a new parameter for calculating the proposed ELPPFs and ELAEPFFs that facilitates the removal of the expected loss for potential large loss events exceeding \$50 million
- NCCI Item Filing B-1438: Proposes to revise classification treatment for oil and gas field operations. This was received June 2019 and is currently being reviewed by the NC Rate Bureau. Any proposed adoptions would take effect April 1, 2021.