



Nevada

STATE **ADVISORY** FORUMS '09

March 26, 2009

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Nevada Workers Compensation State Advisory Forum

8:30 Continental Breakfast

9:00 Legislative Update

Workers Compensation System Overview

10:45 Break

Impact of Recessions on Workers Compensation

The Residual Market in Nevada

Implications of the New AMA Guides

11:45 Closing Remarks



Legislative Update



Workers Compensation System Overview

State of the Industry—An Overview

- Total workers compensation premium continues to decline
- Underwriting results continue to be good, although there has been some deterioration
- Frequency continues to decline—at a lower rate
- Medical costs remain above inflation
- Uncertain political fallout from fall elections
- Continued regulatory turnover

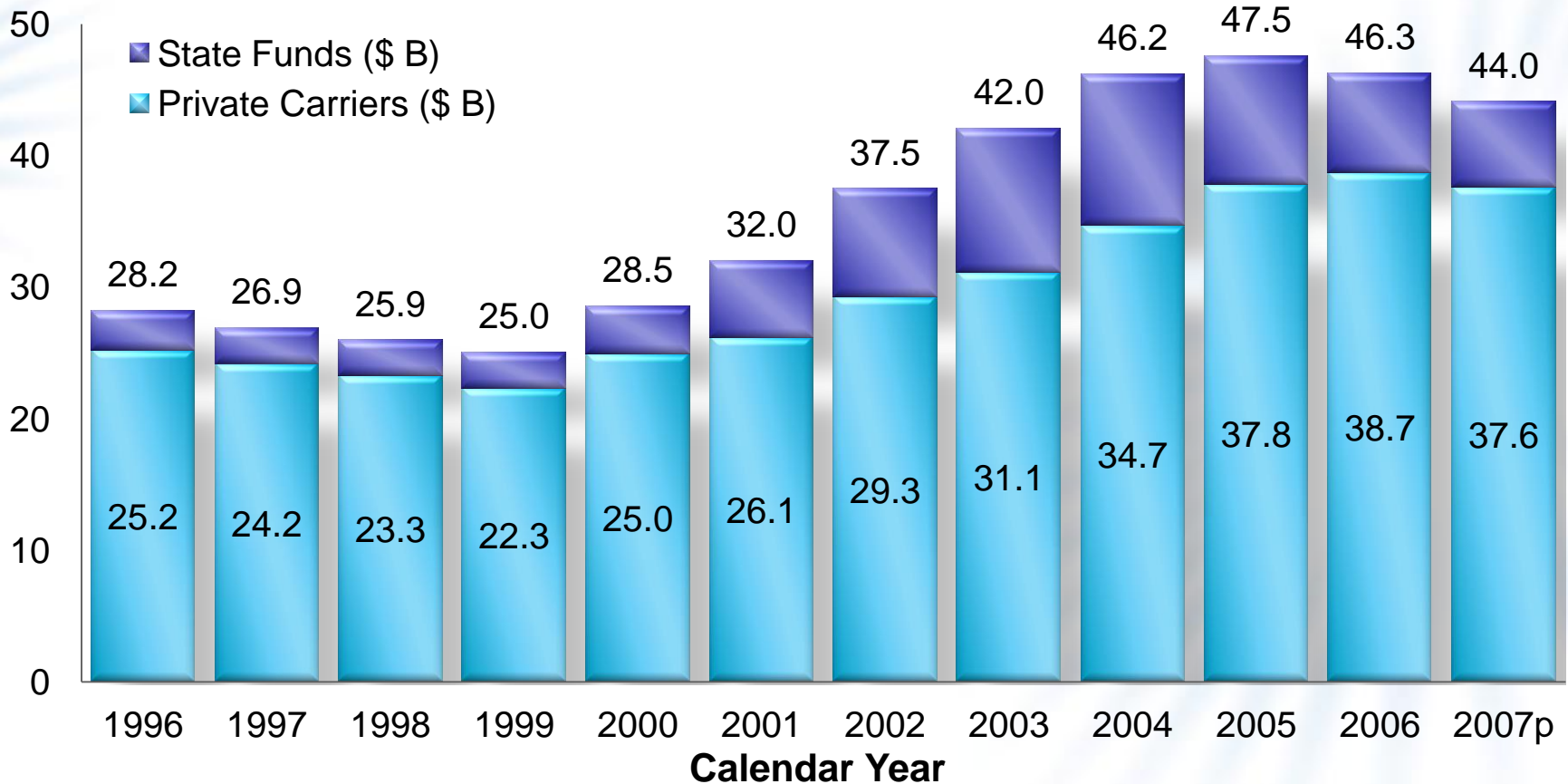
Nevada Workers Compensation System— An Overview

- Premium growth continues
- Underwriting results continue to be relatively good
- Frequency continues to decline—at a lower rate
- Significant increase in Accident Year 2007 indemnity and medical claim costs
- High indemnity costs compared to other states

Countrywide Total Workers Compensation Premium Continues to Decline in 2007

\$ Billions

Net Written Premium



p Preliminary

Source: 1996–2006 Private Carriers, *Best's Aggregates & Averages*; 2007p, NCCI

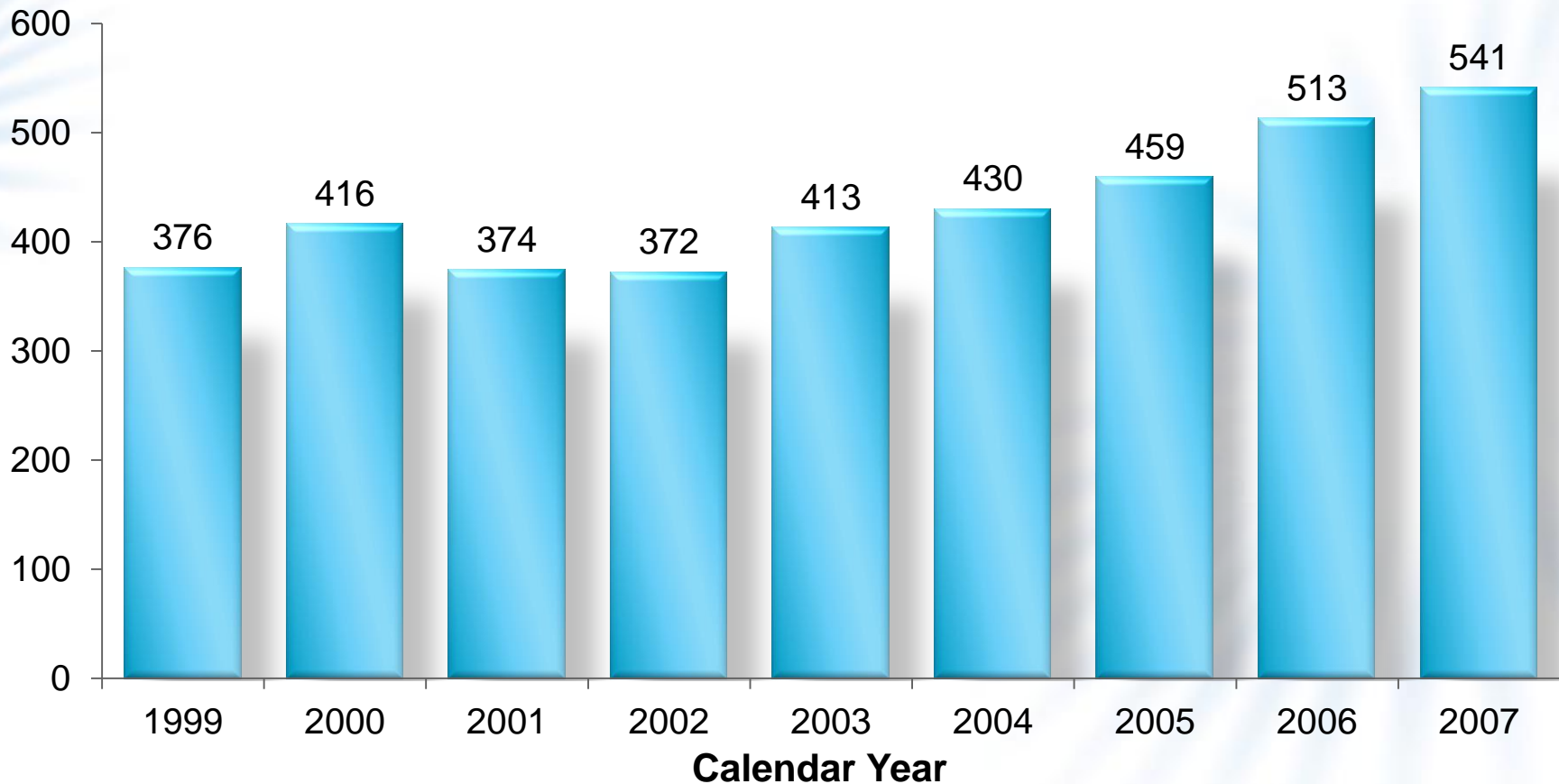
1996–2007p State Funds: AZ, CA, CO, HI, ID, KY, LA, MO, MT, NM, OK, OR, RI, TX, UT Annual Statements



Nevada Workers Compensation Premium Volume

Private Carrier Direct Written Premium

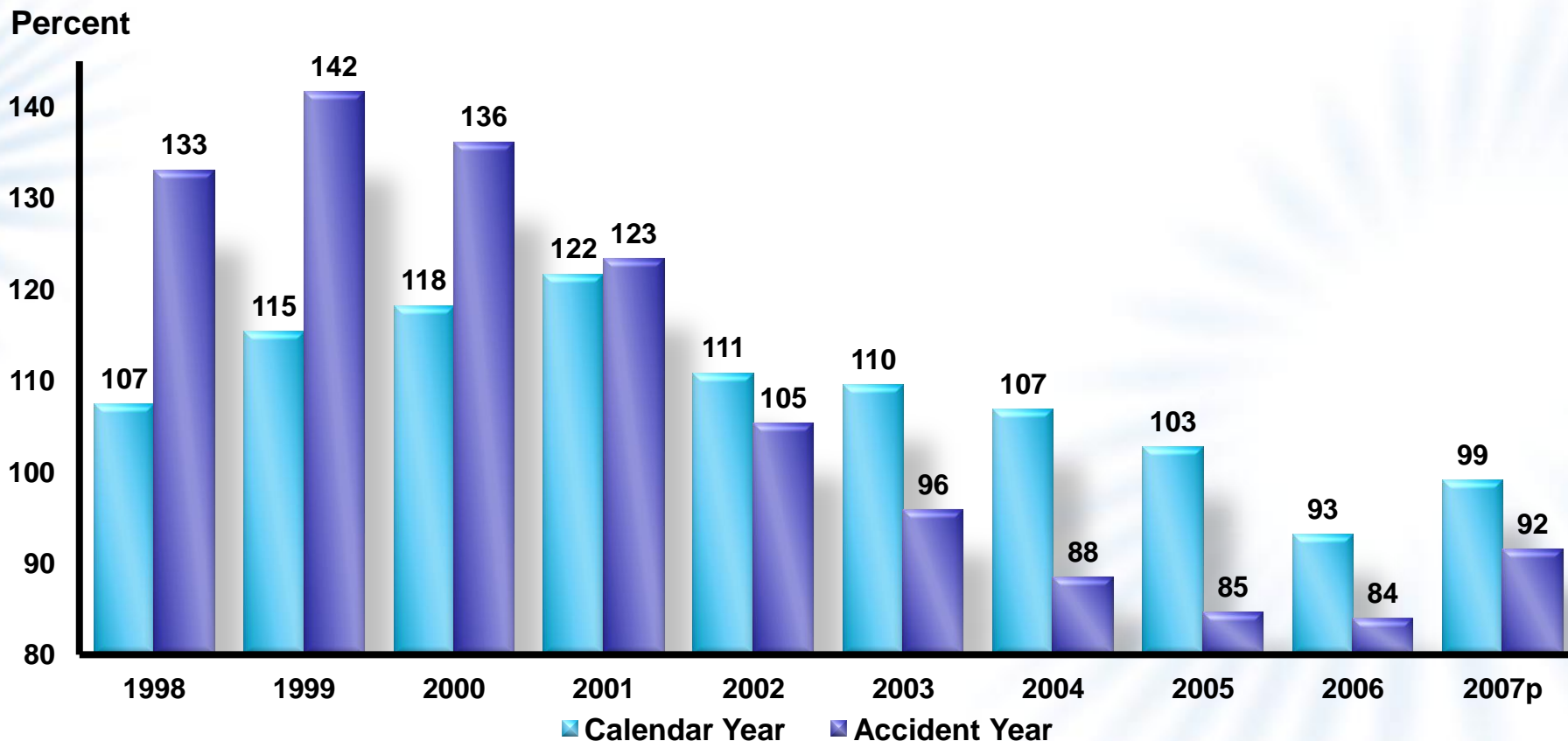
\$ Millions



Source: NAIC Annual Statement data (Best's State/Line Report)

Countrywide Accident Year Combined Ratio—Another Underwriting Gain in 2007

Workers Compensation Calendar Year vs. Ultimate Accident Year Private Carriers



p Preliminary

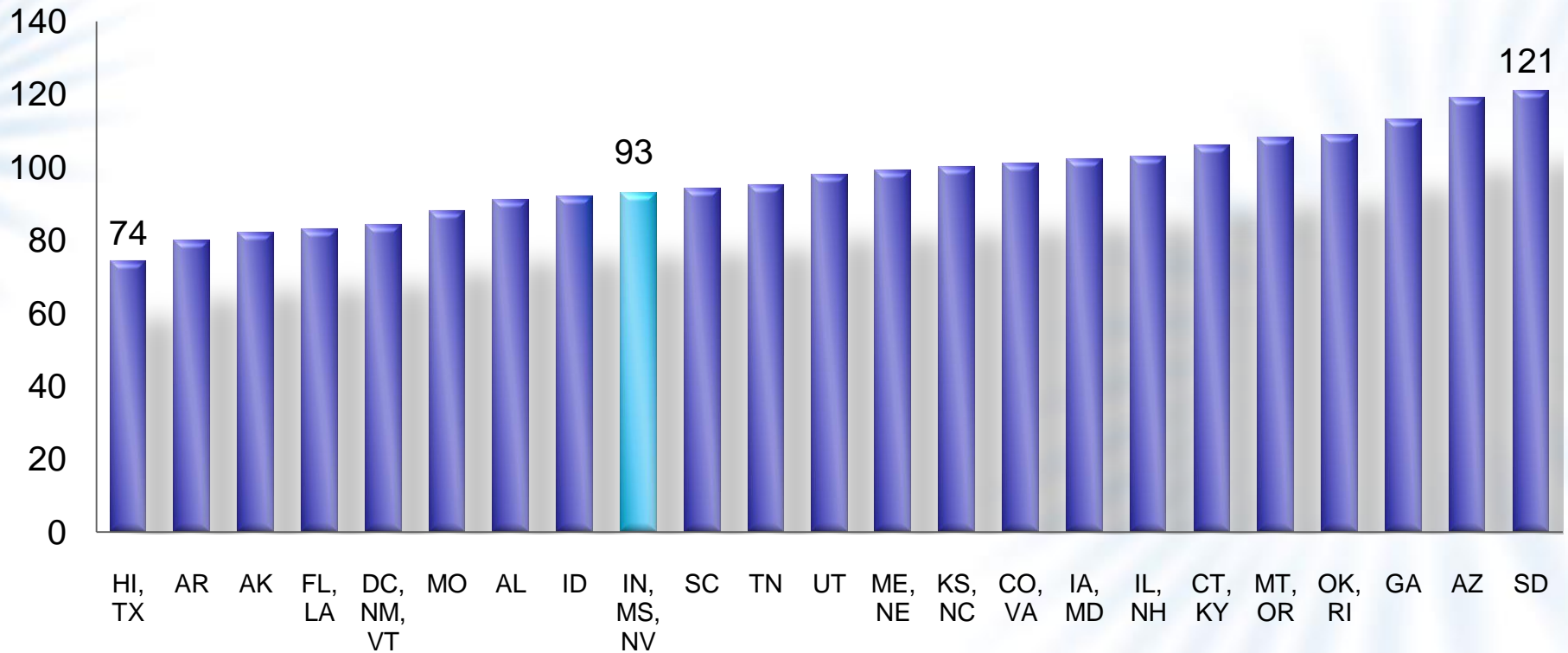
Accident Year data is evaluated as of 12/31/2007 and developed to ultimate

Source: Calendar Years 1998–2006, *Best's Aggregates & Averages*;

Calendar Year 2007p and Accident Years 1998–2007p, NCCI analysis based on Annual Statement data

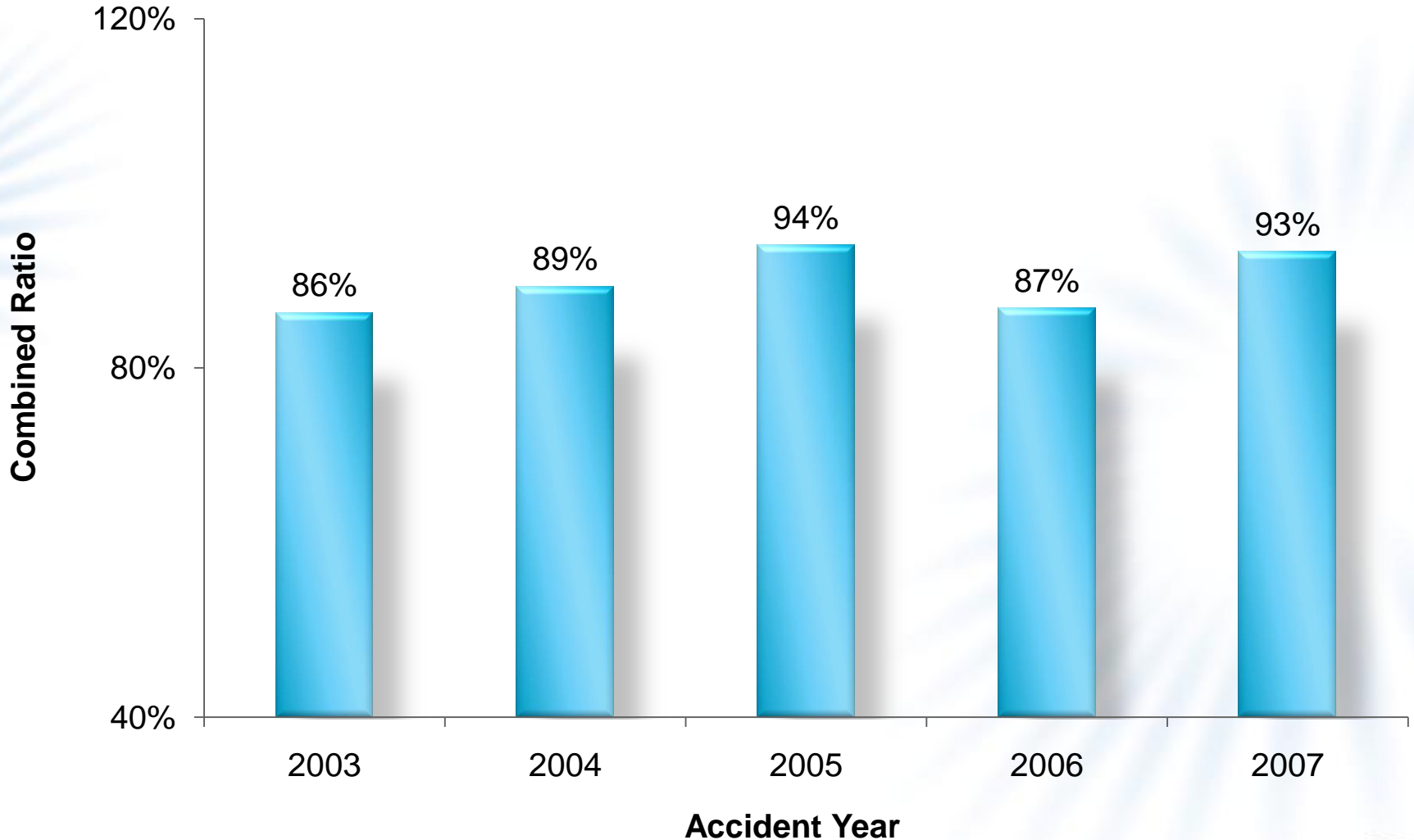
Includes dividends to policyholders

Accident Year 2007 Combined Ratios Results Vary From State to State



Data is evaluated as of 12/31/2007.

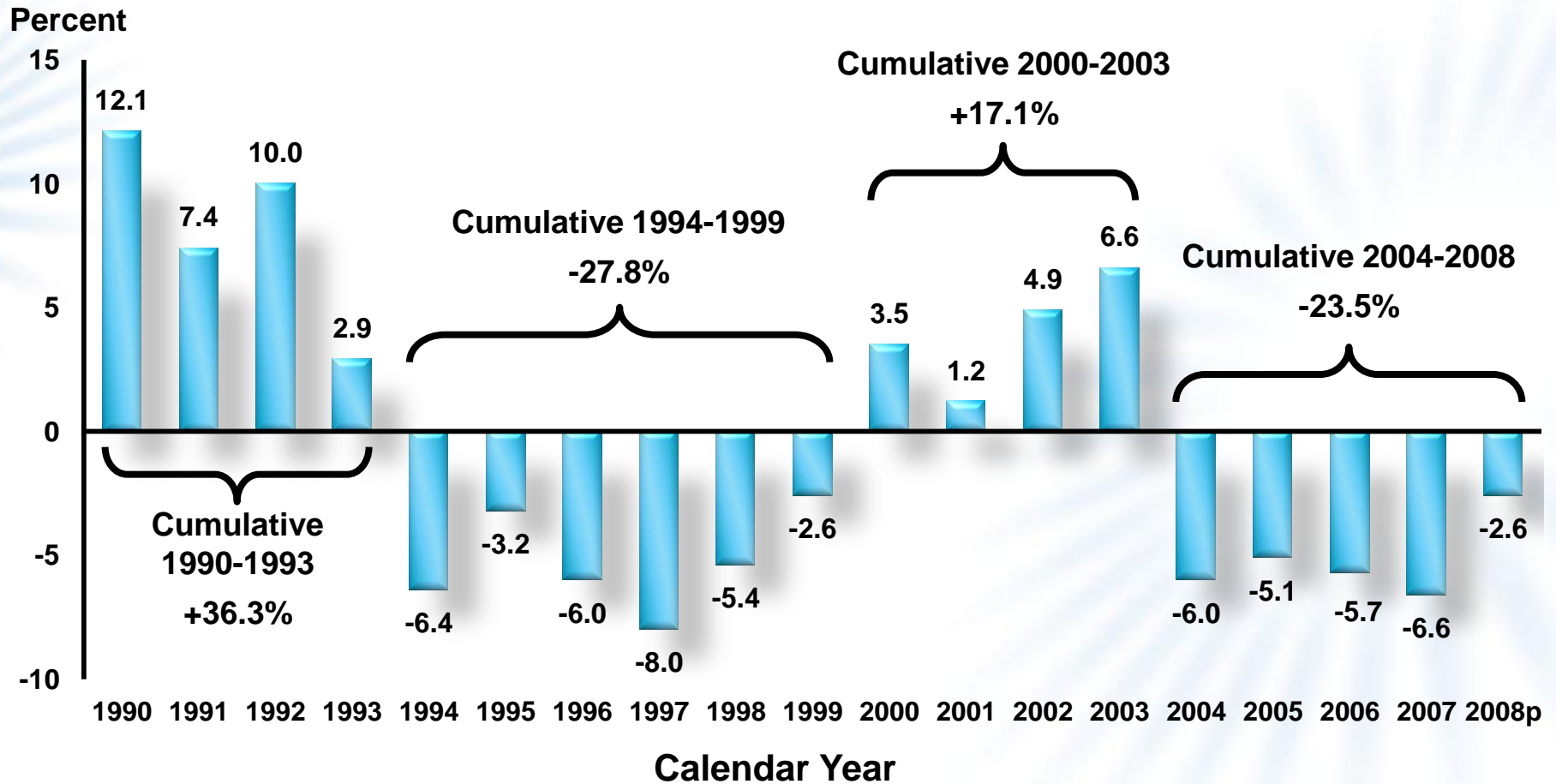
Nevada Accident Year Combined Ratios



Source: NCCI financial data, NAIC Annual Statement data.

Countrywide Average Approved Bureau Rates/Loss Costs

History of Average WC Bureau Rate/Loss Cost Level Changes

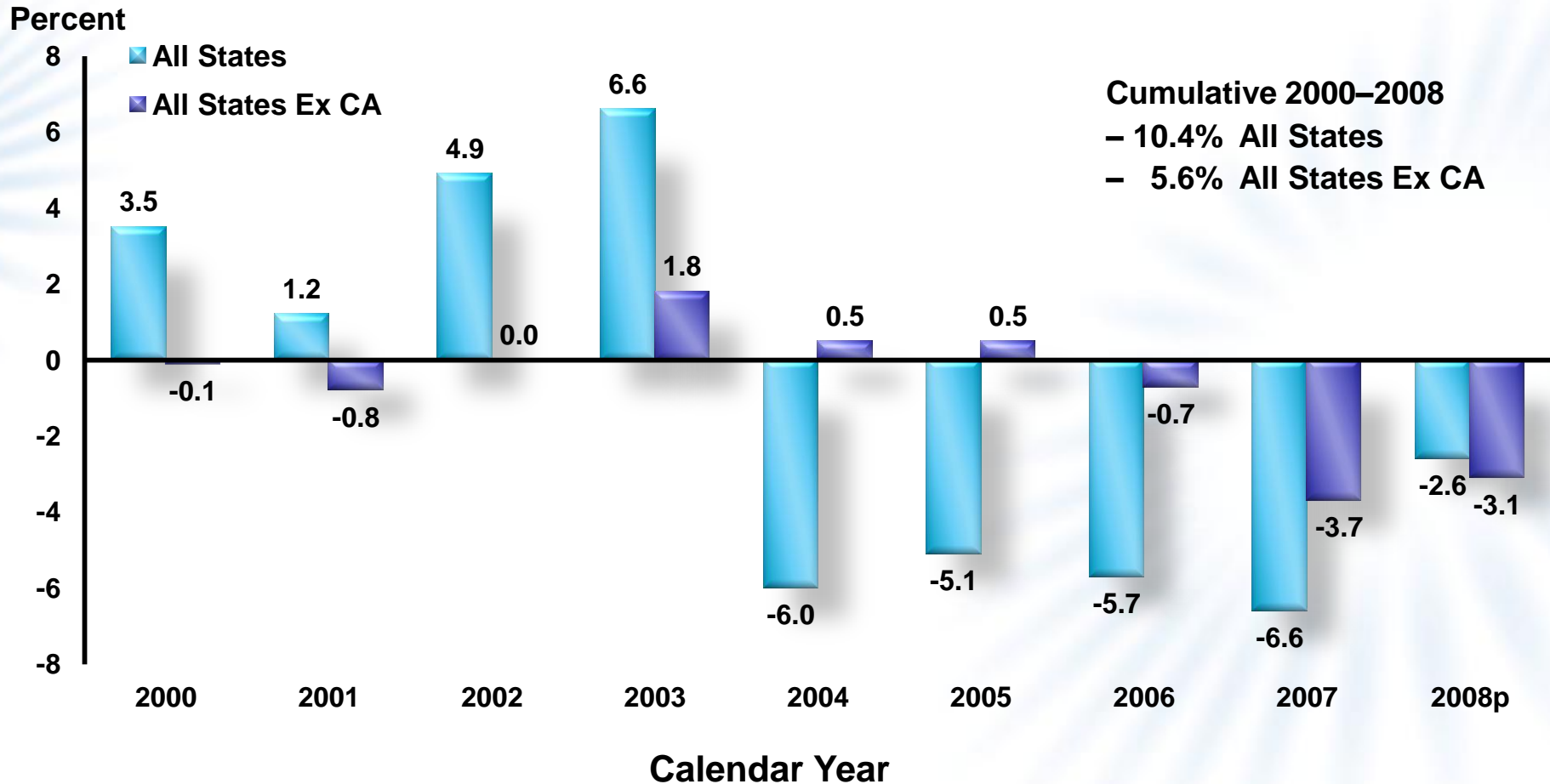


p Preliminary

Countrywide approved changes in advisory rates, loss costs and assigned risk rates as filed by the applicable rating organization

Countrywide Average Approved Bureau Rates/Loss Costs

All States vs. All States Excluding California

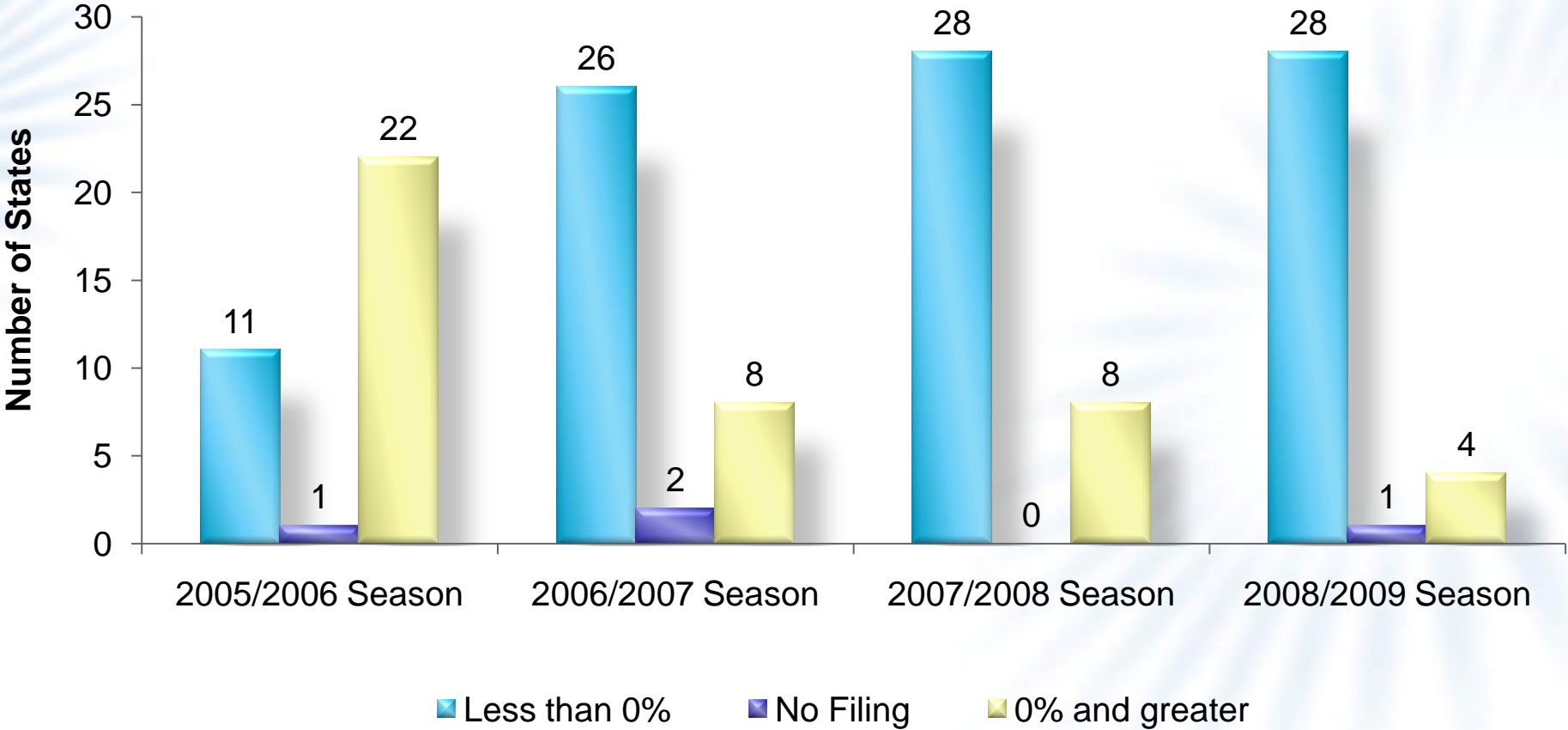


p Preliminary

Countrywide approved changes in advisory rates, loss costs and assigned risk rates as filed by the applicable rating organization

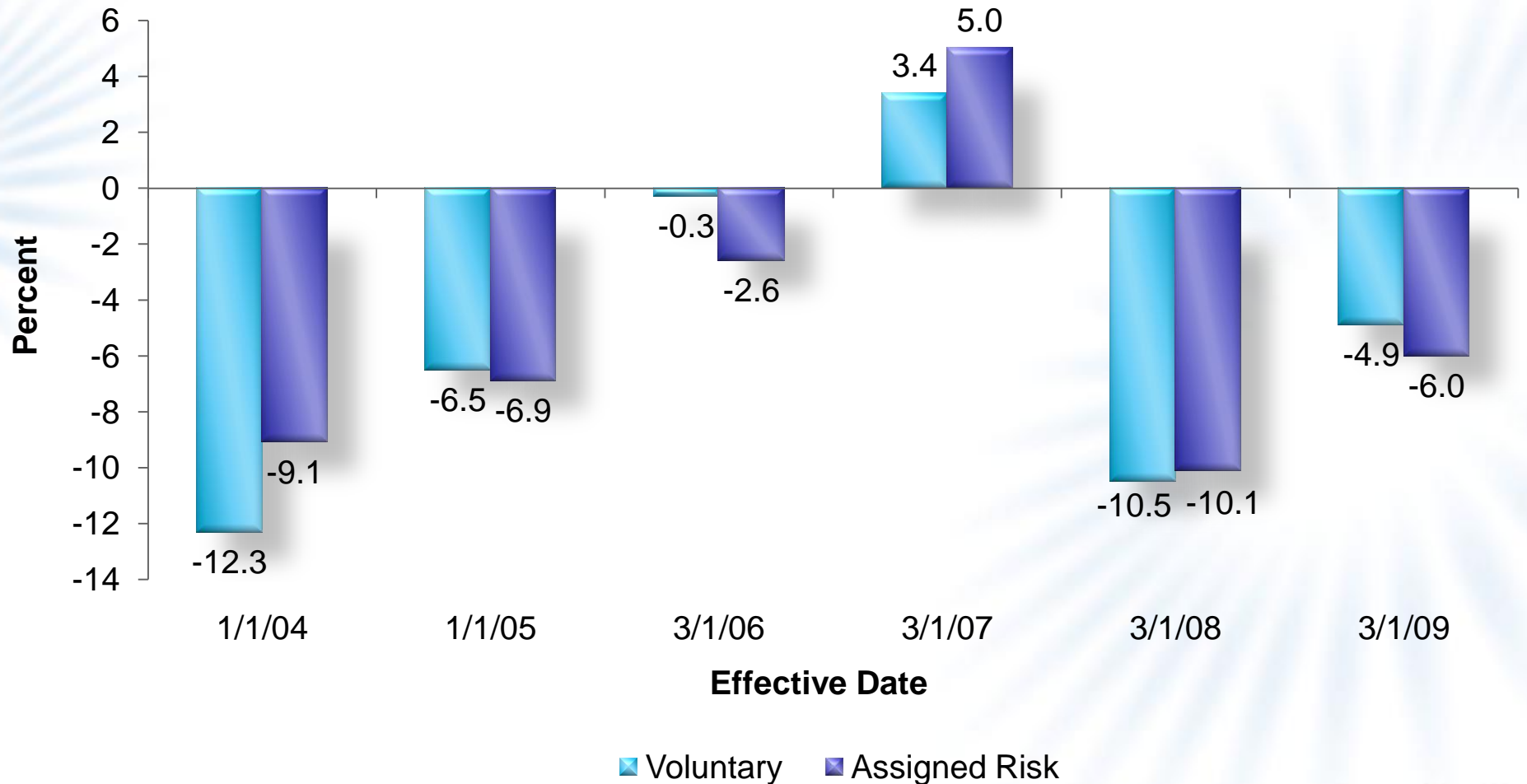
Status of NCCI Filing Activity

Voluntary Market Filings



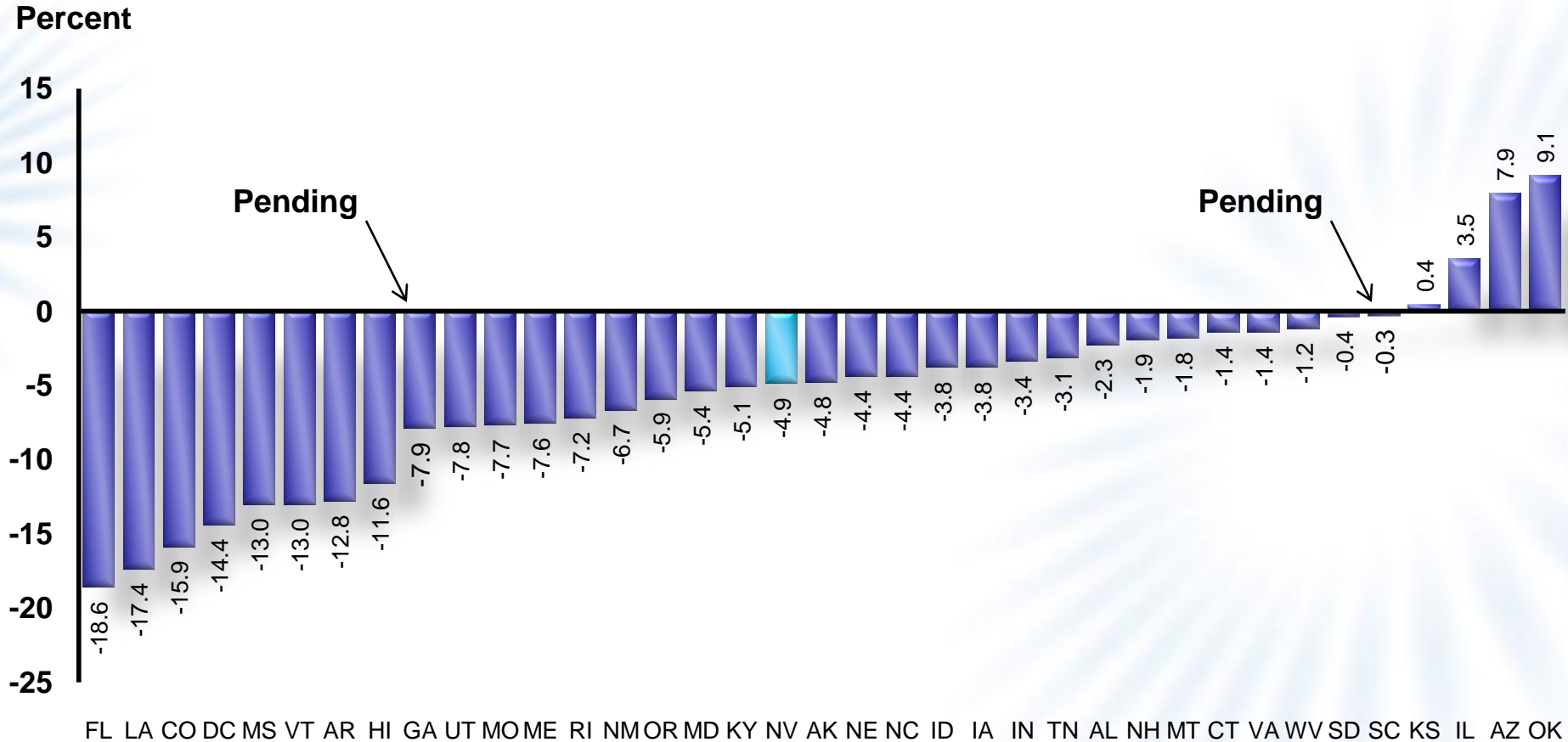
Nevada Recent Filing Activity

Voluntary Loss Cost and Assigned Risk Rate Changes

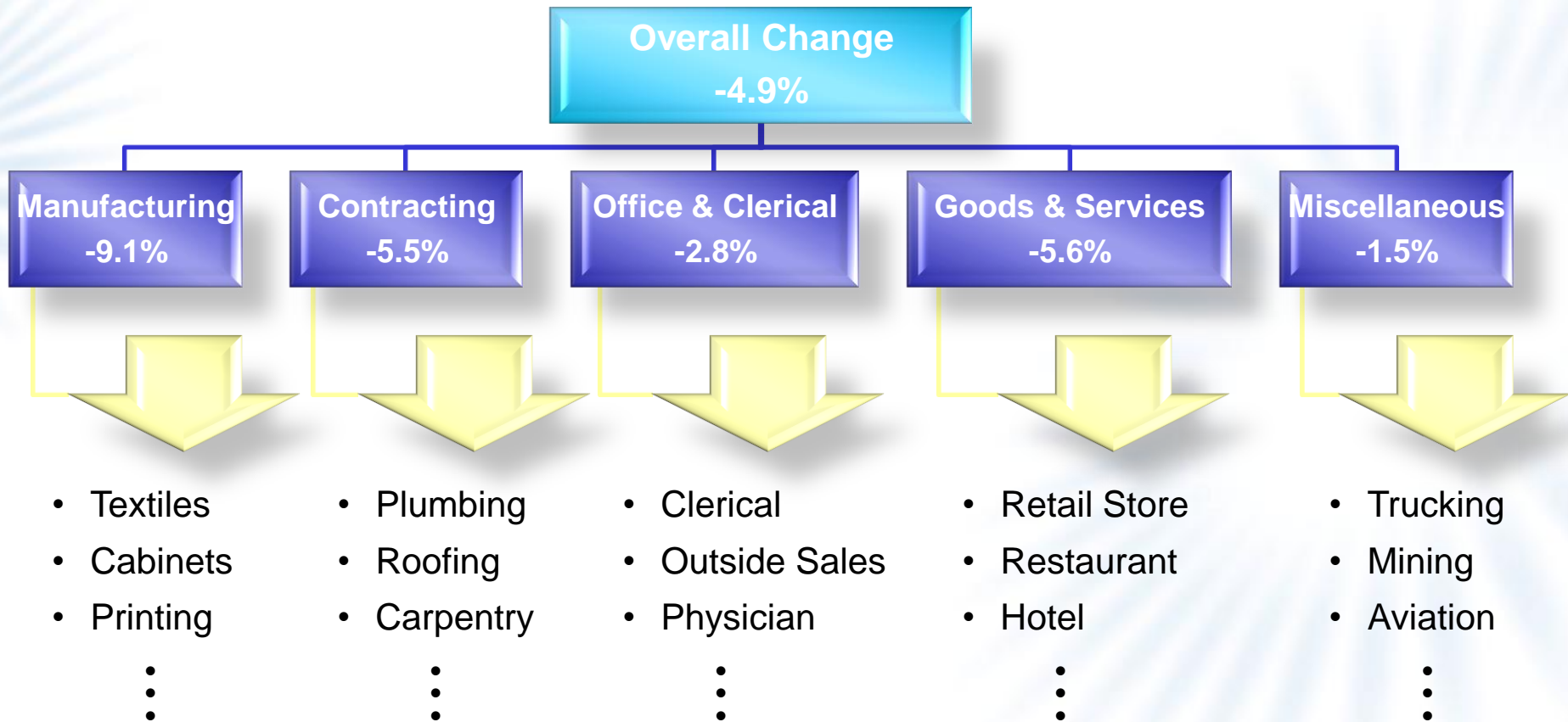


Current NCCI Voluntary Market Filed Rate/Loss Cost Changes

Excludes Law-Only Filings

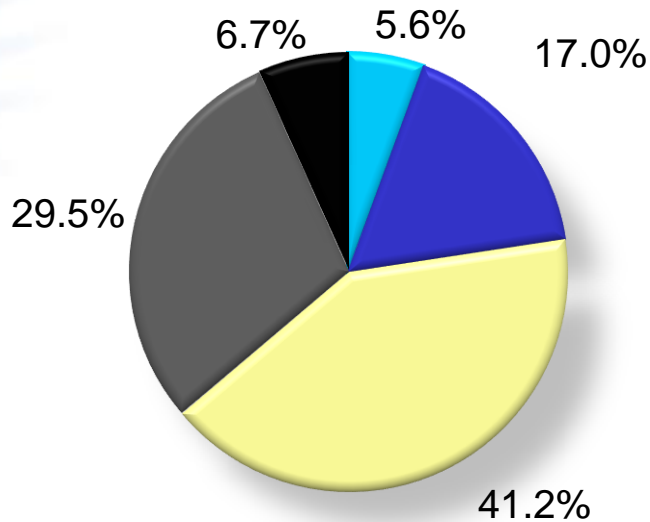


Nevada March 1, 2009 Filing Average Loss Cost Changes by Industry Group

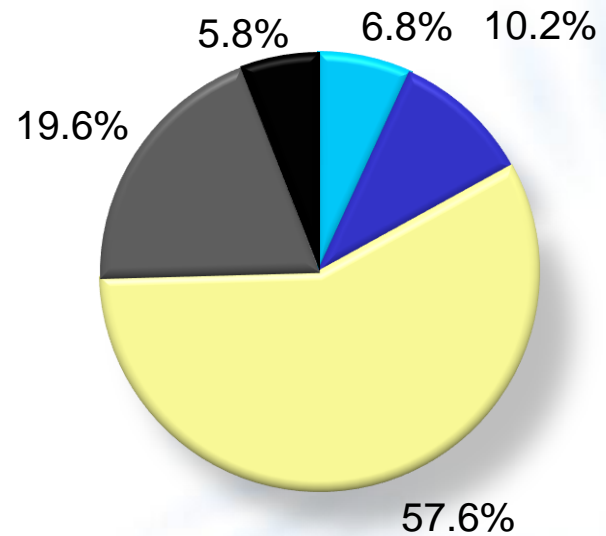


Payroll by Industry Group Nevada vs. Region

Nevada



Region



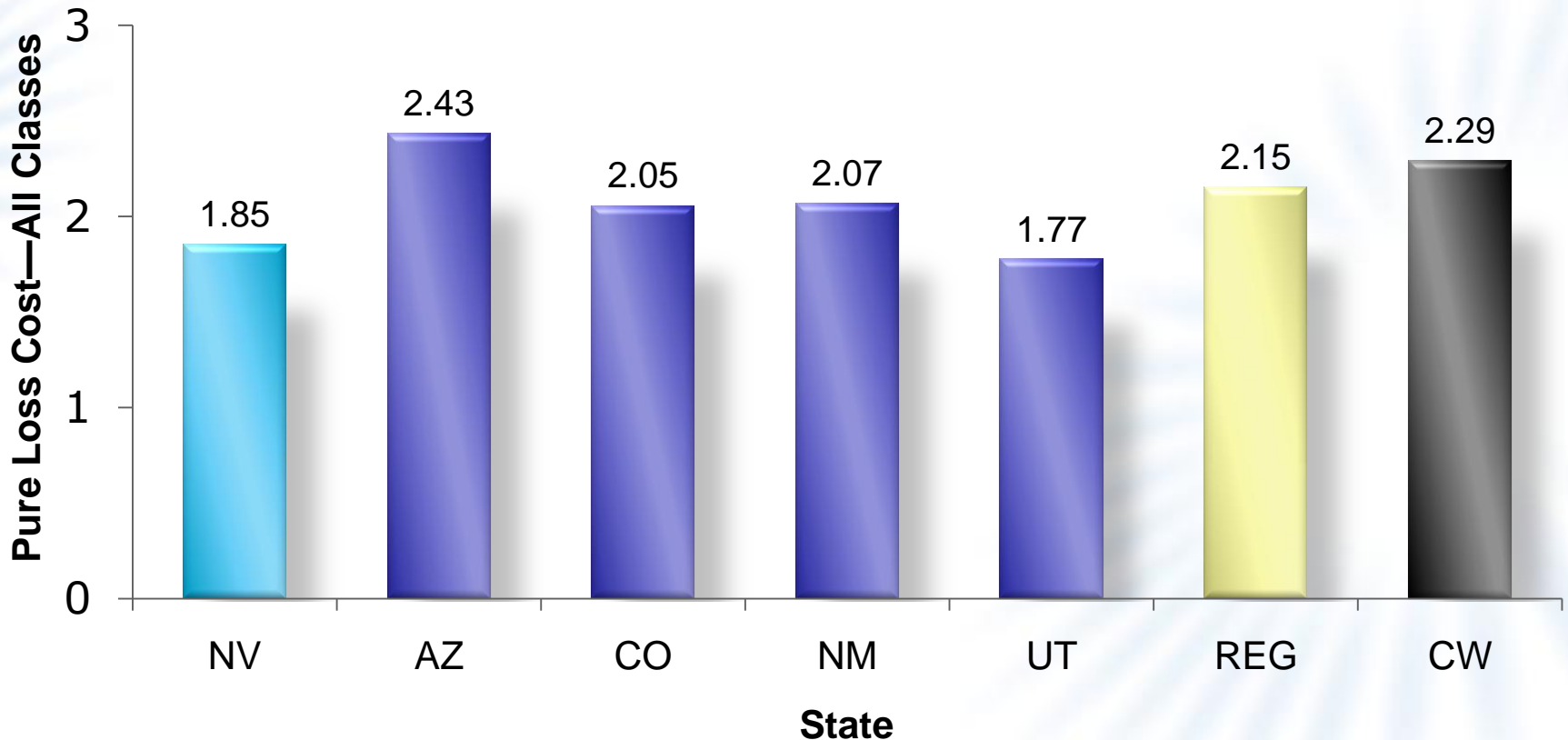
Regional states are AZ, CO, NM, and UT.
Based on the latest available policy period in NCCI's WCSP data.

Top Five Class Codes Based on Statewide Payroll

Nevada	Region
8810-Clerical (20.2%)	8810-Clerical (32.5%)
8742-Outside Sales (5.8%)	8742-Outside Sales (8.1%)
8832-Physician (4.1%)	8832-Physician (4.0%)
8017-Retail Store (3.5%)	8868-College (3.9%)
9082-Restaurant (3.3%)	8017-Retail Store (2.3%)

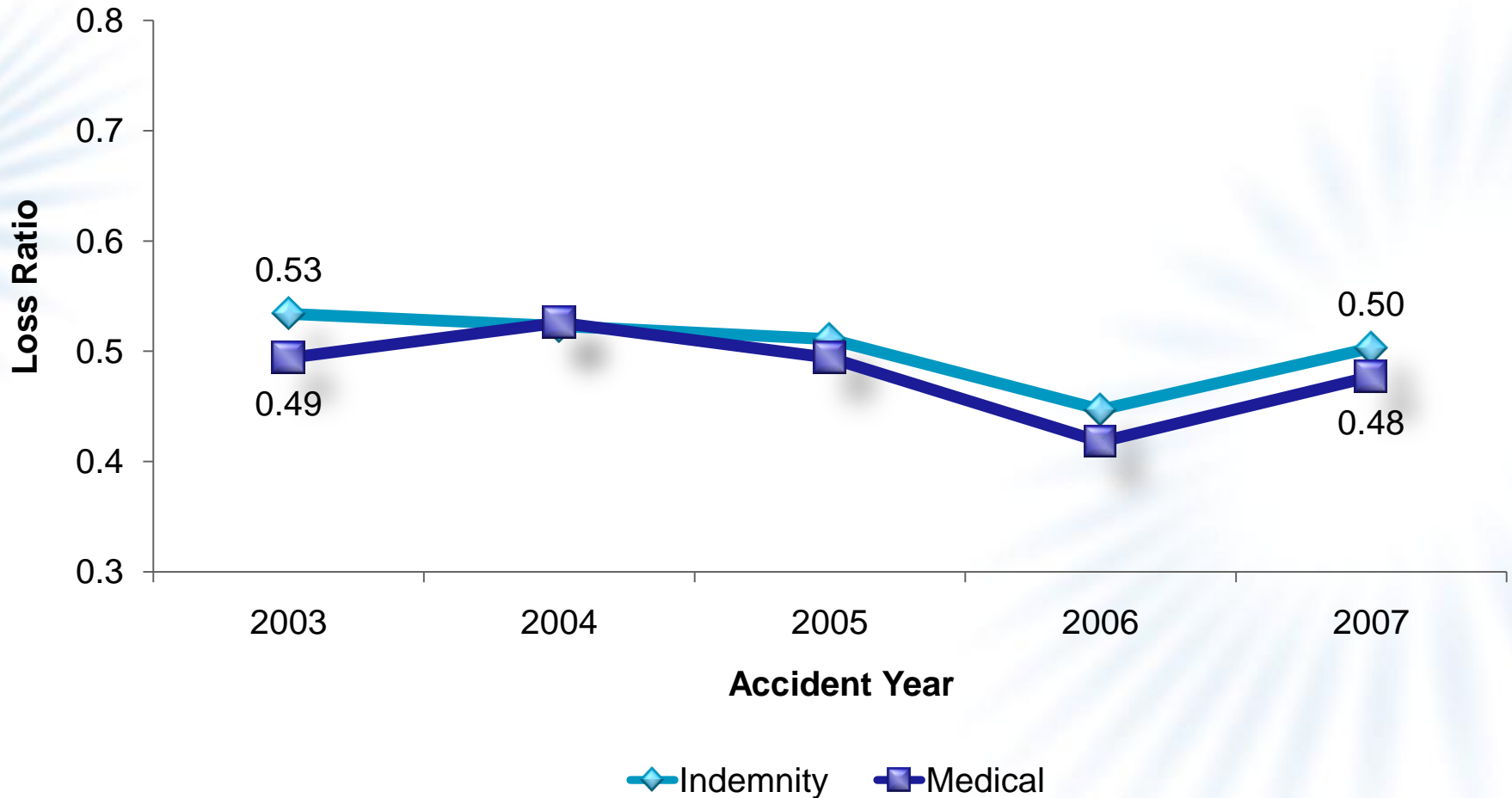
Regional states are AZ, CO, NM, and UT.
Based on the latest available policy period in NCCI's WCSP data.

Current Average Voluntary Pure Loss Costs Using Nevada Payroll Distribution



Based on the latest NCCI approved rates and loss costs in the various states.

Nevada Loss Ratios Indemnity and Medical



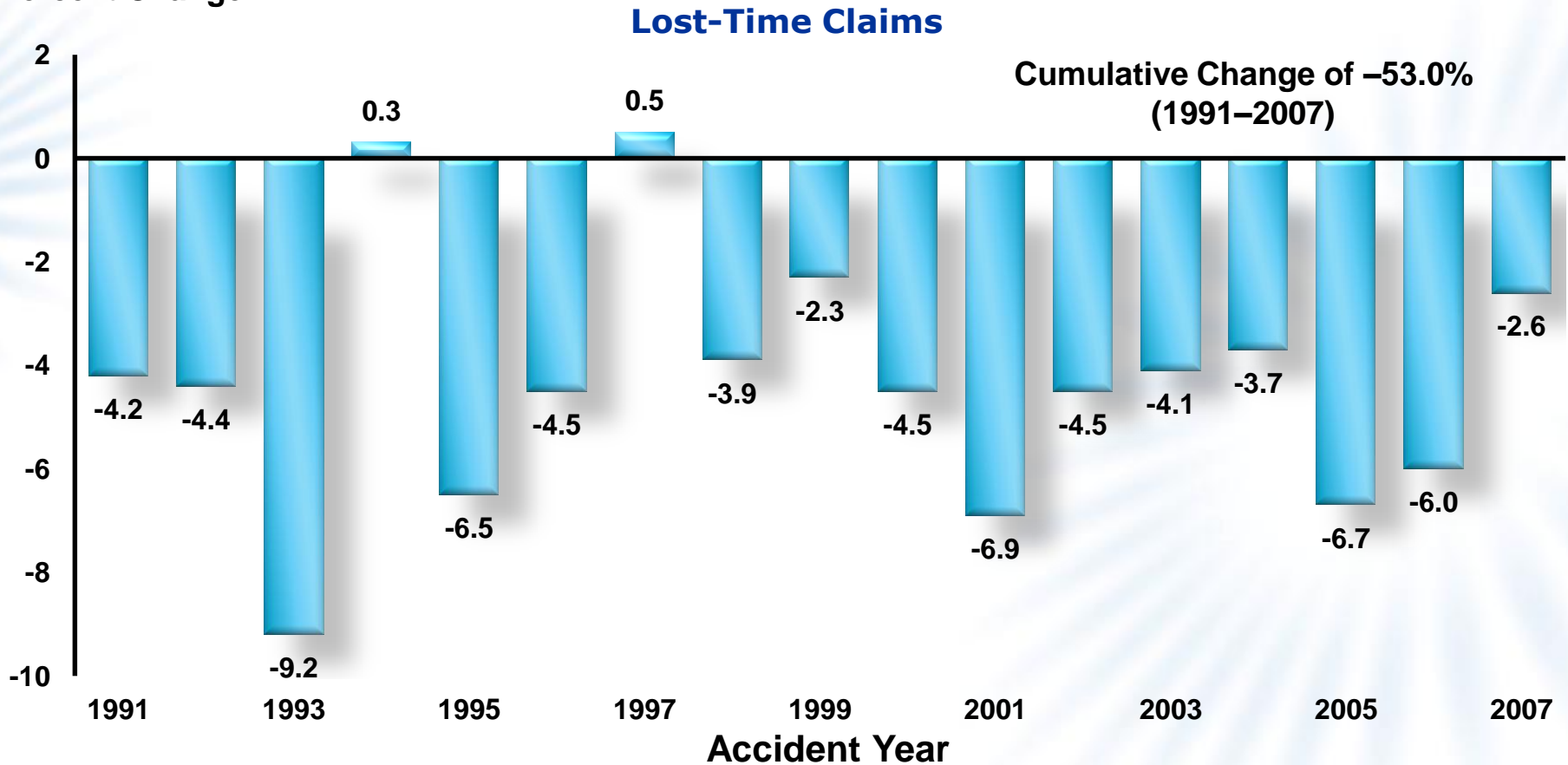
Based on NCCI's financial data at current benefit level and developed to ultimate.



Claim Frequency

Countrywide Workers Compensation Lost-Time Claim Frequency Continues to Decline

Percent Change

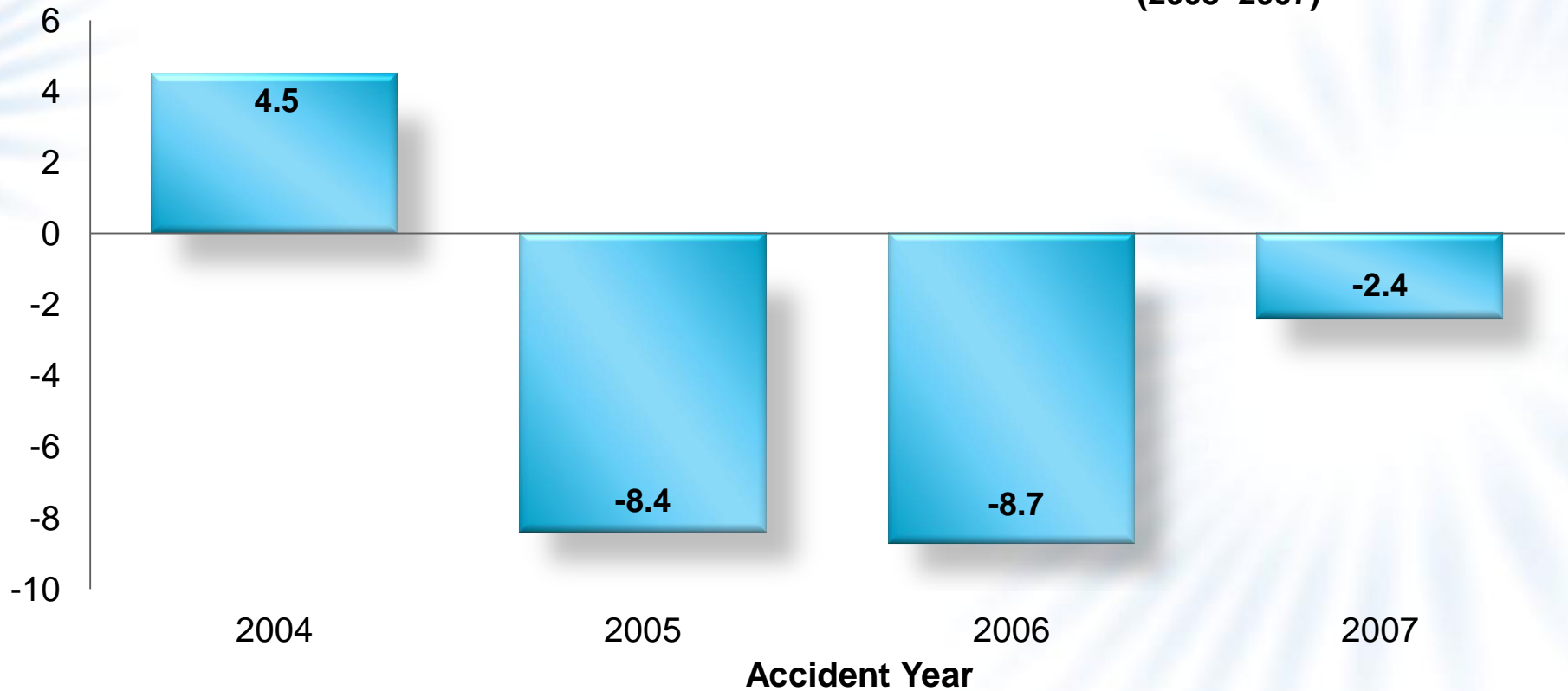


1991-2007: Based on data through 12/31/2007, developed to ultimate
Based on the states where NCCI provides ratemaking services
Excludes the effects of deductible policies

Nevada Claim Frequency Trends

Lost-Time Claims

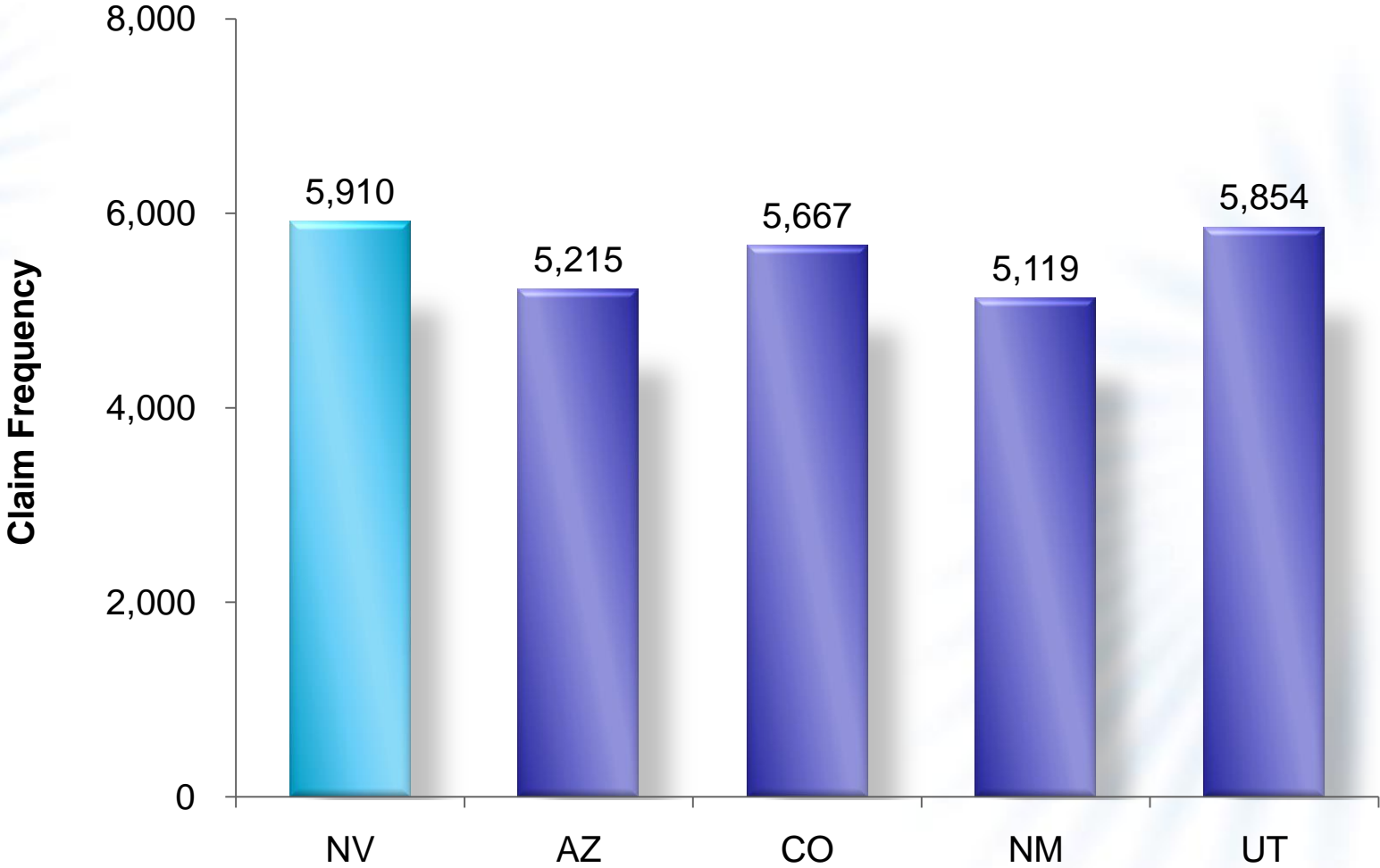
Percent Change



Based on data through 12/31/07, developed to ultimate.

Nevada Average Claim Frequency

Frequency per 100,000 Workers—All Claims

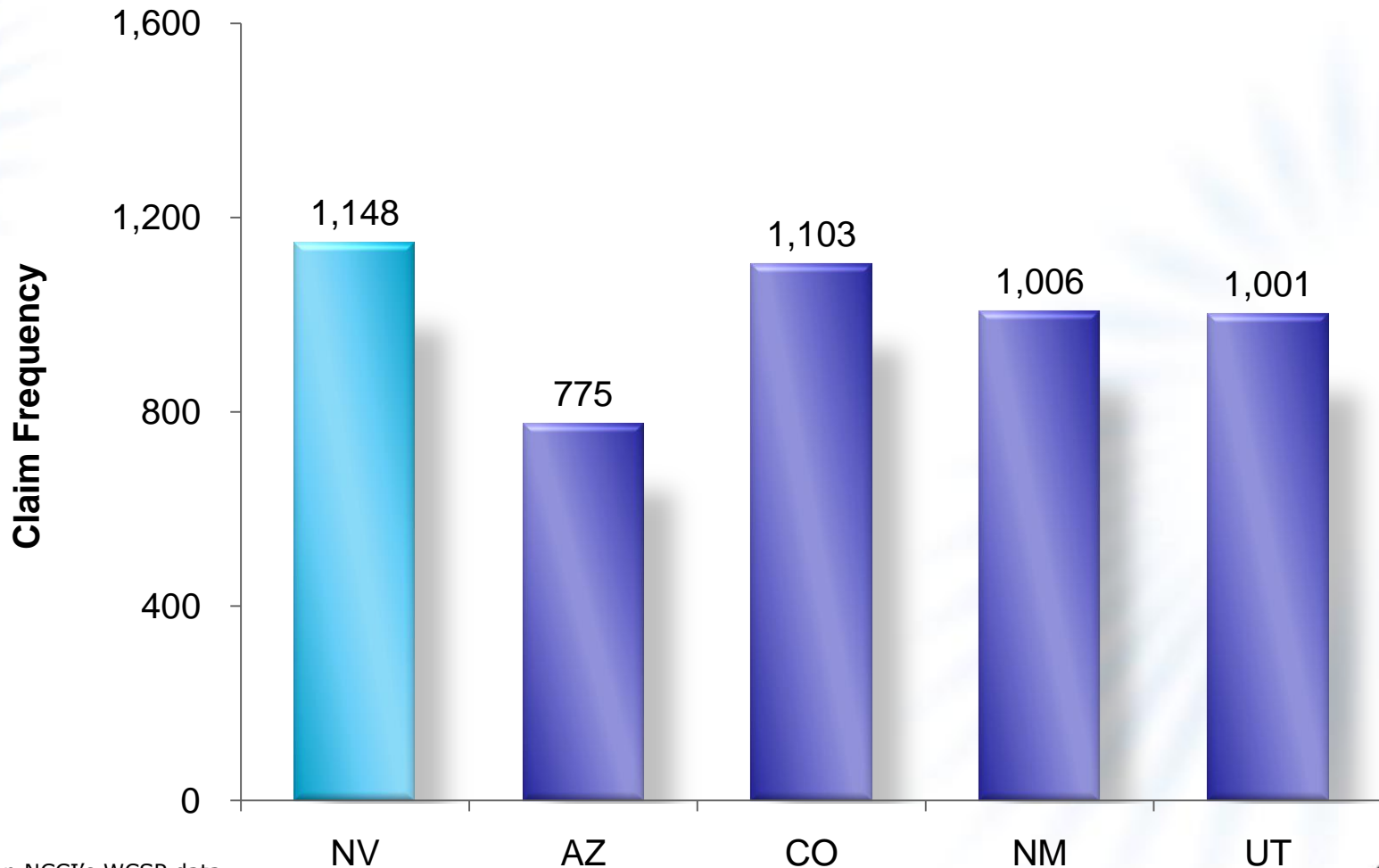


Based on NCCI's WCSP data.



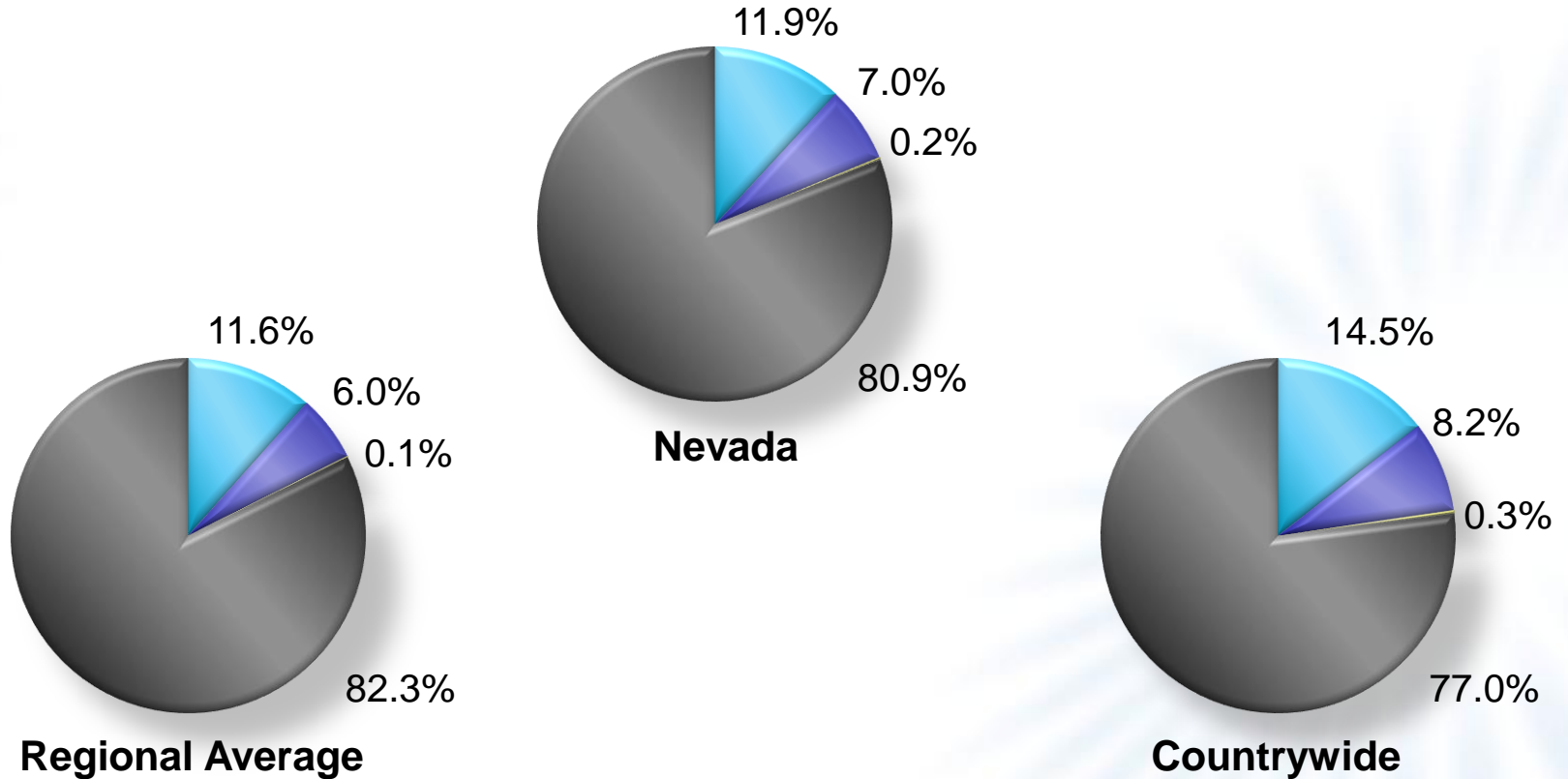
Nevada Average Lost-Time Claim Frequency

Frequency per 100,000 Workers—Lost-Time Claims



Based on NCCI's WCSP data.

Distribution of Claims by Injury Type



■ Temporary Total
 ■ Permanent Partial
 ■ Permanent Total/Fatal
 ■ Medical Only

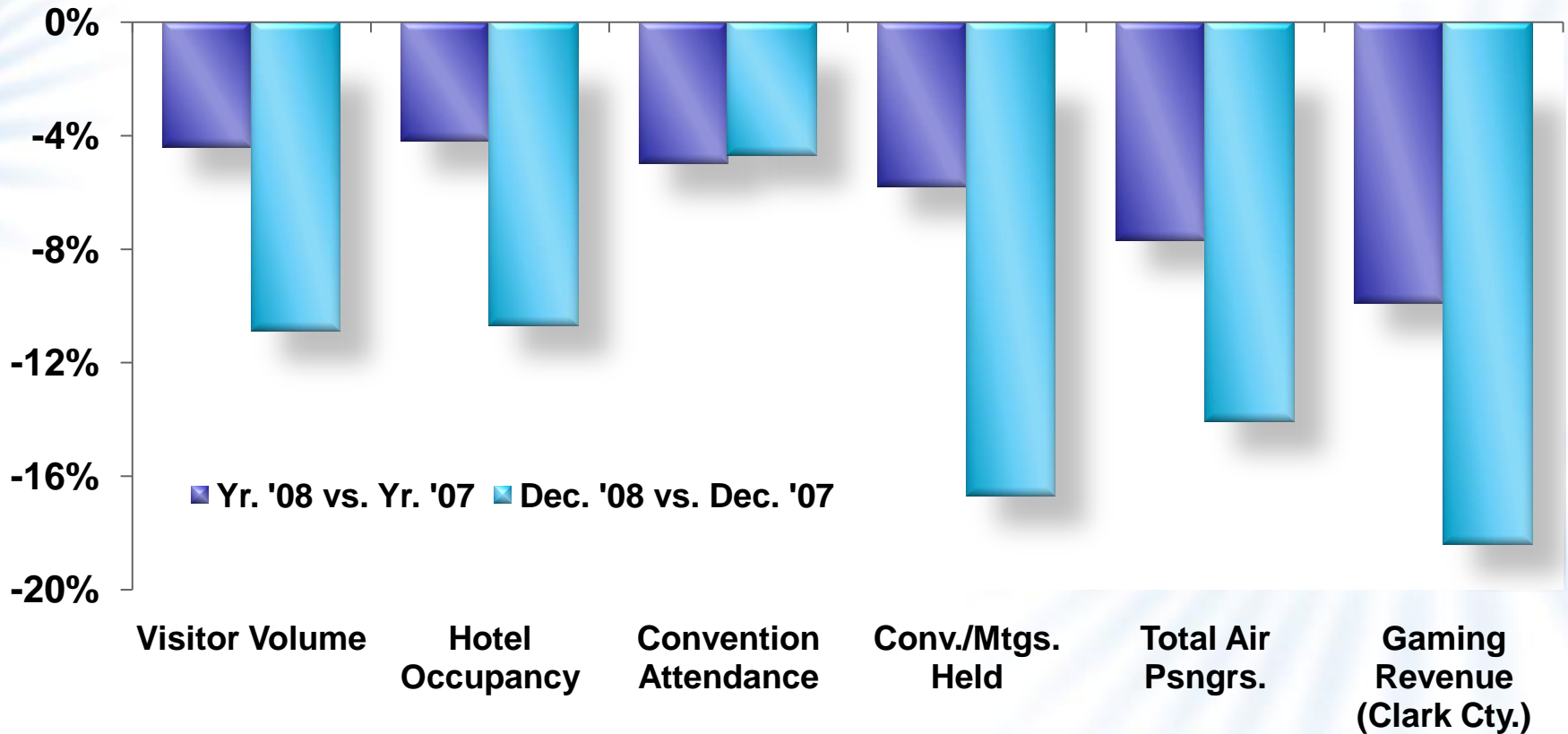
Regional states are AZ, CO, NM , and UT.
Based on NCCI's WCSP data.



Economic Conditions in Nevada—Implications for Claim Frequency

Key Las Vegas Metrics Declined Markedly in 2008—Especially at Year's End

Percent Change from Year Ago

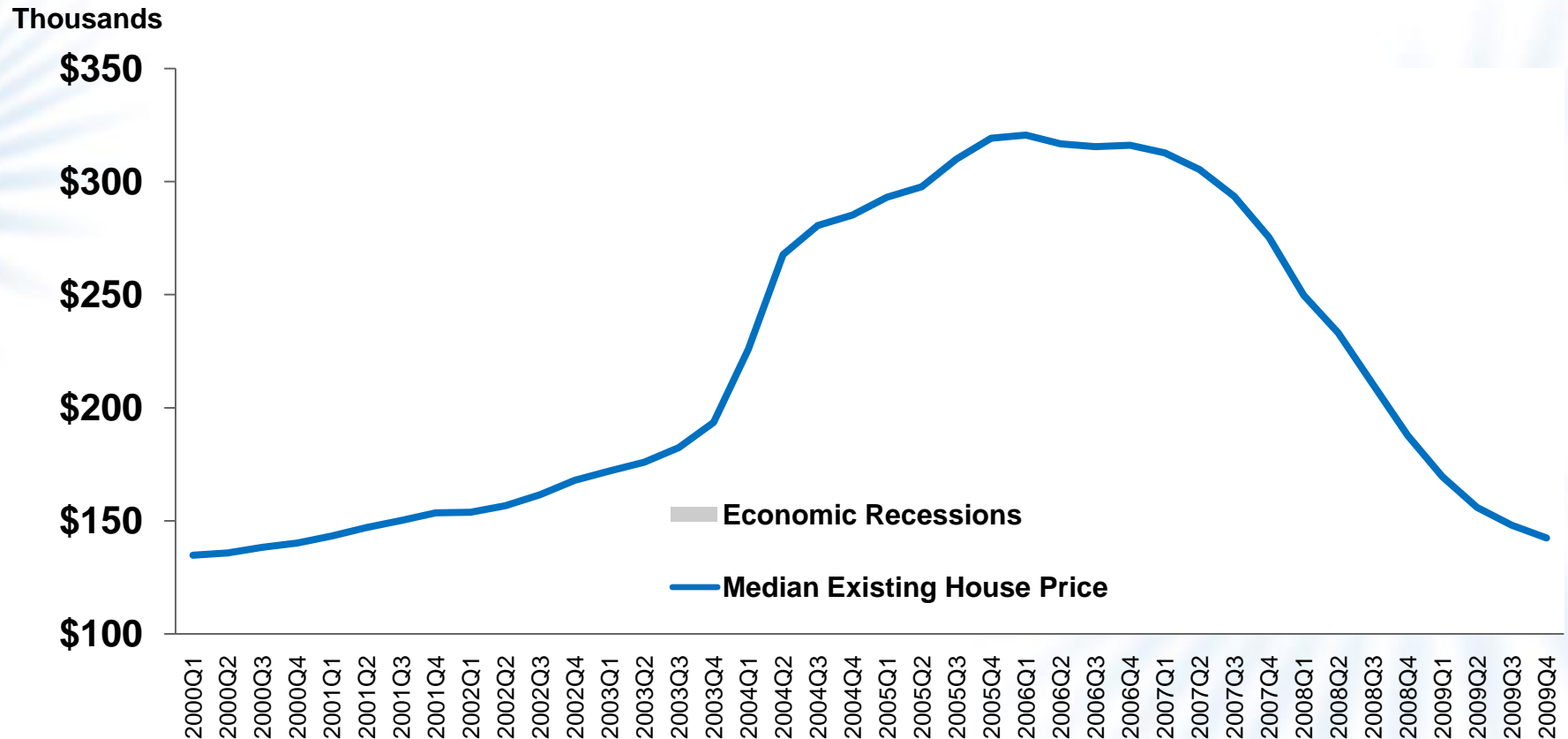


Source: Las Vegas Convention and Visitors Authority

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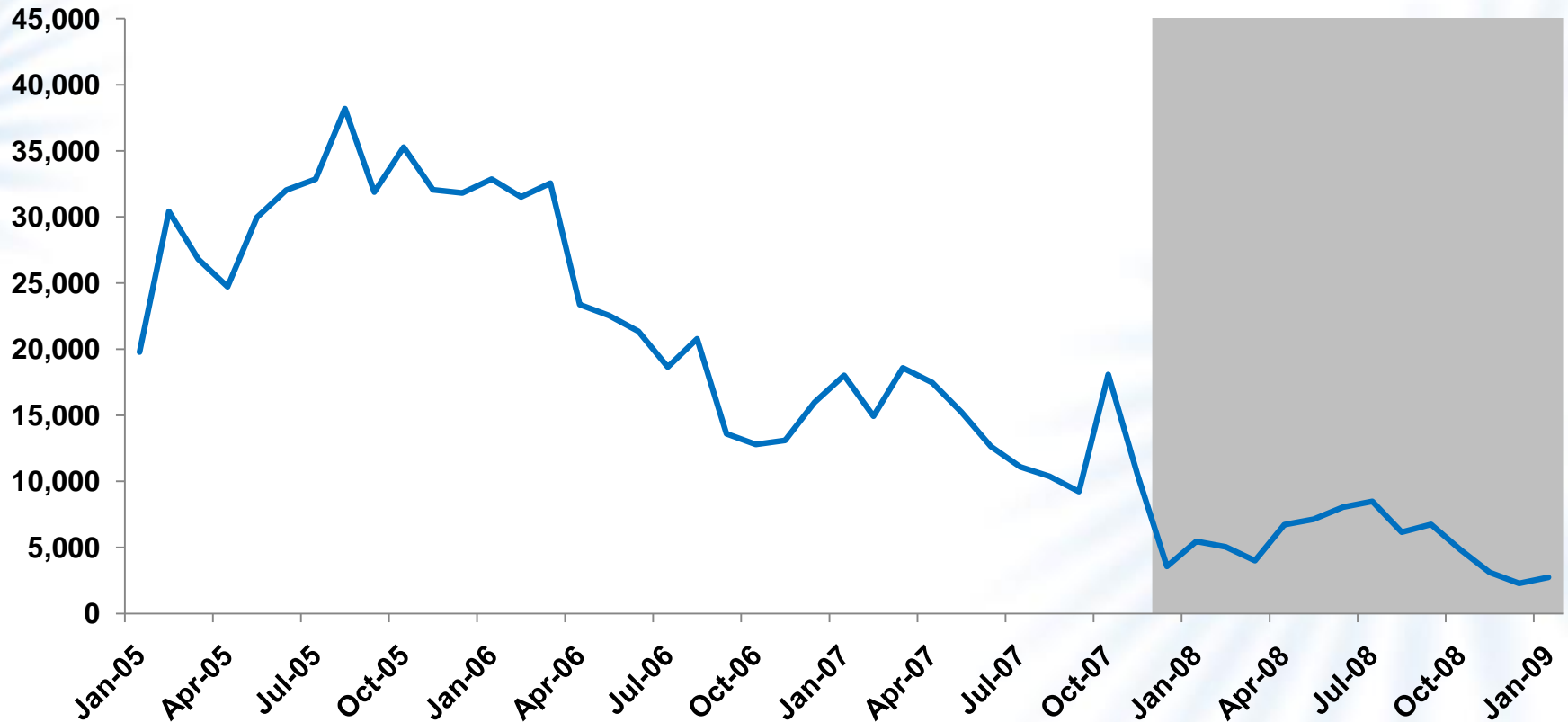
Home Prices in Las Vegas Have Plunged—With Further Declines Expected Through 2009



Source: U.S. Bureau of Labor Statistics

After Sharp Declines, Building Permits in Las Vegas May Have Bottomed Out

Number of Single-Family Building Permits, Seasonal Adj. Ann. Rate

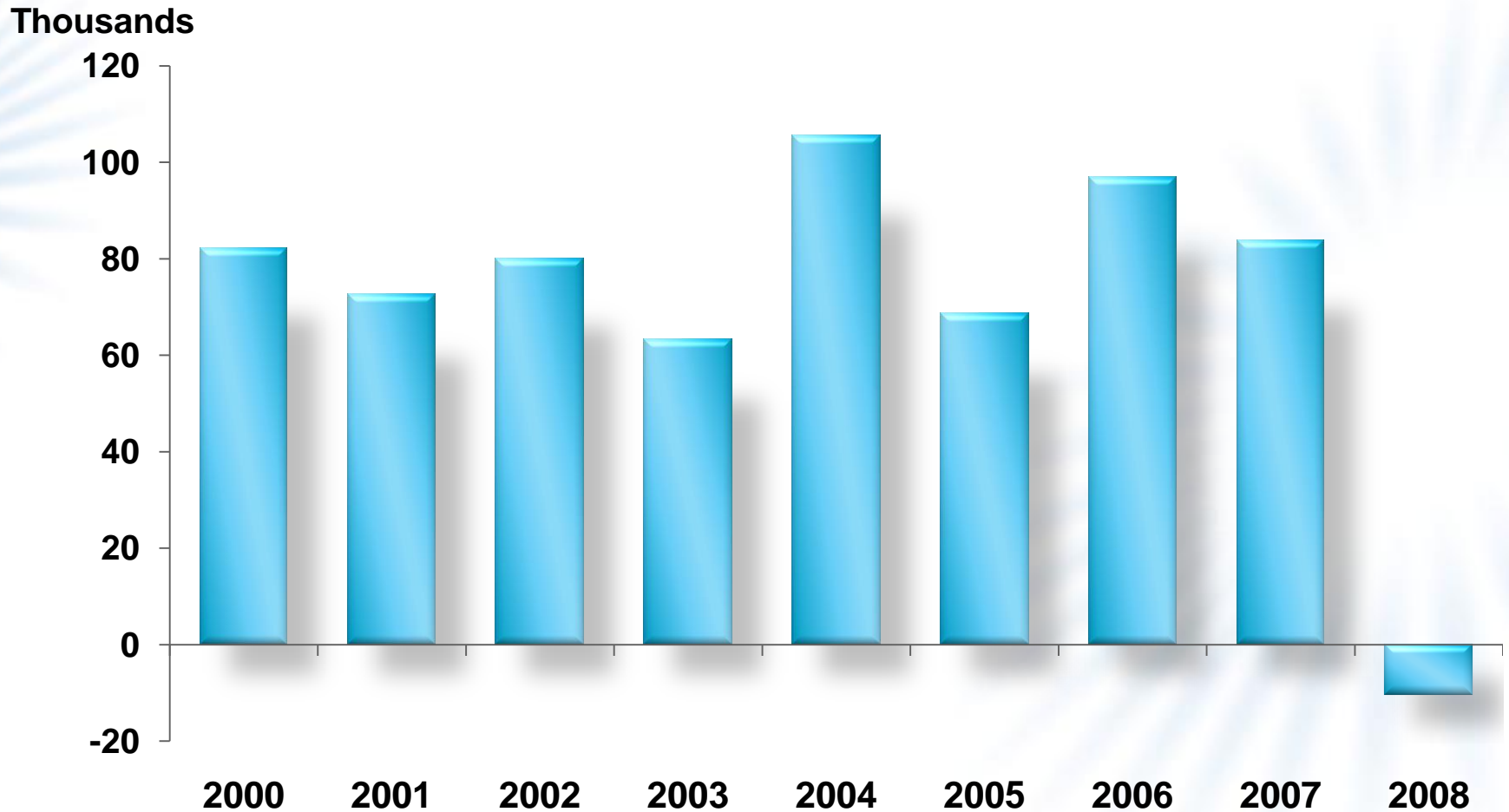


Source: Moody's Economy.com



Clark County Is No Longer Adding to Its Population

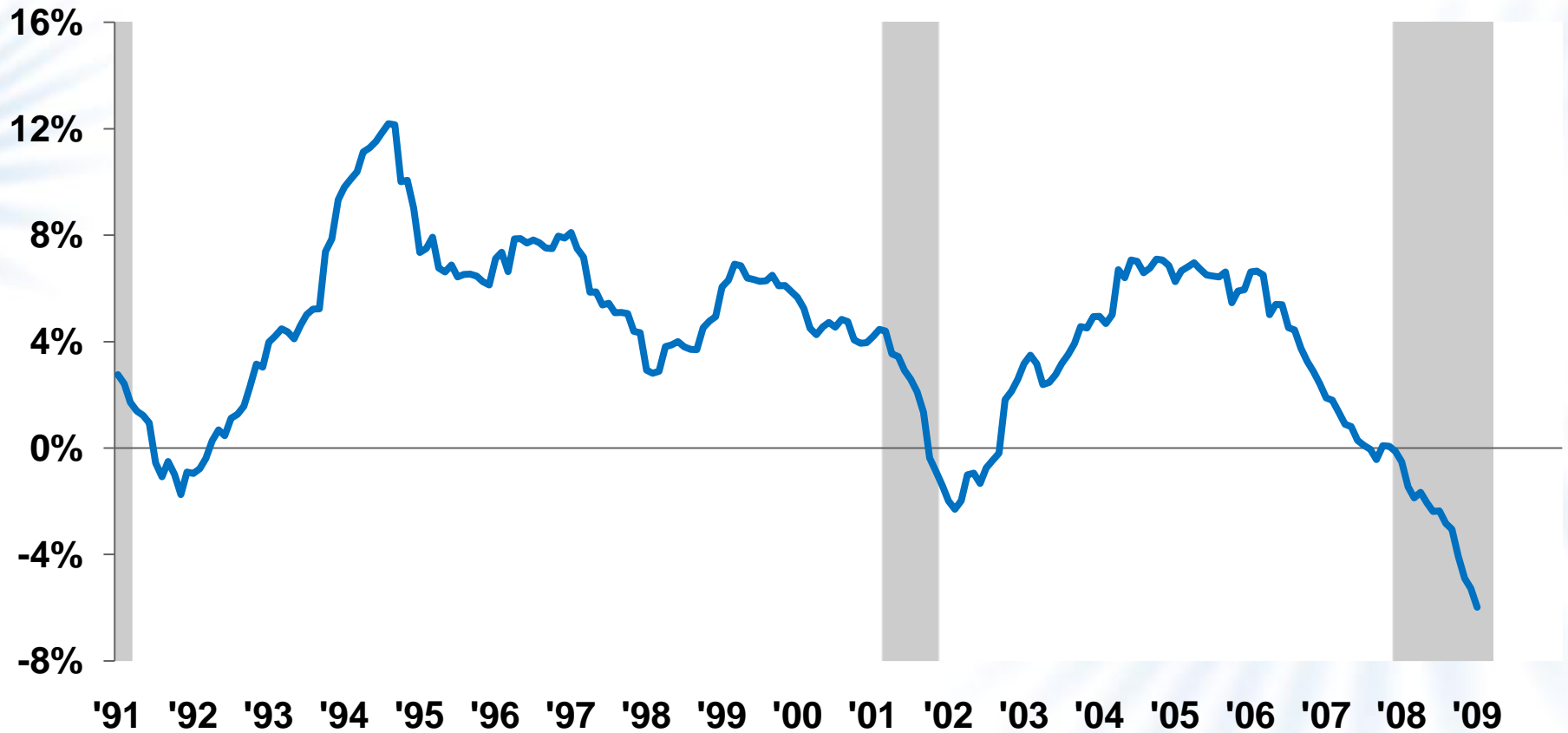
Annual Increase in New Residents Moving to Clark County



Source: Las Vegas Convention and Visitors Authority

Employment in Nevada Has Declined Sharply in this Recession

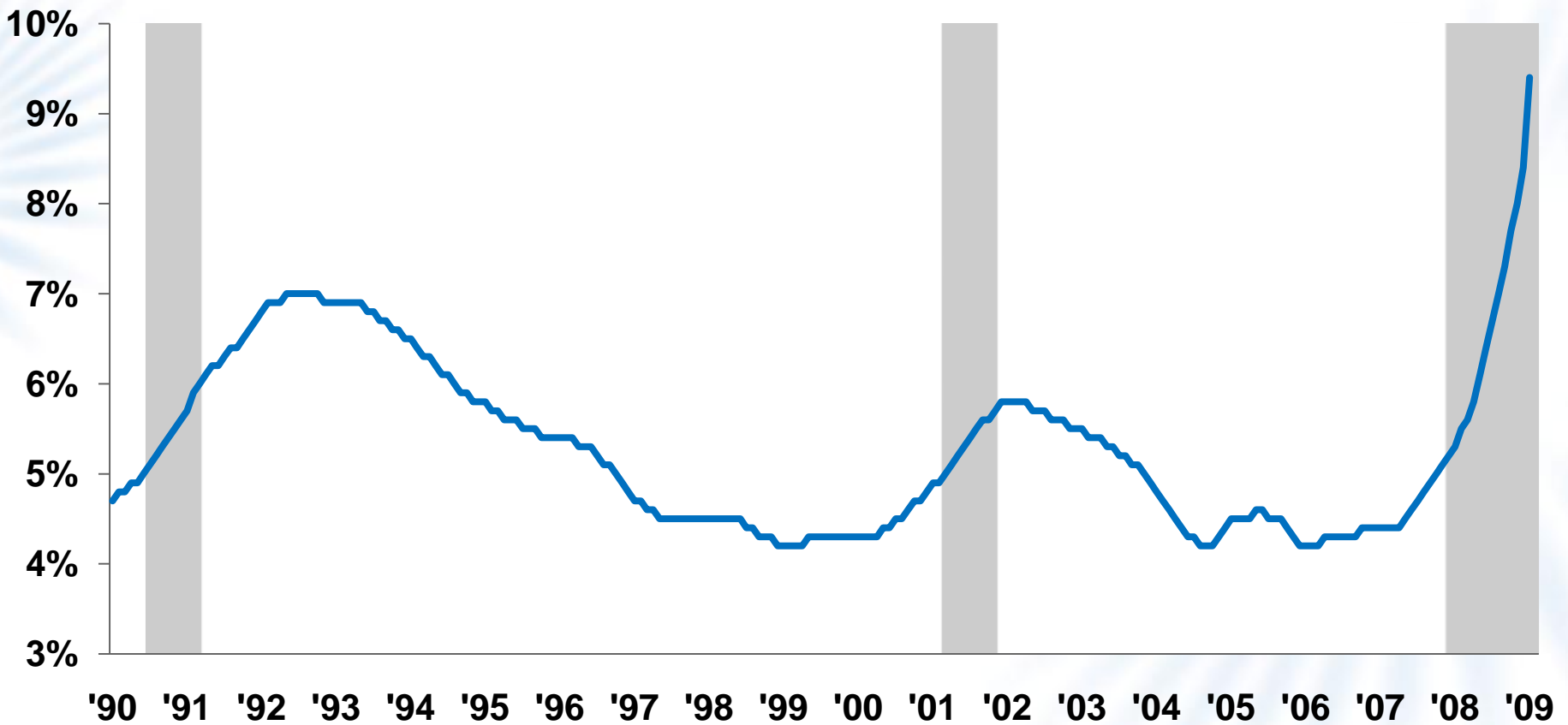
Private Employment, Percent Change from Year Ago



Nevada employment data through January 2009.
Source: U.S. Bureau of Labor Statistics

Nevada's Unemployment Rate Spiked to 9.4% in January

Unemployment Rate, Percent



Data for Nevada's unemployment rate is available through January 2009.
Source: U.S. Bureau of Labor Statistics

Frequency of Injuries: Experience Matters

**Inexperienced Have a Disproportionately
High Share of Lost Work-Time Injuries and Illnesses**

Time With Current Employer	Share of Employment (Jan. 2008), Mountain Census Division	Share of Lost Work-Time Injuries & Illnesses (2007), Nevada	Relative Difference Share of Injuries vs. Employment
Less Than 1 Year	25.6%	41.4%	61.7 : Higher
1-5 Years	38.5%	37.3%	-3.1 : Lower
5+ Years	35.9%	21.3%	-40.7 : Lower

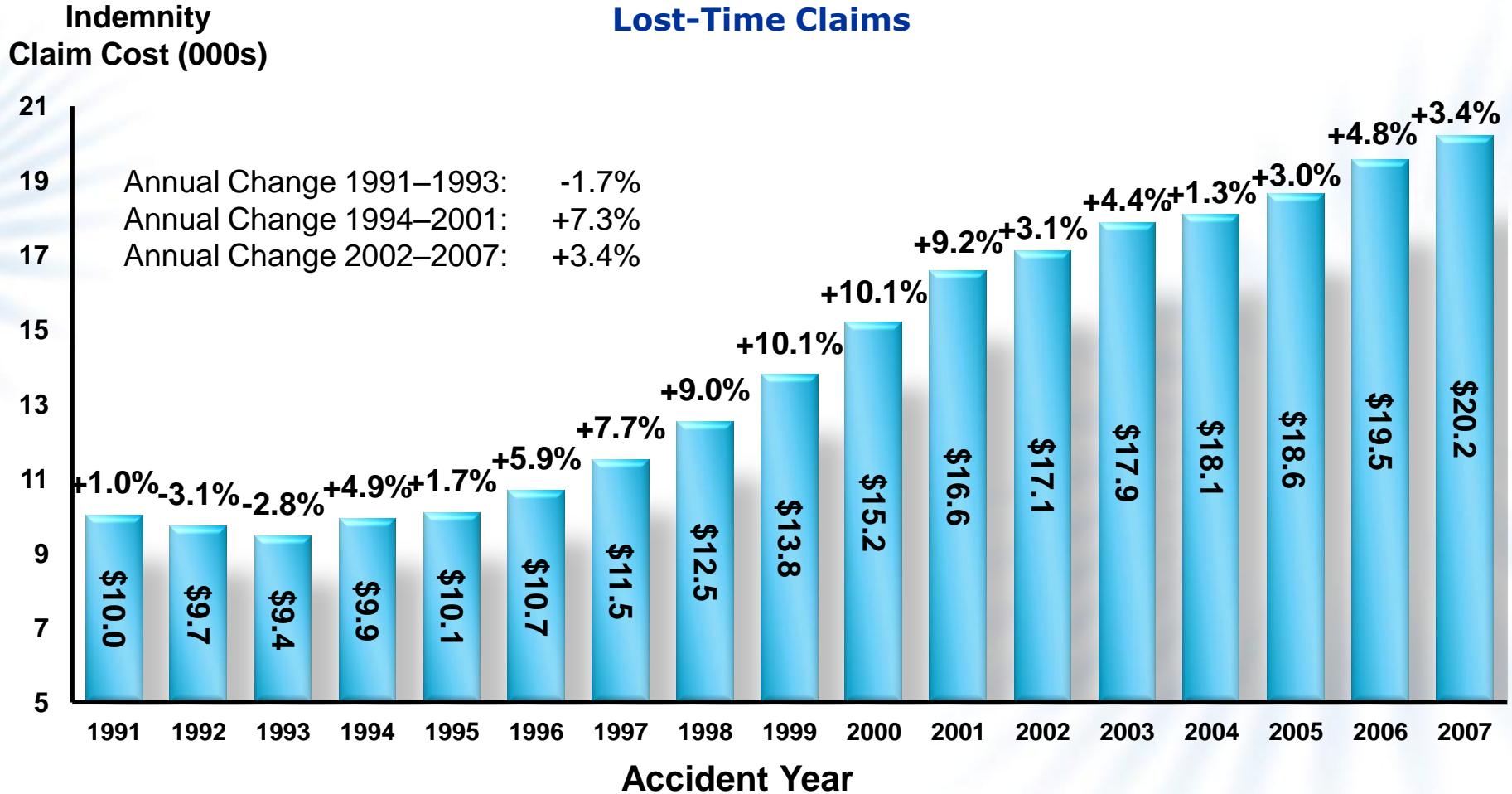
Time periods in the table are based on Share of Lost Work-time Injuries and Illnesses. Tenure "breaks" for Share of Employment classifications: 12 months or less, 13 months-to-5 years, and 5 years and above. Data for Share of Employment based on data as of January 2008.

Source: U.S. Bureau of Labor Statistics



Indemnity Claim Costs

Countrywide Workers Compensation Indemnity Claim Cost Trends



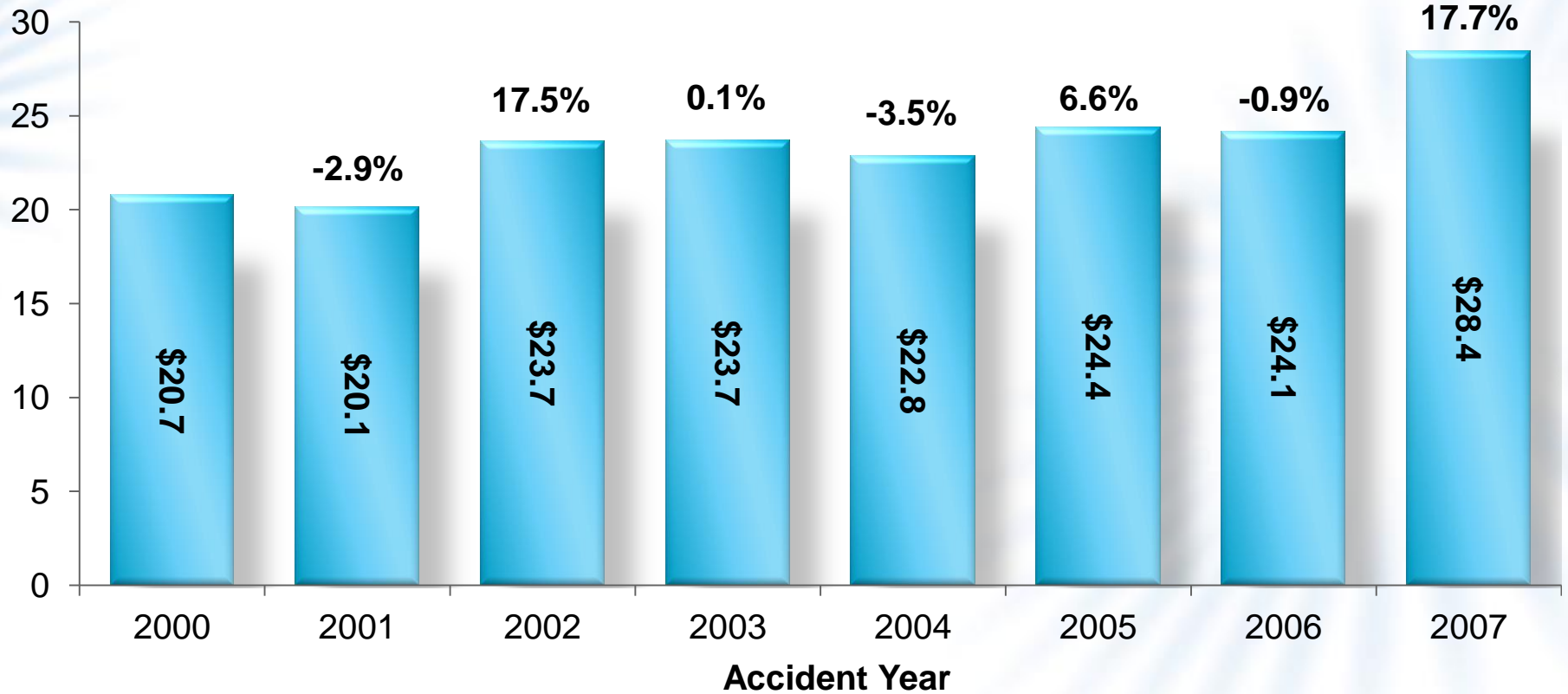
1991–2007: Based on data through 12/31/2007, developed to ultimate
 Based on the states where NCCI provides ratemaking services
 Excludes the effects of deductible policies



Nevada Workers Compensation Indemnity Claim Cost Trends

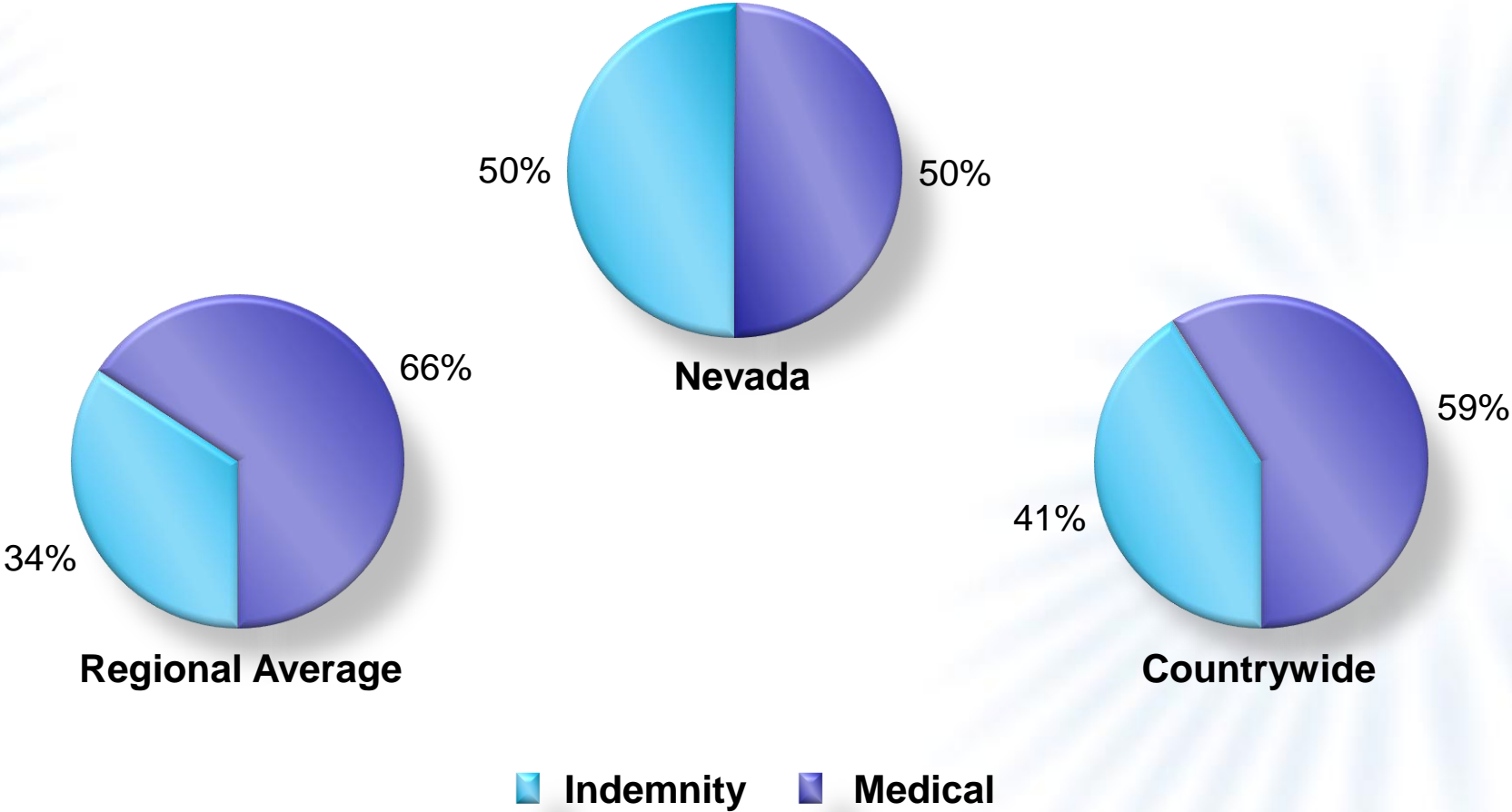
Lost-Time Claims

Indemnity Claim Cost (000s)



Based on data through 12/31/07, on-leveled and developed to ultimate

Indemnity Benefits Constitute Half of Total Benefit Costs in Nevada



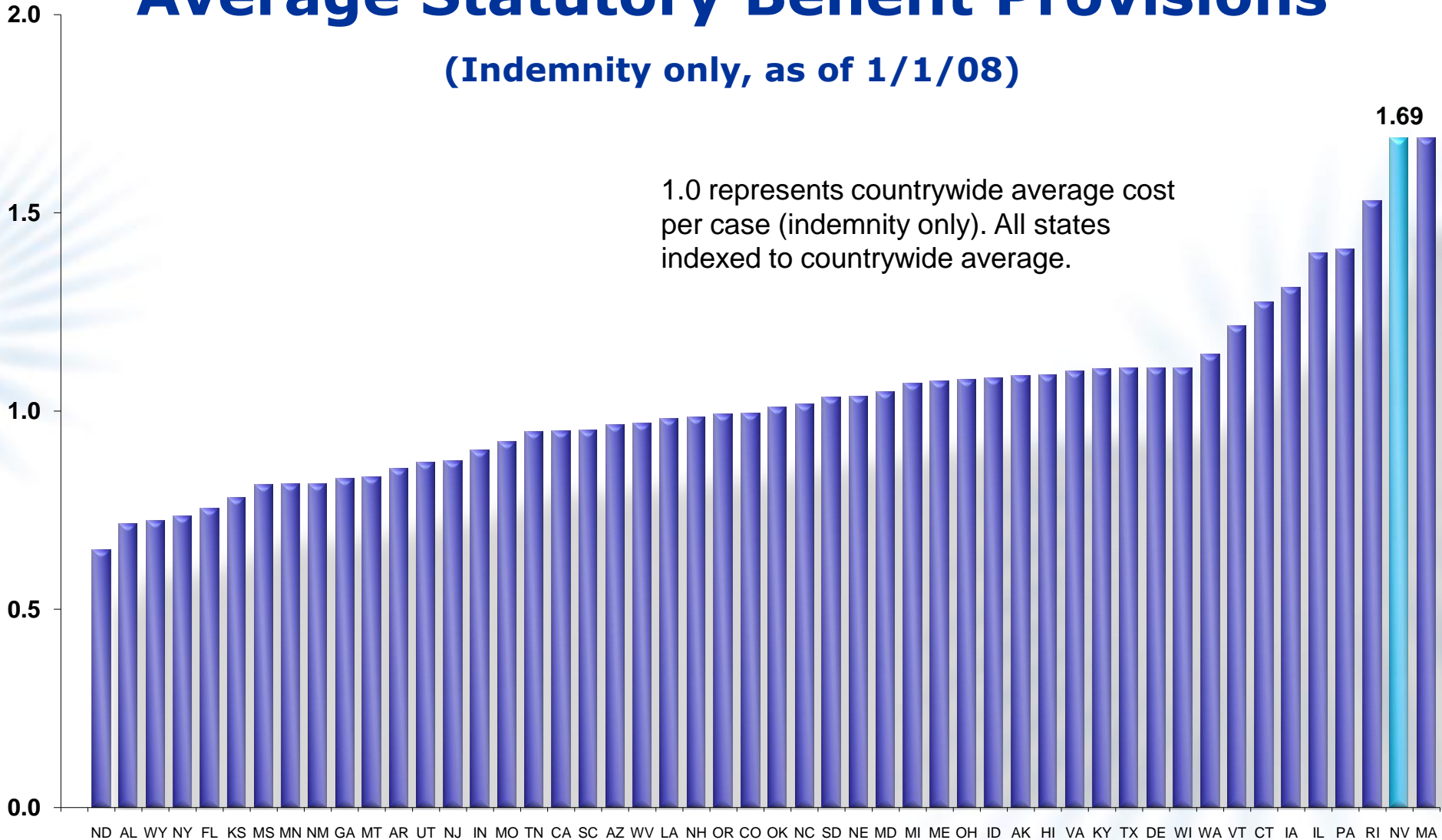
Regional states are AZ, CO, NM, and UT.



Average Statutory Benefit Provisions

(Indemnity only, as of 1/1/08)

1.0 represents countrywide average cost per case (indemnity only). All states indexed to countrywide average.

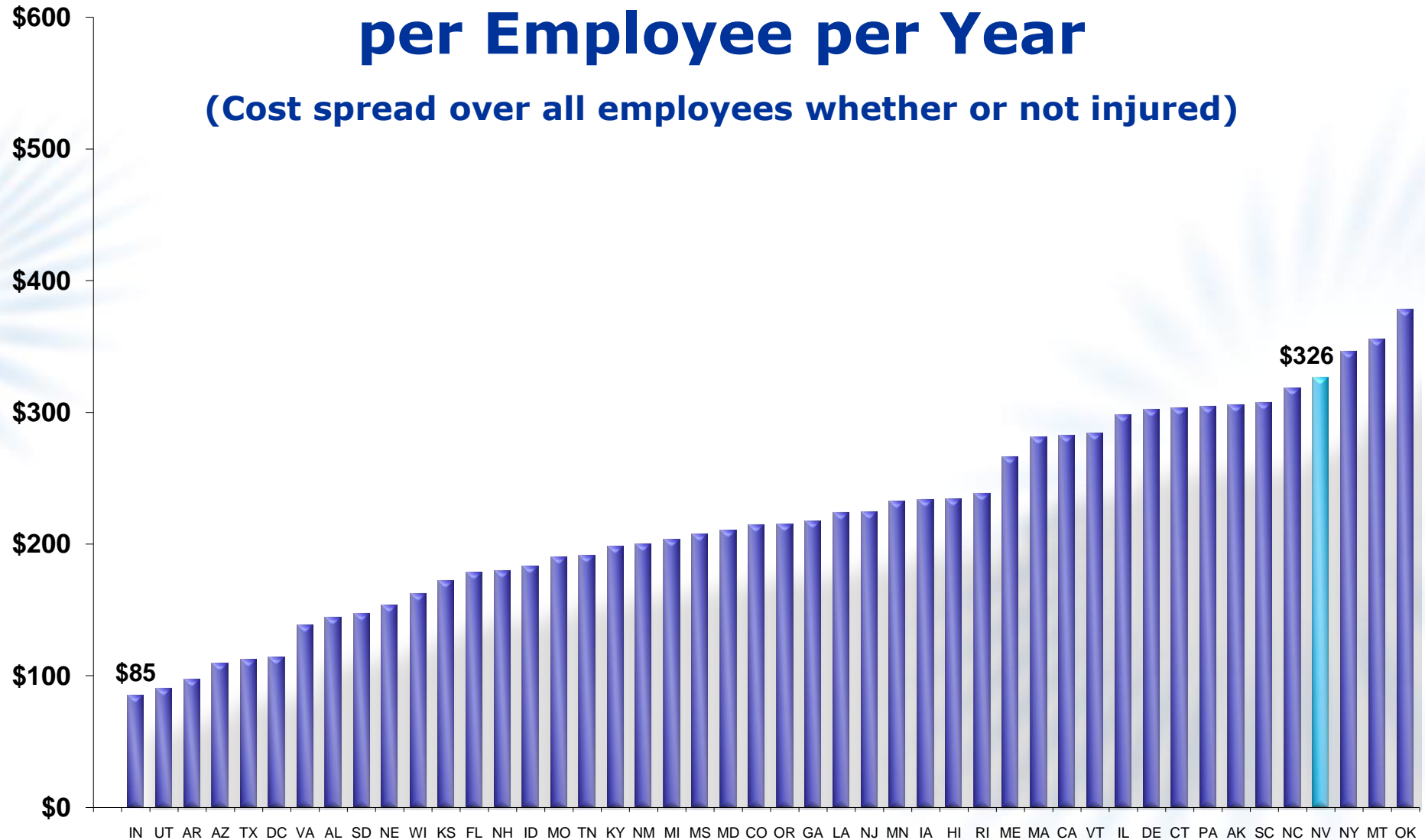


Source: *Workers Compensation State Rankings, Manufacturing Industry Costs, and Statutory Benefit Provisions, 2008 Ed.*, prepared by Actuarial & Technical Solutions, Inc.



Actual Average Indemnity Benefits per Employee per Year

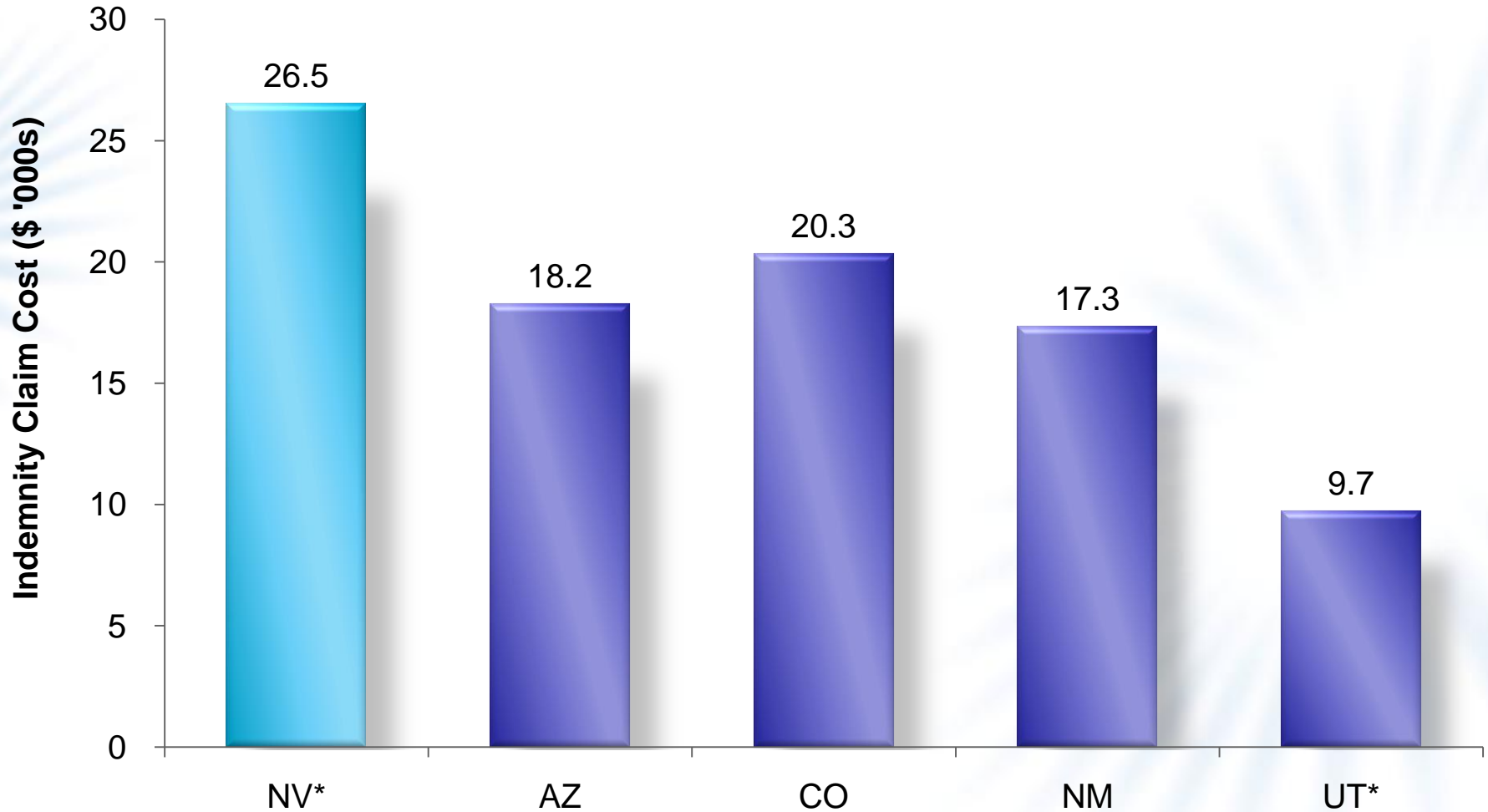
(Cost spread over all employees whether or not injured)



Source: WCSP Data at first report for policies effective in 2004 and 2005



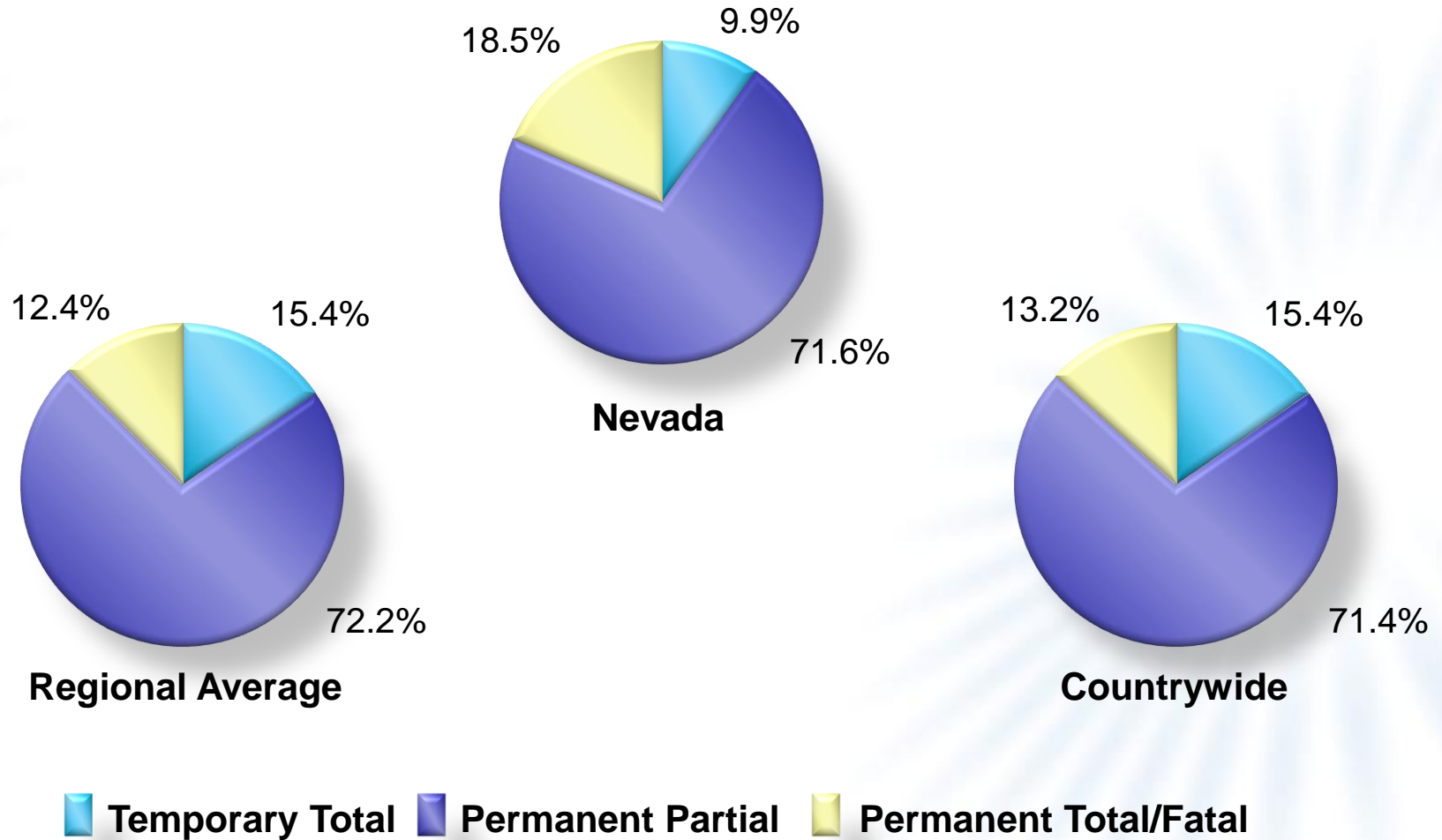
Nevada Indemnity Average Cost per Case



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

* NV & UT based on an average of AY 2006 and AY 2007. All other states based on PY 2006.

Indemnity Loss Distribution by Injury Type



Regional states are AZ, CO, NM, and UT.
Based on NCCI's WCSP data.

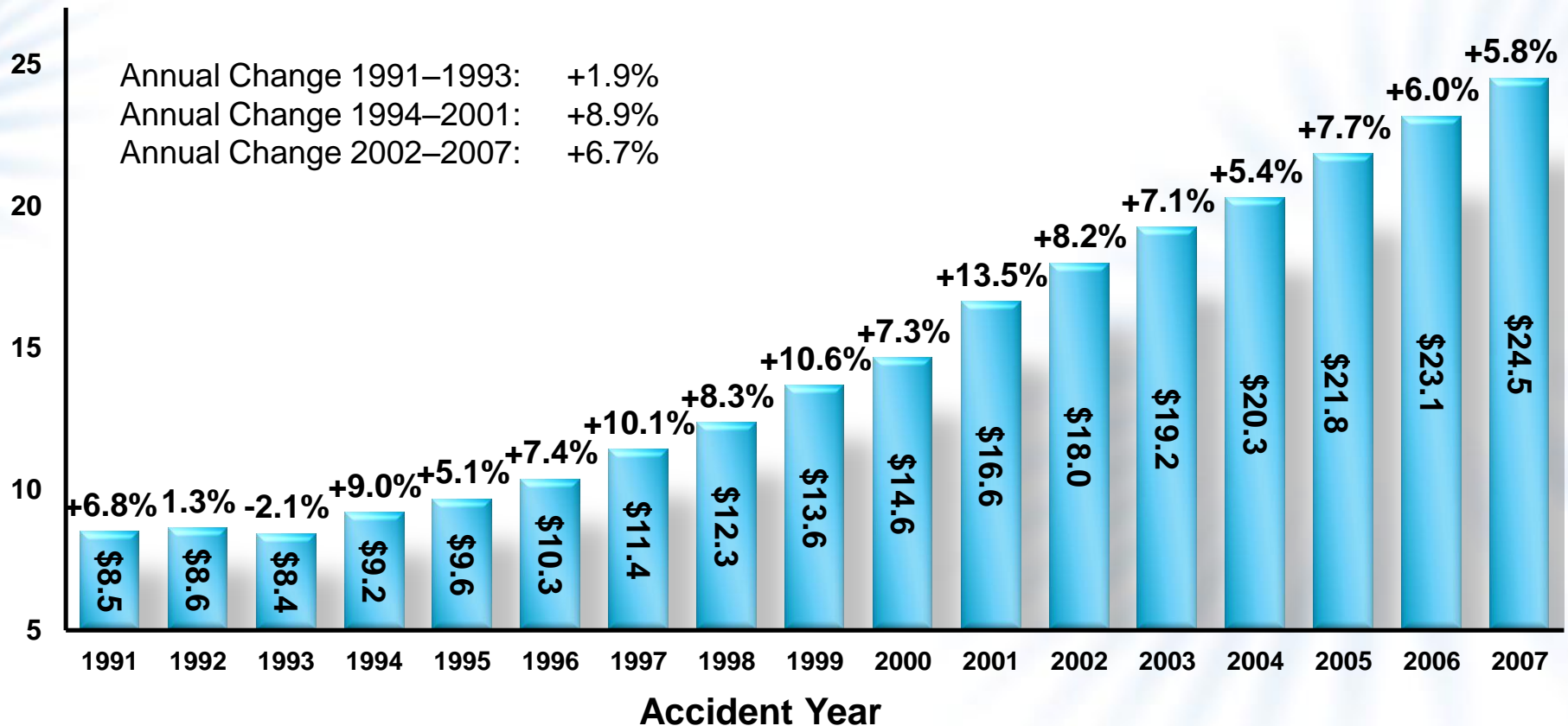


Medical Claim Costs

Countrywide WC Medical Claim Cost Trends—Growth Continues in 2007

Lost-Time Claims

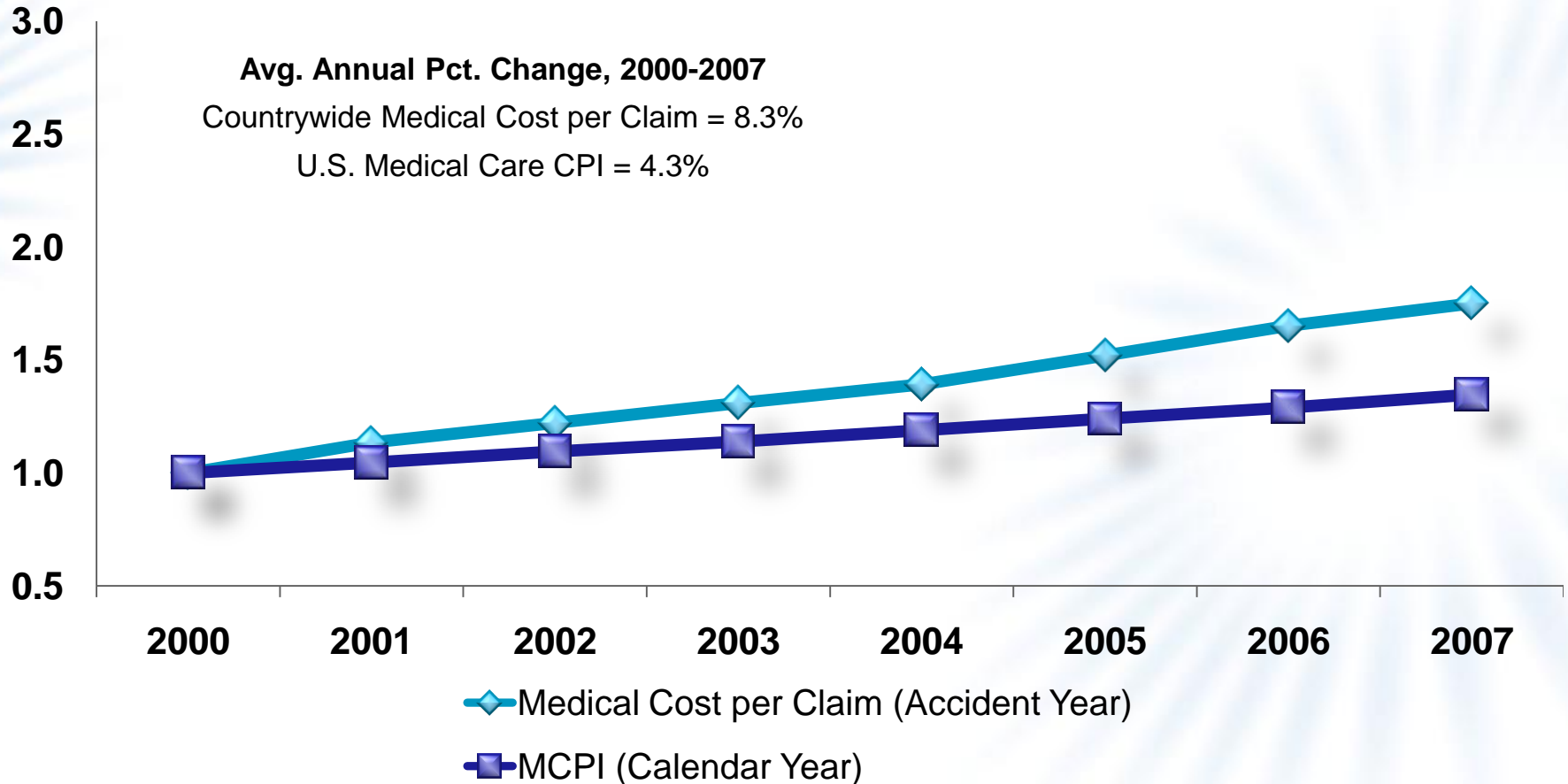
Medical
Claim Cost (000s)



1991–2007: Based on data through 12/31/2007, developed to ultimate
Based on the states where NCCI provides ratemaking services
Excludes the effects of deductible policies

Countrywide Medical Severity Is Outpacing the Medical Care CPI

Indexes of Medical Severity* and Medical Care CPI, 2000 = 1.0



* Lost-time claims

Data valued at 12/31/2007

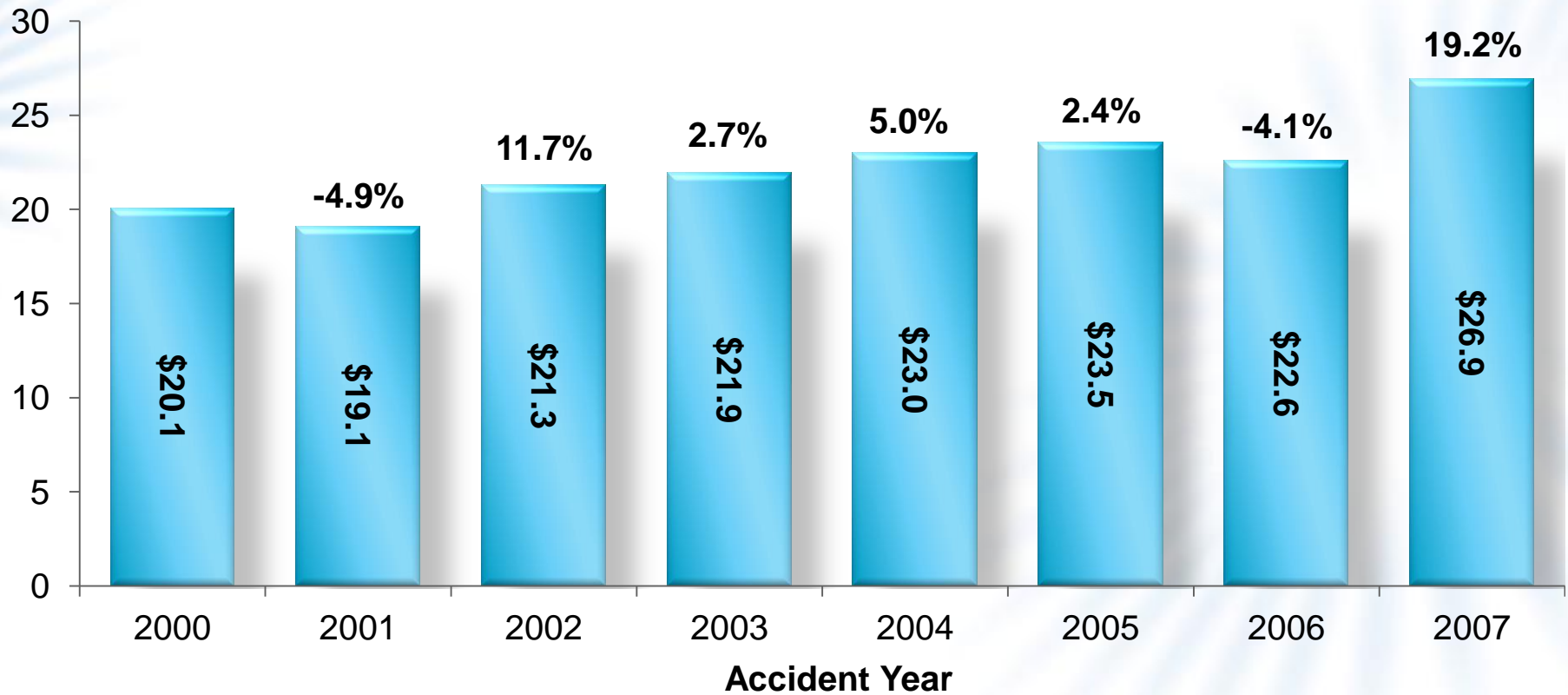
Medical Severity is represented above as unlimited medical losses at ultimate without adjustments for either wage or benefit changes

Source: NCCI; U.S. Bureau of Labor Statistics

Nevada Workers Compensation Medical Claim Cost Trends

Lost-Time Claims

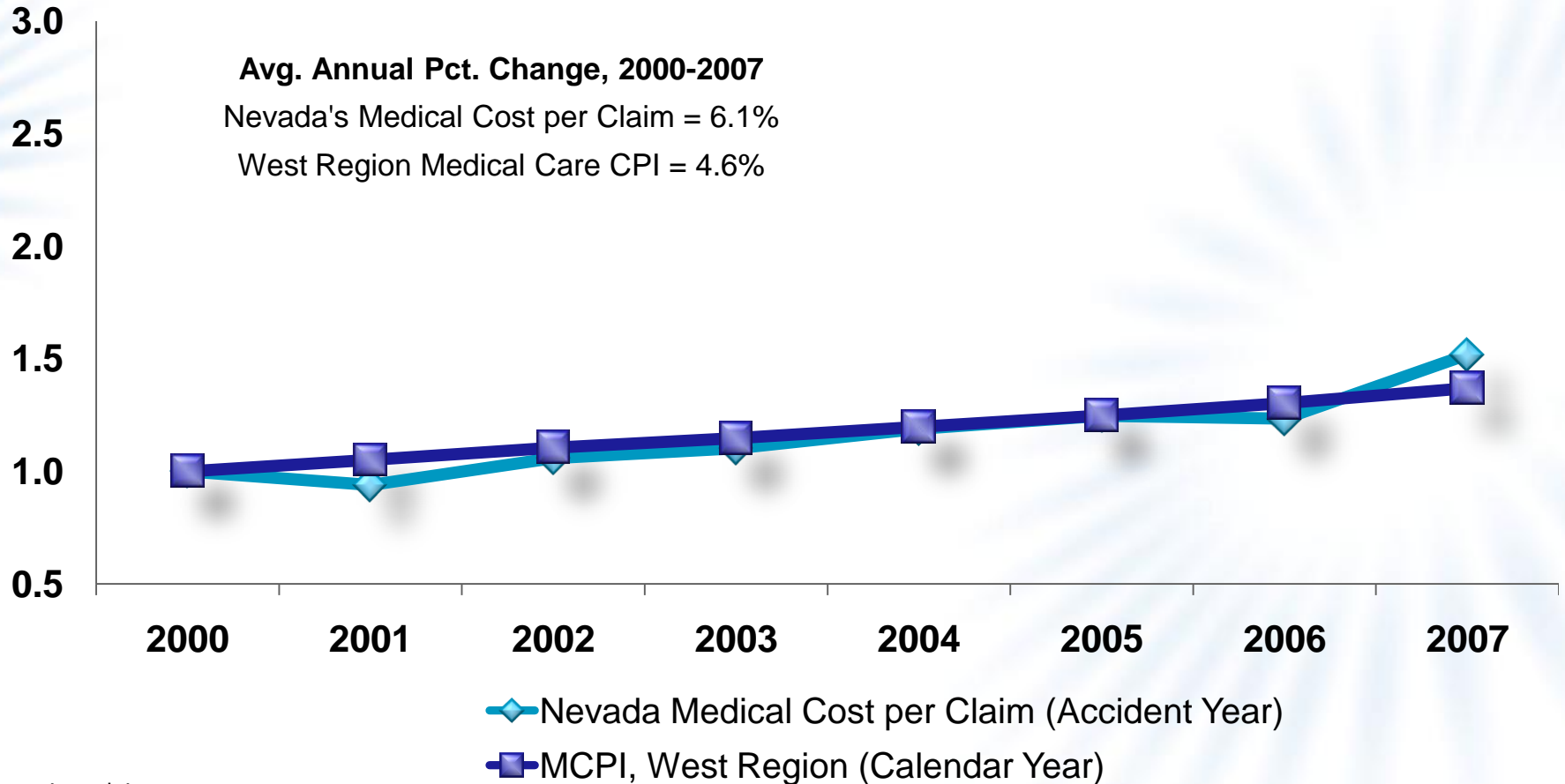
Medical
Claim Cost (000s)



Based on data through 12/31/07, on-leveled and developed to ultimate

Medical Severity in Nevada Is Increasing in Line With the Medical CPI

Indexes of Medical Severity* and Medical Care CPI, 2000 = 1.0



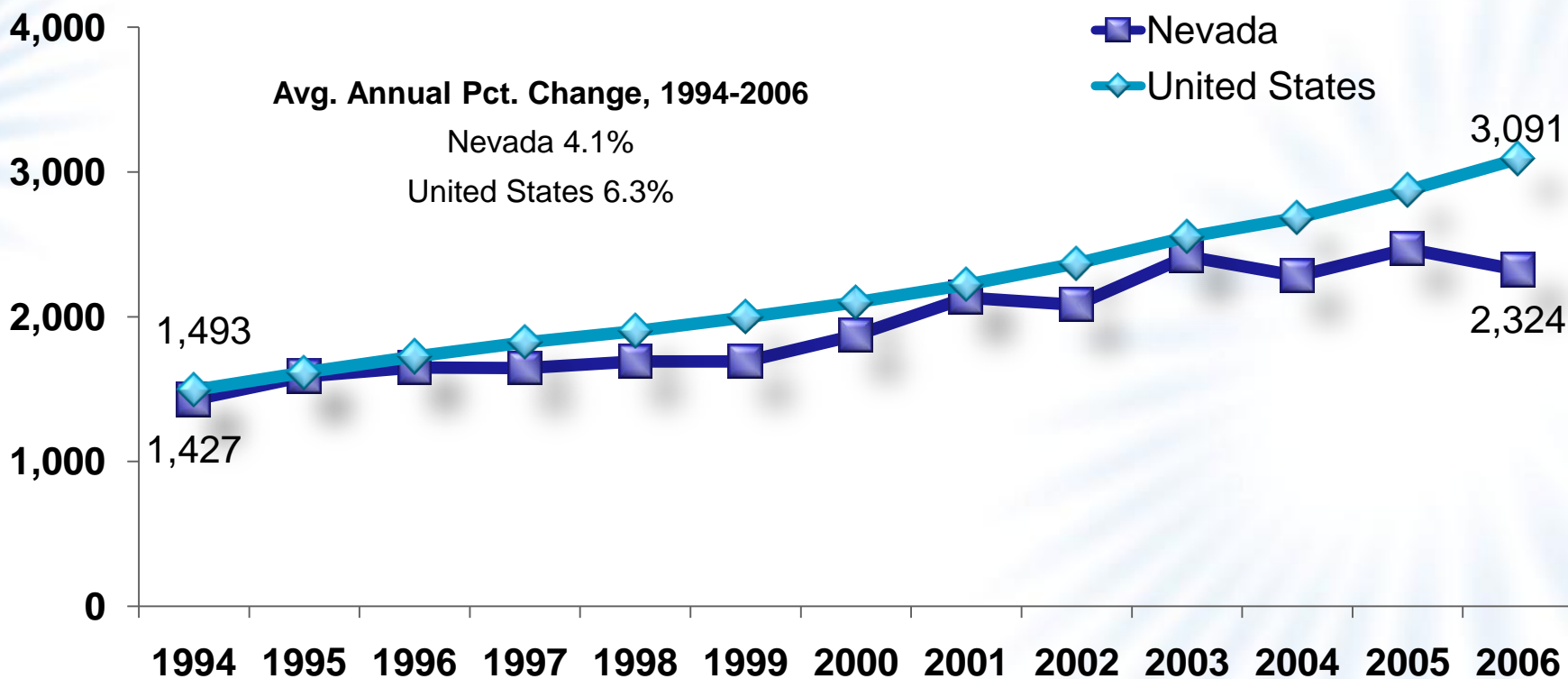
* Lost-time claims

Data valued at 12/31/2007

Medical Severity is represented above as unlimited medical losses at ultimate without adjustments for either wage or benefit changes

Source: NCCI; U.S. Bureau of Labor Statistics

Average Hospital Cost per Day* in Nevada: Lower Than and Increasing Less Rapidly Than That of the U.S.

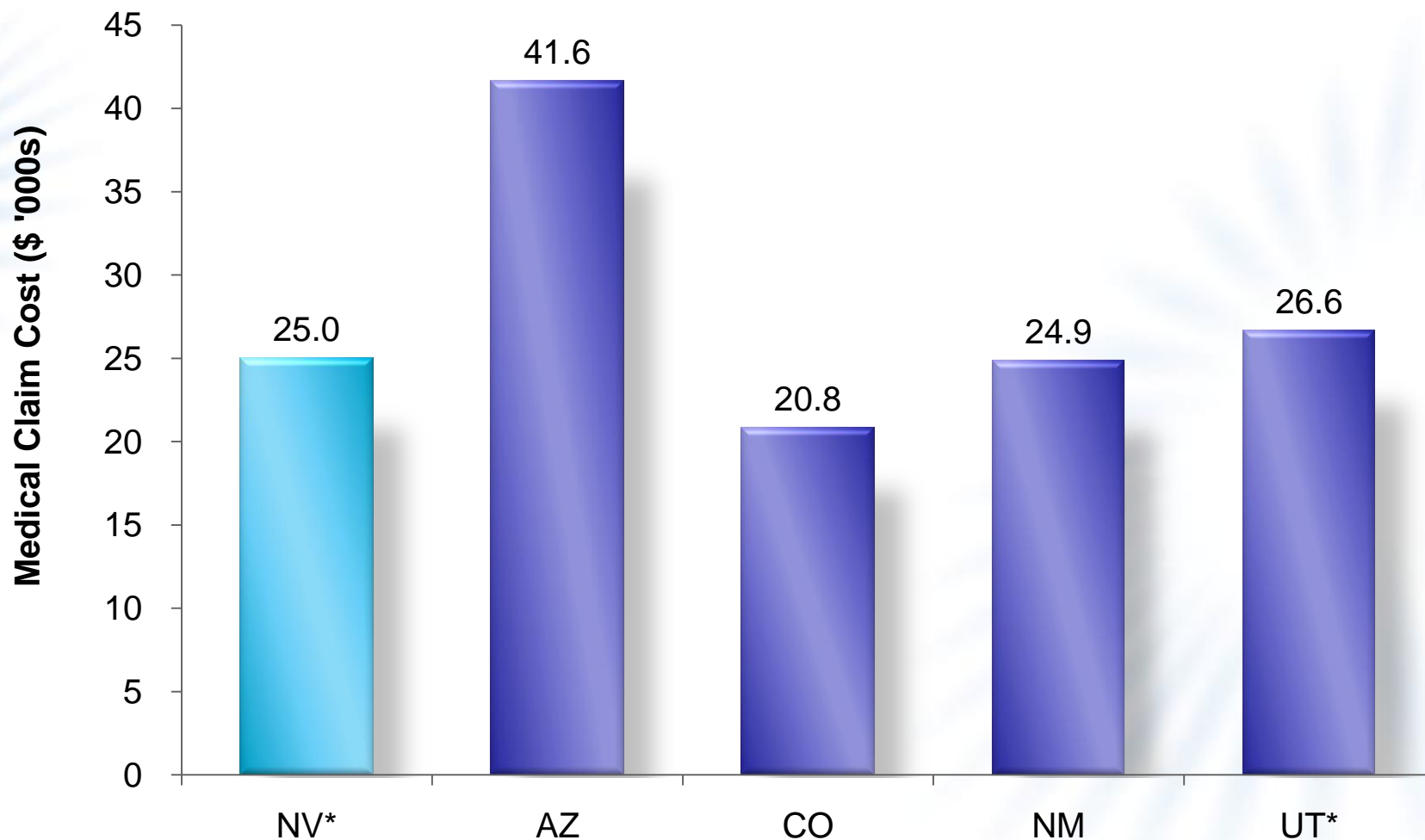


* Cost per Day reflects internal costs incurred for hospital services

Source: American Hospital Association



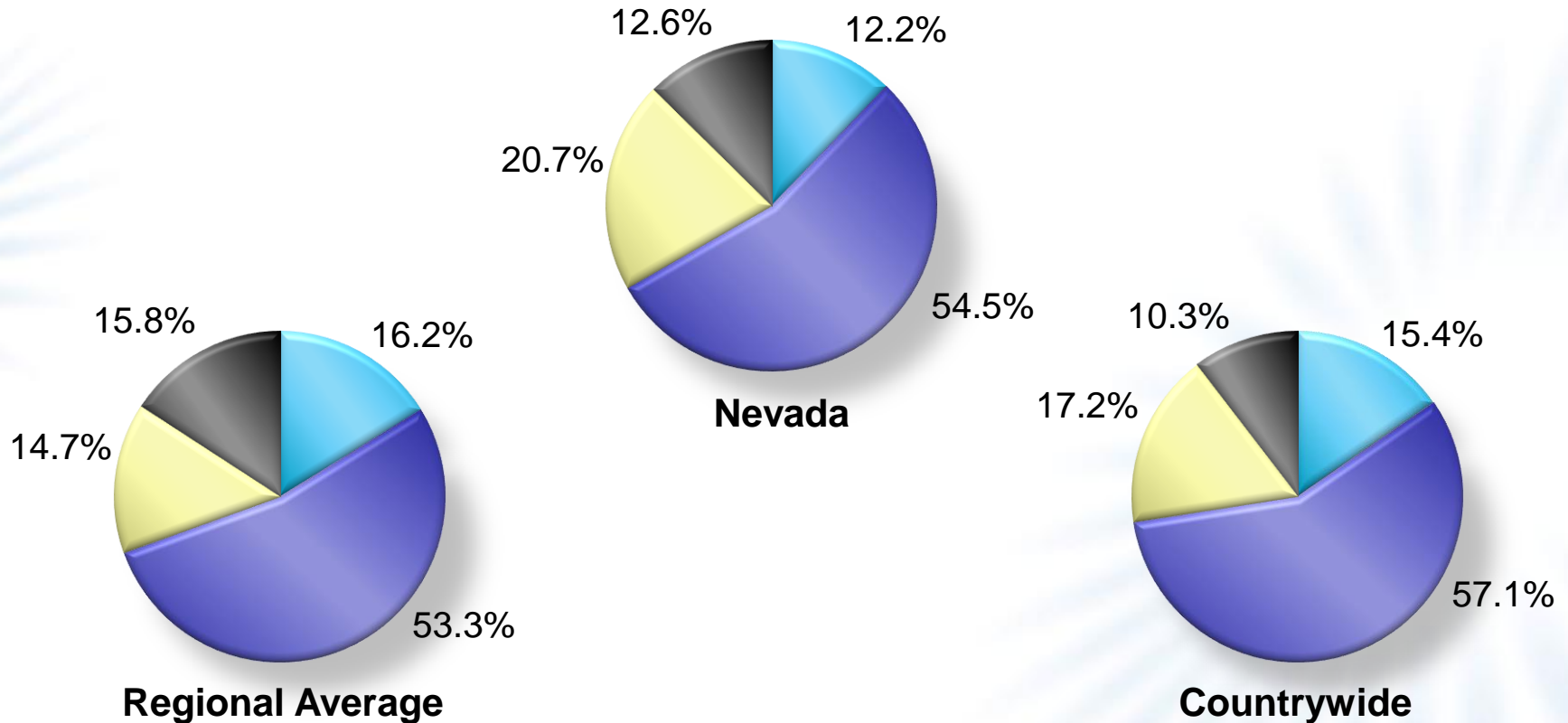
Nevada Medical Average Cost per Case



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

* NV and UT based on an average of AY 2006 and AY 2007. All other states based on PY 2006.

Medical Loss Distribution by Injury Type



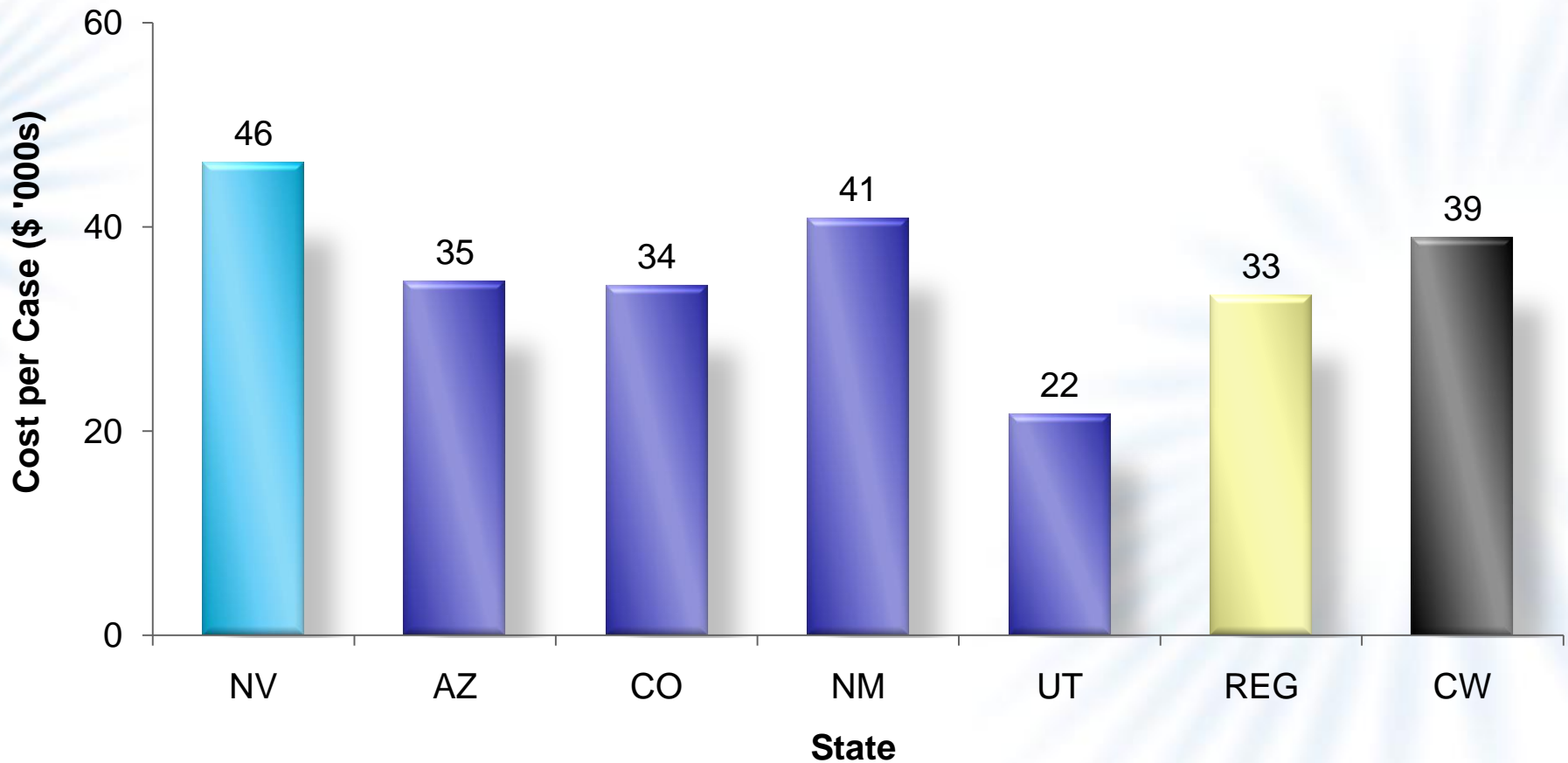
■ Temporary Total
 ■ Permanent Partial
 ■ Permanent Total/Fatal
 ■ Medical Only

Regional states are AZ, CO, NM, and UT.
Based on NCCI's WCSP data.



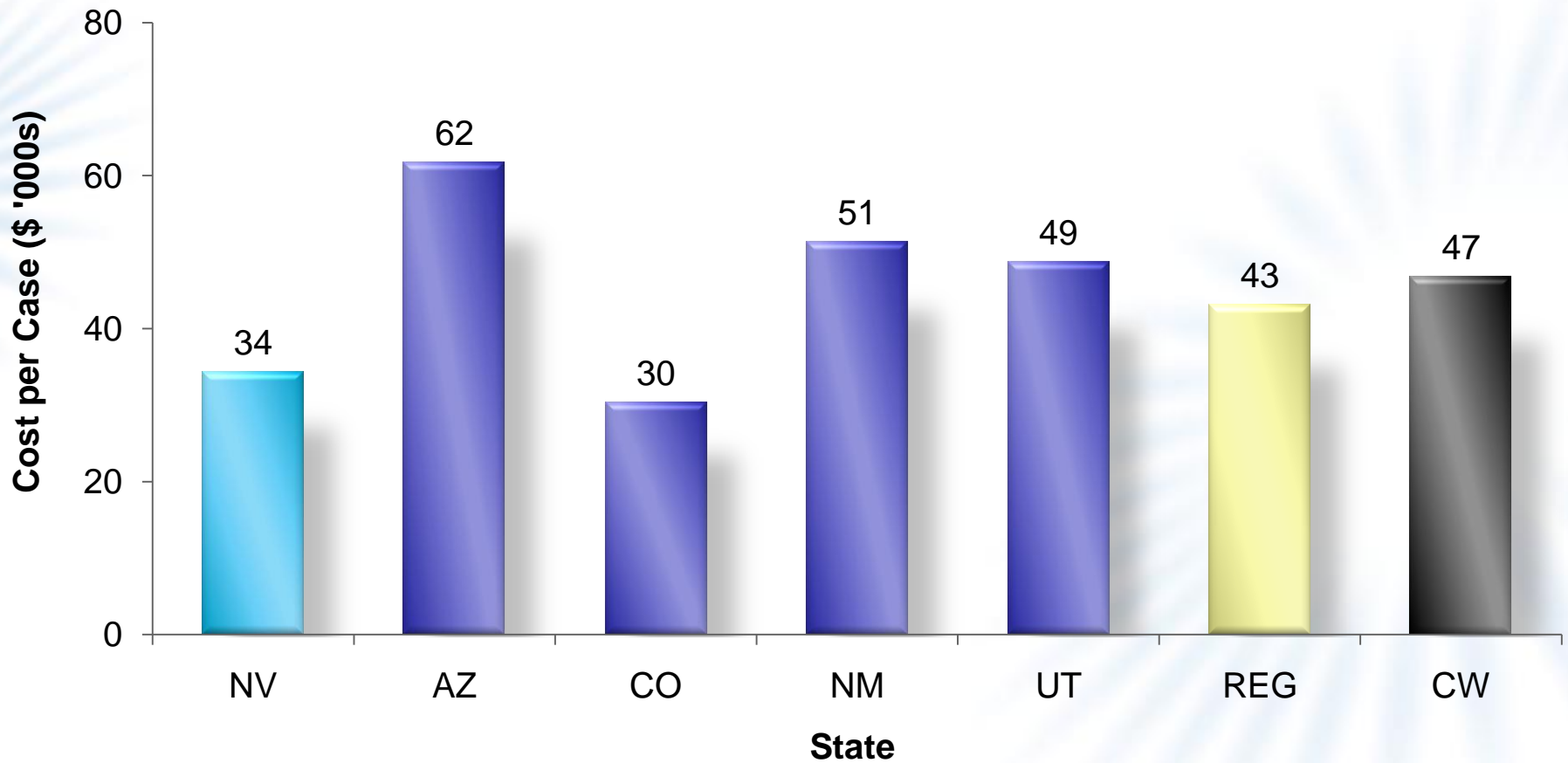
Permanent Partial Claims

Nevada Permanent Partial Indemnity Average Cost per Case



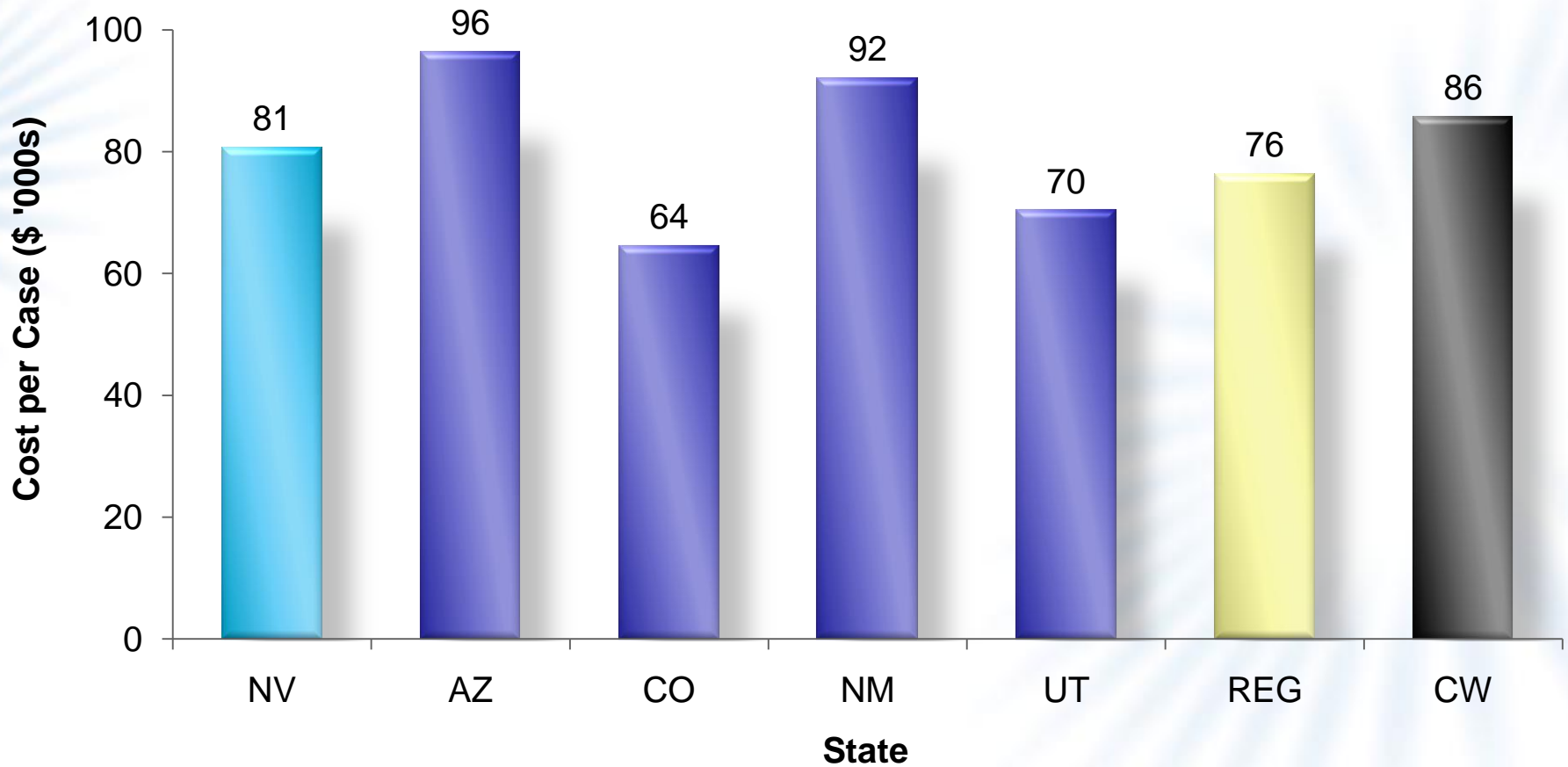
Based on NCCI's WCSP data.

Nevada Permanent Partial Medical Average Cost per Case



Based on NCCI's WCSP data.

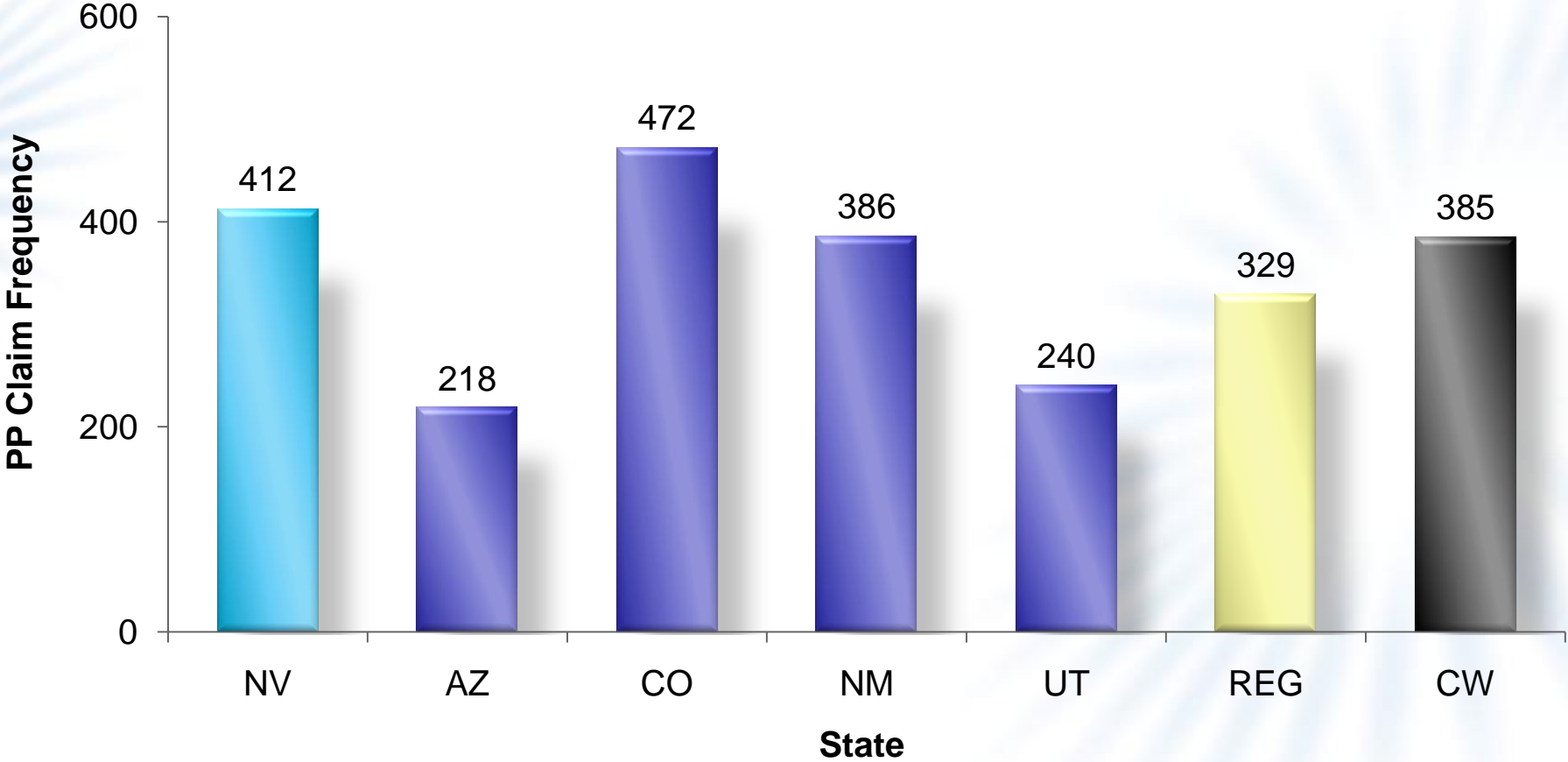
Nevada Permanent Partial Total Average Cost per Case



Based on NCCI's WCSP data.

Nevada Permanent Partial Claims

Permanent Partial Frequency per 100,000 Workers

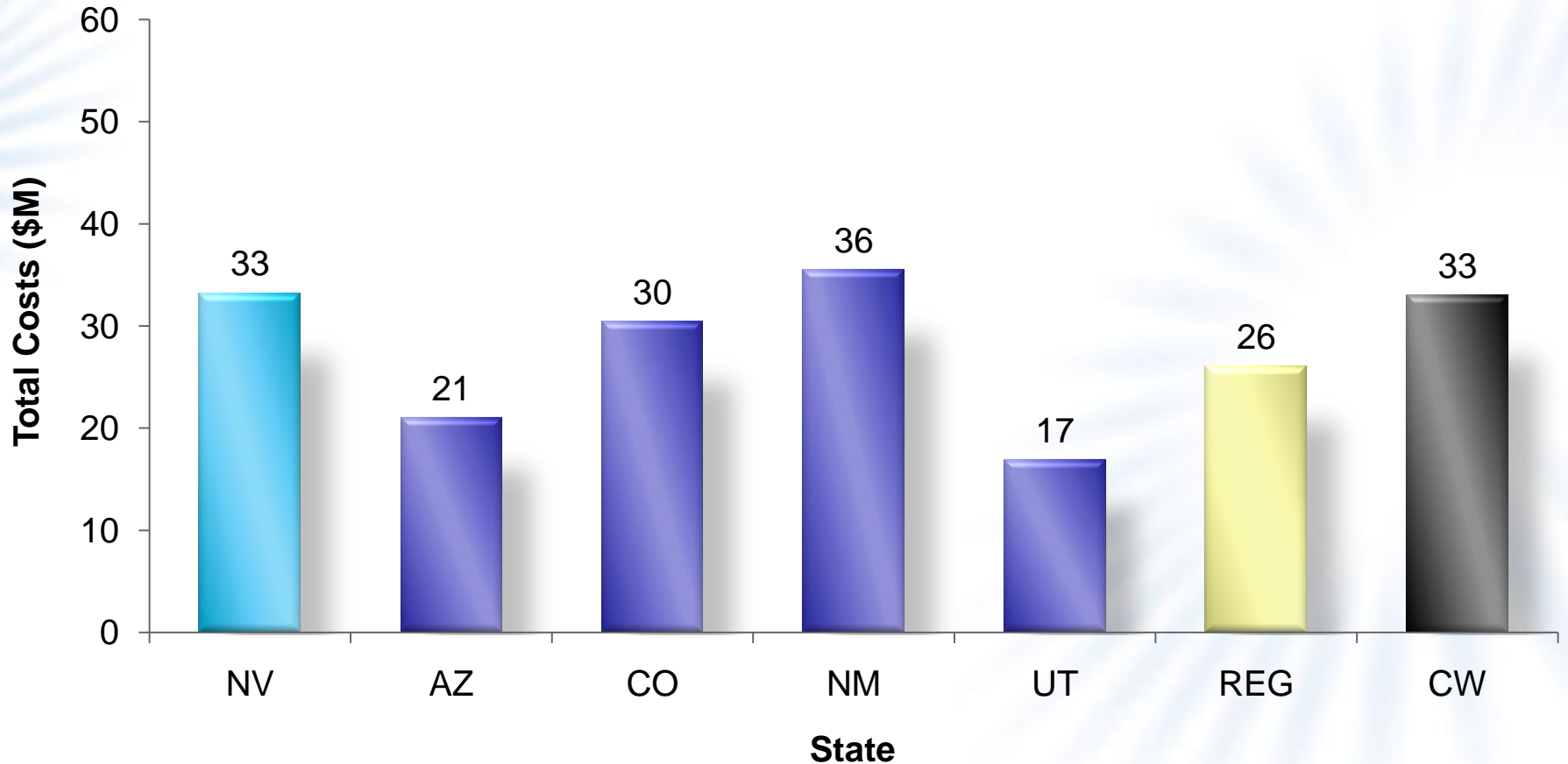


Based on NCCI's WCSP data.



Nevada Permanent Partial Total Costs

Permanent Partial Costs per 100,000 Workers



Based on NCCI's WCSP data.



Impact of Recessions on Workers Compensation

Impact of Recessions on Workers Compensation

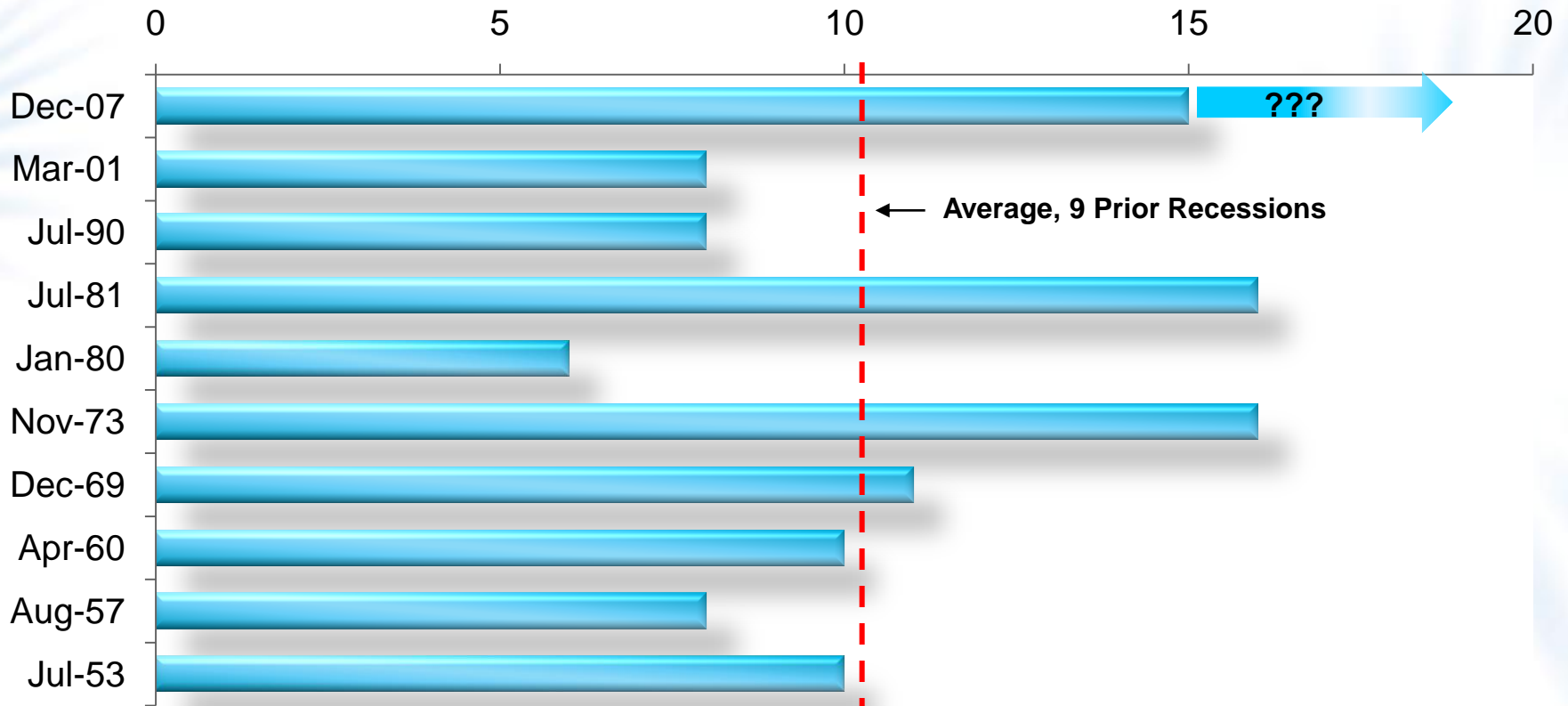
- Exposure
- Claim Frequency
- Indemnity and Medical Severity



Length and Severity of Past Recessions

The Average Duration of Prior Recessions Has Been a Bit Less Than One Year

Recession Length (in Months)



Dates indicate the start of the recession

Assumes current recession continues through March 2009

Source: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

The Current Recession Has Already Had an Above Average Loss in Private Sector Jobs

Pct. Change in Private Employment During Recession Period



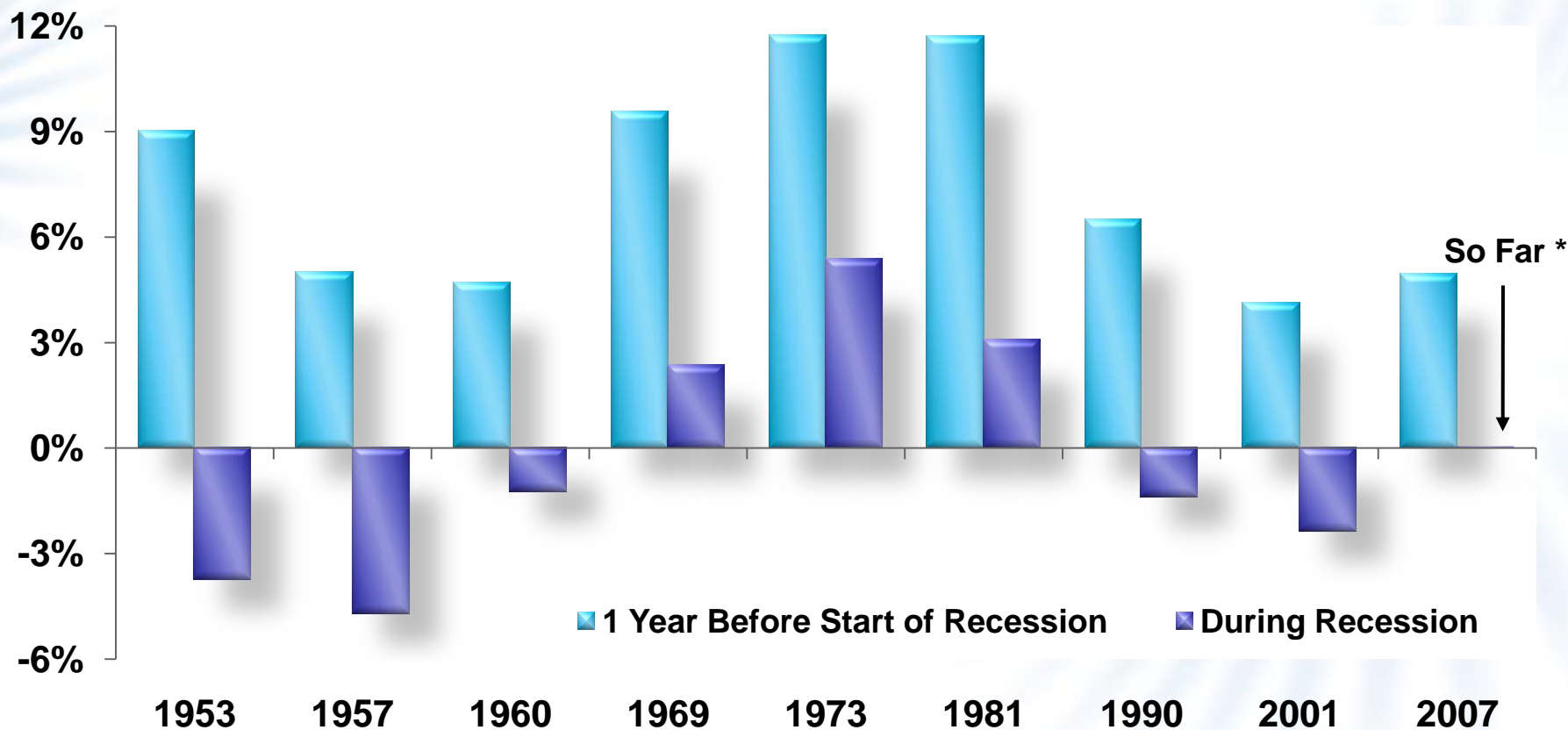
Dates indicate the start of the recession. () = length of the recession, in months
 Employment data in the current recession is up-to-date through February 2009
 Source: U.S. Bureau of Labor Statistics; National Bureau of Economic Research



Impact of Recessions on Exposure

Recessions Result in Slower Growth or Declines in Wages and Salaries

Percent Change in Wage and Salary Disbursements During *Year Before* the Start of Recession vs. *During* Recession (at an Annual Rate)
 Years Indicate Start of Recession



Excludes 1980 "mini" recession

* Begins in December 2007 and includes data available through January 2009

Source: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

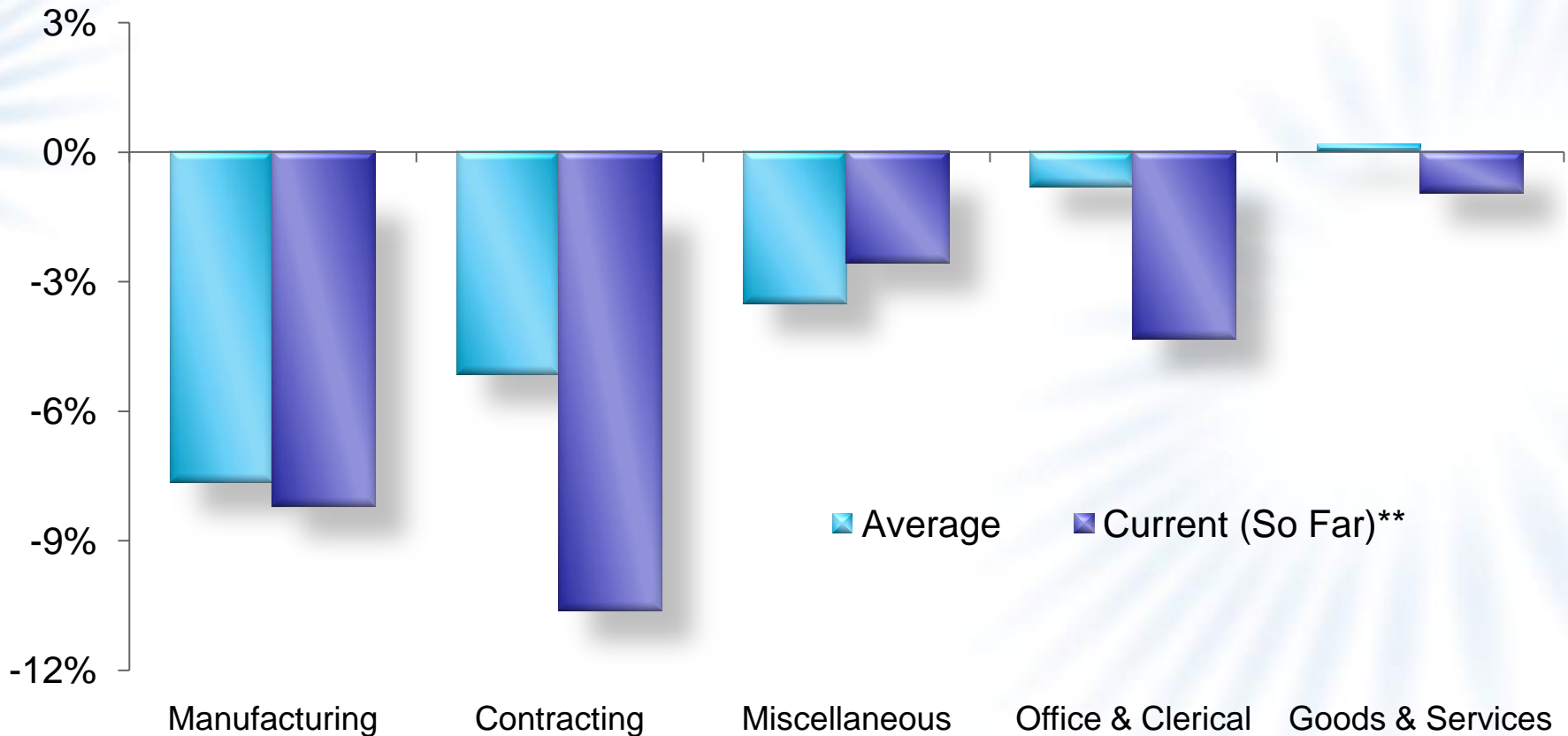


Changes in Exposure (Payroll) During Business Cycles Reflect . . .

- Changes in employment
- Changes in wages

The Impact of Recessions on Employment Differs Markedly by Industry Sector

Average Percent Decline in Employment in Eight Prior Recessions* Compared to the Current Recession for NCCI's Five Industry Groups**



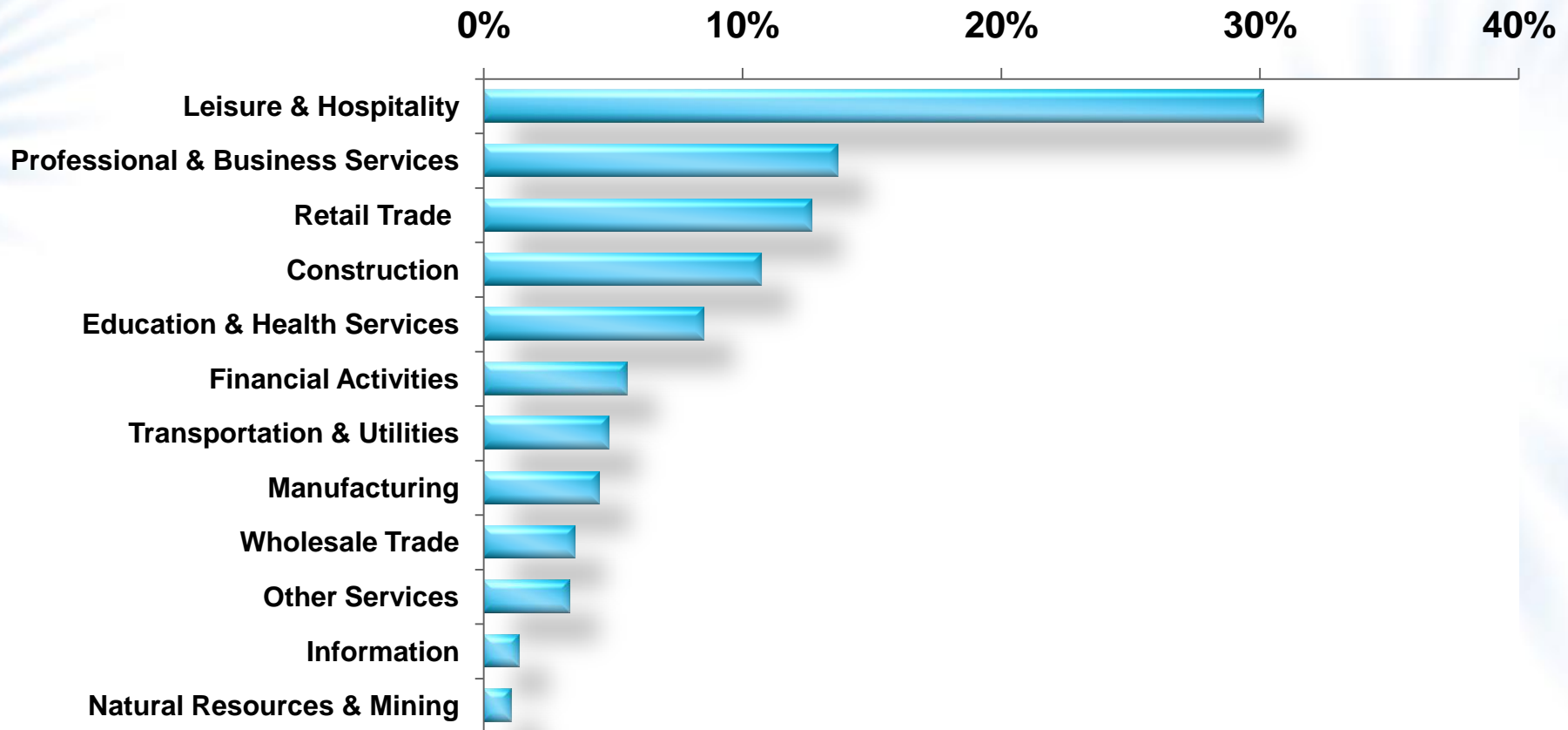
* Excludes 1980 "mini" recession

** Begins in December 2007 and includes data available through January 2009

Source: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

The Top Five Industries Account for Nearly 76% of Nevada's Employment

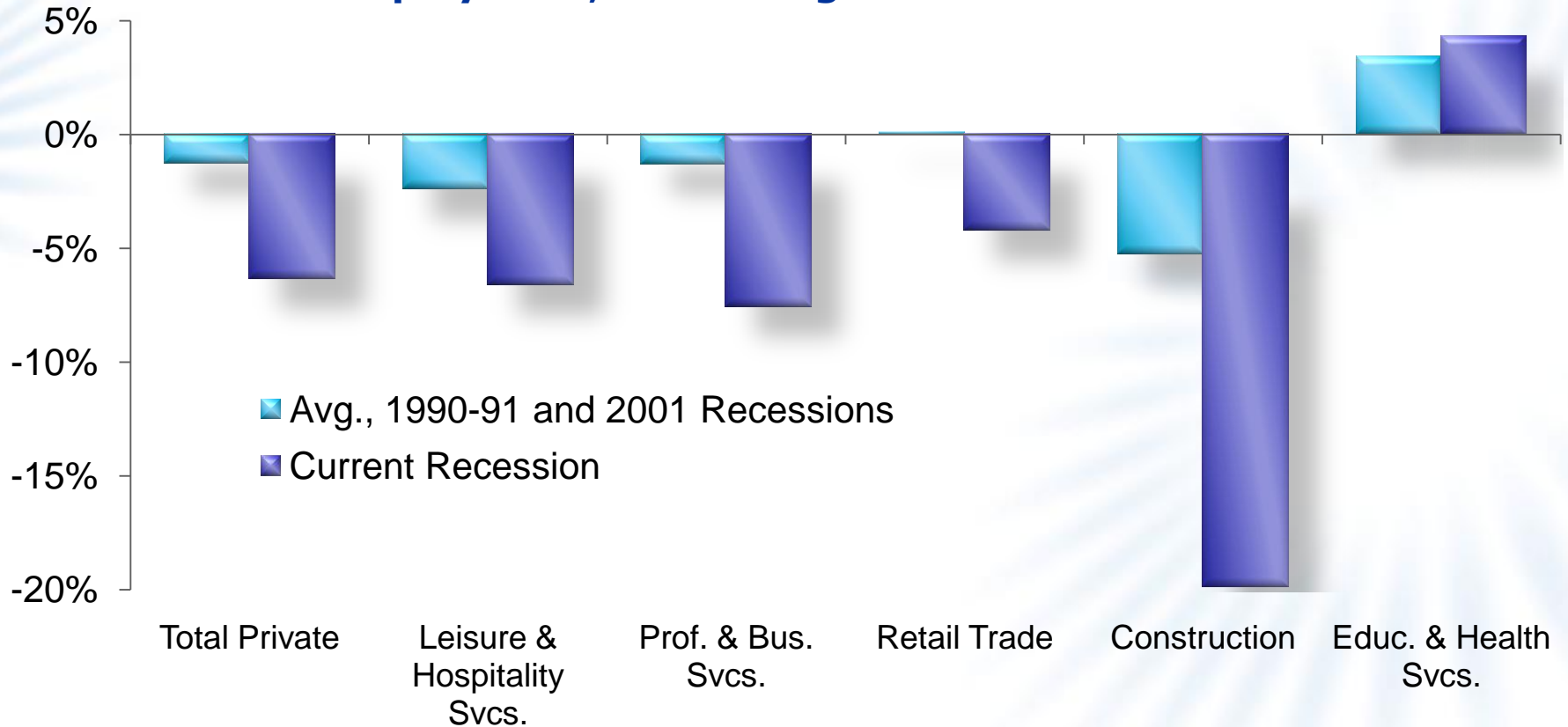
Percent of Total Private Employment, 2008



Source: U.S. Bureau of Labor Statistics

There Has Been a Marked Loss in Construction Jobs in Nevada Since the Start of the Current Recession

Nevada Employment, Pct. Change Since Start of Recession*

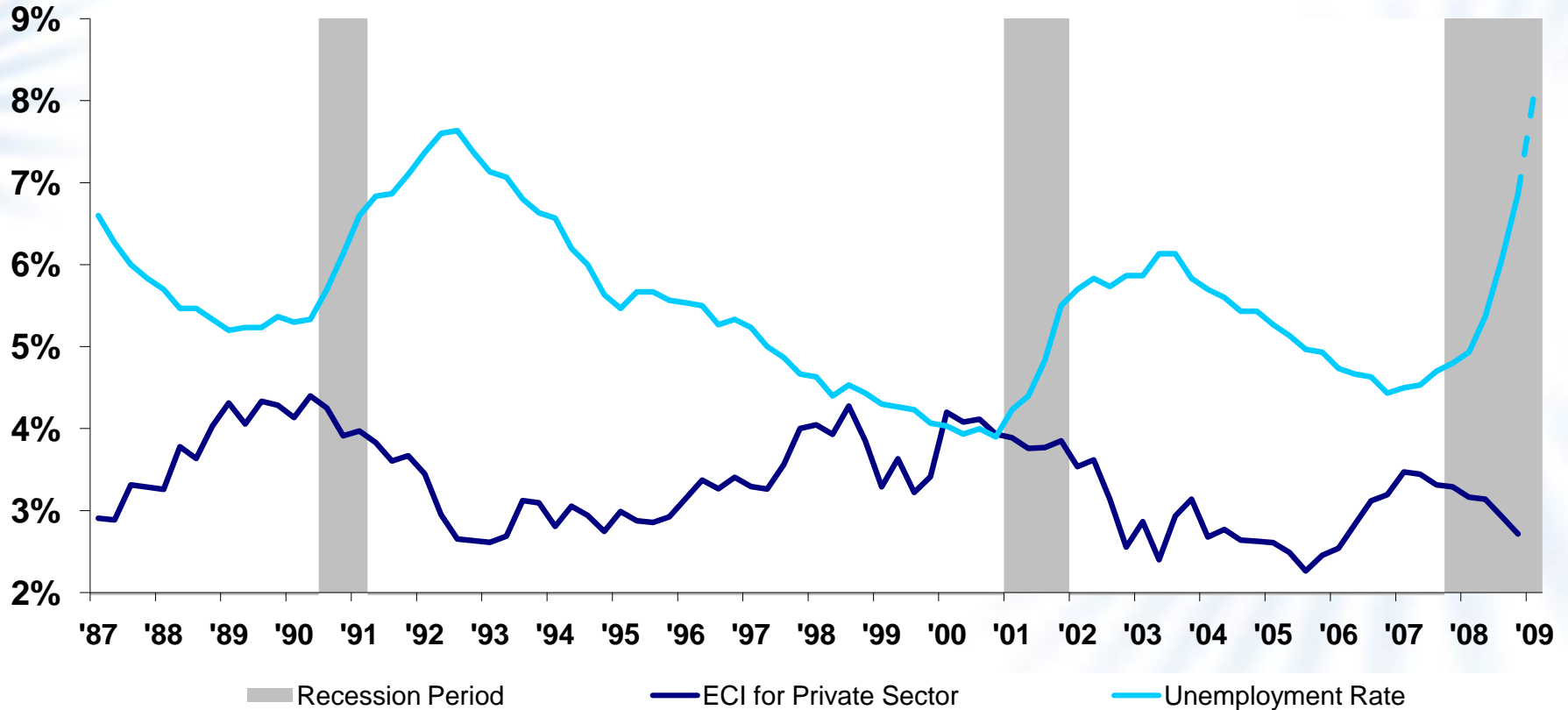


* 2001 recession only for Retail Trade and Education & Health Services; data for the current recession from December 1970 through January 2009
 Source: U.S. Bureau of Labor Statistics



Recession-Related Increases in the Unemployment Rate Tend to Place Downward Pressure on Wage Increases

Unemployment Rate vs. Year-Ago Percent Change in the Employment Cost Index (ECI) for Private Sector Workers



Data for the ECI available through the Fourth Quarter 2008; unemployment rate through February 2009.
Source: U.S. Bureau of Labor Statistics; Moody's Economy.com



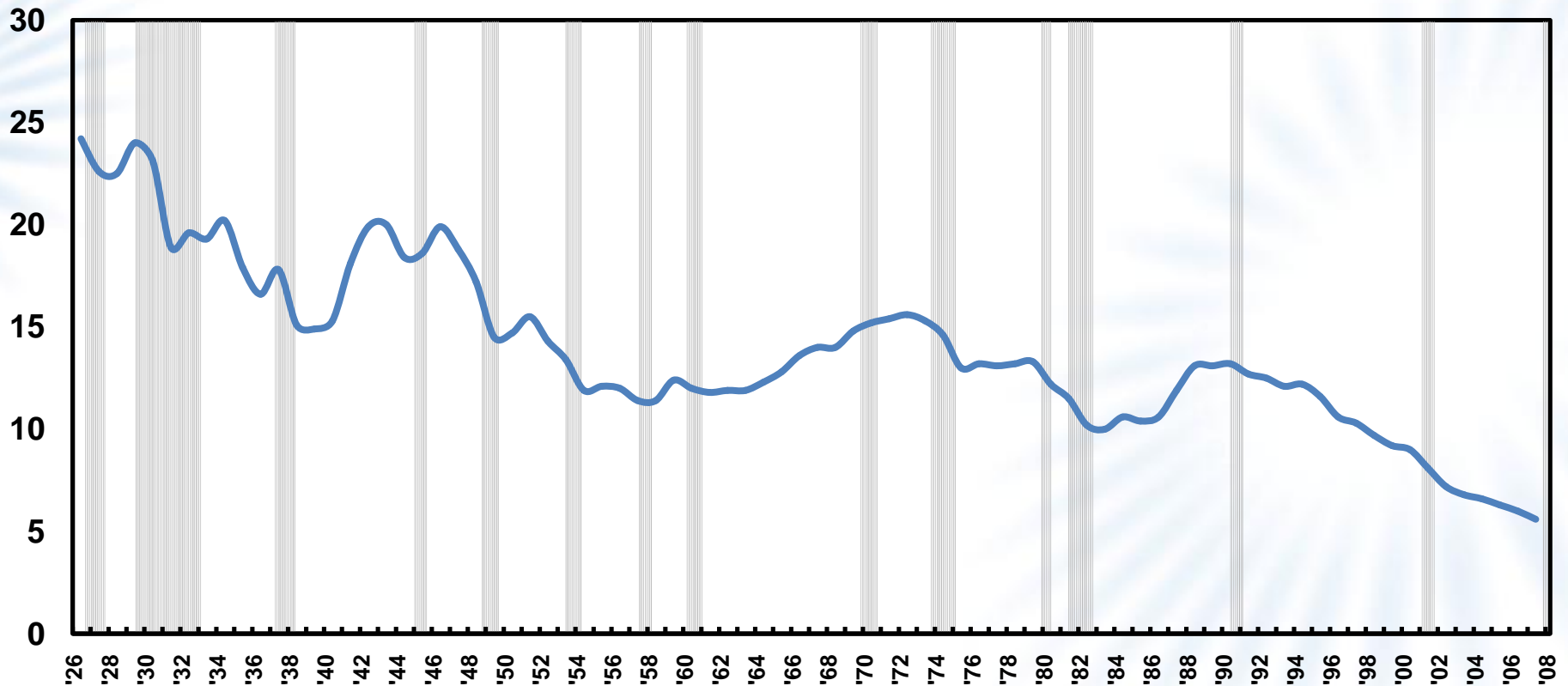
Impact of Recessions on Claim Frequency

Overview of Just-Completed NCCI Research

- Uses BLS data on injury and illness incidence rates (“BLS_frequency,” for short) for manufacturing
- Analysis based on *growth rate* of frequency
- Uses statistical modeling to determine the long-term trend in frequency growth and how frequency growth varies over the business cycle
- Full report will be published later this year

Characteristics of Frequency: A Long-Term Drift Downward

Manufacturing—Total Recordable Cases Rate of Injury and Illness Cases per 100 Full-Time Workers

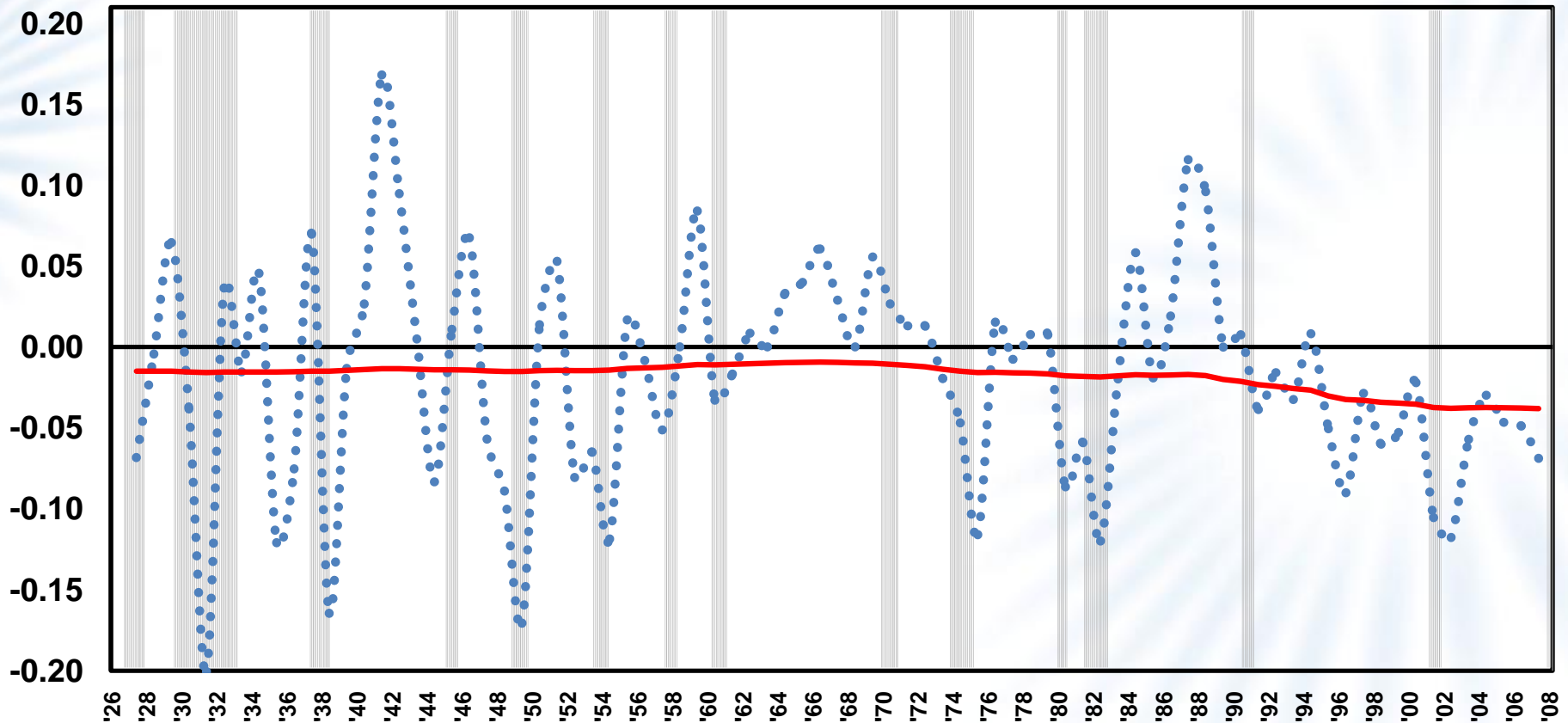


Note: Recessions indicated by gray bars

Source: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

The Business Cycle Impact on the Incidence Growth Rate in Isolation

Growth Rates, Workplace Illness and Injury—Manufacturing



Note: Recessions indicated by gray bars

Source: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

Explaining the Business Cycle Behavior of BLS Frequency Growth

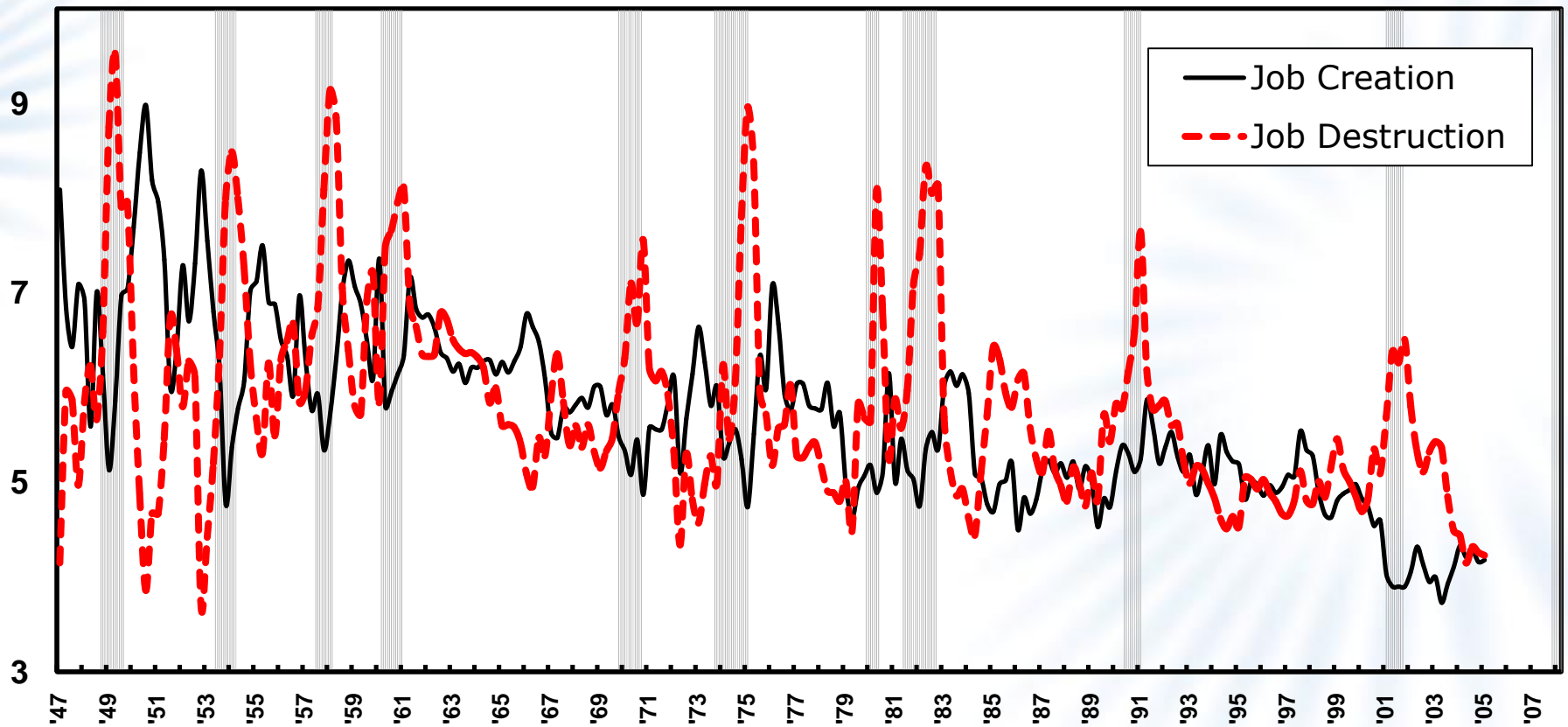
- The observed business cycle behavior of frequency growth is consistent with the “experienced worker” effect:
 - In recessions, fewer new jobs are being created, which reduces the fraction of inexperienced workers on the payroll, thus reducing frequency growth
 - In contrast, in economic expansions, when new jobs are created at a high rate, many inexperienced workers are added to the payroll, which increases frequency growth
- Nevertheless, there continues to be anecdotal reports of “job loss” effects (claim frequency rising on news of factory shutdowns or large layoffs)
- How do we reconcile these disparate views on how frequency behaves in recessions?

Explaining the Business Cycle Behavior of Frequency Growth: Focus on Job Flows

- Job flows data breaks down *net* changes in employment into changes related to *job creation* (the adding of new jobs) and *job destruction* (the elimination of existing jobs) at the establishment level (e.g., plant level)
- The rates of job creation and job destruction move in opposite directions during recessions
- Those differences help to reconcile the “experienced worker” effect and the “job loss” effect

Cyclical Pattern of Job Creation and Job Destruction

Rates of Job Creation and Job Destruction—Manufacturing



Note: Recessions indicated by gray bars

Source: Davis, S.J., R.J. Faberman, and J. Haltiwanger (2006), "The Flow Approach to Labor Markets: New Data Sources and Micro-Macro Links," *Journal of Economic Perspectives* 20(3), pp. 3-26.

Impact of Job Flows on Frequency Growth: Results of Quantitative Analysis

- The decline in job creation at the onset of recessions causes the growth rate of frequency to decrease—reflective of the “experienced worker” effect
- At the same time, the increase in the rate of job destruction causes the growth rate of frequency to increase—the “job loss” effect (possibly indicative of moral hazard)

Impact of Job Flows on Frequency Growth: Results of Quantitative Analysis

- Statistical modeling shows that the effect of the decline in job creation in recessions outweighs the effect of the increase in job destruction—so, *on net, recessions tend to cause a decline in the rate of frequency growth*
- Conversely, economic expansions come with an *increase* in the growth rate of frequency

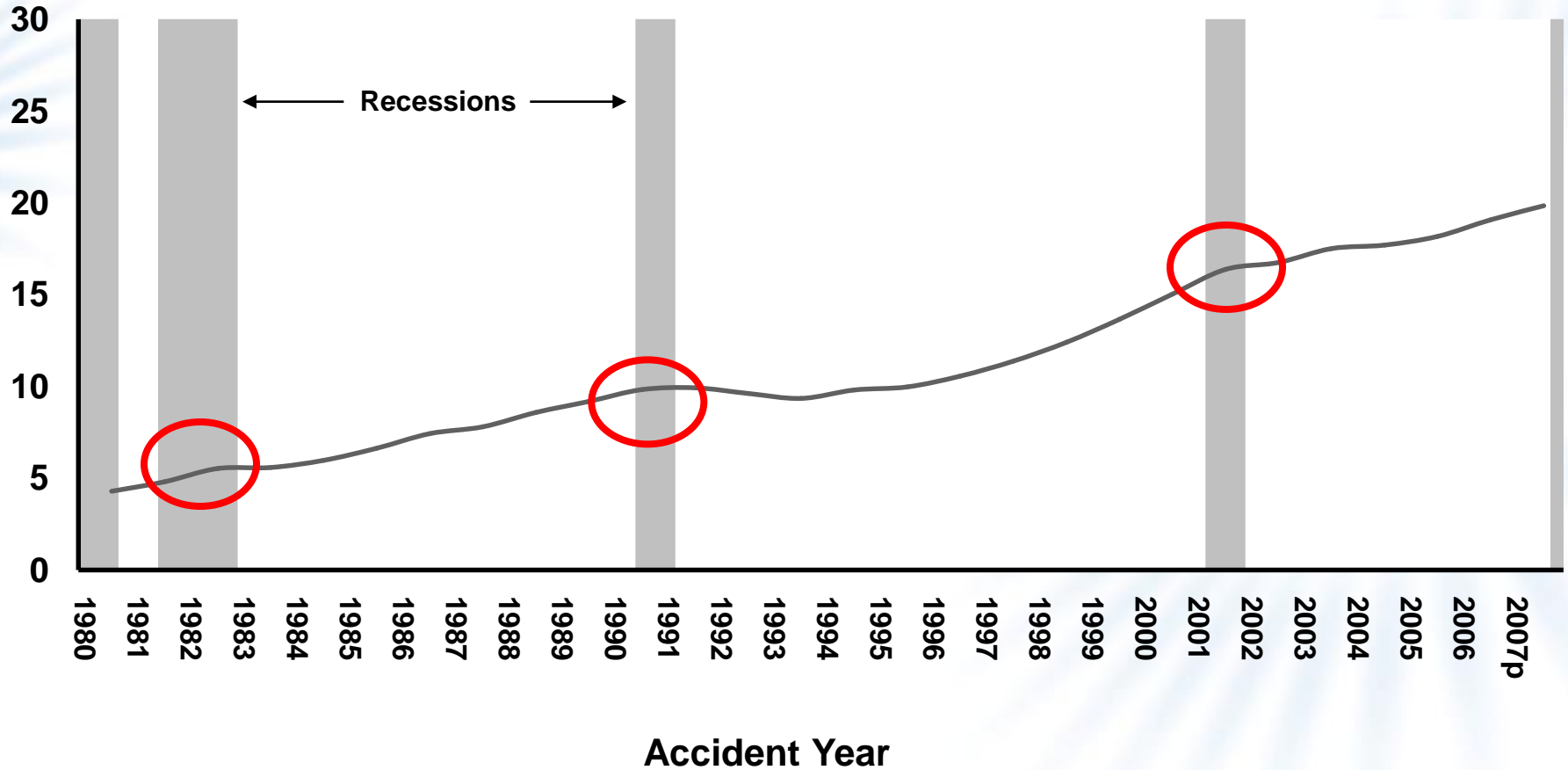


Impact of Recessions on Indemnity and Medical Severity

Indemnity Severity Growth Eases During Recessions

Indemnity Claims

Indemnity Cost per Claim (\$000s)



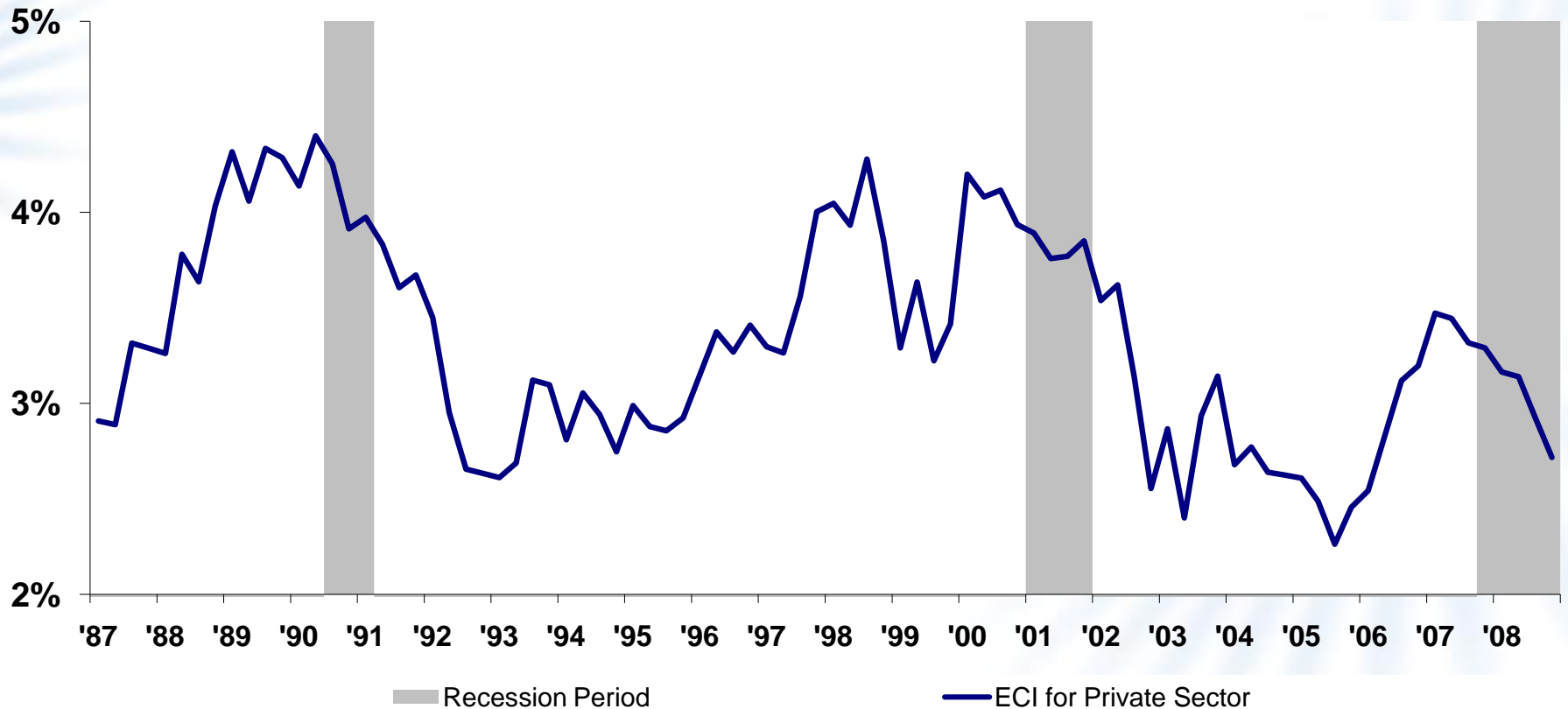
2007p: Preliminary based on data valued as of 12/31/2007

1980-2006: Based on Financial Call data, developed to ultimate

Based on the states where NCCI provides ratemaking services and excludes the effects of deductible policies

Recessions Place Downward Pressure on Wage Increases

Employment Cost Index (ECI) for Private Sector Workers Percent Change from Year Ago



Includes data available through December 2008
Source: U.S. Bureau of Labor Statistics; Moody's Economy.com

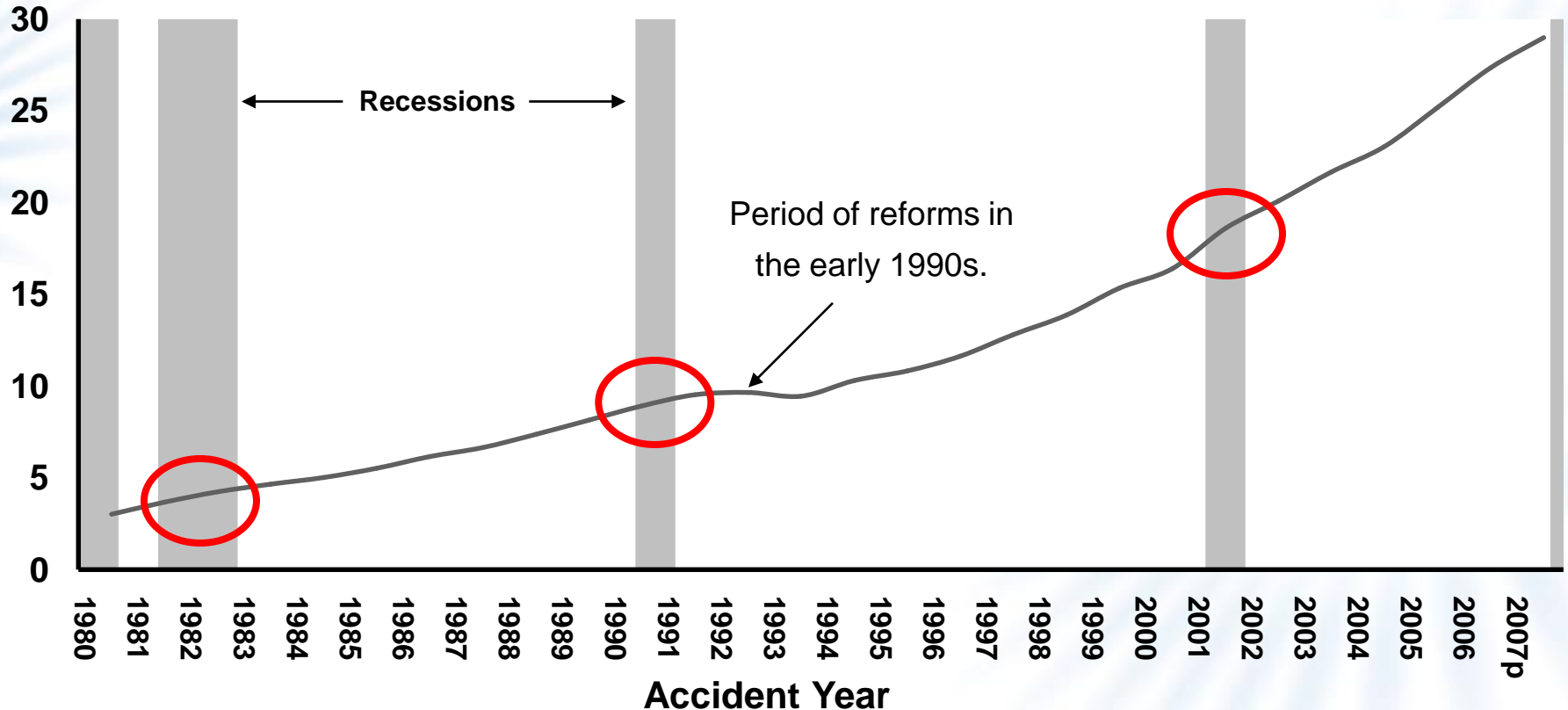
Indemnity Severity—Uncertain Impact of Recession on Worker Attitudes

- Concern for job may reduce time away from work
- High likelihood of job loss may reduce incentives to return to work quickly

Medical Cost per Claim Appears to Be Unrelated to the Business Cycle

Total Medical Claims

Medical Cost per Claim (\$000s)



2007p: Preliminary based on data valued as of 12/31/2007

1980-2006: Based on Financial Call data, developed to ultimate

Based on the states where NCCI provides ratemaking services and excludes the effects of deductible policies

Key Takeaways

- The current recession is likely to be both protracted and severe
- Recessions tend to place downward pressure on exposure (payrolls) because of declines in both employment and slower growth (or declines) in wage rates
- The economy affects claim frequency largely through the experienced worker effect—reflected in fluctuations around a persistent downward trend

Key Takeaways (cont.)

- Indemnity severity is impacted by changes in wages (the growth in which varies over the business cycle) as well as by how workers react to changes in economic conditions
- Medical severity seems largely insensitive to the business cycle

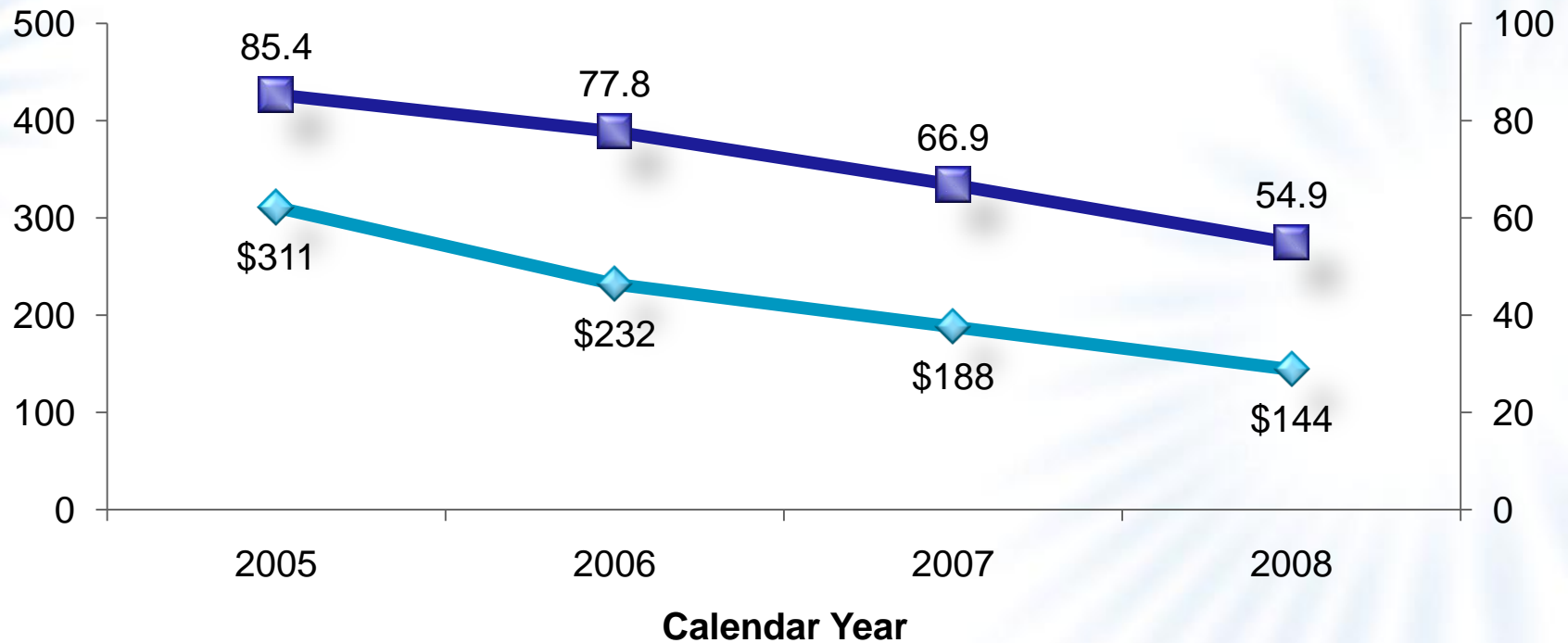


The Residual Market in Nevada

Total Residual Market New Applications and Premium Assigned in All Plan States

\$ Premium (Millions)

Applications (000's)



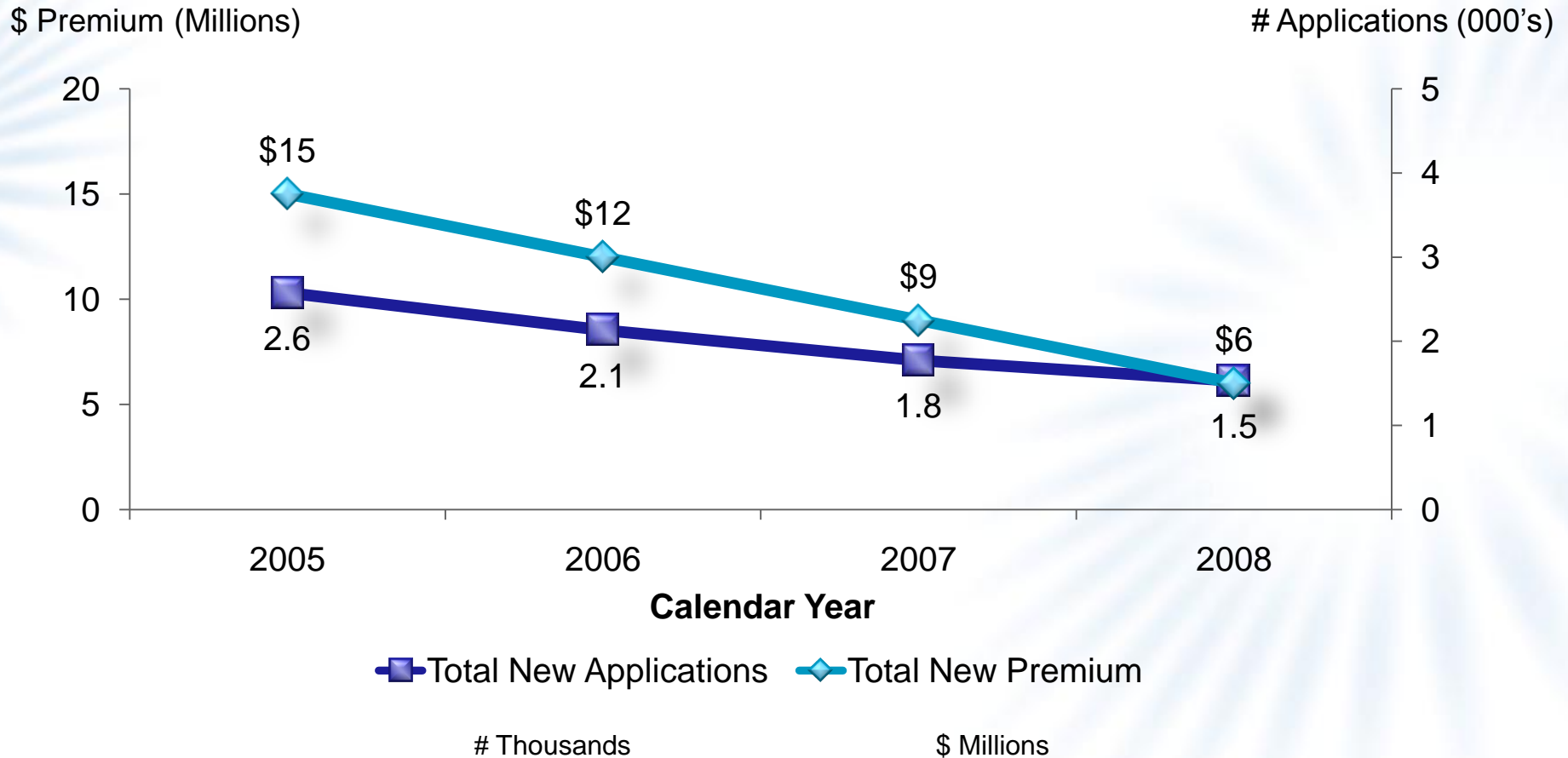
■ Total New Applications ◆ Total New Premium

Thousands

\$ Millions



Total Residual Market New Applications and Premium Assigned in Nevada



The Number of Residual Market Plan Assignments in Nevada

Number of Total Assignments

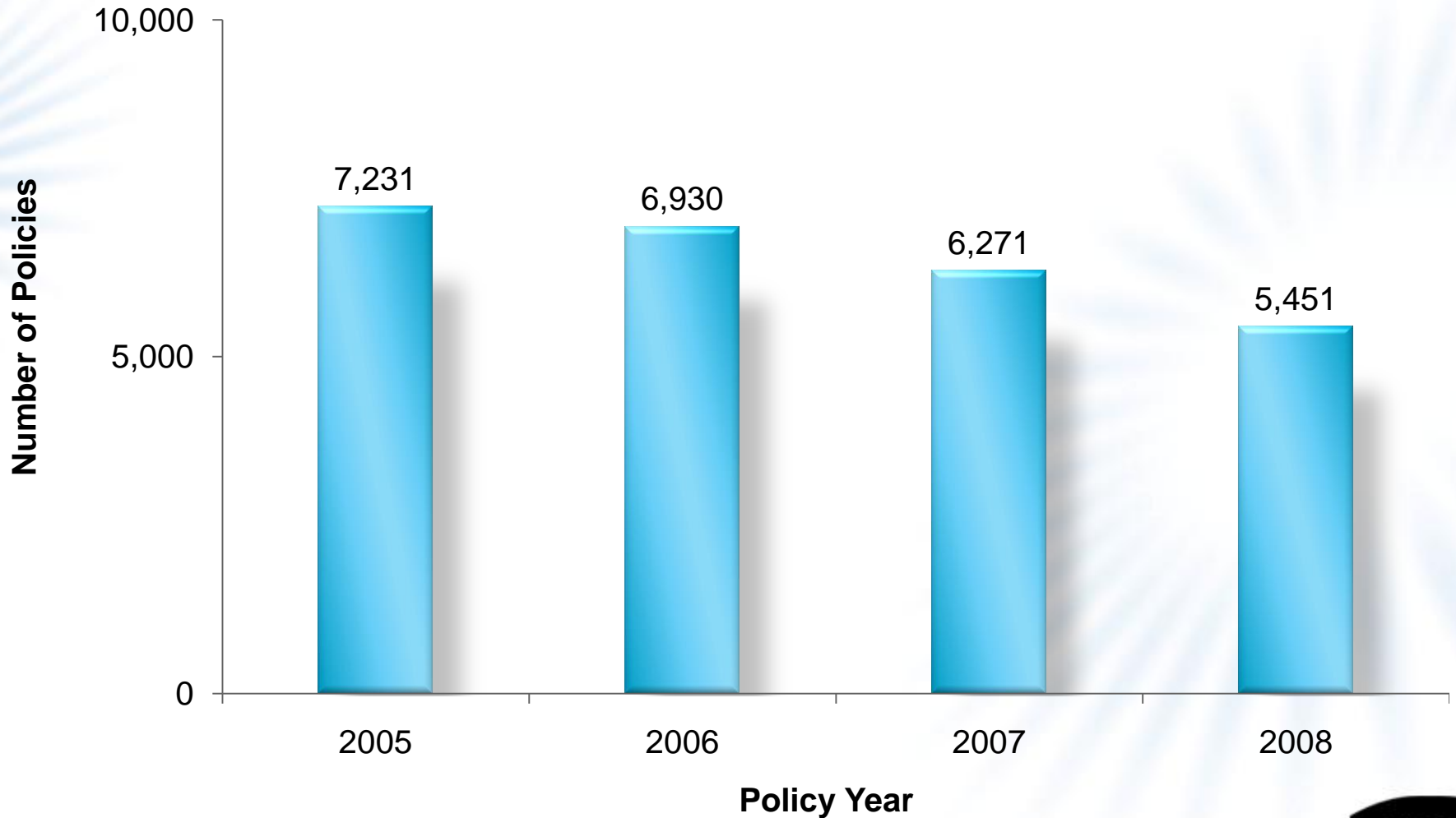
Year	Q1-Q4	% Change From Prior Year
2005	2,574	
2006	2,132	-17%
2007	1,772	-17%
2008	1,529	-14%

The Volume of New Assigned Premium in Nevada

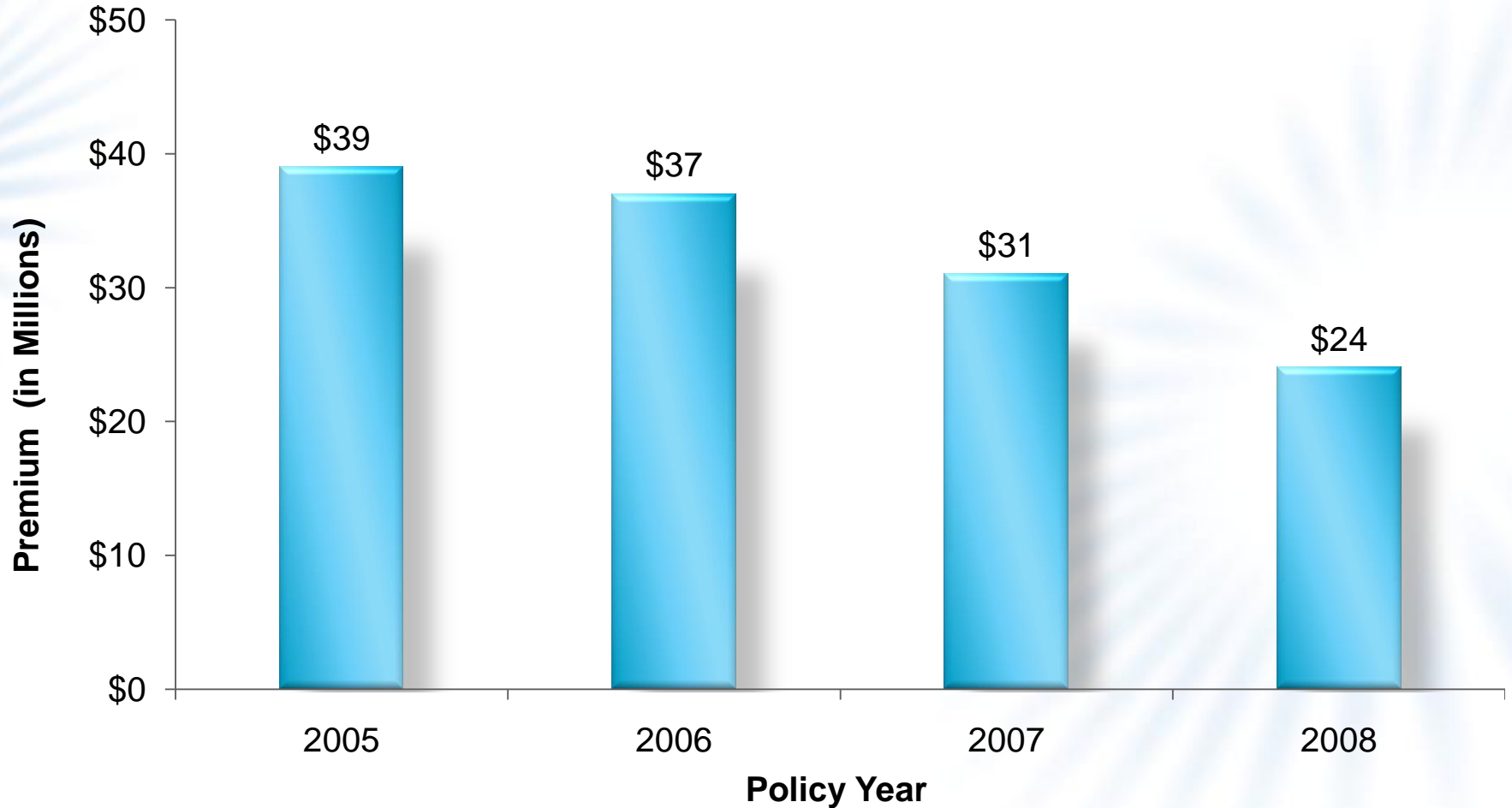
Volume of Total Assigned Premium

Year	Q1-Q4	% Change From Prior Year
2005	\$14,764,680	
2006	\$11,920,696	-19%
2007	\$ 9,089,955	-24%
2008	\$ 6,426,169	-29%

Nevada Total Residual Market Plan Policy Count



Nevada Total Residual Market Plan Premium Volume



Nevada Residual Market Plan 2007 vs. 2008 Total Policy Size Comparison

Premium Size	2007		2008	
	# of Policies	Premium	# of Policies	Premium
\$0-\$2,499	4,275	\$3,730,220	3,823	\$3,333,847
\$2,500-\$4,999	776	\$2,747,231	626	\$2,215,568
\$5,000-\$9,999	555	\$3,902,359	476	\$3,398,275
\$10,000-\$19,999	369	\$5,186,479	296	\$4,197,892
\$20,000-\$49,999	198	\$6,130,716	167	\$5,056,482
\$50,000-\$99,999	73	\$4,944,728	45	\$3,169,507
\$100,000-\$199,999	21	\$2,806,082	17	\$2,212,194
\$200,000 and greater	4	\$1,809,136	1	\$ 214,345
TOTAL	6,271	\$31,256,951	5,451	\$23,798,110

Nevada Top Five Class Codes Based on Residual Market Plan Total Policy Count

Nationally	Nevada
5645—Carpentry (11.1%)	5645—Carpentry (4.9%)
5437—Carpentry, Interior Trim (4.8%)	8810—Clerical (4.4%)
5474—Painting (4.2%)	7228—Trucking, Local (3.4%)
8810—Clerical (4.1%)	9014—Janitorial Services by Contractor (3.1%)
7228—Trucking, Local (3.8%)	5403—Carpentry NOC (3.1%)



Nevada Top Five Class Codes Based on Residual Market Plan Total Written Premium

Nationally	Nevada
5645—Carpentry (6.4%)	5551—Roofing (4.2%)
5551—Roofing (3.1%)	5645—Carpentry (3.8%)
7228—Trucking, Local (2.5%)	6204—Drilling NOC (3.3%)
7229—Trucking, Long Distance (2.5%)	5403—Carpentry NOC (2.9%)
8835—Nursing, Home Health (2.4%)	8835—Nursing, Home Health (2.2%)

Demographics: Top 10 Zip Codes With the Largest Number of Nevada Residual Market Policies

Zip Code	City	Policy Counts	% of Policies in Zip Code
89502	RENO, NV	116	2.76%
89118	LAS VEGAS, NV	104	2.48%
89119	LAS VEGAS, NV	101	2.40%
89511	RENO, NV	89	2.12%
89509	RENO, NV	87	2.07%
89423	MINDEN, NV	84	2.00%
89431	SPARKS, NV	82	1.95%
89102	LAS VEGAS, NV	78	1.86%
89103	LAS VEGAS, NV	77	1.83%
89117	LAS VEGAS, NV	74	1.76%
		892	21.23%

Nevada Assigned Risk Pricing Programs

- Assigned Risk Differential
- Assigned Risk Adjustment Program (ARAP)
- Loss Sensitive Rating Plan (LSRP)
- No Premium Discounts

Residual Market Filings

Arizona	10/1/08	+7.9%
South Carolina	7/1/08	+4.3%
Illinois	1/1/09	+3.5%
Connecticut	1/1/09	+1.2%
South Dakota	7/1/08	+1.2%
Georgia*	7/1/09	0.0%
Kansas	1/1/09	0.0%
Oregon	1/1/09	0.0%
New Mexico	1/1/09	-1.3%
New Hampshire	1/1/09	-1.7%
Alabama	3/1/09	-2.3%

* Pending

Residual Market Filings

Indiana	1/1/09	-3.4%
Iowa	1/1/09	-3.8%
North Carolina	4/1/09	-3.8%
Virginia	4/1/09	-5.0%
Alaska	1/1/09	-5.2%
Nevada	3/1/09	-6.0%
Tennessee	3/1/09	-8.4%
Vermont	4/1/09	-9.6%
Mississippi	3/1/09	-13.0%
Arkansas	7/1/08	-13.8%
Dist. of Columbia	11/1/08	-15.8%



Implications of the New AMA Guides



Q & A



Closing Remarks

Thank You!



Glossary

Glossary

- **Assigned Risk Adjustment Program (ARAP)**—An assigned risk market program that surcharges residual market risks based on the magnitude of their experience rating modification.
- **Calendar Year (CY)**—Experience of earned premium and loss transactions occurring within the calendar year beginning January 1, irrespective of the contractual dates of the policies to which the transactions relate and the dates of the accidents.
- **Calendar-Accident Year (AY)**—The accumulation of loss data on all accidents with the date of occurrence falling within a given calendar year. The premium figure is the same as that used in calendar year experience.
- **Claim Frequency**—The number of claims per unit of exposure. For example, the number of claims per million dollars of premium or per one hundred workers.

Glossary

- **Claim Severity**—The average cost of a claim. Severity is calculated by dividing total losses by the total number of claims.
- **Combined Ratio**—The sum of the (i) loss ratio, (ii) expense ratio, and (iii) dividend ratio for a given time period.
- **Detailed Claim Information (DCI)**—An NCCI call that collects detailed information on an individual workers compensation lost-time claim basis, such as type of injury, whether or not an attorney was involved, timing of the claim's report to the carrier, etc.
- **Direct Written Premium (DWP)**—The gross premium income adjusted for additional or return premiums, but excluding any reinsurance premiums.

Glossary

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

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.



Appendix

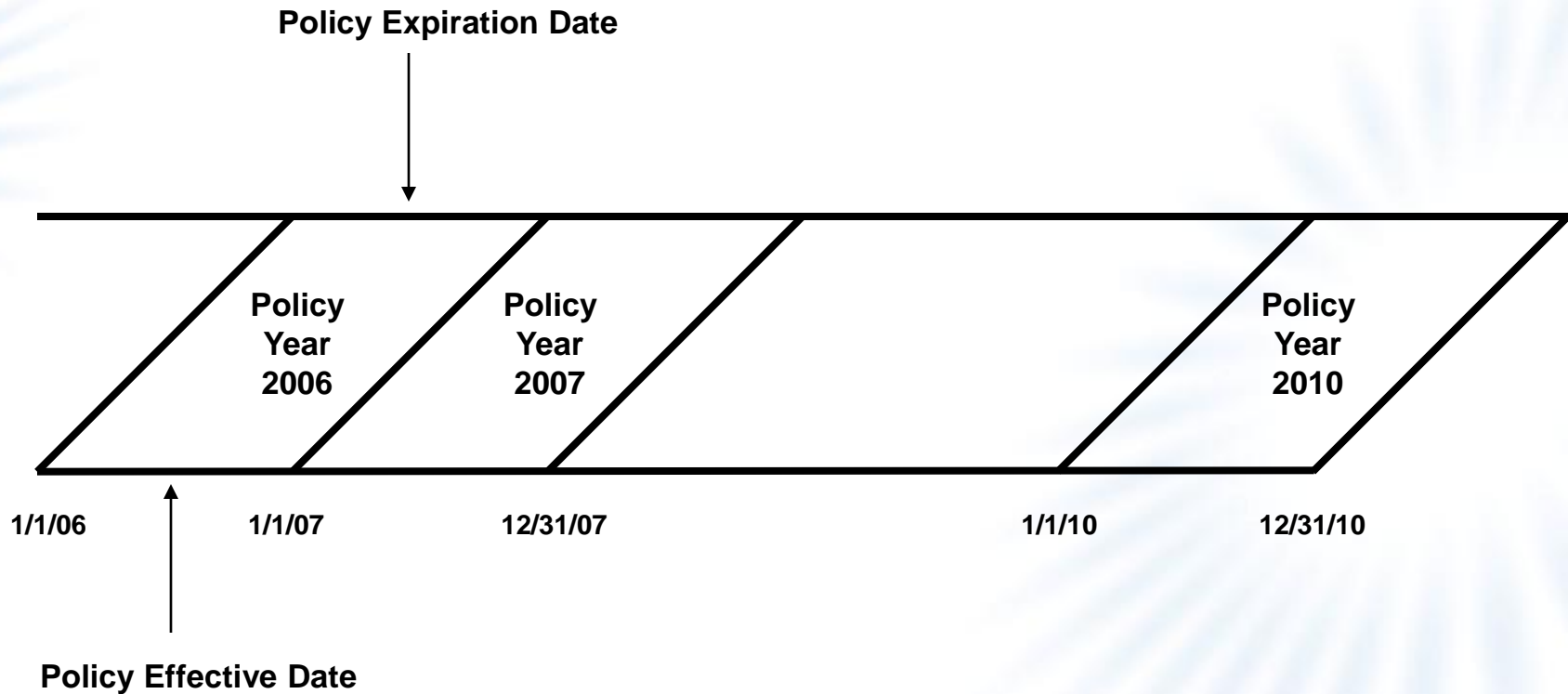
NCCI Workers Compensation Databases

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

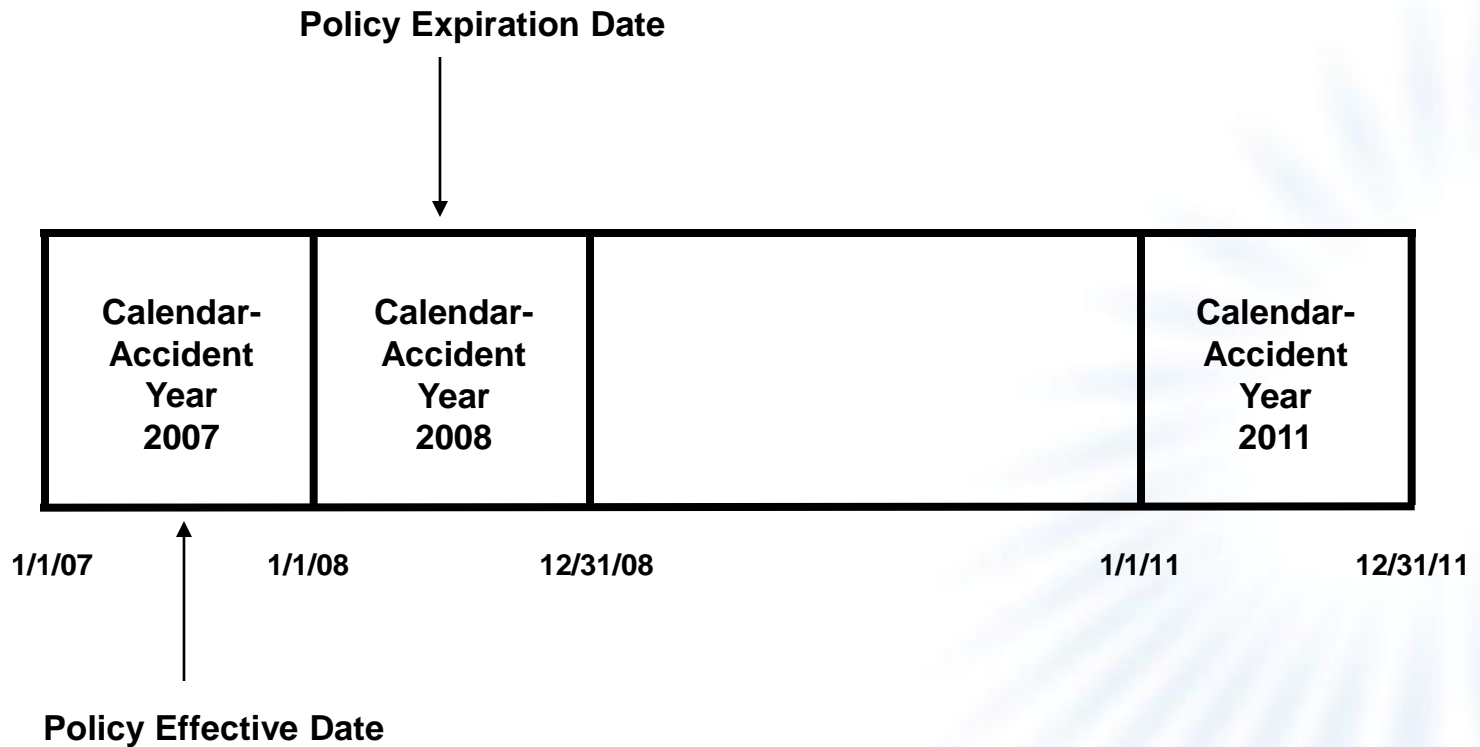
Financial Aggregate Calls

- 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

Policy Year Financial Aggregate Data



Calendar-Accident Year Financial Aggregate Data



Workers Compensation Statistical Plan (WCSP) Data

- Experience by policy detail
 - Exposure, premium, experience rating modifications
 - Individual claims by injury type
- Purposes
 - Classification relativities
 - Experience Rating Plan
 - Research

Valuation of WCSP Data

