



NCCI Proposes New Experience Rating Rules for COVID-19

The Workers Compensation Insurance world is being significantly affected by the COVID-19 outbreak. As state insurance laws and rules have been granted to expanding illness coverage and the employees being paid to stay home, numerous questions have been arising on how these issues will affect employers' workers compensation policies and their future pricing components. The National Council of Compensation Insurance (NCCI) has published a FAQ page to update what rules are being proposed to the states with regards to COVID-19 exposures. The full list can be found [here](#).

The most common questions revolve around premium and loss payment and how they affect reporting on premiums, audit and on experience rating. NCCI appears to be preparing rule changes for how to treat this issue. Some of rules include:

1. Statistical Payroll Class Code of 0012 is being proposed for employers to classify payroll of idle employees (paid but not working). This designation would eliminate those payrolls and exposure from the unit stat for the experience mod calculation.
2. Nature of Injury Code - 083 to be assigned to COVID-19 claims to identify statistical affects of COVID-19 claims on workers' compensation insurance.
3. Assignment of Extraordinary Loss Event (ELE) Code 12 to identify claims related to COVID-19 exposure. NCCI is proposing that claims coded to ELE 12 not be included in the experience rating for employers. The detailed explanation for this proposed rule is found in the answer to question 16 below from NCCI.

"Question 16: Will claims related to COVID-19 be included in experience rating?"

NCCI is proposing that claims attributed to the COVID-19 pandemic be excluded from experience rating. NCCI will file a rule change for the exclusion of claims identified with Catastrophe Number 12 for consideration by state insurance regulators.

COVID-19 is different from more common infectious diseases. Currently, there is no vaccine or known cure, which creates great uncertainty for our stakeholders. Pandemics have been rare and are generally considered catastrophes because of their scope and severity. The presence or absence of a pandemic in a recent historical period is not believed to be a reliable good predictor of whether one will return in a given future year, after the current one runs its course. Pandemics share this aspect with other catastrophic perils in the workers compensation line, such as terrorism and earthquake, and each peril presents a unique catastrophic exposure. Those other catastrophes have a non-ratable provision outside of the manual loss costs and rates that represent the long-term average expected cost, and the claims arising from those events are excluded from experience rating."

Risk Transfer Insurance is committed to providing information necessary for the PEO industry and its clients to navigate these extraordinary times.
