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Technical Advisory

TA 299

May 16, 2012

Subject: NCCI – Split Point Filing for WC Experience Rating

Background: The National Council on Compensation Insurance (NCCI) has filed a major countrywide change in the Experience Rating procedures.

Main Points: The Independent Insurance Agents of America (IIABA) recently distributed detailed information on the upcoming changes. In the April 20 edition of the IIABA's Virtual University "VUpoint Newsletter," these changes were summarized with important editorial commentary by Bill Wilson, CPCU, ARM, Director of the Virtual University. Reprinted below are Wilson's commentary, followed by the Memorandum from IIABA.

Necessary Action: Distribute this Technical Advisory to all appropriate agency staff.

IIABA's Virtual University VUpoint Newsletter

Vol. 13, No. 8 - Issue #299 - Friday, April 20, 2012

Special Workers Compensation Issue

This special issue of the VUpoint focuses on a recent NCCI filing (E-1402) that makes significant changes in the experience rating plan. These changes could result in significant experience mod increases that have nothing to do with changes in your insureds' loss experience. Please download and distribute the documents below to your commercial lines staff and company underwriters.

Big "I" Urgent Call for Action: NCCI Experience Rating Change Could Have a Huge Adverse Impact on Your Customers

NCCI has filed an experience rating plan change (filing E-1402) that may have a greater adverse impact on some employers than any change made in the plan in decades. Insurance agencies should expect to hear from some of their experience rated insureds in the near future, especially those whose experience mod and premium increases significantly and unexpectedly. In order to facilitate your response to insureds seeking assistance and advice, we are providing four documents:

- **Memorandum to Big "I" Member Agencies.** This document outlines the changes being made to NCCI's experience rating plan and how member agencies can assist their customers in identifying and resolving potential problems.
- **Addendum 1.** This is a state by state listing of when this filing will become effective. We anticipate that this document may change in the coming months.
- **Addendum 2.** This is a document that Big "I" member agencies can send to their customers to explain, in nontechnical terms, what NCCI is doing and how it may impact the insured. Big "I" member agencies are free to copy and paste this information into agency communications, including agency letterhead.
- **Addendum 3.** Some entities will not hire a business, particularly in the construction industry, if their mod exceeds a certain amount, often 1.00 – 1.05. This document details why this should not be a major factor in prequalifying bids for jobs. Big "I" member agencies are free to distribute this document to their customers and those they are doing business with. We do ask that the IIABA copyright notice remain on this document.

[\[Click here to view or print this document.\]](#)

It is important that you distribute this information to your commercial lines staff as soon as possible. The effective date of this filing in many states is January 1, 2013. If agencies have insureds with the same policy renewal date, it is imperative if they have a debit mod that the insurer be urged to close any open claim that can be closed for an amount less than the reserve in order to minimize the impact of this change on the experience mod. The cut-off date for doing this is six months prior to the renewal date, so it is obviously important that agencies move on this soon.

The Big "I" national association is attempting to monitor the impact of this change on a countrywide basis. If you become aware of any significant mod increases or loss of work by customers solely because of this change, please let us know. You may forward this information to Bill Wilson at bill.wilson@iiaba.net.

Finally, many agencies are ill-equipped to respond to the calls they are going to get because they do not have a good working knowledge of how NCCI experience rating works. We have a two-hour webinar that explains everything agency commercial lines staff would need to know about understanding and explaining the experience rating process. It includes a comprehensive reference manual, dozens of real-life examples, including explanations of how to identify and correct worksheet errors, and an FAQ document with dozens of Q&As. For more information or to register for the archived webinar, **[click here](#)**.

In addition, we are considering putting together a webinar on this perhaps in June. After reviewing the information on this experience rating plan change, if you feel that a webinar would be beneficial for you and your staff, please email bill.wilson@iiaba.net