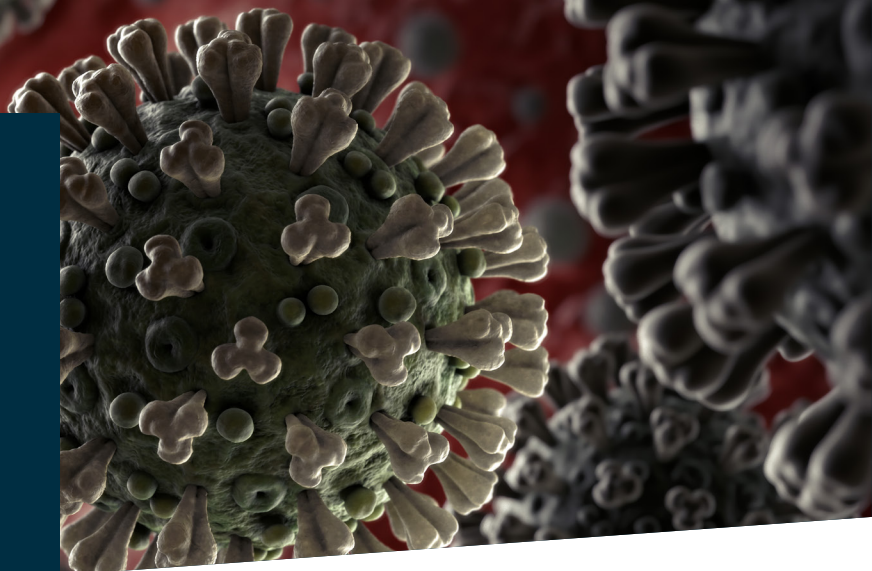




CLIENT ALERT

NCCI Changes to Workers' Compensation in Light of COVID-19



The National Council on Compensation Insurance (NCCI) has been designated by the insurance departments of thirty six states to act as the licensed rating and statistical organization responsible for gathering data, analyzing trends, providing insurance rates, loss cost recommendations and the promulgation of employer experience rating.

On April 17, 2020, the NCCI issued their quarterly Economics Briefing addressing critical concerns related to the Coronavirus Disease of 2019. As such, the current information for COVID-19 from each state, as it relates to insurance is voluminous.

Nevertheless, the core takeaways in the report are as follows:

- Coverage of coronavirus claims under Workers' Compensation is governed by the Workers' Compensation Statutes and procedures under the laws of each individual state. However, it continues to evolve given the facts of each individual matter and how claims relate to the current statutes and any legislative changes on a state by state basis. The NCCI will issue the "Claim Reporting Requirements" (DR-2020-01) and "Nature and Cause of Injury Codes" (CIF 2020-1) by April 24, 2020 as guidance.
- While the coronavirus keeps many workers away from their jobs, the insurance industry continues to face difficult and unprecedented questions. Currently, despite being away from the workplace, the salaries of these employees are required to be included in premium calculations for Workers' Compensation insurance.
- The NCCI plans to submit a proposed rule change during the week of April 20. The rule change will create a new statistical payroll code for employees who are still being paid but are not actively working. The salary of these employees would not be included in employers' Workers' Compensation insurance premium.
- In essence, the rule change rewards companies with paused or limited operations that have kept inactive employees on the payroll by eliminating the need to pay the cost of their Workers' Compensation insurance while they are inactive.

- Some key considerations include: (i) the payroll for inactive employees will not be used in the calculation of premium, (ii) the NCCI will introduce the rule change to state regulators in all 36 states it services, (iii) once approved by the state regulators, the change will take effect retroactively, to the beginning of the federal state of emergency, (iv) the exact details of the proposed rule changes will be included in a filing that will be submitted to state regulators in all NCCI states. The filing is expected to be made the week of April 20.
- The NCCI is proposing claims arising from COVID-19 be excluded from the experience rating. However, it is currently under review and no final decision has been made. "NCCI will file a rule change for the exclusion of claims identified with Catastrophe Number 12 for consideration by state insurance regulators".
- Please note that there are 36 states that are subject to the NCCI governance. The other 14 include monopolistic state and independent state rating bureaus that may have their own rulings on these matters.

As we journey through uncharted territory with COVID-19 and potential payroll changes, we recommend the following for payroll tracking guidance:

- The Insured should maintain payroll records for employees that continue to work but have taken on different duties in a manner that the payroll is identified and split based on the applicable Workers' Compensation class code.
- Payroll given to employees for time not work related to the Covid-19 crisis should be separately identified in the Insured's records. This exposure should be captured to a unique payroll category.

This will help identify payroll related to COVID-19 when the Workers' Compensation audit is performed.

The NCCI has detailed states legislative, regulatory and legal activity for viewing relevant Workers' Compensation-related bills that they monitor for all jurisdictions and the federal government. This link includes real-time COVID-19 legislative information updated daily:

https://www.ncci.com/Articles/Pages/II_LegislativeActivity.aspx

Should you have any questions or concerns, **please engage your local Alliant contact immediately** or you can visit:

<https://insurance.alliant.com/COVID19-questions>