

NCCI Experience Rating Plan Changes – What You Need to Know

What is the split point?

NCCI's Experience Rating Plan was designed to modify the premium of policyholders based on their loss experience. The formula separates losses into two categories: primary (or frequency) and excess (severity). The point at which they're separated is the "split point," which gives heavier weight to the frequency of losses rather than their severity. In essence, full weight (100%) is given to losses under a certain threshold (the "split point"), while a reduced weight is placed on losses above the threshold when calculating the mod.

What is changing?

For NCCI states and most independent bureaus (including Michigan and Wisconsin) the experience modification split point will be changing over a three-year period from its current value of \$5,000 to:

Date	Split Point
2013	\$10,000
2014	\$13,500
2015	\$15,000 + 2 years inflation to closest \$500
Beyond	Inflation matched to previous year's level

Why is it changing?

The current experience rating split point hasn't changed in 20 years. The average cost of a claim has tripled since the last change, therefore inadequate weight is being given to the frequency. The plan has become less responsive and isn't as effective at maintaining equity. Under the new plan, those with better loss history will be rewarded, while those with poor safety records will be negatively impacted. This change indexes the split point to inflationary for automatic annual increases.

How will this change impact your clients?

While overall changes will be revenue neutral, NCCI projects roughly 46% of employers will see a decrease in their mod and 18% will see an increase. The remaining 36% are likely to see very slight deviations of +/- 0.02. In general, those with good mods and loss histories will favor and those with higher mods and poor loss histories will experience increases.



What you can do to help your clients?

Make them aware of the changes immediately, and remind them of the three important considerations that influence their mod rating:

Factors	What Agents Can Do	How Accident Fund Can Help
Number of workplace injuries or illnesses per year	Since preventing accidents is the number one way to lower a mod, encourage the utilization of workplace safety tools and programs and ensure clients have an effective return-to-work program in place.	<ul style="list-style-type: none"> • WorkSafe Toolbox • No-cost safety training modules available 24/7 • Low-cost safety training videos • Access to experienced WorkSafe Consultants • Printed materials available at AccidentFund.com • Monthly WorkSafe Solutions e-blasts
Cost of injuries/ illnesses	Encourage policyholders to report accidents as soon as they happen. Injuries reported within 48 hours cost 22% less on average. Early reporting is crucial to controlling claims costs.	<ul style="list-style-type: none"> • Accident Fund claim costs are 20% lower on average vs. industry • Pharmacy program saves nearly 40% on prescription medications per year • Medical bill review process helps us outperform competition by 25% per dollar billed • Medical Cost & Containment programs saved \$5.5 million in 2011 • Effective return-to-work programs can have the single-largest impact on cost savings related to work comp premiums
Premium size	Proper code classification is imperative. Help policyholders ensure they have their workers classified under the correct class codes.	<ul style="list-style-type: none"> • In-house audit team can help identify proper NCCI codes • Expert underwriters work with agents to help classify risks



Note: The NCCI split point change has no impact on merit mod rating plans.